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Yearly Technical Outlook 2018

EIH

RCF

PNB

Brigade Ent.

Tata Chemical

Axis Bank

Bharti Airtel

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Triangulation reaffirms faith in Bulls

Outlook for 2018

As 2017 draws to an end with >20% gain on domestic indices, a common question that an investor is pondering upon is "Is a significant correction in sight?" or " Are we at a tipping point, which would converge into a mega bull rally for the next couple of years?"

Hence, we have centred our **"Market Strategy 2018"** report around the above questions in order to gauge what is in store for equities in CY18.

We initiated a ***Triangulation process*** in ascertaining the way ahead for markets that pencils in a) bottom up approach, b) conventional charting methods and c) market internals. All outcomes reaffirm that bulls will prevail in CY18 wherein the Nifty is expected to return 14% with a potential target of 11900 over the next 12-15 months.

Apart from the above, we also deciphered interesting observations that include:

- Mega trend analysis highlights multi-fold rallies over the next few years and minor corrections accompanied by it that should be utilised as an incremental buying opportunity
- Dissecting "unconventional/unloved" ideas (both large & mid/small caps) for beta capturing. In case of unconventional ideas we have constructed in-house sectoral indices that have eventually helped us pick stocks from those baskets. For unloved stocks, observation of cycles across a longer time frame and back testing it have also thrown up interesting ideas across the spectrum

Only downside risk to our prognosis is elongated time correction with limited price damage as we do not expect the Nifty to sustain below 9400 levels.

Top Picks CY18

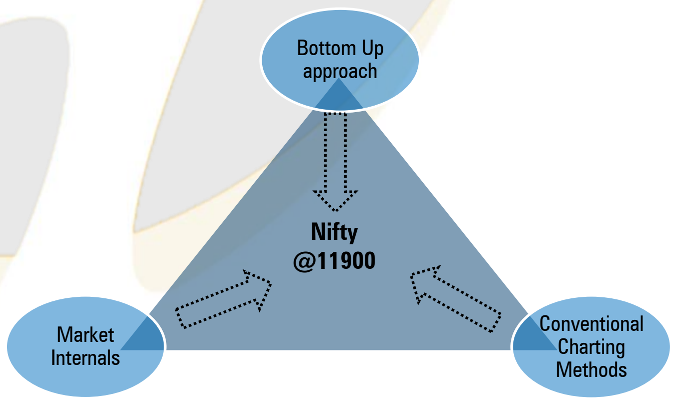
Scrip	I-Direct Code	Buying Range	Target	Stop loss	Upside%
Bharti Airtel	BHAAIR	515-530	668	445	27
Axis Bank	AXIBAN	530-555	638	485	18
Punjab National Bank	PUNBAN	160-175	230	138	35
Tata Chemicals	TATCHE	710-740	878	634	21
RCF	RCF	88-95	130	68	43
EIH Ltd	EIHLIM	140-150	180	125	24
Brigade Enterprises	BRIENT	295-315	420	231	41

Technical Strategy performance CY17:

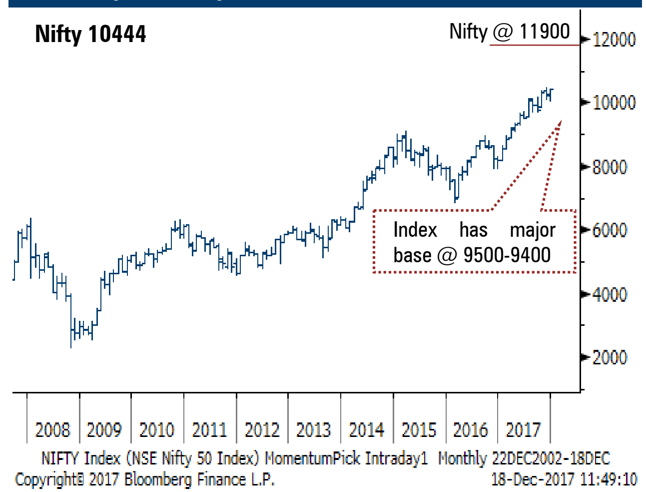
No. of recommendations	Avgerage Return	Strike Rate
7	28%	100%

Click here to know more…..

Triangulation Process



NSE Nifty – Monthly Chart



Source: Bloomberg, ICICI Direct.com Research

Decrypting "Bottoms up way": Nifty @ 11900

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We continue with our bottom up approach to make a prognosis for the Nifty for CY18. We adopted our in-house composite model to screen all Nifty constituents. Our composite model includes a study of the long term trends, investor participation parameters and time cycles influencing respective stock price movements, which helped us categorise the stocks under four buckets viz. Outperformers, Turnaround Stocks, Bargain Buys and Neutral. Out of the four categories, three highlight bullish sentiment whereas the Neutral category highlights likely consolidation or correction in the coming year.

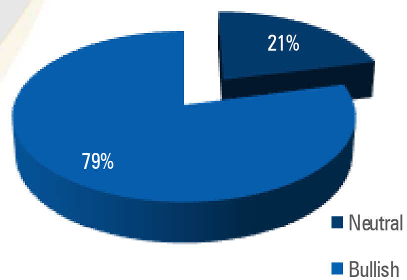
Outcome: The key takeaway of this exercise is as follows:

- Highest number of stocks (21) fall under Outperformer basket, commanding combined weightage of 49%
- Second highest number of stocks (16) with weightage of 21% fall under Neutral basket, as they are likely to underperform
- Eight index constituents with 18% weightage have approached price, time wise maturity of correction & set to begin fresh uptrend
- Five stocks carrying weightage of 12% are witnessing a structural turnaround and are likely to fetch above average returns

Index constituents commanding 79% weightage indicate further upsides in CY18

Nifty Constituents under each category

Category	No. of Stocks	Aggregate Weightage	Sectors	Projected Returns	Contribution to Nifty (points)
Outperformer	21	49%	BFSI, Energy, Auto,Media, Consumer Goods, Services & Cement, Metals	19%	5720
Turnaround	5	12%	Telecom, Auto, Capital Goods, BFSI and Power	29%	1596
Bargain Buying	8	18%	BFSI, Cement, Consumer Goods, Energy and Auto	18%	2489
Neutral	16	21%	Pharmaceuticals, IT and Pesticides & Agrochemical	5%	2187
				Nifty Target	11992



Overwhelming majority (79%) of index constituents reflect bullish undertone

Based on free-float capitalisation method, we arrive at prospective contribution of each bucket to the Nifty, thus providing us the target of11992

Source: Bloomberg, ICICI Direct.com Research

Decrypting "Bottoms up way": Nifty @ 11900

A deeper look at each bucket gives rise to our prognosis for individual Nifty constituent stocks. This may help investors build expectations for each stock, sector and focus on specific stocks to capture beta. A combination of technical studies that have been applied for the bucketing process include, a) relative strength studies, b) conventional chart patterns, c) price structure analysis, including Fibonacci studies and d) momentum oscillators on long duration charts.

The below table exhibits the distribution of Nifty constituents in each quadrant to provide a comprehensive view.

Outperformers (21 stocks)

Scrip Name	Projected Returns (%)	Scrip Name	Projected Returns (%)
Adani Ports	12	Indusind Bank	15
Bajaj Auto	17	IOC	17
Bajaj Finance	34	Kotak Bank	12
BPCL	11	Maruti	42
GAIL	27	Powergrid	18
HDFC	13	Reliance Industries	25
HDFC Bank	12	Tata Steel	37
Hero MotoCorp	15	Ultratech Cement	12
Hindustan Unilever	16	Vedanta	15
Hindalco	14	Zee Entertainment	21
HPCL	11		

Turnaround Stocks (5 stocks)

Scrip Name	Projected Returns (%)
Bharti Airtel	52
L&T	27
M&M	13
NTPC	19
SBI	33

Neutral (16 stocks)

Scrip Name	Projected Returns (%)	Scrip Name	Projected Returns (%)
Asian Paints	9	Infosys	-4
Aurobindo Pharma	2	Bharti Infratel	10
Bosch	9	Lupin	2
Cipla	9	Sun Pharma	6
Dr Reddy	2	TCS	8
Eicher Motors	9	UPL	8
HCL Technology	-2	Wipro	6
Indiabulls Housing Finance	-4	Yes Bank	9

Bargain Buying (7 stocks)

Scrip Name	Projected Returns (%)
Ambuja Cement	25
Axis Bank	27
Coal India	16
ITC	11
ONGC	15
Tata Motors	18
Tech Mahindra	12

Source: Bloomberg, ICICI Direct.com Research

Outperformer quadrant includes twenty one stocks reflecting a structural uptrend and continuance of Dow Theory bull trend signal. Declines in these stocks would provide incremental buying opportunity

Turnaround bucket has five names, which have remained in a trading range for several years thereby discounting all negatives. The breakouts from the range would trigger major upsides in these stocks, generating decent returns over next several quarters

Bargain Buying: Seven stocks that have underperformed benchmark and currently provide a favourable risk-reward set-up

Neutral: Sixteen stocks that are likely to continue their price/time correction and likely to remain laggards based on technical set-up

… As conventional practice endorses our view…

Within our Triangulated approach , we now move back to a conventional method of chart analysis for projecting the path of the Nifty in the coming year. Even this approach remarkably corroborates the path projected by the bottom-up method. The dual confirmation of top down analysis and bottom up approach both pointing in the same direction reconfirm our positive stance on the market for the coming year.

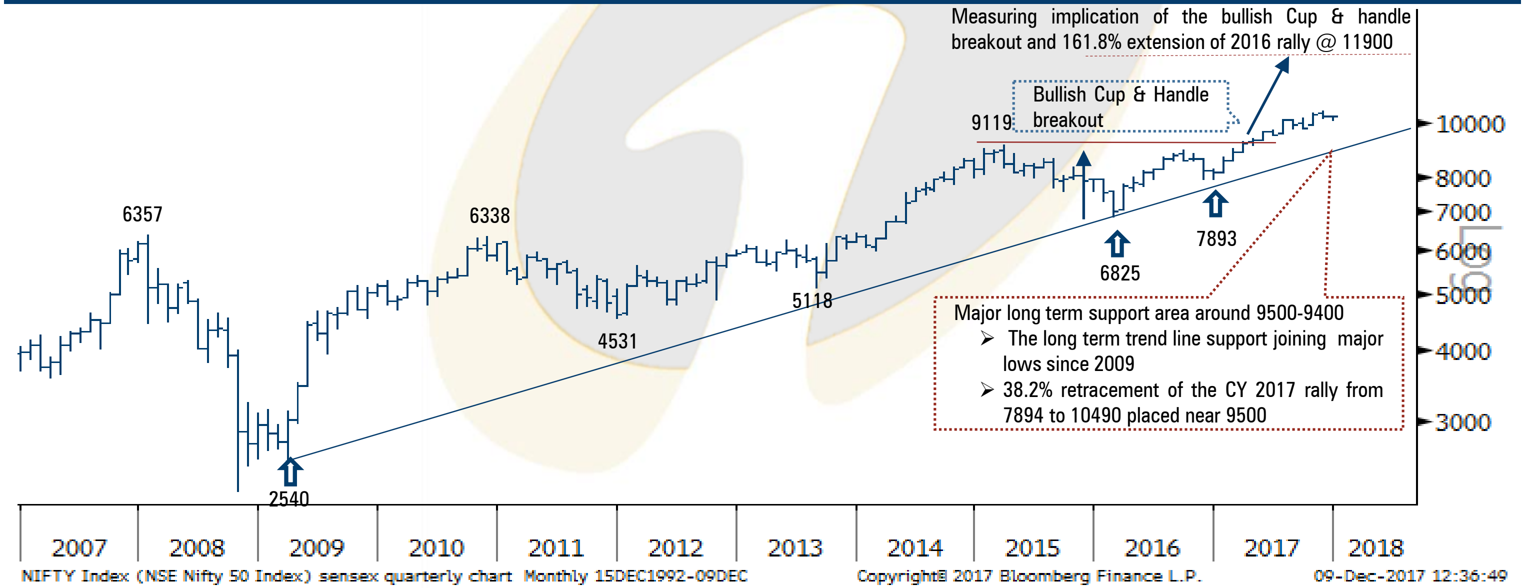
The confluence of following key technical factors converging around the 11900 region makes this a likely target for the coming year:

- 161.8% extension of 2016 move (6825 to 8968=31%) projected from the December 2016 low (7894), is placed at 11841
- Measuring implication of Bullish Cup & Handle pattern of 24 months since March 2015 till March 2017 (i.e. the range of the pattern (9119 – 6825=32%) added to the breakout point of 9119 projects an upside potential up to 12037 in the coming year

We do not foresee the index going below its major value area placed around the 9500-9400 region as it is the confluence of following: (A) The long term trend line support joining yearly lows of 2009 (2540) and 2016 (6825) placed around 9450, (B) The long term 52 weeks SMA placed around 9460 (C) The 38.2% Fibonacci retracement of the entire 2017 rally (7893 to 10490) placed near 9500.

Conventional method of chart analysis also converges with the bottom up method and projects upside towards 11900 in the coming year

NSE Nifty Monthly chart



Source: Bloomberg, ICICI Direct.com Research

Mega trends: Are we at a tipping point?

