



Mr. Ashok Ajmera, CMD

Mr. Ajmera's column as on July 11, 2015

Q1FY16 earnings season and global cues to determine market trend..

The BSE benchmark Sensex slipped below its crucial 28,000 mark, while the CNX Nifty declined below its technical level of 8,400.

The 30-share Sensex settled at 27,661.40, shedding 431.39 points or 1.54% while the 50-share Nifty settled at 8,360.55, dropping 124.35 points or 1.47%.

The broader markets, however, flexed some muscles; the BSE Midcap ended 0.45 points up to settle at 10,870.45 and the BSE Smallcap index rose 32.36 points or 0.29% to end the week at 11,335.94

Key sectors & stocks

Sectorally, the BSE IT and Metal indices plunged 4% followed by Auto sector, shedding 3%. Oil and Gas, Consumer Durables and FMCG sectors dropped 1-2.5% each, while Capital Goods and Healthcare sectors rose 2-3% each.

The IT sector dived around 4% weighed by the TCS. The IT major reported a 12.8% increase in net profit at Rs. 5,708.9 crore and the revenue growth was pegged at Rs.25,668 crore, an increase of 16.1% year-on-year. However, in dollar terms, the revenue growth was below expectations. TCS lost 5.1% during the week. Infosys shed 5.35%, while Wipro dropped marginally at 0.23% during the week.

From the metal pack, Vedanta slumped 14.4% while Hindalco shed 5.38%



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In anticipation of the May IIP data, the capital good sector rose 3%. BHEL finished the week with 4% gains while L&T surged 3.5%.

Key events

On the global front, the Greek saga dragged on. In the emergency Eurozone meet held on July 7, 2015, the European Union asked Athens to present a set of new reforms on Sunday 12, July 2015 that will be acceptable to its creditors or else face the repercussion of an exit from the Euro zone.

The Chinese stock market nosedived 6.2% on Wednesday inspite of the support measures provided by Beijing, which the investors chose to ignore. This stock market crash had a domino effect on other Asian markets. However, after the panic, the Chinese equities rebounded later in the week on the back of government intervention.

The week also witnessed a crash in base metal prices as LME, an index tracking prices of six metals on London Metal Exchange (LME) plunged 4%.

On the home front, the first quarter earnings season of corporate India for FY2016 started on Thursday with Tata Consultancy Services' (TCS) announcing its Q1 numbers.

The government unveiled the Index of Industrial Production (IIP) data for the month of May post market hours on Friday. The data shows that the industrial production has slowed down to 2.7% as against 5.6% when compared year-on-year. The IIP for April was 3.36%

Ajcon's view

The first quarter corporate earnings season will dictate sentiment on the bourses in the forthcoming week. Among individual stocks, IndusInd Bank is scheduled to announce Q1 results on Monday, July 13. Zee Entertainment has its results scheduled for Wednesday, July 15 while MindTree is set for Thursday, July 16 and Crisil will unveil its quarterly results on Friday, July 17.

The IIP data for the month of May will also impact trading next week, especially Monday. Manufacturing has slowed down to 2.2 % in May.

The government is set to unveil the Consumer Price Index (CPI) data for the month of June on Monday. The industrial output data and inflation data will determine the RBI's action on interest rates at its next policy review meet on August 4. The progress in monsoon will also be closely watched by the market participants and RBI; the monsoons have been 4% below normal since June 1.

On the global front, the EU's decision at its Sunday meet on Greece's fresh proposal will let investors know whether a Grexit is a likely scenario. The volatility in Chinese stock markets will also be closely watched by the markets.



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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at research@ajcon.net

CIN: L74140MH1986PLC041941

Website: www.ajcononline.com

Corporate and Broking Division : 408 – (4th Floor), Express Zone, “A” Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel’s, Western Express Highway, Malad (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062

Registered Office: 101, Samarth, Off. Hinduja Hospital, 151 Lt. P.N. Kotnis Road, Mahim (West), Mumbai – 400016. Tel: 022-24460335/36/40