

Market Commentary
Oct 2024
Broad Market Indices - Returns (%)

| Index Name | 1M | 3M | 1 Yr | 3 Yr | 5 Yr |
|--------------------|------|-------|-------|-------|-------|
| Nifty 50 | 2.28 | 7.81 | 33.00 | 14.94 | 18.98 |
| Nifty Next 50 | 2.42 | 8.04 | 72.34 | 23.10 | 23.88 |
| Nifty 100 | 2.35 | 7.82 | 38.84 | 15.94 | 19.59 |
| Nifty 200 | 2.21 | 7.88 | 40.41 | 17.43 | 21.11 |
| Nifty 500 | 2.17 | 7.76 | 41.54 | 18.44 | 22.28 |
| Nifty Midcap 150 | 1.80 | 7.33 | 48.21 | 26.15 | 31.46 |
| Nifty Midcap 50 | 1.62 | 7.68 | 46.33 | 27.97 | 32.17 |
| Nifty Smallcap 250 | 1.40 | 7.94 | 51.49 | 26.27 | 32.67 |
| Nifty Microcap 250 | 2.47 | 11.90 | 59.44 | 37.38 | 43.70 |
| Nifty Total Market | 2.18 | 7.90 | 42.12 | 18.96 | 22.76 |

✚ The Nifty Midcap & Small Cap Indexes were up 1.80% & 1.62% respectively as against Nifty 50 which went up 2.28%.

✚ The underperformance of the smaller indices indicate that the breadth of the market continued to be weak during the month.

Sectoral Indices - Return(%)

| Index Name | 1M | 3M | 1 Yr | 3 Yr | 5 Yr |
|-----------------------------------|-------|-------|-------|-------|-------|
| Nifty Auto | 3.26 | 7.77 | 68.22 | 37.82 | 30.60 |
| Nifty Bank | 3.17 | 1.47 | 19.89 | 13.24 | 13.38 |
| Nifty Financial Services | 3.56 | 4.79 | 24.82 | 11.21 | 14.28 |
| Nifty FMCG | 3.93 | 15.66 | 29.45 | 19.60 | 18.06 |
| Nifty IT | -1.97 | 16.19 | 34.69 | 8.25 | 24.42 |
| Nifty Media | 1.61 | 7.44 | -5.36 | 0.50 | 4.24 |
| Nifty Metal | 8.54 | 4.33 | 49.91 | 23.81 | 35.13 |
| Nifty Pharma | 0.28 | 18.46 | 51.97 | 18.10 | 26.19 |
| Nifty Private Bank | 3.17 | 1.96 | 15.63 | 11.68 | 10.83 |
| Nifty PSU Bank | -3.29 | -8.28 | 29.41 | 41.37 | 25.13 |
| Nifty Realty | 4.34 | -0.30 | 91.44 | 29.26 | 34.01 |
| Nifty Consumer Durables | 5.76 | 14.08 | 51.52 | 17.85 | 22.13 |
| Nifty Oil & Gas | -3.08 | 7.05 | 66.19 | 20.46 | 23.19 |
| Nifty Healthcare Index | 1.70 | 17.72 | 52.68 | 18.84 | 27.72 |
| Nifty Financial Services Ex-Bank | 3.97 | 13.82 | 37.23 | 14.80 | 18.24 |
| Nifty MidSmall Financial Services | 3.44 | 10.03 | 39.54 | 24.76 | 19.88 |
| Nifty MidSmall Healthcare | 1.97 | 18.76 | 57.48 | 19.67 | 29.72 |
| Nifty MidSmall IT & Telecom | -3.91 | 7.06 | 36.94 | 17.67 | 41.39 |

✚ Nifty Metals stood out with a 8.54% positive move followed by Consumer Durables up 5.76% & Realty up 4.34%.

✚ Auto bounced back with a 3.26% positive move in spite of reports of inventory pile up & slowdown in 4 Wheeler sales.

✚ IT, PSU Banks & Oil & Gas were down -3% on an average.

News Headlines in Sept 2024 – Positive Cues for the Markets ?
When the mood on the street is positive, the market takes all negative news in its stride...!!!

