MOSt Advisor

MOTILAL OSWAL
WEALTH MANAGEMENT

Monthly Market Newsletter

October 2024

Thought for the month

"You have to keep learning if you want to become a great investor. When the world changes, you must change."

Charlie Munger

www.motilaloswal.com

Market Setup

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

Benchmark Indices

Index	Sep 24	MoM(%)	YoY(%)
Sensex	84,299	2.30%	28.10%
Nifty	25,810	2.30%	31.40%

Economic Pulse

Key Indicators	Curr. Month	Prev. Month
IIP	4.80%	4.20%
CPI	3.65%	3.54%

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Key Highlights

- Nifty scales new high for 4th straight month
- US Fed signals change in cycle with a 50bps rate cut
- Key Events: Q2 results, RBI meeting, Festive season

Siddhartha Khemka

Sr. Group Vice President
Head - Retail Research

Equity markets continued their dream run for the fourth consecutive month touching new highs. Nifty surpassed the 26k mark in Sep'24 to hit a record high of 26,277 before ending with gains of +2.3% at 25,811. The rally has been supported by positive domestic cues, healthy FII flows and the start of the rate cut cycle by US Fed.

Broader market ended on a mixed note with Nifty Midcap 100 gaining +1.5% while Smallcap 100 was down -0.7%. FIIs after being net sellers in the secondary market in Aug'24, turned positive in Sept'24 with net buying of ₹15,400 crore. DII inflows continued to remain strong at above ₹31,800 crore.

Advance tax collection surged by 22.6% to ₹4.36 lakh crore in H1FY25 while net direct tax collections rose 16% to ₹9.95 lakh crore, with personal income tax showing significant growth over corporate income tax.

In the much-awaited meeting of the US Federal Reserve, the central bank finally started the rate cut cycle with a 50bps cut, leading to a rally in global as well as domestic equity markets. This raised hopes that other central banks including the RBI may follow suit. Hence, the upcoming RBI policy meeting in Oct will be important as it will provide hints regarding the future direction of interest rates and monetary policy in India.

China's central bank announced stimulus to support the economy, including cutting interest rates and lowering mortgage rates. The central bank cut the reserve ratio by 50bps to boost confidence and ease potential pressures in the market.

India stands strong with the combination of ~7% GDP growth and ~15% Nifty earnings CAGR in FY24-26, while buoyant retail participation may keep sentiments strong. Nifty is currently trading at 21.5x one-year forward P/E, which is just 5% premium to its 10-year average of 20.4x. Hence, we believe that any correction in Indian equities should be an opportunity for long-term investors to accumulate good quality stocks.

Equity Investment Ideas

HCL Tech

CMP : 1,777

TARGET : 2.200

BUY

- Among Tier-I players, we are positive on HCL Tech given its strong capabilities in data engineering, ER&D offering, and ERP modernization, making them well-suited for pre-GenAI spending.
- We expect margins to increase by 30bp QoQ in Q2FY25. due to pyramid gains & release of some productivity commitments.
- We expect HCLtech to retain its FY25 revenue growth guidance of 3-5%.

NMDC

CMP : 228

TARGET : 280

BUY

- With global rate cuts underway & China's bold stimuli to boost the economy, the metals sector is expected to benefit from improving demand.
- Global Iron ore prices seem to have bottomed out which could improve avg. selling price (ASP) for NMDC in 2HFY25.
- Management has guided for 100mt production by 2030 & remains on track to achieve 50mt in FY25.
- We are positive on NMDC given the robust demand outlook led by the government's infra push & ramp-up in production.

Aditya Birla Cap

CMP : 225

TARGET : 270

BUY

- ABCAP continued to exhibit an improvement in operational metrics in 1QFY25 & the remaining quarters of FY25 are likely to see an uptick in growth, lower credit costs, and better return ratios.
- We expect a consolidated PAT CAGR of ~31% over FY24-26E.
- The thrust on cross-selling, investments in digital, and leveraging 'One ABC' should lead to healthy return ratios, with consolidated RoE of ~14% in FY26.

Gravita

CMP: 2259

TARGET: 2,900

BUY

- Gravita, one of the largest recycling companies in India, is well-positioned to benefit from strong industry tailwinds and healthy traction within the sector.
- The recent favorable regulatory changes implemented for lead acid batteries & RCM on metal scrap, will provide huge boost for the organized recycling industry players.
- The strong geographical and product portfolio expansion will be its key growth lever going forward. We expect a revenue/PAT CAGR of 30%/34% over FY24-27.

