

The Week that was

October 4, 2024

Markets React to Inflation Pressures and Global Uncertainty

Domestic Market Overview

Over the past week, Indian indices witnessed a notable decline, with the NIFTY 50 falling by 4.4%, the NIFTY Midcap 150 by 2.91%, and the NIFTY Smallcap 250 by 2.06%. The market correction was driven by multiple factors, including concerns over inflation, tightening liquidity conditions, and global economic uncertainties. Investors remained cautious as rising oil prices and inflationary pressures mounted, leading to a pullback across the board. Domestic equities also experienced selling pressure as global markets showed signs of weakness, and investors were apprehensive about interest rate hikes by central banks.

Sectoral Performance

The NIFTY Auto index recorded a sharp 6.1% decline, primarily due to concerns over slowing demand and rising input costs. Financial services were also impacted, with the NIFTY Financial Services 25/50 index down by 5.35%, reflecting fears of tightening credit conditions. The real estate sector experienced a steep fall, with the NIFTY Realty index plunging by 7.69%, as higher interest rates led to reduced housing demand. On the other hand, NIFTY IT remained relatively stable with a marginal 0.95% dip, as the global tech sector showed resilience. NIFTY Metal was the only index to show slight gains, with a 0.48% rise, benefiting from strong commodity prices and demand. The NIFTY Pharma index saw a modest decline of 1.8%, as concerns over rising input costs and regulatory challenges weighed on sentiment.

Global Market Overview

Global markets displayed mixed performance over the past week. U.S. markets showed a minor decline, with the S&P 500, Dow Jones, and NASDAQ all falling by 0.7% to 1.1%, driven by concerns over rising bond yields and potential rate hikes by the Federal Reserve. European markets followed suit, with the UK's FTSE down 0.7%, as inflation concerns continued to weigh on investor sentiment.

In Asia, the performance was varied. Japan's Nikkei 225 saw a sharp 3% decline, reflecting concerns over the weakening yen and global economic headwinds. South Korea's Kospi index dropped by 3.02%, as export data disappointed investors. In contrast, China's markets outperformed, with the Shanghai Composite Index surging 8.06% and Hong Kong's Hang Seng Index rising by 10.20%. This rally was driven by government stimulus measures aimed at boosting the Chinese economy, along with optimism about recovery in the property sector and easing regulatory pressures on tech companies.

Overall, the domestic and global markets experienced volatility amid concerns about inflation, tightening monetary policies, and global economic uncertainties.

Other Markets:

- Brent crude prices rose to settle at \$ 78.31
- The rupee closed at Rs 83.98 against the US dollar.
- Gold slightly rose to settle at Rs 75,713 per 10 grams.
- The 10 Year Benchmark G-Sec yield was at 6.95%.

Source: www.nseindices.com; google finance, MCX Gold Prices; www.rbi.org.in; Morningstar and tradingeconomics.com

Data for week ended on October 4, 2024. ^ data for the week (Fri – Thu) FTSE data as of today 1 pm.

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