

Sensex zooms 400 points; Nifty holds 11,750 led by financials

The Indian markets gained 1% in Monday's early deals, lifted by financials, ahead of the release of key macro-economic data later in the day. The domestic equity markets will today be guided by Q1 GDP print, infrastructure output data for July, Unlock-4 guidelines.

Market participants may react to the Union Home Ministry's decision to issue the Unlock-4 guidelines under which metro trains will be allowed to resume services from September 7 in a graded manner. The Home Ministry also said that state governments shall not impose any local lockdown outside the containment zones without prior consultation with the central government.

At 9:55 AM, the frontline S&P BSE Sensex was trading at 39,861, up 394 points or 1%, after briefly reclaiming the psychological level of 40,000, earlier in the session. Market breadth is positive and out of a total of 1,900 shares traded on the Bombay Stock Exchange, 962 advanced while 825 declined and 113 remained unchanged. The broader Nifty50 was at 11,757 levels, up 110 points or 0.94%.

Among the sectors, Bank Nifty spiked over 2% while the midcap and small indices gained half a percent each.

THE WEEK THAT WAS

Key benchmark indices logged strong gains during the week as investors cheered optimism about a potential treatment for coronavirus and pick up in business activity. Trading was volatile due to monthly F&O expiry. The S&P BSE Sensex moved above 39,400 mark while the Nifty50 managed to close near the 11,650 level.

In the week ended on Friday, August 28, 2020, the S&P BSE Sensex rose 1,032.59 points or 2.69% to settle at 39,467.31. The Nifty50 index gained 276 points or 2.42% to settle at 11,647.60.

The BSE Midcap index gained 284.19 or 1.90% to settle at 15,238.14. The BSE Smallcap index advanced 365.36 points or 2.50% to settle at 14,990.55.

GLOBAL MARKETS

Asian shares notched a 29-month high on Monday as investors wagered monetary and fiscal policies globally would stay super stimulatory, while an upbeat reading on China's service sector augured well for continued recovery there.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.5% to reach its highest since March 2018, extending a 2.8% gain last week.

Chinese blue chips firmed 0.7% to reach levels not seen since mid-2015. Surveys showed Chinese manufacturing activity edged back a tick to 51.0 in July, but services jumping a full point to 55.2 in a hopeful sign of reviving consumer demand.

E-Mini futures for the S&P 500 climbed another 0.5%, while EUROSTOXX 50 futures added 1%.

Tokyo's Nikkei rallied 1.9% aided by news Warren Buffett's Berkshire Hathaway had bought more than 5% stakes in each of the five leading Japanese trading companies.

OIL, RUPEE, MFs & FIIs

Crude Oil: Oil prices steadied, having dipped on Friday after Hurricane Laura passed the heart of the US oil industry without causing any widespread damage. Brent crude futures rose 26 cents to \$46.07 a barrel, while US crude gained 13 cents to \$43.10.

Indian Rupee: The Indian currency ended nearly at 6-month high on Friday amidst weakness in the dollar overseas and the gains in domestic equities. The rupee ended at 73.40 against the dollar as compared to the Thursday's close of 73.83.

FIIs & DIIs: Net-net, foreign portfolio investors (FPIs) were buyers of domestic stocks to the tune of Rs 1,004.11 crore, data available with NSE suggested. DIIs were net sellers to the tune of Rs 543.56 crore, data suggests.

The FPIs have also bought the India story now. During the panic in March, FPIs sold shares worth Rs 65,000 crore, which has now turned positive as during May-August, they bought shares worth Rs 75,000 crore with a massive buy of Rs 37,000 crore in August alone.

Mutual Funds: According to a report by Prime Database, net outflows by domestic mutual funds stood at Rs 1,944 crore during the quarter ended June.

In absolute value terms though, the holding of domestic mutual funds went up by a huge 21.80% to Rs 10.62 lakh crore as on June 30, 2020 from Rs 8.72 lakh crore on March 31, 2020.

WEEK AHEAD

Macroeconomic data, global cues, April-June 2020 quarterly earnings, progress of monsoon, movement of rupee against the dollar, Brent crude oil price movement and investments by foreign portfolio investors (FPI) and domestic institutional investors (DII) will be watched in the trading week ahead.

Auto stocks will be in focus as auto companies will start announcing monthly sales numbers for August starting from tomorrow.

On the macro front, the National Statistical Office is scheduled to release its estimates of gross domestic product (GDP) for the first quarter of this fiscal today.

India's infrastructure output data for July will be unveiled today.

Markit Manufacturing PMI for August will be declared tomorrow. Markit Services PMI for August will be declared on September 3, 2020.

Also, updates related to COVID-19 will be closely watched. Also on the radar will be news on covid vaccine development. From here on the pace of the improvement of economic indicators along with outcomes of a possible vaccine or cure for COVID-19 would determine the movement of the market.

Overseas, China will announce NBS Manufacturing and NBS Non-Manufacturing PMI for August today. China will announce the Caixin Manufacturing PMI for July tomorrow.

Japan will announce industrial production data for July today.

The US Beige Book economic report will be unveiled on September 2, 2020. The US non-farm payrolls data for August will be announced on September 4, 2020.

The Euro Area Markit Manufacturing PMI for August will be declared tomorrow.

Source: Reuters, Capital Market, ET

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

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