



**AJCON GLOBAL**  
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## Market Wrap

March 12, 2018

### Positive global cues brings smile on Dalal Street; IIP numbers come out strong with CPI also cooling down..

The domestic indices ended nearly 2% higher on Monday, mirroring gains in their key Asian counterparts.

The S&P BSE Sensex ended at 33,918, up 611 points while the broader Nifty50 index settled at 10,421, up 195 points. This was the biggest intra-day gain for the indices in almost a year, data show.

Riding on the back of robust growth in the manufacturing sector, India's industrial output grew at 7.5 percent in January, data released by statistics office on Monday showed. Manufacturing output in January was at 8.7% compared to 8.5% in December. Factory output measured by the index of industrial production (IIP) is the closest approximation for measuring economic activity in the country's business landscape. Cumulative IIP growth for the period of April 2017-January 2018 over the corresponding period of the previous year stands at 4.1 percent. Capital goods output, which is a proxy to measure private sector investment activity, was 14.6 percent in January compared to 16.4 percent in December. Consumer durables output growth was 8 percent in January as compared to while consumer non-durables fell to 10.5 percent in January.

India's retail inflation fell to 4.4 percent in February compared to 5.07 percent a month ago. Retail inflation, measured by Consumer Price Index (CPI) stayed above 5 percent in January and December, mainly due to hardening housing, fuel and food prices, while inching towards RBI's upper tolerance level of inflation at 6 percent. CPI is the main price gauge that the Reserve Bank of India (RBI) tracks. Consumer food price inflation was at 3.38 percent in February from 4.58 percent in January. Vegetables prices grew 3.38 percent in February as compared with 4.7 percent a month ago. Last month, the Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) estimated inflation at 5.1 per cent in the quarter ended March, including the impact of HRA. In the previous bi-monthly resolution in December, RBI projected inflation in the range of 4.3-4.7 per cent in the second half of 2017-18, including the impact of increase in HRA. The headline inflation averaged 4.6 per cent in October-December, driven primarily by an unusual pick-up in food prices in November. "Though prices eased in December, the winter seasonal food price moderation was less than usual. Domestic pump prices of petrol and diesel rose sharply in January, reflecting lagged pass-through of the past increases in international crude oil prices. Considering these factors, inflation is now estimated at 5.1 per cent in Q4, including the HRA impact," the central bank said in its bi-monthly monetary policy statement. The apex bank estimated the retail inflation for 2018-19 in the range of 5.1-5.6 percent during April-September and 4.5-4.6 percent in the second half of the year.

### Sectors and stocks

The Nifty FMCG index ended 2.62% higher on Monday, led by a rise in the shares of United Spirits, ITC and Tata Global Beverages, while the Nifty Metal index rose 2.14% as Jindal Stainless (Hisar), Jindal Steel & Power and Steel Authority of India Limited gained ground.

Shares of the telecom operator rose as much as 4.86%, the most in over a month, to Rs 421.70. The Sunil Mittal-led company's board approved the issuance of foreign currency bond of \$1 billion or equivalent in one or more tranches, according to its stock exchange notification.

Shares of public sector undertaking (PSU) banks continued to be under pressure with the Nifty PSU Bank index hitting a fresh 19-month low as banking stocks once again succumbed to heavy selling pressure in the wake of reports that Union Bank of India has direct credit exposure of about Rs 1.20 billion to companies controlled by jeweler Nirav Modi, and another Rs 1.75 billion to Gitanjali group of companies. The Nifty PSU Bank index slipped 2.2% to Rs 2,794, hitting its lowest level since August 8, 2016. Andhra Bank, Union Bank of India, IDBI Bank, Oriental Bank of Commerce, Bank of India and Canara Bank were down more than 3% on the National Stock Exchange (NSE). Out of 21 listed PSU banks, as many as eight banks - Andhra Bank, Union Bank of India, Uco Bank, United Bank of India and Corporation Bank - touched a five-year low today. According to media report, both the Enforcement Directorate (ED) and the Serious Fraud Investigation Office (SFIO) has waded into the ~54-billion loan to the Usha Martin group owed to a consortium of lenders headed by State Bank of India (SBI).



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Shares of companies engaged in shrimp production business have dipped by up to 8% on the BSE in intra-day trade after the United States, the largest market for Indian seafood, hiked anti-dumping duty on Indian shrimp exports to 2.34% from earlier 0.84%. Waterbase (down 8% at Rs 271), Avanti Feeds (4.4% at Rs 2,254) and Apex Frozen Foods (3.3% at Rs 631) were down up to 8% on the BSE in intra-day trade in otherwise firm market. The Department of Commerce (DoC) has preliminarily determined that certain frozen warmwater shrimp from India is being sold in the United States at less than normal value during the period of review (POR) February 1, 2016 to January 31, 2017. For the financial year 2016-17, the USA accounted 11% of total revenue for Avanti Feeds. In past one year all these three stocks (Avanti Feeds up 221%) and Waterbase (214%) had outperformed the market by surging more 200%, while Apex Frozen Feeds zoomed 273% against its issue price of Rs 175 per share.

### Global Markets

World stocks surged to a two-week high on Monday after strong US jobs data at the end of last week helped take the edge off investors' concerns about the potential outbreak of trade war between the United States and other major economies. European shares shot up across the board, following their Asian counterparts, while emerging market currencies strengthened as investors bought up so-called riskier assets and sold "safe haven" securities such as gold and government bonds.

Markets have been cheering Friday's US nonfarm payrolls data which showed a hefty 313,000 rise in jobs, but also revealed that annual growth in average hourly earnings had slowed to 2.6 percent after spiking in January. This suggested that the world's largest economy is experiencing a combination of high growth and low inflation, referred to in the market as a "Goldilocks" trend; giving investors an incentive to buy assets such as equities and high-yield bonds without having to fear tighter central bank policy.

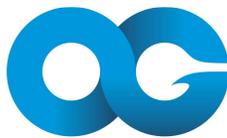
As a result, the S&P 500 surged more than 1.7 percent on Friday -- its second-best day of the year so far -- and the warm glow extended around the globe on Monday.

Germany's DAX led gains in Europe, rising 0.9 percent, and MSCI's world equity index, which tracks shares in 47 countries, hit a two-week high.

Earlier, MSCI's index of Asia-Pacific shares outside Japan climbed 1.3 percent, poised for a third session of gains. South Korea rose 1 percent, while Australia's main index added 0.7 percent, boosted by mining shares on news that Australia could be exempt from new US trade tariffs on steel and aluminium imports.

Brent crude gave up some of Friday's gains, dropping 27 cents to \$65.22 a barrel, as rising US output loomed over markets despite a slowdown in rig drilling activity.

Gold prices also slipped 0.3 percent \$1,320.46 an ounce.



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