

MOST Market Outlook

30th January 2017

Nifty Chart



Trading Idea - Cash & Future

Scrip	Reco	CMP	SL	Target
Petronet LNG	BUY	392.95	377	430

Corporate Action:

USHDI - Stock Split From Rs.10/- to Rs.1/-

Security in Ban period:

NIL

Nifty Outlook

Nifty Fut.	R1	R2	S1	S2
8671	8670	8690	8620	8602

Nifty witnessed phenomenal momentum throughout the week. The pattern failure above 8450 was followed by a gap up move establishing the 'Run Away Gap' on the daily scale. Though the momentum indicators have entered the overbought zone but there is no sign of exhaustion in the ongoing momentum. The immediate resistance for the move could be around 8740 (78.6% retracement of the previous wave). Hence we expect the index to continue its ongoing momentum towards 8740 during the early part of the week. While a breach below its previous daily swing low around 8500 could distort the sequence.

Currency (USDINR) Outlook

USDINR	S1	S2	R1	R2
68.15	68.00	67.85	68.40	68.55

The pair is likely to trade in a range between intraday resistance at 68.45 and support at 68.15 level.

Sectoral Outlook

Sector	Outlook
ENERGY	POSITIVE
IT	NEUTRAL

Trading Idea - Derivatives

STRATEGY : Banknifty Bull Call Spread

Instrument	B/S	Lot	Reco	CMP
2 FEB 20100 CE	Buy	1	117	117
2 FEB 20500 CE	Sell	1	51	51

Target Profit: Rs.10000 SL: Rs.3000

Market Drivers

- ✓ US markets closed flattish. Global cues are limited. There is anxiety over the steps taken by US post Trumps executive order barring entry to refugees/citizens from several Muslim countries. In India, the focus will be on Budget. Expectation largely is for a boost to consumption, infra spending and tax cuts. Also expectation will be on further reform measures. Auto, consumption, infra, psus could remain in focus ahead of the budget.

Highest Call OI

Instrument	Strike	OI	Chg in OI
Nifty 23-Feb	9000	3639450	578925
Bank Nifty 23-Feb	20000	467360	66600
Bank Nifty 02-Feb	19000	303040	-2040

Highest Put OI

Instrument	Strike	OI	Chg in OI
Nifty 23-Feb	8400	3670425	433950
Bank Nifty 23-Feb	19000	460800	126880
Bank Nifty 02-Feb	19700	180000	102520

Trading Calls

Petronet LNG

CMP INR 392.95

Buy

Target INR 430



- ✓ Positive sector outlook & the breakout from the triangle formation was well supported with volumes
- ✓ Declines if any upto 386 could make the reward to risk sweeter even for trading longs
- ✓ A stop can be placed below 377 for an initial target up to 430

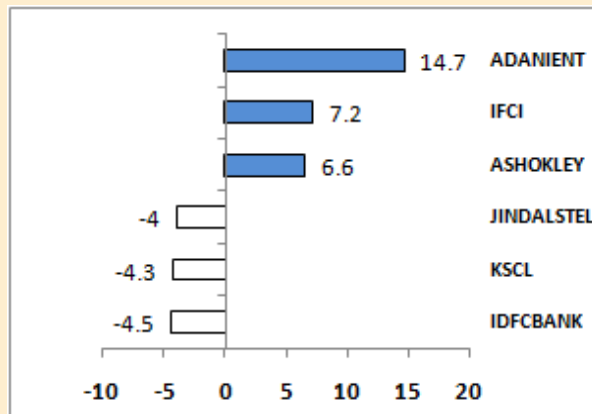
FII & DII Activity (Rs. in Cr)

Cat.	Amt	MTD	YTD
FII	212	-1539	-12121
DII	483	4945	40308

FII F&O

Institution	Net B/S	OI
Index Future	586	Long
Index Options	-264	Writing
Stock Futures	71	Long

