

October 21, 2015

**Bottom Line:** Nifty continued to move in range after sharp correction seen in last week of August and early September 2015. Short term trend on downside can resume. Move towards 7400 levels will provide buying opportunity.

#### Asset allocation:

As mentioned in previous update following is the sector allocation that we think is prudent in current scenario. We are keeping a close watch on the Elliott wave structure of Nifty and will highlight it here as and when there are signals that will confirm start of next big “Bull trend”.

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#### Suggested Investment Portfolio:

High Risk		Medium Risk		Low Risk	
Equity	50%	Equity	30%	Equity	10%
Hybrid	0 %	Hybrid	10%	Hybrid	10%
Debt	40%	Debt	50%	Debt	70%
Gold	10%	Gold	10%	Gold	5%
Cash/Liquid	-	Cash/Liquid	-	Cash/Liquid	5%

The below research covers outlook on

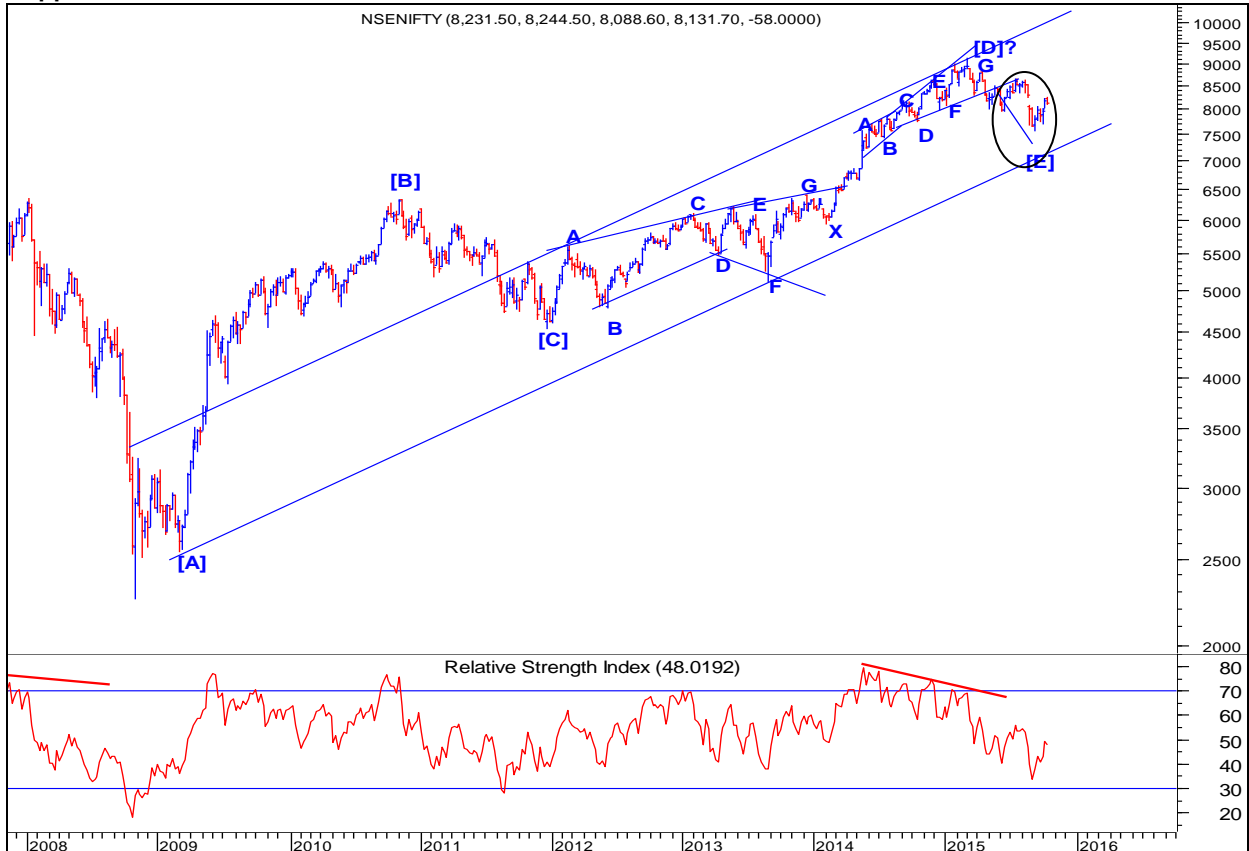
- Nifty
- Gold
- L&T India Prudence fund
- L&T India Value Growth fund
- L&T Gilt fund

