AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

Market wrap **March 16, 2022**

Indian equities remain upbeat today; realty, metal, private banks, paper and cement stocks rally..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	56,816.65	55,776.85	**1039.80**	**1.86**	56,555.33	**56,860.89**	56,389.26
Nifty	16,975.35	16,663.00	**312.35**	**1.87**	16,876.65	**16,987.90**	16,837.85

1) Indian equities were upbeat today led by good performance of Asian peer indices and talks of peace between Russia and Ukraine. Hong Kong's Hang Seng was bouyant today and rallied by 9 percent after Chinese authorities pledged to provide support and stability to the country's troubled markets. On the other hand, China's CSI300 index rallied by over 4 per cent. Japan's Nikkei, South Korea's Kospi rallied up to 1.6 per cent. However, there are headwinds like increase in COVID-19 cases in China, South Korea, Hong Kong and fears of US Fed hiking interest rates.

2) The Sensex was up by whopping 1039.80 points or 1.86 percent to end at levels of 56,816.65. The Sensex had touched a high of 56,860.89 points. On the other hand, the Nifty was up by 312.5 points or 1.87 percent to end at levels of 16,975.35.

3) Among the largecaps, Ultratech Cement (up 4.6 per cent) which was followed by Axis Bank, Shree Cement, I ndusInd Bank, Bajaj Auto, Hindalco, Infosys, Britannia Industries, IOC, Grasim Ind, and Tata Motors that rose between 2.5 and 3.5 per cent. On the other hand, Cipla, Sun Pharma, and Tata Consumer Products were down upto 1.4 per cent.

4) In terms of sectoral performance, the Nifty Realty index was up by 3.6 per cent, the Nifty Metal index was up by 2.6 per cent, and the Nifty Private Bank index was up by 2.3 per cent.

5) The broader markets too were upbeat. The BE MidCap and SmallCap indices were up by 1.8 per cent and 1.4 percent respectively.

6) After a long time, FIIs were net buyers today. FIIs bought equities worth Rs. 311.99 Crore on Wednesday. On the other hand, DIIs bought equities worth Rs. 772.55 Crore. Month till date, FIIs sold equities worth Rs. 44,417.32 Crore. On the other hand, DIIs bought equities worth Rs. 32,298.47 Crore.

Sectors and stocks

1) Shares of cement companies bounce back after being under pressure last week. Shares of cement companies rallied up to 20 per cent amidst declining crude oil prices. Frontline cement stocks like UltraTech Cement, Ambuja Cements, ACC, Dalmia Bharat, India Cements, Ramco Cement and Shree Cement rose in the range of 2 per cent to 3 per cent in intra-day deals today. Sagar Cements, meanwhile, rallied by 20 per cent on the BSE in the intra-day trade while JK Cements, Orient Cement and Sanghi Industries added 4 to 6 per cent

2) Shares of Sandur Manganese & Iron Ores hit a record high of Rs. 3,955, up 7 per cent on the BSE in Wednesday's intra-day trade on expectations of strong earnings. The stock of the mining company has rallied by 54 per cent in the past one month after it reported a 486 per cent year-on-year (YoY) jump in profit after tax (PAT) at Rs. 109 crore for the quarter ended December 2021 (Q3FY21). In comparison, the S&P BSE Sensex shed 2.5 per cent during the same period. In Q3FY22, revenue from operations grew 320 per cent YoY at Rs 492 crore. EBITDA margin improved by 939 bps and stood at 39 per cent. At present, Sandur has two mining leases valid up to December 31, 2033, over an area of 1,999 lease area (HA) with estimated reserves of about 14 MT of manganese ore and 110 MT of iron ore. The management had said realizations across all products improved, except for iron ore, which witnessed some compression in line with the global prices. The company has filed for an amended Terms of Reference (TOR) document for Environment Clearance in the previous quarter, proposing expansion of production capacity of iron ore mining from 1.6 MTPA to 4.5 MTPA along with a 7.0 MTPA beneficiation unit.

