

**Key developments during the week**

- India Aug Nikkei manufacturing PMI at 13-month high of 52.6 from 51.8 in Jul
- India Apr-Jun GDP growth at 7.1% from 7.5% YoY
- India Apr-Jul fiscal gap 73.7% of 5.339 trln-rupees FY17 aim
- India Jul eight core industries' growth fell to 3.2% from 5.2% in Jun
- India Jul CPI industrial workers' inflation rose to 6.46% from 6.13% in Jun
- Source says aim to bring insolvency bill for fin cos in Winter Session
- Jaitley says India remains a sweet spot amid weak global growth
- Reliance Jio launch on Sep 5, company says to never charge for voice calls
- Jaitley says strengthening banks' ability to aid growth top priority
- Revenue secretary says half of states ratify GST Constitution amendment bill
- Minister says need to tweak petroleum chemical producing region norm
- Govt to procure pulses from farmers as prices slip below MSP
- MD says RBL Bank aims to improve revenue mix with high-yield businesses
- GST panel head says to have clarity on Apr 1 aim as work progresses
- SIAM head says Delhi diesel car ban dealt 40-bln-rupees blow to auto sector
- Govt source says FIPB clears 6 FDI proposals worth 1.05 bln rupees
- Trade minister moots tax sops for special notified zones for diamonds

INDEX	02-Sep-16	26-Aug-16	Change (in %)
NIFTY	8809.65	8572.55	2.77
SENSEX	28532.11	27782.25	2.70
NSE 500	7504.60	7334.80	2.31
NSE MIDCAP	3913.95	3795.25	3.13
NIFTY JUNIOR	23031.05	22797.45	1.02
BSE SMALLCAP	12644.06	12487.12	1.26
BSE 200	3774.41	3689.49	2.30

INDEX	02-Sep-16	26-Aug-16	Change (in %)
BSE AUTO	22309.57	21235.39	5.06
BSE BANK	22803.57	22005.80	3.63
BSE CAPITAL GOODS	15100.25	14673.26	2.91
BSE CD	12475.53	12298.15	1.44
BSE FMCG	8858.35	8706.38	1.75
BSE HEALTHCARE	16232.58	16055.67	1.10
BSE IT	10402.30	10390.48	0.11
BSE METALS	9942.40	9870.22	0.73
BSE OIL AND GAS	10970.40	10910.04	0.55
BSE PSU	7505.93	7405.78	1.35
BSE REALTY	1525.55	1552.44	-1.73
BSE TECK	5697.46	5721.76	-0.42

INDEX	02-Sep-16	26-Aug-16	Change (in %)
DOW JONES	18491.96	18395.40	0.52
HANG SENG	23266.70	22909.54	1.56
NIKKEI	16925.68	16360.71	3.45
FTSE	6894.60	6838.05	0.83

**Domestic events week ahead**

- Sep 06:** Power generation for August, by Central Electricity Authority
- Sep 07:** Rainfall for week to Sep 06, by IMD
- Sep 09-12:** Automobile sales for August, by SIAM
- Sep 09-12:** FDI inflow for June and July, by RBI
- Sep 09-12:** Freight traffic of major ports in Apr-Aug, by IPA

Source: Cogencies

**Global events week ahead**

- Sep 06:** Europe Retail PMI, Europe GDP, US Final Services PMI, US ISM Non-Manufacturing PMI
- Sep 07:** UK Manufacturing Production, UK Industrial Production, US JOLTS Job Openings
- Sep 08:** Japan Current Account, Japan Final GDP, China Trade Balance, Europe Monetary Policy, ECB Press Conference, US Unemployment Claims, US Crude Oil Inventories
- Sep 09:** China CPI, China PPI, UK Goods Trade Balance, Eurogroup Meetings, US FOMC Member Rosengren Speaks



