

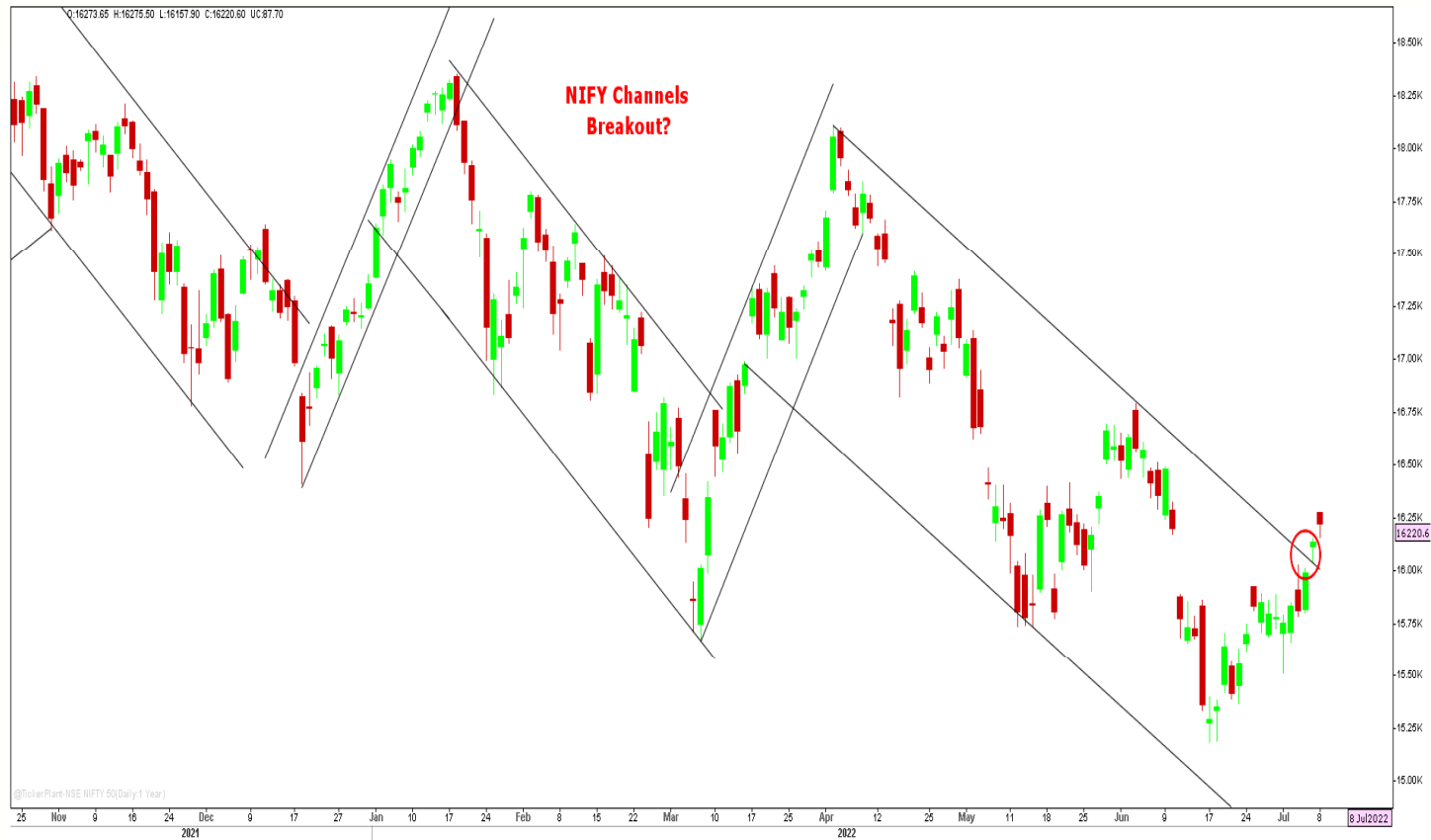


Current Market Scenario

09 July 2022

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Nifty Channels



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Support & Resistance



Markets on Consolidation



- Recession fears in US
- Commodities correct
- FPI cautious
- US Fed continue to be hawkish

INDEX WATCH

| INDEX | 9, June | 13, May | % Change |
|---------------|---------|---------|----------|
| Nifty | 16,220 | 16,201 | + 0.1 |
| Sensex | 54,481 | 54,303 | + 0.3 |
| Nifty Midcap | 27,649 | 27,575 | + 0.2 |
| BSE Small Cap | 25,640 | 25,857 | - 0.8 |

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FPI Cautious



- Cautious commentary continue from foreign investors
- Relative Valuation concern
- Diverting money to other markets which are trading at lower valuations
- Sold 5.2% from their peak holdings

Which Sector FPI are Selling ?



