

Technical Strategy: Nifty @23400 : Pre-Election rally on the cards...

February 2024

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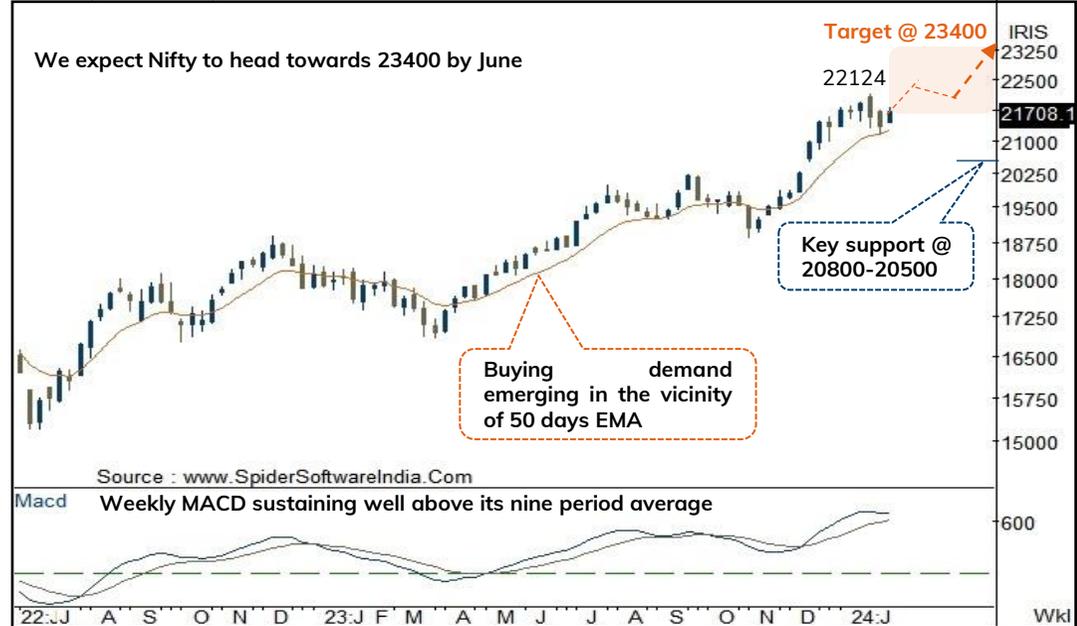
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Nifty @23400 : Pre-Election rally on the cards...

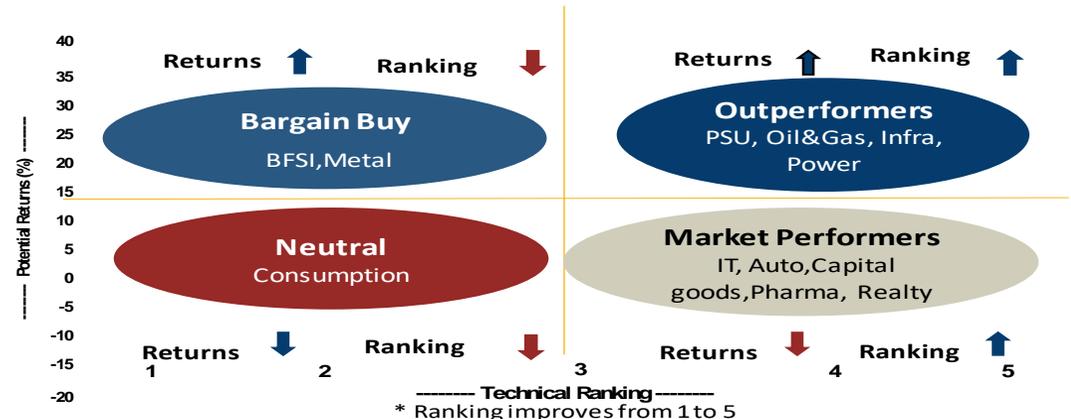
Technical Outlook..

- Our composite model with equal weights on a) General election year price behaviour, b) bull market corrections and c) bottom up Nifty projection strongly recommends buying the current decline **for target of 23400 by June 2024**
 - Empirically, in General election year, Nifty has a tendency to bottom out in Feb-March, followed by minimum 14% rally towards General election outcome in each of seven instances over past three decades (Refer chart)
 - Usual bull market corrections in Nifty are around 8% (multiple cycle average) followed by new highs. As 4.5% correction (from life high of 22124) is behind us, model indicate strong support in 20500-20800 which we expect to hold
 - Bottom up chart study of Nifty constituents projects further upsides across sectors and heavyweights after many stocks coming out of large periods of consolidations, thus supporting bullish stance
- Largecaps at cycle lows:** Ratio of Nifty / Nifty500 is at bottom of the cycle. Over two decades, ratio bottomed out at 1 on two occasions, followed by Large caps performing in subsequent quarters
- Global equity market setups** are robust and support further rally over few quarters
- Breadth:** Percentage of stocks above 200-day moving average continues to sustain above 80% even in corrective phase indicating strong underlying strength
- Taking cognizance of the above factors, we expect Nifty to head for 23400 by June 2024 and meanwhile form a durable bottom in Feb-March period wherein 20500-20800 to act as strong support. Therefore volatility from hereon should be embraced as a buying opportunity**

