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Market wrap **Dec. 23, 2021**

Indian equities were upbeat today; all eyes on COVID-19 cases trend..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	57,315.28	56,930.56	**384.72**	**0.68**	57,251.15	**57,490.52**	57,146.28
Nifty	17,072.60	16,955.45	**117.15**	**0.69**	17,066.80	**17,118.65**	17,015.55

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 384.72 points or 0.68 percent to end at levels of 57,315.28. Among the Sensex 30 stocks, PowerGrid was the biggest gainer, up by over 3 per cent followed by ITC and Infosys moving up by 2.4 per cent and 1.8 per cent, respectively. NTPC, Bajaj Finance, SBI, Bajaj Finserv, Tech Mahindra, Axis Bank, Titan, Wipro, HDFC, Mahindra & Mahindra and TCS were the other major gainers, up 1-2 per cent each. On the other hand, Bharti Airtel, UltraTech Cement, Sun Pharma, Maruti and ICICI Bank were some of the marginal losers.

3) Nifty was up by 117.15 points or 0.69 percent to end at levels of 17,072.60.

4) The broader markets too ended in positive terrain today. The BSE Midcap index was up by a percent while the BSE Smallcap index were up by 0.7 percent.

5) In terms of sectoral performance, the BSE Realty index rallied by 2.5 per cent. The FMCG, IT, Consumer Durables, Oil & Gas and Power indices were the other major gainer, up over a per cent each. The Telecom index down 0.8 per cent was the sole loser.

Sectors and stocks

1) Medplus Health Services (MHSL) made a handsome debut on the Indian bourses, as the shares were listed at Rs. 1,040, a 31 per cent premium against its issue price of Rs 796 per share on the National Stock Exchange (NSE). The stock opened at Rs 1,015 on the BSE. Finally, the stock ended the day at Rs. 1,120.85 on the BSE, up 40.81 percent. The Rs 1,398 crore initial public offer (IPO) of MHSL had received robust response and was subscribed 52.59 times. The qualified institutional buyer's category was subscribed 112 times. The non institutional investor's category was subscribed 85 times, while the retail investors category was subscribed 5.24 times, data showed. Medplus is the 2nd largest pharmacy retailer in India, in terms of (i) revenue from operations for the financial year 2021, and (ii) number of stores as of March 31, 2021. Medplus offers a wide range of products, including (i) pharmaceutical and wellness products, including medicines, vitamins, medical devices and test kits, and (ii) fast-moving consumer goods, such as home and personal care products, including toiletries, baby care products, soaps and detergents, and sanitizers. We had recommended Investors with higher risk appetite may "SUBSCRIBE for listing gains".

2) Shares of Infosys hit a record high of Rs. 1,860, up 2 per cent on the BSE in Thursday's intra-day trade. The stock surpassed its previous high of Rs. 1,848.25 on October 20, 2021. The stock of information technology (IT) consulting & software major was trading higher for the third straight day, gaining 3.4 per cent during the same period. Infosys has outperformed the market by a wide margin. In the past one month, the stock was up 7 per cent, as compared to a 2.2 per cent fall in the S&P BSE Sensex. Moreover, in the past three months, the stock has gained 6.5 per cent as against a 4.2 per cent decline in the benchmark index. Further, over the past six months, the market price of Infosys has rallied 23 per cent, as compared to a 10 per cent risen in the Sensex and in one year it has rallied by 48 per cent, against 23.5 per cent gain in the benchmark index.

3) Shares of Great Eastern Shipping rallied by 9 per cent to Rs. 299.85 on the BSE in Thursday's intra-day trade after the company announced its plan for share buyback. The company said its board of directors are scheduled to meet on Monday December 27, 2021 to consider and approve a proposal for buy-back of equity shares of the company.

The stock of shipping company has corrected 42 per cent from its 52-week high level of Rs. 477 touched on June 16, 2021, till Wednesday. It had hit a 52-week low of Rs 229 on January 29, 2021. Share Buy-back is a corporate action in which a company buys back its shares from the existing shareholders usually at a price higher than market price. When it buys back, the number of shares outstanding in the market reduces. The reasons for buyback are to improve earnings per share; to improve return on capital, return on net worth and to enhance the long-term shareholder value; to provide an additional exit route to shareholders when shares are under-valued or are thinly traded; to enhance consolidation of stake in the company; to prevent unwelcome takeover bids; to return surplus cash to shareholders; to achieve optimum capital structure; to support share price during periods of sluggish market conditions and to service the equity more efficiently. In the past six months, the stock price of G E Shipping has underperformed the market by falling 27 per cent. In comparison, the S&P BSE Sensex was up 9 per cent during the same period. In the last one year, the stock has gained 17 per cent as against a 24 per cent rally in the benchmark index.

Key recent major developments..

1) FIIs sold equities worth Rs. 271.59 Crore on 23rd Dec. 2021. Month till date, FIIs have sold equities worth Rs. 32,561.49 Crore against selling of Rs. 39,901.92 Crore in November 2021.

2) The Centre on Thursday has advised states and UTs to not let their guard down and maintain their preparedness for fighting Covid in view of the new variant Omicron. Union Health Secretary Rajesh Bhushan reviewed the public health preparedness of the states for fighting Covid and the Omicron variant along with progress of vaccination with Health Secretaries of states and UTs. He highlighted the trajectory of Covid and brought attention to emerging evidence on the Omicron variant of Covid driving the growing number of cases worldwide.

3) Mumbai on Thursday reported 602 fresh COVID-19 cases which is highest since October 6, 2021.

4) Prime Minister Narendra Modi on Thursday inaugurated or laid the foundation stones of 27 development projects worth Rs. 2,095 Crore in Varanasi parliamentary constituency.

5) 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.

6) 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.

7) 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.

8) 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.

9) 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.

10) 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 too were upbeat today. There are concerns over Omicron in European countries and lockdowns have been too imposed in various European countries. US benchmark index - Nasdaq started on a good note - up by 0.49 percent.

2) China is redoubling efforts to control new virus outbreaks with a lockdown of the 13 million residents of the northern city of Xi'an following a spike in coronavirus cases. The measure comes just weeks before the country hosts the Winter Olympics in Beijing, roughly 1,000 kilometers (6210 miles) to the west. There was no word on whether the virus was the newly surging omicron variant or the delta variant. China has recorded just seven omicron cases four in the southern manufacturing center of Guangzhou, two in the southern city of Changsha and one in the northern port of Tianjin.

3) 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.

4) 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 led by rally in Asian peer indices 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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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
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