

Tyre stocks rally; positive sentiments were led by swearing-in of Joe Biden as the 46th President of the United States..

- 1) Investor sentiments across the globe were upbeat led by swearing-in of Joe Biden as the 46th President of the United States, catapulted benchmark indices to fresh record highs on Wednesday. That apart, expectations of hefty US spending after US Treasury Secretary nominee Janet Yellen urged lawmakers to "act big" to save the economy further bolstered sentiment. Domestically, gains in heavyweights like Reliance Industries, HDFC, Infosys, TCS, and ICICI Bank, too, provided the necessary support.
- 2) In the intra-day session, the S&P BSE Sensex hit a new peak of 49,874, rallying by over 450 points. The index eventually settled at 49,792 levels, up 394 points or 0.8 per cent. Tech Mahindra, Maruti Suzuki, Asian Paints, Reliance Industries, Infosys, and M&M gained between 2 per cent and 3 per cent, and ended as the top performing stocks on the 30-share index. On the downside, NTPC, PowerGrid, HDFC Bank, ITC, and Nestle settled as top laggards, down up to 1 per cent.
- 3) It's NSE counterpart, Nifty50, surpassed the 14,650-mark and hit a fresh record high of 14,665. The index ended with gains of 123.5 points, or 0.85 per cent, at 14,645.
- 4) Sectorally, all except the Nifty FMCG index ended the day in the green on the NSE with the FMCG index closing down 0.16 per cent. On the upside, Nifty IT, Auto, and PSU Bank indices closed with gains of over 2 per cent each.
- 5) Among individual counters, Tata Consultancy Services and Tata Elxsi – hit their respective new highs on the NSE today, whereas Wipro, Mindtree, Mphasis and Coforge surged up to 5 per cent.
- 6) In the auto index, Tata Motors and tyre stocks were the top gainers on the index. Among the OEMs, Tata Motors hit yet another 28-month high of Rs 278 on the NSE, while Ceat, JK Tyre, MRF, and Apollo Tyres advanced in the range of 4 per cent to 15 per cent.

Sectors and stocks

- 1) Shares of tyre companies rallied up to 15 per cent on the BSE after Ceat reported a strong operational performance for the quarter ended December 2020 (Q3FY21). Ceat, on Tuesday, said that in Q3FY21, its Ebitda margin improved by 460 basis points (bps) to 15.3 per cent over the previous year quarter. The stock of the auto tyres and rubber products company hit a 52-week high of Rs. 1,352 today, having surged 12 per cent in the past two trading days, post its Q3 results. The company's consolidated net profit more-than-doubled to Rs. 132 crore in Q3FY21 from Rs. 53 crore in Q3FY20. This quarter's growth has been achieved on the back of new capacities across segments, particularly passenger car, two-wheeler and farm segments. The replacement market has been buoyant of consumer preference in personal mobility and strong demand. The management is confident of maintaining strong growth levels over the next few months. However, there is expected to be some margin pressure in the next quarter due to increasing raw material prices, it said. Among other individual tyre stocks, MRF hit a record high of Rs. 90,500, up 4 per cent, while, Apollo Tyres rose 7 per cent to hit a 52-week high of Rs 202 on the BSE. Balkrishna Industries, TVS Srichakra and Goodyear India were up between 4 per cent and 6 per cent as compared to a 0.52 per cent rise in the S&P BSE Sensex.
- 2) Shares of SBI Cards and Payment Services hit a new high of Rs 1,002, up 4 per cent on the BSE on Wednesday ahead of the announcement of December quarter results, on Thursday. The stock surpassed its previous high of Rs 1,002, touched January 7, 2021. Last week, SBI Card informed the stock exchanges that the company's board of directors is scheduled to meet on January 21, 2021 to consider and approve the unaudited financial results of the company for the quarter and the nine months ended December 31, 2020. In the past one month, SBI Card outperformed the market by gaining 23 per cent, as compared to 6 per cent rise in the S&P BSE Sensex.

Key recent major developments..

- 1) Joe Biden, hours after being sworn in as the 46th President of US, will send a comprehensive immigration bill to Congress which among other things proposes to eliminate the per country cap for employment-based green cards, a move that would benefit hundreds and thousands of Indian IT professionals in the US, whose current wait period for legal permanent residency runs into several decades.



