SENSEX	NIFTY	USD	GOLD (10 grams)	CRUDE
57011.74	16985.20	76.08	48791.00	5493.00

Investors lose Rs 15.32 trillion in last two months; volatility to continue in near term, say experts

The market succumbed to major selling pressure as bears had full control over Dalal Street on December 17, which turned out to be a Black Friday for Indian equities. Weak global cues after hawkish stance taken by the major global central banks amid rising Omicron (the new variant of Covid-19) cases and surprise rate hike by the Bank of England for the first time since the beginning of pandemic dampened market sentiment.

Overall, the market has been rangebound and weak for a couple of months now, especially since hitting record-high levels in October 2021. Overvaluation concerns, the downgrade of Indian equities by global brokerages, fears over Omicron surge, beginning of bond tapering by Federal Reserve, rising expectations of rate hikes in the US, consistent FII selling, and withdrawal of farm laws by the government are some of the key reasons that spoiled the mood of the market.

The Nifty50 hit a record high of 18,604 on October 19, and since then corrected nearly 10 percent to hit a recent low of 16,782.

Last week, the index recouped losses and jumped 3.5 percent to rally up to 17,516; but this week the mood turned in favour of bears, dragging the index below the crucial 17,000 mark, down 3 percent during the current week.

On Friday, the Nifty50 shed 263.20 points or 1.53 percent to close at 16,985.20, and the BSE Sensex was down 889.40 points or 1.54 percent at 57,011.74 as selling across sectors, barring IT.

The main trigger for the southward movement in the indexes is the tightening of liquidity by the Fed after the latest FOMC meeting, and also renewed indications of rate action in 2022.

This trend may likely accelerate further before it could moderate, with the excitement over the Union Budget takes over. Investors' wealth eroded by Rs 8.3 lakh crore during the week as the BSE market capitalisation fell to Rs 259.4 lakh crore on December 17, from Rs 267.68 lakh crore on December 10, 2021.The wealth erosion in the last two months, or especially after record high levels was Rs 15.3 lakh crore (trillion). The highest BSE market capitalisation was Rs 274.69 lakh crore on December 18.

Experts expect the volatility and rangebound trend with a negative bias to continue in the coming days or at least till the December earnings season that will begin in January 2022.

Globally, markets saw sell-off as central banks are tightening their monetary policy. Uncertainties over the impact of the fast-spreading Omicron variant are likely to hit economies. Geopolitical tensions between China and the US flared again, thus adding negative market sentiments.

Negative global cues, continued FII selling, absence of any positive trigger and increasing cases of Omicron are likely to continue putting pressure on the market. even while the structural drivers of the Indian equity markets are intact over the medium to long term, in the near term given the current valuations (both absolute and relative), Indian equity markets could witness some degree of volatility. "Market direction would be largely determined by,

(Cont.)

1) any third wave of COVID from new variant
2) flows from domestic investors as well as FIIs
3) demand trend over next few months and
4) movement in input cost inflation.

The RBI's monetary policy and Union Budget (to be presented in February) would be some of the other key events to watch out for.

FIIs have net sold nearly Rs 26,700 crore worth of shares so far in December, in addition to the outflow of Rs 65,500 crore in the previous two months.

Equity markets correct more than 8% from record high. Is it a breather or bear run?

The Indian equity markets have corrected over 8 percent in the last month or so, ending a long bull run, which has lasted more than a year and half. The key question that comes to everyone's mind is: a) how much more of a correction remains, and b) what should be the investment strategy at this point in time.

To answer the first question – despite the recent correction, Nifty is up around 22 percent on a YTD basis and 28 percent in the last one year. The markets have more than doubled since the lows of March 2020. So, in perspective, the recent correction is not that massive. The jury still remains on how prolonged the pain may be. At a global level, there are three key risk factors:

a) **Inflation** – Globally inflation has proven to be far more sticky than previously envisaged. US, European Union, China are all reeling under the effect of multi-year high inflation. The Interest rate cycle is undoubtedly changing at a rapid pace. Hence, rate hikes by the US Federal Reserve, in our view, remains one of the key global risks for equity markets.

