



Mr. Ajmera's column as on 23rd November, 2013

"US Fed minutes dent bourses performance; strong recovery expected next week"...

Indices lost ground during mid-week after starting the week on a higher note. The minutes from the Federal Reserve's last meeting signaling US stimulus may be reduced in coming months and persisting worries over the slowdown in foreign investors' buying into Indian shares weighed down the sentiments of local investors. FIIs sold shares worth US\$9.5 million on Thursday minutes from the last U.S. Federal Reserve meeting showed a decision on tapering its bond-buying programme may be taken at one of its next few meetings.

Sensex posted a third consecutive weekly fall, closing nearly 1% lower. Sensex lost 182.03 points to 20,217.39. Nifty dropped 60.70 points or 1% to 5,995.45. The broader markets, however, outperformed the benchmark indices. The BSE Mid-Cap index rose 0.21%. The BSE Small-Cap index gained 0.63%. Benchmark indices surged on Monday as global stocks rose after China vowed to carry out the broadest expansion of economic freedoms since at least the 1990s and as investors continued to find encouragement in Fed Chairman nominee, Janet Yellen's support for the Federal Reserve's stimulus efforts. Sensex jumped 451.32 points to 20,850.74, its highest closing level since 6 November 2013. Markets remained choppy on Tuesday. Sensex gained 40.08 points at 20,890.82. Markets edged lower on Wednesday due to heavy selling during the last one hour or so of trade. Sensex lost 255.69 points or 1.22% to settle at 20,635.13 on that day, its lowest closing level since 14 November 2013. Key benchmark indices slumped on Thursday after minutes from the Federal Reserve's last meeting signaled US stimulus may be reduced in coming months. Sensex lost 406.08 points or 1.97% to settle at 20,229.05 on that day, its lowest closing level since 13 November 2013. Key benchmark indices edged lower in choppy trade on Friday. BSE Sensex lost 11.66 points or 0.06% to settle at 20,217.39. From the 30-share Sensex pack, 19 stocks fell and eleven rose in the week.

Sesa Sterlite lost 8.7% this week, making it the worst Sensex performer. It was the third consecutive week of losses for Sesa Sterlite.

Bajaj Auto fell 6.8% this week. High interest rates, fuel costs and a slowing economy have dimmed the near-term outlook for the Indian auto industry.

Cipla extended its losing streak for the second consecutive week, closing 4.8% lower. A week after reporting a surge in its September-quarter net profit, Sun Pharma fell 4% this week.

Metal stocks edged higher after China announced bold economic and social reforms last week. Tata Steel, Hindalco Industries and Jindal Steel & Power shined between 2-4%.

ONGC advanced 2.94%. ONGC's wholly owned subsidiary ONGC Videsh (OVL) announced that it has signed Memorandum of Understanding (MoU) with Petrovietnam to promote the joint cooperation in hydrocarbon sector in Vietnam, India and other countries.

State Bank of India rose 1.04%. ICICI Bank lost 2.69%. The Reserve Bank of India (RBI) said it would focus on the monitoring of banks' asset quality and help improve the poor debt recovery process in the country.

In the coming week, investors will keep an eye on July-September GDP data and fiscal deficit numbers for the April-October period.

Globally, Wall Street set another record this week, and the rally that has taken the S&P 500 index nearly 30% higher for the year shows no sign of losing steam as Americans prepare to celebrate the Thanksgiving holiday. Supporting this scenario, December is historically the strongest time for stocks. Trading volume is likely to be light as US stock markets will be closed on Thursday for Thanksgiving and open a half-day on Friday. The Dow closed above 16,000 and the S&P 500 above 1,800 for the first time this week, but rather than being anxious about a pullback or a correction, investors are afraid to miss the expected Christmas rally. The CBOE Volatility index, Wall Street's so-called fear gauge, is around 12, a calm zone considering that Wall Street has recorded seven consecutive weeks of gains. With most of the year's big events, like third-quarter earnings, out of the way, there is little to curb investors' risk appetite. The market is not expecting a surprise from the US Federal Reserve's December meeting. December is historically seen as the best month for the Dow and the S&P 500, thanks to a frequent year-end surge by stocks called the "Santa Claus rally." Since 1929, the return on the S&P 500 for December has been about 1.5% on average. For the Dow, the average return has been about 1.3% on average from 1910 to 2010.

Investors will get a better sense of the state of the housing sector next week. Data on Monday is expected to show pending sales rose in October, and a report on Tuesday is seen showing an increase in groundbreaking on homes that month and an increase in prices in September. Other economic data due next week include durable goods orders, jobless claims, Chicago PMI and consumer sentiment, all due on Wednesday.

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