

MONTHLY OVERVIEW

Oct-24

Key Observations of Sept 2024

Market continued its bull-run for the fourth consecutive month as Nifty touched yet another all-time high above 26100 levels. Fed cut rates by 50 points on September 18, 2024 to the level of 4.75%-5.00%. This came after 11 rate hikes by the Fed since March 2022, during which period the rates went up from the range of 0.00%-0.25% to 5.25%-5.50%. Sceptics look at this as an admission of a possible economic slowdown. However, market celebrated this event as sectors like Banking, Real Estate and Automobile rallied on the higher side.

The Marco highlights during the SEPTEMBER month were:

- India is finally going to have an IPO that would be bigger than the LIC IPO in 2022. Hyundai Motors has got approval from SEBI for its proposed IPO plans and is likely to go ahead with its IPO in October. As per the DRHP filed with SEBI, the IPO would be worth \$3 billion, or Rs25,200 crore; making it larger than LIC in terms of size. The entire Rs25,200 crore IPO would be by way of an offer for sale (OFS), in which the parent company will take an exit from the Indian unit. The IPO will value Hyundai Motors India around \$20 billion.
- FPIs have pumped in Rs33,691 crore into Indian equities in the month of September, amidst the historic 50 bps rate cut by the US Fed. This is the second-best inflow in the first half of any month this year after March. With the Fed cutting rates by 50 bps, the best are growing that the RBI would also follow suit with a 25-bps rate cut in its October meet to avoid the risk of monetary divergence. The 50-bps rate cut has brought down the bond yields across the board, raising the equity valuations, especially in EMs like India.
- Net direct tax collections of the Indian government for FY25 (up to September 17, 2024) stood at Rs9.95 trillion. That is nearly 16.1% from the corresponding period last year, a sign of robust economic activity and robust personal income levels. This is despite the fact that tax refunds were also up over 56% over the corresponding period last year. Among the key components; personal income tax collections were up 19% at Rs5.15 trillion, corporate taxes up 10.6% at Rs4.52 trillion and STT inflows robust at Rs26,154 crore. Net numbers are really robust.
- US CPI inflation for August 2024 came in 40 bps lower at 2.5%. However, this was entirely driven by a 510 bps fall in energy inflation from 1.1% to -4.0%. Otherwise, core inflation remained static at 3.2% while the food inflation was down by just 10 bps. This is a 42-month low for headline inflation as the last time such a low inflation was seen during February 2021. MOM inflation stood at 0.2%, with core inflation showing high frequency pressure. This, possibly, opens the doors for a 25-bps rate cut in the upcoming FOMC meet, concluding on September 18, 2024.
- The index of industrial production (IIP) growth for July 2024 was also announced on Thursday. The IIP was higher at 4.84%. The June 2024 IIP growth had been upgraded from 4.24% to 4.73% in the first revision. However, this 4.84% IIP growth comes on the back of a 213-bps spike in the base. In addition, while mining and electricity were under pressure in July, manufacturing IIP bounced by 140 bps to 4.6% on the back of a surge in export driven sectors. Cumulative IIP is at 5.2% and could make the case for rate cuts.

SECTORIAL UPDATES

TELECOM:

- It may be a big blow for the telecom companies as the Supreme Court has denied any relief on AGR to the Telco's. This is likely to impact Vodafone Idea the most, followed by Bharti Airtel. The Supreme Court has rejected the curative plea filed by the Telco's in 2019 pointing to arithmetical errors in the calculation of AGR. It means that the full dues have to now be paid to the government, which is likely to hit Vodafone Idea harder, due to its cash crunch. Indus Towers could also get hit as it has substantially leased towers to VI, so there is the concomitant risk.

BANKING:

- Indian banks reported a sharp fall in credit growth for July 2024 at 13.7%, compared to 19.5% in the year-ago period. The 580 bps fall in the credit growth was across agricultural and personal lending and was deliberately engineered by the banks to bring their credit deposit ratio on track. Personal loans slowed in a big way from 31% to 14% while agricultural lending also slowed from 5.8% to 4.1%. The services segment also saw a 900-bps slowdown in credit. Only industrial credit was stable in July.

PHARMA:

- The Indian pharma sector has reported top line growth of 6.3% in August 2024, with the growth for the full fiscal year FY25 likely to be closer to 9%. This is higher than the sequential period and the year-ago period. Therapies like cardiac, anti-infective, gastro, derma, and anti-diabetic have outperformed the average growth. However, the gains came from pricing as volumes were 1.7% lower yoy. Some of the companies growing faster are Torrent Pharma, Ajanta Pharma, Abbott India, Glenmark, Lupin, and Alkem Labs.