- The Sensex witnessed two mega trends since its inception. Between 1979 and 1992, the index gained 40 times over 13 years while the 2003-08 rally gained seven times in magnitude. While the 2003-08 rally was born out of a 11 year bear phase (1992-2003), the current bull market, which commenced from 2013 lows, was preceded by six years of underperformance (2008-14 when the actual breakout occurred)

Sensex: Mega bull phases since inception

India: Sensex

From	To	From value	To value	Period Years	Gain (Times)
1979	1992	113	4546	13	40.2
2003	2008	2904	21206	5	7.3
2013	2017	17448	33865	4	1.9

- Globally, two major developed markets (US, Japan) have displayed multi-year and multifold bull markets in their history. In the US, the first mega uptrend for the Dow Jones Industrial average (DJIA) was born out of pessimism following the famous crash from the Great depression of 1930. From 1932 lows of 42, the index rallied for five years to peak at 194 in 1937, gaining 4.5 times. Subsequent mega trends were also born out of multi-year bear markets, first between 1942 and 1966 (11 times over 24 years) and then between 1982 and 2000 (15 times over 18 years). The current bull market in the US began from 2009 lows of 6470 after nine years of consolidation (2000-2009) and is currently in its eighth year of progression. So far, it has gained only 3.7 times

- The Japanese Nikkei saw one such mega bull trend in 1977-1989 when the index gained eight times over 12 years. The current bull market in the Japanese index is on the verge of a multi year breakout after a prolonged bear market

- Technically, we want to present a case that investors should focus on long term trends and benefit from them rather than worrying about short-term aberrations as evident from historical evidence. An empirical evidence gives us confidence that the current bull market in India is still in an early stage and is likely to extend over the next four to five years. Therefore, we recommend utilising any intermediate corrections as an incremental buying opportunity

Global indices: Mega bull phases

U.S.: Dow Jones Industrial Average

From	To	From value	To value	Period Years	Gain (Times)
1932	1937	41	194	5	4.7
1942	1966	93	995	24	10.7
1982	2000	777	11750	18	15.1
2009	2017	6470	24534	8	3.8

Japan : Nikkei

From	To	From value	To value	Period Years	Gain (Times)
1977	1989	4597	38957	12	8.5

Source: Bloomberg, ICICI Direct.com Research

Mega trends represent structural bull markets characterised by multifold returns accompanied by corrections that are short lived

Nifty @ 17500-19000 by 2022

The current mega trend in the Nifty commenced from 2013 lows (5118) and is in an early stage going by historical evidence. Both back tested data as well as conventional chart work project the Nifty target in the range of 17500-19000 over the next four to five years

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Ignore noise, buy conviction…

To get a sense of micro trends, we have looked at every bull phase in the Sensex without 20% or more correction to ascertain where we stand within the current Mega trend, which commenced from 2013 lows

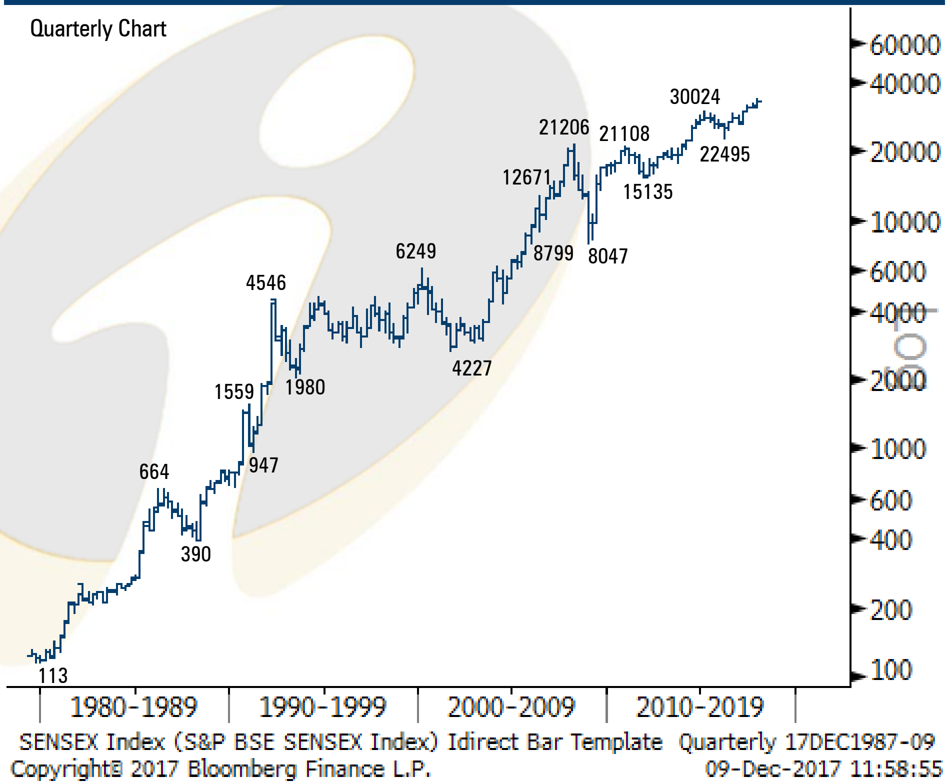
There have been eight major rallies in the Sensex (refer below table) since inception without a correction of 20% or more. While time wise, each rally has extended for average 30 months, the index has gained 3x in each of the cycles. The current Sensex rally from its February 2016 low is now 21 month old and gained only 1.5x. Therefore, we believe the index has more legs on the upside without a significant correction in CY18.

Historical evidence strongly favours further legs on the upside. Therefore, we recommend staying invested and utilising corrections to increase equity exposure setting fear aside

Sensex rallies without 20% or more reversals

From date	To date	From value	To value	Period months	Gain (Times)
Aug-79	Feb-86	113	664	79	5.9
Mar-88	Oct-90	390	1559	31	4.0
Jan-91	Apr-92	947	4546	15	4.8
Apr-03	Jan-04	1980	6249	9	3.2
May-04	May-06	4227	12671	24	3.0
Jun-06	Jan-08	8799	21206	19	2.4
Mar-09	Nov-10	8047	21108	20	2.6
Jan-12	Mar-15	15135	30024	39	2.0
Feb-16	Nov-17	22495	??	21	
			Average:	**30**	**3.1**

Sensex: Major rallies since inception



Source: Bloomberg, ICICI Direct.com Research

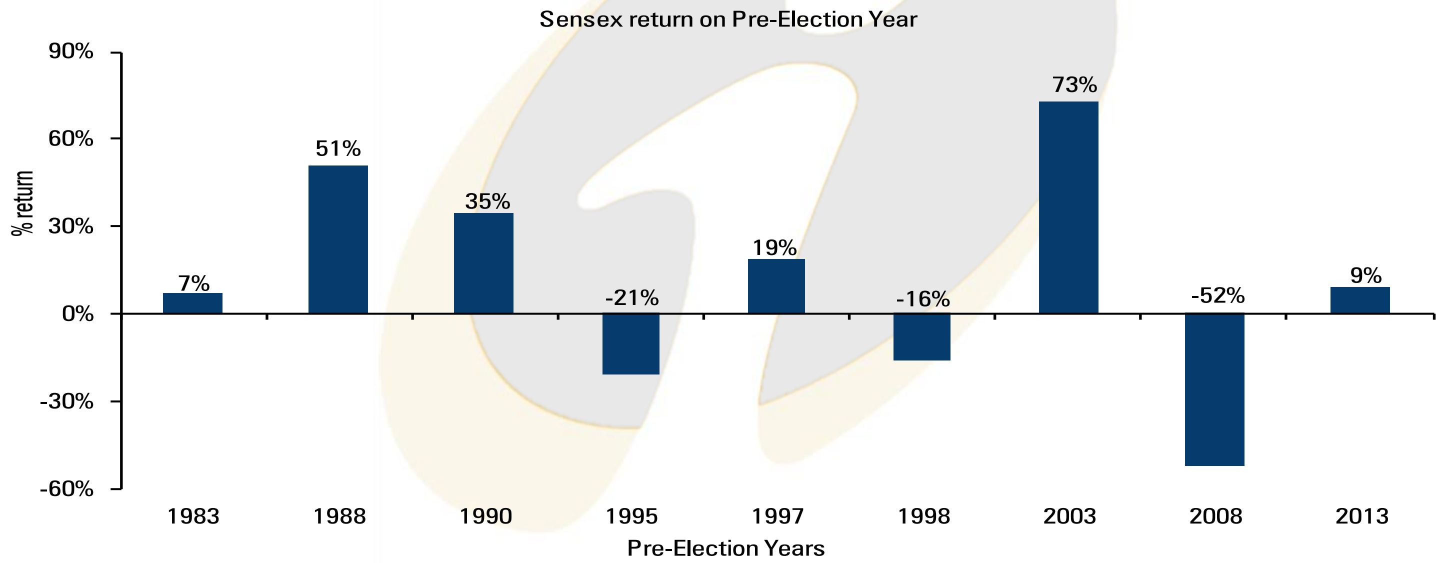
General Elections: Bulls charge…

Election cycle is a major phenomena in the equity markets worldwide. It is divided into four parts - election year, post-election year, midterm years and pre-election year. Indian equity markets have also highlighted certain characteristics depending upon the election cycle that is currently prevalent.

The year 2018 being a pre-election year will have a significant bearing on sentiments in equity markets. It has been observed that benchmark indices have performed relatively well in pre-election year. The index has generated negative returns during only three out of the nine occasions (33% times) in the past four decades. Out of the three negative return instances, two were during 1995 & 1998 when there was an unstable political scenario in India while the other one was during the Global Financial crises of 2008

Hence, historical evidence suggest that there are unlikely to be large drawdowns in CY18

Sensex return on Pre-Election Year



Source: Bloomberg, ICICI Direct.com Research

Over past four decades, six out of nine times index posted positive returns in pre-election year

Barring exceptional year of 2008 which witnessed global financial crisis, index has not entered a bear market scenario in any of the pre-election year

Dissecting odd ideas to capture Beta…

- One of the dominant themes since CY14 has been outperformance of the midcap and small cap universe against benchmarks. While the Nifty gained 40% over three and a half years from the May 2014 General Election outcome, Nifty midcap and small cap indices gained 95% and 76%, respectively, clearly depicting an outperformance
- While the structural up trend in the broader markets would extend further, we believe the performance of headline midcap and small cap indices (combination of select 100 stocks) is deceptive and provides only limited insights into a more vibrant and broad based rally. To get a more comprehensive view on underneath market dynamics, we have created and analysed aggregate market capitalisation based charts of almost 28 different sectors each comprising top seven to eight stocks
- The exercise helps to dissect odd sectoral themes, which have further juice in them and are likely to dominate in the coming year. It also provides an alternative approach to look at sectoral performances and prognosis for next year. We believe riding these themes will help investors to generate above average returns in the coming year

Market capitalisation based charting method provides an alternative approach to dig into sectoral ideas for beta capturing

Our top sectoral themes:

Sector	Expected upside	Remarks	Positive technical set-ups
Auto Ancillary	30%	Breakout from two and a half year consolidation	MM Forging, Sundram Fasteners
Aviation	20%	At the cusp of a multi-year breakout	Interglobe Aviation, SpiceJet
Chemical and Fertiliser	30%	Structural uptrend to extend	Tata Chemicals, RCF
Footwear	30%	February 2015-August 2017, range breakout augurs well	Bata, Relaxo, Liberty shoes
Intimatewear	40%	Bullish cup & handle breakout	Lux Industries, VIP Clothing
Liquor	30%	Breakout from 2015-17 downtrend	United Spirits, Radico Khaitan
Hotels and quick service restaurants	30%	Breakout from 2014-17 consolidation augurs well	EIH Ltd, Kamat Hotels
PSU banks	40%	Challenging 2010-15 peaks	SBI, Bank of Baroda, PNB
Real estate and construction	40%	Resurgence from multi-year basing pattern	Brigade, Sadbhav Engineering, Nesco
Telecom	50%	Breakout from 2007-17 range	Bharti Airtel, Idea Cellular

Source: Bloomberg, ICICI Direct.com Research

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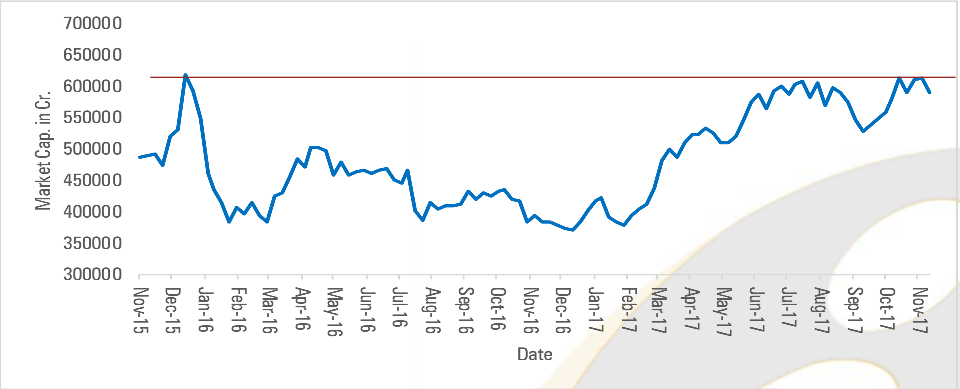
Sectoral charts: Aggregate market capitalisation

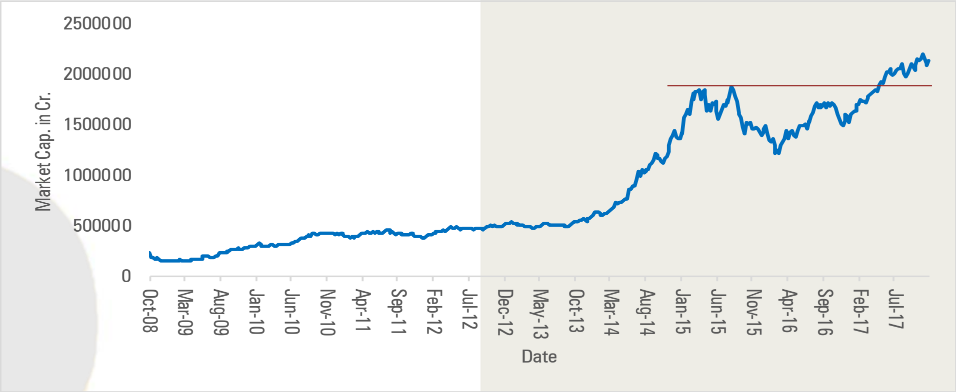
Aviation Sector: Good times ahead…

At the cusp of a multi-year breakout; good times ahead..



