

# **K** STREET

**RULE THE MARKET**

ISSUE: 122



**2021**

HAPPY NEW YEAR

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**Markets at historic highs – what should investors do?**

Year 2020 will go as a standout year in living memory for investors. It has been a remarkable journey for the markets to the bottom – induced by covid and to historical highs. Markets corrected nearly 40% from previous peaks seen in January this year. Nifty has risen like a phoenix from the nadir of the correction and rallied 79%. Markets have turned euphoric and are hitting fresh record highs every day. So, what is driving the rally? Central banks globally are repeatedly pledging to keep the liquidity taps open until they gain confidence that economy can stand on its own and the pandemic has completely subsided. This coupled with near-zero interest rates for a long period has made the global markets awash with liquidity, which is causing the rally.

Other factors causing the rally include sustained recovery in lead economic indicators, better than expected September quarter earnings, falling covid infections count and finally positive news on vaccine progress. Whenever there is liquidity in the financial markets, the excess money chases returns and generally flows into stable emerging markets like India. After pulling out nearly \$8.3 Bn from equity markets during March, FII's have come back with vengeance and pumped nearly \$27.55 Bn into equity markets.

Now that valuations of many large caps which were the leaders of the rally are at historic highs, most of the investors must be confused about the right approach to adopt at these high levels. One approach investors can adopt is to focus on cyclical and out of favour sectors which are expected to rise along with the revival in the economy. Major benefit of this approach is that these stocks are available at cheap valuations and have not participated in the rally. Hence the risk-return trade off is in favour of investors. Some sectors which investors might consider include quality infra plays, metals, shipping and logistics, sectors that were severely hit due to the social distancing norms like multiplexes, hotels and restaurant chains and amusement parks.

Whenever markets are making fresh highs, it is very tempting for novices to get attracted to markets. While it is very tempting for them to make some quick gains, they should be very cautious. Having said that, it cannot be denied that with technological advancements, stock markets have become easily accessible offering investors flexibility, liquidity and transparency in a very extremely regulated environment. While investments in the stock market facilitate to generate wealth, it needs time and energy to evolve from a novice into an expert investor.

Stock markets are volatile by nature. Hence, if you rely on market volatility such as extreme bullish rallies or corrections to take investment decisions, you'll continually be exposed to the danger of buying/selling at the incorrect time. Since many early investors take decisions driven by emotions like greed and fear, it would be appropriate for beginners to rely on mutual funds and SIPs, which bring in a sense of discipline in investors and experts and qualified professionals manage funds for them.

As they understand the tricks of the game and gain confidence they should slowly trade directly limiting their trading universe only to well known and well managed solid companies. If played well, stocks have a very important role to play in long term wealth creation. Owning quality stocks from quality sectors will help you to build a savings corpus, shield your cash from inflation and taxes, and maximize the financial gain from your investments. Some of the quality sectors that novice investors can consider include IT, auto, banking, insurance and pharma. Historically, equity investments made with a long term perspective had higher returns than the bank deposits or debt instruments. But to build wealth over long term, one should understand that equity investment isn't gambling and an act of making systematic financial decisions supported by data and research.

**- DR. RAVI SINGH**

Vice President &amp; Head of Research

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## NEWS

### AUTO

- Mahindra & Mahindra: The Company has called off its automotive joint venture with Ford Motor Company, it said in a regulatory filing.
- The passenger vehicle industry in India is set to record its fifth straight month of double-digit sales growth in December, ending an eventful year that witnessed almost 50 days of no or low sales and a total disruption in the mobility space. The PV industry is set to post record despatches of 2.78 lakh units. Retail sales are likely to beat despatches yet again in December with estimated delivery of 3.6 lakh units.

