



Editorial

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Once again market was exposed to high amount speculation and gambling in the F and O segment thanks to no physical settlement. Recently when JP counter shown a bloc deal at Rs 25 by Big BULL street thought that stock can rise to Rs 100 but it collapsed. Same is the fate of SUZLON Energy.

Infibeam collapsed 55% in single day still we feel it is avoid stock.

So what that you can invest..?

F and O stocks no one has a control and you should be prepared to take big risk. If MARUTI can collapse by 30% pc then why not Srie JAIN and others....? The difference in cash is the great earnings.

This lead to again my conclusion that you should buy stocks where FII are absent. They come and create value and you get rewarded. But when you buy at the peak or higher valuations seeing FII holding you are washed out as FII are biggest destructor of that stock.

Quality, Swan Energy, Infibeam, yes Bank, Vakrangee, IB real estate, DHFL, KPIT and CRIDHAN all have been the victims of such targets. Out of this ONLY KPIT is one co which is really is good and warrants investment but this too got corrected because the rally was very sharp and one sided. We too had given buy in KPIT at 170 for 240 and after 240 we were never bullish. Now below 200 could be again a great buy.

As against this there are many stocks where FII holding is zero. Who will break this stocks..? At the same time these are growth stocks where EPS will rise many fold making these co as multi baggers in time to come. You should invest there.

Crash is part of the market. After every fall stocks rise 3X in next 2 years. So my conviction is very clear certain stocks will rise 5X in next 2 years. Have vision add and sit tight.

As regards Nifty 11000 is fair value and hence I do not see big fall. Above 11300 the trend will reverse. My guys is that we will close above 11100 today and then the march will continue.

Having gone short and short I do not think operators are fool to cut their short at higher market and hence volatility. At lower levels they are building positions. Market will realise only when Nifty cross 11300. Till that time the word

Change of the week

	06-Oct-18	Rise /Gain
Sensex	34376	1753
Nifty	10316	577

Net Investments (Cr)

	FII	DII
01-Oct-18	(1608)	1117.2
03-Oct-18	(1526.7)	1402
04-Oct-18	(2260.8)	1823
05-Oct-18	(3370)	1902
Total	(8764)	5434

Turnover (Cr)

	FII	DII	
05-Oct-18	56,382	37,664	94,046

05-Oct-18	Advances	Declines	Ratio
BSE	674	1982	0.34

PANIC will create MAGIC for operators in terms of getting positions and retail will become more fearsome. FEAR and GREED works perfectly and this is a classical example.

First day of the new settlement was really understood to be stormy as operators will never built positions at high having closed at low in the expiry. The last hour recovery was also pointer to the same.

However, Monday if market close in negative then there is certain problem with HNI's who are in driver's seat of the market. If they are in trouble then for sure market will be in trouble.

Why is that B dying is hitting lower circuit even after WADIA TRUST won the case of 40 acre land in S C...? Stock has been in correction mode for quite a long time. Some other stocks also suggest winding up from HNI's due to huge mark to market in F and O..?

None of NBFC co has announced any default so far in NCLT hence the correction is unwarranted. If they default then for sure correction is expected. That means all these stocks have corrected beyond a point where MGT will have to come to bail them out.

Who can buy today...? Retail no as brokers will not allow due to existing debits... HNI's no due to heavy mark to market, Funds no as they have no interest in midcaps, DII no they have been prevented to buy midcaps. Then who..? Only promoters and operators. Operators too will ask promoters to fund operations.

Well, whether market warrants further correction..? Answer is NO as Govt has cut down the borrowings by 70000 crs which is huge plus for INDIAN economy.

So what should you do..? A stock like CMI is trailing at 4 pe and there are no takers. Therefore whatever you have hold it if you cant buy. Allow market to settle. And see what happens. DIWALI should be good for you.

I have still not lost hopes on INDIAN markets. I still believe that we will see 12000 before elections. The current market is like pre MODI oversold market.

Things are settling. NBFC issue resolved after ILFS is taken over though some deep digging will always happens to create panic. Every market corrects in some time and bounce back. Please see when DOW fell to 24000 I had written it will cross new high and at that time there was no hope. You did not anticipate that Dow will be 26700 and this is realty.

Similarly Indian markets have corrected and will bounce back for sure. Those who buy in such markets make money for sure.

This is my philosophy. I would buy DIPS...

