

Markets await RBI meet for direction



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Market Khabar

Buoyed by the fall in crude oil prices, recovery in rupee, Q4 growth at 7.7 per cent, auto sales numbers and easing of political tensions in Italy, the markets ended the week with modest gains.

The S&P BSE Sensex closed at 35,227, up by 302 points or 0.87 per cent while the NSE Nifty closed at 10,696, higher by 91 points or 0.86 per cent.

Broader market continued to under perform as markets turned nervous and hesitant.

The Monetary Policy Committee will announce its policy rate decision on Wednesday, June 6.

Analysts predict that RBI is likely to maintain status quo.

However, the commentary is expected to be hawkish with some guidance on interest rate hikes as retail inflation has been inching up; monsoon progress and crude oil

prices movement will cast shadow on any decision.

The government has budgeted a monthly run-rate of ₹1.06 trillion for GST in FY19, ~18% higher than in FY18. In the first two months of FY19, however, the average monthly GST collection was ₹987 billion — significantly short of the target.

Ahead of the 2019 polls, losses suffered by BJP have opened the possibility that BJP is not invincible and "game is open" for 2019 general elections.

The near-term trend will be dictated by the Reserve Bank's policy meeting, progress of monsoon, domestic macro economic data, FII and DII activity, the movement of rupee against the dollar, crude oil price movement and global cues.

For the week ahead, chartists predict trading range of 34,700-35,750 and 10,500-10,875 for the benchmark indices.

STOCK SCAN

■ Shree Pushkar Chemicals & Fertilisers is engaged in the business of manufacturing and trading of chemicals, dyes and dyes intermediate, cattle feeds, fertilisers and soil conditioner. The company's manufacturing facilities provide a range of chemical reactions, including sulfonation, reduction, nitration, acetylation, condensation, isolation, hydrolysis, amination, fusion and acetylation. The company is India's largest manufacturer of K Acid. Products supplied across dye intermediates, acid complex, cattle feed supplement & fertilisers segments and exports to world's leading dye manufacturers like Huntsman Corp in USA. Buy on declines for target price of ₹350.

■ Shivalik Bimetal Controls is a company specialized in the joining of material through various methods such as Diffusion Bonding/Cladding, Electron

Beam Welding, Solder Reflow and Resistance Welding. The company offers precision manufactured components specific to the application requirements and has been a single vendor to many prestigious OEMs since 1986 and has successfully met the most stringent of demands. Buy for target price of ₹200.

■ Stovec Industries — a part of SPG Prints Group — is engaged in the development and production of consumables for their use in textile and graphic printing industry. The company's products and services include perforated rotary screens and automatic rotary screen printing machine. It operates in a range of verticals, including textile printing, graphics printing and sugar filtration. The company offers digital ink and sugar screens. Buy on declines for medium term target price of ₹4,000.

FUTURES & OPTIONS

Settlement week witnessed brisk trading in the derivative segment.

Rollovers for Nifty were lower in terms of total percentage of open interest as well as the number of shares vis-a-vis last month and the last three month average.

On the options front, June series starts with the maximum open interest in put options at 10,600 strike and maximum open interest in call options at 11,000 strike.

The Implied Volatility of calls was at 11.42 per cent while that for put options closed at 11.05 per cent.

The Nifty VIX for the week closed at 13.22 per cent and is expected to remain sideways. Overall market's cost-of-carry is up on the back of fresh long additions.

Data indicates heightened volatility in coming sessions with some stock specific moves. Auto stocks witnessed good buying interest. 2-wheeler

stocks TVS Motors and Bajaj Auto look good for gains.

Bank Nifty futures ended the week 1.6 per cent higher. Crucial resistance on the upside is seen around the 27,150 levels, while important support is seen around 26,350 levels. Private Banks like HDFC Bank, Kotak Bank and YES Bank continued to attract good buying.

Contrarians advise accumulation of smaller PSBs for unexpected gains with 18 month horizon.

Resilient buying was seen in cement and metal counters. Stay invested for present. Stocks looking good are Cholamandalam Finance, Dabur, GAIL, RIL, Maruti and Ujjivan.

Reports indicate that Sebi decided to make physical settlement of stock derivatives mandatory in a phased manner, a move that could bring some much-needed balance between equity cash and derivative segments.

(C. Kutumba Rao is an avid follower of stock markets. This newspaper is not liable for decisions made on the basis of this column. Views expressed in the article are personal views of the writer.)