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Market Wrap

April 05, 2018

RBI keeps rates unchanged with lower inflation outlook; benchmark indices rally...

Markets ended over 1.5% higher on Thursday after the Reserve Bank of India kept the repo rate unchanged at 6% in the first Monetary Policy Committee (MPC) meet of FY19. The S&P BSE Sensex ended at 33,597, up 578 points while the broader Nifty50 index settled at 10,325, up 197 points. The MPC had started its 2-day meeting on Wednesday amid little hope of a rate cut, given a hardening in global crude oil prices.

The RBI has maintained the status-quo on the key short-term borrowing rate (repo) in its last three policy meets. The benchmark lending rate was reduced by 0.25 percentage points to 6 per cent last August, bringing it to a 6-year low. Among other economic data, India's services industry returned to growth in March as new business picked up on improved demand, a private survey showed on Thursday, encouraging firms to hire at the fastest pace in nearly seven years. After taking a big hit in February, the Nikkei/IHS Markit Services Purchasing Managers' Index managed to narrowly push back above the 50-mark that separates growth from contraction, rising to 50.3 last month from 47.8.

Sectors and stocks

Shares of interest-rate sensitive sectors such as auto, banking and realty were trading higher by up 4% on the National Stock Exchange (NSE) after the Reserve Bank of India (RBI) maintained status quo on the key short-term borrowing rate in its first bi-monthly monetary policy for the financial year 2018-19 (FY19) today.

Nifty PSU Bank, the public sector bank index and Nifty Realty, the real estate index, were up 3% each, while Nifty Auto, Nifty Bank and Nifty Private Sector Bank index were up nearly 2% as compared to 1.6% rise in the benchmark Nifty 50 index at 02:37 pm.

The RBI's six-member monetary policy committee (MPC), headed by Governor Urjit Patel, on Thursday kept unchanged the key repo rate at 6% and cash reserve ratio at 4%. The MPC had started its 2-day meeting on Wednesday amid little hope of a rate cut, given a hardening in global crude oil prices.

Repo rate is the rate at which the RBI lends money to commercial banks, and CRR is the amount banks have to mandatorily maintain with the RBI.

State Bank of India (SBI), Bank of India, Canara Bank, Bank of Baroda, Indian Bank, Syndicate Bank, Allahabad Bank, Oriental Bank of Commerce and Union Bank of India from the Nifty PSU Bank index and Indiabulls Real Estate, DLF and Sobha were from the Nifty Realty index up more than 3% on the NSE.

Actual inflation outcomes in January-February averaged 4.8%, largely reflecting the sharp decline in vegetable prices and significant moderation in fuel group inflation. The available information suggests that vegetable prices continued to moderate in March as well. Accordingly, inflation in Q4:2017-18 is now projected at 4.5%, the RBI said in first bi-monthly monetary policy statement, 2018-19.

Excluding the impact of HRA revisions, CPI inflation is projected at 4.4-4.7% in H1:2018-19 and 4.4% in H2. GDP growth is projected to strengthen from 6.6% in 2017-18 to 7.4% in 2018-19 – in the range of 7.3-7.4% in H1 and 7.3-7.6% in H2 – with risks evenly balanced, added statement.

Shares of Avenue Supermarts, which operates supermarkets under the brand name of D-Mart, InterGlobe Aviation, which operates no-frills carrier IndiGo and tyre major MRF have hit their respective new highs on the BSE after the benchmark indices gaining more than one percentage points on Thursday. InterGlobe Aviation rallied 4.7% to Rs 1,455, extending its past three days 8% surge after the media report suggested that budget carrier will be able to bid solo for Air India's 76% stake, while other domestic airlines will have to form a consortium to meet the net worth criteria stipulated by the government. Avenue Supermarts was up 4% to Rs 1,407, its highest level since listing on March 21, 2017. Shares of Radhakishan Damani-led Avenue Supermarts have risen 120% since listing. It zoomed as much as 371% from the issue price of Rs 299 offered at the time of its initial share sale. The attractiveness of D-Mart's operating model stems from the significantly higher level of throughput that its stores generate - nearly 2-3x what other retailers clock on an average,



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which helps justify its choice of owning the stores (including the cost of land on which they are built), and the discounts ('Every Day Low Price' instead of festivals or seasons related limited period discounts) that it pampers its shoppers with – the latter being one of the key drivers of footfalls and conversions for DMart.

Global Markets

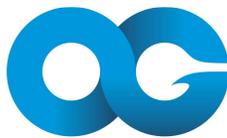
In global markets, Asian shares bounced from two-month lows on Thursday as world equities recovered from a selloff triggered by escalating Sino-US trade tensions, with investors hoping a full-blown trade war between the world's two biggest economies can be averted. Sentiment was lifted as the United States expressed willingness to negotiate a resolution to the trade fight after the proposed US tariffs on \$50 billion in Chinese goods prompted a quick response from Beijing that it would retaliate by targeting key American imports. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.5 per cent, a day after it hit its lowest in almost two months. Trade-dependent Singapore's Straits Times Index rose more than 2.0 per cent. Japan's Nikkei gained 1.6 per cent while markets in mainland China, and those in Hong Kong and Taiwan, are closed for the Tomb Sweeping Day holiday on Thursday.

Latest Block deals

All Prices in ₹

Deal Date	Security Code	Security Name	Client Name	Deal Type *	Quantity	Trade Price
03/04/2018	500878	CEATLTD	INSTANT HOLDINGS LIMITED	B	275,000	1,556.35
03/04/2018	500878	CEATLTD	CHATTARPATI APARTMENTS LLP	S	275,000	1,556.35
03/04/2018	500173	GUJFLUORO	HOTZ INDUSTRIES LIMITED	B	130,600	796.15
03/04/2018	500173	GUJFLUORO	VINAY MITTAL	S	130,600	796.15
03/04/2018	505509	RESPONIND	FAIRPOINT TRADECOM LLP	B	12,500,000	40
03/04/2018	505509	RESPONIND	WELLKNOWN BUSINESS VENTURES PVT LTD	S	12,500,000	40
03/04/2018	532983	RPGLIFE	NUCLEUS LIFE TRUST	B	5,021,628	394.1
03/04/2018	532983	RPGLIFE	EKTARA ENTERPRISES LLP	B	1,791,500	394.1
03/04/2018	532983	RPGLIFE	EKTARA ENTERPRISES LLP	B	284,500	394.1
03/04/2018	532983	RPGLIFE	CHATTARPATI APARTMENTS LLP	S	5,021,628	394.1
03/04/2018	532983	RPGLIFE	INSTANT HOLDINGS LIMITED	S	284,500	394.1
03/04/2018	532983	RPGLIFE	SUDARSHAN ELECTRONICS AND TV LTD	S	1,791,500	394.1

* B - Buy, S - Sell



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