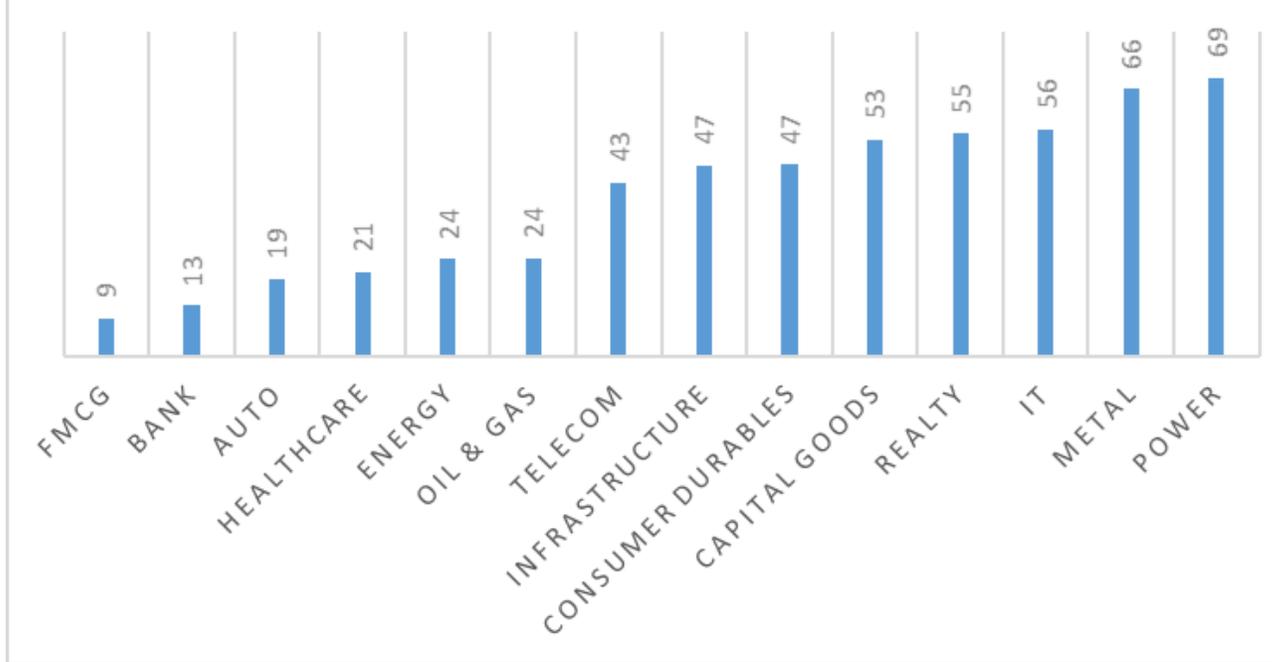


# TOP 10 ISSUES FOR 2022

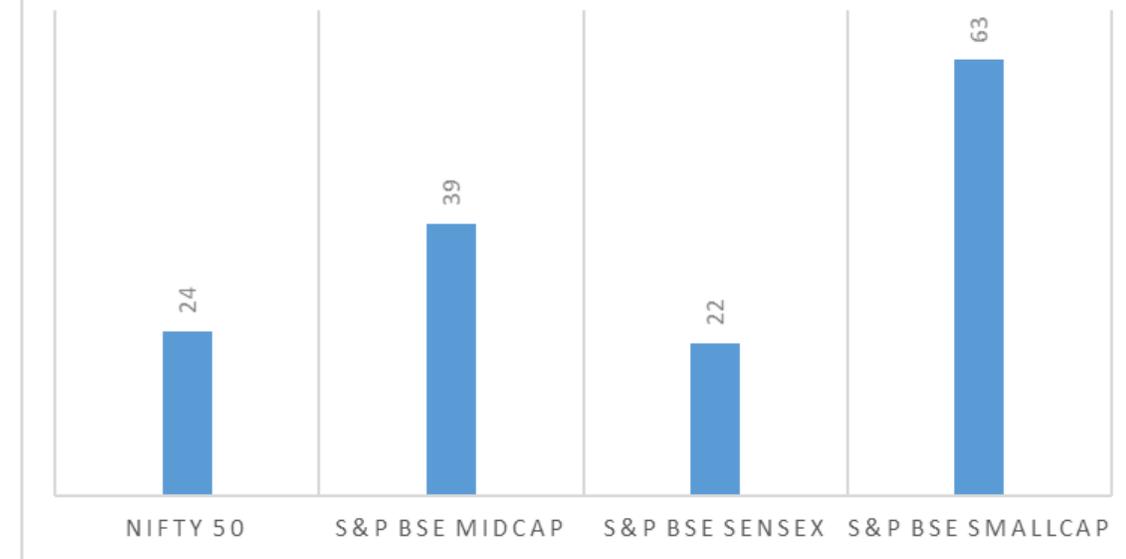
# Year 2021 in numbers

# DOMESTIC INDICES: 2021

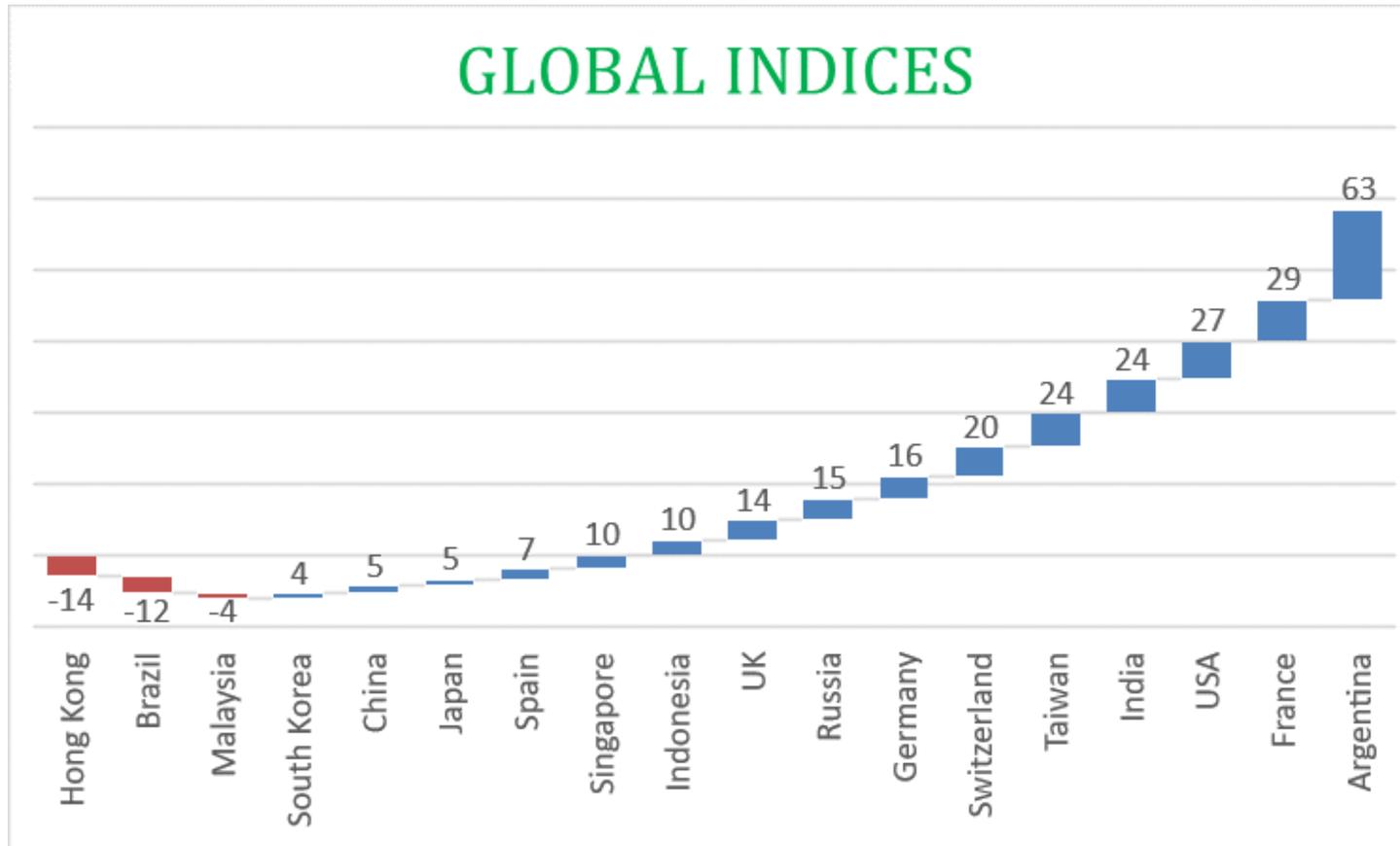
## SECTORAL INDICES - DOMESTIC



## DOMESTIC INDICES (BY MARKET CAP)



# GLOBAL INDICES 2021



# Sectoral Outperformers in CY21

|   |              |
|---|--------------|
| <b>S&amp;P Bse Sensex</b>                 | <b>24.07</b> |
| <b>S&amp;P Bse Power</b>                  | <b>71.04</b> |
| <b>S&amp;P Bse Metal</b>                  | <b>69.57</b> |
| <b>S&amp;P BSE Industrials</b>            | <b>68.01</b> |
| <b>S&amp;P Bse Realty</b>                 | <b>63.74</b> |
| <b>S&amp;P Bse Information Technology</b> | <b>55.31</b> |

