

# Where Money Flows – Mar 2024

## Reversal of Bank's Valuation Is Around the Corner

The Indian markets present intriguing dynamics, particularly evident in the growing disparity between the valuations of Nifty Bank and Nifty 100. Despite the downward trend in valuation multiples of Nifty Bank over the preceding 36 months, the 1-year forward price-to-earnings (PE) ratio of Nifty 100 has remained stable. This divergence has resulted in an expanding PE differential between Nifty 100 and Nifty Bank, approaching the 2nd standard deviation. We expect this gap to narrow in the future, basis our rationale stated below:

- **Earnings Upgrade has failed to underpin PE multiples of Banks:** Despite upgrades in earnings for both FY24 & FY25, they have not been successful in shoring up the PE multiples of banks.
- **Comparison with Global Peers:** Indian banks have lagged their global counterparts in valuation parameters over the last three years. Currently, they are close to -2 standard deviations both in terms of P/E (Price-to-Earnings) and P/B (Price-to-Book) ratios, despite the ongoing gap in Return on Equity (ROE).
- **FPIs' Investment Trends:** Foreign Portfolio Investors (FPIs) have reduced their holdings in the Financial Services sector over the past year, with their overall ownership in Indian equities reaching a decade low. However, there is an indication of increasing FPI stakes in Financial Services, driven by their optimism on Indian equities and the higher weightage of Financial Services in the Nifty 100 Index.

Through 43 interesting exhibits, we focus on prevalent domestic and global liquidity flows to assess the evolving situation in financial markets. Shared below is our assessment.

### India Equity

- YTD 2024 FPI flows turn positive, play K shaped thesis: Sell FMCG, Buy Auto
- MF equity AUM continues to grow, breaches INR 23 tn mark
- Indian Equities stand Tall amid Major Markets (Exhibit 23)

### India Debt

- FIIs tilt towards Indian Debt markets, front-running ahead of the inclusion of India's sovereign bonds in Global Indices
- India's Credit Spreads tighten despite a deficit in Banking Liquidity, suggesting lower Corporate Borrowing

### Global Liquidity

- Capital flows in EMs is above the historical average
- US Magnificent 7 Stocks quite a Behemoth
- Despite the stellar outperformance of Magnificent 7 Stocks, the US is the least concentrated market in terms of Market Capitalisation

### Commodities

- Commodities have decoupled from Equities

### FX

- Indian Rupee is poised for a structural uptrend, as evidenced by its resilience



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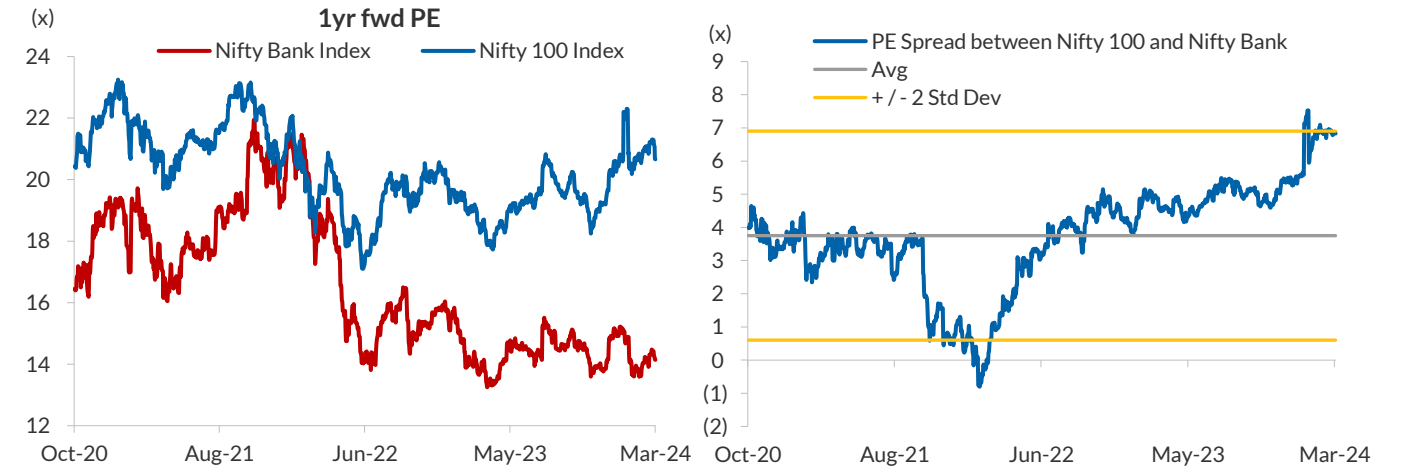


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**Exhibit 1: Notwithstanding the deterioration in valuation multiples of Nifty Bank over the past 36 months, 1yr forward PE of Nifty 100 has held ground. This has led to widening PE spread between Nifty 100 and Nifty Bank, now close to 2nd Standard deviation. We think this valuation gap will narrow ...**



Source: Bloomberg, YES Sec

**Exhibit 2: ... as earnings growth expectation for Banks continue to remain strong...**

Nifty 100: Sector wise PAT Contribution from FY24 to FY26 (INR bn)		PAT Growth 2yr CAGR %	Sector weight in Nifty 100 Index (%)
Banks	724	14.0	24.6
Metals & Mining	369	38.5	3.7
Financial Services	337	19.1	5.8
Information Technology	301	13.4	11.9
Automobile and Auto Components	211	15.4	6.9
Telecommunication	167	58.9	2.4
Fast Moving Consumer Goods	135	12.8	8.9
Power	114	13.3	3.5
Healthcare	80	13.9	4.2
Construction	75	25.4	3.5
Construction Materials	65	20.0	2.4
Chemicals	56	46.2	1.2
Consumer Services	52	37.0	2.1
Capital Goods	43	15.7	2.0
Services	37	10.9	1.3
Consumer Durables	36	14.3	2.9
Realty	15	23.9	0.6
Oil Gas & Consumable Fuels	(66)	(1.5)	11.9

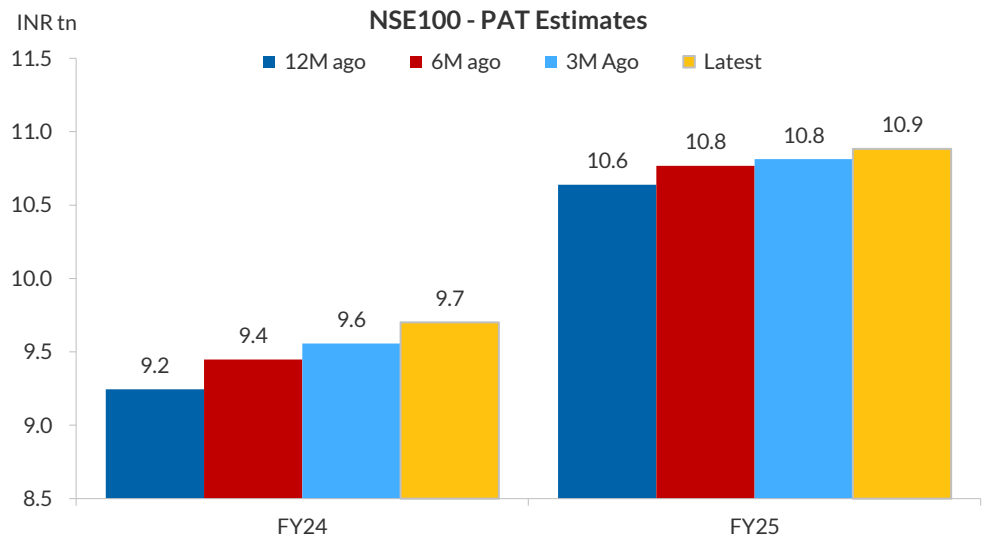
Source: Bloomberg, YES Sec

**Exhibit 3: ...while valuation multiple of Banks and Financial services is trading close to 1yr low**

Sector wise - 1yr fwd PE Range				
	1yr Range	Current		
Banks	15.0	15.4	17.7	
Financial Services	29.0	33.0	39.0	
Consumer Durables	54.1	59.7	64.0	
Fast Moving Consumer Goods	50.4	54.4	57.4	
Metals & Mining	9.7	12.0	13.0	
Consumer Services	62.6	89.2	96.5	
Services	17.3	23.3	24.8	
Telecommunication	27.4	34.7	36.1	
Construction	22.2	29.5	30.8	
Realty	31.0	61.1	66.0	
Oil Gas & Consumable Fuels	15.0	19.2	19.7	
Power	10.7	17.9	18.4	
Healthcare	28.0	34.6	35.0	
Capital Goods	38.0	47.6	48.2	
Information Technology	20.8	26.1	26.4	
Automobile and Auto...	18.7	23.4	23.4	
Construction Materials	34.4	48.0	48.0	
Chemicals	33.6	41.9	41.9	

