AJCON GLOBAL
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**Market wrap** **June 16, 2020**

**Domestic bourses bounce back but give up early gains on India – China border dispute; Private Banking stocks rally..**

Indian benchmark indices bounced back amidst volatility with over 1 per cent gain but gave up early gains after the Indian Army said an officer and two soldiers were killed in Galwan Valley in eastern Ladakh on Monday night during a violent face off with the Chinese troops.

However, by the session's end, the Sensex was back in the green and closed 376 points higher at 33,605 while the Nifty50 index ended the session at 9,914. The Sensex hit an intra-day high of 34,022 and a low of 32,953 as volatility shot up 8 per cent before cooling off at the closing hours. The HDFC twins (both up 4%) were the top Sensex gainers while Axis Bank and Tech Mahindra (both down 2%) were the main laggards. In the Sensex pack, 15 stocks advanced while as many declined. Top Nifty gainers included JSW Steel, ICICI Bank, HDFC and HDFC Bank. Top Nifty losers included GAIL India, Tech Mahindra, Bharti Infratel, and Tata Motors.

On the broader markets front, the S&P BSE Midcap index rose 0.37 percent while the S&P BSE Smallcap index was up 0.04 percent.

Around 100 stocks hit their fresh 52-week high. These included Reliance Industries, Bayer Cropsciences, AstraZeneca, PI Industries, Alembic Pharma and Ruchi Soya.

**Key development**
Prime Minister Narendra Modi on Tuesday hinted that the opening of the economy will continue. However, he cautioned everyone to be mindful of wearing masks and maintaining hygiene and social distancing norms now that offices are re-opening."We have to always keep in mind that the more we can stop the coronavirus, the more it will stop growing, the more our economy will open up, our offices will open, the markets will open, the means of transport will open, and so will new employment opportunities," the Prime Minister said in his inaugural statement during the sixth video conference with Chief Ministers and representatives of different states and Union Territories (UTs) to take stock of the Covid-19 situation. "The recovery rate has gone above 50 per cent in India. For us the death of even one Indian is unsettling but it is also true that India is one of the countries where there have been least deaths due to Covid-19," he said. "The two weeks of 'Unlock 1' has given us a lesson that if follow all rules and directions, then the country will be able to minimise its losses. To even think of stepping out without a mask or face cover is not right at present. 'Do gaj ki doori', hand-washing and use of sanitisers is of utmost importance. With markets opening and people stepping out, these precautions are even more important," he added. The Prime Minister said that green shoots are visible in the economy because of the efforts made in the last few weeks. He said that timely decisions have helped in containing coronavirus in the country.

**Gold**
Gold prices were up by Rs. 493 to Rs. 47,540 per 10 gram, the highest in nearly two months in the Mumbai bullion market on rupee depreciation and stronger equity markets. The gain was also supported by the US Federal Reserve's decision to buy individual corporate bonds in the secondary market. The expansion of the Fed balance-sheet will support gold prices over the medium term with lower bond yields. Gold witnessed sudden buying in the noon session after South Korea reported a blast in the inter-Korean office. The gains were supported by the increased tension between India and China, which left at least three Indian armymen dead. The rate of 10 gram 22-carat gold in Mumbai was Rs. 43,547 plus 3 percent GST while that of 24-carat was Rs. 47,540 plus GST. The 18-carat gold quoted at Rs. 35,655 plus GST in the retail market.

**Sectors and stocks**

Shares of Bayer CropScience touched 52-week high of Rs 5,721.30, and were up by 4 percent after a tie-up with agri-business division of ITC.

Shares of Aarti Industries bounced back and were up by 6 percent today after it declined by 7 per cent on Monday after the company said it has received an early termination notice from a customer invoking the "termination of convenience" clause of a long term contract entered on June 15, 2017. The contract was expected to generate revenue of approximately Rs. 4,000 crore over 10-year period. The stock of the specialty chemicals company was trading lower for the third straight day, down 9 per cent during the period. With past three day’s decline, the stock has witnessed a fall of 29 per cent from its all-time high level of Rs. 1,192, touched on May 5, 2020. “The company has received a notice from the Global Agrochemical Major, opting to terminate the 10-year contract it had entered on June 15, 2017 to supply a high-value agrochemical intermediary with application into Herbicides," Aarti Industries said in a press release today. The company further said that it understands that the reason for the same is the Customer's change in strategy. "They now are looking to focus on the final formulation and would like to source the Active Ingredient rather than their original plan to manufacture it," it said in an exchange filing. Upon the triggering of this termination event, the guarding provisions for compensation under the contract come into effect. As a result, the compensation to Aarti Industries is estimated to be in the range of $120 million to $130 million, the company said. The management said the change in the strategy of the Customer does not significantly undermine the inherent opportunity in this business. "We are fully backward integrated and a strategic player in this value chain. We are confident to be able to cater to the market requirements in this high growing vertical of the agrochemical space," it said.

Shares of Ramco Systems were locked in the 10 per cent upper circuit band for the fifth straight day, at Rs 146.70 on the National Stock Exchange (NSE).

Shares of Tata Motors ended the session 5.67 per cent lower at Rs 94.75 on the BSE after posting a consolidated net loss of Rs 9,863.73 crore in the fourth quarter ended March 31 (Q4FY20).

Shares of HCL Infosystems declined by 5 percent after the Company reported poor set of Q4FY20 result. The Company reported consolidated loss of Rs. 70.94 crore for the March 2020 quarter from Rs. 43.9 crore in the year-ago period.

**Global markets**
Global equities too were in green on Tuesday, with more support from the Federal Reserve and the Bank of Japan.

Japan's Nikkei was up by ~5 percent and ensured the best day for Asian equities since late March and almost 2 per cent rises from London, Paris and Frankfurt got Europe off to a fast start.

Unemployment in the UK is widely expected to hit levels not seen since the mid-1980s over the coming months as a result of the coronavirus-induced recession. The British government's efforts to insulate the jobs market from the economic damage of the lockdown is coming to an end. Under its Job Retention Scheme, it has been paying up to 80% of the salaries of workers retained, up to 2,500 pounds (USD 3,150) a month.

**Ajcon Global's view**
We believe Indian equities will take cues from global factors, on ground domestic economic situation, India – China tensions, key takeaways of PM video conferencing meet with Chief Ministers and Lt. Governors of Union Territories. 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 especially in March 2020 last week and April 2020 first week 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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