

EYE POPPER: Key Interest Differential between India & USA is at 1% marking 23 yr low. A sharp Increase in US rates led to low differential. The US PCE index is still stiff at 4.1% vs CPI 3% indicating continuation of tight policy ahead.

MARKET ROUNDUP

August 05, 2023

Exhibit 01: Indian market continue to gain, sync with global move

Major Global Indices	Close	1M %	YTD %
NIFTY 50	19,753.8	2.9%	8.6%
DJI	35,559.5	3.4%	7.3%
NASDAQ	15,757.0	3.8%	45.0%
FTSE	7,698.0	1.9%	1.8%
DAX	16,446.8	1.9%	16.9%
CAC	7,504.0	1.1%	13.9%
NIKKEI 225	33,308.0	-0.4%	29.0%
SHANGHAI COMPOSITE	3,291.0	2.8%	5.6%
HANGSENG	20,079.0	6.2%	-0.3%

Exhibit 02: Broad level participation in recent rally.

Indian Broader Market	Close	1M %	YTD %
NIFTY 500	17,059.0	3.8%	9.9%
NIFTY MIDCAP 100	37,721.4	5.5%	18.7%
NIFTY SMALLCAP 100	11,702.9	8.0%	19.4%

Exhibit 03: All sectors shooting green .

Sectoral Performance	Close	1M %	YTD %
MEDIA	2,061.5	18.2%	2.3%
PSU BANK	4,620.6	12.4%	6.3%
REALTY	566.8	9.0%	30.0%
PHARMA	14,922.2	8.9%	18.9%
METAL	6,758.2	8.8%	-1.9%
ENERGY	26,853.7	8.7%	3.2%
OIL & GAS	8,141.2	8.0%	-3.8%
AUTO	15,708.8	3.7%	24.0%
PVT BANK	23,411.1	2.1%	6.4%
BANK	46,651.1	2.0%	8.0%
IT	29,928.5	1.2%	4.1%
FMCG	52,636.9	0.9%	19.1%

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

Market Overview

- Nifty Continues to March:** Indian equities made another ATH mark at 19991.85 by Nifty 50, very close to dream 20K in Jun-23. The broader market saw higher optimism as NIFTY Mid and small caps gained 5.5% & 8% respectively. The move was in sync with global major indices which also remain in green for the month gone by. The role of FPI along with DI's cant be rollout as FPI infused INR 47,148 cr in June alone, making its highest purchase in current CY. The July first half inflow stood at INR 30,662 Cr showing continuation of FPI infusion.
- US Market Running Ahead ?:** The USA's equity market has recovered smart led by Nasdaq gaining 41% and DJI climbing 7.5% on YTD basis. However the Dow Jones 1 Yr forward PE trading at 20.3(x), a 23% premium to long term avg 16.5(x). Historically DJI has seen pressure or gone sideways post attaining 20x+ forward PE. In case of Nasdaq, Today's interest rate regime is stiff from that of 2021 however current Nasdaq multiple used to be traded during the bull run of 2021 showing market ran ahead led by optimism of potential fed rate cuts capping further upside in index, the tech companies will need to bring positive earnings surprises to justify current multiples.
- Railway Rally, Gains Galore:** While NIFTY 500 scaled up ~10% on YTD basis, The railway pocket gained attention from investors, stocks moved handsome clocking multifold gains in Tita garh, JWL & RVNL gained 1.8x, 1.07x, 0.8 times resp.. The healthy order books, Govt's keen focus on increased capex towards sector resulted in an acknowledgment by market participants, led to multibagger rallies, value appreciation in most of the counter.
- Where to Focus Now ?:** We reiterate our Pharma recommendation from our June edition as Pharma companies have posted good set of earnings in Q1FY24, wherein many pockets cos. are trading below historical averages. The surged remuneration in IT sector over last 2 years has resulted significant disposable income, and it is likely to be directed towards automobiles and realty sectors hence these two sectors to support healthy in domestic economy.
- Economy at Top gear :** India's economy is displaying strength through HF indicators. The PMI stands at 57.7 in Jul-23, reflecting consistent growth. Jet fuel sales surged by 10.3% YoY, attributed to a rise in air travel. Moreover, electricity consumption reaching 139 Bn Units vs to 128.4 Bn Units last year. Indian railways have achieved a 2% YoY growth in freight loading, handling an impressive 124 Mn tones freight. The UPI transactions hits 9.96 Bn in July, (58% YoY) and 44% YoY increase in value. These positive indicators collectively underscore the buoyancy and potential of India's economy.
- Crude Climbs makes road slippery:** Gold and Silver gained 2.3%/7.7% respectively. In Base metals, aluminum gained 4.3% post recovery from the sell off. Zinc, Nickel, Copper moved 6.0%, 2.2%, 5.9% respectively. Crude Oil gained 15.5% and Natural gas loosed -5.9% in last month.

