



# Current Market Scenario

14 Jan 2023

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# Markets on Sideways



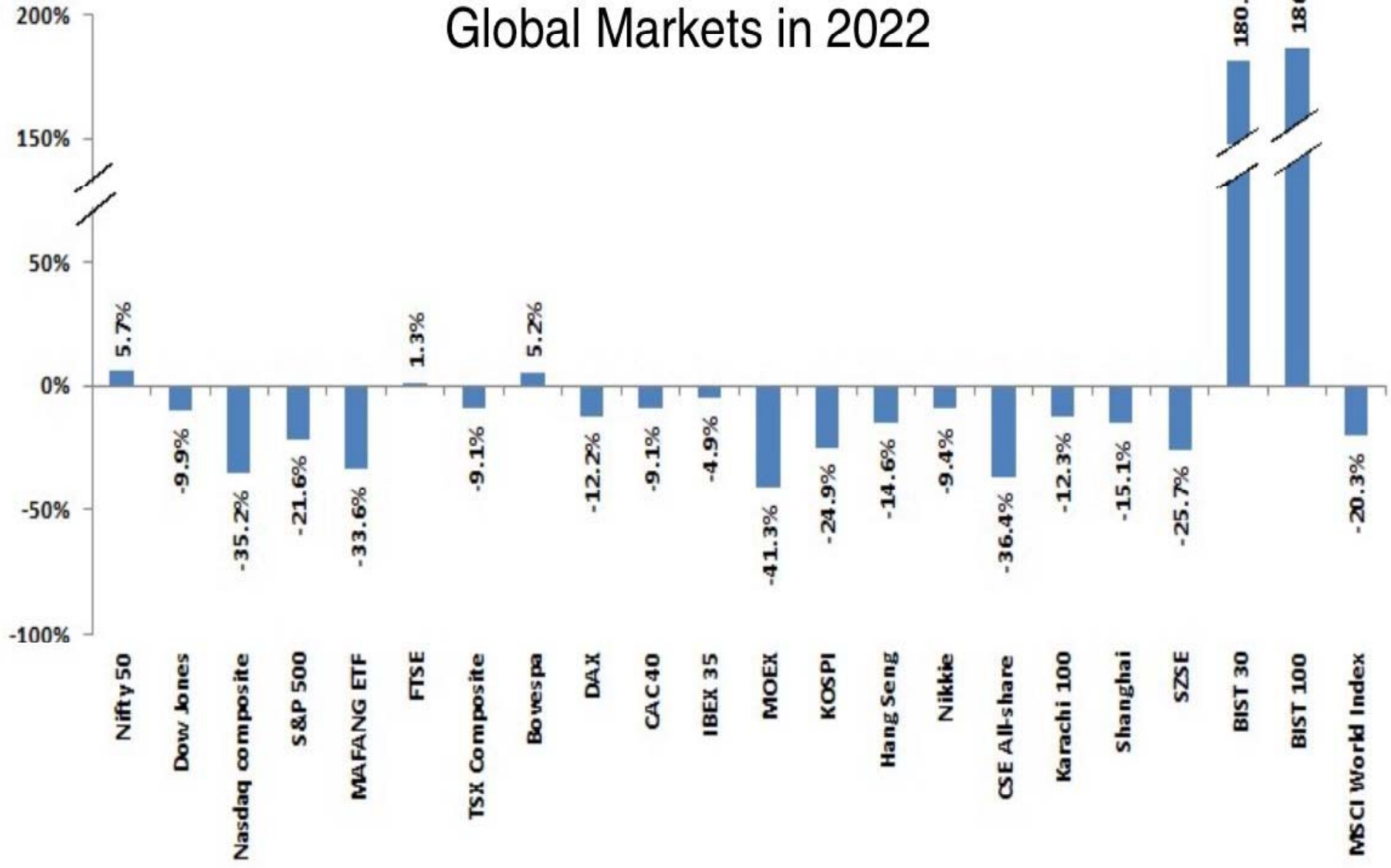
- Foreign Institutions on selling spree
- Indian Market Under performs
- Resilience in Commodities
- Strong SIP flows

## INDEX WATCH

<b>INDEX</b>	<b>14, Jan</b>	<b>10, Dec</b>	<b>% Change</b>
Nifty	17,956	18,496	- 2.9
Sensex	60,261	62,181	- 3.0
Nifty Midcap	31,328	32,325	- 3.0
BSE Small Cap	28,858	29,558	- 2.3

