

Jittery FIIs make it a Black Wednesday

Sensex crashes 723 points as foreign investors press the sell button on MAT, reform worries

The stock market hit the skids on Wednesday with the BSE Sensex and the Nifty plunging to their lowest levels since January as foreign investors, worried over MAT taxation and the progress of the reforms programme, led a major sell off. Weak global cues from rising bond yields in the Euro Zone and a lacklustre earnings season added to the disquiet.

On Wednesday, the Nifty declined 228 points, or 2.74 per cent, to 8,097, while the Sensex fell 723 points (2.63 per cent) to close at 26,717. Over ₹2.89-lakh crore of investor wealth was wiped out.

Across the board impact

All indices closed in the red across the board, with banking, metal, oil and capital goods benchmarks shedding 3-4 per cent. Bharti Airtel was the only BSE Sensex-30 stock to close in the green.

The market was volatile throughout the trading session with the volatility index India Vix closing at 19.6700 up 13.27 per cent.

Continuing fall

“The Sensex has lost nearly 2,400 points (over 8 per cent) in the last three weeks primarily on account of the concerns pertaining to the FIIs’ taxation (MAT) issue, the nervousness surrounding the March quarter earnings season, and the possibility of a second consecutive year of weak monsoon,” said Hitesh Agrawal, Head – Research, Reliance Securities.

“The possibility of a slower-than-expected economic recovery has also hurt sentiments in the short term.” FIIs offloaded net equities worth ₹1,700 crore, while DIIs (domestic institutional investors) went net long to the tune of ₹1,455 crore.

FIIs net sold ₹1,924-crore worth contracts on index futures, and bought ₹1,832-crore worth contracts on stock futures.

On the BSE, retail investors bought net equities worth ₹164 crore.

Investors are also worried about the pace of reforms and the passage of key pieces of legislation.

Lacklustre earnings season

Vinod Nair, Head-Fundamental Research, Geojit BNP Paribas Financial Services Ltd, said that the consolidation will end only when the extent of earnings downgrade and the outcome of the Land Bill and GST Bill in the Rajya Sabha are known.

“These will decide the immediate course of action.”

Arun Kejriwal, Founder KRIS Research, said that though interim relief has been granted on the issue of MAT to foreign investors, worries remain.

“Whether today’s sale in the market will put pressure on the government or not is not clear,” Kejriwal said.

Vikas Gupta, Executive Vice-President & Fund Manager, Arthveda Fund Management, said the rising yield on sovereign bonds in developed markets, especially the German bonds, was one of the reasons for the sell-off.

He said that the meltdown could also be related to the worries in the Euro Zone, especially over Greece.

“An increased sovereign bond yield means higher discount rates for everything and hence asset prices have to come down,” Gupta said.