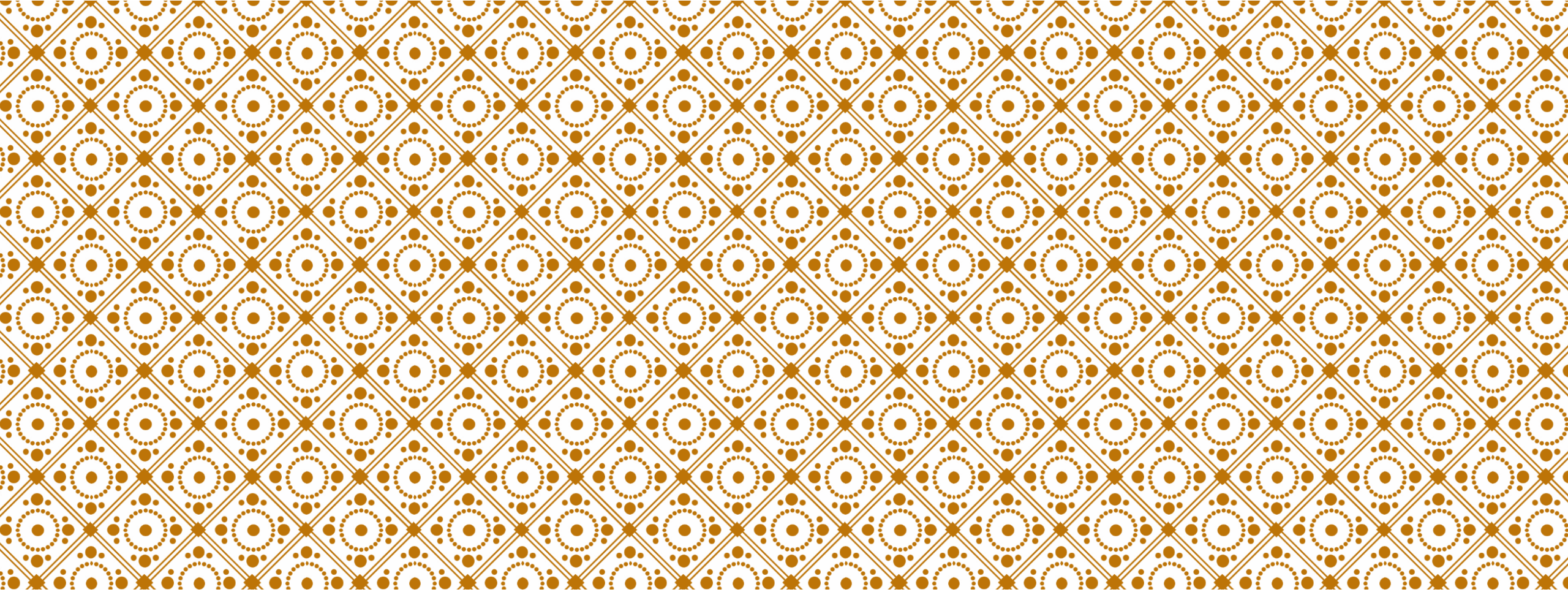


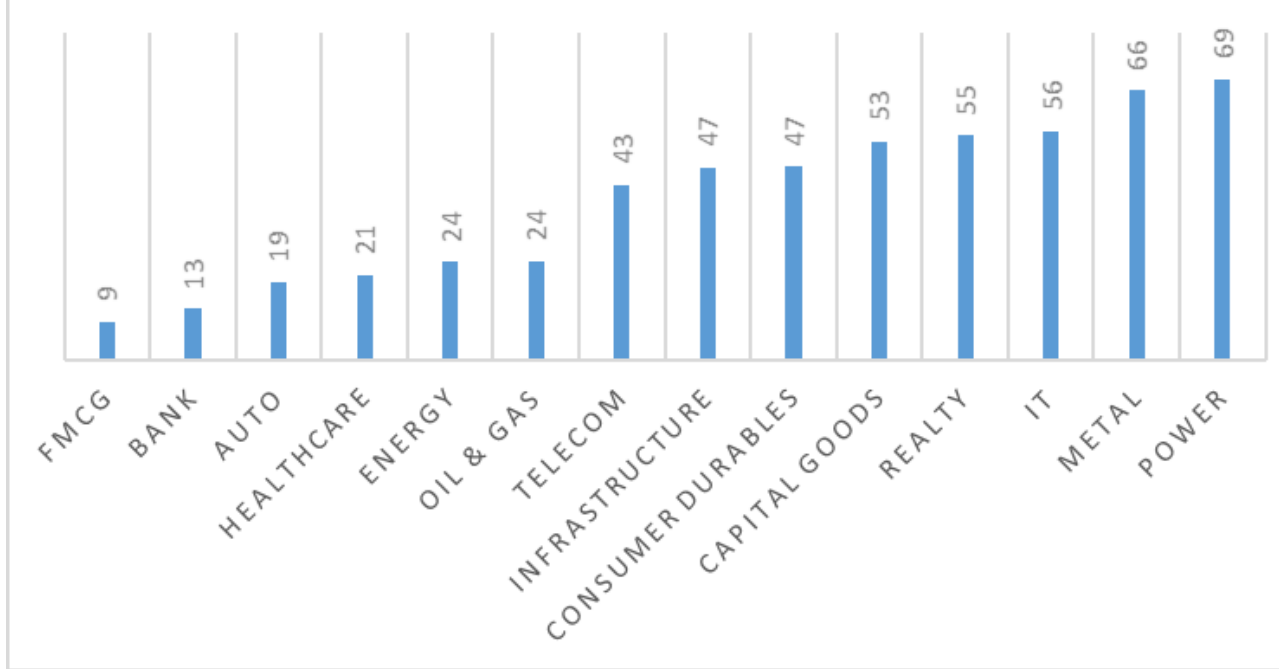
TOP 10 ISSUES FOR 2022



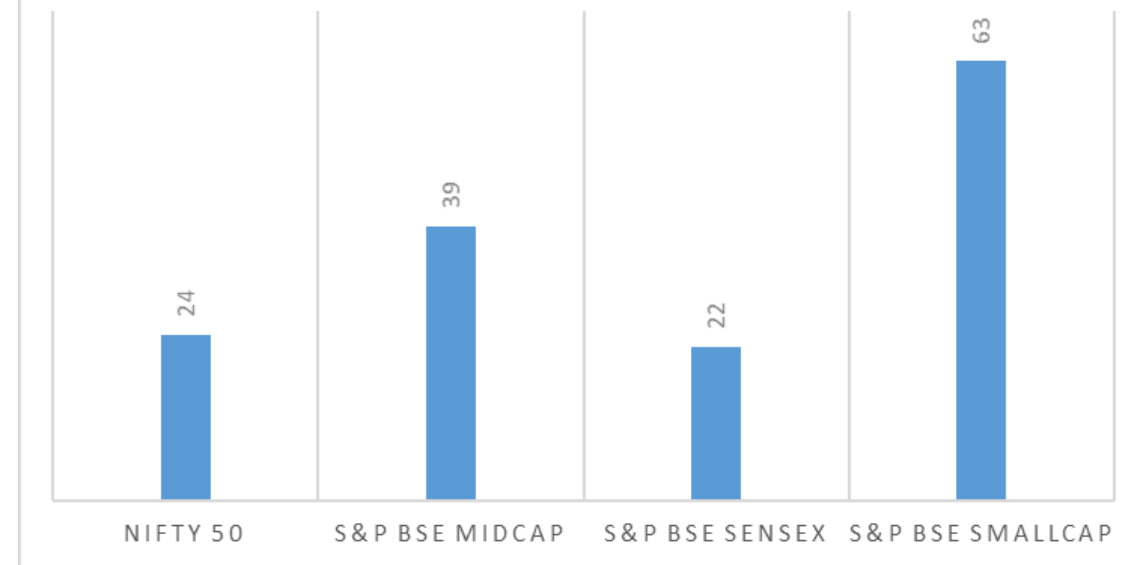
Year 2021 in numbers

