



Mr. Ajmera's column as on June 28, 2014

Worst rainfall witnessed in decades; markets remain flat ...

The benchmark Sensex on Friday rose 0.15 per cent, or 37.25 points, to end at 25,099.92, notching up a weekly fall of 0.02 per cent. The Nifty rose 0.21 per cent, or 15.60 points, to end at 7,508.80, closing above the psychologically important 7,500 level and marking a decline of 0.03 per cent for the week. We believe that market sentiments turned better on broad-based buying by funds and retail investors after crude oil prices in the global markets eased and beginning of new settlement of July series in the derivatives segment. However, poor monsoons and prolonged Iraq problems may spoil the party.

Update on monsoons

Till Thursday, the country had received 41 per cent less June rainfall than normal – the scantiest in a decade and one of the rarest occasions when the shortfall in the month was more than 30 per cent – private weather forecaster Skymet said in its daily weather forecast on Friday. Even as the southwest monsoon continued to remain sluggish over many parts of central and western India, Skymet said: "The month of June has been the driest in India in a decade." According to the India Meteorological Department (IMD), of the 36 meteorological subdivisions, the rainfall in the month was excessive in five, normal in six, deficient in 11 and scanty in 14 subdivisions. However, a ray of hope was seen in the official weather forecaster's expectation of a monsoon revival from July 6. What is also bolstering this hope is that the fear of the El Niño phenomenon, which could have caused a major drop in southwest monsoon, is showing signs of waning. However, the adverse effect of a low rainfall in June and its long absence in many parts of India are also becoming apparent. Data from the department of agriculture showed kharif crops were sown on 13.15 million hectares till June 27, which was 34.55 per cent less than the area covered in the corresponding period last year. Worse, the area covered during the

period this year was around 13 per cent less than normal acreage – the average of the past five years.

Crude Oil

Brent crude oil settled at USD 113.30 a barrel, up 0.1 percent on the day but down 1.4 percent on the week for its worst week in a month as fighting in Iraq stayed away from the country's south, where most of its oil is produced.

Gold

Gold had a fourth straight weekly gain to above USD 1,316 an ounce, as geopolitical unrest in Iraq and Ukraine boosted the precious metal's appeal and soft US data weakened the dollar.

Global markets

US stocks erased early losses to close up on Friday but still finished the week lower on mixed economic data, while European equities had their first weekly drop since April on worries over Iraq and Ukraine. US Treasuries yields eased at the end of a week of steady price gains for government bonds, fueled by increasing worries that economic growth in the world's No. 1 economy may be slower than policymakers believe. Worries about the economy persisted despite US consumer sentiment rising more than expected in a final June reading of a Thomson Reuters/University of Michigan poll issued on Friday. The dollar fell a quarter percent against a basket of major currencies for a second week of losses. Stocks on Wall Street rebounded in late trading, led by technology stocks such as Apple Inc, while a downbeat second-quarter forecast from DuPont Co limited gains. The S&P 500 finished in striking distance of the intraday record high it hit on Tuesday. But some held their breath in the prelude to the earnings period that will start in the next two weeks, which will provide clues on whether the economy and profits are both picking up.

For the week, the Dow fell 0.6 percent and the S&P 500 dipped 0.1 percent. The Nasdaq added 0.7 percent for its sixth weekly rise in the past seven. The 10-year benchmark yield was at 2.5340 percent, after hitting a low of 2.507 percent earlier in the day. Europe's main stock indicator, the FTSEurofirst300 settled at 1,371.28, flat on the day, but down 1.7 percent for its first weekly loss in 10 weeks. The MSCI world stocks gauge was at 428.10, up 0.2 percent on the day but down 0.3 percent on the week.

Ajcon's view: While we suggest booking profits for those who took entry at initial stage of rally, we still see a lot of buying opportunities in midcap, infra, capital goods and construction ancillary stocks.

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