Sensex, Nifty scale new peaks tracking optimism in global markets on Fed rate cut hopes

India's retail inflation at 3.65 per cent in August; stays below RBI's 4 per cent target

India becomes top weight in MSCI EM Index, surpassing China for first time

Post-Covid: Households shift to equities amid attractive returns

India to emerge 3rd largest economy by FY31: S&P Global

Electric cars overtake petrol models in Norway

Indian car dealers worry about deeper discounts as sales slump

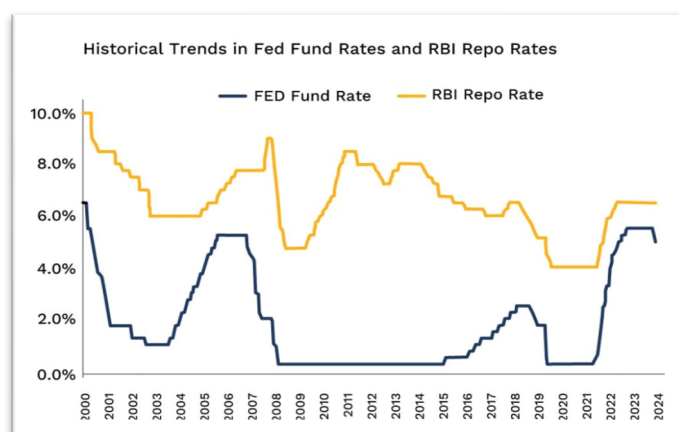
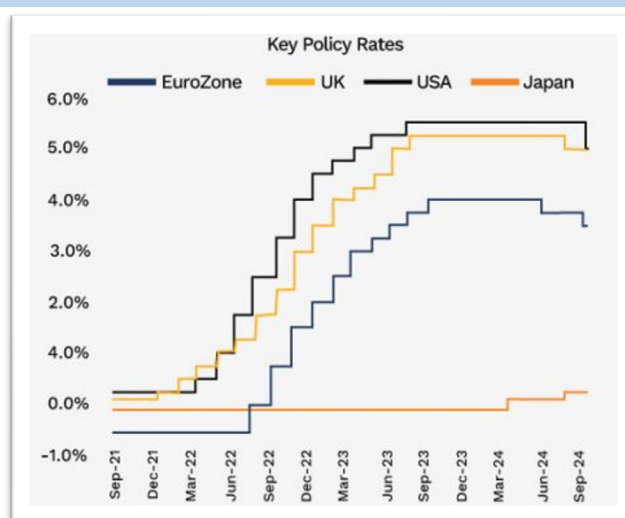
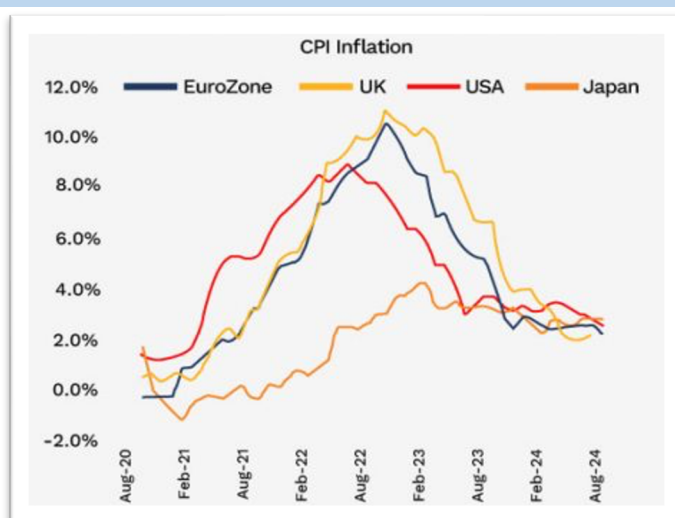
India to get first national security semiconductor fabrication plant as part of collaboration with U.S.

IPO rush: Hyundai, Swiggy, NTPC Green Energy among cos looking to raise Rs 60,000 cr in Oct-Nov

Hundreds of workers strike at major Samsung factory in India

Source : Moneycontrol, The Hindu, Business Line, Business Standard, The Economic Times, Deccan Herald, Press Trust of India, CNN

Start of the FED Rate Cycle & Interest Rate Outlook – A positive trigger ?

