

Publication	Mint: Chennai New Delhi Hyderabad;
Date	9.12.16
Description	Quote: Jayant Manglik, Religare Securities

Sensex, Nifty join world market rally

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MUMBAI

Benchmark equity indices Sensex and Nifty logged their best gains in two weeks on Thursday, mirroring the uptick in world equities in anticipation of the European Central Bank (ECB) extending its stimulus measures.

On Thursday evening, the ECB did just that, which could mean another good day on the bourses on Friday.

In the near term, with the recovery in domestic earnings delayed due to demonetization, analysts expect global developments to dictate the direction of the Indian markets.

All eyes are now on the Federal Reserve's rate-setting meeting on 13-14 December, where the US central bank is widely expected to hike rates.

BSE's 30-share Sensex closed 1.74% or 457.41 points higher at 26,694.28 points, while the National Stock Exchange's 50-share Nifty added 1.79% or 144.80 points to close at 8,246.85 points.

It was the biggest single-day gain for these indices since 25 November.

"There is not much clarity in the market. The sharp pull-back was ahead of the ECB meeting. FII (foreign institutional investor) flows have briefly turned positive," said Hemang Jani, senior vice-president, advisory, at brokerage firm Sharekhan Ltd.

FIIs have turned net buyers for three sessions in a row, after being net sellers in all of the 18 previous sessions. For the year to date, they have pumped in \$4.1 billion, net of sales in Indian equity markets.

Domestic institutional

investors (DIIs), on the other hand, have been net sellers in only two of the 17 previous sessions.

For the year to date, they have injected Rs26,152.19 crore in Indian shares.

There is scepticism over whether these gains will be sustained.

"I see this as a relief rally, but I'm not sure if this can sustain. We still do not know the depth of the impact from demonetization. Also, foreigners won't be active in the market in the second half of this month," said Jani, referring to the festival period when most employees at FIIs go on holiday.

"The only positive currently is that DIIs are actively investing, and that's stopping things from turning worse," he said, adding that the only significant event in the market is the Fed meeting and a possible 25 basis points hike in interest rates by the US central bank.

Thursday's rally was anything but a reversal of trend, said other analysts.

"It was indeed a positive surprise for the market, but it's too early to call it a reversal, considering the existence of multiple hurdles in Nifty between 8,300 and 8400 levels," said Jayant Manglik, president of retail distribution at Religare Securities Ltd.

Market breadth was positive with gainers outnumbering losers in the ratio of 2:1 on the BSE.

All but one of the 30 Sensex stocks closed in the green.

Steel maker Tata Steel Ltd led the gains, with a 4.62% rise, after its UK arm offered labour unions a deal guaranteeing jobs and investment in return for cutbacks in pensions on Wednesday, moving the company a step closer to merging its European assets with Germany's Thyssenkrupp.