Mr. Ashok Ajmera, CMD & CEO

Mr. Ajmera's column as on August 22, 2015

Global concerns result in biggest weekly drop in 11 weeks, long term India story intact..

Indian equities posted their biggest weekly drop in 11 weeks, as global investors fled riskier assets on fears of a global slowdown, sparked by developments in China. Through the week, the benchmark BSE Sensex lost 700 points, or nearly three per cent, the worst weekly performance since June 7.

After falling as much as 476 points on Friday, the 30-share Sensex ended 242 points, or 0.88 per cent, lower at 27,366, its lowest close since June 19.

The National Stock Exchange Nifty ended 73 points, or 0.87 per cent, lower at 8,300 on Friday. Industry players said reports of relief on retrospective taxation to foreign investors helped the markets stage a partial recovery.

On Friday, foreign investors net-sold shares worth Rs 2,340 crore, showed provisional data provided by exchanges. For the week, the foreign institutional investor selling tally stood at about Rs 3,500 crore, as the rupee weakened 1.3 per cent against the dollar. Metal and banking stocks were among the major losers during the week.

Union Railway Minister Suresh Prabhu on Friday said he was optimistic about the Indian economy growing to USD 20 trillion in size over the next 20 years. Addressing the ICAI regional meet, the minister said that Indian economy could become USD 20 trillion over the next 20 years. To reach one trillion (USD) GDP mark, it took India 20 years, but it added the next trillion in just six-seven years. Our economy can double in every six to six-and-a-half years. The minister said that with the inflation in check and a prevailing conducive environment, the economy was looking up and foreign direct investments were increasing. There is a tremendous respect among investors for the efforts of the Prime Minister who are eager to invest in India.

Global Markets

Major Asian markets fell about two per cent, while European markets were trading about 1.5 per cent lower on Friday. For equity markets, the latest jolt came from data on manufacturing in China, which fell to a six-and-a-half-year low in August, exacerbating worries of a slowdown in the world's second-largest economy. China's economic slowdown, recessions in Latin American countries such as Brazil and Chile, and a breakdown in commodity prices - combined with a thinly-traded market as many investors become more focused on tide charts than trading terminals - are prompting traders to overlook improving US economic data. There's a great deal of nervousness around the weakness in China, and that's overshadowing the fact that the US economy is sound and the European Union economy is firming.

Sales of existing US homes rose in July to their highest level since 2007. US auto sales, meanwhile, are on track for their best year in a decade.
Attention will return to those domestic metrics as the Federal Reserve begins its annual meeting in Jackson Hole, Wyoming, next week. Investors will be looking for any signs that the central bank is increasingly worried about global issues or whether it is going ahead with what had been a widely-expected interest rate hike in September.

The Fed has said its decision to raise rates will depend on data such as an improving jobs market and housing market. Should the Fed signal that it plans to raise rates, investor sentiment towards the United States and emerging markets may further diverge.

Minutes released Wednesday of the central bank's most recent meeting revealed Fed officials were concerned about "recent decreases in oil prices and the possibility of adverse spillovers from slower economic growth in China," a detail which helped spark the selling. At the same time, North Korea put its troops on war footing Friday after South Korea rejected an ultimatum to halt anti-Pyongyang broadcasts. The prospect of war, or signs of more global worries, could further dampen US stocks in the week ahead. The slowdown in China and other emerging markets such as Brazil is hurting commodity-related companies, but it is not enough to affect either 2015 or 2016 earnings estimates for the S&P 500 as a whole.

Crude oil

US oil prices headed for their eighth consecutive week of falls on Friday, the longest losing streak since 1986, after a sharp drop in Chinese manufacturing increased worries over the health of the world's biggest energy consumer. Activity in China's factory sector shrank at its fastest pace in almost 6-1/2 years in August as domestic and export demand dwindled, adding to worries about lower consumption of crude in the second-biggest oil user. Asian stocks followed Wall Street lower as fears took hold of a China-led slowdown in global growth. Both global oil benchmarks are near 6-1/2-year lows, with US crude heading for its longest weekly losing streak in 29 years. In late 1985, oil prices slumped to USD 10 from around USD 30 over five months as OPEC raised output to regain market share following an increase in non-OPEC production. US crude for October delivery was 1.21 percent lower at USD 40.82 a barrel by 8:47 a.m. ET. On Thursday, the September US crude contract saw its lowest intraday trade since March 2009 at USD 40.21 a barrel before it expired at the market close. Brent oil was on track for its seventh weekly decline in eight, down 1.82 percent at USD 45.77 a barrel, after settling 54 cents lower on Thursday.

Ajcon's view

The fall in the Indian markets during the week was less compared to other emerging markets: the Indonesian market fell about five per cent, South Korea six per cent and China about 10 per cent. Unlike other emerging markets, India stands out as relatively less vulnerable to a slowdown in China, as it is not part of the Asian supply chain yet; it is a domestic demand-driven economy and a net commodity importer. We believe India is "among the least vulnerable", as an impact on the country's growth will be minimal and lower commodity prices will positively impact current account deficit and inflation.

We recommend accumulation in fundamentally strong midcap stocks available at attractive valuations in Infrastructure, Real Estate, Engineering, Automobiles, Capital Goods, Packaging, Logistics and Pharma. The investors should be cautious in picking those midcap stocks which have already run up to more than 50 to 100 percent in the last six months.

Disclaimer

Ajcon Global Services Ltd. is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Ltd. research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Ltd. is registered as Research Analyst with SEBI bearing registration Number INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Ltd. or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and five days after the publication of a research report.

We and our affliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions in act as a principal in, and buy or sell the securities or derivatives thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

The information and opinions in this report have been prepared by Ajcon Global Services Ltd. and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Ltd. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Ltd. is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Ltd. from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Ltd. will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Ltd. accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Ltd. or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Ajcon Global Services Ltd. or its associates have not received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

Ajcon Global Services Ltd. encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Ltd. or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Ltd. nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that CA Ashok Ajmera, research analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Ltd. or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

It is confirmed that CA Ashok Ajmera research analyst do not serve as an officer, director or employee of the companies mentioned in the report.

Ajcon Global Services Ltd. may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor Ajcon Global Services Ltd. have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Ltd. by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Ajcon Global Services Ltd. and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

For research related queries contact:

Mr. Akash Jain – Vice President (Research) at research@ajcon.net

CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Website: www.ajcononline.com

Corporate and Broking Division : 408 – (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Malad (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062

Registered Office: 101, Samarth, Off. Hinduja Hospital, 151 Lt. P.N. Kotnis Road, Mahim (West), Mumbai – 400016. Tel: 022-24460335/36/40

ASHOK KUMAR AJMERA

Digitally signed by ASHOK KUMAR AJMERA
DN: CN = ASHOK KUMAR AJMERA, C = IN, S = Maharashtra, O = Personal
Date: 2015.08.22 14:18:14 +05'30'