

September 16, 2024

INDIA STRATEGY

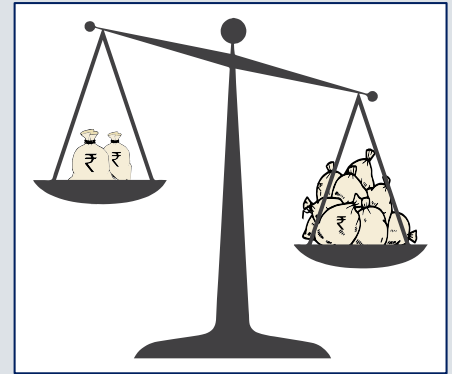
Where Money Flows – Sep'24

No Market Froth: Small/Micro Cap stocks correct even as Nifty hits Record Highs

We conducted an analysis of how broader indices are performing while the Nifty is reaching all-time highs. We wanted to see if there was excessive speculation or irrational exuberance in smaller or micro-cap stocks. Surprisingly, even though the small-cap and mid-cap indices are near their all-time highs, several stocks in the smaller market cap segments have seen significant corrections. In fact, 41% of the stocks in the Small Cap 250 index and 56% of the small and micro-cap stocks have dropped more than 20% from their 52-week peak, and around 19% of micro-cap stocks have fallen more than 50%. This decline could be due to factors such as reduced liquidity from restricting MTF position, valuation adjustments, or slowing earnings momentum. **The key takeaway is that there's no clear sign of market froth, despite Nifty hitting new highs.**

We also analyzed sector performance across different market-cap categories for additional insights. Our findings are as follows:

- In the **large-cap segment**, sectors like Chemicals, Consumer Durables, Telecom, and FMCG are trading near their 52-week highs, while rallies in Capital Goods and Realty stocks have lost momentum, with these stocks far from their peaks.
- In the **mid-cap segment**, Healthcare has maintained its strong performance, followed by FMCG, whereas Media and Metals & Mining stocks have faced steep declines.
- In the **small-cap segment**, sectors such as Metals & Mining, Realty, and Telecommunication have experienced notable corrections.
- Defensive sectors like FMCG and Healthcare have shown consistent positive trends across various market-cap categories.
- **Overall, the recent market trends suggest no significant shift, with large-cap and mid-cap stocks continuing to perform well, while small-cap and micro-cap stocks remain underperforming compared to benchmark indices.**



HITESH JAIN

Lead Analyst

hitesh.jan@ysil.in

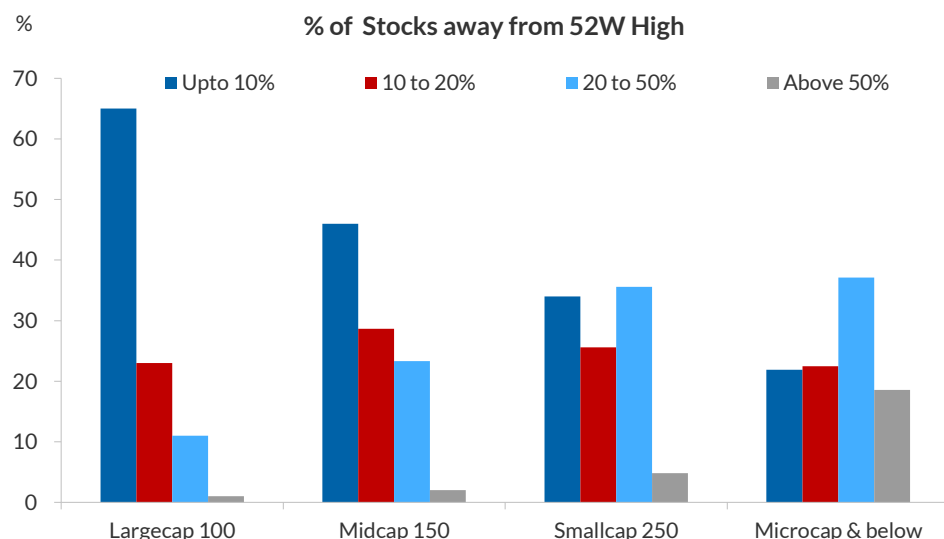


HEMANT NAHATA, Co-lead Analyst

hemant.nahata@ysil.in

KEVAL SHAH, Associate

Exhibit 1: A Sign of a Healthy Bull Market: Around 50% of the Stocks in the Small-Cap and Micro-Cap space have self-corrected by 20% or more even when the Benchmark indices are recording new peaks



Source: Capitaline, YES Sec

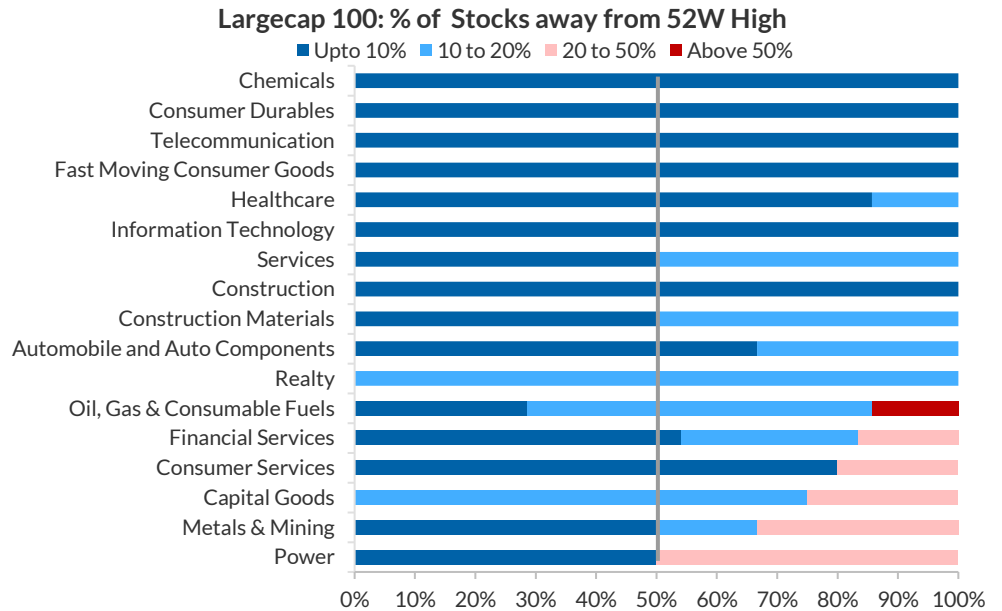
Exhibit 2: Sectors like Construction, Metals & Mining and Textiles have witnessed a bigger magnitude of correction, while Healthcare and Diversified Business have been relatively immune

% of Stocks away from 52W High	Upto 10%	10 to 20%	20 to 50%	Above 50%
Automobile and Auto Components	27	34	34	5
Capital Goods	22	25	38	15
Chemicals	26	34	30	10
Construction	15	21	43	21
Construction Materials	18	29	42	11
Consumer Durables	36	17	32	15
Consumer Services	21	24	36	20
Diversified	22	44	11	22
Fast Moving Consumer Goods	29	22	27	22
Financial Services	34	22	33	11
Forest Materials	4	32	48	16
Healthcare	55	14	21	9
Information Technology	25	24	32	19
Media, Entertainment & Publication	7	23	37	33
Metals & Mining	24	12	47	18
Oil, Gas & Consumable Fuels	18	36	30	16
Power	30	13	53	3
Realty	22	26	40	11
Services	22	20	35	22
Telecommunication	35	10	35	19
Textiles	17	17	50	16
Utilities	31	31	31	8

Source: Capitaline, YES Sec

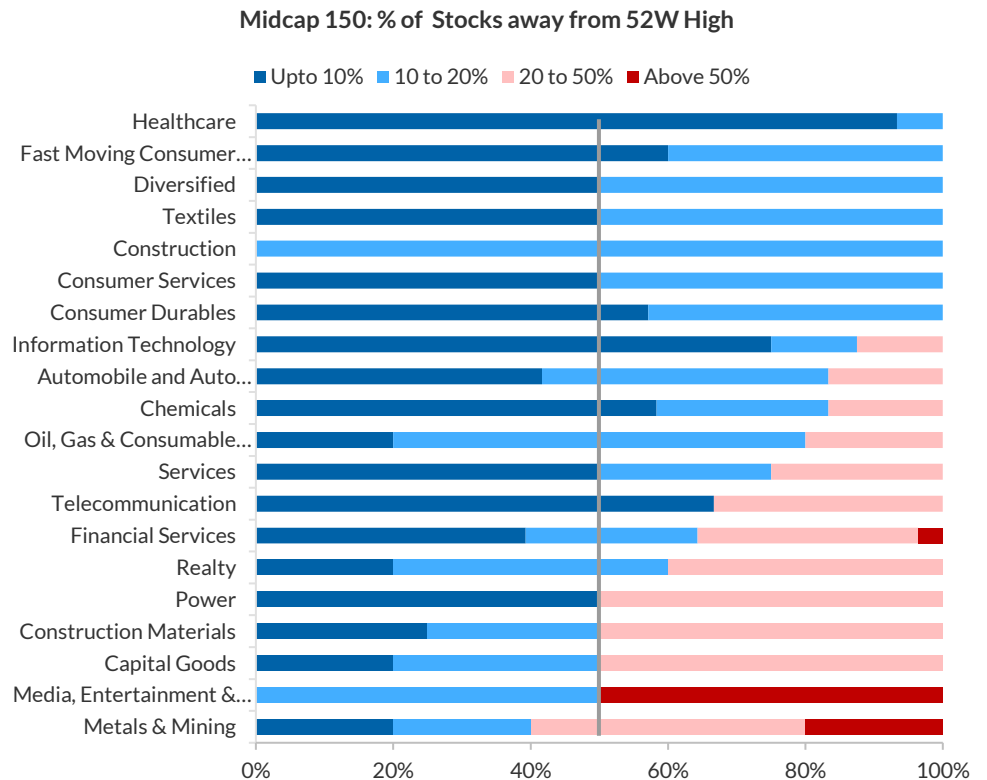
Where Money Flows – Sep'24

Exhibit 3: In Large Cap space, Chemicals, Consumer Durables and Telecom and FMCG are trading proximal to their respective 52-week highs. Conversely, Capital Goods and Realty stocks have corrected more than 10%



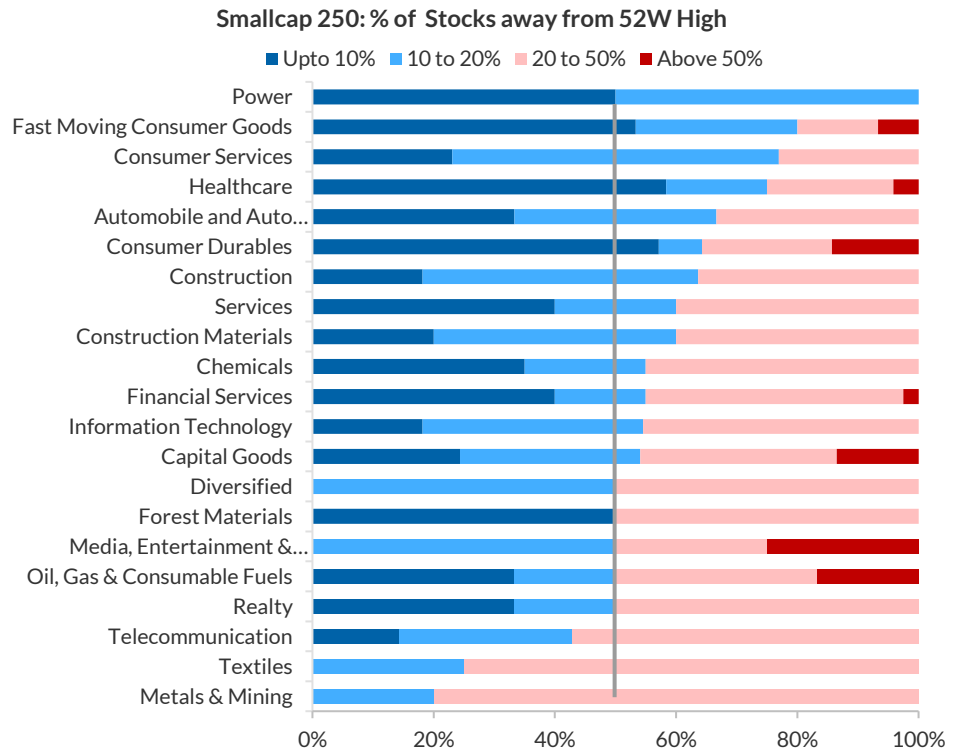
Source: Capitaline, YES Sec

Exhibit 4: In the Mid-Cap segment, Healthcare has been able to sustain higher levels, followed by similar resilience in FMCG. Meanwhile, Media and Metals & Mining stocks have suffered Brutal Corrections



