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Mr. Ashok Ajmera, CMD & CEO

Mr. Ajmera's column as on November 30, 2015

Rupee weakens; cues from winter session of parliament and US Fed decision to dictate market direction..

Political brinkmanship to get a key economic legislation passed in the ongoing winter session of parliament buoyed the Indian equity markets during the just concluded weekly trade session.

Though short-coverings triggered by derivatives expiry and increased chances of a stimulus in European Union (EU) played a part in boosting the equity markets, it was the ongoing political soap opera that had investors' hooked.

The barometer 30-scrip sensitive index (S&P Sensex) of the Bombay Stock Exchange (BSE), gained 259.71 points or 1.00 percent to 26,128.20 points from its previous weekly close at 25,868.49 points.

Similarly, the wider 50-scrip Nifty of the National Stock Exchange (NSE) rose during the weekly trade ended November 27. It ended higher by 86.15 points or 1.09 percent to 7,942.70 points.

The government needs to pass the GST bill in this session to meet the April 1, 2016, roll-out deadline, as just parliamentary approval is not sufficient enough for the pan-India indirect tax regime.

The bill has cleared the Lok Sabha and is now with the Rajya Sabha, where the Congress and other parties have demanded a series of amendments. If that happens, the bill will go back to the Lok Sabha and will then have to be ratified by at least half of the 29 state legislatures before being sent to the president for his assent.



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On a weekly basis, the rupee weakened by 57 paise to 66.76 to a US dollar (November 27) from its previous close of 66.19 (November 20).

The value of the Indian rupee has been dented due to selling spree in the Indian debt and equity markets by foreign funds ahead of the US Fed's imminent rate hike decision slated for December. The rupee was trading at 66.8000/8050 to the dollar as of 0706 GMT on Monday, near a more than two-year low of 66.8950 hit in the previous session. It closed at 66.76/66.77 on Friday.

The currency was headed for a fall of 2.4 percent in November, bigger than all emerging units in Asia, and followed by a drop of 1.6 percent in second-worst performer South Korean won, according to Thomson Reuters data.

Street participants had warned the rupee could test 68 to the dollar by late December, depending on the outcome of the Fed's meeting on Dec. 15-16 and the winter session of parliament on Dec. 23. RBI Governor Raghuram Rajan has also expressed confidence about India's sturdiness and has built foreign exchange reserves to a near record of \$352.37 billion after "Fed taper" fears sent the rupee to a record low of 68.85 per dollar in 2013.

The National Securities Depository Limited (NSDL) data, showed that the FPIs sold Rs.1,538.66 crore or \$232.44 million in equity and debt markets from November 23 to 27.

The data with stock exchanges showed that the FPIs sold stocks worth Rs.1,492.84 crore in the period under review ended November 27.

The FPIs have taken out Rs.23,352 crore during the period August-September. Till date in November, the foreign investors have off-loaded stocks worth over Rs.6,000 crore.

However, increased expectations of European Central Bank (ECB) announcing a stimulus package during its next monetary policy meet slated for December 3 and rising European stocks gave a positive cue to Indian markets.

Week ahead

India's economic growth likely picked up in the July-September quarter, outpacing China on improving domestic demand and manufacturing activity that could persuade the Reserve Bank of India to keep interest rates unchanged on Tuesday.

Asia's third-largest economy likely expanded 7.3 percent in the second quarter of the current financial year that ends in March, compared with 7 percent in April-June, according to analysts polled by Reuters.

Many of the midcaps and smallcap stocks have suddenly started showing good activities signifying the retail participation in the markets. The future looks good for Indian Equity Markets. Investors must rely more on fundamentals rather than market rumours.



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For research related queries contact:

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

CIN: L74140MH1986PLC041941

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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