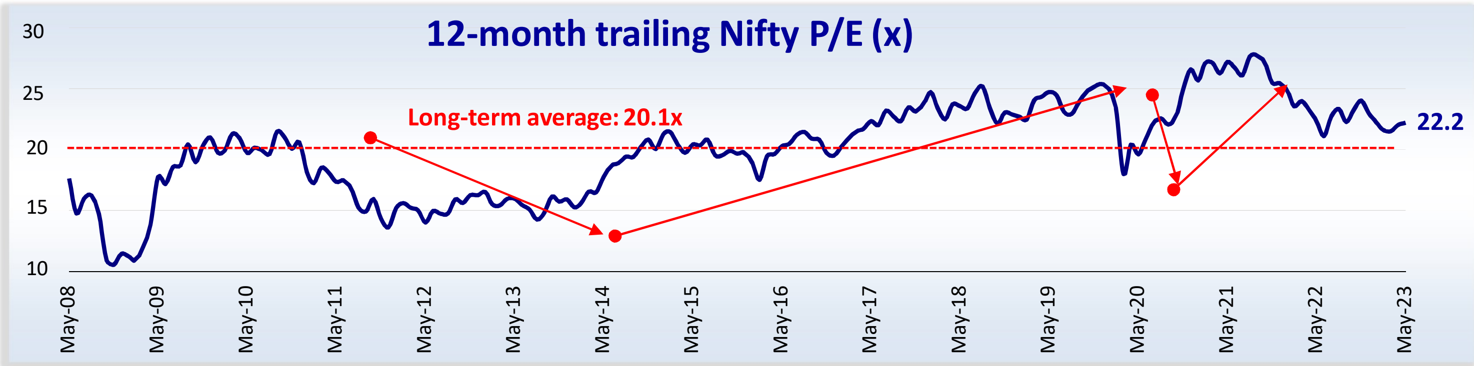
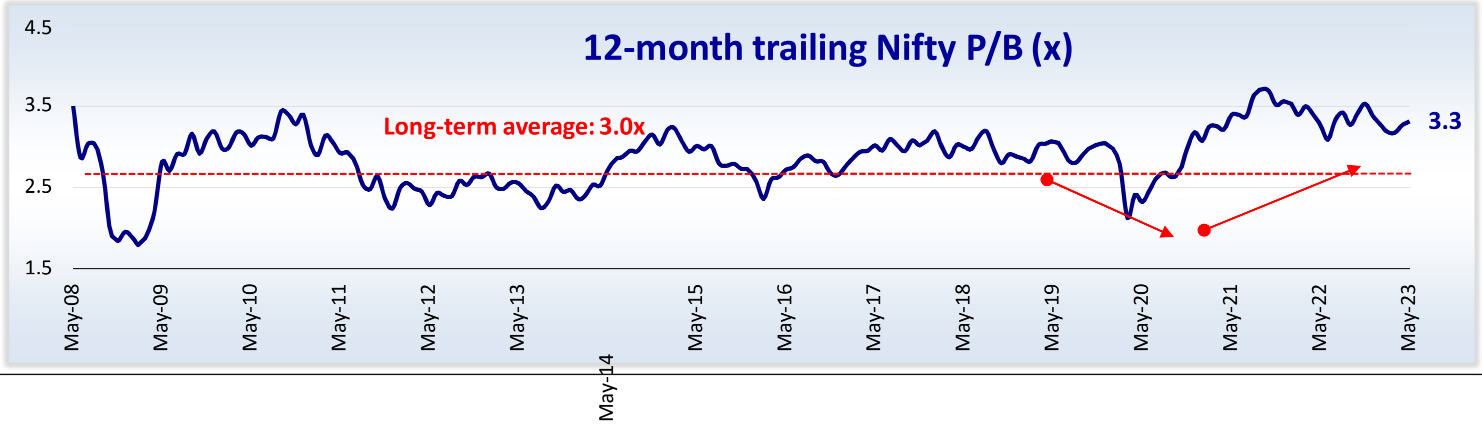
Market Update June-2023

presented by **Bhavya Sharma**
B.Com, M.Com, CFP

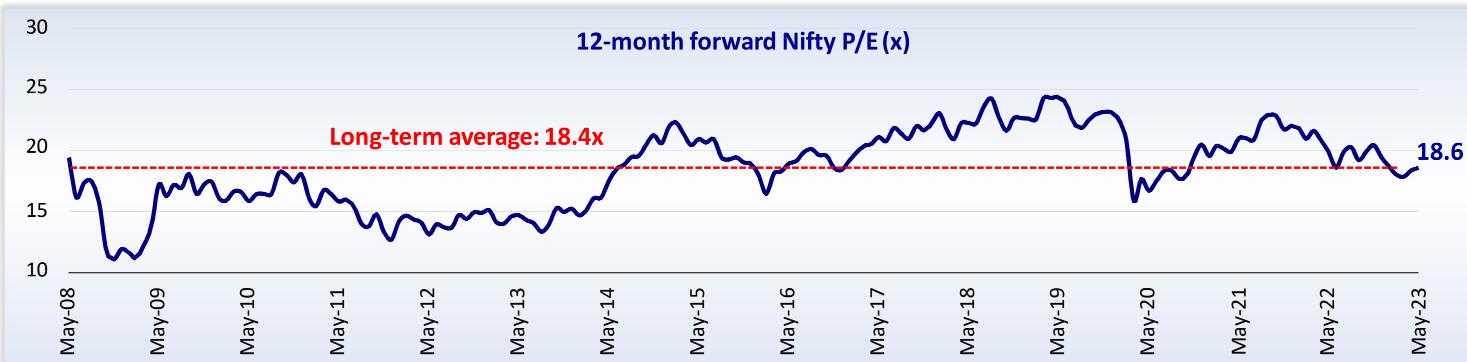
Nifty Valuation: 12 month trailing P/E above it's long period average

