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Market wrap **Feb. 15, 2022**

Indian equities bounceback after Russia withdraws partial troops adjacent to Ukraine; broader markets also rally..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	58,142.05	56,405.84	**1,736.21**	**3.08**	56,731.56	**58,211.38**	56,438.47
Nifty	17,352.45	16,842.80	**509.65**	**3.03**	16,933.25	**17,375.00**	16,839.25

1) Indian equities bounceback on news of partial withdrawal of troops by Russia adjacent to Ukraine. As a result, Crude oil prices also witnessed a fall of around 3 percent.

2) The Sensex was up by 1,736.21 points or 3.08 percent to end at levels of 58,142.05. Among the Sensex 30 stocks, Tata Motors was the biggest gainer today up by 6.6 percent, followed by Bajaj Finance, Shree Cement, Eicher Motors, Hero MotoCorp, Bajaj Finserv, SBI, and Wipro. On the other hand, Cipla declined by 3.5 per cent and ONGC slipped by1 per cent.

3) The Nifty was up by 509.65 points or 3.03 percent to end at levels of 17,352.45.

4) The broader markets too ended in green. The BSE MidCap index was up by 2.7 percent and the BSE SmallCap index was up by 2 percent respectively.

5) In terms of sectoral performance, Nifty PSU Bank and Auto indices were up by 4 per cent each. The Nifty Bank, Financial Services, IT, and Realty indices were up in the range of 3 and 3.5 per cent.

6) Today, FIIs were net sellers and sold equities worth Rs. 2,298.76 Crore. On the other hand, DIIs were net buyers and bought equities worth Rs. 4,411.60 Crore. Month till date, FIIs have sold equities worth Rs. 16,265.06 Crore while DIIs in the same period have purchased equities worth Rs. 12,419.14 Crore.

Sectors and stocks

1) Shares of SpiceJet rallied by 8 per cent after the company witnessed good performance in Q3FY22 and witnessed a net profit of Rs. 23.28 crore in Q3FY22 as against a loss of Rs. 57 crore in the same quarter of last year.

2) Shares of Zomato declined below its issue price of Rs. 76 per share after it declined 8 per cent in the intra-day trade. The stock hit a new low of Rs. 75.75, falling by 20 per cent in the past 3 days. The shares, however, recovered and ended flat.

3) Shares of Manappuram Finance hit 52-week low of Rs. 122 after it declined 15 per cent on the BSE in Tuesday's intra-day trade after the Company witnessed a fall of 46 per cent in consolidated net profit on YoY basis at Rs 261 crore in Q3FY22.

Key recent major developments..

1) Globally, Russia's defence ministry said on Tuesday "Some troops in Russia's military districts adjacent to Ukraine are returning to their bases after completing drills which could de-escalate tensions between Ukraine and Russia. Russian President Vladimir Putin and German Chancellor Olaf Scholz are set to hold talks in Moscow on Tuesday as diplomatic efforts ramp up. Britain sees signs of a diplomatic opening with Russia over Ukraine, but the latest intelligence is still not encouraging, British Prime Minister Boris Johnson said on Tuesday.

2) The Indian technology industry crossed the $200 billion revenue mark, reaching $227 billion revenue in FY22, witnessing a $30 billion incremental revenue in the year with an overall growth rate of 15.5 per cent. Recording the highest ever growth since 2011 said Nasscom in its Strategic Review. The industry association is also confident that the industry can achieve the ambitious target of being a $350 billion by FY26 growing at a rate of 11-14 per cent.
Rekha M Menon, chairperson, NASSCOM said, “Fiscal 2022 has been a breakthrough year for the Indian technology industry. We’ve posted solid, broad-based growth, massively increased jobs, and are proud that we continue to be

an engine for India's economic growth, and a beacon for inclusion and diversity. We are excited about the opportunities in the Techade as we enter an era of exponential transformation and technology becomes indispensable to progress. We remain committed to catalysing the trillion-dollar digital economy with our focus on talent, technology, collaboration, and innovation."

3) Domestically, India's exports in January rose 25.28 per cent to $34.50 billion on account of healthy performance by mainly engineering, petroleum and gems and jewellery sectors, even as trade deficit widened to 17.43 billion, according to data released by the commerce ministry on Tuesday. Imports grew by 23.54 per cent to $51.93 billion during the month under review. Trade deficit, difference between imports and exports, stood at $14.499 in January 2021. Cumulatively, exports increased by 46.73 per cent to $335.88 billion during April 2021-January 2022, from $USD 228.92 billion in the corresponding period a year ago.

4) Earlier, Auto industry body SIAM said Passenger vehicle dispatches from factories to dealers in India fell 8 per cent in January, mainly due to semiconductor shortage. The total passenger vehicle wholesales dropped to 2,54,287 units in January 2022 as compared to 2,76,554 units in the same month of last year. "Sales in January 2022 again declined compared to January 2021, due to both Omicron-related concerns and semiconductor shortage. There is clearly a demand issue for two-wheelers due to lower rural off-take of entry level models," Society of Indian Automobile Manufacturers (SIAM) Director General Rajesh Menon said. On the other hand, the passenger vehicle segment is unable to meet the market demand due to supply side challenges, he added. "Three wheelers continue to be severely affected due to lower sales," Menon said.

5) India's factory output growth decelerated to its lowest in 10 months at 0.4 percent in December as the third wave of the pandemic led to lockdowns across the country causing disruptions in economic activities. Data released by the statistics department showed manufacturing output contracted 0.1 per cent in December while mining and electricity grew at 2.6 per cent and 2.8 per cent, respectively. During the month, output of capital goods, consumer durables and consumer non-durables contracted while output of intermediate goods remained almost unchanged compared to their levels a year ago.

