26 March 2022

Wealth Wisdom

# ALPHA INVESTOR

Weekly e-Newsletter

**Highlights**

- India's forex declined $9.64 bn to $622.27 bn
- U.S. unemployment benefits fell to their lowest level in over 50 years
- UK govt lowered the economic growth forecast to grow 3.8%
- Eurozone private sector growth eased in March
- Manufacturing sector in Japan continued to expand in March
- People's Bank of China kept its benchmark interest rate unchanged

## Indian Equity Market

Indian equity benchmarks ended the passing week on disappointing note with frontline gauges went home with a weekly cut of three fourth of a percent as continued conflict in Ukraine pushed oil prices higher.

Markets made a pessimistic start to the week on report that the country's foreign exchange reserves declined $9.646 billion to $622.275 billion in the week ended March 11. Sentiments also remain dampened after retail inflation for farm workers and rural labourers rose to 5.59% and 5.94% respectively in February, mainly due to higher prices of certain food items.

On the very next day, markets recouped all the losses as traders turned optimistic, taking support from Reserve Bank Governor Shaktikanta Das' statement that the RBI will continue to ensure adequate liquidity to support the economy, which is facing many headwinds in the form of soaring crude oil and key commodity prices following the Russian invasion of Ukraine. Some support also came as Commerce and Industry Minister Piyush Goyal stating that several ministries, which are related to e-commerce, are deliberating on the e-commerce policy draft and it will be put out in the public domain after discussions.

However, markets started moving southwards from thereon to end lower for the week as investors kept an eye on rising crude oil prices. Brent crude futures traded near the $117 a barrel mark on global supply concerns amid the ongoing Russia-Ukraine conflict. Traders remained anxious with IMF Managing Director Kristalina Georgieva said that new International Monetary Fund forecasts due in April will show that the war in Ukraine will slow global economic growth but will not cause a global recession.

Traders also remain worried with the Ministry of Commerce & Industry's statement that total foreign direct investment (FDI) inflow to India declined to $74.01 billion in the calendar year 2021, which is 15% lower from $87.55 billion recorded in the previous year.

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## Indian Indices Performance

**BSE movement for the week**

The Bombay Stock Exchange (BSE) Sensex slipped 501.73 points or 0.87% to 57,362.20 during the week ended March 25, 2022. The BSE Midcap index losses 0.15%, while Smallcap index surged 0.34%.

**NSE movement for the week**

The Nifty slipped 134.05 or 0.78% to 17,153.00. On the National Stock Exchange (NSE), Nifty Next 50 down by 0.74% and Bank Nifty was down by 2.80% to 35,410.10, Nifty IT was up by 1.43% and Nifty Mid Cap 100 was up by 1.02%.

**INDICES PRICE TO EARNING (PE)**
(Trailing)

**S&P BSE 500:** 24.67

**NIFTY 500:** 23.22

**Equity Indices in US $ (YTD)**

**BSE Dollex 200:** 1620.14(-4.17%)

**Nifty 50 USD:** 7798.73(-3.59%)

## Industry & Economy

The UN Conference on Trade and Development (UNCTAD) in its latest report has downgraded India's economic growth by over 2 per cent to 4.6% for 2022 from earlier forecast of 6.7%. A decrease has been attributed to the ongoing war in Ukraine, with New Delhi expected to face restraints on energy access and prices, reflexes from trade sanctions, food inflation, tightening policies and financial instability.

The report also downgraded its global economic growth projection for 2022 to 2.6% from 3.6% due to shocks from the Ukraine war and changes in macroeconomic policies that put developing countries particularly at risk.

## Debt Market

The UN Conference on Trade and Development in its latest report has downgraded India's economic growth by over 2% to 4.6% for 2022

10Y benchmark traded range-bound somewhat tracking the fall in crude oil prices. 6.54 GS 2032 closed at 6.81%. RBI set the cut-off of 14-day variable rate reverse repo auction at 3.99%. It received the offers worth INR 2.3tn against the notified amount of INR 5.5tn.

Corporate bond yields traded range bound. 5Y quality corporate names were quoted around 6.28% and the 10Y traded around 7.08% respectively in the PSU segment. 5-10s curve remains steep at ~80bps in PSU segment and at ~81bps in non-PSU segment.

Primary pipeline continues to build up with multiple issuances concentrated around 3-5Y maturity. In money market, AAA 3M CP closed at 4.20%.

**MAJOR INDICATORS**

| | |
|---|---|
| B Crude (USD/bbl) | 120.65 |
| Gold (USD/Oz) | 1958.29 |
| USD / INR | 76.20 |
| 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 | (14644.68) |
| Debt | (803.72) |
| Hybrid | 233.23 |

**System liquidity**

Surplus/ Deficit INR ~5 tn

## FII Activity

### Equity Market

FIIs were net buyers in equity segment in the week, with gross purchases of Rs.65,600.70 crore and gross sales of Rs.65,071.11 crore, leading to a net inflow of Rs.529.59 crore.

### Debt Market

FIIs stood as net sellers in the debt segment with gross purchases of Rs.3,077.44 crore against gross sales of Rs.3,145.43 crore, resulting in a net outflow of Rs.67.99 crore.

