

**Key developments during the week**

- Fitch says Indian banks' credit profiles at risk without more capital
- Moody's says lower fiscal gap hinges on India demand revival
- Textile ministry to announce new textile policy in Apr-end
- Oil minister says to hold auction of 69 small, marginal fields this year
- Cabinet approves WTO trade facilitation pact for ease of business
- Cabinet approves MoU with Singapore for urban planning, governance
- Cabinet gives nod to set up gravitational waves observatory in India
- Govt moots allowing private companies to carry out mineral exploration
- India Jan WPI inflation rate at (-) 0.90% vs (-) 0.73% in Dec; deflation deepens
- RBI Rajan says NPA norms about proper accounting, not blaming banks
- Rajan says RBI aims for reasonably predictable, stable rupee rate
- Minister says to standardise environment approves norm for real estate projects
- Labour secretary says EPF has sought more flexibility in investment norms
- India Jan trade deficit fell to an 11-month low of \$7.64 bln vs \$7.87 bln YoY
- Govt gets 15.2-trln-rupees investment commitments in Make in India week
- Govt to soon announce policy on strategic stake sale in PSUs
- Govt to notify cut in small saving rates on Mar 15

INDEX	19-Feb-16	12-Feb-16	Change (in %)
NIFTY	7210.75	6980.95	3.29
SENSEX	23709.15	22986.12	3.15
NSE 500	6000.40	5833.40	2.86
NSE MIDCAP	2807.10	2723.45	3.07
NIFTY JUNIOR	17334.75	17031.95	1.78
BSE SMALLCAP	9876.53	9682.55	2.00
BSE 200	3031.93	2945.85	2.92

INDEX	19-Feb-16	12-Feb-16	Change (in %)
BSE AUTO	16640.83	15861.73	4.91
BSE BANK	16274.38	15854.54	2.65
BSE CAPITAL GOODS	11920.79	11251.20	5.95
BSE CD	11566.91	11753.74	-1.59
BSE FMCG	7206.40	7091.55	1.62
BSE HEALTHCARE	15469.10	15110.65	2.37
BSE IT	10698.99	10295.05	3.92
BSE METALS	6872.10	6332.43	8.52
BSE OIL AND GAS	8437.17	8178.68	3.16
BSE PSU	5754.48	5521.76	4.21
BSE REALTY	1076.99	1035.31	4.03
BSE TECK	5752.26	5570.64	3.26

INDEX	19-Feb-16	12-Feb-16	Change (in %)
DOW JONES	16391.99	15973.84	2.62
HANG SENG	19284.44	18319.58	5.27
NIKKEI	15967.17	14952.61	6.79
FTSE	5950.23	5707.60	4.25

Domestic events week ahead

- **Feb 23:** Budget session of Parliament to begin
- **Feb 25:** Railway Budget for 2016-17 to be presented in Lok Sabha
- **Feb 26:** Economic Survey for 2015-16 to tabled in Parliament

Source: Cogencies

Global events week ahead

- **Feb 22:** Japan Flash Manufacturing PMI, Europe Flash Manufacturing PMI, Europe Flash Services PMI, US Flash Manufacturing PMI
- **Feb 23:** US CB Consumer Confidence, US Existing Home Sales
- **Feb 24:** US Flash Services PMI, US New Home Sales, US Crude Oil Inventories
- **Feb 25:** US FOMC Member Bullard Speaks, UK Second Estimate GDP, Europe Final CPI, US Core Durable Goods Orders, US Durable Goods Orders, US Unemployment Claims
- **Feb 26:** Japan Core CPI, US Prelim GDP, US Goods Trade Balance, US Revised UoM Consumer Sentiment



