

## Key developments during the week

- India Apr-Jun fiscal gap at 3.263 trln rupees from 2.867 trln rupees YoY
- India Apr-Jun tax mop-up 2.809 trln rupees from 2.151 trln rupees YoY
- India CPI industrial workers' inflation at 6.13% in Jun from 6.59% in May
- Govt says bill on GST to be taken up in Rajya Sabha this week
- Jaitley threatens action against taxmen who allege govt interference
- Rajya Sabha passes compensatory afforestation fund bill
- RBI eases priority sector norm for bank loans on-lent by microfinance companies
- Govt tells steel companies to get competitive, not depend on trade barrier
- ADB raises \$74 mln via 5-year offshore rupee-linked bonds
- RBI Rajan says govts must protect independence of central bank to act
- Govt notifies employee salary hikes based on pay commission report
- CAG says govt under-valued floor price during coal block e-auction
- Govt approves duty-free export of 10,000 tn per year organic sugar from Oct
- Medium-term inflation aim to factor in growth prospects
- Spectrum in upcoming auction to carry 3% user charge
- Mines minister seeks scrapping 30% duty on iron ore exports
- Policy on valuation of unlisted JV with foreign companies soon

INDEX	29-Jul-16	22-Jul-16	Change (in %)
NIFTY	8638.50	8541.20	1.14
SENSEX	28051.86	27803.24	0.89
NSE 500	7330.00	7227.45	1.42
NSE MIDCAP	3683.25	3573.50	3.07
NIFTY JUNIOR	22457.40	21980.35	2.17
BSE SMALLCAP	12309.95	12107.31	1.67
BSE 200	3692.08	3640.61	1.41

INDEX	29-Jul-16	22-Jul-16	Change (in %)
BSE AUTO	21091.11	20646.30	2.15
BSE BANK	21678.51	21377.46	1.41
BSE CAPITAL GOODS	15477.94	15549.72	-0.46
BSE CD	12404.71	12099.97	2.52
BSE FMCG	8725.38	8627.21	1.14
BSE HEALTHCARE	16299.15	16367.94	-0.42
BSE IT	10813.20	10652.62	1.51
BSE METALS	9406.16	9434.82	-0.30
BSE OIL AND GAS	10595.23	10446.54	1.42
BSE PSU	7186.13	7100.32	1.21
BSE REALTY	1607.07	1601.74	0.33
BSE TECK	5951.14	5851.73	1.70

INDEX	29-Jul-16	22-Jul-16	Change (in %)
DOW JONES	18432.24	18570.85	-0.75
HANG SENG	21891.37	21964.27	-0.33
NIKKEI	16569.27	16627.25	-0.35
FTSE	6724.43	6730.48	-0.09

## Domestic events week ahead

- Aug 01:** Automobile Sales Data, by Automakers
- Aug 01:** Nikkei Manufacturing PMI for July, by Markit Economics
- Aug 01-05:** Power generation for July, by Central Electricity Authority
- Aug 03:** Nikkei services and composite PMI for July, by Markit Economics
- Aug 04:** Rainfall for week to Aug 3, by IMD

Source: Cagencies

## Global events week ahead

- Aug 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
- Aug 02:** Japan Consumer Confidence, UK Construction PMI, Europe PPI, US Personal Spending
- Aug 03:** Japan Monetary Policy Meeting Minutes, China Caixin Services PMI, 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
- Aug 04:** Europe Retail PMI, BOE Inflation Report, BOE Monetary Policy, BOE Gov Carney Speaks, US Unemployment Claims, US Factory Orders
- Aug 05:** US Non-Farm Employment, US Unemployment Rate, US Trade Balance



## Weekly Sector Outlook and Stock Picks

### **Auto Sector – To take cues from July sales data, companies' earnings**

This week, automobile stocks are expected to take cues from sales data for July, expected to be announced on Aug 1. The bias for most auto stocks remains positive on account of the steady progress of the monsoon, as well as hope of a revival in demand in rural regions. Maruti Suzuki is expected to record further gains, even as the company ramps up production to make up for the shortfall in June, which resulted from a maintenance-related plant shutdown. The company's shares, which gained as much as 8% on week, will see brisk trading, given that most analysts have raised the target price on the stock. Besides, the market will also be bullish on stocks of two-wheeler makers, considering an expected turnaround in rural demand. Hero MotoCorp, which fell 1.8% on week, may see an upswing, assuming the company's sales numbers for July are in line with expectations.

