Asian Age

Stock-specific strategy is best n volatile markets

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Stock-specific strategy is best in volatile markets

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Market Khabar

he markets fell to their west levels since May 14, spooked by negative obal cues, disappointing rnings, concerns over e health of Indian banks d selling by FIIs.

The Sensex and the Nifty l nearly seven per cent ring the week ended to ose at 22,986 and 6,981. om their peaks, the dices have lost nearly 24 r cent till date. With the esent fall in market ming ahead of the nion Budget, analysts lieve that unless the RBI d the government take rrective measures and nplement flexible polies understanding the ound realities in the nking system and economy, a quick recovery is not on cards. The need of the hour is to address issues like declining exports, curtailed capacity utilisation, stressed banking sector due to mounting NPAs, continuation of subsidies and maintaining fiscal prudence.

The fact that equities are being sold, despite the lowest interest rates in recent history, simply means that the market doesn't see growth ahead for very many businesses. Investors need to be stock specific and invest where earnings growth is visible. It is always better to buy a good stock at a bad price than buying a bad stock at a good price.

For the week ahead, chartists predict trading range of 22,250-23,700 and 6,750-7,225 for the indices. Immediate supports for the indices are at 22,650 and 22,300 and 6,880 and 7,765. Several global markets slipped into a bear market this week by closing more than 20 per cent below its recent high.

Stock market corrections, although painful at the time, are actually a healthy part of the whole mechanism, because there are always speculative excesses that develop, during the long bull market. The time of maximum pessimism is the best time to buy and the time of maximum optimism is the best time to sell.

(C. Kutumba Rao is an avid follower of stock markets. This newspaper is not liable for decisions made on the basis of this column. Views expressed in the article are personal views of the writer.)

STOCK SCAN

■ Prime Focus Limited (PFL), one of the world's largest integrated media services powerhouses, provides end-to end creative and technology services including visual effects, stereo 3D conversion, animation, post-production, DI to studios, broadcast, advertising and media firms. It has developed path breaking technologies in this space. Associated with blockbusters movies like *Dilwale, Bajirao Mastani, Prem Ratan Dhan Payo* in the last quarter and currently providing both VFX and 3D services for several Hollywood movies. It is expected to continue the growth momentum in the coming quarters. Buy on declines for a target price of ₹100 in medium term.

■ Cholamandalam Finance and Investment Company Ltd, a Murugappa Group firm, is a comprehensive financial services provider. Apart from having more than mandated capital adequacy ratio, it succeeded to reduce NPAs and increase disbursements by 38 per cent. Profit after tax for Q3FY16 has grown by 31 per cent to ₹146 crore. Buy on declines for a target price of ₹1,250.

■ Balrampur Chini Mills Ltd is one of the largest integrated sugar companies in India. The allied businesses of the company comprises distillery operations, power cogeneration and manufacturing of organic manure. It is expected to announce better results. Buy on declines for a target price of ₹150.

F&O

It has been a roller coaster week for traders as the derivative segment witnessed brisk trading on the back of aggressive short-selling from bears. With most of the sectors trading below their long-term averages, sentiment turned bearish. Highest open interest in options is seen at 7,300 call option and 6,800 put option. Though F&O data is bearish, contrarians feel that selling is overdone and the Nifty is oversold at current levels. Expect a strong bounce in next few sessions. Chinese markets scheduled to open on Monday after a week-long gap and economic data will dictate near term movement of the Nifty. However, it will face stiff resistance at every 100-120 points jump.

Sector wise, the realty, capital goods, metals, banks and oil and g were hit hard.

PSU banks have report huge NPA additions aft the RBI's directive to di close stressed asse which has resulted sharp spike in NPA level Record Q3 losses ha been reported by son banks like IDBI, BOB ar others. Bank stocks w remain under pressure f more time than expect unless the Centre reca talises them.

Buy defensives stocks FMCG and IT sectors, su gest savvy traders. HU Dabur, TCS and Infos look good for accumul tion at current levels.

If traders want to prote capital, take partial or profits before the earnin announcement tak place. Holding a positi through its earnin announcement can resu in big drawdowns (losse