

Market Outlook

Indian markets are expected to open flat to positive on the back of positive global cues. Going ahead, key monitorables include earnings expectations coupled with global news flows.

Markets Yesterday

- Domestic markets ended flat as higher oil prices and a weakening rupee offset positive cues from global markets
- US markets ended in the positive zone on the back of optimism about trade talks between the US and China

Key Developments

- Tata Motors has announced it has received BS-VI certification for its 3.8 litre commercial vehicle CNG engine
- Kotak Mahindra Bank may continue its healthy business growth led by stable margins of ~4.2% & superior credit growth of ~22% YoY, led by a pick-up in retail & corporate lending and portfolio buying from NBFs. The bank's strong opex control to keep CI ratio at 46%, led to healthy operational performance. With insignificant exposure to IL&FS, asset quality may stay stable with GNPA ratio of 2.1%. Other income will remain elevated as write back on investment provision is expected due to significant fall in G-sec yield
- The decline in non-ferrous prices, both zinc and lead YoY, is likely to have a negative rub off on Hindustan Zinc's Q3FY19 performance. LME zinc prices during the quarter were down 18.6% YoY while lead prices declined 21% YoY. However, the depreciating rupee (down ~11% YoY), is likely to provide marginal relief. We expect zinc sales of ~180000 tonne, lead sales of ~54500 tonne and silver sales of ~169000 kg. The topline is likely to decline 10.4% YoY. EBITDA is likely to decline 15.2% YoY. We expect the EBITDA margin to come in at 51.9% (vs. 54.8% in Q3FY18 and 48.9% in Q2FY19)

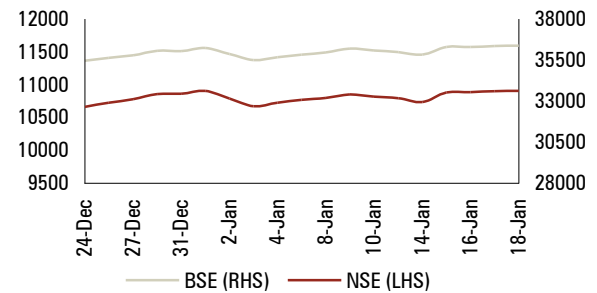
Nifty Heat Map

RIL	1,184.4 4.4%	Wipro	346.2 3.2%	Kotak Bank	1,240.2 1.7%	Hindalco	208.8 1.4%	Adani Ports	399.3 1.2%
HCL Tech	966.3 1.2%	ONGC	146.8 1.2%	Asian Paints	1,400.5 0.8%	Vedanta Ltd	198.7 0.6%	TECHM	709.2 0.5%
TCS	1,900.7 0.3%	Maruti	7,358.0 0.3%	Bajaj Finance	2,542.9 0.3%	IOC	137.9 0.1%	HDFC Ltd	2,006.9 0.1%
IBULHSG FIN	817.4 0.1%	M&M	735.0 0.0%	Cipla	509.4 0.0%	Titan	961.0 -0.1%	HDFC Bank	2,130.3 -0.1%
Zee Ent.	440.3 -0.1%	Power Grid	193.6 -0.2%	Hero Moto	2,898.8 -0.2%	BPCL	354.2 -0.3%	Bajaj Auto	2,720.8 -0.3%
Infosys	731.0 -0.3%	Grasim	825.0 -0.4%	UPL	766.1 -0.4%	Indusind Bank	1,516.9 -0.4%	NTPC	144.3 -0.4%
HUL	1,744.1 -0.4%	Tata Steel	470.7 -0.5%	Ultratech	3,820.0 -0.7%	ICICI Bank	372.0 -0.7%	Lupin	862.3 -0.7%
SBI	295.0 -0.8%	ITC	291.5 -0.9%	Dr Reddy	2,596.8 -0.9%	Bharti Infratel	278.1 -0.9%	Tata Motors	183.3 -0.9%
Coal India	230.0 -0.9%	Eicher	20,122.8 -1.2%	Yes Bank	198.6 -1.4%	Axis Bank	664.6 -1.8%	Bajaj Finserv	6,245.5 -1.9%
HPCL	239.5 -1.9%	L&T	1,317.9 -2.1%	GAIL	322.2 -3.1%	Bharti Airtel	311.2 -6.3%	Sun Pharma	390.8 -8.4%

