



INSIGHT OUT

WEEKLY MARKET OVERVIEW

FOR THE WEEK ENDING ON JANUARY 03, 2020

A RALLY STRUCK DOWN

Stock markets in India and overseas traded the week with a bullish undertone after US President Donald Trump said that Phase 1 of the trade deal with China would be signed on 15 January. An apparent thawing of trade relations between the two nations brought the "risk-on" sentiment back into the markets. Additionally, the Indian government's INR 102 lakh crore infrastructure push to realise the USD 5 trillion GDP goal also boosted sentiment. However, on the last trading session of the week, shares across the globe traded under pressure as geopolitical tensions flared after a U.S. airstrike in Iraq killed a top Iranian commander.

Macro-economic Developments

Macro-economic developments announced during the week were mixed, precluding the emergence of a trend. The IHS (Information Handling Services) Nikkei India Manufacturing Purchasing Managers' Index rose to 52.7 in December 2019 from 51.2 in November 2019. The reading was the highest since May 2019. India's factory activity expanded at its fastest pace in seven months in December 2019 as a jump in new orders prompted companies to ramp up production.

On the other hand, India's core sector contracted for the fourth consecutive month in November 2019, however, the pace of contraction slowed to 1.5% from 5.8% in October 2019 led by growth in the output of fertilizer, cement and refinery products, raising expectations of industrial production moving into the positive territory.

Meanwhile, India's fiscal deficit widened further in November 2019 to INR 8.07 lakh crore (114.8% of the budgeted estimate) raising concerns that the country would breach its budgeted target for the third straight year. Foreign direct investment (FDI) into India grew 15% to USD 26bn during the first half of the current financial year.

Global Developments

The positive global sentiment was severely impacted after the U.S. airstrike on Iraq resulted in the death of a top Iranian leader. In the commodities market, Brent crude futures spiked by nearly USD 3/barrel to hit a high of USD 69.16/barrel, the highest since 17 September 2019. The crude futures spiked after a US airstrike killed key Iranian and Iraqi military personnel, raising concerns that escalating Middle East tensions may disrupt oil supplies.

Institutional Activity

Institutional activity in the last month of the year was tepid due to a paucity of triggers and Christmas holidays in most parts of the globe. During December 2019, foreign institutional investors net bought Indian equities worth INR 694.12 crore. In the same time period, domestic institutional investors net sold Indian equities worth INR 740.76 crore.

Source:
www.nseindia.com
Bloomberg.com

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