## Weekly Sector Outlook and Stock Picks

### **Auto Sector – Bias positive as rains, salary hike drive sales**

Shares of major automobile companies are seen moving with an overall positive bias in the near term due to robust monthly sales that are seen improving further. Sales of most automakers rose in August. Payout of arrears of government salary hike and good monsoon rains are also seen lifting demand during the upcoming festive season. The CNX Auto Index, which closed 5.4% up on week at 10052.95, may remain range-bound in the next few sessions. Last month, the government had approved recommendations of the Seventh Central Pay Commission with retrospective effect from Jan 1, 2016. Shares of Maruti Suzuki are seen "overbought" but seen positive this week, backed by strong fundamentals and a good order book for its Baleno hatchback and Vitara Brezza sports utility vehicles. Shares of M&M are also seen continuing its positive run this week. Hero MotoCorp, which has been outperforming the broader index, is seen consolidating at current levels.

### **Bank Sector – Eased infra project norms to keep bias positive**

Shares of banks are expected to extend this week's gains, which were fuelled by easing of norms for stalled infrastructure projects. Sharp gains, however, are unlikely, as investors may look to book profits. Any commentary from Urjit Patel, who is set to take over as governor of the Reserve Bank of India this week, may also influence bank stocks. Outgoing RBI Governor Raghuram Rajan has kept March 2017 as the deadline for banks to clean up their balance sheets. Following the central bank's asset quality review, Rajan had said that banks have improved recognition of stressed loans and provisioning requirements. Indian Overseas Bank will be in focus, as the government is expected to appoint a managing director and chief executive officer for the lender. The post has been vacant since R. Koteeswaran retired in June, after the completion of his term. With gross non-performing assets at 20.48%, Indian Overseas Bank has the highest number of bad loans. Market participants will track the appointment of the new chief to gauge the roadmap of reducing stressed loans. Gains in public sector banks are likely to be led by State Bank of India and Bank of Baroda, while Kotak Mahindra Bank, YES Bank and HDFC Bank are likely to lead the private sector pack.

### **Capital Goods Sector – Seen rangebound, bias negative**

Shares of capital goods companies are likely to trade within a range with a negative bias in the absence of near-term triggers, and recent rating downgrades on a couple of companies in the sector. Sector bellwether L&T may see some stock-specific action this week, with L&T Technology Services Ltd its wholly-owned subsidiary set for an initial public offering, which opens for subscription on Sep 12. The offer will close on Sep 15. The company has set the price band for its 10.40-mln-share initial public offer at 850-860 rupees a share. Shares of Crompton Greaves might see an upside cap. UDAY (Ujwal DISCOM Assurance Yojana) led benefits are now expected to be long drawn. Also margin profile will remain lumpy given sale of various businesses and related costs. However, the Avantha Group Company's industrial growth in the short term, owing to its favourable positioning in low-tension/high-tension motors. State-owned BHEL is unlikely to gain much this week as JP Morgan reportedly maintained its 'underweight' rating on the stock.

### **Cement Sector – Seen in range, fine by antitrust body factored in**

Shares of cement companies are likely to stay rangebound this week, with positive movement seen in UltraTech Cement and Ambuja Cement. The Competition Commission of India's imposition of 67 bln rupees as penalty on 11 cement companies has already been discounted by the market and it will not have any direct impact on these stocks. The drop in cement prices in the current quarter (Jul-Sep) in south and west India were compensated by higher price realisations in north and central India. The market would await increase in prices as demand would pick up post monsoon, thereby driving the cement sector. In August, cement prices remained stable in north and central India, with weakness seen primarily in the west Mumbai and Pune. Retail prices in the western region fell by as much as 16 rupees per bag during the month.

### **FMCG Sector – To rise more this week on price hikes, monsoon**

Shares of fast moving consumer goods companies are seen extending their gains this week on hopes of above-normal monsoon rains in September and price hikes. Though raw material costs have been rising in the past few months, fresh spell of rains across the country has heightened hopes of an above-normal rainfall, which could cool off some raw material prices. In the Jun-Sep monsoon season so far, India has received 709.6 mm rainfall. Though rains have been 3%



below the normal of 728.3 mm for the period, it is unlikely to affect stocks as the deficit is manageable. Shares of ITC and Hindustan Unilever are expected to trade positive this week. Britannia Industries likely to trade positive due to innovation-led growth and product launches. Dabur India, which has recently ramped up production and research of certain ayurvedic brands, is seen positive this week.