Today's Highlights

Results: Kotak Mahindra Bank, Hindustan Zinc

China GDP, China industrial profits

Index Movement (past month)


	Close	Previous	Chg (%)	MTD(%)	YTD(%)	P/E (1yr fwd)
Sensex	36,387	36,374	0.0	0.9	0.9	18.3
Nifty	10,907	10,905	0.0	0.4	0.4	17.5

Institutional Activity

	CY17	CY18	YTD CY19	Yesterday	Last 5 Days
FII (₹ cr)	-40,663	-68,503	-2,320	-125	54
DII (₹ cr)	91,032	107,388	1,842	-1	521

World Indices – Monthly performance

	Nasdaq	Dow Jones	Germany	U.K.	Kospi
	7,157	24,706	11,206	6,968	2,120
	5.5%	4.4%	4.3%	4.0%	3.0%
	France	Shanghai	BSE	NSE	Nikkei
	4,876	2,615	36,387	10,907	20,163
	2.6%	0.8%	0.1%	0.0%	-4.7%

Markets Today

	Close	Previous	Change (%)	MTD(%)	YTD(%)
Commodities					
Gold (₹/10 gm)	32,396	32,351	0.1	2.6	2.6
Silver (₹/kg)	39,220	39,296	-0.2	2.5	2.5
Crude (\$/barrel)	61.8	61.2	1.0	14.8	14.8
Copper (\$/tonne)	5964.75	5938.25	0.4	0.3	0.3
Currency					
USD/INR	71.04	71.24	-0.3	-1.8	-1.8
EUR/USD	1.14	1.14	0.1	-0.6	-0.6
USD/YEN	109.30	109.26	0.0	0.4	0.4
ADRs					
HDFC Bank	103.4	102.9	0.5	-0.2	-0.2
Tata Motors	13.0	13.0	-0.2	6.4	6.4
Infosys	10.7	10.6	0.9	12.1	12.1
Dr Reddys Labs	37.0	37.3	-0.7	-1.8	-1.8

Key Data Points

KEY ECONOMIC INDICATORS

Key Economic Indicator	Period	Latest	Prior Values
RBI Cash Reserve Ratio	N/A	4.00%	4.00%
RBI Repo Rate	N/A	6.50%	6.25%
RBI Reverse Repo Rate	N/A	6.25%	6.00%
CPI YY	December	2.19%	2.33%
Current Account Balance	Q3	-19.1bn \$	-15.8bn \$
Exports - USD	November	26.5bn \$	26.98bn \$
FX Reserves, USD Final	w/e	396.08bn \$	393.4bn \$
GDP Quarterly yy	Q2	7.10%	8.20%
GDP Annual	12M	6.60%	7.10%
Imports - USD	December	41.01bn \$	43.17bn \$
Industrial Output yy	November	0.50%	8.10%
Manufacturing Output	November	-0.40%	7.90%
Trade Deficit - RBI	Q3	-50bn \$	-45.7bn \$
Trade Deficit Govt - USD	December	13.08bn \$	16.67bn \$
WPI Food yy	December	-0.70%	-3.31%
WPI Fuel yy	December	8.38%	16.28%
WPI Inflation yy	December	3.80%	4.64%
WPI Manufacturing Inflation yy	December	3.59%	4.21%

