

Significant pressure witnessed in Indian equities; investor sentiments get affected by COVID-19 variant - Omicron..

| Index | Today's Close | Prev. close | Change | % change | Open | High | Low |
|---------------|---------------|-------------|----------------|--------------|-----------|------------------|-----------|
| Sensex | 56,747.14 | 57,696.46 | -949.32 | -1.65 | 57,778.01 | 57,781.46 | 56,687.62 |
| Nifty | 16,912.25 | 17,196.70 | -284.45 | -1.65 | 17,209.05 | 17,216.75 | 16,891.70 |

- 1) Indian benchmark indices continued to be under pressure led by concerns of COVID-19 variant Omicron across the globe. Domestically, too there has been gradual increase in COVID-19 cases due Omicron variant which has affected investor sentiments.
- 2) The Sensex was down by 949.32 points or 1.65 percent to end at levels of 56,747.14. The Nifty was down by 284.45 points or 1.65 percent to end at levels of 16,912.25. Among the Sensex 30 stocks, IndusInd Bank fell by 3.7 percent, Bajaj Finserv declined by 3.3 percent, Bharti Airtel declined by 3 percent, TCS, HCL Technologies, Tech Mahindra and Infosys were down 2.5 - 2.9 per cent each. Reliance Industries was down by 1.8 percent. Dr.Reddy's, Asian Paints, Maruti and NTPC were the other significant losers.
- 3) The Nifty was down by 284.45 points to end at levels of 16,912.25.
- 4) The broader markets too were under tremendous pressure. Both the BSE Midcap index and BSE Smallcap index were down by 1.4 percent each.
- 5) Today, FIIs sold equities worth Rs. 3,361.28 Crore. In the month of December 2021 till date, FIIs have sold equities worth Rs. 10,393 Crore as against Rs. 39,901.92 Crore in November 2021.

Sectors and stocks

- 1) Shares of Eris Lifesciences rallied by 10 per cent to Rs. 773.40 on the BSE in Monday's early morning trade after the pharmaceutical company on Friday said it has formed a joint venture (JV) with Mumbai-based MJ Biopharm to enter the insulin segment. The stock had hit a 52-week high Rs 863.15 on October 19, 2021. Eris MJ Biopharm, the 70:30 joint venture (with Eris holding a 70 per cent stake), would primarily engage in marketing and distribution of human and analogue insulin including Aspart, Glargine and Lispro and GLP-1 agonists and potentially other biopharma products in India. MJ will be responsible for the development, manufacturing and supply of these products to the JV. The purpose of entering into the agreement to expansion of product portfolio to offer biotherapeutic options to the patients in cardio-metabolic segment, Eris said in statement. The JV marks the foray of Eris into the field of Biopharmaceuticals. The JV shall source recombinant human insulin and insulin analogs from the supplier and shall market and distribute them in the domestic market. The first of such products to be commercialized will be 'Recombinant Human Insulin' which is to be marketed in vials and cartridges, the company said. It further said, more bio-therapeutic formulations are proposed to be launched by the JV over time, upon completion of product development and commercialization by the supplier. Eris now bridges an important gap in its diabetes care portfolio through the joint venture with MJ Biopharm in order to leverage the market opportunity in Human Insulin, Insulin Analogues and GLP1 agonists, it said.
- 2) Shares of JBM Auto rallied by 11 per cent to Rs. 1,147.95 on the BSE in Monday's early morning deals ahead of the company's board meeting to consider stock split from face value of Rs. 5 to a lower denomination. JBM Auto on November 19, 2021 said that the board of directors of the company is scheduled to meet on Wednesday, December 8, 2021 to consider and approve the proposal of sub-division of company's equity shares having face value of Rs. 5 each and matters related thereto. Since then, the stock has surged 29 per cent from level of Rs. 891 on November 18. JBM Auto is engaged into the business of sheet metal components, tools & dies. The company is also an Original Equipment Manufacturer (OEM) as it is engaged in the production of passenger buses. JBM Auto became the first company in India to be ready with a BS-VI compliant 12m LF CNG bus for public transportation and Delhi became the first city in the country to add the new-age vehicles to its bus fleet. The product has been powered with the new



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engine which has larger capacity and distinct advantages. For instance, the vehicle can be run at lower RPMs with requisite torque output leading to higher fuel economy.

