

# Market Outlook

March 2024

## Market Update

Global markets continued the positive momentum in February 2024, with most ending the month with good gains. Shanghai (+8.1%), Japan (+7.9%) and Hong Kong (+6.6%) were the major gainers, while US S & P 500 and Nasdaq soared to a record high gaining 5.2% and 6.1% respectively in February. Indian markets lagged global markets. While the large cap index Nifty 50 gained a small 1.2%, broader markets were flattish for the month with the S & P BSE SmallCap down by -1.1% and S & P BSE Midcap gaining 1.5%. Sector-wise, all sectoral indices ended with small gains, except for FMCG, which was down 2.2%.

The US FOMC, in line with expectations, maintained the policy rate at 5.25-5.5%. The US FOMC meeting highlighted that members were not in a rush to start cutting interest rates. Foreign Institutional Investors (FIIs) recorded flattish net inflows of USD 0.186 billion during the month. On the other hand, Domestic Institutional Investors (DIIs) continued to see net inflows, amounting to USD 3.06 billion.

### Global and regional indices 1 Month performance (%)



Source: Bloomberg, Kotak Institutional Equities (Data as on February 29, 2024 in Local Currency)

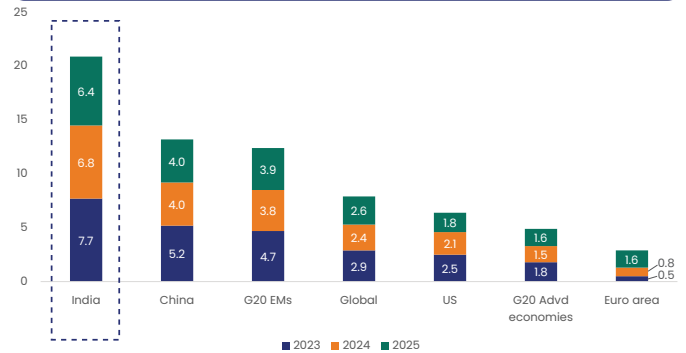
## Macro Update

On the domestic macro front, India's GDP growth for the third quarter (YoY) surpassed expectations, recording an actual rate of 8.4%, outperforming the anticipated 6.6%, and exceeding the previous quarter's 7.6%. On the sectoral front, the growth of the manufacturing sector soared to 11.6% in Q3 of FY24 from a negative 4.8% in the same quarter of the previous fiscal year. The central bank projects real GDP growth at 7% for the financial year 2024-25. India's CPI inflation for January'24 month moderated to 5.10% YoY vs. 5.69% YoY in December'23, largely due to reduction in food prices & vegetable prices. The RBI projects the headline inflation or the CPI for Q1FY25, Q2FY25, Q3FY25 and Q4FY2 at 5%, 4%, 4.6% and 4.7%, respectively. WPI inflation moderated in January'24 due to lower food prices at 0.30% vs. 0.73% in December'23. IIP grew by 3.8% in December'23 vs. 2.4% in November'23 led by manufacturing activity.

India's merchandise trade deficit narrowed to USD 17.50 billion in January'24 from USD 19.80 billion in December'23, largely due to a decline in imports to USD 54.41 billion in January'24 against USD 58.25 billion in December'23. GST collections rose 12.5% YoY to INR 1.68 lakh crore in February'24.

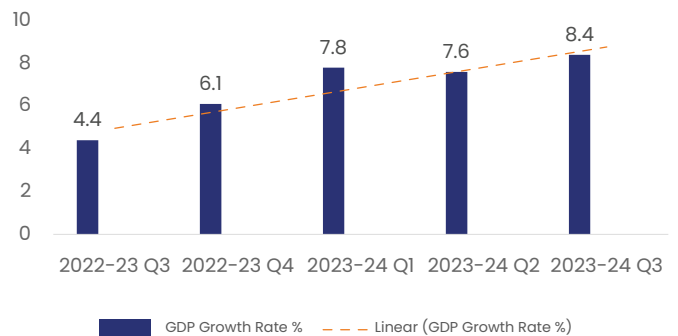
The INR for the month was stable and closed at ~82.92. India G-sec yield ended the month at 7.07%, as traders continue to wait for fresh cues. Brent crude price marginally rose to USD 81.4 per barrel in the month of February'24.