# Mutual Fund and FII Flows

| MF           |              | FII          |              |
|--------------|--------------|--------------|--------------|
| Jan-21       | -12980       | Jan-21       | 14481        |
| Feb-21       | -16306       | Feb-21       | 19747        |
| Mar-21       | 2476         | Mar-21       | 16959        |
| Apr-21       | 5933         | Apr-21       | -6559        |
| May-21       | 159          | May-21       | 5359         |
| Jun-21       | -1120        | Jun-21       | 10251        |
| Jul-21       | 15431        | Jul-21       | -12746       |
| Aug-21       | 11545        | Aug-21       | 4640         |
| Sep-21       | 4787         | Sep-21       | 7662         |
| Oct-21       | 1509         | Oct-21       | -17033       |
| Nov-21       | 16060        | Nov-21       | -5710        |
| Dec-21       | 17283        | Dec-21       | -8881        |
| <b>Total</b> | <b>44777</b> | <b>Total</b> | <b>28170</b> |

**EQUITY**



**DEBT**



All figures in crores

Source: Moneycontrol,  
SEBI

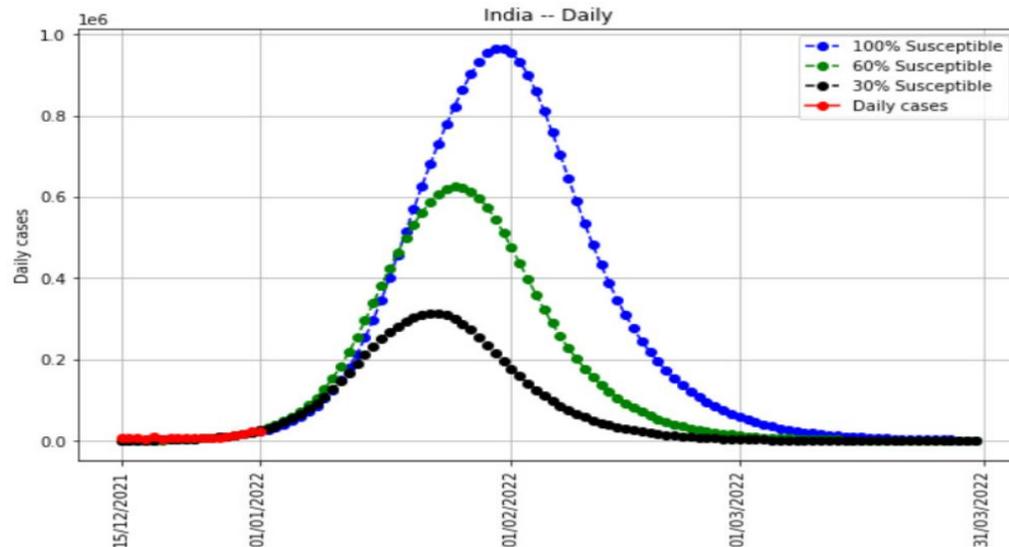
| MF           |               | FII          |              |
|--------------|---------------|--------------|--------------|
| Jan-21       | 11831         | Jan-21       | -3540        |
| Feb-21       | 8161          | Feb-21       | -6287        |
| Mar-21       | 14068         | Mar-21       | -3984        |
| Apr-21       | 21175         | Apr-21       | 1698         |
| May-21       | 3331          | May-21       | -1336        |
| Jun-21       | 4713          | Jun-21       | -4487        |
| Jul-21       | 13358         | Jul-21       | -642         |
| Aug-21       | 21094         | Aug-21       | 12028        |
| Sep-21       | 14594         | Sep-21       | 11523        |
| Oct-21       | 4883          | Oct-21       | -1101        |
| Nov-21       | 12557         | Nov-21       | 1151         |
| Dec-21       | 1439          | Dec-21       | -10908       |
| <b>Total</b> | <b>131204</b> | <b>Total</b> | <b>-5885</b> |

Ten issues for 2022

# 1. Freedom from Virus

## A. 3rd Wave & Omicron

- The average case of omicron has about a 60% lower chance of landing you in the hospital than the average case of delta.
- The Omicron-triggered third wave of Covid-19 in India may peak in January-end and February, with daily cases touching 10 lakh, a new modelling study by IISc-ISI has predicted.
- The U.S. is only a few days into the third calendar year of the pandemic and nearly 500,000 new COVID-19 cases are being counted daily. US also see their cases peaking towards the end of February and into March.



# 1. Freedom from Virus

## B. Vaccine and Booster dose

- The booster shot in India will be the same as the vaccine doses taken earlier and will not require any sort of new registration, rather it will be on appointment basis or walk-ins.
- The European Centre for Disease Prevention and Control (ECDC) on Nov. 24 recommended vaccine boosters for all adults, with priority for those over 40.

