

The Week that was

December 06, 2024

Nifty registers weekly gains as RBI maintains status quo.

Indian Equity Outlook

In its latest Monetary Policy Committee meeting, the RBI maintained the repo rate at 6.5% while trimming the Cash Reserve Ratio (CRR) by 50 basis points, a move largely anticipated by the markets. However, the central bank's decision to downgrade its GDP forecast for FY25 from 7.2% to 6.6% and raise the inflation target from 4.5% to 4.8% cast a shadow over investor sentiment. Consequently, the Nifty 50 index closed flat for the day but still managed a weekly gain of 2.3%, while the Nifty Midcap 150 and Nifty Small Cap 250 indices recorded even higher weekly gains of 3.6% and 3.5%, respectively.

Sectoral Outlook

Among the sectoral indices, Nifty Realty, Nifty Consumer Durables, and Nifty PSU Banks recorded the highest gains of 5.3%, 5.0%, and 5.0%, respectively. The Nifty Realty Index was powered by positive sentiments surrounding government reforms and increased infrastructure spending. The Nifty Consumer Durables Index benefitted from strong performances by key players in the sector. Meanwhile, expectations of a rate cut drove PSU bank stocks higher. In contrast, Nifty FMCG, Nifty Pharma, and Nifty Oil & Gas lagged behind. FMCG stocks faced challenges due to concerns over slowing consumer demand and disappointing quarterly results. The Pharma sector struggled with negative sentiment linked to regulatory hurdles and pricing pressures in major markets, while fluctuating global oil prices weighed heavily on the Nifty Oil & Gas Index.

Global Outlook

U.S. and European markets have experienced a rally driven by post-election optimism and robust earnings from key companies, especially in the technology sector. Anticipation of potential interest rate cuts from the Federal Reserve has further enhanced investor sentiment, contributing to broad sector gains and strong confidence in market direction. The Nasdaq Composite surged by 3.4%, while the S&P 500 rose by 1.3%. In Europe, the MSCI Europe gained 1.4%, and the MSCI World index increased by 1.0%. Following this performance on Wall Street, most Asian indices also showed positive results, with the Nikkei, Hang Seng, and Shanghai Composite Index rising by 2.1%, 2.2%, and 2.3%, respectively, although the Kospi experienced a decline of 1.1%.

Other Markets:

- Brent crude prices fell to settle at \$ 71.31
- The rupee closed at Rs 84.68 against the US dollar.
- Gold spot price stood at Rs 75,910 per 10 grams.
- The 10 Year Benchmark G-Sec yield was at 6.74%.

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