



Benchmark indices continue to rally; IT and Rail related stocks rally..

Domestic bourses were by over one per cent on Thursday led by a rally in auto and IT stocks.

The S&P BSE Sensex climbed 429 points or 1.2 per cent to settle at 35,844 levels. The index had breached the level of 36,000 in intra-day for the first time since March 11. The broader Nifty50 index settled at 10,552, up 122 points, or 1.17 per cent. Volatility index, India VIX, declined nearly 6 per cent to 26.50 levels.

Mahindra & Mahindra (up 6 per cent) ended as the top Sensex gainer, followed by Titan and HCL Tech. IT stocks made decent gains in the trade. The stocks have surged up to 9 per cent in the past one week after Accenture came out with better-than-expected financial results for the quarter ended May 2020.

Sectorally, most indices on the NSE ended in the green. While Nifty Auto rallied nearly 3 per cent to 6,907 levels, the Nifty IT index gained 2.65 per cent to 15,122.55 levels. On the other hand, Nifty Bank and Nifty Realty indices ended flat with negative bias.

The broader market, too, participated in the rally. The S&P BSE MidCap gained 1 per cent while S&P BSE SmallCap index ended 0.92 per cent higher.

Sectors and stocks

Shares of Pfizer India were up by 8.5 per cent to Rs 4,313.4 apiece on the BSE on Thursday after the company's US-arm said that one of its Covid-19 vaccines showed encouraging results in very early testing of 45 people. Study volunteers given either a low or medium dose of one of the four vaccines that the company is testing, along with German partner BioNTech, had immune responses in the range expected to be protective, when compared to some COVID-19 survivors, according to the preliminary results. "These first trial results show that the vaccine yields immune activity and causes a strong immune response," said BioNTech's co-founder and Chief Executive Officer Ugur Sahin. In the US, Pfizer Inc's shares rose more than 3 per cent during the overnight trade on Wednesday. According to media reports, BioNTech and Pfizer will now pick the most promising of four experimental vaccines for a trial involving up to 30,000 healthy participants, which is likely to begin in the United States and Europe in late July, if it gets the regulatory green light. Pfizer and Germany's BioNTech are in a race with companies including AstraZeneca Plc, Moderna Inc. and dozens of other biopharmaceutical outfits and academic groups to come up with a safe and effective vaccine against Covid-19.

Shares of Hero MotoCorp hit an over seven-month high of Rs 2,671, surging 5 per cent, on the BSE on Thursday on expectation that two-wheeler demand could recover in the next few months. The stock was trading at its highest level since November 8, 2019. The two-wheeler bellwether on Wednesday posted a 27 per cent year-on-year decline in wholesale dispatches for June at 4.5 lakh units. The company's volumes jumped four-fold on a sequential basis from 112,692 units in May. The company said that much of the demand is being supported by rural and semi urban areas. While wholesale dispatches are at around 90 per cent of pre Covid levels, retail volumes are at 60 per cent of pre-Covid levels currently, it said. "A major part of the market demand is emanating from the rural and semi-urban markets which have been helped, to a large extent, by the various stimulus packages rolled out by the government," the management said. A combination of multiple factors, including the forecast of a normal monsoon, a bumper Rabi crop and the upcoming festive season are expected to keep the momentum going over the next few months, it said. In the past three months, the stock of Hero MotoCorp has outperformed the market by surging 63 per cent, as compared to 27 per cent rise in the S&P BSE Sensex.

Shares of rail-related stocks rallied up to 14 per cent in the early morning trade on the BSE on Thursday on the report that the Railways has started the process to invite private players in passenger train operations. The project would entail a private sector investment of about Rs. 30,000 crore, it said. The stock of RITES rallied 14 per cent on intraday basis to Rs. 293, while Rail Vikas Nigam Limited (RVNL) surged 13 per cent on the BSE. Ircon International was up 10 per cent at Rs. 99, followed by Indian Railway Catering and Tourism Corporation (IRCTC) - up 7 per cent at Rs. 1,463 and BEML by 3 per cent at Rs. 649. "The objective of this initiative is to introduce modern technology rolling stock with reduced maintenance, reduced transit time, boost job creation, provide enhanced safety, provide world-class travel experience to passengers," the Railways said. The concession period for the project will be 35 years. The private entity will pay fixed haulage charges and energy charges based on actual consumption, besides a share in gross revenue determined through a transparent bidding process to the Railways. The national transporter will be providing drivers and guards to operate these trains for the private players. The operation of the trains shall conform to key performance indicators like punctuality, reliability, and upkeep of trains. "This is the first initiative of private investment for running passenger trains over the Indian Railways network. The majority of the trains will be manufactured in India. The private entity shall be responsible for financing, procuring, operation, and maintenance of the trains," the Railways said in a statement.



