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## Market wrap

March 06, 2020

### **Bears rule at the moment as Yes Bank debacle and spread of COVID-19 in India dampens investor sentiments; Banking sector stocks fall..**

YES Bank crisis dampens investor sentiments which led to selling in Banking sector stocks. The S&P BSE Sensex tanked 894 points or 2.32 per cent to settle the day at 37,577. During the day, the index hit a low of 37,011 levels. Bajaj Auto emerged as the biggest gainer on the index while Tata Steel (down over 6.5 per cent) was the top loser.

On NSE, the broader Nifty50 index ended at 10,989, down 279.5 points or 2.48 per cent.

Volatility index India VIX rose around 12 per cent to 25.96 levels.

In the broader market, the S&P BSE MidCap index declined 343.5 points or over 2 per cent to 14,227 levels while the S&P BSE SmallCap index ended at 13,330, down 261.5 points or around 2 per cent.

On a weekly basis, Sensex dropped 1.8 per cent while Nifty lost 1.89 per cent.

### **Crude oil**

Oil prices also fell due to worries that non-OPEC oil producers might not agree to output cuts even though global energy demand is weakening.

### **RBI draft Scheme of Reconstruction - Yes Bank**

- 1) Authorised capital of Yes Bank shall stand altered to Rs. 5,000 crore and number of equity shares will stand altered to 2,400 crore of Rs. 2 each.
- 2) Investor bank (SBI) to hold 49 percent stake in the reconstructed bank. It will acquire this stake for not less than Rs. 10.
- 3) There is a three-year lock-in period for such investors. They also cannot reduce their holding below 26 percent
- 4) The investor bank (State Bank of India) can appoint two nominee directors
- 5) RBI may appoint additional directors to the reconstructed bank's board
- 6) No change has been made in the rights and liabilities of the reconstructed bank

### **Finance Minister Nirmala Sitharaman said**

- 1) "We can assure that all depositors that their money is safe, shall ensure this shall be resolved speedily and the bank is restructured."
- 2) "After the administrator does his job, a new board will be put in place. Deposits and liabilities will continue unaffected as before. Employment and salary assured at least for 1 year."

### **Sectors and stocks**

Among individual stocks, YES Bank cracked as much as 85 per cent during the day after RBI suspended the bank's board and placed it under moratorium for 30 days and capped withdrawal limit to Rs 50,000 for the one-month period. The stock eventually settled at Rs. 16, down 56 per cent. The collateral damage on sentiment saw the Nifty PSU Bank index tank to an over 10-year low, falling 8 per cent in intra-day today. Nifty Bank index tumbled 5.7 per cent, followed by Nifty Private Bank index (5.6 per cent), and Nifty Financial Services (down 4.6 per cent), as compared to 3.9 per cent decline in the benchmark Nifty 50 index.



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State Bank of India (SBI) closed around 6.5 per cent lower at Rs. 270, after it informed that its board has given in-principle approval to consider an "investment opportunity" in YES Bank. In a late night statement on Thursday, SBI, however, said no decision had yet been taken to pick up stake in the bank. Besides, other banking stocks, too, tumbled in the trade. The Nifty Bank index ended at 27,781, down over 1,000 points or 3.6 per cent.

Shares of Tata Motors slipped 10 per cent intra-day to Rs. 112.95 on the BSE on Friday after the company said the reduction in China sales owing to the outbreak of coronavirus, is expected to reduce Jaguar Land Rover's (JLR) full-year EBIT (earnings before interest and tax) margin by about 1 per cent. It, however, added free cashflow in Q4 is still expected to be modestly positive. The coronavirus has significantly impacted China sales with February retails down around 85 per cent year on year, it said. The stock of the Tata Group automobile's major was trading at its lowest level since October 3, 2019. In the past one month, the stock has underperformed the market by falling 37 per cent, as against a 9 per cent decline in the S&P BSE Sensex. "About 20 per cent dealers were open in the first half of February, which has now improved to over 80 per cent. Although, most of them are still operating with reduced staffing and facilities. JLR expects this to improve over the course of March. Retail sales, however, are expected to recover more gradually. The spread of the virus to other markets such as South Korea, Japan, and Italy will also impact sales in those markets," Tata Motors added. Jaguar Land Rover, part of Tata Motors, is Britain's largest automotive manufacturer which designs, manufactures and sells some of the world's best-known premium cars. For Tata Motors' domestic business, Q4 performance was already planned to be significantly impacted due to the switchover from BSIV to BSVI and the shortage of parts is likely to have some additional impact on specific BS VI models which is expected to be secured in the coming months. Tata Motors expects to end the quarter with positive free cash flow.

### **Global Markets**

Global stock markets tumbled on Friday as disruptions to business from the spreading coronavirus epidemic worsened, stoking fears of a prolonged economic slowdown.

European shares opened sharply lower, with travel stocks bearing the brunt. The MSCI All-Country World Index, which tracks shares across 47 countries, was down 0.72 per cent.

Earlier in Asia, MSCI's broadest index of Asia-Pacific shares outside Japan fell 2.1 per cent, while Japan's Nikkei stock index sank 2.94 per cent. Australian shares were down 2.44 per cent. Shares in China fell 1.22 per cent, while stocks in Hong Kong, another city hard hit by the virus, fell 2.12 per cent.



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