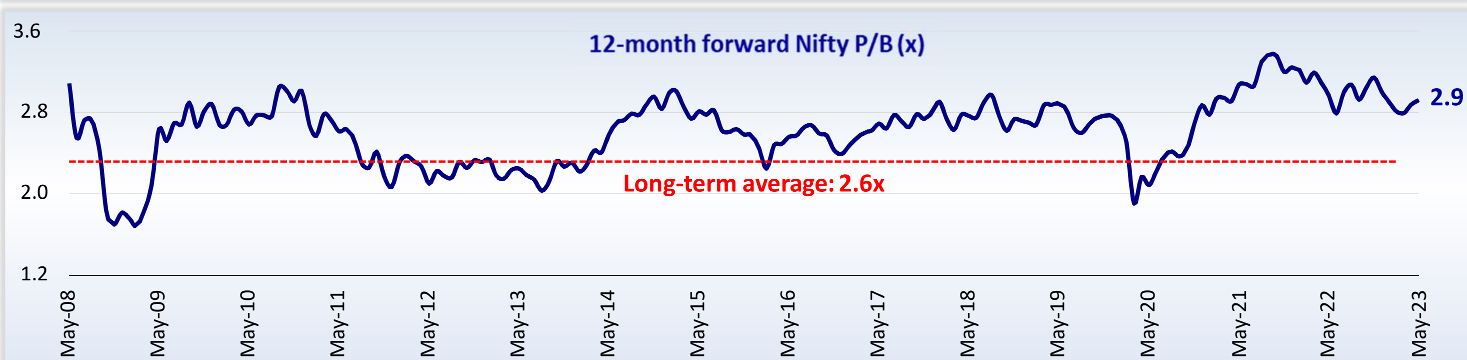




- The 12-month trailing P/E for the Nifty stood at 22.2x, at 10% premium to its LPA historic average of 20.1x.
- At 3.3x, the 12-month trailing P/B was 15% above its historical average of 3.0x.

Nifty Valuation: 12 month forward P/E close to it's long period average





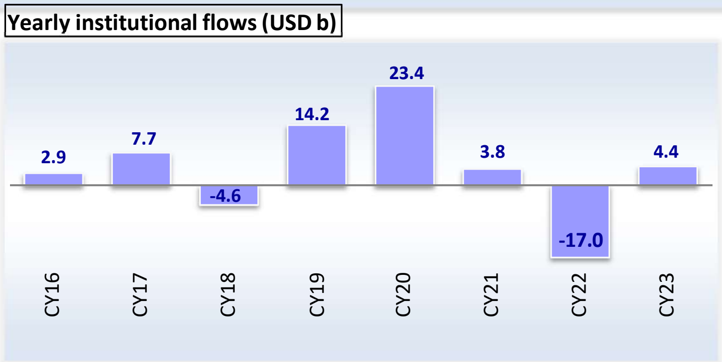
- Nifty's 12-month forward P/E near its LPA and is trading at 18.6x
- At 2.9x, the 12-month forward P/B was at a premium of 11% to the Nifty's historical average of 2.6x.

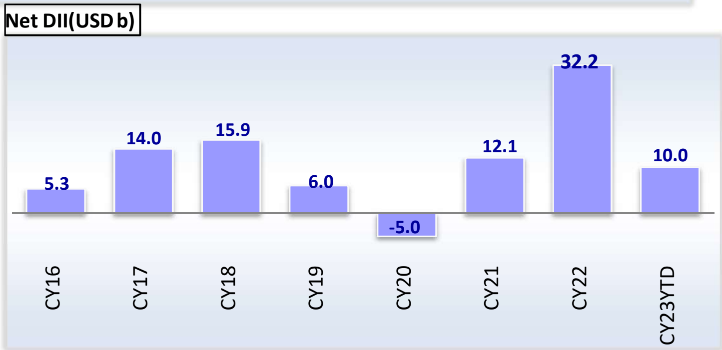
Nifty 50 Index: Trading above it's Long Period Moving Average. Immediate support around 17-17700 levels.

Looking at technical Graph of Nifty 50 Index and Volatility Index: Minor correction in market may happen between June – September 2023. Support for Nifty 50 is around 17-17700 levels. CMP is 18600.

Best and worst performer (June22-May23): Global Market FII and DII flow (2016-May23)

