



AJCON GLOBAL
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Market wrap

Jan. 14, 2020

Domestic bourses end in green; Tata group stocks rally..

The S&P BSE Sensex was near the 42,000-mark to hit a high of 41,994, while the broader Nifty50 crossed the psychological level of 12,350 to hit 12,374.

At close, the Sensex was at 41,952.63 level, up 92.94 points or 0.22 per cent, lifted by gains in HDFC, ITC, Axis Bank and TCS. At the index level, Hero MotoCorp, ITC, and M&M, up between 1.5 and 2 per cent, were the top gainers. On the downside, IndusInd Bank, Reliance Industries, and SBI, down up to 4 per cent, were the top laggards.

On the NSE, the Nifty50 settled 30.35 points, or 0.25 per cent, higher at 12,359.90-mark. Nifty Media and FMCG were the top performing indices on the NSE, up 2.26 and 1.4 per cent, respectively. On the other hand, Nifty Private Bank index closed 0.53 per cent lower.

The broader markets, continued to trade higher for sixth day today. The S&P BSE mid-cap index gained 0.74 per cent to close at 15,403.17 level, while the S&P BSE small-cap index advanced 0.71 per cent to settle at 14,383.55 level.

Key development

The yield on 10 year government of India bonds, benchmark paper, rose sharply to 6.68 per cent in morning trades as all India consumer inflation gallops to over seven per cent mark for the month of December 2019. The yield opened at 6.15 per cent mark and moved up further to hover around 6.68 per cent level, according to Clearing Corporation of India Ltd (CCIL) data. The 10-Y benchmark yield had ended at 6.60 per cent on Monday compared to the previous close of 6.59 per cent on Friday. Indian Government bonds ended lower on Monday on fears of a sharp rise in December CPI that was released after market hours. Fall in prices was exacerbated due to low trade volumes. 10Y benchmark yield ended at 6.60 per cent compared to the previous close of 6.59 per cent. The all-India retail inflation, measured by Consumer Price Index (CPI), jumped to 7.35 per cent in December 2019, compared with 5.54 per cent in November 2019. The provisional inflation rate for rural area was 7.26 per cent in December 2019, up from 5.27 in November and for urban area it was 7.46 per cent in December 2019 as against 5.76 per cent in November 2019.

Sectors and stocks

Shares of Hindustan Aeronautics (HAL) climbed 6 per cent to hit a 52-week high of Rs. 863 on the BSE on Tuesday. The stock has surged 17 per cent in two days after ICRA assigned a long-term rating of double A and a short-term rating of A one plus for the company's bank facilities with stable outlook. The government-owned entity's stock surpassed its previous high of Rs. 828, hit on November 20, 2019. "The assigned rating draws comfort from the majority ownership held by the Government of India (GoI) in HAL as well as HAL's strategic position as a dominant supplier of aircrafts, helicopters, engines, avionics and accessories as well as main provider of maintenance, repair and overhaul services to the Indian defence forces," the rating agency said in rationale. The assigned rating also considers the strong order pipeline as reflected by the unexecuted order book of Rs. 58,588 crore as on March 31, 2019, it said. The GoI's increased focus on indigenisation with the Make in India policy and the establishment of defence corridors and mandatory offset policy for defence procurement by GoI, augur well for the company's future growth. HAL's financial profile is supported by its diversified revenue mix covering sale of products, spares and services for multiple aircraft programmes, as well as the healthy profitability arising from the cost-plus nature of majority of contracts. Due to its large scale and consistently improving operating profitability, the debt coverage metrics remain strong, notwithstanding the recent increase in short term borrowings, the rating agency said.



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Shares of Tata Group companies were in focus and rallied up to 7 per cent on the BSE on Tuesday in an otherwise subdued market. Tata Global Beverages (up 10.38 per cent at Rs. 389.4), Tata Coffee (up 2.87 per cent at Rs. 100.35) and Tata Chemicals (up 3.12 per cent at Rs. 726.6) and hit their respective 52-week highs on the BSE in intra-day trade today. Among individual names, Tata Global Beverages and Tata Chemicals extended their past one week rally today after the National Company Law Tribunal (NCLT) approved the scheme of arrangement between the two companies. In May last year, Tata Group had decided to demerge consumer business of Tata Chemicals and merge it with Tata Global Beverages. Tata Global Beverages will be renamed as Tata Consumer Products, the group had announced. Under the scheme, every shareholder of Tata Chemicals will get 1.14 new equity shares of Tata Global Beverages for every one equity share held in Tata Chemicals. It means that shareholders having 100 shares in Tata Chemicals will receive 114 shares in Tata Global Beverages. Meanwhile, Tata Consultancy Services (TCS), Tata Steel, Tata Investment Corporation, Tata Metaliks, Tata Elxsi, Tinsplate Company, Tata Steel Long Products and Tata Communications were up in the range of 0.5 per cent to 6 per cent on the BSE.

Shares of recently-listed CSB Bank continued to remain under pressure and dipped 1.7 per cent to Rs. 194.65 on the BSE on Tuesday. The stock has thus fallen below its issue price of Rs. 195. The Kerala-based bank was trading at its lowest level since its listing on December 4, 2019. CSB Bank had made a strong debut at the bourses at Rs. 300, a 54 per cent premium to its issue price. The stock has since erased all its listing gains, and tanked 38 per cent from its life-time high of Rs. 314, touched on the second day of its listing.

Global markets

Asian shares rose, China's yuan jumped and safe-harbor assets slipped on Tuesday, amid signs of goodwill between China and the United States.

Japan's Nikkei added 0.7 per cent to hit its highest in a month, while Australian shares rose by the same margin to close at a record.

In Europe, investors remained cautious ahead of their Q4 earnings. The pan-European STOXX 600 index fell 0.2 per cent by 1:40 pm, in its third straight day of declines.



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