

Indian benchmark indices end in red; all eyes on developments related to war between Russia and Ukraine..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	57,362.20	57,595.68	233.48	0.41	57,801.72	57,845.37	57,100.24
Nifty	17,153.00	17,222.75	69.75	0.40	17,289.00	17,294.90	17,076.55

- 1) Indian benchmark indices end in red after recovering deep losses led by some cooling in crude oil prices. Crude oil prices witnessed some correction after the the United States and the European Commission in a joint statement said that they committed to reducing Europe's dependency on Russian energy. United States and European Commission confirmed its strategic energy cooperation for security of energy supply and reducing dependence on fossil fuels.
- 2) The Sensex ended down by 233.48 points or 0.41 percent to end at levels of 57,362.20. On the other hand, the Nifty ended down by 69.75 points or 0.40 percent to end at levels of 17,153. Among the Sensex 30 stocks, Titan Company, Tech Mahindra, Maruti Suzuki, Cipla, IOC, Nestle India, Hero MotoCorp, Eicher Motors, L&T, TCS, Wipro, and Tata Steel were the top laggards, losing upwards of a per cent each. On the other hand, Bajaj Auto, Adani Ports, SBI, Dr Reddy's Labs, JSW Steel, Asian Paints, RIL, and SBI were up between 0.7 per cent and 2 per cent.
- 3) In terms of sectoral performance, the Nifty Consumer Durable index was down by over 2 per cent, followed by the Nifty IT and FMCG indices, down up to 1 per cent.
- 4) On Friday, the broader markets too were under pressure. The BSE MidCap and SmallCap index fell 0.3 per cent each.
- 5) In terms of weekly performance, Sensex declined by 501.73 points or 0.86 percent to end at levels of 57,362.20. On the other hand, Nifty fell by 134.05 points (0.77 percent) to end at levels of 17,153. During the week, Nifty Media index rallied by 7 percent, Nifty Metal index jumped by 5 percent and Oil & Gas index was up by 3 percent. On the other hand, Nifty FMCG index declined by 3.4 percent and Nifty Bank index slipped by 2.8 percent.
- 6) During the week, Foreign institutional investors (FIIs) sold equities worth Rs. 5,344.39 Crore. On the other, domestic institutional investors (DIIs) bought equities worth Rs. 2,820.72 crore. Month till date, FIIs sold equities worth Rs. 46,961.57 crore and DIIs bought equities worth Rs. 34,440.74 crore.
- 7) In the week gone by, the Indian rupee depreciated against the US dollar. The Indian rupee ended 40 paise lower at 76.20 per dollar on March 25 against its March 17 closing of 75.80.

Sectors and stocks

- 1) Shares of Tata Elxsi rallied by 5 per cent to a record high level of Rs. 7,971.90 on the BSE in Friday's intra-day trade in an otherwise weak market. The stock of Tata Group Company surpassed its previous high of Rs. 7,949 touched on February 1, 2022. Tata Elxsi is amongst the world's leading providers of design and technology services across industries, including automotive, media, communications, healthcare, and transportation. In the past three months, the stock has outperformed the market by rallying 45 per cent after the company delivered strong Q3FY22 results. The Company had reported 33.2 per cent year-on-year revenue growth and profit after tax (PAT) growth of 43.5 per cent in December quarter (Q3FY22). Tata Elxsi's management had said the company is seeing significant growth in the automotive market, with large and strategic deals with both OEMs and suppliers across electric, autonomous, connected and digital, underscoring company's technology and engineering leadership.
- 2) Shares of Indian Hotels Company rallied by nearly 8 per cent to touch an intra-day high of Rs. 236 on the BSE on Friday ahead of the company's board meeting to decide issue price of qualified institutional placement (QIP), scheduled later today. The stock traded close to its record high level of Rs 230.14 touched on October 14, 2021.

Key recent major developments..

- 1) Domestically, the central board of the Reserve Bank of India (RBI) met on Friday and discussed several issues including the fallout of the Russian invasion of Ukraine on the Indian economy. "The Board in its meeting reviewed the various areas of operation of the Bank and the current economic situation, global and domestic challenges including the overall impact of current global geopolitical crises," the central bank said in a statement.
- 2) India's foreign exchange (forex) reserves fell by \$2.59 billion in the week ended March 18, recording a sharp drop for the second consecutive week as the Reserve Bank of India (RBI) heavily sold dollars to prevent slide in the value of rupee. According to the RBI's weekly statistical supplement, the country's forex reserves slumped by \$2.597 billion to \$619.678 billion during the week ended March 18. The value of gold reserves as well as foreign currency assets declined sharply. This is the second consecutive week of a sharp drop in the country's forex reserves.
- 3) The US and the EU have announced their cooperation on liquified natural gas to reduce Europe's dependence on Russian energy. Under the agreement, US will provide the European Union with extra gas, equivalent to around 10 percent of the gas it currently gets from Russia, by the end of the year. The bloc has already said it will cut Russian gas use in response to Russia's invasion of Ukraine. Russia currently supplies about 40 percent of the EU's gas needs. The new deal will involve the US and other countries supplying an extra 15 billion cubic metres of gas on top of last year's 22 billion cubic metres. The new total will represent around 24 percent of the gas currently imported from Russia.
- 4) Asian peer indices were under pressure on Friday. Hong Kong's Hang Seng fell by 2.47 per cent, the Shanghai composite fell by 1.17 per cent, and the Shenzhen component fell by 1.89 per cent after. The CSI 300 dropped 1.8 per cent as investors assessed the impact of a ban announced by the Australian government on exports of alumina and aluminum ores to Russia.
- 5) 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.
- 6) 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.
- 7) 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.
- 8) 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.
- 9) 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.
- 10) 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.
- 11) 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.

- 12) 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.
- 13) 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.

Ajcon Global's observations and view..

- 1) Indian equities were under pressure on Friday. 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. Going ahead, globally, investors will keep an eye on US GDP growth rate and unemployment rate. Domestically, investors will keep a watch on Monthly auto sales numbers amidst rise in crude oil prices and global shortage of semiconductors.
- 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,



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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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