



Current Market Scenario

14 May 2022

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Sharp Sell Off in Markets



- RBI hikes interest rates
- Mid and Small caps battered
- Nasdaq in bear grip
- Heavy selling by Foreign investors

INDEX WATCH

INDEX	13, May	9, April	% Change
Nifty	15,782	17,784	- 11.2
Sensex	52,793	59,447	- 11.1
Nifty Midcap	27,085	31,229	- 13.2
BSE Small Cap	25,315	29,765	- 14.9

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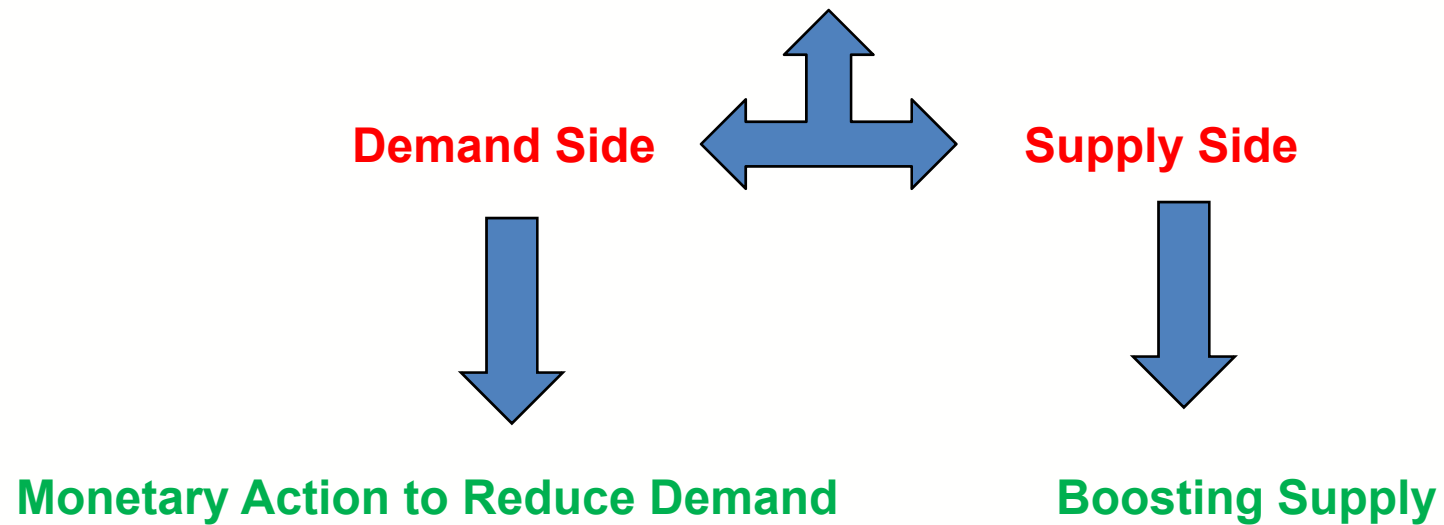
RBI Hikes Repo Rate



- RBI hikes repo rate by 40 basis points and CRR by 50 basis points
- Market participants surprised by unscheduled announcement
- Stubborn inflation and global central banks hiking rates prompted RBI to act in urgent



How To Reduce Inflation



How more Rate Hike to Come ?



- Another overall 100 bps possible in next two monetary policy meetings which will take to around precovid level rate
- To tackle current inflation further more rate hike of another 100 basis points possible

