
Weekly Market Flash

12 December 2022

Markets weak amid dismal global cues; Nifty IT index sinks 1%

Domestic markets opened lower in Monday's trade amid weak global cues and tepid foreign flows. Indian rupee opened 25 paise lower at 82.52 per dollar on against previous close of 82.27.

At 9:45 AM, the frontline S&P BSE Sensex was trading at 62,048 down by 130 points or 0.20%. Market breadth is negative and out of a total of 3,122 shares traded on the Bombay Stock Exchange, 1,347 advanced while 1,598 declined and 177 remained unchanged. The broader Nifty50 was at 18,462 levels down 34 points or 0.18%.

Broader markets, too, inched lower in trade as Nifty Midcap 100 and Nifty Smallcap 100 shed up to 0.1%. Volatility gauge, India VIX, meanwhile, climbed over 3%.

Sectorally, only Nifty Media and Nifty PSU Bank indices started trade with marginal gains. However, Nifty IT index was the worst hit as it sunk over 1%.

Weekly review – December 5– December 9, 2022

The domestic equity benchmarks nudged lower during the week, snapping two-week winning streak. The Reserve Bank of India (RBI) hiked the repo rate by 35 basis points to 6.25% at its December 2022 meeting, continuing its fight against inflation. The RBI also slashed its GDP forecast to 6.8% from an earlier estimate of 7% for the current fiscal.

The Nifty settled below the 18,500 level. In the week ended on Friday, 9 December 2022, the Sensex declined 686.83 points or 1.09% to settle at 62,181.67. The Nifty 50 index lost 199.5 points or 1.07% to settle at 18,496.60. The BSE Midcap index shed 0.86% to settle at 26,095.56. The BSE Smallcap index fell 1.18% to settle at 29,558.56.

Technology stocks were in lead to pull the market down amid worries over global growth, followed by energy, infra and auto stocks. However, the buying in banking and FMCG stocks restricted losses.

The volatility index India VIX also seems to have stabilised below the 15 mark and remained in the range of 13-15 levels for almost a month now. Hence, the bulls still seem to be in a comfortable position, indicating that the major downside may be limited, experts observed.

India VIX settled at 13.48 levels, up from 13.45 levels on a week-on-week basis.

Global markets

Asian shares fell on Monday while the dollar drifted higher at the start of a hectic week, as markets awaited a flurry of rate decisions from the U.S. Federal Reserve, the European Central Bank and others.

MSCI's broadest index of Asia-Pacific shares outside Japan slid 1%, after rising 1.3% the previous week, buoyed by optimism that China is finally opening up its economy with the dismantling of its zero-COVID policy.

Japan's Nikkei eased 0.3%. The S&P 500 futures dipped 0.2% and Nasdaq futures dropped 0.3%.

In China, blue-chip shares were 0.5% lower, while Hong Kong's Hang Seng index was down 1%, as investors focused on a rapid wave of COVID-19 infection disrupting the economy.

On Friday, Wall Street dropped, Treasury yields advanced and the dollar pared earlier losses.

Rupee, Oil & FIIs

Indian Rupee: Rupee tumbled lower by 1.2% as the dollar sustained due to demand from corporates throughout the week due to a fall in crude oil prices.

Crude Oil: In the oil market, prices rose after falling on Friday to the lowest level this year on global recession fears.

US West Texas Intermediate (WTI) crude futures increased 0.9% to \$71.71 per barrel, while Brent crude settled at \$76.64 a barrel, 0.7% higher.

Oil prices in the international markets fell quite sharply last week amid increasing recession fears, especially after recent economic data from the United States, Europe, and China.

International benchmark Brent crude futures corrected 11 percent in the passing week, to close at \$76.1 a barrel, while WTI crude futures dropped 10.5 percent to \$71.6 a barrel on a week-on-week basis.

FPIs & DIIs: After investing over Rs 36,200 crore last month, foreign investors continued their positive momentum and infused Rs 4,500 crore in the Indian equity markets so far in December, mainly due to the decline in the dollar index.

However, foreign portfolio investors (FPIs) turned sellers in the last four trading sessions and pulled out Rs 3,300 crore as they are adopting a cautious stance ahead of the US Federal Reserve's decision on the interest rate.

According to data with the depositories, FPIs invested a net sum of Rs 4,500 crore in equities during December 1-9.

Domestic institutional investors remained supportive as expected. DIIs have bought more than Rs 7,000 crore worth of shares in the current month.

Week ahead

The movement of rupee against the dollar and crude oil prices will also dictate trend on the bourses in the near term. Investment by foreign portfolio investors (FPIs) and domestic institutional investors (DIIs) will be monitored. Volatility is likely to remain high amid the ongoing Russia-Ukraine crisis.

On the macro front, the Industrial Production and Manufacturing Production and Manufacturing Production data for October will be released on today. Inflation rate for November will be declared today.

Wholesale price index (WPI) inflation data for November is due on 14 December 2022.

Overseas, China will also announce industrial production data for November on 15 December 2022.

US will announce inflation rate for November on 13 December 2022.

The US Federal Reserve will announce its interest rate decision after its two-day policy meeting on 15 December 2022.

Retail Sales data for November will be announced on 15 December 2022.

Past performance is not an indicator of future returns. Source: Bloomberg, BSE

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