

**Bears were in control; spike in US Treasury yields, jump in inflation, rising crude oil prices affect investor sentiments..**

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	59,037.18	59,464.62	<b>427.44</b>	<b>0.72</b>	59,039.37	<b>59,329.63</b>	58,620.93
<b>Nifty</b>	17,617.15	17,757.00	<b>139.85</b>	<b>0.79</b>	17,613.70	<b>17,707.60</b>	17,485.85

- 1) Indian benchmark indices continue to remain under pressure for fourth consecutive day led by rising COVID-19 cases, worries over global inflation, spike in crude oil prices and negative global cues like spike in US Treasury yields and geopolitical tensions between Russia and Ukraine.
- 2) The Sensex was down by 427.44 points or 0.72 percent to end at levels of 59,037.18. The Nifty was down by 139.85.40 points or 0.79 percent to end at levels of 17,617.15. Among the Sensex 30 stocks, Hindustan Unilever was the top gainer up by 3 percent. Maruti Suzuki, HDFC twins, Nestle India, and Kotak Bank were other major large-cap gainers. On the other hand, Bajaj Finserv down by 5 percent, Tech Mahindra fell by 4.40 percent, Tata Steel fell by 3.07 percent, Bharti Airtel slipped by 2.82 percent, IndusInd Bank fell by 2.63 percent, and Axis Bank were the top losers.
- 3) With last four days consecutive fall, investors wealth has eroded by an over Rs. 8-lakh-crore
- 4) The broader markets too were under pressure. Both the BSE MidCap index and BSE SmallCap index fell by 2 percent each.
- 5) In terms of sectoral performance, the BSE Consumer Durables, Metal, Capital Goods and Realty indices fell by around 2 per cent each. The IT and Healthcare indices declined by 1.5 per cent each, while the Bankex was down a per cent. However, the Nifty FMCG index ended in the green, up 0.36 per cent.

#### Sectors and stocks

- 1) Shares of Hitachi Energy India hit a record high of Rs. 3,209, up nearly 14 per cent intra-day after the company won orders worth over Rs. 160 Crore for its key electric components to support the electrification of the country's rail routes.
- 2) Shares of Shoppers Stop hit a 52-week high of Rs. 420, by rallying 16 per cent on the BSE in Friday's intra-day trade after the company reported a strong operational performance with EBITDA margins improving by 580 bps year-on-year (YoY) to 19.2 per cent in December quarter (Q3FY22). The company said EBITDA performance driven by robust demand recovery and tight control on costs, while E-commerce sales continue to grow rapidly, up by 39 per cent. The company is now net debt free again.
- 3) Shares of Havells India fell by 6 per cent to Rs. 1,232.15 on the BSE in Friday's intra-day trade after the company reported weak operational performance in the December quarter (Q3FY22). The company's standalone EBITDA margin contracted by 390 bps to 12.1 per cent in the reporting quarter due to elevated commodity costs and partial transition in pricing especially in consumer durables. Its net profit declined 12 per cent to Rs 306 crores from Rs 349 crores in the same quarter a year ago. Net revenue during the quarter grew 15 per cent to Rs 3,652 crore from Rs 3,166 crore a year ago. The company said the festive demand was encouraging, however it tapered in the latter part of the quarter, owing to high inflation and omicron scare.
- 4) Shares of Zomato were under pressure and ended down by 9.23 percent to Rs. 113.65. The stock of food delivery giant traded lower for the fourth straight day. With the last four day's decline, the stock price of Zomato has declined by 32.7 per cent from its 52-week high of Rs 169.10 hit on November 16, 2021. The stock now quotes closer to its record low price of Rs 114 touched on its debut day, July 23, 2021. Zomato had raised Rs. 9,375 crore through initial public offer (IPO) by issuing shares at price of Rs. 76 per share.

