

Benchmark indices end flat; IT stocks rally..

- 1) The benchmark S&P BSE Sensex touched fresh closing peak of 46,961 levels, up 70 points or 0.15 per cent. The index hit a record high of 47,026 in the opening deals but erased gains on sell-off in large private banks, metals and realty stocks.
- 2) At close, Infosys, Bajaj Auto, State Bank of India (SBI), and ICICI Bank (up between 1.4 per cent and 2.6 per cent) were the top gainers while IndusInd Bank, HDFC Bank, ONGC, and Maruti Suzuki ended the day as top laggards.
- 3) The Nifty50 index, on the other hand, ended at 13,760.5 levels, up 20 point or 0.14 percent.
- 4) The broader markets ended in the red for second straight day. The S&P BSE MidCap index closed at 63 points, or 0.35 per cent, lower at 17,801 level. The S&P BSE SmallCap index, too, dipped 42 points, or 0.2 per cent, at 17,769 levels.
- 5) On the sectoral front, Nifty Pharma and Nifty IT indices ended the day with over 1 per cent gains, while Nifty PSB, Nifty Private Bank, and Nifty Realty indices declined up to 0.7 per cent each.
- 6) On a weekly basis, both, the Sensex and Nifty indices were up by nearly 2 per cent. The Nifty-Mid Cap 100 Index and BSE Small Cap Index have gained 1.9% and 1.4%, respectively.

Sectors and stocks

- 1) Shares of KNR Constructions were up by 9 per cent to Rs. 347, hitting a fresh 52-week high, on the BSE on Friday after the company said its board has approved bonus share in the ratio of 1:1. "The board of directors of the Company, at its meeting held today, has recommended issue of bonus shares to the members of the Company by capitalization of its securities premium reserves in the ratio of 1 bonus equity share for every 1 existing equity share held by the members as on 'record date' to be fixed hereafter for this purpose," KNR Constructions said in a BSE filing. The Company will also seek the approval of members of the Company through postal ballot, inter alia, for increase of authorized share capital of the Company, it said. In the past one week, stock of the construction & engineering company has rallied 17 per cent after the company on Monday, December 14, announced bonus issue plan. In comparison, the S&P BSE Sensex was up 1.6 per cent during the week. In July-September quarter (Q2FY21), KNR Construction reported 85 per cent year-on-year (YoY) jump in its consolidated net profit at Rs 153.9 crore. EBITDA (earnings before interest, taxes, depreciation, and amortization) margin remained strong at 26.1 per cent on account of the rising share of higher margin irrigation projects, resulting in a strong beat on earnings. The company said its order book stood strong at Rs 8,550 crore, of which Rs 4,693 crore from road sector and Rs 3,862 crore from irrigation sector. The management also said the company would aim to add more business verticals to the organisation in the fields of construction of Elevated Metro Rail and Railway Projects.
- 2) Shares of Pidilite Industries were up by 6.27 per cent to Rs. 1,731.80 on the BSE on Friday on the back of heavy volumes in an otherwise subdued market. The stock of the specialty chemicals' firm was trading close to its all-time high level of Rs. 1,710 touched on March 11, 2020. Pidilite is the market leader in adhesives and sealants construction chemicals hobby colours and polymer emulsions in India. Its brand name Fevicol has become synonymous with adhesives to millions in India and is ranked amongst the most trusted brands in India. In the past three months, Pidilite has underperformed the market by gaining 16 per cent, as compared to a 20-per cent gain in the S&P BSE Sensex. Moreover, the stock advanced 22 per cent, as against a 37-per cent rally in the benchmark index in the past six months. Pidilite is a high-quality company with a niche consumption play imbued with strong brand equity in under-penetrated and high-growth categories. The company's dominant positions, vast reach (~3.2mn outlets) and strong connect with middlemen as well as consumers act as strong entry barriers. The company has been regular in terms of acquisitions. However, its latest buy of Huntsman Advanced Materials Solutions (HAMSP) assumes significance given the sharpening focus of paint players on adhesive/sealants.
- 3) Shares of information technology (IT) companies rallied at the bourses on Friday with sector giants Tata Consultancy Services (TCS) and Infosys hitting their respective record highs, after Accenture reported better-than-expected results for the quarter ending November 30. For all of fiscal 2021, Accenture now sees revenue growth of between 4 per cent and 6 per cent, up from a previous forecast range of up 2 per cent to 5 per cent all in local currency. The Nifty IT index hit a record high of 23,408, up 2 per cent on the NSE in early morning trade. In comparison, the Nifty50 index was down 0.36 per cent at 13,692 points, at 09:38 am.



