



MSE Financial Services Ltd



SECTORAL OUTLOOK

28 October, 2018

TECHNICAL OUTLOOK: NIFTY FMCG AND NIFTY MNC PACK MAY SEE FURTHER DOWNSIDE, CHART STRUCTURE LOOKS WEAK

TREND INDICATORS INDICATE WEAKNESS ON BOTH THE INDICES, LOWER RETRACEMENTS EXTREMELY PROBABLE; BOTH THE INDICES CONTINUE TO REMAIN TO BE SELL ON RALLIES

Inferences from Nifty MNC Chart: -

- The Nifty MNC index took a long-term support at levels close to 8100 in February 2016 and had rallied to levels of 15,300 until August 2018. The trend had then reversed and the Nifty MNC fell to the current levels of 12,479.
- The current reversal indicates a 38.2% retracement from the highs made in August 2018 which happens to be an important point on the Fibonacci Retracement Line.
- The RSI (14 period) has dipped to levels of 31.84 on the daily candlestick chart which indicates weakness in the index.
- The ADX (14 period) is at 49.38 with the -ve Directional Line above the +ve Directional Line which indicates a strongly trending chart on the downside.
- No bullish divergences have been noticed when comparing and contrasting the Price Action chart with both, the ADX line and the RSI indicator. Thus, the downtrend seems intact.
- Expect the RSI to soon slip into extremely oversold levels of below 20 and expect the ADX line to strengthen further in the coming week.
- Even the recent short covering rally that happened between 09th October-17th October had been vigorously sold into and the index is now testing the recent lows 12,420 that was made on 08th October 2018.
- We expect the index to further drop towards levels of 11,660 which happens to be a 50% retracement on the Fibonacci Retracement Line.

- Thus, short positions can be established on the index constituents (as the Nifty MNC isn't tradeable) with targets on the Nifty MNC close to 11,660 and a stop loss of 12,950. Current levels on the Nifty MNC stand at 12,479.



Source: - Trading View

Inferences from Nifty FMCG Chart: -

- The Nifty FMCG chart took a long-term support at levels close to 18,000 on February 2016 and had started rallying towards levels of 33,200 until August 2018. The trend had then reversed and the Nifty FMCG fell to the current levels of 28,013.
- The current downtrend on the index after 1st September 2018 looks intact and the index remains to be a strong sell on rallies.
- The index took a recent support of 27,060 at the 38.2% retracement level on the Fibonacci Retracement Line on 09th October 2018. It has since then seen a short covering rally until levels of 29,130 and then again saw selling which has brought the index to the current levels of 28,013.

- A fairly sized bearish candle made during Friday's trading session indicates proper resumption of the downward rally.
- The RSI (14 period) is at 37.91 on the daily candlestick chart and the indicator looks extremely likely to slip to levels below 20.
- The ADX line (14 period) made a recent high of 62 on the daily candlestick chart and has since then taken a breather with the current levels at 34.04. This is a perfect 'sell on rallies' trade setup and the ADX line can once again strengthen which would make the downtrend stronger.
- Traders can expect the index to drop to zones of 26,000 which happens to be the next major support/consolidation level.
- MSEFSL expects up to a 50% retracement to be seen on the index which is at levels of 25,340 on the index.
- Thus, short positions can be established on the index constituents (as the index isn't tradeable) with targets close to levels 26,000 and a stop loss of 28,800.



Source: - Trading View

Nifty MNC Top Constituents by Weightage: -

Company's Name	Weightage (%)
Vedanta Ltd.	10.34%
Hindustan Unilever Ltd.	10.17%
Britannia Industries Ltd.	9.59%
Maruti Suzuki India Ltd.	9.37%
Bosch Ltd.	5.11%
Ashok Leyland Ltd.	4.79%
Ambuja Cements Ltd.	4.59%
United Spirits Ltd.	4.29%
Colgate Palmolive (India) Ltd.	4.03%
Mphasis Ltd.	3.05%

Nifty FMCG Top Constituents by Weightage: -

Company's Name	Weightage (%)
ITC Ltd.	45.03%
Hindustan Unilever Ltd.	20.30%
Britannia Industries Ltd.	6.06%
Godrej Consumer Products Ltd.	5.14%
Dabur India Ltd.	4.26%
Marico Ltd.	3.04%
United Spirits Ltd.	2.71%
United Breweries Ltd.	2.66%
Colgate Palmolive (India) Ltd.	2.55%
Tata Global Beverages Ltd.	1.72%

Dated: - 28th October 2018**Underlying Index on which the Report is Based: - Nifty FMCG & Nifty MNC****References: ACE Analyser, Nifty Indices, Trading View & NSE India****Disclaimer:**

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