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Daily Market Strategy - Flat start; indices could face resistance

Anil Mascarenhas, IIFL | Mumbai | October 07, 2015 08:29 IST The happiness on the street may continue at start with the market set to open on a flat to positive note. Investors are getting a bit jittery after the recent swift run-up. In fact, investors are reported to have hedged positions by buying Nifty put options worth Rs 15,000 crore in a matter of two week. The rupee may be under pressure as oil importers buy dollars but dollar sales by foreign banks may stem the weakness.

Happiness is not a station you arrive at, but a manner of traveling. - Margaret Lee Runbeck

India could well retain its recently acquired status as the world's fastest growing major economy says IMF which pegged India's GDP estimate at 7.3%. Demand in India is projected to remain strong and growth will benefit from recent policy reforms, a consequent pickup in investment, and lower commodity prices, the IMF said. Meanwhile, the government's global road shows are underway in US and UK, to attract money for its stake sale in NTPC and BEL which could fetch the exchequer around Rs 66bn. The Prime Minister has exuded confidence that Goods and Services Tax will be rolled out in 2016.

The happiness on the street may continue at start with the market set to open on a flat to positive note. Investors are getting a bit jittery after the recent swift run-up. In fact, investors are reported to have hedged positions by buying Nifty put options worth Rs 15,000 crore in a matter of two week. The rupee may be under pressure as oil importers buy dollars but dollar sales by foreign banks may stem the weakness. The Union Cabinet will meet later in the day. Global cues are directionless for now.

Coffee Day, InterGlobe and Infibeam are among 19 companies gearing to list in the coming months. Coffee Day Enterprises will announce its IPO today and is likely to launch its issue next week to raise up to Rs 1,150 crore, a report stated. InterGlobe Aviation, the owner of IndiGo, may raise about Rs 2,500 crore through an IPO in the fourth week of this month.

Shilpi Cable Technologies will partner with Eyecom Telecommunication Equipment.

Crude oil prices will recover on the back of sharp reduction in the global investments toward oil exploration, OPEC secretary-general Abdalla Salem el-Badri said on Tuesday. He also said that OPEC was open to discussing the current oil market turmoil with the US. Speaking at the Oil and Money conference in London, the OPEC chief said that there will be less supply in the very near future due to cuts in global oil sector investments. "Less supply means high prices," he said.

The Chinese yuan became the world's fourth most-used currency for international payments in August, overtaking the Japanese yen, according to a report by the Society for Worldwide Interbank Financial Telecommunication (SWIFT). SWIFT data released on Tuesday showed that 2.79% of international payments were settled in yuan as opposed to the yen's 2.76%.

Junior private debt pricing in Europe has exceeded the US equivalent* for the first time to reach an all-time high of 10.6% current interest and PIK (Payment In Kind). This confirms the increasingly attractive market opportunity in Europe. The analysis is part of the new Private Debt Tranche Report released by CEPRES today with detailed data on US and European private debt transactions.

A CRISIL Ratings analysis shows that around 7,500 km of highway projects -- 5,100 km under construction and 2,400 km operational – awarded mostly between fiscals 2010 and 2012 on a build, operate, transfer, or BOT, basis, are at high risk today.

Finance Minister Arun Jaitley reportedly said that the world needs "additional shoulders" other than China to push economic growth. The revolution of raising expectations in India is a good sign, says Jaitley.

Shares of HDFC Limited ended flat at Rs. 1258. The company announced a reduction in its Retail Prime Lending Rate (RPLR) by 25 basis points, with effect from October 06 , 2015. This reduction would benefit all customers.

Shares of Sun Pharma ended 1% higher at Rs. 909. Ranbaxy Pharmaceuticals Inc., a unit of Sun Pharmaceutical Industries, has settled a patent litigation with Actavis over the generic version of Absorica, a drug used to treat acne.

