

Key developments during the week

- Jaitley introduces Constitution amendment bill on GST in Lok Sabha
- Govt says India likely to grow around 5.5% in FY15
- Govt says average CPI inflation in Jan-Mar seen around 5.3%
- Govt says lower oil prices can reduce CAD by 1.5% on an annual basis
- Chief economic adviser says govt committed to meeting 4.1% fiscal gap target
- Govt Apr-Nov direct tax mop-up 3.29 trln rupees, up 5.7% year on year
- Govt says FY15 tax mop-up may fall short by 1.05 trln rupees
- Finance minister says not approved oil minister proposal to cut branded diesel excise
- Pharma secretary says tax structure of imported medical devices needs relook
- India Nov WPI inflation falls to 0% from 1.77% in Oct
- India Nov trade gap widens to 18-month high of \$16.86 bln from \$13.36 bln in Oct
- US Fed says will be patient on timing of first interest rate hike
- Fitch says Indian banks stressed assets remain high and will peak in early 2015
- Moody's says cut in India govt share in PSU banks to 52% credit positive
- Trade minister says India's manufacturing at 16% of GDP has stagnated
- Finance secretary says don't expect gold imports to exceed 1,000-1,100 tonne in FY15
- India, Germany sign 625-mln euro pacts for green energy corridors
- ADB says India on track to reach 5.5% GDP growth in FY15

INDEX	19-Dec-14	12-Dec-14	Change (in %)
NIFTY	8225.20	8224.10	0.01
SENSEX	27371.84	27350.68	0.08
NSE 500	6670.15	6680.65	-0.16
NSE MIDCAP	3269.35	3270.90	-0.05
NIFTY JUNIOR	18133.45	18127.95	0.03
BSE SMALLCAP	10922.21	11068.48	-1.32
BSE 200	3381.13	3386.94	-0.17

INDEX	19-Dec-14	12-Dec-14	Change (in %)
BSE CD	9490.07	9566.16	-0.80
BSE OIL AND GAS	9988.19	9800.05	1.92
BSE PSU	8083.90	7978.86	1.32
BSE FMCG	7709.80	8117.06	-5.02
BSE CAPITAL GOODS	15388.57	15226.06	1.07
BSE AUTO	18360.88	18674.50	-1.68
BSE REALTY	1498.49	1590.37	-5.78
BSE BANK	21145.78	20975.21	0.81
BSE TECH	5808.76	5695.14	2.00
BSE HEALTHCARE	14399.02	14946.38	-3.66
BSE IT	10560.26	10296.76	2.56
BSE METAL	10617.33	10577.25	0.38

INDEX	19-Dec-14	12-Dec-14	Change (in %)
DOW JONES	17804.80	17280.83	3.03
HANG SENG	23116.63	23249.20	-0.57
NIKKEI	17621.40	17371.58	1.44
FTSE	6545.27	6300.63	3.88

Domestic events week ahead

- **Dec 22-23:** GSM mobile subscribers' data for November, by COAI.
- **Dec 24:** Money supply as on Dec 12, by RBI.
- **Dec 26:** WMA and forex reserves as on Dec 19, by RBI.

Source: NW18

Global events week ahead

- **Dec 22:** BOJ Monthly Report, Europe Consumer Confidence, US Existing Home Sales
- **Dec 23:** French Consumer Spending m/m, Italian Retail Sales m/m, UK Current Account, UK Final GDP q/q, Italian Prelim CPI m/m, US Core Durable Goods Orders m/m, US Durable Goods Orders m/m, US Final GDP q/q, US Revised UoM Consumer Sentiment, US Revised UoM Inflation Expectations, US New Home Sales, US Personal Spending m/m, US Personal Income m/m
- **Dec 24:** US Unemployment Claims, US Crude Oil Inventories
- **Dec 25:** Japan Monetary Policy Meeting Minutes, BOJ Gov Kuroda Speaks, Japan Housing Starts y/y
- **Dec 26:** Japan Household Spending y/y, Japan Unemployment Rate, Japan Industrial Production m/m, Japan Retail Sales y/y



