

**Editorial**
**Vol -1, No-I, 19 Oct, 2018, 07 pages**

Dow down 600 but India up 700.... Crude topped out and heading for 67, Re topped out and heading for 70 now what Indian economy going even stronger...?

The main reason for rally today is something else. US which has imposed sanctions on CHINA will bent very soon. Why...? No 1 CHINA posted record trade surplus today of 34.13 bn USD which says CHINA still doing well even after sanctions. No2 CHINA decided to withdraw from the US bonds and they triggered some withdrawal yesterday. As per Bloomberg report CHINA has bonds worth 1.3 tr usd in USA. CHINA has clearly threatened to withdraw these bonds from USA which will create liquidity issue in USA and hence US will bend and go soft on trade war. The day this is announced markets will set on fire and that is why I am holding my target of 12750 in MAY 19. No 3 other countries like JAPAN if follow CHINA then USA will be at receiving end. No 4 TRUMP comments on FED were unwarranted and very soon there will be retraction which will lead to rally in US market. No 5 with softening crude and Re Indian stock markets will cross 11000 very fast.

Technically call put ratio suggest 10000 to 11000 range.

Stocks reaction... Yes Bank from low of 167 back to 250 and will scale up to 300 as no one can under estimate RANA KAPOOR. DHFL after crashing to 193 back to Rs 306. This all suggest the FAT is reducing. Once fat is reduced then who will sell...? B Dying is the last stock which will provide trigger. A Delhi based broker stuck in 4 mn shares funding. Operators approached MGT which has refused to bail them out. But heard from sources very soon a SING fund will buy the lot and stock will reverse.

This will also prove that market is really bottomed out. Why are funds buying with 20 pc upper in HEG etc if market is go down to 9000....? Thought for food...

What should you do... I my opinion you should add RDB Rasayan with confidence as stocks has only 4% free float and with improving fundamentals and good book value stock will be a multi bagger in next 3 years . The new criteria for stock picking should be whether the promoter is genuine or fraud...?

The worth of RDB gr is huge may be 10000 to 15000 crs and does not require any amounts to be raised from public as they are liquid. They have acquired 30% stake even by making open offer in McNally Bharat where BIG BULL too holds good stake. If promoter can buy 30% stake they have cash to buy. That means they can fund their

expansion on their own. Hence I believe that this promoters is worth relying instead of buying cheat stocks.

**Change of the week**

	19-Oct-18	Rise /Gain
Sensex	34315	411 ↓
Nifty	10303	160 ↓

**Net Investments ( Cr)**

	FII	DII
15-Oct-18	67.8	294.7
16-Oct-18	(1165.6)	1059.4
17-Oct-18	140.02	(343.11)
19-Oct-18	(618.2)	(2.14)
<b>Total</b>	<b>(1575)</b>	<b>1008.8</b>

**Turnover ( Cr)**

	FII	DII	
<b>19-Oct-18</b>	<b>40,476</b>	<b>27,051</b>	<b>67,527</b>

19-Oct-18	Advances	Declines	Ratio
BSE	817	1777	0.45

Yesterday again there was discussion in many groups that we have entered in BEAR market. Even UDAYAN MUKHERJEE has said this on CNBC.

I am happy as I need more bears to pull the market.

Bullish fundamentals are already explained in the YMV on Saturday by the CNI team.

We are holding our view. If you are not able to tolerate 80 USD OIL then you must exit equity as my eventual OIL target is 270 USD.

Which stock are value buying at this point in time...

PNB as they have announced to sell noncore assets of Rs 8000 crs. Already they have recovered 7800 crs from NIMO assets. Stock will bounce back.

BOB is core value stock. Extension of M D for one year is huge plus.

SBI many short positions are trapped. With NPA recovery largest beneficiary will be SBI.

India Cement with pet coke allowed instead of coke its huge plus. MGT confirmed volume growth. Price growth is factor which will revived any moment. Value stock.

