

MOST Quantitative Outlook

Monthly

August 2016

INDEX

S&P CNX Nifty	:	8639
Sensex	:	28052

NIFTY



Support	:	8130 / 7750
Resistance	:	8450 / 8700

Strategy

Additional longs recommended so far as 8520 stands firm. Only a breach below the said level shall be considered as a sign of loss in bullish momentum & hence serves as a trail stop for trading longs.

Option Writer	Confidence 90%
Scrip Name	% Higher/ Lower
Nifty 25-Aug -2016 CE 8900	2.39%
Nifty 25-Aug -2016 PE 8350	-3.93%

'Hang On, More to Come'

Nifty added another 4.23% to its tally as it ended the month of July on a strong note with a gain of 351 points. The month commenced on a positive note & witnessed a gradual upmove throughout the month.

On the global rotation study Nifty is the only advancing index on our relative rotation study which has now entered the outperforming zone. With its absolute price performance remaining constant the index is expected to witness outperformance in the coming months. Declining crude price has been a boon for the emerging markets & its current reversion from the upper end of the channel augurs well for the ongoing bearishness to persist which could be a vital component for the next leg of momentum in the emerging markets economies. On the absolute chart of Nifty the sequential trend remains firm as there are no signs of weakness on the weekly scale. Though it has entered a multiple resistance trajectory, fresh breakout on the immediate scale with the ADX (20) quoting above 21 raises the expectation of the ongoing uptrend to remain firm. Only a breach below 8520 shall be considered as the first sign of loss in bullish momentum & hence serves as a trail stop for fresh longs. In case if the said level is breached it could distort the ongoing sequential growth of the bullish trend. Post which the index could witness an immediate movement towards 8130 (Intermediate Support).

On derivatives front Index witnessed upward shift in band from 8500-8700 to 8500-9000. Highest put concentration around 8500 should act as a strong support. With relatively lighter resistance on an immediate basis (highest Call concentration only at 9000), market could continue to head higher. Considering positive momentum we are recommending Call Ladder Spread in Nifty.

Amongst sectors cyclicals continue to have an upper hand while Auto remains a consistent gainer for over months now. While FMCG & Infra saw a movement from the neutral zone towards the outperforming zone on our sector rotation study & could evolve with the market momentum. Pharma & IT are still in the underperforming zone but saw a strong reversion from their extremes & hence shorts shall be avoided.

Sector Outlook

SECTOR NAME	CMP	MOM (%)	OUTLOOK FOR THE MONTH	POTENTIAL MOVERS & SHAKERS
Metals	2422.7	11.03	Positive	JSW Steel, Coal India
Energy	9311.85	6.97	Positive	IOC, BPCL
Mid-Cap	14772.75	6.92	Positive	Escorts, Concor
Media	2815.2	6.88	Positive	Zee Ltd
Auto	9470.85	6.85	Positive	M&M, Tata Motors
Bank	18953.15	5.67	Positive	IndusInd Bk, LIC HSG
Realty	207.4	3.57	Positive	DLF
FMCG	22228.85	2.87	Positive	Bata India, Emami
Pharma	11697.25	4.98	Neutral	Sunpharma, Auro
IT	10913.3	-1.86	Neutral	TCS

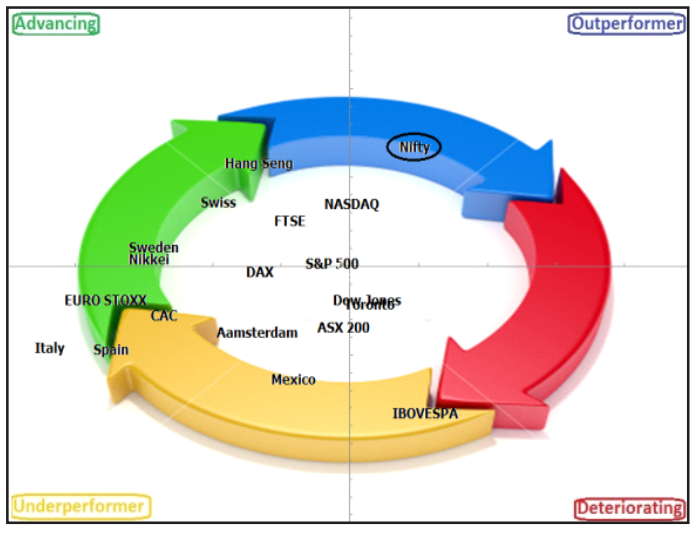
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INTER MARKET & NIFTY

GLOBAL EQUITY ROTATION



Nifty remains the only advancing index on our relative rotation study which has now entered the outperforming zone. With its absolute price performance remaining firm the index is expected to witness outperformance in the coming months.

