

Indian equities turn buoyant; midcaps and smallcaps rally significantly..

- 1) Benchmark indices hit fresh record closing highs on Monday, led by Fed Chair. Jerome Powell's speech last Friday, suggesting no interest rate hike in the near future which provided fillip to global equities.
- 2) The BSE Sensex was up by 176 points or 0.31 percent to end at levels of 56,125. It is for the first time that the index has settled above the 56,000 mark. UltraTech Cement, Larsen & Toubro, Dr Reddy's Labs, Bajaj Finserv and Sun Pharma were the top Sensex gainers.
- 3) The frontline S&P BSE Sensex inched towards the 57,000-mark as it hit a new high of 56,958 in the intra-day deals. The Nifty50, meanwhile, came close to the 17,000-mark as it touched 16,949 levels.
- 4) By close, both the indices were at new closing highs of 56,890 and 16,931 levels, up 765 points and 226 points, respectively. The indices gained 1.4 per cent each. This was the indices best one-day gain since August 3, 2021.
- 5) In the broader markets, the BSE MidCap and SmallCap indices were up by 1.7 per cent and 1.5 per cent, respectively. Sectorally, the Nifty Metal index was up by 2.5 per cent, followed by the Nifty Realty, Pharma, and Bank indices.
- 6) The S&P BSE MidCap index hit a record high of 23,655.61, up 1.7 per cent on the BSE in the intra-day trade on Monday, on the back of a sharp rally in stocks of Adani Group, auto ancillary, non-banking finance companies (NBFCs) and broking companies. The index was trading higher for the fourth straight day, after correcting 4 per cent from its previous high of 23,478 touched on August 4, 2021.
- 7) Individually, ABB, Alkem Laboratories, Bajaj Holdings, Hindustan Aeronautics (HAL), Info Edge (India), L&T Infotech, Oracle Financial Services Computer and PI Industries from the midcap index hit their respective record highs on the BSE in the intra-day trade today.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	56,889.76	56,124.72	765.04	1.36	56,329.25	56,958.27	56,309.86
Nifty	16,931.05	16,705.20	225.85	1.35	16,775.85	16,951.50	16,764.85

Sectors and stocks

- 1) Shares of companies that were included in the derivatives segment (Futures & Options contracts) on the National Stock Exchange (NSE) from the new series that began last Friday, remained in focus for the second straight day as they rallied up to 9 per cent on the bourses in Monday's intra-day trade. Among individual stocks, IndiaMART InterMESH, Indian Energy Exchange (IEX), Polycab India, Can Fin Homes, Multi Commodity Exchange of India (MCX) and Hindustan Aeronautics (HAL) gained between 5 per cent and 9 per cent on the NSE.
- 2) IEX hit a record high of Rs 486.90, up 12.02 per cent on the NSE. It surpassed its previous high of Rs 454.85 touched on July 23, 2021. IEX is India's premier energy exchange providing a nationwide, automated trading platform for physical delivery of electricity, renewable power, renewable energy certificates and energy saving certificates. The exchange platform enables efficient price discovery and increases the accessibility and transparency of the power market in India while also enhancing the speed and efficiency of trade execution.



