

Key developments during the week

- Govt sets inflation target of 4% (+/-2%) for next 5 years
- On GST rollout deadline, Jaitley says good to have "steep targets"
- Economy secretary says GST to push India GDP growth beyond 8% in medium term
- Economy adviser says GST rate up to 19% to have least inflationary impact
- Bank of England cuts Bank Rate by 25 bps to 0.25%
- Moody's, Fitch say short-term implications of GST on India rating limited
- Govt body for anti-dumping duty on cold-rolled steel from 4 nations
- RBI sets up committee to study household finance, spend on gold
- RBI says banks' investments on Jul 22 at 28.07 trln rupees, up 6.45% YoY
- India services PMI jumps to 3-month high of 51.9 in Jul from 50.3 in Jun
- Govt body suggests safeguard duty on steel sheets, plates for 30 months
- Finance minister source says FIPB approves 7 FDI proposals worth 3 bln rupees
- S&P pegs PSU banks' capital needs over next 3 years at 2.5 trln rupees
- India Apr-Jun core sector growth at 5.4% vs 2.5% YoY
- India Jul Nikkei manufacturing PMI rises to a 4-month high of 51.8 from 51.7 in Jun
- Govt seeks Parliament nod to spend net extra 209 bln rupees in FY17
- RBI releases guidelines for 'on-tap' universal banks licences

INDEX	05-Aug-16	29-Jul-16	Change (in %)
NIFTY	8683.15	8638.50	0.52
SENSEX	28078.35	28051.86	0.09
NSE 500	7364.05	7330.00	0.46
NSE MIDCAP	3698.85	3683.25	0.42
NIFTY JUNIOR	22529.45	22457.40	0.32
BSE SMALLCAP	12306.59	12309.95	-0.03
BSE 200	3706.02	3692.08	0.38

INDEX	05-Aug-16	29-Jul-16	Change (in %)
BSE AUTO	21667.78	21091.11	2.73
BSE BANK	21643.64	21678.51	-0.16
BSE CAPITAL GOODS	15154.70	15477.94	-2.09
BSE CD	12225.82	12404.71	-1.44
BSE FMCG	8656.46	8725.38	-0.79
BSE HEALTHCARE	16307.34	16299.15	0.05
BSE IT	10914.02	10813.20	0.93
BSE METALS	9752.38	9406.16	3.68
BSE OIL AND GAS	10726.10	10595.23	1.24
BSE PSU	7282.51	7186.13	1.34
BSE REALTY	1617.99	1607.07	0.68
BSE TECK	5997.48	5951.14	0.78

INDEX	05-Aug-16	29-Jul-16	Change (in %)
DOW JONES	18543.53	18432.24	0.60
HANG SENG	22146.09	21891.37	1.16
NIKKEI	16254.45	16569.27	-1.90
FTSE	6793.47	6724.43	1.03

Domestic events week ahead

- **Aug 09:** RBI's third bi-monthly monetary policy for FY17
- **Aug 09-12:** Automobile sales for July, by SIAM
- **Aug 09-12:** FDI inflow for June, by RBI
- **Aug 11:** Rainfall for week to Aug 10, by IMD
- **Aug 12:** Index of Industrial Production for June, by CSO
- **Aug 12:** CPI Combined inflation for July, by CSO

Source: Cagencies

Global events week ahead

- **Aug 08:** Japan Current Account, China Trade Balance
- **Aug 09:** China CPI, China PPI, UK Manufacturing Production, UK Goods Trade Balance, UK Industrial Production
- **Aug 10:** Japan PPI, US JOLTS Job Openings, US Crude Oil Inventories, US Federal Budget Balance
- **Aug 11:** US Unemployment Claims
- **Aug 12:** China Industrial Production, China Retail Sales, Europe Flash GDP, Europe Industrial Production, US Core Retail Sales, US Retail Sales, US PPI, US Core PPI, US Prelim UoM Consumer Sentiment



Weekly Sector Outlook and Stock Picks

Auto Sector – To take cues from Jul sales data, companies' earnings

Shares of major automobile companies are seen taking cues from earnings for the Apr-Jun quarter, scheduled to be announced this week. The bias for auto stocks remains positive in view of healthy sales numbers and expectations of a turnaround in demand driven by a good monsoon so far this season. This week, Hero MotoCorp and Mahindra and Mahindra will be in focus following their earnings announcements. While Hero MotoCorp would detail its earnings on Aug 8, Mahindra and Mahindra would announce earnings on Aug 10. Hero MotoCorp, which closed the week up 7%, may go up, driven by bullish earnings. The company's Apr-Jun net profit is seen rising 12.6% on year to 8.4 bln rupees due to a likely rise in sales of two-wheeler maker and soft commodity prices. Aided by Hero MotoCorp, the market is seen likely to be bullish on stocks of other two-wheeler makers, considering an expected turnaround in rural demand.

