

## Nifty Chart



## Nifty Outlook

Nifty Fut.	R1	R2	S1	S2
8174	8155	8200	8080	8000

8330 remains a significant level to track as 'Spinning Top' formation near the resistance re-confirms the significance of the level. The reversion post the same indicates the ongoing correction to continue. A breach below 8080 would amplify the bearish momentum & push nifty towards its lower bound placed near 7900. Only a breach above 8330 would negate the setup & eject nifty into a new orbit. Traders could continue their shorts with a trading stop at 8320.

## Currency (USDINR) Outlook

USDINR	S1	S2	R1	R2
67.17	67.05	66.90	67.55	67.95

The pair is likely to trade positively as long as above support at 67.05. Buying is advised targeting 67.55 level.

## Sectoral Outlook

Sector	Outlook
OMC	Positive
PHARMA	Negative

## Market Drivers

- ✓ Markets ended the prior week unchanged. Ensuing week will be challenging on back drop of RBI Governor Mr. Rajan deciding to pursue academia on completion of his tenure in September, Monsoon so far has been deficient and 'Brexit' sword still hanging. Markets are likely to be volatile till next RBI governor's name is announced and outcome of 'Brexit' referendum is known on 23rd of June. Even if outcome of 'Brexit' referendum is in favor of UK moving out it will be long drawn process. Post initial reaction which may last for couple of days Global Equity markets will find feet along with Currency and Bonds. However, continuity of weakness in Monsoon will be a real red flag for our equity market. This has to be read in context of firming up CPI & WPI inflation & fluctuating IIP data plagued by lack of demand for capital goods.

## Highest Call OI

Instrument	Strike	OI	Chg in OI
Nifty 30-Jun	8300	6519975	394800
Bank Nifty 23-Jun	18000	259260	158490
Bank Nifty 30-Jun	18000	546750	-14520

## Trading Idea - Cash & Future

Scrip	Reco	CMP	SL	Target
AUOPHARMA	SELL	728	770	680

## Trading Idea - Derivatives

### STRATEGY - TCS Ratio Call Spread

Instrument	B/S	Lot	Reco	CMP
Jun 2650 CE	Buy	1	19	19
Jun 2700 CE	Sell	2	8.3	8.3

Target Profit : 9500      Stop Loss : 500 (Hedge above 2740)

## Highest Put OI

Instrument	Strike	OI	Chg in OI
Nifty 30-Jun	8000	7894825	418500
Bank Nifty 23-Jun	17000	201930	118860
Bank Nifty 30-Jun	17000	642810	-3870

# ✓ MOST Market Outlook

20th, June 2016

## Trading Calls

**AUROPHARMA**      CMP      INR 728  
**Sell**                      Target      INR 680



- ✓ Negative sector outlook along with the 'Falling Three' formation on the monthly scale exhibits weakness to persist
- ✓ Breakdown from the continuation pattern re-confirms the bearish trend
- ✓ Pullback if any could be utilized to create fresh shorts with a stop at 770 for an initial target upto 680

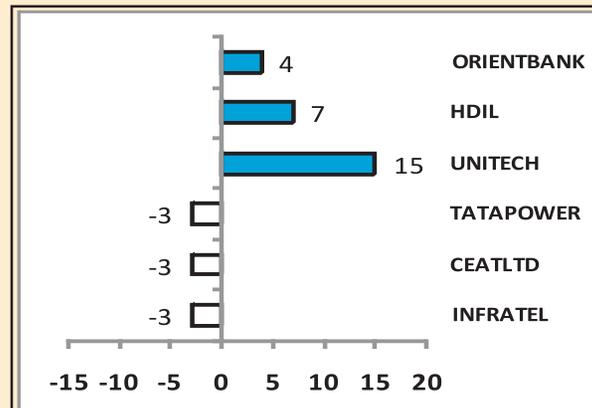
## FII & DII Activity (Rs. in Cr)

Cat.	Amt	MTD	YTD
FII	32	3725	-41277
DII	-26	-2641	60156

## FII F&O

Institution	Net B/S	OI
Index Future	-480	Long Unwinding
Index Options	-656	Writing
Stock Futures	-91	Short