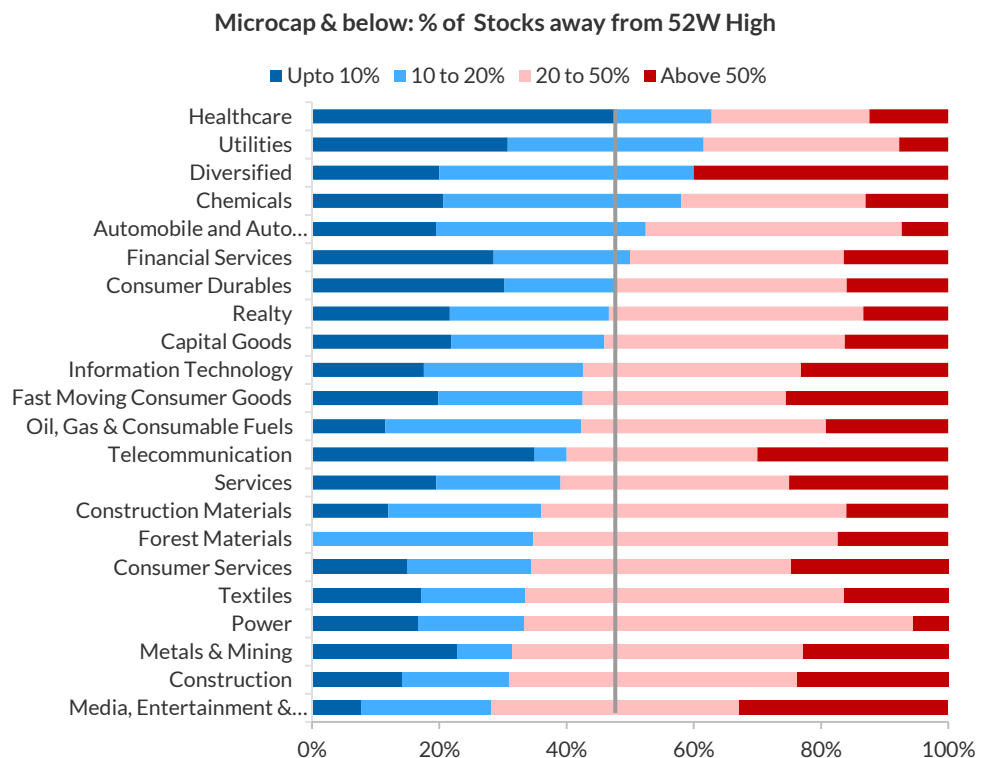
Source: Capitaline, YES Sec

Exhibit 5: In the Small Cap Segment, Metals & Mining, Realty and Telecommunication have witnessed sizable degree of correction, while FMCG and Healthcare in this Space space is replicating the Mid-Cap Trends



Source: Capitaline, YES Sec

Exhibit 6: Micro-Cap Space has witnessed corrections across the Board



Source: Capitaline, YES Sec

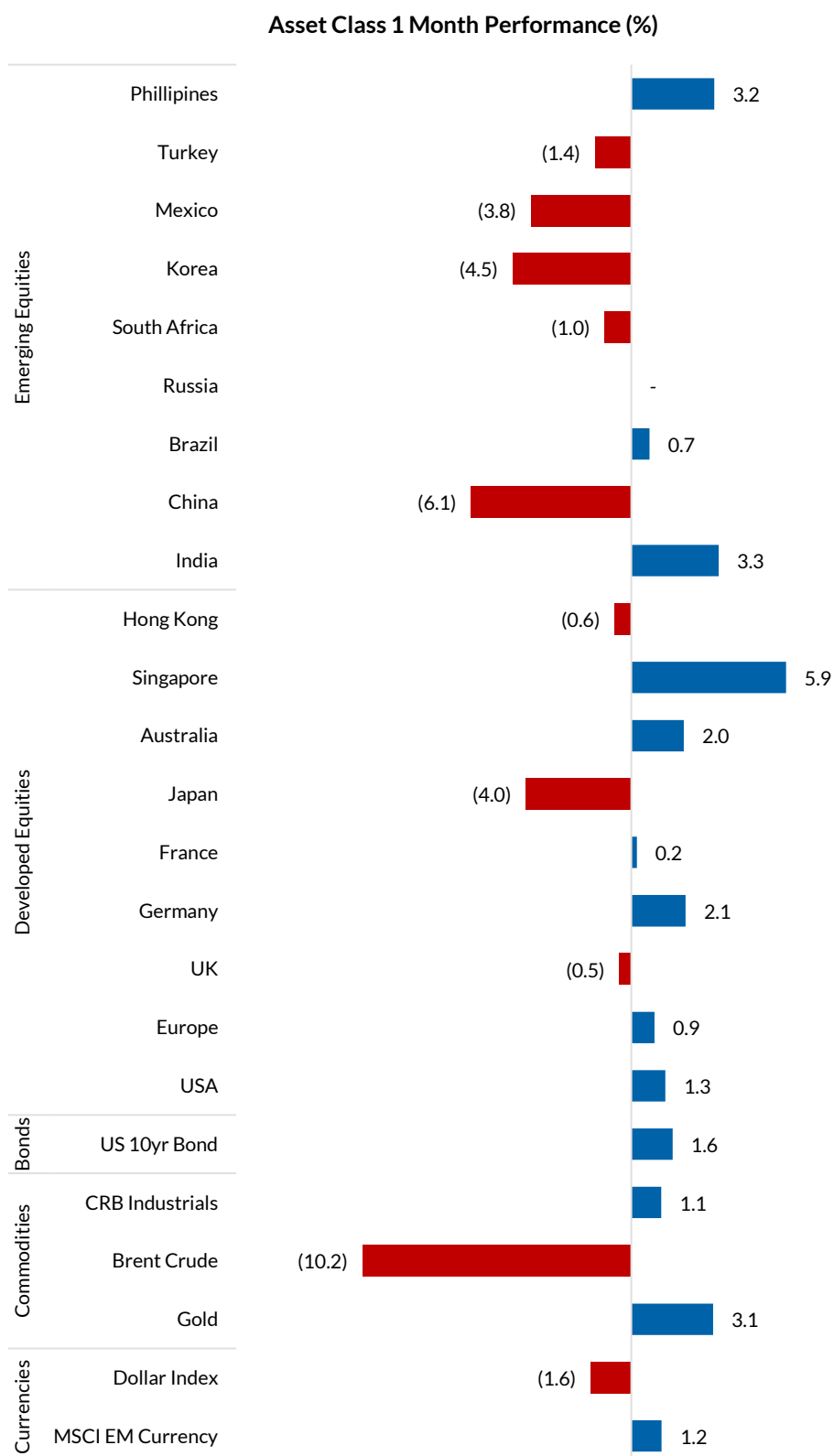
Exhibit 7: Large Cap and Mid-Cap names stick with their outperformance, while Small-Cap and Micro-Cap stocks are persisting with their underperformance

% of Stock outperforming Nifty 500	4W ago	3W ago	2W ago	Last Week
Large Cap 100	47	45	52	47
Mid Cap 150	53	41	55	50
Small Cap 250	65	36	62	33
Micro Cap & below	69	35	50	37

Source: Capitaline, YES Sec

Asset Class Performance

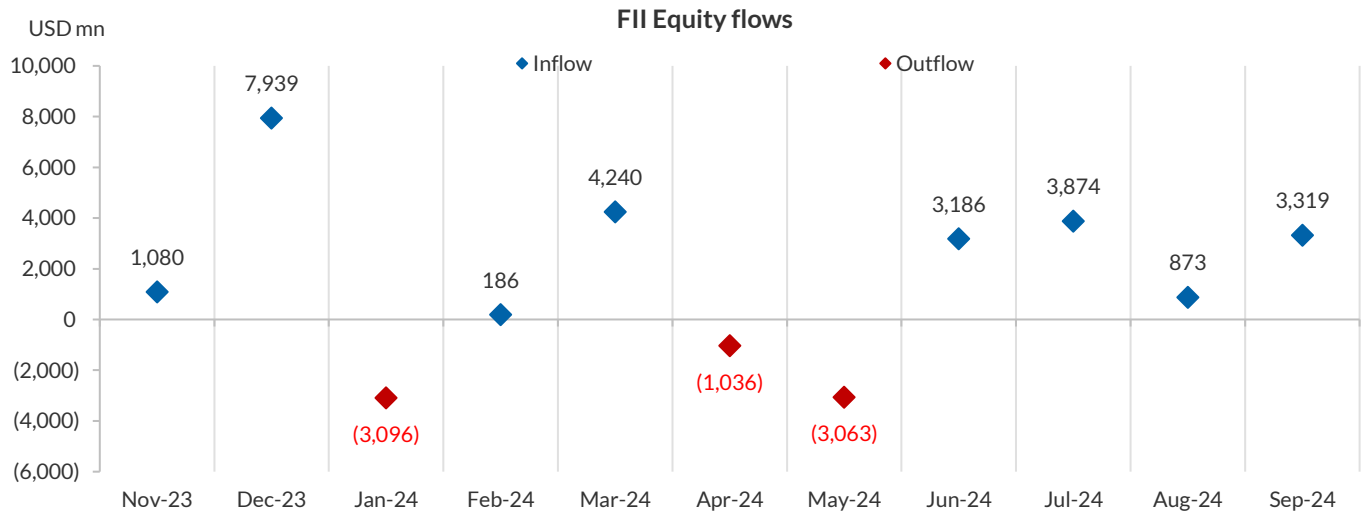
Exhibit 8: Global Equity Markets exhibit mixed trends



Source: Bloomberg, YES Sec Note: Data is from 16-Aug-24 to 16-Sep-24

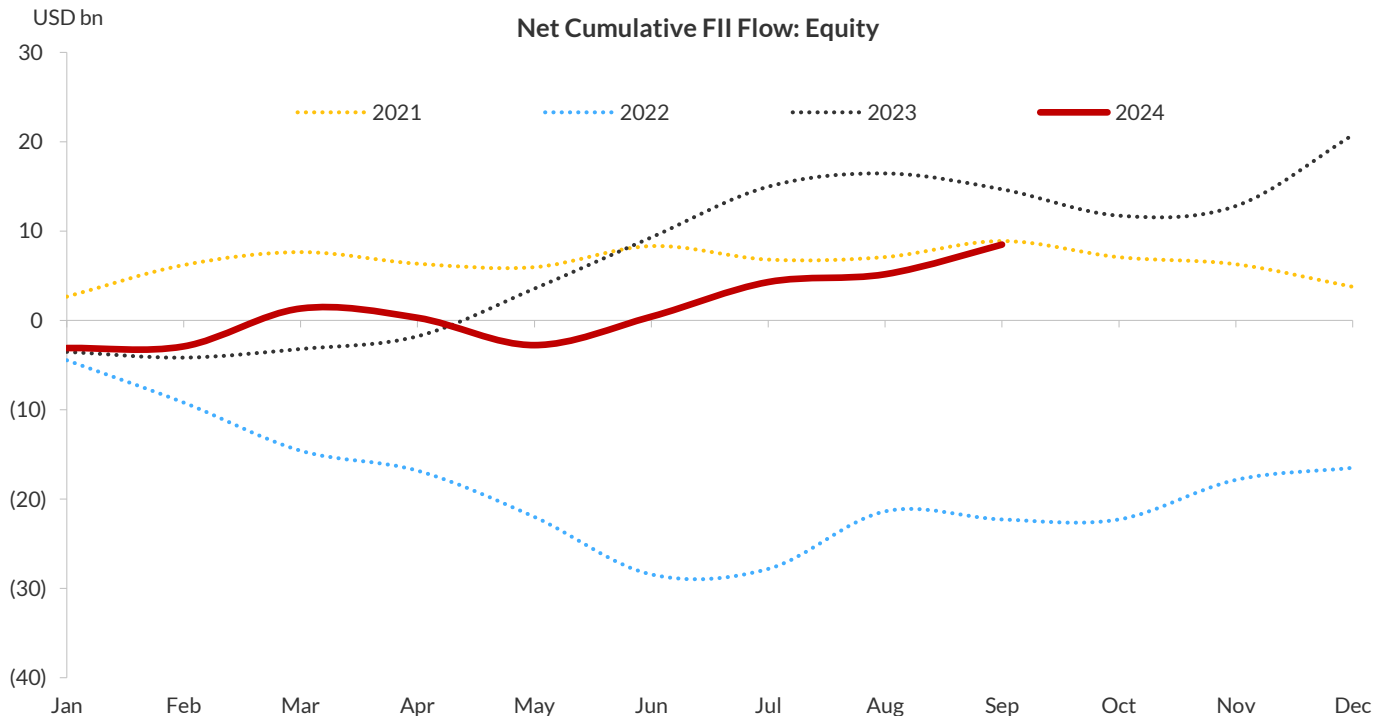
India Equities

Exhibit 9: FIIs persist with purchases of Indian Equities...



