

# THE DAILY **VIEWPOINT**

Date: 2 June, 2020





## DOMESTIC INDICES

	Close	Points	% Change
SENSEX	33304	879	2.71
NIFTY	9826	246	2.57
MIDCAP	12157	314	2.65
SMALL CAP	11223	330	3.03

## SECTORAL INDICES

	Close	Points	% Change
CD	20211	1244	6.56
METAL	7072	267	3.92
Finance	4574	166	3.77
BANKEK	22857	721	3.26
AUTO	14545	450	3.20
REALTY	1449	37	2.65
IT	14366	298	2.12
POWER	1510	29	1.95
TECK	7356	134	1.85
OIL & GAS	11990	154	1.30
CG	12468	134	1.09
Healthcare	15711	64	0.41

## BSE 200 GAINERS/LOSERS

GAINERS	%	LOSERS	%
IDBI	19.95	AJANTPHARM	-4.85
PEL	14.74	BAYERCROP	-4.34
VOLTAS	12.45	PETRONET	-3.05
INDHOTEL	11.45	DRREDDY	-3.02
BAJFINANCE	10.62	NIACL	-2.94

## ADVANCE/DECLINES

	BSE	%
ADVANCES	1884	72
DECLINES	605	23
UNCHANGED	140	5

## INSTITUTIONAL ACTIVITY

Rs Cr	01/06/20	29/05/20	June Total
FII	1575	1461	3036(prov.)
MF	-459	967	508(prov.)

## Markets could open flat following a great run over the last four days ...

Indian markets could open flat today despite higher Asian markets today and mildly higher US indices on Monday.

U.S. stocks posted gains on Monday as signs of U.S. economic recovery helped offset jitters over increasingly violent social unrest amid an ongoing pandemic and rising U.S.-China tensions. Investors also monitored Sino-American trade tensions and efforts in the U.S., and much of the world, to overcome the COVID-19 pandemic.

The Institute for Supply Management said its manufacturing index climbed to 43.1 last month from an 11-year low of 41.5 in April.

On the international front, Chinese government officials told major state-run agricultural companies to pause purchases of some American farm goods, including pork and soybeans, Reuters and Bloomberg News reported on Monday, citing people familiar with the matter.

Moody's Investors Service downgraded India's credit rating to a notch above junk on Monday, citing a prolonged period of slow growth in Asia's third-largest economy, rising debt and persistent stress in parts of the financial system. The change brings Moody's rating into line with Fitch and Standard and Poor's, both of which rate India BBB-, although they assign stable rather than negative outlooks.

The decision and announcements made by the Union Cabinet on June 01 focused on measures for micro, small and enterprises (MSMEs), farmers and street vendors. This was mainly a follow through of the stimulus measures announced about two weeks back. Apart from specific announcements as a relief to MSMEs, it also talks about hiking MSP for 14 kharif crops by a large margin and extending time period for farmers in repaying their loans. The Govt continues to act to tackle the situation arising out of Covid-19.

Stocks in Asia Pacific were mixed in Tuesday morning trade as tensions between the U.S. and China continue to linger.

Indian equities continued the rally on the fourth straight day on June 1 after government relaxed some lockdown norms to revive the economy. At close, the Nifty was up 245.85 points or 2.57% at 9826.15.

Technically, Nifty has filled the downgap of 9731 made on May 04 and in the process has formed a bullish island reversal. 9889-9932 could be the resistance for the Nifty while 9584-9598 could be the support in the near term.



## GLOBAL INDICES

	Close	Points	% Chg
DOW JONES	25475	91.91	0.36
S & P 500	3056	11.42	0.38
NASDAQ	9552	62.18	0.66
FTSE	6166	89.82	1.48
CAC	4763	67.34	1.43
DAX*	11587	-194.28	-1.65
NIKKEI 225	22262	206.50	0.94
SHANGHAI COMP.	2916	0.31	0.01
HANG SENG	23877	143.98	0.61
BOVESPA	88620	1217.51	1.39

\*Closed on 01<sup>st</sup> June

## EXCHANGE RATES

	Value	% Change
USD/INR	75.6	0.20
EURO/USD	1.112	-0.12
USD/GBP	1.249	-0.06
USD/JPY	107.7	0.07

## COMMODITIES

	Value	%
Gold (\$ / Oz)	1751.3	0.06
Silver (\$ / Oz)	18.7	-0.42
Crude Oil Futures	35.5	0.11
Brent Oil (\$ / Barrel)	38.5	0.42

## BOND YIELD

	Value %	Chg bps
IND10 Yr Bond Yield	6.04	+3

## ADR

	Value \$	%
Dr Reddys Labs	52.47	-1.82
HDFC Bank	42.51	1.63
ICICI Bank	8.92	2.53
Tata Motors	6.06	6.13
Wipro	3.34	0.91
Vedanta Ltd	5.04	3.28
INFOSYS	9.26	1.76

## Auto sales numbers for May 2020

After reporting nil sales for the month of April due to complete lockdown, automobile companies started manufacturing in the month of May and opted for online sales as showrooms continued to remain closed.

