



## Key developments during the week

- India May WPI inflation falls to 43-month low of 4.70%
- DoT source says govt in last stage to OK 100% telecom FDI with rider
- Niko sees RIL's D6 proved, probable reserve up; gas prices doubling
- Tata Steel FY14 capex plan \$2.5 bln-\$2.7 bln despite weak demand
- PFRDA seeks nod for allowing govt staff to opt for pvt pension pdts
- Dabur India says unauthorised export triggered US FDA import alert
- India cos' invest in overseas JVs, arms \$1.8 bln May vs \$7.6 bln Apr
- Chidambaram promises action on coal, gas pricing, FDI caps by month end
- Chidambaram sees 200 bln rupee mop-up from Coal India divest in FY14
- Govt source says MMTC offer for sale subscribed 1.55 times
- HSBC cuts India FY14 GDP growth forecast to 5.5% from 6% earlier
- Fitch raises India rating outlook to stable from negative
- India Apr industry growth weakens to 2.3% from 3.4% Mar

INDEX	14-June-13	07-June-13	Change (in %)
NIFTY	5808.40	5881.00	-1.23
SENSEX	19179.78	19429.23	-1.28
NSE 500	4525.95	4621.10	-2.06
NSE MIDCAP	1930.35	2035.20	-5.15
NIFTY JUNIOR	11705.35	12276.95	-4.66
BSE SMALLCAP	5773.52	5962.31	-3.17
BSE 200	2327.41	2377.02	-2.09

INDEX	14-June-13	07-June-13	Change (in %)
BSE CD	6590.86	7384.02	-10.74
BSE OIL AND GAS	8534.58	8488.41	0.54
BSE PSU	6307.60	6528.74	-3.39
BSE FMCG	6581.11	6707.91	-1.89
BSE Capital Goods	9318.03	9350.06	-0.34
BSE AUTO	10698.74	10891.55	-1.77
BSE REALTY	1601.76	1683.45	-4.85
BSE BANK	13608.97	13985.75	-2.69
BSE TECH	3549.89	3625.38	-2.08
BSE HEALTHCARE	8718.63	8891.92	-1.95
BSE IT	6002.76	6138.27	-2.21
BSE METALS	7958.64	8400.10	-5.26

## Domestic events week ahead

- Jun 17:** RBI to announce Mid-Quarter Review of Monetary Policy of 2013-14.
- Jun 17-18:** Trade data for May, by commerce and industry ministry.
- Jun 17-18:** Rail freight traffic for May to be detailed by rail ministry.
- Jun 17-21:** GSM mobile subscriber's data for May, by COAI.
- Jun 17-29:** FDI equity inflow in April, by commerce and industry ministry.
- Jun 20:** CPI for rural and farm labourers for May, by Labour Bureau.
- Jun 21:** WMA and forex reserves as on Jun 14, by RBI.

Source: NW18

INDEX	14-June-13	07-June-13	Change (in %)
Dow Jones	15107.50	15248.10	-0.92
Hang seng	20969.14	21575.30	-2.81
Nikkei	12686.52	12877.50	-1.48
FTSE	6312.74	6411.99	-1.55

## Global events week ahead

- Jun 17:** Italian Trade Balance, Europe Trade Balance, US Empire State Manufacturing Index, US NAHB Housing Market Index, G8 Meetings
- Jun 18:** Japan Revised Industrial Production m/m, UK CPI y/y, German ZEW Economic Sentiment, UK Inflation Report Hearings, US Building Permits, US Core CPI m/m, US Housing Starts, G8 Meetings
- Jun 19:** Japan Trade Balance, UK MPC Meeting Minutes, US Crude Oil Inventories, US FOMC Economic Projections, US FOMC Statement, US Federal Funds Rate
- Jun 20:** US FOMC Press Conference, China HSBC Flash Manufacturing PMI, German PPI m/m, French Flash Manufacturing PMI, French Flash Services PMI, German Flash Manufacturing PMI, German Flash Services PMI, Europe Flash Manufacturing PMI, Europe Flash Services PMI, UK Retail Sales m/m, Eurogroup Meetings, US Unemployment Claims, US Flash Manufacturing PMI, Europe Consumer Confidence, US Existing Home Sales, US Philly Fed Manufacturing Index
- Jun 21:** BOJ Gov Kuroda Speaks, Europe Current Account, ECOFIN Meetings



