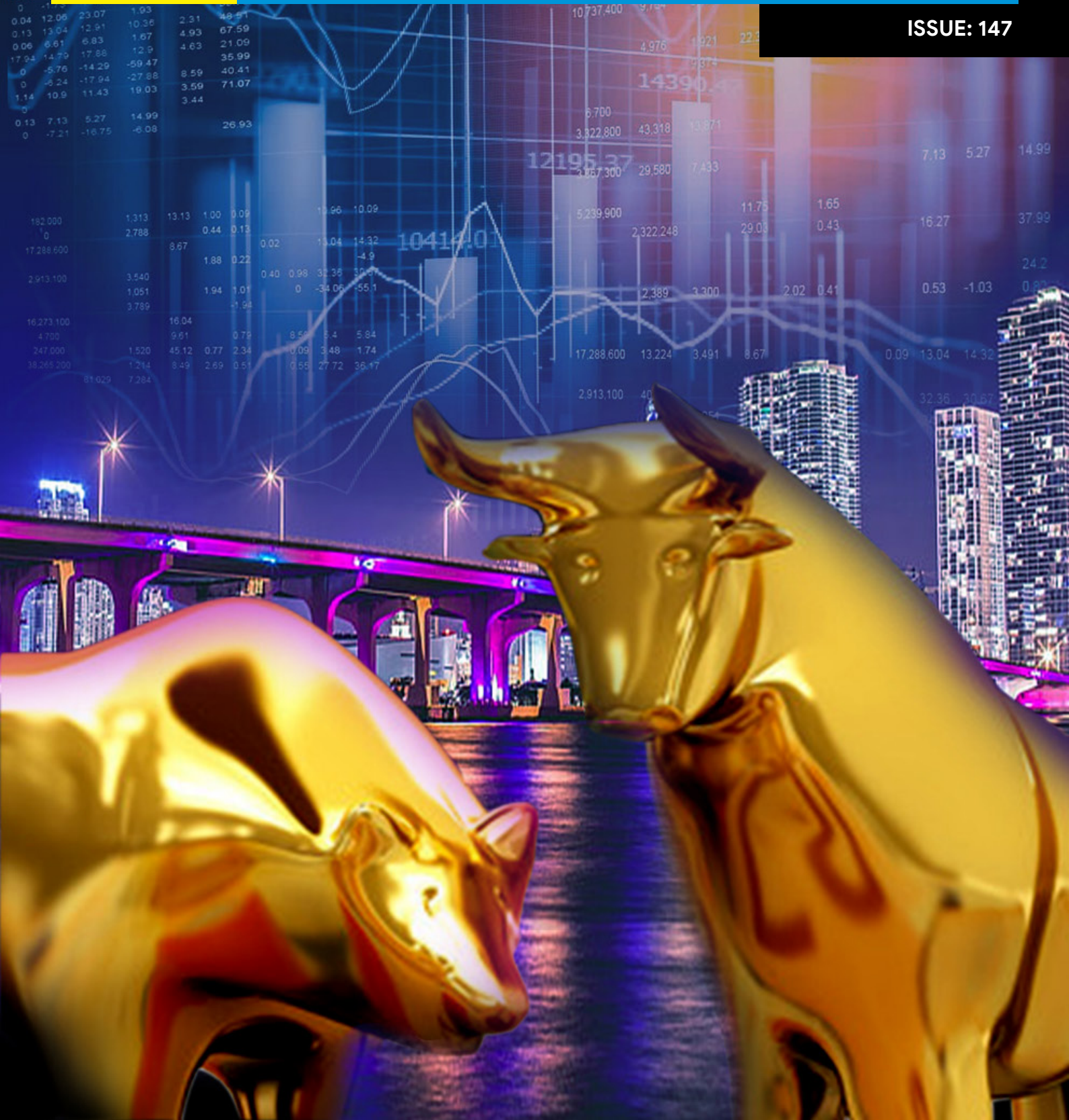


K STREET

RULE THE MARKET

ISSUE: 147



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From The Desk Of Research Head

Global Markets return to a hawkish Fed

Finally the Fed did what the world markets feared the most. In its MPC meet on June 16 2021, Fed adopted a hawkish stance by announcing that it expects to see at least two rate hikes before end of 2023, with the first hike coming in 2022. This sent global capital markets into tizzy as they believed it would be a déjà vu of taper tantrum. Equity markets across the globe which were hovering around record highs cracked big time as they were waiting for a trigger. After the unsettling, markets have now look to be returned to the shift in Fed's policy stance.

