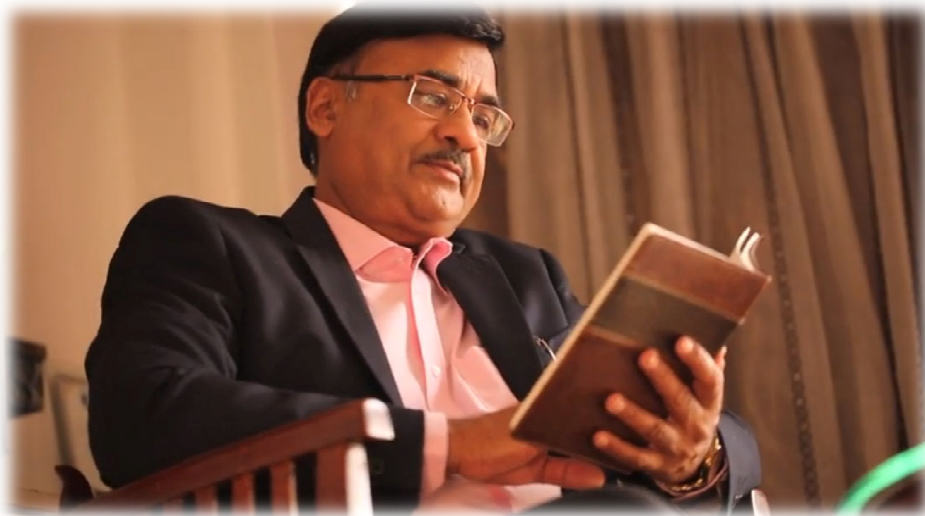




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**Dr. Ashok Ajmera (FCA), CMD & CEO**

*Dr. Ajmera's column as on July 07, 2018*

**Volatility witnessed in domestic bourses; key variables like trade wars, oil prices and inflationary concerns impacted markets..**

The benchmark indices pared most of their day's gains to end marginally higher on Friday tracking recovery in the global markets. The S&P BSE Sensex ended at 35,658, up 83 points while the broader Nifty50 index settled at 10,773, up 23 points. Among sectoral indices, the Nifty Auto index settled over 1% led by rise in the stocks of Ashok Leyland, Hero MotoCorp and Tata Motors.

The Nifty 50 rose past 10,800 mark, but settled at 10,772.65, up 22.90 points, or 0.21 percent. For the week, Sensex rose 0.66 percent and Nifty 50 gained 0.54 percent. The volatility index ended lower by 1.11 percent at 12.44 thereby falling 3.9 percent for the week. The domestic market witnessed see-saw movements tracking global markets amid rising crude oil prices and inflationary concerns after MSP hike for kharif crops by the government.

### **Sectors and stocks**

Shares of Bajaj Auto hit a two month high of Rs 3,029 per share, up 2% on the BSE in early morning trade, extending their 9% rally in the past five days after reporting a healthy volume performance during the month of June 2018. The stock was trading at its highest level since May 2, 2018. Bajaj Auto on last Monday said, that its total sales grew 65% YoY



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at 404,429 units in June 2018, due to strong domestic performance in two-wheeler (2W) and three-wheeler (3W) segment led by new launches and healthy export 3W sales. The company's commercial vehicles (CV) segment reported highest ever monthly sales of 66,677 units up 66% over the previous year.

Shares of Den Networks and Hathway Cable & Datacom fell more than 5% for the second straight session after the Reliance Industries's (RIL) chairman Mukesh Ambani on Thursday announced the launch of Jio's fibre to home or fixed line broadband services called Jio GigaFiber.

Hathway Cable & Datacom dipped 10% to Rs 18.55, extending its previous day's 15% fall on the BSE. Meanwhile, Den Networks has slipped 7% to Rs 62.20, after falling 11% yesterday. Both these stocks are trading at their respective 52-week lows on the BSE.

