

**Key developments during the week**

- India Apr-Aug core sector growth at 4.5% from 2.4% YoY
- India Aug core sector growth unchanged at 3.2% MoM
- India Apr-Aug fiscal deficit at 76.4% FY17 target; at 4.078 trln rupees vs 3.693 trln rupees YoY
- India Aug fiscal deficit at 143 bln rupees vs (-) 158 bln YoY
- Govt cuts gas price to \$2.50 per mBtu for Oct-Mar from \$3.06 per mBtu
- Cabinet likely to next month mull listing of PSU general insurers
- Indian Army conducts surgical strikes along Line of Control
- Congress, other opposition parties support govt in fight against terror
- Govt decides to double EPF investment in equities to 10% for FY17
- After 8 years, OPEC agrees to cut crude output; details likely in Nov
- Govt source says hike in EPFO's equity invest limit in final stages
- SEBI allows options trade in commodity derivatives market
- RBI Mundra says India opposed to risk weight to banks' sovereign exposure
- Cabinet approves 22.56-bln-rupees spend to upgrade CBEC's GST system
- ISMA raises 2016-17 sugar output estimates to 23.4 mln
- Economic secretary says India poised to grow at over 8%
- ADB keeps India FY17 growth forecast unchanged at 7.4%, FY18 at 7.8%
- Cabinet likely to soon take up strategic sale in some PSUs
- WTO cuts 2016 global trade growth forecast to 1.7% from 2.8%
- FIPB approves 10 FDI proposals worth 23.25 bln rupees

INDEX	30-Sep-16	23-Sep-16	Change (in %)
NIFTY	8611.15	8831.55	-2.50
SENSEX	27865.96	28668.22	-2.80
NSE 500	7394.85	7554.90	-2.12
NSE MIDCAP	3959.65	4000.50	-1.02
NIFTY JUNIOR	22908.00	23246.95	-1.46
BSE SMALLCAP	12780.80	12958.90	-1.37
BSE 200	3719.56	3800.36	-2.13

INDEX	30-Sep-16	23-Sep-16	Change (in %)
BSE AUTO	22231.66	22642.26	-1.81
BSE BANK	22045.62	22752.65	-3.11
BSE CAPITAL GOODS	14581.77	15119.19	-3.55
BSE CD	12548.56	12747.33	-1.56
BSE FMCG	8461.02	8745.79	-3.26
BSE HEALTHCARE	16181.12	16613.89	-2.60
BSE IT	10229.09	10299.17	-0.68
BSE METALS	9763.66	9837.68	-0.75
BSE OIL AND GAS	11377.55	11433.94	-0.49
BSE PSU	7462.44	7594.17	-1.73
BSE REALTY	1512.19	1570.72	-3.73
BSE TECK	5630.81	5672.62	-0.74

INDEX	30-Sep-16	23-Sep-16	Change (in %)
DOW JONES	18308.15	18261.45	0.26
HANG SENG	23297.15	23686.48	-1.64
NIKKEI	16449.84	16754.02	-1.82
FTSE	6899.33	6909.43	-0.15

Domestic events week ahead

- Oct 03:** Nikkei Manufacturing PMI for September, by IHS Markit
- Oct 03-06:** Power generation for September, by CEA
- Oct 04:** Fourth bi-monthly monetary policy, by RBI
- Oct 05:** Nikkei services PMI for September, by IHS Markit
- Oct 06:** Rainfall for week to Oct 05, by IMD

Source: Cogencies

Global events week ahead

- Oct 03:** Japan Final Manufacturing PMI, Europe Final Manufacturing PMI, UK Manufacturing PMI, US Final Manufacturing PMI, US ISM Manufacturing PMI
- Oct 04:** Japan Consumer Confidence, UK Construction PMI, Europe PPI
- Oct 05:** Europe Final Services PMI, UK Services PMI, US ADP Non-Farm Employment, US Trade Balance, US Final Services PMI, US ISM Non-Manufacturing PMI, US Crude Oil Inventories
- Oct 06:** Europe Retail PMI, ECB Monetary Policy Meeting Accounts, US Unemployment Claims
- Oct 07:** UK Manufacturing Production, UK Goods Trade Balance, UK Industrial Production, US Non-Farm Employment, US Unemployment Rate
- Oct 08:** China Caixin Services PMI, IMF Meetings



