

Key developments during the week

- India May Nikkei services PMI at six month low of 51 from 53.7 in Apr
- Ministry ready with draft of steel industry revival package
- IMD maintains 2016 monsoon forecast at 106% of long period average
- Fitch affirms stable outlook for Indian auto companies; FY17 sales seen up
- RBI allows NBFCs to refinance some project loans sans recast tag
- Cabinet approves postal payments bank; to set up 650 branches by Sep 2017
- Month-long Parliament monsoon session likely from Jul 25
- Cabinet approves 37.7-bln-rupees Chennai Metro line extension project
- Jaitley says further rise in crude prices will hit Indian economy
- Economy secretary says India can grow at 8% in FY17 if monsoon is good
- India May Nikkei manufacturing PMI rose to 50.7 from 50.5 in Apr
- India FY16 GDP growth rose to 7.6% from 7.2% YoY
- India Jan-Mar GDP growth rose to six quarter high of 7.9% from 7.3% QoQ
- India Apr fiscal deficit 1.373 trln rupees vs 1.275 trln rupees YoY
- India Apr core sector growth rose to 8.5% vs 6.4% in Mar
- India Apr tax mop-up 537 bln rupees vs 348 bln rupees YoY
- Trade minister says asked finance minister to up tax break to 7 year for startups

INDEX	03-Jun-16	27-May-16	Change (in %)
NIFTY	8220.80	8156.65	0.79
SENSEX	26843.03	26653.60	0.71
NSE 500	6844.75	6797.00	0.70
NSE MIDCAP	3334.15	3370.90	-1.09
NIFTY JUNIOR	19864.35	19716.15	0.75
BSE SMALLCAP	11148.71	11110.96	0.34
BSE 200	3460.69	3436.20	0.71

INDEX	03-Jun-16	27-May-16	Change (in %)
BSE AUTO	19418.33	18713.86	3.76
BSE BANK	20220.18	19951.10	1.35
BSE CAPITAL GOODS	14360.35	14519.89	-1.10
BSE CD	11442.46	11757.58	-2.68
BSE FMCG	8193.23	8147.25	0.56
BSE HEALTHCARE	15056.91	15463.98	-2.63
BSE IT	11689.36	11568.43	1.05
BSE METALS	8064.49	7683.60	4.96
BSE OIL AND GAS	9399.24	9423.17	-0.25
BSE PSU	6298.29	6206.52	1.48
BSE REALTY	1412.20	1423.27	-0.78
BSE TECK	6290.11	6231.81	0.94

INDEX	03-Jun-16	27-May-16	Change (in %)
DOW JONES	17807.06	17873.22	-0.37
HANG SENG	20947.24	20576.77	1.80
NIKKEI	16642.23	16834.84	-1.14
FTSE	6209.63	6270.79	-0.98

Domestic events week ahead

- Jun 06-10:** Freight traffic of major ports in May, by IPA
- Jun 07:** RBI's second bi-monthly policy statement for 2016-17
- Jun 08-10:** Automobile sales for May, by SIAM
- Jun 10:** Index of Industrial Production for April, by CSO
- Jun 10-14:** FDI inflow for April, by RBI

Source: Cagencies

Global events week ahead

- Jun 06:** Europe Retail PMI, US Fed Chair Yellen Speaks
- Jun 07:** Europe Revised GDP, US Revised Nonfarm Productivity
- Jun 08:** Japan Current Account, Japan Final GDP, China Trade Balance, UK Manufacturing Production, UK Industrial Production, US JOLTS Job Openings, US Crude Oil Inventories
- Jun 09:** China CPI and PPI, ECB President Draghi Speaks, UK Goods Trade Balance, US Unemployment Claims
- Jun 10:** Japan PPI, US Prelim UoM Consumer Sentiment, US Prelim UoM Inflation Expectations, US Federal Budget Balance



Weekly Sector Outlook and Stock Picks

Auto Sector – To take cues from RBI policy; bias seen positive

Shares of major automobile companies are expected to take cues from the Reserve Bank of India's bi-monthly policy announcement this week. The CNX Auto Index may test the 8900-point mark, after having closed up more than 4% on week. Tata Motors is seen leading the charge, as India's largest automaker by sales reaps benefits from growing sales of its UK-based subsidiary Jaguar Land Rover. Maruti Suzuki looks positive, the company'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. Shares of two-wheeler makers, including Bajaj Auto and Hero MotoCorp, may also trade with a positive bias but within a narrow range. Auto stocks are also expected to track monthly sales data release from the Society of Indian Automobile Manufacturers. The data for the month of May is likely to be released on Friday.

