

MONTHLY OVERVIEW

May-24

Key Observations of Apr 2024

For the third consecutive month since Feb 2024, Nifty managed to close on a positive note on a month on month basis. Post a profit booking during the first half of April 2024, the index witnessed a strong recovery and made a new all-time high at 22,783 levels. India's household debt may have scaled an all-time high of 39.1% of GDP in Q3FY24 while the total debt has jumped 16.5% yoy, largely driven by non-housing consumer debt. That is much faster than the 6.1% spike in corporate borrowings. The spike in household debt came in the last quarter of 2021 as families grappled with the after effects of the pandemic. The share of housing loans was about 72% of household debt. Ironically, this share has been persistently rising, even amidst 8% growth in GDP. This just shows debt is growing faster.

The Marco highlights during the APR month were:

- World Bank raised its India GDP forecast for FY25 by bps from 6.4% to 6.6%. This is sharply lower than the other estimates, which range between 6.8% and 7.0% for FY25. In FY25, the World Bank expects a slight slowdown in growth to reflect deceleration in investment activity. However, inflation pressures are likely to subside. The government fiscal deficit and the government debt is also likely to ease in the year. India has been the fastest growing large economy in the world for the last 2 years and likely to continue.
- For March 2024, India reported 3.11% lower merchandise exports at \$41.68 billion, with FY24 exports at \$437 billion. For March 2024, merchandise imports were lower by 5.98% at \$57.28 billion, resulting in a merchandise trade deficit of \$15.6 billion for March. For FY24, merchandise imports were lower 5.97% at \$677.24 billion. The full year trade deficit stood at \$240.17 billion. On the exports front, electronic goods gave a major thrust to the export story in FY24, rising by 23.64% to \$29.12 billion. CAD is likely to be sharply lower in FY24.
- Headline WPI inflation for March 24 rose further to 0.53%, marking the fifth month in succession when the WPI inflation has been in the positive. Prior to that, WPI inflation was in the negative for 7 months from April 2203 to October 2023. As a result, the average WPI inflation for FY24 stood at -0.70%. The March spike in WPI inflation was led by food articles, electricity, crude petroleum, and natural gas. The Fuel and manufacturing inflation components continued to be in negative on yoy basis, but hardened over February 2024, which led to higher WPI inflation.
- Net direct tax collection for FY24 (net of refunds) actually exceeded the revised estimates (RE). While the corporate tax receipts lagged, it was more than made up by personal income tax receipts. Against the RE of Rs19.45 trillion, the actual net direct tax collections for FY24 came in at Rs19.58 trillion. The personal income taxes include STT also. The stagnant corporate tax collections have been attributed to the new tax regime for corporates introduced in FY20, wherein the corporate tax rate was cut drastically to just 22%, but exemptions forfeited.
- The government is now going all out to contain food inflation and has taken a slew of steps in that regard. In the last few months, food inflation has been the real challenge for the RBI. However, with predictions of above-normal summer temperatures are likely to keep the prices of pulses, milk, and vegetables under stress. The government is setting up a robust procurement system, and encourages farmers to target more variety of pulses. Government is also building a buffer for onions and tur dal to keep prices under check, and avoid price disruptions.

SECTORIAL UPDATES

FMCG:

- Some of India's leading FMCG companies are likely to make hay in the hot summer. With temperatures soaring, the sales of juices, fizz drinks, ice creams and milk-based beverages has surged this year. This has come as a boon to companies like Parle Agro, ITC Foods, Mother Dairy, Coca-Cola, and Rasna, with all of them ramping up production and boosting stocks of low-unit packs. Compared to 2023, sales of summer drinks are expected to be, at least, 25% higher this year. The focus is on low unit packs.

OIL MARKETING COMPANIES:

- India's consumption of crude oil in FY24 was up 4.6% at 233.3 million metric tonne (MMT), while domestic oil production was almost flat at 29.4 MMT. However, the oil import bill dropped by 16% in FY24 to \$132.4 billion, saving \$25 billion in terms of oil costs. Import dependence of crude stood at 87.7% in FY24, tad higher than in the previous year. India may be short on oil production capacity, but has refining capacity to the tune of nearly 276 MMT. That makes India a perpetual net importer of oil; and this trend is likely to continue well into the future also.

