

29 November 2021

Navigating through Equity market volatility

Key Highlights

- **BSE Sensex crashed about 1,800 points** from the previous close to hit a day's low of 56,994, and closed 2.8% lower at 57,107 on Friday.
- **Worries over the new variant of the virus plaguing the world economy once again.**
- **Global Markets were in the red** as the new variant threatened to disrupt trade and travel.
- **Crude nosedived** in surplus supply concerns.
- **FIIIs continued their shift to safer heaven.**

It was a Black Friday on dalal street on 26 Nov 2021 as the Nifty 50 plunged more than 500 points to hit the day's low of 16,986 and closed 2.9% lower at 17,026 points. While the **BSE Sensex crashed about 1,800 points from the previous close to hit a day's low of 56,994, and closed 2.8% lower at 57,107**. All the sectors except pharma were in the red, with the metals, banks and autos being battered in trade. However, in contradiction to the trend it was the largecaps that was deep in the red as against the midcaps & smallcaps.

Indices	Absolute (%)						CAGR (%)	
	1 Day	1 Wk	MTD	3 Mths	6 Mths	YTD	From Mar-20 Lows ^	From Jan-20 Highs ^
S&P BSE Sensex	-2.87	-4.24	-3.71	2.07	11.94	19.59	59.83	17.94
Nifty 50	-2.91	-4.16	-3.65	2.34	11.27	21.78	61.52	18.69
Nifty 500	-2.93	-3.89	-2.52	4.25	12.94	27.69	66.56	22.43
Nifty Midcap 100	-3.25	-4.32	-1.80	9.13	17.03	43.55	81.54	32.63
Nifty Smallcap 100	-2.89	-2.41	0.04	8.11	16.74	51.97	99.65	34.80
Key Sectoral Indices								
Auto	-4.28	-8.11	-3.98	10.48	3.88	16.91	64.53	15.49
Bankex	-3.55	-5.09	-7.91	1.82	4.39	14.57	56.62	6.52
Consumer Durables	-3.50	-6.21	-3.01	16.73	26.76	37.92	67.46	31.44
FMCG	-1.77	-3.28	-1.82	-3.86	5.92	9.04	31.57	8.41
Health Care	1.18	1.75	2.37	0.10	3.72	18.20	65.40	39.79
IT	-1.77	-3.62	1.04	-0.20	23.16	39.55	93.14	48.48
Metal	-5.36	-1.95	-6.56	-4.24	2.54	61.25	109.55	34.37
Oil & Gas	-3.73	-3.75	-1.98	7.94	10.52	26.21	50.56	10.53
PSU	-3.98	-4.56	-4.46	10.28	9.82	42.71	51.59	9.19
Realty	-6.42	-6.87	-3.39	28.52	44.08	55.37	86.79	28.18

Highlighted are the sectors which have underperformed the broader market rally.

Source: Morningstar Direct; Key sectoral Indices are of S&P BSE; Data as on 26 Nov 2021

^ From Mar '20 Lows i.e. 23 Mar '20 & From Jan '20 Highs i.e. 14 Jan '20

What led to this mayhem?

- ❖ **Worries over the new variant of the virus plaguing the world economy once again:** The WHO designated the variant B.1.1.529 a variant of concern, named "Omicron", which was first detected in South Africa and then spread across the Globe.
 - ✓ The United States, Canada, United Kingdom, Israel, European Union, New Zealand, Thailand, Indonesia, Singapore, Sri Lanka, Maldives and Saudi Arabia have already announced they have **restricted travel from**

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South Africa and several other countries in the region. The ban may fuel concerns about the variant, which triggered a market sell-off as investors analysed emerging data.

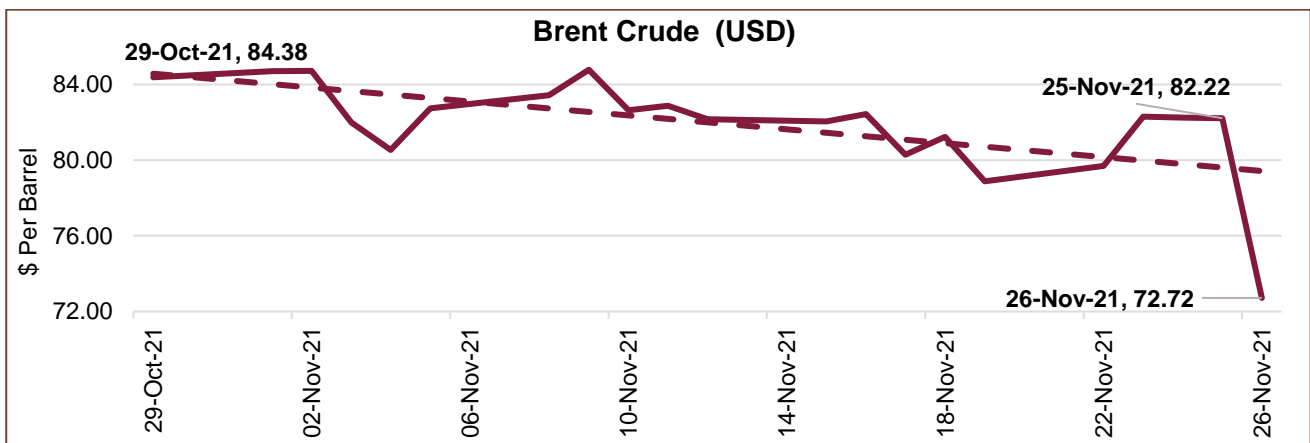
- ✓ Fears over the **efficacy of the current vaccine** on the new variant.
- ✓ Shut down concerns which may **paralise economic activity** once again and may aggravate the **supply chain worries** yet again, leading to a **supply push inflation**.

