

RBI policy, Q1 earnings, auto sales, dollar among key factors that may guide Dalal Street this week

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The Reserve Bank of India's money policy review, macro-economic data and June quarter earnings are likely to emerge key drivers for Dalal Street in the week ahead.

Benchmark equity indices snapped a six-week winning streak last week amid weak global cues after a devastating GDP print for the US economy, US-China tensions and a surge in Covid-19 infections the world over.

The 30-share Sensex declined 522 points, or 1.37 per cent, for the week to end at 37,606.89 on July 31 while the 50-share Nifty shed 120.70 points, or 1.07 per cent, to 11,073.

Going by the buzz on Dalal Street, here are some of the key factors expected to move the market in the week ahead:

RBI policy meet: The Reserve Bank of India is likely to leave the repo rate unchanged in the forthcoming money policy due on Thursday. However, **the Monetary Policy Committee (MPC)** may look at unconventional policy measures to ensure financial stability. The MPC, headed by the RBI Governor, is scheduled to meet for three-days beginning August 4 and will announce its decision on August 6. With retail inflation showing an uptick and prevailing uncertainty over growth outlook, the MPC is likely to adopt a wait-and-watch approach and hold the repo rate at 4 per cent, says **Brickwork Ratings**. The rater said the central bank should, however, continue with its accommodative monetary policy stance. Furthermore, the rating agency expects RBI to use other liquidity tools such as OMOs and LTROs cautiously so that once the situation normalises and economic activities resume, it can have enough armour to help bring the economy back on track and support the government manage a restrained fiscal situation.

Quarterly Earnings: More than 250 companies will announce their financial results next week for the quarter ended June 30. Some of the names on the list include Exide Industries, Thomas Cook (India), Unichem Laboratories, Cadila Healthcare, Canara Bank, Cera Sanitaryware, Godrej Properties, Inox Leisure, Adani Enterprises, Adani Power, BASF India, Hindustan Petroleum Corporation, Lupin, Pidilite Industries, Torrent Power, Alkem Laboratories, Amara Raja Batteries, BEML, Birla Corporation, Cipla, Mahindra & Mahindra, Mahanagar Gas, Ramco Industries, Sobha, among others.

July auto sales numbers: July auto sales numbers showed a solid bounceback. Top industry players seems to be leading the sector's crawlback to normalcy amid an easing coronavirus lockdown. Sales of Maruti Suzuki India and Hero MotoCorp returned to levels seen a year ago in July. Maruti sold 1,08,064 units — a sequential growth of 88.2% and annual decline of 1.1%. Tractors, as expected, were the outlier. M&M sold more tractors than sports utility vehicles for a third straight month. Analysts say these numbers should add buoyancy to the auto counter on Monday.

Macroeconomic data: On the macro front, market participants would be eyeing **Markit India Manufacturing PMI** on Monday and Services PMI on Wednesday to get a sense of what is going on in the economy and for signs of faster revival from the Covid-19 disruption. The IHS Markit India Services PMI increased to 33.7 in June 2020 from the second-lowest reading of 12.6 in the previous month. The Manufacturing PMI stood at 47.20 in June as compared with 30.80 in May. A print below 50 indicates contraction in business activity.

Technical outlook: Nifty50 posted a red weekly candle after rallying for six weeks consecutively. "The index is overbought in the short term and may witness profit booking led by weakness in heavyweights like RIL and HDFC Bank," said Jimeet Modi, Founder and CEO, Samco. Selling pressure in Nifty50 at higher levels and weakness in Bank Nifty are likely to drag the benchmark lower. "We maintain a bearish outlook and expect Nifty to retest the 10,600 level within a couple of weeks," Modi said.

Covid-19 update: The pandemic still seems far from peaking out, as the number of cases continued to rise across the world. As per the latest update, active cases in India stood at around 6 lakh, while 11.46 lakh people have recovered from the pandemic thus far. "The market seems to be in a consolidation mode with the momentum slowing down in the last couple of sessions. This trend is expected to stay such since the Covid-19 uncertainties continue. Investors are advised to remain cautious and accumulate quality stocks in this uncertain environment," said Vinod Nair, Head of Research at Geojit Financial Services.

Dollar weakness: The greenback is another factors equity investors are going to watch keenly. A sliding US dollar is buttressing the case for a further recovery in Asian shares despite jitters caused by spikes in coronavirus cases. The drop in the greenback -- about 4% in July alone -- may spur flows to Asian markets, fund managers and strategists said. "A weaker US dollar tends to be beneficial for Asian equities," Bloomberg quoted Ayaz Ebrahim, a portfolio manager at JPMorgan Asset Management in Hong Kong, as saying.

Global cues: On the global front, investors will be eyeing macroeconomic data from world's largest economy, US, starting with PMI data followed by Redbook and factory orders on August 4, balance of trade, export and import, Markit Services PMI on August 5, jobless claims on August 6 and finally unemployment rate and **Baker Hughes Total Rig Count** on August 7.

Oil price changes: OPEC is planning on reversing some of the output cuts initiated earlier this year heading into August, and any impact of this on crude prices will be another factor to watch.