Indian Stocks Rally

What is the issue?

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- India’s benchmark stock indices are doing well again.
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- But the specifics indicate the euphoria is limited to certain stocks alone.
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What is the current state in the stock market?

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- **Overall -** Nifty and the Sensex scaled all-time highs recently, with both crossing the 11,200 and 37,300 levels, respectively.
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- This is because of the increased buying by foreign institutional investors and expectations of strong first-quarter earnings.
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- Notably, both indices witnessed extremely sharp corrections a few months ago, but are now rallying when other emerging markets are struggling.
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- The swift recovery, however, is not reflective of a secular rise and this rally has been limited to a few pockets of the market.
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- **Specifics -** Heavyweight blue-chip stocks such as HDFC, Reliance Industries, ITC, Tata Consultancy Services and Infosys have contributed the most.
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- Contrarily, almost half the companies in the Nifty still trade below their 200-day moving average, a sign of insufficient price strength.
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- The divergence in the performance of various stocks becomes clearer when large caps are compared to smaller companies.
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- The mid-cap and the small-cap indices, which are recovering from early

lows in 2018, are still trading well below their historic highs.
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How does the future look?

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- The return of foreign investors suggests that they may be betting on India over other emerging markets that have suffered more severely.
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- Nonetheless, the present stock rally is not mark a return to the good old days when investors across the market could expect multi-bagger returns.
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- Several stocks in the mid- & small-cap category have fallen to levels reminiscent of a bear market, and only large-cap stocks are doing well.
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- It remains to be seen if the smaller riskier stocks could capitalise on the overall market euphoria and make gains.
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- Else, the lack of sufficient breadth in the wider market will signify an eventual correction in the large caps too.
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Quick Facts:

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What is Sensex and Nifty?

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- Sensex and Nifty are two large-cap indexes associated with two different stock exchanges in India namely.
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- These are statistical aggregate indices, which is representative of the changes in the overall stock market.
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Sensex:

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- Sensitive Index is the stock market index indicator for the BSE.
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- It was first published in 1986 and is based on the market weighed stock index of 30 companies based on the financial performance.
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- Large, established companies that represent various sectors are a part of this.
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Nifty:

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- Similar to Sensex, “National Stock Exchange Fifty” (or Nifty) is the market indicator of NSE (based in Delhi).
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- It ideally is a collection of 50 stocks but presently has 51 listed in it.
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- It is also referred to as Nifty 50 and CNX Nifty by some as it is owned and managed by India Index Services and Products Ltd. (IISL).
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Source: The Hindu

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