



Mr. Ajmera's column as on May 24, 2014

Markets close at record highs; rupee hits 11 month high

Markets surged over 2% to end at record closing highs and the rupee hit 11-month highs in the week ended May 23 on hopes that the new government would announce significant reforms and bring back the economy on growth trajectory. However, with valuations looking stretched in large-caps aggressive buying was seen in fundamentally sound mid-cap and small-cap shares whose valuations continue to remain attractive. In the week to May 23, the 30-share Sensex gained 572 points or 2.4% to end at 24,693 and the 50-share Nifty surged 164 points or 2.3% to close at 7,367.

The BSE Mid-cap index zoomed 902 points or 11.6% to end at 8,668 and the BSE Small-cap index galloped 1,242 points or 15.8% to end at 9,128.

Even though FIIs turned marginal sellers in equities in the latter half of the week, the rupee edged 0.4 per cent higher for the week recording its fourth straight weekly gain and trekked its longest winning streak in 16-months.

The rupee which hit a 11-month high of Rs 58.31 to the US dollar in intra-day trade on Friday finally ended the session at Rs 58.50 after the Reserve Bank of India stepped in and asked state-run banks to buy dollars on its behalf.

FIIs were marginal sellers in equities to the tune of nearly Rs 330 crore on Wednesday and Thursday.

The market rally was purely driven by power, infrastructure and mining stocks with signs that infrastructure projects which are stalled due to various reasons may soon take off after the new government takes charge.

Sesa Sterlite zoomed nearly 25% on talk that the stock has been re-rated on hopes that issues relating to the mining business would be resolved soon.

Coal India jumped 15% on reports that Prime Minister-elect Narendra Modi is exploring the possibility of splitting up the state behemoth and opening the sector to foreign investment to boost output and cut imports.

BHEL shot up nearly 19% after the state-owned power equipment maker said it has commissioned all the four units of the 520 MW Parbati hydro electricity project in Himachal Pradesh.

Among the power generators NTPC surged 21.6%.

Tata Power gained 16.7%. The stock has been in an uptrend ever since the Supreme Court dismissed the appeal filed by BEST in which it sought to restrain the company from laying its network to provide power supply to consumers in its license area.

State Bank of India jumped 14%. The banking major reported fourth quarter net profit of Rs 3,041 crore, down 7.8% against Rs 3,299 crore mainly due to higher provisioning. However, a fall in non-performing assets helped improve sentiment in the stock.

PSU banking stocks also rallied during the week post earnings from SBI. Allahabad Bank, Bank of Maharashtra, Corporation Bank, Dena Bank, Indian Bank, Indian Overseas Bank gained 20-25% each.

In the Mid-cap segment, Unitech, HMT, MMTC, Indiabulls Power and Suzlon ended up 52-65 per cent each while in the Small-cap segment MTNL, Gujarat NRE Coke, ITI and Lanco Infratech surged 58-82 per cent each.

The Week Ahead

Markets will be closely watching for the selection of the Finance Minister once Shri Narendra Modi takes oath as Prime Minister on Monday, May 26, 2014.

Further, the expiry of May derivative contracts on Thursday will be in focus especially with respect to roll-overs to the June series.

The government will also announce GDP for the fourth quarter ended March 31, 2014 on Friday.

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