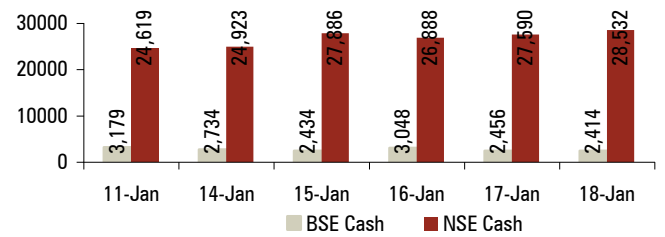
Sectoral Index

Sector	Close	Previous	Change	% Change	Volume
Auto	19917.31	19991.41	-74.1	(0.37)	2513000
Banks	30739.83	30812.25	-72.42	(0.24)	10025000
BSE Small Cap	14504.6	14611.52	-106.92	(0.73)	58942000
Capital Goods	17703.37	17957.63	-254.26	(1.42)	3784000
Consumer Durables	20949.82	21025.26	-75.44	(0.36)	147000
FMCG	11872.73	11942.07	-69.34	(0.58)	3681000
Healthcare	13801.6	14083.11	-281.51	(2.00)	10030000
IT	14670.87	14649.86	21.01	0.14	6199000
Metals	11080.32	11101.1	-20.78	(0.19)	3858000
Mid Cap	15023.39	15142.33	-118.94	(0.79)	18075000
Oil & Gas	13578.59	13529.82	48.77	0.36	3642000
Power	1954.53	1963.42	-8.89	(0.45)	8225000
PSU	7060.99	7120.33	-59.34	(0.83)	12467000
Real Estate	1847.26	1870.16	-22.9	(1.22)	838000

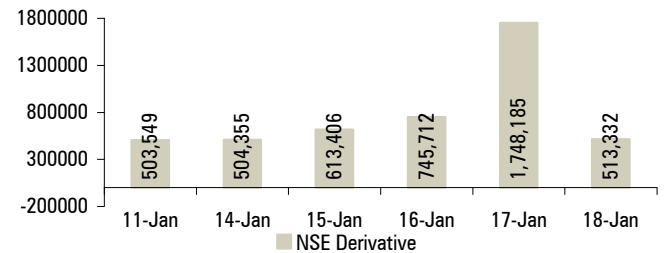
Key News for Today

Company/ Industry	News	View	Impact
Auto sector	According to media reports, the final government approval for second leg of Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME - II) could arrive in a month. The duration of the scheme is proposed to be five years with an outlay of ₹ 5,500 crore	Adoption of the scheme will accelerate adoption of electric vehicle technology for the domestic auto space, particularly two wheelers. Inclusion of incentives for e-bicycles, however, comes as a surprise to us. It will benefit the premium bicycle segment	↑

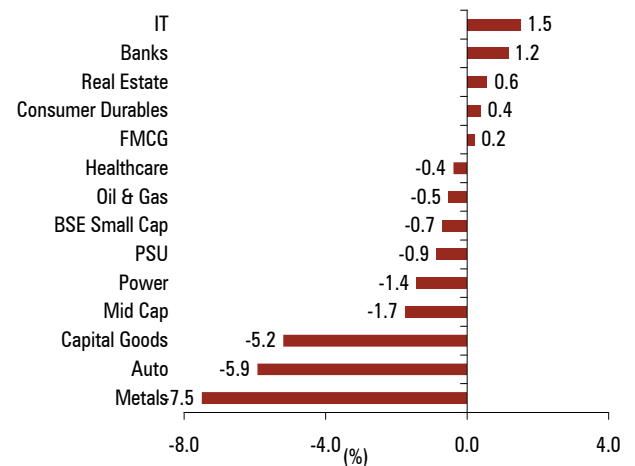
Exchange Cash Turnover (₹ crore)







NSE Derivative Turnover (₹ crore)



Sectoral Performance – Monthly Returns (%)



