

EYE POPPER: The FY25 budget Size Increased to INR 47.65 lakh cr. Up 2.4x from FY17. The capital Expenditure increased by 4.5x in the same time period underscoring focus on Asset building.

MARKET ROUNDUP

February 06, 2024

Exhibit 01: Nifty 50 attains 22k mark

Major Global Indices	Close	1M %	CY23 %
NIFTY 50	21,725.7	0.0%	0.0%
DJI	38,150.4	1.2%	1.6%
NASDAQ	17,137.5	1.9%	2.8%
FTSE	7,612.5	-1.5%	-1.7%
DAX	16,903.6	0.9%	0.4%
CAC	7,630.0	1.0%	0.9%
NIKKEI 225	35,975.0	8.1%	8.1%
SHANGHAI COMPOSITE	2,788.7	-6.3%	-6.2%
HANGSENG	15,485.5	-9.2%	-9.6%

Exhibit 02: Small Continuing momentum.

Indian Broader Market	Close	1M %	CY23 %
NIFTY 500	19,802.2	0.6%	1.8%
NIFTY MIDCAP 100	45,858.6	5.2%	-1.0%
NIFTY SMALLCAP 100	16,026.3	5.8%	5.5%

Exhibit 03: Oil & gas gains healthy amid Reliance Rise.

Sectoral Performance	Close	1M %	CY23 %
OIL & GAS	10,728.3	13.0%	12.3%
REALTY	856.2	9.3%	9.6%
ENERGY	36,748.0	9.8%	9.5%
PSU BANK	6,271.3	9.8%	9.4%
PHARMA	17,938.5	6.6%	6.4%
IT	36,638.3	3.2%	3.2%
AUTO	19,227.0	3.3%	3.0%
METAL	7,973.1	-0.1%	-0.3%
FMCG	55,071.2	-3.4%	-3.6%
BANK	45,996.3	-4.8%	-4.6%
PVT BANK	23,594.2	-5.2%	-5.0%
MEDIA	2,151.0	-9.9%	-10.4%

Source: Ace Equity, Trading View, Prices as on January 31, 2024

Market Overview

- NIFTY 50 Achieves 22,000:** Nifty hits all time high 2 times in the January Series, 1st at 22124.15 and 2nd at 22,126.8. However it ended monthly closing flat. The sideways is in line with global moves at major global indices moved flat to negative. Nasdaq and Dow Jones moved up 1.9%, 1.2%. While from European market DAX/CAC posted robust gain of 0.9%/1.0% posted positive gains. SSE Composite and HangSeng saw major decline of -6.3%/9.2%. The FII sold INR -35,977 Cr while DII's continued purchase with INR 26,743 Cr in Jan-24.
- FY25 Interim Union Budget:** Govt of Indian presented the interim budget with slowing spending growth in the FY25 at Rs 47.65 lakh crs, registering a 5.8% growth, slowest in 7 yrs. The Budgeted borrowings limited to Rs 16.85 lakh crs, lower than FY24 indicates focus on maintaining fiscal prudence. The Fiscal deficit is pegged at 5.1% vs 5.9 in FY24. The effective revenue deficit % of GDP is already pegged at 0.8% lowest in last 9 yrs. indicating improving focus on capital expenditures.
- Capital Expenditure Momentum continues:** The Capex size estimated to grow 11% in FY24 vs 5.8% growth in size of budget, keeping focus on capex while maintaining fiscal cords. However this is slowest growth post Covid-19. the allocation to IT & telecom increased to 2.4% of Budget vs 2.1% in FY24. The Tax administration section grew to 4.3% of budget vs 0.6% in FY18. focus on transport also increased to 11.4% of budget vs 5.4% in FY17.
- Commodities lost gains:** Gold & Silver loses gains from top, closed -0.74%/-2.93% in Jan-24 respectively. DXY gained 2.1% to close at 103, crude oil gained 5.09%. The Base metals aluminum, Zinc, Nickel lost 3.33%, 3.47%, 1.81%, Copper gained 0.37% respectively. Natural gas lost 17% in Jan-24.
- FOMC Meet Holds Rate unanimously:** In a first meet of FY24, the key rates held at 5.50%. Fed looks to gain confidence of inflation moving towards 2% sustainably for rate cuts and washes out possibility of rate cuts in the immediate next meet in Mar-24. The speech signaled the rate at its peak and will slide before holding by Fed. Quantitative tightening maintained with \$60 Bn Treasuries and \$35 Bn Mortgage rolled off balance sheet.
- RBI attacks on Ever greening of loans thorough AIF:** RBI tightened rules for lenders investing in AIFs to prevent hiding stressed loans.