For almost seven months global equity markets have rallied to record high on hopes of pent up demand unleashing the animal spirits in global economy, which many lead indicators and other economic indicators confirmed. This lifted stocks of sectors worst hit by the pandemic including travel and hospitality and outdoor entertainment sectors. This also triggered a rally in real estate sector on hope of restart of construction activity. But in the process, the high hopes of economic recovery has lifted the prices of commodities like copper, crude and base metals to fresh highs.

However, the rally has not been as smooth as it looked. As with any reflationary trade, markets started questioning the strength of recovery and risk of inflation from time to time. This was visible in spike in bond yields on worries of inflation inching up. Currencies of emerging economies too rallied against US dollar and euro on the premise that emerging economies rebound faster than the developed economies. All through the rally the Fed has been sanguine to the inflationary worries and the incoming data which pointed to a potential spike in inflation. Whenever markets felt nervous of rising inflation, the Fed rubbed it off saying the inflation is transitory.

But all this changed on June 16, when the Federal Reserve changed its stance and acknowledged the fact that there is a need to shift in the policy stance, long anchored to zero. It said that it would soon raise rates. This caught short term bonds and value stocks off the guard and they tumbled. Global markets which were underpinned by the assumption that Fed would maintain loose monetary policy for a longer period of term so as not to risk disrupting the economic recovery which is underway. In its policy meet, Fed has raised its inflation forecasts and lifted the median estimates of future rate hikes to include two rate hikes in 2023. The Fed chief also mentioned about discussing slowing down its asset purchases from the current quantum of \$120 bn per month. For the markets that were in denial mode initially, final blow came two days after policy meet when Fed governor James Bullard categorically said that first rate hike could come in late 2022.

This rattled the markets as yields on two-year notes spiked from 0.16% to 0.27%; long term yields – 30-year maturity – cracked from 2.21% to 2.02%. S&P 500 slipped from record highs to end the week lower by 2%. So called 'value' stocks which specifically performed well since November were hit hard. Base metals like copper lost their sheen and crashed 8%. Currencies of emerging economies reacted negatively on reimagining the damage caused by the taper tantrum did to their currencies and economies. Emerging market currencies crashed between, 1% and 4% after the Fed meet. Dollar index, which measures dollar movement against a group of currencies of large economies rallied nearly 2%.

While this global macro event has exacerbated the volatility in global financial markets, there is a need to take a step back and think that the markets have over-reacted to the event. In fact there are reasons to believe that the great 'reflation trade' has still some steam left and will run further. The full reopening the global economy is yet to gain pace. Even before the second wave is yet to subside completely in many parts of the world, media has caught fancy with the third wave and is busy guesstimating about the likely impact and the likely targets of the fast-mutating virus. Global economic recovery is still in its early stages and the spike in growth rates is mostly due to favourable base effects. 2022 is still far away and if the third wave indeed hit the world, then it takes nothing for the Fed to reverse stance and reignite the liquidity engine.

- DR. RAVI SINGH

Vice President & Head of Research

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NEWS

AUTO

- Ashok Leyland Q4FY21: Net Revenue at Rs. 8142.1 Cr, Rs. 5088.0 Cr YoY, Rs. 5954.2 Cr QoQ (+60% YoY, +36.7% QoQ). EBITDA at Rs. 1013.3 Cr, Rs. 704.8 Cr YoY, Rs. 747.0 Cr QoQ (+43.8% YoY, +35.6% QoQ). EBITDA Margin at 12.4%, 141 bps YoY and 10 bps QoQ. Net Profit at Rs. 377.1 Cr, Rs. 57.8 Cr YoY, Rs. 38.3 Cr QoQ (+552.7% YoY, +884.2% QoQ).
- Sona Comstar: Shares of Sona BLW Precision Ltd, also known as Sona Comstar and backed by private equity firm Blackstone Group, made a tepid debut on bourses on Thursday, listing at a 3.8% premium to the issue price of Rs. 291 per share. However, soon after the stock surged nearly 25% backed by robust volumes.
- Tata Motors: The homegrown auto major said Guenter Butschek will step down as its MD and CEO with effect from June 30. He will, however, continue as a consultant to the company till the end of this fiscal year. The auto major also said it has elevated Girish Wagh as executive director with effect from July 1, 2021.

