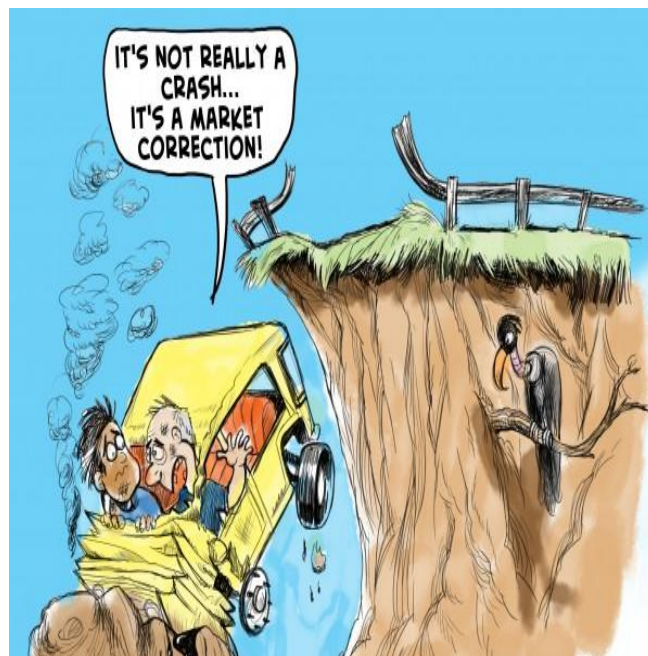


A DREADFUL AUTO CRASH AHEAD

***BSE AUTO SECTOR TIME CYCLE
WARNS THAT JAN 2014 HIGHS FOR
AUTOS WILL BE INTACT TILL MID
YEAR 2015***



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Auto Sector Outlook 2014 – A Time Perspective

Auto Sector has had a great run up since 2009 lows. It has clearly been one of the Outperformer since then. While broader Index have still failed to move above 2008 highs, Auto Sector was among the few with other sectors like IT, to break beyond the 2008 far significantly.

Technical Analysis is always about 'Price'. The most important and the most difficult aspect in the Capital Markets is 'Timing' it. This research report makes an attempt to focus more on the 'Time' aspect for the Auto Sector along with Price Outlook.

The stock market is always discounting the Future events. The common belief that "Events determine Stock prices" is arguable then. 2014 will unfold one of the most dramatic event in the Indian Political history. If you think that this event will trigger a direction for Indian Markets only once the Election outcome is out, then either you need to think again or be ready to miss out a part of the trend. Because, whatever the outcome, we will already be trending in that direction before the event unfolds. The study of Socionomics reveals that Social Events are signs of Trend Reversal. Most of the Bad events like war, crimes, scams occur near the end of the Bear Market, while good news are always heard the most when we are near the Top. It is interesting to note that events like the Suicide of the Tata Motors MD Karl Slym, the Maruti Suzuki Gujrat plant case coincide with our Time Cycle. If prices are always discounting future events several issues for most of the Auto Industry will crop up going ahead. Not to mention, the biggest event that will unfold is the Election outcome.

The Indian Stock Markets have been following the 'January Reversal Cycle' religiously since 2008 now. We made a top in Jan 2008, bottom in Jan 2009, Top in Jan 2010, bottom in Jan 2011, Top in Jan 2013 and now again in this Jan we are at the higher end of the range and already corrected more than 5% from the Jan 2014 highs.

Auto Sector too has been correcting since making a new high in Jan 2014 which warns us for the coming fall. The more frightening fact, which is also the main highlight of this report is that a 80-week Cycle is in progress for the BSE- Auto Sector and we approached the cycle reversal point of the 80 week Cycle in Jan first week and prices have given a sell confirmation on all time frames.

So what does this signal for Auto Index. For least, we will not break the Jan 2014 highs for the next 80 weeks ahead. i.e. till Mid June 2015.

Having said that, The Structural Primary Trend for Autos still remains firmly up, and this correction will provide enough buying opportunities at attractive lower levels in H1 2015.



80 Week Time cycle (High probability entering into 80 week bear phase)



Wave Analysis:

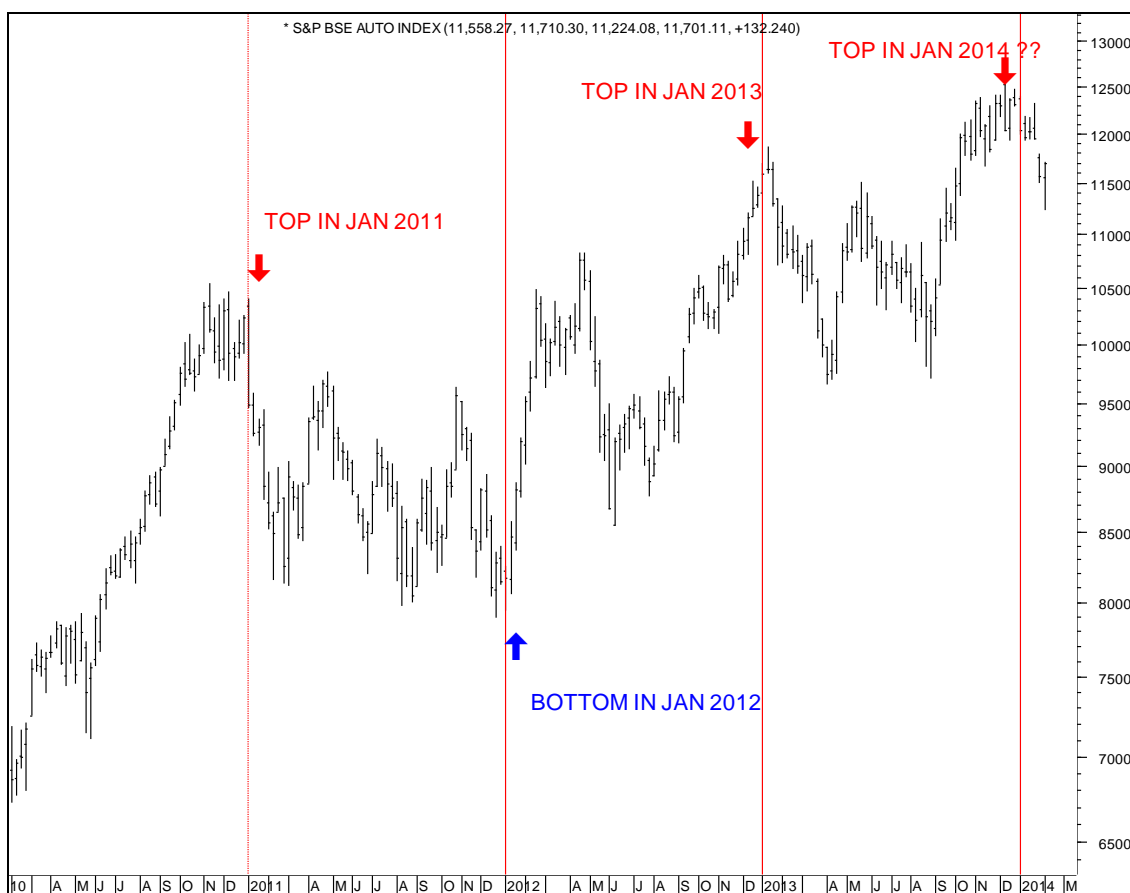
BSE Auto Index consists of Industry heavy weight such as Tata Motors, Mahindra & Mahindra, Bajaj Auto, Maruti & Hero Motocorp which account over 75% of the Index. Since 2001 it has been observed the sector has been a strong outperformer. The Index is in a secular uptrend. An Intermediate correction is due of the primary trend from 7894-12528 levels. This year we expect a painful road ahead in terms of stock price action.

In the above scenario we have considered 80 week Time Cycle which has worked effectively & given timely buy & sell signal. It has been observed the low from Sep 2001 Index has given 5 buy signals & 3 sell signals. There is a high probability Index this time has given a sell signal which is suggesting for next one-half year we would see negative to sideways price action.

On the weekly Time frame the RSI has made multi-week negative divergence & moved below 60 levels suggesting weakness. We have considered the 40 week MA which happens to be half the length of the time cycle & also the average of that time span indicates long term traders sentiment on the Index. BSE Auto Index is on the verge of a break down from the 40 week MA.

For now as long as DEC 2013 high of 11528 levels is capped on the upside we expect Auto Index to move sideways or drift lower till 10th July 2015 which is the next cycle date. In the past on the sell side it has been observed statically average decline from cycle peak has been 34%. Assuming the magnitude of a similar decline we can expect Auto Index to eventually test 8260 levels.

JAN REVERSAL CYCLE



January has been a month where previous trend has reversed for last 3-4 years of the overall Index, which also implies for Auto Index. The chart is quite self explanatory and we believe the trend has turned negative and prices have topped in Jan 2014 in line with the Jan reversal Cycle.

BSE Auto / Bse Sensex (Daily Ratio chart)

Wave Analysis:

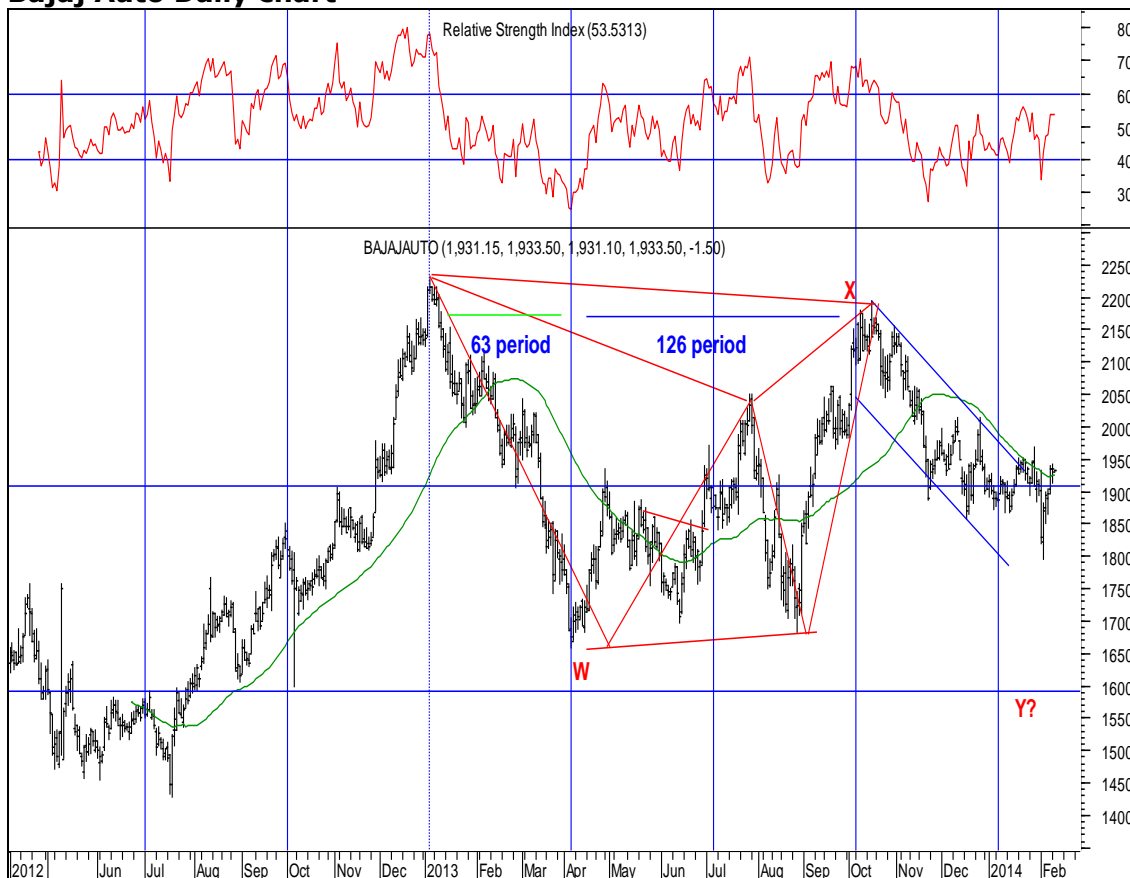
In the above scenario we have shown the relative strength comparison of Bse Auto Index versus Bse Sensex prices. The ratio has given a break below the 3 year rising uptrendline & thereafter has been consolidating. The recent break above the triangle pattern appears to be a false break out as ratio has formed a small h&s bearish formation & given a break below the neckline. The ratio can retest the neckline at 0.58/0.59 levels & can start underperforming from there for a retest of 0.52 levels.