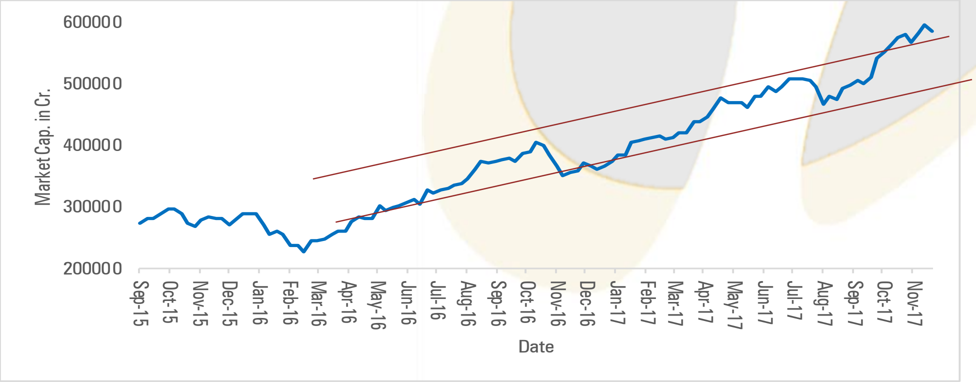
Auto ancillary Sector: Momentum to continue…

The breakout from two and half year consolidation scripts outperformance..



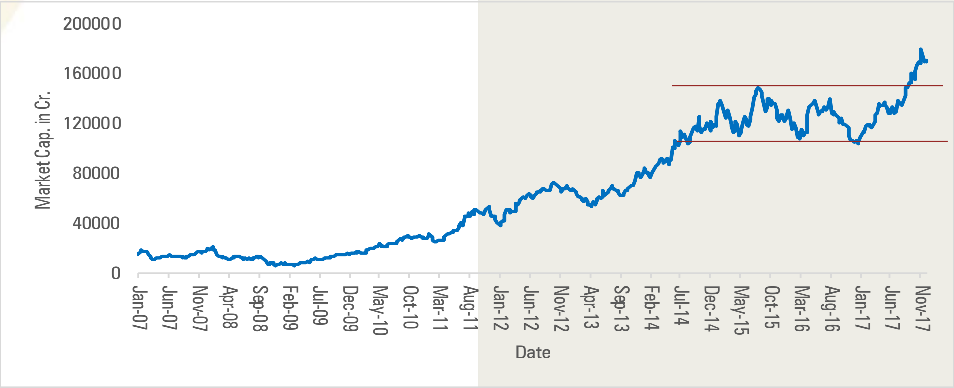
Chemical Sector: Focus on stock specific action

The index chart reflects structural uptrend with fresh breakout above upper band of channel..



Footwear Sector: Bullish footprints…

The resolute breakout from February 2015 – August 2017 trading range augurs well…

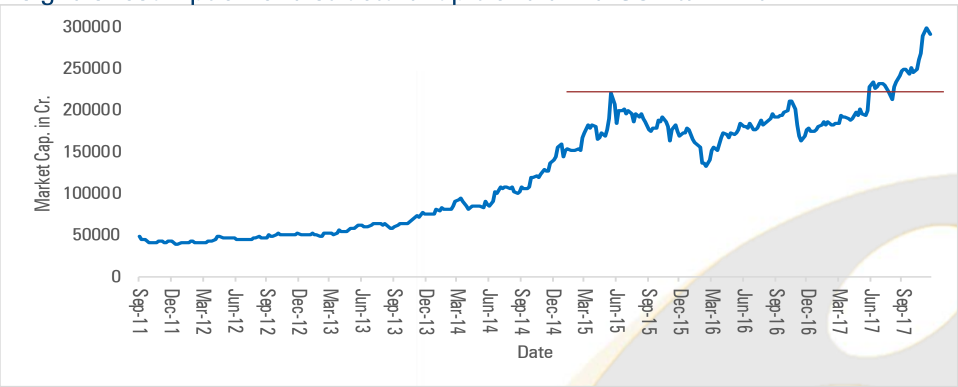


Source: Bloomberg, ICICI Direct.com Research

Sectoral charts: Aggregate market capitalisation

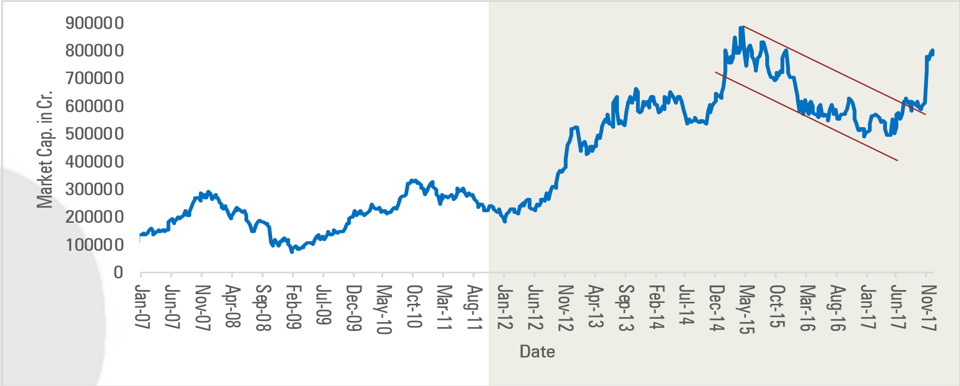
Intimatewear: Broader participation…

The breakout from two and a half year long Bullish Cup & Handle pattern signals resumption of a structural up trend amid GST tailwind…



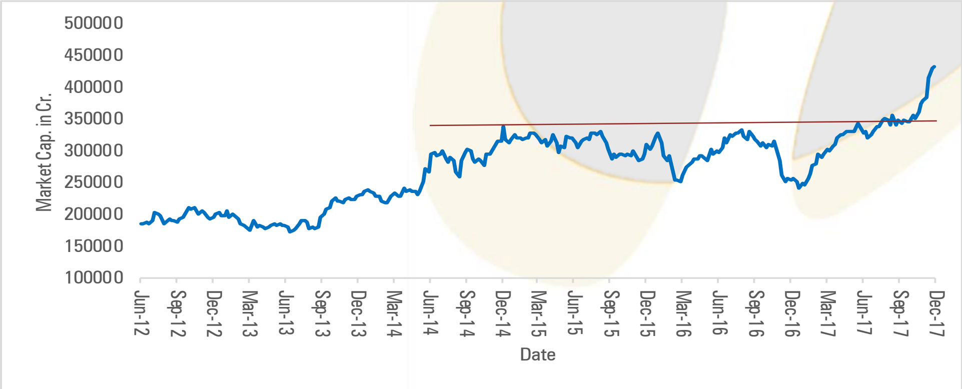
Liquor sector: Hangover ends…

Resolve out of downtrend channel after factoring in a host of negatives and backed by broad based participation augurs well…



QSR & hotels sector: Outperformance likely…

The broad-based rally in hotel and QSR stocks has led to a breakout from three year consolidation on the market cap chart



PSU bank sector: Market cap leads the course

The aggregate market cap chart breaks out of 2010-17 consolidation…

Source: Bloomberg, ICICI Direct.com Research

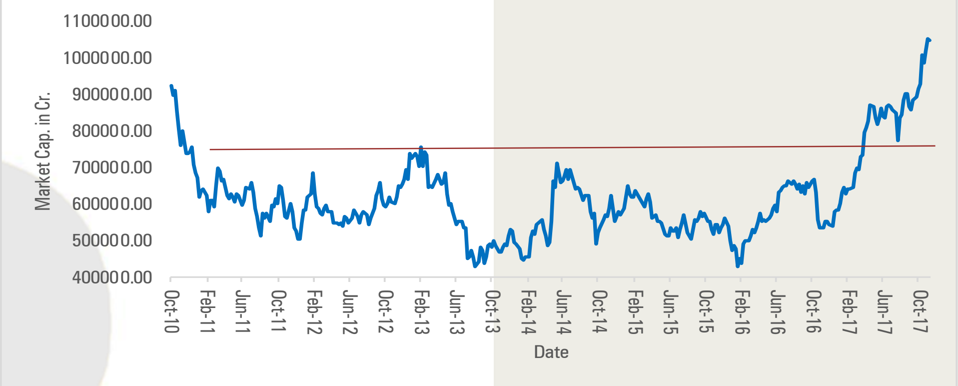
Sectoral charts: Aggregate market capitalisation

Telecom sector: At the cusp of long term breakout…

The sector is at the cusp of a breakout from nine years of consolidation which factors in major negatives.

Real estate sector: Breakout from 10 years of rounding bottom…

The index, which is coming out of a 10 year basing pattern, is likely to extend upsides as new leaders emerge within the space.



Source: Bloomberg, ICICI Direct.com Research

Laggards at cycle low

A key observation on the Indian equity market is that the stocks/sectors, which were the drivers of the market in the run-up to major bull market peaks witnessed a sharp correction of 70-90% in coming years before entering a prolonged corrective consolidation phase. However, after the multiyear consolidation, the stocks/sectors enter a new bull phase and witness a multifold rally in the coming years.

Historical evidence also supports the aforementioned observation that leading sectors/stocks of major rallies remained under corrective consolidation for the past many years before resumption of the multifold rally in the coming years.

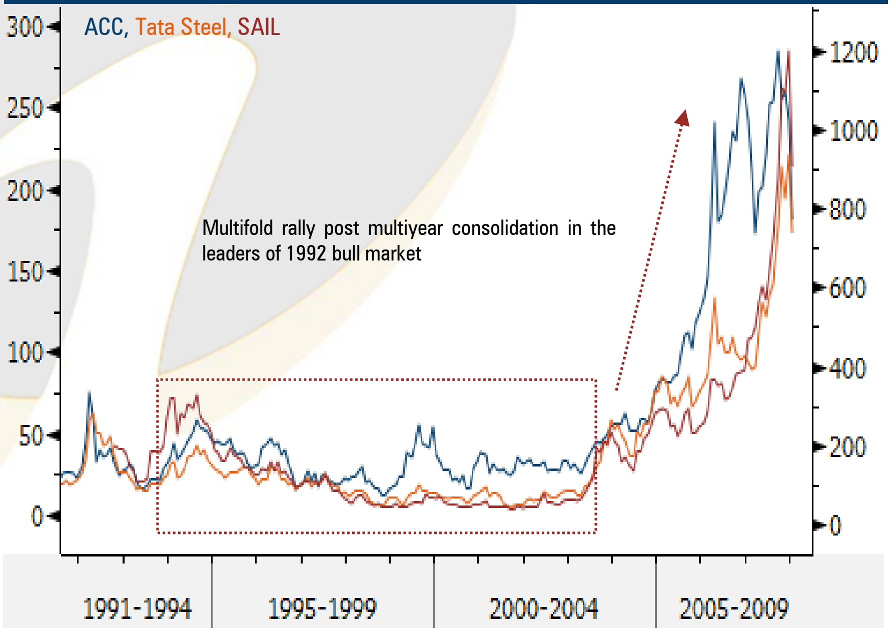
In the rally towards CY92 high, stocks like Tata Steel, ACC and SAIL were the leaders. However, post CY92, they witnessed a sharp decline and remained largely underperformers. The rally in those stocks resumed after a decade long consolidation as the stocks had given strong returns in the next few years gaining more than 10 times from the close of CY02. The above observation was highlighted in the following table and charts.

The 1992 bull market leaders underperformed for the next decade before the next major bull cycle unfolded

Behaviour of 1992 bull market leaders

Stock	High of 1992 bull market	% Correction	Consolidation period	Range	Beginning of Next Bull phase	Rally in subsequent years
ACC	398	79%	11 years	300-84	2003	10 times
Tata Steel	330	77%	11 Years	200-40	2003	10 times
SAIL	80	94%	11 Years	26-05	2003	28 times

Multifold rally by leaders of 1992 rally post major consolidation



Source: Bloomberg, ICICI Direct.com Research

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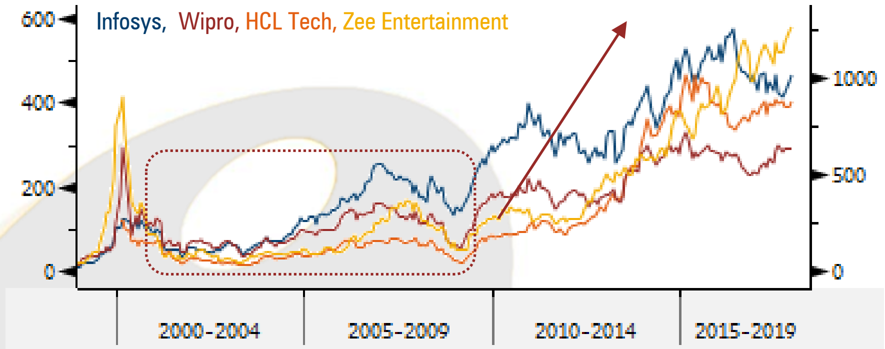
Laggards at cycle low

Similarly, the run up to CY00 highs was propelled by technology majors like Infosys, Wipro, HCL Tech and media major Zee Entertainment. IT stocks and Zee Entertainment witnessed a sharp decline post the CY00 peak and was followed by consolidation for the next nine years, before commencing the next bull run in 2009. IT stocks post their nine year consolidation had given strong returns in the next few years gaining almost five times from the close of CY08.

