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Market wrap **April 12, 2021**

Black Monday witnessed at Dalal Street led by bloodbath across the board; biggest single day record spike in COVID-19 cases creates fears of lockdown in certain states..

1) Indian equities witnessed bloodbath as India witnessed highest single day spike of COVID-19 cases which led to fears of strict measures or lockdown in certain states to control the spread of virus. There was severe selling pressure across the board.

2) The benchmark S&P BSE Sensex witnessed a whopping fall of nearly 1,900 points while the Nifty50 fell by a whopping 590 points in the intra-day deals to hit lows of 47,693 and 14,249, respectively.

3) At close, the headline indices were 3.5 per cent lower each at 47,883 levels and 14,311 level, down 1,708 points and 524 points, respectively.

4) Only one constituent on the Sensex (Dr Reddy's Labs) and four on the Nifty (Dr Reddy's Labs, Cipla, Divis Labs, and Britannia) ende the day in the green. Among the losers were Tata Motors, Adani Ports, IndusInd Bank, Bajaj Finance, UPL, SBI, Hindalco, and Shree Cement, down in the range of 5.6 per cent to 10 per cent.

5) Broader markets, on the other hand, also faced significant heat with the S&P BSE MidCap and SmallCap indices falling by 5 per cent each.

6) Sectorally, the Nifty PSU Bank index fell significantly by 9 per cent, Nifty Realty dropped by 7 per cent, and Nifty Bank, Private Bank, Metal, and Auto indices declined between 5 - 6 per cent.

7) Investors wealth eroded by nearly Rs. 8 trillion on the BSE with the m-cap sliding to Rs. 201 trillion by close.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	47,883.38	49,591.32	**-1,707.94**	**-3.44**	48,956.65	**48,956.65**	47,693.44
Nifty	14,310	14,834.85	**-524.05**	**-3.53**	14,644.65	**14,652.50**	14,248.70

Sectors and stocks

1) Shares of pharma and healthcare rallied on Monday, with the S&P BSE Healthcare index hitting a new high after the government banned export of antiviral drug, Remdesivir (injection and API both) in order to address increased demand in view of rising Covid-19 cases in the country. The domestic manufactures of the drug include Cipla, Cadila Healthcare, Dr Reddy's, Sun Pharma, Jubilant, Syngene (API), Divis Laboratories (API) among others. Cipla and Laurus Labs from the pharmaceuticals and Dr Lal Pathlabs and Metropolis Healthcare from the healthcare facilities sector hit their respective record highs on the BSE in intra-day trade. Besides these stocks, Ipca Laboratories, Torrent Pharmaceuticals, Dr Reddy’s Laboratories, Divis Laboratories and Neuland Laboratories were up more than 2 per cent each.

2) Shares of Dr Reddy’s Laboratories were up by 8 per cent to Rs. 5,119.90 on the BSE in intra-day trade on Monday after Sputnik-V, the vaccine against the coronavirus disease (Covid-19), got nod from the expert panel for emergency use in India.\This is the third vaccine approved by India after Covishield and Covaxin. The stock finally settled 5 per cent higher at Rs 4,989, as compared to 3.4 per cent fall in the S&P BSE Sensex. In February, Dr Reddy’s had announced that the company has initiated the process with the Drugs Controller General of India (DCGI) for Emergency Use Authorization (EUA) of the well-studied human adenoviral vector-based platform vaccine candidate, Sputnik V. In September 2020, it partnered with the Russian Direct Investment Fund (RDIF) to conduct the clinical trials of the Sputnik V and for its distribution rights in India. The vaccine is currently undergoing the phase 3 clinical trial in India. "Sputnik V has demonstrated an efficacy rate of 91.6 per cent in the interim analysis of the phase 3 clinical trial, which included data on 19,866 volunteers in Russia, who received both the first and second doses of the vaccine. Sputnik V maintained a consistent efficacy at 91.8 per cent even among the group of 2, 144 volunteers over 60 years old," the company had said in a press release.

Key recent major developments..

1) The Index of Industrial Production (IIP) which measures industrial output in India fell by 3.6 percent in February. India's industrial output has declined by 11.3 percent in the April-February period of FY21, as compared to the same period of the previous year.

2) Consumer Price Index-based inflation (CPI) for the month of March stood 5.52 percent as against 5.03 percent in February. Official data released on April 12 shows that retail inflation in March stayed within the Reserve Bank of India's (RBI) medium term inflation target of 4(+/-2 per cent) for the fourth consecutive month. The combined food price inflation rose to 4.94 percent in March, as compared to 3.87 percent in February.

3) The net direct tax collection for the fiscal ended March 31 stood at Rs. 9.45 lakh crore, an increase of 5 per cent over the revised estimates in the Union Budget. Central Board of Direct Taxes (CBDT) Chairman P C Mody on Friday said the income tax department has exceeded the revised estimates despite issuing substantial refunds in the 2020-21 fiscal. During the fiscal, the net corporate tax collection stood at Rs. 4.57 lakh crore, while net personal income tax was Rs. 4.71 lakh crore. Another Rs. 16,927 crore came from securities transaction tax (STT). The direct tax collection target set in the revised estimates (RE) for 2020-21 was Rs. 9.05 lakh crore. The collection was 5 per cent higher than the RE, but was 10 per cent lower than the mop up in 2019-20.

