

**Key developments during the week**

- India's Aug trade deficit narrowed to 3-month low of \$7.67 bln from \$12.40 bln YoY
- India Aug WPI inflation rate rose to 2-year high of 3.74% from 3.55% in Jul
- India's industrial growth fell to 8-month low of (-) 2.4% in Jul from 2.1% in Jun
- India's CPI inflation fell to 5-month low of 5.05% in Aug from 6.07% in Jul
- SC stays tribunal order mandating environment nod for Railways' projects
- Economy secretary denies reports on "devaluation", says rupee market-determined
- Bill on infra dispute resolution likely in winter session
- IEA cuts global oil demand growth view to 1.3 mln bpd from 1.4 mln
- Cabinet approves setting up of GST Council, first meeting on Sep 22-23
- Revenue secretary says GST council to settle all issues by Nov end
- India Apr-Aug indirect tax mop-up 3.36 trln rupees, up 27.5% YoY
- Paswan says govt to continue to fight high prices of sugar, pulses
- OPEC cuts world 2016 economic growth estimate to 2.9% from 3% in Aug
- Life insurance companies' first-year premium rises 30% YoY in Apr-Aug
- Cabinet approves 36 bln rupees for phase 3 of tech education programme
- Cabinet approves tariff concessions under Asia Pacific trade pact
- Fitch says 50% of Indian banks at risk of not meeting Basel III norms

INDEX	16-Sep-16	09-Sep-16	Change (in %)
NIFTY	8779.85	8866.70	-0.98
SENSEX	28599.03	28797.25	-0.69
NSE 500	7487.20	7575.55	-1.17
NSE MIDCAP	3921.40	3975.85	-1.37
NIFTY JUNIOR	22866.70	23339.10	-2.02
BSE SMALLCAP	12764.87	12861.39	-0.75
BSE 200	3768.39	3810.84	-1.11

INDEX	16-Sep-16	09-Sep-16	Change (in %)
BSE AUTO	22419.43	22844.28	-1.86
BSE BANK	22734.79	23249.81	-2.22
BSE CAPITAL GOODS	14989.87	15402.98	-2.68
BSE CD	12568.96	12716.43	-1.16
BSE FMCG	8874.61	8871.76	0.03
BSE HEALTHCARE	16474.79	16587.10	-0.68
BSE IT	10326.42	10207.14	1.17
BSE METALS	9508.79	10080.85	-5.67
BSE OIL AND GAS	11092.27	11193.79	-0.91
BSE PSU	7461.12	7679.40	-2.84
BSE REALTY	1541.11	1612.07	-4.40
BSE TECK	5667.19	5615.69	0.92

INDEX	16-Sep-16	09-Sep-16	Change (in %)
DOW JONES	18123.80	18085.45	0.21
HANG SENG	23335.59	24099.70	-3.17
NIKKEI	16519.29	16965.76	-2.63
FTSE	6710.28	6776.95	-0.98

**Domestic events week ahead**

- Sep 19-20:** Balance of payments for Apr-Jun, by RBI
- Sep 19-20:** Rail freight traffic for August, by rail ministry
- Sep 19-20:** Foreign tourist arrivals in August, by tourism ministry
- Sep 19-26:** GSM mobile subscriber data for August, by COAI
- Sep 20:** CPI for rural and farm labourers for August, by Labour Bureau
- Sep 20-23:** Crude, refinery output for August, from petroleum ministry

Source: Cogencies

**Global events week ahead**

- Sep 19:** Europe Current Account
- Sep 20:** US Building Permits, US Housing Starts
- Sep 21:** Japan Trade Balance, Japan Monetary Policy, US Crude Oil Inventories, US FOMC Meeting
- Sep 22:** US Unemployment Claims, ECB President Draghi Speaks, Europe Consumer Confidence, US Existing Home Sales
- Sep 23:** Japan Flash Manufacturing PMI, Europe Flash Manufacturing PMI, Europe Flash Services PMI, US Flash Manufacturing PMI



## Weekly Sector Outlook and Stock Picks

### **Auto Sector – Seen rangebound on concern over Fed rate hike**

Shares of major automobile companies are seen trading in a narrow range this week, with some possibility of a correction as the market is yet to allay the concerns of a hike in interest rate by the US Federal Reserve later this month. Overall, however, bias for the sector remains positive. Payout of arrears relating to the salary hike of government employees and good monsoon rains are seen lifting demand during Sep-Oct. Last week, the Society of Indian Automobiles Manufacturers revised upward its projection for growth in sales of passenger vehicles in FY17 to double digit, from 7-8% seen at the beginning of the year. The CNX Auto index, which ended down 1.8% on week at 10117.95 points, is seen trading sideways, in line with broader indices over the next few sessions.

