

**Domestic bourses give up gains; RBI's Monetary policy met street expectations in the wake of COVID-19 crisis..**

Benchmark indices witnessed volatility and ended on a poor note even as the Reserve Bank of India (RBI), in an emergency move, slashed the repo rate by a huge 75 basis points (bps) to stem the fall in the economy due to coronavirus (Covid-19) pandemic. In addition, the RBI imposed a moratorium on principal and interest payments for three months and told banks and non-banking finance companies that that non-payment won't be considered as non-performing assets (NPA).

The S&P BSE Sensex was down by 131 points to end at 29,816, with Axis Bank (up 5 per cent) being the top gainer and Bajaj Finance (down 9 per cent) the worst performer. Besides Bajaj Finance, stocks that contributed the most to the Sensex's fall were Bharti Airtel (down 6 per cent), HUL (down 3 per cent), and HDFC Bank (down 1 per cent).

NSE's frontline index Nifty50 ended at 8,660, up 19 points or 0.22 per cent.

On the sectoral front, auto stocks slipped the most, thus snapping their three-day gaining streak. The Nifty Auto index ended around 2.5 per cent lower at 4,939 levels. On the other hand, private banks gained the most with the Nifty Private Bank index ending 1.72 per cent higher at 10,738 levels.

Volatility index India VIX eased 0.77 per cent to 70.97 levels.

In the broader market, the S&P BSE MidCap index ended at 10,538, up 0.29 per cent while the S&P BSE SmallCap index ended 0.28 per cent higher at 9,497 levels.

**Key developments**

The Reserve Bank of India (RBI) on Friday lowered the key repo rate by 75 basis points (bps) to 4.4 per cent, to help arrest the economic slowdown in the wake of the coronavirus (Covid-19) outbreak. The reverse repo rate now stands at 4 per cent, down 90 bps. Repo rate is the rate at which a country's central bank lends money to commercial banks, and reverse repo rate is the rate at which it borrows from them. MPC voted 4-2 in favour of the reduction of the repo rate by 75 bps, RBI Governor Shaktikanta Das said in an address to media. The governor informed that the members of the MPC met on March 24, 26, and 27. "It is our effort to ensure normal functioning of the market," Das said. The governor further said that the economic growth and inflation projection would be highly contingent depending on the duration, spread and intensity of the pandemic. "Need of the hour is to shield the economy from the pandemic," Das added. Meanwhile, liquidity adjustment facility (LAF) has been reduced by 90 bps to 4 per cent while cash reserve ratio (CRR) has been slashed by 100 bps to 3 per cent.

In an order to mitigate the burden of debt servicing brought about by disruptions on account of Covid-19 pandemic, the central bank announced measures that included moratorium on term loans; deferring interest payments on working capital; easing of working capital financing; deferment of implementation of the net stable funding ratio; and the last tranche of the capital conservation buffer. "All commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies and micro-finance institutions) ("lending institutions") are being permitted to allow a moratorium of three months on payment of instalments in respect of all term loans outstanding as on March 1, 2020," the statement added.

"Large selloffs in markets have intensified redemption pressure. The RBI will conduct auctions of long-term repo operation (LTRO) of up to three-year tenure of appropriate sizes for a total amount up to Rs. 1 lakh crore at a floating rate linked to the policy repo rate," Das said.

The RBI increased the accommodation under the marginal standing facility (MSF) from 2 percent of the statutory liquidity ratio (SLR) to 3 percent with immediate effect. This measure will be applicable up to June 30, 2020 and it should provide comfort to the banking system by allowing it to avail an additional Rs 1.37 lakh crore of liquidity under the LAF window.

**Crude oil and Gold**

Crude oil prices were mixed as governments across the world took unprecedented steps to limit the economic fallout from the coronavirus pandemic. Gold edged lower as investors booked profits, but was set for its best week since December 2008.

**Sectors and stocks**

Shares of automobiles companies erased their early morning gains and were trading up to 6 per cent lower on the National Stock Exchange (NSE) on Friday, despite the Reserve Bank of India (RBI) lowering the key repo rate by 75 basis points



(bps) to 4.4 per cent to help arrest the economic slowdown in the wake of the coronavirus (Covid-19) outbreak. Among individual stocks, Bharat Forge was trading 8 per cent lower at Rs 262 after slipping 12 per cent from its intra-day high of Rs 298 on the NSE. Hero MotoCorp and Bajaj Auto were down 5 per cent each in intra-day trade. Maruti Suzuki India, Apollo Tyres, Mahindra & Mahindra, and MRF from the index were down in the range of 1 per cent to 3 per cent.

### **Global markets**

European shares tumbled in early trading on Friday after a stunning three-day rally sparked by hopes of more aggressive stimulus to shore up the global economy ravaged by the rapid spread of the coronavirus pandemic. Asian stocks, on the other hand, rose as investors wagered policymakers will roll out more stimulus measures to combat the coronavirus pandemic after US unemployment filings surged to a record.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.3 per cent, while Japan's Nikkei rose 3.88 per cent, capping its biggest weekly gain on record. Australian shares gave up gains to fall 5.3 per cent after a strong week.

E-Mini futures for the S&P 500 reversed course and fell 0.88 per cent following three consecutive days of gains in the S&P 500 on Wall Street.

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