

Nifty PSU Bank index defies negative market trend, surges nearly 3.5% intraday - BoB, BoI, Canara Bank gain over 5%

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Defying the weak market trend during Tuesday's session, shares of public sector undertaking (PSU) banks have zoomed up to 6 per cent on the exchanges, taking the Nifty PSU Bank index up nearly 3.5 per cent intraday on the NSE against a 0.3 per cent fall in Nifty50 index at around 12 PM.

Among the PSU banks index, Bank of Baroda (BoB) shares jumped by almost 6 per cent, mainly on the back of robust first-quarter earnings in FY23, followed by Bank

of India which was up by over 5 per cent. Canara Bank and UCO Bank shares advanced around 4-5 per cent on the NSE intraday today.

Similarly, Union Bank of India shares gained almost 4 per cent, whereas Punjab National Bank, Central Bank, Maharashtra Bank, and Indian Overseas Bank each up around 2-3 per cent on the NSE intraday. State Bank of India share price was up around 1.50 per cent on the NSE intraday today.

Among other PSU bank stocks, BoB shares were surging for the second straight session, and it touched a new 52-week high level of Rs 123.5 per share. Earlier last week, the bank reported 79.3 per cent year-on-year (YoY) growth in its net profit at Rs 2,168 crore in the first quarter of fiscal 2022-23 (Q1FY23), on the back of a dip in provisions for bad loans.

On a 12-month horizon, PSU banks have outperformed the Bank Nifty, although the margin of out-performance has narrowed now, said Kotak Institutional Equities, stating that decent June -quarter earnings print saw a broad-based rally in BFSI indices, including PSU Bank index.

Amid improving credit growth of the banking sector, CareEdge, a research and rating agency company, estimated that the credit growth to be in the range of 12-13 per cent during FY23. However, high inflation and rate hikes could adversely impact credit growth, it added.

"Gradual pick-up in corporate book coupled with healthy offtake in retail segment to lift overall growth trajectory. While the faster repricing of loans in a rising rate scenario to aid margin trajectory. We expect return ratios to improve, thereby, aiding valuations," ICICI Securities said in report.