

MONTHLY OVERVIEW

Jul-24

Key Observations of June 2024

June 2024 proved to be the most volatile month of this year so far as market witnessed huge swings on both the sides. After a sharp correction on 4th of June amid election results, Nifty was quick to recover and hit a new all-time high above 24000 levels, closing the month on a high. The election outcome is anything but a foregone conclusion and the focus now shifts to the upcoming Budget 2024 which is supposed to be declared in the month of July.

The Marco highlights during the JUNE month were:

- India retail inflation came in marginally lower at 4.75% for May 2024, compared to 4.83% in April. While food inflation was flat and oil inflation was tad higher, the downside push came from core inflation which fell further to 2.97%. The RBI target for headline inflation is 4.00%, so it is still 75 bps away. In the food basket, pressure came from vegetables and pulses. On Wednesday, the MOSPI also reported the April 2024 IIP numbers, which came in at 4.98%, despite a higher base. This is lower than the revised March 2024 IIP.
- The key message coming from the CPI inflation numbers in India is that while headline inflation is down by 8 bps, the food inflation remains flat. That is largely on account of pressure on pulses and vegetables, both showing double-digit inflation for more than a year now. One thing holding back the food basket was the deflation in edible oils. Recent weeks saw a spike in the price of potatoes and tomatoes due to supply concerns. A lot of the short-term concerns on food prices are on the back of the intense heat wave in India; which had hit vegetables the most.
- The latest RBI data reveals that India's external debt ratio for FY24 had fallen to a 13-year low of 18.7%, although the external debt has gone up in absolute terms, which stands at \$663.8 billion. The external debt increased yoy by around \$40 billion, adjusted for exchange rate effects. If that is removed, then the spike in external debt would have been closer to \$48 billion. More importantly, the share of short-term debt in this mix fell from 20.6% to 18.5%, which is a good sign. Dollar denominated debt is 54% of the mix.
- The upcoming full budget in July 2024 is likely to raise food subsidy estimate by 9% to take care of persistently high food prices. The government may procure surplus rice stocks, which is likely to cost the government an additional Rs 18,000 crore. The cost of storage and transportation of rice is likely to go up sharply in the current fiscal. In FY24, the food subsidy bill was already at Rs2.12 trillion after the PMGKAY scheme was extended to 800 million beneficiaries, which needs 38MT of rice stocks annually for the same.
- Indian exports of refined petroleum products fell by 11% to just 1.21 million barrels per day (bpd) in the month of April 2024. This can be attributed to robust domestic demand and tepid margins on exports of these petro products. The exports to Asia fell by 25% while the exports to Europe fell by 3.4% in the month of April 2024. Indian exports of diesel fell by 13% in April while the gasoline exports fell by 17% in the same period. The other reason is supplies from the US and OPEC were ample, reducing India demand.
- In the latest six-monthly classification of large caps, mid-caps, and small caps; AMFI has highlighted a big risk in the brackets. For mutual fund classification, the top 100 stocks by market cap are classified as large caps and the next 150 as mid-caps. Between the December 2019 classification and the June 2024 period, the indicative of large cap has gone up from Rs27,454 crore to Rs80,000 crore. During the same period, the definition of mid-caps has gone up 200% from Rs8,801 crore to Rs27,700 crore.

SECTORIAL UPDATES

CEMENT:

- Cement companies are looking to invest close to Rs1.50 trillion in the next round of capacity additions. Cement companies are going aggressive on the back of the government infrastructure push as well as the rising demand from the realty sector. As of the close of FY24, India had cement capacity to the tune of 630 million tonnes (MT). This is expected to go up to nearly 850 MT in the next. In the next few years, the bulk of capacity additions are likely to come from Ultratech Cements of Birla group and the Adani group, comprising of ACC and Ambuja.

TELECOM:

- Airtel was the top buyer at the latest spectrum auctions while Jio was the least enthusiastic. However, with collections of just Rs11,341 crore, it is the lowest that the government has collected in any auction. Bharti Airtel spent Rs6,857 crore for 90 MHz spectrum in 900 MHz, 1800 MHz, and 2100 MHz bands. The previous auction had mopped up a whopping Rs1.50 trillion, largely with the support of Jio. However, Jio spent just Rs973 crore this time around to buy the 14.4 MHz spectrum in the 1800 MHz band, as per Department of Telecom (DOT).

STEEL:

- India turned a net importer of steel in FY24, with nearly 8.3 million tonnes of steel imports in the fiscal year. The exports were impacted by weak global demand and competitive pricing by China and other South East Asian countries. However, on a net basis, the imports were around 1.1 million tonnes, after factoring in exports of steel. Flat steel products accounted for 95% of India's steel imports in the year. India's top steel export destinations in the world were Italy and Belgium in the EU region; followed by Nepal and the UAE.

