

Editorial
Vol -1, No-I, 03 Nov, 2018, 08 pages

Our SATURDAY note is really exhaustive to conclude that market has hit the bottom though volatility will not end easily. It is process where short sellers will try and distort the integrity of market with heavy sells and they have to get trapped again.

PE as per NSE at 24, as per bloomberg 1t 20.3 and as per us consolidated pe of Nifty is 16.25. You decide where you want to take the market..?

HNI's were stuck and they were not getting exit. Now in almost every stock they have got exit hence they are not really comfortable.

We carried a review of few B town to find out impact of current fall. First of all most of the retail is through MF route hence they are least affected. Mid range F and O players are no more getting debit as mid caps have stopped following hence even they are safe. Only some stocks where big HNI's were trapped they too have seem sorted the issue.

Now who and why could get trapped....?

The thumb rule is that market drivers who distort the markets only has to take it up. They can distort only till the time no one come for buying. Once aggressive buying starts they stop distorting as they will be the losers in the stocks which they sell just for the sake distorting markets.

Again we spoke to few MF and FII and they have confirmed that these are good levels to enter and markets has much higher upside in 2019.

I believe 12750 in 2019. I am repeating again and again.

TCS INFY RIL Tisco will lead the rally now. Dr Reddy Biocon has proved that pharma could see some buying now finally. JAIN as told to us will be good stead now as results overall are expected good.

Change of the week

	03-Nov-18	Rise /Gain
Sensex	35011	1750 
Nifty	10553	548 

Net Investments (Cr)

	FII	DII
29-Oct-18	(1805)	2526.9
30-Oct-18	(1535)	1363.4
31-Oct-18	(400.5)	1124.9
01-Nov-18	940.5	(509.17)
02-Nov-18	(196)	852.5
Total	(2996)	5356

Turnover (Cr)

	FII	DII	
02-Nov-18	69000	40,153	1,09,153

02-Nov-18	Advances	Declines	Ratio
BSE	1612	1061	1.51

Market has bottomed out and 10000 will not breach for sure.

When we generated buy in BOB at 92 PNB at 65 street was confused. We gave the NPA recovery as the greatest conviction story and today SBI is at 278 PNB at 75 and BOB at 113 and gambit is changing. ICICI was the triggered stock thanks to Essar Steel. Only conviction gave us 20% returns which is generally considered as yearly returns.

Why can't investors understand that if essar is worth, if bhushan is worth, if usha is worth acquiring by some promoters with lowest possible discount or no discount why can't SAIL is better bet. I am convinced that SAIL is safe bet at Rs 65. This price we had seen even in 2010 and now in 2018 we are getting same value one should buy SAIL as safe bet.

These stocks are kept at low prices intentionally by market players as they feel that sooner than later Govt may wash hands from SAIL like other PSU stocks. But to my mind it seems difficult as it has huge land value attached. Even if Govt sell SAIL they will remove land in the separate SPV and then sell SAIL.

Next few years extremely robust for METALS where I see Tisco going to rs 1500 then why not SAIL Rs 130 which is 100 pc upside from the current price. You have to go against market logic to earn the money.

Every one said 9000 we said 10000 is bottom. We generated at least 5 calls yesterday and all yielded trading profits intraday.

Now we feel that DIWLAI will fine and 10500 will be crossed. The v shape recovery will be there though high volatility will be maintained to create more short as street is convinced that this is SELL on rally market.

We have lot of stocks which will become multi baggers. We will share only in person.

I had told that volatility will remain as without creating shorts and fear the drivers will not get desired quantity in any stocks. Without weakness selling will not come

Today's correction was after smart rally in DOW which made traders to go long at the open hence market will recover after they trigger of stop losses.

