

Profit booking witnessed; midcaps and smallcaps buck the trend..

- 1) Indian benchmark indices ended in red led by profit booking. Late buying in metal stocks, along with index heavyweights like Bharti Airtel, TCS, Bajaj Finserv, Maruti Suzuki, and HCL Tech limited the intraday losses. helped the benchmark indices erase deep losses clocked earlier in the day.
- 2) The S&P BSE Sensex recovered from sub-58,000 levels, and ended 127 points lower at 58,175, while the Nifty50 was down by 14 points to end at levels of 17,355. In Sensex's 50 stocks, 33 stocks were up including Coal India, Hindalco, TCS and Bharti Airtel. Among the 18 losers, Reliance Industries, ICICI Bank, Adani Ports and SBI Life Insurance topped the charts.
- 3) However, the broader markets were positive. The BSE MidCap and SmallCap indices were up by 0.3 per cent and 0.8 per cent higher, respectively.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	58,177.76	58,305.07	-127.31	0.22	58,262.11	58,314.64	57,944.63
Nifty	17,355.30	17,369.25	-13.95	0.08	17,363.55	17,378.35	17,269.15

Sectors and stocks

- 1) Shares of Reliance Industries were down by 2.3 percent due to delay in the launch of the company's much-awaited low-cost smartphone JioPhone Next owing to global semiconductor shortages.
- 2) Shares of Coal India were up by 3.9 percent on media reports that the world's biggest miner of the fossil fuel could be raising prices. The company is likely to hike coal prices by 10-11 percent to account for increased costs and an impending wage revision.
- 3) Shares of Advanced Enzyme Technologies were up by over 12 percent intraday on September 13 after the company claimed that its nutraceutical supplement helped long COVID patients recover faster. The stock was trading at Rs. 413.80, up Rs 47.00, or 12.81 percent. It has touched an intraday high of Rs 419.00 and an intraday low of Rs. 365.85. Advanced Enzymes on September 13 announced clinical trial data demonstrating that the use of its nutraceutical supplement helped patients suffering from post - COVID fatigue symptoms or long COVID to recover much faster. The company said its product consisting of systemic enzyme and probiotic supplement — ImmunoSEB and ProbioSEB CSC3 have been tested for safety and efficacy on 200 patients suffering from post COVID fatigue symptoms in a randomized controlled clinical trials efficacy. The company said it has conducted clinical trials in two segments—around 100 patients (test arm) were administered with oral supplements for 14□days, and rest 100 patients (control arm) were administered with placebo.
- 4) Shares of Dynamatic Technologies hit a 52-week high of Rs. 3,447.85 after they rallied 20 per cent on the BSE in the intra-day trade on Monday, in an otherwise subdued market. The stock of the industrial machinery company was quoting higher for the third straight trading day, rallying 51 per cent during the period. In the past five weeks, the market price of the company has more-than-doubled or has surged 108 per cent from the level of Rs 1,660 on August 9, 2021. Dynamatic Technologies manufactures precision engineering products that find application in tractors, earth moving and material handling equipment, automobiles, and aerospace & defence. Apart from automotive, hydraulics and aerospace & defence divisions, the company also has foundries located in Chennai and Germany. The company's strong market position on account of its established relationships with renowned customers across industries and strong technological capabilities across geographies (India, the UK and Germany) supports its business prospects.

Key recent major developments..

- 1) India's retail inflation in August marginally eased to 5.3 percent, staying within Reserve Bank of India's comfort zone for a second month, government data showed on Monday. The retail inflation based on the Consumer Price Index (CPI) was 5.59 percent in July and 6.69 percent in August 2020. As per the data released by the National



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Statistical Office (NSO), inflation in the food basket was 3.11 percent in August compared to 3.96 percent in the preceding month.

