IDBI capital

MONTHLY
OVERVIEW

Feb-24

Key Observations of Jan 2024

Market traded relatively sideways in the month of Jan as it witnessed an expected profit booking during the second half after touching a new all-time high above 22000 levels. Overall the month was driven by positive sentiments on the back of the grand inauguration of the Shree Ram Mandir in Ayodhya that provided a boost to various sectors. On the other hand as majority of the stocks traded at high a PE, investors also adopted a cautious approach ahead of the Interim Budget which is supposed to take place on the 1st of Feb.

The Marco highlights during the JAN month were:

- Year 2023 was a delightful year for IPO markets; not just in terms of numbers but also post-listing performance. Out of the 59 IPOs that hit the market during the year, 54 issues gave an average return of more than 45%. The other 4 IPOs are trading marginally below their issue price. For the year, 70% of the IPOs rallied 20% or more in the year while 9 IPOs more than doubled. IREDA was the top performing IPO giving 221% returns over the listing price while Tata Technologies got the highest subscription response at more than Rs2,00,000 crore.

- FPIs infused a total of Rs1.70 trillion into Indian equities in the year 2023, with bulk of the flows coming in the month of December 2023. FPIs infused close to Rs66,134 crore in December alone. One of the key factors that is likely to drive FPI flows into India in the coming years is likely to the falling interest rates in the US, which is likely to make the FPIs more risk-on and prefer EMs like India. In addition, the FPIs also infused Rs 68,663 crore into the debt markets taking their total India inflows to Rs2.40 trillion in year 2023.

- With the government likely to meet or better the 5.9% fiscal deficit target in FY24, the center is likely to get more aggressive in line with its glide path. It is now estimated that the government may set 5.2% as the fiscal deficit target for FY25, and eventually 4.5% fiscal deficit for FY26. This presumes a number of thing, including narrowing of revenue deficit, sedate growth in capex, aggressive disinvestment, and faster pace of growth in the nominal GDP. Fiscal deficit had shot up to near double digits during pandemic.

- Retail consumption grew 9.3% in 11 key B2C sectors in H1-FY24. The FMCG and e-commerce sectors experienced annual increase of 26.2% and 19.4% respectively, during the second quarter. Consumption has been rising in tandem with falling inflation. Even the aviation and hospitality sectors grew by 29.7% and 12.8% respectively in Q2. The Jewellery sector saw annual growth of 7.1%, which can be explained by festival demand. Much of the growth came from semi-urban and rural centers; not metros.

- WPI inflation for December 2023 surged to a 9- month high of 0.73%, on the back of higher food prices. The fading base effect was also a major reason. However, the WPI inflation was lower by -0.9% on a MOM basis. For the first 9 months of FY24, the WPI inflation averaged -1.07%. The manufacturing basket, which is 64.23% of the WPI basket, was in contraction mode in FY24. With the latest WPI spike, the gap between CPI and WPI is down to just 5%. Both the WPI and CPI inflation saw pressure come from the food prices. However, core inflation was lower.

- IMF has raised India's 2024-25 GDP growth forecast by 20 bps to 6.5%. IMF has pegged the growth for FY24 at 6.7%. For FY26, IMF has raised its India forecast by 20 bps to 6.5%. IMF has also marginally upped the global growth estimate by 10 bps and US growth estimate by 50 bps on the back of what it calls "rather surprising resilience." For FY24, government has pegged growth at 7.3%, so IMF is still being conservative. RBI had recently revised growth forecast for FY24 by 50 bps from 6.5% to 7.0%.

SECTORIAL UPDATES

INSURANCE:

- The life insurance sector witnessed a growth of 43.76% in new business premium (NBP) on a yoy basis in the month of December 2023. Interestingly, chunk of the push came from LIC. December 2023 marked the first year in FY24 when LIC reported a growth in NBP on yoy basis of 93.8% to Rs22,981 crore. There was a sharp growth in the group insurance business for LIC in December. Among private insurers, SBI Life reported 20.73% fall in premiums; while HDFC Life and ICIC Prudential Life inched up. LIC stock has rallied in the last one month, after the fall.

IT :

- Indian IT companies are set to report a “soft” 3rd quarter as revenue growth in constant currency terms is likely to be tepid. December quarter is when tech spending is generally relatively tepid for the IT companies. Big numbers of TCS, Infosys, Wipro, and HCL Tech are expected to be out this week. While TCS does not give guidance, the focus will be on the management commentary across the board. Wage hikes are likely to have had an impact on profit margins. However, IT spending is set to improve in FY25.

CEMENT:

- Indian cement sector is estimated to add 150- 160 (MTPA) capacity in next 5 years. CRISIL feels the growth in cement capacity will be a mix of organic and inorganic. In the last 5 fiscal years, India added 119 MTPA of cement capacity and that is likely to expand in the next 5 years. India’s current cement capacity stands at 595 MTPA. Much of the capacity enhancement will be concentrated in the eastern and central region of India. Large cement players like Ultratech, Adani, Shree Cements and others will corner around 55% accretion to cement capacity over 5 years.