### **Bank Sector – Positive trend eyeing broad market, GST bill**

Bank stocks may trade with a positive bias this week tracking cues from the broad market which is focused on possible passage of the much delayed Goods and Services Tax in Parliament. The trend is positive, and unless there is any adverse development on the GST front, the broad market and bank stocks will move higher. The passage of GST will be seen as the government finally getting into consensus mode with opposition for passage of key legislation. The government has listed the Constitution amendment bill to facilitate the rollout of the Goods and Services Tax for consideration and passage in the Rajya Sabha this week. Additionally, quoting a Congress source, Cogencis reported that there has been a broad agreement with government on GST. Passage of the long delayed GST bill will push broad equity markets, including bank stocks, higher. Indian Bank is the only key lender which will report Apr-Jun earnings this week on Aug 2.

### **Capital Goods Sector – Seen in range; Apr-Jun earnings eyed**

This week, shares of capital goods companies are likely to trade within a range and on a cautious note, as Siemens and Cummins India detail their earnings for Apr-Jun. Stock-specific action is expected, owing to no notable near-term triggers apart from the earnings announcements of companies. Sector bellwether Larsen & Toubro today reported a 45.5% on-year rise in consolidated net profit for Apr-Jun at 6.10 bln rupees, while its consolidated total income increased 9.1% on year to 218.74 bln rupees. However, both the bottomline and topline were below the estimated 7.94 bln rupees and 224.48 bln rupees, respectively. Market participants will track Siemens and Cummins India, as both will announce their earnings for the June quarter on Aug 4. Cummins India is expected to perform well over the medium-to-long term, as business fundamentals remain strong. Siemens is likely to report a net profit of 1.7 bln rupees for Apr-Jun, almost flat on year, and a 9.1% on-year rise in net sales at 25.32 bln rupees.

### **Cement Sector – Seen rangebound this week as rains hamper sales**

Shares of cement manufacturing companies are seen moving in a narrow range this week due to weak sales of the building material following buoyant rainfall in most parts of the country. In the North, cement prices remained flat in the National Capital Region, while prices fell 5-30 rupees per 50-kg bag in Rajasthan. Demand remains weak in the region. Cement dealers expect some weakness in prices due to weak demand amid monsoon rains.

### **FMCG Sector – Seen up on hope of Rajya Sabha passing GST bill**

Shares of fast moving consumer goods companies are seen trading on a positive note on the back of higher expectations Rajya Sabha passing the Good and Services Tax Bill. The Cabinet has already approved changes to the Constitutional Amendment Bill to roll out Goods and Services Tax, accommodating the Congress' demand to drop the 1% additional levy on inter-state sales. The GST bill is likely to be tabled in the Rajya Sabha this week. Despite consumer goods stocks being overvalued at current levels, some upside is expected if the GST bill is passed.

### **IT Sector – Seen in range; HCL Tech, Tech Mahindra results eyed**

Shares of information technology companies are seen trading in a range this week with a negative bias. HCL Technologies and Tech Mahindra will be in focus as these companies will detail their Apr-Jun earnings this week. HCL Technologies, which will detail its earnings on Wednesday, is likely to report Apr-Jun consolidated net profit of 18.9 bln rupees and net sales of 112.3 bln rupees. Tech Mahindra, which will detail its earnings on Monday, is seen posting a



consolidated net profit of 7.2 bln rupees and net sales of 68.9 bln rupees for the quarter ended June. The Indian currency, which closed at 67.0150 per dollar, is seen strengthening against the greenback. This is likely to weigh on the sector which includes several large software exporters to the US.

