

Domestic bourses in red; crude oil prices rally with no signs of peace between Russia and Ukraine..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	57,595.68	57,684.82	89.14	0.15	57,190.05	57,827.99	57,138.51
Nifty	17,222.75	17,245.65	22.90	0.13	17,094.95	17,291.75	17,091.15

- 1) Indian equities were under pressure today led by jump in crude oil prices with Brent crude prices crossing above US\$120 per barrel amidst escalating tensions in the ongoing war between Russia and Ukraine in Ukraine. All eyes would be now on key developments of NATO Summit.
- 2) The Sensex ended down by 89.14 points or 0.15 percent to end at levels of 57,595.68. On the other hand, the Nifty ended down by 22.90 points or 0.13 percent to end at levels of 17,222.75. Among the Nifty 50 stocks, Dr Reddy's Labs was up by around 5 per cent followed by Coal India, Hindalco, Cipla, NTPC, JSW Steel, Tech Mahindra, and RIL. On the other hand, Kotak Bank, HDFC Bank, Titan, ICICI Bank, HDFC, Maruti Suzuki, Divis Labs, BPCL, Tata Consumer Products, BPCL, and M&M fell between 1 per cent and 3 per cent.
- 3) In terms of sectoral performance, the Nifty Bank and Private Bank indices declined nearly 2 per cent each, followed by the the Nifty Consumer Durable index, down 1.6 per cent. On the upside, the Nifty Media and Metal indices rose 6 per cent and 1.5 per cent, respectively.
- 4) However, the broader markets ended in positive terrain. The BE MidCap and SmallCap indices were up by 0.20 percent each.
- 5) FIIs sold equities worth Rs. 1,740.71 Crore on Thursday. On the other hand, DIIs bought equities worth Rs. 2,091.07 Crore. Month till date, FIIs sold equities worth Rs. 45,454.20 Crore. On the other hand, DIIs bought equities worth Rs. 33,067.72 Crore.

Sectors and stocks

- 1) Shares of Zee Entertainment Enterprises (Zee) rallied by 16.83 per cent to Rs. 299.15 on the BSE on Thursday after a press release filed with the exchanges said "Zee Entertainment Enterprises Ltd. ("ZEE" or "the Company") welcomes the decision by Invesco Developing Markets Fund and OFI Global China Fund LLC. ("Invesco"), for its belief in the true potential of the proposed merger with Sony Pictures Networks India (SPNI) and for its faith in the management's approach. As the Company takes the required steps forward in seeking all the regulatory approvals as mandated by law, to complete the proposed merger, it continues to seek the required valuable support from all its stakeholders. Invesco has been an integral part of ZEE's value-creation journey for almost two decades; and the Company acknowledges this support. Under the able guidance of its esteemed Board and the strategic approach undertaken by its management, the Company remains focused on the completion of the proposed merger with SPNI, which is in the best interest of all the stakeholders."
- 2) Shares of Paytm rallied by 13.5 per cent to Rs. 595 apiece on the BSE in the intra-day trade on the back of heavy volumes after being in the oversold zone. Earlier, The Reserve Bank of India (RBI) on March 11, 2022 barred Paytm Payments Bank (PPBL) from on boarding new customers with immediate effect because of certain supervisory concerns. PPBL processes transactions for India's digital payments giant Paytm.
- 3) Shares of Shree Pushkar Chemicals & Fertilisers hit a 52-week high of Rs 301.10, on rallying 11 per cent on the BSE in Thursday's intra-day trade. The company is an integrated dye manufacturing solution company with a diversified product portfolio of dyestuffs, dye intermediates, acids, fertilisers and animal feed additives. In the past one month, the stock has rallied by 51 per cent as compared to a 5 per cent gain on the S&P BSE Sensex. The stock had hit a record high of Rs. 338 on January 10, 2018. For the first nine months (April to December) of financial year 2021-22 (9MFY22) on consolidated basis the company reported profit after tax (PAT) of Rs 41 crore, up 46 per cent as compared to PAT of Rs 28 crore in 9MFY21. On the consolidated basis the company's total volume grew by 31 per cent for 9MFY22 versus 9MFY21. Dye segment grew by 47 per cent and revenue from the segment has grown by 60 per cent in December quarter (Q3FY22) versus Q3 FY21.

