

It was a Black Friday for Dalal Street; bears roar hard on concerns of new COVID-19 variant..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	57,107.15	58,795.09	1,687.94	2.87	58,254.79	58,254.79	56,993.89
Nifty	17,026.45	17,536.25	509.80	2.91	17,338.75	17,355.40	16,985.70

- 1) Indian benchmark indices were under tremendous pressure led by discovery of the new COVID-19 variant B.1.1.529 detected in countries like South Africa and Botswana on Thursday. The variant is a big concern because of its high number of mutations.
- 2) The Sensex was down by 1,688 points or 2.87 percent to end at levels of 57,107.15 The Nifty was down by 509.80 points or 2.91 percent to end at levels of 17,026.45. Among the Sensex 30 stocks, Indusind Bank fell by 6 percent, Reliance Industries fell by 3.22 percent, HDFC fell by 4.40 percent and ICICI Bank fell by 3.84 percent.
- 3) The broader markets too were bleeding significantly. The BSE Midcap index was down by 5.65 percent and Smallcap index was down by 4.6 percent.
- 1) In terms of sectoral performance, BSE Energy index fell by 10 percent, BSE Bankex fell by 8.2 percent, BSE Finance fell by 7.37 percent, BSE FMCG fell by 7.04 percent, BSE IT fell by 6.68 percent, BSE Oil & Gas fell by 6.1 percent, BSE Auto fell by 6.01 percent and BSE Realty fell by 5.74 percent.
- 4) The India Vix, a gauge for market volatility, jumped by 25 per cent to end at 20.8. The significant fall today erased Rs. 7.4 lakh crore of investor wealth on Friday and close to Rs. 11 trillion during the week.

Sectors and stocks

- 2) Shares of Greenlam Industries rallied by 18 per cent hitting a new high of Rs. 1,700 on the BSE in Friday's intra-day trade in an otherwise weak market, after the company announced that its board will meet on December 13, 2021 to consider stock split from Rs 5 to Re 1 paid up. The stock of surfacing solutions company has surpassed its previous high of Rs 1,595.95 touched on November 12, 2021. Greenlam Industries is a leading manufacturer of surfacing products with its flagship brands Greenlam Laminates, NewMika Laminates, Decowood Veneers, Mikasa Floors and Mikasa Doors & Frames. In the past six months, the stock price of Greenlam Industries has rallied by 45 per cent, as compared to 14 per cent rise in the S&P BSE Sensex.
- 3) Shares of real estate companies were under pressure in trade on Friday, with the S&P BSE Realty index declining by nearly 6 per cent. The new virus variant added to concerns about growth and interest rates going forward. Among individual stocks, DLF, Phoneix, Oberoi Realty, Indiabulls Real Estate, Prestige Estates Projects slipped in the range of 6 per cent to 8 per cent. Godrej Properties, Sunteck Realty, Sobha, Macrotech Developers, Mahindra Lifespace Developers and Brigade Enterprises were down between 3 per cent and 5 per cent.

Key recent major developments..

- 1) A new COVID-19 variant B.1.1.529 is detected in countries like South Africa and Botswana on Thursday. The variant is a big concern because of its high number of mutations. As a result some countries have imposed travel restrictions on South Africa. The UK has imposed a temporary ban on flights from six African countries, while Singapore has announced restrictions on people who have been to South Africa and nearby countries in the last fortnight. India has tightened the screening of incoming visitors from South Africa, Botswana and Hong Kong. The surge in COVID cases in South Africa has been attributed to the new variant. The World Health Organization (WHO) has scheduled a special meeting on November 26 to discuss the plans to tackle the new variant.
- 2) The Indian rupee dropped to its lowest level in three weeks and bond yields fell on Friday as concerns over a new COVID variant spooked markets across the globe. Shares and currencies in Asia's emerging markets fell sharply as

investors fled riskier assets after the detection of the significant new mutation, which in-turn strengthened safe-haven assets like the dollar.

