

Monthly Market

Newsletter

December 2024

Thought for the month

“Stock prices are slaves to earning in the long run. If a business does well, the stock eventually follows.”

Warren Buffett



Market Setup

- Market Outlook
- Equity Investment Ideas
- Technical & Derivatives Outlook
- Commodities Market Outlook
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Benchmark Indices

Index	Nov 24	MoM(%)	YoY(%)
Sensex	79,802	0.5%	19.1%
Nifty	24,131	-0.3%	19.9%

Economic Pulse

Key Indicators	Curr. Month	Prev. Month
IIP	3.10%	-0.10%
CPI	6.21%	5.49%

Key Highlights

- Nifty consolidates, while mid/small caps outperform
- India GDP growth at 7-quarter low, Inflation at 14 months high
- RBI maintains repo, cuts CRR by 50bps



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Sr. Group Vice President
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Equity markets took a breather in November after the sharp fall witnessed in Oct'24. Nifty recovered by 3.7% from its November lows to close with marginal loss of -0.3% at 24,131. This was largely supported by the positive sentiments after the strong performance by BJP in several state elections, Trump Victory in US, and slowdown in the FII selling intensity.

Broader market too witnessed recovery marginally outperforming the large caps, with Nifty Midcap 100 gaining +0.5% while Smallcap 100 up +0.3% during November.

FII recorded their 2nd consecutive month of outflows at ₹45,974 crore – down from the record ₹1.14 lakh crore sold in the previous month. DII inflows remained strong at ₹44,484 crore.

On the macro front, India's real GDP grew at 5.4% in 2QFY25 – slowest pace in last seven quarters – largely due to slowdown in investments (GFCF) and private consumption. On the other side, India's retail inflation reached 6.2% in October, indicating persistent price pressures across sectors.

RBI in its policy meeting in first week of Dec'24, reduced the Cash Reserve Ratio (CRR) by 50 bps to 4%; in-line with market expectation. This move is expected to enhance liquidity in the financial system, support credit growth and aid economic recovery. The repo rate was maintained at 6.5%, showcasing a balanced approach to managing inflation while fostering growth.

Globally, US equities reached new highs with Dow Jones crossing 45,000 mark for the first time. Federal Reserve Chair Jerome Powell's remarks that the economy was strong enough for the central bank to proceed cautiously with rate cuts helped support market sentiments.

Indian equities have corrected by ~10% from their peak over Sep-Nov'24, due to factors including moderation in earnings, FII selling, fragile geopolitical environment and strengthening dollar index. Post this, Nifty valuation has cooled off to 19.5x FY26 PE. Even FIIs have turned positive at the start of Dec. Hence, we expect the market to witness gradual recovery, driven by potential increase in liquidity post RBI's CRR cut, positive news flows around government policies and return of FII inflows.

Equity Investment Ideas

SBI

CMP : 868

TARGET : 1,000

BUY

- SBI plans to open 500 new branches in FY25 and deploy \$1.5 billion in international operations, enhancing domestic & global outreach with robust growth initiatives.
- Credit growth is anticipated at 14-15%, while deposit growth is expected to surpass 10%, driven by focused deposit mobilization, with emphasis shifting to SA growth.
- SBI maintains robust guidance with RoA at 1%, credit costs at 0.5%, and contained slippages, highlighting strong risk management and growth potential for FY25 and beyond.

- LODHA aims to capitalize on premiumization trends and expanding geographic presence. The company's medium-term goal to achieve 20% ROE is supported by ongoing inventory and strategic launches.
- Expansion into Bangalore and ongoing developments in Palava further diversify its portfolio, while debt remains low despite investments in land and joint ventures.
- LODHA's consistent execution and cash flows, along with its strategy for long-term rental income, position it well to capitalize on growth and consolidation in the sector.

LODHA

CMP : 1,401

TARGET : 1568

BUY

ZOMATO

CMP : 296

TARGET : 330

BUY

- Zomato's food delivery business is stable, and Blinkit offers a generational opportunity to participate in the fast growing quick commerce industry.
- Blinkit continues to lead the quick commerce market with GOV up 25% QoQ/120% YoY. For 2HFY25, we expect revenue/ adj. EBITDA to grow by 68.5%/123.0% YoY.
- Zomato recently raised ₹8,500 cr via QIP to invest in Blinkit for marketing, scaling operations, and expanding its dark store network, targeting 1,000 stores by FY25 to solidify its leadership in quick commerce.

- Bharat Electronics (BEL) posted strong 2QFY25 results, with Revenue/ PAT up 15%/34% YoY, backed by a solid order book of INR746bn including defense contracts from AVNL & AMC of the Akash Missile System.
- BEL is well-positioned for growth with upcoming defense & non-defense orders, with focus on areas like naval, Electronic Warfare, artillery systems, kavach, exports etc.
- We expect BHE's revenue to grow at 19% CAGR over FY24-27, driven by improved market share on account of enhanced wallet share & improved indigenized offerings.