Bank Sector – RBI policy eyed; bank specific action seen this week

Bank stocks are likely to take cues this week from the Reserve Bank of India's monetary policy but action is largely seen stock-specific because of the last leg of Apr-Jun earnings. The central bank will detail its third bi-monthly monetary policy statement for 2016-17 on Aug 9. While the RBI is widely expected to keep the repo rate unchanged at 6.5%, investors will eye outgoing Governor Raghuram Rajan's commentary on the progress made by banks on reducing stressed loans. The RBI has kept March 2017 as the deadline for banks to clean up their balance sheets. Following the Reserve Bank of India's asset quality review, 11 public sector banks reported a cumulative loss of around 130 bln rupees for Oct-Dec. For Jan-Mar, the number of these banks rose to 14, with the loss nearly doubling to around 255 bln rupees. So far, the sector heavyweights like Axis Bank and ICICI Bank that have reported a rise in bad loans have guided for a cautious outlook on the asset quality. In the last leg of Apr-Jun earnings, State Bank of India, Bank of Baroda, along with their mid-sized peers like Dena Bank, Corporation Bank, and UCO Bank, among others will announce their results this week.

Capital Goods Sector – Seen in a range with negative bias this week

Shares of capital goods companies are expected to trade within a range with a negative bias this week owing to weak Apr-Jun earnings and bleak outlook on sector majors. Shares of Cummins India and Siemens may not see an upside in the forthcoming week, owing to lower than expected net profit for the quarter ended June. Cummins India reported a 14.3% on-year fall in net profit at 1.8 bln rupees and a 4% on-year fall in net sales at 12.3 bln rupees in Apr-Jun. Siemens' net profit declined 22.7% on year to 1.30 bln rupees in the June quarter, while net sales were up 10.4% year-on-year at 25.63 bln rupees.

Cement Sector – Seen up on positive momentum in broader market

Shares of cement manufacturing companies are seen trading with a positive bias this week due to likely positive momentum in the broader market even as investors wait for the Reserve Bank of India's monetary policy review on Aug 9. The broader market is seen trading higher this week led by gains in Asian markets, following Bank of England's first rate cut in seven years. Cement shares will look for cues from the broad market due to paucity of sector or company-specific triggers this week. Rains have curbed demand for cement across most of the country. The Jul-Sep quarter has been a traditionally weak quarter. Cement prices have declined by 5-30 rupees per 50-kg bag in large parts of north India and dealers expect them to fall further.

FMCG Sector – Largely positive; but some profit taking seen

Shares of fast moving consumer goods companies are seen trading sideways with a positive bias as the sentiment in the sector continues to remain upbeat due to good monsoon and the expected implementation of Goods and Service Tax from Apr 1. Despite consumer stocks trading at extremely high valuations, fundamentals for the sector remain positive and could lead to earnings estimate upgrades. Colgate Palmolive India Ltd and Britannia Industries Ltd will detail Apr-Jun earnings on Aug 9 and the market will closely look out for management's comment on volume growth and margins.

IT Sector – Seen weak as Cognizant cuts 2016 sales guidance

Shares of information technology companies are seen trading in a range with a negative bias this week, as Cognizant Technology Solutions Corp's weak sales growth guidance for 2016 is seen weighing on the sector. The US-based IT



major cut its sales growth guidance for 2016 to \$13.47 bln-\$13.60 bln from \$13.65 bln-\$14.00 bln earlier. Back home, HCL Technologies surprised the market with strong Apr-Jun earnings. The Delhi-based company reported a consolidated net profit of 20.5 bln rupees for Apr-Jun, up 5.9% on quarter. Revenue from operations was at 113.4 bln rupees, up 5.9%. Tech Mahindra reported a consolidated net profit of 7.96 bln rupees, down 9.5% on quarter and income from operations of 69.2 bln rupees, up 0.5%. Tech Mahindra's stock is seen falling this week. The Indian currency is likely to trade weak against the US dollar, which rose following robust US July payroll data.

