



INSIGHT OUT

WEEKLY MARKET OVERVIEW

FOR THE WEEK ENDING ON JANUARY 17, 2020

A WEEK OF MODEST GAINS

The week started on a positive note and then went on to witness a bit of a sell-off before regaining positive momentum. Mid-week, investors booked profits after other Asian stock markets came under selling pressure. Sentiment took a hit after US Treasury Secretary said that the United States would maintain the tariffs placed on Chinese goods until the completion of the second phase of a US-China trade agreement.

Macro-economic Developments

Retail inflation in India rose to a high of 7.35% in December 2019 led by a surge in vegetable prices. Fuel and light prices rose 0.7%, housing prices gained 4.3%, clothing and footwear prices rose 1.5%, while food and beverage prices rose 12.16%. Core inflation rose slightly to 3.69% in December 2019 from 3.64% in November 2019.

Additionally, wholesale inflation, basis Wholesale Price Index (WPI) rose from its lowest level last month, driven by a spike in prices of food articles in December 2019. WPI rose to 2.59% in December 2019 as compared to 0.58% in November 2019. Fuel & power and manufacturing inflation indices continued to contract on a year-on-year basis.

Rising inflation gives the central bank limited room to use interest rates as a tool to spur growth. Despite the Reserve Bank of India (RBI) cutting the repo rate five times in a row to boost borrowings, credit growth to nearly all the industries has contracted in FY20 so far. While overall credit growth to the industry shrank 3.9%, it contracted by around 20% for a few industries. In FY19, out of the 19 industry sub-groups, credit accelerated only to 8 as compared with 12 in the previous fiscal.

From a trade perspective, India's exports declined 1.8% in December 2019 to USD 27.4bn, owing to currency volatility and fluctuation in commodities prices coupled with a weak global economy. Mirroring the prevailing economic sluggishness and tepid domestic demand, imports witnessed a sharper decline of 8.8% at USD 38.6bn. This helped narrow down the trade deficit to USD 11.3bn from USD 12.1bn in November 2019.

Institutional Activity

Foreign portfolio investors (FPIs) nibbled on Indian equities as they adopted a cautious approach during the week. FPIs have net bought Indian equities worth INR 377.8 crore in the time period 10th Jan-20 to 16th Jan-20. Interestingly, domestic institutional investors (DIIs) have been aggressively selling Indian equities. In the same time period, DIIs have net sold Indian equities worth INR 2855.7 crore.

Source:
www.nseindia.com
Bloomberg.com

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