

MIDNIGHT NEWS UPDATE - 23rd Oct 2019

- India's capital market regulator, SEBI, has issued a comprehensive framework for listing of commercial paper (CP) on the exchanges. Commercial paper may have been in the news for the wrong reasons during the NBFC fiasco but now SEBI has issued a proper framework for getting these CPs listed with a view to broadening investor participation. Companies desirous of listing CPs will have to file with the exchanges giving information related to director and auditor changes in last 3 years. ALM details will also be called for to avoid the risk of any potential asset liability mismatch in the balance sheet.
- Bad market conditions may be the right time to accumulate beaten down stocks and Axis Mutual Fund may be doing just that. In fact, Axis Mutual Fund is aggressively adding auto stocks to its equity portfolio. Auto stocks may be down sharply in the last one year due to demand slowdown and funding constraints, but that is not stopping Axis Mutual Fund from turning aggressive buyers in auto stocks. Axis MF is betting on demand revival and better liquidity conditions in the next 2 years even as stimulus measures leads to demand expansion. Axis added to its stake in Maruti, Eicher and Motherson.
- Boris Johnson threatens to pull BREXIT deal and call fresh elections after his withdrawal bill was defeated in the House of Commons. The House blocked Johnson's "Withdrawal Agreement Bill" to forcibly pull UK out of the EU within 9 days. The House voted 322-308 against the fast track timetable put up by Johnson. However, Johnson confirmed that he would go ahead with his "No Deal" BREXIT plan. EU is yet to give its verdict on the BREXIT extension plan, but Johnson may soon call for fresh elections. Public sentiments are strongly favouring Johnson and the Conservative Party.
- In an aggressive move, India is mulling sanctions on Turkey and Malaysia over the Kashmir issue. With oil traders weighing a boycott on Malaysia palm oil imports over his Kashmir remarks, there may be business level sanctions on these two nations. Both Turkey and Malaysia, had sided with Pakistan at the United Nations General Assembly (UNGA) over the Kashmir autonomy issue. These curbs could also include quality tests and safeguard taxes. India has a trade surplus with Turkey but a deficit with Malaysia but Malaysia also has a large Indian migrant population and that could pose a challenge.
- For Indian stock markets, the big story on Tuesday was the whistleblower allegations on Infosys leading the stock down by 17% on class action suit worries. Meanwhile, the US markets surged higher on the back of strong earnings expectations although Facebook stock did prove to be an overhang on the NASDAQ. Dow lost value late in the day due to the BREXIT bill rejection. But the real action in the US is what happens to the Infosys class action suits. In the light of the whistleblower allegations made against the company, a leading law firm in the US is planning a class-action suit against the company. This suit is to compensate investors for the loss in market value post the whistleblower allegations. The allegations pertain to forced revenue recognition on large contracts and non-adherence to accounting standards.
- Brent crude closes 126 bps higher at \$59.70/bbl on OPEC output cut assurance and US-China trade talk hopes. Weak demand and growth concerns held oil prices under the \$60/bbl mark. However, on Tuesday the oil prices showed some strength after the OPEC gave assurances that it would continue to cut oil supplies to bring about greater demand / supply equilibrium. OPEC members are currently cutting 1.2 million bpd. BREXIT outcome and the US-China trade talks will hold the key.

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