### BANKING

- IDBI Bank: LIC-controlled IDBI Bank has sold a 23% stake in a life insurance venture to foreign partner Ageas for Rs. 507 Cr. With this transaction, the stake of the Belgian partner in IDBI Federal Life Insurance Co Ltd (IFLI) has risen to 49%, the upper foreign direct investment limit prescribed by the law.
- Canara Bank: State-owned Canara Bank has raised Rs. 1,635 Cr through bonds, to fund business growth. The capital was raised by issuing additional tier-1 bonds at an 8.50 percent coupon on December 31, the bank said in a statement.
- YES Bank, which is now majority-owned by State Bank of India and other financial institutions, said its board has approved the promotion of Niranjana Banodkar as the Group Chief Financial Officer (CFO) and Anurag Adlakha as the Group Chief Human Resources Officer following the recommendations of the nomination and remuneration panel and the audit committee.
- Indian Bank has further raised tier 1 capital fund through the private placement of Basel III compliant AT-1 perpetual bonds aggregating to Rs. 392 Cr, the public sector bank said in a regulatory filing.
- Shareholders of Union Bank of India approved the bank's proposal for raising up to Rs. 6,800 Cr equity capital to fund business growth.

### CEMENT

- Barak Valley Cements: Members of the company in Annual General Meeting approved divestment by way of sale, transfer, or disposal of 100 percent equity investment held by the company in Goombira Tea Company (wholly-owned material subsidiary).

### CONSUMPTION

- Electrical appliances could cost more in the year 2021. It is expected that prices for LED TV and appliances such as refrigerators, washing machines will go up from January onward up to 10% on account of the rise in costs – Positive for Voltas, Whirlpool, Crompton Greaves, Havells India.
- Jubilant Foodworks: Jubilant Foodworks Ltd (JFL), which operates fast-food chains Domino's Pizza and Dunkin' Donuts in India, will invest Rs. 92 Cr into Barbeque-Nation Hospitality Ltd (BNHL) for a 10.76% equity stake.
- Future Enterprises: Kishore Biyani-led Future group firm Future Enterprises said its executive director and chief financial officer Dinesh Maheshwari has resigned from the company.

### INFRA & REAL ESTATE

- Real Estate stocks - The stamp duty has been cut from 5% to 3% (earlier 2%) from 1st January 2021 to 31st March 2021.- Positive for Oberoi Realty, Phoenix Mills, Godrej Properties.
- Dredging Corporation: Vineet Kumar is appointed as Additional Director (Non-executive Director) on the board of the company.
- Arihant Superstructures: Tender offer for sale of lands at Jodhpur was completed and the Sub-Committee after due diligence of received bids decided to award the said tender to Adinath Buildwell.
- IRB Infrastructure Developers: Subsidiary Thane Ghodbunder Toll Road Private Limited (the SPV) received a communication from MSRDC granting an interim extension of the concession period of Thane Ghodbunder BOT Project up to January 30, 2021.
- Hemisphere Properties: East Bridge Capital Master Fund I sold 26,70,904 equity shares of the company at Rs 96.88 per share on the NSE.
- GMR Infrastructure: GMR Enterprises Private Limited sold 6,50,00,000 shares of the company at an average price of Rs. 27.09 in a bulk deal on NSE.
- RITES: The mini Ratna public sector enterprise has declared an interim dividend of Rs. 5 per share on the face value of Rs. 10 each. The decision was taken in a board meeting, the company said in a statement. The dividend amounts to Rs. 120.15 Cr (at the rate of 50 percent of paid-up capital), the statement said.
- Ansal Properties & Infrastructure Ltd has agreed to sell its entire 66.24% stake in IT SEZ in Greater Noida to Migsun group. In a regulatory filing, Ansal Properties said the company has entered into an agreement to sell its entire shareholding of 66.24% held in its subsidiary firm Ansal IT City and Parks Ltd, which owns IT Park of 37.5 acres of land at Greater Noida to Mahaluxmi Infrahome, part of Migsun Group.

### IT

- Infobeam Avenues: The company has divested its 100% ownership with control in its Wholly Owned subsidiary Card pay Technologies Private Limited to its subsidiary Instant Global Paytech Private.

## FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
Cochin Shipyard Ltd	Dividend	04-Jan-21
Steel City Securities Ltd	Other business matters	04-Jan-21
Country Condo's Ltd	Other business matters	04-Jan-21
TIPS Industries Ltd	Other business matters	05-Jan-21
General Insurance Corporation of India	Other business matters	05-Jan-21
Gateway Distriparks Ltd	Interim Dividend - Rs 2 Per Share	05-Jan-21
Metalyst Forgings Ltd	Financial Results	06-Jan-21
Archidply Industries Ltd	Buyback	06-Jan-21
GM Breweries Ltd	Financial Results	07-Jan-21
Jyoti Structures Ltd	Other business matters	07-Jan-21
Uttam Sugar Mills Ltd	Financial Results/Other business matters	07-Jan-21
Steel Exchange India Ltd	Extra Ordinary General Meeting	07-Jan-21
Lambodhara Textiles Ltd	Fund Raising	08-Jan-21
Mittal Life Style Ltd	Financial Results	08-Jan-21
Tata Consultancy Services Ltd	Financial Results/Dividend	08-Jan-21
Urja Global Ltd	Other business matters	08-Jan-21
RITES Ltd	Interim Dividend - Rs 5 Per Share	08-Jan-21
Avenue Supermarts Ltd	Financial Results	09-Jan-21
Bhansali Engineering Polymers Ltd	Financial Results	10-Jan-21

## GLOBAL NEWS

- Britain ends the long Brexit journey with an economic break from the EU. Britain's long and sometimes acrimonious divorce from the European Union ended Thursday with an economic split that leaves the EU smaller and the U.K. freer but more isolated in a turbulent world.
- African free trade bloc opens for business, but challenges remain. The African Continental Free Trade Area (AfCFTA) aims to bring together 1.3 billion people in a \$3.4 trillion economic bloc that will be the largest free trade area since the establishment of the World Trade Organization.

### METAL

- Jindal Steel & Power: Ministry of Coal declared Jindal Power as the successful bidder for Gare Palma IV/1 Mine.
- NLC India issued 10,000 numbers of Commercial Paper with a face value of Rs. 5,00,00,000 each, aggregating to Rs. 500 Cr.
- Vedanta: Mining major Vedanta Limited emerged as the highest bidder for the Radhikapur West coal block, located in Angul district, Odisha at a distance of about 190 km from the Company's Jharsuguda Aluminium Smelter.

### NBFC

- DHFL: 63 Moons Technologies, formerly Financial Technologies, on Thursday said it has moved the National Company Law Tribunal (NCLT) seeking to ensure that recovery from DHFL benefits all creditors, including NCD-holders. The company holds over Rs. 200 Cr of NCD (non-convertible debentures) of the crippled mortgage player.

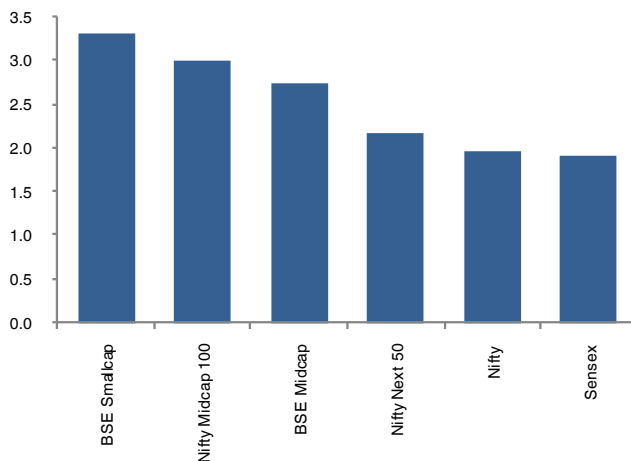
### POWER

- Sterling and Wilson Solar: Promoter Khurshed Yazdi Daruvala sold 26.30 lakh equity shares of the company at Rs. 230.63 per share on the BSE.