- 4) Shares of Suven Pharmaceuticals hit a record high of Rs. 617, rallying 5 per cent on the BSE in Thursday's intra-day trade. The shares of the company has rallied by 18 per cent in the last three days on expectations of strong Q4FY22 result.

Key recent major developments..

- 1) Group of Seven leaders (G7 nations) have announced they are restricting the Russian Central Bank's use of gold in transactions. Russia holds roughly \$130 billion in gold reserves, and the Bank of Russia announced Feb 28 that it would resume the purchase of gold on the domestic precious metals market. White House officials said Thursday the move will further blunt Russia's ability to use its international reserves to prop up Russia's economy and fund its war against Ukraine. The G-7 and the European Union also announced a new effort to share information and coordinate responses to prevent Russia from evading the impact of sanctions that western nations have levied since the Feb 24 invasion.
- 2) The United States imposed fresh sanctions on Russia, targeting dozens of Russian defense companies, hundreds of members of its parliament and the chief executive of the country's largest bank as Washington ramps up pressure on Moscow over its invasion of Ukraine.
- 3) Speaking on the eve of the NATO summit, Ukrainian President Volodymyr Zelenskyy called on the alliance to provide "effective and unrestricted" support to Ukraine, including any weapons the country needs to fend off the Russian invasion. "We ask that the alliance declare that it will fully assist Ukraine to win this war, clear our territory of the invaders and restore peace in Ukraine," he said late Wednesday during his nightly video address to the nation.
- 4) Russia's President Vladimir Putin on Wednesday said Moscow planned to switch gas sales made to "unfriendly" countries to roubles, causing European gas prices to soar on concerns the move would exacerbate the region's energy crunch.
- 5) Domestically, Road Transport Minister Nitin Gadkari on Tuesday said rapid strides in technology and green fuel will reduce the cost of electric automobiles, bringing them at par with petrol-run vehicles in the next two years. Replying in the Lok Sabha on the Demands for Grants for Road Transport and Highways Ministry, 2022-23, Gadkari emphasised the need to shift to cost-effective indigenous fuel and hoped that this fuel will be a reality soon, bringing the pollution levels down and improving the overall situation in Delhi. Urging MPs to adopt hydrogen technologies for transport, Gadkari asked them to take initiative in their respective districts for converting sewage water to produce green hydrogen.
- 6) Earlier, The Federal Reserve raised interest rates by 0.25 percent for the first time since 2018 as the US economy is facing high inflation amidst the impact of the war in Ukraine and the coronavirus crisis. The rate hike was in line with street expectations.
- 7) Domestically, the wholesale price-based inflation in February rose to 13.11 per cent on hardening of prices of crude oil and non-food items, even though food articles softened. WPI inflation increased in February and remained in double digits for the 11th consecutive month, beginning April 2021. WPI inflation last month was 12.96 per cent, while in February last year, it was 4.83 per cent. The rise in crude oil and natural gas prices after the Russian invasion of Ukraine, beginning February 24, has put pressure on the wholesale price index, even though food articles saw softening across categories of vegetables to pulses to protein-rich items.
- 8) Earlier, Russian President Vladimir Putin said that Western sanctions were illegitimate and Russia would calmly solve the problems arising from them. Addressing a government meeting, Putin also said Moscow - a major energy producer which supplies a third of Europe's gas - would continue to meet its contractual obligations. Speaking calmly, the Kremlin leader acknowledged that sanctions imposed since the start of what Russia calls its special military operation in Ukraine were being felt. "It is clear that at such moments people's demand for certain groups of goods always increases, but we have no doubt that we will solve all these problems while working in a calm fashion," he said. "Gradually, people will orient themselves, they will understand that there are simply no events that we cannot close off and solve." Speaking at the same meeting, Finance Minister Anton Siluanov said Russia had taken measures to limit the outflow of capital and that the country would service its external debts in roubles. "Over the last two weeks Western countries have in essence waged an economic and financial war against Russia," he said. He said the West had defaulted on its obligations to Russia by freezing its gold and foreign currency reserves. It was trying to halt foreign trade, he said.
- 9) Domestically, retail investors have invested in Rs. 19,705 crore in equity-oriented mutual fund (MF) schemes in February, 2022. This was the 12th consecutive month of inflows into the equity category. The data from Association