Weekly Sector Outlook and Stock Picks

Auto sector – In range this week; Bajaj Auto may rise

Shares of leading automobile manufacturing companies are seen moving in a narrow range this week, adding that some key stocks such as Mahindra & Mahindra and Tata Motors may witness further correction. Both these companies have reported a fall in vehicle dispatches to dealers over the past few months. Shares of Bajaj Auto are seen rising in the coming few sessions as the company has won an order to supply 125,000 units of its Discover-125M motorcycle to the Sri Lankan government, which the company expects to complete over the next three to four months. We expect two-wheeler companies' shares to do better than scrips of four-wheeler and commercial vehicle manufacturers, mainly due to sustained demand for their products. Demand for two-wheelers, particularly scooters, is seen remaining at sustained levels. Scooters sales have been growing month-on-month for over the past two years led by demand in urban India. Shares of Hero MotoCorp and TVS Motor Company are seen rising this week. Hero MotoCorp is the second-largest player in the scooters segment, while TVS Motor Company is the third largest. Hero MotoCorp's renewed focus on exports, apart from sustained domestic two wheeler demand has led to positivity around its shares.

Bank Sector – Seen volatile this week on F&O expiry

Bank stocks are expected to be volatile this week ahead of the expiry of the December derivatives series on Thursday. Friday, Bank Nifty settled up 0.83% from Thursday's close at 18478.90. For the week, the index was up 0.98%. Apart from volatility on account of contract expiration, bank stocks may see little upward movement as they were slightly overbought following the sharp pull-back after having reached 17500 levels on Wednesday. Additionally, foreign institutional investor activity is seen muted due to the holiday season abroad. On Thursday, Indian markets will be shut for Christmas. We advised against buying bank stocks, recommending that it would be advisable to wait for lower levels.

Capital Goods Sector – Likely to be rangebound this week

Shares of capital goods companies are likely to move in a narrow range this week, tracking the broader market, due to subdued participation of foreign investors and stock-specific action. Shares of Larsen & Toubro having a limited upside for this week, with a short to medium term view. L&T has major presence in infrastructure space in the West Asia. Investors are also seen positive on state-owned power equipment maker Bharat Heavy Electricals. Crompton Greaves, too, may see some upside early this week as the company announced, after market hours on Friday that it has received a 10-year operations and maintenance contract.

Cement Sector – May extend losses this week on product price cuts

Shares of most cement companies are seen extending losses this week due to fall in product prices. After reducing prices in October, earlier this month, companies such as Ultratech Cement, ACC Ltd and Ambuja Ltd had again cut rates by 5-10 rupees per 50 kg bag in key markets. The demand-supply for cement is not good. The semi-urban and rural areas are the ones that are driving demand. It will take some more time for the sales to pick up. It is difficult to put timeline but it will take around six to nine months for sales to grow. UltraTech Cement, the country's largest cement maker with over 62 mtpa capacity, cut prices by 10-20 rupees per bag in Delhi last week while ACC has cut prices by 10-15 rupees per bag. Ambuja Cements has cut prices by 10-20 rupees per bag. Also, shares of UltraTech would be in focus on reports the company is in talks to buy Jaiprakash Associates Ltd to buy the latter's cement plants in south and central India.

FMCG Sector – Seen rebounding this week

Stocks of fast moving consumer goods companies are likely to rebound in the week ahead after significantly underperforming benchmark indices last week owing to margin calls and brokerage downgrades. For the week ended on Friday, the BSE FMCG index fell 5%, while the Sensex closed 0.1% higher. There was a significant fall in FMCG counters on brokerage downgrades, also some selling pressure was witnessed as margin calls were triggered on Monday and Tuesday and clients sold these stocks to salvage positions. During the week, foreign brokerage Goldman Sachs downgraded Hindustan Unilever to 'sell' with a target price of 683 rupees. The brokerage also downgraded FMCG major Marico to 'neutral' from 'buy' with a price target of 320 rupees. Shares of Hindustan Unilever likely to trade with negative bias this week. We recommend a 'buy-on-dips' strategy on the stocks of fast moving consumer goods companies.

