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**Mr. Ashok Ajmera, CMD & CEO**

### Mr. Ajmera's column as on September 14, 2015

#### Relief rally witnessed on positive global cues, WPI contracts sharply; all eyes on US Fed..

A global relief rally fuelled by hopes of a Chinese government's stimulus, coupled with hopes of a better monsoon performance, a strengthening rupee and push for domestic reforms buoyed Indian equity markets to gain around two percent during the week just-concluded.

On the domestic front, the Wholesale Price Index (WPI)-based inflation contracted sharply for the 10th straight month to -4.95 percent in the month of August versus -4.05 percent in July influenced by global deflationary trend in commodity prices. The manufactured index declined to -1.92 percent against -1.42 in the previous month, but the primary article group rose by 1.6 percent as its components food articles and non-food articles rose by 2.6 percent and 0.8 percent, respectively. The third component — minerals — declined by 4.4 percent. Another major group fuel and power with a weight of 14.91 percent in the WPI basket declined by 4.4 percent as commodity prices collapsed.

Key decisions taken by the cabinet to boost the economy like spectrum trading norms, gold monetisation schemes, improving commodity prices and short-covering boosted sentiments.

Prime Minister Narendra Modi held a high level consultative meeting on 'Recent Global Events: Opportunities for India' here on September 8.

On September 9, the cabinet also gave positive signs on the reforms front, especially on the passage of the goods and services tax (GST) bill.

The cabinet's approval of spectrum trading, gold bonds and hike in dearness allowance for central government employees and pensioners buoyed Indian equity markets

The barometer 30-scrip sensitive index (Sensex) of the S&P Bombay Stock Exchange (BSE) gained by 408.31 points or 1.62 percent in the weekly trade ended September 11.



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The Sensex ended the week at 25,610.21 points from its 25,201.90 points closing on September 4.

The wider 50-scrip Nifty of the National Stock Exchange (NSE) rose by 134.25 points or 1.72 percent at 7,789.30 points.

### **Ajcon's view**

Going forward, the currency and equities markets can be pulled down as investors became anxious about the heightened chances of the US Fed opting for an interest rate hike after a decade or so of an easy monetary regime.

Volatility will persist until the Federal Open Market Committee (FOMC) decision becomes clear. More important is the language that the Fed is going to use. A dovish one will support a recovery in rupee and equities. This could be a sustaining recovery. The recovery can be as strong as taking rupee to 64-levels. However, a hawkish outlook will heighten the chances of a rate hike in December.

The US Fed will decide on whether or not to raise interest rates at the FOMC meeting slated for September 16-17. High interest rates in the US are expected to lead away the foreign portfolio investors (FPIs) from emerging markets like India. It is also expected to dent business margins as access to capital from the US will become expensive.

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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