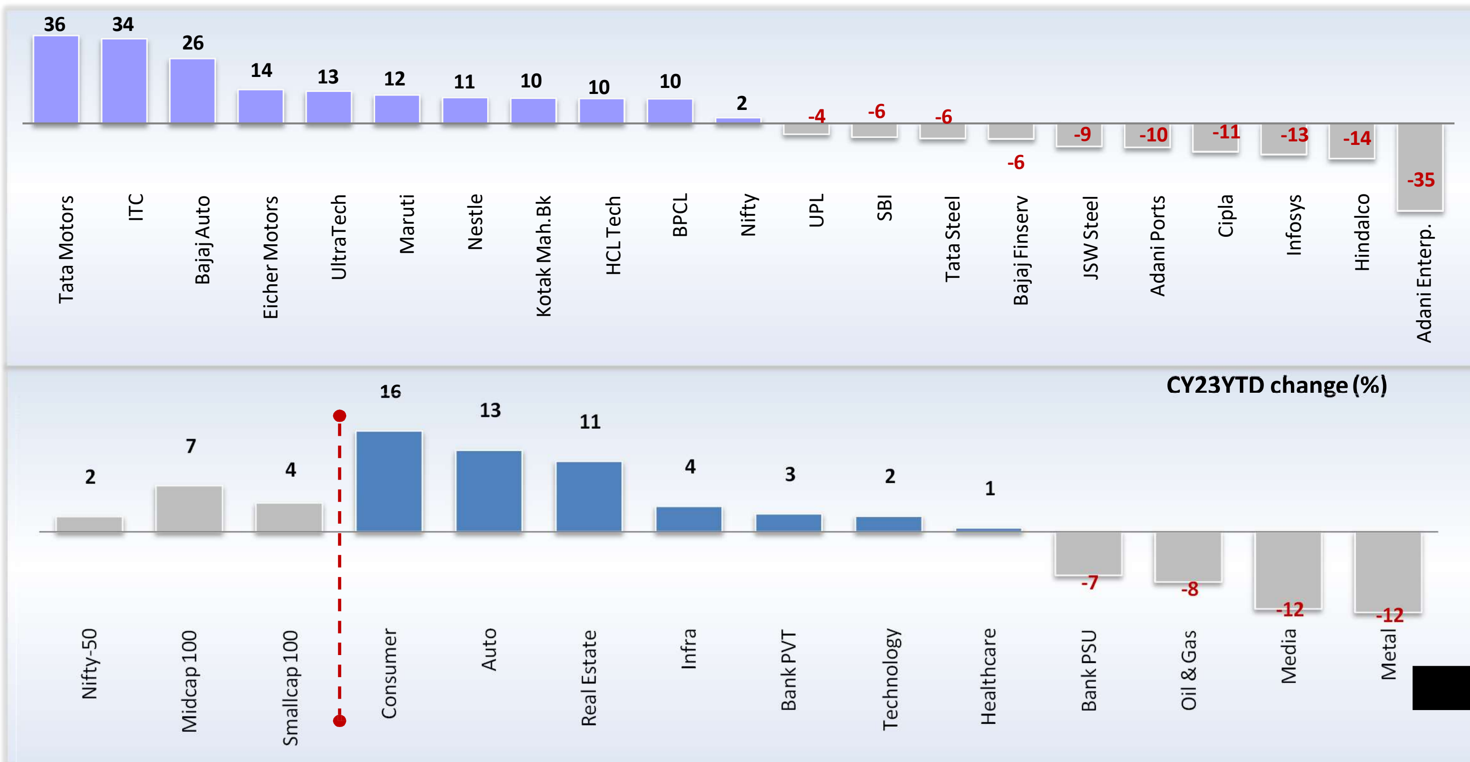
CY23YTD performance of global equity indices in USD terms (%)





- FII flows gained strength after six months at USD5b in May'23. FIIs turned net buyers in CY23YTD.
- DIIs remained net sellers with an outflow of INR0.4b in May'23. DII inflows stood at USD10b in CY23YTD.
- DII flows into equities in CY22 were the highest ever at USD32.2b, while FII outflows stood at USD17b.

Best and Worst performers (June 22-May23): sectors and stocks



Best and worst Nifty performers CY23YTD (%) –TATA Motors and ITC gained the most, while Adani Enterprises and Hindalco were the key laggards

Sectoral performance CY23 YTD(%): Consumers and Auto were the top gainers; Global commodities and Media were the key laggards

Time to build allocation in Metals-Oil & Gas (energy)-PSU Banks-IT-Pharma-Media

Nifty Indices: Valuation comparison at a glance

Time to build allocation in Metals-Oil & Gas (energy)-PSU Banks-IT-Pharma-Media

Indices	Nifty	Nifty 500	Nifty Midcap 100	Nifty Smallcap 100	Nifty Auto	Nifty BANK	Nifty FMCG	Nifty IT	Nifty Metal	Nifty Energy
May'23 closing	18,534	15,766	33,761	10,166	14,199	44,128	51,043	29,320	5,890	23,876
FY23 YoY change (%)	11.8	11.7	19.3	10.4	22.5	24.3	31.8	-1.2	10.5	-6.9
Net Margin (%)	10.4	9.1	7.8	8.2	4.5	15.1	17.4	14.1	6.3	6.0
P/E (12 month trail)	22.2	23.2	23.0	18.7	39.1	17.0	47.7	25.2	12.1	10.9
P/E (12 month fwd)	19.6	20.9	23.9	15.7	23.3	15.3	41.2	23.1	11.2	10.6
P/B (12 month trail)	3.3	3.3	2.8	2.8	4.8	2.3	11.6	6.4	1.8	1.7
P/B (12 month fwd)	3.0	3.1	3.0	2.2	3.6	2.2	10.3	5.8	1.4	1.4
Price / cash flow	23.9	27.9	40.1	40.1	36.0	-	43.8	23.7	7.9	6.7
Price / Sales	2.3	2.1	1.8	1.5	1.6	2.5	8.1	3.6	0.8	0.7
RoE (%)	15.2	14.5	12.7	14.2	15.9	12.2	25.0	24.8	10.3	13.1
RoA (%)	3.9	3.2	-0.6	3.2	6.7	-	24.6	17.9	6.4	6.2
Dividend Yield (%)	1.5	1.4	1.4	1.3	0.9	0.8	1.8	2.6	4.3	3.4

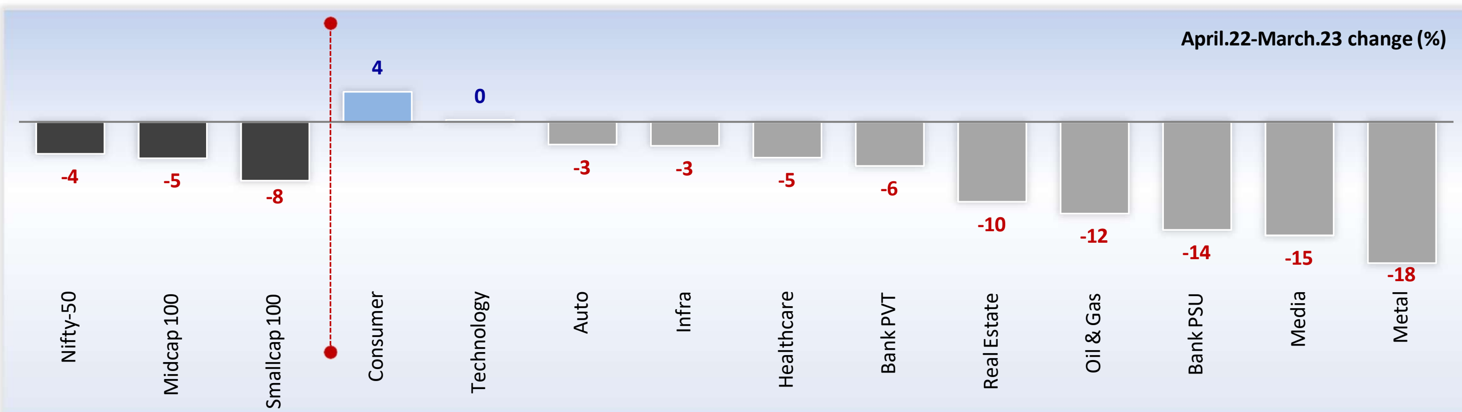
Source : Bloomberg, MOFSL; * Data as on 31st May'23

