

**Key developments during the week**

- RBI Rajan says macro stability tops India agenda to avoid spillovers
- Aviation secretary says hope to send aviation policy to Cabinet in two weeks
- BJP trade union says govt "realised" labour reform not key to growth
- Congress says not against GST; to support as and when govt agrees to demands
- In divest push, govt asks PSUs like Coal India to mull share buyback
- RBI Rajan says govt to take call on monetary policy panel members
- Cabinet approves 107.4 bln rupees investment in five rail projects
- Cabinet approves National Capital Goods Policy
- Transfer fee for captive mines seen around 100% of royalty
- Skymet ups forecast on monsoon rains to 109% of long period average
- Australian weather body says El Nino over, signals start of La Nina
- RBI Rajan flags infra, land buy, logistics as concerns for new companies
- India, Iran in pact to develop strategically important Chabahar port

| INDEX | 27-May-16 | 20-May-16 | Change (in %) |
|--------------|-----------|-----------|---------------|
| NIFTY | 8156.65 | 7749.70 | 5.25 |
| SENSEX | 26653.60 | 25301.90 | 5.34 |
| NSE 500 | 6797.00 | 6513.10 | 4.36 |
| NSE MIDCAP | 3370.90 | 3278.65 | 2.81 |
| NIFTY JUNIOR | 19716.15 | 19098.20 | 3.24 |
| BSE SMALLCAP | 11110.96 | 10964.26 | 1.34 |
| BSE 200 | 3436.20 | 3283.09 | 4.66 |

| INDEX | 27-May-16 | 20-May-16 | Change (in %) |
|-------------------|-----------|-----------|---------------|
| BSE AUTO | 18713.86 | 18070.20 | 3.56 |
| BSE BANK | 19951.10 | 18739.83 | 6.46 |
| BSE CAPITAL GOODS | 14519.89 | 13058.94 | 11.19 |
| BSE CD | 11757.58 | 11673.35 | 0.72 |
| BSE FMCG | 8147.25 | 7722.48 | 5.50 |
| BSE HEALTHCARE | 15463.98 | 15274.89 | 1.24 |
| BSE IT | 11568.43 | 11203.33 | 3.26 |
| BSE METALS | 7683.60 | 7461.02 | 2.98 |
| BSE OIL AND GAS | 9423.17 | 9065.63 | 3.94 |
| BSE PSU | 6206.52 | 5980.53 | 3.78 |
| BSE REALTY | 1423.27 | 1367.09 | 4.11 |
| BSE TECK | 6231.81 | 6038.57 | 3.20 |

| INDEX | 27-May-16 | 20-May-16 | Change (in %) |
|-----------|-----------|-----------|---------------|
| DOW JONES | 17873.22 | 17500.94 | 2.13 |
| HANG SENG | 20576.77 | 19852.20 | 3.65 |
| NIKKEI | 16834.84 | 16736.35 | 0.59 |
| FTSE | 6270.79 | 6156.32 | 1.86 |

Domestic events week ahead

- **May 31:** GDP estimate for Jan-Mar, by CSO
- **May 31:** CPI for industrial workers for April, by Labour Bureau
- **May 31:** Core sector growth for April, by commerce and industry ministry
- **May 31:** Government finances for 2015-16 and April, by CGA
- **Jun 01:** Automobile sales data by Automakers
- **Jun 01:** Nikkei manufacturing PMI for May, by Markit Economics
- **Jun 03:** Nikkei services and composite PMI for May, by Markit Economics

Source: Cogencies

Global events week ahead

- **May 30:** Japan Retail Sales, US FOMC Member Bullard Speaks
- **May 31:** Japan Unemployment Rate, Japan Industrial Production, Japan Housing Starts, US Chicago PMI, US CB Consumer Confidence
- **Jun 01:** China Manufacturing PMI, China Non-Manufacturing PMI, China Caixin Manufacturing PMI, Japan Final Manufacturing PMI, Europe Final Manufacturing PMI, UK Manufacturing PMI, US Final Manufacturing PMI, US ISM Manufacturing PMI
- **Jun 02:** Japan Consumer Confidence, UK Construction PMI, Europe PPI, OPEC Meetings, Europe Monetary Policy, ECB Press Conference, US ADP Non-Farm Employment, US Unemployment Claims, US FOMC Member Powell Speaks, US Crude Oil Inventories
- **Jun 03:** China Caixin Services PMI, Europe Final Services PMI, UK Services PMI, Europe Retail Sales, US Non Farm Employment, US Unemployment Rate, US Trade Balance, US Final Services PMI, US ISM Non Manufacturing PMI, US Factory Orders