- Maruti reported 86% slump in volumes to 18,539 units.
- Sales volume of Ashok Leyland fell 89% year-on-year to 1,420 units.
- Sales of Royal Enfield motorcycles declined 69% year-on-year to 19,113 units.
- Hero Motocorp reported 82.7% dip in sales to 112,682 units.
- Mahindra's tractor sales grew 2% to 24,017 tractors while its auto sales shrank 79% to 9,560 units.
- Escorts tractor sales fell 3.4% to 6,594 units.
- TVS Motor reported 81% decline in total sales at 58,906 units.
- Hyundai total sales dipped 79% at 12,583 units

## Uday Kotak To Sell Kotak Mahindra Bank Shares Worth Almost A Billion

Kotak Mahindra Bank Ltd.'s Founder and CEO, Uday Kotak, is set to sell 5.6 crore shares of the bank at Rs 1,215 - 1,240 per share. The sale will help reduce Uday Kotak's shareholding in the bank towards the stipulated 26.1%.

Kotak Mahindra Bank has already issued shares as part of the recent Rs 7,000 crore qualified institutional placement (QIP), so Kotak may not have to sell 4% stake to meet the 26 % promoter stake requirement, which was the case earlier.

In January, the bank founder struck an agreement with RBI to reduce his stake from 30% to 26% by August, among other things. This brought to a close an over decade-long tussle between the bank promoter and the regulator on ownership limits.

## IRCON, NIIFL and AYANA sign a MoU for solar energy sector

IRCON has signed a Memorandum of Understanding (MOU) with National Investment and Infrastructure Fund Limited (NIIFL) and Ayana Renewable Power Private Limited (AYANA), a NIIF platform company to explore and collaborate on opportunities in the solar energy sector.



According to the MOU, NIIFL and IRCON will evaluate strategic partnerships across infrastructure projects and have agreed in-principle to identify, bid and execute solar energy projects through joint ventures/consortium arrangements. The partnership will further consider suitable opportunities for solar energy production for Indian Railways as they intend to increase the share of renewables in their overall energy mix. This collaboration will enable execution of renewable energy projects at scale by utilizing the complementary strengths of all partners.

#### **Tata Power completes 51% stake buy in Odisha's TPCODL for Rs 179 crore**

Tata Power has completed the acquisition of 51 per cent stake in TP Central Odisha Distribution Ltd (TPCODL) for Rs 178.5 crore. TPCODL carries out the business of Central Electricity Supply Utility of Odisha (CESU). The acquisition paves the way for taking over the power supply business of five cities in Odisha by Tata Power.

#### **Gas price hike in Delhi**

Indraprastha Gas Ltd (IGL), revised CNG price in the national capital from Rs 42/ kg to Rs 43/ kg. to make up for the additional cost incurred to keep stations corona virus ready.

#### **V-Guard Industries Q4 FY20 result update**

The company has posted below street expectations result for Q4FY20 and FY20. Revenue grew 27% yoy to Rs.541.1 cr. PAT declined 47% yoy to Rs.32.2 cr. The Company had near-zero revenues during 24th March to 4th May 2020 due to lockdown. Many of the dealers and distributors of the company fall under red and orange zone which has a longer lockdown period.

Management expects that slow consumer spending on the discretionary items in the coming few months will impact revenue of the company. Management expects that company has lost Rs.250 cr in topline and Rs.70 cr in the bottom line.

#### **Orient Electric Q4 FY20 result update**

The company has posted result as per expectations for Q4FY20 and FY20. Revenue declined 12% yoy to Rs 563.1 cr. PAT registered 7% yoy to Rs.35.8 cr. The company has declared Rs.0.50 per share of dividend.

Revenue of Electrical Consumer Durables Products has posted 4% yoy degrowth to Rs 455 cr and EBIT of this segment registered growth of 11% yoy to Rs.72 cr. Total Debt reduced from Rs. 135 cr to Rs. 99 cr as on Mar-20.