- Nifty50 / Midcap/small-cap indices grew ~12%/19%/10%YoY.
- Nifty FMCG, Banks, and Auto were the top performing indices, gaining 32%/24%/23% YoY. Although Nifty IT index recovered from lows, it closed 1% lower YoY and Energy index was down 7% YoY.
- Nifty Mid-cap index was trading at a premium, while small-cap 100 index were trading at a discount to its LPA on a 12-month forward P/E basis.

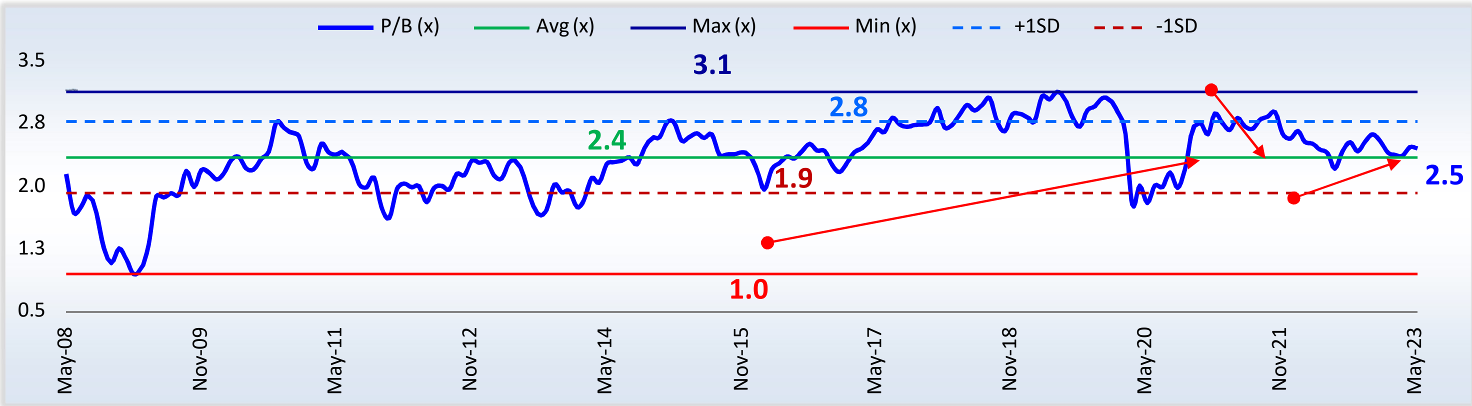
Best and worst performing sectors in FY 2022-23.

Time to build allocation in Metals-Oil & Gas (energy)-PSU Banks-IT-Pharma-Media

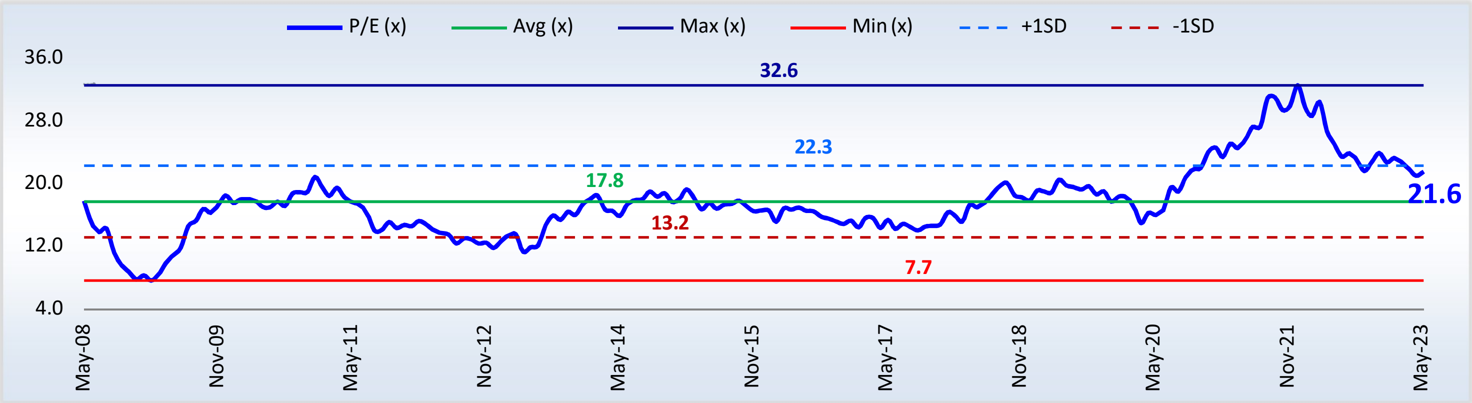
Sectoral performance April.22-March.23 (%): Consumer was the only gainer; Metals, Media and PSU Banks were the key laggards



Sectoral Valuation 1 – Pvt Banks trading at 5% premium to its LPA and IT is 34% down from it's Dec.21 peak.