*Where to Invest in October 2015?*

**Nifty Weekly chart: (anticipated on 17<sup>th</sup> May 2015)**



**Happened:**



Nifty daily chart:



Wave analysis:

In the previous weekly update we mentioned that, *“the downside trend that started on Nifty in early 2015 still has a few legs to complete. After few days of sideways action the selling pressure can start to intensify. Invest cautiously!”*

From last week Nifty has continued to move in sideways to positive action which lack of momentum and now prices have reached towards the inflexion zone of 8280-8300 which was cited in previous updates when Nifty was trading near 7900-7950 level. Most of the technical indicators like Volumes, momentum, Elliott wave and Time cycle concept has been suggesting that Nifty has been moving in matured stage now and one should stay alert as sharp reversal on downside is plausible.

Based on the above concept we forecasted in early May 2015 that Nifty is going to move lower when it was trading near 8500-8600 level as shown in first chart. In the second chart we can see that Nifty has precisely followed our path and touched the low at 7540 level by start of September 2015. However internal pattern is still under formation which is explained below and suggests us that down move has still to go over the coming weeks.

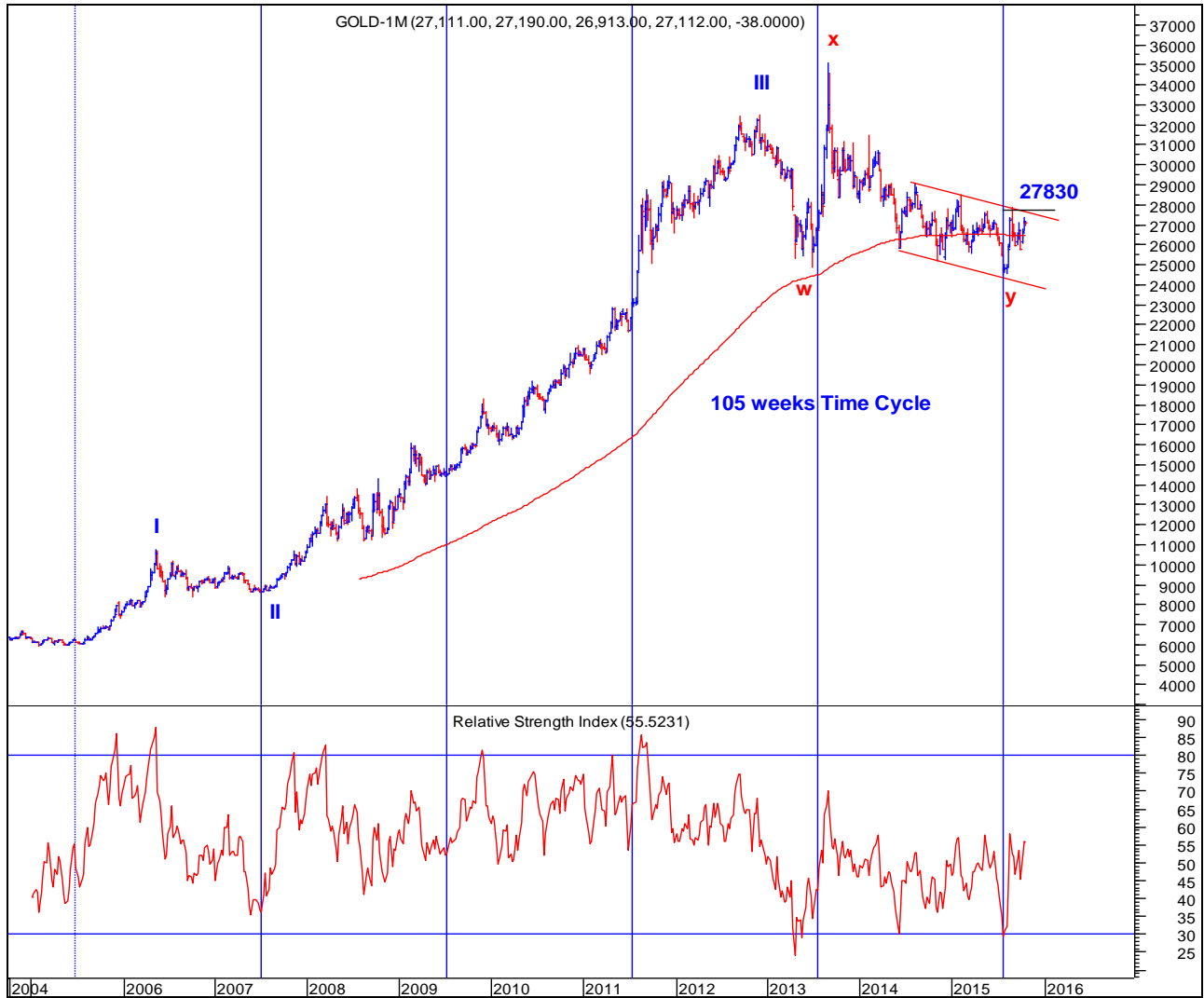
As shown in daily chart, as per Advanced concept of Elliott wave intermediate wave (e) of Diametric pattern completed in form of Extracting Triangle pattern at the low of 7690 and since then wave (f) is ongoing on upside which looks to be at matured stage. Now faster move below 8085 which is the last rising segment will indicate that medium term down move has resumed in form of intermediate wave (g) of Diametric pattern which will head towards 7400 or further lower levels.