4) COVID-19 is spreading at a fast pace with an increase in the intensity of the pandemic and the next four weeks are going to be very critical, the Centre said last week as it stressed on people's participation to control the second wave of the contagion. At a press conference, NITI Aayog Member (Health) Dr V K Paul said the pandemic situation in the country worsened with a sharp rise in cases and a large part of the population is still susceptible to the virus. The tools to fight the pandemic remain the same. COVID-appropriate behaviour, containment measures, testing have to be implemented more efficiently, medical infrastructure has to be ramped up and vaccination drive intensified, he said. India has given the first dose of covid antidote to 10.45 crores beneficiaries in the nation-wide vaccination till date.

5) The Reserve Bank of India (RBI) last week fulfilled a long-standing demand of bond market participants of having an open market operations (OMO) calendar of sorts, through which the central bank would commit its periodic support to the market. The RBI pledged to buy Rs. 1 trillion of bonds this quarter to cap borrowing costs to support an economy facing a resurgence of coronavirus infections. As expected, the six-member monetary policy committee kept the policy repo rate and stance unchanged at 4 per cent, and 'accommodative', "for as long as necessary", respectively. Despite the surge in Covid-19 infections, the growth target for GDP also remained unchanged at 10.5 per cent for FY22 despite COVID-19 cases rising strongly in second wave. For each quarter of FY22, the RBI gave real GDP growth forecasts at 22.6 per cent (Q1); 8.3 per cent (Q2); 5.4 per cent (Q3); and 6.2 per cent (Q4). The inflation target was tweaked upwards slightly. The CPI inflation is expected to be 5 per cent for Q4FY21, 5.2 per cent in Q1FY22, 5.2 per cent in Q2FY22, 4.4 per cent in Q3FY22 and 5.1 per cent in Q4FY22 with risks broadly balanced. RBI Governor Shaktikanta Das said in his monetary policy statement for April that it will pre-announce a secondary market government securities (G-Sec) acquisition programme to commit upfront its support to the market. For the first quarter, it will buy bonds worth Rs 1 trillion from the secondary market, starting April 15, when it will buy bonds worth Rs 25,000 crore. On-tap TLTRO scheme, which was available till March 31, 2021, has been extended by six months till September 30, 2021 to ensure requisite liquidity support to the economy. Last year, the apex bank had announced an 'On Tap TLTRO' scheme worth Rs. 1 trillion, to provide liquidity support to various economic sectors and banks. The TLTRO is available for up to three years and for a total amount of up to Rs. 1 trillion at a floating rate linked to the policy repo rate for banks.

6) Foreign portfolio investors (FPI) put in a record amount of Rs. 2.74 trillion (US$37 billion) during the 12 month ended March 2021. The previous best for the highest-ever FPI flows in a financial year was in FY13, when overseas investors had pumped in Rs. 1.4 trillion (US$25.8 billion), data provided by NSDL showed. The Finance Ministry said on Tuesday the sharp inflows last fiscal were due the government's policy initiatives and economic recovery. "The robust FPI flows came on the back of faster-than-expected economic recovery supported by multiple tranches of innovatively designed stimulus packages. The government and regulators had also undertaken major policy initiatives directed at improving ease of access and investment climate for FPIs in the recent past," it said in a press release. "The increase in aggregate FPI investment limit in Indian companies from 24 per cent to the sectoral cap has been a catalyst for increase in weightage of Indian securities in major equity indices, thus mobilising massive equity inflows, both passive and active, into Indian capital markets," said the ministry.

7) The International Monetary Fund (IMF) has raised its projection for India's economic growth in the current financial year by one percentage point to 12.5 per cent. The forecast, published in the IMF's World Economic Outlook, suggests India would again become the fastest-growing large economy in the world. In fact, India is the only

country among major world economies that is projected to grow at a double-digit rate during FY22. China comes closest, with a forecast of 8.4 per cent economic expansion. The IMF also sees India's gross domestic product (GDP) growing by 6.9 per cent, a rate 10 basis points higher than its earlier projection, in the next financial year. Should that happen, India would become the most rapidly expanding large economy in the world; the closest competitor, China, is projected to grow by 5.6 per cent. The IMF's projection for India in the current financial year is the upper end of a range that the World Bank's forecast recently. Considering the uncertainty caused by Covid-19 cases, the World Bank gave a range for India's economic growth – from 7.5 per cent to 12.5 per cent – in FY22. However, it also said India was likely to grow by 10.1 per cent during the year.

