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Wealth Wisdom

ALPHA INVESTOR

Weekly e-Newsletter

Highlights

- India's economic growth slowed to 5.4% in the 3rd of FY22
- Growth of eight core infra industries grew 3.7% in Jan'22
- India Manufacturing PMI surged to 54.9 in Feb'22
- GST collections grew 18% to over Rs 1.33 lakh crore in Feb'22
- Brent crude oil price soared past $118 a barrel
- Eurozone inflation accelerated in Feb'22 to hit a fresh record high of 5.8%

Indian Equity Market

Indian equity benchmarks extended losses for fourth straight week as investors globally overlooked reassuring comments from the Fed amid nervousness on the Russia-Ukraine war front coupled with surging oil prices.

Markets started the holiday truncated week on an optimistic note as traders opted to buy beaten down but fundamentally strong stocks. Traders also got some support from former vice-chairman of NITI Aayog Arvind Panagariya's statement that India is poised to grow at 7-8% over the next decade and be the third largest economy by 2030 on the back of four big reforms by the government.

Sentiments remain dampened as India's economic growth slowed to 5.4% in the third quarter of 2021-22 from GDP growth of 8.5% in the previous quarter (July-September) and 20.3% in April-June quarter. Some concern also came as India Ratings said the ongoing geopolitical risks arising from the Russia-Ukraine war would push India's import bills higher for items such as mineral oils and gas, gems and jewellery, edible oils and fertilisers.

Markets shrugged off macro-economic data where the growth of eight core infrastructure industries grew 3.7% in January 2022 as against 1.3% in the same month last year on better show by coal, natural gas and cement industries. The Nikkei India Manufacturing Purchasing Managers' Index (PMI) surged to 54.9 in February from 54.0 in January. Moreover, the seasonally adjusted Nikkei Services Business Activity Index surged to 51.8 in February from 51.5 in January. Meanwhile, GST collections grew 18% to over Rs 1.33 lakh crore in February 2022 even as the Omicron wave dented the month-on-month collection momentum.

Markets extended losses till end of the week as soaring crude prices due to supply disruptions from Russian sanctions dented investors' sentiment. Brent crude oil price soared past $118 a barrel on Thursday, the highest level in nine years, as escalated Russia-Ukraine conflict and tightened sanctions on Moscow by western countries, led by the United States, created supply and trade disruptions.

Inside the issue

Indian Indices Performance

BSE movement for the week

The Bombay Stock Exchange (BSE) Sensex slipped 1524.71 points or 2.73% to 54,333.81 during the week ended March 04, 2022. The BSE Midcap index losses 2.35% while Smallcap index slipped 0.62%.

NSE movement for the week

The Nifty slipped 413.05 or 2.48% to 16,245.35. On the National Stock Exchange (NSE), Bank Nifty was down by 5.55% to 34,407.80, Nifty Mid Cap 100 decreased 1.56% and Nifty Next 50 was down by 1.43%, Nifty IT was up by 2.09%.

INDICES PRICE TO EARNING (PE)

(Trailing)

S&P BSE 500: 23.02

NIFTY 500: 22.02

Equity Indices in US $ (YTD)

BSE Dollex 200: 1535.60(-9.17%)

Nifty 50 USD: 7390.79(-8.63%)

Industry & Economy

India's trade and current account deficits are likely to widen, putting pressure on the rupee, as global oil prices surge and the domestic economy reopens from a third wave of the pandemic.

The Reserve Bank of India (RBI) in its latest data has showed that aggregate sales of 1,701 listed manufacturing companies recorded a growth of 27.3% in the third quarter of 2021-22 (Q3FY22) on an annual basis, aided by high sales growth in petroleum, non-ferrous metals, iron and steel, chemicals and textiles industries. RBI released the data on the performance of the private corporate sector during the third quarter of 2021-22 drawn from abridged quarterly financial results of 2,744 listed Non-Government Non-Financial (NGNF) companies.

Debt Market

India's trade and current account deficits are likely to widen, putting pressure on the rupee, as global oil prices surge.

10Y benchmark yield traded range-bound tracking the fall in US Treasury yields and the depreciation in Rupee. 6.54 GS 2032 closed at 6.81%.

RBI set the cut-off of 7-day variable rate reverse repo at 3.99%. It received offers worth INR 2.25tn against the notified amount of INR 3tn.

In non-SLR segment, bond yields traded range bound. 5Y quality corporate names were quoted around 6.25% and the 10Y traded around 7.10% respectively in the PSU segment. 5-10s curve remains steep at ~85bps in PSU segment and at ~95bps in non-PSU segment.

Primary pipeline continues to build up with multiple issuances concentrated around 2Y maturity. In money market, AAA 3M CP closed at 4.20%.

