MARKET-HUB
NEWS LETTER

Beyond Research,
Beyond Advice

07th January 2023

Issue – 531

Market News

Asian equities gained on Friday while the dollar hovered near a one-month high as investors braced for crucial U.S. jobs data later in the day that should provide clues on how aggressive the Federal Reserve will be in tightening policy.

Japan's Nikkei rose 0.39%, while South Korea's Kospi jumped 0.77%. Australia's stock benchmark was 0.56% higher.

Hong Kong's Hang Seng rallied 0.6%, although mainland blue chips <.CSI300) were flat in early trading.

MSCI's broadest index of Asia-Pacific shares added 0.29%, putting it on track for a 1.55% advance for the first week of 2023, its best weekly performance in a month.

The US Federal Reserve has cautioned about interest rates staying high for a longer period at its meeting in December, according to the minutes released on January 4. Some officials see at least another percentage point of rate hike in 2023.

While other markets shrugged off the hawkish minutes, Indian shares were trading marginally lower on January 5. At 11 am, the 30-pack Sensex and the broad-based Nifty were down 0.2 percent after closing a percent lower the previous day.

After shedding 7 percent on Thursday, the share price of consumer financier Bajaj Finance extended its decline on January 6 as investors were unimpressed by the company's low AUM (assets under management) growth in October-December quarter.

The Indian auto sector went on a low gear in December across most segments both on a yearly as well as on a sequential basis. Data from VAHAN portal shows that the new vehicle registrations fell back to the pre-festive period levels that were achieved in the July-September period.One of the major reasons for the tepid growth was the high base of December 2021, which showed marked improvement on the back of pent-up demand after the pandemic. Therefore, the two-wheeler (2W) segment reported muted growth in the domestic markets.

Result Calendar	
Date	**Company Name**
09 January 2022	TCS
12 January 2022	HCLTECH,INFY
13 January 2022	L&TFH,WIPRO

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Corporate Action only for information	Company Name	Type & Percentage	Record Date	Ex-Date
SPLIT	Rajnish Wellnes	Old fv 2 New fv 1	10-Jan-23	10-Jan-23
SPLIT	Vishnu Chemical	Old fv 10 New fv 2	13-Jan-23	13-Jan-23
RIGHTS	Jet Freight Log	Rights Ratio 1:1	11-Jan-23	11-Jan-23
RIGHTS	Pacific Ind	Rights Ratio 1:1	11-Jan-23	11-Jan-23
RIGHTS	Indowind Energy	Rights Ratio 2:5	13-Jan-23	13-Jan-23
DIVIDEND	Welspun Enter	Special 75	11-Jan-23	11-Jan-23

Nifty Spot in Last Week:-

As we saw the Price Movement in Nifty Spot in last week that In Upside is 18291.95 in Downside 17892.60.

NIFTY WEEKLY CHART

BANKNIFTY WEEKLY CHART

Nifty Spot in Upcoming Week:-

Nifty up side strong supply zone 18150 to 18270 down side strong demand zone 17873 to 17725.

Bank Nifty in Upcoming week:-

Banknifty up side strong supply zone 43200 to 43500 down side strong demand zone 41820 to 41650.

Recommendation for next week

Serial No.	Stock Name Cash segment	Above/Below/Add HOLD	CMP as on 07.01.2023	Trail SL	Buy Stop loss	Sell Stop loss	Target
1	ANATRAJ(BUY)	CMP 116.50	116.50		107		155
2	LAMBODHARA (BUY)	AROUND 134	140		123		170
3	NAVA(BUY)	ABOVE 269	256		243		300-330

Commodity Market

COPPER:- :- Investors can buy in deep with stop loss 670 up side target will be 775 possibility

CRUDEOIL:- Investors can sell on rise with sl 6800 down side target 5700-5600 possibility.

SILVER:- Investors can buy around 65500 with stop loss 63500 up side target will be 73500 possibility.

GOLD:- Investors can buy in deep with stop loss 54900 up side target will be 56500 possibility.

Currency Market (Cash Levels)

USDINR:- Investors can sell on rise 82.80 TO 82.90 range with sl 83.10 down side target 82.00 to 81.30 possibility, Investors can buy in deep around 80.15 with stop loss of 79.70 up side target will be 82.00 possibility.

GBPINR: - Investors can sell on rise 101.50 to 102.50 range with sl 104.10 down side target 96.00 possibility, Investors can buy in deep around 96.00 with stop loss of 95.00 up side target will be 100.00 possibility.

EURINR:- Investors can sell on rise 89.00 to 90.00 range with sl 91.20 down side target 86.00 possibility, Investors can buy in deep around 85.00 with stop loss of 84.00 up side target will be 88.00 possibility.

JPYINR:- Investors can sell rise with stop loss of 65.00 down side target will be 60.00 to 59.75 possibility, buy in deep around 60.00 with stop loss of 59.50 up side target will be 62.50 possibility.

