

Key Benchmark indices across the globe

Index	Dec. 09, 2022	Dec. 08, 2022	Change	% change	Open	High	Low
Nifty	18,496.60	18,609.35	112.75	0.61	18,662.40	18,664.70	18,410.10
Sensex	62,181.67	62,570.68	389.01	0.62	62,690.86	62,735.42	61,889.11
Shanghai Composite	3,206.95	3,197.35	9.60	0.30	3,197.12	3,212.11	3,182.91
Nikkei 225	27,901.01	27,574.43	326.58	1.18	27,633.96	27,952.80	27,633.96
Kospi	2,389.04	2,371.08	17.96	0.76	2,382.73	2,390.08	2,367.25
Straits Times	3,245.97	3,236.08	9.89	0.31	3,242.67	3,248.03	3,235.82
Hang Seng	19,900.87	19,450.23	450.64	2.32	19,484.23	19,926.48	19,404.50
Nasdaq	11,004.62	11,082.00	77.38	0.70	11,038.17	11,138.70	10,999.26
FTSE	7,476.63	7,472.17	4.46	0.06	7,472.17	7,498.04	7,431.44
CAC	6,677.64	6,647.31	30.33	0.46	6,671.78	6,680.09	6,618.27
DAX	14,370.72	14,264.56	106.16	0.74	14,325.80	14,385.57	14,217.96

Key macroeconomic indicators

Index	Dec. 09, 2022	Dec. 08, 2022
Brent Crude Oil (\$ per barrel)	76.6	76.2
Gold (\$ per ounce)	1,794	1,787
Indian Rupee against US\$	82.28	82.43
Dollar index	104.72	104.77
10 year G-sec (7.262032)	7.30%	7.29%
US 10 year G-sec	3.49%	3.48%

FII & DII activity

Index	Dec. 09, 2022	Dec. 08, 2022
FII activity (Rs. in Crore)	158.01	1,131.67
DII activity (Rs. in Crore)	501.63	772.29

**Indian equities come under pressure led by fall in IT stocks; all eyes on the US inflation numbers and US Fed meet..**

- 1) On Friday, Indian benchmark indices came under pressure led by profit booking. The Nifty had witnessed a positive opening and later touched an intraday high of 18,664.70. Later, the Nifty gave up all the gains and ended the day down by 112.75 points or 0.61 percent to end at levels of 18,496.60. On the other hand, the Sensex ended the day down by 389.01 points or 0.62 percent to end the day at levels of 62,181.67.
- 2) Among the Nifty 50 stocks, the major gainers were Nestle India, Sun Pharma, ITC, Dr. Reddy's, Titan up in the range of 1.00 percent to 2.30 percent. On the other hand, the major losers were HCL Technologies, Tech Mahindra, Infosys, Wipro, Tata Consultancy Services down in the range of 1.81 percent to 6.50 percent.
- 3) The broader markets too were under pressure on Friday. The Nifty Midcap 100 index was down by 0.40 percent and the Nifty Smallcap 100 index was down by 1.10 percent respectively.
- 4) In terms of sectoral indices performance, the major gainers were Nifty FMCG index up by 0.86 percent, Nifty Pharma index down by 0.36 percent, Nifty Healthcare index down by 0.30 percent. On the other hand, the major losers were Nifty IT index down by 3.14 percent, Nifty PSU Bank index down by 1.77 percent, Nifty Realty index down by 1.50 percent, Nifty Metal index down by 1.12 percent.

- 5) On Friday, FIIs net sold equities worth Rs. 158.01 Crore. On the other hand, DIIs net bought equities worth Rs. 501.63 Crore. Month till date, FIIs have net sold equities worth Rs. 5,657.14 Crore and DIIs net bought equities worth Rs. 7,089.40 Crore. In the month of November 2022, FIIs have net bought equities worth Rs. 22,546.34 Crore and DIIs net sold equities worth Rs. 6,301.32 Crore.
- 6) During the week gone by, the Nifty fell by 112.75 points or 1.06 percent and the Sensex declined by 686.83 points or 1.09 percent. The major gainers during the week were Nifty PSU Bank index up by 4.7 percent, Nifty FMCG index up by 2.2 percent. On the other hand, the major losers were Nifty IT index down by 6 percent, Nifty Realty index down by 3.4 percent.

## Sectors & Stocks

- 1) Shares of Yes Bank ended up by 11.83 percent to Rs. 19.85 at the NSE on Friday. Earlier, the Bank's press release filed with the exchange on Nov. 28, 2022 said "The Bank has now entered into a share subscription and purchase agreement with JCF ARC LLC and J.C. Flowers Asset Reconstruction Private Limited ("JC Flowers ARC") and a shareholders' agreement with JCF ARC LLC, JC Flowers ARC and Emso Asset Management Limited on November 28, 2022 in relation to its acquisition of up to 19.9% of the equity share capital of the JC Flowers ARC by the Bank, with initial acquisition of 9.9% shareholding and subsequent acquisition of additional shareholding of 10.00%, subject to requisite regulatory approvals ("Transaction"). The Bank intends to participate as a minority shareholder in JC Flowers ARC, in partnership with JC Flowers (a global reputed fund), to participate in the business of asset reconstruction. This is ancillary to the main line of business of the Bank.

