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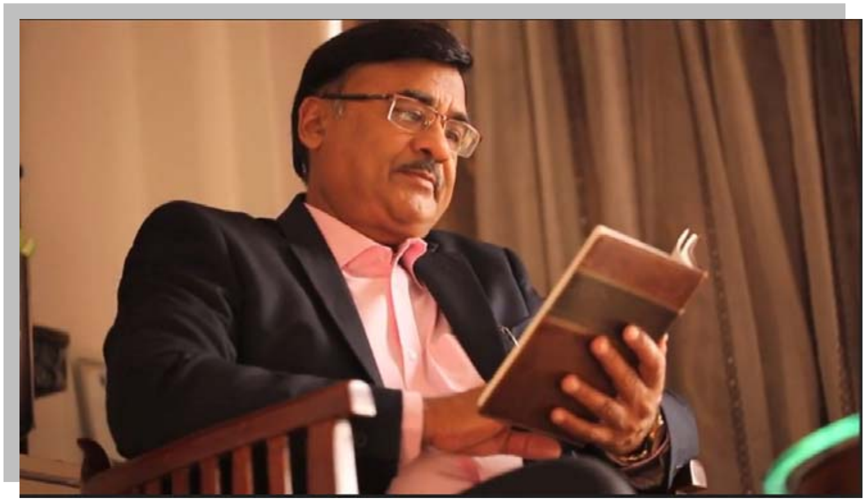

Dr. Ashok Ajmera (FCA), CMD & CEO

Dr. Ashok Ajmera's column as on Dec. 04, 2021

Indian equities end in green amidst volatility; all eyes on COVID-19 variant Omicron related information..

1) India's benchmark indices ended in green amidst volatility. Key domestic indicators like good GDP data, robust GST collections, strong manufacturing and service PMI outweighed concerns over COVID-19 variant Omicron, global inflation, valuation concerns and talks of US Fed tapering.

2) The Sensex witnessed a rise of 1 percent or 589.31 points to close at levels of 57,696.46. On the other hand, Nifty was up by 170.25 points or 0.99 percent to end at levels of 17,196.7. The fall can be attributed to strong FPI selling and weak global cues.

3) The broader markets too were upbeat. The BSE Midcap index and BSE Smallcap index were up by 1 percent in the week gone by.

Key recent major developments..

1) The coronavirus Omicron variant is likely to reinforce a downgrade of the International Monetary Fund's (IMF) outlook on the global economy, IMF Managing Director Kristalina Georgieva said on Friday. "Let's be very frank: A new variant that may spread very rapidly can dent confidence and in that sense, we are likely to see some downgrades of our October projections for global growth," Georgieva said at a live-streamed discussion on the global economy. Georgieva said that even before the emergence of the Omicron variant, the IMF had already been concerned about a loss in the momentum of global growth due to the negative impacts of the Delta variant. "The Delta variant proved to be a disruption that caused some additional delays in production" of goods in the United States and China, the leading engines for world growth, she said.

2) Activity in India's dominant services sector continued to grow at a robust pace last month supported by a strong recovery in dmestic demand, a private survey showed, but elevated price pressures remained a major concern. The Services Purchasing Managers' Index, compiled by IHS Markit, eased to 58.1 in November from 58.4 in October, but last month's rate of growth was the second-best in over a decade and well above the 50-mark separating growth from contraction for a fourth straight month.

3) Oil prices were up on Friday, extending gains after OPEC+ said it would review supply additions ahead of its next scheduled meeting if the Omicron variant hits demand, but prices were still on course for a sixth week of declines. Brent crude futures rose 12 cents, or 0.2%, to $69.79 a barrel, after climbing 1.2% in the previous session. The Organization of the Petroleum Exporting Countries, Russia and allies, together called OPEC+, surprised the market on Thursday when it stuck to plans to add 400,000 barrels per day (bpd) supply in January. Overall, Crude oil prices has declined significantly to around $70 per barrel from $86.7 a barrel levels in October which is positive as India imports around 80-85 percent of its oil requirement. The fall in oil prices is owing to fears of COVID-19 variant Omicron which has led to restrictions affecting demand. Several countries increased travel restrictions to avoid the spread of Omicron.

4) India's Goods and services tax (GST) collections hit Rs. 1.31 trillion in November, the second-highest in a month since the country introduced this indirect tax system in 2017. The highest monthly collection, at close to Rs. 1.40 trillion, had come in April this year.GST revenues in November were 25 per cent higher than those in the same month last year and 27 per cent more than the corresponding month in the pre-Covid year 2019-20. The collections were also 1.1 per cent higher than the Rs. 1.30 trillion collected in October this year. A finance ministry statement said the GST collection in November was second only to that in April 2021, which had got a push from year-end revenues. It was also higher than last month’s collection, which had included the impact of returns required to be filed quarterly, it said. "This is very much in line with the trend in economic recovery," it said. Official data released on Tuesday showed that the economy grew 8.4 per cent during the second quarter of the current financial year. It also surpassed the corresponding pre-covid period of 2019-20 by a tad 0.3 per cent. In the previous quarter, economic growth had declined 9.2 per cent compared to the pre-covid period, even as it rose 20.1 per cent year-on-year.

