



INSIGHT OUT

WEEKLY MARKET OVERVIEW

FOR THE WEEK ENDING ON JUNE 12, 2020

MARKETS RECOGNISING THE RISK IN THE ENVIRONMENT

It has been a negative week on the bourses as stock markets fell sharply in response to deteriorating investor sentiment. Benchmark indices in India witnessed significant selling pressure as US stocks crashed overnight following cautious commentary from the Federal Reserve. Rising coronavirus cases stoked concerns amongst investors, dampening the enthusiasm from unlocking the economy.

Domestic Update

India continues to navigate adverse ratings, growth downgrades and flailing economic activity. The latest report from the World Bank states that it expects India's economy to contract 3.2% in FY21, a sharp downgrade from its April projection of 1.5%-2.8% growth. The report attributes this sharp fall in growth to the stringent lockdown measures and spillovers from weaker global growth. Further, Fitch Ratings said that India's sovereign rating could be under strain as the already high debt to GDP ratio could jump further in 2020, widening fiscal deficit and increasing negative rating pressure on the country's credit rating. However, the agency also said that it expects that after a contraction in the current financial year, India's economy is forecast to bounce back with a sharp growth rate of 9.5% next year provided it avoids further deterioration in the health of the financial sector.

Additionally, Finance Minister Nirmala Sitharaman has assured Indian companies that the government will provide all possible support to Indian businesses in an attempt to revive the Indian economy. She further clarified that the COVID-19 emergency credit facility of INR 3-lakh crore covers all companies and not just MSMEs

Global Update

The US Federal Reserve held its key interest rate near zero and signalled that a rate hike is not imminent. The Federal Reserve chief also said that it is unlikely that the central bank will lift interest rates until at least 2022. Noting that the outbreak "will weigh heavily on economic activity" and "poses considerable risks to the economic outlook." Further, he warned that the US faces a "long road" to recovery.

Institutional Activity

The negative investor sentiment was evident in institutional investor activity during the week. For the period 5th June 2020 to 11th June 2020, foreign portfolio investors (FPIs) net sold Indian equities worth INR 323 crore. Mirroring the FPI activity, domestic institutional investors took to selling equities as well. In the same time period, domestic institutional investors (DIIs) net sold Indian equities worth INR 2298 crore.

Source:
www.nseindia.com | www.Bloomberg.com

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