

Bears rule the street; geopolitical tensions, FII selling, hawkish stance of global central banks amidst rise in inflation and high US treasury yields led to today's significant fall..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	57,491.51	59,037.18	1,545.67	2.62	59,023.97	59,023.97	56,984.01
Nifty	17,149.10	17,617.15	468.05	2.66	17,575.15	17,599.40	16,997.85

- 1) Bloodbath was witnessed across the board today. Bears were in command for the fifth consecutive day led by geopolitical tensions between Russia and Ukraine, FII selling, hawkish stance of global central banks, worries over global inflation, rising dollar index, spike in crude oil and gold price.
- 2) The Sensex ended down by 1,545.67 points or 2.62 percent to end at levels of 57,491.51. The Nifty was down by 468.05 points or 2.66 percent to end at levels of 17,149.10. Among the Sensex 30 stocks, Tata Steel, Bajaj Finance, Wipro, Tech Mahindra, Titan, Reliance Industries, Bajaj Finserv, Asian Paints were the major losers. On the other hand, Nifty fell by 468.05 points or 2.66 percent to end at levels of 17,149.10.
- 3) With last five days consecutive fall, investors wealth has eroded by Rs. 19.50 trillion.
- 4) The broader markets too were under pressure. The BSE MidCap index fell by 3.8 percent while the BSE SmallCap index declined by 4.4 percent each.
- 5) In terms of sectoral performance, Nifty Realty index was down by 6 per cent, the Nifty Metal index was down by 5.2 per cent, and the Nifty IT index was down by 3.4 per cent.

Sectors and stocks

- 1) Shares of Zomato were under tremendous pressure and fell by 19.62 percent to end at Rs. 91.35. With the last five days decline, the stock price of Zomato has declined by 45.97 per cent from its 52-week high of Rs. 169.10 hit on November 16, 2021. Zomato had raised Rs. 9,375 crore through initial public offer (IPO) by issuing shares at price of Rs. 76 per share.
- 2) Shares of Vodafone Idea witnessed a fall of 9.6 per cent to Rs. 10.7 on the BSE in Monday's intra-day trade after the company's losses increased to Rs. 7,230 crore in Q3FY22 on a year-on-year (YoY) basis led by decline in revenue and subscribers.
- 3) Shares of FSN E-Commerce Ventures (Nykaa) hit a new low of Rs. 1,693, down 15 per cent on Monday, falling as much as 13 per cent in past two trading sessions on the BSE. The shares ended 12.5 per cent lower at Rs. 1,742 per share.

Key recent major developments..

- 1) Today, FIIs were net sellers and sold equities worth Rs. 3,751.58 Crore. Month till date, FIIs have sold equities worth Rs. 19,315.30 Crore.
- 2) Global equities too were under tremendous pressure today. In Europe, France CAC was down by 4.36 percent, Germany's DAX was down by 4.12 percent and UK's FTSE was down by 2.71 percent. US benchmark index Nasdaq was down by 2.85 percent. However, Asian peer indices were mixed today. Kospi fell by 1.49 per cent and Hang Seng fell by 1.24 percent while China's Shanghai Composite and Japan's Nikkei ended in green.
- 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), 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 equities were under tremendous pressure led by weak global cues like geopolitical tensions, worries over inflation, US Fed comments on rate hike and jump in crude oil and gold prices. Investors have turned cautious ahead of US Fed Meet and upcoming Union Budget.
- 2) Before the correction which started from last week and significant fall today, 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.
- 3) 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. 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.
- 4) 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 today in some of the recently listed companies makes a case for investors to be more cautious.
- 5) We expect volatility ahead of the upcoming Union Budget. Market participants will keep an eye on expectations from different stakeholders from the Union Budget amidst upcoming assembly elections in Uttar Pradesh, Punjab, Uttarakhand, Goa and Manipur. Investors will continue to track ongoing Q3FY22 earnings season which has been mixed so far, global cues like geopolitical tensions between Russia and Ukraine, global inflation data, US Treasury yields, oil price movement and US Fed meeting.



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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, research@ajcon.net, akash@ajcon.net

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Website: www.ajcononline.com

Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062