



# Current Market Scenario

## 08 Jan 2022

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# Markets on Consolidation



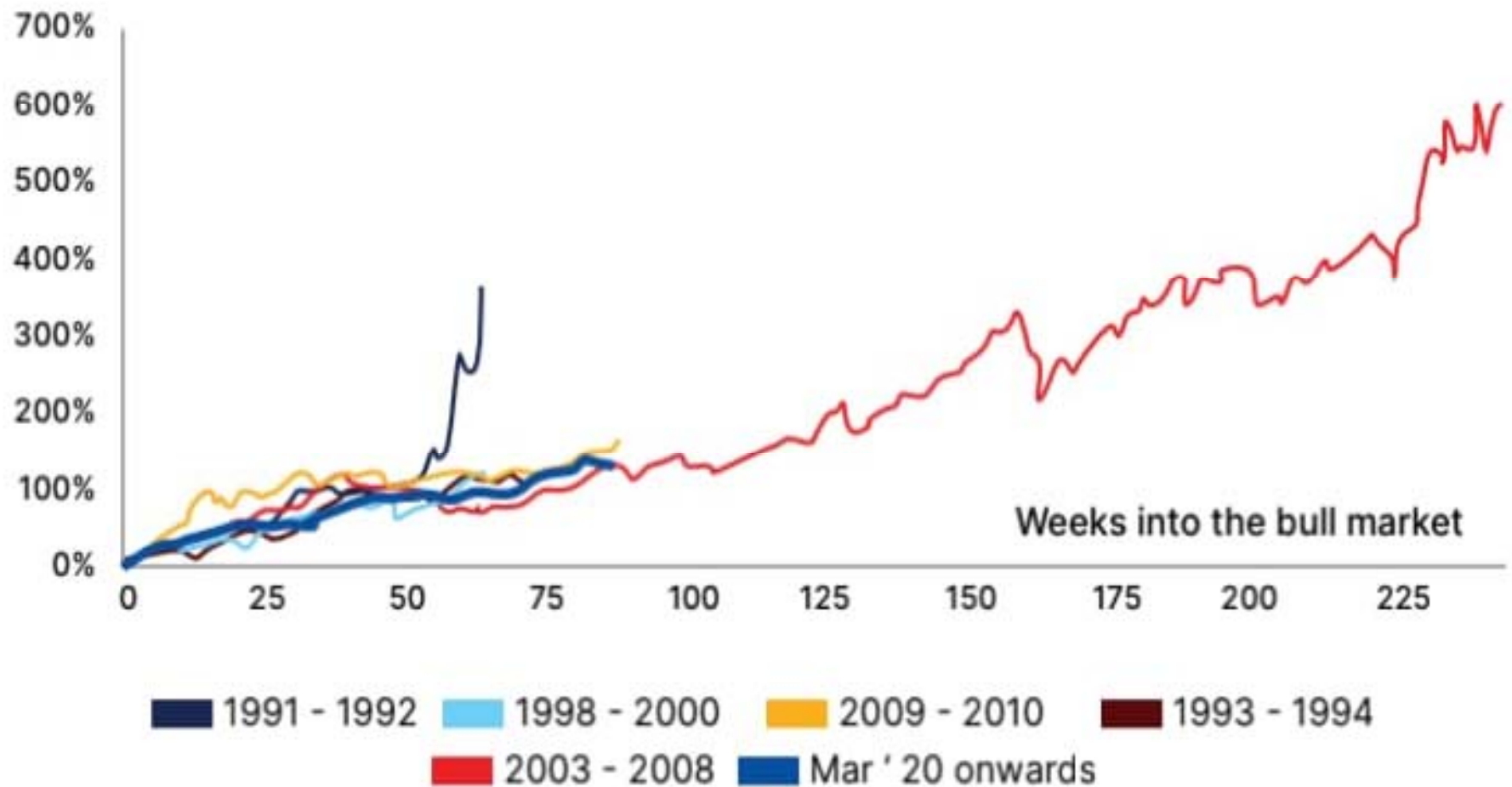
- Covid New Wave starts
- Foreign investors on sidelines
- Hectic activity in “Cats and Dogs”
- Crude Oil spikes again

## INDEX WATCH

<b>INDEX</b>	<b>7, Jan</b>	<b>11, Dec</b>	<b>% Change</b>
Nifty	17,812	17,511	+ 1.7
Sensex	59,744	58,786	+ 1.6
Nifty Midcap	31,111	31,203	- 0.2
BSE Small Cap	30,032	29,260	+ 2.6