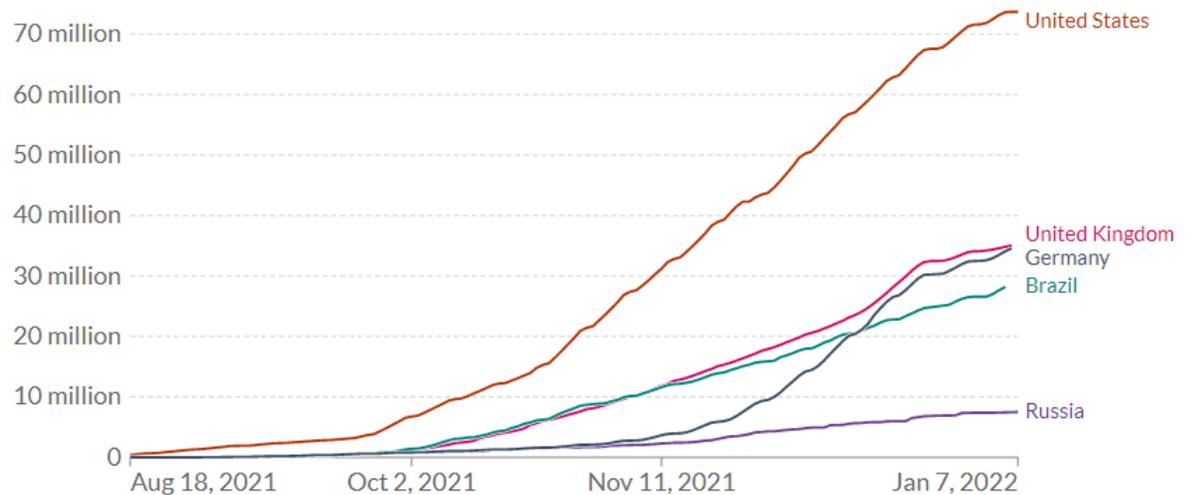
### COVID-19 vaccine boosters administered

Total number of vaccine booster doses administered. Booster doses are doses administered beyond those prescribed by the original vaccination protocol.

Our World  
in Data

LINEAR LOG

+ Add country



Source: Official data collated by Our World in Data - Last updated 8 January 2022, 07:40 (London time)  
OurWorldInData.org/coronavirus • CC BY

▶ Dec 29, 2020 ————— ○ Jan 7, 2022

## 2. Taper tantrums and Emerging markets- what happened in the past

- In May'13, US Fed suddenly announced that they will slow down its massive bond purchase program which had started in the aftermath of 2008 GFC. Fed's balance sheet had expanded 3x from \$1 tn to \$3 tn in these 5 years and global markets were heavily reliant on Fed's support.
- This taper announcement by US Fed triggered sharp selloff in global equity & debt market. Selloff was even sharper in emerging markets including India triggering capital outflows and currency depreciation.
- Rupee depreciated by more than 15% in the matter of 3 months. RBI reacted by sharply raising interest rates to stem the fall. Other steps like Market intervention, Capital outflow restrictions, Import duty on gold, etc. were taken but nothing really worked.
- Finally RBI Governor in September announced FCNR(B) window to encourage deposits by NRIs. This eventually led to \$30 bn of inflows and helped stabilized the rupee.
- Situation is much different currently when compared to 2013. Current account deficit had increased to ~5% in 2013 (from 1% in 2006), inflation above 10% was stubbornly high, GDP growth was declining & it was sub 5% in 2013. Policy rate was already high, RBI had raised it from 3.25% in Dec'09 to 8.5% in Dec'12 leaving little room for monetary & fiscal maneuver.

# 2. Taper tantrums and Emerging markets

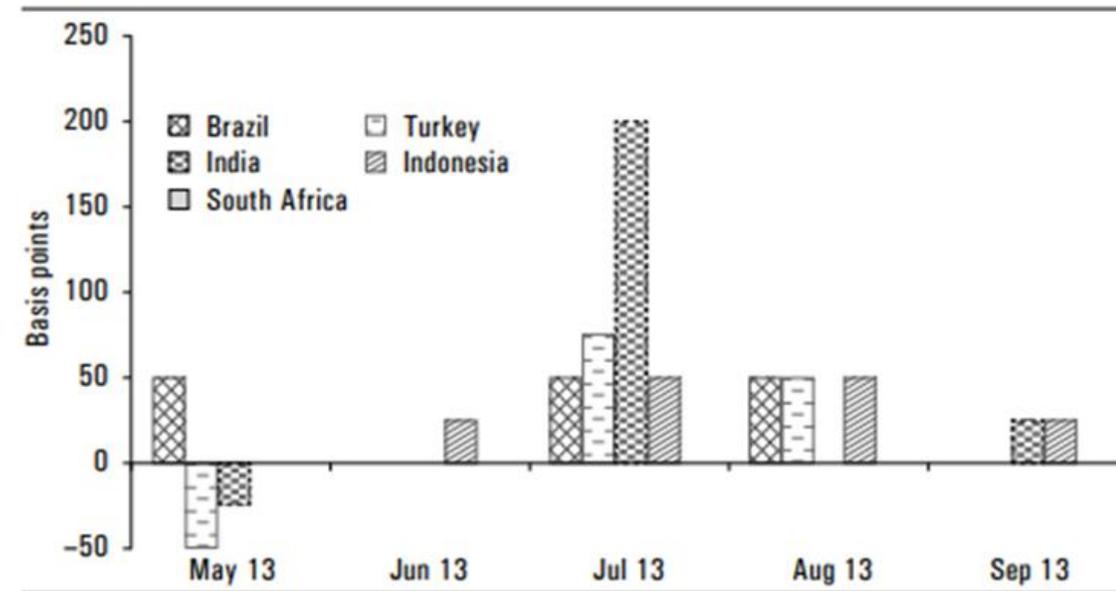
**TABLE 1. Effect of Tapering Talk on “Fragile Five” Countries (April–August, 2013)**

