

**Key developments during the week**

- SBI announces merger ratios for associate banks, Bharatiya Mahila Bank
- Khan panel moots change in re-issuance norms for corporate bonds
- Govt to ease consent mechanism for open market borrowing by states
- Govt to auction 1,000 MW wind power projects in Sep
- Govt source says expect Hindustan Aeronautics, Cochin Shipyard IPOs in Dec
- Govt launches new rating system for mines
- India week to Aug 17 average rainfall 44.8 mm, 28% below normal
- Centre asks Maharashtra, Karnataka to check hoarding by sugar mills
- Govt expects to raise 135 bln rupees from PSU share buybacks by Dec
- Finance ministry source says expect GST council to start functioning by Sep-end
- Govt examines options to benchmark fiscal deficit as inflation falls
- Customer services to be RBI's focus for next bank inspection
- RBI likely to issue draft norms on bank-NBFC joint loan origination
- Inter-ministerial panel to look into companies' spectrum auction queries
- India Jul WPI inflation touches 23-month high of 3.55% from 1.62% in Jun
- Bihar Assembly ratifies Constitution amendment Bill on GST
- FIPB to mull 12 FDI proposals on Aug 30

INDEX	19-Aug-16	12-Aug-16	Change (in %)
NIFTY	8666.90	8672.15	-0.06
SENSEX	28077.00	28152.40	-0.27
NSE 500	7397.80	7347.45	0.69
NSE MIDCAP	3784.00	3667.20	3.18
NIFTY JUNIOR	22925.20	22513.90	1.83
BSE SMALLCAP	12459.57	12214.23	2.01
BSE 200	3721.09	3699.58	0.58

INDEX	19-Aug-16	12-Aug-16	Change (in %)
BSE AUTO	21417.62	21404.80	0.06
BSE BANK	22296.27	21757.34	2.48
BSE CAPITAL GOODS	15126.22	14999.35	0.85
BSE CD	12198.64	12192.96	0.05
BSE FMCG	8699.29	8740.50	-0.47
BSE HEALTHCARE	16201.37	15961.34	1.50
BSE IT	10536.65	10944.31	-3.72
BSE METALS	10144.32	9753.67	4.01
BSE OIL AND GAS	10851.64	10627.68	2.11
BSE PSU	7516.97	7272.46	3.36
BSE REALTY	1583.51	1584.72	-0.08
BSE TECK	5786.29	5975.32	-3.16

INDEX	19-Aug-16	12-Aug-16	Change (in %)
DOW JONES	18552.57	18576.47	-0.13
HANG SENG	22937.22	22766.91	0.75
NIKKEI	16545.82	16919.92	-2.21
FTSE	6858.95	6916.02	-0.83

Domestic events week ahead

- **Aug 22-24:** GSM mobile subscriber data for July, by COAI
- **Aug 22-26:** Crude, refinery output for July, from petroleum ministry
- **Aug 22-26:** Freight traffic of major ports in Apr-Jul, by IPA
- **Aug 25:** Rainfall for week to Aug 24, by IMD

Source: Cogencies

Global events week ahead

- **Aug 22:** N.A.
- **Aug 23:** Japan Flash Manufacturing PMI, BOJ Gov Kuroda Speaks, Europe Flash Manufacturing PMI, Europe Flash Services PMI, US Flash Manufacturing PMI, Europe Consumer Confidence, US New Home Sales
- **Aug 24:** US Existing Home Sales, US Crude Oil Inventories
- **Aug 25:** US Durable Goods Orders, US Core Durable Goods Orders, US Unemployment Claims, US Flash Services PMI, Jackson Hole Symposium
- **Aug 26:** UK Second Estimate GDP, US Prelim GDP, US Goods Trade Balance, US Fed Chair Yellen Speaks, US Revised UoM Consumer Sentiment, Jackson Hole Symposium



