

**Key developments during the week**

- Moody's says rising debt to up external shock risks to emerging markets
- Extension of steel minimum import price to hinge on long-term steps
- Govt owes oil PSUs 107 bln rupees in kerosene subsidy
- Fitch says Indian banks will need \$90 bln additional capital by 2019
- Tribunal gives breather to 10-15 years old diesel vehicles in Delhi
- Steel secretary says eyeing strategic partners for divesting two SAIL units
- Govt allocates 229.15 bln rupees for fund infusion in 13 PSU banks
- Govt allocates 75.75 bln rupees to SBI for capital infusion
- India pitches for higher ranking in ease of doing business index
- Govt says released 573 bln rupees as food subsidy Apr 1-Jul 11
- Indian refiners paying Iran \$370 mln-\$400 mln per week to settle oil dues
- RBI Rajan says rupee devaluation could have inflationary side effect
- RBI may transfer about 600 bln rupees to govt as surplus 2016-17
- PM says all parties committed to taking decisions for faster growth
- India GSM user addition 3.50 mln Jun vs 442,008 users added in May
- India Apr-Jun gem, jewellery exports up 11% at \$8.93 bln
- CBDT head says Apr-Jun corporate tax collection up 6.5% YoY

INDEX	22-Jul-16	15-Jul-16	Change (in %)
NIFTY	8541.20	8541.40	0.00
SENSEX	27803.24	27836.50	-0.12
NSE 500	7227.45	7194.40	0.46
NSE MIDCAP	3573.50	3547.65	0.73
NIFTY JUNIOR	21980.35	21579.40	1.86
BSE SMALLCAP	12107.31	11979.69	1.07
BSE 200	3640.61	3624.89	0.43

INDEX	22-Jul-16	15-Jul-16	Change (in %)
BSE AUTO	20646.30	20423.77	1.09
BSE BANK	21377.46	21720.87	-1.58
BSE CAPITAL GOODS	15549.72	15546.21	0.02
BSE CD	12099.97	12249.11	-1.22
BSE FMCG	8627.21	8618.99	0.10
BSE HEALTHCARE	16367.94	16060.49	1.91
BSE IT	10652.62	10608.40	0.42
BSE METALS	9434.82	9368.20	0.71
BSE OIL AND GAS	10446.54	10191.11	2.51
BSE PSU	7100.32	7078.96	0.30
BSE REALTY	1601.74	1588.74	0.82
BSE TECK	5851.73	5845.35	0.11

INDEX	22-Jul-16	15-Jul-16	Change (in %)
DOW JONES	18570.85	18516.55	0.29
HANG SENG	21964.27	21659.25	1.41
NIKKEI	16627.25	16497.85	0.78
FTSE	6730.48	6669.24	0.92

**Domestic events week ahead**

- Jul 25-28:** Freight traffic of major ports in June, by IPA
- Jul 28:** Rainfall for week to Jul 27, by IMD
- Jul 29:** CPI for industrial workers for June, by Labour Bureau
- Jul 29:** WMA and forex reserves as on Jul 22, by RBI
- Jul 29:** Core sector growth for June, by commerce and industry ministry
- Jul 29:** Government finances for June, by CGA

Source: Cogencies

**Global events week ahead**

- Jul 25:** Japan Trade Balance
- Jul 26:** US Flash Services PMI, US CB Consumer Confidence, US New Home Sales
- Jul 27:** UK Prelim GDP, US Durable Goods Orders, US Core Durable Goods Orders, US Pending Home Sales, US Crude Oil Inventories, US FOMC Meeting
- Jul 28:** US Unemployment Claims, US Goods Trade Balance
- Jul 29:** Japan Unemployment Rate, Japan Retail Sales, Japan Industrial Production, Japan Monetary Policy, Europe Flash GDP, Europe Unemployment Rate, US Advance GDP, US Chicago PMI