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- 2) As many as 220,786 more people were vaccinated across India on Tuesday which took the total count of those inoculated to 674,835. Last week, Prime Minister Narendra Modi on Saturday launched 'world's largest vaccination drive' against Covid-19, congratulating citizens and scientists for the feat. He cautioned people to ensure that they take both the doses at one month's gap and show patience as the country begins to give the antidote to its huge population. "Don't make the mistake of taking one dose and then forgetting about dose two and don't forget coronavirus appropriate behaviour after getting the dose. The patience with which you fought coronavirus, show the same patience during vaccination now," PM Modi said.
- 3) The Index of Industrial Production (IIP) contracted 1.9 percent for November 2020, showed the data released by the Ministry of Statistics and Programme Implementation (MoSPI) on January 12. The factory output in the country had grown at 3.6 per cent in October. For November 2020, IIP with base 2011-12 stands at 126.3, showed the Ministry's data. The MoSPI in its quick estimate of IIP for November data mentioned that the indices for industrial production for sectors like the mining, manufacturing and electricity stood at 104.5, 128.4 and 144.8 respectively.
- 4) The Union Ministry of Health and Family Welfare said in a media briefing on January 12 that the COVID-19 vaccination process in the country will take more than one year to complete. Responding to a question on whether states and Union territories will get to choose which vaccine they opt for, Union Health Secretary Rajesh Bhushan said: "There is no such option available to any of the beneficiaries in any country." "This means, people will not get to choose the vaccine they will be administered. They can get either of the two COVID-19 vaccines that have got emergency use approval in India - Serum Institute of India's Covishield and Bharat Biotech's Covaxin. The Centre has so far received 54.72 lakh doses of coronavirus vaccines and all the consignments from Bharat Biotech and SII are supposed to reach before January 14, the ministry informed. "All states/UTs will receive vaccine doses, 1.1 crore from Serum Institute and 55 lakh from Bharat Biotech, by January 14," the Union Health Secretary said.
- 5) Prime Minister Narendra Modi earlier said that Centre will bear the expenses for the first phase of Covid-19 vaccination, which will begin on January 16. "Centre, not states, will bear expenses for first-phase vaccination of three crore corona warriors and frontline workers," PM Modi said after a meeting with chief ministers where he discussed the Covid-19 situation in states and preparedness for the vaccination programme. The PM CARES fund will be used to bear the cost of procuring both vaccines. The Prime Minister said that health workers - government as well as private - sanitation workers, other frontline workers, defence forces, police and other paramilitary forces will be vaccinated in the first phase. "In the second phase, those above 50 years and those under 50 years with co-morbid conditions will be vaccinated," he added. After the review meeting, PM Modi said that the country's scientists and medical experts have taken all precautions to provide our citizens with effective vaccines. He also urged the citizens of the country to keep taking precautions even after vaccine has been taken. He had earlier said that the two approved vaccines more cost-effective than foreign vaccines "and have been developed as per our needs". "Only about 2.5 crore people vaccinated globally so far; we have to achieve vaccination of 30 crore citizens in next few months," the Prime Minister added. India has completed vaccination dry runs in almost every district, which is a massive achievement, the Prime Minister said in his address. The Serum Institute of India (SII) had signed a purchase order with the Government of India to procure 11 million doses of coronavirus vaccines. Serum Institute of India officials said on January 11: "The SII has received purchase order from Government of India." As per the purchase order, each dose of the coronavirus vaccine will cost Rs. 220 inclusive of 14 percent GST. SII is manufacturing Oxford-AstraZeneca's COVID-19 vaccine Covishield in India. Earlier, 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.
- 6) State-owned telecom companies BSNL and MTNL turned EBITDA positive in the first half of financial year 2020-21, DoT said on Monday. The Department of Telecom (DoT) also said that the process for spectrum allocation for 4G services to Bharat Sanchar Nigam Ltd (BSNL) on pan-India basis, including Delhi and Mumbai, has been initiated and funds have been provisioned in FY2020-21. Summing up the developments in the sector in its year-end review for 2020, the DoT in a release said that overall 92,956 employees of both the public sector companies (PSUs) who opted for Voluntary Retirement Scheme (VRS) have retired on January 31, 2020. "The salary expenditure in BSNL and MTNL (Mahanagar Telephone Nigam Ltd) has reduced by around 50 per cent (about Rs. 600 crore per month) and 75 per cent (about Rs 140 crore per month), respectively. EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) have become positive in first half of FY 2020-21 in both BSNL and MTNL," it said.
- 7) Automobile dealers' body FADA said passenger vehicle (PV) retail sales in December witnessed a year-on-year increase of 23.99 per cent to 2,71,249 units. According to the Federation of Automobile Dealers Associations (FADA), which collected vehicle registration data from 1,270 out of the 1,477 regional transport offices (RTOs), PV sales stood at 2,18,775 units in December 2019. Two-wheeler sales increased 11.88 per cent to 14,24,620 units last month, as compared to 12,73,318 units in December 2019. Commercial vehicle sales, however, slipped 13.52 per cent to 51,454 units in December 2020, as against 59,497 units a year ago. Similarly, three-wheeler sales fell 52.75 per cent to 27,715 units last month, from 58,651 units in December 2019. Tractor sales, however, grew by

35.49 per cent to 69,105 units last month, against 51,004 units in the same month of 2019. Total sales across categories increased 11.01 per cent to 18,44,143 units last month compared to 16,61,245 units in December 2019.

