

Indian equities face pressure led by global sell off; Financials decline..

- 1) Indian benchmark indices declined sharply led by fall in global equities owing to concerns of possible third wave in the US and the UK, and a spike in coronavirus cases in Japan and Australia despite lockdown-like restrictions.
- 2) Sensex fell by 587 points, or 1.1 per cent, to end at 52,553 while the Nifty50 ended below the 15,750-mark at 15,730 levels, down 193 points. In the broader markets, the BSE MidCap and SmallCap indices fell 0.58 per cent and 0.31 per cent, respectively.
- 3) Sectorally, the Nifty Bank index fell by over 2 per cent, owing to losses in HDFC Bank (down over 3 per cent) as the deterioration in the lender's asset quality in Q1FY22 sparked fears of a blow to economic recovery.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,553.40	53,140.06	586.66	1.10	52,606.99	52,821.17	52,405.89
Nifty	15,752.40	15,923.40	171.00	1.07	15,754.50	15,836.90	15,707.50

Sectors and stocks

- 1) Shares of Datamatics Global Services were locked in the upper circuit of 20 per cent at Rs. 300.90 on the BSE on Monday amid an over five-fold jump in trading volumes. In the past three trading days, the stock of the information technology (IT) software products company has rallied by 65 per cent. Datamatics provides intelligent solutions for data-driven businesses to increase productivity and enhance the customer experience. With a complete digital approach, Datamatics' portfolio spans across information technology services, business process management, engineering services and big data & analytics all powered by artificial intelligence. For the financial year 2020-21 (FY21), USA was the major contributor at 58 per cent whereas contributions from UK, Europe, India and the Rest of World stood at 11 per cent, 5 per cent, 21 per cent and 5 per cent, respectively. In terms of sectoral contribution to the revenue, BFSI, publishing and technology and consulting were the top three sectors as they contributed 27 per cent, 25 per cent and 19 per cent, respectively. "The pandemic has accelerated digital transformation plans across industries in a new normal world. Worldwide IT spending is forecasted to total US\$ 4.1 trillion in 2021, a growth of 8.4 per cent from 2020 and is anticipated to touch US\$ 4.3 trillion, moderating a growth to 5.5 per cent in 2022 (Source: Gartner April 2021, Spending Forecast Release). Global Cloud computing industry is expected to grow from US\$ 371.4 billion in 2020 to US\$ 832.1 billion by 2025, at a CAGR of 17.5 per cent. Increased automation and agility is expected to drive the cloud computing growth," Datamatics said in investor presentation. On Monday, July 12, Datamatics, announced that Aabhas Zaveri has been appointed as Senior Vice President – Sales, Intelligent Automation. Zaveri will lead the business for Datamatics Intelligent Automation products, including TruBot, TruCap+, and TruBI, the company said in a press release. For the financial year 2020-21 (FY21), Datamatics reported 4.5 per cent year on year (YoY) decline in its consolidated revenue at Rs 1,149 crore because of non-inclusion of Cignex revenue in March quarter (Q4FY21) and impact of pandemic in the initial quarters. Profit after tax, however, grew 25.1 per cent YoY at Rs 79.75 crore. Ebitda margin improved by 211 basis points (bps) at 12.4 per cent. The company said it witnessed healthy revenue growth in Q3 & Q4 and is back on the growth path. "For FY21, USA continues to be major contributor at 58 per cent whereas contributions from UK, Europe, India and Rest of World stood at 11 per cent, 5 per cent, 21 per cent and 5 per cent respectively. In terms of sectoral contribution to the revenue, BFSI, publishing and technology & consulting were the top three sectors contributing 27 per cent, 25 per cent and 19 per cent respectively," it added.

Key recent major developments..

