



AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

Market wrap

May 07, 2020

Indian equities continue to decline with rising COVID-19 cases affecting economic outlook; no major fiscal package in sight..

Domestic bourses ended in negative terrain amidst volatility with no major positive cues in place. The rise in Covid-19 cases in India also dented the sentiment. According to the health ministry, the number of Covid-19 cases reached 52,952 with deaths at 1,783. The jump in COVID-19 cases especially in financial capital of Mumbai is a matter of serious concern.

There was selling across-the-board led by financial and steeply expensive consumer stocks. That apart, Bank of England's statement that Britain could be headed for its biggest economic slump in over 300 years due to the coronavirus lockdown also weighed on the investor sentiment

S&P BSE Sensex declined by 242 points or 0.76 per cent to end at 31,443.38. Of 30 constituents, 25 ended in the red and rest 5 in the green. HDFC Bank, HDFC, Bharti Airtel, and ICICI Bank contributed the most to the index's fall.

Nifty was down by 72 points or 0.78 percent to levels of 9,199.05. In the broader market, the S&P BSE MidCap index ended at 11,419.68, down 61 points or 0.5 per cent while the S&P BSE SmallCap index slipped 0.14 per cent to 10,686.75 levels.

Crude oil

Crude oil prices witnessed pressure as the industry is facing problems with the growing global surplus of crude and the sharp coronavirus-led downturn in demand, with the outlook still grim despite April data showing a rise in imports into China.

Sectors and stocks

Shares of YES Bank rallied by 20 per cent in the intra-day deals after the private lender reported better-than-expected March quarter (Q4FY20) results. For the recently concluded quarter, YES Bank posted a net profit of Rs. 2,628.6 crore on the back of on-time gain attributed to an exceptional item of Rs. 6,296 crore owing to writing-down additional tier-1 bonds as part of its planned reconstruction scheme. The stock ended at Rs. 28.15, up nearly 7 per cent.

Shares of Hindustan Unilever (HUL) declined by 5 per cent to Rs. 1,902 on the National Stock Exchange (NSE) in the early deals after UK-based Glaxo-SmithKline (GSK) offloaded its stake in the fast moving consumer goods (FMGC) major via block deals. At the close, the stock settled at Rs. 1,992.50, down nearly a per cent.

Shares of AU Small Finance Bank (SFB) declined for the fourth straight day, down 5 per cent to Rs. 433 on the BSE on Thursday as the lender reported lower-than-expected net profit owing to the higher provisions created toward special mention accounts (SMA). Yes Bank declined by 14 per cent in the past four trading days. It has fallen below its previous low of Rs. 444, touched on April 7, 2020 and trading at its lowest level since its listing. In Q4FY20, AU Small Finance Bank reported 3.5 per cent year-on-year (YoY) growth in profit after tax to Rs. 122 crore, affected by higher provisions of Rs. 151 crore, as it made 5 per cent provisions (Rs. 138 crore) toward SMA accounts, as per an RBI circular. The stock has fallen steeply by 64 per cent from its all-time high level of Rs. 1,218 touched in March 2, this year.

Paint stocks continued to decline into Thursday and slipped up to 5 per cent on the BSE on concerns of demand destruction in the near term due to the outbreak of Covid-19.

Global markets

Global equities rallied on Thursday after positive Chinese economic data. Chinese exports witnessed a rise of 3.5 per cent on yoy basis in April 2020.

E-Mini futures for the S&P 500 ES1 fared better with a bounce of 1.2 per cent, though there were ominous signs too. Turkey's lira fell to a record low amid worries about its dwindling reserves, oil was back under \$30 a barrel and Italy's bond yields hit 2 per cent again.

Ajcon Global's view

We believe the markets would remain volatile and will continue to remain under pressure. It would be difficult for Indian equities to rally as tremendous losses by the industry and businesses would be a reality with no major fiscal stimulus in sight apart from talks of MSME package. We recommend value buying only in high quality stocks gradually at every decline for building a long term portfolio.



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