



TSB'S TAKE

UNION BUDGET 2022

The Strategy Boutique

Union Budget 2022

Budget 2022 has focused around the steps to revive the economy by providing opportunities for productive spending, simultaneously controlling inflation. This report encapsulates the reaction of Stocks Markets, G-Sec Bonds, Exchange Rates and FPI Movements to the Union Budget presented by FM Nirmala Sitharaman on the 1st of February, 2022.

Here are a few highlights of the report: -

- The stock market reacted positively; both the indices opened over 0.8 percent higher, and rose around 1.7 percent. Because of the impetus, infrastructure will function well. Further, cement and metal are expected to improve.
- Indian 10-year Government bond yield climbed close to 6.9%, the highest

since July of 2019 after the government in its annual budget announced the issuing of a record amount of bonds, including sovereign green bonds starting from April.

- The Indian rupee fell to 74.8 per dollar as investors got anxious about the federal budget for 2022-23, which came on top of rising global crude oil prices and ongoing foreign investment outflows.
- PM's Gati Shakti scheme has generated a USD 26 billion production-linked opportunity, allowing for successful partnerships and ventures with domestic and foreign investors to enhance liquidity in India. The reintroduction of FPIs will result in a large surge in the stock markets.

Stock Market

Following a tumultuous period of trade on Budget Day, the primary stock indices on the BSE and National Stock Exchange (NSE) ended roughly 1.5 percent higher as market players reacted favourably to Finance Minister Nirmala Sitharaman's large infrastructure increase in the Budget 2022. The S&P BSE Sensex rose 848.40 points (1.46 per cent) to settle at

58,862.57 while the Nifty 50 climbed 237.00 points (1.37 per cent) to end at 17,576.85. Earlier in the day both the indices opened over 0.8 per cent higher and rose around 1.7 per cent with the Sensex hitting a high of 59,032.20 and Nifty touching 17,622.40 during the FM's budget speech.

SECTOR		OPEN	CLOSE
NIFTY BANK		38460.45	38505.5
NIFTY AUTO	↓	11741.2	11616.1
NIFTY FINANCIAL SERVICES		18065.9	18060.25
NIFTY FMCG		36720.05	37183.8
NIFTY IT		35337.95	35371.65
NIFTY MEDIA		2257.25	2247.2
NIFTY METAL		5530.55	5719.4
NIFTY PHARMA		13280.05	13477.5
NIFTY PSU BANK	↓	3012.15	2964.95

Market experts and investors agreed that the Budget was a growth and infrastructure-focused budget that ticked all the boxes. Almost every counter reflected the enthusiasm. On the Sensex, Tata Steel gained

almost 7.2 percent, Sun Pharma 6.7 percent, and IndusInd Bank 5.65 percent. Textile stockpiles increased as a result of the Budget's increased export incentives. Other stocks that have performed well include L&T, ITC,

Ultratech, and Infosys. On the other hand, M&M, Bharti Airtel, SBI, PowerGrid, and Reliance were among the losers.

The best performers on the Nifty50 were Tata Steel, IndusInd Bank, and Sun Pharma, while the worst performers were BPCL, Tata Motors,

The main highlight of the budget is a 35 percent increase in capital expenditures, which follows a similar increase last year, reflecting the government's primary focus on manufacturing and infrastructure, which will undoubtedly lead to growth and jobs.

10 Year G- Sec Yields

According to the budget documents, the government is planning to sell bonds worth about Rs 15 trillion (\$200 billion) in FY23. Net borrowings for FY23 are estimated at Rs 11.2 trillion. Net borrowing, meanwhile, will be Rs 11.19 trillion in 2022-23, as against Rs 7.76 trillion in this fiscal. **Indian 10-year Government bond yield climbed close to 6.9%, the highest since July of 2019 after the government in its annual budget announced the issuing of a record amount of bonds, including sovereign green bonds starting from April.**

On Tuesday, the yields had climbed by more over 2%. Even though bond dealers pointed out that the budget documents may not have accounted for the Reserve Bank of India decision made on the eve of the Budget, which

and IOC. Seven of the thirty equities on the Sensex finished the day in the red. Stocks in pharmaceuticals, commodities, real estate, information technology, and fast-moving consumer goods led the rally, while auto and oil & gas stocks lagged.

