

**Key developments during the week**

- India Jun Nikkei manufacturing PMI rose to a 3-month high of 51.7 from 50.7 in May
- Cyprus says reached agreement with India on all pending tax issues
- India Apr-May fiscal gap 42.9% of 5.339 trln-rupees FY17 aim
- India May core sector growth slumped to 4-month low of 2.8% from 8.5% in Apr
- India May CPI industrial workers' inflation at 6.59% from 5.86% in Apr
- Fitch sees no direct 'Brexit' impact on Asia-Pacific nations, bank ratings
- Jaitley says World Bank teams to assess ease of doing business in India
- India, World Bank sign \$625 mln pact for rooftop solar project
- Govt starts anti-dumping probe on colour-coated steel from China, EU
- Cabinet approved most proposals of 7th pay panel; panel to study allowances
- Govt says Parliament's Monsoon Session to be held Jul 18-Aug 12
- Cabinet approved National Mineral Exploration Policy
- Chief economic advisor says hopeful of keeping FY17 CAD within 1% of GDP
- Finance minister source says Apr subsidy 410 bln rupees vs 290 bln rupees YoY
- DIPP secretary says urged finance minister for 7-year tax exemption for start-ups
- Moody's sees political divisions slowing down India's reform process

INDEX	01-Jul-16	24-Jun-16	Change (in %)
NIFTY	8328.50	8088.60	2.97
SENSEX	27144.91	26397.71	2.83
NSE 500	7027.85	6775.55	3.72
NSE MIDCAP	3538.35	3348.10	5.68
NIFTY JUNIOR	20831.25	19706.70	5.71
BSE SMALLCAP	11885.43	11278.63	5.38
BSE 200	3538.66	3417.50	3.55

INDEX	01-Jul-16	24-Jun-16	Change (in %)
BSE AUTO	19782.31	19176.16	3.16
BSE BANK	20618.61	19910.87	3.55
BSE CAPITAL GOODS	15186.53	14297.04	6.22
BSE CD	12016.63	11543.81	4.10
BSE FMCG	8608.95	8143.92	5.71
BSE HEALTHCARE	15653.87	14925.72	4.88
BSE IT	11158.27	11306.02	-1.31
BSE METALS	8571.39	8189.62	4.66
BSE OIL AND GAS	9989.54	9381.60	6.48
BSE PSU	6824.04	6472.06	5.44
BSE REALTY	1542.49	1423.44	8.36
BSE TECK	6059.21	6071.90	-0.21

INDEX	01-Jul-16	24-Jun-16	Change (in %)
DOW JONES	17949.37	17400.75	3.15
HANG SENG	20806.21	20253.51	2.73
NIKKEI	15682.48	14952.02	4.89
FTSE	6577.83	6138.69	7.15

**Domestic events week ahead**

- Jul 04-08:** Power generation for June, by Central Electricity Authority
- Jul 04-08:** Freight traffic of major ports in June, by IPA
- Jul 05:** Nikkei services and composite PMI for June, by Markit Economics
- Jul 07:** Rainfall for week to Jul 6, by IMD

Source: Cogencies

**Global events week ahead**

- Jul 04:** UK Construction PMI, Europe PPI
- Jul 05:** China Caixin Services PMI, Europe Final Services PMI, UK Services PMI, Europe Retail Sales, BOE Gov Carney Speaks, BOE Financial Stability Report, US Factory Orders, US FOMC Member Dudley Speaks
- Jul 06:** Europe Retail PMI, US Trade Balance, US Final Services PMI, US ISM Non-Manufacturing PMI, US FOMC Meeting Minutes
- Jul 07:** BOJ Gov Kuroda Speaks, UK Manufacturing Production, UK Industrial Production, ECB Monetary Policy Meeting Accounts, US ADP Non-Farm Employment, US Unemployment Claims, US Crude Oil Inventories
- Jul 08:** Japan Current Account, UK Goods Trade Balance, US Non-Farm Employment, US Unemployment Rate



