

EYE POPPER: FIIs Sold Rs 2873 Bn worth Shares in CY 2022, 161% higher than Cumulative Investments of Rs 1728 Bn between CY2009 to CY2021 by FII.

January 5, 2023

Major Global Indices	Close	1M %	YTD %
NIFTY 50	18,043.0	-3.5%	-0.8%
DJI	33,269.8	-4.2%	0.4%
NASDAQ	10,871.3	-9.1%	0.1%
FTSE	7,571.3	-1.9%	0.2%
DAX	14,490.8	-3.3%	3.0%
CAC	6,776.4	-4.9%	2.9%
NIKKEI 225	25,778.0	-9.2%	-0.2%
SHANGHAI COMPOSITE	3,123.5	-2.0%	0.2%
HANGSENG	20,793.1	6.4%	3.2%

Indian Broader Market	Close	1M %	YTD %
NIFTY 500	15,393.0	-3.1%	-0.8%
NIFTY MIDCAP 100	31,503.1	-1.7%	-0.9%
NIFTY SMALLCAP 100	9,731.9	-2.5%	-0.7%

Sectoral Performance	Close	1M %	YTD %
PSU BANK	4,300.2	7.9%	-1.1%
METAL	6,705.9	2.4%	-2.6%
BANK	42,958.8	-0.6%	-0.6%
PVT BANK	21,915.6	-0.7%	-0.4%
OIL & GAS	8,339.2	-2.0%	-1.5%
FMCG	43,723.6	-3.0%	-1.1%
REALTY	427.7	-4.1%	-1.9%
PHARMA	12,622.8	-4.2%	0.6%
AUTO	12,512.0	-4.7%	-1.2%
ENERGY	25,605.6	-5.4%	-1.6%
IT	28,677.8	-5.8%	-0.2%
MEDIA	1,971.2	-5.9%	-2.2%

Source: Ace Equity, Trading View, Prices as on Jan 4, 2022

Market Overview

- DIIs bought stocks worth Rs 2,766 Bn in CY22 vis-à-vis Rs 945 Bn in CY21, and on the flip side, FII selling spree accelerated to Rs 2873 Bn vs Rs 929 Bn in CY21. This seems to have stabilized the markets to a greater extent, even though the FII outflow was at record level (Ref Eye-Popper).
- Headlines, with mentions of inflation, interest rate hikes, recession continued to turn market tides across the globe. Relative Strength of Indian markets continued with Indian benchmarks closing slightly in RED, while benchmark indices across US, Europe & Asian markets ended deeply in the RED. In December, NIFTY shed 653 points with a loss of 3.48% from November's all time high closing (18887). The broader market remained mixed with bearish bias as headline indices loosed steam from start of month, albeit saw little recovery towards last week.
- Consumer Inflation print came lower in India as well as in USA. India's CPI inflation came at 5.88%, lowest in 11 months. Positively, WPI continue to slide towards 5.85% post making peak of 16.63 in May-22. Central Banks continued to tighten key rates to curtail inflation. Post covid, various factors such as regime of sliding interest rates, pent-up demand and disruptions in supply chains triggered accelerated inflation worldwide.
- Metal shares rose as news from China relaxing its zero covid policy and reopening of economy sparked optimism in sector.
- The global news flows seemed rustic, while the domestic ones have remained encouraging; GST collection in

- Dec-22 came at RS 1.49 trn, Auto sales reported robust numbers in festive season.
- From Commodity space, the Brent crude oil remained below \$ 80/ bbl., augurs well for subdued inflation. Gold and Silver strengthened by 3.94% & 9.38% in Dec-22 respectively while base metals traded mixed.

