

**Key developments during the week**

- FY16 GDP growth seen at 7.6%; expect FY17 GDP growth rate at 7-7.5%
- Govt to meet FY16 fiscal deficit target of 3.9% of GDP
- RBI should be able to meet 5% inflation aim by Mar 2017
- Govt says no hike in rail passenger fares
- Rail board chairman says FY17 gross budgetary support 340 bln rupees
- Rail Budget: FY17 operating ratio seen worsening to 92% from 90% year ago
- FY16 revised plan outlay for Railways unchanged at 1 trln rupees
- PM says Rail Budget forward looking; focuses on passenger ease
- Jaitley says have to keep tax rates competitive for competitive manufacturing
- Govt may fine-tune Gold Monetisation Scheme in FY17 Budget
- Coal secretary says Apr-Jan import down 16%, govt to save 250-300 bln rupees in FY16
- Govt approves 4.95-bln-rupees investment for water infra in 13 cities
- Govt policy for power companies with no coal linkages to be out in 1 month
- Parliament panel slams RBI's implementation of norms on banks' NPA
- President says India fastest growing large economy in the world

INDEX	26-Feb-16	19-Feb-16	Change (in %)
NIFTY	7029.75	7210.75	-2.51
SENSEX	23154.30	23709.15	-2.34
NSE 500	5852.90	6000.40	-2.46
NSE MIDCAP	2714.40	2807.10	-3.30
NIFTY JUNIOR	17074.65	17334.75	-1.50
BSE SMALLCAP	9555.23	9876.53	-3.25
BSE 200	2958.08	3031.93	-2.44

INDEX	26-Feb-16	19-Feb-16	Change (in %)
BSE AUTO	16024.44	16640.83	-3.70
BSE BANK	15647.61	16274.38	-3.85
BSE CAPITAL GOODS	11467.91	11920.79	-3.80
BSE CD	11251.30	11566.91	-2.73
BSE FMCG	7107.20	7206.40	-1.38
BSE HEALTHCARE	15172.16	15469.10	-1.92
BSE IT	10449.56	10698.99	-2.33
BSE METALS	6749.02	6872.10	-1.79
BSE OIL AND GAS	8339.38	8437.17	-1.16
BSE PSU	5606.02	5754.48	-2.58
BSE REALTY	1048.26	1076.99	-2.67
BSE TECK	5625.92	5752.26	-2.20

INDEX	26-Feb-16	19-Feb-16	Change (in %)
DOW JONES	16639.97	16391.99	1.51
HANG SENG	19364.15	19284.44	0.41
NIKKEI	16188.41	15967.17	1.39
FTSE	6096.01	5950.23	2.45

Domestic events week ahead

- **Feb 29:** Union Budget for 2016-17 to be presented in Lok Sabha
- **Feb 29:** Government finances for Apr-Jan, by CGA
- **Feb 29:** CPI for industrial workers for January, by Labour Bureau
- **Feb 29:** Core sector growth for January, by commerce and industry ministry
- **Mar 01:** Nikkei Manufacturing PMI for February, by Markit Economics
- **Mar 03-08:** Power generation for February, by Central Electricity Authority
- **Mar 05:** Nikkei services and composite PMI for February, by Markit Economics

Source: Cogencies

Global events week ahead

- **Feb 29:** Japan Retail Sales, Japan Prelim Industrial Production, Japan Housing Starts, Europe CPI Flash Estimate, US Chicago PMI, US Pending Home Sales
- **Mar 01:** Japan Unemployment Rate, China Manufacturing & Non-Manufacturing PMI, China Caixin Manufacturing PMI, Japan Manufacturing PMI, US FOMC Member Dudley Speaks, Europe Manufacturing PMI, UK Manufacturing PMI, Europe Unemployment Rate, US Final Manufacturing PMI, US ISM Manufacturing PMI
- **Mar 02:** UK Construction PMI, Europe PPI, US ADP Non-Farm Employment Change, US Crude Oil Inventories
- **Mar 03:** China Caixin Services PMI, Europe Final Services PMI, UK Services PMI, Europe Retail Sales, US Unemployment Claims, US Final Services PMI, US ISM Non-Manufacturing PMI, US Factory Orders
- **Mar 04:** Europe Retail PMI, US Non-Farm Employment Change, US Trade Balance, US Unemployment Rate



Weekly Sector Outlook and Stock Picks

Auto sector – Budget push to infra eyed; bias positive

Shares of major auto companies are seen taking cues from the Union Budget 2016-17, highlighting that hopes would hinge on any rationalization in excise duty on cars by Finance Minister Arun Jaitley and steps to bring it closer to rates as envisioned in the Goods and Services Tax. Auto stocks are seen trading with a positive bias, tracking Budget announcements aimed at an infrastructure push, and reviving the rural economy, both critical to the revival of auto sales. Auto stocks will also take cues from the monthly sales numbers to be announced by companies on Mar 1. Shares of Maruti Suzuki India are seen taking a further hit as sales numbers are seen falling on production impact given that the company had to shut operations for two days at Gurgaon and Manesar plant in Haryana due to the Jat quota agitation. Shares of Tata Motors may see some recovery on the back of an infrastructure push in the Budget. Ashok Leyland and Mahindra and Mahindra may trade with positive bias on the government hiking its infrastructure spending.

