

Market Commentary

Nov 2024

Broad Market Indices (Return %)					
Index Name	1M	3M	1 Yr	3 Yr	5 Yr
Nifty 50	-6.12	-2.67	28.39	12.39	16.63
Nifty Next 50	-9.29	-6.37	59.92	19.43	20.45
Nifty 100	-6.72	-3.43	33.07	13.17	17.06
Nifty 200	-6.72	-3.65	34.88	14.62	18.52
Nifty 500	-6.35	-3.33	36.33	15.76	19.77
Nifty Midcap 150	-6.42	-4.38	44.15	23.28	28.49
Nifty Smallcap 250	-3.58	-0.89	48.57	24.68	31.08
Nifty Microcap 250	-3.33	0.31	54.36	36.11	42.67
Nifty Total Market	-6.24	-3.20	36.93	16.32	20.28

All the broad indices were in the red in Oct 24, with the Nifty Next 50 falling the most with a -9.29% drawdown, while the Nifty Smallcap 250 & Nifty Microcap 250 fell only 3.58% & 3.33% respectively.

The resilience of the broader market indices (small-cap & micro-cap) with respect to the large-cap indices, indicate the market outlook & interest between institutional investors & retail investors – the later having a larger participation in the small & micro-cap space.

Sectoral Indices (Return %)					
Nifty Auto	-12.99	-11.65	48.82	28.80	24.00
Nifty Bank	-2.84	0.07	21.21	10.51	12.00
Nifty Financial Services	-2.42	2.24	25.63	9.34	12.87
Nifty FMCG	-9.65	-4.54	17.72	17.72	14.80
Nifty IT	-3.12	-0.51	34.87	7.61	23.38
Nifty Media	-5.57	-5.97	-7.82	-3.00	3.18
Nifty Metal	-8.55	-2.38	45.31	20.52	32.09
Nifty Pharma	-2.34	4.59	55.88	18.80	24.53
Nifty Private Bank	-4.84	-1.63	14.33	8.48	9.32
Nifty PSU Bank	-0.46	-9.08	37.28	35.22	22.82
Nifty Realty	-9.05	-8.55	66.22	26.49	30.47
Nifty Consumer	-10.23	-1.32	40.32	12.10	18.69
Nifty Oil & Gas	-12.95	-14.10	50.24	15.37	17.99
Nifty Healthcare Index	-2.20	5.10	56.80	19.61	25.73

Amongst sectoral indices Auto, Oil & Gas had the steepest drawdowns falling ~13%, while PSU Banks, Pharma & Banking & Financial Services as a whole showing relative resilience.

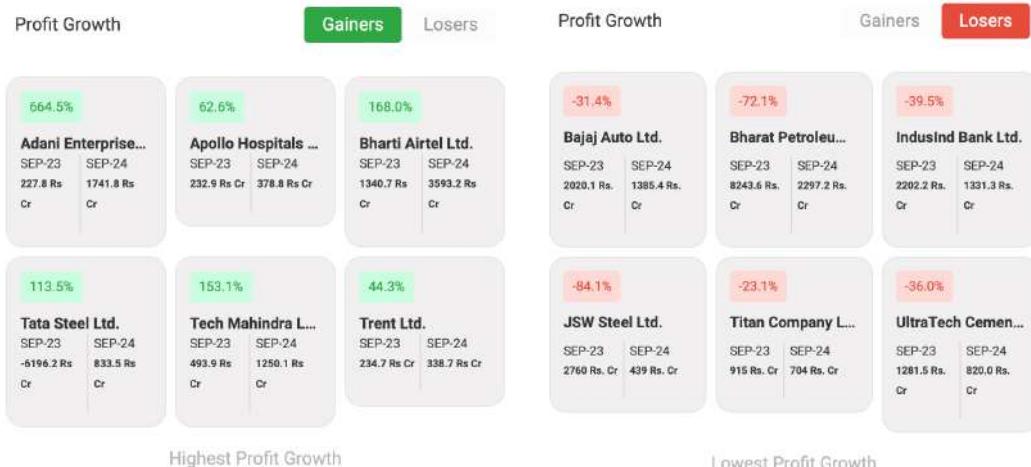
Stocks Result Analysis for Nifty Universe from Oct 01, 2024 to Nov 07, 2024 for Q2 FY24-25 ending Sep 30, 2024

