Market Commentary

PIONEER WEALTH MANAGEMENT

Indian equity markets managed to end the week in the green despite overall market sentiments remaining muted due to ongoing Russia-Ukraine conflict, impending U.S. Fed rate hike and downward revision of domestic GDP forecasts by various rating agencies. Worries over rising covid cases especially in China kept investors on tenterhooks.

Positive factors which helped bourses shrug off the weakness include optimism that the Monetary Policy Committee would maintain status quo in its upcoming policy review. Positive cues , primarily ongoing consolidation in the media sector, resumption of international flights, tailwinds in the telecom segment and value buying also boosted market sentiments. Buying interest also found support after Ukrainian President reiterated that the nation is prepared to discussion adoption of neutral stance as apart of peace deal with Russia.

During FY22, FIIs sold ₹1.40 lakh crore in equities compared to last year when it was a net buyer of ₹2.74 lakh crore. Since January 2022 till date, it has sold ₹10.13 lakh crore in Indian equities. All this because of the unexpected pandemic that hit the country badly followed by another event that escalated inflation in the country -- Russia-Ukraine war -- and most importantly because of monetary tightening in the US, which makes the US debt market more attractive to FIIs. And hence the huge sell-off.

Meanwhile, DIIs were net buyers of ₹1.26 lakh crore in first eleven months of FY22 compared to net net sale of ₹39,000 crore last year. Markets do not seem to be intimidated by the selling spree of foreign investors as domestic investors have been at the rescue like never before.

Responding to a question in Parliament, Finance Minister Nirmala Sitharaman exuded confidence that retail investors can absorb any shock caused by foreign portfolio investors selling local stocks. Indeed, domestic investors are showing unprecedented interest in equities and the

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Nifty 50 has delivered a healthy 18.9 percent return in FY22 despite monetary policy tightening by major central banks and the rapid rise in commodity prices. Indian markets have outperformed global peers including the US and UK during the financial year as Nifty 50 surged 18.9%.

The new fiscal FY23 has started on a positive note with both FII's & DII's being net buyers in the first week of April 2022. FII's have net bought Rs 3436 Cr where as DII's have net purchased Rs 1597 Cr. Augurs well for Indian markets going forward in FY23.

An analysis indicate a robust 42 percent rise in aggregate net earnings of the Nifty 50 companies in FY22, partly boosted by a favourable base. The steep rise in input costs and soft demand in rural areas may slow down earnings growth. Still, net earnings growth for Nifty 50 companies in FY23 is projected at 21 percent. Decent, given the headwinds.

Around 70 percent of the Nifty aggregate profits are generated by four sectors—banks, oil & gas, IT Services and metals & mining. Of them, except banks, the other three major sectors have scope for earnings upside either due to high product prices or resilient demand. Thanks to upgrades in metals, oil & gas and a steady view on IT, and banking and financial services (BFSI), Nifty has not seen much earnings downgrades so far.

Even so, risks to Nifty earnings are on the rise. Consumer facing companies such as cement, FMCG and automobiles are facing the double whammy of high input costs and weak demand in certain geographies. Analysts fear attrition and exceptional wage hikes may slow earnings growth at IT services companies. The earnings season is around the corner. Major IT companies are scheduled to release their results for the March 2022 quarter next week. Management commentaries after the results will provide clarity on demand and input cost environment. Moreover the Reserve Bank of India's Monetary Policy Committee is scheduled to meet this week. Its analysis of the current economic and geopolitical conditions will also provide vital cues.

Data from Reserve Bank of India (RBI) showed that India's current account balance recorded a deficit of US$ 23 billion (2.7% of GDP) in Q3 of FY23 as against deficit of US$ 9.9 billion (1.3% of GDP) in Q2 of FY22 and US$ 2.2 billion (0.3% of GDP) in Q3 of FY21. The widening of current account deficit in Q3 of FY22 was mainly on account of higher trade deficit.

Government data showed that the index of eight core industries witnessed a growth of 5.8% in Feb 22 as compared to a growth of 4% in Jan 22 and a decline of 3.3% in the same period of the previous year. The natural gas sector witnessed a maximum growth of 12.5% followed by refinery product sector and coal sector that grew 8.8% and 6.6% respectively.

While we remain bullish on FY23 here's a quick snapshot on how FY22 fared.

Indian Equity Market Performance

Broad Indices	01-Apr-22	% Change (WoW)	% Change (YoY)	% Change (YTD)
S&P BSE Sensex	59,277	3.34	18.48	1.76
Nifty 50	17,670	3.02	18.85	1.82
S&P BSE 100	17,950	3.02	19.31	1.84
Nifty 500	15,087	2.97	20.90	0.61
Nifty Midcap 100	30,135	2.94	24.95	-1.01
Nifty Small cap 100	10,611	2.98	28.12	-6.00
Sector Indices	**01-Apr-22**	**% Change (WoW)**	**% Change (YoY)**	**% Change (YTD)**
S&P BSE AUTO	24,370	3.06	7.88	-1.80
S&P BSE Bankex	42,596	5.04	11.39	5.41
S&P BSE CD	42,425	0.87	29.31	-5.23
S&P BSE CG	27,820	2.73	29.71	-3.24
S&P BSE FMCG	13,511	3.39	5.00	-1.99
S&P BSE HC	24,360	0.10	13.15	-7.04
S&P BSE IT	36,473	0.97	36.25	-3.62
S&P BSE METAL	22,535	-1.72	48.97	17.09
S&P BSE Oil & Gas	19,253	2.98	27.63	9.97
S&P BSE Power	4,171	4.37	63.98	19.81
S&P BSE PSU	8,880	3.36	29.97	9.08
S&P BSE Realty	3,768	5.65	40.69	-1.91
S&P BSE Teck	16,281	1.67	35.33	-2.02

Source: BSE & NSE