Rise in Stock Market Indices

Why in news?

Recently, the benchmark indices of Bombay Stock Exchange and National Stock Exchange did not crash under the pressure of rising Covid cases.

Why are the markets rising?

- The strong fourth quarter performance by a number of companies has provided strength to the market.
- Investors feel that the pain on account of second wave of Covid will be limited to another four to six more weeks and Covid cases would decline further.
- The resistance by the union government to announce a nationwide lockdown has provided a big relief to the markets.
- The opening up of vaccination for all adults and the decline in cases over the last few days has also boosted hopes to the industrial sector.

Do large listed companies benefit at the cost of relatively smaller ones?

- The second wave has impacted rural India much more than it did in its first phase last year.
- It has also impacted smaller companies in the unorganised sector more who are yet to come out of hardships faced in the first wave.
- Experts feel that market participants and senior officials of large listed enterprises have benefitted at the cost of smaller players who found it tough to get going when their business got impacted due to Covid-19.
- This is leading to a rise in their share prices and market valuations thereby resulting into growth in Sensex and other leading indices.
- Therefore these large companies who were better positioned to weather out the Covid stress, have ended up garnering market share and business in their respective sectors.

Why do markets rise despite rise in cases?

- On February 15, 2021 the Sensex closed at its al time high of 52,154.
- When the cases started rising in March and grew exponentially with all time high of over 4.1 lakh cases, the market weakened but it did not

collapse.

- On April, it registered a fall of 4,450 points or 8.5 per cent -the lowest closing over the last three months.
- As the cases rose, the foreign portfolio investors reduced their inflow into Indian equities in March and pulled out a net of Rs 9,659 crore in April and a net of Rs 8,909 crore in May (till date).
- However, as FPIs weakened their participation, the domestic institutions have pulled up and they invested a net of Rs 11,088 crore in April and a net of Rs 2,839 crore in May (till date).
- With the fourth quarter results, no announcement of a nationwide lockdown and opening up of vaccination for all adults, the market sentiments got lifted.
- Now, a dip in daily cases over the last 10-days have only raised hopes that the second wave is on its path of decline.
- The governments decision to allow more vaccines to be administered in the Indian market has further raised hopes of a faster vaccination over the next 3-4 months hoping a unhindered economic activity.

Source: The Indian Express

