MOSt Advisor

MOTILAL OSWAL
WEALTH MANAGEMENT

Monthly Market Newsletter

January 2025

Thought for the month

"The intelligent investor should recognise that market panics can create great prices for good companies and good prices for great companies."

Benjamin Graham

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Market Setup

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

Benchmark Indices

Index	Dec 24	MoM(%)	YoY(%)
Sensex	78,139	-2.1%	8.2%
Nifty	23,644	-2.0%	8.8%

Economic Pulse

Key Indicators	Curr. Month	Prev. Month
IIP	3.50%	3.10%
CPI	5.48%	6.21%

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MOTILAL OSWAL WEALTH MANAGEMENT

Key Highlights

- Nifty ends 2024 with 9% gains – 9th straight year of gains
- India GDP growth projected at 6.4% in FY25
- Key Events: Q3 earnings, Trump Presidency, Union Budget

Siddhartha Khemka

Sr. Group Vice President
Head - Retail Research

Equity markets ended 2024 on a positive note, with Nifty gains of 8.8% - its 9th consecutive year of positive returns. The last three years have been remarkable, as domestic markets have navigated through global hurdles, all while facing significant selling from FIIs. Mid & Smallcaps both have outperformed in 2024 with gains of 24% each.

2025 is likely to start on a consolidation mode, while a recovery could take place in the second half. The start of rate cut cycle by RBI, ongoing US rate cut trend, and the global policy post Donald Trump taking over as US President in Jan'25 would influence the market direction. Additionally, the Union Budget in Feb'25 will offer important insights over the government spending trends. With a fragile global economic environment, mixed macroeconomic factors at home, and the spread of a new virus in China (HMPV), the market is expected to remain in consolidation mode in the near term.

Nifty climbed to an all-time high of 26,277 in September 2024 led by continued market momentum and strong domestic flows. However, it subsequently corrected by almost 11% from this peak. This led the Nifty valuation to drop to ~19.5x 1-year forward P/E, below its 10-year average of 20.5x. We expect earnings to gain momentum from H2, and deliver a 16% growth in FY26 after a subdued 5% growth in FY25.

Moreover, the market correction and the moderation in valuations offer an opportunity to add selective bottom-up stock ideas. We remain optimistic about the long-term trend, given the strength of corporate India's balance sheets and the prospects for robust, profitable growth.

In terms of sectors, we are positive on BFSI supported by comfortable valuations and improving business growth. We expect a revival in the export sectors (IT, Pharma) with the INR hitting an all time low and demand recovery in key regions. Consumer discretionary segments like jewellery, real estate and travel & tourism are likely to see sustained spending. Niche themes like Capital Market, EMS, Digital e-commerce would continue to report strong earnings growth.

Equity Investment Ideas

HCL Tech

CMP : 1,932

TARGET : 2,400

BUY

- HCLT anticipates 3.7% QoQ CC growth, supported by seasonal tailwinds, strong deal wins, and maintaining FY25 growth guidance of 3.5%-5%.
- Strategic investments in GenAI and data/SAP modernization position HCLT for recovery, with an expected USD revenue CAGR of 8.4% over FY25-27
- Margins are set to improve by 50bps QoQ, with further expansion to 18.9% by FY26, driven by operational efficiencies and software growth.

IPCA Labs

CMP : 1,694

TARGET : 1970

BUY

- IPCA is poised for a strong turnaround, driven by a revival in its US business through new product launches, stable pricing, and the integration of Unichem.
- Its ex-US markets, including Australia, New Zealand, and Europe, are set to grow with enhanced offerings. Domestically, the company is expanding into fast-growing therapies like cosmeto-dermatology and orthopedics, while improving MR productivity.
- Unichem synergies, operational efficiency, and a strong domestic formulation business are expected to drive a 27% earnings CAGR and ~16% return ratio over FY24-27.

Max Health

CMP : 1,203

TARGET : 1,380

BUY

- Max Healthcare plans to increase its total bed capacity by 84% (3,332 beds) by FY27 through INR73b capex, with 70% brownfield expansion ensuring efficient utilization of existing infrastructure.
- Beyond FY27, it aims to add ~4,500 beds to increase its capacity to over 11,000 beds, ensuring sustained growth, scale advantages, & robust long-term profitability through strategic expansions.
- We expect revenue/EBITDA/PAT CAGR of 18.4%/16.2%/20.5% over FY25-27, driven by brownfield expansions, enhanced operating leverage, and quicker EBITDA breakeven for new beds.