Stock Universe	No of Companies who have announced their results	Positive Profit Growth	Negative Profit Growth	Neutral Profit Growth	Total Revenue Growth %	Total EBIT Growth %	Total Operating Profit Growth %
		Growth	Growth	Growth	Growth %	Growth %	Growth %
Nifty 50	41	26	11	4	6.70%	10.56%	5.80%
Nifty Next 50	38	24	8	6	7.10%	1.7%	-0.09%
Nifty 500	345	201	114	30	7.70%	8.00%	2.20%
Nifty Midcap 100	95	44	25	26	12.10%	7.60%	0.50%
Nifty Midcap 50	39	22	13	4	10.10%	3.00%	-3.40%
Nifty Small Cap 250	156	92	58	8	7.60%	11.30%	9.50%

Source : Trendlyne, Esbee Sharpe Research

While the Q2 Results season has been muted & overall below expectations, the extent of profit growth (-ve growth), seems to have resulted in proportional extent of stock price fall. This is apparent from the relative resilience of small cap Index performance during the month, whose EBIT Growth has been 11.3% as against the midcap & large cap index whose profits have grown in single digits.

Nifty 50 – Highest & Lowest Profit Growth



A snapshot of the Top companies with profit growth & the companies with the lowest profit growth, in the Nifty 50 basket, indicates that the broad trend driving towards a possible cyclical down turn in the near future.

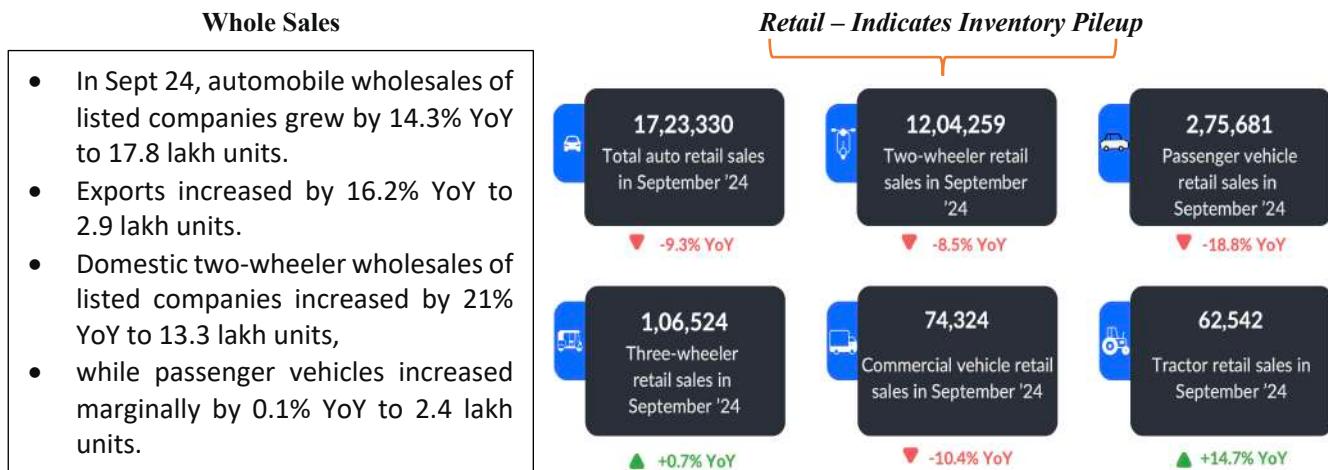
Source : Trendlyne, Esbee Sharpe Research

