



**BRAJ BINANI GROUP**

# Daily

Wednesday 02, August 2017

Currency Market

Precious Metals

Base Metals

Energy Market

## News & Report Analysis

- NCLT to pronounce Essar Steel's insolvency order today
- Japanese Steelmakers happy with high price
- Tata Steel completes sale of Hartlepool SAW mill
- Lynchburg Steel Company's Closure to cost Jobs
- 4% of Hindustan Copper at Rs 65 per share
- JSW Steel Q1 net profit falls 43%
- Tata Steel eyes commercialisation of advanced material graphene

**JSW** NEOSTEEL  
PURE TMT BARS



U.S. stocks closed higher on Tuesday, the first trading day of August, as the Dow Jones industrial average approached another milestone.

The 30-stock index rose 72.80 points close at a record of 21,963.92, with 3M and Goldman Sachs contributing the most gains. The Dow also came within 10 points of reaching 22,000. The S&P 500 advanced 0.24 percent to end at 2,476.35, with financials leading advancers. The Nasdaq composite also climbed 0.23 percent to end at 6,362.94.

Dow futures briefly signaled the index would break above 22,000 for the first time. The Dow is coming off its strongest monthly performance since February, having risen 2.54 percent. Shares of Boeing contributed the lions share of the gains, adding more than 300 points to the index.

"This has been mostly earnings driven and the earnings have been terrific," said Crit Thomas, global market strategist at Touchstone Investments. "There's really no other way to describe it."

The Dow, along with the Nasdaq and the S&P, notched record highs in July as investors shrugged off news of the turmoil in Washington as well as geopolitical tensions. The White House is once again on Wall Street's radar after the recently appointed communications director Anthony Scaramucci was fired on Monday. He

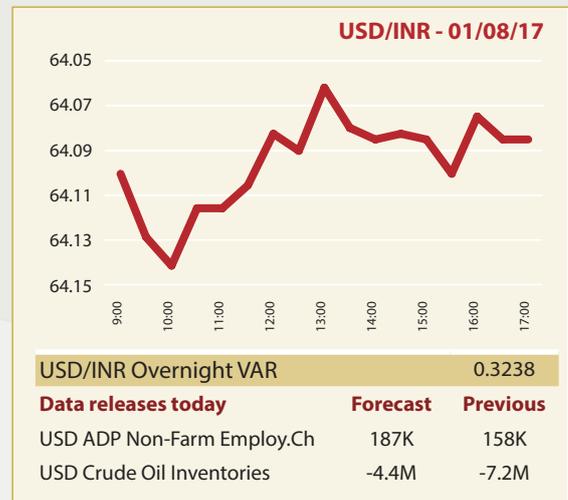
was in the position for 10 days.

"The market wanted to go up and did, posting five new closing highs in July, as it continued to watch the Floor, rather than the man or groups in Washington," Howard Silverblatt, senior Index analyst at S&P Dow Jones Indices.

That said, The Earnings Scout CEO Nick Raich pointed out Tuesday that the overall earnings growth this season is below that of the previous one.

"What's more, based on current expectations and revision trends, growth is likely to decelerate more over the next two quarters," Raich said in a note to clients. "Therefore, we are maintaining our recommendation to underweight global stocks by 5% of your normal strategic allocation."

Earnings season continues Tuesday with tech giant Apple set to report after the close.



