



AJCON GLOBAL

Market Wrap

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Surge in crude oil prices puts pressure on benchmark indices; Pharma stocks bleed...

The benchmark indices remained under pressure at closing with Sensex down over 350 points and Nifty ending around 10,350 levels on profit-booking in banks, oil & gas, banking & financials, metals and auto stocks.

Bonds and the rupee also fell after oil prices surged overnight to their highest since mid-2015, raising concerns about the inflation outlook and hitting oil refiners such as Reliance Industries

Oil prices rose 3.5% on Monday, the highest since early July 2015, as Saudi Arabia's crown prince cemented his power with an anti-corruption crackdown, while the US rig count fell and markets continued to tighten.

The rise in oil prices is seen as likely to prevent the Reserve Bank of India from cutting interest rates anytime soon, even as economic growth has slowed to a three-year low - removing a potential trigger for markets.

However, Asian markets, touched their highest in a decade, while oil prices edged down after surging to a more than two-year peak as Saudi Arabia's crown prince cracked down on corruption.

Sectors and stocks

Cipla share price fell as much as 8 percent on Tuesday despite better-than-expected earnings for the quarter ended September 2017, dented by weak sentiment after Lupin received warning letter for two sites.

Lupin was biggest loser among pharma stocks, falling more than 18 percent intraday to hit multi-year lows after the company said it has received a warning letter issued by the USFDA on November 6, for formulation manufacturing facilities at Goa and Indore (Pithampur Unit II). While there will be no disruption of existing product supplies from either of these locations, there will be a delay of new product approvals from these two facilities, it added. The company had earlier received three Form 483 observations in Goa on April 7, 2017 and six Form 483 observations in Pithampur (Unit II) on May 19, 2017. Lupin said it plan to address the concerns raised by the USFDA expeditiously and will work with the USFDA to resolve these issues at the earliest.

The news hurt sentiment across pharma stocks. The Nifty Pharma index fell more than 5 percent intraday.

Shares of state-owned oil exploration & production companies – Oil and Natural Gas Corporation (ONGC) and Oil India – rallied up to 3.5% on the BSE in early morning trade on rising crude oil prices. "Oil prices rose 3% on Monday, hitting the highest since early July 2015, as Saudi Arabia's crown prince cemented his power over the weekend with an anti-corruption crackdown, while the US rig count fell and markets continued to tighten," the Reuters report suggests.

Oil India hit a 52-week high of Rs 382, up 3% on the BSE in intra-day trade, while ONGC rallied 3.5% to Rs 205.50 extending its 16% surge of the last one-month on the BSE. The stock is trading close to its 52-week high of Rs 212 touched on January 31, 2017 in intra-day trade.

Selan Exploration Technology (up 5% at Rs 259), Aban Offshore (up 3.5% at Rs 227), Jindal Drilling & Industries (4% at Rs 174) and Hindustan Oil Exploration (up 3% at Rs 110) from the private sector, trading higher in the range of 3% to 5%, as compared to 0.31% rise in the benchmark S&P BSE Sensex.

Higher crude prices will result in higher realisation for these oil exploration companies and result in increased profitability for them.



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