# Monthly Update

June 2024

Hem Securities
Building your wealth through values

BROKING | INVESTMENT BANKING | RESEARCH | DISTRIBUTION | DEPOSITORY|PMS

## 1-Market Highlights:

After a cautious May, Indian equity markets rebounded after the general elections, driven by robust corporate results and faster-than-expected GDP growth, which has made domestic players increasingly dominant in the market while foreign interest had decreased. Indian economy grew by 8.2% in FY24, surpassing expectations. After 9.7% in FY22, 7.0% in FY23, this marks the third consecutive year of 7%+ growth, and growth this year is expected to be 7.2% by the RBI. As we head into the second half of the year, the Union Budget in July, commentary and next steps by the Fed and the RBI would be important marks for the macro and markets in the near future. Increasing climate and weather-related events have increased seasonal vagaries, reflecting in elevated volatility in the agricultural commodity complex, and related spillovers to headline numbers.

### Market performance (%)

| INDEX | 1M | 3M | 1Y | FY25 |
|---|---|---|---|---|
| NIFTY 50 | 6.6% | 7.5% | 25.1% | 6.9% |
| SENSEX 30 | 6.9% | 7.3% | 22.1% | 6.8% |
| NIFTY MIDCAP 150 | 7.9% | 17.3% | 55.5% | 15.2% |
| NIFTY SMALLCAP 250 | 9.5% | 19.4% | 62.3% | 15.9% |

Source: NSE As of 28th June 2024

### • FII/DII Activity

FIIs turned net buyers marking a reversal of their strategy of selling in the two preceding months. DIIs also poured in funds on the back of strong macroeconomic fundamentals.

| INR cr.* | 1M | 3M | 6M | 1Y |
|---|---|---|---|---|
| DII | 28,633 | 1,28,552 | 2,36,987 | 3,31,901 |
| FII | 2,037 | -75,869 | -1,24,495 | -1,51,081 |

Source: NSE *FII Cash As of 28th June 2024

### • Global Market

Global markets have had a good 2024 thus far, led by markets in developed countries, specifically the US, while emerging markets have underperformed, weighed down by China. Markets across the world continue to trade near lifetime high levels, coursing through meaningful recent events (Fed pause, Nvidia slide, far-right tilt in Europe, elections in India, etc.) The financial consequences of an extended pause on rates by the Fed are visible in the Yen's slide to 160 (the lowest since 1986) with countries having to deal with extended periods of positive real interest rates, despite getting inflation largely under control. The so-called 'last mile' on the inflation front has proven more difficult than anticipated thus far, and recent weather-related spikes in food inflation might add to the load.

| INDEX | 1M | 3M | 6M | 1Y |
|---|---|---|---|---|
| DOW JONES | 1.1% | -1.7% | 3.8% | 13.7% |
| FTSE | -1.3% | 2.7% | 5.6% | 8.4% |
| HANG SENG | -2.0% | 7.1% | 3.9% | -6.3% |
| DAX | -1.4% | -1.4% | 8.9% | 12.9% |
| NASDAQ | 6.0% | 8.3% | 18.1% | 28.6% |

Source: Investing.com As of 28th June 2024

### • Sectoral Performance

On the sectoral front, we believe that continued demand for digital transformation services, strong order books, and positive earnings outlook there is limited upside in IT sector. Considering the steady consumer demand, good monsoon predictions boosting rural consumption, and strong brand positioning, opportunities can be found in FMCG sector as well. Meanwhile, improving asset quality, strong credit growth, and favorable interest rate environment will be beneficial for banking scrips. Furthermore, strong pipeline of drugs, favorable regulatory environment, and increasing health awareness will work in favor of pharmaceuticals. The table shows the top 3 and bottom 3 sector performances in June 2024:

| TOP 3 (%) | 1M | 3M | 6M | 1Y |
|---|---|---|---|---|
| S&P BSE Consumer Discretionary | 7.4% | 15.4% | 25.8% | 53.9% |
| S&P BSE IT | 7.0% | 3.7% | 2.1% | 26.6% |
| S&P BSE Bank | 6.4% | 11.5% | 9.1% | 19.0% |

| BOTTOM 3 (%) | 1M | 3M | 6M | 1Y |
|---|---|---|---|---|
| S&P BSE Metal | -0.2% | 17.2 % | 22.6% | 61.2% |
| S&P BSE Oil & Gas | 1.6% | 6.6% | 26.6% | 63.0% |
| S&P BSE Infra | 2.6% | 16.3% | 39.6% | 108.4% |

