

EYE POPPER: Out of the Total Options Premium traded at NSE between Sep-15 to Mar-23. the 87% of that value was traded in last three years only. The Turnover share for Cash & OP stood at 43% & 57% in Mar-23 vs 90% & 10% in 2015.

MARKET ROUNDUP

June 06, 2023

Exhibit 01: Rally continuation in May

Major Global Indices	Close	1M %	YTD %
NIFTY 50	18,534.4	2.6%	1.9%
DJI	32,908.3	-3.5%	-0.7%
NASDAQ	14,254.0	7.6%	31.2%
FTSE	7,453.1	-5.9%	-1.4%
DAX	15,664.0	-1.6%	11.3%
CAC	7,129.0	-4.9%	8.2%
NIKKEI 225	30,887.2	7.0%	19.6%
SHANGHAI COMPOSITE	3,204.6	-3.6%	2.8%
HANGSENG	18,234.0	-8.4%	-9.5%

Exhibit 02: Rally extended to broader market.

Indian Broader Market	Close	1M %	YTD %
NIFTY 500	15,766.4	3.6%	1.6%
NIFTY MIDCAP 100	33,761.0	6.2%	6.2%
NIFTY SMALLCAP 100	10,166.0	5.1%	3.7%

Exhibit 03: Indices with consumer orientation jumps healthy.

Sectoral Performance	Close	1M %	YTD %
AUTO	14,199.0	7.7%	12.1%
REALTY	478.4	7.6%	9.7%
FMCG	51,042.0	6.8%	15.5%
IT	29,319.0	5.8%	2.0%
PVT BANK	22,470.0	2.7%	2.1%
MEDIA	1,755.0	2.4%	-12.9%
BANK	44,128.0	2.1%	2.1%
METAL	5,890.0	1.6%	-14.5%
PHARMA	12,678.0	1.0%	1.0%
ENERGY	23,875.0	0.6%	-8.3%
OIL & GAS	7,432.0	-0.8%	-12.2%
PSU BANK	4,029.2	-3.3%	-7.3%

Source: Ace Equity, Trading View, Prices as on May 31, 2023

Market Overview

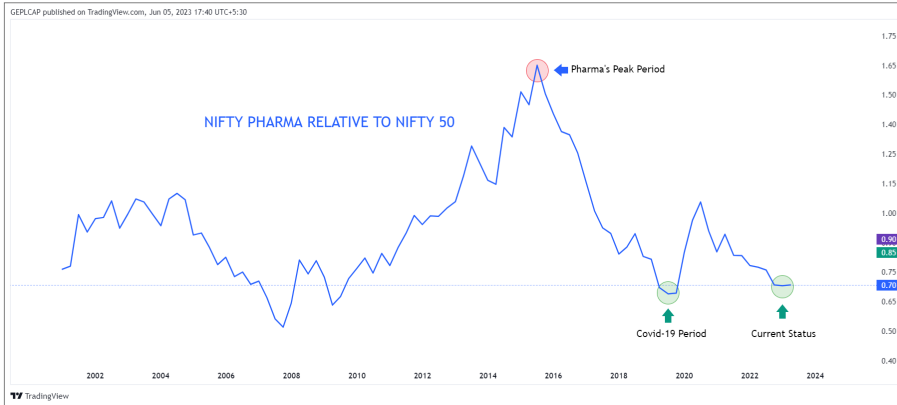
- Nifty Inches Higher:** backed by robust FPI buying, Nifty continued to inch higher in May with a gain of 2.6%, yielding positive 1.9% on YTD basis. The broader market moved in sync. FPI made striking investment of Rs 48,838 cr in Indian equities while DII's sold Rs 3,306 Crs. Globally, profit booking witnessed in developed as well as Asian markets, barring Nasdaq 100 and Nikkei 255, which gained 7.6% and 7.0% respectively.
- These Factors To Impact Positively:** cues from US markets are encouraging for EM equities. **Dollar Index:** DXY now has reversed sharply from 104 levels, after moving to 104 from 101 in May-2023. Bill passing of Debt ceiling caused correction in DXY and further down move to stabilize EM currencies thereby making a positive impact on EM markets. **US 2 & 10 year yield:** USA's short term and long term yield corrected 21 bps & 19 bps respectively. The fall in yield to aid in relief rally in Tech stocks as well as emerging market indices. **Disinflation:** Going by recent CPI numbers at USA and India, the CY23 could be the year of disinflation showing success of tight monetary policies. These trinity factors to only boost magnitude of FPI inflows in emerging markets post aggressive sell in CY22 and hence the regime could shift to "Buy the Dip" in the Indian context.
- What to Expect in next MPC Meetings:** The MPC meeting at USA & India set to announced on 14th June and 8th June. India's Dalal street expecting a rate pause like last meet at 6.5%, and the same is estimated by USA's wall street. However the actual pause at meet could be less surprise element as Nasdaq has rallied 7.61% ahead of Rate pause indicating healthy price-in of decision, the forward commentary of-course would be market are waiting. Fed's Harker given a statement of potential rate pause in June-23. The estimate of rate cuts in September now has shifted to November. Global risky assets could be in big respite post these decisions and debt market can see significant buying along with resumption in inflows towards emerging market by FPI's due to stable currency gearing.