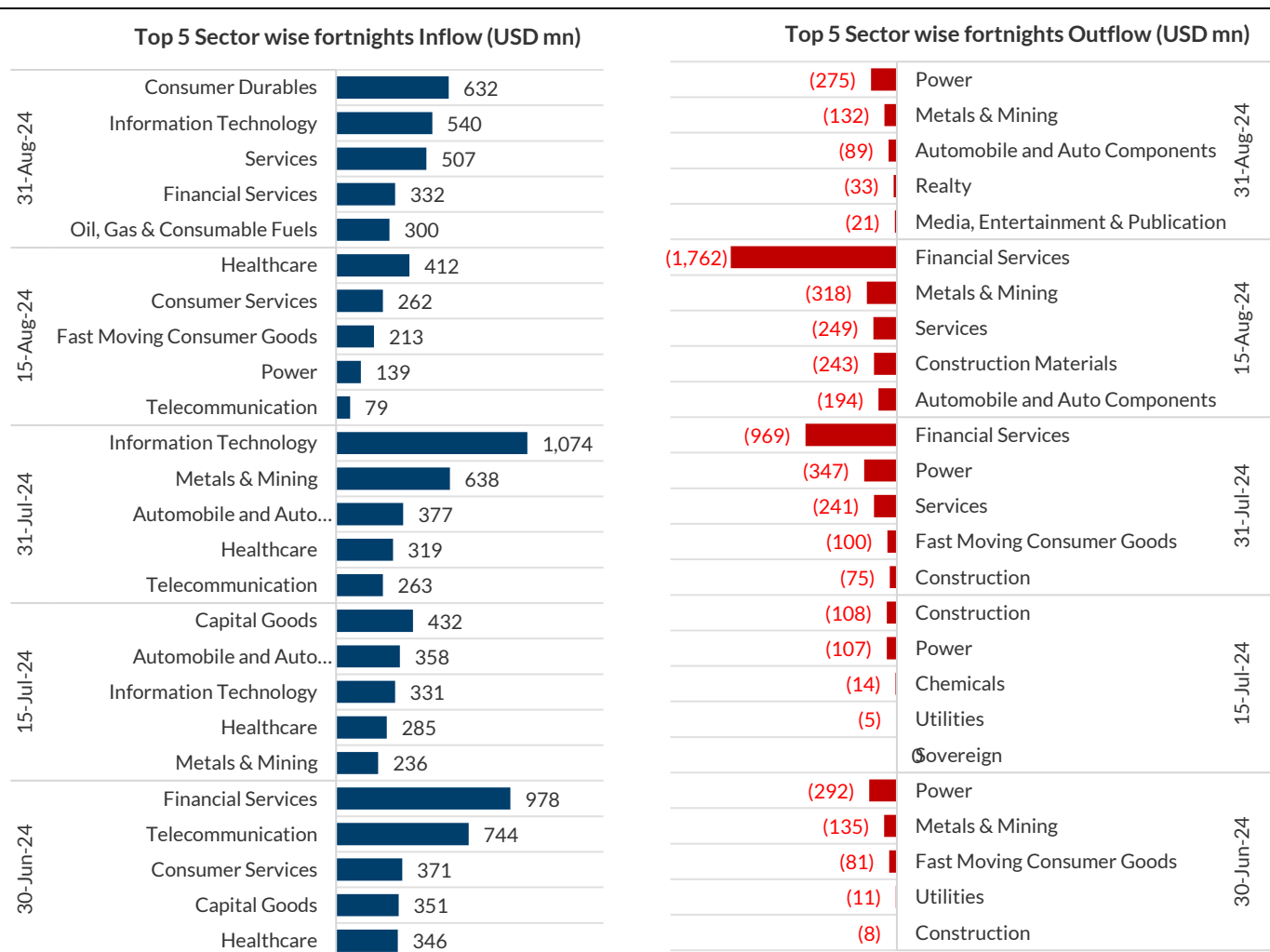
Source: CEIC, YES Sec

Exhibit 10: ... YTD 2024 FPI flows catching up with 2021



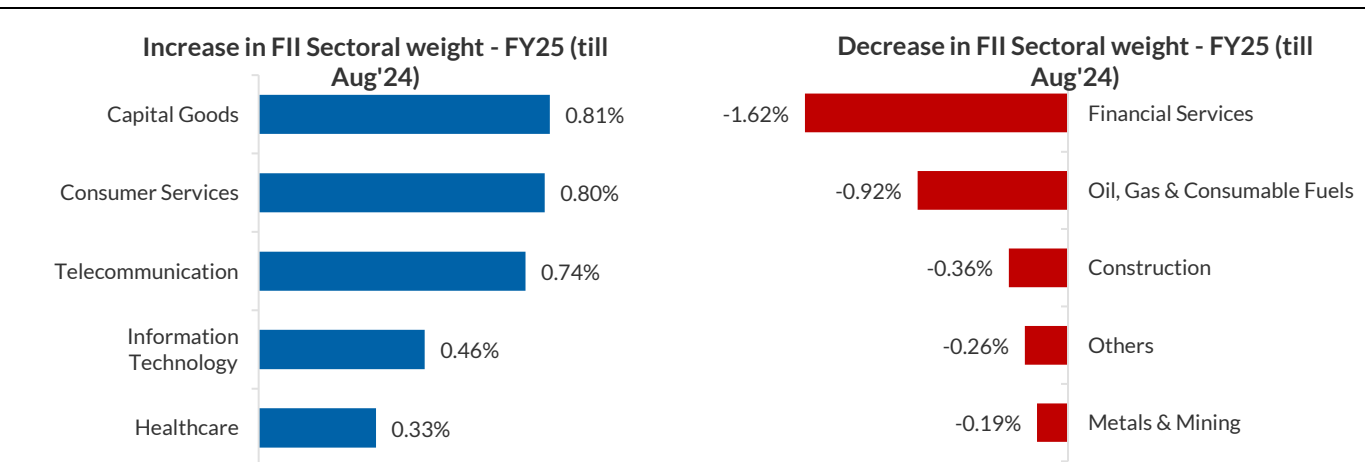
Source: CEIC, YES Sec

Exhibit 11: FPIs Buy IT and Consumption, sell Metals & Mining over the last two fortnights



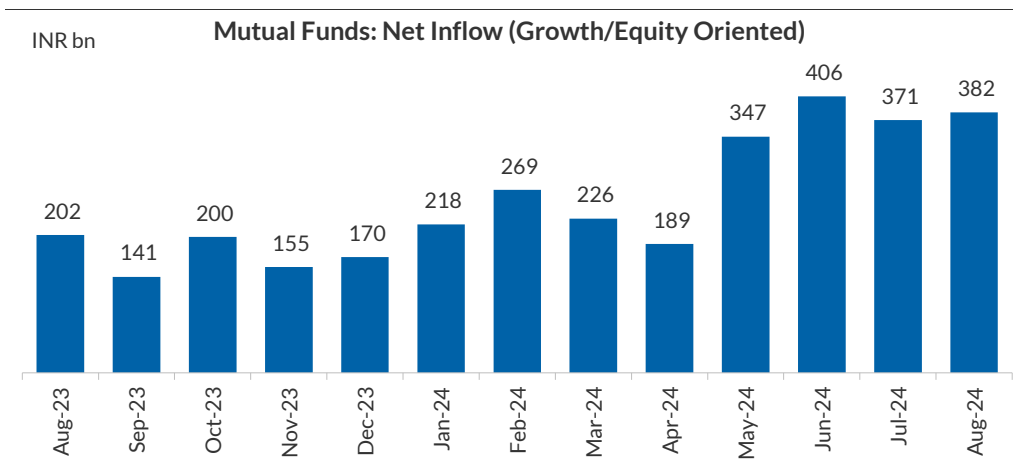
Source: NSDL, CEIC, YES Sec

Exhibit 12: In FY25, FPI add Capital Goods and Consumption, while sell Financials and Oil



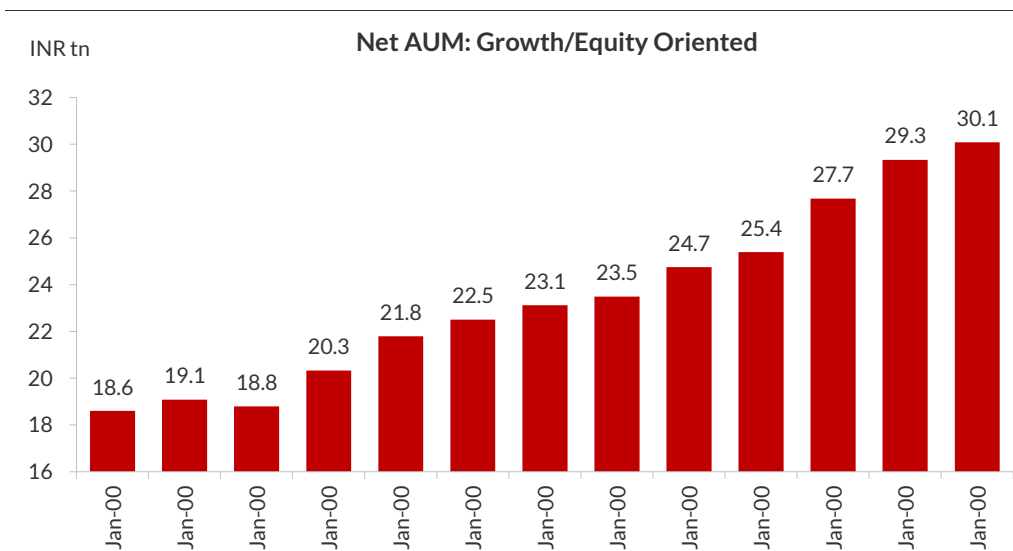
Source: NSDL, CEIC, YES Sec

Exhibit 13: Inflows in Equity MFs remain strong...