The above ratio is trading near the 200 day MA break below that would suggest weakness. In short we can expect near term underperformance in Bse Auto Index relative to Bse Sensex prices.

A correction is due within the larger uptrend. Fresh long positions should be avoided at current levels. H2 2014- H1 2015 would give a buying opportunity for long term investors. Short term – Medium term traders can consider shorting with appropriate risk management level.

Two Wheeler Segment

Bajaj Auto Daily chart

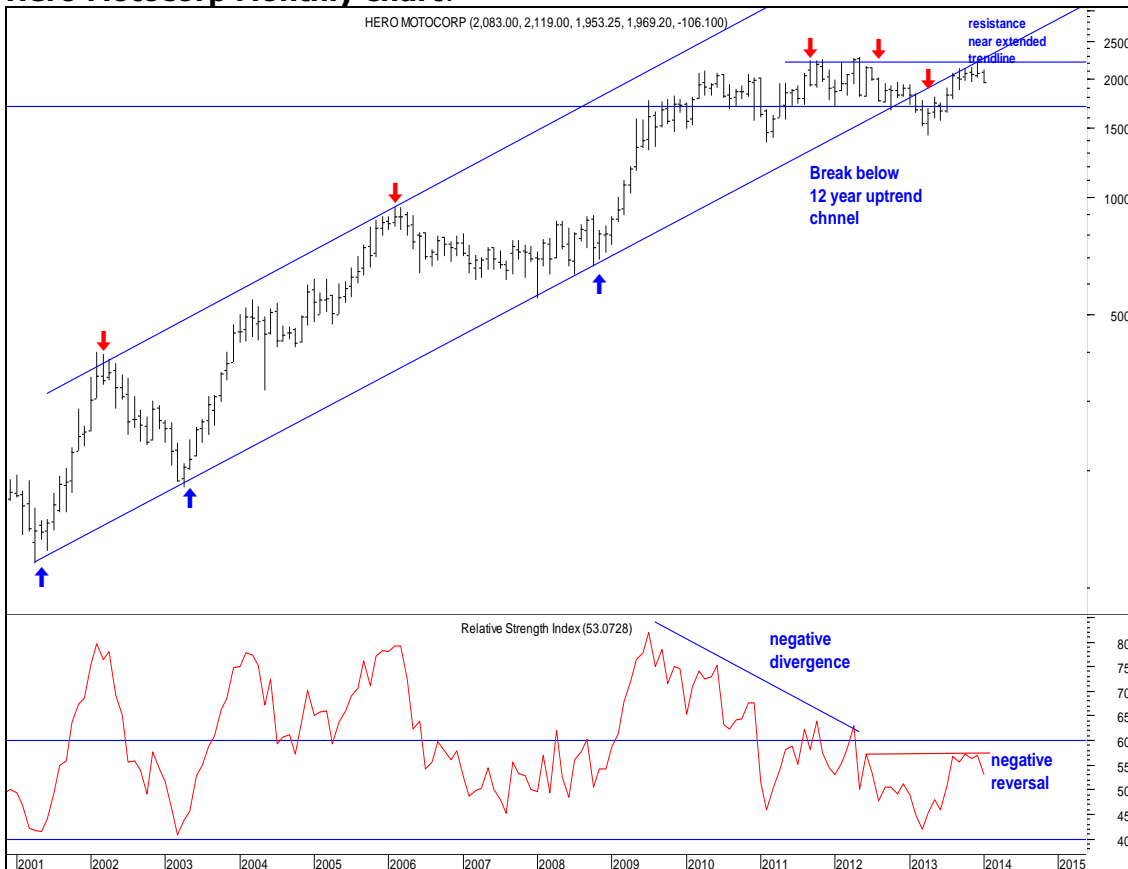


Wave Analysis:

