



Current Market Scenario

11 June 2022

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Markets Weak

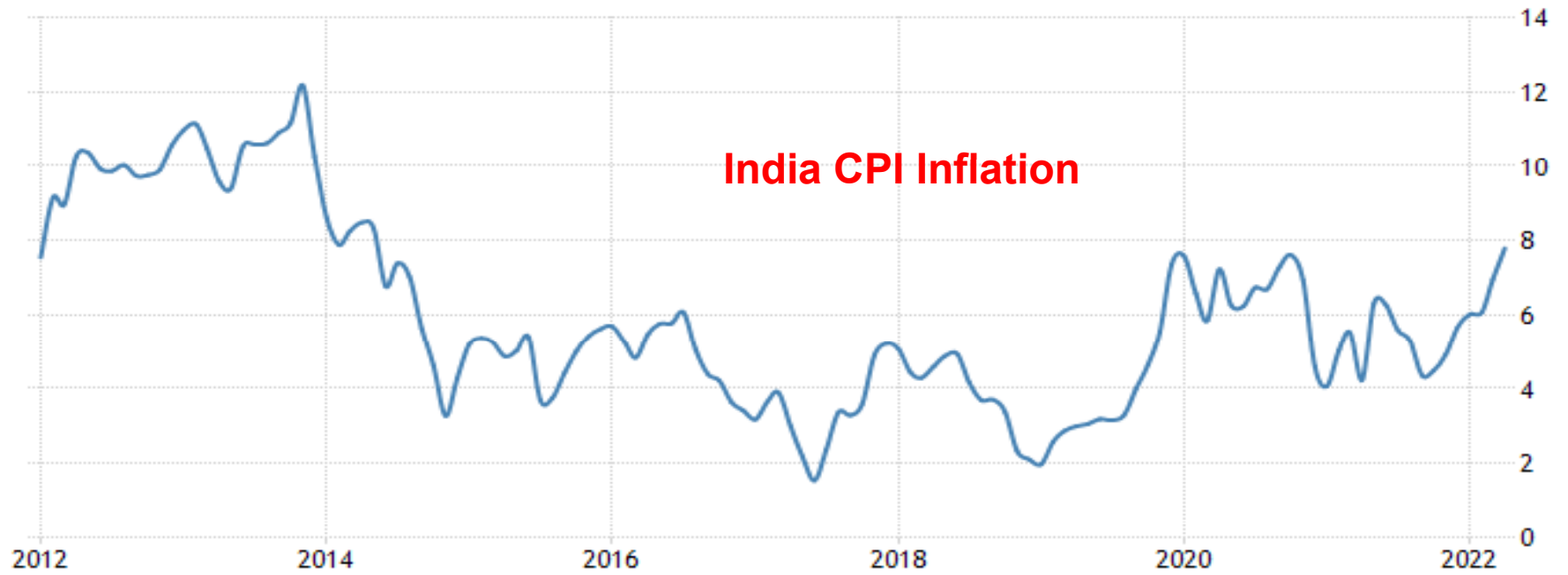


- RBI hikes interest rates further
- Persistent selling by foreign investors
- Crude oil and Natural gas prices flare up
- Market volumes are down

INDEX WATCH

INDEX	11, June	13, May	% Change
Nifty	16,201	15,782	+ 2.6
Sensex	54,303	52,793	+ 2.8
Nifty Midcap	27,575	27,085	+ 1.8
BSE Small Cap	25,857	25,315	+ 2.1

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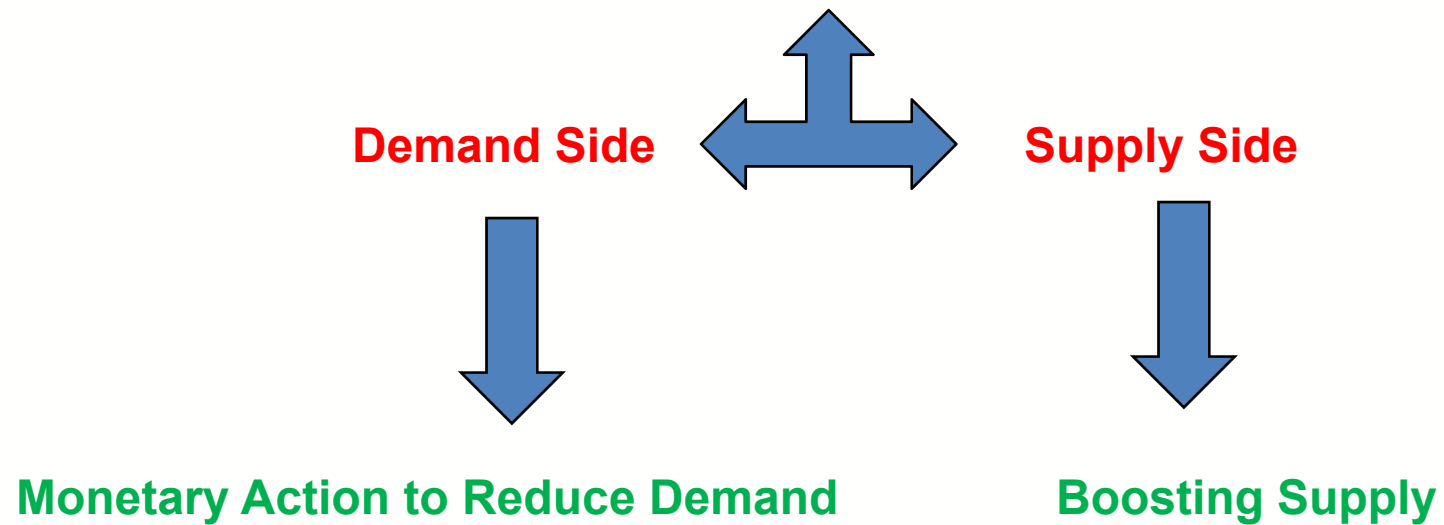
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How To Reduce Inflation