Weekly Sector Outlook and Stock Picks

Auto Sector – To take cues from Tata Motors, M&M earnings

Shares of major automobile companies are seen range-bound this week, with the sector taking cues from earnings of heavyweights Tata Motors and Mahindra & Mahindra. Both these Mumbai-based automakers are expected to announce their earnings for the quarter ended March on May 30. While the market expects M&M's profit for the quarter rising nearly one-fourth, Tata Motors' bottomline is seen nearly doubling. Tata Motors rally could be pushed further if this week's bull market were to continue. Maruti Suzuki's fundamentals remain strong and its petrol-heavy portfolio of vehicles would aid sales in a market where diesel is increasingly being seen as an evil fuel. Auto stocks would also take their cues from sales data for May, due for release Wednesday. Maruti Suzuki, which has seen strong demand for the Baleno hatchback and the Brezza sport utility vehicle, is likely to report strong sales data for the month.

Bank Sector – Trade seen positive this week; Jan-Mar GDP eyed

Bank stocks are seen rising this week and the State Bank of India's shares could be eyed in particular because they could offer support to fellow public sector banks' shares. Shares of the nation's largest lender jumped 6.4% to close at 195.90 rupees after Chairman Arundhati Bhattacharya said the bank had taken the entire impact of the RBI's asset quality review into account in Jan-Mar. SBI's Jan-Mar net profit fell 66.2% y-o-y to 12.64 bln rupees, missing estimates. Sentiment in the equity market has improved considerably following upgrades from HSBC and Morgan Stanley on supportive macroeconomic factors as well as forecast of an above-average monsoon. Friday, share indices ended at seven-month highs, with the Nifty 50 closing above the 8150-mark and Sensex topping 26600 points for the first time since November. The Nifty Bank closed at 17511.80 points, 6.3% higher on week. With Jan-Mar earnings season over for banks, focus will also turn to the RBI's monetary policy statement, scheduled for Jun 7. Before that, the Central Statistics Office will Tuesday detail India's GDP for Jan-Mar.

Capital Goods Sector – May extend gains; Suzlon earnings eyed

Most capital goods stocks are seen extending gains this week, as positive results announced by three state-owned companies BHEL, BEL, BEML are seen lifting investor sentiment. Avantha Group-owned Crompton Greaves reported a net loss of 1.02 bln rupees, significantly lower than the 3.26-bln-rupees loss posted a quarter ago, but above estimates of a 460-mln-rupees loss. On the positive side, the company's operating margin for Jan-Mar rose nearly 140 basis points sequentially to 9.27%, owing to improvement in the performance of domestic as well as the company's long-stressed overseas business. The company's earnings are not strictly comparable y-o-y, as its consumer durables business was demerged into a separate company in October. Shares of BHEL are likely to gain, as the company reported a net profit of 3.6 bln rupees for Jan-Mar, higher than estimates of 2.7 bln rupees. BEML, which also posted its Jan-Mar earnings, reported a surprise 500-basis-point y-o-y improvement in operating margin at 17.8%. However, shares of Cummins India and Thermax Ltd are expected to fall due to a weak export outlook and sluggish order inflow outlook respectively.

Cement Sector – Seen trading with a positive bias this week

Shares of cement manufacturing companies are seen trading with a positive bias this week thanks mainly to the forecast of better rains in the country, which has also been positive for the broader market. On Wednesday, private weather forecaster Skymet raised India's 2016 southwest monsoon forecast to 109% of the long period average from the 105% it estimated a month ago. Good monsoon could lead to better rural incomes and therefore an increase in home building activity leading to greater cement demand. Home construction is the biggest demand segment for cement in the country. Over the past week, the broader market gained 5.3%, and shares of most cement companies also followed this trend. Cement companies have had a rough past few quarters witnessing persistent subdued demand across various markets in the country. Companies have had to focus on driving sales volume in the past few quarters, compromising on profitability. Pricing power with companies remains weak in a sluggish market.