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- 4) Infosys gained 3 per cent at Rs 1,193 and TCS rose 2 per cent to Rs 2,894. Coforge, Larsen & Toubro Infotech, HCL Technologies, Wipro and Tech Mahindra from the Nifty IT index were up in the range of 1 per cent to 3 per cent.

Key recent developments

- 1) Reliance Industries (RIL) and BP today announced the start of production from the R Cluster, ultra-deep-water gas field in block KG D6 off the east coast of India. RIL and BP are developing three deepwater gas projects in block KG D6 – R Cluster, Satellites Cluster and MJ – which together are expected to meet ~15% of India's gas demand by 2023. These projects will utilise the existing hub infrastructure in KG D6 block. RIL is the operator of KG D6 with a 66.67% participating interest and BP holds a 33.33% participating interest.
- 2) S&P Global Ratings on Tuesday raised India's growth projection for the current fiscal to (-) 7.7 per cent from (-) 9 per cent estimated earlier on rising demand and falling COVID infection rates. "Rising demand and falling infection rates have tempered our expectation of COVID's hit on the Indian economy. S&P Global Ratings has revised real GDP growth to negative 7.7 per cent for the year ending March 2021, from negative 9 per cent previously," S&P said in a statement. The US-based rating agency said its revision in growth forecast reflects a faster-than-expected recovery in the quarter through September. For the next fiscal, it projected India's growth to rebound to 10 per cent. India's gross domestic product fell 7.5 per cent in the July-September quarter, against a contraction of 23.9 per cent in the April-June quarter. S&P said India is learning to live with the virus, even though the pandemic is far from defeated and reported cases have fallen by more than half from peak levels, to about 40,000 per day. The feared resurgence following the recent holiday season has yet to materialise. "It is no surprise that India is following the path of most economies across Asia-Pacific in experiencing a faster-than-expected recovery in manufacturing production," S&P Global Ratings Asia-Pacific chief economist Shaun Roache said. Manufacturing output was about 3.5 per cent higher in October 2020, compared to the year-ago period, while the output of consumer durables rose by almost 18 per cent. "This recovery underscores one of the more striking aspects of the COVID-19 shock -- the resilience of manufacturing supply chains. Again, as with demand, some slowing of output momentum has emerged more recently," S&P said.
- 3) The Wholesale Price Index (WPI) based inflation rose to 1.55 percent in November - a nine month high, as manufactured products turned costlier, while food prices eased. WPI inflation in October 2020 was at an eight-month high of 1.48 percent as manufactured products turned costlier. November 2019 WPI inflation was at 0.58 percent, due to increase in prices of food articles. Food inflation for November 2020 is at 4.27 percent compared to 5.78 percent in October 2020. Primary articles inflation is at 2.72 percent, down 0.8 percent month-on-month (MoM) from 4.74 percent in October 2020. Manufactured products inflation is at 2.97 percent, up 0.8 percent MoM compared to 2.12 percent in October 2020, and all commodities index is up 0.3 percent MoM. Fuel and power inflation stood at -9.87 percent, up by 0.2 percent MoM, compared to -10.95 percent in October 2020.
- 4) India's retail inflation for November stood at 6.93 percent against 7.61 percent in October. Vegetables inflation for November came in at 15.63 percent, oils and fat at 17.86 percent, meat and fish at 16.67 percent, and pulses and products at 16.67 percent.
- 5) Industrial production rose 3.6 per cent in October, mainly due to better performance of manufacturing and electricity generation sectors, official data showed on Friday. According to the Index of Industrial Production (IIP) data, manufacturing and electricity generation sectors registered a growth of 3.5 per cent and 11.2 per cent, respectively. The mining sector witnessed a contraction of 1.5 per cent in October. The IIP had contracted by 6.6 per cent in October 2019.
- 6) AstraZeneca will start clinical trials to test a combination of its experimental COVID-19 vaccine with Russia's Sputnik V shot aimed at boosting the efficacy of the British drugmaker's vaccine, Russia's sovereign wealth fund said on Friday. Trials will start by the end of the year, said the RDIF wealth fund, which has funded Sputnik V, named after the Soviet-era satellite that triggered the space race. In a statement on Friday, AstraZeneca said it was considering how it could assess combinations of different vaccines, and would soon begin exploring with Russia's Gamaleya Institute, which developed Sputnik V, whether two common cold virus-based vaccines could be successfully combined. The co-operation between one of Britain's most valuable listed companies and the state-backed Russian science research institute highlights the pressure to develop an effective shot to fight the pandemic that has killed over 1.5 million people. The move is likely to be seen in Moscow as a long-awaited vote of confidence by a Western manufacturer in Sputnik V.
- 7) Three firms, applied for emergency use authorisation (EUA) of their respective COVID-19 vaccine candidates in the country. While America's Pfizer Inc was the first to apply on December 4, Pune-based Serum Institute of India (SII) and Hyderabad-based Bharat Biotech International Limited applied on December 6 and 7 respectively. Earlier in the day SII CEO Adar Poonawalla tweeted stating: "As promised, before the end of 2020, SII has applied for emergency use authorisation for the first made-in-India vaccine, Covishield." The Pune-based vaccine manufacturer has

