IDBI capital

MONTHLY OVERVIEW

Jun-24

Key Observations of May 2024

Being the election period, May 2024 happened to be volatile month as market witnessed significant swings on the both the sides. In spite of achieving a new all-time high above 23000, Nifty failed to hold on to the same and saw a sharp profit booking just ahead of the election results on 4th of June. With the poll outcome expected on the coming Tuesday and the first indications from the exit poll on Saturday, most brokerages are pencilling in an NDA victory. The opinions are spread out on the extent of the victory, but the consensus is that the NDA would still form the government. Once the stability issue for the next 5 years and the reforms agenda are finalized, the next big trigger would be the full budget presentation, around mid-July. Brokers are suggesting 75:25 mid in favour of large caps; post the poll results.

The Marco highlights during the MAY month were:

- Mutual funds infused Rs1.30 trillion into Indian equities in year 2024. Mutual funds infused Rs23,010 crore in January, Rs14,295 crore in February, Rs44,233 crore in March, Rs20,155 crore in April, and Rs26,038 crore in the first half of May 2024. During the same period, FPIs had pulled out Rs25,000 crore from India amidst rising political uncertainty and elevated VIX levels. This support from the domestic MFs, LIC and the vast army of retail investors and HNIs; has helped Indian markets rally in tough times.

- The government is likely to update the base year of the Consumer Price Index from 2012 to 2024. This will also be applicable to the calculation of GDP, WPI inflation and IIP. The new base years will come into effect from 2026. The CPI basket is also likely to be modified in line with the HCES 2022-23 survey. That would effectively mean a reduction in the weightage of food in the CPI basket. The final decision regarding the base year change will be taken after elections. Currently, 2011-12 is the base year for GDP, IIP and of WPI.

- Indian export data is throwing up some positive surprises for the Indian economy. Now, smartphones have emerged as the fourth largest item of export, with 42% growth yoy. Clearly, the PLI policy of the government for smartphones has been well timed to capitalize on the China plus one strategy that the global corporations were adopting. In FY24, the export of smart phones touched $15.6 billion. The key markets for Indian smart phone exports are the US, UAE, the Netherlands, UK, and Italy in the value order.

- In April 2024, the investments by private equity funds and VC funds fell 35% to $4.4 billion, according to an EY report. The figure was $6.8 billion in the year-ago period. Amidst global uncertainty, Red Sea crisis and the local political uncertainty, the PE fund remained cautious. During the month, there were 9 large deals of over $100 million, aggregating to $3.1 billion. That is nearly half of the big deals in April 2023. Interestingly, buyouts doubled to $2.1 billion. There were 54 start-up deals worth $756 million.

- The dividend payout by Indian companies stands at a 5-year low. The nearly 2,400 companies that have declared results for FY24 have paid out total dividend of Rs4.04 trillion for the fiscal year. The dividend payout ratio at 34.83% is the lowest in the last 5 years. Even the Nifty 50 companies have been less than generous this year in dividend payout. The dividend payout ratio of the Nifty 50 basket has fallen in FY24 to 37.1% from 42.5% in FY23. Nifty stocks accounted for 60% of the total dividend paid out by India Inc. However, rupee dividends are still higher yoy.

SECTORIAL UPDATES

AUTO:

- NSE Indices have launched the first EV index to give a separate entity to the electrical vehicles ecosystem. The base date for the index will be April 02, 2018 and the base value will be 1,000. This index is likely to facilitate the creation of such index products on this theme. The index will be reconstituted on a half yearly basis and would be rebalanced on a quarterly basis. This index is likely to be a useful benchmark for index funds and ETFs benchmarked. The base would include the complete EV ecosystem from end-to-end.

TELECOM:

- The one sector that FPIs found attractive in recent months was telecom sector. Apart from the Vodafone FPO, which saw record FPI interest, other stocks that have seen a lot of interest in the secondary markets are Bharti Airtel and Indus Towers. Bharti Airtel with its above average ARPU levels has been on the radar of FPIs for quite some time. Also, tariff hikes are expected again after the elections are over in June. Indus Towers will benefit from the 4G and 5G rollouts, as also the growing financial stability of Vodafone Idea; being a key creditor.