Shares of Indian Overseas Bank ended flat at Rs. 37. RBI has initiated a "Prompt Corrective Action" on Indian Overseas Bank (IOB) to improve internal controls and consolidate its business activities.

IOB informed stock exchanges that the RBI action will not have any material impact on the growth prospects/performance of the bank.

Shares of Educomp Solutions ended 2% higher at Rs. 13. The company said it has sold entire stake in Wiz Learn Technology, Singapore, to V-cube Global Services for an undisclosed sum.

ITC stock closed 4% higher at Rs. 342 as Aashirvaad ghee will make its debut this Diwali as ITC plans to enter into the dairy segment.

Shares of Gujarat NRE Coke Ltd hit 20% upper circuit at Rs. 3.76. The board of the company has approved a plan to sell its 62 windmills in Gujarat for about Rs. 218.75 crore, subject to satisfactory due diligence.

Tech Mahindra stock ended 1% lower at Rs. 564. The company has signed an agreement with Bombardier Commercial Aircraft to develop the Aircraft Ground Support System (AGSS) for Bombardier's Aircraft Health Management System (AHMS) for the C Series family of aircraft.

Tata Steel stock ended 1% higher at Rs. 227. The company reportedly said it will review its agreement with the Alberta-based New Millennium Iron Corporation (NML) on developing iron ore sites in Canada.

Shares of Wockhardt Ltd ended 3% higher at Rs. 1586 .The company has announced that inspection of the Company's manufacturing unit at L-1, Chikalthana, Aurangabad by UK MHRA has since been completed and there were no critical observations.

Shares of Union Bank of India ended 2% higher at Rs. 185. Belgian based KBC Asset Management plans to exit Indian market by selling its stake in the mutual fund business to its joint venture partner Union Bank of India.

Shares of SpiceJet Ltd ended 3% higher at Rs. 30. The company announced launching of two direct flights to Dubai, one each from Amritsar and Kozhikode, from next month and offered an all-inclusive introductory one-way fare of Rs. 4,999.

Shares of Lanco Infratech Ltd ended 10% lower at Rs. 5.38. The company has allotted 265.1 mn equity shares of Re 1 each at a price of Rs. 6.30.

Aditya Birla Nuvo Ltd. will reportedly sell a 49% stake in its wholly-owned subsidiary Aditya Birla Renewables Ltd. to a unit of international private equity firm Abraaj Group. In its filing to BSE on Tuesday, Aditya Birla Nuvo said that it has entered into a definitive a share subscription and shareholders agreement (SSA) with AEIF Mauritius SPV 1 Ltd, an Abraaj Group company.

Arvind Ltd. is targeting doubling of its revenues from its premium fabric brand 'Tresca', CEO of its Lifestyle Fabrics division Susheel Kaul said on Tuesday. As part of its strategic initiative, the Ahmedabad-based company will increase the number of retail outlets, where Tresca fabrics would be made available.

The Foodpanda Group could reportedly be looking to sell its Indian arm and is in talks with at least three of its rivals in India. However, the company's co-founder & group CEO Ralf Wenzel has denied media reports about Foodpanda looking to sell its Indian business.

Eveready Industries Ltd. is expecting a steep rise in revenue from its electrical and lighting products in the current fiscal year, Managing Director Amritanshu Khaitan told a business daily on Tuesday. The new vertical could fetch revenue of ~INR 350 crore in FY16 as against INR 189.30 crore in FY15.

The Indian aluminium producers are reportedly demanding a safeguard duty against rising imports from China as against their earlier demand of a hike in import duty. Vedanta, Hindalco and Nalco under the aegis of Aluminium Association of India (AAI) will meet Revenue Secretary Hasmukh Adhia on Wednesday to build a case for safeguard duty.

