

MONTHLY OVERVIEW

Mar-24

Key Observations of Feb 2024

In the month of February 2024 Nifty made new all-time high. Global markets closed higher as feeding hopes the Federal Reserve will soon start cutting interest rates in coming months. Overall Indian equity market closed on positive note with sector specific momentum during the month. The interim budget has been announced with a focus on agriculture development, rural areas, and defence.

The Marco highlights during the FEB month were:

- Indian credit growth in FY25 is expected to moderate to 14% from 16% in FY24. Clearly, deposit growth is struggling to keep pace with loans. According to S&P Global Ratings, deposit tightness will remain a system overhang as Indian banks will now have to buy loan growth by paying more on deposits. If cost of deposits rise, then margins are likely to get impacted. However, the good news is that asset quality is improving, buoyed by macro level confidence. Deposit competition and price wars can get fiercer in coming months to fill the rising gap.
- The government of India raised windfall tax on petroleum crude by Rs100 to Rs3,300/MT, from February 16, 2024. Windfall tax on diesel has also been raised from Rs0 to Rs1.50 per litre, but windfall tax on ATF and petrol will remain at zero levels. It was on February 03, 2024 that the government had sharply raised the windfall tax on petroleum crude from Rs1,700/MT to Rs3,200/MT; while other products had remained constant. This also applies to export of fuel to curb supernormal profits made by oil companies.
- India's services trade surplus touched a record high of \$44.9 billion in the December 2023 quarter. This is nearly 16% higher on yoy basis; displaying a lot of resilience amid strong global headwinds. This is also likely to be positive for the current account deficit (CAD) in FY24. In Q3FY24, the services exports grew 5.2% to \$87.7 billion, while services imports fell 4.3% to \$42.8 billion. India's CAD had already moderated to 1% in Q2, from 2.9% in Q1 and the services surplus data means the Q3 CAD could be even below 1%.
- CPI inflation for January 2024 came in at 5.09% compared to 5.69% in December 2023. The sharp fall in the headline inflation was largely driven by a fall in food inflation. However, that is still a full 110 basis points away from the RBI median target of 4%. The inflation has been under the outer tolerance limit of 6% inflation for the fourth month in a row. Both rural and urban inflation eased in January 2024. MOSPI also put out the IIP growth for December 2023 at 3.8%, which is higher than the 2.4% IIP reported for November 2023, led by manufacturing sector.
- For fiscal FY24 till date, the net direct tax collections are up 20.25% yoy at Rs15.60 trillion. In short, the tax flows have already achieved 80% of the revised budget estimates (BE) for FY24. Gross direct tax flows stood at Rs18.38 trillion, which is 17.3% higher on a yoy basis. The CBDT has issued total refunds to the tune of Rs2.77 trillion Between April 2023 and February 2024. The growth was robust across personal and corporate income taxes. The is counting on tax collections to offset lower nominal growth.
- India's crude oil imports from Russia fell in January to its lowest level in 12 months. However, at 1.2 million barrels, Rusia still remains India's biggest oil supplier. Oil supplies from Russia had peaked at 1.62 million barrels in November 2023. India imports 4.91 million barrels of oil a day, with Russia accounting for 25% of these supplies. Recently, India has again increased its reliance on Iraq and Saudi Arabia; two of India's traditional favorites. In December 2021, Russia was a marginal player with 2% share, but now accounts for 25% of India basket.

SECTORIAL UPDATES

FMCG:

- FMCG companies reported single-digit volume growth, but better margins in the December 2023 quarter. While rural demand struggled, margins were helped by moderating commodity inflation. FMCG majors like HUL, ITC, Marico, Dabur, and GCPL saw urban demand growing at a moderate pace but rural demand was subdued. Like in recent quarters, the modern trade channels did well and outpaced general trade. Volume growth of premium products was ahead of general mass products in the FMCG space.

IT :

- Even as the US tech spending and US tech business has been under pressure, Indian IT companies are seeing some green shoots from India and rest of the world. IT companies like TCS, LTTTS, and even Happiest Minds, saw India revenues surge. IT company CFOs admit that Indian companies may not be in the big IT spending league yet, but there is an increasing awareness of the need to spend on high end data, analytics, artificial intelligence, IOT, machine learning etc. That has brought in big demand from IT spending by Indian businesses.

AUTOMOBILE:

- Indian electric car market is finally witnessing some serious price cuts by automakers. Tata Motors made its two popular EV models cheaper by up to Rs1.2 lakhs. Essentially, the lower battery prices have been passed on to the end customers. Now, the Nexon.ev will start from Rs14.49 lakh and Tiago.ev will start from Rs7.90 lakh. However, the price of the recently launched Punch.ev remains unchanged as lower prices of batteries are already factored in. Others like MG (Morrison Garages) have already cut EV prices in India, and Tatas have been the last to cut prices.

