



Mr. Ashok Ajmera, CMD & CEO

Mr. Ajmera's column as on 19th March, 2016

Domestic bourses were buoyant owing to positive macroeconomic data; FII inflows to drive market direction..

Markets are likely to track foreign fund inflows and trends in oil prices in the holiday-shortened week ahead.

In the week to March 18, benchmark shares indices gained for the third straight week buoyed by encouraging macro economic data while US Federal Reserve's dovish stance also raised hopes of a rate cut by the Reserve Bank of India (RBI) and also provided comfort on further foreign fund inflows.

The Sensex gained 235 points to end at 24,953 and the Nifty50 gained 94 points to settle at 7,604.

The US Fed at its two-day policy maintained a status quo on key rates and indicated there could be just two rate hikes instead of four as was widely expected by the market.

Foreign institutional investors (FIIs) and foreign portfolio investors (FPIs) have pumped in Rs 12,873 crore (\$1.90 billion) till March 17. According to provisional stock exchange data, they bought an additional net of Rs 1713 crore equities on Friday.

Economy

Wholesale inflation fell to a nine-month low of 4.68 per cent in February from 5.05% in the previous month, as prices of food items rose at a lower pace, official data showed.

Consumer Price Index (CPI)-based inflation eased to a four-month low of 5.18% in February from 5.69% in January, according to government release.



India's merchandise exports fell for the 15th straight month down 5.7% to \$20.7 billion in February 2016 as compared to \$22 billion in February 2015 on the back sluggish global conditions and fall in the commodity prices.

Stocks

GAIL ended 7% higher after the Petroleum and Natural Gas Regulatory Board (PNGRB) revised the tariff of its KG basin network pipeline to Rs 45.3 per mmbtu (million British thermal unit), significantly higher than current provisional tariff of Rs 5.6 per mmbtu. As per market participants tariff revision for the KG basin network is a precursor of a material change in fortunes for GAIL over FY17-18.

ONGC gained nearly 5% after its overseas arm ONGC Videsh Ltd (OVL) signed an MoU with Rosneft to acquire additional 11% stake in Vankorneft for \$930 million. Other state-owned oil companies also stole the limelight during the week after a consortium of Oil India, HPCL and IOC bought 29.9% stake in Taas-Yuryakh oilfield in East Siberia for \$1.28 billion.

ICICI Bank ended over 7% higher after global rating agency Moody in a report maintained its ratings as well as positive outlook on ICICI Bank and its financial instruments.

Pharmaceuticals shares witnessed selling pressure after the government announced a ban on 334 combination drugs including cough syrups. Pharma major Lupin slumped over 16% after the company said the USFDA had inspected its Goa facility last week and issued nine observations on inadequacy in adherence to standard operating procedures. Among others, Sun Pharma lost 6% while Dr Reddy's and Cipla ended over 1% lower.

Pfizer and Abbott bore the brunt of selling pressure after their over-the-counter (OTC) top selling cough syrups brands like Corex (of Pfizer) and Phensedyl (of Abbott) came under the ambit of the ban.

Global Markets

The S&P 500 closed positive for the year on Friday for the first time in 2016 as the US Federal Reserve's dovish tone and a strengthening economic outlook compelled investors to take on more risk. In part, the rally was a continued reaction to the Fed's move on Wednesday, in which it scaled back expectations for the number of rate hikes in the coming months. Major indexes gained for five weeks in a row and the Dow closed higher every day this week.

The Dow Jones industrial average closed up 120.81 points, or 0.69 percent, to 17,602.3, the S&P 500 gained 8.97 points, or 0.44 percent, to 2,049.56 and the Nasdaq Composite had added 20.66 points, or 0.43 percent, to 4,795.65. Eight of the 10 major S&P sectors closed higher, led by a 1.32-percent rise in the healthcare sector. For the week, the Dow rose 1.8 percent, the S&P 500 gained 1.3 percent and the Nasdaq was up 1 percent. The CBOE volatility index, a gauge of what equity investors are willing to pay for protection against a drop on the S&P 500, closed at its lowest since early Aug. 18.



Week ahead and Ajcon's view

Markets are likely to remain choppy in the holiday-truncated week ahead as investors are would track foreign fund inflows and trends in global crude oil prices.

Markets will remain closed on Thursday, March 24 on account of Holi, the festival of colours and on March 25 on account of Good Friday.

We believe post FOMC meet and US Fed's decision to keep interest rates unchanged, RBI is now in much better position to consider cutting interest rates. Fed also reduced its forecast regarding number of interest rate cuts this year, which we expect would abate a lot of pressure from Indian Rupee.

Another positive for the market is the fall in CPI which dropped to 5.2% in February after 5 straight months of rising.



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