

ALL STAR
CHARTS



**QUARTERLY
PLAYBOOK**



26.04.2021

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Review of the Quarter gone by...

The quarter gone by has been a mixed bag. While it started on a positive note, several global indices moved sideways. Is the bull market behind us? Well, not really. No bull market marks consecutive highs with every move without marking intermediate corrections. Corrections are what gives the bull rally strength to march on. And these corrections can come in the form of price as well as time. What we're noticing on a majority of the charts is time correction. And that is completely normal and expected at logical overhead resistances. While going through the charts that we do on a regular basis, we use the weight of the evidence to determine the strength of an ongoing move. So far, the balance continues to tip in the direction of a long-term bull market.

As a market participant it is important to be crystal clear about your investment time frame. In such sideways moves, it is often quite easy to get whipsawed out of a trade unless the system is followed diligently. Sometimes the whipsaws get you despite that.

It is important to note that even in these sideways moves, there are certain sectors that will outperform the others that could act as a good parking lot for your money. For example FMCG and IT picked up pace as soon as the market moved sideways.

So what changed in the last three months? The US Dollar and Government Bond Yields occupied a majority of the headlines and consequently impacted the stock and commodities market. We've outlined such intermarket relationships in the past and have seen the impact of rising dollar as well as government yields on stocks and commodities.

What can we expect?

Q. Is this current market move a sign of worry?

A. Shouldn't be if risk management levels are being followed.

Q. Are we looking at a long-term correction phase ahead of us?

A. There hasn't been any confirmation of that at present.

Q. Do we have to be cautious in the next quarter?

A. Yes.

Q. What could ruin the ongoing market rally?

A. We're tracking Bond yields and US dollar. More specifically the rate of change, rather than just a change.

Seeing as we'll be hitting on various themes throughout this discussion, here's a quick summary before we begin.

- Countless offensive and risk associated assets are at key levels of resistance, acting as logical levels to potentially see sellers come in
- Meanwhile, many defensive and safe haven assets are approaching levels of support, which could act as an area to see buyers enter
- Even cross-asset ratios and relationships are key pivot levels

Long story short, there's a lot of charts at key inflection points, acting as potential levels to see a churn and digestion of the recent gains in risk assets in Q1 and before.

But to be clear, the evidence we've witnessed over the last year still points to this as a new bull market, early in its innings.

FICC

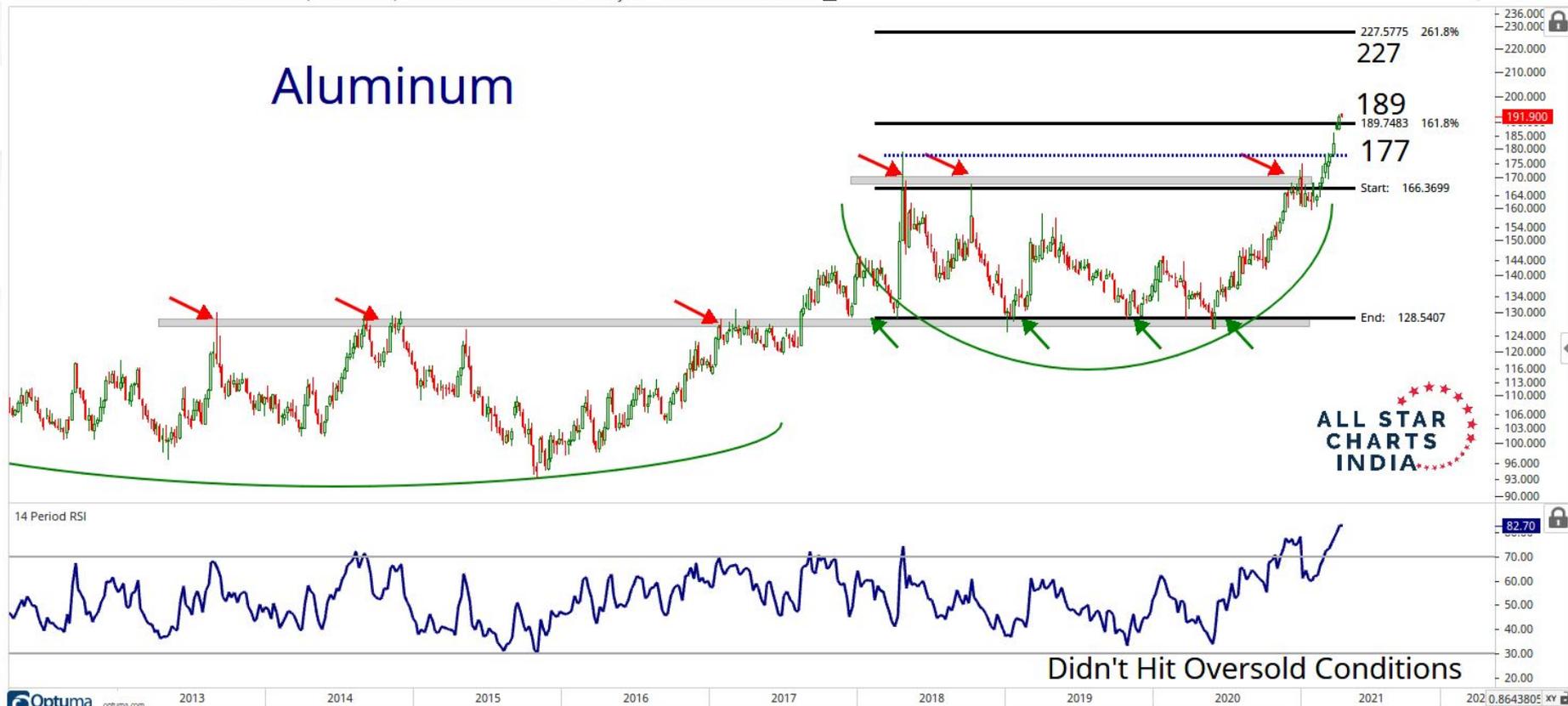
With the ending of Q1, we noticed many markets running into resistance at former highs, and this was most prevalent in the energy commodities space.

Many of the areas in the commodity space continue to be a bit messy and chopping sideways below or just above key levels.

How long will these markets consolidate?

This question colors our intermediate outlook as neutral with an underlying bullish bias. We still believe that Commodities are in the early stages of a major secular bull market, but many of these markets are still waking from a decade-long slumber.

Aluminum



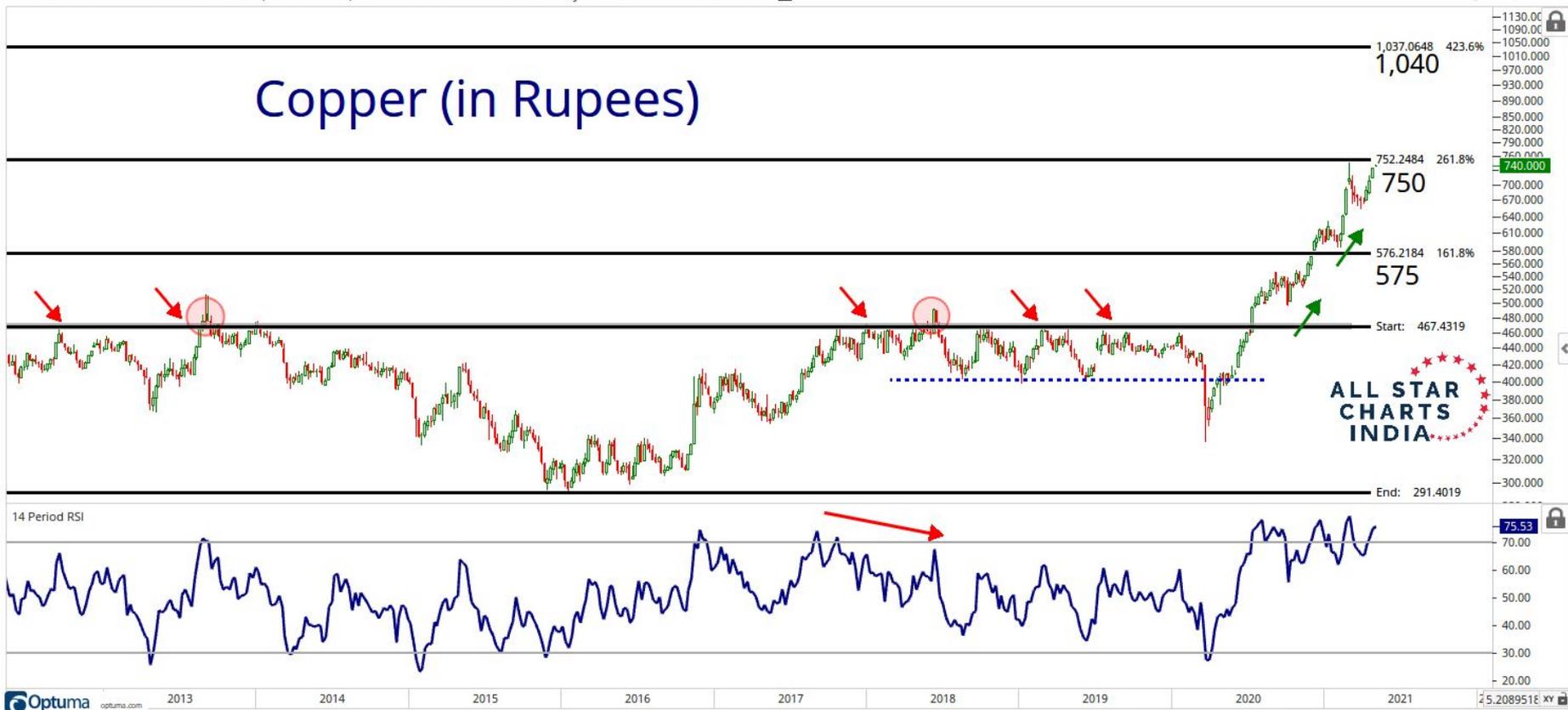
In the month gone by, Copper handed over the baton of outperformance to Aluminum. Aluminum was the lone base metal to have held on to its big-base breakout rather than move back below its resistance. This particular move made sure that the Commodities outperformance view remained buoyant. The immediate target to track is 189, with 227 acting as the second target. Now that the metal has achieved the target of 189, we're looking out for 227 next!

Zinc (In Rupees)

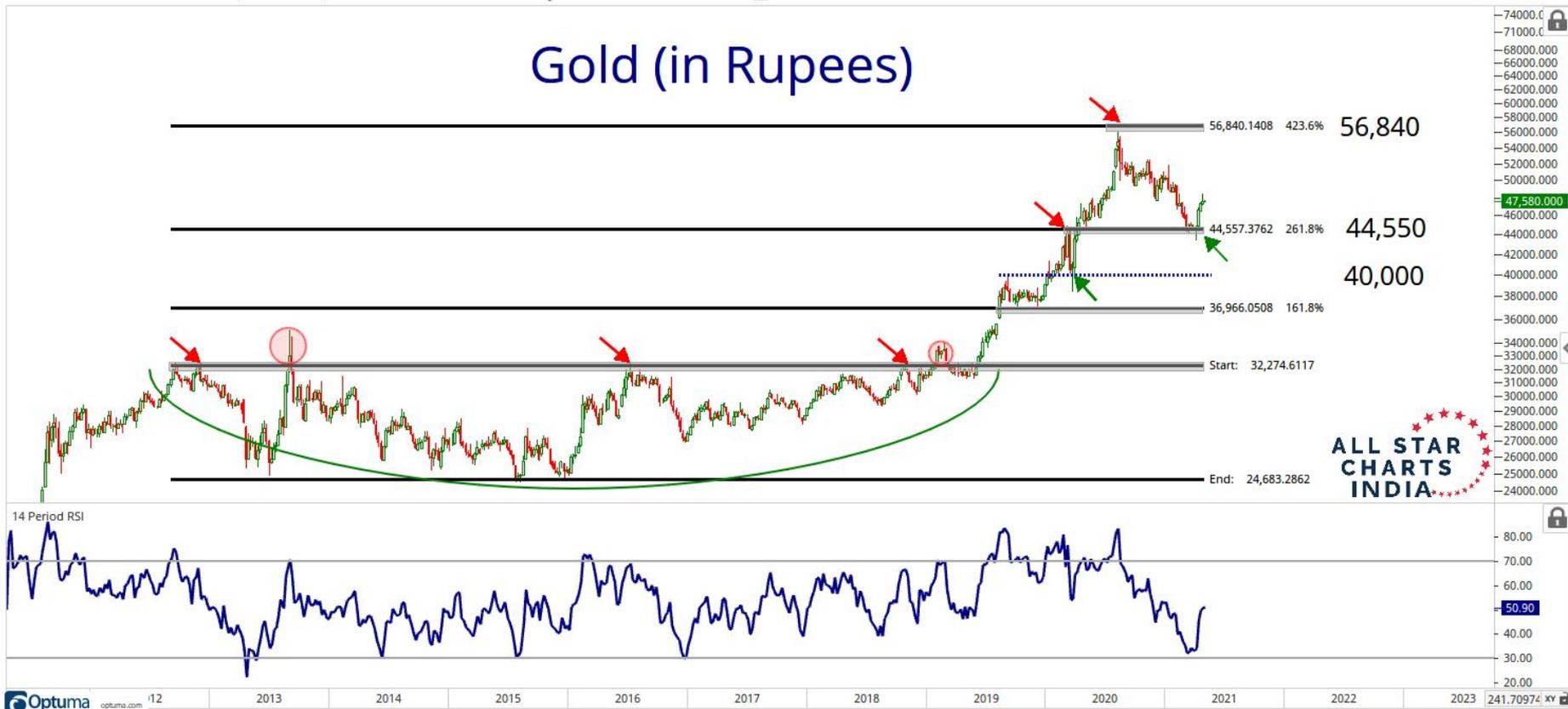


Zinc is following Aluminum and attempting to move past its resistance at 231 rather quickly. The larger trend continues to remain bullish, these are only logical places to witness some healthy digestion of a strong move. Zinc is positive above the level of 231 with a target near 285.