Maruti Suzuki	Suzuki Motors has announced completion of construction of its second Gujarat plant with a capacity of 2.5 lakh units per annum	This will augment the available capacity at Maruti Suzuki India by 2.5 lakh units per annum to 20 lakh units per annum (currently 15 lakh units per annum owned and 2.5 lakh units per annum at Suzuki Motors plant in Gujarat) and bodes well for further volume growth, going forward	
Vodafone Idea	Media reports say Vodafone Idea is seeking a two years extension for spectrum payment	We believe that considering the high net debt for the company, which is above ₹ 1100 crore , any cash infusion is crucial for the company. However, we believe considering spectrum payments for other telcos, we feel the demand is unlikely to go through	
Pharma sector	As per the latest Enforcement Report, Lupin is voluntarily recalling 55,000 vials and 1,60,241 boxes of anti-bacterial drug Ceftriaxone due to identified as shredded rubber particulate matter from the stopper observed in reconstituted vials. The products have been manufactured at the company's facility in Mandideep, Madhya Pradesh. This recall has been classified as a Class-I recall. Lupin is also recalling 2,87,784 bottles of Cefdinir for Oral Suspension under class II recall, used to treat bacterial infections. Sun Pharma is voluntarily recalling 13,918 cartons and 1,39,180 vials of Vecuronium Bromide for injection, used as part of general anesthesia, due to presence of particulate matter. Glenmark is recalling 96,240 applicators of its product Estradiol Vaginal Inserts under class II recall for defective delivery system	Among all recalls, Lupin's recall of Ceftriaxone has been classified under class I recall by USFDA, which may trigger the immediate inspection of the company's Mandideep facility	
Larsen & Toubro	Sebi has denied permission to L&T for its ₹ 9000 crore share buyback offer and has asked it not to proceed for buyback. This is since the ratio of the aggregate of secured and unsecured debts owed by the company after buy-back (assuming full acceptance) would be more than twice the paid-up capital and free reserves of the company based on consolidated financial statements	The move will impact the stock price sentimentally in the short term as investors who would have brought to gain from buyback arbitrage will sell. But at the same time we don't foresee any change in the fundamentals of the company and believe the company is the best place to ride the capex recovery cycle. We also believe there lies a scope for rerating given management efforts to improve return ratios remains on track coupled with a visibility of 15% PAT CAGR over FY18-20E.	

Key developments (Continued...)

- HDFC Bank delivered a robust operational performance on the back of steady margin at 4.3% & healthy credit growth of ~23.7% YoY. Asset quality broadly remained stable at 1.38% vs 1.33% in Q2FY19, with concerns on agri exposure. The bank prudently provided ₹ 335 crore as contingent provision leading to 21.5% increase in provision sequentially. Robust growth in core fee income with treasury profits led to PAT growth of ~20% YoY at ₹ 5585 crore

Key developments (Continued...)