5 Top Gainers			
Stock	02-Nov-18	29-Nov-18	% Gain
PC JEWELLARS	88.4	49.5	78.4
RCOM	14.1	10.0	40.8
ADANI POWER	49.9	35.5	40.5
KALPATARU PO	365.3	275.2	32.52
KEI IND	362.2	276.5	30.9

5 Top Losers			
Stock	02-Nov-18	29-Nov-18	% Loss
MOTHERSON SUMI	172.8	226.2	23.62
VAKRANGEE	23.5	30	21.67
CESC	689.2	849.2	18.85
MEGHMANI ORGA	63.45	74.9	15.2
KWALITY	6.38	7.22	11.63

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

Top 5 Picks By CNI 'B' Group
Company
RDB RL
CMI CABLES
PODAR PIGMENT
GALAXY SURFACTANT
DFM FOODS

New ghost of RBI Govt tussle has been now floated. These are not any issue which should affect markets. But market is market.

PNB and BOB are set stocks. BOB posted superb nos, 50 pc lower NPA and 50 pc lower slippages hence stock is considered as bottomed out except routine volatility.

I focus on SAIL now. Similar move will come SAIL though I do not know timing. Govt also already decided to sell 3 units of SAIL SALEM DURGAPUR and BHADRAWATI. Now if ESSAR is valued at rs 55000 why would SAIL trade at Rs 26000 crs market cap..? This is because those who want to bid the assets would want to buy cheap from GOVT.

But Govt has different idea. Market cap is Rs 26000 crs whereas free float is just Rs 6600 crs. There will be sudden spurt in the stock price once the price is disclosed to merchant bankers by Govt for desired price. In my opinion the value cannot be less than Rs 60000 crs.. Sales is Rs 60000 crs so even applying 1:1 ratio the price has to be Rs 60000 crs.

Look at AXIS bank. It rose against the fundamentals only because the SUTI deal has to happen at higher price. Otherwise stock should have traded at less than Rs 300. Similarly SAIL will rise for sure.

Therefore smart investors will do well by buying and HOLDING SAIL for some time. CMP Rs 63 BOOK Value Rs 88 PE 24. Even if Govt decide the valuations it cannot do below B V. Hence it is compelling buy. Strong investors had accumulated SAIL till Rs 100 recently as they were aware of this development.

As far as Nifty is concerned it will not break 10000 for sure.

On the first day of the settlement nifty closed at 10031 inches above the historic mark of 10000. I had on the basis of f and o data clearly told that 10000 in all practical sense will hold. The first day fall was clearly an attempt to create false alarm as the trend for the earlier settlement was down and down. This continued to cement the belief of bears that nifty is in fact heading for 9000.

Shorts were built. Then came the 718 points rally on Monday followed by 170 points fall. On Tuesday Dow closed 430 plus and rightly nifty opened gap up but then collapsed. Well media played a bigger role here with headlines of Govt and RBI tussle.

I knew that this cannot be the reason of fall. Cni team too gave a mischievous of Sensex 500 plus and it did happen. But from the low it was 850 points rally. This was really broad based and with robust volumes. This clearly endorse the view expresses by cni team in Saturdays note that whenever buying starts it will all at once (the decision taken in a 5 star room) hence the impact was net 1000 points rally in just 3 sessions.

Now with every rally there will be more short selling as THIS IS A DEAD CAT BOUNCE. A powerful bear rally. So first target is 10700 from where market will tank again. Earlier 10200 was the bottom, this time it was 10031 and next time anywhere between 9000 9200 9600 or 9800 as the case may be.

Unless this happens 12750 is just not possible. There has to be enough shorts which will be base of next rally.

Nifty pe we had discussed everywhere in our notes comments etc. Just imagine if NSE announces tomorrow that the p e of nifty is now based on trailing nos and consolidated earnings that is 16.5

Mid caps have started rising whereas large caps are still struggling. I had mentioned that the focus should be on quality mid caps. E g when Vakrangee was at its best i had mentioned that there were cracks in their business model. Where are the 15000 vakrangee centers ? How that a co making 100 200 crs a profit has suddenly dragged to less than 2 crs profit...? These are the questions raised in hindu business line recently.