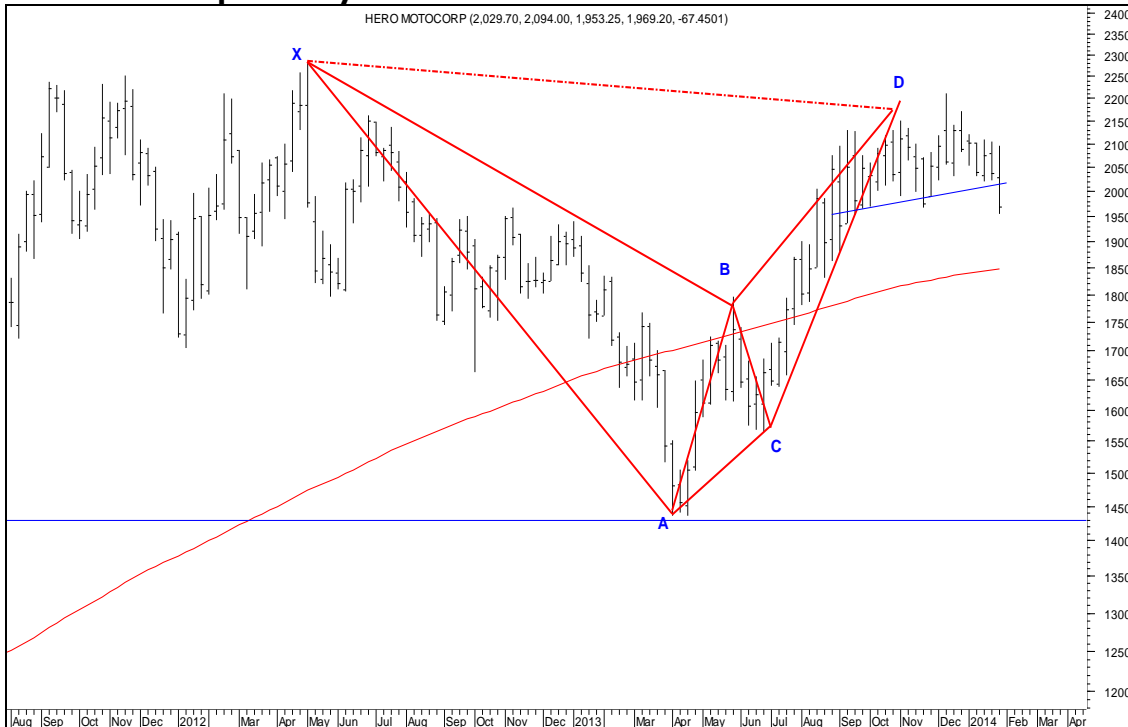
In the above daily chart it can be observed the decline from 2229 is in a three wave corrective structure in W-X-Y formation. The current decline is in the form of wave 'Y'. Wave 'X' has taken twice the time of wave 'W'. Prices have given a negative confirmation with a break below the triangle pattern. In the medium term prices could eventually drift lower towards 1750 followed by 1650 levels.

On the upside 2015 should act as resistance on closing basis.

Hero Motocorp Monthly chart:



Hero Motocorp Weekly chart



**Wave Analysis:**

Hero Motocorp prices have given a negative confirmation with a break below the 12 year uptrend channel & thereafter has taken resistance near the extended trendline.

The monthly RSI has formed a negative reversal suggesting further weakness in coming months.

On the weekly time frame prices have formed a bearish bat pattern. Medium term as long as 2209 is intact on upside we expect prices to test 1800 followed by 1710 levels.

Maruti Suzuki Weekly chart:



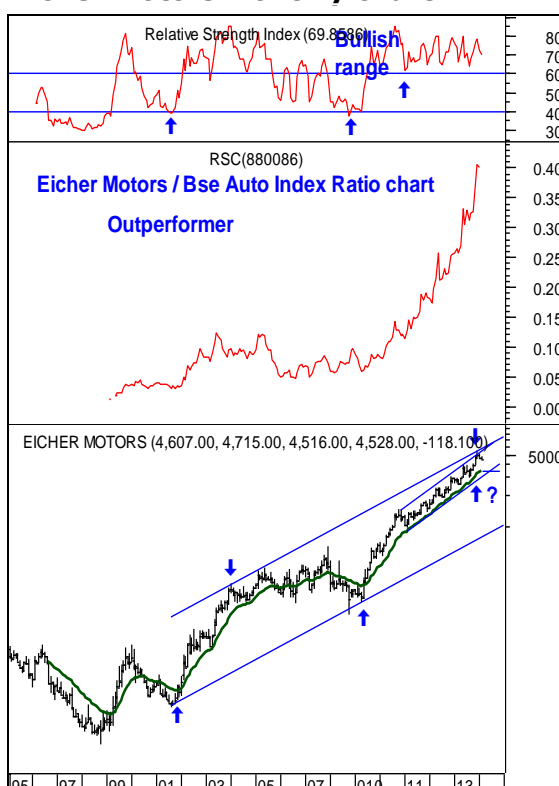
Mahindra & Mahindra Monthly



Tata Motors Weekly chart



Eicher Motors Monthly chart



Wave Analysis:**Maruti Suzuki:**

For Maruti we have shown wave labeling on the weekly semi-log chart since 2003. The upmove from (July 2003- Feb 2004) 160-588 levels is in the form of wave '1' of primary degree. Wave '2' retraced 61.8% of wave 1 & completed at 300 levels.

The upmove from (May 2003- May 2006) 300-975 levels is in the form of wave '3' of primary degree which happens to be 1.618* wave '1'. Wave '4' retraced 38.2% of wave '3' & completed at 715 levels. Thereafter the upmove from 715-1248 levels is in the form of wave '5' of primary degree where wave '5' attained equality with wave '1' (wave '5'=wave '1'). The entire upmove from (July 2003-Nov 2007) 160-1248 is in the form of wave (1) of cycle degree.

