



### Mr. Ajmera's column as on March 29, 2014

#### Euphoria witnessed in domestic bourses; Nifty makes a record high on improved fundamentals..

After two weeks of consolidation, the market saw euphoria of pre-election rally again with the equity benchmarks moving to highest-ever closing levels. Hefty inflow of foreign money, stronger rupee and hope of stable government coming to power at centre post general elections pushed Nifty to hit another psychological 6700-mark. However, the index saw consolidation around 6500 level in previous two weeks. It touched a historical high of 6,702.60 on last day of the week, before closing tad below the 6700 level; up 202.2 points or 3.12 percent to 6695.90. On Friday, Bank stocks led the rally, buoyed by a deferment of the implementation of stricter capital norms, as well as continued foreign inflows. Bank stocks saw heavy trading, with four of the top five Sensex stocks, in terms of volumes, from the sector. State Bank of India led, rising 3.41 per cent; Axis Bank gained 2.16 per cent. The benchmark BSE Sensex rose 125.6 points, or 0.57 per cent, to close at 22,339.97, an all-time high. On Wednesday and Thursday, it rose 119.07 and 40.09 points, respectively, after ending marginally lower on Tuesday. On Friday, the National Stock Exchange Nifty closed at 6,695.9, also an all-time high.

BSE Power, Metal, Capital Goods, Realty, Oil & Gas and Auto indices gained 3-7 percent while rupee appreciation drove IT and Healthcare down by 1.4 percent and 2.6 percent, respectively. IDFC rallied 13.5 percent while UltraTech Cement, Tata Power, GAIL, ACC, Coal India, Bharti Airtel and Ambuja Cements spiked 8-10 percent. However, Dr Reddy's Labs was down 5.6 percent and Sun Pharma fell 3.6 percent. Wipro, Cipla and Infosys slipped 1-3 percent. In the corporate developments, Election Commission has asked government to defer notification of new gas price, which had a bit of negative impact on Reliance Industries and ONGC. Cabinet had approved the proposal to hike natural gas price from USD 4.2 per mmbtu to USD 8.4 per mmbtu in June 2013.

In the broader space, the CNX Midcap Index was up 4.1 percent and BSE Smallcap rose 2.5 percent. Shares of VIP Industries, BF Utilities, Praj Industries, Adani Power, Union Bank of India, Oriental Bank of Commerce, GM Breweries and Hanung Toys surged 16-29 percent. For the week ahead, one should watch out for RBI policy on April 1 and auto sales numbers for the month of March.

Overall, more stocks closed with gains compared to those that saw losses on the BSE, as foreign institutional investors (FIIs) continued their buying spree. On Thursday, FIIs were net buyers by Rs 1,362.87 crore, according to provisional exchange figures. Domestic institutions were net sellers by Rs 208.34 crore. This month, FIIs have been net buyers by Rs 20,077.2 crore, according to data provided by the Securities and Exchange Board of India.

Global equity markets ended higher on Friday but US stocks sharply pared gains after a late selloff in biotechnology shares, while euro zone government bond yields fell on renewed bets the European Central Bank will ease policy next week. The price of Brent crude oil closed above USD 108 a barrel for its first weekly rise in five, helped by data showing a rise in US consumer spending in February. Gold fell to six-week lows of just above USD 1,285 an ounce, marking the second weekly decline as optimism on the US economy lifted the dollar and bolstered risk appetite.

In US Treasuries, yields on intermediate-dated notes neared two-month highs. Street expected such debt to continue underperforming longer-term bonds after Federal Reserve Chair Janet Yellen's indication last week that US interest rates could be hiked by spring 2015. The benchmark 10-year US Treasury note was down 13/32, its yield at 2.719 percent. Spanish, Italian, Portuguese and Irish bond yields fell to historical lows as an unexpected drop in Spanish inflation bolstered expectations the European Central Bank could ease monetary policy further. Data showed that Spanish consumer prices fell 0.2 percent year-on-year in March, compared with a previous reading of 0.0 percent and a Reuters poll forecast of a 0.1 percent rise. Italy's cost of borrowing over 10 years fell to its lowest level since October 2005 at a Friday auction. That led to expectations that inflation for the whole euro zone could fall below the 0.6 percent Reuters consensus; the data is due on Monday. The ECB's target is just below 2.0 percent. The euro fell to a three-week low against the dollar, with investors mindful of strong rhetoric from ECB officials about the currency's recent strength, but the euro later recovered on uncertainty over whether the bank will take action. The euro has sagged since suggestions of more ECB action this week from Germany - whose policymakers have in the past repeatedly voiced concerns about unorthodox monetary easing.

Domestically, for the week ahead, one should watch out for RBI policy on April 1 and auto sales numbers for the month of March.

At this juncture, we advise partial profit booking as we expect the markets to correct a bit before gaining strength at a period near to election results. For long term investors PSU banks and other profitable undertakings offer good investment opportunity.

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