Behaviour of CY00 bull market leaders

Stock	High of 2000 bull market	% Correction	Consolidation period	Range	Beginning of Next Bull phase	Rally in subsequent years
Infosys	431	84%	9 years	610-275	2009	4.5 times
Wipro	437	92%	9 years	185-48	2009	5 times
HCL Tech	377	93%	9 years	180-50	2009	20 times
Zee Ent	516.35	98%	9 years	175-46	2009	8 times

Multifold rally by leaders of 2000 rally post major consolidation



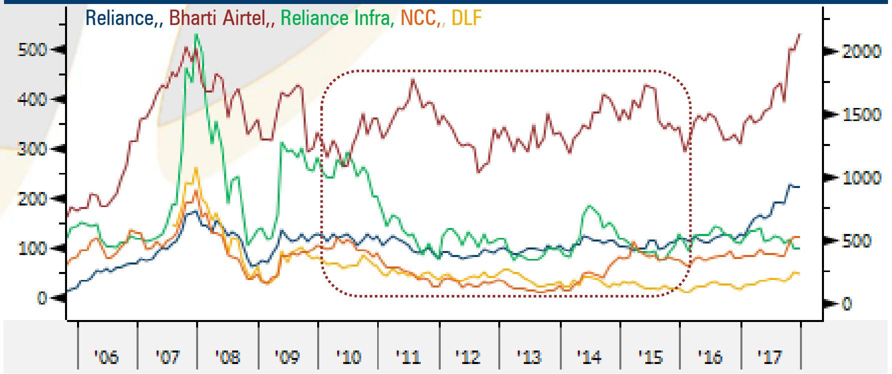
Similarly, leaders of IT bubble could trace out their respective life-time highs only after nine years of underperformance

In the run up to the CY08 major peak some of the major contributors were Reliance Industries, Bharti Airtel and infra stocks. These stocks witnessed a sharp correction in the following years followed by multiyear corrective consolidation of eight years. Reliance Industries, Bharti Airtel and infra stocks, after a multiyear consolidation, have resumed their fresh up move in CY17. As per historical evidence, the current rally in these stocks /sectors is likely to continue in the coming years.

Behaviour of CY08 bull market leaders

Stock	High of 2008 bull market	% Correction	Consolidation period	Consolidation Range	Beginning of Next Bull phase
Reliance	824	72%	8 Years	630-345	2017
Bharti Airtel	592	64%	8 Years	450-220	2017
DLF	1225	94%	8 Years	519-72	2017
Rel Infra	2641	87%	8 Years	820-282	Still in Consolidation
NCC	237	96%	8 Years	110-10	2017

Start of fresh up move of leaders of 2008 rally post major consolidation



In the current context, leaders of the 2003-08 rally underperformed till 2017. Many of them, including real estate index, are now at their respective cycle lows and are likely to generate above average returns in coming years

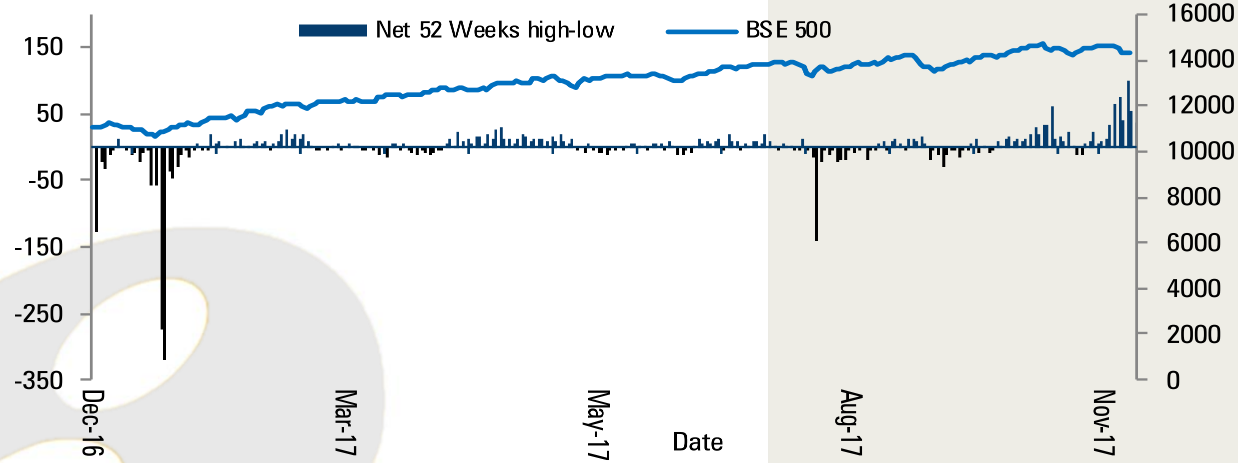
Source: Bloomberg, ICICI Direct.com Research

Market breadth: Bullish undertone

The chart on the right shows the relation between market breadth and market direction. When the number of stocks making new 52 weeks high goes up, it highlights the inherent strength in the trend and sets a bullish tone for the market. The opposite is also true when the number of stocks making new 52 week low rises.

It may be observed that the number of stocks hitting new 52 week highs has picked up over the past few months indicating strong market internals. This, in turn, augurs well for the continuance of the broad based uptrend in CY18.

Net of 52 week highs and 52 week lows vs. BSE 500 index

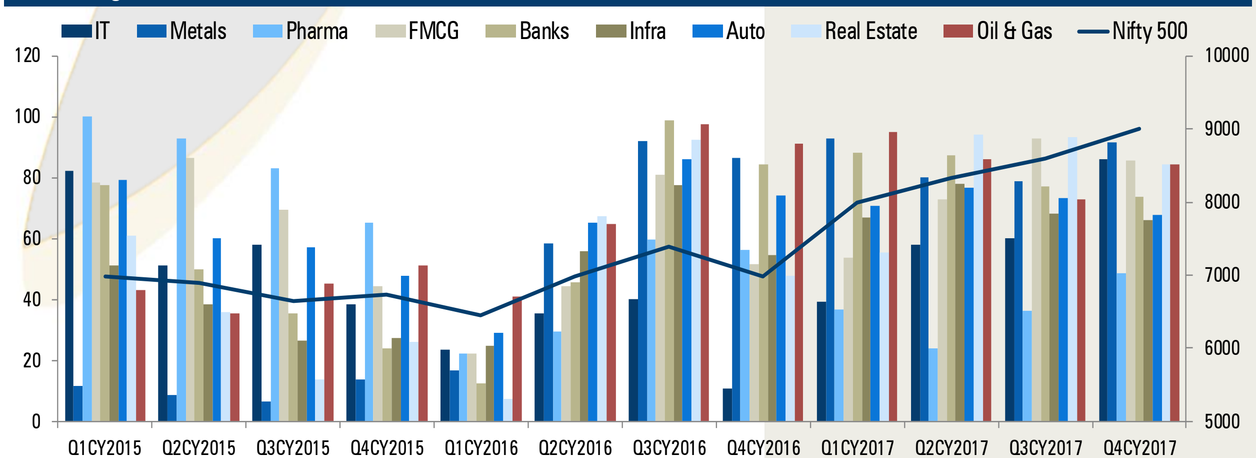


The 200 day moving average (DMA) is one of the basic long term trend identifying tool. If a large number of stocks from an index trade above the 200 DMA, it implies inherent strength in the trend.

At present, many sectors are showing strength, as a majority of constituents in each of these sectors are trading above the 200 DMA. Considerable improvement in breadth is seen in the banking, realty, metals, FMCG sectors while pharma and IT stocks have fewer than 50% of the stocks above the 200 DMA for most of the year.

As majority of constituents across key sectors exhibit a strong uptrend, this reflects broad based participation and augurs well for the overall bullishness in place.

Percentage of stocks above 200 DMA in various sectors



Source: Bloomberg, ICICI Direct.com Research

Zeroing on top picks…

In the last few years, we have endeavoured to develop a more objective approach to our stock selection process to short-list our top picks. The virtues of such a statistical approach are:

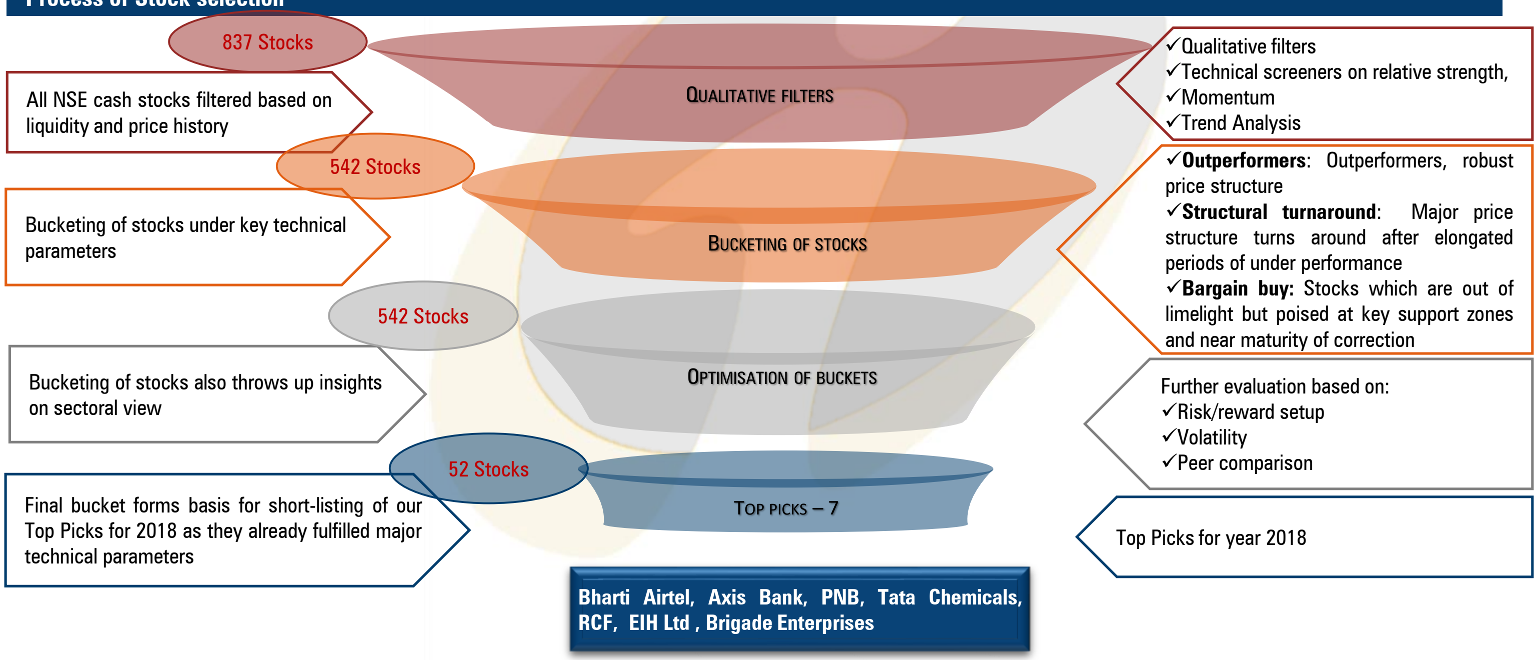
(a) removing individual biases in stock picking;

(b) efficient screening of market internals by adopting a bottom-up approach;

(c) achieving more objectivity in analysis to arrive at high probability investment ideas

Our in-house statistical model includes technical screeners to identify Bargain Buying, Structural turnarounds, Outperformers. This approach has complemented our work on market capitalisation based approach of sector/stock identification.

