

Benchmark indices end in green; buying witnessed in index heavyweights..

| Index | Today's Close | Prev. close | Change | % change | Open | High | Low |
|---------------|---------------|-------------|---------------|-------------|-----------|------------------|-----------|
| Sensex | 57,901.14 | 57,788.03 | 113.11 | 0.20 | 58,243.43 | 58,337.20 | 57,683.11 |
| Nifty | 17,248.40 | 17,221.40 | 27.00 | 0.16 | 17,373.00 | 17,379.35 | 17,184.20 |

- 1) Indian benchmark indices ended in green today led by gains in index heavyweights - Reliance Industries and Bajaj Finance.
- 2) The Sesex was up by 113.11 points or 0.20 percent to end at levels of 57,901.14. Among the Sensex 30 stocks, Bajaj Finance was up by 2.8 per cent, Infosys was up by 2.5 per cent and Reliance Industries was up 1.8 per cent. Titan, HCL Technologies and Mahindra & Mahindra were the other prominent gainers. On the other hand, Bajaj Auto, ICICI Bank, Sun Pharma, Maruti and IndusInd Bank fell by over a per cent each.
- 3) The Nifty was up by 27 points or 0.16 percent to end at levels of 17,248.40.
- 4) The broader markets continued to be under pressure today. The BSE Midcap index fell by 0.6 percent while the BSE Smallcap index was down by 0.6 percent.

Sectors and stocks

- 1) Shares of Subros rallied by 9 per cent to Rs. 408.80 after the company bagged an order from Indian Railways for supply of coach air-conditioners (LHB-RMPU Type 1) in a recently concluded tender. Subros is already a supplier of rail driver cabin air-conditioning system and with this business, the complete scope of air conditioning for rail driver cabin and coaches is complete, the company said in exchange filing. The company further said this is in line with its strategic direction to expand business in railway electric mobility segment. Subros, a joint venture with Suri family of India, Denso Corporation & Suzuki Motor Corporation, Japan; is the leading manufacturer of thermal products for automotive applications in India, in technical collaboration with Denso Corporation, Japan. The company is the only integrated manufacturing unit in India for Auto Air Conditioning systems and Thermal Products. Subros manufactures compressors, condensers, heat exchangers and all connecting elements required to complete AC loop and caters to all segments viz. passenger vehicles, buses, trucks, refrigeration transport and railways.
- 2) Shares of HDFC Asset Management Company and Aditya Birla Sun Life AMC hit their respective 52-week lows on the BSE in Thursday's intra-day trade. HDFC AMC, the investment manager to HDFC Mutual Fund (HDFC MF), was down 2 per cent to Rs 2,411.15, breaching its previous low of Rs 2,427.10, touched on November 29, 2021. In the past three months, the stock has underperformed the market by declining 27 per cent as compared to a 2.4-per cent fall in the S&P BSE Sensex. HDFC AMC is among the largest and profitable mutual funds with an AUM of around Rs 4.4 trillion as on September 2021. However, HDFC AMC's market share loss was faster for April-September period (H1FY22) while industry flows have turned positive.

Key recent major developments..

- 1) FIIs sold equities worth Rs. 1,468.71 Crore on 16th Dec. 2021. Month till date, FIIs have sold equities worth Rs. 24,617.56 Crore against selling of Rs. 39,901.92 Crore in November 2021.
- 2) Data Patterns' initial public offering (IPO) received 120 times subscription and generated bids worth nearly Rs 50,000 crore. The qualified institutional buyer (QIB) portion was subscribed 186 times, the high net worth individual (HNI) portion by 260 times, and the retail portion by 23.6 times. Data Patterns is a defence and aerospace electronics solutions provider catering to the indigenously developed defence products industry. The company offers defence and aerospace platforms products - space, air, land, and sea. The company's core competencies include electronic hardware design and development, software design and development, firmware design and development and engineering services. The company's manufacturing facility consists of a 100,000 square feet factory built on

5.75 acres of land in Chennai, which has facilities for design, manufacturing, qualification, and life cycle support of high-reliability electronic systems used in defence and aerospace applications.

