

**Key developments during the week**

- India industrial output contracts 0.8% in April against growth of 0.3% in March
- PM says US 'indispensable' partner to India; pitches stronger ties
- India May passenger car sales 158,996 units, down 1% YoY; two-wheelers up 10% YoY
- Economy secretary says can provide more than budgeted for PSU bank capital in FY17
- National Investment and Infra Fund gets core team to manage operations
- International Energy Agency sees India as key LNG buyer in 5 years
- TRAI to float paper to convert remaining analog channels to digital
- SEBI may introduce liquidation margin on commodity futures
- RBI keeps key interest rates, CRR unchanged in policy review
- RBI policy retains India FY17 GVA growth forecast at 7.6%
- Govt revives talks on setting up debt management agency
- New India Insurance head says plan to launch IPO in FY17
- Oil minister says scope seen for start-ups in small-field bidding round
- Environment ministry to create forests in 200 cities for green cover
- Moody's says banks' weak earnings view magnifies external capital need
- Govt frames new print media advertisement policy

INDEX	10-Jun-16	03-Jun-16	Change (in %)
NIFTY	8170.05	8220.80	-0.62
SENSEX	26635.75	26843.03	-0.77
NSE 500	6832.05	6844.75	-0.19
NSE MIDCAP	3384.60	3334.15	1.51
NIFTY JUNIOR	19779.50	19864.35	-0.43
BSE SMALLCAP	11362.72	11148.71	1.92
BSE 200	3448.45	3460.69	-0.35

INDEX	10-Jun-16	03-Jun-16	Change (in %)
BSE AUTO	19308.28	19418.33	-0.57
BSE BANK	20426.90	20220.18	1.02
BSE CAPITAL GOODS	14705.26	14360.35	2.40
BSE CD	11452.45	11442.46	0.09
BSE FMCG	8155.12	8193.23	-0.47
BSE HEALTHCARE	14910.68	15056.91	-0.97
BSE IT	11282.31	11689.36	-3.48
BSE METALS	8284.43	8064.49	2.73
BSE OIL AND GAS	9403.83	9399.24	0.05
BSE PSU	6411.26	6298.29	1.79
BSE REALTY	1438.21	1412.20	1.84
BSE TECK	6088.06	6290.11	-3.21

INDEX	10-Jun-16	03-Jun-16	Change (in %)
DOW JONES	17865.34	17807.06	0.33
HANG SENG	21042.64	20947.24	0.46
NIKKEI	16601.36	16642.23	-0.25
FTSE	6115.76	6209.63	-1.51

**Domestic events week ahead**

- Jun 13:** CPI Combined inflation for May, by CSO
- Jun 13-14:** FDI inflow for April, by RBI
- Jun 13-17:** Trade data for May, by commerce and industry ministry
- Jun 13-17:** GSM mobile subscriber data for May, by COAI
- Jun 13-17:** Foreign tourist arrivals in May, by tourism ministry
- Jun 13-18:** Balance of payments for Jan-Mar, by RBI
- Jun 14:** WPI inflation for May, by commerce and industry ministry
- Jun 16:** Rainfall for week to Jun 15, by IMD

Source: Cogencies

**Global events week ahead**

- Jun 13:** China Industrial Production, China Retail Sales
- Jun 14:** Japan Industrial Production, UK CPI, UK PPI, Europe Industrial Production, US Retail Sales, US Core Retail Sales
- Jun 15:** UK Claimant Count Change, UK Unemployment Rate, Europe Trade Balance, US PPI, US Core PPI, US Industrial Production, US FOMC Meeting
- Jun 16:** Japan Monetary Policy Statement, UK Retail Sales, Europe CPI, Eurogroup Meetings, UK Monetary Policy Meeting, US CPI, US Core CPI, US Philly Fed Manufacturing Index, US Unemployment Claims, US Current Account
- Jun 17:** Europe Current Account, ECOFIN Meetings, US Building Permits, US Housing Starts, ECB President Draghi Speaks



## Weekly Sector Outlook and Stock Picks

### **Auto Sector – To take cues from economic data, monsoon progress**

Shares of major automobile companies are expected take their cues from key economic data, including the consumer price index-linked inflation slated to be declared on Monday. A low CPI inflation will boost chance of a policy rate cut by the Reserve Bank of India, leading to lower loan rates. The bias on the auto index is positive in the short term. The Society of Indian Automobile Manufacturers signaled a revival in demand in the rural markets. The CNX Auto Index would also track the advance of the south west monsoon closely. Maruti Suzuki is seen positive in the long term, given the company's healthy product portfolio and robust order pipeline. The country's largest carmaker is seen opening the week on a strong note as it resumes production at its twin Haryana units. Tata Motors, which led losses on the Nifty closing down over 2.2%, may see brisk trading at its counters this week, as expectations of an above average monsoon kindle hops of further growth in the company's topline. The monsoon advance may also help M&M this week.

