



Dr. Ashok Ajmera (FCA), CMD & CEO

Dr. Ashok Ajmera's column as on July 17, 2021

Smallcaps and midcaps continue to rally; Q1FY22 earnings season has started on a good note..

- 1) Indian bourses ended the week in green. Both the indices hit their respective lifetime highs of 53,291 and 15,962 in intra-day session on Friday. On a weekly basis, S&P BSE Sensex was up by 1.44 percent and Nifty rose by 1.5 percent for the week. In the calendar year 2021 till date, Sensex has rallied by about 11 percent and the BSE 200 index has witnessed a rally of about 17 percent.
- 2) During the week, Foreign institutional investors (FIIs) were net sellers in the past few days.

Key recent major developments..

- 1) The Reserve Bank of India (RBI) on July 15, 2021 announced the second purchase of government bonds under the government securities acquisition programme 2.0 (G-SAP 2.0). This will be conducted for Rs. 20,000 crore on July 22. Further, the RBI said it reserves the right to decide on the quantum of purchase of individual securities, accept bids for less than the aggregate amount, purchase marginally higher/lower than the aggregate amount due to rounding off and accept or reject any or all the bids either wholly or partially without assigning any reasons.
- 2) The Organization of the Petroleum Exporting Countries said in its monthly report on Thursday that demand next year would rise by 3.4% to 99.86 million barrels per day (bpd), averaging more than 100 million bpd in the second half of 2022. "In 2022, healthy expectations for global economic growth in addition to improved containment of COVID-19 through the acceleration of vaccination programmes, effective treatment and natural immunisation, particularly in emerging and developing countries, along with frequent testing procedures, are assumed to spur consumption of oil next year to comparable pre-pandemic levels," OPEC said in the report.
- 3) US witnessed a big spike in inflation and registered highest spike in 13 years (since August 2008) to 5.4 percent. Earlier, US added a solid 850,000 jobs as economy extends its gains. The report from the Labor Department was the latest sign that the reopening of the economy is propelling a powerful rebound from the pandemic recession. Restaurant traffic across the country is nearly back to pre-pandemic levels, and more people are shopping, traveling and attending sports and entertainment events. The number of people flying each day has regained about 80 percent of its pre-COVID-19 levels.
- 4) The country's exports witnessed a rise of 48.34 per cent to USD 32.5 billion on account of healthy growth in shipments of petroleum products, gems and jewellery, and chemicals, leather and marine goods, according to the data released by the Commerce Ministry on Thursday. Imports in June too rose by 98.31 per cent to USD 41.87 billion, leaving a trade deficit of USD 9.37 billion as against a trade surplus of USD 0.79 billion in the same month last year. During April-June 2021, the exports increased by 85.88 per cent to USD 95.39 billion. Imports expanded to USD 126.15 billion during the first three months of the fiscal as against USD 60.44 billion in the same period last year,



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the data showed. Trade deficit during the quarter was aggregated at USD 30.75 billion as against USD 9.12 billion during April-June 2020.

- 5) Global rating agency Standard and Poor's affirmed India's sovereign rating at "BBB-" and maintained a stable outlook on the gradual recovery in the economy. India's recovery will gain pace through the second half of fiscal 2022 and into the following year, helping stabilise the country's overall credit profile, S&P said in a statement. But it warned that the country's fiscal settings are weak, and deficits will remain elevated ahead even as the government undertakes some consolidation. The country's strong external settings help buffer the risks associated with the government's high deficits and debt stock. India's economy is gradually recovering from a deep contraction in fiscal 2021 (year ended March 31, 2021) and a subsequent severe second wave of Covid-19. "We expect real GDP growth to rebound to 9.5% in fiscal 2022 on continued normalization of activity and progressively higher vaccination rates," the rating agency said.
- 6) The Consumer Price Index (CPI) or retail inflation slightly eased to 6.26 per cent in June which was above RBI's tolerance level. The retail inflation during the month of May stood at 6.30 per cent.
- 7) Index of Industrial Production (IIP) or the factory output, grew by 29.27 per cent on yoy basis in May 2021.
- 8) Goods and services tax collections fell below the Rs. 1-trillion mark for the first time in nine month in June, 2021 to a 10-month low, as economic activity got disrupted due to the second Covid-19 wave, official data showed. However, the collections are better than expected and will provide a cushion to the government to ramp up spending, going forward. GST collection stood at Rs. 92,849 crore in June compared with Rs 1.02 trillion the previous month and a record high of Rs. 1.41 trillion in April, data released by the ministry of finance showed on Tuesday. These figures pertain to transactions done in May, but collected in June. The collections in May are 2.1 per cent higher than the corresponding month of last year when the national unlocking process began after two months of intense movement curbs due to the pandemic. Meanwhile, May 2021 saw localised lockdowns across the country due to the devastating second wave. The collections in June are on expected lines as e-way bill generation, which indicates supply in the economy, declining to a one year low level average of 1.2 million per day in May.

Ajcon Global's observations and view..

- 1) Indian benchmark indices ended in green during the week. Good rally was witnessed in IT stocks led by strong management commentary and Q1FY22 results by IT companies so far. New age companies like Happiest Mind Technologies, Angel Broking, Datamatics Technologies, IRCTC, BSE, CDSL rallied significantly. Factors like good start to Q1FY22 earnings season with IT companies reporting strong performance, better than expected China's economic data, positive US employment data and other positive US economic indicators, rally in commodities, unlock in major states of the country led by significant decline of COVID-19 cases in the second wave with recoveries surpassing new cases by a big margin on a daily basis, vaccination drive going strongly, positive GDP figure, strong Q4FY21 result by majority of the Companies with good management commentary for the future are supporting sentiments. In addition to liquidity provided by FPIs in equities, there is good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis. However, concerns like spread of new variants of COVID-19 in many countries, high inflation globally and rising crude oil prices act as headwinds.
- 2) Investors are also hopeful that vaccine shortages will be resolved in some months as vaccine manufacturers' ramp up supplies. The entry of new vaccines is also expected to ease the supply crunch. India has given the first dose of covid antidote to 39.96 crores beneficiaries in the nationwide vaccination till date. According to a government official, two billion doses of Covid-19 vaccines will be made available in the country between August and December, enough to vaccinate the entire population.
- 3) It is advisable for investors to look out for stock specific opportunities and stay away from names which are suddenly rallying for no reason. After strong run up; some profit booking is warranted. We believe intermediate corrections will keep markets healthy. Investors will track global cues, crude oil prices, Q1FY22 earnings season, ongoing monsoon, vaccination drive and economic activity and COVID-19 cases for further direction. The key results to watch out in next week are HDFC Life, Bajaj Finance, Asian Paints, Bajaj Auto, HUL, ITC, ICICI Bank and JSW Steel)

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For research related queries contact:

Mr. Akash Jain – Vice President (Research) - research@ajcon.net

CIN: L74140MH1986PLC041941

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Website: www.ajcononline.com

Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062