- 8) 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.
- 9) 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.

Global equities

- 1) European equities were in green, with the Euro STOXX 600 climbing 0.4%. Indexes in Frankfurt and Paris were both up a similar amount, though London shares were flat.
- 2) The buoyant mood mirrored that in Asia, where MSCI's Asia-Pacific index outside Japan rose 0.8% to its highest ever. Hong Kong's Hang Seng gained 1% to near its 2019 peak. Australian shares hit a record high.
- 3) China was dealing with coronavirus outbreaks across its frigid northeast on Tuesday, prompting additional lockdowns and travel bans ahead of next month's Lunar New Year holiday. The country reported another 118 cases on Tuesday, with 43 of those in the province of Jilin. Hebei province just outside Beijing saw another 35 cases, while Heilongjiang province bordering Russia reported 27 new cases.

Ajcon Global's view

- 1) Today rally was witnessed in Indian equities led by Tyre and IT stocks. Buoyancy was witnessed ahead of the swearing-in of Joe Biden as the 46th President of the United States. The rally is supported by positive China's economic data, lowering of COVID-19 cases being reported domestically and strong Q3FY21 earnings performance by majority of the Companies in the results announced so far. Since November 2020, the Nifty50 index has rallied ~ 25.3 per cent, till last week, led by massive liquidity, strong foreign fund inflows and development on the vaccine front. The rally had taken street participants at a surprise considering the intensity of the rally led by FPI liquidity, GDP growth still in negative amidst faster economic recovery during Unlock phase, festive season. Sentiments continued to remain upbeat as SII's COVID-19 vaccines arrived at different states which were ordered by the Government of India ahead of start of vaccination drive from Jan. 16, 2021. The Companies in sectors which faced the maximum price destruction when the initial lockdown was announced will continue to recover at a rapid pace.
- 2) Domestically, all eyes would be on ongoing Q3FY21 earnings season after strong result by Companies like HDFC Bank, TCS, Avenue Supermarts (Dmart), Tata Elxsi, Ceat etc. Union Budget and budget related stocks especially in Defence and Railways will continue to remain focus in next few days and weeks ahead of Union Budget to be announced in February 2021. Investors would continue to remain stock specific in coming weeks. Pre Budget rally is expected to continue till the actual Union Budget is announced.
- 3) 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



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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.

- 4) Globally, 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. China is also witnessing rise of COVID-19 cases after nearly 10 months. Investors will keep an eye on the progress of COVID-19 vaccine roll out and its efficacy in India and various countries after these new developments. Any negative news especially on the new strain of COVID-19 will play spoilsport after the massive rally.
- 5) We believe further correction will make markets healthy. Nifty valuations are expensive led by significant spike of FPI liquidity in the last two months. Nifty is trading at valuation of around 40x which is quite steep. The combined market capitalisation of all listed companies in India crossed the country's GDP for the first time in more than 10 years. Last week on Thursday, the market-capitalisation on the BSE reached R.s 197.7 trillion, against India's nominal GDP at current prices of around Rs. 190 trillion during the year ended December 2020. Hence we advise, partial profit booking. On Monday, the RBI governor raised concerns over the growing disconnect between the financial markets and the real economy, saying stretched valuations posed a risk to financial stability. The International Monetary Fund has raised similar concerns in its Financial Stability Report published in June 2020.
- 6) We believe, there is still value in midcaps and smallcaps space which has still not reached January 2018 levels. However, advise investors to be careful in smallcaps space as high liquidity may paint fundamentally weak companies as next multibaggers and suggest to stick with quality names only. Going ahead, all eyes would be on expectations from Union Budget, ongoing Q3FY21 earnings season and FPI liquidity. Investors are expected to participate strongly in upcoming IPOs like Indian Railway Finance Corporation (evident in subscription numbers and anchor investment), Indigo Paints, Home First after a good show by majority of IPOs post listing in recent months.

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