6 mth LIBOR	Major Currencies	Today's Crosses	Spot v/s INR	Cash	Forward Rates v/s INR (Export/ Import)					
					August	September	October	January	April	July
1.46	USD / INR		<b>64.11 / 12</b>	64.09 / 10	64.33 / 35	64.56 / 59	64.82 / 85	65.58 / 61	66.29 / 32	67.02 / 05
-	ATM Options (put/call)	-	-	-	0.28/0.29	0.47/0.48	0.61/0.62	1.01/1.03	1.28/1.32	1.54/1.60
0.15	EUR / USD	<b>1.1812</b>	<b>75.72 / 73</b>	75.70 / 71	76.09 / 12	76.50 / 52	76.93 / 96	78.23 / 26	79.48 / 50	80.78 / 80
0.01	USD / JPY(100)	<b>110.65</b>	<b>57.93 / 94</b>	57.91 / 92	58.20 / 23	58.50 / 53	58.82 / 85	59.79 / 82	60.73 / 77	61.70 / 74
0.42	GBP / USD	<b>1.3198</b>	<b>84.61 / 63</b>	84.58 / 60	84.97 / 01	85.37 / 41	85.80 / 84	87.06 / 10	88.24 / 28	89.47 / 50
-0.65	USD / CHF	<b>0.9665</b>	<b>66.32 / 33</b>	66.30 / 31	66.67 / 69	67.04 / 07	67.45 / 48	68.68 / 70	69.84 / 85	71.05 / 07
3.06	AUD / USD	<b>0.7952</b>	<b>50.97 / 98</b>	50.95 / 96	51.14 / 15	51.30 / 32	51.49 / 50	52.03 / 04	52.55 / 56	53.07 / 08

Source: Meclat Financial

Athletic apparel firm Under Armour reported better-than-expected quarterly results before the open, but the company's stock fell 8 percent on weaker-than-expected guidance.

Investors also turned their eyes to a slew of economic data on Tuesday. The IHS Markit manufacturing PMI hit its highest level in four months in July, while U.S. construction spending declined 1.3 percent in June.

U.S. personal income for June remained unchanged, below an expected increase of 0.3 percent.

Later this week, the U.S. Labor Department will release its monthly employment data. The report is often considered the most important economic report of the month.

"Figures on employment and capital spending over the coming month will give us a better sense of what second-quarter profits really mean - beyond whether they beat Wall Street estimates, a dubious distinction at best," Steve Blitz, chief U.S. economist at TS Lombard, said in a note.

Investors will examine every piece of economic data this week for clues about the Federal Reserve's next monetary policy move. Market participants aren't expecting the Fed to raise rates again this year until December, but the central bank has hinted it could start rolling off its massive \$4.5 trillion balance sheet in September.

U.S. Treasury yields traded lower Tuesday, with the 10-year yield at 2.257 percent and the two-year yield near 1.347 percent.

Asia markets traded mostly higher Wednesday, with technology shares gaining after Apple earnings and as investors digested Asia earnings and Tuesday's releases of U.S. and European data.

Japan's Nikkei 225 was up 0.55 percent. Across the Korean strait, South Korea's Kospi edged up 0.31 percent, boosted by gains in

several major tech names.

In Australia, the S&P/ASX 200 was off by 0.29 percent, with moderate gains in the industrials sub-index offset by falls in the energy and materials sub-indexes.

Hong Kong's Hang Seng Index added 0.46 percent. On the mainland, the Shanghai Composite edged up 0.05 percent, while the Shenzhen Composite was lower by 0.207 percent.

## Currency Market

The U.S. dollar briefly touched a 15-month low against a basket of major currencies on Tuesday on political turmoil in Washington and weak U.S. economic data that kept the Federal Reserve's policy outlook uncertain.

While the dollar was last higher on the day as investors consolidated positions, it was not far from its lowest in more than a year against major rivals as uncertainty was expected to continue weighing on the greenback following President Donald Trump's ouster of White House communications chief Anthony Scaramucci on Monday.

Concerns also persisted about whether the Fed would raise interest rates again this year. Expectations for a December rate hike from the U.S. central bank last stood at about 50 percent, according to CME Group's FedWatch program.

The dollar index, which measures the greenback against a basket of six major rivals, was last up 0.2 percent at 93.065 after touching 92.777, the lowest since early May 2016.

"It's all about negative dollar momentum," said Vassili Serebriakov, FX strategist at Credit Agricole in New York. "If you're short the dollar, the move has been playing out in your favor and there is little reason to change the view."

