Equity Report – Nifty

Equity Research Desk 16 Mar. 17

Script – Nifty **Recommendation – Buy**

Sentiment	
Entry above	9248
Stop loss	9050
Target	9662++

IMV Equity Research Desk
www.indianmarketview.com

research@indianmarketview.com
0120-654-6555

Market Overview

*In line with market expectation the **US Federal Reserve** raised interest rates by 25 basis points (bps), taking the overnight fund rate to a target range of 0.75 percent to 1 percent.*

Bond yields fell immediately after the Fed announcement from 2.6 percent to 2.5 percent in a sign of relief. The Fed has lowered the expectation as inflation approaches its target.

In a move that would please global markets, the Federal Open Market Committee (FOMC) described job gains as solid and business investment appearing to firm up. Inflation, the statement said, is moving close to the committee's 2 percent target. Fed had forecast inflation to reach 1.9 percent in the fourth quarter of current year and 2 percent in both 2018 and 2019.

As for unemployment, the officials projected it at 4.5 percent, the same level as in December forecast. The jobless rate was 4.7 percent in February.

Though interest rates have been increased the Fed has not shifted its estimation of US GDP growth at 2.1 percent in 2017 though it projected a minor increase from 2 percent to 2.1 percent in 2018 and kept 2019 estimates at the same level of 1.9 percent.

Nonetheless equity and oil markets moved higher after the rate increase indicating that the numbers have been well taken. The ball is now in President Donald Trump's court as market waits to see his Congress take the responsibility for providing economic stimulus, a role that was played by the Fed for nearly a decade.

Expectations in the US markets are high that an aggressive fiscal policy will bring back growth. However, Fed's data does not reflect the optimism – growth has been stagnant for three years.

***U.S. retail sales** in February 2017 grew at the slowest pace since August 2016 while oil inventory in the country continues to rise week after week.*

It is perhaps due to this lack of clarity that Fed Reserve chairperson Janet Yellen ducked a question on the timeline for the Fed to shrink its massive balance sheet.

The way things stand, Trump would like to consume more resources to meet the shortfall in his revenue targets as a result of expected tax cuts. That being the case a higher fiscal deficit would push inflation higher and might prompt the Fed to speed up its rate increases.

*The **Bank of Japan** kept monetary policy steady on Thursday in the wake of the U.S. Federal Reserve's second interest rate hike in three months, underscoring the diverging policy paths of major global central banks.*

***BJP's** emphatic victory in the politically-crucial state of UP would embolden the Prime Minister in aggressively expediting key structural economic reforms that have been hobbling India's growth impulses.*

On one hand, he has focused on structural macro-economic reforms like fiscal prudence, inflation control and government-led infrastructure development in roads & railways, and on the other, he has given equal importance to pro-poor transformational economic policies that touch the lives of the marginalised &

downtrodden cutting across castes and thereby broadened his party's support base through schemes like Mudra loans, LPG cylinders & housing-for-all.

India's consumer price inflation (CPI) *inched up to 3.65% in February from 3.17% in January as food prices started rising, government data showed on Tuesday, as remonetisation pace picked up pace and spurred consumption demand.CPI food inflation firmed up to 2.01% in February from just 0.61% in the previous month.*

Earlier, government data showed wholesale price index-based (WPI) inflation flared up to two-and-a-half years high of 6.55% in February from 5.25% in January mainly due to a spurt in mineral and fuel prices while food prices started rising following rapid remonetisation.

The spurt in CPI and WPI inflation adds to the worries of a pent up demand after demonetisation which may prompt Reserve Bank of India to keep policy interest rates unchanged for some more months.

The ***Goods and Services Tax (GST)*** *Council headed by Finance Minister Arun Jaitley is expected to endorse the remaining two crucial bills — State GST (SGST) and Union Territory GST (UTGST) — on Thursday. The Council's nod will act as another decisive step in the run up to the implementation of the overhauled tax regime from July 1.Final drafts of the three other bills — Integrated GST (IGST), Central GST (CGST) and Compensation bill — have been cleared by the Council.*