Weekly Sector Outlook and Stock Picks

Auto Sector – Seen range bound; monthly sales, RBI policy key

Shares of major automobile companies are seen trading in a narrow range this week with some possibility of a correction because most of the stocks have performed well in the last few weeks. Sales data for September and the Reserve Bank of India's monetary policy review are the key triggers for stocks of automobile companies. Payout of higher salaries and arrears after the implementation of the seventh Pay Commission and good monsoon rains are seen pushing up demand during Sep-Oct. Festive season, kicking off with the nine-day auspicious period, Navratri, is also likely to boost vehicle sales. In September, the Society of Indian Automobile Manufacturers revised upward its projection for growth in sales of passenger vehicles in FY17 to double digit, from 7-8% seen at the beginning of the year. Maruti Suzuki India Ltd may see some correction going forward as the stock has been trading in overbought category. For the longer term for the stock remains positive, backed by strong fundamentals and a good order book.

Bank Sector – Seen volatile this week ahead of RBI policy

Bank stocks are seen opening volatile this week ahead of the Reserve Bank of India's fourth bi-monthly policy statement for FY17 due on Oct 4. Market participants are split between expectations of a status quo and a repo rate cut of 25 basis points on Tuesday. The RBI stance on policy rate will set the tone for banking stocks for the latter part of the week. Tuesday's policy decision will be the first policy statement by RBI Governor Urjit Patel and newly formed monetary policy committee. Broader markets that saw some correction due to risk aversion from both domestic and foreign investors following India's 'surgical strike' on Pakistan is also expected to calm down this week. The geopolitical concerns between the countries had spooked foreign investors and raised questions about whether an escalation of such tensions could impact the Indian economy and markets going ahead. Among individual banks, shares of South Indian Bank are likely to remain in focus as the lender will detail its earnings for Jul-Sep on Oct 7. Kotak Mahindra Bank, which announced acquiring nearly 99.5% stake in BSS Microfinance, will also be in focus as a similar buyout by another lender IDFC Bank had pushed its stock sharply higher.

Capital Goods Sector – May see more correction; Thermax eyed

Shares of capital goods companies are likely to see more correction this week in the absence of significant triggers, apart from the Reserve Bank of India's monetary policy. Major capital goods stocks have fallen 1.7-7.8% this week, seeing sharp declines after India said it had conducted surgical strikes on terror launch pads along the Line of Control. However, concerns regarding geopolitical tensions with Pakistan are expected to lessen this week. The RBI will detail its monetary policy on Oct 4. This will be Governor Urjit Patel's policy debut, where the central bank is expected to leave interest rates unchanged. Shares of Larsen & Toubro are likely to be range-bound with minor gains, as the sector bellwether won orders worth 20.46 bln rupees across various business segments this week. State-owned Bharat Heavy Electricals is likely to fall more in the forthcoming week after closing nearly 8% lower this week. Thermax's stock may rise up in the near-term owing to bullish business prospects.

Cement Sector – Seen down this week, large-cap stress to continue

Shares of cement manufacturers are expected to fall this week with pressure expected to continue on large-cap companies such as ACC Ltd, Ambuja Cement and Ultratech due to higher valuations and likely impact of high pet-coke prices on their earnings in Jul-Sep. The mid-cap cement companies such as JK Lakshmi Cement, JK Cement and Orient Cement to perform well in the short to medium term due to healthy volume growth, and improvement in capacity utilisation. Also, the Reserve Bank of India's monetary policy statement on Oct 4 will be a key factor for the stock market this week.

FMCG Sector – May correct more; ITC, HUL seen consolidating

Shares of fast moving consumer goods companies may correct further this week, as the sector faces pressure from rising cost of raw materials. Sales during the coming festival season are unlikely to be high, and this might exert further pressure on FMCG companies. The demand for personal care products could see an uptick in the December quarter in case the winter sets in early. Among major FMCG players, ITC Ltd and Hindustan Unilever Ltd are seen consolidating this week. The consolidation for Hindustan Unilever, India's largest FMCG Company by volume, however, could be short-lived, as it is expected to lag in growth in the September quarter.

**IT Sector – Investors to remain cautious this week**

Investors are expected to remain cautious over the information technology sector this week due to dissatisfactory earnings growth guidance by US-based IT major Accenture Plc. The company expects a 5-7% rise in sales for the financial year ending August 2017, and its operating margin are likely to be in the range of 14.7-14.9%, up 10-30 basis points on year. Lower-than-expected earnings growth guidance by Accenture implies that Indian IT companies might also have trouble securing orders. Market participants would be averse to risk-taking as they await the results of sector leaders Infosys and Tata Consultancy Services. Infosys will detail its Jul-Sep earnings on Oct 14. Volatile rupee and geopolitical tensions are also likely to weigh on the sector which constitutes of major software and services' exporters. Meanwhile, sentiment in the broader market is likely to be positive even as the market awaits the Reserve Bank of India's monetary policy on Oct 4. Positive sentiment in broader market may be favourable for IT sector. HCL Technologies is seen rising to 850 rupees next week on attractive valuations and improved investor sentiment.