## Weekly Sector Outlook and Stock Picks

### **Auto sector – Down as demand unlikely to improve**

Shares of major automobile companies are seen falling this week, as the demand for vehicles is not seen picking up in near future. A combination of high interest rates and northbound fuel prices has kept consumers away from automobile showrooms, leading to a slowdown in overall demand. The weak demand scenario is not seen changing, dragging shares of automobile manufacturers down. Fundamentals of automobile shares are seen weak due to the subdued demand outlook, and so investors may continue to sell these shares. The prospect of a good monsoon is, however, seen improving automobile sales in the near term, as it boosts rural income and urban consumers' sentiment. Over the past six months, major automobile manufacturers sold 30-40% of their vehicles in rural India.

### **Bank Sector – Seen up but RBI policy review to dictate trend**

Shares of major banks are likely to trade with an upward bias but equity market will draw cues from the action and statement from the Reserve Bank of India's monetary policy review on Jun 17. Recent trend has shown that banks are likely to pass on the benefits of a lower repo rate to customers as the cost of funds in the system remains high. However, recent statements from the finance ministry indicate some pressure on state-owned banks to start reducing lending rates. As state-owned banks account for over 70% of the banking business in the country, any such loan rate cut will have a cascading impact on other banks too. Markets have also drawn comfort from Fitch Ratings revising the rating outlook to stable on 10 financial institutions, including State Bank of India, Punjab National Bank, Bank of Baroda, Canara Bank, IDBI Bank, ICICI Bank and Axis Bank. The rating has been revised upwards to stable from negative, indicating improved fundamentals for these players.

### **Capital Goods sector – Seen down on poor IIP data, low orders**

Shares of most capital goods and engineering companies are seen trading down this week as investors may refrain from investing in the sector due to poor industrial production and slow order book growth. The industrial output data pegged the growth of the industry at 1% in April, higher than last year, but lower sequentially. This will keep the investors away, as there is no sign of any recovery. The industrial output for capital goods was at 6.2% in March. Investors see slight corrections in stocks of bigger companies, including sector bellwether Larsen & Toubro as its order book is seen weaker sequentially. The company is currently focusing on international markets to mitigate the shrinking domestic order book growth. Stocks of companies like Siemens which have high exposure to imports and Suzlon, which has overseas debt, may also take a slight hit due to rupee depreciation. Companies such as Cummins India Ltd and Crompton Greaves Ltd which are net exporters are set to benefit from a weak rupee. Shares of Voltas and Bharat Heavy Electricals Ltd are also expected to do well comparatively because of negligible exposure to currency fluctuations.

### **Cement Sector – Range bound with an upward bias this week**

Cement sector stocks are seen range bound with an upward bias this week as the segment has already witnessed the necessary correction in stock prices over the past few weeks. However, the upward movement will be limited because of the subdued demand outlook for cement in the near term as the monsoon has already set in. Prices of the construction materials are also expected to remain under Pressure during the monsoon months. Eyes will also be on the Reserve Bank of India's monetary policy stance, to be announced on Jun 17. A cut in key policy rates would translate into lower interest rates and thereby propelling housing demand. Cement, whose utility is derived from construction and housing activity, will see some pick-up in demand if interest rates are slashed. The Street will also discount the Supreme Court judgment, refusing to stay the Competition Appellate Tribunal's order on 10 cement companies and the Cement Manufacturers' Association to deposit a 6.3-bln-rupee-fine on a case of alleged cartelisation. The Supreme Court gave companies time till Jun 24 to submit the amount.

### **FMCG Sector – Predictability of profits to keep stocks firm**

Shares of fast moving consumer goods companies to outperform the market on the back of a good monsoon, and higher predictability of earnings compared with other sectors. While a better-than-expected monsoon will definitely help FMCG companies, the fact that earnings of FMCG stocks are far more predictable than other sectors is a big positive. FMCG stocks will continue to do well as they offer much needed stability to investors in a volatile market.