Copper (in Rupees)

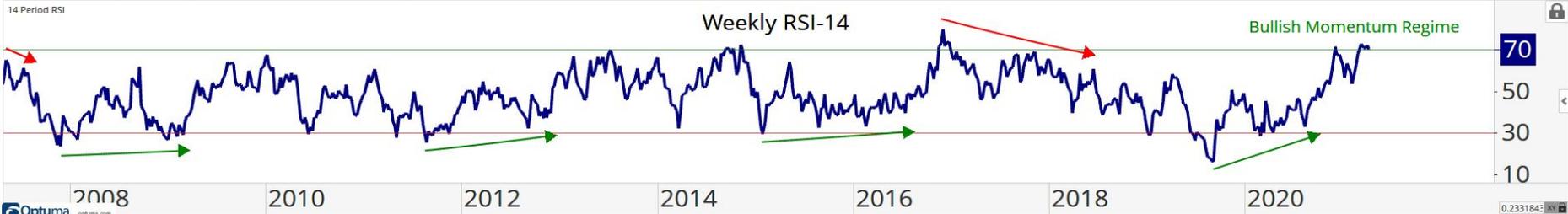


Copper acts as one of the most trusted risk-on indicators. As a commodity it is sensitive to economic growth and hence performs well in an environment suitable for growth, development and high risk. Copper is in an uptrend and a breakout above 750 would lead to a swift move going by the bullish flag pattern on the weekly chart. The next target to track would be 1,040. However, in the event that copper rolls over and moves lower, we would witness a pullback in the base metal rally and the global growth story. Currently the metal has bounced from a crucial support and has been recovering since.



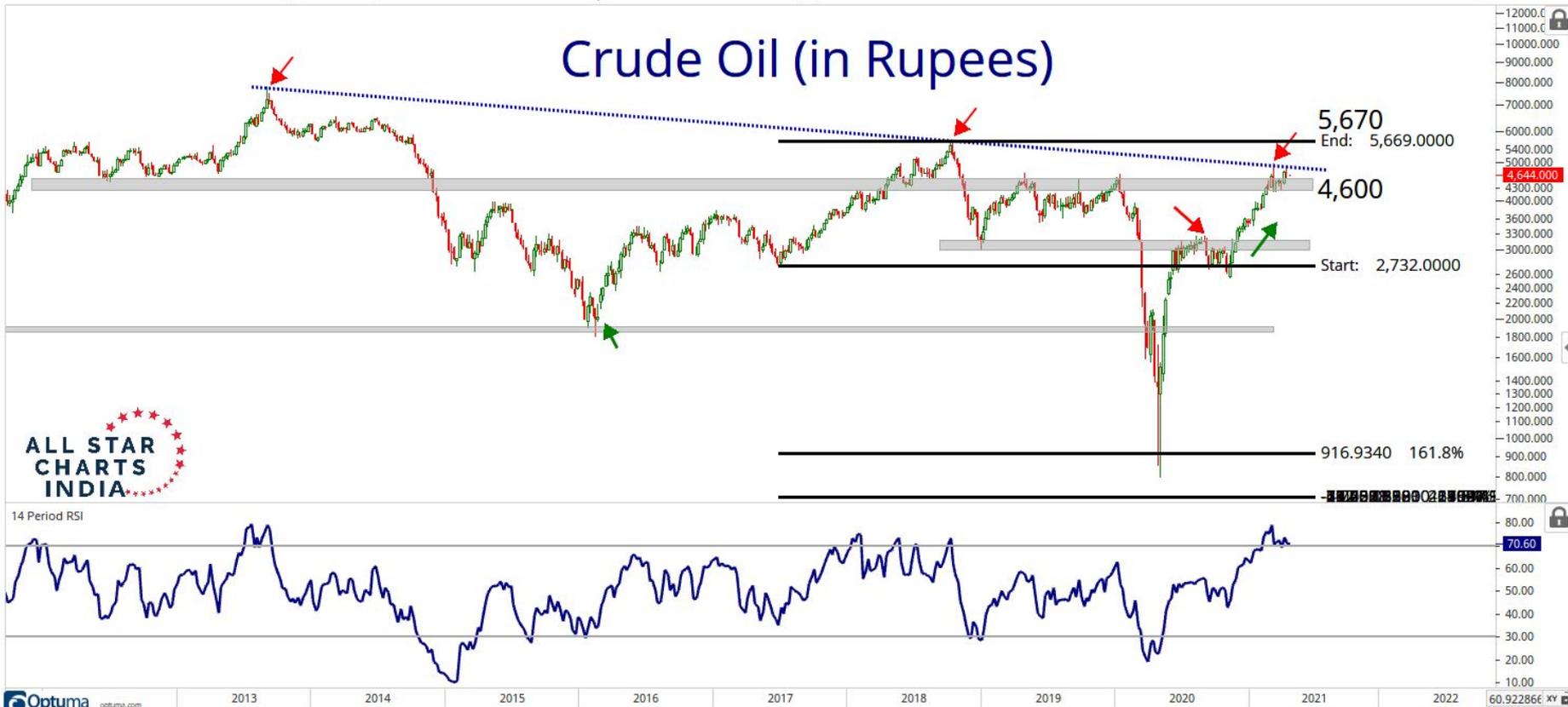
Gold has been down in the dumps for a while. Only recently has it displayed some willingness to bounce back from the 261.8% extension level of the 2012-2016 move. 44,500 is a crucial level that we're tracking because up until now, Gold has only displayed weakness. If this move does catch a bid, we'd be tracking the all-time high level of 56,840 next. It bodes well for the yellow metal that 44,500 is being respected as a level of support.

Base Metals vs Precious Metals (DBB/DBP) Daily Chart



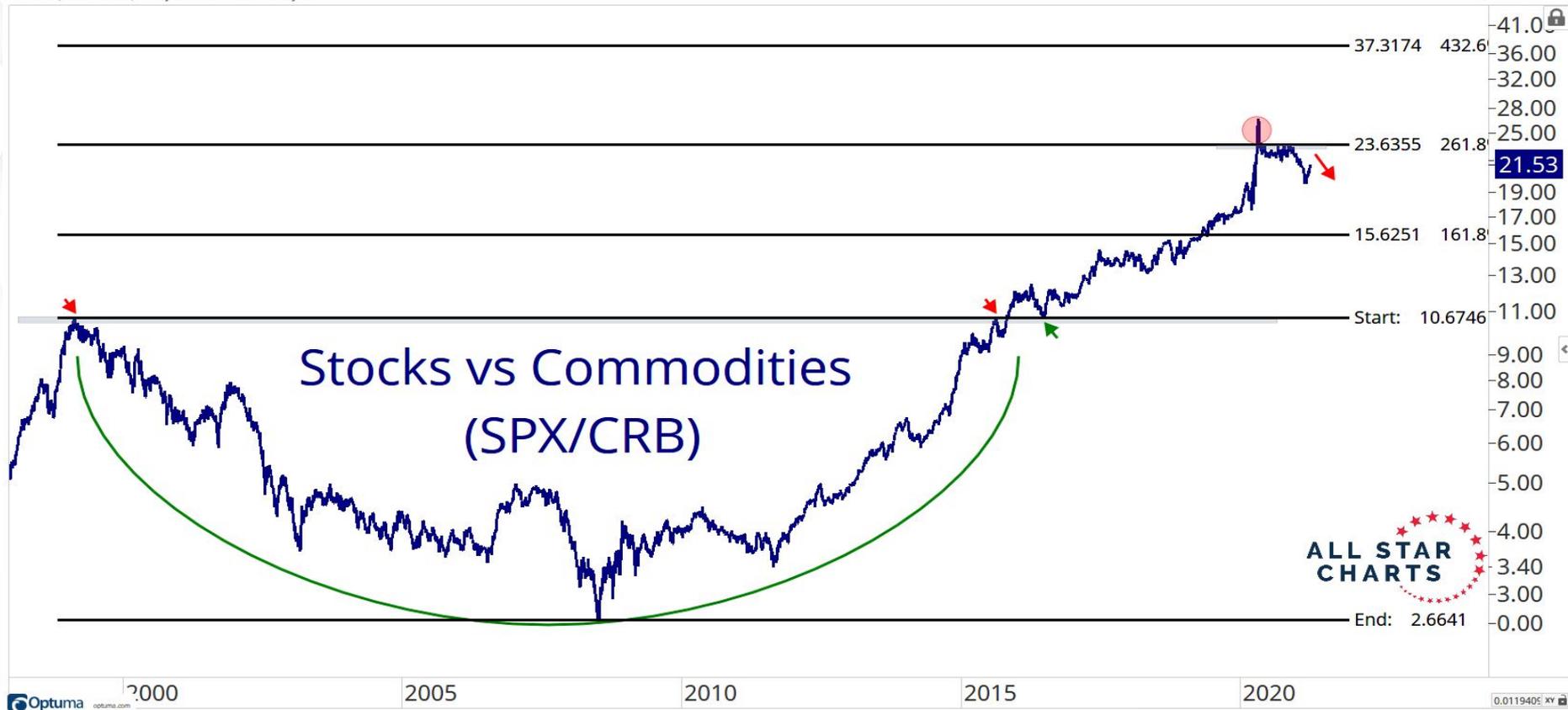
Going by the trends we're observing in the base metals versus the precious metals, we can see the ratio skewing in favour of the base metals. Base Metals are a procyclical area of the Commodity space that have been on an absolute tear since last November, and are now consolidating while digesting recent gains. We've seen this pattern on three occasions in the past where base metals have outperformed precious metals as soon as they've bounced back from their lows (2009, 2012, 2016). Momentum in bullish regime adds to this narrative.

Crude Oil (in Rupees)



14 Period RSI

Crude Oil has reclaimed its 2020 highs of 4,600 and is halting at this level which is only logical. Post the strong momentum we witnessed from levels close to 2,700 a minor consolidation is only a sign of a healthy move. The price is also trading below its seven-year downward sloping trendline. This confluence of crucial levels is where the price tends to take a breather. It will be critical to watch the ensuing move.

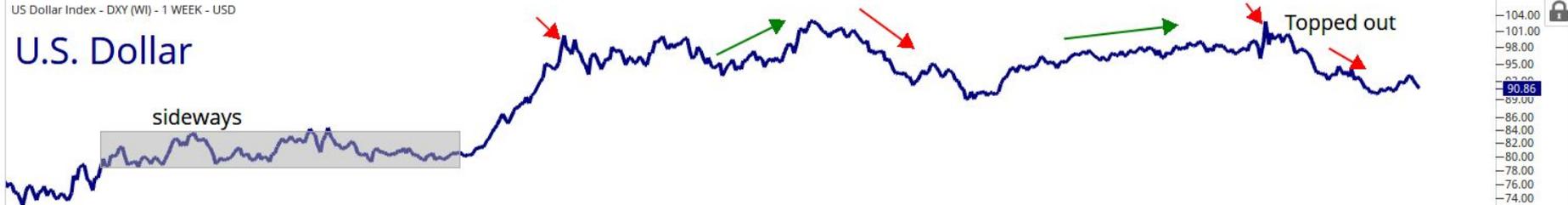


Stocks have been on a parabolic run vs commodities as an asset class since 2008. A false breakout could suggest we could be in for a serious reversal in favor of Commodities. It is far too early to question the structural trend on relative terms here, but as long as this ratio is below 23.50, the bias is definitely toward Commodities. A follow-through of this would mean that we would witness an outperformance of commodities against the equities making commodities the most sought after asset class going forward!

US Dollar Index - DXY (WI) - 1 WEEK - USD

U.S. Dollar

sideways



ASC Base Metals Index



NSE Nifty 50 Index - NIFTY50 (NSE) - 1 WEEK - INR

Nifty 50



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A US dollar rally has the potential to have an adverse impact on the commodity as well as the equity rally. When we look at movements in the past a sideways move in the Dollar from 2012-2014 meant that the metals and equities rallied up until 2015. What we saw from 2015-2016 was that all three markets corrected together and were in a down trend, following which all three rallied together. The scenario that has played out more is the Us Dollar correction and the simultaneous rally in equity and commodity markets.

India Government Bond 10Y

IN10Y 6.075% 0.0bp (+0.00%)

Last Updated • Mon Apr 19

2.24%

Total Return (3M)

-2.16%

Total Return (1Y)

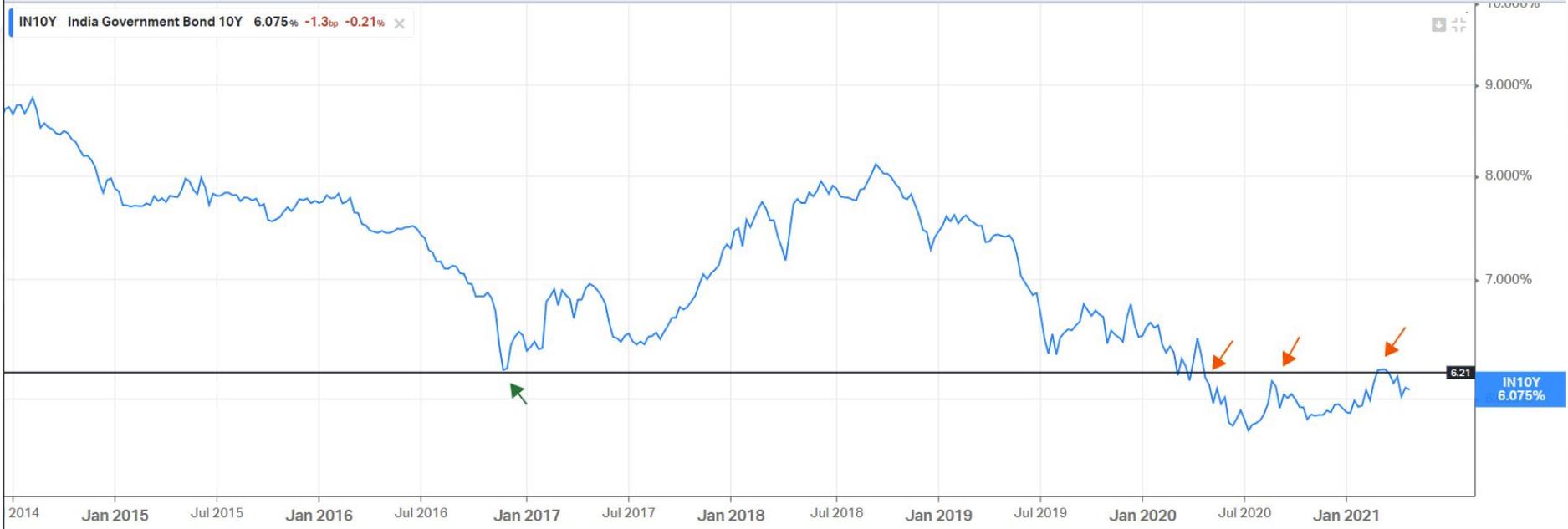
★ In My Watchlists

📄 My Notes

✎ Quotebox

Jun 20 2014 - Apr 19 2021 MTD 1M QTD 3M 6M YTD 1Y 3Y 5Y 10Y 20Y ALL Weekly

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India's 10-year Government Bond hasn't done much and seems to have cooled off from its early March highs. The zone between 6-6.20 has acted a strong resistance over the past year and as a level of support before that. Breakout above this level will be trend reversal and that is something we're keeping an eye on!

