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Mr. Vipin Malik,
(Chairman, Infomerics Ratings)

Mr. Sankhanath Bandyopadhyay
(Economist)

THE STOCK MARKET MAYHEM

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The 5th August 2024 has been marked once again as a "Black Monday" due to a chaos across the global markets with Wall Street taking a nosedive at the opening bell. Japan's Nikkei had its worst single day decline in 37 years (since the 1987 crash), dipping over around twelve per cent. From Asia to Europe including India, markets are coloured in red. The Sensex is down more than 2,000 points, and the Nifty's dropped over 600 points, rubbing out a huge market cap of over ₹15 lakh crore in a single day.

The hawkish stance of the Bank of Japan (BOJ) has strengthened the yen, leading to traders exiting their positions, a situation called "UNWINDING" of carry trades. They are selling their US based assets, converting the currency back to ¥ and repaying the loan to cut their losses.

The volatility index (VIX) started at over 50 per cent on the "Black Monday" that has been finally settled at 38.51 per cent. The Nifty 50 index declined 662 points (2.68 per cent). Globally, almost 98 per cent of the shares in the S& P 500 got affected, whereas high-flying tech space got affected the most. According to some media reports, Japanese banks have lost $85 billion due to panic selling. The global panic has also been motivated by a "Sahm recession indicator" showing that US is likely heading towards a recession.

The Indian rupee ended at an all time low at USD/INR 83.85 as the foreign portfolio investors (FPIs) sold in the Indian equity markets amid global sell-off. As of the latest update on 4 Aug 2024 2:15 GMT+0, the India 10 Years Government Bond has a yield of 6.90 per cent that was earlier closed at 6.85 per cent against its previous close at 6.89 per cent. The Indian stock market has been impacted adversely due to the global sell off. Sharp losses in the Indian stock market caused investors to lose nearly ₹15 lakh crore in a single session.[1]

On the other hand, globally the Indian market remains relatively resilient as the global emerging markets funds are increasingly allocating higher proportions of their investments into India. For instance, in 2024, funds flow in India topped at 6.12 per cent of total assets under management followed by the US at 2.77 per cent and Japan at 2 per cent.[2]

The share of domestic mutual funds (MFs) of the listed companies in NSE has increased substantially. The holding of the domestic institutional investors (DIIs) has increased to 16.23 per cent during the (Apr~June)'24 quarter. The share of retail investors has increased at an all time high of 7.64 per cent while the share of HNI investors declined moderately to 1.98 per cent during June'24.[3]

Gowing forward, the global market is eagerly waiting for an immediate rate cut from Fed, whereas speculation is thrived of a 0.75 federal funds rate (FFR) cut in an emergency meeting. Overall, the market expects with a more than seventy per cent probability of a 50-bps rate cut in Sept'24, with a cumulative 115 bps cut by the end of this year. The outcome of the US presidential elections (Nov 2024) is also to be seen, that would have crucial implications for the global stock markets.

[1] "Global stock market crash: Is US recession fear for real? What should Indian stock market investors do?" (6 August 2024) The Livemint, https://www.livemint.com/market/stock-market-news/global-stock-market-crash-is-us-recession-fear-for-real-what-should-indian-stock-market-investors-do-11722871873155.html.

[2] "As $15.8 billion, India tops the chart in emerging markets fund flows in 2024" (6 August 2024) the HinduBusinessLine.

[3] As $15.8 billion, India tops the chart in emerging markets fund flows in 2024" (6 August 2024) the HinduBusinessLine.