FMCG Sector – Seen in narrow range this week on lack of triggers

Shares of fast-moving consumer goods companies are expected to move in a narrow range this week due to lack of trigger. The Jan-Mar earnings announcement is mostly over and the expectations of good monsoons this year have already been factored into consumer stocks price. Skymet raised India's 2016 southwest monsoon rain forecast to 109% of the long period average from 105% it estimated a month ago. The most consumer stocks have not been able



to cross their major resistance levels on the charts. Shares of Britannia Industries Ltd was under pressure during the week as the Centre for Science and Environment claimed that there were cancer-causing chemicals in bread samples no in Delhi. The claim was not specific to the company's bread.

IT Sector – Positive on cues from broader market, optimism in US

Following a period of consolidation, shares of information technology companies are seen trading with a positive bias this week on optimism in the US and the broader domestic market. The Indian currency closed at 67.0325 rupees against the dollar on Friday, and is expected to depreciate in the upcoming sessions. Positive gross domestic product data and comments from US Federal Reserve Chair Janet Yellen are seen improving sentiment in the US market, aiding the sector, which derives a significant part of its revenue from software exports. Yellen signalled a rate hike could be appropriate in coming months if the economy and labour market continue to improve. Investors are seen preferring Infosys, and TCS and Tech Mahindra stocks on their stellar performance in Jan-Mar. Tech Mahindra reported an 18.2% in consolidated net profit for Jan-Mar at 8.97 bln rupees as against estimates of 7.4 bln rupees.

Oil Sector – PSU refiners seen positive; oil prices eyed

Shares of state-owned oil marketing companies IOC, BPCL and HPCL are expected to trade with a positive bias this week, as these companies reported robust operational performances in Jan-Mar, including higher marketing margins and volumes. The trend will also be dictated by global prices of crude oil, which have shown healthy signs of a recovery over the past few weeks, news flow, and the broad market sentiment. For stocks of upstream companies ONGC, Oil India and Cairn India even as fundamentals continue to remain weak because of oversupply in the international market, the recent spike in oil prices has provided support, and this may continue in the immediate term, should prices continue to head north. The earnings of BPCL and HPCL were much better than expectations and this sent their stocks soaring. However, this wasn't the case with IOC which recorded a setback in its Jan-Mar earnings on account of massive inventory losses and provisioning for impairment in value of upstream assets.

Pharma Sector – Bias positive; Sun Pharma to be in focus

Shares of pharmaceutical companies are seen trading rangebound with a firm bias this week as Nifty 50 constituents Sun Pharmaceutical Industries and Aurobindo Pharma are likely to report strong Jan-Mar earnings. Overall strength in the broader market is also expected to have a spill-over positive impact on pharmaceutical stocks. However, any negative surprises from Sun Pharma or Aurobindo Pharma earnings would weigh on sentiment. Both companies will detail their Jan-Mar earnings on May 30. Although Sun Pharma's Jan-Mar results are expected to be good, the stock could see some selling pressure as its US subsidiary has received a subpoena from the US Department of Justice's antitrust division seeking documents relating to employee records, generic products and pricing. Ipca Laboratories, Marksans Pharma and Shilpa Medicare are other companies in the sector that will detail Jan-Mar earnings on May 30.

Metal Sector – Seen trading in range this week; Hindalco earnings eyed

Shares of major metal and mining companies are seen trading in a narrow range this week due to lack of sector-specific triggers. Market participants will eye the announcement of Hindalco Industries earnings, as the company has registered a ramp-up and is pegged to deliver higher aluminium volumes. Although the prices (steel) have improved in last few months, the sector is unlikely to see long-term relief, as the minimum support price's future is still uncertain. Though the market has already factored in an extension of the minimum import price on the commodity will March 2017, any unpredicted halt might hurt steel companies. As of now, the minimum import price on steel products is applicable till Aug 5. Friday, a government panel comprising the commerce and mines secretaries rejected the Directorate General of Safeguards' recommendation of 5% provisional safeguard duty on unwrought aluminium.

