
## Mr. Ajmera's column as on Aug 18, 2014

### Markets inspired by PM's independence day speech; remain cautious and invest on dips..

The broader markets continued to outperform the benchmark indices as investors shifted focus with valuations of large-caps stretched after gains in the previous four straight sessions which pushed the benchmark indices near to their 52-week highs. Investors are now seen bargain hunting in fundamentally sound mid-cap and small-cap which had corrected recently. It may be recalled that Prime Minister Narendra Modi in his maiden Independence Day speech focused on financial inclusion and making India a manufacturing and export powerhouse. Public sector banks which generally have a wide rural reach could be the beneficiaries as the financial inclusion takes off.

Globally, news late on Friday that Ukrainian forces said they had destroyed a Russian military column in Ukrainian territory initially hit Wall Street, drove down government bond yields and boosted safe-haven currencies such as the yen and Swiss franc. US stocks eventually pared their losses as risk appetite partially returned; giving Asian shares an early lift on Monday. Still, with the four-month conflict reaching a critical phase over the weekend - Kiev and Western governments are nervously watching if Russia will intervene in support of the increasingly besieged rebels in eastern Ukraine- risk appetite was subdued.

### Ajcon's view:

Clearly from a market man point of view 'Made in India' ideology in PM's speech at Independence Day is something which is very comfortable to the market. Indian economy which transited from agriculture based economy to services based economy whereas the manufacturing base never developed or never contributed as much to the economy which we have seen in other parts of the world. In this regard, India clearly needs to create employment, create jobs and that is the virtuous cycle which market is looking forward where today you have more jobs with results into more income which creates more savings, more investments, more demand and ultimately more growth. So that 'Made in India' is something which market will be favorably looking forward to. As PM mentioned that well begun is half done but in India's case the execution is more critical than just the intent. So what steps government takes on ground to remove the new license permit raj of land, employment, labour laws and so on and so forth, that is what market will be looking forward to.

In this consolidation phase couple of things tends out. We have seen some of the cyclical coming down by 10-15 percent from the recent high to current market price. These are across sectors like infrastructure, power, domestic cyclical and so on whereas some of these stocks which were defensive in IT, pharmaceutical and FMCG have moved up. This trend or rotation has kept the Nifty where it is but the stocks in-turn has moved by 10-15 percent. We are in a phase where market is trying to look at the results which has come very positive, are also looking at the supply pipeline which is looking quite large. We are also looking at divestment which is a large number; markets are also looking at global environment which is not as conducive as it was sometime back. All these things are keeping market on tenterhooks and this is where the sector rotation will become critical, this is where the stock picking will become critical and now its stocks which are going to give the return rather than the broad market movement.

Going ahead, apart from geopolitics, currency and bond markets will be focused on the Aug. 21-23 annual meeting of top central bankers at Jackson Hole, Wyoming, for possible clues about the path for monetary policy in the months ahead.

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

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