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Mr. Ashok Ajmera, CMD & CEO

Mr. Ajmera's column as on November 21, 2015

Global cues, proceedings of winter session of parliament, F&O expiry to drive market direction...

Snapping a three week consecutive downtrend, Indian equities rebounded to gain over 1% tracking global peers, after the minutes of the US Federal Reserve raised prospects of a rate hike in December but hinted at a modest increase going forward. Further, gains in shares of gas distribution companies and consumer discretionary stocks also added to the momentum later during the week.

For the week that ended November 20, the BSE Sensex gained 257.96 points or 1.01% to end at 25,868.49 while the Nifty50 gained 94.30 points or 1.21% to settle at 7,856.55

The broader markets flexed some muscles and outperformed the benchmark indices. BSE Midcap index rose 204.93 points or 1.92% to settle at 10,858.41 and BSE Smallcap index increased by 242.41 points or 2.18% to end at 11,367.31.

Around the world, geopolitical tensions in France grabbed the eyeballs. The world financial markets reacted to the Paris attacks and the subsequent action by the French government during the first half of the week. The French capital, Paris was attacked by the militant group, ISIS on Friday, 13 November local time.

But the latter half of the week, the US Federal Reserve, which released its meeting minutes on Wednesday, depicted confidence in the world's largest economy as it signalled at a possible rate hike in December. Also, if the Fed raises the interest rate in December, it would proceed slowly with the further tightening of its monetary policy, the minutes said. This sentiment uplifted the world stock markets.



Back on the home turf, in a statement released by the Ministry of Finance on Thursday said that the seventh Pay Commission has proposed a 23.55% pay hike to the nearly 4.8million central government employees and nearly 5.5 million central government pensioners. If the recommendations are accepted, the impact on the budget would be of Rs 1.02 lakh crore in FY 16-17.

On economic front, the wholesale price index (WPI) released by the government for the month of October showed a contraction for the 12 straight month. The data stood at negative 3.81% against minus 4.54% in the previous month.

Asian Paints and Adani Ports to be part of Sensex..

Metal and mining firms Vedanta and Hindalco Industries will soon be out of the 30-share benchmark index on the BSE, the S&P BSE Sensex.

This is part of the exchange's semi-annual exercise to reconstitute several of its benchmark indices from December 21. The two companies will be replaced by Adani Ports & Special Economic Zone and Asian Paints in the Sensex pack. Tata Steel would then be the only metal and mining entity to remain in the Sensex.

The BSE 100 index has seen the replacement of NHPC, Jaiprakash Associates and Unitech, with Britannia Industries, Bharti Infratel and Motherson Sumi Systems. Market watchers feel this change reflects the headwinds faced by realty and infrastructure entities.

As many as 31 companies have been replaced in the S&P BSE 500 index. This includes a number of public sector lenders, such as Jammu & Kashmir Bank, Andhra Bank, Indian Overseas Bank, State Bank of Mysore and Punjab & Sind Bank.

Some notable inclusions in the BSE 200 pack were IDFC, Pfizer, Natco Pharma and Adani Enterprises. BSE Tech has seen a replacement of Persistent Systems and KPIT Technologies by Tata Elxsi and Mphasis.

Reconstitution of S&P BSE Indices	
S&P BSE SENSEX	
Exclusions	Inclusions
Vedanta	Adani Ports and Special Economic Zone
Hindalco Industries	Asian Paints
S&P BSE 100	
NHPC	Britannia Industries
Jaiprakash Associates	Bharti Infratel
Unitech	Motherson Sumi Systems
Source: Asia Index Pvt.	



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Likewise the **MSCI** has also undergone a global change wherein 24 stocks have been added in **Global Smallcap Index**. A few of the Companies that have been added are Gayatri Projects Ltd., VRL Logistics, IPCA Labs, Sequent Scientific, Shasun Pharma, Granules India, Exide Industries, Ricoh, Sanofi among others. All these stocks will see a good time as the funds dedicated to the index will acquire good quantities of these stocks.

Sectors & Stocks

Sectorally, BSE Oil & Gas index rose 4.28% followed by BSE FMCG index, up by 2.8%. The impact of 7th Pay Commission recommendations lifted the BSE Consumer Durables and Auto sectors that gained over 2% each for the week. Downside was witnessed in BSE IT and Realty indices that dropped 1.1% and 1.46% respectively.

Individually, Gail(India) zoomed 23.8% on the news that Petronet LNG is in talks with RasGas, a Qatar based company to alter the pricing mechanism of natural gas. Gail will be a beneficiary in this as it would help reduce its cost of production, thus boosting its earnings.

Another state-run company Coal India witnessed action during the week. The Cabinet Committee of Economic Affairs approved a divestment of 10% capital in the company. The stock dropped 1.2%.

Dr. Reddy's was also a major talking point during the week. An American law firm Lundin Law filed a lawsuit against the drug manufacturer, alleging the violation of federal securities law. However, the pharma company issued a clarification saying it has always adhered to the law. The stock dipped 1% over the week.

Global Markets

Wall Street racked up a solid week on Friday, with healthcare, technology and consumer stock making gains and investors looking beyond a widely-expected December interest rate hike. The S&P 500 ended its strongest week in almost a year, while the Dow Jones industrial average erased its year-to-date loss, led by a 5.46 percent jump in Nike, which announced a USD 12 billion share buyback and a 2-for-1 share split.

Minutes from the Fed's October meeting, released on Wednesday, hardened expectations of a December interest rate hike and hinted at a cautious approach after that. Many on Wall Street believe that raising rates next month will be interpreted as a sign of confidence in the US economic recovery.

The S&P gained 3.3 percent for the week, its best showing since December. The Dow rose 3.4 percent for the week and the Nasdaq added 3.6 percent. Next week is likely to see tepid trading volume, with many investors taking time off for the Thanksgiving holiday.

Week ahead

Next week will be a truncated week as markets will remain closed on November 25, 2015 on account of Guru Nanak Jayanti.



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Since there is no domestic economic data point for the next week, the global events will continue to dictate trends. However, the F&O expiry for the month of November will keep the market players edgy.

Also, the investors would closely watch proceedings of the Winter Session of the Parliament, which will commence on November 26, 2015 in the hopes to see the Goods and Services Tax (GST) bill to sail through.

Many of the midcaps and smallcap stocks have suddenly started showing good activities signifying the retail participation in the markets. The future looks good for Indian Equity Markets. Investors must rely more on fundamentals rather than market rumours.



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