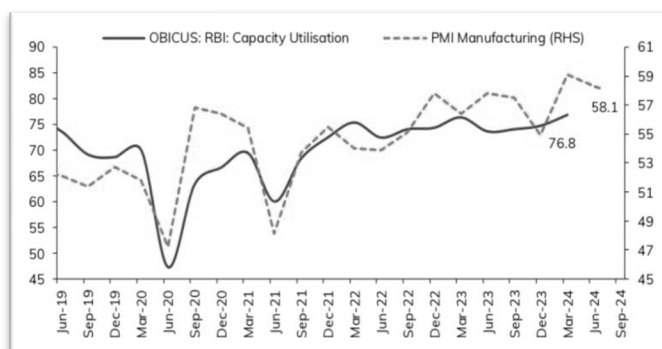
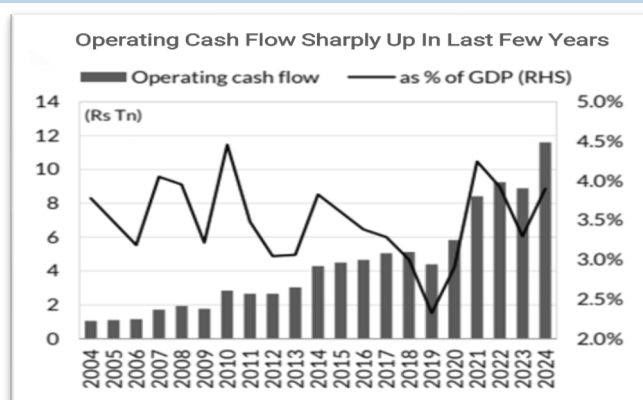
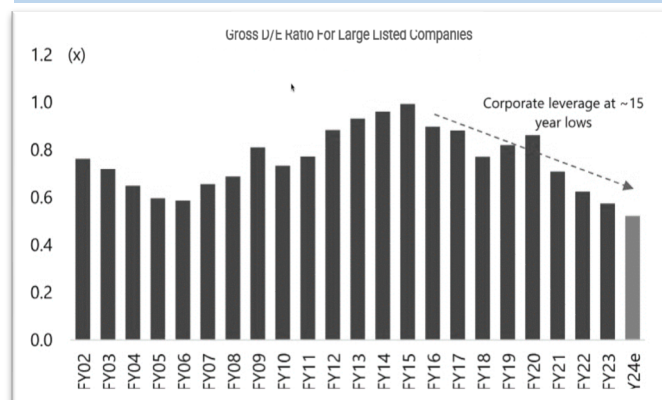


- Inflation has been coming down globally & developed markets have embarked on rate cutting cycle (except Bank of Japan which has hiked rates twice)
- Rate cuts, signal a belief that inflationary pressures are under control and cuts are required to support the labour market & therefore may not be a cause of concern

Source : Motilal Oswal AMC Monthly Market Outlook

- A rate cut cycle is good for emerging markets as more money flows into them seeking growth and higher yields. Currencies stabilize, forex improves, bond yields reduce and stock markets are buoyant
- India could be influenced less by happenings in other economies especially since our forex reserves are already at an all-time high and bond yields had already started to decline but coordinated global cuts may provide tailwinds to these trends.
- Expectations of a rate cut in India could also increase and we could expect the first rate cut over the next 3 months

Will a fall in Interest Rate trigger Private Capex & Investments ?



- ✚ Corporates have de-leveraged over the last 10 years.
- ✚ Operating Cash Flows have also improved significantly.
- ✚ Capacity Utilisation improving & therefore providing operating leverage

- ✚ While low interest rates provide a positive environment for increased capex & growth, a rate cut will not necessarily trigger investments unless the business growth outlook is positive.
- ✚ However the current environment is a strong foundation for long term growth since the strong operating cashflow is estimated to fund capex demand over FY 2025 – 30E.