Oil Sector – Upstream companies seen up as crude oil positive

Stocks of upstream companies like ONGC, Oil India Ltd, and Cairn India Ltd are like to trade positively this week, given the recent decision by the Organization of the Petroleum Exporting Countries to lower crude oil output in a bid to ease the global supply glut and support global prices. However, the lowering of domestic gas prices by the government may have some impact on these stocks. The government announced a cut in domestic natural gas price to \$2.50 per mBtu for Oct-Mar, from \$3.06. As for downstream stocks, shares of state-owned oil refining companies IOC, BPCL, and HPCL may witness some profit booking over the next few sessions following a strong showing in recent weeks. Oil stocks will also be taking cues from the broader market. A factor that may play a role in deciding the course of capital markets over the next few days is the relationship between India and Pakistan, in the aftermath of India's "surgical strikes" against terror launch pads in Pakistan occupied Kashmir.

Pharma Sector – May rebound this week; Aurobindo Pharma top pick

Despite challenges over the short term on both domestic and international fronts, shares of most pharmaceutical companies are likely to rebound this week as investors continue to be bullish over the sector's long-term prospects. Favourable valuation of large-caps following a near 10% decline in the Nifty Pharma index in the last one year on regulatory issues is another reason aiding investor sentiment. Aurobindo Pharma is the preferred pick due to expectation of strong earnings from the company, which has one of the largest pipelines of generic drugs that are awaiting US Food and Drug Administration's approval. The largest company in the sector Sun Pharmaceutical Industries is expected to rebound losses and rise in the near term. Resolution of its regulatory issues surrounding its plant at Halol is a key trigger for the stock. Cipla declined 4% after company said the US Food and Drug Administration issued a Form 483 with four observations related to deviation from good manufacturing practices across three units at its Goa facility. Cipla was the worst hit in the sector on week, and is likely to correct further this week.

Metal Sector – Correction in major stocks likely to continue

Shares of major metal and mining companies may continue to see correction this week. Shares of major metal companies fell 1.5%-7.7% on week. Stocks would also track the Reserve Bank of India's monetary policy and the geopolitical situations. While concerns of border tension with Pakistan are still on investors' minds, it is expected to calm this week. The RBI will detail its monetary policy on Oct 4. Market participants would be eyeing any development related to imposition of anti-dumping duty on certain steel products. The government may further prune the list of steel products under minimum import price and instead levy anti-dumping duty on them, Steel Secretary Aruna Sharma had said two weeks back. The government had imposed minimum import price on 173 steel products in February for six months. On Aug 4, the government removed minimum import price for 107 specific items, and simultaneously imposed anti-dumping duty on broader categories of hot-rolled and cold-rolled products.

Telecom Sector – Seen down this week; spectrum auction in focus

Shares of telecommunication services companies will remain subdued this week. Concerns about Reliance Jio's free voice calls, its ongoing tussle with operators over points of interconnect, and the spectrum auction will weigh on stocks in the sector. Seven operators, barring Telenor India, will bid at the auction, which will have 2,355.4 MHz of frequencies on offer. While the auction will plug crucial network gaps and open revenue streams from new geographies, operators will have to take on massive debt to acquire frequencies. Investors will focus on the outcome of the auction before placing their bets.



Market range for the week 8450-8880

Nifty	Values
Support 1	8550
Support 2	8480
Support 3	8450
Resistance 1	8680
Resistance 2	8780
Resistance 3	8850

Resistance – Nifty may face resistance at 8680 level above this level it may go up to 8780-8850 level.

Support - Nifty has support at 8550 level below this next support at 8480-8450 levels.

Technical – During the week, CNX Nifty opened at 8807.90 and touched the highest level of 8809.55 and lowest level of 8620.95. The CNX Nifty ended at 8611.15; drag 220.4 points or 2.50%. The S&P BSE Sensex opened at 28630.92 and touched the highest level of 28630.92 and lowest level of 27716.7. The S&P BSE Sensex closed at 27865.96; drag 802.26 points or 2.80%.