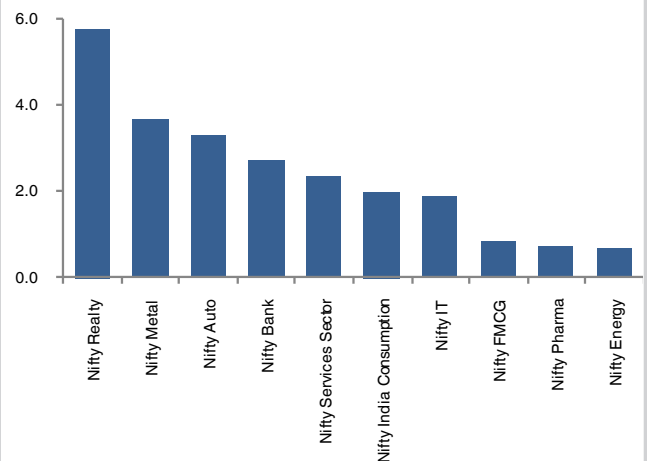
### TELECOM & MEDIA

- Reliance Jio Infocomm, India's biggest phone carrier by a number of users, said it will offer local voice calls to rival networks for free, effective Jan. 1, as the interconnect-usage fee regime is set to end from that date. It is negative for incumbents Airtel and Vodafone Idea.

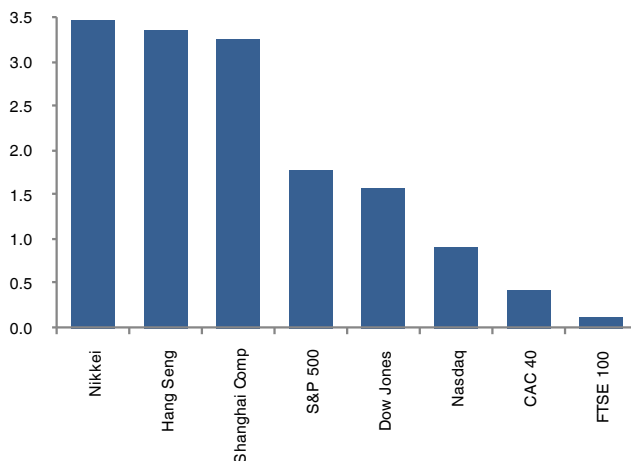
## INDIAN INDICES (% CHANGE)



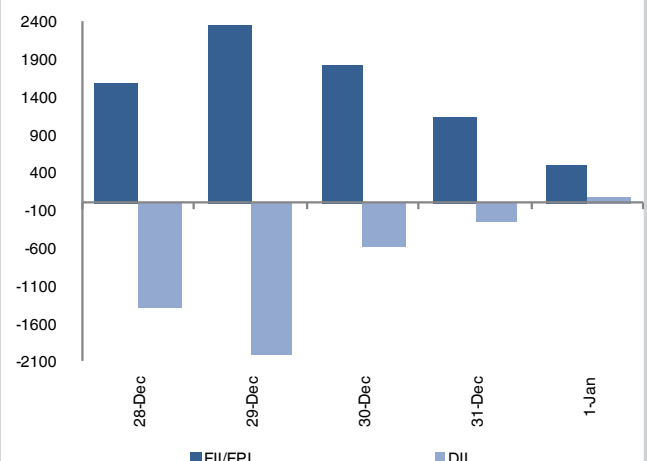
## SECTORAL INDICES (% CHANGE)



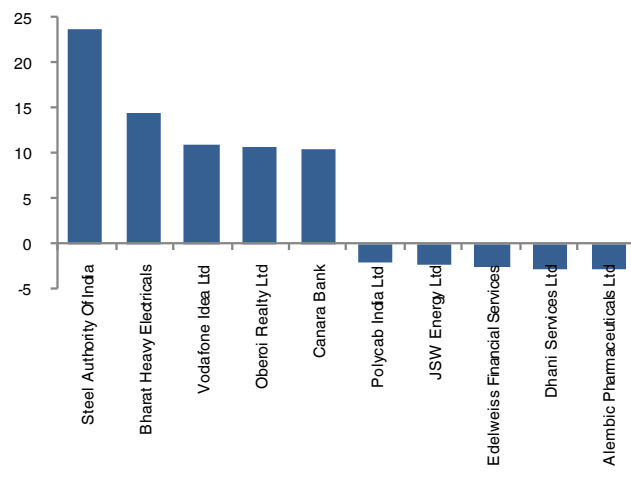
## GLOBAL INDICES (% CHANGE)