NIFTY WEEKLY



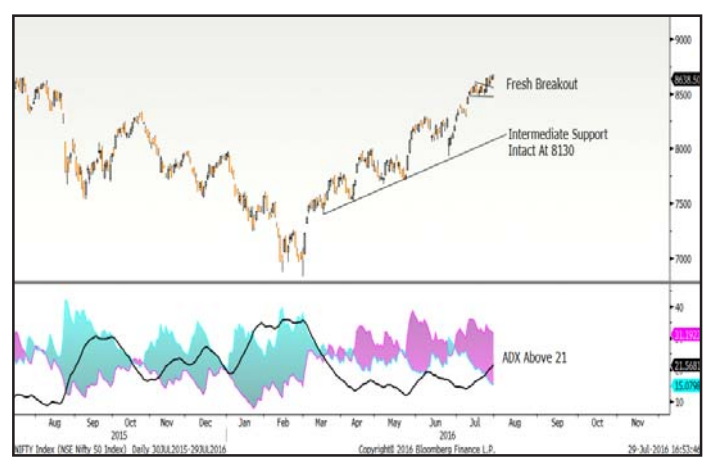
The sequential trend remains firm as nifty has no signs of weakness on the weekly scale. Though it has now entered the multiple resistance zone of 8850-8650, odds remain in favour of the bulls. A breach beyond the zone would propel it towards its life high.

CRUDE OIL



Global oil prices continue to be on a slippery terrain. The reversion from the upper end of the channel augurs well for the ongoing bearishness to persist in the coming months. We expect the oil prices to further deteriorate which could be a vital component for the next leg of momentum in the emerging markets economies.

NIFTY DAILY



Fresh breakout from the continuation pattern on the daily scale along with the trend strength indicator ADX (20) quoting above 21 raises the expectation of the ongoing uptrend to remain firm. A breach below 8520 shall be considered as the first sign of cooling of momentum & hence serves as a trail stop for fresh longs. Only if the said level is breached it could distort the ongoing sequential growth of the bullish trend. Longs shall be reduced only below 8520; post which the index could witness an immediate movement towards 8130 (Intermediate Support).

