Overview:

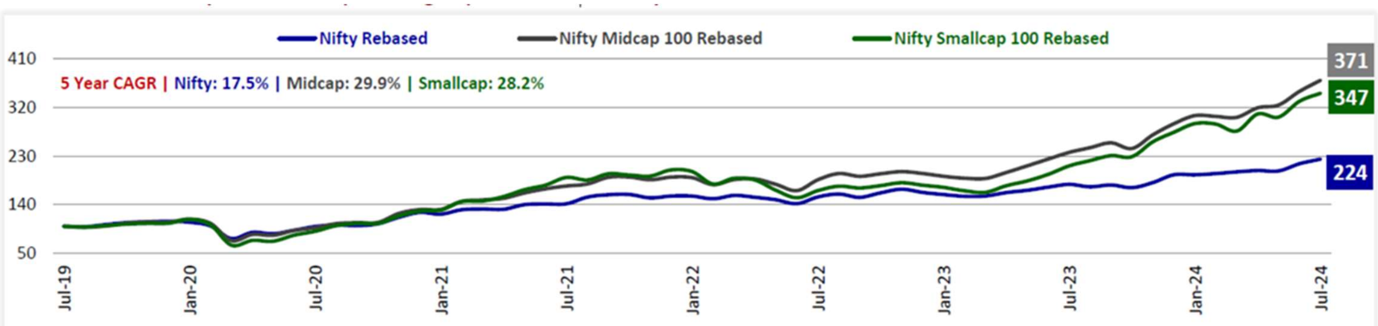
For the month ended July 2024, the Nifty 50 index was up by 3.92% over the previous month. Large caps, represented by the Nifty 50, underperformed midcaps and smallcaps. The Nifty Midcap 100 index surged by 5.84%, while the Nifty Smallcap 100 index was up by 4.48%. Within sectors auto, technology, consumer goods, pharma, healthcare, media, and oil & gas outperformed Nifty 50, whereas metals, banking, and realty underperformed.

Sr. No.	Index Name	July 2024 M-o-M Change
1	NIFTY 50	3.92%
2	NIFTY Midcap 100	5.84%
3	NIFTY Smallcap 100	4.48%
4	NIFTY Auto	5.89%
5	NIFTY Bank	-1.51%
6	NIFTY Financial Services	-0.03%
7	NIFTY FMCG	9.38%
8	NIFTY IT	12.98%
9	NIFTY Media	7.90%
10	NIFTY Metal	-2.35%
11	NIFTY Pharma	10.37%
12	NIFTY Private Bank	-1.39%
13	NIFTY PSU Bank	0.42%
14	NIFTY Realty	-1.00%
15	NIFTY Consumer Durables	3.66%
16	NIFTY Oil & Gas	8.44%
17	NIFTY Healthcare Index	9.34%

Source: National Stock Exchange of India

During the last 12 months, midcaps and smallcaps have gained 56% and 64%, respectively, while largecaps have risen 26% only. During the last five years, midcaps have outperformed largecaps by 147%, while smallcaps have outperformed largecaps by 123%.

Fig: Performance of midcaps, smallcaps and largecaps over the last five years



Foreign funds (FIIs/FPIs) were net buyers in July 2024 at USD3.87bn and domestic institutions were net buyers at USD2.80bn. In April and May 2024, foreign funds were aggressive net sellers of ~USD5.86bn. However, this trend reversed in June, with foreign funds becoming strong buyers and continuing this into July, investing ~USD7.06bn over these two months. Foreign funds are now net buyers in CY2024 at USD4.8bn and domestic funds at USD33bn. Monthly SIPs or systematic investment plans led retail inflows into domestic mutual funds hit an all time high of Rs.212.62bn or ~USD2.5bn. This unwavering confidence of retail Indian investors in equities has been the main driver of markets, despite foreign fund selling and global adverse news flow, apart from strong Indian economic data.

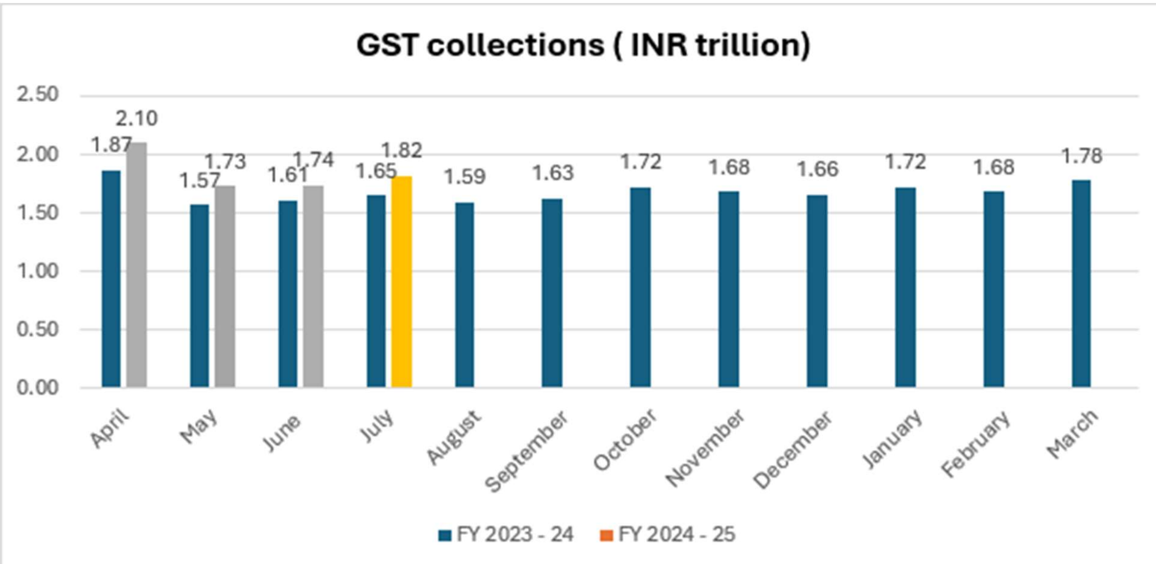
India's share in global market cap continues to rise and stood at 4.4% which is an all time high versus historical average of 2.7%. India is among the top 10 contributors to the global market cap.