- 1) The country's exports witnessed a rise of 48.34 per cent to USD 32.5 billion on account of healthy growth in shipments of petroleum products, gems and jewellery, and chemicals, leather and marine goods, according to the data released by the Commerce Ministry on Thursday. Imports in June too rose by 98.31 per cent to USD 41.87 billion, leaving a trade deficit of USD 9.37 billion as against a trade surplus of USD 0.79 billion in the same month last year. During April-June 2021, the exports increased by 85.88 per cent to USD 95.39 billion. Imports expanded to USD 126.15 billion during the first three months of the fiscal as against USD 60.44 billion in the same period last

year, the data showed. Trade deficit during the quarter was aggregated at USD 30.75 billion as against USD 9.12 billion during April-June 2020.

- 2) Global rating agency Standard and Poor's affirmed India's sovereign rating at "BBB-" and maintained a stable outlook on the gradual recovery in the economy. India's recovery will gain pace through the second half of fiscal 2022 and into the following year, helping stabilise the country's overall credit profile, S&P said in a statement. But it warned that the country's fiscal settings are weak, and deficits will remain elevated ahead even as the government undertakes some consolidation. The country's strong external settings help buffer the risks associated with the government's high deficits and debt stock. India's economy is gradually recovering from a deep contraction in fiscal 2021 (year ended March 31, 2021) and a subsequent severe second wave of Covid-19. "We expect real GDP growth to rebound to 9.5% in fiscal 2022 on continued normalization of activity and progressively higher vaccination rates," the rating agency said.
- 3) The Consumer Price Index (CPI) or retail inflation slightly eased to 6.26 per cent in June which was above RBI's tolerance level. The retail inflation during the month of May stood at 6.30 per cent.
- 4) Index of Industrial Production (IIP) or the factory output, grew by 29.27 per cent on yoy basis in May 2021 .
- 5) Earlier, the Finance Ministry said the economy has started showing signs of revival from the impact of the second wave of the COVID-19 pandemic on the back of targeted fiscal relief, monetary policy and a rapid vaccination drive. The broad-based economic relief package, extended to mitigate the second wave, amounted to Rs. 6.29 lakh crore. RBI continues with its efforts to calm the nerves of the market and revive sectors with both backward and forward linkages and multiplier effects on growth, the ministry said in its monthly economic review. To stimulate the economy and ease the financial impact of the coronavirus pandemic and lockdown, Finance Minister Nirmala Sitharaman last month announced eight economic measures amounting to Rs. 6.29 lakh crore to provide relief to individuals as well as businesses in the country. Apart from eight relief measures announced in health and other worst affected sectors, Sitharaman announced a stimulus package for the tourism industry, which included five lakh tourist visas to be issued free of charge, once the government resumes issuance. The total financial implication of the scheme will be Rs. 100 crore. Resilient tax collections of the central government in the first two months of FY21 and sustained momentum in capital expenditure, particularly in the road and rail sector, the report said, augurs well for continued economic recovery driven by capital expenditures. The report further added that the recently announced economic relief package was expected to further oil the wheels of the Capex cycle via implementation of the PLI scheme and streamlining of processes for PPP Projects and Asset Monetisation.
- 6) Goods and services tax collections fell below the Rs. 1-trillion mark for the first time in nine month in June, 2021 to a 10-month low, as economic activity got disrupted due to the second Covid-19 wave, official data showed. However, the collections are better than expected and will provide a cushion to the government to ramp up spending, going forward. GST collection stood at Rs. 92,849 crore in June compared with Rs 1.02 trillion the previous month and a record high of Rs. 1.41 trillion in April, data released by the ministry of finance showed on Tuesday. These figures pertain to transactions done in May, but collected in June. The collections in May are 2.1 per cent higher than the corresponding month of last year when the national unlocking process began after two months of intense movement curbs due to the pandemic. Meanwhile, May 2021 saw localised lockdowns across the country due to the devastating second wave. The collections in June are on expected lines as e-way bill generation, which indicates supply in the economy, declining to a one year low level average of 1.2 million per day in May.
- 7) India's domestic factory orders and production contracted to an 11-month low in June as measures to contain the coronavirus put manufacturing into "reverse gear". The IHS Markit India Manufacturing Purchasing Managers' Index (PMI) slipped to 48.1 in June from 50.8 in May and 55.5 in April. This was, for the first time since July 2020, below the critical no-change mark of 50. "The intensification of the Covid-19 crisis in India had a detrimental impact on the manufacturing economy. Growth of new orders, production, exports and input purchasing was interrupted in June as containment measures aimed at bringing the pandemic under control restrained demand. In all cases, however, rates of contraction were softer than during the first lockdown," said Pollyanna De Lima, Economics Associate Director at IHS Markit.