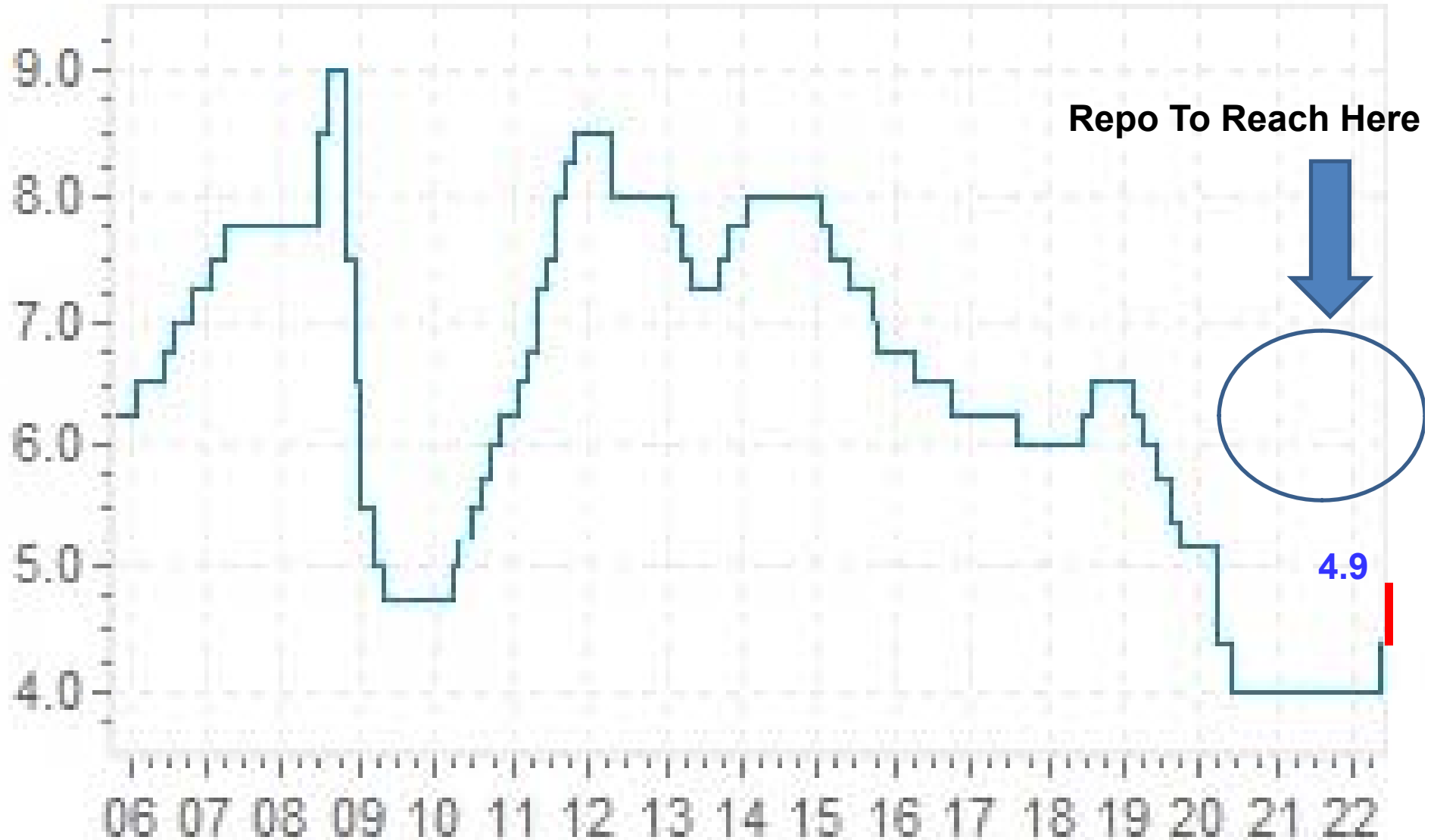


RBI Hikes Repo Rate

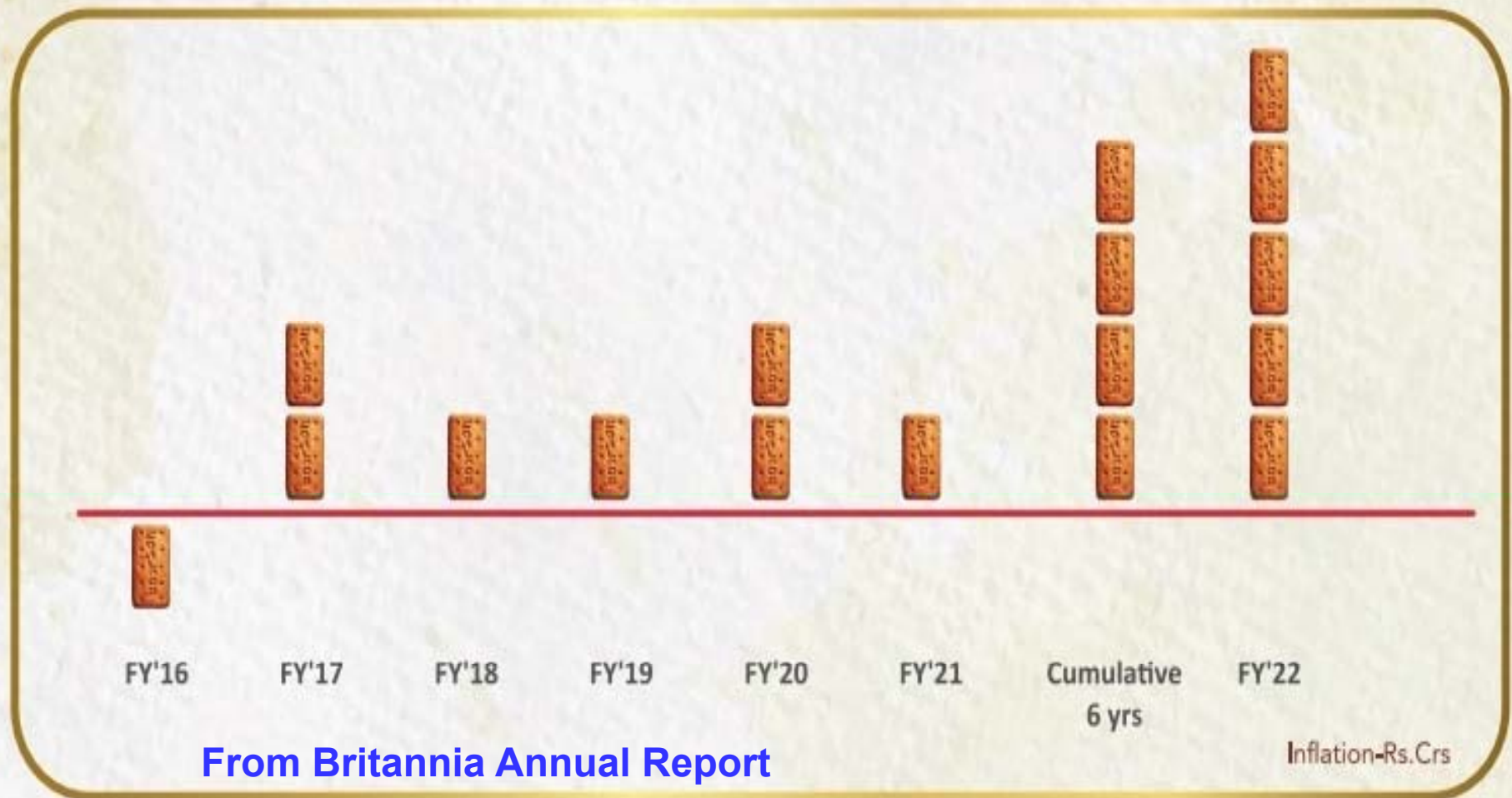


- RBI hikes repo rate by 50 basis points
- Another rate hike expected in August
- Loan interest started increasing
- RBI hiking rates to fight against inflation and to avoid steep depreciation of rupee

Repo Rate Chart



Material Inflation in FY 22 Higher Than the Last 6 Years Combined...



