

Indian equities come under pressure on negative global cues; Index heavyweights decline..

- 1) Indian equities turned in red in last hour of trade and the stop button was pressed after the indices' witnessed 10-day winning streak. Index heavyweight stocks such as Reliance Industries, Infosys, ITC, TCS, and HUL witnessed sharp profit booking. That apart, weak global cues heavily weighed on the investor sentiment.
- 2) In the US, prospects of Democrats winning both seats in a US Senate run-off election in Georgia, paving way for President-elect Joe Biden to push through greater corporate regulation and higher taxes in the States, worried investors. Nasdaq 100 Futures tumbled over 200 points or nearly 2 per cent at 3 pm indicating pressure in US equities later today. Meanwhile, rising coronavirus concerns in Asia further hit sentiment.
- 3) The benchmark S&P BSE Sensex declined by 264 points, or 0.54 per cent, to settle the day at 48,174 levels. In the intra-day session, the index had declined by 750 points from fresh record high of 48,616 levels to hit a low of 47,864. ITC and Reliance Industries slipped by 3 per cent each on the BSE, ending the day as top drags. Other large-caps, down up to 2 per cent, were Bajaj Finance, Axis Bank, HCL Tech, and TCS. On the otherhand, Powergrid was up by 4 per cent and closed as top gainer on the Sensex.
- 4) The NSE's Nifty50, meanwhile, slipped below the 14,150-mark and ended the session at 14,146, down 53 points or 0.38 per cent. From the new peak of 14,244, the index dropped 200 points to hit a low of 14,040.
- 5) Nifty IT and Nifty FMCG indices were the top sectoral losers on the NSE, down over 1 per cent each. On the contrary, Nifty Metal index managed to close 1 per cent higher.
- 6) In the broader market, the S&P BSE MidCap index ended the day in the green, up 0.4 per cent at 18,749 level. However, the S&P BSE SmallCap index closed at 18,614 level, down 0.14 per cent.

Sectors and stocks

- 1) Shares of Avenue Supermarts, which runs the D-Mart chain of stores, were trading higher for the sixth straight day, up 3.3 per cent at Rs. 3,094.95 on the BSE on Wednesday. The stock was quoting at its all-time high level and has rallied 16 per cent in the past six sessions. Following the rise in stock prices, Avenue Supermarts' market capitalisation crossed the Rs. 2 trillion mark in intra-day trade today. In the past three months, the stock has rallied significantly by 49 per cent, against a 22 per cent rally in the S&P BSE Sensex. While announcing the July-September quarter (Q2FY21) results, the company's management had said that month-on-month (MoM) sales have improved during this quarter – August was better than July and September was better than August. The management had added that the progress of the Covid pandemic and its impact on consumer spending during the festival period will determine the company's financial performance for the Q3FY21. D-Mart's core 'food & FMCG' segment (currently around 77 per cent of sales) reverted to the growth path in September with a positive trajectory seen across all stores. Further, it expanded its e-commerce operations in select pin codes of Pune. Trends indicate an enhanced focus on e-commerce owing to change in industry dynamics with grocery e-commerce industry gaining significant traction during the pandemic.
- 2) Shares of Titan Company hit a new high of Rs. 1,621, up 3 per cent, on the BSE on Wednesday after the company said its jewellery division has crossed the recovery phase to growth phase and other two large divisions have also moved much closer to the full recovery. The company's jewellery business reported a healthy 15 per cent year on year growth in sales during the October-December quarter (Q3FY21), due to festive season along with pent-up demand for wedding jewellery. "The Company already announced the 15 per cent growth in the 30-day festive period from Dussera to Diwali. Fortunately, the growth trend was visible even after the festive season ended and the division has recorded close to 15 per cent growth (excluding sale of raw gold of-Rs 334 crore) in Q3," Titan Company said in Q3FY21 quarterly update. The jewellery industry saw resurgence in the festive season along with a pent up demand for wedding jewellery as most of the weddings in H 1'21 were deferred, it said. The studded mix in Q3 improved although it was still lower than the levels seen in the previous year. The division continued to see a significantly higher share of gold coin sales and very good growth in wedding jewellery sales. Ticket size continues to be higher due to higher gold rates and higher share of wedding related products but 100 per cent recovery in buyers (number of invoices) is yet to be seen, the company said. In the past three months, Titan Company has outperformed the market by surging 35 per cent, against 22 per cent rise in the S&P BSE Sensex.