b) **China slowing down** – The Chinese economy is going through a reset and is poised to clock in growth levels of less than 5 percent for the foreseeable future. This on a standalone basis is great news for economies like India, not just from an FII inflow perspective but also to play the China plus one theory. However, when you combine the slowing economy with rising inflation, the real danger for the global markets is China entering a stagflation situation. This remains the second biggest risk for the Indian markets at the moment.

c) **FII/FPI selling** - India has been one of the best performing markets globally in the last year or so. Nikkei, Shanghai and KOSPI have all yielded single digit returns in the last one year. Even Dow Jones has underperformed India by a wide margin. Thus, as we enter the year-end, naturally one place where FIIs are booking profits, is India. This is something that is more transitory in nature and will likely persist for a few weeks before things start settling down.

So, to answer the long question in short, we expect markets to remain sideways for the next few weeks before they start settling down. While our domestic economy remains on a strong footing and is well poised for structural growth there may be some short hiccups driven by global factors. However, we do not foresee a massive and structural correction anytime soon.

(Cont.)

Now to answer the more important question – we believe that equity investors would do well to adapt the Buy-Hold-Buy strategy. Invest in quality stocks (in terms of Corporate Governance and earnings) and hold on to them for the long term, do not panic on dips but keep accumulating. Over the course of the next three years, there is still a lot of money to be made in Indian Equity markets.

Do not be fearful, keep accumulating the Good & Clean companies and create wealth for yourself in the next three to five years.

Small savings schemes losing sheen as investors shift to mutual funds, stock markets

The new generation of Indian investors is more open to market risks and is eagerly opting for 'riskier' investment options like mutual funds and stock markets, indicates data points from various sources.

In the Parliament, government recently presented data that showed the declining investor interest in small savings schemes. As per the data, opening of new small savings accounts is shrinking for the last three financial years at least. In FY 2018-19, over 4.6 crore new accounts were registered. The figure dropped to 4.12 crore in FY 2019-20 and 4.11 crore in FY 2020-21. The figure is likely to drop further this financial year (FY 2021-2022) as only 2.3 crore accounts were registered by the end of November.

New account additions in each financial year (in lakh):

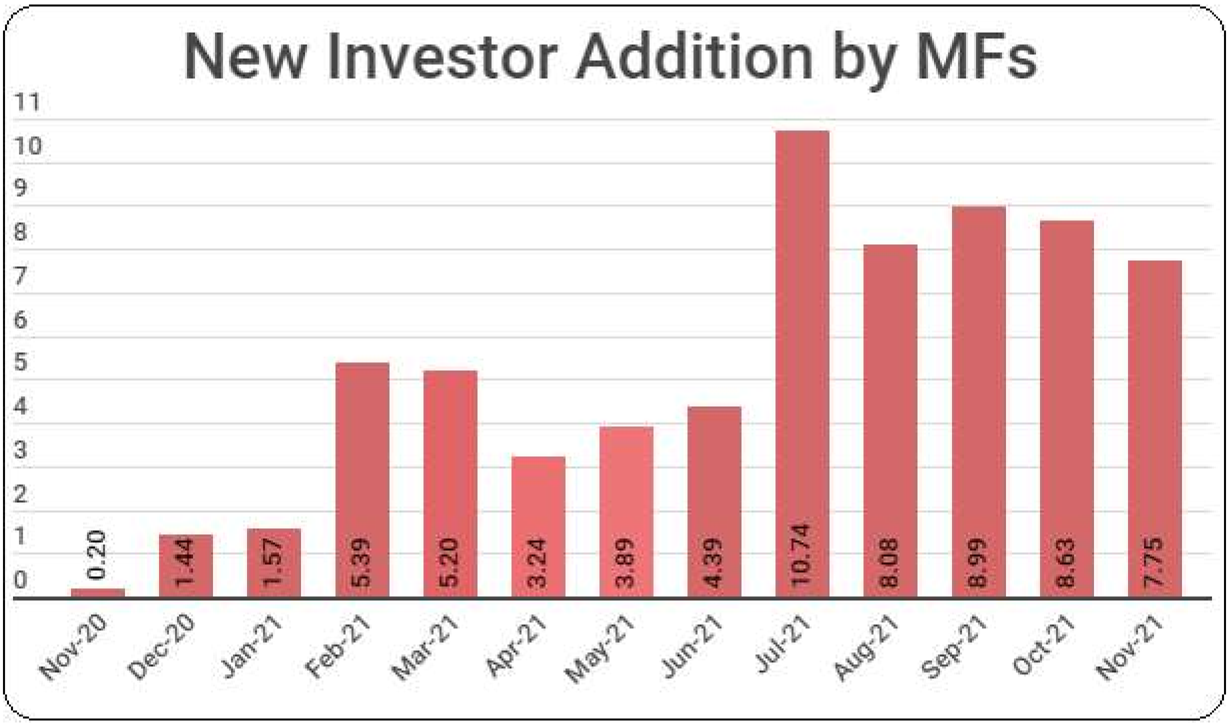
Scheme	2018-19	2019-20	2020-21	2021-22 (till Nov)
Post Office Savings Account	118.1	89.1	72.1	41.5
National Savings Recurring Deposit Scheme	125.7	99.1	119.2	65.3
National Savings Time Scheme	84.8	69	81	54.3
National Savings Monthly Income Scheme	19.7	11.6	17.7	12.7
Senior Citizen Savings Scheme	12.6	12.2	11.4	4.7
Public Provident Fund	11.5	27.2	19.6	3
Sukanya Samriddhi Account Scheme	31.4	37.2	40.2	23.4
Kisan Vikas Patra	26.9	30.3	21.5	13.2
National Savings Certificate	35.2	36.2	28.1	15
Total	**465.9**	**411.9**	**410.8**	**233.1**

