

Sensex plunges over 1,600 points, Nifty below 15,800 mark; Nifty Bank dips 4%

With Brent Crude trading at \$130 a barrel and downbeat global sentiment, the benchmark indices commenced the session on a dismal note today.

The key index, Sensex fell to its lowest level in seven months on Friday after declining for a fourth straight week. Sustained selling by foreign portfolio investors (FPIs) amid a sharp spike in global oil prices and growing tensions in Ukraine is weighing on performance despite strong buying support coming in from domestic investors.

At 9:52 AM, the frontline S&P BSE Sensex was trading at 52,723 down 1,610 points or 3.03%. Market breadth is dismal and out of a total of 3,115 shares traded on the Bombay Stock Exchange, 551 advanced while 2,445 declined and 119 remained unchanged. The broader Nifty50 was at 15,797 levels down 448 points or 2.76%.

The losses were spread across the broader markets with the BSE Midcap and Smallcap indices over slipping 2% each.

Sectorally, Nifty Bank, Auto and Realty indices cracked 4% each. Nifty IT was down 1.6%, while Nifty Metals was the only outlier in green, holding marginal gains.

WEEKLY REVIEW – FEBRUARY 28 – MARCH 4, 2022

Key indices dropped sharply during the week amid the ongoing Russia-Ukraine conflict, firming crude oil prices and relentless selling by foreign portfolio investors (FPIs). The continued escalation of the conflict and its consequent global economic fallout continued to weigh on the investor's sentiment.

In the week ended on Friday, 4 March 2022, the S&P BSE Sensex lost 1,524.71 points or 2.73% to settle at 54,333.81. The Nifty50 index dropped 413.05 points or 2.48% to settle at 16245.35. The BSE Midcap index fell 2.35% to settle at 23,771.95. The BSE Smallcap index lost 0.62% to settle at 26286.66.

The Nifty Bank tanked 5.6% for the week, at 18 months low. The metal pack gained led by surge in global steel prices on the back of supply constraints.

The India VIX finished the week close to the 28 level, not far from a 20-month high of almost 34 of the previous week.

GLOBAL MARKETS

Oil prices soared more than 10% in hectic trading on Monday as the risk of a U.S. and European ban on Russian product and delays in Iranian talks triggered what was shaping up as a major stagflationary shock for world markets.

The euro extended its slide and commodities of all stripes were on the rise as the Russian-Ukraine conflict showed no sign of cooling. Russia calls the campaign it launched on Feb. 24 a "special military operation", saying it has no plans to occupy Ukraine.

Brent was quoted \$12.73 higher at \$130.84, while U.S. crude rose \$9.92 to \$125.60.

The potential blow to global economic growth saw S&P 500 stock futures drop 1.1%, while Nasdaq futures shed 1.4%.

Futures for Japan's Nikkei were trading around 300 points below the cash close on Friday, while U.S. Treasury futures jumped 10 ticks as investors sought safe-havens.

Having climbed 21% last week, Brent crude was further energised by the risk of a ban of Russian oil by the United States and Europe.

OIL, RUPEE & FIIs

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In the commodities market, Brent crude for May 2022 settlement was up \$2.5 at \$112.96 a barrel. The contract surged nearly 20% in a week. Crude oil prices spiked after the OPEC and its allies on Wednesday decided to hold production steady despite the recent dramatic spike in oil prices.

Rupee: Posting its worst weekly loss in 11 months, the rupee on Friday breached the 76/\$ level despite heavy dollar selling by state-run banks on behalf of the Reserve Bank of India, slowing the pace of depreciation. The currency weakened 1.15% against the dollar this week.

FIIs & DIIs: In the week gone by, FIIs net sold shares worth Rs 22,563 crore, whereas the net buying by DIIs was to the tune of Rs 16,742 crore.

March could be a sixth straight month of FII outflows for Indian equities. From October through February, FIIs have offloaded shares worth Rs 1.9 lakh crore, though DIIs have net buys of Rs 1.3 lakh crore.

WEEK AHEAD

Markets are expected to remain volatile in sync with global peers in the week ahead. A close eye will be kept on the developments concerning the Russia – Ukraine standoff.

On the political front, developments in the upcoming assembly polls in Uttar Pradesh, Uttarakhand, Goa, Punjab, and Manipur will also be closely watched. Polls in all the five states will be held between February 10 and March 7 in seven phases. The counting of votes and the result will be declared on March 10.

On the economic front, India's industrial production data for January 2022 will be unveiled on 11 March 2022. India's manufacturing production data for January 2022 will also be declared on the same day.

Geopolitical tensions will continue to remain focus in the context of a war with a high level of uncertainty.

Overseas, China will announce inflation rate for February on 9 March 2022.

US will announce inflation rate for February on 10 March 2022.

Source: Reuters, Capital Market, ET

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

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