### **Oil Sector – PSU refiners seen positive, oil prices eyed**

Shares of state-owned oil refining companies Indian Oil Corp Ltd, Bharat Petroleum Corp Ltd, and Hindustan Petroleum Corp Ltd are likely to trade with a positive bias this week, given the fresh weakness in crude oil prices and likelihood of strong Apr-Jun earnings for these companies. Earnings are expected to be better on hopes of high inventory gains. In the absence of any major sectoral trigger, the trend for downstream as well as upstream oil companies over the next few sessions will be determined by the movement in crude oil prices as well as sentiment in the broad market. Crude oil futures on domestic as well as global exchanges are likely to extend losses into the third straight week with increasing worries over excess supply of crude oil and refined products. Crude oil prices fell to an over 14-week low today, to 2,737 rupees per barrel on the Multi Commodity Exchange of India, and were at \$40.69 a bbl on the New York Mercantile Exchange. For upstream players such as Oil and Natural Gas Corp Ltd, Oil India Ltd, and Cairn India Ltd, a rise in crude oil prices will have a negative impact as these entities produce and sell the commodity. On the other hand, a gradual decline in crude prices is a positive for refiners, as it is the primary input for them, but downstream companies take a hit if the decline in oil prices is sharp, as it leads to inventory losses for them. Fluctuation in the dollar-rupees exchange rates is also likely to affect shares of downstream and upstream oil companies. If the dollar strengthens against the rupee, it will hit refining companies and benefit upstream players. A weak dollar, on other hand, will help downstream companies, as India primarily relies on imported crude oil to meet its requirements.

### **Pharma Sector – Apr-Jun results eyed; Dr Reddy's may fall more**

This week, the movement of pharmaceutical stocks is likely to be stock-specific, as Cadila Healthcare and Pfizer report their June quarter earnings on Aug 3 and Aug 5, respectively. Cadila Healthcare is expected to report 10.1% on-year growth in consolidated net profit at 3.89 bln rupees. The company's consolidated net sales are expected to rise 6% to 25.21 bln rupees, according to the average of the estimates. Investors will also focus on companies that have already reported their June quarter earnings, especially Dr Reddy's Laboratories, which lost 18.5% this week, following the announcement of weak earnings for Apr-Jun. Sun Pharmaceutical Industries, the biggest gainer this week, are expected to rise this week, even as investors maintain caution ahead of the company's earnings. The company is yet to announce when it will report its earnings for Apr-Jun. Apart from earnings, investors will also look at the broader market, where the focus is firmly on the Constitutional amendment Bill for the goods and services tax, to be taken up by the Rajya Sabha this week. The sentiment for the broad market is positive on hope that the Bill will be passed. However, with both the Nifty 50 and the S&P BSE Sensex trading near their multi-month highs, there may be a possibility of profit booking even if the Bill is passed by the Upper House, as it seems to have been factored in.

### **Metal Sector – May fall on profit booking this week**

Shares of major metal and mining companies are seen correcting downward this week as they have been overbought in the last few sessions. Investors would be eyeing any decision on extension of minimum import price of steel products, which is set to expire on Aug 5. The government had on Feb 5 imposed minimum import price on 173 steel item lines for six months, to protect the companies from cheap imports coming into the country from China, South Korea, and Japan. The decision is crucial for domestic steelmakers as they were facing predatory pricing from global exporters. Steel Minister asked the industry to prepare a "roadmap" to become competitive in the international market even if the minimum import price on steel products is extended after its expiry in August.

### **Telecom Sector – Seen rangebound with positive bias this week**

Shares of telecom services companies are seen trading in a narrow range with a positive bias this week. The stocks will take cues from the progress on passage of Constitution amendment bill on Goods and Services Tax. The bill is stuck in the Rajya Sabha, as the ruling party lacks majority in the House and depends on the Opposition support to pass any legislation. Sector leader Bharti Airtel Ltd, which posted better-than-expected results, is expected to rise this week. Movement in telecommunication stocks, this week, will largely be stock specific and directed by their quarterly earnings. Traders will be eyeing Tata Communications which will detail its Apr-Jun numbers on Aug 1. Idea Cellular Ltd, which has traded low ahead of Reliance Jio Infocomm's launch, may recover this week. Idea Cellular will detail its earnings for the June quarter on Aug 8.



