MSEARCH

MONTHLY INVESTMENT RESEARCH

Monday
02nd January, 2023

Lighting a path forward in Equities & Commodities...

SENSEX

NIFTY

GOLD

SILVER

CRUDE OIL

USD / INR

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Price Forecast

INSTRUMENT	30th Dec 2022	1 Month	2 Month	3 Month	1 year
SENSEX	60841	59750	62000	63583	67250
NIFTY	18105	17750	18500	18888	20000
USD $ / INR	82.7	83.25	82.5	81.75	85
GOLD	55017	56100	55000	54500	57500
SILVER	69451	70250	69600	69500	72000
CRUDE OIL	6612	6751	7000	7250	8100

Dear Valued Reader,

First, we would like to wish you a very **HAPPY NEW YEAR** filled with success and prosperity!

Yes, it is time to ring the New Year with new beginnings, fresh starts, reaffirmations of love, hope and promises for a brighter future — all to come in New Year 2023.

Agreed, that New Years are time of celebration and cheer, but Dalal Street is seen facing difficult circumstances — primarily on backdrop of technical overbought conditions.

Also, honestly speaking — stock markets across globe are fundamentally divorced from the real economy. Naturally, this perilous backdrop makes investors suspicious amidst key disparity ever between growth and value strategies.

So, expect volatility to rule the roost and choppiness will prevail at Dalal Street this January 2023 primarily as investors brace for a tug of war battle between the bulls and the bears.

To put it straight, the tug of war battle will be between 'the optimism from the Federal Reserve efforts to control inflation' and 'the recession concerns which pose a significant risk.'

Now, before we get into detail and start a brand new-innings of trading this January 2023, let's review how the major indices listed at Dalal Street fared in December, November and October 2022 and also their performance in the year 2023.

Yes, we are ready with our Jan - Feb – Mar 2023 forecast but before that, we wish great health and good luck to all our clients and their families during these trying times.

Once again, thanks for reading and **here's wishing to you and your loved ones the best for the new year 2023.**

Happy Investing!!

Market recap:

Instruments	Prices as on 30th Dec 2022	Dec 2022 % Change	Nov 2022 % Change	Oct 2022 % Change	2022 % Change
Sensex	60841	-3.58%	+3.87%	+5.78%	+5.56%
Nifty	18105	-3.48%	+4.14%	+5.37%	+8.73%
BSE Auto Index	28923	-4.78%	-1.12%	+5.28%	+12.45%
BSE Bankex Index	49348	-0.90%	+4.11%	+7.29%	+20.84%
BSE Capital Goods Index	33342	-1.49%	+1.74%	+6.56%	+16.55%
BSE Consumer Durables	39722	-4.28%	-2.74%	+0.42%	-9.29%
BSE FMCG	16075	-2.73%	+2.45%	-0.30%	+16.53%
BSE Healthcare	23034	-3.81%	+0.02%	+2.50%	-19.6%
BSE Metal	20856	+2.95%	+6.48%	+5.61%	+23.62%
BSE Mid-Cap	25315	-2.45%	+2.33%	+2.04%	+4.76%
BSE Small-Cap	28927	-2.00%	+2.44%	+1.28%	-0.79%
BSE Power	4381	-6.77%	-3.45%	+2.48%	+28.58%
BSE Realty	3447	-3.90%	+2.69%	+3.44%	-7.72%
BSE Oil/gas	20409	-0.98%	+5.76%	+5.01%	+38.2%
BSE IT	28672	-6.03%	+5.46%	+5.25%	-44.45%

The Back Story: Profit booking witnessed amidst relentless FII selling.

Well, December 2022 was a record-breaking month for Dalal Street as the benchmarks Nifty & Sensex scaled fresh records highs at 18887.60 and 63583.07 respectively.

The negative takeaway however was that the benchmarks succumbed to massive profit booking as Nifty ended 3.58% down amidst technical overbought conditions. You can blame the nervousness to:

1. China's Covid crisis.
2. Recession concerns.
3. Relentless run of interest rate hikes from the Federal Reserve.
4. FIIs have sold to the tune of Rs. 14231.10 crores in December.
5. Lingering concerns about corporate India's earnings which could come under heavy pressure from inflation.

Long story short: The return of risk.