Process of Stock selection



Source: Bloomberg, ICICI Direct.com Research

Stock screening module complements our market capitalisation based work in identifying sectoral themes and choosing top picks for CY18

Click here to go to top

Zeroing on top picks…

Scrip Name	ICICIdirect Code	Return Matrix (%)		Bargain Buying	Turnaround / Breakout	Outperformer
		6M	12M			
Auto / Auto Ancillary:						
SUNDARAM BRAKE	SUNBRA	43.4	38.8		√	
TATA MOTORS	TATMOT	-10.7	-14.7	√		
BFSI:						
AXIS BANK	AXIBAN	5.6	18.1	√		
PNB	PUNBAN	21.7	43.6	√		
SUNDARAM FINANCE	SUNFIN	17.8	50.2			√
Building Material						
GREENPLY INDUSTRY	GREIND	22.8	26.9		√	
Capital Goods						
ABB INDIA	ABB	-6.6	29.5	√		
ADOR WELDING	ADOWEL	25.9	56.8		√	
HBL POWER SYSTEM	HBLPOW	58.7	60.0		√	
NRB BEARINGS	NRBBEA	8.5	33.4		√	
ORIENT REFRACTORIES	ORIREF	14.3	34.6			√
THERMAX	THERMA	21.6	39.7		√	
Chemicals & Fertilisers						
DEEPAK FERTILISERS	DEEFER	44.1	93.4			√
RCF	RCF	6.4	95.3		√	
TATA CHEMICALS	TATCHE	15.3	46.6			√
Consumer Goods						
BAJAJ CORP	BAJCOR	23.8	27.3		√	
BATA INDIA	BATIND	29.8	70.9		√	
BPL	BPL	28.4	32.5	√		
BUTTERFLY GANDHIMATHI	BUTGAN	157.8	154.9		√	
INOX LEISURE	INOX	1.0	32.7		√	
LIBERTY SHOES	LIBSHO	31.3	54.7		√	

Source: Bloomberg, ICICI Direct.com Research

Zeroing on top picks…

Scrip Name	ICICIdirect Code	Return Matrix (%)		Bargain Buying	Turnaround / Breakout	Outperformer
		6M	12M			
Energy						
Gail India	GAIL	28.1	53.4		√	
Hindustan Oil Exploration	HINOIL	88.4	90.9		√	
Hotels						
EIH Ltd	EIHLIM	12.1	44.2		√	
Speciality Restaurants	SPERES	118.5	122.8		√	
Taj GVK Hotels	TAJGVK	3.0	60.4		√	
IT						
Sonata Software	SONSOF	52.1	35.5		√	
Tech Mahindra	TECMAH	28.0	3.9	√		
Liquor						
Globus Spirits	GLOSPI	96.5	53.0	√		
GM Breweries	GMBREW	99.5	68.8			√
Logistics						
Snowman Logistics	SNOLOG	-1.8	4.5	√		
Metals						
Maharashtra Seamless	MAHSEA	32.7	92.1		√	
Maithan Alloys	MAIALL	90.7	195.4			√
Mukand	MUKAND	31.2	57.6		√	
SAIL	SAIL	39.0	45.1	√		
Power						
Tata Power	TATPOW	15.4	16.1	√		

Source: Bloomberg, ICICI Direct.com Research

Zeroing on top picks…

Scrip Name	ICICIdirect Code	Return Matrix (%)		Bargain Buying	Turnaround / Breakout	Outperformer
		6M	12M			
Real Estate & Infra						
Brigade Enterprises	BRIENT	11.8	87.6		√	
Ganesh Housing	GANHOU	9.7	85.6		√	
Sadbhav Engineering	SADENG	19.5	33.1		√	
Simplex Infrastructure	SIMINF	0.2	93.8		√	
Texmaco Infrastructure	TEXMAC	63.0	58.2		√	
Retail						
Shoppers Stop	SHOSTO	61.0	81.3		√	
Telecom						
Bharti Airtel	BHAAIR	42.5	56.8		√	
D-Link India	DLILIM	35.9	13.7	√		
Textile						
Lux Industries	LUXIND	63.2	100.4			√
Donear Industries	DONIND	10.2	15.3	√		
Gokaldas Exports	GOKEXP	31.1	81.8	√		
Others						
Cords Cable	CORCAB	37.2	102.6		√	
Kesoram Industries	KESIND	3.0	10.7	√		
KSB Pumps	KSBPUM	28.0	51.0			√
Mayur Uniquoters	MAYUNI	36.6	40.1		√	
Waterbase	WATLTD	148.4	165.0		√	

Source: Bloomberg, ICICI Direct.com Research

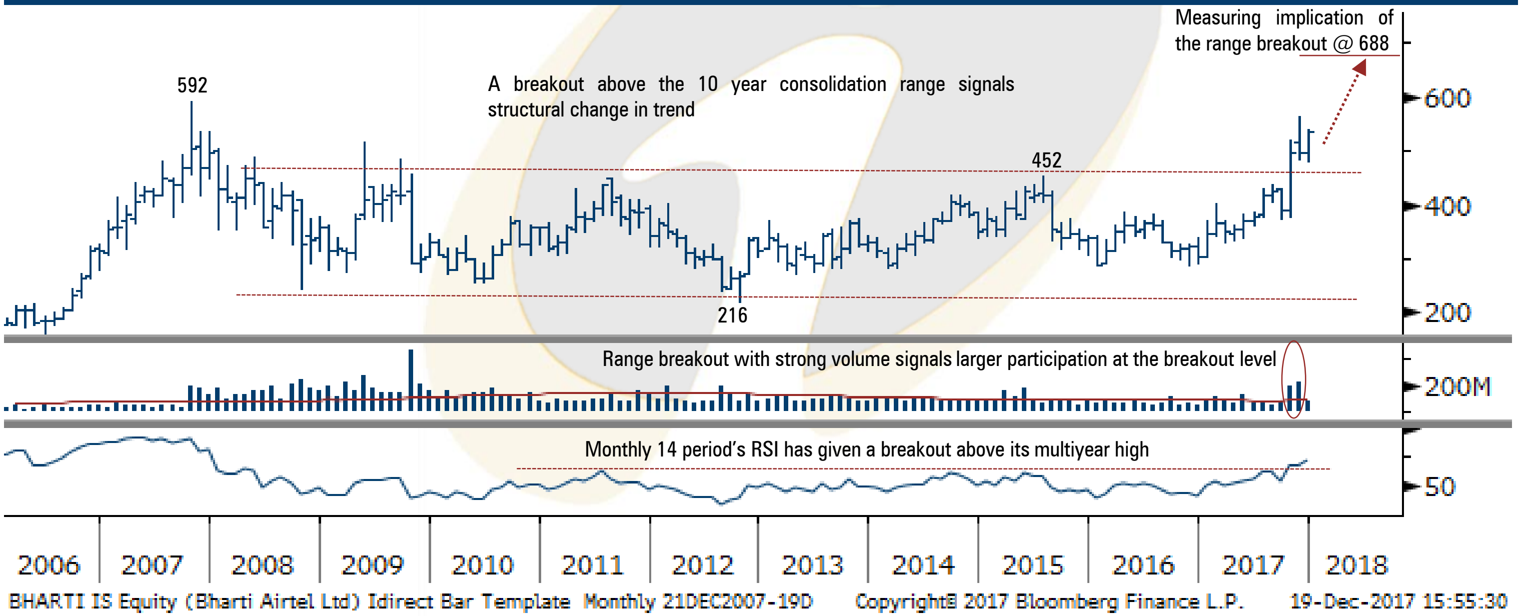
Bharti Airtel (BHAAIR): Rising out of hibernation !!!

The stock recorded multi fold rally from March 2003 low of ~16 to the December 2007 high of ~592 the share price of Bharti Airtel retraced 61.8% Fibonacci level of entire four and half years dynamic up move. Since then it has been consolidating in a broader range of 216 – 452 for past 10 years, advocating healthy price and time correction.

The recent developments on price front indicate structural change as it is on the conclusion of the 10 years corrective phase and signal resumption of the primary up trend. The breakout was supported by strong volume of more than double of the 12 months average volume of 10 cr. share per month signaling larger participation in the direction of the trend. As per change in polarity concept, the earlier swing high of 450 would act as an immediate support for the stock.

The aforementioned technical evidences suggests that the stock is gearing up for the move to novel orbit. We expect the share price to surpass the life time high of ₹ 592 level and head towards ₹ 688 levels in the long term as it is the measuring implication of range breakout (₹ 452-216=236 points) added to the breakout area of ₹ 452 project upside towards ₹ 688 (452+236=688)

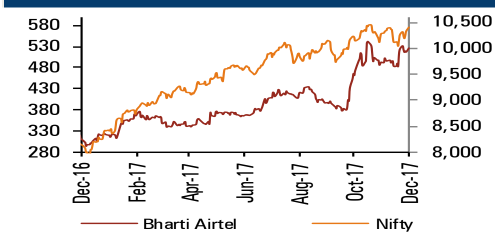
Bharti Airtel- Monthly Chart



Source: Bloomberg, ICICI Direct.com Research

Key Highlights	
CMP	529.00
Buying Range	515.00-530.00
Target	668.00
Stoploss	445.00
Potential Upside	27%
Market Cap. In (₹ Cr.)	210063
52 Weeks High/Low	565/288
50 /200 Days EMA	482/418
MF Holding	3.4%
FII Holding	16.37%

Bharti Airtel vs. Nifty



Axis Bank (AXIBAN): at the cusp of a nine month consolidation breakout…

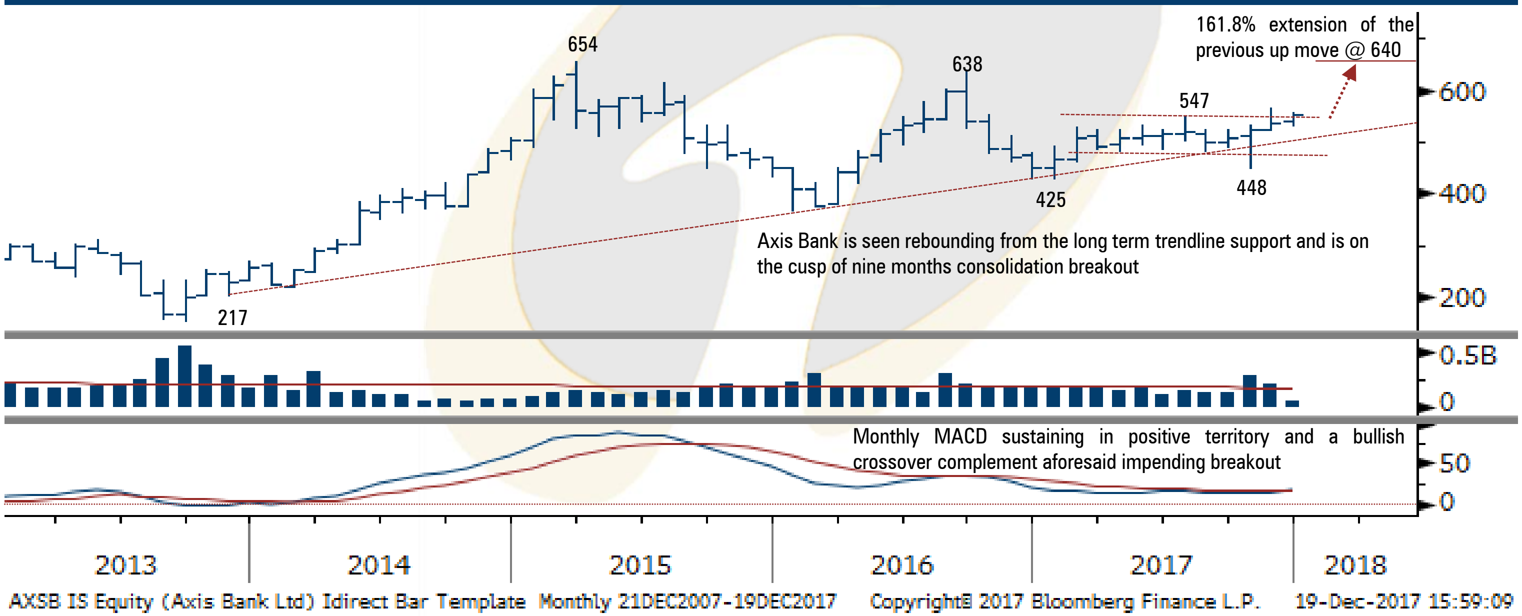
The consolidation in the broad range of ₹ 547-480 of the last nine months is approaching maturity as the stock is at the cusp of a breakout from the recent consolidation pattern. We believe the current consolidation has approached maturity and the stock is likely to resume its prior up trend.

The share price of Axis Bank after the strong up move in the CY14, has been trading in a range in the last three years while consuming 33 months in retracing just 61.8% of the previous 13 months rally from ₹ 217 to ₹ 654 signalling a healthy consolidation and a robust price structure.

The stock has major support around ₹ 485-490 range as it is confluence of the long term trendline support joining the lows since CY14 as can be seen in the adjacent chart and the base of the recent consolidation

We expect the share price to resolve higher from hereon and head towards ₹ 640 levels in the medium term as it is the 161.8% extension of the previous up move (₹ 425-547) as projected from recent trough of ₹ 448, which also coincides with the high of September 2016.

Axis Bank- Monthly Chart

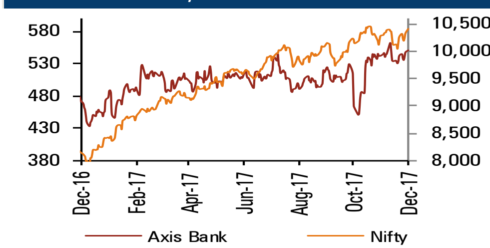


Source: Bloomberg, ICICI Direct.com Research

Key Highlights

CMP	554.00
Buying Range	530.00-555.00
Target	638.00
Stoploss	485.00
Potential Upside	18%
Market Cap. In (₹ Cr.)	129137
52 Weeks High/Low	566/424
50 /200 Days EMA	528/512
MF Holding	8.4%
FII Holding	49.13%

Axis Bank vs. Nifty



PNB (PUNBAN): Board the flight before it takes off……

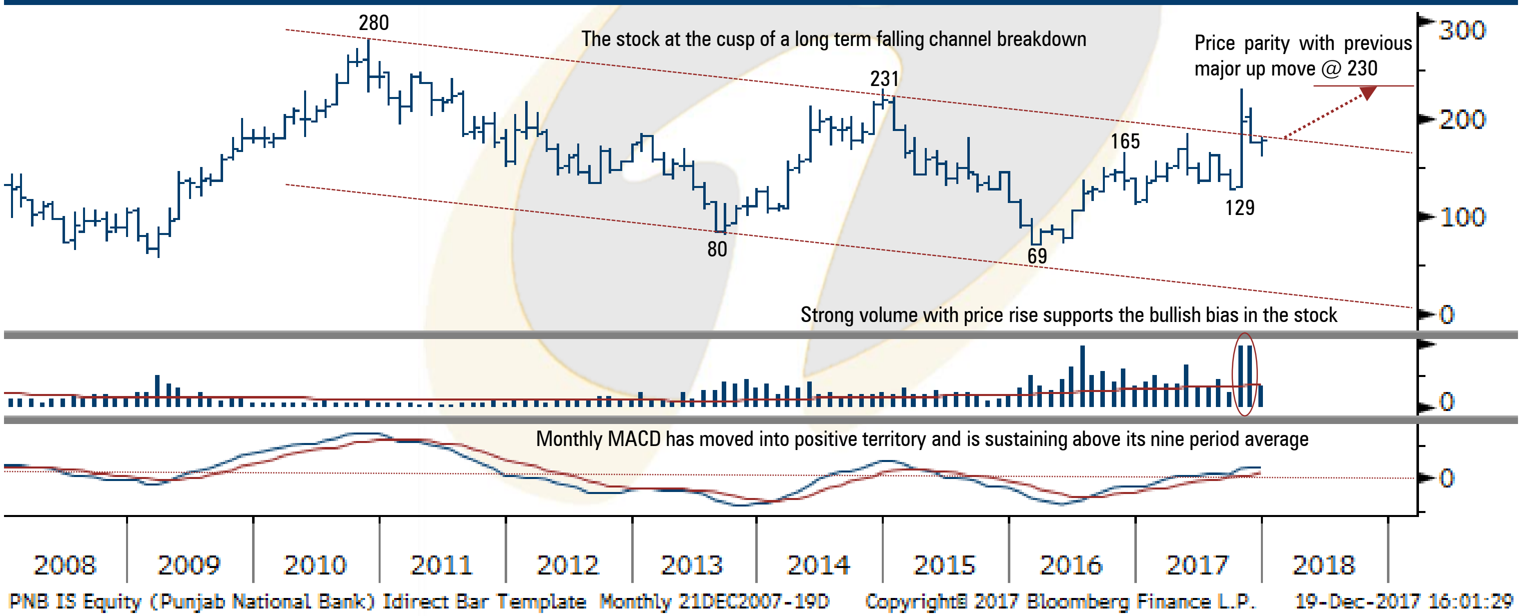
Research ICICI direct.com It's Advice, Not Adventure

The share price of PNB is on the verge of conclusion of correction in the secondary phase. The last seven years correction has been captured in a well defined downward sloping channel formation, where the fall from December 2010 highs of ₹ 280 to lower high of December 2014 of ₹ 231 correspondingly matches with lows of September 2013 of ₹ 80 followed by march 2016 low of ₹ 69.

