



STUDY ON MARKET OUTLOOK FOR QUARTER 3, 2020 AND MONEY FLOW ANALYSIS OF QUARTER 2, 2020 AMIDST UNLOCK PHASE IN INDIAN STOCK MARKET

BY -DR.B. B. KAMBLE – SHRI CHINAI COLLEGE OF COMMERCE & ECONOMICS

AND

Prof. SAGAR ASRANI – SHRI CHINAI COLLEGE OF COMMERCE & ECONOMICS

ABSTRACT

The challenges faced by the Indian financial markets were at an all-time high during the first half of the year 2020. The Country was not only economically but also socially affected during the initial spread of the COVID-19 pandemic and lockdown phase in Q1. However, there is an attempt in this study to highlight the key sectors that have bounced back in Q2, during the unlock phase and where the Smart money has shifted its focus, post unlock announcements, along with market money flow analysis and technical setup of the market. Also, there is an attempt to give a future outlook and highlight investment opportunities in sectors that are likely to benefit in Q3.

Keywords – Quarter 2, Technical analysis, money flow, Unlock phase

INTRODUCTION

Amidst the unlock phase in Q2, stock markets across the world have seen a very sharp V shape recovery. However, the compulsion of the fund managers in mutual funds to stay invested in markets at all times, does give rise to the concept of sector rotation. Therefore, there are some sectors which had a sharp bounce back in Q2 (July to September, 2020). There is an attempt in this study to highlight the performance of those performing sectors which have contributed to the surge in Indian benchmark indices NIFTY & SENSEX in Q2. Also, there is an attempt to give recommendations and future outlook for Q3 (October to December, 2020).

Objective of the study

- To analyze the preferred sectors by FIIs & DIIs, during pandemic in Q2
- To study the various factors influencing buying decision of smart money in different sectors mainly Energy, Pharmacy & IT
- To study the various factors that have still kept major heavyweight sectors like Banks and Real-estate under pressure
- To analyze the sectors that can attract the attention of fund managers in coming quarter, given the unlock guidelines and reopening of the economy.

RESEARCH METHOD

- Primary data has been collected from various stock market analysts by interview method.
- Secondary data is collected from charting software (Market Pulse), Stock Edge APP, NSDL, AMFI and NSE official websites.

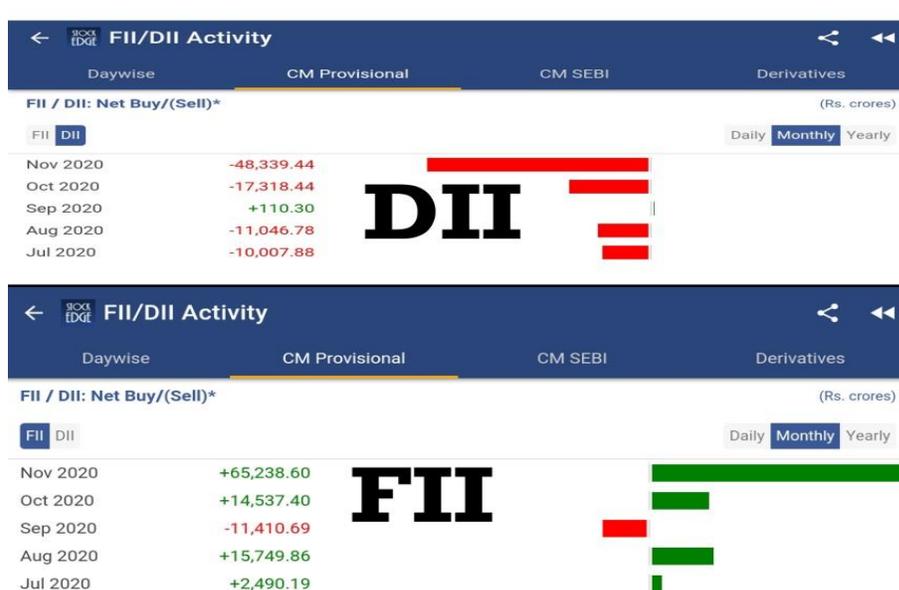
RESEARCH DESIGN

- Data derived from official websites and reputed apps has been used to understand the money flow of fund managers.
- Sector wise demand and supply in the said period has been analyzed to understand the preference of fund managers in their portfolio.
- Confirmation of the sectors witnessing demand and sectors witnessing supply has been taken with reference to the price action in those respective sectors using technical analysis.
- Along with data points, market sentiment for future outlook in Q3 has been derived from personal & telephonic interviews and live streaming chats with market experts.

ANALYSIS OF DATA

- Net position of the FII in India, year on year basis has remained negative in the year 2020. They have been net sellers by approximately Rupees 63,000 crores till the end of Q2.
- Net position of DII has been positive on cash market. They have been net buyers in Q2 as well year on year basis in 2020 by approximately Rupees 58,089 crores, till the end of Q2.

The following table shows monthly net position data of FII & DII in Q2



- Conservative buying approach created due to the bearish sentiment created by pandemic had highly influenced the FII, HNI, Retailers to build conservative portfolio in Q2; consequently muted buying was witnessed across almost all of the sectors but barring sectors like IT and Energy.
- FII were net buyers in Q2 by approximately Rupees 6,829 crores.
- Nifty and bank nifty Index were testing 61% retracement levels on charts.
- However, mild buying was seen by DII which offered some support to index stocks especially heavy weight bank nifty private banks.
- DII remained net sellers in most of the sectors in Q2. Approximately by Rupees 20,943 crores in cash market.

Following chart shows the good performance of IT sector and Energy sector vis à vis muted performance of Bank Nifty and Nifty in Q2.



FINDINGS & CONCLUSION

- Economic disturbance created due to COVID-19 pandemic had kept the economic environment very vulnerable in Q2, 2020.
- Some respite offered by the Government in terms of bail out packages and unlock guidelines proved worthy in restoring confidence in the Investors.
- 3 out of the 4 major financial market participants i.e.: FII/FPI, HNI, Retailers were positive on the markets.
- Only DII were net sellers of the markets.
- IT sector, due to the “new work from home culture” prevailing amongst corporates, was one amongst those sectors which did not witness much disturbance in business operations. Consequently, stocks like TCS, HCL TECH and INFOSYS were preferred investment bets in IT sector in Q2.
- Energy sector in the hope of opening up of factories and bail out packages for MSMEs did show a decent bounce back.
- Worst performing sectors were the banks and financial sectors. Due to job loss, migration, lockdown etc., people have faced a severe monetary issue, which has consequently affected their ability to repay loans to banks.
- Expected increases NPA in retail segment have kept banking stocks under pressure but they are expected to improve in Q3, if normalcy restores.
- With increasing needs of sanitation, pharmacy and health care industry is expected to attract investors in Q3.
- Need of social distancing is expected to benefit the Auto sector as well. Especially, given the festive season lined up in Q3 which traditionally has been good for the auto sector, it is also expected to perform well and catch attention of Institutional investors.

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