

Indian equities were upbeat on last trading day of CY21; midcaps and smallcaps outperform..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	58,253.82	57,794.32	459.50	0.80	57,849.76	58,409.30	57,846.52
Nifty	17,354.05	17,203.95	150.10	0.87	17,244.50	17,400.80	17,238.50

- 1) Indian benchmark indices were upbeat on the last trading day of CY21.
- 2) The Sensex was up by 459.50 points or 0.80 percent to end at levels of 58,253.82. Among the Sensex 30 stocks, Titan was the top gainer and was up by 3.5 percent. Ultratech Cement, Kotak Bank were up by around 2.5 percent each. Maruti, Axis Bank, SBI, Bajaj Finserv, Hindustan Unilever, Bajaj Finance, HDFC Bank, Nestle and Sun Pharma were the other major gainers.
- 3) For the CY 2021, Sensex delivered a good return of 22 per cent or up by 10,503 points, after having touched a new life-time high of 62,245 on October 19, 2021. Growth oriented budget, devastating second wave of COVID-19 well managed, faster than expected economic recovery in Unlock phase, PLI incentives in various sectors, strong demand witnessed post lockdown and in festive season, strong Q2FY22 earnings season contributed to the significant rally.
- 4) Today, Nifty was up by 150.10 points or 0.87 percent to end at levels of 17,354.05. Nifty has delivered a return of 24.1 per cent for CY 2021.
- 5) The broader markets were buoyant today. The BSE Midcap index was up by 1.4 percent while the BSE Smallcap index was up by 1.2 percent.
- 6) In terms of sectoral performance, the BSE Metal and Consumer Durables indices were up by over a 2 per cent each. The Auto and Telecom indices rallied by 1.7 per cent each. The Bankex, FMCG, Oil & Gas and Realty indices were up by over a per cent each.

Sectors and stocks

- 1) CMS Info Systems made a positive debut on the Indian bourses. The stock was listed at Rs. 218.50 on the BSE - a 1.2 per cent premium to its issue price of Rs. 216 per share. Later on after listing, the stock made a high of Rs. 259.60 and finally ended the day up by 10.28 percent. The company is one of the largest cash management companies in India, in terms of number of ATM points and the number of retail pick-up points as of March 2021. It is also one of the largest ATM cash management companies worldwide based on the number of ATM points as of FY21. CMS caters to broad set of outsourcing requirements for banks, financial institutions, organized retail and e-commerce companies in India. The Company has record of winning large and complex end-to-end Brown Label deployment and managed services customer contracts and expanding the services. It has track record of successfully incubating and building multiple new service lines in areas adjacent to its business. We had recommended "SUBSCRIBE and HOLD".
- 2) Textile stocks were upbeat today after the GST Council decided to defer implementation of the hike GST rates for the time being. The matter will be taken for discussion in the next GST meet in February 2022. TT Ginni Filaments and Super Spinning were the major gainers, up 10-11 per cent each. Bombay Dyeing, Cantabil Retail, Donear Industries, Digjam, VIP Clothing were the other major gainers, up over 5 per cent each.

Key recent major developments..

- 1) FIIs bought equities worth Rs. 575.39 Crore on 31st Dec. 2021. Month till date, FIIs have sold equities worth Rs. 35,493.59 Crore against selling of Rs. 39,901.92 Crore in November 2021.

- 2) The Goods and Service Tax Council, in its 46th meeting in Delhi, has decided to defer the hike in GST rate for textiles to 12 percent from 5 percent. The matter was referred to an existing Group of Ministers on GST rate rationalisation, said Finance Minister Nirmala Sitharaman on Friday. It was a brief meeting, triggered by a letter sent to me by Finance Minister of Gujarat. We will retain the status quo and not go to 12 percent from 5 percent, in the case of textile," Sitharaman said at a media briefing after the Council meeting.
- 3) Output of eight core sectors rose by 3.1 per cent in November as against a contraction of 1.1 per cent in the same month last year, according to government data released on Friday. Barring crude oil and cement, all other sectors recorded positive growth in November. In October, these core sectors' output had grown by 8.4 per cent. The growth rate of the eight infrastructure sectors -- coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity -- stood at 13.7 per cent during April-November this fiscal as against a negative growth of 11.1 per cent during the same period last fiscal.
- 4) The central government's fiscal deficit at the end of November worked out to be 46.2 per cent of the annual budget target for the financial year 2021-22 due to an improvement in the revenue collection, according to official data released on Friday. The deficit figures in the current financial year till November appear much better than the previous financial year when it had soared to 135.1 per cent of the estimates mainly on account of a jump in expenditure to deal with the COVID-19 pandemic. In actual terms, the deficit stood at Rs 6.96 trillion at the end of November 2021 against the annual estimate of Rs 15.06 trillion, according to data released by the Controller General of Accounts (CGA). For the current financial year, the government expects the deficit at 6.8 per cent of GDP or Rs 15.06 trillion.
- 5) India's current account balance moved back into deficit in the three months from July to September, mainly due to the widening of the trade deficit, the Reserve Bank of India said Friday. The current account deficit stood at \$9.6 billion or 1.3% of GDP in the second quarter of fiscal year 2021/22 compared with a surplus of \$15.3 billion in the same quarter a year ago.
- 6) Omicron has spread to 23 Indian states and 270 people have been infected with the new coronavirus strain. India recorded 16,764 new cases of Covid-19 and 220 deaths from the disease overnight, said the health ministry on Friday.
- 7) The government on Thursday said that Maharashtra, West Bengal, Tamil Nadu, Delhi, Karnataka and Gujarat are emerging as states and UTs of concern on the basis of weekly COVID-19 cases and positivity rate. It said that eight districts are reporting over 10 per cent weekly positivity, while 14 districts are reporting between 5-10 per cent positivity. Mumbai reported 3,671 new COVID-19 cases which is a matter of concern.
- 8) In view of the rising Omicron cases across the country, All India Institute of Medical Sciences (AIIMS) Delhi Director Dr Randeep Guleria on Wednesday advised people "not to panic, but to be vigilant" while extending New Year greetings. In a video message posted by AIIMS, Delhi, Dr Guleria said, "Let me take this opportunity to wish everyone a very happy, healthy, and prosperous 2022. As we move forward, it is important for us to understand that the Coronavirus (Covid-19) pandemic is not over, yet we are in a better position."
- 9) Though the economy has steadily gained momentum and remained resilient since the second quarter of the current fiscal, the Omicron variant of coronavirus remains the major challenge along with rising inflation pressures, says the Reserve Bank in its second financial stability report. In the foreword to the report released on Wednesday, RBI Governor Shaktikanta Das notes that after the destructive second wave in April-May 2021, the growth outlook has progressively improved, though there are headwinds from global developments and more recently from the Omicron virus. A stronger and sustainable recovery hinges on the revival of private investment and shoring up private consumption, which unfortunately still remain below their pre-pandemic levels, he notes.
- 10) India has approved Merck's Covid-19 pill and two more vaccines for emergency use as the country is witnessing possible spike in coronavirus cases due to the rapidly spreading Omicron variant. Molnupiravir will be manufactured in India by 13 companies for restricted use under emergency situation for treatment of adult patients with Covid-19, said Health Minister Mansukh Mandaviya on Tuesday. Merck's anti-viral pill molnupiravir was authorised by the United States last week for certain high-risk adult patients and has been shown to reduce hospitalisations and deaths by around 30 per cent in a clinical trial.
- 11) Delhi Chief Minister Arvind Kejriwal on Tuesday declared a 'yellow alert' led by spike in COVID-19 cases following the emergence of Omicron variant. As a result schools, colleges, cinemas and gyms will remain closed, shops dealing in non-essential items will open on odd-even basis, and metro trains and buses will run with 50 per cent of

