

**Significant volatility witnessed on F&O expiry day; midcaps and smallcaps rally..**

- 1) Indian benchmark indices witnessed significant volatility on the day of the August F&O series' expiry. The benchmark indices made new lifetime highs in the intra-day deals, but the gains were fizzled out. they failed to hold on to their gains and ended flat.
- 2) The S&P BSE Sensex, hit a new high of 56,188 on the BSE. The Sensex was down by 15 points or 0.03 percent and closed at levels of 55,944. On the other hand, Nifty was up by 10 points or 0.06 percent to end at levels of 16,635. It had hit a new high of 16,712 in the intra-day deals.
- 3) The broader markets did witness some exuberance. The BSE MidCap index was up by 0.6 per cent higher while the BSE SmallCap index gained 0.7 per cent.
- 4) Sectorally, the Nifty IT index outperformed with 0.7 per cent gain while the Nifty Realty index declined marginally by 0.8 per cent.
- 5) India VIX was up by 3 per cent today.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	55,944.21	55,958.98	<b>14.77</b>	<b>0.03</b>	56,067.06	<b>56,198.13</b>	55,899.96
<b>Nifty</b>	16,634.65	16,624.60	<b>10.05</b>	<b>0.06</b>	16,654.00	<b>16,712.45</b>	16,617.50

**Sectors and stocks**

- 1) Shares of Linde India rallied by 19 per cent to Rs. 2,728 on the BSE in intra-day trade on Wednesday on the back of heavy volumes. The stock of industrial gases maker has witnessed rally of 34 per cent in the past two days and was quoting at its all-time level on the BSE. Linde India is a 75 per cent subsidiary of The BOC Group Ltd, UK (wholly-owned subsidiary of Linde AG and part of the Linde Group), and is one of the largest players in the domestic gases business. The Linde Group is the world's leading supplier of industrial, process and specialty gases, with operations across 100 countries. For the first half ended June 2021 (H1CY21) Linde India reported robust results, with its consolidated profit before tax up 131 per cent year-on-year (YoY) at Rs 201.8 crore, against Rs. 87.2 crore in the same period last year. Consolidated revenue from operations grew 53.6 per cent at Rs. 960.6 crore on a YoY basis. The Covid-19 pandemic has brought to the fore the urgency to ramp up the hospital infrastructure in the country as well as the supplies of medicines and oxygen, which augurs well for the company. The revival of various other end-user segments also shows signs of optimism for the fortunes of the gases industry in the medium to long term. The continued focus of the company on its application technologies from the large suite of applications available within the Linde plc group also augurs well for the company. The Project Engineering Division enjoys a comfortable order book, which stood at Rs 1,100 crore as of December 31, 2020. The growth and expansion programs in the various refineries, as well as the steel sector, are expected to create enormous opportunities for the project engineering division, Linde India said in the December 2020 annual report.
- 2) Shares of Tata Consultancy Services (TCS) hit a new high of Rs. 3,694.25, up 2.3 per cent on the BSE in intra-day trade on Wednesday and became the second listed company to cross the Rs. 13.5 trillion market capitalisation (market cap). The stock of the information technology (IT) giant surpassed its previous high of Rs 3,672.50 touched on Monday, August 23, 2021. In the past one month, TCS has outperformed the market by surging 15 per cent, as compared to a 6 per cent rise in the S&P BSE Sensex. The sharp rally in the stock price helped TCS' market cap rise to Rs 13.65 trillion. TCS is less than 3 per cent away to hit the Rs 14 trillion market cap mark. It currently stands at second position in the overall market cap ranking, behind Reliance Industries which has a market cap of Rs 14.51 trillion, including partly paid shares market cap, according to the BSE data. TCS is one of the leading IT service providers with a presence in the BFSI, communication, manufacturing, retail & hi-tech

verticals. The company generated consolidated revenues of US \$22.2 billion in the fiscal year ended March 31, 2021.

