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Market wrap **March 20, 2020**

Benchmark indices recover strongly; Pharma and IT stocks rally..
Domestic bourses recovered strongly on Friday after wild swings witnessed during the week and ended the day with around 6 per cent gains as positive global cues and coordinated efforts by countries across the globe to fight coronavirus (Covid-19) pandemic soothed investors' nerves. The S&P BSE Sensex rallied 1,628 points or 5.75 per cent to settle at 29,916. Of 30 constituents, 28 advanced and just 2 declined. Reliance Industries (RIL), HDFC and TCS contributed the most to the index's gains. ONGC jumped over 18.5 per cent to Rs 72.45 apiece. It ended as the top gainer on the index. Other heavyweights such as RIL, Hindustan Unilever (HUL), and TCS gained in the range of 10-12 per cent.

On the NSE, headline index Nifty gained 482 points or 5.83 per cent to settle at 8,745 levels, its biggest single-day gain since September 20, 2019 when the index rose 5.3 percent.

On a weekly basis, both Sensex and Nifty witnessed worst week since 2008 financial crisis by slipping over 12 per cent.

All the sectoral indices on the NSE ended in the green. Nifty FMCG advanced the most - up around 9 per cent to 26,073 levels while Nifty IT surged over 8.5 per cent to 12,306 points. Metal stocks, too, witnessed solid buying as the Nifty Metal index ended 7.7 per cent higher at 1,695 levels.

Key developments
The Securities and Exchange Board of India (SEBI) on March 20 announced measures to make short-selling of stocks difficult in order to counter the market volatility caused by the coronavirus crisis. The market regulator said it discussed with the stock exchanges, clearing corporations and depositories appropriate measures that may be taken in the existing circumstances, taking note of the continued abnormally high volatility in the market. These measures, it noted in the release, will be effective from the beginning of trading on March 23, 2020, and said it will take further suitable action if needed. As part of the measures, SEBI has proposed to raise margin for the non-F&O stocks to 40 percent in a phased manner. The proposed margins would only be applied in the cash market and may be applicable for a period of one month. The market-wide position limit on F&O stocks may be cut to 50 percent, the regulator said in the release. The regulator also said that the dynamic price bands for F&O stocks may be flexed only after a cooling-off period of 15 minutes from the time of meeting the existing criteria specified by stock exchanges for flexing.

In another key development, The Reserve Bank of India (RBI) will buy government bonds worth Rs. 30,000 crore through open market operations (OMO) in two tranches. The auctions are scheduled to be conducted on March 24 and 30. The stress in certain financial market segments 'is still severe' and financial conditions remain tight, the RBI said in a release. The OMO will ensure liquidity and turnover is adequate in all market segments, it said.

Sectors and stocks
Shares of pharma and healthcare companies rallied in an otherwise volatile market on Friday. Ipca Laboratories jumped as much as 19 per cent to Rs 1,500 apiece on the BSE after media reports said the company's Active pharmaceutical ingredient (API) for Chloroquine has been approved by the USFDA. Chloroquine, which is being used to treat malaria, may be used for coronavirus. However, we believe the use of the above drug would be on temporary and trial basis as there is insufficient data about its effectiveness on COVID-19. Kindly note, it takes a minimum of 2 years to develop a vaccine for a disease considering the clinical trials to test the efficacy and safety of drug.

Shares of information technology (IT) companies rallied by up to 14 per cent on the National Stock Exchange (NSE) on Friday after Accenture reported a better-than-consensus Q2 performance. Meanwhile, the Rupee hit a new low on Thursday, falling below 75 against the US dollar for the first time. Tata Consultancy Services (TCS), HCL Technologies, Wipro, MindTree, and NIIT Technologies gained in the range of 10 per cent to 14 per cent on the NSE as investors indulged in some value-buying as valuations turned attractive after the recent fall in stock prices. Infosys, Tech Mahindra, Tata Elxsi and Hexaware Technologies gained between 8 per cent and 9 per cent. In the past one month, the IT index has slipped 32.3 per cent factoring in potential demand shocks from COVID-19 spreading to key client markets (US/ Western Europe), an oil price shock and potential impact on global growth.

Shares of Ashok Leyland were under pressure for the second straight day on Friday, declining by 15 per cent to hit an over five-year low of Rs. 41.10, on the BSE, after the company announced acquisition of around 19 per cent stake in its subsidiary Hinduja Leyland Finance (HLFL). The stock has tanked 36 per cent in the past two trading days, and was quoting at its lowest level since September 2014. Ashok Leyland on Wednesday announced that it would acquire around 7 per cent stake from the existing private equity investor Everstone and around 12 per cent from promoter owned entity. This would entail an investment of Rs 1,100-Rs 1,200 crore. "The agreement(s) to acquire the equity shares in HLFL from the existing shareholders will be entered by the company in due course. As and when the company completes acquiring shares in tranche(s), and if the said acquisition exceeds 2 per cent or more of the equity shares of HLFL, the company will inform the stock exchanges, as required," Ashok Leyland said in exchange filing post market hours.

Shares of YES Bank slipped 20 per cent to Rs. 43.15 on the BSE on Friday, extending its Thursday's 13 per cent fall, after new equity shares allotted to investors through preferential issue were permitted to trade on the exchanges. With the past two days' decline, the market price of YES Bank has more than halved from the level of Rs. 87.95 touched on Wednesday, March 18, in the intra-day trade. It had hit an all-time low of Rs 5.55 on March 6, on the BSE. "A 1,000 million equity shares of Rs 2. each issued at a premium of Rs. 8 issued to non-promoters on a preferential basis pursuant to YES Bank Reconstruction Scheme, 2020, approved by Ministry of Finance, are listed and permitted to trade on the Exchange with effect from Thursday, March 19, 2020," BSE said in a notice dated March 18, 2020. YES Bank had raised Rs 10,000 crore pursuant to allotment of shares to State Bank of India (SBI) and other investors including HDFC, ICICI Bank, Axis Bank, Kotak Mahindra Bank under the Reconstruction Scheme. Meanwhile, rating agencies like Moody's, India Ratings and Research (Ind-Ra), and Crisil upgraded the credit ratings of YES Bank with a positive outlook. The revision of the rating watch, the agencies said, follows the systemic support that it has received recently in terms of, both, equity and liquidity from the new set of investors and the regulator for its reconstruction. Given the new capital raised and the AT1 securities writedown, Moody's believes YES Bank's solvency has improved and that the recovery rates for the banks' depositors and senior creditors will be very high, supporting the current credit ratings. "However, the ability of the bank to limit deposit outflow with lifting of the moratorium, and to build a strong retail liabilities franchise along with a stable and sound operating business model with strong compliance and governance framework over the medium term, needs to be demonstrated. Furthermore, the bank's asset quality is weak and the impact of the shift in business model to focus more on granular retail segments will need to be seen over a longer period. These will be key rating monitorables," Crisil said in rating rationale.

Global markets

Asian equities made a decent comeback from a significant decline on Friday but still suffered massive losses for the week, while bonds rallied and oil extended its gains. European stocks, too, opened on a positive note. MSCI's broadest index of Asia-Pacific shares outside Japan w as 4.41 per cent higher, ending a seven-sessions streak of losses.

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