Nifty Weekly Chart



Relative rotation graph projection

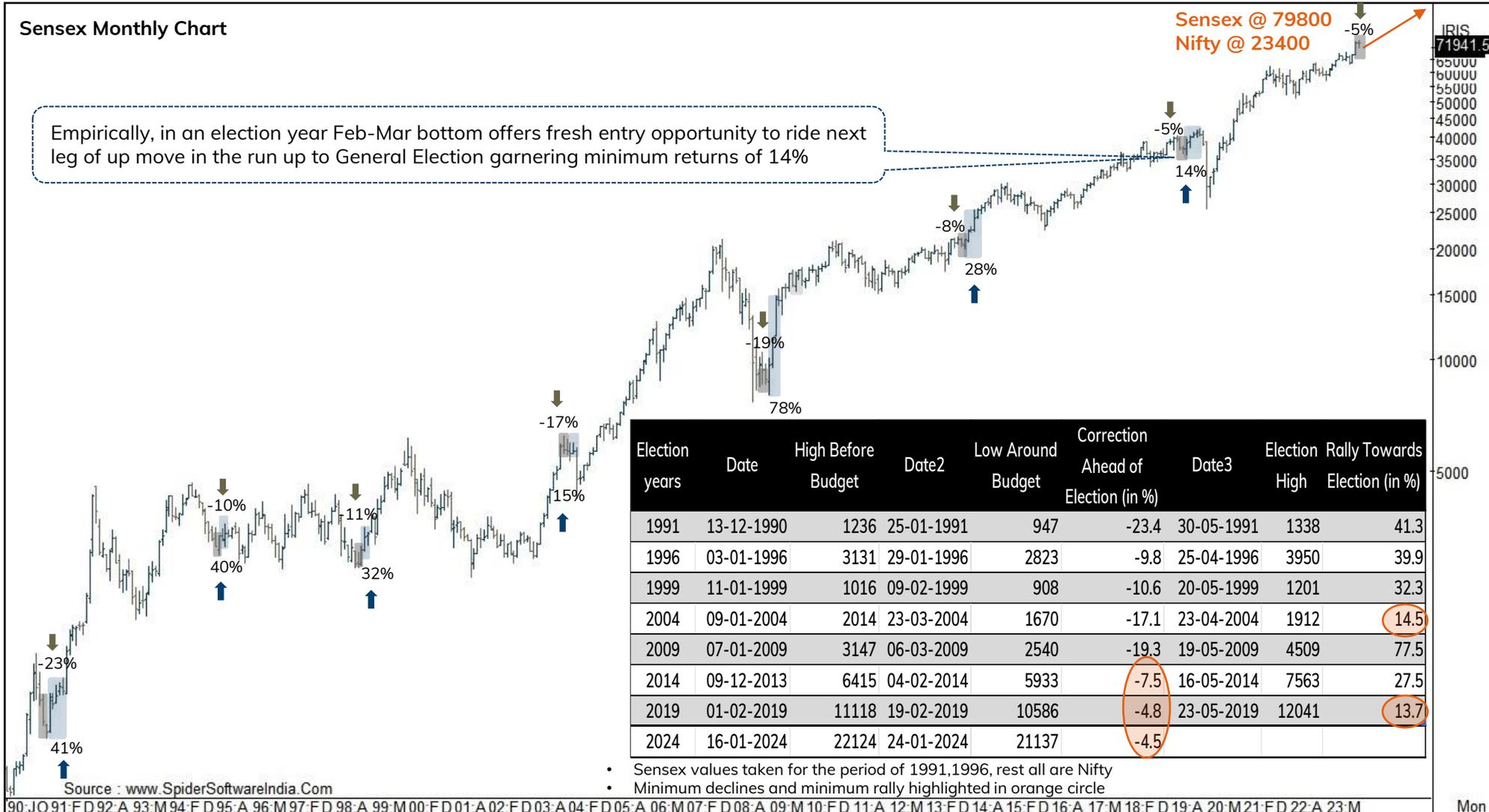


Sectors	Top Picks
BFSI	SBI, Axis Bank, Bank of Baroda, PNB, L&T Finance, LIC Housing finance, Union Bank, PNB Housing Finance
PSU	HAL, BEL, Sail, Coal India, Bank of India, NTPC, Engineers India, NMDC, Midhani, RCF, National Aluminium, Concor
Capital goods & Power	L&T, ABB, Thermax, Ador Welding, Kalpataru Power, JSW Energy, Grindwell Norton, KEC, Tega Industries
Oil & Gas & Energy	Reliance Inds, ONGC, Gail, HPCL, Tata power, Oil India, MGL, Engineers India
Auto	M&M, Tata Motors, Ashok Leyland, Apollo Tyres, Mayur Uniquoters, Exide Inds, CIE India, Bosch Ltd, Rico Auto
Information Technology	TCS, Infosys, HCL Tech, Eclerx, Coforge
Consumption & Retail	Titan, Trent, Havells, Amber, Arvind Fashion, Indian Hotel
Pharma & Chemicals	Sun Pharma, Cipla, Ajanta Pharma, Dr Reddy, Granules, Gufic Bio, Abbot India, Deepak Nitrate, Fluorochem
Real Estate	DLF, Arvind Smart, Brigade, Ashiana Housing, Kajaria Ceramics, Century Plywood
Infra and Metals	Ambuja Cement, Birla Corp, Star Cement, JK Cement, PNC Infra, Tata Steel, Hindalco, Graphite
Others	Lemontree, PCBL, Astra Microwave, Adani Port, GPPL, KPR Mills, RCF, IRCON, Texmaco Rail

Nifty: Ignore noise, ride the bull

Sensex Monthly Chart

Empirically, in an election year Feb-Mar bottom offers fresh entry opportunity to ride next leg of up move in the run up to General Election garnering minimum returns of 14%



- Sensex values taken for the period of 1991,1996, rest all are Nifty
- Minimum declines and minimum rally highlighted in orange circle

Source : www.SpiderSoftwareIndia.Com

90:JO 91:FD 92:A 93:M 94:FD 95:A 96:M 97:FD 98:A 99:M 00:FD 01:A 02:FD 03:A 04:FD 05:A 06:M 07:FD 08:A 09:M 10:FD 11:A 12:M 13:FD 14:A 15:FD 16:A 17:M 18:FD 19:A 20:M 21:FD 22:A 23:M

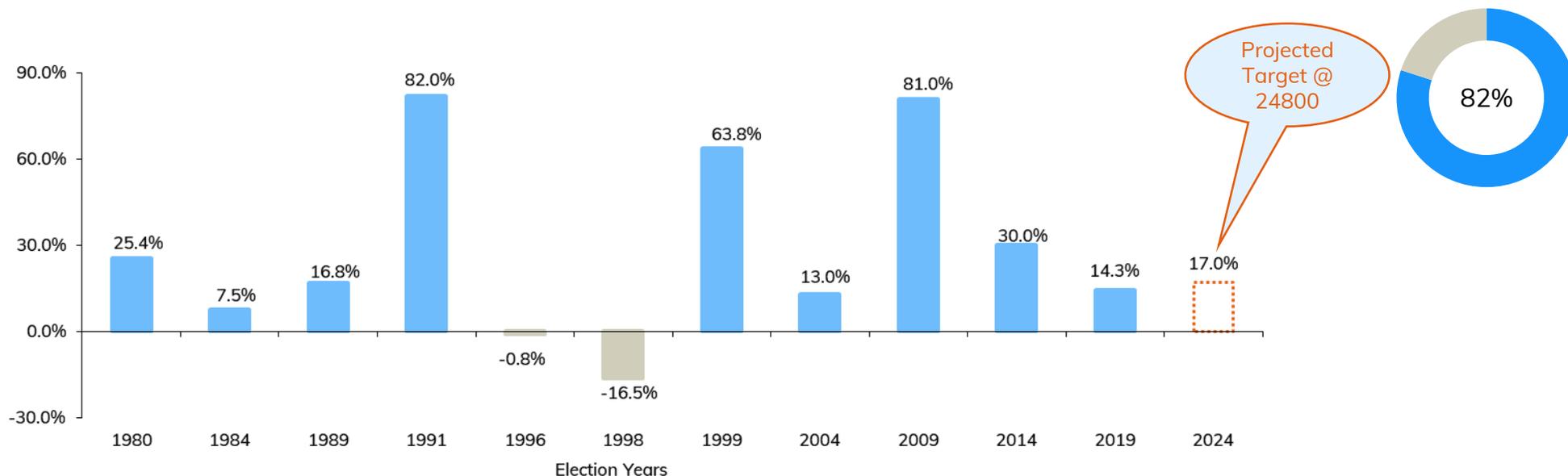
Mon

Union election cycle

General Election cycle is a major phenomena in the equity markets. It is divided into four parts - election year, post- election year, midterm years and pre-election year. Indian equity markets have exhibit certain characteristics depending upon the election cycle that is currently prevalent.

CY24 being an Union Election year will have a significant bearing on sentiments in equity markets. It has been observed that benchmark indices have performed well in election years despite spikes in volatility

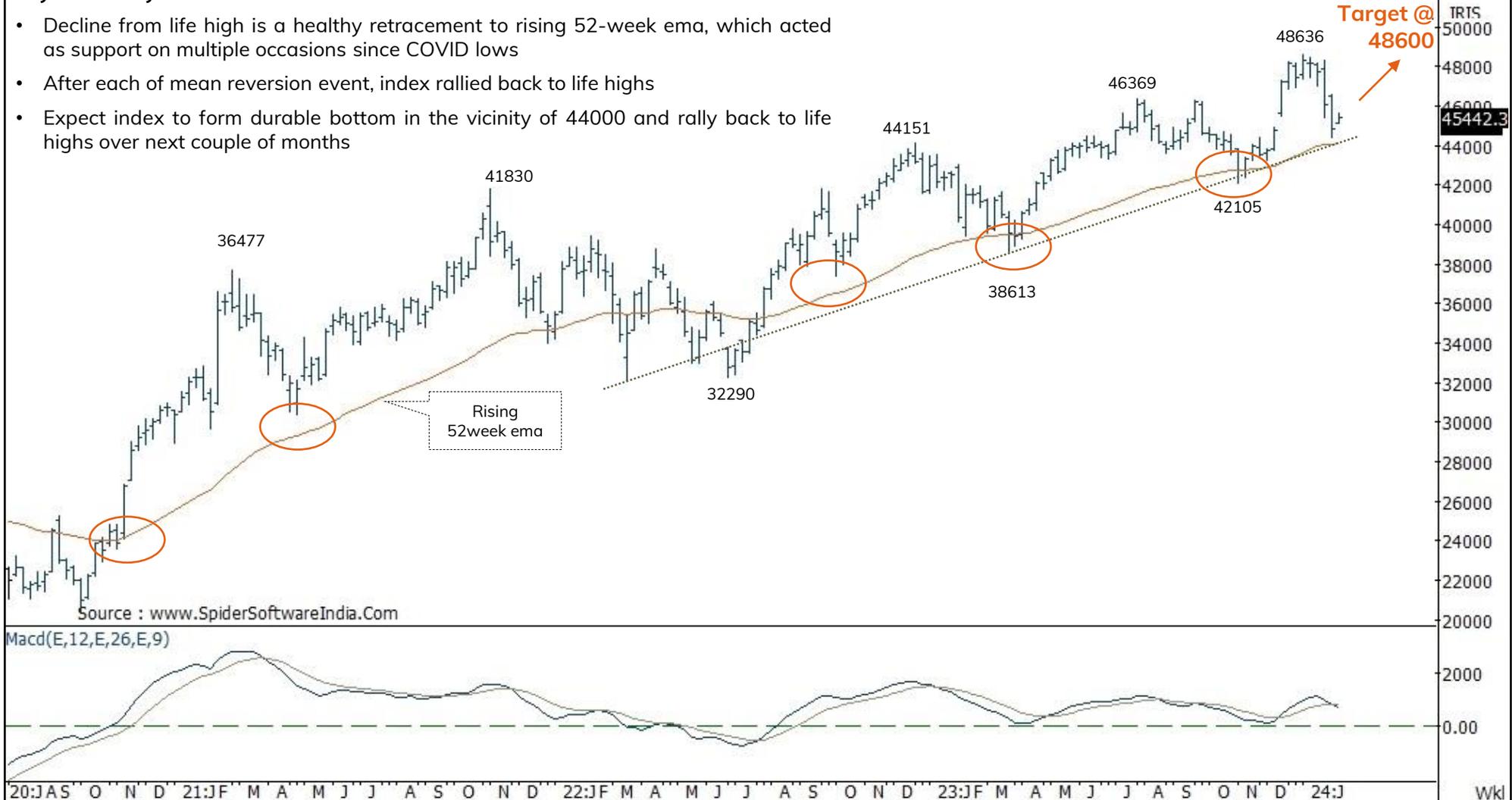
Going by four decade history, **median returns in election year has been 17%**. Therefore, one should use volatility during election year as a buying opportunity