Bank Sector – To eye RBI policy; buying seen in private banks

Bank stocks are likely to trade on a cautious note ahead of the Reserve Bank of India's bi-monthly monetary policy statement on Jun 7. The central bank is expected to keep repo rate unchanged, Governor Raghuram Rajan's commentary on banking sector's asset quality would be eyed. Markets will also eye commentary from RBI's Rajan on the speculation surrounding his second-term at the helm of the central bank, which is seen as a factor that can lead to knee-jerk reactions in the banking space. In Jan-Mar, 14 public sector banks reported a combined loss of nearly 255 bln rupees. The mounting losses are primarily due to increased provisioning as per the RBI's asset quality review, which forced banks to classify and recognize certain accounts as non-performing assets. Monday's meeting between Finance Minister Arun Jaitley and bank chiefs would also be eyed. Jaitley will hold the meeting to review their quarterly financial performance. The issue of non-performing assets and capital infusion in public sector banks are also likely to be discussed at the meeting.

Capital Goods Sector – Seen in range with positive bias this week

Shares of capital goods companies are seen trading with a positive bias this week as recent correction in stocks post a mixed earnings season coupled with positive outlook from most companies may attract investors. While companies continued to face execution challenges, stretch working capital cycles and weak order inflows during the last quarter of 2015-16 (Apr-Mar), major capital goods companies reiterated their positive outlook for 2016-17 (Apr-Mar). For FY17, Cummins India likely to post revenue growth of 8-12% in the domestic business and flat with a downward bias for exports. Capital goods companies are currently trading at around 10-15% premium to long-term average prices.

Cement Sector – Seen in narrow range with positive bias this week

Shares of cement manufacturing companies are seen trading in a narrow range with a positive bias this week mainly due to strong sales performance of companies in the sector in Jan-Mar and better prospects of continued demand for the building material. Cement industry's Jan-Mar performance was strong exceeding estimates on operating front mainly on account of better-than-expected demand growth and substantial reduction in operating costs. A healthy demand pick-up was witnessed across the country barring few pockets, which led the companies registering an average volume growth of around 14.5% year on year and around 12.8% quarter on quarter. This sales momentum to drive cement shares up this week. Market participants are now betting on good monsoon to aid cement companies' performance. Markets in west India remain subdued due to drought in many of the regions in Maharashtra. A good monsoon can aid recovery in this region.

FMCG Sector – Move in a range; bias positive; HUL may gain

Shares of fast-moving consumer goods companies are expected to move in a narrow range in the absence of fresh triggers. However, trade is expected to be positive as underlying market sentiment is upbeat. The Reserve Bank of India's bi-monthly monetary policy will be in focus this week. Although the unanimous opinion is that the RBI will maintain status quo on rates, direction on further interest rates, and more importantly, Governor Raghuram Rajan's second term at the RBI will be watched. Though India Meteorological Department's forecast of a favourable monsoon has been factored in stock prices in the last two weeks, it is seen as a positive factor for investors. Most consumer stocks ended on a positive note on the back of the forecast of good a monsoon. Shares of Hindustan Unilever are expected to trade positive. However, contrary to the movement of other consumer stocks, ITC likely to trade weak.

**IT Sector – Seen up this week on weak rupee; US jobs data eyed**

Shares of information technology companies are seen trading with a positive bias this week on continued fall of the rupee against the dollar. The US non-farm payrolls data for May will also be in focus. Stocks in the sector will also track the broader market, which this week was buoyed by robust Jan-Mar GDP numbers and above-normal monsoon forecast by the India Meteorological Department. India's GDP grew at 7.9% in Jan-Mar, the highest in the past six quarters. Rupee weakening will continue to have a positive bearing on IT stocks. The rupee has weakened over the last two weeks in anticipation of a rate hike by the US Federal Reserve. The Indian currency ended at 67.25 a dollar, against 67.03 last week. Wipro, HCL Technologies and Tech Mahindra as they are perceived as undervalued and some recovery is likely near term. Infosys and TCS are fairly priced; Wipro and HCL Tech are cheap. HCL Tech's last quarter margins were weak; hence the stock is trading at cheap valuation and is likely to rise.

Oil Sector – PSU refiners likely to continue upward move

Shares of state-owned oil marketing companies IOC, BPCL, and HPCL are expected to continue their strong showing this week, backed by strong fundamentals, and as low prices of crude oil present opportunities for better marketing margins. Any major sectoral triggers are unlikely and the trend will largely be dictated by global prices of crude oil which have shown healthy signs of a recovery over the past few weeks news flow, and broad market sentiment. For shares of upstream companies ONGC, Oil India, and Cairn India, fundamentals remain weak because of an oversupply in the international market. The recent recovery in oil prices has provided some support and this could continue in the immediate term, should prices head north in the coming days. For now, though, that seems unlikely. On the contrary, oil prices may begin to weaken after weeks of ascent. With the OPEC disappointing hopes of a freeze in output, the four-week bull run in prices of crude oil is likely to end as concerns over excess supply return to haunt the market.