Weekly Sector Outlook and Stock Picks

Auto sector – May take cues from broader market; Rail Budget eyed

In this week, shares of major auto companies are likely to mirror volatility in the broader market on account of rollovers in derivatives contracts, before the expiry of the February series on Thursday. Besides this, auto stocks are also likely to take cues from expectations around the Railway Budget, to be presented on Feb 25. The Railway Budget will likely have a limited impact on auto companies. Shares of major automobile companies on Friday closed higher than the previous week. The CNX Auto Index closed up over 5% on a weekly basis, while the Nifty was up 3.3% on week. Maruti Suzuki, which has seen a recent downslide, recovered slightly at the end of the week. In the short-term, the stock might look weak, but has bright long-term prospects, backed by strong sales pitch and new products. Maruti Suzuki unveiled the Ignis hatchback and the Brezza sports utility vehicle at the recently-concluded Auto Expo, and has begun taking bookings for the latter, which marks its entry into the sub-4 metre compact SUV segment. Tata Motors recovered this week, too, closing up nearly 7% on week. This week, the stock will see some selling pressure on account of increasing competition for the company's Jaguar Land Rover subsidiary, and the ensuing weakness in its operational performance. The company is struggling with its China sales that account for a lion's share of its topline.

Bank Sector – Positive this week ahead of FY17 Union Budget

Shares of banks are seen trading positive this week, with investors focusing on the upcoming 2016-17 Union Budget. This week, public sector banks gained on hopes that the government will infuse higher-than-anticipated capital to clear their stressed asset books. Finance Minister Arun Jaitley will present the Budget on Feb 29. State-owned lenders' already-battered balance sheets took a further beating in Oct-Dec following the Reserve Bank of India's asset quality review, which led to 11 public sector banks reporting losses for the said quarter after the central bank advised lenders to provide for accounts which may not be non-performing on their books, but have turned bad for other banks. The process, termed "deep surgery" by RBI Governor Raghuram Rajan as opposed to temporary relief measures, comes as Indian banks have been set a deadline of March 2017 to clean up and have fully provisioned balance sheets.

Capital Goods Sector – Seen in range with positive bias

Shares of capital goods companies are seen moving in a range, with a positive bias, as heavy price erosion in the past few weeks is likely to result in value buying across the sector. The Union Railway Budget, to be presented on Feb 25, is expected to unveil sector-specific investment in terms of signaling and electrification, which may result in increased order visibility for many capital goods companies. In the current financial year ending March, public sector investment, especially in roads, railways and power distribution, has led to fresh order inflows for the capital goods sector. Project tenders from government agencies in Apr-Dec have posted a substantial increase of 46% on year. However, a widespread recovery for the sector will only be seen once investment from private sector-dominated industries such as those in the steel, cement and automobile sectors picks up.

Cement Sector – Seen trading in thin band this week

Shares of cement companies are seen trading in a narrow range this week with some positive trend in select stocks currently trading at attractive values. Cement companies reported better year-on-year sales volume growth in Oct-Dec, but it was at the cost of margins as they dropped prices in a bid to increase demand in a weak market. Planned price hikes at the start of January have been rolled back in the north, west and central region. Price hikes have been taken only in the east while the southern market remains flat. While cement pricing remained soft in Oct-Dec, all eyes are now on Jan-Mar, which is the busy construction season.

FMCG Sector – Seen in range with positive bias before Budget

Shares of fast-moving consumer goods companies is expected to trade in range with a positive bias, as the government is expected to announce some incentives for rural India in the Union Budget for 2016-17. The government will announce the Budget in Parliament on Feb 29. However, concerns remain over the likelihood of the government hiking excise duty on cigarettes, which will not augur well for sector major ITC Ltd.

IT Sector – Likely to trade with positive bias this week

Shares of information technology companies are seen trading with a positive bias this week on the back of weakening



rupee and recovering broader equity market. On Wednesday, the Indian currency had closed at 68.47 against the dollar, its lowest closing level since Aug 28, 2013. There may be some volatility in the broader market this week on account of the expiry of derivatives contracts on Thursday and this may speculate to movement in some IT stocks too. While, Nifty 50 had risen 3.3% this week, the CNX IT Index rose 4.3% and the IT stocks are likely to lead further recovery in the broader market this week also. Announcements of acquisitions by industry majors such as Wipro and HCL Technologies this week have improved investment sentiments for the sector. Wipro announced its plan acquire US-based insurance technology provider HealthPlan Services for \$460 mln, while HCL Technologies has initiated take over of Volvo Group's IT arm. Also, the market will take cues from Budget Session that starts on Feb 23 before taking bets. The sectors expects major reforms including exemption from minimum alternate tax, clarity on transfer pricing norms and Goods and Services Tax scheme implementation from the upcoming Budget.

