

Morning Call

11 October 2021

Markets advanced after RBI kept the key benchmark rates unchanged for the eighth consecutive time and promised to maintain the status-quo on rates "as long as necessary to revive growth"

- "There should not be any concern about the adequacy of liquidity in the banking system to support recovery or financial markets," Reserve Bank of India Governor Shaktikanta Das said in his policy address.
- Heavyweight Reliance Industries rallied 3.8 percent after analysts at global brokerage and research firm Morgan Stanley said that Mukesh Ambani's green push for the company could result in nearly \$60 billion value creation by 2025.

Global & Asian market overview

- **European stocks** ended lower, weighed down by disappointing German exports data and a report showing weaker than expected job growth in the U.S. in the month of September.
- **US stocks** Following a three-day winning streak, stocks showed a lack of direction over the course of the trading session. The major averages spent most of the session bouncing back and forth across the unchanged line.
- **Asian stocks** ended mostly higher amid relieved concerns of a possible U.S. government default this month. Investors eyed key U.S. jobs data due out later in the day for any fresh insight into the timing of Federal Reserve tapering.

Industry Buzz

- **Reliance Industries:** Reliance New Energy Solar, a subsidiary of the company, has acquired REC Solar Holdings AS from China National Bluestar Co for an enterprise value of \$771 million. REC Solar is one of the world's leading solar cell, panels and polysilicon manufacturer.
- **Gujarat Pipavav Port:** Q2 container volume down 6.54% year-on-year at 157 TEUs versus 168 TEUs. Dry bulk volume up 52.74% at 1.39 MT Vs 0.91 MT.

- **Tata Motors:** Jaguar Land Rover Q2 FY22 retail sales continued to be constrained by the impact of the global semiconductor shortage on production, with wholesales for the period in line with July guidance. Retail sales were down 18.4% year-on-year at 92,710 vehicles Vs 1,13,569 vehicles. Wholesales totalled 64,032 units (excluding the China JV), down 12.8% YoY.
- **Tata Group stocks:** Tata Sons emerged as the winning bidder of Air India. It made an offer of Rs 18,000 crore. The reserve price was Rs 12,906 crore. Tata Group will get 100% stake in Air India, including its wholly owned subsidiary Air India Express, and 50% in ground handling unit Air India SATS Airports Services Pvt.
- **Maruti Suzuki India:** Total production in September down 51.06% to 81,278 units Vs 1,66,086 units last year.
- **GOCL Corporation:** IDL Explosives, a subsidiary of company, has bagged order of Rs 592.45 crore from Coal India, for supply of bulk explosives, to be supplied over a period of 2 years.

Indices	Close	Previous	Chg. %
Sensex Index	60,059	59,678	0.64%
Nifty Index	17,895	17,790	0.59%
NSEBANK INDEX	37,775	37,753	0.06%
NSEAUTO INDEX	11,079	11,032	0.43%
NSEIT INDEX	36,402	35,704	1.96%

Market depth	Advance	Decline	T/O(bn)
NSE	1,091	962	742
BSE	1,794	1,536	60

Indices	Close	Previous	Chg. %
DJIA	34,746	34,755	-0.03%
NASDAQ	14,580	14,654	-0.51%
S&P 500	4,391	4,400	-0.19%
DAX	15,206	15,251	-0.29%
CAC 40	6,560	6,600	-0.61%
FTSE 100	7,096	7,078	0.25%
HANG SENG	24,838	24,702	0.55%
SSE INDEX	3,592	3,568	0.67%
NIKKEI 225	28,049	27,678	1.34%

Nifty Gainers	Chg. %	Nifty Losers	Chg. %
RELIANCE	3.8	COALINDIA	-1.6
WIPRO	3.0	SBILIFE	-1.5
INFY	1.9	NTPC	-1.3
TATAMOTORS	1.7	MARUTI	-1.1
TECHM	1.6	SHREECEM	-1.1

FII Derivatives	Buy (bn)	Sell (bn)	Net (bn)
INDEX FUT	37.3	37.1	0.2
STOCK FUT	159.2	161.2	-2.0

