AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

Market wrap **Dec. 10, 2021**

Domestic bourses end in red ; stock specific action witnessed..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	58,786.67	58,807.13	**20.46**	**0.03**	58,696.71	58,859.91	58,414.76
Nifty	17,511.30	17,516.85	**5.55**	**0.03**	17,476.05	**17,534.35**	17,405.25

1) Indian benchmark indices ended in red today led by profit booking after being upbeat for last few days.

2) The Sensex was down by 20.46 points or 0.03 percent to end at levels of 58,786.67. Among the Sensex 30 stocks, Asian Paints was the top gainer- up by 3 per cent. SBI, Mahindra & Mahindra and TCS were the other notable gainers. On the other hand, Titan, HDFC, Axis Bank and Kotak Bank were the major losers on Friday.

3) The Nifty was down by 5.55 points or 0.03 percent to end at levels of 17,511.30.

4) However, the broader markets ended in green today. Both the BSE Midcap index and BSE Smallcap index were up by 0.3 percent and 0.8 percent respectively.

5) In terms of sectoral performance, the BSE Consumer Durables index was down by nearly a per cent. The IT and Bankex were down over 0.5 per cent each. The Power and Realty indices, however, were up over 0.5 per cent each.

6) The Indian rupee closed at 75.77 per dollar after depreciating to 75.85, its lowest since June 2020.

Sectors and stocks

1) Shares of Network18 Media & Entertainment hit an over 11-year high of Rs. 102.75 after it rallied by 9 per cent on the BSE in Friday's intra-day trade amid heavy volumes in an otherwise subdued market. The stock of the Reliance Group advertising & media company was trading higher for the fourth straight day, rallying by 42 per cent during the same period. It was trading at its highest level since August 2011. The Company is mainly engaged in the business of digital news and magazines publishing. Network18's listed subsidiary TV18 owns and operates the broadest network of 57 channels in India, spanning news and entertainment genres. The company is promoted by Independent Media Trust of which Reliance Industries Limited is the sole beneficiary. For July-September quarter (Q2FY22), Network18 Media reported a strong 53 per cent year on year (YoY) growth in its consolidated EBITDA (earnings before interest, taxes, depreciation, and amortization) at Rs 253 crore. Operating margin improved to 18.2 per cent from 15.6 per cent in previous year quarter. Revenue grew 31 per cent YoY at Rs 1,387 crore, driven by viewership. The company said Viacom18 is building a strong sports portfolio; acquired rights to FIFA World Cup'22 and 3 major football leagues. Voot's digital exclusive property, Bigg Boss OTT, drives substantial growth in paid subscriber base. The management said the outlook is looking quite promising from a medium term perspective.

2) Shares of Indian Energy Exchange (IEX) were up by 13 per cent to Rs. 304.05 on the BSE in Friday's intra-day trade on back of heavy volumes ahead of listing of bonus shares. The stock was trading higher for the fourth straight day, having rallied 21 per cent during the period. The stock hit a 52-week high of Rs. 318.40 (adjusted to 2:1 bonus) on October 19, 2021. In the past three months, IEX has surged 50 per cent, as compared to a 0.42 per cent rise in the S&P BSE Sensex. Moreover, in the past six months, it has rallied 146 per cent as against a 12 per cent gain in the benchmark index. Further, over the past one year, the market price of IEX has rallied by 303 per cent, as compared to a 27 per cent surge in the Sensex. Meanwhile, electricity trade volume at IEX rose nearly 54 per cent year-on-year in November this year to 9,477 million units (MUs). "The Indian Energy Exchange realized 9,477 MU cleared volume in November 2021 comprising 6,333 MU in the Conventional Power Market, 457 MU in the Green Power Market and 2687 MU in the Certificate Market comprising ESCerts and REC. Overall, the exchange realised 53.8 per cent YoY growth across all its market segments," an IEX said on December 6, in media release. IEX is India's premier energy exchange providing a nationwide, automated trading platform for physical delivery of electricity, renewable energy, renewable energy certificates and energy saving certificates. The exchange platform enables efficient price discovery and increases the accessibility and transparency of the power market in India while also enhancing the speed and efficiency of trade execution.

3) Shares of Bajaj Electricals rallied by 11 per cent to Rs. 1,159.95 on the BSE in Friday's intra-day trade after the household appliances company announced that its board approved business restructuring. "The board of directors of the company, at its meeting held on December 9, 2021 has authorised some of the directors and officials of the company to review the corporate structure of the company to unlock growth and value creation for all business segments (restructuring)," Bajaj Electricals said. The board has also approved the formation of a wholly owned subsidiary of the company, which could provide a ready vehicle to enable the above restructuring it added. Bajaj Electricals is currently engaged in consumer product segment ('CP') (which includes appliances, fan and consumer lighting products) and engineering procurement and construction segment ('EPC') (which includes power transmission and power distribution and illumination projects). Considering the varied nature and potential opportunities of each of the business segments and the need for a focused approach to unlock these opportunities, the Board of Directors of the Company has decided that the Company should undertake a comprehensive review of the existing corporate structure, the company said in a press release.