**IT Sector – Rupee fall to offer support in volatile market**

Information technology stocks are likely to show resilience if the broad market continues to exhibit volatility this week, but may underperform the Nifty if the market bounces back. This week, IT stocks outperformed the broad market due to their value as a defence against market volatility, the sharp fall in the value of the rupee against the dollar, and due to a robust outlook by global peer Accenture. We expect some volatility in the Indian market due to F&O expiry, while the US Federal Reserve's unexpectedly dovish comments last week is likely to ensure stability going forward. In case of volatility and continued weakness in the value of the rupee against the dollar, defensive sectors such as IT, pharmaceuticals, and consumer goods are likely to find favour. Tata Consultancy Services saw a correction this week due to a weak trading update, while Infosys and HCL Technologies saw good demand.

Oil Sector – PSU oil companies seen range-bound; crude, rupee key

Shares of state-owned oil marketing as well as upstream companies are seen rangebound this week as crude prices continue to slide while rupee remains on a weak footing. While the continuing slide in crude prices is otherwise good for Indian Oil Corp Ltd, Bharat Petroleum Corp Ltd and Hindustan Petroleum Corp Ltd, the sharp decline has piled up inventory losses for the three as the time lag between the companies buying crude and selling products out of it is around 45 days. The recent depreciation in the rupee has provided some cushion on that front. In the near-term, the Indian currency is seen rangebound as the overseas markets enter Christmas holiday phase this week, which will reduce foreign investor activity. Also, December futures and options contracts will expire on Wednesday, leading to some volatility in the market. If the broad market remains muted and crude prices fall sharply, the shares of the three oil retailers may come under pressure. At current levels of crude prices, the outlook seems better for the oil producing companies Oil and Natural Gas Corp Ltd and Oil India Ltd. With diesel and petrol prices deregulated and cooking gas subsidies being streamlined, these companies' profitability will improve as subsidy shrinks. However, fear of further decline in oil prices may cap gains.

Pharma sector – Stock-specific trading to continue this week

Stock-specific trading is expected to continue in shares of frontline pharmaceutical companies this week due to lack of broader market triggers. There is no key cause that would trigger any sectoral movement in the pharma space for this week. Stocks will be tracked on the basis of any company-specific news. The markets will also be watching out for important government announcements including that on the bulk drug policy, expected to be out soon. We could see some selling pressure in the shares of Dr Reddy's Laboratories Ltd and JB Chemicals & Pharmaceuticals Ltd, which are exposed to the sudden devaluation of the Russian rouble. The selling could continue till clarity is reached on how much hit the companies have taken on account of the Russian currency's fluctuation.

Metal Sector – Seen range bound; Tata Steel, Hindalco seen up

Shares of most metal companies are expected to trade in a range this week on lack of any sector-specific triggers. Tata Steel and Hindalco Industries are seen up. However, indications from the World Steel Association show that the global steel industry is still not witnessing much improvement in demand. The global crude steel capacity utilisation ratio fell 2.5% on year in November to 73.5%, and was 1.2% lower than October. There was pessimism in the market with Jindal Steel and Power shares lagging behind despite a rise in other metals, due to an adverse ruling in the issue of penalty payments, this sentiment is expected to continue for the next few sessions.

Telecom Sector – Sectoral weakness to continue this week

Shares of major telecom stocks are likely to continue trading in a negative zone this week, with the market watching out for some key policy announcements that are expected. Bharti Airtel and Reliance Communications have showed continuous weakness over the past few weeks, and this is likely to continue until there is further clarity on spectrum auctions and whether it will be industry friendly. The Department of Telecommunications is likely to issue the notice inviting applications, or the bid document for the upcoming spectrum auctions in February, on Friday. The market will also watch out for clarity on whether the government would auction spectrum in the 2,100 MHz band, for which the DoT has prepared the Cabinet note for arrangement of spectrum in that band with the defence ministry. For the 2,100 MHz band, the Street would watch out for sector watchdog Telecom Regulatory Authority of India's views on reserve price of spectrum in the said band. Shares of Idea Cellular, which have outperformed its peers over the last few trading sessions, could continue trading up due to its sustained positive momentum.