Major Price % Change



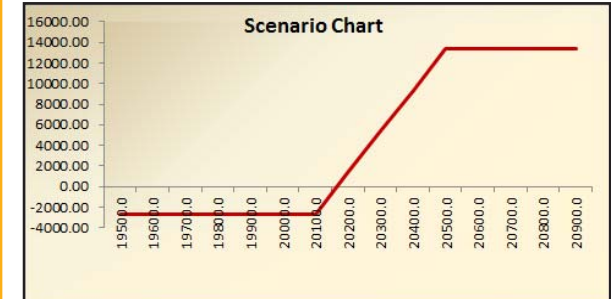
Derivatives Idea

Banknifty

Buy 1 Lot 20100 CE

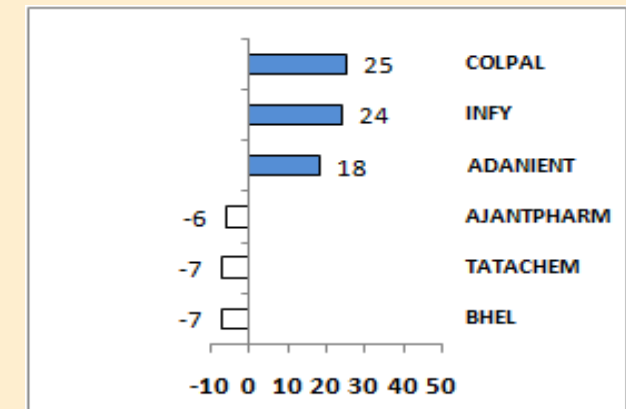
Sell 1 Lot 20500 CE

Bull Call Spread



- ✓ Bank Nifty is in Long- Long unwinding cycle
- ✓ Strong momentum witnessed last week is expected to continue
- ✓ With significant accumulation in large cap Pvt and PSU banks, Index could witness further boost in momentum
- ✓ Considering upcoming event this week, Low risk Bull Call Spread is recommended

Major OI % Change



Morning Meet Notes

Research Notes

Company	Sales	% Y/Y	EBITDA	% Y/Y	PAT	% Y/Y	Rationale	Comments
ITC	92.5	4.3	35.5	2.1	26.5	1.1	BUY/295/A	1. Vol -1% YoY vs est of -7% YoY, high growth in sub 65mm segment, other rev: 3.4% YoY, Agri, Hotels and Paper business revenue grew 12.9%, 7.3% and -0.5% YoY 2. Potential cess on cigarettes under the GST, likely excise increase on cigarettes in the national budget 3. Trades at 25x FY18E EPS, 15% upside
Colgate	8.7	-8.8	2.1	-10.3	1.3	-14.2	BUY/1115/B	1. Toothpaste vol -12% YoY, mkt shr in tooth brush at 47%, tooth paste industry vol -9%, to pick up 2. Oral care category has high growth potential, cut est FY18E/FY19E EPS by 11.8%/9.2%, 27% upside
Ashok Leyland	44.3	7.7	4.5	1.1	1.9	-14.1	BUY/114/B	1. Vol +6.2% YoY, realisation -2% QoQ, commodity costs affects margins, forex loss affects PAT 2. Inventory of 11500 for prebuying, 4% price hike in Jan 3. Buy with a target price of INR114 (~9x FY18 EV/EBITDA), 24% upside
IDFC Bank	5.2	34.8	4.8	22.4	1.9	-21	Neutral/68/B	1. GNPL increased to 7% (partially because of lower denominator) from 6% in 2QFY17, share of retail & SME 13%, stress loans remain high, NIMs at 2.1% (10bps decline QoQ) 2. Cut earnings by 14-15% for FY17-19E to factor in lower margins and lower balance sheet growth
India Cements	12.7	19.8	1.9	28.2	0.4	-	Neutral/138/I	1. Vols 21% YoY, realizations +1.4% QoQ, Higher energy & freight costs led to EBITDA margin contraction of 229bp QoQ 2. South market 8% YoY, power fuel cost to increase sequentially, good brand recall and market share 3. Cost structure high due to vintage constraints. High investments in the non-cement businesses keep valuation at discount, Neutral
Tata Elxsi	3.1	12.9	0.7	11.5	0.5	12.5	BUY/1780/I	1. Transportation and Broadcasting business continues to be the key revenue driver 2. JLR's contribution remains healthy at ~21%, expect 17% revenue CAGR and 21% PAT CAGR over FY16-19E 3. Value at 20x FY19E EPS, 21% upside, strong capabilities in IOT, tech, engineering
Bharat Electronics	20.9	37.2	4.8	74.0	3.7	33.3	BUY/1800/A	1. Management guidance 10% rev growth FY17, margins expanded 490bp due to op leverage 2. Order book 4.6x FY16 rev, value at 21x FY19E, 17% upside
L&T	263.0	1.0	25.2	19.1	9.7	39.0	BUY/1620/B	1. EBITDA was 9% below est; (excl. one off provision, in-line), Gr guidance in Order Intake/Sales cut from 15% to 10% 2. EPS CAGR of 19% over FY16-18; Trades at 23x FY18

Currency Ideas

USDINR



- ✓ USDINR (Feb. contract) expectedly continued to trade in a range between resistance at 68.60 (61.8% retracement resistance) and immediate support at 68 (23.6% retracement support), closing slightly higher for the week near 68.29.
- ✓ Looking ahead, the pair is expected to continue consolidating in a similar range and further direction would be clear only on either side breach of the same.
- ✓ Short-term support is at 68.15 while immediate resistance is at 68.45.

EURINR



- ✓ EURINR (Feb. contract) broke out of channel resistance near 72.60 to close the last week near 73.05, up by about 0.7% for the period.
- ✓ The pair continues to look positive as long as it holds above strong support at 72.20-72.10 range.
- ✓ Sustained breach of immediate resistance at 73.40 could now lead the pair higher towards next major resistance near 74.20 levels.
- ✓ The 14-period RSI has broken out of trend line resistance which could lend support to the pair.
- ✓ Buying the pair on dips or on breakout is thus advised.

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