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Market Wrap

March 26, 2018

PSU Banking stocks rebound; domestic bourses breathe a sigh of relief..

The domestic indices trimmed morning losses to end sharply higher on Monday after reports suggested that the United States and China have quietly started negotiations to improve US access to Chinese markets, thereby easing fears of a trade war between the two economic giants.

The S&P BSE Sensex ended at 33,066, up 470 points while the broader Nifty50 index settled at 10,131, up 133 points.

Among sectoral indices, the Nifty PSU Bank index ended 4.94% higher led by an over 10% rise in the shares of Canara Bank. About 1,558 shares declined against 1,193 advancing shares on the BSE. HDFC Bank, HDFC, SBI, ICICI Bank, L&T, Yes Bank, Reliance Industries, Bajaj Finance, Hindalco, UltraTech Cement and Maruti Suzuki rallied up to 6 percent.

In the week ahead, domestic investors will look forward to the fiscal deficit data to be released on Wednesday. Also, the expiry of the current month futures and options contracts are due on Wednesday and positions will be rolled over to next month.

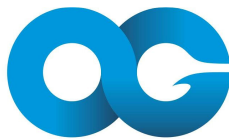
Sectors and stocks

Shares of public sector banks were in focus with Nifty PSU Bank index gaining almost 4%. State Bank of India (SBI), Canara Bank, Bank of Baroda, Syndicate Bank, Union Bank of India and Union Bank of India from Nifty PSU Bank index were up more than 3%, while Indian Bank, Punjab National Bank (PNB), Oriental Bank of Commerce and Andhra Bank up in the range of 1% to 3% on the National Stock Exchange (NSE). Nifty PSU Bank index had underperformed the market by falling 27% thus far in the calendar year 2018, against 5% decline in the benchmark index till Friday. PSU banks have sold off 32% since the 25-January peak (Nifty down 10%) and retraced the entire post-recap gains. This was driven by a confluence of bad news – a large fraud at PNB, tighter provisioning norms from the Reserve Bank of India (RBI) and continued pressure from bond yields.

Cadila Healthcare was trading 4.4% higher at Rs 386 on the BSE in otherwise subdued market after the company said that Zydus Cadila has received final approval from the US regulator for Metoprolol Succinate extended-release tablets. "Zydus Cadila has received the final approval from the US Food and Drug Administration (USFDA) to market Metoprolol Succinate extended-release tablets USP in the strengths of 25mg, 50mg, 100mg and 200mg," Cadila Healthcare said in a press release. The drug is used to treat chest pain, heart failure and high blood pressure. Lowering high blood pressure helps prevent strokes, heart attacks and kidney problems. The drug will be manufactured at the group's formulations manufacturing facility at SEZ, Ahmedabad, it added. The group has now more than 185 approvals and has so far filed over 320 ANDAs since the commencement of the filling process in FY 2003-24, the company said. At 09:45 am; the stock was trading 4% higher at Rs 385 as compared to 0.01% rise in the S&P BSE Sensex. A combined around 700,000 shares changed hands on the counter on the BSE and NSE.

Shares of Jubilant FoodWorks hit a new high of Rs 2,351 per share, up 3% on the BSE in otherwise range-bound market. The stock surpassed its previous high of Rs 2,330 recorded on January 23, 2018 in intra-day trade. In past three weeks, Jubilant FoodWorks has outperformed the market by surging 17% after the company formed a joint venture with Golden Harvest QSR Ltd to launch Domino's Pizza in Bangladesh. On comparison, the S&P BSE Sensex was down 3.3% during the same period. Last week, Domino's has announced an Everyday value offer (EDVO) on regular sized pizza starting at Rs 99 each aimed at small group sizes of 2 customers. The company said the Everyday Value price will help Domino's Pizza in increasing pizza penetration across markets, especially in smaller towns. It will also help existing Domino's customers to enjoy Domino's pizzas more often and on more occasions, thus driving increased frequency of consumption. Management initiatives continue to increase same-store sales growth (SSG) and margins visibility.