Wave (2) of cycle degree completed at 433 levels. The upmove from (2008 lows-2009 highs) 433-1737 levels is in the form of wave 1 of wave (3) cycle degree. The decline from (Oct 2009-Dec 2011) 1737-900 is a three wave corrective structure in W-X-Y formation. Wave 'W' of primary degree retraced 61.8% of wave '1' & completed at 900 levels. Wave 'X' has completed near 1860 levels. In the medium term we expect prices to drift lower in the form of wave 'Y' near 1470 followed by 1350 levels.

Tata Motors: (Outperform)

Tata Motors has been an outperformer in the Auto segment. But with the help of basic trendline, monthly bias high low strategy & momentum indicator RSI technique it is suggesting prices have a pending downleg which should unfold in coming months. We have observed the upmove from 250-405 levels for the first time prices have closed below the previous month low which coincided with the cycle formed in month of DEC 2013. Medium term we expect prices to test 310 levels. Relative to its peers we expect Tata Motor prices to continue to outperform. Tata motors has opened 4% gap up today when its profit has tripled. If Time Cycle is suggesting a top there, the profitability of Tata motors will get topped out as well.

Eicher Motors: (Outperform)

Eicher Motors has relatively outperformed Bse Auto Index since 2000. Since 2001 it has been observed the stock has been moving in an uptrend channel & is trading above the 20 month moving average. The monthly RSI is in a bullish range above 60 levels.

However for now some correction is due as prices are trading near upper end of the channel as exhaustion is also seen in the Auto Index. In the year 2014 we expect prices to retrace the upmove from 2965-5340 levels. Prices could test 3915 levels where long position can be considered.

Mahindra & Mahindra

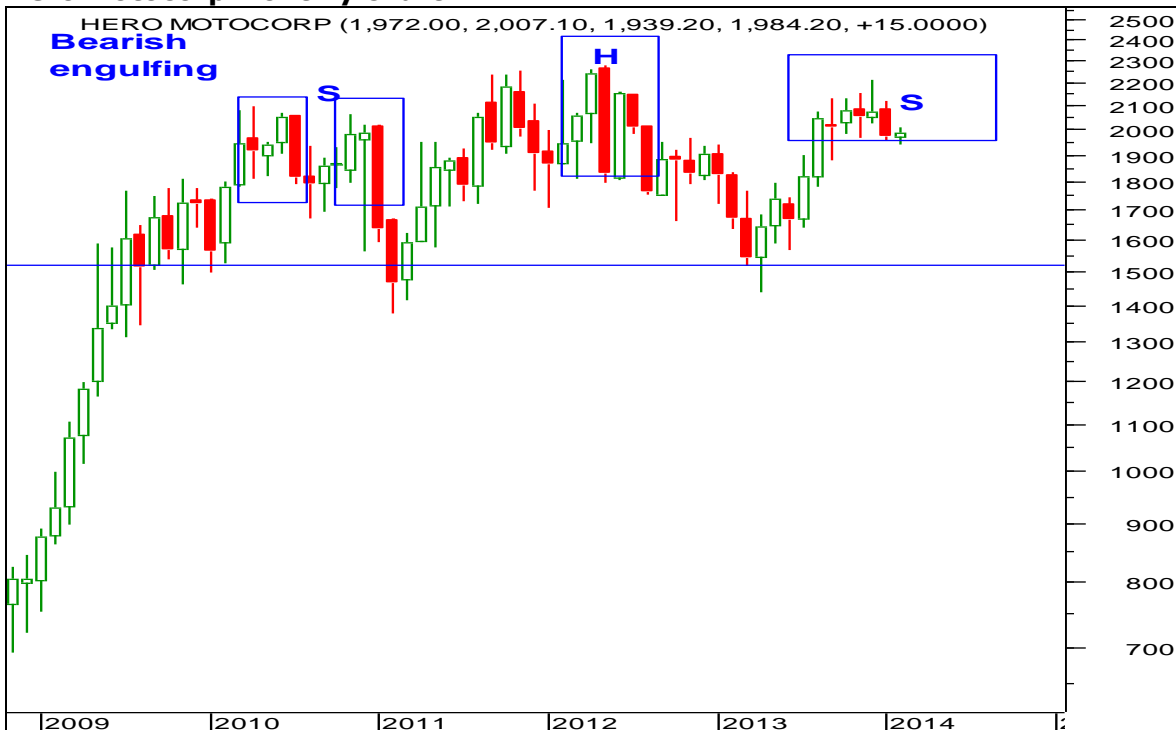
M&M like other auto stocks has been in a structural uptrend. For some time now stock is trading in a broad range. There is a loss of positive momentum on a broader time frame. In the medium term prices should test the lower end of the consolidation near 750 where it would complete its last leg of the correction for the next leg up.

CLUES FROM CANDLE STICKS

Maruti Suzuki Monthly chart



Hero Motocorp Monthly chart



Impact of Bearish Engulfing candlestick pattern on Monthly Time Frame

The bearish engulfing pattern consists of two candlesticks: the first is green and the second red. The size of the green candlestick is not that important, but should not be a doji, which would be relatively easy to engulf. The second should be a long red candlestick. The bigger it is, the more bearish the reversal. The red body must totally engulf the body of the first green candlestick.

