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Mr. Ajmera's column as on 21st May, 2016

Weak global cues affect domestic bourses; BJP win in Assam and support from TMC positive for markets..

Domestic bourses performance

Markets declined during the week after prospects of an early interest rate hike by the US Federal Reserve in June dented sentiments. Persistent foreign fund outflow and a weak rupee added to the woes.

Meanwhile, a win for the BJP in Assam and support from TMC (winner in West Bengal) for passage of the Goods and Services Tax (GST) bill failed to cheer the market after Securities and Exchange Board of India (SEBI) tightened norms for P-notes.

In the week ended Friday, 20 May 2016, the S&P BSE Sensex shed 188 points or 0.7 per cent to settle at 25,302 and the Nifty50 dropped 65 points or 0.8 per cent to settle at 7,750. Meanwhile, the broader markets underperformed the larger peers with BSE Midcap index losing 1 per cent and BSE Smallcap index dipping 1 per cent.

Key events

Expectations of further interest rate hike by the US Federal Reserve increased after data indicated an uptick in the US economy and after minutes from the US Federal Reserve's April policy meeting showed that Fed policy setters discussed the prospects of a June rate increase if the economy continued to strengthen.

Back home, market regulator SEBI announced tightening the regulations for issuers and subscribers of offshore derivative instruments (ODIs) or participatory notes (P-notes) with a view to enhance the transparency and control over the issuance of ODIs.



Sectors and Stocks

Cigarette maker ITC gained over 3 per cent after the net profit of the company rose 5.6 per cent to Rs 2495.20 crore on 9.49 per cent rise in total income to Rs 10580.33 crore in Q4 March 2016 over Q4 March 2015. The company announced a 1:2 bonus share issue at the time of the announcement of its Q4 March 2016.

State Bank of India (SBI) slumped 7.3 per cent SBI after it decided to seek 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.

Maruti Suzuki India climbed 2.66 per cent. The car major announced on 19 May that it will undertake a service campaign to inspect fault and replace a brake part in 20,427 units of its S-Cross model. These vehicles were manufactured between 20 April 2015 and 12 February 2016. This service campaign applies to both the variants of S-Cross. The inspection and replacement will be done free of cost for the customers.

Shares of drug maker Lupin dropped over 5 per cent on concerns surrounding its Goa facility which is under the scanner of USFDA. As per reports, Lupin depends on Goa facility for about 40 per cent of its US sales. Meanwhile, it reported 48 per cent rise in consolidated net profit to Rs 807 crore on 34 per cent growth in net sales to Rs 4091.30 crore in Q4 March 2016 over Q4 March 2015.

Week ahead and Ajcon's view:

Q4 results, progress of monsoon, trend in global markets, FII stance and movement of rupee and crude oil will dictate trend on the bourses next week.

The market may remain volatile as traders roll over positions in the futures & options (F&O) segment from the near month May series to June series due on Thursday.

Investors will closely track the next batch of Q4 results. BPCL, Tata Power, Cipla, Tech Mahindra, Bajaj Auto, GAIL (India), Tata Steel, L&T, BHEL, SBI and Coal India among others will announce Q4 results next week.

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