On the monthly chart is that the stock witnessed faster retracement where it retraced last six month descent in solely one month's up move. Another important observation is that the stock has recorded highest ever quarterly volumes since march 2004 along with robust price move, suggesting structural change is on cards in the stock and offers fresh opportunity for investors to ride the next leg of up move. We expect stock to find strong support in the region of 140 as it is the value area of key uptrend line connecting May 2016 and October 2017 swing lows

Based on the aforementioned technical observations, we expect the stock to enter into a sustainable uptrend and head towards target of ₹ 230 being the price parity with the previous up move from ₹ 69 to ₹ 165 added to the recent trough of ₹ 129, project upside towards ₹ 225 which coincide with October 2017 peak of ₹231

PNB- Monthly Chart

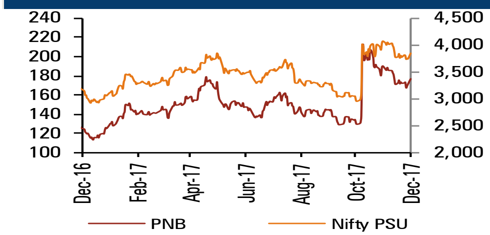


Source: Bloomberg, ICICI Direct.com Research

Key Highlights

CMP	171.00
Buying Range	160.00-175.00
Target	230.00
Stoploss	138.00
Potential Upside	35%
Market Cap. In (₹ Cr.)	38112
52 Weeks High/Low	232/112
50 /200 Days EMA	173/156
MF Holding	6.54%
FII Holding	10%

PNB vs. Nifty PSU Bank Index



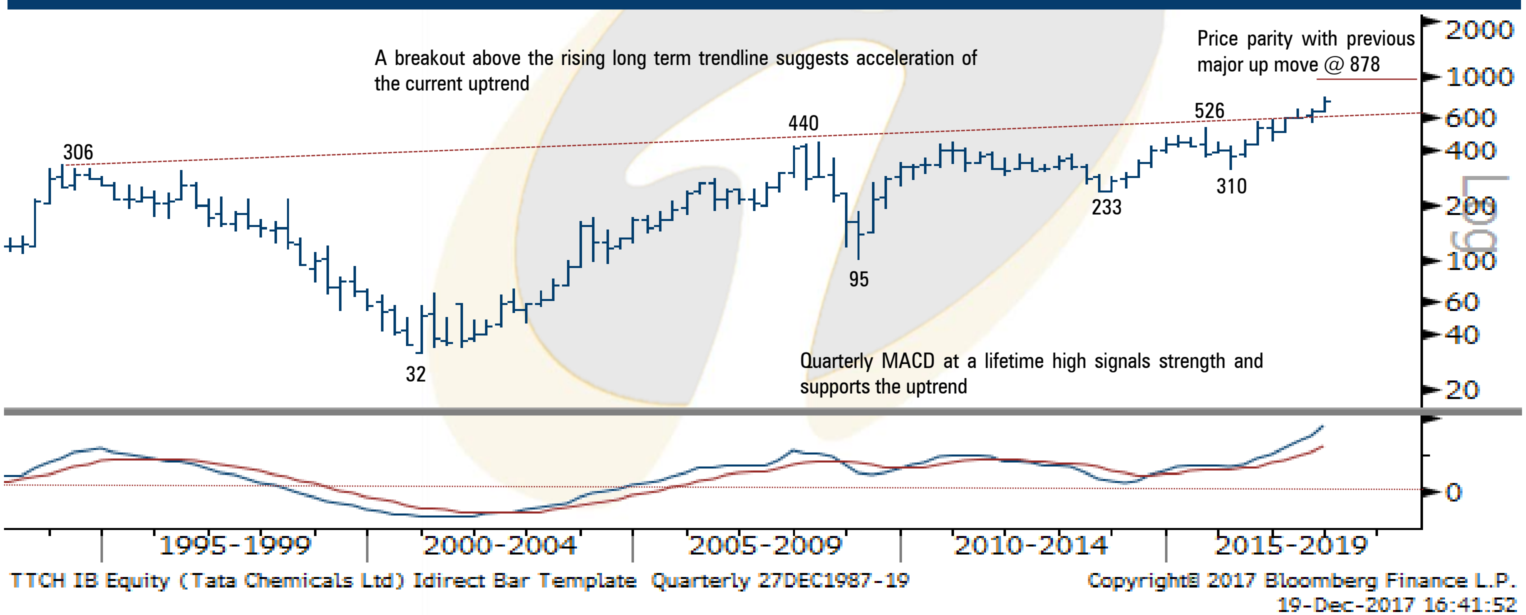
Tata Chemical (TATCHE): likely to accelerate the secular up move in CY18…

In the first quarter of CY17, Tata Chemical logged a resolute breakout from multi year resistance trend line drawn adjoining June 1996 highs of 306 and subsequent highs of January 2008 of 431. After registering this breakout, share price retested the breakout level and sustained well above it for couple of months.

While analysing medium term chart we observed conventional up move, as the price continues to form higher high along with strong momentum and the corrections are getting shallower, which resembles 'Flag' breakout. A Flag is a bullish continuation pattern, suggesting that the stock is ready to make new highs. Correspondingly, the quarterly MACD (E-12/26/9) has rallied to highest reading as it continues to make rising peak and trough formation, complementing the price rallies. The volume behaviour also supports the positive bias in the stock.

We believe the stock is attractively poised above the major breakout area and provides a good buying opportunity from a medium term perspective. We expect the stock to head towards our target of ₹ 878 levels in the long term being the price parity of the previous major up move from ₹ 568 to ₹ 765 added to the recent trough of ₹ 681 projects upside towards ₹ 878.

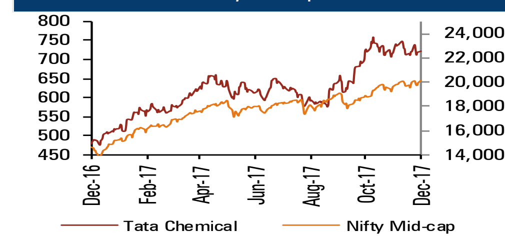
Tata Chemical- Quarterly Chart



Source: Bloomberg, ICICI Direct.com Research

Key Highlights	
CMP	732.00
Buying Range	710.00-740.00
Target	878.00
Stoploss	634.00
Potential Upside	21%
Market Cap. In (₹ Cr.)	18610
52 Weeks High/Low	766/468
50 /200 Days EMA	708/638
MF Holding	20.55%
FII Holding	15.12%

Tata Chemical vs. Nifty Midcap index



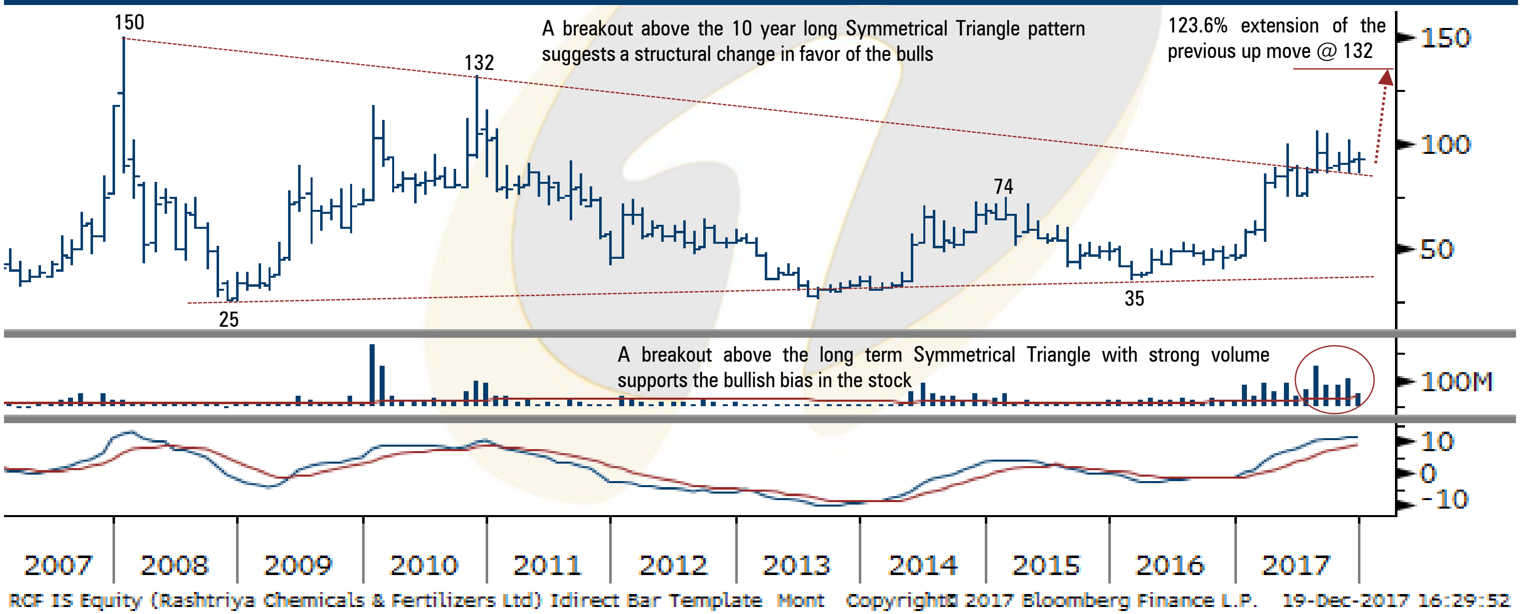
RCF (RCF): Structural change is around the corner….

Recent developments on the price front suggest that the stock has registered a breakout above the elongated corrective phase of last ten years, thereby providing a fresh entry opportunity to long term investors. Last 6 months up move has been supported by highest ever cumulative six months volume of 52 crores, indicating transformed demand

Past ten years consolidation has taken a shape of a 'Symmetrical Triangle' pattern on a monthly chart. A decisive move above the breakout level of the aforementioned pattern suggest structural change in the long term chart. On the other hand, stock has major support near 61.8% retracement level of major up move (₹ 40-106) placed at ₹ 68 levels. Correspondingly, the monthly MACD (E-12/26/9) is seen diverging from its nine period's average thus supports the bullish bias in the stock

Therefore, We believe the stock is attractively poised above the major breakout area and provides a good buying opportunity from a long term perspective. We expect the stock to head towards ₹ 132 levels in the long term as it is the 123.6% extension of the previous up move from ₹ 54 to ₹ 99 as projected from the recent trough of ₹ 75 signals upside towards ₹ 132 which also coincides with the high of high of November 2010.