Serebriakov said weak U.S. construction spending and auto sales added to the dollar's

**Market Highlights - Gold (% change)** *as on August 01, 2017*

Gold	Unit	Last	Prev. day	WoW	MoM	YoY
Gold (Spot)	\$/oz	1268.6	-0.04	1.6	2.2	19.6
Gold (Spot -Mumbai)	Rs/10 gms	28550.0	0.18	0.5	0.4	13.7
Comex	\$/oz	1265.1	-0.59	1.3	3.5	-6.4
MCX Gold (Aug'17)	Rs/10 gms	28771.0	0.05	0.2	0.6	14.7

Source: Angel Broking

troubles. The Commerce Department said construction spending fell 1.3 percent in June to the lowest since September 2016. Economists polled by Reuters had expected construction spending to increase 0.4 percent.

Serebriakov also referred to weak US auto sales. US carmakers said Tuesday they continued to slash sales to daily rental fleets in July.

The dollar fell below 110 yen for the first time in more than six weeks, touching 109.94 yen. The dollar was last at 110.22 yen. The euro was down 0.4 percent against the dollar at \$1.1797 but not far from a 2-1/2-year high of \$1.1845 touched Monday.

The dollar index fell in July, its fifth consecutive monthly decline, the longest such stretch since December 2010 through April 2011. On a monthly basis, it was the biggest drop since March 2016.

The Indian rupee was trading marginally lower against the US dollar on Wednesday ahead of the Reserve Bank of India's bi-monthly policy due today after 2.30pm.

The rupee opened at 64.12 a dollar. At 9.15am, the rupee was trading at 64.13 a dollar, down 0.06% from its Tuesday's close of 64.19.

Of the 15 economists surveyed by Mint, 11 expect the central bank to cut the repo rate—the rate at which the central bank infuses liquidity in the banking system—by 25 basis points.

The benchmark Sensex index rose 0.21%

or 67.71 points to 32,642.88. So far this year, it has risen over 22.3%. The 10-year bond yield was at 6.445%, compared to its previous close of 6.442%. Bond yields and prices move in opposite directions.

## Precious Metal

Gold prices held early on Wednesday near a seven-week high struck in the previous session, as downbeat US data weakened the prospect of the Federal Reserve pursuing an aggressive rate hike stance.

Spot gold was little changed at \$1,268.00 per ounce at 0109 GMT. It hit \$1,273.97 in the previous session, the highest since June 14. US gold futures for December delivery fell 0.4 per cent to \$1,274.10 per ounce.

A gauge of US factory activity slid from a near three-year high in July amid a slowdown in new orders and consumer spending barely rose in the prior month, setting the stage for a moderate economic expansion in the third quarter.

The US dollar briefly touched a 15-month low on Tuesday due to political turmoil in Washington and weak US economic data that kept the Federal Reserve's policy outlook uncertain.

The United States does not seek to topple the North Korean government and would like dialogue with Pyongyang at some point, but only on the understanding that it can never be a nuclear power, Secretary of State Rex Tillerson had said on Tuesday.

President Donald Trump grudgingly accepted new congressional sanctions on Russia, Tillerson had said on Tuesday, remarks in contrast with those of Vice President Mike Pence, who said the Bill showed Trump and Congress speaking "with a unified voice."

The euro zone economy confirmed a robust expansion in the second quarter of the year,

**Market Highlights - Crude Oil (% change)** as on August 01, 2017

Crude Oil	Unit	Last	Prev. day	WoW	MoM	YoY
Brent (Spot)	\$/bbl	51.1	-2.2	3.9	8.3	39.4
Nymex Crude (Aug'17)	\$/bbl	49.2	-2.0	2.7	6.8	22.7
ICE Brent Crude (Aug'17)	\$/bbl	51.8	-1.7	3.1	8.1	42.0
MCX Crude (Aug'17)	Rs/bbl	3135.0	-1.5	1.5	5.6	28.4

Source: Angel Broking

growing twice as much as Britain for the second consecutive quarter, preliminary estimates released by the European Union's statistics agency had showed on Tuesday.