BankNifty: Mean reversion offers reentry opportunity...

Key Takeaway's:

- Decline from life high is a healthy retracement to rising 52-week ema, which acted as support on multiple occasions since COVID lows
- After each of mean reversion event, index rallied back to life highs
- Expect index to form durable bottom in the vicinity of 44000 and rally back to life highs over next couple of months

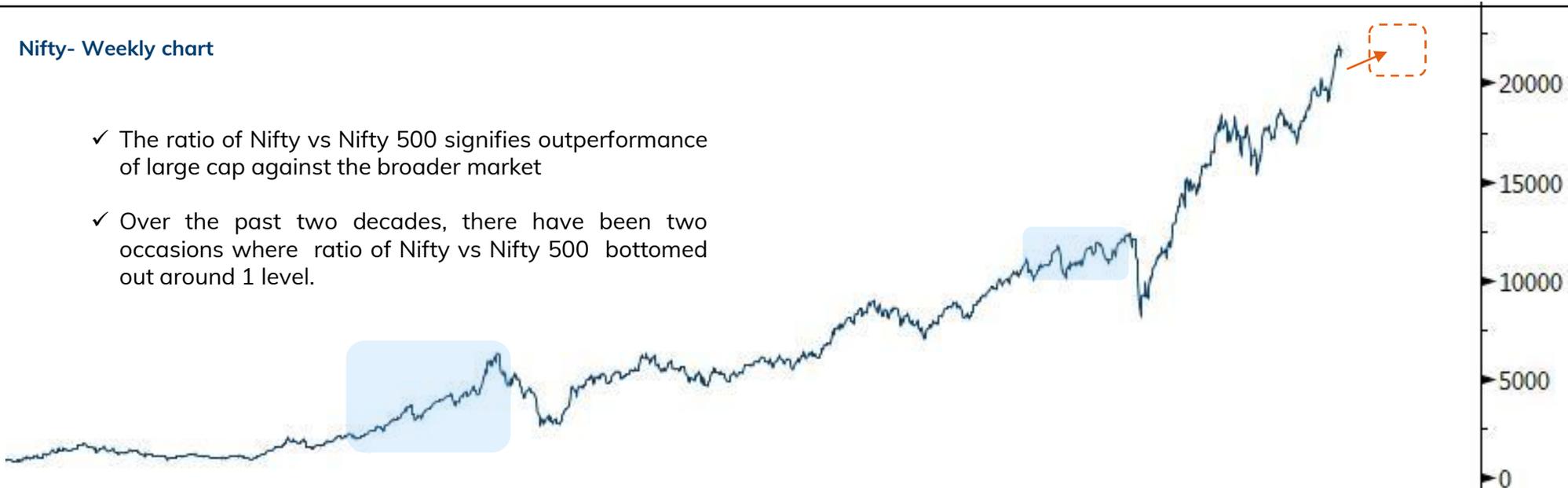


Source : www.SpiderSoftwareIndia.Com

Large caps to glide on along with midcaps and smallcaps

Nifty- Weekly chart

- ✓ The ratio of Nifty vs Nifty 500 signifies outperformance of large cap against the broader market
- ✓ Over the past two decades, there have been two occasions where ratio of Nifty vs Nifty 500 bottomed out around 1 level.