## Market range for the week 8450-8820

Nifty	Values
Support 1	8480
Support 2	8420
Support 3	8350
Resistance 1	8580
Resistance 2	8620
Resistance 3	8750

**Resistance** – Nifty may face resistance at 8580 level above this level it may go up to 8620-8750 level.

**Support** - Nifty has support at 8480 level below this next support at 8420-8350 levels.

**Technical** – During the week, CNX Nifty opened at 8519.95 and touched the highest level of 8674.70 and lowest level of 8517.20. The CNX Nifty ended at 8638.50; gain 97.3 or 1.14%. The S&P BSE Sensex opened at 27753.96 and touched the highest level of 28240.20 and lowest level of 27736.51. The S&P BSE Sensex closed at 28051.86; gain 248.62 points or 0.89%.

**For the coming week, we expect the market range of 8450-8820**

### Weekly Chart View –

We had mentioned in last week's report that we witnessed series of narrow range body formation on the daily chart and on weekly chart Doji candle, because of that we had mentioned we will see stock specific action and all we have seen same. Now on the daily chart Nifty above upper line of channel and on weekly chart near to upper line of triangle. So we still maintain that we can see stocks specific move and upper side remain 8680-8720 will be major resistance above that we can see move up to 8850-8920 and downside remain 8520-8450 will be good level for buying.

