Global Stock Markets' Round-up– October 2020

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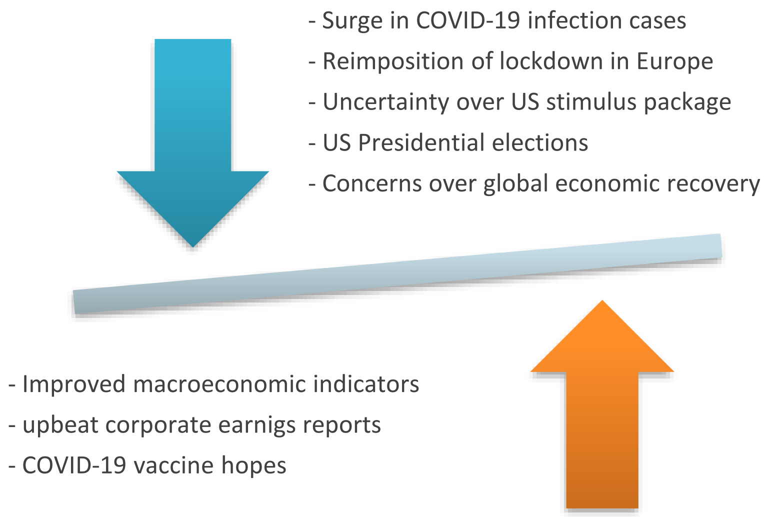
The report covers market movements in select major stock exchanges across the US, Europe and Asia (including India) to give a bird's eye view on various factors that drove the markets during the month.

Table 1: Stock market movements in September 2020

Country	Stock Exchange	Closing on 30-Sep-20	Closing on 30-Oct-20	% change
US	Dow	27,782	26,502	-4.6
US	NASDAQ	11,672	10,912	-6.5
US	S & P 500	3,363	3,270	-2.8
UK	FTSE 100	5,866	5,577	-4.9
Germany	DAX	12,761	11,556	-9.4
France	CAC 40	4,803	4,594	-4.3
Japan	Nikkei 225	23,185	22,977	-0.9
South Korea	Kospi	2,328	2,267	-2.6
China	Shanghai Composite	3,218	3,225	0.2
India	Sensex	38,068	39,614	4.1
India	NIFTY 50	11,248	11,642	3.5

Source: WSJ, CNN, BSE, NSE

Drivers and draggers of markets



Source: CARE Ratings

US stocks

- In October 2020, all three major US stock markets closed the month on a weaker note. DJIA fell by 4.6%, S&P was 2.8% lower while fall in NASDAQ as at 6.5% over end-September. Worries over health of the US President's health following COVID-19 contraction at the beginning of the month, cautiousness over the US Presidential elections, surging infection cases in the US and Europe, lockdown restrictions imposed by countries in the second half of the month, deadlock in the US stimulus package, uncertainty surrounding the economic outlook and blow to vaccine trials of Johnson and Johnson and AstraZeneca weighed heavily on the sentiments. However, better economic data for the US, IMF's partial upward revision in global growth, upbeat corporate earnings reports and hopes over vaccine development helped in curtailing the losses.

European stocks

- **European stocks** closed lower by tracking losses in its US counterparts. Germany's DAX fell by considerable 9.4% while France's CAC 40 was 4.3% lower than the month ago level. Primary dragger was surge in COVID-19 infection cases in European countries that led to re-imposition lockdown restrictions by several countries. Investors were also cautious over the US stimulus package and Presidential elections. However, ECB's monetary policy stimulus, improved economic indicators - increase in factory orders, trade, inflation, strong corporate earnings along with Pfizer vaccine hopes reports supported the indices.

- **UK stock market** closed the month on a lower note (fall by 4.9%) in October 2020. Investors continued to track losses in European and the US markets whereas domestically surge in infection cases, imposition of lockdown measures, weak jobs reports, weak data on household finances and the lack of progress in Brexit negotiations further weighed on the index. Unveiling of a new economic support package and better than expected corporate earnings season lent partial support to the sentiments.