RCF- Monthly Chart

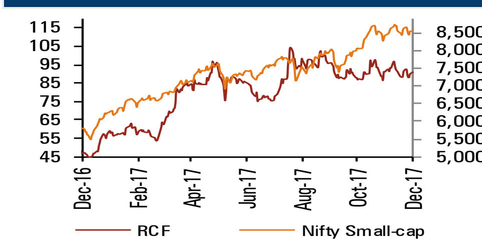


Source: Bloomberg, ICICI Direct.com Research

Key Highlights

CMP	93.00
Buying Range	88.00-95.00
Target	130.00
Stoploss	68.00
Potential Upside	43%
Market Cap. In (₹ Cr.)	4987
52 Weeks High/Low	106/45
50 /200 Days EMA	91/84
MF Holding	0.65%
FII Holding	0.89%

RCF vs. Nifty Smallcap Index



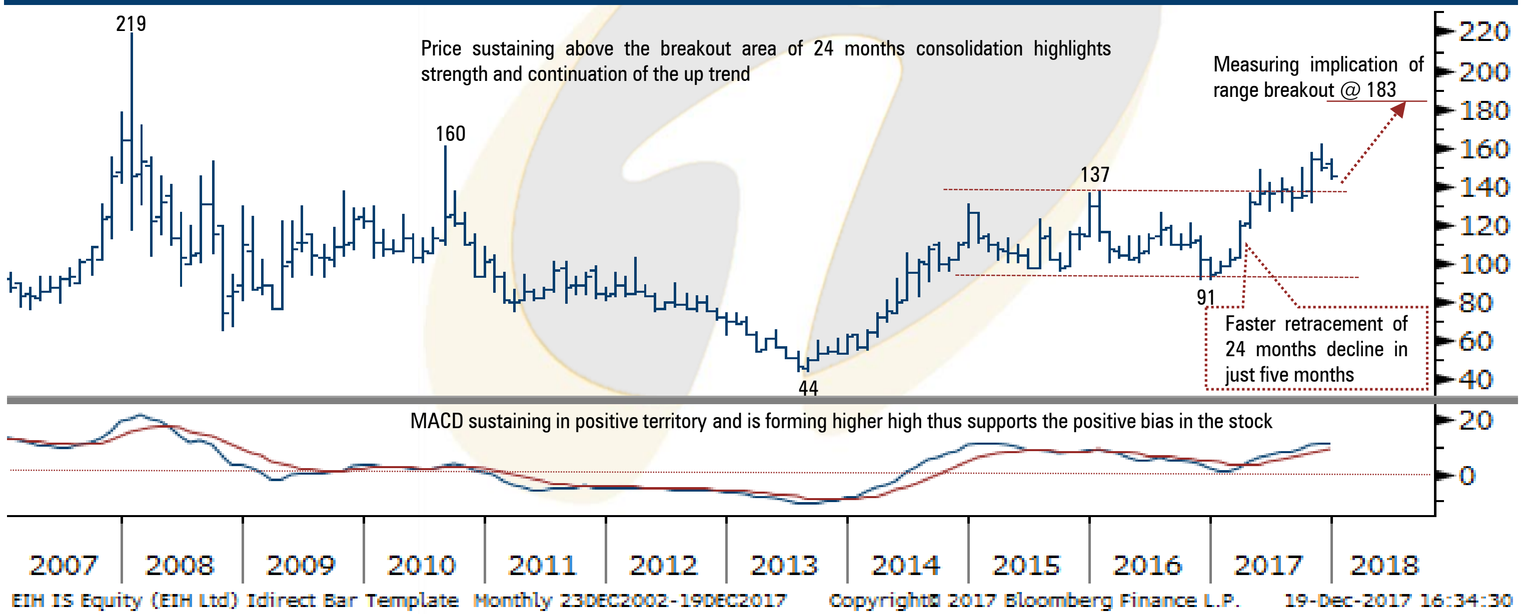
EIH Ltd (EIHLIM): Consolidation breakout augurs well…

Post retracement of 50% of earlier major fall of January 2008 – August 2013 the share price of EIH limited had been oscillating in a broader range of 91- 137 for more than two years. In the second quarter of CY17, stock logged a resolute breakout above the upper band of the range and has been consolidating above the breakout level in the last three months signalling strength in the breakout and provides fresh entry opportunity.

The sharp rebound from the December 2016 low of ₹ 91 has seen the stock completely retrace its preceding 24 months down fall (₹ 138 to ₹ 91) in just 5 months, thus confirming a faster retracement. Faster retracement of the last consolidation highlights the strong demand emerging at the major breakout level. The monthly momentum indicator MACD (E-12/26/9) found support from zero levels and now inching upward indicating strength in the current momentum.

We believe the current consolidation above the breakout area of ₹ 138 is a positive sign confirming strength in the price breakout as the stock is building a higher base that will act as the launch pad for a further northward journey. We expect the stock to head towards ₹ 183 levels in the long term as it is the measuring implication of range breakout (₹ 137-91=46 points) added to the breakout area of ₹ 137 project upside towards ₹ 183 (137+46=183).

EIH Limited- Monthly Chart

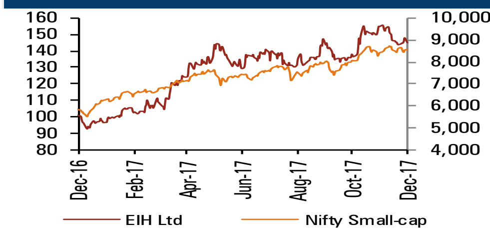


Source: Bloomberg, ICICI Direct.com Research

Key Highlights

CMP	145.00
Buying Range	140.00-150.00
Target	180.00
Stoploss	125.00
Potential Upside	24%
Market Cap. In (₹ Cr.)	8414
52 Weeks High/Low	162/91
50 /200 Days EMA	146/135
MF Holding	5.51%
FII Holding	3.79%

EIH vs. Nifty Smallcap Index



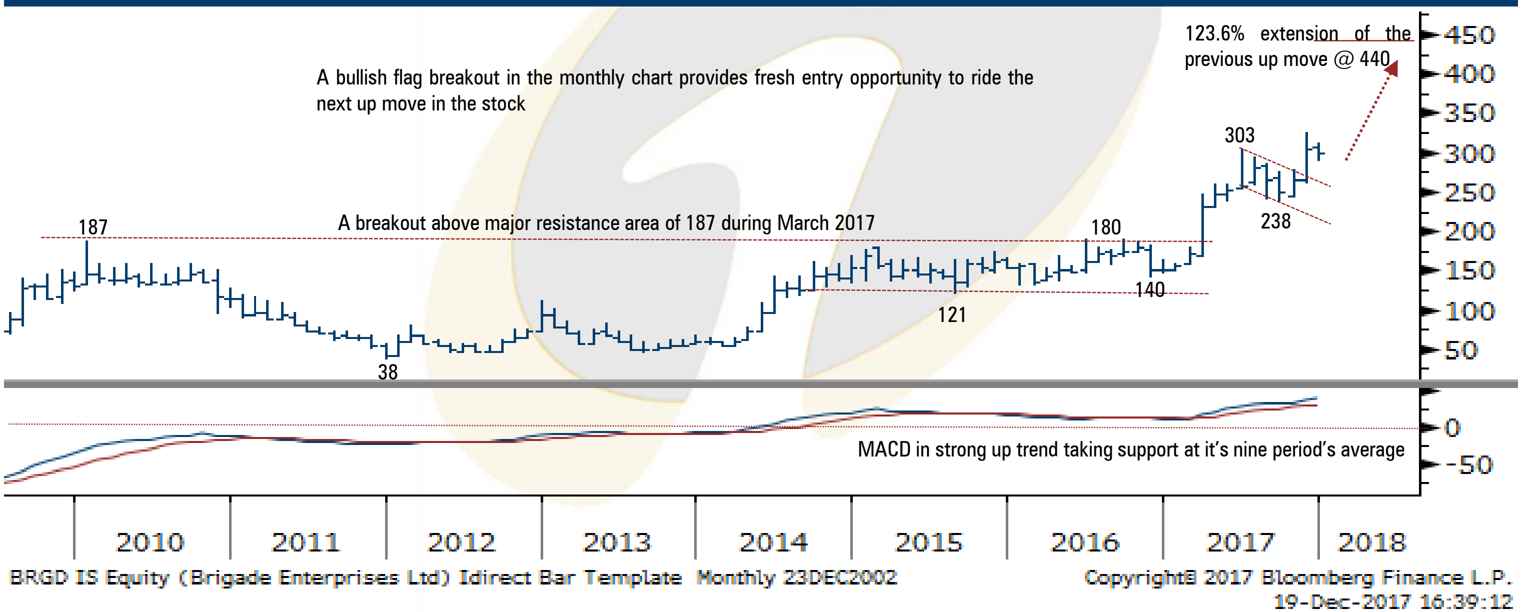
Brigade Enterprises (BRIENT): Tide has changed following years of underperformance…

Brigade Enterprises earlier this year broke out of the major resistance area of ₹ 187 being the upper band of the last 10 quarter consolidation range (₹ 121 and ₹ 180) and the major high of CY10. The stock has maintained its bullish momentum since then forming higher peak and higher trough on the long term chart. The strong up move in the stock during the previous year was in line with the move higher in the NSE Realty index, thus increasing the probability of a structural turnaround in this sector which bodes well for Brigade also.

After forming a high of ₹ 303 during June 2017, the stock enters a consolidation phase in the next four months. The entire consolidation has taken the shape of a bullish Flag pattern and recently registered a breakout above the Flag pattern. With the overall price structure quite robust, we do not foresee the stock falling below the ₹ 240-245 range in the near term being the 38.2% retracement of the previous rally over the past five quarters (₹ 140-303), which also coincides with the lower band of recent consolidation.

Based on the above technical evidence we expect the stock to move higher towards ₹ 440 levels as it is the 123.6% extension of the previous up move from ₹ 140 to ₹ 303 added to the recent trough of ₹ 238 project upside towards ₹ 440.

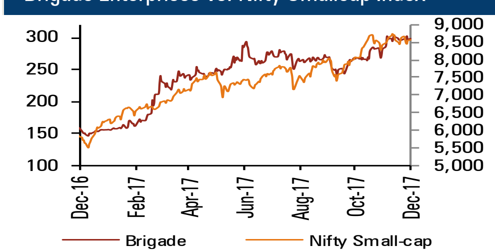
Brigade Enterprises- Monthly Chart



Source: Bloomberg, ICICI Direct.com Research

Key Highlights	
CMP	300.00
Buying Range	295.00-315.00
Target	420.00
Stoploss	231.00
Potential Upside	41%
Market Cap. In (₹ Cr.)	4082
52 Weeks High/Low	324/125
50 /200 Days EMA	283/253
MF Holding	11.21%
FII Holding	12.89%

Brigade Enterprises vs. Nifty Smallcap Index

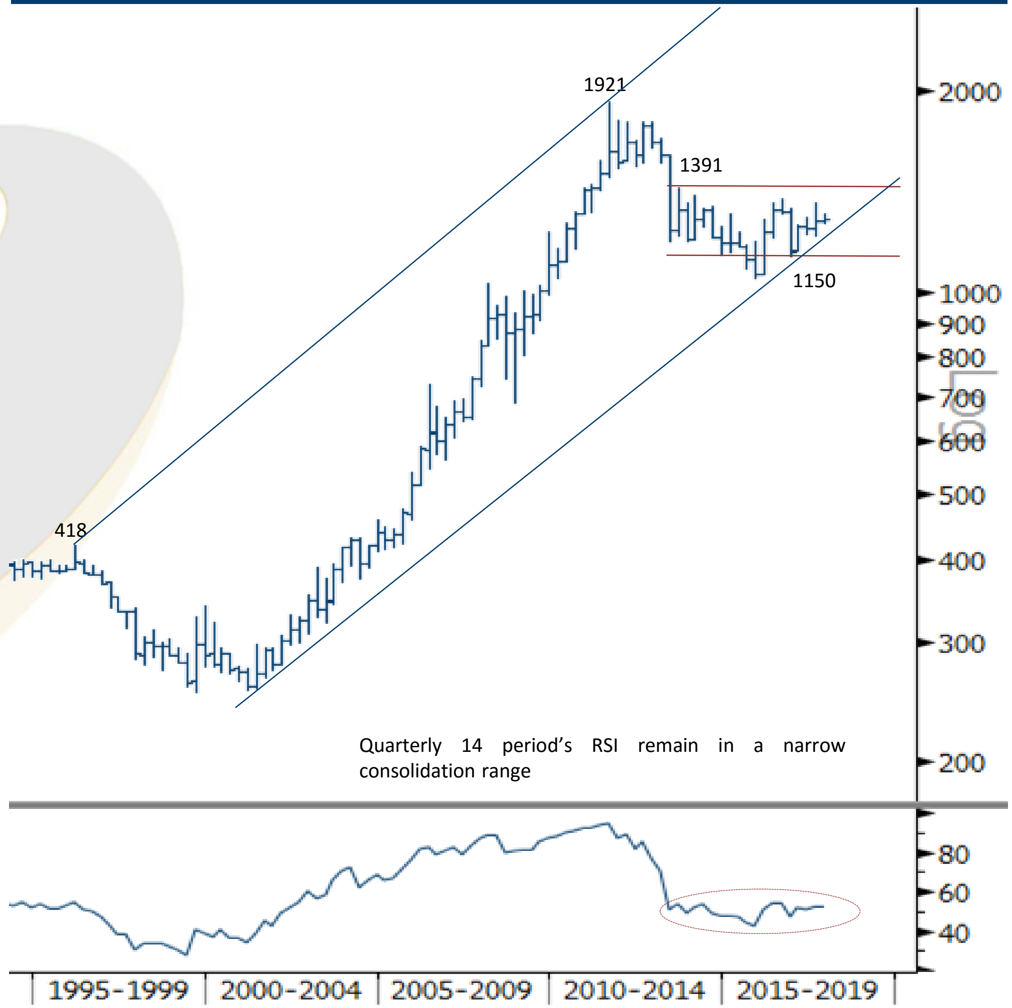


Gold ($1264): Bullion to extend its time correction, upsides capped at $1400…

Technical Outlook

- Gold prices have gained almost ~10% during CY17 on the back of weakness in the US dollar and increased global geopolitical tensions. Despite the up move, gold prices remained in a broad range of $1400-1050 in the last four years as can be seen in the adjacent quarterly chart
- The yearly price action resulted in a bullish candle with a long upper shadow, which remains enclosed inside the previous year's high/low range indicating continuance of the range bound consolidation. The long upper shadow reflects the weak nature of the bounce as prices reacting lower from the 38.2% retracement of the entire decline from 2011 peak of $1921 to 2015 bottom of $1046 levels. Gold prices continued to take support near the lower band of the long term rising channel (in blue) highlighting consolidation near the lower band of the rising channel
- Going forward, we expect gold prices to continue the current corrective consolidation. Prices, after 11 years of stupendous rally from $252 to $1921, have been in a corrective trend in the last six year while retracing 50% of the previous rally. We expect prices to remain in the time wise consolidation phase while upsides look capped around the $1400 region, as it is the higher band of the last four years consolidation and the 38.2% retracement of the entire decline from 2011 peak of $1921 to 2015 bottom of $1046 levels
- On the downside, key support for bullion is placed around $1150 region as it is confluence of following technical factors:
    - ➢ The value of lower band of long term rising channel (in blue) is placed at $1170 levels
    - ➢ The previous year's lows is also placed around $1150
- We believe gold prices will extend the sideways consolidation and oscillate between the broader range of $1150 and $1400 while time correction would extend in 2018

