



# Citrus Advisors

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## Quarterly Update

2<sup>nd</sup> October 2021

# Agenda

- Market Performance by segment and sector
- Sectoral Analysis
- Flows Update
- Key Events during the last Quarter
- Events to watch out
- Technical Analysis Check
- Our recent studies

# Performance by Market Cap

| Company Name     | CMP    | 1M  | 3M   | 6M   | 1Y   | ▲ (CMP, 52WH) | ATH Date    | ATH Price | ▲ (CMP, ATH) |
|------------------|--------|-----|------|------|------|---------------|-------------|-----------|--------------|
| S&P Bse Sensex   | 59,126 | 3.9 | 12.7 | 17.9 | 55.3 | -2.1%         | 03-Sep-2021 | 60,412    | -2.1%        |
| S&P Bse Midcap   | 25,253 | 6.7 | 12.1 | 25.2 | 71.7 | -1.5%         | 24-Sep-2021 | 25,650    | -1.5%        |
| S&P Bse Smallcap | 28,082 | 5.2 | 11.3 | 36.7 | 88.9 | -1.3%         | 17-Sep-2021 | 28,457    | -1.3%        |

# Sectoral Performance

| Company Name               | CMP    | 1M   | 3M   | 6M   | 1Y    |
|----------------------------|--------|------|------|------|-------|
| S&P Bse Realty             | 4,104  | 33.4 | 49.7 | 56.6 | 145.5 |
| S&P BSE Telecom            | 1,761  | 16.1 | 28.5 | 34.1 | 70.1  |
| S&P Bse Power              | 3,199  | 10.8 | 16.1 | 27.5 | 93.5  |
| S&P Bse IT                 | 34,419 | 1.9  | 14.2 | 28.7 | 72.3  |
| S&P Bse Capital Goods      | 25,967 | 4.6  | 13.1 | 22.6 | 87.7  |
| S&P Bse Oil & Gas          | 18,302 | 8.4  | 13.1 | 23.3 | 49.5  |
| S&P Bse Infra              | 273    | 8.8  | 12.1 | 23.8 | 96.2  |
| S&P CPSE                   | 1,609  | 12.0 | 10.8 | 28.2 | 74.1  |
| S&P BSE Industrials        | 5,226  | 6.0  | 10.0 | 25.4 | 100.8 |
| S&P BSE FMCG               | 14,862 | 2.8  | 9.9  | 16.7 | 34.5  |
| BSE – PSU Index            | 8,472  | 10.3 | 8.9  | 26.4 | 86.6  |
| S&P Bse Bankex             | 42,728 | 3.4  | 8.6  | 12.2 | 75.4  |
| S&P Bse Metal              | 20,182 | -0.7 | 8.1  | 41.2 | 143.0 |
| S&P BSE Private Bank Index | 14,447 | 2.6  | 6.5  | 6.8  | 64.2  |
| S&P Bse Healthcare         | 26,093 | -0.5 | 2.0  | 22.8 | 31.8  |
| S&P Bse Auto               | 23,866 | 6.4  | 0.4  | 7.2  | 33.5  |

# Strong Equity Flows in September and YTD

| In Rs. Crs   | FII     | DII     | MF      |
|--------------|---------|---------|---------|
| YTD          | +59,799 | +27,971 | +27,626 |
| September'21 | +7,663  | +5,948  | +6,703  |

Source: SEBI

# Key events more recently

- **Evergrande crisis**
  - China's 2<sup>nd</sup> largest property developer by sales debt mounts to ~\$300bn and nearing default
  - Apprehension amongst investors that it could turn out to be similar to the Lehman crisis. However, most of the debt is held domestically.
- **FOMC Update**
  - Fed Funds rates unchanged at 0-0.25% - inline with estimates
  - Markets were expecting the Fed to provide a time-table for tapering its security purchases
  - Fed indicated that if US economy continues to strengthen, it would “soon” dial down the massive asset purchases (of \$120 bn per month) and conclude the tapering process by mid-2022
  - Fed indicated that inflation is transient and see it moderating after a few months while economy opens up
  - Implications for Indian market: Scaling back of asset purchases could impact flows but don't see it in immediate future

# Key events more recently (2)

- **Vaccination Drive Update – In Full swing**
  - Administered ~89.7crs jabs
  - Overall, 69% of adults have received atleast 1 jab and 25% of adult population fully vaccinated
- **Bad Banks Update**
  - Government incorporated National Asset Reconstruction (NARCL) and India Debt Resolution Co (IDRC) to set up bad bank in India.
  - Nearly 2 lakh crores of stressed loans (NPLs/written off loans) will be transferred for resolution (~90,000crs in Phase 1) for resolution. Government will provide ~30,600crs guarantee
  - Aggregation of debt at one entity is expected to speed up the process for finding interested buyers, transfer of assets, formalising write-downs

