Weekly Update

03rd January 2022

Vol: - 21.22.35

SENSEX	NIFTY	USD	GOLD (10 grams)	CRUDE
58253.82	17354.05	74.33	48083.00	5733.00

May the coming year bring happiness, good health and a life filled with warmth, togetherness and prosperity. Sakthi Financial Services wishes you and your family a very Happy New Year.

Nifty may move to 17,500-17,600 on auto sales, PMI data, FOMC minutes: Experts

Benchmark indices closed the last week with 2 percent gain amid choppy trade. BSE Sensex jumped 1,129.51 points (1.98 percent) to end at 58,253.82, while the Nifty50 rose 350.25 points (2 percent) to close at 17,354 levels. However, for the month of December also the market posted a gain of 2 percent.

At present, Nifty has support at 17150 levels, while resistance comes at 17450 levels, crossing above the same can show 17550-17700 levels. On the other hand, Bank Nifty has support at 34800 levels while resistance at 35800 levels.

The Nifty is currently comfortably trading above 20-day SMA and has maintained a higher bottom formation on intraday as well as on daily charts which is broadly positive for the market. On weekly charts, the index has formed a long bullish candle that also supports a short-term uptrend. But 17600- or 50-day SMA could act as an important resistance level for the traders. In the near future, as long as the index is holding 17200- or 20-day SMA, the chances of hitting 17550-17600 are bright. Further upside may also continue which could lift the index up to 17725-17800 levels. On the flip side, a close below 20-day SMA could see Nifty fall to 17050-16950. Meanwhile, after a short-term correction, the Bank Nifty has formed a promising reversal formation near 34500. The structure suggests 35000 and 34500 would be the sacrosanct supports for the index, and above the same the uptrend momentum is likely to continue till 36000-36500.

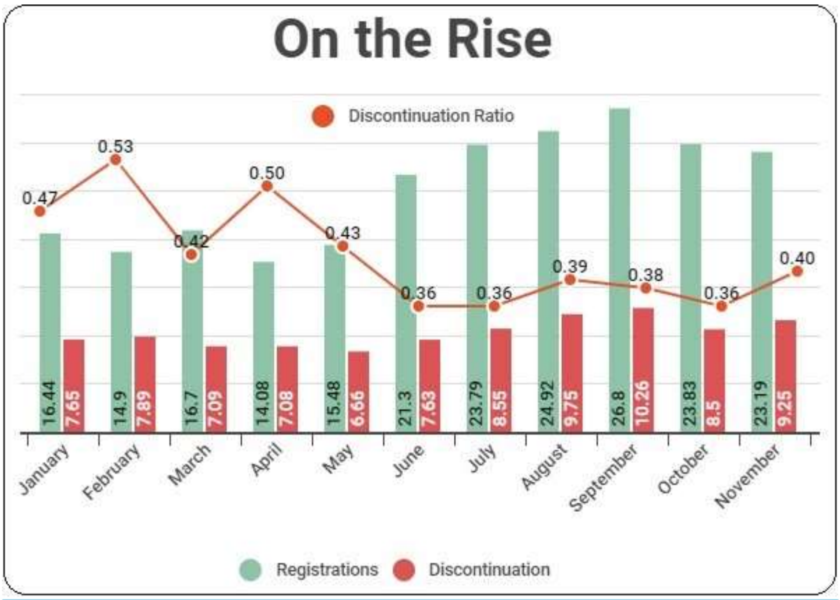
We look forward to a super-duper profitable 2022. Cautious optimism likely to be the preferred theme at Dalal Street on hopes that the omicron COVID variant's effect on equities will ultimately be modest. We suspect, Nifty bulls will aim to extend their annual "Santa Claus rally". Hopefully, investors shrug-off Omicron as barely more than a blip on the radar. Nifty's next goal post seen at 17500-17750 zone. Technically, the said optimism could reverse and cause a nasty New Year's hangover if Nifty slips below 17011 marks.

