

MONTHLY OVERVIEW

Sep-24

Key Observations of Aug 2024

Bulls continued to outplay bears during the month of August as market witnessed optimism at every dip, as Nifty recovered from lower levels and closed at a new all-time high of 25268.35. Absorbing a few negative global cues, the index formed a higher high for the third consecutive month. The RBI monetary policy statement announced on August 08, 2024 held the status quo on rates at 6.5% as expected. The stance of the policy was also maintained at “Gradual Withdrawal of Accommodation.” The inflation estimate and the GDP estimate for FY25 were also held static at 4.5% and 7.2% respectively. There was not much indication on when the RBI planned its first rate cut. As part of his post policy interaction, the RBI governor has cautioned banks over mismatches between its assets and liabilities.

The Marco highlights during the AUGUST month were:

- The India fiscal deficit update as of the close of June 2024 came in at 8.1% of full-year target. However, this was on the interim budget fiscal deficit target of Rs16.85 trillion. If the revised fiscal deficit target of Rs16.13 trillion was considered, then the fiscal deficit would be at 8.4% of the full year target. This may look sober, but it is largely because the entire RBI dividend payout of Rs2.11 trillion was accounted in May 2024, which resulted in a fiscal surplus in the month of May. Revenue surplus and primary surplus remain, with the fiscal moving to deficit.
- There may finally be some relief for home buyers as the government allowed flexibility on indexation to persons selling homes. The new change says that for any property sold prior to July 2023, the sellers will have the option to either use the old model or the new model (whichever is viable). However, for any property sale after July 2023, the new rule will apply. In the full budget 2024-25, the government reduced the long-term capital gains tax on property from 20% to 12.5%, but it was in lieu of indexation benefits, which had to be forfeited.
- On a yoy basis, the net direct tax collections were up 22.5% at Rs6.93 trillion as of August 11, 2024. As on date, the personal income taxes had outdone the corporate tax collections, although the latter is likely to pick up steam in the final quarter of the fiscal. For FY25, the corporate tax growth rate of 5.7% is lower than the 12% target for the year. Securities transaction tax (STT) had crossed Rs21,600 crore in the first four months, so this will be another record year. On net basis, personal income tax was double of corporate tax collections and STT is very quickly catching up.
- The pressure on banks is mounting to focus less on certificates of deposits (CD) and more on garnering household deposits. From HDFC Bank to Canara Bank, most of the leading banks are going all out to woo the retail customers. The RBI governor and the FM had cautioned banks about the possibility of maturity mismatch by matching CDs with long term loans. Banks are now, not only offering higher rates for retail deposits, but also offering insurance as an add-on. Canara Bank is launching deposits to target the young.
- Most of the private sector power players are exploring raising their thermal capacities to keep pace with the rising power demand. Even the budget had hinted setting up thermal power plants to meet the gap in supply. Even companies like Tata Power and JSW Energy, with an avowed focus on green energy, are looking to expand their thermal power portfolio to meet the current demand spike. Even Adani group is looking to add thermal capacities. India needs an additional 80 GW of power capacity by 2032 to meet demand; and thermal is the only answer.

SECTORIAL UPDATES

METAL:

- Domestic steel prices have plunged to a 45- month low as supplies outpace demand by a margin. While the domestic consumption has been robust, a mix of falling exports and higher imports is leading to a glut of supply of steel in India. The last time the steel prices were at these levels was in November 2020. The notable slowdown in the Chinese economy is also creating depressed demand for steel and that is also leading to low steel prices in the global market. The good thing is this will help to control input inflation and boost corporate margins.

HOTELS:

- Hotel room rates in India are likely to stay elevated as demand outstrips supply. One reason is that the penetration of branded rooms is very low in India at 0.1 per thousand; while the corresponding figure is 3.2 for China and 16.3 for the US. In the June quarter, nearly 2,900 rooms were added, but it was no match to the surge in demand during the period. India Hotels (Taj) group alone saw its occupancy level go up from 80% to 82%. The demand is likely to remain robust on a mix of tourism and domestic spends.

