



ARI - Movers & Shakers

INDIAN INDICES

Indices	Oct-14	Sep-14	Change%
SENSEX	27865.83	26630.51	4.64
S&P CNX NIFTY	8322.20	7964.80	4.49
BANK NIFTY	17045.05	15392.25	10.74
CNX MIDCAP	11841.10	11418.30	3.70
S&P CNX 500	6685.75	6415.70	4.21
CNX IT	11341.05	11302.70	0.34
CNX REALTY	200.70	202.80	-1.04
CNX INFRA	3278.00	3020.90	8.51

(Source: BSE & NSE)

BSE-SECTORAL INDICES

Indices	Oct-14	Sep-14	Change%
AUTO	18579.07	17746.90	4.69
BANKEX	19505.16	17615.46	10.73
CD	9875.10	9850.75	0.25
CG	15924.51	14267.74	11.61
FMCG	7497.07	7630.97	-1.75
HC	14354.01	14352.30	0.01
IT	10701.99	10687.59	0.13
METAL	11849.95	11409.40	3.86
OIL&GAS	11160.18	10728.88	4.02
PSU	8343.37	7782.50	7.21
REALTY	1553.42	1581.27	-1.76
TECK	5937.65	5918.68	0.32

(Source: BSE)

GLOBAL INDICES

Indices	Oct-14	Sep-14	Change%
DOW JONES	17390.52	17042.90	2.04
NASDAQ	4630.74	4493.39	3.06
HANG SENG	23998.06	22932.98	4.64
FTSE	6546.47	6622.72	-1.15
NIKKEI	16413.76	16173.52	1.49

(Source: Teleguide software)

COMMODITIES & FOREX

Indices	Oct-14	Sep-14	Change%
MCX GOLD	26135.00	27129.00	-3.66
MCX SILVER	35797.00	38516.00	-7.06
MCX CRUDE OIL	4931.00	5673.00	-13.08
MCX-SX USDINR	61.64	62.12	-0.77

(Source: Teleguide software)

FII ACTIVITY (₹ in cr)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Oct 2014	69,316.91	70,488.42	-1,171.51
Total for 2014 *	841,978.53	759,812.40	82,266.15

(Source: SEBI)

MF ACTIVITY (₹ in cr)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Oct 2014	17,482.90	11,543.20	5,939.70
Total for 2014 *	159,487.60	144,358.50	15,128.70

*From Jan - Oct, 2014

(Source: SEBI)

Market Commentary

The month of October started on a gloomy note amidst rising trade deficit, weak IIP numbers and early indications of a downturn in global economic growth. However, the bulls turned down bears during the later half of the month as investors cheered centre's bold reforms in labour and energy sector and BJP government's remarkable victory in state assembly elections. The markets scaled new peaks in the last week as encouraging data from the US allayed fears of a global growth slowdown while the government's move to ease foreign direct investment (FDI) norms in construction sector boosted sentiments.

The month finally ended on a positive note with S&P BSE Sensex delivering positive return of 4.64% to settle at 27865.83, after hitting a new high of 27894.32 and CNX Nifty gaining 4.49% ending the month at 8322.20, after hitting a new high of 8330.75.

On the sectoral front, Capital Goods turned out to be the best performing sector in October 2014 clocking gains of 11.61%, in response to government's actions on coal block mines. Further, Bankex gained 10.73% owing to expectation of rate cut by RBI. This was followed by PSU (7.21%), Auto (4.69%), Oil & Gas (4.02%) and Metal (3.86%). On the losing side, Realty (-1.76%) and FMCG (-1.75%) were the worst performing sectors.

On the institutional side, foreign institutional investors (FIIs) sold Rs 1,171.51 crore worth of money in equities during the month while domestic mutual fund houses bought Rs 5,939.70 crore of equities during October 2014.

On the macro-economic front, India's HSBC manufacturing Purchasing Managers' Index fell to a nine-month low of 51 in September 2014 from 52.4 in August 2014 due to a slowdown in both output and new order growth. India's HSBC services PMI rose to 51.6 in September 2014 from 50.6 a month ago, mainly on account of increased new work intakes. Index of industrial production (IIP) growth remained subdued at 0.4% in August 2014 unchanged from a month ago. Wholesale Price Index (WPI) fell to a five-year low of 2.38% in September 2014 from 3.74% in August

2014. Consumer price index (CPI) fell to an all time low of 6.46% in September 2014 from 7.73% a month ago. The broad based decline in inflation is expected to bring growth concerns at the forefront and makes the case strong for softening of interest regime.

