

Morning Call

14 October 2021

Markets hit fresh record highs, a day before the expiration of weekly F&O contracts

- Sentiment was underpinned on the back of improved macroeconomic data and amid reports that a lot of progress has been made on the Life Insurance Corporation (LIC) divestment plan.
- The upside was capped as investors awaited the release of U.S. inflation data and the Federal Reserve's meeting minutes later in the day for clues on the Federal Reserve's interest-rate tapering outlook.

Global & Asian market overview

- **European stocks** closed higher as fairly strong earnings updates outweighed concerns about slowing growth and worries about inflation.
- **US stocks** fluctuated over the course of the trading session before ending the day mostly higher. The Nasdaq and the S&P 500 moved to the upside on the day, although the narrower Dow closed nearly unchanged.
- **Asian stocks** ended mixed after data showed Chinese exports hitting a record high in September despite power shortages. A cautious undertone prevailed as traders awaited U.S. consumer price data due later in the day for clues on the outlook for the Federal Reserve's monetary policy.

Industry Buzz

- **Dish TV India:** The company's board has agreed that the EGM cannot be called as sought by Yes Bank. The board has also instructed the management to send a detailed response to the bank. "Yes Bank being a banking company and its shareholding in the company being a consequence of invocation of pledges, there are certain embargos under the provisions of the Banking Regulation Act, 1949 read with SEBI Regulations, 2011, because of which the said resolutions cannot be placed before the shareholders."

- **Reliance Industries:** Invesco had assisted the company in arranging discussions with Zee Entertainment Enterprises MD Punit Goenka between February and March this year. The company made 'broad proposal' for merger of media operations with Zee at fair valuations. Proposal included continuation of Goenka as MD and issue of ESOPs to management. Goenka and Invesco had differences on requirement of founding family increasing stake. Consequently, the company decided not to proceed further, it said.
- **Zee Entertainment Enterprises:** Board filed response to Invesco's open letter to shareholders and clarified deal with Sony. Invesco should stop publishing "half truths" about proposed Sony deal. Non compete fee to Zee promoters in Sony deal is a secondary transfer and will not be dilutive to public shareholders. Quantum of promoter shareholding in Sony deal is less than in Reliance deal proposed by Invesco. Invesco has cast unsubstantiated aspersions on company and board. Invesco's actions are motivated by concerns entirely extraneous to any corporate governance issue.

Indices	Close	Previous	Chg. %
Sensex Index	60,737	60,284	0.75%
Nifty Index	18,162	17,992	0.94%
NSEBANK INDEX	38,636	38,522	0.30%
NSEAUTO INDEX	11,870	11,476	3.43%
NSEIT INDEX	35,286	34,870	1.19%

Market depth	Advance	Decline	T/O(bn)
NSE	1,065	992	924
BSE	1,701	1,644	62

Indices	Close	Previous	Chg. %
DJIA	34,378	34,378	0.00%
NASDAQ	14,572	14,466	0.73%
S&P 500	4,364	4,351	0.30%
DAX	15,249	15,147	0.68%
CAC 40	6,597	6,548	0.75%
FTSE 100	7,142	7,130	0.16%
HANG SENG	24,963	24,963	0.00%
SSE INDEX	3,562	3,547	0.42%
NIKKIE 225	28,140	28,231	-0.32%

Nifty Gainers	Chg. %	Nifty Losers	Chg. %
TATAMOTORS	21.1	MARUTI	-2.6
M&M	5.2	ONGC	-2.2
TATACONSUM	4.4	SBILIFE	-1.8
ITC	4.0	COALINDIA	-1.6
POWERGRID	3.5	HINDUNILVR	-1.1

FII Derivatives	Buy (bn)	Sell (bn)	Net (bn)
INDEX FUT	42.1	30.1	12.1
STOCK FUT	190.8	191.3	-0.5

- **Westlife Development:** The company will add 150-200 stores and invest Rs 800-1,000 crore across the business over the next 3-4 years. All these initiatives are expected to create 6,000-8,000 direct and indirect jobs in the industry.
- **UltraTech Cement:** The company commissioned 1.2 mtpa cement capacity in October 2021, which will help the company to service the fast-growing cement demand in the Eastern markets. The additional capacity will cost company Rs 400 crore.
- **KEC International:** The company has completed the acquisition of Spur Infrastructure and hence it is now a wholly owned subsidiary of the company.
- **PTC India:** The company's Chairman and Managing Director, Deepak Amitabh, has resigned from the post w.e.f. November 5, 2021.