Telecom Sector – Bharti Airtel, Idea may rise this week

Shares of Bharti Airtel Ltd are expected to trade with a positive bias after the company announced the completion of its purchase of spectrum from Videocon Telecommunications Ltd this week. However, shares of Reliance Communications Ltd may witness a downtrend this week after its discussions with the promoters of Aircel Ltd over combining their wireless businesses extended to Jun 22. On a broader market level, sentiment over equities have improved after international brokerages HSBC and Morgan Stanley upgraded their ratings on Indian equities this month, citing supportive macroeconomic factors, and on forecast of an above-average monsoon this year after two consecutive years of drought.



Market range for the week 7950-8320

| Nifty | Values |
|--------------|--------|
| Support 1 | 8080 |
| Support 2 | 8020 |
| Support 3 | 7950 |
| Resistance 1 | 8220 |
| Resistance 2 | 8280 |
| Resistance 3 | 8320 |

Resistance – Nifty may face resistance at 8220 level above this level it may go up to 8280-8320 level.

Support - Nifty has support at 8080 level below this next support at 8020-7950 levels.

Technical – During the week, CNX Nifty opened at 7813.95 and touched the highest level of 8164.20 and lowest level of 7715.80. The CNX Nifty ended at 8156.65; gain 406.95 points or 5.25%. The S&P BSE Sensex opened at 25447.72 and touched the highest level of 26677.4 and lowest level of 25181.47. The S&P BSE Sensex closed at 26653.60; gain 1351.70 points or 5.34%.

For the coming week, we expect the market range of 7950-8320

Weekly Chart View –

We had mentioned in last week’s report that on the daily chart Nifty below lower trendline and on weekly chart it was below 50 and 100WMA, because of that we had mentioned only above 7950-7980 we will see sustainable up side and all we have seen same. Now on daily chart we can see three continues strong gap up candle and on weekly chart we witness strong bull candle and closed above 50 and 100WMA. So combining the above two pattern formation we can see some more stocks specific action, because of continues up move we can see some consolidation, but around 8020-7980 will be good buying opportunity.