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# Global Markets in 2022



# Sensex Historical Returns



CY	Sensex Return	CY	Sensex Return	CY	Sensex Return	CY	Sensex Return	CY	Sensex Return
CY 1981	53.46	CY 1991	82.09	CY 2001	-17.77	CY 2011	-24.71	CY 2021	21.7
CY 1982	3.56	CY 1992	36.91	CY 2002	3.52	CY 2012	25.56	CAGR 2022	4.4
CY 1983	7.27	CY 1993	27.94	CY 2003	72.89	CY 2013	8.98		
CY 1984	7.51	CY 1994	17.41	CY 2004	13.04	CY 2014	29.89		
CY 1985	93.46	CY 1995	-20.85	CY 2005	42.45	CY 2015	-5.03		
CY 1986	-0.55	CY 1996	-0.81	CY 2006	46.83	CY 2016	1.8		
CY 1987	-15.69	CY 1997	18.25	CY 2007	46.89	CY 2017	28.1		
CY 1988	50.68	CY 1998	-16.5	CY 2008	-52.3	CY 2018	6.7		
CY 1989	16.91	CY 1999	64.01	CY 2009	81.03	CY 2019	13.8		
CY 1990	34.44	CY 2000	-20.65	CY 2010	17.43	CY 2020	13.5		
10 Years CAGR Return	<b>22.0%</b>	10 Years CAGR Return	<b>14.2%</b>	10 Years CAGR Return	<b>17.9%</b>	10 Years CAGR Return	<b>8.8%</b>	2 Years CAGR Return	<b>12.8%</b>

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# Valuation Reset Started



- High P/E shares are facing the brunt of Foreign selling
- Interest rates and P/E are inversely correlated
- Tepid growth companies with high P/E will see long consolidation in spite of “Quality” label

# China Reopen Impact



- China will try to grab lost market share in exports market
- Textiles, Chemicals, metals are key sector to watch
- Will be disinflationary for consumers

### Exhibit 3: US recessions caused by Fed tightening have been relatively shallow and short-lived

Year	Number of quarters of negative growth	Average decline	Cause of recession/slowdown
1970	1	-0.17	Monetary and fiscal tightening post the Vietnam war amid rise in inflation
1974-75	5	-1.38	OPEC oil embargo. Nixon instituted wage-price controls. Nixon took the US off the 'gold standard' in response to a run on the gold held at Fort Knox, which led to inflation
1980	3	-0.81	The Fed caused this recession by raising interest rates to combat inflation. The Iranian oil embargo aggravated economic conditions by reducing US oil supplies, which drove prices up
1982	4	-1.80	An extension of the 1980 recession caused by the Fed as it resumed hikes after a brief period of rate cuts
1991	3	-0.53	1989 savings and loan crisis, higher interest rates and Iraq's invasion of Kuwait
2008-09	4	-3.24	Subprime mortgage crisis led financial collapse
2020	3	-4.74	Covid-19 health crisis

Source: *The Balance*, Nirmal Bang Institutional Equities Research.