❖ **Global Markets were in the red:** The surge in coronavirus cases in Europe once again and the spread of the new variant threatened to disrupt trade and travel, which spooked investors and dragged world markets lower on November 26.

Country	Index Name	Absolute Return (%)						CAGR (%)			
		1 D	1 Wk	1 Mth	3 Mths	6 Mths	1 Yr	2 Yrs	3 Yrs	5 Yrs	
China	SSE Composite	-0.56	0.10	-0.93	1.78	-0.81	5.77	10.71	11.42	1.79	
HongKong	HangSeng	-2.67	-3.87	-7.52	-5.25	-17.44	-10.21	-5.40	-2.99	1.17	
India	Nifty 50	-2.91	-4.16	-6.80	2.34	11.27	31.10	18.90	16.99	15.96	
Japan	Nikkei	-2.53	-3.34	-1.22	3.64	0.38	8.34	10.89	9.64	9.35	
South Korea	Kospi	-1.47	-1.16	-3.69	-6.14	-7.32	11.83	17.63	12.12	8.25	
Europe	Euronext 100	-3.26	-3.99	-0.79	1.26	5.99	20.31	7.82	10.70	8.35	
UK	FTSE	-2.83	-1.66	-1.65	-0.30	1.09	11.64	-2.04	0.32	0.76	
U.S.	Nasdaq	--	-1.32	4.06	6.02	15.34	31.11	35.42	30.82	24.03	
U.S.	Russell 1000 Index	--	-0.11	2.24	4.64	11.27	28.74	22.96	21.09	16.39	

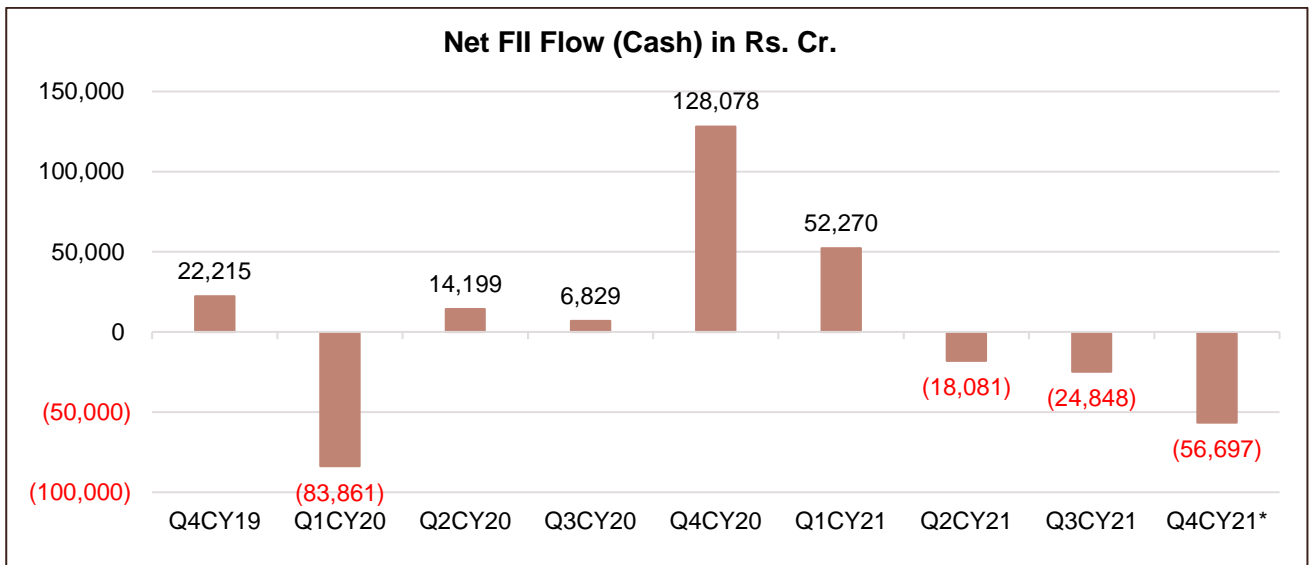
Source: ICRA Analytics (<http://www.icraanalytics.com/legal/standard-disclaimer.html>); Data as on 26 Nov 2021

❖ **Crude plummeted on surplus supply concerns:** Oil prices slid more than 11% on Friday on concerns that a global supply surplus could swell in the first quarter following a coordinated release of crude reserves among major consumers, led by the U.S.



Source: Investing.com; Data as on 26 Nov 2021

❖ **FII's continued to shift money to safer heaven:** As COVID risks rise and the dollar continues to strengthen, foreign investors are moving their money back to the safe haven market of the U.S. Friday was the 7th consecutive trading session where FIIs were net sellers.



Source: Moneycontrol.com; * Data as on 26 Nov 2021

Outlook

From the highs of ~61,766 on October 18, the markets have already corrected ~7.5% as on November 26. Experts are expecting this to become deeper in the couple of months.

In **near term**, the **premium valuations** that India is trading in comparison to the emerging market peers, the persistently **high inflation**, **'taper tantrum' risks** arising from the U.S. Federal Reserve's change in policy stance and **lockdown like restrictions** imposed by countries across the globe which may hurt the **supply chain issue** further and **paralyse economic activity**, are still a concern.

The **longer term** view for the equity markets continues to be **positive** as **earning upgrade cycle continues** to positively surprise the market, **crude remains below** the psychologically important \$80 per barrel mark and **investment cycle is picking up**.

The **next few months** may be a bit challenging for equities and one needs to be a bit cautious and invest in **staggered manner** and follow the prescribed asset allocation.

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