This crisis is created one and hence buying will emerge. Secondly world markets are rising hence Indian markets will also rise.

5 Top Gainers			
Stock	05-Oct-18	01-Oct-18	% Gain
ILFS Transp	30.25	22.55	34.15
LVB	82.7	71.05	16.4
IDBI BANK	57.35	50	14.7
CENTRUM CAP	37.45	33.05	13.31
YES BANK	206.2	183.45	12.4

5 Top Losers			
Stock	05-Oct-18	01-Oct-18	% Loss
HPCL	165.05	250.75	34.18
BPCL	265.35	373.7	28.99
IOC	118.05	153.2	22.94
CENTRAL BANK	33.55	41.1	18.37
ONGC	146.95	177.25	17.09

Top 5 Picks By CNI 'A' Group
Company
SBI
TATA MOTORS
BHARTI
ICICI BANK
MARUTI

Top 5 Picks By CNI 'B' Group
Company
RDB RL
POKARNA
PODAR PIGMENT
VISAKA
DFM FOODS

What is the fall..? The debt crisis of ILFS has created the vicious cycle. Debt trouble created liquidity crunch. Many debt funds are facing liquidity issue and hence they are forced to sell either debt or equity in cross holding funds. The operators are taking advantage. Remind your memory they were forced to sell midcaps when SEBI circular came into effect. They turned to large caps. Yes, who sold large caps to them at every high...? Look at MARUTI at Rs 9500 around there were 10 plus buy reports buy MARUTI started correcting. So you how Indian markets work..?

Now when they require liquidity they are selling large caps at 10 to 20% discount prices. Well once, this is absorbed, you see not only large caps even mid caps will rally.

Then will come some changes like launch of micro funds and then these new micro funds will be able to buy mid caps without any restriction but off course at 25% premium hence this 25 pc will belong to operators.

The fall was visible after yesterdays 550 point fall. Today again it went down to 700 so effective fall was 1300 points but mid caps are holding up.

10700 put writing happened yesterday which had indicated 10700 and today market is trailing at 10700. Call writing is at 11100 and 11500 hence there is chance of sharp bounce to 11100 in coming days and if cross and sustain then even 11500 cannot be ruled out.

At this stage investors even from CEO CFO levels are stuck in existing stocks long and hence do not have liquidity. Small and retail is selling at every point. Some brokers are heard gone in crisis as clients are not paying up. Other brokers are not allowing any buying. Hence current situation is like when lower CCT case happens where many desire to buy but can't buy.

However, those who are sitting on fence they should use this as last opportunity to buy. Because whenever in the past this kind of situation has come market not only bounced but seen new high. This time is not different.

There are no of fraud stocks which are correcting with good stocks correction. At least you can use to convert fraud stocks even at losses and buy good stocks which will wipe off your losses in course of time. Fraud stock's price will never come whereas good stock's price will never remain.

Equity markets are subject to risk and you do not take risk that it is a SUBJECT...Taking risk at right time is the right call.

Market is under severe panic. Stay Calm. Strictly avoid F&O trade.

Avoid Oil and Gas & Automobile sector. Stay Long on IT & Pharma.

Market may see 10000 nifty. More Pain likely

Global Story

This should be a special edition for all of you as you are waiting for market direction. First of all the steep fall from 11670 to 10200 (including -100 SGX) makes it a vertical fall of 1470 points that is 12.59% which defy all previous logics of market fall of 10 to 11%. Only once a decade the fall happens like this and last time it was in 2008 post LEHMAN when Nifty fell by 28%. On Friday closing the PE of Nifty was 24.95 x18 or 21 x19 hence more clarity is required where Nifty is heading and what should investors do..? On valuations 21 is not expensive compared to 24 per of DOW. Historically INDIA had higher pe than USA due to higher growth.

Secondly the objective of the fall has to be ascertained. ILFS debt issue is definitely serious but certainly not comparable with LEHMAN on numbers. This means the situation is again manipulated which is clearly visible from the pattern. From FEB onwards only midcaps were falling and large caps were rising. Funds DII converted mid caps at losses to large caps at higher prices and now compelled to even reduce large caps at losses due to heavy redemption. Redemption is the trump card used by some houses and large HNI's to squeeze the DII. DII were axed twice first on midcaps selling and now in large cap selling. It is well said that this time it is different but at the end of the day it is old wine in new bottle.

