



ALPHA INVESTOR

Weekly e-Newsletter

Highlights

- India's merchandise exports rose 25.10% in Feb'22
- India's retail inflation at eight-month high in Feb'22
- The US Fed has raised the federal funds rate
- France's trade deficit declined in January
- France consumer price inflation accelerated in February to 3.6%
- EU harmonized inflation increased in February to 4.2%
- Core machine orders in Japan was up 5.1% on year in January

Indian Equity Market

The passing week turned out to be a splendid one for Indian equity markets, rallied for three out of four trading sessions, accumulating gains of around 4% each. Value buying at home front after the U.S. Federal Reserve's policy decision offered no surprises, while the promise of stimulus in China and optimism around peace talks in Ukraine also aided sentiment.

Markets started the holiday truncated week on an optimistic note taking support from Fitch Ratings' report that strengthening economic recovery and stable financial metrics will help state-owned banks have stable earnings during the next financial year, aided by the gradual unwinding of regulatory forbearance through the year. Adding optimism among the market participants, India's mer-

chandise exports rose 25.10% to \$34.57 billion in February 2022, on account of healthy growth in sectors like engineering, petroleum and chemicals.

On the very next day, markets witnessed selloff with traders turning cautious after report that India's retail inflation in February rose to an eight-month high of 6.07%, remaining above the upper limit of the central bank's comfort level of 6% for the second consecutive month. Meanwhile, wholesale price-based inflation grew at 13.11% in February as food prices hardened.

Some support also came as Minister of State for Finance Bhagwat Karad stating that banks have effected an aggregate recovery of Rs.7.34 lakh crore, in non-performing assets and

written-off loan accounts, including those reported as fraud during the past six financial years and the first six months of the current financial year.

Domestic sentiments remained positive during the trading session, supported with a private report stating that private equity and venture capital investments for the month of February 2022 were about \$5.8 billion, 2.3 times the value recorded in February 2021.

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Indian Indices Performance

BSE movement for the week

The Bombay Stock Exchange (BSE) Sensex surged 2313.63 points or 4.16% to 57,863.93 during the week ended March 17, 2022. The BSE Midcap index gained 2.21% and Smallcap index surged 2.08%.

NSE movement for the week

The Nifty surged 656.60 or 3.95% to 17,287.05. On the National Stock Exchange (NSE), Nifty Mid Cap 100 increased 2.72%, Nifty Next 50 gained 2.42%, Bank Nifty was up by 5.45% and Nifty IT was up by 0.83%.

INDICES PRICE TO EARNING (PE) (Trailing)

S&P BSE 500: 24.76

NIFTY 500: 23.33

Equity Indices in US \$ (YTD)

BSE Dollex 200: 1635.84(-3.24%)

Nifty 50 USD: 7900.38(-2.33%)

Industry & Economy

S&P Global Ratings in its latest report has said that large oil importers like India and Thailand will be the most affected among Asia-Pacific countries by the ongoing Russia-Ukraine war. S&P estimates the Indian economy to grow 7.8% in the next fiscal year beginning April 1, 2022. Besides, the economy is expected to grow 6% and 6.5% in 2023-24 and 2024-25, respectively. It project-

ed inflation at 5.4% in the current fiscal year. It said banks in Asia-Pacific (APAC) region have small direct exposure to Russia which will soften the impact of the conflict, but proximate downside risks -- in particular, actual and potential secondary economic and other risks -- lie ahead.

The value of deposits in India increased 9.3% YoY in the fortnight ending January 14 and Forex Reserves increased to \$631.92 billion in March 4.

Debt Market

10Y benchmark traded better tracking the move in US Treasury yields and fall in crude oil prices. It closed the session at 6.78%. Front-end bond yields rallied by 2-5bps. RBI set the cut-off of 8-day variable rate reverse repo auction at 3.99%. It received offers worth INR 571.2bn against the notified amount of INR 2tn.

Corporate bond yields move in-line with G-sec. In non-SLR segment, 5Y quality corporate names were quoted around 6.30% and the 10Y traded around 7.10% respectively in the PSU segment. 5-10s curve remains steep at ~80bps in PSU segment and at ~83bps in non-PSU segment.

Primary pipeline remains light with single issuance of 3Y maturity. In money market, AAA 3M CP closed at 4.20%.

MAJOR INDICATORS

B Crude (USD/bbl)	107.93
Gold (USD/Oz)	1921.62
USD / INR	75.80
10 Yr G-sec Yield	6.78%

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	(14715.63)
Debt	(695.10)
Hybrid	239.05

System liquidity

Surplus/ Deficit INR ~6 tn

FII Activity

Equity Market

FII's were net sellers in equity segment in the week, with gross purchases of Rs.34,397.30 crore and gross sales of Rs.35,308.11 crore, leading to a net outflow of Rs.910.81 crore.