Weekly Technical Outlook

In our previous weekly report, we had mentioned that, 8195 level and the demand zone 8064 – 7985 was crucial support area. Further, we had mentioned that the weekly trend was up; hence at lower level buying was likely to emerge. The week began on a pessimistic note, tested the mentioned demand zone made a low of 7961 from where buying emerged. The Sensex ended with a marginal gains of 0.08% whereas Nifty gained 0.01% vis-à-vis the previous week.

Pattern Formation:

- On the **weekly chart**, we are observing that the price after testing the demand zone of 8064 to 7964 has formed a candlestick pattern that resembles a bullish “Hammer”.
- On the **daily chart**, we are observing two consecutive upward gap areas which suggest strength going forward.

Outlook: The coming week being a truncated one coupled with F&O derivative expiry we are likely to witness volatility going forward. However, the current price action both on the weekly and daily chart suggests that upside momentum is likely to continue. On the upside, 8388 is immediate resistance for Nifty. Any sustainable up move above the mentioned level would propel Nifty to test 8440 – 8588 or even test the all-time high of 8626 levels. On the downside below 7956 the next support for Nifty is at 7800 level.

Broadly, since we have seen two consecutive upward gap areas which have not been tested in the daily chart we are of the opinion that Nifty may continue the upward momentum.

Weekly Chart





Weekly Sectoral Technical Outlook

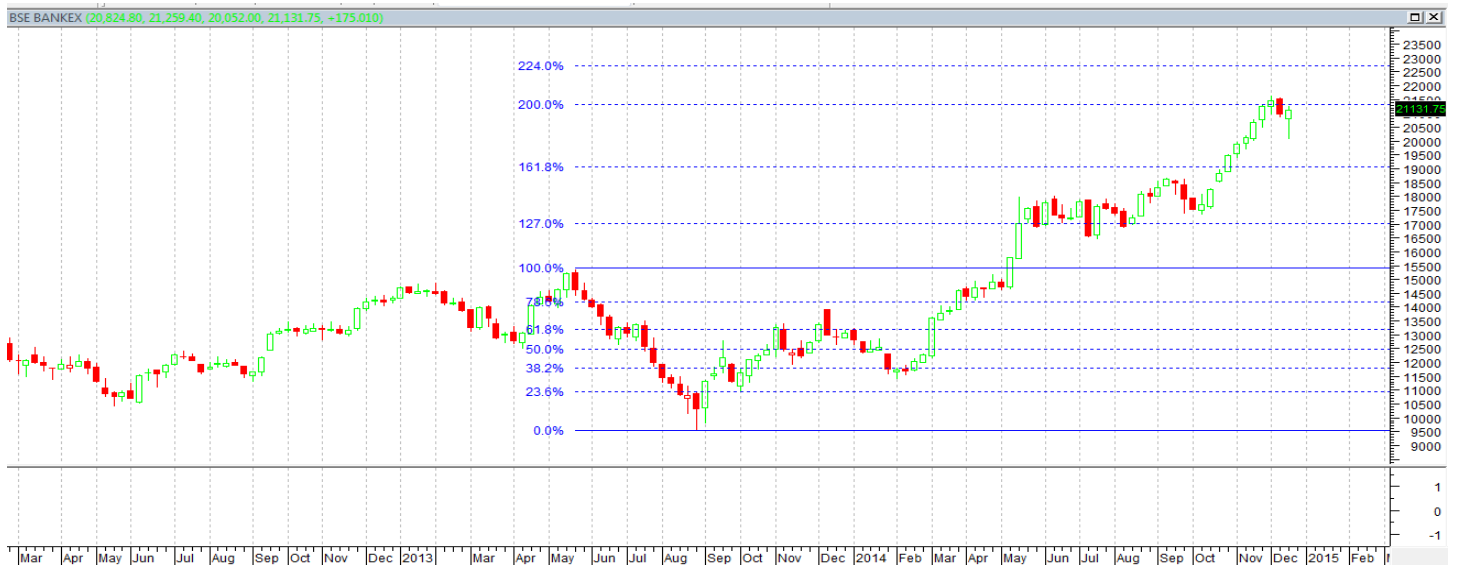
BSE Auto Index	CMP: 18360
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BSE Auto

At present we are observing a narrow range body formation with a lower shadow. This suggests that the down trend is losing breath. However there is no clear signal to go long in this sector. On the upside it can bounce upto 18600 – 18850 level. At present, to go long in this sector, one should wait for clear bullish pattern to be formed in weekly or in daily chart.