BANKING

- Indian Bank: The state-owned bank on Thursday said it has raised Rs. 1,650 Cr through the QIP launched earlier this week. In March this year, the committee of directors of the capital raising of the bank (committee) had accorded approval for raising equity capital aggregating up to Rs. 4,000 Cr through QIP in one or more tranches.
- Union Bank of India: The state-owned lender has raised Rs. 850 Cr by issuing Basel-III-compliant bonds on a private placement basis. The bank has allotted Basel-III-compliant tier-II bonds, which are in the nature of debentures eligible for inclusion in tier-II capital, aggregating to Rs. 850 Cr, Union Bank of India (UBI) said in a regulatory filing on Thursday.

CAPITAL GOODS & ENGG

- Everest Kanto Cylinder Q4FY21: Net Revenue at Rs. 284.3 Cr, Rs. 198.7 Cr YoY, Rs. 247.0 Cr QoQ (+43.1% YoY, +15.1% QoQ). EBITDA at Rs. 40.9 Cr, Rs. 22.5 Cr YoY, Rs. 47.9 Cr QoQ (+82.3% YoY, -14.5% QoQ). EBITDA Margin at 14.4%, +310 bps YoY and -497 bps QoQ. Net Profit at Rs. 4.4 Cr, Rs. -0.8 Cr YoY, Rs. 51.1 Cr QoQ.
- ABB India, JSW Steel: The electrical equipment firm ABB India announced completing the digitalization of the melt shop at the Dolvi Works steel plant in Maharashtra. Located on the western coast of India at Dolvi in Maharashtra, it is JSW Steel's integrated steel plant having a capacity of five million tonnes per annum (MTPA).

CONSUMPTION

- Thangamayil Jewellery Q4FY21: Net Revenue at Rs. 740.7 Cr, Rs. 359.0 Cr YoY, Rs. 614.3 Cr QoQ (+106.3% YoY, +20.6% QoQ). EBITDA at Rs. 28.3 Cr, Rs. 20.7 Cr YoY, Rs. 44.6 Cr QoQ (+36.3% YoY, -36.6% QoQ). EBITDA Margin at 3.8%, -196 bps YoY and -344 bps QoQ. Net Profit at Rs. 13.8 Cr, Rs. 8.6 Cr YoY, Rs. 26.9 Cr QoQ (+60.1% YoY, -48.9% QoQ).
- Godrej Agrovet: The company has made additional investment aggregating to Rs. 14.99 Cr in the shares of Godrej Maxximilk Private Ltd (GMPL), by way of subscription to preferential issue and, has been allotted 4,41,176 shares of face value Rs. 10 each.
- Dabur India: Packaged consumer goods company Dabur India said it has commenced construction of its largest manufacturing facility in India in Madhya Pradesh, with an estimated investment of Rs. 550 Cr. The new unit will manufacture a range of food products, Ayurvedic medicines, and health supplements, the maker of Vatika hair oil, Real Juice, and Dabur Red toothpaste said.
- FMCG stocks: FMCG companies are witnessing an increase in sales after Unlock 2.0 with the easing of curbs on trading and movement by state governments and local authorities due to the falling number of Covid cases. States began lifting restrictions in the first week of June.
- United Breweries: The company witnessed a series of block deals on the exchanges on Wednesday, with around 39.64 million shares, comprising a 15% stake in the company, changing hands, Bloomberg reported. Details of the sellers were not available. Heineken NV has announced that it has bought an additional 39.64 million shares in United Breweries Ltd. With this share purchase, Heineken's shareholding in UBL has increased to 61.50% from 46.50%.
- Indian Hotels Company: Tata group hospitality firm said it has crossed the milestone of over 10 lakh meals delivered by its culinary platform - Qmin to healthcare providers during the second wave of coronavirus pandemic.

FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
National Aluminium Company Limited	Financial Results	28-Jun-21
Indian Railway Catering And Tourism Corporation Limited	Financial Results	29-Jun-21
NBCC (India) Limited	Financial Results	29-Jun-21
Vodafone Idea Limited	Financial Results	30-Jun-21

GLOBAL NEWS

- China's Bitmain suspends sales of crypto mining machines after Beijing's mining ban. Bitmain also said it is looking for "quality" power supplies overseas along with its clients, in places including the United States, Canada, Australia, Russia, Kazakhstan, and Indonesia.
- French business confidence at a 14-year high in June. French business confidence surged to its highest level in nearly 14 years in June as the easing of coronavirus restrictions unleashed a service sector boom, a survey showed. France fully reopened cafes, bars, and restaurants on June 20 and ended a national night-time curfew on June 20.