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Shares of information technology (IT) companies continued to rally on Thursday. The stocks have surged up to 9 per cent in the past one week after Accenture came out with better-than-expected financial results for the quarter ended May 2020. In the management commentary, Accenture on Friday, June 26 said it expects a decline in IT budgets due to the weak economic growth outlook. However, spends on digital transformation will increase, offset by lesser spend on running operations. Accenture will transform run operations providing cost savings, which will be invested back into digital transformation. Infosys, the top gainer among Nifty IT index, rallied 4.5 per cent to Rs 765 today. The stock of the IT bellwether surged 9 per cent in the past week, as compared to a 3 per cent rise in the Nifty50 index. Tata Consultancy Services (TCS) was up 3 per cent at Rs 2,158, gaining 7 per cent in the past one week. The stock is 6 per cent away from its 52-week high level of Rs 2,296 touched on September 3, 2019. IT services major TCS on Tuesday said its board will meet on July 9 to approve the financial results for June quarter. The board will also consider the declaration of interim dividend to equity shareholders, it added.

Global markets

Global equities were upbeat for a fourth straight day on Thursday as encouraging coronavirus vaccine trials kept investors' spirits up ahead of what was expected to be a record rebound in US jobs figures later.

All major Asian indexes had been upbeat. Japan's Nikkei rose only fractionally, but China's blue-chip index added 2 per cent and Hong Kong's Hang Seng jumped 2.8 per cent as investors brushed off concerns over sweeping new security laws introduced by Beijing.

Ajcon Global's view

The rally of 20 percent in June 2020 quarter is very sharp led by liquidity and being extended in first week of July 2020 as well. As a result, we believe caution is warranted as on ground situation is bleak although there are relaxations in Unlock 2.0. We believe Indian equities will take cues economic activity pickup during relaxations in Lockdown, escalating India – China tensions after banning of Chinese mobile apps, global cues especially the spike in COVID-19 cases in second wave, on ground domestic economic situation. Going ahead, onset and progress of monsoon, management commentary in ongoing Q4FY20 earnings season and newsflow related to COVID-19 will dictate market trend. Although some sectors have rallied in June 2020 quarter, investors will keep an eye as to how far the sectors revive from a standstill scenario. The disappointment of no relief package for middle class who are also affected significantly in COVID-19 crisis will also remain an overhang. We like the agriculture reforms announced; major announcements made in sectors like Coal, Mining, Aviation, Defence and Power sector were also good and long term in nature. However, certain announcements by Finance Ministry were not taken well by street participants with regards to measures like MSME loan not being interest free, ambiguity with regards to MSMEs who do not have an existing credit facility, market sentiments getting affected as the reduction in rate of TDS to increase liquidity in the system were announced as part of stimulus package etc.

Sectors like Pharma and Healthcare, Speciality Chemicals, Insurance, E-Commerce, Companies with innovative business models especially in facility management, housekeeping and digital space would benefit from the COVID-19 crisis while sectors like over leveraged NBFCS including micro finance, real estate, construction, hospitality, tourism and aviation sector would be affected significantly. We advise investors to not lose hope in Indian equities as historically it is proven that market do witness recovery post an epidemic. Historically, Indian equities have always bounced back strongly post a Black swan and key events like Global Recession (1986-88), Gulf War/India Fiscal Crises (1990-91), Harshad Mehta Scam (1992-93), Stock Market fall (1994-96), 97 Market Meltdown (1997-98), Dot-Com Bubble (2000-01), Central Election Results (2004), High Inflation (2006), Global Financial Crisis (2008), European Sovereign Debt Crises (2010-11) in the past ranging from a fall of 11 percent to 65 percent and bouncing back in three years' time frame by ~73 percent to 300 percent in the above events. Globally in the past, during the Great Depression, the US market declined steeply and made record highs later on. Any news of faster discovery and launch of vaccine for COVID-19 may fuel the market. We recommend value buying only in high quality stocks gradually at every decline for building a long term portfolio for 3 – 5 years horizon.

However, those who have entered at the lower levels especially in last week of March 2020 last week and first week of April 2020 may book short term partial profits. We feel that there will be further opportunities to pick up the stocks at lower levels as Q1FY21 results would be a washout for major sectors except FMCG, Agrochemicals, Pharma and Digital/internet.

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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, 022-67160431 (D)

CIN: L74140MH1986PLC041941

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Website: www.ajcononline.com

Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062