seating capacity in the city. In accordance with 'Level-1' alert under the graded response action plan (GRAP), there would be night curfew between 10 pm and 5 am and private offices will function with physical attendance of 50 per cent of the staff, barring essential categories. Marriages and funerals will be allowed attendance of 20 people while all other types of gathering related to social, political, cultural, religious and festival events will be prohibited under the 'yellow alert' that came into force with immediate effect. Shops of non-essential goods and services in markets and malls can open based on odd-even formula from 10 AM to 8 PM. Restaurants will be permitted with 50 per cent of capacity from 8 am to 10 pm while bars can also operate with the same capacity, but from 12 noon to 10 pm. The new restrictions follow the national capital's biggest single-day spike in infections in over six months on Monday when 331 new cases were reported with a positivity rate of 0.67 per cent.

- 12) The Union Home Ministry on December 27, 2021 issued guidelines for COVID-19 vaccination of children aged 15-18 years and for the administration of booster dose to healthcare, frontline workers, and senior citizens with co-morbidity. "For those Health Care Workers (HCWs) & Frontline Workers (FLWs) who have received two doses, another dose of COVID-19 vaccine would be provided from January 10," the ministry said in its guidelines. "The prioritization & sequencing of this precaution dose would be based on the completion of 9 months from the date of administration of 2nd dose reads the guidelines," it said. Based on doctor's advice, all persons aged 60 years and above with comorbidities who have received two doses of Covid vaccine will be provided with a precaution dose from January 10, 2022.
- 13) The Centre earlier 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.
- 14) Union Transport Minister Nitin Gadkari said on December 27 that he has advised automobile manufacturers in India to start making Flex Fuel Vehicles (FFV) and Flex Fuel Strong Hybrid Electric Vehicles (FFV-SHEV) in compliance with BS-6 Norms in a time-bound manner within a period of six months. This move, he said, will drastically reduce greenhouse gas emissions from vehicles on a well-to-wheel basis and added that by drastically reducing greenhouse gas emissions from vehicles, this move will help India comply with its commitment made at COP26 to reduce the total projected carbon emissions by one billion tonnes by 2030.

Global markets

- 1) Asian peer indices ended on a mixed note today. European equities also started trading on a similar note.
- 2) Globally, there are concerns over Omicron in European countries and US. Lockdowns have been too imposed in various European countries.
- 3) 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 COVID-19 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.
- 4) 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.

- 5) 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 on last trading day of CY21. There are fears of increasing COVID-19 cases domestically. Delhi and Mumbai have already witnessed significant spike in COVID-19 cases. Delhi has already imposed restrictions to curb the virus spread.
- 2) In addition, there are concerns like hawkish stance of global central banks, headwinds like global inflation, valuation concerns and strengthening of US dollar.
- 3) Before the significant correction earlier, 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.
- 6) Structurally, Indian equities are poised to do well after major reforms like thrust on digital economy after demonetisation, implementation of GST, RERA, Insolvency and Bankruptcy Code, reforms in power, one of its kind Union Budget announced last year which focussed on investment led spending to drive growth with impetus on Privatisation, thrust on Aatmanirbhar Bharat resulting into Production Linked Incentive (PLI) schemes for various sectors, reforms in Direct Taxes, thrust on renewables sector, Ethanol blending, scrapping policy etc. India today has emerged as a potential destination for investment.
- 7) We expect upside in Indian equities as FPIs would return post New Year Celebrations. Market participants will keenly track Q3FY22 earnings season and also keep an expectations from different stakeholders from the upcoming Union Budget.



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