## Weekly Sector Outlook and Stock Picks

### **Auto Sector – Bias positive; sales data, monsoon progress key**

Shares of major automobile companies are expected to trade with a positive bias this week, taking cues from sales data for June, optimism over the progress of the monsoon, and hope of above-average rains this season. Hero MotoCorp's sales for June were flat. Notwithstanding the tepid numbers, the company is optimistic on sales, stating in its release that the implementation of the Seventh Pay Commission's recommendations and a good monsoon are likely to spur growth. Tata Motors, which reported a near 8% jump in volumes for June, may see further upside. Maruti Suzuki may shrug off disappointing sales numbers and see brisk trading; the stock is now coming out of a range and may go up this week. The company's fundamentals remain strong, aided by a strong product portfolio and an order backlog for its Baleno and Vitara Brezza models, which have seen good demand. The company, which records nearly half its sales in the rural market, may also benefit from a good monsoon.

### **Bank Sector – Seen positive this week; PSU banks remain 'buy on dip'**

Bank stocks are likely to continue with their upward momentum tracking gains in the broader market on the back of satisfactory progress of the monsoon current. Shares of state-owned banks, which were avoided by the market due to bad loan worries till last week, may see renewed investors' interest. While satisfactory monsoon rains may give Reserve Bank of India room to cut interest rate as upside risks to inflation are seen easing. Bank shares may also be expected to benefit from the implementation of recommendations of the Seventh Pay Commission as it is expected to boost consumption demand, which could aid the retail loan books of lenders. Development over capital infusion in state-owned banks will also be eyed for cues. The Department of Financial Services has finalised the plan for infusing additional capital into public sector banks in this financial year and the first tranche will be released very soon.

### **Capital Goods Sector – Seen range-bound with a positive bias**

Shares of capital goods companies are expected to trade range-bound with a positive bias this week, with the announcement of companies' earnings for Apr-Jun nearing, and the impact of Brexit largely factored in. Most capital goods companies will detail their Apr-Jun earnings in the second half of July, and management commentary would be a key trigger in the near term. Sector major Larsen & Toubro is likely to gain this week, with the announcement of its subsidiary Larsen & Toubro Infotech's initial public offering. The offer will be open for subscription during Jul 11-13. Crompton Greaves is seen positive in the short term, riding on the Avantha Group-owned company's recent announcement of selling its global automation business, ZIV, by September. The management of Crompton Greaves gave strong growth guidance for the industrial vertical, which would push the stock higher.

### **Cement Sector – Seen rangebound as demand to ebb in monsoon**

Cement stocks are likely to trade rangebound this week, after having witnessed a strong rally this week tracking the momentum in the broad market. Major cement companies' stocks have gained 1.9-17.9% on week. The onset of the monsoon, however, is likely to keep the positive momentum for shares of cement companies in check. The India Meteorological Department has projected the monsoon to cover the entire country by the first week of July, almost a week ahead of schedule. While the monsoon will dampen cement demand in Jul-Sep, demand is seen bouncing back, particularly in north-eastern states, due to increased spending by state governments on infrastructure and housing development. Shares of cement companies are mostly seen subdued this quarter, but strong Apr-Jun earnings following price hikes in key pockets of north and south India are seen driving shares.

### **FMCG Sector – Seen up on good monsoon, positive broader markets**

Shares of fast moving consumer goods companies are expected to continue their positive movement this week due to good monsoon rains and a likely uptrend in broader markets. A pick-up in the monsoon through the past few days will lead to positive sentiment in FMCG stocks. The broader markets are expected to trade positive on the back of good rains and a recovery in global markets. The Union Cabinet approved the Model Shops and Establishment Bill, which allows shops and business establishments with at least 10 workers to be open 24x7, and 365 days a year. This is likely to result in a rise in consumer stocks. The Cabinet also approved a pay hike for government staff, effective Jan 1. The implementation of the Seventh Pay Commission's recommendations on salaries and pension of central government staff will also lead to a rise in consumption, which will augur well for FMCG companies, as demand is expected to rise.