- 2) Industrial production was up by 11.5 percent in July mainly due to a low-base effect and good performance by manufacturing, mining and power sectors but the output remained slightly below the pre-pandemic level. The manufacturing sector, which constitutes 77.63% of the Index of Industrial Production (IIP), grew 10.5% in July, according to the data released by the National Statistical Office (NSO).
- 3) Last week, the cabinet approved the production-linked incentive (PLI) scheme worth Rs. 10,683 crore for textiles sector with an aim to boost domestic manufacturing and exports, Union Minister Anurag Thakur said on Wednesday. The decision was taken in a meeting which was chaired by Prime Minister Narendra Modi here. The cabinet has approved the PLI scheme for textiles for MMF (man-made fibre) apparel, MMF fabrics and ten segments/products of technical textiles with a budgetary outlay of Rs. 10,683 crore. PLI scheme for textiles is part of the overall announcement of the scheme for 13 sectors made earlier during the Union Budget 2021-22, with an outlay of Rs 1.97 lakh crore. Incentives worth Rs. 10,683 crore will be provided over 5 years, said Thakur. The government expects investments of more than Rs. 19,000 crore into the sector during the five-year period. Commerce and Industry Minister Piyush Goyal said that fabric and garments made from these fibres would be a focus of the scheme so that world class facilities are built in the country. He also said that the government was also working on free trade agreements (FTAs) with advanced economies such as the UK, the US, EU that will help the country both ways to get requisition imports as well boost exports. FTA would also help the textile sector, the minister said, in getting a level playing field that faced unequal duties in some of these markets."So far, we have primarily focused on cotton textile. But 2/3 share of the international textile market is of man-made and technical textile. This PLI scheme has been approved so that India can also contribute to the production of man-made fibers.
- 4) India Ratings and Research (Ind-Ra) has maintained a stable outlook on the overall banking sector for the rest of FY22, supported by the continuing systemic support. This support has helped manage the system-wide Coronavirus (Covid-19) pandemic linked stress. The rating agency has kept its FY22 credit growth estimates unchanged at 8.9 per cent for FY22, supported by a pick-up in economic activity post Q1FY22, higher government spending, especially on infrastructure and a revival in demand for retail loans. The agency estimates Gross Non-performing Assets (GNPAs) at 8.6 per cent for FY22, up from 7.7 per cent in FY21. The stressed assets at 10.3 per cent for FY22 from 8.6 per cent in FY21. The agency in a statement said banks also continue to strengthen financials by raising capital and adding to provision buffers which have already seen a sharp increase in the last three to four years. The agency expects provisioning cost to increase to 1.9 per cent from its earlier estimate of 1.5 per cent for FY22. The sector's profitability is expected to improve in FY22 driven by enhancement in the financial profile of public sector banks.
- 5) Services PMI data came above expectation. Remember, services sector forms major part of India's economy. The sector grew for the first time in four months to a one and a half- year high in August as vaccine access improved and consumer footfall rose following reopening of several establishments, showed IHS Markit Purchasing Managers' Index (PMI) survey. However, companies continued to reduce their workforce, though at a slower pace than earlier. The index rose to 56.7 in August from 45.4 in the previous month. A reading above 50 shows expansion and one below that means contraction. Apart from re-opening of many establishments and increase in footfall, companies also attributed the rise in activities to successful advertising. If the trend persists in September, it may give further boost to services growth in the country in Q2FY22. Services grew 11.4 per cent in the first quarter of the current financial year in the gross domestic product (GDP) data on a low base of 21.5 per cent contraction in the corresponding period of the previous financial year. However, there is a difference in the methodology of GDP computation and PMI survey. PMI gauges month-on-month activities, while GDP calculates year-on-year.
- 6) GST revenue remained above Rs. 1 trillion-mark for the second straight month in August at over Rs 1.12 trillion, 30 per cent higher than the collection in the year-ago period, the finance ministry said on Wednesday. However, GST collections of August 2021 is lower than Rs. 1.16 trillion collected in July 2021. "The gross GST revenue collected in the month of August 2021 is Rs 1,12,020 crore of which Central GST is Rs 20,522 crore, State GST is Rs. 26,605 crore, Integrated GST is Rs. 56,247 crore (including Rs 26,884 crore collected on import of goods) and Cess is Rs. 8,646 crore (including Rs. 646 crore collected on import of goods)," the finance ministry said in a statement. "GST collection, after posting above Rs. 1 lakh crore mark for nine months in a row, dropped below Rs. 1 trillion in June 2021 due to the second wave of covid. With the easing out of Covid restrictions, GST collection for July and August 2021 have again crossed Rs. 1 trillion, which clearly indicates that the economy is recovering at a fast pace. Coupled with economic growth, anti-evasion activities, especially action against fake billers, have also been contributing to the enhanced GST collections. The robust GST revenues are likely to continue in the coming months too," said the ministry.
- 7) India's GDP growth touched a record high on low base in Q1FY22 led by a rebound in consumer spending, and improved manufacturing in spite of a devastating COVID-19 second wave, government data showed on Tuesday.



