

**Midcaps, smallcaps witness significant selling pressure; Metals and PSBs stocks continue to fall..**

- 1) Indian benchmark indices witnessed significant volatility and significant profit booking was witnessed in public sector banks and metal counters along with select pharma, FMCG, and realty stocks. However, the downside was limited by gains in IT stocks and heavyweights like Bharti Airtel, HDFC, Kotak Bank, and Reliance Industries.
- 2) The BSE Sensex index fell by 471 points from the fresh record high of 54,779.6, touched during intra-day trade, and hit a low of 54,308. The index, however, recovered swiftly to close at 54,555 levels, up 151.81 points or 0.28 per cent.
- 3) On the other hand Nifty was up by 21.85 points or 0.13 per cent. Earlier today, it claimed a new lifetime high of 16,359.
- 4) Shares of mid and small-cap companies came under pressure on Tuesday, falling by up to 12 per cent on the BSE amid profit booking. The S&P BSE Midcap index and the S&P BSE Smallcap index were ended 1 per cent and 2 per cent, respectively. With today's fall, mid- and small-cap indices have corrected 3.3 per cent and 4.6 per cent, respectively from their respective all-time highs touched on August 4, 2021. Prior to that, the S&P BSE Midcap index had rallied 29 per cent and the S&P BSE Smallcap index had zoomed 48 per cent in calendar year 2021.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	54,554.66	54,402.85	<b>151.81</b>	<b>0.28</b>	54,461.31	<b>54,779.66</b>	54,308.77
<b>Nifty</b>	16,280.10	16,258.25	<b>21.85</b>	<b>0.13</b>	16,274.80	<b>16,359.25</b>	16,202.25

**Sectors and stocks**

- 1) Shares of Tech Mahindra continued its rally on Tuesday, with the stock of the information technology (IT) consulting & software company hitting a new high of Rs. 1,322.40, up 2.7 per cent on the BSE. The stock was quoting higher for the fourth straight trading day. In the past one month, Tech Mahindra has outperformed the market by rallying 25 per cent, as compared to a 4.4 per cent rise in the S&P BSE Sensex. In comparison, its peers, Tata Consultancy Services (up 3.5 per cent), Infosys (7 per cent), Wipro (15 per cent) and HCL Technologies (8 per cent) were up between 3 per cent and 15 per cent. The outperformance for Tech Mahindra was also on account of better-than-expected June quarter (Q1FY22) performance with growth across key markets and verticals, robust deal wins and guidance of double-digit growth rates for FY22. The company reported a 39.17 per cent year-on-year (YoY) jump in its consolidated net profit at Rs. 1,353 crore for Q1FY22 as against Rs. 972-crore profit posted in the corresponding quarter last year. On a quarter-on-quarter (QoQ) basis, the profit rose by 25.13 per cent.
- 2) Shares of Bharti Airtel hit an all-time high of Rs. 627.95, up 5 per cent on the BSE in the intra-day trade on Tuesday, on encouraging outlook. The stock of the telecom services provider surpassed its previous high of Rs. 623, touched on February 4, 2021. In the past three weeks, the stock has rallied by 20 per cent, as compared to a 4.9 per cent rise in the S&P BSE Sensex. Last month, the Supreme Court (SC) dismissed the application of telecom companies that sought recomputation of Adjusted Gross Revenue (AGR) dues demanded by the Department of Telecommunication (DoT). At the same time, the country's premier communications solutions provider also upgraded its prepaid plans and postpaid plans.

**Key recent major developments..**

- 1) Equity mutual funds (MFs) registered one of their highest monthly inflows in July 2021 owing to the success of new fund offers (NFOs) launched to tap into the positive investor sentiment towards the equity market which are hovering around lifetime highs. Equity-oriented schemes saw net inflows of Rs. 22,583 crores, most since at least August 2017 when inflows were Rs. 20,362 crores
- 2) Domestically, the RBI's - The Monetary Policy Committee (MPC) maintained status quo and kept interest rates unchanged. Currently, the repo rate is 4 percent and reverse repo rate is 3.35 percent. Reserve Bank of India (RBI) Governor Shaktikanta Das said the policy stance continues to be "accommodative". The MPC has retained its GDP



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growth projection of 9.5 percent for FY22. The RBI's policy decision was along expected lines, the 5:1 vote on maintaining accommodative stance and rise in CPI projection for FY22 to 5.7 per cent from 5.1 per cent affected investor sentiments on Friday indicating that debate on inflation is gaining centre stage.