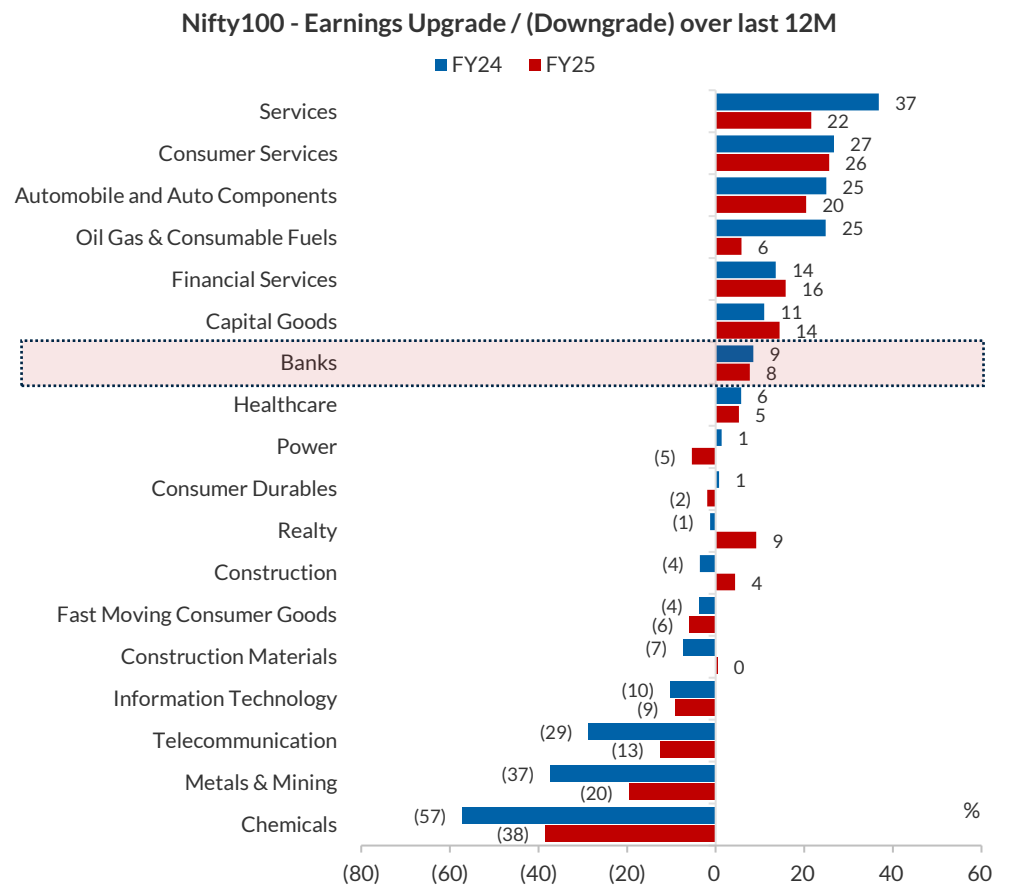
Source: Bloomberg, YES Sec

**Exhibit 4: PE expansion of Nifty 100 is likely due to positive traction in forecasted earnings...**



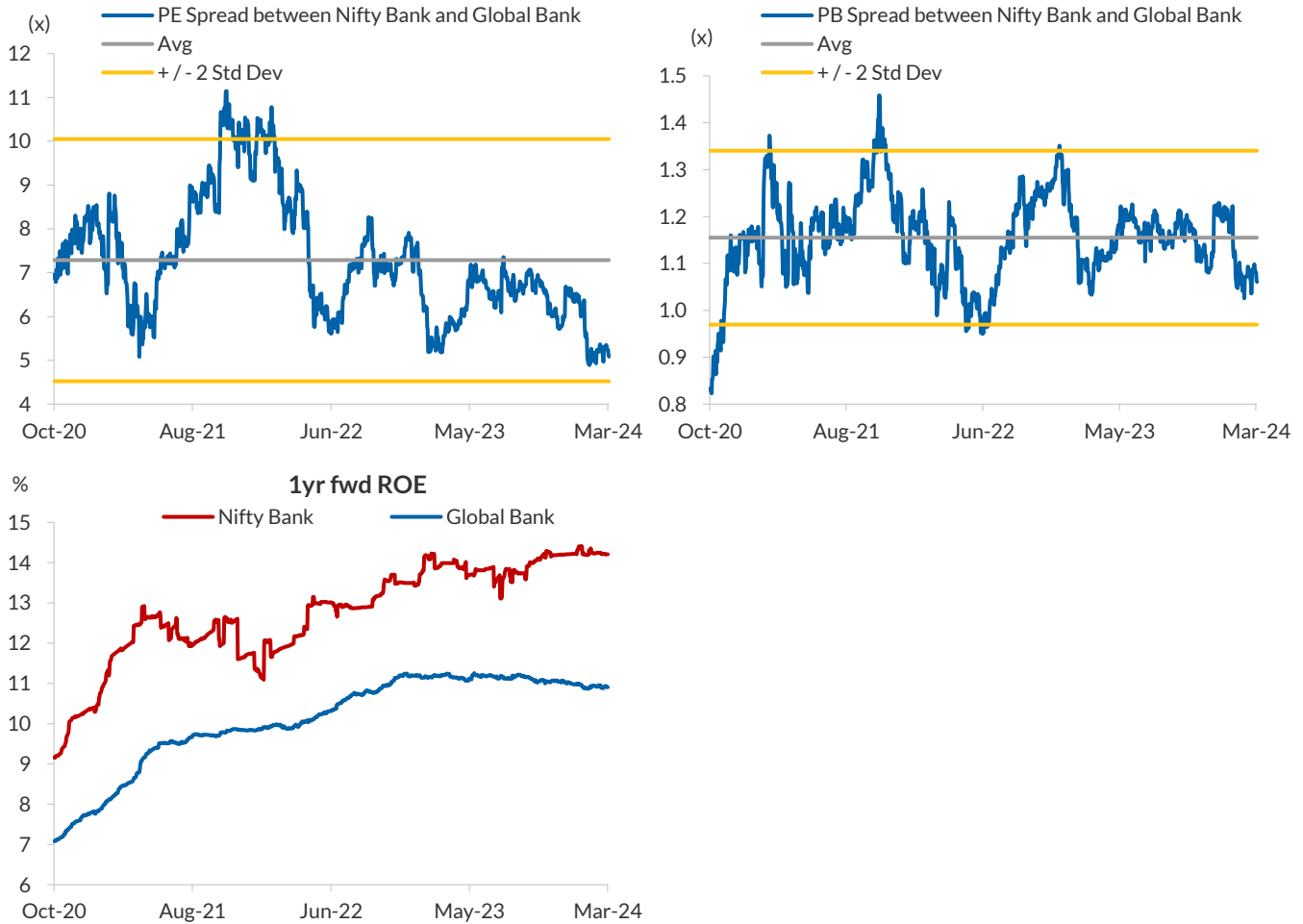
Source: Bloomberg, YES Sec

**Exhibit 5: ...despite earnings upgrade, Banks and Financial services have failed to see the PE expansion (refer Exhibit 3)**



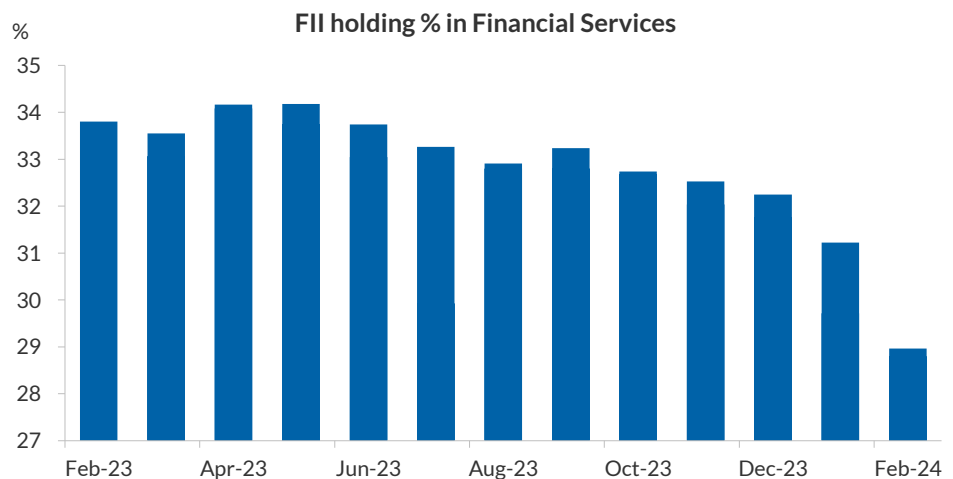
Source: Bloomberg, YES Sec

**Exhibit 6: ...in fact, Indian Banks have also trailed on valuation parameters to their global peers over the last three years and are currently close to -2 SD both on P/E and P/B front, notwithstanding the continuation of ROE gap**



Source: Bloomberg, YES Sec

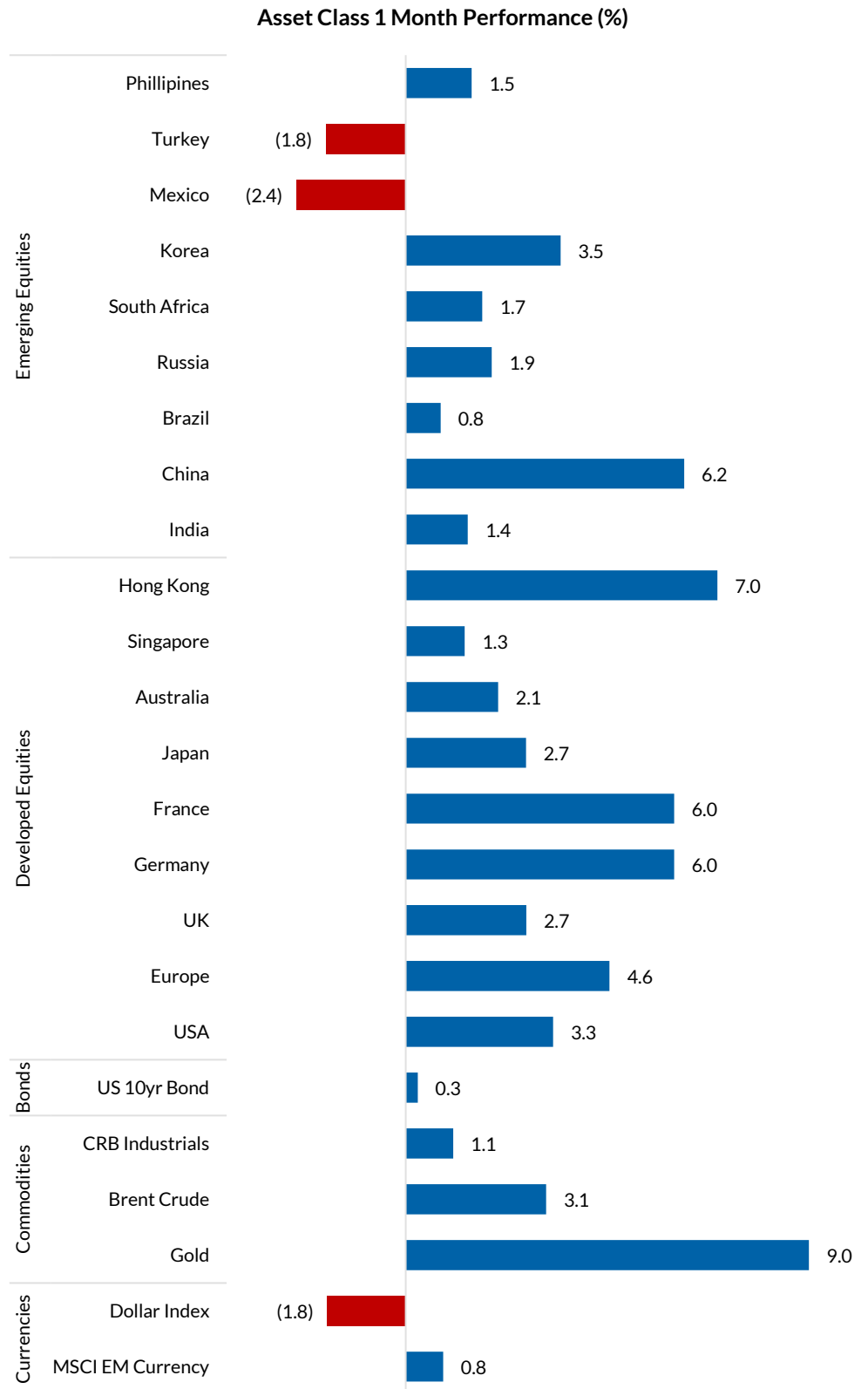
**Exhibit 7: FPIs have pared holdings in the Financial Services space over the last 12 months, while their ownership in Indian Equities is at a decade low. However, we see FPIs increasing stakes in Financial Services given their optimism on Indian Equities and higher weight of Financial Services in the Nifty 100 Index**



Source: CEIC, YES Sec

## Asset Class Performance

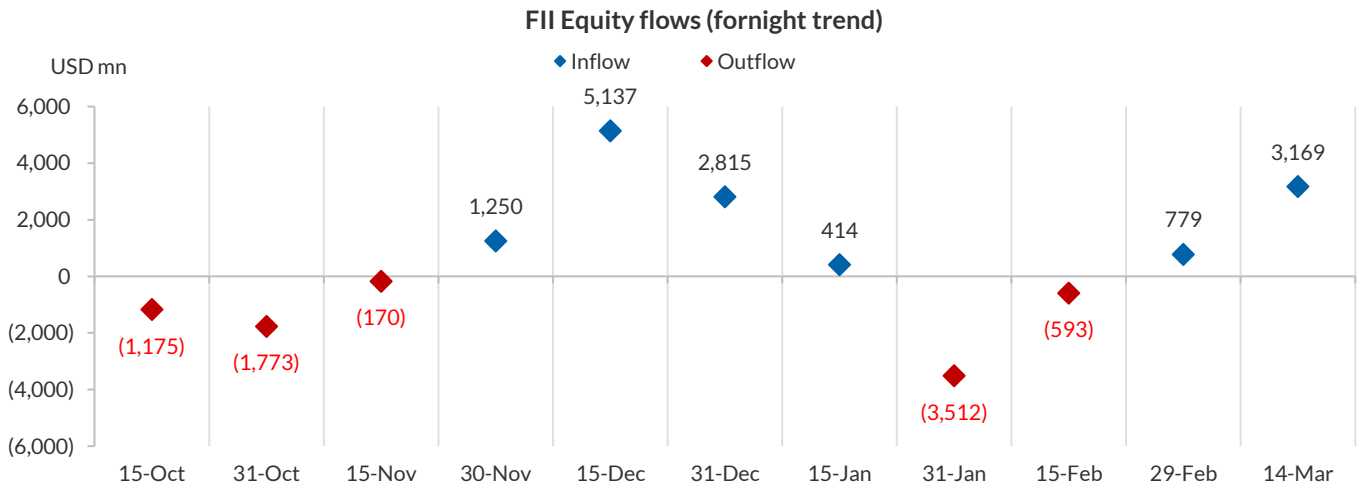
**Exhibit 8: Gold & European equities make significant strides**