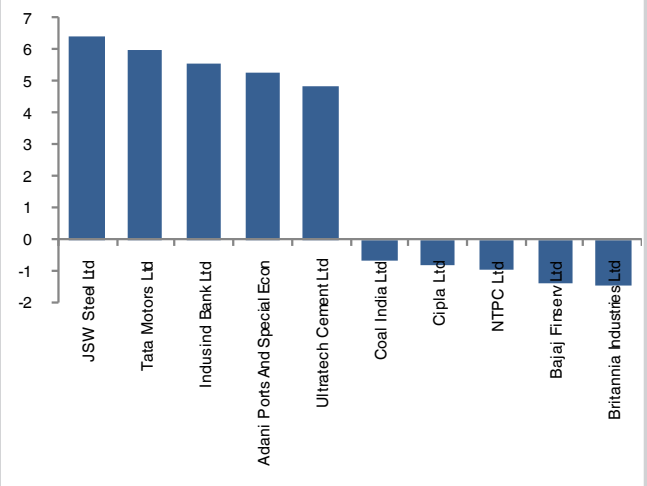
## FII/FPI & DII TRADING (IN RS. CRORES)



## NIFTY MIDCAP100 TOP GAINERS & LOSERS (1W)



## NSE NIFTY TOP GAINERS & LOSERS (1W)



Source: Karvy Research

## BEAT THE STREET - TECHNICAL ANALYSIS

### ITC Ltd



STOCK	ITC
CMP	214
ACTION	BUY
ENTRY	212-213
AVERAGE	202-203
STOP LOSS	191
TARGET 1	240
TARGET 2	250

On the technical front, ITC has higher highs and higher lows on the daily charts and is currently placed above the long-term EMAs in the daily frame. In the recent past, after clocking a low of 196 levels, the stock has witnessed a bounce and rallied to the current levels. At the current juncture, the stock has formed a base of around 202-203 levels on the lower side and is all set to move higher. The overall chart structure of the counter looks bullish from current levels and is witnessing a bounce from the support zone around 191 levels. This may trigger a fresh round of buying which may take the stock towards 240 plus levels. The stock is currently performing in line with the broader markets indicating the inherent strength in the counter and is trading well above the major long-term support levels. On the Bollinger band (20,2) the stock price is trading above the mean with the upper band facing in the northward direction indicating the price likely to move higher. Analyzing the recent volume price action, the volumes have been encouraging in the recent up move indicating strong hands have started accumulating the stock at current levels. On the oscillator's side, RSI (14) is trading in a comfortable zone of above 60 levels indicating the intact bullishness in the stock. We expect the counter to continue its outperformance in the coming trading days as well and may move towards 250 levels in the medium-term. Any correction towards the recent support levels of 202-203 levels may be utilized to average the positions.

### Tata Consultancy Services Ltd



STOCK	TCS
CMP	2932
ACTION	BUY
ENTRY	2900-2915
AVERAGE	2790-2800
STOP LOSS	2699
TARGET 1	3150
TARGET 2	3200

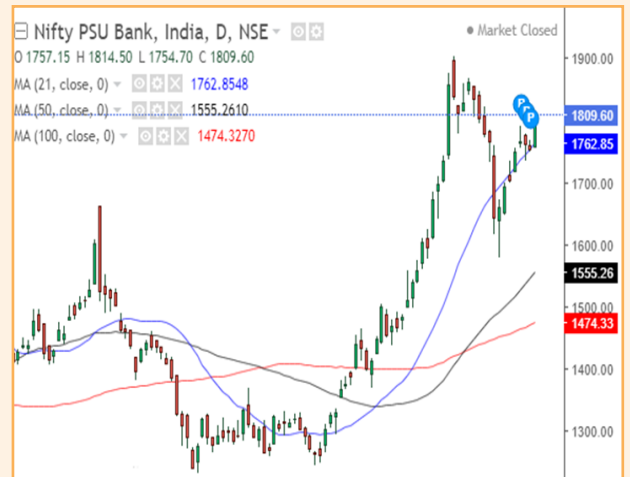
On the technical front, TCS has higher highs and higher lows on the daily charts and is currently placed above the long-term supports. In the recent past, after clocking the high of 2885 levels, the stock has witnessed a round of profit booking which dragged the counter towards the medium-term moving average of 50- EMA on the daily charts. At the current juncture, the stock is forming a base around 2699 levels on the lower side and is all set to move higher. The overall chart structure of the counter looks bullish at the current levels forming higher highs and higher lows. This may trigger a fresh round of buying which may take the stock towards 3150 plus levels. The stock's performance is in line with the broader markets indicating the inherent strength in the counter and is trading well above the long-term support levels. On the Bollinger band (20,2) the stock price is plotting above the mean indicating the price likely to trend higher. Analyzing the recent volume price action, the volumes have been encouraging in the recent up move indicating strong hands have started accumulating the stock at current levels. On the oscillator's side, RSI (14) is trading in a comfortable zone of above 50 levels indicating the bullishness in the stock. We expect the counter to continue its outperformance in the coming trading weeks as well and may move towards 3200 levels in the short term. Any correction towards the recent support levels of 2790-2800 levels may be utilized to average the positions.