Oil Sector – PSU refiners seen trading with positive bias

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. The stocks are seen positive given the weakness in crude oil prices and rising gross refining margins, they said. Oil producers Oil and Natural Gas Corp and Oil India shares could remain weak due to the fall in crude oil prices. Crude oil futures on the NYMEX have fallen more than 3% from Jul 25 to trade at \$41 per bbl levels. Given the lack of sector-specific triggers, the stocks will take cues from oil prices and broad market sentiment, which will wait on the contours of the Reserve Bank of India's monetary policy scheduled for Aug 9. Crude oil prices are likely to see some recovery over the next four to five sessions after having slipped below the crucial \$40-a-bbl level earlier this week.

Pharma Sector – Stock-specific movement likely; earnings eyed

With a number of pharmaceutical companies detailing Apr-Jun financial results this week, including heavyweights Lupin, Cipla and Sun Pharmaceutical, the trend is likely to be largely stock-specific. Apart from the three major Nifty 50 constituents in the pharma space, AstraZeneca Pharma India, Jubilant Life Sciences, Suven Life Sciences, Granules India, Ipca Laboratories, Aarti Drugs, Alkem Laboratories, Glenmark Pharmaceuticals and FDC will come out with Apr-Jun earnings this week. Lupin and Sun Pharma to post strong results as revenue is expected to get a boost from sales of Glumetza generic and Gleevec generic, respectively, during the quarter. Lupin and Sun Pharma had launched Glumetza generic and Gleevec generic, respectively, in the US on Feb 1. Investors will watch out for management comments from Lupin and Sun Pharma regarding updates on regulatory issues and remedial measures at its manufacturing plants for more cues. Apart from earnings, investors will keep an eye on the RBI's monetary policy on Aug 9.

Metal Sector – Uptrend to continue this week; Hindalco eyed

The uptrend in shares of major metal and mining companies is likely to continue this week mainly due to a slew of measures taken by the government to guard the domestic industry against cheap imports. The government extended minimum import price on 66 steel products for another two months, starting Aug 5. The trade barrier is a floor price, below which products cannot be imported into the country and aims to stem shipments. Although the government has more than halved the list of products under the ambit of the trade barrier, from 173 item lines, it would still continue to provide some protection to the local steel manufacturers. The Directorate General of Anti-Dumping and Allied Duties had also this week recommended provisional anti-dumping duty on hot-rolled steel coils, sheet, and plates and on some cold-rolled products. The duty has been recommended on imports coming in from countries such as China, South Korea, Japan, Brazil, Russia, Indonesia and Ukraine. In addition, a safeguard duty has also been recommended on hot-rolled steel sheets and plates for a period of 30 months. Investors would be eyeing shares of Hindalco Industries this week as the company is expected to detail its Apr-Jun earnings on Aug 12.

Telecom Sector – Seen rangebound this week; Idea Apr-Jun results eyed

Shares of telecommunication companies are seen moving in a range this week. Focus will be on Idea Cellular Ltd, which will announce its Apr-Jun earnings on Aug 9. The country's third largest operator by customer base is expected to report a consolidated net profit of 4.49 bln rupees, down 22% q-o-q, according to estimates. Idea Cellular's quarterly number are seen under pressure due to a slowdown in volume growth, fall in margins, and huge investment incurred in rolling out 4G services across the country. Movement will be guided by its Apr-Jun numbers. Bharti Airtel Ltd, which corrected over the past week after delivering handsome June quarter numbers, is expected to move in a narrow range. The Sunil Mittal-promoted company launched two new post-paid plans that have data bundled with unlimited calling. This comes in the wake of a pricing war over data and voice as existing telecom players gear up for the entry of Reliance Jio Infocomm, the telecom arm of Reliance Industries Ltd. Telecom majors including Idea Cellular and Vodafone India Pvt Ltd have announced price cuts, or have launched creatively bundled packs with higher data and voice quantum.



Market range for the week 8450-8820

Nifty	Values
Support 1	8580
Support 2	8520
Support 3	8480
Resistance 1	8750
Resistance 2	8820
Resistance 3	8880

Resistance – Nifty may face resistance at 8750 level above this level it may go up to 8820-8880 level.

Support - Nifty has support at 8580 level below this next support at 8520-8480 levels.

