

Indian benchmark indices remain under pressure on weak global cues; smallcaps face the maximum heat..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	54,088.39	54,364.85	276.46	0.51	54,544.91	54,598.55	53,519.30
Nifty	16,167.10	16,240.05	72.95	0.45	16,270.05	16,318.75	15,992.60

- 1) Indian benchmark indices continued to be under pressure as investors turned cautious ahead of US inflation data (which was released after Indian market hours) and rising inflation in China. Investor sentiments were affected after rupee fell to its life-time low against the US dollar. In addition, factors like US Fed hiking interest rates by 50 bps, RBI coming up with a surprise by hiking repo rate by 40 bps has dampened the overall mood. There are other headwinds like ongoing war between Russia and Ukraine with no signs of respite, rising crude oil prices, increasing COVID-19 cases in China and lockdown in various parts of China to curb its spread, concerns over high inflation across the globe, hawkish stance of global central banks and rising bond yields globally.
- 2) The Sensex was down by 276.46 points or 0.51 percent to end at levels of 54,088.39. On the other hand, the Nifty was down by 72.95 points or 0.45 percent to end at levels of 16,167.10. Among the Sensex 30 stocks, L&T, Bajaj Finserv, Bajaj Finance, Power Grid, NTPC, Infosys, Maruti, ITC, Tech Mahindra, Wipro, HCL Tech were down in the range of 1.13 percent to 2.34 percent.
- 3) The broader markets were under pressure today. The BSE Midcap index was down by 0.46 per cent and the BSE Smallcap index was down by 2.23 percent respectively.
- 4) Sectorally, the BSE Information Technology index declined by 1.50 per cent followed by BSE Industrials index by 1.39 per cent. The Telecom, Auto and Utility indices were down in the range of 0.96-1.22 percent.
- 5) On Wednesday, FIIs sold equities worth Rs. 3,609.35 Crore. On the other hand, DIIs bought equities worth Rs. 4,181.20 Crore. Month till date, FIIs sold equities worth Rs. 23,665.20 Crore. On the other hand, DIIs bought equities worth Rs. 18,750.10 Crore. In the month of April 2022, FIIs sold equities worth Rs. 40,652.71 Crore. On the other hand, DIIs bought equities worth Rs. 29,869.52 Crore.

Sectors and stocks

- 1) Shares of city gas distribution (CGD) companies - Gujarat Gas Company, Mahanagar Gas (MGL) and Indraprastha Gas (IGL) rallied up to 9 per cent on the BSE in Wednesday's intra-day trade. Gujarat Gas rallied by 9 per cent to Rs 554.25 after the Company witnessed good YoY growth of 28 per cent in its consolidated net profit of Rs 444 crore in Q4FY22 as against Rs 348 crore for Q4FY21, whereas, total consolidated income grew by 36 per cent year-on-year (YoY) to Rs 4,791 crore as compared to Rs 3,514 in previous year quarter. Meanwhile, sales volume declined 18.5 per cent YoY and 13.2 per cent quarter-on-quarter (QoQ) to 9.9 mmscmd. Besides that, gross margins increased Rs 3.6/scm YoY and Rs 6.1/scm QoQ to Rs 10.7/scm.
- 2) Shares of Infosys was down by 3 per cent on the BSE in Wednesday's intra-day trade to Rs. 1,511.55. The stock traded at its lowest level since June 23, 2021. In the past one month, the stock of information technology (IT) major has declined by 14 per cent after the Company's Q4FY22 performance missed street estimates especially on the margin front.
- 3) Shares of Kansai Nerolac hit a 52-week low of Rs. 403, down 6 per cent on the BSE in Wednesday's intra-day trade after the company witnessed subdued performance in Q4FY22 led by higher raw material cost.
- 4) Shares of Nazara Technologies hit a record low of Rs 1,181.55, down 7 per cent on the BSE in Wednesday's intra-day trade. The stock was trading lower for the seventh straight day, declining 24 per cent during the period. In the past one month, the market price of Nazara Technologies has tanked 29 per cent, as compared to a 8 per cent decline in the S&P BSE Sensex. It was trading close to its initial public offer (IPO) price of Rs 1,101 per share. Nazara

Technologies had made a stock market debut on March 30, 2021. With the recent fall, the stock has seen a fall of 65 per cent from its 52-week high of Rs 3,354 touched on October 11, 2021.

Key recent major developments..