Outlook Ahead

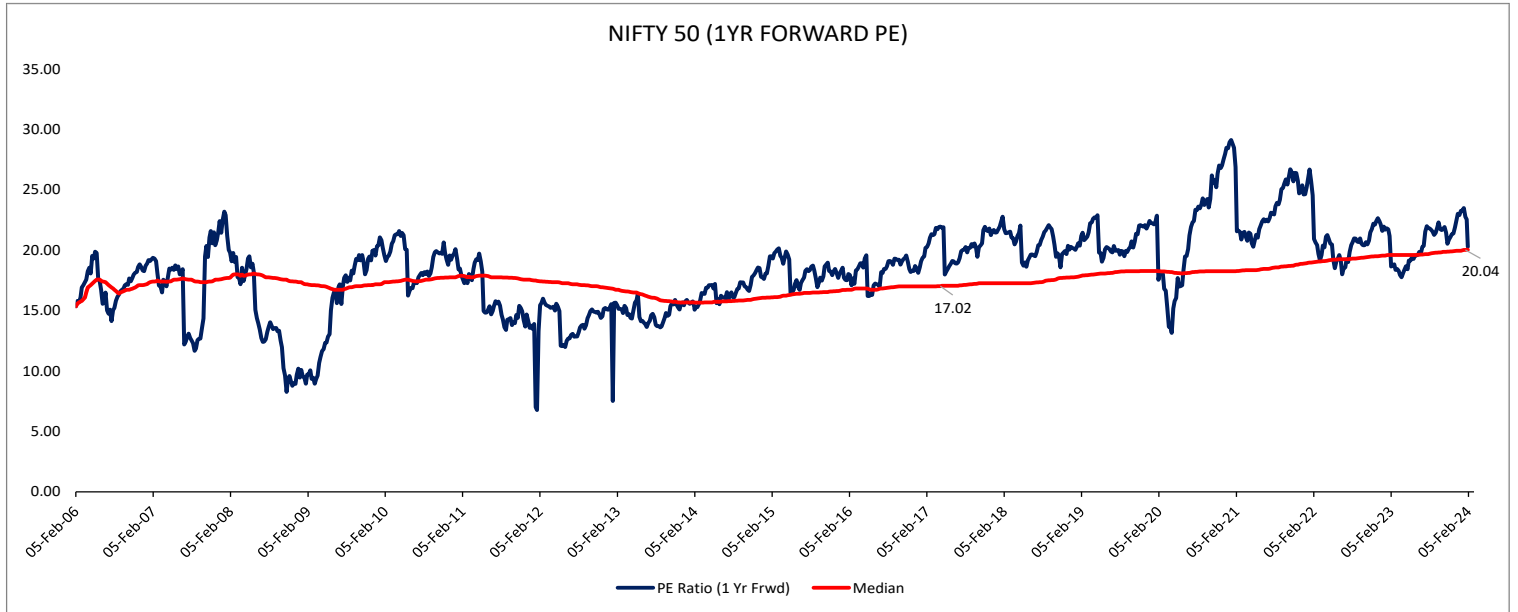
- Nifty 50 and Bank Nifty Valuations arrive at Median:** The Nifty 50 trading at 1 yr forward PEx of 20.1x similar to historical median and the Bank Nifty 1 yr forward PB trade at 1.86x vs historical median of 2.52x with a 26% discount. Both headline indices trading at reasonable valuations compared to Mid and small cap indices. Thus we reintegrate our stance of focusing on large caps.

Key Development

RBI Imposed strict action

PAYTM due to compliance issues in Payments Bank operations.