Among the nine small savings schemes, only Sukanya Samriddhi and PPF have witnessed a surge in new account openings in FY 2020-2021 as compared to FY 2018-2019. On the other hand, new accounts are being added at a record pace in mutual funds and stock markets.

In another response in the Parliament, the government said the number of demat accounts was 3.59 crore at the end of FY 2018-19. It rose to 4.06 crore next year and further to 5.51 crore by the end of FY 2020-2021. By the end of October 2021, the figure has reached 7.38 crore. This means the number of demat accounts more than doubled in the last two and a half years.

The story is similar in the case of mutual funds. Recently, AMFI CEO NS Venkatesh stated that the number of unique mutual fund investors has doubled in the last four years. According to him, the number of mutual fund investors rose from 1.19 crore at the end of March 2017 to 2.39 crore as of June-end 2021.

As per the latest AMFI data, the number rose to 2.79 crore by the end of November 2021. Around 8 lakh new investors are joining the MF industry every month since July 2021.



***in lakh**

In case of small savings scheme, an average of 34 lakh new accounts were opened each month in FY 2020-2021.

However, the mutual fund and small savings data are not comparable. Unlike small savings, the mutual fund data shared above takes only unique investors into account.

How does the MF industry map B30 transaction?

In 2019, AMFI issued best practices circular to issue uniform guidelines on tagging of T30/B30 transactions.

The existing norms say that transaction with missing or invalid PIN are considered as T30 transaction from April 1, 2019.

In addition, MFDs have to ensure that the PIN codes given in MF folios match PIN codes in KYC form to get B30 incentives.

Currently, tagging of B30 transactions is based strictly on investor PIN code to ensure accuracy and uniformity in identifying the B30 transactions across fund houses.

Here are a few points that have to be remembered to get B30 incentives

- PIN codes mentioned in KYC form will be considered for tagging of B30/T30 transactions. Simply put, PIN codes captured in MF application form has no role to play in tagging
- R&T agents have to use the city-wise PIN code file for top 200 cities provided by AMFI to tag all transactions and for generating the report on AUM by geography
- All NRI transactions are considered as T30 transactions
- Folios where country name is other than India are T30
- If PIN code is available and valid as per All India Post but does not appear in the list of AMFI's list of T30 PIN Code then

1. RTAs will see if the city name is available in the KYC city field. And if the name of city matches with T30 city list, it is considered as T30 for tagging; else it is B30
2. And if city name is not available, R&T agents can tag it as B30 transaction