Weekly Sector Outlook and Stock Picks

Auto Sector – Seen positive as salary arrears payout to lift demand

Shares of major automobile companies are seen outperforming the benchmark index this week amid rising sales and expectations of a healthy post-monsoon demand. Payout of arrears based on the recommendations of the Seventh Pay Commission is also seen lifting demand. Last month, the government had approved the recommendations of the Seventh Central Pay Commission with retrospective effect from Jan 1, 2016. According to a report, the government will have to fork out in excess of 340 bln rupees on account of arrears for January to July and salary payments for August. Shares of Maruti Suzuki are seen rising this week, backed by strong fundamentals and a good order book for its Baleno hatchback and Vitara Brezza sports utility vehicles. Besides, shares of most two-wheeler makers are expected to trade higher due to expectations of an increase in the rural demand and a turnaround in sales. Hero MotoCorp is seen outperforming the index this week. Shares of Bajaj Auto and Mahindra and Mahindra are seen trading in a narrow range this week.

Bank Sector – Seen positive as bond market rally may continue

Bank stocks are likely to trade with a positive bias this week on expectation that the rally in government bonds may continue, and provide an opportunity for the lenders to make gains on their treasury investments. At a time when a rise in bad loans was weighing on banks' profitability, gains on treasury operations were supporting the bottomline. The debt market has been seeing strong appetite in the past few weeks, especially on the longer end, and yields on government securities could fall further marginally. Part of the gains in the bond market has been on account of comfortable liquidity in the banking system. However, some volatility in shares is expected because of rollover of positions ahead of the expiry of the August derivative series on Thursday. Separately, market participants will also eye the announcement of the new governor of the Reserve Bank of India. Current RBI Governor Raghuram Rajan has announced that he will return to academia once his term ends on Sep 4. The announcement will be crucial to gauge the central bank's thinking on inflation management and thereby on interest rate, and stressed assets, under the new governor. Rajan has kept March 2017 as the deadline for banks to clean-up their balance sheets.

Capital Goods Sector – Seen in range with negative bias

Shares of capital goods companies are expected to trade rangebound with a negative bias this week in the absence of major triggers and a bleak outlook on the sector as a whole. Shares of sector bellwether Larsen & Toubro could see a slight upside this week on news the infrastructure major has been identified by the Maharashtra government to convert Nagpur into a Smart City. Shares of BHEL are seen negative and building short positions on little hope of business improving in the near-term. Shares of Thermax see a pick-up in business in a few quarters. At present, there is no hint from the management on any significant order inflow for the next two quarters.

FMCG Sector – Seen positive on implementation of 7th Pay Commission

Shares of fast moving consumer goods companies are seen rising on the back of implementation of the Seventh Pay Commission which is expected to see 346 bln rupees of arrears being distributed this month to government employees. However, Skymet is likely to lower its forecast for India's 2016 southwest monsoon rainfall to around 100% of long period average from 109% estimated in May. If the private weather forecaster does cut its estimates, then the rise in consumer stocks will be capped. There is still some upside left in consumer stocks despite the sector witnessing a rally in the last few months as the overall sentiment continues to remain positive for the sector.

IT Sector – Seen in range with negative bias, Infosys to rebound

Shares of information technology companies will trade in a range with a negative bias this week as investors remain cautious over the sector. During the week, The Royal Bank of Scotland cancelled a contract, worth an estimated \$300 mln, with Infosys, citing issues emanating from UK's decision to exit the European Union. A rise of Brexit-relating concerns over the sector resulted in stocks of frontline companies falling around 4-5% during the week. The Nifty IT index is underperforming broader markets from quite long time and settled after losing nearly 4% in the passing week. The Indian currency, which ended at 67.0650-per-dollar, may weaken further against the greenback. A fall in the rupee is seen further dampening sentiment over the sector as majority of the IT companies are software exporters.

**Oil Sector – PSU refiners positive; focus shifts to earnings**

Shares of state-owned oil refining companies IOC, BPCL and HPCL are seen trading in a range with a positive bias this week. Expectations of strong Apr-Jun earnings by oil marketing companies may lend some positivity to these scrips. Earnings are expected to be driven by inventory gains and strong gross refining margin. HPCL will particularly be in focus early this week as the company is scheduled to announce its earnings on Aug 22. In the absence of any other major trigger, the trend for oil companies over the next few sessions will be determined by the movement in crude oil prices as well as sentiment in the broad market. For upstream companies like ONGC, Oil India and Cairn India, weakness in crude oil prices will have a negative impact, while it could lend some positivity to stocks of refining companies. Despite likely weakness in prices of crude oil, upstream stocks too appear to be positive on charts and are likely to trade in a range. Fluctuation in dollar-rupee exchange rates is also likely to affect shares of oil companies. If the dollar strengthens against the rupee, it will hit refining companies and benefit upstream players. A weak dollar, on the other hand, is advantageous for downstream companies.