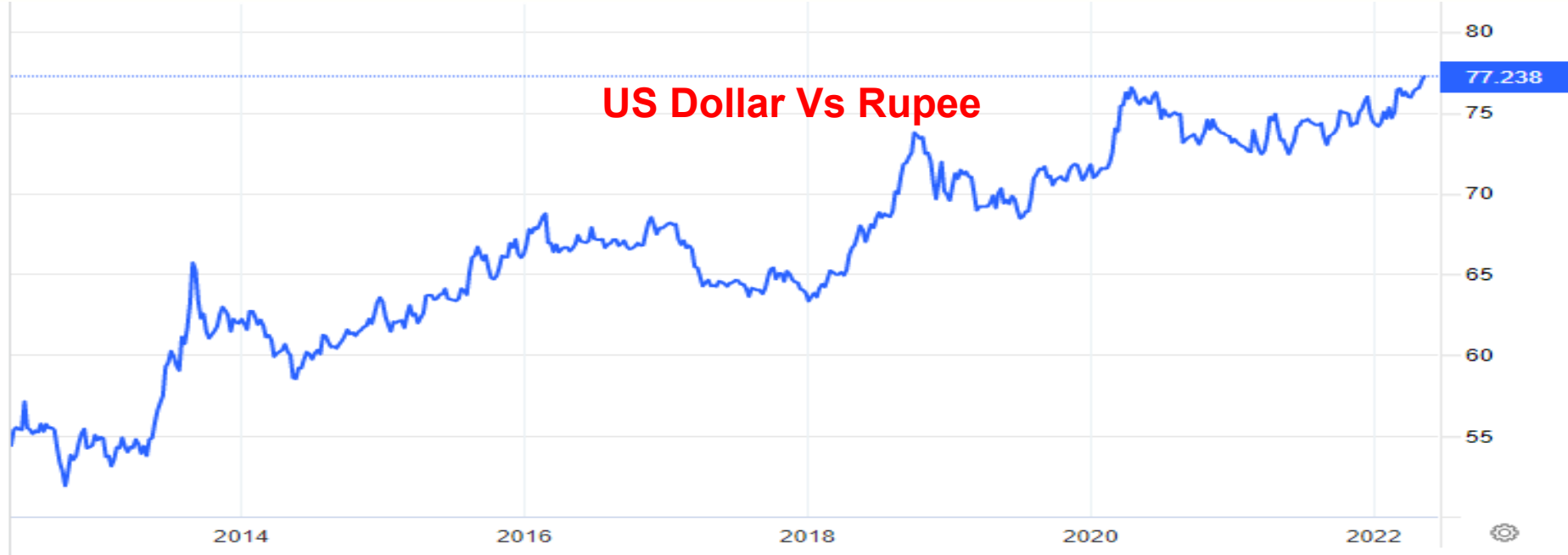
Repo Rate Chart



Impact of Rate Hike on Economy



- The days of ultra low interest rates are over
- Govt. is the biggest borrower and interest cost will go up
- Higher interest rates may deter discretionary consumption
- High inflation coupled with high interest rates are perfect cocktail for demand destruction

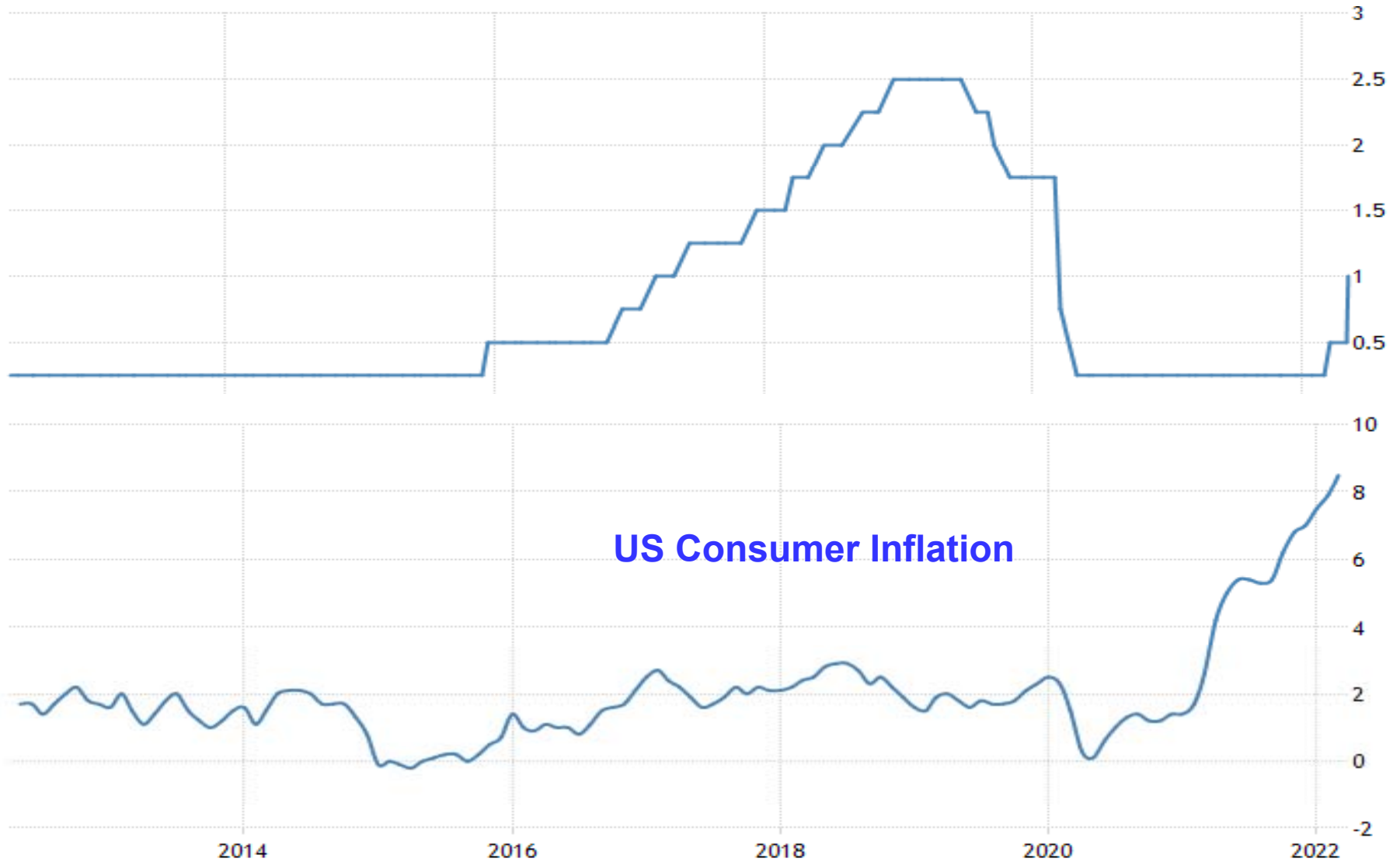


Impact on Stock Market



- Majority of corporate are in a position to absorb higher interest rates as balance sheets are strong
- Part of consumers will feel stress which may impact consumer companies
- Valuation reset will happen in stock prices discounting higher interest rates