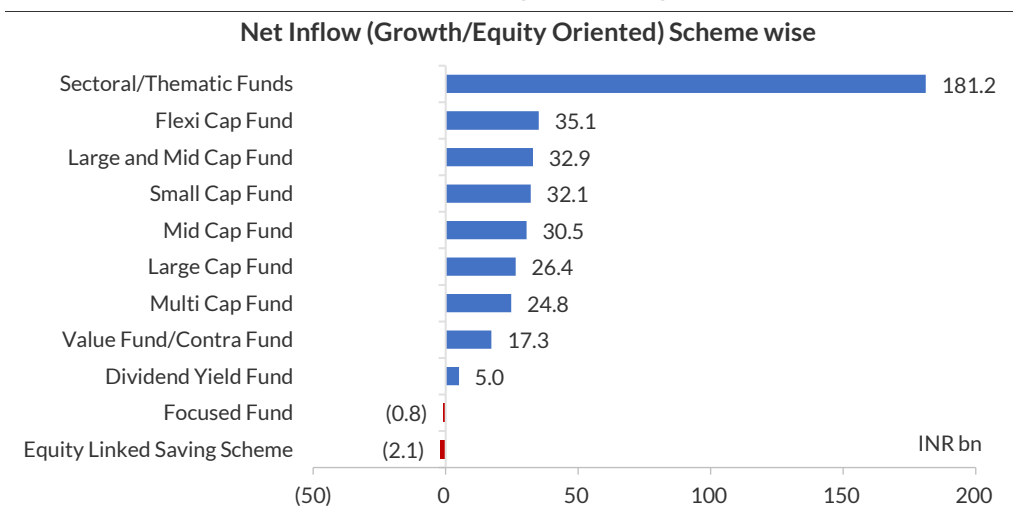
Source: AMFI, YES Sec

Exhibit 14: ...equity AUM maintains expansion



Source: AMFI, YES Sec

Exhibit 15: Sectoral and Thematic funds register strong inflows



Source: AMFI, YES Sec; Note: Data for Aug month

Exhibit 16: Mutual Funds What's-in & What's-out for August

New Entry			AMC	Total Exit		
Rank 3	Rank 2	Rank 1		Rank 1	Rank 2	Rank 3
	BALRAMCHIN	FIRSTCRY	360 ONE MF			
ADANIENSOL	CEIGALL	PDSL	Axis MF	TIINDIA	NATCOPHARM	INOXINDIA
GODREJCP	CANFINHOME	HDFCLIFE	Bajaj MF	INDIAMART	WESTLIFE	ISEC
MUTHOOTFIN	BAYERCROP	INOXGREEN	Bandhan MF	SHREECEM	WIPRO	NATCOPHARM
UJJIVANSFB	EMAMILTD	OLAELEC	Baroda MF	IREDA	ONGC	WIPRO
INTERARCH	FIRSTCRY	EURKA	Birla MF	TATACOMM	MARICO	MAZDOCK
	CEIGALL	PNBHOUSING	BOI MF	LEMONTREE	JTEKTINDIA	RRKABEL
LALPATHLAB	UTIAMC	HDFCAMC	Canara Robeco MF	BANKBARODA	ZYDUSLIFE	APLLTD
BECTORFOOD	ERIS	POWERMECH	DSP MF	WHIRLPOOL	GRINDWELL	ESABINDIA
PROTEAN	CEIGALL	AKUMS	Edelweiss MF	MANAPPURAM	NAVINFLUOR	GRANULES
ATUL	OLAELEC	UPL	Franklin Templeton MF	LICHSGFIN	SYMPHONY	BOSCHLTD
BANKBARODA	PFC	BAJAJ-AUTO	Groww MF	TATASTEEL	CREDITACC	HINDALCO
FIRSTCRY	ADANIENSOL	OLAELEC	HDFC MF	TATAMTRDVR		
HCLTECH	ADANIENSOL	NBCC	Helios MF	INDUSTOWER		
GLOBUSSPR	BAJFINANCE	KFINTECH	HSBC MF	BITES	UNIONBANK	BANKINDIA
SUNTV	FIRSTCRY	MEDPLUS	ICICI PRU MF	RECLTD	PCBL	VRLOG
DELHIVERY	JSL	WHIRLPOOL	Invesco MF	UNIONBANK	UBL	HINDUNILVR
ABFRL	HGINFRA	ZAGGLE	ITI MF	ROUTE	TAJGVK	MINDACORP
GSPL	ITC	TATAMOTORS	JM MF	AXISBANK	MAHABANK	POONAWALLA
BRIGADE	FIRSTCRY	ZENTEC	Kotak MF	SHYAMMETL	WHIRLPOOL	SUNDARFIN
SECO	TATATECH	HINDPETRO	LIC MF	ORIENTCEM	ELGIEQUIP	GMPFAUDLR
GOKEX	INOXGREEN	INDIGO	M&M MF	POWERMECH	KIMS	DALBHARAT
OIL	BERGEPAIN	OLAELEC	Mirae MF	THERMAX	FUSION	PARADEEP
ZENTEC	V2RETAIL	TATAELXI	Motilal MF	INDUSINDBK	BSOFT	CUMMINSIND
HEG	IRB	OIL	Navi MF	WHIRLPOOL	KIRLPNU	AUBANK
CEIGALL	MEDANTA	OLAELEC	Nippon MF	BANKBARODA	THERMAX	INDGN
			NJ MF	HDFCBANK	KOTAKBANK	BHARTIARTL
	INFY	GRANULES	Old Bridge MF	GSPL		
M&M	MAXESTATES	PNBHOUSING	PGIM MF	APTUS	KALAMANDIR	
LXCHEM	TCS	MPHASIS	Quant MF	HDFCBANK	NATIONALUM	OFSS
		CUB	Quantum MF	UJJIVANSFB		
TVSHLTD	PCBL	SUVENPHAR	Samco MF	NATIONALUM	NMDC	JPOWER
OLAELEC	ADANIENSOL	FIRSTCRY	SBI MF	BITES	ZYDUSLIFE	MEDANTA
BPCL	PNBHOUSING	OFSS	Shriram MF	ZYDUSLIFE	PFC	IDEA
HGINFRA	HDFCAMC	OLAELEC	Sundaram MF	DIVISLAB	FSL	CERA
KIMS	BAJAJFINSV	HGINFRA	Tata MF	CROMPTON	UJJIVANSFB	TATAMTRDVR
GICRE	MOTHERSON	METROBRAND	Taurus MF	ZYDUSLIFE	HAPPSTMNDS	GREAVESCOT
POLICYBZR	PNBHOUSING	MCX	Trust MF	AXISBANK	BLUESTARCO	NETWEB
JUBLFOOD	JKCEMENT	IPCALAB	Union MF	CARBORUNIV	NATIONALUM	ASHOKLEY
PREMIERENE	BSE	OLAELEC	UTI MF	INDOCO	TATAMTRDVR	
ANGELONE	INTERARCH	POWERINDIA	WhiteOak MF	ZYDUSLIFE	JSWSTEEL	HDFCAMC

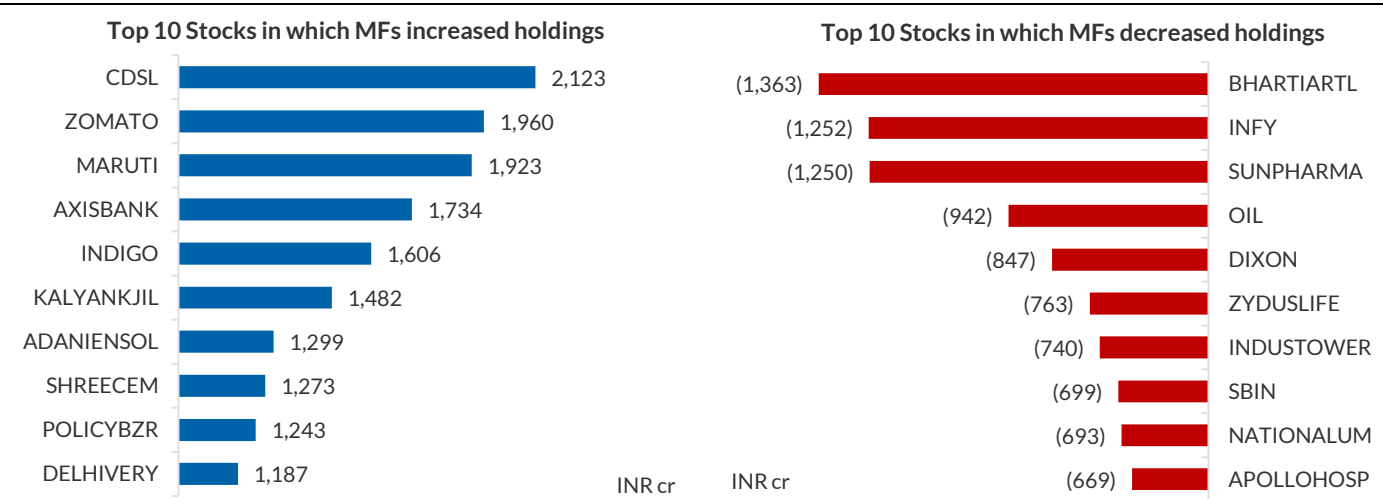
Source: NAV-India, YES Sec - Research

Exhibit 17: MF's Top Rejig in August

Increased			AMC	Decreased		
Rank 3	Rank 2	Rank 1		Rank 1	Rank 2	Rank 3
CROMPTON	RECLTD	BAJFINANCE	360 ONE MF	MOTHERSON	AXISBANK	COALINDIA
INFY	TVSMOTOR	LUPIN	Axis MF	M&M	RELIANCE	BAJAJFINSV
RELIANCE	DIVISLAB	TCS	Bajaj MF	ICICIBANK	CAMS	SANOFI
TCS	ETHOSLTD	RELIANCE	Bandhan MF	KOTAKBANK	M&M	COALINDIA
TATATECH	NYKAA	HINDPETRO	Baroda MF	BHEL	JSL	IDEA
CYIENTDLM	ONGC	HINDPETRO	Birla MF	HCLTECH	SUNPHARMA	HDFCBANK
HCLTECH	ZAGGLE	PRUDENT	BOI MF	IDEA	ASHOKLEY	MANKIND
BAJAJ-AUTO	CDSL	ZOMATO	Canara Robeco MF	TRENT	APOLLOHOSP	RELIANCE
FORTIS	KIRLOSENG	AUBANK	DSP MF	INFY	ALKEM	OIL
NTPC	HDFCAMC	TATAMOTORS	Edelweiss MF	CUMMINSIND	DIXON	TRENT
TCS	LEMONTREE	TATAMOTORS	Franklin Templeton MF	CESC	COFORGE	CROMPTON
NTPC	LT	HDFCBANK	Groww MF	TATAMOTORS	COALINDIA	BAJFINANCE
INDIGO	DELHIVERY	MARUTI	HDFC MF	INFY	RELIANCE	APOLLOHOSP
CDSL	INFY	RELIANCE	Helios MF	HDFCBANK		
KALYANKJIL	JYOTICNC	ZOMATO	HSBC MF	DMART	KIRLOSENG	INDIANB
AXISBANK	HDFCBANK	TATAMOTORS	ICICI PRU MF	SUNPHARMA	INFY	BHARTIARTL
HDFCBANK	KALYANKJIL	MANKIND	Invesco MF	SBIN	SUNPHARMA	HAL
BSE	HDFCBANK	ALKEM	ITI MF	IDEA	MANKIND	WONDERLA
DRREDDY	CESC	MOTHERSON	JM MF	M&M	BHARATFORG	HAVELLS
BSOFT	TECHM	OFSS	Kotak MF	HDFCBANK	OIL	MARUTI
HINDALCO	NATIONALUM	MARUTI	LIC MF	SBIN	MCX	GSPL
PCBL	TRENT	TRENT	M&M MF	EICHERMOT	OIL	WIPRO
GODIGIT	HINDALCO	TATAPOWER	Mirae MF	RELIANCE	NTPC	LAURUSLABS
MOTHERSON	TRENT	KALYANKJIL	Motilal MF	DIXON	ABB	SONATSOFTW
INDIGO	POONAWALLA	TATAMOTORS	Navi MF	COROMANDEL	ESCORTS	TIPSINDLTD
AAVAS	TATAPOWER	ASIANPAINT	Nippon MF	UNIONBANK	ABFRL	TRENT
RECLTD	BEL	CDSL	NJ MF	HINDUNILVR	TCS	BAJAJFINSV
RADICO	REDINGTON	HINDALCO	Old Bridge MF			
PIIND	TRENT	CDSL	PGIM MF	AAVAS	ESCORTS	BEL
ICICIBANK	POWERGRID	CDSL	PPFAS MF	MOTILALOFS	NMDC	UTIAMC
RELIANCE	ZYDUSWELL	GRASIM	Quant MF	TATAPOWER	JINDALSTEL	ASIANPAINT
CDSL	AXISBANK	INDUSINDBK	Quantum MF	LUPIN	SHRIRAMFIN	M&M
COROMANDEL	COLPAL	EMAMILTD	Samco MF	HDFCAMC	GPIL	BAJAJ-AUTO
POLICYBZR	RELIANCE	TATAMOTORS	SBI MF	BHARTIARTL	SBIN	BAJFINANCE
GLAXO	COLPAL	TATAMOTORS	Shriram MF	JWL	EXIDEIND	ABB
AMBER	BAJFINANCE	TATAMOTORS	Sundaram MF	HDFCBANK	DMART	ISEC
SONATSOFTW	ONGC	ADANIENSOL	Tata MF	IDFCFIRSTB	PETRONET	SWANENERGY
RELIANCE	LT	AMBIKCO	Taurus MF	KOTAKBANK	KRBL	PCBL
LUPIN	SUNPHARMA	ZENTEC	Trust MF	SBIN	M&M	GODREJCP
LUPIN	SUNPHARMA	MANKIND	Union MF	BHARTIHEXA	GODREJPROP	PRESTIGE
ZOMATO	TATACONSUM	HCLTECH	UTI MF	OIL	JUBLFOOD	GLAND
POLYMED	ICICIBANK	MOTILALOFS	WhiteOak MF	ISEC	GODREJCP	TORNTPHARM

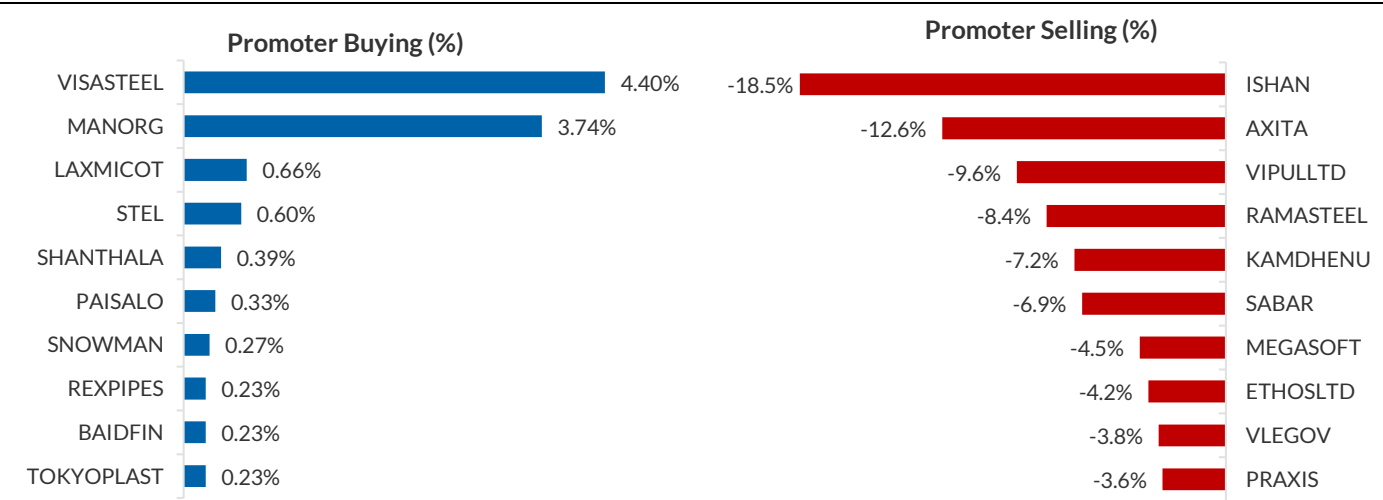
Source: NAV-India, YES Sec - Research

Exhibit 18: MF's Purchases are influenced by QIPs, while Sales are driven by Profit-Taking in stocks hitting all time highs



