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● MARKETS MAYHEM

Financials drag indices down on heavy selling

The biggest losers on Nifty were Axis Bank, ICICI Bank, IndusInd Bank, Titan and Shree Cement

FE BUREAU
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FOREIGN PORTFOLIO INVESTORS continued to sell equities on Friday, dragging the 30-share Sensex down by 2.39% or 674.3 points to close at 27,590.95. The broader Nifty50 barely managed to hang on to the 8,000 mark after falling 2.06% or 170 points to end the session at 8,083.8.

The market's fall on Friday was led by heavy selling in financial stocks. The week that ended is the seventh consecutive where the markets ended in the red. Nifty Bank declined 5.2% underperforming the benchmarks. It slumped 959 points to close at 17,249. According to market experts, the sell-off in banking stocks is unlikely to have much effect on the weightage of financial stocks.

Rusmik Oza, executive vice president - head of fundamental research, Kotak Securities, explains that there are stages and cycles to a market leadership. "For the last two to three years the BFSI space excluding PSU stocks was performing well but, now it may take a back-seat for a few quarters.

Major sectoral losers on NSE

	Close	Fall (%)
Pvt Bank	9,157.10	-5.5
Bank	17,249.30	-5.3
Financial Service	8,562.10	-4.3
PSU Bank	1,232.30	-4.0
IT	11,680.05	-3.0
Auto	4,517.75	-3.0

However, their weightage and leadership is unlikely to change since there is no big alternative to these companies," he said. Currently, the weightage of financial stocks on the Nifty is 36.5%, down from 41.9%."

On the other hand, Deepak Jasani, head of retail research at HDFC Securities said, "The leadership may change if the banks continue to underperform for the next few months and the contender for it could belong to the consumption sector which has stocks such as HUL or the IT sector."

Bank Nifty has slumped by 44% in the last six weeks, which makes it the biggest six-week fall ever and has fallen 46.8% since its highs in January. It fell 14% this week which is the most among other indices. Moody's Investor Service on Thursday changed the outlook of the Indian

banking system to negative from stable. All the constituents of banking stocks ended the day in the red with RBL Bank, Axis Bank, IndusInd Bank, Bandhan Bank and State Bank of India declining the most. RBL Bank was the top loser, down by 15.5%. Axis Bank was down 8.8%.

In its report, Kotak Institutional Equities said, "We upgrade Axis Bank to buy from reduce reflecting the correction in valuation multiples, a strong liability franchise and a slightly different entry point into this slowdown for the bank as compared to the past, which should result in faster recovery in business momentum as we move into a more normalised environment." IndusInd bank which was the worst performing stock for FY20 was down by 8.3% during Friday's trading session. Bandhan Bank and State Bank of India were down by 7.4% and 6.5%.

According to the provisional data on the exchanges, FPIs on Friday sold equities worth \$257 million, on the other hand domestic institutional investors (DIIs) bought equities worth \$29.9 million. The global cues were also muted for the markets with bourses in Taiwan, Hong Kong and China trading in the red. Stock markets in Germany, United Kingdom and France were down between 0.2% to 1.1% at the time of press.

Dow Jones Mini futures was down 214 points indicating a tepid start to the US markets.