



Mr. Ashok Ajmera, CMD

Mr. Ajmera's column as on July 04, 2015

Benchmark indices end on a positive note for the third consecutive week..

The benchmark indices shrugged off the unfolding Greece saga to gain more than 1% in the week ended July 3, to make it three consecutive weeks of gains, on the back of better-than-expected progress of monsoons and a rebound in core sector output.

The BSE Sensex regained the psychological 28,000 level to settle at 28,092, higher by 280 points or 1% and the CNX Nifty rose 103 points or 1.2% to end the week just shy of the technically crucial level of 8,500 at 8,484.

There was outperformance on the broader market front; the mid-cap index rose 183 points or 1.7% to settle at 10,870 and the small-cap index rose 179 points or 1.6% to end the week at 11,303.

Key sectors & stocks

The FMCG, banking and capital goods sector rose 1-2% each during the week, while the IT index ended the week lower by 1%.

The FMCG index galloped by nearly 3% as a normal monsoon season is expected to bolster the rural economy. Hindustan Unilever gained 4.2% at Rs 924 and ITC added 2.2% at Rs 315. Colgate, Dabur India and GSK Consumer added 2-3% each.

Banking shares ended on a high note, with heavyweights such as HDFC Bank, ICICI Bank and State Bank of India gaining around 1% each. In the larger banking universe, Bank of Baroda, Federal Bank, PNB and Kotak Mahindra Bank gained 2-4% each.



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In the capital goods space, BHEL, BEML and L&T rose 3-8% each. ABB, Alstom and Thermax were among the other significant gainers in this space.

On the other hand, IT stocks ended on the lower side due to the strengthening rupee. Tech Mahindra dived by 9%, while Infosys and Wipro shed about 1% each.

Key events

The India Meteorological Department (IMD) said that for the country as a whole, the cumulative rainfall during this year's monsoon season was 10% above the long period average (LPA) until July 2. A normal monsoon will not only boost incomes in a predominantly rural economy, but also give enough headroom to the Reserve Bank of India (RBI) to cut rates further in the foreseeable future.

The output of eight core infrastructure industries i.e. coal, crude oil, electricity, natural gas, refinery products, fertilisers, steel and cement, rose by 4.4% in May 2015 compared to 3.9% in the same month last year. In the process, the May data snapped two straight months of decline.

Meanwhile, the RBI Governor Dr Raghuram Rajan said that the Indian economy was recovering and there were signs of a pick-up in capital investments.

Ajcon's view

The markets would react to the Greece voting outcome in the week ahead. Greece will hold a referendum on Sunday, viz. July 5, 2015, on whether to accept the reform proposals put forward by its international lenders. Greek Prime Minister Alexis Tsipras urged a 'No' vote, saying a rejection will bolster chances of securing a better deal.

The recent rally witnessed in the stock markets has left little room for disappointment. A 'no' vote from Greece could trigger knee-jerk reactions across the world markets, including India. Disappointing news from Greece could drag the Nifty to its support level of 8,200. On the other hand, a positive vote by Greece could catapult the index to 8,600 levels.

The India volatility index or VIX rose 4.8% on Friday to end higher by 15.56% in the bygone week, suggesting nervousness among market participants ahead of the landmark Greece verdict on Sunday.

The derivatives data indicates that Nifty will take strong support at 8,300 and will face resistance at 8,500. On the technical front, 8,350 is a strong support for the Nifty and a breach of this level could signal a change in the short-term trend for the bourses.



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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at research@ajcon.net

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Corporate and Broking Division : 408 – (4th Floor), Express Zone, “A” Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel’s, Western Express Highway, Malad (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062

Registered Office: 101, Samarth, Off. Hinduja Hospital, 151 Lt. P.N. Kotnis Road, Mahim (West), Mumbai – 400016. Tel: 022-24460335/36/40