MAJOR INDICATORS	
B Crude (USD/bbl)	118.11
Gold (USD/Oz)	1970.70
USD / INR	76.16
10 Yr G-sec Yield	6.81%
Policy Rates	
Repo	4.00%
Reverse Repo	3.35%
Bank Rate	4.25%
Reserve Ratios	
CRR	4.00%
SLR	18.00%
FII Flow (YTD 2021) US$ Mn	
Equity	(11147.94)
Debt	(302.14)
Hybrid	242.18
System liquidity	
Surplus/ Deficit	INR ~8 tn

FII Activity

Equity Market

FIIs were net sellers in equity segment in the week, with gross purchases of Rs.41,889.45 crore and gross sales of Rs.61,044.08 crore, leading to a net outflow of Rs.19,154.63 crore.

Debt Market

FIIs stood as net sellers in the debt segment with gross purchases of Rs.2,269.54 crore against gross sales of Rs.4,163.05 crore, resulting in a net outflow of Rs.1,893.51 crore.

Hybrid Market

In hybrid segment, FIIs stood as net sellers, with gross purchases of Rs.44.26 crore and gross sales of Rs.62.46 crore, leading to a net outflow of Rs.18.20 crore.

US Market

The U.S. markets ended lower during the passing week on rising concerns about growth due to the ongoing Russia-Ukraine war and a raft of sanctions imposed on Russia by the U.S. and Western allies. G7 nations agreed to exclude Russian banks from SWIFT, and Biden's administration announced that it would ban U.S. people and companies from doing business with the Bank of Russia, the Russian National Wealth Fund, and the Ministry of Finance.

On the economic front, economic activity in the U.S. has expanded at a modest to moderate pace since mid-January, according to the Federal Reserve's Beige Book. The Beige Book, a compilation of anecdotal evidence on economic conditions in each of the twelve Fed districts, noted that many districts reported that the surge in Covid-19 cases temporarily disrupted business activity as firms faced heighted absenteeism. The spike in Covid-19 cases was also blamed for a temporary weakening in demand in the hospitality sector in some districts, while severe winter weather was also cited as disrupting activity. While the Beige Book said manufacturing activity continued to grow at a modest pace, all districts noted that supply chain issues and low inventories continued to restrain growth, particularly in the construction sector.

The Labor Department released a report showing a modest decrease in first-time claims for U.S. unemployment benefits in the week ended February 26th. Besides, partly reflecting a spike in orders for transportation equipment, the Commerce Department released a report showing new orders for U.S. manufactured goods jumped much more than expected in the month of January.

U.S. would ban U.S. people and companies from doing business with the Bank of Russia, the Russian National Wealth Fund, and the Ministry of Finance.

European Market

European markets ended passing week on a lower note amid prolonged tensions in Ukraine. After a negative start of the week, markets remained volatile, as Sweden's trade surplus decreased in January. On an annual basis, exports grew 25.0% in January and imports rose 30.0%. Besides, the Swiss economy grew at a slower pace in the fourth quarter as the restrictive measures associated with the pandemic dampened economic activity.

Markets added losses towards end of the week, after Russia's manufacturing activity deteriorated in February. Further, Germany's exports and imports declined unexpectedly in January by 2.8% and 4.2% respectively. Economists had forecast a monthly growth of 2.0%.

On the inflation front, Eurozone inflation accelerated further in February to hit a fresh record high driven by energy prices. The flash estimate from Eurostat showed that inflation advanced to 5.8% in February from 5.1% in January. Besides, Germany's consumer price inflation accelerated in February, after slowing in the previous month.

Asian Market

Asian markets ended the passing week mostly in red terrain. Japanese shares ended lower by around two percent, as traders remained cautious with the Ministry of Internal Affairs and Communications stating that the unemployment rate in Japan came in at a seasonally adjusted 2.8% in January. Traders also took a note of the latest survey from Jibun Bank showed that the manufacturing sector in Japan continued to expand in February, albeit at a slower pace, with a manufacturing PMI score of 52.7.

Chinese shares ended marginally lower on worries over the worsening Ukraine crisis and property market uncertainties. However, losses remain capped as a private poll showed China's factory activity returned to growth in February, buoyed by expanding new orders.

Week Ahead

On the economy front, market-participants would be eyeing the data of Index of Industrial Production (IIP), which is scheduled to be release on March 11.

Traders will also be eyeing Deposit Growth and Bank Loan Growth scheduled to be release on March 11. The value of deposits in India increased 9.3% year-on-year in the fortnight ending January 14, 2021, while the value of loans in India increased 7.90% in February of 2022 over the same month in the previous year.

On the global front, investors will be eyeing macro-economic reports from world's largest economy, United States, starting with Balance of Trade, Redbook on March 8, followed by JOLTs Job Openings on March 9, Inflation Rate, Initial Jobless Claims on March 10 and finally Michigan Consumer Sentiment, Baker Hughes Total Rig Count on March 11.

Technical Viewpoint - S&P CNX Nifty

During the week, CNX Nifty touched the highest level of 16,815.90 on February 28 and lowest level of 16,133.80 on March 4. On the last trading day, the Nifty closed at 16,245.35 with weekly loss of 413.05 points or 2.48%.

For the coming week, 15,980.80 followed by 15,716.25 are likely to be good support levels for the Nifty, while the index may face resistance at 16,662.90 and further at 17,080.45 levels.

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