BEL

CMP: 315

TARGET: 360

BUY



Technical & Derivatives Outlook



- Nifty index started November on a positive note but slipped for most part of the month and witnessed recovery towards the end. It dropped by 1270 points from its highs with some respite towards the end and managed to close above 24000 zones. On the sectoral front we have witnessed buying interest in IT and Banking names while weakness in Energy, Metal, Auto, FMCG sector.
- Technically, index is respecting its upwards sloping channel on monthly scale connecting the swing lows of 7511, 15183, 16828, 18837 and 21281 zones. Nifty has formed a Doji sort of candle with longer lower shadow indicating support based buying is intact. Domestically, concerns mounted due to continuous selling by the FIIs. Now Nifty needs to hold 24000 zones, for a bounce towards 24750 and 25250 zones while immediate support exists at 23500 and 23300 zones.

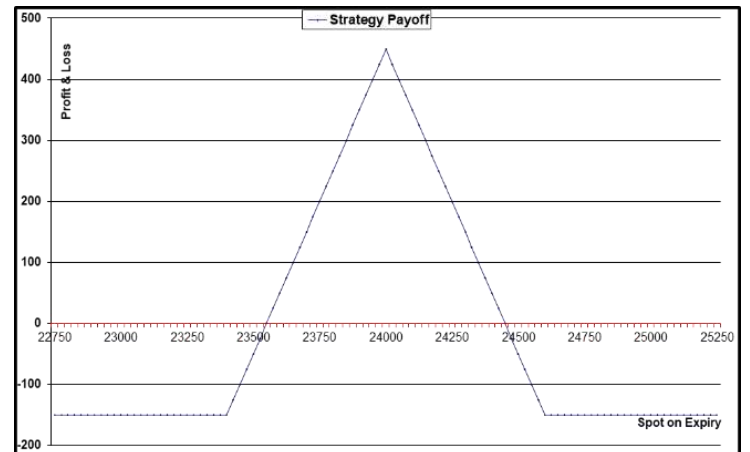
Derivative Strategy

NIFTY: Iron Butterfly spread : Dec Series

- SELL 1 LOT OF 24000 CALL
- SELL 1 LOT OF 24000 PUT
- BUY 1 LOT OF 24600 CALL
- BUY 1 LOT OF 23400 PUT

Margin Required : Rs.30,000
Net Premium Received : 450 Points (Rs.11250)
Max Risk : 150 Points (Rs.3750)
Max Profit : 450 Points (Rs.11250)
Lot size : 25