## Weekly Sector Outlook and Stock Picks

### **Auto Sector – To take cues from companies' earnings this week**

Automotive stocks are expected to take cues from earnings of Maruti Suzuki India, Bajaj Auto and Eicher Motors, slated to be announced on Jul 26, Jul 27 and Jul 28, respectively. Largely, the bias for auto stocks remains positive, given an upswing in sales in the past quarter, on account of good rains. Maruti Suzuki is expected to report a muted quarter on account of below par sales given the plant shutdown for maintenance in the beginning of June. The New Delhi-based passenger car maker is seen reporting a rise of nearly 3% in its bottomline during the Apr-Jun quarter. Nevertheless, the long-term outlook of the Maruti Suzuki remains positive given the company's strong product pedigree, a healthy order pipeline, and strong fundamentals. Currently, the company has a nine-month waiting period for the Baleno hatchback and a seven month for Vitara Brezza sports utility vehicle. Bajaj Auto will remain positive as well. The stock may see swift trading at its counters if the management gives strong view on exports rebounding. Besides this, aided by the strong pitch of Royal Enfield sales and an expected 60% jump in its bottomline, Eicher Motors may well perform.

### **Bank Sector – Seen positive this week; F&O expiry, earnings, Fed eyed**

Bank stocks may trade with a positive bias this week, although market participants will eye events, both domestic and global, for cues. Earnings for the Apr-Jun quarter will be keenly watched, with public as well as private sector majors reporting their numbers. Starting with Canara Bank on Jul 25, private sector lender YES Bank will report its Apr-Jun numbers on Jul 27, Punjab National Bank on Jul 28, and ICICI Bank on Jul 29. Some of the other lenders reporting their numbers this week include State Bank of Mysore, IDFC Bank, Karur Vysya Bank, State Bank of Travancore, Syndicate Bank, and Karnataka Bank. Market is also expected to stay volatile in the week of expiry of future contract. On the global front, the US Federal Reserve's monetary policy statement on Jul 28 will be parsed for clues on the central bank's thought process on interest rate hikes. While the statement this week is not followed by a press conference, which is widely interpreted as a deal-breaker as far as a rate move goes, it could set the ground for a hike later this year.

### **Capital Goods Sector – Seen range-bound on lack of triggers**

Capital goods shares are likely to trade within a range this week, with no major triggers in the short-term and weak Apr-Jun earnings outlook for companies in the sector. Most capital goods companies will detail their earnings for the June quarter in the last week of July and early August. Sector heavyweight Larsen & Toubro might see some stock-specific action this week on any development related to its 15% stake sale in subsidiary L&T Technology Services. State-owned BHEL's order inflows in the segment are likely to remain flat-to-negative. Cummins India, however, is expected to outperform over the medium-to-long term as business fundamentals remain exceptionally strong.

### **Cement Sector – ACC, Ambuja Cements earnings to set trend**

The Apr-Jun earnings of ACC and Ambuja Cements are expected to set trend for cement stocks this week, in the absence of other triggers. The two companies are among the largest cement manufacturers in the country and both are scheduled to declare their earnings on Tuesday. ACC is expected to report Apr-Jun consolidated net profit of 2.55 bln rupees, up 91.4% on year. The company's consolidated net sales for the quarter are seen at 30.54 bln rupees, up 3.1% on year. Ambuja Cements is seen reporting Apr-Jun net profit of 3.36 bln rupees, up 48.3% on year. The company's net sales for the period are seen rising 4.9% on year to 26.15 bln rupees. UltraTech Cement reported a higher-than-expected rise in consolidated net profit for the quarter ended June, despite a marginal increase in topline, as the cement maker's operating margins and other income rose sharply. Cement companies have been able to expand their operating margins due to price hikes.

### **FMCG Sector – Seen mixed, Asian Paints Apr-Jun earnings eyed**

Shares of fast moving consumer goods companies are seen trading on a mixed note this week, with stock specific movement likely. Focus will also be on shares of Asian Paints as it will announce its Apr-Jun results. Asian Paints consolidated net profit is seen rising 14.3% year on year to 5.2 bln rupees in Apr-Jun. Net sales of the company are expected to rise 12.7% on year to 40.3 bln rupees in the quarter ended June due to a strong volume growth in the decorative segment. In the week gone by, Hindustan Unilever Ltd said that the near-term market growth is likely to remain muted. This statement by the company caused the stock to move into a negative zone. We are of the opinion that most consumer stocks are over-valued and expect range-bound to negative movement in the short term.

