



### Mr. Ajmera's column as on Aug 23, 2014

#### Bulls continue to rule amidst softening crude oil price..

It was yet another week which saw key benchmark indices break previous records and scale new all-time high levels. Benchmark indices managed to churn out over 1 percent gains amid consolidation and saw Nifty cross the crucial 7900 mark for first time ever.

The proposed banking reforms and a dip in global crude oil prices boosted investor sentiment along with inspiring speech by Prime Minister Narendra Modi on Independence Day. The Finance Ministry approved a draft cabinet note, which proposes to create a holding company structure for public sector banks. This holding company will raise money in order to recapitalise public sector banks. UBI, PNB and SBI surged 4-8.1 percent during the week. PNB and SBI were among the top Nifty gainers this week.

Market experts from all quarters have consistently suggested investors to exercise caution while diving in the choppy waters of broader markets. But yet again this week's performance of stocks from the space suggests that market participants sometime play for the love of the game, when in a bull market. CNX mid-cap and BSE small-cap indices jumped 3.6 percent and 4.8 percent respectively this week. From the space, BASF, Hercules, Manappuram, Nectar Life, Igarashi Motor hoisted up between 33-47 percent. Bhushan Steel and UB Holdings tanked between 20-22 percent. Bhushan Steel tanked after the company's Vice President was caught in a bribe-for-loan scandal, which also led to the arrest of Bank of India Chairman & MD SK Jain. Bankers have tightened the noose on Bhushan Steel. The consortium of banks led by PNB says auditors will monitor the company's cash flow on a daily basis and a forensic audit will be conducted.

Globally, Wall Street and other stock markets paused on Friday, halting the week's strong gains, as worsening Ukraine tensions dogged trading, while the dollar rose after Federal Reserve Chair Janet Yellen said policymakers eyeing interest rate hikes need to move cautiously. Ukraine on Friday said Russia had launched a "direct invasion" of its territory after Moscow sent a convoy of aid trucks across the border into eastern Ukraine, where pro-Russian rebels are fighting government forces. Moscow, which has thousands of troops close to the Russian side of the border, warned against any attempt to

"disrupt" the convoy but did not say what action it might take if Kiev's military intervened. The Dow Jones industrial average fell 38.27 points, or 0.22 percent, to 17,001.22, the S&P 500 lost 3.97 points, or 0.2 percent, to 1,988.40, and the Nasdaq Composite added 6.45 points, or 0.14 percent, to 4,538.55. Benchmark 10-year US Treasuries ended up 2/32 of a point in price to yield 2.40 percent. The 30-year Treasury traded up 22/32 of a point in price to yield 3.15 percent and benefited from Europe's weakness, geopolitical concerns and views that US growth is as robust as thought. The US dollar index, which values the greenback against a basket of a half dozen major currencies, was up 0.2 percent at 82.310 after setting a 2014 high of 82.456. In a speech to a gathering of central bankers, closely watched for hints on shifts in monetary policy, Yellen said the US labor market is still bruised from the Great Recession and that the Fed should move cautiously in determining when interest rates should rise. The US jobless rate has fallen more quickly than expected, but Yellen said the economic disruption of the last five years has left millions of workers sidelined, discouraged or stuck in part-time jobs, which is not captured in the unemployment rate alone. In such an environment "there is no simple recipe for appropriate policy," Yellen said, arguing for a "pragmatic" approach that allows officials room to evaluate data as it arrives without committing to a preset policy path. At the same time, she said, the labor market may in fact be tighter than it seems and the Fed may have to raise rates sooner and more quickly than expected. Higher interest rates tend to boost the allure of the dollar. European shares dipped 0.27 percent after the Russian convoy of aid trucks entered eastern Ukraine without Kiev's permission. The MSCI world equity index, which tracks shares in 45 nations, was down 0.29 percent. Worries about the euro zone slipping toward deflation and near-zero growth pinned German 10-year government bond yields firmly below 1 percent on Friday. In commodities trading, spot gold rose 0.22 percent to USD 1,280 an ounce, after losing 1.3 percent on Thursday as rate rise expectations sent it plowing through key support levels to a two-month low. Oil eased as the strong dollar and plentiful supplies continued to pressure prices. October Brent crude ended down 36 cents to USD 102.27 a barrel. US crude lost 31 cents to end at USD 93.65 a barrel.

#### **Ajcon's view:**

It's a truncated week ahead as stock market remains closed on account of Ganesh Chaturthi on Friday. It is likely to remain volatile though as August series F&O contracts expire on Thursday. FI investments, global markets, crude oil price movement and monsoon will be watched for direction. At current levels, we would recommend buying in stocks in sectors like Banking, NBFCs, Metals, Capital Goods and Infrastructure.

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