Asian stocks

- **Japan stock market** (Nikkei 225) closed the month on a partial weaker note – down by 0.9% month on month. Investors mostly tracked the weakness in its global peers. An increase in unemployment rate domestically, uncertainty over global economic recovery highlighted by the IMF, intermittent stalling of vaccine trials, concerns over heightened infection cases globally, dampened hopes over extra stimulus budget by Japan government, worries over US stimulus package and Presidential elections, reduction in economic and price forecast by the bank of Japan outweighed upbeat PMI composite data, ease in restriction in several Asian countries, encouraging trade data from China, better than expected corporate earnings season and vaccine hopes.

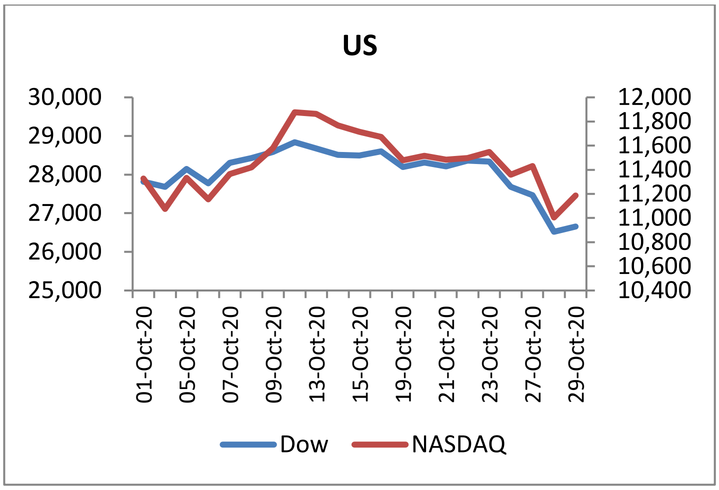
- **Shanghai composite** remained near stable in the holiday truncated month, gaining marginally by 0.2%. Policy support from People's Bank of China by injecting CNY 500 billion worth of medium-term loans into the banking system while keeping borrowing costs unchanged at 2.95%, liquidity injection worth CNY 120 billion in financial system, ease in foreign exchange policy, continued support the micro, SMEs, and individual business owners by implementing related policies and signs of economic recovery with improved macroeconomic indicators (increase in PMI, rise in industrial production, retail trade, upbeat corporate earnings reports). The gains were curtailed with surging infection cases in Europe and the US, subsequent lockdown announcements by European countries, downward revision in Asia pacific growth by the IMF, dampened expectations over US stimulus package, cautiousness ahead of the US Presidential elections, below market expectation GDP growth for Q3 at 4.9%, and reports of new local transmission of COVID-19 infection cases.

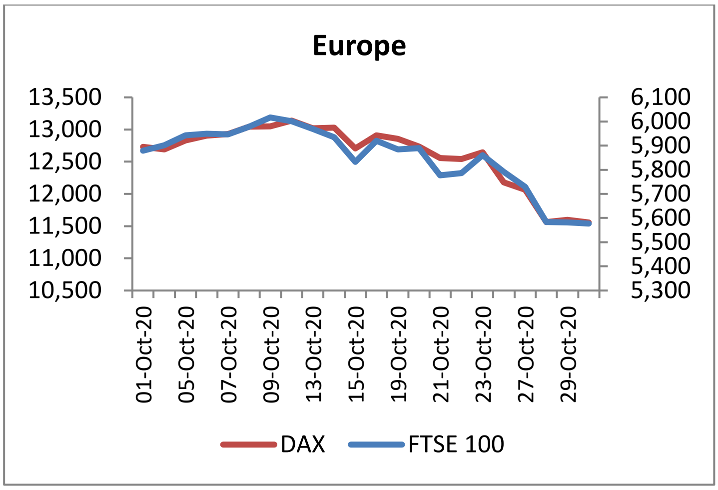
- **South Korean market** closed the month lower by 2.6% month on month basis. Investors' tracked losses in US, Europe and other Asian markets owing to deadlock in US stimulus negotiations, surging infection cases in Europe and the US, new lockdown measures announced by European countries to curb the spread of second wave of infections, mixed corporate earnings reports, uptick in infections cases in South Korea with sporadic cluster infections and bleak GDP outlook presented by Bank of South Korea. The losses were curtailed following improved macroeconomic indicators (trade, PMI – manufacturing, increase in inflation indicative of improved demand, improved consumer sentiments, business confidence, industrial production, retail sales), a status quo maintained by Bank of South Korea with accommodative stance, upbeat GDP data (1.9% growth in September quarter), hopes over vaccine development. Sentiments were bolstered after President announced full scale measures to invigorate the economy, suggesting a record a high budget.

