



## Natural Gas

**CMP: Rs 174.20** (As on 01<sup>st</sup> Jun 2015)

**Buy at CMP Rs 174.20 and add more above Rs 180**

**Target Price: Rs 197-210**

**Stop Loss: < Rs 163**

Natural gas prices have been sliding relentlessly since November last year. The most important point is that the fall in prices was seen during the peak period of demand in US. Despite record breaking cold waves in US in January to March, the highly volatile commodity failed to bounce off the lows. Fundamentally, this can be attributed to the fact that the stockpiles were higher and at the same time, competition in fuel segment was intense due to availability of other options for heating in US. Natural gas witnesses peak demand during extreme cold wintery waves or during extremely high temperatures in summer. Thus, we can see that prices have started to pick up since last one month of summer but still the interruption in form of recent correction exists. One very important development that has taken place is declining storage or inventories. During the peak winter demand, storages were at multi year highs which easily allowed demand to absorb. Now, the storages have attained a level from where any unusual hike in demand will cause a big supply crunch. From this junction, it can be concluded that a strong mid-term rally is on cards and current prices are the best a trader can get. Let us check the strength of these facts on technical chart.



On daily chart, natural gas is forming a harmonic 5-0 pattern. The pattern consists of 3 legs of ongoing bearish trend and 2 legs of bounce backs. The second leg of bounce back is sharp and the action starts when this strong bounce back faces selling in the form of third and final leg of bearish trend. This leg corrects the bounce back till Fibonacci golden ratio of 61.8% or till harmonic number support of 78.6% or 88.6%. In this case, the correction of recent May rally has marked its probably last point at 88.6% or Rs 169.80 (July contract) and a breakout of the falling trend line will bring in a sharp rally towards Rs 210.

**We recommend Buy MCX Natural Gas July contract at CMP Rs 174.20 and add more above Rs 180 for targets in the range of Rs 197 to Rs 210, maintain stop loss below Rs 163.**

## USDINR June

**Sell : < Rs 64.60 – 64.50**

**Target Prices: Rs 63.20**

**Stop Loss: < Rs 65.15**

**CMP: Rs 64.20 (As on 31<sup>st</sup> June, 2015)**

Economic sentiments globally are on very volatile growth path due to uneven monetary policy actions. US the developed world has shown a sign of a gradual recovery driven mainly by renewed confidence in the US growth outlook and the implications for actions taken by Federal Reserve (Fed). Consumer confidence and spending remain well supported by strengthening job and income gains, cheaper gasoline prices, low borrowing costs, and rising stock market pricing and home values. However, the recovery in the US housing market has been slow, with homes sales restrained by limited inventory in some segments of the market and still tight credit conditions. Mean while, US dollar strength and moderate global growth are expected to weigh on export activity this year; solid domestic sales should maintain expanding manufacturing production. At the same time, the US economy is getting a lift from a pickup in local and state government spending, and a reduced pace of federal fiscal restraint.



After a slight correction, US dollar index continued its north ward journey last month. The said index is continued to witness bullishness as positive candle stick is spotted in the monthly chart. However, USDINR Chart is looking quite weak as Indian economic sentiments are strong on loosening of monetary policy by RBI. In the monthly chart, a high wave candle stick is indication of sideways mode. Sometimes, high wave candle stick also indicates a short term trend reversal mode. Also, scattering of short and medium term moving averages is indication of high volatility either side in the market. For the coming month we recommend selling in USDINR June contract on the rise of Rs 64.50 – 64.60 for the target of Rs 63.20 with stop loss above Rs 65.15.



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