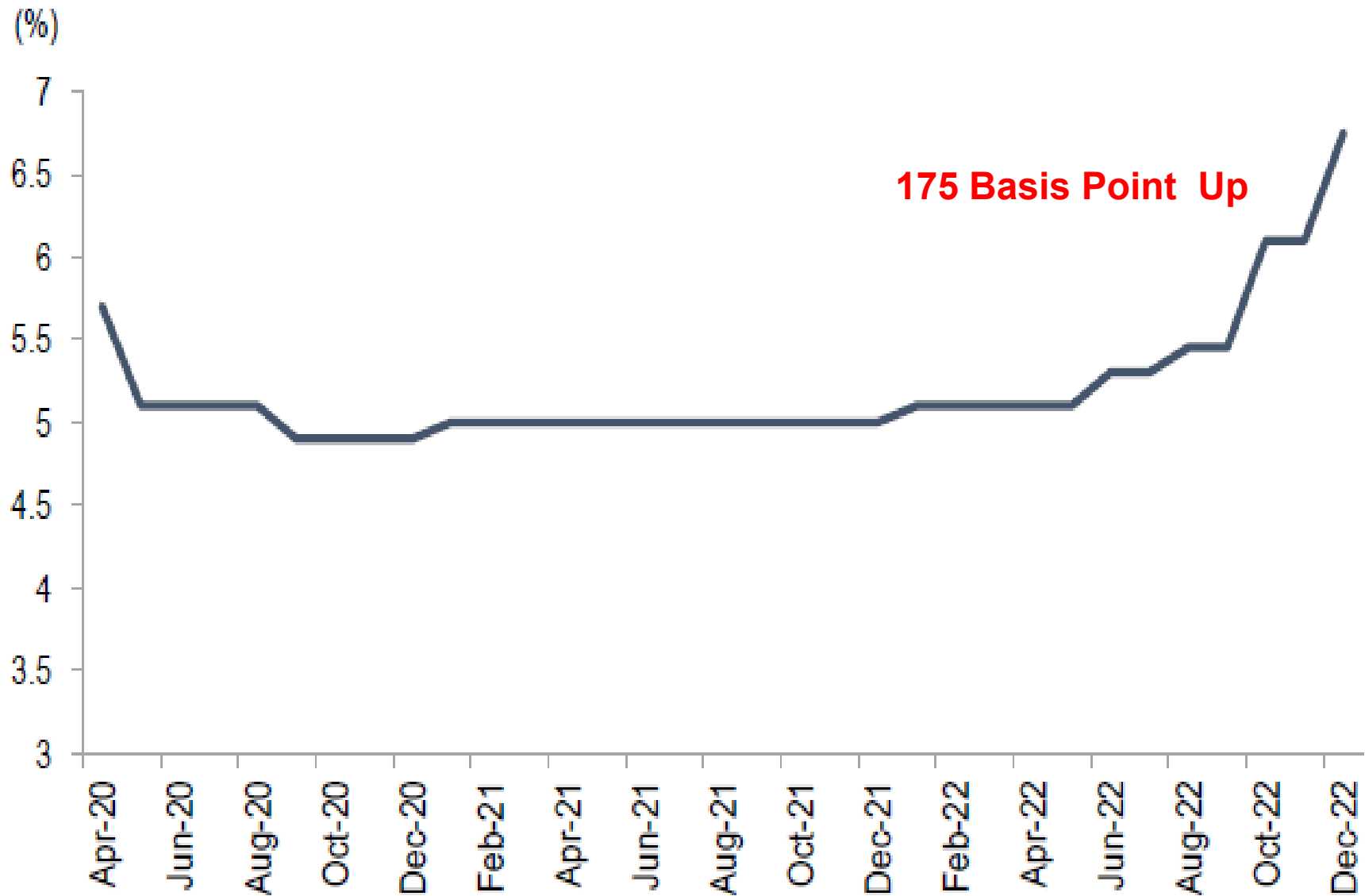
# Competition To Equity Inflows



- Interest rates are attractive for fixed income investments
- Gold returns are decent in Rupee terms
- During lowest interest rate regime , equities were enjoying flows on “There Is No Alternative”



# Bank Deposit Rate Up



# Gold Prices



10 Year Gold Price in USD/oz

High: 2070.05 Low: 1050.80 ▲219.67 13.34%

Last Close: 1865.97



10 Year Gold Price in INR/oz



# Gold Shining



## Bullion boom

Worldwide, central banks' quarterly gold purchases, tonnes



Sources: Metals Focus; Refinitiv GFMS; World Gold Council

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# Rupee Depreciates Most Since 2013