FMCG:

- The FMCG companies in India are moving rapidly on building up their rural volumes. For the first time in the last five quarters, the volume growth in rural India outpaced the volume growth in urban India during the March 2024 quarter. Many of the FMCG companies have launched special packs of smaller sizes for the rural markets and that appears to have hit off. The only concern is that such pack splitting is leading to an impact on the EBITDA margins, so for most of the FMCG companies, it will about a delicate balance, as they market share and profitability.

OIL & GAS:

- 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.

SECTORIAL SNAP SHOT

Majority of the sectors participated in the market rally taking it to a new all-time high. Realty, auto and metal stocks continued to flourish as the sectors gained 4-5 per cent each during the month of May. Banks, FMCG and Pharma were a few sectors which witnessed profit booking from higher levels and shed off some gains closing relatively flat. IT however, was one sector that continued to face the hammering from sellers closing with a monthly fall of around 1.6% in spite of an initial rise.

INSTITUTIONAL ACTIVITY:

- May month, FIIs were bearish in the cash market with a selling of Rs 42,214.83 Cr compare to last month they were sellers of Rs 35,692.19 Cr. and, Domestic Institutional Investors were buyers for May month as they buy worth Rs 55,733.04 Cr as compare to previous month they were buyers of 44,186.28 cr.

Nifty Outlook for the Month of June 2024

The May series was positive as the index reached our target at 23100 and closed flat. The index remained flat month on month, closing at 22,530.70, a decrease of -0.33%.

On the daily chart as of 4th June, the index reacted to the election outcome and saw a high and low at 23,179 to 21281 levels. This was followed by a rise in India Vix, which tested the highs at 31.71. The weekly charts suggest profit booking and distribution at higher levels, indicating a cap near the 23300 – 23500 mark. Ahead of the final union budget, the prediction of a good monsoon is likely to keep the market mood positive. From a technical standpoint, we expect the index to trade within the 21500 – 23500 range with a buy on decline strategy. Any follow-through selling or further weakness will be followed only if the index breaks below 21000 marks on the closing basis, which looks unlikely. The bias remains positive with positional long bets.

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	Positive
Medium Term	Positive
Long Term	Positive

Nifty Technical Data		
Monthly Closing		22,604.85
Monthly High		22,783.35
Monthly Low		21,777.65
Monthly Bias:		Positive
Support Level:	21,700	20,400
Resistance Level:	23,500	24,800

Moving Averages	
50 DSMA	22,268
200 DSMA	20,750
200 WEEK MOVING AVG.	17,122

Bank Nifty Outlook for the Month of June 2024

In May 2024, the Bank Nifty traded with low activity and formed a "Doji" pattern at the close. The index was down by -0.84% at 48,983.95 levels.

After the May expiry, the Bank Nifty gained strength and traded above a 48000 levels. Following a positive outcome of the exit poll, the index reached levels of 51,133.20 on 3rd June. However, recent price action indicates distribution and a temporary top in place according to the weekly charts.

The technical oscillator, RSI, suggests potential profit booking, leading to a cautious view as the index may test a lower demand zone of 46000 marks. Despite the current declines, the overall trend of the Bank Nifty is positive, therefore, the declines could be seen as an opportunity to add long trades. The expected range for the index is between 46000 – 50000 levels. PSU banks such as SBIN, Canara Bank, Bank of Baroda, Union Bank of India, and City Union Bank, followed by ICICI Bank, Axis Bank and Indusind Bank can be viewed as adding on correction.

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

Banking Sector Performer	
Top Outperformer	PNB
	AXISBANK
Top Underperformer	KOTAKBANK
	INDUSINDBANK

Bank Nifty Technical Data		
Monthly Closing		49,396.75
Monthly High		49,974.75
Monthly Low		46,579.05
Monthly Bias:		Positive
Support Level:	46,000	44,500
Resistance Level:	51,300	54,000

Moving Averages	
50 DSMA	47,392
200 DSMA	45,786
200 WEEK MOVING AVG.	37,904

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