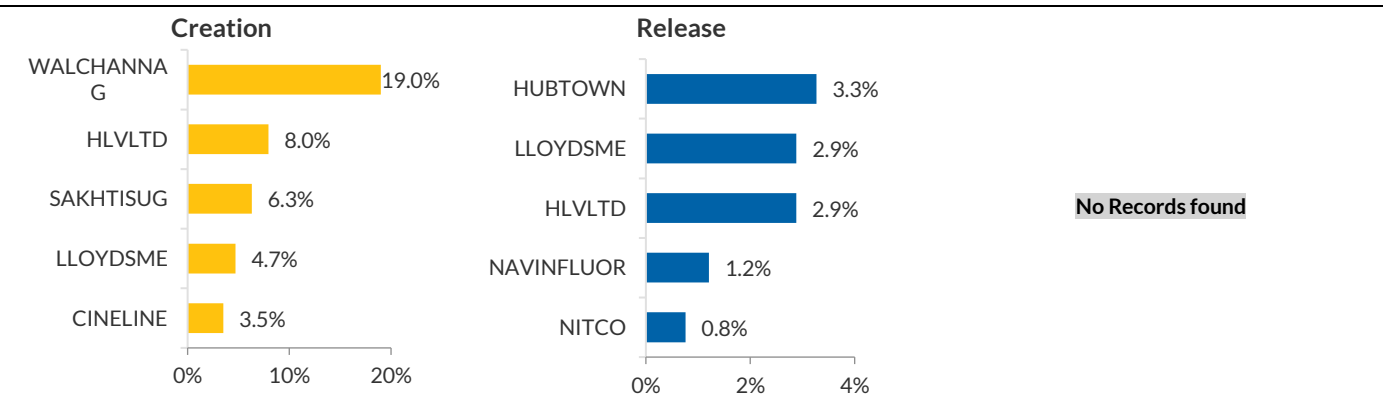
Source: NAV Database, YES Sec; Note: Data for Aug month

Exhibit 19: Promoter buying/selling for the last 30 days



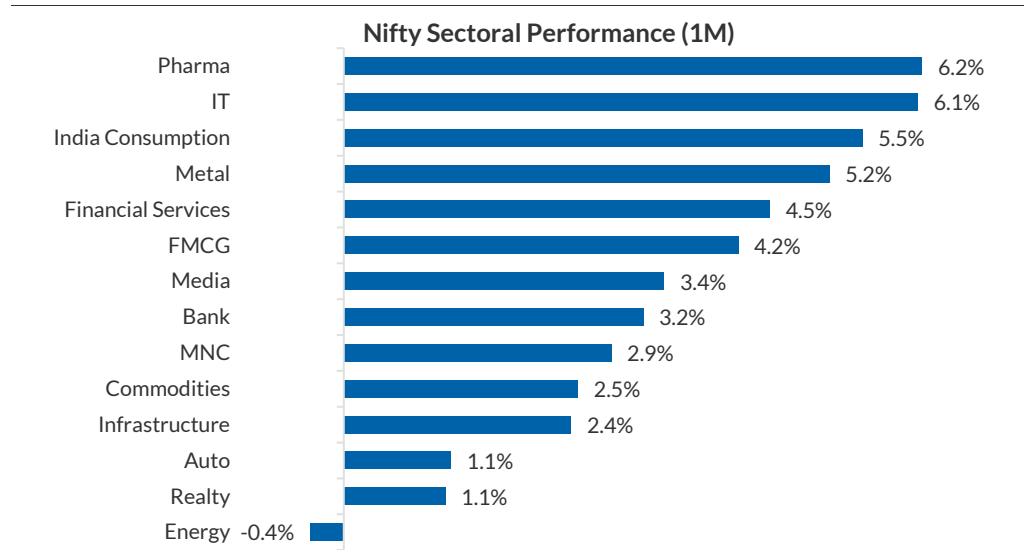
Source: NSE, YES Sec; Note: Data reported between 16-Aug-24 to 16-Sep-24

Exhibit 20: Promoter Pledge Matrix for the last 30 days



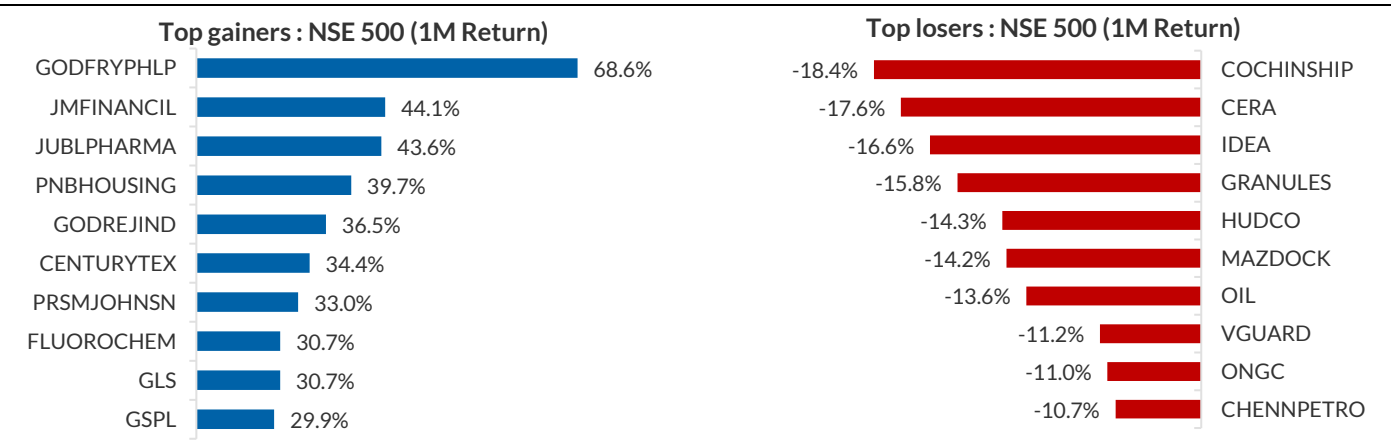
Source: NSE, YES Sec; Note: This data covers Promoter activity for the top 5 stocks in each category between 16-Aug-24 to 16-Sep-24

Exhibit 21: Pharma and IT spearhead gains



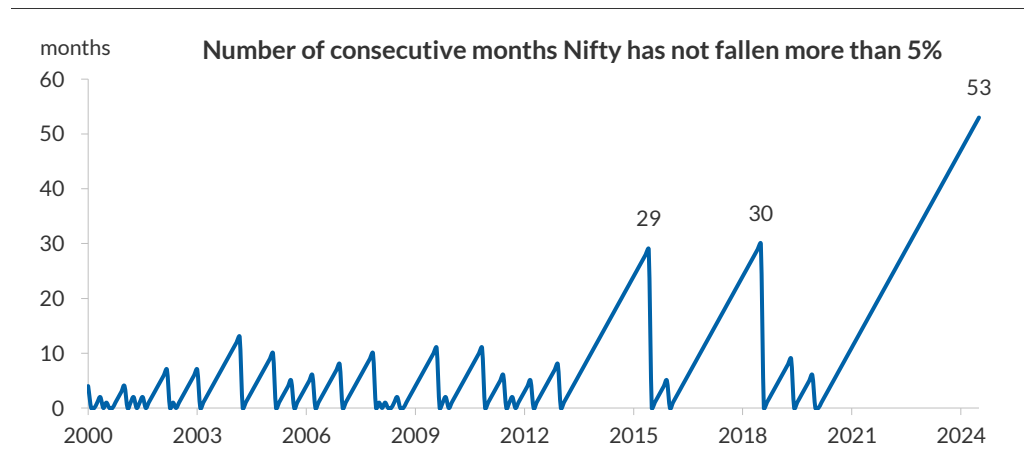
Source: Bloomberg, YES Sec; Note: Data reported between 16-Aug-24 to 16-Sep-24

Exhibit 22: Oil Exploration stocks take the Brunt of Lower Crude Prices



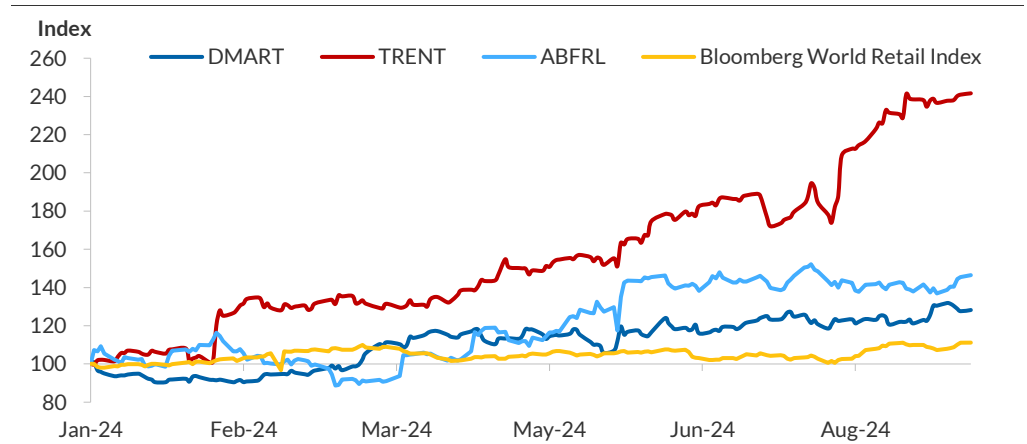
Source: Bloomberg, YES Sec; Note: Data reported between 16-Aug-24 to 16-Sep-24

