



**Mr. Ashok Ajmera, CMD & CEO**

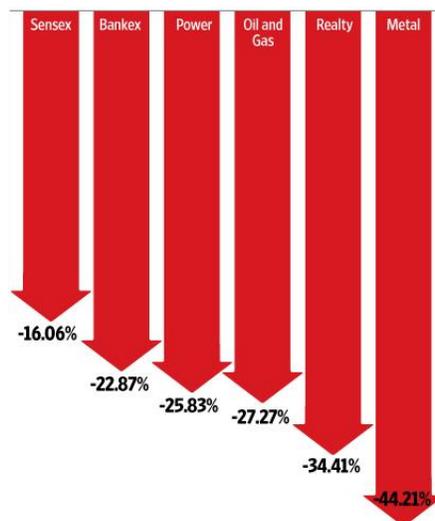
**Mr. Ajmera's column as on September 09, 2015**

**Sensex has fallen 16% from its 52 week high; global cues remain weak..**

Indian markets plunges to 55 weeks low to close at 7,657 losing 345 points or 4.4% for the week. This is the second time in 2015, Nifty has ended losing more than 4% on weekly basis (last on 5th June 2015). At the close of trading on Friday, the benchmark Sensex had fallen 16% from its 52-week high. As many as 341 stocks, or 68% of the shares that make up the BSE 500 index, have fallen more than 20% from their 52-week highs. In other words, more than two-thirds of the BSE 500 index is in bear territory.

**IN BEAR TERRITORY**

Sectors which have fallen more than 20% from their 52-week highs.



Source: BSE



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On commodities front, bullions traded neutral while Crude continued its positive momentum gaining 2.5% for the week. Euro after hitting intraday high of 1.17, plunges back to 1.11 levels. GBP also corrected from 1.58 levels to 1.52 against USD in last couple of weeks. In Indian markets, all the sectors ended in red with CNX IT least hammered which ended - 1.5% while maximum pain was seen in CNX PSU Bank which fell 8.7% followed by Infra and Auto which were down by 5.9% and 5.8% respectively.

Amid concerns in India and other global markets about uncertainty over a rate hike in the US, RBI Governor Raghuram Rajan on Friday sought to play down fears saying markets should not be scared of volatility as it would be transient in nature. He also said finance "is only a lubricant to growth" and it would be the overall economic policies of the countries that would determine their basic growth momentum. Addressing the plenary session of the B20 meet, an informal grouping of business leaders from G20 countries, Rajan referred to issues facing the global economy and said the problems include people saving more and spending less, low productivity and low investments. But the solution is that "we should not be scared of volatility", he said. Referring to uncertainties about a rate hike in the US, he said return to monetary policy normalcy would address the concerns over volatility in the future. Rajan also warned that the central banks globally might have engendered excessive fragility in the system

## Global Markets

The global indices also witnessed selling pressure with US and European markets down by ~2% while Nikkei losing 7% for the week.

The US economy added 173,000 jobs in August, lower than expected as investors look for clues about the path of interest rates, according to the Bureau of Labor Statistics. In addition to the new jobs, the unemployment rate fell to 5.1 percent. A separate measure that includes those who have stopped looking for work or are working part time for economic reasons edged lower to 10.3 percent. The labor force participation rate remained mired near its lowest level since the late 1970s at 62.6 percent. The US was expected to create 220,000 jobs in August, with the unemployment rate falling to 5.2 percent. Markets initially reacted little to the number, with stock futures pointing to a lower open on Wall Street. The payrolls number is the final critical data point before the Federal Reserve meeting Sept. 16-17. Market participants are divided over whether the Federal Open Market Committee will vote to raise interest rates for the first time in more than nine years.

U.S. stocks slumped as August payrolls data gave little comfort to investors seeking direction on interest rates amid volatile global markets and growing concern about the economy's strength.

Equity markets will be closed Monday for Labor Day. Trading in S&P 500 companies was 14% below the 30-day average.



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### **Ajcon's view**

Foreign institutional investors (FIIs) have sold around US\$2.6 billion worth of Indian equities in August. In September so far, they have sold shares worth US\$333.2 million. FII selling in the derivatives and cash markets is suggesting a further downside.

Not all of the fall in the market is due to global factors; a part of it reflects the fundamentals of the corporate sector. Earnings growth continues to be disappointing.

Unlike other emerging markets, India stands out as relatively less vulnerable to a slowdown in China, as it is not part of the Asian supply chain yet; it is a domestic demand-driven economy and a net commodity importer. We believe India is "among the least vulnerable", as an impact on the country's growth will be minimal and lower commodity prices will positively impact current account deficit and inflation.

We believe the current scenario offers good opportunity for accumulation in fundamentally strong Large Caps available at attractive valuations in Banking, NBFCs, Infrastructure, Real Estate, Engineering, Automobiles, Capital Goods, Packaging, Logistics and Pharma.



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