Earnings Update

- **Infosys Q2FY22 (Consolidated, QoQ):** Revenue up 6% at Rs 29,602 crore Vs Rs 27,896 crore Net profit up 4% at Rs 5,421 crore Vs Rs 5,195 crore Ebit up 6% at Rs 6,972 crore Vs Rs 6,603 crore Margin at 23.6% Vs 23.7% Declared an interim dividend of Rs 15 per equity share.
- **Wipro Q2 FY22 (Consolidated, QoQ):** Revenue up 7% at Rs 19,668.90 crore Vs Rs 18,467.40 crore Net profit down 9.62% at Rs 2,930.70 crore Vs Rs 3,242.60 crore Ebit up 1% at Rs 3,398.70 crore Vs Rs 3,369.30 crore Margin at 17.3% Vs 18.2%
- **Mindtree Q2 FY22 (Consolidated, QoQ):** Revenue up 13% at Rs 2,586.20 crore Vs Rs 2,291.70 crore Net profit up 16% at Rs 398.90 crore Vs Rs 343.40 crore Ebit up 16% at Rs 469.70 crore Vs Rs 406.30 crore Margin at 18.2% Vs 17.7% Approved interim dividend of Rs 10 per equity share

Indian Macro

- India is looking at near close to double-digit growth this year and the country will be one of the fastest-growing economies, Finance Minister Nirmala Sitharaman has said. The minister also emphasised that she expects the economic growth next year to be in the range of 7.5-8.5 per cent, which will be sustained for the next decade. "As regards the growth of India, we are looking at near close to double-digit growth this year and this would be the highest in the world. And for the next year, on the basis of this year, (the) growth would definitely be somewhere in the range of eight (per cent)," Sitharaman said here on Tuesday during a conversation at Harvard Kennedy School. She noted that while the Ministry of Finance has not done any assessment as yet about the growth number, but the World Bank, IMF and rating agencies have all come nearer to this kind of growth number for India.

Global Macro

- Food prices in China declined by 5.2 percent year-on-year in September 2021, after a 4.1 percent fall in the previous month. This marked the fourth straight month of drop in cost of food and the steepest pace in the sequence, dragged down by a faster decrease in pork prices (-46.9 percent vs -44.9 percent in August) after soaring in 2019 due to the African Swine outbreak. In addition, prices of fresh vegetables dropped at a faster rate (-2.5 percent vs -1.5 percent), while cost of fresh fruit fell by 0.8 percent after gaining 5 percent in August. At the same time, prices went up at a softer rate for cooking oil (6.5 percent vs 6.8 percent), dairy products (1.6 percent vs 1.8 percent), and eggs (12.6 percent vs 13.9 percent).
- China's producer prices increased by 10.7% year-on-year in September 2021, beating market expectations of a 10.5% rise and August's figure of a 9.5% gain. This was the ninth straight month of increase in factory gate prices and the strongest growth since November 1995, amid rising commodity prices and a low base effect from last year. Prices of means of production rose faster (14.2% vs 12.7% in August), led by extraction (49.4% vs 41.8%), raw materials (20.4% vs 18.3%), and processing (8.9% vs 8%). At the same time, prices of consumer goods also advance more (0.4% vs 0.3%), with cost accelerating for both daily use goods (0.4% vs 0.1%) and clothing 0.4% (after being flat in August) while recovering for

consumer durables (0.2% vs -0.1%). Meantime, prices of food of production continued to increase (0.7% vs 0.9%). On a monthly basis, producer prices went up 1.2 percent.

- China's annual inflation rate unexpectedly edged lower to 0.7% in September 2021 from 0.8% a month earlier and compared with market estimates of 0.9%. This was the lowest reading since March, mainly due to a steeper decline in cost of food with pork prices falling faster. Meantime, prices of non-food were little changed (2% vs 1.9% in August), as cost rose further for transportation & communication (5.8% vs 5.9%), fuel & utilities (1.3% vs 1.1%), household goods and services (0.5% vs 0.6%), and education, culture (3.2% vs 3%); while inflation was flat for both clothing (at 0.5%) and health (at 0.4%). Beijing has set a 2021 CPI growth target of around 3 percent, compared with 3.5 percent last year. On a monthly basis, consumer prices were flat in September, missing forecasts of a 0.3% gain and after a 0.1% rise in August.
- Stocks of crude oil in the United States jumped 5.123 million barrels in the week ended October 8th, 2021, following a 0.951 million barrels increase in the previous week and well above market expectations of a 0.140 million rise, data from the American Petroleum Institute showed. It was the third straight weekly gain and the biggest build since the week ended March 5th.

