

Domestic bourses remain under pressure; all eyes on RBI's Monetary policy..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	55,107.34	55,675.32	567.98	1.02	55,373.18	55,387.77	54,882.41
Nifty	16,416.35	16,569.55	153.20	0.92	16,469.60	16,487.25	16,347.10

- 1) On Tuesday, Indian benchmark indices continued to be under pressure led by rising bond yields and crude oil prices. Before the fall, there was improvement in sentiments led by end of COVID-19 lockdown in China and dovish tone of US Fed. However, there are headwinds like ongoing war between Russia and Ukraine and its effect on crude oil, commodities and gas prices, high global inflation especially in US, slowdown concerns in US, hawkish stance of global central banks, Indian rupee falling to its life-time low against the US dollar, US Fed hiking interest rates by 50 bps, RBI coming up with a surprise by hiking repo rate by 40 bps and likely to hike in its upcoming Monetary policy.
- 2) The Sensex was down by 567.98 points or 1.02 percent to end at levels of 55,107.34. On the other hand, Nifty was down by 153.20 points or 0.92 percent. Among the Sensex 30 stocks, the major losers were Titan, Dr. Reddy's Laboratories, Larsen & Toubro, Hindustan Unilever, Asian Paints, Bajaj Finance were down in the range of 2.35 percent to 4.48 percent.
- 3) The broader markets too were in red. The BSE MidCap index fell by 0.77 percent, while the BSE SmallCap index fell by 0.67 percent.
- 4) In terms of sectoral performance, sectoral indices like Consumer Durables, Capital Goods, Information Technology, Fast Moving Consumer Goods, Basic Materials, Consumer Discretionary Goods & Services were under pressure and down in the range of 1.15 percent to 2.71 percent.

Sectors and stocks

- 1) Shares of UltraTech Cement hit a fresh 52-week low of Rs. 5,411, down 3 per cent on the BSE in Tuesday's trade and finally ended down by 0.49 percent to Rs. 5,554.6. The shares have fallen 10 per cent in the past three trading days after the company announced around Rs. 12,900 crore-capital expenditure (capex) plan. The stock of the largest player in the cement industry was trading at its lowest level since February 2021. Recently, the company's board approved capex of Rs. 12,886 crores towards increasing capacity by 22.6 mtpa with a mix of brown field and green field expansion. This would be achieved by setting-up integrated and grinding units as well as bulk terminals. The additional capacity will be created across the country. Commenting on the capex plan, Mr. Kumar Mangalam Birla, Chairman, Aditya Birla Group said, "This ambitious capacity expansion plan is a significant milestone in the ongoing transformational growth journey of Ultra Tech. The company has more than doubled its capacity over the last five years and is committed to meeting India's future needs for housing, roads, and other infrastructure. This investment is backed by a strong conviction on India's growth potential as well as a deep and nuanced understanding of the market dynamics of the cement industry. Given the size of the investment outlay, I am confident that this new capacity creation will have a multiplier effect leading to jobs and growth across multiple regions in India." Commercial production from these new capacities is expected to go on stream in a phased manner, by FY25. UltraTech's current expansion program is on track and estimated to be completed by the end of FY23. Upon completion of the latest round of expansion, the Company's capacity will grow to 159.25 mtpa, reinforcing its position as the third largest cement company in the world, outside of China.
- 2) Shares of PB Fintech, which operates online insurance broker Policybazaar and loan marketplace Paisabazaar hit a low of Rs. 557 on the BSE in Tuesday's intra-day trade (finally ended down by 11.48 percent to Rs. 582.80 on the BSE) after the Company received an intimation from Mr. Yashish Dahiya, Chairman and CEO of the Company, for an intention to sell up to 37,69,471 equity shares via bulk deals on the stock exchanges. "The aggregate shareholding of Mr. Yashish Dahiya as on 31.03.2022 was 1,90,08,349 (4.23%) and post exercise of 55,09,601 ESOPs during May 2022 his aggregate shareholding increased to 2,45,17,950 (5.45%). As the ESOPs are subject to payment of taxes on exercise in addition to the payment of capital gain tax on the sale of shares, the proceeds from the sale of

the 37,69,471 shares are proposed to be used to make the payment of current and future taxes. Further, aggregate shareholding of Mr. Yashish Dahiya on account of exercise of 71,96,604 stock options which will get vested and exercisable over a period of 5 years commencing from the grant date i.e. October 05, 2021, will increase to 2,80,92,982 (5.98 %) on a fully diluted basis post the proposed sale.", the company said.

Key recent major developments..

