

# MONTHLY OVERVIEW

Nov-23

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### Key Observations of Oct 2023

Index witnessed profit booking in the month of October 2023 and tested its crucial support levels of 19000–18800. This sell-off was primarily driven by the rise of geopolitical tensions in the Israel-Hamas conflict, and the 10-year bond rate creeping above 5% sent shockwaves around the world. The broader markets took the brunt of the damage, with -4% and -3% drops in the mid- and small-size indices, respectively. However, the Nifty managed to hold the critical support level of 19000 on a monthly close.

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

IMF has projected that India's inflation risks may rise in the face of the ongoing conflict between Israel and Hamas. This was disclosed by Gita Gopinath at a conference at the World Economic Forum, Suisse. A wider conflict in the Middle East and West Asia is likely to spur inflation through the oil route. The Hamas conflict is expected to hit global growth by about 15 bps and India will be one of the most vulnerable in this case. However, she was less optimistic about China's economy till it addressed the real estate issue.

India's direct tax collections increased by 21.8% for the FY24 period till October 09, 2023 to Rs9.57 trillion. The net collections have already crossed 52% of the full year budgeted target collections. Even the gross tax collections for this period at Rs11.07 trillion was 17.95% above the comparable period last year. The bigger growth of 29.53% has come from personal income taxes while the smaller growth of 7.3% was seen in corporate income taxes. The full year net direct tax flow is pegged at Rs18.23 trillion for FY24

For the month of September, the India inflation eased sharply to 5.02% as food inflation tempered from 9.94% in August to 6.56% in September 2023. In the food basket, the prices of cereals continued to be at elevated levels but the inflation in pulses came back to lower levels. Even vegetables inflation also came down sharply in the month. While core inflation also eased, it was fuel inflation that continue to put the pressure on overall inflation amidst rising crude prices. Imported inflation also appeared to be tapering as the rupee is now stable.

For the month of August 2023, the Indian economy reported 10.3% IIP growth, the best since June 2022. There was a sharp surge across mining, manufacturing, and electricity output in the month. IIP is normally published with a lag of one month. Even the cumulative IIP growth for the first five months of FY24 was up more than 120 basis points to 6.2%, making it an impressive year despite the post COVID normalcy. A lot would depend on how the overall growth across categories pans out in the second half of fiscal FY24. The base effect also played a role in Aug

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Global markets fell sharply on Wednesday on the back of a bond selloff, especially in government bonds. The US benchmark bond yields crossed the 4.8% mark, touching a 16 year high. These levels were last seen in 2007. The spike in bond yields has been driven by expectations of rates staying higher for a longer period of time. In its last meeting, the Fed had underlined that it would hold rates at above 5%, even up to the end of 2024. There are also apprehensions building up that high rates of interest in the economy could impair long-term GDP growth

US 10-year bond yields breached the 5% mark, sending warning signals that even Indian bond yields may spike above 7.4% in this week. Tuesday was a trading holiday in India on account of Dussehra. This is on the back of fears that while rates may not go up from here, the Fed was likely to be on pause mode for much longer. The sharply higher bond yields in the US are likely to make these debt instruments in the US very attractive. This would put pressure on other economies and India bond yields will rally.

## **SECTORIAL UPDATES**

### **BANKING:**

- Credit card transactions in September 2023 fell by 4.2% to Rs1.42 trillion. This can be explained by the fact that most consumers were prioritizing savings ahead of the festival season. All the major credit card issuers saw fall in credit card usage, except for IndusInd Bank, which is on a much smaller base. Within the credit spend, POS (point of sale) transactions fell by 7% while the ecommerce transactions fell by 3% in the month. However, with the online festival sales on, only credit card usage may sell later in this year
- The RBI has announced an increase in the limit for premature withdrawal of deposits from Rs15 lakhs to Rs1 crore. Now the banks have to offer the callable facility on all deposits up to Rs1 crore. Typically, the banks pay lower rates of interest on callable deposits due to the liquidity costs involved. This move would be useful to the individual depositors. Earlier, in 2019, the RBI had already reclassified bulk deposits as those above the threshold of Rs2 crore. This move is in line with change to offer better retail liquidity.

### **SUGAR :**

- The government has decided to extend the restrictions on sugar exports well beyond October 2023. That is likely to result in a multiyear low in sugar shipments. The sugar season typically extends from October to September and for 2022-23, the total export was limited to just 6 million tonnes. However, due to the domestic sugar shortfall, the government has imposed these export restrictions to ensure price stability in the domestic market. India is the second largest exporter of sugar in Brazil, so price impact will be big and markets are worried.

