AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

Market wrap **January 12, 2021**

Index heavy weights and PSU Banks rally; buoyancy witnessed in midcaps and smallcaps too..

1) Indian benchmark indices continued to rally touching fresh peaks for 12th straight session on Tuesday led by up move in Reliance Industries, State Bank of India, and Bharti Airtel lifted benchmark indices. The S&P BSE Sensex and Nifty touched 49,569 and 14,591 in the intra-day session today on the back of rally in the three heavyweights along with HDFC Bank, ITC, Bharti Airtel, and Axis Bank.

2) The S&P BSE Sensex was up by 248 points, or 0.5 per cent, higher at 49,517.11 levels on the BSE. Bharti Airtel and SBI each rallied by 4 per cent on the Sensex today, followed by gains in RIL, HDFC Bank, ITC, and NTPC, up between 1.4 per cent and 3 per cent. On the downside, Asian Paints, Titan, HUL, and Nestle slipped up to 3 per cent, putting a lid on gains.

3) On the NSE, the Nifty 50 closed above the 14,550-mark, at 14,563.45, up 79 points or 0.5 per cent.

4) In the broader market, the S&P BSE MidCap index ended the day at 19,208.6 level, up 0.4 per cent. It hit a fresh life-time high of 19,301.32 in the intra-day session. The S&P BSE SmallCap index, on the other hand, closed at 18,922.73 levels, up 0.25 per cent.

5) On the sectoral front, Nifty PSU Bank index rallied by 6 per cent on the NSE, shrugging off NPA concerns highlighted by the Reserve Bank of India a day earlier. J&K Bank and Bank of Baroda each rallied by10 per cent on the NSE today. Besides, Bank of India, Canara Bank, and Indian Bank gained up to 7 per cent.

6) Nifty Realty index was up 3 per cent, and Nifty Auto index, up 1.3 per cent, were other sectoral gainers.

Sectors and stocks

1) Shares of Tata Motors hit a fresh 52-week high of Rs. 249.50, up 13.35 per cent on the BSE on Tuesday, extending its Monday's 11 per cent rally, after the company's subidiary Jaguar Land Rover (JLR) posted second successive quarter-on-quarter recovery in sales, despite the continuing impact of Covid-19. The stock of Tata group commercial vehicles company was trading higher for the eighth straight day and has rallied 25 per cent during the period. JLR on Monday released its 2020 sales figures, which reflect a considerable hit as a result of the Covid-19 pandemic, but the company highlighted signs of recovery as sales in China remained strong."Retail sales for the quarter ending December 31, 2020 were 128,469 vehicles, 13.1 per cent higher than the 113,569 vehicles sold in the preceding quarter, but down 9 per cent on the same period last year. China sales were particularly encouraging, up 20.2 per cent on the prior quarter and 19.1 per cent year-on-year (YoY)," JLR said in a media statement. The management said JLR performance in China, the region least impacted by Covid-19 in the most recent quarter, has been particularly encouraging with our sales there growing on both a year-on-year and quarter-on-quarter basis. Other markets are also showing strong signs of recovery, despite second Covid waves across the globe, it said.

2) Shares of Tata group companies were in focus with five stocks – Tata Chemicals, Tata Consumer Products, Tata Elxsi, Tata Investment Corporation and Voltas – from the group hitting record highs on the BSE in the intra-day trade on Tuesday. Tata Consultancy Services (TCS) hit an all-time high on Monday, while Tata Motors, which has rallied 26 per cent in the past two trading days, was trading at its 52-week high level. In the past one month, most of the frontline Tata group stocks have outperformed the market by surging up to 35 per cent on improved economy outlook. In comparison, the S&P BSE Sensex was up 7 per cent during the same period. Tata Motors and Tata Elxsi soared 35 per cent and 33 per cent, respectively while Tata Power Company, TCS, Voltas, Tata Steel and Tata Metaliks gained in the range of 13 per cent to 18 per cent.