collaborated with Oxford University and pharmaceutical giant AstraZeneca for making the vaccine and its trials at select sites. SII has now sought emergency use authorisation, citing unmet medical needs due to the pandemic and in the interest of the public at large. The SII which is the world's largest vaccine producer by volume, has become the second company to apply for the emergency authorisation after Pfizer, India. Pfizer India had applied for emergency-use authorisation for its COVID-19 vaccine, after the company's parent received clearance for the treatment from Britain and Bahrain.

- 8) Earlier, The Reserve Bank of India (RBI) on Friday revised its forecast of economic growth for the current fiscal year (2020-21) to minus 7.5 per cent compared to its earlier forecast of minus 9.5 per cent. RBI governor Shaktikanta Das said the change in forecast has been prompted by a surge in demand in both rural as well as urban areas. The second half of the fiscal year is expected to show positive growth despite disruptions caused by coronavirus pandemic, he added.
- 9) The RBI kept the policy repo rate unchanged at 4 per cent amidst high inflation. CPI inflation rose sharply to 7.3 per cent in September and further to 7.6 per cent in October 2020, with some evidence that price pressures are spreading. Food inflation surged to double digits in October across protein-rich items including pulses, edible oils, vegetables and spices on multiple supply shocks. Core inflation, i.e., CPI excluding food and fuel, also picked up from 5.4 per cent in September to 5.8 per cent in October. Both three months and one year ahead inflation expectations of households have eased modestly in anticipation of the seasonal moderation of food prices in the winter and easing of supply chain disruptions. The RBI governor said inflation is likely to remain elevated with some relief in the winter months. "CPI inflation is seen at 6.8 percent for Q3FY21 and projected CPI inflation is at 5.8 percent for Q4FY21. For H1FY22, projected CPI inflation is seen at 5.2-4.6 percent with risks broadly balanced," said Das. Consequently, the reverse repo rate under the LAF remains unchanged at 3.35 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 4.25 per cent. The Monetary Policy Committee (MPC) also decided to continue with the accommodative stance as long as necessary – at least during the current financial year and into the next financial year – to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward. These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.
- 10) Real GDP for the September quarter contracted 7.5 per cent year-on-year, on the back of the steep contraction in manufacturing, construction, and services, data released by the National Statistical Office showed on November 27. The real GDP for April-June 2020 had contracted 23.9 per cent, the steepest fall ever (and the first contraction in 40 years). The July-September 2019 quarter had witnessed a GDP growth of 4.4 per cent.
- 11) Turning to the growth outlook, the recovery in rural demand is expected to strengthen further, while urban demand is also gaining momentum as unlocking spurs activity and employment, especially of labour displaced by COVID-19. Fiscal stimulus is increasingly moving beyond being supportive of consumption and liquidity to supporting growth-generating investment. On the other hand, private investment is still slack and capacity utilisation has not fully recovered, RBI Governor Shaktikanta Das said in Monetary Policy Statement.
- 12) Prime Minister Narendra Modi earlier said that experts believe that the wait for a COVID-19 vaccine will not be long and it may be ready in a few weeks, asserting the vaccination drive in India will begin as soon as scientists give the nod. In his remarks here at an all-party meeting held virtually, he said healthcare workers involved in treating COVID-19 patients, frontline workers, who include police personnel and municipal staff, and old people suffering from serious conditions would be inoculated on priority. Noting that there have been questions about the price of the COVID-19 vaccine, the prime minister said it is natural to have such queries and asserted that public health will be accorded top priority in the matter and states will be fully involved. In his concluding address at the meeting called by the Union government to discuss the pandemic situation, Modi sought to address most burning aspects of the issue, ranging from India's vaccine readiness to its pricing, and reiterated that the country has done better than even some developed countries and those with better health infrastructure in tackling the pandemic.
- 13) Goods and service tax (GST) collections for November 2020 stood at Rs. 1.04 lakh crore, marginally lower than Rs 1.05 lakh crore collected in October this year, but higher than Rs. 1.03 lakh crore collected in the same month last year. Economic recovery is clearly evident from improved GST collections data. GST Collections crossed the Rs. 1 lakh crore mark for the second time since April, after last month's Rs. 1.05 lakh crore.