## Major Price % Change



## Derivatives Idea

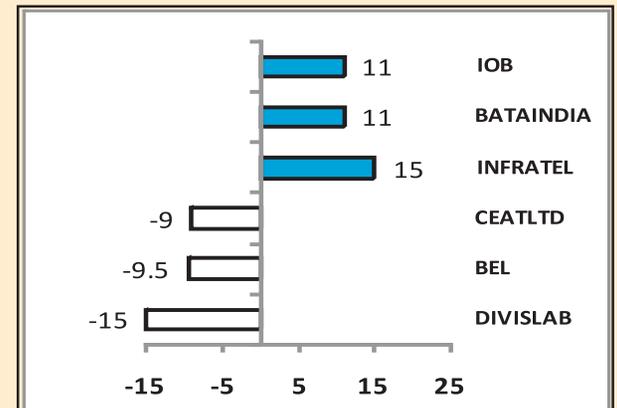
**TCS**                      Buy 1 Lot 2650 CE  
                                 Sell 2 Lots 2700 CE

### Ratio Call Spread



- Target Profit : 9500      Stop Loss : 500**
- ✓ TCS is in long- long unwinding cycle. Put built up at 2550 could act as immediate support
  - ✓ Unwinding in 2600 CE could provide further momentum on higher side
  - ✓ Considering stable volatility and to benefit from theta decay, Call Ratio spread is recommended

## Major OI % Change



## Morning Meet Notes

### Fundamental News Flow

- ✓ Rajan not to extend 2nd term

### Research Notes

#### **Cipla management meet: To double sales by 2020; Focus on high-yielding assets**

- ✓ Time to reap benefits of recent restructuring exercises (going on for 3-4 yrs); capacities and expertise built to leverage high yielding US market
- ✓ Current team size good enough to deliver 2x revenue by 2020 (emp cost % of sales:18% highest)
- ✓ US to become key driver of growth and margins
- ✓ Acquisition of Invagen; establishment of front-end presence; hiring of senior management members
- ✓ India to grow ahead of market; contribution to total sales to come down
- ✓ Improvement in sales force productivity, new product launches and an increase in reach
- ✓ Europe to form ~10% of sales by 2020 (current 4%) largely due to respiratory and oncology areas
- ✓ Enhanced focus on R&D (8% of sales)
- ✓ TP of INR540 @ 18x FY18E PER, CMP: INR 485

#### **EXPERT SPEAK (India Aviation) | New aviation policy: Well intended, but many loose ends**

- ✓ Expect unconstrained India aviation growth at 20-25%; but constraints exist (target of 300m passenger vol by 2022 vs 85m in 2016); ~USD 200bn required for infrastructure and building up ecosystem; Advantage of 0/20 rule will take time
- ✓ Regional Connectivity Scheme, though well-intended, could find few takers
- ✓ INR2,500 cap could make these routes uneconomic
- ✓ Lack of decision on privatization of Air India, AAI and other services a disappointment

#### **Mahanagar Gas (IPO NOTE): Well placed in under-penetrated; High potential markets**

- ✓ Supplies CNG & PNG in Mumbai & Raigad; FY16: 74% was CNG and 26% was PNG.
- ✓ Network of 188 CNG stations, PNG to 0.9m households, 0.5m CNG connections. Single operator in its geography; 7% vol CAGR last 5 yr MGL;network exclusivity in Mumbai till FY20, in adjoining areas till FY30, and in Raigad till FY40.
- ✓ Underpenetrated target markets: 20.7m population and 3m households in its area; Government allocation of 110% CNG/PNG continued availability of gas at predictable pricing
- ✓ Cash-rich balance sheet, strong returns ratios: 21%+ RoE & FY11-16 CAGR for revenue/EBITDA/PAT has been 14% / 6% / 6.5%; avg payout of 50%/40% in the last 5/10 years
- ✓ At the offer price of INR380-421, the stock is available 12.2-13.5x FY16 adj. EPS

## Currency Ideas

### USDINR



- ✓ USDINR (June contract) initially rallied towards stiff short-term resistance near 67.50 but closed lower at 67.17, still gaining about 0.35% over the last week
- ✓ The pair now has immediate support at 67.05 level and a re-test of 67.50 level looks possible
- ✓ Breach of the same could extend the rally towards major resistance at 67.90-68 zone
- ✓ Buying is advised for the short-term

### JPYINR



- ✓ JPYINR (June contract) rallied and closed at a fresh 2.5-year high near 64.42 last week, up by about 2.85% for the period
- ✓ The pair had breached previous high at 63.06 earlier which is now likely to act as an important support
- ✓ Looking ahead, the pair is likely to continue trading positively above immediate support at 64.10 level (gap support)
- ✓ Buying on dips is thus advised for the short-term targeting channel resistance line 'C1' near 65.20-65.30 zone

# MOST Market Outlook

20th, June 2016

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