DOMESTIC INDICES: 2021

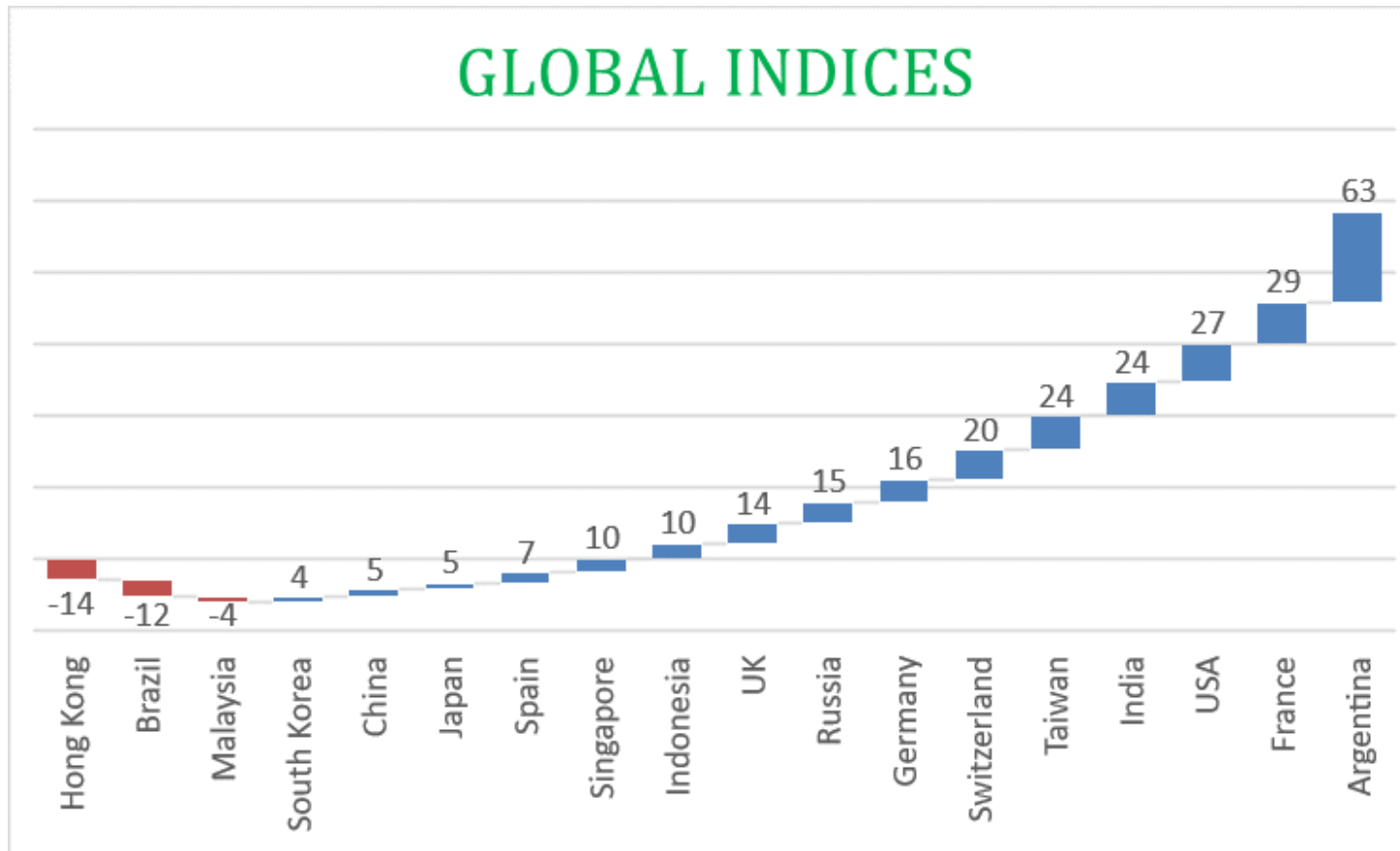
SECTORAL INDICES - DOMESTIC



DOMESTIC INDICES (BY MARKET CAP)



GLOBAL INDICES 2021



Sectoral Outperformers in CY21

S&P Bse Sensex	24.07
S&P Bse Power	71.04
S&P Bse Metal	69.57
S&P BSE Industrials	68.01
S&P Bse Realty	63.74
S&P Bse Information Technology	55.31