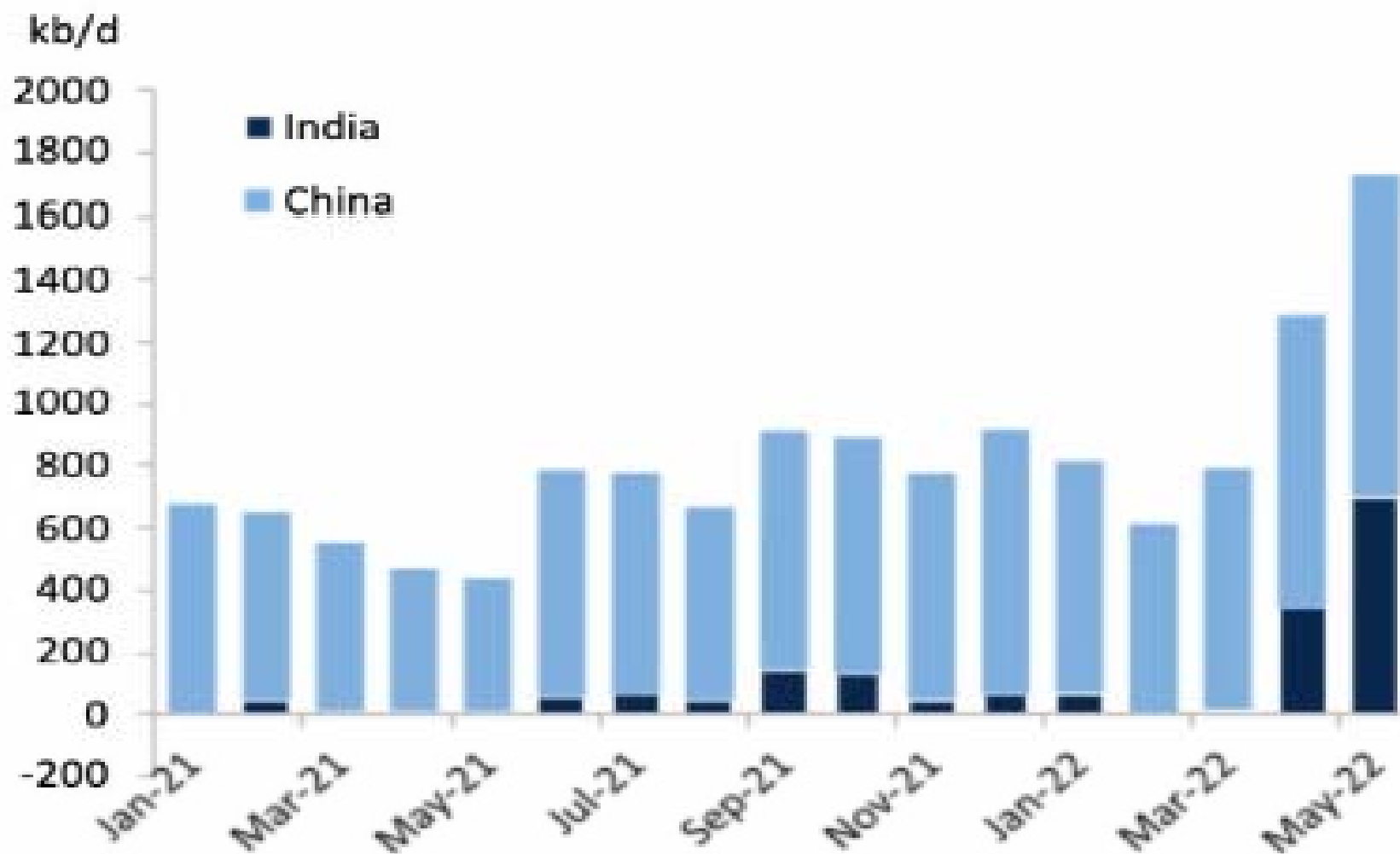
Crude Oil above \$100



India Buying more Russian Crude

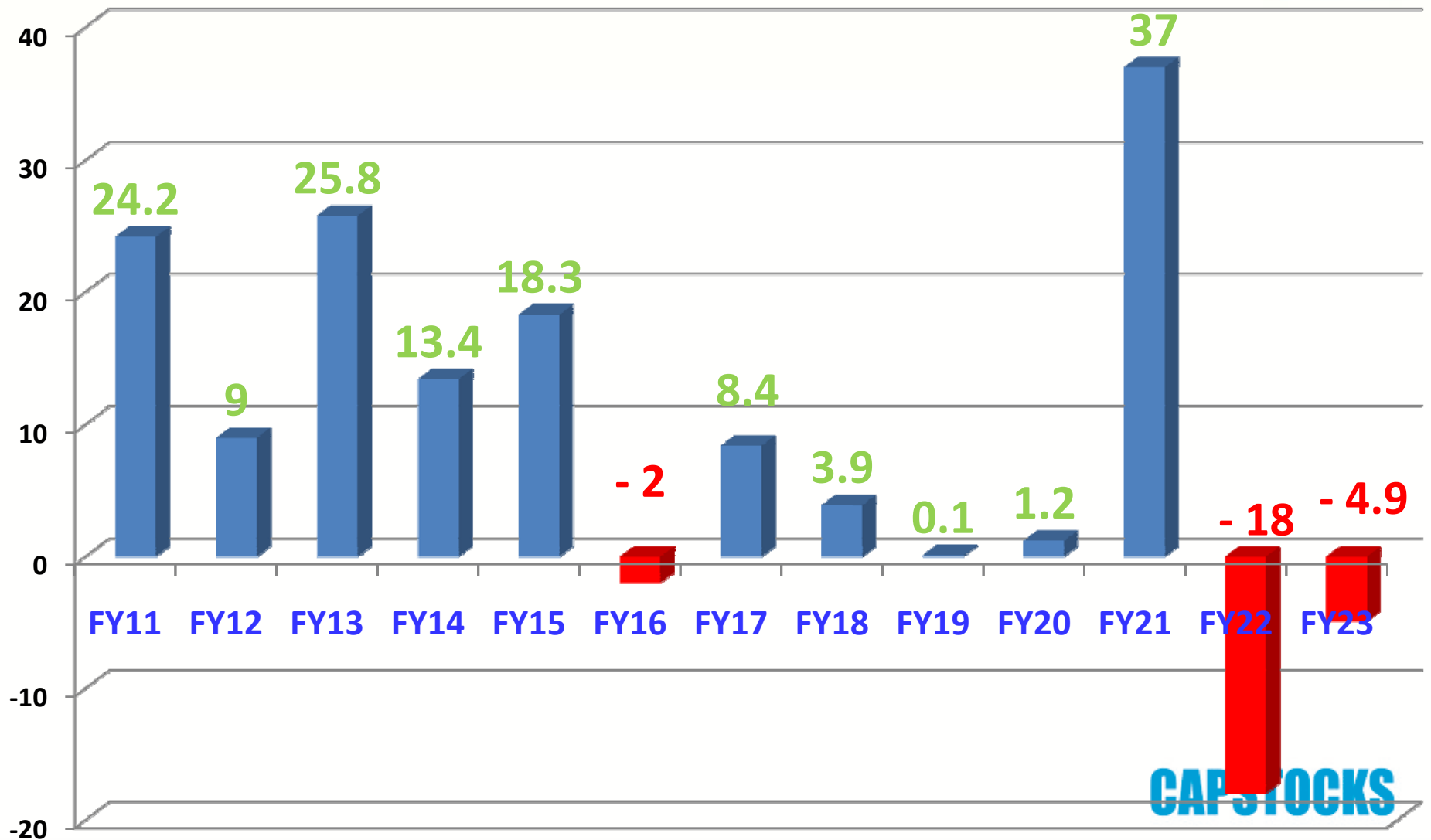


- Russian Oil and Product Seaborne Exports to China and India

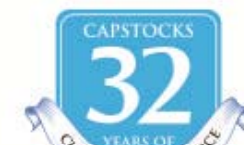




FPI Flows in US Bn \$



How Much FII Sold ?



