

# MONTHLY OVERVIEW

Aug-24

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### Key Observations of July 2024

During the month of July, market capitalized on the bullish momentum which it had gained by the end of previous month. Nifty fell just a fraction shy of touching 25000 levels but closed with a strong bullish bias gaining almost 4% on a MoM basis. However, the highlighting point of the month was that despite of some non-market friendly announcements in the Interim Budget 2024, the index absorbed all the negativity and reversed sharply from the lows to hit a new all-time high. Overall foreign direct investment (FDI) flows into India in FY24 was lower by 31.6% yoy at \$44.42 billion. Singapore was the top source of FDI into India, followed by Mauritius and the US in that order.

#### The Marco highlights during the JULY month were:

- With the Union Budget cutting the fiscal deficit target for FY25 to 4.9% of the GDP, the rating agencies are obviously going to be happy. Last year in FY24, the original estimate of fiscal deficit was at 5.9% of GDP, which was later revised to 5.8%, but the year FY24 close with just 5.6%. For FY25, the interim budget had pegged the fiscal deficit at 5.1% of GDP, which was reduced in the final budget to 4.9%. It is hardly a big surprise that Moody's has now called the budget a credit positive and could push down yields still lower.
- The government wants to take the food inflation problem head on, and it has prepared a war chest of Rs10,000 crore for the purpose. In the last few months, the food inflation has been quite stubborn and the recent delays in monsoons has spiked the food inflation once again in the latest month. The allocation of Rs10,000 crore has been made to the Food Price Stabilization Fund, which will be utilized to ensure that the temporary imbalances in food supply were restored to normal levels, to avoid food inflation spike; that was the bane of prices.
- The Ministry of Defence and the NSE have inked an agreement to help MSMEs and emerging firms in the defence sector. They will jointly facilitate the defence sector companies to raise capital in the market to bankroll their production expansion and export plans. The plan is to enable the small defence players to raise innovative funding from different classes of investors. NSE will also assist such companies by linking them with the merchant bankers and other capital market participants. It allows MSMEs to scale up fast by raising quick capital.
- Consumer inflation in India came in at a 4-month high of 5.08% even as the May inflation also got upped to 4.80%. This is in contrast to the US inflation which fell by 30 bps to 3.0% for June. Now both the inflation figures are about 100 bps away from their respective targets. The pressure on consumer inflation in India came from the food basket, which spiked from 8.69% to 9.36% as the price of vegetables spiked. While, this is expected to taper with normalization of monsoons, rate cuts may be off the RBI agenda for now, although RBI could be pre-emptive.
- RBI now plans to tighten norms for liquidity coverage ratio (LCR) in the light of the rising risks and has put out the draft guidelines for the same. This is also intended to address the risk due to rising number of internet and mobile banking users. According to the RBI, the era of seamless transfers is a boon, but also comes with its share of liquidity risks for the banking system. There will be an additional 5% run-off factor on stable and less stable retail deposits that are enabled for internet and mobile banking to prevent a run on funds via digital exit lines.

## SECTORIAL UPDATES

### SUGAR:

- Indian Sugar and Bio-Energy Manufacturers Association (ISMA) urged government to set a higher export target for sugar cycle year 2024- 25. This is on a 36 lakh tonnes surplus expected in 2024-25. This can boost liquidity of sugar mills and also ensure the timely payment of dues to cane farmers. ISMA started the current cycle with opening stock of 56 lakh tonnes and if you add the 285 lakh tonnes of output this year, the closing stock at 91 lakh tonnes will be much higher than normative limits of 55 lakh tonnes.

### TEXTILE:

- The Indian textile industry may finally be on a recovery path as domestic demand has improved. For the latest 7-month period, the textile exports were marginally higher at \$17.9 billion. For textile sales in the domestic market, the ecommerce channel has been contributing a lot to incremental sales. For now, the government plans to include garments also into the PLI scheme for the textile sector while the SITP or the Scheme for Integrated Textile Parks is proposed to be revived. Annual textile export target is \$50 billion and that should be simple.

### FMCG:

- As India shifts towards organized FMCG brands, a rising number of product brands are crossing into the Rupee Billionaire club. During the quarter, 6 digital-first brands of Dabur crossed the Rs100 crore sales mark. Hindustan Unilever has 19 brands in the Rs1,000 crore club, which includes marquee brands like Boost, Sunsilk, Vaseline, Clinic Plus etc. ITC also has some real brands with Aashirvad valued at Rs8,000 crore and Sunfeast at Rs5,000 crore. ITC's Bingo, Mangal Deep and Yippee are already in the Rs1,000 crore club.

