

Indian equities end in red amidst volatility; PSU Banks continue to rally..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	57,276.94	57,858.15	581.21	1.00	57,317.38	57,508.61	56,439.36
Nifty	17,110.15	17,277.95	167.80	0.97	17,062.00	17,182.50	16,866.75

- 1) Indian equities were under pressure amidst significant volatility on hawkish stance of US Fed. The Sensex finally ended down by 581.21 points or 1 percent to end at levels of 57,276.94. The Nifty was down by 167.80 points or 0.97 percent to end at levels of 17,110.15.
- 2) The broader markets too were under pressure. The BSE MidCap index fell by over 1 percent each while the BSE SmallCap index slipped by 0.8 percent.
- 3) In terms of sectoral performance, Nifty PSU Bank index was up by 5.07 percent, Nifty Bank index was up by 0.73 percent, Nifty Auto index was up by 0.34 per cent. On the other hand, the Nifty IT index fell by 3.55 per cent today, followed by the Nifty Pharma and Realty indices (down nearly 2 per cent each).

Sectors and stocks

- 1) Shares of Maruti Suzuki India hit a fresh 52-week high of Rs. 8,916.75, up 4 per cent on the BSE in Thursday's intra-day trade. The company's shares has rallied by 11 per cent in the past two trading days after it reported a healthy performance in October-December quarter (Q3FY22). The stock of the cars & utility vehicles' company recovered 5.5 per cent from its intra-day low of Rs 8,457 today. In Q3FY22, Maruti Suzuki's total operating income grew 13.2 per cent quarter-on-quarter (QoQ) at Rs 23,246 crore, primarily driven by 13.5 per cent QoQ growth in sales volume and 1.3 per cent QoQ rise in average selling price. Profit after tax (PAT) more-than-doubled or was up 113 per cent QoQ at Rs 1,011 crore. The company had posted profit of Rs 1,941 crore in the same period previous year (Q3FY21). Despite cost reduction efforts, the net profit was down as compared to previous year due to lower sales volume, high commodity prices and lower non-operating income on account of mark-to-market impact.
- 2) Shares of Canara Bank ended up by 8.76 per cent to end at Rs. 240.80 after the company reported strong overall performance in Q3FY22 result. Profit after tax grew by 115.80 percent on YoY basis to touch Rs. 1,502 Crore in Q3FY22 led by growth in net interest income (NII) and lower provisions. Its net profit stood at Rs 696 Crore in the same quarter of the preceding financial year. Domestic gross advances has increased by 5.86 percent on QoQ basis to Rs. 7,01,859 Crore. Global C/D ratio has improved to 69.92 percent in Q3FY22 as against 66.52 percent in Q2FY22. Non Interest income has declined by 13 percent on QoQ basis led by fall in Trading income by 71.76 percent on sequential basis. Net Interest Income has witnessed good growth of 10.73 percent on QoQ basis to Rs. 6,946 Crore. Operating profit grew by 3.55 percent sequentially to Rs. 5,803 Crore. NIM improved marginally to 2.83 percent in Q3FY22 from 2.77 percent in Q2FY22. Book Value stood at Rs. 265.15 per share. Cost/Income ratio improved to 45.04 percent (Cumulative - 46.24 percent) in Q3FY22 as against 48.04 percent (Cumulative - 46.84 percent) in Q2FY22. NIM improved to 2.79 percent in Q3FY22 as against 2.71 percent in Q2FY22. Net NPA and GNPA improved on QoQ basis. Slippage ratio fell to 0.43 percent in Q3FY22 as against 1.04 percent in Q2FY22. Fresh slippage s were controlled at Rs. 2,699 Crore in Q3FY22 as against Rs. 6525 Crore in Q2FY22 Total Cash Recoveries including recovery from written off accounts were Rs. 2784 Crore as against Rs. 3717 Crore in Q2FY22. Credit cost declined to 1.75 percent as against 1.98 percent in Q2FY22
- 3) Shares of aviation companies were under selling pressure amid rising crude oil prices with InterGlobe Aviation were down by 7 per cent to Rs. 1,838.75, and its peer SpiceJet had hit a 52-week low at Rs. 57.70, down 5 per cent on the BSE in Thursday's intraday trades. These companies have significant exposure to price movement of Aviation Turbine Fuel (ATF) which is a derivative of crude oil. Oil rose on Wednesday, touching \$90 a barrel for the first time in seven years, as tight supply and rising political tensions between Russia and Ukraine added to concerns about further disruption in an already-tight market.

Key recent major developments..

- 1) Today, FIIs were net sellers and sold equities worth Rs. 6,266.75 Crore. On the other hand, DIIs were net buyers and bought equities worth Rs. 2,881.32 Crore. Month till date, FIIs have sold equities worth Rs. 32,676.53 Crore while DIIs in the same period have purchased equities worth Rs. 14,921.08 Crore.
- 2) US Federal Reserve is likely to raise US interest rates in March and is also expected to end its bond purchase programme before going for significant reduction in its asset holdings.
- 3) U.S. economic growth accelerated in the fourth quarter as businesses replenished depleted inventories to meet strong demand for goods, helping the nation to post its best performance in nearly four decades in 2021. Gross domestic product increased at a 6.9% annualized rate last quarter, the Commerce Department said in its advance GDP estimate on Thursday. That followed a 2.3% growth pace in the third quarter. The economy grew 5.7% in 2021, the strongest since 1984. It contracted 3.4% in 2020, the biggest drop in 74 years. Growth last year was fueled by massive fiscal stimulus as well as very low interest rates. The momentum, however, appears to have faded by December amid an onslaught of COVID-19 infections, fueled by the Omicron variant, which contributed to undercutting spending as well as disrupting activity at factories and services businesses. (Source: Reuters)
- 4) 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.
- 5) 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.
- 6) 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.
- 7) 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 came back ended in red led by hawkish stance of US Fed, continued FII selling, weak global cues like geopolitical tensions between Ukraine and Russia, worries over inflation, jump in crude oil and gold prices would remain an overhang.
- 2) Before the correction which started from last week, 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 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.



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