India's trade deficit widened to \$14.25 bn in September 2014 from a four-month low of \$10.84 bn in August 2014, mainly on account of a sharp rise in gold imports.

The International Monetary Fund upgraded its forecast on India's GDP growth in 2014-15 to 5.6% from 5.4% earlier, on the back of higher exports and investments. The multilateral funding agency, however, kept its forecast on India's growth in 2015-16 unchanged at 6.4%. Fitch, on the other hand, also upgraded its GDP growth outlook for India to 5.6% for 2014 and pegged GDP growth at 6.5% for the years 2015 and 2016.

On the international front, the European Central Bank (ECB) left interest rates unchanged at its policy review and said it would begin purchases of asset-backed securities this quarter but failed to reveal the size of the program. Eurozone Industrial production down by 1.8% in August 2014 from 0.9% gain in July 2014. China industrial production grew by 8% in September 2014 from 6.9% in August 2014. China's economic growth beat estimates as GDP rose 7.3% in the Jul-Sep quarter more than expectations of 7.2%. In a surprise move, the Bank of Japan unexpectedly announced an expansion in the pace of its quantitative easing program by 30 trillion yen to 80 trillion.

US Industrial Production rose 1% in September 2014 from -0.2% in August 2014. US Federal Reserve announced the end of its monthly bond-buying program and expressed confidence in US economic prospects. However, it has

Modi's Roadmap to Acche Din: Reforms in October 2014

- **Diesel price deregulation, gas price hike:** The Cabinet Committee on Economic Affairs gave its go-ahead to one of the most anticipated reforms in the oil and gas sector by deregulating the prices of diesel. The state-owned oil marketing companies are currently making a profit of around 3.50 rupees a litre on subsidized diesel and with the decontrol of prices the price of the fuel will decrease accordingly.
- **Labour reforms:** Prime Minister Narendra Modi unveiled the Pandit Deendayal Upadhyay Shramev Jayate Karyakram initiatives to bring in labour reforms that include easing compliance of labour laws through a portal, portable provident fund accounts, and a random inspection scheme of units to end the 'Inspector Raj'.
- **Construction sector reforms:** In a bid to attract foreign investors to the Indian housing sector, the Union Cabinet relaxed foreign direct investment rules for the construction sector. India permits 100% FDI in construction sector through automatic route subject to norms.

The Q2FY15 earnings season continued and better earnings by corporate bigwigs like ACC, Ambuja Cements, Asian Paints, Axis Bank, Bharti Airtel, GAIL, HCL Tech, HDFC, HDFC Bank, Hero Motocorp, Hind Unilever, ICICI Bank, Infosys, Indusind Bank, ITC, Kotak Bank, Maruti Suzuki, NMDC, PNB, Reliance, SSIL, Ultratech Cement, Wipro and Zee Entertainment supported the market. However, there were some that failed to deliver; companies like Cairn India, Dr Reddy's Lab, IDFC, Lupin, M&M, NTPC, TCS and Tech Mahindra came out with disappointing numbers.

The global markets ended the month of October 2014 on a positive note. Hang Seng was the best performer, which ended the month with gain of 4.64% followed by Nasdaq (3.06%), Dow Jones (2.04%) and Nikkei (1.49%) while FTSE was the negative performer delivering a loss of 1.15% during the month.

maintained the low rate pledge for interest rates for a considerable time after the bond buying ends. US economy grew by 3.5% in the third quarter better than expectations of 3% while down from 4.6% in the second quarter.

Going forward

As the Modi euphoria continues, government's encouraging policies continue to drive positive sentiments. The next batch of Q2FY15 corporate earnings and India's GDP data on 28th November 2014 will dictate the near term trend for markets. Globally, all eyes will be glued at European Central Bank and the Bank of England's decision on their respective interest rate policies. However, the long term fundamentals of the economy remain strong and investors should focus on investing in fundamentally sound companies.

