AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

Market wrap **April 06, 2022**

Indian benchmark indices end in red; globally rising bond yields and fresh sanctions on Russia affect investor sentiments..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	59,610.41	60,176.50	**566.09**	**0.94**	59,815.71	**59,941.57**	59,509.84
Nifty	17,807.65	17,957.40	**149.75**	**0.83**	17,842.75	**17,901.00**	17,779.85

1) Indian benchmark indices ended in red today led by rising bond yields globally and negative global cues like fresh sanctions against Russia and hawkish comments by Fed officials.

2) The Sensex was down by 566.09 points or 0.94 percent to end at levels of 59,610.41 On the other hand, the Nifty was down by 149.75 points or 0.83 percent to end at levels of 17,808. Among the Sensex 30 stocks, HDFC Bank, HDFC and HDFC Life fell between 2.5 per cent and 3.5 per cent. HCL Tech, Infosys, Tech Mahindra, Shree Cement, TCS, Divis Labs, Kotak Bank, Axis Bank, and M&M were the other losers. On the other hand, Coal India, Tata Steel, NTPC, UPL, PowerGrid, BPCL, and Bharti Airtel were up in the range of 1 per cent to 3 per cent.

3) In terms of sectoral performance, the Nifty PSU Bank and Metal indices were up by 2 per cent and 1.3 per cent, respectively. On the other hand, the Nifty Financial Services and IT indices fell by 1.6 per cent each, followed by the Nifty Bank index, down 1.2 per cent.

4) However, the broader markets were positive today. The BSE MidCap index was up by 0.41 percent while the BSE SmallCap index was up by 0.38 percent.

5) In FY22, the Nifty rallied by 18.9 percent despite by war between Russia and Ukraine, US Fed plans of rising interest rates, COVID-19 lockdown in second wave and high inflation. In FY22, FPI sold equities worth more than Rs. 1.35 lakh crore. On the other hand, DIIs bought equities worth more than Rs. 1.70 lakh crore. In the month of March 2022, FIIs sold equities worth Rs. 43,281.31 crore. On the other hand, DIIs bought equities worth Rs. 39,677.03 crore in March 2022. Month till date, FIIs bought equities worth Rs. 1,156.91 Crore. On the other hand, DIIs bought equities worth Rs. 2,219.56 Crore.

Sectors and stocks

1) Shares of Tata Power hit a fresh record high of Rs. 296.5, up 8 per cent on the BSE in Wednesday's intra-day trade, on improved business outlook. The stock of Tata Group electric utilities company has rallied by 24 per cent in the past four trading days.

2) Shares of Vodafone Idea (Vi) rallied by 7 per cent to Rs. 11.06 on the BSE in Wednesday's intra-day trade on the back of heavy volumes. The stock of the telecom services company was up for the fourth consecutive day and has rallied 14 per cent during the same period.

3) Shares of sugar companies were upbeat today. Dwarikesh Sugar, Dalmia Bharat Sugar and Industries and Triveni Engineering rallied between 5 per cent to 10 per cent. Magadh Sugar & Energy, Rana Sugar, Uttam Sugar Mills, KM Sugar, Andhra Sugar, Mawana Sugar and Shree Renuka Sugar rallied between 10 per cent to 15 per cent on the BSE.

Key recent major developments..

1) Globally, the US and UK on Wednesday announced new sanctions targeting a combination of Russian institutions and elites in retaliation for “war crimes” in Ukraine. The European Union, separately, was considering a ban on coal imports from Russia in a bid to reduce its energy dependence and cut off a source of revenue for Russia. The US on Wednesday imposed full blocking sanctions on Russia’s largest financial institution, Sberbank, which holds one-third of Russian banking assets, and the country’s largest private bank, Alfa Bank. Sberbank holds nearly one-third of the overall Russian banking sector’s assets and is systemically critical to the Russian economy. Earlier this week, the US Treasury blocked Russia from using assets frozen in the United States to make debt payments.

2) Domestically, according to the data released on Monday, Purchasing Managers' Index (PMI) for Manufacturing fell to a six-month low last month. The index dropped to 54.0 in March from 54.9 in February. According to the report released on Monday, escalating oil and commodity prices globally, led by the Russia-Ukraine war, have led to a sharp rise in domestic inflation, which if continues to remain high will impact demand.

   "The slowdown was accompanied by an intensification of inflationary pressures, although the rate of increase in input costs remained below those seen towards the end of 2021…For now, demand has been sufficiently strong to withstand price hikes, but should inflation continue to gather pace we may see a more significant slowdown, if not an outright contraction in sales," said Pollyanna De Lima, Economics Associate Director at S&P Global.

3) GST collection in March touched an all-time high of over Rs. 1.42 trillion, an increase of 6.8 percent on MoM basis and 15 percent on YoY basis led by economic recovery, rate rationalisation measures and anti-evasion steps. With the record collection, the Centre's Goods and Services Tax (GST) collections has exceeded the revised budget target of Rs. 5.7 trillion set for the previous fiscal ended March 31, 2022. Of the total, Central GST was Rs. 25,830 crore, State GST was Rs. 32,378 crore, Integrated GST was Rs .74,470 crore, and compensation cess was Rs. 9,417 crore. For FY22 as a whole, total GST collections amounted to Rs. 14.83 lakh crore, up 30 percent from Rs. 11.37 lakh crore in FY21.