BSE Bankex	CMP: 21145
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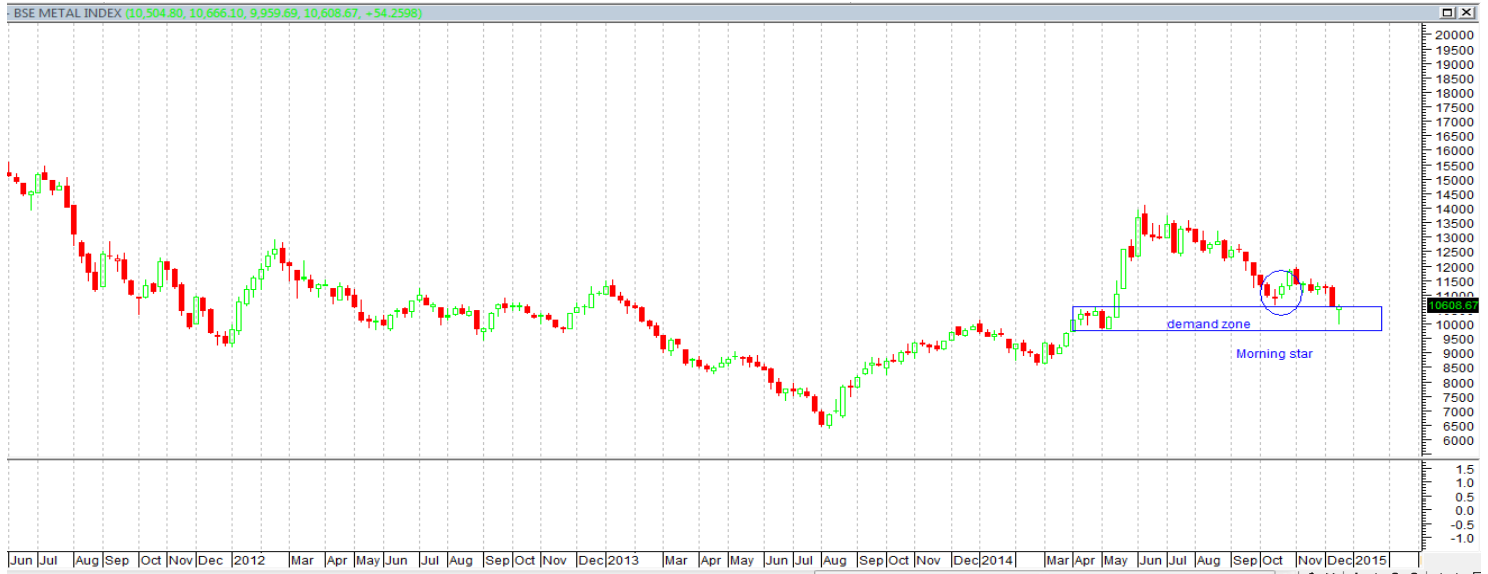
BSE Bankex

At present on the weekly chart we are observing a narrow range body formation with long lower shadow. This suggests that the downtrend is losing breath. Further on the daily chart it is showing two consecutive upward gaps. This suggests upside momentum would continue. Any close above 21300 would propel the upside momentum. In such scenario this sector can test 21600 – 21900 levels. Hence one can buy this sector above 21300 levels with a stop loss 20000.



BSE Metal Index

CMP: 10617



BSE Metal Index

At present we are observing that prices have bounced from the demand zone. Further the weekly chart is showing positive divergence in the momentum indicators. However, for this sector to activate the positive divergence, the sector needs to give strong weekly close above 10645 levels. Hence one should wait for clear signal to emerge in this sector.

BSE IT

CMP: 10560



BSE IT

At present, prices have bounced from the demand zone and have formed a piercing candlestick pattern. Hence if this sector trades above 10584 then it can test 10800 – 11250 level. One can initiate long above 10584 with a stop loss of 10000.