3) Shares of ITC hit an over three-month high of Rs. 243 and closed up by 2 per cent on expectation of healthy earning going ahead. It traded at its highest level since November 18, 2021. In the past two weeks, the stock has outperformed the market by rallying 12 per cent, as compared to a 5 per cent decline in the S&P BSE Sensex. The

stock was close to its 52-week high level of Rs 265.30 touched on October 18, 2021. In the past one month, the stock of ITC has gained 4 per cent, as compared to a 2.4 per cent fall in the Sensex. Moreover, in the past six months, it has risen by 4 per cent as against a 5 per cent downfall in the benchmark index. Further, over the past one year, the market price of ITC has rallied 16 per cent, as compared to a 12 per cent gain in the Sensex.

4) Shares of One97 Communications closed up by 7.02 percent to Rs. 634.05 on Wednesday after being under pressure as the Reserve Bank of India (RBI) barred Paytm Payments Bank (PPBL) from onboarding new customers with immediate effect because of certain supervisory concerns.

Key recent major developments..

1) The Federal Reserve on Wednesday raised interest rates by 0.25 percent for the first time since 2018 as the US economy is facing high inflation amidst the impact of the war in Ukraine and the coronavirus crisis.

2) Ukrainian President Volodymyr Zelenskiy said in a video address released early on Wednesday that the positions of Ukraine and Russia at peace talks were sounding more realistic, but more time was needed. Meanwhile, UK Prime Minister Boris Johnson said Ukraine was unlikely to join NATO "anytime soon".

3) The price of Brent Crude cooled off to nearly a three-week low of $97.44 per barrel on Tuesday as de-escalation talks between Russia-Ukraine continue. On the other hand, Chinese lockdown in select provinces over outbreak of Covid-19 triggered fuel demand concerns.

4) Domestically, the wholesale price-based inflation in February rose to 13.11 per cent on hardening of prices of crude oil and non-food items, even though food articles softened. WPI inflation increased in February and remained in double digits for the 11th consecutive month, beginning April 2021. WPI inflation last month was 12.96 per cent, while in February last year, it was 4.83 per cent. The rise in crude oil and natural gas prices after the Russian invasion of Ukraine, beginning February 24, has put pressure on the wholesale price index, even though food articles saw softening across categories of vegetables to pulses to protein-rich items.

5) Earlier, Russian President Vladimir Putin said that Western sanctions were illegimate and Russia would calmly solve the problems arising from them. Addressing a government meeting, Putin also said Moscow - a major energy producer which supplies a third of Europe's gas - would continue to meet its contractual obligations. Speaking calmly, the Kremlin leader acknowledged that sanctions imposed since the start of what Russia calls its special military operation in Ukraine were being felt. "It is clear that at such moments people's demand for certain groups of goods always increases, but we have no doubt that we will solve all these problems while working in a calm fashion," he said. "Gradually, people will orient themselves, they will understand that there are simply no events that we cannot close off and solve." Speaking at the same meeting, Finance Minister Anton Siluanov said Russia had taken measures to limit the outflow of capital and that the country would service its external debts in roubles. "Over the last two weeks Western countries have in essence waged an economic and financial war against Russia," he said. He said the West had defaulted on its obligations to Russia by freezing its gold and foreign currency reserves. It was trying to halt foreign trade, he said.

6) Domestically, retail investors have invested in Rs. 19,705 crore in equity-oriented mutual fund (MF) schemes in February, 2022. This was the 12th consecutive month of inflows into the equity category. The data from Association of Mutual Funds in India (Amfi) shows that all the 11 categories of equity funds recorded net inflows. Among the equity categories, flexicap and sectoral funds saw net inflows of Rs 3,873.56 crore and Rs 3,441 crore respectively. Inflows through the systematic investment plan (SIP) continued to remain strong at Rs 11,437.70 crore, only Rs 79 crore lower compared to January. Total assets under management of SIP fell to Rs 5.49 trillion in February as against Rs 5.76 trillion in January due to the correction in the market.