Domestic Data Releases in October 2014

(Positive) ↑

- **August FDI inflows \$2.79 bn from \$2.27 bn year on year:** Total foreign direct investment into India in August 2014 increased to \$2.79 bn from \$2.27 bn a year ago. In July 2014, the inflows stood at \$4.41 bn. In the first five months of the current financial year, FDI inflows into India were \$17.44 bn against \$12.92 bn a year ago. The total FDI inflows include equity capital, re-invested earnings, and other capital.
- **September WPI inflation fell to 5-year low of 2.38%:** India's inflation rate based on the Wholesale Price Index (WPI) fell to a five-year low of 2.38% in September 2014 from 3.74% in August 2014. The decline was primarily on account of lower prices of vegetables and crude oil. The statistical effect of a high base is also likely to have contributed to a fall in the wholesale price index inflation. This is the lowest level of inflation since October 2009, when the wholesale price inflation plummeted in the aftermath of the financial crisis triggered by the collapse of Lehman Brothers. India's inflation rates based on retail prices fell in September 2014; the inflation rate based on Consumer Price Index (combined) plummeted to an all-time low of 6.46% in September 2014 from 7.73% a month ago.

Inflation	September 2014	August 2014
Food articles	3.52%	5.15%
Primary articles	2.18%	3.89%
Manufactured products	2.84%	3.45%
Fuel & power	1.33%	4.54%

- **India Apr-Sep tax mop-up Rs 4.906 trln, up 7.1%:** The government's tax mop-up during Apr-Sep rose 7.1% on year to Rs 4.906 trln. Service tax collection rose 14.2% to Rs 652.01 bn during Apr-Sep, while income tax mop-up rose 11.9% on year to Rs 1.094 trln. Revenues from other taxes, including securities transaction tax and wealth tax, rose 25.3% to Rs 57.81 bn. Excise duty collection during Apr-Sep contracted 2.2% to Rs 605.47 bn, while customs mop-up rose 5.3% to Rs 874.08 bn. Corporation tax mop-up rose 5.6% to Rs 1.623 trln. The Budget for 2014-15 aims at total tax collections of Rs 13.645 trln, up 17.7% from Rs 11.589 trln last year. The government's net tax collections in Apr-Sep rose 5.1% on year to Rs 3.232 trln. Total tax collections in September 2014 rose 11.1% on year to Rs 1.657 trln.

- **India Apr-Sep fiscal gap touches 82.6% of FY15 budget aim:** The Indian government's fiscal deficit in Apr-Sep, touched 82.6% of the budget estimate of Rs 5.312 trln for the full year. The fiscal deficit stood at 76% in the same period of last year. On a year-on-year basis, the fiscal deficit rose 6.5% to Rs 4.388 trln in Apr-Sep. The Budget has projected the fiscal deficit in 2014-15 to rise 4.5% on year to Rs 5.312 trln or 4.1% of gross domestic product. In Apr-Sep, both the government's total expenditure as well as receipts rose 6.6% year on year to Rs 8.620 trln and Rs 4.232 trln, respectively. Net tax collection in Apr-Sep rose 5.1% year on year to Rs 3.232 trln. The fiscal deficit in September 2014 rose over fivefold year on year to Rs 408.9 bn. The non-plan expenditure in Apr-Sep rose 7.5% on year to Rs 6.157 trln, while plan spending increased 4.3% to Rs 2.463 trln. The revenue deficit in Apr-Sep increased 7.1% to Rs 3.450 trln. The government's net tax collections in Apr-Sep rose 5.1% on year to Rs 3.232 trln, while non-tax revenues increased 15.1% to Rs 947.05 bn.