**IT Sector – Seen rangebound this week; Infosys, Wipro eyed**

Shares of major information technology companies are seen in a range this week. We expect some stability in the Indian rupee going forward following the sharp depreciation this week. The rupee fell to an all-time low of 58.98 a dollar on Jun 11. Since May, rupee has depreciated over 7% against the US currency on speculation the US Federal Reserve may soon wrap up its \$85 bln monthly asset purchase programme. Investors will eye Infosys and Wipro after the companies, on Jun 13, announced salary hikes for their employees. Infosys said it will hike salaries in India by average 8% with effect from Jul 1, while the hike for employees who work at client sites overseas and whose salaries had not been increased in January, will be at an average 3%. The company also said its global sales force had received an average salary hike of 8% effective May 1. While the compensation hike will boost employee and investor sentiment, it is likely to hit margins. Wipro also hiked salaries in India by an average 6-8% with effect from Jun 1, while the wage hike for onshore employees was in the range of 2-3%. Shares of Infosys will also get a boost as Infosys Public Services, its US subsidiary, said it has received a three-year contract from CareFirst BlueCross BlueShield to support the latter's information technology operations and to provide application development. However, Wipro's shares may be hit as the company, on Jun 13, said it had received a "draft assessment order" in March with a demand of 8.16 bln rupees from the Income Tax Department related to the financial year ended March 2009.

**Oil Sector – PSU oil cos to track rupee, RIL seen firm**

Shares of oil marketing companies in the week ahead after having declined significantly over the last two weeks, though the trend will entirely be guided by the movement of the rupee against the dollar. The rupee recovered sharply over the last three trading sessions after touching an all time low of 58.98 to a dollar. The rupee ended 1% lower against the dollar last week, at 57.51. It depreciated 1% in the previous week and 2% in the week before that. The state-owned refining and marketing companies Indian Oil Corp Ltd, Bharat Petroleum Corp Ltd, and Hindustan Petroleum Corp Ltd import almost 80% of their crude oil requirement, and a decline in the rupee makes the commodity costlier for them. The crude oil prices, however, have remained stable around \$101 for a barrel, providing some relief to the companies and their stock. The broad market is seen firm this week but the Reserve Bank of India's mid-quarter monetary policy review on Jun 17 would be a key factor in determining the trend. If the market remains in a positive territory, the shares of oil marketing companies will get some support. Reliance Industries shares will also be in focus this week as Canadian partner Niko Resources Ltd is going to soon announce revised reserve estimates for KG-D6 block. Niko said that it expects significant upsides in the proven and probable reserves in the block operated by Reliance Industries. Also, the government is expected to take a decision on gas pricing by the end of this month. Niko said it expects the price for KG-D6 gas to more than double from the current level of \$4.2 per mBtu. Meanwhile, the benchmark Singapore complex gross refining margin increased 23% month-on-month in May to \$6.3/bbl led by improvement in crack spread across products except fuel oil. This will benefit Reliance Industries the country's second largest crude refiner as it usually earns a premium over the Singapore benchmark.

**Steel Sector – Down on weak fundamentals; rupee movement eyed**

Shares of major steel companies are seen down this week on continued weakness in fundamentals amid onset of monsoon. Fundamentals have already been dull in the domestic market due to slowing economic growth and with the onset of monsoon, industrial activity has also taken a hit. This is expected to continue in coming weeks as well. Domestic industrial activity usually takes a hit once monsoon arrives and this is usual annual phenomenon. The movement of the rupee against the dollar will also be eyed by the steel companies as nearly all rely on imports for coking coal to meet their requirements. Shares of steel makers fell sharply last week on worries the companies' input costs may rise due to depreciation of the rupee against the dollar. A rise in input costs when demand is weak hurts steel companies' margins. Shares of Jindal Steel & Power are expected to consolidate at current levels after having declined nearly 13% week-on-week after the Central Bureau of Investigation registered a case against the Delhi-based company over coal block allocation. The probe agency is investigating alleged irregularities in the awarding of coal mining rights after the Comptroller and Auditor General of India Report had pegged a notional loss of 1.86 trln rupees due to faulty allocation process. Shares of Tata Steel Ltd are expected to move in a narrow range with a negative bias on reports that the company has announced capital expenditure of \$2.5 bln-\$2.7 bln for the current financial year amid challenging demand environment, both locally and globally, and a consolidated gross debt of \$12 bln as on Mar 31.

