

MEHTA'S MORNING BELL



Here is what You may
be interested this morning!

Good Morning & Welcome to Monday's trading action at Dalal Street dated 3rd February 2020.

It was a bumper day for Indian investors as the 2020-2021 Union budget fell short of market expectations.

Budget day re-cap: After a panic start, the benchmarks recovered and the morning session was seen favoring bulls — Absolutely bright and sunny as the markets recovered despite weak global cues where Dow Jones had tumbled 600 points after Trump declared public health emergency for coronavirus epidemic.

But as the day went on — as the budget speech went on, it began to become dark and gloomy, and so did the moods of investors, and probably so did the mood of perma-bulls.

At the end of trading day, the street had a deserted look, full of silence — blame it to 3.5 lakh crore wealth wiped out on budget day as Sensex nosedived nearly 1000 points.

It's still quiet, almost too quiet, making all investors nervous — and actually resembling a horror movie. Most importantly, investors fear that this is a sure sign that something nastier is just around the corner.

In any case, the worry is rightly so as the Union budget 2020/2021 lacked any big bang announcements, especially to revive growth and bring back the Indian investor to the capital markets. If you recollect, the government's reform momentum was quite strong since September and we guess, expectations were built up from the Finance Minister on this front. The budget clearly falls short of reviving the investment cycle and boosting consumption.

Also, there was disappointment on backdrop of:

- LTCG was not abolished.
- The new personal tax rules bit "complicated". Income-tax slab confusion
- Dividend distribution tax (DDT) abolished but will now be taxed in the hands of the recipients.
- Divestment target of Rs. 2.10 lakh crore on the higher side despite the LIC stake sale.
- No tax exemption for insurance policies. In fact, the new tax regime takes away exemptions for insurance policies for taxpayers.
- No sops or incentives for real estate sector.
- No sectoral sops.

Despite the above headwinds, it should be noted that under tough circumstances and the given constraints, it is still a very good budget and can probably open the doors for RBI to reduce the interest rates further helping to revive the growth. The budget also meets the basic criteria of adhering to realistic revenue budgeting which was a pleasant surprise, the thrust on capital expenditure seems unabated, which is welcome. The Finance Minister pegged the fiscal deficit to GDP ratio at 3.5% for FY2021, exactly as per street's expectations, while the same for FY2020 was expected to be 3.8%, in line with the 50 bps slippage — growth slowdown definitely deserves fiscal support.

Now to the million dollar question... What's next for our markets??

Honestly speaking, as in horror movies, danger lurks all around...

Well, Saturday's bloodbath seems like the plot of a bad horror movie. And as in any scary movie, the obvious suspect is not always to be blamed. We expect that the outbreak of corona virus getting worse or Mideast tensions are the probable forerunner of something unpleasant and probably the real villain!!

Digging deeper, as per Saturday's data, FII's sold shares worth Rs.1199.53 crores in the Indian Equity Market. DIIs on the other hand, bought shares worth only Rs. 36.64 crores in the Indian Equity market.

Now, if you are not on the buy side then there are three things to watch out for in our stock market in the near term....Entertainment, Entertainment and Entertainment...Oops

Well, to put it straight, at the moment investors' psyche at the retail level is very fragile. We are at an important juncture at our stock market. We suspect, the next 2-3 trading sessions could tell the story for the coming months.

Technically, Nifty's biggest intraday support seen at 11501 mark. Confirmation of strength now only above 11849 mark.

Long story short: Volatility will continue to be the hallmark.

Outlook for Monday: The first stock market correction seems to have begun.

Keep close eyes on the headlines coming out from China as that could shake the markets confidence a bit more.

SGX Nifty:(-43, 11944)

All about Nifty & Bank Nifty:

Indices	CMP	Support	Resistance	21 DMA	200 DMA	Range	Preferred Trade
Nifty	11662	11501	11901	12151	11655	11501-11711	Buy only on sharp declines between 11500-11525 zone. Targets at 11751/11849. Stop 11421.
Bank Nifty	29821	29501	30711	31368	30090	29201-30375	Sell between 30101-30251 zone. Targets at 29501/28823. Stop 30711.

All about stocks (F&O Trades):

Instruments	CMP	Support	Resistance	21 DMA	200 DMA	Bias	Preferred Trade
ESCORTS	774	741	793	699	601	Negative	Sell at CMP. Targets 741/711. Stop 797.
VEDL	135	127.50	145	153	155	Negative	Sell between 139-141 zone. Targets 127.50/121. Stop 147.75.
ZEEL	253	235	267.50	273	322	Negative	Sell between 257-261 zone. Targets 235/199. Stop 291.

All About Option Trades:

Option Trade: BUY NIFTY 06th FEBRUARY PE Strike Price 11400 at CMP 21.55. Profit: Unlimited. Maximum Loss: Rs. 1,616.25/-. Stop: Exit Put Option if Nifty moves above 11775 (Nifty February Futures CMP 11654.90)

All about stocks (Medium Term Trades):

Stocks	CMP	Support	Resistance	21 DMA	200 DMA	Bias	Preferred Trade
PNB	59	50	69.45	62	70	Negative	Sell at CMP. Targets 50/41. Stop 69.45.
EICHER MOTORS	20859	18501	22101	20713	19680	Negative	Sell at CMP. Targets 18501/15001. Stop 22101.
-	-	-	-	-	-	-	-

Mehta Group

903 Lodha Supremus, Dr. E Moses Road, Worli Naka, Mumbai - 400 018 Board: +91-22-61507100/101 Fax: +91-22-61507102