Anant Raj

CMP: 935

TARGET: 1,100

BUY

- Anant Raj is diversifying into high-growth data centres & higher-margin cloud services (IaaS) through partnership with Orange. Cloud capacity is projected to rise to 25% by FY32 enhancing profitability.
- Residential seg. remains strong, with 14msf of deliveries expected by FY30, generating a cumulative NOPAT of INR85.1b. Robust pre-sales, collections, and operational cash flows is expected to drive growth.
- It's shift to data centres leverages India's digital transformation & data localization trends. With 300MW capacity planned over the next 4-5 years, ARCP aims to enhance execution speed & cost efficiency.

Technical & Derivatives Outlook

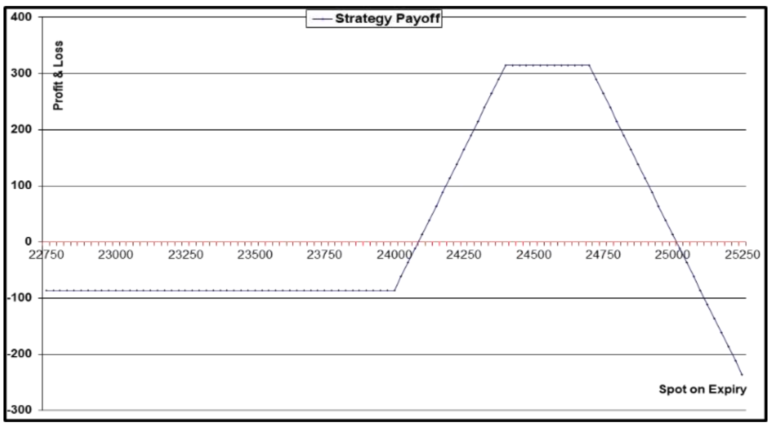
- Nifty index started December on a flattish note and buying interest was seen for 24850 zones but witnessed some profit booking thereafter. It fell steeply by 1320 points followed by some stability towards the end of the month. On the sectoral front we have witnessed buying interest in Pharma, Realty and IT names while weakness in Energy, Metal, CPSE and 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 bearish candle with longer upper shadow indicating pressure at higher zones. Now Nifty has to hold above 24000 zones for bounce towards 24800 and 25200 zones with immediate support near 23750 and 23450 zones.

Derivative Strategy

NIFTY: Iron Butterfly spread : Dec Series

BUY 1 LOT OF 24000 CALL
SELL 1 LOT OF 24400 CALL
SELL 1 LOT OF 24700 CALL



Margin Required : Rs.60,000
Net Premium Paid : 90 Points (Rs.2250)
Risk Scenario 1 : 90 Points (Rs.2250)
Risk Scenario 2 : Unlimited risk above 25010 levels
Max Profit: 310 Points (Rs.7750)
Lot size : 25
Profit if it remains in between 24090 to 25010 zones