### **IT Sector – Subdued this week as negative view to continue**

Shares of information technology companies are expected to trade in a narrow range with a negative bias this week as investors continue their cautious stance on the sector. Buying in the IT sector is expected to be limited to select frontline companies in the four-day truncated week. Mindtree issued a profit warning that due to various challenges it expects weaker sales and operating margin in Jul-Sep as compared to the quarter ended June. Sector leader Infosys has already said that Brexit-led challenges will continue to impact the company's earnings and indicated a likely second-time revision in sales growth guidance for 2016-17 (Apr-Mar). Shares of other IT companies are also expected to be impacted as concerns over performance of peer companies would rise. The Indian currency, which ended at 66.82 rupees, is seen appreciating further against the US dollar and will weigh on the sector.

### **Pharma Sector – Seen mixed; broader market trend to lend cues**

Stock-specific movement is likely in pharmaceutical companies this week amid lack of fresh triggers. Trend in broader market will lend some cues to the sector. Benchmark indices are seen positive this week because sentiment remains buoyant after announcement of new policy initiatives for the construction sector and robust sales numbers reported by most automobile companies in August. While the broader market is seen positive, the gains in pharma space are expected to be limited compared to other sectors like infrastructure and banking. The bias for Cipla remains firm on optimism that the company's business restructuring plans will propel future growth. Among mid-caps, shares of Ajanta Pharma, which have surged more than 20% in the last one month, are likely to continue the upward movements as market participants are positive about its long-term fundamentals. However, some bouts of profit booking cannot be ruled out in the near term.

### **Metal Sector – Minor correction seen; SAIL, Jindal Steel eyed**

A minor correction may be on the cards for shares of major metal and mining companies this week, after stocks rebounded in the last few trading sessions. At the fundamental level, an increase in international prices of iron ore, steel and zinc is somewhere reflected in these stocks. Market participants would keep a close watch on shares of Steel Authority of India and Jindal Steel and Power as the companies will detail their Apr-Jun earnings on Sep 8. Weighed by plummeting realisations, higher depreciation and interest costs, SAIL is seen posting a net loss of 11.52 bln rupees for the quarter ended June. The company's net sales are expected to rise 7% on year to 100.33 bln rupees in Apr-Jun. Jindal Steel is seen reporting consolidated net loss of 4.88 bln rupees for Apr-Jun due to higher depreciation and interest cost, according to estimates. The steel-to-power company's consolidated net sales are expected at 46.81 bln rupees.

### **Telecom Sector – May fall more, seen under pressure for one month**

Shares of telecom companies are seen down this week and the trend is expected to continue for at least a month. Reliance Industries Ltd shook up the market by announcing the launch of its telecom venture Reliance Jio Infocomm Ltd and its unprecedented tariff plans. Reliance Jio will offer its voice services for free and data packages starting at 19 rupees per day. All Reliance Jio services will be free till Dec 31. Top incumbents such as Bharti Airtel Ltd and Idea Cellular Ltd will see some impact on their Jul-Sep and Oct-Dec numbers as the allure of the three-month unlimited free usage will shift users to Reliance Jio's network. Sector leader Bharti Airtel, arguably the best placed among existing carriers, will continue to be under pressure over the next couple of weeks. The Sunil Mittal-owned company, like its peers, announced cheaper data plans to counter Reliance Jio's tariffs. Its prepaid plans allowed customers to avail 1 GB data at 51 rupees per month for an upfront payment of 1,498 rupees, and the same quantum at 99 rupees per month for an upfront payment of 748 rupees. Idea Cellular, the third largest operator, was worst hit. The company lost over 33 bln rupees in market capitalisation as the stock plummeted 10.5% at 83.65 rupees on Thursday. Though it is expected to rapidly lose a large chunk of customers to Reliance Jio, the company's share price may be least affected.



