AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

Market wrap **April 25, 2022**

Indian equities remain under pressure led by global inflation, rising bond yields, escalation of war between Ukraine and Russia..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	56,579.89	57,197.15	**617.26**	**1.08**	56,757.64	**56,875.65**	56,356.87
Nifty	16,953.95	17,171.95	**218.00**	**1.27**	17,009.05	**17,054.30**	16,888.70

1) Indian benchmark indices were under pressure led by comments of rate hike by US Fed, pressure in China equity indices(owing to increasing COVID-19 cases), high global inflation led by high crude oil prices and commodity prices, intensification of war between Ukraine and Russia, rising bond yields globally and rupee depreciation.

2) The Sensex was down by 617.26 points or 1.08 percent to end at levels of 56,579.89 On the other hand, the Nifty was down by 218 points or 1.27 percent to end at levels of 16,953.95. Among the Sensex 30 stocks, Tata Steel, Tech Mahindra, NTPC, Sun Pharma, Titan, Reliance Industries, ITC were down in the range of 2.28- 4.47 percent. On the other hand, HDFC Bank, ICICI Bank, HDFC, Kotak Bank, Maruti, Bharti Airtel and Axis Bank ended in positive terrain

3) In terms of sectoral performance, only the Nifty Private Bank index was up by 0.44 per cent. The Nifty Realty index was down by 4 per cent and the Nifty Metal index fell by 3 per cent.

4) The broader markets too were under pressure today. The BSE Smallcap index was down by 1.88 per cent and the BSE Midcap index declined by 1.86 per cent.

5) Today, FIIs sold equities worth Rs. 3,302.85 Crore. On the other hand, DIIs bought equities worth Rs. 1,870.45 Crore. Month till date, FIIs sold equities worth Rs. 32,509.04 Crore. On the other hand, DIIs bought equities worth Rs. 22,036.93 Crore. In the month of March 2022, FIIs sold equities worth Rs. 43,281 Crore. On the other hand, DIIs bought equities worth Rs. 39,677 Crore in March 2022.

Sectors and stocks

1) Shares of fast moving consumer goods (FMCG) companies fell up to 6 per cent on the BSE in Monday's intra-day trade after media reports suggested that Indonesia, the world's top palm oil producer, announced export ban on palm oil from April 28, 2022. Palm oil is used in products like cooking oils, processed foods, cosmetics and biofuels. Frontline stocks like Hindustan Unilever (HUL), Britannia Industries, Godrej Consumer Products, and Marico were down between 4 per cent and 6 per cent on the BSE.

2) Shares of Ambuja Cements continued to rally, hitting an over three-month high of Rs 387.45, up 3 per cent on the BSE in Monday's intra-day trade. The stock traded at its highest level since January 14, 2022. Thus far in the month of April, the stock of cement company has rallied 29 per cent. The stock of Ambuja Cements had hit a 52-week high of Rs 442.95 on September 8, 2021. In comparison, the S&P BSE Sensex was down 3 per cent, while ACC was up 7 per cent during the same period.

Key recent major developments..

1) Earlier, Federal Reserve Chairman suggested that US Fed could raise interest rates by 50 bps points at their meeting early next month and begin reducing their USS$9 trillion asset portfolio.

2) Global bonds added to this year's epic rout as traders brace for the Federal Reserve to raise interest rates at the most aggressive pace since 1982. The policy-sensitive two-year yield climbed as much as six basis points on Friday to 2.74%, the highest since late 2018, after Fed Chair Jerome Powell said "it is appropriate in my view to be moving a little more quickly." That shrank the premium 10-year notes offer over two-year securities, sending the yield gap below 20 basis points. "I think there's something in the idea of front-end loading," Powell said during an International Monetary Fund panel discussion, adding that a half-percentage point hike in May "is on the table." (Bloomberg)