Jain Irrigation no impact of liquidity. Mgt confirmed 350 to 400 crs PAT hence in growth trajectory.

CMI Ltd approval from RAILWAYS for Baddi plant is huge plus. Co will achieve higher production and sales. Margins intact. Stock at lower end of PE. Co has capability to execute even 1000 crs orders from RAILWAYS alone.

Balrampur riding on SUGAR sops.

Tata Steel is riding the rising metal prices.

VIPUL Organics expanded capacity from 20 to 145 tons ( can achieve 200 tons ) and CHINA set anti dumping on chemicals from JAPAN and USA. Comm production started.

RDB Rasayan 2 new capacities getting added. Stock crossed 200 DMA.

Manapuram over reacted to KERALA issue. Stock oversold. NBFC issue resolved. Stock can bounce 25 to 30%.

RIL is Nifty puller. With Nifty rising RIL can cross again 1300.

5 Top Gainers			
Stock	19-Oct-18	15-Oct-18	% Gain
AEGIS LOGISTIC	225.1	186.75	20.54
NIIT TEC	1239.7	1046.5	18.46
ADANI ENT	168.7	143.8	17.32
SOUTH INDIAN	14.68	12.64	16.14
JET	229.3	200.6	14.31

5 Top Losers			
Stock	19-Oct-18	15-Oct-18	% Loss
INDIA BULL FINAN	654.2	931.1	29.7
DEWAN HOUSING	211.8	293.5	27.8
NATCO ECO	47.85	64.4	25.7
SVP HOUSING	18.35	23.85	23.06
AMBA ENTER	18.9	24.15	21.7

Top 5 Picks By CNI 'A' Group
Company
SBI
TATA MOTORS
BHARTI
DHFL
REL

Top 5 Picks By CNI 'B' Group
Company
RDB RL
GALAXY SURFACTANT
PODAR PIGMENT
JET AIRWAYS
SAGAR CEMENT

Market saw a huge fall of 800 pts from day's highs which still signify pain is not over on street. NBFC continued to bleed. Currently market is facing selling pressure at every level which show a lot of pessimism is still under the belt.

Market may remain volatile. So stick to cash stock and totally avoid F&O Bet. Buy where u have conviction and hold. Avoid stocks which have high FII holding.

We have recently issued a research report on galaxy surfactant. Keep a watch.

Dow fall has nothing to do with India fall. India today fell due to same old issue that some HNI's are still stuck badly for want of liquidity. It seems there are under funds withdrawal pressure. They used NBFC to hire liquidity and NBFC closed the doors for now as themselves are under liquidity crunch. RBI tried to resolve this crisis by allowing all NBFC to increase lending from 10 to 15 pc which is in effect higher by 50%. This is however not helping as NBFC is now not interested in funding HNI's anymore because of the losses.

US fell thanks to DEBT issue in ITALY. India fell one for the HNI issue and then the rollover. There wer calls from some ultra HNI;s to find out where the market is heading. AND my experience is that whenever they call in desperation markets bottom out.

There is extreme fear over the city.

Well this is time strong one step out for shopping that is clearly seen.

As of writing the column there was no hint of rollover. Nifty Nov OI was 23 lacs whereas OCT OI rose by 2 lacs from 2.04 to 2.06 Crs. This is pre cursor to smart recovery in the market.

Street is spreading strong message that Nifty is heading for 9000 and in my opinion we will not break 10000. Though the gains from 10200 to 10710 is wiped off there is nothing to panic. 10780 was the level ( 200 DMA ) had to face some stiff resistance as market drivers want to prove that we are in a long correction mode.

Now why is that OIL is not factored in the market..? OIL is now 79 whereas it was 86 a week back. With OIL falling market should have gone up...? Let me tell you OIL is coupled only when market drivers want...?

AT CNI we do not advocate Panic.. We had always maintained that leveraging will kill you. Those who are not leverage are not in pain. Even the valuations are down they will bounce back but there is no cash outflow on account of mark to market.

