

## MIDNIGHT NEWS UPDATES

- Aurobindo Pharma cancelled the proposed acquisition of the Novartis dermatological business for which Aurobindo had made a joint bid along with Sandoz. The deal was worth \$900 million and was supposed to give Aurobindo a strong foothold in the lucrative US dermatological space. However, the deal had to be called due to the delays in the approval by the US Federal Trade Commission (FTC). Considering the persistent delays and the uncertainty globally over the CONVID-19 pandemic, Aurobindo eventually decided to call of the deal. This will be positive in the short term due to debt avoidance.
- The US jobs data came in as a big shocker for the second week in succession. It was another week of record joblessness in the US as the crisis deepened with rapidly rising COVID-19 cases in the US. The jobless claims had touched a record 3.3 million in the previous week and this week it has doubled to a new all time record of 6.6 million jobless claims. That was one of the reasons for the US markets falling sharply on Thursday. This sharp rise in the US jobless data also led to European markets losing value despite getting off to a strong start. This basically hints at the US economy going into a virtual halt.
- Reliance Industries will raise Rs.25,000 crore via non convertible debentures (NCD). Considering the size, the fund raising will be done in tranches and on a private placement basis. The stock has already corrected nearly 29% since January which is approximately equity to the correction in the Nifty overall during the same period. The Reliance promoters have been consistently buying shares of the company to underline their confidence in the stock. The Ambani family recently purchased RIL shares to the tune of Rs.9145 crore from the open market. RIL market cap now stands at higher than TCS.
- The new rates on small savings products have become effective from April 01, 2020. The rates on Post Office term deposits up to 3 years have been cut by 140 bps to 5.5%. Even the rates on SCSS has been cut from 8.6% to 7.4%, taking away one of the major attractions for senior citizens. Now NSC will earn just 6.9% while PPF will pay just 7.1%. Even the Sukanya Samriddhi for the girl child, will now earn just 7.6% as compared to 8.4% before. For the Kisan Vikas Patra, the rates have been downsized from 7.9% to 6.9%. The maturity of the KVP has also been extended from 113 months to 124 months.
- One of the outcomes of the sharp correction on account of COVID-19 has been that Asian valuations have dropped to a 15-month low. According to data put out by Refinitiv, MSCI Asia Pacific index saw its P/E ratio fall to 11.79 as of Mar-20 compared to 14.19 as of Dec-19. This is lower than the 13.39, which is the average P/E of the MSCI World Index. Countries like Indonesia, India, Vietnam, Philippines and New Zealand saw the massive compression in valuation during the last quarter. As of March 2020, the P/E ratio of South Korea was the cheapest at 8.89 followed by China at 8.94 and Vietnam at 9.06. Despite the sharp correction, New Zealand remains the most expensive at P/E of 23.72. However, the current market strategy continues to be risk-off, which means emerging markets will be of the radar.
- COVID-19 situation continues to remain grim as of end of 02 April. The number of confirmed cases in the world crossed 9.65 lakhs (only 40,000 new cases) with more than 49,200 deaths. The good news is that the number of people who recovered was up by 81% in a single day and that is encouraging. The US leads the list of COVID-19 affliction cases with over 2.17 lakh and a death toll of 5145. Italy continues to lead but fresh cases and deaths have flattened at 13,150, followed by Spain at 10,000. UK is the big growing risk with 34,000 cases and close to 3000 casualties. UK saw 570 casualties on 02 April.

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