- 1) Globally, US consumer price growth slowed sharply in April as gasoline prices eased off record highs, suggesting that inflation has probably peaked, though it is likely to stay hot for a while and keep the Federal Reserve's foot on the brakes to cool demand. The consumer price index rose 0.3 percent last month, the smallest gain since last August, the Labor Department said on Wednesday. That stood in sharp contrast to the 1.2 percent month-to-month surge in the CPI in March, which was the largest advance since September 2005. In the 12 months through April, the CPI increased 8.3 percent. While that was the first deceleration in the annual CPI since last August, it marked the seventh straight month of increases in excess of 6 percent. The CPI shot up by 8.5 percent in March, the largest year-on-year gain since December 1981.
- 2) China's consumer price index (CPI) for April grew 0.4 per cent month-on-month compared to 0.6 per cent in March due to Covid-19 induced supply disruptions.
- 3) Domestically, Passenger vehicle dispatches from factories to dealers in the domestic market declined by 4 per cent in April as supply side challenges continued for the automotive industry, industry body SIAM said on Wednesday. Total passenger vehicle domestic wholesales stood at 251,581 units last month as compared to 261,633 units in April 2021. Passenger car dispatches stood at 112,857 last month as against 141,194 units in the same month last year. Utility vehicle wholesales however increased to 127,213 units from 108,871 units in the year-ago period. Van dispatches remained flat at 11,511 units in April as against 11,568 units in April 2021. Two-wheeler sales increased by 15 per cent to 11,48,696 units last month as compared to 995,115 units in April 2021. Motorcycle sales increased to 735,360 units as against 667,859 units in April 2021. Similarly, scooter dispatches rose to 374,556 units last month as compared to 301,279 units in the year-ago period. Three-wheeler wholesales also increased to 20,938 units last month as against 13,856 units in April 2021. "Sales of passenger vehicles is still below the April 2017 figures, while two-wheelers are even below the April 2012 figures," SIAM Director General Rajesh Menon noted.
- 4) Earlier on Monday, the rupee hit an all time record low of 77.58 against the US dollar on Monday and finally settled the day at 77.50, down 60 paise over its previous close. The rupee is under pressure led by strengthening of US dollar, unabated foreign fund outflows and rate hike by US Fed. The dollar has risen for five straight weeks as U.S. Treasury yields have climbed on expectations the Fed will be aggressive in attempting to tamp down inflation.
- 5) Globally, The Bank of England sent a stark warning that Britain risks a double-whammy of a recession and inflation above 10 percent as it raised interest rates on Thursday to their highest since 2009, hiking by quarter of a percentage point to 1 per cent. The pound fell by more than a cent against the US dollar to hit its lowest level since mid-2020, below \$1.24, as the gloominess of the BoE's new forecasts for the world's fifth-largest economy caught investors by surprise.
- 6) Earlier, The Federal Reserve hiked the interest rate by 50 bps (biggest hike in over two decades) pushing the benchmark above 0.75 percent continuing on its approach for policy tightening to control rising inflation that has touched 40-year highs. In its statement, Fed stated that the committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With appropriate firming in the stance of monetary policy, the Committee expects inflation to return to its 2% objective and the labor market to remain strong.
- 7) Domestically, in a surprise move, RBI Governor Shaktikanta Das announced that the monetary policy committee has unanimously voted to increase the repo rate by 40 bps to 4.40 per cent, adding that the central bank's stance remains accommodative. RBI's rationale behind raising benchmark rates in an off-cycle MPC meeting was the upside risks to India's inflation trajectory because of global factors. Heightened uncertainty surrounds the inflation trajectory, which is heavily contingent upon the evolving geopolitical situation. Global commodity price dynamics are driving the path of food inflation in India, including prices of inflation sensitive items that are impacted by global shortages due to output losses and export restrictions by key producing countries. International crude oil prices remain high but volatile, posing considerable upside risks to the inflation trajectory through both direct and indirect effects. Core inflation is likely to remain elevated in the coming months, reflecting high domestic pump prices and pressures from prices of essential medicines. Renewed lockdowns and supply chain disruptions due to resurgence of COVID-19 infections in major economies could sustain higher logistics costs for longer. All these factors impart significant upside risks to the inflation trajectory set out in the April statement of the MPC. Hence the MPC thought it was necessary to reverse rate action taken in May 2020, where the RBI reduced the policy repo rate by 40 bps, following 75 bps reduction in March, as monetary policy had shifted to an ultra-accommodative mode because of the pandemic. The

MPC also decided to remain accommodative while focusing on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

- 8) RBI also raised the CRR limit by 50 bps to 4.5 per cent with effect from May 21, which in turn will lead to withdrawal of Rs. 87,000 crore from the system, the governor added. In another move, the RBI has hiked the cash reserve ratio of banks by 50 basis points to 4.5 per cent of net demand and time liabilities (NDTL), effective from the fortnight beginning May 21, 2022. This is expected to withdraw liquidity to the tune of Rs. 87,000 crore from the system. The increase in CRR by RBI is in line with its stance of withdrawal of accommodation and in line with its earlier announcement of gradual withdrawal of liquidity over a multi-year time frame.
- 9) According to RBI in its Monetary Policy Statement, domestic economic activity stabilised in March-April with the ebbing of the third wave of COVID-19 and the easing of restrictions. Urban demand appears to have maintained expansion but some weakness persists in rural demand. Investment activity seems to be gaining traction. Merchandise exports recorded double digit expansion for the fourteenth consecutive month in April. Non-oil non-gold imports also grew robustly on the back of improving domestic demand. Overall system liquidity remained in large surplus. Bank credit rose (y-o-y) by 11.1 per cent as on April 22, 2022. India's foreign exchange reserves declined by US\$ 6.9 billion in 2022-23 (up to April 22) to US\$ 600.4 billion.
- 10) The Purchasing Managers' Index (PMI) for April rose to 54.7 from 54 in March. Factory activity picked up in the month, bolstered by a solid increase in demand as pandemic restrictions were eased, but rising energy prices pushed input costs to a five-month high, a private survey showed. "Factories continued to scale up production at an above-trend pace, with the ongoing increases in sales and input purchasing suggesting that growth will be sustained in the near-term," noted Pollyanna De Lima, economics associate director at S&P Global.

Ajcon Global's observations and view..

- 1) Indian equities remain under pressure led by weak global cues like rising inflation in China and investors getting nervous before the release of US inflation data. In addition, sentiments have been affected after rupee fell 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 has affected investor sentiments. There are headwinds like weak global demand outlook led by hawkish stance of global central banks, ongoing war between Ukraine and Russia, rising crude oil prices, increasing COVID-19 cases in China and subsequent lockdown in various parts of China (China's zero tolerance COVID-19 policy) affecting demand, concerns of high inflation across the globe, rising bond yields globally and rupee depreciation. However, domestically, robust GST Collections and Direct Tax collections depict strong revival in Indian economy which will keep bulls in picture.
- 2) Domestically, investors will continue to track ongoing Q4FY22 earnings season which has been mixed so far (street participants will focus 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).
- 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



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

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