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Market wrap **Feb. 24, 2022**

Indian equities crash as Russia attacks Ukraine; bloodbath witnessed across the board..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	54,529.91	57,232.06	**2,7012.15**	**4.72**	55,418.45	**55,996.09**	54,383.20
Nifty	16,247.95	17,063.25	**815.30**	**4.78**	16,548.90	**16,705.25**	16,203.25

1) Indian benchmark indices crashed today as Russia invaded Ukraine with military action and warned other countries that any attempt to interfere would lead to "consequences you have never seen". The war between Russia -Ukraine resulted in wealth destruction across the globe. Russian forces invaded Ukraine by land, air and sea on Thursday in the biggest attack in Europe since World War Two. Russia said it has destroyed 74 "objects of above-ground military infrastructure" in Ukraine.

2) Before today's attack on Ukraine by Russia, the tensions between the two countries has already resulted in sanctions imposed on Russia by its western counterparts and a significant jump in crude oil prices which will have a severe impact on global inflation. Brent crude oil price touched $105 a barrel mark for the first time since September 2014 on the back of war between Russia and Ukraine. Natural gas prices in Europe were up by 25 percent.

3) The Sensex declined significantly by 2,7012.15 points or 4.72 percent to end at levels of 54,529.91. On the other hand, the Nifty was down by 815.30 points or 4.78 percent to end at levels of 16,247.95. Today's crash can be attributed as the one of the biggest fall since the onset of COVID-19 pandemic.

4) The broader markets were under tremendous pressure. The BSE MidCap and the BSE SmallCap indices witnessed a steep fall of 5.5 per cent and 5.7 per cent, respectively.

5) In terms of sectoral performance, the Nifty PSU Bank declined by over 8 per cent, Realty index fell by 7.5 per cent, Private Bank registered a fall of 6 per cent, and Metal and IT indices declined by 5 per cent. The Nifty Bank index, meanwhile, slipped over 2,100 points or 6 per cent to end at 35,200 level. The S&P BSE IPO index was down by 6 per cent today. Latent View Analytics, Krsnaa Diagnostics, Nuvoco Vistas Corporation, CarTrade Tech, Windlas Biotech, RateGain Travel Technologies and PB Fintech were down 7 per cent to 11 per cent on the BSE. Besides these, a total of 31 stocks including Barbeque-Nation Hospitality, Macrotech Developers (Lodha), Nazara Technologies, and Go Fashion (India) hit their respective lows since their listing on the BSE.

6) Today's crash has resulted in wealth erosion of around Rs. 13 lakh crore which very is significant.

7) The Indian rupee depreciated by 102 paise to end at 75.63 against the US dollar.

8) FIIs sold equities worth Rs. 6,448.24 crore on Thursday. On the other hand, DIIs bought equities worth Rs. 7,667.75 crore. Month till date, FIIs have sold equities worth Rs. 37,300.90 Crore. On the other hand, DIIs have bought equities worth Rs. 33,623.01 crore.

Sectors and stocks

1) Shares of Dr Reddy's Laboratories hit a 52-week low of Rs. 4,055.85 (has fallen below its previous low of Rs. 4,135.90 touched on March 19, 2021), down 3 per cent on the BSE in Thursday's intra-day trade, after Russia ordered military operations in Ukraine and media reports suggested blasts in some major Ukrainian cities. Dr. Reddy's has a significant presence in the Russian market. In the past one month, it has underperformed the market by falling 10 per cent as compared to 5 per cent decline in the S&P BSE Sensex.

2) Shares of oil marketing companies (OMC) were under pressure falling up to 6 per cent on the BSE in Thursday's intra-day trade as oil prices touched the $105 a barrel-mark for the first time since 2014 after Russia ordered military operations in Ukraine and reports emerged of blasts in some major Ukrainian cities.

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Key recent major developments..