**IT Sector – Stock-specific; view bullish on TCS, Tech Mahindra**

Trading in information technology stocks is expected to be stock-specific, with most companies trading in a narrow range amid a positive bias in the broader market. Wipro and Mindtree, among others, had posted lower-than-expected earnings for Apr-Jun. This weighed on sentiment in the IT sector, which was already negative after Infosys cut its guidance for the current financial year started April. The rupee, which ended at 67.08 a dollar, is expected to open down against the greenback on Monday, as weakness in the euro and the pound sterling may continue to weigh on it. This is seen impacting the IT sector, which includes several large software exporters to the US. Investors will eye Larsen & Toubro Infotech, which will detail its Apr-Jun earnings on Jul 28. The IT subsidiary of infrastructure giant Larsen & Toubro listed on stock exchanges on Jul 21, at a 6% discount to its issue price of 710 rupees. Shares of Tech Mahindra will detail its Apr-Jun earnings on Aug 1, likely to rise on a good performance during the June quarter.

**Oil Sector – Cairn India eyed; PSU refiners seen positive**

Shares of upstream player Cairn India would be in focus this week after the company and its parent Vedanta Ltd announced revised and final terms of merger in a bid to sweeten the deal for minority shareholders of Cairn India. Apart from getting one equity share in the merged entity, Cairn India's minority shareholders will also get four redeemable preference shares of 10-rupees face value "with a coupon of 7.5% and tenure of 18 months from issuance". This has an implied premium of 20% to one-month volume-weighted average price of the Cairn India share. The news is expected to lend more positivity to the stock, at least in the initial sessions this week. Shares of state-owned oil refining companies IOC, BPCL and HPCL are likely to remain range-bound, but with a bullish bias this week, and may outperform the broad market. In the absence of any major sectoral trigger, the trend for downstream as well as upstream oil companies over the next few sessions will be determined by the movement in crude oil prices, as well as the broad market sentiment.

**Pharma Sector – Apr-Jun results to set trend; Dr Reddy's eyed**

Stock-specific movement is expected in the pharmaceutical sector this week with market participants keeping a close watch on Apr-Jun earnings of companies. A number of pharma companies will detail their financial results this week. Focus will be on shares of Dr Reddy's Laboratories, which is scheduled to release its earnings on Jul 26. Dr Reddy's consolidated net profit in Apr-Jun is seen falling 22.6% on year to 4.84 bln rupees and net sales are expected at 38.17 bln rupees, up 1.6%. Other companies in the sector that will detail earnings this week are Unichem Laboratories, Ajanta Pharma, Bliss GVS Pharma, Torrent Pharmaceuticals, GlaxoSmithKline Pharmaceuticals, Indoco Remedies, Sun Pharma Advanced Research Co, and Alembic Pharma. While earnings will drive the trend in pharma stocks, the overall bias is seen positive due to easing of regulatory concerns and improved pace of product approvals in the US, the main market for most pharma companies.

**Metal Sector – Seen in narrow range; JSW Steel, Vedanta eyed**

Shares of major metal and mining companies are seen trading in a narrow range this week, in line with the trend in the broad market. Investors would be eyeing shares of JSW Steel and Vedanta as the companies would post their Apr-Jun earnings on Jul 27 and Jul 29, respectively. JSW Steel is expected to report a robust consolidated net profit of 6.69 bln rupees during the quarter ended June as against a loss of 1.07 bln rupees in the same period a year ago, according to estimates. Vedanta's consolidated net profit is likely to fall 38.6% on year to 5.31 bln rupees during Apr-Jun, according to estimates. Investors would also be eyeing the final findings of the anti-dumping and countervailing probe on various steel products. Steel Secretary said the government may reconsider extending minimum import price on steel products if long-term trade barriers such as anti-dumping duty and countervailing duty are in place by August. Steel Secretary also said the minimum import price was an interim measure to stem shipments, adding that measures such anti-dumping duty, if levied, would stay for a longer period.

**Telecom Sector – Seen negative; Apr-Jun earnings eyed**

Stocks of mobile service providers are seen trading with a negative bias this week due to the pressure on margins expected from data services in the Apr-Jun quarter. The stocks may also move in anticipation of the earnings for the quarter ended June. Mobile service providers are likely to see pressure on the growth rate of data services for the quarter ended June. Telecom companies like Bharti Airtel and Idea Cellular started seeing slowdown in their existing data growth story from the December quarter. Besides, the industry is also gearing up for a mega auction to boost its spectrum portfolio, which is likely to take place in September this year.



