

Monthly Market

Newsletter

September 2024

Thought for the month

“Successful investing is
anticipating the
anticipations
of others”

John Maynard Keynes



Market Setup

- Market Outlook
- Equity Investment Ideas
- Technical & Derivatives Outlook
- Commodities Market Outlook
- Advisory Products

Benchmark Indices

Index	Aug 24	MoM(%)	YoY(%)
Sensex	82,366	0.80%	27.00%
Nifty	25,236	1.10%	31.10%

Economic Pulse

Key Indicators	Curr. Month	Prev. Month
IIP	4.20%	5.90%
CPI	3.50%	5.08%

Key Highlights

- Nifty scales a record high; closes above 25k
- Retail inflation drops to 3.5% in July, a near 5-year low
- India overtakes China to become largest weight in MSCI EM Index

Siddhartha Khemka



Sr. Group Vice President
Head - Retail Research

Equity markets continued to scale new highs with Nifty crossing yet another milestone level of 25k despite volatility. The index ended with gains of 1.1% at 25,236 in Aug'24, its third consecutive month of closing at an all-time high zone. Uptrend in broader markets continued with Nifty Midcap 100 gaining +0.5% while Smallcap 100 was up +0.9%.

FIIIs were net sellers in the secondary market in Aug'24 having sold over ₹21,000 crore while DIIs inflows remained strong at above ₹48,000 crore.

India's CPI inflation fell sharply in July'24 to 3.5%. With this, the retail inflation has declined below the RBI's medium-term target of 4%. Data suggested that this is almost the lowest level in last 5 years (59-month low).

Moody's upgraded India's GDP forecast to 7.2% for 2024 and to 6.6% for 2025 (earlier estimates of 6.8% and 6.4%) on the back of strong broad-based growth and strong private consumption. Even Fitch Ratings affirmed India's 'BBB-' rating with a stable outlook, citing strong medium-term growth prospects and improving fiscal credibility.

Further, India's weight in the MSCI Emerging Market (EM) Investable Market Index (IMI) crossed China and become the top weight nation for the first time. India's weight stood at 22.3% in the index, ahead of China's 21.6%.

Globally, the US Fed rate cut is becoming imminent in September, following Jerome Powell's supportive comments at the Jackson Hole symposium last month and the Federal Reserve's confidence in achieving its 2% inflation target.

Over the past five years, the Nifty-50 has delivered stellar returns at 17% CAGR, supported by equally impressive corporate earnings CAGR of 18%, resulting in an increase in Nifty profits to ₹7.9 lakh crore in FY24 from ₹3.5 lakh crore in FY19. We expect earnings momentum to sustain; with growth expected to be steady at ~15% over FY24-26.

Equity Investment Ideas

Kaynes

CMP: 4,700

TARGET: 6,000

BUY

- Kaynes has setup new manufacturing facility in Hyderabad dedicated to smart meters to meet near-term demand. This facility is expected to generate ₹8bn p.a. by FY26. Recent three partnerships will further strengthen its footprint in the semiconductor.
- Diversification of product portfolio into high-growth segments, along with strategic partnerships, positions Kaynes well within India's decade-long growth story in the EMS sector.
- We expect PAT CAGR of 67% over FY24-FY27.

- LTF has transformed itself into a retail franchise and would continue to deliver a sustained improvement in profitability and RoA expansion.
- Management anticipates further improvement in the rural business trajectory, supported by positive monsoon trends and improvements in rural cashflows.
- We expect total loan CAGR of ~25% and PAT CAGR of 28% over FY24-FY26E, with consolidated RoA/RoE of 2.7%/~14% in FY26E.

L&TFH

CMP: 165

TARGET: 230

BUY

360 One

CMP: 1,090

TARGET: 1,300

BUY

- Wealth management in India is rapidly emerging as one of the fastest-growing segments within the financial services industry, with AUM expanding by 15-20%. Industry AUM is expected to reach \$1.8t over the next 4-5 years.
- 360ONE is looking to diversify its presence in the mass-affluent client seg. & geography (lower tier cities + international regions). Given the growth opportunities & diversification we expect PAT CAGR of 26% over FY24-26.