Venezuela had jailed two leading critics of President Nicolas Maduro on Tuesday in a fresh blow to the opposition after the election of a new political body with sweeping powers to strengthen the hand of the leftist government.

Asian stocks paused near decade-highs on Wednesday as investors waited to see if strong earnings results from tech bellwether Apple would ripple out to component makers in the region.

## Base Metal

London metals slipped on Wednesday on profit-taking in much of the complex following several patchy U.S. economic reports, although otherwise solid global growth reports and a weaker dollar underpinned prices.

Three-month copper on the London Metal Exchange edged down 0.1 percent to \$6,338 a tonne, following a small loss in the previous session. Prices jumped into a new range above \$6,000 a tonne late last month, striking the highest since May 2015 at \$6,400 a tonne.

Shanghai Futures Exchange copper slipped by half a percent to 50,080 yuan (\$7,446) a tonne.

A gauge of US factory activity slid from a near 3-year high in July amid a slowdown in new orders & consumer spending barely rose in the

prior month, setting the stage for a moderate economic expansion in the 3rd quarter.

US President Donald Trump is close to a decision on how to respond to what he considers China's unfair trade practices, a senior Trump administration official said on Tuesday.

LME nickel slipped by 0.7 % from around four month highs struck early this week on expectations Indonesian ore shipments could offset any losses from the Philippines, which is in the midst of a crackdown on mining pollution.

Indonesia's energy and mining ministry has recommended that two companies be issued nickel export permits for a combined 2 million tonnes, an official said on Tuesday.

## Energy Market

Oil prices fell 1 percent on Wednesday, with rising U.S. fuel inventories pulling U.S. crude back below \$50 per barrel, while ongoing high supplies from producer club OPEC weighed on international prices.

U.S. West Texas Intermediate (WTI) crude futures were at \$48.68 per barrel at 0303 GMT, down 48 cents, or 1 %, from their last settlement. That came after the contract opened above \$50 for the first time since May 25 on Tuesday.

Brent crude futures, the international benchmark for oil prices, were down 47 cents - almost 1 % - at \$51.31 per barrel.

"The coup de grace came from the American Petroleum Institute's (API) Crude Inventory release late in the New York session bringing an end to the last few weeks' trend of falling supplies in storage," said Jeffrey Halley, senior market analyst at futures brokerage OANDA in Singapore. "Traders stampeded for the door to lock in profits from the last eight days' bull-run," he added.

The API said that US crude stocks rose by 1.8 mn barrels in the week ending July 28 to 488.8 mn, hitting hopes that recent inventory draws

were a sign of a tightening US market.

Official storage figures are due to be published by the US Energy Information Administration (EIA) late on Wednesday.

Outside the United States, prices were pegged back by a survey this week that showed production by the Organization of the Petroleum Exporting Countries (OPEC) hit a 2017 high of 33 million barrels per day (bpd) - despite its pledge to restrict output together with other OPEC producers, including Russia, by 1.8 million bpd between January this year and March 2018.

Because of rising output, energy consultancy Douglas Westwood said oversupply would return soon, and last for years.

"Oversupply will actually return in 2018. This is due to the start-up of fields sanctioned prior to the downturn," said Steve Robertson, head of research for the firm's Global Oilfield Services. "This is in addition to the production gains through increased investment and activity in the US unconventional (shale) space."

## News & Report Analysis

### NCLT to pronounce Essar Steel's insolvency order today

National Company Law Tribunal (NCLT), Ahmedabad will pronounce its order on Wednesday on petitions filed by State Bank of India(SBI) and Standard Chartered Bank (SCB) for initiating of insolvency proceeding under Insolvency & Bankruptcy Code (IBC) against the steel major, Essar Steel.

