

Stock Market Watch – July 2020

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.

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Table 1: Stock market movements in July 2020

Country	Stock Exchange	Closing on 30-Jun-20	Closing on 31-Jul-20	% change
US	Dow	25,813	26,428	2.4
US	NASDAQ	10,059	10,745	6.8
US	S & P 500	3,100	3,271	5.5
UK	FTSE 100	6,170	5,898	-4.4
Germany	DAX	12,311	12,313	0.0
France	CAC 40	4,936	4,784	-3.1
Japan	Nikkei 225	22,288	21,710	-2.6
South Korea	KOSPI	2,108	2,249	6.7
China	Shanghai Composite	2,985	3,310	10.9
India	Sensex	34,916	37,607	7.7
India	NIFTY 50	10,302	11,073	7.5

Source: WSJ, CNN, BSE, NSE

US stocks

All three major US stocks reported gains at closing in July 2020 compared with June 2020. Dow gained 2.4%, S&P rose by 5.5% while NASDAQ closed 6.8% higher than the closing of month ended June 2020. The optimism surrounding development of a safe and effective COVID-19 vaccine, better than expected corporate earnings reports by some of the companies, hopes of early signs of an economic recovery indicated by macroeconomic indicators (improved PMIs, increase in retail sales) along with assurance of monetary stimulus by Federal Reserve to support slowing economy supported investors’ sentiments. However, uncertainty over the COVID-19 related fiscal stimulus by the US government (US\$1 trillion), reinforcing of lockdown measures by some US states following spike in infection cases, contraction in US economy by a record 32.9% in Q2 2020 and deteriorating US-China relations limited the upside to indices.

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European stocks

- **European stocks** lost momentum July 2020 and closed lower (DAX near unchanged at month ago level and CAC 40 declining by 3.1%). Investors in the European markets were anxious over the second wave of pandemic amidst rising coronavirus infection cases in the region leading to expectations of re-imposition of lockdown by countries, weak corporate earnings reports, and fears over deeper recession in the Eurozone economy (-11.9% in Q2 CY20). European Union recovery fund aggregating €750 bn for the EU nations, vaccine hopes and certain positive macroeconomic releases from the European region (improvement in UK retail sales, French business activity and Germany's manufacturing sector) helped in curtailing the downside.
- **UK stock market** lost 4.4% as the latest rounds of Brexit negotiations came to an end without any development along with rising infection cases, weak corporate earnings reports and contraction in the UK economy by 2.2% in Q1 of 2020 despite additional fiscal stimulus measures by the UK government.