6) The RBI in its Monetary Policy kept the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent. The reverse repo rate under the LAF remains unchanged at 3.35 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 4.25 per cent. The MPC also decided to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward. These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.

   In terms of outlook by RBI in the monetary policy - Recovery in domestic economic activity is yet to be broad-based, as private consumption and contact-intensive services remain below pre-pandemic levels. Going forward, the outlook for the Rabi crop bodes well for agriculture and rural demand. The impact of the ongoing third wave of the pandemic on the recovery is likely to be limited relative to the earlier waves, improving the outlook for contact-intensive services and urban demand. The announcements in the Union Budget 2022-23 on boosting public infrastructure through enhanced capital expenditure are expected to augment growth and crowd in private investment through large multiplier effects. The pick-up in non-food bank credit, supportive monetary and liquidity conditions, sustained buoyancy in merchandise exports, improving capacity utilisation and stable business outlook augur well for aggregate demand. Global financial market volatility, elevated international commodity prices, especially crude oil, and continuing global supply-side disruptions pose downside risks to the outlook.

   Taking all these factors into consideration, the real GDP growth for 2022-23 is projected at 7.8 per cent with Q1:2022-23 at 17.2 per cent; Q2 at 7.0 per cent; Q3 at 4.3 per cent; and Q4:2022-23 at 4.5 per cent

   The MPC notes that inflation is likely to moderate in H1:2022-23 and move closer to the target rate thereafter, providing room to remain accommodative. Timely and apposite supply side measures from the Government have substantially helped contain inflationary pressures. The potential pick up of input costs is a contingent risk, especially if international crude oil prices remain elevated.

   The pace of the domestic recovery is catching up with pre-pandemic trends, but private consumption is still lagging. COVID-19 continues to impart some uncertainty to the future outlook. Measures announced in the Union Budget 2022-23 should boost aggregate demand. The global macroeconomic environment is, however, characterised by deceleration in global demand in 2022, with increasing headwinds from financial market volatility induced by monetary policy normalisation in the systemic advanced economies (AEs) and inflationary pressures from persisting supply chain disruptions. Accordingly, the MPC judges that the ongoing domestic recovery is still incomplete and needs continued policy support.

7) Eralier, Finance Minister Nirmala Sitharaman said banks have sanctioned loans worth Rs. 3.1 lakh crore under the Emergency Credit Line Guarantee Scheme (ECLGS) for the MSME sector that was impacted by disruptions due to the coronavirus pandemic. The scheme has been extended till March 2023.

8) According to Federation of Automobile Dealers Associations (FADA) Retail sales of auto manufacturers in the country declined by 10.70% in January 2022 as compared to the year-ago period. As per the data released by FADA, sales of three-wheeler and commercial vehicles (CVs) were up by 30 percent and 20.5 per cent respectively while sales of two-wheelers, passenger vehicles (PV), and tractors fell by 13 per cent, 10 per cent, and 10 per cent, respectively. According to FADA, the PV inventory at the end of January 2022 was at a 'historic low' of 8-10 days. On the other hand, the 2W inventory has come down to 25-30 days.

9) Globally, the European Central Bank kept interest rates unchanged in spite of record inflation levels across the euro zone.

10) Globally, US Labour Department data showed that inflation soared over the past year at its highest rate in four decades reinforcing the Federal Reserve's decision to begin raising borrowing rates across the economy. The consumer price index rose 7.5% year over year in January, while the expectation was for an increase of 7.3%.

11) After US Fed's hawkish stance, Bank of England (BoE) raised interest rate for the second consecutive time and has raised interest rate to 0.5 percent from 0.25 percent to control surging inflation. The BoE also expects inflation to peak at over 7 percent in April. The BOE also said it would begin slowly reducing the size of its bond-buying program.

12) US Federal Reserve is likely to raise US interest rates in March and is also expected to end its bond purchase programme before going for significant reduction in its asset holdings.

Ajcon Global's observations and view

1) Indian benchmark indices were back in green and covered yesterday losses led by partial withdrawal of troops by Russia adjacent to Ukraine. It has to be seen that diplomatic efforts from Russia and Ukraine resolve or the tensions or it escalates further. There are headwinds like rising crude oil prices and fears of US Fed hiking interest rates, fears of liquidity tightening and hawkish stance of global central banks amidst spike in global inflation, strong FII selling and India-China tensions.

2) It is advisable for investors to look out for stock specific opportunities considering growth outlook and management pedigree. Always remember, corrections in a bull market will keep markets healthy. 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 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.

3) There is a strong line up of IPOs. 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.

4) Before the correction, the sentiments were upbeat as in third wave of COVID-19 led by Omicron variant, death rates have been lower so far as compared to devastating Delta variant. Despite significant spike in COVID-19 cases on daily basis, the hospitalisation rates are also lower. The restrictions imposed too by various states so far are not a major dampener to economic activity. In addition, factors like good growth in merchandise exports, RBI's accommodative stance in its Monetary Policy, good GDP data, robust GST collections, strong manufacturing PMI, PLI incentives in various sectors, strong vaccination drive, faster than expected economic recovery in Unlock phase, expectations of strong Q3FY22 earnings season, good Q2FY22 earnings season and management commentary, good economic activity witnessed in the festive season of Navratri, Diwali, Christmas, New Year and good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis.

5) Positive factors dovish stance of RBI in its Monetary policy, 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), strong GST collections will support bulls. Investors will keenly track global cues, last leg of ongoing Q3FY22 earnings season with management commentary for the future, global inflation data, US Treasury yields and crude oil price movement. The upcoming assembly elections in Uttar Pradesh, Punjab, Uttarakhand, Goa and Manipur will also play in investors mind.

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