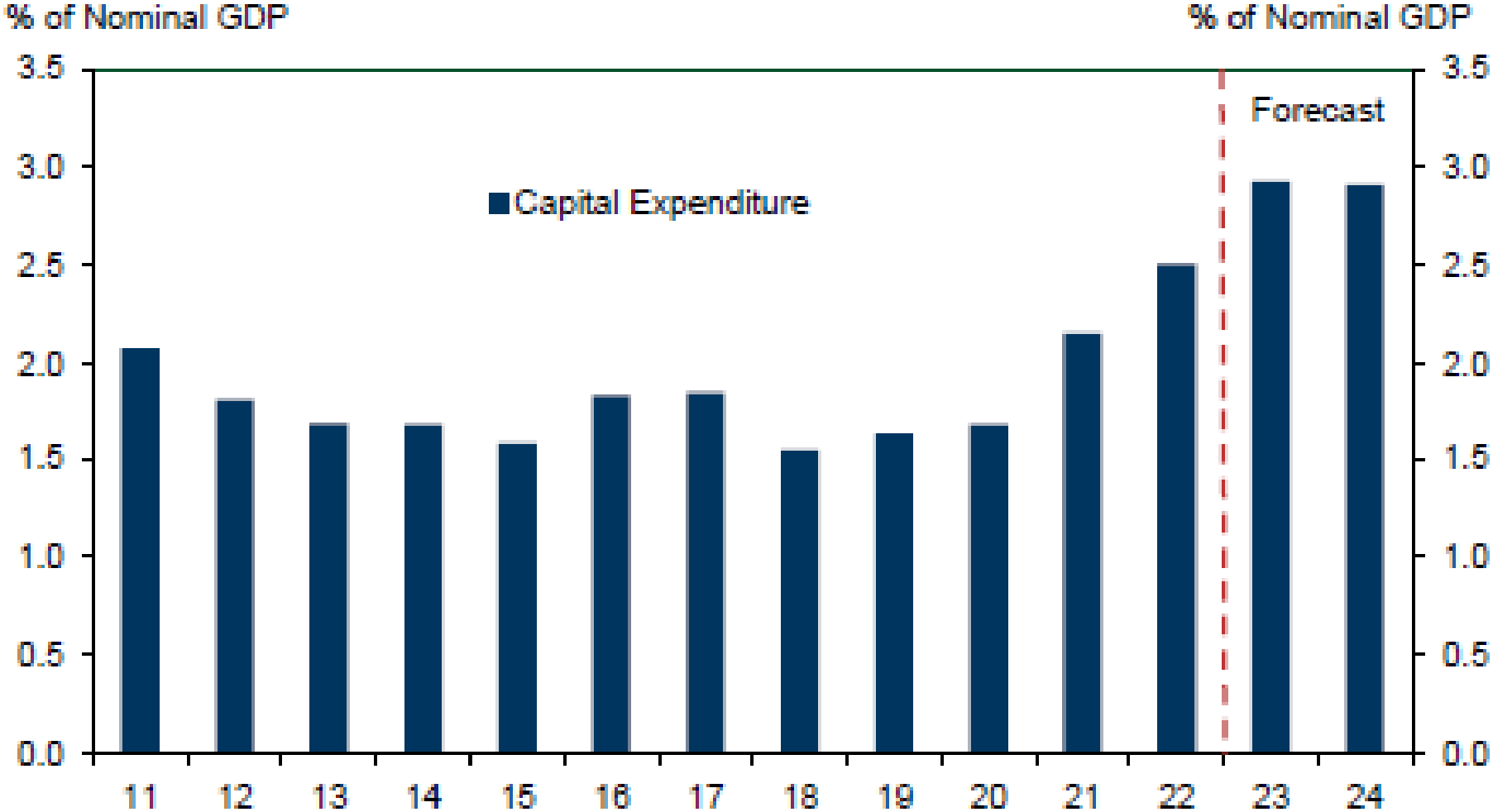


## Rupee Weakens 11% in CY 2022



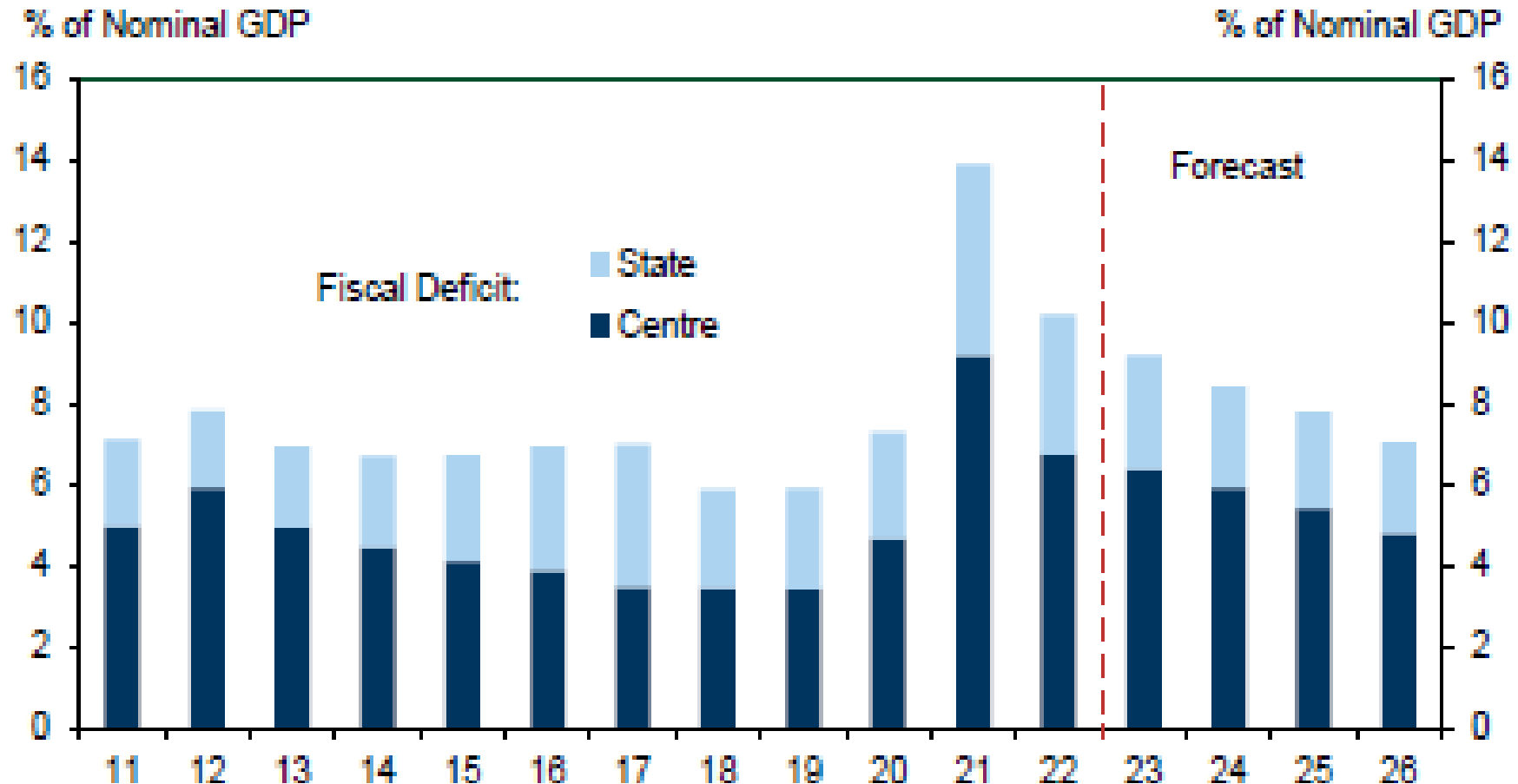
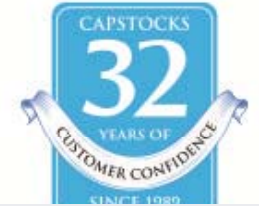
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# Govt. Capex