### Hybrid Market

In hybrid segment, FIIs stood as net sellers, with gross purchases of Rs.125.10 crore and gross sales of Rs.169.38 crore, leading to a net outflow of Rs.44.28 crore.

## US Market

The U.S. markets ended mostly higher during the passing week as falling jobless claims added to confidence in the U.S. economic recovery. First-time claims for U.S. unemployment benefits fell to their lowest level in over 50 years in the week ended March 19th, according to a report released by the Labor Department. Meanwhile, traders also kept an eye on any developments out of Europe, where President Joe Biden is meeting with U.S. allies in Brussels.

However, upside remained capped as the Commerce Department released a report showing new orders for U.S. manufactured durable goods tumbled by 2.2%, much more than expected in the month of February. The much bigger than expected decrease in durable goods orders came as orders for transportation equipment plunged by 5.6% in February after surging by 3.2% in January. Orders for non-defense aircraft and parts led the way lower, plummeting by 30.4% in February after soaring by 10.9% in January.

Excluding the steep drop in orders for transportation equipment, durable goods orders fell by 0.6% in February after climbing by 0.8% in January. The unexpected drop in ex-transportation orders reflected notable declines in orders for machinery, computer and electronic products and primary metals. Besides, new home sales in the U.S. unexpectedly extended the previous month's sharp pullback in the month of February by 2.0%, according to a report released by the Commerce Department.

With Europe depending heavily on Russian gas for heating and power generation, the European Union is split on whether to sanction Russia's energy sector.

## European Market

European markets ended passing week in red terrain. The start of the week was on a lower note, as Italy's trade balance swung to deficit in January, as imports rose faster than exports. Besides, the UK government drastically lowered the economic growth forecast for this year as higher inflation is expected to erode real incomes and consumption. Gross domestic product is now forecast to grow 3.8% this year, which is much less than the 6.0% projected in October. Growth is expected to slow further to 1.8% next year, then rise to 2.1% in 2024.

Markets remained lower during the week, after Germany's private sector growth eased in March due to the combination of rising prices, material shortages, geopolitical uncertainty and COVID-related absences. Further, Eurozone private sector growth eased in March as the economic impact of Russia's invasion of Ukraine offset a boost to demand from the further reopening of the economy from COVID-19 restrictions.

On the inflation front, Germany's producer prices continued to accelerate on energy prices in February. Besides, UK consumer price inflation rose further to 6.2% in February to the highest since 1992.

## Asian Market

Asian markets ended mostly in green terrain during the passing week as Western government promised more sanctions on Russia and improved U.S. jobless claims data stocked concerns about faster-than-expected tightening by the Federal Reserve. Hong Kong's Hang Seng Index fell as data showing that Hong Kong's consumer price inflation rose 1.6% yoy in February.

Japanese Nikkei remained the top gainer in the Asian pack, rising by over 5.5% after the latest survey from Jibun Bank showed the manufacturing sector in Japan continued to expand in March, and at a faster pace, with a manufacturing PMI score of 53.2. The survey also showed that the services PMI climbed to 48.7 from 44.2 and the composite PMI improved to 49.3 from 45.8.

Chinese Shanghai edged marginally lower due to peaking Covid cases, persisting geo-political uncertainties and soaring inflation. Some concern also came as the People's Bank of China kept its benchmark interest rate unchanged, raising concerns whether there would be adequate policy support to spur growth.

## Week Ahead

The next week is likely to see some volatility with scheduled F&O series expiry on 31 March and traders balancing their positions going ahead for the next series. On the economy front, market-participants would be eyeing the data of Consumer Price Index (CPI) which is scheduled to be release on March 31. CPI in India went up 3.7% year-on-year in January of 2022, easing from an upwardly revised 4.1% rise in December.

The coming week is also going to be a start of a new month and both cement and auto stocks in the next week would be buzzing on reporting monthly sales figures. On April 01, Balance of trade will also be released. India's trade deficit was revised lower to USD 20.88 billion in February of 2022, compared to a preliminary estimate of USD 21.1 billion and a USD 13.12 billion a year earlier.

Meanwhile, Nepal Prime Minister Sher Bahadur Deuba would travel to India next week on a maiden three-day official visit from April 1 to 4 where he would hold talks with his Indian counterpart Narendra Modi and other senior leaders.

On the global front, investors will be eyeing macro-economic reports from world's largest economy, United States, starting with Redbook, Dallas Fed Services Index on March 29, followed by Corporate Profits on March 30, Initial Jobless Claims, Chicago on March 31 and finally Unemployment Rate, Baker Hughes Oil Rig Count on April 01.

**Technical Viewpoint - S&P CNX Nifty**

During the week, CNX Nifty touched the highest level of 17,442.40 on March 23 and lowest level of 17,006.30 on March 22. On the last trading day, the Nifty closed at 17,153.00 with weekly loss of 134.05 points or 0.78%.

For the coming week, 16,958.73 followed by 16,764.47 are likely to be good support levels for the Nifty, while the index may face resistance at 17,394.83 and further at 17,636.67 levels.

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@wealthwisdom1

/wealthwisdomconsultants

/wealthwisdom

wealthwisdom.in

mail@wealthwisdom.in

Wealth Wisdom