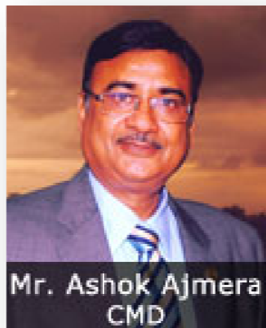
26 YEARS OF EXCELLENCE



Mr. Ajmera's column as on 19th October, 2013

"Positive global cues and rupee movement pushes domestic bourses higher"...

Domestically, bulls returned to the street. Benchmark indices ended nearly 2% higher in the truncated week ended October 18, ending at 3-year closing highs, on expectations that the 16-day US government shutdown might prompt the Federal Reserve to postpone withdrawal of its monetary stimulus measures. Further, encouraging corporate earnings from major corporates so far and Jul-Sep GDP growth from China also boosted sentiment. Sensex surged 354 points or 1.7% to end at 20,883 while Nifty rose 93 points to close at 6,189. Foreign institutional investors (FIIs) were net buyers to the tune of Rs. 1,752 crore in Indian equities on Friday, according to provisional data, extending their purchases for the 11th straight day. In October (till Thursday), FIIs have put about Rs. 7,500 crore into Indian equities, taking the overall tally to Rs. 78,600 crore since January.

Touching a two-month high on Friday, the rupee ended almost flat at 61.27 against the dollar due to robust domestic equity markets and stronger capital inflows. The domestic unit opened at 61.17, 6 paise stronger from Thursday's close of 61.23 per dollar on mild dollar selling by banks and exporters. It got a further boost after Life insurance Corp of India (LIC) Chairman S K Roy stated in an interview report that LIC would invest Rs. 40,000 crore in the domestic equities in fiscal 2014. In the morning trading session of Friday, the rupee appreciated to a two-month high of 60.92, its highest level since August 8. However, it fell sharply to 61.71 after reports that the Government is considering to close the dollar swap window offered to oil companies. Later, the RBI came out with a statement refuting the reports. "The OMC swap window remains operational. Any tapering of the window, as and when it occurs, will be done in a calibrated manner, the RBI said in a statement. As of now the rupee has appreciated 12.5% from its all time low scaled on Aug 28 and again on September 4. However, the rupee is still 11% cheaper year-to-date and 15% cheaper than year ago levels. Rupee's impact on the country's trade deficit has been salutary. From the average trade deficit of US$ 20 billion per month seen in the months of November and

December last year, the trade deficit has dropped to less than US$ 10 billion in September. The current account deficit too has fallen from 5.7% in the Oct Dec quarter last year, to probably near zero in Q2 this year and possibly 2.5%-3% for FY14 as a whole.

After the wholesale inflation clocked to a seven-month high, the retail inflation for September also accelerated to a three-month high, according to official data released on Monday, October 14. The wholesale price index- (WPI) based inflation stood at a seven-month high of 6.46% in September, compared to 6.1% in the previous month. The Consumer Price Index (CPI) based inflation rose to 9.84% from 9.52% in August mainly due to stark rise in vegetable prices. The prices of vegetables in September rose a massive 34.93% from 26.48% a month ago.

India-focused hedge funds snapped their four-month losing streak in September this year, gaining 7.1 per cent. This was better than returns from hedge funds broadly focused on Asia and even outperformed Japanese hedge funds. But it was not sufficient to cover up slippages in previous months and India-focused funds were down 11.5 per cent in the January-September period this year. These funds are clearly not the best choice if you want to put your money in a hedge fund. Indian hedge funds have posted losses of 3.6 per cent for the July-September quarter. In contrast, Asia-focused hedge funds have delivered an average return of 9.9 per cent for January-September 2013.

Going ahead, further developments in the US following the end of 16-day shutdown will be on investors radar during the coming week. Earnings from major corporates such as HDFC, Asian Paints, Cairn India, GAIL (India), Hero MotoCorp, ACC, Ambuja Cements, Kotak Mahindra Bank, ITC, NMDC and ICICI will be keenly watched.

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