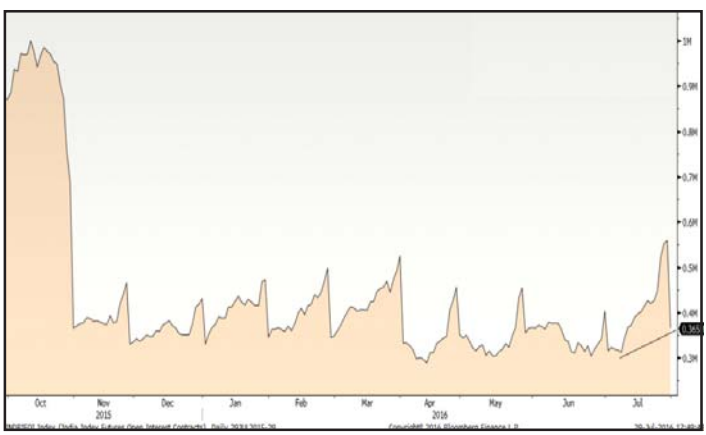
...NIFTY

STOCK FUTURES OI



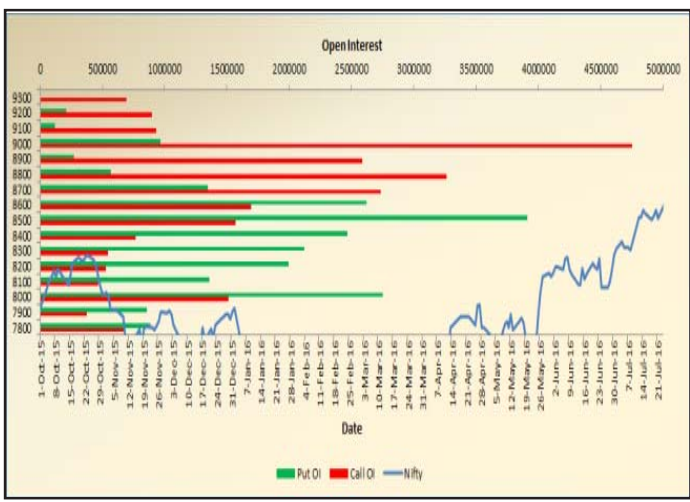
Stock future witnessed modest roll at 79.34% V/s 3 MA of 83.3%. Major sector witnessed incremental open interest. Long built-up along with positive roll was evident in sectors like Tyre, Chemical and NBFC.

INDEX FUTURES OI



Index future open interest stands at 8 month high on last day on July series signifying upbeat in momentum. Overall Nifty continued to rally on a smart note as it gained by 4.5% month over month. Fresh built-up with price activity would provide further up thrust to Nifty.

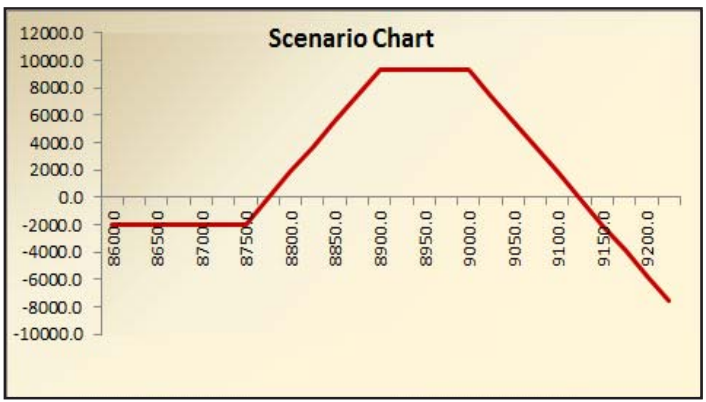
NIFTY OPTIONS OI



July series started on very positive note and continued the thrust till the end. Nifty rallied 4.5% E-o-E. Index witnessed upward shift in band from 8500-8700 to 8500-9000. Highest put concentration around 8500 should act as a strong support. Relatively lighter resistance on an immediate basis (highest Call concentration only at 9000), market could continue to head higher. India Vix trades at 14.9% re-emphasizing continued trend going forward.

NIFTY Call Ladder Spread

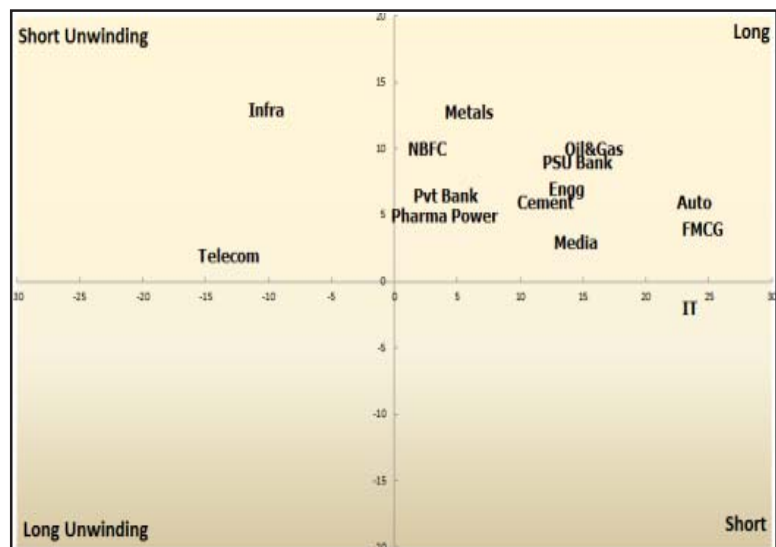
Buy Aug 8750 CE 1 Lot, Sell Aug 8900 CE 1 Lot
Sell Aug 9000 CE 1 Lot



- ✓ Nifty is in Long - Long unwinding cycle
- ✓ Option data for August series shows 9000 as highest call concentration (immediate resistance)
- ✓ Put Concentration at 8500 could act as a vital support
- ✓ Considering positive momentum, Call Ladder Spread is recommended

