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Market wrap **Oct. 14, 2021**

Buoyancy continues in Indian equities; IT stocks rally ..

1) Indian equities continued to be buoyant today for the sixth consecutive session on Thursday led by strong start Q2FY21 earnings season. The sentiments were upbeat after good IIP data and IMF's forecast of India's GDP growth at 9.5 per cent in 2021 and at 8.5 per cent in 2022

2) The benchmark BSE Sensex reached the 61,000-mark milestone for the first time while the Nifty50 index surpassed 18,300 today.

3) The S&P BSE Sensex ended the day up by 568.90 points or 0.94 percent to end at levels of 61,305.95 while the Nifty50 was up by 176.80 points or 0.97 percent to end at levels of 18,338.55.

4) In the broader market, the BSE MidCap index was up by 0.54 per cent while the BSE SmallCap index added 0.46 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	61,305.95	60,737.05	**568.90**	**0.94**	61,088.82	**61,353.25**	60,978.04
Nifty	18,338.55	18,161.75	**176.80**	**0.97**	18,272.85	**18,350.75**	18,248.70

Sectors and stocks

1) Shares of Infosys rallied by 4.4 per cent to a high of Rs. 1,784.05 on the BSE in intra-day trade on Friday after the IT major raised its revenue growth guidance for the financial year 2021-22 (FY22) to 16.5-17.5 per cent in constant currency (CC) terms, from the earlier 14-16 per cent on the back of strong demand-led digital transformation. Fresher hiring guidance increased from 35,000 to 45,000 for FY22. The stock information technology (IT) consulting & software company had hit a record high of Rs 1,787.50 on September 24, 2021. In Q2FY22, Infosys's revenues increased 6.3 per cent QoQ in CC terms while dollar revenues increased 5.7 per cent QoQ. It reported earnings before interest and tax (EBIT) margin of 23.6 per cent, down 10 bps QoQ, despite the impact of higher subcontracting expenses and wage hike in Q2FY22. Growth was broad-based across geographies and segments with the largest geography, North America growing at 23.1 percent and the largest segment, financial services growing at 20.5 per cent, YoY in constant currency. Large deal momentum continued with TCV of US$2.15 billion in Q2, Infosys said. The board declared an interim dividend of Rs. 15 per equity share. The company has fixed October 27, 2021 as record date for interim dividend and November 10, 2021 as payment date.

2) Shares of Indian Railway Catering and Tourism Corporation (IRCTC) continued its rally on Thursday to scale a new high of Rs. 5,593.85 on BSE, following a 13.5 per cent rally in the intra-day trade on the back of heavy volumes. Since August, the market price of IRCTC has more than doubled or risen 141 per cent after the company on July 30, 2021, announced a stock split plan. On August 12, 2021, the board of IRCTC approved a stock split in the ratio of 1:5 to enhance the liquidity in the capital market, widen the shareholder base and make the shares affordable to small investors. IRCTC has fixed October 29, 2021, as the record date to ascertain the name of shareholders entitled for subdivision/split of equity shares of Rs 10 each into five (5) equity shares of the face value of Rs 2 each. The scrip will turn ex-date for stock split on October 28, 2021.

Key recent major developments..

1) Passenger vehicle wholesales in India witnessed a decline of 41 per cent year-on year in September as automobile manufacturers struggled to produce adequate units owing to semiconductor shortage, auto industry body SIAM said on Thursday. Passenger vehicle sales last month stood at 1,60,070 units as compared with 2,72,027 units in the year-ago period. As per the latest data by Society of Indian Automobile Manufacturers (SIAM), two-wheeler dispatches to dealers also witnessed a dip of 17 per cent at 15,28,472 units, compared to 18,49,546 in September 2020. Motorcycle dispatches declined 22 per cent last month to 9,48,161 units as against 12,24,117 in the year-ago period. Scooter sales were also down 7 per cent at 5,17,239 units from 5,56,205 units a year ago. Vehicle sales

across categories last month declined year-on-year by 20 per cent to 17,17,728 units from 21,40,549 units. Indian automobile industry continues to face new challenges. While on one hand, we are seeing a revival in vehicle demand, on the other hand, shortage of semiconductor chips is causing a major concern for the industry. Many members have curtailed their production plans," SIAM President Kenichi Ayukawa said. Coupled with the festive season demand, this has led to long waiting time for the customers on popular models of some segments, he added. "High raw material prices also continue to be a challenge. The industry is taking all possible measures to mitigate the impact of such supply chain issues and optimise production," Ayukawa noted.