7) Earlier, The International Monetary Fund warned Russia’s war with Ukraine and the subsequent sanctions imposed upon President Vladimir Putin’s country will have a “severe impact” on the global economy. “While the situation remains highly fluid and the outlook is subject to extraordinary uncertainty, the economic consequences are already very serious,” the Washington-based lender said in a statement on Saturday. “Price shocks will have an impact worldwide, especially on poor households for whom food and fuel are a higher proportion of expenses,” the IMF said. “Should the conflict escalate, the economic damage would be all the more devastating. The sanctions on Russia will also have a substantial impact on the global economy and financial markets, with significant spillovers to other countries.” The Fund said central banks will need to “carefully monitor the pass-through of rising international prices to domestic inflation, to calibrate appropriate responses.” Governments will need to find ways to support the most vulnerable households and help offset rising living costs. “This crisis will create complex policy trade-offs, further complicating the policy landscape as the world economy recovers from the pandemic crisis,” the Fund said.

8) Earlier, Global financial services provider firm Moody's Analytics said "Global gas prices are expected to rise if any material and sustained escalation in the conflict between Russia and Ukraine puts constraints on Russia's gas exports." Russia is the world's largest exporter of gas. The majority of its gas exports stay in Europe, with Germany, Italy, Turkey, Austria and France the largest recipients, the consulting firm said adding nevertheless, Asia's largest economies - China, Japan, South Korea and India - all source some of their gas needs from Russia. Japan's largest supplier is Australia, but it also has long-term contracts with Russia, Malaysia, Qatar, and Brunei, the rating agency said. "And although there are other large global producers that could reroute supplies, it would take time to build infrastructure and increase liquefied natural gas processing capacity." In the meantime, however, global supplies would stay tight, it added.

9) Domestically, Gross Goods and Services Tax (GST) revenue collections in February (for sales in January) jumped by 17.6 per cent year-on-year to Rs. 1.33 lakh crore, data released by the Finance Ministry on Tuesday showed. This is the fifth consecutive month of GST collections being more than Rs. 1.30 lakh crore. The gross GST revenue collected in the month of February 2022 stood at Rs. 1,33,026 crore of which Central GST is Rs. 24,435 crore, State GST is Rs. 30,779 crore, Integrated GST is Rs. 67,471 crore (including Rs. 33,837 crore collected on import of goods) and cess is Rs. 10,340 crore (including Rs. 638 crore collected on import of goods).

10) Domestically, GDP growth rate for the October-December quarter of 2021-22 stood at 5.4 per cent as against 0.7 per cent growth in the corresponding period a year ago, with the construction sector recording a contraction of 2.8 per cent and manufacturing sector registering a meagre growth of 0.2 per cent. In its second advance estimates of national accounts, the National Statistical Office (NSO) has projected 8.9 per cent growth in 2021-22. In its first advance estimates released in January, it had projected 9.2 per cent growth for 2021-22 as against a contraction of 6.6 per cent in 2020-21.

Ajcon Global's obsevations and view

1) Indian equities were upbeat today led by fall in crude oil prices, good performance of Asian peers and talks of peace between Russia and Ukraine. However, there are headwinds like increase in COVID-19 cases in China, Hong Kong and hawkish stance of global central banks.

2) It is advisable for investors to look out for stock specific opportunities considering growth outlook and management pedigree amidst the ongoing crisis. It would be advisable to avoid companies having exposure to Russia, Ukraine and Eastern European countries . 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.

3) 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.

4) There is a strong line up of IPOs and focus would be on LIC IPO considering its scale. As per media reports, 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 which has rattled financial markets. 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.

5) Before the significant correction earlier, 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. In addition, factors like good growth in merchandise exports, RBI's accommodative 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 as people have become more financial literate in COVID-19 crisis. Domestically, positive factors like 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) and strong GST collections will support bulls.

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