

## Key developments during the week

- India revises FY15 GDP growth to 7.2% from 7.3% estimated earlier
- India Apr-Dec fiscal gap 87.9% of 5.556 trln-rupees FY16 aim
- India Apr-Dec tax mop-up 9.632 trln rupees from 7.957 trln rupees YoY
- RBI Mundra says global slowdown may pose many challenges for Indian banks
- India says US to soon invite bilateral advance pricing applications
- US Fed keeps rate unchanged; to closely monitor global developments
- Jaitley says expect to award 10,000 km road projects by Mar-end
- Gadkari says 19 stalled road projects currently without solution
- Finance minister rejects banks' plea to extend 2017 deadline on NPA clean up
- Govt to hold India Investment Summit to attract investment in infra
- Govt source says to infuse 50-bln-rupees capital in PSU banks soon
- Govt source says "certainly hope" to form Bank Board Bureau in FY16
- France says its companies to invest \$10 bln in India in next 5 years
- India signs agreement with France to buy 36 Rafale fighter aircraft

INDEX	29-Jan-16	22-Jan-16	Change (in %)
NIFTY	7563.55	7422.45	1.90
SENSEX	24870.69	24435.66	1.78
NSE 500	6339.45	6216.70	1.97
NSE MIDCAP	3093.25	3041.90	1.69
NIFTY JUNIOR	18399.00	18107.35	1.61
BSE SMALLCAP	10869.84	10598.38	2.56
BSE 200	3191.12	3133.20	1.85

INDEX	29-Jan-16	22-Jan-16	Change (in %)
BSE AUTO	17046.03	16891.43	0.92
BSE BANK	17603.89	17625.07	-0.12
BSE CAPITAL GOODS	12368.05	12544.81	-1.41
BSE CD	12183.02	11761.48	3.58
BSE FMCG	7438.52	7245.53	2.66
BSE HEALTHCARE	16304.98	15544.79	4.89
BSE IT	11165.05	10867.78	2.74
BSE METALS	6894.01	6661.68	3.49
BSE OIL AND GAS	9258.06	9072.65	2.04
BSE PSU	6234.54	6095.64	2.28
BSE REALTY	1208.95	1183.61	2.14
BSE TECK	5928.25	5810.17	2.03

INDEX	29-Jan-16	22-Jan-16	Change (in %)
DOW JONES	16466.30	16093.51	2.32
HANG SENG	19683.11	19080.51	3.16
NIKKEI	17518.30	16958.53	3.30
FTSE	6083.79	5900.01	3.11

## Domestic events week ahead

- Feb 01:** Indian Automobile Sales Data for January, by Automakers
- Feb 01:** Nikkei Manufacturing PMI for January, by Markit Economics
- Feb 02:** RBI to detail sixth bi-monthly monetary policy for FY16
- Feb 03:** Nikkei services and Composite PMI for January, by Markit Economics
- Feb 04-09:** Power generation for January, by Central Electricity Authority

Source: Cogencies

## Global events week ahead

- Feb 01:** China Manufacturing PMI, China Non-Manufacturing PMI, China Caixin Manufacturing PMI, Japan Final Manufacturing PMI, Europe Final Manufacturing PMI, UK Manufacturing PMI, US Final Manufacturing PMI, US ISM Manufacturing PMI
- Feb 02:** UK Construction PMI, Europe Unemployment Rate, Europe PPI, US FOMC Member George Speaks
- Feb 03:** China Caixin Services PMI, Japan Consumer Confidence, Europe Final Services PMI, UK Services PMI, Europe Retail Sales, US ADP Non-Farm Employment, US Final Services PMI, US ISM Non-Manufacturing PMI, US Crude Oil Inventories
- Feb 04:** Bank of England Monetary Policy, BOE Gov Carney Speaks, US Unemployment Claims, US Factory Orders
- Feb 05:** US Non-Farm Employment, US Trade Balance, US Unemployment Rate



