

Domestic bourses end in green amidst significant volatility; Financials bounceback..

Indian benchmark indices ended in green amidst heightened volatility. After tumbling over 3.5 per cent in the early deals, the benchmark indices made a sharp comeback to end 0.7 per cent higher.

The S&P BSE Sensex witnessed 1,508-point swing during the day before settling at 33,781 points, up 243 points or 0.72 per cent. Of 30 constituents, 17 advanced and 13 declined.

Nifty ended at 9,973, up 71 points or 0.72 per cent.

On the sectoral front, barring IT and media stocks, all the other sectoral indices on the NSE ended in the green. The Nifty IT index declined nearly 1.5 per cent to 14,403 levels after media reports said the US President Donald Trump is considering suspending a number of employment visas including the H-1B, most sought-after among Indian IT professionals, in view of the massive unemployment in America due to the coronavirus pandemic.

In the broader market, the Nifty SmallCap 100 index ended at 4,393.50, down 0.11 per cent and the Nifty Midcap 100 index rallied over a per cent to 14,339.35 points.

On a weekly basis, Sensex declined by 1.47 per cent while Nifty fell by 1.66 per cent.

Volatility index, India VIX, jumped nearly 4 per cent to 30.82 levels.

Key development

According to the latest data from the Association of Mutual Funds in India (Amfi), investment in mutual funds through Systematic Investment Plans (SIPs) hit a 11-month low Rs. 8,123 crore in May 2020 as against Rs. 8,376 crores in April 2020. In May last year, SIP collection stood at Rs. 8,183 crore. Notably, this was the 18th consecutive month when SIP inflows remained over Rs. 8,000-crore mark.

Industrial production recorded the sharpest ever drop in April as the nationwide lockdown froze factories and output was pulled down by an unprecedented 55.5 per cent, after shrinking 16.7 per cent in March. However, economists say the worst may be over as industrial activity began across sectors May onwards, despite the lack of labour, logistics and raw material. Releasing the data on Friday, the government clarified that the majority of industrial establishments have reported nil production. But for the first time ever, the government did not give the headline figures as well as those for manufacturing, mining and electricity. Manufacturing, which accounts for 78 per cent of the IIP, ground to a halt in April as output shrank by 64.2 per cent. Experts however have noted that during March, which had only seven-days of lockdown, manufacturing output fell by 20.6 per cent. This signifies the existing stress in the sector, they say. All the 23 sub-sectors within manufacturing posted year-on-year contraction, same as the previous month. Mining activity also caved by 27.3 per cent. On the other hand, electricity generation managed to stem decline at a modest 22 per cent as domestic demand shot up.

Crude oil

Crude oil declined on oversupply concerns and a resurgence of coronavirus infections could stunt the pace of recovery from lockdowns.

Sectors and stocks

Reliance Industries (RIL) was up by 3 per cent higher at Rs 1,588.80. It's partly paid-up rights shares are set to debut on the bourses on Monday, June 15, 2020.

Shares of Mahindra & Mahindra's were up by more than 7 percent after the company declared its Q4 results. It posted a significant loss of Rs. 3,255 crore in Q4FY20, impacted by write-down of investment in Ssangyong and other international subsidiaries.

Financial sector stocks moved higher by up to 6 per cent in late noon trade on Friday, bouncing back 13 per cent from day's low on the BSE on Friday. Bajaj Finance, RBL Bank, Cholamandalam Investment and Finance Company, Shriram Transport Finance, Mahindra & Mahindra Financial Services, PNB Housing Finance and Indian Overseas Bank bounced back over 10 per cent from their respective day's low on the BSE.



Caplin Point Laboratories stock was up by over 6 percent after subsidiary Caplin Steriles was granted the final approval from the United States Food and Drug Administration for a blood pressure drug.

Global markets

Global equities continue to be in red on Friday. MSCI's 49-country index of world stocks slipped 0.5 per cent to an 11-day low, while MSCI's broadest index of Asia-Pacific shares outside Japan sank 1.3 per cent.

In Europe, the STOXX 600 Index swung between gains and losses after opening and was last down 0.6 per cent, extending a run of losses to five days in a row.

Ajcon Global's view

We believe the correction in Indian equities which was overdue will happen as on ground situation is bleak and the recent rally was only on improvement in sentiments owing to relaxations in Unlock 1.0 and not on economic recovery. Going ahead, ongoing Q4FY20 earnings season and newsflow related to COVID-19 will dictate market trend. Although some sectors have rallied on positive sentiments led by relaxations in Lockdown 5.0, investors will keep an eye as to how far the sectors revive from a standstill scenario.

The disappointment of no relief package for middle class who are also affected significantly in COVID-19 crisis will also remain an overhang. We like the agriculture reforms announced; major announcements made in sectors like Coal, Mining, Aviation, Defence and Power sector were also good and long term in nature. However, certain announcements by Finance Ministry were not taken well by street participants with regards to measures like MSME loan not being interest free, ambiguity with regards to MSMEs who do not have an existing credit facility, market sentiments getting affected as the reduction in rate of TDS to increase liquidity in the system were announced as part of stimulus package etc.

Sectors like Pharma and Healthcare, Speciality Chemicals, Insurance, E-Commerce, Companies with innovative business models especially in facility management, housekeeping and digital space would benefit from the COVID-19 crisis while sectors like over leveraged NBFCs including micro finance, real estate, construction, hospitality, tourism and aviation sector would be affected significantly. We advise investors to not lose hope in Indian equities as historically it is proven that market do witness recovery post an epidemic. Historically, Indian equities have always bounced back strongly post a Black swan and key events like Global Recession (1986-88), Gulf War/India Fiscal Crises (1990-91), Harshad Mehta Scam (1992-93), Stock Market fall (1994-96), 97 Market Meltdown (1997-98), Dot-Com Bubble (2000-01), Central Election Results (2004), High Inflation (2006), Global Financial Crisis (2008), European Sovereign Debt Crises (2010-11) in the past ranging from a fall of 11 percent to 65 percent and bouncing back in three years time frame by ~73 percent to 300 percent in the above events. Globally in the past, during the Great Depression, the US market declined steeply and made record highs later on. Any news of faster discovery and launch of vaccine for COVID-19 may fuel the market. We recommend value buying only in high quality stocks gradually at every decline for building a long term portfolio for 3 – 5 years horizon.

However, those who have entered at the lower levels in the recent past may book short term partial profits. We feel that there will be further opportunities to pick up the stocks at lower levels.



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