- Nifty Pharma, Exam Season to Over soon :** The Inspections conducted by US FDA has resulted volatility in pharma names causing investors to wait on sidelines. The relative performance of CNX Pharma w.r.t. Nifty 50 (exhibit 04) now near its Covid lows making it one of the laggard indices post covid rally, In our view the Negatives are priced-in and positives are overlooked at index levels thereby offering limited risk with open up upside for pharma cos given the a) last phase in US FDA inspection making companies to focus on business again, b) Sharp correction in PB (x) in top 10 pharma cos (exhibit 05), c) emerging opportunities from shortage of drugs in USA (Indian cos market place) d) under ownership by market participants. Thus we expect pharma index to generate healthy alpha in medium to long term, we continue to like Cipla, Dr. Reddy, Divis Lab and Glenmark Life sciences .
- Economy with Firing all cylinders:** India's economical data across all front signaling green shots in economy as GDP grew 6.1% in Q4FY23 with full year growth of 7.2%. The GST collection for May-23 stood at Rs 1.57 trillion (12% yoy) while urban unemployment came at 6.8% in Q4FY23 which is lowest in last 5 year. The PMI services index expanded 2nd best to 61 in last 13 years. These economy indicators along with good earnings to comfort markets.
- Nose Dive in Non-Bullion Commodities:** Bullion traders remain watchful of debt ceiling event as gold and silver remained sideways with a gain of 0.47%/-2.66% gains respectively. In Base metals, aluminum trading in tight range from last 3 months and Zinc, Nickel, Copper felled -13%, 9.07%, -4.48% in May-23. movement across energy remained bearish as Crude Oil, Natural gas felled -9.48%, -3.46% in same period
- Outlook Ahead**
- Maintain "Buy on the Dips":** We expect the risk aversion to culminate towards end on CY23 and a Risk-on environment could start hence investors with medium to long term view are recommended to maintain "Buy on the Dips" status at current juncture.

Key Development

SEBI Aims to tighten Disclosure norms for FPI's that holds 50%+ of AUM in single entity .

Exhibit 04 : Nifty Pharma vs Nifty 50



Source: Tradingview.com, GEPL Capital

.....Relative performance nearing its Covid lows .

Exhibit 05 : Now & Then, The Premium/Discount to 10 Yr PBV(x)

Sr No	Company Name	Latest Mcap (Rs Cr)	Latest PBV(x)	10 Year Avg PBV(x)	Latest Premium /Discount to 10 yr Avg PBV(x)	(Oct -2015) Premium /Discount to 10 Yr Avg PBV(x) pegged at (Oct-15)
1	Sun Pharmaceutical Industries Ltd.	2,42,561	4.3	9.2	-53%	-12%
2	Divi's Laboratories Ltd.	92,118	7.2	7.1	2%	30%
3	Cipla Ltd.	78,789	3.4	3.5	-3%	8%
4	Dr. Reddy's Laboratories Ltd.	76,789	3.3	4.3	-23%	33%
5	Torrent Pharmaceuticals Ltd.	60,142	9.7	6.3	55%	60%
6	Mankind Pharma Ltd.	57,282	5.5	5.3	3%	-
7	Zydus Lifesciences Ltd.	51,719	3.0	4.9	-40%	35%
8	Abbott India Ltd.	46,442	14.6	10.0	46%	99%
9	Alkem Laboratories Ltd.	40,631	4.5	4.5	-1%	-
10	Aurobindo Pharma Ltd.	38,634	1.4	4.0	-64%	130%

Source: Ace Equity, GEPL Capital Research

.....Valuations remains subdued across top 10 pharma players, making attractive for bets.

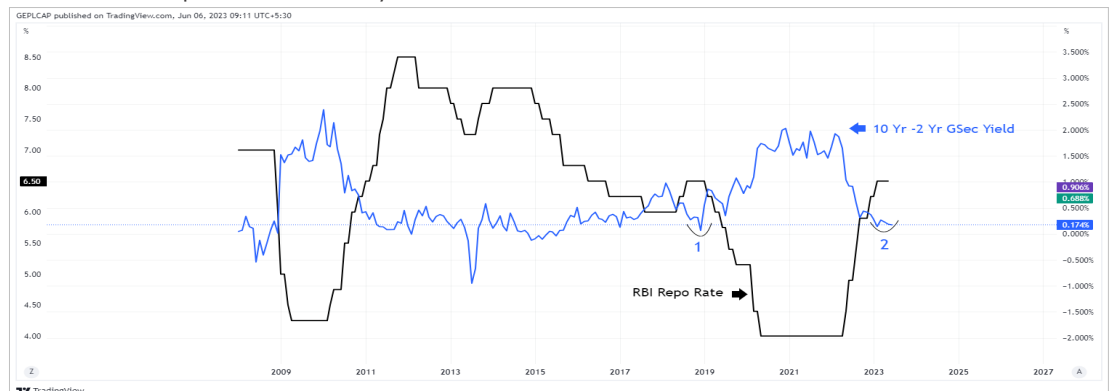
Exhibit 06 : NSE Cash vs Options Premium Turnover



Source: NSE , GEPL Capital Research

.....Options premium turnover has increased mostly post CY2020.

Exhibit 07 : RBI Repo rate & 10Yr-2Yr yield differential.



Source: Trading View, GEPL Capital Research

.....RBI Rate Slashes are near during low yield differential between 10yr & 2yr G-Sec.

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