- Wipro reported a healthy Q3FY19 especially on margin performance wherein IT services EBIT margin expanded 120 bps QoQ to 19.8% (from adjusted margin of 18.6% in Q2FY19). In constant currency, global IT services revenues grew 2.4% sequentially (above our estimate of 1.7% QoQ) while PAT came in at ₹ 2510.3 crore
- SBI Life Insurance reported healthy traction in premium at 35% YoY to ₹ 9141 crore, led by 39% YoY growth in renewals and healthy growth in new business premium, particularly single premium rising 121% YoY. Protection business continue to witness robust traction of 213% YoY. Led by healthy premium accretion, surplus came higher at ₹ 365 crore vs. ₹ 216 crore in Q3FY18. However, higher allocation to policyholder account led PAT at ₹ 264 crore, lower than our estimate. AUM growth remained healthy at 20% YoY to ₹ 134150 crore. SBI Life has entered into bancassurance relation with Allahabad Bank and Syndicate Bank during the quarter
- The Serious Fraud Investigation Office (SFIO) has sought the cancellation of the banking licence of DCB Bank for its role in the National Spot Exchange (NSE) scam. SFIO investigation reports say DCB was neither authorised, nor did it take clearance from the RBI for an agreement with IICL to push its clients to trade on NSEL. DCB Bank has clarified that it was just referral agreement and customers were directly dealing with IICL for their investments/trade needs
- Vodafone Idea has informed the stock exchanges that board of directors of the company will meet on January 23, 2019 to consider a proposal for fund raising, including through rights issue, qualified institutions placement, preferential allotment or any other mode in the best interest of the company
- On a whistleblower allegation, Sun Pharma's management has clarified that, it has not received the whistleblower complaint. Hence, it cannot comment on the points being raised by media or investors on whistleblower
- The government has put six airports — Ahmedabad, Jaipur Lucknow, Guwahati, Thiruvananthapuram, and Mangaluru — on the block and wants to conclude the process before the Lok Sabha elections this summer. The global private equity and airport players such as Macquarie Group, Brookfield, AviAlliance and Aéroports de Paris have shown interest in bidding process
- Jyothy Laboratories is planning to expand its product portfolio in Bangladesh and is looking at ₹ 100 crore business from the current ₹ 15 crore from there in the next two to three years
- Bharti Airtel has informed the stock exchanges that the company has received NCLT approval for acquisition of wireless business of Tata Teleservices
- USFDA inspection on Indoco Remedies' Goa Plant II (sterile facility) was completed from November 14-21, 2018. Goa Plant I (solid oral facility) inspection is ongoing. It commenced on January 17, 2019
- As per media sources, e-commerce companies are offering aggressive discounts (3-5% higher than those offered in Diwali), to clear their inventory ahead of the government's revised FDI policy taking effect on February 1
- Kuwait Airways CEO has said they are in talks to collaborate with Indian airlines in a way to reduce operational costs, increase traffic on direct flights and thus help increase yields. The cooperation may cover passenger and cargo handling, security, technical training, catering and maintenance at Kuwait airport
- NTPC is likely to consider an issue of bonus shares

Nifty Daily Chart



Technical Outlook

Equity benchmarks traded in a range with high volatility and ended the session almost flat at 10907.

The price action formed a second consecutive hammer like candle, which remained enclosed inside the previous session's price range. The index has undergone a breather over the past three sessions after the breakout from the symmetrical triangle on last Tuesday. Hence, we believe the current breather should be utilised as an incremental buying opportunity in quality stocks to participate in the next up leg towards 11100. In the coming session, the index is likely to open on a positive note tracking strong global cues. Any cool off towards 10900 should be utilised to create fresh long positions. We reiterate our positive stance, as we expect the Nifty to strengthen above December high (10985) in coming sessions and eventually head towards our earmarked target of 11100.

Pivot Points

Index/Stocks	Trend	Close	S1	S2	R1	R2
S&P BSE SENSEX INDEX	Positive	36386.6	36246.0	35994.0	36498.0	36749.0
Nifty 50	Neutral	10907.0	10864.0	10788.0	10940.0	11016.0
ACC LTD	Negative	1439.8	1428.0	1395.0	1461.0	1494.0
AXIS BANK LTD	Negative	664.6	658.0	643.0	673.0	687.0
HDFC BANK LTD	Positive	2130.3	2117.0	2093.0	2141.0	2166.0
STATE BANK IND	Negative	295.0	292.0	287.0	298.0	303.0
HOUSING DEV FIN	Positive	2006.9	1993.0	1970.0	2017.0	2040.0
MARUTI SUZUKI IN	Neutral	7358.0	7324.0	7262.0	7386.0	7448.0
TATA MOTORS LTD	Negative	183.3	180.0	176.0	185.0	189.0
MAHINDRA & MAHIN	Neutral	735.0	730.0	720.0	740.0	750.0
BAJAJ AUTO LTD	Neutral	2720.8	2696.0	2646.0	2745.0	2795.0
TATA CONSULTANCY	Positive	1900.7	1884.0	1856.0	1912.0	1940.0
INFOSYS LTD	Negative	731.0	726.0	716.0	736.0	746.0
CIPLA LTD	Negative	509.4	507.0	501.0	513.0	518.0
OIL & NATURAL GA	Positive	146.8	146.0	144.0	149.0	152.0
RELIANCE INDS	Positive	1184.4	1150.0	1095.0	1205.0	1259.0
BHARTI AIRTEL	Negative	311.2	300.0	271.0	328.0	356.0
DLF LTD	Negative	180.4	177.0	172.0	183.0	188.0