In short, we continue with our stand that Nifty has been moving in Distribution phase and fresh leg on upside has not started yet. From investment perspective, one should not be aggressive while investing in Equities and should have mixture of asset allocation like Debt, Hybrid. Faster move below 8085 level will indicate that medium term down move has started towards 7400 level.

*Where to Invest in October 2015?*

Should investments be done in Gold?

MCX Gold Continuous Weekly chart:



MCX Gold Continuous Daily chart



**Elliott wave analysis:**

In the last week Gold has continued the upside trend and touched the high near 27400 level however post that there has been reduction in momentum and hence suggest us to be cautious at current level.

As shown in weekly chart, post witnessing the sharp rise in the month of August 2015 prices have been moving in more of time bound correction and not heading anywhere from medium term perspective. On weekly chart prices have completed intermediate wave y (as shown in red color) at 24500 level and since then intermediate wave x is running its course. Prices are intact in downward moving channel, so over medium term move above 27830 is required to see further positivity in this commodity.

As shown in daily chart, internal structure of intermediate wave x suggests that minor wave (a) completed at 27830 and since then minor wave (b) has been ongoing which looks to be forming Expanding Triangle pattern as shown in red trendline. Looking at the reduce momentum on upside one push on downside cannot be ruled out in coming weeks. This possibility remains open as long as 27830 is intact on upside.

In short, Gold has been trading in range of 27830 and 25500. To witness any kind of trending move break of either of this level is required.

L&T India Prudence Growth Fund - daily chart



L&T India Prudence Growth is an open ended scheme launched in January 2011. This belongs to a Balanced category as the fund has exposure of 66% to Equity and remaining in debt and Cash / Call instruments. The fund is ranked 2<sup>nd</sup> in large cap category by Crisil.

**Portfolio Analysis:** As per the sectoral holdings Banking/Finance have been most favored sector for this fund as it is contributing nearly 13.60% to the entire portfolio followed by Technology and Engineering Sector.

Top Holdings and Sector Allocation for this fund are shown below:

**Top 5 Holdings:**

Company	% Assets
Infosys	2.99
HDFC Bank	2.42
TCS	2.15
ICICI Bank	1.99
L&T	1.93

**Sector Allocation:**

Sector	%
Banking/Finance	13.60
Technology	9.44
Engineering	7.32
Manufacturing	5.10
Automotive	4.98

**Returns and Performance in compared to its Benchmark S&P BSE 200:**

**Returns as on 20<sup>th</sup> October, 2015**

Performance	Fund	S&P BSE 200
1 Year	19.7	7.4
2 Year	30.1	19
3 Year	22.4	14.5

**Risk Profile:** This fund has around 65% exposure to Equity and rest to debt. So this is a well placed fund who wants to take medium risk and given the current market condition it is very well positioned by diversifying risk into Equity & Debt.

**Technical Perspective:** The weekly chart for L&T India Prudence Fund shows impulsive rise in form of 5 waves from August 2013. The most basic concept of **Elliott wave** suggests that in order to understand the trend one has to see if the movement is in 5 waves or corrective fashion. An impulsive move since 2013 indicates that the major trend of this fund is on upside and prices are currently correcting this up move in 3 waves. Post the completion of the correction that is currently ongoing the major degree uptrend should resume.

