

Global markets took a breather after a phenomenal rebound seen since the lows of March 2020. A combination of caution ahead of US Presidential elections and a sharp jump in Covid positive cases in Europe and US, led to frayed nerves in equity markets, with most witnessing healthy corrections. Indian equity markets though outperformed, with Nifty50 gaining 3.5% for the month. The broader markets just about managed to close in the green with minor gains for the month.

Foreign Portfolio Investors turned positive after a pause in September, with USD 2.9bn of inflows. Domestic Institutional investors however, were net sellers. The IT heavyweights dominated the list of gainers driven by above expectations results.

### Continuation of green shoots

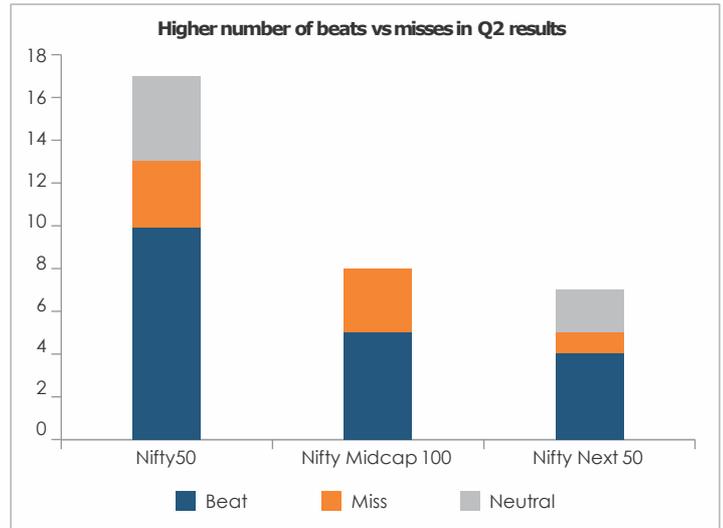
The Covid related recovery rates continued to improve every passing day in India. As a result, the number of active cases plunged sharply from over 1mn in mid-September to 562k by end October. This has led to more opening up of the country and sustained improvement in economy.

- India GST collections were up 10% YoY exceeded ` 1 Lakh cr (~USD 14bn) for the first time in FY21.
- India's manufacturing output (PMI) in October showed the strongest growth in 13 years rising to 58.9 from 56.8 in September.
- The mobility indices have been demonstrating a very sharp uptrend after a prolonged period of flattish growth.
- Passenger Vehicle and 2-Wheelers showed strong sales growth of +17% and +18% respectively with highest ever monthly sales. The tractor segment with 3% growth is impacted by production constraints even as the retail sales remain healthy and inventory is well below normal.
- Due to an improvement in mining and infrastructural activities along with a demand pickup from the E-commerce sector, CV have also seen sharp recovery.

### Earnings Update

Market is going into this quarterly earnings season with low expectations after one of the sharpest downgrades to NIFTY50 forward earnings (>30%) since Global Financial Crisis due to the impact of Covid. Apart from low expectations, positive demand emanating from rural India, government spending, buoyant exports, and essentials is helping higher number of beats thus far during Q2FY21. Lower input cost and cost control in general is helping profit margins. Discretionary consumption continues to contract YoY while the GFCF (gross fixed capital formation) is being supported by rural India and government spending. The table below amply shows how the earnings season so far has fared.

Source\*: NSDL, PTI, ANI, Bloomberg, BSE



Source: Bloomberg, Capitaline, I-Sec Research

### Events to Watch out

US elections will be closely watched by both global and local investors which can lead to some near term volatility.

Europe has seen a second wave of Covid cases. Although the death rate has not spiked, France and UK has taken lead in going back to a partial lockdown mode again.

Markets are now looking forward to the festive season which combined with pent up demand is likely to lift capacity utilization. Q2FY21 results will be watched keenly for positive cues on the much-anticipated recovery for India Inc. There is no doubt that Q2 will witness sequentially higher growth numbers. In general, Q2FY21 earnings for companies who have reported so far have been meeting or higher than the suppressed expectations.

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