Pharma Sector – Seen rangebound; Aurobindo Pharma earnings eyed

Shares of pharmaceutical companies are likely to trade rangebound this week amid lack of fresh cues with the Apr-Jun earnings season almost nearing the end. Market participants expect some consolidation as a majority of the companies in the pharma space have already declared their earnings and investors await fresh triggers for a direction. The only major company left to detail its financial results is Aurobindo Pharma and the company will declare Apr-Jun earnings on Aug 23. According to estimates, Aurobindo Pharma's consolidated net profit is seen at 5.77 bln rupees and net sales at 38.29 bln rupees in the quarter ended June. Despite a muted performance in Apr-Jun, Cipla's shares surged last week as the company's business restructuring plan will propel growth in the next three years. Shares of Sun Pharmaceutical Industries, which fell 2.1% this week, are expected to witness some more downside in the coming days. The strong Apr-Jun earnings of Sun Pharma were factored in and the management did not give clear guidance on future pipeline and growth in the US as well as updates on Halol unit in Gujarat, which is facing regulatory issues. This hurt investor sentiment and pulled down the company's shares. Pharma stocks will take some cues from broader market, which is also likely to trade rangebound with a positive bias.

Metal Sector – Seen up this week on hope of more sops from govt

Having clocked high single-digit gains this week, shares of major metal and mining companies are seen positive this week on renewed hopes of more protectionist sops from the government. News reports said the Aluminium Association of India met Mines Minister Piyush Goyal on Thursday, seeking the imposition of minimum import price on aluminium products to protect the industry from cheap imports from China and West Asia. Sector majors Hindalco Industries, Vedanta and National Aluminium are a part of the industry body. Besides the sops, what have also increased investor frenzy for the sector are the better-than-expected earnings from Hindalco Industries. However, market participants expect profit booking to trickle in because shares of the aluminium major have already seen a good run. So far in 2016, Hindalco's shares have risen 87.5%, outperforming benchmark index Nifty 50 that has gained 9%. Among other stocks, shares of Jindal Steel & Power are expected to extend gains this week on the stake sale news. News reports said Japan-based Yamato Kogyo Company is in final stages of discussions to acquire 15% stake in Jindal Steel. The news lifted shares of Jindal Steel by nearly 3% to 87.85 rupees.

Telecom Sector – Seen range bound with negative bias

Telecommunication stocks are seen range-bound with negative bias this week. Shares of Bharti Airtel Ltd and Idea Cellular Ltd will remain under pressure given the on-going tussle between the existing players on one side and Reliance Jio Infocomm, on the other, ahead of its public launch, and in preparation for Sep 29 spectrum auction. The stock jumped over 2% intraday after Singapore Telecommunications Ltd announced it was buying an additional 7.39% stake in Bharti Telecom Ltd, the holding company of Bharti Airtel. The second largest operator, Idea Cellular, is expected to trade in a narrow range this week. Last week, the company reported a weak set of Apr-Jun earnings, following which the stock fell. From Aug 8, the day it released its numbers, the stock has fell over 11%. A recovery is unlikely this week. Tata Communications, which outperformed all telecommunications stocks, may rise further.



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 8670.25 and touched the highest level of 8696.60 and lowest level of 8600.45. The CNX Nifty ended at 8666.90; drag 5.25 point or -0.06%. The S&P BSE Sensex opened at 28190.04 and touched the highest level of 28214.17 and lowest level of 27942.65. The S&P BSE Sensex closed at 28077.00; drag 75.40 points or- 0.27%.