**Market range for the week 8680-9050**

Nifty	Values
Support 1	8780
Support 2	8720
Support 3	8680
Resistance 1	8880
Resistance 2	8950
Resistance 3	9050

**Resistance** – Nifty may face resistance at 8880 level above this level it may go up to 8950-9050 level.

**Support** - Nifty has support at 8780 level below this next support at 8720-8680 levels.

**Technical** – During the week, CNX Nifty opened at 8583.75 and touched the highest level of 8824.10 and lowest level of 8543.75. The CNX Nifty ended at 8809.65; gain 237.10 points or 2.77%. The S&P BSE Sensex opened at 27827.26 and touched the highest level of 28581.50 and lowest level of 27698.71. The S&P BSE Sensex closed at 28532.11; gain 749.86 points or 2.70%.

**For the coming week, we expect the market range of 8680-9050**

**Weekly Chart View –**

We had mentioned in last week’s report that we witnessed small breakdown of consolidation zone on daily chart and on weekly chart near to upward gap area, because of that we had mentioned we can see some pressure but we had seen good buying at lower levels. Now on daily chart we can see some Gap area and on weekly chart we witness strong bull candle. So from here above 8880-8920 we can see some more momentum continue in the Nifty and downside 8720-8680 will be good support around that we will see good buying at lower levels.

**Weekly Chart**





### Weekly Sectoral Technical Outlook

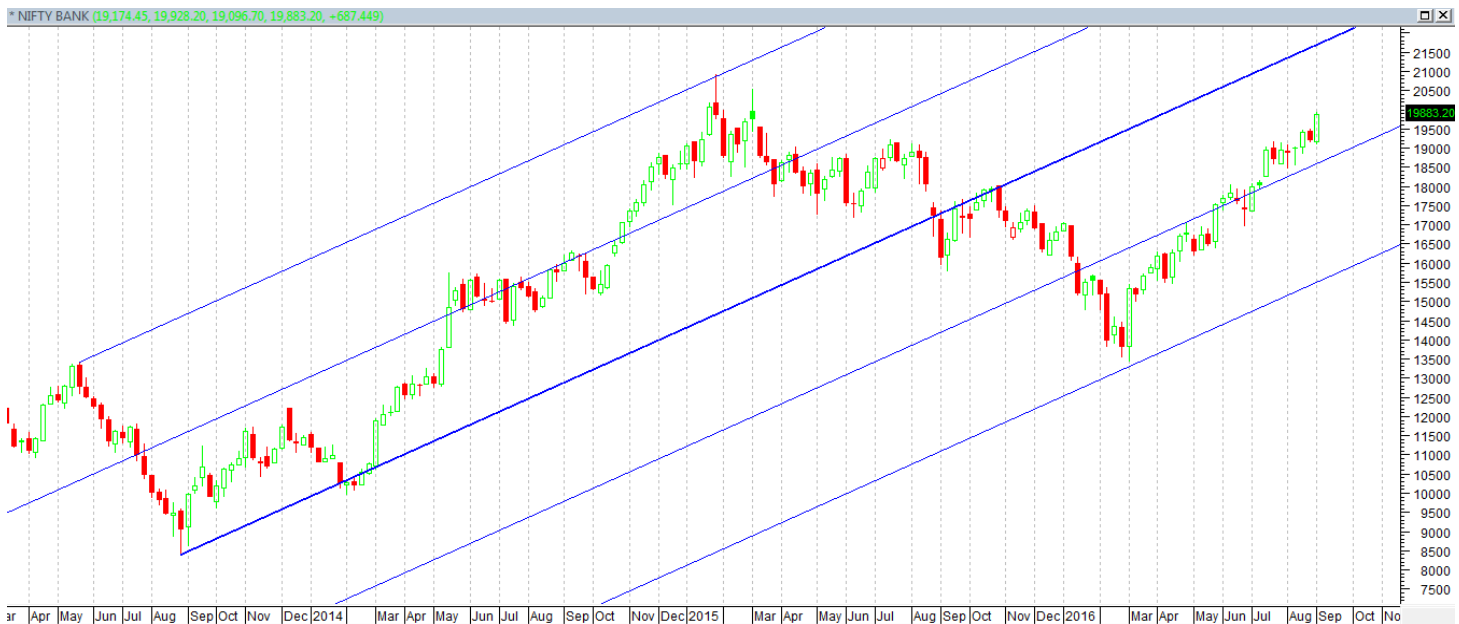
<b>NSE Auto Index</b>	<b>CMP: 10052</b>
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**NSE Auto**

The current price action suggests that momentum on the upside is likely to continue. Aggressive traders gone long at lower level should maintain the trailing stop loss at 9589. On the upside it can test 10300 - 10600 levels.