#### **Ratnamani Metals received orders worth Rs 57 crore**

The company has received new domestic order of Rs 35 crore and an export order of Rs 22 crore for Stainless Steel Tubes to be completed by January 2021.

#### **Coal India's May sales driven sharply lower by slump in power demand**

Coal India's sales fell 23.3 percent in May as utilities refrained from purchases amid record stockpiles and tepid demand because of a nationwide lockdown to curb the spread of the coronavirus. Offtake by customers, such as power generators, fell to 39.95 million tonnes in May, down 23.3 percent year on year, though that represented a slight improvement from the 25.5 percent fall in April. May production fell 11.3 percent to 41.43 million tonnes, compared with a 10.9 percent fall the previous month.

#### **NMDC May iron ore sales and production**

NMDC sales of iron ore for May fell by 24% to 2.55 million tons, while production declined by 25% to 2.29 million tons.



### Important Global news/developments to influence markets

- The Nikkei Manufacturing Purchasing Managers' Index, compiled by IHS Markit, increased to 30.8 last month from April's record low of 27.4, still well below the 50-mark separating growth from contraction.
- Japan's Capital spending rose 4.3% in the first quarter year-on-year, lifted by demand for electrical machinery and big-ticket items.
- Japan - Jibun Bank/Markit Manufacturing PMI (final) for May: 38.4 (prior 41.9).
- The eurozone manufacturing sector's Purchasing Manager Index (PMI) posted an increase in May with the waning impacts of COVID-19. The PMI, which dropped to 33.4 in April, rose to 39.4 this month.
- Germany's manufacturing sector continued to contract in May as factories facing weak demand because of the coronavirus pandemic laid off staff. IHS Markit's final Purchasing Managers' Index (PMI) for manufacturing, which accounts for about a fifth of Europe's biggest economy, rose to 36.6 from 34.5 in April.
- The UK manufacturing sector activity contracted as expected in the month of May. The seasonally adjusted IHS Markit/CIPS UK Manufacturing Purchasing Managers' Index (PMI) was revised up to 40.7 in May versus 40.7 expected and 40.6 – May's first reading.
- US IHS Markit's Manufacturing PMI rose slightly to 39.8 in May from April's all-time low of 36.1.
- Spending for U.S. construction projects dropped a smaller than expected 2.9% in April.
- US ISM's Purchasing Manager's Index rose to 43.1% from 41.5% in April.
- The ISM Manufacturing Employment Index registered in at 32.1 below the expectations of 35 while the ISM Manufacturing New Orders Index came in at 31.8, also below the forecasts of 40.3 in May.



Daily View on Nifty

Nifty LTP	2-Day View	Reversal level	7-Day View	Reversal level
9826	Buy on Dips at 9700	Move below 9600	Buy on Dips at 9700	Move below 9500
	9970		Target 9970-10160	

Nifty Daily Timeframe



Nifty Hourly Timeframe



Technical Observation:

- Nifty rose for the fourth consecutive session to close at 9811. From the recent bottom of 8806, Nifty negated the bearish development of “Island Reversal” pattern, which was formed on 4<sup>th</sup> April 2020.
- Nifty has surpassed the crucial resistance of its previous top placed at 9889 on the daily charts, which has confirmed higher top and higher bottom formation on the daily charts. Nifty has also formed rounding bottom formation on the daily charts, which augers well for the medium term uptrend.
- Nifty has reached above its 20 and 50 days EMA levels and also closed above the Bollinger upper band on the daily charts. Indicators and oscillators like RSI and MACD have turned bullish on the short term charts.
- Number of stocks, above 200 DMA from NSE500 index is still below 20%, which indicates that market breadth is oversold and chances of bounce in the stocks from Midcap, smallcap segment seems high. Largecap rally has sustained and it’s time for midcap and smallcaps to see catch up rally.
- Nifty Midcap and Smallcap indices have broken out from the consolidation pattern on their daily charts. There is also a bullish “Flag” pattern breakout on weekly charts of both the indices. We cannot rule out the possibility of Midcap and Smallcap indices outperforming the Largecap indices in the coming weeks. Midcap Cement and Auto Ancillary sector can do well.
- To conclude, We believe that positional trend of the market has turned bullish. However looking at the steep rise in Nifty, it is advisable to utilize short term dips to accumulate longs. Support for the Nifty is seen in the range of 9500-9580. Upside Targets for Nifty are expected at 9970 and 10550 for the June Expiry.