This also puts a question mark on investors blind buying and following big names without doing proper home work. If they invest on the basis of valuations they will never make losses as good companies will bounce back. CNI always advocated buying research based stocks more particularly value stocks where FII are not present. Yes in today's market stocks recommended have not fallen more than 20% after rise of 50% hence holding the gains of 30% even with market down by 13%.

Bears justifications for the market fall are as under...

- India's economic turmoil, currency depreciation affecting the India's trade balance.
- ILFS failure has created liquidity issue in a big way. All NBFC have affected.
- India failed to make a big shift as promised alternate energy sources.
- India's banking system in the worst conditions probably since the 1990s.
- Demonetization and rushed implementation of Goods and Services Tax system.
- Optimism is marred by stagnant employment conditions and opportunities.
- India had a China problem.

We don't know why all these justifications comes at the end of the fall where market is already under pressure.

First of all we still maintain there is nothing wrong with INDIAN Economy nor with the markets. Corrections are part of market. Even this time though correction is extended beyond 11% and can extend by another 2%, market will stabilise and rise again. We discuss the SOS situation in 3 parts.... what led to correction, counters to bear justifications, factors for market recovery and destination...

What led to correction...

As mentioned earlier post SEBI circular in FEB 2018 there was change of air from midcaps to large caps. Mid caps were sufferings almost for 6 months till Aug end or Sept mid. Since then mid caps stabilised. Then came the ILFS issue which was really rude shock. Some correction was imminent. Re slide, OIL rise coupled with rising bond yields triggered sell off which has cascading impact of margin call. The worst affected were large caps. The pattern (last 45 minutes for 500 points fall) clearly indicate that the objective was that indices should fall vertically without increase in volumes. Yes, it did fall. Particularly last 2100 points fall was only through large cap indices stocks. Mid cap indices were down but majority of stocks were unaffected. DII and MF were trapped in the vicious cycle of Big Houses redemption trap which made them sell shares of the very big houses which triggered redemption. This happens whenever correction is desired. These big houses are part of market drivers. They have also triggered fund withdrawal button from BIG HNI'S who are compelled liquidate some of their holdings which is clearly visible from collapse of certain stocks. e g B Dying there were takers at Rs 300 and now at Rs 137 there were sellers of 1 Cr shares. B Dyeing will give hint where market it bottoming out. There were strong rumours in punters group that at 150 circuits will open. Some punters bought 5 Lacs shares at 151 on this presumption but nothing happened. Some 1 has to put Rs 150 Crs to bail these sellers. Now if some other guy decide to bail it out by investing Rs 150 Crs then the same gr will infuse more than Rs 15000 crs in market in other stocks also and there market could change the direction. In short the fall is engineered and hence sit tight without any panic and you can save yourself.

Counters to bear justification...

India's economic condition is better than any other country in the world. You cannot compare current situation with 2013.

Indian currency depreciation is lowest as compared to other currencies in the world. It is due to appreciation of USD. The currency derivatives and gray markets in DUBAI are more responsible which makes RBI efforts to fail in currency control. Major revamping is required in currency derivatives and overseas trading in RE.

India's trade balance is much better than in 2013. India has taken steps of increase usage of ethanol and targeting higher oil exploration in INDIA itself. These are long term measures and hence will work in our favour in course of time.

Quick timely measures have taken to take over ILFS.

Energy source replacement is fast catching. We have launched EV and stepped up SOLAR usage.

RAJAN helped solve the banking mess by asking banks to make 100 pc provisioning. The simple rule applies. Unless you know the 100% gravity of any problem solution is not possible. Now with NPA fully known NCLT is helping resolve NPA issue. More than Rs 134000 crs have been recovered thanks to NCLT. In next 3 years assuming that another 2 lac crs is recovered, NPA will reduce by 10 lac crores (assuming recovery is just 33%). Banks will show 3.34 lac crores income and 6.66 crs will be effectively written off. India is the only country where Rs 10 lac crores NPA could be absorbed as India works are higher net margin of 3 to 5% as against globally 1% margin in the banking system. May be Indian banking will become robust thereafter as no big NPA will be created. New NPA will be within the limits of absorption by INDIAN Banks due to higher net margins.

DEMONETISATION has never failed. The rise in productivity is thanks timely conversion of idle money into productive assets. GST has helped raise more revenue required for growth. Those who cry and advocates of black economy.

