

The Week that was

December 19th, 2024

Global Headwinds weigh on Domestic Equity markets!

Indian Developments

India's merchandise trade deficit surged to historical high in November-24 at US\$37.8bn v/s US\$27.1bn deficit in October. The deficit number was a negative surprise for the markets. The key driver was historically high gold imports. Post the release, Indian rupee in terms of dollar (USD/INR) depreciated to above 85 levels.

US FOMC meeting was another key event which swayed the global and domestic markets. FED FOMC delivered a hawkish cut of 25bps. The economic projections highlighted two more cuts in 2025, versus four cuts in September economic projections. The policy jolted not only the domestic markets but global equity, currency and bond markets.

The domestic equity markets declined on back of a stronger dollar and rising bond yields in US. The benchmark Nifty50 Index declined by 4.7% for the week. The NIFTY MIDCAP 150 declined by 3.2%, while the NIFTY SMALLCAP 250 declined by 3.1%.

Sectoral Developments

Sectoral indices witnessed a broad-based decline this week. Among the sectoral Indices Nifty bank, Nifty Metal, Nifty Financial Services, Nifty IT saw sharper declines, the indexes declined by 5.3%, 6.6%, 5.2% and 4.9% respectively. Weakness in Indian Rupee and changing global monetary policy environment has kept the Indian equity markets under pressure this week.

Global Developments

Financial markets globally saw a sharp fall after the hawkish Fed outlook, with all three major Wall Street indices closing up to 3% lower. The Dow Jones and S&P saw a major decline of 3.6% and 3% respectively. The bearish sentiments were visible across European markets as well. Euro Stoxx 50 declined by 3.2%. Looking at Asian markets Nikkei index saw a sharp decline of ~2% and Hang Sang declined by 1.25%. Global markets have seen a broad-based decline.

Other Markets:

- Brent crude prices are settling around \$ 72.
- The rupee depreciated to above Rs 85.1 against the US dollar.
- Gold spot price stood at Rs 75,600 per 10 grams.
- The 10 Year Benchmark G-Sec yield was at 6.79%.

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