ROTATION AT PLAY

| Sector | AUC (₹ trn) | | TTM FII flows (₹ cr) | Weighting (%) | |
|--|-------------|--------|----------------------|---------------|----------|
| | Jun-22 | May-21 | | in FPI AUC | in Nifty |
| Financials | 12.86 | 15.22 | -106,700 | 31.0 | 35.7 |
| IT & hardware | 5.09 | 5.68 | -76,500 | 12.3 | 15.9 |
| Construction materials | 0.63 | 0.89 | -13,500 | 1.5 | 1.4 |
| FMCG | 2.59 | 2.71 | -11,500 | 6.2 | 7.6 |
| Other services | 0.69 | 0.97 | -7,700 | 1.7 | 0.0 |
| Oil & gas | 5.46 | 4.32 | -6,300 | 13.1 | 13.7 |
| Health care | 1.98 | 2.23 | -600 | 4.8 | 3.9 |
| Realty | 0.50 | 0.43 | -400 | 1.2 | 0.0 |
| Metals & mining | 1.23 | 0.99 | 700 | 3.0 | 2.8 |
| Industrials, construction, capital goods | 2.55 | 3.11 | 1,800 | 6.1 | 4.8 |
| Power | 1.88 | 1.27 | 1,800 | 4.5 | 2.7 |
| Discretionary consumption | 5.01 | 4.54 | 2,700 | 12.1 | 9.3 |
| Telecom | 1.04 | 0.84 | 6,700 | 2.5 | 2.3 |

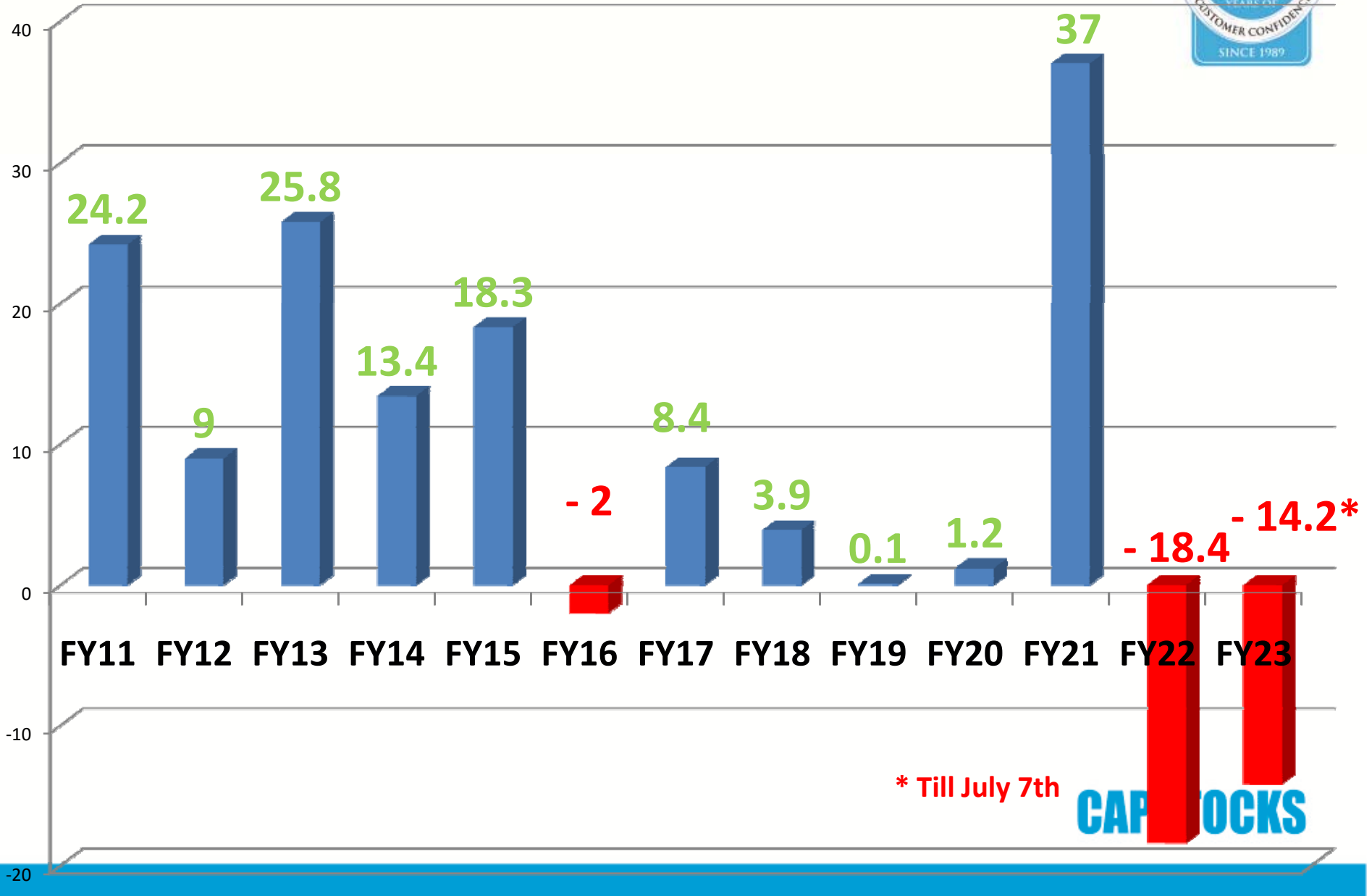
Note: TTM is trailing 12-months; AUC is assets under custody