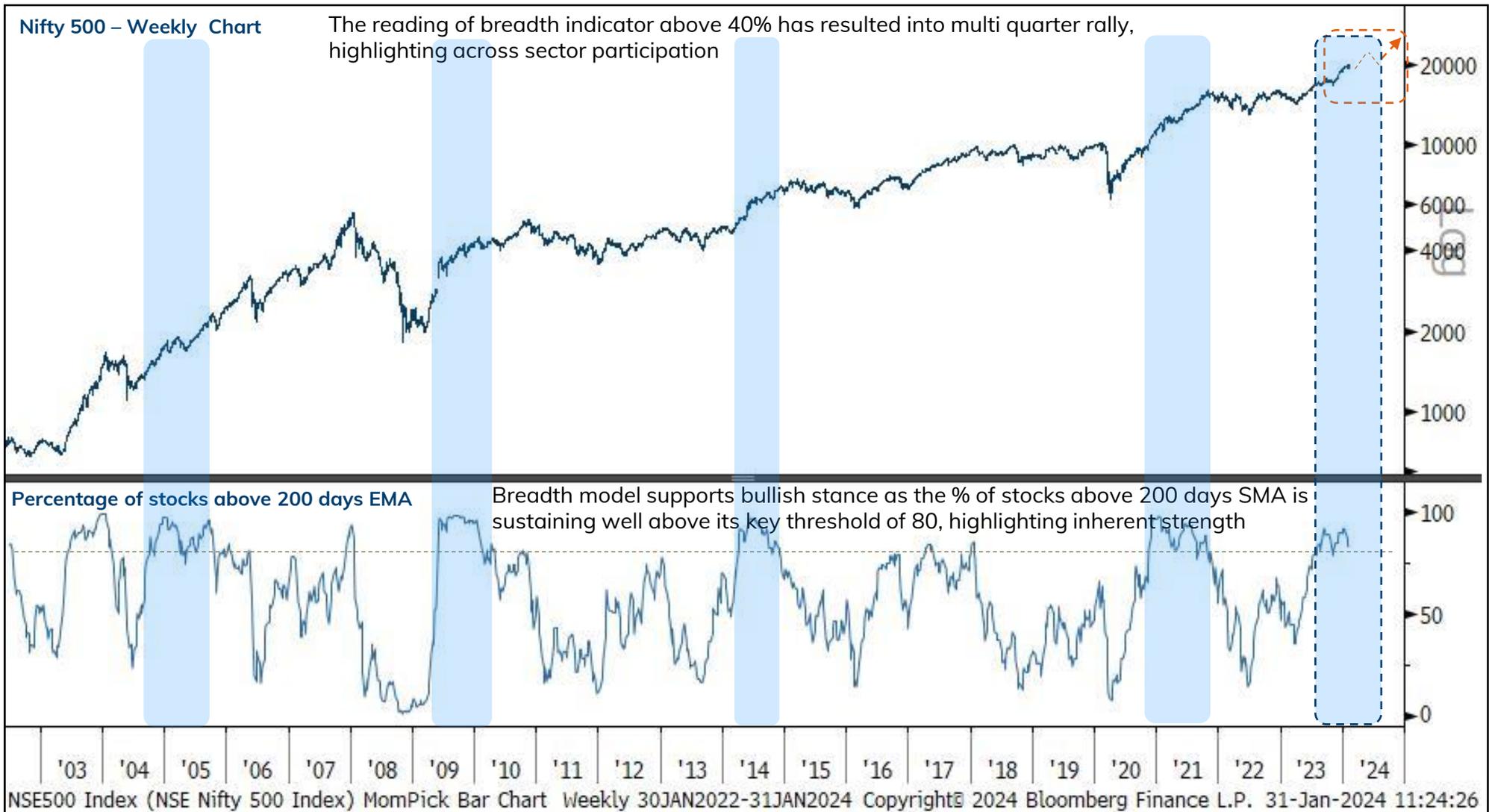


Nifty vs Nifty 500- Weekly chart



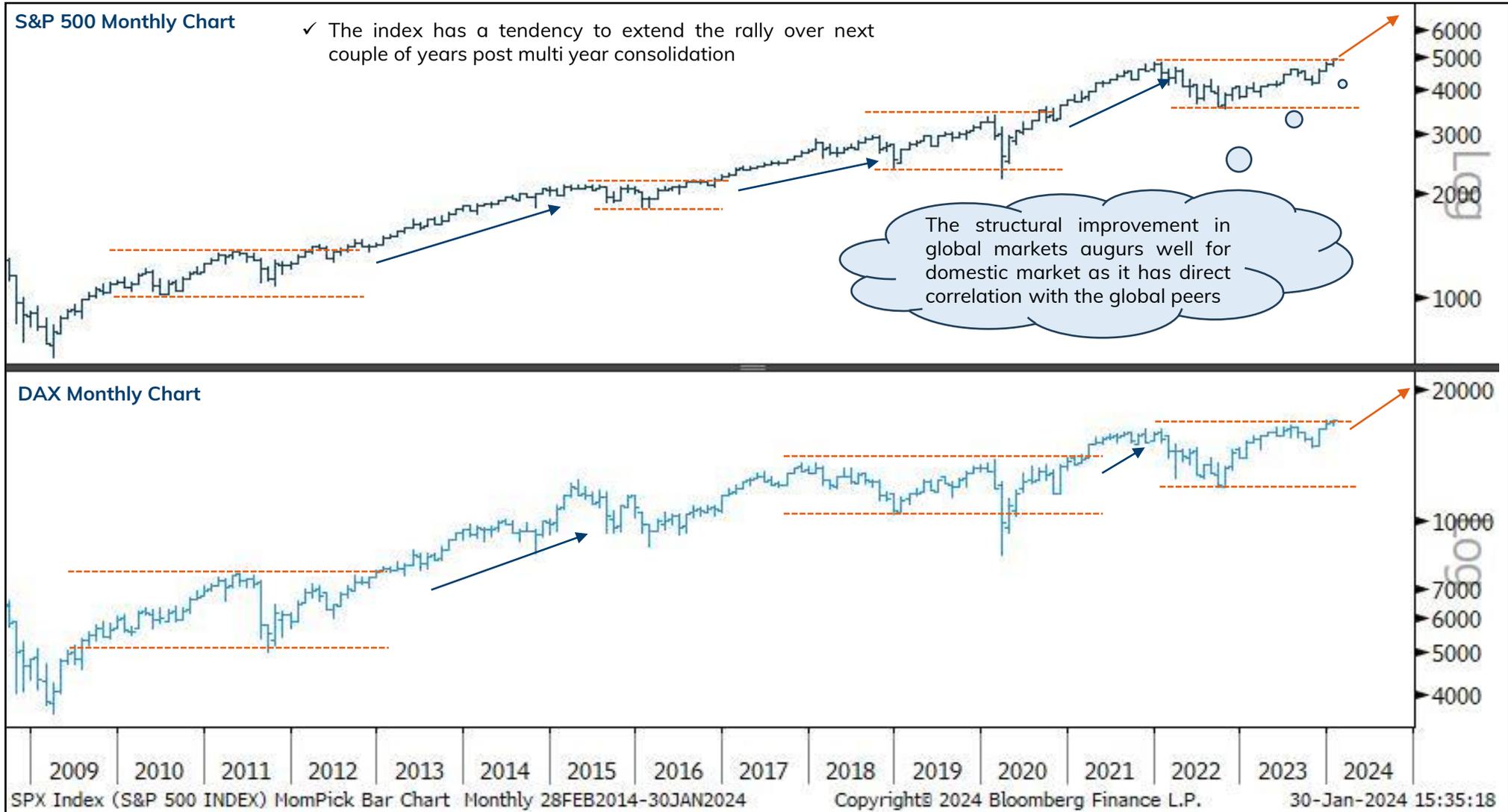
NIFTY Index (NSE Nifty 50 Index) MomPick Bar Chart Weekly 17JAN2022-30JAN2024 Copyright© 2024 Bloomberg Finance L.P. 30-Jan-2024 11:46:08

Strong market breadth exhibits across sector participation...



Source: Bloomberg, ICICI Direct Research
February 1, 2024

Global markets at the cusp of breakout...

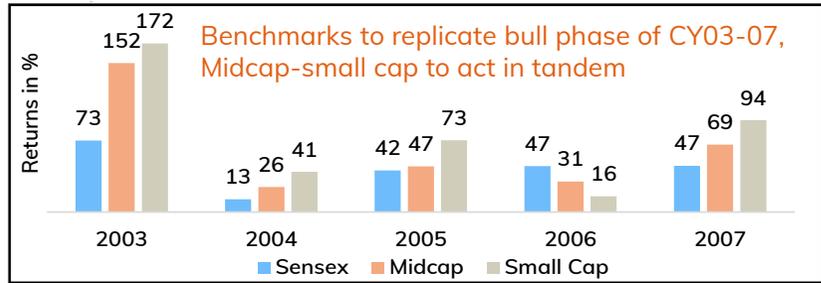
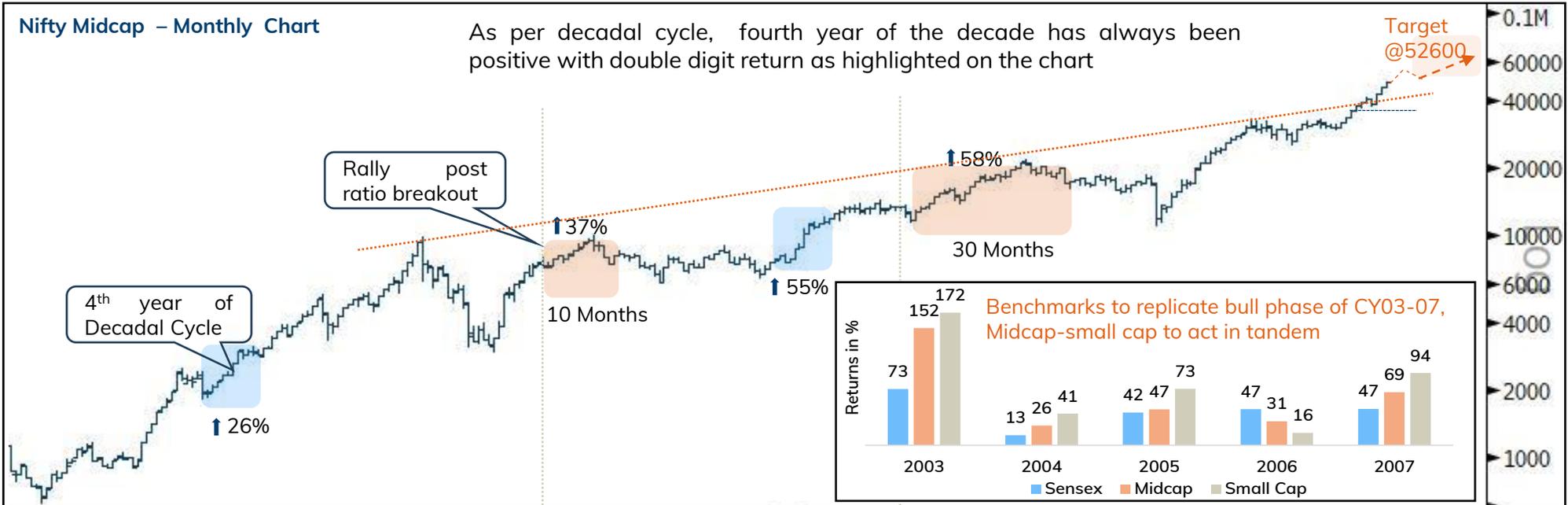