Employment in India is one of the best picking. Self employment has to be counted as employment. Start Up has become instant success in INDIA which is creating more employment. The disguised unemployment is reducing rapidly.

India is the only country which has put breaks on CHINA. CHINA has gone defensive.

Factors for recovery and destination...

When Nifty was at 10000 we had predicted 12000. Nifty had tested 11800 in AUG 2018. Had these issues were really of concern then India should never have seen the levels of 11800. Corrections are part of market. Steep corrections are with some motive. We believe that post this correction the next target come to fore is 12750. This should happen in 2019.

Indian economy is doing extremely well. Even if OIL cross 100 USD markets has to rally as growth that decides the market. So long as consumption sustain higher prices will be absorbed. The way capacities are rising it is clear indication of higher demand. OIL cannot stop that demand in short term. OIL prices are governed by speculative motives and it will fluctuate on either side. There may be sudden drop in OIL prices also. India has been storing capacity of 365 days hence short term fluctuations are more sentimental.

Current valuation that is 21 PE is not expensive and hence we believe market has to stabilise sooner than later. Markets are oversold and beyond a point the short sellers will themselves burst. It may go down by another 200 odd points of Nifty but nothing beyond that.

In current situation no one is coming forward to bell the cat first. The day some 1 come forward the bottom formation will happen and all of sudden massive buying will start. Everyone will rush thereafter simultaneously which will make market to rise in V shape. Based on our calculations (assuming 15% growth in FY 20) Nifty X 20 trails at 18.2 which is state of buying only. Hence smart investors will step in very soon to buy out.

Thus our destination of 14000 is intact but we strongly believe that 12750 will see in 2019 come what it may hence investors should hold patiently what they have.

Now if new investment is required to made you should identify stocks with known earning growth criteria instead ownership pattern. In that case even if there is no big investor it hardly matters. Buy stocks with good sectors, good promoters, niche companies with no boundaries in business, no cash element in the business and expanding capacities many times. In the past whatever stocks we had identified on these criteria have become MULTI BAGGERS.

In short there is no need panic. Allow markets to settle down. Do not try to do bottom fishing. Timing market is impossible. If you have cash then deploy it fearlessly without seeing how much more fall is left.

Global Indices

Country	Indices	Date	Index	Net Change	Change %
Hong Kong	Hang Seng	06/10	26,572.57	-51.30	-0.19
Singapore	Straits Times	06/10	3,209.79	-21.80	-0.67
United States	NASDAQ	06/10	7,788.45	-91.06	-1.16
United States	DJIA	06/10	26,447.05	-180.43	-0.68
United States	S&P 500	06/10	2,885.57	-16.04	-0.55
Japan	Nikkei 225	06/10	23,783.72	-191.90	-0.80
United Kingdom	FTSE 100	06/10	7,318.54	-99.80	-1.35
Malaysia	KLSE Composite	06/10	1,777.15	-12.96	-0.72
Indonesia	Jakarta Composite	06/10	5,731.93	-24.68	-0.43
Thailand	SET	06/10	1,720.52	-8.88	-0.51
France	CAC 40	06/10	5,359.36	-51.49	-0.95
Germany	DAX	06/10	12,111.90	-132.24	-1.08
Argentina	MerVal	06/10	30,168.72	-760.11	-2.46
Brazil	Bovespa	06/10	82,321.50	-631.31	-0.76
Mexico	IPC	06/10	48,052.85	-630.41	-1.29
Austria	ATX	06/10	3,368.80	-29.78	-0.88
Belgium	BEL-20	06/10	3,686.66	-28.09	-0.76
Netherlands	AEX General	06/10	539.51	-4.61	-0.85
Spain	Madrid General	06/10	938.16	-5.96	-0.63
Switzerland	Swiss Market	06/10	9,042.08	-55.44	-0.61
Australia	All Ordinaries	06/10	6,301.10	+7.22	+0.11
China	Shanghai Composite	06/10	2,821.35	+29.57	+1.06
Philippines	PSE Composite	06/10	7,078.20	-15.14	-0.21
Sri Lanka	All Share	06/10	5,883.77	+48.17	+0.83
Taiwan	Taiwan Weighted	06/10	10,517.12	-201.79	-1.88
East Israel	TA-100	06/10	1,480.26	-19.23	-1.28

Name of Editor: Minit Jhaveri

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Mr. Kishor Ostwal
120, Gokul Arcade,
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E-Mail at: chamatcar@chamatcar.com

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