2) India's industrial production in India continued to stabilise in August, expanded by 11.9 percent year-on-year (YoY) in August, rising slightly from 11.4 percent in July. The growth was due to a low-base effect and good performance by manufacturing, mining and power sectors that surpassed the pre-COVID level. The manufacturing sector, which constitutes 77.63 percent of the Index of Industrial Production (IIP), grew 9.7 percent in August, according to the data released by the National Statistical Office (NSO) on Tuesday. The mining sector output rose 23.6 percent in August, while power generation increased 16 percent.

3) India's retail inflation eased again in September, falling to a five-month low led by moderating food prices that offset a surge in the cost of crude oil and fuel, government data showed on Tuesday. Consumer price inflation fell sharply to 4.35% in September from 5.3% in August. This marks the third consecutive month within the Reserve Bank of India's (RBI) tolerance band of 2%-6%. The Consumer Price Index-based (CPI) inflation was at 7.27% in September 2020.

   As per the data released by the National Statistical Office (NSO), the inflation in food basket eased to 0.68% in September 2021, significantly down from 3.11% in the preceding month. The Reserve Bank of India (RBI), which mainly factors in CPI-based inflation while arriving at its bi-monthly monetary policy, has been tasked by the government to keep it at 4%, with a tolerance band of 2% on either side.

4) The International Monetary Fund (IMF) has retained its projection for India’s economic growth in the current financial year at 9.5 per cent, even as it has moderately scaled down its forecast for the world economy during 2021 by 10 basis points to 5.9 per cent in view of worsening Covid dynamics and supply disruptions. In its World Economic Outlook (WEO), the IMF has maintained India's gross domestic product (GDP) estimates for next financial year at 8.5 per cent, unchanged from its July projections. The WEO, titled ‘Recovery During a Pandemic Health Concerns, Supply Disruptions, and Price Pressures’, has forecast world economic growth at 4.9 per cent for 2022, the same as earlier.

   Meanwhile, the IMF has cut its China GDP growth projections for 2021 and 2022 by 10 basis points each – to eight and 5.6 per cent, respectively. With this, India will again get the tag of the fastest-growing large economy in the world, both in FY22 and FY23. In 2020, China’s was the only major economy that had registered growth. While it had grown 2.3 per cent last year, India's had contracted by 7.3 per cent.

5) In a major key development, the government on last Friday announced Tata Group as the winning bidder for Air India, clearing the way for the Company to be privatised and going back to the founder exactly 68 years after India had nationalised its private airlines in 1953. The Tata's wholly-owned subsidiary Talace Pvt Ltd put an enterprise value (EV) bid at Rs. 18,000 crore with debt to be retained at Rs. 15,300 crore and cash component of Rs. 2,700 crore.

   The patriarch of the Tata group, Ratan Tata welcomed the return of Air India to the Tata fold and said the Tata group's winning bid is great news. "While admittedly it will take considerable effort to rebuild Air India, it will hopefully provide a very strong market opportunity to the Tata group's presence in the aviation industry," Tata said. Tata said on an emotional note, Air India under the leadership of JRD Tata had, at one time, gained the reputation of being one of the most prestigious airlines in the world. "The Tatas will have the opportunity of regaining the image and reputation it enjoyed in earlier years. JRD Tata would have been overjoyed if he was in our midst today," Tata said. Tata added, "We need to recognise and thank the government for its recent policy of opening select industries to the private sector."