Source: SpiderSoftware, ICICI Direct Research
February 1, 2024

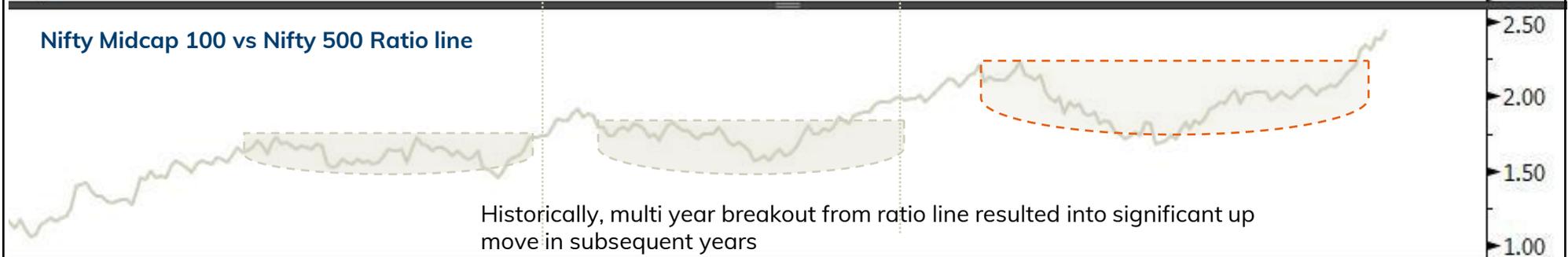
Midcaps to perform in tandem with the benchmark

Nifty Midcap – Monthly Chart

As per decadal cycle, fourth year of the decade has always been positive with double digit return as highlighted on the chart

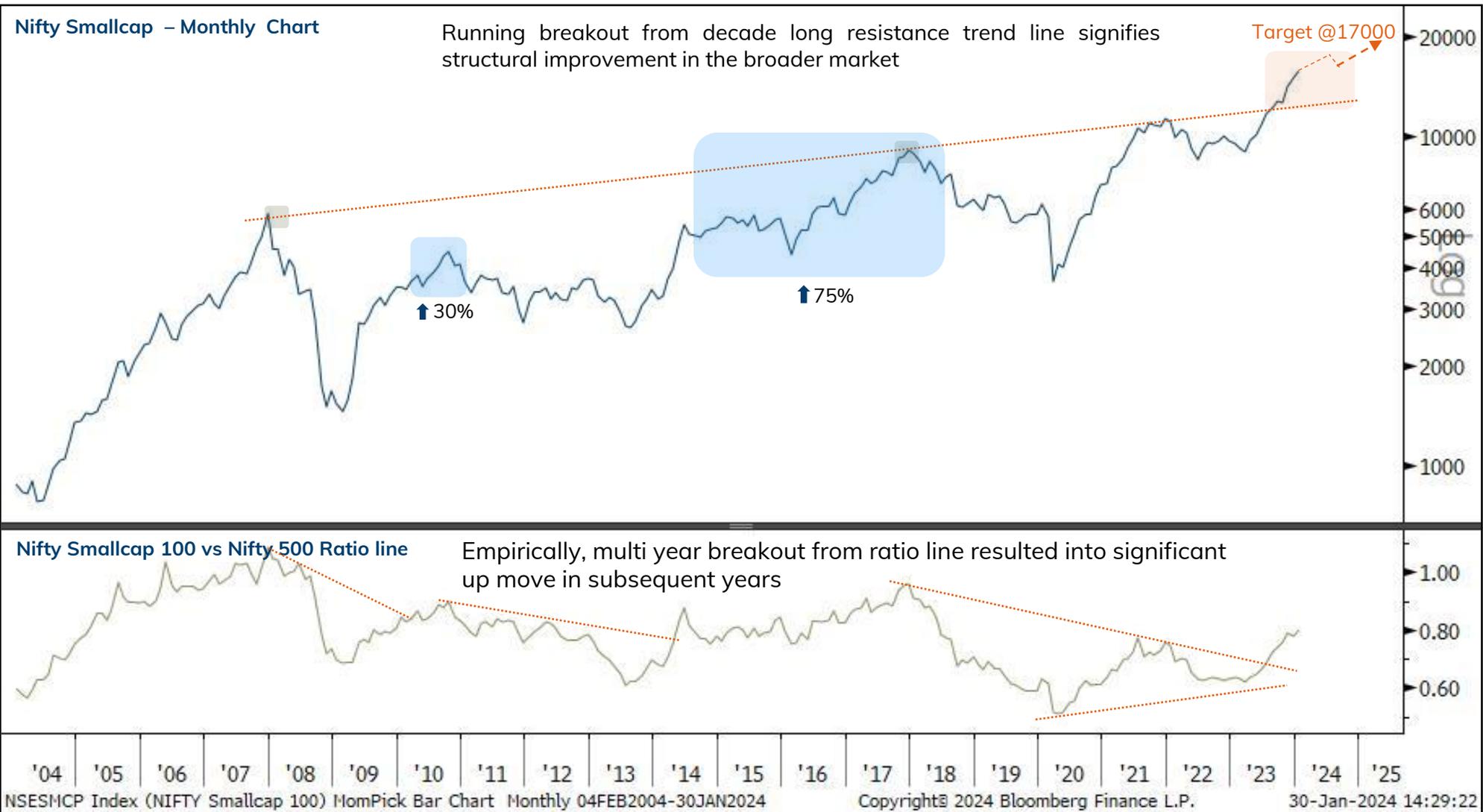


Nifty Midcap 100 vs Nifty 500 Ratio line



'01 '02 '03 '04 '05 '06 '07 '08 '09 '10 '11 '12 '13 '14 '15 '16 '17 '18 '19 '20 '21 '22 '23 '24 '25
NSEMCAP Index (NIFTY Midcap 100) MomPick Bar Chart Monthly 04FEB2004-30JAN2024 Copyright© 2024 Bloomberg Finance L.P. 30-Jan-2024 14:04:34

Smallcaps: Endure its momentum...



Source: Bloomberg, ICICI Direct Research
February 1, 2024

Peaking out of US Fed rate, boon for Gold...

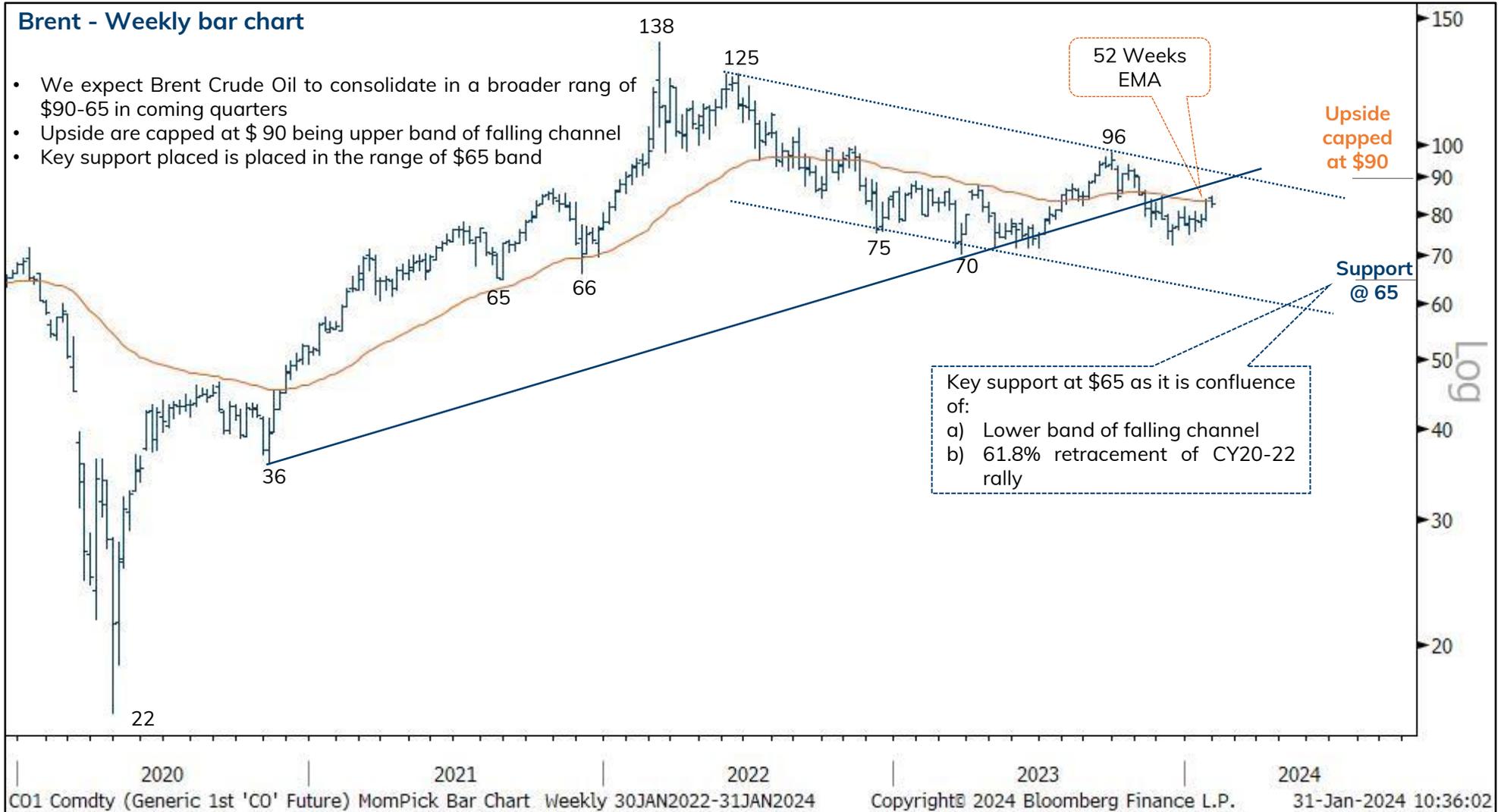


Source: Bloomberg, ICICI Direct Research
February 1, 2024

Brent Futures (\$82): Prolongation of consolidation amid corrective bias...