INFRA

- Starlog Enterprises: Prudential Asia Pacific Equity Fund sold 76,727 equity shares in the company at Rs. 10.16 per share on the BSE, the bulk deals data showed.
- Hazoor Multi Projects: The company received a work order of Rs. 5.90 Cr for completion of balance work of 'National Highway No 548-A from section Waken Pali to 2 lanes with paved shoulder' received from Varaha Infra.

METAL

- Shyam Metalics: Shares of Shyam Metalics and Energy Ltd made a firm debut on stock exchanges on Thursday. The share was listed at Rs. 380, a 24.18% increase from its issue of Rs. 306.

NBFC

- NBFCs: The Reserve Bank of India (RBI) on Thursday put in place certain conditions for non-banking financial companies (NBFCs) to pay dividends to shareholders from the financial year ending March 31, 2022.

OIL & GAS

- Oil & Natural Gas Corporation Q4FY21: Net Revenue at Rs. 114168.3 Cr, Rs. 104373.9 Cr YoY, Rs. 100288.8 Cr QoQ (+9.4% YoY, +13.8% QoQ). EBITDA at Rs. 15477.9 Cr, Rs. 3536.8 Cr YoY, Rs. 11279.4 Cr QoQ (+337.6% YoY, +37.2% QoQ). EBITDA Margin at 13.6%, +1017 bps YoY and +231 bps QoQ. Net Profit at Rs. 10946.2 Cr, Rs. -6725.7 Cr YoY, Rs. 3637.3 Cr QoQ.
- RIL: In a pivot towards new energy, RIL chairman Mukesh Ambani announced a Giga hub in Jamnagar with an investment of Rs. 75,000 Cr. Aramco's president joins the company's board.

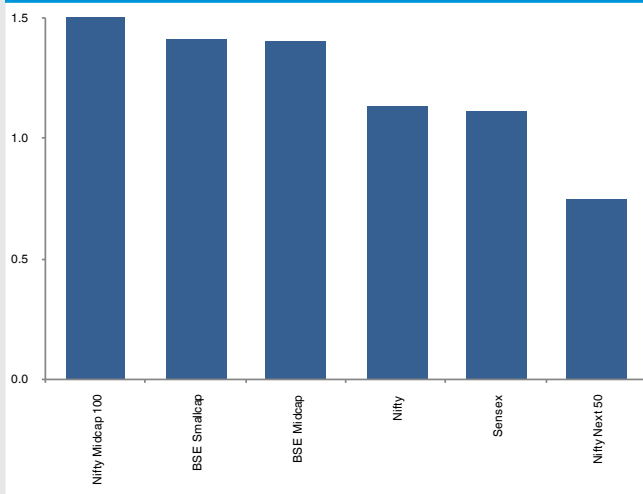
PHARMA & HEALTHCARE

- Cadila Healthcare: The drugmaker on Thursday said it has received tentative approval from the US health regulator to market Fingolimod capsules, used in the treatment of multiple sclerosis, in the American market.

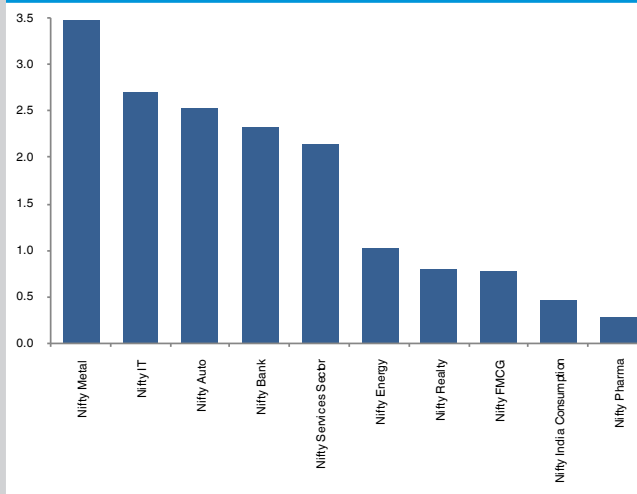
POWER

- PTC India: The company reported a higher consolidated profit at Rs. 49.77 Cr in Q4FY21 against Rs. 47.96 Cr in Q4FY20, revenue rose to Rs. 3,916.58 Cr from Rs. 3,634.52 Cr YoY.