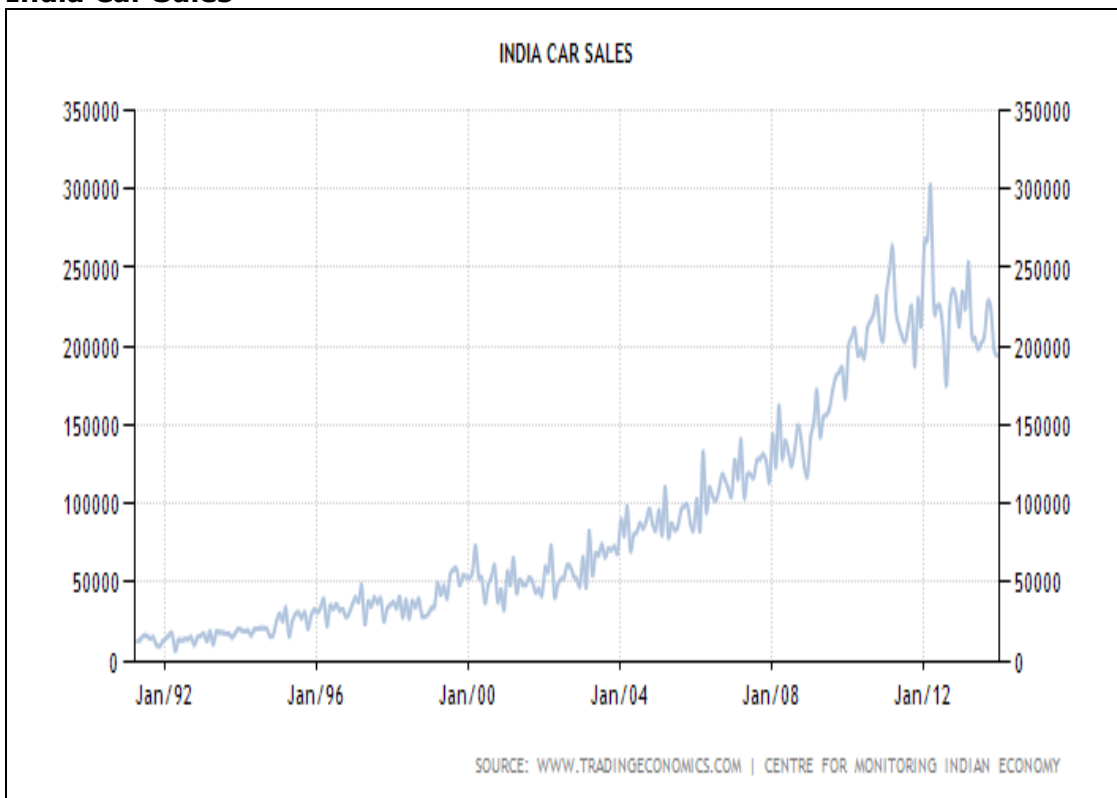
Maruti Suzuki

Since 2009 it has been observed the primary & intermediate peaks have been accompanied by bearish engulfing candlestick pattern followed by a decline. The recent high is suggesting a medium term top is in place & can expect a decline from current levels in coming months.

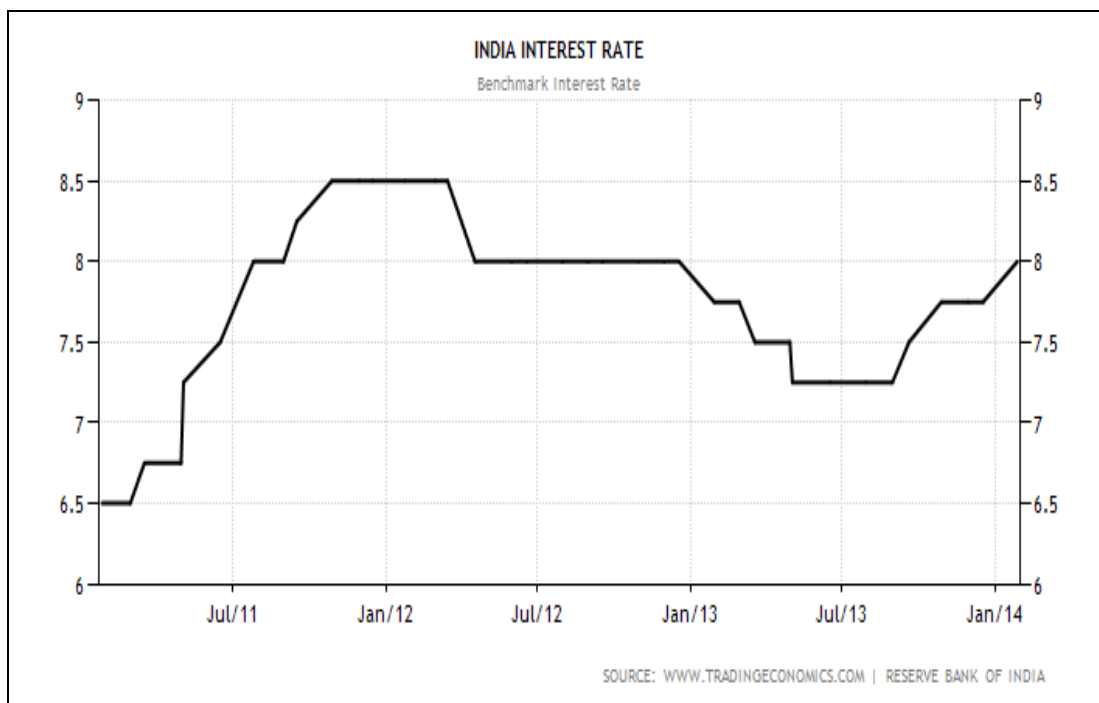
Hero Motocorp

Hero Motocorp prices are forming a possible head & shoulder top formation. Between 2009-2011 prices have formed a left shoulder. In the year 2012 prices have formed the head of the bearish pattern. The current consolidation between 1900-2200 appears to be a distribution in the form of right shoulder accompanied with bearish engulfing candlestick pattern.

