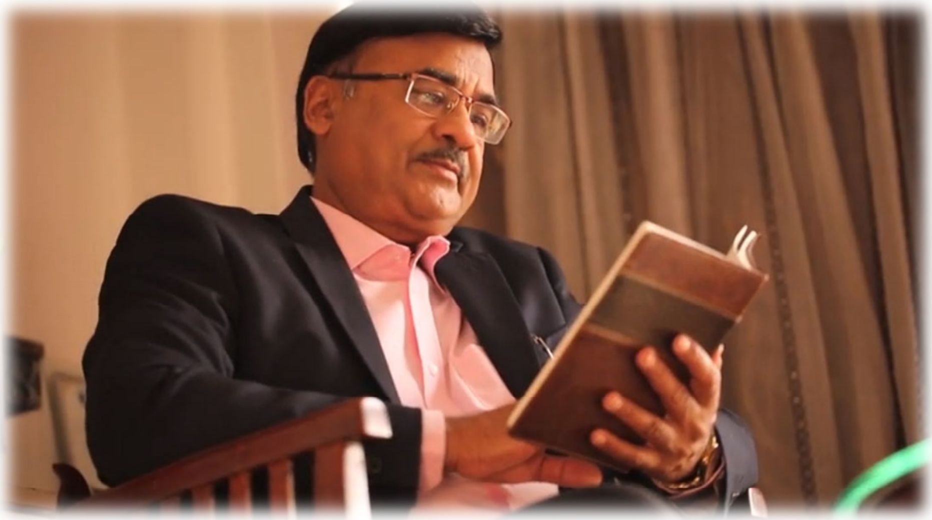

Dr. Ashok Ajmera (FCA), CMD & CEO

Dr. Ashok Ajmera's column as on Sep. 07, 2019

Domestic bourses remain volatile; bank's advances growth need of the hour to get economy back on track..

Benchmark indices remained volatile in the truncated week ended September 6 on the back of poor GDP growth, continuous weak auto sales, proposed PSB merger not taken well by street, weaker rupee and total lack of confidence in the halfhearted measures recently taken by the Government. However, buying from DIIs helped the indices regain some lost ground in the second half of the week. On a weekly basis, Sensex lost 0.94 per cent while NSE's Nifty50 index dropped 0.69 per cent.

The BSE and the NSE remained shut on September 2 on account of Ganesh Chaturthi. However, on September 3, the market registered the worst day in the last 11 months as benchmark indices fell 2 percent on the back of poor GDP growth and a mega bank merger announcement by the finance minister on August 30. PSB not taken well by street owing to concerns on advances growth during integration process and recovery as focus will switch to integration exercise. However, after a selloff on September 3, the market witnessed some buying in the next three days. Auto stocks rallied on expectations of GST rate cut on hybrid vehicles.

The S&P BSE Midcap index was down 0.76 percent and S&P BSE Largecap Index shed 0.78 percent while Smallcap Index was up 0.48 percent last week.

Indian rupee

On a weekly basis, the rupee ended 32 paise lower at end at 71.72 on September 6 against the August 30 closing of 71.40.

AJCON GLOBAL

YOUR FRIENDLY FINANCIAL ADVISOR

Global markets

Asian equities were up on Friday investors sentiments improved from hopes of a meeting between US and Chinese negotiators next month which signals easing in trade tensions.

MSCI's broadest index of Asia-Pacific shares outside Japan added 0.4 per cent, putting it on track for a 2.2 per cent weekly gain - which would make it the best week since mid-June. The Shanghai Composite Index edged up 0.1 per cent while Hong Kong's Hang Seng was up 0.2 per cent.

Ajcon's view

Last 2 months witnessed heavy selling by FPIs owing to Union Budget 2019-20 proposals. 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 triggered the fall in equities as it failed to cheers investors and FPIs. Furthermore, weak global cues and expectation of another muted quarter dragged the markets down.

However, recently, to improve sentiments and tackle economy slowdown, the government introduced various measures to boost the consumer and investor sentiments. From the rolling back of high taxes on foreign investors to tweak in FDI norms and on August 30, Finance Minister Nirmala Sitharaman unveiled mega merger plan to help India become a $5 trillion economy and kick start investment cycle.

At Ajcon, we believe the government with full majority will now have to focus on to boost consumption in the economy, focus on boosting investment led spending, fasten implementation of policy measures and create an environment to boost employment in the economy. We believe 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.

At present, a great caution is required in the near term but at the same time panic selling is not warranted. Long term investors with an horizon of more than 2 years 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 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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