The coming week marks the beginning of a new month and participants will be closely eyeing some crucial high-frequency data like monthly auto sales, India Manufacturing PMI and India Services PMI. Besides, updates on the COVID situation and performance of global markets will also be critical. Though the markets have been witnessing recovery for the last two weeks, it's too early to say that we're out of woods. The recent rise in COVID cases has prompted a few key states to announce restrictions and that may extend if the situation deteriorates further. On the positive side, the banking pack has regained some strengthen which may help the Nifty to test the 17,500 zone. Keeping that in mind the mixed indications, participants should maintain a cautious stance and prefer a hedged approach. Almost all the sectors are participating in the recovery but we feel banking, pharma, IT and FMCG could outshine others in the coming week.

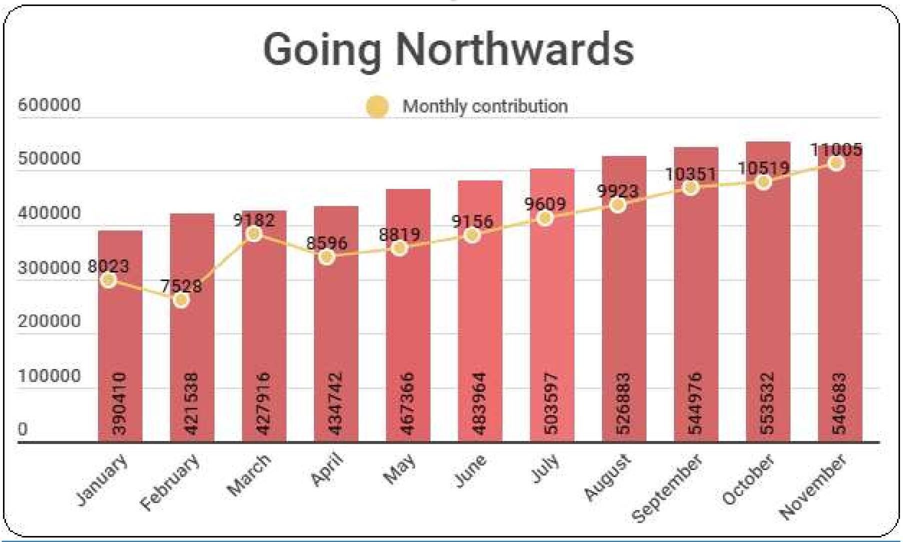
A year of SIPs: Investor addition hits the fast lane in 2021

The year 2021 proved to be an excellent year for the mutual fund industry, especially in the context of SIPs. Be it the new registrations or monthly contributions, SIPs set new records in 2021.

Till November, a total of 2.2 crore new SIP accounts were opened by investors in 2021 as against 90 lakh discontinuations. As a result, the industry added a net of 1.3 crore SIP accounts between January and November 2021. The best part is that the account additions have come at a consistent pace. From June to November, SIP account additions were in excess of 20 lakh every month, which is significantly higher than the long-term average.