### **Bank Sector – Seen up this week as US Fed rate hike fears wear**

Bank stocks are seen rising this week as fears of the US Federal Reserve hiking interest rates recede and the charts support gains. The Federal Open Market Committee's two-day meeting will conclude post Indian market hours on Sep 21. While most investors expect the FOMC to not raise interest rates, Fed Chair Janet Yellen's policy guidance will be closely eyed for cues regarding the pace and timing of rate increases in future. Investors will also take cues from Bank of Japan's policy meeting, this decision as well being detailed on Sep 21. Market participants expected recovery in the shares of select private sector banks may also support broader indices. In the current week, fall in the shares of YES Bank had weighed on its peers. Its qualified institutional placement being deferred ensured that the bank's share price fell 8.3% over the week, the largest decline among the large banks. ICICI Bank is likely to be under focus as the initial public offering of its subsidiary ICICI Prudential Life Insurance Co will open on Sep 19. The offer will be watched as it is the first IPO in the insurance sector.

### **Capital Goods Sector – Seen rangebound; Cummins India in focus**

Capital goods stocks are expected to trade within a range with largely a negative bias this week, in the absence of significant triggers and a continued bleak outlook on the sector. So far in 2016-17 (Apr-Mar), capacity utilisation of industries has been lower than 2015-16, and hence, the capital goods segment might not do that well in the near to medium-term. Shares of sector bellwether Larsen & Toubro might see a slight upside this week with the initial public offering of its subsidiary L&T Technology Services getting subscribed 2.5 times on the final day. The company received bids for 18.4 mln shares against 7.28 mln shares on offer. State owned BHEL has dull outlook on the back of likely weak operating margins, due to pricing pressure in the coming quarters. Cummins India could see buying in the short-term, as the company is "well-placed" to take advantage of the government's increased emphasis on roads and railways.

### **Cement Sector – Seen in a range this week, some profit booking seen**

Shares of major cement manufacturers are seen trading in a narrow range this week, with spells of profit booking likely as the stocks are still trading at their peak valuations. The stocks are expected to remain range-bound and experience bouts of profit booking. So far in 2016, shares of ACC, Grasim Industries, Ambuja Cements, UltraTech Cement, JK Lakshmi Cement, Shree Cement, India Cements, Ramco Cements, Heidelbergcement, Mangalam Cement, Dalmia Bharat have risen 20-106%. Cement stocks have touched their peak valuations in the last couple of years, driven by demand in south India and the proposed development of new cities in Telangana and Andhra Pradesh. In the medium-to long-term, a pick-up in construction activity in the infrastructure space, revival of investment cycle and likely recovery of rural demand following good rains will benefit the cement industry.

### **FMCG Sector – Seen trading with positive bias this week**

Shares of fast moving consumer goods companies are seen trading with a positive bias this week due to expectation of a recovery in demand during Oct-Mar. Adequate rainfall in the southwest monsoon season is seen supporting the uptick in demand in the second half of the current financial year. India received 5.6 mm of average rainfall, 1% above the normal of 5.5 mm for the day, according to India Meteorological Department. Rainfall was 78% above normal in central India, while it was 80% higher than normal in south peninsula, the weather bureau said. In the Jun-Sep monsoon season so far, the country has received 777.3 mm weighted-average rainfall, 5% below the normal of 819.7 mm for the period. Despite total rainfall being below the average so far, it still comes as a relief after two successive years of drought-like conditions in the country.

