

THE ECONOMIC TIMES



Sensex surges on strong global cues

Our Bureau
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IT'S a pullback alright, but it may be too early to read too much into it. Even as the benchmark indices rallied more than 2.5% on Monday, there's a perception that the market has not fully absorbed the recent political and global shocks.

Strong global cues, a reassuring statement from senior Congress leader Kapil Sibal that the government will not fall, and the absence of bad news over the weekend pushed up the Sensex by 417.5 points to cross the 14,700 mark. Short covering ahead of Thursday's expiry of derivative contracts contributed to the rise. The Nifty rose 112 points to cross the 4,300 mark. Last week's positive news from the US housing market provided some tailwind for local stocks.

"It will take time for investors to regain confidence and liquidity to come back. One has to wait and watch. Domestically, we lost ground on global volatility. And political concerns just added to the nervousness, coming as they did close behind. That said, markets overall should be better. The fundamentals are intact. Interest rates will begin to soften, inflation is under control," said Enam Securities broking head Dharmesh Mehta.

All Asian markets advanced, following a strong finish on the Wall Street on Friday.

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HANG SENG was up 2.86%, Japan's Nikkei 0.32%, Taiwan 0.32%, Shanghai 0.83%, Singapore 0.56% and South Korea 0.65%. The yen showed signs of weakness on Monday and there appears to be a resumption in the yen carry trade on account of the general relief rally, thanks to the global markets strengthening and a strong dollar. "It's a pullback with very less volatility. Volumes have been good, which reflects genuine buying. Unless some negative news crops up in the domestic front, we expect markets to stabilise," said Kotak Securities vice-president (research) Ketan Karani. According to him, when the market has gone up almost 1,000 points from the recent low of 13,700, a small correction cannot be ruled out. "The negativity has been priced into the market. The important point is that the decoupling process from the global markets has begun. If fund flow remains favourable, we can expect markets to scale higher," he added.

The bulls stepped in on Monday even as concerns eased that losses from sub-prime loans will slowdown US growth. US shares posted their biggest advance in five months last week, boosted by speculation that the Federal Reserve will cut the key rate. What should investors do? Bottom fish but be careful, and keep some cash in hand, say most brokers. Large caps, particularly those in telecom, auto and capital goods, look good for another month in terms of fundamentals, say market experts. And if FIIs remain sellers, it will impact sentiment going forward. But on Monday, FIIs were buyers to the tune of Rs 695.35 crore, after having sold Rs 1,423.4 crore last week.

Banking, realty, metals and capital goods were among the major gainers on Monday. The banking index was among the top gainers, moving up 4.7% at close of trade. India's largest bank by net profit, State Bank of India (SBI), jumped 6.17% to Rs 1,556.65 on 7.25 lakh shares. It was the top gainer among the Sensex constituents followed closely by ICICI Bank. Among the 30-member Sensex constituents, 28 gained. The BSE Mid-Cap Index rose 2.75% while the BSE Small-Cap Index gained 2.70%. Both these indices underperformed the Sensex by a small margin. The market breadth was strong on BSE, with 2,068 shares advancing as compared to 604 that declined.

The total turnover on NSE in the cash segment amounted to Rs 8,896.62 crore. The NSE F&O turnover was Rs 52,749.11 crore on Monday.