



Mr. Ajmera's column as on March 22, 2014

F&O expiry to induce volatility in markets..

It was a lackluster special session on Saturday marked by low volumes on the bourses and feeble movement on the benchmark indices. Key benchmark indices moved in a narrow range during the day. BSE Sensex moved in a 40 points range during the day before closing flat. It touched a high of 21,778.92 and a low of 21,725.52 during the day. Sensex trudged marginally closing almost 2 points higher at 21,755 levels and Nifty remained flat too with 2 point uptick to close at at 6495 levels.

India's foreign exchange reserves continued upward trend for the third straight week, expanding by USD 1.838 billion to USD 297.28 billion in the week ended March 7 on a rise in the currency assets. The reserves had jumped by USD 1.09 billion to USD 295.45 billion in the previous reporting week. Foreign currency assets (FCAs), a major part of the overall reserves, increased by USD 1.842 billion to USD 269.814 billion in the week ended March 7. FCAs, expressed in dollar terms, include the effect of appreciation/depreciation of the non-US currencies such as the euro, pound and yen held in its reserves. The gold reserves remained stable at USD 20.978 billion, the data showed. The special drawing rights were down by USD 2.6 million to USD 4.478 billion, while India's reserve position with the IMF decreased by a USD 1.2 million to USD 2.016 billion, the apex bank said.

A data light week with focus on F&O expiry on Thursday, which will induce volatility in the markets. To be noted is that fundamentals tend to be ignored during expiry week as F&O dynamics take over in lending direction to the stocks and the markets. On Monday, the Supreme Court will hear PIL against gas-price hike involving RIL. Also, on the agenda on Monday, in the Supreme Court would be the appeal to ban iron ore mining in Odisha. FII flows would be keenly watched. As of last Thursday trades, FIIs have pumped in net USD 1.57 billion in equities and USD 2.08 billion in debt in the month of March, the year to date net figures being USD 1.92 billion in equity and USD 5.97 billion in debt.

Globally, world markets steadied on Friday after a volatile run driven by speculation over shifts in US monetary policy, with stocks up slightly and the euro at a two-week low against the dollar.

But the US Federal Reserve's plans look set to resume centre stage later in the day as a number of its officials give speeches.

A bounce in most leading Asian and US indexes overnight helped the MSCI World Index trade up 0.1%.

That gain was matched in early deals by the euro zone's blue chip Euro STOXX 50 index.

An escalation of US sanctions against Russia over the crisis in Crimea kept Europe's investors cautious, though the index remained on course to snap a two-week losing streak and chalk up its best weekly performance of the year.

The lack of major violence in the region in recent days has helped a partial recovery in market sentiment, but the fresh US sanctions announced overnight and a weakening in the credit outlook for Russia from ratings agency Fitch kept traders wary about stocks with heavy sales there.

The main event in US would be release of GDP data on Thursday. Eurozone would be releasing both manufacturing and services PMI figures on Monday. China would release HSBC manufacturing PMI on Monday, important because role it has had in the emerging markets sell-off in the recent past.

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