(Negative) ↓

- **September trade gap widened to \$14.25 bn from \$10.84 bn:** India's trade deficit widened to \$14.25 bn in September 2014 from a four-month low of \$10.84 bn in August 2014, mainly on account of a sharp rise in gold imports. The trade deficit was \$6.12 bn a year ago. India's exports rose 2.7% year on year to \$28.90 bn in September 2014, but imports increased 26% to \$43.15 bn. The rise in imports was led by a 449.7% surge in gold imports to \$3.75 bn. Oil imports increased 9.7% to \$14.50 bn in September 2014 from \$13.21 bn a year ago. Non-oil imports rose 36.2% on year to \$28.65 bn. Exports in Apr-Sep grew 6.5% to \$163.7 bn, while imports rose 1.6% to \$234.1 bn. India's trade deficit in Apr-Sep narrowed to \$70.40 bn from \$76.72 bn in the corresponding period last year.
- **August industrial growth at 0.4%, unchanged from year ago:** India's industrial growth remained subdued at 0.4% in August 2014, unchanged from the year ago, as well as month ago. Industrial output growth for July 2014 was revised downwards to 0.4% from 0.5%. Improvement in electricity sector growth was offset by contraction in consumer durables and consumer goods sectors. In Apr-Aug, the first five months of this financial year, the industrial output has risen 2.8%, compared with nil growth, a year ago.

Sector	Aug 2014 YoY
Capital Goods	-11.3%
Manufacturing Sector	-1.4%
Consumer Goods	-6.9%
Electricity	12.9%
Intermediate Goods	0.3%
Mining Output	2.6%

- **India Sep core sector growth falls to 8-month low of 1.9%:** Growth in India's key core industries fell to an eight-month low of 1.9% in September 2014 from 5.8% in August 2014. The fall was mainly due to contraction in output of fertilisers and natural gas. The output of eight core industries coal, crude oil, natural gas, refinery products, steel, cement, fertilisers and electricity had grown 9% in September 2013. The fall in core sector growth, which accounts for 37.9% of the total weight of the Index of Industrial Production, could lead to a slowdown in factory output in September 2014. The core sector growth moderated to 4% in Apr-Sep, the first six months of 2014-15 (Apr-Mar). In 2013-14 (Apr-Mar), core sector output had moderated to 3.4%.

Auto Sector October Sales

Passenger vehicle (PV) segment a mixed bag

India's largest car manufacturer, **Maruti Suzuki's**, PVs volume was up 2% yoy to 80,589 units in October 2014. Company's domestic volumes also went up 1% yoy to 97,069 units while exports down by 23.5% yoy to 6,904 units. However the second largest player **Hyundai's** (unlisted) total sales in October 2014 were up 12% on year at 56,010 units, while its exports also increased by 27% yoy. **Mahindra & Mahindra** PV sales were down 16% yoy to 19,254 units while its total sales down 15.4% yoy to 42,776 units. **Tata Motors** sales continued to remain down in October 2014. Its PV volumes registered a 19% drop yoy to 11,511 units. Sales of the company's passenger cars such as Nano, Indica, and Indigo were down 12% on year in October at 9,594 units.

2Ws: Two-wheeler segment volume shrinks

Country's largest two-wheeler maker, **Hero MotoCorp's** volumes were down 8% yoy to 575,056 units in October 2014, whereas its toughest competitor, **Honda** (unlisted), saw its 2W shipments grow marginally by 0.4% yoy driven by 6.7% yoy growth in scooters and decline of 5.69% yoy in motorcycles. **Bajaj Auto's** motorcycle sales witnessed a decline of 3% yoy at 336,923 units while company's total sales yoy stood at a flat 386,017 units. Its total exports were up 15% yoy at 158,547 units. **TVS Motor** 2W volumes

increased 22% yoy and its total sales also registered 22% yoy growth pushed by a jump of 51% yoy in exports.

3-wheeler segment volume rise

Atul Auto, India's leading 3W manufacturer, registered volume growth of 6.2% yoy at 4,302 units in October 2014. Sales of **TVS's** 3W also recorded a strong growth of 14.2% yoy at 9,054 units.

Tractor segment volume decline

M&M's October total tractor sales were down 17% yoy at 31,907 units while **Escorts** registered 8.1% yoy decline in total tractor sales to 8,554 units in October 2014.

Commercial vehicle (CV) segment volume mixed

The medium and heavy commercial vehicle (M&HCV) segment volumes were mixed in October 2014. **Ashok Leyland's** sales were up by 43% yoy to 5,838 units while **Tata Motors** M&HCV sales were up 30% to 10,352 units. The light commercial vehicle (LCV) segment registered decline in October 2014. Company's CV sales witnessed a 17% yoy decline to 27,249 units, with medium and heavy CV sales up 30% to 10,352 units. **Tata Motor's** light commercial vehicle (LCV) shipments registered a decline of 32% yoy to 16,897 units. The total sales of the company (including PV) were down 17% yoy to 42,819 vehicles. Sales of **Mahindra and Mahindra** 4W CVs down 15% yoy at 14,812 units.