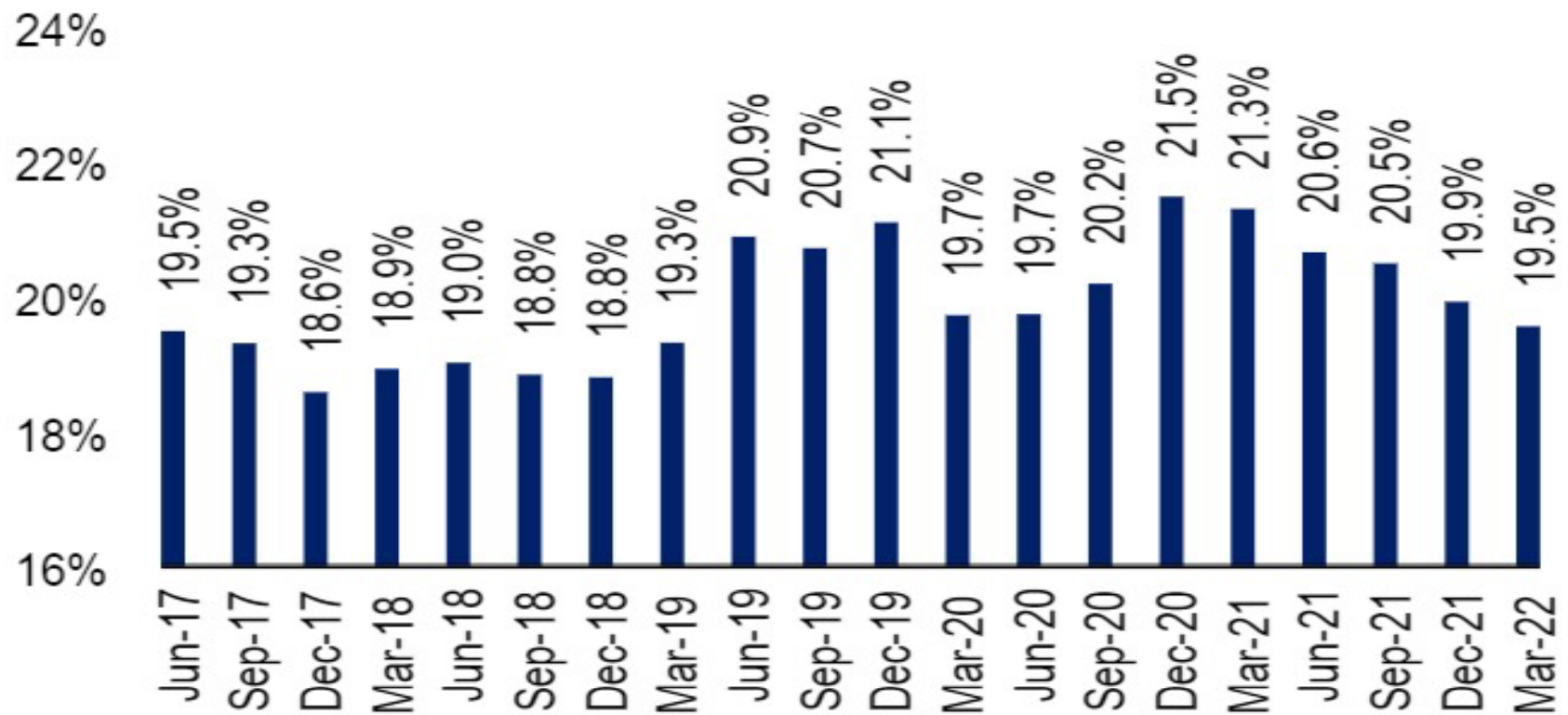
Start Date	End date	Event Tag	FII Outflows (\$ bn)	India Market cap at start of outflows (\$ trillion)	FII Holdings at start of Outflows (\$ bn)	FII Outflows	
						As % of India Market cap	as % of FII Holdings
Jan-08	Mar-09	Global Financial Crisis	-15	1.8	296	0.9%	5.2%
Jun-13	Sep-13	Taper-Tantrum	-4	1.1	204	0.4%	2.0%
Sep-14	Oct-14	Election correction	-1	1.6	302	0.1%	0.4%
Apr-15	Feb-16	Banks' Asset cleanup	-8	1.6	320	0.5%	2.5%
Oct-16	Jan-17	Fed Hikes/ Demonetization	-5	1.7	335	0.3%	1.6%
Aug-17	Oct-17	Cyclical Slowdown	-4	2.1	414	0.2%	1.1%
Feb-18	Nov-18	NBFC Crisis	-9	2.4	455	0.4%	1.9%
Jun-19	Sep-19	Slowdown	-5	2.2	427	0.2%	1.2%
Feb-20	May-20	Onset of Covid-19	-9	2.1	430	0.4%	2.0%
Oct-21	Jun-22	Current	-28	3.5	665	0.8%	4.2%

FPI Ownership



Exhibit 22: FII ownership % (NSE500)

Given steep outflows, FII ownership is now below COVID lows. With outflows reversing, we could see this turn around