Earnings Growth Estimate & Growth in Market Cap

NIFTY 50

| INR Trillion | FY20-23 CAGR | FY24 | FY25E | FY26E | Growth | |
|----------------|--------------|-------|-------|-------|--------|-------|
| | | | | | FY25E | FY26E |
| M-CAP | 27.0% | 208.4 | - | - | | |
| EPS | 19.0% | 1006 | 1100 | 1298 | 9.3% | 18% |
| EPS (Q1 FY25) | | | 265 | | | |

NSE 500

| INR Trillion | FY20-23 CAGR | FY24 | FY25E | FY26E | Growth | |
|----------------|--------------|-------|-------|--------|--------|-------|
| | | | | | FY25E | FY26E |
| M-CAP | 31.6% | 427.1 | - | - | | |
| EPS | 15.5% | 706.8 | 898.9 | 1049.6 | 27.2% | 16.8% |
| EPS (Q1 FY25) | | | 232 | | | |

Source: Motilal Oswal, Bloomberg, (FY24 Mcap as of August-24), (Reproduced from Kotak Mutual Fund Oct 2024 Market Outlook)

- ✚ It is likely that markets may have front ended a large part of future earnings.
- ✚ In CY 24, Nifty is up ~19% & up ~16% in FY2024-25. Even if we estimate that FY 26 Earnings will be met (without considering any downgrades), there seems to be limited room for upside for the rest of the year.
- ✚ On the contrary, we could see the market remain sideways (best case scenario) or heightened volatility going forward.

Buy Calls Are Slowly Vanishing From India's Booming Stock Market

A dimmer outlook for corporate earnings in one of the world's most expensive stock markets is making analysts skeptical.

Buy Ratings are Vanishing in India's Heated Market
Consensus rating for stocks within Nifty 200 Index

| Year | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | Q1FY25 | Sept. 24 |
|-------|------|------|------|------|------|------|------|------|------|------|--------|----------|
| BUY | 93 | 96 | 95 | 105 | 119 | 111 | 113 | 107 | 114 | 74 | 72 | 61 |
| HOLD | 100 | 96 | 96 | 87 | 75 | 82 | 80 | 86 | 77 | 116 | 119 | 129 |
| SELL | 5 | 4 | 6 | 2 | 2 | 4 | 4 | 6 | 7 | 6 | 5 | 6 |
| TOTAL | 198 | 196 | 197 | 194 | 196 | 197 | 197 | 199 | 198 | 196 | 196 | 196 |

Source: Bloomberg
Note: Total row shows the number of stocks included in the study. A rating scale from 5 (buy) to 1 (sell) has been used and stocks having average analyst rating equal to or above 4 is counted as consensus buy.

