



### Mr. Ajmera's column as on Sept. 20, 2014

#### Market mood remains positive; correction is healthy for markets..

Indices ended the week with marginal gains despite initial concerns over a likely rate hike in the US. Both Sensex and Nifty came back to life on Wednesday after consolidating for six days in a row. For the week ended September 19, both the benchmark indices rallied 0.1-0.2 percent. Top blue-chip gainers such as Maruti, Axis Bank HCL Tech, Tech Mahindra, Zee Ent, Grasim and TCS swelled 1-2.7 percent this week. HUL, DLF, SBI, ONGC, JSPL and L&T slipped between 1.6-4.7 percent. The mid-cap space gave investors a run for their money this week; CNX mid-cap corrected over 1.5 percent while small-cap eked 0.2 percent gains. Fed scare seems to have pushed investors on the backfoot as market participants come to reality that capex cycle is yet to revive and valuations have outrun the fundamentals in cyclical and banking stocks. Demand for traditionally defensive themes such as pharmaceutical and information technology were in play this week even as capital goods and infrastructure took a back seat. Amongst different sectors, demand for software stocks this week inflated the BSE IT index by 2 percent. Pharma index and auto gained 1-1.4 percent. CNX Capital goods, infra slipped 1.6-2 percent this week, metal index was down 3 percent.

The ruling BJP's poor performance in the bypolls further weighed down sentiment. However, the mood perked up after the Fed retained its earlier stance of keeping interest rates historically low for a "considerable time", sparking a rally in equity markets globally.

The 33 Assembly and 3 Lok Sabha seats bypoll results came as a jolt for the ruling BJP party. Out of the 3 Lok Sabha seats, the saffron party managed just one and from amongst 33 assembly seats, it won 11 while rival Congress made a comeback with 7 seats. In Uttar Pradesh, BJP won just 2 out of total 11 assembly seats that went to by-polls. The incumbent Samajwadi Party (SP) staged a comeback with 9 assembly seats. But what should really get BJP thinking is it's defeat in 3 constituencies in Prime Minister Modi's home state of Gujarat to Congress. Out of the total 9 seats that went to by-polls, BJP won just 6 seats. It should be recalled that the party won all 26 Lok Sabha seats in Gujarat in LoK-Sabha elections that happened in May. In Rajasthan, experts say, the defeat was humiliating. BJP managed just one seat, out of the total four. The Congress surprised by winning remaining 3 seats.



**Ajcon's view:**

While the market mood is positive, a flare-up of tension in the Middle East could hit sentiments. Sudden tension in US-Syria, Iraq crisis led to downgrade in global risk appetite. We believe bulls would remain on a longer term basis and recommend investing stock specific basis. At current levels, we would recommend buying in stocks in sectors like Private Banking, NBFCs, Metals, Capital Goods and Infrastructure.

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