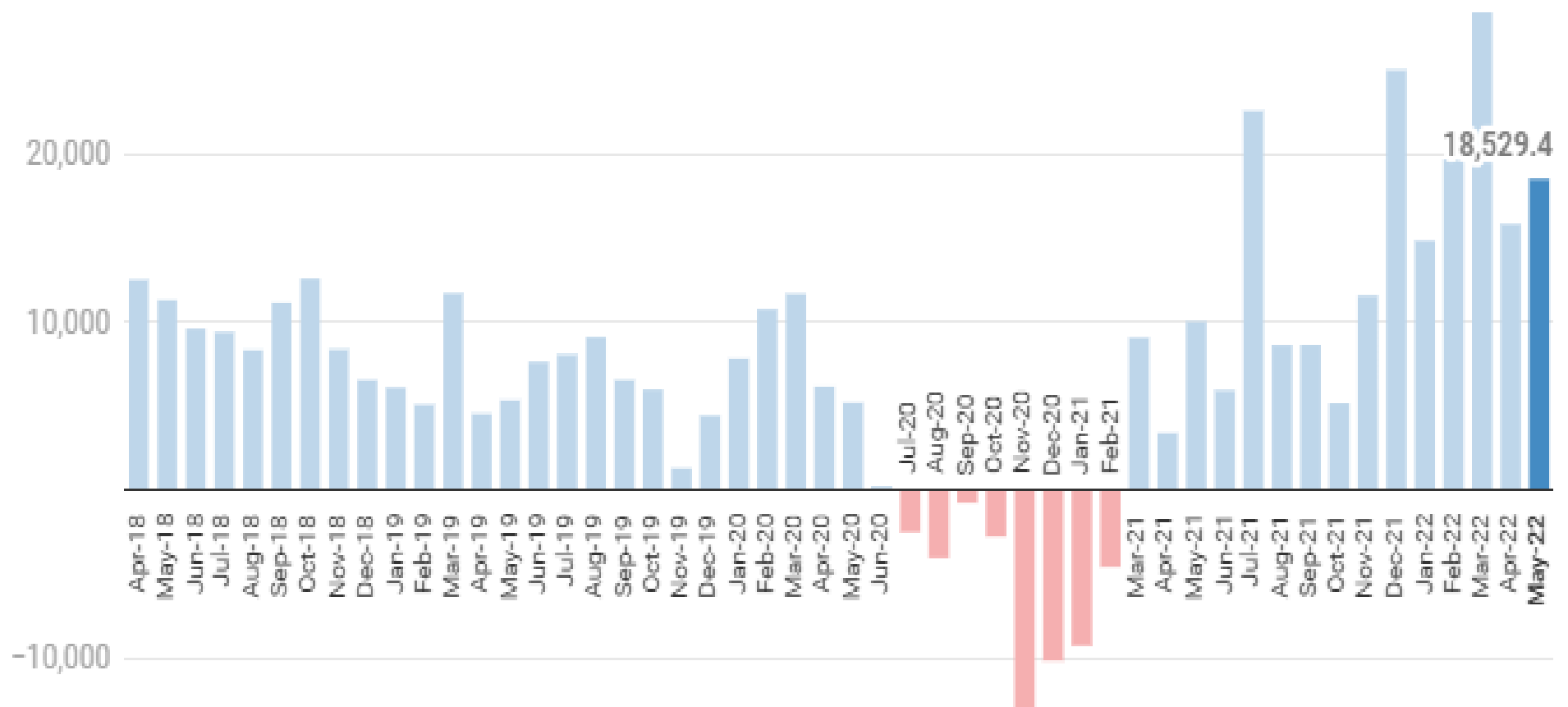
Source: BofA Global Research, CMIE, Bloomberg