5) IHS Markit Purchasing Managers' Index (PMI) survey fostered confidence on the manufacturing front as the index rallied up to a ten-month high in November due to high domestic demand. PMI rose to 57.6 in November from 55.9 in the previous month, the highest figure since January this year. Moreover, the headline figure was well above its long-run average of 53.6. In the PMI lexicon, a figure above 50 points to growth, while the one below this mark denotes contraction.

6) India’s GDP (gross domestic product) growth rate for the second-quarter for the financial year 2021-22 came in at 8.4%, as against a contraction of 7.4% in the corresponding period of the previous fiscal year, government data showed on Tuesday. Economic recovery strengthened in the July-September quarter, helped by a pick-up in consumer spending, though the spread of the Omicron coronavirus variant raises fears for the future. "GDP at Constant (2011-12) Prices in Q2 2021-22 is estimated at Rs 35.73 lakh crore, as against Rs 32.97 lakh crore in Q2 2020-21, showing a growth of 8.4 percent as compared to 7.4 percent contraction in Q2 2020-21. Quarterly GVA at Basic Prices at Constant (2011-12) Prices in Q2 2021-22 is estimated at Rs 32.89 lakh crore, as against Rs 30.32 lakh crore in Q2 2020-21, showing a growth of 8.5 percent," said Ministry of Statistics & Programme Implementation.

7) The fiscal deficit for 2020-21 was 9.3 per cent of the Gross Domestic Product (GDP), better than 9.5 per cent projected in the revised estimates in the Budget in February. The central government's fiscal deficit at end-October worked out to be 36.3 per cent of the annual budget target for 2021-22 due to an improvement in the revenue collection, according to official data released on Tuesday. Fiscal deficit or the gap between expenditure and revenue was 119.7 per cent of the budget estimate of 2020-21 during the corresponding period last year. In actual terms, the deficit was Rs. 5,47,026 crore at end-October, 2021 against the annual estimate of Rs. 15.06 trillion, while total expenditure was Rs. 18.27 trillion, said the data released by the Controller General of Accounts (CGA).

8) The Omicron coronavirus variant is likely to spread internationally, posing a "very high" global risk of infection surges that could have "severe consequences" some areas, the World Health Organisation (WHO) said on Monday. The U.N. agency urged its 194 member states to accelerate vaccination of high-priority groups and, in anticipation of increased case numbers, to "ensure mitigation plans are in place" to maintain essential health services. "Omicron has an unprecedented number of spike mutations, some of which are concerning for their potential impact on the trajectory of the pandemic," the WHO said.

9) Last week, a new COVID-19 variant B.1.1.529 - termed as "Omicron" was detected in countries like South Africa and Botswana on Thursday. The variant is a big concern because of its high number of mutations. As a result some countries have imposed travel restrictions on South Africa. The UK has imposed a temporary ban on flights from six African countries, while Singapore has announced restrictions on people who have been to South Africa and nearby countries in the last fortnight. India has tightened the screening of incoming visitors from South Africa, Botswana and Hong Kong. The surge in COVID cases in South Africa has been attributed to the new variant.

10) The Indian rupee dropped to its lowest level in three weeks and bond yields fell on last Friday as concerns over a new COVID variant spooked markets across the globe. Shares and currencies in Asia's emerging markets fell sharply as investors fled riskier assets after the detection of the significant new mutation, which in-turn strengthened safe-haven assets like the dollar.

Ajcon Global’s observations and view..

1) Indian equities were in green in the week gone by shrugging off concerns led by discovery of new COVID-19 variant - Omicron.

2) The sentiments were upbeat led by fall in crude oil prices, good GDP data, robust GST collections, strong manufacturing and service PMI, good Q2FY22 earnings season and management commentary, good economic activity witnessed in the festive season of Navratri and Diwali and good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis. However, RBI measures to gradually reduce liquidity can remain an overhang. In addition, there are headwinds like global inflation, valuation concerns and strengthening US dollar.

3) There is a strong line up of IPOs. We suggest investors to be careful about the forthcoming IPOs and understand the fundamentals before riding the boom based on risk reward profile. However, IPOs of sectors in limelight like E-Commerce, Insurance, Digital, Speciality chemicals, Companies business model suited to new age, companies having business model which caters to the demands of Electric Vehicles would always gain maximum attention. However, investors have to be careful with expensive IPOs and loss making at bottomline.

4) The discovery of new COVID-19 variant - Omicron is a matter of concern. It is advisable to stay away from companies which have ran ahead of fundamentals and valued beyond logic. It would be prudent to stay with quality names at decent valuations in uncertain times. It is advisable for investors to stick to defensives for some time and also look out for stock specific opportunities considering growth outlook and management pedigree. Always remember, corrections in a bull market will keep markets healthy.

5) With Q2FY22 earnings season behind us, investors will track global cues like inflation data across the globe, COVID-19 cases especially in Europe and US, crude oil price movement and developments in China.

6) Domestically, going ahead, investors will keep an eye on monthly auto sales numbers and RBI's MPC meet.

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