Global markets

- 1) Asian equities were under pressure today despite China earlier reporting better than expected data. Japan's Nikkei fell by 1.25 per cent, South Korea's Kospi dipped by 1 per cent, and pan-European STOXX 600 index fell by 1.6 per cent. Stock futures of all three main Wall Street indices were also down between 0.7-0.9 per cent.
- 2) The Dow Jones declined by 750 pts amid Covid surge, sees worst day since late Oct. 2020. COVID-19 infections surged in U.S. by 70 percent last week, fueled by the Delta variant.

- 3) Earlier, US witnessed a big spike in inflation and registered highest spike in 13 years (since August 2008) to 5.4 percent. Earlier, US added a solid 850,000 jobs as economy extends its gains. The report from the Labor Department was the latest sign that the reopening of the economy is propelling a powerful rebound from the pandemic recession. Restaurant traffic across the country is nearly back to pre-pandemic levels, and more people are shopping, traveling and attending sports and entertainment events. The number of people flying each day has regained about 80 percent of its pre-COVID-19 levels.
- 4) European Union economies are set to rebound by their highest rates in decades as coronavirus restrictions ease, but still face risks posed by COVID-19 variants and concerns over inflation, the EU's executive branch said Wednesday. The European Commission's 2021 summer forecasts predict that the economies in the 27-nation EU, and among the 19 countries using the euro single currency, are expected to expand by 4.8% this year, around half a percentage point higher than foreseen under the previous forecast. Real gross domestic product is expected to return to its pre-coronavirus crisis level in the last quarter of this year. Growth in 2022 is predicted to hit 4.5%. The commission puts its increasing optimism down to the fact that economic activity early this year has exceeded expectations, and due to the impact of coronavirus vaccine strategy, which has led to falling numbers of new infections and hospital admissions. The EU economy is set to see its fastest growth in decades this year, fuelled by strong demand both at home and globally and a swifter-than-expected reopening of services sectors since the spring, Economy Commissioner Paolo Gentiloni said. But he warned that the EU must redouble our vaccination efforts, building on the impressive progress made in recent months: the spread of the delta variant is a stark reminder that we have not yet emerged from the shadow of the pandemic.

Ajcon Global's observations and view

- 1) Indian benchmark indices faced pressure today led by global sell off owing to rise in COVID-19 cases in various countries due to spread of new variants of COVID-19. In addition, there are inflation concerns across the globe and rising crude oil prices which act as headwinds.
- 2) Bulls will remain in hunt due to factors like good start to Q1FY22 earnings season with IT companies reporting strong performance, 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, by significant decline of COVID-19 cases in the second wave with recoveries surpassing new cases by a big margin on a daily basis, decent vaccination drive are supporting sentiments. 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) Investors are also hopeful that vaccine shortages will be resolved in some months as vaccine manufacturers' ramp up supplies. The entry of new vaccines is also expected to ease the supply crunch. India has given the first dose of covid antidote to 39.96 crores beneficiaries in the nationwide vaccination till date. According to a government official, two billion doses of Covid-19 vaccines will be made available in the country between August and December, enough to vaccinate the entire population.
- 4) It is advisable for investors to look out for stock specific opportunities and stay away from names which are suddenly rallying for no reason. After strong run up; some profit booking is warranted. We believe intermediate corrections like today will keep markets healthy. Investors will track global cues, crude oil prices, Q1FY22 earnings season, ongoing monsoon, vaccination drive and economic activity and COVID-19 cases for further direction.

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