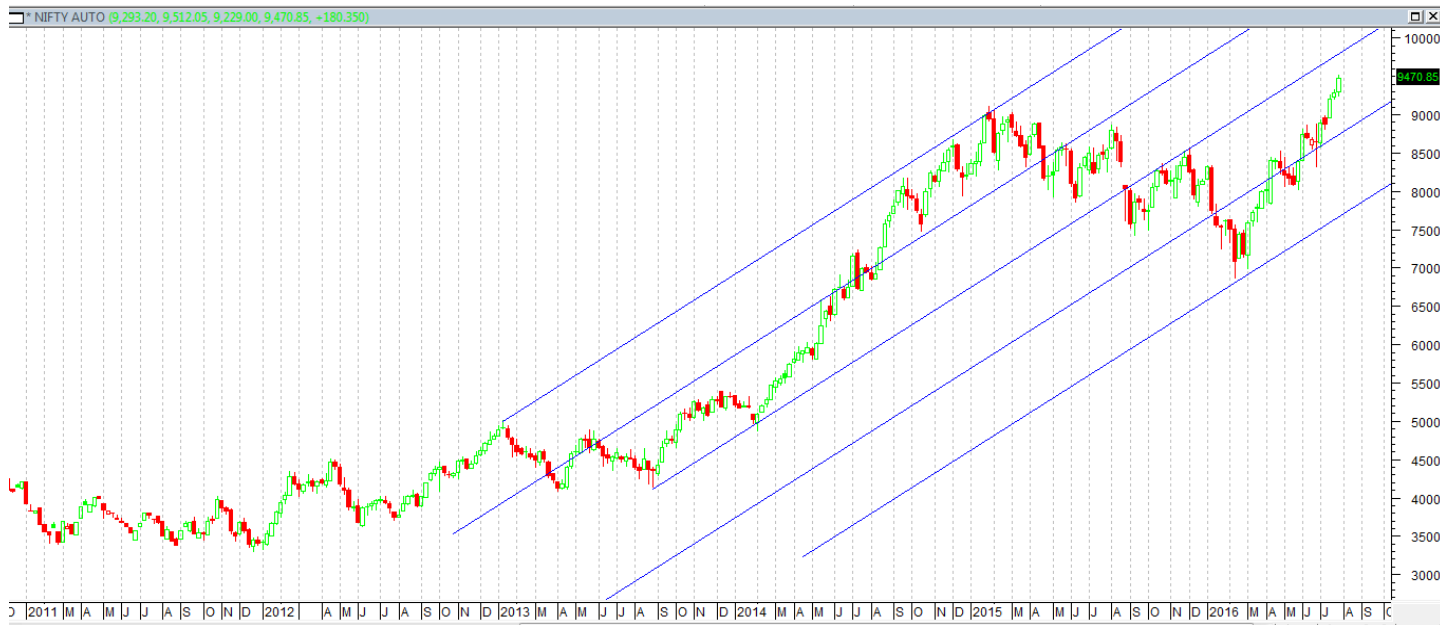
### Weekly Chart



## Weekly Sectoral Technical Outlook

**NSE Auto Index**

**CMP: 9470**



**NSE Auto**

We maintain our stance that the weekly chart is maintaining a higher-top higher- bottom formation. Hence momentum on the upside is likely to continue. Aggressive traders gone long above 8933 should trial their stop loss to 9150. On the upside it can test 9750 – 10000 levels.

**NSE Bankex**

**CMP: 18953**



**NSE Bankex**

We still maintain our stance that the price action is making a higher high formation, hence momentum on the upside is likely to continue. Hence, aggressive traders, gone long above 18075 can trial the stop loss to 18500. On the upside it can test 19350 – 19800 levels.



