

Market Internals With Biju Samuel

Runaway Boom Parameters Prevail

Quantitative & Alternate Strategy

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Our weekly Compendium

Our Chart of the Day (COD) weekly compendium offers insight into the macro signals, global trends, market perspectives, sector calls and actionable ideas highlighted during the week.

As IT Fires On All Cylinders, Revisiting HCL Tech

We have been actively tracking new leadership dynamics in HCL Technologies ever since the relative breakout with the Nifty IT Index from an eight-year base structure. With all stars aligned, the stock opens the next big target of 2100, which could be a 12-18 months target.

Runaway Boom Parameters Prevail

We have cited stock return metrics earlier that indicate upward of 35% returns for many stocks in this faster returns' regime. One upcoming Nifty target is near 23600 based on the channel breakout.

Further positive surprise in Hero MotoCorp

The latest outperformance in Hero MotoCorp is from a point of extreme underperformance in the sector. The new cycle of outperformance is accompanied by a picture of under-ownership that augurs well for bigger Alpha. With leaders like TVS Motors having covered considerable runway, a sustainable innings of the laggards seems to be underway. The first green shoots for a tactical outperformance of Hero MotoCorp over TVS Motors have emerged.

IT Aims 25% Higher Outperformance Than Banks

We had covered the big fight between two heavyweight sectors -- Banks and IT -- with strong expectations of IT winning the battle with prospects of a 35% outperformance over Banks. With the latest banking crash, the IT relative ratio with Banks has broken out of long-term resistance, targeting another 25% outperformance.

Flash Crash Update

We have highlighted a key Nifty level based on the average since 4th December 2023. Latest survival was anchored around that key level of 21400. The seeds of turbulence might catalyze changes in the character of the market rally. In this case, increased apathy toward heavyweight banks & financials (after a reflex) and renewed enthusiasm for its antithesis. One offshoot can be broadening of flows. fueling more conviction in other winning sectors and themes.

We do note writings in the subsequent slides are as per previously published COD during the week.

With IT Firing on All Cylinders, Revisiting HCL Tech



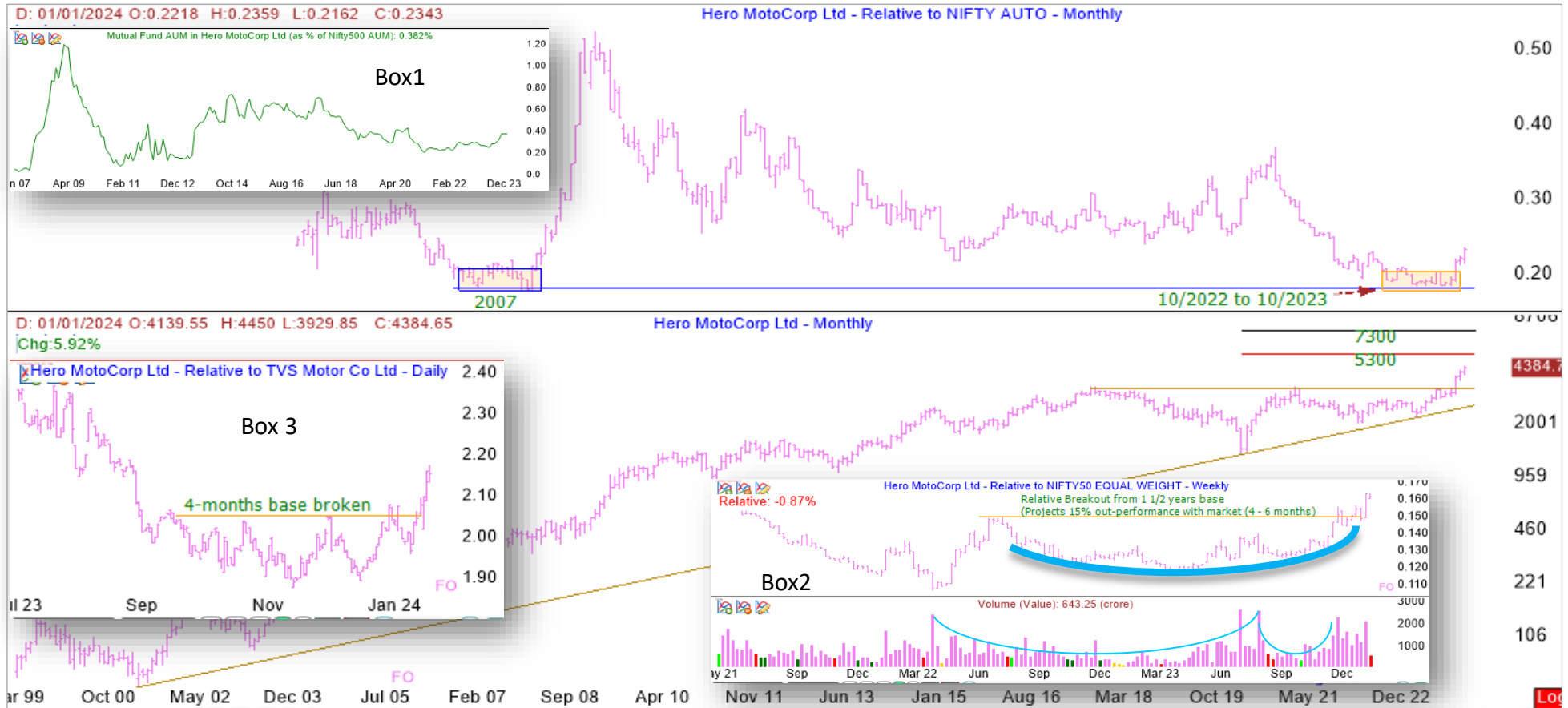
We have been actively tracking the new leadership dynamics in HCL Technologies ever since the relative breakout with the Nifty IT Index from an eight-year base structure. In our last update, we are looking at the Big Base breakout in absolute trends, giving minimum projection near 1700 (<https://www.elaracapital.com/researchpdf/COD22Nov2023.pdf>). With the sectoral macros beginning to fire on all cylinders, an update is warranted. With all stars aligned, the stock opens the next big target of 2100. This could be a 12-18 months target. As we have reiterated, IT has entered the second leg of its bull market and HCL Technologies can flourish. The relative ratio with the Nifty is currently at a one-year new high, reinforcing both sectoral and market leadership