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# Bull market cycles



Source: BSE, Morgan Stanley Research

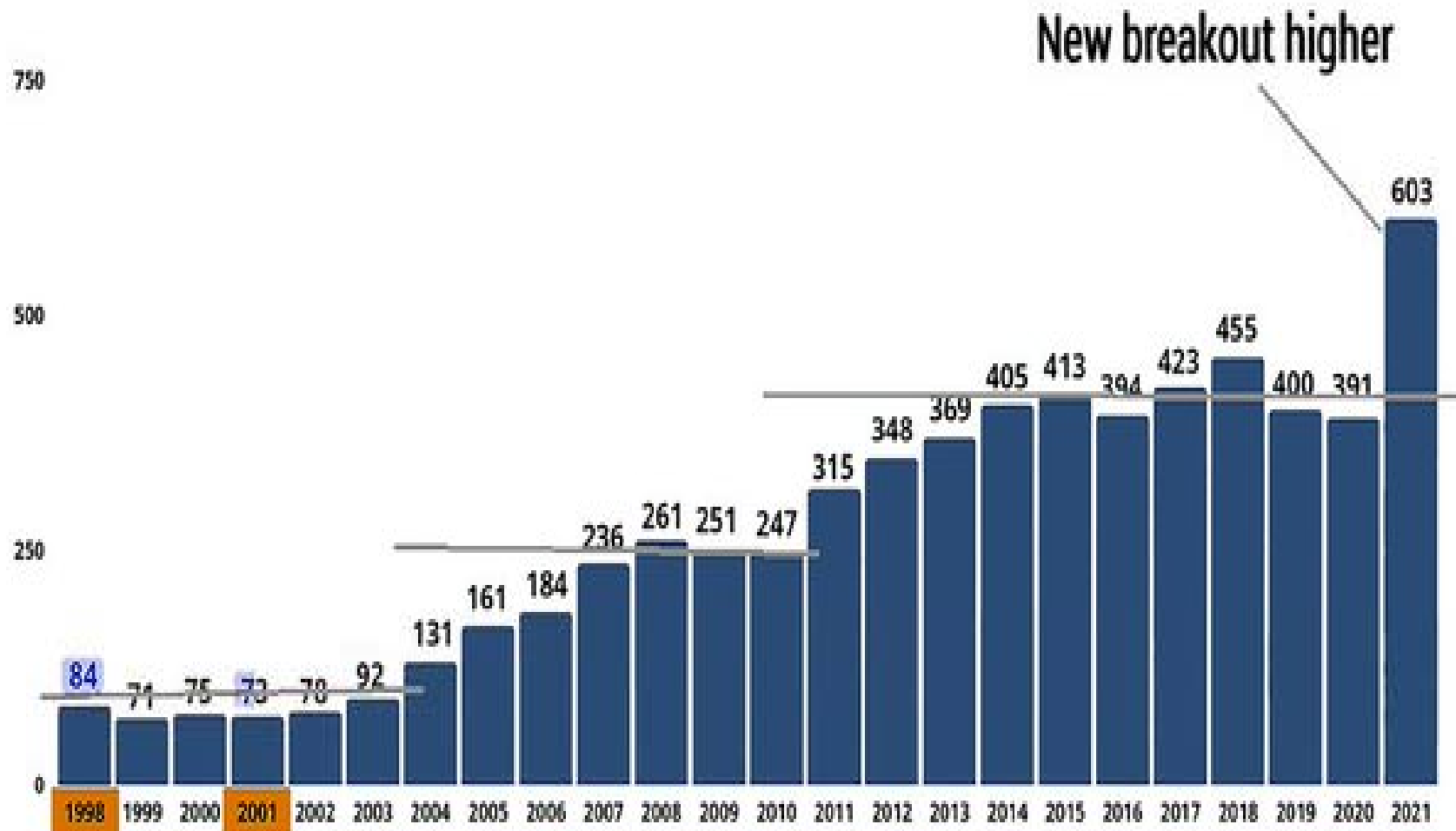
# Readings from Bull Market Cycles



- Time wise current bull market is matured
- Earnings support is crucial for bull market sustainability
- 2003-08 is the longest bull market in history with over 600% index return backed by earnings growth
- Repeat of 2003-08 type bull market is difficult
- Current bull market is around 100 weeks old with over 100% gain

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# Nifty 50 EPS Over The Years



Source: CK Narayan

Bloomberg | Quint

## Journey of Sensex in Calendar Years

Date	Sensex	Date	Sensex	Gain/Loss
01-01-2001	3,955	31-12-2001	3,262	-17.52%
01-01-2002	3,246	31-12-2002	3,377	4.04%
01-01-2003	3,390	31-12-2003	5,839	72.24%
01-01-2004	5,915	31-12-2004	6,603	11.63%
03-01-2005	6,679	30-12-2005	9,398	40.71%
02-01-2006	9,390	29-12-2006	13,787	46.83%
02-01-2007	13,942	31-12-2007	20,287	45.51%
01-01-2008	20,301	31-12-2008	9,647	-52.48%
01-01-2009	9,903	31-12-2009	17,465	76.36%
04-01-2010	17,559	31-12-2010	20,509	16.80%
03-01-2011	20,561	30-12-2011	15,455	-24.83%
02-01-2012	15,518	31-12-2012	19,427	25.19%
01-01-2013	19,581	31-12-2013	21,171	8.12%
01-01-2014	21,140	31-12-2014	27,499	30.08%
01-01-2015	27,508	31-12-2015	26,118	-5.05%
01-01-2016	26,161	30-12-2016	26,626	1.78%
02-01-2017	26,595	29-12-2017	34,057	28.06%
01-01-2018	33,813	31-12-2018	36,068	6.67%
01-01-2019	36,255	31-12-2019	41,254	13.79%
01-01-2020	41,306	31-12-2020	47,751	15.60%
01-01-2021	47,869	31-12-2021	58,253	21.69%



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# “Cats and Dogs” Running Up



- Many stocks with questionable corporate governance or poor business fundamentals are going up sharply
- In social media world stories and rumours can be easily build and spread
- Generally first time investors fall prey to these stories easily
- In past many times these instances has happened and all ended badly

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# 2022 – Major Expected Events



- US Fed rate and RBI rate hike
- Disruption themes like EV, renewable energy may see reality check
- Valuation compression may happen in new businesses