### **METALS:**

- In the first half of FY24, India's crude steel output grew to 70 million tonnes (MT) and Steel Mint expects this trend to continue in the second half. Higher output was due to a combination of higher production and better capacity utilization. The crude steel output in the first half was 14.7% higher on a yoy basis. The first half also saw a sharp spike in domestic consumption of finished steel. India is the second largest producer of steel in the world after China, although the gap is huge with China having over 50% output share.
- Domestic steel consumption showed robust growth in H1FY24 at 15% to 64 million tonnes (MT) on a yoy basis. The demand comes from the government led infrastructure investment program. In the last one year, India's per capital consumption of steel has increased from 77 KG to 87 KG. World Steel Association Projects Indian steel demand to grow at 7.3% in 2023 and 6.2% in 2024. For FY24, steel consumption in India is expected at a record 132 MT and is on target for the per capita consumption of 158 KG by FY31. That gets it closer to the global benchmarks.

### **SECTORIAL SNAP SHOT**

During the month of Oct, Nifty Realty INDEX was the leader with the gain of 4.75 per cent respectively. On the other hand, Nifty Metal, Pharma, IT and Media were the major losers. Among Metal stocks, JSWSTEEL and TATASTEEL was the underperformer while Realty sector was led by DLF.

### **INSTITUTIONAL ACTIVITY:**

Oct month, FIIs continued bearish in the cash market with a selling of Rs 29,056.61 Cr compare to last month they were sellers of Rs 26,692.16 Cr. While, Domestic Institutional Investors were buyers for Oct month as they buy worth Rs 25105.86 Cr as compare to previous month they were buyers of 25312.65 cr.



**Nifty Outlook for the Month of Nov 2023**

INDEX ended the month with a profit-booking trade and closed in the red. Overall, INDEX was down by -2.84% to close at the 19,079.60 mark.

On the daily chart, as mentioned in our earlier outlook, the INDEX witnessed a break down below the demand zone of 19,200 levels and registered a monthly low at 18,837.85 levels. The monthly chart pattern suggests distribution at higher levels, suggesting a resistance near 19,800 -20,200 levels.

Further, the placement of the RSI oscillator in the monthly charts is negatively placed, followed by a negative crossover from its overbought zone. For the month of November, if INDEX breaks the 18,800 mark and closes lower, then the probability of INDEX heading towards 18k or 17,800 levels remains high. On the flipside, whenever INDEX scales above the value of its 50 SMA @ 19,576 on a weekly closing basis, then the momentum can be back in action. Bias for the month remains cautious, with resistance nearing the 19,800 mark.

The buy on declines strategy should be adopted during the month. We would recommend adding the SIP stocks in a staggered manner. **SIP Stocks: BHARAT FORGE, CAN FIN HOMES, CHALET HOTEL, CIE INDIA, BSOFT, DLF, INDIAN HOTEL, LEMON TREE, NARAYANA HRUDAYALAYA, SONA COMS, TATA POWER, TCPL PACK, TECH M.**

Nifty Outlook	
Short Term	Neutral
Medium Term	Positive
Long Term	Positive

Nifty Technical Data	
Monthly Closing	19,079.60
Monthly High	19,849.75
Monthly Low	18,837.85
Monthly Bias:	Neutral
Support Level:	18,100      16900
Resistance Level:	20,100      21,200
Moving Averages	
50 DSMA	19,576
200 DSMA	18,625
200 WEEK MOVING AVG.	15,648



### Bank Nifty Outlook for the Month of Nov 2023

Bank nifty traded with a negative bias and the levels of 44,500–44,000, have acted as a stiff resistance during the month of OCT. Overall, INDEX was down by -3.90% at 42,845.95 levels.

Technically, the private banks had seen a sharper correction, followed by HDFC Bank, which registered the monthly low at the 1,460.25 mark. On the daily chart, INDEX is trading with a lower-top, lower-bottom structure, while the weekly and monthly charts are witnessing distribution, followed by the RSI oscillator which is witnessing a negative divergence, suggesting near-term weakness on cards.

The structure for Nifty Bank is negatively placed, suggesting levels of 44K as the resistance zone and demand near 41,000 levels. PSU Banks such as SBIN, Canara bank, Bank of Baroda, Union Bank of India and City Union Bank (Private Bank) can be viewed to add longs near the demand zone.

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

Bank Nifty Technical Data		
Monthly Closing	42,845.95	
Monthly High	44,710.55	
Monthly Low	42,105.40	
Monthly Bias:	Neutral	
Support Level:	40,600	38,600
Resistance Level:	44,900	47,100

Banking Sector Performer	
Top Outperformer	PNB
	IDFCFIRSTB
Top Underperformer	BANDHANBANK
	KOTAKBANK

Moving Averages	
50 DSMA	44,369
200 DSMA	43,191
200 WEEK MOVING AVG.	34,920

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