Pharma Sector – Seen subdued this week; Sun Pharma may rebound

Shares of most pharmaceutical companies are likely to be subdued this week, continuing the trend seen in the last few sessions on account of their disappointing Jan-Mar results. Among stocks, Glenmark Pharmaceutical, this was the worst hit after Sun Pharmaceutical Industries last week. Sun Pharmaceutical Industries, though, is showing signs of recovery. The stock witnessed a sharp decline this week on account of its weak 8-10% guidance for 2016-17. The management also said remedial work at Halol unit is progressing well and the company plans to send a request to the US Food and Drug Administration to re-inspect the plant by June-end. Remedial measures are a key factor for pharmaceutical companies over the medium term as most of them are facing regulatory issues. Resolution of USFDA issues (including Form 483s) would provide clarity and result in new product approvals which have been getting delayed.

Metal Sector – Seen in range; govt mulling financial package

Shares of major metal and mining companies are seen trading in a range this week due to lack of sector-specific triggers. Despite some correction in global steel prices in May, domestic prices remained stable during the month. After unprecedented rally in global steel prices, primarily driven by China, during March and April, the month of May saw a well expected correction. Domestic prices, however, have been stable. The sector has seen some improvement in the last few months due a rise in global steel prices, fundamental problems are seen persisting. The steel ministry has prepared a draft of recommendations on a comprehensive package for domestic steel companies, and will send it to the Prime Minister's Office for approval soon. The recommendations include reviewing trade pacts and formulating a scheme to reduce the additional burden of the clean environment cess, which was doubled to 400 rupees per tn in the Union Budget for 2016-17.

Telecom Sector – Seen up this week; Bharti Airtel may lead gains

Shares of mobile service providers are seen trading positive this week, with sector heavyweight Bharti Airtel expected to lead the gains. Further cues will be provided by the outcome of a meeting of the Telecom Commission on Tuesday, at which the final contours of the spectrum auction, will be discussed, along with the Attorney General's view on spectrum user charges. A Fitch report had said the company was well-positioned to maintain its market leadership position due to its integrated telecom operations, ownership of efficient spectrum assets, and ability to offer pan-India 3G and 4G services. Idea Cellular tanked over 11% on Friday, after Providence Equity sold 3.5% in the company through block deals. In adverse news for Reliance Communications, Moody's Investors Service has maintained a negative outlook on the company, citing its strained liquidity conditions. The company has to repay debt of about \$450 mln by Jun 30, Moody's said.



Market range for the week 8080-8420

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 8280 level above this level it may go up to 8350-8380 level.

Support - Nifty has support at 8180 level below this next support at 8150-8080 levels.

Technical – During the week, CNX Nifty opened at 8166.50 and touched the highest level of 8262 and lowest level of 8134.30. The CNX Nifty ended at 8220.80; gain 64.15 points or 0.79%. The S&P BSE Sensex opened at 26694.75 and touched the highest level of 27008.10 and lowest level of 26561.58. The S&P BSE Sensex closed at 26843.03; gain 189.43 points or 0.71%.

For the coming week, we expect the market range of 8080-8420

Weekly Chart View –

We had mentioned in last week's report that on the daily chart we witnessed strong gap up candle and on weekly chart strong bull candle, because of that we had mentioned we can see stocks specific action and all we have seen same. Now on daily as well as on weekly chart we are near to previous high and on weekly chart we get closed above 100WMA. So overall from here 8280-8330 will be major resistance around that level we can see some consolidation and from here 8120-8080 will be good level for buying stocks. As of now some consolidation and stocks specific move is possible.

Weekly Chart





Weekly Sectoral Technical Outlook

NSE Auto Index

CMP: 8749



NSE Auto

At present, we are observing two consecutive bull candles which suggest that upside momentum is likely to continue. Aggressive traders gone long, can trial the stop loss to 8300. On the upside it can test 8950 - 9350 levels.

NSE Bankex

CMP: 17680



NSE Bankex

We maintain our stance that this sector is likely to continue its upside momentum. Aggressive traders, gone long can trial the stop loss to 17200. On the upside, it can test 17900 - 18250 levels.

**NSE Metal Index****CMP: 2047****NSE Metal Index**

We 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 1900. On the upside, it can test 2100 - 2200 levels.