Source: Bloomberg, YES Sec Note: Data is from 14-Feb-24 to 14-Mar-24

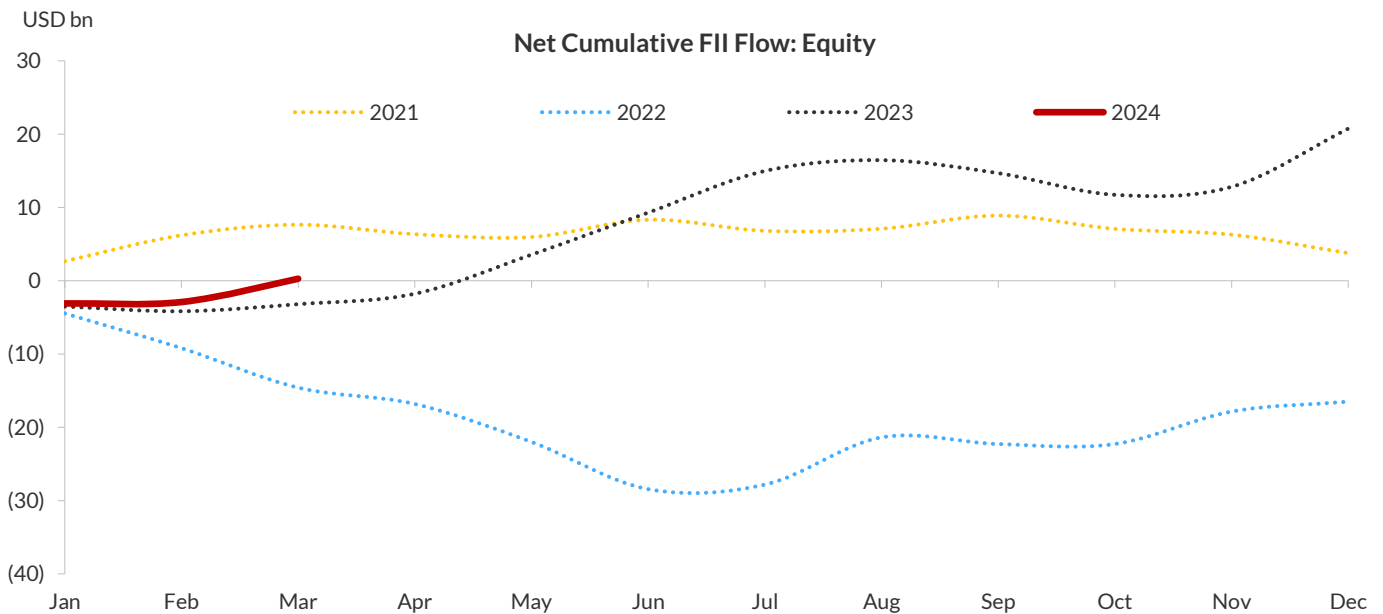
## India Equities

**Exhibit 9: FIIs buy Indian equities for two consecutive fortnights...**



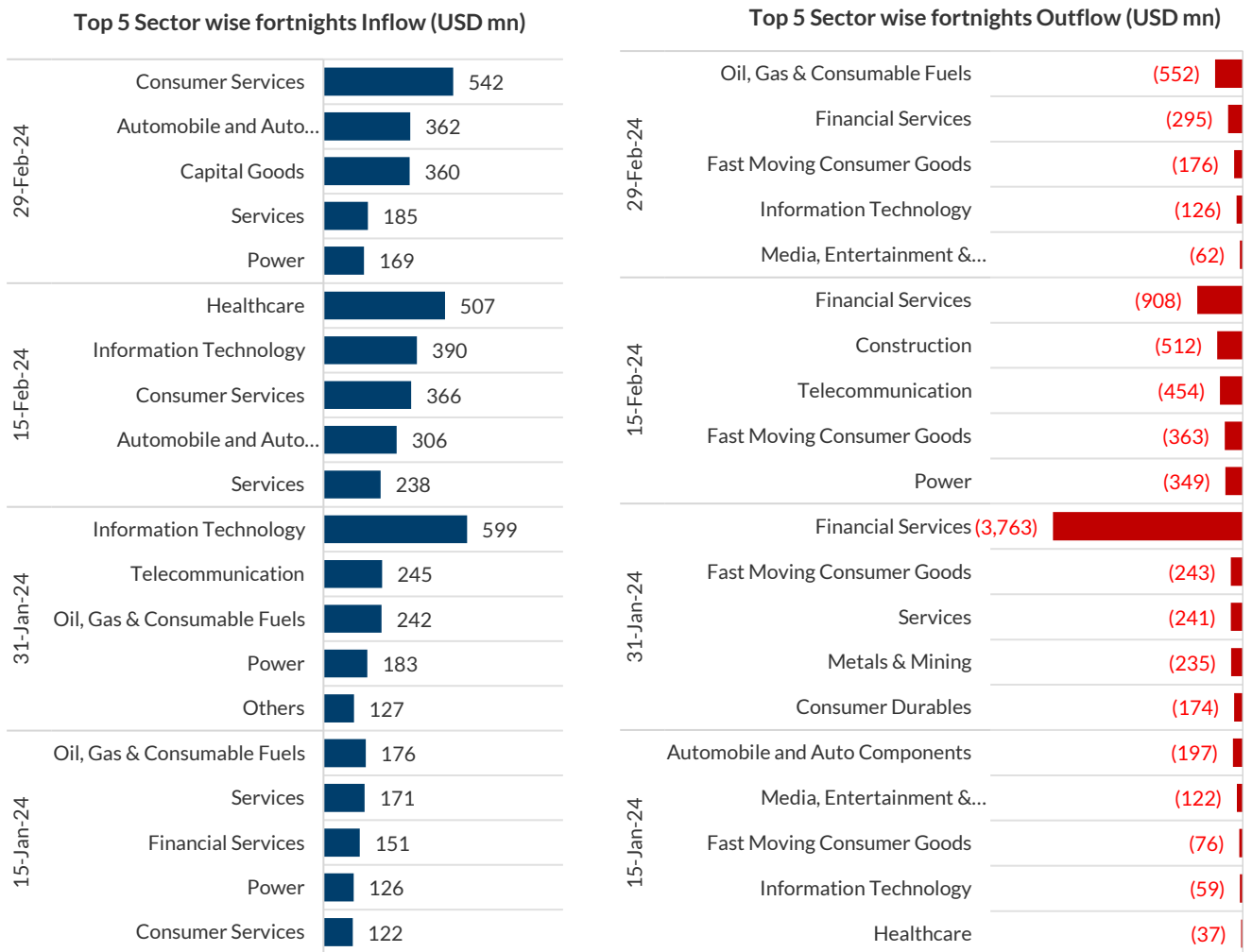
Source: CEIC, YES Sec

**Exhibit 10: ... YTD 2024 FPI flows turn positive**



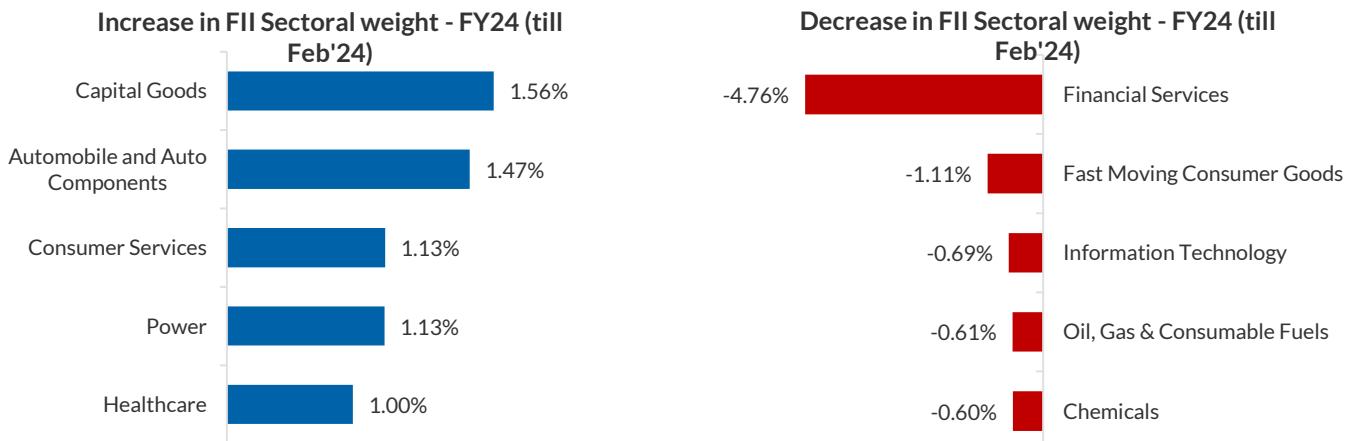
Source: CEIC, YES Sec

## Exhibit 11: FPIs play K shaped thesis: Sell FMCG, Buy Auto



Source: NSDL, CEIC, YES Sec

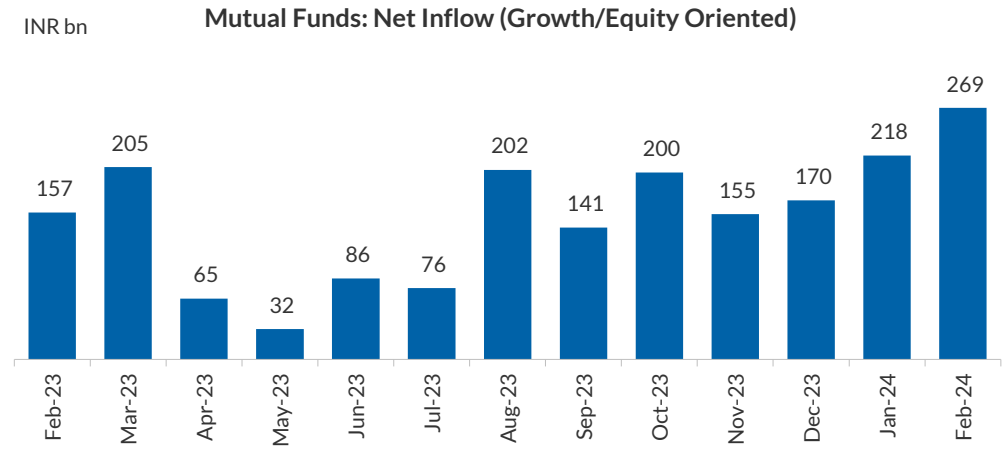
## Exhibit 12: FY24 trends show FII pare stakes in Financial Services and FMCG