US Fed Hikes Rate

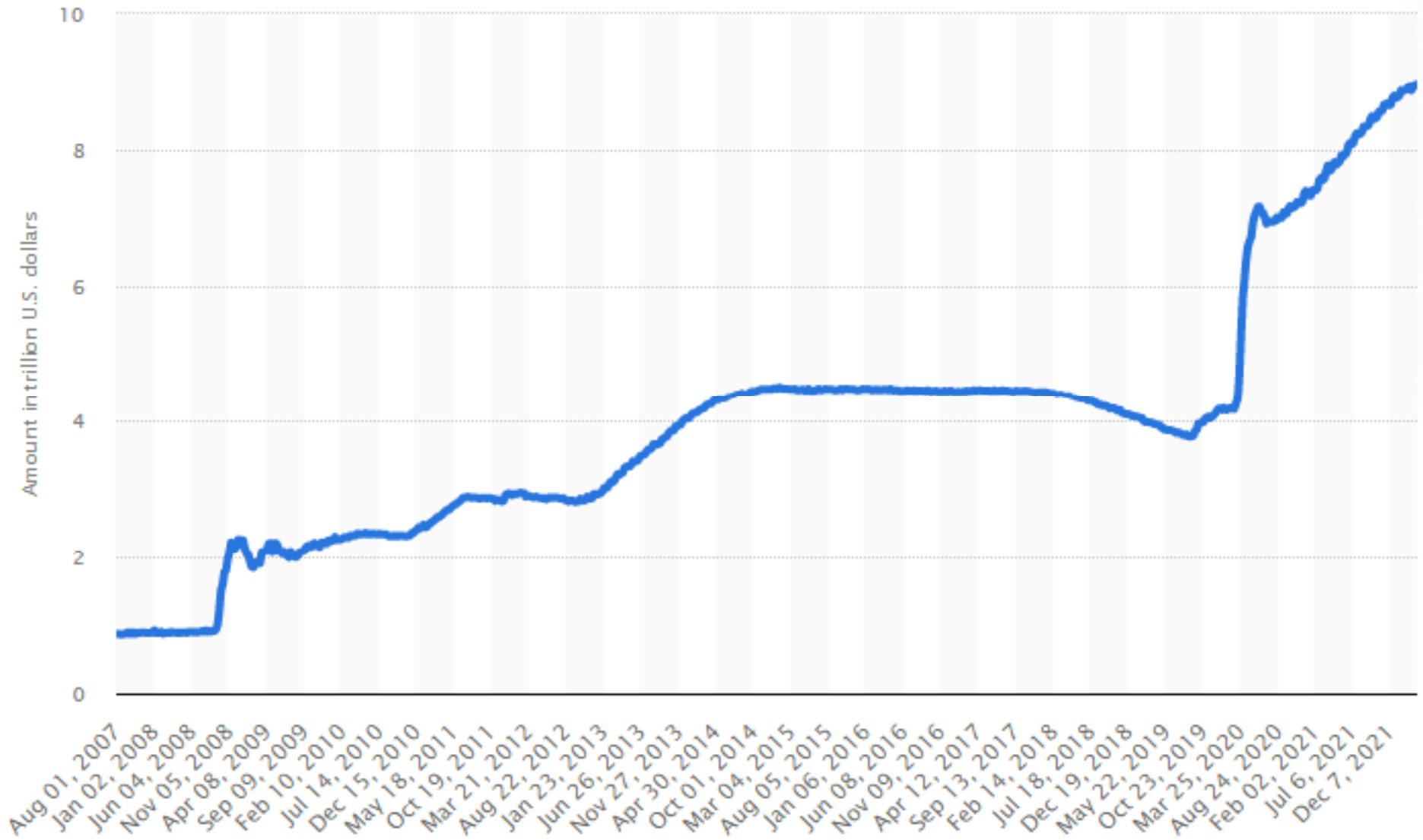


What Market Fears more than Rates



- US Fed officials to shrink the balance sheet by starting from June 1
- Tapering will end the ultra-easy monetary policy followed by US Fed
- Rich valuations of stocks getting derated due to Fed move

