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YOUR FRIENDLY FINANCIAL ADVISOR

## Market wrap

March 30, 2020

### **Indian equities end in red amidst complete lockdown of the country in the wake of COVID-19 crisis; as expected auto and financials stocks decline significantly..**

Domestic bourses ended in negative terrain on Monday as the coronavirus (Covid-19) cases in India continued to rise despite nationwide lockdown. Further, weak global cues such as fall in global markets and plunge in crude oil prices, too, adversely impacted the investor sentiment.

The S&P BSE Sensex today slipped 1,375 points or 4.61 per cent to settle at 28,440. Bajaj Finance (down 12 per cent) emerged as the biggest loser on the index while Tech Mahindra was the top performer - up 5 per cent.

HDFC, HDFC Bank, ICICI Bank, and Reliance Industries (RIL) contributed the most to the index's losses.

Market breadth was in favour of declines as out of 2,453 companies traded on the BSE, 1,347 declined and 934 advanced while 172 remained unchanged.

Nifty ended at 8,281, down 379 points or 4.38 per cent. Volatility index India VIX increased 1.53 per cent to 71.46 levels. On the sectoral front, barring pharma and FMCG, all the indices ended in the red. Nifty Bank tumbled over 6 per cent to 18,760 levels while Nifty Financial Services pack tanked around 7.5 per cent to 9,029-mark. In the broader market, Nifty Midcap 100 index slipped 2.8 per cent to 11,435 levels and the Nifty SmallCap 100 index lost 2.3 per cent to 3,485 levels.

### **Crude oil and Gold**

Crude oil declined sharply with Brent crude hitting its lowest level in 18 years and US crude briefly dropping below \$20, on heightened fears that the global coronavirus shutdown could last months and demand for fuel could evaporate further.

### **Sectors and stocks**

Among individual stocks, Abbott India hit a new high in a weak market amid report that Abbott Laboratories, USA, the ultimate holding company, has received the approval to launch 5-minute coronavirus (COVID-19) test for use almost anywhere. Abbott India is a subsidiary of Abbott Laboratories of USA. The stock ended at Rs. 15,400 apiece on the BSE, up around 9 per cent.

Shares of automobiles companies were trading lower for the second straight day on the National Stock Exchange (NSE) on Monday as the spread of the Covid-19 virus is fading the volume outlook. Covid-19, will have an immediate short-term adverse impact on the automobile industry due to a decline in incomes and a slowdown in commercial activity. Eicher Motors, Bharat Forge, Mahindra & Mahindra (M&M), Maruti Suzuki India and Hero MotoCorp slipped more than 5 per cent, while MRF, TVS Motor Company, Apollo Tyres, Bajaj Auto, Bosch, Motherson Sumi Systems, Ashok Leyland and Tata Motors were down in the range of 3 to 5 per cent on the NSE. The Supreme court on March 27, 2020 provided an extension of 10 days post the end of the lockdown period, given the unusual conditions prevailing in the country. "While the industry players were looking for a 3 month extension, i.e., till June 30, 2020, the 10 day extension post the lockdown by the Supreme court is not expected to do any good to the industry given the current situation with the COVID-19 pandemic," CARE Ratings said in auto sector update. The buying sentiment post the lockdown period is lifted is likely to be low and consumer will be cautious in spending particularly on luxury/big-ticket items thereby not meeting the desired objective to clear the BS IV inventory with the dealers, it added.

Shares of financials plunged up to 18 per cent on the BSE in the intra-day trade on Monday after the rating agency Fitch downgraded three Indian non-banking financial institutions (NBFIs). Fitch Ratings has downgraded the long-term issuer default ratings (IDRs) of Shriram Transport Finance Company (STFC) and Muthoot Finance (MFL) to 'BB' from 'BB+'. It has also downgraded the long-term IDR of India Infoline Finance (IIFL) to 'B+' from 'BB-'. All their ratings have been placed on Rating Watch Negative (RWN). Fitch has also placed the 'BB-' Long-Term IDR of Manappuram Finance on RWN. STFC, Bajaj Finance, Bandhan Bank, Housing Development Finance Corporation (HDFC), Manappuram Finance, Cholamandalam Financial Holdings and Mahindra & Mahindra Financial Services were down more than 10 per cent on the BSE. Fitch Ratings said the downgrade and RWN on STFC's ratings largely stems from the deterioration in the operating environment for India NBFIs. STFC's portfolio will face increased asset-quality risks as the commercial vehicle portfolio is more exposed to business activity in India that will be hampered by the measures taken to tackle the coronavirus, it added, Fitch expects delays in loan collections and asset recoveries if current restrictions on business activity are prolonged. This would place pressure on near-term on asset quality, credit costs and profitability.

Shares of Future Group stocks were trading deep in the red on Monday. While Future Supply Chain Solutions was down around 5 per cent at Rs. 115.90 apiece on the BSE, Future Retail was locked in the lower circuit band for the 13th straight



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day. The stock was frozen at Rs 82.85 apiece on the BSE, down 5 per cent. Future Enterprises, too, was trading with over half a per cent cut at Rs 9. Future Lifestyle hit a 5 per cent lower circuit of Rs 124.10. Further, rating agencies such as CARE and S&P have downgraded bank facilities, thus affecting the sentiment further. For instance, CARE Ratings, on March 26, downgraded Future Retail's long-term bank facilities worth Rs. 528 crore to AA- from A+ with negative outlook. The company's long-term non-convertible issue of Rs. 199 crore has been downgraded to AA- from A+ with negative outlook. Also, it has been placed on credit watch with negative implications. "The revision of ratings assigned to the long-term bank facilities and instruments of Future Retail Limited (FRL) takes into account significant decline in market capitalisation which along with high promoter pledge is expected to significantly impact financial flexibility," CARE Ratings said in its report.

### **Global markets**

Asian equities declined on Monday as fears mounted that the global coronavirus shutdown could last for months although markets regained some lost ground late in the session with Australia posting a standout jump. US and European futures also turned upwards in the Asian afternoon, with E-Mini futures for the S&P 500 up 1.1%, again after earlier losses, EUROSTOXX 50 futures rallying 2% and FTSE futures 1.5%.



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