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- 3) PI Industries rallied by 6 per cent to Rs. 3,370, surpassing its previous high of Rs. 3,357.05 touched on August 3, 2021. In the past three months, it has outperformed the market by rallying 30 per cent, as compared to a 10 per cent rise in the S&P BSE Sensex. PI remains optimistic of its growth in the financial year 2021-22 (FY22) backed by the strong sentiments of the agriculture sector, positive forecasts of monsoons, and overall government measures to keep the farms and farmers healthy and motivated. "Business outlook continues to be robust in FY22 supported by new launches and crop diversification, 5 new launches planned in FY22, strengthened rice, cotton and horticulture portfolio, Crop diversification of existing products, Rice, Horticulture, Cotton, Soybean and Wheat to drive growth, focus to expand application services business with an effort to provide wider solutions to farmers challenges," PI Industries said in FY21 annual report.
- 4) Shares of SRF rallied by 5 per cent, hitting a new high of Rs. 9,876.55 on the BSE in intra-day trade on Monday, a day ahead of the company's board meeting to consider bonus issue plan. On August 20, 2021, the company had informed the stock exchanges that the meeting of the board of directors is scheduled for Tuesday, August 31, 2021 to consider and approve issuance of bonus shares subject to approval by the shareholders of the Company. Since then, the stock rallied by 10 per cent from level of Rs. 8,902. In the past three months, SRF has outperformed the market by rallying 50 per cent, as compared to 10 per cent rise in the S&P BSE Sensex. SRF is a chemical based multi-business entity engaged in the manufacturing of industrial and specialty intermediates. In Q1FY22, SRF's consolidated net profit more-than-doubled at Rs. 395.3 crore against Rs. 176.9 crore in Q1FY21. The company reported a 75 per cent year-on-year (YoY) growth in revenue at Rs. 2,699 crore compared with Rs. 1,545 crore in the corresponding quarter of the previous fiscal. Ebitda margin improved 50 basis points (bps) to 24.6 per cent. The company said during the quarter, the specialty chemicals business which accounts for 42 per cent of total revenue, performed well owing to higher sales from exports and domestic markets. The fluorochemicals business witnessed higher sales volumes in the refrigerants and the blends segments, with better sales realisations, especially from the export markets. To meet the growing demand for refrigerants in the domestic and exports market, the company's board approved a project for integrated expansion of fluorocarbon based refrigerant capacity at Dahej at a projected cost of Rs 550 crore. The same is expected to be completed in twenty-four months. To cater to the growing power requirements of new and upcoming plants at Dahej, the board has also approved the installation of 200 KV grid at a projected cost of Rs 135 crore. In October 2020, SRF had raised Rs 750 crore by allotting 1.76 million equity shares through qualified institutional placement (QIP) at an issue price of Rs. 4,250 per equity share.

Key recent major developments..

- 1) The foreign direct investment (FDI) into the country rose more than two folds to \$17.57 billion during April-June this fiscal on account of measures such as policy reforms and ease of doing business, an official statement said on August 28. Total FDI inflow rose to \$22.53 billion during the first three months of 2021-22 as against \$11.84 billion in the same period last year, it said. Total FDI comprises equity inflows, reinvested earnings and other capital. FDI equity inflow grew by 168 per cent in the first three months of 2021-22 (\$17.57 billion) compared to the year-ago period (\$6.56 billion), it said.
- 2) India could get the license for the bad bank very soon, Debashish Panda, the secretary of the Department of Financial Services said on last 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.
- 3) 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."
- 4) Last week, 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



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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.”

- 5) 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.
- 6) Earlier, 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.
- 7) 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.
- 8) 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.
- 9) 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.
- 10) 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.
- 11) 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.
- 12) 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) Global equities were upbeat as investors sentiments improved post positive speech by Fed Chair Jerome Powell's at the Jackson Hole Economic Symposium on Friday. The speech suggested accommodative stance and small tapering after wait and watch approach. Earlier, the US Federal Reserve suggested tapering of the Fed's stimulus plan by late 2021. Rampant spread of COVID-19 Delta variant in various countries and tensions in Afghanistan and its side effects would act as an overhang.
- 2) Earlier, the US witnessed economy recovery faster than expected in the second quarter, lifting the level of gross domestic product above its pre-pandemic peak, as massive fiscal stimulus and vaccinations against COVID-19 boosted spending. Gross domestic product increased at a 6.6% annualized rate, the Commerce Department said on Thursday in its second estimate of GDP growth for the April-June quarter. That was revised up from the 6.5% pace of expansion reported in July. Consumer spending, which accounts for more than two-thirds of the US economy, also got a lift from vaccinations, which fueled demand for services like air travel, hotel accommodation, dining out as well as entertainment. But momentum appears to have slowed early in the third quarter amid a resurgence new COVID-19 infections driven by the Delta variant of the coronavirus.
- 3) 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.
- 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) 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.
- 6) 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) Bulls were in control on Monday led by across the board buying. Significant rally was witnessed in midcaps and smallcaps space.
- 2) The contest between bulls and bears is going to remain strong. However, bulls will have an edge owing 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) We suggest investors to be careful about the forthcoming IPOs too and understand the fundamentals before riding the boom.
- 4) 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, vaccination drive and economic activity and COVID-19 cases in India. Investors would be keen to watch



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Q1FY22 GDP data to be released next week. Street participants would also keep an eye on India's Manufacturing PMI and India Services PMI scheduled for release in September 2021.



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