US Fed Balance Sheet



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 mid 2023

US Recession Since 1950



Beginning	Ending	Length (months)
July 1953	May 1954	10
August 1957	April 1958	8
April 1960	February 1961	10
December 1969	November 1970	11
November 1973	March 1975	16
January 1980	July 1980	6
July 1981	November 1982	16
July 1990	March 1991	8
March 2001	November 2001	8
December 2007	July 2009	18

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Crude Oil above \$100

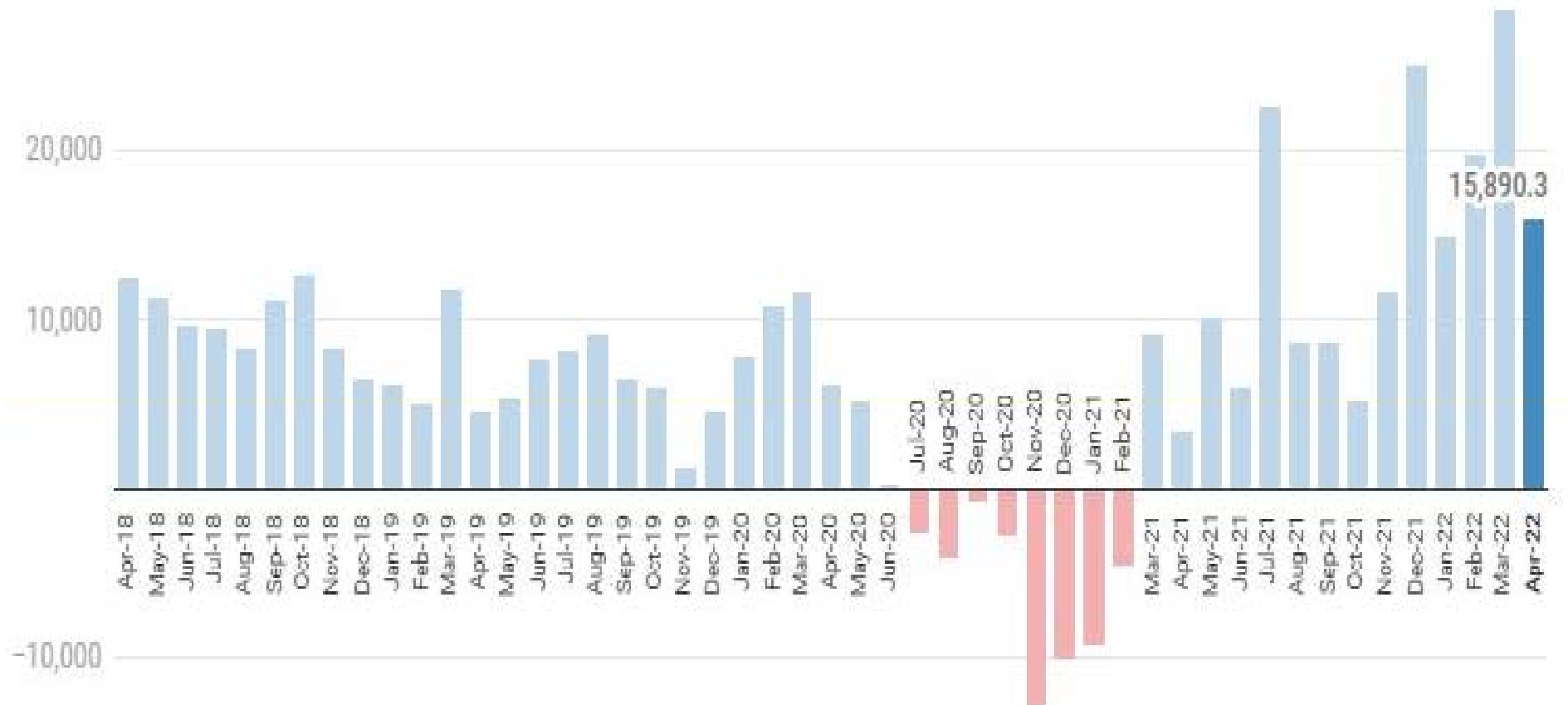


Equity Mutual Fund Flows



Net Equity Inflows

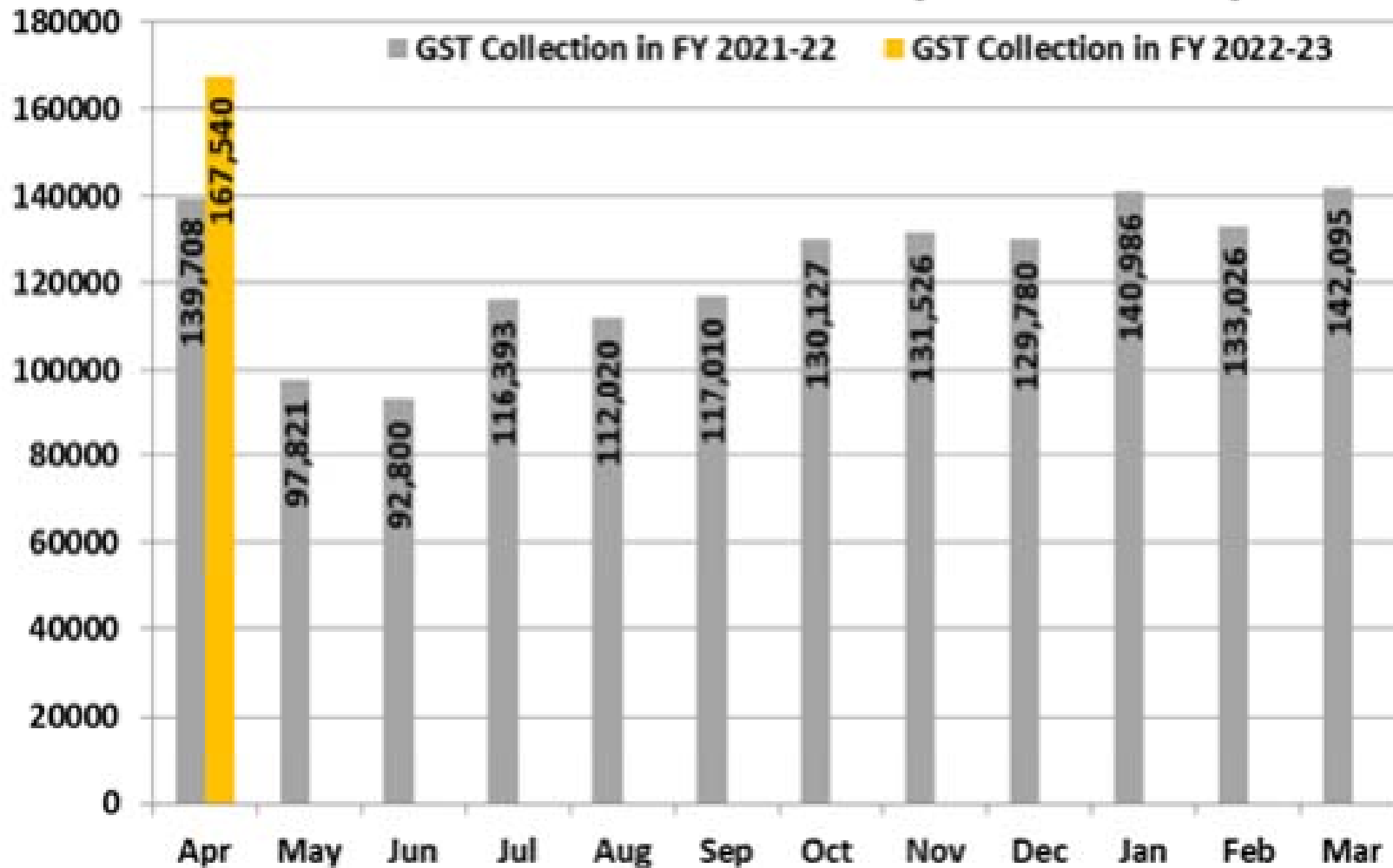
(Rs crore)