Currencies Performance

ALL STAR CHARTS 

Code	Name	Q1	Since 02-09-20	Year to Date	Since Highest High in 2018	% From 52-Wk High
USDJPY	US Dollar / Japanese Yen	7.15%	3.34%	7.15%	-4.18%	-0.87%
DXY	US Dollar Index	3.65%	-0.55%	3.65%	-5.43%	-8.09%
GBPUSD	British Pound Sterling / US Dollar	0.81%	3.57%	0.81%	-3.54%	-2.20%
AUDUSD	Australian Dollar / US Dollar	-1.27%	4.46%	-1.27%	-5.53%	-3.84%
CEW	WisdomTree Emerging Currency Strategy Fund	-3.20%	2.49%	-3.20%	-10.30%	-3.57%
EURUSD	Euro / US Dollar	-3.98%	0.17%	-3.98%	-5.08%	-3.67%

USD Weakness has been a main theme since Q3 2020, however we are beginning to see early signs that a reversal is underway. Our intermediate-term approach to the Dollar is characterized by a neutral stance that leans toward a developing bullish bias.

There is a real possibility that the USD continues higher, and could even be in the early innings of a new uptrend. Many of these same themes appear across USD FX crosses:

- a. Trendline breaks / 200-day flattens/slopes up
- b. Constructive bases either working higher, or already breaking out
- c. Momentum accelerating, hitting overbought, shifting into bullish regimes

All favoring USD strength.

So, as these developments unfold our longer-term bias for the Dollar will take a more definitive shape.

Dollar Index - DXY



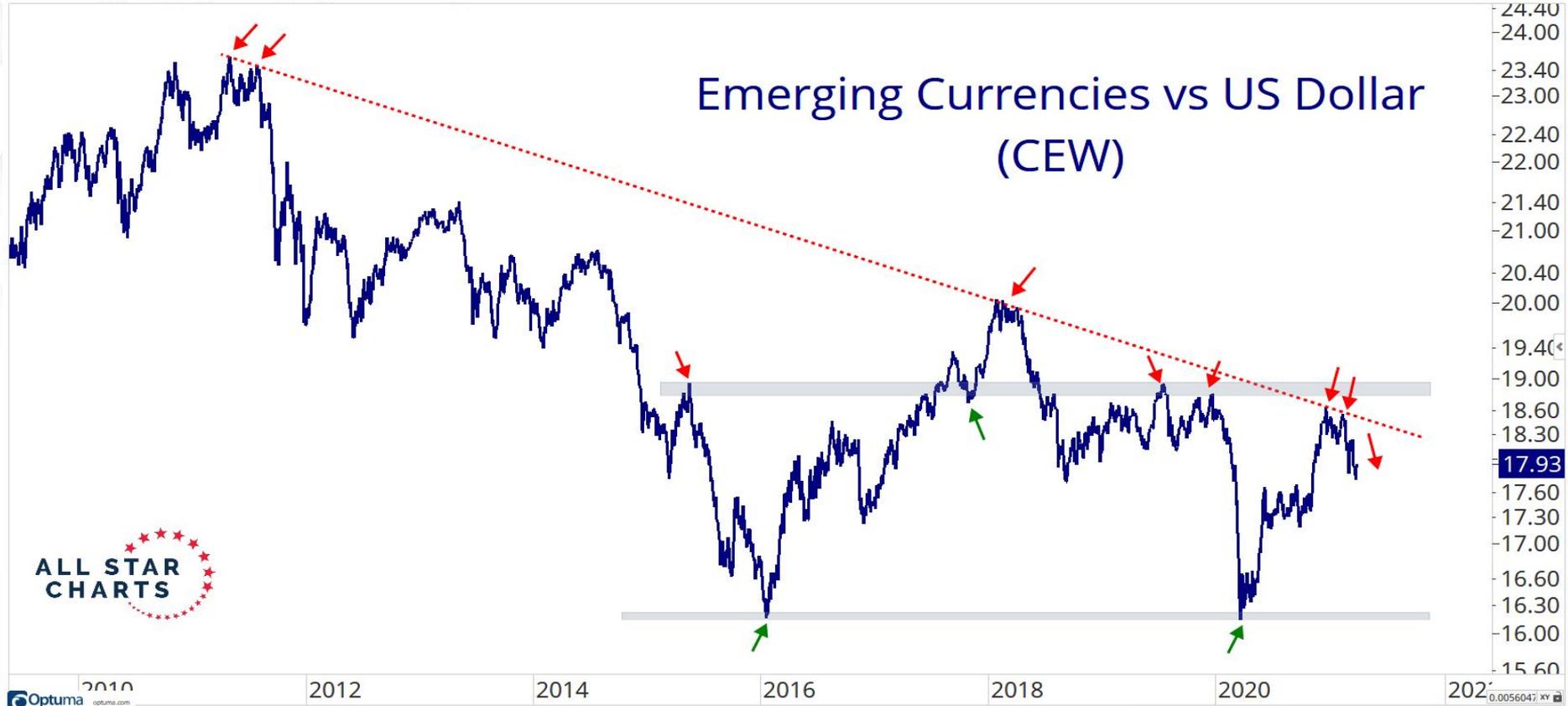
3rd Apr 2021

DXY found support at logical levels and has begun to move higher

Dollar Index - DXY



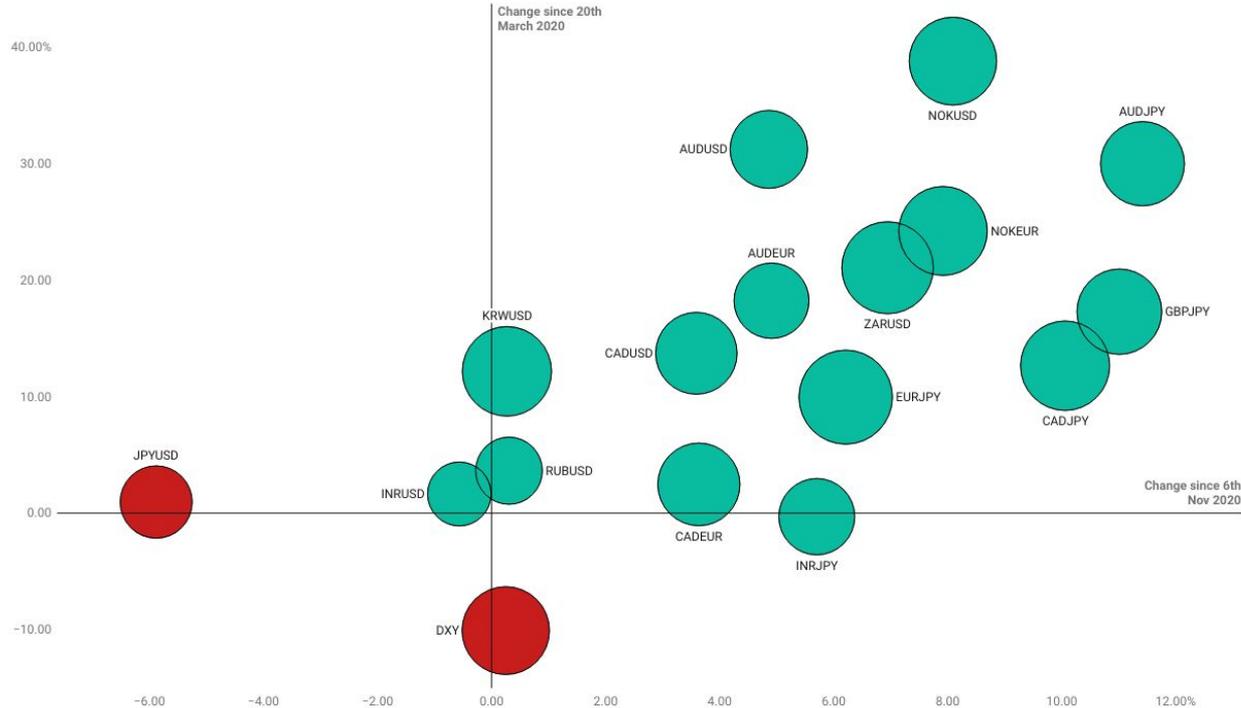
The Dollar Index is back above the key 92 level and following through towards 94.50. If DXY puts in a strong close above the 94.50-95 zone, a sustained rally could take hold



Emerging market currencies taking a leadership role since the covid crash, but once again failing at a considerable level of resistance found at an 11-year downtrend line

Currency Risk Appetite

● Risk On ● Risk Off



Created with Datawrapper

The safe-haven currencies have struggled since the market bottom in March 2020, and that trend remains intact as commodity-centric currencies begin to shine.

Since procyclical areas of the Commodity space have begun to rally, the AUD, CAD, and NOK have all performed well, with the most watched risk-on cross, AUD/JPY, performing the best.



The revival of strength in DXY has meant that the short-term resilience displayed by the Rupee may be in danger going forward. A continuation of the positive trend in DXY could push INR lower towards 75.50-76, beyond which 80 may come into play.

EUR/INR



The Euro too has bounced back from levels of 86, and is now displaying strength against the INR. A sustained move above 87 could take this currency pair towards 101 in the weeks and months ahead.

GBP/INR

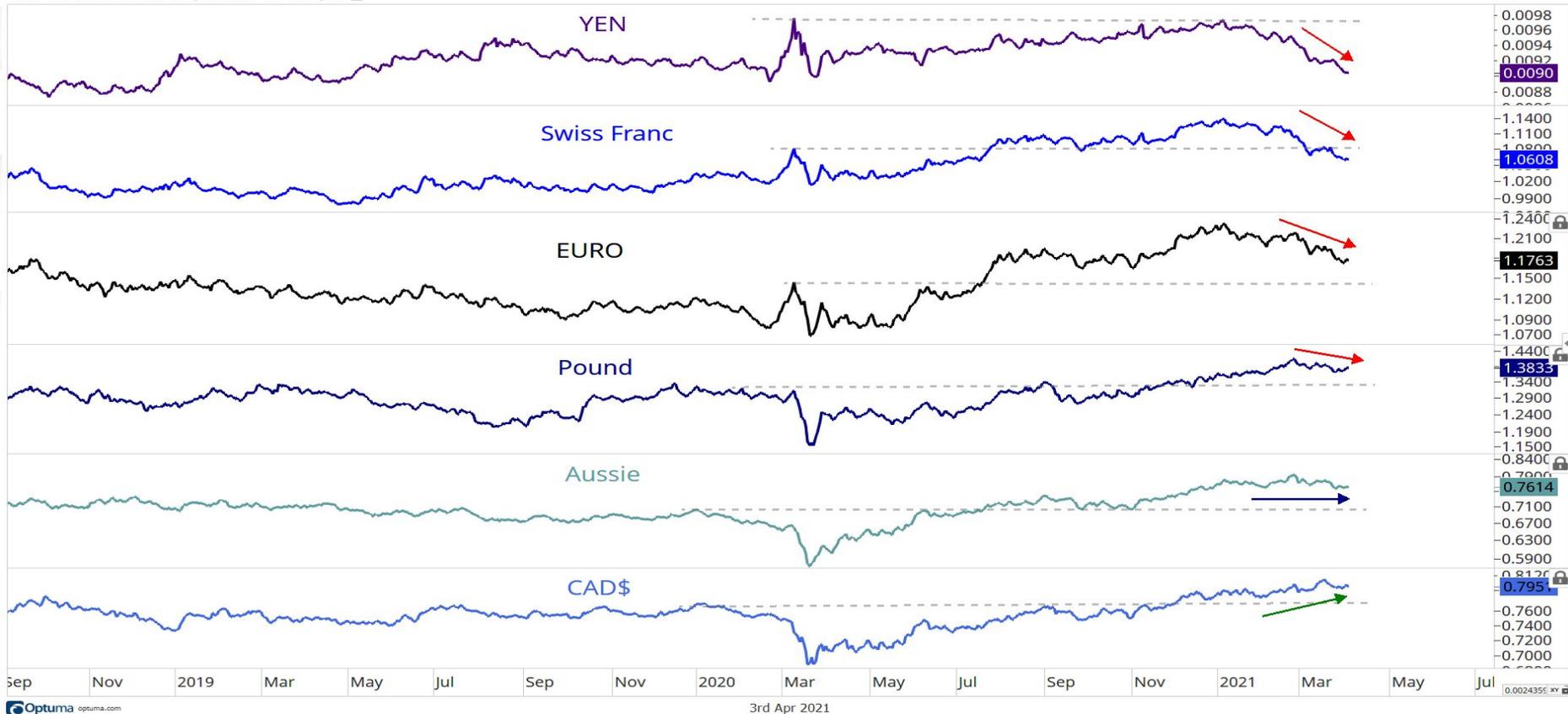


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GBP/INR is taking another shot at the overhead resistance of 104 which has held its ground for eight years now. The next level to track would then be 106.



JPY/INR broke out of its narrow trading range and is now bouncing back after taking support at 0.67. The journey back will find resistance at 0.72 and it would be interesting to see how that move pans out. The Japanese Yen would outperform in a risk-off environment. We could be looking at a prolonged consolidation here if stocks continue their bull run.



Cyclical/commodity-centric crosses are holding up best and likely to show Relative Strength vs USD if/when they correct and USD begins a new uptrend Cyclical currencies look better but still vulnerable - if they DO fail and begin to trend lower, they are last. Currencies tied to commodity rich economies have held up best against the dollar during its recent bout of strength. This adds credence to our global growth and Commodity Supercycle thesis.

EQUITY

World Performance

ALL STAR CHARTS

Code	Name	Q1	Since 02-09-20	Year to Date	Since Highest High in 2018	% From 52-Wk High
EWT	iShares MSCI Taiwan Index Fund ETF	12.96%	35.09%	12.96%	54.02%	-0.02%
EWC	iShares MSCI Canada Index Fund ETF	10.41%	19.66%	10.41%	14.07%	-0.69%
EWU	iShares MSCI United Kingdom Index Fund ETF	6.90%	18.78%	6.90%	-15.87%	-0.72%
EWG	iShares MSCI Germany Index Fund ETF	5.26%	11.72%	5.26%	-3.73%	-1.07%
ACWI	iShares MSCI All Country World Index Fund ETF	4.88%	15.88%	4.88%	25.55%	-0.11%
FM	iShares MSCI Frontier 100 Index ETF	4.02%	16.62%	4.02%	-16.32%	0.00%
EFA	iShares MSCI EAFE Index Fund ETF	3.99%	17.04%	3.99%	2.52%	-1.06%
VEU	Vanguard FTSE All World Ex US ETF	3.98%	17.81%	3.98%	4.89%	-1.56%
EWA	iShares MSCI Australia Index Fund ETF	3.51%	19.51%	3.51%	4.69%	-2.17%
EEM	iShares MSCI Emerging Markets ETF	3.23%	20.34%	3.23%	4.40%	-6.19%
EWJ	iShares MSCI Japan Index Fund ETF	1.42%	17.29%	1.42%	6.57%	-4.09%
ASHR	Xtrackers Harvest CSI 300 China A Shares ETF	-3.59%	9.58%	-3.59%	12.88%	-15.22%

Here's a tabular summary of how the globe fared in the quarter gone by.