Debt Market

FII's stood as net sellers in the debt segment with gross purchases of Rs.1,200.60 crore against gross sales of Rs.2,068.01 crore, resulting in a net outflow of Rs.867.41 crore.

Hybrid Market

In hybrid segment, FII's stood as net sellers, with gross purchases of Rs.42.34 crore and gross sales of Rs.66.46 crore, leading to a net outflow of Rs.24.12 crore.



US Market

The U.S. markets ended higher during the passing week after the Fed announced its widely expected decision to raise interest rates for the first time since December of 2018 to combat inflation which is at 40-year highs. The Fed said it has decided to raise the target range for the federal funds rate by 25 basis points to 0.25 to 0.5 percent. The central bank also predicted ongoing rate hikes will be appropriate, with the Fed's latest projections pointing to an interest rate of 1.9% by the end of the year. Additionally, the Fed said it expects to begin reducing its holdings of Treasury securities

and agency debt and agency mortgage-backed securities at a coming meeting. Potentially reflecting the impact of the invasion, Fed officials lowered their projections for GDP growth in 2022 to 2.8% from 4.0% and raised their projections for consumer price growth to 4.3% from 2.6%.

Besides, support also came in as business inventories in the U.S. increased in line with street estimates in the month of January, according to a report released by the Commerce Department. Retail inventories continued to lead the way higher, leaping by

2.0% in January. Meanwhile, optimism about a potential diplomatic solution to the ongoing Russia-Ukraine conflict also generated additional buying interest. Ukrainian President Volodymyr Zelenskyy said that the positions in the negotiations were beginning to sound more realistic, while Russian Foreign Minister Sergey Lavrov said there was some hope of reaching a compromise.

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European Market

European markets ended passing week in green, as investors indulged in hectic buying across the board amid hopes of progress in Russia-Ukraine peace talks. After a positive start of the week, markets remained higher during the week, as France's trade deficit declined in January as the exports increased 6.9% on month amid a fall of 0.6% in imports.

Indices added more gains towards the end of the week, after

Spain retail sales recovered in January, underpinned by non-food turnover. Besides, the UK labor market continued to recover in the three months to January despite rising headwinds.

On the inflation front, Germany wholesale price inflation accelerated further in February to 16.6% on higher raw materials and intermediate product prices. Besides, France consumer price inflation accelerated in February to 3.6%, as initially estimated. At

the same time, EU harmonized inflation increased in February, to revised 4.2% from 3.3% in January.

Asian Market

Asian markets, barring Shanghai Composite Index, ended in green terrain during the passing week, following the U.S. Federal Reserve's monetary policy announcement. Optimism about a potential diplomatic solution to the ongoing Russian invasion of Ukraine also generated buying interest.

Japanese Nikkei remained the top gainer in the Asian pack, rising by around six percent, as the Cabinet Office said the value

of core machine orders in Japan was up 5.1% on year in January-coming in at 899.6 billion yen. Meanwhile, the investors keenly waited for impending policy meeting by Bank of Japan by Monday.

However, Chinese Shanghai edged lower by around three percent, as the spreading new coronavirus outbreaks in China added to global uncertainty. Sentiment was also dented after data showed new bank lending

in China fell more than expected in February while broad credit growth slowed, raising pressure on the central bank to ease policy further to support the slowing economy. Investors ignored data showing that Chinese retail sales and industrial production grew more than expected in the January to February period.

Week Ahead

With no major economic announcement during the week, oil prices, FII fund activity, and the rupee's movement will guide the sentiment this week. Traders will be eyeing the data of Deposit Growth and Foreign Exchange Reserves, to be release on March 25. On the same day, Bank Loan Growth also going to release. 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 Chicago Fed National Activity Index on March 21, followed by Redbook on March 22, New Home Sales on March 23, Jobless Claims, Markit Composite PMI Flash, Kansas Fed Manufacturing Index on March 24 and finally Michigan Consumer Sentiment

Final, Baker Hughes Total Rig Count on March 25.

Technical Viewpoint - S&P CNX Nifty

During the week, CNX Nifty touched the highest level of 17,344.60 on March 17 and lowest level of 16,555.00 on March 15. On the last trading day, the Nifty closed at 17,287.05 with weekly gain of 656.60 points or 3.95%.

For the coming week, 16,779.83 followed by 16,272.62 are likely to be good support levels for the Nifty, while the index may face resistance at 17,569.43 and further at 17,851.82 levels.

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