Key recent major developments..

1) The Index of Industrial Production (IIP) witnessed a growth of 3.2 percent in October 2021, compared to the corresponding period previous year, as per the data released by the government on December 10. The IIP growth rate has marginally slowed down as compared to September 2021, when a 3.3 percent surge was recorded as per the revised estimates. In October, a high production was recorded by the manufacturing and electricity sectors. In terms of use-based classification, the indices stood strong for intermediate goods and infrastructure/construction goods. "For the month of October 2021, the quick estimates of IIP with base 2011-12 stands at 133.7. The indices of industrial production for the mining, manufacturing and electricity sectors for the month of October 2021 stand at 109.7, 134.7 and 167.3, respectively," the Ministry of Statistics & Programme Implementation said in a statement. The indices stood at 128.5 for primary goods, 90.3 for capital goods, 143.7 for intermediate goods and 151.8 for infrastructure/construction goods during the month, the ministry said.

2) Passenger vehicle sales in the country declined by 19 percent in November as the shortage of semiconductors continued to impact vehicle production and subsequent deliveries to dealers, auto industry body SIAM said on Friday. Passenger vehicle (PV) dispatches to dealers last month stood at 2,15,626 units, down 19 per cent from 2,64,898 units in November 2020. Similarly, total two-wheeler sales declined sharply by 34 per cent to 10,50,616 units in November, from 16,00,379 units in the year-ago period. Motorcycle dispatches dropped to 6,99,949 units in November, as compared to 10,26,705 units in the same month last year. Scooter dispatches stood at 3,06,899 units last month, as against 5,02,561 units in the same period last year. Total three-wheeler dispatches stood at 22,471 units, down 7 per cent from 24,071 units in November 2020. Total automobile sales across categories dropped to 12,88,759 units last month, as against 18,89,348 units in the year-ago period. "Industry continues to face headwinds due to global semiconductor shortage. In the festive season, industry was hoping to make up for the lost ground, but the sales in the month of November 2021, were the lowest in seven years for passenger vehicles, the lowest in 11 years for two-wheelers and the lowest in 19 years for three-wheelers," Society of Indian Automobile Manufacturers (SIAM) Director General Rajesh Menon said in a statement.

3) Reserve Bank of India's (RBI) six-member Monetary Policy Committee (MPC) has maintained status quo on key rates in its bi-monthly policy statement for the ninth consecutive time, as announced by Governor Shaktikanta Das on Wednesday. The RBI continues to maintain its 'Accommodative' stance with five MPC members voting in favour of the same. The repo rate, has been kept unchanged at 4 percent whereas the reverse repo rate, remains the same at 3.35 percent. The Marginal Standing Facility (MSF) & Bank Rate also remain unchanged at 4.25 percent. Real GDP growth is projected at 17.2 percent for Q1 and at 7.8 percent for Q2 of 2022-23. RBI retains the gross domestic product (GDP) growth target at 9.5% in FY22. RBI's Governor Shaktikanta Das said that cut in excise duty on petrol, diesel to bring down inflation rate on durable basis.

4) Fitch Ratings on Wednesday cut India's economic growth forecast to 8.4 per cent for the current fiscal year ending March 31, 2022, but raised GDP growth projection for the next financial year to 10.3 per cent. Fitch had in October forecast a GDP growth of 8.7 per cent in 2021-22 (April 2021 to March 2022) fiscal and 10 per cent in FY23. "We have cut our FY22 (financial year ending March 2022) GDP growth forecast, to 8.4 per cent (-0.3 pp). GDP growth momentum should peak in FY23, at 10.3 per cent (+0.2 pp), boosted by a consumer-led recovery and the easing of supply disruptions," Fitch said in its Global Economic Outlook.

5) 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.

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.

Global markets

1) Asian peer indices also ended in red. Shanghai Composite and Hang seng were down by 0.18 percent and 1.07 percent respectively. Nikkei 225 fell by one percent. Kospi fell by 0.64 per cent while Taiwan Weighted fell by 0.49 per cent.

2) The European markets started on a subdued note. US benchmark index - Nasdaq was however up by 0.58 percent.

3) US consumer prices rose last month at the fastest annual pace in nearly 40 years as the consumer price index increased 6.8 percent in November 2021 from November 2020, according to Labor Department data released Friday. Fast increase in inflation and persistent inflation will erode the value of money which pressurise the Federal Reserve to tighten policy. The widely followed inflation gauge rose 0.8% from October, exceeding forecasts and extending a trend of sizable increases that began earlier this year.

Ajcon Global's observations and view

1) Indian equities ended in red today led by profit booking after being upbeat in last few days. IIP numbers released today were bit subdued.

2) Before today's minor correction, the sentiments were upbeat led by RBI's accommodative stance in its Monetary Policy, recent 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 of 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) 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.

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.

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