



AJCON GLOBAL  
YOUR FRIENDLY FINANCIAL ADVISOR

## Market wrap

April 21, 2020

### **Banking, IT, metal stocks decline significantly; WTI US crude oil futures entered in negative zone amidst global demand concerns..**

The domestic bourses witnessed a fall of over 3 per cent lower on Tuesday amid collapse in crude oil prices and weak global markets. The session witnessed heavy selling in financial, metal, energy, and auto stocks.

The S&P BSE Sensex tanked 1,011 points or 3.2 per cent to settle at 30,637 while NSE's Nifty slipped 280 points or 3 per cent to 8,981 levels. Volatility index, India VIX, jumped over 4 per cent to 45.34 levels.

In the Sensex pack, 27 out of 30 stocks ended in the red. IndusInd Bank (down 12 per cent) emerged as the biggest loser on the index, followed by Bajaj Finance (down 9 per cent), ICICI Bank (down over 8 per cent), and Axis Bank (down 7.6 per cent).

In the broader market, the S&P BSE MidCap index fell nearly 3 per cent to 11,477 levels while the S&P BSE SmallCap ended at 10,565, down 3 per cent.

Investor wealth fell over Rs. 3 lakh crore in a single trading session on Tuesday. The average market capitalisation of BSE-listed companies fell from Rs. 123.72 lakh crores recorded on April 20, 2020 to Rs. 120.37 lakh crores as on April 21, 2020.

#### **Key development**

The Securities and Exchange Board of India (Sebi) on Monday said the measures aimed at containing the wild swings in stock prices would continue till the end of next month. On March 20, the markets regulator had imposed temporary restrictions on short-selling, increased margin requirements, and hiked penalties on violators. Sebi had then said the measures were for a period for one month. However, they will remain in place till May 28, the regulator has said. "As the stock markets (both domestic and global) are expected to be volatile in the near future owing to concerns relating to the Covid-19 pandemic and the resultant fear of economic slowdown, keeping in view the objective of ensuring orderly trading and settlement, effective risk management, price discovery, and maintenance of market integrity, it has been decided that the measures implemented since March 23, 2020 will continue to be in force till May 28, 2020," Sebi said in a circular. "Since the implementation of the aforementioned measures, Indian securities market has witnessed recovery in broad market indices. Further, there has not been any major disruption in stock exchanges, clearing corporations and depositories on account of the existing robust regulatory framework. However, the expected volatility in the stock market still remains on the higher side," Sebi has said. Some of the curbs put in place by Sebi include halving the so-called market-wide position limit (MWPL) for highly volatile stocks, no short positions in the derivatives beyond the value of holdings of the underlying stocks or the collaterals provided by traders, and increase in margins in both cash and derivatives segment by as much as 40 per cent.

#### **Crude oil**

April 20, 2020, was a historical day when WTI Crude futures slipped into the negative zone amid fears that the sector will run out of storage for a glut caused by the coronavirus lockdown. May U.S. crude futures plunged to a depth never before seen, settling on the day at minus \$37.63 a barrel, a decline of some 305%. Prices set a low of negative \$40.32. With demand down 30% worldwide due to COVID-19 crisis, and the main U.S. storage hub in Cushing, Oklahoma expected to fill up in a matter of weeks, very few want to be stuck with oil barrels that they have to take delivery on at some point during May. Describing the drop in U.S. oil futures as short-term and stemming from a "financial squeeze", U.S. President Donald Trump on Monday said his administration would consider halting Saudi crude oil imports.

Brent Crude futures too slipped below US\$20 a barrel.

#### **Sectors and stocks**

Shares of Dr Reddy's Laboratories hit an over four-year high of Rs. 4,036, up 5 per cent on the BSE on Tuesday in an otherwise weak market. The stock of pharmaceutical company was trading at its highest level since November 2015. It hit an all-time high of Rs. 4,383 on October 20, 2015. With today's rally, the share price of Dr Reddy's Laboratories has surged 62 per cent from its previous month low of Rs. 2,498, touched on March 19, 2020 in the intra-day trade.

Aurobindo Pharma rallied 20 per cent to Rs. 649 after US drug regulator USFDA classified the company's Unit IV of Hyderabad plant as VAI (voluntary action indicated).

Shares of Jubilant Life Sciences were up by 4 percent after ace investor Rakesh Jhunjhunwala increased his stake in the pharma company to 4.41 percent in the quarter ended March 2020.



The Nifty Bank ended nearly 5.5 per cent lower at 19,409 levels. Among individual names, ICICI Bank slipped nearly 9 per cent to Rs. 329.80 apiece on the NSE after the bank clarified it has exposure to Ocean Tankers, a unit of Singapore oil-trading firm Hin Leong Trading (HLT) that has filed for bankruptcy in Singapore. The firm owes nearly US \$100 million - or nearly Rs. 760 crore -- to the lender.

Shares of oil and gas companies slipped on Tuesday. Oil and Natural Gas Corporation (ONGC) was trading over 6 per cent lower at Rs. 69.45 apiece and was the biggest loser on the Oil & Gas index. Next on the list were GAIL (down around 5 per cent), Reliance Industries (down nearly 4 per cent), and Petronet LNG (down 3 per cent). Among oil marketing companies, Indian Oil Corporation (IOC) was down over 3 per cent at Rs. 84.85 while BPCL was down over 1 per cent at Rs. 363.40. HPCL was down 1.6 per cent at Rs. 223.70.

IT stocks took a beating after US President Donald Trump announced a temporary suspension of immigration into the country. The Nifty IT index slipped nearly 3.5 per cent to 12,409 levels, with all the 10 constituents ending in the red. Shares of Infosys declined by 4 per cent after the company reported its Q4 numbers. The company has reported a profit of Rs. 4,321 crore for the quarter ended March 2020, a 3.1 per cent de-growth compared to December quarter 2019.

Metal stocks, too, declined on concerns of weak demand due to the Covid-19 outbreak. The Nifty Metal Index declined over 5 per cent to 1,667 levels. Jindal Steel & Power (JSPL), Hindalco Industries, Tata Steel and MOIL were down more than 7 per cent, while Steel Authority of India (SAIL), Vedanta, JSW Steel, Hindustan Copper and National Aluminium Company (NALCO) were trading lower in the range of 5 per cent to 6 per cent on the NSE. "The global outbreak of Covid-19 has severely impacted the non-ferrous metal industry as prices of the three metals - aluminium, copper and zinc have corrected by over 16 per cent, 23 per cent and 20 per cent, respectively since the beginning of the calendar year 2020. Moreover, while a prolonged outbreak would reduce demand for the metals, disruptions in the supply chains would impact availability of the metals in the physical markets," ICRA said in a press release.

#### **Global markets**

Global equities declined on Tuesday, a day after US crude oil prices turned negative for the first time, as dismal company earnings reports underlined worries about economic damage from the coronavirus pandemic.

MSCI's All Country World Index, which tracks stocks across 49 countries, was down 0.8 per cent. European stock markets followed their Asian counterparts lower, with the pan-European STOXX 600 index down nearly 2 per cent in early deals.

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