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Gross domestic product rose 20.1% in the three-month period, compared with a record contraction of 24.4% in the same quarter a year earlier. "GDP at Constant (2011-12) Prices in Q1 of 2021-22 is estimated at Rs. 32.38 lakh crore, as against Rs. 26.95 lakh crore in Q1 of 2020-21, showing a growth of 20.1 percent as compared to contraction of 24.4% in Q1 2020-21. Quarterly GVA at Basic Price at Constant (2011-12) Prices for Q1 of 2021-22 is estimated at Rs. 30.48 lakh crore, as against Rs. 25.66 lakh crore in Q1 of 2020-21, showing a growth of 18.8%," said Ministry of Statistics & Programme Implementation in a statement. Manufacturing, which fell 36 percent in April-June last year, bounced back to grow by 49.6 percent. Trade, hotels, transport, communication and services related to broadcasting, which tanked 48.1 percent in April-June last year, grew by 34.3 percent in Q1FY22, indicating that touch services sectors like hotels, hospitality and tourism continue to be affected by the Covid-19 pandemic and will take time to recover. Agriculture, the only sector which showed growth in Q1FY21 at 3.5 percent, grew by 4.5 percent in the first quarter of FY 22.

- 8) India's fiscal deficit in April-July, the first four months of the fiscal year, stood at Rs 3.21 trillion (\$43.98 billion), or 21.3% of the budgeted target for the whole year, government data showed on Tuesday. Net tax receipts were Rs 5.21 trillion while total expenditure was Rs 10.04 trillion, the data showed.
- 9) The foreign direct investment (FDI) into the country rose more than two folds to \$17.57 billion during April-June this fiscal on account of measures such as policy reforms and ease of doing business, an official statement said on August 28. Total FDI inflow rose to \$22.53 billion during the first three months of 2021-22 as against \$11.84 billion in the same period last year, it said. Total FDI comprises equity inflows, reinvested earnings and other capital. FDI equity inflow grew by 168 per cent in the first three months of 2021-22 (\$17.57 billion) compared to the year-ago period (\$6.56 billion), it said.
- 10) India could get the license for the bad bank very soon, Debashish Panda, the secretary of the Department of Financial Services had said. The registration of the debt management company is also under process, he added. The IBA had filed an application in June with the Registrar of the Companies at the Ministry of Corporate Affairs (MCA) to incorporate both the asset reconstruction company and its debt management Company.
- 11) Finance Minister Nirmala Sitharaman on August 25, 2021 addressed a press conference after her two-day visit to Mumbai. She interacted with top officials of the Confederation of Indian Industry (CII) and launched the EASE 4.0 Index - a reform agenda for 2021-22 for public sector banks (PSBs). She met heads of PSBs to review annual financial performance of the lenders. Finance Minister Nirmala Sitharaman said "Banks have been directed to interact regularly with Federation of Indian Exporters Organisation so the exporters don't have to shuttle between various bankers." She added "Lot of sunrise sectors require a lot of funding, need to facilitate that. Banks should take the benefit of technology. Have asked banks to look at the area of fintech." She said that "Banks have expressed concerns on CASA deposits piling up in eastern areas. Credit flow need to be better promoted in Eastern states of country. Credit flow is not happening in eastern states if country."
- 12) Earlier, Finance Minister Nirmala Sitharaman announced a pipeline of assets that the Centre is looking to monetise to the tune of Rs. six trillion over four years ending financial year 2024-25. This would constitute 14 per cent of the union government's outlay under the National Infrastructure Pipeline. It covers 20 asset classes spread over 12 line ministries and departments. The top three sectors by value are roads, railways and power. Announcing the plan, Sitharaman said, "the asset monetisation programme is aimed at tapping private sector investment for new infrastructure creation. This is necessary for creating employment opportunities, enabling high economic growth and seamlessly integrating the rural and semi-urban areas for overall public welfare."

