



AJCON GLOBAL

Market Wrap

Nov. 17, 2017

Rating upgrade by Moody's lifts sentiments; banking stocks rally..

Benchmark indices ended higher on Friday after global rating agency Moody's Investors Service upgraded India's sovereign rating to Baa2 from Baa3 and changed the outlook to stable from positive.

This development that will give a big boost to Modi government, reduce the cost overseas borrowing and improve investments in India. Rating company, while justifying the upgrade said that the reforms undertaken by the government will "improve the business climate, enhancing productivity, stimulating foreign and domestic investment, and ultimately fostering strong and sustainable growth."

We see the move as a big positive for the Indian financial ecosystem and India Inc. The banking sector will be one of the key beneficiaries as it remains a proxy to the country's economic growth. That apart, the recent recapitalisation plan for public sector banks will also be viewed more constructively.

This year it expects real GDP growth to moderate to 6.7% in the fiscal year ending in March 2018.

The rupee and bond yields also participated in the rally but lost some gains in later part of session. The Indian rupee gained past 65 against the US dollar, rising 70 paise in early trade to hit day's high of 64.62, but failed to sustain all those gains and ended 31 paise higher at 65.01.

The 10-year government bond yield closed at 7.05 percent (against 7.06 percent in previous session) after trading in a range of 6.93-7.06 percent.

Sectors and stocks

Nifty Bank ended at fresh record closing high, rising 282 points after the rating upgrade. Realty index gained most, up 3.66 percent after increase in carpet area by the government. Auto, Metal, Pharma, FMCG and PSU Bank gained 0.8-1.9 percent but technology stocks corrected sharply on rupee appreciation.

HDFC, ICICI Bank, HDFC Bank, SBI, IndusInd Bank, Tata Motors, Maruti, Vedanta, Yes Bank and Sun Pharma gained 1-2.5 percent.

The Nifty IT index shed 1.5 percent as Infosys, TCS, Tech Mahindra, HCL Technologies and Wipro were down 1-3 percent. The Nifty Midcap and Smallcap indices gained 1 percent each.

In broader space, LIC Housing Finance, PNB Housing Finance, Can Fin Homes, Repco Home Finance, DHFL, Puravankara, Sobha, DLF, HDIL, Ansal Housing, Allcargo Logistics, Patel Integrated, Snowman Logistics, Gati, Welspun India, REC, JSW Steel, Adani Enterprises, Adani Power, Tata Global Beverages, United Spirits and Radico Khaitan rallied 1-10 percent.

Edelweiss Financial, Petronet LNG and ICICI Lombard were up 1-4 percent after increase in FII investment limit.

New entrant HDFC Standard Life Insurance closed with a whopping 19 percent premium at Rs 344.60 per share against issue price of Rs 290

Global Markets

Globally, Asian shares also rose as strong US earnings and a step forward in the US Congress on tax reform brightened the mood, even though investors noted that many more hurdles must be passed to reach a final deal on tax cuts.



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