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
Total	44777	Total	28170

EQUITY



DEBT



All figures in crores

Source: Moneycontrol,
SEBI

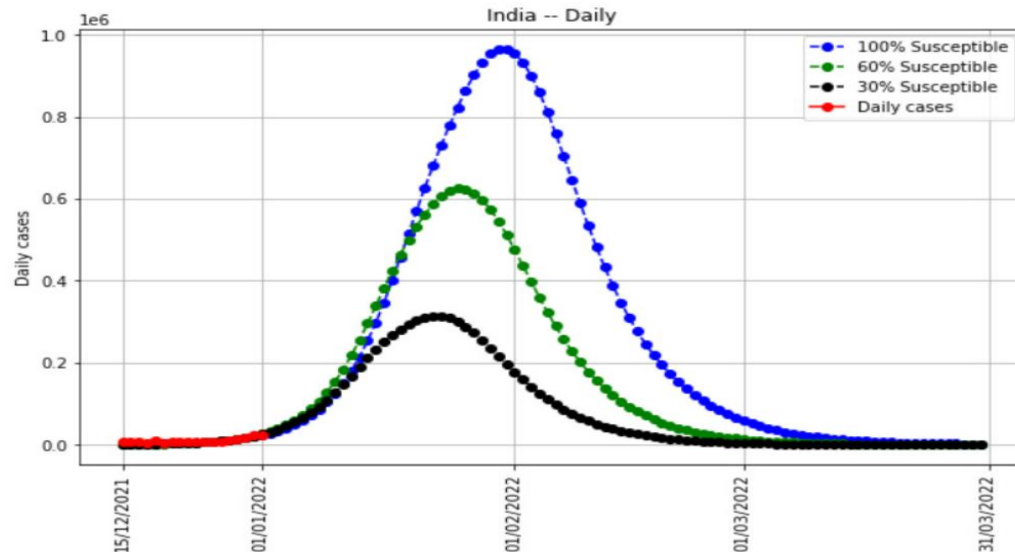
MF		FII	
Jan-21	11831	Jan-21	-3540
Feb-21	8161	Feb-21	-6287
Mar-21	14068	Mar-21	-3984
Apr-21	21175	Apr-21	1698
May-21	3331	May-21	-1336
Jun-21	4713	Jun-21	-4487
Jul-21	13358	Jul-21	-642
Aug-21	21094	Aug-21	12028
Sep-21	14594	Sep-21	11523
Oct-21	4883	Oct-21	-1101
Nov-21	12557	Nov-21	1151
Dec-21	1439	Dec-21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

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 US 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

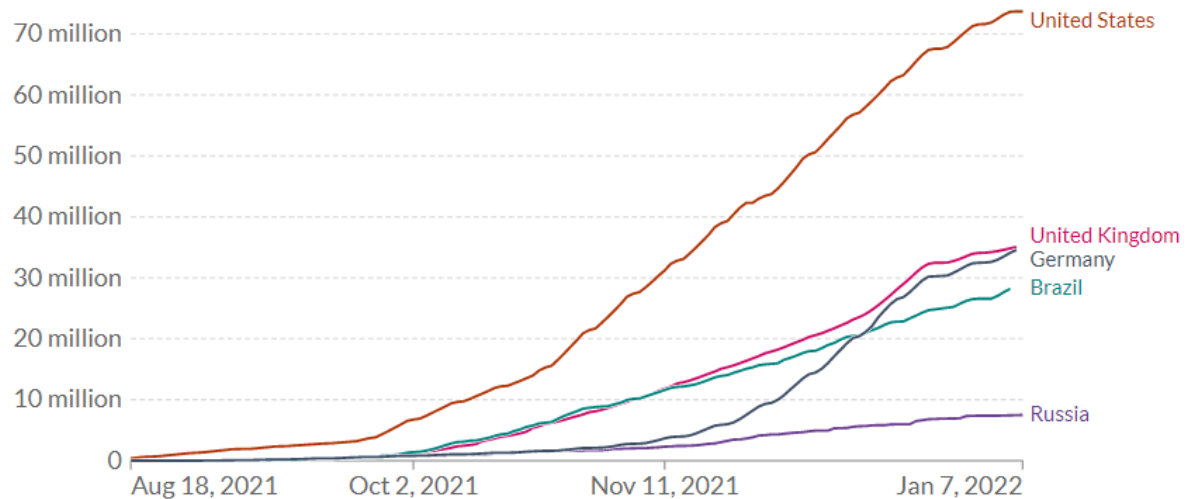
Total number of vaccine booster doses administered. Booster doses are doses administered beyond those prescribed by the original vaccination protocol.