## Weekly Sector Outlook and Stock Picks

### **Auto sector – Some recovery likely this week on new launches**

Shares of major automakers are seen making some recovery in the short term backed by individual cues, and new launches during the Auto Expo. Shares of most major automobile companies remained flat this week, after trading weak for a couple of days, and below par results by passenger car segment leader Maruti Suzuki India. For the Oct-Dec period, Maruti Suzuki's bottomline was 13.02 bln rupees, up 27% y-o-y. Analysts had expected a number higher than 13 bln rupees. The company is slated to launch the Ignis hatchback and unveil the Brezza sports utility vehicle at the Auto Expo. Tata Motors, which has been trading with a negative bias, sees multiple reversal points. The stock may face headwinds as fears over its correlation with China and other markets mounts. JLR has a significant exposure in China, which is its second-largest sales territory.

### **Bank Sector – Bias negative; RBI policy, Oct-Dec results eyed**

Bank stocks are seen taking cues from the Reserve Bank of India's sixth bi-monthly monetary policy statement on Tuesday, but the overall trend is seen negative given the bad loan issue plaguing the sector. Of the 40 economists, treasurers, and fund managers polled by Cogencis, 37 expect the RBI to maintain the repo rate at 6.75% in its final monetary policy for FY16. Apart from the interest rate decision, RBI Governor Raghuram Rajan's commentary on the March 2017 deadline set by the central bank for banks to clean up their books would be keenly watched. On Friday, RBI Deputy Governor S.S. Mundra had ruled out revisiting the deadline. "Right now, NPAs (non-performing assets) are the only thing that is in focus, even from the (RBI) policy point of view because the issue of policy transmission has somewhat been addressed with the introduction of MCLR (Marginal Cost of Funds based Lending Rate). Stock-specific action would be seen as lenders detail their Oct-Dec results. Most public sector banks are yet to announce their results. Market participants expect significant drop in the bottomline of state-owned banks, owing to higher provisioning as bad loans are seen sharply higher. This is because the RBI had directed the lenders to review certain accounts and classify them accordingly in two quarters starting Oct-Dec.

### **Capital Goods Sector – Seen in range with negative bias**

Shares of capital goods stocks are seen trading in range with a negative bias this week, after sector bellwether Larsen & Toubro cut its order inflow guidance. The company expects its order inflows for 2015-16 (Apr-Mar) to be flat on year. L&T has already cut its order inflow guidance for 2015-16 to 5-7% in October from 15% at the beginning of the financial year. The company has guided for a 10-15% revenue growth in 2015-16. L&T reported Oct-Dec consolidated net profit of 10.35 bln rupees, up 19.42% y-o-y, and higher than estimates. Net sales for the quarter ended December were 253.87 bln rupees, up 7.6% y-o-y. This week will also see more capital goods companies reporting earnings Crompton Greaves and Cummins posting results on Tuesday, while ABB India to detail its earnings on Thursday. The Avantha Group owned Crompton Greaves is widely expected to report weak quarterly earnings, as its mainstay power equipment business is likely to continue to be under pressure.

### **Cement Sector – Down this week on low cement demand; results eyed**

Shares of cement manufacturing companies are seen falling in the week ahead as demand for the building material remains persistently weak across large parts of the country, even as the market will look out for Oct-Dec earnings of cement companies. ACC, Ambuja Cements will declare their earnings for the quarter on Feb 10. Cement companies' topline are expected to remain weak in Oct-Dec, along with their operating margins, because of the repeated price cuts they have had to undertake, to try to boost demand in a slow market.

### **FMCG Sector – Seen range-bound due to lack of fresh triggers**

Shares of fast-moving consumer goods companies are seen trading in a range this week due to lack of fresh triggers as most consumer companies have already announced their results. Most consumer goods stocks have already reacted to their Oct-Dec results in the week and, hence, are likely to trade in a range. Marico will announce its results on Saturday and is expected to post an 18% y-o-y rise in the consolidated net profit to 1.9 bln rupees, while net sales are seen rising 10% y-o-y to 16.0 bln rupees. The volume growth of consumer companies in Oct-Dec was subdued and rural demand has not contributed to their performance.