## DATA &amp; EVENTS

## OPEN SHORT-TERM TRADING CALLS

NO.	RECO DATE	COMPANY NAME	RECO	COST	SL	TARGET	TIME DURATION
1	29-MAY-20	DR REDDY JUNE 4100 CALL OPTION	BUY	118.95	87	170	1-3 DAYS
2	1-JUN-20	JM FINANCIAL	BUY	64-65.35	62.8	70	1-3 DAYS
3	1-JUN-20	SHRIRAM TRANSPORT FINANCE	BUY	588-566	561.5	622	7 DAYS
4	1-JUN-20	BATA INDIA	BUY	1348-1370	1340	1415	7 DAYS
5	1-JUN-20	REC LTD	BUY	94.35-91.50	89	101	7 DAYS
6	1-JUN-20	APTECH LTD	BUY	100-102.65	98.8	110	1-3 DAYS
7	1-JUN-20	OIL INDIA	BUY	87.35-84	83.2	92.5	7 DAYS

**NOTE:** ALL TRADING RECOMMENDATIONS GIVEN BY TEAM ARE ON REAL TIME BASIS. A TRADING RECOMMENDATION SHOULD BE CONSIDERED CLOSED OR SQUARED OFF AS AND WHEN A STOPLOSS OR TARGET IS TOUCHED IN INTRADAY TRADING. DO NOT WAIT FOR TARGET ACHIEVED OR STOPLOSS MESSAGE TO CLOSE THE POSITIONS. REFER JAMMOON FOR TIMELY ENTRY AND EXIT FROM RECOMMENDATIONS.

## OPEN CASH POSITIONAL CALLS

NO.	RECO DATE	COMPANY NAME	RECO	COST	SL	TARGET	TIME DURATION
1	28-APR-20	DR LAL PATH LAB	BUY	1556.25	1388	1742/1850	3 MONTHS
2	13-MAY-20	TATA ELXSI	BUY	793	725	875/920	3 MONTHS
3	20-MAY-20	EMAMI LTD	BUY	202.1	183	225/255	3 MONTHS
4	28-MAY-20	SIEMENS*	BUY	1047	1008	1120/1150	1-3 MONTHS
5	28-MAY-20	BALM LAWRIE*	BUY	97.5	94	103/110	1-3 MONTHS
6	28-MAY-20	ICICI PRU LIFE	BUY	369.5	334	406/442	1-3 MONTHS
7	29-MAY-20	MINDA INDUSTRIES	BUY	290.6	266	322/349	3 MONTHS
8	29-MAY-20	PRAJ INDUSTRIES	BUY	57.75	53	64/70	3 MONTHS
9	29-MAY-20	HINDUSTAN ZINC	BUY	170	163	183/195/200	1-3 MONTHS
10	1-JUN-20	NEW INDIA ASSURANCE	BUY	120.8	108	135/150	3 MONTHS
11	1-JUN-20	ADANI ENTERPRISE	BUY	152.7	142.5	170	3 MONTHS
12	1-JUN-20	AVANTI FEEDS	BUY	442	403	481/520/575	2-6 MONTHS

\*= 1ST TARGET ACHIEVED



## DATA &amp; EVENTS

## OPEN DERIVATIVE POSITIONAL CALLS

NO.	RECO DATE	COMPANY NAME	RECO	COST	SL	TARGET	TIME DURATION
1	1-JUN-20	SRF JUNE FUT	BUY	3450-3559	3380	3740/3920	1-4 WEEKS
2	1-JUN-20	EQUITAS JUNE FUT	BUY	42.50-45.25	41.25	50	TILL 25TH JUNE

## OPEN E-MARGIN POSITIONAL CALLS

NO.	RECO DATE	COMPANY NAME	RECO	COST	SL	TARGET	TIME DURATION
1	21-MAY-20	CADILA HEALTHCARE	BUY	335-343	312	367	3 MONTHS
2	29-MAY-20	IOC	BUY	83.50-83	76	92/97	3 MONTHS



## DATA &amp; EVENTS

## QUARTERLY RESULTS ANNOUNCED

COMPANY	Q4FY20		YoY (%)		QoQ (%)		Remarks
	Sales (Rs Cr)	NP (Rs Cr)	Sales	NP	Sales	NP	
Orient Electric	563	36	-12	-7	14	88	As Per Estimates
V-Guard Industries	541	32	-27	-47	-14	-27	Below Estimates

PL: Profit to Loss, LP: Loss to Profit, LL: Loss to Loss

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