	S1	S2	PIVOT	R1	R2
ADANIPOINTS	749	732	757	775	783
ASIANPAINT	3285	3255	3322	3353	3390
AXISBANK	788	785	796	799	807
BAJAJ-AUTO	3920	3892	3985	4013	4078
BAJAJFINSV	17963	17843	18269	18389	18695
BAJFINANCE	7861	7787	7935	8009	8084
BHARTIARTL	683	676	690	697	704
BPCL	456	451	458	463	465
BRITANNIA	3870	3843	3882	3910	3922
CIPLA	907	903	916	919	928
COALINDIA	188	186	191	193	196
DIVISLAB	5185	5143	5259	5300	5374
DRREDDY	4897	4866	4921	4953	4977
EICHERMOT	2847	2799	2903	2951	3008
GRASIM	1638	1585	1676	1729	1766
HCLTECH	1251	1234	1261	1279	1288
HDFC	2751	2736	2763	2777	2790
HDFCBANK	1628	1620	1638	1646	1656
HDCLIFE	696	693	703	706	713
HEROMOTOCO	2900	2884	2924	2940	2963
HINDALCO	499	488	505	516	522
HINDUNILVR	2622	2607	2658	2673	2709
ICICIBANK	705	702	710	713	718
INDUSINDBK	1173	1166	1182	1189	1199
INFY	1688	1667	1701	1722	1735
IOC	130	129	131	132	133
ITC	246	237	248	256	259
JSWSTEEL	671	660	681	692	702
KOTAKBANK	1994	1981	2008	2022	2036
LT	1736	1710	1750	1776	1790
M&M	897	856	934	975	1012
MARUTI	7338	7231	7544	7652	7858
NESTLEIND	19131	18989	19368	19510	19747
NTPC	145	144	146	148	149
ONGC	158	157	161	162	165
POWERGRID	195	189	200	205	210
RELIANCE	2673	2646	2696	2723	2746
SBILIFE	1172	1161	1195	1206	1230
SBIN	476	473	481	484	489
SHREECEM	27623	27376	27931	28178	28487
SUNPHARMA	831	819	839	850	858
TATACONSUM	834	808	844	870	880
TATAMOTORS	479	441	502	540	562
TATASTEEL	1327	1293	1352	1386	1410
TCS	3643	3629	3659	3673	3690
TECHM	1387	1365	1398	1420	1431
TITAN	2481	2426	2545	2599	2664
ULTRACEMCO	7286	7208	7338	7416	7468
UPL	740	734	747	752	760
WIPRO	663	650	669	682	688

Trading guidelines

- This model is based on the premise that the PIVOT is the most important price level that decides the intraday trend. Much like how the door or a window hangs by a hinge and sways in the wind, the intraday trend also hangs by this PIVOT LEVEL and swings because of the demand-supply, volatility and market sentiments prevailing in the market. Hence its importance in intraday trading.
- Wait for the market price to stabilize after opening in the first 30 minutes of trading.
- Opening Price is considered around close of previous day. Avoid BUYING if prices open abnormally high and avoid selling if prices open too low.
- If the market price is stable above the pivot level after 20-30 minutes of opening, then GO LONG and book profit near the resistant level (R1 & R2)
- If the market price is stable below the pivot level after 20-30 minutes of opening, then GO SHORT and book profit near the support level (S1 & S2)

Stop loss

Since you are aware of the 'potential returns' at the time of initiating an intraday trade (difference between the entry price and profit targets), you should set up an appropriate STOP LOSS around 1% above / below of the trade price or a level comfortable to you, to protect yourself if the market turns and goes against you.

Alternate strategy

If you have already initiated a trade with clear-cut profit targets and a stop loss level, and find during the course of the trading day that the market turns and goes the other way and crosses the TREND LEVEL, then trade again: For instance, if your first trade was a LONG trade and the market price drops through the TREND LEVEL to lower price levels, then GO SHORT and if your first trade was a SHORT trade and the market price rises through the TREND LEVEL to higher price levels, then GO LONG.

S1, S2 are the immediate support levels.

R1, R2 are the immediate resistance levels.

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