Bloomberg

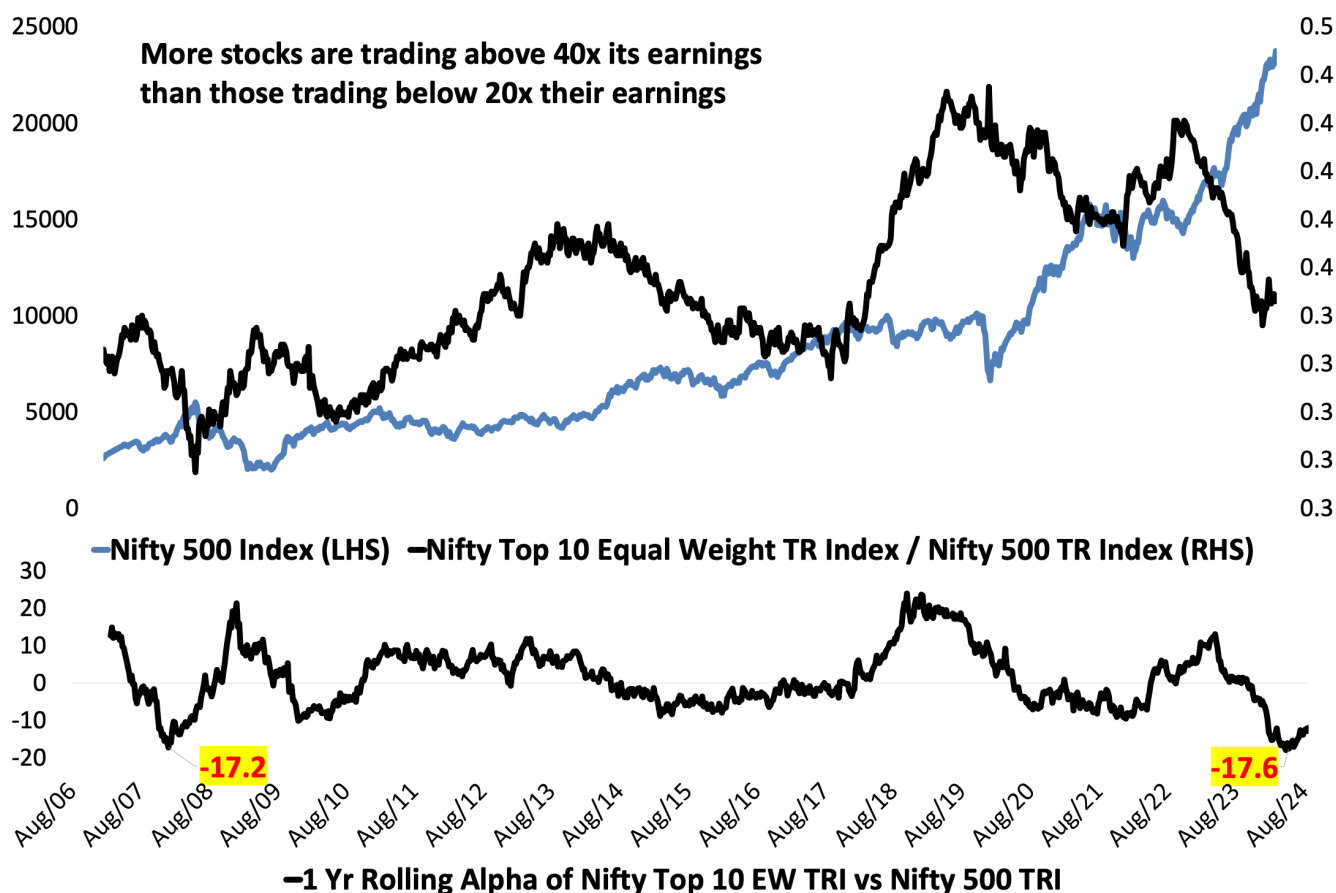
- ✚ A Bloomberg News article suggests that, while market watchers debate whether the recent returns can be sustained, an investment shift appears to be underway.
- ✚ Some investors are moving to larger stocks, where valuations seem reasonable, while others are rotating funds to sectors like financials, which have trailed the broader market rally

Source : Bloomberg News – ndtvprofits.com

| Known Risks | Our View |
|---|--|
| ✚ Elevated Crude Oil Price due to heightened geo political tension in the middle east | While it is difficult to predict oil price, given that the global economy is going through a slowdown, it is unlikely that we will see Oil prices going up sharply and sustaining at elevated levels |
| ✚ Spike in volatility due to Bank of Japan increasing rates again. | It is believed that since Japanese investors exposure to India is low, any dip owing to this event could be a buying opportunity for investors. |
| ✚ Increased supply of paper due to a flood of IPOS & QIPs. | Till date this is being matched with inflows from new investor additions as well as strong inflows into mutual funds. |

“There’s a big difference between probability and outcome. Probable things fail to happen—and improbable things happen—all the time.”Howard Marks.

Nifty Top 10 Stocks Are The Most Oversold versus the Broader Market



Source : DSP Netra – Sept 24

- While the top 10 stocks are not cheap compared to their historical averages, on a relative basis, they seem to offer a higher margin of safety.
- Albeit the low/no growth outlook for these heavy weight index stocks, investors are better off seeking margin of safety rather than chasing returns at this point in time.
- We continue to focus on asset allocation with fresh allocations directed to large & midcap, multi-cap, focus funds category through Systematic Transfer Plans (STPs) as well as balanced advantage & multi asset allocation funds.

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For any queries, please contact:

Subhradip Bhowmick - Phone: +91 98309 90748 || +91 9674156665, Email – subhradip.bhowmick@esbeesharpe.com

Esbee Sharpe Investment Services (AMFI registered Mutual Fund Distributor)

Apeejay Business Centre, Suite # 5, Apeejay House,
15 Park Street, Block A, 8th Floor, Kolkata – 700 016
GST Registration Number : 19AFNPB4294B1ZI