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Market wrap

June 06, 2018

First rate hike by RBI in 4 years; GDP expected to grow by 7.4 percent...

Markets ended higher after the RBI maintained neutral stance in its second policy decision of FY19. The central bank hiked repo rate by 25 bps to 6.25%, in line with market expectations. This is the first rate hike in over four years, reverse repo rate adjusts to 6%. All six members on the rate panel voted for an increase.

The S&P BSE Sensex ended the day at 35,179, up 276 points, while the broader Nifty50 index settled at 10,685, up 91 points

The RBI's Monetary Policy Committee (MPC) has maintained their growth outlook for the economy, estimating the country's GDP to grow at 7.4 percent in 2018-2019. However, the Reserve Bank of India (RBI) revised growth projections for the first half and the second half of the year. RBI now estimates GDP in H1 (April to September) to grow in the range of 7.5 -7.6 percent, an increase from its previous estimate of 7.3-7.4 percent (October to March). The central bank slightly cut its GDP forecast for H2, estimating growth of 7.3-7.4 percent. In April, it had projected a growth forecast of 7.3-7.6 percent. The central bank projected a positive estimate for investment activity, saying exports could be given a boost by strong demand. "Global demand has also been buoyant, which should encourage exports and provide a further thrust to investment," the MPC said in a statement. On the subject of fuel prices, the MPC said increasing costs of petroleum products could impact disposable incomes. "The sharp rise in petroleum product prices is likely to impact disposable incomes," the MPC said. The RBI raised its key repo rate by 25 basis points to 6.25 percent. This is the first time since January 2014 that the central bank has raised its repo rate.

Sectors and stocks

Shares of rate sensitive sectors such as bank, real estate and automobiles were trading firm after RBI monetary policy decision. Nifty PSU Bank, Nifty Realty and Nifty Auto were up more than 1% each.

Among individual stocks, State Bank of India (SBI), Bank of India and Allahabad Bank from the banking, Indiabulls Real Estate, Godrej Properties and Oberoi Realty from real estate and Tata Motors, Eicher Motors, Bosch and Bharat Forge from auto sector were up more than 2% on the NSE.

Shares of Gruh Finance, a subsidiary of HDFC, was up 3% to Rs 351 on the BSE in early morning trade after the stock turned ex-bonus on Wednesday. The board of the Company at their meeting held on April 14, 2018 had announced a 1:1 bonus i.e. one new bonus equity share of Rs 2 each for every one existing equity share of Rs 2 each for its shareholders. It has set June 7 as the record date for determining the entitlement of members to receive bonus equity shares of the Company. Gruh Finance outperformed the market by surging 11% since the board had recommended bonus issue. On comparison, the S&P BSE Sensex was up 2% during the same period. The stock hit an all-time high of Rs 368 (adjusted to bonus) on May 31, 2018 in intra-day trade.

Manpasand Beverages has locked in lower circuit for the third straight trading day, down 5% at Rs 174 on the BSE, trading close to its initial public offer (IPO) price. Shares of the fruit juice maker are 8% away from its issue price of Rs 160 (adjusted to 1:1 bonus issue in September 2017). The stock trading at its fresh 52-week low has tanked 61% in past two weeks from Rs 444 on May 23, 2018, against 2.2% rise in the S&P BSE Sensex. On Sunday, May 27, 2018, Deloitte Haskins & Sells India had quit as the auditor to Manpasand Beverages a few days before the declaration of annual results for the year ended March 2018 on May 30. The auditor put their resignation due to lack of information provided the company for the purposes of audit of the



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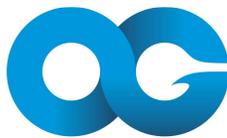
financial results. After making a weak debut on the bourses on July 9, 2015, shares of Manpasand Beverages had saw a strong run by surging 172% against 25% rise in Sensex till May 23, 2018. The stock listed below its issue price at Rs 150, fell to Rs 143, also its record low in intra-day trade on debut day. It touched a record high of Rs 512 on September 15, 2017 in intra-day trade.

Shares of select companies which are under additional surveillance measures (ASM) recovered from their respective intra-day lows after declining in past two straight trading sessions on the BSE. The BSE on Monday decided to bring 109 companies, including HEG, Graphite India, Reliance Naval and Engineering, Amtek Auto, GVK Power & Infrastructure under enhanced surveillance measures. Rain Industries, Alok Industries, Graphite India, Man Industries (India), HEG, Mirc Electronics, Prakash Industries, HIL, Waterbase and GVK Power & Infrastructure have rallied an over 7% from their respective intra-day lows on the BSE on Wednesday. "...100 percent margins shall be applicable with effect from June 6, 2018 on all open positions as on June 5, 2018 and new positions created from June 6, 2018 onwards," the BSE said in a circular dated June 4, 2018. The move is aimed at checking any abnormal rise in stock prices that is not commensurate with the financial health of companies. The shortlisting of securities under ASM Framework is purely on account of market surveillance and it should not be construed as an adverse action against the concerned company/entity, the exchange said.

Global Markets

Globally, Asian stocks edged up on Wednesday after tech sector strength lifted Wall Street shares, while concerns about Italy's debt prompted investors to move into lower-risk government debt elsewhere, pushing US Treasury yields down from recent highs.

MSCI's world equity index, which tracks shares in 47 countries, was up 0.24 percent, mainly as a result of a strong showing from Asian stocks. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.63 per cent.



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