Oil Sector – Seen in a range; news-flow, oil prices key

Shares of oil marketing companies are likely to trade in a range and stock movement will mostly be determined by news flow as the focus moves on to the Union Budget and Railway Budget for 2016-17, to be detailed on Feb 29 and Feb 25, respectively. Oil prices have been topsy-turvy in the last few weeks, swinging between \$25 a barrel to \$32 a barrel. However, the commodity ended with their first weekly increase in a month after Russia and Saudi Arabia agreed to freeze production at January levels. This reflected in the gains in shares of upstream companies ONGC, Cairn India, and Oil India, with the first two being top gainers in energy space this week. The trend may continue if more countries agree on freezing output, or even cuts, to support oil prices. However, refiners may see change in their business environment as demand for some oil products may slide going forward as summer sets in. Gross refining margins are likely to have peaked this quarter. Several analysts believe that financial performance of IOC, BPCL and HPCL could improve in Jan-Mar, due to strong margins and lower inventory losses. However, sharp movement in oil prices could hit earnings of these companies and hence, cap gains.

Pharma sector – Bias positive as broader market seen firm

Shares of pharmaceutical companies are seen trading with a positive bias this week, as the broader market is likely to be firm in the run up to the Union Budget for 2016-17, to be presented on Feb 29. Though there were some disappointments, earnings of pharma companies for Oct-Dec have been better than expected, which has improved investors' sentiment. There would be bouts of volatility in the market ahead of the derivatives contracts' expiry on Thursday. Weakening of the rupee against the dollar is also seen supporting pharma stocks, as exports form a major portion of sales of most companies. Pharma stocks have been under pressure over last three months due to regulatory issues and overall weakness in global equity markets. Hence, bargain hunting is expected in the coming days. Investors will keep an eye on the Budget Session of Parliament, which starts on Feb 23, for cues on passage of key bills.

Metal Sector – Seen up on improved steel prices, market sentiment

Shares of major mining and metal companies are seen trading with a positive bias this week due to a rise in steel prices and improvement in the overall market sentiment. The domestic steel producers have hiked their prices by \$10-\$15 after the imposition of the minimum import price, so we can say that they are in an improved position. However, companies do not much headroom to increase the prices, as domestic demand is still not at a required level. The full impact of the imposition of the floor price on steel products is expected to be gradual as the companies are likely to hike product prices over the next three months. Current steel prices are below-sustainable levels and need to correct over a period of time, as margins of domestic steel producers are under severe pressure, JSW Steel Ltd's Director, Commercial and Marketing Jayant Acharya had told Cogencis. There are expectations (from the budget), that there will be investment in infrastructure and the steel industry can stabilize post the budget," he added.

Telecom Sector – Stock-specific movement seen this week

Telecom stocks are likely to mirror the expected volatility in the broader market this week on account of rollovers to the March derivatives contracts before the expiry of February series on Thursday. Movement in the sector is seen stock-centric, with telecom major Bharti Airtel's shares expected to trade neutral. In the coming week, the market may take cues from the news surrounding the upcoming spectrum auctions. The department of telecommunications has formed a panel to study Telecom Regulatory Authority of India's recommendations on the spectrum base price. The airwaves in the 700 MHz band would be put up for sale for the first time in auctions likely to held in June.



Market range for the week 7040-7380

Nifty	Values
Support 1	7180
Support 2	7120
Support 3	7040
Resistance 1	7225
Resistance 2	7280
Resistance 3	7350

Resistance – Nifty may face resistance at 7225 level above this level it may go up to 7280-7350 level.

Support - Nifty has support at 7180 level below this next support at 7120-7040 levels.

Technical – During the week, CNX Nifty opened at 7057.35 and touched the highest level of 7226.85 and lowest level of 6960.65. The CNX Nifty ended at 7210.75; gain 229.80 points or 3.29%. The S&P BSE Sensex opened at 23223.43 and touched the highest level of 23774.40 and lowest level of 22920.84. The S&P BSE Sensex closed at 23709.15; gain 723.03 points or 3.15%.

