Farsight

# CRYSTAL BALL

MONTHLY INVESTMENT RESEARCH

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# Price Forecast

| INSTRUMENT | 31st Jan. 2018 | 1 Month | 2 Month | 3 Month | 1 year |
|---|---|---|---|---|---|
| SENSEX | 35965 | 35001 | 34451 | 36845 | 37150 |
| NIFTY | 11028 | 10901 | 10750 | 11501 | 11751 |
| USD $ / INR | 63.6 | 62.5 | 63 | 59.05 | 57.5 |
| GOLD | 1342 | 1375 | 1390 | 1425 | 1701 |
| SILVER | 17.22 | 18.05 | 18.65 | 19.45 | 22.05 |
| CRUDE OIL | 64.19 | 70 | 65 | 81 | 75 |

Dear Valued Reader,

We are ready with our Feb-Mar-Apr 2018 forecast.

After a spectacular 2017, perma-bulls find themselves back in a similar position – fresh records highs.

Well, on backdrop of a stellar 2017 at Dalal Street, the benchmarks, Sensex and Nifty have posted record gains to end the first month of 2018 on a stellar footing, marked by second straight positive month, following extremely positive global cues, FIIs camp returning on buy side, and global economic growth appearing strongest since 2011.

Despite overbought technical conditions, the near term outlook for Dalal Street looks bullish indeed. That's primarily on backdrop of extremely favorable liquidity conditions. The idea that future returns at our stock markets should continue to look exciting. We firmly believe; the markets dream run to continue in 2018, but having said that, there will be definitely frequent shocks and volatility.

Honestly speaking; the battle will be between overbought technical conditions, fundamentals and sentiments.

Meanwhile, the Indian Rupee gained around 0.41% in January 2018, while foreign investors have bought $2.08 billion and $1.19 billion in equity and debt market. We expect, USD.INR to trade with negative bias, with downside risk at 62.50.

The big story on the buy side in 2018 could be precious metal. If January's price pattern is any indication then 2018 is increasingly shaping up to look like a breakout year for the yellow metal. Our aggressive 1-year price targets on gold are at $1701.

Silver- the poor man's gold is also likely to remain underperformer in the initial rebound in precious metal prices.
Crude-oil prices are expected to trade range-bound with positive bias in 2018. The ongoing rally in the crude oil price may not be over yet. We suspect, oil prices are heading towards the $81-85/bbl in the next 12-months.

Now, before we get into details, we would humbly thank everybody who reads and visits our write-ups and to all of you who said nice words, made us smile, and made writing our research notes a fun. We hope to make it better and bigger and expect 2018 to be a life changing year, and as always much will depend on your suggestions and valuable inputs.

**January 2018 market recap:**

Before we start a brand new-innings of trading this February 2018, let's review how the major indices listed at Dalal Street fared in January 2018:

| Instruments | LTP | YTD % Change |
|---|---|---|
| Sensex | 35965 | +5.60% |
| Nifty | 11028 | +4.72% |
| Gold $ | 1342 | +3.23% |
| Silver $ | 17.22 | +2.01% |
| Crude-oil $ | 64.19 | +6.57% |
| USD/INR | 63.60 | -0.42% |
| BSE Auto Index | 25945 | -3.01% |
| BSE Bank Index | 30986 | +7.38% |
| BSE Capital Goods Index | 20363 | +6.43% |
| BSE Consumer Durables | 22477 | -0.94% |
| BSE FMCG | 10711 | +0.15% |
| BSE Healthcare | 14559 | -1.62% |
| BSE Metal | 15427 | +3.27% |

| Instruments | LTP | YTD % Change |
|---|---|---|
| BSE Midcap | 17364 | -2.57% |
| BSE Power | 2319 | -2.61% |
| BSE Reality | 2609 | +0.03% |
| BSE Oil/gas | 16368 | +0.52% |
| BSE IT | 12557 | +11.34% |

**Sensex: 35,965**

**Nifty: 11,028** **Overbought technical conditions prevail.**

Honestly speaking, there are still no signs to temper bulls' enthusiasm on the benchmarks Nifty & Sensex.

The start for January 2018 was spectacular for the bulls' camp and most importantly, the bulls did manage to close above the psychological 11,000 mark on Nifty.

Now, despite overbought technical conditions, we would still prefer to be in the bulls' camp, unless there is an unanticipated "black swan" event. Expect markets to take a dip only on any conflict between the US and North Korea.

The bias remains firmly positive, or at the most, we suspect, Sensex and Nifty likely consolidate in near term as Dalal Street finds few fresh catalysts to lift indices further in to record territory.

The technical landscape is positive at the moment despite overbought conditions. **The biggest support level to watch on Nifty is the psychological 10,500 mark.** If this much watched support-level is violated on the downside then expect major downside risk in the system which can take Nifty initially to 10,000 and then aggressive targets located at 9750 mark. Alternatively, if 10,500 mark holds then Dalal Street would be the much preferred investment destination.

Bottom-line: Positive bias in near term amid improving fundamental/sentimental factors. We believe, Nifty is likely to aim 11,750 mark in near term.

Among sectors, we prefer Consumer Durable sector. Among stocks, our preferred bets are: DCM Shriram, Exide Industries, DHFL, Cyient, Hexaware, GSPL and SBI.

Now, here are the things you need to know that would act as key catalysts for our stock markets in near term:

1) All eyes will be on the Union budget to be presented on 1 February. Market participants will be keen to know the fiscal deficit and borrowing targets for the next fiscal year. The street is expecting that the deficit targets for FY18 and FY19 to be raised to 3.5% and 3.2%, respectively, while borrowing target will be Rs6.5 trillion next fiscal compared to Rs6.05 trillion in the current fiscal year.

2) At the time of writing, anxious investors were seen awaiting the Fed meeting outcome. This will be Federal Reserve's first meeting of 2018. This will be Janet Yellen's final meeting as head of the Federal Reserve before Jerome Powell takes the charge. The Fed, in a widely expected move, had raised interest rates by 25 basis points (bps) to a range of 1.25-1.5 per cent in its December monetary policy meeting.

   Agreed, rising interest rates scenario could dent sentiments, but we believe this is still NOT the big move that will kill the rally — yet

   Wall Street should continue to be buoyed by extremely positive global cues on backdrop of the recently passed U.S corporate tax-cut package, rising commodity prices, and robust corporate earnings. Also, citing contributing factors helping optimism are solid worldwide economic data and low bond yields in the U.S. The recent jobs report was also a market-friendly number, indicating that economy is not overheated. Amid this backdrop, the Fed will remain interested in the economy but not get overly aggressive in raising rates in 2018.

3) The biggest macro risk for Dalal Street is the rising crude oil prices, as they are likely to cast a shadow on retail inflation, leaving no room for RBI to go for interest rate cuts.

4) Downside at our stock markets are likely to be limited as optimism will be driven by excess liquidity, with the supply of good scrip being outpaced the availability of funds chasing them. We continue to believe that domestic institutional investors will put up a remarkable performance in the foreseeable future.

   Lack of alternative investment options with real estate prices remaining soft and poor returns in other asset classes will drive more investors towards Dalal Street.

5) Hopes of a rate cut from RBI.

6) A government committed to reforms.

7) Introduction of GST and DTC will have a huge positive impact and help generate better revenues going forward.

Crystal Ball is a monthly investment research newsletter that forecasts Sensex, Nifty, Gold, Silver, Crude Oil and USD/INR. We apply Macro and Trend analysis that lets us vividly present and communicate the results and give you a credible picture of the future.

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