Exhibit 23: India's Equity Rally remains Unabated



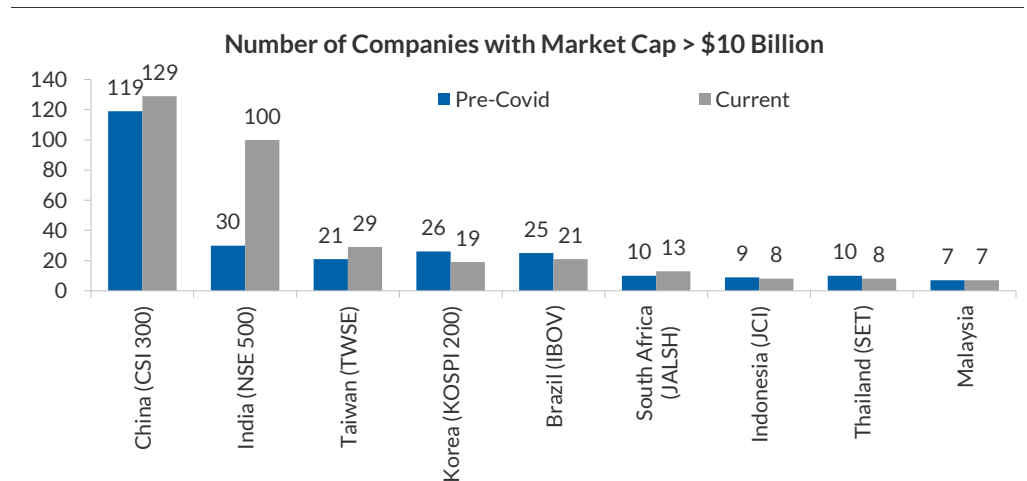
Source: Capitaline, YES Sec

Exhibit 24: Indian Apparel Stocks are doing better than Global Peers



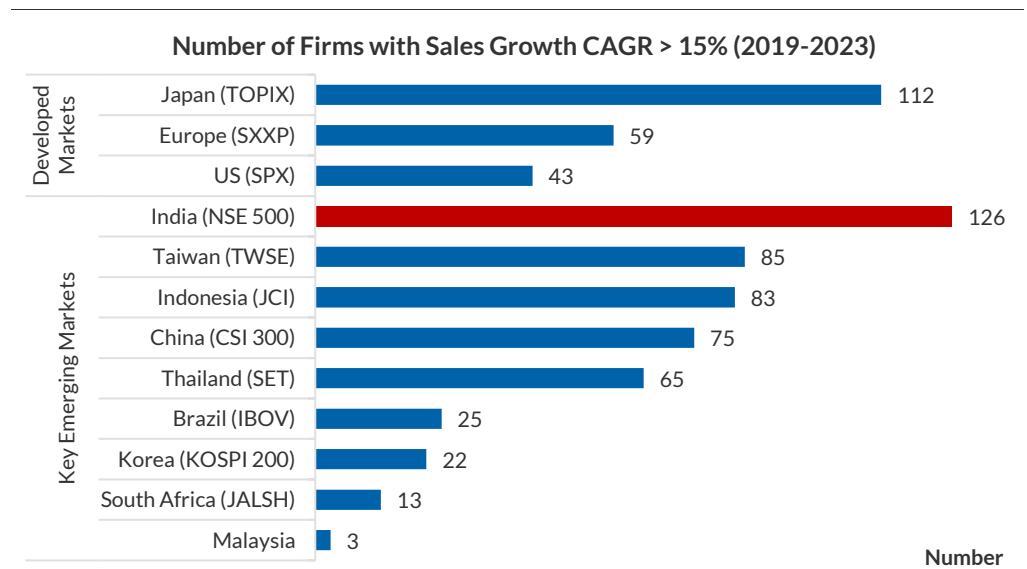
Source: Bloomberg, YES Sec

Exhibit 25: India Leads in Creating Decacorns



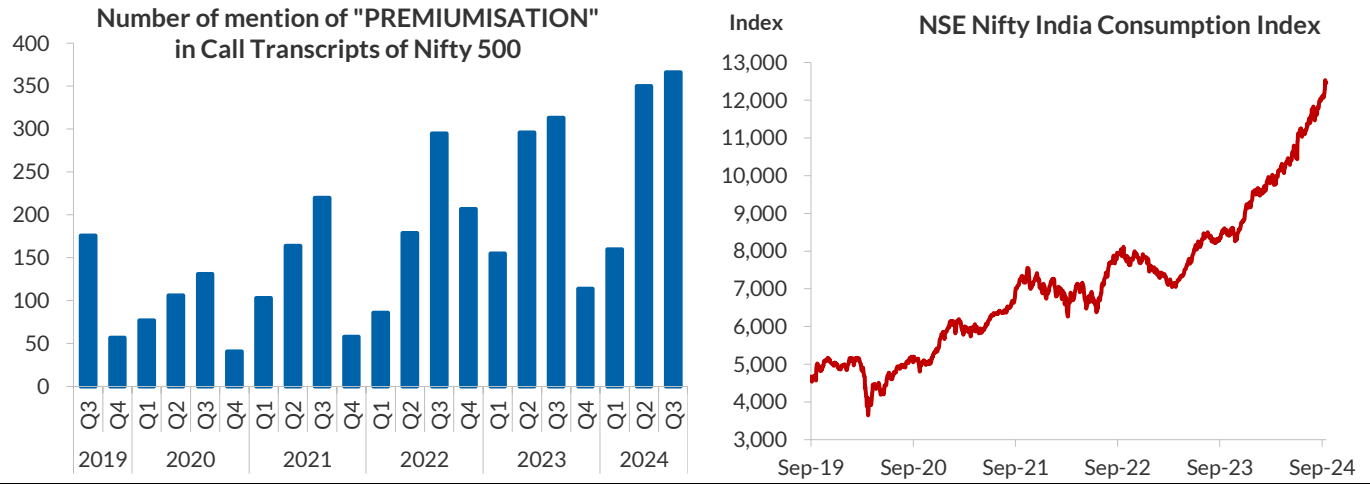
Source: Bloomberg, YES Sec

Exhibit 26: Indian Listed Enterprises have outperformed Global Peers in Topline Growth



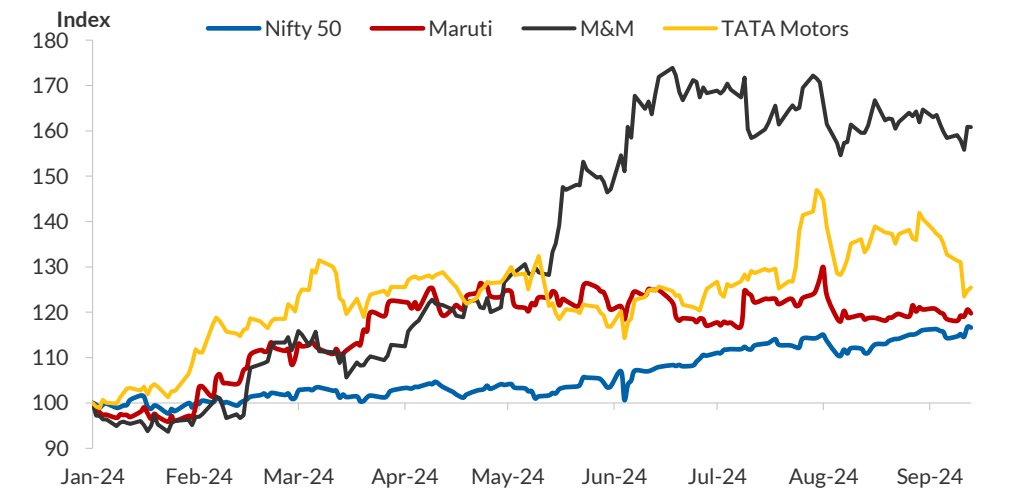
Source: Bloomberg, YES Sec

Exhibit 27: India's Consumption Stocks thrive on Premiumisation Narrative



Source: Bloomberg, YES Sec; Note: Quarter is based on the date of calls happened

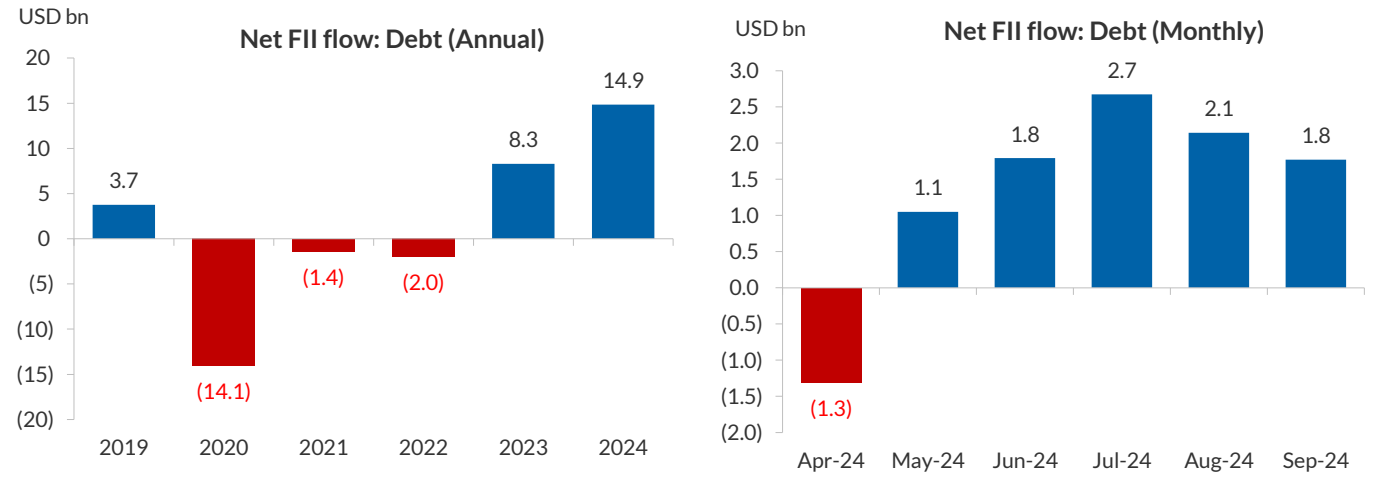
Exhibit 28: India's Auto Companies have outperformed the Benchmark for long