- CAMS reported strong Q1FY25 results with Revenue/Net profit up 27%/41% YoY respectively. Growth was driven by increase in the share of non-MF business and an improved mix of equity AUM in total MF AUM.
- Management expects 20%+ growth in revenues from non-MF businesses. It expects ~15-20% YoY growth in the AIF segment.
- We believe CAMS deserve a premium given the duopoly nature of the industry and high-entry barriers, relatively low risk of a market share loss, and higher customer ownership compared to AMCs.

Godrej Consumer

CMP: 1,443

TARGET: 1,700

BUY

Technical & Derivatives Outlook



- Nifty index started August on a positive note above 25k marks and after the slip in the first week, it took support at 23900 zones and witnessed a comeback of the bulls in the rest of the month. The last week saw a decisive breakout on the weekly basis and the index went on to touch a fresh all time high of 25268 marks. It gave the highest ever closing and closed near its higher band above 25200 zones. On the sectoral front we have witnessed buying interest in most of the sectorial indices mainly in IT, Pharma, FMCG, Auto, and Energy sector.

- Technically, index has been making higher highs from the last nine months. Nifty has formed a strong Bullish candle on monthly scale and respecting its trend line. Even after the short term profit booking, major trend of the market remains intact to positive and minor dips have been quickly absorbed in. Now till Nifty holds above 25000 zones, we are expecting the bullish trend to extend the move towards 25600 and 26000 zones with immediate support near 24850 and 24600 zones.

Derivative Strategy

NIFTY: Bull Call Butterfly Spread: Sep Series

BUY 1 LOT OF 25200 CALL
 SELL 1 LOT OF 25600 CALL
 SELL 1 LOT OF 25600 CALL
 BUY 1 LOT OF 26000 CALL

Margin Required : Rs.50,000

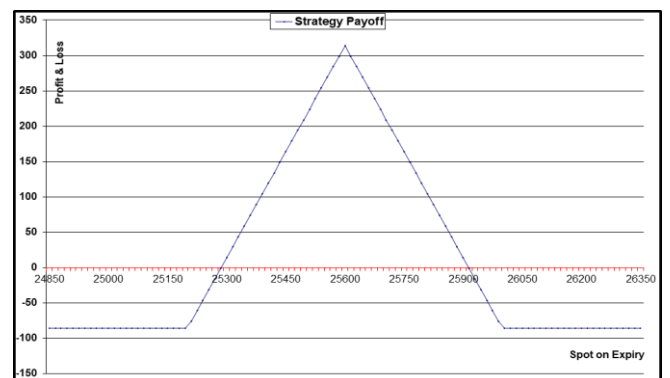
Net Premium Paid : 85 Points (Rs.2125)

Max Risk : 85 Points (Rs.2125)

Max Profit : 315 Points (Rs.7875)