Global markets

- 1) Asian shares equities were in red slipped on Friday. MSCI's broadest index of Asia-Pacific shares outside Japan dropped 0.6 per cent from Thursday's record. Mainland Chinese shares fell 0.4 per cent while Hong Kong's Hang Seng lost 1 per cent. Japan's Nikkei dipped 0.2 per cent, facing strong resistance around 27,000 while European shares are seen weaker, with Euro Stoxx 50 futures down 0.45 per cent and FTSE futures falling 0.3 per cent.



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- 2) The Federal Reserve on Wednesday promised to keep funneling cash into financial markets further into the future to fight the recession, even as policymakers' outlook for next year improved following initial rollout of a coronavirus vaccine. Repeating a pledge to keep its benchmark overnight interest rate near zero until an economic recovery is complete, the US central bank said it would also now tie its program of monthly government bond purchases to that same goal. "Together, these measures will ensure that monetary policy will continue to deliver powerful support to the economy until the recovery is complete," Fed Chair Jerome Powell said in a news conference after the end of the central bank's latest policy meeting. The bond purchases would continue "until substantial further progress has been made toward the Committee's maximum employment and price stability goals," the Fed's rate-setting committee said in its unanimous policy statement. It was the more incremental step of the options the Fed was weighing, taken as policymakers boosted their outlook for US.

Ajcon Global's view

- 1) We believe the improvement in IIP numbers will boost investor confidence significantly. Sectors that were hammered significantly during COVID-19 crisis will continue to rally.
- 2) Overall, investor sentiments have improved significantly with RBI's forecast of positive GDP growth. Additionally, Prime Minister Narendra Modi on Friday said that experts believe that the wait for a COVID-19 vaccine will not be long and it may be ready in a few weeks, asserting the vaccination drive in India will begin as soon as scientists give the nod also aided in improvement of sentiments.
- 3) Domestically, broader markets continued to witnessing buying which is a good sign for retail investors. Strong up move is being registered in smallcaps space which will bring much needed relief who were caught at the peak of 2018. Real GDP for September quarter contracted by 7.5 percent, but according to us, the Q2 GDP data indicates signs of economic revival from a standstill scenario (owing to nationwide lockdown in April, May, and June 2020). The numbers could have been a disaster had it not been for a gradual recovery of economy during various phases of Unlock.
- 4) Samvat 2077 has already started on a positive note with Indian equities continue to remain buoyant. Investors confidence on economic recovery is improving day by day led by COVID-19 vaccine related developments. Earlier, in Samvat 2076, the benchmark indices index rallied by 10.68 per cent. Samvat 2076 witnessed a roller coaster ride with India entering into a nationwide lockdown from the mid-night of March 24 owing to COVID-19 pandemic. Fears of a disrupted economy made S&P BSE Sensex and the Nifty50 indices fall steeply by over 39 per cent to hit a low of 25,639 and 7,511, respectively on March 24, 2020 which was nerve testing. However, since then, the benchmarks have defied gravity and hit new highs on November 11, 2020 as hopes of potential Covid-19 vaccine and reduction of COVID-19 cases domestically from its peak calmed the nerve of investors.
- 5) Domestically, investors sentiments have improved led by strong earnings performance in majority of the Companies which has surpassed our expectations as well. Clearly, there are visible signs of economic recovering fast. After significant rally witnessed in Largecaps space since the announcement of initial Lockdown to control COVID-19 pandemic, investors have become stock specific in midcaps and smallcaps. Investors are increasing allocation in Companies which have posted strong performance in H1FY21 led by cost efficiencies and good growth outlook for H2FY21. In addition, greenshoots like improved Auto sales numbers, improved occupancy in airlines, normal monsoons, economic activity catching up in majority of the sectors to Pre-COVID19 levels which is cherished by street participants.
- 6) At present levels, Nifty valuations look expensive led by significant spike of FPI liquidity in the month of November 2020. Hence we are cautious on Large caps and advise partial profit booking. The news on COVID-19 vaccine coming in UK has already led to rerating of sectors that were hammered in COVID-19 crisis. Fall in domestic bourses, will make markets healthy for fresh entry.
- 7) Investors will keep an eye on the progress of COVID-19 vaccine roll out and its efficacy in various countries.

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