INDEX SNIPPETS

**NIFTY (14018.50):** Indian equity benchmark index Nifty 50 closed higher by 1.96% during the week. During the last nine months, the index witnessed a bounce towards the current levels after correcting from 12150 levels towards the low of 7511 levels. Technically, from March 2020, the index is forming higher highs indicating the strong bullish strength of the index. However, the index may resume its bearish bias if it breaches and sustains below 13130-13150 levels in future sessions. On the global front, shares in Asia-Pacific were mixed on Thursday, as multiple markets in the region closed early for New Year's Eve. European markets closed lower on Thursday, the final trading day of the year dominated by the coronavirus pandemic and extraordinary stimulus measures that have tried to mitigate the economic hit from the health crisis. UK banks, retailers, and home builders were among the stocks trading lower Thursday, with sentiment likely affected by both Brexit uncertainty and further restrictions on public life announced by the UK government on Wednesday due to the rate of coronavirus infection. Domestically, for the week, on the data front, investors may focus on the Manufacturing PMI (Dec), Services PMI (Dec) data releasing on Jan 6 and Federal Fiscal Deficit data releasing on Jan 08. On the derivatives front, open interest data suggests that the index may find its supports around 14000 followed by 13700 levels while on the higher side, 14200 and 14300 levels may act as strong resistance.



**NIFTY PSU BANK** is this week's top performing sectoral index yet again with gains of 6% vs Nifty's gains of 2%. After correcting to long term support zone of 1650 levels, the index made a smart recovery. The index started the week on a positive note after ending the previous week on a weak note. This week's 6% gains were snapped up in two days with today's gains of 3% and 2.7% gains at the beginning of the week. Technically, the index is finding a strong support around 21 DMA. The index took support around 21 DMA during the recent correction and started bouncing back from it. Even during the week, 21 DMA acted as a good support and the index bounced back whenever it hit it. While the index is recovering from support zone after correction of nearly 15%, there is a huge risk of forming a double top around 1900 levels and hence investors should be cautious around those levels. Most of this week's gains were driven by Canara Bank and PNB each of which gained more than 10%. Heavyweight SBI too contributed to the rally by gaining 5%. Indian Bank is among the least performers of the week which gained just 2%. Nifty PSU Bank might face resistance at 1836, followed by 1900. On the downside, the index may take support at 1736, followed by 1674.



**NIFTY CONSUMPTION** performed in line (up 2% for the week) with the benchmark index Nifty for the week. The gains were led by positive news on the vaccine front as countries step up their vaccination. India is in the final stages of testing for its vaccines and we are moving towards preparing ourselves for the mass vaccination. The recovery has already begun and as seen in recent times, the rural market continues to pace ahead in consumption, ahead of urban India. Markets are looking towards full recovery heading into the second half of 2021. Even within the sector, large caps continue to be the focus of the market participants as valuations continue to be expensive. Midcap stocks had seen a good rally couple of weeks back and has traded more or less within the same region since. We continue to expect index to consolidate at these levels as the valuations are expensive and there is very little room for further upside. We do not expect any further triggers in the coming week which could provide direction either way for the consumption index. Consumption index continues to trade at near all time highs and hence is largely in uncharted territory. The recovery and the subsequent break out to all time high levels have been largely without consolidation in between. The near term support levels for the consumption index are 5800 and 5600.