For the coming week, we expect the market range of 8450-8880

Weekly Chart View –

We had mentioned in last week’s report that we witnessed series of narrow range body formation on daily chart and on weekly chart “Spinning Top” candle, because of that we had mentioned 8980-9020 will be major resistance only above that we will see further upside and all we have seen Nifty fail to cross mentioned level and from there we have seen good selling. Now on daily chart we witness “Bearish candle” but it will active only if we get close below the low of that candle and on weekly chart Nifty moving toward Gap area. So according to this two chart pattern we will still maintain 8850-8880 will be major resistance only above that we will see sustainable upside. On the downside below 8550-8500 we will see some more correction.

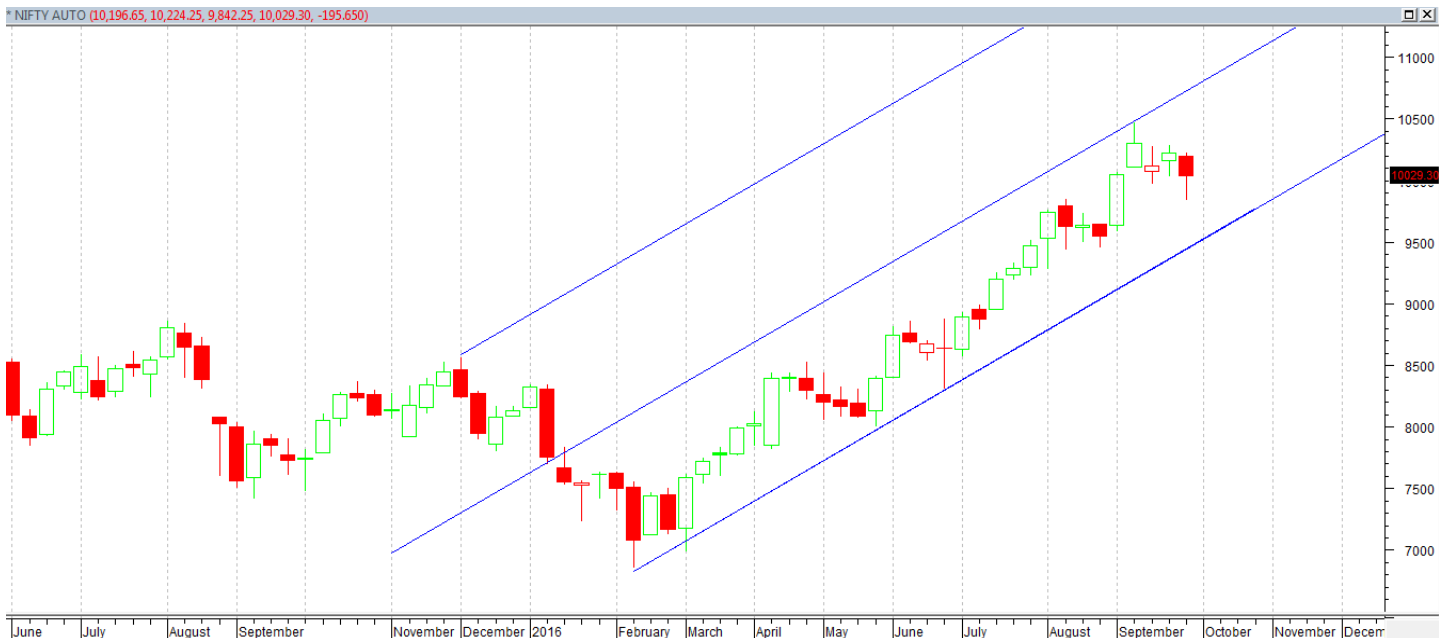
Weekly Chart





Weekly Sectoral Technical Outlook

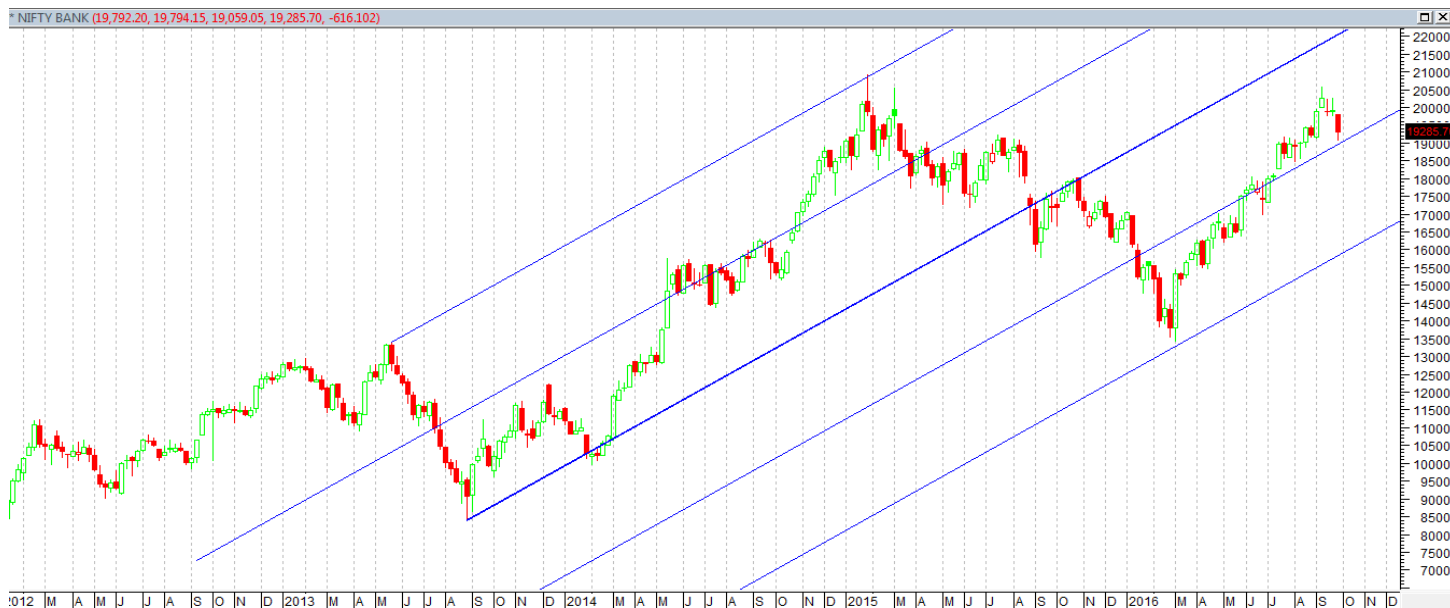
NSE Auto Index	CMP: 10029
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NSE Auto

We maintain our stance that the current price action gives no clear direction of the trend. Hence, one should avoid this sector and wait for positive pattern to emerge at lower level.

NSE Bankex	CMP: 19285
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NSE Bankex

We are observing a correction of previous rise. However, there is no clear positive pattern emerging. Hence one should avoid this sector at present.