Brent - Weekly bar chart

- We expect Brent Crude Oil to consolidate in a broader range of \$90-65 in coming quarters
- Upside are capped at \$ 90 being upper band of falling channel
- Key support placed is placed in the range of \$65 band



Sectors in Focus

PSU Bank: Outperformance to amplify

Nifty PSU Bank Monthly Chart

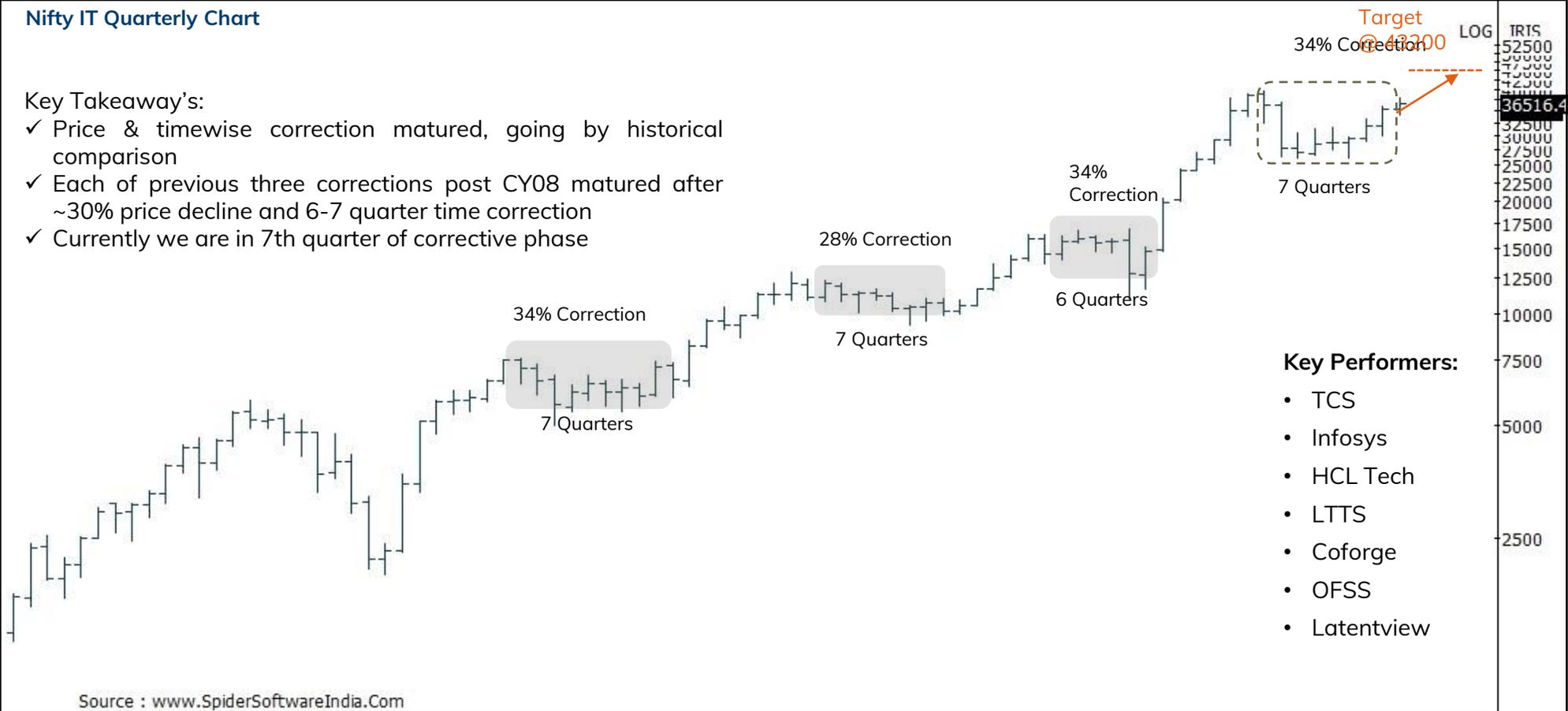


IT: Ignore the noise, time to raise exposure

Nifty IT Quarterly Chart

Key Takeaway's:

- ✓ Price & timewise correction matured, going by historical comparison
- ✓ Each of previous three corrections post CY08 matured after ~30% price decline and 6-7 quarter time correction
- ✓ Currently we are in 7th quarter of corrective phase

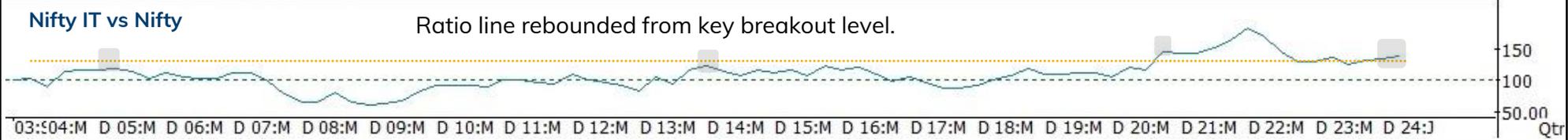


Key Performers:

- TCS
- Infosys
- HCL Tech
- LTTS
- Coforge
- OFSS
- Latentview

Nifty IT vs Nifty

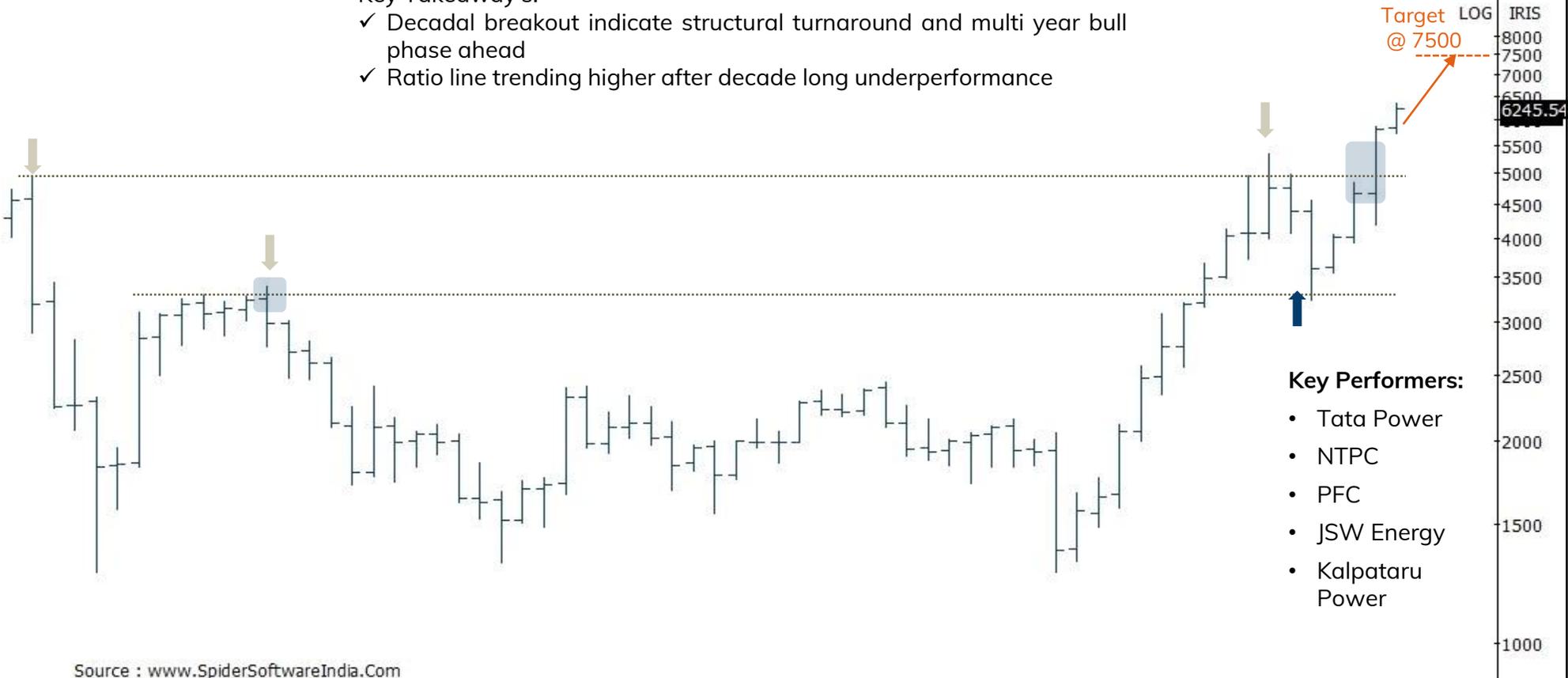
Ratio line rebounded from key breakout level.