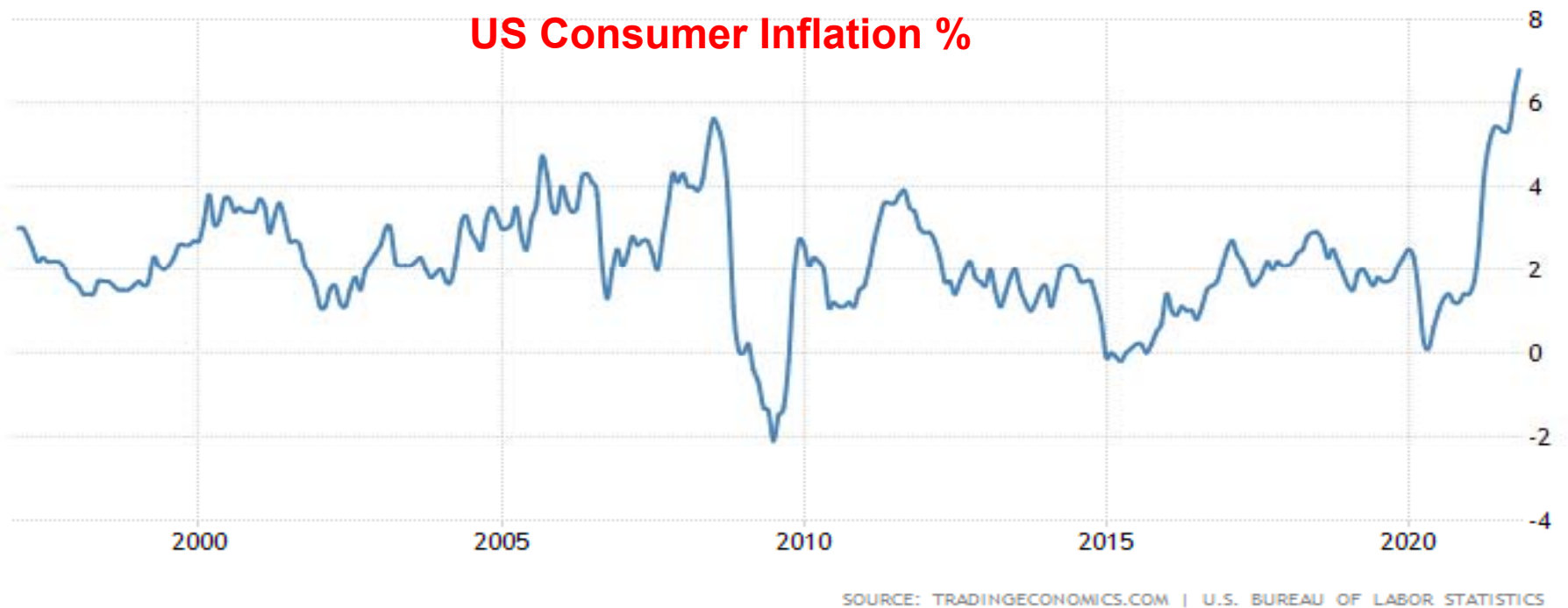


# Domestic EV Plays



Company	Details
Tata Motor	EV manufacturer
Tata Power	Charging Station
Tata Chem	Lithium Ion
KPIT Technology	Auto IT solution provider
JBM Auto, Olectra	EV manufacturer
Minda Ind, Minda corp, Sona Comstar	Auto ancillary

## US Fed Mandate – To keep Inflation under control and enable job creation



# Liquidity Impact



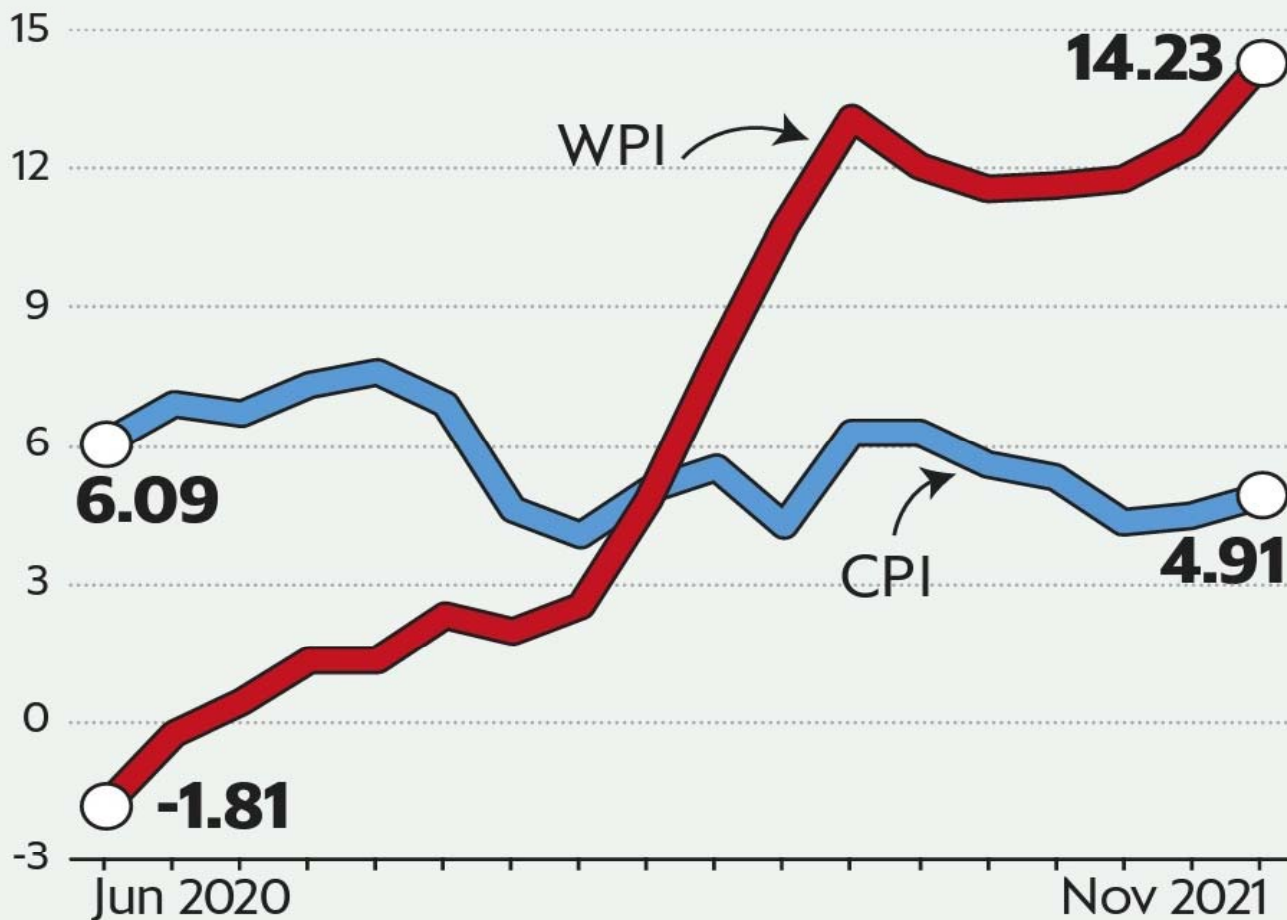
- Liquidity gives support to valuation
- If liquidity dries, valuation compression will happen even fundamentals support

### There is a massive meltdown in Nasdaq stocks



# Inflation divergence

A widening gap between wholesale and consumer prices points to inflation risks that would materialize as high input costs get passed on to retail consumers.