3) Globally, in a key development, G7 finance ministers said they have provided and pledged together with international community additional support to Ukraine exceeding $24 billion for 2022 and beyond, adding that they were prepared to do more as needed. In a statement, the ministers said they regretted Russia's participation in international forums, including G20, International Monetary Fund and World Bank meetings this week."International organisations and multilateral fora should no longer conduct their activities with Russia in a business-as-usual manner," the ministers said. (Reuters)

4) Earlier, Ukrainian President Volodymyr Zelensky has said in a video address "Russian forces have begun the battle for the Donbas region, but Ukraine will defend itself,. "Now we can say that Russian troops have started the battle for Donbas, for which they have been preparing for a long time. A very large part of the entire Russian army is now focused on this offense," Zelensky said. "No matter how many Russian troops are driven there, we will fight," he added.

5) The International Monetary Fund, in its latest World Economic Outlook report, has slashed its forecast for India's FY23 gross domestic product growth to 8.2 per cent, saying that higher commodity prices will weigh on private consumption and investment. This was one of the steepest cuts for emerging economies compared to the IMF's January WEO forecasts. Saying that global economic prospects have worsened significantly due to commodity price volatility and disruption of supply chains caused by the war in Europe, IMF cut its global growth outlook for calendar year 2022 to 3.6 per cent from 4.4 per cent, and said that both Russia and Ukraine could experience large GDP contractions.

6) Domestically, "Thermal plants across the country are grappling with a coal shortage as the power demand in the states has increased, and a number of states are not able to bridge the gap between demand and supply because of insufficient coal stocks at thermal plants," All India Power Engineers Federation (AIPEF) spokesperson VK Gupta said in a statement. Gupta stated that coal shortages indicate a power crisis in the making. As per Central Electricity Authority's (CEA) latest daily coal report, the coal stock at 81 out of a total of 150 thermal power stations using domestic coal is critical as per guidelines, the statement said.

7) Domestically, the wholesale price inflation hit a four-month high of 14.55 percent in March, data released on Monday showed. "The high rate of inflation in March, 2022 is primarily due to rise in prices of crude petroleum and natural gas, mineral oils, basic metals, etc., due to disruption in the global supply chain caused by the Russia-Ukraine conflict." the Commerce and Industry Ministry said in a statement.

8) Globally, US inflation jumped at its fastest pace in more than 40 years, with costs for food, gasoline, housing and other necessities squeezing American consumers and wiping out the pay raises that many people have received. The Labour Department said on Tuesday that its consumer price index jumped 8.5 per cent in March from 12 months earlier the biggest year-over-year increase since December 1981. Prices have been driven up by bottlenecked supply chains, robust consumer demand and disruptions to global food and energy markets worsened by Russia's war against Ukraine. The government's report also showed that inflation rose 1.2 per cent from February to March, up from a 0.8 per cent increase from January to February. The March inflation numbers were the first to capture the full surge in gasoline prices that followed Russia's invasion of Ukraine on February 24.

9) Domestically, CPI inflation spiked to a 17-month high in March led by a big jump in prices of food and manufactured goods, official data showed. According to data released by the Ministry of Statistics and Programme Implementation (MoSPI) on Tuesday, inflation based on the Consumer Price Index (CPI) rose to 6.95% in March from 6.07% in the previous month.

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Ajcon Global's observations and view..

1) Indian equities were under pressure owing to comments of rate hike by US Fed, intensification of war between Ukraine and Russia, increasing COVID-19 cases in China, concerns of high inflation across the globe, rising bond yields globally and rupee depreciation.

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 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. 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 led by war between Russia and Ukraine in Ukraine, 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, 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). In addition, factors like good growth in merchandise exports, RBI's dovish 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 have supported the bulls.

7) All eyes would be on Q4FY22 earnings season (focus would be on management commentary with regards to demand outlook, how companies are dealing with input cost pressures and supply chain disruptions) which will drive market direction.

8) We expect volatility to continue led by global macroeconomic factors which are affecting companies Q4FY22 performance.

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