

Indian equities remain upbeat; metals and OMCs stocks rally..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	56,247.28	55,858.52	388.76	0.70	55,329.46	56,324.54	54,833.50
Nifty	16,793.90	16,658.40	135.50	0.81	16,481.60	16,815.90	16,356.30

- 1) Indian equities continued to rally led by metal stocks as supply disruptions in metals due to sanctions imposed on Russia can push metal prices. OMCs also witnessed a rally, sanctions imposed on Russia till date by its western counterparts do not pose a threat to crude oil prices amidst ongoing Russia's attack on Ukraine. The Crude oil prices also witnessed some cooling off which supported today's rally. In addition, value buying was seen in beaten down stocks which were hammered significantly.
- 2) The Sensex was up by 388.76 points or 0.70 percent to end at levels of 56,247.28.
- 3) On the other hand, the Nifty was up by 135.50 points or 0.81 percent to end at levels of 16,793.90.
- 4) The broader markets too were upbeat today. Both BSE MidCap and the BSE SmallCap indices witnessed a rise of 0.8 percent respectively.
- 5) In terms of sectoral performance, Nifty Metal index was up by around 5 per cent, the Nifty Oil and gas index was up by 2.6 per cent, IT index moved up by 1 per cent, and the Nifty FMCG index was up by 0.6 per cent. On the other hand, the Nifty Auto and Bank indices slipped by 0.7 per cent each.
- 6) FIIs sold equities worth Rs. 3,948.47 crore on Monday. On the other hand, DIIs bought equities worth Rs. 4,142.82 crore. In the month of February 2022, FIIs sold equities worth Rs. 45,720.07 crore. On the other hand, DIIs have bought equities worth Rs. 42,084.07 crore.

Sectors and stocks

- 1) Shares of metal companies rallied significantly as sanctions against Russia raised possibility of supply disruptions of aluminium and gas, which will push up prices. Russia produces about 6 per cent of the world's aluminium and accounts for about 7 per cent of global nickel mine supplies. London aluminium futures hit record high on Monday after Western countries ratcheted up sanctions on Russia for its invasion of Ukraine, including blocking some banks from the SWIFT global payments system, raising fears of supply disruptions. (Reuters)
- 2) Shares of Hindalco Industries hit a new high of Rs. 589.05 and ended the day up by 7.46 per cent on the NSE to Rs. 573.75. The stock surpassed its previous high of Rs. 553.85 touched on February 11, 2022. Tata Steel was up by 6.58 percent and JSW Steel was up by 4.82 percent.
- 3) Shares of fast moving consumer goods (FMCG) companies were under pressure Monday led by concerns of high raw material cost. Hindustan Unilever (HUL) fell by 2 per cent to Rs. 2,120 and Britannia Industries declined by 3 per cent at Rs. 3,330. Both the stocks hit their respective 52-week. In the past six months, the stock of HUL and Britannia have declined by 20 per cent and 15 per cent, respectively.

Key recent major developments..

- 1) 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.

- 2) Globally, Russia's rouble hit a record low of less than 1 U.S. cent in value Monday after Russia was cut off from the global bank payments system in response for Russia's invasion of Ukraine. The Russian currency fell by around 26 percent to 105.27 per dollar, down from about 84 per dollar late Friday. The US, Japan and other Western nations moved over the weekend to impose additional sanctions against Russia, including restrictions on access for some Russian banks to the SWIFT global bank payments system, preventing Russia's central bank from using its foreign reserves etc.
- 3) Domestically, in a key development, GDP growth rate for the October-December quarter of 2021-22 stood at 5.4 per cent as against 0.7 per cent growth in the corresponding period a year ago, with the construction sector recording a contraction of 2.8 per cent and manufacturing sector registering a meagre growth of 0.2 per cent. In its second advance estimates of national accounts, the National Statistical Office (NSO) has projected 8.9 per cent growth in 2021-22. In its first advance estimates released in January, it had projected 9.2 per cent growth for 2021-22 as against a contraction of 6.6 per cent in 2020-21.
- 4) Earlier, the Union Cabinet on Saturday approved a proposal to allow foreign direct investment (FDI) up to 20 per cent in Life Insurance Corporation through the automatic route. The decision is expected to open doors for foreign investors who are keen to participate in the upcoming initial public offering (IPO) of LIC scheduled for next month, considered to be India's largest public offering.
- 5) Finance Minister Nirmala Sitharaman on Friday said "India's development is going to be challenged by the newer challenges emanating in the world. Peace is being threatened and after the Second World War, (a) war of this significance, this impact, on the globe probably is not felt,". She said human welfare needs a conducive environment without any disruptions or disturbances to make the post-pandemic economic recovery sustainable. Earlier, Finance Minister Nirmala Sitharaman on Tuesday had 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, FM Sitharaman said.
- 6) Globally, as per a statement released by The White House, The United States, along with Allies and partners, has imposed severe and immediate economic costs on Russia in response to Putin's war of choice against Ukraine. The Financials sanctions targeted all ten of Russia's largest financial institutions, including the imposition of full blocking and correspondent and payable-through account sanctions, and debt and equity restrictions, on institutions holding nearly 80 percent of Russian banking sector assets. The unprecedented export control measures will cut off more than half of Russia's high-tech imports, restricting Russia's access to vital technological inputs, atrophying its industrial base, and undercutting Russia's strategic ambitions to exert influence on the world stage. The impact of these measures will be significantly magnified due to historical multilateral cooperation with a wide range of Allies and partners who are mirroring our actions, inhibiting Putin's ambition to diversify Russia's brittle, one-dimensional economy.
- 7) Before 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 had 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.
- 8) 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.
- 9) 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.

Ajcon Global's observations and view

- 1) Indian equities continued to rally led by metal stocks as supply disruptions in metals due to sanctions imposed on Russia can push metal prices. In addition, OMCs also witnessed rally as sanctions imposed on Russia till date do not impose threat on oil prices. Russia's invasion of Ukraine has created havoc in capital markets across the globe. The war has directly impacted crude oil prices which has rattled investors sentiments across the globe. We believe volatility would remain and investors will keenly track developments related to it. We believe investors can gradually enter in quality stocks on pessimism in staggered manner 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 high 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 the significant correction, 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, 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) 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. 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. Going ahead, with Q3 GDP data out, investors will keep an eye on upcoming monthly auto sales numbers and manufacturing PMI data



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