**IT Sector – Seen in a range as Brexit, fall in Sterling weigh**

Shares of most of the information technology companies are likely to trade in a range this week as UK's decision to leave the European Union and currency volatility are seen weighing on the sector. The stocks are expected not to see any high losses or gains this week as market participants are likely to remain cautious on the sector ahead of the Apr-Jun earnings due shortly. The Apr-Jun earnings of IT companies are likely to be impacted due to slow client decision making, global economic challenges and around 10% fall in Pound Sterling. Mid-cap firm KPIT Technologies during the week said it expected its Apr-Jun sales to fall around 4% "with consequent drop in profitability" due to several challenges, including soft demand for enterprise resource planning solutions. The company also expects sales and profit for Jul-Sep quarter to be flat sequentially. Movement is likely to be stock-specific in large-cap firms as market participants may choose to invest in them for the long term.

**Oil Sector – PSU refiners seen range-bound with positive bias**

Shares of state-owned oil marketing companies IOC, BPCL and HPCL are likely to trade in a range with a strong positive bias this week, and are seen outperforming the broad market. In the absence of any major sectoral triggers, the trend for downstream as well as upstream oil companies this week will be dictated by the movement in crude oil prices and the broad market sentiment. Crude oil futures on Multi Commodity Exchange of India are likely to remain range-bound in a balanced market, though the bias will remain on the downside due to easing concern over supply. A decline in crude oil prices would be positive for refiners as the commodity serves as their primary input. On other hand, a decline in crude oil prices will negatively impact upstream players like ONGC and Oil India. Fluctuation in the dollar-rupee exchange rates is also likely to affect shares of downstream and upstream oil companies.

**Pharma Sector – Seen positive this week; Dr Reddy's may gain more**

The positive momentum in shares of pharmaceutical companies may continue this week due to improved sentiment as no fresh regulatory issues have surfaced in past few weeks. In fact, a number of companies have come out with statements that the US Food and Drug Administration has not made any critical observations relating to non-compliance of good manufacturing practices at their plants in the recent inspections. The sector has been reeling under stress for over a year as regulatory issues at manufacturing units of many companies have affected earnings. However, there is a hope that things will start improving now. CNBC-TV18 reported that Dr Reddy's has completed most of the remedial work at the three plants that received warning letter from the US FDA in November and is seeking a meeting with the regulator this month. Sun Pharmaceutical Industries had said earlier that it will request the US FDA to re-inspect its Halol unit, which got warning letter in December, by June-end. In May, Lupin said the US FDA had cleared its Mandideep and Aurangabad units. Strides Shasun said its Bengaluru unit had cleared US FDA inspection.

**Metal Sector – Seen falling this week on profit booking**

Shares of major metals and mining companies may see profit booking this week after gaining in the current week following a surge in prices of metals, particularly copper and aluminium. In the near term, base metal prices may see some volatility after the recent decision of Britain to exit from the European Union, ratings agency ICRA said in a report. Changes in investor sentiment as well as weak growth outlook in the euro zone may dampen non-ferrous metal prices. However, in ICRA's opinion, Brexit is unlikely to have a significant impact on India's non-ferrous metal sector, since the region's share in global base metal consumption has been limited. ICRA's outlook on long-term demand of base metals in India remains positive. The positive outlook is driven by investments in infrastructure projects for the power transmission and distribution sector, urban housing, and smart city programmes.