Earlier in the Bank's Q2FY23 earnings concall, Shri. Prashant Kumar - Managing Director & Chief Executive Officer of the Bank said "On the asset quality front, GNPA ratio has improved to 12.9% against 13.4% last quarter and net NPA ratio has also improved to 3.6% against 4.2% last quarter. The slippages which is 896 Crores continue to be lower quarter on quarter and Y-o-Y. Slippage out of the standard restructured pool are at 303 Crores which primarily consist of one large exposure, 60% of our standard restructured advances are out of moratorium. Reduction in overdue loans within 31 to 90 days bucket is down by ~ 3000 Crores. Resolution momentum continues to be strong with total recoveries and upgrade of 1586 Crores. The provision coverage ratio has improved to 84% and the provision coverage ratio of the security receipt also stands at 85%. Bank's CET ratio is standard at 11.7% and total capital adequacy at 17.3%. The risk weighted asset to total asset is improving and is currently at 71.2%".

- 2) Shares of Central Bank continued its rally and ended up by 4.12 percent to Rs. 32.85 at the NSE on Friday. In the last 3 days, the stock has rallied by 26.42 percent. The Bank had witnessed good overall performance in Q2FY23. The strong Management team has looked confident and assured of achieving higher credit growth in future. We are happy to see that the Bank has really transformed itself in the PCA regime and exited the PCA framework with flying colours. We believe the C/D ratio of just 57.64% has big scope to improve after coming out from RBI's Prompt Corrective Action framework. The Bank is having Pan India presence and is a trusted name over the years. The Bank boasts of a very strong CASA ratio of 50.99 percent which is second to Bank of Maharashtra in PSU Banking industry and makes good money by selling the priority lending certificates. We believe, with the strong brand image and customer base, the Bank is poised for good growth in Corporate and Retail advances.

We like the fact that the Bank's Treasury operations were also managed well in Q2FY23 and as per bank's ED Shri Vivek Wahi, the bank will continue to do well on treasury front in coming quarters. The Bank is also not growing its book in Non-SLR. Shri. M. V. Rao – Managing Director and CEO of the Bank in the interaction with the Analysts in the Bank's Q2FY23 concall conducted earlier had given the following guidance for FY23 a) Deposit growth: 8 - 10%, b) Advances growth: 13 - 15%, c) RAM: Corporate Credit Ratio: 65:35 (+/-5%), d) NIM: More than 3 percent, e) CASA: More than 50%, f) Gross NPA: Below 9%, g) Net NPA: Below 2.75%, h) PCR: 88-90%, i) Return on Assets: 0.35 - 0.40%, j) Cost to Income ratio: Less than 50%.

- 3) Shares of Punjab & Sind Bank ended up by 7.90 percent to Rs. 34.15 at the NSE on Friday. In the last two trading days, the stock has rallied 17.8 percent. In Q2FY23, the Bank has witnessed good growth in its Operating profit led by jump in NII and Non - Interest Income. In addition, the Cost/Income ratio has also improved but it is still higher as compared to other PSU Banks.

The Bank's asset quality is also improving which was seen in this quarter as well. The Bank is well capitalised for strong credit growth ahead, provided the proactive policies are put in place in this regard. The Bank does not have exposure to big accounts and is SMA2 is very small at Rs. 288 Crore as on Q2FY23 which safeguards it from slippages.



We are however of the opinion that considering its low base and looking at great opportunities available in Indian Economy, the bank needs to accelerate its Credit growth going even beyond the growth in the system and tighten its belt to take the benefit of these opportunities as has been done by all other Public Sector Banks. The past legacies should be handled separately and should not be allowed to come in the way of its future growth.

#### **Ajcon Global's view on Indian equities in the near term**

- 1) In the week gone by, Indian investors reacted to RBI's Monetary policy and state election results of Gujarat and Himachal Pradesh. The fall in crude oil prices in the last week will aid investor sentiments as it will augur well for the Indian economy.
- 2) Going ahead, volatility is expected to set in as investors will keep an eye on US inflation numbers and US Fed's reaction towards it in US Fed's meet. In addition, global investors will keep an eye on Eurozone and UK's inflation numbers.
- 3) After a strong rally in the PSU Banks led by re-rating, profit booking was witnessed in some PSU Banks on Friday which was expected. At the moment, sectors like Auto and auto ancillaries, Banking, NBFCs, Capital Goods, select companies in the infrastructure space and new age business segment can be considered.
- 4) Street participants will continue to watch rupee movement against the US Dollar, economic activity in China after relaxation in COVID-19 led lockdown in two major cities of China, global bond yields, crude oil price movement, developments related to ongoing war between Russia and Ukraine and its financial implications on the western world.
- 5) We reiterate that the domestic economy is strongly placed as compared to the global peers which will attract investors. Majority of the Companies have delivered good set of Q2FY23 results considering global concerns. Indian economy is performing strongly as indicated by good manufacturing and services PMI data, robust GST collections, strong direct tax collections, and good economic activity amidst macroeconomic challenges. We suggest investors to be stock specific and consider companies from the midcaps and smallcaps space.



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