For the coming week, we expect the market range of 7040-7380

Weekly Chart View –

We had mentioned in last week’s report that on the daily chart we get close below channel but on weekly chart near to 200WMA, because of that we had mentioned 6874-6870 will be major support only below that we can see more pressure till that we can see consolidation and all we have seen same. Now on daily chart we can see gap up area. On weekly chart still holding 200WMA and oscillator showing oversold. So from here still 6880-6870 will be major support only below that we can see selling pressure and upside 7220-7250 major resistance above that we can see some stocks specific move.

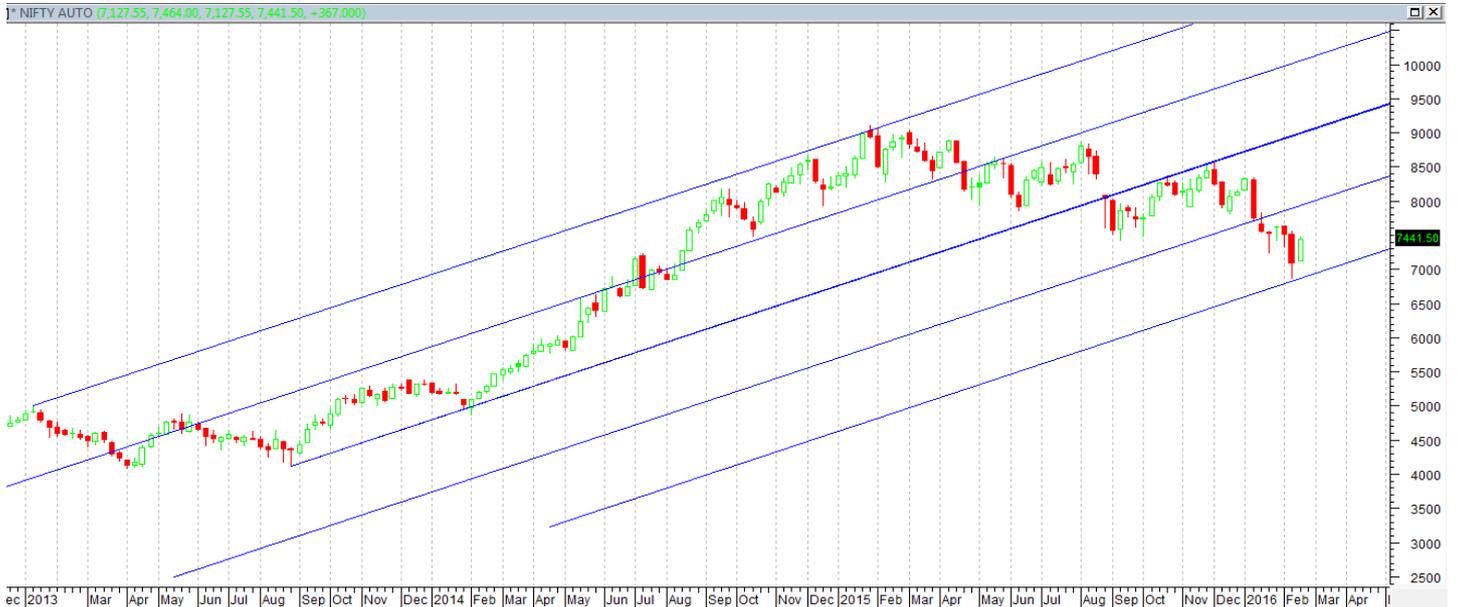
Weekly Chart





Weekly Sectoral Technical Outlook

NSE Auto Index	CMP: 7441
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NSE Auto

At present, prices have tested the lower trendline of the channel. However, there is no clear pattern that suggests long in this sector. Hence one should stay at the side line and wait for positive pattern to emerge on the chart.

NSE Bankex	CMP: 14344
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NSE Bankex

The current price action suggests a breather of the current fall. There is no clear positive pattern that suggests long in this sector. Hence, one should avoid this sector.



NSE Metal Index

CMP: 1652



NSE Metal Index

We still maintain our bearish stance on the sector. At present, after a strong bear candle we are observing a narrow range body formation which suggests breather of current downtrend. Hence, one should avoid this sector at present.

NSE IT

CMP: 10768



NSE IT

At present we are observing a strong bear candle which suggests weakness. We are of the opinion that prices are likely to test lower trendline of the channel shown above. Hence one should avoid this counter at present.