### **Bank Sector – Mostly cautious this week eyeing data cues**

Bank stocks are likely to trade on a cautious note this week, eyeing key economic data and global cues, but there could be some value buying in select bank scripts. Weak April India's industrial production at (-) 0.8% will also weigh on the broad equity markets. Markets will also closely eye rate hike cues from the US Federal Open Market Committee's meeting on Tue-Wed. Markets are likely to remain jittery ahead of the release of May headline retail inflation data on Monday. A Bank of America-Merrill Lynch report on Indian banks points out various steps, such as a proposed stressed asset fund, talk of deep restructuring through strategic debt restructuring and the Bankruptcy Code, that could help banks move ahead and focus on recoveries going ahead. While all government banks with high NPLs and private banks with high shares of project loans gain from a peak in the NPL cycle and enhanced stress resolution, most govt. banks (ex-SBI) don't have the requisite capital post the clean-up. Well capitalised private banks and State Bank of India are seen as possible beneficiaries of these moves on the regulatory and government front.

### **Capital Goods Sector – Down on weak IIP data; L&T may gain**

Shares of capital goods companies, except Larsen & Toubro, are largely expected to trade with a weak bias this week owing to negative sentiment on account of disappointing industrial output data. The industrial output for April contracted 0.8% as against a growth of 3% a year ago, primarily on account of a sharp decline in the manufacturing and capital goods segments. Output in the manufacturing sector, which accounts for three-fourths of the Index of Industrial Production, contracted 3.1% in April, compared with growth of 3.9% a year ago. Output in the capital goods segment, an indicator of investment and demand in the economy, contracted a whopping 24.9% in April, against growth of 5.5% a year ago. BHEL is seen extending losses this week. The downward trend in shares of the state owned company is likely to continue. Shares of L&T are expected to remain strong as the company has strong order inflows and project execution in the construction segment which will likely offset headwinds from exposure to the capital goods sector.

### **Cement Sector – Seen up this week as demand revives in some areas**

Shares of cement manufacturing companies are seen trading higher this week as demand for the building material is seen picking up in central India and that in east India remaining strong. East India continues to register strong cement sales growth on higher spending by state governments, even as cement sales in west India remain weak primarily due to drought in Maharashtra. Recovery in price is also likely to assist shares of cement companies. All-India cement prices rose by about 6 rupees to around 322 rupees per 50-kg bag in June. Cement prices continue to see a gradual improvement in west India, gaining around 20 rupees per bag since February, even though the region still has the lowest prices among all. Prices have remained stable in north, central regions after sharp hikes in March, which will boost realisation of companies in Apr-Jun, especially for regional companies with higher sales mix.

### **FMCG Sector – Seen range-bound; correction likely in major stocks**

Shares of fast-moving consumer goods companies are expected to continue trading in a narrow range with most sector majors likely to witness some correction given that they are placed at the upper end of the band. Even as stocks of ITC Ltd and Hindustan Unilever Ltd are expected to correct on account of profit booking, the Dabur India Ltd scrip is likely to attain fresh highs over the next couple of weeks. The progress of the southwest monsoon will be keenly watched by market participants given that a major chunk of demand for FMCG products comes from rural India.

**IT Sector – Infosys to set trend for sector this week**

Information technology stocks are likely to trade on a cautious note this week, with shares of Infosys seen lending direction to other stocks in the sector. Shares of Infosys, which touched a one-month low intraday on Friday, are seen falling further this week. If the Nifty IT and Nifty 50 heavyweight falls, it may affect the IT sector and the broader market. Earlier in the week, the management of the Bengaluru-based firm said its Apr-Jun operating margin is likely to fall by 200 basis points on quarter due to ongoing investments, increased visa costs and wage hikes. In Jan-Mar, the software major's operating margin was at 25.5%. The company also said it is currently facing softness in some sectors and may post a volatile performance. These comments from the management of industry leader Infosys are seen leading to negative sentiment on the sector and are detrimental specifically to Tata Consultancy Services' performance. Shares of HCL Technologies and Wipro gained from the negative view on Infosys and TCS. However, the movement is expected to be temporary, and shares are likely to fall on negative sentiment in the sector. Shares of Tech Mahindra, which picked up after a robust Jan-Mar performance, are seen correcting because the valuations of the stock are high and on correction, the stock will become lucrative.

