

EYE POPPER: India is a top palm oil importer in world with over \$11,728 Mn, which is twice of China despite of similar populations. Palm oil has 59% share in India's total vegetable oil import.

MARKET ROUNDUP

October 05, 2023

Exhibit 01: Global Markets with mixed bag

| Major Global Indices | Close | 1M % | YTD % |
|----------------------|----------|-------|--------|
| NIFTY 50 | 19,638.3 | 2.0% | 7.9% |
| DJI | 33,507.5 | -3.5% | 1.1% |
| NASDAQ | 14,746.7 | -4.9% | 35.7% |
| FTSE | 7,585.0 | 2.1% | 0.3% |
| DAX | 15,386.6 | -3.5% | 9.4% |
| CAC | 7,117.0 | -2.7% | 8.1% |
| NIKKEI 225 | 31,844.0 | -2.0% | 23.3% |
| SHANGHAI COMPOSITE | 3,119.9 | -5.2% | 0.1% |
| HANGSENG | 17,809.0 | -3.1% | -11.6% |

Exhibit 02: Small cap showed greater traction.

| Indian Broader Market | Close | 1M % | YTD % |
|-----------------------|----------|------|-------|
| NIFTY 500 | 17,292.0 | 2.2% | 11.4% |
| NIFTY MIDCAP 100 | 40,537.1 | 3.6% | 27.5% |
| NIFTY SMALLCAP 100 | 12,748.5 | 4.1% | 30.1% |

Exhibit 03: PSU Banks Gained Strong

| Sectoral Performance | Close | 1M % | YTD % |
|----------------------|----------|-------|-------|
| PSU BANK | 5,258.3 | 17.7% | 20.9% |
| ENERGY | 27,321.8 | 6.2% | 5.0% |
| AUTO | 16,184.4 | 3.3% | 27.8% |
| REALTY | 575.6 | 3.1% | 32.0% |
| METAL | 6,839.3 | 2.7% | -0.7% |
| OIL & GAS | 7,902.8 | 2.3% | -6.6% |
| PHARMA | 15,422.8 | 2.2% | 22.9% |
| IT | 31,784.0 | 2.0% | 10.6% |
| BANK | 44,584.6 | 1.4% | 3.2% |
| FMCG | 51,602.0 | 1.0% | 16.8% |
| PVT BANK | 23,101.9 | 0.8% | 5.0% |
| MEDIA | 2,268.2 | -1.1% | 12.5% |

Source: Ace Equity, Trading View, Prices as on September 30, 2023

Market Overview

- Nifty sheds, In Sync with Globe:** Nifty 50 loosed steam post making ATH of 20222 in mid Sep-23, the market sold from the highs towards 19500. the move was in sync with world indices as global market faced pressure due cautious sentiments. USA market loosed grip as Nasdaq & DJI lost 5%/3.5% respectively. Chinese market remained in pressure due to domestic problems. The FII sold INR 26,692 Cr while DII's bought in INR 20,312 Cr in Sep-23.
- US Interest Rates are at Inflection:** Last two week has been interesting for USA G-Sec markets as yields has steeped, a typical inflection point for markets. The US 10 year rate have climbed faster to 5.17% from 4.63%, while short term rates have been holding grounds around 5.06%-5.16%, signaling potential curve steepening and start of restoration to normalcy. Historically this has led to short term turbulence across multi asset with sharp price movements however returning to stability and starting a fresh run-up in risky assets.
- Talk of the Town HDFC Bank:** The Bank was in discussions for its NPA increase to 1.4% from 1.2% due to change in accountings post merger. This caused stock to be in pressure for a while. However, the cross selling opportunity post merger has increased and potentially overlook by markets. The current TTM metrics PE/PB(x) trading at 17.1/2.93x, significantly below 10 yr median (25/4.4x), which in a way is a signal for being priced-in of the discussions. We believe these discussions are noise, short term in nature, keeps long term business opportunity intact, thus, long-term investor can continues to accumulate bank at current levels.
- Vedanta unveils Structural Rejig:** VEDL announced demerger, resulting in 6 effective entities. The 1:1 ratio brings valuations at parity for each 6 units irrespective of there size, quality, longevity. The action followed up post recent downgrade by Moody's on parent groups debt concerns. In our view the, the action materially hasn't created new entities but could give separate recognition of each business unit for value unlock. The debt concerns remains same as this corporate action distinct from addressing the issue. Investors should wait for more clarity on the demerger valuations of units before making fresh positions, while existing investors continue to hold.
- Strong Economy Show in Mid 2023:** Indian economy show robust numbers in early 2023, driven by strong domestic demand. Steel production and consumption are up (11.9% and 10.2% yoy, respectively), while commercial vehicle sales have surged by 34.3% yoy, and private vehicle sales grew by 18.7% yoy in FY23.
- Commodities Rally, while Bullions Fell:** Gold & Silver loosed 2.9%/7.7% in Sep-23 respectively. DXY continued its winning streak with marching towards 106, crude oil gained 9.7%. The Base metals, aluminum, Zinc, Nickel, Copper moved 5.1%, 6.8%, -1.79%, 2.7% respectively. Natural gas gained 6.17% Sep-23.