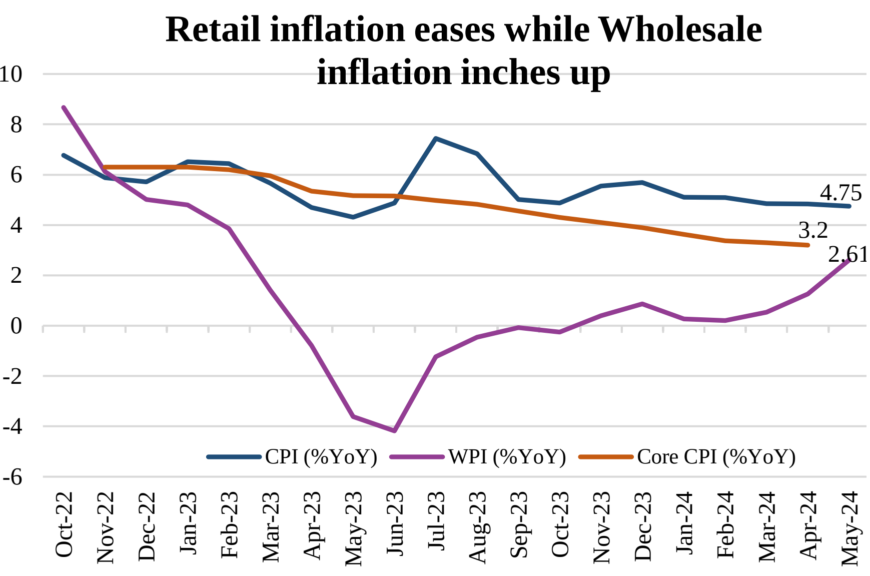
Source: BSE As of 28th June 2024

### • Important Events

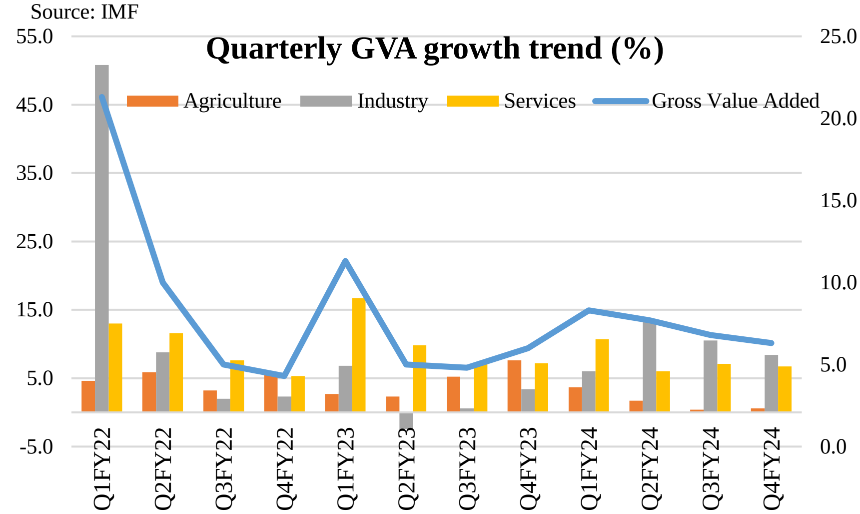
1- There are mixed monetary policy actions and narratives in both advanced and emerging market economies. The US Fed, which had projected almost three rate cuts in 2024 as per the dot plot, is now widely expected to keep interest rates higher for longer amidst sticky inflation. Though the BOE have held policy rates stable so far in 2024, the European Central Bank (ECB) announced that it is cutting borrowing rates for the eurozone by 0.25 percentage points, marking the first decrease since 2019, the better-than-expected fall in inflation in these regions has solidified the case for a rate cut. Countries like Japan and Indonesia have been outliers and have hiked rates to limit the depreciation in their respective currencies. The RBI has held policy rates steady for eight consecutive meetings, but recently there has been some divergence observed in the opinions of the MPC members.

2- Retail inflation eased marginally to a one-year low of 4.75% YoY while wholesale inflation accelerated to a 15-month high of 2.6% YoY in May'24 with elevated food prices, at both retail and wholesale inflation remaining a concern. The silver lining has been the retail core inflation at 3.1% YoY, the lowest level in the current series. Food inflation is unlikely to soften in the near term owing to extreme heatwave like conditions and unseasonal rainfall impacting plantations. With headline inflation expected to remain north of 4% over the next couple of months. The inflation trajectory in the near-term will primarily be dependent on the quantum and distribution of rainfall and recovery in reservoir levels.