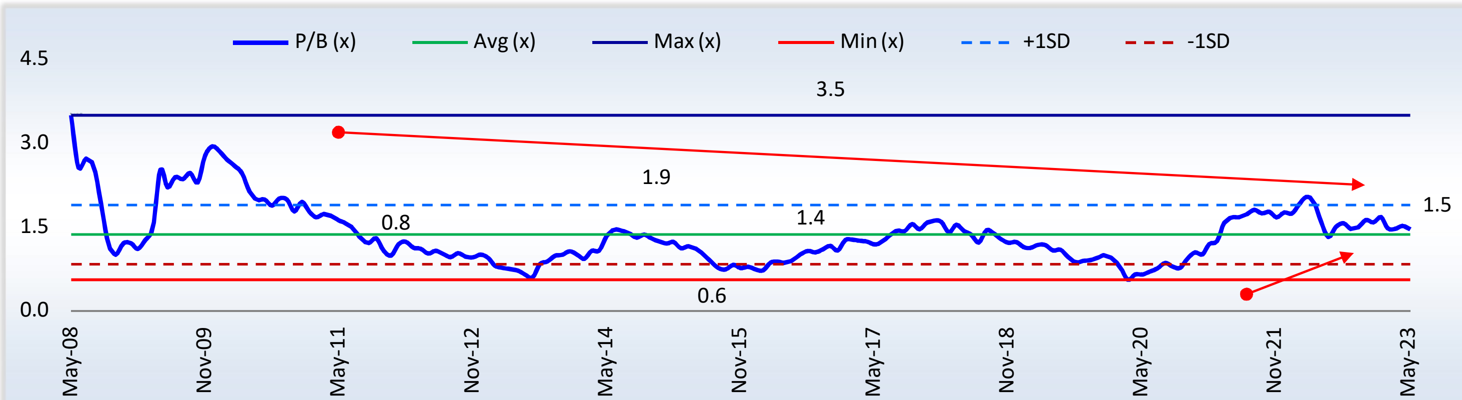


Private Banks sector trades at 5% premium to its LPA

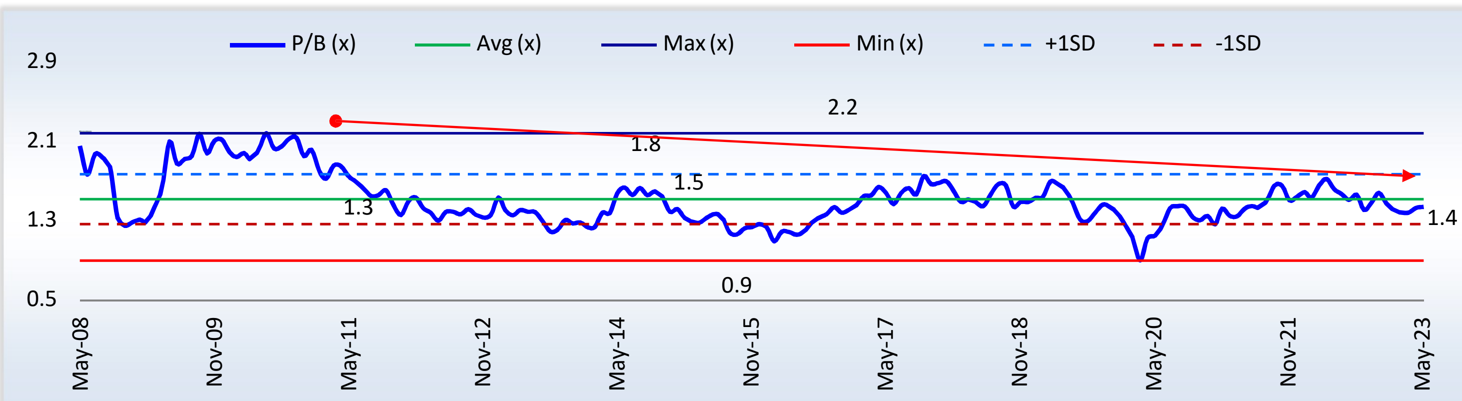


Valuation for the IT sector is 34% off from its Dec'21 peak, after the correction

Sectoral Valuation 2 – Metals trading near it's LPA and Oil&Gas at a discount to it's LPA.



Metals: Valuation trades at 7% premium to its LPA



O&G: Valuation trading at 5% discount to its LPA

Nifty IT Index and Nifty Metal Index: Weekly chart

Nifty IT Index – Trading currently **below** its Long Period Moving Average. Hence Buying at every decline for long term in the form SIP is a good option.

Nifty Metal Index – Trading currently **near** its Long Period Moving Average. Hence adding small quantity at current level and decline is a good option.

Nifty Media Index and Nifty Consumer Durable Index: Weekly chart

Nifty Media Index – Trading currently **deep below** its Long Period Moving Average. Hence Buying at every decline for long term in the form SIP is a good option.

Nifty Consumer Durable Index – Trading currently **around** its Long Period Moving Average. Hence Buying at every decline for long term in the form SIP is a good option.

Nifty Energy and Pharma Index: Weekly Chart

Nifty Energy Index – Trading currently **below** its Long Period Moving Average. Hence Buying at every decline for long term in the form SIP is a good option.

