

Indian equities continue to remain buoyant; strong GDP data will ensure rally to continue..

- 1) Indian equities continued its buoyancy for second consecutive day which was led by Fed Chair. Jerome Powell's dovish speech last Friday, suggesting no interest rate hike in the near future which provided fillip to global equities. In addition, sentiments improved on good economic recovery post second wave of COVID-19.
- 2) The S&P BSE Sensex was up by whopping 663 points, or 1.16 per cent, higher at 57,552 levels after hitting an all-time high level of 57,625. The broader Nifty50, meanwhile, scaled mount 17,000 for the first time and extended its gains to hit a new peak of 17,153.5. It eventually ended at 17,130, up 199 points or 1.18 per cent.
- 3) Bharti Airtel (up 6.7 per cent) was the biggest gainer on the Sensex today, followed by Bajaj Finance, Bajaj Finserv, Asian Paints, TCS, Titan, and Tech Mahindra. On the downside, Nestle India, Reliance Industries, IndusInd Bank, and Power Grid were the only losers.
- 4) The broader markets, meanwhile, underperformed today. The BSE MidCap and SmallCap indices rallied by 0.8 per cent each.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	57,552.39	56,889.76	662.63	1.16	56,995.15	57,625.26	56,859.10
Nifty	17,132.20	16,931.05	201.15	1.19	16,947.50	17,153.50	16,915.85

Sectors and stocks

- 1) Shares of Bharti Airtel hit a new high of Rs. 652 as they rallied 5 per cent on the BSE in intra-day trade on Tuesday after the company said it has received interest from high quality investors and companies for its various businesses. "Being a significant player in the telecom and digital industry, the company receives interests from high quality investors and companies for its various businesses," Bharti Airtel said in a regulatory filing. It further said the company evaluates various opportunities of potential investor engagement and takes decisions in a judicious manner. As a responsible corporate that follows the highest standards of corporate governance, the company is fully conscious of its disclosure obligations under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and is committed to act in consonance with the same, it added. The stock surpassed its previous high of Rs. 644 touched on August 16, 2021. In the past two days, the market price of Bharti Airtel has rallied by 9 per cent after the telecom services provider, on Sunday, announced fund raising of Rs. 21,000 crore by way of rights issue, primarily to fund its dues linked to adjusted gross revenue (AGR).
- 2) Shares of Aptech hit an over three-year high of Rs. 304 as they rallied 5 per cent on the BSE in intra-day trade on Tuesday ahead of the board meeting today to conduct the business transactions to introduce or launch a new online business for the company. The stock of information technology (IT) services provider was trading at its highest level since April 2018. It had hit a record high of Rs. 449 on December 11, 2007. In the past six trading days, the stock of Aptech has rallied 23 per cent after the company on August 23 informed the stock exchanges that the meeting of the board of directors of the company is scheduled on Tuesday, August 31, 2021, inter alia to conduct the business transactions to introduce or launch a new online business for the company. Aptech in the financial year 2020-21 (FY21) annual report said that the 'Digital Pivot' implemented by the company mitigated the pandemic's impact to a great extent and the cost rationalisation initiatives ensured a profitable performance during FY2020-21. These measures would continue to help the company mitigate the impact from the closure of centres for in-classroom training sessions, it added. "The consistent trend of quarter-on-quarter (QoQ) increase in enrolments seen over FY2020-21, however, may be at risk due to the second wave seen across the country in the months of March and April 2021. But the expected stabilisation of the COVID case numbers in a couple of months and the restricted use of lockdown as a control measure means the economic impact may be much lesser than last year," it added. This combined with the upturn in economic activity may translate into a better operating environment and outlook for the company in the coming financial year though the downside risks remain, the company said.

Key recent major developments..

- 1) India's GDP growth touched a record high on low base in Q1FY22 led by a rebound in consumer spending, and improved manufacturing in spite of a devastating COVID-19 second wave, government data showed on Tuesday. Gross domestic product rose 20.1% in the three-month period, compared with a record contraction of 24.4% in the same quarter a year earlier. "GDP at Constant (2011-12) Prices in Q1 of 2021-22 is estimated at Rs. 32.38 lakh crore, as against Rs. 26.95 lakh crore in Q1 of 2020-21, showing a growth of 20.1 percent as compared to contraction of 24.4% in Q1 2020-21. Quarterly GVA at Basic Price at Constant (2011-12) Prices for Q1 of 2021-22 is estimated at Rs. 30.48 lakh crore, as against Rs. 25.66 lakh crore in Q1 of 2020-21, showing a growth of 18.8%," said Ministry of Statistics & Programme Implementation in a statement. Manufacturing, which fell 36 percent in April-June last year, bounced back to grow by 49.6 percent. Trade, hotels, transport, communication and services related to broadcasting, which tanked 48.1 percent in April-June last year, grew by 34.3 percent in Q1FY22, indicating that touch services sectors like hotels, hospitality and tourism continue to be affected by the Covid-19 pandemic and will take time to recover. Agriculture, the only sector which showed growth in Q1FY21 at 3.5 percent, grew by 4.5 percent in the first quarter of FY 22.
- 2) India's fiscal deficit in April-July, the first four months of the fiscal year, stood at Rs 3.21 trillion (\$43.98 billion), or 21.3% of the budgeted target for the whole year, government data showed on Tuesday. Net tax receipts were Rs 5.21 trillion while total expenditure was Rs 10.04 trillion, the data showed.
- 3) 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.
- 4) 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.
- 5) 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."
- 6) 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 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."
- 7) 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.
- 8) 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.

- 9) 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.
- 10) 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.
- 11) 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.
- 12) 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.
- 13) 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.
- 14) 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) Asian equities were positive and European equities also started on good note 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) China's factory activity expanded at a slower pace in August, while the services sector slumped into contraction, as coronavirus-related restrictions and high raw material prices pressure businesses in the world's second largest economy. The official manufacturing Purchasing Manager's Index (PMI) was 50.1 in August from 50.4 in July, data from the National Bureau of Statistics (NBS) showed on Tuesday. China staged an impressive recovery from a coronavirus-battered slump, but growth has recently shown signs of losing steam due to domestic COVID-19

outbreaks, slowing exports, tighter measures to tame hot property prices and a campaign to reduce carbon emissions.

- 3) 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%.
- 4) 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.
- 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) 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.
- 7) Earlier, 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.

Ajcon Global's observations and view

- 1) Bulls remain on charge on Tuesday as well led by across the board buying. With good Q1FY22 GDP numbers coming in, buoyancy is expected to continue.
- 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. Street participants would also keep an eye on India's Manufacturing PMI and India Services PMI scheduled for release in September 2021. In addition, investors will keep an eye on Monthly Auto sales numbers and 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.



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CIN:L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

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