This is case study for investors that should not go after big names bog volumes and big market caps. What they should see is good business model, positive cash flow , sector positive, consistent growth, less volatile and good promoters. Price will follow you instead you follow price. I had entered rs 10 paid up vip at 34, cera at 90 and wimplast at 120 and camphor at 96. All have become multi baggers and funds operators all enters after my selection.

This is the best time to convert all FRAUD co's stocks to best promoters stocks where stock price has 300 to 400 pc upside. This will not only wipe off your losses but also gives good stocks in the portfolio. REST is YOUR CALL.... If continue to like dirty stocks it is your choice. Then if you blame for the market crisis then you are at fault..?

Best criteria of stock selection is sales. Everything can be manipulated but sales particularly where Govt controls are applicable such as FDA cannot be manipulated. If any shares is available at market cap of 50 pc of sales it is good bet. Because businesses are valued at either EV/EBITA or on sales basis. Minimum biz value is 1 times of sales. While buying shares also apply biz valuations to avoid going wrong. e g 8 K miles seen market cap of Rs 2500 crs on sales of Rs 35 crs..? How can even in a dream you can think to buy this share...? It could be a great buy if market cap is below Rs 20 crs..?

CNI remained absent for almost 35 days when the carnage was happening. But bounced with as many as 10 calls which gave 5 to 10 pc profits. This is what we have learnt from the Bull market. Buy dips to make profits instead of selling short. Even if you feel left out does not matter. We have booked profits and ready for new stocks. We have factory of stocks and will generate at right time. Be ready. Whenever you buy just to buy you get into wrong stock at wrong price and pay the price. But if you wait for opportunity you will be in the right stock at right time and right price.

Fall of crude is huge plus for many stocks including RDB rasayan as it uses P P as raw material. Clear case of margin expansion.

At 10000 street was not convinced about rally but I was. Now at 10550 I feel wait for some correction. I will buy again at 10400 or around or buy above 10700. for the day we should take off and focus on DIWALI. We have given DIWALI profits.

We are also releasing DIWALI report with 10 stocks and VIPUL ORGANICS ranked among them as co is expanding capacities from 20 tons a month to 1000 tons a month. 50 times is really huge and warrant special attention. It is better than CAMPHOR on a given day hence ranked in the top 10 buys.

Global Story

In our previous note we had tried to establish that there is no room for market to fall. This was simply because if someone want to go short at 16.25 PE it could have been suicide. Many FII have agreed with our view and resumed buying and market has bottomed out at 10000. Nifty after crossing 10600 closed at 10553 and Sensex above 35000. That is huge rally of over 600 points thanks to the sagging low PE ratio.

We had also mentioned that Re was topped out at 74 and OIL at 86. Though in our view there were not reasons for short selling or now buying there are tipping points for MEDIA to highlight why market rallied.

So far so good. What next..?

With 10000; 51.4 Lac PUT writing and 10200 38.78 Lacs it seems breaking 10200 is now very difficult for the current series. On the other hand there were no major call writings hence 11000 also could be crossed. 10700 should be the only resistance technically. All bad news are getting factored in whereas one by one good news have started coming. Yet we should be prepared for more bad news which will create knee jerks before smart bounce backs. The best part is leveraging of stocks has been reduced by 80 to 90% which clearly suggest the big sell offs in stocks will not happen unless some real bad news is tossed up. Bears need bad news to create mayhem at particular stock. Yesterday PNB after rising to Rs 79 was sold off to Rs 68 in no time after co announced bad results. But mind well the price t Rs 65 this month and price sustained at Rs 68 after disastrous results suggest stock will bounce back again.

Once again the bottoms were decided in the close room of 5 star and market moved up from Monday. This is how all of sudden we have seen heavy to heavy buying though NIFTY PE was also one of the reason. Only long only FII agreed with our view as it matters for them. Hedge Funds, traders and speculators have no PE business as they are sentimental players. Now no one is talking about 9000 target..? Once again same old trick of spreading rumour ahead of expiry and traders and retail falling fray.