**Telecom Sector – Correction seen after post-Brexit surge**

Shares of telecom companies are seen correcting this week after gaining in the post-Brexit market. Telecom shares gained 3.5-7.5% on week as investors churned their portfolios, picking stakes in companies which have little or no exposure to Europe. Bharti Group Chairman and Managing Director Sunil Mittal has said he expects consolidation in Indian telecom sector over the next two years that would leave up to four private players and one state-owned operator in the market. Mittal is also reported to have said the telecom industry would face massive erosion of tariffs with the entry of Mukesh Ambani-promoted Reliance Jio Infocomm. With already lower average voice and data realisation in the country, Reliance Jio's entry is likely to erode margins for the incumbents. Idea Cellular during its analysts' meet had reportedly said the market was large enough to accommodate the new entrant. The company said it would re-assess its strategy closer to the launch of 4G services by Reliance Jio.



**Market range for the week 8150-8520**

Nifty	Values
Support 1	8280
Support 2	8220
Support 3	8150
Resistance 1	8380
Resistance 2	8440
Resistance 3	8520

**Resistance** – Nifty may face resistance at 8380 level above this level it may go up to 8440-8520 level.

**Support** - Nifty has support at 8280 level below this next support at 8220-8150 levels.

**Technical** – During the week, CNX Nifty opened at 8039.35 and touched the highest level of 8356.75 and lowest level of 8039.95. The CNX Nifty ended at 8328.35; gain 239.75 points or 2.97%. The S&P BSE Sensex opened at 26347.81 and touched the highest level of 27243.30 and lowest level of 26262.72. The S&P BSE Sensex closed at 27144.91; gain 747.20 points or 2.83%.

**For the coming week, we expect the market range of 8150-8520**

**Weekly Chart View –**

We had mentioned in last week’s report that we witnessed gap down area on the daily chart and on weekly chart “Doji candle”, because of that we had mentioned we can see some consolidation and 8250-8280 will be resistance, but Nifty manage to close above that. Now on daily chart we can see three continues “Gap up” candle and on weekly chart strong “Bullish candle”. According to above pattern formation we can see some more positive move with stocks specific action and 8180-8150 will be good support for buy at lower level and upper side 8520-8550 can act as a resistance for Nifty.