- **Cadila Healthcare:** Fortress Biotech partner company Cyprum Therapeutics, with support from its licensing partner Sentyln Therapeutics, has announced positive results from an efficacy and safety analysis of data integrated from two completed pivotal studies in patients with Menkes disease treated with CUTX-101, copper histidinate.
- **Jubilant Ingrevia:** To acquire of 26.60% stake in AMP Energy Green Fifteen for Rs 5.11 crore. The acquisition is expected to be completed in six months. The company has acquired stake in AMP to put up solar power plant with capacity of 15.5 MW under captive scheme.
- **Equitas Small Finance Bank:** Provisional Q2 FY22 CASA Ratio at 45% compared to 40% in Q1. Total deposits up 6% at Rs 18,094 crore Vs Rs 17,095 crore. Gross Advances at Rs 18,981 crore Vs Rs 17,837 crore.
- **Adani Total Gas:** The company has forayed into compressed bio-gas business. It has signed a definitive agreement with Shri Mataji Gauvansh Seva Sansthan for exclusively collaborating on the establishment of a bio-conversion plant with a design capacity of about 350 tonnes per day of feed processing at Mathura, Uttar Pradesh based on cattle dung as the primary biomass along with other biomass including napier grass, press mud, etc.
- **TCS:** Board has approved the re-appointment of Rajesh Gopinathan as CEO and MD for a term of five years from February 21, 2022.
- **RITES:** The company has named Rahul Mithal as Chairman and MD.
- **Gland Pharma:** The company has received tentative approval from the U.S. FDA for Sugammadex Injection. The injection is used to reverse the effects of the muscle relaxants Rocuronium Bromide and Vecuronium Bromide given to patients during surgery.
- **Bank of Maharashtra:** The bank has reduced Marginal Cost of Funds Based Lending Rate by 0.10% across tenors. The Repo Rate Linked Lending Rate has been revised from 6.90% to 6.80% w.e.f. October 11.
- **HCL Tech** rated new Neutral at Haitong Intl; price target Rs 1,326
- **TCS** cut to Reduce at Dolat Capital; price target Rs 3,770

Earnings Update

- **TCS Q2FY22 (Consolidated, QoQ):** Revenue up 3.21% at Rs 46,867 crore Vs Rs 45,411 crore Profit up 6.84% at Rs 9,624 crore Vs Rs 9,008 crore Ebit up 3.56% to Rs 12,000 crore Vs Rs 11,588 crore Ebit margin at 25.6% Vs 25.5% Declared a second interim dividend of Rs 7 per equity share

Results Today

- Delta Corp, HFCL, Krsnaa Diagnostics, Ramkrishna Forgings, Saregama India, Tata Metaliks, Tinsplate Company of India, Leshia Industries, and Sri Lakshmi Saraswathi Textiles

Indian Macro

- As widely expected, the Reserve Bank of India's Monetary Policy Committee kept the repo rate unchanged at 4 percent and maintained its accommodative stance with a 5-to-1 majority. The MPC continued with the state-of-the-economy-based guidance on the stance, given the uneven recovery and uncertainty about the spread of infections. The MPC noted that growth impulses are strengthening and took comfort from the softening of inflation. The policymakers continued with their growth-oriented policy. The marginal standing facility rate and the bank rate remain unchanged at 4.25 percent. The reverse repo rate stands unchanged at 3.35 percent. High-frequency indicators for August-September – railway freight traffic, cement production, electricity demand, port cargo, e-way bills, GST and toll collections – suggest progress in normalisation of economic activity relative to pre-pandemic levels.
- Chief Economic Adviser (CEA) KV Subramanian on October 8 announced that he is stepping down from his post, following the completion of his three-year tenure. "I have decided to return back to academia following the completion of my 3-year fulfilling tenure as the Chief Economic Adviser, Government of India," he said in a statement. Subramanian had taken over the charge of CEA on December 7, 2018, nearly five months after his predecessor Arvind Subramanian had

left the role. The government is yet to announce Subramanian's successor. Notably, the outgoing CEA is also a professor at the Indian School of Business (ISB), and was awarded as "Professor of the Year" by ISB for the courses that he taught in the Class of 2019.