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

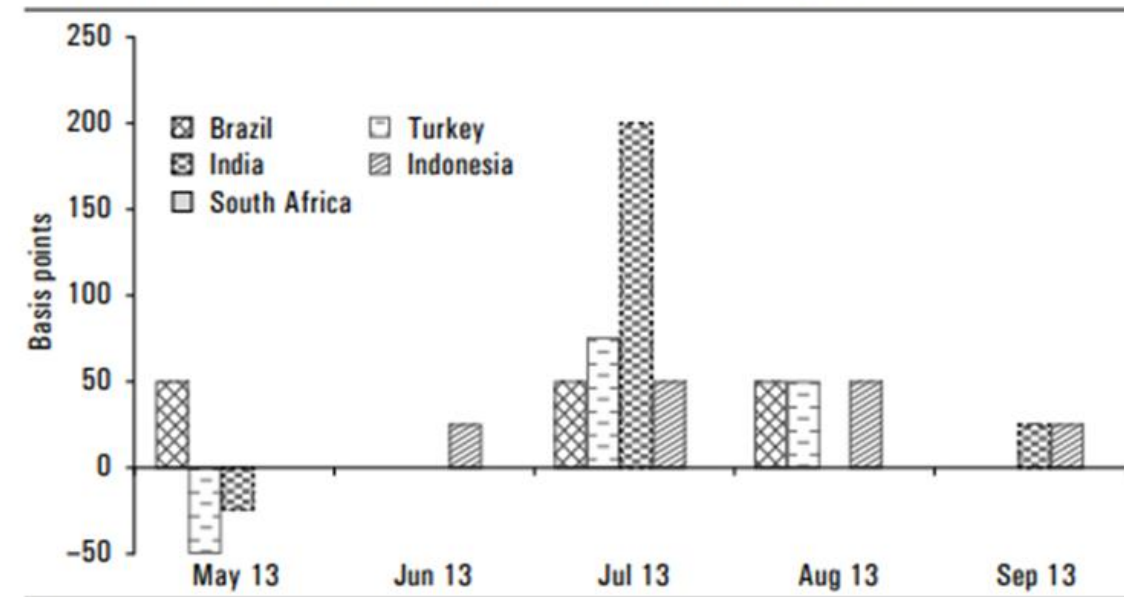
TABLE 1. Effect of Tapering Talk on “Fragile Five” Countries (April–August, 2013)

	<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.

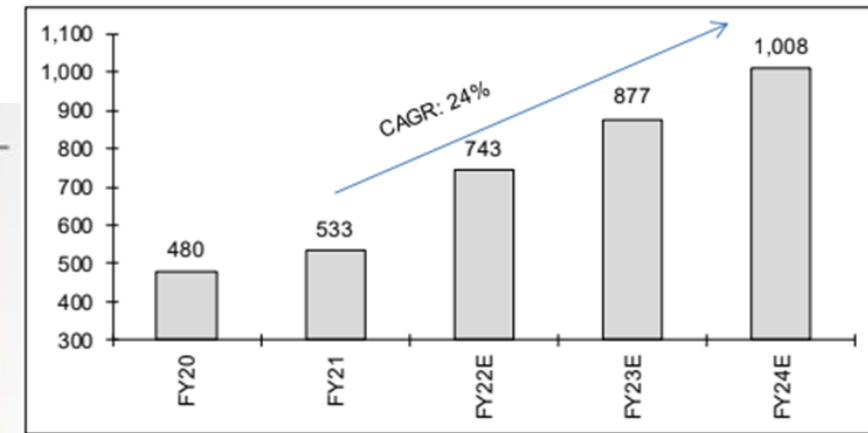
India is much more resilient now given the comfortable levels of forex reserves, improving momentum in exports and wider participation of retail investors in domestic equity markets.