Ashok Leyland registered decline of 6% yoy in LCV sales to 2,537 units. **Eicher Motors'** sale of branded trucks and buses recorded a growth of 1.7% yoy to 3,052 units in October 2014. In the domestic CV market (5T and above), Eicher trucks and buses recorded sales of 2,494 units in October 2014 as compared to 2,637 units in October 2013, falling by 5.4% yoy while its exports were up 53.3%, recording sales of 558 units in October 2014 as against 364 units in October 2013.

Q2FY15 Result Update: Nifty Companies

Positive Performance:

- **ACC** reported a rise of 69.57% in net profit, yoy, at Rs 204.91 crore for the quarter ended September 30, 2014.
- **Ambuja Cement** reported a 44.04% rise in net profit, yoy, at Rs 239.06 crore.
- **Asian Paints** reported a 4.85% rise in net profit, yoy, at Rs 325.67 crore.
- **Axis Bank** reported a 18.23% rise in net profit, yoy, at Rs 1,610.71 crore.
- **Bharti Airtel** reported a 176.69% rise in net profit, yoy, at Rs 4,937.30 crore.
- **GAIL** reported a 42.29% rise in net profit, yoy, at Rs 1,302.90 crore.

- **HCL Technologies** reported a 30.33% rise in net profit, yoy, at Rs 1,682.56 crore.
- **HDFC** reported a 7.20% rise in net profit, yoy, at Rs 1,357.56 crore.
- **HDFC Bank** reported a 20.13% rise in net profit, yoy, at Rs 2,381.46 crore.
- **Hero Motocorp** reported a 58.57% rise in net profit, yoy, at Rs 763.37 crore.
- **Hindustan Unilever** reported a 8.14% rise in net profit, yoy, at Rs 988.16 crore.
- **ICICI Bank** reported a 15.18% rise in net profit, yoy, at Rs 2,709.01 crore.
- **Indusind Bank** reported a 30.27% rise in net profit, yoy, at Rs 430.20 crore.
- **Infosys** reported a 44.67% rise in net profit, yoy, at Rs 3,365 crore.
- **ITC** reported a 8.73% rise in net profit, yoy, at Rs 2,425.16 crore.
- **Kotak Mahindra Bank** reported a 26.09% rise in net profit, yoy, at Rs 444.52 crore.
- **Maruti Suzuki** reported a 28.69% rise in net profit, yoy, at Rs 862.54 crore.
- **NMDC** reported a 18.84% rise in net profit, yoy, at Rs 1,566.75 crore.
- **Punjab National Bank** reported a 13.82% rise in net profit, yoy, at Rs 575.34 crore.
- **Reliance Industries** reported a 4.59% rise in net profit, yoy, at Rs 5,742 crore.
- **Sesa Sterlite Ltd** reported a 25.24% rise in net profit,

yoy, at Rs 923.79 crore.

- **Ultratech Cement** reported a 55.26% rise in net profit, yoy, at Rs 410.05 crore.
- **Wipro** reported a 23.24% rise in net profit, yoy, at Rs 1,992 crore.
- **Zee Entertainment** reported a 3.29% rise in net profit, yoy, at Rs 235.49 crore.

Negative Performance:

- **Bajaj-Auto** reported a decline of 29.42% in net profit, yoy, at Rs 590.90 crore for the quarter ended September 30, 2014.
- **Cairn India** reported a 47.89 decline in net profit, yoy, at Rs 1,165.01 crore.
- **Dr Reddy's Laboratories** reported a 43.94% decline in net profit, yoy, at Rs 433.59 crore.
- **Grasim Ind** reported a 27.59% decline in net profit, yoy, at Rs 299.41 crore.
- **IDFC reported** a 5.61% decline in net profit, yoy, at Rs 470.15 crore.
- **Lupin** reported a 43.20% decline in net profit, yoy, at Rs 459.42 crore.
- **Mahindra & Mahindra** reported a 4.33% decline in net profit, yoy, at Rs 946.63 crore.
- **NTPC** reported a 16.90% decline in net profit, yoy, at Rs 2,071.63 crore.
- **TCS** reported a 10.99% decline in net profit, yoy, at Rs 4,991.68 crore.
- **Tech Mahindra** reported a 7.70% decline in net profit, yoy, at Rs 589.47 crore.

