



Mr. Ajmera's column as on 22nd February, 2014

FII's remain positive; all eyes on US Fed action on tapering...

Benchmark indices edged higher for the week ended February 21, buoyed by the comments made by Finance Minister P Chidambaram in the Interim Budget of containing the fiscal deficit at 4.6% of GDP for the year ending 31 March 2014 and will be further brought down to 4.1% of GDP in 2014-15.

FII's continue to remain positive on the Indian equity space with the overseas investors pumping in US\$ 330.08 million over the previous seven sessions, exchange data showed. Sensex gained 334 points or 1.6% at 20,701 and the Nifty added on 107 points or 1.8% at 6,155. The broader markets outperformed the benchmark indices. The midcap index rose 110 points or 1.7% to 6,422 and the smallcap index gained 114 points or 1.8% at 6,393.

On the sectoral front, Capital Goods index was the top gainer with nearly a 5% gain followed by Bankex, Power, IT and Health Care indices up 2-3.5%. Auto, Teck and Consumer Durables indices added on 1-1.7%. On the other hand, Metal, Oil & Gas, FMCG and Realty indices slipped by 0.1-0.9%. Capital Goods stocks firmed post the Interim Budget after the government announced reduction in excise duty on some capital goods to 10% from 12%. The excise duty has been cut for a period up to 30 June 2014 for capital goods and consumer durable falling under chapter 84 and chapter 85 of the Schedule to the Central Excise Tariff Act which includes products like boiler, turbine, transformers, motors, air conditioners, switchgears etc. ABB India and Siemens were the top gainers from this space with an uptick of 18% and 10% respectively. Heavyweight names like L&T and BHEL added nearly 6% and 1.4% for the week.

Auto stocks witnessed an upside as the government reduced excise duty on cars, commercial vehicles, sports utility vehicles, motorcycles and scooters. Hence, several auto companies announced reduction in prices of its passenger vehicles. Mahindra & Mahindra up 3% was the lead gainer followed by Tata Motors and Maruti Suzuki up 2% each. Bajaj Auto was up 1% while Hero MotoCorp slipped by a percent.

Metals stocks were under pressure as the Chinese manufacturing index dropped more than estimated this month. Sesa Sterlite, Hindalco and Coal India gave off 2-3.5%. Meanwhile, Tata Steel gained nearly 1%.

Pharma stocks gained on renewed buying interest with Dr Reddys, Lupin, Ranbaxy and Sun Pharma up 1-

6%.

IT stocks gained marginally during the week with frontline names like TCS, Infosys, HCL Tech and Wipro adding up 1-3%.

FMCG majors like ITC and HUL slipped 0.7% and 1% respectively. Banks were the among the top gainers for the week with Axis Bank leading gains, up 8% along with ICICI Bank, HDFC Bank and SBI gaining 2-4%. Axis was also the top gainer among Sensex-30.

From the Power space, Tata Power gained nearly 7% after Arvind Kejriwal resigned as chief minister of Delhi. The AAP Government had announced 50% subsidy on power consumption up to 400 units and asked the state regulator to look into the accounts of power distribution companies to see if they were profiteering.

Oil & Gas had a mixed fortune with the sector and index heavyweight, Reliance Industries down 1.2% while ONGC was marginally up by 0.4%.

Bharti Airtel down 5.5% was the other notable loser among Sensex stocks. The downward spiral was a result of the company stating that the company would move the Supreme Court of Nigeria against a February 14 judgment of the Court of Appeals, Lagos, which ruled in favour of Econet Wireless of Nigeria.

Earlier in the week, the largest mobile operator by subscriber base had entered into a strategic agreement with Loop Mobile to acquire Loop's subscribers, as well as some of its assets, for about Rs 700 crore.

Globally, the Dow Jones industrial average fell 29.93 points or 0.19 percent, to end at 16,103.30. The S&P 500 lost 3.53 points or 0.19 percent, to finish at 1,836.25. The Nasdaq Composite dropped 4.13 points or 0.10 percent, to close at 4,263.41. For the week, the Dow fell 0.3 percent and the S&P 500 dipped 0.1 percent. The Nasdaq, up 0.5 percent, scored its third consecutive week of gains. February individual equity options and some options on stock indexes stopped trading at Friday's close and will settle on Saturday. Typically, options expiration is orderly, but some volatility may occur as players unwind those positions against stock and index products. Volume, however, was below the recent average. Giving support to equities, data showed that fund investors worldwide poured a net USD 8.3 billion into funds that specialize in US equities in the week ending February 19. Inflows into global stock funds were USD 13.4 billion, the biggest in 12 weeks.

The key triggers for the market next week would be US Federal Reserve Chairwoman Janet Yellen's testimony before US lawmakers for cues on scaling down of the monetary stimulus and US Q4 GDP numbers. Also, India's December quarter GDP growth data will be closely watched.

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