After losing an intense legal battle at Gujarat High Court, Essar Steel is again back at NCLT, where SBI and SCB is fighting to ensure admission of their insolvency application against Essar Steel and simultaneously appointment of their interim resolution professional (IRP) under

Insolvency & Bankruptcy Code, 2016.

Earlier, Essar Steel had petitioned the Gujarat High Court against its inclusion in the list of 12 defaulters to be tried at NCLT by the Reserve Bank of India(RBI) June's press release, saying that its restructuring proposal was at an advanced stage and that its financial and operational improvements since March 2016 have not been taken into account by RBI.

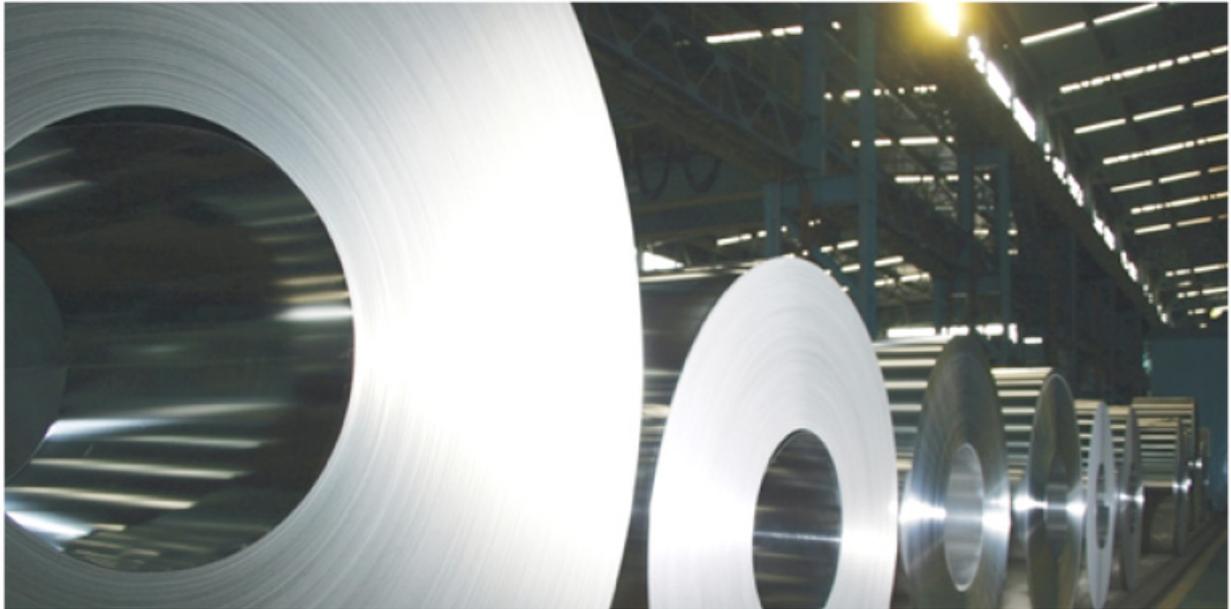
On 17th July, Gujarat HC turned down Essar Steel's appeal, observing that the regulator and banks are empowered to do so, giving a boost to the government's efforts to clean up the country's bad-loan mess.

Essar Steel owes more than Rs 45,000 crore to lenders, of which Rs 31,671 crore had already been declared as non-performing as of March 31, 2016. SBI led consortium of 22 creditors accounts to 93 per cent of this amount. Essar Steel owes \$450.67 million to SCB in debt.

### Japanese Steelmakers happy with high price

Japanese steelmakers are upbeat on their earnings for this fiscal year as they are passing heavier raw materials costs on to customers by raising product prices, betting on solid demand at home and abroad. However, the main risks to their earnings outlook would be any impact on the economy in China, the world's biggest steel producer and consumer, from policy changes after the 19th National Congress of the Chinese Communist Party later this year, or any action taken by the U.S. government to curb its steel imports.