Equity Mutual Fund Flows



Net Equity Inflows

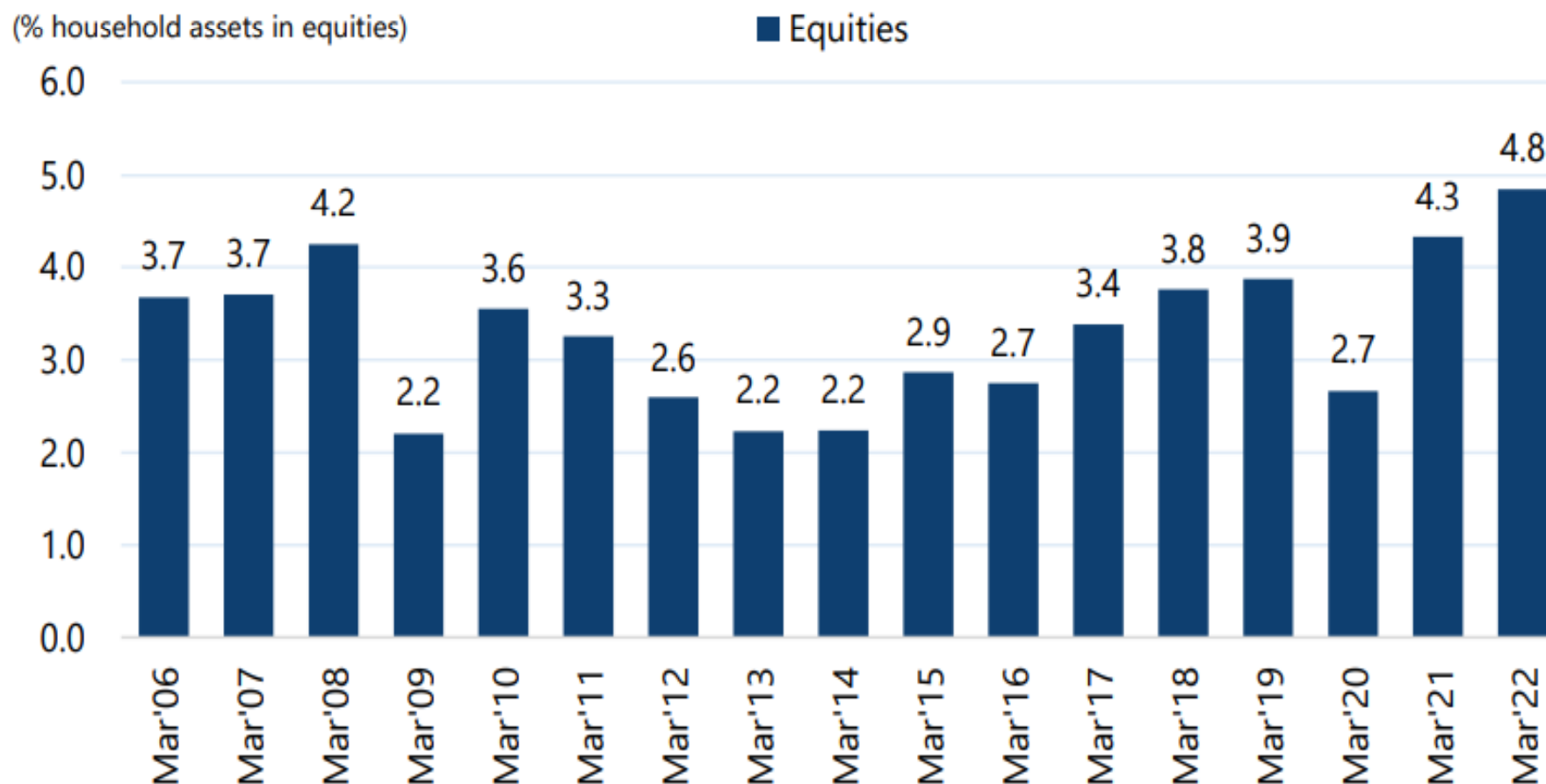
(Rs crore)



