

EYE POPPER: SBIN, being largest PSU bank of India accounts for 30% ATM, 28% Debit cards, 20% Credit Card and 33% Cash withdrawal market share in India. Bank issued 27.4 Cr debit card and 1.7 cr credit cards as on April-2023.

MARKET ROUNDUP

May 05, 2023

Exhibit 01: Sharp Recovery Continues in Nifty 50

Major Global Indices	Close	1M %	YTD %
NIFTY 50	18,065.0	4.1%	-0.7%
DJI	34,098.2	2.5%	2.9%
NASDAQ	13,250.2	0.4%	22.0%
FTSE	7,869.5	2.9%	4.1%
DAX	15,922.4	1.9%	13.2%
CAC	7,491.5	2.3%	13.7%
NIKKEI 225	28,856.4	2.9%	11.8%
SHANGHAI COMPOSITE	3,272.9	-0.2%	5.0%
HANGSENG	19,894.0	-2.5%	-1.2%

Exhibit 02: Broader Indices gained sizably.

Indian Broader Market	Close	1M %	YTD %
NIFTY 500	15,219.6	4.6%	-2.0%
NIFTY MIDCAP 100	31,794.8	5.9%	0.0%
NIFTY SMALLCAP 100	9,672.6	7.5%	-1.3%

Exhibit 03: Realty and PSU banks outpaced overall Market.

Sectoral Performance	Close	1M %	YTD %
REALTY	445.1	14.9%	2.1%
PSU BANK	4,167.7	12.2%	-4.2%
AUTO	13,189.3	7.7%	4.1%
BANK	43,233.1	6.5%	0.1%
PVT BANK	21,855.3	6.2%	-0.7%
METAL	5,799.4	5.5%	-15.8%
PHARMA	12,613.0	5.0%	0.5%
OIL & GAS	7,491.8	4.8%	-11.5%
FMCG	47,814.1	4.2%	8.2%
ENERGY	23,734.6	4.0%	-8.8%
MEDIA	1,714.9	0.9%	-14.9%
IT	27,708.1	-3.5%	-3.6%

Source: Ace Equity, Trading View, Prices as on Apr 28, 2023

Market Overview

- Sharp Rally in April:** The indecisive action of March turned positive in April as Nifty saw best gains among major global indices with almost flat on YTD basis. Nifty breached 18,000 mark and optimism saw downward penetration towards Mid and small caps. Markets across globe continued recovery in Apr. Fil's bought Rs 5,711 Cr in cash (185% MoM) and while DII slowed purchase by 92% MoM to Rs 2,216 Cr.

- Multi-Asset Glance Augurs well for Equities:** In Investing, having Holistic View aids in taking efficient decision. Being asset class agnostic, we analyzed market actions across bonds, Dollar index, Currency, commodity and the observations justify recent rally in equities. **Bond Market:** post halt from RBI in rate hike, the India 10Yr yield breached down consolidation started from Jul-22. the rates slipped by ~27 bps to 7.01% (exhibit 04) post monetary policy, positive for equities.

- INR/USD:** Pair Has been trading in range of 81-83 since last 7 months, lower yield differential between US & India aided lower INR depreciation compare to E.M.s, and further supported by lower inflation w.r.t US. **Commodity Index:** Strong run up Post CY20 due to Covid led shortage, pent up demand and geopolitical turbulence caused climax moves, Bloomberg Commodity index cooling off from Jun-22 highs to relieve inflation pressure across globe. **Dollar Index:** Strength in DXY caused pain for emerging markets currency. Dollar index moved lower post sideways action at US10Y. Overall the Multi-assets are aligned in a good way for equities.

- RBI & Federal Reserves, Not in Same Bus:** Different Key rate decisions in recent meet at US and India results both central banks now aren't in same bus departed in 2022. In a surprise move RBI halt rates vis-à-vis streets expectation of 25+bps hike while FED continued with same 25+bps hike. The decision factor at such as India CPI came below RBI's target range of 6% in three instances out of last six. Hence comfort level at RBI is more compare to FED where CPI rate is at 5% vs target range of 2%, Mr. Powell's statement of 'data backed' decision could impact by further slide in CPI inflation rates.

- Banks or IT, Where should you invest?:** The earnings for Q4FY23 has started and 46% Nifty50 and 24% Nifty 500 companies have posted earnings, we prefer Banks over IT. **IT:** Major IT companies posted mixed set and the FY24 outlook to remain constrained by global uncertainties. On valuations front, IT index trades at 14% premium to 1Yr Forward PB(x) (Exhibit 05) and upward revision in employee cost to keep IT stocks in pressure hence we maintain wait and watch stance till the time premium cools-off. **Banks:** robust performance continued in Q4FY23 as credit growth remains healthy at 15% in Apr. banks saw one of best NIM's in Q4, though it is expected to cool-off ahead. The premium to median has moderated and BankNifty PB(x) trades at par with median (Exhibit 06), the FPIs has also invested ~Rs 4000 cr in Apr 1-15 implies keen interest. Hence given the froth less scenario post heavy FPI selling, Banks are attractive over IT.

- FPIs are Back ?:** April witnessed highest flow of Rs 11,630cr in CY23, FPIs also bought Rs 7935cr in Mar-23. believing in recent rally of Nifty has some merits as the buying came in heavy weight sectors such as Financial services, Autos and small buying in IT counters. The sell value of Rs 1057 signals deceleration of selling force (Exhibit 07). A sideways to weak dollar index could resume FPI flows to E.M.s.

- Commodity Check:** Gold continued its move in Apr. as it moved at an ATH of 61,845 at MCX. Silver made highest ever monthly closing of 74071 up by 2.57% mom basis. Further the continuation of positive momentum is expected at bullions. In base metals, Aluminum remained sideways, copper reversed from 780 levels, zinc fell 7% and crude oil slipped lower. The natural gas remained in sideways.

