

Buoyancy continues at Dalal Street; Financials and IT stocks rally..

- 1) Bulls remain in control in the Indian markets in Tuesday's volatile session and helped benchmark indices scale fresh lifetime highs. Rally in banking and information technology companies helped indices settle 0.5 per cent higher. On the global front, the UK government's announcement to roll out a new \$6.2 billion support package for businesses struggling to cope with a third national lockdown accelerated buying momentum.
- 2) The frontline S&P BSE Sensex ended the choppy session near record high level of 48,486.24 on the BSE, at 48,438 levels, up 261 points, or 0.54 per cent. HDFC twins, Axis Bank, TCS, and ICICI Bank remained the top contributors towards the index's gain today, providing support of nearly 180 points.
- 3) Axis Bank ended the session as top Sensex gainers, up 6 per cent at close, followed by gains in HDFC (2.7 per cent), IndusInd Bank (2.7 per cent), and TCS (1.7 per cent). On the downside, heavyweights like Bajaj Finance (down 1.5 per cent), Reliance Industries (1.2 per cent), and Bajaj Finserv (1 per cent) capped gains.
- 4) The Nifty50, on the other hand, added 66.6 points, or 0.47 per cent, in Tuesday's session to close at 14,199 levels. The index hit a record peak of 14,215.6.
- 5) On the sectoral front, the Nifty IT index settled on the NSE as top performer, up 2.6 per cent. Nifty Private Bank and Nifty Bank indices were other top gainers, up around 2 per cent. The Nifty Metal index, down 1.4 per cent, ended the day as top loser.
- 6) In the broader market, mid-cap stocks continued to outrun their large-cap peers. The S&P BSE MidCap index ended 1.4 per cent higher at 18,676 level. The SmallCap counterpart ended 0.7 per cent up at 18,641 level.
- 7) Total market capitalisation of all listed companies on the BSE has zoomed to a record high of over Rs 191 lakh crore. Till Monday's trade, markets recorded their ninth straight session of gain. During this time, the BSE Sensex jumped 2,622.84 points or 5.75 per cent and closed above the 48,000-mark for the first time on Monday. In the past nine trading sessions, the market capitalisation of BSE-listed firms have jumped a whopping Rs 12,89,863.39 crore to a record Rs 1,91,69,186.44 crore (USD 2.6 trillion). Approval of two COVID-19 vaccines has brought cheers to the domestic market.

Sectors and stocks

- 1) Shares of Tata Consultancy Services (TCS) continued their upward movement, hitting a new high of Rs. 3,113, after rising 2.4 per cent on the BSE on Tuesday. TCS is set to become the second listed company to enter the Rs 12 trillion market capitalisation (market cap) club. The stock has rallied 8.5 per cent in the past three trading days. TCS' Rs. 16,000 crore share buyback programme closed on Friday, January 1. A sharp rally in TCS share price has seen the company's market cap (m-cap) increase by Rs. 91,089 crore in the past three sessions to Rs 11.68 trillion, as of Tuesday afternoon. The company's m-cap is less than 3 per cent away from achieving the Rs. 12-trillion market-cap mark. Reliance Industries is at number one position in the overall market cap ranking with Rs 12.49 trillion market cap, the BSE data showed. The IT bellwether is scheduled to announce its October-December quarter (Q3FY21) results on Friday, January 8. The board will also consider the declaration of a third interim dividend to the equity shareholders. TCS has, over the years, invested in R&D, platforms and digital reskilling that has helped the company post a consistently strong financial performance.
- 2) Shares of Housing Development Finance Corporation (HDFC) hit a record high of Rs 2,623, up 2 per cent on the BSE on Tuesday in an otherwise subdued market after the housing finance company reported a healthy 26 per cent year on year (YoY) pick-up in individual loan disbursement during October-December quarter (Q3FY21). "The individual loan business continued to see improvements during the quarter ended December 31, 2020. Disbursement growth over the corresponding quarter of the previous year was 26 per cent. Individual loans sold in the preceding 12 months amounted to Rs 16,956 crore," HDFC said in a regulatory filing. During the quarter ended Q3FY21, the profit on sale of investments was Rs 157 crore. This was on account of the sale of 2.55 million equity shares of HDFC Life Insurance Company (HDFC Life). The corporation's shareholding in HDFC Life is now at 49.99 per cent. This has met the Reserve Bank of India (RBI's) mandate of reducing the corporation's shareholding in HDFC Life to 50 per cent or below by December 16, 2020, HDFC said in quarterly update. In the past one month, the stock has outperformed the market by surging 17 per cent, as compared to 7 per cent rise in the S&P BSE Sensex. However, in the past one year, it underperformed by gaining 6 per cent, against 16 per cent rally in the benchmark index.