   Reacting to the government's announcement, N. Chandrasekaran, Chairman, Tata Sons said the Tata group is delighted to be declared as the winner of the bid for Air India. "This is a historic moment, and it will be a rare privilege for our Group to own and operate the country’s flag bearer airline. It will be our endeavour to build a world-class airline which makes every Indian proud. On this occasion, I would like to pay tribute to J.R.D. Tata, pioneer of Indian aviation, whose memory we cherish,” Chandrasekaran said.

RBI kept repo and reverse repo rates unchanged at 4 per cent and 3.35 per cent, respectively. The central bank also retained the GDP growth forecast at 9.5 per cent for the on-going fiscal year and revised CPI inflation projection downward to 5.3 per cent for the whole fiscal (from 5.7 per cent). The RBI Governor said "With the worst of the second wave behind us and substantial pick-up in COVID19 vaccination giving greater confidence to open up and normalise economic activity, the recovery of the Indian economy is gaining traction. While vaccine reach is the real fault line in the current global recovery, India is in a much better place today than at the time of the last MPC meeting. Growth impulses seem to be strengthening and we derive comfort from the fact that the inflation trajectory is turning out to be more favourable than anticipated. In spite of global headwinds, we hope to emerge from the storm and sail towards normal times, steered by the underlying resilience of the macro-economic fundamentals of the Indian economy. Core inflation, however, remains sticky. Elevated global crude oil and other commodity prices, combined with acute shortage of key industrial components and high logistics costs, are adding to input cost pressures. Pass-through to output prices has, however, been restrained by weak demand conditions. The evolving situation requires close vigilance."

He added "Overall, aggregate demand is improving but slack still remains; output is still below pre-pandemic level and the recovery remains uneven and dependent upon continued policy support. Contact intensive services, which contribute about 40 percent of economic activity in India, are still lagging. Supply side and cost push pressures are impinging upon inflation and these are expected to ameliorate with the ongoing normalisation of supply chains. Efforts to contain cost-push pressures through a calibrated reversal of the indirect taxes on fuel could contribute to a more sustained lowering of inflation and an anchoring of inflation expectations."

He further said "Recovery in aggregate demand gathered pace in August-September. This is reflected in high-frequency indicators – railway freight traffic; port cargo; cement production; electricity demand; e-way bills; GST and toll collections. The ebbing of infections, together with improving consumer confidence, has been supporting private consumption. The pent-up demand and the festival season should give further fillip to urban demand in the second half of the financial year. Rural demand is expected to get impetus from continued resilience of the agricultural sector and record production of kharif foodgrains in 2021-22 as per the first advance estimates. The improved level in reservoirs and early announcement of the minimum support prices for rabi crops boost the prospects for rabi production. The support to aggregate demand from government consumption is also gathering pace."

6) The Union Cabinet on Wednesday approved the setting up of 7 Mega Integrated Textile Region and Apparel parks with a total outlay of Rs. 4,445 crore for five years to position India strongly on the global textiles map. Mega Integrated Textile Region and Apparel (PM MITRA) parks were announced in the Union Budget for 2021-22. The parks will be set up at greenfield/brownfield sites located in different willing states. Proposals of state governments having ready availability of contiguous and encumbrance-free land parcels of 1,000 plus acres along with other textiles related facilities ecosystem are welcome, said an official release. Giving details about the decision taken at the Cabinet meeting, Textiles Minister Piyush Goyal said 10 states have already shown interest in setting up the parks. The states are Tamil Nadu, Punjab, Odisha, Andhra Pradesh, Gujarat, Rajasthan, Assam, Madhya Pradesh, and Telangana. The parks will offer an opportunity to create an integrated textiles value chain right from spinning, weaving, processing/dyeing and printing to garment manufacturing at one location. An integrated textile value chain at one location will also reduce the logistics cost of the industry. Maximum Development Capital Support (DCS) of Rs 500 crore to all greenfield parks and a maximum of Rs 200 crore to brownfield ones will be provided for the development of common infrastructure (30 per cent of the project cost). Also, Rs 300 crore of Competitiveness Incentive Support (CIS) will be provided to each park for the early establishment of textiles manufacturing units. Under PM MITRA, 50 per cent area will be developed for pure manufacturing activity, 20 per cent area for utilities, and 10 per cent of the area for commercial development. The release further said the parks will be developed by a special purpose vehicle (SPV), which will be owned by the state government and the central government in a public-private partnership (PPP) mode. "The Master Developer will not only develop the Industrial Park but also maintain it during the concession period. Selection of this Master Developer will happen based on objective criteria developed jointly by State and Central Governments," the release said.