Fig: Top 10 countries constitute ~81% of the global market cap as of July 2024

Source: Bloomberg

On the macroeconomic front, Goods and Services Tax (GST) revenue for July 2024 was Rs.1.82 trillion, up 10.3% YoY. Over the first four months of FY2025, gross GST revenue grew by 10.2% to Rs.7.4 trillion.

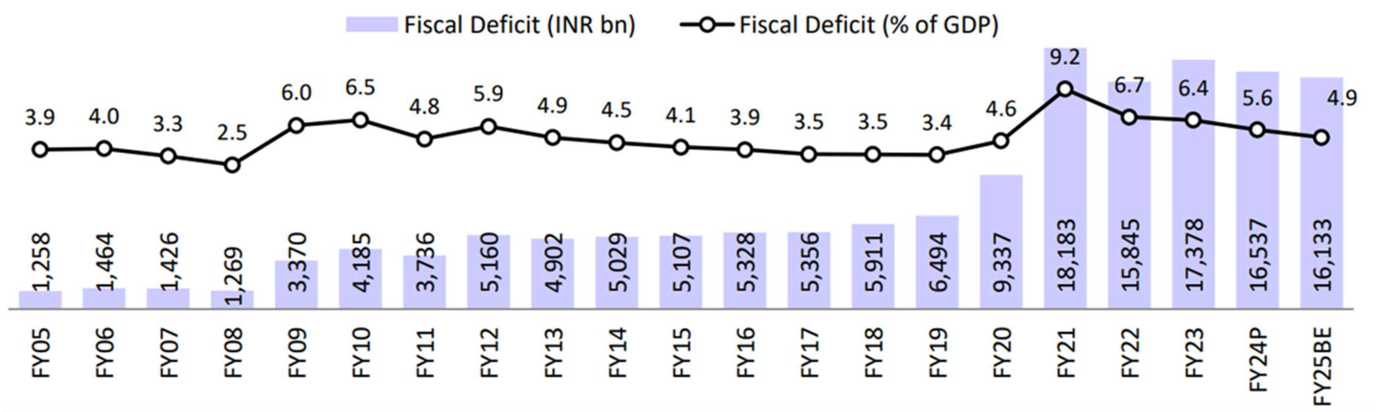
Fig: GST Collections trend (in INR trillion)



Source: EquiPoise Capital research

<u>Our view:</u>

We had been reiterating that the most important event as far as Indian markets are concerned is the June 2024 general election. With that behind, the next event was Union Finance Budget FY2025. India's Finance Minister presented the Union Budget 2024-25 on July 23, 2024. This was the first budget of Prime Minister Narendra Modi's third term in the government. Overall, the broad themes from the interim budget remained unchanged. Markets were watchful for some consumption-boosting initiatives i.e. revenue expenditure, as the Government of India (GoI) received additional resources from the Reserve Bank of India (RBI). Nevertheless, like its stance of past years and also the interim budget of February 1, 24, the Government refrained from introducing any major schemes to stimulate consumption and instead focused on fiscal deficit consolidation. The Union budget 2024-25 focused on infrastructure, fiscal consolidation, job creation, MSMEs, women, and agricultural support. On the macro front, FY25 fiscal deficit target pegged at 4.9% of GDP vs. 5.1% given in the interim budget and 5.6% in FY24P. The government's commitment to achieve a fiscal deficit below 4.5% of GDP by FY26 is an overall positive for the economy. However, the increase in capital gains tax and securities transaction tax was seen as a dampener for capital markets.



Indian markets are at a new high, Indians have elected a stable government which remains steadfast on investment led growth, which presents a budget focused on fiscal discipline, in a growth challenged world. We believe that a combination of factors viz +7% GDP growth, +15% Nifty earnings CAGR in FY24-26, stable currency, moderating inflation, strong foreign exchange reserves at USD667.4bn and buoyant retail participation are tailwinds which may keep market sentiments strong. However, we do also believe and have highlighted that there may be some pockets of the market where the valuations seem to have run ahead of fundamentals. We maintain that India's long term growth story is intact, its economy strong and corrections present an opportunity for long term investors.

EquiPoise Investment Advisers
(A division of EquiPoise Capital Management Pvt. Ltd.)

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