### **Key recent major developments..**

- 1) India could get the license for the bad bank very soon, Debashish Panda, the secretary of the Department of Financial Services said Wednesday. The registration of the debt management company is also under process, he added. The IBA had filed an application in June with the Registrar of the Companies at the Ministry of Corporate Affairs (MCA) to incorporate both the asset reconstruction company and its debt management Company.
- 2) Finance Minister Nirmala Sitharaman on August 25, 2021 addressed a press conference after her two-day visit to Mumbai. She interacted with top officials of the Confederation of Indian Industry (CII) and launched the EASE 4.0 Index - a reform agenda for 2021-22 for public sector banks (PSBs). She met heads of PSBs to review annual financial performance of the lenders. Finance Minister Nirmala Sitharaman said "Banks have been directed to interact regularly with Federation of Indian Exporters Organisation so the exporters don't have to shuttle between various bankers." She added "Lot of sunrise sectors require a lot of funding, need to facilitate that. Banks should take the benefit of technology. Have asked banks to look at the area of fintech." She said that "Banks have expressed concerns on CASA deposits piling up in eastern areas. Credit flow need to be better promoted in Eastern states of country. Credit flow is not happening in eastern states if country."
- 3) Earlier on Monday, Finance Minister Nirmala Sitharaman announced a pipeline of assets that the Centre is looking to monetise to the tune of Rs. six trillion over four years ending financial year 2024-25. This would constitute 14 per cent of the union government's outlay under the National Infrastructure Pipeline. It covers 20 asset classes spread over 12 line ministries and departments. The top three sectors by value are roads, railways and power. Announcing the plan, Sitharaman said, "the asset monetisation programme is aimed at tapping private sector investment for new infrastructure creation. This is necessary for creating employment opportunities, enabling high economic growth and seamlessly integrating the rural and semi-urban areas for overall public welfare."
- 4) The world's first DNA plasmid vaccine, indigenously developed ZyCoV-D, the Cadila Healthcare (Zydus Cadila) three dose vaccine for Covid-19 received the emergency use authorisation from the Drugs Controller General of India (DCGI) for use in adolescents 12 years old and above. This makes it India's first Covid-19 vaccine to be available for this age group. The vaccine has many other firsts. For one it is based on DNA plasmid technology, secondly it will be administered using needle-free injection system (NFIS), and thirdly it remains stable in room temperatures for three months. This is also a three-dose vaccine given on day zero, day-28 and day-56.
- 5) Last week, Finance Minister Nirmala Sitharaman said that she expects inflation to remain in the prescribed range during the current fiscal. The RBI has been mandated to keep inflation at 4 per cent, with tolerance level of 2 per cent on either side. She expressed confidence that the revenue would be buoyant in the coming months. Both Goods and Services Tax (GST) and direct taxes have improved in the past few months, the minister said. On the demand pick up, she said there is enough liquidity in the market and credit growth is expected to pick up in the coming festive season.
- 6) According to the data released by the Ministry of Commerce and Industry, India exported goods worth US\$35.43 billion in July 2021, the highest first time ever in a month, due to recovery in key global markets and robust demand, Outbound shipments grew by nearly 50 per cent over July 2020, which can be partly attributed to a favourable base. As compared to pre-Covid level, the growth was 35 per cent from July 2019. Merchandise exports and imports had plummeted in the first few months of 2020-21, with the imposition of lockdown measures to curb the spread of Covid-19. On a sequential basis, outbound shipments grew at their fastest this fiscal year, witnessing an 9-per cent jump. The growth was led by higher demand for engineering goods, gems and jewelry, textiles and apparels, chemicals and electronic goods.
- 7) India's industrial production grew 13.6 per cent in June from the year-ago period due to the low-base effect, data released by the Ministry of Statistics and Programme Implementation showed. The impact of a low-base declined in June as compared to the last two months. In April and May, growth was 134.6 per cent and 28.6 per cent, respectively, thereby portraying an exaggerated picture of industrial activity. Factory output, measured by Index of Industrial Production (IIP), has been growing sharply since March due to a favourable base effect as industrial activity came to a virtual halt a year ago following the nationwide lockdown. In June 2020, IIP contracted 16.6 per cent. On a sequential basis, IIP grew 5.7 per cent from May, in line with the opening up of the economy, with states gradually easing restrictions after region-wise lockdown during the second wave in April-May. However, it still remained below April's level, indicating that the pace of recovery is slow.