Source: Government of India

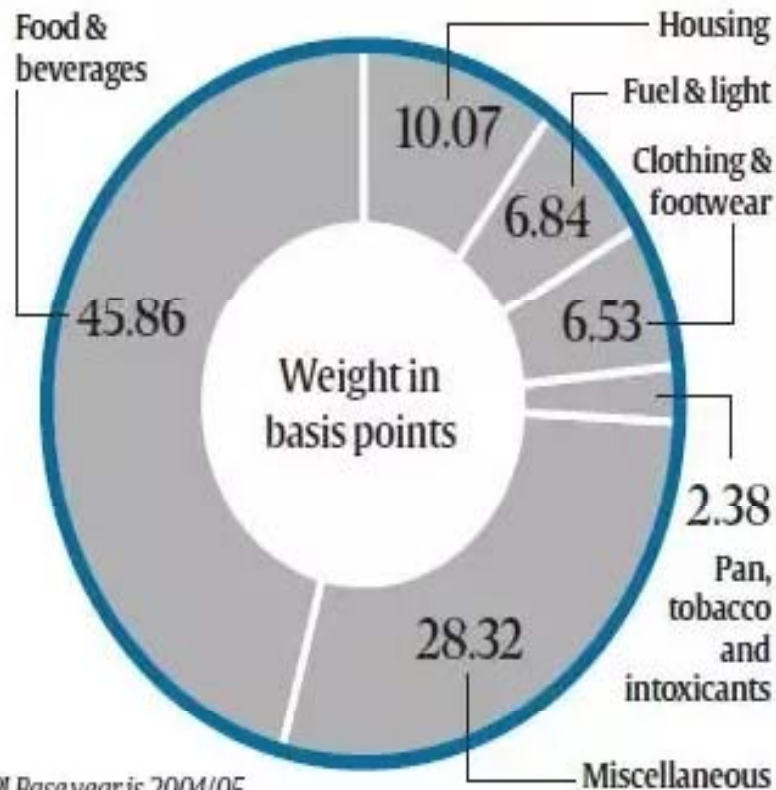


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# CPI Vs WPI

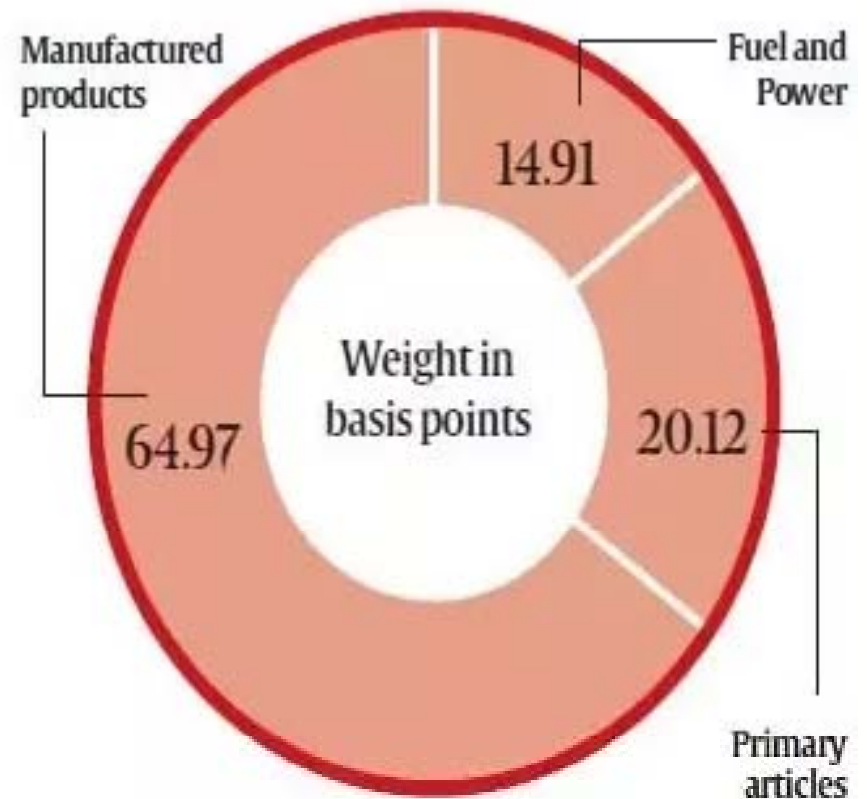


## CONSUMER PRICE INDEX



WPI Base year is 2004/05  
CPI Base year is 2012

## WHOLESALE PRICE INDEX



# Covid Fear Resurfaces



- Global Covid daily infections at record high
- Omicron Variant more contagious than Delta but till now less severe.
- Full lockdown unlikely unless hospitals see overflow of patients