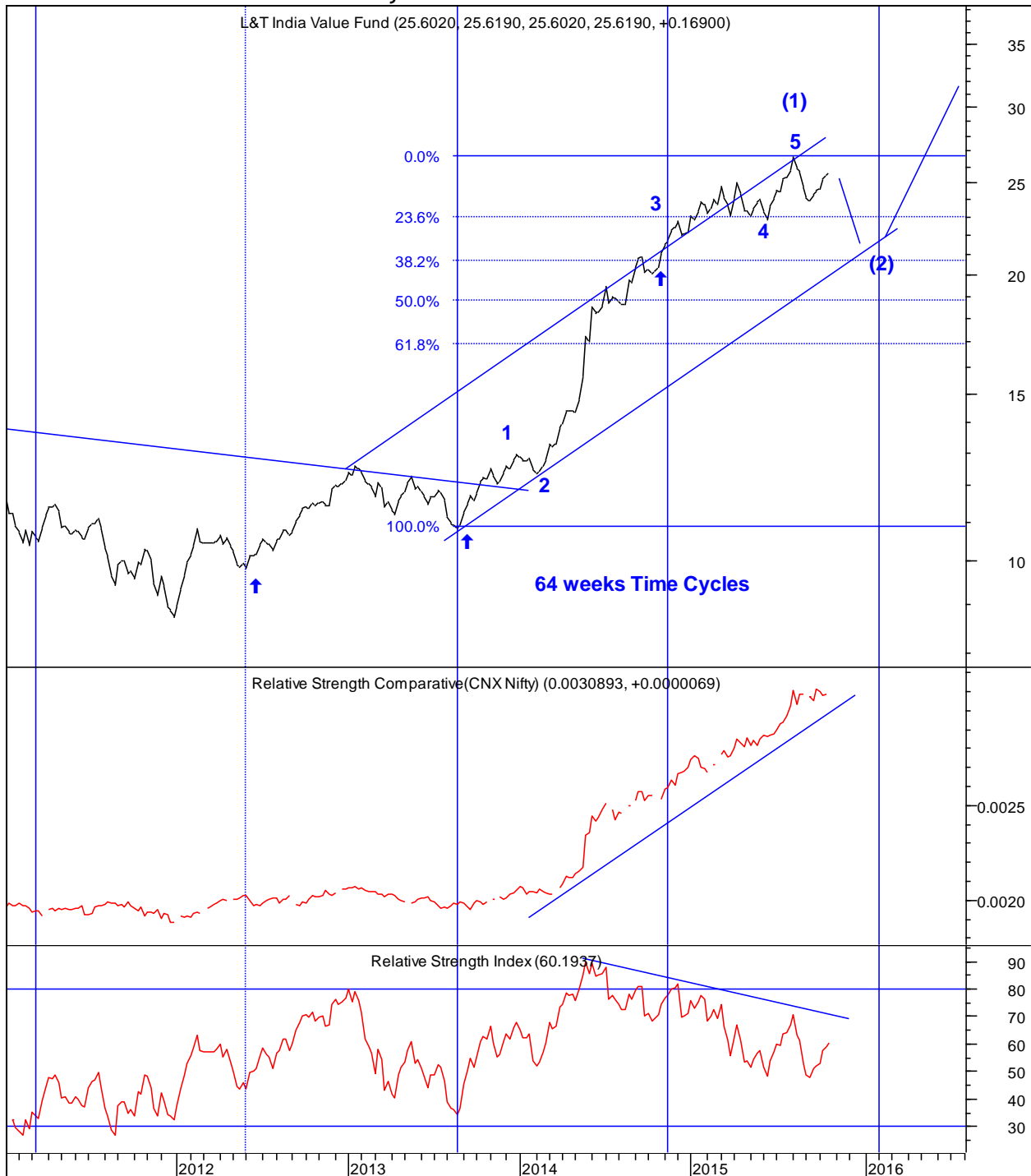
**Comparison with Nifty:** The indicator below the NAV plot shows relative strength of this fund with Nifty. This fund has strongly outperformed during the period even when the scheme has exposure to the extent of ~35% to debt component.