Source: NSDL, CEIC, YES Sec

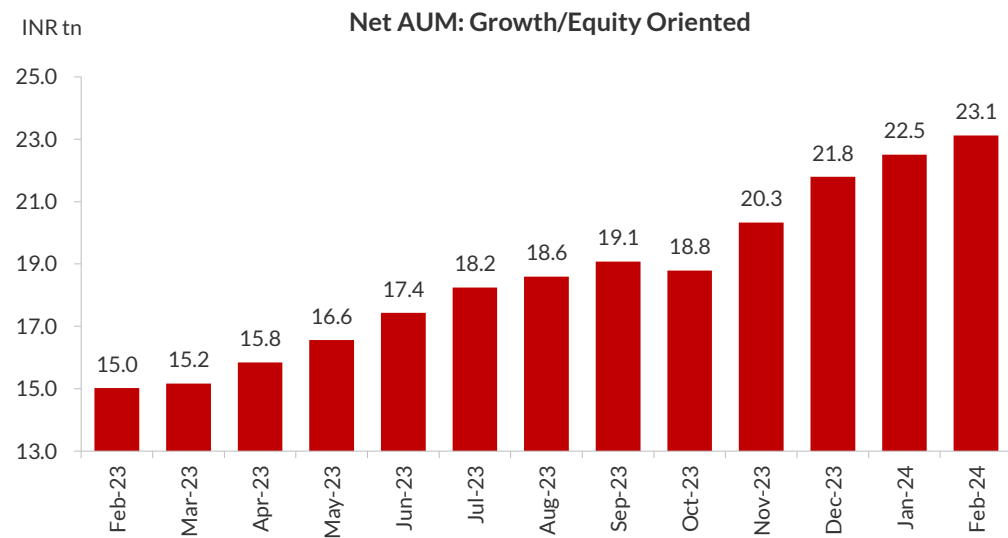


**Exhibit 13: Record Inflows in Equity MFs sustain...**



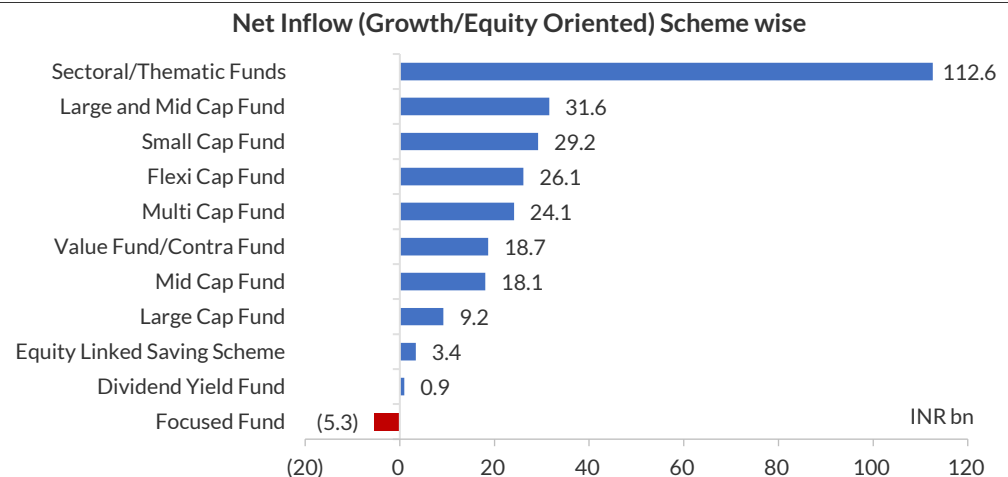
Source: AMFI, YES Sec

**Exhibit 14: ...equity AUM continues to grow, breaching Rs23trillion mark.**



Source: AMFI, YES Sec

**Exhibit 15: Sectoral and Thematic funds register strong inflows, Focused funds only one to see outflow**



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

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

New Entry			AMC	Total Exit		
Rank 3	Rank 2	Rank 1		Rank 1	Rank 2	Rank 3
		CAPITALSFB	360 ONE MF			
KIRLOSENG	OBEROIRLTY	MGL	Axis MF	ASIANPAINT	NETWEB	TTKHLTCARE
SRF	JIOFIN	TCS	Bajaj MF	BAJFINANCE	AXISBANK	EICHERMOT
JUNIPER	CANBK	SHREECEM	Bandhan MF	HINDUNILVR	IDFCFIRSTB	GLS
GET&D	NIITMTS	JUNIPER	Baroda MF	DALBHARAT	HINDALCO	THOMASCOOK
SAMHI	PRESTIGE	DELHIVERY	Birla MF	IREDA	SUNCLAY	SUNCLAY
VEDL	GRASIM	GICRE	BOI MF	MAHINDCIE	TIMKEN	SKFINDIA
CUMMINSIND	CESC	LATENTVIEW	Canara Robeco MF	IPCALAB		
TEGA	OIL	INDUSTOWER	DSP MF	PNB	MANKIND	SAIL
ONGC	JUNIPER	PARKHOTELS	Edelweiss MF	CAMPUS	VIJAYA	BOSCHLTD
	GRASIMPP	PARKHOTELS	Franklin Templeton MF	LICI	ZEEL	
TECHM	SBILIFE	MARUTI	Groww MF	ITC		
PETRONET	DEEPAKNTR	SUDARSCHEM	HDFC MF	NH	GMPFAUDLR	TATAMETALI
GANECOS	JUNIPER	TORNTPHARM	Helios MF	ITC	ONGC	
HUDCO	DELHIVERY	MANGCHEFER	HSBC MF	CUB	ASAHIINDIA	
PARKHOTELS	PGHL	GANECOS	ICICI PRU MF	INDUSINDBK	KFINTECH	AMIORG
SENCO	UNIONBANK	ORCHPHARMA	Invesco MF	CROMPTON	EXPLEOSOL	BLUEDART
HNDFDS	IBULPP	SWANENERGY	ITI MF	KAJARIACER	ALKEM	EIDPARRY
BIOCON	HUDCO	M&M	JM MF	SAIL	ITC	COALINDIA
CMSINFO	MINDACORP	OIL	Kotak MF	TATACONSUM	SOUTHBANK	FSL
OIL	ONGC	SWANENERGY	LIC MF	IREDA	LTTS	BOSCHLTD
SUZLON	BANKBARODA	CONCOR	M&M MF	SJVN	PAYTM	AXISBANK
POLYCAB	DALBHARAT	PIDILITIND	Mirae MF	INDHOTEL	NATIONALUM	BAJAJFINSV
BAJAJHLDNG	CHOLAHLDNG	MINDACORP	Motilal MF	MAXHEALTH	NAVINFLUOR	NAVINFLUOR
BANKBARODA	BANDHANBNK	BEL	Navi MF	CROMPTON	PAYTM	BLUEDART
PARKHOTELS	LUMAXTECH	WHIRLPOOL	Nippon MF	TRACXN	ASIANPAINT	POLICYBZR
RADICO	BARBEQUE	IEX	Old Bridge MF			
		BECTORFOOD	PGIM MF	ABB	MMFL	M&M
BEL	WIPRO	GMRINFRA	Quant MF	SUNPHARMA	SJVN	LUPIN
JINDALSAW	ADANIENT	PATANJALI	Samco MF	POONAWALLA	DABUR	SJVN
KEC	VIPIND	PFC	SBI MF	SJVN	MAZDOCK	CDSL
CIPLA	SUNPHARMA	JIOFIN	Shriram MF	PERSISTENT	AUOPHARMA	SAIL
	AMBUJACEM	LICI	Sundaram MF	PETRONET	IREDA	ZEEL
GRANULES	NMDC	SWANENERGY	Tata MF	ENGINERSIN	LODHA	PGINVIT
SUDARSCHEM	PIIND	SAIL	Taurus MF	BPCL	NBCC	HINDCOPPER
BPCL	TATASTEEL	LICI	Union MF	OBEROIRLTY	PVR	IEX
GULFOILLUB	NIITMTS	TATACOMM	UTI MF	ZEEL	PRINCEPIPE	
CAPITALSFB	ZYDUSLIFE	PARKHOTELS	WhiteOak MF	IREDA	GANDHAR	RHIM

Source: NAV-India, YES Sec – Research

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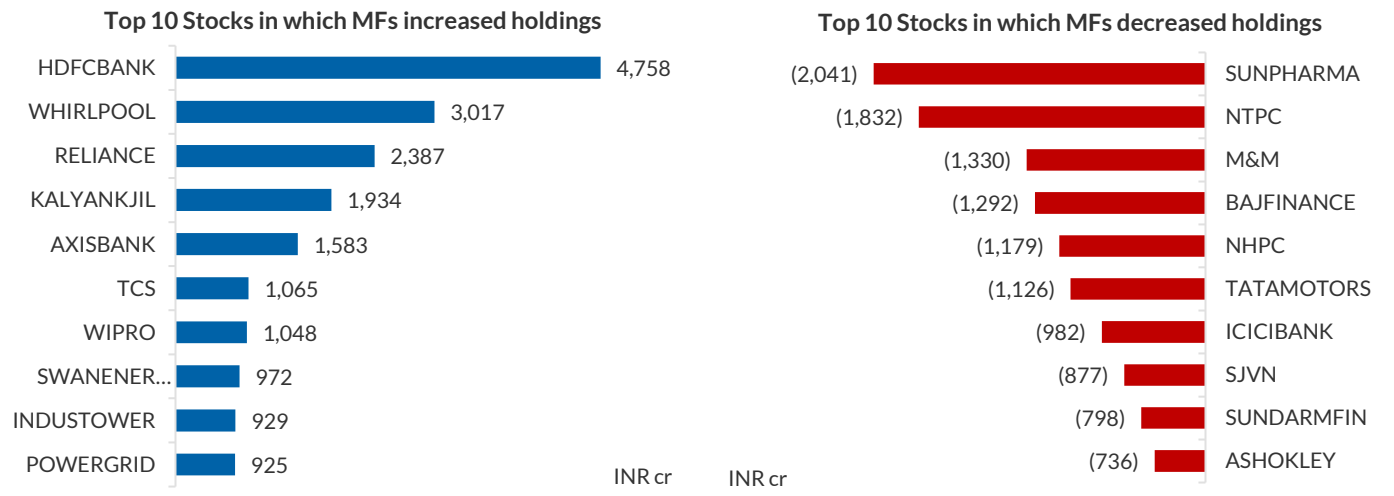
**Exhibit 17: MF's Top Rejig in February**

Increased			AMC	Decreased		
Rank 3	Rank 2	Rank 1		Rank 1	Rank 2	Rank 3
BHARTIARTL	HDFCBANK	RECLTD	360 ONE MF	LT	CUMMINSIND	ASTRAMICRO
POLICYBZR	BPCL	SBIN	Axis MF	DMART	LT	NAUKRI
ICICIBANK	BHARTIARTL	AARTIIND	Bajaj MF	MCX	HINDUNILVR	RECLTD
POLICYBZR	KOTAKBANK	MARUTI	Bandhan MF	AXISBANK	TATAMOTORS	UNOMINDA
BHEL	POLICYBZR	INFY	Baroda MF	AFFLE	ZOMATO	BAJFINANCE
ZOMATO	BANKBARODA	WHIRLPOOL	Birla MF	ICICIBANK	IDFCFIRSTB	UNIONBANK
SWANENERGY	CASTROLIND	CMSINFO	BOI MF	BANKBARODA	CANBK	INDIANB
LICHSGFIN	EIHOTEL	APOLLOHOSP	Canara Robeco MF	TRENT	MPHASIS	SBIN
ICICIBANK	WHIRLPOOL	POLYCAB	DSP MF	PHOENIXLTD	BEL	TATAMOTORS
NTPC	APLAPOLLO	POLICYBZR	Edelweiss MF	AMBER	NAVINFUOR	MFSL
RELIANCE	SUNPHARMA	HDFCBANK	Franklin Templeton MF	ASHOKLEY	ABFRL	HINDPETRO
SBIN	ICICIBANK	HDFCBANK	Groww MF	TATAMOTORS	BAJAJ-AUTO	MPHASIS
CROMPTON	HDFCBANK	AXISBANK	HDFC MF	NTPC	M&M	AUROPHARMA
VBL	HDFCBANK	CANBK	Helios MF	HINDPETRO		
NCC	SUNDARFIN	WIPRO	HSBC MF	CARBORUNIV	ITC	HDFCBANK
LT	AUROPHARMA	HDFCBANK	ICICI PRU MF	SBIN	SUNPHARMA	ONGC
PIIND	VOLTAS	KALYANKJIL	Invesco MF	NHPC	JIOFIN	UNOMINDA
TCS	SBIN	INDUSTOWER	ITI MF	GANECOS	GANECOS	PCBL
TCS	BHARATFORG	HDFCBANK	JM MF	ULTRACEMCO	VBL	POONAWALLA
PFC	POWERGRID	BPCL	Kotak MF	BAJFINANCE	ITC	BEL
SCHNEIDER	KOTAKBANK	PIIND	LIC MF	ICICIBANK	SBIN	ASHOKLEY
BIOCON	TCS	UNIONBANK	M&M MF	NHPC	MPHASIS	BSE
BAJFINANCE	HDFCBANK	ITC	Mirae MF	HCLTECH	PFC	M&M
PHOENIXLTD	MCX	KALYANKJIL	Motilal MF	ZOMATO	CHOLAFIN	ICICIBANK
PDSL	SUNPHARMA	MANYAVAR	Navi MF	SUPRAJIT	VALIANTORG	KGKHOSLA
MARUTI	RELIANCE	HDFCBANK	Nippon MF	CREDITACC	HEROMOTOCO	TIINDIA
SONATSOFTW	BAJAJ-AUTO	HAL	NJ MF			
HINDALCO	MARKSANS	KSCL	Old Bridge MF			
DEVYANI	AARTIIND	BHARTIARTL	PGIM MF	PHOENIXLTD	RELIANCE	DMART
POWERGRID	ITC	HDFCBANK	PPFAS MF	NMDC	NSLNISP	UTIAMC
RELIANCE	JIOFIN	SWANENERGY	Quant MF	KPIGREEN	AARTIIND	TV18BRDCST
NUVOCO	ICICIPRULI	CROMPTON	Quantum MF	LUPIN	ONGC	BAJAJ-AUTO
ISEC	WOCKPHARMA	SWANENERGY	Samco MF	COFORGE		
EIDPARRY	WHIRLPOOL	RELIANCE	SBI MF	BAJFINANCE	HDFCLIFE	BHARTIARTL
CHALET	ICICIBANK	RELIANCE	Shriram MF	TCS	HCLTECH	BHARTIARTL
KALYANKJIL	DEVYANI	UNIONBANK	Sundaram MF	ASHOKLEY	SHRIRAMFIN	ICICIBANK
MARUTI	ONGC	GODREJIND	Tata MF	POLICYBZR	JUBLFOOD	ITC
GPPL	INDUSTOWER	MARUTI	Taurus MF	TECHM	UNIONBANK	BHEL
SUNPHARMA	POWERGRID	CUMMINSIND	Union MF	LT	HINDALCO	CGPOWER
HCLTECH	WHIRLPOOL	HDFCBANK	UTI MF	HINDALCO	LTIM	BIOCON
CIPLA	ICICIBANK	ZOMATO	WhiteOak MF	JIOFIN	IPCALAB	MEDANTA