7) Moody's Investors Service on Tuesday changed the outlook on India's ratings to stable from negative and affirmed the country's foreign-currency and local-currency long-term issuer ratings and the local-currency senior unsecured rating at Baa3. According to Moody's scale of ratings, obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess speculative characteristics. Moody's has also affirmed India's other short-term local currency rating at P-3, which points to the acceptable ability to repay short-term obligations. “The decision to change the outlook to stable reflects Moody's view that the downside risks from negative feedback between the real economy and financial system are receding. With higher capital cushions and greater liquidity, banks and non-bank financial institutions pose much lesser risk to the sovereign than Moody's previously anticipated,” the rating agency said in its statement. It added that while risks stemming from a high debt burden and weak debt affordability in India remain, it is expected that the economic environment will allow for a

gradual reduction of the general government fiscal deficit over the next few years, preventing further deterioration of the sovereign credit profile. According to Moody's, the Baa3 ratings balance India's key credit strengths, which include a large and diversified economy with high growth potential, a relatively strong external position, and a stable domestic financing base for government debt, against its principal credit challenges. These challenges include low per capita incomes, high general government debt, low debt affordability and more limited government effectiveness.

8) The gross GST revenue collected in the month of September 2021 stood at Rs. 1,17,010 crore, which is 23 percent higher than the GST revenues in the same month last year. During the month, revenues from import of goods was 30 percent higher and the revenues from domestic transaction (including import of services) are 20 percent higher than the revenues from these sources during the same month last year. The revenue for September 2020 was, in itself at a growth of 4 percent over the revenue of September 2019 of Rs. 91,916 crore. For this September, CGST collections were Rs. 20,578 crore, SGST Rs. 26,767 crore, IGST Rs. 60,911 crore (including Rs. 29,555 crore collected on import of goods) and cess Rs. 8,754 crore (including Rs. 623 crore collected on import of goods). The average monthly gross GST collection for the second quarter of the current year has been Rs. 1.15 lakh crore, which is 5 percent higher than the average monthly collection of Rs. 1.10 lakh crore in the first quarter of the year. “This 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. It is expected that the positive trend in the revenues will continue and the second half of the year will post higher revenues," the government said.

9) The Manufacturing Purchasing Managers' Index, compiled by IHS Markit, rose to 53.7 in September from 52.3 in August, staying above the 50-level separating growth from contraction for the third straight month. "Indian manufacturers lifted production to a greater extent in September as they geared up for improvements in demand and the replenishment of stocks," noted Pollyanna De Lima, economics associate director at IHS Markit. "There was a substantial pick-up in intakes of new work, with some contribution from international markets." Improvements in both domestic and overseas demand saw new orders expand at a quicker pace in September and factories raised output at a significantly faster rate compared to August. However, that failed to encourage factories to hire more workers - a much needed step to boost weak labour market conditions - and instead they reduced their workforce at the sharpest pace in four months. "Companies continued to purchase extra inputs in September, but jobs were little changed over the month. In some instances, survey participants indicated that government guidelines surrounding shift work prevented hiring," added De Lima.

10) The centre's fiscal deficit for April-August came in at Rs. 4.7 lakh crore, or 31 percent of the full year budget estimate, official data showed on September 30. Finance Minister Nirmala Sitharaman had budgeted a fiscal deficit target of Rs. 15.07 lakh crore, or 6.8 percent of nominal gross domestic product, for FY22. The fiscal deficit for FY21 was revised to Rs. 18.49 lakh crore, or 9.5 percent of GDP, from a budget target of 7.96 lakh crore, or 3.5 percent of GDP.