8) The goods and services tax (GST) collection crossed the Rs. 1 lakh crore mark for the sixth month in a row in March 2021 and a new record of Rs. 1,23,902 crore (GST) collected in the month of March 2021 was created."The gross GST revenue collected in the month of March 2021 is at a record of Rs. 1,23,902 crore of which CGST is Rs. 22,973 crore, SGST is Rs. 29,329 crore, IGST is Rs. 62,842 crore (including Rs. 31,097 crore collected on import of goods) and cess is Rs. 8,757 crore (including Rs 935 crore collected on import of goods)," an official release stated. GST collection in the month of February stood at Rs. 1.13 lakh crore. In line with the trend of recovery in the GST revenues over past five months, the revenues for the month of March 2021 are 27 percent higher than the GST revenues in the same month last year. During the month, revenues from import of goods were 70 percent higher and the revenues from domestic transaction (including import of services) were 17 percent higher than the revenues from these sources during the same month last year, the Ministry of Finance said. The GST revenue witnessed growth rate of (-) 41%, (-) 8%, 8% and 14% in the first, second, third and fourth quarters of this financial year, respectively, as compared to the same period last year, clearly indicating the trend in recovery of GST revenues as well as the economy as a whole.

Global markets

1) Globally, equities were under pressure on Monday. In US, investors eyes are on earnings season and retail sales this week.

2) MSCI’s All Country World Index, which tracks stocks across 49 countries, was down 0.25 per cent after the start of European trading, off Friday’s record high.

3) European shares slipped from record highs as investors turned were sitting on fence ahead of the earnings season. The pan-European STOXX 600 index was down 0.3 per cent. The UK's FTSE mid 250 index fell by 0.6 per cent. Germany’s DAX slipped 0.1 per cent and France’s CAC 40 fell 0.2 per cent. Italy’s FTSE MIB was the sole gainer, up 0.05 per cent.

4) Asian equities too were subdued today. Nikkei was down by 0.6 per cent while South Korean equities were trading flat.

Ajcon Global’s view

1) Indian benchmark indices fell like a pack of cards amidst biggest single day spike of COVID-19 cases which led to panic selling. PSU Banks which were darling of stock markets for quite some time post Union Budget proposals faced the maximum pressure today. Several states are facing pressure led by second wave of COVID-19 crisis. Possibility of lockdown in few states to curb the spread of virus and ramp up medical infrastructure created panic. The rise in COVID-19 cases at a very fast pace in the second wave is creating uncertainty in the mind of investors which can lead to further corrections. However, one should remember this time situation is different as there is availability of vaccines and good pipeline of vaccines coming up in future, vaccination drive growing strongly which would help mitigate the COVID-19 crisis. In addition, the Government and Central Bank too have learnt to deal with the COVID-19 crisis.

2) The RBI recent measures shows that the central bank will be proactive to deal with the crisis in a strong manner. RBI's accommodative stance in the monetary policy and its bold move of a secondary market G-Sec acquisition program (G-SAP 1.0), whereby the central bank will commit upfront to a specific target for bond purchases will lend confidence to investors community. This bold move will remove uncertainty for market participants given the commitment for absorption of G-Sec supply and will help in flattening the yield curve. Under the first tranche of the programme - G-SAP 1.0, the RBI will purchase government bonds (G-sec) worth Rs. 25,000 crore. The central bank eyes bond purchases worth Rs. 1 trillion during the April-June quarter of FY22 (Q1FY22).

3) Key domestic factors like record GST collections in March 2021, positive GDP data, good proposals presented in Union Budget 2021-22, RBI's Monetary Policy keeping rates unchanged, stellar show by majority of the Companies in Q3FY21 earnings season will keep bulls in the hunt. Positive global cues like US President Joe Biden's proposed

$3 trillion infrastructure package, improved US GDP data and reduced unemployment rate in US will also support bulls. The Nifty valuations are trading in the range of 35x-40x which looks expensive but with recent budget proposals one will need to watch out the effect on corporate earnings in Q4FY21 and FY22.

4) Going ahead investors will keep a watch on COVID-19 cases number on daily basis amidst significant spike and vaccination drive, Q4FY21 earnings season, movement of US bond yields, FPI liquidity after new concerns stated above. Globally, Central banks are in the mood of accommodative monetary policy. The US Federal Reserve on March 17, 2021 suggested that it was in no hurry to raise interest rates through all of 2023, even as it talked about a V-shaped recovery in the world's largest economy.

5) We believe India economic recovery from COVID-19 crisis will surpass major economies. As India is now one of the few major economies to post positive GDP growth in the last quarter of calendar year 2020, foreign investors will get attracted to Indian equities. Moody's Analytics said India's economy is likely to grow by 12 per cent in CY2021 following a 7.1 per cent contraction last year as near-term prospects have turned more favourable.

6) Investors will now continue to focus on quality names in Defensive sectors like Pharma, FMCG and ITC amidst significant spike of COVID-19 cases on daily basis in second wave.

7) We recommend investors to take a breather for some time. The current second wave of rising of COVID-19 cases will give opportunities to investors on corrections. The resurgence of COVID-19 cases is a serious matter of concern which can lead to further correction amidst strict localised restrictions and lockdown in certain states. Investors will track ongoing Q4FY21 earnings season and management commentary on future scenario.

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