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Market wrap

May 04, 2020

As expected domestic bourses witnessed a sharp decline on weak global cues and absence of fiscal package; Financials fall steeply..

Benchmark indices declined by nearly 6 per cent on Monday owing to weak global cues especially US-China tensions. Further, yet another extension of the nation-wide lockdown also weighed on investor sentiment.

The S&P BSE Sensex was hammered by 2,002 points or 5.94 per cent to 31,715 levels with 28 out of 30 constituents ending in the red. ICICI Bank (down 11 per cent) emerged as the biggest loser on the index, followed by Bajaj Finance (down 10 per cent), HDFC (down 10 per cent), and IndusInd Bank (down 9.6 per cent). Nifty50 was down by 566.40 points or 5.74 per cent to level of 9,293.50.

Sectorally, excluding Nifty Pharma, all the other sectoral indices on the NSE ended in the negative territory. Nifty Bank fell by 1,791 points or over 8 per cent to 19,744 levels while Nifty Metal index declined 7.86 per cent to 1,714. Sentiments remained weak across the board post the Reserve Bank of India's (RBI) directive to close Mumbai-based CKP Cooperative Bank.

In the broader market, the S&P BSE MidCap index declined by 511 points or over 4 per cent to 11,502.59 while the S&P BSE SmallCap index lost over 3 per cent to 10,753.58.

Volatility index, India VIX was up significantly by over 28 per cent to 43.74 levels.

The steep fall today has wiped off investors' wealth by around Rs 5.8 trillion or nearly Rs. 6 lakh crores as per BSE data.

Crude oil

Crude oil prices decline owing to concerns of global oil glut may persist amidst slumping demand and US-China trade tensions.

US West Texas Intermediate (WTI) crude futures fell as low as \$18.10 a barrel earlier in the session and were trading lower by 5.1 per cent, at \$18.77. Brent crude futures were down 10 cents, or 0.4 per cent, at \$26.34, after touching a low of \$25.50.

Sectors and stocks

Shares of Reliance Industries (RIL) fell by nearly 3 per cent to Rs. 1,420 on the BSE in the early morning trade on Monday after the company reported a 33.5 per cent decline in its consolidated profit before tax (PBT) at Rs 9,223 crore for the quarter ended March 2020 (Q4FY20) due to pressure in its petrochemicals business, higher expenses and exceptional items. Meanwhile, RIL on Monday announced that Silver Lake will invest Rs. 5,656 crore in Jio Platforms, a wholly-owned subsidiary of the company. "This investment values Jio Platforms at an equity value of Rs 4.90 lakh crore and an enterprise value of Rs 5.15 lakh crore and represents a 12.5 percent premium to the equity valuation of the Facebook investment announced on April 22, 2020," RIL press release said.

Shares of Hindustan Unilever fell by over 5 per cent to Rs. 2,082 on the BSE after the consumer goods firm reported disappointing set of numbers for the quarter ended March 2020 (Q4FY20) on the back of the Covid-19 crisis.

Shares of Maruti Suzuki were down by nearly 9percent and closed at Rs. 4,886.30 on NSE after the company did not sell a single unit in the domestic market last month due to coronavirus-led nationwide lockdown. The company had zero sales in the domestic market in April 2020, MSI said in a statement. The company, however, exported 632 units from Mundra port following resumption of port operations.

Tech Mahindra witnessed a fall of around 8 per cent to Rs 502.45 apiece on the BSE after the company on Thursday posted lower-than-expected Q4FY20 result.

Shares of Bharti Airtel were up by 5 per cent at Rs. 540 on the BSE on Monday; having gained 6 per cent in the previous two sessions after Nokia announced signing a deal worth Rs. 7,500 crore with the telecom service provider to enhance the mobile operator's network capacity in nine circles across the country. "The Company already has a long term strategic partnership with Nokia since a decade for enhancement of the network capacity of its networks, amongst others. As a part of its ongoing business requirements, the Company has renewed and enhanced its on-going relationship with Nokia to boost its network capacity and customer experience," Bharti Airtel said in exchange filing.



Shares of breweries & distilleries companies were in focus today after the government allowed the opening of liquor shops from today with certain conditions. According to the Union Home Ministry notification, the liquor shops will be allowed to open in all the three zones, i.e red, orange and green. Liquor stores will not be allowed in containment zones across the country. Liquor stocks rallied up to 11 per cent on the BSE in an otherwise weak market.

Shares of Bharat Heavy Electricals Limited (BHEL) rallied by 10 per cent to Rs. 24.60 on the BSE on Monday after the Company has floated an Expression of Interest (EoI) inviting global companies to partner with it and leverage its facilities and capabilities for setting up a manufacturing base in the country to further promote Make in India and support international companies for setting up manufacturing in India. The stock of BHEL has underperformed the market by falling 65 per cent in the past one year as compared to a 18 per cent decline in the S&P BSE Sensex. It hit a multi-year low of Rs 19.20 on March 25, 2020.

Shares of Aurobindo Pharma were up by over 4 percent after the company received final approval from the US Food & Drug Administration to manufacture and market Flucytosine Capsules, 250 mg and 500 mg.

Global markets

European equities fell on increasing US – China trade tensions. European shares opened down 2.5 per cent with US stock futures trading close to 1 per cent in the red.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 2.5 per cent, pulled down by Hong Kong where the Hang Seng returned from a two-session holiday with its biggest drop in six weeks.

Ajcon Global's view

We believe the markets will continue to remain under pressure in view of tremendous losses by the industry and businesses and since no major fiscal stimulus is announced by Government of India.



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SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

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