Because of the huge impetus, we believe infrastructure will function well. Cement and metals should start to improve as well. In the coming quarters, banking is likely to improve, with loan expansion boosted by GDP growth.

is expected to reduce gross and net borrowing for the next fiscal by at least Rs 63,648 crore. Nonetheless, the figures are far higher than market forecasts, which ranged from Rs 10 trillion to 13 trillion rupees.

According to one analyst, the yield surge is caused by more than the government's borrowing plan:

- Higher fiscal deficit, govt borrowing implies more bond supply
- This can push interest rates up
- Budget's silence on Global Bond indices has unnerved markets
- FM's categorical decline on the same also soured bond market mood

Date	Price	Open	High	Low	Change %
Feb 03, 2022	6.889	6.866	6.891	6.861	0.13%
Feb 02, 2022	6.88	6.848	6.922	6.848	0.76%
Feb 01, 2022	6.828	6.728	6.883	6.65	2.15%
Jan 31, 2022	6.684	6.783	6.783	6.684	-1.24%
Jan 28, 2022	6.768	6.749	6.802	6.738	0.33%
Jan 27, 2022	6.746	6.701	6.749	6.701	1.26%

The annual budget made no announcements on the country's debt being included in global bond indexes or enabling foreign trading of Indian bonds. This comes at a time when the RBI is largely expected to remove monetary stimulus in line with the other global central banks, and investors are looking for more information on the timing of rate hikes at the RBI's monetary policy meeting next week.

The 10-year G-sec yield rose beyond 6.88 percent intraday, cancelling out the beneficial impact of the switch/conversion announced, due to higher-than-expected budget deficits and gross borrowing, as well as no update on measures to facilitate the long-awaited inclusion of bonds in bond indexes. The huge dated borrowing, along with imminent repo rate hikes, could push the 10-year yield above 7.0 percent in the next quarter, setting the ground for a yield curve move northward.

Exchange Rates

The Indian rupee has concluded the day at Rs. 74.58 versus the US dollar, while the rupee has settled at Rs. 83.86 against the Euro. Economic performance, inflation, interest rate differentials, and capital flows, among other

factors, influence the currency exchange rate. It is, however, largely governed by the strength or weakness of the economy in question. As a result, currency exchange rates move often.

World Currency	Indian Rupee		
	31st January, 2022	1st February, 2022	2nd February, 2022
1 USD	Rs. 74.89	Rs. 74.58	Rs. 74.73
1 EUR	Rs. 83.59	Rs. 83.86	Rs. 83.24
1 GBP	Rs. 100.46	Rs. 100.32	100.04
1 AED	Rs. 20.44	Rs. 20.31	Rs. 20.34
1 SAR	Rs. 19.99	Rs. 19.88	19.88

The Indian rupee fell to 74.8 per dollar as investors got anxious about the federal budget for 2022-23, which came on top of rising global crude oil prices and ongoing foreign investment outflows. As the government plans to expand spending on transportation, infrastructure, and construction projects, India's fiscal deficit is expected to reach 6.9%

of GDP in 2021-22, up from 6.8% previously forecast, and 6.4 percent in 2022-23. India already has a high debt burden and low private investment, and the RBI is anticipated to loosen its monetary policy in line with other major central banks in order to entice foreign capital into the country.

FII/ FPI Movements

FPIs sold for over \$9 billion in the last four months, including January. According to Bloomberg, the four-month withdrawal run

will be the longest since January 2017. FIIs cut their shareholding in 53% of Nifty-500 firms and 74% of Nifty 50 companies in the third

quarter of 2021 compared to the previous quarter. In the consumer durables, utilities, chemicals, technology, telecom, metals, and

capital goods sectors, the FII-DII ratio has risen in the recent year.

DATE	BUY AMOUNT (RS. CRORES)	SELL AMOUNT (RS. CRORES)	NET AMOUNT (RS. CRORES)
27-01-2022	11417.36	17684.11	-6266.75
28-01-2022	8222.94	13268.28	-5045.34
31-01-2022	6014.14	9638.62	-3624.48
01-02-2022	7145.99	7167.78	-21.79
02-02-2022	6001.43	6185.03	-183.6
03-02-2022	4630.52	6228.06	-1597.54

PM's Gati Shakti scheme has generated a USD 26 billion production-linked opportunity, allowing for successful partnerships and ventures with domestic and foreign investors to enhance liquidity in India and provide a

positive return on investment. According to some experts, the reintroduction of FPIs will result in a large surge in the stock markets. However, the question remains as to what will spark the buying frenzy.



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