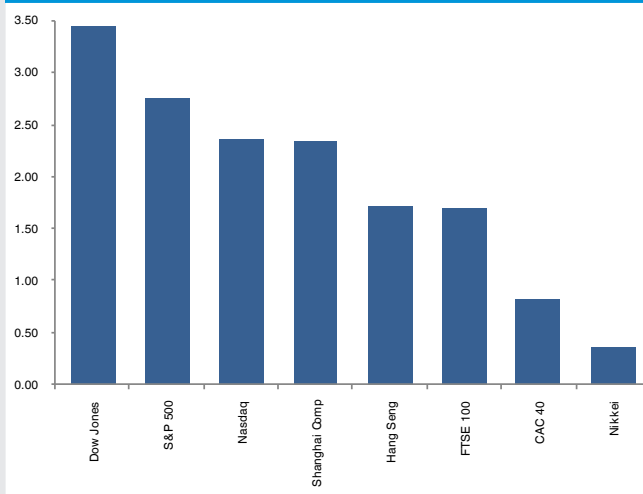
INDIAN INDICES (% CHANGE)



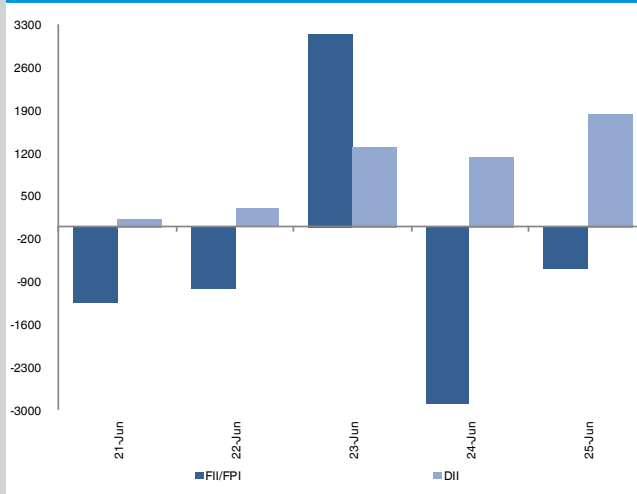
SECTORAL INDICES (% CHANGE)



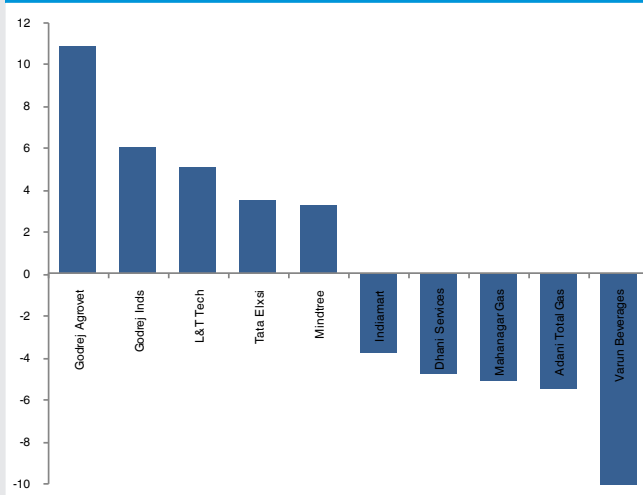
GLOBAL INDICES (% CHANGE)



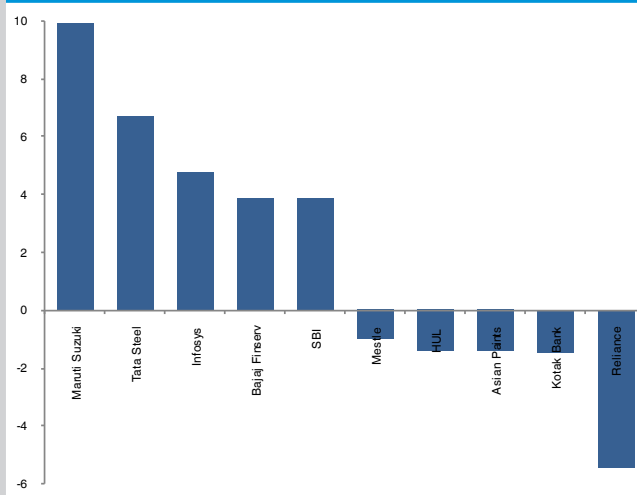
FII/FPI & DII TRADING (IN RS. CRORES)



NIFTY MIDCAP100 TOP GAINERS & LOSERS (1W)



NSE NIFTY TOP GAINERS & LOSERS (1W)



Source: Karvy Research

AXIS BANK LTD



STOCK	AXISBANK
CMP	761
ACTION	BUY
ENTRY	755-757
AVERAGE	715
STOP LOSS	681
TARGET 1	850
TARGET 2	875

On the technical front, AXISBANK has higher highs and higher lows on the daily charts and is currently placed above the short-term EMAs in the daily frame. In the recent past, after clocking a high of 800 levels, the stock has witnessed a correction to the current levels. At the current juncture, the stock has formed a base of around 681 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 715 levels. This may trigger a fresh round of buying which may take the stock towards 850 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 50 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 875 levels in the medium term. Any correction towards the recent support levels of 715 levels may be utilized to average the positions.