"Japanese steelmakers will enjoy good results this year as their margins will improve after their price hikes," said Keiju Kurosaka, senior analyst at Mitsubishi UFJ Morgan Stanley Securities. "But any major change in China's policy or steel market could affect their scenarios," he said. Nippon Steel & Sumitomo Metal Corp, Japan's



biggest steelmaker, forecast on Friday a 72 percent jump in its recurring profit for the year to March 31, 2018. Second-ranked JFE Holdings predicted a 136 percent jump on Tuesday.

"Domestic steel demand is solid, driven by projects related to the 2020 Tokyo Olympics and other infrastructure projects, while overseas steel markets have stabilised as China's exports are capped as its products are consumed locally," JFE executive vice president Shinichi Okada said. "We are in a quite favourable business condition," he said.

### **Lynchburg Steel Company's Closure to cost Jobs**

After the announcement of Lynchburg & Steel Specialty Company closing, Amherst County leaders are working to help employees find new jobs and market the facility to a potential buyer. Amherst County economic development confirmed with WSLs 10 that 70 people lost their jobs at the steel plant. Twenty-two people were laid off Friday and the rest will continue to work until the end of summer. In the meantime, the county has set up a rapid response team to help those affected.

"There are a lot of companies in Amherst County who are looking to for these highly skilled, especially welders and fitters and folks like this. We are hoping that they will be able to find good employment quickly, but of course, we want to make sure that they do. So anything that we can do to help assist with that. That's what we're trying to do," said Victoria Hanson the executive director of the economic development authority.

### **Tata Steel completes sale of Hartlepool SAW mill**

Tata Steel has expressed in a statement that it has completed sale of its Submerged Arc Weld (SAW) mills at Hartlepool in the UK to Liberty House Group. Last month Tata Steel had announced it has signed definitive agreement with Liberty House Group to sell its Submerged Arc Weld (SAW) mills at Hartlepool in the UK for an undisclosed sum.

In a regulatory filing, Tata Steel said, "it has completed the sale of its 42 and 84 inch pipe mills in Hartlepool Liberty House Group". The sale covers the 42 and 84-inch pipe mills, also known as the SAW mills, where about 140



employees manufacture pipeline for gas and oil projects around the world, the company said.

Tata Steel, however, said it would retain its 20-inch tube mill at the same Hartlepool site, where a further 270 people work. Tata Steel said the two SAW mills to be sold to Liberty Group are fed with steel plate sourced from outside Tata Steel and hence are independent of the company's strip products supply chain.

Tata Steel said it would continue to be the largest steelmaker in Britain even after the sale of the mills and will employ almost 8,500 people in the UK, manufacturing advanced products for sectors like automotive and construction.

The company has invested more than 1.6 billion pounds in its UK business since acquiring Corus in 2007, including 100 million pounds over the last year to enable advanced steel manufacturing in a number of UK sites, it added.

### 4% of Hindustan Copper at Rs65 per share

The government will sell 3.70 Crores equity shares in Hindustan Copper at a floor price of Rs 64.75 apiece through a two-day offer-for-sale (OFS) beginning tomorrow, with an option to issue a similar number of shares in case of over subscription. The sale of 4 per cent stake or over 3.70 crore shares at Rs 64.75 apiece would fetch about Rs 240 crore to the exchequer.

In case, the government decides to issue additional up to 3.70 crore shares, the share sale can together fetch up to Rs 480 crore to the exchequer. The government currently holds

82.88 % stake in Hindustan Copper Ltd ( HCL) and the stake sale with green shoe option would help the government meet the minimum public shareholding norm of market regulator Sebi.

The floor price of Rs 64.75 a unit is at a 8.35 per cent discount over today's closing price of Rs 70.65 on the BSE. The two-day OFS would open for institutional investors tomorrow and retail investors would get to bid on August 3. Retail investor is defined as the one who place bids for shares not more than Rs 2 lakh.