Outlook Ahead

- Be Ready to Grab Opportunities:** We believe the current setup of global multi-assets could provide handsome buying opportunities going ahead, reiterating our systematic investment approach.
- Large Caps Stills Attractive:** Large caps valuations are less departed from long period average, thus large caps could be attractive over Mid and small caps.

Key Development

SEBI extends timeline for verification of market rumors by listed entities to Feb 01, 2024.

Exhibit 04 : HDFC Bank PBV(x) trading at stiff discount to 10Yr Median.



Source: Ace Equity , GEPL Capital Research

.....HDFC Bank trading PB(x) trading at 2.97, stiff discount to 10yr median of 4.4(x).

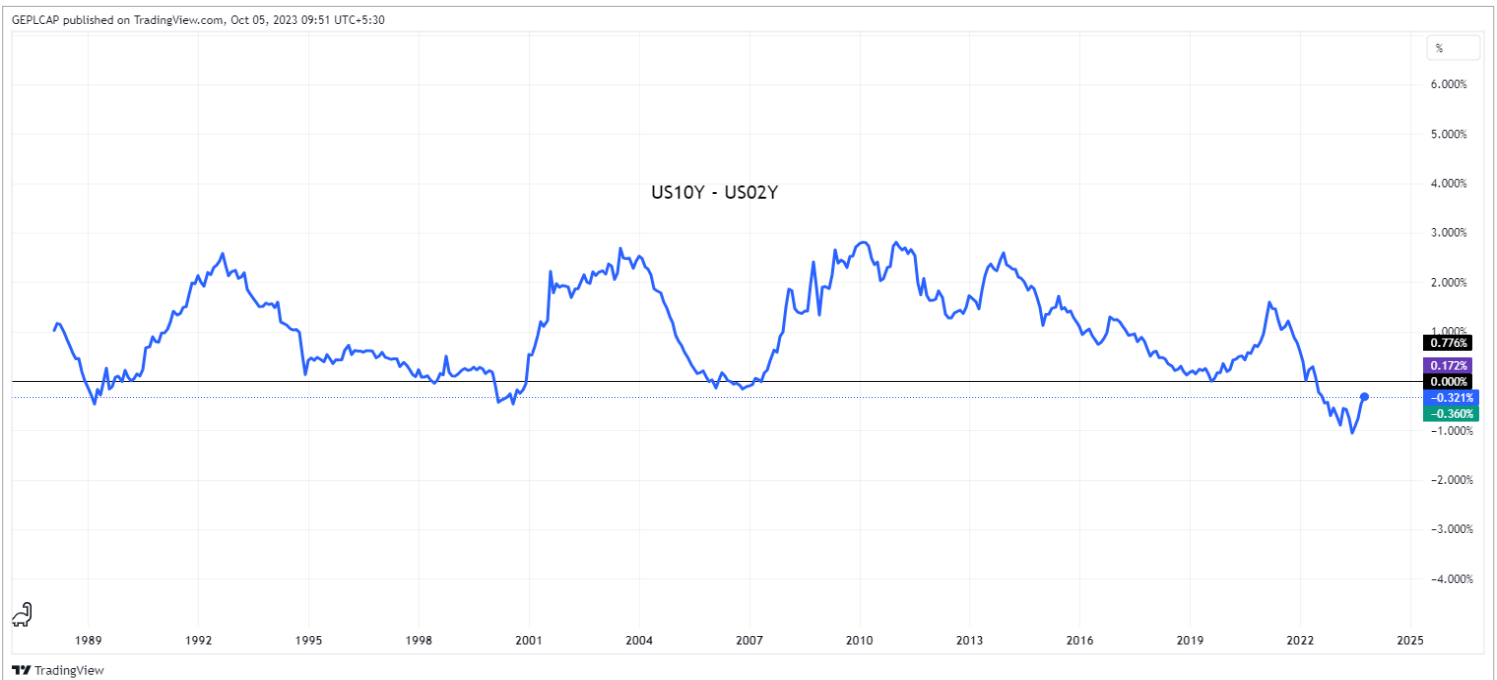
Exhibit 05 : Domestic Auto sales

| Particulars | FY19 | FY20 | FY21 | FY22 | FY23 |
|---------------------|-------------|---------------|---------------|--------------|--------------|
| Passenger Vehicles | 2.7% | -17.9% | -2.2% | 13.2% | 26.7% |
| Commercial Vehicles | 17.6% | -28.8% | -20.8% | 26.0% | 34.3% |
| Three Wheelers | 10.3% | -9.1% | -65.6% | 19.1% | 87.0% |
| Two Wheelers | 4.9% | -17.8% | -13.2% | -10.3% | 16.9% |
| Quadricycles | - | 50.2% | -98.7% | 933.3% | 484.7% |
| Total | 5.1% | -18.0% | -13.6% | -5.4% | 20.4% |

Source: SIAM, GEPL Capital

.....Auto sales remained robust in FY23 with 20.4% yoy growth

Exhibit 06 : USA 10 Yr & 2 Yr yield Differential



Source: Trading View, GEPL Capital Research

.....USA G-Sec Yield Curve returning to normalcy as 10 Yr. yield rises.

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