Bank Sector – Budget eyed; PSU banks await recapitalization

Bank stocks will take cues from Union Budget 2016-17, to be presented by Finance Minister Arun Jaitley on Feb 29. Public sector banks, which have seen their asset quality being hit sharply in Oct-Dec, will be eyeing the commentary of recapitalization, as they not only need capital for meeting Basel-III norms, but also for provisioning because they continue to clean up their balance sheets to meet the Reserve Bank of India's March 2017 deadline. In light of the RBI's asset quality review, the capital committed by the government looks meagre, after a loss of around 129 bln rupees reported by 11 public sector banks for Oct-Dec, as well as an impending hit on Jan-Mar numbers. Rating agency Moody's Investors Service cautioned that the credit profiles of India's public sector banks would worsen if the government does not increase the quantum of capital infusion from current levels in the forthcoming Budget. The government has pledged 700 bln rupees as capital for public sector banks over four years, with 250 bln rupees being infused in 2015-16. Overall, the sector will also await Jaitley's commentary on passage of the Bankruptcy Code, seen as another tool aiding the process of recovery of banks, as well as stepping up of public investment in infrastructure.

Capital Goods Sector – Seen rangebound; FY17 Budget key

Shares of capital goods companies are seen trading in a range this week as the recent correction in these stocks is likely to lend way to value buying. However, the Budget for 2016-17 on Feb 29 is seen setting the tone for the next couple of sessions as the future of these investment-hungry businesses will depend a lot on the outlay for infrastructure development. Private sector capital expenditure, which is one of the biggest contributors for the growth of the capital goods industry, is expected to take more than a year to revive. As such, the industry is heavily reliant on government spending, but limited headroom for public spending may see some rationalization of infrastructure spending by government. Even if government maintains its existing investment outlay for the infrastructure sector and addresses the inverted duty structure affecting capital goods companies, it will be a big sentimental boost for the sector.

Cement Sector – FY17 budget push eyed; Jaiprakash Associate seen down

Shares of cement companies will take cues from announcements in the Union Budget for 2016-17 this week as demand for the building material remains weak across the country. The cement industry expects higher budgetary allocation for roads and rural and urban housing schemes as higher public spending in these sectors would support cement demand. Shares of Jaiprakash Associates in particular are seen down this week as the deal to sell its cement units to UltraTech Cement is unlikely to go ahead. UltraTech Cement cancelled its deal with Jaiprakash Associates to buy the entire cement business of the latter, including the mining leases in Madhya Pradesh, following a Bombay High Court order. The Bombay High Court declined to sanction the deal under the amended Mines and Minerals (Development & Regulation Act) that prevents any transfer of mines other than through auctions.

FMCG Sector – Seen in range with positive bias, Budget eyed

Shares of fast-moving consumer goods companies are expected to trade in range with a positive bias, as the government is likely 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. During the week, despite rebounding in Friday's trade, ITC shares closed down 4.5%.

**IT Sector – Stock-specific movement likely, focus on Budget**

Shares of information technology companies are seen in a range, largely with a positive bias, and stock specific movement is expected this week as market participants await any investment announcements. On Feb 29, Finance Minister Arun Jaitley will detail the Union Budget for 2016-17. Market participants as well as industry officials will watch out for any favourable sops that will aid the IT sector. Industry body NASSCOM has recommended simplification and rationalization of tax policies for IT companies as well as emerging start-ups, extension of the sunset clause for the special economic zone scheme, and ease of doing business, among others. Infosys and HCL Technologies are expected to trade with a positive bias. Infosys extended CEO and Managing Director Vishal Sikka's tenure until March 2021. This was welcomed by the market as a positive move for the company. At a recent conference, Sikka said that automation and virtual reality will be key contributors to the company's growth. The Indian currency, which has been on a downward trend, ended at 68.62 rupees against the dollar and is expected to depreciate further this week.