The launch of the home broadband services is expected to intensify competition for both the direct-to-home as well as cable broadband providers.

The wired broadband arm, JioFiber, has already started offering what they claim to be 'ultra-high-speed' fibre-to-the-home (FTTH) broadband connections with 1.1 terabytes (TB) of free data at a speed of 100 megabits per second (mbps) in select markets in the country. The company says it has rolled out 300,000 kilometres of optical fibre network in India and has a target of crossing 50 million households.

Shares of paint company Asian Paints, fast moving consumer goods (FMCG) firm Hindustan Unilever (HUL) and information technology giant Tata Consultancy Services (TCS) from the Sensex have hit their respective new highs on the BSE on Friday.

Thus far in the current calendar year 2018, these three stocks have outperformed the market by gaining in the range of 15% to 39%, as compared to 4.5% rise in the S&P BSE Sensex.

TCS hit a new high of Rs 1,909, up 1%, extending its Thursday's 1% gain, ahead of its April-June (Q1FY19) results on Tuesday, July 10, 2018. In past one month, the stock rallied 10%, against 1.6% gain in the benchmark index. The board of directors of TCS, the country's largest information technology (IT) services provider, on June 15, approved a proposal to buy back up to 76 million equity shares worth about Rs 160 billion. The buyback price has been fixed at Rs 2,100 a share.

HUL touched a record high of Rs 1,696, surging 23% in past three months, against 6% rise in the Sensex. The FMCG firm is scheduled to announce its Q1FY19 results on July 16, 2018. Since May 14, post Q4FY18 results, HUL have outperformed the market by surging 12% against a marginal 0.33% rise in the benchmark index. HUL's continued proactive approach toward product innovation and distribution enhancement provides a more sustainable competitive edge over peers.



Shares of real estate firm Sobha rallied 6% to Rs 507 on the BSE in early morning trade after the company said sales bookings for the first quarter of FY19 increased by 22% to Rs 7.62 billion as compared to corresponding quarter last year on higher volumes. "The sales volume and total sales value are up by 18% and 22% respectively as compared to corresponding quarter of last year. The markets of Bengaluru, Gurugram and Kochi continue to perform well and are ably supported by the Coimbatore and Mysore," Sobha said in a press release. Sobha sold 960,085 sq.ft area during the April-June quarter, up 18% from 815,230 sq.ft in the corresponding quarter last fiscal. During the quarter, Sobha announced an investment of over Rs 5 billion towards residential development in Gujarat International Finance Tech-City (GIFT City) and also has other launches planned in multiple cities over the next few quarters.

### **Global Markets**

The imposition of tariffs by the United States and China on billions of dollars of trade was absorbed calmly by markets on Friday with stocks edging higher and the euro climbing a three-week peak, but concerns about the conflict escalating capped gains.

Chinese shares led a recovery by Asian market, partly helped by the perception that the tariff measures were already priced in though worries about what lay ahead for global markets boosted appetite for perceived safe-haven assets such as government debt and the Japanese yen.

The US tariffs on more than 800 goods from China worth \$34 billion took effect. President Donald Trump has warned the United States may ultimately target over \$500 billion worth of Chinese goods, an amount that roughly matches its total imports from China last year.

World stocks rose 0.2 per cent to their highest level in a week while Asian stocks climbed nearly half a percent led by a rebound in Chinese shares.

MSCI's main European Index edged 0.1 per cent higher and held below a two-week high hit in the previous session amid hopes of a rapprochement between the US and Europe on auto trade tariffs.

US stocks climbed on Friday, with the S&P 500 and the Nasdaq hitting their highest levels in two weeks, as strong US jobs growth blunted the impact of an escalating US-China trade dispute. The Dow Jones Industrial Average rose 99.74 points, or 0.41 percent, to 24,456.48, the S&P 500 gained 23.21 points, or 0.85 percent, to 2,759.82 and the Nasdaq Composite added 101.96 points, or 1.34 percent, to 7,688.39. All of the 11 major S&P 500 sectors posted gains. For the week, the Dow increased 0.7 percent, the S&P 500 rose 1.5 percent, and the Nasdaq gained 2.4 percent.