The exact date we saw world stock markets bottom vs the US was September 2, 2020... hence why we're looking at the performance since then in the table above.

Global markets have made good progress in the last quarter and more so since September 2020. A majority of the indices are either clocking all-time highs or 52-week highs and that tells us that this not the end of the current bull market.

With the wide participation that we're witnessing in the global market at present, and the lack of weight of evidence for a bear market, we think that the market could experience a short-term correction or a messy sideways move, before breaking out again.

MSCI All Country World Index



HR GLOBAL 52WK HIGHS

Percentage of Global Indices at New 52 Week Highs



HR GLOBAL 6M HIGHS

Percentage of Global Indices at New 6 Month Highs



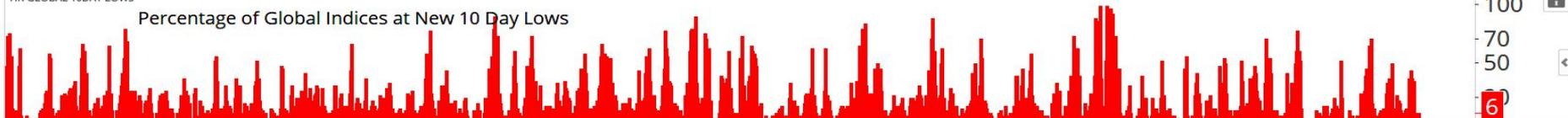
We saw the global markets with breadth thrust on 8th January, and current leadership continues to be healthy. \$ACWI is currently moving sideways since its mid february peak, we feel that is normal price consolidation after a strong run-up off 2020 lows

MSCI All Country World Index



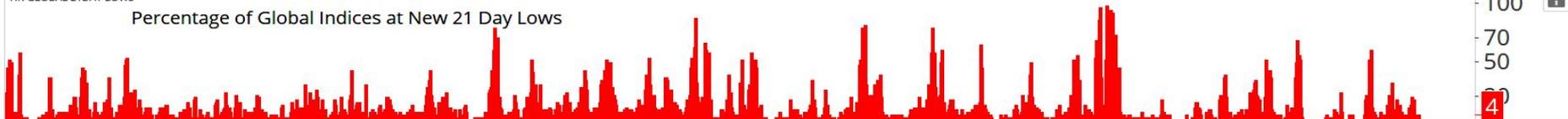
HR GLOBAL 10DAY LOWS

Percentage of Global Indices at New 10 Day Lows



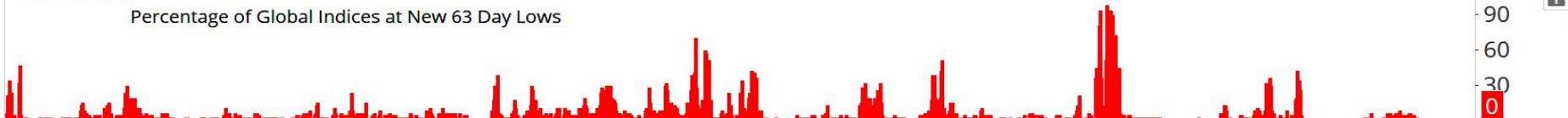
HR GLOBAL 21DAY LOWS

Percentage of Global Indices at New 21 Day Lows



HR GLOBAL 63DAY LOWS

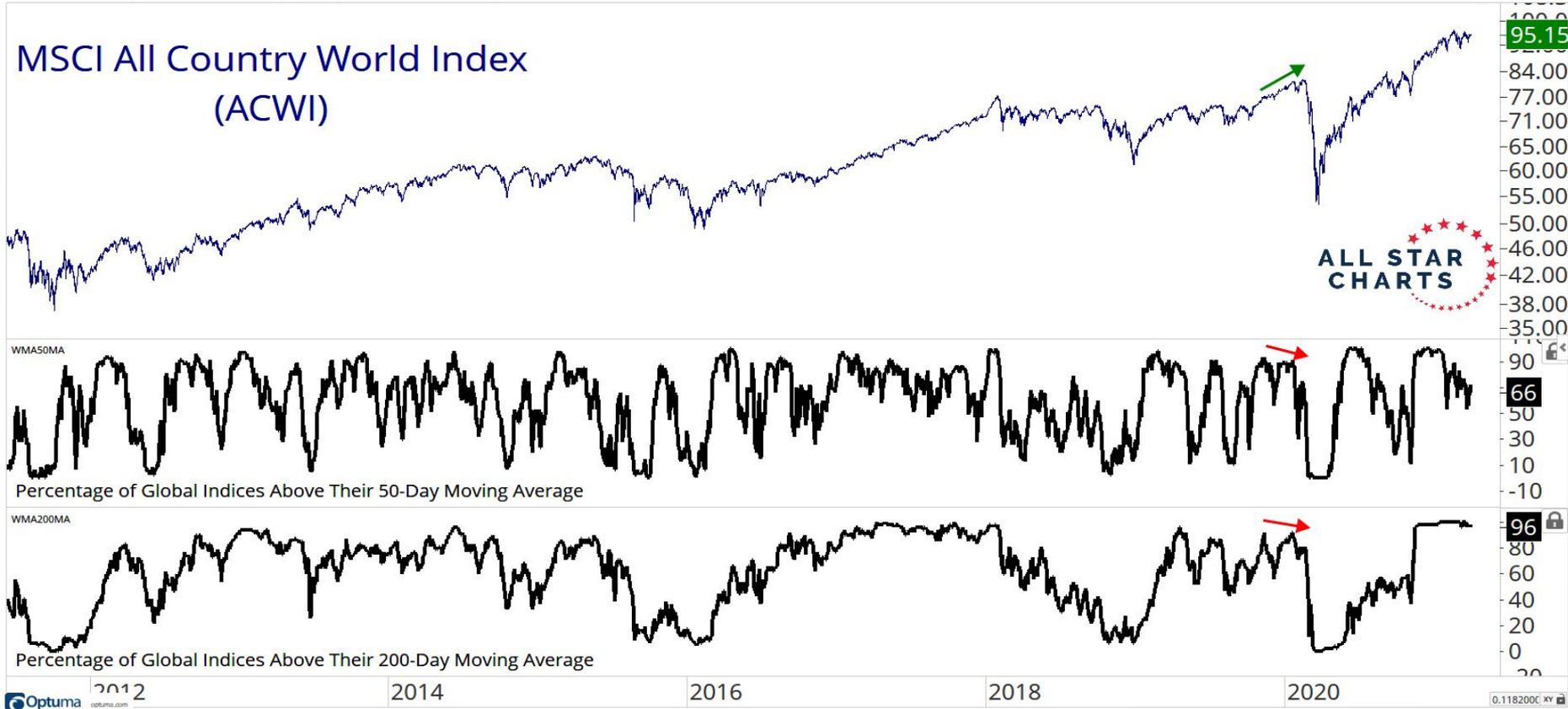
Percentage of Global Indices at New 63 Day Lows



2015 2017 2018 2019 2020 2021 0.2138176 XY

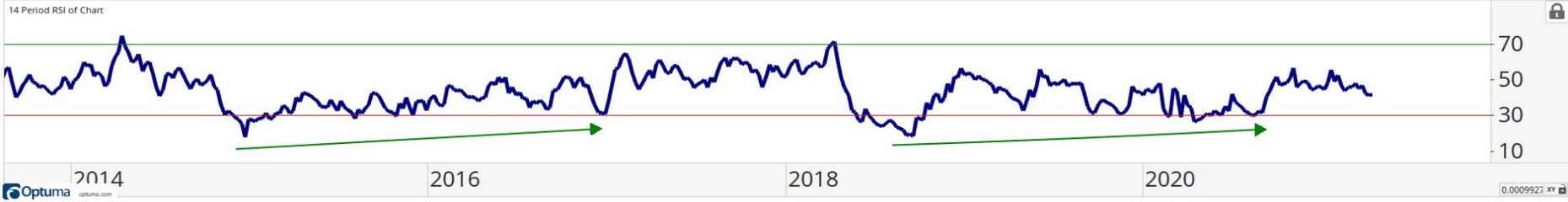
Expansions in the new low lists are the areas we are looking to find signs of the beginning of global market declines. We are currently not showing any signs of weakness in these lower time frames

MSCI All Country World Index (ACWI)



Global markets continue to be in strong uptrends and confirm price

Frontier Markets / S&P 500 (FM/SPY)



Meanwhile, Frontier Markets are breaking to new lows relative to the US. As good as risk assets are right now, money is not being made in these regions.

INDICES

India Sector Performance

ALL STAR CHARTS

Code	Name	Q1	Since 02-09-20	Year to Date	Since Highest High in 2018	% From 52-Wk High
NIFTYPSUBANK	NSE Nifty PSU Bank Index	23.11%	44.60%	25.02%	-44.74%	-15.34%
NIFTYMETAL	NSE Nifty Metal Index	22.20%	75.78%	37.26%	6.47%	-0.62%
NIFTYCOMMODITIES	NSE Nifty Commodities Index	17.71%	44.31%	22.99%	11.30%	-1.01%
NIFTYINFRA	NSE Nifty Infrastructure Index	11.97%	28.18%	13.61%	11.01%	-3.14%
NIFTYPSE	NSE Nifty PSE Index	10.85%	19.92%	11.20%	-29.21%	-7.22%
NIFTYCPSE	NSE Nifty CPSE Index	8.91%	16.67%	8.43%	-36.68%	-8.87%
NIFTYENERGY	NSE Nifty Energy Index	7.46%	14.00%	6.82%	11.30%	-8.10%
NIFTYAUTO	NSE Nifty Auto Index	7.28%	24.40%	7.93%	-17.13%	-10.29%
NIFTYIT	NSE Nifty IT Index	6.61%	51.39%	12.85%	68.57%	0.00%
NIFTYBANK	NSE Nifty Bank Index	6.52%	35.91%	3.79%	14.58%	-13.02%
NIFTYREALTY	NSE Nifty Realty Index	6.47%	47.09%	5.80%	-10.80%	-8.49%
NIFTYSERVSECTOR	NSE Nifty Services Sector Index	4.77%	36.53%	5.48%	31.99%	-5.98%
NIFTYMNC	NSE Nifty MNC Index	3.88%	17.22%	5.15%	8.82%	-0.14%
NIFTYPVTBANK	NSE Nifty Private Bank Index	2.97%	32.49%	0.81%	8.10%	-12.46%
NIFTYFMCG	NSE Nifty FMCG Index	2.21%	13.41%	3.15%	7.11%	0.00%
NIFTYCONSUMPTION	NSE Nifty Consumption Index	0.80%	17.51%	2.50%	12.43%	-2.16%
NIFTYPHARMA	NSE Nifty Pharma Index	-4.98%	13.95%	0.62%	21.89%	-3.11%
NIFTYMEDIA	NSE Nifty Media Index	-6.28%	-5.56%	-5.58%	-57.26%	-13.56%

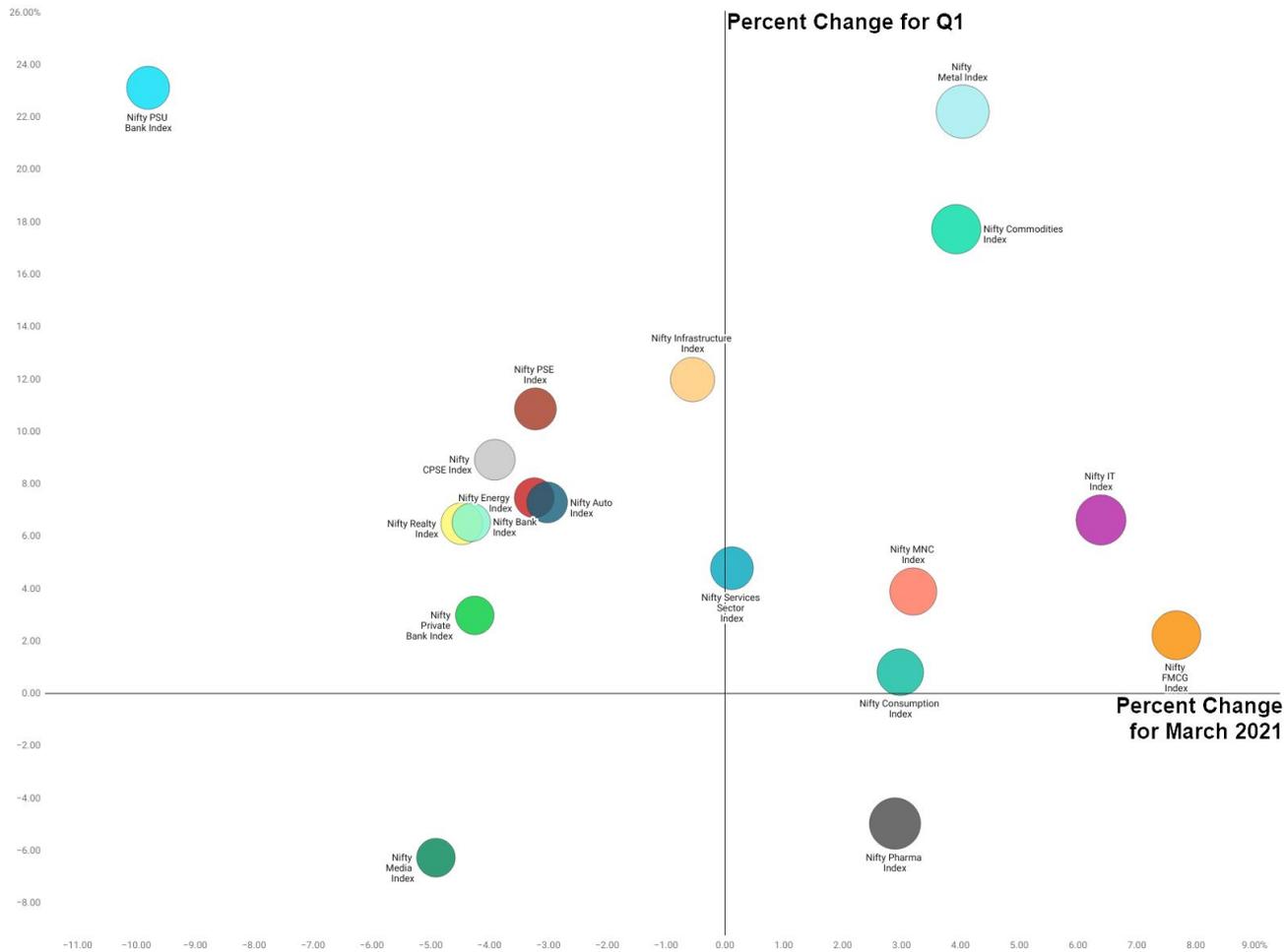
Data as of 09/04/2021

This is a snapshot of the sectoral performance of the Indian market.