- 3) The Union Cabinet on Wednesday approved a production linked incentive (PLI) scheme for semiconductor and display board production in the country, I&B Minister Anurag Thakur said. The scheme envisages investment of Rs. 76,000 Crore in semiconductor production over the next 5-6 years, he said.

The programme aims to provide attractive incentive support to companies/consortia that are engaged in Silicon Semiconductor Fabs, Display Fabs, Compound Semiconductors/Silicon Photonics/Sensors (including MEMS) Fabs, Semiconductor Packaging (ATMP / OSAT), Semiconductor Design. The programme will usher in a new era in electronics manufacturing by providing a globally competitive incentive package to companies in semiconductors and display manufacturing as well as design, said government while adding that semiconductors and displays are the foundation of modern electronics driving the next phase of digital transformation under Industry 4.0.

- 4) The Indian economy "continues to forge ahead, emerging out of shackles of pandemic," but the rise of the Omicron variant has emerged as the biggest risk factor, said the state of the economy report released with the December bulletin of the Reserve Bank of India (RBI) on Wednesday. The Indian economy bounced back strongly in the second quarter, as the gross domestic product (GDP) surpassed its pre-pandemic levels, and inflation broadly remained under the 6 per cent range, the upper band of the tolerance range of the RBI. The RBI's medium-term target is to keep retail inflation at 4 per cent. In November, the retail inflation came at 4.91 per cent, but wholesale price index (WPI), which it no longer targets, came at a 12 year high of 14.23 per cent.

"A host of incoming high frequency indicators are looking upbeat and consumer confidence is gradually returning. Aggregate demand conditions point to sustained recovery, albeit, with some signs of sequential moderation," the report said.

- 5) Wholesale inflation, based on the Wholesale Price Index (WPI), in November rose 14.23 per cent from 12.54 per cent a month ago, mainly on rise in food prices, especially of vegetables, and minerals and petroleum products, Commerce & Industry Ministry data showed on Tuesday. This is the highest level of wholesale inflation in the 2011-12 series and eighth consecutive month in which it has stayed at a double-digit level. The wide gap between WPI and CPI inflation reflects the price pressures on the inputs side, which are expected to pass through to the retail level in the coming months. The WPI grew 12.54 per cent during October, while the WPI for September was revised to 11.80 per cent from 10.66 per cent. The WPI inflation rate in November 2020 was at 2.29 per cent. Both core and manufacturing inflation stayed over 11 per cent for the fifth straight month at wholesale level.
- 6) India's retail inflation in the month of November marginally rose to 4.91 percent, accelerating towards the upper limit of Reserve Bank of India's target range as fruit and vegetable prices climbed, the government data showed on Monday. The Consumer Price Index (CPI) based retail inflation was 4.48 percent in October 2021 and 6.93 percent in November 2020. As per the data released by the National Statistical Office (NSO), food inflation was at 1.87 percent in November this year compared to 0.85 percent in the preceding month. Retail fuel prices rose 13.35 percent in November year-on-year compared to 14.35 percent in the previous month, the data showed.
- 7) 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.
- 8) 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



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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.

Global markets

- 1) Asian peer indices were upbeat today and ended on a positive note. The European markets started on a good note. However, US benchmark index - Nasdaq was down by 0.76 percent as Fed Chair Jerome Powell comments on rate hike dented investor sentiments.
- 2) The Federal Reserve said on Wednesday it would end its pandemic-era bond purchases in March and pave the way for three quarter-percentage-point interest rate hikes by the end of 2022 as the economy nears full employment and the U.S. central bank copes with a surge of inflation. "The economy no longer needs increasing amounts of policy support," Fed Chair Jerome Powell said in a news conference in which he contrasted the near-depression conditions at the onset of the coronavirus pandemic in 2020 with today's environment of rising prices and wages and rapid improvement in the job market. The pace of inflation is uncomfortably high, he said after the end of the Fed's latest two-day policy meeting, and "in my view, we are making rapid progress toward maximum employment," a combination of circumstances that has now convinced all Fed officials, even the most dovish, that it is time to exit more fully the pandemic policies put in place two years ago.
- 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 benchmark indices were back in green led by rally in index heavyweights.
- 2) Before last few days 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 continue to track Finance Minister Nirmala Sitharaman's pre-budget consultations for Budget 2022-23 with different stakeholder groups which has begun from today, 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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