BEWARE - FOUR RED FLAGS IN EQUITY INVESTMENT

Promise of
guaranteed
return in any
equity
investment

Insider tips-
experts can't
be wrong

Company boasts
of future
projections
with no real
earnings at the
moment

Offerings of
'quick returns',
'double your
money',
'special access'

ARI - Equity Outlook & Commodity Pick

Nifty Technical Outlook

Markets registered new all time high in the month of October 2014 on the back of good corporate earnings which was further fuelled by BJP getting majority in both Haryana and Maharashtra assembly elections. On the sectoral front Capital Goods, Bankex, and PSU led the rally whereas FMCG and Realty ended on the losing side. The Sensex closed with a gains of 4.64% whereas the Nifty gained 4.49% vis-à-vis the previous month.



Technical Observation:

- On the **monthly chart**, we are observing that prices tested the 5-months EMA and have sharply bounced back. This suggests that momentum on the upside is likely to continue.
- On the **weekly chart**, we are observing that prices after taking support at the median line of the channel have formed a strong bull candle which suggests that the upside momentum is likely to continue.
- On the **daily chart**, we are observing that prices have closed above the short term moving averages which suggest that the undertone in the markets is positive.

Future Outlook:

Combining the above pattern formations it is evident that the undertone in the market is positive. At present 8348 level on closing basis is important resistance for the market. Any close above the mentioned level would propel Nifty to 8492 – 8650 – 8810 levels in couple of months. On the downside, 8236 – 8179 – 8090 may act support for the month.

Broadly, we have seen that prices after testing the median line of the channel are now heading upward to test the upper trendline of the channel (shown above in the graph). Hence we are of the opinion that if we see consolidation or a correction up to 8236 – 8179 levels, there is an opportunity to go long for the target of 8492 – 8650 – 8810 levels.

Natural Gas

Buy

CMP: ₹ 265.50 (as on 05th Nov)

Buy: ₹ 250-248

Target Price: ₹ 275.50-291

Stop-Loss: <₹ 238

Natural gas is undoubtedly the most interesting commodity as far as price swings are concerned. Its fundamentals are quite unique and dynamic, thus bringing in big movements. As a result, technical charts of this special fuel always keep one on the edge of the seat.



Fundamentally, US has the leading expertise on the production of natural gas and can be easily credited for making gas a strong alternative of petrol (gasoline in US) worldwide. The consumption pattern in US is highly depended on extremity of weather in the parts of country. Thus, an extreme cold or hot weather calls for high demand. Presently, cold waves have started to built-up and in days to come we may see demand gaining vertically.

Technically, charts are now in a position to prepare for a strong recovery rally, if not a fully-fledged bullish rally. A falling trend line breakout can be seen on weekly chart which is an indication of a mid-term reversal. After a sharp rise in 2013 that lasted till February this year, nothing much has happened in last 8-10 months. Broadly, gas has given a reasonable swing but those should better be called as range bound situation as per the parameter of volatility the fuel has set. Momentum indicators are supporting the trend and there seems a strong possibility to go past \$6 or Rs 350 mark yet again this year itself. Long term targets can be set at \$8 or Rs 400-450 for next year.

We recommend Buy Natural Gas December contract on dips to Rs 250-248 for targets Rs 275.50-291. Keep stop loss below Rs 238.

ARI - Currency Outlook

USD

We expect the Fed to raise its policy rate in Q2 2015. The statement following the most recent FOMC meeting ending quantitative easing reflects a move in that direction. Also, the hawks on the FOMC are no longer dissenting, now only the most dovish committee member wants to see the statement changed. The reasons that further support our view are:

a) Optimism about labour market, b) No concern over the recent low bias of inflation (and low market inflation expectations), c) Testing tools for raising interest rates via a brief and temporary increase in its Overnight Reverse Repurchase Rate, d) Muting significance of its 'considerable time' guidance by adding caveats, and e) Not flagging any risks from global economic weakness.