CNX Nifty Technical Picture

Nifty 50	Intraday	Short Term
Trend	Up	Up
Support	10890-10860	10600
Resistance	10950-10985	11100
20 day EMA		10821
200 day EMA		10738

Advances/Declines

	Advances	Declines	Unchanged
BSE	867	1678	166
NSE	519	1230	117

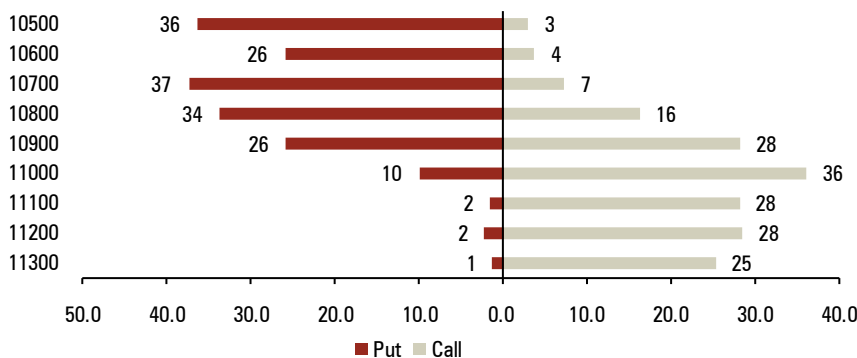
Daily Technical Calls

- Buy Mindtree in the range of 888.00-890.00
- Sell GAIL in the range of 324.00-326.00

