

INDEX HITS RECORD HIGH

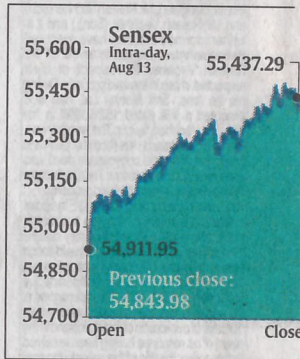
Sensex at 55K: Retail investors drive rally amid high valuations

ENSECONOMIC BUREAU

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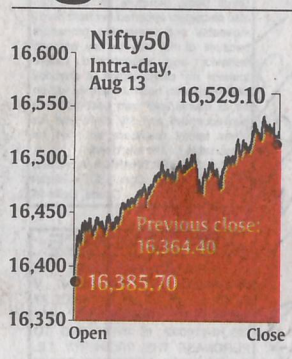
THESENSEX on Friday crossed the 55,000-mark and hit a record high on sustained buying support by retail investors and mutual funds. Led by tech stocks, the benchmark index shot up 593 points, or 1.08 per cent, to close at 55,437.29 and the Nifty50 rose by 165 points, or 1.01 per cent, to 16,529.10, even as experts cautioned retail investors to be extra vigilant and advised against putting money in stocks when valuations are high.

The equity market rally raged through the frontline indexes and the major sectors amid the optimism on future earnings and the recovery on the economic front. The current week saw the Nifty and Sensex touching all-time highs, inviting even those on the



side-lines to join the rally. TCS shot up by 3.22 per cent. However, mid-and small-cap indices remained sluggish. The IT index gained 1.54 per cent, capital goods 1.8 per cent and capital goods 1.58 per cent.

Meanwhile, the rupee reversed its intra-day losses to close almost flat at 74.24 against the US dollar on Friday, tracking a strong



rally in domestic equities. Besides, a weak greenback against its major rivals and lower crude prices also helped the rupee to recover.

Retail investors and mutual funds are driving the ongoing bull rally, analysts said. The retail holding of NSE-listed companies hit a record high of 7.18 per cent in the June quarter, in line with the sharp

rise in new investor accounts over the last 18 months and a jump in retail participation in both secondary and primary markets. It stood at 6.42 per cent in December 2019. "Retail investors are buying stocks without any serious consideration for value. Now, we don't know when and how this rally will end. But we know it will end ... and when it does, the new retail investors who have flocked to market recently will be hit hard," said VK Vijayakumar, chief investment strategist, Geojit Financial Services.

On the other hand, aided by new fund offers and bullish stock markets, equity mutual funds saw record inflows worth Rs 22,583.52 crore in July, compared to Rs 5,988.17 crore in June. "The market has not seen a correction in the recent past. Investors should not burn their fingers in the rally," said BSE broker Pawan Dharmidharka.