CEMENT:

- Cement stocks saw significant gains after it was reported that major cement companies had initiated price hikes of Rs 10-15 per bag on a pan-India basis. This led to gains across leading cement companies like Ultratech Cement, Shree Cements, Adani Cements, and Dalmia Bharat. The price hike has been the highest in central and eastern India. Since cement is not freely transportable across India, due to costs, the pricing of cement is largely based on regional demand and supply drivers for cement players; hence the variations.

INSURANCE:

- In an interesting move, IRDAI removed the age limit of 65 years for individuals buying health insurance policies. This is a significant departure from the current scenario where people above 65 are not eligible for health insurance. This should make health insurance more inclusive and accessible. This will help many of the senior citizens to get a cover for their health risk after they cross the age of 65. However, with the regulatory changes having been made by the IRDAI, the million-dollar question that arises is if the insurers will be willing to underwrite this risk.

SECTORIAL SNAP SHOT

During the month of April, majority of the sectors traded with a positive momentum lead by Metal sector which witnessed a rise of more than 10%. Realty and PSU Bank sectors soared by more than 8% each while the highlighting factor came from the Private banks like HDFC, ICICI & Axis which witnessed a strong reversal and lead Bank Nifty index to its new all-time high. Defensive sectors like Pharma and FMCG remained quite while selling pressure in IT stocks continued as Nifty IT index closed the month with a loss of almost 5%.

INSTITUTIONAL ACTIVITY:

- April month, FIIs were bearish in the cash market with a selling of Rs -35,692.19 Cr compare to last month they were buyers of Rs 3314.47 Cr. and, Domestic Institutional Investors were buyers for April month as they buy worth Rs 44,186.28 Cr as compare to previous month they were buyers of 56,311.60 cr.



Nifty Outlook for the Month of May 2024

The month of April was the promising one as the index registered the new all-time high levels at 22,783.35 levels and closed higher. Overall month on month the index was up by +1.24% to close at 22,604.85 levels.

Technically, as shown in the above chart, from the lows of swing “A” as marked index has rallied nearly 8 %. Further the prices are trading in a structure of higher top higher bottom within the range of the rising channel suggesting positive bias. For the coming trading month as plotted with swings A-B-C, the projected D, leg is placed at 23,158 marks, see chart. Additionally the placement of the averages and momentum oscillators are positively placed suggesting positive bias. For the coming month we expect the index to rally towards 23100 marks and higher, on the lower side the levels of 22,300 mark and 22,000 is the strong demand zone where the stock specific longs can be re-entered. On a cautious note, if the index slips below 21700 marks on a weekly closing basis, which also coincides with the swing “C” as shown in the chart, then a short-term correction of 8-10% may be on the cards and we may see the reopening of downtrend.

Following is the list of SIP stocks to be bought in a staggered manner. Stocks are: Indusind bank, ICICI Bank, Axis Bank, Tata consumer, SRF, Green Panel, NCC, Ultratech Cement, Voltas, Bajaj Auto and Apollo hosp.

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 May 2024

Bank nifty had a volatile trading session with roller coaster rides, which saw the monthly swing lows near 46500 marks. Overall, month over month, the index was up by +4.82% at 49,393.75 levels. During the month, Au Bank, Bank of Baroda, Indusind Bank, ICICI Bank and PNB was in green, while IDFC first, HDFC Bank and Kotak Bank traded lower.

On the weekly chart, the index is marking higher top higher bottom formation and has almost tested the said targets near 50K mark. The averages and momentum oscillator is positively placed and as per the technical the price extension of the swing A-B-C as shown in the above chart, the D leg is projected near 51K mark. We anticipate the continuation of the trend, and as long as 48000 levels are not broken decisively, every decline should be viewed to add stock specific long trades. Technically, PSU banks are looking more promising as compared to private banks. The 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, followed by ICICI 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:	47,200	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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