- 3) Shares of Tarson Products (TPL) hit its lowest level since listing at Rs 630.80 after they fell 5 per cent on the BSE in Monday's intra-day trade. The shares are also down 5 per cent from its issue price of Rs 662 per share. The stock of the healthcare supplier was quoting lower for the sixth straight trading day. The shares had debuted on November 26, 2021 and has declined 32 per cent from its post listing high of Rs 928.65, touched on November 29, 2021. TPL had made a strong stock market debut on the bourses with its shares ending 27 per cent higher (at Rs 840) than the issue price of Rs 662 on debut day.

Key recent major developments..

- 1) The coronavirus Omicron variant is likely to reinforce a downgrade of the International Monetary Fund's (IMF) outlook on the global economy, IMF Managing Director Kristalina Georgieva said on Friday. "Let's be very frank: A new variant that may spread very rapidly can dent confidence and in that sense, we are likely to see some downgrades of our October projections for global growth," Georgieva said at a live-streamed discussion on the global economy. Georgieva said that even before the emergence of the Omicron variant, the IMF had already been concerned about a loss in the momentum of global growth due to the negative impacts of the Delta variant. "The Delta variant proved to be a disruption that caused some additional delays in production" of goods in the United States and China, the leading engines for world growth, she said.
- 2) Activity in India's dominant services sector continued to grow at a robust pace last month supported by a strong recovery in domestic demand, a private survey showed, but elevated price pressures remained a major concern. The Services Purchasing Managers' Index, compiled by IHS Markit, eased to 58.1 in November from 58.4 in October, but last month's rate of growth was the second-best in over a decade and well above the 50-mark separating growth from contraction for a fourth straight month.
- 3) Oil prices were up on Friday, extending gains after OPEC+ said it would review supply additions ahead of its next scheduled meeting if the Omicron variant hits demand, but prices were still on course for a sixth week of declines. Brent crude futures rose 12 cents, or 0.2%, to \$69.79 a barrel, after climbing 1.2% in the previous session. The Organization of the Petroleum Exporting Countries, Russia and allies, together called OPEC+, surprised the market on Thursday when it stuck to plans to add 400,000 barrels per day (bpd) supply in January. Overall, Crude oil prices has declined significantly to around \$70 per barrel from \$86.7 a barrel levels in October which is positive as India imports around 80-85 percent of its oil requirement. The fall in oil prices is owing to fears of COVID-19 variant Omicron which has led to restrictions affecting demand. Several countries increased travel restrictions to avoid the spread of Omicron.
- 4) India's Goods and services tax (GST) collections hit Rs. 1.31 trillion in November, the second-highest in a month since the country introduced this indirect tax system in 2017. The highest monthly collection, at close to Rs. 1.40 trillion, had come in April this year. GST revenues in November were 25 per cent higher than those in the same month last year and 27 per cent more than the corresponding month in the pre-Covid year 2019-20. The collections were also 1.1 per cent higher than the Rs. 1.30 trillion collected in October this year. A finance ministry statement said the GST collection in November was second only to that in April 2021, which had got a push from year-end revenues. It was also higher than last month's collection, which had included the impact of returns required to be filed quarterly, it said. "This is very much in line with the trend in economic recovery," it said. Official data released on Tuesday showed that the economy grew 8.4 per cent during the second quarter of the current financial year. It also surpassed the corresponding pre-covid period of 2019-20 by a tad 0.3 per cent. In the previous quarter, economic growth had declined 9.2 per cent compared to the pre-covid period, even as it rose 20.1 per cent year-on-year.
- 5) IHS Markit Purchasing Managers' Index (PMI) survey fostered confidence on the manufacturing front as the index rallied up to a ten-month high in November due to high domestic demand. PMI rose to 57.6 in November from 55.9 in the previous month, the highest figure since January this year. Moreover, the headline figure was well above its long-run average of 53.6. In the PMI lexicon, a figure above 50 points to growth, while the one below this mark denotes contraction.
- 6) India's GDP (gross domestic product) growth rate for the second-quarter for the financial year 2021-22 came in at 8.4%, as against a contraction of 7.4% in the corresponding period of the previous fiscal year, government data showed on Tuesday. Economic recovery strengthened in the July-September quarter, helped by a pick-up in consumer spending, though the spread of the Omicron coronavirus variant raises fears for the future. "GDP at Constant (2011-12) Prices in Q2 2021-22 is estimated at Rs 35.73 lakh crore, as against Rs 32.97 lakh crore in Q2 2020-21, showing a growth of 8.4 percent as compared to 7.4 percent contraction in Q2 2020-21. Quarterly GVA at



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Basic Prices at Constant (2011-12) Prices in Q2 2021-22 is estimated at Rs 32.89 lakh crore, as against Rs 30.32 lakh crore in Q2 2020-21, showing a growth of 8.5 percent," said Ministry of Statistics & Programme Implementation.