Power: orbital shift

BSE Power Quarterly Chart

- Key Takeaway's:
- ✓ Decadal breakout indicate structural turnaround and multi year bull phase ahead
 - ✓ Ratio line trending higher after decade long underperformance

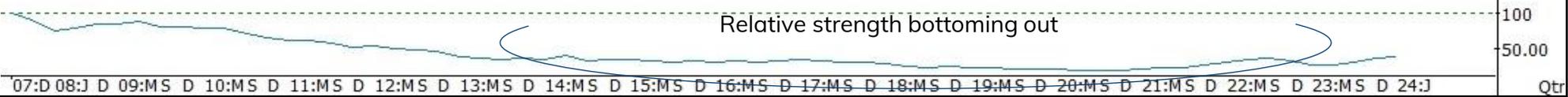


Key Performers:

- Tata Power
- NTPC
- PFC
- JSW Energy
- Kalpataru Power

Source : www.SpiderSoftwareIndia.Com

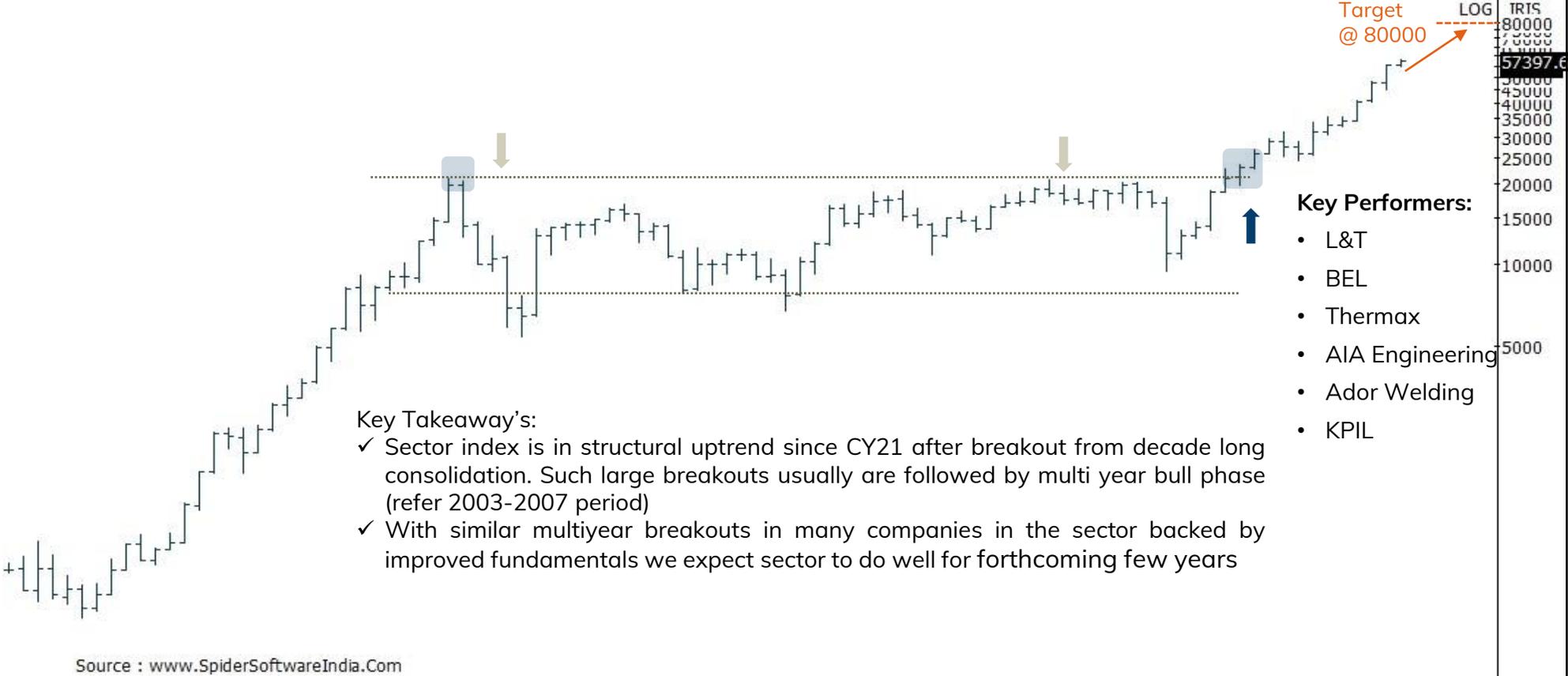
BSE Power vs Sensex



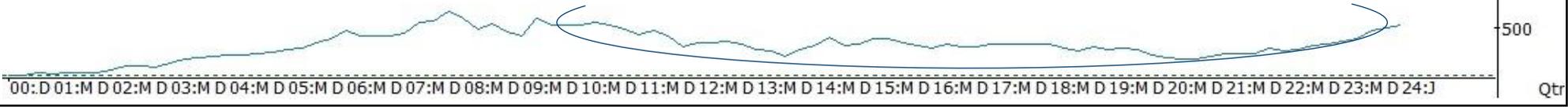
Source: Spider Software, ICICI Direct Research
February 1, 2024

