

Indian equities come under pressure; select IT and Technology stocks rally..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	60,008.33	60,322.37	314.04	0.52	60,179.93	60,426.61	59,944.77
Nifty	17,898.65	17,999.20	100.55	0.56	18,127.05	18,132.65	17,958.80

- 1) The benchmark indices continued to be under pressure today. The Sensex declined by 314.04 points and ended at levels of 60,088. The NSE Nifty was down by 100.55 points or 0.56 percent to end at levels of 17,899.
- 2) Among the Sensex 30 stocks, Maruti and Asian Paints were up by 2.3 percent respectively. Other prominent gainers were Powergrid, NTPC and ITC.
- 3) In terms of sectoral performance, the Energy, Realty and Oil & Gas indices fell by 1.8 per cent, 1.8 per cent and 1.4 per cent, respectively. The Auto and Power indices were up 0.6 per cent each.
- 4) The broader markets ended on a mixed. The BSE Midcap index slipped by 0.2 per cent, while the Smallcap index ended in positive zone.

Sectors and stocks

- 1) Shares of Shares of Tata Motors hit an over four-year high of Rs. 536.50, up 3 per cent on the BSE in Wednesday's intra-day trade, having gained 6 per cent in the past two days on demand recovery hope. The stock of the Tata Group commercial vehicles maker was trading at its highest level since February 2017. It surpassed its previous high of Rs. 532.40, touched on October 14, 2021. While announcing September 2021 (Q2FY22) results, Tata Motors had said that the demand remains strong for Jaguar Land Rover (JLR) and India passenger vehicle (PV) while commercial vehicle (CV) demand is improving gradually. "Semiconductor issues and commodity inflation will continue to impact the near term and we are doing our best to manage them. The performance is expected to improve gradually starting in H2 as both the supply chain and the pandemic situation improves," the company said.
- 2) Shares of L&T Technology Services (LTTS), a leading global pure-play engineering services company, gained 7 per cent to Rs. 5,742 after the company announced that it was selected as an engineering partner by Mavenir and NVIDIA, to accelerate adoption of the industry's first converged AI-on-5G. LTTS will support Mavenir with customization, integration and deployment of AI applications for deployment on NVIDIA's AI-on-5G Platform. NVIDIA's AI-on-5G platform is a unified platform that brings together developments at the edge to accelerate the digital transformation of enterprises across all industries. 5G provides the underlying connectivity for billions of devices, extending AI's reach to all connected objects and enabling new use cases and new markets. AI-on-5G is supported by a large ecosystem of partners offering a range of GPU-optimized applications and by NVIDIA SDKs, toolkits, and APIs, LTTS said in a press release.
- 3) Shares of KPIT Technologies hits a new high of Rs. 472.50, rallied 8 per cent today and has rallied by 53 per cent thus far in the month of November on strong outlook. The IT consulting & software company raised outlook for revenue and profit for the financial year 2021-22 (FY22). The company said, for FY22, revenue growth outlook has been increased to 18 to 20 per cent, while Ebitda margin outlook has been revised to 17.5+ per cent. The management while announcing September quarter (Q2FY22) results on November 1, 2021 had said the company is witnessing a robust demand environment resulting in strong order inflow and pipeline. With improved business visibility, the company has increased its revenue and profit outlook for the year.

Key recent major domestic developments..

- 1) Merchandise exports grew for the eleventh straight month to \$35.65 billion, up 43 per cent on year during October, as external demand continued to remain robust. Preliminary data released by the commerce and industry ministry showed the growth was driven by higher demand for items, primarily engineering goods, petroleum products, gems and jewellery as well as organic and inorganic chemicals, among other items. Compared with the pre-Covid level of

October 2019, the growth in the value of goods exported was up nearly 36 per cent. Exports have been on an upward trajectory for close to a year now, with the value of exports hovering around \$30 billion over the last eight months, amid gradual recovery in key Western markets.

