

Benchmark indices remain under pressure amidst weak global cues; smallcaps come under significant pressure..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	57,683.59	57,832.97	149.38	0.26	57,551.65	58,141.96	57,167.02
Nifty	17,206.65	17,276.30	69.65	0.40	17,192.25	17,351.05	17,070.70

- 1) Indian benchmark indices ended in red today led by weak global cues. Headwinds like Ukraine - Russia tensions, rising crude oil prices and fears that US Fed soon start hiking interest rates have affected investor sentiments and capping gains for the moment. Brent crude oil prices witnessed a rise of \$1 to \$94.41 - seven year high. 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.
- 2) The Sensex was down by 149.38 points or 0.26 percent to end at levels of 57,683.59. On the other hand, the Nifty was down by 69.65 points or 0.40 percent to end at levels of 17,206.65.
- 3) The broader markets were under tremendous pressure. The Nifty MidCap 100 index was down by 1.24 percent and the Nifty SmallCap index was down by 2.73 percent respectively.
- 4) In terms of sectoral performance, the Nifty Media and Metal indices declined by 2.7 per cent and 2.2 per cent, respectively, followed by the Nifty Pharma and PSB indices, down 1.4 per cent each. The Nifty Private Bank index, on the other hand, was the top gainer, up 0.3 per cent.

Sectors and stocks

- 1) Shares of hotel companies were upbeat today and rallied up to 20 per cent on the BSE in Monday's intra-day trade, on expectation of strong outlook post third wave of COVID-19. Chalet Hotels, rallied by 20 per cent to hit a 52-week high of Rs 301.40 on good demand outlook.
- 2) Shares of Vedant Fashions, the owner of ethnic wear brand Manyavar, were trading lower for the third straight day on Monday, declining by 3.5 per cent in intra-day to Rs. 875, which is close to its issue price of Rs. 866 per share on the BSE. The stock has fallen 12 per cent from its listing day high of Rs 993 on February 16, 2022. Currently, it is trading just 1 per cent higher over its issue price. Vedant Fashions' shares listed at Rs. 936, an 8 per cent premium over its issue price of Rs 866 per share on the BSE.
- 3) Shares of Tata Consultancy Services (TCS) were in focus in Monday's trade ahead of ex-date for its share buyback, February 22, 2022. The stock hit an intra-day low of Rs. 3,705.80, falling 3 per cent from its intra-day high of Rs 3,812 on the BSE.
- 4) Shares of Ujjivan Financial Services fell by 7 per cent to Rs. 105 and Ujjivan Small Finance Bank declined by 3 per cent to Rs. 17.40 to hit their respective 52-week lows on the BSE in Monday's intra-day trade. Both the stocks have corrected 60 per cent and 55 per cent, respectively from their 52-week highs level.

Key recent major developments..

- 1) UN Secretary-General Antonio Guterres on Monday voiced great concern over Russia's decision to recognise Donetsk and Luhansk regions of Ukraine as independent, saying Moscow's decision is a violation of the territorial integrity and sovereignty of Ukraine and inconsistent with the principles of the Charter of the United Nations.
- 2) Globally, in a key development, Russian President Vladimir Putin ordered forces Monday to "maintain peace" in separatist regions of eastern Ukraine, hours after the Kremlin recognized the area's independence. The announcement raised fears that an invasion was imminent, if not already underway. The Kremlin decree, spelled out in an order signed by Putin, left unclear when, or even whether, troops would enter Ukraine. But it brought swift

promises of new sanctions from the U.S. and other Western nations and underscored the steep challenges they face in staving off a military conflict they have portrayed as near-inevitable.

- 3) A senior U.S. official said the deployment to breakaway enclaves already controlled by separatists loyal to Moscow did not yet constitute a "further invasion" that would trigger the harshest sanctions, but that a wider military campaign could come at any time. In a lengthy televised address, Russian President Putin recognised two breakaway regions Donetsk and Luhansk in eastern Ukraine as independent entities and described Ukraine as an integral part of Russia's history and said eastern Ukraine was ancient Russian lands. (Reuters).
- 4) With the muted impact of the third wave of the pandemic on economic activity, the Indian economy may undergo an economic reset by end of the year, clocking 9 per cent growth in 2021-22 (FY22) and around 8 per cent in 2022-23 (FY23), the finance ministry said on Wednesday. "The Budget has targeted a nominal gross domestic product (GDP) growth rate of 11.1 per cent in FY23, with a GDP deflator of 3-3.5 per cent. The implied real growth component of around 8 per cent is close to the forecast in the Economic Survey of FY22, as well as 7.8 per cent projected by the monetary policy committee (MPC) of the Reserve Bank of India in its meeting of February," the finance ministry said in its latest monthly economic review. The report said the unchanged repo and reverse repo rate, along with the MPC's accommodative stance, prioritise growth during these uncertain times and reinforce the investment orientation of the Budget.
- 5) 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."
- 6) 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.
- 7) 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.
- 8) 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.
- 9) Earlier, 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.
- 10) 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.

- 11) 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%.

Ajcon Global's observations and view

- 1) Indian benchmark indices ended in red led by escalating Ukraine - Russia tensions. 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) Before the correction, the 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, 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.
- 4) There is a strong line up of IPOs and focus would be on LIC IPO considering its scale. 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) 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. With Q3FY22 earnings season coming to an end, investors will now keenly track global cues like global inflation data, outcome of US Federal Reserve policy and crude oil price movement. The results of assembly elections in Uttar Pradesh, Punjab, Uttarakhand, Goa and Manipur will also play in investors mind.



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