



Mr. Ashok Ajmera, CMD & CEO

Mr. Ajmera's column as on 3rd December, 2016

Volatility to continue; all eyes on Italy referendum and RBI policy..

Domestic bourses performance

Domestic bourses witnessed heavy selling pressure in the last trading session, the market settled the week lower. Key economic data such as Gross Domestic Product (GDP) growth in the September quarter, Nikkei India Manufacturing Purchasing Managers Index (PMI) for November along with decline in November auto sales data disappointed the investors as they continued to take stock of the impact of cash crunch on the economy.

During the week ended December 2, the S&P BSE Sensex lost 86 points, or 0.33%, to settle at 26230.66, while the broader Nifty50 slipped 27 points, or 0.34%, to close the week at 8,087.

Midcap and Smallcap stocks inched up. The BSE Midcap index rose 0.1%, while the BSE Small cap index surged 0.4%.

Key developments during the week

Economic growth rose slightly to 7.3% in the second quarter of the current financial year from 7.1% in the first quarter and that too when it was pushed up by the government expenditure.

Manufacturing growth decelerated sharply in November with the Nikkei/ Markit Manufacturing PMI falling to 52.3 in November from October's 54.4, its biggest month-on-month decline since March 2013.

The government, on Friday, increased the ceiling of special bonds that can be issued to mop up excess liquidity in the system to Rs 6 lakh crore, from the earlier Rs 30,000 crore – a fallout of the note ban.



States on Friday refused to budge from their stand on division of administrative powers between them and the Centre under the proposed goods and services tax (GST), putting road blocks in the way of introducing the new indirect tax system from April 1, 2017.

Sectors and stocks

The week saw BSE IT index dropping 1.7%, followed by the BSE Bankex index (down 1.5%), the BSE Metal index (down 1.4%), the Bank Nifty Jan fut (down 1.3%) and BSE Teck (down 0.8%). The BSE Consumer Durables and BSE Oil&Gas index shed 0.7% and 0.2%, respectively.

Among stocks, Hindalco plunged 6.5% for the week. BPCL plummeted 5%, Asian Paints and Tata Motors tanked 4.3% each, while Bank of Baroda and Kotak Bank slumped 4% and 3.8%, respectively.

Gainers included Eicher Motors (12.5%), Bharti Infratel (8.5%) Bosch (8.1%) and Grasim (6%).

FII flows

Foreign institutional investors (FIIs) have been continuous sellers since November 9, a day after the government announced demonetisation. FIIs have pulled out Rs 18,800 crore in the previous 17 sessions, one of their longest unbroken selling streaks.

Foreign investors sold shares worth Rs 190 crore on Friday, provisional data provided by stock exchanges showed. Domestic investors, too, were net sellers to the tune of Rs 419 crore.

Ajcon's view

We believe volatility will rule markets as several key events are lined up for the week. Investors will react to solid US jobs data, which has strengthened the prospects of rate hike by US Federal Reserve later this month. Investors will also eye developments in Italy, which heads to the polls on Sunday to pass or reject reforms that Prime Minister Matteo Renzi says are needed to move the country forward. RBI's policy review on December 7 will also be a focal point for investors reeling from the government's clampdown on high-value currency bills and capital outflows.

CA Ashok Ajmera



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