



INSIGHT OUT

WEEKLY MARKET OVERVIEW

FOR THE WEEK ENDING ON JANUARY 10, 2020

RISK BACK ON

Stock markets in India and across the globe traded on a fairly volatile note at the prospect of heightened tensions between the United States (US) and Iran. However, the trend sharply reversed towards the end of the week as global stock markets advanced as the United States and Iran backed away from the brink of conflict in the Middle East while investors reversed their safety plays.

Macro-economic developments

India's services sector activity gained momentum and touched a five-month high in December 2019, supported by an uptick in new business orders that boosted output as well as employment. The Information Handling Services (IHS) Markit India Services Business Activity Index improved from 52.7 in November 2019 to 53.3 in December 2019, underscoring the second strongest rate of increase in output in over a year, after July 2019. However, growth expectations continue to be tepid. The government has pegged India's economic growth rate for FY20 at 5% revising it down from an initial estimate of 7.4%. Additionally, this is markedly slower than the FY19 growth rate of 6.8%. According to the first advanced estimates published by the Central Statistics Office (CSO), the gross value added (GVA) is expected to grow at 4.9% in FY20.

Activity was also seen in the commodities market. Gold prices in India jumped over 2% to record levels during the week as investors rushed to invest in safe-haven assets globally. Local gold futures hit an all-time high of Rs. 41,096 (\$570.05) per 10 grams during the week, taking their gains to more than 5% in 2020 after rallying nearly 25% in 2019.

Global Developments

Iran fired a number of missiles at two Iraqi bases housing US troops in retaliation for the American strike that killed a top Iranian general last week. Oil prices spike briefly but subsequently fell back towards the \$69/bbl mark after it became apparent that the two countries might prefer to avoid an all-out war.

Institutional Activity

Foreign portfolio investors (FPIs) have adopted a risk-off sentiment in response to the geo-political risks brewing globally. FPIs have net sold Indian equities worth INR 1733 crore in the time period 6th Jan-20 to 9th Jan-20. While domestic institutional investors (DIIs) have been net buyers, their buying activity has been tepid. In the same time period, DIIs have net bought Indian equities worth INR 1455 crore.

Source:
www.nseindia.com
Bloomberg.com

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