

MONTHLY OVERVIEW

Jan-24

Key Observations of Dec 2023

Market enjoyed a strong bullish rally throughout the month of December as Nifty kept on making higher highs and closed at the all-time high near 21700. The overall positivity was driven by two major events viz state election results and holding of interest rates by US Fed for third consecutive time. While state election results in Madhya Pradesh, Rajasthan and Chhattisgarh lead to a big gap up on 4th of December above the previous high around 20250, and further unchanged interest rates pumped positivity in IT and Realty sector during the month of December. Rise of fresh covid cases in southern India lead to a temporary panic and profit booking however, the negativity was quickly absorbed as Nifty managed close comfortably above 21500 levels.

The Marco highlights during the DEC month were:

- India's Q2FY24 GDP growth came in much better than expected at 7.6%, boosted by manufacturing, and services. Agriculture lagged in real terms and weak rural incomes could be one reason for this. Nominal GDP growth for the second quarter came in at close to 9%. The real GDP growth at 7.6% was substantially higher than the consensus estimates of 6.8% and this is likely to impel the RBI to revise its forecast for FY24 from the current 6.5% to closer to 7.0%. Construction and mining were the big drivers.
- RBI has come down heavily on peer to peer (P2P) lending after noticing some unacceptable practices, and that includes several misleading sales practices. RBI had recently conducted an audit of 10 leading P2P lenders in India. Even the relending of prepaid funds was subject of questionable practices. The P2P lending business in India has now burgeoned to close to Rs12,000 crore and RBI thinks it needs some very close regulation. Recently, RBI had raised capital needs on consumer loans by banks and NBFCs.
- The stock of Bharat Electronics (BEL) hit a record high of Rs163 per share after the company confirmed that it had received orders worth Rs3,915 crore. This includes the latest order of Rs580 crore for AMC from the Indian army. In addition, the company also announced it had received orders worth Rs 3,335 crore for their Airborne Early Warning & control systems, Software Defined Radios, SWIR pay load, Air Command & Control Systems etc. Defence orders are to grow 14% CAGR over next 5 years.
- Technology startups in India saw funding decline to the lowest in 5 years, according to Tracxn data. In 2023, startups raised \$7 billion; 72% lower than \$25 billion raised in 2022. The Dec-23 quarter, is the worst in terms of flows, since Q3- 2016. Year 2023 saw just 2 unicorns being created (Zepto and InCred), compared to 23 unicorns in 2022. The fall was broad-based. Latest stage funding fell 73%, seed stage fell 60% and early-stage funding fell 70%. There were just 17 deals of \$100 million plus funding for the year.
- India CPI inflation for November 2023 came in higher at 5.5%, led by food inflation. However, the CPI inflation reading was lower than the street estimate of 5.7%. This was led by a 209- bps spike in food inflation to 8.7% for November 2023. The uptick was on account of a spike in prices of vegetables. On the positive side, the inflation for pulses and cereals stayed flat to lower. It was urban inflation that was more acute in Nov-23 compared to rural inflation. Fuel inflation stayed in check; core inflation was 4.1%.
- Indian merchandise exports could fall short by about \$5 billion in FY24 after government clamped curbs on trade in wheat, rice, and sugar. In addition, the recent Red Sea attacks by Houthi rebels, has also hit basmati rice shipments. India had exports of agricultural products to curb domestic inflation. Government is also exploring alternate routes via Cape of Good Hope, but that will add to costs by 15-20%. This is most likely to impact export of long-grain rice to Egypt and Europe. However, other non-essential food related export numbers are expected to grow.

SECTORIAL UPDATES

AGRICULTURE:

- The share of agriculture in India's GDP fell to just 15% in FY23, from a level of 35% in the year 1991. This is largely due to the frenetic growth in the industrial and services sector. This not just specific to India, but the share of agriculture to GDP is falling across the world. In the last few years, agriculture in India has been growing at an average rate of 4%. Some of the measures undertaken to improve productivity of agriculture, offering higher MSPs to farmers, robust infrastructure and reform schemes have all helped to give a boost to agriculture in India.

BANKING :

- Banks in India have been aggressively raising funds through the CD (certificate of deposit) route as liquidity remained tight in the system with the RBI infusing Rs2.01 trillion on Monday. The liquidity deficit in the banking system widened to over Rs2 trillion on the back of advance tax outflows. Advance taxes and GST payouts are expected to soak up Rs4 trillion of funds, tightening the money market sharply. The RBI has deliberately maintained the liquidity at a deficit to ensure smooth, rapid, and seamless transmission of rate cuts to the final customer.