**IT Sector – Seen positive; Tech Mahindra earnings in focus**

Shares of information technology companies are seen trading with a positive bias this week. Focus will be on Tech Mahindra as it will detail its Oct-Dec results on Monday, the last among large-cap companies to do so. The information technology giant is likely to report a 3% sequential decline in consolidated net profit to 7.6 bln rupees, and a 2% on-quarter rise in consolidated net sales to 67.4 bln rupees in the quarter ended December. Market participants are expected to invest cautiously in the sector, and are likely to prefer large-cap companies.

**Oil Sector – PSU retailers seen in range; upstream companies down**

Shares of state-owned oil marketing companies are seen rangebound this week, and are expected to move with a positive bias in the absence of any major triggers. The trend will be dictated primarily by news flow, broad market sentiment and global crude oil prices. Even as the slump in oil prices is expected to help the gross refining margins of downstream companies, it may continue to cast a shadow on upstream stocks like ONGC, Oil India and Cairn India. The Indian crude basket ended the week at \$29.95 per barrel, after slipping below \$25 a barrel last week. Since Jan 1, it has fallen by over 9%. The movement of crude oil prices going forward will not just impact oil stocks but also the broader market. On the domestic front, the markets will keenly watch the Reserve Bank of India's bi-monthly monetary on Tuesday. The central bank is seen keeping interest rates unchanged, given the recent volatility in financial markets, and the impending Union Budget for FY17. A weak rupee may also turn out to be an irritant for downstream players who depend on imported crude oil to a large extent. The fortnightly revision in prices of petroleum products will also have some sentimental impact on state-owned refiners' stocks. But the impact is unlikely to sustain as price revisions have now become routine. The market will also be watching out for any further increase in excise duty on petrol and diesel.

**Pharma sector – Seen continuing uptrend; Lupin earnings eyed**

Earnings of Lupin, Pfizer and Cadila Healthcare will be the key triggers for their stocks this week, with the underlying bias for most pharmaceutical stocks expected to be positive after declining for three consecutive weeks. While Cadila Healthcare and Lupin report their Oct-Dec earnings on Friday, Pfizer will be reporting its results on Wednesday. A report in the Economic Times said that Sun Pharmaceutical has put on block some Ranbaxy brands which are low priority in its domestic market strategy or ones which may overlap with its own products. Friday, the stock ended up 4.6% at 872.95 rupees on the report.

**Metal Sector – Seen trading with negative bias this week**

Shares of metals and mining companies are seen trading with a negative bias this week due to weak Oct-Dec earnings and as the government has said that no decision has been taken regarding the minimum import price on certain steel products. Although the steel ministry was reportedly working with banks to resolve financial issues in the sector, absence of any decision regarding the minimum import price is likely to hurt the domestic steel producers who have been adversely hit by cheaper imports from China, Japan and South Korea. The steel companies are all expected to post weak quarterly earnings as there has been a sharp fall in steel prices and cheap imports have not been curbed despite the implementation of safeguard duty by the government. Vedanta's consolidated net profit came down 99% y-o-y to 179.1 mln in Oct-Dec, whereas JSW Steel has posted a consolidated net loss of 9.2 bln rupees during the same period.