### JSW Steel Q1 net profit falls 43%

Sajjan Jindal led JSW Steel reported decline in net profit as well as EBITDA for the April-June quarter as cost pressures mounted and price of steel declined, especially in the month of June. The net profit after tax, stood at Rs 624 crore on a consolidated level, down by 43% since the same quarter, last year. Operating EBITDA for the period stood at Rs 2,617 crore, against Rs 3,269.4 crore last year, a drop of almost 20%.

This was caused by an increase in the cost of materials consumed, which is an increase of 55.35% at Rs 9,020 crore primarily because of coking coal prices nearly doubling since the same period last year. Total revenue from operations increased by 24% to Rs 15,977 crore, compared to Rs 12,886 crore last year.

"Though steel prices corrected globally, along with the correction in iron ore and coking coal prices, the growth in global production was very high. India also produced more steel,

at a growth of 4.5% , with demand increasing by 4.6% , however the divergence which has happened in the steel sector compared to global versus India was that though Indian steel prices corrected, the iron ore prices did not correct, particularly in Karnataka where the prices remained at an extremely elevated level," said Joint MD Seshagiri Rao.

As steel prices softened, the steelmaker tried to mitigate the fall in realisations by changing the product mix. While the share of coated product sales went up from 28% to 32%, the share of value added products was increased to 38% of the total sales.

Net debt for the company increased to Rs 43,323 crore, up Rs 1,774 crore sequentially, on account of "increase in working capital requirements", causing the company to exceed its guidance of net debt to EBITDA ratio. It is currently at 3.76x, as against 3.41x at the end of the last quarter of FY17

## Tata Steel eyes commercialisation of advanced material graphene

Tata Steel is working on commercialisation of graphene, an advanced material and considered to be a superb conductor. The first product is in the market. The company has launched ready-made graphene-coated stirrups, named Tiscon Superlinks. Peeyush Gupta, VP (steel & marketing), said when four columns are built, the support link is normally supplied by a local mason, which is made of steel. "But, it usually rusts. We have changed that by coating it with graphene."

Superlink+ has enhanced corrosion resistance and better bonding strength than other stirrups in the market. Tata Steel has filed seven patent applications in this area of work. Graphene can have a number of applications; we are searching for the right products, Gupta

said. A graphene development cell has been set up at Jamshedpur to identify applications and establish new businesses (production units, supply chain and markets). Two advanced material research centres of excellence have been established. One is at Chennai, in collaboration with the Indian Institute of Technology there. The other is at Bengaluru, with the Centre for Nano and Soft Matter Sciences.

## Near-term view negative for MCX-Aluminium

The Aluminium futures contract on the Multi Commodity Exchange has reversed sharply lower after rising initially in the past week. The contract touched a high of Rs. 125.5 a kg on Wednesday and has come off sharply from there. It has tumbled over 3 per cent from this high and is currently trading near Rs. 121.5. The near-term outlook is negative with a key resistance at Rs. 122. As long as it stays below Rs. 122, a fall to Rs. 120 is possible.

A further break below Rs. 120 will increase the likelihood of the contract extending its fall to Rs. 118.5. The level of Rs. 118.5 is a strong channel support for the contract, which is likely to limit the downside. A further fall below this support is less probable. An upward reversal from Rs. 118.5 will keep the channel movement that has been in place since March intact. Such a bounce-back will increase the possibility of the contract rallying to Rs. 124 levels once again in the coming weeks thereafter.

Traders can stay out of the market at the moment. Traders with a medium-term perspective can consider taking long positions on dips at Rs. 120. Keep the stop-loss at Rs. 118 for the target of Rs. 124. Accumulate longs at Rs. 119 if the contract declines, breaking below the immediate support at Rs. 120. Revise the stop-loss higher to Rs. 121 as soon as the contract moves up to Rs. 122.