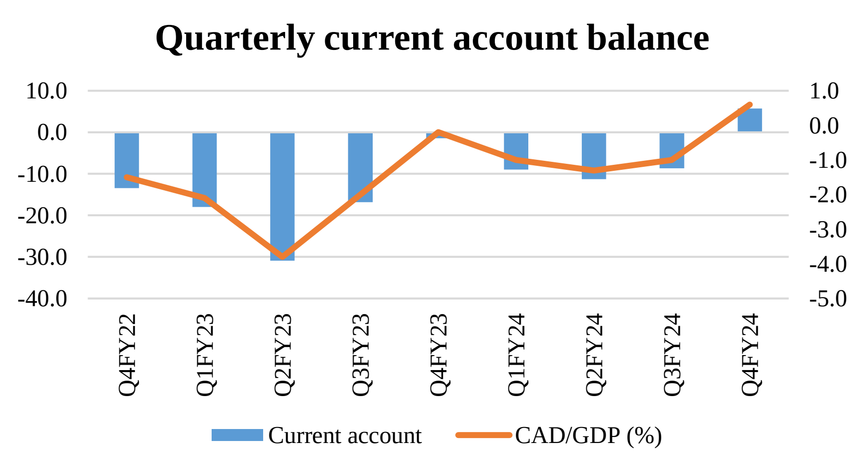
## 2- Economic Developments:




Source: IMF




Source: CSO




Source: CSO

a) Buoyed by robust tax collections and expenditure rationalization, the government's gross fiscal deficit improved to 5.6% of GDP in FY24 as per the provisional estimates, 20bps below the revised estimate. Total receipts have exceeded estimates while total expenditure has fallen short.

b) Industrial activity moderated in April, with the IIP growth decelerating to a three-month low of 5% YoY in Apr'24 vs. 5.4% YoY growth in the previous month. This was primarily due to moderation in manufacturing production, even as electricity and mining output registered a strong growth. Healthy expansion in the consumer durables, construction goods, and primary goods have been the key drivers of the IIP. That said, the growth in the consumer non-durable segment has fluctuated in recent months, reflective of weak sales in the rural areas

c) The eight core sector growth widened to 6.2% YoY in Apr'24 (vs. 4.6% YoY in Apr'23). The impressive growth in electricity was primarily bolstered by household demand amidst excessively hot climatic conditions in the country. Cement production growth moderated considerably and relatively lower construction sector demand amidst the general elections. On the other hand, the negative growth in fertilizers was on the back of an unfavorable base effect and low demand in a non-sowing season and beginning of the harvest season (rabi crops). Despite a high base, steel production grew on the back of sustained demand from the automative sector. Natural gas production grew strongly by 8.6% YoY, thanks to higher household demand.

## 3-Market Outlook:

1. Market participants are looking for stability, and Indian markets seem to provide the same (India VIX Index is down to more normal ~14 levels) with a stable coalition government, which is likely to continue with its pro-growth policies and approach.
2. The Indian stock market in June 2024 reflected a mix of optimism and caution among investors. The market is making all-time highs driven by strong foreign inflows and robust corporate earnings. As we move into July, themes such as consumption, private sector banks, and healthcare are likely to do well, given their comparatively reasonable valuation and are poised to deliver better returns due to strong fundamentals, positive economic indicators, and

favorable market conditions. However, flows are likely to stabilize with more clarity over the union budget expected in mid-July. The next challenge will be to find a balance between reforms and growth in the upcoming budget.

3. The Indian stock market stands poised for continued activity and potential growth, driven by robust economic indicators, corporate earnings, and sector-specific developments. The market sentiment is influenced by ongoing foreign and domestic fund flows, regulatory changes, and global economic trends. With these dynamics in play, July presents a promising landscape for investors seeking opportunities in well-performing and undervalued sectors.

## 4-Our Portfolio Management Services:

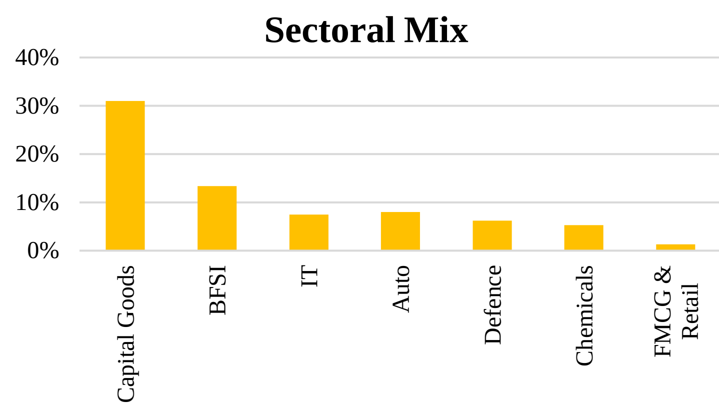
**Strategy 1: DREAM**

- Investments in equities cash segment with a mix of stable and growth-oriented companies having strong fundamentals.
- Our Multi-cap strategy rests on two pillars- Steady picks for large cap for resilience, stability, and long-term wealth and Growth for Small & Mid-caps for capturing new opportunities & potential multi-baggers.
- In order to minimize concentration risks, we believe in sector diversification. This has also resulted in achieving outstanding results by outperforming the markets by capturing opportunities across the board.
- We make dedicated efforts to find attractively valued firms with sustainable business models to capture new and dynamic opportunities.