Profit if it remains in between 23550 to 24450 zones



Rationale

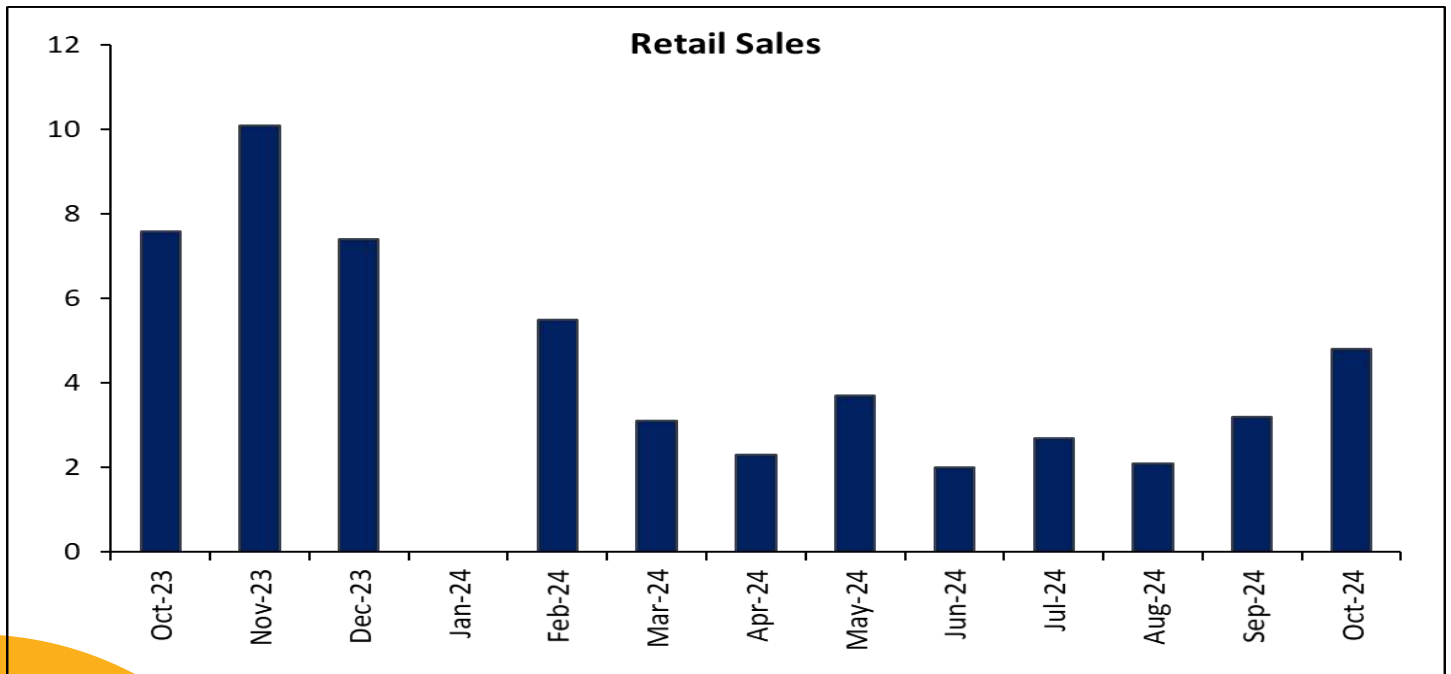
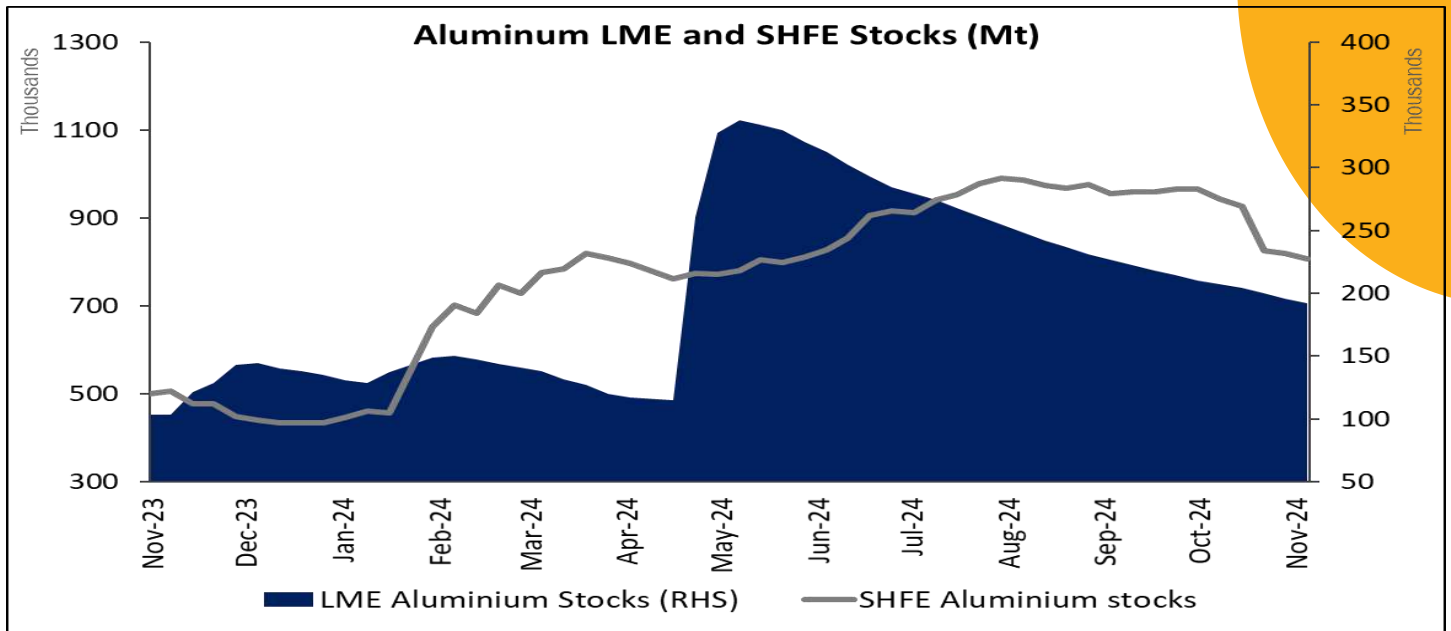
- Nifty index has negated the formation of lower highs on weekly scale after nine weeks and formed a small bodied candle.
- On daily scale Index got stuck in between 50DEMA and 200 DEMA from last few sessions and likely to consolidate in wider range.
- Call OI is at 24500 strike while Put OI is at 23500 strike which suggests broader range for the month.
- Thus suggesting Iron Butterfly spread to get the benefit of time decay due to limited downside and restricted upside

Commodities & Currency Outlook

- Amidst all the chaos, aluminium closed in the green
- Support came from supply tightness, higher Alumina prices along with export tax rebate cancellation by China
- China cancelled export tax rebate on aluminium and copper products, starting 1st December
- This will make Chinese aluminium more expensive on international market leading to reduction in export volumes
- Outbound shipments of semi-manufactured products grew 17% in the first nine months of 2024
- Rusal announced a reduction of 6% or 250,000 tons production citing higher raw material prices amidst supply disruption in Australia, Guinea and Brazil
- Gains were capped on likely tariff imposition by US President Elect Trump, seeking to impose 25% tariff on Canadian and Mexico goods and additional 10% on China
- Rio Tinto withdrew the force majeure on alumina exports from Australian refineries, alleviating some supply concerns
- On data front, retail sales in China rebounded to 4.8% YoY, up from 3.2% YoY
- Cancellation of export tax rebates for aluminum negatively impacts medium term aluminum demand, while soaring raw material prices may provide some support.



Commodities & Currency Outlook



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