- 1) The World Bank on Tuesday slashed its global growth forecast by nearly a third to 2.9% for 2022, warning that Russia's invasion of Ukraine has compounded the damage from the COVID-19 pandemic, and many countries now faced recession. The war in Ukraine had magnified the slowdown in the global economy, which was now entering what could become "a protracted period of feeble growth and elevated inflation," the World Bank said in its Global Economic Prospects report, warning that the outlook could still grow worse. In a news conference, World Bank President David Malpass said global growth could fall to 2.1% in 2022 and 1.5% in 2023, driving per capita growth close to zero, if downside risks materialized. Malpass said global growth was being hammered by the war, fresh COVID lockdowns in China, supply-chain disruptions and the rising risk of stagflation -- a period of weak growth and high inflation last seen in the 1970s. "The danger of stagflation is considerable today," Malpass wrote in the foreword to the report. "Subdued growth will likely persist throughout the decade because of weak investment in most of the world. With inflation now running at multi-decade highs in many countries and supply expected to grow slowly, there is a risk that inflation will remain higher for longer." (Source: Reuters)
- 2) Domestically, the 10-year government bond yield was up by 40 bps to 7.53 per cent as investors are gearing up for a rate hike.
- 3) Oil prices rose more than \$2 in early trade on Monday after Saudi Arabia raised prices sharply for its crude sales in July, an indicator of how tight supply is even after OPEC+ agreed to accelerate its output increases over the next two months. (Source: Reuters).
- 4) Saudi Arabia, the world's top oil exporter, raised July crude oil prices for Asian buyers to higher-than-expected levels amid concerns about tight supply and expectations of strong demand in summer. The official selling price (OSP) for July-loading Arab Light to Asia was hiked by \$2.1 a barrel from June to \$6.5 a barrel over Oman/Dubai quotes, just off an all-time-high recorded in May. (Source: Reuters).
- 5) The S&P Global India Services Purchasing Managers' Index rose to 58.9 in May from 57.9 in April, its highest since April 2011 and comfortably beating the Reuters poll expectation of 57.5. It stayed above the 50-mark that separates growth from contraction for a tenth consecutive month, the longest streak of expansion since 12 months of growth between June 2018 and May 2019. Overall demand rose at the fastest pace since July 2011 as economic activity continued to normalize with the lifting of pandemic restrictions. "The reopening of the Indian economy continued to help lift growth in the service sector," noted Pollyanna De Lima, economics associate director at S&P Global Market.
- 6) Domestically, India's trade deficit widened to a record \$23.33 billion in May as imports grew at a faster pace compared to exports amid high commodity prices owing to the Russia-Ukraine conflict, the preliminary data released by the commerce and industry ministry showed on Thursday. The previous highest monthly trade deficit was \$22.91 billion in November 2021. The deficit stood at \$6.28 billion in May last year. Imports were up by 56.14 per cent to \$60.62 billion in May on the back of a sharp jump in petroleum products amid rising global crude oil prices. The share of petroleum products in India's total imports was 30 per cent in May, growing 91.6 per cent year-on-year to \$18.1 billion. Gold imports witnessed a 759 per cent jump to \$5.8 billion; electronic goods rose 28.5 per cent to \$5.44 billion; and coal imports grew by 2.6 times to \$5.3 billion in May. India's merchandise exports grew 15.46 per cent YoY to \$37.29 billion in May. Export growth fell by 7.2 per cent compared to last month, after witnessing record outbound shipments of over \$40 billion in March and April.
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8) Domestically, Goods and services tax (GST) collections fell below the Rs. 1.5 trillion mark in May 2022. India's gross GST collections stood at Rs. 1.41 trillion during the month. However, the collections in May are 44 per cent higher than the same month in 2021. In April, GST collections had touched a record high of Rs 1.68 trillion, surpassing the Rs. 1.5-trillion mark for the first time. "The collection in the month of May, which pertains to the returns for April, the first month of the financial year, has always been lesser than that in April, which pertains to the returns for March, the closing of the financial year. However, it is encouraging to see that even in the month of May 2022, the gross GST collection has crossed the Rs. 1.40 lakh crore mark," said Ministry of Finance in a release. "This is only the fourth time the monthly GST collection crossed Rs.1.40 lakh crore mark since inception of Goods and Services Tax (GST) and third month at a stretch since March 2022."the Finance Ministry said.

9) India's manufacturing sector growth steadied in May on the back of rising international orders despite an increase in prices. The S&P Global India Manufacturing Purchasing Managers' Index (PMI) was recorded at 54.6 in May, a minor change from 54.7 in April. New orders and production continued to rise at the pace registered in April. A print above 50 indicates expansion, while a score below 50 suggests a contraction. "The above-50.0 reading was the eleventh in as many months and consistent with a solid improvement in operating conditions," S&P Global said in a statement. Companies secured new work despite lifting selling prices at the fastest rate in over eight-and-a-half years as additional cost burdens continued to be transferred to clients, it said.

Demand showed signs of resilience in May, improving further despite another uptick in selling prices."...with the sharpest rise in international sales for 11 years, total new orders expanded further. In response to demand resilience, companies continued with their efforts to rebuild stocks and hired extra workers accordingly," said Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence.