The reason we collated data for returns since September 2020 is that this is when we noticed an increase in participation in other global economies. This is when Emerging markets and Frontier markets really took off, moving past their all-time highs within the next quarter.

A quick glance and the outperformers and underperformers become very clear. Nifty Media has struggled to catch a break, and its fortunes haven't turned around even now.

Let's take a look at the Indian equity market specifically.



y = % change in Q1 (jan-march)
 x = % change from 1st march to 31st

In this bubble chart we're taking a look at two things:
 The performance of sectors over the past quarter (y-axis) and the performance of sectors over the past month since the market has moved sideways (x-axis).

Nifty Metals and Commodities have performed exceptionally well over the last quarter and have been among the top performers even during the past month.

The sectors leading the messy market move since late-February this year have been IT and FMCG.



Nifty 50 has been moving sideways for almost two months now. This however, looks like a healthy digestion of a strong uptrend. Several sectors have shifted from leadership roles during the different phases of the bull cycle, and a rotation of stock is good sign of a broader market participation.



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Nifty 500 and Nifty 100 are in a broader uptrend like Nifty 50 and have been consolidating at current levels.

So long as Nifty 500 (our universe of stocks) trades above the level of 12,260 we have nothing to worry about. But in a scenario where the price sustains below this crucial level, we will have to take a cautious stance depending on what the weight of the evidence suggests in terms of trends, risk metrics, breadth indicators and market sentiment.

A continuation of the current bull market could take Nifty 500 towards higher level of 16,040, while the next target to track with respect to Nifty 100 will be 18,450.

Nifty Mid-Cap 100



Nifty Mid-Cap has been the outperformer in the quarter gone by as the index claimed new all-time highs, taking over the leadership from the large-cap stocks. The momentum and price strength suggest a continuation of this trend going forward as well. The next level to track is 32,000.

Nifty Small-Cap 100



Nifty Small-Caps haven't been far behind as the index has reclaimed its 2018 highs which was a significant point in the market following which broader market participation diminished. Reclaiming such crucial levels bodes well for the indices as the sentiment as well as the overhead supply gets absorbed by the ensuing market move. The next level that we're tracking is 9,650.

Nifty Small-Cap 100 / Nifty 50

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One of the most universal risk-on indicators is Nifty Small-cap relative to Nifty 50. This ratio has been the harbinger of early trend reversals in the past and continues to hold the same place of importance even now. As long as small-caps outperform the large-caps the risk-on environment will continue to play out, generating greater than average returns in a given year.

% Of Nifty 500 Stocks > 200-Day Moving Average



Nifty 500



Take a look at the Nifty 500 stocks that are currently trading above their 200-day moving averages. 81.48% of the stocks in our stock-specific universe are above their 200-day moving average suggesting a positive trend over a longer time frame. Despite the market consolidation this number is higher than that we'd seen late 2017- early 2018 when mid-and small-cap stocks were on a tear!

Nifty 50 Index



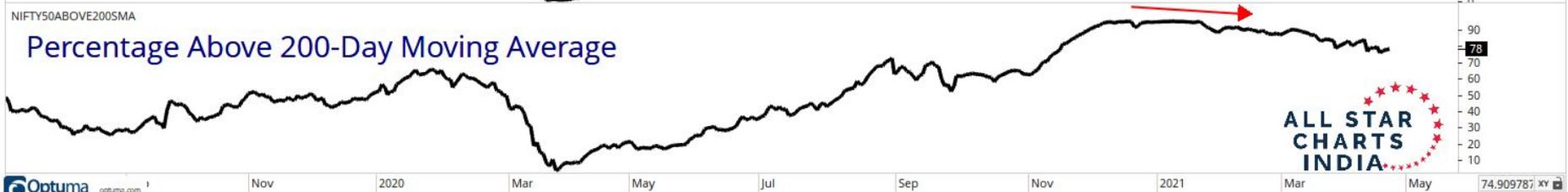
NIFTY50ABOVE50SMA

Percentage Above 50-Day Moving Average



NIFTY50ABOVE200SMA

Percentage Above 200-Day Moving Average



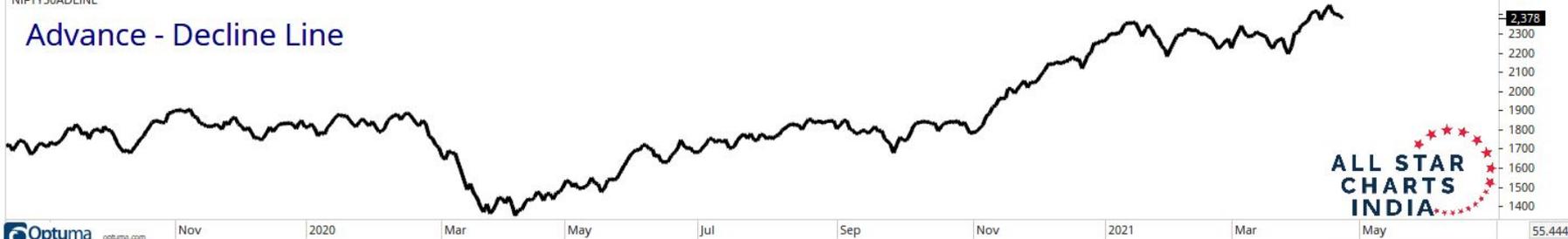
If we take a look at Nifty 50, 78% of the constituents are above their 200-day moving average and 40% are above their 50-day moving average. The trend over long-and medium term continues to point upwards.

Nifty 50 Index



NIFTY50ADLINE

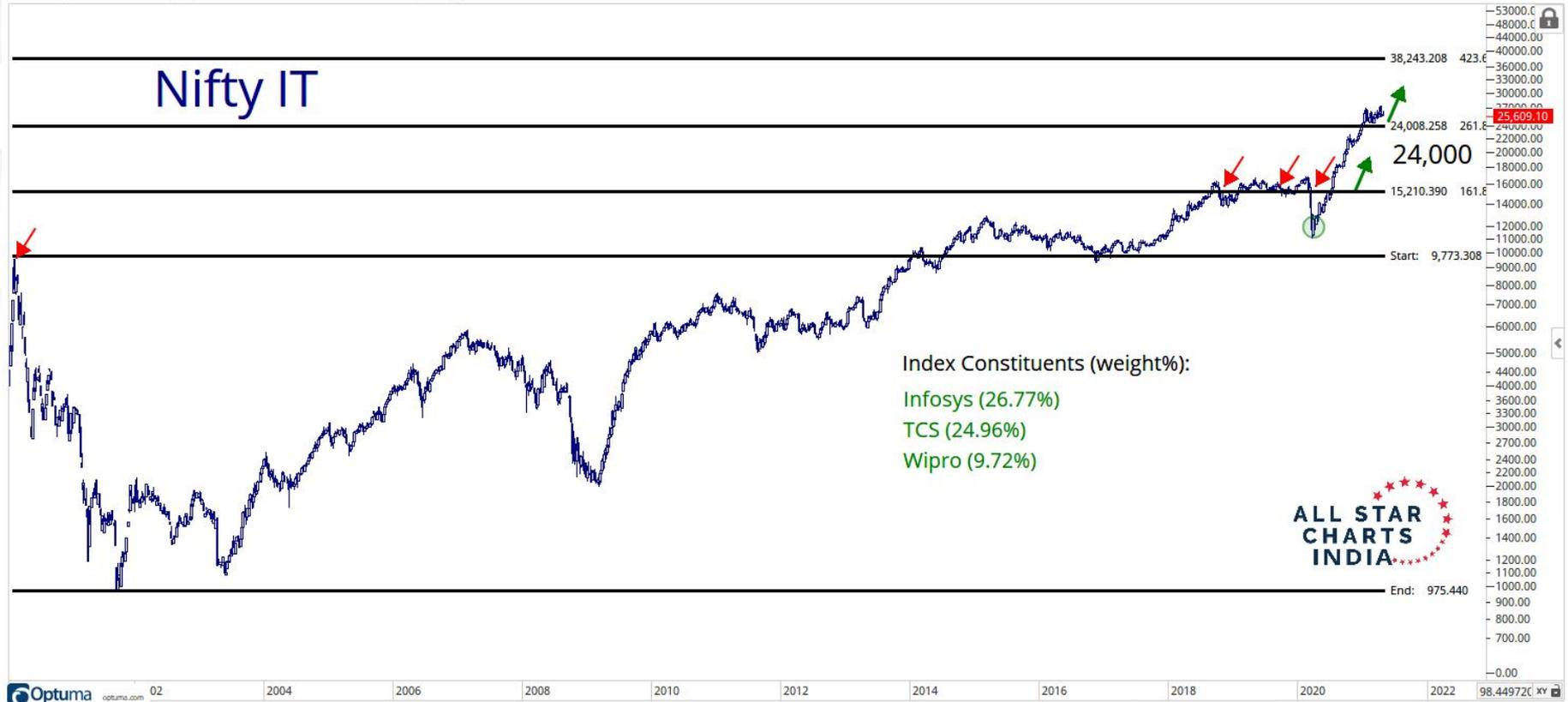
Advance - Decline Line



A similar positive sentiment can be seen in the advance decline. What's interesting to note is that despite the price making a lower high, the advance decline line has powered through with strong momentum. Had this line been hinting at negative divergence, that would've been a cause for concern.

SECTORAL VIEW

Nifty IT

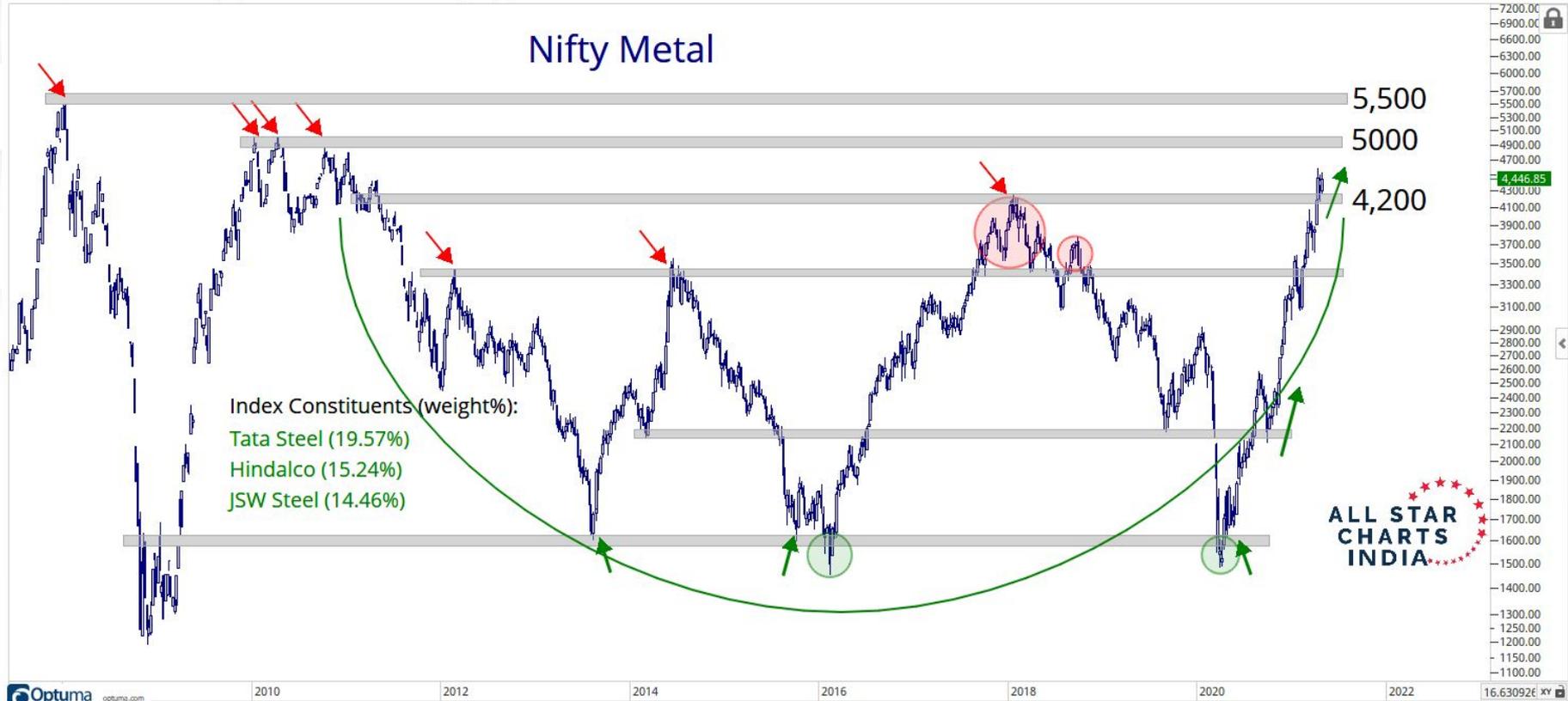


Nifty IT has reclaimed its position of an outperformer as the market headed into a sideways move. With numerous names making their way above resistances along with long-term base breakouts, this space could witness more action in the quarter ahead.