Statistics
India Car Sales



Interest Rate



INDIA CAR SALES

Car Registrations in India decreased to 194427 Cars in December of 2013 from 198928 Cars in November of 2013. Car Registrations in India is reported by the Centre for Monitoring Indian Economy. From 1991 until 2013, India Car Sales averaged 90205.3 Cars reaching an all time high of 301817.0 Cars in March of 2012 and a record low of 6508.0 Cars in April of 1992.

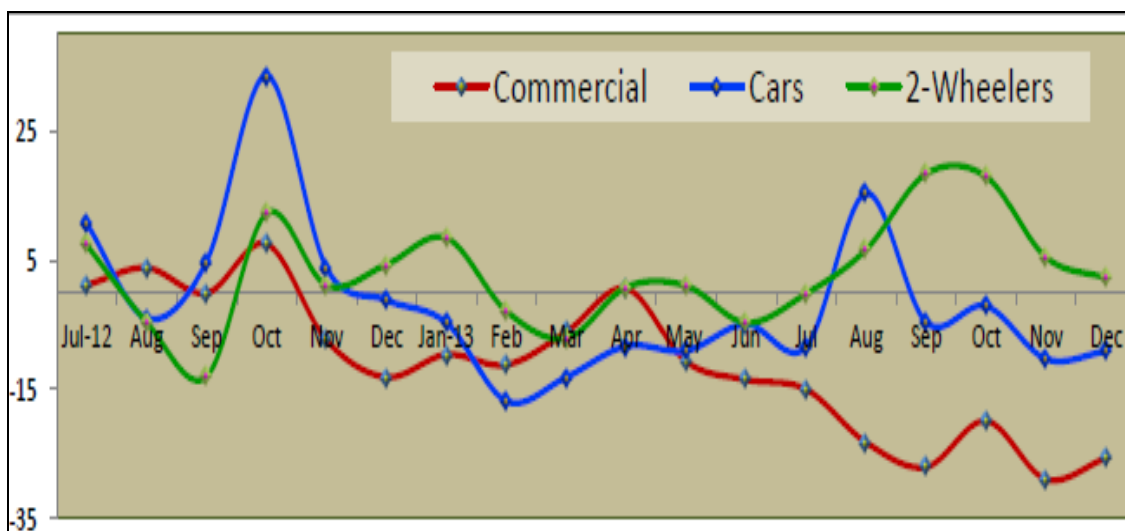
Considering High Interest rate, high domestic fuel prices & fluctuation in currency market we expect a difficult road ahead with increased competition within the segment with limited room for price hike.

This year monsoon will be crucial for the commercial vehicle segment given the large impact rural india has within the segment. Commercial vehicles are badly hurt due to lack of mining activities and stalled infrastructure projects in the country,

Consumer sentiment is relatively weak given the high interest rate environment & low growth.

ACTUAL	PREVIOUS	HIGHEST	LOWEST	FORECAST	DATES	UNIT
194427.00	198928.00	301817.00	6508.00	214413.63 2014/01	1991 - 2013	CARS