Source: NAV-India, YES Sec - Research

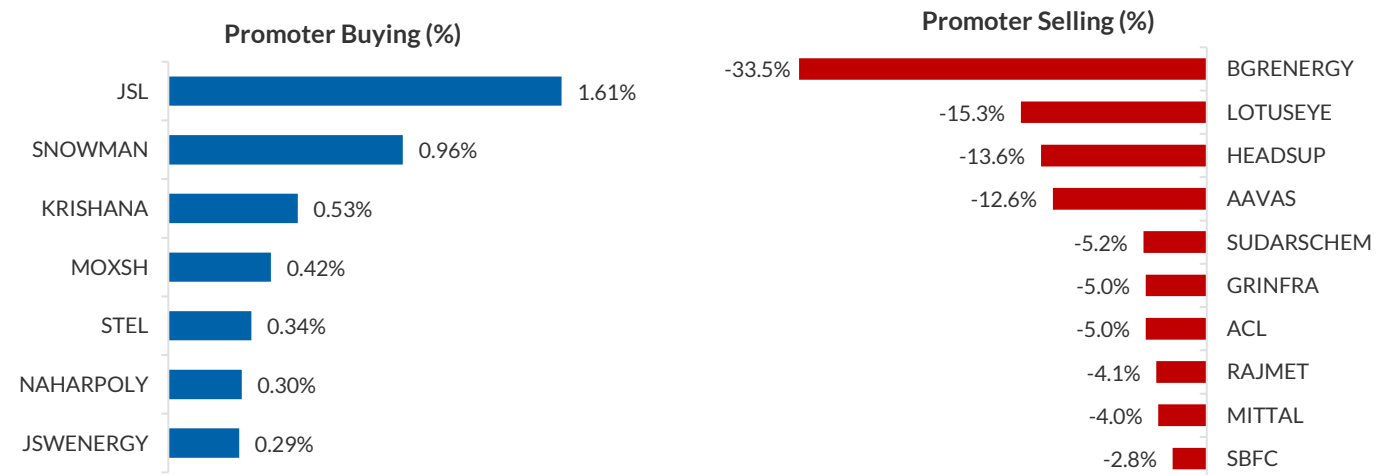
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**Exhibit 18: MF turns major buyer in QIP names and HDFC Bank, book profit in selective Auto names**



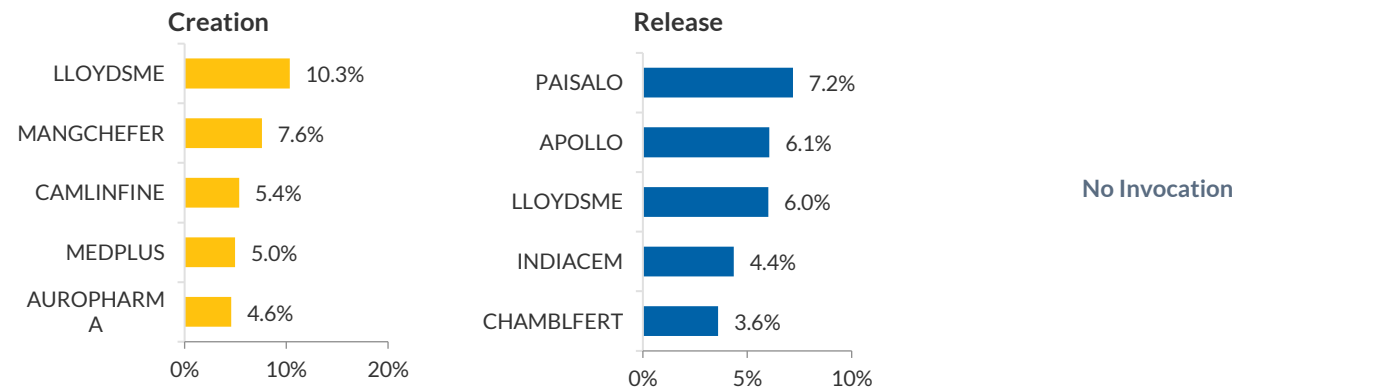
Source: NAV Database, YES Sec; Note: Data for February month

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



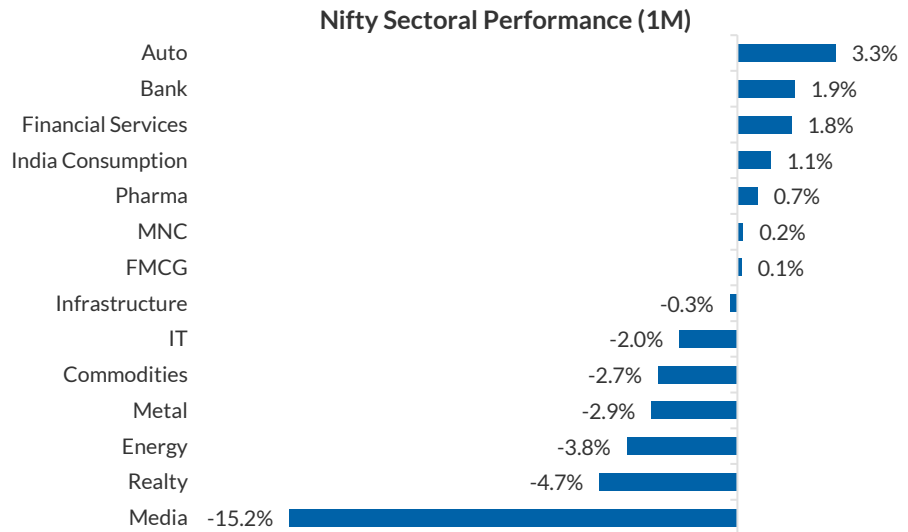
Source: NSE, YES Sec; Note: Data reported between 13-Feb-24 to 13-Mar-24

**Exhibit 20: Promoter Pledge Matrix for the last 30 days**



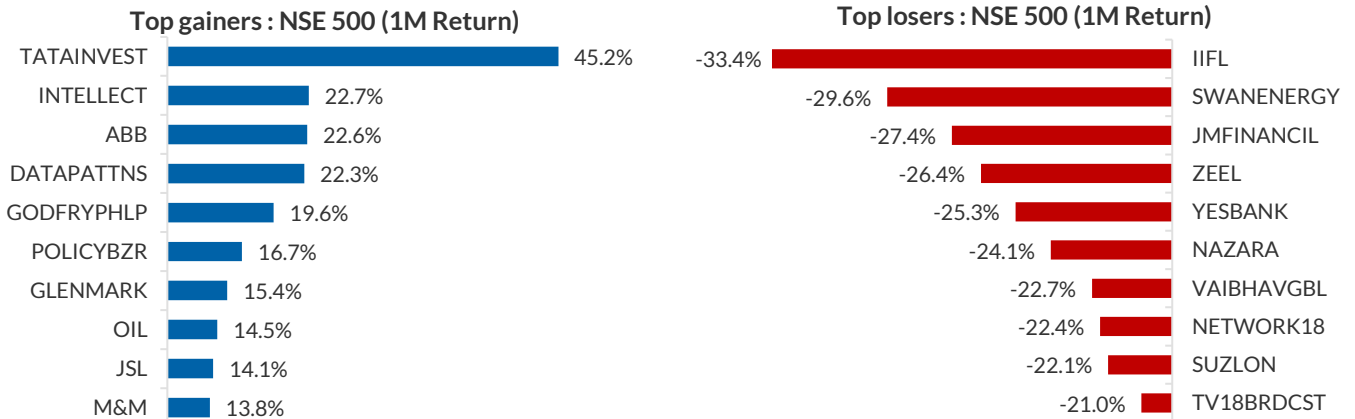
Source: NSE, YES Sec; Note: This data covers Promoter activity for the top 5 stocks in each category between 13-Feb-24 to 13-Mar-24

**Exhibit 21: Auto and Banks spearhead gains, Zee tanks to decade low, translating into whopping 15% drop in Media**



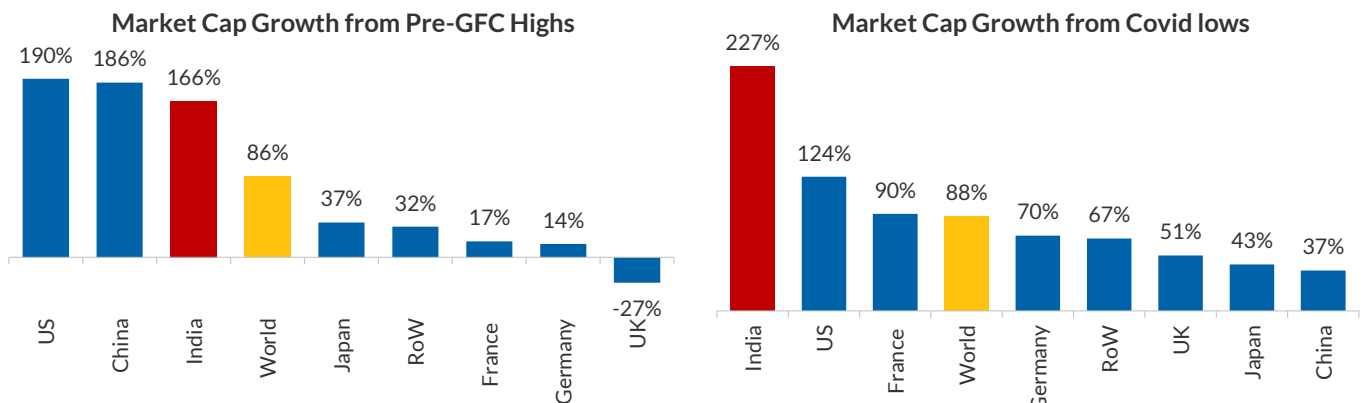
Source: Bloomberg, YES Sec; Note: Data reported between 14-Feb-24 to 14-Mar-24

