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MONTHLY VALUE PICKS

Fundamental triggers, technical factors and other quantitative indicators are the variables which impact stock prices in the near term.

Our aim is to provide a list of stocks to our clients who prefer to have a relatively shorter term view. This portfolio will be re-balanced on a monthly basis. The construction of the portfolio is described below.

The model applies technical and other quantitative techniques to stocks in some selected sectors, which are expected to see some fundamental triggers in the near term.

Preferred sectors / stocks

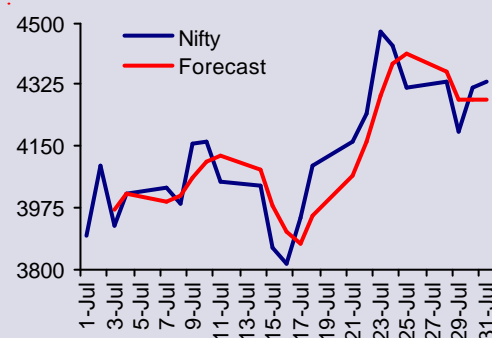
- ❑ A universe of stocks is selected from select industries which are expected to see some triggers (positive or negative) over the said period. Stock specific triggers are also covered. The intention is to select those stocks which will move either way on occurrence of that trigger within the given time frame.
- ❑ Short-term triggers such as major policy / regulatory changes, monsoon, international events, commodity cycles, quarterly results are given weightage. It is a relative study of valuation within the universe.

Stocks / sectors with triggers

Stock	Factors effecting the stock	Impact on the Stock
Jindal Steel & Power	Increase in Steel price from 1st week of August, unless government disapproves it.	Positive
Mundra	Expecting positive outcome of the court case	Positive
Sesa Goa	Expected increase in Iron ore prices by competition	Positive
SCI	Disinvestment talks	Positive

Source: Kotak Securities - Private Client Research

Nifty Movement



Source: NSE, Kotak Securities - Private Client Research

Technical/momentum indicators

- Stocks with short term favorable triggers are further evaluated deploying technical analysis.
- Stock are measured on indicators such as break-outs, trends, downturns, topups, support, resistance and retrenchments levels, to capture the short runs.

Technical Analysis

1. **Price patterns:** Includes primarily bullish/bearish consolidation formations and Higher Top and Higher bottom series.
2. **Fibonacci Retracement:** Ratios like 38%, 50% and 61.80% are commonly used to fine tune entry and exits in the markets.
3. **Volume indicator:** Analysis of price coupled with volumes helps us to know which side the aggression of the market or particular stock/sector.
4. **Oscillators:** It helps us to know overbought/sold condition of the market as well as positive/negative divergence helps us to know which side the market is going to get pause in the near future. We have chosen Rate of Change and Relative Strength Index to support our recommendations.

Quantitative analysis

Different quantitative measures such as relative movements, correlated and non-correlated factors affecting the stocks are gauged in accordance with macro economic factors.

Quantitative readings

Stock	Quantitative analysis	Outlook
Jindal Steel & Power	Relative movement and trend analysis	Positive
Mundra	Correlation and Trend indicator	Positive
SesaGoa	Correlation with benchmark Mining index	Positive
SCI	Correlation with benchmark indices	Positive

Source: Kotak Securities - Private Client Research

Based on all the above mentioned analysis short term calls for the month of August are as mentioned below. The calls are valid until the end of August.

Value picks for the month of August

Stock Recommendation (For the month of August)

Name of the Co	Report Price	Reco	Target 1	Target 2	Stoploss
Jindal Steel & Power	2,185	Buy	2,250	2,370	1,890
Mundra	587	Buy	665	690	540
Sesa Goa	3,337	Buy	3,500	3,650	3,240
SCI	234	Buy	252	260	222

*Stoploss for target2 will be target1.

Research team

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