Lot size : 25

Profit if it remains in between 25285 to 25915 zones



Rationale

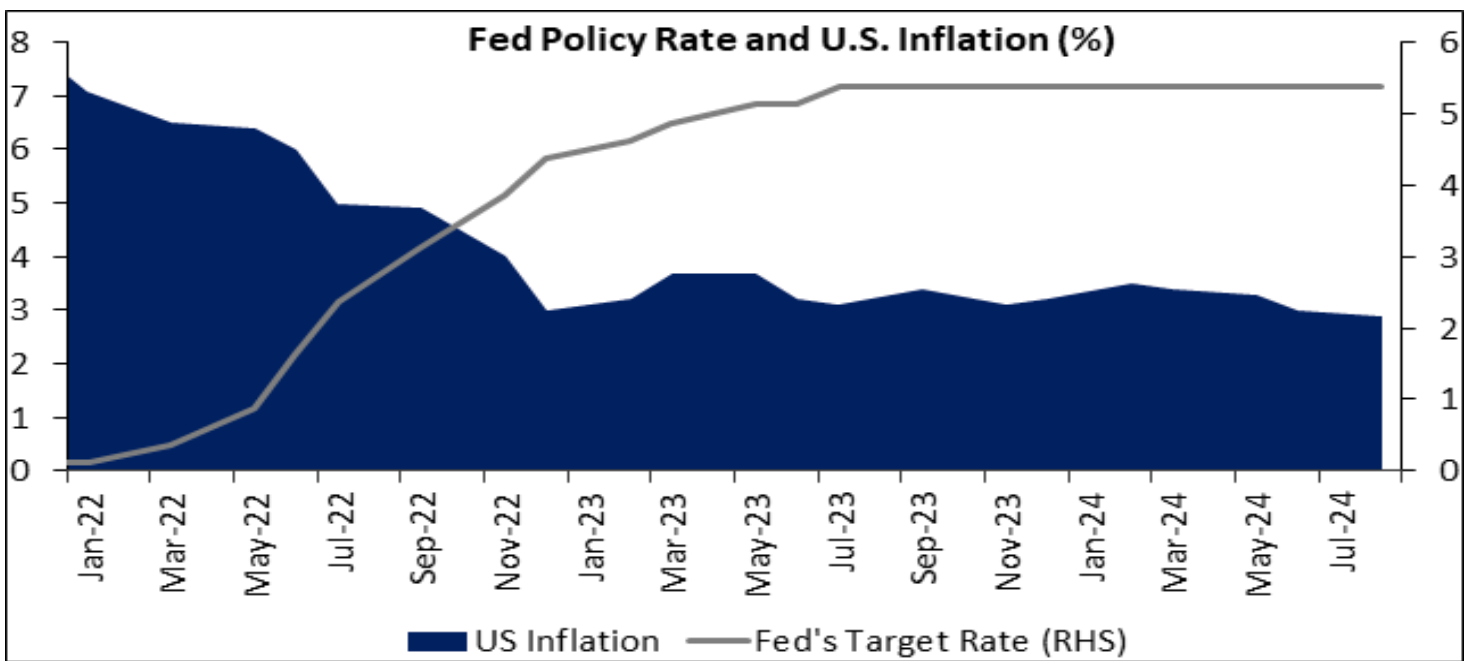
- Nifty index is trading at life time high and likely to scale new record high in coming sessions
- On weekly scale structure of higher highs – higher lows is intact which suggests overall strength
- Call OI is at 26000 then 25500 strike while Put OI is seen at 25000 strike.
- Thus suggesting Bull Call Butterfly Spread to play the upside momentum

Commodities & Currency Outlook

- In August, Gold rose over 2%, while Silver traded volatile in a broad range
- Major factors triggering volatility last month : Jackson Hole Symposium, Fed Rate cut expectations, Escalating geopolitical tensions and economic data points
- Governor Powell hinted at a possible rate cut in September, noting that while inflation is approaching 2% target, focus now is also on the labor market
- Bets for 25bps and 50bps rate cut in September is at ~70% and ~30% respectively
- Economic data was mixed : Jobs, inflation and housing number were weaker but, GDP and consumer spending showed strength
- Domestic prices did see some recovery post 9% duty cut, momentum is still lacking
- Renewed Russia-Ukraine and Israel-Hezbollah tensions are driving safe haven buying in Gold and Silver
- Industrial metals saw sharp recovery, supporting silver prices
- Dollar index hit a 13-month low but, recovered by month end
- Gold/Silver ratio is trading in a range of, 80-90, trying to find a direction
- SPDR and iShares reported inflows over the last two months
- July India imports: Gold: 43.59 tn v/s 62.74 y/y; Silver: 179.49 tn/ 52.74 tn y/y
- Possible demand spike during festive and wedding season could boost sentiment.
- Historically, the heat map shows that Gold and Silver have generally experienced declines in September.
- Looking at current factors, both metals have formed some strong base, however, it could trade in a broad range till we don't get clarity on US interest rates cuts and Geo-political tensions



Commodities & Currency Outlook



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Flexible investment modes with option to choose Lump Sum & SIP



24X7 Portfolio tracking



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Choice to execute advice

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