Source: Bloomberg, YES Sec

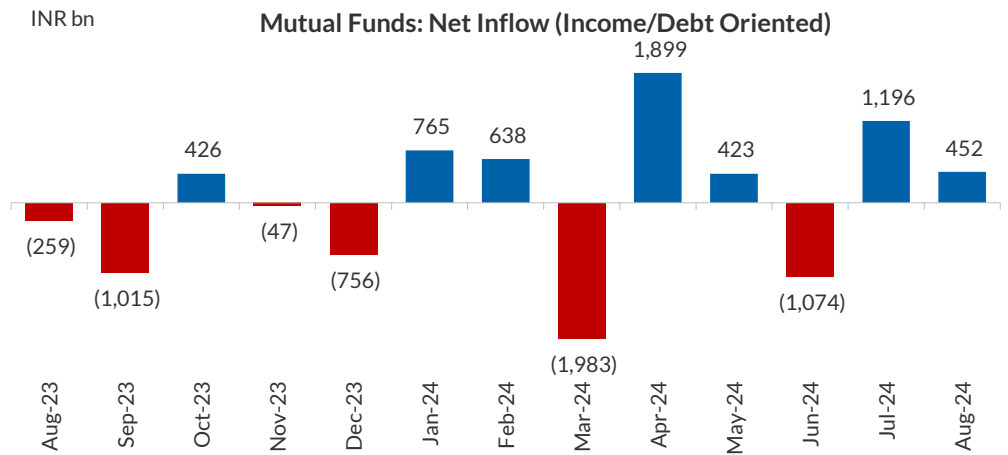
India Debt

Exhibit 29: FIIs continue to flock to Indian Debt



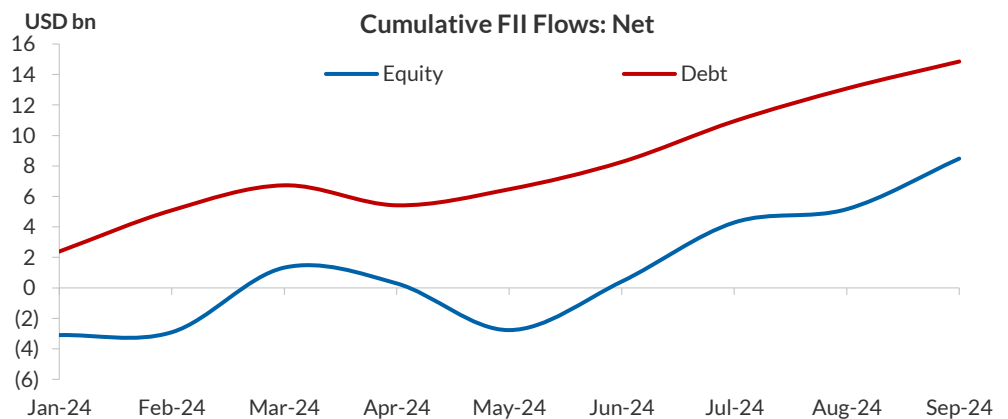
Source: CEIC, YES Sec

Exhibit 30: Debt MFs persist with inflows during August



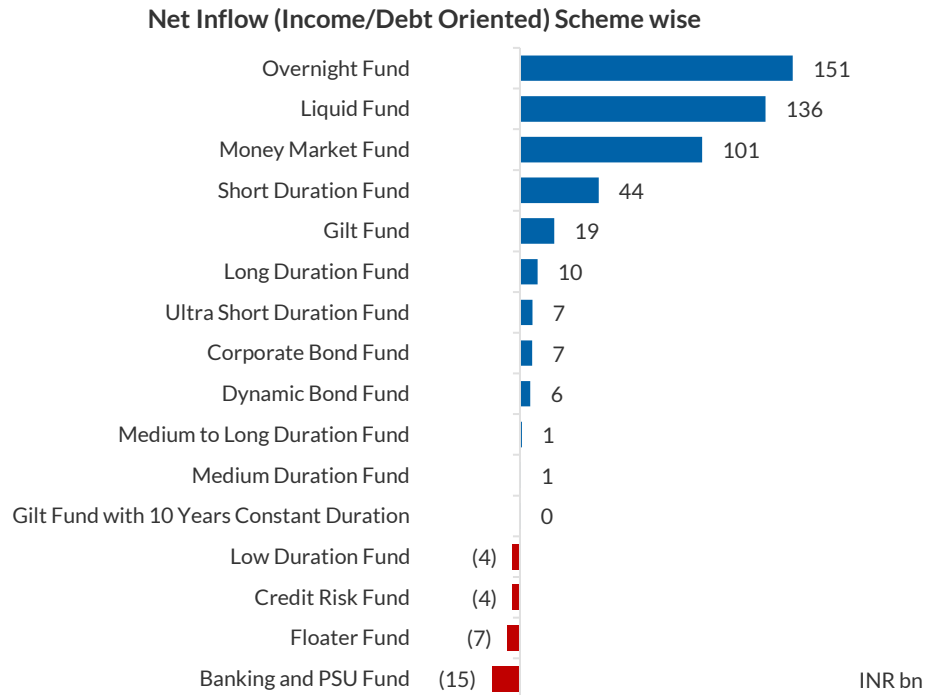
Source: AMFI, YES Sec

Exhibit 31: FIIs Love Indian Bonds more than Equities



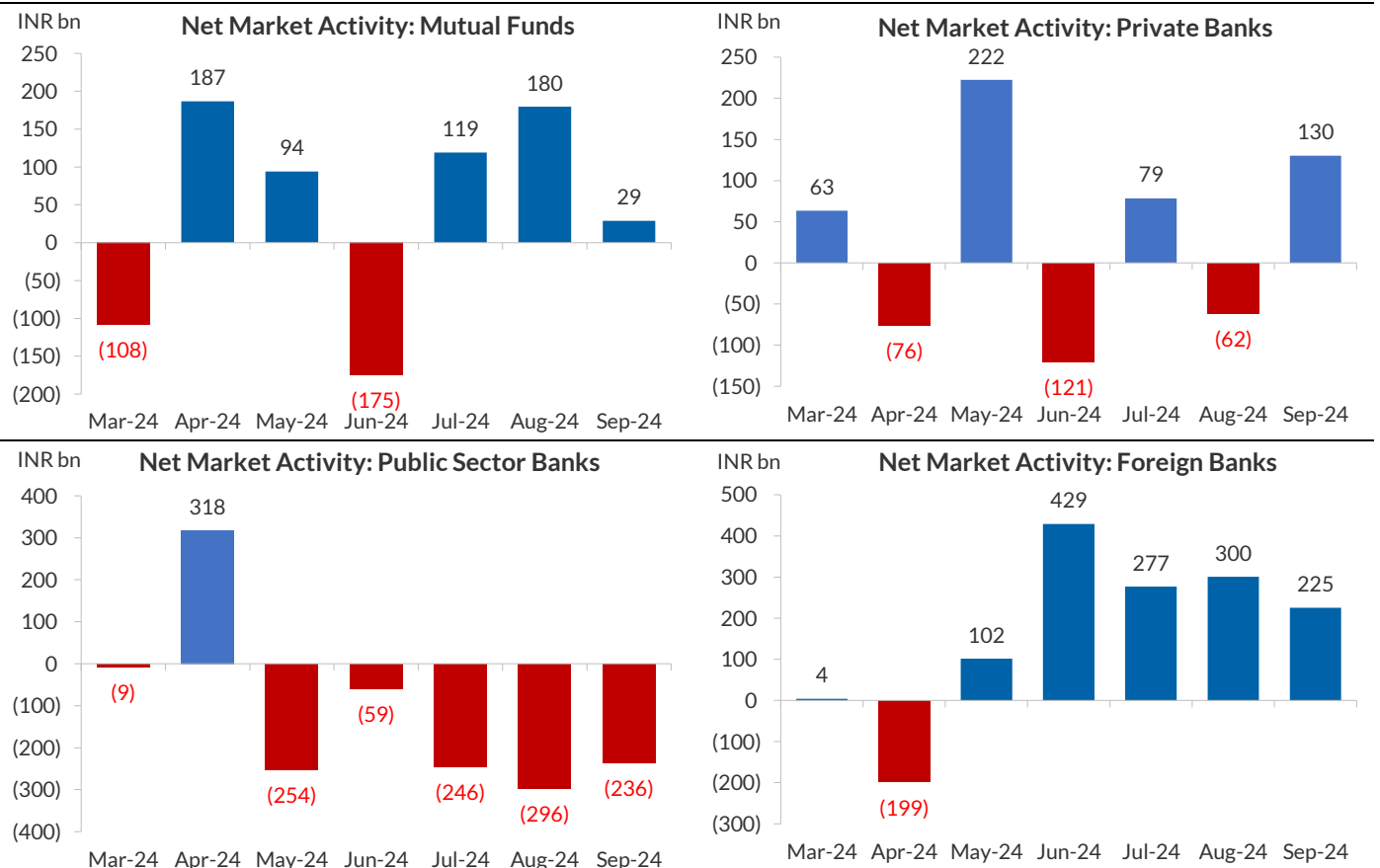
Source: CEIC, YES Sec

Exhibit 32: Overnight and Liquid Funds account for a chunk of the debt inflows



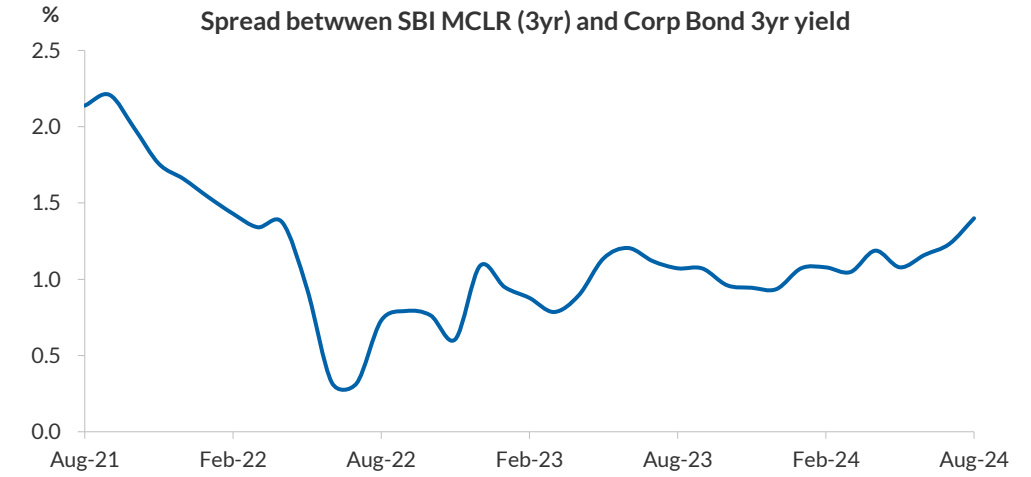
Source: CEIC, YES Sec; Note: Data for Aug month

Exhibit 33: MFs and Foreign Banks are accumulating G-Secs



Source: Bloomberg, YES Sec

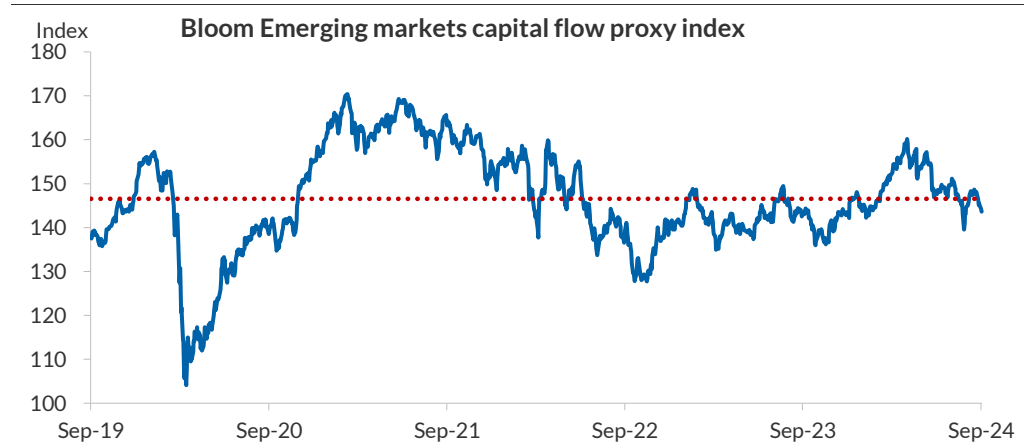
Exhibit 34: It is turning cheaper for Indian Corporates to source Debt through Bonds rather than Banks



Source: Bloomberg, CEIC, YES Sec

Global Liquidity

Exhibit 35: Capital flows in EMs is below the historical average



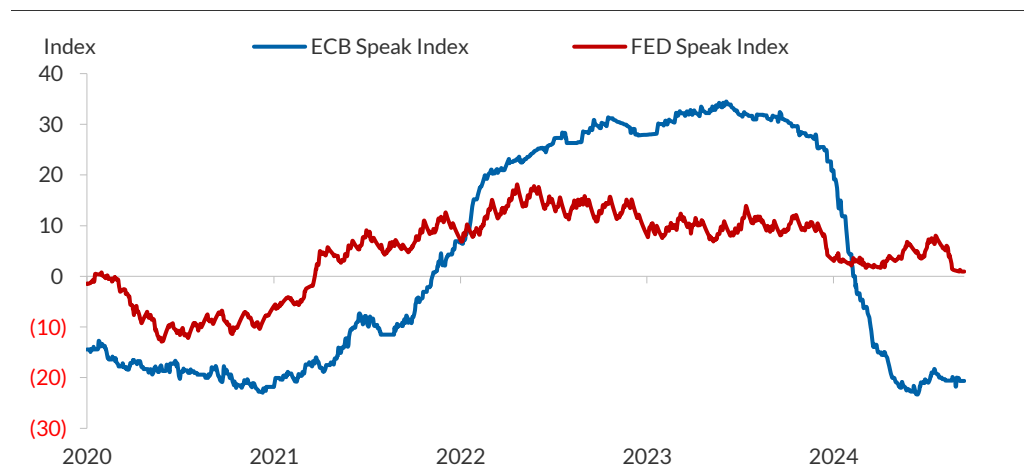
Source: Bloomberg, YES Sec

Exhibit 36: Two Year Yield vis-a-vis the Fed Fund Rates shows Markets are too confident about Deep Rate Cuts



Source: fred.stlouisfed.org, YES Sec

Exhibit 37: Language and Statements from the Central Bank officials indicate that ECB is more tilted towards Dovish Bias than the Fed