|              | <i>Exchange rate depreciation</i> | <i>% change in stock prices</i> | <i>% change in reserves</i> |
|--------------|-----------------------------------|---------------------------------|-----------------------------|
| Brazil       | 17.01                             | -5.28                           | -3.07                       |
| Indonesia    | 8.33                              | -14.21                          | -13.30                      |
| India        | 15.70                             | -3.32*                          | -5.89                       |
| Turkey       | 9.21                              | -15.38                          | -4.56                       |
| South Africa | 10.60                             | 6.81                            | -5.05                       |

Source: Calculated using data from the Global Economic Monitor database of the World Bank.

Note: \*Decline in stock prices in India was about 10 percent if calculated using daily data between May 22 and August 31, 2013.

**FIGURE 5. Changes in Policy Interest Rates by Fragile Five**

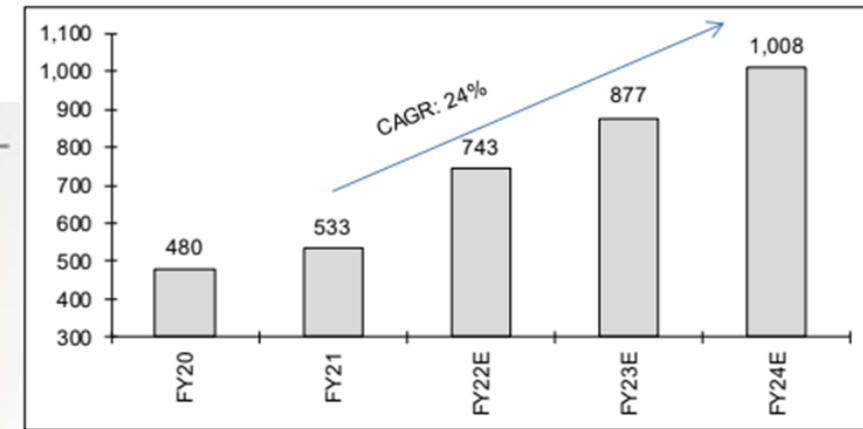
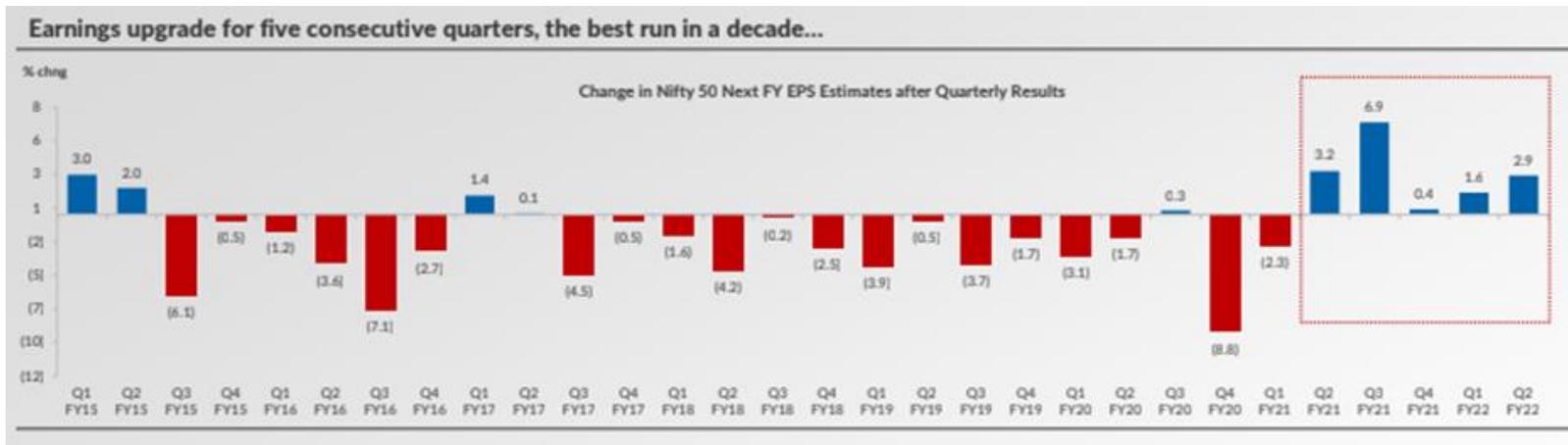


Source: Haver.

India is much more resilient now given the comfortable levels of forex reserves, improving momentum in exports and wider participation of retail investors in domestic equity markets.

