AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

**Market wrap** **Dec. 20, 2021**

**Bears hammer bulls; significant pressure witnessed across the board..**

| Index | Today's Close | Prev. close | Change | % change | Open | High | Low |
|---|---|---|---|---|---|---|---|
| **Sensex** | 55,822.01 | 57,011.74 | **1,189.73** | **2.09** | 56,517.26 | **56,538.15** | 55,132.68 |
| **Nifty** | 16,614.20 | 16,985.20 | **371.00** | **2.18** | 16,824.25 | **16,840.10** | 16,410.20 |

1) Indian benchmark indices were under significant pressure today owing to increasing COVID-19 cases led by Omicron variant. Globally, some European countries are already under lockdown while some countries are considering lockdown as an option ahead of Christmas and New Year. In addition, hawkish stance of global central banks have already dented sentiments.

2) The Sesex was down by 1,189.73 points or 2.09 percent to end at levels of 55,822.01. Among the Sensex 30 stocks, Tata Steel fell by over 5 per cent. IndusInd Bank, Bajaj Finance, SBI, HDFC Bank, NTPC and Kotak Bank were the other major losers - down 3-4 per cent. It was followed by Kotak Bank, Hindustan Unilever, Titan, Bajaj Finserv and HDFC - all down over 3 per cent each. The Nifty was down by 371 points or 2.18 percent to end at levels of 16,614.20.

3) The broader markets were under tremendous pressure today. Both the BSE Midcap index and the BSE Smallcap index were down by over 3 percent each.

**Sectors and stocks**

1) Shriram Properties (SPL) has made a weak stock market debut, with its shares listed at Rs. 90, a significant 24 per cent discount to its issue price of Rs. 118 per share on the National Stock Exchange (NSE). The stock opened at Rs. 94, a 20 per cent lower against its issue price on BSE. SPL is one of the leading residential real estate development companies in South India and stands among top five in terms of number of units launched between calendar year 2012 (CY12) - Q3 CY21 across Tier 1 cities of South India. The company primarily focused on the mid-market and affordable housing categories (83.69 per cent of 16.76 million square feet total saleable area for completed projects). Additionally, SPL has presence in the mid-market premium and luxury housing categories, and commercial and office space segments. SPL is funded by marquee global and domestic financial investors with 58.34% of the company's outstanding equity (as of September 30, 2021) is owned by TPG, Tata Opportunities Fund, Walton Street Capital and Starwood.

2) The Nifty Bank index fell to a six-month low and was down over 4 per cent in intraday trades amid a sharp correction in private sector banks as foreign investors continued pulling out funds from Indian equities. AU Small Finance Bank, Bandhan Bank, Federal Bank and RBL Bank were the major losers.

3) Bajaj Auto hit a fresh 52-week low at Rs. 3,028, down 5 per cent, as the two-wheeler (2W) major was replaced with Wipro in the 30-share S&P BSE Sensex with effect from today.

4) Shares of Future Group's listed companies rallied up to 20 per cent on the BSE in Monday's trade, in an otherwise weak market, after the Competition Commission of India (CCI) on Friday suspended Amazon's 2019 deal with Future Retail (FRL). The antitrust watchdog also imposed Rs. 200 crore penalty on the e-commerce major for certain contraventions. Among individual stocks, Future Retail (Rs 57.50) and Future Supply Chain Solutions ( Rs. 80.75), Future Lifestyle Fashions (Rs. 59.20), Future Enterprises (Rs. 11.61) and Future Consumer (Rs. 8.19) rallied 20 per cent each on the BSE in the intra-day trade. Despite today's surge, most of these stocks were down between 15 per cent and 35 per cent from their respective 52-week highs. In its 57-page order, the competition watchdog said it considered necessary to examine the combination afresh, given that the two players were known in the online marketplace and offline retailing and had contemplated strategic alignment between their businesses.

5) Shares of Cipla rallied by 3 percent to Rs. 887.85 on the BSE in Monday's intra-day trade after the company received the United States Food and Drug Administration's (USFDA) final approval for its Lanreotide injection. Lanreotide Injection is supplied in 60 mg/0.2 mL, 90 mg/0.3 mL, and 120 mg/0.5 mL single dose pre-filled syringes. It is indicated for the treatment of patients with Acromegaly and Gastroenteropancreatic Neuroendocrine Tumors. The management said this approval is a significant step for company's US business and is in-line with our aspiration to continue growth in our complex product pipeline and address unmet patient needs.

**Key recent major developments..**

1) FIIs sold equities worth Rs. 3,565.36 Crore on 20th Dec. 2021. Month till date, FIIs have sold equities worth Rs. 30,252.82 Crore against selling of Rs. 39,901.92 Crore in November 2021.

2) The initial public offer of Supriya Lifescience Limited was subscribed 71.47 times on the last day of share sale on Monday. The IPO received bids for 1,03,83,31,980 shares against 1,45,28,299 shares on offer, according to NSE data. The category for non-institutional investors received 161.22 times subscription, while those for Retail Individual Investors (RIIs) was subscribed 55.77 times and Qualified Institutional Buyers (QIBs) 31.83 times. The initial public offer (IPO) of Supriya Lifescience was fully subscribed within a few hours of opening for subscription on Thursday on the back of a strong response from retail investors. The IPO had a fresh issue of up to Rs. 200 crore and an offer for sale of up to Rs. 500 crore. It had a price range of Rs. 265-274 per share.

3) The Union Cabinet on last 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.

**Global markets**

1) Asian peer indices too were under pressure and ended in red. The European markets started on a week note led by Omicron scare and lockdowns imposed in various European countries. US benchmark index - Nasdaq was down by 1.49 percent.

2) Last week, The Bank of England (BoE) on Thursday became the first major central bank to raise interest rates since the Covid- 19 pandemic era set in. The central bank resorted to rate hike owing to rising inflation led by high energy costs, labor shortages and other factors. The BoE had earlier maintained that price pressures were transitory and likely to pass in the next few months. Earlier, The Federal Reserve said 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 under tremendous pressure led by selling across the board. The pressure on bourses was owing to increasing COVID-19 cases led by Omicron variant and hawkish stance of global central banks. Midcaps and smallcaps too were not spared from bleeding.
2) Before the significant 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. Investors will continue to track key expectations of different stakeholder groups from upcoming Budget 2022-23, 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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**For research related queries contact:**

Mr. Akash Jain – Vice President (Research) at, research@ajcon.net, akash@ajcon.net

CIN:L74140MH1986PLC041941

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**Website:** www.ajcononline.com

**Registered and Corporate office**
408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062

AKASH AJAY JAIN

Digitally signed by AKASH AJAY JAIN
DN: c=IN, o=Personal, 2.5.4.20=b226ee7c5ed3d1a9b0882e3a6df517cd0afe94a43222207631a6f495c5b8eb24, postalCode=400055, st=MAHARASHTRA, serialNumber=2175639688e828dc21788bcf87dda9f4e184adfc49b352c194a519495cc1ffd3, cn=AKASH AJAY JAIN, l=MUMBAI, pseudonym=ebf7c9d498e64a22b52ca30490ebe8f6, email=AKASH_JAIN1984@HOTMAIL.COM
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