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Market wrap

May 24, 2018

Oil companies decline; rupee slips further...

Benchmark indices rose on Thursday, driven by IT stocks such as Infosys and Tata Consultancy Services on the back of a weak rupee.

The S&P BSE Sensex ended at 34,663, up 318 points while the broader Nifty50 index settled at 10,514, up 84 points.

The rupee has weakened by more than 7% so far this year, hitting its lowest since December 2016 at 68.46 per dollar on Wednesday, as surging crude oil prices weigh on India, the world's third largest importer of the commodity, raising fears that soaring costs could drive up inflation and widen the trade deficit.

The Nifty IT index rose over 2%, its biggest intraday gain in nearly four weeks, and has gained 18% so far this year. Infosys rose as much as 2.9% and TCS climbed 3%.

Meanwhile, Oil and Natural Gas Corporation (ONGC) trimmed losses to end 4% lower after falling 10% in intraday trade after the media reports suggested that the government may ask the company to share the burden to reduce fuel price.

Sectors and stocks

Oil and Natural Gas Corporation (ONGC) dipped 5% to Rs 166, extending its previous day's nearly 5% fall on BSE, after the media report suggested that the government may ask the company to share the burden to reduce fuel price. In past two trading session, the market capitalisation of state-owned oil exploration & production company declined by Rs 223-billion to Rs 2,148-billion, the BSE data shows. The stock hit eight month low, trading at its lowest level since September 26, 2017. "The Petroleum Ministry plans to direct ONGC to sell its crude oil at below ruling international prices by capping the price at, say, \$70 for the entire fiscal year. Oil India Ltd (the other national oil producer) will not be a part of this scheme," the Indian Express report suggested quoting the government officials. ONGC supplies an estimated 20% of the country's total crude oil requirement to refining-cum-marketing companies Indian Oil Corporation (IOC), Hindustan Petroleum Corporation (HPCL) and Bharat Petroleum Corporation (BPCL). Meanwhile, the BSE said that the Exchange has sought clarification from Oil & Natural Gas Corporation Ltd with respect to news article appearing on energy.economictimes.indiatimes.com - May 24, 2018 titled "RIL, Shell, ONGC told to pay \$3.8 billion as government's share of PMT". The reply is awaited.

Oil India (down 3% to Rs 223), HPCL (down 3% at Rs 279) and BPCL (down 2% at Rs 367) were also trading lower in the range of 2% to 3% on the BSE. However, IOC was up 1% at Rs 155, after falling 5% on Wednesday. On comparison, the S&P BSE Sensex was trading 1% higher at 34,674 points at 01:34 pm.

Tata Motors plunged 8% to Rs 286, its lowest level since February 2, 2016 on the BSE in early morning trade, after the Tata Group Company reported a consolidated net profit of Rs 21.75 billion against an average analysts estimates of Rs 42.30 billion for the March quarter (Q4FY18). The company's profits for the March quarter nearly halved from Rs 43.36 billion in year ago quarter, due to higher expenses and a one-time impairment charge. The consolidated income from operations at the firm rose to Rs 912.79 billion over Rs 787.46 billion in the year-ago quarter. The earnings are not strictly comparable due to the implementation of goods and services tax from July, after which the revenue from operations was reported net of GST.



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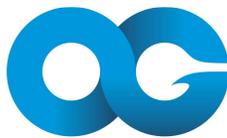
Management expects a strong all-round performance in FY19, with improvement in volume and profitability. JLR EBIT margin target stands at 4-7% (vs 3.8% in FY18) between FY19-21, led by better scale, cost reduction efforts, ramp up of low cost Slovakia plant and reduction in forex losses. In comparison, Standalone EBIT margin target stands at 3-5% (vs 0.5% in FY18), led by better scale and cost reduction efforts.

Global Markets

In the global markets, Asian shares fell on Thursday after the US government launched a national security probe into car imports that could lead to new tariffs, and President Donald Trump's comments suggested setbacks in US-China trade talks.

MSCI's broadest index of Asia-Pacific shares outside Japan was about 0.1% higher, but Japan's Nikkei stock index fell 1.1% as auto shares slumped. South Korea's KOSPI lost 0.2%.

In commodities markets, US crude was down 0.3 per cent at \$71.63 a barrel. Oil prices fell on Wednesday after an unexpected rise in US crude and gasoline inventories. Brent futures were 0.4 per cent lower at \$79.50 a barrel, continuing to move lower after rising above \$80 last week for the first time since November 2014 last week.



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