



### Mr. Ajmera's column as on March 01, 2014

#### Markets remained strong during the week on global cues; profit booking may come in...

Key benchmark stock indices ended the holiday truncated week with 2 percent gains led by firm buying by foreign institutional investors (FIIs) amid positive global cues. Fed Chair Janet Yellen said on Thursday that US Federal reserve will continue to trim its monthly bond purchases with an eye on key macro-economic data. The market ended all four trading sessions with gains as FIIs remained net buyers of Indian equities throughout the truncated week, according to SEBI data. The Sensex rose for a fifth consecutive session on Friday to post its strongest weekly gain in three months after blue-chips surged, including Tata Motors which rallied to a record high, on heavy buying by foreign investors.

Foreign investors have been net buyers of cash shares in each of the previous 10 sessions, with net inflows totalling around \$600 million, exchange and regulatory data show.

The strong buying has allowed the Sensex to gain 2.95 per cent in February, while the Nifty ended up 3.1 per cent, their biggest monthly gain since October 2013. The Sensex rose 0.63 per cent, or 133.13 points, to end at 21,120.12, while rising 1.8 per cent to record its second consecutive weekly gain. The Nifty rose 0.61 per cent, or 38.15 points, to end at 6,276.95, also up two per cent for the week.

For the week, Sensex ended at its 5-week high levels of 21,120, up 419 points as compared to last week and Nifty of the was up 122 points at 6,277 levels. Broader markets remained upbeat too but underperformed the benchmarks with BSE small-cap and mid-cap indices rising between 0.8 - 1.2% against Sensex's 2 percent rise.

Third quarter GDP growth of 4.7 percent released post market hours Friday, however, was way short of the 5.2 percent growth that the Finance Minister had predicted for the December and March quarters, in his Interim Budget Speech last week. The Central Statistics Office (CSO) had estimated a growth of 4.9 percent. The agricultural sector grew at only 3.6% versus 4.6% quarter-on-quarter. The manufacturing growth saw a negative trend coming in at - 1.9% versus 1% quarter-on-quarter. The mining sector too reflected the slowdown growing by -1.6 percent versus -2 percent (YoY). Electricity, gas and water supply grew at 5 percent versus 7.7 percent. Data services, meanwhile grew by 7.6 percent, up 1 percent on a year-on-year basis while trade, hotels, trans growth, that represent the unorganised sector, came in at 4.3

percent versus 5.9 percent (YoY). A GDP growth of 4.9 percent for FY13, as targeted by the CSO, now seems more and more unlikely.

In other key developments during the week, BJP leader Narendra Modi addressed industry captains at the India Economic Convention 2014 in New Delhi, assuring them of simpler laws and speedier decision making. But market experts said a NDA win was largely discounted by the market, though there could be poll-related volatility between now and till the results are out.

Indian markets kick started the week on a muted note as both benchmark indices traded in a narrow range ahead of F&O February series expiry on Wednesday. The Futures & Options contracts expiry which typically gets executed on the last Thursday of every month was preponed to Wednesday on account of a market holiday on Thursday. For the high risk traders, we suggest taking long positions in recently launched NSE – VIX.

Among sectors, BSE Capital Goods index was up over 5 per cent supported by 11.4 percent surge in the heavyweight BHEL stock. Capital Goods stocks were the top performers this week on hopes that a recovery in capex cycle will boost the prospects of the sector.

BSE Healthcare, Auto and consumer durable indices rose between 2.8 - 4.5 percent higher and emerged as the other top gainers from the BSE sectoral indices. In healthcare, Sun Pharmaceutical and Cipla added between 4.08 - 4.62 percent, Bajaj Auto surged 4.5 percent in the auto space.

Metal and Power indices ended with losses; down between 1.25 - 3.4 percent. Tata Steel slumped almost 8 percent and emerged as the top Sensex loser this week. NTPC was down 14.7 percent and Sesa Sterlite was down 4.5 percent from the metal space. Outlook for metal stock remained gloomy on account of China growth concerns.

Globally, the S&P 500 ended at another record close on Friday but well off the day's highs as worries about tensions in Ukraine caused investors to take profits ahead of the weekend. All three major indexes closed out the month with strong gains, however. The Dow scored its best monthly percentage gain since January 2013, while the S&P 500 had its best month since October. Early in the session, the S&P 500 hit an intraday record for a second time this week as consumer confidence and other data bucked the recent trend of weaker economic reports. For the month, the Dow rose 4 percent, the S&P 500 gained 4.3 percent and the Nasdaq advanced 5 percent. For the week, the Dow was up 1.4 percent, the S&P 500 was up 1.3 percent and the Nasdaq was up 1 percent.

At Ajcon we believe that profit booking may set in after a strong rally in domestic bourses that we have witnessed during the month of February. We recommend Investors to book partial profits in weak counters. We recommend buying stocks like State Bank of India, Bank of Baroda, Bank of India, City Union Bank, Clariant Chemicals, Maruti Suzuki, IDFC, L&T Finance Holdings, Tata Steel, Hindalco, Tata Motors, Reliance, Bajaj Auto, Bajaj Finance, Wockhardt, Oberoi Realty at current levels.

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