# Key events more recently (2)

- **AGR dues getting extended – Relief for Telco Players**
  - Moratorium of up to four years in annual payments of AGR and spectrum dues of TSPs, subject to payment of interest in a manner that NPV of GoI is protected.
  - Increase in tenure of spectrum from 20 years to 30 years with flexibility to surrender the same after lock-in period of 10 years.
  - Modification in definition of AGR wherein non-telecom revenues will be excluded for computing
  - 100% FDI permission under automatic route as against 49% allowed presently
  - What does this do? A) Free up cash of about Rs.45,000 crore annually for the Telecom Service Providers, which can be utilized towards business investments. B) Positive for Vodafone that could have not been able to survive and honor debt obligations
- **Inflation, IIP numbers were better than estimates**
  - Retail Inflation eased in August'21 to 5.3% vs. 5.6% in July'21
  - Core Industries growth in Aug'21 came in at 11.6% vs. 6.9% contract same period last year



# Events to watch out for

- Domestic Events
  - Economic indicators
  - Vaccination Drive
  - Q2FY22 Results
  - High frequency data
  - Festive sales
  - Privatisation
  - Inflation nos
  - Borrowing calendar
  - IPO Pipeline

# Events to watch out for (cntd)

- Global Events
  - Economic indicators
  - Update on Tapering by Fed
  - Crude prices
  - China slowdown
  - US Yields

# Technical Analysis

# How do different indices/markets look technically?

| Index / Sector         | Technical Outlook |
|------------------------|-------------------|
| Nifty 50               | Bullish           |
| Nifty Midcap 100       | Bullish           |
| Nifty Smallcap 100     | Bullish           |
| S&P 500                | Mildly Bearish    |
| MSCI World Index       | Mildly Bearish    |
| MSCI Emerging Markets  | Bearish           |
| MSCI Emerging Smallcap | Neutral           |
| Nifty Bank             | Mildly Bullish    |
| Nifty IT               | Neutral           |

| Index / Sector | Technical Outlook |
|----------------|-------------------|
| Nifty FMCG     | Neutral           |
| Nifty Pharma   | Neutral           |
| Nifty Auto     | Neutral           |
| Nifty Metals   | Neutral           |
| Gold           | Bearish           |
| Crude Oil      | Bullish           |
| Dollar Index   | Bullish           |

# Our framework to analyse the sectors

| Indicators  | Parameters  |
|-------------|---|
| Fundamental | <ul style="list-style-type: none"><li>▪ Q1FY22 Results</li><li>▪ Management commentary</li><li>▪ Monthly data</li><li>▪ Global Demand / Pricing Outlook</li></ul> |
| Momentum    | <ul style="list-style-type: none"><li>▪ 1 month Price Performance</li><li>▪ 3 month Price Performance</li></ul>   |
| Technical   | <ul style="list-style-type: none"><li>▪ Chart Patterns</li><li>▪ Momentum Indicators</li><li>▪ Trend</li></ul>  |

# Key Takeaways

|                              | Our Observations   |
|------------------------------|--|
| <b>Indices (by segment)</b>  | <ul style="list-style-type: none"> <li>▪ In the last 3 months, all the indices (mid/small/large) have delivered more or less similar performance.</li> <li>▪ However, in the last 6 month and 12 month period, the Small and Midcap have outperformed the Sensex by a wide margin</li> <li>▪ We are once again seeing Small and Midcap outperforming in the last 1 month</li> <li>▪ The underperformance of mid and small cap stocks in 3 months may largely be due to the correction in August'21 triggered by the BSE circular</li> </ul>      |
| <b>Sectoral Observations</b> | <ul style="list-style-type: none"> <li>▪ Out of 16 prominent sector indices analysed on the basis of fundamental, technical and momentum indicators, we found only 1 sector to be weak on all parameters</li> <li>▪ a) Only 1 sector was moderate on fundamental and momentum indicators b) 4 sectors were strong on both fundamental and momentum indicators, c) 6 sectors were strong on fundamental indicators but moderate on momentum indicators and d) 4 sectors were moderate on fundamental but strong on momentum indicators</li> </ul> |
| <b>Outlook</b>               | <ul style="list-style-type: none"> <li>▪ Therefore, even though indices are at their ATH and have rallied substantially in the last Quarter, and in many cases, trading at expensive valuations, bottom up sectoral analysis seems to suggest that there is more steam left</li> <li>▪ The momentum pick up in the Small and Midcap index in the last 1 month and the renewed retail interest seems to suggest that these indices will outperform the Sensex going forward</li> </ul>  |



