

Benchmark indices end in red led by high WPI inflation data; realty and PSU Banks stocks were under pressure..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	54,208.53	54,318.47	109.94	0.20	54,554.89	54,786.00	54,130.89
Nifty	16,240.30	16,259.30	19.00	0.12	16,318.15	16,399.80	16,211.20

- 1) Indian benchmark indices end in red today after being upbeat yesterday led by high WPI inflation data. There are headwinds like high global inflation especially in US, 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. There are other headwinds like ongoing war between Russia and Ukraine and its effect on crude oil, commodities and gas prices, hawkish stance of global central banks and rising bond yields globally.
- 2) The Sensex was down by 109.94 points or 0.20 percent to end at levels of 54,208.53. On the other hand, the Nifty down by 19 points or 0.12 percent to end at levels of 16,240.30. Among the Sensex 30 stocks, Hindustan Unilever, Ultratech Cement, Asian Paints, Sun Pharma, ITC, Axis Bank, Maruti Suzuki, Reliance Industries were up in the range of 0.32 percent - 2.02 percent. On the other hand, Power Grid, Tech Mahindra, State Bank of India, Larsen & Toubro, Bajaj Finserv, Bharti Airtel, NTPC, Wipro were down in the range of 1.14 percent to 4.55 percent.
- 3) The broader markets were mixed today. The BSE Midcap index was down by 0.13 percent and the BSE Smallcap index was up by 0.33 percent respectively.
- 4) In terms of sectoral performance, the Nifty Realty index was down by 1.75 percent and the PSU Bank indices were down by 1.6 per cent on the NSE. On the otherhand, FMCG and Pharma indices were up by over 1 per cent each.
- 5) On Wednesday, FIIs sold equities worth Rs. 1,254.64 Crore. On the other hand, DIIs bought equities worth Rs. 375.61 Crore. Month till date, FIIs sold equities worth Rs. 37,937.04 Crore. On the other hand, DIIs bought equities worth Rs. 30,833.78 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 Gokaldas Exports hit an all-time high of Rs. 505.65, rallying 9 per cent on the BSE in Wednesday's intra-day trade on the back of a strong business outlook and finally ended up by 5.41 percent to Rs. 489. In the past one month, it has outperformed the market by rallying 30 percent. In Q4FY22, the Company witnessed robust performance led by growing order book and ability to weather supply chain disruptions. On QoQ basis, the Company's EBITDA margin improved by 365 bps on YoY basis to 13.1 per cent on account of positive operating leverage. Revenue witnessed a growth of 58 per cent on YoY basis to Rs 588 crore. Commenting on the company's performance, Mr. Siva Ganapathi, Managing Director, Gokaldas Exports said, "The Company is currently in the growth phase of its journey and the increase in demand post-pandemic has been beneficial to us. Recording profits quarter-on-quarter has been a big boost to drive our vision of being a globally reputed apparel manufacturer. Our 'People Power' has been our biggest force that steered innovation, quality, consistency, and commitment in this financial year. As a leading manufacturer and exporter of apparel, we would continuously strive to achieve sustainable growth."
- 2) Shares of oil marketing companies (OMCs) were under pressure on the BSE in Wednesday's intra-day trade after Indian Oil Corporation (IOC) reported a disappointing set of numbers for the March quarter (Q4FY22). Hindustan Petroleum Corporation (HPCL), Indian Oil Corporation (IOC) and Bharat Petroleum Corporation (BPCL) were down between 3 percent - 7 percent in intraday trade
- 3) Shares of Dr. Lal Path Labs hit 52-week low of Rs. 2,017.60 and finally ended the day down by 6.07 per cent to Rs. 2,051.95 on the NSE. The fall in stock price was led by decline in 14 percent consolidated profit after tax (PAT) to

Rs. 72.9 crore Q4FY22 on yoy basis. In the past one month, the stock declined 23 per cent, as compared to 6 per cent fall in the S&P BSE Sensex.

Key recent major developments..

- 1) Earlier, the rupee hit an all time low of 77.78 per US dollar on Tuesday, led by strengthening of US dollar, unabated foreign fund outflows and rate hike by US Fed.
- 2) India's wholesale price index (WPI)-based inflation rate rose to 15.08 per cent in April from 14.55 per cent in the preceding month on the back of rising commodity and vegetable prices. Wholesale price inflation rate is now in double digits for 13 consecutive months. Data released by the industry department showed that vegetables' inflation picked up in April to 23.24 per cent leading to a food inflation of 8.35 per cent. Fuel inflation rose to 38.66 per cent during the month while inflation for manufactured products increased to 10.85 per cent.
- 3) Domestically, India's retail inflation touched an eight-year high of 7.79 per cent in April on annual basis. The retail inflation witnessed a rise mainly due to high food prices. The retail inflation stayed well above the Reserve Bank of India's (RBI) upper tolerance limit for a fourth consecutive month. In April, the CPI inflation expanded at its highest pace in eight years. The previous high was recorded at 8.33 per cent in May 2014.
- 4) 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.
- 5) 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.
- 6) 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.
- 7) 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.
- 8) 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.
- 9) 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.

- 10) 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 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.
- 11) 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.
- 12) 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 benchmark indices ended in red as investors reacted to higher WPI inflation data. There are headwinds like high inflation across the globe especially 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 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



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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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