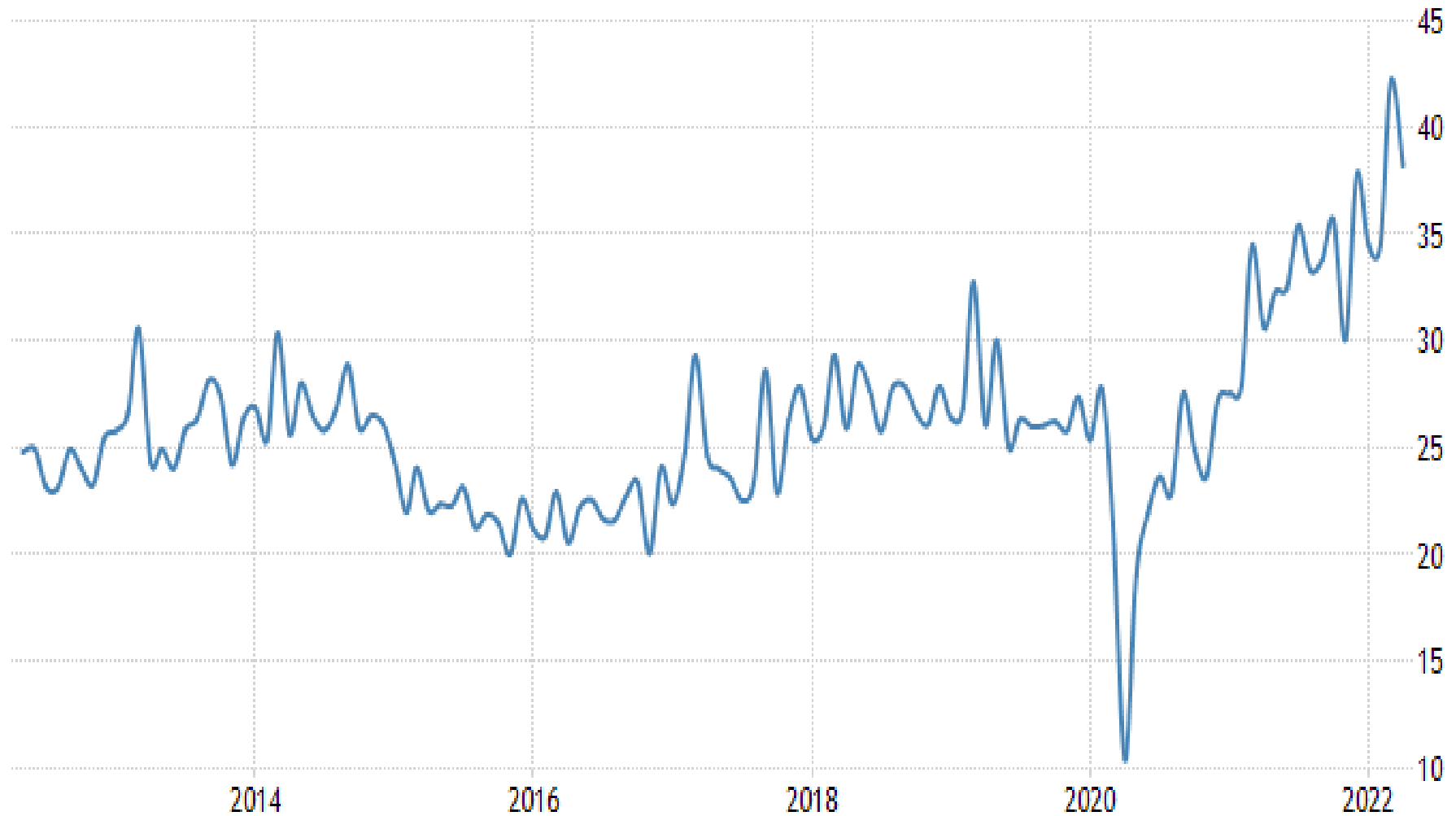
GST Collections – All Time High



Trends in GST collection (Rs. In crore)