# Welcome to Citrus Advisors



- Does\_it\_make\_sense\_to\_invest\_with\_Nifty\_at\_16k?
- The\_rally\_of\_2021:\_How\_irrationally\_exuberant?
- Covid\_2nd\_Wave:\_Road\_Ahead\_-\_Update
- Covid\_2nd\_Wave:\_Road\_Ahead\_-\_Update

Activate Windows  
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# STUDIES

## Our recent views

- Sensex at 50K – Does the rally have more legs: 12<sup>th</sup> Feb 2021
- Covid 2<sup>nd</sup> Wave : The Road Ahead: 19<sup>th</sup> Apr 2021
- Covid 2<sup>nd</sup> wave – an Update: 20<sup>th</sup> May 2021
- The Rally of 2020 – how irrationally exuberant – 22<sup>nd</sup> June 2021
- Does it make sense to invest with Nifty at almost 16000 points – 29<sup>th</sup> June 2021
- Q1FY22 takeaways – Not too many surprises – 29<sup>th</sup> August 2021



# Annexure

# What factors will drive the markets

Presented on 06<sup>th</sup> September 2021

# 1. Fear of Third wave

| <b>Threat</b>  | <b>Opportunity</b>   |
|--|--|
| <ul style="list-style-type: none"><li>▪ The fear of the unknown will cause more damage than the actual numbers</li></ul>                                   | <ul style="list-style-type: none"><li>▪ If the 3rd wave does not materialize, the relief rally may be huge</li></ul>   |
| <ul style="list-style-type: none"><li>▪ There will be a knee jerk negative reaction across most asset classes but more particularly for equities</li></ul> | <ul style="list-style-type: none"><li>▪ The fear of the 3rd wave is coinciding with the festive season. If we do not have a wave the pent up demand will spark unprecedented consumption</li></ul>   |
|  | <ul style="list-style-type: none"><li>▪ The 1st wave caused massive economic loss due to extended Lockdown and 2nd wave caused huge human loss due to our complacency. It is expected that the economic and human loss in the 3rd wave will be much less than previous 2 waves</li></ul> |

## 2. Tapering by the Global Central Bankers

| <b>Threat</b>   | <b>Opportunity</b>   |
|---|--|
| <ul style="list-style-type: none"><li>▪ Easy money will get pulled out from risky asset classes and particularly emerging markets</li></ul> | <ul style="list-style-type: none"><li>▪ Hot money will exit the market and will be replaced by more stable funds</li></ul>   |
| <ul style="list-style-type: none"><li>▪ It will cause volatility in the short term</li></ul>  | <ul style="list-style-type: none"><li>▪ Correction will provide an opportunity to investors to top up their holdings - something that they have been wanting to do for a long time</li></ul> |

# 3. Revival of Economic Growth in India

| <b>Threat</b>  | <b>Opportunity</b>   |
|--|--|
| <ul style="list-style-type: none"><li>▪ Key thing to watch is credit growth. If it continues to be lackluster then we have to worry</li></ul>  | <ul style="list-style-type: none"><li>▪ Banking stocks have not participated in this rally. A pick up in economic activity and credit growth may spark a rally and take Nifty higher</li></ul>   |
| <ul style="list-style-type: none"><li>▪ Seasoned economist have pointed out that low credit growth is due to:<ul style="list-style-type: none"><li>a. Low demand for working capital</li><li>b. Companies retiring debt due to fear of NCLT</li><li>c. Companies maintaining low inventory due to fear of a Lockdown</li></ul></li></ul> | <ul style="list-style-type: none"><li>▪ Much of the inflation is because of supply side pressures. Once all segments of the economy start functioning properly, this will subside thus lower prices, better demand and higher margins. This will keep the earnings momentum high</li></ul> |

# 4. Domestic Flows

| <b>Threat</b>  | <b>Opportunity</b>   |
|--|--|
| <ul style="list-style-type: none"><li>▪ Retail investors have not seen any sharp correction till now. This has made them bolder and there is now a higher possibility of them making reckless mistakes</li></ul> | <ul style="list-style-type: none"><li>▪ MF flows have been very strong in the last 3 months</li></ul>                    |
| <ul style="list-style-type: none"><li>▪ This may drive them away from equity for many years again</li></ul>  | <ul style="list-style-type: none"><li>▪ In the past also we've seen that MF flows rise with market correction</li></ul>  |
|  | <ul style="list-style-type: none"><li>▪ SIP Books continue to be strong</li></ul>  |
|  | <ul style="list-style-type: none"><li>▪ This is bringing long term funds to the markets</li></ul>                        |
|  | <ul style="list-style-type: none"><li>▪ New MF are getting registration and bringing wider variety of products</li></ul> |

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