INFRA:

- The National Highways Authority of India (NHAI) raised Rs9,384 crore via monetization of two bundles of highway stretches. These entail total length of 273 km using the Toll Operate Transfer (TOT) model. Highways in Bundle-13 were given to IRB Infrastructure with a bid of Rs 1683 crore, while the Bundle-14 has gone to Cube Highways and Infrastructure with a bid of Rs7,701 crore. In October 2023, the NHAI had raised Rs6,584 crore by monetizing the Bundles 11 and 12. The latest monetization refers to the Bundles 13 and 14.

SUGAR

- India's sugar output for the October-November period was 11% lower at 4.32 million tonnes. The Indian sugar cycle starts from October and extends up to September next year. The output was disrupted in two of the major sugar producing states of Maharashtra and Karnataka. Output in Uttar Pradesh was higher, but that could not rectify the total supply situation. The quantum of sugar produced is directly linked to the quantum of sugarcane crushed and that was lower as was the number of mills producing the sugar. Clearly, monsoons are taking a big toll.

SECTORIAL SNAP SHOT

During the month of Dec 2023, all indices closed on a strong positive note lead by PSU Banks, Realty, Energy and IT which showed a rise of more than 10%. Auto and Metal stocks too were in the forefront with Hindustan Copper being the pick of the month giving more than 50% returns.

INSTITUTIONAL ACTIVITY:

- Dec month, FIIs bullish in the cash market with a buying of Rs 31,959.78 Cr compare to last month they were buyers of Rs 7,032.61 Cr. and, Domestic Institutional Investors were buyers for Dec month as they buy worth Rs 1,2942.25 Cr as compare to previous month they were buyers of 226.28 cr.



Nifty Outlook for the Month of Jan 2024

December 2023 has been one of the outperformer for the year ended 2023, as INDEX saw a recovery of almost 8% on a month-on-month basis. The strong bullish candle close suggests the further extension of the Bull Run.

On the weekly chart, the INDEX has rallied towards 21,800 marks and has met with our targets in the previous reports; however, the trend and momentum in the weekly and monthly charts are strongly in the hands of bulls, and these suggest 22,500 on cards. However, with reference to the daily chart, INDEX has rallied for almost 43 trading sessions, and is up by 15.81%, and is placed in the overbought zone. Most importantly, the values of 10 EMA at 21,445 and 50 SMA at 20,165 are placed far away from the prices.

Hence, technically, we believe close to 22,000 profit booking may be on cards, and only on declines close to 21,400 marks we recommend to add stock-specific longs. The expected monthly range is likely to be within the 20,500–22,500 levels.

The buy-on-decline strategy should be adopted during the month. We would recommend adding the SIP stocks in a staggered manner. **SIP Stocks: GANESH HSG, MGL, CIE INDIA, ENDURANCE, SONACOMS, GREENPANEL INDUSTRIES, GRAPHITE, JM FINANCIAL, LTIM, LTTS, CHALET, UNION BANK, PRINCE PIPES, PNC INFRA, LODHA.**

Nifty Outlook	
Short Term	Positive
Medium Term	Positive
Long Term	Positive

Nifty Technical Data	
Monthly Closing	21,731.40
Monthly High	21,801.45
Monthly Low	20,183.70
Monthly Bias:	Positive
Support Level:	20,500 19,300
Resistance Level:	22,500 24,000
Moving Averages	
50 DSMA	20,165
200 DSMA	19,151
200 WEEK MOVING AVG.	15,993



Bank Nifty Outlook for the Month of Jan 2024

Bank INDEX also contributed to the rally and registered the new all-time high levels at 48,636.45. Overall, month over month, the index was up by +8.34% and has registered a range breakout from its past five months of consolidation.

The weekly charts have seen a strong breakout at the start of December 2023 and triggered the resistance zone breakout at the 46,000 mark. With the recent gains, we believe the INDEX has entered into a time-wise consolidation within the larger range of 46,000–50,000 levels. We believe any near-term correction in Banknifty close to 47,500–47,000 can be viewed as entering longs for the targets at 50,000 levels. Directionally, as long as the index holds above 46,000 on a weekly closing basis, the bias will remain extremely positive.

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	Positive
Medium Term	Positive
Long Term	Positive

Banking Sector Performer	
Top Outperformer	PNB
	BANKBARODA
Top Underperformer	AXISBANK
	IDFCFIRSB

Bank Nifty Technical Data	
Monthly Closing	48,292.25
Monthly High	48,636.45
Monthly Low	44,531.75
Monthly Bias:	Positive
Support Level:	45,300 42,900
Resistance Level:	51,200 53,000

Moving Averages	
50 DSMA	45,091
200 DSMA	44,041
200 WEEK MOVING AVG.	35,525

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SEBI Registration: BSE & NSE (Cash & FO) – INZ000007237, NSDL – IN-DP-NSDL-12-96, Research – INH000002459, CIN – U65990MH1993GOI075578

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