Let's now have a look at other key catalysts from last month:

The US annual PCE inflation data showed that inflation declined to 6% in October – lowest so far this year. This triggered a sell-off in the US Dollar. Ultimately, the US Dollar index was down 1.39% for the week ended at 104.44 levels

India's GDP growth halved in September quarter. India's economy grew by 6.3% in the second quarter of the current fiscal, official data released on Wednesday showed. The gross domestic product (GDP) had expanded by 8.4 per cent in the July-September quarter of 2021-22, according to data released by the National Statistical Office (NSO).

The RBI Monetary Policy Committee (MPC), in its December meeting, hiked the repo rate by 35 basis points, as against 40-50 basis point increases made since May. But the key negative takeaway was that RBI remained concerned with regards to creeping inflation where RBI Governor Shaktikanta Das said in his policy statement that, "We will keep Arjuna's eye on the evolving inflation dynamics and be ready to act as may be necessary.

As per RBI MPC Minutes for December, the global economic outlook is skewed to the downside. Global growth is set to lose momentum as monetary policy actions tighten financial conditions and as consumer confidence weakens with the rising cost of livelihood. Inflation remains elevated and persistent across countries as they grapple with food and energy price shocks and shortages. More recently, however, there are some signs of moderation in price pressures, which have raised expectations of an easing in the pace of monetary tightening. Alongside easing in sovereign bond yields, the US dollar has come off its highs. Capital flows to emerging market economies (EMEs) remain volatile and global spillovers pose risks to growth prospects

US producer price data showed inflation was still hotter than expected, even though it was slowing. The trigger was data showing prices at the wholesale level were 7.4% higher in November than a year earlier. Wholesale prices in the United States rose 7.4% in November from a year earlier, a fifth straight slowdown and a hopeful sign that inflation pressures across the economy are continuing to cool, though not as much as some had projected.

The Federal Reserve's policy committee raised its target interest rate by 0.50% point, bringing the fed-funds rate target range to 4.25% to 4.50%. While this was a smaller hike from the previous four increases, the Fed indicated that it will keep rates higher through next year, and hold off on cuts until 2024. The dot plot showed that the terminal rate projection rose to 5.1% from 4.6% in September.

The European Central Bank raised its key rate by a half point to 2.5%, joining the Federal Reserve and the Bank of England with a December hike to rein in the fastest inflation in decades.

The government announced IRCTC's partial stake sale via offer for sale (OFS).

The Inox group, which is best known for Inox Leisure, the country's second-largest multiplex chain, is planning a Rs 1,000-crore initial public offering (IPO) of group company InoxCVA in 2023. The development comes as InoxCVA, the country's largest manufacturer of cryogenic equipment for the oil & gas and other sectors, looks to tap opportunities emerging in clean energy

The US economy grew at an annual rate of 3.2% in the third quarter, surpassing the market expectation of 2.9%. Hence, the Fed likely to be more aggressive in rate hikes.

Gold prices bounced hard by 3.38% at $ 1770.20 an ounce for the month ended December after the Fed hiked interest rates by 50 bps earlier in the month.

Indian rupee weakened by 1.69% for the month ended at 82.86 against the US Dollar.

WTI Crude Oil Prices remained almost unchanged for the month ended, at $80.48 per barrel on weak global demand.

Gainers over 1-Month

Stocks	LTP (30th Dec 2022)	Change %	52 Week H/L
TATASTEEL	112.65	6.17%	138.63/82.71
AXISBANK	933.85	4.71%	958.9/618.10
INDUSINDBNK	1221.50	3.52%	1275.25 /763.75
HDFCBANK	1221.50	3.52%	1275.25/763.75
L&T	2086.30	1.79%	2210.5/1456.8

Stocks at 52 Week High

Stocks	LTP (30th Dec 2022)	52 Week High
CANBK	333.05	336.70
RBLBANK	180.55	185.40
RECLTD	116.65	118.50
-	-	-
-	-	-
-	-	-

Losers over 1-Month

Stocks	LTP (30th Dec 2022)	Change %	52 Week H/L
TATAMOTORS	388.10	-10.38%	528.35/366.05
HCLTECH	1039.00	-7.90%	1359.00/875.65
INFOSYS	1508.70	-7.35%	1953.7/1355.5
RELIANCEIND	2548.20	-6.01%	2855.0/2181.0
ICICIBANK	890.95	-5.91%	958/642

Stocks at 52 Week Low

Stocks	LTP (30th Dec 2022)	52 Week Low
CHOLAHLDNG	554.00	536.5
KFINTECH	346.00	342.35
-	-	-
-	-	-

FII / DII - monthly break up and compared to November 2022.