AUTOMOBILE

- According to a report by Care Edge, Passenger Vehicles (PV) volumes are expected to grow 8- 10% in FY24 as pent-up demand abates with a hike in vehicle prices. This is a sharp contrast to the earlier estimates provided by Care Edge of 18% growth for PV sales volumes. For the 9 months to December 2024, the PV segment saw domestic sales grow at 7.4%. However, Care Edge has projected that PV sales volumes will continue to grow in the next fiscal. This will be driven by strong order books and smoother supply chains for inputs for the auto sector.

SECTORIAL SNAP SHOT

During the month of Jan, majority of the sectors witnessed a strong continuation of the bullish momentum. Oil and Gas sector ended up as the top gainer with over 13% rise on monthly basis followed by PSU Banks and Realty. On the other hand FMCG stocks witnessed a healthy profit booking along with the metal sector which eventually closed in red.

INSTITUTIONAL ACTIVITY:

- Jan month, FIIs bearish in the cash market with a selling of Rs 35,977.87 Cr compare to last month they were buyers of Rs 31,959.78 Cr. and, Domestic Institutional Investors were buyers for Jan month as they buy worth Rs 26,743.63 Cr as compare to previous month they were buyers of 12,942.25 cr.

Nifty Outlook for the Month of Feb 2024

January 2024 witnessed the new all-time high at 22,124.15 levels and also triggered a good amount of profit booking, which dragged it lower to 21,127.20 levels. Overall, MOM, the index was flat by -0.03% at 21,725.70 marks.

On the weekly chart, the all-time high levels were marked after 13 weeks of rally from the swing low of 18,837 levels, and the index formed the engulfing bearish pattern at the top (see chart). The momentum oscillator, followed by moving averages, is hinting at a mix of reviews. However, the chart pattern suggests distribution at higher levels and suggests a possible correction near the value of its 50 SMA levels at 21163. However, with reference to the daily time frame, if 21850 marks are taken out, then an initial leg of short covering towards 22k cannot be ruled out. Overall, we believe the index may trade within the 22500–21000 mark, whereas if we see a close below 21000, then further extension of the profit booking towards 20K may be seen. We would advise to keep booking profits close to the 22000–22200 mark. (Because, the long-short ratio of FII on the index futures is at 30% long & 70 % short, end of Jan month).

The buy-on-decline strategy should be adopted during the month. We would recommend adding the SIP stocks in a staggered manner. SIP Stocks are, DR Reddy, Guj Gas, HDFC Bank, Infosys, Kajaria Ceramics, LTIM, M&M Finance, Oberoi Realty, Petronet LNG, SBI Life, Union Bank, Voltas.

Nifty Outlook	
Short Term	Neutral
Medium Term	Positive
Long Term	Positive

Nifty Technical Data		
Monthly Closing		21,725.70
Monthly High		22,124.15
Monthly Low		21,137.20
Monthly Bias:		Neutral
Support Level:	20,800	19500
Resistance Level:	22,700	23,500
Moving Averages		
50 DSMA		21,164
200 DSMA		19,632
200 WEEK MOVING AVG.		16,302

Bank Nifty Outlook for the Month of Feb 2024

Bank nifty was an underperformer as the index was unable to trade above its previous month high and registered an intra-month low below its prior month low. Overall, the index was down by -4.75% at 45,996.80 levels.

The weekly chart has witnessed profit booking (followed by a correction in Hdfc Bank, which holds 38% weightage in the bank nifty). The curve of the short and medium-term moving averages is negatively placed and suggests 44000 on cards. Whereas, with reference to the daily chart, the prices are in the oversold zone and suggest a bounce back towards 47,000 marks.

Directionally, we believe bank nifty is negatively placed and bounce should be viewed as exit longs. As the fear of index testing the lower demand zone, as shown in the above chart remains high.

PSU banks such as SBIN, Canara Bank, Bank of Baroda, Union Bank of India, and City Union Bank (Private Bank) can be viewed as adding longs near the demand zone.

Bank Nifty Outlook	
Short Term	Neutral
Medium Term	Positive
Long Term	Positive

Banking Sector Performer	
Top Outperformer	PNB
	BANKBARODA
Top Underperformer	AUBANK
	HDFCBANK

Bank Nifty Technical Data		
Monthly Closing		45,996.80
Monthly High		48,450.00
Monthly Low		44,429.00
Monthly Bias:		Neutral
Support Level:	43,800	41400
Resistance Level:	48,200	50,400

Moving Averages	
50 DSMA	46,554
200 DSMA	44,771
200 WEEK MOVING AVG.	36,136

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