### Key recent major developments..

- 1) Today, FIIs were net sellers and sold equities worth Rs. 3,148.58 Crore. Month till date, FIIs have sold equities worth Rs. 15,563.72 Crore.
- 2) Asian peer indices were also under pressure today. Taiwan Weighted index fell by 1.8 per cent. Japan's Nikkei, China's Shanghai Composite and Kospi declined by around a per cent each. Straits Times was down 0.1 per cent, while Hang Seng ended in a positive terrain.
- 3) Earlier, in a special address at the World Economic Forum's Davos Agenda summit Prime Minister Modi said that India focused on reforms in right way, adding that global experts have praised government's decisions while delivering. "India has given world a bouquet of hope consisting of trust towards democracy, technology to empower 21st century," he added. "In 2014, there were a few hundred registered startups in India. Today their number has crossed 60 thousand with above 10 thousand of them registered in the last 6 months. More than 50 lakh software developers are working in the country today," he said
- 4) According to the State of the Economy report of the Reserve Bank of India (RBI) released on Monday, the Omicron wave could be a flash flood, rather than a wave, and the Indian economy could recover its march towards a pre-pandemic level. The infection surge due to Omicron has dented recovery temporarily. "The recovery that has been underway in the Indian economy with the ebbing of the second wave of the pandemic is encountering headwinds from a rapid surge in infections in a third wave marked by the rapid transmissibility of the Omicron variant," the report said. Mobility indicators have dropped below the baseline numbers as daily infections surged to over 271,000 on January 13, the highest since mid-May 2021, with active caseload hitting 1.55 million. However, aggregate demand conditions stayed resilient. The issuance of E-way bills surged to 72 million in December, the second highest in its history, indicating "the likelihood of robust collection of the goods and services tax (GST) in January 2022." "With a strong pick-up in manufacturing and construction, highway toll collections soared by 16 per cent month-on-month (MoM) in December. Power consumption rose by 4.5 per cent to 110.3 billion units in December," the report said. "Monetary and credit conditions are improving with bank credit picking up in a gradual but sustained manner. India's digital payment ecosystem is also expanding rapidly," the report said. However, the report noted that the global outlook "remains clouded by considerable uncertainty," as inflation continues to mount across geographies amidst disruptions in production, supply chains and transportation. "There are indications that supply chain disruptions and shipping costs are slowly easing, although the waning of inflation may take longer. This provides a window of opportunity to focus all energies on accelerating and broadening the global recovery," it said.
- 5) Merchandise exports witnessed nearly 40 per cent growth year-on-year to \$37.81 billion in December, as demand for Indian products continues to remain robust, according to data released by the commerce and industry ministry on Friday. On a sequential basis, outbound shipments grew nearly 29 per cent. Engineering goods, petroleum products, gems and jewellery, organic and inorganic chemicals, drugs and pharmaceuticals, continued to remain top exported goods. On a cumulative basis, India's merchandise exports in April-December crossed \$301 billion, achieving three fourth of the annual export target of \$400 billion in the first nine months of FY22. The number has also exceeded total exports of 2020-21, which was at \$290 billion.
- 6) Wholesale Price Index-based Inflation (WPI) for December moderated slightly compared with November, but stayed in double digits for the ninth consecutive month, data released by the Commerce Ministry showed on Friday. WPI inflation bucked a 4-month rising trend in December 2021 and came in at 13.56 percent, even though food prices hardened. Factory-gate inflation in November was 14.23 per cent, while in December 2020 it was 1.95 per cent. "The high rate of inflation in December 2021 is primarily due to rise in prices of mineral oils, basic metals, crude petroleum & natural gas, chemicals and chemical products, food products, textile and paper and paper products etc as compared to the corresponding month of the previous year," the Commerce Ministry said.
- 3) The World Bank retained its FY22 growth forecast for India at 8.3 per cent but upgraded it to 8.7 per cent for FY23, from 7.5 per cent estimated earlier, citing improving growth prospects, especially a reviving private capex cycle.
- 4) India's retail inflation rate rose to a five month high in December and growth in factory output decelerated to a nine month low in November. Data released by the statistics department showed retail inflation rate as measured by the consumer price index rose to 5.59 per cent in December from 4.91 per cent a month ago. Growth in factory output as measured by the Index of industrial production (IIP), on the other hand, dipped to 1.4 per cent in November compared to 4 per cent in the preceding month.

