

# Buy stocks on dips; book profits

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The Indian equity market continued to scale new all-time highs on back of strong June quarter earnings. Last week, the measures and the cut in taxes announced by the GST council also helped boost sentiments and pushed the index to new highs. The Nifty 50 index conquered the 11,250-mark swiftly and managed to close well above that level.

## Results were a sweet surprise

Lack of negative news flow from global markets helped sentiments in the Indian market that witnessed renewed buying interest on account of good quarterly results from India Inc. The results season has kicked off well, with large private banks and FMCG companies announcing inline results. However, the surprise pack has been the cement sector,



which has shown good growth in last quarter and raised hopes of an economic uptake. Similarly, corporate facing banks have reported steady asset quality and maintained net interest margins, showing recovery in the broader economy. Encouraging results from quality mid-cap companies have also been comforting for the market.

## Buying strategy

We believe that one should buy on dips and keep booking regular profits. Smart

money has been chasing the top 10-15 quality names in spite higher valuations. Now we are seeing interest moving to the select large names that have been beaten down 30-50% in the last three to four months and quality midcaps. The risk reward is in favour of those names where there is visibility of earnings and good corporate governance.

## Positives for market

The outflow of funds by Foreign Institutional Investors/ Foreign Portfolio Investors

has seen slowing down in the last couple of trading sessions, whereas the inflow of domestic money in Mutual Funds continues to remain strong. Stable oil prices and currency will also provide headroom for our market to inch higher and make new highs. There are some signs of relief between US and EU with regards to trade war. We must watch these developments closely.

With inflation inching higher, this week all eyes will remain on the Reserve Bank of India and its stance on interest rates, which will be announce its monetary policy on August 1, 2018. However, with crude oil prices correcting and expected to remain steady with downward bias, we feel RBI will wait before they go in for an interest rate hike.

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