- 3) Merchandise exports grew 48 per cent YoY in July to \$35.17 billion on account of a rise in global orders in shipments of petroleum products, engineering products, gems and jewellery segments, preliminary data released by the commerce and industry ministry showed. On a sequential basis, outbound shipments witnessed an 8 per cent jump and grew over 34 per cent as compared to July 2019. Exports during April-July 2021 were \$130.56 billion, up by 73.86 per cent over the same period a year ago and up by 21.85 per cent over the same period of 2019. During the first four months of the fiscal, India's exports have covered close to a third of its annual exports target of \$400 billion. On the other hand, merchandise imports widened to \$46.4 billion in July, resulting in a trade deficit of \$11.23 billion. "Aatmanirbhar Bharat Powering Indian Economy: The Indian Merchandise Exports Upwards arrow by 22% in April-July'21 over the same period of 2019. India's exports have covered 32.64% of its annual target of \$400 billion," commerce and industry minister Piyush Goyal said in a tweet.
- 4) The output of eight core sectors grew 8.9 per cent in June, mainly due to a low base effect and uptick in production of natural gas, steel, coal and electricity, official data showed on Friday. The eight infrastructure sectors of coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity had contracted by 12.4 per cent in June 2020 due to the lockdown restrictions imposed to control the spread of coronavirus infections. According to the commerce and industry ministry data, production of coal, natural gas, refinery products, steel, cement and electricity jumped by 7.4 per cent, 20.6 per cent, 2.4 per cent, 25 per cent, 4.3 per cent and 7.2 per cent, respectively, in June 2021, as against (-) 15.5 per cent, (-) 12 per cent, (-) 8.9 per cent, (-) 23.2 per cent, (-) 6.8 per cent and (-) 10 per cent in the same month last year. Crude oil output contracted by 1.8 per cent during the month under review as against a negative growth of 6 per cent in June 2020. Fertiliser segment recorded a growth of 2 per cent in June. During April-June period this fiscal, the eight sectors grew by 25.3 per cent against a contraction of 23.8 per cent in the same period last year.
- 5) Non-food bank credit growth stood at 5.9 per cent in June compared to 6 per cent in the year-ago period, according to RBI data released on Friday. Credit to agriculture and allied activities continued to perform well, registering an accelerated growth of 11.4 per cent in the reporting month compared to 2.4 per cent in the same month of the previous year, as per RBI data on Sectoral Deployment of Bank Credit June 2021. Growth in credit to micro and small industries accelerated to 6.4 per cent in June whereas it was a contraction of 2.9 per cent a year ago. Credit to large industries contracted 3.4 per cent in June 2021. In the year-ago period, there was a growth of 3.6 per cent. Growth in loans to the services sector decelerated to 2.9 per cent in the reporting month from 10.7 per cent in June 2020, mainly due to contraction/deceleration in credit growth to commercial real estate, NBFCs and tourism, hotels and restaurants. "However, credit to trade segment continued to perform well, registering an accelerated growth of 11.1 per cent in June 2021 as compared to 8.1 per cent a year ago," the data showed. Personal loans registered an accelerated growth of 11.9 per cent in June 2021 as compared to 10.4 per cent a year ago, primarily due to accelerated growth in loans against gold jewellery and vehicle loans, the central bank data showed.
- 6) ArcelorMittal SA boosted its guidance for global steel demand after a record-breaking price rally yielded the company's best quarter since 2008. Steel has surged over the past 12 months, joining a wider commodities boom as producers struggled to meet an unexpectedly strong rebound in demand from the construction and manufacturing industries. After a decade of plant shutdowns and job cuts in Europe's steel industry, demand from the infrastructure and renewable energy sectors is creating optimism about the future, said ArcelorMittal Chief Executive Officer Aditya Mittal. "Looking forward, we see the demand outlook further improving into the second half and have therefore upgraded our steel consumption forecasts for the year," Mittal said Thursday in a statement. The biggest steelmaker outside of China now expects 2021 steel demand -- a key barometer of economic growth -- to increase by 7.5% to 8.5% from last year. In May, the company projected demand to be at or above the upper end of its initial 4.5% to 5.5% forecast, following a contraction in 2020.
- 7) The International Monetary Fund (IMF) has sharply scaled down India's economic growth projection by 300 basis points to 9.5 per cent for the current financial year from 12.5 per cent estimated earlier in April. IMF said the downward revision is owing to "lack of access to vaccines" and possibility of renewed waves of coronavirus. "Growth prospects in India have been downgraded following the severe second Covid wave during March-May and expected slow recovery in confidence from that setback," IMF said in the latest edition of its flagship World Economic Outlook (WEO) report.
- 8) Earlier, Global rating agency Standard and Poor's affirmed India's sovereign rating at "BBB-" and maintained a stable outlook on the gradual recovery in the economy. India's recovery will gain pace through the second half of fiscal 2022 and into the following year, helping stabilise the country's overall credit profile, S&P said in a statement. But it warned that the country's fiscal settings are weak, and deficits will remain elevated ahead even as the



