



Mr. Ashok Ajmera, CMD

Mr. Ajmera's column as on February 07, 2015

Banking woes continue; all eyes on Delhi election outcome and Union Budget...

Indian markets started the week on a negative note and continued to decline throughout the week. Nifty fell by -1.65% for the week whereas Banknifty fell by -5.32%. Major weakness was seen in PSU Bank index which fell by -6.7%. CNX IT index outperformed the broader market by gaining 3.80%. Top performers in the Nifty for the week were HCL Tech (+9.40%) and Cairn (+9.25%) whereas major weakness was seen in Bank of Baroda, PNB and BHEL which fell by more than -9%. Indian benchmark indices declined by 1.7% Week-on-Week. Market laggards were rate sensitive counters as the RBI earlier maintained status quo on key rates.

Asset quality woes (NPAs) of both the public and private banks have weighed heavy on the BANKEX (5.25% weekly decline). The non-performing assets of the nationalized banks increased from Rs. 9,190 crore in 2011-2012 to Rs. 2,16,739 crore in 2013-2014.

The sustained pressure on oil prices (Brent crude US\$ 57 per barrel) may result in current account surplus for India in Q4FY15 post thirty two consecutive quarters of Current account deficit. This will allow a lot of headroom for the government in terms of expenditure allocation while planning the Union Budget.

The India VIX index, a gauge for market volatility, rose four per cent during the week to 20.68. Investors turned cautious ahead of the Delhi polls scheduled for Saturday. Many fear if the BJP is defeated, it could trigger a correction in the market.

Global Markets



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Wall Street stocks fell on Friday as a better-than-expected US jobs report raised expectations that the Federal Reserve will increase interest rates by midyear, while renewed worries over Greece's debt negotiations added to the bearish tone. The S&P 500 index of utilities, often used as a bond proxy by investors in a low-rate environment, fell 4.1 percent, its biggest daily drop since August 2011, as US government debt yields jumped. In another sign of concern about interest rates, Simon Properties, a real estate investment trust, sank 4 percent at USD 195.08. But the financial sector, which tends to benefit from rising interest rates, rose 0.7 percent. Still, all three major indexes registered strong gains for the week, with the Dow industrials rising 3.8 percent for its biggest weekly gain since January 2013. For the week, the S&P 500 was up 3 percent, its best weekly gain since December, while the Nasdaq was up 2.4 percent.

Our Outlook

Going ahead, markets will focus on the outcome of the Delhi Assembly elections, remaining quarterly numbers and the Budget. A growth-oriented Budget with structural reforms will lead to further re-rating of the markets. However, any disappointment in the Budget will be a negative for the markets.

We are cautiously positive on selected stocks in the field of Capital goods, Infrastructure, Pharma and Banking.



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