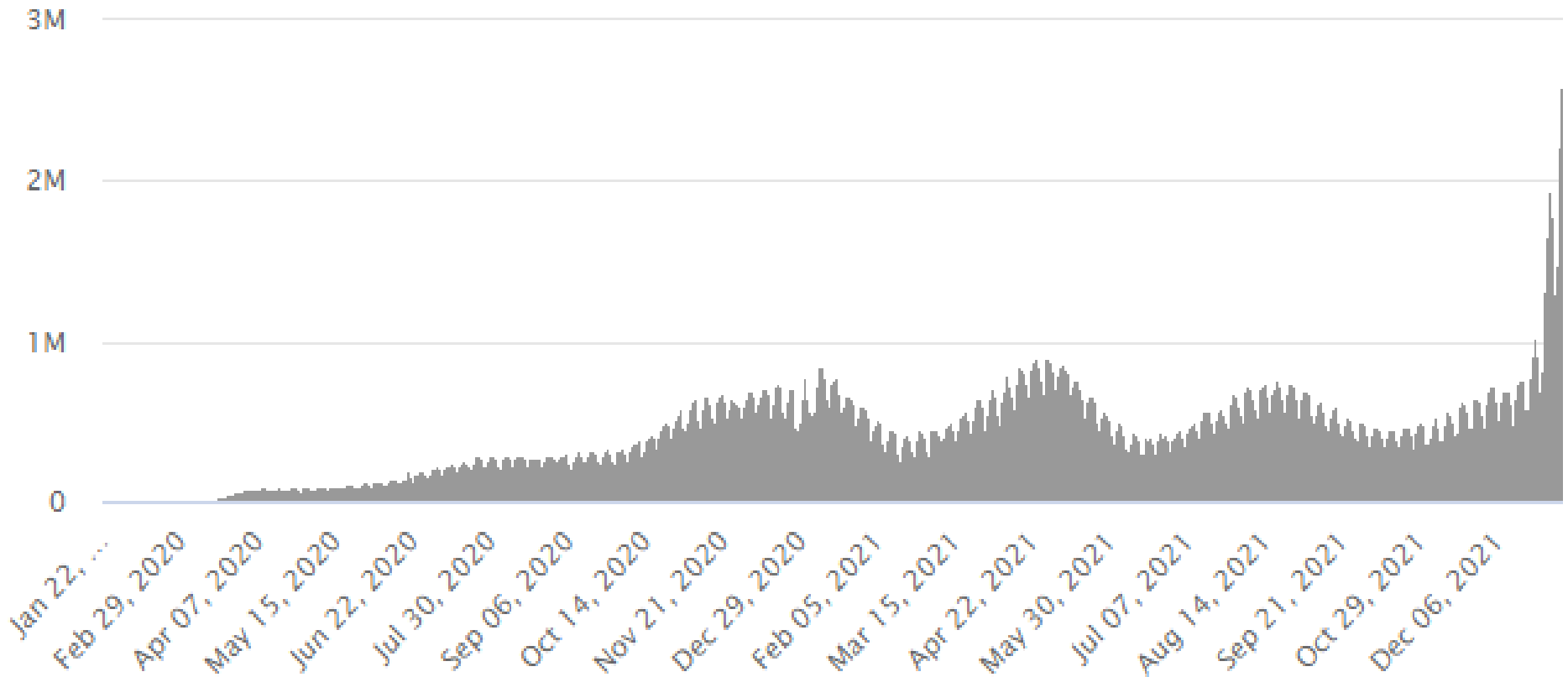


# Global Covid Cases – All Time High



## Daily New Cases

Cases per Day  
Data as of 0:00 GMT+0

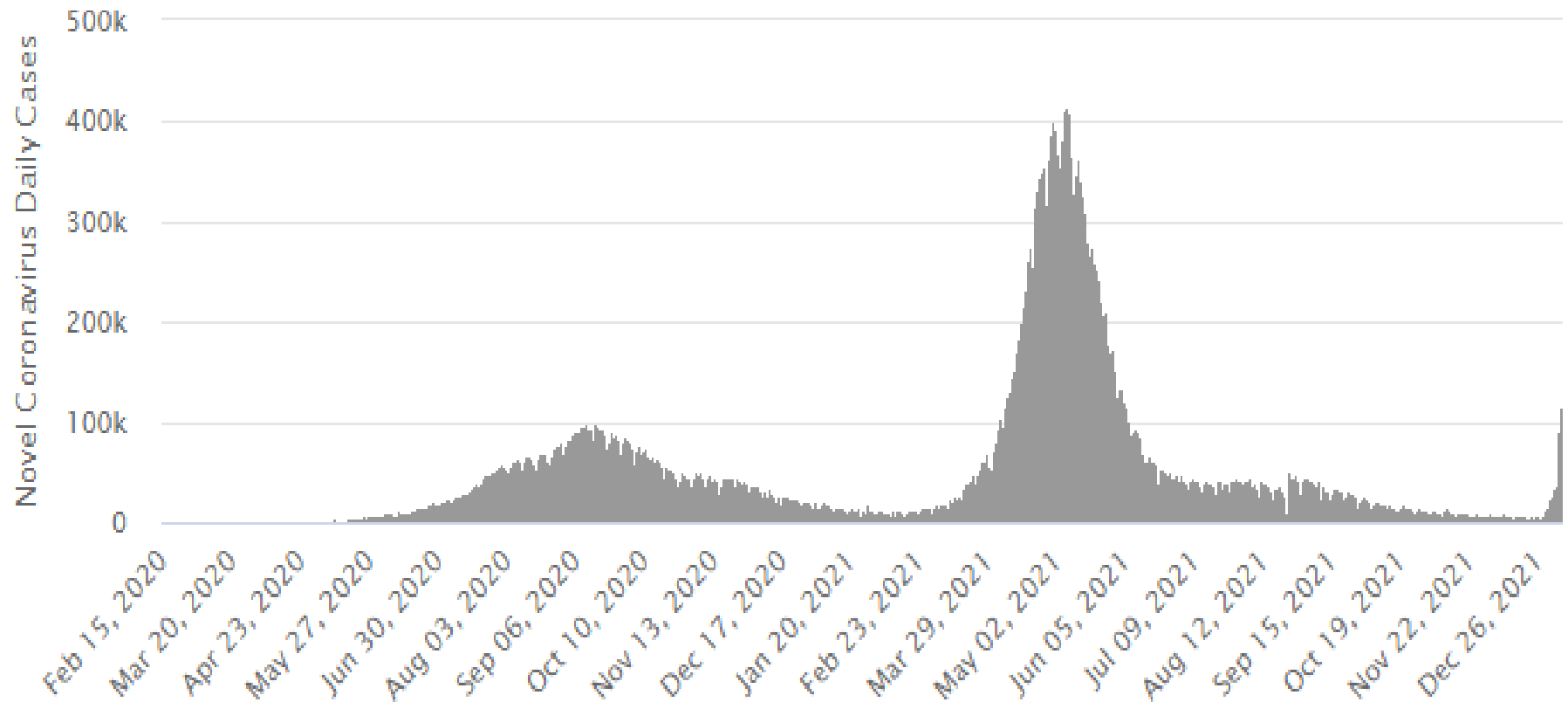


# India Third Covid Wave Starts



## Daily New Cases

Cases per Day  
Data as of 0:00 GMT+0



# Q3 Earnings Review



- IT , Banks to post decent results
- Steel, Cement to see QoQ dip in profit
- Pharma to post mixed results
- FMCG, Consumers , Autos to see margin pressure

# Mumbai Property Sales Zoom

Year	Property Sale Registrations (Units)	YoY Change (%)
2013	64,242	
2014	63,636	-0.9
2015	67,400	5.9
2016	63,255	-6.1
2017	68,659	8.5
2018	80,746	17.6
2019	67,863	-16.0
2020	65,633	-3.3
2021	111,552	70.0

Source: Maharashtra Government; Knight Frank India Research

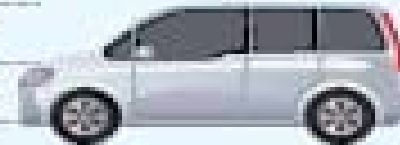
# Auto Sales Remain Weak



## On a skid

### Passenger Vehicles

	Dec 2021	Dec 2020	% change
Maruti Suzuki	1,23,016	1,40,754	-13
Hyundai Motor	32,312	47,400	-32
Tata Motors	35,299	23,545	50
Mahindra & Mahindra	17,722	16,182	10
Honda Cars	7,973	8,638	-8
MG Motors*	2,550	4,010	-36
Nissan	3,010	1,159	160
Skoda Auto	3,234	1,303	148



### Two-wheelers

Hero MotoCorp	3,74,485	4,25,033	-12
Royal Enfield	65,187	65,492	-0.47



### Commercial vehicles

Volvo Eicher	6,154	4,892	60
Tata Motors	31,008	29,885	4
M&M	18,418	16,795	10
Maruti Suzuki (Super Carry)	3,015	5,726	-47