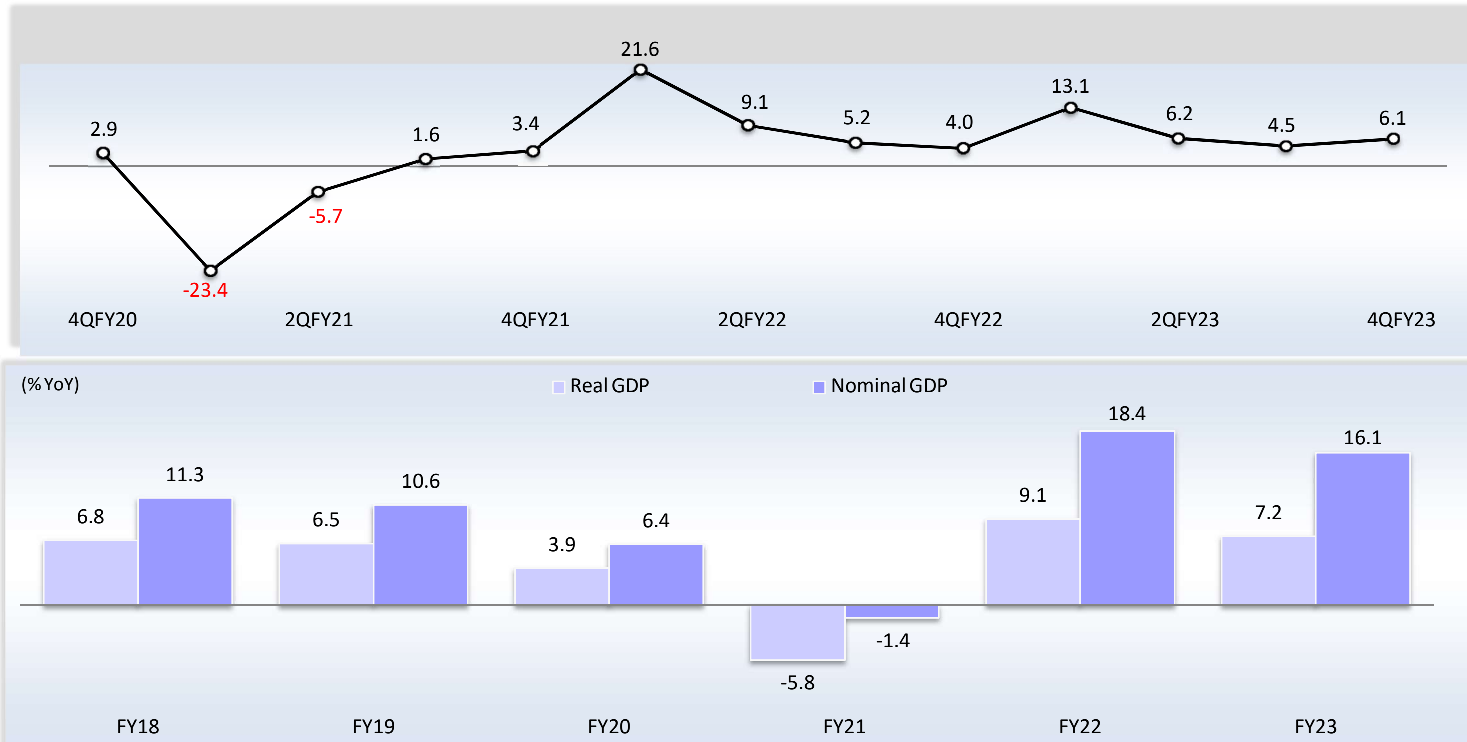
Nifty Pharma Index – Trading currently **around** its Long Period Moving Average. Hence Buying at every decline for long term in the form SIP is a good option.

Nifty Composition: Auto – BFSI – Consumers see increase in weightage and Technology contracted compared to Dec.22

Sector	Weightage in the Nifty (%)							
	Dec'04	Dec'08	Dec'12	Dec'20	Dec'21	Dec'22	Apr'23	May'23
Automobiles	6.7	2.5	8.8	5.4	5	5.3	5.5	5.8
Banks – Private	4.7	5	16.9	24.7	21.9	24.2	25.0	24.6
Banks – Public	5.8	5.4	4.7	1.8	2.3	2.9	2.8	2.7
NBFC + Insurance	2.1	2.3	7.9	12.3	11.4	10.6	10.7	10.5
Capital Goods	4	7.7	5.9	2.6	3	3.1	3.6	3.3
Cement	2.8	1.7	4.2	2.2	2.4	1.8	1.9	1.9
Consumer	7.8	6.5	12.3	10.4	9.4	10.3	11.4	11.7
Healthcare	6.3	2.6	5	3.6	3.4	3.8	3.8	3.7
Metals	8.2	4.8	3.8	2	2.9	2.9	2.8	2.6
Oil and Gas	27.1	24.5	12.3	12.5	12.3	12.1	11.5	11.4
Reliance	**8.3**	**10.6**	**7.4**	**10.7**	**10.8**	**11.0**	**10.3**	**10.3**
Telecom	6.3	11.6	2	2	2.1	2.5	2.5	2.6
Technology	14.5	9	11.4	16.3	19.1	14	12.7	13.0
Utilities	1.9	13.3	4.5	2.1	2.1	2.5	2.7	2.6
Miscellaneous	2	3.3	0.5	2.1	2.6	3.9	3.2	3.4
Nifty	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

- While the weightage of the Auto, Consumers, and Technology sectors gained MoM, the weightage of Private Banks, Capital goods, and Metals contracted marginally in May'23.

Real GDP growth better than expected in 4QFY23



- India's real GDP growth was 6.1% in 4QFY23, mainly driven by investments and foreign trade. FY23 real GDP growth stood at 7.2%