Source: Bloomberg, YES Sec

Exhibit 38: Investors continue to show faith in Magnificent 7 stocks

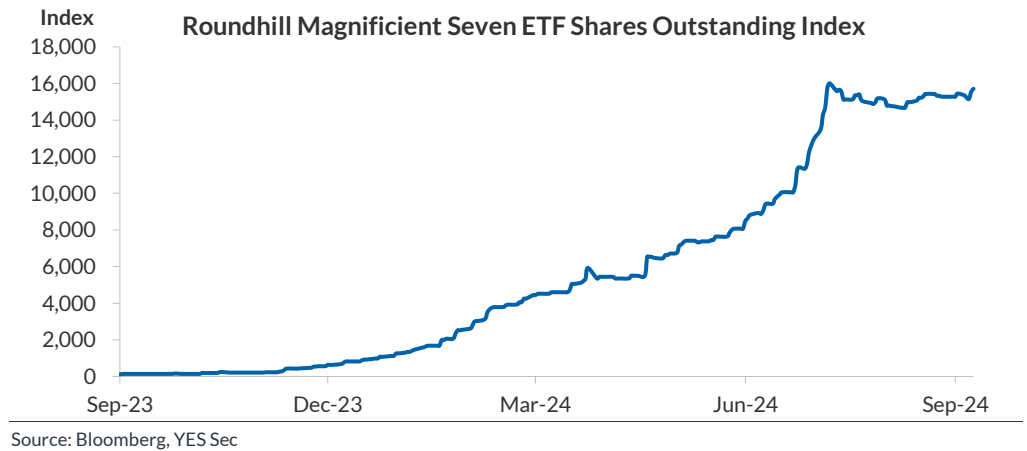


Exhibit 39: Markets want more: NVIDIA's 50% Profit Margin is not enough

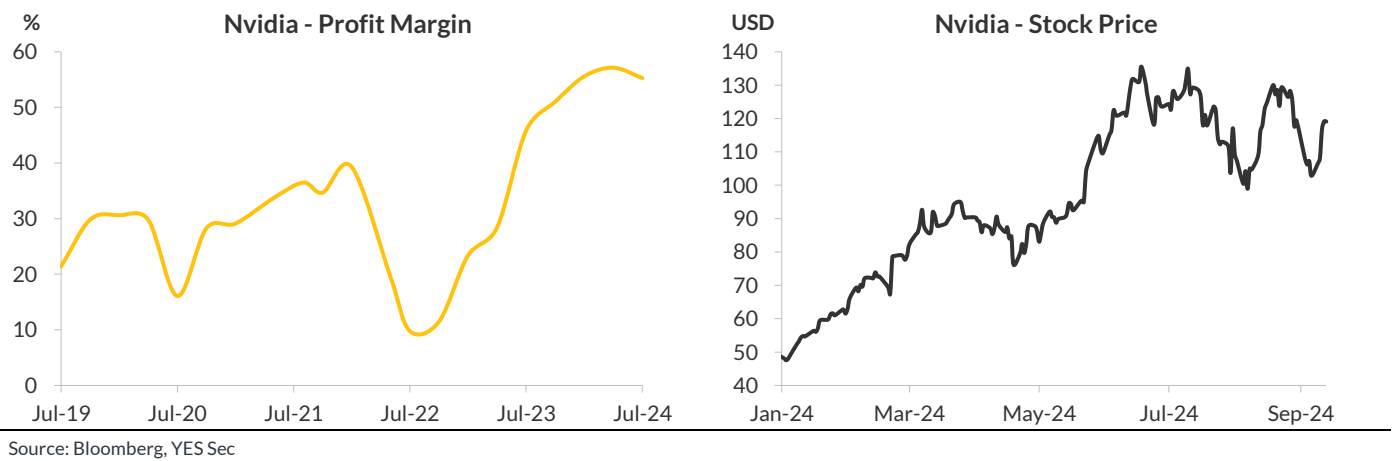


Exhibit 40: Crypto Currencies have lost its edge over US Technology Stocks

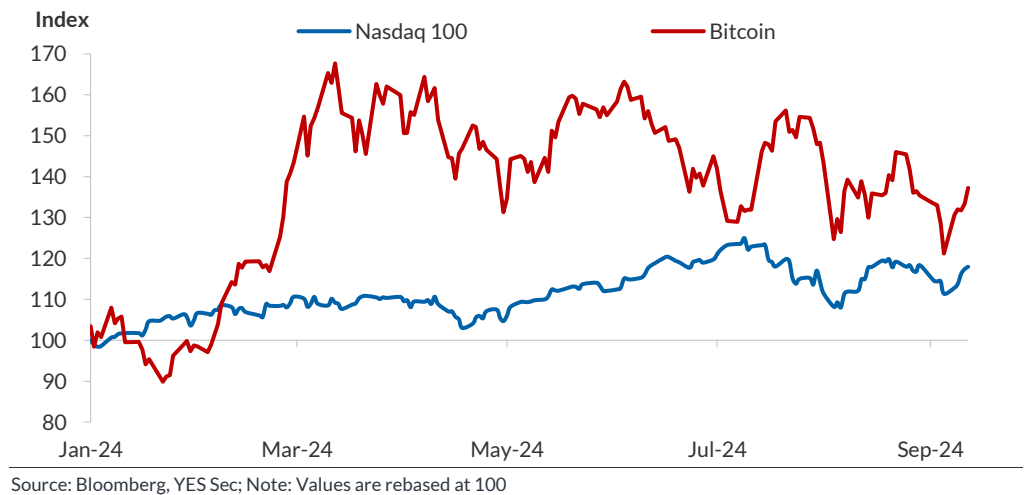
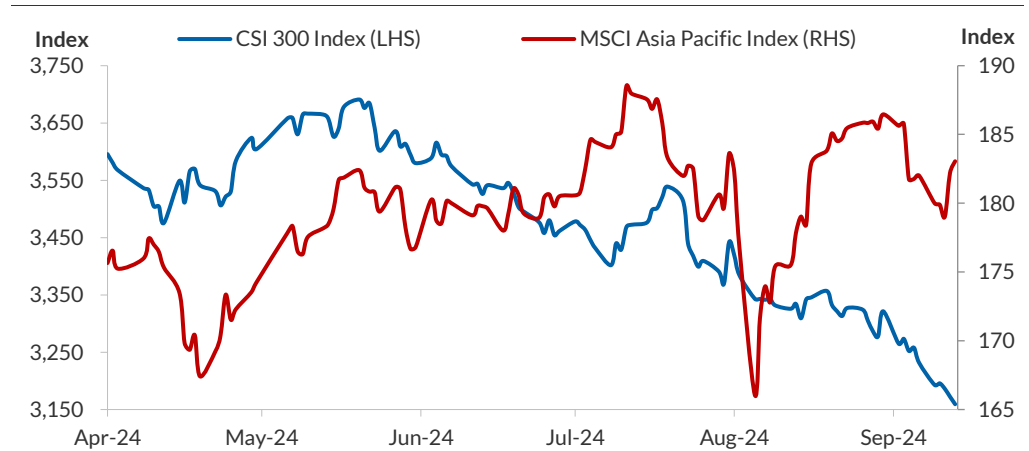
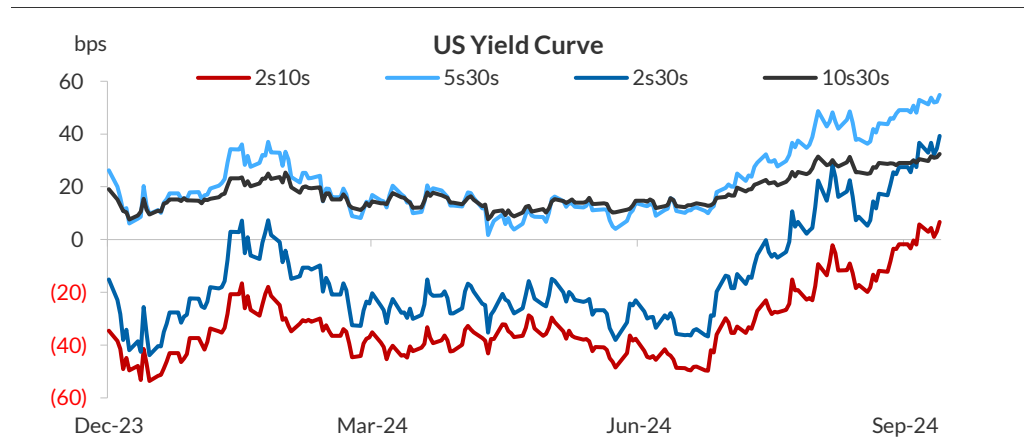


Exhibit 41: Chinese Stocks are out of sync with Asian Peers



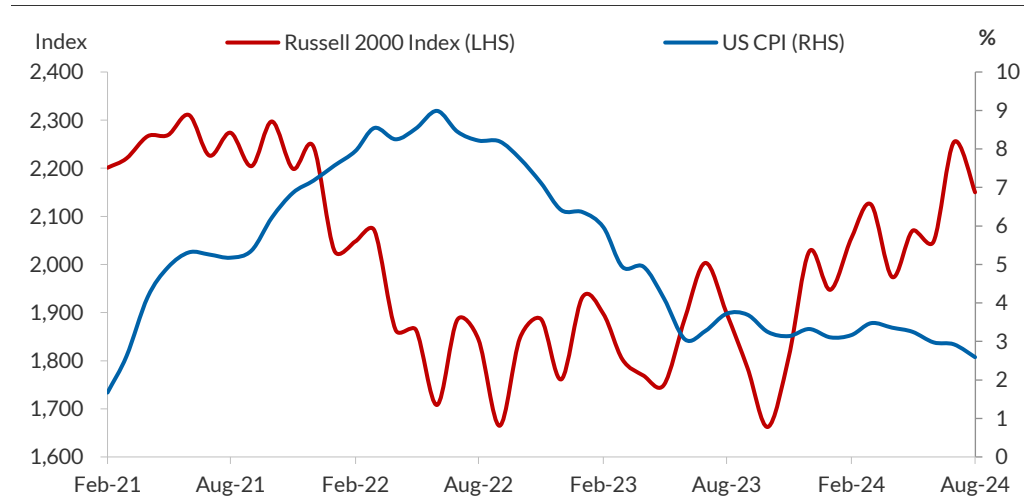
Source: Bloomberg, YES Sec

Exhibit 42: US Yield curves have de-inverted, steepening as yields on the front end are falling more than the longer tenure amid expectation of Rate cuts and Higher fiscal deficit



Source: Bloomberg, YES Sec

Exhibit 43: Falling US Inflation is proven to be supportive for Small Cap stocks



Source: Bloomberg, YES Sec

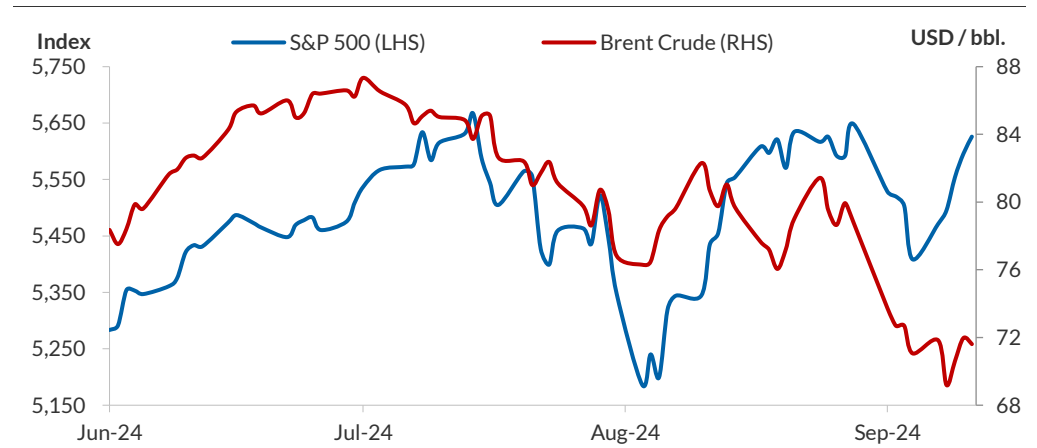
Exhibit 44: Falling Yields on US Junk Bonds negates recessionary concerns



Source: Bloomberg, YES Sec

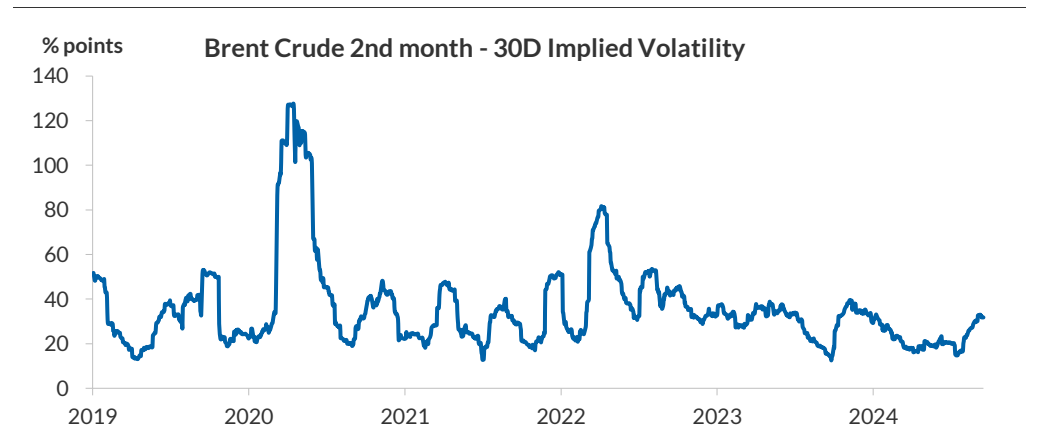
Commodities

Exhibit 45: Oil and US Equities break Positive Correlation



Source: Bloomberg, YES Sec

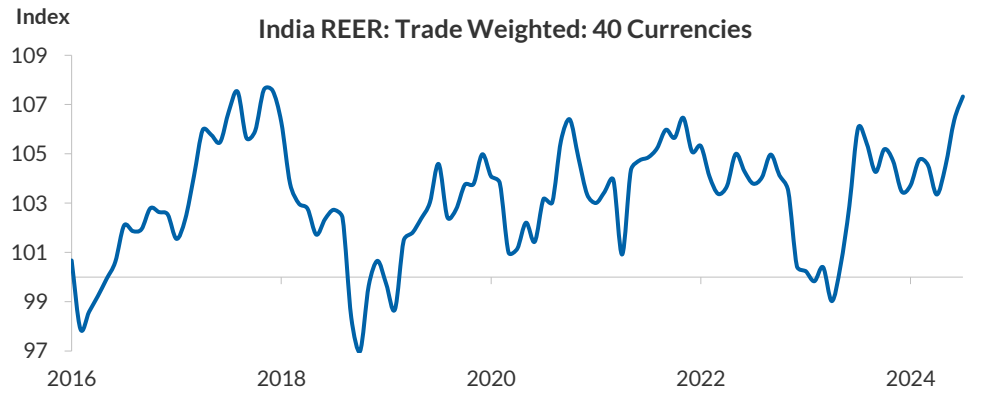
Exhibit 46: Notwithstanding the Geopolitics, Oil is increasingly turning less volatile



Source: Bloomberg, YES Sec

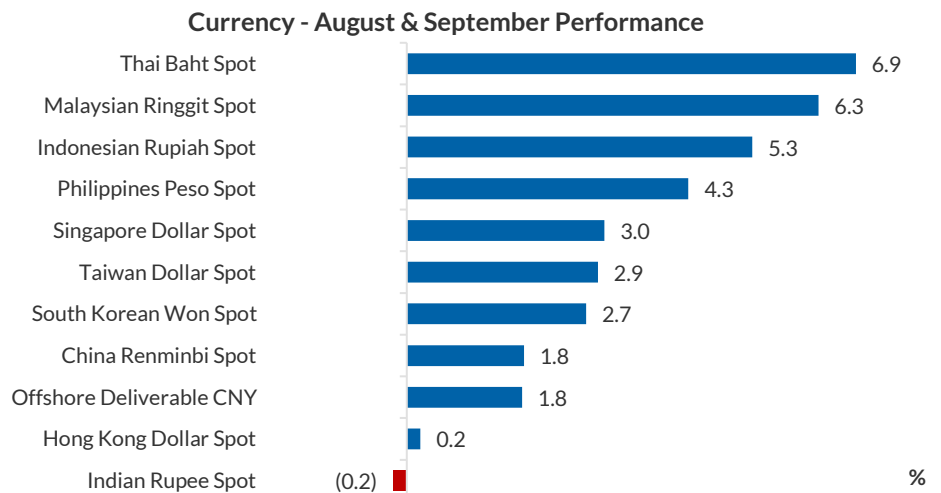
Currency

Exhibit 47: INR Overvaluation is persuading RBI to restrict any appreciation in the currency to protect export competitiveness



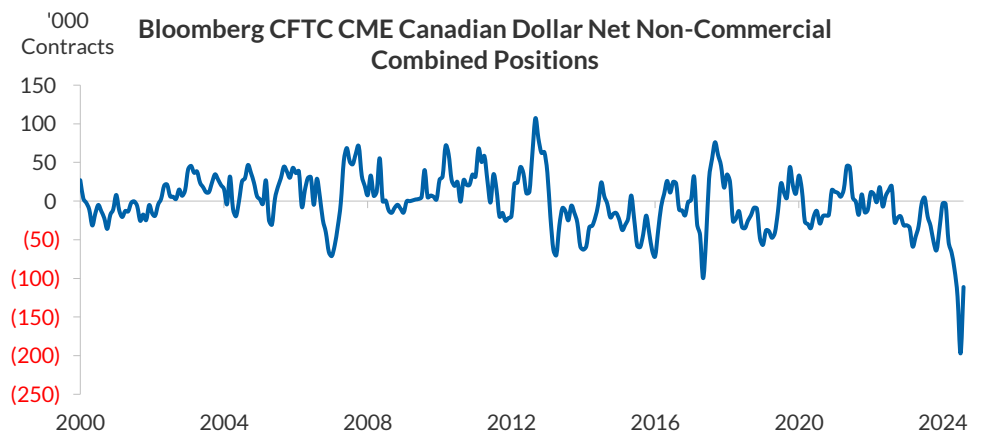
Source: CEIC, YES Sec

Exhibit 48: INR bucks the rally in EM currencies as RBI is apparently believed to be targeting exchange-rate competitiveness



Source: Bloomberg, YES Sec

Exhibit 49: Speculators turn aggressively Bearish on Loonie



Source: Bloomberg, YES Sec

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