**Market range for the week 8320-8820**

Nifty	Values
Support 1	8480
Support 2	8420
Support 3	8350
Resistance 1	8580
Resistance 2	8620
Resistance 3	8750

**Resistance** – Nifty may face resistance at 8580 level above this level it may go up to 8620-8750 level.

**Support** - Nifty has support at 8480 level below this next support at 8420-8350 levels.

**Technical** – During the week, CNX Nifty opened at 8564.05 and touched the highest level of 8587.10 and lowest level of 8476.70. The CNX Nifty ended at 8541.20; ended flat or 0.00%. The S&P BSE Sensex opened at 27920.66 and touched the highest level of 28013.50 and lowest level of 27637.98. The S&P BSE Sensex closed at 27803.24; drag 33.26 points or -0.12%.

**For the coming week, we expect the market range of 8320-8820**

**Weekly Chart View –**

We had mentioned in last week’s report that we witnessed “Gap up “ candle on the daily as well as on weekly chart, because of that we had mentioned we can see stocks specific move and all we have seen same. Now on daily chart we can see series of Narrow range body formation and on weekly chart “Doji candle”. So according two chart pattern combination still stocks specific action will continue and upper side 8580-8620 will be immediate resistance above that we can see move up to 8780-8820 and downside 8420-8380 will be good support.

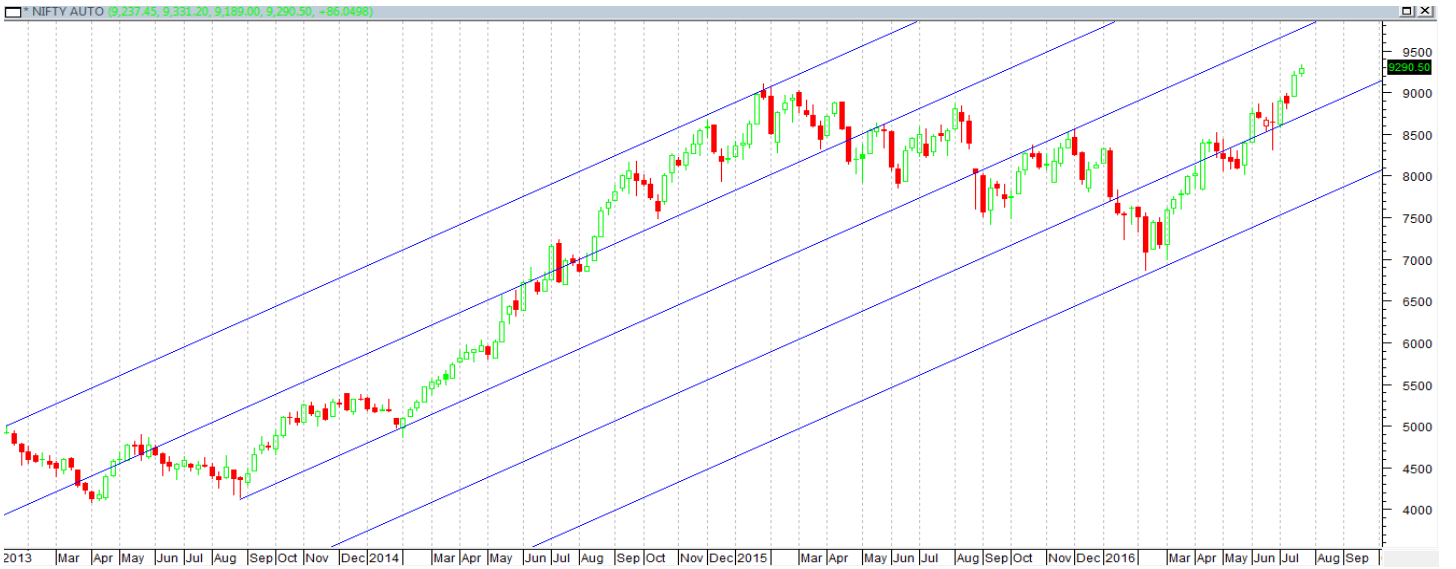
**Weekly Chart**





### Weekly Sectoral Technical Outlook

<b>NSE Auto Index</b>	<b>CMP: 9290</b>
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#### NSE Auto

We maintain our stance that the weekly chart is maintaining a higher-top higher- bottom formation. Hence momentum on the upside is likely to continue. Aggressive traders gone long above 9320 should trial their stop loss to 9040. On the upside it can test 9500 - 9650 levels.