Exports Remain Strong





Q4 Result Performance

	% Change (YoY)	
	Mar 2022	Mar 2021
Sales	23.7	20.5
Net Profit	40.2	189.3

Results of 566 companies

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Q4 Earnings

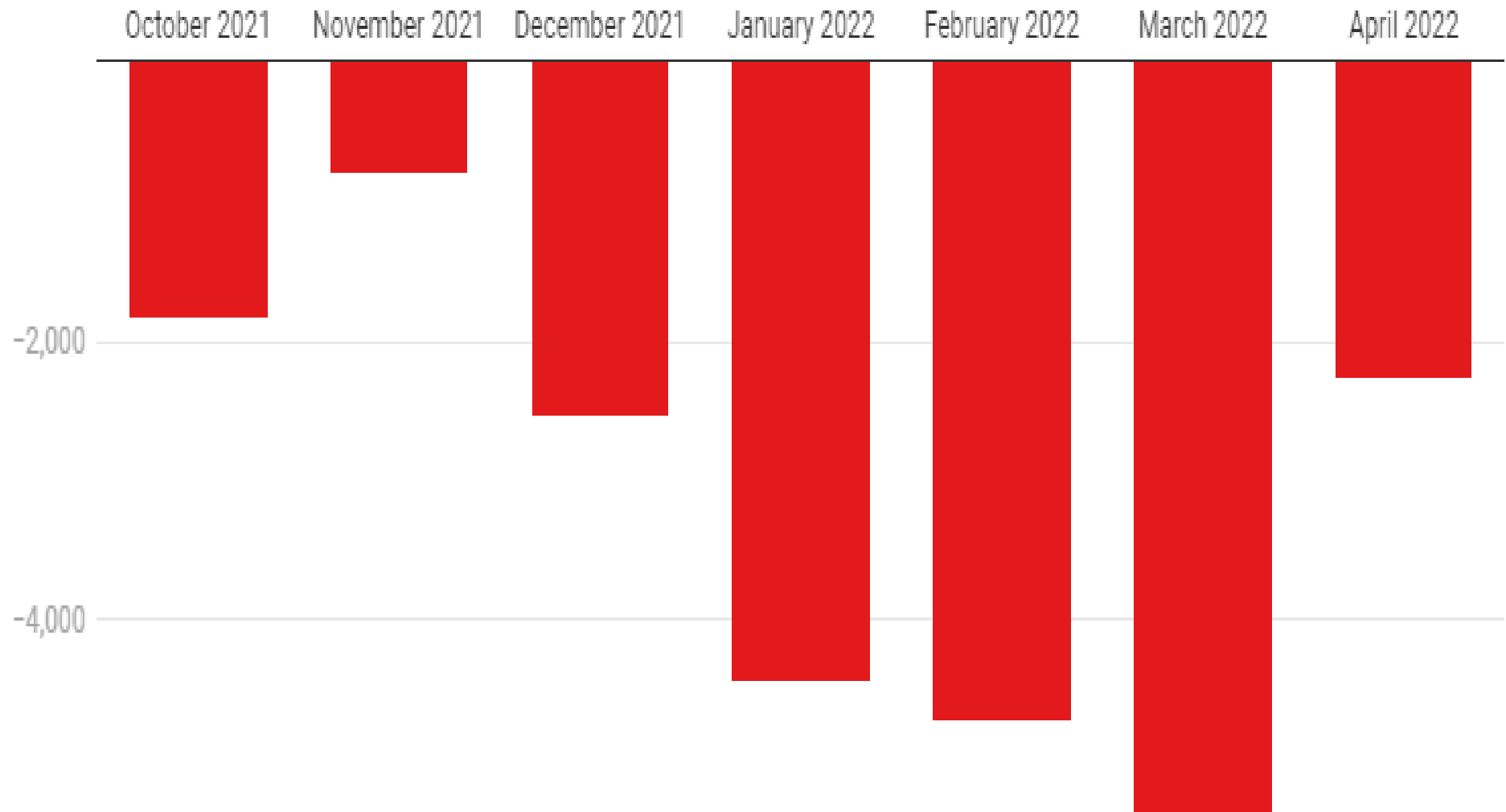


- Banks posted good results
- Adani Power, Yes Bank, Tata steel boosted combined earnings profit
- Margin compression visible in many companies