<b>NSE Bankex</b>	<b>CMP: 19883</b>
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**NSE Bankex**

Aggressive traders gone long at lower level can trial the stop loss to 19000. On the upside this sector can test 20200 - 20900 levels.



**NSE Metal Index**

**CMP: 2570**

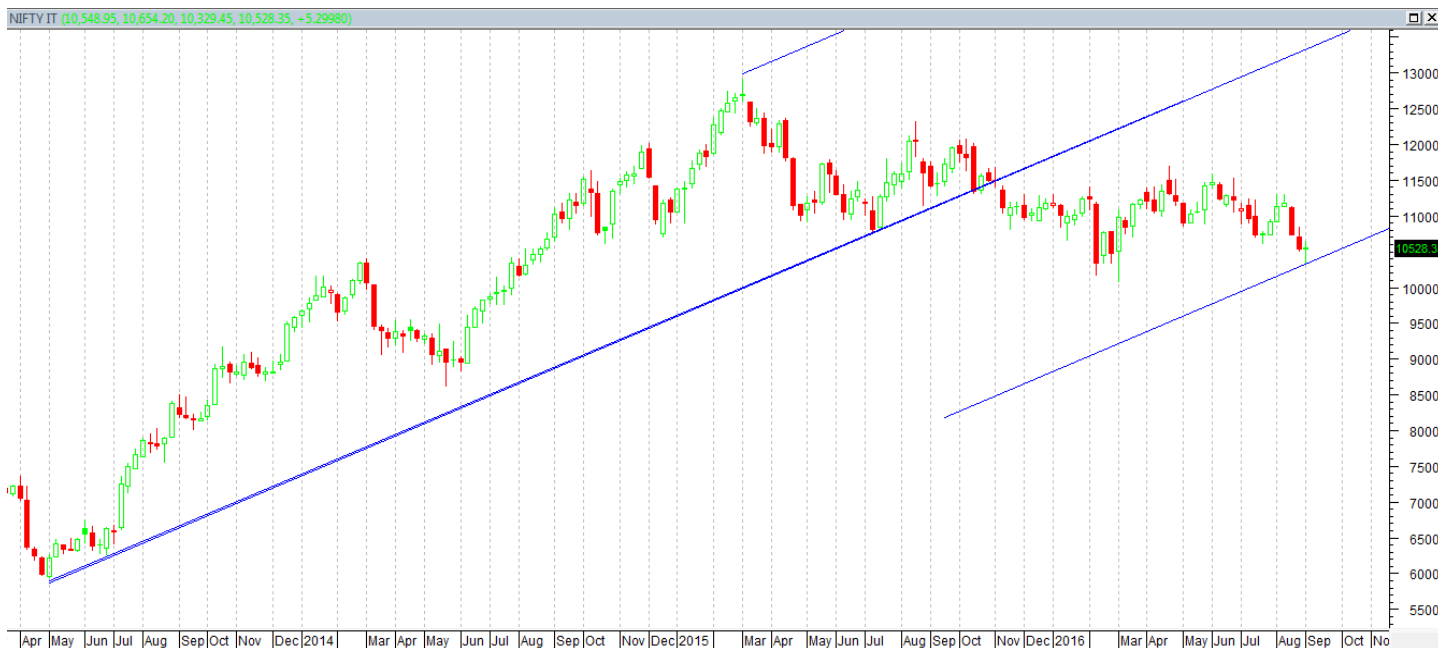


**NSE Metal Index**

We maintain our earlier stance that the current price action after a breakout from the downward sloping trendline is maintaining higher top higher bottom formation. Aggressive traders gone long at lower levels can still maintain the trailing the stop loss at 2450. On the upside, it can test 2700 - 2850 levels.

