Mr. Ashok Ajmera, CMD

Mr. Ajmera's column as on July 18, 2015

Markets post biggest weekly gains in 4 weeks on Iran nuclear deal and Greece bailout..

Benchmark indices rebounded this week to end 3% higher as the progress of the Greek bailout deal bolstered sentiment for riskier assets and the positive impact for India post the historic Iran nuclear deal.

For the week ended July 17, the 30-share Sensex ended up 802 points or 2.9% to end at 28,463 and the 50-share Nifty ended up 249 points or 3% to end at 8,610. Interestingly, the broader markets outperformed the benchmarks with the BSE Mid-cap index rising 3.2% to record a fresh life time high of 11,252 during the week under review.

Foreign institutional investors have been the forerunners of this rally with net equity purchases to the tune of about Rs 5,500 crore after being net sellers in the previous two months.

The historic Iran nuclear deal will hugely benefit an oil importing nation like India with resumption of crude oil imports as Iran begins to pump more oil. Most importantly, lower crude oil prices will not only lower India's current account deficit but forex reserves could get a boost if Iran accepts higher portion of the payments in Indian rupees. According to Economic Survey (2015) estimate, a $1 per barrel drop in international crude oil prices is likely to reduce India's net import bill by $0.9 billion a year.

Financials which had rallied in the earlier part of the week on rate cut hopes fizzled out amid uncertainty whether the new composite investment caps for foreign entities would include the bankking sector. Information technology shares were the top gainers post the upbeat results from TCS while pharma stocks provided the booster dose and autos zipped past in top gear.

Cement major ACC registered 45% drop in its consolidated net profit at Rs 134 crore for the second quarter ended June 30 on account of ''challenging" market conditions and subdued demand.

However, with valuations seen stretched in most of the blue-chip counters the broader markets stole the limelight with investors seen accumulating fundamentally sound shares in midcap space.

Economy

Merchandise exports contracted for the seventh straight month in June to 15.82% to $22.28 billion compared to $26.47 billion in the same month last year. The contraction was mainly on account of weaker demand largely due to crisis in China and Greece.

There was a great divergence seen in Wholesale Price Index and Consumer Price Index numbers. Wholesale Price Index (WPI) declined at a faster rate of 2.40% in June year-on-year compared with 2.36% in May. WPI inflation stood at 5.66% in June, 2014. Consumer Price Index (CPI)-based inflation rose to a nine-month high of 5.40% in June, on the back of spike in food prices.

Precious metals

Gold prices hit a five-year low in the benchmark Comex trade on Friday, the fourth successive week of a bearish close, following positive economic outlook forecast by the United States Federal Reserve. Silver prices followed suit, nosediving to a six year low.

The yellow metal slumped to $1130 an ounce on Friday in the Comex division of the New York Mercantile Exchange. In late London trade, however, gold recovered marginally to close at $1136.2 an oz. Gold's current level of $1130 an oz was earlier seen in May 2010.

Silver, too, recovered marginally to close on Friday at $14.91 an oz after falling to $14.90 in early London trade, a level not seen since 2009.

In Mumbai's Zaveri Bazaar, the busiest bullion and jewellery market, gold and silver eased further to trade Rs 25690 per 10 grams and 34500 a kg respectively. Gold, however, continued to trade in most market at a discount of $2.5 an oz compared to its imported cost.

Last week, US Federal Reserve chair Janet Yellen confirmed that the US Fed would raise interest rate this year which cleared earlier doubts. Thus, pressure continues on bullion. In that backdrop gold would continue to fall.

Weak trend persist in the precious metal segment since 2013 after the US Fed reported a recovery in its economy. Early this week, too, the US Fed chair Janet Yellen hinted that the US economy is recovering as per expectations, which suggested that a proposed interest rate hike may be possible this year itself.

Interestingly, the US dollar hit one month high on Friday to 1.08 against the Euro on positive economic outlook in the United States which is expected to rebound investors' trust towards the US treasure resulting into emergence of dollar demand.

The fall in gold prices has revived jewellery demand with consumers gradually rushing to book their piece before gold price revives.

As a result of gold price fall, Jewellers have witnessed 20-30 per cent surge in retail jewellery demand in the last 3-4 days.

Global Markets

Wall Street's Nasdaq stock index ended at a record high on Friday on a rally in Google shares, while weak energy stocks and disappointing corporate results from companies such as Boeing and Volvo hit other European and US indexes and the dollar rallied on strong US inflation and housing data.

Ajcon's view

We believe the market has been in a broad consolidation range and that may continue in July at least. Although the macros have improved in the last few months, substantial improvement in earnings will be seen only after 2 quarters.

Investors will keenly await first quarter earnings from major corporates in addition to the developments especially on the Land Bill and GST Bill in the monsoon session of Parliament which begins on July 21 and annoucements by the MET department on the progress of the monsoon rains.

UltraTech Cement, HDFC Bank, Infosys, Hindustan Unilever, Idea Cellular, Asian Paints, Bajaj Auto, Lupin, Wipro, Axis Bank and index heavyweight Reliance Industries will announce their earnings for the April-June quarter.

We recommend accumulation in fundamentally strong midcap stocks available at attractive valuations in PSU Banking & Financial Services, Infrastructure, Real Estate, Engineering, Automobiles, Capital Goods, Packaging, Logistics and Pharma.

Disclaimer

Ajcon Global Services Ltd. is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Ltd. research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.
Individuals employed as research analyst by Ajcon Global Services Ltd. or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and five days after the publication of a research report.

We and our affliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions in act as a principal in, and buy or sell the securities or derivatives thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

The information and opinions in this report have been prepared by Ajcon Global Services Ltd. and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Ltd. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Ltd. is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Ltd. from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Ltd. will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Ltd. accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Ltd. or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Ajcon Global Services Ltd. or its associates have not received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

Ajcon Global Services Ltd. encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Ltd. or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Ltd. nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that CA Ashok Ajmera, research analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Ltd. or its subsidiaries collectively or Research Analysts do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

It is confirmed that CA Ashok Ajmera research analyst do not serve as an officer, director or employee of the companies mentioned in the report.

Ajcon Global Services Ltd. may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor Ajcon Global Services Ltd. have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Ltd. by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Ajcon Global Services Ltd. and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

For research related queries contact:

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

CIN: L74140MH1986PLC041941

Website: www.ajcononline.com

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