

Market Commentary

Jan 2024

- This markets continued to rally, fuelled by optimistic quarter-end earnings, a decision by the U.S. Federal Reserve to maintain interest rates for the third consecutive time, a decline in global crude oil prices, and robust GDP data for the second quarter of FY'24.
- Nifty 50 showcased impressive performance, registering a substantial month-on-month gain of 7.94% up during the month, even as the Nifty Midcap 150 Index and Nifty SmallCap 250 Index trailed behind, albeit with a gain of 6.98% & 5.96% respectively during the month.
- The key indices touched all time highs closing on an average ~10% above their previous peaks.

	Date	Peak	Values on	Diff from
		Values	29 Dec -23	Previous Peak
Nifty	15-Sep-23	20192	21731	7.62%
Nifty Midcp 150	08-Sep-23	15505	17077	10.14%
Nifty Small Cap 250	17-Oct-23	12530	14041.3	12.06%

- All Sectors & themes were in the positive this month with Nifty PSE (+15.87%), Nifty India Defence (+14.51%) leading. Realty as a theme or sector continued rising along with metals, PSU Banks, Oil & Gas all clocking ~12-13% gains during the month

Macro Positives & Tailwinds

FII's were net buyers with a substantial investment of Rs. 9000.88 crores.

GST collection for Nov 2023 reached an all-time high of Rs. 1.68 lakh crore, - 15% increase compared to the same period last year.

Gross GST collection surpassed Rs. 1.60 lakh crore for the sixth time in FY'24 - underscoring the upward trajectory of the Indian economy,

The combined index of eight core industries experienced robust growth, rising by 12.1% in October 2023, compared to a mere 0.7% in October 2022.

All eight core industries recorded positive growth, indicating a strengthening economic foundation

- The market mood was also aided with the US markets moving up amid expectations of no further interest rate hikes by the US Federal Reserves.
- European equity markets saw positive movement, influenced by slightly easing geopolitical tensions and better-than-expected Eurozone business activity in November 2023.
- Asian equity markets closed on a mixed note, with ongoing concerns about the Chinese economy.

Market Outlook

- The market outlook remains positive
- Amidst valuation concerns the earnings momentum along with reforms momentum remain strong.
- With domestic money, coming into the markets through SIPS in a structural manner, this has become a key driver of the market
- Diversification benefit along with considerable improvement in market depth has increased the attractiveness of Indian markets as compared to other global markets.
- In fact there seems to be a sharp change in the outlook over the past one month, & unless some of the factors reverse sharply, it is possible that markets may sustain higher than average valuations for longer periods of time.

Outlook on Flows – Excerpts from MOSL AMC Jan 2024 Monthly Market Outlook

“Outlook on money flow has improved. FPIs have tracked the election outcomes and are more confident. Moreover, as US yields drop, there is a good chance of improved inflows into EM market and India funds. Already, December has seen strong FPI inflows. Since FPI flows are chunky, they tend to favour the larger cap part of the market.

Domestic flows should continue to remain strong. We believe that domestic investor is underinvested into equities and with rising per-capita incomes, should continue to invest in a structural manner. SIP seems to be the chosen instrument to invest. For market followers, SIP flows are very predictable and are rising strongly. Domestic Investors seem to be favoring the performing part of the market. Small and Mid part of the market is seeing strong earnings growth and stock price performance and is now getting a larger part of domestic flows.”

Summary

- Markets continue to chase stocks delivering higher growth along with businesses in new emerging spaces with tailwind of reforms
- Companies in the new tech space, midcap IT services companies, hospitals, retail oriented banks with strong AUM growth, engineering companies, luxury consumption, Electric vehicles, renewable energy, etc did very well & should continue to do well
- The growth delivered by the broad market was much stronger than the growth of the businesses in the narrow large cap indices, like Nifty.
- While this trend is likely to continue, increased FII participation could lead to large caps also participating more meaningfully & the dispersion of returns between large cap & mid & small cap is likely to decrease
- As a strategy we continue to maintain a portfolio with ~50% exposure to mid cap & small cap space.
- We continue to believe tactical allocations can be made in Transport & Logistics theme along with Banking & Financial Services. Theme based on infra & capex has also done well & will continue to do well.
- While Transport & Logistics is largely sectoral and the theme is narrow, the other two themes are broad based & is likely to play out over longer cycles

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