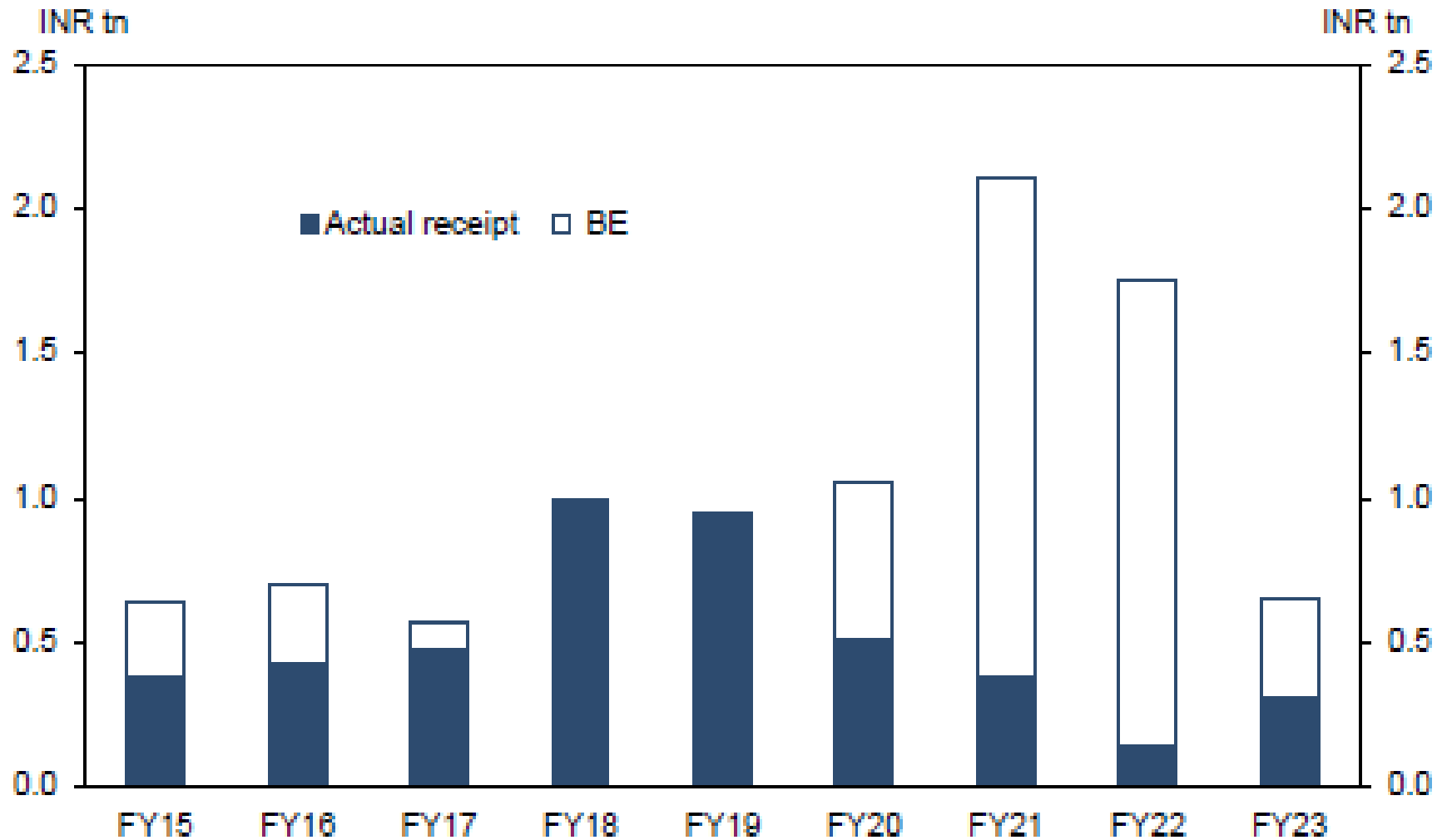
NOTE: Years are fiscal years.

# Fiscal Deficit



NOTE: Fiscal Deficit means Gross Fiscal Deficit. FY2023 runs from April 2022 to March 2023; while FY2024 runs from April 2023 to March 2024.