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 |Sec Yes Securities



Source: Bloomberg, I-Sec Research

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

Smarter algorithms and machine language	Faster networks with bigger bandwidth	Intelligent cloud and edge computing	More interconnected devices that talk to each other	Privacy gaining ground
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 21st 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

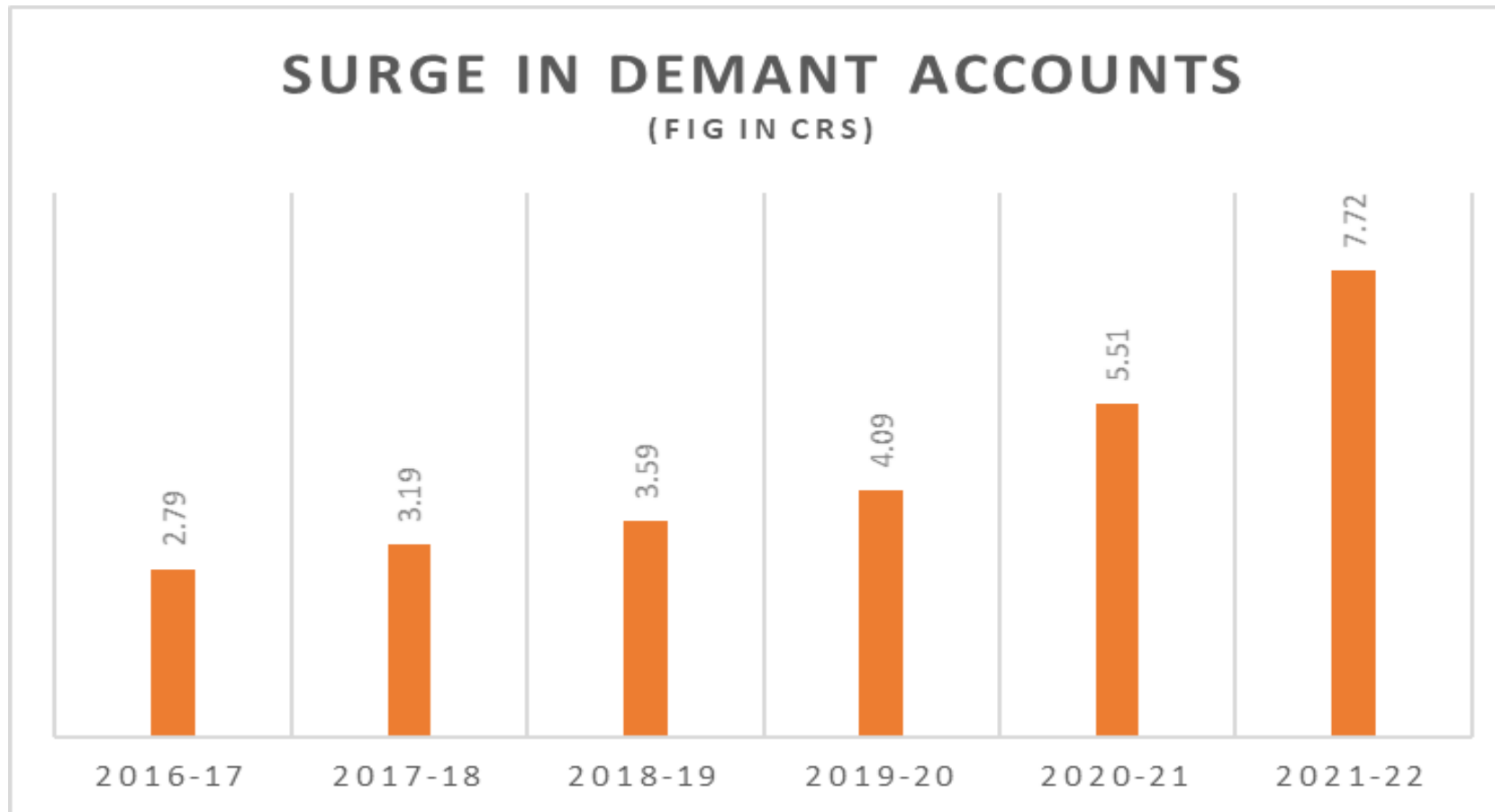
Source: CLSA

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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