FII (Dec) Rs. In Cr.	FII (Nov) Rs. In Cr.	DII (Dec) Rs. in Cr.	DII (Nov) Rs. In Cr.
-14231.09	+22546.34	24159.13	-6301.32

Looking Ahead: Volatility and choppiness likely to be the preferred theme as FIIs unimpressed with Dalal Street.

- **# Nifty (18105)**
- **# Sensex (60841)**

Strictly speaking, this January - caution is likely is to greet Dalal Street. Blame it to the negative leads from Wall Street which witnessed a cruel 2022.

The Dow Jones dropped 8.8%, the S&P tanked 19% and the Nasdaq tumbled 33%. The negative takeaway was that global equity markets lost $33 trillion in capitalization from their peaks.

The positive takeaway however for our stock markets was that Nifty was a huge outperformer as compared to Wall Street. Nifty ended the year 2022 with gains of 4.33% and most importantly, maintained its winning streak for 7th straight year.

Now, if there is a bright side of the coronavirus for investors at Dalal Street then it's that Nifty was up a whopping 143%—— from March 2020 lows of 7500.

Simply put, these symbolic milestones reflect optimism for the future and most importantly, show the economy's resilience despite the resurgence of Covid-19 plague in China.

2022 will actually go as a banner year for Dalal Street as the trading screen was dominated by the bulls' despite FII's fleeing Indian equities by selling shares worth Rs. 278,000/- crores. DIIs however bought shares worth Rs. 275,000/- crores.

Amidst this backdrop, we expect the benchmark Nifty to simply rocket to its psychological 19000 mark very soon, and reach the magnificent levels of 20,000 by Diwali with economy-linked sectors in focus. The Autos, FMCG, banking and along with infrastructure could lead the charge.

We reiterate and firmly believe the year 2023 is likely to bring more joy and abundance for investors at Dalal Street.

That said, the next few days will be important especially in the US with Federal Reserve's interest rate decision and labor reports taking center stage.

The street suspects, the Federal Reserve to raise the Fed Funds rate by another 25bps, following on from four 75bps hikes in June, July, September and November and a 50bps hike in December 2022.

The US central bank which is expected to hike rates by an additional 25 basis points when it meets on February. The swaps market is still pricing in a peak policy rate of 5.0%, with small odds of a 5.25% peak.

Please note, the Fed chair Jay Powell has indicated that the FOMC were “strongly committed” to driving inflation lower while signaling that more rate hikes are on the way.

So all eyes will be on the Powell’s statements, if any.

The US nonfarm payrolls report will also take center stage as speculation about the size of the Fed’s next February rate hike goes into overdrive.

Also, as of writing, investors were apprehensive about covid situation in China.

On the positive side, we firmly believe and suspect Nifty’s downside could be limited and probably Dalal Street could grind higher as on the positive side are reports that GST revenues grew 15% to Rs 1.49 lakh crore in December 2022. December was the 10th consecutive month when GST revenues are more than Rs 1.40 lakh crore.

The other positive catalyst in favor of bulls is that West Texas Intermediate Oil Prices are trading sluggish below $80 a barrel. The prices have dropped 33 percent in the last three-and-half months. Further fall in oil prices is expected to support the RBI commentary as India is amongst the largest oil importers. Hence, market participants will be closely watching this space.

A bright spot amidst pessimism are Auto stocks on backdrop of blockbuster sales for December. Our preferred bets on buy side from auto space are Eicher Motors, Ashok Leyland and Maruti with an inter-month perspective.

Long story short: Unstoppable rally likely only if the Federal Reserve has reached peak hawkishness. (That's wishful thinking).

Now, to achieve Dalal Street's bigger happiness, love and wisdom, investors' will have to keep their attention squarely only on four catalysts:

1. Flow of liquidity.
2. Rates
3. Inflation.
4. Recession.

The black swan could any spike in Covid cases in China.