NSE IT**CMP: 11462****NSE IT**

The current price action suggests upside momentum. Aggressive traders gone long can trial stop loss to 11300. On the upside it can test 11700 – 12100 levels.



Weekly Technicals of Key Companies –

Company	Closing 03-Jun-16	Buy/Sell Trigger	Resistance 1	Resistance 2	Support 1	Support 2
ACC	1540.00	1541.83	1562.17	1584.33	1519.67	1499.33
ADANIPORTS	204.55	198.83	212.22	219.88	191.17	177.78
AMBUJACEM	228.65	229.88	232.52	236.38	226.02	223.38
ASIANPAINT	1025.30	1011.95	1045.45	1065.60	991.80	958.30
AUOPHARMA	789.80	780.83	811.67	833.53	758.97	728.13
AXISBANK	542.65	531.45	556.15	569.65	517.95	493.25
BAJAJ-AUTO	2639.20	2618.32	2680.03	2720.87	2577.48	2515.77
BANKBARODA	140.20	140.38	144.27	148.33	136.32	132.43
BHARTIARTL	358.15	357.77	368.38	378.62	347.53	336.92
BHEL	118.00	120.28	123.52	129.03	114.77	111.53
BOSCHLTD	22269.35	22207.13	22603.27	22937.18	21873.21	21477.08
BPCL	1012.50	1006.80	1039.65	1066.80	979.65	946.80
CIPLA	465.20	467.82	476.63	488.07	456.38	447.57
COALINDIA	308.95	302.92	317.93	326.92	293.93	278.92
DRREDDY	3160.10	3164.00	3216.00	3271.90	3108.10	3056.10
EICHERMOT	18787.00	18659.00	19048.00	19309.00	18398.00	18009.00
GAIL	370.25	373.73	381.32	392.38	362.67	355.08
GRASIM	4318.75	4344.42	4378.68	4438.62	4284.48	4250.22
HCLTECH	721.90	733.70	751.90	781.90	703.70	685.50
HDFC	1254.90	1245.35	1278.35	1301.80	1221.90	1188.90
HDFCBANK	1171.75	1178.60	1188.15	1204.55	1162.20	1152.65
HEROMOTOCO	3146.20	3120.12	3237.23	3328.27	3029.08	2911.97
HINDALCO	105.55	103.78	109.42	113.28	99.92	94.28
HINDUNILVR	884.85	869.28	903.57	922.28	850.57	816.28
ICICIBANK	243.75	243.45	249.30	254.85	237.90	232.05
IDEA	105.45	110.48	116.77	128.08	99.17	92.88
INDUSINDBK	1123.95	1117.15	1139.30	1154.65	1101.80	1079.65
INFRATEL	384.55	382.95	393.60	402.65	373.90	363.25
INFY	1266.90	1261.73	1284.47	1302.03	1244.17	1221.43
ITC	353.90	355.12	360.98	368.07	348.03	342.17
KOTAKBANK	769.30	759.38	782.37	795.43	746.32	723.33
LT	1460.60	1466.23	1490.82	1521.03	1436.02	1411.43
LUPIN	1450.10	1465.37	1484.73	1519.37	1430.73	1411.37
M&M	1354.20	1341.87	1370.93	1387.67	1325.13	1296.07
MARUTI	4217.95	4168.98	4283.97	4349.98	4102.97	3987.98
NTPC	147.60	144.85	152.05	156.50	140.40	133.20
ONGC	211.85	212.23	215.32	218.78	208.77	205.68
POWERGRID	150.40	150.48	152.87	155.33	148.02	145.63
RELIANCE	959.65	962.08	979.07	998.48	942.67	925.68
SBIN	196.60	199.83	205.07	213.53	191.37	186.13
SUNPHARMA	737.35	771.47	807.88	878.42	700.93	664.52
TATAMOTORS	453.95	440.05	478.80	503.65	415.20	376.45
TATAMTRDVR	317.05	304.63	336.32	355.58	285.37	253.68
TATAPOWER	73.90	73.93	75.97	78.03	71.87	69.83
TATASTEEL	338.55	335.70	351.15	363.75	323.10	307.65
TCS	2629.55	2616.52	2671.03	2712.52	2575.03	2520.52
TECHM	551.70	550.23	565.47	579.23	536.47	521.23
ULTRACEMCO	3189.25	3210.77	3238.23	3287.22	3161.78	3134.32
WIPRO	540.80	544.73	555.02	569.23	530.52	520.23
YESBANK	1049.40	1038.25	1070.95	1092.50	1016.70	984.00
ZEEL	456.55	452.30	466.05	475.55	442.80	429.05

Source: Iris Software



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