



THE NIFTY JUGGERNAUT SO FAR - 5933 TO 7116.

With an anti-incumbency wave sweeping the nation and the fury over many issues which saw the populace come together in unison has acted as a booster shot for an otherwise “just vocal” BJP.

This psychological battle in favor of the Saffron Party has been unwittingly sponsored by the Congress through their inept handling of sensitivities and issues which affect the common man. The men on the streets are stomping and demanding a change.

While the ground realities have not changed and still remain dismal, the FIIs’ are betting on the future going ahead. And if the FIIs are to be believed – the future lies with the BJP. This has set into motion a vibrational humming which reflects in the pipe music of the bulls. Summit 7000 has been scaled today in the futures and the spot segment.

Many front line stocks have seen a 40-50% increase from long term consolidation levels. Consider SBIN, AXIS, ICICI, BHEL, RELIANCE, ADANI ENTERPRISES, ADANI PORTS, CROMPTON GREAVES, VOLTAS, SIEMENS, MARUTI, UPL, BHARAT FORGE, GAIL, TATA STEEL, ITC, COAL INDIA, OIL INDIA, ONGC – they have just gone vertically north. An unstoppable one way rally which have scorched the markets to heights only spoken about but never seen on the tape.

The exit polls paint a saffron picture. From 249 to 305 seats being marked out to NaMo, the markets feel it's a foregone conclusion. But, the reality may eventually play its "hand" well. Now, let's go back in time to 2004 and 2009 to see what actually happened. Yes, we had upper freezes on the markets on both occasions but there was no significant run up to the results. 2014 is different. The benchmark indices have seen a hoist of more than 25% over the past six months. The reality and the state of the economy have been discounted and ignored. The bets are placed on the expected reforms going forward. Simple. The refrain seems to be – "bring NaMo into power, let him wave his "hand" magically and the economy will lift off". While one wishes that such unadulterated optimism comes true, Mr. Modi will have to wait until the final figures point towards him. However, be warned that the CAD is a monster lurking in the dark. Yes, agreed that the CAD came down to only 0.3 per cent of GDP at the end of 2013, however the fine print is that some of that narrowing is unlikely to be sustained once restrictions on gold imports are lifted.

Even if the New Government adopts an aggressive agenda based on reforms, the growth rates remain unlikely to inch back toward the 7-8% ball mark in a hurry. Like in Brazil, we in India have very limited opportunities to conjure any fiscal stimulus which will be high on deliverance not just adjectives. The stimulus will at best act as a bait to offset sluggishness in capital flows.

Well, what until then? We have been witnessing a one way rally from the just recent low of 6661.65 on the Nifty Futures just 3 trading sessions back. The vertical wave is almost loutish and unabashed.

If NaMo comes into power, the stocks that are expected to do very well are SIEMENS, RELIANCE, CROMPTON, VOLTAS, SYNDICATE BANK, CANARA BANK, BHEL, ONGC, COAL INDIA, ADANI GROUP, BHARAT FORGE, GAIL, LnT, NCC, SBI, YESBANK, HDFC LTD, MARUTI, IRB, IOC, TATA MOTORS, TATA STEEL, TATA SPONGE amongst others.

Put aside the question whether Mr. Modi becomes Prime Minister or not. A sound reason which compels one to buy into Banking and infra stocks, particularly PSU banks is that they are very cheap. If you look at the Balance Sheet - Most of the PSU banks across the board are trading at a mere 0.8-1 time the book value and some are at less than 8 times price to earnings multiples. This is a flea market bargain by any standards. These stocks had been languishing for months now and it's about time that they have their time under the sun.

However, in the event we see a badly hung coalition taking center stage, then investments made in fundamentally sound albeit defensive stocks is what you should be looking at. A fractured mandate can put cracks in the economic growth. A PM with a harem of coalition marriages can never ever lend stability. In such a scenario, the bets would be on scrips like HUL, ITC, HINDALCO, GLENMARK, DR. REDDYS, RANBAXY, CIPLA, SUN PHARMA, TCS, INFOSYS, HCLTECH, WIPRO, NTPC, SBI, OIL, GAIL, BHEL, JP GROUP.

Now, here's trying to frame different scenarios:

NUMBER OF SEATS TO BJP +	INITIAL REACTION	EXPECTED COOL OFF
200-220	NIFTY 6550-6350	
221-244	NIFTY 6850-6750	
245-260	NIFTY 7200	6500 IN 3 MONTHS
261-271	NIFTY 7250	
272-295	NIFTY 7331	GRADUAL SLIDE TO 6850 AND A TRIP BACK TO THE SUMMIT AGAIN
296-305+	NIFTY 7331-7516-7700	A SLIDE TO 6915 IN 5-8 WEEKS BEFORE THE MOVES BECOME MORE REFORM BASED

We are currently sitting pretty on 3 perfect hedge strategies which will be evaluated and revised by the trading session wherever required.

The 3 hedges are:

HEDGE 1

	STRIKE	AVG PRICE		
BUY	7000 CE	137.5		289.3
SELL	7400 CE	50		119.8
	OUTFLOW	87.5	PROFIT	169.5

HEDGE 2

	Elections Options Hedged Strategy:			CMP
BUY	7000 CE	130		289.3
SELL	7400 CE	45		119.8
SELL	6100PE	45		34.5
	Total Outflow	40	PROFIT	135

HEDGE 3

CROSS SEGMENT HEDGE:

					P/L AT CMP
BUY	NIFTY	6732	1 LOT		15500
BUY	USDINR	60.41	10 LOTS		-7000
				PROFIT	8500

Our Institutions are sitting on:

NAME OF SCRIP	ENTRY LEVEL	CMP
SBI	1576	2300
BHARAT FORGE	370	453
RELIANCE	825	1050
ADANI ENTERPRISES	263	445
ADANI PORTS SEZ	173	219.80
CENTURY TEXTILE	315.50	396.90
MARUTI	1635	2080
GAIL	355	401
UPL	187	274.60
ICICI BANK	1015	1428
ITC LIMITED	317	363
TATA STEEL	362.50	426
SYNDICATE BANK	99.30	106.85
NTPC	115	130.40
DHFL	229	245
EROS	164	162.45

FLAVOURS FOR THE DAY ON THE BUY SIDE:

1. BANK OF BARODA
2. BPCL
3. HEROMOTOCO
4. MARUTI
5. BHARAT FORGE
6. ASHOK LEYLAND
7. FEDERAL BANK
8. GRASIM
9. JP ASSOCIATES
10. HDIL

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