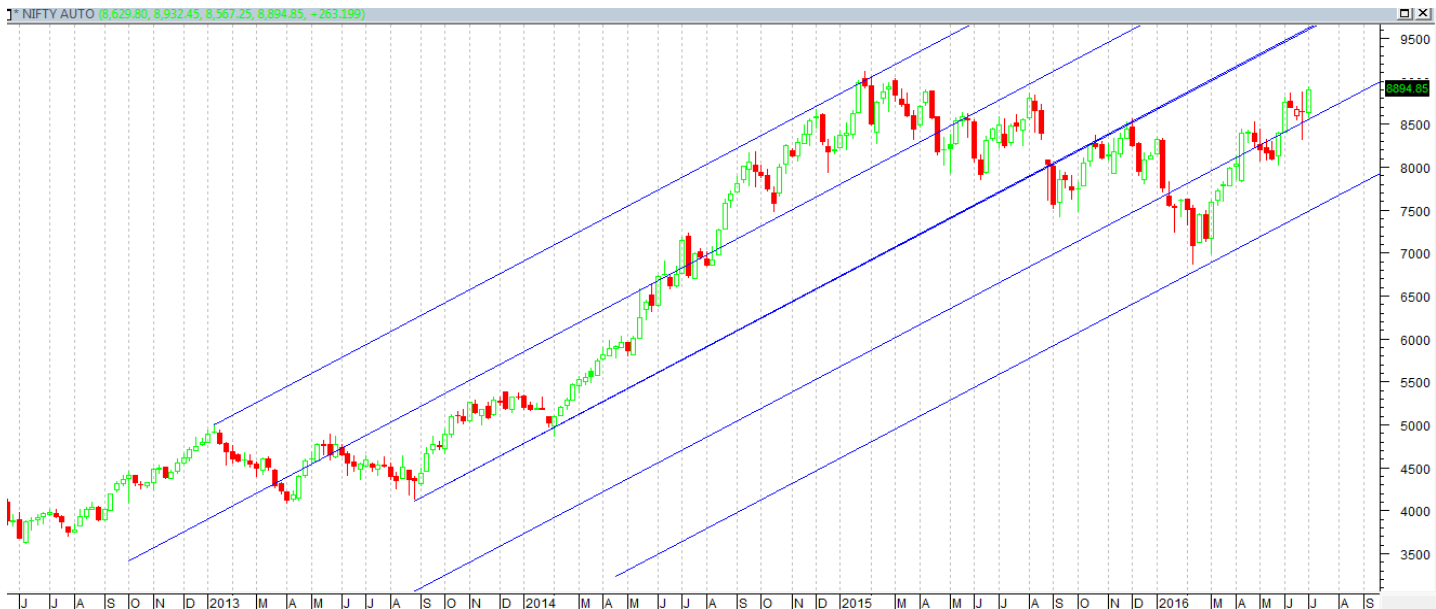
**Weekly Chart**





### Weekly Sectoral Technical Outlook

<b>NSE Auto Index</b>	<b>CMP: 8894</b>
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**NSE Auto**

At present, we are observing a bull candle which suggests upside momentum. Aggressive traders can go long above 8933 with a stop loss of 8550. On the upside it can test 9150 – 9400 levels.

<b>NSE Bankex</b>	<b>CMP: 17985</b>
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**NSE Bankex**

The current price action is in a higher high formation. Hence, aggressive traders can go long above 18075 with a stop loss of 17950. On the upside it can test 18400 – 19000 levels.