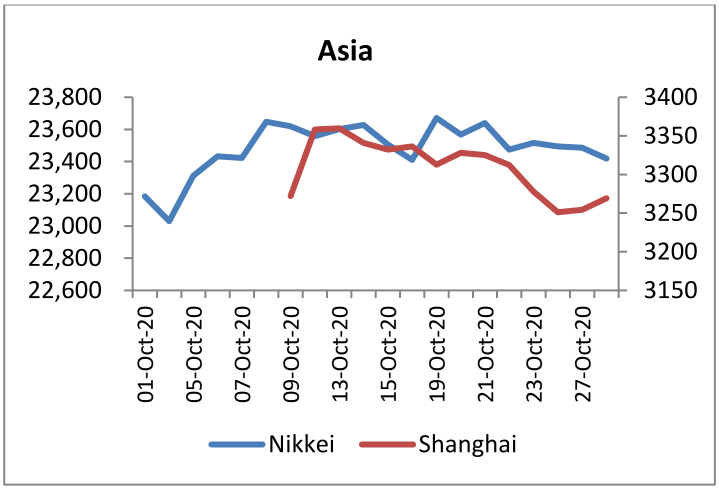
Indian markets

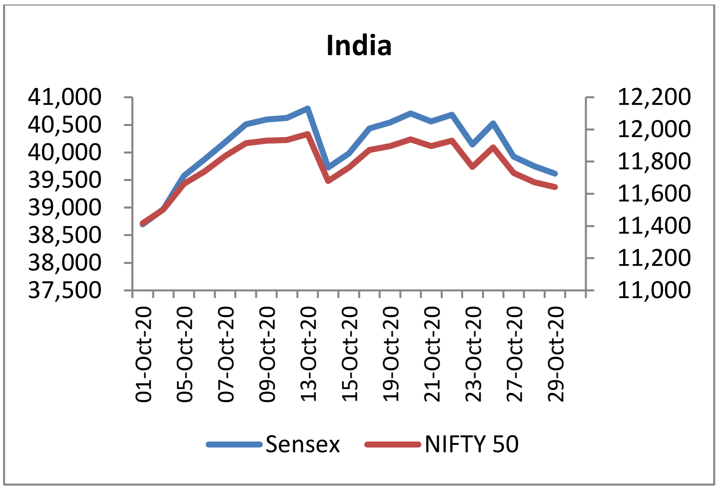
- The **Indian equity markets** closed higher with Sensex and Nifty 50 gaining around 4% by October 2020 end. Sentiments were bolstered following the government waiving the compound interest on loans up to Rs. 2 crore, FM's announcement to boost consumption and investment, strong corporate earnings reports, further ease in restrictions, moderation in daily infection cases, expectations over COVID-19 vaccine by year-end, company specific announcements (buyback, acquisitions etc.) and improvement in some of the high frequency indicators drove the indices higher. However, weak data on industrial output, high retail inflation, downward revision in India's growth forecast by the IMF, surge in infection cases globally, non-agreement over GST compensation cess between the Central and the state governments and weak fiscal position weighed on sentiments, limiting the upside.

Annexure: Monthly trends of select stock exchanges









Source: WSJ, CNN, BSE, NSE

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