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Market wrap

April 03, 2020

Financials, Auto, OMCs, Paints stocks fall; Crude oil rallies significantly on talks of production cut..

Domestic bourses continued to witness downward trend and declined over 2 per cent loss on Friday as Covid-19 cases showed no signs of easing. Global confirmed cases surpassed 1 million on Thursday with more than 52,000 deaths. Domestically, an ongoing 21- day lockdown to break the chain of COVID-19 has already brought the economy to a halt and has raised concerns of the economic repercussions owing to it.

The S&P BSE Sensex ended at 27,591, down 674 points or 2.39 per cent amid heavy selling in financial stocks such as ICICI Bank (down 7.5 per cent), HDFC (over 5 per cent), HDFC Bank (down 2 per cent), and Axis Bank (down over 9 per cent). The other major contributors to the index's loss were Infosys, TCS, and Asian Paints. They all fell in the range of 3-5 per cent.

India VIX cooled-off over 8 per cent to 55.01 levels. On the other hand, the Nifty50 index ended at 8,084, down by 170 points or over 2 per cent. In the broader market, the S&P BSE MidCap index declined over 1 per cent lower at 10,219 whereas the S&P BSE SmallCap closed at 9,409, down over 1 per cent.

Among sectors, pharma stocks continued to rally. The Nifty Pharma index rose around 5 per cent to 7,362 levels with 8 out of 10 constituents advancing. Nifty FMCG index, too, ended in the green - up 0.7 per cent at 26,538 levels.

More than 200 stocks hit a fresh 52-week low. These include Shree Cements, Eicher Motors, Maruti Suzuki, ICRA, PVR, and Supreme Industries.

On a weekly basis, the S&P BSE Sensex lost 7.46 per cent, while the Nifty50 slipped 6.65 per cent.

Key development

The Reserve Bank of India (RBI) has cut timing for money market operations from 9am to 5pm to 10am till 2pm. Truncated hours will be in operational till April 14.

Crude oil

On Thursday, Brent crude oil rallied significantly by a record 24.7 percent growth after US President Donald Trump said he expects Russia and Saudi Arabia to announce a major oil production cut, and Saudi state media said the kingdom was calling an emergency meeting of producers to deal with the market turmoil. Brent crude futures gained 3.64% to US\$31.03 on Friday whereas US West Texas Intermediate (WTI) crude fell 0.83% to US\$25.11. Despite the significant rally yesterday, oil prices have still lost more than half their value this year. The market slumped in early March 2020, when Saudi Arabia and Russia were unable to come to terms on a deal to curb production, and the Saudis boosted output to more than 12 million bpd and shipped discounted cargoes worldwide.

Sectors and stocks

Shares of Cipla surged 8 per cent in an otherwise weak market, to Rs. 447.2 apiece, on the BSE on Friday after the pharmaceutical firm completed Phase-3 clinical end-point study for fluticasone propionate and salmeterol inhalation powder, used to treat asthma patients. "Fluticasone propionate and salmeterol inhalation powder 100/50 mcg, 250/50 mcg and 500/50 mcg are generic versions of GSK's Advair Diskus. The product is indicated to treat asthma in patients 4 years and older as a twice-daily prescription medicine and in long term to treat chronic obstructive pulmonary disease (COPD), including chronic bronchitis, emphysema, or both, for better breathing and fewer flare-ups," it said in an exchange filing. The Phase-3 study was conducted over a period of 15 months, at over 100 sites in the US enrolling 1400 asthma patients, it added. According to IQVIA (IMS Health), Advair Diskus and its generic equivalents had US sales of approximately US\$2.9bn for the 12-month period ending February 2020. Commenting on the trial completion, Umang Vohra (MD and Global CEO, Cipla, Limited) said "I am extremely pleased with the successful completion of the Phase-3 clinical study of generic Advair Diskus®. Considering the complexity of clinical endpoint study in the Fluticasone + Salmeterol combination, it is heartening to see that our study was successful in the first attempt. This is an important milestone and is a testament to Cipla's strong respiratory capabilities and will go a long way in strengthening our respiratory franchise in the US. Unmatched presence across the care continuum and the widest range of drug-device combinations has established Cipla's position as a lung leader in India and other key emerging markets. Our endeavour is to extend this expertise across developed markets through niche product development."

Shares of Lupin witnessed a rise of 14 percent after the company received an establishment inspection report (EIR) from the USFDA for its Aurangabad, India facility.



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Shares of oil marketing companies (OMCs), paints and aviation companies were trading in the negative territory on Friday, a day after the crude oil prices posted their biggest-one day gains on record after US President Donald Trump said he expects Russia and Saudi Arabia to announce a major oil production cut, and Saudi state media said the kingdom was calling an emergency meeting of producers to deal with the market turmoil. On the other hand, Oil and Natural Gas Corporation (ONGC) was up around 3 per cent at Rs 67.65 apiece on the BSE. The stock hit a high of Rs 69.40, up 5.5 per cent in the session against Wednesday's close of Rs 65.75. GAIL, too, was trading over 2 per cent higher at Rs 77.45 apiece. ONGC is India's leading integrated oil and gas company, accounting for around 75 per cent of crude oil and natural gas production by volume, and 17 per cent of domestic refining capacity. Among paint stocks, Asian Paints was trading nearly 4 per cent lower at Rs 1,543 apiece while Berger Paints was down around 5 per cent at Rs 462. Kansai Nerolac was down 2.6 per cent at Rs 377. In Aviation sector, SpiceJet was down 5 per cent at Rs 40.6 and InterGlobe Aviation was trading at Rs 979, down 2 per cent.

Shares of automobile companies declined as much as 7 per cent on the NSE on Friday as the March sales numbers disappointed, largely due to the nationwide lockdown to prevent the spread of coronavirus. Among individual stocks, Ashok Leyland declined 6.93 per cent while TVS Motor slipped 6.5 per cent to a fresh 52-week low of Rs. 261. Motherson Sumi and Hero MotoCorp dipped in the range of 5-6 per cent. Tata Motors, Bosch Limited, Bajaj Auto, and Bharat Forge were down in the range of 4-5 per cent. Maruti Suzuki India and Eicher Motors also declined over 2 per cent each. On the other hand, Mahindra & Mahindra surged 6 per cent to Rs 289 on the NSE.

Shares of Banking stocks suffered hammering after Moody's Investors Service changed the outlook for the banking system to negative from stable, underscoring the impact of the disruptions caused by the viral outbreak. Shares of the private sector lender plunged more than 15 percent intraday after the management forecast rise in provisions from credit card business in the first quarter of FY21.

Global markets

European stock markets slipped on Friday, erasing meagre gains for the week, as more companies flagged a hit to business from the coronavirus pandemic while oil prices extended their previous day's gains on hopes of a global supply cut. With virus-fighting lockdowns raising the risk of a prolonged global downturn, investors continued to seek the safety of the US dollar and government bonds, pushing US Treasury yields near their lowest in three weeks.

The pan-European STOXX 600 index was down 0.4%, taking MSCI'S All Country World Index down 0.3%. MSCI's Asia-Pacific index outside Japan dipped 0.6% while Japan's Nikkei erased earlier gains to end flat. US stock futures sank nearly 1 per cent.



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