NSE Metal Index

CMP: 2522

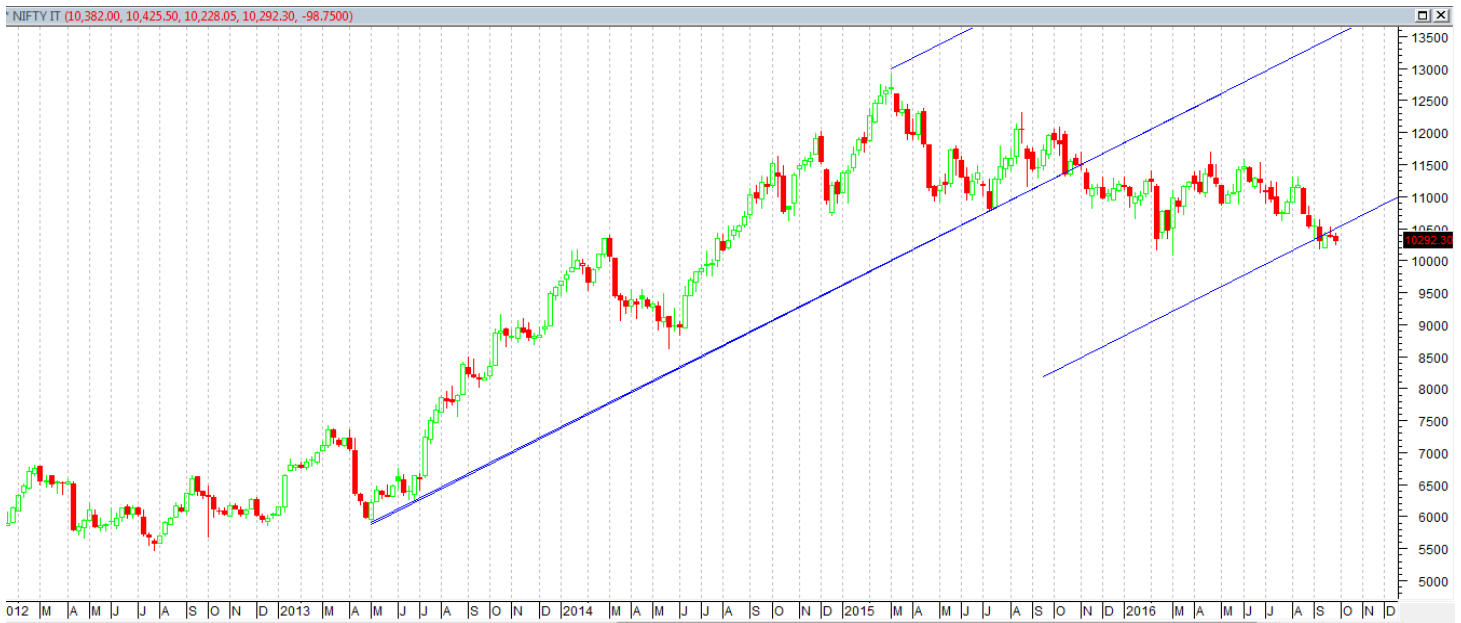


NSE Metal Index

The current price action is still taking support at the upward sloping trendline shown above in the graph. Aggressive traders gone long above 2570 with a stop loss of 2440. On the upside it can test 2680 -2750 levels.

NSE IT

CMP: 10292



NSE IT

We still maintain our stance that one should avoid this sector at present as there is no positive pattern emerging at current level.



Weekly Technicals of Key Companies –

Company	Closing 30-Sep-16	Buy/Sell Trigger	Resistance 1	Resistance 2	Support 1	Support 2
ACC	1600	1601	1626	1652	1575	1550
ADANI PORTS	257	260	271	286	246	235
AMBUJACEM	252	255	260	268	247	241
ASIANPAINT	1161	1173	1191	1221	1143	1126
AUROPHARMA	855	841	897	939	799	742
AXISBANK	541	542	560	578	523	505
BAJAJ-AUTO	2828	2866	2915	3003	2778	2729
BANKBARODA	167	166	172	177	161	155
BHARTIARTL	314	317	326	338	305	296
BHEL	135	137	144	154	127	120
BOSCHLTD	22798	22949	23439	24080	22308	21819
BPCL	613	612	629	645	596	579
CIPLA	580	586	609	639	557	533
COALINDIA	322	325	334	346	314	305
DRREDDY	3107	3131	3204	3301	3035	2962
EICHERMOT	24828	25307	26162	27497	23972	23117
GAIL	375	373	389	402	359	344
GRASIM	4837	4813	4962	5087	4688	4540
HCLTECH	800	795	809	819	786	772
HDFC	1393	1403	1424	1454	1373	1352
HDFCBANK	1273	1283	1299	1325	1257	1242
HEROMOTOCO	3414	3445	3502	3590	3357	3300
HINDALCO	153	153	158	164	147	141
HINDUNILVR	868	882	900	931	851	833
ICICIBANK	252	255	266	280	241	229
IDEA	79	80	82	85	77	75
INDUSINDBK	1196	1203	1225	1253	1174	1153
INFRADEL	365	365	376	386	355	344
INFY	1036	1037	1049	1063	1023	1011
ITC	241	245	250	258	237	232
KOTAKBANK	777	781	796	814	762	748
LT	1433	1452	1493	1553	1392	1352
LUPIN	1486	1491	1527	1568	1450	1414
M&M	1406	1391	1431	1457	1365	1325
MARUTI	5477	5495	5607	5737	5365	5253
NTPC	148	151	154	160	145	141
ONGC	257	254	263	269	248	239
POWERGRID	177	177	182	187	171	166
RELIANCE	1084	1093	1120	1156	1057	1030
SBIN	251	251	258	264	244	237
SUNPHARMA	743	753	774	805	722	701
TATAMOTORS	535	534	551	567	518	501
TATAMTRDVR	341	340	351	362	329	317
TATAPOWER	75	75	77	80	73	70
TATASTEEL	374	374	384	394	364	353
TCS	2431	2427	2460	2489	2398	2366
TECHM	420	431	443	466	408	395
ULTRACEMCO	3852	3897	3955	4059	3793	3734
WIPRO	479	478	486	493	471	463
YESBANK	1255	1257	1303	1350	1209	1164
ZEEL	547	543	562	578	527	508

Source: Iris Software

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RCH-WMR-00