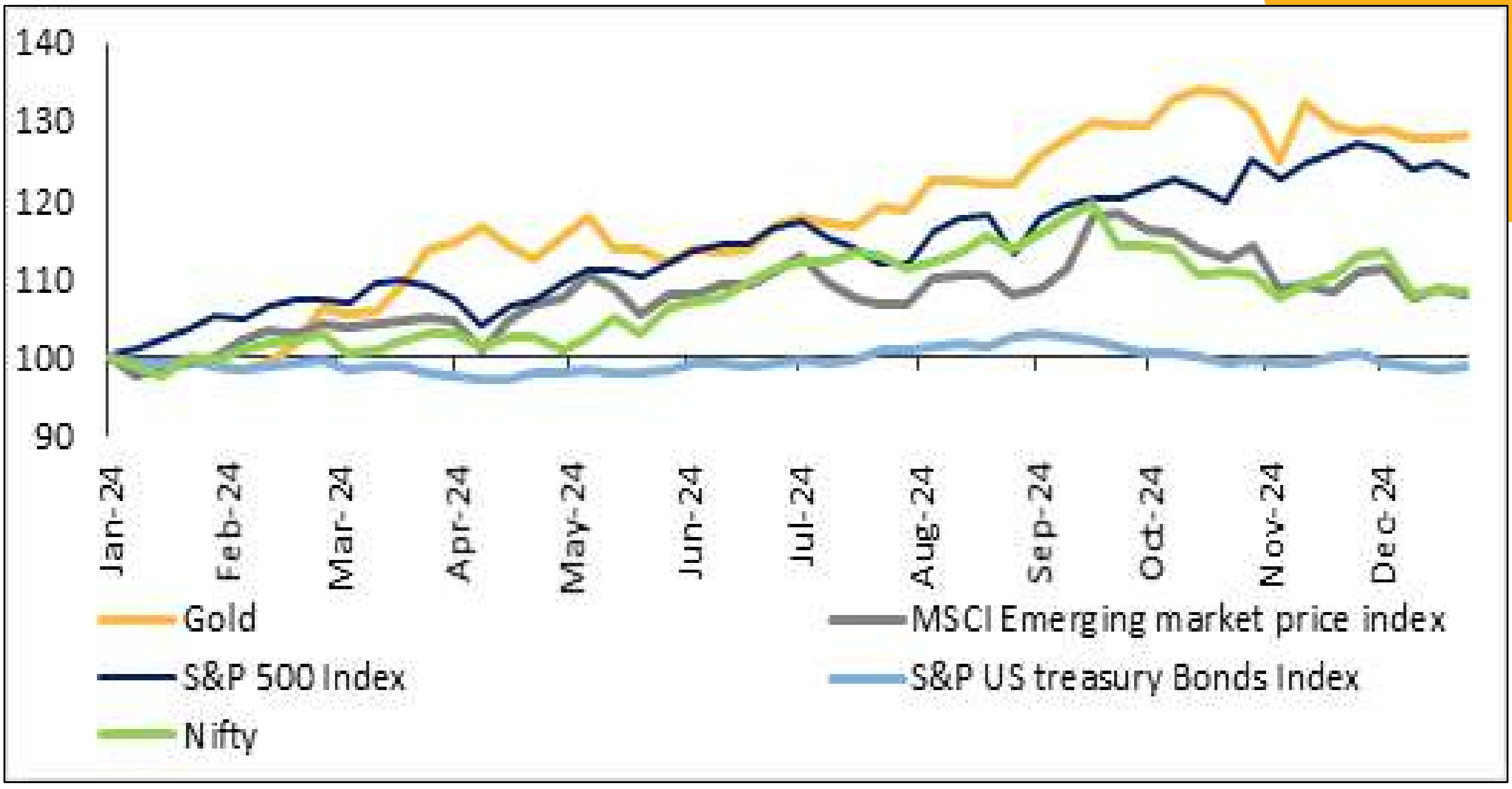
Rationale

- Nifty index is consolidating on weekly scale from last few weeks as it got stuck in wider range.
- On weekly scale multiple supports are intact at lower zones but selling pressure is seen at higher zones which suggests capped upside
- Call OI is at 24000 then 24500 strike while Put OI is seen at 23500 strike.
- Thus suggesting Bull Call Ladder Spread to play the upside swing but with capped upside

Commodities & Currency Outlook

- Gold marked an all-time high in 2024, posting gains of ~27% in 2024 on COMEX.
- Bullions role as a geopolitical hedge significantly boosted its performance.
- In 2024, the US Fed cut rates by 100bps but maintained a cautious stance, limiting gold's upside
- The Fed is expected to cut rates by another 100bps in 2025, with inflation softening yet staying above target.
- Higher rates from a policy reversal could challenge gold prices.
- Despite volatility, the dollar index found support later in the year as a safe-haven currency.
- Central bank and investor purchases balanced out weaker consumer demand
- Trade wars, inflationary pressures, and risk-on flows may change growth outlook.
- Slower growth forecasts may provide a price floor, reinforcing gold's resilience
- Domestic Gold imports and ETF flows were significant in 2024, similar trend next could continue to support market sentiment
- SPDR holdings also witnessed inflow towards the end of last year.
- Trump's potential second term poses key uncertainties for global growth, influencing gold prices.
- If growth meets expectations, gold may trade within the late-2024 range, with potential for upside.
- Lower rates or heightened geopolitical risks will likely enhance gold's performance.
- Stronger central bank demand or worsening financial conditions could drive further upside for gold.
- Gold prices may see directional cues in Q1 2025 following Trump's inauguration, providing accumulation opportunities
- We could witness lot of 'if's' and 'but's' providing higher swings this year, with second half possibly becoming more actionable for bullion
- A "buy on dips" strategy is recommended to capitalize on potential price fluctuations from a longer term perspective.
- Click on the link to view our detailed Review 2024-Preview 2025, annual report: https://ftp.motilaloswal.com/emailer/commodity/Review'24 Preview'25.pdf

Commodities & Currency Outlook



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