

Can Fin Homes: A sharp rebound from the lower band of the rising channel

The News. October 9, 2020. Shaktikanta Das, Reserve Bank of India (RBI) Governor announced some good news for Can Fin Homes like housing finance companies:

- The Monetary Policy Committee (MPC) voted unanimously to keep the policy repo rate unchanged at 4 per cent.
- The MPC will continue with the accommodative stance of monetary policy as long as necessary at least through the current financial year and next year.
- The Marginal Standing Facility Rate and bank rate remains unchanged at 4.2 per cent and the reverse repo rate stands unchanged at 3.35 per cent.

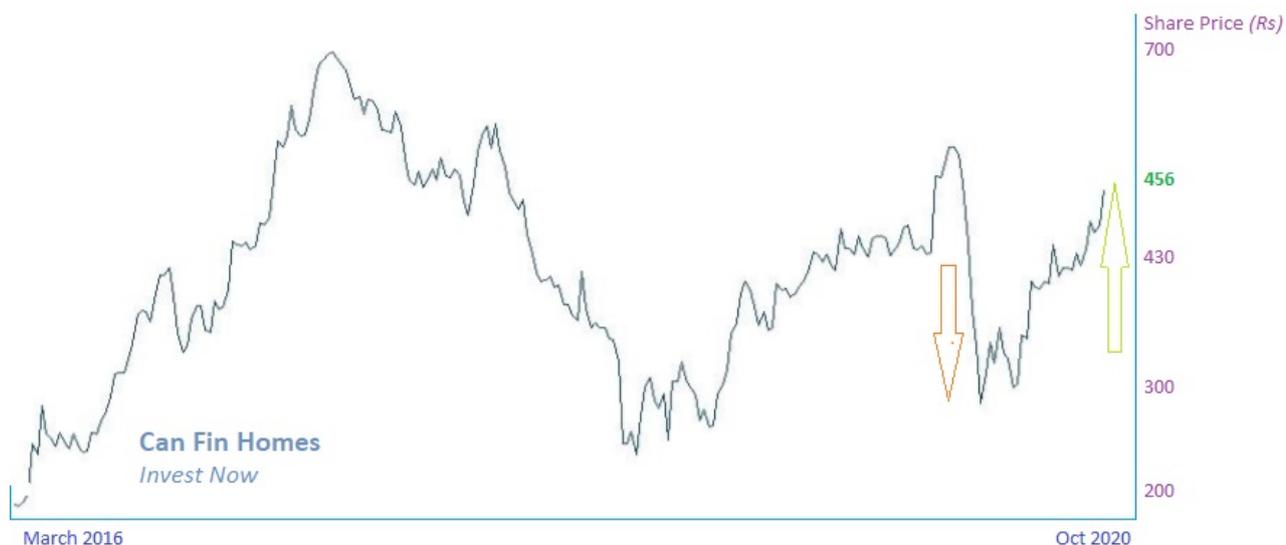
After the RBI declared the monetary policy, shares of nearly all housing finance companies – LIC HFL, GIC HF, Repco Home, Can Fin Homes, M&M Finance, IndiaBulls HF – started to surge. It seems the decision to maintain the repo rate and reverse repo rate was warmly welcomed by the sector. Most developers and consultants feel that the RBI's move to rationalise risk weightage on home loans and link housing loan risks to loan to value is expected to make more credit available to borrowers, bring down the cost of funds to buyers and improve demand for homes.



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Case Study. *Can Fin Homes:* A sharp rebound from the lower band of the rising channel offers fresh entry opportunity for investors.

The share price of Can Fin Homes (CANHOM) has outperformed its NBFC peers. As during the sharp decline of February – March 2020 it has formed a higher bottom (Rs 253) above its CY18 lows (Rs 217) and during the subsequent pullback in the last six months it has already retraced 80% of its entire decline (Rs 519-253) way ahead of other NBFC stocks highlighting the strength



The upward trend encourages investors

- o The entire pullback since May low (Rs 267) is well channelled as can be seen in the adjacent chart highlighting sustained demand at elevated levels. It recently witnessed a sharp rebound from the lower band of the channel, thus providing a fresh entry opportunity

- o The stock from mid-July to mid-September has consolidated in a range of Rs 420-360. It has recently generated a breakout above the same. The upper band of the consolidation at Rs 420 is expected to act as a value area of the stock

- o Analysts expect the stock to continue its positive momentum and head towards Rs 528 levels as it is the 123.6% extension of the previous up move (Rs 267-407) as projected from the recent trough of Rs 361 signals upside towards Rs 528 levels

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