Source: ICI Securities

FPI Ownership

| | | | | | | FII Outflows | |
|------------|----------|---------------------------|----------------------|---|---|--------------------------|----------------------|
| Start Date | End date | Event Tag | FII Outflows (\$ bn) | India Market cap at start of outflows (\$ trillion) | FII Holdings at start of Outflows (\$ bn) | As % of India Market cap | as % of FII Holdings |
| Jan-08 | Mar-09 | Global Financial Crisis | -15 | 1.8 | 296 | 0.9% | 5.2% |
| Jun-13 | Sep-13 | Taper-Tantrum | -4 | 1.1 | 204 | 0.4% | 2.0% |
| Sep-14 | Oct-14 | Election correction | -1 | 1.6 | 302 | 0.1% | 0.4% |
| Apr-15 | Feb-16 | Banks' Asset cleanup | -8 | 1.6 | 320 | 0.5% | 2.5% |
| Oct-16 | Jan-17 | Fed Hikes/ Demonetization | -5 | 1.7 | 335 | 0.3% | 1.6% |
| Aug-17 | Oct-17 | Cyclical Slowdown | -4 | 2.1 | 414 | 0.2% | 1.1% |
| Feb-18 | Nov-18 | NBFC Crisis | -9 | 2.4 | 455 | 0.4% | 1.9% |
| Jun-19 | Sep-19 | Slowdown | -5 | 2.2 | 427 | 0.2% | 1.2% |
| Feb-20 | May-20 | Onset of Covid-19 | -9 | 2.1 | 430 | 0.4% | 2.0% |
| Oct-21 | Jul-22 | Current | -35 | 3.5 | 665 | 1.0% | 5.2% |

FPI Flows in US Bn \$



CRB Commodity Index



CRB Index (Index Points) 294.64 -2.15 (-0.73%)