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- 3) Shares of Ramco Systems hit an over four-year high of Rs. 724, having surged 9 per cent on the BSE in the intra-day trade on Tuesday, in an otherwise subdued market. The stock of information technology (IT) consulting & software company was trading at its highest level since June 2016. In the past 10 trading days, the stock has surged 35 per cent after the company announced that it has signed a multi-million-dollar agreement with a Global Fortune 500 major to unify and transform its Payroll for 18 countries in Asia Pacific region on Ramco's Managed Payroll Services. With this win, the company has added three Fortune 500 brands as clients for Ramco Global Payroll, in Q3 2020, it said. In the past one month, the market price of Ramco Systems has outperformed the market by surging 49 per cent, as against a 7-per cent rise in the S&P BSE Sensex. Earlier, in a separate regulatory filing, on December 21, global aviation software specialist Ramco Systems announced that it will implement its flagship aviation software, Ramco Aviation M&E MRO Suite for Iberia Maintenance (Iberia MRO), one of Europe's leading MRO service providers in IAG Group. Meanwhile, for July-September quarter, Ramco Systems had reported strong results with Revenue growth of 11 per cent QoQ at \$22.27 million as the strong bookings in Licence-based deals in ERP segment (up 18 per cent QoQ) boosted revenue recognition in Q2. The company won new orders worth US\$26.53 million in Q2FY21 up 24 per cent on QoQ basis, coming back to its pre-Covid run rate.
- 1) Shares of KNR Constructions rallied 6 per cent to Rs. 353, also its 52-week high, on the BSE on Tuesday after the company secured an order worth Rs. 603.60 crore for Chennai-Kanyakumari Industrial Corridor Project. "The order is towards upgrading Cheyyur-Vandavasi Polur Road including ECR Link Cheyyur -Panayur Road to two-lane, and construction of bypasses for Vandavasi town and Chetpet town. It includes one realignment for Maruthadu Village and maintenance of entire project stretch for seven years in Tamil Nadu in engineering, procurement and constructions (EPC) mode," KNR Constructions said in an exchange filing. The project to be completed within a period of 39 months from the appointed date, it said.