**Short term reduction in momentum:** Relative strength Index (RSI) is an indicator that measures the speed of price movement. Over past few weeks we can see that prices are making higher highs but RSI has failed to show any upside momentum which is cautious sign. This is also in sync with the Elliott wave counts that suggest that downside correction is ongoing and we can see few weeks or months of underperformance before the strong uptrend can start.

**Investment Perspective:** Corrections will offer good opportunity to ride the next strong uptrend post its completion. It is prudent to invest in this fund in form of SIP to capitalize on the down move as and when it happens. Impulsive move on upside clearly suggests that the long term trend is positive and over short term any move towards the Fibonacci retracement level of 38.2% which is at 17 will provide excellent opportunity to do lumpsum investments. Until then it is best to invest in form of SIP and we will highlight it here as soon as strong upside reversal is in near vicinity!

**[Invest Online](#) in L&T India Prudence Growth Fund**

**L&T India Value Growth Fund - weekly chart**



**L&T India Value Growth Fund** is an open ended scheme launched in January 2009. This belongs to a Diversified category as the fund has exposure across Largecap, Midcap and Smallcap. **This fund is ranked 1 in Diversified category by Crisil.**

**Portfolio Analysis:** As per the sectoral holdings Banking/Finance have been most favored sector for this fund as it is contributing more than 15% to the entire portfolio followed by Manufacturing and Cement Sector. Top Holdings and Sector Allocation for this fund are shown below.



**Top 5 Holdings:**

Company	% Assets
Infosys	4.95
ICICI Bank	4.47
HPCL	2.59
UPL	2.44
Axis Bank	2.37

**Sector Allocation:**

Sector	%
Banking/Finance	16.48
Manufacturing	11.23
Cement	10.83
Automotive	7.90
Technology	6.74

**Returns and Performance in compared to its Benchmark S&P BSE 200:**

**Returns as on 20<sup>th</sup> October, 2015**

Performance	Fund	S&P BSE 200
1 Year	27.4	7.4
2 Year	44.4	19
3 Year	30.3	14.5

**Risk Profile:** This fund belongs to the high risk category given complete exposure only to equity. However, by way of SIP the risk can be reduced and also prudent asset allocation across different scheme including debt and balanced fund can provide optimum mix and reduce the risk. Also as we think long term trend for Nifty is on upside this fund offers good opportunity to ride the next wave of up move.

**Technical Perspective:** The above weekly chart of NAV suggests that since mid 2013 this fund has showed impulsive rise. The impulsive move from 11 to 27 suggests that long term trend for this fund remains on upside. In the mid of June 2015 NAV has completed first leg of up move in form of intermediate wave (1) and recent movement suggests that intermediate wave (2) has started which will provide buying opportunity and should move as per path shown on chart. NAV can move towards 22-21 level where 38.2% retracement of the prior up move has been placed by start of 2016 which will provide excellent buying opportunity to invest in this fund to ride the intermediate wave (3) on upside.