# PSU Divestment

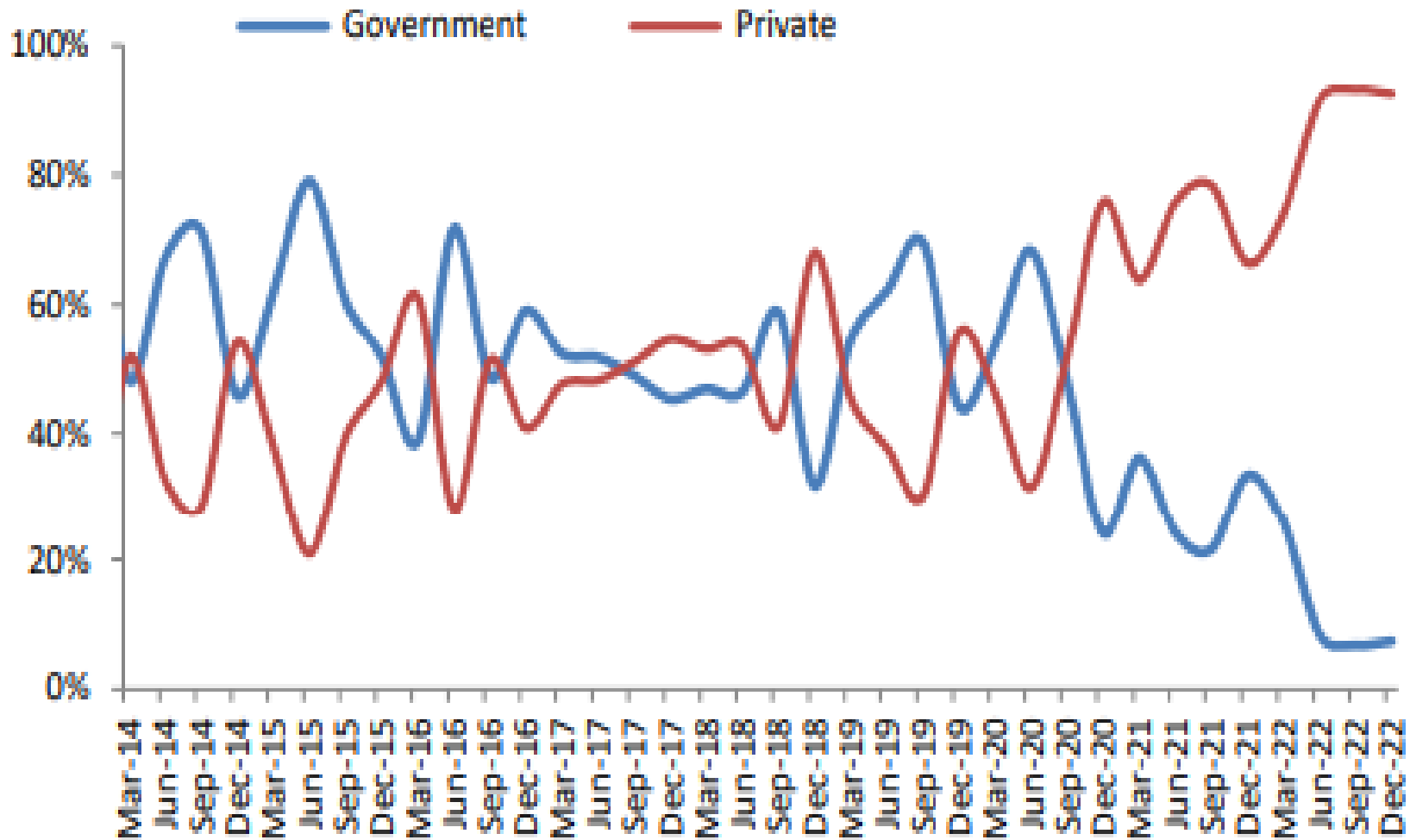


# New Project Announcements By Govt. Are Lower



Share of govt sector of new announcements has been trending lower

New projects announced

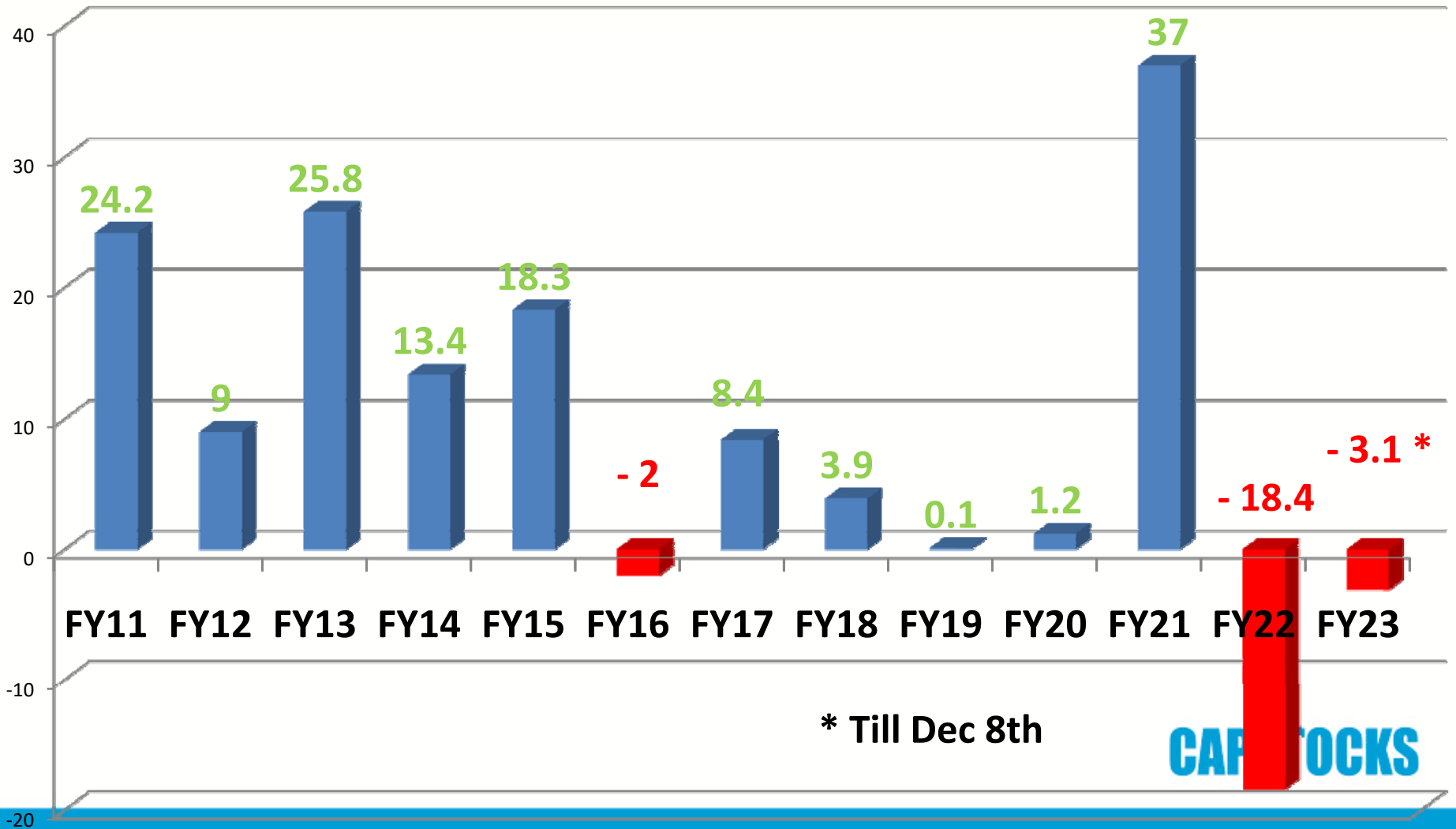