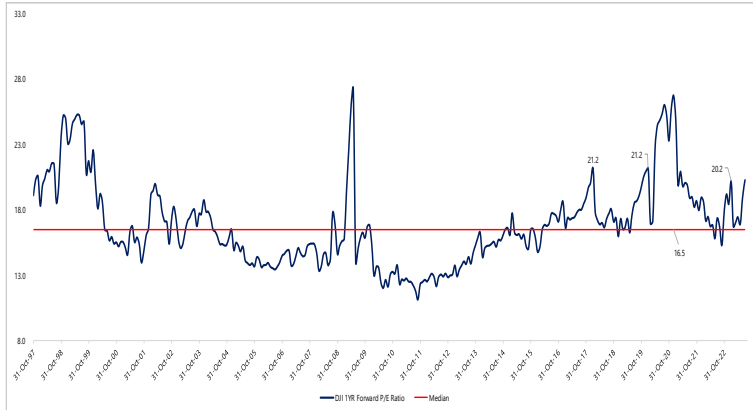
Outlook Ahead

- Buy on Dips:** We believe the current market regime is identical to that of 2017-19 wherein market offered Buy opportunities on dips during period. currently With tight monetary policy and upcoming major events such as State and general elections likely to keep market volatile, hence investors should look a Buy opportunities in market shocks.

Key Development

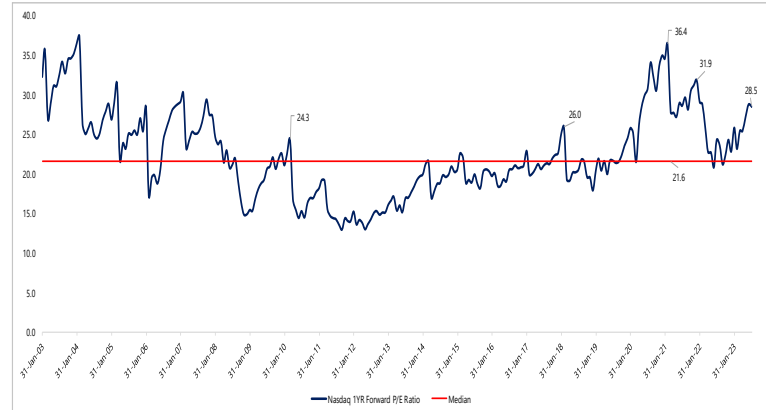
GST council has started decided to apply 28% tax on Online Gaming, Casinos and Horse Racing .