Equities as a % of Indian Household

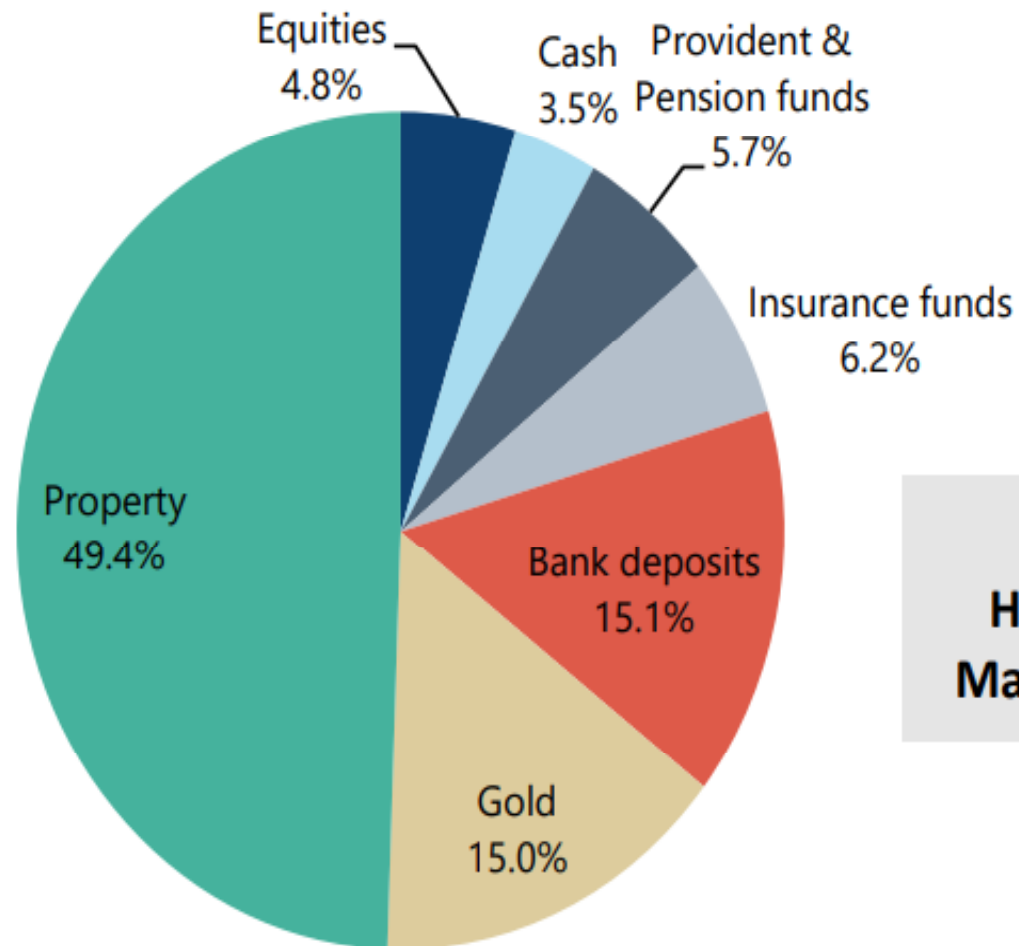


Exhibit 16 - Equities as a % of Indian household assets



Source: RBI, Jefferies

Exhibit 17 - India household asset ownership



**Total Indian
Household assets
Mar'22 : US\$10.7Trn**

Source: RBI, AMFI, Jefferies

Nifty PE Ratio vs Nifty Chart



20.5



◆ Nifty PE Ratio ◆ Nifty

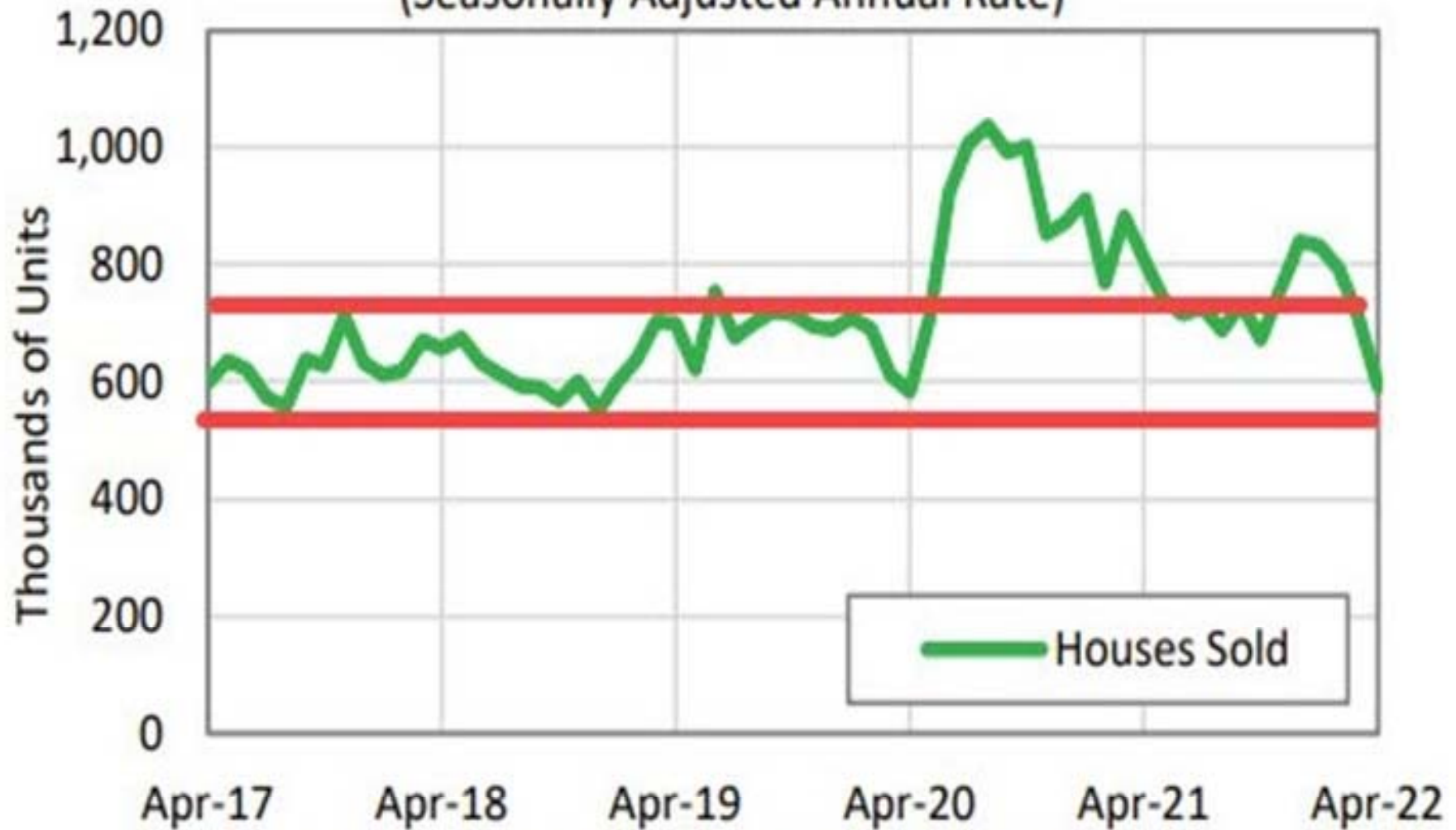
Wealth Effect on US Economy



- Impact of Wealth effect is significant on US economy
- Fall in equity and crypto asset prices will have impact on consumer spending
- High interest rates will add fuel to fire
- Some economist expects recession in US by end 2022 or mid 2023 but recession expected to be mild and shorter

New Residential Sales

(Seasonally Adjusted Annual Rate)



Source: U.S. Census Bureau, HUD, May 24, 2022

Monsoon



- IMD forecasts normal south west monsoon for 2022
- Good monsoon crucial for agri output and rural economy

GST Collections – All Time High



April GST Revenue Collection

GST Revenue for the month of March, collected in April (Rs Crores)



Exports Remain Strong





Q4 Result Performance

	% Change (YoY)	
	Mar 2022	Mar 2021
Sales	23.7	17.6
Net Profit	32.7	740.6

Results of 2,250 companies

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Q4 Earnings



- Mixed results
- Adani Power, Yes Bank, Tata steel boosted combined earnings profit
- Margin compression visible in many companies
- Poor cash flow from operations

Triggers for Market Turnaround



- Ending of Russia – Ukraine War
- Fall in Crude oil price

What Investors Should Do



- Bear markets give opportunity to buy good shares at decent margin of safety
- Buying a share based on steep fall from high should not be the only criteria
- Average only if confident about company's future prospects
- Staggered buying is advisable as near term market may be volatile

Events To Watch



- Geopolitical
- Global Markets
- Monsoon

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Thank You

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