The US dollar (USD) is expected to retain an appreciating bias against major currencies. Steady improvement in labour market conditions in the context of contained inflation, declining energy prices and export sector gains will contribute to boost consumption activity and lead to a real GDP growth rate of 3.2% in 2015. The USD is expected to receive massive inflows ahead of the beginning of the monetary tightening cycle projected for the second quarter of next year.

INR

India's economic outlook is recuperating as the new government prioritizes economic reforms to improve the country's policy credibility and business environment. This combined with a period of relative political stability and improving infrastructure should be reflected in stronger investment activity and faster real GDP growth through 2016. We expect real GDP growth to pick up from 5.5% in 2014 to an average expansion of 6% annually in 2015-16. The Reserve Bank of India will likely maintain monetary conditions unchanged in the near term as authorities focus on prioritizing inflation containment over supporting economic growth. The benchmark policy rate has been kept at 8% since January 2014. Lower inflationary pressures may lead to cautious monetary easing in early 2015.

Ability of new government to effect reform has been a sentiment builder for India, as has RBI efforts to adopt a proper inflation targeting regime. Lower inflation and global commodity prices have been bullish for Indian bonds, inciting further inflows into the country, even as foreign equity buying has relented. We expect India to

perform better under rising US yields, than during last year, however, still high inflation and a current account deficit should serve to pressure INR to push USDINR to 62.50 by end of Q4 2014.



Technically, for the coming quarter USD-INR prices are expected to stay under pressure. Formation of high wave candle stick last month is showing sideways to negative mode for the coming month also. Elliot wave theory is suggesting that the currency pair is currently in a corrective phase and the prices are expected to form Wave C and retrace till Rs 55.20 which is 161.80% Fibonacci projection of Wave B.

For the coming month, if prices sustain trade below Rs 61.50 then they are likely to test the support levels of Rs 60.20 and then Rs 59.60. Resistance is seen at Rs 62.50 thereafter. Hence, **we recommend going short in USD-INR below 61.50 for the target of 60.30 and 59.70 with stop loss above 62.60.**

Learn Technical Analysis from Experts



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Quest
Eduventures

ARI - Stocks to Watch

Engineers India Ltd

BUY

CMP: ₹ 276.60 (as on 05th Nov, 2014)

Buy: ₹ 276.60-250

Target Price: ₹ 332-361

Stop-Loss: ₹ 230



Engineers India Ltd is one of the leading engineering consultancy companies in India providing a range of services covering the entire spectrum of activities from concept to commissioning of a project. Engineers India Ltd also executes projects on a turnkey basis. Engineers India Ltd enjoys leadership position in design, engineering and project implementation work in India. It enjoys strong project execution capabilities in India's energy sector with presence across verticals like oil and gas, petrochemicals. Further, company has diversified its presence in sectors like LNG, fertilizer, power, mining, metallurgical and infrastructure. Apart from India, company has strong presence in geographies like Middle East, Africa and South East Asia that gives it diversified revenue base.

Technical Outlook:

On the weekly chart, the stock has shown strong consolidation at 230 levels and has given a strong close above 262 levels. Further, the momentum indicators are gaining strength, this suggests further upside momentum.

We recommend BUY on the stock at Rs 276.60 or on a decline up to Rs 250 levels with a stop loss of Rs 230 for a target of Rs 332-361 levels.

M&M Financial Services Ltd

BUY

CMP: ₹ 305.05 (as on 05th Nov, 2014)

Buy: ₹ 293-280

Target Price: ₹ 310-320-330

Stop-Loss: ₹ 270



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Technical Outlook:

On the daily chart, the stock is taking support at the lower trendline of the channel and looks like the stock has made an intermediate bottom at 270 levels. Further, the momentum indicators are gaining strength, this suggests further upside momentum.

We recommend BUY on the stock in the range between Rs 293 - Rs 280 levels with a stop loss of Rs 270 for a target of Rs 310-320-330 levels.

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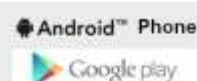
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ARI - Mutual Fund Update

Mutual Fund Roundup

Indian equity markets ended the October month on a positive note despite a dismal start. The concerns of slowdown in economic growth globally subsided at the end of the month as positive data from the US boosted sentiments. Remarkable victory of BJP government in the two key states and deregulation of diesel prices elevated spirits on the bourses. The barometer index, Sensex delivered positive return of 4.64% closing the month at 27865.83 while CNX Nifty ended with 4.49% gain settling at 8330.75.