Oil Sector – Refiners seen weak as GRMs taper; focus on Budget

Shares of oil refining and marketing companies are seen weakening in the near term, as refining margins have started coming off historic highs seen in the last quarter, and the first half of the current one. With winter demand waning and new refining capacities coming up in Asia, the outlook for gross refining margins have turned bearish. This is likely to put some pressure on stocks of refiners. In the immediate term, the focus shall be on the Union Budget for 2016-17. All eyes will be on the likely change in structure of the Oil Industry Development Cess to make it ad-valorem against a fixed levy of 4,500 rupees per tn from nominated blocks. An action on this front will positively impact stocks of upstream oil companies like ONGC, Cairn India and Oil India. There is also some talk on imposition of customs duty on imported crude oil, something that is being vehemently opposed by the industry. However, if the government does go ahead and imposes customs duty, it will hit refiners as they primarily rely on imported crude. Any change in excise duty on petrol and diesel after the sharp increase over the past four months will also impact refiners' stocks. Any significant movement in oil prices, apart from the broader market and news flow, will also impact oil companies' stocks.

Pharma sector – Stock-specific trend likely; Budget in focus

The pharmaceutical sector is expected to witness stock-specific movement this week, with the Union Budget for 2016-17 on Feb 29 being the key focus for the market. The pharmaceutical industry wants Finance Minister Arun Jaitley to announce higher tax benefits for research and development, reduce excise duty on active pharmaceutical ingredients to 6% from 12.5% currently, continue with sops for special economic zone, and increase allocation for healthcare. If deduction in R&D expenses is increased to 250% from 200%, we will see positive movement in pharma stocks. Any indirect tax measures pertaining to APIs will boost sentiment for API-manufacturing companies. Companies getting product approvals in the US are expected to gain. US FDA approvals and trend in currency markets are currently the key drivers for pharma. The bias for the rupee remains weak due to global economic concerns, and the trend is seen continuing unless there are some positive surprises in the Budget relating to fiscal deficit outlook.

Metal Sector – Seen with a positive bias; FY17 Budget eyed

Shares of major mining and metal companies are seen trading with a positive bias this week as the government is expected to make announcements regarding increase in infrastructure spending that will boost domestic demand. The government will announce the Budget 2016-17 in Parliament on Feb 29. Also, market participants expect domestic steel prices to pick up in the near term, as they are at a discount to global prices. If there are announcements in Budget regarding infrastructure, the sector would finally able to hope for a revival as the demand is currently not at desired levels.

Telecom Sector – Seen trading sideways; investors cautious

Telecom stocks are seen trading sideways this week as investors remain cautious ahead of Union Budget 2016-17. Stocks from the sector recorded relatively low rollovers to the March derivatives contracts, indicating investors remain cautious over the sector. The telecom sector has sought the removal of 0.5% Swachh Bharat cess on mobile services, among other demands from the Union Budget. Companies in the sector want the Budget to provide clarity that payments made by a telecom company to another during spectrum trading will not attract withholding tax. According to media reports, private equity firms TPG Asia and Tillman Global Holdings have failed to complete the due diligence process for Reliance Communications Ltd's tower asset sale.



Market range for the week 6850-7380

Nifty	Values
Support 1	6960
Support 2	6920
Support 3	6880
Resistance 1	7080
Resistance 2	7250
Resistance 3	7320

Resistance – Nifty may face resistance at 7080 level above this level it may go up to 7250-7320 level.

Support - Nifty has support at 6960 level below this next support at 6920-6880 levels.

Technical – During the week, CNX Nifty opened at 7208.85 and touched the highest level of 7252.40 and lowest level of 6961.40. The CNX Nifty ended at 7029.75; drag 181.00 points or 2.51%. The S&P BSE Sensex opened at 23783.47 and touched the highest level of 23855.04 and lowest level of 22948.10. The S&P BSE Sensex closed at 23154.30; drag 554.85 points or 2.34%.

For the coming week, we expect the market range of 6850-7380

Weekly Chart View –

We had mentioned in last week’s report that on the daily chart we witness gap up area and on weekly chart near to 200WMA, because of that we had mentioned 6880-6870 will be major support and 7220-7250 will be major resistance and all we have Nifty trade between given range. Now on daily chart we can see bearish candle but on weekly chart still holding 200WMA support level. So overall according to above technical chart study still 6880-6870 will be major support below that we can see continue pressure and up side 7250-7280 will be major resistance only above that we can see some stocks specific move. Apart from that we have union budget so we can see lot of volatility.

Weekly Chart





Weekly Sectoral Technical Outlook

NSE Auto Index	CMP: 7164
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NSE Auto

We maintain our stance that 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: 13791
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NSE Bankex

The current price action suggests that downtrend has resumed. Hence, one should avoid this sector at present.