Instead of doing cash outflow use this as stock inflow which will give 50% profits in 3 to 6 months.

## Global Story

Our view of 12750 next year is intact even though market is struggling to maintain 10500 currently. Once it made strong move from 10200 to 10710 but gave up equally sharply without giving any chance to bulls as well bears. What is important to know now is that where would Nifty close on next THURSDAY the day of expiry. More precisely when RE closed at 73.33 and OIL is at around 79 USD. Because while market correcting media and others have always talked about RE and OIL as reasons for market fall.

Bears are always more aggressive and powerful than bulls. The ratio of bears Vs bulls is 1 to 100. Particularly in INDIAN context investors cannot sell in loss any shares whether it is F and O or in cash. They always compare with the cost of acquisition. Bears have no such theory. They only know sell sell and sell. They are so aggressive that they sell as if there is no tomorrow. Therefore historically bears always get trapped at the bottom of the cycle as their aggression is lion hearted to sell even at invisible price.

What went wrong in this month..? Yes Dow has created opportunity to bears to go on rampage but before that NBFC issue has created havoc. POST ILFS fiasco, DHFL and I B Housing 2 companies had corrected so heavily that it dented the entire NBFC sector. The liquidity issue became the talk of the town. SBI announced to support by Rs 45000 crs which was not taken well by the market. Today even RBI relaxed the guidelines for NBFC funding which again is not taken well by the market. This is bear attack. They get support from FII. Every positive news is being used to sell FII holdings desperately. This is what happened even this time.

Why we considered banks better than NBFC is only because of this. banks lend more to industries which is not almost cleaned up post MALLYA NIMO and others provisioning. Now they are only on recovery mode. NBFC funded major to brokers and builders against land where bank funding is not possible. They do it for higher returns. But themselves are now trapped having funded to promoters, big HNI's and operators against shares. Share price if fall below 50% then the sell gets triggered from NBFC but where is the exit..? e g A NBFC funds 200 crs against stuff of Rs 400 crs and stock price is sat Rs 500. They are safe till Rs 250 because there is margin. If when the price crash below 250 then NBFC ask the borrower to top up or cough either of which becomes difficult on the given day and NBFC turn aggressive seller. By the time its shares gets sold off price becomes Rs 100.... so NBFC has to either book losses of rs 150 or go after the borrower for recovery. Thus the NBFC biz is more riskier than banks hence it was never considered as heavens spot. As regards builders they offer land or buildings where there are no takers. NBFC diverted short term borrowings towards long term lending hence there is cash flow mismatch.

Is that the problems is more severe than LEHMAN...? No way. Indian size is so small that it will really not affect industry. Many NBFC will be in a position to refill the liquidity. There could be chances of some defaults where NBFC has done accommodation trades or funded to operators who operate only stocks not even mentioning. Many investors have done this mistake to buy stocks stupidly without valuing the business. In short this phase will not last long and very soon things will settle.

While operators stocks were getting sold off on the one side, markets kept on falling on the other for bear attacks. But the fact remains is that the issue has been ballooned out ahead of expiry which is the latest GHOST of the street. There is not a single investor who is willing to write a cheque today as everyone believes that 9000 is certain.

At this point it is futile to discuss the valuations as things are right now affected sentimentally and hence valuations will not work.

Are we heading for 9000...? Our answer is no. In fact, no one can pin at 9000 or 11000 at this point in time and you need to check the data every day. As of now we believe that 10000 breaking is hell of job for bears. In fact, 10300 itself is showing smart built up. Operators have carried huge 10400 calls on FRIDAY. The O I in 10400 has reached 28 lacs ( 139% up ) which means market will cross 10400 for sure. 10600 is difficult to cross in this settlement as more than 4.6 mn calls have been written.

Now see the OI of 9000 put, it is just 3.3 lac shares hence if someone says that market will hit 9000 it is a laughable stuff.