Capital goods: Structural uptrend intact

BSE Capital goods

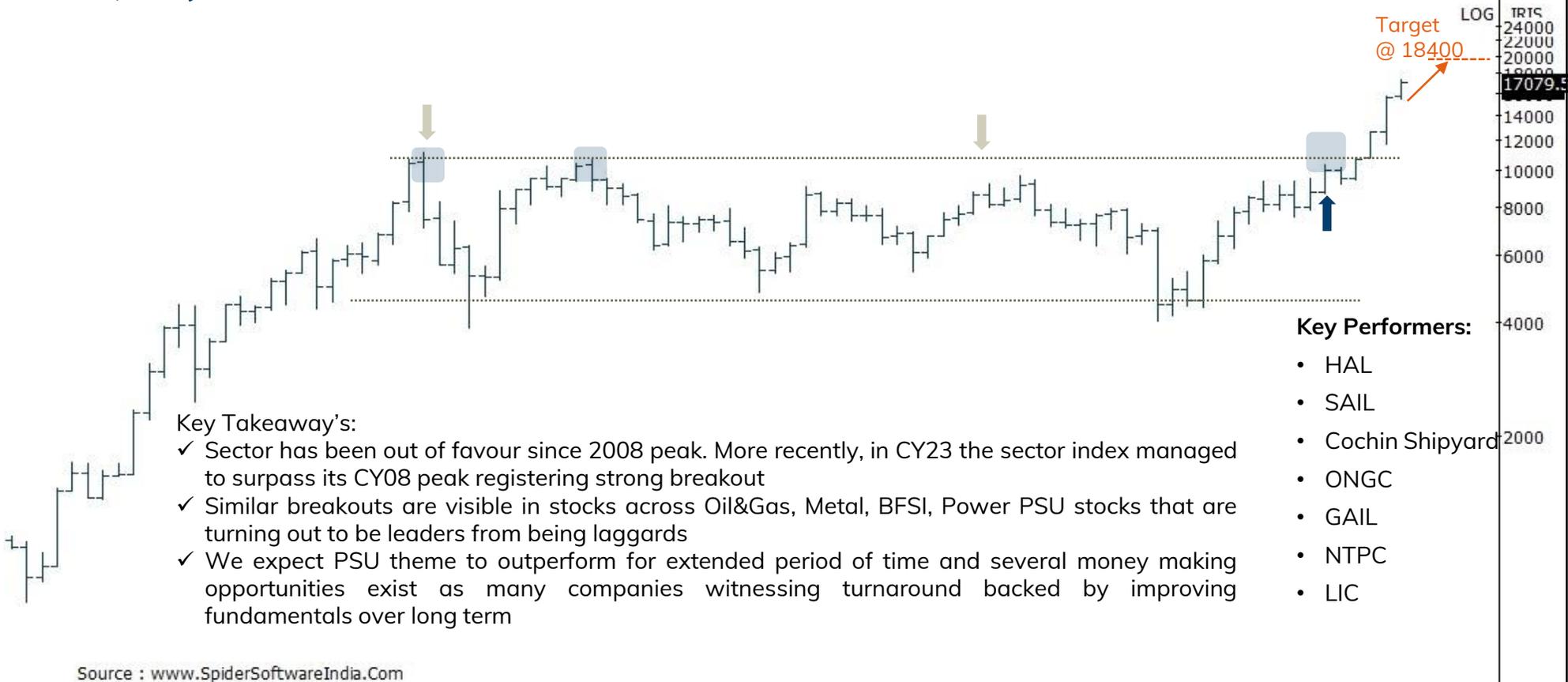


BSE CG vs Sensex



BSE PSU: buy the dips

BSE PSU Quarterly chart



Key Takeaway's:

- ✓ Sector has been out of favour since 2008 peak. More recently, in CY23 the sector index managed to surpass its CY08 peak registering strong breakout
- ✓ Similar breakouts are visible in stocks across Oil&Gas, Metal, BFSI, Power PSU stocks that are turning out to be leaders from being laggards
- ✓ We expect PSU theme to outperform for extended period of time and several money making opportunities exist as many companies witnessing turnaround backed by improving fundamentals over long term

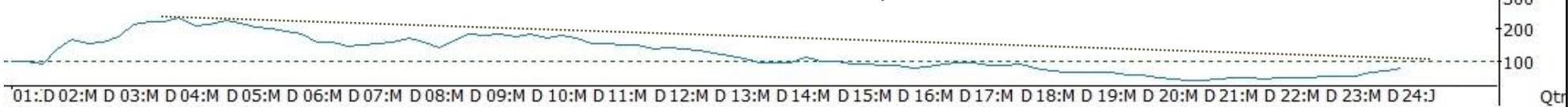
Key Performers:

- HAL
- SAIL
- Cochin Shipyard
- ONGC
- GAIL
- NTPC
- LIC

Source : www.SpiderSoftwareIndia.Com

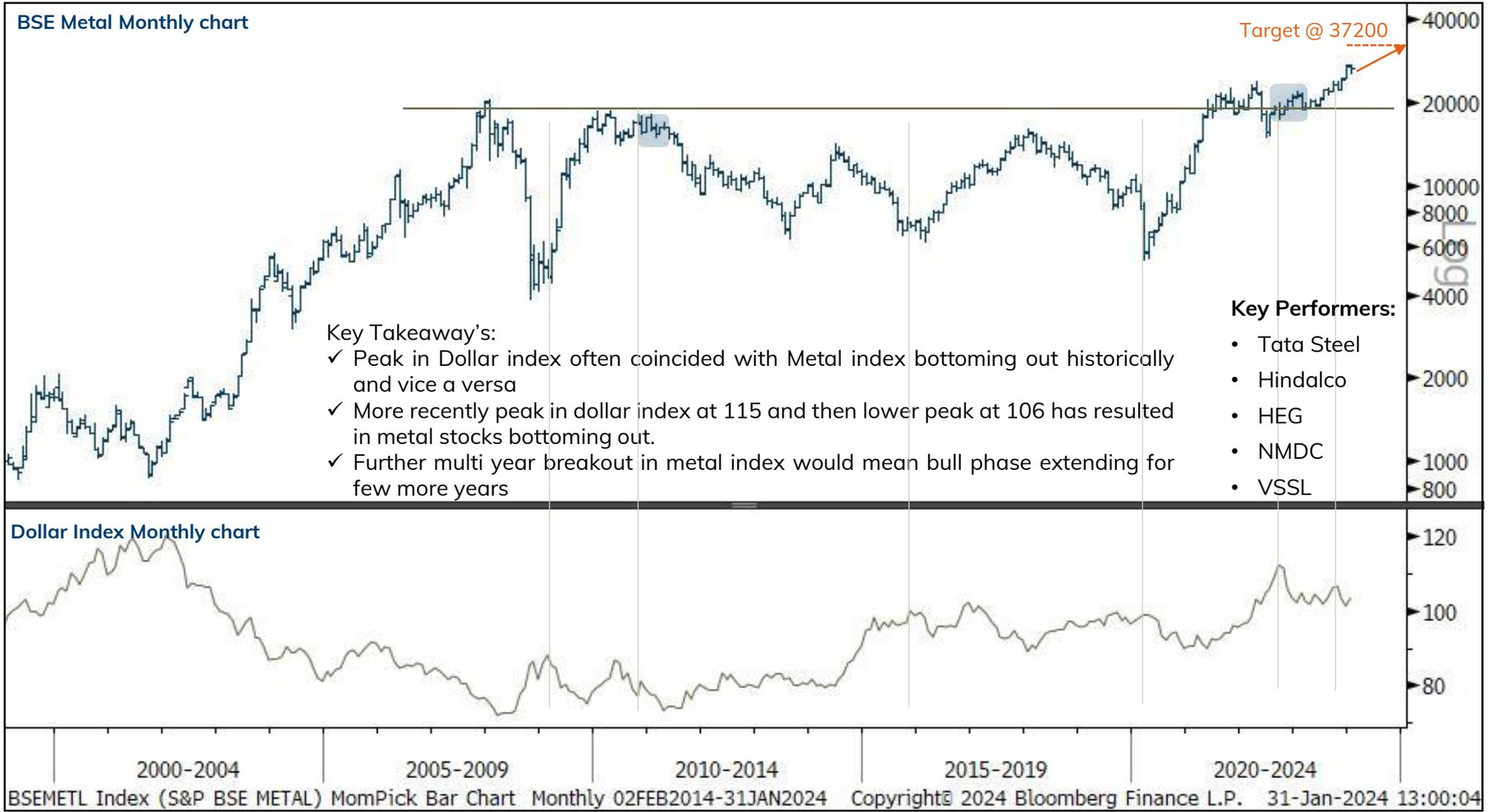
BSE PSU vs Sensex

Relative ratio breakout above key trendline



Source: Spider Software, ICICI Direct Research
February 1, 2024

Dollar peaking out, boon for metals



Source: Spider Software, ICICI Direct Research
February 1, 2024

Forthcoming Economic Event Calendar

Date	Event	Date	Event
US		China	
1-Feb	S&P Global US Manufacturing PMI	1-Feb	Caixin China PMI Mfg
2-Feb	Change in Nonfarm Payrolls	5-Feb	Caixin China PMI Service/ Composite
5-Feb	S&P Global US Services/composite PMI	7-Feb	Foreign Reserves
13-Feb	CPI MoM	9-Feb	New Yuan Loans CNY
15-Feb	Industrial Production MoM	8-Feb	CPI/PPI YoY
22-Feb	FOMC Meeting Minutes	18-Feb	BoP Current Account Balance
28-Feb	GDP Annualized QoQ	23-Feb	FX Net Settlement - Clients CNY
29-Feb	Initial Jobless Claims	29-Feb	Manufacturing PMI
29-Feb	PCE Deflator MoM	29-Feb	Non-manufacturing PMI
India		UK	
1-Feb	Budget/HSBC Global India PMI Mfg	5-Feb	S&P Global/CIPS UK Service/Composite PMI
5-Feb	HSBC Global India PMI Service/Composite	13-Feb	Jobless Claims Change
8-Feb	RBI Policy	14-Feb	Industrial Production MoM
12-Feb	IIP/CPI YoY	15-Feb	Manufacturing Production MoM
13-Feb	Exports/Imports YoY	15-Feb	CPI/RPI YoY
14-Feb	Wholesale Prices YoY	16-Feb	Retail Sales Ex Auto Fuel MoM
29-Feb	Fiscal Deficit INR Crore	29-Feb	Consumer Credit YoY
29-Feb	Eight Infrastructure Industries	29-Feb	Net Lending Sec. on Dw ellings
29-Feb	GDP Annual Estimate YoY	29-Feb	Mortgage Approvals



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