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

Weekly Chart View –

We had mentioned in last week’s report that we witnessed consolidation zone on daily chart and on weekly chart Narrow range body formation, because of that we had mentioned we will see stocks specific move and all we have seen same. Now on daily chart we are witnessing consolidation zone and on weekly chart “Doji” candle at higher levels. So combining the two pattern formation we still maintain that stocks specific move will continue and upper side remain 8820-8850 will be major resistance and on the downside 8480-8450 will be good levels for buy.

Weekly Chart





Weekly Sectoral Technical Outlook

NSE Auto Index	CMP: 9638
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NSE Auto

We reiterate our view that prices are facing resistance at upper trendline of the first channel. Aggressive traders gone long at lower level should maintain the trailing stop loss at 9350. On the upside it can test 9800 - 10300 levels.

NSE Bankex	CMP: 19414
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NSE Bankex

Aggressive traders gone long above 19080 levels should trial the stop loss to 18800. On the upside this sector can test 19650 – 20200 levels.



NSE Metal Index

CMP: 2629



NSE Metal Index

At present we are observing a strong bull candle which suggests that upside momentum is likely to continue. We still maintain our stance that aggressive traders gone long at lower levels can trial the stop loss to 2450. On the upside, it can test 2700 - 2850 levels.

NSE IT

CMP: 10727



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 19-Aug-16	Buy/Sell Trigger	Resistance 1	Resistance 2	Support 1	Support 2
ACC	1691	1680	1719	1747	1653	1614
ADANIPOORTS	273	270	281	289	262	250
AMBUJACEM	276	272	282	287	267	258
ASIANPAINT	1114	1121	1140	1167	1094	1074
AUROPHARMA	765	754	778	791	741	716
AXISBANK	589	589	598	607	580	571
BAJAJ-AUTO	2933	2910	2981	3029	2863	2792
BANKBARODA	162	157	167	173	152	141
BHARTIARTL	351	349	358	364	342	333
BHEL	142	140	145	147	137	133
BOSCHLTD	23980	24118	24410	24840	23688	23396
BPCL	593	591	604	616	580	567
CIPLA	557	544	577	597	523	490
COALINDIA	334	339	345	357	328	321
DRREDDY	3010	3012	3041	3073	2980	2951
EICHERMOT	21777	22046	22380	22982	21444	21110
GAIL	364	368	373	382	359	353
GRASIM	4633	4580	4748	4864	4464	4296
HCLTECH	782	795	811	839	766	751
HDFC	1369	1368	1387	1404	1350	1331
HDFCBANK	1247	1239	1263	1280	1222	1198
HEROMOTOCO	3358	3356	3431	3505	3282	3207
HINDALCO	159	155	163	168	151	142
HINDUNILVR	911	919	936	961	893	876
ICICIBANK	254	251	258	263	247	239
IDEA	94	94	95	96	93	92
INDUSINDBK	1188	1180	1212	1235	1157	1126
INFRATEL	342	351	362	382	331	319
INFY	1021	1033	1047	1072	1007	993
ITC	251	253	256	261	248	245
KOTAKBANK	779	775	789	800	765	750
LT	1494	1494	1515	1536	1473	1451
LUPIN	1576	1584	1600	1623	1561	1545
M&M	1459	1453	1474	1490	1437	1416
MARUTI	4900	4900	4950	5001	4849	4799
NTPC	167	165	171	176	161	155
ONGC	242	239	246	250	235	228
POWERGRID	181	179	185	188	176	171
RELIANCE	1015	1022	1037	1060	1000	985
SBIN	259	254	265	271	247	236
SUNPHARMA	784	788	804	824	768	753
TATAMOTORS	510	510	518	525	503	496
TATAMTRDVR	338	336	345	352	329	320
TATAPOWER	78	77	79	81	76	74
TATASTEEL	392	387	400	408	379	365
TCS	2604	2648	2696	2788	2556	2508
TECHM	473	478	487	501	464	454
ULTRACEMCO	3927	3851	4031	4134	3748	3568
WIPRO	520	528	538	555	511	501
YESBANK	1336	1320	1355	1374	1301	1266
ZEEL	504	502	509	513	497	491

Source: Iris Software

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