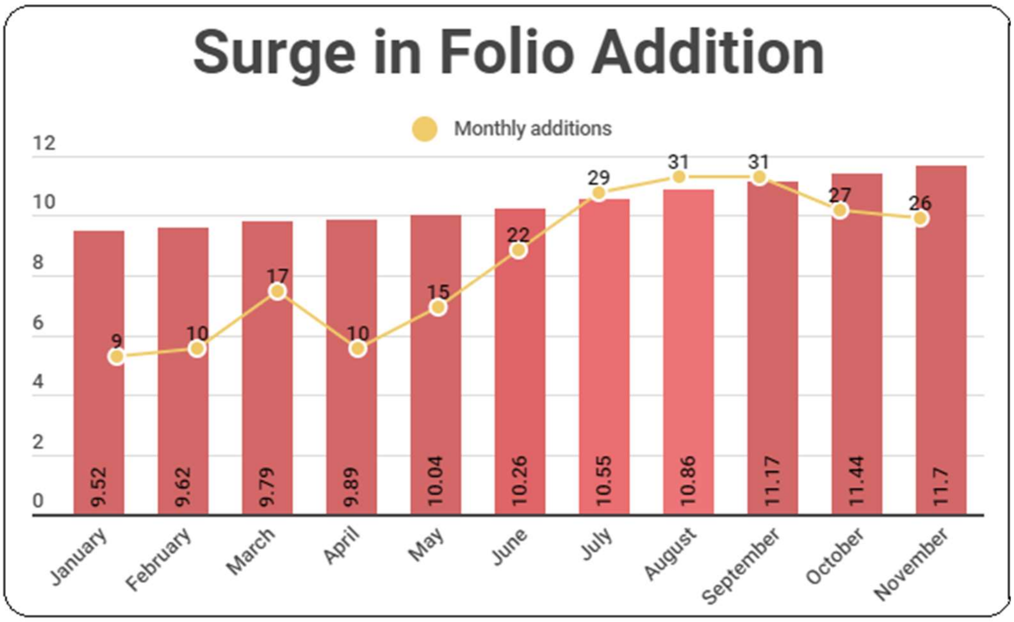


A similar story played out in the case of monthly SIP contributions. Month after month, investors have been pumping higher amount of money through SIPs in the second half of 2021. From July onwards, SIP contribution has established a new record every month.



As a result of higher contributions and a rally in equity markets, SIP AUM was also on a record run. From Rs. 3.9 lakh crore in January, SIP AUM reached Rs. 5.4 lakh crore in November.

In the 11-month period, 2.27 crore new folios were added. As a result, the total folio count jumped from 9.5 crore in January to 11.7 crore in November.



List of new rules coming into effect for mutual funds from 2022

MFs, RIAs to disclose turnaround time of grievance resolution

Mutual funds and RIAs have to disclose average turnaround time for redressal of investor grievances on their respective websites from January 1, 2022.

AMFI, mutual funds, RIAs to release investor complaint data every month

Mutual funds and AMFI will be disclosing details of investor complaint on a monthly basis from January. Till now, they used to publish the data on an annual basis.

ETF transactions may get faster

Through a circular in September, SEBI allowed exchanges to introduce T+1 cycle for settlement of transactions. Exchanges willing to adopt the shorter settlement time can do so from 2022.

If they do so, ETF transactions will also get faster as they are listed on exchanges.

Deadline extended for two regulations

There were two regulatory changes which were also supposed to come into effect from January 2022 but were postponed to April 1, 2022. They are:

- **Schemes to get two benchmarks**

From April 1, mutual funds can choose to have two benchmarks for their schemes — one for comparison and another for style.
They will also have to choose the primary benchmark based on the risk level of the scheme.

- **New risk management framework comes into effect**

In September 2021, SEBI released a revised risk management framework for mutual funds.
As per the new framework, AMCs have to ensure that they have the mechanism to evaluate instances of mis-selling, prepare inspection report, analyse portfolio of investors and so on.
Further, the new framework says that AMCs will be responsible for mis-selling by distributors.

Journet of Sensex in calendar Years

Journey of Sensex in Calendar Years				
Date	Sensex	Date	Sensex	Gain/Loss
01-01-2001	3,955	31-12-2001	3,262	-17.52%
01-01-2002	3,246	31-12-2002	3,377	4.04%
01-01-2003	3,390	31-12-2003	5,839	72.24%
01-01-2004	5,915	31-12-2004	6,603	11.63%
03-01-2005	6,679	30-12-2005	9,398	40.71%
02-01-2006	9,390	29-12-2006	13,787	46.83%
02-01-2007	13,942	31-12-2007	20,287	45.51%
01-01-2008	20,301	31-12-2008	9,647	-52.48%
01-01-2009	9,903	31-12-2009	17,465	76.36%
04-01-2010	17,559	31-12-2010	20,509	16.80%
03-01-2011	20,561	30-12-2011	15,455	-24.83%
02-01-2012	15,518	31-12-2012	19,427	25.19%
01-01-2013	19,581	31-12-2013	21,171	8.12%
01-01-2014	21,140	31-12-2014	27,499	30.08%
01-01-2015	27,508	31-12-2015	26,118	-5.05%
01-01-2016	26,161	30-12-2016	26,626	1.78%
02-01-2017	26,595	29-12-2017	34,057	28.06%
01-01-2018	33,813	31-12-2018	36,068	6.67%
01-01-2019	36,255	31-12-2019	41,254	13.79%
01-01-2020	41,306	31-12-2020	47,751	15.60%
01-01-2021	47,869	31-12-2021	58,253	21.69%

Domestic mutual funds show sustained interest in equities in December

A sustained buying by the domestic funds limited the fall in the Indian equity market to 3% over the three months to December despite selling by foreign investors. According to the SEBI data, the three-month net cumulative inflow of domestic mutual funds was at a record high of Rs 53,718 crore while the outflow by foreign funds was Rs 38,271 crore, the highest since May 2020.