Month-wise sales growth (%) of Indian Automobile Industry since July,2012



Source – Petroleum Planning & Analysis Cell

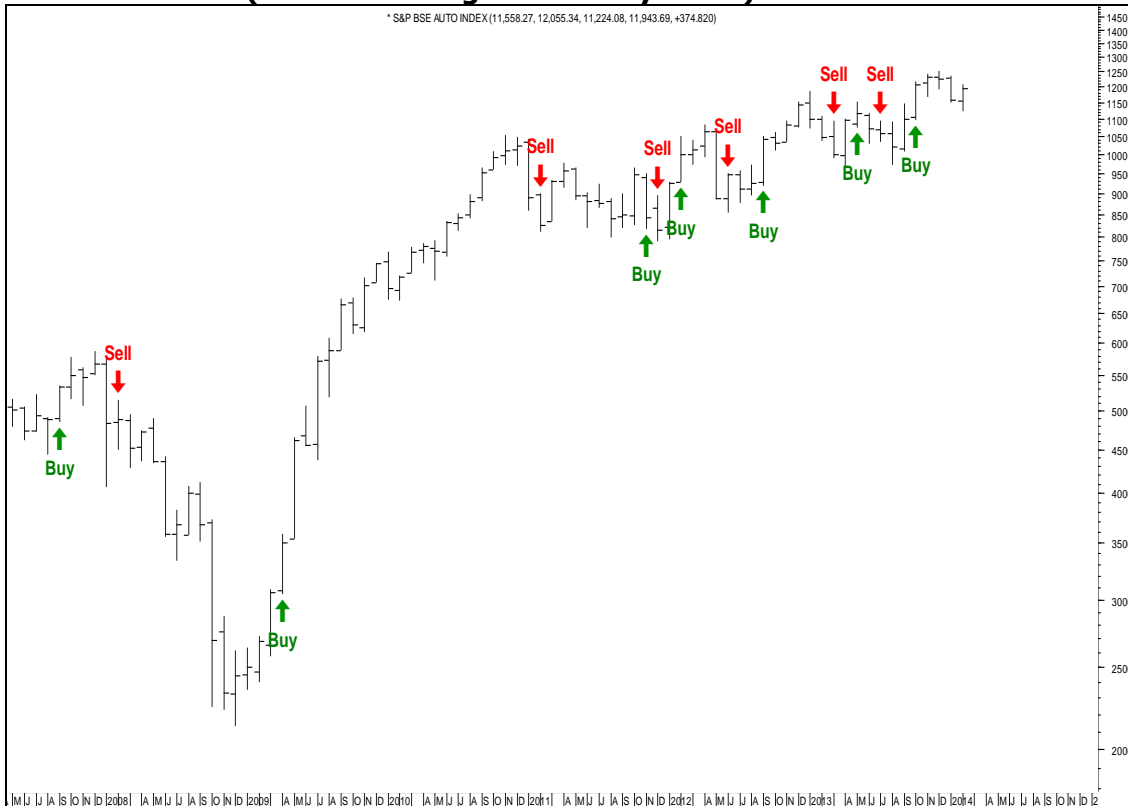
Volume growth Y-o-Y Basis

Company	14-Jan	13-Jan	YOY (%)	13-Dec	MoM(%)
Hero Honda	561253	557797	0.6	524990	6.9
Bajaj auto	318171	347624	-8.5	297776	6.8
TVS Motors	186313	175931	5.9	159319	16.9
Maruti	102416	114205	-10.3	105087	-2.5
M&M	62794	66976	-6.2	56648	10.8
Tata Motors	40481	61660	-34.3	37836	7
Ashok Leyland	7847	10561	-25.7	5375	46
VECV	2638	3736	-29.4	2807	-6
Hyundai	45415	52024	-12.7	49078	-7.5
Ford	10634	7115	49.5	11209	-5.1
General motors	6214	7238	-14.1	5705	8.9
Honda	15714	5451	188.3	5493	186.1
Yamaha	42595	36295	17.4	64997	-34.5
Totota	10910	13329	-18.1	12622	-13.6
HMSI	344750	230294	49.7	296244	16.4

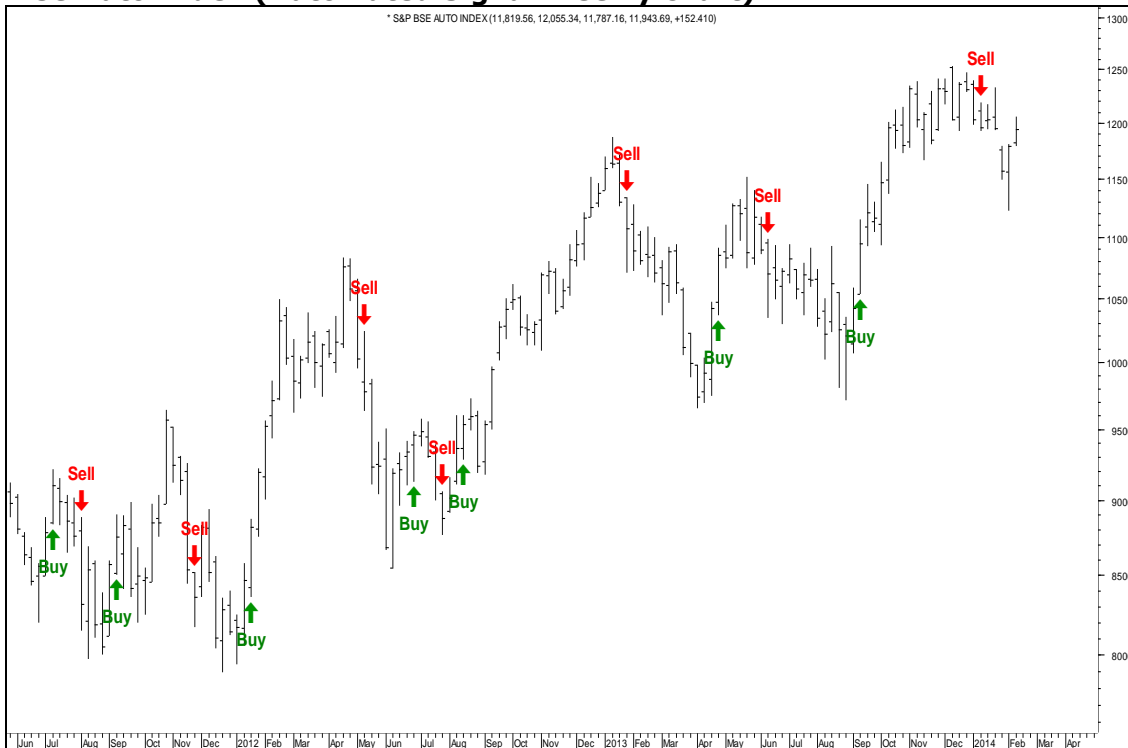
Stock Ranking (Relative performance within the sector)

S.NO	Stock	Weekly automated signal	Monthly Automated Signal
1	Eicher Motors	Sell	Buy
2	Tata Motors	Buy	Buy
3	Mahindra & Mahindra	Sell	Buy
4	Bajaj Auto	Buy	Sell
5	Maruti	Sell	Buy
6	Hero Motocorp	Sell	Sell

Bse Auto Index (Automated Signal Monthly chart)



Bse Auto Index (Automated Signal Weekly chart)



Wave Analysis:

In the above scenario we have shown our automated buy & sell signal on the monthly & weekly time frame. The weekly signal is on the sell mode which coincides with our dominant 80 week time cycle. With the cluster of evidence as per projections, RSI, Time cycle & Elliot wave theory we expect sideways to negative price action.

**** READ THE BELOW EXPLANATION TO UNDERSTAND THE SYSTEM SIGNALS**

****Note:** *The System based Signals are used to objectively identify the trend in any Asset class on different time frames. A Buy Initiated in any time frame signifies that the trend ahead should remain positive until we get a Sell Signal on the same time frame and vice-versa. At crucial turning points there may arise a situation where different time frame signals may give different indication of a trend. Stick to the signal based on the time frame you work on.*

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