In India people believe in their brokers and brokers have no code of conduct. They always tell clients sell now and buy later. Because they are concerned with their safety first and also brokerages. It is the people though are educated do not apply themselves and fall pray to the rumours. All rumours evaporate after the expiry.

US giving exemption from IRAN OIL is huge plus for INDIA. So question of sanctions does not arise. OIL is falling. Re is appreciating. Earnings are good. Stocks have stopped re acting to bad news e.g TATA MOTORS, TATA STEEL etc.

We had also mentioned that TRUMP will try to resolve the TRADE war ahead midterm elections in US and yesterday he has given hint of the same. Hence the global negativity is coming to an end as expected.

However the ILFS fisco will continue to drag the NBFC segment. RBI finally directed banks to buy bonds of NBFC to create liquidity. In the last RBI meeting there was rate hike expectations. That did not happen. Market fell sharply after no rate hike. After interaction with some high profile people we have learnt that market was expecting 1 pc CRR cut to infuse liquidity which did not happen hence market fell.

As of now lot of street players expect worst has to come out of NBFC due to liquidity crisis and they will default on CP maturity. But we believe that since most of the NBFC are owned by strong houses, even if there is crisis, they will be able to manage and nothing bad will come in public domain. Well, market will tell us what is right and what is wrong. If more bad news surface market will tank towards 10200 again where we should be ready to buy. If nothing bad surface and Nifty sweetly cross and hold 10800 then expect new high in 2019.

These bad news which have now been fully factored in and market is become resilient has given birth to the next Bull Run.

CNI therefore will always recommend that investors should not panic unless he is F and O trader. If you are buying shares below 10 PE nothing is going to go wrong. Every smart HNI has accumulated shares only below 10 PE and starts marketing above 30 PE the difference is carry home package.

Invest in tomorrow fearlessly and see the bright future. Refer our DIWALI Report for 10 best DIWALI recommendations.

Global Indices

Country	Indices	Date	Index	Net Change	Change %
Hong Kong	Hang Seng	02/11	26,486.35	+1,070.35	+4.21
Singapore	Straits Times	02/11	3,116.39	+55.54	+1.81
United States	NASDAQ	02/11	7,356.99	-77.07	-1.04
United States	DJIA	02/11	25,270.83	-109.91	-0.43
United States	S&P 500	02/11	2,723.06	-17.31	-0.63
Japan	Nikkei 225	02/11	22,243.66	+556.01	+2.56
United Kingdom	FTSE 100	02/11	7,094.12	-20.54	-0.29
Malaysia	KLSE Composite	02/11	1,713.87	+6.95	+0.41
Indonesia	Jakarta Composite	02/11	5,906.29	+70.37	+1.21
Thailand	SET	02/11	1,681.84	+14.29	+0.86
France	CAC 40	02/11	5,102.13	+16.35	+0.32
Germany	DAX	02/11	11,518.99	+50.45	+0.44
Argentina	MerVal	02/11	31,419.26	+110.63	+0.35
Brazil	Bovespa	02/11	88,419.06	+995.51	+1.14
Mexico	IPC	02/11	45,446.83	+1,504.28	+3.42
Austria	ATX	02/11	3,190.80	+29.71	+0.94
Belgium	BEL-20	02/11	3,521.93	+18.67	+0.53
Netherlands	AEX General	02/11	521.80	+1.00	+0.19
Spain	Madrid General	02/11	909.77	+4.41	+0.49
Switzerland	Swiss Market	02/11	8,992.30	-24.95	-0.28
Australia	All Ordinaries	02/11	5,935.82	+9.90	+0.17
China	Shanghai Composite	02/11	2,676.48	+70.24	+2.70
Philippines	PSE Composite	02/11	7,140.29	+124.23	+1.77
Sri Lanka	All Share	02/11	6,092.21	-21.92	-0.36
Taiwan	Taiwan Weighted	02/11	9,906.59	+61.85	+0.63
East Israel	TA-100	02/11	1,458.22	+21.25	+1.48

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