- 7) The fiscal deficit for 2020-21 was 9.3 per cent of the Gross Domestic Product (GDP), better than 9.5 per cent projected in the revised estimates in the Budget in February. The central government's fiscal deficit at end-October worked out to be 36.3 per cent of the annual budget target for 2021-22 due to an improvement in the revenue collection, according to official data released on Tuesday. Fiscal deficit or the gap between expenditure and revenue was 119.7 per cent of the budget estimate of 2020-21 during the corresponding period last year. In actual terms, the deficit was Rs. 5,47,026 crore at end-October, 2021 against the annual estimate of Rs. 15.06 trillion, while total expenditure was Rs. 18.27 trillion, said the data released by the Controller General of Accounts (CGA).
- 8) Last week, on Monday World Health Organisation (WHO) said the Omicron coronavirus variant is likely to spread internationally, posing a "very high" global risk of infection surges that could have "severe consequences" some areas,. The U.N. agency urged its 194 member states to accelerate vaccination of high-priority groups and, in anticipation of increased case numbers, to "ensure mitigation plans are in place" to maintain essential health services. "Omicron has an unprecedented number of spike mutations, some of which are concerning for their potential impact on the trajectory of the pandemic," the WHO said.

Global markets

- 1) Today, the European markets started on positive note. However, US benchmark index - Nasdaq started on a weak note down by 1.92 percent owing to increase in COVID-19 cases.
- 2) Asian peer indices ended on a mixed note. Kospi rallied by 0.17 per cent. Hang Seng and Taiwan Weighted were down by 1.76 per cent and 0.05 per cent, respectively. Japan's Nikkei was down by 0.36 percent despite the government considering raising its economic growth forecast to account for a record \$490 billion stimulus package. Shanghai Composite was down by 0.50 percent.
- 3) Shares of China Evergrande Group fell by 12% to an 11-year low on Monday after the firm said there was no guarantee it would have enough funds to meet debt repayments, prompting Chinese authorities to summon its chairman. The shares fell as a 30-day grace period on a coupon payment of \$82.5 million due on Nov. 6 comes to an end on Monday. Evergrande, once China's top-selling developer, is grappling with more than \$300 billion in liabilities. A collapse could send shockwaves through the country's property sector and beyond. In a filing late on Friday, Evergrande, the world's most indebted developer, also said it had received a demand from creditors to pay about \$260 million.

Ajcon Global's observations and view

- 1) Indian equities were under significant pressure today. Globally, there are concerns led by discovery of new COVID-19 variant - Omicron.
- 2) Before the last few days significant correction, the sentiments were upbeat led by fall in crude oil prices, good GDP data, robust GST collections, strong manufacturing PMI, good Q2FY22 earnings season and management commentary, good economic activity witnessed in the festive season of Navratri and Diwali and good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis. However, RBI measures to gradually reduce liquidity can remain an overhang. In addition, there are headwinds like global inflation, valuation concerns and strengthening US dollar.
- 3) There is a strong line up of IPOs. We suggest investors to be careful about the forthcoming IPOs and understand the fundamentals before riding the boom based on risk reward profile. However, IPOs of sectors in limelight like E-Commerce, Insurance, Digital, Speciality chemicals, Companies business model suited to new age, companies having business model which caters to the demands of Electric Vehicles would always gain maximum attention. However, investors have to be careful with expensive IPOs.
- 4) The discovery of new COVID-19 variant - Omicron is a matter of concern. It is advisable to stay away from companies which have ran ahead of fundamentals and valued beyond logic. It would be prudent to stay with quality names at decent valuations in uncertain times. It is advisable for investors to stick to defensives for some time and also look out for stock specific opportunities considering growth outlook and management pedigree. Always remember, corrections in a bull market will keep markets healthy.



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- 5) Investors will track global cues like COVID-19 cases led by the Omicron variant across the globe, global inflation data, oil price movement and developments in China.
- 6) Domestically, going ahead, investors will keep an eye on monthly auto sales numbers and RBI's MPC meet.



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