

## India set for lockdown extension | Stocks rebound may fizzle out | Tax havens lead in FII exits

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From: ET Markets Morning (etnotifications@indiatimes.com)

To: MADE\_ASH@YAHOO.CO.IN

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### MORNING NEWSLETTER

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SENSEX

**31,160** +1265.66

NIFTY 50

**9,112** +363.15

Gold

**45,303** +362

USD/INR

**76.29** -0.07

### Good Morning!

This past week, when US stocks logged their best five-session gains in 45 years, 16 million people got laid off in the country thanks to the coronavirus-induced disruption. And as economists speculated when the world's largest economy will enter recession, if it's already not in one, Wall Street announced the return of the bulls, as the rise in the indices fulfilled the semi-official definition of a bull market. Where is the disconnect? It's the liquidity, stupid! writes one columnist. It's triumph of hope over experience, wrote another. He then warned, the real bear market, one that will be accompanied by thoroughgoing pessimism and despair, is only weeks away!

### STREET PULSE: Where we stand

Nifty futures on the Singapore Exchange traded some 30 points lower at 7am (IST), signalling a possible negative start to trade on Dalal Street. Elsewhere in Asia, stocks started the week on the back foot as investors readied for the start of earnings season amid unprecedented uncertainty over the corporate impact of the coronavirus pandemic. [READ MORE](#)

Shares retreated in Japan and South Korea. Many markets remained closed for the Easter holiday.

US equity futures declined in early Asia trading. Despite last week's rally, Wall Street indices are still more than 17% below the records set in February. Dow is down 16.9% for the year, while S&P500 has fallen 13.7% and the Nasdaq 9%.

Oil prices dipped in early Monday trade as a landmark agreement by Opec and its allies to slash output by a record amount failed to give investors any cause for lasting optimism about the economic outlook. WTI crude futures dropped 0.4% to \$22.67 a barrel, as they quickly erased earlier gains to hit the lowest level since April 2, while Brent futures fell 0.67% at \$31.27 after having risen to \$33.99.

The rupee settled 6 paise higher at 76.28 against the US dollar on Thursday tracking higher equities. The currency market was closed on Good Friday.

## WHO'S

**EXTENDED LOCKDOWN FOR URBAN CENTRES...** India's urban centres are all set to see an extension of the lockdown at least until the end of the month but the government is likely to make exemptions for agriculture, factories and transport of goods to ensure that the engines of the economy start turning. The next phase of the lockdown starting April 15 is expected to ensure that harvests and procurement of produce take place without any hindrance. The Prime Minister is said to have suggested a 'lock-in' for factories with workers staying onsite and maintaining social distancing. [READ MORE](#)

**STOCKS REBOUND MAY HIT A WALL...** With the downturn expected to get deeper because of the continued shutdown and the number of Covid-19 cases showing little signs of subsiding, market participants are anticipating the recent bounce in stocks to soon run out of steam. Fund managers and analysts said while an extended lockdown was in the offing, the matter that is concerning the market is the absence of a road map by the government for economic revival. [READ MORE](#)

**TAX HAVENS LEAD FII EXITS...** Tax havens appear to be far less tolerant of fortune reversals, going by the way funds from these hotspots are fleeing Mumbai. Available data shows that assets under management by entities from Mauritius, Luxembourg, Singapore, Ireland, and the Netherlands fell by a third in March, outpacing the rate of decline in total overseas ownership in Indian listed stock and debt. Together, these tax havens contribute about a quarter of the total FPI equity. [READ MORE](#)

**PRICES OF ESSENTIALS SHOOT UP...** Prices of pulses, rice and cooking oils have started rising on rising demand despite availability of adequate supply, traders said. Scarcity of packaging material, however, is a

worry and storage restrictions under the Essential Commodities Act may backfire, they said. In some cities, biscuits and bread are in short supply. Bread output, particularly in smaller cities is hit by non-availability of yeast.

