Tremors in the Stock Market

Why in news?

\nDue to fears about defaults from non-banking finance companies the stock markets went into panic mode.

\n\n

What is Sensex all about?

\n\n

\n
- SENSEX is a figure indicating the relative prices of shares on the Mumbai (Bombay) Stock Exchange.
\n
- SENSEX uses weighted average method for price movement calculation. That means each shares price has a weightage proportional to its market capitalization.
\n
- Nifty similarly is an index of National Stock Exchange of India which gives price movements of top fifty funds listed on the exchange.
\n
- The main difference between SENSEX and Nifty is that SENSEX is the stock market index for BSE Limited, while Nifty is the stock market index for National Stock Exchange (NSE).
\n
- Another is that SENSEX is comprised of 30 stocks, while Nifty is comprised of 50 stocks.
\n

\n\n

What is the status of Indian stock markets?

\n\n

\n
- The Sensex swung 1,500 points between its high and low points, eventually recovering to end at 36,841.60 points.
\n
- The recovery was driven by institutional buying, led by mutual funds, in select index stocks.

\n
- The broader Nifty lost 91.25 points to close at 11,143.10, after touching a low of 10,866.45.
\n
- Stocks like IL&FS Transportation Networks, Indiabulls Real Estate, LIC Housing Finance, IL&FS Investment Managers and Infibeam Avenues all ended the day deep in the red.
\n

\n\n

What is the reason behind stock market disturbance?

\n\n

\n
- In India there is a brittle investor sentiment prevailing due to the news flow on debt defaults was aggravated by the talk about restrictions on housing finance companies.
\n
- In the Sensex pack, Yes Bank shed more than 34% during intraday trades with most brokerages reviewing their outlook on the stock after the Reserve Bank of India (RBI) allowed Rana Kapoor to continue as the managing director and chief executive officer (CEO) only till January 31, 2019.
\n
- Incidentally, DSP Mutual Fund sold Dewan Housing Finance Corporation (DHFL) paper worth about Rs. 300 crore in the past few days though it clarified that it was done only to reduce the overall maturity and not related to any concerns related to DHFL.
\n
- But Investors believed the sale of a HFC’s debt paper at discount by DSP mutual fund is the trigger.
\n
- There was also a buzz that the massive intraday fall in the Sensex was on account of a bunch of algorithmic trades that quickly escalated the magnitude of the fall.
\n

\n\n

\n\n

Source: The Hindu

\n



SHANKAR
IAS PARLIAMENT
Information is Empowering