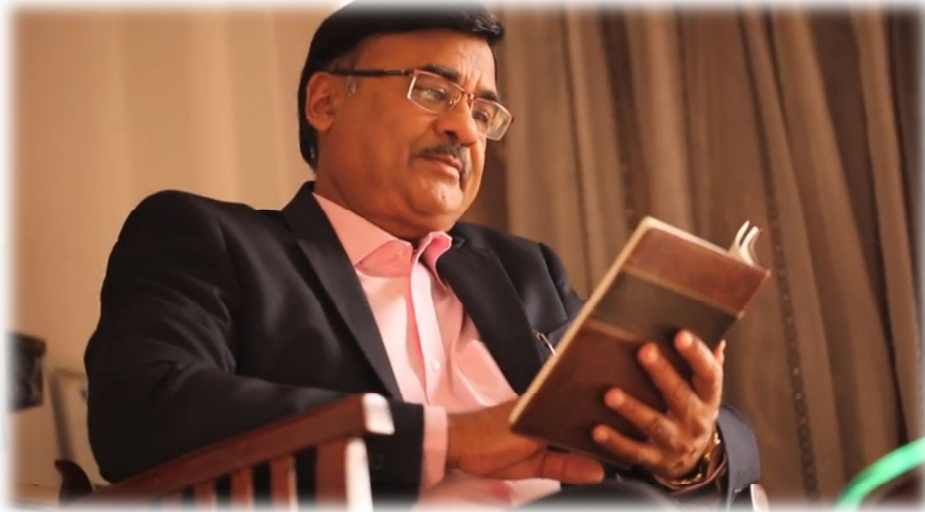




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Dr. Ashok Ajmera (FCA), CMD & CEO

Dr. Ashok Ajmera's column as on March 16, 2019

Buoyancy witnessed in domestic bourses; Midcaps and smallcaps continue their rally..

Last week was great for investors as benchmark indices witnessed a strong rally. The S&P BSE Sensex rallied by 1,353 points or 3.69 percent while the Nifty50 rose 3.5 percent in just 5 trading sessions. The S&P BSE Sensex closed above 38,000 for the first time since September 14, 2018, while the Nifty50 also reclaimed 11,400 for the first time since September 18, 2018, and is all set to hit higher target towards 11,500 levels. Banking shares, mainly of private lenders, along with Reliance Industries (RIL), have helped the benchmark S&P BSE Sensex reclaim the crucial 38,000 levels after six months. With Friday's gain, the benchmark index has rallied 7.8 per cent, or 2,752 points, from the 2019 low of 35,353 on February 19. FPIs have pumped in net amount of Rs. 30,537 crore during the same period, Sebi data shows.

The benchmark indices outperformed the broader market in the week gone by as the S&P BSE Mid-cap index rose 2.4 percent while the S&P BSE Small-cap index was up 2.1 percent for the week ended March 15. Nifty midcap, small cap indices extended gains over a fourth consecutive week.

Shares of public sector undertaking (PSU) banks continued their northward journey with Nifty PSU Bank index hitting two-month high on expectation of improve financial performance. On Friday, State Bank of India (SBI), Punjab National Bank (PNB), Oriental Bank of Commerce, Canara Bank, and Bank of Baroda were up in the range of 2 to 3 per cent on the National Stock Exchange (NSE). PNB was the top gainer among PSU banks, hitting six month high of Rs 87.25, up 3 per cent on the NSE. The stock of state-owned



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bank was trading at its highest level since September 3, 2018. In past one month, PNB has rallied 24 per cent against 6 per cent rise in the Nifty 50 index.

Sectors & Stocks

Reliance Industries, ICICI Bank, Axis Bank, HDFC Bank, Kotak Mahindra Bank, Bajaj Finance, and Asian Paints were up 6 per cent to 20 per cent from their respective September 14, 2018 levels.