# 3. Earnings Momentum to continue

- As we are coming into the fag end of the ultra-loose monetary policy and liquidity cycle, earnings momentum will have to do the heavy lifting for market levels to sustain.
- Despite covid related disruptions, we saw 5 consecutive quarters of earnings upgrades, best run in a decade. We expect this upgrade cycle to continue, as India Inc. continue to show resilient performance despite many uncertainties.
- Nifty EPS is expected to clock CAGR of 24% over FY21-24 period. While market may look expensive after the sharp runup recently, it is trading at ~18x FY24 EPS, we believe that there is more legs to this rally provided that the earnings momentum is sustained.
- Sectors such as Banking & Financials, Capital Goods, Pharma, IT and Telecom are expected to contribute significantly to the Nifty EPS growth.
- Sectors such as Oil & Gas, Metals & Mining and Utilities may show below average EPS growth.



Source: Bloomberg, I-Sec Research

Source: Bloomberg | Sec Yes Securities

# 4. Union Budget 2022

- Key figure that will be watched will be the fiscal deficit for FY 22 and Projections for FY 23  
Sectors which need sops and may be rewarded in the Union Budget:
  - Auto
  - Hospitality
  - Retail
- Sectors which may be supported to accelerate growth:
  - Housing
  - Bank (via recapitalisation of PSU Banks)
  - Infrastructure spending
- Feel good Announcements
  - Direct Tax:
    - Relief to some section of the society
    - SOPs to taxpayers - transparency, benefits etc
    - Simplification of Rules
    - Green initiatives - will be liked by FIIs and ESG Funds

# 5. Technology: to be a major trend driver

| <b>Smarter algorithms and machine language</b>   | <b>Faster networks with bigger bandwidth</b>   | <b>Intelligent cloud and edge computing</b>   | <b>More interconnected devices that talk to each other</b>  | <b>Privacy gaining ground</b>  |
|--|--|---|---|--|
| The AI markets seems to be picking up, but the future trajectory will depend upon organizations adaptive ability towards it. | 2022 may finally be the year we see next-gen networks rolling out. The 5G spectrum auctions are expected in the first half of next year. | Edge computing helps enterprises bring the data and computing requirements closer to the user's device. | As data flows faster and computing power comes from large server farms using the cloud, more devices can start connecting and working as one. | Data Protection Bill was finally able to table a report at the Parliament session which states that they have one bill to regulate personal and non-personal data and stop companies from profiling children's accounts and using targeted ads for them. |

# 5. Technology...top10 trends contd

| Mixing and blending realities  | Immutable and interconnected ledgers   | The third generation of the internet  | Rise of Metaverse   | Quantum Computing   |
|--|--|---|---|---|
| Idea is to be able to make products ubiquitous and reach economies of scale in products such as VR and AR headsets and future innovations in similar fields. | Blockchain is the next step in technology after AI. International Data Corp. has predicted an annual average growth rate of 48% b/w 2020-2024. | Rising of the “web3”, where the power is handed back to the users in a way where it runs without servers, no single entity has control on the data. In a word - Decentralization. | The Metaverse isn't a technology; it's a concept. Everything that we do in the physical world will now be achievable through very realistic looking avatars in the Metaverse. | Unlike the traditional computers taking information in 0 and 1, this computing method uses concepts of Quantum Physics to enhance the amount of computing power we can use. |

Source: Mint dated 21<sup>st</sup> Dec 2021

## 6. Politics and State Elections

| State            | Date           | Tenure   |          | Seats |
|------------------|----------------|----------|----------|-------|
| Goa              | Feb/March 2022 | 16.03.17 | 15.03.22 | 40    |
| Manipur          | Feb/March 2022 | 20.03.17 | 19.03.22 | 60    |
| Punjab           | Feb/March 2022 | 28.03.17 | 27.03.22 | 117   |
| Uttar Pradesh    | Feb/March 2022 | 15.05.17 | 14.05.22 | 403   |
| Uttarakhand      | Feb/March 2022 | 24.03.17 | 23.05.22 | 70    |
| Himachal Pradesh | Oct-22         | 09.01.18 | 08.01.23 | 68    |
| Gujarat          | Dec-22         | 19.02.18 | 18.02.23 | 182   |

The outcome of state elections will be perceived to be the Referendum on Central Govt policies and initiatives. It may also influence tactical moves to woo the populace

