

Sensex slumps over 800 points to trade around 58,000 mark; IT & PSU Bank drag

Markets opened lower in Monday's trade amid weak global sentiments marked by fear of rising interest rates.

At 10:10 AM, the frontline S&P BSE Sensex was trading at 57,995 down by 839 points or 1.42%. Market breadth is negative and out of a total of 3,217 shares traded on the Bombay Stock Exchange, 912 advanced while 2,152 declined and 153 remained unchanged. The broader Nifty50 was at 17,309 levels down 250 points or 1.43%.

Broader markets, too, declined in tandem as Nifty Smallcap 100 and Nifty Midcap 100 dropped over 2%.

All sectors drowned in sea of red with Nifty IT, Nifty PSU Bank, Nifty Realty indices battered in trade.

The rupee breached the 80-to-a-dollar mark to hit a fresh record low while bond yield rose 6 basis points tracking fall in global equities on the back of the Federal Reserve's hawkish rhetoric at Jackson Hole.

At 9.30 AM, the home currency was trading at 80.03 against the US dollar, down 0.25 percent from its previous close. The rupee opened at 80.07 and touched a record low of 80.13 a dollar.

WEEKLY REVIEW – AUGUST 22 – AUGUST 26, 2022

The domestic equity benchmarks snapped their five-week winning streak on profit booking emerged. Indices dropped as investors looked forward to Fed Chair Jerome Powell's speech. The domestic equity benchmarks snapped their five-week winning streak on profit booking emerged.

Indices dropped as investors looked forward to Fed Chair Jerome Powell's speech at Jackson Hole later stateside. Fed watchers expect him to reinforce the central bank's goal of squashing inflation and keeping expectations about future price gains in check.

In the week ended on Friday, 19 August 2022, the Sensex dropped 812.28 points or 1.4% to settle at 58,833.87. The Nifty 50 index declined 199.55 points or 1.1% to settle at 17,558.90. The BSE Midcap index rose 0.6% to settle at 25,119. The BSE Smallcap index gained 0.9% to settle at 28,415.89.

GLOBAL MARKETS

Asian shares slid on Monday as the mounting risk of more aggressive rate hikes in the United States and Europe shoved bond yields higher and tested equity and earnings valuations.

Federal Reserve Chair Jerome Powell's promise of policy "pain" to contain inflation quashed hopes that the central bank would ride to the rescue of markets as so often in the past.

The tough love message was driven home by European Central Bank board member Isabel Schnabel who warned over the weekend that central banks must now act forcefully to combat inflation, even if that drags their economies into recession.

Futures are now pricing in around a 60% chance the Fed will hike by 75 basis points in September, and see rates peaking in the 3.75-4.0% range.

Much might depend on what the August payrolls figures show this Friday when analysts are looking for a moderate rise of 285,000 following July's blockbuster 528,000 gain.

The hawkish message was not what Wall Street wanted to hear and S&P 500 futures were down a further 1.1%, having shed almost 3.4% on Friday. Nasdaq futures lost 1.5% with tech stocks pressured by the outlook for slower economic growth.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.7%. Japan's Nikkei dropped 2.3%, while South Korea shed 2.3%.

OIL & FIIs

Crude Oil: Oil prices were little changed in early trading, and have been generally underpinned by speculation OPEC+ could cut output at a meeting on Sept 5.

Brent dipped 9 cents to \$100.90, while US crude firmed 6 cents to \$93.12 per barrel.

FPIs & DIIs: After turning net buyers last month, foreign investors have become aggressive shoppers of Indian equities and pumped in Rs 49,250 crore so far in August on improvement in corporate earnings and macro fundamentals.

This was way higher than a net investment of nearly Rs 5,000 crore by Foreign Portfolio Investors (FPIs) in the entire July, data with depositories showed.

FPIs had turned net buyers for the first time in July, after nine straight months of massive net outflows, which started in October last year. Between October 2021 and June 2022, they sold a massive Rs 2.46 lakh crore in the India equity markets.

WEEK AHEAD

The movement of rupee against the dollar and crude oil prices will dictate trend on the bourses in the near term. Investment by foreign portfolio investors (FPIs) and domestic institutional investors (DIIs) will be monitored. Participants will also be eyeing progress of monsoon. Stock markets will remain closed on Wednesday, 31 August 2022 on account of Ganesh Chaturthi.

On the macro front, India's gross domestic product (GDP) for the second quarter will be released on 31 August 2022.

India's infrastructure output data for July will be unveiled on 31 August 2022.

S&P Global Manufacturing PMI for August will be declared on 1 September 2022.

Auto stocks will be in focus as auto companies will start announcing monthly sales numbers for August starting from 1 September 2022.

Overseas, China will announce the NBS Manufacturing PMI for August on 31 August 2022. China will announce the Caixin Manufacturing PMI for August on 1 September 2022.

The US Non Farm Payrolls data for August will be announced on 2 September 2022.

Source: Reuters, Capital Market, ET, BSE, BS

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

Disclaimer: The article (including market views expressed herein) is for general information only and does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this information. The data/information used/disclosed in the article is only for information purposes and not guaranteeing/indicating any returns. The article provides general information and comparisons made (if any) are only for illustration purposes. Investments in mutual funds and secondary markets inherently involve risks and recipient should consult their legal, tax and financial advisors before investing. Recipient of this document should understand that statements made herein regarding future prospects may not be realized. Recipient should also understand that any reference to the indices/ sectors/ securities/ schemes etc. in the article is only for illustration purpose and are NOT stock recommendation(s) from the author or L&T Investment Management Limited, the asset management company of L&T Mutual Fund ("the Fund") or any of its associates. Any performance information shown refers to the past and should not be seen as an indication of future returns. The value of investments and any income from them can go down as well as up. The distribution of the article in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of the article are required to inform themselves about, and to observe, any such restrictions.

CL09852