IT:

- Mid-tier IT companies in India are scaling back on volume growth to focus more on margins. That is likely to be value accretive for the smaller IT companies going ahead. Key mid-tier IT companies like Cyient, Mphasis, and Coforge have slowed down on client additions. This is due to continued weakness in tech related discretionary spending. Many of these mid-tier IT companies had aggressively expanded clients in the aftermath of COVID. Hence, companies are not focusing now beyond the Fortune 2500 list.

SECTORIAL SNAP SHOT

On the sectoral front, Realty, Private Banks and Metal space attracted heavy inflows surging by 6.46%, 5.59% and 5.76% respectively on a MoM basis. Steady buying continued in Auto and FMCG space as well. On the other hand, IT sector on the back of the Fed rate cut, slipped by almost 2% on a MoM basis. Pharma and PSU banks were the other two sectors that faced some profit booking.

INSTITUTIONAL ACTIVITY:

The FII on the cash market has now become a net buyer, with a purchase of 12,611.79 crore, as compared to its previous month's selling of -20,339.26 crore. Meanwhile, the DII continued to remain on the buy side, with 30,857.30 crore as compared to the previous month's buying of 50,174.86 crore.

In the Index future, FII was a net buyer by 3, 38,427 contracts with an 81% long-short ratio.



Nifty Outlook for the Month of Oct 2024

In September, the index reached a new all-time high of 26,277.35, up 2.28% from the previous month, closing at 25,810.85. During the month, sectors like metals, consumption, consumer durables, real estate, FMCG, auto, and private banks saw gains, while PSU bank, oil-gas, and IT sectors declined. Bajaj Auto, Shriram Finance, Bajaj Finserv, Tata Steel, and M&M stocks rose by more than 10%, while ONGC, TCS, Dr. Reddy's, Tech M, and Infosys performed poorly.

The monthly charts have shown a long wick at higher levels, indicating profit booking. Meanwhile, the weekly charts have reached the targets at 1.272 at 26290 marks, as indicated in the chart above at point "D". The trend and momentum continue to be bullish, and a move towards 27000 cannot be ruled out. However, significant profit booking of around 25000–24800 is expected, and any such opportunities can be considered for adding stock-specific long trades. On the other hand, if 24000 are broken on a weekly closing basis, then the bullish trend will be negated, and the index may move into a downtrend. The overall bias remains range-bound, with a focus on stock-specific buy trades.

List of SIP stocks for long-term investment: NMDC, APL APOLLO, MARICO, TATA STEEL, IOC, VEDL, TATA COM, BAJAJ FINANCE, TATA POWER, LT FINANCE, CANARA BANK.

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

Nifty Technical Data	
Monthly Closing	25,810.85
Monthly High	26,277.35
Monthly Low	24,753.15
Monthly Bias:	Range Bound.
Support Level:	25,000 24,200
Resistance Level:	27,000 27,500

Moving Averages	
50 DSMA	24,980
200 DSMA	23,070
200 WEEK MOVING AVG.	18,504



Bank Nifty Outlook for the Month of Oct 2024

Bank Nifty continued to gain momentum after three months of sideways consolidation and reached a new all-time high of 54,467.35 levels. Overall, the index surged by +3.17% to close at 52,978.10 levels.

The bank index has completed a five-wave count in its weekly structure and is expected to undergo an intra-month ABC correction, leading to a period of sideways consolidation. The recent peak at wave (5) @ 54,467 is likely to act as a resistance zone. In the short term, the demand zones are at 52000 and 51500, and there is a possibility of a bounce from those levels based on technical analysis. However, caution view is advised as the potential for significant upside is limited. On the other hand, if the index falls below the 48500 mark, the bullish outlook will be invalidated, and a downtrend may ensue.

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, can be bought on declines.

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

Banking Sector Performer	
Top Outperformer	AU BANK
	HDFC BANK
Top Underperformer	PNB
	SBIN

Bank Nifty Technical Data		
Monthly Closing	52,978.10	
Monthly High	54,467.35	
Monthly Low	50,369.40	
Monthly Bias:	Range Bound.	
Support Level:	51,500	49,500
Resistance Level:	55,500	57,100

Moving Averages	
50 DSMA	51,540
200 DSMA	49,076
200 WEEK MOVING AVG.	40,873

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