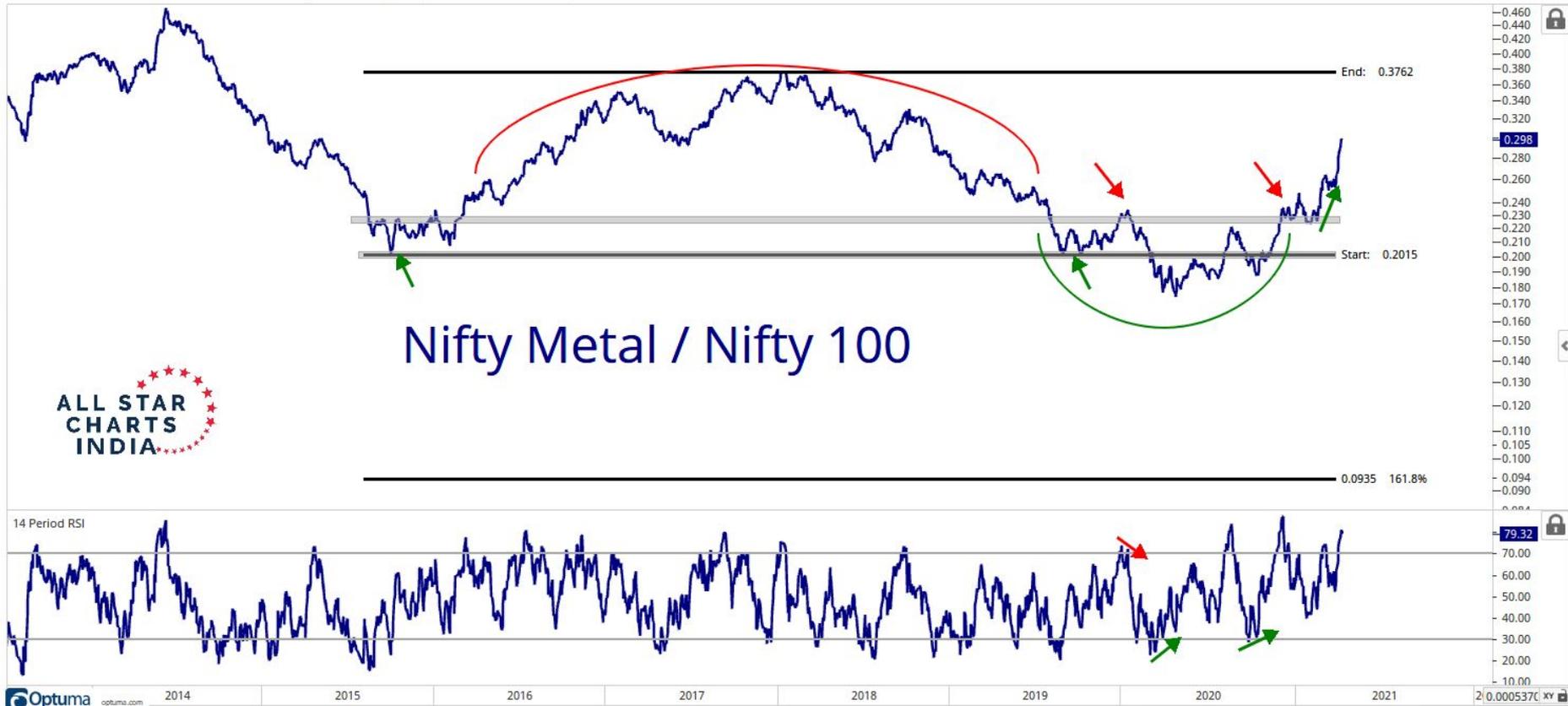
Nifty IT / Nifty 100



On a relative basis too, IT seems to be headed higher as it continues to hold on to its support and bounce back. We published actionable ideas in the IT sector recently. You can check them out [here](#) & [here](#).



All that's shining are the metals (certainly not Gold so far). Metals have been gaining from strength to strength since January 2021 and have witnessed some of the quickest breakouts and moves even in the month gone by! We're currently looking at a massive 10-year base breakout! The next target to track is 5000 with 4,200 acting as the risk management level.

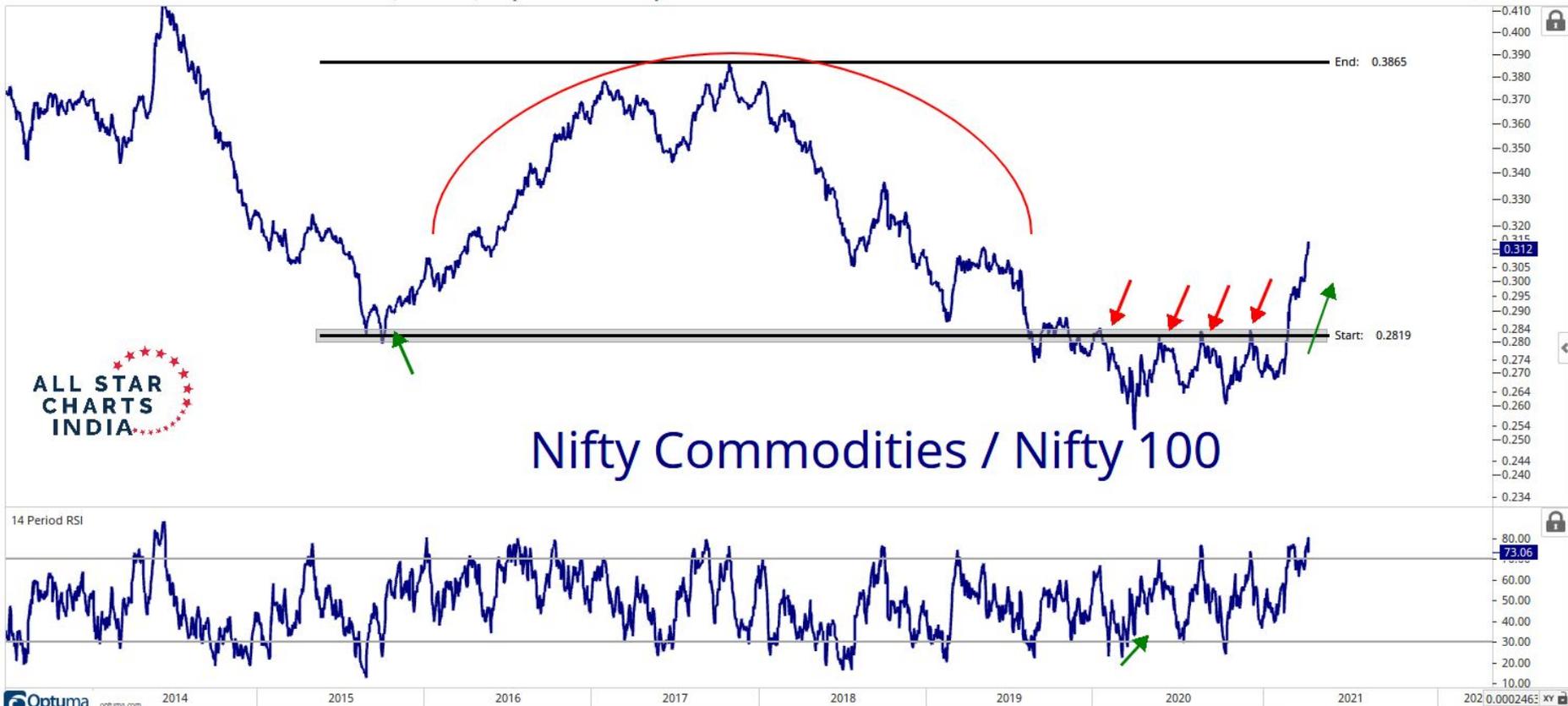


Nifty Metal has been performing well on a relative basis as well which is clear from the recent vertical move in the ratio. With a good risk-reward ratio in place, this a good sector to be invested in.

Nifty Commodities



Nifty Commodities has been making new all-time highs and is continuing to display strength over the other sectors. The move past 4,277 has absorbed all the overhead supply and the index is now proceeding towards its next level of 5,560.



ALL STAR
CHARTS
INDIA

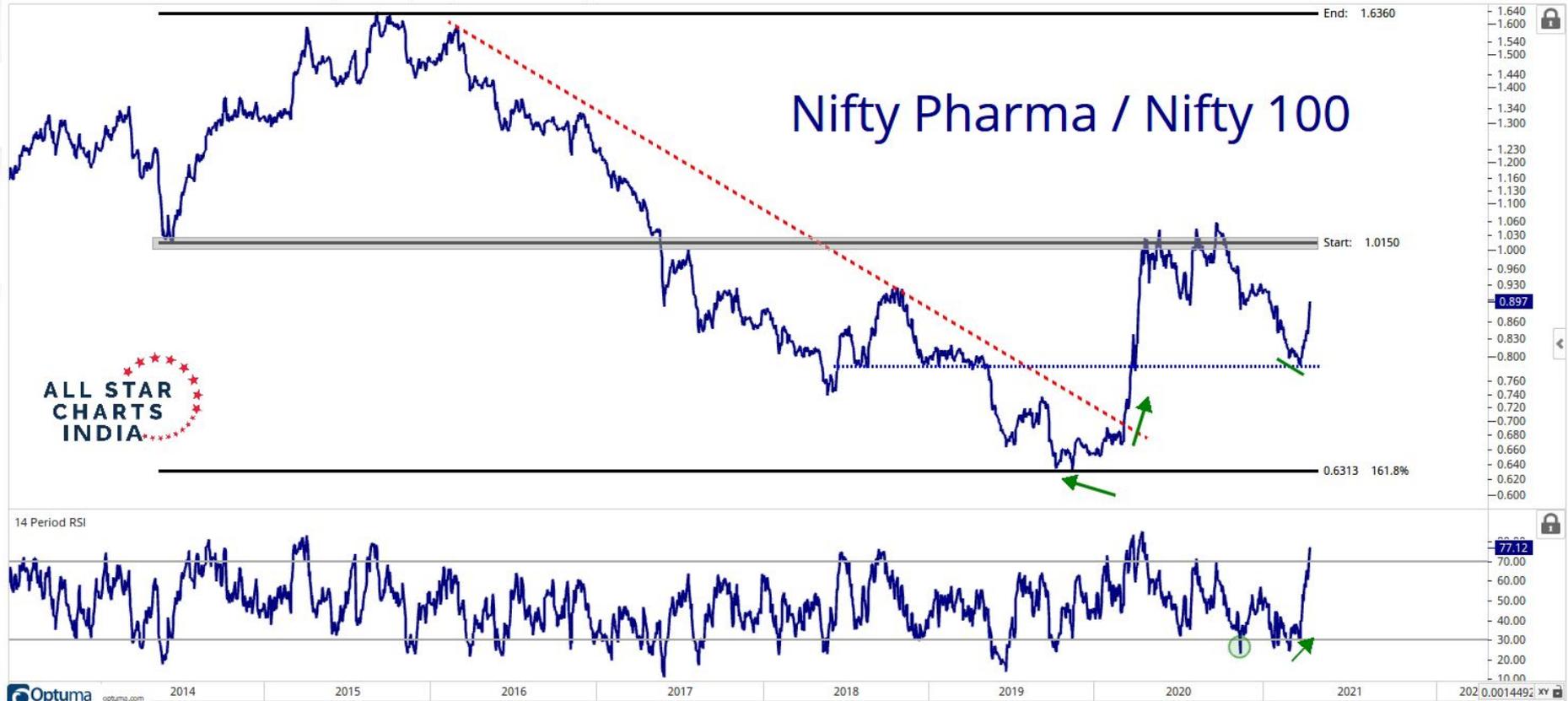
Nifty Commodities / Nifty 100

Look at this ratio chart go! With the indicator comfortably placed in the bullish momentum zone, and the ratio moving past 2019 highs, commodities could continue to exhibit strength into the next quarter.

Nifty Pharma



A pick up in momentum has breathes new life into Nifty Pharma over the past couple of weeks as the index bounced off from previous swing lows. The index has almost achieved our target of 13,500. A consolidation at those levels cannot be ruled out since there is a massive overhead supply at 13,500 going by past movement. These are logical levels of consolidation. In the event that the price breaks out through, the next level to track would be 18,000.



Nifty Pharma's ratio chart has also recovered after a positive divergence could be seen in the indicator. The indicator is now back in the bullish territory.

Nifty Energy



Nifty Energy has been the talk of the town for quite some time now. The index is currently taking a breather as other sectors move sound the spectrum of strength and weakness. Energy is positive above the levels of 16,450 with a target near 23,700

Nifty Energy / Nifty 100



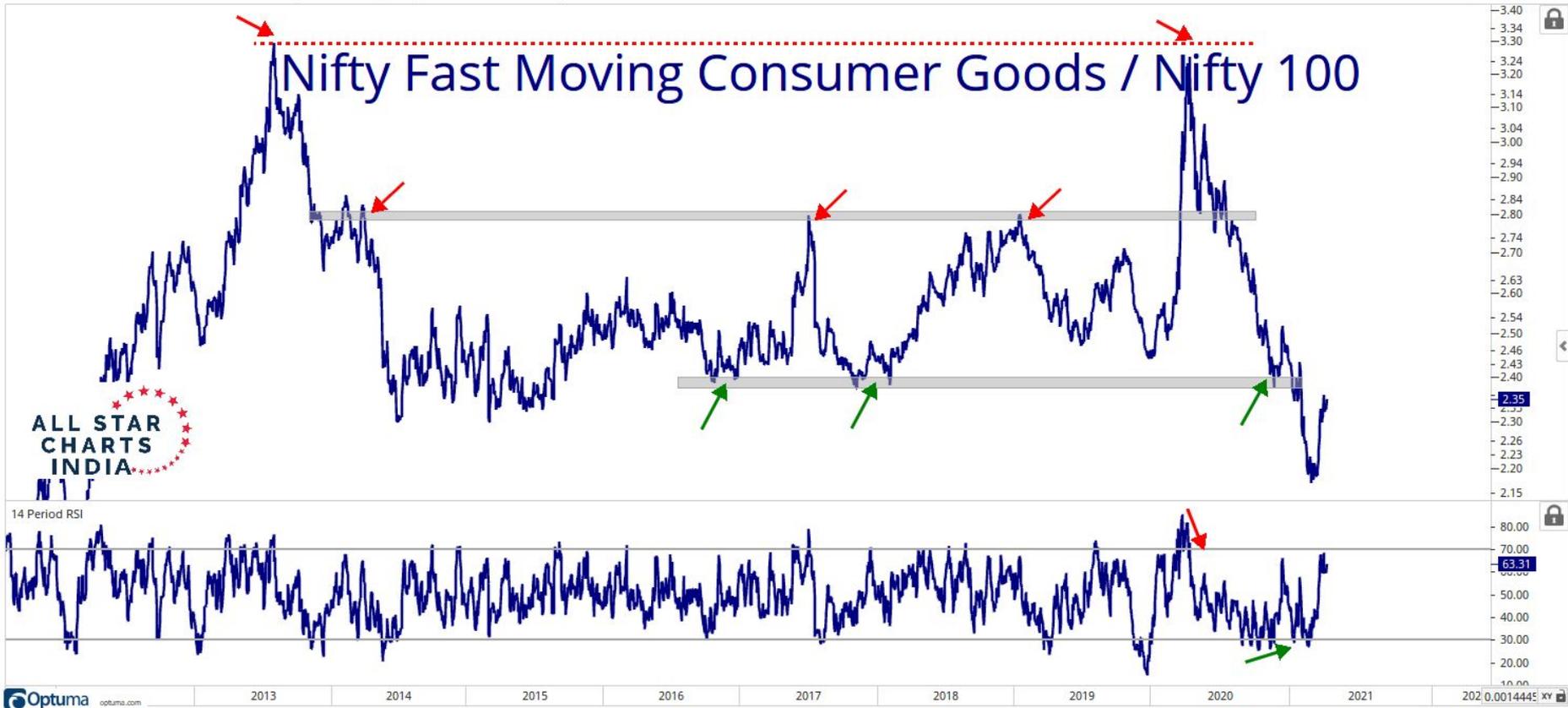
The ratio has tapered off slightly from the recent swing high as the index constituents digest the gains made.