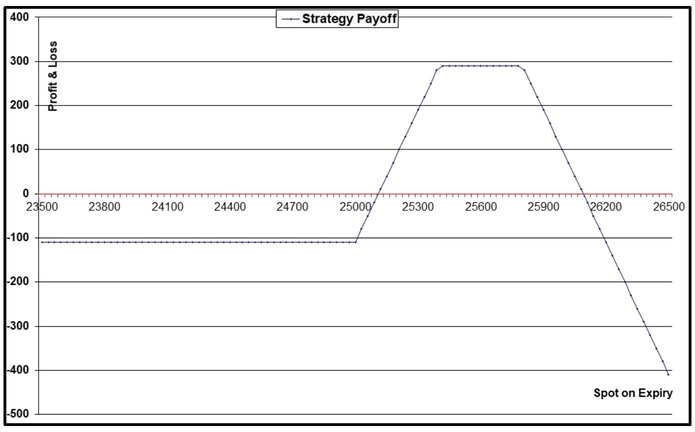
Technical & Derivatives Outlook

- Nifty index started the September month on a positive note and after the initial dip in the first week, it witnessed a movement of more than 1500 points to touch a fresh all time high of 26277 zones. It remained volatile in the last two weeks and lost all its gain of the previous month by correcting from 26277 to 24700 zones. It witnessed a volatile swings in last five weeks as rallied by 1500 points followed by a sharp corrective move of more than 1600 points.
- Technically, index has been making higher highs from the last ten months and continued its winning streak for fourth consecutive months. It formed a Bullish candle with shadows on either sides on monthly scale but formed a Bearish weekly candle at the start of new month which deteriorated the bullish momentum. Geopolitical tensions and Middle East concerns pulled the index lower towards the end.
- Nifty has been forming lower high - lower low on daily scale from last four trading sessions and slipped below its 50 DEMA with negative crossover of Relative strength index (RSI). Nifty had rallied by around 5000 points from the bottom of 21281 made on 04th June 2024 to its recent high of 26277 zones and 38.20% retracement of the entire move comes at 24400 zones which is meaningful support for the index to hold the recent price decline. Now till index holds below 25250 zones, upside could be capped with downside support towards 24400 zones while on the upside immediate hurdles are seen at 25250 and 25550 levels.

Derivative Strategy

NIFTY: Bull Call Butterfly Spread: Oct Series
BUY 1 LOT OF 25000 CALL
SELL 1 LOT OF 25400 CALL
SELL 1 LOT OF 25800 CALL

Margin Required : Rs. 60,000*
Net Premium Paid : 110 Points (Rs.2750)
Risk Scenario 1 : 110 Points (Rs.2750)
Risk Scenario 2 : Unlimited risk above 26090 levels
Max Profit: 290 Points (Rs.7250)
Lot size : 25
Profit if it remains in between 25110 to 26090 zones



