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Mr. Ashok Ajmera, CMD & CEO

Mr. Ajmera's column as on September 28, 2015

All eyes on RBI for a rate cut; copper prices under pressure amidst China slowdown..

Concerns over the global economic recovery, the Chinese economy, slipping commodity prices and a debt-defying con job by an international auto major depressed Indian equity markets by over one percent in the just-concluded weekly trade.

The barometer 30-scrip sensitive index (S&P Sensex) of the Bombay Stock Exchange (BSE) fell by 354.5 points or 1.35 percent to 25,863.50 points from its previous weekly close of 26,218 points.

The wider 50-scrip Nifty of the National Stock Exchange (NSE) too declined. It plunged by 113.4 points or 1.42 percent to 7,868.50 points.

Global Markets

The Chinese PMI (purchasing managers' index) data showed that the country's factory output in September unexpectedly shrank to a six-and-a-half year low.

The continuous slide in the Chinese markets spooked global investors and dampened Indian equities on fears of another recession - caused by the slowdown - in the Chinese economy.

The massive implosion in the Chinese markets, by some estimates, has eroded 35-40 percent of its entire stock value. This, coupled with the devaluation of the yuan and lower



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factory output, signals an impending slowdown. To add fuel to the fire was a sharp fall in global copper prices that was sparked by concerns over a surplus of the metal.

Copper enjoys the status of an important benchmark for commodity demand and economic recovery due to its importance as an industrial metal.

With all the negative cues hogging the limelight, even positives such as US Fed's decision to maintain lending rates was received with scepticism and concern as an indication of a sluggish global economic recovery.

Furthermore, investors were seen reluctant to chase even attractive valuations ahead of key events like release of major macro data and the monetary policy review of the Reserve Bank of India (RBI) lined-up.

Ajcon's view

All eyes are now on the Reserve Bank's monetary policy review on September 29 as the stance taken by its chief Raghuram Rajan will determine the broader trajectory of the market. Rate cut hopes are fuelled by retail inflation dropping to 3.66 per cent in August as well as economy expanding at a slower pace of 7 per cent during the same month.

Besides, auto firms will be in focus amid announcement of monthly sales data for September from Thursday. For the week ahead, investors will also be eyeing Nikkei India Manufacturing PMI scheduled to be released on Thursday.

Meanwhile, equity markets will remain closed on Friday on account of Gandhi Jayanti.

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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For research related queries contact:

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

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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