



**Mr. Ashok Ajmera, CMD & CEO**

**Mr. Ajmera's column as on 30th April, 2016**

**Weak global cues and poor results from Banking majors put pressure on domestic bourses..**

**Domestic bourses performance**

Benchmark share indices are likely to consolidate in the week ahead with the next batch of corporate earnings to dictate the trend.

Markets snapped their two-week winning streak, amid weak global cues, after the Bank of Japan's surprising stance on interest rate and lower GDP growth forecast led to a sell-off in global stocks. The yen posted its biggest weekly gain since the 2008 financial crisis, also spurred by a weak reading of US economic growth in the first quarter on Thursday and the Federal Reserve's cautious tone this week.

In the week to April 29, the S&P BSE Sensex ended down 0.9% at 26,607 and the Nifty50 settled 0.6% lower at 7,850.

However, the broader markets ended mixed with the BSE Midcap up 0.2% and Smallcap closing 0.5% lower.

**Global Markets**

US stocks posted their largest weekly drop in more than two months on Friday as earnings reports continued to weigh, but the S&P 500 and Dow managed to close up for April after strong showings mid-month.

Company results once more gave the market direction as a 9 percent decline in Gilead Sciences shares weighed the most on both the S&P and the Nasdaq Composite. Apple shares were down for the tenth session in the last 11 and closed the week down 11.3 percent, the largest such decline since January 2013. Its April fall was of 14 percent. Apple



and Gilead, alongside Corning, Goodyear and Xerox are among the companies that reported earnings this week and are closing them with double-digit declines in their stock.

The Dow Jones industrial average fell 57.12 points, or 0.32 percent, to 17,773.64, the S&P 500 lost 10.51 points, or 0.51 percent, to 2,065.3 and the Nasdaq Composite dropped 29.93 points, or 0.62 percent, to 4,775.36. The weekly declines were of 1.3 percent for both the Dow and S&P and the Nasdaq fell 2.7 percent.

It was the largest weekly drop for the Dow since the week to Feb. 12, and for the S&P and Nasdaq the declines were the largest going back to Feb. 5. For the month, only the Nasdaq ended in negative territory.

### **Key stocks**

Reliance Industries ended down 5.4% on profit taking post its results announcement. The stock had appreciated nearly 10% in the last two months ahead of its fourth quarter earnings. Meanwhile, on account of the huge Rs 1.13 lakh crore capex for the ongoing refinery and petro-chemical expansions and the proposed launch of Jio telecom, its gross debt increased to Rs 1,81,079 crore in the March quarter compared with Rs 1,78,07 crore in the December quarter.

ICICI Bank was the top Sensex loser down 6% after it reported a 76 per cent drop in net profit in January-March quarter to Rs 702 crore as it set aside additional contingency provisioning of Rs 3,600 crore. Further, the net NPA increased to 2.98 per cent from 2.28 per cent in the quarter ended December.

Axis Bank ended with marginal losses. The private lender put loans worth Rs 22,600 crore under a watch list and expects 60% of the watch list accounts to fall into the non-performing assets category over the next eight quarters.

Bharti Airtel ended up 3%. The telecom major has posted a 2.8% increase in net income at Rs 1,290 crore for the quarter ended March, with high growth in mobile data revenue. Bharti Airtel also announced a buy-back of up to Rs 1,434 crore at Rs 400 share.

YES Bank surged nearly 8% after it reported 27% growth in net profit in the March 2016 quarter at Rs 702 crore, compared to Rs 551 crore in the corresponding quarter a year ago on the back of high net interest income (NII) and other income.

HCL Technologies slumped over 11% after it reported lower-than-expected 0.3% growth in consolidated net profit at Rs 1,926 crore for the quarter ended March 2016 (Q4) on a sequential basis.

### **Week ahead and Ajcon's view**

Global events along with the movement in crude oil prices and foreign fund flows will dictate the market trend in the week ahead.

Markit Economics will release the India Manufacturing PMI for April 2016 on May 2 and Nikkei India Services PMI will release the data on May 4.



Stock specific action will be seen post the March quarter earnings with Adani Ports, Eicher Motors and Hero MotoCorp set to announce their results next week.

Auto companies will be in focus as they will release their April sales numbers.

We believe that the Banking sector is in the clean up mode after RBI's focus for cleaner and healthier balance sheets. We still believe that pain would remain for next 2 quarters as well. Post October, we may see recovery and incremental growth to start trickling in.

We expect the markets to consolidate in the coming weeks and take cue from Q4FY16 and FY16 numbers and especially management commentary after the results.

**CA Ashok Ajmera**



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