Shares of state-owned oil & gas companies including oil marketing companies (OMCs) were under pressure with the S&P BSE Oil & Gas index falling nearly 2% on the BSE. GAIL India, Hindustan Petroleum Corporation (HPCL), Indraprastha Gas, Bharat Petroleum Corporation (BPCL), Oil India and Petronet LNG were down 2% to 5% on the BSE. At 10:54 am; the S&P BSE Oil & Gas index, the largest loser among sectoral indices, was down 1.6% as compared to 0.2% decline in the S&P BSE Sensex. GAIL India was down 6% to Rs 413 on the BSE in intra-day trade after the media report suggested that state-



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owned Oil and Natural Gas Corp (ONGC) may buy out gas utility in its Dahej mega petrochemical project in Gujarat to take full control of the recently commissioned plant. Since March 15, in past eight trading sessions, GAIL India has fallen 10% after the Petroleum and Natural Gas Regulatory Board (PNGRB) has cancelled GAIL's license to build Surat-Paradip natural gas pipeline owing to delays. The regulator has also ordered encashing the state-owned firm's entire performance bank guarantee of Rs 200 million. According to PTI report, state-owned Indian Oil Corp (IOC) and BPCL may buy 26% stake each in GAIL India, paying the government over Rs 200 billion each to become integrated energy firms. The government of India, which holds 53.6% ownership in GAIL, has been looking to divest it, along the same lines as the divestiture of its 51.1% stake in HPCL to ONGC. At an average of last 3-months' trading price, the said transaction is likely to fetch Rs 411 billion, with both IOCL and BPCL paying Rs 206 billion each. We believe that, just like the ONGC-HPCL transaction, this transaction too is unlikely to be a merger and will not materially alter GAIL's financial & operational independence and unlikely to trigger an open offer for GAIL's minority shareholders. As far as IOCL and BPCL are concerned, we see this transaction more as a financial investment than a business one, having meaningful operational synergies, it added. Among the other individual stocks, HPCL was trading 4% lower at Rs 325, after hitting a 52-week low of Rs 323 on the BSE in intra-day trade today. IOC too hit fresh 52-week low of Rs 165, while BPCL down nearly 3% at Rs 403, trading close to its 52-week low of Rs 400 touched on June 27, 2017 in intra-day trade.

Global Markets

In the global markets, Japan's Nikkei erased earlier losses of 1.3 per cent to end 0.7 per cent higher, while MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.4 per cent, flipping back to positive territory from a 0.5 per cent fall.

According to media reports, US Treasury Secretary Steven Mnuchin and US Trade Representative Robert Lighthizer listed steps that Washington wants China to take in a letter to Liu He, a newly appointed vice premier who oversees China's economy.

Signs of talk between the two economic giants allayed fear of an escalating trade war, sparked after US President Donald Trump moved to slap tariffs on Chinese goods, on top of import duties on steel and aluminium, prompting a defiant response from Beijing.

Latest Block deals

All Prices in ₹

Deal Date	Security Code	Security Name	Client Name	Deal *	Type	Quantity	Trade Price
23/03/2018	524208	AARTIIND	AASHAY RASHESH GOGRI	B		306,223	1,061.8
23/03/2018	524208	AARTIIND	CHANDRAKANT VALLABHAJI GOGRI	S		306,223	1,061.8
23/03/2018	500173	GUJFLUORO	VINAY MITTAL	B		135,000	762.4
23/03/2018	500173	GUJFLUORO	HOTZ INDUSTRIES LIMITED	S		135,000	762.4
23/03/2018	500302	PEL	BAOBAB GLOBAL FUND LTD	B		244,660	2,480
23/03/2018	500302	PEL	COPTHALL MAURITIUS INVESTMENT LIMITED	S		244,660	2,480

* B - Buy, S - Sell



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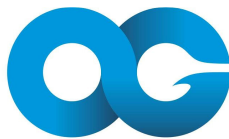
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