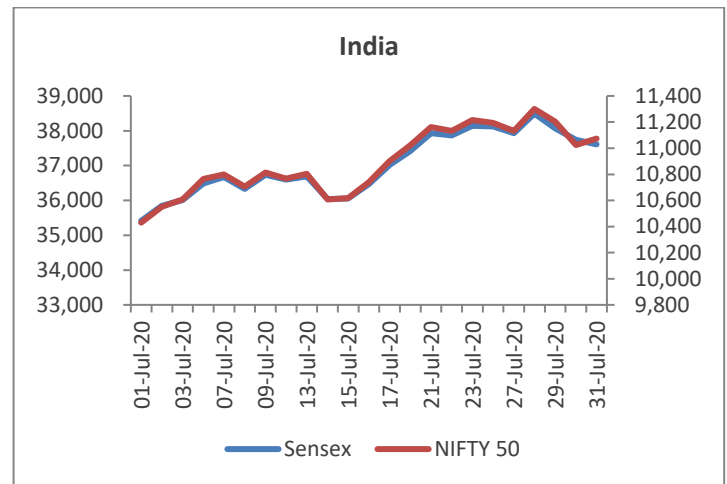
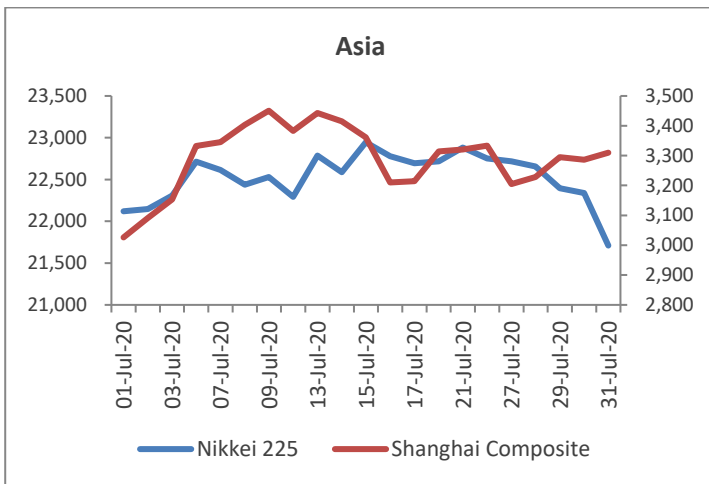
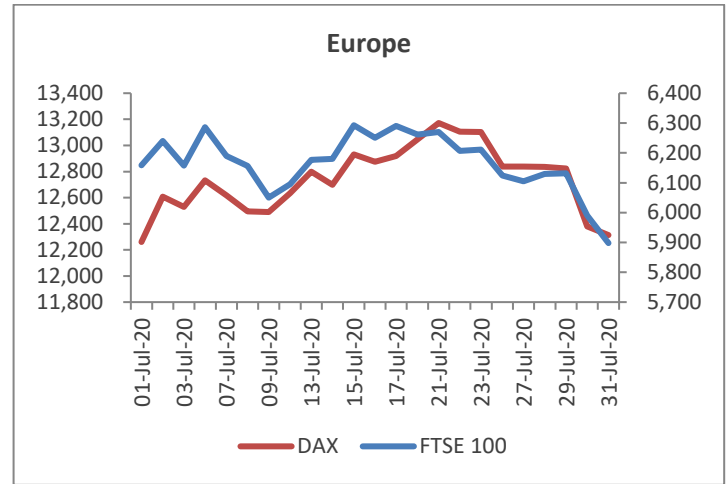
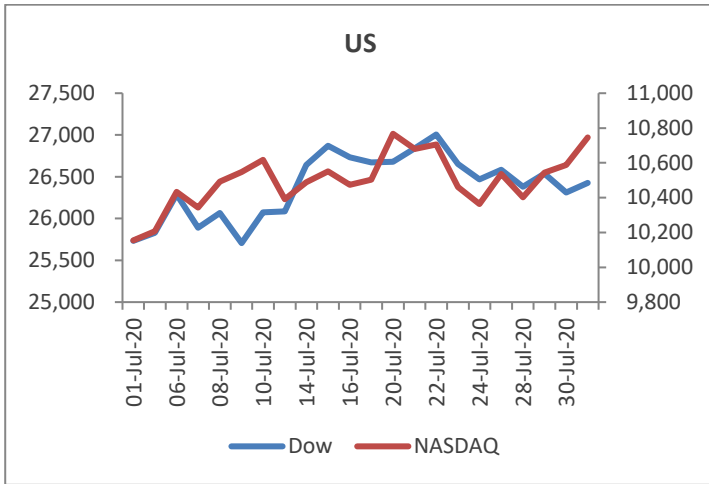
Asian stocks

- **Japan stock market** ended the month down by 2.6% over June 2020. Continued spread of COVID-19 infections, halt in economic activities, weak outlook for the economy and strength in Yen being a safe haven currency weighed on market. However, increase in spending on public health infrastructure facilities by the government, developments in COVID-19 vaccine and Bank of Japan's likely intervention in purchase of exchange traded funds gave some respite.
- **Shanghai composite** in China closed higher in July 2020 by 10.9%. Investors' sentiments were buoyed by better than expected macroeconomic data, resumption of economic activities, upbeat market commentary from the state media coupled with hopes of an economic recovery. In addition, capital market reforms along with continued support by the government to bolster economy coupled with status quo maintained by Bank of Japan and increase in the limits of insurers' investment in equity shares further lifted the sentiments.
- **South Korean market**, KOSPI, added 6.7%, during the month of July 2020, with better than expected macroeconomic indicators (increase in industrial production, retail sales, consumer confidence, and decline in unemployment) along with fiscal and monetary stimulus measures by global economies. Sentiments were further lifted after the Bank of Korea approved an 8 trillion won (\$6.64 billion) loan to a special purpose vehicle (SPV), to be set up by Korea Development Bank. However, contraction in GDP by 3.3% for the quarter ended June 2020 and looming coronavirus scare kept the investors wary.

Indian markets

- In July 2020, the **SENSEX** rose by 7.7% while **Nifty** gained by 7.5% over June 2020. Expectations of gradual revival in corporate performance in the subsequent quarters, partial easing of lockdown measures barring certain most affected parts of the country, hopes over early development of vaccine, increase in foreign investment flows in equity segment and de-escalation of border tension with China supported the index in June. Globally, fiscal and monetary measures announced by global central banks further supported investors' sentiments. However, surge in infection cases domestically along with profit booking by the investors limited the upside.

Annexure: Monthly trends of select stock exchanges



Source: WSJ, CNN, BSE, NSE

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