4) Domestically, according to government data released on last Thursday, the Centre's fiscal deficit at the end of February stood at 82.7 per cent of the full year budget target, mainly on account of higher expenditure. In the last financial year, the fiscal deficit or gap between the expenditure and revenue was 76 per cent of the Revised Estimate (RE) of 2020-21. In actual terms, the deficit stood at Rs. 13.16 trillion at the end of February this year, as per the data released by the Controller General of Accounts (CGA). The central government's total receipts stood at Rs. 18.27 trillion or 83.9 per of the RE of Budget 2021-22. It was 88.2 per cent of the RE of 2020-21 in the corresponding period. The government's total expenditure was at Rs 31.43 trillion or 83.4 per cent of the current year's RE. It was 81.7 per cent of RE in the corresponding period last financial year.

   The government expects the fiscal deficit to be at 6.9 per cent of the GDP or Rs 15.91 trillion in the current financial year ending March 31, 2022.

5) Ratings agency India Ratings and Research (Ind-Ra) on Wednesday revised India's FY23 forecast downwards to 7-7.2 per cent. Accordingly, the ratings agency believes that its 'FY23 Economic Outlook' released in January 2022 is unlikely to hold in view of the global geo-political situation arising out of the Russia-Ukraine conflict. "Since the duration of Russia-Ukraine conflict continues to be uncertain, Ind-Ra has created two scenarios with respect to the FY23 economic outlook basis certain assumptions." According to Ind-Ra, in scenario-one, crude oil price is assumed to be elevated for three months, and in scenario-two, the assumption is for six months, both with a half cost pass-through into the domestic economy.

   "Ind-Ra expects GDP to grow 7.2 per cent YoY in 'Scenario 1' and 7 per cent YoY in 'Scenario 2' in FY23, compared to its earlier forecast of 7.6 per cent." "However, the size of the Indian economy in FY23 will still be 10.6 per cent and 10.8 per cent lower than the FY23 GDP trend value in 'Scenario 1 and Scenario 2', respectively."

6) Globally, US President Joe Biden on last Thursday launched the largest release ever from the U.S. emergency oil reserve and challenged oil companies to drill more in an attempt to bring down gasoline prices that have soared during Russia's war with Ukraine. The announcement comes as part of a broad effort by the US President to manage spiking inflation that is affecting the US economy. Starting in May, the United States will release 1 million barrels per day (bpd) of crude oil for six months from the Strategic Petroleum Reserve (SPR), he said. "This is a moment of consequence and peril for the world, and pain at the pump for American families," Biden said at an event at the White House. US President Biden's 180 million-barrel release is equivalent to about two days of global demand, and marks the third time Washington has tapped the SPR in the past six months. It will more than cover oil exports to the United States from Russia, which Biden banned this month. Russia typically produces about 10 per cent of the world's crude, but only accounts for 8 per cent of US liquid fuel imports.

7) U.S. consumer confidence edged higher in March from a year-low reading a month earlier, with Americans' assessment of current economic conditions improving on the back of a healthy job market, offsetting concerns over inflation that have further darkened their outlook.

8) Earlier, Moody's Analytics said "The rising caseload of Covid-19 in China is causing local, if temporary, disruptions to some manufacturing locations and transport corridors. China's technology center, Shenzhen, suffered brief shutdowns of manufacturing plants and port facilities last week,".

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Ajcon Global's observations and view..

1) Indian benchmark indices ended in red led by rising bond yields globally and negative global cues like fresh sanctions against Russia and hawkish comments by Fed officials. There are other headwinds like increase in COVID-19 cases in China lockdown in the city of Shanghai to curb COVID-19 cases which is affecting crude oil consumption to some extent.

2) It is advisable for investors to look out for stock specific opportunities considering growth outlook and management pedigree amidst the ongoing crisis. History has proved that after any crisis, equities recover strongly and give stellar returns.

3) It would be advisable to avoid companies having exposure to Russia, Ukraine and Eastern European countries for the time being. Additionally, companies dependent on crude oil and crude oil derivatives will face margin pressure. Supply chain disruptions would also pose a challenge for companies and hence investors need to careful in selection of stocks.

4) Always remember, steep corrections and crash in a structural bull market will keep markets healthy. Structurally, Indian economy is 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 focused 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.

5) There is a strong line up of IPOs and focus would be on LIC IPO considering its scale. As per media reports earlier, Finance Minister Nirmala Sitharaman's interview suggested that the FM may consider another look at the timing of Life Insurance Corporation of India IPO amidst Russia's invasion of Ukraine. We suggest investors to be careful about the forthcoming IPOs and understand the fundamentals based on risk reward profile. No doubt, IPOs of sectors in limelight like E-Commerce, Insurance, companies engaged in Digital space, 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 need to be careful with expensive IPOs whose valuations are beyond logic. The carnage witnessed in some of the recently listed companies makes a case for investors to be more cautious.

6) Before the significant correction led by war between Russia and Ukraine in Ukraine, the domestic sentiments were upbeat as in third wave of COVID-19 led by Omicron variant did not have a major impact on the economy, growth-oriented Union Budget presented by the Finance Minister (we believe the Budget is growth oriented with significant focus on capex - emphasis is laid on Agriculture, MSMEs, Housing, Digital ecosystem, Defence, Electric Vehicles and Solar Power). In addition, factors like good growth in merchandise exports, RBI's dovish stance in its Monetary Policy, good GDP data, robust GST collections, PLI incentives in various sectors, strong vaccination drive, faster than expected economic recovery in Unlock phase, strong Q3FY22 earnings season and management commentary and good spike in retail participation from Tier II and Tier III cities have supported the bulls.

7) All eyes would be on upcoming RBI's Monetary policy and Q4FY22 earnings season (focus would be on management commentary with regards to demand outlook, how companies are dealing with input cost pressures and supply chain disruptions) which will drive market direction.

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

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Date: 2022.04.07 08:44:09 +05'30'