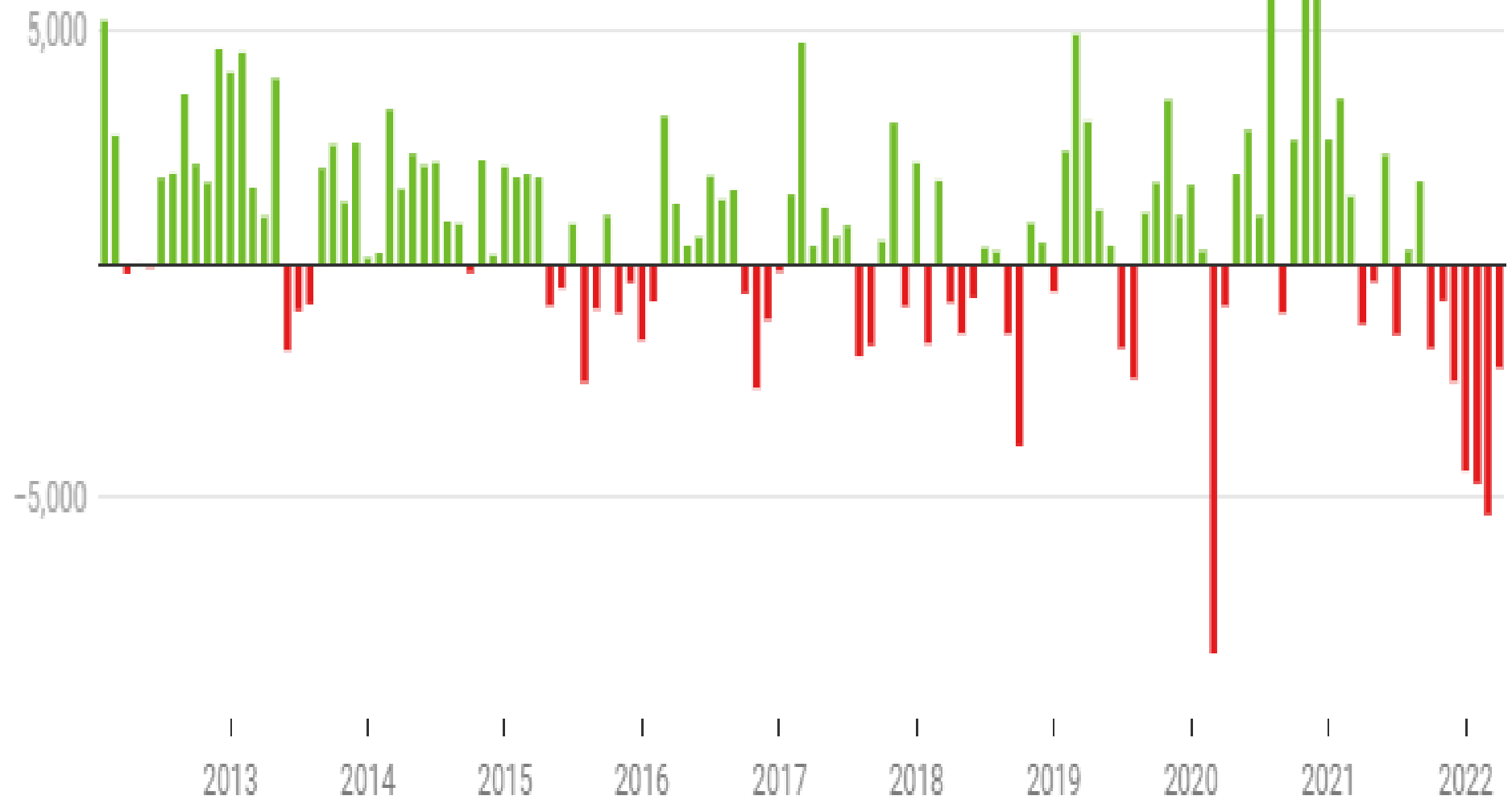
FPI on Continuous Selling Mode



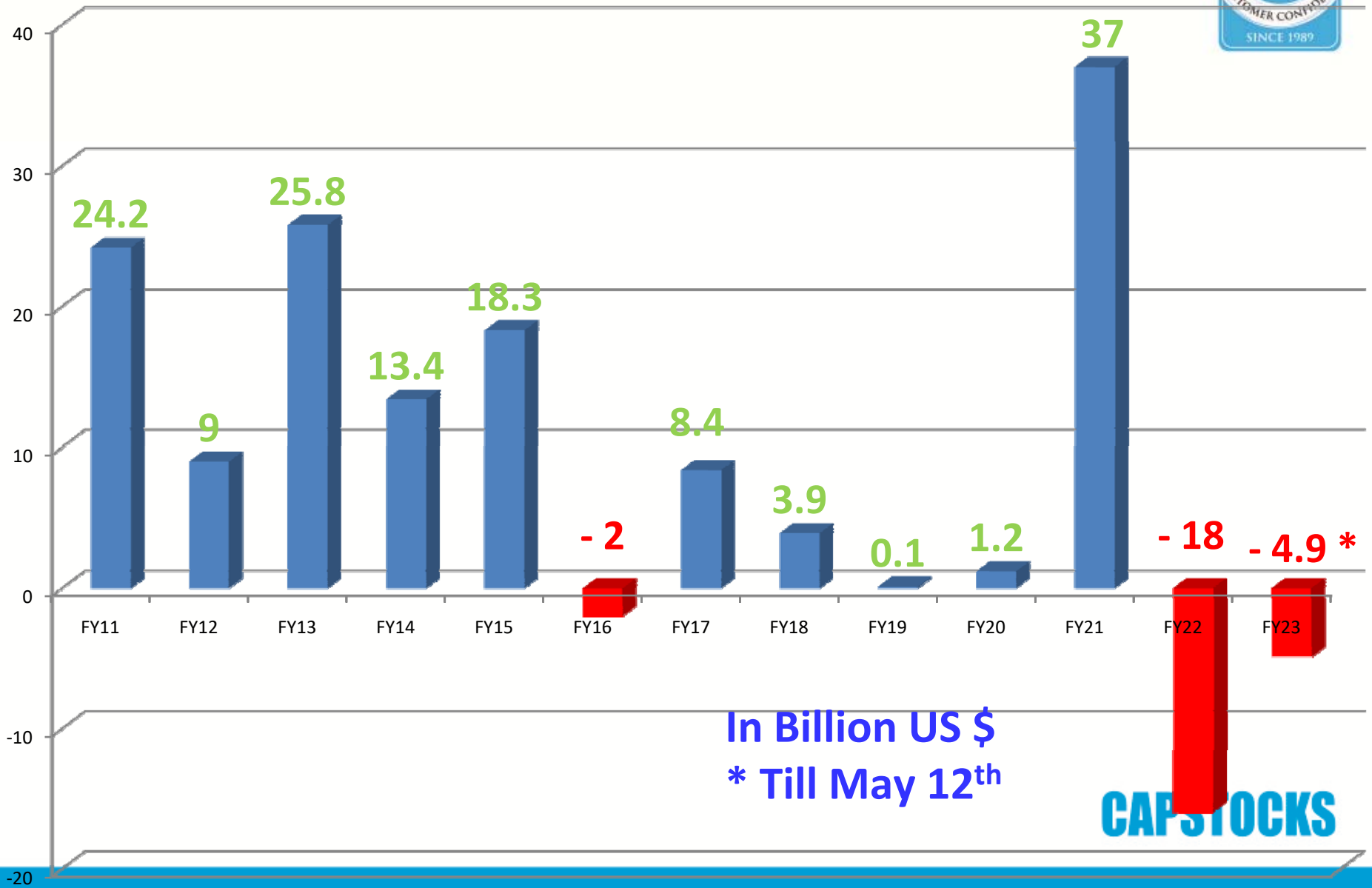
FPIs sell stocks worth \$22 billion in seven months (\$ million).



FPIs withdraw from equities for seventh month (\$ million).



FPI Flows in US Bn \$



Triggers for Market Turnaround



- Ending of Russia – Ukraine War
- Restarting of globalisation
- Postponement of switching to Green Energy

What Investors Should Do



- Impossible to predict market bottom but Seeing the way stocks falling, we may see the bottom soon
- The best way to utilise a bear market is to buy quality stocks if the valuations are attractive without looking into the macro economy
- Stock may fall further after our purchase in near term but over the long term we will realise what a opportunity was!
- Staggered buying is advisable as next six months market may be volatile

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Events To Watch



- Results
- Global Markets

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Thank You

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