Source: CLSA

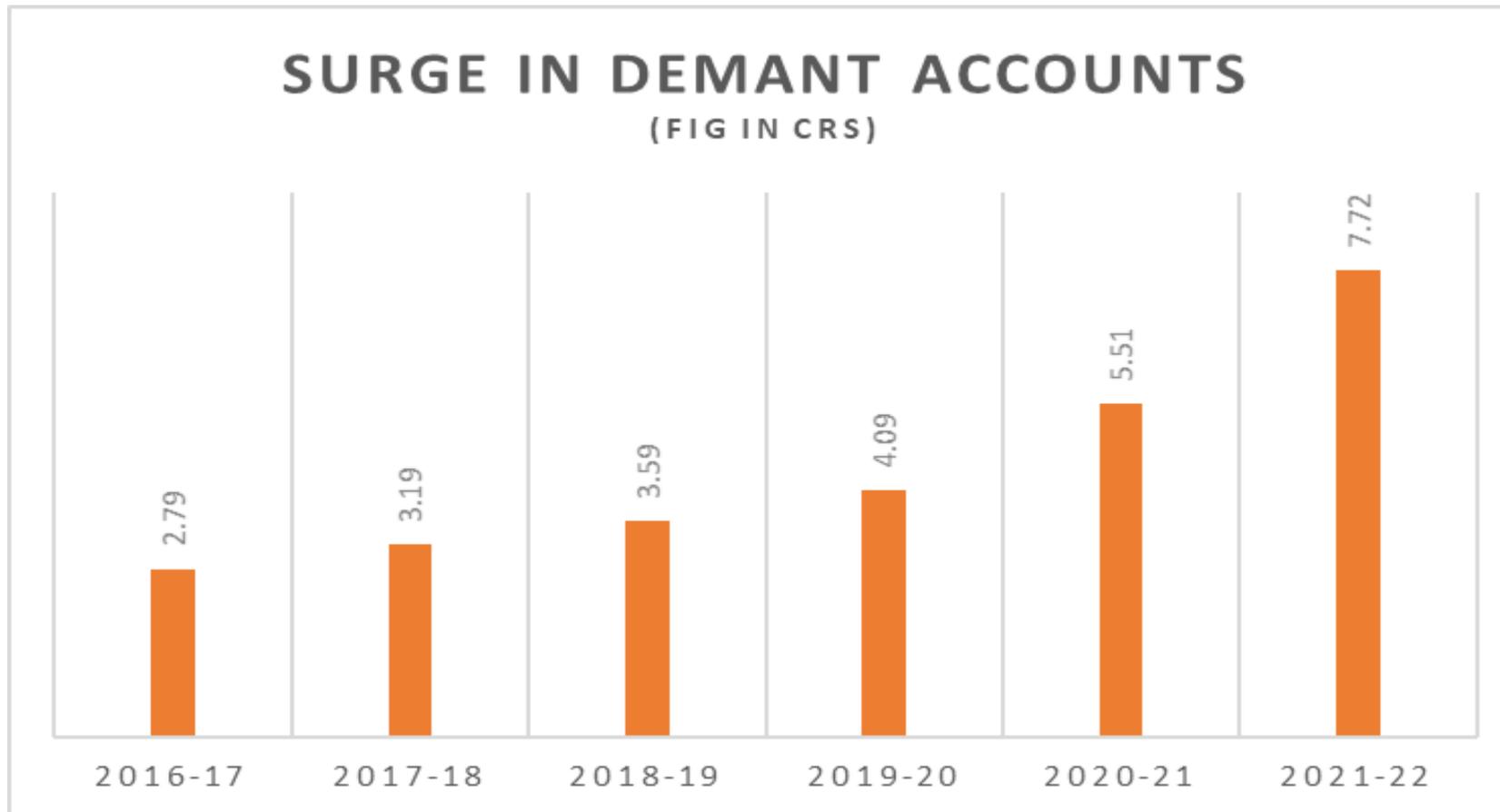


# 7. Government Reforms

- PLI - in new sectors
  - PLI schemes in CY21 have been one of the major drivers of growth in Pharma, APIs, Chemicals, Auto Ancillaries (incl Batteries)
  - Saw new announcements in Semiconductor Manufacturing with total outlay of 76,000crs.
- Privatisation : After Air India - what next?
  - In pipeline: BPCL, BEML, SCI, Neelachal Ispat Nigam,etc..
- Labour Reforms : Focus on employment generation
- Infrastructure Funding : Acceleration and Innovation
- Deepening the Retail Debt market: After retail window for G- Sec - Tax incentive?
  - RBI recently opened the Debt (in Nov'21) to Retail investors to facilitate retail participation and deepen the bond market
- Health Infrastructure: Ambitious play
  - Total allocation to Public Healthcare was 1.2% of GDP in the last Union Budget. Industry body FICCI and KPMG estimates that this needs to be raised to 2.5%-3.5% of GDP
  - Government's Strategy and outlay towards Public Healthcare needs to be watched out in the upcoming Union Budget
- Green Initiatives: Leverage on achieving the Renewable energy goal 9 years in advance

# 8. Retail investors and IPOs

## A. Growth in Demat Account



Source: SEBI, NSDL, CDSL

# 8. Retail investors – Demat accounts

## A. Growth in Demat Account

- Indian investors opened a record 14.2 million new demat accounts in FY21, nearly three times the figure in the previous fiscal year, as the global pandemic and business disruptions opened up new investment opportunities.
- In contrast, 4.9 million demat accounts were opened in FY20, with a three-year average of 4.3 million in the three fiscal years starting FY18, data from National Securities Depository Ltd (NSDL) and Central Depository Services Ltd (CDSL) showed.

