



Mr. Ashok Ajmera, CMD & CEO

Mr. Ajmera's column as on 18th June, 2016

All eyes on UK referendum and progress of monsoons in the country; PSU banks outperform..

Domestic bourses performance

Markets finished the week on a flat note as investors remained edgy on worries about a potential exit by the UK from the European Union in a referendum due next week and unfavourable macro economic data.

The Bank of Japan stance and the Reserve decision to keep interest rates unchanged also dampened sentiment.

The S&P BSE Sensex fell 9.84 points to settle at 26,625.91 and the Nifty50 rose 0.15 points to settle at 8,170.20.

Macroeconomic data

The Bank of Japan (BoJ) on 16 June 2016 kept monetary policy steady as was widely expected and the US Federal Reserve on 15 June 2016 left interest rates unchanged and backed off an aggressive stance on future rate hikes.

Back home, data released by government on 14 June 2016 showed that the inflation based on wholesale price index (WPI) rose 0.79 per cent in May and data released by the government on 13 June 2016 showed that the all-India general consumer prices index (CPI) inflation increased to 21-months high of 5.76 per cent in May 2016, recording rise for second straight month.



Global events

Wall Street ended lower on Friday as Apple dragged down major indexes and investors girded for Britain's vote next week on its European Union membership. For the week, the three indexes each posted declines of at least 1 percent, with the Nasdaq falling nearly 2 percent. The possibility that Britain will vote to leave the EU on June 23 has been rattling global markets. US stock markets could see heavy trading and increased volatility as investors position for next week's referendum.

Stocks

Bank stocks closed mixed. HDFC Bank rose 0.7 per cent. Axis Bank shed 3 per cent and ICICI Bank dropped over 5.5 per cent.

As expected by us, as shares of select public sector undertaking (PSU) banks (recommended earlier in our weekly review) continue to move north for the fourth straight trading sessions after the Reserve Bank of India (RBI) came out with a scheme for resolution of bad loans of large projects wherein a portion of the debt will be converted into equity or other instruments.

State Bank of India (SBI) gained 3.5 per cent after media reports stated that the government has given its go ahead for merger of 5 associate banks with SBI. On 17 May 2016, SBI had announced that it was seeking in principle sanction of the Government of India (GoI) to enter into negotiation with its 5 subsidiary banks viz. State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore to acquire their businesses including assets and liabilities.

Dena Bank (up 13% at Rs 37), Central Bank of India (up 12% at Rs 105), Bank of Maharashtra (9% at Rs 34), Vijaya Bank (7% at Rs 37), and United Bank of India (6% at Rs 22) were up more than 5% each on the National Stock Exchange (NSE).

Oriental Bank of Commerce, Indian Overseas Bank, Corporation Bank, Punjab National Bank and Uco Bank were up 2%-4% at 03:27 PM.

In past four trading sessions, the Nifty PSU Bank rallied 6.5% as compared to less than 1% rise each in the Nifty Bank index and Nifty 50 index.

RBI on last Monday came out with a scheme for resolution of bad loans of large projects wherein a portion of the debt will be converted into equity or other instruments under supervision of IBA's Overseeing Committee. The Scheme for Sustainable Structuring of Stressed Assets (S4A) will cover those projects which have started commercial operations and have outstanding loan of over Rs 500 crore.

Meanwhile, the Union Cabinet on Wednesday gave a go-ahead to the merger of five associate lenders and Bharatiya Mahila Bank with State Bank of India (SBI).

The merger with associate banks has been one of the long-pending agendas and has come in earlier than what the Street was expecting.



Bank	13/06/2016	17/06/2016	% Chg
State Bank of Mysore	453.45	696.70	53.64
State Bank of Travancore	392.50	552.00	40.64
State Bank of Bikaner & Jaipur	500.30	697.65	39.45
Dena Bank	29.55	36.00	21.83
United Bank of India	18.15	21.80	20.11
Central Bank of India	87.95	105.45	19.90
Vijaya Bank	31.35	37.20	18.66
Punjab & Sind Bank	44.30	52.30	18.06
Indian Bank	105.35	124.30	17.99
Punjab National Bank	82.95	94.55	13.98
Bank of Maharashtra	28.90	32.85	13.67
Corp Bank	35.35	40.10	13.44
Allahabad Bank	52.05	58.15	11.72
Oriental Bank of Commerce	89.10	99.45	11.62
Andhra Bank	50.00	54.65	9.30
Syndicate Bank	66.00	71.90	8.94
UCO Bank	36.15	39.10	8.16
IDBI Bank Ltd	66.65	71.70	7.58
Bank of India	87.50	94.05	7.49
Union Bank of India	118.60	126.75	6.87
State Bank of India	202.20	214.40	6.03
Jammu & Kashmir Bank	64.60	68.20	5.57
Canara Bank	192.50	202.25	5.06
Indian Overseas Bank	25.80	26.85	4.07
Bank of Baroda	145.90	150.55	3.15

Price on BSE - 3.21 pm, 17th June, 2016

Auto stocks slipped across the board with Bajaj Auto down 0.7 per cent, Maruti Suzuki India down 0.19 per cent, Mahindra & Mahindra (M&M) down 2.4 per cent and Hero MotoCorp down 1.7 per cent.

Wipro rose 1.3 per cent after the company announced the launch of its analytics solution, Data Discovery Platform. The solution provides pertinent business insights across the value chain of an industry through the predefined "apps".

Some of the notable gainers include GAIL up 4.7 per cent, Adani Ports & Special Economic Zone up 2.3 per cent and TCS up 1.6 per cent.



Week ahead and Ajcon's view:

Investors will closely watch the progress of monsoon rains, global trend, FII stance, crude oil and rupee movement.

Meanwhile, Mahanagar Gas is coming up with an initial public offer (IPO) of 2.46 crore shares through a 100% book building process. The IPO will open for subscription on Tuesday, 21 June 2016 and will close on Thursday, 23 June 2016.

On global front, the UK government holds a referendum on 23 June 2016 on whether the country should remain a member of the European Union (EU).

Data on Nikkei Flash Japan Purchasing Manufacturing Index (PMI) for June 2016 is due on Thursday, 23 June 2016.

We suggest value buying in fundamentally good midcaps.

CA Ashok Ajmera



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