Mr. Ashok Ajmera, CMD & CEO

Mr. Ajmera's column as on September 19, 2015

Hopes of rate cut by RBI and US Fed decision to maintain status quo fuels market rally..

Benchmark indices extended gains for the second straight week after encouraging domestic industrial growth and easing consumer price inflation rekindled hopes of a rate cut by the Reserve Bank of India coupled with the US Federal Reserve's decision to maintain status quo on interest rates.

The appreciation in the rupee against the US dollar and firmer global cues also aided the sentiment of market players.

For the week ended September 18, the barometer index, S&P BSE Sensex reclaimed the 26,000-mark and finished at 26,218.91 levels, up by 608.70 points or 2.38%. The CNX Nifty rose 192.60 points or 2.47% to settle at 7,981.90.

The BSE Mid-cap Index surged 126 points or 1.20% to close at 10,646 and the BSE Small-cap Index rose 105 points or 0.99% to finish at 10,804.

On the currency front, the Indian rupee showed strength on Friday by rising 1.2% against the dollar, its biggest daily gain since September 19, 2013. For the week, the rupee rose 1%, breaking its two week losing streak.

On the global landscape, curtains were drawn over the uncertainty surrounding the interest rates hike in the US when the Fed Reserve decided to keep the rates unchanged, atleast for the time being. The US Fed Chair, however, hinted at a gradual hike later this year.

Back home, the consumer inflation data for the month of August remained gentle as it eased down to 3.66% from 3.69% in July 2015. The wholesale inflation contracted for the 10 consecutive month. It stood at -4.95% for the month of August as against -4.05% in July 2015.

India's merchandise exports fell 20.66% to $21.26 billion in August 2015 over August 2014.

The RBI Governor on Friday, amid the chime for a rate-cut, sent out a strong message. Speaking at a CII event on Friday, he said, ""We need the understanding and cooperation of the business community, not impatience and pressure for quick impossible fixes.

Global Markets

US stocks closed sharply lower Friday as investors weighed concerns over the implications of the Federal Reserve's decision to keep short-term interest rates unchanged. The Dow Jones industrial average and S&P 500 closed down more than 1.5 percent, mildly negative for the week. The Nasdaq composite was off about 1.4 percent on the day and eked out a 0.1 percent gain for the week.

Sectors & Stocks

Barring Consumer Durables, Capital Goods and Auto indices, all sectors finished in the positive terrain. BSE Bankex index was the leader with 5% gains for the week.

Maruti Suzuki soared 2% after the RBI permitted foreign institutional investors to invest upto 40% of paid up capital of the company under the portfolio investment scheme.

Infosys finished with 1.29% gains after the IT major announced that Australia's Qantas Credit Union has selected Infosys Finacle to improve its customers' digital experience, as part of their business transformation strategy.

Financial and banking pack welcomed Fed's decision to maintain the short-term interest rates unchanged and also are anticipating an easing of monetary policy back home. From the pack, Axis Bank finished with highest gains of 7.48%.

Tata Motors skid nearly 5% on persistent concerns over a slowdown in Chinese economy, which is affecting its sale of JLR-luxury arm of Tata Motors. Also, Tata Steel announced that it would sell its stake in Tata Motors, worth Rs 2500 crore.

Ajcon's view

The markets may remain volatile ahead of the near month September derivatives contracts expiry on Thursday, September, 24 as traders roll-over positions to the October 2015 series.

On the global front, China's PMI index for the month of September, indicating the health of its economy, will be released next week.

Further, data on sales of existing homes and new homes for August in the US is scheduled for release next week.

Unlike other emerging markets, India stands out as relatively less vulnerable to a slowdown in China, as it is not part of the Asian supply chain yet; it is a domestic demand-driven economy and a net commodity importer. We believe India is "among the least vulnerable", as an impact on the country's growth will be minimal and lower commodity prices will positively impact current account deficit and inflation.

We believe the current scenario offers good opportunity for accumulation in fundamentally strong Large Caps available at attractive valuations in Banking, NBFCs, Infrastructure, Real Estate, Engineering, Automobiles, Capital Goods, Packaging, Logistics and Pharma.

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