# FII Activity



FPI Flows in US Bn \$

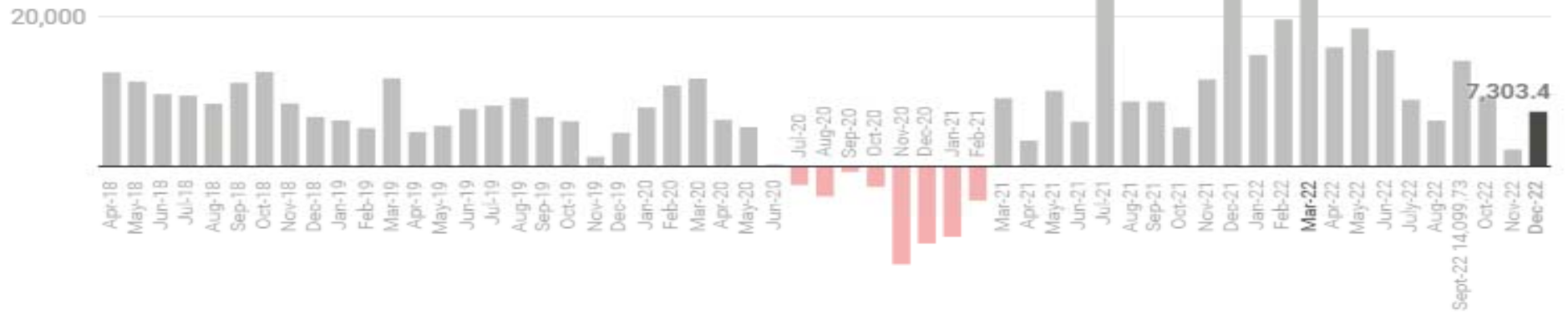


# Mutual Fund Flows



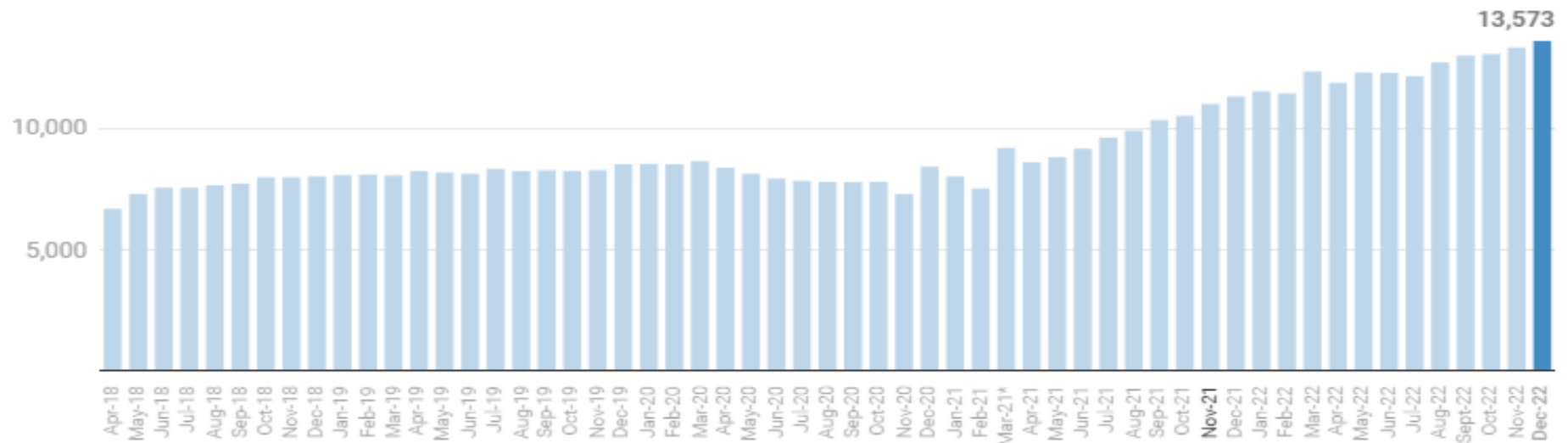
## Net Equity Inflows

(Rs crore)



## SIP Contribution

Net investments (Rs crore)



