

Market News

Monthly
Newsletter

JUNE

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The Benchmark indices ended on a positive note in the month of June 2023. Our Moderate Compounders Portfolio was up/down by 7.28% compared to Nifty50 returns of 3.53% in June 2023, while small-cap and midcap indices gave whopping returns of 5.9% and 6.0% respectively.

With the completion of the earnings season, we witnessed strong growth in the EMS (Electronic Manufacturing Sector), marginal growth in IT companies backed by early signs of revival in H2 FY24, strong growth in Auto and Auto Ancillary owing to a recovery in the domestic and export market, and we expect the auto to deliver a strong H1 FY24 numbers due to revival in rural spending and good prediction of rainfall. Owing to the removal of China's lockdown, Chemical, and agrochemical companies were under pressure. Nifty EPS stands at INR 860.4 with a P/E multiple of 22.5 times. Data reveals that FPIs invested INR 47,148 cr in Indian equities in June, the highest investment in the last six months. The total investment made till H1 2023 is INR 76,407 cr. The S&P 500 was also up 5.4% in June 2023 and for YTD basis, the returns went up to 15.0%. The Dow Jones Industrial Average rose by 4.1% for the month and by 1.8% for YTD. The unemployment rate has marginally fallen from 3.7% in May 2023 to 3.6% in June 2023 and the pace of job growth remains strong.

Fitch Ratings affirmed India's long-term rating at BBB -ve with a stable outlook. India's rating reflects a strong growth outlook with robust internal systems. India will be one of the fastest-growing Fitch-rated sovereigns globally at 6.3% growth in FY24 (from the previous month's rating of 6%). Softening of commodity prices is further relief for India to control inflation. The monsoon has been delayed in some places like Kerala but overall it has arrived earlier than the forecasted. This would increase the demand in rural areas and we could witness some good traction in sectors like rural housing, automobile, and FMCG companies. Crude oil in our view is likely to come down in FY24 while FDI investment inflow is rapidly proliferating across sectors in India.

India's services PMI (Purchasing Managers' Index) fell to 58.5 last month from 61.2 in May 2023. Similarly, the manufacturing PMI fell to 57.8 in June 2023 from 58.7 in May 2023. However, the sentiment remains positive as India can outpace many of its major peers over the coming quarter. The revenue via GST collection for the month of June 2023 was INR 1,61,497 crores against INR 1,57,090 crores in May 2023, an increase of 2.8%.

The net inflow in open-ended equity funds increased to INR 8,637 crores which is 2x on a month-on-month basis where small-cap companies received a major allocation.

Automobiles sales for July remain flat owing to various factors like the seasonality effect and non-festive season but we expect strong demand from August onwards particularly in rural areas. We expect two-wheeler sales to outperform owing to normal monsoon, recovery in export markets, and easing of supply chain pressure. Import substitution themes of specialty chemicals, solar panels, and defense segments are witnessing strong demand. An increase in HNIs and UHNIs will give a boost to luxury consumption and experienced living. Luxury watches, cars, 5 star hotels are likely to do well over the next decade. We expect sectors like EMS, defense, railways, CAPEX oriented companies will do extremely well in the next 3-5 years. New sunrise industries like EV ancillary, renewable energy, solar and semiconductor chemicals, and hydrogen as a fuel are supposed to grow exponentially over the years.

Globally despite uncertainty, the market is reflecting positive sentiments for FY24. We have positioned our portfolio in such a way that will make maximum benefit out of the most relevant growth themes when India reaches a 5 Trillion Economy. Assuring our best efforts.