11) Net direct tax collection grew 74.4 per cent to Rs. 5.70 lakh crore between April 1 to September 22 this fiscal, the Finance Ministry said on Friday. The net direct tax collection of Rs. 5,70,568 crore after adjusting for refunds includes Corporation Tax (CIT) at Rs. 3.02 lakh crore and Personal Income Tax (PIT) at Rs 2.67 lakh crore. The net collection (April 1 to September 22) in FY 2021-22 has registered a growth of 27 per cent over 2019-20 fiscal when the net collection was over Rs 4.48 lakh crore. In the previous fiscal (2020-21), the net collection was over Rs 3.27 lakh crore. The gross direct tax collection for 2021-22 fiscal stands at over Rs 6.45 lakh crore, compared to Rs 4.39 lakh crore in the corresponding period of the preceding financial year, registering a growth of 47 per cent over last fiscal. The gross collection was 16.75 per cent higher than Rs 5.53 lakh crore collected in 2019-20 fiscal (April-September 22). The Gross CIT mop-up was Rs. 3.58 lakh crore and PIT was over Rs. 2.86 lakh crore. Refunds amounting to Rs. 75,111 crore have also been issued so far this fiscal.

12) Finance Minister Nirmala Sitharaman, who chaired the first in-person GST Council meet held since the outbreak of the coronavirus pandemic, said: “The issue of petrol and diesel was discussed. Several states said they do not want to bring these under GST. The Council also felt it was not time to bring petrol and diesel under GST. In addition, GST Council on Friday decided to charge food delivery platforms such as Swiggy and Zomato a tax even as it extended concessional tax rates on certain COVID-19 drugs by three months till December 31.

13) Earlier, Finance Minister Nirmala Sitharaman announced a formal government guarantee on the securities receipts that the planned ‘bad bank’ will issue to banks as it takes on non-performing assets from their books. The government guarantee will be Rs. 30,600 crore, she said. The Union Cabinet on Wednesday cleared a proposal to provide government guarantee to security receipts issued by the National Asset Reconstruction Company (NARCL) as part of resolution of bad loans, Sitharaman said at a press briefing in New Delhi. NARCL proposes to acquire stressed assets of about Rs 2. trillion in phases within extant regulations of RBI. NARCL will pay up to 15 per cent of

the agreed value for the loans in cash and the remaining 85 per cent would be government-guaranteed security receipts. "Substantial amount of NPAs continue on balance sheets of banks primarily because the stock of bad loans as revealed by the Asset Quality Review is not only large but fragmented across various lenders. High levels of provisioning by banks against legacy NPAs has presented a unique opportunity for faster resolution," said Ministry of Finance on the rationale for setting up the bad bank. The Finance Minister in Budget 2021-22 announced that the high level of provisioning by public sector banks of their stressed assets calls for measures to clean up the bank books. The guarantee will be valid for 5 years. "15% cash payment will be made to banks for NPAs based on some valuation, 85% will be given as Security Receipts. For Security Receipts to have their value intact, Govt has to give a backstop arrangement, hence the govt guarantee of Rs. 30,600cr cleared by Union Cabinet," said Sitharaman.