Commodity Index – Long Term Chart

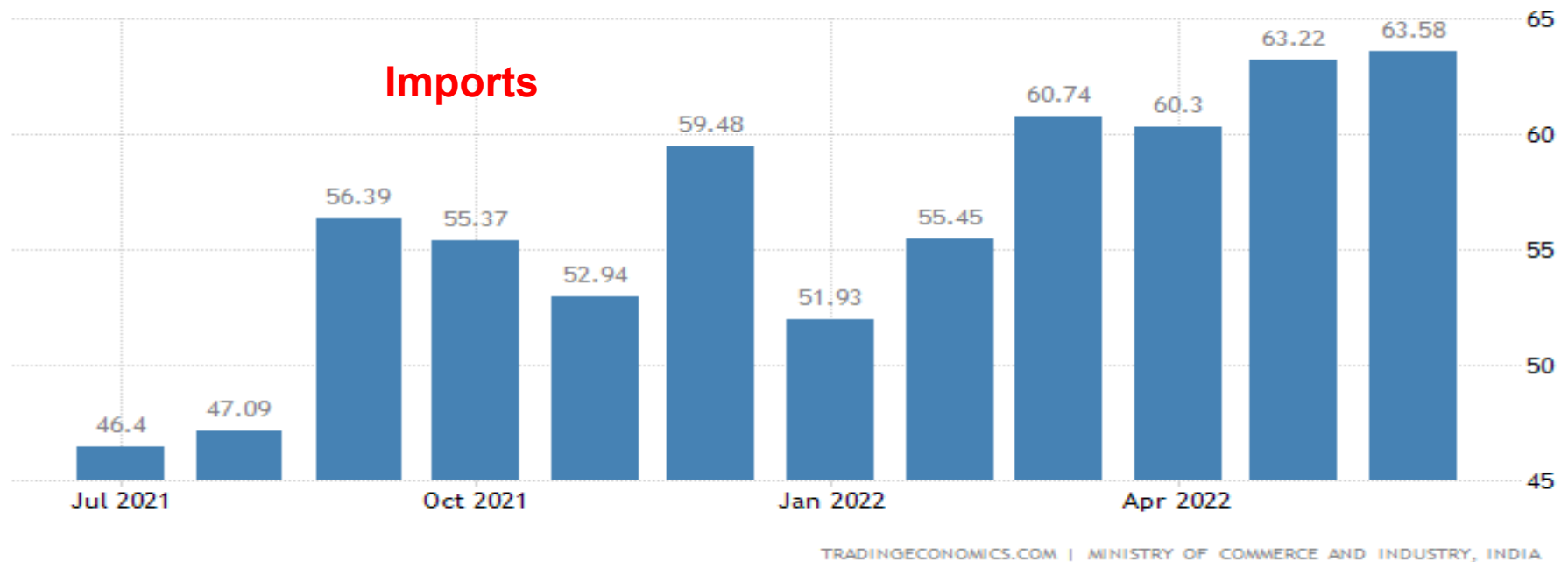
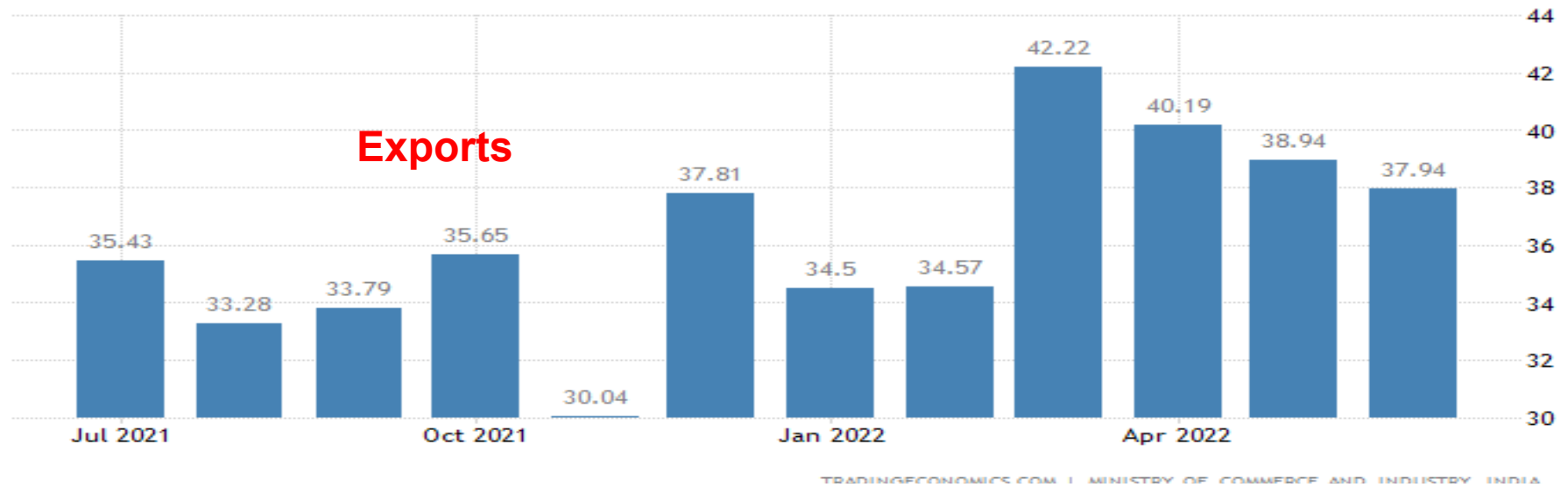


