

Sensex cracks around 1,500 points to trade below 52,900 mark; Nifty PSBs crack 4%

The Indian equity markets cracked on the bourses on Monday, bleeding under global pressure.

The US inflation jumped to a new 40-year high of 8.6% in May, souring market mood. With the sharp rise in US inflation that beat street expectations, all eyes will be on the US Federal Open Market Committee (FOMC) meet scheduled on Wednesday, June 15, as investors fear aggressive rate hikes on the anvil.

At 9:40 AM, the frontline S&P BSE Sensex was trading at 52,847 down by 1,453 points or 2.68%. Market breadth is dismal and out of a total of 2,844 shares traded on the Bombay Stock Exchange, 495 advanced while 2,259 declined and 90 remained unchanged. The broader Nifty50 was at 15,784 levels down 1,094 points or 2.58%.

All sectors also held steep losses led by Nifty PSBs that cracked 4%. Nifty Realty, Banks, Financials were the next top losers, sliding 3% each.

The broader markets were also in tandem with the frontline indices. The BSE Midcap and Smallcap indices tanked 2.3 and 2.4%, respectively.

In the currency market, the rupee yet again slumped to an all-time low as it breached the 78/\$- mark at open. It opened 30 paise lower at 78.14 per dollar on Monday against Friday's close of 77.84.

WEEKLY REVIEW – JUNE 6 – JUNE 10, 2022

The domestic equity benchmarks snapped three-week rising trend on selling pressure in index pivots along with elevated crude oil prices and mounting concerns over global monetary policy tightening eroded risk appetite.

The week gone by was a volatile one for stock markets as the Reserve Bank of India announced a 50-basis-point rate hike and clearly hinted at even tighter financial conditions going ahead, given elevated domestic inflation.

In the week ended on Friday, 10 June 2022, the Sensex lost 1,465.79 points or 2.63% to settle at 54,303.44. The Nifty50 index dropped 382.50 points or 2.31% to settle at 16,201.80. The BSE Midcap index fell 1.25% to settle at 22,490.32. The BSE Smallcap index declined 2% to settle at 25,857.42.

On the sectoral front, the Nifty Bank index dropped 2.2%, while the IT index slumped 2.6%. Metals lost 2.4% on the index while Nifty Realty shed 1.6%. The Nifty Oil and Gas index, however, notched up gains of 0.4% for the week, likely buoyed by a sharp rise in global crude oil prices.

GLOBAL MARKETS

Asian stocks sank on Monday and bond yields ticked higher, as red-hot U.S. inflation reignited worries about even more aggressive Federal Reserve policy tightening, and a COVID-19 warning from Beijing added to concerns about global growth.

Chinese blue chips dropped 0.84%, and Hong Kong's Hang Seng suffered a 2.9% slide.

Japan's Nikkei slumped 2.78%, and South Korea's Kospi declined 2.78%.

New Zealand's stock benchmark was off 2.1%. Australian markets were closed for a holiday.

US stock futures pointed to further losses at the reopen, with the S&P 500 indicating 1.54% lower, after Friday's 2.91% retreat.

OIL, RUPEE & FIIs

Crude Oil: Crude oil dropped more than \$2 on worries about global growth. Brent crude futures fell \$2.06, or 1.7%, to \$119.95 a barrel, while US West Texas Intermediate crude was at \$118.54 a barrel, down \$2.13, or 1.8%.

Rupee: The rupee closed at a new low of 77.84 on Friday, ending a week of daily declines against the US dollar. The local currency has lost 21 paise against the dollar during the week, dropping a few paise every day.

On Friday, the rupee came under pressure following a selloff in the equity markets even as the dollar gained against major currencies. The domestic currency opened at 77.81 and was traded at an intraday low of 77.93 before firming up.

FPIs & DIIs: Wary of the scenario on the global and domestic fronts, foreign investors continued to withdraw from Indian equity markets and pulled out close to Rs 14,000 crore in this month so far. With this, net outflow by foreign portfolio investors (FPIs) from equities reached Rs 1.81 lakh crore so far in 2022, data with depositories showed.

According to the data, foreign investors withdrew a net amount of Rs 13,888 crore from equities during June 1-10. FPIs have been incessantly withdrawing money from Indian equities since October 2021.

Foreign institutional investors (FIIs) have net sold Rs 3,973.95 crore worth of shares, whereas domestic institutional investors (DIIs) remained net buyers to the tune of Rs 2,831.07 crore worth of shares on June 10, as per provisional data available on the NSE.

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.

On the macro front, India's inflation rate for May will be unveiled today. India's inflation based on wholesale price index (WPI) for May will also be announced today.

Overseas, China will also announce industrial production data for May on 15 June 2022.

The Bank of Japan (BoJ) will announce its interest rate decision on 17 June 2022.

In US, Retail Sales data for May will be announced on 15 June 2022.

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

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

Japan will declare the Consumer Confidence data for May on 31 May 2022. China will announce the Caixin Manufacturing PMI for May on 1 June 2022.

The US Non Farm Payrolls data for May will be announced on 3 June 2022.

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

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

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