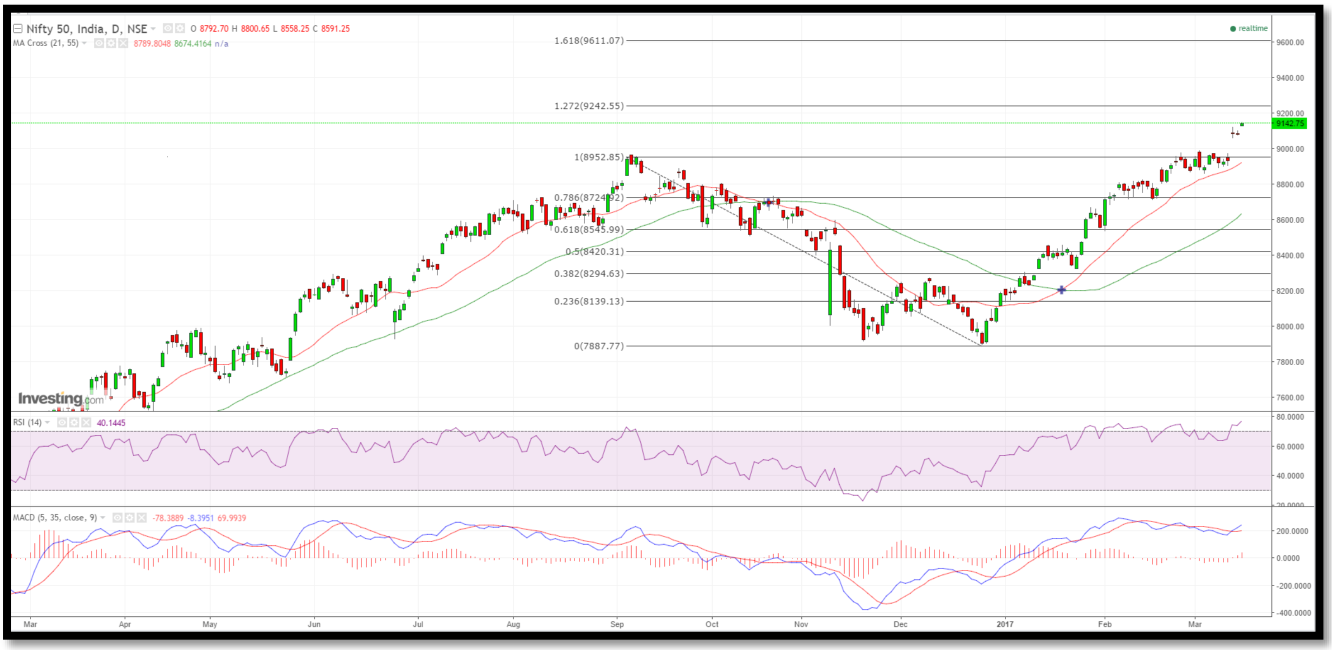
A legal committee of the Council is finalising the SGST bill and the draft is being circulated to the state assemblies for the final nod. Thereafter, all the five draft laws will be sent to the Cabinet for approval and subsequently to Parliament which is in session for final nod. Consent from both Lok Sabha and Rajya Sabha would conclude the legislative requirement for GST rollout.

Once the laws are passed, another key meeting to present the slabs for various goods and services before the Council will take place. The industry has been particularly looking as to how items would be categorised under various slabs as they need at least two-three months to prepare themselves to adjust to the shift in tax regime.

The Council has agreed on a four-slab structure — 5, 12, 18 and 28 percent — along with a cess on luxury and 'sin' goods such as tobacco. Under the GST, the states and the Centre will collect identical rates of taxes on goods and services. For instance, if 18 percent is the GST rate on a product, both the states and the Centre will get 9 percent each called the CGST and SGST rates.

The Centre will also levy and collect the IGST on all inter-state supply of goods and services. The IGST mechanism has been designed to ensure seamless flow of input tax credit from one state to another.

Technical View – Nifty



Nifty is finding support at 9050 and resistance at 9248. On weekly chart, Nifty is forming ascending triangle pattern and trading above 21 and 55 days exponential moving average which is at 8918 and 8650 respectively while RSI and MACD too showing positive divergence which indicates that upper side seems certain in it. Nifty is likely to touch 127% and 161% retracement level which stood at 9248 and 9662 respectively. Three consecutive close + weekly close above 9248 will see nonstop rally in Nifty till 9662+ mark in days to come.

Traders don't go for aggressive or positional selling at all because trend looks positive and we expect rally to remain continue till 9662+++mark in coming Days. For positional trade, stop loss seeing below 9050 on closing basis which in unlikely to breach in near terms.

Trading Recommendation - Buy Nifty Future above 9248 for the initial upside target of 9662++ mark with stop loss below 9050 on closing basis.

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