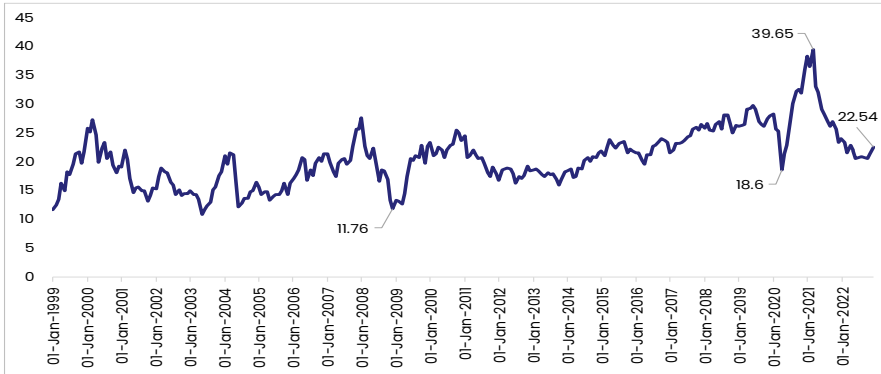
Outlook Ahead

Central banks indicated slower pace of rate hikes ahead, the 10 yr YTM's of US and Indian G-Sec traded sideways. Economic indicators along with news flows such as Declining US manufacturing PMI, Layoff's by big tech co's, FedEx signaling slower Trading activities, Internal issues in china indicates to slow down at global macros. However India's economic & High frequency indicators such as GST collection, UPI payments, Credit growth, Manufacturing PMI, Inflation prints, domestic Capex spending remained resilient. Results for Q3FY23 are about to start, and we expect continuation of earnings momentum in Financials on credit growth, Autos on festive auto sales & cement on margin improvements. While commentary from IT services is an interesting watch amid global headwinds, we expect attrition rates to cool-off as hiring grew slower in last 2 months. FMCG brands are focusing on rural regions to tap on volumes growth post price hikes across segments. Attractiveness of Fixed income assets is expected to weigh on 'Risk-On' assets. In Equities, as such, 'Company specific opportunities' will continue to emerge. Indian market valuations are reasonably priced compared to historical averages, even though it trades at significant premium to emerging markets.

Key Development

SEBI to amend Buyback process, Open Route to close from Apr 2025.

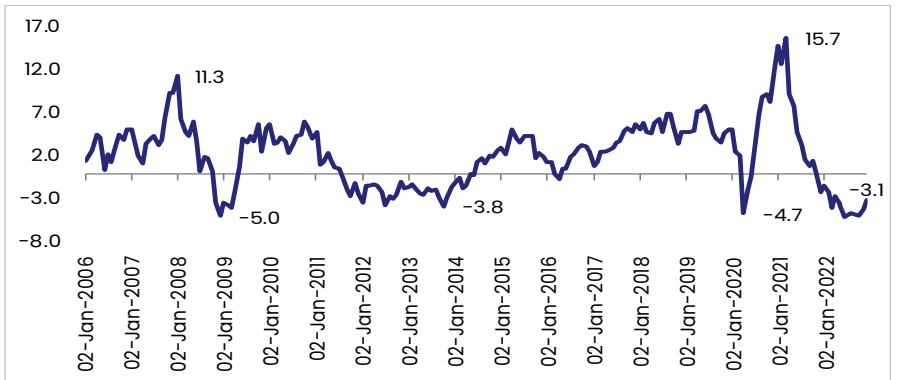
Exhibit 01 : PE declined sharply to 22.54(x) from peak of 39.8 (x)



.....Nifty's earning multiple trades at 22.54 (x)

Source: NSE India, GEPL Capital Research

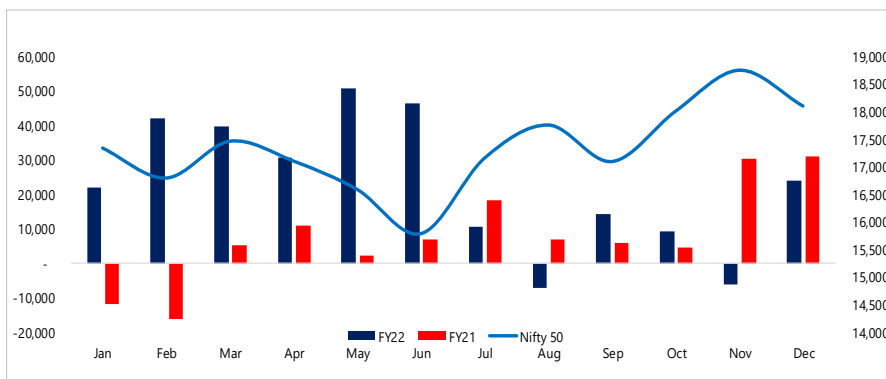
Exhibit 02 : Discount to 7Yr Median PE



Nifty PE Trades at Significant discount to its 7yr Median.....

Source: NSE India, GEPL Capital Research

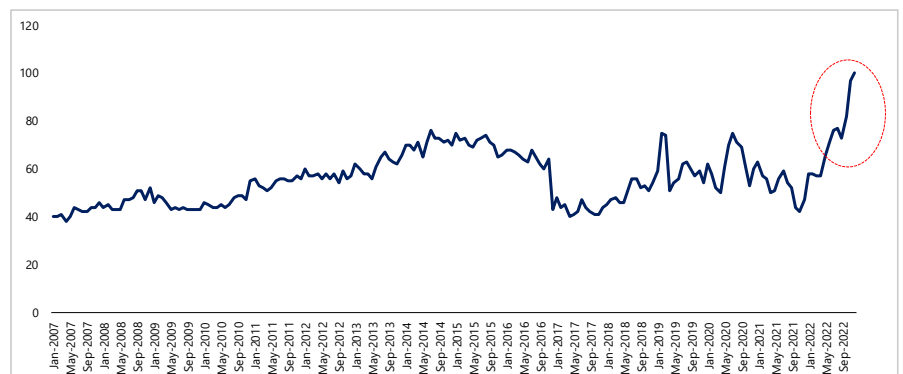
Exhibit 03 : DII Buying remain resilient in H1 CY22



....."Buy The Dip" Strategy Implemented by DIIs, Second half remains muted.

Source: NSE India, GEPL Capital Research

Exhibit 04 : Fixed Income Catches "Interest"



Worldwide Searches for "Fixed Income" at its highest since 2007.....

Source: Google Trends, GEPL Capital

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