- A few weeks ago, the Reserve Bank of India (RBI) Deputy Governor Michael D Patra said at an event that the RBI doesn't like tantrums. It likes tepid and transparent transitions, glide paths rather than crash landings. The October 8 monetary policy review is a testimony to that viewpoint. RBI Governor Shaktikanta Das restated the same position, as he said the liquidity measures necessitated by the COVID-19 pandemic-induced crisis would need to evolve in sync with the macroeconomic developments. This process has to be gradual, calibrated, and non-disruptive, while remaining supportive of the economic recovery.
- Markets are always tracking the Reserve Bank of India's views on liquidity; they affect all participants in the market because bond yields keep moving in accordance with the central bank's stance. In this policy, the governor has been quite vocal about ensuring the maintenance of stability in the market while indicating, without explicitly mentioning it, that it is time to rewind. How has this been done? The RBI has decided to stop Government Securities Acquisition Programme (G-SAP). which is the bond borrowing programme for the time being because there is a lot of liquidity in the system already. GSAPs were very much like the OMOs (Open market operations) where the RBI announced the purchase of certain securities on certain dates. The amounts were fixed for the period and these purchases ensured that liquidity was made available. Were these required? Not really from the point of view of liquidity because the system anyway had surplus funds which were being rechanneled back to the reverse repo window. But they helped to moderate yields in the market. This did not always work, but the effort was made.

Global Macro

- The People's Bank of China offered a total CNY 10 billion of seven-day reverse repos at an interest rate of 2.2 percent on October 11th 2021. It was the third-injections in four days, after a one-week holiday. The central bank said the move aims to maintain the reasonable and sufficient liquidity of the banking system.
- Crude Oil increased to a near 7-year high of 80.31 USD/Bbl, extending multiweek gains, as demand continued to outstrip supply. Last week, US oil benchmark jumped over 5% weekly gain, its seventh consecutive week of gains and the longest winning streak since December 2013. The crude market has been spurred from substitution effects amid soaring natural gas prices and as OPEC+ decided early in the week to stick with its planned 400,000 bpd increase in crude output quota for November, despite pressure from some countries including the US and India to add more supply to stabilize prices. Meanwhile, the US Energy Department said it has no plans to tap the nation's oil reserves at the moment following a report on Wednesday suggesting it may have been considering that option to curb rising prices.

	S1	S2	PIVOT	R1	R2
ADANIPOINTS	732	726	740	746	753
ASIANPAINT	3277	3238	3303	3342	3368
AXISBANK	777	772	781	786	790
BAJAJ-AUTO	3782	3758	3830	3854	3903
BAJAJFINSV	17420	17300	17580	17700	17861
BAJFINANCE	7672	7634	7751	7789	7868
BHARTIARTL	689	684	694	700	705
BPCL	446	442	449	453	456
BRITANNIA	3843	3804	3886	3925	3968
CIPLA	908	901	919	926	937
COALINDIA	184	180	188	192	195
DIVISLAB	5020	4967	5075	5128	5184
DRREDDY	4792	4744	4869	4918	4995
EICHERMOT	2788	2772	2831	2847	2889
GRASIM	1587	1577	1602	1613	1627
HCLTECH	1302	1276	1320	1345	1364
HDFC	2711	2699	2728	2741	2758
HDFCBANK	1596	1587	1609	1618	1631
HDCLIFE	716	713	724	727	735
HEROMOTOCO	2826	2817	2849	2858	2881
HINDALCO	465	460	478	483	496
HINDUNILVR	2619	2596	2649	2673	2702
ICICIBANK	698	692	704	710	716
INDUSINDBK	1162	1149	1171	1184	1193
INFY	1707	1686	1719	1740	1753
IOC	130	129	132	134	136
ITC	230	229	232	234	236
JSWSTEEL	656	651	670	675	688
KOTAKBANK	1921	1909	1944	1957	1979
LT	1719	1709	1730	1740	1751
M&M	866	858	880	888	903
MARUTI	7324	7277	7448	7495	7619
NESTLEIND	18904	18799	19042	19146	19284
NTPC	139	138	142	143	145
ONGC	158	156	162	164	168
POWERGRID	187	185	188	190	191
RELIANCE	2618	2548	2651	2721	2754
SBILIFE	1178	1167	1204	1215	1241
SBIN	455	450	460	465	469
SHREECEM	27506	27366	27863	28004	28360
SUNPHARMA	812	808	823	828	838
TATACONSUM	810	803	819	826	836
TATAMOTORS	374	368	386	392	403
TATASTEEL	1279	1264	1312	1327	1359
TCS	3898	3854	3944	3988	4034
TECHM	1426	1408	1436	1454	1465
TITAN	2322	2304	2371	2389	2438
ULTRACEMCO	7313	7282	7359	7391	7436
UPL	726	716	737	747	758
WIPRO	651	637	659	673	682

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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