14) In big bang reforms for Telecom Sector (Structural and Procedural Reforms), the Union Cabinet approved a relief package for the telecom sector that includes a four-year moratorium on payment of statutory dues by telecom companies as well as allowing 100% foreign investment through the automatic route. Telecom Minister Ashwini Vaishnaw said nine structural reforms for the telecom sector were approved. The definition of AGR, which had been a major reason for the stress in the sector, has been rationalised by excluding non-telecom revenue of telecom companies. AGR refers to revenues that are considered for payment of statutory dues. "PM Modi took a bold decision over AGR (adjusted gross revenue) today. A decision has been taken to rationalise the definition of AGR. All non-telecom revenue will be taken out of AGR. There was a regime of heavy interest, penalty & interest on penalty on payment of license fees, spectrum user charges and all kinds of charges. It has been rationalised today. Annual compounding (of interest) will be done instead of monthly compounding. A reasonable interest rate of MCLR + 2% interest rate has been offered and the penalty has been completely scrapped. This will pave way for large-scale investments in the telecom sector. Investment means employment - more the investment, more the employment," said Vaishnaw at a press briefing in New Delhi. "For future auctions, duration of spectrum will be 30 years instead of 20 years. Also if someone takes spectrum & business conditions/technology changes then after a lock-in period of 10 years it can be surrendered by paying spectrum charge. Spectrum sharing is also being completely allowed, it has been made completely free," added Vaishnaw. Mr. Vaishnaw said the reforms are applicable from October 1 and none of them are with retrospective effect. "There will be further reforms when 5G spectrum is auctioned," he added.

15) 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. 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.

Global markets

1) Globally, there are concerns over rising crude oil prices and increasing US bond yields.

2) Inflation in the euro area accelerated more than expected to the highest level in 13 years. Consumer prices rose 3.4 percent in September, compared with an estimate for a 3.3 percent gain, according to figures released by Eurostat on Friday. A measure stripping out volatile components such as food and energy climbed to 1.9 percent, a rate not seen since 2008. Price growth is driven mainly by effects related to the pandemic and the reopening of economies after long stretches of virus shutdowns. The European Central Bank expects a peak only later this year, before a slowdown in 2022.

3) China is facing power crisis which is triggering blackouts for households and forcing factories to cut production, threatening to slow the country's vast economy and place even more strain on global supply chains.

4) The Chinese real estate developer Evergrande (loaded with heavy debt) said it would make some interest payments. Jerome Powell said the Evergrande situation seems very particular to China, which has very high debt for an emerging market economy," adding that the company's distress does not appear to pose a risk to major U.S. or Chinese banks.

5) Ratings agency Fitch had earlier cut its growth forecast for China's economy this year citing a slowdown in the country's colossal property sector, which is also facing headwinds over faltering real estate giant Evergrande. Fitch Ratings said it expected growth to come in at 8.1 percent this year, compared with a previous 8.4 percent estimate, saying the "main factor weighing on the outlook is the slowdown in the property sector".

6) 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.

7) China's economic data is not encouraging owing to the impact of localised lockdowns following COVID-19 outbreaks resulting into high raw material costs and disruption in supply chain. Retail sales grew at the slowest pace since August 2020, while industrial output also rose at a weaker pace from July which affected investor sentiments. Earlier, 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%.

8) 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.

Ajcon Global's observations and view

1) Indian domestic bourses continued to be in green today led rally in IT stocks. Midcaps and smallcaps too were upbeat. The sentiments remain strong led by good start to Q2FY22 earnings season, RBI's dovish stance good, faster economic recovery witnessed, strong demand outlook in the ongoing festive season and reduction in COVID-19 cases globally. However, rising crude oil prices, increasing US Bond yields may act as headwinds.

2) The bulls have been in command led by strong vaccination drive, good economic activity, Production Linked Incentive Schemes announced in various sectors, recent Services PMI data was also good, strong Q1FY22 GDP numbers and GST collection in August 2021 continued to be robust. The big bang reforms in Telecom sector has already uplifted investor sentiments for telecom related companies. 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 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. In addition, the country gearing up and taking all the measures to prepare itself for likely third COVID-19 wave. Q2FY22 results of majority of the Companies are expected to be strong.

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 suggested irrational exuberance. However, IPOs of sectors in limelight like Speciality chemicals, Companies business model suited to demands of Electric Vehicles would always gain maximum attention. It is advisable for investors to look out for stock specific opportunities. We believe corrections will keep markets healthy.

4) Going ahead, investors will take cues from the ongoing Q2FY22 earnings season and management commentary, economic activity in the festive season especially during Navratri and Diwali, eye on COVID-19 cases especially in the Metros and vaccination drive, movement in crude oil prices and metals. Globally, investors will keep a watch on US Treasury yields and developments in China.

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