

Metal Stocks Shine on Hopes China to Cut Rates, Local Duty Extension

TOP BROKERAGE PICKS: Jindal Stainless, Hindalco, JSPL, and JSW Steel

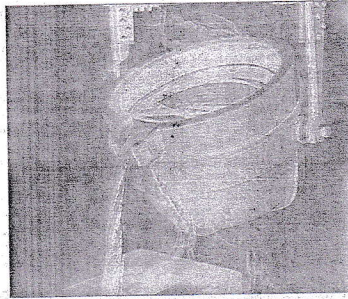
Our Bureau

Mumbai: Metal stocks were among the top gainers in Thursday's trading in anticipation of China cutting interest rates on mortgages to improve consumption in the country. The Indian government's move to extend anti-dumping duties on some steel product imports from China and Vietnam also lifted sentiment.

The Nifty Metal index jumped 2.91% while the benchmark Nifty gained 1.89% on Thursday. All the 15 stocks in Nifty Metal index advanced on Thursday.

Hindalco emerged as the top gainer on Nifty, surging 4.2%. Jindal Steel & Power and Vedanta rose 4.1% and 3.7%, respectively, while National Aluminium Co and NMDC rose around 4.5% each. JSW Steel and Tata Steel moved up 2.9% and 2.5%, respectively.

"The news of China slashing interest rates on outstanding mortgages to boost consumption has led to an uptick in metal stocks," said Tushar Chaudhari, research analyst, PL capital at Prabhudas Lilladher. "Once the



monsoon season ends here, volumes are likely to improve at metal companies." Jindal Stainless, Hindalco, JSPL, and JSW Steel are his top stock picks in the sector.

China is anticipated to cut interest rates on over \$5 trillion of outstanding mortgages in September to reduce borrowing costs and spur consumption, Bloomberg reported on Thursday.

The world's second-largest economy is the largest consumer of metals and moves to spur economic activity are seen as a positive for commodities.

"The China stimulus is a big positive for metal stocks and is likely to inject

Rs 2-3 lakh crore for domestic metal companies," said Parthiv Jhonsa, Lead Research Analyst-Metals & Mining, Anand Rathi Institutional Equities.

Jhonsa said that the government decided to extend 30% and 12% anti-subsidy duties on China and Vietnam for the next 5 years, which supports steel manufacturers.

In the past month, the Nifty Metal Index advanced 2.03% while the Nifty rose 4.23% in the same period. The Nifty Metal Index rose 34.37% in the past year while the Nifty advanced 26.99%.

Analysts said that headwinds such as pressure on iron ore prices and the subdued real estate demand in China still loom large on metal companies.

"Each time metal stocks have rallied due to a Chinese stimulus, they have come off in the subsequent sessions," said Jhonsa. "Since it would take some time for the stimulus to reflect on ground level and there is substantial pick up in Chinese demand, we are cautiously optimistic on the sector but if the stock prices come off then investors can buy on such dips."