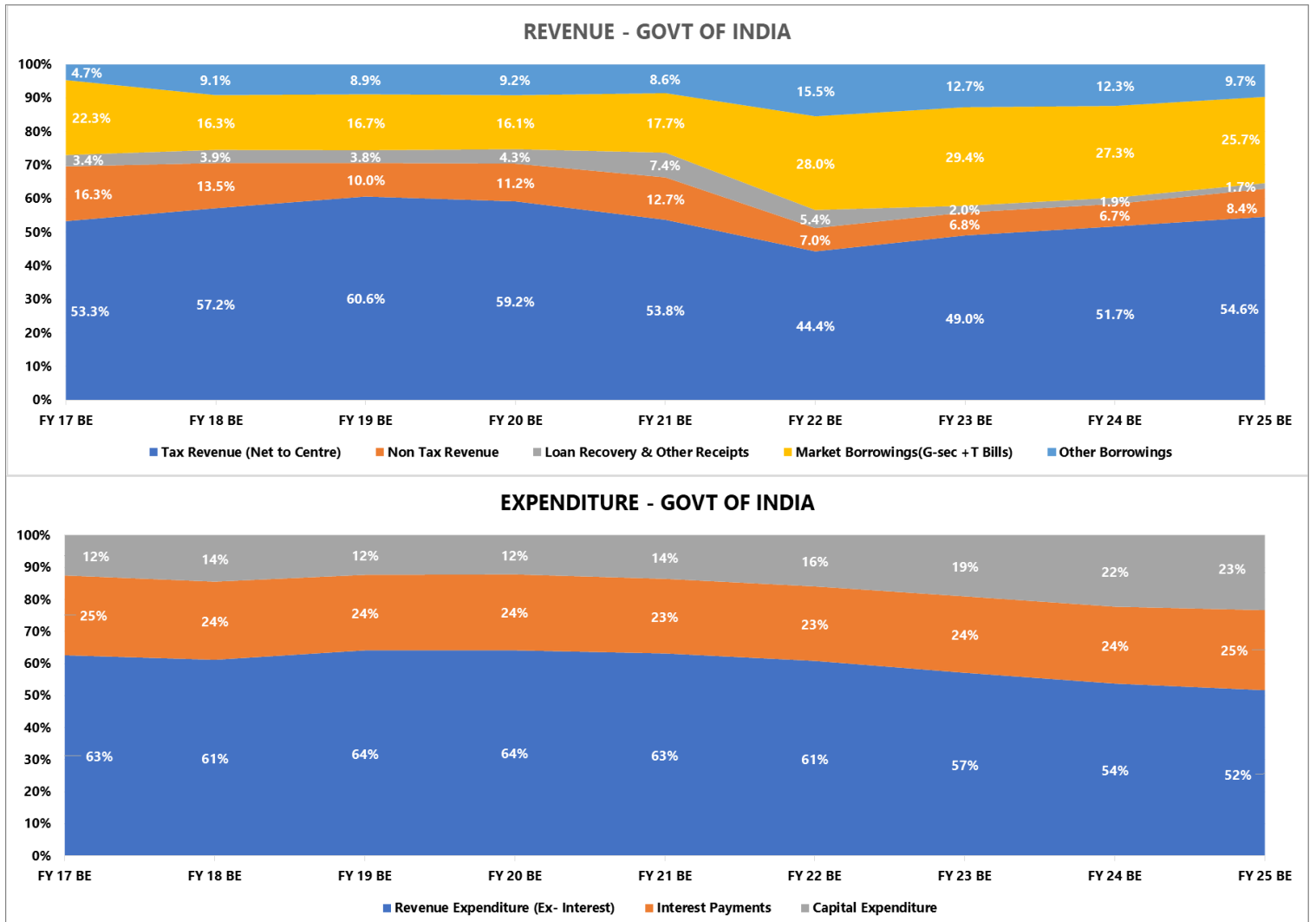
Exhibit 04 : Nifty 50 1 Yr Forward Earnings Multiples



Source: Bloomberg, GEPL Capital Research

..... Nifty Forward earnings back to historical median.

Exhibit 05: GOI Revenue and Expenditures Trends



..... Capital Expenditures as % of Budget has increased.

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