**Exhibit 22: Regulator concerns hit IIFL and JM Financials. ABB and M&M rallies on the back of strong earnings**



Source: Bloomberg, YES Sec; Note: Data reported between 14-Feb-24 to 14-Mar-24

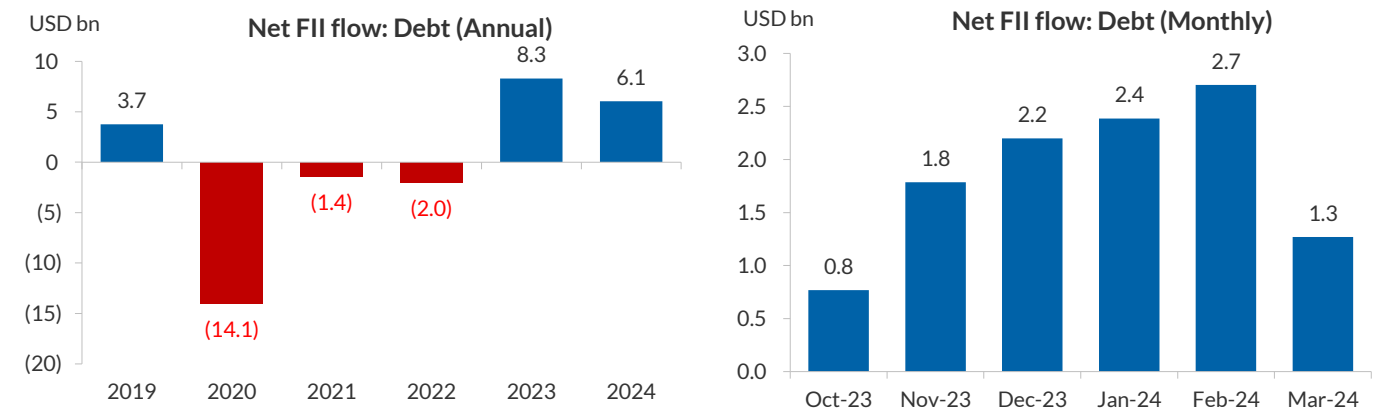
**Exhibit 23: Indian Equities stand Tall amid Major Markets**



Source: Bloomberg, YES Sec

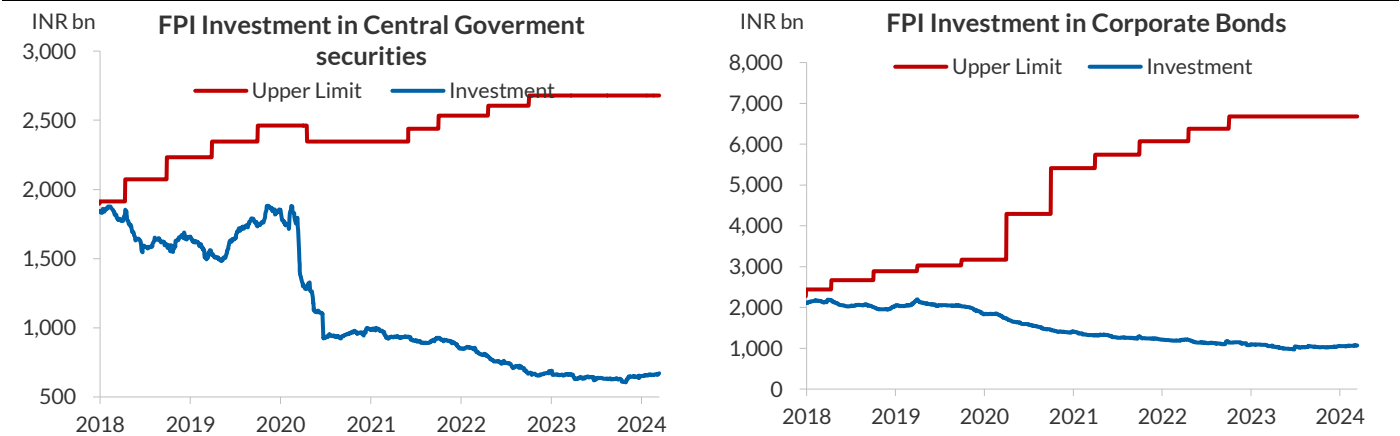
## India Debt

**Exhibit 24: FIIs tilt towards Indian Debt markets, front-running ahead of the inclusion of India’s sovereign bonds in Global Indices ...**



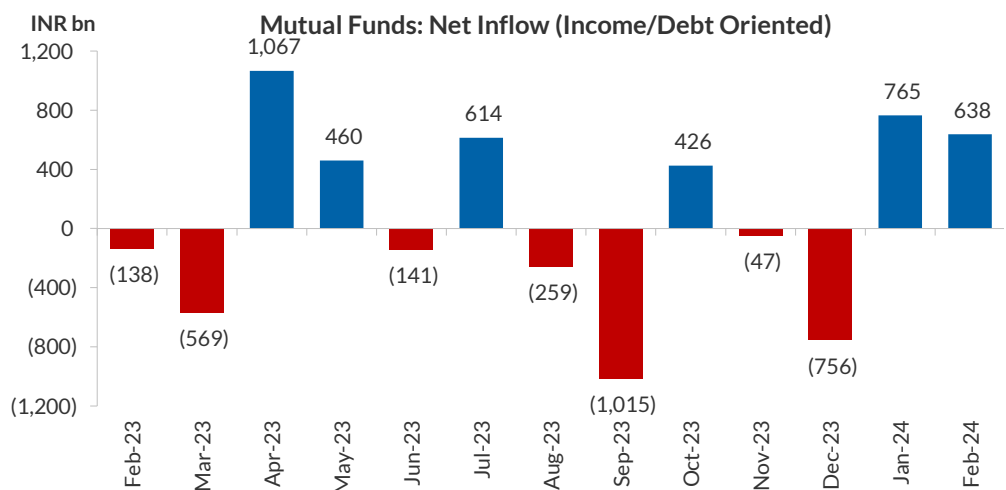
Source: CEIC, YES Sec

**Exhibit 25: ... aggregate investment levels are seen improving**



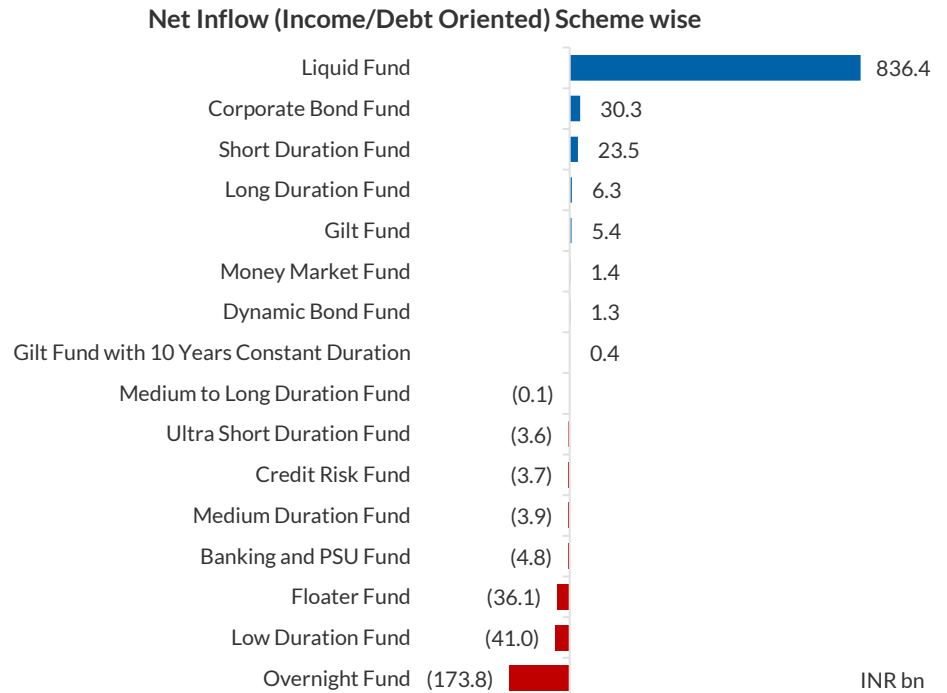
Source: CEIC, YES Sec

**Exhibit 26: Debt MFs witness inflows for the past two consecutive months**



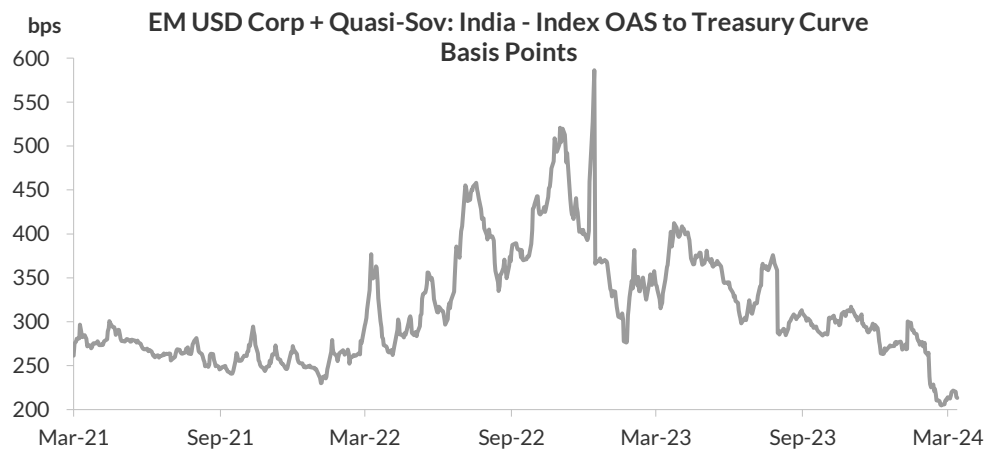
Source: AMFI, YES Sec

**Exhibit 27: Liquid Funds account for chunk of the debt inflows**



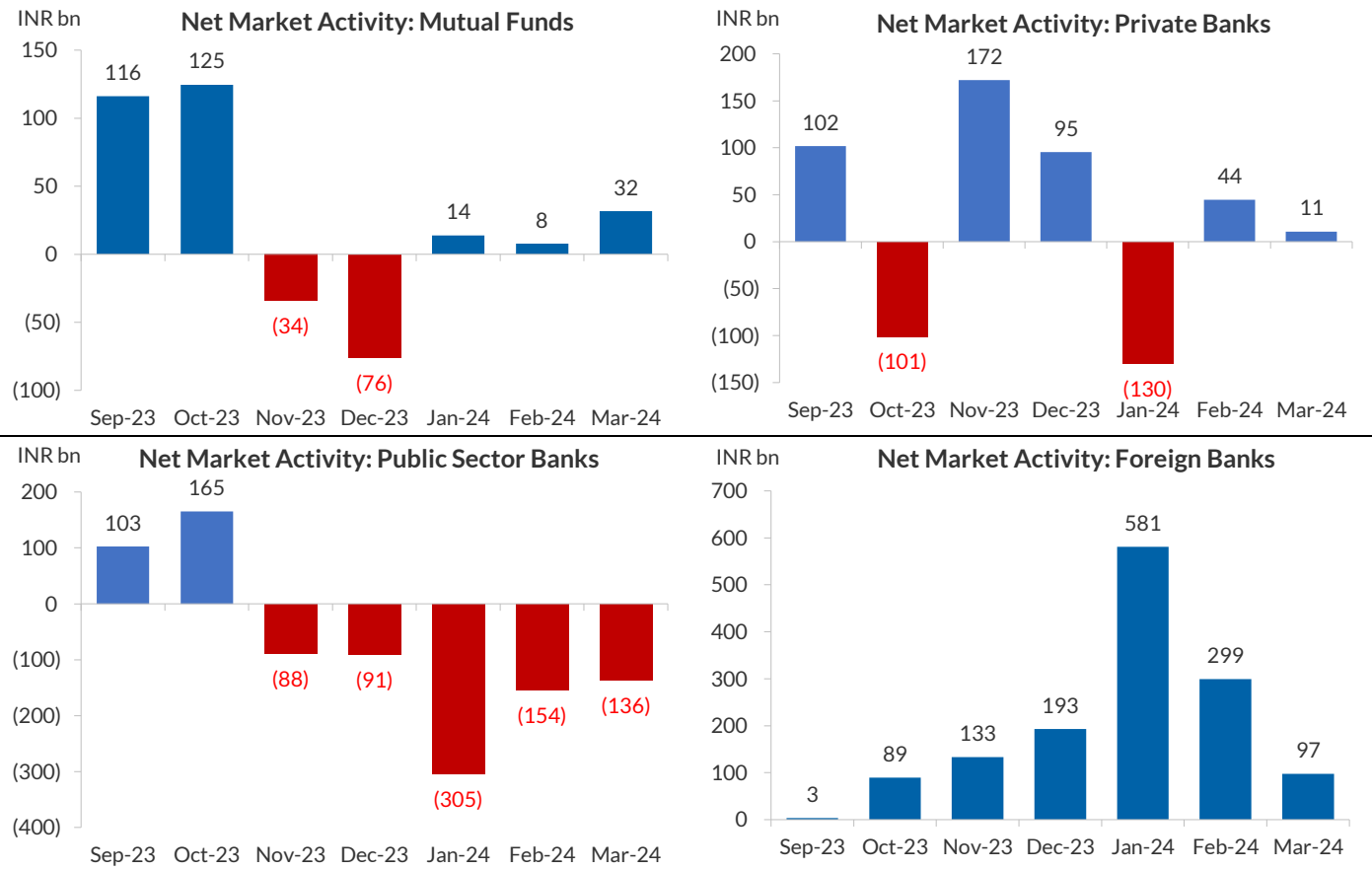
Source: CEIC, YES Sec; Note: Data for February month