- 5) Emerging economies must prepare for US interest rate hikes, the International Monetary Fund said, warning that faster than expected Federal Reserve moves could rattle financial markets and trigger capital outflows and currency depreciation abroad. In a blog published Monday, the IMF said it expected robust US growth to continue, with inflation likely to moderate later in the year. The global lender is due to release fresh global economic forecasts on Jan. 25. It said a gradual, well-telegraphed tightening of U.S. monetary policy would likely have little impact on emerging markets, with foreign demand offsetting the impact of rising financing costs. It said emerging markets with high public and private debt, foreign exchange exposures, and lower current-account balances had already seen larger movements of their currencies relative to the US dollar. The fund said emerging markets with stronger inflation pressures or weaker institutions should act swiftly to let currencies depreciate and raise benchmark interest rates.
- 6) The US Federal Reserve's minutes suggested that Fed officials thinking about faster rate hikes and gradual reduction of its balance sheet. Earlier, the US Labor Department said that the nation's unemployment rate fell to a healthy 3.9 percent from 4.2 percent in November.
- 7) India's manufacturing activity lost some momentum in December easing to a three month low after hitting a 10 month high in November, amid fears that the rapidly spreading third wave of the Coronavirus (Covid-19) pandemic may hit consumer sentiment and output. Data released by the analytics firm IHS Markit showed that the Purchasing Managers' Index (PMI) for manufacturing fell to 55.5 in December from 57.6 in November. A reading above 50 indicates expansion in economic activity and a number below that signals contraction. "Companies continued with their stock-building initiatives, as evidenced by another robust upturn in buying levels. Business confidence strengthened, but sentiment was again dampened by concerns surrounding supply-chain disruptions, Covid-19 and inflationary pressures," the data analytics firm said.
- 8) GST revenue collected in December 2021 was over Rs. 1.29 trillion, 13 per cent higher than the same month last year, the Finance Ministry said on Saturday. Though the collection was lower than Rs. 1.31 trillion mopped up in November, December is the sixth month in a row when revenue from goods sold and services rendered stood at over Rs. 1 trillion. The gross GST revenue collected in the month of December 2021 is Rs. 1.29 trillion, of which CGST is Rs. 22,578 crore, SGST is Rs. 28,658 crore, IGST is Rs. 69,155 crore (including Rs. 37,527 crore collected on import of goods) and cess is Rs. 9,389 crore (including Rs. 614 crore collected on import of goods)," the Finance Ministry said in a statement. The revenues for December 2021 are 13 per cent higher than the GST revenues in the same month last year (Rs 1.15 trillion) and 26 per cent higher than December 2019. The average monthly gross GST collection for the third quarter (October-December) of the current year has been Rs 1.30 lakh crore against the average monthly collection of Rs 1.10 trillion and Rs 1.15 trillion in the first and second quarter, respectively. "Coupled with economic recovery, anti-evasion activities, especially action against fake billers have been contributing to the enhanced GST. The improvement in revenue has also been due to various rate rationalisation measures undertaken by the Council to correct inverted duty structure," the ministry said.

#### **Ajcon Global's observations and view**

- 1) Indian benchmark indices continue to be in red led by jump in COVID-19 cases, worries over inflation, rising geopolitical tensions between Russia and Ukraine, spike in US treasury yields and jump in crude oil prices. Before the correction started, the sentiments have been 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.
- 2) 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. However, there are concerns like hawkish stance of global central banks, headwinds like high inflation and valuation concerns.
- 3) There is a strong line up of IPOs. We suggest investors to be careful about the forthcoming IPOs and understand the fundamentals before riding the boom based on risk reward profile. However, 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 have to be careful with expensive IPOs whose valuations are beyond logic.



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- 4) It is advisable to stay away from companies which have run ahead of fundamentals. It would be prudent to stay with quality names at decent valuations in uncertain times. 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.
- 5) 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.
- 6) Market participants will continue to track ongoing Q3FY22 earnings season which has been mixed so far, economic activity in 3rd wave of COVID-19 and state level restrictions, eye on expectations from different stakeholders from the upcoming Union Budget, global cues like COVID-19 cases led by the Omicron variant across the globe, global inflation data, US Treasury yields, oil price movement and developments in China.



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