**IT Sector – Seen positive this week, US Fed policy eyed**

Shares of information technology companies are expected to recover this week due to lower valuations, led by a recent sharp correction in stocks. US Federal Open Market Committee's two-day policy meet starts on Sep 20. If the US central bank hikes the Fed Funds rate this week, it would indicate an improvement in country's economy, leading to a pick-up in client spend on IT services. The top five Indian software services vendors receive 35-55% of their revenue from the US. Optimism in the broad market is also seen improving investor sentiment in the IT sector. Investors are likely to move their attention to mid-cap companies for better returns over the short term, and may invest in large-caps with a long-term view. Infosys said it expects growth in Jul-Sep to be better than Apr-Jun, but the company may have to revisit its guidance of 24-26% for operating margin in FY17. Shares of Infosys are seen trading with a positive bias this week.

**Oil Sector – Shares of retailers seen down on steep valuations**

Shares of state-owned oil retailers are expected to correct this week as sharp gains in the last few months have made their valuations expensive. Shares of Indian Oil Corporation is seen neutral this week. However, over a longer term, the stock is still the preferred pick. BPCL among the PSU oil marketing companies is also expected to decline in the short term. Among the explorers, ONGC is the preferred pick as market participants believe that the valuations of the stock are cheap. Even if crude oil prices were to decline, it would not impact the stock, which factors in realizations at a very low price of crude oil. Reliance Industries is expected to face resistance, the stock has been trading below 1150 rupees since January 2010 and the success of Reliance Jio Infocomm will be crucial for a breakout from this level. The fate of Cairn India stock is linked to Vedanta Ltd, into which it will be merged. Apart from crude oil prices, fluctuation in the dollar-rupee exchange rates is also likely to affect shares of oil companies.

**Pharma Sector – Seen positive; valuations of large-caps favourable**

Shares of pharmaceutical companies are likely to trade with a positive bias this week with buying interest being supported by favourable valuations, particularly those of large-caps. Improvement in sales of domestic pharmaceutical products in July is also seen keeping sentiment upbeat. According to data from market research firm AIOCD-AWACS, the domestic pharmaceutical market grew by 14.7% on year in July as against a growth of 9.7% in June, led by robust sales of anti-infective and respiratory drugs. Shares of large-cap companies like Sun Pharmaceutical Industries, Dr Reddy's Laboratories, and Lupin have been under pressure due to regulatory issues at their manufacturing units and price erosion in products in the US. However, looking at their current valuations, upside momentum is expected in the medium term. Moreover, these companies have taken sufficient remedial measures at their plants and hence the regulatory issues are likely to be resolved sooner rather than later.

**Metal Sector – Expected to remain subdued this week**

Shares of metal companies are expected to remain subdued this week. The Nifty Metal index touched its highest level of September, of 2685.15 points, but fell nearly 2% in the last two trading sessions due to profit booking. Prices of zinc and coking coal in the international market have risen the most in the last two months. Coking coal a crucial raw material used in the production of steel has shot up to \$200 per tn, a nearly 80% rise over the last month. Price of iron ore, which plummeted to below \$40 per tn last year, has gained since January and has been in the range of \$42-\$60 per tn. Global prices of steel rose nearly 8% in August, mainly due to an uptick in demand and a decline in capacity utilization in several steel-producing nations. However, sustainability of the trend remains doubtful. China's efforts to restructure domestic steel-making capacities remain a major watch out. Domestic steelmakers expect prices of steel to rise further in October and also expect a pick-up in demand due to good monsoon rains so far.

**Telecom Sector – Seen down as auction nears, RJio impact weighs**

Shares of mobile services providers are seen down this week as the market begins to price in the pressure of the upcoming spectrum auction and also the impact of Reliance Jio Infocomm Ltd's free services. Bharti Airtel Ltd may bounce this week but the overall trend remains negative. Idea Cellular Ltd may rise this week. Both heavyweights will continue to remain under pressure. All existing mobile services operators barring Telenor India will compete for the spectrum auction that starts Oct 1. The auction will put further pressure on the balance sheets of these companies. The capex cycle for telecom companies never seems to end and hence it is unlikely the shares will show any significant gains in near future. Reliance Communications plan to merge its mobile services with that of Aircel Ltd. Moody's Investor Service have put the company under review for a possible ratings downgrade from the current Ba3 tag.



