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Mr. Ajmera's column as on December 19, 2015

Fed rate hike by US Fed had positive impact on domestic bourses; winter session of the Parliament nearly coming to an end albeit without GST..

Markets posted gains in four out of five sessions during the week and finished the week on a firm note as investors heaved a sigh of relief after the US Federal Reserve hiked the Federal Funds Rate by 25 basis points citing confidence in the world's largest economy.

The US Federal Reserve's first rate hike in a decade was a non-event for the Indian markets as the interest rate increase was on expected lines and factored-in by investors. Meanwhile, the central bank signaled the future rise in interest rates will be gradual.

Sensex surged 475 points or 2% to end at 25,519 while the Nifty50 surged 152 points or 2% to close at 7,762. However, the broader market outperformed the benchmarks. The BSE Mid-Cap index jumped 3.2% and the BSE Small-Cap index gained 2.8%.

The government at its mid-year economic review forecasted consumer price inflation of 6% for FY16 adding that the economy had made progress but challenges remained. It also promised to hold fiscal deficit at 3.9% of total GDP, while projecting a revenue deficit of 2.8% for FY16. It cautioned that it would reassess commitment to cut fiscal deficit by 0.4% by FY2017

It also warned that the proposed wage hike for central government employees by the Seventh Pay Commission could adversely impact the fiscal deficit.

Sectors and stocks

In order to reduce pollution in New Delhi, the Supreme Court banned the registration of diesel sport utility vehicles and private cars with an engine capacity of over 2,000cc in the



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national capital region up to March 31, 2016, in the wake of high pollution levels of Delhi. The auto stocks closed the week on a mixed note. M&M dropped 1.4% while Tata Motors and Maruti Suzuki gained between 0.1%-3%.

Wipro fell 2.08% as the recent heavy rainfall and resultant flooding is expected to have a material impact on the revenues and will result in higher one-time cost incurred towards deployment of the company's business continuity plan.

On the flip side, steel stocks climbed this week with Tata Steel gaining 6% and emerging as the biggest gainer in the 30-share Sensex pack after the government imposed anti-dumping duty on stainless steel imports to protect the domestic industry from cheap imports. Among other stocks, Jindal Steel, JSW Steel and SAIL advanced between 5%-7%.

Other prominent gainers include HDFC, Sun Pharma, Infosys, Reliance Industries, Hindalco and HUL up between 4%-5%.

Global Markets

Meanwhile, the BOJ maintained the monetary policy unchanged as expected, but the central bank announced a new program to purchase ETFs at annual pace of 300 billion yen (US\$2.45 billion). This is in addition to the bank's existing ETF purchase program which increases ETF holdings at an annual pace of about 3 trillion yen.

Week ahead

Trend in the global markets, movement in crude prices and rupee along with the FII stance will dictate the trend on the bourses in the coming week. Meanwhile, markets will remain closed on Friday, 25 December 2015, on account of Christmas.

Adani Ports and Special Economic Zone (APSEZ) and Asian Paints will replace Vedanta and Hindalco Industries from the 30-share S&P BSE Sensex with effect from Monday, 21 December 2015.

With the winter session of the Parliament nearly coming to an end with three working days remaining, markets participants will keenly watch out for developments pertaining to the crucial goods & services tax (GST) bill which is likely to affect will affect the confidence of foreign investors. However, in an all-party meeting convened by Rajya Sabha Chairman Hamid Ansari failed to reach a consensus on the passage of the GST bill. Hence, the fate of GST not being passed is almost sealed.

US and UK are scheduled to announce their Q3 GDP data on Tuesday, 22 December 2015. Meanwhile, US initial jobless claims data for December is scheduled to be release on Thursday, 24 December 2015.

We believe going ahead, markets would remain lackluster as, Christmas is generally seen as a holiday season for the global investors but do not rule out stock specific movements especially midcaps. Action would be witnessed in mid Jan and Feb as markets would start discounting Budget expectations. Positive outcomes are expected from Power, Coal and Infrastructure ministries.



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