Coming to OI of Nifty it is just 26 lacs shares in NOV series as against 208 lac in OCT series. The next 4 sessions will belong to heavy rolls. Hence market will not fall too much even assuming that they rolls in correction. Therefore the range has to be 10200 to 10400 for the rolls and expiry could be between 10400 to 10500.

Market drivers are not happy with 100 to 200 Nifty for the credit in the settlement. Sept closing was close to 11000 and market corrected till 10200 and then went up to 10700 and corrected back to 10300 which means 1300 points volatility is already seen. This is good for this month.

The major voices have started saying we have topped out once for all and hence now we have entered in bear phase and slowly we will see 7200 Nifty. We do not agree. We are not in bear phase. Bear phase is always a slow poison where the descending graph is almost a parallel line slanting down for years. When market falls vertically it is most of the times are part of corrections.

Even this is correction though steep. We can compare this with tsunami. Post tsunami there is re construction. Market will start re construction now. Only survivors whether it is stock, HNI, operator or investor will be able to participate in the next rally. e g KERALA was washed away in flood and the people there are still busy in re building what they lost whereas the other part of the country is going on as it is without bothering what has happened to KERALA.

At CNI we advocate strong education among our members in stock selection even they are lured with the artificial dressing on stocks by intermediaries. We are on the way to launch our APP soon and also education wing to teach you how to read F and O data. Well, in our website the data is freely made available which can be seen only on NSE but advantage is that you can see all series in one page. Use the DERAVATIVES button on the right side on the home page. Reading F and O data, B S, cash flows will help investors to reach to the logical conclusion.

After every DARK TUNNEL there lies a bright SUN light. The current destruction has laid the grounds of next rally which will take Nifty to 12750. Our end target of 14000 then 21000 is still intact as we are still in the bull market.

## Global Indices

Country	Indices	Date	Index	Net Change	Change %
Hong Kong	Hang Seng	20/10	25,561.40	+106.85	+0.42
Singapore	Straits Times	20/10	3,062.51	-7.16	-0.23
United States	NASDAQ	20/10	7,449.03	-36.11	-0.48
United States	DJIA	20/10	25,444.34	+64.89	+0.26
United States	S&P 500	20/10	2,767.78	-1.00	-0.04
Japan	Nikkei 225	20/10	22,532.08	-126.08	-0.56
United Kingdom	FTSE 100	20/10	7,049.80	+22.81	+0.32
Malaysia	KLSE Composite	20/10	1,732.14	-5.87	-0.34
Indonesia	Jakarta Composite	20/10	5,837.29	-7.95	-0.14
Thailand	SET	20/10	1,667.91	-15.00	-0.89
France	CAC 40	20/10	5,084.66	-32.13	-0.63
Germany	DAX	20/10	11,553.83	-35.38	-0.31
Argentina	MerVal	20/10	28,673.28	+302.83	+1.07
Brazil	Bovespa	20/10	84,219.75	+372.63	+0.44
Mexico	IPC	20/10	47,437.45	+412.99	+0.88
Austria	ATX	20/10	3,228.04	-33.74	-1.03
Belgium	BEL-20	20/10	3,521.27	-16.81	-0.48
Netherlands	AEX General	20/10	525.17	+1.30	+0.25
Spain	Madrid General	20/10	900.95	+1.13	+0.13
Switzerland	Swiss Market	20/10	8,872.09	+92.91	+1.06
Australia	All Ordinaries	20/10	6,042.75	-7.33	-0.12
China	Shanghai Composite	20/10	2,550.47	+64.05	+2.58
Philippines	PSE Composite	20/10	7,151.52	+10.27	+0.14
Sri Lanka	All Share	20/10	5,761.09	-17.28	-0.30
Taiwan	Taiwan Weighted	20/10	9,919.26	-34.47	-0.35
East Israel	TA-100	20/10	1,462.92	+7.50	+0.52

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