Weekly Technicals of Key Companies –

Company	Closing 19-Feb-16	Buy/Sell Trigger	Resistance 1	Resistance 2	Support 1	Support 2
ACC	1278.00	1254.30	1304.60	1331.20	1227.70	1177.40
ADANI PORTS	209.40	203.07	222.13	234.87	190.33	171.27
AMBUJACEM	194.95	194.27	200.03	205.12	189.18	183.42
ASIANPAINT	854.70	851.33	875.57	896.43	830.47	806.23
AXISBANK	392.50	401.67	413.33	434.17	380.83	369.17
BAJAJ-AUTO	2455.80	2395.53	2527.27	2598.73	2324.07	2192.33
BANKBARODA	139.65	134.80	151.10	162.55	123.35	107.05
BHARTIARTL	326.05	321.52	334.43	342.82	313.13	300.22
BHEL	101.75	103.45	108.25	114.75	96.95	92.15
BOSCHLTD	16804.00	16518.27	17185.73	17567.46	16136.53	15469.07
BPCL	765.85	768.77	805.68	845.52	728.93	692.02
CAIRN	131.65	128.85	137.20	142.75	123.30	114.95
CIPLA	524.65	529.18	544.97	565.28	508.87	493.08
COALINDIA	312.25	316.47	326.53	340.82	302.18	292.12
DRREDDY	3058.80	3008.75	3204.45	3350.10	2863.10	2667.40
GAIL	325.85	324.18	340.52	355.18	309.52	293.18
GRASIM	3427.60	3440.85	3496.70	3565.80	3371.75	3315.90
HCLTECH	851.55	839.63	868.92	886.28	822.27	792.98
HDFC	1060.85	1069.68	1093.17	1125.48	1037.37	1013.88
HDFCBANK	989.30	980.30	1001.60	1013.90	968.00	946.70
HEROMOTOCO	2706.20	2618.23	2798.47	2890.73	2525.97	2345.73
HINDALCO	69.05	66.92	72.23	75.42	63.73	58.42
HINDUNILVR	827.60	816.40	843.05	858.50	800.95	774.30
ICICIBANK	198.80	198.32	207.78	216.77	189.33	179.87
IDEA	108.40	108.08	112.67	116.93	103.82	99.23
INDUSINDBK	841.50	835.08	856.77	872.03	819.82	798.13
INFY	1127.25	1111.72	1149.73	1172.22	1089.23	1051.22
ITC	304.55	300.10	311.15	317.75	293.50	282.45
KOTAKBANK	631.20	627.03	644.07	656.93	614.17	597.13
LT	1150.50	1130.00	1195.45	1240.40	1085.05	1019.60
LUPIN	1788.95	1773.15	1853.10	1917.25	1709.00	1629.05
M&M	1230.25	1213.55	1265.50	1300.75	1178.30	1126.35
MARUTI	3579.15	3645.00	3731.00	3882.85	3493.15	3407.15
NTPC	129.80	128.12	132.78	135.77	125.13	120.47
ONGC	211.15	205.97	217.28	223.42	199.83	188.52
PNB	76.15	74.82	80.33	84.52	70.63	65.12
POWERGRID	141.00	140.12	142.88	144.77	138.23	135.47
RELIANCE	944.35	943.15	969.90	995.45	917.60	890.85
SBIN	164.70	162.23	173.22	181.73	153.72	142.73
SUNPHARMA	864.20	853.63	887.07	909.93	830.77	797.33
TATAMOTORS	318.20	313.37	329.03	339.87	302.53	286.87
TATAPOWER	58.80	59.23	61.47	64.13	56.57	54.33
TATASTEEL	253.25	243.92	265.83	278.42	231.33	209.42
TCS	2319.65	2295.55	2351.10	2382.55	2264.10	2208.55
TECHM	440.50	432.73	450.32	460.13	422.92	405.33
ULTRACEMCO	2844.70	2816.57	2893.03	2941.37	2768.23	2691.77
VEDL	74.65	72.85	79.50	84.35	68.00	61.35
WIPRO	547.35	538.03	558.82	570.28	526.57	505.78
YESBANK	712.55	725.18	749.17	785.78	688.57	664.58
ZEEL	383.85	373.82	397.53	411.22	360.13	336.42

Source: Iris Software

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