### AUTOMOBILE:

- The government now wants higher local content in the manufacture of electrical vehicles (EVs). The Ministry wants reduction in number of components under PMP in FAME-III from 18 to 12 items. This will be the sine qua non for companies to be eligible for the subsidy scheme, going ahead. Under the modified norms, components in an EV like wiring harnesses, connectors, miniature circuit breakers, electric safety devices, lighting and body panels have to be mandatorily manufactured in India only, to be legitimately eligible to avail this subsidy facility.

### SECTORIAL SNAP SHOT

The bullish rally in the month of July was lead by defensive sectors with IT, Pharma and FMCG which gained 12%, 10% and 9% respectively on a MoM basis. Chemical & Fertilizers stocks emerged as the dark horses followed by energy stocks. While almost all the sectors closed in green, banking and realty stocks saw some profit booking.

### INSTITUTIONAL ACTIVITY:

FII's continued bullish sentiment in the month of July as they bought worth Rs 5,407.83 Cr in the cash market compared to last month they bought worth Rs.2, 037.47cr. On the other hand, DIIs continued with their positive outlook towards the market buying worth Rs 23,486.02 Cr. During the month of June they long by Rs 28,633.15 Cr.



**Nifty Outlook for the Month of Aug 2024**

The Nifty 50 has shown a strong recovery over the past two months, with a rally of almost 10.49%. The strong bullish candle close indicates the continuation of positive momentum. During the month, sectors such as healthcare, oil and gas, consumption, midcap 50, auto, and energy saw gains, while PSU Bank was at the lowest.

The monthly trend and momentum continue to remain bullish. We have been monitoring for multiple events to book profits; however, the prices are trading high and following the trend. Considering the strong growth story in India and the inflow from DIIs, the outlook remains bullish. From a technical standpoint, the price extension plotted with monthly swings suggests a rally towards 26276 levels; please refer to the chart. In the coming month, we may witness some sideways consolidation within the 25500–24000 levels, since the daily charts in the overbought zone. On the other hand, the levels of 50 SMA on the daily chart are placed at 23748 marks suggesting the first leg of the directional demand zone. It's important to be cautious and note that if India Vix trades above 18 levels. Then this might be signs of caution. Overall, the bias remains bullish for 26300 levels.

**List of SIP stocks for long term investment:** DLF, Guj gas, Hind Copper, Hindalco, Neogen Chemical, Praj Inds, Tata Consumer, Tata Power, TCS, Tech M, Tvs Motor and Voltas.

Nifty Outlook	
Short Term - Daily	Consolidation
Medium Term - weekly	Positive
Long Term - Monthly	Positive

Nifty Technical Data	
Monthly Closing	24,951.15
Monthly High	24,999.75
Monthly Low	23,992.70
Monthly Bias:	Positive
Support Level:	23,700      23,000
Resistance Level:	26,200      26,700
Moving Averages	
50 DSMA	23,748
200 DSMA	21,959
200 WEEK MOVING AVG.	17,928



### Bank Nifty Outlook for the Month of Aug 2024

Bank Nifty traded on a subdued note and closed in the red. We believe the index has been experiencing a lull since its initial breakout in June 2024. The index was down by 1.51% month on month, closing at 51533.40.

The monthly trend continues to be bullish, and based on the higher top, higher bottom formation, along with the price extension swing, the levels of 58,000 appear promising (refer to the charts). There has been a loss of momentum in the past month, more from the time-wise consolidation. On the immediate trend, 50000 and 53000 are the expected trading ranges for Bank Nifty, and a strong weekly close above 53000 levels may trigger a 3000-point breakout on the higher side. The bias remains bullish.

During the month, federal bank, Bandhan bank, Sbi, ICICI Bank gained, while bank of Baroda and axis bank corrected.

Bank Nifty Outlook	
Short Term - Daily	consolidation
Medium Term- Weekly	Positive
Long Term- Monthly	Positive

Banking Sector Performer	
Top Outperformer	FEDERAL BANK BANDHANBANK
Top Underperformer	AXISBANK BANKBARODA

Bank Nifty Technical Data		
Monthly Closing	51,553.40	
Monthly High	53,357.70	
Monthly Low	50,438.30	
Monthly Bias:	Positive	
Support Level:	49,000	47,900
Resistance Level:	54,000	56,500

Moving Averages	
50 DSMA	50,963
200 DSMA	47,527
200 WEEK MOVING AVG.	39,743



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