Target Profit : INR 9300 Stop loss : INR 2000
Hedge : Above 9100

SECTOR OI

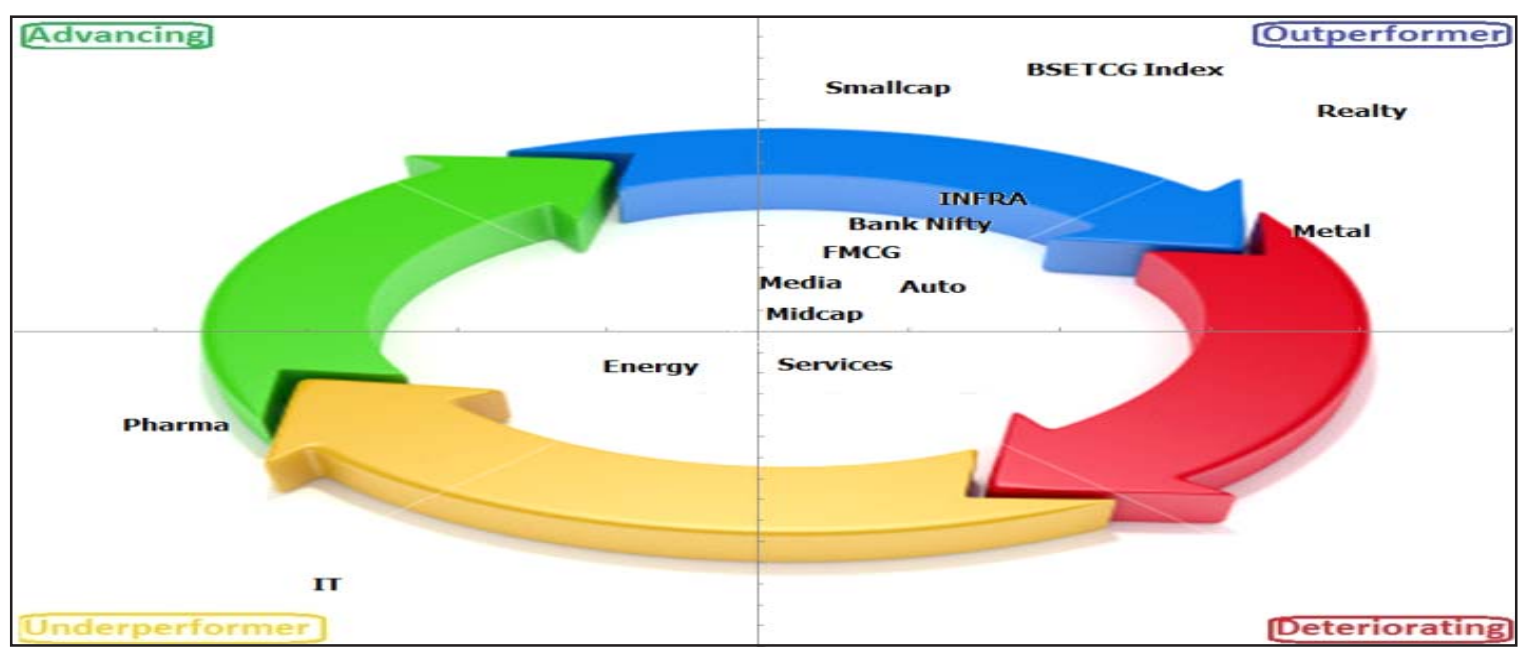


July series witnessed stellar performance market wide. Nifty index was up by 4.5% E-o-E while Bank Nifty was up by 6.3% E-o-E. Nifty saw modest rollover of 58.93% from July to August series V/s 3 month average of 71.21%. Market wide rollover was at 79.34% V/s 3 month average of 83.30%. August series starts with healthy open interest. Major sector witnessed Long built-up while sector like Infra and Telecom witnessed minor shedding in OI . IT stocks witnessed minor short built-up

Key notables:

- ✓ Auto: Long Built-up but modest rollover except Two Wheeler (TVSMOTOR) where price correction was visible
- ✓ PSU Bank: Significant longs were witnessed in all major PSU banks . Positive Roll in Bankbaroda, ALBK and Unionbank
- ✓ Private Banks: Significant long and positive roll in Yesbank and Ktkbank
- ✓ Engineering: Long Built-up in major stock. Positive Roll with OI accumulation in Voltas and Havells
- ✓ Oil&Gas: Significant positive price action along with long built-up in OMC stocks.
- ✓ FMCG: Mix of Long and Short unwinding. Short in KSCL
- ✓ Cement: Positive price action along with accumulation in ACC and Ambujacem
- ✓ Metals: Significant OI accumulation in NMDC, Hindzinc and Jindalstel
- ✓ IT: Short is Infy and Mindtree and Long in TCS

SECTOR ROTATION



- Realty, Capital Goods, Small Cap, Metal are well placed for further outperformance
- Infra, Banks, Auto, FMCG saw a movement from the neutral zone towards the outperforming zone & could evolve with the market
- Midcap, Media, Energy are placed near the epicenter of the rotation & could witness a lag in momentum
- Pharma & IT are still in the underperforming zone but saw a strong reversion from their extremes

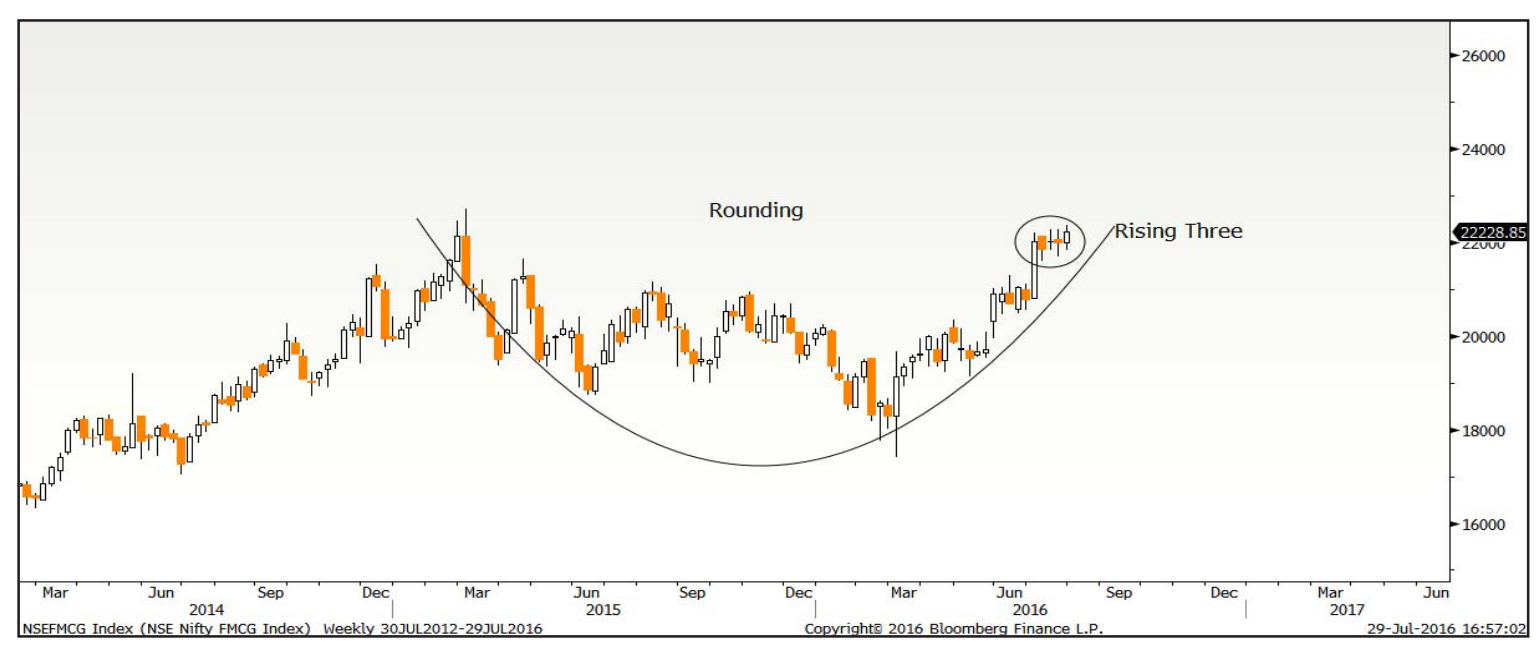
SECTORS

AUTO



Auto index witnessed a fresh breach above its 2015 high & ended the month near its life high. The recent breakout augurs well for the sequential growth to continue. The sector has displayed steady performance so far & is expected to outperform in the coming months. Further longs could be added at every opportunity.