### GDP Growth Outlook, % Change (YoY)



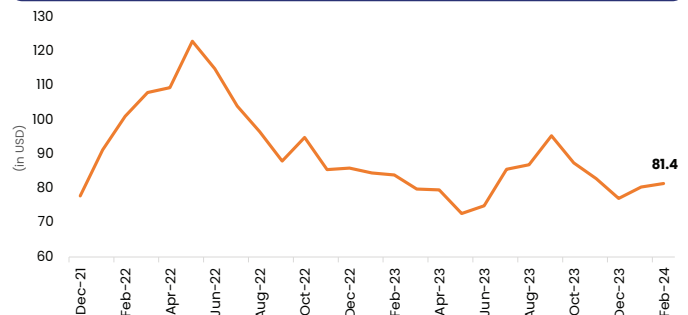
Source: Moody's Investor Service

### QoQ GDP Growth Rate



Source: IMF data world economic outlook, Ministry of Statistics and Programme Implementations

### Brent Crude



Source: Bloomberg

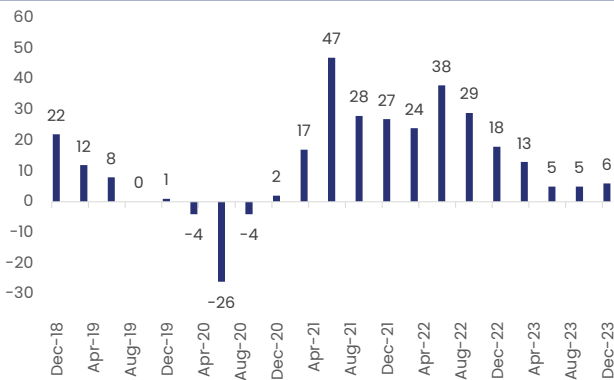
FY period: April-Mar, CPI: Consumer Price Index, WPI: Wholesale Price Index FI: Foreign Institutional Investors, GST: Goods & Services Tax, DI: Domestic Institutional Investors Fed: US Federal Reserve, IIP: Index of Industrial Production, GOI: Government of India, FDI: Foreign Direct Investment, YTD: Year To Date, CY: Calendar Year. Inflation numbers released with 1 month lag, Core Sector number released with 1 month lag, IIP number released with 2 months lag.

## Earnings Update

Corporate earnings – domestic cyclicals propel growth: The FY 23–24 Q3 corporate earnings ended on a strong note, with widespread outperformance across aggregates driven by continued margin tailwinds. Domestic cyclicals such as Autos and Financials, along with global cyclicals (i.e., Metals and Oil & Gas) drove the beat. Technology posted a marginal decline in earnings, its first in 26 quarters.

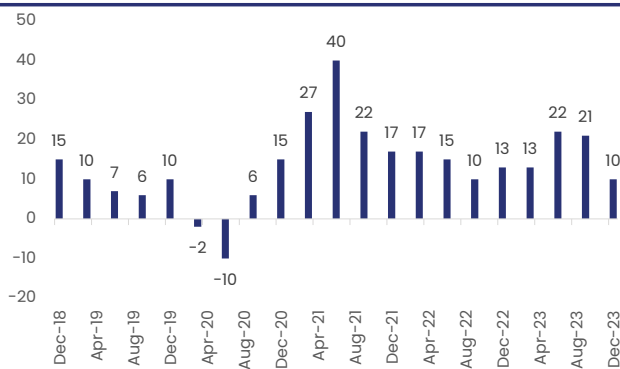
Sales/EBITDA/PBT growth for Nifty constituents was in line with our estimates at +6%/+10%/+10% YoY in FY 23–24 Q3. PAT was above our estimates and grew 17% YoY (est. of +11%). Excluding Financials, profit for Nifty constituents rose 18% YoY (est. of +11%).

### NIFTY sales up 6% YoY (in line) in FY 2023–24 Q3



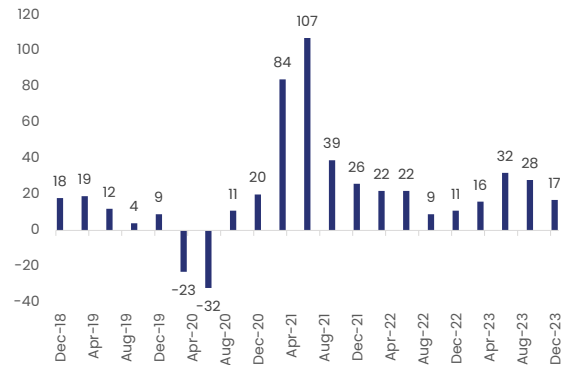
Source: MOSL, Bloomberg

### NIFTY EBITDA up 10% YoY (est. 8%) in FY 2023–24 Q3



Source: MOSL, Bloomberg

### NIFTY PAT up 17% YoY (est. 11%)



Source: MOSL, Bloomberg

## Market Outlook

Macro-economic news flow for India continues to be strong, with almost all parameters showing strength and improvement. Corporate profits also continue to be strong with the next two years PAT growth expected to be 15–17% CAGR. Elections due in April/May 2024 are expected to be in line with expectations. Globally all things have stabilized with both inflation and interest rates having clearly peaked. Stable crude prices are also positive for India.

We continue to believe that while our view on the markets is positive from a medium to long-term perspective, there is clear exuberance in many stocks. This is clearly a time to overcome greed and ensure that the quality of the portfolio is not compromised. We continue to focus on fundamentals and will sacrifice near-term momentum returns in favour of longer term wealth creation.

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