Commodities Unlikely To Crash

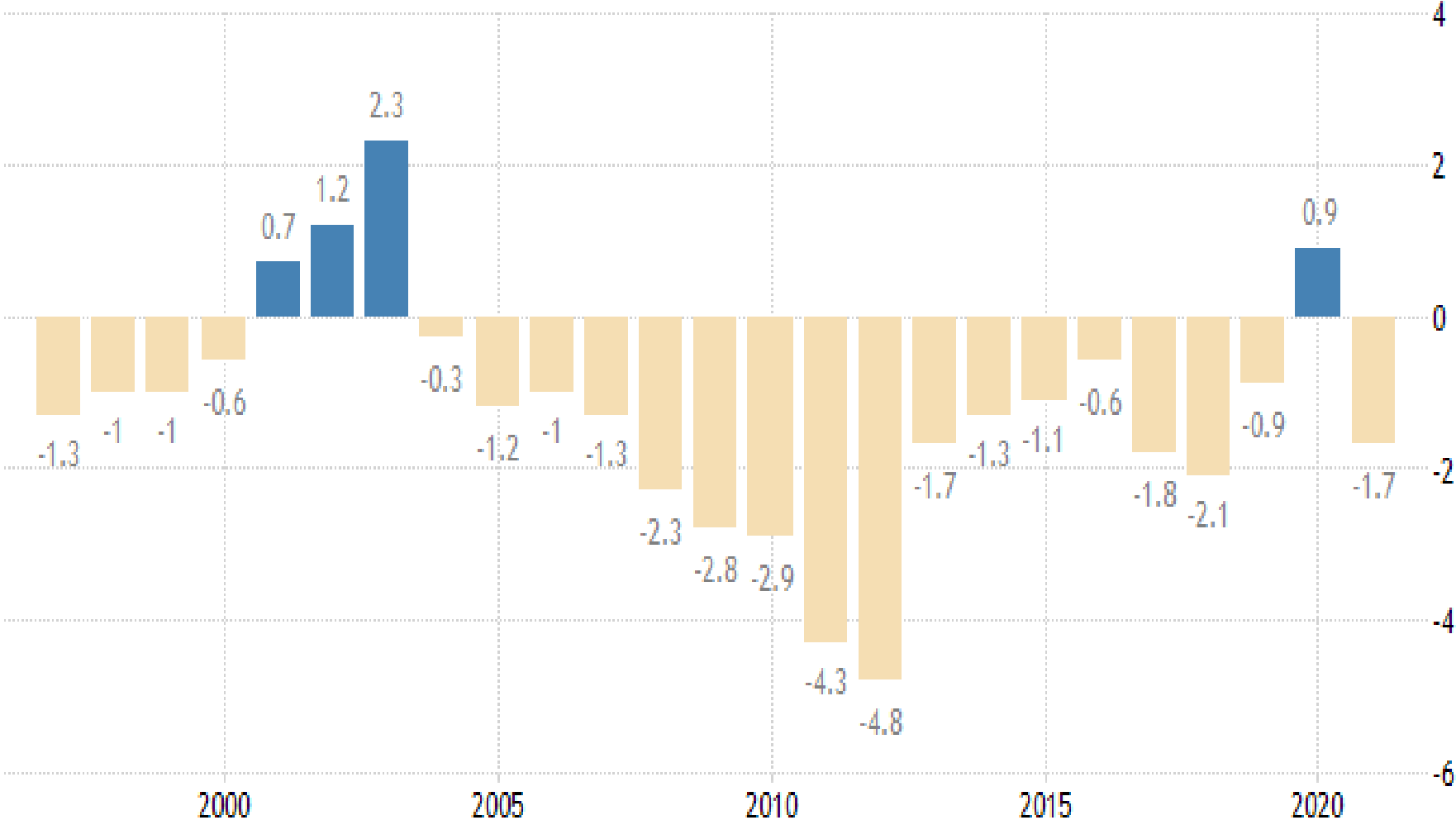


- Companies will postpone capex and manage supply by reducing production
- Balance sheets are strong and can withstand lower capacity utilisation
- Companies unlikely to get affected like in previous down cycles

Trade Deficit Widens



India Current Account Deficit



New Tax



- Tax on fuel exports and cess on domestic production of crude
- Import duty hike in gold
- Export tax on steel

Tax Compliance



- Tax compliance is getting stricter day by day
- IT dept. conducting raids
- Will become difficult to evade tax
- Organised market share will increase in many sectors

Monsoon



- Monsoon picking well after slow start
- Rainfall distribution uneven
- IMD maintains normal monsoon