# Q3 Results Expectations



- Banks , Hotels to show good performance
- IT results will be inline but commentary expected to be cautious
- Pharma will be mixed
- Consumption will disappoint on volume front due to high inflation
- Metals QoQ will see improvement

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# View on Indian IT Sector



- Growth rate may fall due to lower IT budgets on likely recession in US and Europe
- Attrition rate will come down
- IT Giants Microsoft, Alphabet are cautious on near term outlook
- Large Indian IT companies will be defensive in near term

# Consensus View on Market



- 2023 will be a tough year
- US Fed unlikely to cut rate in 2023
- Valuation de rating will continue
- US may see mild recession
- Russia – Ukraine war will prolong
- Incremental retail money may shift to fixed income

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# Our View



- 2023 will not be a disappointing year even if performance is bad as expectations are muted
- Stock specific action will be seen
- IT and Pharma will get good opportunities
- High P/E stocks will see sideways movement

# Events To Watch



- Union Budget on Feb 1st
- US Fed meeting on Feb 1st



# Technicals

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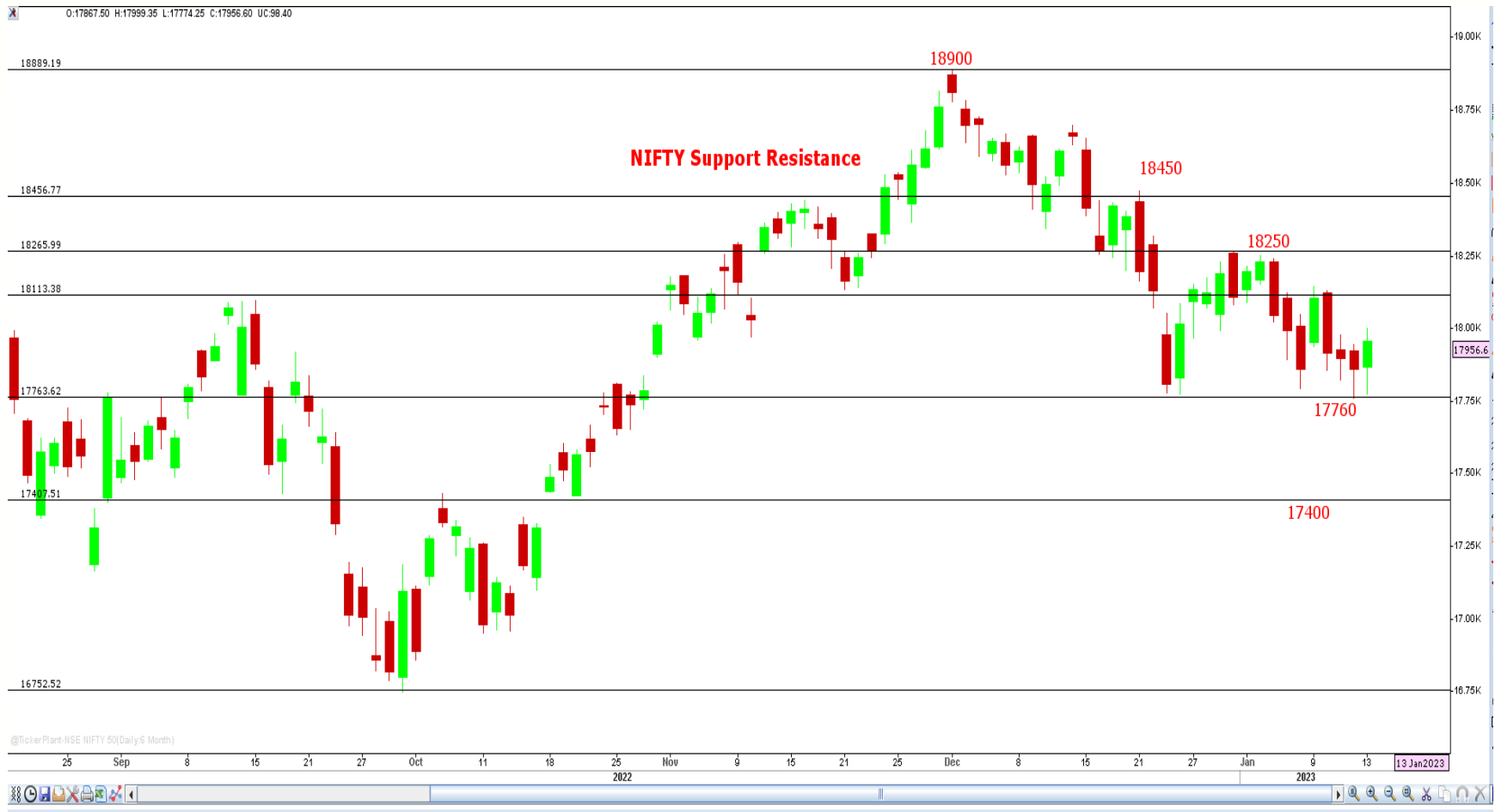


# Upward channel broken



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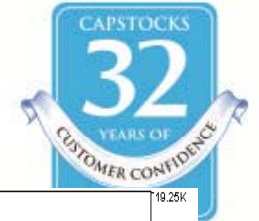
# Support resistance Nifty



# Fibonacci Retracement



# Flag Formation





**Thank You**

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