TATA STEEL LTD



STOCK	TATASTEEL
CMP	1165
ACTION	BUY
ENTRY	1155-1160
AVERAGE	1085
STOP LOSS	1040
TARGET 1	1300
TARGET 2	1350

On the technical front, TATASTEEL 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 1246 levels, the stock has witnessed a round of profit booking which dragged the counter towards the short-term moving average of 50- EMA on the daily charts. At the current juncture, the stock is forming a base around 1085 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 1300 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 1350 levels in the short term. Any correction towards the recent support levels of 1085 levels may be utilized to average the positions.



NIFTY (15860.35): Indian equity benchmark index Nifty 50 closed higher by 1.13% during the week. During the last four months, the index witnessed a bounce towards the current levels after correcting from 15431 levels towards the low of 14151 levels. Technically, from April 2021, the index is forming higher highs indicating the strong bullish strength of the index. However, the index may turn bearish if it breaches and sustains below 15310 levels in future sessions. Asia-Pacific stocks jumped on Friday, with shares in Hong Kong and mainland China among the region's biggest gainers. European stocks climbed on Friday to close out a winning week amid the prospect of a steady economic rebound and fears of a tapering of monetary stimulus. In Europe, the UK is set to publish plans next month to lift travel restrictions for fully vaccinated people, except those at the highest Covid-19 risk level. US stocks rose on Friday with the S&P 500 building on its rally to records, as investors bet that higher inflation will be temporary as the economy continues to recover from the pandemic. Friday's rally came after a key inflation indicator that the Federal Reserve uses to set policy rose 3.4% in May, the fastest increase since the early 1990s, the Commerce Department reported Friday. The reading matched the expectation from economists polled by Dow Jones. The core index rose 0.5% for the month, which actually was below the 0.6% estimate. The core personal consumption expenditures price index increase reflects the rapid pace of economic expansion and resulting price pressures, and amplified how far the nation has come since the pandemic-induced shutdown of 2020. Domestically, for the week, on the data front, investors may focus on the Federal Fiscal Deficit (May) releasing on June 30th and Manufacturing PMI (Jun) releasing on July 1st. On the derivatives front, open interest data suggests that the Nifty index may find its supports around 15800 followed by 15000 levels while on the higher side, 16000 and 16500 levels may act as resistance.



NIFTY BANK outperformed Nifty this week as Nifty Bank was up 2% as opposed to Nifty's gains of 1%. After ending the previous week in negative territory, the index opened strongly and ended up 2%. As indicated by us in previous week's commentary, Nifty Bank took support at 100 DMA and bounced back and ended the week on a positive note. During the week the index gained on three out of five trading days. Bank Nifty opened the week with gains of 1% and on the last trading day ended up with gains of more than 1.5% fuelled by strong rally in large banks like SBI, Axis Bank and CICI Bank. During the week, all index components ended in green except Kotak Bank. Kotak Bank ended the week with losses of 1.5%. All the large banks ended the week with modest gains, implying that the index's rally during the week was broad-based. Large banks including SBI, ICICI Bank, Axis Bank and HDFC Bank gained between 2% and 4%. Bandhan Bank is this week's top performer with gains of 5%. During the week Assam government, where Bandhan Bank has considerable presence has announced incentives for those who repays loans on time in a stark opposition of expectations of loan waiver, because of which the stock did not participate in the rally largely. The stock picked up momentum as worries of spike in NPAs were left behind because of new government ruling. After consolidating for a while, the index looks to be strongly placed as during the week, Bank Nifty has moved past all three near term moving averages. But one big risk for the index is that it has moved into the resistance zone of 35000-37000, which according to us might slow down the movement of Bank Nifty. With Q1FY22 almost coming to close, we expect investors to shift focus to results and most likely the index would consolidate around these levels till large banks start declaring results and they regain confidence. Nifty Bank may face resistance at 35700 followed by 37000. Nifty Bank may take support at 34500-34000 support zone, followed by 32000.