Key Factors Driving the Downtrend in Indian Stock Markets

Foreign Portfolio Investors (FPIs) withdrew a staggering ₹1.14 lakh crore from Indian equities last month, marking the largest monthly outflow ever. Several factors prompted this major pullout –

- Concerns over slowing earnings growth - India Inc.'s Q2 results have underwhelmed, with a deceleration in earnings growth driven largely by weak performance in commodities
- High valuations & thus profit booking ahead US Elections
- Cautious stance ahead of Fed's Monetary Policy Meeting, where potential rate guidance from the Federal Open Market Committee (FOMC), could influence global sentiment.
- Uncertainties surrounding China's economic situation which in turn has led to expectations around China's National People's Congress (NPC) likely to announce substantial fiscal measures this week, potentially redirecting funds from India to China.
- This outflow had a ripple effect, causing the rupee to slide to an all-time low of ₹84.20 against the U.S. dollar.
- However, domestic institutional investors (DIIs) came to the market's rescue, buying nearly ₹1.07 lakh crore of stocks in October—almost offsetting the FPI sell-off. DIIs have been bolstered by strong mutual fund inflows, a factor that has helped stabilize markets amidst global sell-offs.
- Interestingly, FPIs while they are selling high-valued secondary market stocks, they have invested about ₹20,000 crore in primary markets (like IPOs) in October, where valuations are relatively more attractive.
- This shift indicates that while foreign investors are cautious about high valuations in the main markets, they still see potential in India's growth story.

Auto Sales Trend – Sept 24

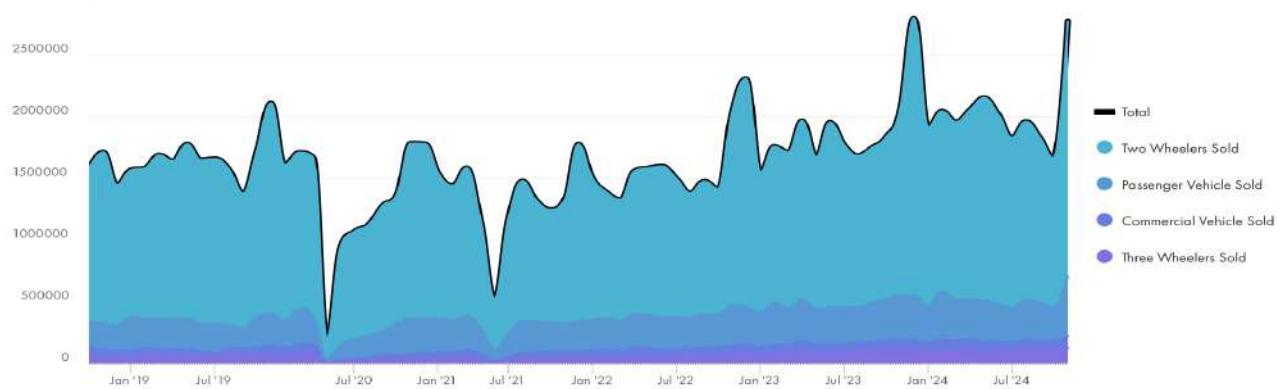


Auto Sales Trend – Oct 24

October was a standout month for auto sales in India, with some brands racing ahead thanks to the festive season.

- Maruti Suzuki Dominates with Over 1.5 Lakh Units** Maruti Suzuki sold a massive 1,59,591 units in October, securing its position at the top.
- Hyundai Surges with 55,568 Units** Hyundai followed Maruti with 55,568 units sold, thanks to strong demand for popular models like the Creta and the Venue.
- Mahindra Sold 54,504 Units** boosted by Mahindra's off-road favourites—like the Thar and Scorpio
- Tata Motors' Electric Push like the Nexon EV, with 48,131 Units** reflected solid demand for its EVs and SUVs, as more Indians consider environmentally-friendly options.
- Toyota Sees a 41% YoY Growth with 30,845 Units** posting an impressive 41% year-over-year growth, buoyed by its popular models like the Fortuner and Innova and boosted by special Festival Limited Editions.