Weekly Technicals of Key Companies –

Company	Closing 19-Dec-14	Buy/Sell Trigger	Resistnace 1	Resistance 2	Support 1	Support 2
ACC	1380.40	1397.48	1430.87	1481.33	1347.02	1313.63
AMBUJACEM	225.15	223.47	231.58	238.02	217.03	208.92
ASIANPAINT	733.00	743.20	767.40	801.80	708.80	684.60
AXISBANK	490.25	483.78	503.37	516.48	470.67	451.08
BAJAJ-AUTO	2473.55	2487.82	2530.78	2588.02	2430.58	2387.62
BANKBARODA	1040.40	1035.48	1085.97	1131.53	989.92	939.43
BHARTIARTL	343.10	343.55	351.30	359.50	335.35	327.60
BHEL	259.05	255.08	269.67	280.28	244.47	229.88
BPCL	653.75	648.92	672.83	691.92	629.83	605.92
CAIRN	240.45	237.43	246.82	253.18	231.07	221.68
CIPLA	618.95	620.20	642.60	666.25	596.55	574.15
COALINDIA	376.00	372.00	384.90	393.80	363.10	350.20
DLF	132.00	138.52	147.63	163.27	122.88	113.77
DRREDDY	3199.45	3210.72	3364.43	3529.42	3045.73	2892.02
GAIL	435.10	426.98	448.72	462.33	413.37	391.63
GRASIM	3375.90	3371.73	3438.27	3500.63	3309.37	3242.83
HCLTECH	1589.20	1546.73	1643.47	1697.73	1492.47	1395.73
HDFC	1114.95	1101.65	1143.20	1171.45	1073.40	1031.85
HDFCBANK	941.45	935.48	954.97	968.48	921.97	902.48
HEROMOTOCO	3074.10	3117.38	3206.72	3339.33	2984.77	2895.43
HINDALCO	157.80	151.77	164.53	171.27	145.03	132.27
HINDUNILVR	755.15	771.33	792.67	830.18	733.82	712.48
ICICIBANK	356.00	344.23	369.27	382.53	330.97	305.93
IDFC	155.50	154.25	159.95	164.40	149.80	144.10
INDUSINDBK	770.60	774.02	795.83	821.07	748.78	726.97
INFY	1998.65	1967.65	2039.00	2079.35	1927.30	1855.95
ITC	368.80	377.83	390.67	412.53	355.97	343.13
JINDALSTEL	137.00	134.63	144.17	151.33	127.47	117.93
KOTAKBANK	1236.30	1261.27	1290.53	1344.77	1207.03	1177.77
LT	1535.15	1510.68	1571.17	1607.18	1474.67	1414.18
LUPIN	1418.05	1406.37	1470.33	1522.62	1354.08	1290.12
M&M	1222.25	1227.42	1254.83	1287.42	1194.83	1167.42
MARUTI	3359.40	3357.38	3464.02	3568.63	3252.77	3146.13
NMDC	140.65	138.55	145.00	149.35	134.20	127.75
NTPC	135.50	132.85	139.00	142.50	129.35	123.20
ONGC	349.45	344.18	359.27	369.08	334.37	319.28
PNB	224.05	521.15	821.25	1418.45	-76.05	-376.15
POWERGRID	135.80	133.83	138.12	140.43	131.52	127.23
RELIANCE	900.55	889.55	919.40	938.25	870.70	840.85
SBIN	304.15	302.38	317.77	331.38	288.77	273.38
SSLT	208.25	204.45	218.80	229.35	193.90	179.55
SUNPHARMA	807.85	819.38	840.42	872.98	786.82	765.78
TATAMOTORS	485.90	485.45	502.25	518.60	469.10	452.30
TATAPOWER	83.40	81.80	87.05	90.70	78.15	72.90
TATASTEEL	405.45	401.18	415.37	425.28	391.27	377.08
TCS	2510.55	2459.77	2574.53	2638.52	2395.78	2281.02
TECHM	2579.40	2549.12	2636.83	2694.27	2491.68	2403.97
ULTRACEMCO	2498.35	2496.38	2573.97	2649.58	2420.77	2343.18
WIPRO	550.55	543.32	561.78	573.02	532.08	513.62
ZEEL	381.05	375.97	394.03	407.02	362.98	344.92

Source: Iris Software

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