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Mr. Ajmera's column as on January 30, 2016

Buying interest witnessed in defensives; all eyes on RBI's monetary policy..

Benchmark share indices snapped a three-week losing streak in the truncated week after a rebound in crude oil prices and Bank of Japan's negative interest rate policy stance fuelled a rally in global stocks.

In the week to January 30, the S&P BSE Sensex ended up 1.8% at 24,871 and the Nifty50 ended up 1.9% at 7,564. The broader market outperformed the benchmark indices. The BSE Midcap index ended up 2.2% while Smallcap index gained 2.6%

Sectors and stocks

The week witnessed the renewed buying interest in the defensive sectors as market participants shielded themselves from the volatility ahead of the expiry of January derivative contracts.

Pharma, IT and FMCG stocks formed the trilogy that led the winning streak during the week under review while bank stocks witnessed a mixed trend post their third quarter earnings performance.

In the pharma segment, Sun Pharma was the top Sensex gainer with double digit gains. The pharma major's subsidiary, Sun Pharma Advanced Research Company received market regulator Securities and Exchange Board of India's (Sebi) nod to raise up to Rs 250 crore via rights issue.

Dr Reddy's Labs also ended nearly 8% higher after it received US Food and Drug Administration (USFDA) nod for ZembraceSymTouch (sumatriptan succinate) injection, a drug-device combination product intended for the treatment of acute migraine in adults.



Among others, FMCG majors witnessed renewed buying interest despite weak rural demand impacting third quarter earnings. ITC and Hindustan Unilever ended up 3.5%-5.7% each.

IT exporters also emerged winners after encouraging US economic data boosted sentiment. Infosys, Wipro and TCS ended 2%-4% each.

Some of the Sensex companies that announced their earnings for the quarter ended December 31, 2015 include Maruti Suzuki which ended flat despite 27% growth in net profit as margins contracted on account of higher spend in advertisement.

ICICI Bank ended lower after it reported a net profit of mere 4% in the third quarter at Rs 3,018 crore on account of higher provisioning. RBI has articulated the objective of early recognition of NPA resulting pressure on asset quality.

HDFC Bank gained after it reported a 20% growth in net profit to Rs 3,357 crore on the back of a higher other income and net interest income.

Bharti Airtel eased over 3% after posting 22% decline in its net income at Rs 1,117 crore in the third quarter on the back of higher interest and spectrum costs.

Mortgage lender HDFC ended marginally higher after it posted a mere 6.7% growth in standalone net profit at Rs 1,521 crore for the third quarter ended December 2015, on lower income from investments and higher provisions for standard loans.

Engineering major L&T ended down over 3% after third quarter consolidated net profit was lower than estimates. Net profit was up 19% to Rs 1,035 crore against a Bloomberg consensus estimate of Rs 1,040 crore.

Among others, Yes Bank emerged as the topper among private banks after it beat street expectations with recording profit growth of 25% year-on-year at Rs 676 crore on strong net interest income growth.

Global Markets

The US Federal Reserve at its two-day policy meet kept interest rates unchanged citing growth concerns and said that it was "closely monitoring" global economic and financial developments.

Further, in a surprising move the Bank of Japan at its monetary policy review announced a negative interest rate policy in which the central bank has reduced the deposit rate on excess reserves parked by commercial banks to -0.1% compared with 0.1% earlier.

Meanwhile, China's central bank, the People's Bank of China announced a infusion of 440 billion yuan through open market operations to cater to the demand for funds ahead of the lunar year holiday.

Week ahead

Market participants will be eagerly awaiting the Reserve Bank of India's first monetary policy review in 2016 at its meeting scheduled on Tuesday, February 02, 2016. This is the



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last meeting of the RBI before the budget and with the clean-up by banks as desired by RBI and government fiscal deficit being under control the RBI governor could cut rates by 25 bps.

Auto stocks will be in focus as they would start releasing sales numbers for the month of January 2016.

Among the major companies that will announce their third quarter earnings include, Tech Mahindra, Bajaj Auto, Tata Steel, Lupin and Bosch among others.

The initial public offer from staffing firm TeamLease Services will remain open for bidding from February 2-4 in the price band of Rs 785-Rs 850 per share.

Further, manufacturing and services PMI data for January from Nikkei India will also be closely watched.



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