Seasonal Rainfall (in mm) since 01 June 2022 till 07 July 2022

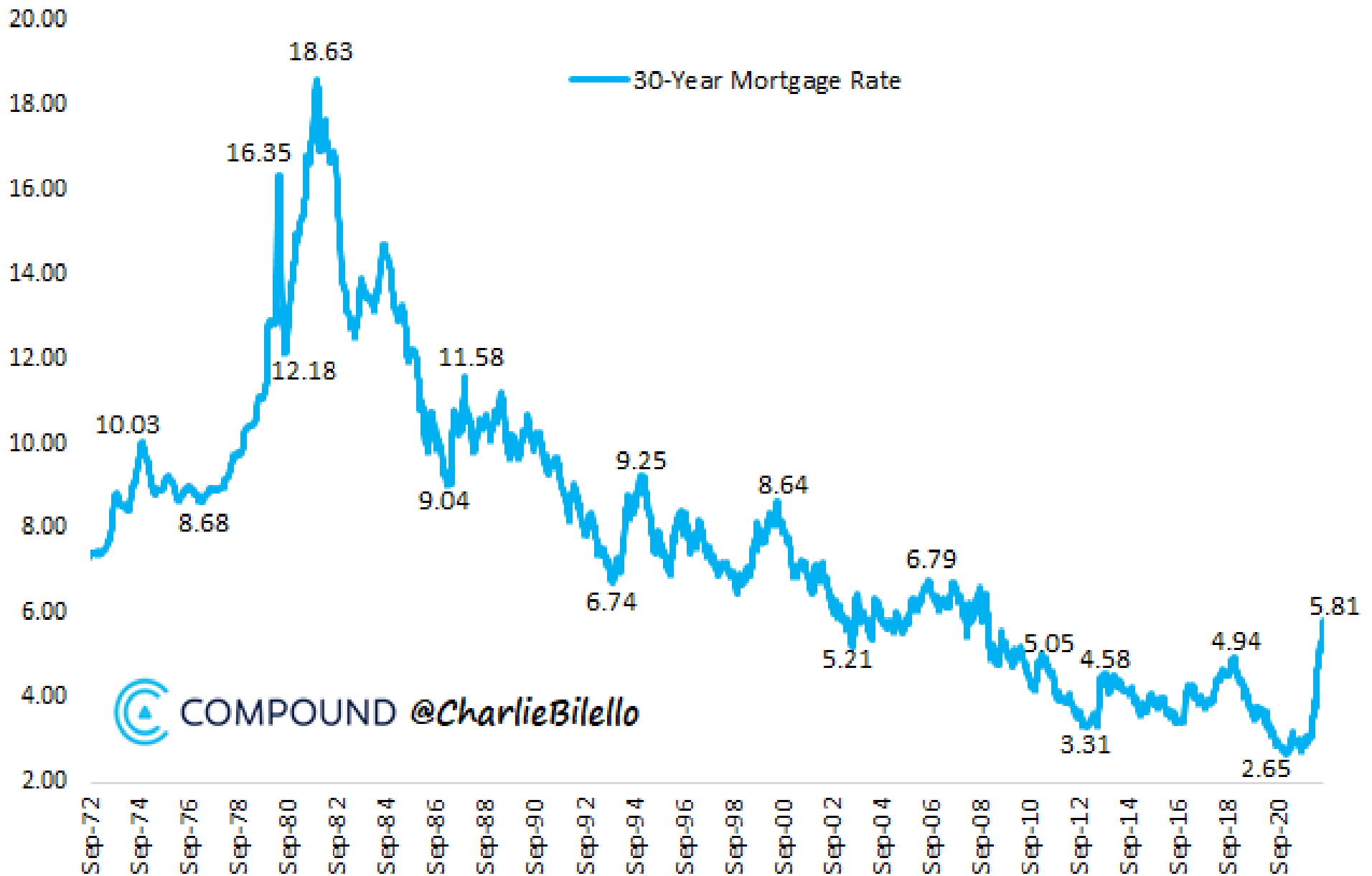
| Region | Actual | Normal | % Departure from Long Period Average |
|---------------------------|--------------|--------------|--------------------------------------|
| EAST & NORTHEAST INDIA | 451.4 | 425.8 | 6% |
| NORTHWEST INDIA | 110.5 | 113.7 | -3% |
| CENTRAL INDIA | 217.1 | 234.7 | -7% |
| SOUTH PENINSULA INDIA | 219.5 | 202.6 | 8% |
| COUNTRY AS A WHOLE | 222.2 | 221.6 | 0% |