US initial jobless claims inched up to 231,000, an increase of 3,000 from the previous week's revised level of 228,000. The modest increase came as a surprise to economists,



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who had expected jobless claims to edge down to 225,000 from the 227,000 originally reported for the previous week.

US factory orders climbed by 0.4 percent in May after falling by a revised 0.4 percent in April. Economists had expected orders to come in unchanged compared to the 0.8 percent decrease originally reported for the previous month.

European equities closed slightly in the green on Friday afternoon as investors monitored trade developments coming out of the US and China. The pan-European Stoxx 600 closed 0.2 percent higher. While all major bourses were positive by a small margin, business sectors pointed in different directions.

For the week, the FTSE ended lower by 0.6 percent while the Dax registered a gain of 1.3 percent.

Asian stocks bounced back to recover on the last trading day of the week, with most markets finishing the session higher. Investors were watching developments on the trade front as a deadline for tariffs from the US and China to take effect passed on Friday.

After losses earlier in the day, China markets sprung back slightly, with the benchmark Shanghai composite up 0.46 percent to close at 2,746.48. The smaller Shenzhen composite also recovered slightly, rising 0.48 percent, while Hong Kong's Hang Seng Index was up 0.47 percent to close at 28,313.74.

The Nikkei 225 rose 1.12 percent to close at 21,788.14 as most sectors rebounded after the benchmark's three consecutive sessions of declines.

For the week, the Nikkei fell 2.3 percent while on the other hand, Hang Seng shed 2.2 percent. Shanghai for the week closed down 3.5 percent.

### **Ajcon's view**

The much-awaited decision on minimum support price (MSP) was finally made by the government this week which will have a positive impact on Banking and NBFCs, FMCG, Auto and Fertilisers sector. The Government decision to hike the minimum support price (MSP) of 14 Kharif (summer sown) crops is a much needed step to address farmer's distress in India. Importantly, out of 14 crops, 7 crops witnessed hike of more than 20% compared to last year. Rural income is likely to get a boost but at a cost of up to 20 bps impact on the fiscal deficit. The increase in the government's food subsidy bill could be between Rs.12,800 crs to Rs.13,500 crs. It could be higher if any measures to compensate farmers for the difference between market price and MSP are undertaken.

Trade wars have impacted global markets. The rupee has been one of the worst performing currencies among peers which has impacted domestic bourses as well. Against the US\$, it has depreciated by ~ 7 percent since January 2018. Historically, stock market returns have been poor in the year when the Indian currency has depreciated against the dollar and vice versa. Ideally, a weak rupee also makes our exports attractive, and could help register



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strong growth for IT, Pharma and Auto companies in an environment of uncertainties in global markets and that the upcoming elections are posing. At Ajcon Global, we believe most of the quality names are available in large cap space at good valuation now. In addition, after the massive destruction in midcaps and smallcaps, one can consider Companies in midcaps and smallcaps space wherein FY18 earnings have been strong in sunrise sectors backed by ethical management. Many of these smaller Companies are expected to perform better in FY19.

The recent news of IRDAI permitting LIC to hike its stake to 51 per cent in IDBI Bank from 10.8 per cent at present would bring some relief in the PSU banking space and revive hopes of investors in PSU Banks. Though we are deeply disturbed with recent development of arrest and chargesheets on some of the top PSU bankers. We believe after the thrashing that the PSU Banks have witnessed in the stock prices, many of the banks have become good buying stocks. We still hold our positive bias on SBI, Syndicate Bank and Vijaya Bank.

**Dr. Ashok Ajmera, FCA**



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CIN: L74140MH1986PLC041941

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