SUGAR:

- Government of India hiked sugarcane fair and remunerative price (FRP) by Rs25 to Rs340 per quintal. This applies to sugar season 2024-25 commencing in October 2024 and extend all the way to September 2025. FRP is the minimum price that mills have to pay to sugarcane growers. The move assumes significance coming just ahead of the elections. This will ensure basic recovery rate of 10.25%. FRP is determined on the basis of detailed recommendations of CACP, or Commission for Agricultural Costs & Prices.

SECTORIAL SNAP SHOT

- During the month of Feb, majority of the sectors witnessed a strong continuation of the bullish momentum. Auto, Realty, and Pharma ended up as the top gainer around 6% rises on monthly basis. On the other hand FMCG stocks witnessed a healthy profit booking along with the metal sector which eventually closed in red.

INSTITUTIONAL ACTIVITY:

- Feb month, FIIs were bearish in the cash market with a selling of Rs 15,962.72 Cr compare to last month they were sellers of Rs 35,977.87 Cr. and, Domestic Institutional Investors were buyers for feb month as they buy worth Rs 25,379.30 Cr as compare to previous month they were buyers of 26,743.63 cr.



Nifty Outlook for the Month of March 2024

The month of February 2024 was relatively positive, as the index registered the new all-time high levels at the 22,297.50 mark and closed near 22,200 levels. Overall, month over month, the index was up by 1.18%. The weekly structure of the nifty 50 was consolidating in the range of 21500–22300 with low volumes. Even though the index registered new all-time high levels, aggressive momentum was missing. Further, the placement of the RSI oscillator is in the overbought zone, and we may see some loss of momentum if the levels of 21500 are broken down on closing basis.

Technically, for the coming trading session, we expect the index to trade within the range of 21500–22800. The weekly and monthly charts are strongly in the hands of bulls; hence, we maintain a positive bias, and declines during the month should be viewed as adding long trades. On a cautious note, the weekly swing reversal is placed at 21,137 levels dated January 23, 2024; however, if the above-mentioned levels are broken, then our bullish outlook will be neglected and index may trigger correction or longer profit booking.

Following are the list of SIP stocks to be bought in a staggered manner. Stocks are, Bata India, Cyient, DCB Bank, Federal Bank, Green Panel, HDFC Bank, Kajaria Ceramics, Mold tek pack, SRF.

Nifty Outlook	
Short Term	Positive
Medium Term	Positive
Long Term	Positive

Nifty Technical Data	
Monthly Closing	21,982.70
Monthly High	22,297.50
Monthly Low	21,530.20
Monthly Bias:	positive
Support Level:	20,600 19,800
Resistance Level:	23,000 23,800
Moving Averages	
50 DSMA	21,743
200 DSMA	20,047
200 WEEK MOVING AVG.	16,557



Bank Nifty Outlook for the Month of March 2024

Bank nifty traded on a subdued note and was in range for the majority of the month. Overall, month-on-month, the index was flat by +0.27% to close at 46,120.90 levels. During the month, SBI, PNB, and the Bank of Baroda witnessed strong buying, while Bandhan Bank, Au Small Finance Bank, Kotak Bank, and Indusind Bank were in red.

On the weekly chart, the index is trading in an uptrend and holding to its median mark of 46k of rising channel, see chart. At current levels, there is a loss of momentum, and either side range breakout or breakdown will trigger further moves. The higher side (47000) is the resistance zone, while 44600 is the demand zone. Looking at the daily chart, a bullish outlook can be seen as the long index is holding above the levels of 200 DEMA at the 45100 mark. Bias for the month remains sideways to positive with the buy-on-decline strategy.

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	SBIN
	BANKBARODA
Top Underperformer	BANDHANBANK
	AUBANK

Bank Nifty Technical Data	
Monthly Closing	46,120.90
Monthly High	47,363.40
Monthly Low	44,633.85
Monthly Bias:	Positive
Support Level:	44,300 42,500
Resistance Level:	48,500 50,000

Moving Averages	
50 DSMA	46,662
200 DSMA	45,105
200 WEEK MOVING AVG.	36,657

Head Technical & Derivatives

Brijesh Ail

brijesh.ail@idbicapital.com

Research Analyst

Kshitija Salvi

kshitija.salvi@idbicapital.com

Shantanu Vartak

Shantanu.vartak@idbicapital.com



IDBI Capital Markets & Securities Ltd. (A wholly owned subsidiary of IDBI Bank Ltd.)

Retail Research Desk

Regd. Office: 6th Floor, IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400 005. Phones: (91-22) 2217 1700; Fax: (91-22) 2285 0785; Email: info@idbidirect.in

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Compliance Officer: Ms. Pushkar Vartak; Email: compliance@idbicapital.com; Telephone: (91-22) 2217 1700

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