### Tractors

M&M	16,687	21,173	-21
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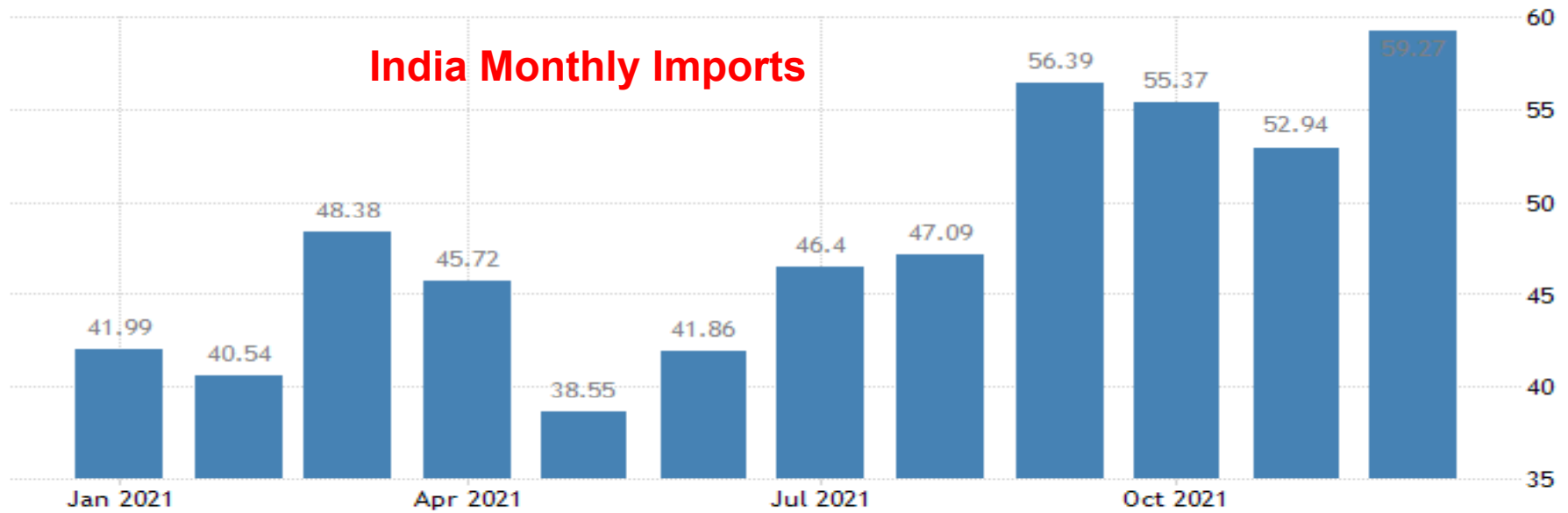
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## India Monthly Exports