Currency CASH LEVEL	DEMAND ZONE LEVEL		CLOSE	SUPPLY ZONE LEVEL	
	D2	D1		S1	S2
USDINR	81.00	82.00	82.72	83.00	84.00
GBPINR	96.00	97.60	98.41	99.70	100.50
EURINR	85.00	86.00	86.92	87.50	88.40
JPYINR	60.00	61.00	61.60	62.50	63.50

Currency Corner

Premium / Discount (USD/ INR) Based on Forward Rates	
Duration	Premium
One month Forward	0.13
Three month Forward	0.39
Six month	0.80
One year	1.60

RBI reference Rates	
Currency	Rates
USD	82.63
GBP	98.47
Euro	86.92
100 Yen	61.63

Winner Takes All' in India's New, Improved Economy (Part: 2)

Marcellus Investment Manager.

Friends, over the past decades the market-cap of the Indian stock market has gone up substantially. But only 18-20 companies have contributed to the most of such growth. It is important for us to understand what were those local and global factors that were responsible for such concentrated growth? Also, what did these 18-20 companies do right to reap from the changing environment. Marcellus Investment Manager's Saurabh Mukherjea and Nandita Rajhansa gave a detailed understanding of such development. OF course this is going to be a long article to be divided over several issues. We believe this is a must read not only from the investors' view point but also from a businessman's perspective. Happy reading.

So why is this happening? Two different dynamics – one Indian and one global – are at play here. We begin by highlighting the Indian dynamic at play which is the networking of the Indian economy over the past decade.

A networked economy helps more efficient companies

In our 1st March 2019 blog Exit the Kirana Store, Enter the Supermarket we had highlighted how over the 2012-2022 period, the length of highways in India has nearly doubled from ~76k km to ~140k km (CAGR of 6%). The number of smartphone subscribers has increased over the same period from 44 million to 600 million (CAGR of 30%). The number of internet users has increased from 137 million to 658 million (CAGR of 17%). A decade ago, around 162 million Indians were taking flights each year. Now 2x (pre pandemic in FY20) as many Indians are flying each year (CAGR of 6%). 15 years ago, only 1 in 3 Indian families had a bank account; now nearly all Indian families have a bank account.

As a result of this networking of the Indian economy, efficient companies with strong pan-India distribution systems have pulled away from regional & local players. For example, as the economy gets integrated, lending, which was once dominated by regional players is now seeing the emergence of a few national leviathans like HDFC Bank and HDFC with both lenders entering the list of top 20 PAT generators over the last 10 years.

The global dynamic is the rise of affordable, easy to use enterprise technology (built around mobile, SaaS, and cloud) which if implemented well, increases profit margins, reduces working capital cycles, and increases asset turnover. We now describe how India's best compounders are using technology and the changes in the country to create wealth for Marcellus' clients.

Sunk costs drive industry concentration

In 1991, John Sutton of the London School of Economics wrote a prescient book titled 'Sunk Costs and Market Structure' which foresaw how the application of modern marketing techniques, of R&D, and of technology was going to lead to polarisation of profits. Sutton said that companies which invest in brand building and in R&D – basically, invest in intangible assets which are critical sources of competitive advantage – go on to dominate that industry, provided intangible assets are a source of competitive advantage in that industry i.e., this theory is not applicable to sectors like cement and steel where intangibles confer little by way of competitive advantage. The technical name of such investments in intangibles is “Endogenous Sunk Costs” (ESC) and Sutton said that in in absence of ESC, an industry would see tough price-based competition [which is exactly what we see in sectors like steel, cement, construction, and wherever else intangibles don’t matter].

Companies that invest in technology benefit from increasing returns to scale

Sutton’s book was followed by a remarkable paper published in 1996 in the Harvard Business Review by Brian Arthur. Titled ‘Increasing returns and the new world of business’, Arthur highlighted that the conventional idea of diminishing returns to scale is being replaced by businesses that are generating increasing returns to scale. Increasing returns basically mean the tendency of returns (on the goods produced or the services provided) to keep increasing as output increases whereas diminishing returns imply the opposite. In Arthur’s words: “As the economy shifts steadily away from the brute force of things into the powers of mind, from resource-based bulk processing into knowledge-based design and reproduction, so it is shifting from a base of diminishing returns to one of increasing returns. A new economics—one very different from that in the textbooks—now applies, and nowhere is this more true than in high technology. Success will strongly favor those who understand this new way of thinking.”

Tying this idea to what Sutton had said in 1991, several management gurus then pointed out in the years that followed that the nature of goods that are produced has changed radically from being bulk-produced and process-driven to increasingly being technology driven and customized to a greater extent. This enables a positive feedback loop in the economy where one set of, say algorithms, once developed by someone can be applied to numerous other functions by tweaking them slightly at no extra cost, essentially making the idea of marginal cost of production (the cost to produce one additional unit) redundant. Therefore, once returns start accruing for such companies, they continue to grow over time at an increasing rate. Microsoft's Windows operating system became the classic example of this sort of product.

We will see the other factors like Growth in profitability is increasingly NOT related to traditional capex and few case studies in the coming issues.

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