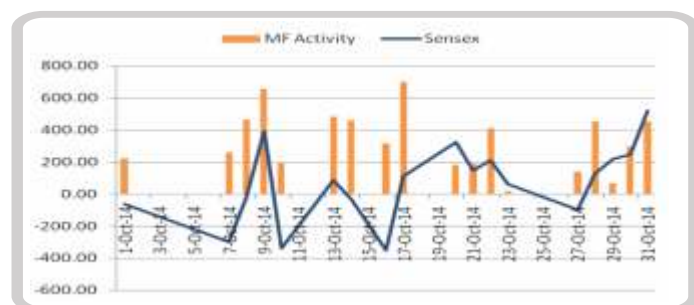
MF Activity

Indian mutual funds turned net buyers of equities to the tune of Rs 5,939.70 crore for the month of October 2014. This marks the sixth consecutive month of inflows into equities. Highest buying was recorded in the third week of the month when the fund houses made total net buy of Rs 1,956.70 crore of equities. On the other hand, foreign institutional investors (FIIs) turned net sellers of Indian equities worth Rs 1,171.51 crore in October 2014, making it the first monthly withdrawal since August 2013.

Mutual Fund Activity in October 2014

(₹ in Crores)	Gross Purchases	Gross Sales	Net Investment
1 st Week	745.40	524.60	220.80
2 nd Week	4103.10	2534.00	1569.10
3 rd Week	4366.10	2409.40	1956.70
4 th Week	3086.50	2289.40	797.00
5 th Week	5181.80	3785.80	1396.10
Total	17482.90	11543.20	5939.70

(Source : SEBI)



Movers and Shakers

Equity Category

In the equity diversified category, JM Core 11 Fund delivered positive returns of 8.24% followed by Birla Sun Life Emerging Leaders Fund - Series 3 (8.19%), HSBC Progressive Themes Fund (7.95%), Motilal Sundaram Select Micro Cap - Series V (7.51%) and Reliance Vision (7.51%).

Monthly Best Performer: All Equity Diversified Funds

Scheme Name	Last 1 Month %
JM Core 11 Fund	8.24
Birla Sun Life Emerging Leaders Fund - Series 3	8.19
HSBC Progressive Themes Fund	7.95
Sundaram Select Micro Cap - Series V	7.51
Reliance Vision	7.51

(Source : Mutual Fund India)

In the sectoral category, Taurus Banking & Financial Services Fund outperformed during the month registering a return of 10.24% followed by Baroda Pioneer Banking and Financial Services Fund (10.13%), UTI Banking Sector Fund (9.99%), Birla Sun Life Banking and Financial Services Fund (9.93%) and Sundaram Financial Services Opportunities Fund (9.39%).

Monthly Best Performer: All Sectoral Funds

Scheme Name	Last 1 Month %
Taurus Banking & Financial Services Fund	10.24
Baroda Pioneer Banking and Financial Services Fund	10.13
UTI Banking Sector Fund	9.99
Birla Sun Life Banking and Financial Services Fund	9.93
Sundaram Financial Services Opportunities Fund	9.39

(Source : Mutual Fund India)

Debt Category

Among the debt fund category, Reliance Dual Advantage Fixed Tenure Fund VI - Plan A delivered positive return of 4.63% during the month followed by DWS Hybrid Fixed Term Fund - Series 6 (4.61%), ICICI Prudential Multiple Yield Fund - Series 2 - Plan F (4.59%), DSP BlackRock Dual Advantage Fund - Series 5 - 36M (4.42%) and Axis Hybrid Fund - Series 8 (4.01%).

Monthly Best Performer: All Debt Funds

Scheme Name	Last 1 Month %
Reliance Dual Advantage Fixed Tenure Fund VI - Plan A	4.63
DWS Hybrid Fixed Term Fund - Series 6	4.61
ICICI Prudential Multiple Yield Fund - Series 2 - Plan F	4.59
DSP BlackRock Dual Advantage Fund - Series 5 - 36M	4.42
Axis Hybrid Fund - Series 8	4.01

(Source : Mutual Fund India)

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