



Mr. Ajmera's column as on 5th October, 2013

"Buying witnessed in auto stocks; festive season to boost sentiments"...

Benchmark indices ended higher in the truncated week as the Indian rupee remained high along with renewed buying among auto and metal shares bucked the trend. The 30-share Sensex rose 188.68 points or 0.96% to 19,915.95. The 50-unit Nifty gained 74.10 points or 1.27% to 5,907.30. The broader markets outperformed the benchmark indices during the week- BSE Midcap and Smallcap indices rose 1.94% and 1.25%, respectively.

According to data released by the Reserve Bank of India (RBI), the current account deficit rose to \$21.8 billion or 4.9 per cent of GDP for April-June 2013 due to a rise in imports (especially of gold) and shrinking exports. The CAD for April-June 2012-13 was \$16.9 billion, 4 per cent of GDP. CAD could narrow substantially in the subsequent quarters on the back of gold import curbs. The curbs would provide relief to the domestic currency which has depreciated 15.4 per cent against the US dollar in the current financial year. The rupee recovered to trade strong on weak global dollar and uptick in stock market sentiment. It ended at 61.41 against US dollar on Friday. A treasury head of public sector bank said globally US dollar is ruling the on concerns about the economic effects of a prolonged shutdown and debt-ceiling debate.

Auto stocks witnessed a bullish trend during the week on account of positive monthly auto sales numbers. Bajaj Auto witnessed a jump of 6.37% owing to sales growth of 2% to 3.67 lakh vehicles in September 2013 over September 2012. Motorcycle sales rose 3% to 3.23 lakh units in September 2013 over September 2012. Tata Motors rose 2.91% to Rs 349.75. The stock hit a record high of Rs 364.70 in intraday trade on Friday. Maruti Suzuki India rose 4.38%. The company's total sales rose 11.7% to 1.04 lakh units in September 2013 over September 2012.

Metal stocks were in demand as China's official non-manufacturing Purchasing Managers' Index rose to a six-month high in September boosted sentiment. China is the world's largest consumer of copper and aluminum. Tata Steel (up 0.21%), Hindalco Industries (up 3.51%), and Sesa Sterlite (up 2.38%) gained. Jindal Steel & Power was down marginally by 0.02%.

Index heavyweight RIL rose 1.57% to Rs 853.40. HDFC Bank, HDFC and GAIL (India) gained between 2-5%. Cigarette major ITC shed 2.52% to Rs 340.10. FMCG major Hindustan Unilever (HUL) fell 2.06%. HUL's parent company Unilever Plc issuing a warning on Monday that it now expects underlying sales growth of just 3% to 3.5% in the period as against estimates of 6% as a slowdown in its emerging markets accelerated in the July-September quarter. NTPC, ONGC and Dr Reddy's Laboratories fell between 2-5%.

Globally, US stocks rebounded on Friday, but major stock indexes ended the week lower as a federal government shutdown continued for a fourth day, with no sign of an end to a budget stalemate in Washington. The Nasdaq composite index ended the week higher as Friday's advance accelerated in the afternoon, but gains by the Dow and the S&P 500 were not enough to cancel the week's losses. For the week, the Dow fell 1.2 percent, the S&P 500 lost 0.1 percent while the Nasdaq added 0.7 percent. The S&P 500 has fallen for nine of the past 12 sessions.

Euro-area services output expanded more than initially estimated in September, as the 17-nation currency bloc's economic recovery gained momentum. The European Central Bank kept its benchmark interest rate unchanged at a record low on Wednesday, 2 October 2013, as the euro area recovers from its longest-ever recession.

Going ahead, street participants would remain cautious ahead of the September-quarter earnings from Infosys Ltd. on Oct. 11, which will kick off the results reporting season for blue chips.

India is set to report industrial output data for August on Friday. Investors will also be eyeing market regulator Securities and Exchange Board of India (SEBI) of India, which holds its quarterly board meeting on Saturday.

At this junction, we believe markets offer value buying opportunities in midcaps space. We recommend stocks like Kolte Patil, Oberoi Realty, Union Bank of India, RPG Lifesciences, Sintex Industries, DCW, Greaves Cotton, Redington, Jyothy Labs and VIP Industries.

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