Technical – During the week, CNX Nifty opened at 8654.30 and touched the highest level of 8711.30 and lowest level of 8518.15. The CNX Nifty ended at 8683.15; gain 44.65 or 0.52%. The S&P BSE Sensex opened at 28083.08 and touched the highest level of 28284.85 and lowest level of 27627.97. The S&P BSE Sensex closed at 28078.35; gain 26.49 points or 0.09%.

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

Weekly Chart View –

We had mentioned in last week's report that Nifty on daily chart above upper line of channel and on weekly chart near to upper line of triangle, because of that we had mentioned we will see stock specific move and 8680-8720 will be major resistance and all we have seen same. Now on daily chart we can see consolidation zone and on weekly chart Narrow range body formation. So we will still maintain that stocks specific move will continue and from here remain 8850-8880 will be major resistance and on the downside 8480-8450 will be good level for buying.

Weekly Chart





Weekly Sectoral Technical Outlook

NSE Auto Index

CMP: 9738



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 at lower level should trial their stop loss to 9200. On the upside it can test 10000 - 10400 levels.

NSE Bankex

CMP: 18926



NSE Bankex

Since, the sector has triggered our trailing stop loss and as there is no fresh buy set up at current level. Hence, one should avoid this sector at present.



NSE Metal Index

CMP: 2517



NSE Metal Index

Aggressive traders gone long can trial the stop loss to 2400. On the upside, it can test 2650 - 2700 levels.

NSE IT

CMP: 11137



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 05-Aug-16	Buy/Sell Trigger	Resistance 1	Resistance 2	Support 1	Support 2
ACC	1721	1701	1745	1768	1677	1634
ADANIPORTS	234	231	240	245	225	216
AMBUJACEM	276	271	282	288	265	254
ASIANPAINT	1143	1138	1160	1177	1121	1098
AUOPHARMA	770	772	804	839	738	706
AXISBANK	567	559	577	587	549	531
BAJAJ-AUTO	2862	2816	2927	2992	2751	2640
BANKBARODA	158	154	163	168	149	141
BHARTIARTL	364	363	373	381	354	344
BHEL	138	140	147	156	130	123
BOSCHLTD	25035	24870	25415	25796	24489	23944
BPCL	587	583	607	628	562	537
CIPLA	533	528	540	548	521	508
COALINDIA	329	327	334	338	323	316
DRREDDY	3009	2985	3039	3070	2954	2900
EICHERMOT	22223	22027	23050	23876	21201	20178
GAIL	383	380	389	396	373	364
GRASIM	5265	5180	5447	5629	4998	4730
HCLTECH	822	811	869	917	763	705
HDFC	1342	1351	1389	1435	1304	1267
HDFCBANK	1249	1245	1263	1277	1232	1214
HEROMOTOCO	3444	3369	3542	3639	3271	3098
HINDALCO	144	141	147	151	137	130
HINDUNILVR	926	925	941	957	909	893
ICICIBANK	246	248	259	273	235	223
IDEA	106	105	108	110	103	100
INDUSINDBK	1185	1185	1212	1239	1157	1130
INFRATEL	389	395	403	417	381	373
INFY	1068	1072	1084	1100	1056	1044
ITC	253	255	260	267	247	242
KOTAKBANK	774	766	784	794	756	738
LT	1512	1520	1579	1645	1453	1394
LUPIN	1675	1688	1734	1794	1628	1582
M&M	1484	1470	1508	1532	1445	1407
MARUTI	4942	4918	5063	5184	4796	4651
NTPC	161	160	164	167	158	154
ONGC	226	223	229	233	220	214
POWERGRID	177	177	181	185	173	170
RELIANCE	1016	1007	1030	1044	993	970
SBIN	233	230	237	241	226	219
SUNPHARMA	842	839	857	873	824	806
TATAMOTORS	516	504	532	547	488	460
TATAMTRDVR	331	326	340	349	317	303
TATAPOWER	71	72	73	74	70	69
TATASTEEL	382	373	392	402	363	344
TCS	2649	2669	2705	2762	2612	2576
TECHM	495	494	511	527	478	460
ULTRACEMCO	3807	3762	3888	3968	3681	3556
WIPRO	547	551	558	568	541	535
YESBANK	1258	1242	1280	1301	1220	1182
ZEEL	496	497	509	522	484	471

Source: Iris Software



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