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- 3) Shares of SBI Cards and Payment Services (SBI Card) rose 5 per cent to hit a new high of Rs. 957.45 on the BSE on Wednesday on the back of heavy volumes. The stock surpassed its previous high of Rs. 918.60, scaled on October 15, 2020. SBI Card is the leading issuer of credit cards in India. The company offers wide range of value-added payment products and services. It operates in more than 130 cities in India. The brand has a wide customer base of over 10 million. SBI Card shares were trading higher for the 11th straight session. Since December 3, the stock has rallied 20 per cent after in an exchange notification, HDFC Bank said the Reserve Bank of India (RBI) has advised it to temporarily stop all launches of the digital business generating activities planned under its program Digital 2.0 and other proposed business generating IT applications, and sourcing of new credit card customers.
- 4) Shares of Vedanta and Hindustan Zinc rallied up to 10 per cent on the BSE on Wednesday in an otherwise subdued market. Hindustan Zinc rallied by 10 per cent to Rs. 278.75, on the back of two-fold jump in trading volumes, while Vedanta share rose 6 per cent to Rs 179 on the BSE. In comparison, the S&P BSE Sensex was down 0.24 per cent at 48,326 points. Vedanta, the promoter, holds 64.92 per cent stake in Hindustan Zinc. In the past one month, the stock of Vedanta has rallied by 37 per cent, against 7 per cent rise in the benchmark index. On December 24, 2020, Vedanta Holdings Mauritius II Limited, the promoter group company, had purchased 185 million equity shares aggregating to 4.98 per cent of the equity share capital of Vedanta, through a bulk deal on the stock exchanges. Meanwhile, Vedanta, on December 30, announced that it has emerged as the highest bidder for the Radhikapur West coal block, located in Angul district, Odisha at a distance of about 190 km from the Company's Jharsuguda Aluminium Smelter.
- 5) Shares of multiplex operators, Inox Leisure and PVR, rallied up to 8 per cent on the BSE on Wednesday after the Tamil Nadu government allowed movie theatres to operate at 100 per cent capacity in the state. Among individual stocks, Inox Leisure rallied 8 per cent to Rs. 341, while PVR was up 3 per cent at Rs. 1,459 on the BSE. In comparison, the S&P BSE Sensex was up marginally by 0.04 per cent at 48,455 points. These stocks were trading higher for the fifth straight trading day, gaining 21 per cent and 13 per cent, respectively, during the period.
- 6) Shares of ITC were down by 3 per cent to Rs. 204 on the BSE on Wednesday as investors booked profit after the government prepared a bill to raise the age for allowing sale of cigarettes and tobacco products to 21 years from the current 18 years. The central government, through the proposed Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Amendment Act, 2020, seeks to raise the minimum age limit for sale of cigarettes and tobacco products from 18 years to 21 years, and restrict their sale within 100 meters of any educational institution. The draft Bill, piloted by the Union health ministry, also proposes to ban sale of loose cigarettes, increase fine on smoking in restricted areas to Rs 2,000 from Rs 200, and restrict advertisement (direct and indirect) of such products for personal consumption. Since November, the stock has outperformed the market by surging 28 per cent, as compared to 22 per cent rally in the S&P BSE Sensex till Tuesday.

Key recent developments

- 1) Gold prices hit a two-month high on Tuesday, lifted by a lacklustre dollar as investors awaited the US Senate runoffs in Georgia that will determine which party controls Congress and prospects of additional fiscal stimulus.
- 2) 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.
- 3) 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.
- 4) 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.



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- 5) 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) In Asia, Japan's Nikkei ended 0.4 per cent lower, South Korea's Kospi lost 0.75 per cent, and Australia's S&P/200 index declined 1.1 per cent.
- 3) European equities were trading higher on Wednesday, led by economically sensitive sectors such as banks and energy. The pan-European STOXX 600 index was up 0.2 per cent, while UK's FTSE 100 rose 0.7 per cent, and Germany's DAX gained 0.2 per cent.

Ajcon Global's view

- 1) Today's fall can be attributed to negative global cues with respect to surge in COVID-19 cases globally. Chinese authorities on Wednesday imposed travel restrictions and banned gatherings in the capital city of Hebei province, which surrounds Beijing, to control the virus spread.
- 2) 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.
- 3) 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.
- 4) 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. Any negative news especially on the new strain of COVID-19 will play spoilsport after massive rally.
- 5) We believe correction will make markets healthy. 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 which has still not reached January 2018 levels.

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