Manufacturers continued to scale up production in May on sustained improvement in demand and looser COVID-19 restrictions; signaling a further increase in output prices.

"There was little movement in the rate of input price inflation during May, which remains historically high, but output charge inflation surged to its highest in over eight-and-a-half years as companies continued to transfer additional cost burdens to their clients," said De Lima.

10) India's economic growth further slowed during the fourth quarter, hit by Omicron-led restrictions in January, global supply shortages and higher input costs. Gross domestic product in the January-March period grew 4.1%, data released by the Statistics Ministry showed Tuesday. In the third quarter of FY22, GDP growth slowed to 5.4% from 8.5% in the second quarter and 20.3% in the first quarter. The growth in the financial year 2021-22 stood at 8.7%. In its second advance estimate, the government had estimated the GDP to grow at 8.9% in FY22. Growth in private final consumption expenditure, or private spending, decelerated sequentially in Q4 to 1.8 per cent. Government spending, however, picked up to grow at 4.8 per cent, supporting overall growth. Gross fixed capital formation, which represents investment demand in the economy, slowed to 5.1 per cent. Gross value added (GVA) at basic prices grew at 3.9 per cent in the fourth quarter and 8.1 per cent in FY22.

11) Fiscal deficit for 2021-22 improved to 6.71 per cent of the GDP over the revised budget estimate of 6.9 per cent mainly on account of higher tax realisation. Unveiling the revenue-expenditure data of the Union government for 2020-21, the Controller General of Accounts (CGA) said that the fiscal deficit in the absolute terms was Rs 15,86,537 crore (provisional). The finance ministry in February had estimated the deficit at Rs 15,91,089 crore or 6.9 per cent of GDP. According to the data, the tax receipts during the fiscal were at Rs 18.2 trillion as against the revised estimates (RE) of Rs 17.65 trillion. The total expenditure too was higher at Rs 37.94 trillion against the RE of Rs 37.7 trillion presented to Parliament on February 1, 2021. CGA further said the revenue deficit at the end of the fiscal was 4.37 per cent for fiscal 2021-22.

12) Domestically, "Advance action" is underway for the privatisation of two public sector banks (PSBs) as announced by Finance Minister Nirmala Sitharaman in the last Union Budget, Financial Services Secretary Sanjay Malhotra said on Monday. In the Union Budget for 2021-22, Sitharaman had announced privatisation of two public sector banks (PSBs) besides IDBI Bank. However, this year's Budget Speech had skipped the mention of the progress made for the privatisation of two PSBs. "In so far as banking privatisation is concerned, there is already a statement on the floor of the house by the Finance Minister for making enabling provision. Advance action on this is underway," Malhotra said during the curtain raiser event for celebration of Azadi Ka Amrit Mahotsav.

13) Earlier, China cut its benchmark reference rate for mortgages by an unexpectedly wide margin on Friday, its second reduction this year as Beijing seeks to revive the ailing housing sector to prop up the economy. China, in a monthly

fixing, lowered the five-year loan prime rate (LPR) by 15 basis points to 4.45%, the biggest reduction since China revamped the interest rate mechanism in 2019 and more than the five or 10 basis points tipped by most in a Reuters poll. The one-year LPR was unchanged at 3.70%. (Source: Reuters).

- 14) Earlier, the rupee hit an all time low of 77.78 per US dollar, led by strengthening of US dollar, unabated foreign fund outflows and rate hike by US Fed.

Ajcon Global's observations and view..

- 1) Indian benchmark indices ended in red led by rising bond yields and crude oil prices. Recently, the sentiments were uplifted led by end of COVID-19 lockdown in China. However, there are headwinds like high inflation across the globe especially in US, slowdown concerns in US, rupee falling to all time low against the US Dollar and US Fed hiking interest rates by 50 bps. Earlier, RBI hiked the repo rate by 40 bps in a surprise move which had affected investor sentiments. There are other headwinds like weak global demand outlook led by hawkish stance of global central banks, ongoing war between Ukraine and Russia, high crude oil prices, rising bond yields globally. However, domestically, robust GST Collections in the past few months and Direct Tax collections depict strong revival in Indian economy which will keep bulls in picture.
- 2) We expect markets to be volatile and all eyes would be on RBI's Monetary policy, IIP data, onset of monsoon in different parts of the nation and crude oil price movement.
- 3) There is a strong line up of IPOs upcoming in the near future. We suggest investors to be careful with IPOs that are look expensive and understand the fundamentals based on risk reward profile before taking a decision to invest. 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.
- 4) 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.
- 5) 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. We recommend investors for the near term to Buy quality names on dips and sell on rise considering the volatility in the market in the near term. 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 be careful in selection of stocks.
- 6) 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 sector, 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.



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