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government undertakes some consolidation. The country's strong external settings help buffer the risks associated with the government's high deficits and debt stock. India's economy is gradually recovering from a deep contraction in fiscal 2021 (year ended March 31, 2021) and a subsequent severe second wave of Covid-19. "We expect real GDP growth to rebound to 9.5% in fiscal 2022 on continued normalization of activity and progressively higher vaccination rates," the rating agency said.

### Global markets

- 1) Goldman Sachs Group Inc. downgraded its economic growth forecast for China as measures to contain the fast-expanding Covid-19 resurgence curb spending. The economists cut their projection for quarter-on-quarter growth of gross domestic product in the third quarter and also lowered their full-year GDP growth forecast to 8.3% from 8.6%, according to a report released late Sunday.
- 2) Eurozone inflation in July rose to 2.2% YoY above European Central Bank's target.
- 3) Earlier, Fed Vice Chair Richard Clarida, a major architect of the Fed's new policy strategy, said that he felt the conditions for raising interest rates could be met by the end of 2022, raising expectations the central bank could scale back its bond-buying programme soon. US had witnessed a big spike in inflation and registered highest spike in 13 years (since August 2008) to 5.4 percent. Earlier, US added a solid 850,000 jobs as economy extends its gains. The report from the Labor Department was the latest sign that the reopening of the economy is propelling a powerful rebound from the pandemic recession. Restaurant traffic across the country is nearly back to pre-pandemic levels, and more people are shopping, traveling and attending sports and entertainment events. The number of people flying each day has regained about 80 percent of its pre-COVID-19 levels.

### Ajcon Global's observations and view

- 1) Indian benchmark indices were up marginally amidst significant volatility but did not reflect the significant pressure in broader markets. Significant selling was witnessed in midcaps and smallcaps. Globally, there are concerns over an early withdrawal of asset purchase programs by the Federal Reserve and US CPI inflation data to be released this week impacted global market.
- 2) Bulls will remain in hunt due to factors like good Q1FY22 earnings season so far with most of the Companies reporting good performance, strong management commentary in Q1FY22 by majority of the Companies, expansion in Services PMI in July on a monthly basis, better than expected China's economic data, positive US employment data and other positive US economic indicators, rally in commodities, economic activity picking up at fast pace after unlock in major states, significant decline of COVID-19 cases in the second wave with decent vaccination drive are supporting sentiments. In addition, the country gearing up and taking all the measures to prepare itself for likely third COVID-19 wave. In addition to liquidity provided by FPIs in equities, there is good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis. However, there are concerns like rise in COVID-19 cases in various countries due to spread of new variants of COVID-19. In addition, there are inflation concerns across the globe which act as headwind.
- 3) India has given the first dose covid antidote to around 51.45 crores beneficiaries in the nationwide vaccination. Investors are also hopeful that vaccine shortages will be resolved in some months as vaccine manufacturers' ramp up supplies. The entry of new vaccines is also expected to ease the supply crunch.
- 4) It is advisable for investors to look out for stock specific opportunities and stay away from names which are suddenly rallying for no reason. We believe intermediate corrections will keep markets healthy. With Monthly Auto sales numbers and RBI's Monetary policy out, investors will track global cues especially on spread of COVID-19 variants and key developments in China, movement in crude oil prices and metals, ongoing Q1FY22 earnings season, Industrial production data for June and CPI inflation numbers for August, ongoing monsoon, vaccination drive and economic activity and COVID-19 cases in India.
- 5) In the near term, markets will remain rangebound for some time with a negative bias. There is a strong line up of IPOs. Investors will keep busy in the upcoming IPOs as the listing gains have been phenomenal in the recent IPOs. It is recommended to ride the IPO boom; mainly for listing gains. We suggest looking at fundamentally strong midcaps and small caps backed by good management after significant fall.



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CIN:L74140MH1986PLC041941

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