



INSIGHT OUT

WEEKLY MARKET OVERVIEW

FOR THE WEEK ENDING ON OCTOBER 25, 2019

VOLATILITY WOES IMPACT MARKET SENTIMENT

It was a lacklustre week on the Indian bourses as markets traded on a weak note, peppered with volatility. Bears took charge at the beginning of the week as both domestic, as well as, foreign institutional investors took to selling Indian equities. Market sentiment was impacted after Fitch Ratings lowered India's FY20 GDP growth forecast to 5.5% from 6.6% and said that a large credit squeeze emanating from nonbanking financial companies (NBFCs) has pushed economic growth to a six-year low. It said the recent govt. measures to boost the economy, including a cut in corporate tax rates, will gradually nudge growth. It expects GDP to expand to 6.2% in FY21 and to 6.7% in FY22. On the other hand, the IMF said that it expects Indian economic growth to rebound to around 7% in FY20, supported by monetary policy stimulus and corporate income tax cuts. IMF also cited the government's progress in addressing weaknesses in the financial sector and measures to support growth sectors as factors supporting growth. Volatility also came to the fore in the wake of election results in the key states of Maharashtra and Haryana. On the political front, the BJP will make a comeback in Maharashtra with the help of its ally Shiv Sena. The BJP-Sena combine had won or was leading with 161 seats in the 288-member seats of Maharashtra. In Haryana, however, the BJP failed to cross the majority mark of 45 seats. The BJP won 40 seats while the Congress managed to bag 31. With no party getting the majority, Dushyant Chautala's Jannayak Janata Party, which won 10 seats, is likely to play a key role in determining who forms the government in Haryana.

Macro-economic developments

The RBI released the minutes of the monetary policy meeting held on 4th October 2019. The RBI Governor, Shaktikanta Das acknowledged the slowdown in the economy and cited benign inflation, surplus liquidity and the need to strengthen private consumption and investment as reasons for reducing the policy rate by 25 bps to 5.15%. On the other hand, Finance Minister Nirmala Sitharaman said that as part of its goal to become a USD 5 trillion economy by 2024, the government plans to spend USD 1.4 trillion on its infrastructure in the next five years.

In other developments, the country's forex reserves continued to climb north, swelling by USD 1.88 bn to a new life-time high of USD 439.71 bn, in the week to 11th October 2019. In the previous week, forex reserves had increased as well, witnessing a growth of USD 4.24 bn to a new high of USD 437.83. Foreign currency assets, the biggest part of the reserves, increased by USD 2.27 bn to USD 407.88 bn.

Institutional Activity

Dropping for the fourth consecutive month, investments through participatory notes (P-notes) in the Indian capital market stood at INR 76,611 crore at the end of September 2019. Investments through P-notes have been continuously declining since June 2019. The total value of P-note investments was INR 79,088 crore in August 2019. For the period 18th October 2019 – 24th October 2019, foreign institutional investors net sold Indian equities worth INR 807 crore. In the same time period, domestic institutional investors net sold Indian equities worth INR 1275 crore.

Source:
www.nseindia.com
Bloomberg.com

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