Key recent developments

- 1) The Indian government approved two COVID-19 vaccines - Serum Institute of India's Covidshield, and Bharat Biotech's Covaxin -- for restricted use in an emergency situation.
- 2) Manufacturing sector activities showed a marginal improvement in December compared to the previous month even as employment generation remained low, showed the widely-tracked IHS Markit purchasing managers' index (PMI) survey. PMI inched up to 56.4 in December compared to 56.3 in November. However, it remained lower than 58.9 in October and 56.8 in September, the two months during which the economy saw a gradual lifting of lockdowns. A reading above 50 shows growth, while the print below 50 means contraction. While firms were able to lift input stocks, and did so at the quickest rate in nearly a decade, holdings of finished goods decreased sharply due to the ongoing increase in new work. Output growth eased to a four-month low, but remains strong. Manufacturing, in the Index of Industrial Production (IIP) rose by 3.5 per cent in October, according to the latest figures. However, it might come down going forward in line with PMI results, warned Pollyanna De Lima, Economics Associate Director at IHS Markit.
- 3) Goods and Services Tax collections for December rose to Rs. 1.15 lakh crore, the highest ever since the implementation of the nationwide tax in July 2017, the Finance Ministry said in a statement on January 1. The previous monthly GST collection record was just short of Rs. 1.14 lakh crore in April 2019. This is the fourth consecutive month this year that GST collections have outperformed comparable months from 2019, a clear sign of strong recovery as the Indian economy slowly came out of its biggest ever contraction in the April-June quarter.
- 4) The country's exports declined marginally by 0.8 per cent to USD 26.89 billion in December 2020, due to contraction in sectors like petroleum, leather and marine products, according to preliminary data released by the commerce ministry on Saturday. The trade deficit in December widened to USD 15.71 billion, as imports grew by 7.6 per cent to USD 42.6 billion, the data showed. Exports in December 2019 was USD 27.11 billion, while imports stood at USD 39.5 billion. In November 2020, the exports were down by 8.74 per cent. In April-December 2020-21, the country's merchandise exports contracted by 15.8 per cent to USD 200.55 billion, as compared to USD 238.27 billion in the same period of 2019-20. Imports during the nine months of the current fiscal declined by 29.08 per cent to USD 258.29 billion, as against USD 364.18 billion in April-December 2019-20. "India is thus a net importer in December 2020, with a trade deficit of USD 15.71 billion, as compared to a trade deficit of USD 12.49 billion, widened by 25.78 per cent," the ministry said in a statement.

Global equities

- 1) Asian benchmark indices were in red on Tuesday amid uncertainty about Senate runoffs in Georgia. MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.05 per cent, pulling back from a record high. Australian stocks fell 0.26 per cent. Chinese shares erased early losses and rose 0.52 per cent.

- 2) Japanese shares lost 0.34 per cent after a spokesman said the government will reach a decision on a state of emergency for Tokyo and surrounding cities on Thursday to curb coronavirus infections.
- 3) In Europe, stocks slipped as losses in defensive sectors offset gains in oil and retail stocks. The pan-European STOXX 600 index was down 0.2 per cent

Ajcon Global's view

- 1) CY20 would always be remembered in the history of Indian Capital markets. The S&P BSE Sensex and Nifty50 rallied by 16 per cent and 15 per cent, respectively, in 2020 (CY20) despite COVID-19 crisis (Lockdown to contain the virus, brought the economy activity to a standstill for nearly three months which affected India's GDP significantly). Indian benchmark indices declined significantly by around 40 percent during February-March from its peak in January but after hitting a four-year low on March 24, 2020. Both the indices have rallied by nearly 87 per cent from March 24, 2020 low. However, the broader index, S&P BSE500, which gained 17 per cent in CY20 has recorded its best performance in the past three years. The S&P BSE Midcap and S&P BSE Small-cap index have rallied 20 per cent and 32 per cent respectively in CY20, after registering negative returns in the past two consecutive calendar years - 2018 and 2019. The rally was led by strong liquidity from foreign portfolio investors who pumped in \$22.4 billion (Rs 1.66 trillion) in equities during the year. The flows in November and December are one of the highest ever seen in Indian equities. In the last two months alone, FIIs have poured almost Rs 1.18-trillion in Indian equities, data show.
- 2) Domestically, all eyes would be on Q3FY21 earnings season which is expected to be good. Union Budget and budget related stocks will remain focus in January 2021 ahead of Union Budget to be announced in February 2021. Investors would remain stock specific in coming weeks. As we are heading to New Year, equities would consolidate amidst high volatility for some time.
- 3) Globally, all eyes would be on two US Senate races in Georgia that will determine control of the chamber and influence Democratic President-elect Joe Biden's ability to enact his agenda. Sentiments have improved after the United Kingdom's historic trade deal with the European Union and US President Donald Trump signed into law a \$2.3 trillion pandemic aid and spending package. All eyes would be on the new strain of coronavirus developments in other parts of the world after its emergence in UK and Europe. Investors will keep an eye on the progress of COVID-19 vaccine roll out and its efficacy in various countries after these new developments.
- 4) Nifty valuations are expensive led by significant spike of FPI liquidity in the last two months. Hence we advise, partial profit booking. However, there is still value in midcaps and smallcaps space.

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