# 8. Retail investors and IPOs

## B. Major IPOs in pipeline

- CY21 saw 65 IPOs and garnered ~1.31 lakh crores – this was ~75% higher than the previous record in CY17
- 2022 could see an overall IPO size of ~2 lakh crs, of which ~1.13 lakh crores has already been filed by SEBI

*Key IPOs to watch out for in 2022*



# 8. Retail investors and IPOs

## B. Performance of IPOs in CY21

### IPO Score card 2021

#### Top gainers

| Company                              | Issue price | Current price* | Gain/loss (in ₹) | Gain/loss (in %) |
|--------------------------------------|-------------|----------------|------------------|------------------|
| Nureca                               | 400.00      | 1,998.00       | 1,598.00         | 400              |
| MTAR Technologies                    | 575.00      | 2,460.00       | 1,885.00         | 328              |
| Paras Defence and Space Technologies | 175.00      | 742.55         | 567.55           | 324              |
| Laxmi Organic Industries             | 130.00      | 432.20         | 302.20           | 232              |
| Easy Trip Planners                   | 187.00      | 538.45         | 351.45           | 188              |
| LatentView Analytics                 | 197.00      | 561.75         | 364.75           | 185              |

#### Top losers

| Company                     | Issue price | Current price* | Gain/loss (in ₹) | Gain/loss (in %) |
|-----------------------------|-------------|----------------|------------------|------------------|
| Suryoday Small Finance Bank | 305.00      | 145.00         | -160.00          | -52              |
| CarTrade Tech               | 1,618.00    | 847.45         | -770.55          | -48              |
| Windlas Biotech             | 460.00      | 275.30         | -184.70          | -40              |
| One 97 Communications       | 2,150.00    | 1,335.10       | -814.90          | -38              |
| Fino Payments Bank          | 577.00      | 370.20         | -206.80          | -36              |
| S.J.S. Enterprises          | 542.00      | 387.45         | -154.55          | -29              |

#### Highest listing day gains

| Company                              | Listing date  | Issue price* | Listing day close (in ₹) | Listing day gain (in %) |
|--------------------------------------|---------------|--------------|--------------------------|-------------------------|
| Sigachi Industries                   | Nov 15, 2021  | 163.00       | 603.75                   | 270                     |
| Paras Defence and Space Technologies | Oct 1, 2021   | 175.00       | 498.75                   | 185                     |
| LatentView Analytics                 | Nov 23, 2021  | 197.00       | 488.60                   | 148                     |
| Tatva Chintan Pharma Chem            | July 29, 2021 | 1,083.00     | 2,310.25                 | 113                     |
| Indigo Paints                        | Feb 2, 2021   | 1,490.00     | 3,118.65                 | 109                     |
| G R Infraprojects                    | Julv 19, 2021 | 837.00       | 1,746.80                 | 109                     |

Source: Credit Suisse

# 9. Inflation, Interest Rates & Liquidity

- Market participants and central bankers are realizing that the inflation is going to stay stickier and recent covid surge globally will continue to disrupt supply chains and put inflationary pressures.
- US inflation of 6.2% is much above FED's target range of 2%. India's CPI at 4.9% is still near RBI's comfort zone. WPI had surged to 12% but it is because of sharp increase in commodity prices and they have already started to cool off.
- Fiscal support announced by various governments amounted to ~20% of GDP. G3 countries have also pumped in ~\$10 trillion in liquidity in last 2 years. Stubborn inflation may force central bankers to reverse ultra-loose interest rate & liquidity environment. US FED has already given signals about policy reversal. They are expected to raise short-term benchmark interest rate three times this year. US FED is also expected to accelerate timetable of its monthly bond purchase reduction and will likely end those purchases in March. RBI is also expected to hike policy rates by ~50-75 bps in FY23. So in 2022 we can expect beginning of normalisation of excess liquidity and ultra-low risk free rate.

# 10. Which will be the winning Asset class for 2022 - a) Equity

## A. EQUITY:

- The year has started with a lot of skepticism about the sustenance of the rally in the background of the heady run in the Indian and Global markets post Mar 2020:
  - Large corrections rarely happen when they so widely expected
- There are a lot of global headwinds especially around liquidity tightening by Central Bankers the world over:
  - It is quite likely that there may be a correction in the large cap indices in the event of sustained selling by FIIs and lack of buying by Domestic Institutions
- However widely growing retail participation, midcaps may not correct in the same way as they did in 2000 and 2008

## RISKS:

Frothy valuations of IPOs

Mad rush towards penny stocks

Earnings momentum flagging

# 10. Which will be the winning Asset class for 2022 - b) Debt

## A. DEBT

- The period of easy monetary policy is coming to an end the world over
  - As the realisation dawns that Inflation is structural in nature and not transitory
- RBI is expected to tighten rates in 2022
  - They may start with 25 basis point hike in the reverse repo rate in Q1CY22 itself and follow up with a hike in Repo rate
  - Fed may raise rates as many as 4 times in CY22
- There is a possibility that Budget may provide some tax sops for bank deposits
- Relaxation of taxation norms for FII investment in Debt is also likely to one of the highlights of the Budget
- It maybe prudent to stick to Fixed maturity/Target maturity Funds or those which can Dynamically change their portfolio composition

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