**Exhibit 28: India's Credit Spreads tighten despite a deficit in Banking Liquidity, suggesting lower Corporate Borrowing**



Source: Bloomberg, YES Sec

**Exhibit 29: Warehousing of Sovereign debt by Foreign Banks ahead of the inclusion in Global indices is apparent**

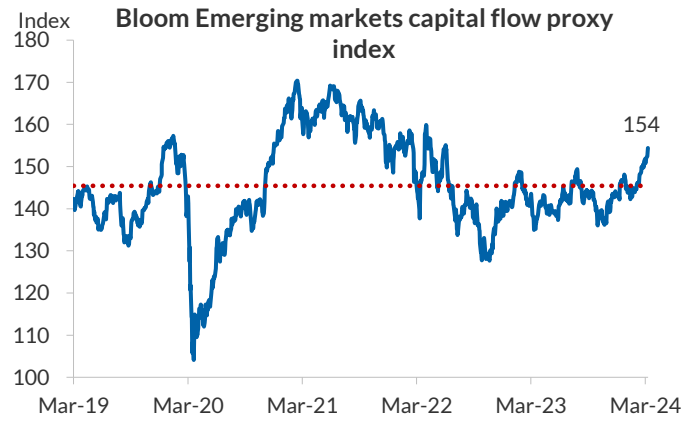


Source: Bloomberg, YES Sec



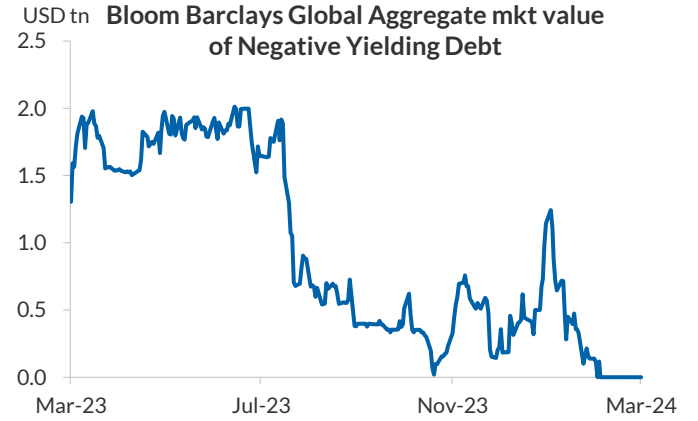
## Global Liquidity

**Exhibit 30: Capital flows in EMs is above the historical average**



Source: Bloomberg, YES Sec

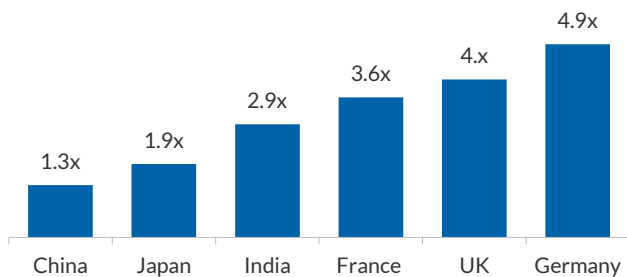
**Exhibit 31: End to Sub-zero-yielding bonds as sovereign yields in Japan rise**



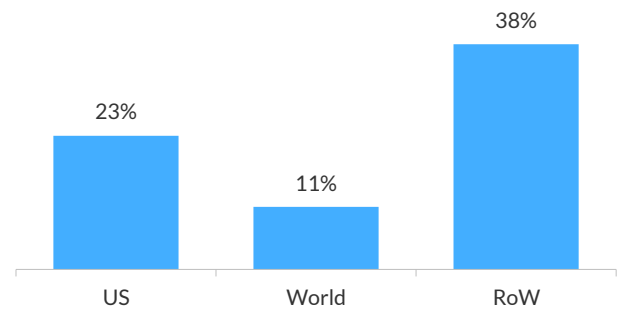
Source: Bloomberg, YES Sec

**Exhibit 32: US Magnificent 7 Stocks quite a Behemoth**

Market Cap of US Magnificent 7 Stocks (x times of other major markets)

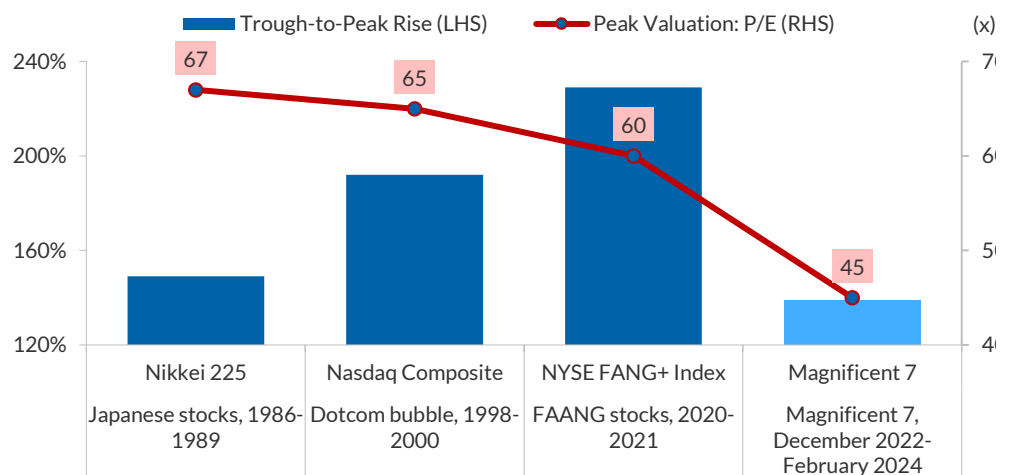


Market Cap of US Magnificent 7 Stocks (% of major markets)



Source: Bloomberg, YES Sec

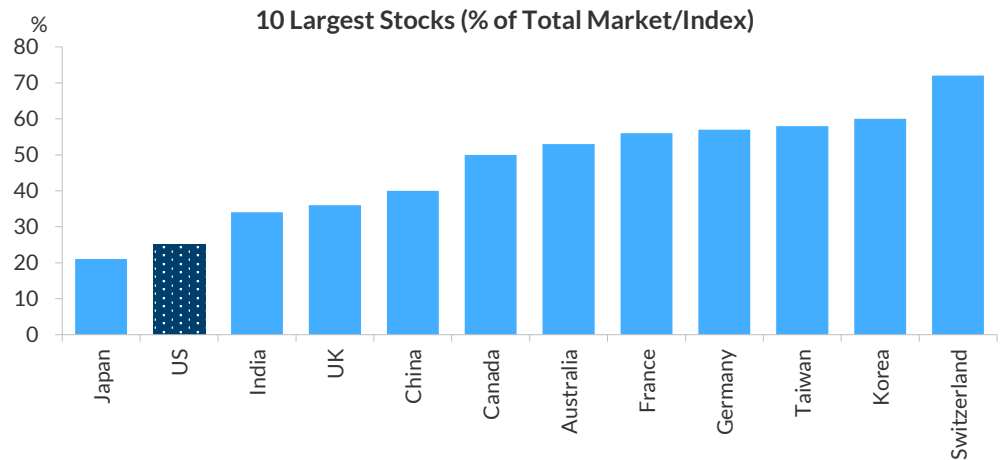
**Exhibit 33: Historical data suggests that the US top performing 7 stocks still have a lot of magnificence in store**



Source: Bloomberg Intelligence, YES Sec; Note: 4Q 2023 values and forward are estimates

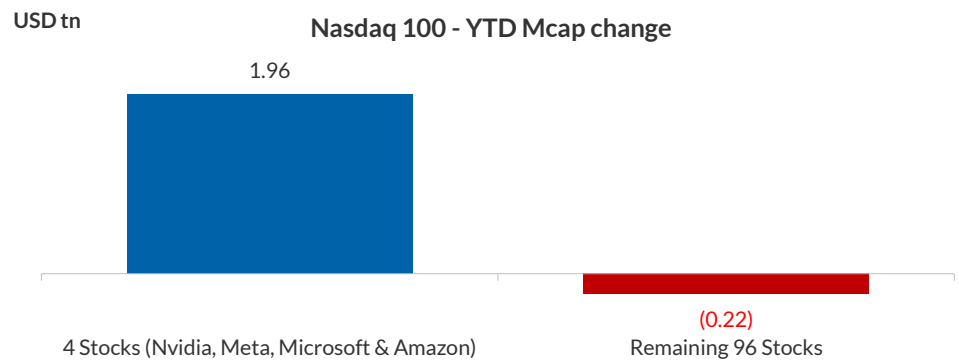
# Where Money Flows – Mar 2024

**Exhibit 34: Despite the stellar outperformance of Magnificent 7 Stocks, the US is the least concentrated market in terms of Market Capitalisation**