FMCG



'Rising Three' candlestick pattern on the weekly scale indicates the uptrend to remain firm for the coming weeks. A breach above 22800 would activate the 'Rounding' formation which could extend the up move. Longs should be added on every opportunity.

STOCK IDEAS

M&M

BUY

- ✓ Breakout from consolidation
- ✓ With rural India contributing ~72% to standalone PAT and ~64% to SOTP value, MM would be one of the biggest beneficiaries of a normal monsoon
- ✓ The worst is over for MM not only in its core businesses of Tractors (driven by normal monsoon) and UVs (driven by recent launches)

CMP : 1466 Target : 1580 Stop Loss : 1430



Bata India

BUY

- ✓ Breakout from Cup & Handle formation
- ✓ Company is likely to return to a double-digit volume growth in FY17
- ✓ BATA has over 1,300 stores and 3msf of area. It derives 85% of its revenue from retail and has 8m customers in its loyalty program
- ✓ We believe Bata is moving to the next orbit driven by aggressive store expansion plans, new investments in marketing, expansion in new product segments within women, kids and accessories and entering newer channels and markets to push sales

CMP : 605 Target : 680 Stop Loss : 580



Emami Ltd.

BUY

- ✓ Mature continuation pattern on the weekly scale
- ✓ Company is likely to return to a double-digit volume growth in FY17
- ✓ We continue to like Emami due to its strong medium-term earnings visibility post the Kesh King acquisition (45% EBITDA margin business turning EPS accretive in second year)
- ✓ Emami's track record of driving synergies from the Zandu acquisition makes us believe strongly in a potential upside from Kesh King over the next 3-4 years

CMP : 1140 Target : 1360 Stop Loss : 1080



STOCK & STRATEGY

LICHSGFIN

Call Ladder Spread

- ✓ LICHSGFIN is in long- long unwinding cycle
- ✓ Positive sector outlook along with Long Roll suggest momentum to continue further
- ✓ Unwinding in 530 CE could provide further upbeat
- ✓ Considering stable volatility and reasonable Reward to risk ,Call Ladder Spread is recommended

Target Profit : INR 13250 Initial Inflow : INR 2250
Hedge above : INR 560

Buy Aug 530 CE 1 lot, Sell Aug 540 CE 1 lot
Sell Aug 550 CE 1 lot



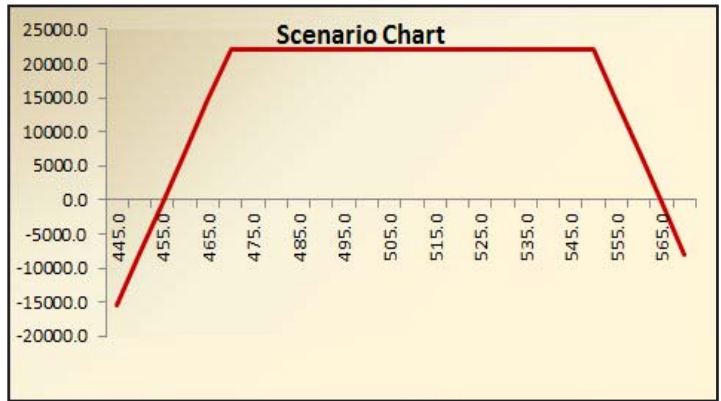
Tatamotors

Short Strangle

- ✓ Tatamotors is in Long- Long Unwinding cycle
- ✓ Stock witnessed unwinding in OI E-o-E and modest rollover signifying consolidation in prices
- ✓ Option indicative band stands at 520 and 480
- ✓ Expecting volatility to cool off ,Short Strangle is recommended

Target Profit : INR 21000
Hedge: Above 564 / Below 456

Sell Aug 550 CE 1 Lot, Sell Aug 470 PE 1 Lot



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