



Mr. Ashok Ajmera, CMD & CEO

Mr. Ajmera's column as on 17th September, 2016

Bull run intact but intermediate correction likely which can be used as buying opportunity...

Domestic bourses performance

Despite a tail-end recovery, markets snapped their two-week winning spree as the S&P BSE Sensex dropped by 198 points to 28,599.03 and the NSE Nifty slipped by 87 points to 8,779.85 due to selling pressure in view of a rise in inflation and lower industrial output in July coupled with fresh foreign capital outflows. Wholesale inflation soared to a two-year high of 3.74 per cent in August. However, the consumer inflation eased to a five-month low of 5.05 per cent in August, mainly because of a slower rate of price increase in vegetables as well as food and beverages.

Industrial output contracted by 2.4 per cent in July, reflecting the worst performance in 8 months, mainly due to decline in output in manufacturing and capital goods sectors.

Stock markets remained closed on Tuesday (September 13) on account of 'Bakri Id'.

Finance Minister Arun Jaitley expressed hope that RBI will keep in mind the decline in retail inflation while deciding on interest rates at its policy review meeting on October 4.

However, investors feared that a possible rate hike by the US Federal Reserve as early as next week could reverse dollar flow into the country, leading to a fall in banking as well as metal stocks.

Meanwhile, foreign portfolio investors (FPIs) and foreign institutional investors (FIIs) sold shares worth Rs 57.68 crore during the week, as per Sebi's record including the provisional figure of September 16.



Among the S&P, BSE sector and industry indices, Metal dipped by 5.67 per cent, followed by Realty 4.40 per cent, Power 3.26 per cent, Capital Goods 2.68 per cent, Banking 2.22 per cent, Auto 1.86 per cent, PSU 1.56 per cent, Consumer Durables 1.16 per cent and Oil&Gas 0.91 per cent.

Sectors and stocks

Tata Steel dropped 8.99 per cent to Rs 359.05 and was the top loser during the week followed by Power Grid Corp (4.33 per cent), M&M (4.25 per cent), Tata Motors (4.21 per cent), SBIN (3.64 per cent), NTPC (3.31 per cent), Larsen (2.89 per cent), ICICI Bank (2.41 per cent), Coal India (2.15 per cent), Axis Bank (1.97 per cent), HUL (1.94 per cent), Bajaj Auto (1.75 per cent), GAIL (1.67 per cent) Sun Pharma (1.59 per cent), Lupin (1.42 per cent) and Dr Reddy (1.30 per cent).

Index heavyweight Reliance Industries (RIL) climbed 3.06 per cent to Rs 1,075.65 followed by Maruti Suzuki (3.05 per cent), Cipla (1.87 per cent), Bharti Airtel (0.78 per cent), HDFC Bank (0.58 per cent), ITC (0.66 per cent) and TCS (0.37 per cent).

Week ahead and Ajcon's view:

September holds a lot of importance as US Federal Reserve will hold its two-day rate – setting meeting starting Sept. 20 and the Bank of Japan will review its monetary policy stance the same day.

The medium trend is bullish on markets and we expect volatility this month with major events scheduled like G20 Summit, ECB Governing Council, Bank of England meeting and BOJ announcing the results of its comprehensive review of its monetary policy.

We advise investors to remain stock specific and use the buy – on – dips strategy to make most of this bull market. At current levels, valuations of both midcaps and large caps look expensive. We do not rule out a bull market but intermediate corrections are part of any bull market and investors should not be scared of investing when the markets drift lower. The domestic economy grew at its slowest pace in five quarters in the April – June period falling below expectations but it still grew 7 percent which is still fastest in the world.

CA Ashok Ajmera



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