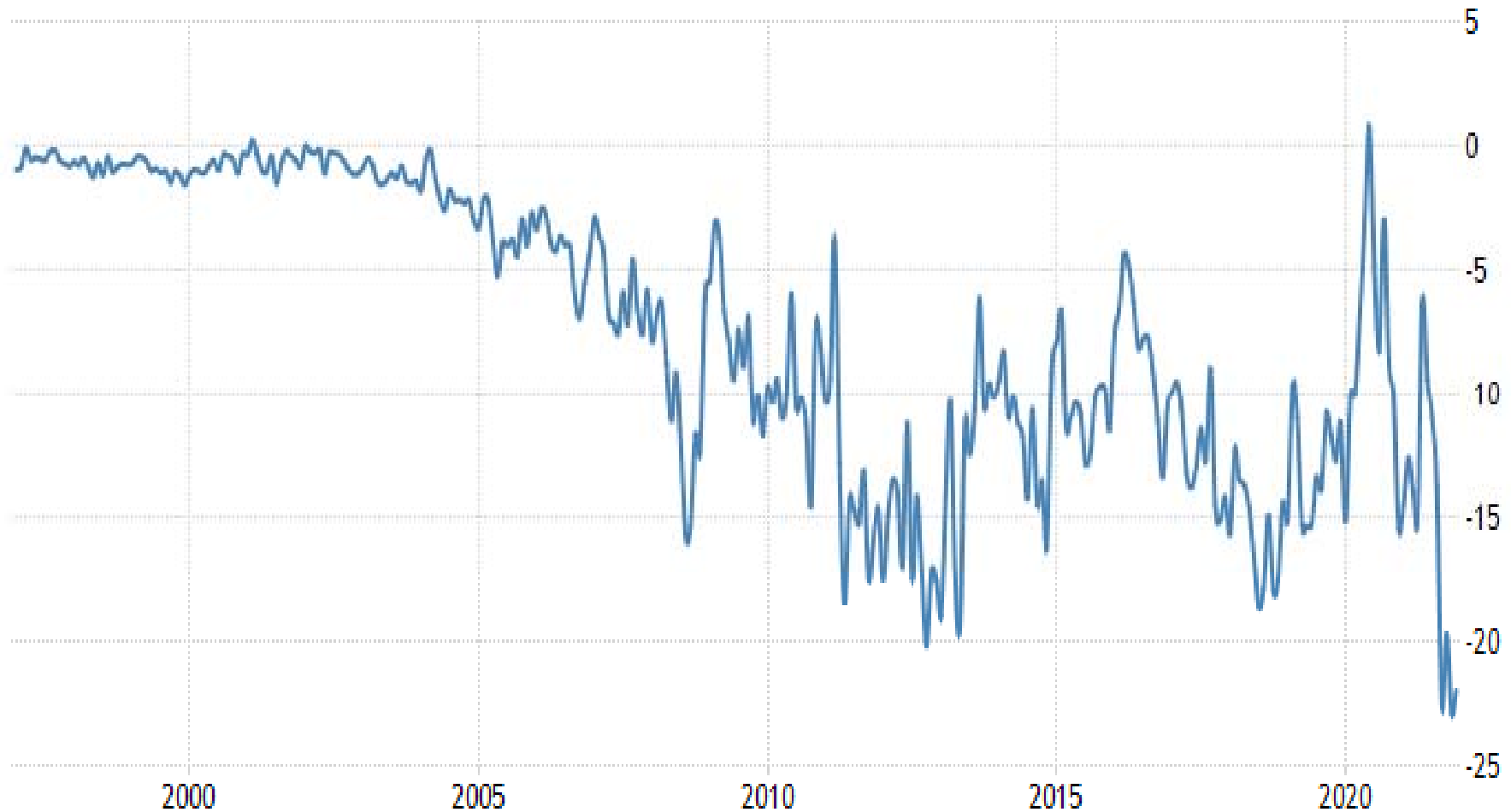
SOURCE: TRADINGECONOMICS.COM | MINISTRY OF COMMERCE AND INDUSTRY, INDIA

## India Monthly Imports



SOURCE: TRADINGECONOMICS.COM | MINISTRY OF COMMERCE AND INDUSTRY, INDIA

# India Trade Deficit widens

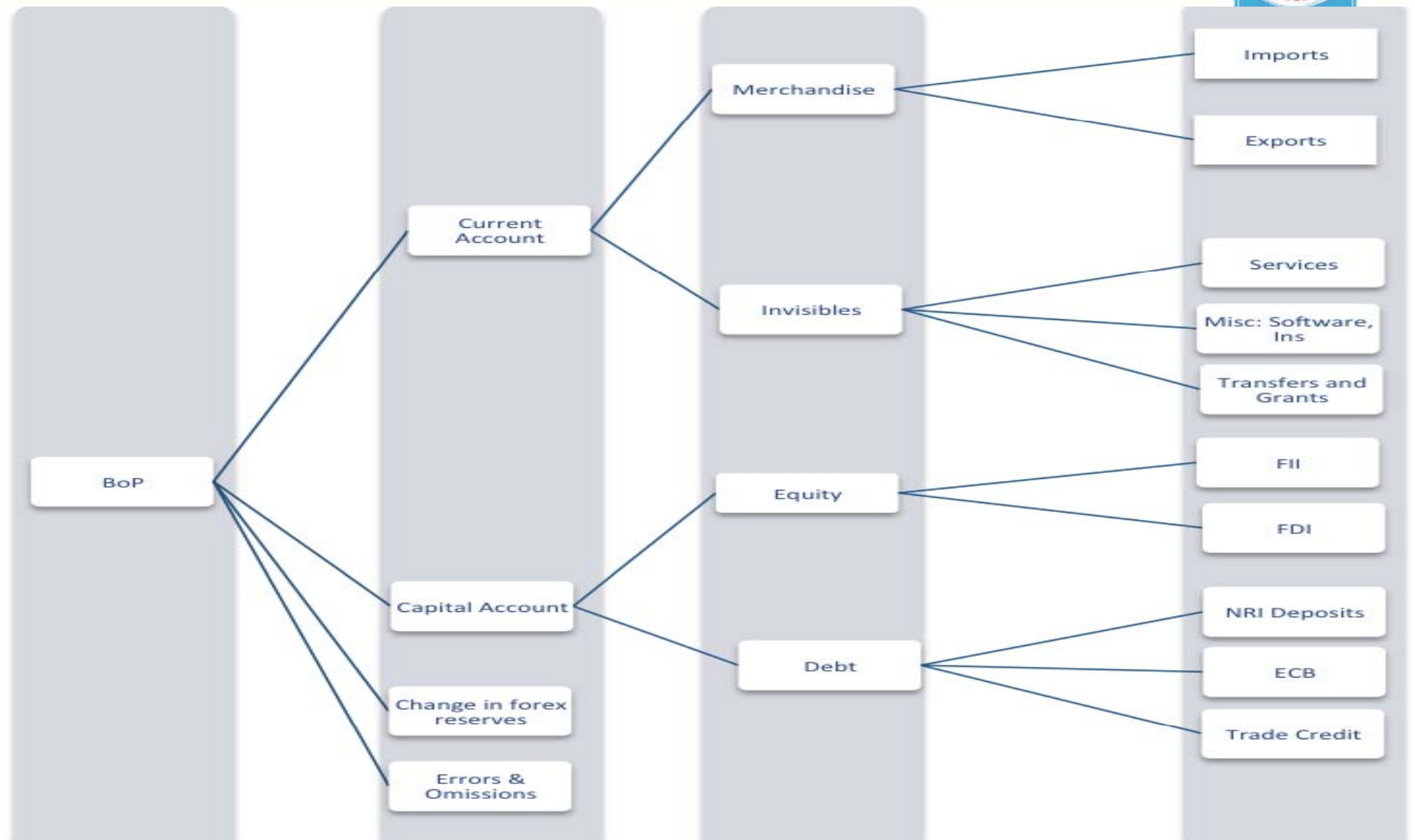


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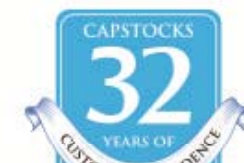