Exhibit 04 : Dow Jones 1 YR forward PE(x)



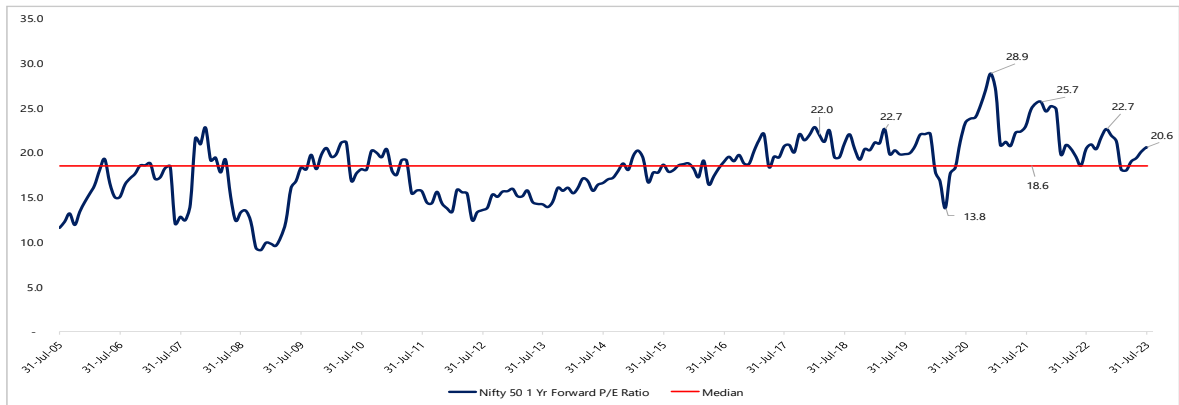
Source: Bloomberg, GEPL Capital Research

Exhibit 05 : Nasdaq 1 YR forward PE(x)



Source: Trading view, GEPL Capital Research

Exhibit 06 : Nifty-50 1 Yr Forward PE



Source: Bloomberg, GEPL Capital Research

.....NIFTY forward PE trades at 20.6x, and has headroom till 22.7x .

Exhibit 07 : FPI Net Investment

Sectors	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	30 Jun-15 July	YTD
Financial Services	- 15,204	105	- 556	7,690	17,671	18,704	7,050	35,460
Capital Goods	1,505	3,101	4,731	2,220	2,161	8,814	3,069	25,601
Automobile and Auto Components	1,024	895	2,695	1,987	8,702	6,129	1,629	23,061
Fast Moving Consumer Goods	- 907	- 244	1,765	1,150	3,235	2,216	3,791	11,006
Services	- 1,295	1,963	7,246	105	377	- 1,353	49	7,092
Metals & Mining	4,369	- 2,642	2,938	1,420	- 619	1,753	- 157	7,062
Healthcare	228	931	- 1,587	271	2,869	2,021	1,405	6,138
Construction Materials	- 261	106	1,423	452	1,353	1,851	661	5,585
Power & Utilities	- 407	- 2,850	3,226	418	- 649	2,671	2,925	5,334
Consumer Services	- 1,560	- 224	110	100	2,865	2,289	655	4,235
Others	15	72	34	538	1,095	633	1,752	4,139
Consumer Durables	- 2,777	- 1,384	261	- 177	1,064	4,089	2,021	3,097
Realty	- 325	- 71	104	- 216	838	750	198	1,278
Telecommunication	- 2,300	- 310	- 459	- 10	784	1,026	2,335	1,066
Chemicals	- 746	- 363	280	412	1,074	- 253	- 207	197
Forest Materials	55	54	106	30	2	- 15	- 115	117
Diversified	90	- 182	7	45	- 22	13	- 35	- 84
Textiles	- 168	- 498	- 336	- 51	- 80	- 141	- 156	- 1,430
Media, Entertainment & Publication	- 454	152	- 318	- 219	- 719	- 299	- 43	- 1,900
Oil, Gas & Consumable Fuels	- 7,596	- 4,973	- 6,824	372	2,729	- 173	3,891	- 12,574
Information Technology	- 2,137	1,069	- 6,910	- 4,908	- 891	- 3,577	- 56	- 17,410
Total	-28,851	- 5,293	7,936	11,629	43,839	47,148	30,662	107,070

Source: CDSL, GEPL Capital Research

.....FPI came strongly post March-23, ked to infusion of INR 107,070 Cr YTD.

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