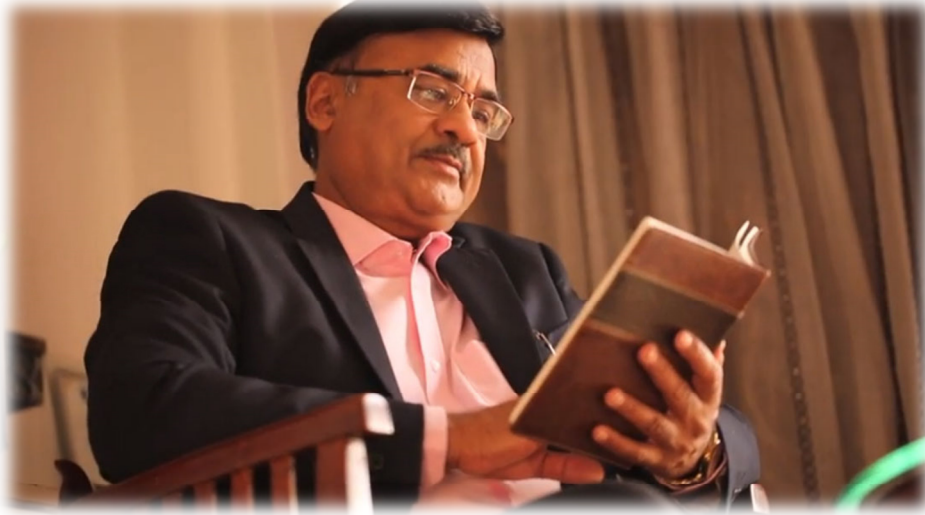




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Dr. Ashok Ajmera (FCA), CMD & CEO

Dr. Ashok Ajmera's column as on August 03, 2019

Investor sentiments dented in July 2019; ray of hope alive after monsoon progression and fall in crude oil prices..

Increased taxation on foreign portfolio investors proposed in the Union Budget, weak QFY20 corporate earnings, slowdown in economy portrayed by falling auto sales, poor corporate advances growth, slowdown in consumption depressed investor sentiments in July 2019. Both S&P BSE Sensex and the Nifty 50 – slipped around 6 per cent. This was the worst month for the indices in nearly 17 years. On Thursday, the Nifty50 slipped below the 11,000 mark and has thus far tanked around 9 per cent from its 52-week high of 12,103.05 levels hit on June 3.

Domestic bourses witnessed the second worst week of 2019 as benchmark indices fell by about 2 percent for the week ended August 2. The Nifty50 fell 2.54 percent, its worst weekly performance since May 10 when the index was down by about 3.7 percent.

Fresh trade war concerns between the United States and China weighed down investors' sentiment on Friday leading to a sluggish trade through the day. The benchmark S&P BSE Sensex and the broader Nifty50 plummeted 411 points and 131 points respectively during the intra-day trade on Friday before staging a smart recovery during the last trading hour after media reports suggested that the PMO took stock of the steep sell-off being witnessed in the market since the presentation of the Union Budget 2019-20. Media reports suggested that PMO met officials from the Finance Ministry on Thursday to discuss concerns raised by the FPIs and even considered proposals submitted by them. The Sensex closed at 37,118 level, up 100 points, or 0.27 per cent with Bharti Airtel, Asian Paints, Bajaj Auto, and Maruti being the top gainers. On the other hand, Tata Steel, SBI, Vedanta, and ONGC ended the day with steep losses. The broader Nifty50 failed to hold the psychological 11,000-mark to end at 10,997, up 17 points, or 0.16 per cent.



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The S&P BSE Smallcap index plunged by 4.3 percent for the week ended August 2. The S&P BSE Midcap index was down 2.2 percent to 13,546, a level was last seen in February 2017.

More than 400 stocks in the top 500 companies of India Inc. recorded negative returns for the week ended August 2. Out of 419 stocks, 59 stocks in the S&P BSE 500 index fell in double digits.

Out of 59 stocks which dropped more than 10 percent, 14 stocks saw a decline of 20-50 percent which includes names like Sadbhav Engineering, Indiabulls Housing Finance, Dish TV, Indiabulls Real Estate, Vodafone Idea, Care Ratings, and Coffee Day Enterprises, etc. among others.

Global markets

Wall Street extended its sell-off on Friday on renewed trade fears as the benchmark S&P 500 index and Nasdaq saw their worst weekly percentage plunges since December, when investors were spooked by the prospect of a looming recession.

The blue chip Dow and the S&P 500 hit their lowest levels since late June with S&P 500 and the Nasdaq registering their fifth consecutive days of losses.

US 10-year Treasury yields saw their steepest weekly decline in over seven years. The US Federal Reserve cut interest rates for the first time since 2008 and a renewal of trade war fears following a tweet by US President Donald Trump announcing plans to impose additional tariffs on \$300 billion of Chinese imports on September 1.

European stocks posted their biggest drop of 2019 on Friday and German bond yields hit record lows after US President Donald Trump fired his latest trade war salvo at China, jolting markets and sparking a frenzied bid for safe-haven assets.

On Friday, Markets around the globe dived into a sea of red, with the pan-European Stoxx dropping 2 per cent in its sharpest daily tumble of 2019. The trade-sensitive DAX and France's CAC 40 dropped 2.7 per cent, the former hitting fresh two-month lows.

Ajcon's view

Union Budget 2019-20 triggered the fall in equities as it failed to cheer investors and FPIs. Proposals like surcharge on high income generating groups, increased threshold of minority shareholding from 25 per cent to 35 per cent and no specific announcement to revive consumption dampened investment sentiment. Furthermore, weak global cues and expectation of another muted quarter dragged the markets down. At Ajcon, we believe the government with full majority will now have to focus on to boost consumption in the economy, tweak FPI taxation norms to revive depressed sentiments amongst investor community, ease liquidity in the system, focus on infrastructure development, fasten implementation of policy measures and create an environment to boost employment in the economy and make India vibrant to attract FDI in economy. However, on a long term basis, Indian equity markets are in a structural bull run as the benefits of implementation of GST, Insolvency and Bankruptcy code, digitization and a stable government coming back to power would augur well for the economy in the long run. In the coming week, investors would keep an eye on Companies announcing Q1FY20 earnings and the outcome of the monetary policy committee (MPC).

In addition, we believe investors should look at building long term portfolio in companies which have weathered the storm in different market cycles, suited to changing dynamics of the economy as business models are changing in new age economy and delivered decent



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financial performance. The strategy at present should be invest in phased manner only in companies which have a robust business model, strong earnings and cashflow visibility, low debt, no pledge of promoter holdings and backed by quality management especially on the corporate governance front.

Dr. Ashok Ajmera, FCA



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