

Indian Stocks Rally

What is the issue?

\n\n

\n

- India's benchmark stock indices are doing well again.
- But the specifics indicate the euphoria is limited to certain stocks alone.

\n

\n\n

What is the current state in the stock market?

\n\n

\n

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

lows in 2018, are still trading well below their historic highs.

\n

\n\n

How does the future look?

\n\n

\n

- The return of foreign investors suggests that they may be betting on India over other emerging markets that have suffered more severely.
- 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.
- 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.
- It remains to be seen if the smaller riskier stocks could capitalise on the overall market euphoria and make gains.
- Else, the lack of sufficient breadth in the wider market will signify an eventual correction in the large caps too.

\n

\n\n

Quick Facts:

\n\n

What is Sensex and Nifty?

\n\n

\n

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

\n

\n\n

Sensex:

\n\n

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

\n\n

Nifty:

\n\n

- \n
- Similar to Sensex, “National Stock Exchange Fifty” (or Nifty) is the market indicator of NSE (based in Delhi).
- \n
- It ideally is a collection of 50 stocks but presently has 51 listed in it.
- \n
- 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).
- \n

\n\n

\n\n

Source: The Hindu

\n