3) Shares of HDFC Bank rose for the third straight day and hit a fresh record high of Rs 1,488, up 2.5 per cent, on the BSE on Tuesday. The stock has risen 5 per cent in the past three trading sessions after foreign portfolio investors (FPIs) increased their stake in the private sector lender for the third quarter in a row. According to the December 2020 quarter shareholding pattern filed by HDFC Bank, FPIs stake in the bank increased to 39.35 per cent from 37.43 per cent at the end of September quarter. FPIs held 36.68 per cent stake in the March quarter and 37.04 per cent at the end of June quarter, data shows. During the nine months between March and December, FPIs purchased an additional 129 million, or 2.67 percentage point stake, in HDFC Bank. The bank's share price has more-than-doubled from its 52-week low level of Rs 739, touched on March 24, 2020. Meanwhile, last week, HDFC Bank reported a healthy 16 per cent year-on-year (YoY) or 4 per cent quarter-on-quarter (QoQ) credit growth at Rs 10.8 trillion for the October-December quarter (Q3FY21), mainly driven by retail (festive pick-up) and amid

continued momentum in working capital corporate loans.Deposit growth moderated further to 19 per cent YoY (3 per cent QoQ) to Rs 12.7 trillion, while the CASA ratio improved 140 basis points (bps) QoQ to 43 per cent - a phenomenon seen across banks.

4) Shares of GAIL (India) were up by 4 per cent to hit fresh 52-week high of Rs. 141.40 on the BSE in Tuesday's morning session after the company said its board will meet on Friday, January 15, to consider buyback of shares and interim dividend. In the past one week, the stock has rallied 11 per cent as against a 2-per cent gain in the S&P BSE Sensex. "The company's board will meet on January 15 to consider share buyback and also payment of interim dividend for the fiscal year ending March 2021," GAIL said in an exchange filing. The government, which holds 52.1 per cent of GAIL, is likely to participate in the GAIL buyback just as it did in the case of NTPC, Engineers India, RITES and KIOCL. As of September 30, 2020, the public shareholders held 47.89 per cent stake in GAIL, with foreign portfolio investors (15.09 per cent) and mutual funds (10.60 per cent) holding more than 10 per cent stake, shareholding pattern data shows. Oil and Natural Gas Corporation (4.86 per cent) and Indian Oil Corporation (2.43 per cent) collectively held 8.32 per cent of shares, data shows. In the past three months, the stock of GAIL India has outperformed the market by surging 66 per cent as compared to a 22-per cent rise in the S&P BSE Sensex.

Key recent developments

1) 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.

2) 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.

3) Prime Minister Narendra Modi on Monday 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. Today, he 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.

4) 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. EBIDTA (Earnings before Interest, Taxes, Depreciation and Amortisation) have become positive in first half of FY 2020-21 in both BSNL and MTNL," it said.

5) Automobile dealers' body FADA on Monday 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.

6) 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.

7) 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 mixed on Tuesday as investors took a break to assess how much worse the Covid-19 pandemic could get while waiting for a new earnings season on Wall Street to inject fresh direction. MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.5 per cent after touching an all-time high on Monday, led by a 2.6 per cent drop in South Korea as investors booked profits.

2) Japan's Nikkei touched fresh three-decade high, though the index eased to be 0.16% lower in the afternoon.

3) 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.

4) Chinese authorities last week imposed travel restrictions and banned gatherings in the capital city of Hebei province, which surrounds Beijing, to control the virus spread.

Ajcon Global’s view

1) Sentiments continued to remain upbeat as SIIs 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 sectors which faced the maximum price destruction when the initial lockdown was announced will recover at a rapid pace. Q3FY21 earnings season started on a positive note with TCS and Avenue Supermarts (Dmart) delivering strong result. Today rally was witnessed across the board. Despite higher valuations, Index heavyweights continued to rally.

2) Domestically, all eyes would be on ongoing Q3FY21 earnings season which is expected to be good. Union Budget and budget related stocks will continue to remain focus in January 2021 ahead of Union Budget to be announced in February 2021. Investors would 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 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. 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 the 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. 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.

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