



Mr. Ajmera's column as on 4th August, 2014

Market to remain volatile; eyes on RBI monetary policy...

The sharp correction on Friday has shifted focus on global events, as the green shoots seen in the domestic economy have largely been priced in. We believe market could remain volatile, ahead of the Reserve Bank of India (RBI) monetary policy, on the back of global risk aversion.

Dalal Street ended last week 2.6 per cent lower due to a global sell-off triggered by concerns of interest rate increase in the US and default in debt payment by Argentina.

We aren't too perturbed by the correction, which we believe was overdue after a sharp rally, which has seen the benchmark indices rally over 15 per cent in less than three months.

Investors were eyeing the next big triggers, such as government policy action or easing of monetary policy by the central bank, to provide further ammunition for the stock market.

The BSE's 30-share Sensex had ended last week at 25,480, while the Nifty closed at 7,602.

The risk-off trade has seen overseas investors sell shares worth more than Rs 2,500 crore in the previous two trading sessions. Although domestic institutional investors have been providing some buying support, experts say if selling by foreign investors intensifies the market could correct sharply.

Ajcon's view:

On earnings front, barring the technology companies and select stocks, the result season for the June 2014 quarter has yielded few surprises so far. "Most of the earnings have been discounted for in terms of the index valuations. Now, we will see more stock and sector-specific action in the market.

Going ahead, we could see some cooling off of flows as the deadline for the tapering in the US stimulus package comes closer. Markets are prepared for it to an extent that flows remain muted.



Although the domestic economy has seen positive data on the macroeconomic front, we believe that most of it has already been factored in.

Near-term triggers could be the RBI policy review, inflation and domestic manufacturing data. The central bank is expected to keep key policy rates unchanged on Tuesday. However, some market players are expecting the RBI to ease interest rates.

State Bank of India, Jindal Steel, Power Grid Corporation and Mahindra and Mahindra are some of the names expected to announce their June quarter numbers in the week ahead.

At current levels, we would recommend buying in stocks in sectors like Banking, NBFCs, Metals, Capital Goods and Infrastructure.

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