CEMENT:

- It is time for capex in cement, as major cement companies plan capex worth Rs1,25,000 crore between FY25 and FY27. This is largely on the back of robust demand outlook for cement. This is unlikely to impact the credit profiles of these cement companies. This is nearly 80% more than the capex in cement in the last 3 years, according to a note by CRISIL. However, due to strong profits, the leverage is unlikely to show any substantial accretion. Cement capacity utilization is at decadal highs of 70% amidst robust demand and cement demand growth consistent at 10%.

ENERGY:

- In the first half of 2024, India added a record 15 gigawatts (GW) of solar energy capacity. This data was put out by MERCOM Capital's report on the Indian solar market. In 2023, India had added 9.9 GW H1 and another 5 GW in H2. This year, the H1 capacity addition itself is more than the full year capacity addition of solar last year. Last year, the India solar space had suffered project delays due to grid connectivity and transmission infrastructure issues. That issue has been largely addressed in 2024, leading to a big supply surge.

SECTORIAL SNAP SHOT

On the sectoral front, month of August turned out to be a replica of its previous month. Pharma, IT & FMCG sectors continued to dominate gaining 6.61%, 4.74% and 1.57% respectively. Sugar sector turned out to be the dark horse with stocks like Balrampur Chini, EID Parry and Praj Industries picking up momentum. On the other hand, Realty and PSU Banking stocks faced profit booking.

INSTITUTIONAL ACTIVITY

FII's showed a change in the sentiments turning bearish in the month of Aug as they selling worth Rs - 21,368.51 Cr in the cash market. On the other hand, DII's continued with their positive outlook towards the market buying worth Rs 48,278.65 Cr.



Nifty Outlook for the Month of Sep 2024

During August, the INDEX saw a sustained upward trend, with the monthly high reaching the 25268 mark. However, a cautious view is warranted due to the presence of a bullish hammer pattern at the top, which requires confirmation. Throughout the month, strong buying was observed in sectors such as Pharma, Healthcare, IT, Consumer Durable, Consumption, and FMCG, while sectors like PSU bank, Realty, and Auto experienced profit booking as well.

On the weekly charts, the index is ascending and has tested the 100% price extension of the swing marked with ABC. Additionally, the placement of the averages and oscillators indicates a positive bias, suggesting bullishness. The main support levels for the month are situated at the 24500 and 23800 marks, while the projected upside is close to the 26345 mark, see chart. Looking ahead to September, we anticipate profit booking in the market and expect some consolidation within a range. It is important to note that stock-specific profit booking is crucial, as the monthly short-term averages at 10 EMA are positioned at 22,883 marks, which could potentially trigger a correction in terms of price or time.

List of SIP stocks for long term investment: HDFC BANK, ICICI BANK, HIND COPPER, HINDALCO, NEOGEN CHEMICAL, PRAJ INDS, TATA CONSUMER, TATA POWER, TCS, TECH M, TVS MOTORS AND VOLTAS.

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

Nifty Technical Data	
Monthly Closing	25,235.90
Monthly High	25,268.35
Monthly Low	23,893.70
Monthly Bias:	Positive
Support Level:	24,000 23,300
Resistance Level:	26,200 27,300
Moving Averages	
50 DSMA	24,440
200 DSMA	22,507
200 WEEK MOVING AVG.	18,185



Bank Nifty Outlook for the Month of Sep 2024

Bank Nifty underperformed in recent months as the indices declined and traded with a negative bias. Month over month, the index was down by 0.39% to close at 51351 levels. The candlestick pattern for the past two months has been a breather after the strong bullish candle that was formed in June 2024.

For the upcoming trading month, the levels of 49700 are likely to act as the major demand zone. According to the weekly charts, the 50000 and 51500 are the conjunction zones. A decisive breakout above 51500, which also coincides with the 50 SMA on the daily chart, will trigger a fresh leg of buying followed by short covering.

We expect the range-bound trading session to continue, and in case of short covering, the recent all-time high levels might be tested. The bias remains bullish with stock-specific long trades.

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

Banking Sector Performer	
Top Outperformer	AUBANK ICICIBANK
Top Underperformer	BANDHANBANK SBIN

Bank Nifty Technical Data		
Monthly Closing	51351.00	
Monthly High	51877.15	
Monthly Low	49654.65	
Monthly Bias:	Positive	
Support Level:	48,800	47,200
Resistance Level:	53,800	55,500

Moving Averages	
50 DSMA	51,537
200 DSMA	48,277
200 WEEK MOVING AVG.	40,278

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