Which implied 16.1%/7.2% nominal/real GDP growth in FY23

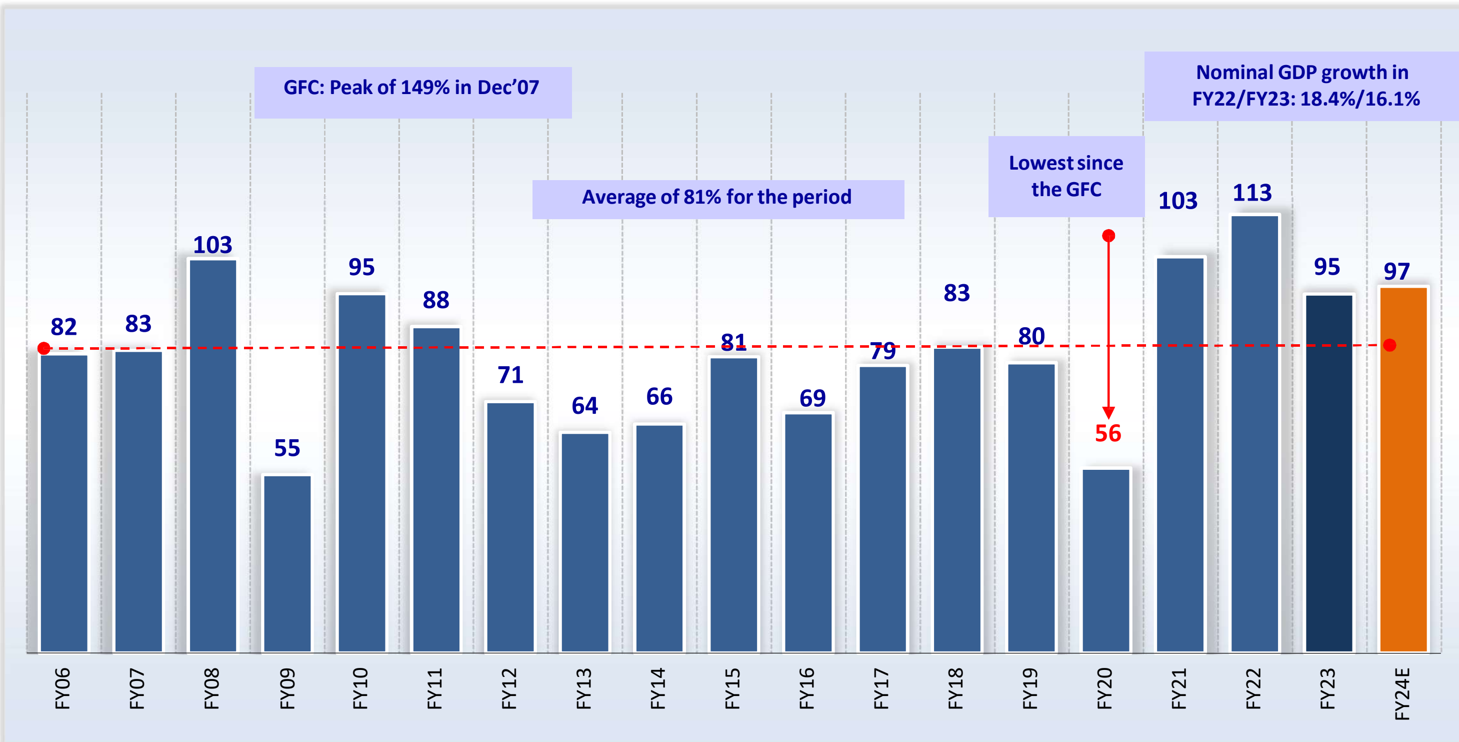
Source: Central Statistics Office (CSO), CEIC, MOFSL

Details of components of real GDP/GVA growth

	FY19	FY20	FY21	FY22	FY23	% YoY 4QFY22	1QFY23	2QFY23	3QFY23	4QFY23
Private cons exp (PCE)	7.1	5.2	(5.2)	11.2	7.5	4.7	19.8	8.3	2.2	2.8
Govt cons exp (GCE)	6.7	3.9	(0.9)	6.6	0.1	11.8	1.8	(4.1)	(0.6)	2.3
Gross Cap For (GCF)	11.0	(2.6)	(7.9)	17.9	9.6	3.0	20.8	6.5	5.2	7.8
Gross Fixed Cap For	11.2	1.1	(7.3)	14.6	11.4	4.9	20.4	9.6	8.0	8.9
Inventories	27.3	(58.7)	(85.5)	687.8	2.7	613.8	7.5	(2.6)	(0.1)	5.9
Valuables	(9.7)	(14.2)	26.4	34.0	(18.9)	(51.7)	58.7	(19.5)	(38.0)	(23.4)
Net exports						...	...	...	...	...
Exports	11.9	(3.4)	(9.1)	29.3	13.6	22.4	19.6	12.2	11.1	11.9
Imports	8.8	(0.8)	(13.7)	21.8	17.1	6.7	33.6	23.1	10.7	4.9
Discrepancies	(66.2)	186.2	(49.7)	(307.4)	(14.8)	...	...	...	...	...
GDP at market price	**6.5**	**3.9**	**(5.8)**	**9.1**	**7.2**	**4.0**	**13.1**	**6.2**	**4.5**	**6.1**
Agriculture etc.	4.2	6.2	4.1	3.5	4.0	4.1	2.4	2.5	4.7	5.5
Industry	5.2	(1.4)	(0.9)	11.6	4.4	2.3	9.4	(0.5)	2.3	6.3
Mining & quarrying	(10.6)	(3.0)	(8.6)	7.1	4.6	2.3	9.5	(0.1)	4.1	4.3
Manufacturing	7.0	(3.0)	2.9	11.1	1.3	0.6	6.1	(3.8)	(1.4)	4.5
Electricity	9.9	2.3	(4.3)	9.9	9.0	6.7	14.9	6.0	8.2	6.9
Construction	5.9	1.6	(5.7)	14.8	10.0	4.9	16.0	5.7	8.3	10.4
Services	5.5	6.4	(8.2)	8.8	9.5	4.9	16.3	9.4	6.1	6.9
Trade, hotels etc.	9.8	6.0	(19.7)	13.8	14.0	5.0	25.7	15.6	9.6	9.1
Finance, insurance etc.	2.5	6.8	2.1	4.7	7.1	4.6	8.5	7.1	5.7	7.1
Social & personal services	4.2	6.6	(7.6)	9.7	7.2	5.2	21.3	5.6	2.0	3.1
GVA at basic prices	**5.2**	**3.9**	**(4.2)**	**8.8**	**7.0**	**3.9**	**11.9**	**5.4**	**4.7**	**6.5**