Outlook Ahead

- Time for Banks to Lead Markets:** Robust performance combined with 2022 FPI selling, improving asset quality and premium less valuations makes banks attractive. Auto companies reported robust sell in March & Apr despite of increased loan rates. We expect markets to remain positive ahead. Financials, select mid & small caps should be on focus for investments.

Key Development

Implementation of penalty on Margin Shortfall started from 2nd May 2023.

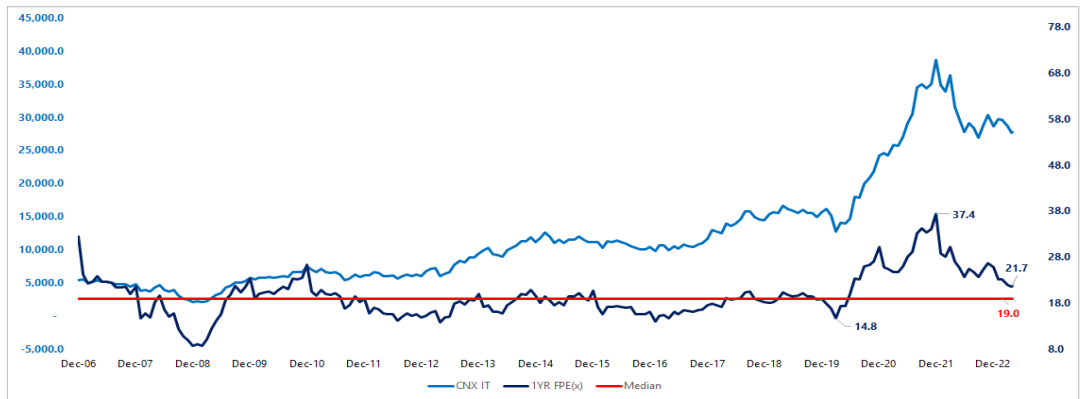
Exhibit 04 : India 10 Year G-Sec Yield



.....Weakness at 10YR Yield augurs positive for Indian equities.

Source: Tradingview.com, GEPL Capital

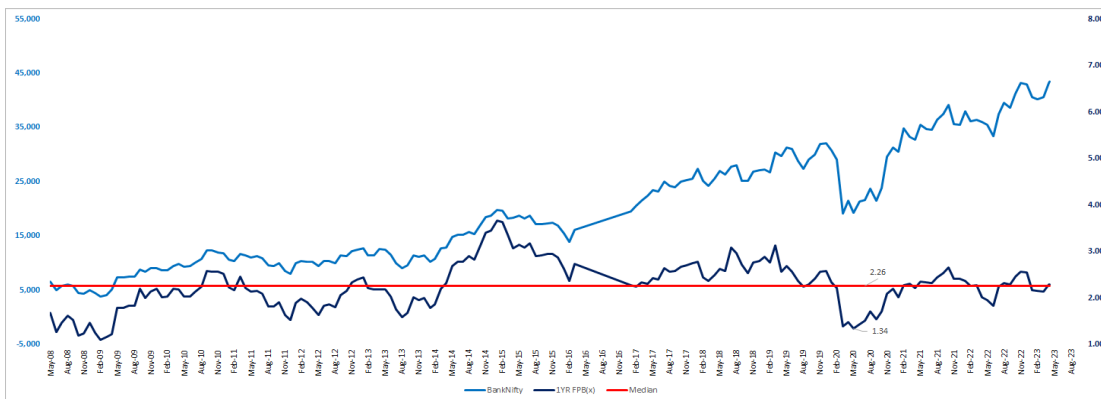
Exhibit 05 : Nifty IT and 1 YR Forward PE(x)



.....Nifty IT trades at 14.7% premium to 1Yr Forward PE despite recent correction.

Source: Bloomberg, GEPL Capital Re-

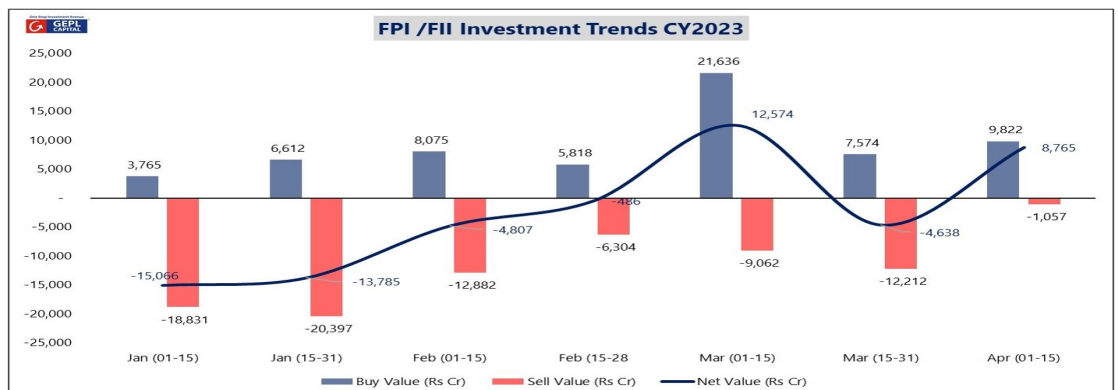
Exhibit 06 : Bank Nifty and 1 YR Forward PB(x)



.....Bank Nifty trades at par with 1 yr Forward PB.

Source: Bloomberg, GEPL Capital Research

Exhibit 07 : FPIs Investment bifurcation.



.....Selling pressure reduced while buying remains positive.

Source: NSDL, GEPL Capital Research

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