**Telecom Sector – Bharti Airtel, RComm, Idea seen negative this week**

Shares of India's top three telecom companies Bharti Airtel, Reliance Communications and Idea Cellular are expected to continue their bearish run on account of lack of any sector-specific triggers. The impact of weak Oct-Dec earnings may also spill over to the upcoming week. Bharti Airtel reported an over 22% fall in its Oct-Dec consolidated net profit to 11.2 bln rupees. Net sales rose marginally to 240.6 bln rupees during the quarter. The company also signed a deal with Axiata Group Bhd to merge their respective arms in Bangladesh, with an aim to strengthen the network coverage across the South Asian country. Idea Cellular's Oct-Dec net profit was down 5.6% from a quarter ago at 7.64 bln rupees, while Anil Ambani-led Reliance Communications' consolidated net profit for the December quarter fell 14.9% y-o-y to 1.71 bln rupees. Ratings agency Fitch has said Bharti Airtel, Idea and Reliance Communications may give the expensive 700 MHz spectrum band a miss, as they may preserve cash for the impending launch of Reliance Jio Infocomm Ltd. Telecom Regulatory Authority of India has suggested a base price of 11.48 bln rupees as reserve price for one block of spectrum in all circles. The regulator recommended 15.95 bln rupees as reserve price for 700 MHz Delhi band, and 11.92 bln rupees base price for 700 MHz Mumbai band.



## Market range for the week 7400-7700

Nifty	Values
Support 1	7476
Support 2	7426
Support 3	7367
Resistance 1	7650
Resistance 2	7701
Resistance 3	7760

**Resistance** – Nifty may face resistance at 7650 level above this level it may go up to 7701-7760 level.

**Support** - Nifty has support at 7476 level below this next support at 7426-7367 levels.

In our previous weekly report, we had mentioned that if Nifty trades and close above 7469 level then it was likely to test 7536 – 7603 – 7681 levels. The week began on a positive note breached 7469 level and made a high of 7575 which was within the mentioned range. The Sensex ended with a net gain of 1.90% whereas Nifty gained 1.78% vis-à-vis the previous week.

**Pattern Formation:**

- On the **weekly chart**, we are observing prices have closed well above the high of a **long legged “Doji”** which suggests that the pullback rally in a downtrend is likely to continue further.
- On the **daily chart**, after three days of consolidation we observing a strong bull candle which suggests that momentum on the upside are likely to continue.

**Outlook:** Combining the above two pattern formations it is evident that a pullback rally of prior downtrend is likely to continue. At present Nifty has resistance at 7650 – 7701 - 7760 levels whereas on the downside it has support at 7476 – 7426 - 7367 levels. In coming week if Nifty trades and close above 7600 level then it is likely to test 7650 – 7701 – 7760 levels. However, if Nifty trades and close below 7526 level then it can test 7476 – 7426 – 7367 levels.

**Broadly, we are of the opinion that any close above 7650 would confirm that 7200 level is an intermediate bottom and Nifty may head higher to test 7670 – 7736 – 7842 levels in coming month.**

**Weekly Chart**



### Weekly Sectoral Technical Outlook

<b>NSE Auto Index</b>	<b>CMP: 7605</b>
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**NSE Auto**

The current price action has activated the bullish implication of the Hammer. Those gone long above 7564 can trial the stop loss to 7400. On the upside it can test 7750 – 7900 levels.

<b>NSE Bankex</b>	<b>CMP: 15522</b>
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**NSE Bankex**

The current price action suggests that a pullback rally is likely to continue. Those gone long above 15575 can trial the stop loss to 15000. On the upside it can test 15900 – 16300 levels.



**NSE Metal Index**

**CMP: 1658**



**NSE Metal Index**

We still maintain our bearish stance on the sector. At present, we are observing a Bullish Hammer candlestick pattern. Hence, a pullback rally in downtrend cannot be ruled out. We maintain our stance that one should avoid this sector at present.

**NSE IT**

**CMP: 11236**



**NSE IT**

The current price action has taken a support on the demand zone shown above in the graph. Aggressive traders can go long at current level or on a decline up to 11000 and keep a stop loss of 10900. On the upside it can test 11500 – 11800 levels.





