

SBI, ICICI Bank lead rally ahead of policy

Sensex, Nifty gain for a fourth straight day

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The Indian markets on Monday gained for a fourth day, led by sharp gains in key banking stocks, including State Bank of India (SBI) and ICICI Bank on speculation the Reserve Bank of India (RBI) would ease key policy rates. SBI shares gained four per cent at Rs 281 apiece, the highest level in two months, and ICICI gained for a fourth day to close at Rs 312.8 a share, up 3.4 per cent from the previous close. RBI will meet on Tuesday to review monetary policy.

Union Bank of India, United Bank of India, and Bank of Baroda were among other banking stocks that rallied on Monday, extending their last week's gains on the government decision to infuse capital into them amid an increase in bad loans.

Some investors believe a fall in crude oil prices and slowing core-sector growth could lead to a surprise cut in policy rates by RBI. The sensx rose one per cent, or 212 points, to 21,711.73 on Monday.

"The stage is set for a 25 basis points rate cut," said Vikas Gupta, executive vice-president, Arthveda. "Inflation numbers are within the central bank's comfort level and the monsoon has been quite OK."

Gains were broad-based on Monday, with the BSE MidCap index hitting a record high for a second consecutive session. The Midcap index gained 0.5 per cent to 11,330.91, while the BSE Smallcap index gained nearly one per cent.

The India VIX Index, a gauge of market volatility, rose nearly 5.6 per cent to 15.4. Market players expect the markets to remain choppy on RBI policy day.

Foreign institutional investors (FIIs) on Monday net bought shares worth Rs 350 crore, provisional data showed. FIIs have invested \$7 billion (Rs 43,000 crore) into Indian stocks so far this year.

Twelve of the 18 Sensex firms, or 67 per cent, that posted results for the June quarter, have matched or exceeded estimates compared with 40 per cent in the March quarter. The Sensex has gained 2.5 per cent this year and trades at 15.7 times projected 12-month earnings, data compiled by Bloomberg show. The MSCI Emerging Markets Index is valued at a multiple of 11.2.