

Indian equities were upbeat today; all eyes on Omicron cases during Christmas and New Year celebrations..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	56,930.56	56,319.01	611.55	1.09	56,599.47	56,989.01	56,471.03
Nifty	16,955.45	16,770.85	184.60	1.10	16,865.55	16,971.00	16,819.50

- 1) Indian benchmark indices were upbeat today led by rally in US markets yesterday. In addition, short covering and value picking has also aided today's rally.
- 2) The Sensex was up by 611.55 points or 1.09 percent to end at levels of 56,930.56. Among the Sensex 30 stocks, Reliance Industries (RIL) rallied by 2.4 percent, Bharti Airtel, Larsen & Toubro and Tata Steel were the other major gainers, up 2-2.7 per cent each. Gains in the financial shares were led by Bajaj Finance, IndusInd Bank and ICICI Bank. On the other hand, Wipro was down by 0.6 percent. Nestle India and ITC were the other losers.
- 3) Nifty was up by 184.60 points or 1.10 percent to end at levels of 16,955.45.
- 4) The broader markets too ended in positive terrain today. Both BSE Midcap index and BSE Smallcap index were up by 1.5 percent each.
- 5) In terms of sectoral performance, BSE Auto, Energy and Capital Goods indices were up by around 2 per cent each. The BSE Realty index was up by 3 per cent, while the Healthcare, IT, Bankex and Metal indices also logged smart gains.

Sectors and stocks

- 1) Metro Brands made a weak debut as it listed at a 13 per cent discount at Rs. 436, as against issue price of Rs. 500 per share. The stock fell to a low of Rs. 426, but recovered smartly and rallied to a high of Rs 508 .
- 2) Shares of recently listed company RateGain Travel Technologies (RTTL) rallied 10 per cent in intraday trade and hit a new high at Rs. 400, thus extended its previous day's 9 per cent surge on the National Stock Exchange (NSE). The stock has bounced back 28 per cent from its Monday's low of Rs. 313.25. RTTL had made a weak stock market debut, with its shares ended at Rs. 337.55, a 21 per cent discount to its issue price of Rs. 425 per share on the NSE on last Friday.
- 3) Shares of Zee Entertainment Enterprises Limited (ZEEL) fell to a low of Rs. 333 in trades on Wednesday owing to profit-taking. The stock however recovered losses and ended flat at Rs. 349. Meanwhile, the company signed a signed definitive agreement with Sony Pictures Networks India Private Limited (SPNI) to merge ZEEL with and into SPNI and combine their linear networks, digital assets, production operations and program libraries.

Key recent major developments..

- 1) FIIs sold equities worth Rs. 827.26 Crore on 22nd Dec. 2021. Month till date, FIIs have sold equities worth Rs. 32,289.90 Crore against selling of Rs. 39,901.92 Crore in November 2021.
- 2) The Centre has told states that the coronavirus Omicron variant is at least three times more transmissible than the Delta strain, alerting them for a surge in infections. The Union Health Ministry said that 200 cases of Omicron have been detected in the country, with Maharashtra and Delhi reporting the highest: 54 patients each. Of the total cases in the country, 77 have been discharged or have recovered. In a letter to states, health secretary Rajesh Bhushan said that a close watch has to be kept on districts where the test positivity has been more than 10 per cent in the last one week or the bed occupancy of over 40 per cent on oxygen supported or ICU beds. "Even greater foresight,

data analysis, dynamic decision making and strict and prompt containment action is required at the local and district level. The decision making at the State and district level must be very prompt and focused," Bhushan said in his letter.

- 3) Property sale registrations in Mumbai (MCGM region) crossed the 100,000 mark for the first time in a decade, compared to the earlier decade-high at 80,746 units in 2018. Mumbai recorded property sale registrations of 7,582 units in November, an 18% decline year-on-year compared to the corresponding month last year, when the stamp duty rate was reduced to 2%. Sequentially, property registrations fell by 12%. In October 2021, the city had recorded a decadal best October month property sale registration, at 8,576 units.
- 4) 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.

- 5) 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.

- 6) 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.
- 7) 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.
- 8) 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 also ended in green. European equities started on a subdued note. Omicron scare is prevalent in European countries and lockdowns have been too imposed in various European countries. US benchmark index - Nasdaq started on a good note - up by 0.28 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 upbeat today mirroring Asian peer indices performance and US equities closing on a high despite Omicron concerns.
- 2) There are concerns like 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. In addition, there are headwinds like global inflation, valuation concerns and strengthening of US dollar.
- 3) 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.
- 4) 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.
- 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 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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