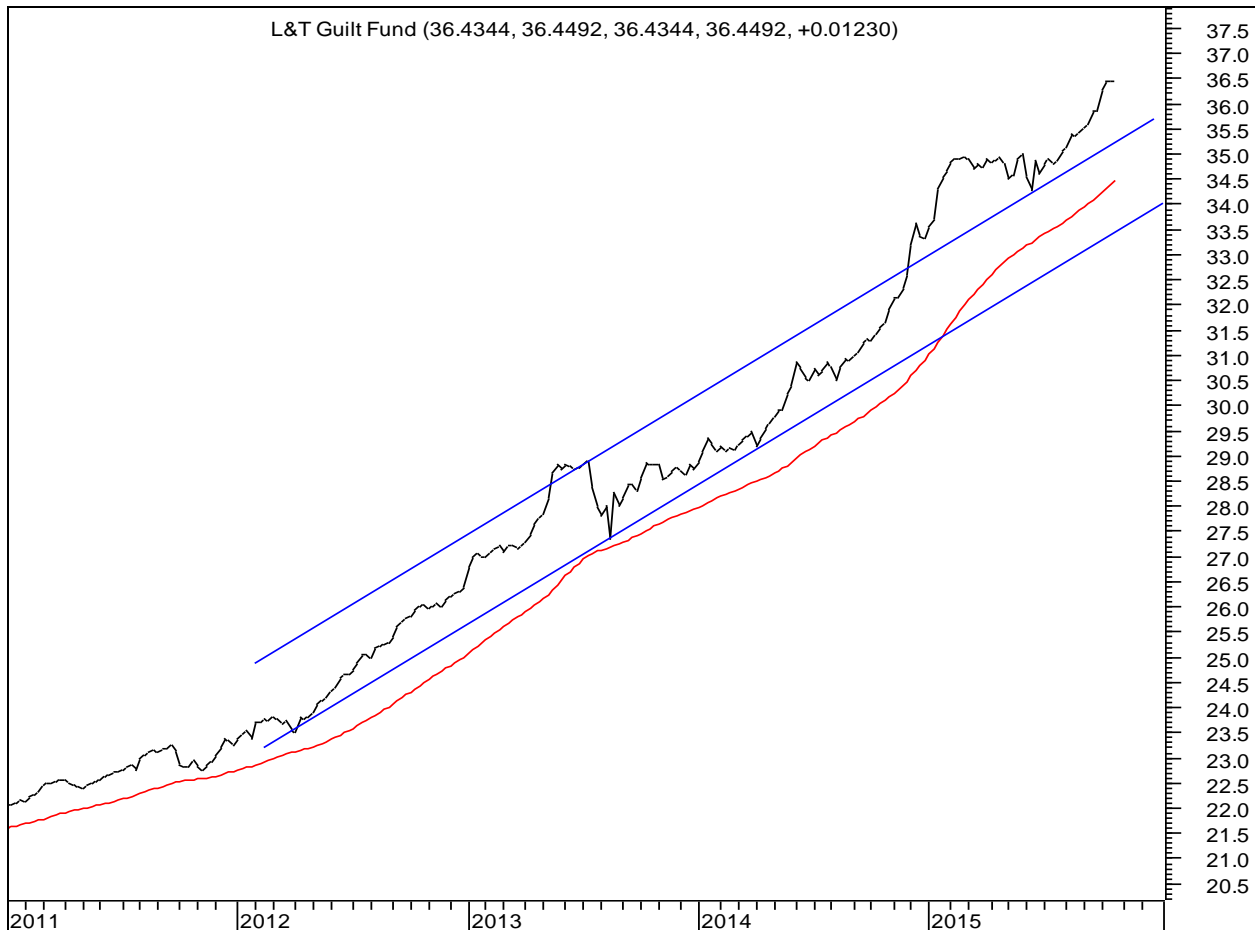
**Time cycle of 64 weeks:** Time is difficult parameter to judge while investing nevertheless here we are trying to find out the cycles which can increase in objectivity while doing investment process. 64 weeks Time cycle has been working well and the same is due by start of 2016. So we expect NAV to move in correction till start of 2016 and towards 22-21 level which will provide buying opportunity.

**Comparison with Nifty:** On daily chart we have shown how this fund has performed in comparison with Nifty. Since March 2015 Nifty has been retracing the prior up move and has retraced 38.2% till now. However we can see that this Fund has hardly moved lower. So over medium to long term it has been outperforming as compared to Nifty which is a positive sign.

**Investment Perspective:** Small investments can be made in this scheme and once the correction is complete the exposure can be increased to capitalize on the next big move. Systematic investments by way of SIP offers good option for now.

[Invest Online](#) in L&T India Value Growth Fund

L&T Gilt Fund - Debt oriented investment



L&T Gilt Fund - Growth

We always look out for the best returns possible, but can we say that all returns are always fixed and safe?

This fund provides the option to the investors to earn best possible returns with lower risk appetite. We think that the interest rate cycle in India has reversed and the trend on downside should continue atleast over next one or two years. This will be beneficial for the funds focusing on the long term debt rather than short term structure. L&T Gilt fund is well placed within this space as the maximum exposure is to long term government debt. This Scheme aims to generate returns from a portfolio investment in Government Securities. By investing in this fund the investor can earn returns by investing in securities issued by the central and state governments or in reverse repos of such securities, which are guaranteed by the central or state governments.

This fund is classified as Open ended dedicated gilt (government securities) Scheme.

The scheme is suitable for those investors whose risk appetite is very low and can offer excellent mix along with the other equity and balanced scheme shown above. **Timing the asset allocation is the key to generate strong alpha returns in current scenario.**

[Invest Online](#) in L&T India Gilt Fund

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