US Fed commentary Very Hawkish

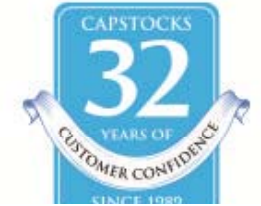


- US Fed continue to maintain hawkish stance
- To fight inflation even if economy get hurts

30-Year Fixed Mortgage Rate (Freddie Mac) 1971 - 2022



US New Home Sales

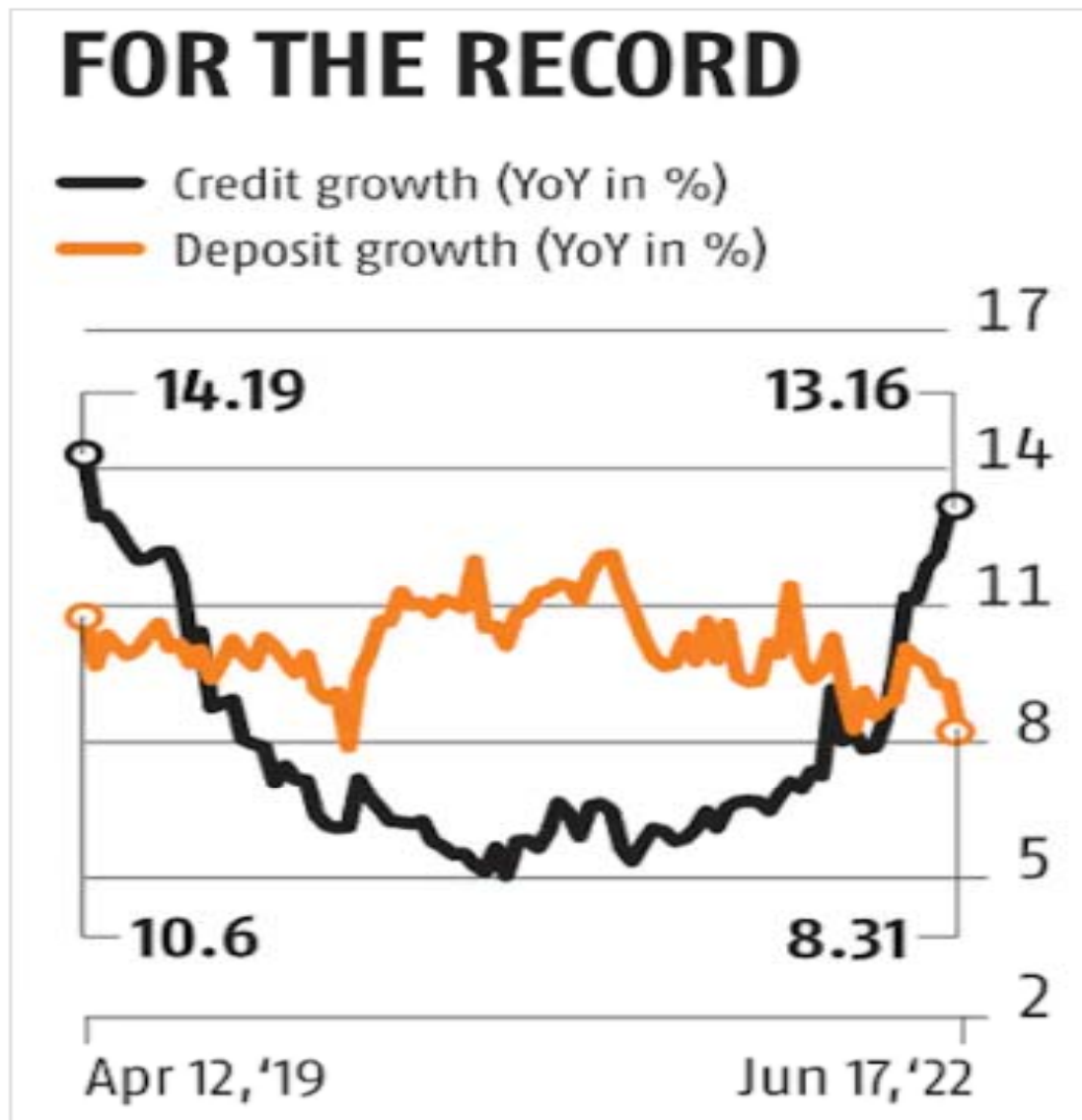


Q1 Earnings



- IT companies commentary will be closely watched
- Margin compression expected but outlook on margin front will turn positive as commodity prices soften
- Metals peak profits behind us
- Banks to post good results on higher credit growth