**NSE IT**

**CMP: 10528**



**NSE IT**

At present, the prices have tested the lower trend line of the channel which can act as support. Aggressive, traders can go long above 10670 with a stop loss of 10300. On the upside it can test 10800 – 10950 levels.



## Weekly Technicals of Key Companies –

Company	Closing 02-Sep-16	Buy/Sell Trigger	Resistance 1	Resistance 2	Support 1	Support 2
ACC	1670	1673	1722	1774	1620	1571
ADANIPOINTS	268	262	276	284	254	240
AMBUJACEM	276	274	285	293	265	254
ASIANPAINT	1168	1149	1193	1218	1123	1079
AUROPHARMA	780	784	801	822	762	745
AXISBANK	599	595	608	618	585	571
BAJAJ-AUTO	2998	2948	3088	3177	2859	2720
BANKBARODA	166	163	170	173	160	154
BHARTIARTL	319	323	344	369	298	276
BHEL	136	138	141	146	133	130
BOSCHLTD	24011	24125	24691	25370	23446	22880
BPCL	587	593	605	623	575	563
CIPLA	578	576	589	601	565	552
COALINDIA	332	334	337	342	329	325
DRREDDY	3123	3093	3169	3215	3047	2972
EICHERMOT	22817	22802	23444	24071	22175	21533
GAIL	396	389	403	410	382	368
GRASIM	4613	4627	4740	4868	4500	4386
HCLTECH	785	776	802	819	759	734
HDFC	1439	1413	1468	1497	1384	1329
HDFCBANK	1285	1272	1308	1331	1249	1213
HEROMOTOCO	3578	3491	3701	3824	3368	3157
HINDALCO	157	159	163	169	153	149
HINDUNILVR	921	917	933	946	905	889
ICICIBANK	261	257	269	276	249	237
IDEA	84	87	93	101	78	72
INDUSINDBK	1192	1180	1212	1231	1160	1128
INFRATEL	344	346	355	367	334	325
INFY	1032	1030	1048	1064	1013	995
ITC	263	259	267	272	255	247
KOTAKBANK	814	802	829	844	787	760
LT	1505	1481	1542	1579	1444	1382
LUPIN	1518	1507	1542	1567	1482	1446
M&M	1474	1454	1495	1517	1433	1392
MARUTI	5160	5090	5259	5358	4991	4822
NTPC	160	160	163	165	157	154
ONGC	239	239	242	246	235	231
POWERGRID	184	182	187	190	179	175
RELIANCE	1013	1030	1057	1102	986	958
SBIN	255	252	259	263	247	240
SUNPHARMA	782	771	796	809	758	733
TATAMOTORS	550	540	565	581	525	500
TATAMTRDVR	352	346	359	366	339	326
TATAPOWER	79	78	81	83	76	73
TATASTEEL	374	374	381	388	368	361
TCS	2515	2511	2554	2594	2471	2427
TECHM	472	466	483	493	455	438
ULTRACEMCO	4085	3979	4201	4316	3864	3643
WIPRO	484	486	494	504	475	467
YESBANK	1388	1367	1416	1444	1339	1289
ZEEL	533	528	551	568	511	488

Source: Iris Software

**Research Analyst Registration No.**

INH000002764

**Contact**

SMS: 'Arihant' to 56677

**Website**[www.arihantcapital.com](http://www.arihantcapital.com)**Email Id**[research@arihantcapital.com](mailto:research@arihantcapital.com)**Arihant is Forbes Asia's '200 Best under a \$Billion' Company  
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**ARIHANT Capital Markets Ltd**

#1011, Solitaire Corporate Park, Building No.10, 1<sup>st</sup> Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E), Mumbai-400093

T. 022-42254800. Fax: 022-42254880

[www.arihantcapital.com](http://www.arihantcapital.com)

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