NSE Metal Index

CMP: 1629



NSE Metal Index

We maintain our bearish stance on the sector. At present, there is no positive pattern emerging on the daily chart. Hence, one should avoid this sector at present.

NSE IT

CMP: 10463



NSE IT

The current price action suggests that this sector is in a bear grip. There is a possibility that it can test lower trendline of the channel in couple of weeks. Hence one should avoid this sector at present.



Weekly Technicals of Key Companies –

Company	Closing 26-Feb-16	Buy/Sell Trigger	Resistance 1	Resistance 2	Support 1	Support 2
ACC	1199.85	1227.72	1259.43	1319.02	1168.13	1136.42
ADANI PORTS	198.45	201.87	208.28	218.12	192.03	185.62
AMBUJACEM	188.80	191.23	194.57	200.33	185.47	182.13
ASIANPAINT	861.70	867.15	880.30	898.90	848.55	835.40
AXISBANK	378.20	384.73	392.22	406.23	370.72	363.23
BAJAJ-AUTO	2322.00	2366.40	2440.60	2559.20	2247.80	2173.60
BANKBARODA	130.10	133.62	137.98	145.87	125.73	121.37
BHARTIARTL	322.55	325.03	332.42	342.28	315.17	307.78
BHEL	94.35	96.30	101.25	108.15	89.40	84.45
BOSCHLTD	16335.10	16644.35	17177.70	18020.30	15801.75	15268.40
BPCL	764.15	756.00	780.85	797.55	739.30	714.45
CAIRN	120.65	124.48	129.47	138.28	115.67	110.68
CIPLA	519.00	520.63	531.27	543.53	508.37	497.73
COALINDIA	299.40	302.70	312.70	326.00	289.40	279.40
DRREDDY	2994.45	3042.82	3100.63	3206.82	2936.63	2878.82
GAIL	305.05	312.50	322.50	339.95	295.05	285.05
GRASIM	3301.45	3358.85	3437.60	3573.75	3222.70	3143.95
HCLTECH	808.75	819.42	839.13	869.52	789.03	769.32
HDFC	1042.65	1039.28	1067.12	1091.58	1014.82	986.98
HDFCBANK	942.65	958.95	979.70	1016.75	921.90	901.15
HEROMOTOCO	2621.35	2648.15	2702.00	2782.65	2567.50	2513.65
HINDALCO	67.15	68.33	70.67	74.18	64.82	62.48
HINDUNILVR	842.80	845.05	863.75	884.70	824.10	805.40
ICICIBANK	183.00	188.62	195.68	208.37	175.93	168.87
IDEA	106.25	106.95	110.25	114.25	102.95	99.65
INDUSINDBK	807.75	822.65	840.55	873.35	789.85	771.95
INFY	1110.30	1118.38	1135.67	1161.03	1093.02	1075.73
ITC	286.20	290.95	297.90	309.60	279.25	272.30
KOTAKBANK	606.85	617.85	631.20	655.55	593.50	580.15
LT	1086.45	1112.23	1142.47	1198.48	1056.22	1025.98
LUPIN	1760.10	1772.70	1807.50	1854.90	1725.30	1690.50
M&M	1229.05	1224.25	1253.80	1278.55	1199.50	1169.95
MARUTI	3414.15	3461.20	3521.40	3628.65	3353.95	3293.75
NTPC	118.50	122.75	128.60	138.70	112.65	106.80
ONGC	216.25	214.08	219.97	223.68	210.37	204.48
PNB	71.75	72.93	76.62	81.48	68.07	64.38
POWERGRID	131.75	134.77	138.48	145.22	128.03	124.32
RELIANCE	944.10	951.08	961.32	978.53	933.87	923.63
SBIN	151.80	156.53	162.07	172.33	146.27	140.73
SUNPHARMA	875.35	874.47	899.33	923.32	850.48	825.62
TATAMOTORS	298.20	306.38	316.57	334.93	288.02	277.83
TATAPOWER	57.05	57.70	58.80	60.55	55.95	54.85
TATASTEEL	248.15	251.45	258.30	268.45	241.30	234.45
TCS	2212.85	2247.17	2308.68	2404.52	2151.33	2089.82
TECHM	416.30	423.07	435.13	453.97	404.23	392.17
ULTRACEMCO	2779.10	2827.05	2888.50	2997.90	2717.65	2656.20
VEDL	69.60	71.57	73.78	77.97	67.38	65.17
WIPRO	533.85	534.68	547.27	560.68	521.27	508.68
YESBANK	670.50	685.87	705.13	739.77	651.23	631.97
ZEEL	379.50	383.55	390.95	402.40	372.10	364.70

Source: Iris Software

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