**Pharma sector – Seen rangebound with negative bias this week**

Shares of most pharmaceutical companies are seen rangebound with a negative bias this week, as regulatory and legal snags being faced by some sector majors may weigh on investor sentiment. Moreover, pharmaceutical stocks will react to cues from the broad market, which may see major activity this week after the Reserve Bank of India's mid- quarter review of the monetary policy for 2013-14 (Apr-Mar) on Jun 17. Sun Pharmaceutical Industries' shares, which fell nearly 6% last week, may extend losses, as the company and Teva Pharmaceutical Industries settled a patent suit over the generic of heartburn drug Protonix with Pfizer Inc and Takeda Pharmaceutical Co for \$2.15 bln, of which the Indian drug maker will have to pay \$550 mln. Dr Reddy's Laboratories' shares, which had hit a lifetime high earlier last week due to a steep fall in the rupee, may see some correction this week, as the rupee has more-or-less stabilised. Dr Reddy's Laboratories' gets more than 60% of its revenues from the US, the world's biggest drug market.

**Telecom Sector – Bharti Airtel up this week; RComm weak**

Shares of Bharti Airtel Ltd are expected to trade with a positive bias this week as the stock is expected to see a short-term bounce back. The bounce back in share of Bharti Airtel is expected to last for couple of weeks, after which it may see small bouts of profit booking. Reliance Communications Ltd is expected to continue its downward slide and decline further next week. At the end of today's trade, the stock has declined 8.2% on a weekly basis.

**Market Range for Week 5680- 5950**

Nifty	Values	
Support 1	5750	<b>Resistance</b> – Nifty facing Resistance level @5850 level above this level it may go up to @5880 & @ 5950 level.
Support 2	5700	
Support 3	5680	
Resistance 1	5850	<b>Support</b> - Support comes for market @5750 level for Nifty; below this level Nifty next support @5700 and @5680 will be the major support for Market.
Resistance 2	5880	
Resistance 3	5950	

**Technical** – Last week Nifty opened at 5907 & it made a high of 5931. Last week we have seen some pressure from higher level. Nifty made a low of 5683 & closed at 5808. Last week Nifty drags 248 points from its high & on weekly basis it closed at 73 point's lower. Sensex made a weekly high of 19585 & a low of 18765 almost it drags 820 points in the week from its high. So overall last week we have seen selling pressure.

***For the coming week the market range we expect 5680-5950***

**Weekly Chart View –**

Last week we had expected market range (5750-5980) market made a high of 5931 & low of 5683, so overall it holds our upper side range, but broke lower side range.

In last week report we had mentioned, on the daily chart market was below 50&100SMA, on weekly chart we had witness a bearish candle, because of all that we had mentioned if we get closed below 5870-5850 can see more pressure in the market & all we have seen same. Now on daily chart market just touched 200SMA, oscillator showing oversold & made a bullish candle. On weekly chart market taking support lower line of the channel & 50WMA. So overall because of continue 4week sell-off we can see some oversold rally or consolidation & 5850-5880 will be major resistance for market above that can see some more upmove in the market & 5700-5680 will be major support.

On Friday the Dow fell more than 100 points, or 0.7%. The S&P500 & the Nasdaq both ended about 0.6% lower. All three indexes posted losses for the week. The Dow & Nasdaq both fell more than 1%, while the S&P declined 0.9%.



**Weekly Chart**



**Market Commentary –**

The market will take cues from the outcome of two crucial meetings to be held next week. While the Reserve Bank of India (RBI) undertakes mid-quarter review of the monetary policy on Monday (17 June 2013), the US Federal Reserve policy makers hold two day meeting on Tuesday (18 June 2013) and Wednesday (19 June 2013). Movement of rupee and trend in investment by foreign institutional investors (FIIs) will also dictate trend on the bourses next week.

Aggressive stimulus efforts from the Fed and other developed-market central banks have caused substantial money flows into emerging economies such as India. Investors fear that as the Fed withdraws its stimulus, the liquidity will dry up, unsettling financial markets.

The movement of rupee will play a key role in prescribing the market trend in the days to come. A weakness of rupee against the dollar has triggered volatility on the bourses off late. The rupee slumped to a record low of 58.98 per dollar in intraday trade on Tuesday, 11 June 2013. A weak rupee makes imports costlier, stoking inflation concerns, thereby capping the RBI scope to extend monetary easing and counter the slowest economic growth in a decade.

Annual monsoon rains have covered half of India two days ahead of the usual date, media reports suggested. The monsoon rains arrived on schedule over the Kerala coast on 1 June 2013, and then progressed faster over the company's mainland. The monsoon rains are crucial for the country's farmland, which are mainly rain fed.