**Market range for the week 8580-8980**

Nifty	Values
Support 1	8720
Support 2	8650
Support 3	8580
Resistance 1	8820
Resistance 2	8880
Resistance 3	8950

**Resistance** – Nifty may face resistance at 8820 level above this level it may go up to 8880-8950 level.

**Support** - Nifty has support at 8720 level below this next support at 8650-8580 levels.

**Technical** – During the week, CNX Nifty opened at 8732.95 and touched the highest level of 8847.65 and lowest level of 8688.90. The CNX Nifty ended at 8779.85; drag 86.85 points or -0.98%. The S&P BSE Sensex opened at 28481.09 and touched the highest level of 28778.60 and lowest level of 28251.31. The S&P BSE Sensex closed at 28599.03; drag 198.22 points or -0.69%.

**For the coming week, we expect the market range of 8580-8980**

**Weekly Chart View –**

We had mentioned in last week’s report that Nifty was near lower trendline on daily chart and on weekly chart we had witnessed “Spinning Top”, because of that we had mentioned only above 8950-8980 we will see up side and Nifty fail to cross above mentioned levels. Now on daily chart we witness series of narrow range body formation and on weekly chart “Doji” candle. So combining above two pattern formation we still maintain that 8950-8980 will be major resistance only above that we will see upside. As of now stocks specific action will remain continue and downside 8620-8580 will be good support.

**Weekly Chart**





### Weekly Sectoral Technical Outlook

<b>NSE Auto Index</b>	<b>CMP: 10117</b>
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**NSE Auto**

At present, prices have faced resistance at the median line of the channel. Further, it has triggered our trailing stop loss. Hence at present one should avoid this sector and wait for positive pattern to emerge at lower level.

<b>NSE Bankex</b>	<b>CMP: 19855</b>
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**NSE Bankex**

Since prices have triggered the trailing stop loss. At present, one should avoid this sector at present and wait for positive pattern to emerge.



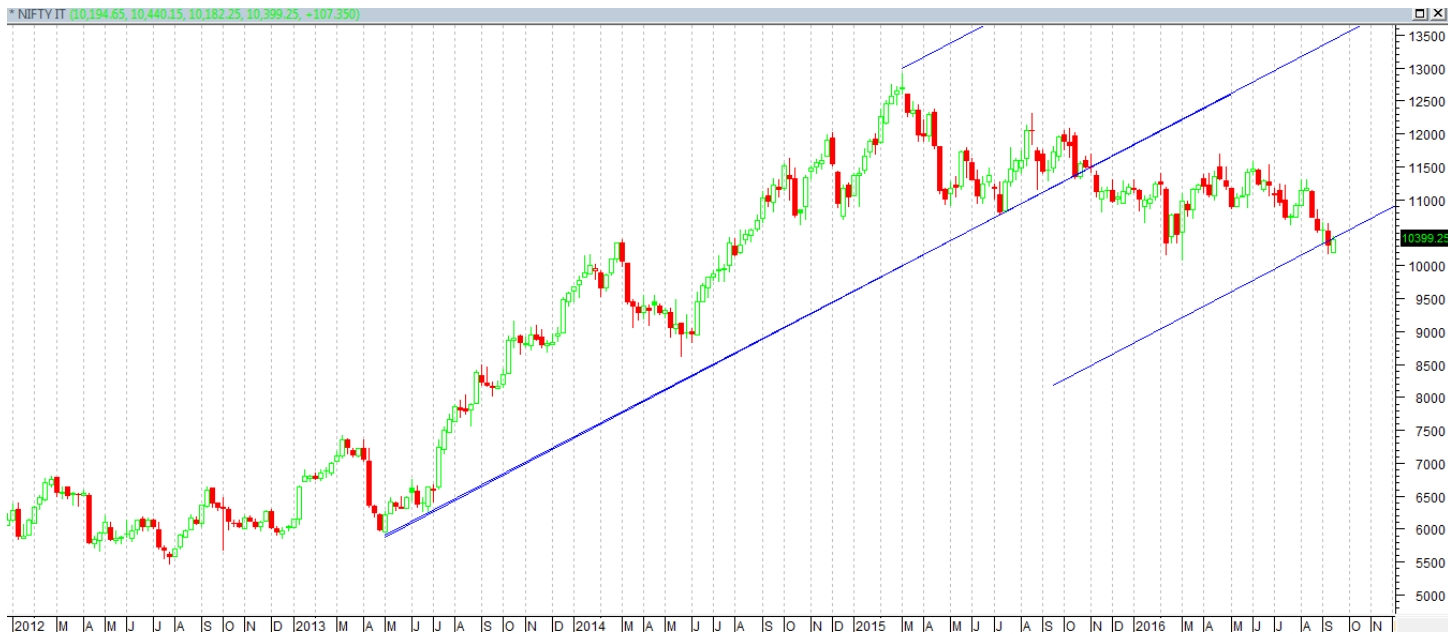
<b>NSE Metal Index</b>	<b>CMP: 2450</b>
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**NSE Metal Index**