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- 8) Around 50.07 lakh domestic passengers travelled by air in July, 61 per cent higher than the 31.13 lakh who travelled in June, the country's aviation regulator said on Friday. According to the Directorate General of Civil Aviation (DGCA), 21.15 lakh people and 57.25 lakh had travelled within the country by air in May and April, respectively. The sudden drop in domestic air traffic in May was due to the second wave of the Covid-19 pandemic that had badly hit the country and its aviation sector.
- 9) Finance Minister Nirmala Sitharaman earlier assured India Inc that the government is ready to do everything required to revive and support economic growth. There are indicators which suggest that the economy is buoyant and recovery is taking place post lifting of COVID-19 restrictions by states, she said while addressing the CII Annual Meeting 2021. She further said foreign direct investment has seen a growth of 37 per cent so far this fiscal, while forex reserves increased to \$620 billion as of July. She also exhorted the industry to come forward and invest in the economy. Indian economy has not reached the level where Reserve Bank of India can begin pulling back liquidity as Asia's third largest economy is still recovering from the shock of two major waves of coronavirus, Finance Minister Nirmala Sitharaman said on Thursday.
- 10) India's retail inflation eased to a three-month low in July, back within the Reserve Bank's tolerance level (2 per cent-6 per cent) after staying above the upper band for two straight months, government data released on Thursday showed. The consumer price index (CPI) based inflation cooled to 5.59 per cent in the last month from 6.26 per cent in June. Food inflation fell substantially to 3.96 per cent in July from 5.15 per cent in June.
- 11) The RBI in latest monetary policy review has kept the rates and stance unchanged and pledged to remain accommodative in the near future, while raising its inflation forecast to 5.7 per cent during 2021-22. RBI projected 5.9 per cent in the second quarter, 5.3 per cent in third, and 5.8 per cent in the fourth quarter of the fiscal, with risks broadly balanced. CPI inflation for Q1FY23 is projected at 5.1 per cent. Meanwhile, Industrial output for the month of June rose 13.6 per cent, in a sign that the low base effect of the last year is waning.

#### **Global markets**

- 1) Most of the Asian counterparts ended in red. However, China's Shanghai Composite and Indonesia's Jakarta Composite were up by 0.74 and 0.39 percent respectively. European equities witnessed a decent opening.
- 2) Earlier, The S&P 500 and Nasdaq hit record highs on Tuesday, boosted by oil and after a full U.S. approval of a COVID-19 vaccine raised confidence of a faster economic recovery.
- 3) However, there are concerns about the rampant spread COVID-19 Delta variant and tapering monetary stimulus in US which would remain an overhang. Earlier, the US Federal Reserve suggested tapering of the Fed's stimulus plan by late 2021. Tensions in Afghanistan and its side effects can also hamper investor sentiments.
- 4) PMI survey data suggested that business activity in the euro zone grew strongly in August - although fears that new coronavirus strains may lead to renewed restrictions limited the optimism.
- 5) US consumer price inflation stood at 5.4% YoY in July, taking so. UK GDP grew by 4.8% QoQ in Q2 as activity and demand rebounded with the easing of covid restrictions. Eurozone inflation in July rose to 2.2% YoY above European Central Bank's target.
- 6) Japan's economy rebounded more than expected in the second quarter after slumping in the first three months of this year, data showed, a sign consumption and capital expenditure were recovering from the Coronavirus (Covid-19) pandemic's initial hit. The world's third-largest economy grew an annualised 1.3% in April-June after a revised 3.7% slump in the first quarter, preliminary gross domestic product (GDP) data showed on Monday, beating a median market forecast for a 0.7% gain.
- 7) Earlier, Goldman Sachs Group Inc. downgraded its economic growth forecast for China as measures to contain the fast-expanding Covid-19 resurgence curb spending. The economists cut their projection for quarter-on-quarter growth of gross domestic product in the third quarter and also lowered their full-year GDP growth forecast to 8.3% from 8.6%.

#### **Ajcon Global's observations and view**

- 1) Volatility remained the buzzword today. IT, FMCG and metal stocks rallied. Good upmove was also witnessed in midcaps and smallcaps on value buying.



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- 2) Bulls will remain in hunt due to factors like good Q1FY22 earnings season so far with most of the Companies reporting good performance, strong management commentary in Q1FY22 by majority of the Companies, growth in Industrial production and ease in retail inflation expansion in Services PMI in July on a monthly basis, 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, significant decline of COVID-19 cases in the second wave with decent vaccination drive are supporting sentiments. In addition, the country gearing up and taking all the measures to prepare itself for likely third COVID-19 wave. 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) India has given the covid antidote to 59.55 crores beneficiaries in the nationwide vaccination. 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.
- 4) We expect markets to remain choppy for some time with negative bias. We suggest investors to be careful about the forthcoming IPOs too and understand the fundamentals before riding the boom.
- 5) It is advisable for investors to look out for stock specific opportunities. We believe intermediate corrections will keep markets healthy. With Monthly Auto sales numbers and RBI's Monetary policy out, investors will track global cues especially on spread of COVID-19 variants and key developments in China, movement in crude oil prices and metals, ongoing Q1FY22 earnings season, vaccination drive and economic activity and COVID-19 cases in India. We suggest looking at fundamentally strong midcaps and small caps backed by good management after a good fall.



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