- 2) Industrial production growth slipped to 3.1 per cent in September, mainly due to the waning low base effect while mining and manufacturing sectors performed well. The manufacturing sector, which constitutes 77.63 per cent of the Index of Industrial Production (IIP), grew 2.7 per cent in September, according to the data released by the National Statistical Office (NSO) on Friday. The mining sector output rose 8.6 per cent in September, while power generation increased 0.9 per cent. In September 2021, the IIP stood at 127.9 points compared to 124.1 points in the same month last year. The index stood at 122.9 points in September 2019, as per the NSO data. Thus, the data showed waning of the low base effect. The IIP growth witnessed double-digit growth from May onwards this year, mainly due to the lower base effect.
- 3) India's retail inflation in October was up marginally to 4.48 per cent due to uptick in food prices, leaving the Reserve Bank of India room for now to leave interest rates steady, government data showed on Friday. The inflation, as measured by the consumer price index (CPI), was 4.35 per cent in September. This marks the fourth consecutive month inflation has been within the RBI's tolerance band of two per cent-six per cent. According to the data released by the National Statistical Office (NSO), inflation in food basket rose to 0.85 per cent in October, compared to 0.68 per cent in the preceding month.
- 4) The Finance Ministry's latest economic report has said India's economic recovery has continued to trend upwards even as global economic recovery remains hamstrung. The festive season saw record high sales of Rs 1.3 lakh crore, according to Confederation of All India Traders (CAIT). As fresh COVID-19 cases have seen a massive dip and by October end over 85 percent of adults had received at least one vaccine dose, with 38 percent of the eligible population being fully vaccinated, the economy is on the path to recovery. The festive season also saw the second-highest level of goods and service tax (GST) collections. Improving COVID-19 situation amid high business and consumer spirits delivered sustained economic recovery in October 2021 as well. The global economic recovery however continues to be impacted by prolonged supply constraints and input cost inflation, it said. Revenue collection is expected to remain in an upside movement as economic activity and tax administration are strengthened. The report concluded that "Armed with necessary macro and micro growth drivers, the stage is set for India's investment cycle to kickstart and catalyse its recovery towards becoming the fastest growing economy in the world!"
- 5) Gross Goods and Services Tax (GST) revenue collections in October witnessed a rise of 23.7 per cent year-on-year to Rs. 1,30,127 crore. This is the second-highest revenue collection under GST ever since its rollout in July 2017, coming on the back of a pickup in economic activity and several compliance measures taken by tax authorities to curb evasion. GST collections at Rs 1,41,384 crore in April this year, accounting for year-end sales, are the highest collections so far in the indirect tax regime. The Finance Ministry said that this growth in collections is "very much in line with the trend in economic recovery". "The GST revenues for October have been the second-highest ever since the introduction of GST, second only to that in April 2021, which related to year-end revenues. This is very much in line with the trend in economic recovery. This is also evident from the trend in the e-way bills generated every month since the second wave. The revenues would have still been higher if the sales of cars and other products had not been affected on account of disruption in supply of semiconductors," it said.
- 6) India Manufacturing Purchasing Managers' Index (PMI) was in expansion territory, at 55.9 in October, for the fourth month in a row. Moreover, rising from 53.7 in September, the latest figure pointed to the strongest improvement in overall operating conditions since February.
- 7) The Union cabinet earlier cleared the PM Gati Shakti - National Master Plan for multi-modal connectivity to economic zones. "The PM GatiShakti NMP is intended to break Departmental Silos and bring in more holistic and integrated planning and execution of projects with a view to address the issues of Multi Modal connectivity and last mile connectivity," the cabinet said in a statement. "This will help in bringing down the logistics cost. This will translate into enormous economic gains to consumers, farmers, youth as well as those engaged in businesses," it added. Prime Minister Narendra Modi had on October 13 launched the PM Gati Shakti National Master Plan for multi-modal connectivity to expedite and bring infrastructure development on a common path. The Rs 100 lakh-crore Gati Shakti plan envisages a centralised portal comprising all existing and planned infrastructure initiatives of as many as 16 central ministries and departments for integrated planning and coordinated implementation of infra connectivity projects.

- 8) 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.

- 9) Earlier, 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."

- 10) 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.

Global markets

- 1) Asian peer equity indices ended on a mixed note. European equities started the opening session in green.

- 2) Earlier, investors took confidence from the discussion between US president Joe Biden and his Chinese counterpart Xi Jinping. In a virtual meeting, Biden urged Xi not to allow competition between the two economic powers and closely linked trading partners to escalate into a conflict.
- 3) US consumer inflation rose last month at the fastest annual pace since 1990. The consumer price index increased 6.2% from October 2020, according to Labor Department data released Wednesday. Yield on the 10-year Treasury also jumped and the dollar also strengthened.
- 4) In US, the passage of U.S. \$1 trillion infrastructure bill has improved investor sentiments to some extent.
- 5) Globally, there are concerns like US-China tensions, increase in COVID-19 cases in China, Russia, UK and European countries. Rising crude oil prices and increasing US bond yields would also affect investor sentiments.
- 6) China's economy hit its slowest pace of growth in a year in the third quarter, hurt by power shortages, supply chain bottlenecks and major wobbles in the property market and raising pressure on policymakers to do more to prop up the faltering recovery. Data released on Monday showed gross domestic product (GDP) grew 4.9% in July-September from a earlier, the weakest clip since the third quarter of 2020 and missing forecasts. The world's second-largest economy is facing several major challenges, including the China Evergrande Group debt crisis, ongoing supply chain delays and a critical electricity crunch, which sent factory output to its weakest since early 2020, when heavy COVID-19 curbs were in place.

Ajcon Global's observations and view

- 1) Indian equities continued to be under pressure today. However, select Auto, IT and Technology stocks were upbeat today.
- 2) Overall, the sentiments have been strong led by good Q2FY22 earnings season, good economic activity witnessed in the festive season of Navratri and Diwali, good manufacturing PMI data and strong October 2021 GST collections, 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. RBI's dovish stance good, faster economic recovery witnessed, strong demand outlook in the ongoing festive season. However, rising crude oil prices, increasing US Bond yields may act as headwinds. Bulls will have an edge led by strong vaccination drive, good economic activity, Production Linked Incentive Schemes announced in various sectors, good GST collection in September 2021. The big bang reforms in Telecom sector has already uplifted investor sentiments for telecom related companies. 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, recent RBI measures to gradually reduce liquidity can remain an overhang.
- 3) Going ahead, investors will continue take cues from the ongoing Q2FY22 earnings season and management commentary, eye on COVID-19 cases especially after the festive season and vaccination drive, movement in crude oil prices and metals. Globally, investors will keep a watch on US Treasury yields and developments in China.
- 4) There is a strong line up of IPOs which reminds of IPO pipeline in the month of August 2021. We suggest investors to be careful about the forthcoming IPOs and understand the fundamentals before riding the boom based on risk reward profile. Subdued listing of IPOs in August 2021 suggested irrational exuberance earlier. However, IPOs of sectors in limelight like E-Commerce, 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.
- 5) 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 and not get carried away. It is advisable for investors to look out for stock specific opportunities at decent valuations considering growth outlook and management pedigree. Always remember, corrections in a bull market will keep markets healthy.



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