The domestic inflow was over Rs 18,000 crore in December taking the gross buy-to-sale ratio to 1.37 compared with the long-term average of 1.06. The domestic funds invested Rs 76,235 crore in equities in 2021 of which nearly 70% was deployed in the last three months of the year. Excluding the outflow in the first two months of the year, local funds have been net buyers of equities for ten months in a row that resulted in the inflow of more than Rs one lakh crore during the period.

The higher deployment by local funds was on account of growing popularity of systematic investment plans (SIP). The SIP inflow was at a record Rs 11,004 crore in November 2021 taking their total assets under management (AUM) to Rs 5.5 lakh crore. Nearly 90% of SIPs are linked to equity funds. In addition, the folios under retail schemes including equity, hybrid, and solution-oriented schemes rose toa record 9.5 crore.

The total equity value of the domestic funds increased by 60% year-on-year to Rs 19.1 lakh crore in November, while the total institutional funds' AUM expanded by 53%. The ratio of the AUM of domestic funds including MF, local pension funds, insurance companies, banks and financial institutions and foreign funds rose to an 11-month high of 76.2%.

Winding up of mutual fund schemes only after majority unitholders' consent: SEBI

In a move to further safeguard the interest of mutual fund investors, Sebi on Tuesday decided to mandate trustees of mutual funds to obtain the consent of unitholders when the majority of trustees decide to wind up a scheme.

As part of amending the mutual fund regulations, the watchdog will make it mandatory for the funds to follow Indian Accounting Standards (Ind AS) from the 2023-24 financial year onwards.

Mutual fund trustees will be required to obtain the consent of the unitholders when the majority of the trustees decide to wind up a scheme or prematurely redeem the units of a close-ended scheme, SEBI said in a release.

"The trustees will have to obtain the consent of the unitholders by a simple majority of the unitholders present and voting on the basis of one vote per unit held and publish the results of voting within 45 days of the publication of notice of circumstances leading to winding up,".

Small cap mutual funds offered average return of 60% in 2021

The small cap mutual funds category has given an average return of around 60% in 2021. The category has offered 59% returns this year to date. There are around 26 schemes that have completed a year in the category.

The topper in the category - Quant Small Cap Fund - offered around 87% in 2021, according to Value Research. Six small schemes managed to offer more than 70% returns in this calendar year. Around 22 schemes have managed to offer around 50% returns in the year.

S&P BSE 250 SmallCap TRI benchmark offered around 56% returns in the year. Around19 small cap schemes managed to beat the benchmark return

As per Value Research data, the toppers in the category are:

- Quant Small Cap Fund: 86.74%
- L&T Emerging Business Fund: 74.93%
- Principal Small Cap Fund: 73.17%
- Nippon India Small Cap Fund: 70.27%
- Canara Robeco Small Cap Fund: 70.17%

Small cap mutual funds are recommended to investors with a long investment horizon and aggressive risk profile. So, you should invest in these mutual funds only if you crave the stomach to tolerate a lot of volatility and huge losses. You should also have a long investment horizon of seven to 10 years.

New Fund Offer (NFO)

Scheme Name	ICICI Prudential Passive Multi-Asset Fund of Funds
Objective of Scheme	ICICI Prudential Passive Multi-Asset Fund of Funds is a Fund of Funds scheme with the primary objective to generate returns by predominantly investing in passively managed funds launched in India and/or overseas
Scheme Type	Open Ended
Scheme Category	Other Scheme - FoF Domestic
New Fund Launch Date	27-Dec-2021
New Fund Offer Closure Date	10-Jan-2022

(Source: - Moneycontrol, Economictimes, Livemint, Cafemutual, AMFI, IBJArates etc.)