- 3) Today, the foreign institutional investors (FIIs) were net sellers of equities worth Rs. 5,785.83 crore thus taking the total net selling to nearly Rs. 31,124.66 crore so far this month in the cash segment. This is following Rs. 25,572 crore worth selling in October 2021.
- 4) Benefiting from strong consumer demand and high commodity prices, Indian companies will show significant growth in EBITDA over next 12-18 months, according to Moody's. The rating agency, which has 22 Indian corporates under its scanner, said growing government spending on infrastructure will support the demand for steel and cement. Also, rising consumption, push for domestic manufacturing and benign funding conditions will support new investments. The effects of supply chain disruptions will ease as semiconductor supplies ramp over the next few months, it added. The steady progress in vaccinations against Coronavirus (Covid-19) will support a sustained recovery in economic activity. The economic growth will rebound strongly in India. It has pegged growth in gross domestic product at 9.3 per cent for FY22 and 7.9 per cent for FY23. While overall economic sentiment is upbeat, the rating agency did sound a word of caution. If new waves of infections were to occur, it could trigger fresh lockdowns and erode consumer sentiment. Such a scenario would dampen economic activity and consumer demand, potentially leading to subdued EBITDA growth of less than 15-20 per cent for Indian companies over the next 12-18 months.
- 5) The euro fell on Wednesday after a survey showed German business morale deteriorated in November, while the Turkish lira remained under pressure as President Tayyip Erdogan defended rate cuts despite surging inflation. German business sentiment worsened for the fifth month as supply challenges in manufacturing and a spike in coronavirus infections clouded the growth outlook for Europe's largest economy. The Ifo institute said its business climate index fell to 96.5 from 97.7 in October. The euro fell 0.3% to its lowest level since early July 2020 at \$1.1205.
- 6) The number of Americans filing new claims for unemployment benefits fell to their lowest level since 1969 last week, pointing to sustained strength in the economy as a year marked by shortages and an unending pandemic winds down. Initial claims for state unemployment benefits tumbled 71,000 to a seasonally adjusted 199,000 for the week ended Nov.20, the Labor Department said on Wednesday. That was the lowest level since mid-November 1969. Claims have been declining since October, though the pace has slowed in recent weeks as applications approach the pre-pandemic average of about 220,000.
- 7) The United States said on Tuesday it would release 50 million barrels of oil from strategic reserves in a coordinated move with China, India, South Korea, Japan and Britain to cool prices after OPEC+ producers rebuffed calls for more crude. The White House issued the statement after a source in the U.S. administration said Washington had been hashing out a plan with major Asian energy consumers to drive down prices from near three-year highs. Britain had not previously been mentioned. U.S. President Joe Biden, facing low approval ratings amid rising inflation ahead of next year's congressional elections, has repeatedly called on the Organization of the Petroleum Exporting Countries and its allies, known as OPEC+, to pump more oil.
- 8) Niti Aayog on Wednesday proposed setting up of full-stack 'digital banks', which would principally rely on the internet and other proximate channels to offer their services and not physical branches, to mitigate the financial deepening challenges being faced in the country. The Aayog, in a discussion paper titled 'Digital Banks: A Proposal for Licensing & Regulatory Regime for India', makes a case and offers a template and roadmap for a digital bank licensing and regulatory regime for the country. Digital banks or DBs are banks as defined in the Banking Regulation Act, 1949 (B R Act), the paper said.
- 9) The government has raised the goods and services tax (GST) on finished goods such as garments, textiles, and footwear from 5% to 12% with effect from January 2022. The Central Board of Indirect Taxes and Customs (CBIC) announced this on November 18. From January 2022, the GST rate on fabrics will be raised to 12 percent from 5 percent, and the GST rate on garments of any value has been raised to 12 percent, compared to the previous rate of 5 percent on items priced up to Rs. 1,000. Textiles (including woven fabrics, synthetic yarn, pile fabrics, blankets, tents, accessories such as tablecloths or serviettes, rugs and tapestries) have also seen their rates raised from 5% to 12%, while footwear of any value has seen its rate raised from 5% (up to Rs 1,000/pair) to 12%.

Global markets

- 1) Today, the European markets were under significant pressure led by discovery of new COVID-19 variant which resulted in travel related restrictions in various countries. The COVID-19 situation in US is also matter of concern.



Increasing COVID-19 cases in European countries like Germany and Austria which has led to imposition of total lockdowns has affected investor sentiments significantly.

- 2) Majority of the Asian peer indices too declined significantly on the above concerns.

Ajcon Global's observations and view

- 1) It was a Black Friday at Dalal Street with significant selling witnessed across the board. Investors have turned cautious led by discovery of new COVID-19 variant which media reports suggest is vaccine resistant. In addition , there are headwinds like global inflation, valuation concerns and strengthening US dollar.
- 2) Before the correction started, the sentiments were strong led by good Q2FY22 earnings season and management commentary, good economic activity witnessed in the festive season of Navratri and Diwali, good manufacturing PMI data, strong October 2021 GST collections, good IIP data and IMF's forecast of India's GDP growth at 9.5 per cent in 2021 and at 8.5 per cent in 2022 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.
- 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) With Q2FY22 earnings season behind us, investors will track global cues like inflation data across the globe, US treasury yields, COVID-19 cases especially in Europe and US, crude oil price movement and developments in China.
- 5) The discovery of new COVID-19 variant is a matter of concern. We would advise investors to have a wait and watch approach for some time to understand the risks of the new variant. 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.



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