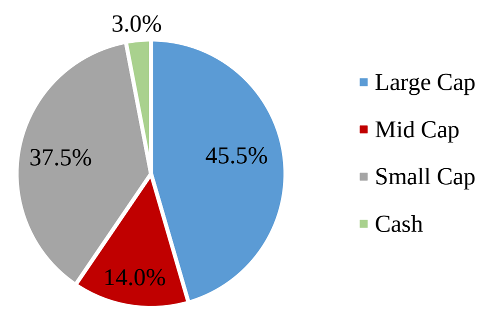
**Performance as on 28th June 2024:**

| | 1Y | 2Y | 3Y | Since inception (CAGR) | Since Inception (Absolute) |
|---|---|---|---|---|---|
| HEM PMS | **48.93%** | **42.22%** | **27.93%** | **30.55%** | **216.85%** |
| S&P BSE 500 | **36.64%** | **29.25%** | **18.41%** | **22.55%** | **141.02%** |

Inception date: 4th March, 2020. Returns presented are not verified by SEBI




**Market Capital Diversification**




**Our Top 10 Holdings in DREAM**

| | |
|---|---|
| Hindustan Aeronautics Ltd. | Mahindra & Mahindra Ltd |
| Agarwal Industrial Corporation Ltd. | Anant Raj Ltd. |
| Bharat Electronics Ltd. | Titagarh Wagons Ltd. |
| ICICI Bank Ltd. | Gravita India Ltd. |
| Tata Motors Ltd. | InterGlobe Aviation Ltd. |

**Strategy 2: IRSS**

1- Niche SME & Small Cap based PMS launched in February 2022.

2- We came No. 1 in India according to PMS Bazaar by delivering 34% returns in FY23.

3- Exclusive selection of potential multi baggers from SME & Small cap space.

4- It is a high risk & high return strategy and therefore suitable for investors having high risk appetite

**Performance as on 28th June 2024:**

| | 1Y | 2Y | Since inception (CAGR) | Since inception (Absolute) |
|---|---|---|---|---|
| HEM IRSS | **58.26%** | **68.54%** | **48.21%** | **153.80%** |
| S&P BSE 500 | **36.64%** | **29.25%** | **19.20%** | **51.55%** |

Inception Date: 18th Feb 2022.Returns presented are not verified by SEBI. Please read Disclaimer and T&C before investing.

**Disclaimer:**

All opinions, figures, charts/graphs, estimates and data included in this document are as on date and are subject to change without notice. While utmost care has been exercised while preparing this document, Hem Securities Limited does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information. No content of this material including the performance related information is verified by SEBI nor has SEBI Certified the accuracy or adequacy of the same. No part of this document may be duplicated in whole or in part in any form and/or redistributed without prior written consent of the Hem Securities Limited. Readers should before investing in the Strategy make their own investigation and seek appropriate professional advice. Investments in Securities are subject to market and other risks and there is no assurance or guarantee that the objectives of any of the strategies of the Portfolio Management Services will be achieved. Clients under Portfolio Management Services are not being offered any guaranteed/assured returns. Past performance of the Portfolio Manager does not indicate the future performance of any of the strategies. The name of the Strategies do not in any manner indicate their prospects or return. The investments may not be suited to all categories of investors. Neither Hem Securities Limited (HSL), nor any person connected with it, accepts any liability arising from the use of this material. The recipient of this material should rely on their investigations and take their own professional advice. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. The Portfolio Manager is not responsible for any loss or shortfall resulting from the operation of the strategy. Recipient shall understand that the aforementioned statements cannot disclose all the risks and characteristics. The recipient is requested to take into consideration all the risk factors including their financial condition, suitability to risk return, etc. and take professional advice before investing. As with any investment in securities, the value of the portfolio under management may go up or down depending on the various factors and forces affecting the capital market. For tax consequences, each investor is advised to consult his/her own professional tax advisor. Distribution Restrictions - This material should not be circulated in countries where restrictions exist on soliciting business from potential clients residing in such countries. Recipients of this material should inform themselves about and observe any such restrictions. Recipients shall be solely liable for any liability incurred by them in this regard and will indemnify HSL for any liability it may incur in this respect. Securities investments are subject to market risk. Please read disclosure document carefully before investing.

Portfolio Management Services | Regn No. PMS INP 000006794

**Disclosure document link**: - https://pms.hemsecurities.com/doc/Disclosure%20Document%20-%20HSL%20PMS.pdf