

Tactical Sector BUY- Private Large Cap Commodities

Nifty Commodities index in the past 6 months has seen a decline of 20%, thus testing support of long term bear market. However, in the past 10-12 weeks, the pace of decline has been contracting significantly. In fact from Mar 2018 lows, Nifty commodities index is down merely 5% despite such sharp rises in dollar index from 89.5 to 95 levels.

As commodities vary inversely to US Dollar globally, time has now come for some consolidation in Dollar Index and that should help sharp rebound in the commodity stocks.

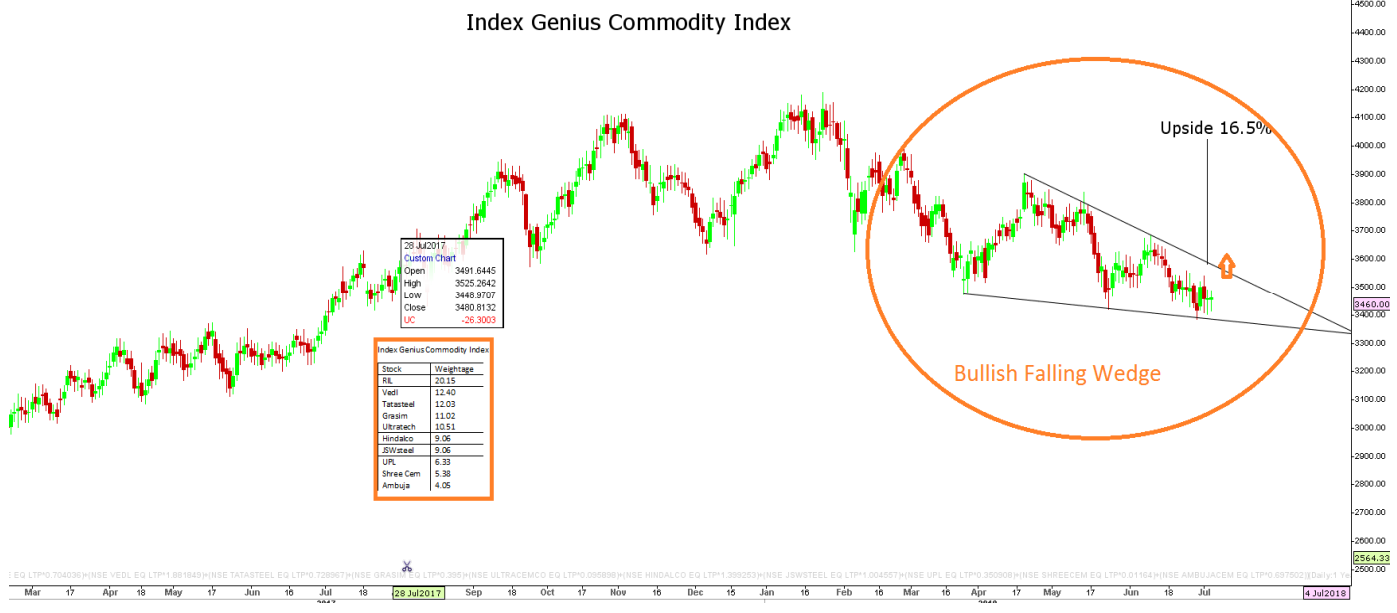
Price sequence in Nifty commodity index suggests formation of *bullish wedge* which happens to occur near important Fibonacci retracement of 38.2%. Based on amplitude of trading range within *falling wedge*, we expect 14% absolute gains in the near term.

To benefit from short term price gains, we need to construct a portfolio replicating Nifty Commodity index. As Index of Public sector Enterprise (PSE) has already entered into a long term bear market, we don't expect cumulatively PSE stocks to gain in the near term. Thus, we are excluding these stocks from Nifty Commodity index.

Index Genius Commodity Index

| Stock | Weightage |
|--------------|-----------|
| RIL | 20.15 |
| Vedanta | 12.40 |
| Tata Steel | 12.03 |
| Grasim | 11.02 |
| Ultratech | 10.51 |
| Hindalco | 9.06 |
| JSW Steel | 9.06 |
| UPL | 6.33 |
| Shree Cement | 5.38 |
| Ambuja | 4.05 |

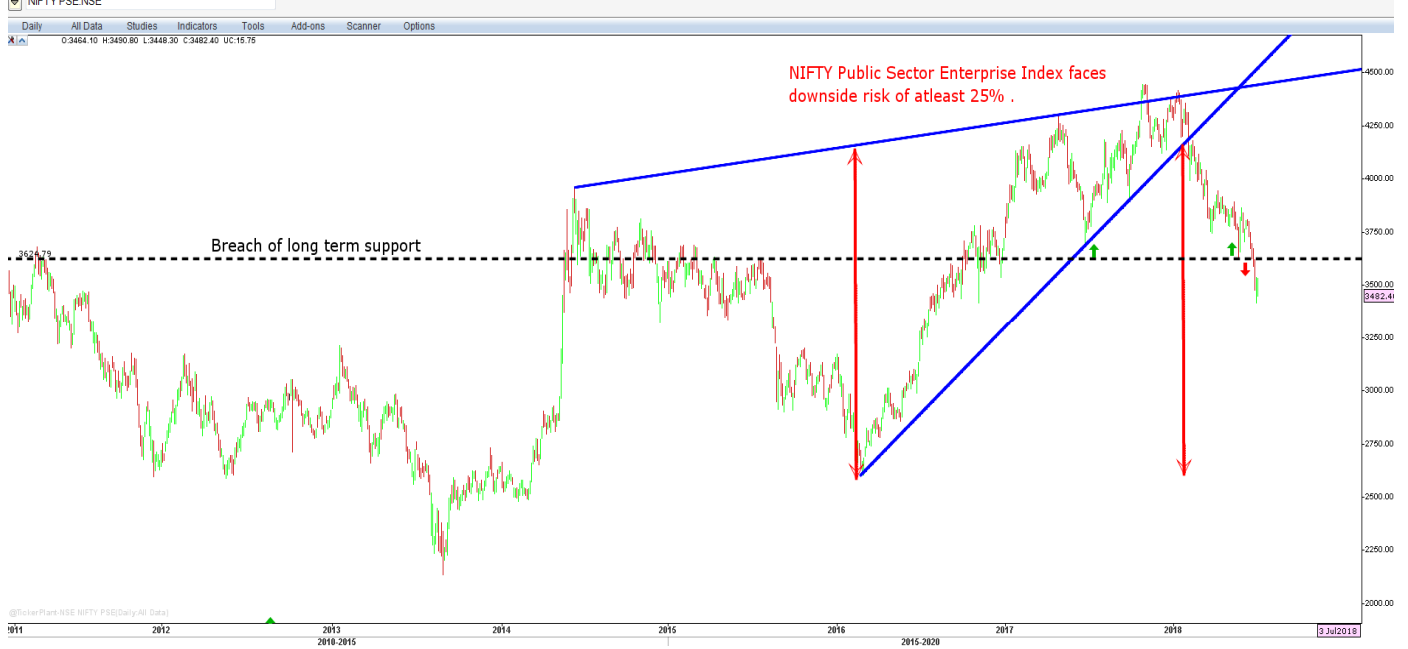
Index Genius Equity Commodity index



Nifty Commodity Index



Reason for avoiding PSE stocks from Nifty Commodity index



US Dollar Index



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