Source: Central Statistics Office (CSO), CEIC, MOFSL

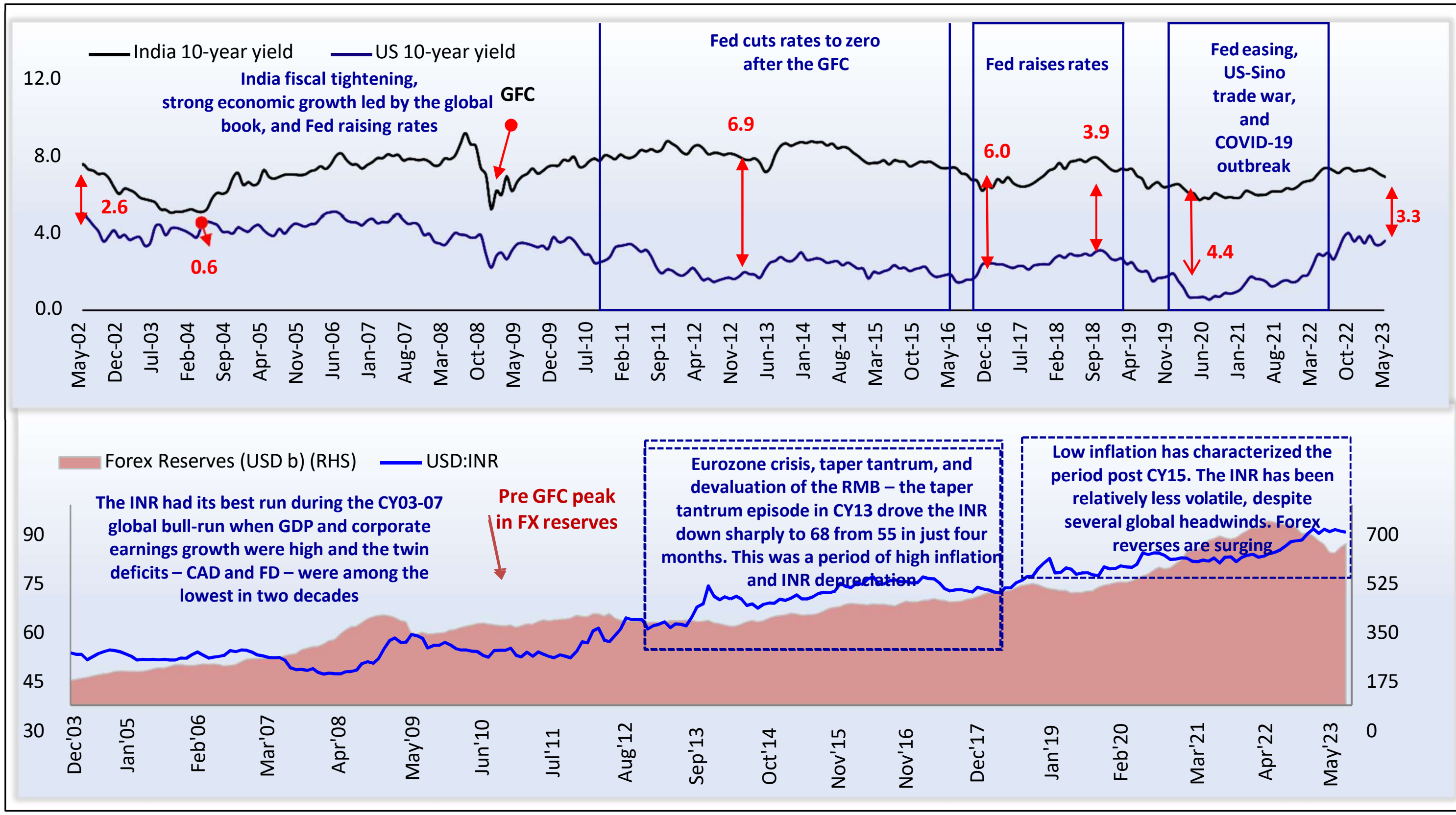
Market Capitalization to GDP ratio is above the long term average



Market capitalization-to-GDP ratio (%)

- **India's market capitalization-to-GDP ratio has been volatile; it stood at 56% (of FY20 GDP) in Mar'20, down from 80% in FY19, but recovered sharply to 113% in FY22.**
- **The ratio now stands at 95% (of FY23 GDP), much above its long-term average of ~81%.**

The 10 year yield spread between India and US is at it's lowest since June 2009



- The Indian bond yield closed at 7.0% as compared to the US bond yield of 3.6% - the yield spread has been at its lowest level since Jun'09
- On the currency front, INR declined marginally by 1.1% MoM against USD. India's forex reserve also increased by USD9b to USD593b; however, it was down USD49b from its peak in Oct'21.

Investment Note as on June 2023.

1) Invest at present in those funds which have higher exposure in Oil&Gas – IT – Pharma – Metals – Media and PSU Banks. <u>**We have identified the list of Funds which are overweight in the above sectors**</u>. Hence recommend you to invest in them.
2) Invest in the form of SIP or STP when investing in the above category of funds. Min duration of 3mths and Max duration of 9 mths
3) Below Category of Funds is meant for long duration (3-5 years).
4) It's a High Risk – High Return category. Hence Invest accordingly.

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1. UTI Dividend Yield Fund
2. ICICI Prudential India Opportunities Fund / ICICI Prudential Thematic Advantage FoF
3. ITI Value Fund
4. Quant Quantamental Fund.

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<u>One can look for lum-sum investment in any of the above schemes in the form of STP (3-9 months)-SIP (3-9 months).</u>

<u>Investment should be done with 3-5 year horizon and review it every year.</u>

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- Mr. Vijay Sheth +91. 9768363429.

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for your time & interest

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