Automobiles Sold - Retail Sales



Source: Tijori Finance, Trendlyne, Esbee Sharpe Research

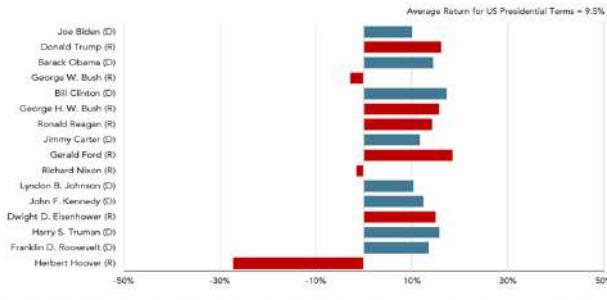
- The Sales Trend in Automobiles (considered a lead indicator of the economy) indicate some stress in demand offtake.
- While Oct month saw a boost in sales due to festival demand, one will have to wait and see where this was just a blip or whether one can expect genuine consumption demand to be coming back.
- Reports indicate that the sector could continue to face more headwinds at least for 2-3 quarters

All Eyes on US after Donald Trump is back in Power



Annualized Returns During US Presidential Terms

S&P 500 Index, March 1929–December 2023



Source : Financial Express, Darrow Wealth Management

- Based on the above charts one can assume that irrespective of who is in power, equity markets have generated positive returns particularly US & India.
- This however is an over simplified assumption.
- While based on past behaviour one can make some probabilistic assumptions, we believe, the state of the US economy, a new Senate under Donald Trump, their stance towards multiple issues ranging from interest rates, to economic & geo political events, will keep the markets on tender hooks.
- That's on the short term, while on the long term markets will continue to reward (and punish as the case maybe) those businesses , sectors & stocks which deliver earnings growth.

Earnings Growth Estimate & Growth in Market Cap

NIFTY 50						
INR Trillion	FY20-23 CAGR	FY24	FY25E	FY26E	Growth	
					FY25E	FY26E
M-CAP	27.0%	193.8	-	-		
EPS	19.0%	1005	1059	1256	5.4%	18.6%
EPS (Q1 FY25)			287			
Expected EPS (Q2 FY25)			269			

NSE 500

INR Trillion	FY20-23 CAGR	FY24	FY25E	FY26E	Growth	
					FY25E	FY26E
M-CAP	31.6%	397.6	-	-		
EPS	15.5%	704.8	909	1064	29%	17.1%
EPS (Q1 FY25)			232			
Expected EPS (Q2 FY25)			224			

Source: Motilal Oswal, Bloomberg, reproduced from Kotak Mutual Fund market Outlook Nov 24,

- We continue to believe that markets may have front ended a large part of future earnings.
- In CY 24, Nifty is up 11.38% & up 8.41% in FY2024-25. We believe there is limited room for upside for the rest of the year. Further any potential downgrades in earnings estimate could aggravate this volatility further.
- Our best case scenario outlook is that we are likely to see markets remaining sideways, with sharp drawdowns wherever there are indications of earnings disappointment

Our Investment Thesis

- We continue to focus on asset allocation with fresh allocations directed to large & midcap, multi-cap, focus funds category through weekly Systematic Transfer Plans (STPs).
- Following the market correction in Oct, we prefer to allocate 30% of available funds in lumpsum at current market levels, while adopting 16-20 weeks STP strategy
- Hybrid Funds - balanced advantage & multi asset allocation funds continue to remain a suitable allocation strategy for first time investors (coupled with SIP) as well as conservative investors.
- For investors whose time horizon is 1-3 years, we prefer adopting a strategy using arbitrage funds & equity savings funds

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