



# INSIGHT OUT

## WEEKLY MARKET OVERVIEW

FOR THE WEEK ENDING ON OCTOBER 12, 2018

### TRENDS STILL AT BAY

It was yet another week of intense selling in the equity markets as the ongoing negative sentiment continued to plague investors and influence their trading activity. A depreciating rupee, a sudden global rout, spiking bond yields in the US and an FII exodus from Indian equities pulled markets lower. At the beginning of the week, initial caution gave way to heavy selling 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. Markets did get a bit of a respite for a day after the Reserve Bank of India (RBI) announced that it will inject liquidity into the system through the purchase of government bonds. Based on an assessment of prevailing liquidity conditions and also of the durable liquidity needs going forward, the RBI decided to purchase Government securities under Open Market Operations for an aggregate amount of Rs 12000 crore towards the end of the week. In the foreign exchange market, the rupee depreciated further against the US dollar hitting a record low of 74.50.

Despite trading in the negative zone for most of the week, sharp gains on the last trading day of the week pulled markets higher to finally close near the flat line.

### Global Markets

Towards the end of the week, global markets too traded on a tepid note. Wall Street suffered its worst drubbing in eight months. US stocks slumped to close sharply lower with the Dow Jones Industrial Average and the S&P 500 having its worst trading day in the week, since February 2018. Spooked by rising bond yields, investors took to selling equities. The surge in bond yields made stocks look less attractive compared to bonds while also threatening to curb economic activity and profits.

### Institutional Activity

Intense selling activity by foreign institutional investors (FIIs) has been one of the reasons for the weakness in the rupee. FIIs have net sold Indian equities worth INR 7012.99 crore since 8th October 2018. So far this month, they have net sold Indian equities worth INR 16535 crore. Domestic institutional investors on the other hand have net bought Indian equities worth INR 14214.14 crore since the beginning of this month.

Source:  
[www.nseindia.com](http://www.nseindia.com)  
[Bloomberg.com](http://Bloomberg.com)

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