Gold quarterly Bar chart



Source: Bloomberg, ICICI Direct.com Research

Brent ($63.80): Time wise consolidation to extend…

Research ICICI direct.com It's Advice, Not Adventure

Technical Outlook

- Brent crude prices witnessed a strong rebound in the second half of 2017 to surge to their highest levels in over 26 months. They are set to end CY17 on an optimistic note as Opec and Russia signalled they will prolong supply cuts while instability in Iraq's Kurdish region persisted. Oil prices are expected to end higher by more than 10% on a yearly basis

- After a strong rally in CY16 ($27-$57), Brent prices started CY17 on a soft note and declined for the first five months. They formed a low of $44.35 in June 2017. Crude prices, however, witnessed a sharp pullback in the second half of CY17 as they recouped their entire decline and rallied to a fresh two-year highs of $64.65 as the global oil glut that had built up over the previous three years started to draw down. In the process, prices have maintained higher high and higher low on the monthly charts

- While the formation of a higher top and higher bottom formation suggests an upward shift in demand zone for crude prices from a medium term perspective, we believe the lack of faster retracement of the previous major decline of nine months from $70 to $27 over the past 22 months indicates that there is no structural turnaround in place yet

- Considering the above technical observations, we expect Brent crude prices to shift their trading range higher while consolidating in a range going into 2018. The upside looks capped around $70 levels as it is the confluence of following technical parameters:

  - ➢ Price parity with previous 2016 rally from $ 31 to $ 58 as projected from the 2017 low of $ 43 projects upside towards $ 70 levels

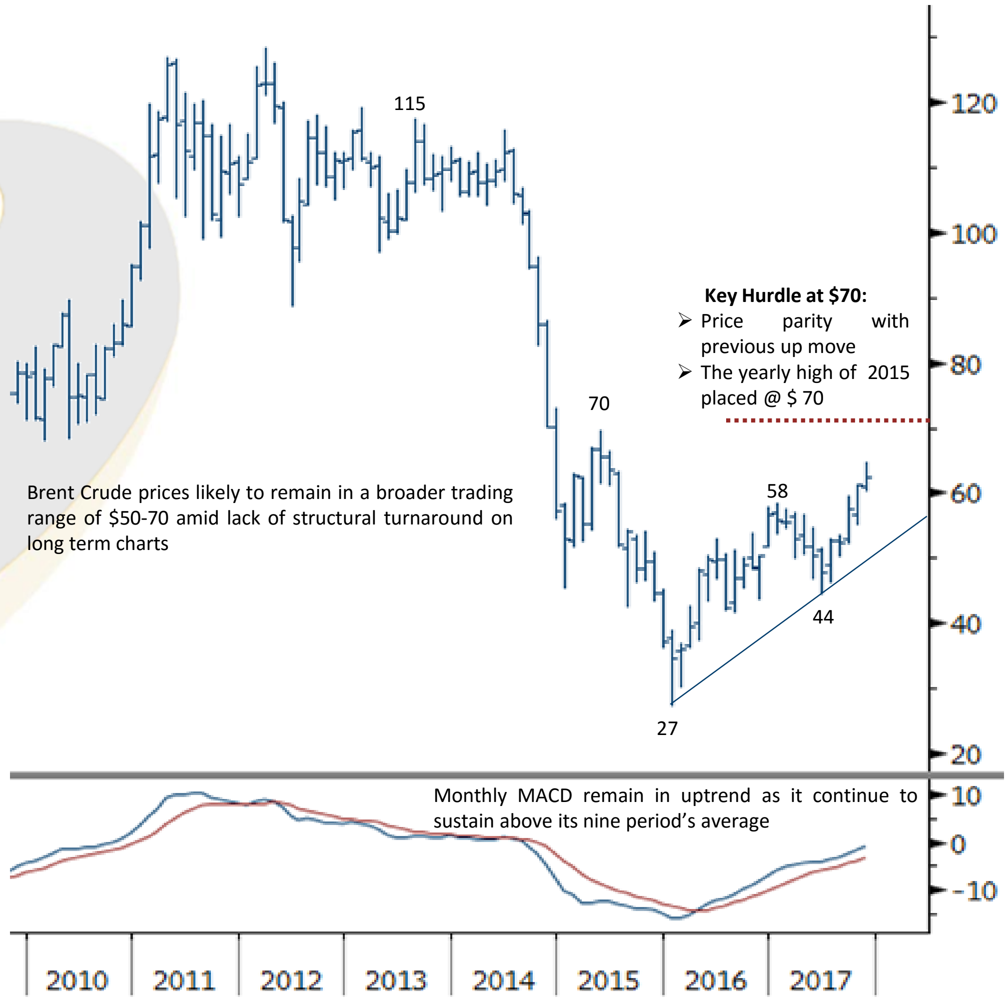
  - ➢ The previous yearly high of 2015 is placed around $ 70 levels

- Declines in oil prices are likely to be anchored at ~$50-52 being the 61.8% retracement of past five months rally ($44-64) placed at $52 and value of the rising trend line connecting yearly lows of 2016 ($27) and 2017 ($ 44)

- To sum up, Brent prices are expected to remain in a broader trading range of $50-72 amid lack of structural turnaround on long term charts

Source: Bloomberg, ICICI Direct.com Research

Brent Generic futures Monthly Bar chart

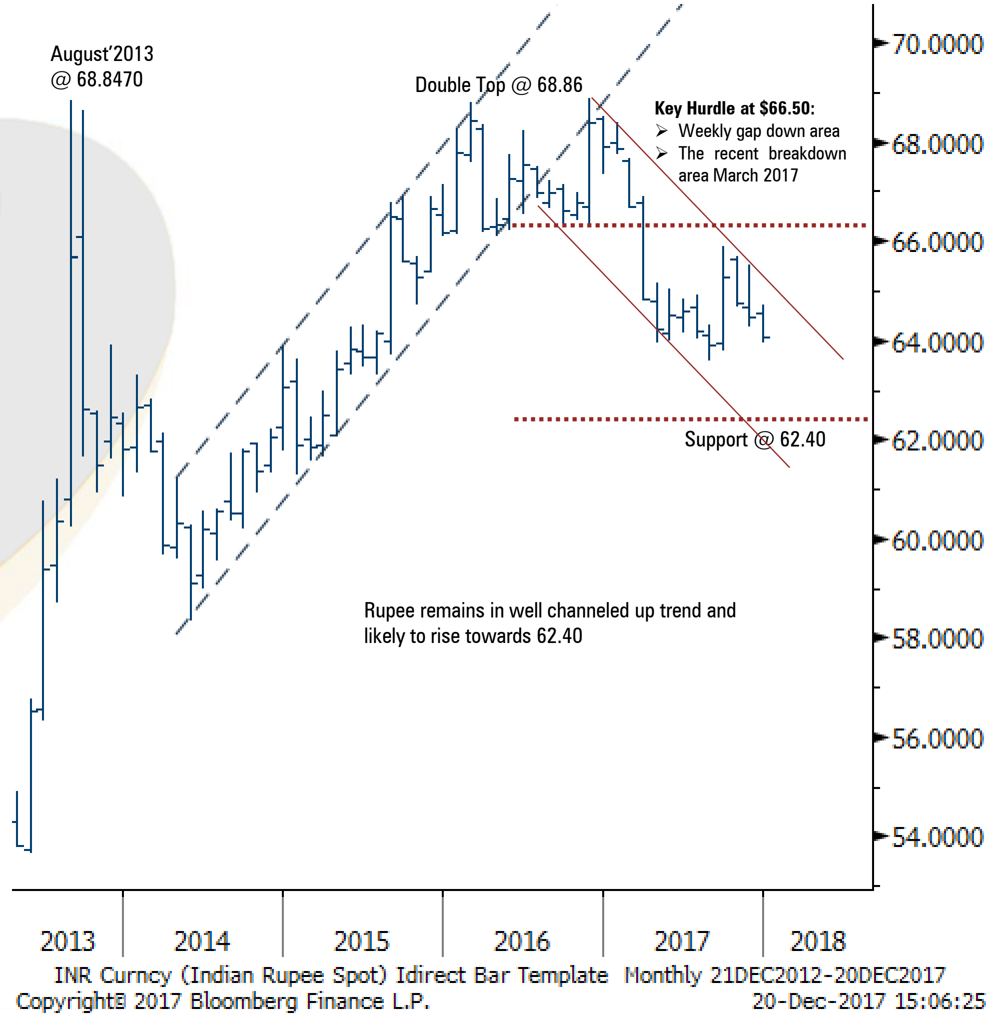


US$INR (64.05): Rupee likely to appreciate to 62..

Technical Outlook

- The rupee strengthened against the dollar in CY17, underpinned by a combination of domestic and global factors. On the domestic front, a host of factors such as government-led structural reforms, political stability, low inflation, and attractive yield differential led to strong foreign inflows into debt and equities. On the global front, the dollar was under pressure all year long, with the Dollar index declining more than 10% from its early year high of 103.82 to a low of 91.01 as the US currency was weighed by subdued inflationary pressures in the US, appreciation in the value of Euro and disappointment surrounding Trump's reform agenda. All these factors underpinned the rupee to appreciate over 7% against the dollar in CY17. More importantly, the rupee's gain this year was the first in seven years, as the local currency broke the sequence of 6 consecutive lower lows
- From a yearly perspective, the USDINR pair formed a bearish engulfing candle this year, hinting at a temporary halt to the rupee depreciation trajectory that been a major theme since CY11. Looking closer, the yearly price formation since CY15 resembles an evening star candle pattern, which is a bearish reversal pattern for the pair, indicating that the rupee is likely to continue appreciating in the coming year
- We expect the USDINR pair to depreciate in 2018 and head towards the major support area seen near the 62.40-62.00 region, which is the confluence of: i) 61.8% Fibonacci extension of decline from 2013 high to 2014 low extended from 2016 high, and ii) 61.8% Fibonacci extension of decline from 68.87 to 63.92 extended from 65.89.
- Having said that, we do not foresee the pair sustaining below 62.40-62.00 range next year, as policy divergence between the Federal Reserve and other G7 central banks should keep the dollar supported against the G7 basket
- The pair has major resistance in the coming year around 66.50 levels being the confluence of the breakdown area of March 2017 and the 61.8% retracement of the 2017 down move

Rupee spot monthly bar chart (Inverted)



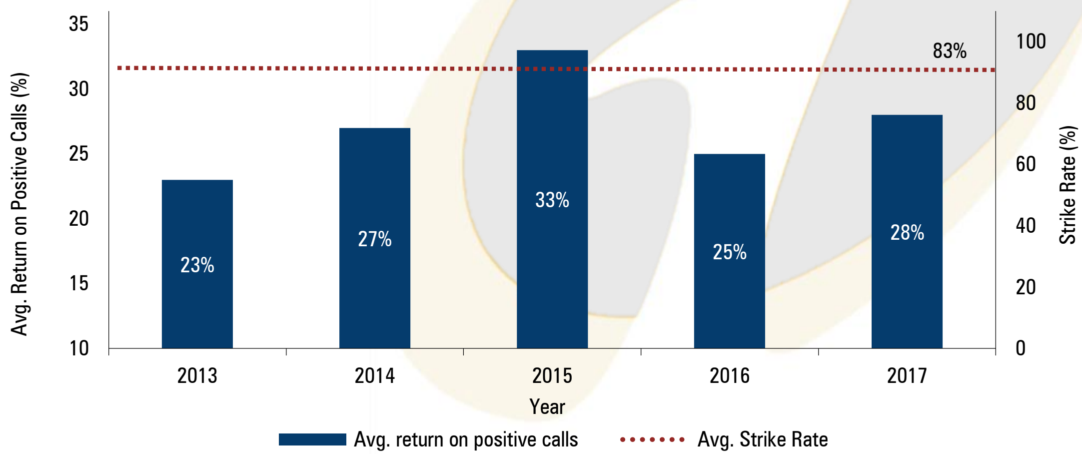
Source: Bloomberg, ICICI Direct.com Research

Performance Scorecard

Strategy 2017: Stock Performance

Rec. Date	Stock Recommended	Rec Price	Target	Stop loss	% Profit/Loss	Comment
15-Dec-15	ITC	205.00	288.00	192.00	42.0	Target Achieved
13-Dec-16	Idea Cellular	73.00	96.00	61.00	37.0	Target Achieved
23-Dec-16	ABB	1018.00	1295.00	118.00	30.0	Target achieved
15-Dec-16	Aditya Birla Fashion	136.00	170.00	858.00	28.0	Target achieved
13-Dec-16	Bharat Forge	962.00	1195.00	818.00	25.0	Target Achieved
13-Dec-16	ZEE Media	37.00	54.00	31.00	21.0	Booked 50% profit at 44.80
13-Dec-16	NCC	83.00	112.00	67.00	20.0	Booked profit at 99.50
13-Dec-16	Tata Motors	460.00	565.00	403.00	16.0	Booked profit at 533

Yearly Technical strategy performance of past five years:



Source: Bloomberg, ICICI Direct.com Research

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