Since prices have triggered the trailing stop loss. At present, one should avoid this sector at present and wait for positive pattern to emerge.

<b>NSE IT</b>	<b>CMP: 10399</b>
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**NSE IT**

We still maintain our stance that one should avoid this sector at present as there is no positive pattern emerging at current level.





## Weekly Technicals of Key Companies –

Company	Closing 16-Sep-16	Buy/Sell Trigger	Resistance 1	Resistance 2	Support 1	Support 2
ACC	1626	1612	1654	1682	1584	1542
ADANI PORTS	271	268	279	286	260	249
AMBUJACEM	262	263	269	276	257	251
ASIANPAINT	1155	1158	1179	1202	1134	1114
AUROPHARMA	785	788	799	812	774	763
AXISBANK	602	599	615	628	586	570
BAJAJ-AUTO	2982	2979	3033	3085	2928	2873
BANKBARODA	165	166	170	176	160	156
BHARTIARTL	324	321	329	334	316	309
BHEL	147	148	152	158	143	139
BOSCHLTD	23438	23463	23975	24513	22925	22413
BPCL	578	576	588	598	566	553
CIPLA	594	584	606	618	572	550
COALINDIA	325	326	331	338	320	315
DRREDDY	3150	3156	3179	3209	3126	3103
EICHERMOT	23135	22880	23495	23854	22521	21907
GAIL	388	389	395	401	383	377
GRASIM	4853	4768	4959	5064	4662	4471
HCLTECH	786	784	797	808	773	759
HDFC	1397	1396	1418	1439	1375	1353
HDFCBANK	1298	1289	1313	1328	1274	1250
HEROMOTOCO	3589	3575	3657	3726	3506	3424
HINDALCO	143	144	149	156	137	132
HINDUNILVR	912	915	925	939	902	892
ICICIBANK	267	269	274	281	262	256
IDEA	85	84	87	88	83	80
INDUSINDBK	1170	1178	1195	1219	1153	1137
INFRATEL	352	349	358	364	343	334
INFY	1060	1050	1075	1089	1035	1011
ITC	260	257	265	270	253	245
KOTAKBANK	807	810	817	827	800	793
LT	1473	1476	1496	1519	1453	1433
LUPIN	1537	1541	1558	1580	1520	1502
M&M	1407	1420	1445	1483	1382	1358
MARUTI	5573	5481	5712	5850	5343	5113
NTPC	153	154	157	161	151	148
ONGC	250	249	254	257	246	242
POWERGRID	176	178	182	188	172	167
RELIANCE	1076	1066	1103	1131	1039	1001
SBIN	254	256	260	266	250	246
SUNPHARMA	784	785	795	807	773	763
TATAMOTORS	549	554	563	578	539	530
TATAMTRDVR	353	354	363	373	344	335
TATAPOWER	75	75	77	79	74	72
TATASTEEL	359	367	377	396	349	339
TCS	2362	2350	2390	2417	2322	2282
TECHM	465	464	474	483	455	444
ULTRACEMCO	3924	3929	4023	4123	3829	3734
WIPRO	479	479	486	492	473	466
YESBANK	1170	1195	1232	1293	1133	1097
ZEEL	519	521	535	550	506	492

Source: Iris Software

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