Nifty FMCG Index

Index Constituents (weight %)
Hindustan Unilever (28.93%)
ITC (25.44%)
Nestle India (8.16%)



Nifty FMCG is scaling new all-time highs at a time when the market is looks like a mess. Although this rally is driven by a handful of strong names, those are the names that we'd like to stick to going forward. The next level to track in this index is 39,840, with 33,300 acting as the risk management level.

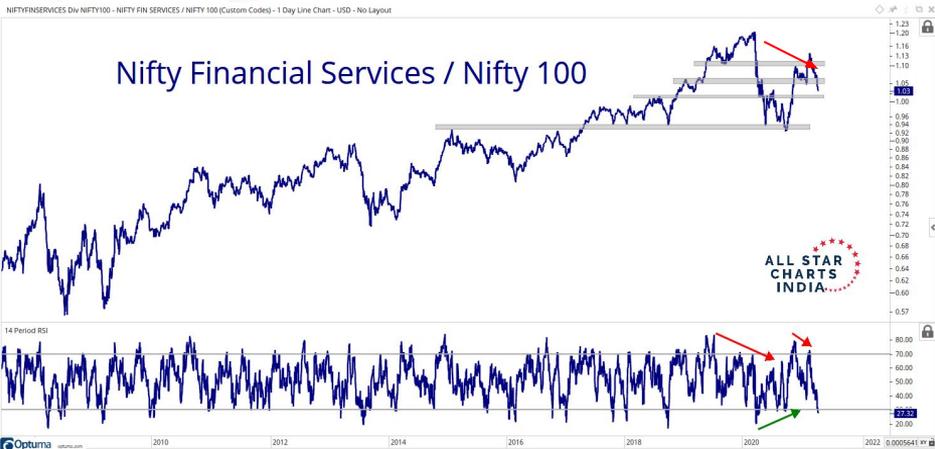


As can be seen in this ratio chart, although the index has been trading close to its highs, the relative strength has been absent in this sector. Other sectors have acted as better sources of investor returns. We prefer limited exposure towards this space.

Nifty Financial Services



Nifty Financial Services / Nifty 100



Bank Nifty



Bank Nifty / Nifty 100



Nifty Financials and Nifty Bank have turned away from their resistances and are alluding to short-term weakness. The relative charts of both Financial Services and Bank Nifty are hinting towards weakness as they break down below their levels of former supports. Negative divergence can be seen playing out on both the indices when we compare the price to the relative strength charts below. A move below 31,700 in Bank Nifty and 14,750 in FinServ however could trigger a minor sell-off. We are trading this space with caution.



Cements have been performing well and we've alluded to this strength in a [recent post](#) highlighting this outperformance and some actionable ideas.

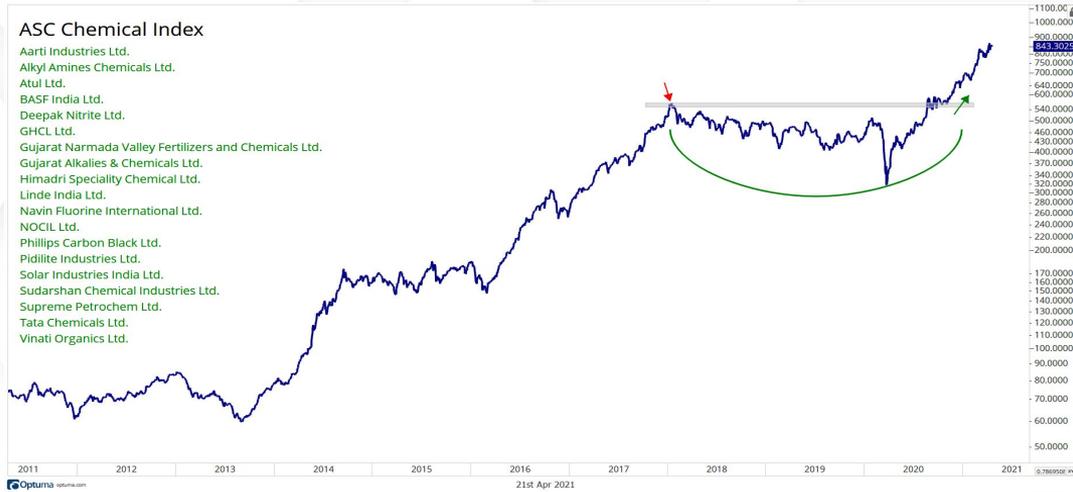
We created an Equally weighted Custom index for this sector and the chart reflected exactly what we were expecting. A three-year base breakout from the Cement sector with the ratio chart marking all-time highs and still going strong!



Another custom index on our radar is the Sugar sector. Stocks in this space are gearing up for a move and the custom index too broke out of a two-year base. Take a look at this ratio chart, the price halted at the same level on four occasions in the past and finally broke out towards the end of last year. Such big base breakouts above significant resistances act as good indicators of inherent strength.

ASC Chemical Index

Aarti Industries Ltd.
Alkyl Amines Chemicals Ltd.
Atul Ltd.
BASF India Ltd.
Deepak Nitrite Ltd.
GHCL Ltd.
Gujarat Narmada Valley Fertilizers and Chemicals Ltd.
Gujarat Alkalies & Chemicals Ltd.
Himadri Speciality Chemical Ltd.
Linde India Ltd.
Navin Fluorine International Ltd.
NOCIL Ltd.
Phillips Carbon Black Ltd.
Pidilite Industries Ltd.
Solar Industries India Ltd.
Sudarshan Chemical Industries Ltd.
Supreme Petrochem Ltd.
Tata Chemicals Ltd.
Vinati Organics Ltd.



We made an equally weighted custom index for the chemical stocks once we noticed more participation. We've been bullish on the chemicals index and have seen a good breakout as well as a follow-through move in this space. The index is moving towards new highs and as evidenced by the move in individual stocks as well, this trend looks like it's here to stay. We published a post recently highlighting the actionable ideas in this space [here](#) and [here](#).

ASC IT Smallcap Index

Intellect Design Arena
Firstsource Solu
Cyient
Birlasoft
Just Dial
Vakrangee
Sonata Software
Eclerx Services
Mastek
Niit
Hinduja Global Solutions
Prime Focus
Ramco Systems
Nucleus Software
Sasken Commn Tec
Accelya Kale Solutions
Quick Heal Technologies
Onmobile Global
Cigniti Technologies
Take Solutions
Datamatics Global Services
Zen Technologies
Explo Solutions Limited



IT is another sector that is bustling with energy as more and more small-caps join the breakout bandwagon. We saw a breakout in this index early on and the ratio has held on to the highs. With IT being one of the sectors that's outperforming in the current messy market environment, this ratio could take off if the tailwinds continue to play out.

Infosys



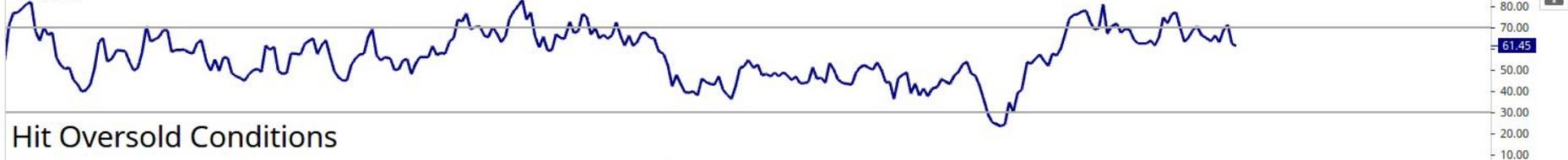
Didn't Hit Oversold Conditions

Infosys has been in a strong uptrend; It remains bullish above 1300, with a target near 1,790.

Mphasis Ltd.



14 Period RSI



Hit Oversold Conditions

Mphasis Ltd. is a bullish above 1,670 with a target of 2,310.

Cyient Ltd.



14 Period RSI



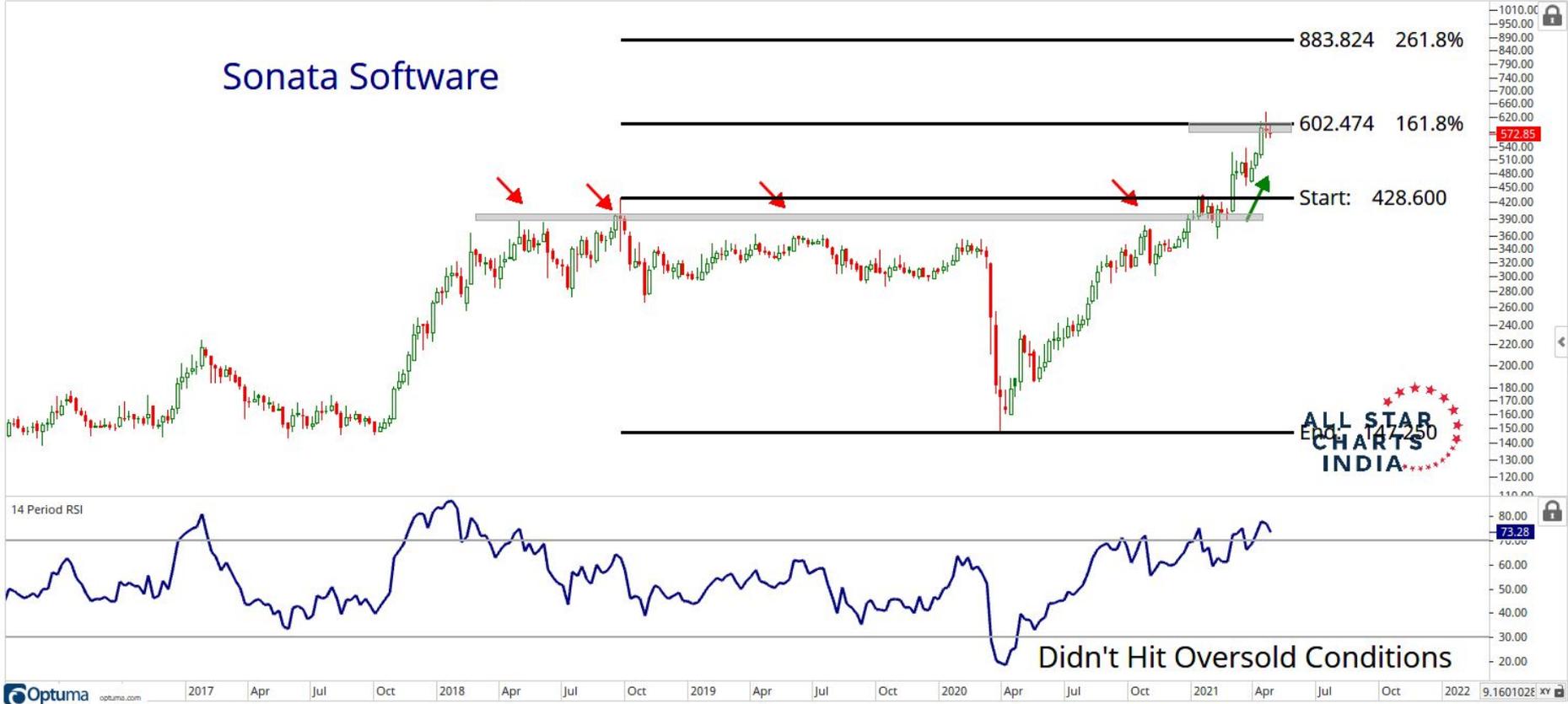
Didn't Hit Oversold Conditions

Cyient Ltd. is a bullish as long as it remains above 615, for a target of 885.



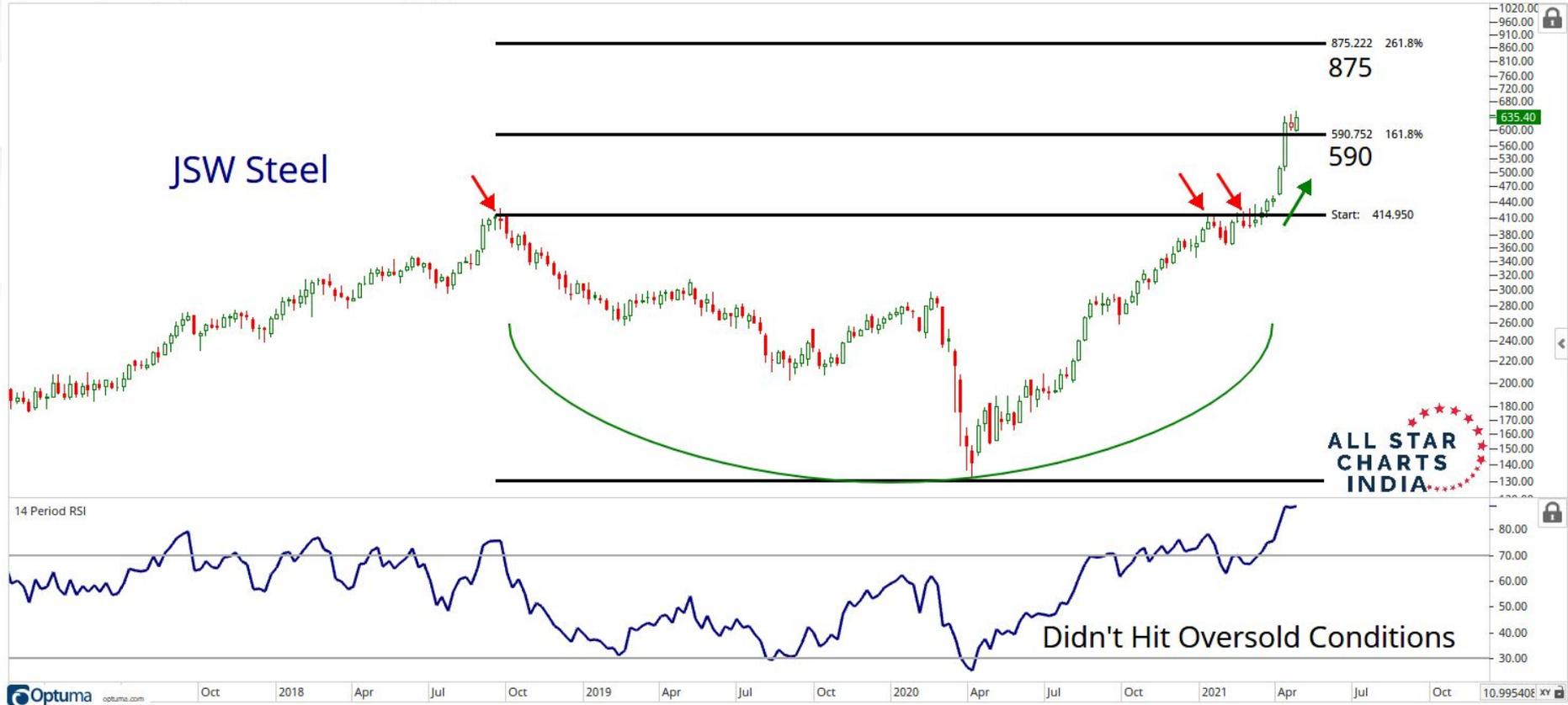
Eclerx Services is bullish as long as price remains above 1,152. We're looking at a target of 1,667.