- If PIN code and city name is invalid or not available, it is T30 transaction. However, if city name is available and falls under B30 cities, it can be considered as B30
- Re-tagging requests can be made within T-15 days only in case of fresh purchase and CKYC download indicates a change requirement
- AMFI reviews the list of cities every year
- Any AMC/RTA can request AMFI to include name of city or PIN Code in T30/B30 list

SBI MF has highest equity holdings, ICICI Prudential MF is second

SBI MF, ICICI Prudential MF and HDFC MF hold the highest equity assets, followed by Nippon India MF and UTI MF. As per November-end data collated by Motilal Oswal Securities, SBI MF holds equities worth Rs. 3.58 lakh crore across all its schemes including passive schemes and hybrid funds. SBI MF's dominance in equity space is partly due to contribution from EPFO in its ETFs.

ICICI Prudential MF comes next with equity holdings of Rs. 2 lakh crores. The fund house is followed by HDFC MF and Nippon India MF, who manage equity assets worth Rs. 1.75 lakh crore and Rs. 1.4 lakh crore, respectively. The report by Motilal Oswal shows that the valuation of equities held by most mutual funds declined last month. Among the top 10, HDFC MF reported highest contraction in equity valuation at -3.7% in November, followed by ABSL MF and Kotak MF.

SBI looking to offload 6% stake in mutual fund arm via IPO route

Amid the ongoing IPO spree on Dalal Street, **State Bank of India**(**SBI**) is all set for the initial stake sale of its mutual fund joint venture.

"The Executive Committee of Central Board of the Bank has accorded approval for exploring possibilities to offload 6 per cent stake of the Bank in SBI Funds Management Private Limited through IPO route, subject to receipt of all regulatory approvals," the lender said in a regulatory filing on Wednesday.

SBI Mutual Funds is a joint venture between India's largest public-sector lender State Bank of India and France's Amundi Asset management.

According to media reports, the mutual fund player is likely to raise about $1 billion via its initial stake sale, valuing the company around $7 billion.

SBI Mutual Funds, the largest mutual fund in the country, if listed, will be the fifth domestic mutual fund player to make Dalal Street debut.

Shares of HDFC Mutual Fund, UTI Asset Management Company, Nippon Life India Asset Management and Aditya Birla Sun Life AMC are already listed on the bourses.

SBI plans to list the mutual fund arm as part of its strategy to extract more value from its units after divesting some of its stakes in its life insurance and cards businesses last year.

The company launched the IPO of SBI Cards & Payment Services in March 2020, just before the Covid-19 outbreak. The company had raised about Rs 10,354.77 crore via the initial stake sale.

AMFI pitches for debt-linked saving schemes, tax parity with ULIPs

Ahead of the Union Budget, industry body Association of Mutual Funds in India (AMFI) has asked the government to bring uniformity in taxation on listed debt securities and debt mutual fund (MFs) and bring parity in tax treatment between MFs and unit-linked insurance plans (ULIPs).

Both MFs and ULIPs invest in securities.

In its Budget proposals for 2022-23 to the Finance Ministry, the industry body has requested that mutual funds should be allowed to introduce low-cost, lower-risk tax-exemption-linked debt-linked savings schemes (DLSS) on the lines of equity-linked saving schemes (ELSS).

It has been further proposed that investment of up to Rs 1.5 lakh under DLSS be eligible for the tax benefit, subject to a lock-in period of five years (just like tax-saving bank Fixed Deposits).

Currently, equity-linked savings schemes qualify for tax benefits under Section 80 CCC of the Income Tax Act for an investment limit of up to Rs 1.5 lakh in a fiscal year.

NEW FUND OFFER (NFO)

Mahindra Manulife Balanced Advantage Yojana

New Fund Launch Date	09-Dec-2021
New Fund Offer Closure Date	23-Dec-2021
Objective of Scheme	The investment objective of the Scheme is to provide capital appreciation and generate income through a dynamic mix of equity, debt and money market instruments. The Scheme seeks to reduce the volatility by diversifying the assets across equity, debt and money market instruments. However, there can be no assurance that the investment objective of the Scheme will be achieved.
Scheme Type	Open Ended
Scheme Category	Hybrid Scheme - Dynamic Asset Allocation or Balanced Advantage

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