Allahabad Bank, Manappuram Finance, Muthoot Finance, Power Finance Corporation, Oriental Bank of Commerce and DCB Bank from the financial and Bata India, Titan Company, TTK Prestige, InterGlobe Aviation, PI Industries, Symphony, Divi's Laboratories were among 27 stocks from the S&P BSE 500 index surging more than 20 per cent during the same period. More than half, or 347 stocks, from the S&P BSE 500 index are still trading below their September 14 levels.

Reliance Communications (RCom), Reliance Power and Reliance Capital from the Anil Dhirubhai Ambani Group (ADAG) have tanked more than 60 per cent.

RCom hit a new low of Rs 4.37, plunging 73 per cent during the period. The lenders of RCom sold about 4.34 per cent stake of promoters in the telecom firm. With this sale of shares, promoters' stake in the company has come down to 37.57 per cent from earlier 41.91 per cent. The pledged shares belonged to promoters including that of Ambani, his family members and RCom group entities, according to a BSE filing.

Infibeam Avenues, Dewan Housing Finance Corporation (DHFL), Shankara Building Products, Indiabulls Ventures, Graphite India, HEG, Indiabulls Housing Finance, Dish TV India, Deepak Fertilisers and Chemicals and Rain Industries among 21 stocks from the S&P BSE 500 index were slipped more than 40 per cent from their September 14, 2018 levels.

Global markets

US markets ended higher during the week on smooth progress of US-China trade deal talks. China's state-run Xinhua news agency said Washington and Beijing were making substantive progress on trade talks, providing relief after news that a summit to seal a deal between the two sides would not happen at March-end.

US data showed manufacturing output fell for a second straight month in February and factory activity in New York state was weaker than expected this month. The S&P 500 posted its best weekly gain since the end of November and Nasdaq had its best weekly gain so far this year. For the week, the S&P 500 was up 2.9 percent, the Nasdaq was up 3.8 percent, and the Dow was up 1.6 percent.

European markets ended higher during the week on positive global cues.



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Asian stocks advanced on Friday as sentiment improved on a report that U.S.-China trade talks were making progress and after UK lawmakers voted to delay a potentially chaotic exit from the European Union.

MSCI broadest index of Asia-Pacific shares outside Japan gained 0.55 per cent. The Shanghai Composite Index added 0.7 per cent and Japan's Nikkei climbed 0.8 per cent.

Crude oil

Brent Crude prices were up and closed at US\$ 67.3/barrel as compared to previous week's close of US\$ 65.8/barrel.

Ajcon's view

We believe the recent rally is owing to expectation of stable government formation at the centre, likely improved Q4FY19 earnings season, smooth progress of US – China trade talks and US Fed commentary. After the recent buoyancy, some profit booking is expected. The midcaps and smallcaps are still at discount of 40-50% of their 52 week peak even after the recent upsurge.

All eyes would be now on Q4FY19 earnings season, global cues (oil prices, currency movement, relations between economic giants) and domestic cues amidst ongoing tussle between India - Pakistan. Globally, improving relationship between US and China will improve global sentiment amidst slowdown in China's economic growth. Going ahead, street participants would keenly watch political developments, outcome of exit polls and actual result of General Elections. We believe domestic bourses would remain volatile till general elections 2019 results are out.

We believe the Indian equity markets are in a structural bull run as the benefits of implementation of GST, Insolvency and Bankruptcy code, digitization, thrust on Make in India and improving relations with key foreign countries would augur well for the economy in the long run. The strategy at present should be to invest in phased manner only in companies which are not connected to any political party, have a robust business model, strong earnings and cashflow visibility, low debt and backed by quality management especially on the corporate governance front. Considering the above factors, investors can have a stock specific approach in midcaps and smallcaps space. We would suggest investors to have a look at Consumption stocks, top quality Pharma companies, NBFCs having strong parentage, Auto and auto ancillary stocks, Gas companies, PSU banks (looking better after the cleanup of NPA mess, progress made under IBC), IT sector and Private Insurance Companies at the current moment.

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