Banks Credit Vs Deposit Growth



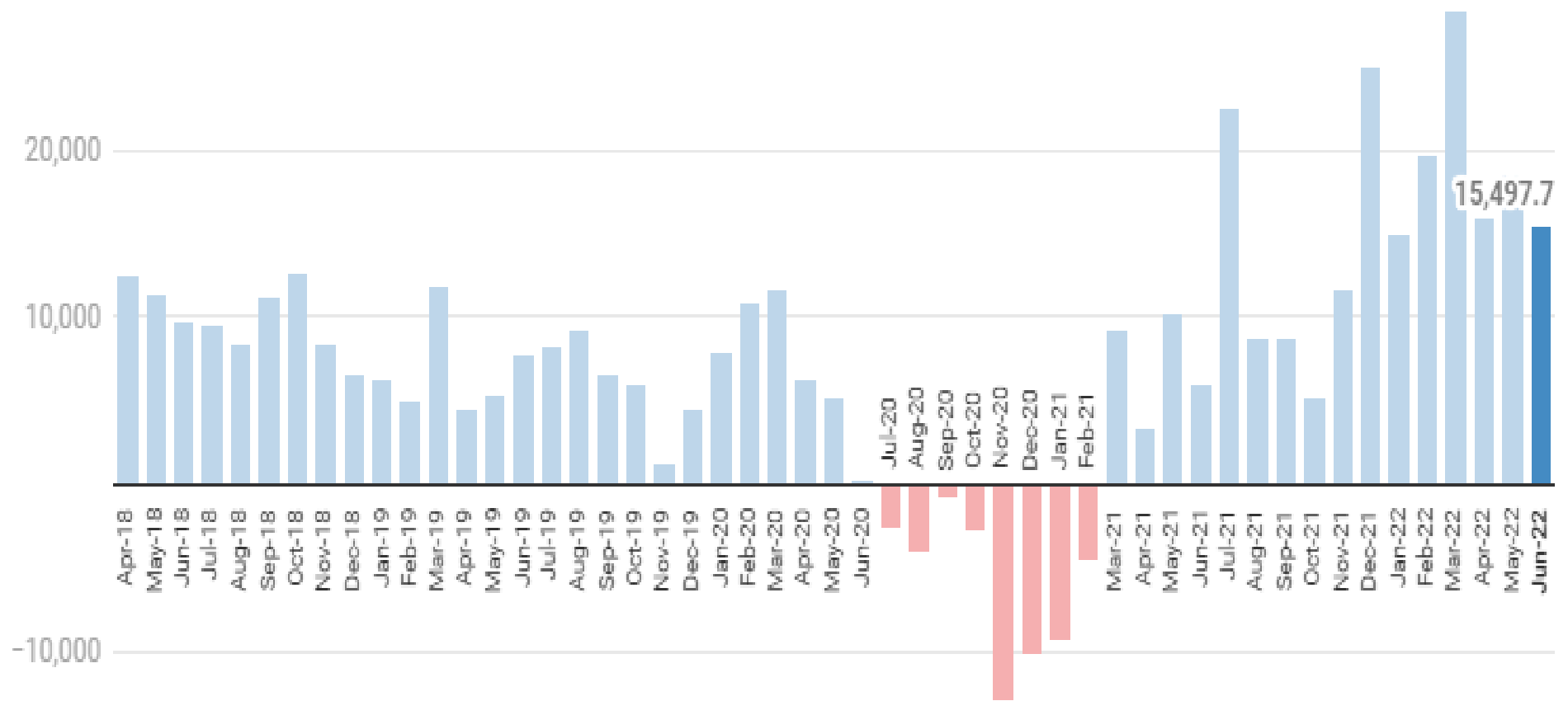
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Equity Mutual Fund Flows



Net Equity Inflows

(Rs crore)



Triggers for Market Turnaround



- Ending of Russia – Ukraine War
- Fall in Crude oil price

Market factoring Global Slowdown



- US and Europe likely to see recession
- Overall global slowdown expected which will reduce inflation

What Investors Should Do



- Huge price-wise correction unlikely
- Markets may consolidate in near term
- Global economy unlikely to see deep recession
- Gradual buying is advisable

Events To Watch



- Geopolitical
- Q1 Results
- Monsoon

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Thank You

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