1) Globally, EU chief Charles Michel on Thursday urged Belarus to "not take part" in Russia's military assault on Ukraine, ahead of an emergency European Union summit to decide new sanctions on Moscow over its invasion. In an appeal to Belarus and its people during a media conference at NATO headquarters, Michel said: "You have the choice not to follow Russia's destructive action. You have the choice not to take part in this needless tragedy against your neighbours in Ukraine."

2) The European Union is planning the strongest, the harshest package of sanctions it has ever considered at an emergency summit Thursday as the Russian military attacked Ukraine. European Commission President Ursula von der Leyen said that the target is the stability in Europe and the whole of the international peace order, and we will hold President (Vladimir) Putin accountable for that. We will present a package of massive and targeted sanctions to European leaders for approval, she said.

3) Globally, US benchmark index - The Nasdaq Composite index declined on Thursday opening, dropping more than 20 percent from its record closing high in November last year and on track to confirm a bear market, after Russia launched an all-out invasion of Ukraine. The Dow Jones Industrial Average fell 301.43 points, or 0.91 percent, at the open to 32,830.33, falling more than 10 percent from its all-time closing peak on Jan. 4 and on pace to confirm a correction. The S&P 500 opened lower by 69.73 points, or 1.65 percent, at 4,155.77, while the Nasdaq Composite fell by 449.61 points, or 3.45 percent, to 12,587.88 at the opening bell.

4) European benchmark indices fell by 3 per cent on Thursday as investors moved to safer assets like Gold, Japanese Yen after Russia attacked Ukraine. The pan-European STOXX 600 index fell 2.9 per cent - hitting its lowest since May 2021 while registering a correction or 10 per cent decline from its January record high. Asian peers like Hong Kong's Hang Seng fell by 3.6 percent, South Korea's Kospi declined by 2.6 percent, Japan's Nikkei fell by 1.7 percent, and China's Shanghai Composite slipped by 1.8 percent.

5) Russian currency rouble fell to its lowest since early 2016 on Thursday after Russian President Vladimir Putin ordered Russian forces to invade Ukraine, a move which led the Moscow Exchange to suspend trading.

6) UK Prime Minister Boris Johnson on Tuesday said Britain would sanction five Russian banks and three high net worth individuals including Gennady Timchenko after Russian President Vladimir Putin recognised two breakaway regions of east Ukraine. "Today, the UK is sanctioning the following five Russian banks: Rossiya, IS Bank, General Bank, Promsvyazbank and the Black Sea Bank, and we're sanctioning three very high net worth individuals," Johnson told parliament.

7) 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. Earlier, 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.

8) Domestically, Finance Minister Nirmala Sitharaman on Tuesday said the Russia-Ukraine crisis and the ensuing jump in global crude prices are a challenge to financial stability in India. The two issues were discussed at the meeting of Financial Stability Development Council (FSDC), which comprises all the financial sector regulators, Sitharaman told reporters. "It is difficult to say how it (crude prices) will go. Even today, in the FSDC, when we were looking at the challenges which are posed for the financial stability, crude was one of the things. International worrisome situations where we actually voiced that we want a diplomatic solution for the situation that is developing in Ukraine... all these are headwinds, Sitharaman, who is on a two-day visit to the financial capital, said.

9) 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 rAepo rate, along with the MPC's accommodative stance, prioritise growth during these uncertain times and reinforce the investment orientation of the Budget.

10) 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."

Ajcon Global's observations and view

1) Indian benchmark indices ended in red led by Russia's military attack on Ukraine. Russia's attack on Ukraine created havoc in capital markets across the globe. Any retaliation from Russia's western counterparts in the form of additional sanctions on Russia or military support to Ukraine will further deteriorate the crisis. The war has directly impacted crude oil prices which has rattled investors sentiments across the globe. We believe volatility would remain and investors can gradually enter in quality stocks on pessimism as any positive development can lead to reversal of crude oil prices.

2) Apart from war between Russia and Ukraine, there are strong 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 and strong FII selling.

3) Before today's crash and correction earlier, 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) It is advisable for investors to look out for stock specific opportunities considering growth outlook and management pedigree. Always remember, steep corrections and crash in a structural 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.

6) 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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