Lead ready to lead

CMP: Rs 109.10 (As on 31st July)

Buy: @ Rs 109 and add more above 113

Target: Rs 122.50/127.50

Stop Loss: > Rs 106

The certain meltdown of China's stock market last month triggered bubble burst in many segments of it's so called bustling economy. Nearly, base metals were on the receiving end of the huge financial blow as China is the largest player in this segment. If we look of technical chart we can see that, the current year has not been good for base metals right from its start. However, the timing of Chinese market meltdown should be viewed as a good opportunity by traders because whatever little stability base metal prices had achieved due to recovery in US economy, also reversed back at fresh bottoms in last few days. Copper is in long term bearish trend and the weakness is likely to last a few months more. In this condition, lead is looking to lead the base metal's pack as the metal known for being the food of the batteries is showing signs of a strong recovery from here.

On daily technical chart of lead a double bottom bullish reversal formation can be seen. Along with this, lead has also hit the oversold zone since the metal went into a falling spree this year, also loosing the spread premium over zinc after many years of dominance. But in last couple of months, spread has again begun to shrink. The upside momentum in lead is likely to bring the spread back to a normal level. Momentum indicators are favoring a possible turn of fortunes. RSI is displaying a positive divergence while it is also marching ahead into a positive crossover.

We recommend to buy lead august contract at CMP Rs 109.10 (Closing as on 31st July 2015) and also add above Rs 113 for targets in the range of Rs 122.50 and then Rs 127.20 with stop loss below Rs 106

Sugar to gain sweetness

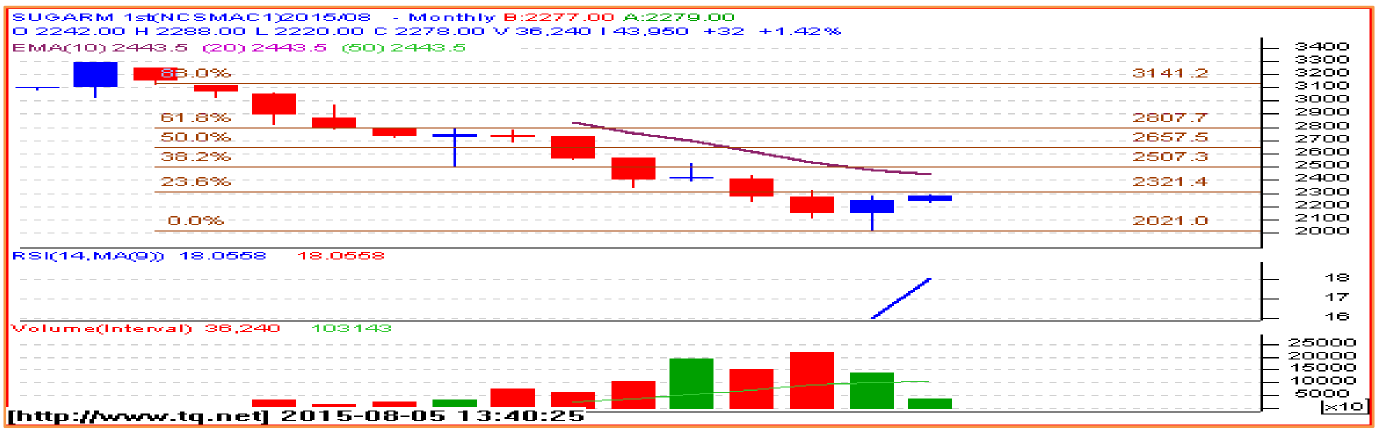
CMP: Rs 2275 (As on 31st July)

Buy: @ Rs 2275 and on the dip of Rs 2250

Target: Rs 2450/2520

Stop Loss: > Rs 2100

Sweetness of sugar prices have soured for more than a year. Prices have fallen more than 60% to 2021 (July months low). As far as fundamental reasons are concerned, they are still signaling on the negative side. However, the fact that the government will assist sugar mills in the form of interest free loans to the tune of Rs 6000 crore will provide some support in the short term in clearing the cane arrears, the debt burden on the industry is expected to increase.



But if we look at charts, we find more reason to buy Sugar for short term:

- In monthly chart, the Sugar prices movements have formed a high wave trend reversal candle stick pattern at the bottom of the trend. Volume levels rose from last 2 months is indicating some buying activity at the lower end. Other momentum indicator, like RSI is treading in an overbought zone signaling trade reversal at any point of time. Prices are expected to move up till the short term moving averages as they are far below the mean.
- In the monthly chart, the current rebound in the sugar prices is expected to continue till Rs. 2500 which is 38.6% natural Fibonacci retracement levels of the recent downtrend.

Hence we can recommend going long in sugar at Cmp Rs 2275 and on the dip of Rs 2250 with strict stop loss below 2100 for the target of Rs 2450 and then 2520.

Precarious EURO

CMP: Rs 70.20 (As on 31st July)

Sell: @ Rs 70.60 – 70.70

Target: Rs 69.20/69.00

Stop Loss: > Rs71.20

EURO price movements have lately been precarious in the past few days. Excess bouts of volatile sessions were witnessed owing to a number of factors both fundamentally and technically.

Fundamental Factors:

- Greece concerns and influence of other external headwinds weighed negatively on the sentiments.
- The Euro zone real GDP growth has maintained its momentum during the second quarter. The region's composite PMI continued to trend higher in the April-June period on the back of advances in both services and manufacturing activity.
- The region's stronger growth dynamic in recent quarters also appears to be feeding through to a modest improvement in labor market conditions. In May, the euro zone unemployment rate stood at 11.1%, its lowest level in over three years.

Euro zone real GDP is expected to advance but, the currency union's longer term outlook remains clouded by an array of ongoing challenges.

Technical Factors:

Despite these volatile movements in EUR-INR chart, the prices failed to sustain above Rs 72.40 which are 23.6% Fibonacci retracement and also short and medium term exponential moving averages. Price actions have formed a hammer candle stick pattern showing that volatility may be continued. Apart from this, the momentum indicator like Relative Strength Index and Directional Momentum index are not showing any signs of recovery from the current down trend. Support lies at Rs 69.00 level and prices are expected to remain down till those levels. However, low risk traders are suggested to stay away from the market.

We recommend high risk traders to sell EUR-INR August contract at Rs 70.60 – Rs 70.70 levels for the target of Rs 69.20/Rs 69.00 with strict stop loss above Rs 71.20

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Report Date: 06th August 2015

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