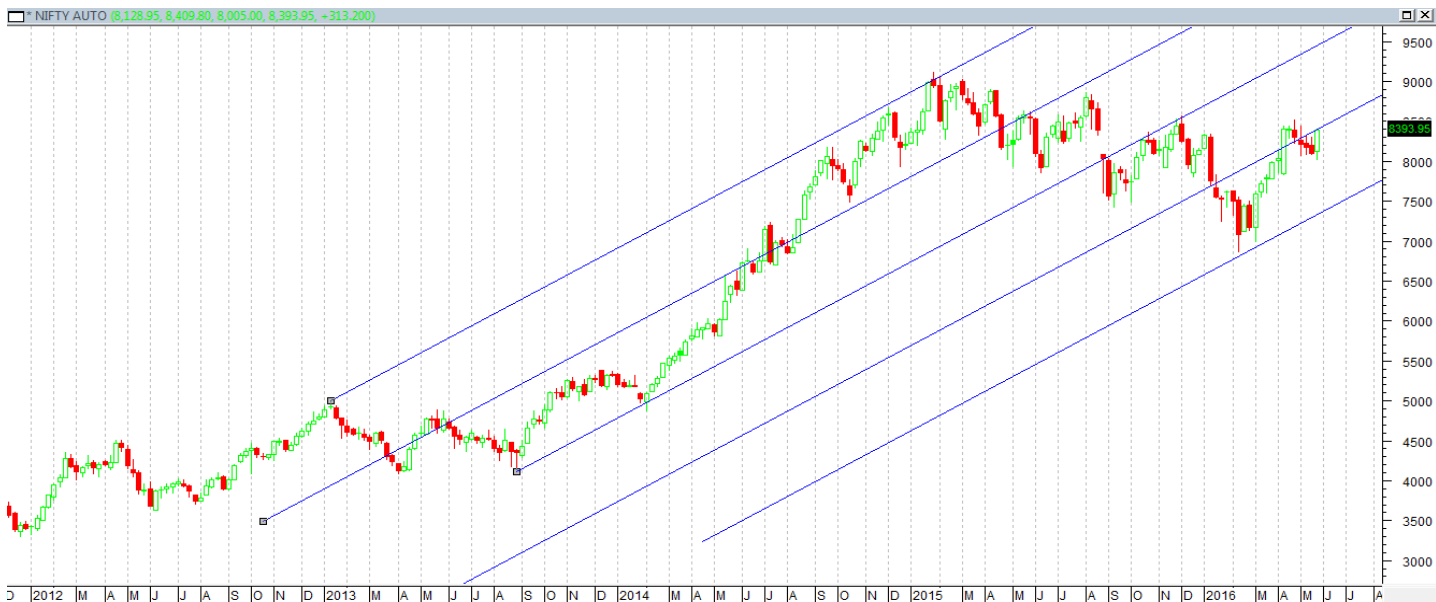
Weekly Chart





Weekly Sectoral Technical Outlook

| | |
|-----------------------|------------------|
| NSE Auto Index | CMP: 8393 |
|-----------------------|------------------|



NSE Auto

At present, we are observing a strong bull candle which suggests that upside momentum is likely to continue. Aggressive traders can go long in this sector above 8409 with a stop loss of 8000. On the upside it can test 8600 – 8800 levels.

| | |
|-------------------|-------------------|
| NSE Bankex | CMP: 17511 |
|-------------------|-------------------|



NSE Bankex

At present, prices have closed above the median line of the channel. This suggests upside momentum. Aggressive traders can go long in this sector with a stop loss of 16300. On the upside, it can test 17800 – 18500 levels.



NSE Metal Index

CMP: 1968



NSE Metal Index

At present prices are holding the lower trendline of the “Symmetrical channel”. Aggressive traders can go long in this sector with a stop loss of 1870. On the upside, it can test 2000 – 2150 levels

NSE IT

CMP: 11420



NSE IT

At present, prices have formed a higher low, with strong bull candle. Aggressive traders can go long in this sector with a stop loss of 10850. On the upside it can test 11700 – 12100 levels.