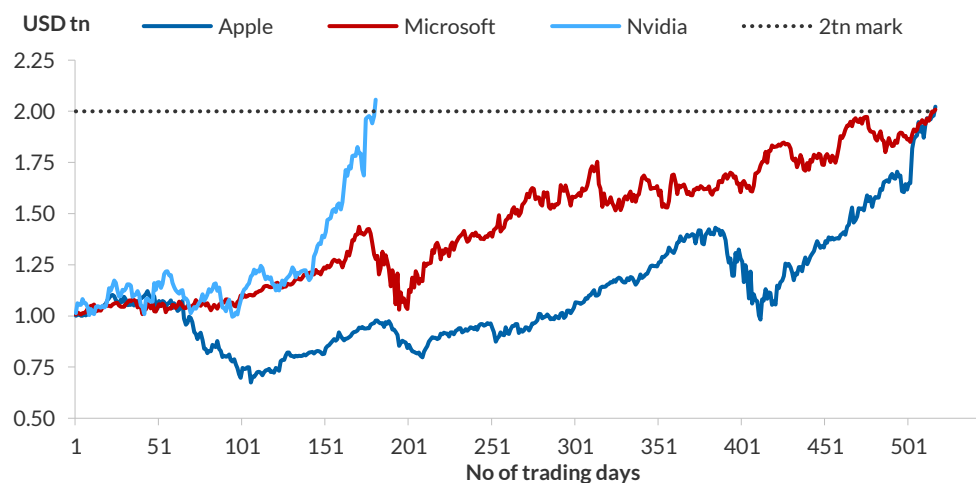
Source: YES Sec

**Exhibit 35: 4 out of 100 NASDAQ companies have accounted for literally 100% of YTD Market Cap gain**



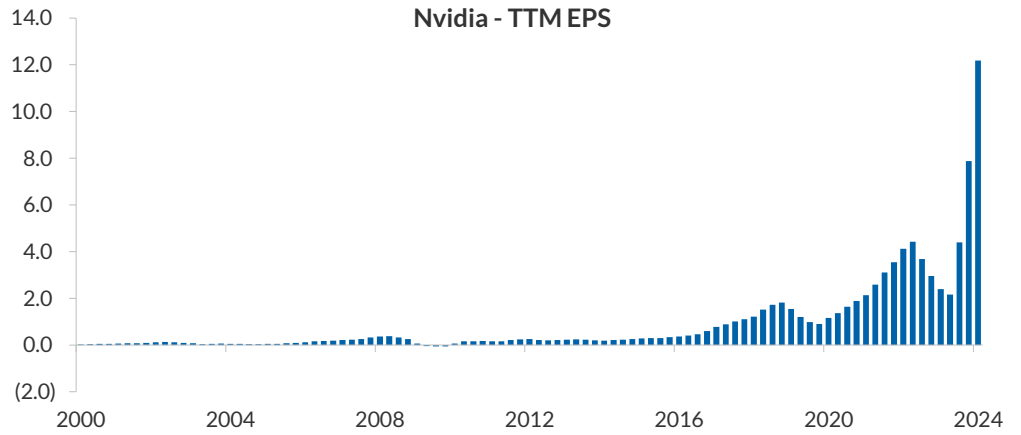
Source: Bloomberg, YES Sec

**Exhibit 36: Nvidia - 2 Trillion Market Cap in a Jiffy!**



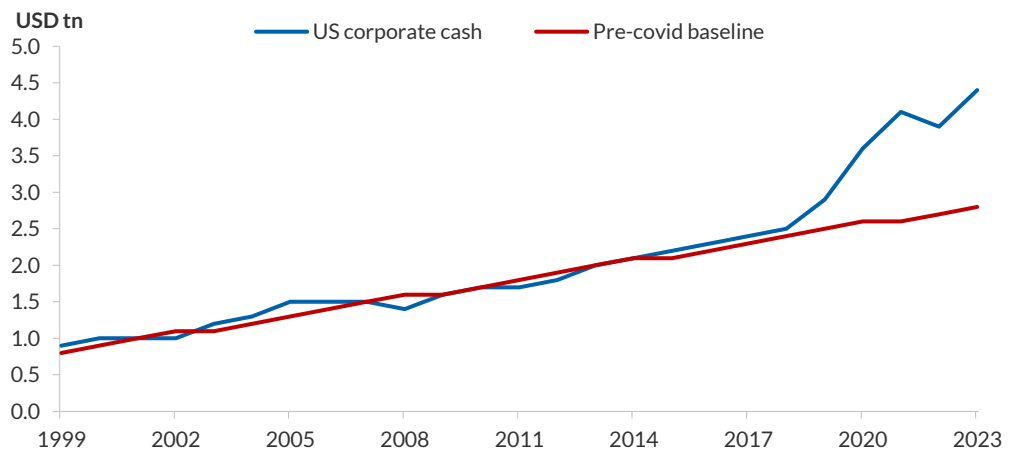
Source: Bloomberg, YES Sec

**Exhibit 37: Nvidia's Earnings backs the Exuberance in Share Prices**



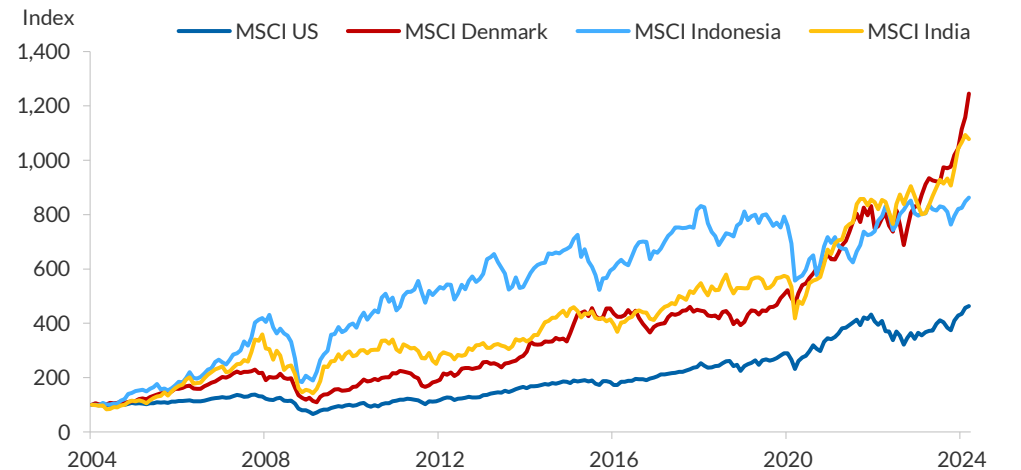
Source: Bloomberg, YES Sec

**Exhibit 38: US Corporations remain cash rich, explaining their resilience to higher interest rates**



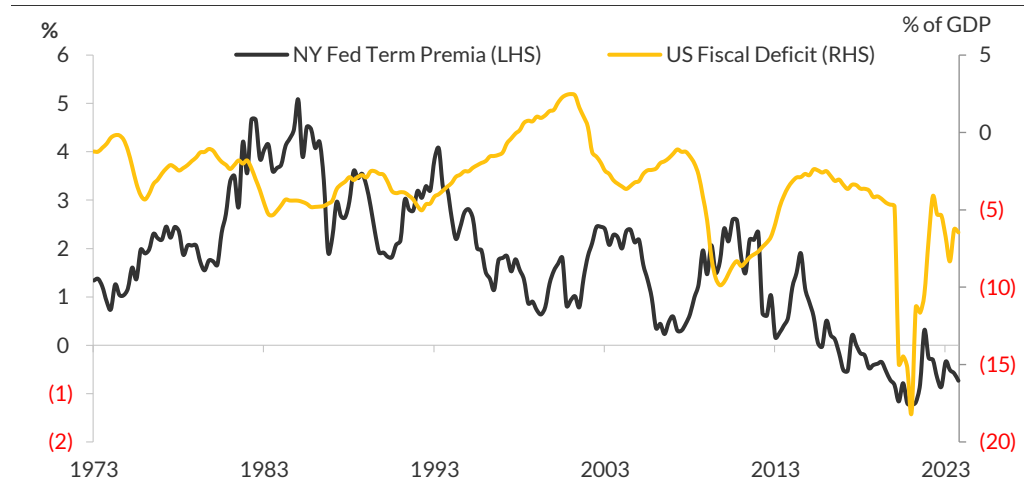
Source: The Carfang Group, YES Sec

**Exhibit 39: Spot the Real Winner: Danish Equities outperform Global Markets over the last 2 Decades**



Source: Bloomberg, YES Sec

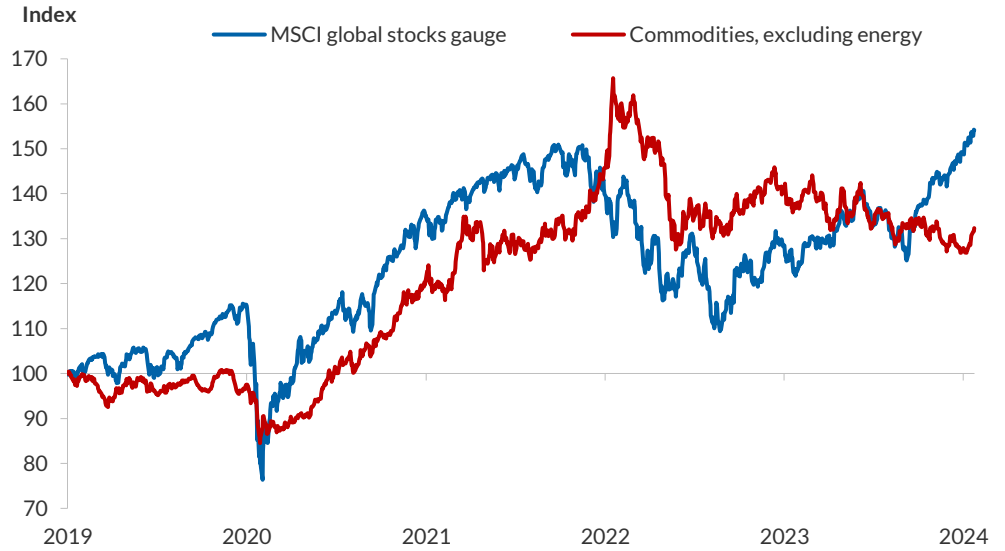
**Exhibit 40: Defying Economics, US Sovereign Debt enjoys lower Risk Premium despite higher Borrowing**



Source: Bloomberg, YES Sec

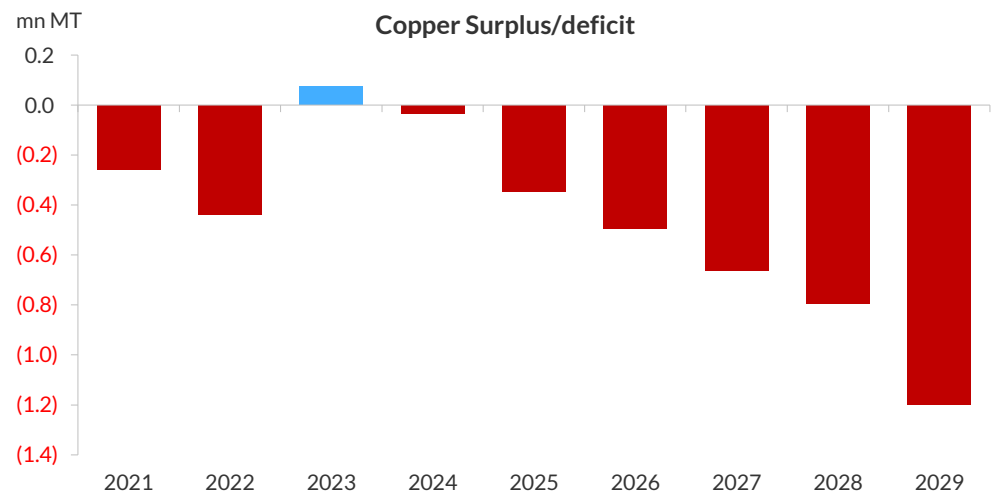
## Commodities

**Exhibit 41: Commodities have decoupled from Equities**



Source: Bloomberg, YES Sec

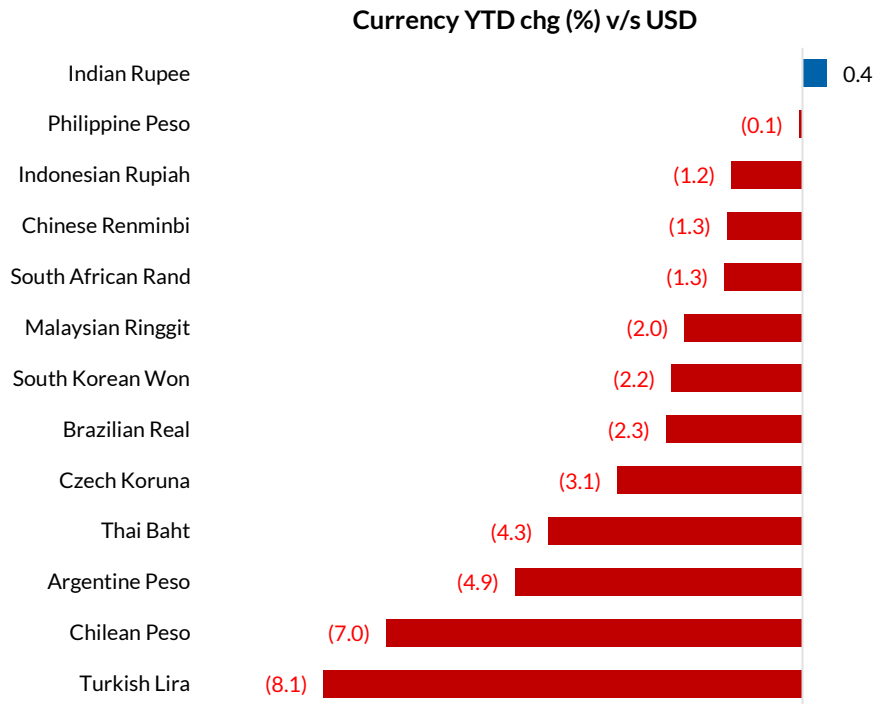
**Exhibit 42: Green Transition implies Tight Global Copper Markets**



Source: BMI Fitch, YES Sec

## Currency

**Exhibit 43: Indian Rupee is poised for a structural uptrend, as evidenced by its resilience**



Source: Bloomberg, YES Sec

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