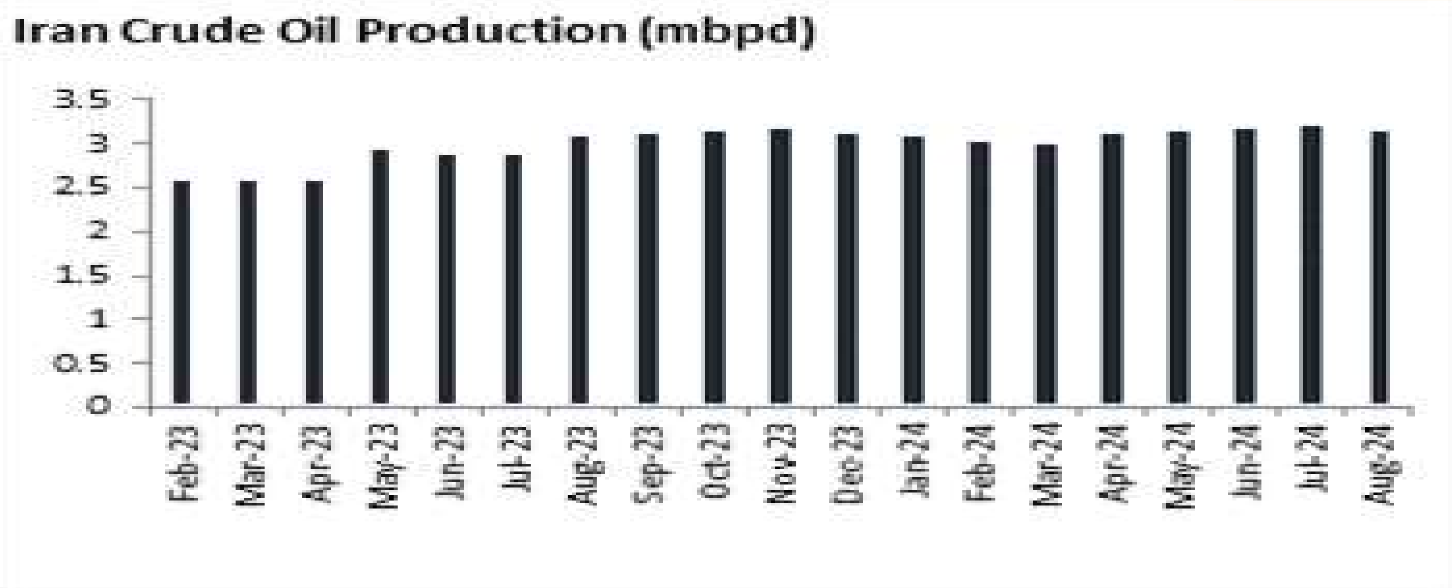
Rationale

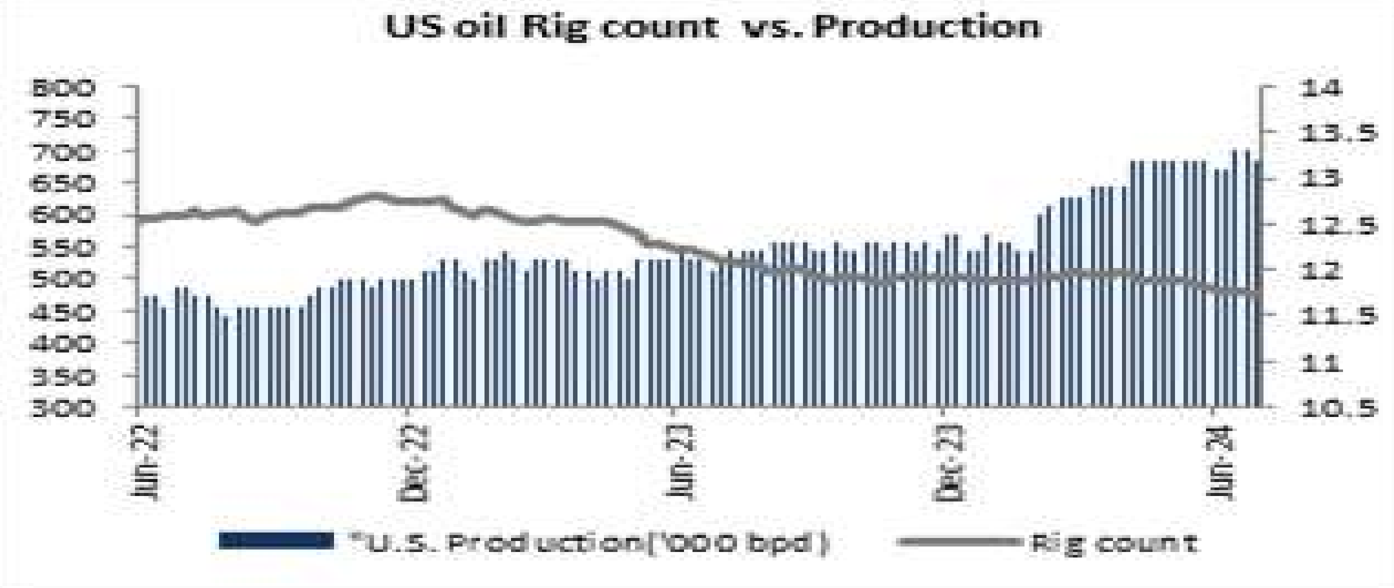
- Nifty Index corrected sharply by more than 1500 points from 26277 to 24700 zones and now oversold scenario could get some support based buying interest
- On Monthly scale Index is forming higher base and bigger trend is positive which suggests that any meaningful declines could be bought
- Multiple support near 24500 zones could hold while a move beyond 25000 could trigger a short covering spike
- Thus suggesting Bull Call Ladder Spread to play the upside move but with capped upside

Commodities & Currency Outlook

- Crude oil prices were volatile last month due to a mix of geopolitical tensions in the Middle East, supply disruptions, central bank policies, and global economic conditions.
- The escalation of conflict between Iran and Israel kept geopolitical risks in focus, causing temporary price spikes, though a significant long-term impact remains unlikely without major escalation.
- The slowdown in Chinese demand has raised concerns, particularly in the context of fears about an oil oversupply.
- The recent 50 basis point rate cut by the U.S. Federal Reserve boosted optimism for crude oil demand by lowering borrowing costs and stimulating economic activity.
- Growing U.S. government debt and economic downturn risks may push the Fed to continue cutting rates throughout the rest of the year.
- Iran could retaliate by disrupting oil flow through the Strait of Hormuz, the world's most critical oil chokepoint. This channel, just 21 miles wide at its narrowest point, is essential for transporting oil from the Persian Gulf to global markets.
- Any disruption in the Strait of Hormuz could push oil prices above $100 per barrel, significantly affecting global energy markets.
- A spike in oil prices could lead to higher gasoline prices just before the U.S. election, unsettling consumers and businesses and raising concerns about global economic stability.
- OPEC members and other producers could eventually compensate for the lost supply, but this would take time.
- The U.S. Strategic Petroleum Reserve (SPR) remains a critical emergency oil supply, having been previously tapped extensively by President Biden.
- Any disruption exceeding 6 Mbpd of supply would push prices to $92 per barrel and ₹7,600 on MCX, given the limited spare capacity of 6 Mbpd available to offset potential supply shortages.

Commodities & Currency Outlook





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- Option to choose from Dynamic or Static portfolios
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