*All recommendations are of January Future

See Momentum Pick for more details

Nifty Call – Put Strike (Number of shares in lakh) – January 2018



Intraday Derivative Strategy

i) Jubilant Foodworks

Buy JUBFOO JAN Fut at ₹ 1235.00-1236.00

CMP: 1224

Target 1: 1247 Target 2: 1265

Stop Loss: 1223

ii) Lupin

Sell LUPIN JAN Fut at ₹ 853.00-854.00

CMP: 860

Target 1: 845.4 Target 2: 832.6

Stop Loss: 862.6

See Derivatives view for more details

Results/Events Calendar

07 January Monday	Japan Monetary Base YoY Nikkei Japan PMI Services China Foreign Reserves	08 January Tuesday	Tata Elxsi US Trade Balance	09 January Wednesday	IndusInd Bank Japan Consumer Confidence	10 January Thursday	TCS Bandhan Bank US Initial Jobless Claims US Wholesale Inv MoM China CPI YoY	11 January Friday	Infosys Japan BoP Current Acc Bal India Industrial Prod YoY US CPI YoY	12 January Saturday	J&K Bank
14 January Monday	India Wholesale Prices YoY India CPI YoY EU Industrial Prod SA MoM China Trade Balance	15 January Tuesday	KPIT Technologies Zee Entertainment EU Trade Balance SA MoM India Trade Balance	16 January Wednesday	Mindtree DCB Phillips Carbon Black UK CPI YoY Japan PPI YoY	17 January Thursday	Cyient, Rallis India HUL, Federal Bank Reliance Industries Ltd. US Housing Starts US Initial Jobless Claims	18 January Friday	Wipro, Kajaria SBI Life, NIIT Tech Japan Industrial Prod YoY US Industrial Prod MoM Japan Natl CPI YoY	19 January Saturday	HDFC Bank HOEC
21 January Monday	Kotak Mahindra Bank Hindustan Zinc China Industrial Profits YoY China GDP YoY	22 January Tuesday	TVS Motors Asian Paints, Oberoi Alembic Pharma Syngene Int. Havells India	23 January Wednesday	Pidilite, ITC, Indoco United Spirits, Bharti Infratel DB Corp EU Consumer Confidence BoJ Policy Balance Rate	24 January Thursday	Colgate, VST Industries Ultratech Cement, Yes Bank Supreme Ind, Pfizer, PVR Biocon, Sterlite Tech Markit EU Mfg PMI	25 January Friday	M&M Finance Swaraj Engines Gati Larsen & Toubro Tokyo CPI YoY	26 January Saturday	
28 January Monday	Persistent, Chennai Petro Mahindra Lifespace Godrej Properties China Industrial Profits YoY Chicago Fed Natl Activity	29 January Tuesday	Axis Bank, Mahanagar Gas Bajaj Finance, HCL Tech Bajaj Finserv, Infoedge HDFC Ltd, Wabco Kansai Nerolac	30 January Wednesday	EIH Ltd, Guj Pipavav Bajaj Auto, EPC Industries BEL, Bluedart Japan Retail Trade YoY US GDP Annualized QoQ	31 January Thursday	EIH Associated Dabur V-guard, Hero Moto India GDP Annual Est. YoY India Fiscal Deficit	01 February Friday	Nocil, DRL Kanpur Plastipack Caixin China PMI Mfg Nikkei India PMI Mfg Nikkei Japan PMI Mfg	02 February Saturday	
04 February Monday	Exide Industries Firstsource	05 February Tuesday	Marico Timken India GAIL Tech Mahindra	06 February Wednesday	JSW Steel Cipla	07 February Thursday		08 February Friday	FDC Ltd TV Today	09 February Saturday	

Major Economic Events this Week

Date	Event	Country	Period	Expected	Previous
21-Jan-19	Retail Sales YoY	CH	Dec	8.2%	8.1%
21-Jan-19	Industrial Production YoY	CH	Dec	5.3%	5.4%
21-Jan-19	GDP YoY	CH	4Q	6.4%	6.5%
22-Jan-19	Trade Balance	US	Nov	-\$54.0b	-\$55.5b
23-Jan-19	Trade Balance	JN	Dec	-¥35.3b	-¥737.3b
23-Jan-19	BOJ Policy Balance Rate	JN	43488	--	-0.1%
24-Jan-19	Markit US Manufacturing I	US	Jan P	--	53.8
24-Jan-19	Nikkei Japan PMI Mfg	JN	Jan P	--	52.6
24-Jan-19	Markit Eurozone Manufact	EU	Jan P	51.4	51.4
24-Jan-19	Markit US Manufacturing I	US	Jan P	--	53.8
24-Jan-19	Markit US Services PMI	US	Jan P	--	54.4
24-Jan-19	Nikkei Japan PMI Mfg	JN	Jan P	--	52.6
24-Jan-19	Markit Eurozone Manufact	EU	Jan P	--	51.4
24-Jan-19	Markit Eurozone Services I	EU	Jan P	--	51.2
24-Jan-19	ECB Main Refinancing Rat	EU	24-Jan	--	--
25-Jan-19	Tokyo CPI YoY	JN	Jan	0.2%	0.3%

Bulk Deals

Company	Revenue			EBITDA			PAT		
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Kotak Bank	2,806.9	17.3	3.6	2,181.2	19.8	3.9	1,239.3	17.7	8.6
Hindustan Zinc	5,304.5	-10.4	11.0	2,751.6	-15.2	17.9	1,949.8	-12.6	7.4
Revenue = Nil; EBITDA = PPP for Banks and NBFC									

Recent Releases

Date	Report
January 18, 2019	Result Update – Cyient Ltd
January 18, 2019	Result Update – Hindustan Unilever
January 18, 2019	Result Update – Federal Bank
January 17, 2019	Result Update – DCB Bank
January 17, 2019	Result Update – MindTree



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