## Weekly Technicals of Key Companies –

Company	Closing 29-Jan-16	Buy/Sell Trigger	Resistance 1	Resistance 2	Support 1	Support 2
ACC	1240.05	1237.18	1266.37	1292.68	1210.87	1181.68
ADANI PORTS	212.25	215.07	222.98	233.72	204.33	196.42
AMBUJACEM	195.35	195.20	199.50	203.65	191.05	186.75
ASIANPAINT	869.90	868.02	883.88	897.87	854.03	838.17
AXISBANK	408.40	410.47	427.68	446.97	391.18	373.97
BAJAJ-AUTO	2341.95	2319.18	2382.67	2423.38	2278.47	2214.98
BANKBARODA	125.40	127.07	131.48	137.57	120.98	116.57
BHARTIARTL	289.90	291.05	299.80	309.70	281.15	272.40
BHEL	138.70	142.07	148.08	157.47	132.68	126.67
BOSCHLTD	17495.95	17343.63	17832.27	18168.58	17007.32	16518.68
BPCL	893.15	886.88	912.77	932.38	867.27	841.38
CAIRN	122.15	121.72	130.23	138.32	113.63	105.12
CIPLA	585.10	583.13	593.97	602.83	574.27	563.43
COALINDIA	319.95	314.18	330.27	340.58	303.87	287.78
DRREDDY	3105.40	3035.25	3190.10	3274.80	2950.55	2795.70
GAIL	368.60	363.78	377.32	386.03	355.07	341.53
GRASIM	3393.65	3399.87	3478.68	3563.72	3314.83	3236.02
HCLTECH	865.75	855.15	880.60	895.45	840.30	814.85
HDFC	1180.00	1168.82	1199.63	1219.27	1149.18	1118.37
HDFCBANK	1049.85	1044.93	1059.87	1069.88	1034.92	1019.98
HEROMOTOCO	2565.65	2535.58	2640.07	2714.48	2461.17	2356.68
HINDALCO	70.50	70.90	73.05	75.60	68.35	66.20
HINDUNILVR	816.90	801.10	835.80	854.70	782.20	747.50
ICICIBANK	230.15	229.57	240.13	250.12	219.58	209.02
IDEA	103.15	105.35	108.40	113.65	100.10	97.05
INDUSINDBK	928.80	914.62	949.18	969.57	894.23	859.67
INFY	1164.90	1153.15	1181.75	1198.60	1136.30	1107.70
ITC	320.20	316.75	329.45	338.70	307.50	294.80
KOTAKBANK	683.60	676.62	692.98	702.37	667.23	650.87
LT	1101.65	1109.83	1149.67	1197.68	1061.82	1021.98
LUPIN	1710.75	1702.72	1745.43	1780.12	1668.03	1625.32
M&M	1233.25	1207.82	1265.43	1297.62	1175.63	1118.02
MARUTI	4095.85	4065.95	4208.90	4321.95	3952.90	3809.95
NTPC	142.45	141.83	147.32	152.18	136.97	131.48
ONGC	226.25	223.12	230.98	235.72	218.38	210.52
PNB	91.30	91.33	94.57	97.83	88.07	84.83
POWERGRID	147.85	142.50	153.75	159.65	136.60	125.35
RELIANCE	1035.40	1024.12	1051.28	1067.17	1008.23	981.07
SBIN	179.90	182.27	186.43	192.97	175.73	171.57
SUNPHARMA	872.95	848.47	902.48	932.02	818.93	764.92
TATAMOTORS	336.90	335.53	346.87	356.83	325.57	314.23
TATAPOWER	60.10	60.80	61.85	63.60	59.05	58.00
TATASTEEL	249.70	252.35	257.25	264.80	244.80	239.90
TCS	2391.30	2357.73	2433.57	2475.83	2315.47	2239.63
TECHM	501.40	506.03	519.12	536.83	488.32	475.23
ULTRACEMCO	2840.10	2803.62	2888.78	2937.47	2754.93	2669.77
VEDL	71.75	69.40	75.20	78.65	65.95	60.15
WIPRO	562.80	557.35	571.15	579.50	549.00	535.20
YESBANK	746.80	715.82	780.48	814.17	682.13	617.47
ZEEL	420.05	411.05	431.80	443.55	399.30	378.55

Source: Iris Software

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