



INSIGHT OUT

WEEKLY MARKET OVERVIEW

FOR THE WEEK ENDING ON OCTOBER 05, 2018

GLOBAL AND DOMESTIC FACTORS WEIGHING MARKETS DOWN

It was a tumultuous week in the Indian stock markets as heightened volatility and sharp losses dominated market activity. After witnessing heavy selling pressure through the week both the benchmark Sensex and the Nifty finally closed the week with losses of over 3%. Market sentiment took a hit after the monetary policy committee (MPC) in its policy meet decided to keep benchmark rates unchanged at current levels and cut inflation target to 4% for Q2FY19. The announce was contrary to market-wide expectations. With the US yields inching up to 3.25 per cent, market participants expected the RBI to increase rates to protect against inflation rise and narrow the yield differential. In response to the MPC's decision, the Indian rupee witnessed a selloff to trade above 74 levels for the first time. Additionally, OMCs (Oil Marketing Companies) have lost over 20% during the week after the Central Government mandated state-owned OMCs to absorb Rs 1 out of the Rs 2.5 cut on fuel prices.

Rupee Woes & Crude Oil Pressures

In the foreign exchange market, the rupee edged lower against the dollar. The partially convertible rupee hit a lifetime low against the US dollar and was trading above 74 levels in trade today. In the global commodities markets, Brent for December 2018 settlement was down 9 cents at \$86.20 a barrel. The contract had risen \$1.49 a barrel or 1.76% to settle at \$86.29 a barrel during the previous trading session.

Macro-Economic Updates

During the week, domestic market sentiment was temporarily given a bit of a boost after the results of a private survey showed that India's manufacturing economy recorded an improvement in growth during September amid firmer gains in new orders, output and employment. The Nikkei India Manufacturing Purchasing Managers' Index (PMI) strengthened slightly in September 2018 to reach a level of 52.2 (up from 51.7 in August 2018). Solid growth of the manufacturing sector during the latest survey period extended the current run of expansion to 14 months. However, India's service sector expanded only at a marginal rate amid reports of underwhelming market demand. Price pressures intensified, with higher fuel costs and a stronger US dollar raising the price of imported goods. The seasonally adjusted Nikkei India Services Business Activity Index recorded 50.9 during September 2018. That was down from 51.5 in August 2018 and the lowest reading in the current four-month sequence of rising activity.

The seasonally adjusted Nikkei India Composite PMI Output Index also recorded a fall during September 2018. Posting a level of 51.6, the index was down from 51.9 in August 2018 and at its lowest level in four months. That was despite a slight improvement in the manufacturing sector, where output growth strengthened to a solid pace.

Institutional Activity

Foreign institutional investors have been heavy sellers of Indian equities and have net sold equities worth INR 6152.30 crore, so far this month. Domestic institutional investors seemed to have resorted to some value buying at lower levels and have net bought Indian equities worth INR 5031 crore, in the same time period.

Source:
www.nseindia.com
Bloomberg.com

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