**NSE Metal Index**

**CMP: 2199**

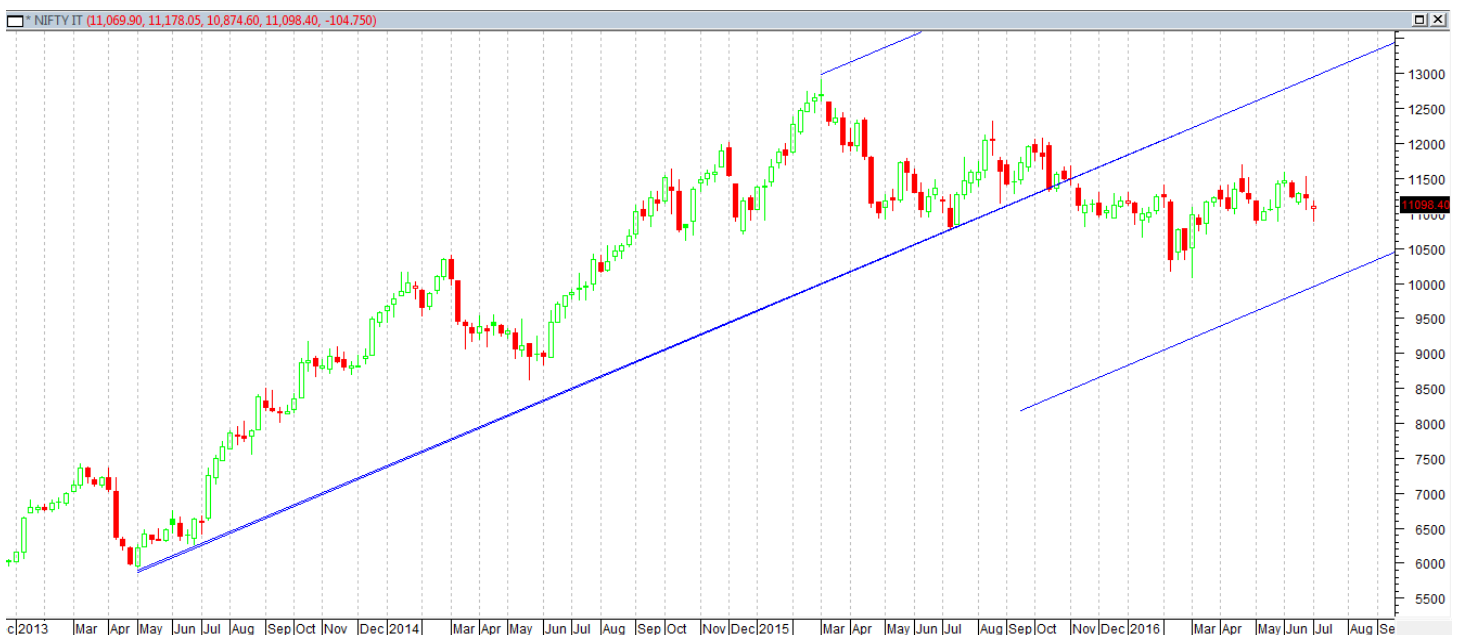


**NSE Metal Index**

We maintain our stance that prices are holding to the lower trendline of the “Symmetrical channel”. Aggressive traders gone long can trial the stop loss to 2071. On the upside, it can test 2300 - 2450 levels.

**NSE IT**

**CMP: 11098**



**NSE IT**

We re-reiterate our view that there is no clear positive pattern. Hence one should avoid this sector at present.



## Weekly Technicals of Key Companies –

Company	Closing 01-Jul-16	Buy/Sell Trigger	Resistance 1	Resistance 2	Support 1	Support 2
ACC	1617	1603	1641	1664	1579	1542
ADANIPORTS	204	205	207	211	202	199
AMBUJACEM	253	253	258	264	248	242
ASIANPAINT	1003	995	1019	1035	978	954
AUROPHARMA	746	733	766	786	713	680
AXISBANK	543	532	557	570	518	493
BAJAJ-AUTO	2671	2669	2722	2774	2618	2564
BANKBARODA	157	154	161	165	149	142
BHARTIARTL	368	364	378	387	354	341
BHEL	132	128	137	142	123	113
BOSCHLTD	22684	22194	23588	24492	21290	19896
BPCL	1092	1070	1124	1156	1038	985
CIPLA	509	498	521	534	485	462
COALINDIA	310	310	314	319	306	302
DRREDDY	3484	3374	3616	3748	3242	3000
EICHERMOT	19155	19012	19593	20032	18574	17992
GAIL	395	389	403	412	381	366
GRASIM	4643	4540	4801	4958	4383	4123
HCLTECH	732	730	751	771	710	689
HDFC	1242	1240	1269	1295	1213	1184
HDFCBANK	1175	1170	1190	1205	1155	1135
HEROMOTOCO	3186	3142	3270	3354	3058	2929
HINDALCO	125	122	128	132	119	112
HINDUNILVR	898	886	916	935	867	837
ICICIBANK	240	237	246	251	232	224
IDEA	106	105	110	113	101	96
INDUSINDBK	1123	1109	1143	1163	1089	1055
INFRADEL	350	342	362	374	330	309
INFY	1172	1171	1186	1200	1157	1141
ITC	252	249	263	273	239	226
KOTAKBANK	753	748	772	791	729	704
LT	1543	1505	1582	1622	1465	1388
LUPIN	1553	1524	1588	1622	1490	1426
M&M	1463	1439	1499	1536	1402	1342
MARUTI	4165	4128	4252	4338	4042	3918
NTPC	157	154	161	164	150	143
ONGC	225	221	234	243	212	199
POWERGRID	165	162	170	175	157	148
RELIANCE	973	964	987	1001	950	927
SBIN	220	217	224	229	213	206
SUNPHARMA	763	765	777	791	751	739
TATAMOTORS	458	452	471	484	439	420
TATAMTRDVR	291	293	299	307	285	279
TATAPOWER	74	74	76	77	72	71
TATASTEEL	328	322	337	346	313	298
TCS	2501	2508	2558	2614	2451	2402
TECHM	511	509	519	527	501	491
ULTRACEMCO	3424	3400	3509	3595	3314	3205
WIPRO	559	555	569	579	545	531
YESBANK	1130	1109	1155	1180	1083	1037
ZEEL	452	449	465	477	437	421

Source: Iris Software

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