Weekly Technicals of Key Companies –

| Company | Closing 27-May-16 | Buy/Sell Trigger | Resistance 1 | Resistance 2 | Support 1 | Support 2 |
|------------|----------------------|---------------------|-----------------|-----------------|--------------|--------------|
| ACC | 1522.95 | 1482.08 | 1574.17 | 1625.38 | 1430.87 | 1338.78 |
| ADANIPORTS | 191.70 | 187.25 | 197.40 | 203.10 | 181.55 | 171.40 |
| AMBUJACEM | 230.25 | 223.70 | 238.55 | 246.85 | 215.40 | 200.55 |
| ASIANPAINT | 998.25 | 980.58 | 1019.47 | 1040.68 | 959.37 | 920.48 |
| AUROPHARMA | 763.10 | 751.87 | 791.23 | 819.37 | 723.73 | 684.37 |
| AXISBANK | 512.40 | 506.47 | 530.93 | 549.47 | 487.93 | 463.47 |
| BAJAJ-AUTO | 2563.70 | 2503.33 | 2642.32 | 2720.93 | 2424.72 | 2285.73 |
| BANKBARODA | 138.60 | 135.88 | 143.52 | 148.43 | 130.97 | 123.33 |
| BHARTIARTL | 351.25 | 350.12 | 358.73 | 366.22 | 342.63 | 334.02 |
| BHEL | 128.10 | 125.32 | 134.98 | 141.87 | 118.43 | 108.77 |
| BOSCHLTD | 21947.00 | 21559.60 | 22594.40 | 23241.80 | 20912.20 | 19877.40 |
| BPCL | 1012.00 | 972.62 | 1064.08 | 1116.17 | 920.53 | 829.07 |
| CIPLA | 473.45 | 480.30 | 503.15 | 532.85 | 450.60 | 427.75 |
| COALINDIA | 281.30 | 281.17 | 284.63 | 287.97 | 277.83 | 274.37 |
| DRREDDY | 3116.05 | 3089.72 | 3164.33 | 3212.62 | 3041.43 | 2966.82 |
| EICHERMOT | 18742.30 | 18517.10 | 19024.20 | 19306.10 | 18235.20 | 17728.10 |
| GAIL | 379.30 | 378.28 | 390.87 | 402.43 | 366.72 | 354.13 |
| GRASIM | 4361.25 | 4312.52 | 4433.73 | 4506.22 | 4240.03 | 4118.82 |
| HCLTECH | 757.60 | 749.12 | 768.18 | 778.77 | 738.53 | 719.47 |
| HDFC | 1255.55 | 1227.45 | 1296.50 | 1337.45 | 1186.50 | 1117.45 |
| HDFCBANK | 1186.80 | 1170.00 | 1206.80 | 1226.80 | 1150.00 | 1113.20 |
| HEROMOTOCO | 3002.50 | 2960.52 | 3052.03 | 3101.57 | 2910.98 | 2819.47 |
| HINDALCO | 91.90 | 89.37 | 95.23 | 98.57 | 86.03 | 80.17 |
| HINDUNILVR | 861.20 | 846.73 | 880.42 | 899.63 | 827.52 | 793.83 |
| ICICIBANK | 243.15 | 237.23 | 254.12 | 265.08 | 226.27 | 209.38 |
| IDEA | 113.00 | 111.23 | 117.17 | 121.33 | 107.07 | 101.13 |
| INDUSINDBK | 1104.10 | 1085.03 | 1130.92 | 1157.73 | 1058.22 | 1012.33 |
| INFRADEL | 386.85 | 386.48 | 397.37 | 407.88 | 375.97 | 365.08 |
| INFY | 1247.50 | 1228.20 | 1278.80 | 1310.10 | 1196.90 | 1146.30 |
| ITC | 359.30 | 354.27 | 369.03 | 378.77 | 344.53 | 329.77 |
| KOTAKBANK | 742.55 | 726.57 | 760.63 | 778.72 | 708.48 | 674.42 |
| LT | 1474.90 | 1395.18 | 1567.07 | 1659.23 | 1303.02 | 1131.13 |
| LUPIN | 1480.10 | 1486.28 | 1529.27 | 1578.43 | 1437.12 | 1394.13 |
| M&M | 1333.70 | 1318.32 | 1377.38 | 1421.07 | 1274.63 | 1215.57 |
| MARUTI | 4146.60 | 4067.25 | 4241.35 | 4336.10 | 3972.50 | 3798.40 |
| NTPC | 140.10 | 139.30 | 143.30 | 146.50 | 136.10 | 132.10 |
| ONGC | 213.00 | 212.90 | 221.25 | 229.50 | 204.65 | 196.30 |
| POWERGRID | 150.85 | 149.42 | 153.83 | 156.82 | 146.43 | 142.02 |
| RELIANCE | 974.70 | 959.08 | 992.52 | 1010.33 | 941.27 | 907.83 |
| SBIN | 195.90 | 188.23 | 210.07 | 224.23 | 174.07 | 152.23 |
| SUNPHARMA | 824.95 | 807.98 | 844.97 | 864.98 | 787.97 | 750.98 |
| TATAMOTORS | 403.90 | 396.33 | 412.57 | 421.23 | 387.67 | 371.43 |
| TATAMTRDVR | 271.70 | 268.07 | 277.33 | 282.97 | 262.43 | 253.17 |
| TATAPOWER | 72.60 | 72.55 | 74.85 | 77.10 | 70.30 | 68.00 |
| TATASTEEL | 329.60 | 324.28 | 337.32 | 345.03 | 316.57 | 303.53 |
| TCS | 2572.65 | 2537.37 | 2615.13 | 2657.62 | 2494.88 | 2417.12 |
| TECHM | 535.90 | 515.83 | 567.07 | 598.23 | 484.67 | 433.43 |
| ULTRACEMCO | 3248.30 | 3204.47 | 3298.83 | 3349.37 | 3153.93 | 3059.57 |
| WIPRO | 545.40 | 543.98 | 552.42 | 559.43 | 536.97 | 528.53 |
| YESBANK | 1025.50 | 1012.82 | 1054.48 | 1083.47 | 983.83 | 942.17 |
| ZEEL | 453.40 | 446.58 | 461.82 | 470.23 | 438.17 | 422.93 |

Source: Iris Software

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