Bullish looking stocks	**Bearish looking stocks**
ASIAN PAINTS, HDFC BANK, ASHOK LEYLAND, BANK OF BARODA, CANARA BANK, SBI, BEL, IDFC, MCDOWELL, UBL, RELIANCE, COAL INDIA, MCX, TITAN, HINDALCO, JSW STEEL, TATA STEEL, RBL BANK, PNB.	BANDHAN BANK, LAURUS LAB, IPCA LABS, PEL.

Daily chart of Nifty:

Our **call of the month** suggests some serious consolidation near Nifty's **psychological 18000 mark.**

Technically, expect waterfall of selling only below Nifty 17757 mark. Nifty can fall only on backdrop of the familiar fears of more interest rate increases and the risk of recession that can haunt investors.

The technical landscape is now suggesting a major hurdle at Nifty\s all-time-high at 18888 mark.

Preferred Trade on Nifty:	**CMP** 18105	Technically speaking, a massive breakout seen on the long term charts. The sequence of higher high/low is intact on all-time frames with aggressive targets t 19000-19250 zone. However, strong support zone lies at 17750-17900. **Buy at CMP. Targets at 18473/18888 mark and then at 19000 zone. Stop at 17501.**

The single-most conviction idea for January 2023.

BUY Ashok Leyland (CMP 143). Targets at 171.

Daily chart of Ashok Leyland (AL)

Incorporated in 1948, **Ashok Leyland (AL)** is the flagship company of thE Hinduja group and the second-largest Commercial Vehicle (CV) manufacturer in India. The firm has a strong presence in the truck segment with a market share of 29% as of FY22 and now commands a market cap of Rs 42,105 Crore.

We remain bullish on Ashok Leyland amidst recent softening in metal prices, firms' new launches, gaining on market share (Avtar, Bada Dost, Partner) and most importantly, on expectation of improvement in core economic activities, higher influx of infra projects, especially, the Govt. reform action to support growth momentum, a 24% CAGR in volume growth over FY22-24E quite likely. Also, helping growth dynamics in near and in long term are reports of AL's robust capex plan in Electric vehicle under the UK Subsidiary 'Switch' and to use India as export hub. Also note, with covid pandemic almost behind, the overall CV, bus, CNG and tipper segments demand should shoot up from hereon.

The appointment of Shenu Agarwal as Ashok Lelyand's new managing director and CFO is also seen as big positive catalyst. Mr. Agarwal is likely to drive the technology development, growth, and future strategy for the company towards achieving its vision to be among the top 10 Commercial Vehicle players globally.

Ashok Leyland Q2 FY23 Highlights (YoY)

- # Revenue rose 73% to Rs 9,600 crore.
- # Operating profit rose 77% to Rs 1,020 crore.
- # Operating margin stood at 10.6% versus 10.4% last year.

The company's total sales rose 64.5% to 45,295 units over the quarter, as the government's focus on infrastructure development and a revival in replacement demand for commercial vehicles continued to improve sales.

Technically, brace yourselves for a major breakout play from a probable classic 'flag pattern' breakout on the monthly charts. An impulse uptrend is seen forming on the quarterly time scale, with positive SAR series, with recent sequence of higher high/low intact on long term-time frames.

Add to that a bullish divergence and a rising stochastic signal (on weekly charts) with recent increase in volumes signaling a larger rebound. The 200 days Exponential Moving Average (EMA) of the stock on the daily chart is currently at 142 zone. The level of Rs 140-142.50 zone will act as a strong support zone and should be used as an opportunity to initiate aggressive long positions.

Look to buy at CMP, and on any corrective dips between 120-125 zone, targeting 157/173 zone and then aggressive bigger 9-12 months targets at 200 mark. Stop at 113.

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Mehta Equities Ltd
903, 9th Floor, Lodha Supremus, Dr. E. Moses Road,
Adjacent to Konark Empress Building,
Worli Naka, Worli, Mumbai - 400018
info@mehtagroup.in
For Grievances
grievance@mehtagroup.in
T : +91 22 61507101
F : +91 22 61507102

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Accumulate: 5% to 20% within the next 12 Months Sell : < -20% within the next 12 Months

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Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli, Mumbai 400 018, India
Tel: +91 22 6150 7101, Fax: +91 22 6150 7102
Email: info@mehtagroup.in, Website: www.mehtagroup.in