



AJCON GLOBAL

Market Wrap

Feb. 06, 2018

Domestic bourses pare losses after falling more than 3 percent in intraday; global markets create negative sentiments..

Benchmark indices pared losses after sliding more than 3% in intra-day trade a global market rout whacked sentiment, adding to existing investor concerns ahead of Reserve Bank of India (RBI) meeting this week to review key rates.

The broader Nifty50 and the benchmark S&P BSE Sensex each fell as much as 3.7% in on Tuesday, the sixth consecutive session of falls, with both erasing their gains for the year. The S&P BSE Sensex ended at 34,195 levels, down 561 points while the broader Nifty50 index settled at 10,498, down 168 points.

The fall in the Indian benchmarks was triggered by a global rout led by US stocks that saw their biggest one-day fall in six years on Monday, as investor profit taking brought the market back down from record highs seen in late January, after benchmark bond yields rose to a four year high last week.

Here are 4 key reasons why the Sensex slipped 561 points on Tuesday:

Bond yields

Strong prospects of the Fed hiking interest rates in the next month has led to a spike in US bond yields, which touched 2.89%, highest level in nearly four years. The yields have been steadily increasing throughout January as signs of improving economy stimulated fears of inflation and increase in borrowing cost.

Wall Street sees worst fall in six years

US stocks saw their biggest one-day fall in six years on Monday, as investor profit taking brought the market back down from record highs seen in late January, after benchmark bond yields rose to a four year high last week. The Dow Jones Industrial Average fell nearly 1,600 points for its biggest intraday drop in history in points terms, or more than 6%, before ending down 1,175.21 points, or 4.6% for its biggest one-day fall since August 2011. Dow and benchmark S&P 500 index had witnessed their best monthly gains in two years in January, with stocks reaching record levels on January 26, supported by the benefit of a cut in U S corporate taxes in December, rising earnings, and healthy global economic growth.

RBI likely to keep policy rates on hold

Reserve Bank of India's (RBI) is likely to keep key rates unchanged in its Monetary Policy Committee (MPC) meeting on Tuesday. However, the bank may toughen its warning against inflation, lying on the ground for a hike in 2018 after prices accelerated at the fastest pace in the last 17 months. The bank is also worried about high global crude prices, experts say. Though RBI has held the rates steady since a 25 basis point cut in August 2017, the prospects of rate hike have increased, as annual inflation accelerated to 5.21 percent in December 2017.

Asian Markets

A rout in global equities deepened in Asia on Tuesday as inflation worries gripped financial markets, sending US stock futures sinking further into the red after Wall Street suffered its biggest decline since 2011. In Asia, MSCI's broadest index of Asia-Pacific shares outside Japan slid 3.4%. Taiwan shares lost 5%, its biggest since in 2011 and Hong Kong's Hang Seng Index dropped 4.2%. Japan's Nikkei dived 4.7%, its worst fall since November 2016, to four-month lows.

Global Markets

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The slump in Wall Street overnight comes as India's record-setting share rally came under threat over the past few sessions following the government's announcement of a 10% long-term capital gains tax in equities, which starts in April.

in other Asian markets, MSCI's broadest index of Asia-Pacific shares outside Japan slid 3.5 per cent to a one-month low, which would be its biggest fall in more than a year and a half, a day after it had fallen 1.6 per cent.



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Gold

Amidst rout in global equities on Tuesday gold soared to over 14-month high of Rs 31,600 per ten gram - gaining Rs 330 at the bullion market here, largely in sync with the overseas trend. The gains were also supported by strong demand from local jewellers to meet the wedding season demand. Silver gained as well and reclaimed the Rs 40,000-per kg mark on the back of increased offtake by industrial units. We believe massive sell-off in stock markets globally led investors to seek shelter in safe haven investments, particularly precious metals. The BSE Sensex cracked below the 34,000-mark by plunging about 1,275 points or 3.6 per cent in opening trade due to across-the-board losses after investor sentiment was hit by a sell-off in world markets. The US Dow suffered its deepest fall in history, erasing all of its 2018 gains, while the S&P 500 took a beating to sit down for the year yesterday. Most of the Asian markets followed the suit. As safe haven investment, bullion markets became attractive.

In Singapore, gold edged up by 0.27 per cent to USD 1,342.60 an ounce and silver up 0.84 per cent to USD 16.85 an ounce. Besides, traders said, wedding season buying by local jewellers supported the upside. In the national capital, gold of 99.9 and 99.5 per cent purity rallied by Rs 330 each to Rs 31,600 and Rs 31,450 per 10 gram, a level last seen on November 9, 2016. Sovereign, however, held flat at Rs 24,800 per piece of eight grams. In a similar fashion, silver ready surged by Rs 500 to Rs 40,000 per kg and weekly-based delivery by Rs 510 to Rs 38,960 per kg. Silver coins continued to be traded at previous level of Rs 74,000 for buying and Rs 75,000 for selling of 100 pieces



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