# Balance of Payment - Explained



# Higher Agri Yield – Saving India

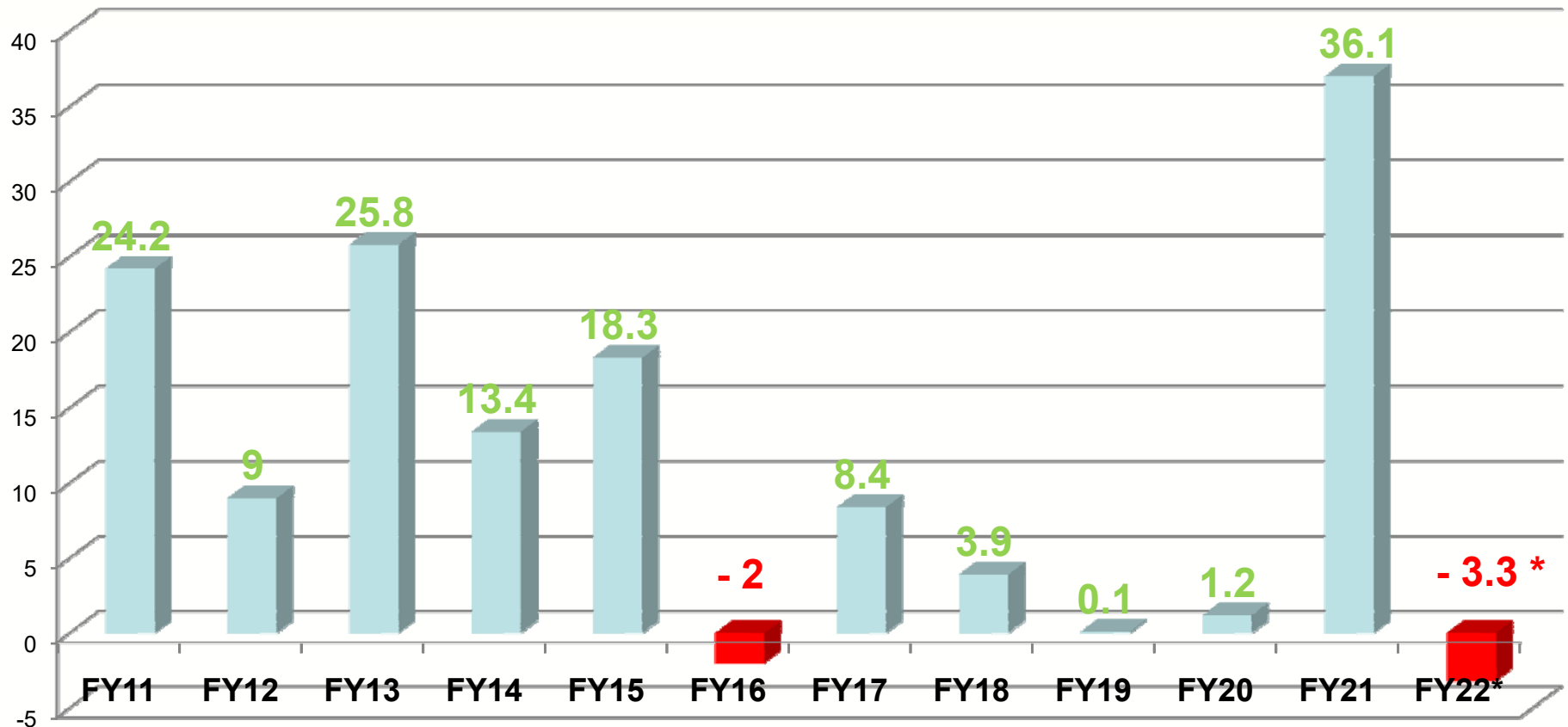


Year	Food Grains		
	Area (Mn ha)	Production (Mn Mt)	Yield (kg/ha)
1990-91	127.8	176.4	1,380
1995-96	121.0	180.4	1,491
2000-01	121.1	196.8	1,626
2005-06	121.6	208.6	1,714
2010-11	126.7	244.5	1,930
2011-12	124.8	259.3	2,078
2012-13	120.8	257.1	2,129
2013-14	125.0	265.0	2,120
2014-15	124.3	252.0	2,028
2015-16	122.7	252.2	2,056
2016-17	129.2	275.1	2,129
2017-18	127.6	284.8	2,233
2018-19	124.2	283.4	2,281
2019-20	127.6	296.7	2,325

# FPI on Continuous Selling Mode



FPI Flows in US Bn \$



•Till Jan 5<sup>th</sup>

Secondary market selling - \$13 Bn

Primary Market buying + \$9 Bn

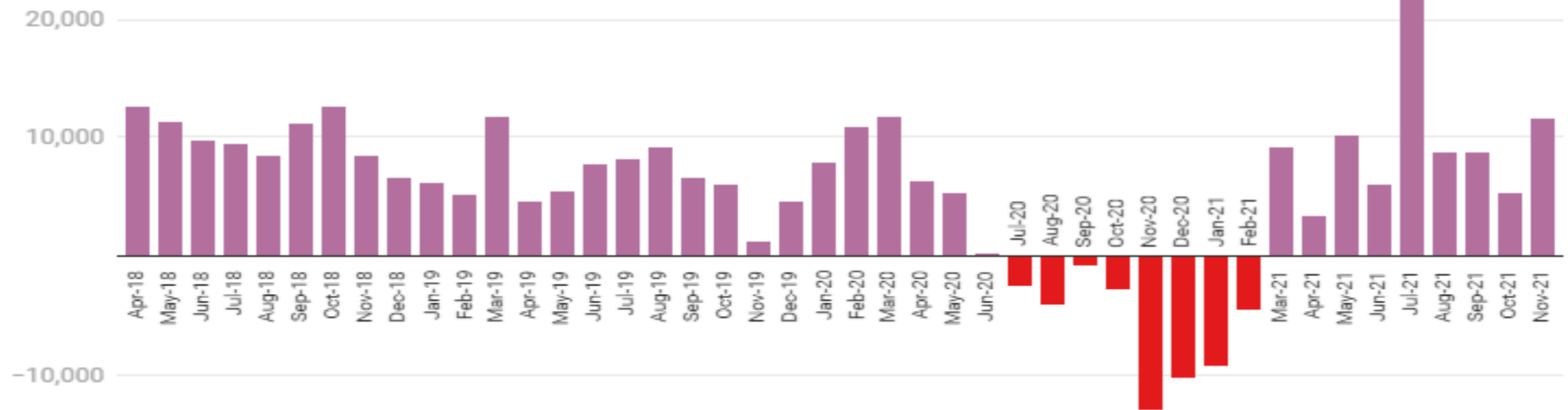
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# Equity Mutual Fund Flows



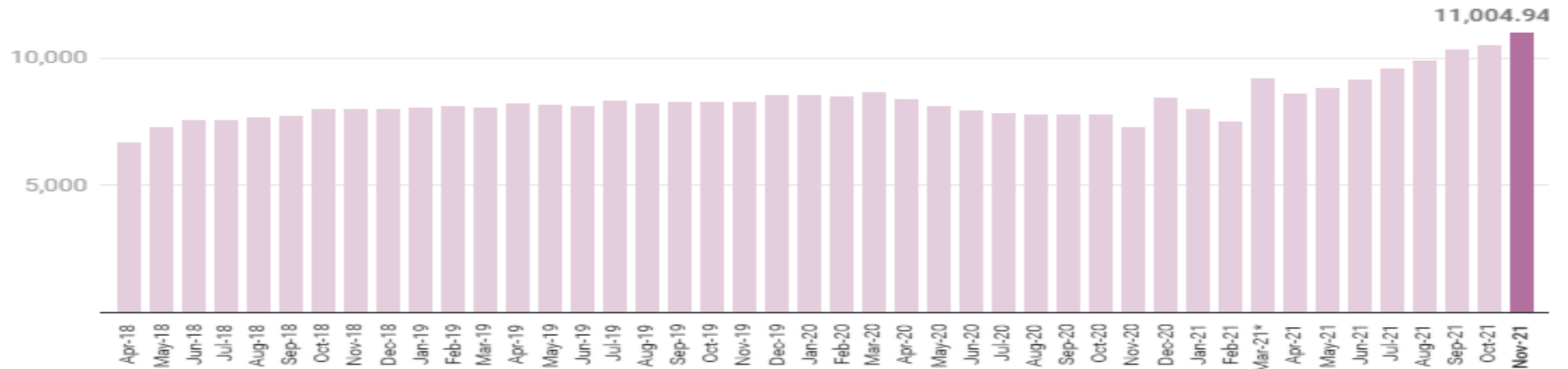
## Net Equity Inflows

(Rs crore)



## SIP CONTRIBUTION

Net investments (Rs crore)



# Conclusion



- Not expecting major fall in market with a hope that Omicron wave will recede within two months
- Market will see pre budget rally
- Play with “Cats and Dogs” only if you understand the risk or have exit strategy

# Events To Watch



- Foreign flows
- Omicron Impact



**Thank You**

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