[READ MORE](#)

## LOOK WHO'S

**PHOENIXES SET TO RISE...** It pays to stick to quality companies that tumble sharply in a bear market. Brokerage ICICI Securities in a study shows in three previous major bear markets of 1992, 2000 and 2008, when the benchmark indices fell over 40-50% from their respective highs, quality stocks that fell over 70% from life-time highs generated strong returns. Sun Pharma, M&M, HPCL, Tata Motors, Cummins India, Federal Bank and Tata Communications are among the stocks that have tumbled over 70% from their record highs in this round. [READ MORE](#)

**INSIDERS MAKE MERRY...** For the first time after 19 months, company insiders like promoters, directors and staff bought into their respective companies, in a reversal of the usual selling trend, as the Covid-19 pandemic sent stocks into deep correction. In March, insiders bought shares worth Rs 3,701 crore and sold to the tune of Rs 1,713 crore, a buy-to-sell ratio of 2.16. In contrast, they had sold shares worth Rs 11,893 crore against purchases of just Rs 1,120 crore in the previous month, a buy-to-sell ratio of 0.09. [READ MORE](#)

**IBC SUSPENSION ON THE CARDS...** The Union Cabinet will likely take up this week an Ordinance to amend the Insolvency and Bankruptcy Code, to prevent companies from being forced into insolvency proceedings due to default caused by the Covid-19 crisis. The ordinance will seek to suspend the relevant provisions of IBC Sections 7, 9 and 10, to provide relief to borrowers from being dragged into insolvency for at least six months. [READ MORE](#)

### Meanwhile...

**WORLD BANK CUTS GROWTH ESTIMATE...** India along with the eight South Asian countries is likely to see the worst economic slump in 40 years, the World Bank's latest report said on Sunday. Its South Asia Economic Focus slashed India's growth to 1.5 to 2.8% for this financial year, down from its October 2019 forecast of 6.9%. For the South Asian

region, the update estimated growth to slow down to 1.8-2.8% in 2020, down from 6.3%. [READ MORE](#)

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### KEY INDICES

Nifty Midcap 100	S&P BSE Small-Cap	Nifty Bank	Nifty IT
<b>12,554</b> + 409.95	<b>10,294</b> + 314.03	<b>19,914</b> + 967.15	<b>12,729</b> + 237.0

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### Stocks to Watch >>>

PFC and REC will offer medium-term concessional loans with two-year moratorium to state electricity distribution companies, which will be backed by budgetary support from state governments.

RIL is in talks with banks to raise as much as Rs 10,000 crore in a bond sale this week, equivalent to about one-10th of the special funding facility provided by the regulator.

China's central bank has increased its stake to 1.01% in the country's leading mortgage company HDFC, shareholding disclosures for March quarter showed.

HUL shares have surged 12 per cent in last one month, despite a 13 per cent fall in Nifty to trade at a 55 per cent premium to its five-year mean PE and five-times higher than Nifty PE valuation.

### UnQuote: **BULLS NOT BACK**

Next bull market in India a couple of quarters away

*Vikas Khemani, Founder, Carnelian Capital*

## The DAY PLANNER

India March CPI inflation print  
Last day of India's Coronavirus Lockdown  
China Year-to-Date FDI flow  
US 6-Month Bill Auction

## OUTLOOK

### PLAY SAFE IN EQUITIES

Manish Singh of Crossbridge Capital from an FII perspective, you do not know how things play out and what the economic consequences are. "You do not need the earnings season to tell you that earnings are going to be bad, because we have asked people to not work. There will be risk aversion on part of investors to stay away from emerging markets. Keep money in the dollar and keep money in blue chip stocks and bonds or where you have more transparent and bigger data," says he. [READ MORE](#)

### NO V-SHAPED RECOVERY

Shankar Sharma of First Global says the worst may be over for certain stocks in India. "But to say it is over for the broader market is being a little premature and probably being a little foolhardy. 2008 is a good case in point. People now have compressed the entire 2008 or 2009 bear market into a big fall and a V-shaped recovery. But remember, that V-shaped recovery took 15 months to play out; so it was not a V at all," says he. [READ MORE](#)

### SHIFT TO PHARMA

Aashish Somaiyaa of Motilal Oswal AMC says FMCG is more like hiding for cover and looking for comfort. "On the other hand, pharma clearly seems to be something where people have belief; whether you discuss supply chains relative to China, how India would be perceived or the near-term spurt in demand or people being a bit more careful and more health conscious or administering drugs etc," says he. [READ MORE](#)

## STOCKS RECOMMENDATIONS

### Larsen & Toubro Ltd.

Sell Larsen & Toubro, target price Rs 750: Chandan Taparia

13 Apr, 2020 | 08:51 AM IST

### Housing Development Finance Corporation Ltd.

Buy HDFC. target price Rs 1,870: Chandan Taparia

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