**Oil Sector – Refiners may see correction; upstream companies seen up**

Profit booking in shares of state-owned oil marketing companies IOC, BPCL and HPCL is likely to continue this week. Downstream stocks have had a massive rally over the past five months and have been trading at the higher end of the band. We expect the stocks to see further correction over a week or so. In the near-to-medium term, the stocks appear to be strong and this correction should be considered a buying opportunity. Major sectoral triggers are unlikely and the trend will largely be dictated by global prices of crude oil, which have shown healthy signs of a recovery in recent weeks. News flow and the broad market sentiment are also likely to dictate the trend. Even as appreciation in oil prices is seen as a negative for downstream companies, it is likely to support them in the current environment due to expectations of inventory gains. The uptick in crude oil prices comes as good news for the stocks of upstream companies ONGC and Cairn India. The stocks performed better than last week, owing to the movement in oil prices, and are likely to trade in a range with a positive bias this week.

**Pharma Sector – Seen falling this week; Cipla may buck trend**

Pharmaceutical stocks are expected to be subdued this week as investors continue to remain bearish on the sector on account of regulatory issues surrounding the companies and their weak earnings for the March quarter. In the recent past, the regulatory US FDA's stringent inspection has created some uncertainties surrounding Indian pharma companies and could impact their financial performance in the near term. Market participants would prefer to invest in other sectors that look fundamentally sound than pharmaceutical over the short term. The broader market will also lend cues to the sector's stocks this week, especially as investors await the consumer price-index based inflation data for May, due on Monday, and US Federal Reserve's decision on monetary policy, due late on Wednesday.

**Metal Sector – Seen up this week; Hindalco to lead gains**

Shares of major metal and mining companies are seen trading with a positive bias this week due to a rise in base metal prices. The trading, however, will be stock-specific. In the coming week, shares of Tata Steel Ltd may remain subdued. Friday, the stock ended down 2% on reports that the company is exploring reversal of a decision to sell its UK business due to pressure from the referendum-bound UK government. The UK government is said to believe that Tata's exit will reflect badly on the country's business environment. Sale of the UK business is essential for Tata Steel to trim losses and cut debt. After a stellar 9% rally on week, shares of Hindalco Industries Ltd are seen extending gains. The Indian steel sector has been under pressure due to rising imports from China, Japan and Korea. Recently, however, the sector received a boost in the form of minimum import price, which seeks to restrict cheap imports, especially from China and members of the Commonwealth of Independent States.

**Telecom Sector – Subdued this week; Bharti Airtel may fall more**

Shares of telecom services companies are seen weak this week as profit booking, which dragged the market down is seen continuing. Shares of telecom major Bharti Airtel, Idea Cellular and Reliance Communications rose after the Telecom Commission fixed the spectrum usage charge at 3% of the adjusted gross revenue for all spectrum bands to be sold in future auctions. Though operators will have to pay a combination of the weighted spectrum user charge on the bands currently held and 3% charge on the spectrum acquired in future, the new policy is expected to bring down the spectrum user charge outgo for most companies.



**Market range for the week 8020-8320**

Nifty	Values
Support 1	8150
Support 2	8080
Support 3	8020
Resistance 1	8250
Resistance 2	8280
Resistance 3	8320

**Resistance** – Nifty may face resistance at 8250 level above this level it may go up to 8280-8320 level.

**Support** - Nifty has support at 8150 level below this next support at 8080-8020 levels.

**Technical** – During the week, CNX Nifty opened at 8228.75 and touched the highest level of 8294.95 and lowest level of 8162.85. The CNX Nifty ended at 8170.05; drag 50.75 points or 0.62%. The S&P BSE Sensex opened at 26897.84 and touched the highest level of 27105.41 and lowest level of 26620.5. The S&P BSE Sensex closed at 26635.75; drag 207.28 points or 0.77%.

**For the coming week, we expect the market range of 8020-8320**

**Weekly Chart View –**

We had mentioned in last week’s report that on the daily as well as on weekly chart we are near to supply levels because of that we had mentioned we can see some consolidation and around 8280-8330 will be major resistance and all we have seen same. Now on daily chart we can see series of “Narrow range” body formation and on weekly chart we can see “Spinning top”. So from here remain 8320-8350 will be major resistance only above that we can see further upside till that we can see consolidation and 8050-8020 will be good support level.

**Weekly Chart**





### Weekly Sectoral Technical Outlook

<b>NSE Auto Index</b>	<b>CMP: 8688</b>
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**NSE Auto**

At present, we are observing narrow range body formation which indicates indecisiveness prevailing at current level. We maintain our stance that aggressive traders gone long can trial the stop loss to 8300. On the upside it can test 8950 - 9350 levels.

<b>NSE Bankex</b>	<b>CMP: 17828</b>
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**NSE Bankex**

We still maintain our stance that this sector is likely to continue its upside momentum. Aggressive traders, gone long can trial the stop loss to 17300. On the upside, it can test 18200 - 18500 levels.



