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Market wrap

March 05, 2020

Benchmark indices give up intraday gains; investors remain wary of Coronavirus outbreak in India..

The domestic bourses gave up intraday gains owing to worries over Coronavirus outbreak in India which can slowdown economic activity.

The S&P BSE Sensex ended at 38,471, up 61 points or 0.16 per cent. TCS, HUL, Bharti Airtel and HCL Tech were the major contributors to the index's gains. During the day, the index hit a high and low of 38,887.80 and 38,386.68, respectively.

NSE's Nifty 50 ended at 11,269, up 18 points or 0.16 per cent.

In the broader market, the S&P BSE MidCap index ended 0.3 per cent higher at 14,571 levels while the S&P BSE SmallCap index gained 0.29 per cent to settle at 13,591 levels. On the sectoral front, PSU banks and FMCG stocks made decent gains while realty, metal and media counters suffered losses. Nifty PSU Bank index added 1.39 per cent to 1,892 levels while Nifty FMCG ended at 29,530.50, up 1 per cent.

Crude oil

Crude oil prices firmed on expectations of production cuts, with Brent rising 90 cents to US\$52.79 per barrel and US crude up 1.9 per cent at US\$48.06 a barrel. Gold rose 0.2 per cent to US\$1642.21 an ounce.

Sectors and stocks

Shares of select public sector banks (PSBs) rose up to 15 per cent on the BSE in intra-day trade on Thursday after the government approved a scheme for the amalgamation of 10 state-owned banks into four. Punjab National Bank (PNB), Oriental Bank of Commerce, and United Bank of India will combine to form the nation's second-largest lender. Canara Bank will take over Syndicate Bank; Union Bank of India is planned to be amalgamated with Andhra Bank and Corporation Bank; and Indian Bank will subsume Allahabad Bank. Effective from April 1, 2020, the balance sheets as well as stocks of these banks will be integrated, according to the scheme of amalgamation approved by the Union Cabinet. Shares of Syndicate Bank surged 15 per cent to Rs 21.85 in intra-day trade on the back of heavy volumes. Oriental Bank of Commerce was up 16 per cent, followed by Union Bank of India up by 8 per cent, Allahabad Bank (up 8 per cent at Rs. 13) and United Bank of India up by 2.76 per cent.

Shares of Pidilite Industries hit a record high of Rs. 1,645, up 4 per cent, on the BSE on Thursday ahead of its scheduled board meeting today to consider interim dividend for the financial year 2019-2020. The stock surpassed its previous high of Rs. 1,609 touched on February 14, 2020. The company has fixed March 16, 2020 as the record date to determine /ascertain the members entitled to receive interim dividend. The stock will turn ex-dividend on March 13, BSE data shows. One of the leading manufacturers of adhesives, sealants, construction chemicals, consumer adhesive, and specialty chemicals, Pidilite outperformed the market during the past three months by surging 26 per cent, as against a 5 per cent decline in the S&P BSE Sensex. Last month, Pidilite Industries had entered into a definitive agreement with Tenax SPA (Tenax Italy) for acquiring 70 per cent of the share capital of Tenax India Stone Products (Tenax India) for cash consideration of approximately Rs. 80 crore (depending upon actual working capital and cash at the time of closing). Tenax Italy is the leading manufacturer of adhesives, coating, surface treatment chemicals and abrasives for the marble, granite and stone Industry.

YES Bank ended 26 per cent higher at Rs. 36.85 apiece on the BSE after media reports suggested the government has approved a plan for State Bank of India to lead a consortium that will buy stake in YES Bank.



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SBI, on the other hand, ended over 1 per cent higher at Rs. 288.3 apiece. YES Bank has been struggling to raise capital for months. It also had to postpone its December 2019 quarter results as the fundraising process consumed most of its top management's time. In August 2019, YES Bank had raised Rs 1,930 crore through the qualified institution placement (QIP) route. On February 12, YES Bank had delayed announcement of its December quarter results as it was in talks with potential investors, including J C Flowers, for raising equity capital. It received non-binding expressions of interest from several investors, including J C Flowers and Tilden Park Capital Management.

Shares of Future Consumer Products (FCL) were locked in the upper circuit of 10 per cent for the third straight day at Rs. 16.50 on the BSE on Thursday after the company said there is no material impact of coronavirus on its business. The stock of the Future Group company, engaged in packaged foods, has rallied 38 per cent from its an over four-year low price of Rs. 12 touched on Monday, March 2, 2020 in the intra-day trade. In the month of February, the market price of FCL almost halved from the level of Rs 23.95 hit on January 31, 2020. "The current pressure on FCL's stock price is unfounded and is not inherent to FCL's fundamentals," the company said on February 29 after a sharp decline in the stock price. "We, the entire team of FCL, would take this opportunity to firmly assure our stakeholders that fundamentally it is business as usual and there are no pressures or any invocation of FCL's pledge shares. Any rumors on the fundamentals of the Company are totally baseless and false. The Company continues to build its position from strength to strength," it added. FCL further said its portfolio of brands continues to grow across distribution channels with focus on premiumization and mix optimization. FCL stays committed to build up new trends, new categories and new ideas that are going to shape the consumption in the years ahead, it added.

Shares of Bank of Baroda slipped 3.5 per cent to Rs. 70.70 on the BSE on Thursday after global rating agency Moody's downgraded the bank's baseline credit assessment (BCA) from "ba2" to "ba3" on weakening asset quality and further risks from the deteriorating operating environment in India. The agency cited the lender's deteriorating asset quality as a threat to its profitability and capital. "Asset quality in BoB's micro, small and medium enterprises and agriculture portfolio, which has deteriorated, will continue to weaken further. Lower economic growth in India is negative for these sectors and will drive continued weakness in these segments," the agency added. Moody's, however, affirmed the public sector lender's domestic and foreign bank long-term and short-term deposit ratings of Baa3, stable/P-3. It also affirmed Bank of Baroda (London)'s foreign currency senior unsecured rating of Baa3, stable. Two public sector banks – Dena Bank and Vijaya Bank merged with Bank of Baroda from April 01, 2019. Funding and liquidity remain key credit strengths of the public sector bank. Similar to other PSU lenders, BoB's funding franchise benefits from government ownership, Moody's said.

Shares of Indian Hotels Company were trading lower for the fifth straight day, sliding 7 per cent to hit a 17-month low of Rs. 115, on the BSE on Thursday in the intra-day trade on concerns of soft demand due to outbreak of coronavirus. The stock of the Tata Group Company was trading at its lowest level since October 9, 2018. In the past one week, it has slipped 18 per cent, as compared to a 2.3 per cent decline in the S&P BSE Sensex.

Global Markets

Asian shares rallied for a fourth straight session on Thursday as US markets swung sharply higher and another dose of central bank stimulus offered some salve for the global economic outlook. Asian markets followed, if more cautiously. MSCI's broadest index of Asia-Pacific shares outside Japan added 0.7 per cent, in its fourth day of gains.

Japan's Nikkei rose 0.9 per cent and hard-hit Australian shares finally managed a bounce of 1.1 per cent. Shanghai blue chips put on 1.3 per cent.



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