POWER:

- According to a report by ICRA, India is likely to add about 30 GW of power capacity in the current fiscal year, FY25. The accretion to thermal capacity will be driven by improving plant load factor (PLF). However, nearly 80% of this capacity addition will be in the renewable energy (RE) space. This will be higher than the capacity addition of 25 GW in FY24. The RE thrust is likely to be helped by a strong project pipeline and favorable solar module pricing. India will add 80 GW of thermal capacity by 2032 to match demand. Fossil fuels will still rule power.

SECTORIAL SNAP SHOT

Majority of the sectors witnessed a decent recovery from lows after correcting on 4th of June and closed the month in green. While private banks soared to take Bank Nifty to 53000 levels, the month of June saw revival of IT sector which emerged as a clear outperformer rallying by more than 11%. Pharma, Realty and Auto sectors too gained within the range of 5-10% each.

INSTITUTIONAL ACTIVITY:

Compared to last month's selling of Rs 42,214.83 Cr., FII's showed a change in the sentiments turning bullish in the month of June as they bought worth Rs 2,037.47 Cr in the cash market. On the other hand, DII's continued with their positive outlook towards the market buying worth Rs 28,633.14 Cr. during the month of June followed by its May month buying of Rs 55,733.04 Cr.



Nifty Outlook for the Month of July 2024

June was a roller coaster ride for the market. The index fluctuated between the high and low points of 24,174 and 21281 after the election outcome. Overall, the index had a month-over-month increase of +6.57% and closed at 24010.60. In terms of sector performance, IT, Small Cap, Consumer Durable, MID Cap 50, Realty, Fin Service, Private Bank, and Auto sectors performed well, while only PSU Bank was in the red.

On the monthly chart, the index showed strong momentum from the demand zone with a long wick suggesting buying interest. Technically, the candlestick pattern indicated strength. The larger trend and momentum continue to be positive given the ongoing uptrend, and buying on declines is recommended. However, considering recent gains on the daily chart and the trading range, it is believed that the index is trading near the upper resistance band; hence a time-wise correction is expected. From a monthly perspective, 23000 and 22500 are the major demand zones that should be considered for adding positional long trades. In an extreme scenario, and with respect to price extension, the projected target is around 25200, see chart.

Following is the list of SIP stocks to be bought in a staggered manner. Stocks are: Indusind bank, ICICI Bank, Axis Bank, TVS motor, Tata Power, DLF, Lodha, TCS, TechM, Bharti Artel, Guj Gas, Hindalco and Hind copper.

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

Nifty Technical Data	
Monthly Closing	24,010.60
Monthly High	24,174.00
Monthly Low	21,281.45
Monthly Bias:	Positive
Support Level:	23,000 21,800
Resistance Level:	25,000 26,500
Moving Averages	
50 DSMA	22,801
200 DSMA	21,439
200 WEEK MOVING AVG.	17,596



Bank Nifty Outlook for the Month of July 2024

Bank Nifty made a strong recovery and outperformed, with private banks reaching new highs. Overall, the index was up by +6.86% to close at 52342.25 levels.

The monthly candlestick pattern strongly favours the bulls. The levels of 50200 were the major trigger during the month, leading to a sharp rally once the short positions were trapped above this level. Looking ahead, the daily and weekly charts are in an extremely overbought zone, while the monthly timeframe continues to display strength. Additionally the placement of the long term moving averages and momentum RSI oscillators are positively placed. We anticipate the index to consolidate within a range of 54500 – 49500 in the larger trend, and a correction close to 51000 – 50500 should be considered for re-entering positional long trades. Our bias remains bullish with a strategy of buying on declines.

PSU banks such as SBIN, Canara Bank, Bank of Baroda, Union Bank of India, and City Union Bank, along with ICICI Bank, Axis Bank, and IndusInd Bank, could be seen for adding longs.

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

Banking Sector Performer	
Top Outperformer	HDFC BANK
	FEDERAL BANK
Top Underperformer	PNB
	INDUSIND BANK

Bank Nifty Technical Data		
Monthly Closing	52,342.25	
Monthly High	53,180.75	
Monthly Low	46,077.85	
Monthly Bias:	Positive	
Support Level:	49,500	48,000
Resistance Level:	55,000	56,800

Moving Averages	
50 DSMA	49,223
200 DSMA	46,731
200 WEEK MOVING AVG.	38,995

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