of Mutual Funds in India (Amfi) shows that all the 11 categories of equity funds recorded net inflows. Among the equity categories, flexicap and sectoral funds saw net inflows of Rs 3,873.56 crore and Rs 3,441 crore respectively. Inflows through the systematic investment plan (SIP) continued to remain strong at Rs 11,437.70 crore, only Rs 79 crore lower compared to January. Total assets under management of SIP fell to Rs 5.49 trillion in February as against Rs 5.76 trillion in January due to the correction in the market.

- 10) Earlier, The International Monetary Fund warned Russia's war with Ukraine and the subsequent sanctions imposed upon President Vladimir Putin's country will have a "severe impact" on the global economy. "While the situation remains highly fluid and the outlook is subject to extraordinary uncertainty, the economic consequences are already very serious," the Washington-based lender said in a statement on Saturday. "Price shocks will have an impact worldwide, especially on poor households for whom food and fuel are a higher proportion of expenses," the IMF said. "Should the conflict escalate, the economic damage would be all the more devastating. The sanctions on Russia will also have a substantial impact on the global economy and financial markets, with significant spillovers to other countries." The Fund said central banks will need to "carefully monitor the pass-through of rising international prices to domestic inflation, to calibrate appropriate responses." Governments will need to find ways to support the most vulnerable households and help offset rising living costs. "This crisis will create complex policy trade-offs, further complicating the policy landscape as the world economy recovers from the pandemic crisis," the Fund said.
- 11) Earlier, Global financial services provider firm Moody's Analytics said "Global gas prices are expected to rise if any material and sustained escalation in the conflict between Russia and Ukraine puts constraints on Russia's gas exports." Russia is the world's largest exporter of gas. The majority of its gas exports stay in Europe, with Germany, Italy, Turkey, Austria and France the largest recipients, the consulting firm said adding nevertheless, Asia's largest economies - China, Japan, South Korea and India - all source some of their gas needs from Russia. Japan's largest supplier is Australia, but it also has long-term contracts with Russia, Malaysia, Qatar, and Brunei, the rating agency said. "And although there are other large global producers that could reroute supplies, it would take time to build infrastructure and increase liquefied natural gas processing capacity." In the meantime, however, global supplies would stay tight, it added.

Ajcon Global's observations and view..

- 1) Indian equities were under pressure today led by jump in crude oil prices. The latest developments suggest that there are no signs of peace between Russia and Ukraine. With Ukraine President asking help from NATO, the ongoing war is likely to escalate which would be dampener for equities in the near term. There are also headwinds like increase in COVID-19 cases in China, Hong Kong and hawkish stance of global central banks.
- 2) 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.
- 3) 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.
- 4) 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, 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.
- 5) There is a strong line up of IPOs and focus would be on LIC IPO considering its scale. As per media reports, Finance Minister Nirmala Sitharaman's interview suggested that the FM may consider another look at the timing of Life Insurance Corporation of India IPO amidst Russia's invasion of Ukraine which has rattled financial markets. 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.

- 6) Before the significant correction earlier, 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. 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, strong Q3FY22 earnings season and management commentary and good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis. Domestically, 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.



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