Global Data: National Day CNY, Foreign Exchange Reserves (QoQ) (Q3) CNY, BoJ Monetary Policy Statement JPY, Coincident Index (Aug) Preliminary JPY, Leading Economic Index (Aug) Preliminary JPY, Industrial Production n.s.a. w.d.a. (YoY) (Aug) EUR, Industrial Production s.a. (MoM) (Aug) EUR, BoJ Press Conference JPY, Trade Balance EUR (Aug) EUR, Imports, EUR (Aug) EUR, Exports, EUR (Aug) EUR, Industrial Output Cal Adjusted (YoY) (Aug) EUR, Non-monetary policy's ECB meeting EUR, Foreign Currency Reserves (Sep) CHF, Industrial Production (MoM) (Aug) GBP, Manufacturing Production (MoM) (Aug) GBP, Industrial Production (YoY) (Aug) GBP, Manufacturing Production (YoY) (Aug) GBP, 10-y Bond Auction EUR, MBA Mortgage Applications (Oct 2) USD, Building Permits (MoM) (Aug) CAD, NIESR GDP Estimate (3M) (Sep) GBP, EIA Crude Oil Stocks change (Oct 2) USD 10-Year Note Auction USD, Consumer Credit Change (Aug) USD, RICS Housing Price Balance (Sep) GBP, Machinery Orders (MoM) (Aug) JPY, Foreign investment in Japan stocks (Oct 2) JPY, Foreign bond investment (Oct 2) JPY, Current Account n.s.a. (Aug) JPY, Machinery Orders (YoY) (Aug) JPY, Trade Balance - BOP Basis (Aug) JPY

Trends in FII flows: The FIIs were net sellers of Rs. 4.24 mn the cash segment on Tuesday, while the domestic institutional investors (DIIs) were the net buyers of Rs. 4.80 mn, as per the provisional figures released by the NSE.

Bank of Baroda has detected Rs3.5bn bill discounting irregularity and initiated an investigation into it. (ET)

A giant coal project under development in Australia by Adani Enterprises is facing further delays over environmental permitting, Australia's environment minister said. (BS)

Bank of Maharashtra said it has received shareholders' approval to raise Rs3.9bn by issuing 105.1 mn equity shares on preferential basis to the government. (BS)

Tata Chemicals , the maker of branded salt and pulses, will create a new umbrella brand for its foods portfolio as it looks to treble revenues to Rs50bn in 5 years by entering newer product categories. (ET)

NIIT announced the launch of NIIT.tv portal. It is an internet TV portal that brings skilling from NIIT classrooms to every digitally connected Indian, for free, and can be accessed on a computer, tablet or smartphone anytime anywhere. (BS)

Bank of Baroda, Andhra Bank and Legal & General invested Rs1.5bn into IndiaFirst Life Insurance. (ET)

Suzlon Energy has received an repeat order from Orange Renewable for installation of 100.8MW at Beluguppa in the state of Andhra Pradesh. (BL)

Uflex Ltd announced that it will set up a manufacturing facility at Sanand in Ahmedabad with an investment of Rs15bn. The plant would become fully operational by April 2017. (BL)

Reliance MediaWorks has sold 9.75% stake in media services major Prime Focus for over Rs1.55bn through an open market transaction. (BL)

Siemens has signed an MoU with Infrastructure Leasing and Financial Services (IL&FS) and Gujarat International Finance Tec-City Company (GIFTCL) to develop smart mobility solutions for the tec-city. (ET)

Online shopping portal Infibeam Incorporation Ltd has received markets regulator Sebi's approval to mop up an estimated Rs4.5bn through an initial public offer. (BS)

For every US\$100 needed for protection, only US\$7.8 of saving and insurance is in place for a typical Indian household, leaving a massive mortality protection gap of US\$92.2, says a study by Swiss Re. (ET)

Finance Minister has indicated a rational tax rate for individuals and bringing down of corporate tax to 25% flat in four years beginning next fiscal along with removal of exemptions except those that encourage individual savings. (ET)

37 consulting firms have been assigned for preparing action plans for the 88 cities proposed to be developed as Smart Cities. (BS)