Global markets

- 1) Globally, Asian equities were mixed in today's trading session. However, European equities started on a good note. Rampant spread of COVID-19 Delta variant in various countries, concerns of likely reduction in asset purchases in US, regulatory crackdown in China and tensions in Afghanistan and its side effects would act as an overhang.
- 2) Earlier, global sentiments were upbeat after positive speech by Fed Chair Jerome Powell's at the Jackson Hole Economic Symposium. The speech suggested accommodative stance and small tapering after wait and watch approach. Earlier, the US Federal Reserve suggested tapering of the Fed's stimulus plan by late 2021.
- 3) Factory-gate price inflation in China remained high in August, rising to the highest level in 13 years, data released on Thursday showed. The producer price index (PPI), which reflects the prices that factories charge wholesalers for their products, rose by 9.5 per cent in August from a year earlier, from a gain of 9 per cent in July, the National Bureau of Statistics (NBS) said.



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- 4) China's factory activity expanded at a slower pace in August, while the services sector slumped into contraction, as coronavirus-related restrictions and high raw material prices pressure businesses in the world's second largest economy. The official manufacturing Purchasing Manager's Index (PMI) was 50.1 in August from 50.4 in July, data from the National Bureau of Statistics (NBS) showed on Tuesday. China staged an impressive recovery from a coronavirus-battered slump, but growth has recently shown signs of losing steam due to domestic COVID-19 outbreaks, slowing exports, tighter measures to tame hot property prices and a campaign to reduce carbon emissions. Earlier, 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%.
- 5) Earlier, the US witnessed economy recovery faster than expected in the second quarter, lifting the level of gross domestic product above its pre-pandemic peak, as massive fiscal stimulus and vaccinations against COVID-19 boosted spending. Gross domestic product increased at a 6.6% annualized rate, the Commerce Department said on Thursday in its second estimate of GDP growth for the April-June quarter. That was revised up from the 6.5% pace of expansion reported in July. Consumer spending, which accounts for more than two-thirds of the US economy, also got a lift from vaccinations, which fueled demand for services like air travel, hotel accommodation, dining out as well as entertainment. But momentum appears to have slowed early in the third quarter amid a resurgence new COVID-19 infections driven by the Delta variant of the coronavirus. US consumer price inflation stood at 5.4% YoY in July, taking so. UK GDP grew by 4.8% QoQ in Q2 as activity and demand rebounded with the easing of covid restrictions. Eurozone inflation in July rose to 2.2% YoY above European Central Bank's target.
- 6) PMI survey data suggested that business activity in the euro zone grew strongly in August - although fears that new coronavirus strains may lead to renewed restrictions limited the optimism.
- 7) Earlier, Japan's economy rebounded more than expected in the second quarter after slumping in the first three months of this year, data showed, a sign consumption and capital expenditure were recovering from the Coronavirus (Covid-19) pandemic's initial hit. The world's third-largest economy grew an annualised 1.3% in April-June after a revised 3.7% slump in the first quarter, preliminary gross domestic product (GDP) data showed on Monday, beating a median market forecast for a 0.7% gain.

Ajcon Global's observations and view

- 1) Indian benchmark indices end in red today led by profit booking. Overall, Indian equities continue to be in consolidation phase after a strong rally. Bulls have been in command led by good Services PMI data, strong Q1FY22 GDP numbers and GST collection in August 2021 continued to be robust.
- 2) The contest between bulls and bears is going to remain strong. However, bulls will have an edge owing 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, growth in Industrial production and ease in retail inflation 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.
- 3) We suggest investors to be careful about the forthcoming IPOs too and understand the fundamentals before riding the boom. Subdued listing of IPOs in August 2021 suggest irrational exuberance.
- 4) It is advisable for investors to look out for stock specific opportunities. Considering the present valuations, we believe intermediate corrections will keep markets healthy. Investors will keep an eye on COVID-19 cases especially in the Metros, WPI inflation data, movement in crude oil prices and metals, vaccination drive and economic activity in the festive season.



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