

Domestic bourses end in red; metal stocks rally..

- 1) Benchmark indices ended in red after wiping of gains for the second day. At close, the S&P BSE Sensex was quoting at 48,093 levels, down 81 points or 0.17 per cent, amid sell off in information technology and FMCG stocks. Bharti Airtel (up 3.6 per cent) was the top gainer on the Sensex, followed by IndusInd Bank, Axis Bank, L&T, and HDFC. On the other hand, Hindustan Unilever, Titan, Nestle, Infosys, and ITC ended between 1.5 per cent and 2 per cent lower.
- 2) The broader Nifty50, on the other hand, closed 9 points, or 0.06 per cent, lower at 14,137 levels. Out of the total 50 constituents, 27 advances on the Nifty while 23 ended the day in the red. The Nifty50 index hit a new peak of 14,256.25 in the morning deals.
- 3) Overall, market breadth remained in the favour of the bulls with nearly two stocks rising against a stock that declined.
- 4) On the sectoral front, churning was witnessed as investors moved out of defensives to cyclicals as the Nifty IT, FMCG, and Pharma closed Thursday's trade in the red. The Nifty Realty index (up 1.35 per cent) and the Private Bank and PSB indices (up 1 per cent each) were the top performing indices.
- 5) The broader markets continued to outrun their large-cap peers. The S&P BSE MidCap, which topped the 19,000-mark for the first time and hit a record peak of 19,035, ended the day at 18,947 levels, up 1 per cent. The S&P BSE SmallCap index added 0.85 per cent at close to settle at 18,773.

Sectors and stocks

- 1) Shares of Larsen & Toubro were up 2.5 per cent at Rs. 1,347 on the BSE in the intra-day trade on Thursday, having rallied over 50 per cent in the past three months, on the back of strong order flows. The stock of construction & engineering major was trading close to its 52-week high of Rs. 1,384, touched on February 1, 2020. In the past three months, L&T has outperformed the market by rallying upto 51 per cent, as against a 21-per cent rise in the S&P BSE Sensex. L&T on Thursday announced that its arm L&T Hydrocarbon Engineering, a wholly-owned subsidiary of the company, has secured a large contract from Oil & Natural Gas Corporation (ONGC) for their new living quarter (LQ) and revamp at 'NQ Complex' (NLRNC-RT2) project. Including order from ONGC, L&T's various business divisions have secured one mega, three large and four significant orders, that are together worth over Rs. 25,000 crore in the past one month, according to stock exchanges announcements. The company did not disclose the size of the orders but stated that mega orders are the ones over Rs. 7,000 crore, large orders are in the range of Rs. 2,500 crore-Rs. 5,000 crore, while significant orders are in the range of Rs. 1,000 crore- Rs. 2,500 crore.
- 2) Shares of metal companies extended their rally into Thursday, with the Nifty Metal index surging 4 per cent to hit a fresh 52-week high of 3,564 on the National Stock Exchange (NSE) on strong demand outlook. Tata Steel, Hindustan Copper, Jindal Steel and Power (JSPL) and Hindalco Industries from the Nifty Metal index were up between 5 per cent and 9 per cent. NMDC, Hindustan Zinc, Steel Authority of India (SAIL), JSW Steel and National Aluminium Company gained in the range of 2 per cent to 3 per cent on the NSE. In 2021, steel demand in India is expected to be extremely strong on the back of government's infrastructure investments, production linked incentives, support for rural economy through infra development. Restarting of construction activities across India and recovery in the auto industry are also likely to support demand.
- 3) Tata Steel hit three-year high of Rs. 729, up 7 per cent on the NSE. The stock was trading at its highest level since January 2018. In the past three months, it rallied 97 per cent, as compared to 57 per cent surge in Nifty Metal index and 21 per cent gain in the Nifty50 index. Last month, S&P Global Ratings had revised outlook for Tata Steel to 'stable' on the expectation that the company's earnings would strengthen over the next 18 months and its key financial metrics would improve to levels appropriate for the current rating.
- 4) JSPL too rallied 7 per cent to Rs. 305, its fresh 52-week high, on the back of heavy volumes. The trading volumes on the counter jumped 1.5 times with a combined 14 million equity shares changing hands on the NSE and BSE. JSPL steel operations reported their highest ever monthly production volumes with 7.27 lakh tonnes during December 2020. The company's steel sales increased by 12 per cent (Y-o-Y) to 18.8 lakh tonnes in the October-December quarter (Q3FY21).

- 5) SAIL was up 4 per cent to Rs 79.25, rallying 137 per cent in the past three months. The stock of the state-owned company hit a 52-week high of Rs 80.30 on January 5, 2021. The company's management expects the company is determined to perform better in future and is geared up to take all necessary actions to remain a world-class domestic steel producer towards building an Atmanirbhar Bharat. SAIL had reported a consolidated net profit of Rs. 437 crore in the July-September quarter (Q2FY21) on back of strong operational performance. It had posted a net loss of Rs. 286 crore in the same quarter of previous fiscal and a loss of Rs. 1,226 crore in the June quarter (Q1FY21).
- 6) Shares of cement manufacturers were trading higher for the second straight day, rallying up to 9 per cent on the BSE on Thursday amid expectation of strong earnings during the October-December quarter (Q3FY21). Among individual stocks, JK Cement rallied 9 per cent to Rs. 2,382, also its 52-week high on the BSE. UltraTech Cement hit a new high of Rs. 5,512 after rising 1 per cent today. The stock has gained 3 per cent in the past two trading days. Birla Corporation, JK Lakshmi Cement, Ramco Cements, and India Cements were up between 4 per cent and 8 per cent on the BSE. In the past one week, most of the frontline cement stocks have outperformed the market and risen more than 4 per cent, as compared to 1.2 per cent rise in the benchmark S&P BSE Sensex.
- 7) Bharti Airtel rallied by 5.5 per cent to Rs. 554 on the BSE in intra-day trade on Thursday on the back of heavy volumes, the firm regained its market capitalisation of Rs. 3 trillion. The stock was trading at its highest level since September 2, 2020.

Key recent developments

- 1) The United States Congress on January 7, 2020 certified Joe Biden's election as the 46th President of the US after counting of Electoral College votes. Minutes after the US Congress' certification, President Donald Trump said there will be orderly transition on January 20. "Even though I totally disagree with the outcome of the election, and the facts bear me out, nevertheless there will be an orderly transition on January 20th," Trump said in a statement issued by White House Deputy Chief of Staff Dan Scavino. "I have always said we would continue our fight to ensure that only legal votes were counted. While this represents the end of the greatest first term in presidential history, it's only the beginning of our fight to Make America Great Again!" Trump added.
- 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.
- 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) Global equities rose on Thursday, reversing losses incurred on Wednesday. Europe's Euro STOXX 600 gained 0.3 per cent, with indices in Frankfurt and Paris up 0.4 per cent and 0.6 per cent, respectively.
- 2) The MSCI world equity index, which tracks shares in almost 50 countries, rose 0.3 per cent. Earlier, MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.6 per cent and Japan's Nikkei hit its highest since 1990.

Ajcon Global's view

- 1) Last two days fall can be attributed to profit booking and 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) 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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