



### Mr. Ajmera's column as on 14<sup>th</sup> September, 2013

#### "US Fed decision and RBI Monetary Policy in coming week to decide trend of indices"...

During the week, **Sensex gained another 463 points this week on top of a 1035 points rally in previous week, supported largely by inflow of foreign money that pushed the rupee 180 paise up this week as against 46 paise last week.** This was mainly on account of boost in sentiments by actions taken by RBI Governor, easing of tensions in Syria and strong Chinese economic data. Recent rally is not so much to do with domestic factors; it has been largely an emerging markets rally driven more by China, more by the fact that Syria has been pushed back to the backburner because the QE tapering that people have been talking about will be probably softer than people anticipated previously. The Sensex closed at 19732.76, up 2.4 percent over previous week and the Nifty gained 3 percent or 170.2 points at 5850.60 while the broader markets outperformed with the CNX Midcap and BSE Smallcap indices rising more than 3 percent. BSE Capital Goods index rallied the most this week 8% followed by Bank, Power, Auto, Metal, FMCG and Healthcare with 2-5 percent gains. Punjab National Bank and DLF were the biggest gainers, rising 14-15 percent and then Axis Bank, Tata Power and L&T with 11 percent rally each. However, Cairn India, IndusInd Bank, ONGC and ICICI Bank were only losers. After 1500 points rally in last two weeks, the market is looking for more triggers globally and locally to get direction on either side.

Globally, U.S. stocks rose on Friday and the Dow registered its best weekly gain since January, helped by a rise in Intel shares, though trading was subdued ahead of the Federal Reserve's expected reduction of stimulus measures next week. Despite indications economic growth slowed somewhat in the third quarter, **market participants expect the Fed to trim its US\$85 billion in monthly bond purchases by US\$10 billion while leaving interest-rate policy highly accommodative to help the economy - and be supportive of equities.** The Dow, up 3 percent for the week, has one more week of trading with its current 30 constituents. The S&P 500 rose 2 percent for the week, its best gain in about two months, yet its trading range has narrowed sharply this week and that trend is expected to continue until the Fed announcement. The Nasdaq posted a 1.7 percent gain for the week.

**Brent crude oil edged higher on Friday, erasing losses of over US\$1 in a run-up in the hour before the settlement as uncertainty over negotiations between the United States and Russia over Syria's chemical weapons put investors back on edge.** Investors piled in ahead of the weekend, lifting prices and capping a session of mostly selling. Early losses of

more than US\$1 in both Brent and U.S. crude indicated the market was less worried about a military strike on Syria as Russia and the United States agreed on a new push to negotiate an end to that country's civil war. U.S. crude pared some of its earlier losses that came after weak consumer confidence and retail sales data pointed toward slower growth during the third quarter in the world's largest oil consumer. The Brent crude futures contract for October, which expires on Friday, rose 15 cents to US\$112.78 a barrel, after earlier touching a session low of US\$111.60. Libya's state National Oil Corp has declared force majeure or its inability to honour contracts on three ports, according to a company document, following several weeks of shutdown. Iraq's oil exports from its southern ports have slowed so far in September and may fall further until mid-October due to maintenance, according to shipping data and industry sources, tightening supply from OPEC's second-largest producer. In addition, a processing platform in Norway's Ekofisk crude stream will be partially shut down in the next week for repairs, its operator has said, which may further delay shipments of the oil that helps set the Brent benchmark.

**Going ahead, months of anticipation will come to an end next week when the Federal Reserve finally says whether it will start to rein in its massive stimulus of the economy, which has flooded financial markets with some US\$2.75 trillion over the past five years, supercharging returns on everything from stocks to junk bonds.** But for all the concerns that the reduced presence of such a giant asset buyer would be calamitous for investors, it appears equity and bond markets are poised to take next week's Fed decision largely in stride - provided the central bank doesn't surprise with the size of its move or shock in some other way. The Fed has telegraphed its intentions to pare back its monthly purchases of US\$85 billion in bonds at its two-day meeting that ends next Wednesday. The scale of the tapering and what Fed Chairman Ben Bernanke might say at his press conference are key here, but the steady messaging in the last few months means next week probably won't see carnage in the markets.

The new Reserve Bank of India (RBI) governor will announce monetary policy on September 20. If the Fed does nothing, the RBI gets some leeway. **If the US tapers, the RBI will have to raise rates to maintain yield differentials between dollar and rupee. Bond yields have risen in both markets; tapering would push dollar yields up again. Meanwhile, the Syria flashpoint may be defused, at least temporarily. The September 20 monetary policy is crucial since the RBI is carrying the weight of positive expectations.**

Indian markets trade at ~13x FY14E and ~12x FY15E versus historic average of 16x. At this juncture, we believe markets offer good profit booking opportunity in earlier recommended stocks.

Your friendly advisor since 1986,

Ashoka Ajmera

## Key statistics

### NSE Nifty Gainers

Company	CMP AS ON 13 September,2013	CMP as on 6th September,2013	%Change
PNB	514	447.45	14.87
DLF	156.85	137.4	14.16
Axis Bank	1059.6	952.4	11.26
LT	836.4	754.1	10.91
Tata Power	78.4	70.8	10.73
IDFC	95.1	87.45	8.75
Bank of Baroda	530.65	487.5	8.85
ACC	1043.7	962.3	8.46
M&M	830.3	769.45	7.91
Ultratech Cement	1720.85	1601.05	7.48

Source: NSE, Ajcon Research

### NSE Nifty Losers

Company	CMP as on 13 September,2013	CMP as on 6th September,2013	%Change
Cairn India	320.4	332.3	(3.58)
Indusind Bank	400.1	413.25	(3.18)
ICICI Bank	941.95	962	(2.08)
ONGC	282.7	288.3	(1.94)
TCS	1953.75	1988.8	(1.76)
Dr Reddy	2249.3	2284.65	(1.55)

Source: NSE, Ajcon Research

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