## Weekly Technicals of Key Companies –

Company	Closing 14-June-13	Buy/Sell Trigger	Resistnace 1	Resistance 2	Support 1	Support 2
ACC	1214.85	1221.63	1248.67	1282.48	1187.82	1160.78
AMBUJACEM	178.05	175.68	181.37	184.68	172.37	166.68
ASIANPAINT	4559.50	4533.32	4640.03	4720.57	4452.78	4346.07
AXISBANK	1298.00	1314.92	1372.43	1446.87	1240.48	1182.97
BAJAJ-AUTO	1764.65	1749.68	1804.37	1844.08	1709.97	1655.28
BANKBARODA	634.10	640.73	660.37	686.63	614.47	594.83
BHARTIARTL	289.45	285.35	296.45	303.45	278.35	267.25
BHEL	176.15	180.82	187.33	198.52	169.63	163.12
BPCL	368.90	367.07	381.63	394.37	354.33	339.77
CAIRN	290.15	289.60	295.00	299.85	284.75	279.35
CIPLA	377.90	377.65	385.70	393.50	369.85	361.80
COALINDIA	300.95	306.72	317.83	334.72	289.83	278.72
DLF	189.80	192.15	200.30	210.80	181.65	173.50
DRREDDY	2175.85	2177.02	2205.98	2236.12	2146.88	2117.92
GAIL	302.65	301.60	310.80	318.95	293.45	284.25
GRASIM	2780.20	2775.43	2820.77	2861.33	2734.87	2689.53
HCLTECH	763.70	760.55	775.85	788.00	748.40	733.10
HDFC	835.00	834.45	864.60	894.20	804.85	774.70
HDFCBANK	665.05	668.47	683.58	702.12	649.93	634.82
HEROMOTOCO	1605.80	1620.60	1667.20	1728.60	1559.20	1512.60
HINDALCO	103.65	99.95	108.90	114.15	94.70	85.75
HINDUNILVR	593.60	593.23	595.37	597.13	591.47	589.33
ICICIBANK	1102.15	1108.65	1151.30	1200.45	1059.50	1016.85
IDFC	143.25	143.45	149.25	155.25	137.45	131.65
INDUSINDBK	482.10	488.58	505.52	528.93	465.17	448.23
INFY	2394.95	2428.15	2481.30	2567.65	2341.80	2288.65
ITC	331.75	331.08	338.67	345.58	324.17	316.58
JINDALSTEL	243.15	242.95	283.15	323.15	202.95	162.75
JPASSOCIAT	63.10	62.95	65.70	68.30	60.35	57.60
KOTAKBANK	756.70	754.40	770.60	784.50	740.50	724.30
LT	1440.75	1422.92	1462.83	1484.92	1400.83	1360.92
LUPIN	783.45	773.87	796.73	810.02	760.58	737.72
M&M	949.00	948.97	984.73	1020.47	913.23	877.47
MARUTI	1514.15	1508.37	1586.73	1659.32	1435.78	1357.42
NMDC	109.65	110.53	116.27	122.88	103.92	98.18
NTPC	152.00	150.80	153.60	155.20	149.20	146.40
ONGC	311.25	313.67	321.93	332.62	302.98	294.72
PNB	741.25	744.07	770.13	799.02	715.18	689.12
POWERGRID	109.10	108.77	112.18	115.27	105.68	102.27
RANBAXY	378.50	378.02	387.28	396.07	369.23	359.97
RELIANCE	814.65	803.27	831.23	847.82	786.68	758.72
RELINFRA	357.25	359.67	383.03	408.82	333.88	310.52
SBIN	2045.85	2025.17	2079.68	2113.52	1991.33	1936.82
SESAGOA	142.10	145.50	152.25	162.40	135.35	128.60
SUNPHARMA	953.55	963.02	1010.33	1067.12	906.23	858.92
TATAMOTORS	296.80	293.57	307.03	317.27	283.33	269.87
TATAPOWER	81.00	82.53	87.87	94.73	75.67	70.33
TATASTEEL	274.15	278.18	291.87	309.58	260.47	246.78
TCS	1450.70	1475.47	1519.93	1589.17	1406.23	1361.77
ULTRACEMCO	1874.00	1861.52	1917.88	1961.77	1817.63	1761.27

Source: Iris Software

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