**NSE Metal Index**

**CMP: 2113**



**NSE Metal Index**

We still 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 2000. On the upside, it can test 2200 - 2400 levels.

**NSE IT**

**CMP: 11229**



**NSE IT**

At present we are observing a bear candle which suggests weakness. Hence one should avoid this sector at present.



## Weekly Technicals of Key Companies –

Company	Closing 10-Jun-16	Buy/Sell Trigger	Resistance 1	Resistance 2	Support 1	Support 2
ACC	1555.65	1547.25	1568.35	1581.05	1534.55	1513.45
ADANIPORTS	202.75	202.20	208.40	214.05	196.55	190.35
AMBUJACEM	235.30	234.42	240.78	246.27	228.93	222.57
ASIANPAINT	992.05	1006.37	1023.13	1054.22	975.28	958.52
AUROPHARMA	743.10	757.87	779.58	816.07	721.38	699.67
AXISBANK	541.05	538.98	551.22	561.38	528.82	516.58
BAJAJ-AUTO	2579.95	2600.98	2636.97	2693.98	2543.97	2507.98
BANKBARODA	146.30	146.07	151.88	157.47	140.48	134.67
BHARTIARTL	351.10	352.45	357.70	364.30	345.85	340.60
BHEL	123.75	122.42	127.83	131.92	118.33	112.92
BOSCHLTD	21492.45	21780.82	22161.63	22830.82	21111.63	20730.82
BPCL	986.85	988.43	1007.72	1028.58	967.57	948.28
CIPLA	476.45	476.15	486.90	497.35	465.70	454.95
COALINDIA	306.65	308.85	313.70	320.75	301.80	296.95
DRREDDY	3065.80	3099.60	3149.20	3232.60	3016.20	2966.60
EICHERMOT	18620.15	18732.70	19031.40	19442.65	18321.45	18022.75
GAIL	368.95	372.12	377.43	385.92	363.63	358.32
GRASIM	4311.20	4315.13	4378.37	4445.53	4247.97	4184.73
HCLTECH	751.05	741.55	767.50	783.95	725.10	699.15
HDFC	1230.40	1241.80	1255.60	1280.80	1216.60	1202.80
HDFCBANK	1161.35	1165.42	1178.33	1195.32	1148.43	1135.52
HEROMOTOCO	3069.50	3102.35	3146.65	3223.80	3025.20	2980.90
HINDALCO	115.30	111.92	119.28	123.27	107.93	100.57
HINDUNILVR	874.65	884.60	898.05	921.45	861.20	847.75
ICICIBANK	252.60	251.93	261.87	271.13	242.67	232.73
IDEA	103.50	104.52	105.88	108.27	102.13	100.77
INDUSINDBK	1109.90	1111.03	1128.87	1147.83	1092.07	1074.23
INFRADEL	374.50	376.82	382.43	390.37	368.88	363.27
INFY	1180.60	1209.23	1248.37	1316.13	1141.47	1102.33
ITC	350.70	355.25	360.45	370.20	345.50	340.30
KOTAKBANK	750.70	757.63	771.92	793.13	736.42	722.13
LT	1487.70	1487.82	1514.58	1541.47	1460.93	1434.17
LUPIN	1437.45	1432.48	1469.97	1502.48	1399.97	1362.48
M&M	1375.85	1380.60	1400.15	1424.45	1356.30	1336.75
MARUTI	4111.50	4142.83	4185.67	4259.83	4068.67	4025.83
NTPC	151.50	150.22	154.03	156.57	147.68	143.87
ONGC	218.20	217.07	223.83	229.47	211.43	204.67
POWERGRID	154.40	152.70	156.85	159.30	150.25	146.10
RELIANCE	976.70	970.08	991.02	1005.33	955.77	934.83
SBIN	205.95	205.28	213.47	220.98	197.77	189.58
SUNPHARMA	741.40	733.85	757.55	773.70	717.70	694.00
TATAMOTORS	456.95	459.13	468.07	479.18	448.02	439.08
TATAMTRDVR	312.65	316.22	321.83	331.02	307.03	301.42
TATAPOWER	76.20	75.45	77.95	79.70	73.70	71.20
TATASTEEL	334.40	337.75	343.35	352.30	328.80	323.20
TCS	2555.75	2582.65	2612.10	2668.45	2526.30	2496.85
TECHM	537.55	539.25	550.20	562.85	526.60	515.65
ULTRACEMCO	3384.65	3324.72	3459.93	3535.22	3249.43	3114.22
WIPRO	545.35	541.97	550.53	555.72	536.78	528.22
YESBANK	1063.30	1061.77	1086.88	1110.47	1038.18	1013.07
ZEEL	458.75	458.65	466.10	473.45	451.30	443.85

Source: Iris Software

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