Sonata Software



Sonata Software is bullish above the level of 602, with a target of 883.

JSW Steel



JSW Steel has moved above its 2018 highs and its bullish with a risk management level of 590 for a target of 867.

JINDALSTEL



JINDALSTEL is bullish above the level of 437, with a target of 670. A big base breakout can be seen here too.

Ratnamani Metals & Tubes



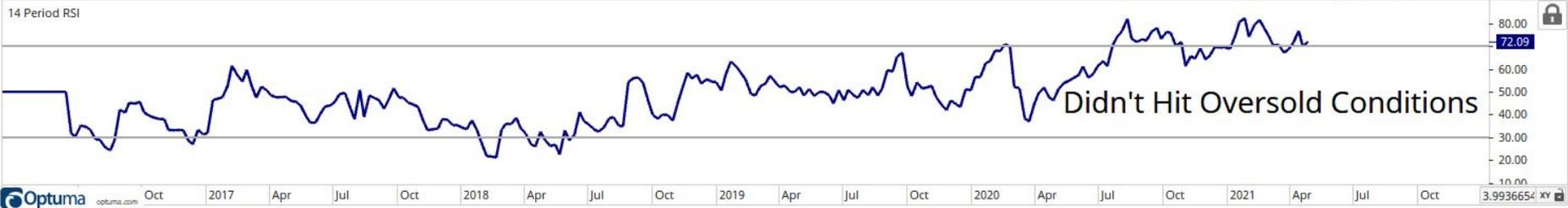
Ratnamani Metals & Tubes is bullish as long as it remains above 1,865, for a target of 3,000.

Gujarat Gas Ltd.



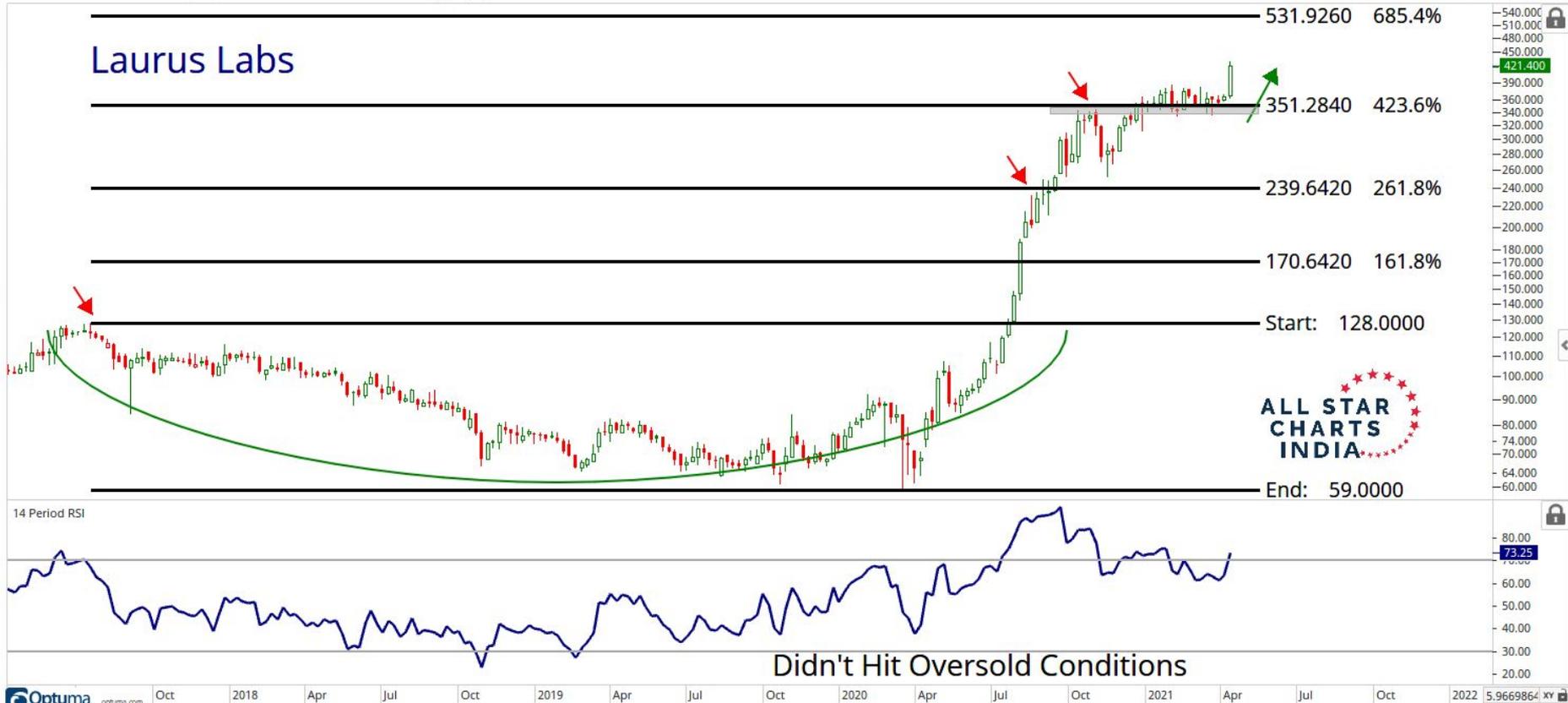
Gujarat Gas Ltd. is positive if price remains above 513, with a target near 713. Energy has hit a pause, but rotation back into these stocks would bode well for Gujarat Gas.

Sequent Scientific



Sequent Scientific is bullish only above 275 with a target of 417. Pharma has been picking up pace and Sequet is one of the strongest stocks in this sector.

Laurus Labs



Didn't Hit Oversold Conditions

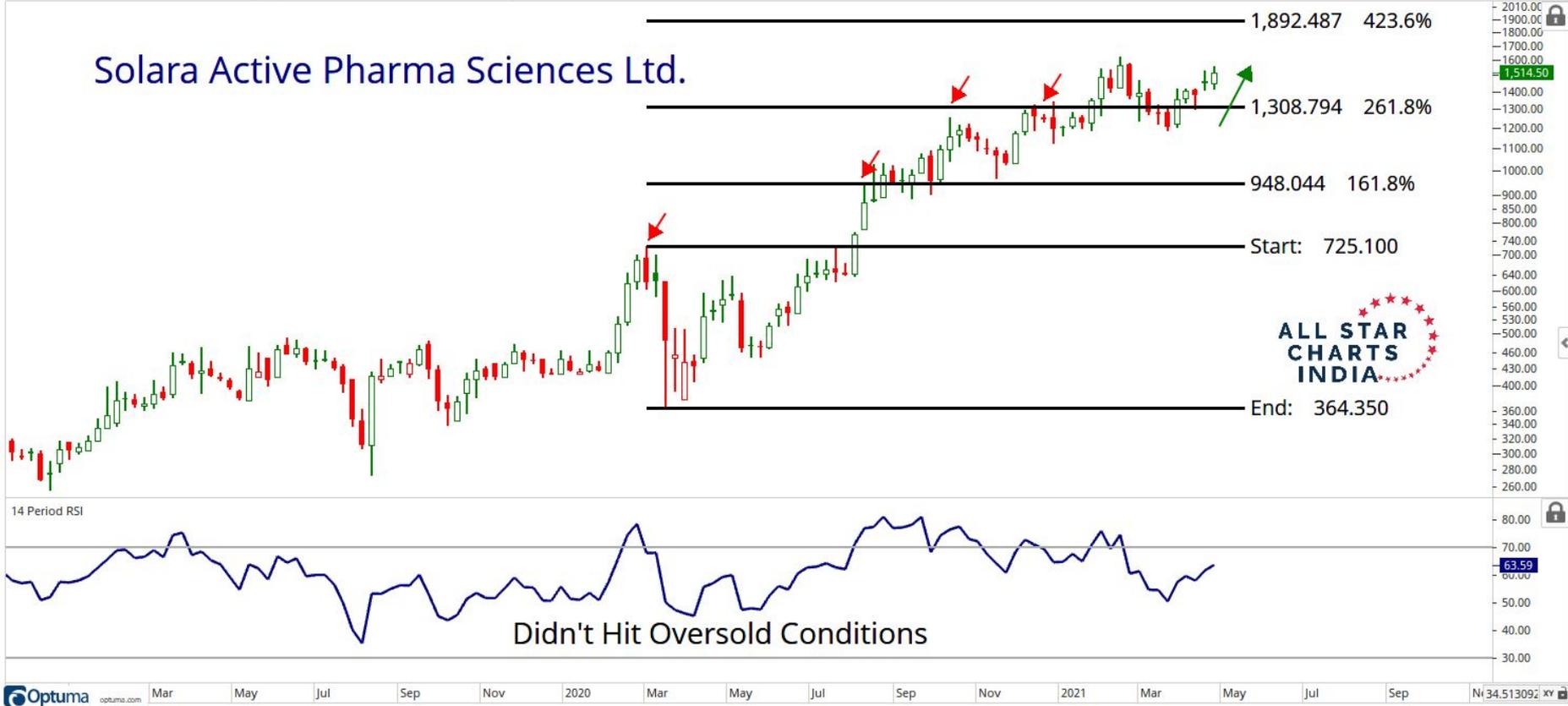
Laurus Labs continues to maintain its uptrend and is a positive if price remains above 351, for a target of 532.

Poly Medicare



Poly Medicare is bullish above the risk management level of 856, with a target of 1,312. This one is on our radar and we're waiting for a breakout price confirmation.

Solara Active Pharma Sciences Ltd.



Solara is bullish above the level of 1308 with a target near 1890. The stock has been gaining strength on a relative basis as well.

Suven Pharmaceuticals



Suven Pharmaceuticals is bullish above the risk management level of 446, with a target near 700.

Cadila Healthcare



Cadila is positive above the level of 558, with a target near 779.

Ramco Cements Ltd.



Ramco Cement Ltd. broke out of a three year base. This stock is bullish with a risk management level of 904 and a target of 1429.

Birla Corporation Ltd.



Birla Corporation Ltd. is breaking out of its base and is bullish above 924 with a target near 1,225.

Vinati Organics



Vinati Organics is bullish above the level of 1,533, for a target of 2,078. Chemicals have been doing well and we've published a post elaborating on actionable ideas from this space. Check it out [here](#).

Supreme Petrochem Ltd.



Didn't Hit Oversold Conditions

Supreme Petrochem Ltd. is breaking out of its four-year base. We are bullish above the level of 650, with a target near 986.

Procter & Gamble



Procter & Gamble has broken above its base. The risk management level is 12,775 with a target near 15,480.

Zydu Wellness



Zydu Wellness is another name that is part of big-ase breakouts! The stock is bullish as long as the price remains above the risk management level of 1,980. We're looking at a target of 2,531.

Balrampur Chini Mills

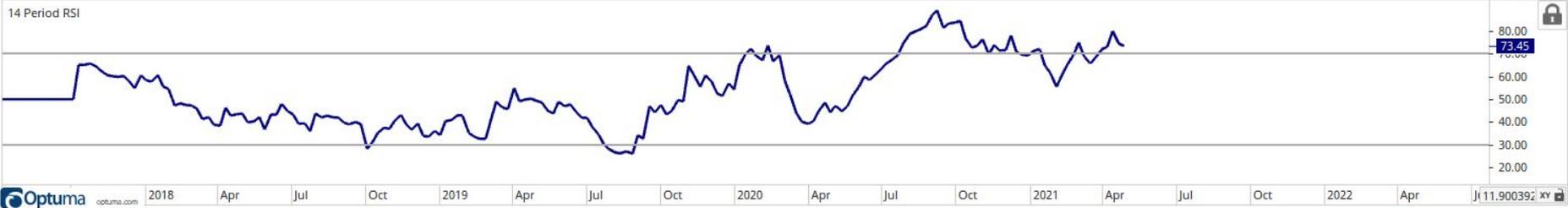


Balrampur Chini Mills is bullish above the level of 202, with a target near 310, beyond which 482 may come into play.



Radico Khaitan is positive as long as the price remains above 475, for a target of 740.

Central Depository Services Ltd.



Central Depository Services Ltd. is bullish above the risk management level of 674, for a target of 979.

Orient Refractories Ltd.



Orient Refractories Ltd. has broken above a big base; sustained move above 279 can take the price further towards 385.

Conclusion

Going by the charts and the stage of the market we're in, a cautious approach is what would be most fruitful. Since most of the charts are at important inflection points, it is mandatory to take action only when price trends have been confirmed.

Our analysis at present does not hint at this being a market top. The weight of the evidence continues to point to a continuation of the underlying trend- which has been positive.

With that mind, we have shared the sectors that we're bullish on and the sectors that we'd like to avoid going by their underperformance. While commodities and stocks are in the lead, factors such as the rising US Dollar and Government bond yields could make the journey a tad bit challenging. At present, the market scenario is not like it has been over the past year. Stock selection depends heavily on the handful of sectors that will outperform at any given time. We do believe that Mid- and Small-cap will lead the way as they have been for some time now.

Is the trend still up? Yes.

Do we have to be cautious? Yes.

Will we witness more short-term corrections? Definitely.

This is a self-serving exercise for us. We get a ton of value from putting this together and organizing our thoughts.

We hope this report adds value to your process. Your feedback is always welcome and encouraged!