**NSE Metal Index**

**CMP: 2422**

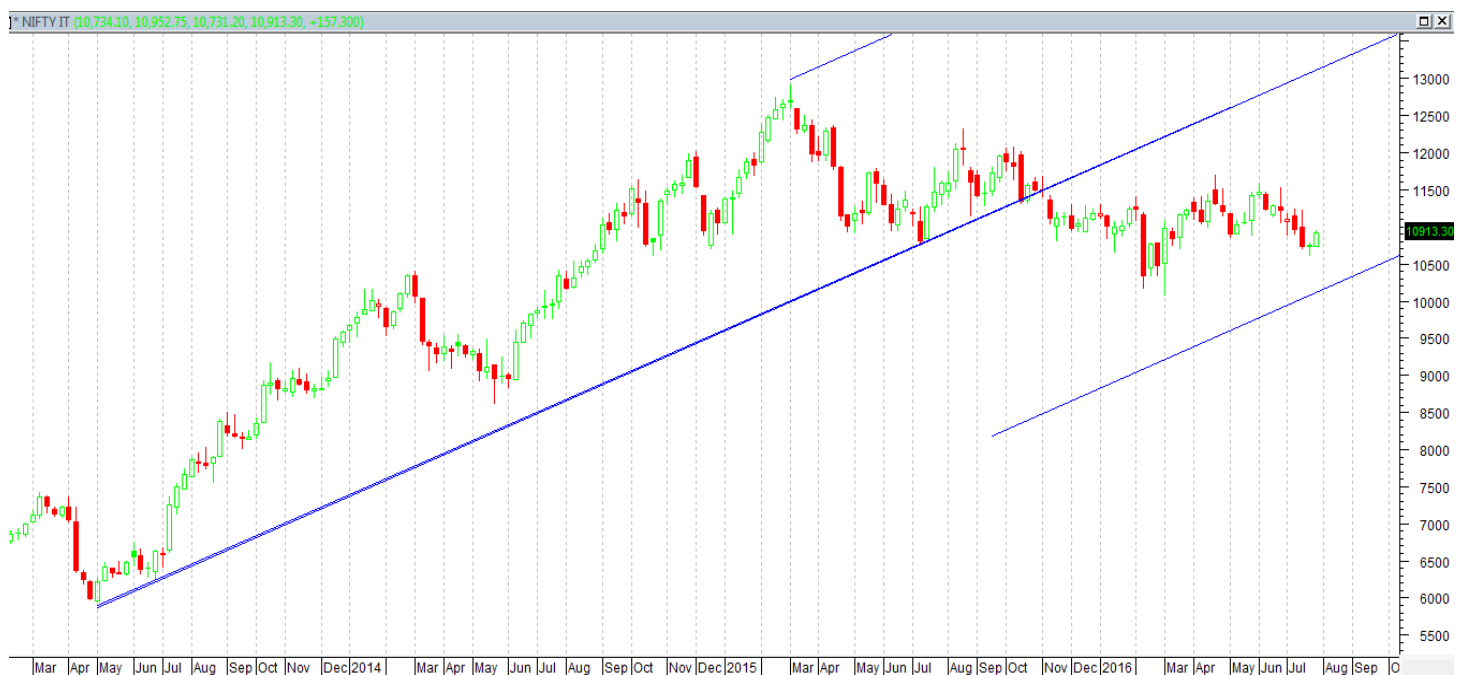


**NSE Metal Index**

Aggressive traders gone long can trial the stop loss to 2350. On the upside, it can test 2550 - 2700 levels.

**NSE IT**

**CMP: 10913**



**NSE IT**

We maintain our stance that there is no clear positive pattern. Hence one should avoid this sector at present.



## Weekly Technicals of Key Companies –

Company	Closing 29-Jul-16	Buy/Sell Trigger	Resistance 1	Resistance 2	Support 1	Support 2
ACC	1689	1688	1719	1749	1658	1627
ADANIPORTS	232	229	237	241	225	218
AMBUJACEM	271	271	278	285	264	257
ASIANPAINT	1114	1105	1163	1212	1056	998
AUROPHARMA	791	791	807	822	775	759
AXISBANK	546	541	564	582	523	501
BAJAJ-AUTO	2701	2692	2763	2825	2630	2559
BANKBARODA	152	153	157	163	147	143
BHARTIARTL	362	368	376	389	354	347
BHEL	146	146	151	157	141	135
BOSCHLTD	24977	24660	25458	25939	24179	23382
BPCL	593	590	605	617	578	563
CIPLA	527	525	538	548	515	503
COALINDIA	328	329	334	339	323	318
DRREDDY	2935	3147	3368	3801	2714	2492
EICHERMOT	22461	21584	23397	24333	20648	18835
GAIL	382	387	393	405	375	369
GRASIM	4895	4878	4935	4976	4837	4780
HCLTECH	753	746	766	780	732	712
HDFC	1375	1378	1406	1438	1347	1319
HDFCBANK	1246	1241	1256	1266	1232	1217
HEROMOTOCO	3203	3213	3274	3344	3143	3083
HINDALCO	134	134	137	140	131	128
HINDUNILVR	923	914	933	944	903	884
ICICIBANK	263	266	271	280	257	252
IDEA	105	106	108	111	103	101
INDUSINDBK	1176	1167	1201	1226	1142	1108
INFRATEL	395	390	419	443	366	337
INFY	1074	1078	1093	1111	1059	1044
ITC	252	252	257	262	247	242
KOTAKBANK	764	761	776	788	748	733
LT	1559	1575	1599	1640	1534	1510
LUPIN	1740	1720	1770	1801	1689	1638
M&M	1467	1461	1486	1505	1442	1417
MARUTI	4758	4668	4914	5071	4511	4265
NTPC	158	158	161	163	156	154
ONGC	220	223	227	233	217	213
POWERGRID	176	174	181	186	168	161
RELIANCE	1015	1019	1031	1046	1003	992
SBIN	229	229	235	242	223	217
SUNPHARMA	830	819	851	872	798	766
TATAMOTORS	503	505	511	520	497	491
TATAMTRDVR	323	327	331	338	319	315
TATAPOWER	72	72	73	74	71	69
TATASTEEL	355	360	370	386	344	333
TCS	2619	2587	2668	2716	2538	2458
TECHM	488	494	506	525	476	464
ULTRACEMCO	3718	3690	3768	3817	3640	3562
WIPRO	545	546	556	567	534	524
YESBANK	1217	1200	1253	1288	1164	1112
ZEEL	497	487	511	525	473	448

Source: Iris Software



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