All eyes on global cues in truncated week

Major Factors

- Last week, Sensex, Nifty hit fresh milestones of 71,913.07pts and 21,593 points, respectively
- Re posted biggest weekly loss in last 2 months to 83.14
- Resurgence of new Covid variant can remain as a looming fear

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MARKET KHABREIN

DIGESTING seven weeks of straight gains, rising uncertainty in the Red Sea, a potential threat in a jump in Covid-19 cases and a very choppy trade over the past five sessions; the domestic markets snapped a 7-week gaining streak in the week gone by and closed lower. During the course of the week, BSE Sensex and Nifty hit fresh milestones of 71,913.07 points and 21,593 points, respectively. The Sensex shed 0.52 percent or 376.79 points to finish at 71,106.96 points, while the Nifty declined 107.25 points or 0.49 percent to end at 21,349.40 points. In the broader market, he Nifty Midcap-100 closed one percent lower, while Nifty Smallcap-100 closed 0.27 percent down. With geopolitical concerns on the rise again, FIIs sold equities worth Rs6,300 crore in the week gone by.

However, DIIs lent support by purchases of Rs8,900 crore worth of equities. Nonetheless, FIIs have been bigger buyers than DIIs in the cash market for the month so far. Last week, the Indian rupee posted its biggest weekly loss in over two months to close at 83.14. The rupee is expected to be between 82.90 and 83.40 this week on rising demand from oil companies, RBI and other importers. Rupee looks to be in a range until the breakout of either 83.40 or 82.80. While the impact of Covid emergence is yet to unfold on global markets, analysts warn investors saying that resurgence of new Covid variant JN.1 can remain as a looming fear on the domestic equity market.

Ahead of the last leg of this calendar year, a review of the markets during the last twelve months would be apt. The year started on a negative note as the equity bulls were nearly thrashed out by the bears. But the bulls picked themselves up from the ground and the run that they began in March was simply unstoppable. This tug-of-war between the bulls and the bears on Dalal Street was influenced by a zillion factors that unfolded during the course of the year. Coming to the US market, it is pertinent to observe that the S&P-500 closed out its eighth consecutive week of gains during week ended, logging its longest winning streak in six years. Recent data has emboldened bets that the Fed could start cutting interest rates by spring. Investors in interest-rate futures markets now see a nearly 90 per cent chance that the Fed will cut rates by its March meeting. Eight companies, including Muthoot Microfin, Suraj Estate Developers, Happy Forgings, RBZ Jewellers, Credo Brands, Azad Engineering and Innova Captab, will see their shares getting listed on the exchanges in the holiday-shortened week. The market will remain shut on December 25 for the Christmas holiday.

FIIs bigger buyers than DIIs in cash market this month so far; The market will remain shut today for Christmas holiday

Quote of the week: The stock market is filled with individuals who know the price of everything, but the value of nothing--Phillip Fisher

That is another testament to the fact that investing without an education and research will ultimately lead to regrettable investment decisions. Research is much more than just listening to popular opinion.

F&O / SECTOR WATCH

DERIVATIVES segment remained choppy in the week gone by as a lot of intraday volatility was observed in both Nifty and Bank Nifty indices. Nifty marked its record highs, while Bank Nifty remained under pressure during the week and settled the week with cut of more than a percent. Ahead of the monthly settlement week, the India VIX, which is referred to as the fear gauge, is holding above 13.5 level, indicating an upcoming rise in volatility.

In the option segment, the maximum Call Open Interest is at 22,000 strike, followed by the 21,500 & 21,600 strikes. The maximum Put Open Interest was visible at the 21,000 strike, followed by 21,200 & 20,800 strikes. Implied Volatility (IV) for Nifty's Call options settled at 12.39 per cent, while Put options concluded at 13.04 per cent. The Put-Call Ratio of Open Interest (PCR OI) stood at 1.19 for the week. The bullish moves were supported by IT, Reality, Metal and Energy counters, while the Banking and Financials were seen trading under pressure. Low volumes in holiday-shortened weeks can also result in high volatility. Highly volatile stock and sector-specific moves are not ruled out. Caution is warranted. Any sharp dip into the prices should be used to create fresh longs as buy on dips strategy is likely to continue till the presentation of Union Budget. The immediate support for the Nifty lies in the range of 21,100-21,000 zone, while on higher side 21500-21700 zone would act as an immediate hurdle. Overall data suggests that the index may remain in the broad range of 20,800-21,600 levels for the coming days.

Stock futures looking good are Aarti Inds, Deepak Nitrate, Godrej Consumer, HUL, Hindalco, TCS, Metropolis and Nestle. Stock futures looking weak are Apollo Hospitals, Divi Labs, Delta Corp, HDFC Life, Infosys and M&M Financial.

STOCK PICKS FOR 2024

GABRIEL: A significant recovery in two-wheeler demand, entry into the premium car component through sunroof and easing of raw material prices make the auto component player, Gabriel, a good bet. A strong order book, focus on electric vehicles and foray into premium component segment can act as growth catalysts for the company.

GAIL: The macro-environment for the gas sector has been improving with government policy support and rising gas consumption. GAIL is best placed among gas companies. With its indispensable position in the Indian gas grid, expect GAIL to see a 35 percent earnings growth in the next two years, and the current valuation is yet to reflect the same.

IRCON INTERNATIONAL: Higher execution, improved earnings visibility, stability in margins and valuations rerating should offer an upside in 2024. The management expects a 10-15 percent growth, going ahead.

EMUDHRA: The company is a technology solution provider, benefiting from the secular growth in digitisation and cyber security in India and abroad. The addressable market is growing at 20-25 percent plus CAGR and it maintains an EBITDA (earnings before interest, tax, depreciation and amortisation) margin of 30 percent. The company is currently trading at a reasonable valuation despite being the only player offering a variety of solutions in trust services and cyber security and a solid earnings trajectory.