

27th November 2019

## NIFTY PHARMA (CMP 8247)

Pharma sector injected for a rally towards 9000 mark



### Technical View:

- ✓ Nifty Pharma index corrected by around 50% in last four years; but the index is now seems to be bottoming out as we witnessed formation of a Hammer candle on monthly chart.
- ✓ Also, it has formed a 'Morning Star' pattern along with positive divergence of RSI at recent lows on weekly chart.
- ✓ After a pullback move from lower levels; price structure has resulted into formation of an 'Inverse Head and Shoulder' pattern on daily time scale and it is sustaining well above the neckline of mentioned pattern.
- ✓ The momentum oscillator RSI is placed positively on both weekly and monthly scale along with above mentioned technical evidences and thus we are expecting extension in ongoing bounce towards 8560 and then 9020 levels in coming 2-3 months. Bullish view on Pharma index will negate on a close below 7750 levels.
- ✓ Thus, we are expecting positive momentum in Pharma counters in coming weeks. Among them Lupin, Dr Reddys Lab and Ipca Labs are our preferred picks.

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## Dr. Reddy's Laboratories - Buy (Time Horizon : 2-3 Months)

**CMP: INR 2967**

**Target: INR 3230 (9% Upside)**

**Stop Loss: INR 2840 (Closing Basis)**



### Technical View:

- ✓ Dr. Reddys Lab has given a rising trend line breakout on daily chart and sustaining well above the same.
- ✓ Stock moved above its previous swing high of 2942 on weekly chart (marked with horizontal trend line in above chart).
- ✓ The price breakout is also supported by trend line breakout in RSI on weekly scale, indicating further momentum in coming weeks.
- ✓ Recently, we also witnessed a Golden Crossover of 50 EMA above 200 EMA on weekly chart, which shall have a positive impact on price in near future.
- ✓ Going forward, we are expecting stock to continue its positive momentum towards 3230 in coming weeks. Hence, any dips upto 2920 shall be used as buying opportunity with a stop-loss of 2840 on closing basis.

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## Lupin - Buy (Time Horizon : 1-2 Months)

**CMP: INR 788**

**Target: INR 875 (11% Upside)**

**Stop Loss: INR 745 (Closing Basis)**



## Technical View:

- ✓ The chart structure of Lupin is very similar to that of Nifty Pharma index as the stock made a Hammer candle on monthly chart and Morning Star Pattern on weekly chart at recent lows.
- ✓ Currently, we are witnessing Inverse Head and Shoulder pattern breakout on daily chart.
- ✓ Also, the stock is in verge of giving breakout from the Falling Trend line on daily scale (see exhibit).
- ✓ RSI oscillator is now sustaining well above its immediate hurdle after four failed attempt to cross 60 - 62 levels and thus indicating momentum to pick-up in coming days.
- ✓ Looking at current chart structure, we are expecting the stock to rally towards 875 levels in coming weeks.
- ✓ Thus, traders are advised to buy the stock with a stop-loss of 745 on closing basis.

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## **IPCA Laboratories (CMP: 1109) - Buy (Time Horizon : 2-3 Months)**

**Buying Range: INR 1070 - 1115    Target: INR 1350 (16% Upside)    SL: INR 1020 (Closing Basis)**



### **Technical View:**

- ✓ IPCA Labs is moving in a strong uptrend by continuously making higher highs on weekly and monthly chart.
- ✓ The stock has seen tremendous outperformance from last couple of years and continued to trade around 52 week's high despite the previous fall in Pharma index
- ✓ Recently, price came out from the consolidation phase of last seven months with decent volumes, which is a good sign for the stock.
- ✓ In recent past, we witnessed healthy volumes on green candles, while red candles were on back of low volumes, which clearly indicates more of buying interest among the market participants.
- ✓ Considering overall chart structure, we are expecting parabolic move in the stock towards 1350 levels in coming 2 - 3 months.
- ✓ Thus, we are recommending to buy the stock at current juncture and on dips to 1070 with a stop-loss of 1020 on closing basis.

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