<b>NSE Bankex</b>	<b>CMP: 18690</b>
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#### NSE Bankex

We still maintain our stance that the price action is making a higher high formation, hence momentum on the upside is likely to continue. Hence, aggressive traders, gone long above 18750 can trial the stop loss to 18460. On the upside it can test 19100 – 19350 levels.



**NSE Metal Index**

**CMP: 2428**



**NSE Metal Index**

We still maintain our stance that prices are holding to the lower trendline of the “Symmetrical channel”. Aggressive traders gone long can trial the stop loss to 2200. On the upside, it can test 2550 - 2700 levels.

**NSE IT**

**CMP: 10756**



**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 22-Jul-16	Buy/Sell Trigger	Resistance 1	Resistance 2	Support 1	Support 2
ACC	1682	1660	1740	1798	1601	1521
ADANIPORTS	225	223	229	233	219	212
AMBUJACEM	265	264	269	273	260	255
ASIANPAINT	1047	1040	1061	1074	1027	1006
AUROPHARMA	799	787	826	853	759	720
AXISBANK	538	549	565	593	521	505
BAJAJ-AUTO	2721	2743	2780	2839	2684	2647
BANKBARODA	151	156	162	173	145	139
BHARTIARTL	367	368	379	391	357	346
BHEL	141	141	145	149	137	133
BOSCHLTD	24316	24401	25002	25687	23715	23114
BPCL	583	575	599	614	560	536
CIPLA	520	516	531	542	505	490
COALINDIA	331	328	339	346	321	311
DRREDDY	3600	3611	3678	3757	3533	3465
EICHERMOT	19813	19781	20030	20248	19563	19314
GAIL	395	393	405	415	382	370
GRASIM	4891	4862	4979	5066	4774	4658
HCLTECH	729	725	736	742	719	708
HDFC	1357	1356	1387	1417	1326	1295
HDFCBANK	1231	1228	1243	1254	1216	1202
HEROMOTOCO	3261	3259	3309	3357	3210	3160
HINDALCO	136	136	142	147	130	125
HINDUNILVR	903	913	937	971	879	854
ICICIBANK	263	265	270	277	258	252
IDEA	107	107	112	117	102	97
INDUSINDBK	1139	1128	1156	1172	1112	1084
INFRADEL	362	359	367	372	354	346
INFY	1072	1073	1090	1107	1055	1038
ITC	250	251	256	261	245	240
KOTAKBANK	760	767	781	801	746	733
LT	1574	1577	1601	1628	1549	1525
LUPIN	1701	1699	1738	1776	1662	1623
M&M	1441	1450	1472	1503	1419	1398
MARUTI	4415	4461	4518	4621	4358	4302
NTPC	157	156	158	160	154	152
ONGC	222	223	229	235	217	211
POWERGRID	166	166	170	174	162	158
RELIANCE	1015	1016	1037	1060	994	973
SBIN	224	226	231	238	219	215
SUNPHARMA	787	788	805	823	770	753
TATAMOTORS	507	502	514	521	495	483
TATAMTRDVR	329	324	336	343	318	306
TATAPOWER	72	72	74	75	70	68
TATASTEEL	365	367	378	390	355	344
TCS	2515	2489	2550	2585	2454	2392
TECHM	505	507	510	516	501	498
ULTRACEMCO	3640	3593	3712	3784	3521	3402
WIPRO	538	537	555	573	519	501
YESBANK	1157	1162	1180	1203	1139	1121
ZEEL	465	464	476	487	452	440

Source: Iris Software

**Research Analyst Registration No.**

INH000002764

**Contact**

SMS: 'Arihant' to 56677

**Website**[www.arihantcapital.com](http://www.arihantcapital.com)**Email Id**[research@arihantcapital.com](mailto:research@arihantcapital.com)**Arihant is Forbes Asia's '200 Best under a \$Billion' Company  
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**ARIHANT Capital Markets Ltd**

#1011, Solitaire Corporate Park, Building No.10, 1<sup>st</sup> Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E), Mumbai-400093

T. 022-42254800. Fax: 022-42254880

[www.arihantcapital.com](http://www.arihantcapital.com)

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