Runaway Boom Parameters Prevail



After one-day flash crash, the Nifty has consolidated for 15 days. The runaway boom has resumed, responding smartly to the outermost layers of support. Stocks above 20DMA dipped to 50% as the Nifty took support at 20DMA. The mean-reversion of 10-day returns became the optimum entry point. We compute an approximate colour on the trader sentiments based on stock futures open interest dissection (box1). The long interest shows a dip last week, which might have become the ripe background for the next leg-up. We have cited stock return metrics earlier that indicates upward of 35% returns for many stocks in this faster return regime. Our minimum target perspective on the market is aligned to that rather than a Nifty target (<https://www.elaracapital.com/researchpdf/COD8Jan2024.pdf>). One of the upcoming Nifty target is near 23600 based on the channel breakout drawn on the Nifty chart here

Further positive surprise in Hero MotoCorp



The latest outperformance in Hero MotoCorp is from a point of extreme underperformance in the sector. We had highlighted when the relative ratio with the Nifty Auto Index hit the 2007 lows. The November rally has been the strongest declaration of bigger upside when multiple tops near 3300 were taken out. This breakout had a minimum projection toward 5300, followed by projections near 7300 in the next 18-24 months. The new cycle of outperformance is accompanied by a picture of under-ownership (box 1) that augurs well for bigger Alpha. The relative ratio with the market (box 2) has given an important breakout that promises 15% outperformance with the market in the intermediate to medium term. With leaders like TVS Motors with covered considerable runaway, a sustainable innings of the laggards seem to be underway. The first green shoots for a tactical outperformance of Hero MotoCorp over TVS have emerged (box 3). Previous coverage:

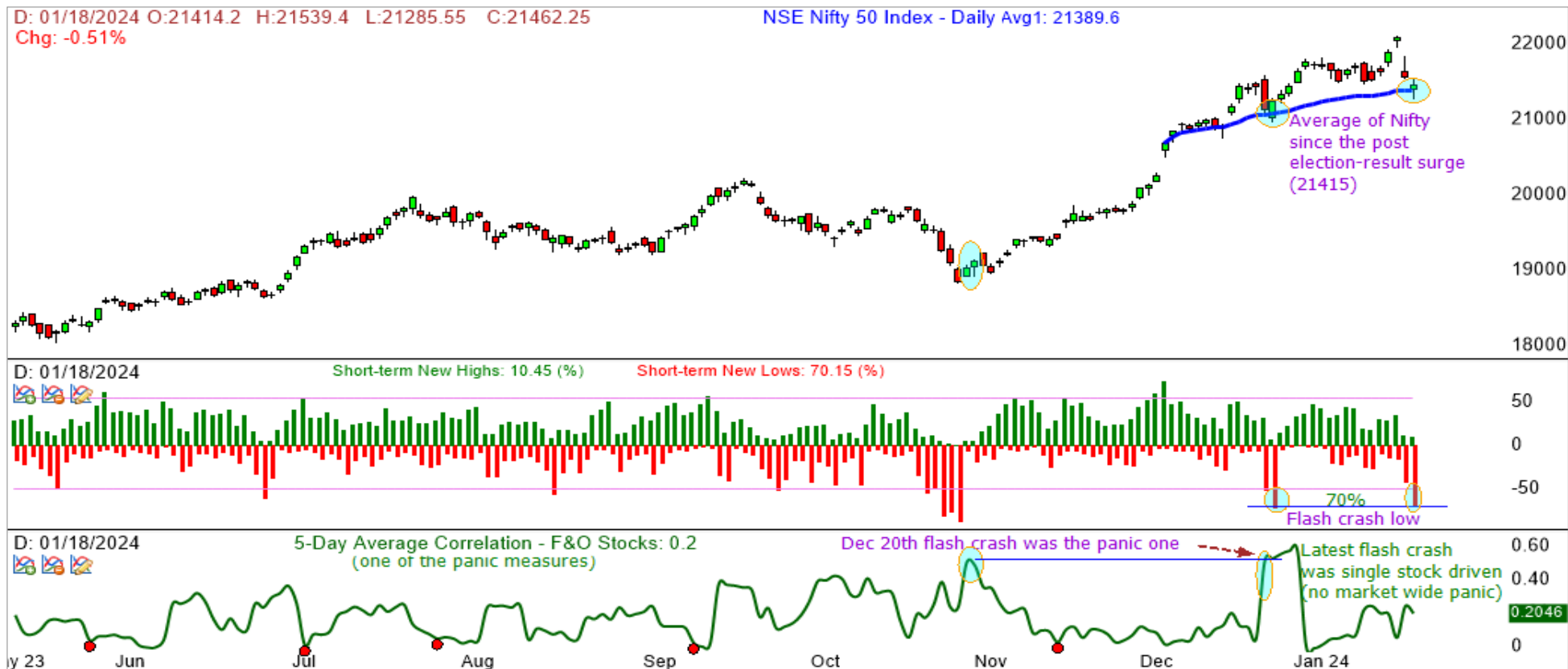
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IT Targets Another 25% Outperformance Relative to Banks ElaraCapital



We had covered the big fight between two of the heavyweight sectors – IT and Banks -- with a strong expectation of IT winning the battle with prospects of a 35% outperformance over Banks (<https://www.elaracapital.com/researchpdf/COD21Nov2023.pdf>). **January 17's** move has firmly entrenched this picture with another 25% left of the move. We note this is the minimum target and extension beyond that would redraw the whole orbit to a further massive scale that will be too tough to comprehend. With **January 18's** Banking crash, the IT relative ratio with Banks has broken out of long-term resistances (box). The script in favour of IT fits well, as we have spent two years from the peak and investor interest has mean reverted to the rewarding inflexion point. On the contrary, heavyweight banks and financials have been possessing a picture of the best is behind us

Flash Crash Update



While analysing the 20 December flash crash, we have opined "in the breakaway or runaway boom phases, one usual style of correction is the flash crash variety of 1.0 or 1.5 days from where quick resumptons unfold" (<https://www.elaracapital.com/researchpdf/COD21Dec2023.pdf>). Here is an update of the chart that was presented then as we look at the current flash crash with similar lenses. Short-term new lows have spiked to 70%, equating what was seen at the December panic. As the previous flash crash saw a market-wide selloff, panic measures have spiked. One example was the short-term correlation between stocks as displayed here. Similar panic is not witnessed now as it was single-stock driven. This means the market mostly finding a low above the December 21 low. That low was 20976 and the current one as on 18 January's 21285. We have highlighted a key Nifty level based on the average since the election surge. January 18's survival was anchored around that key level of 21415. The seeds of turbulence might catalyze changes in the character of the market rally. In this case, increased apathy toward heavyweight banks and financials (after a reflex) and renewed enthusiasm for its antithesis. One offshoot can be broadening of flows fueling more conviction in many winning sectors and themes.

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