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## Equity Outlook January 2024, what's in it for us in the new year?

Ashish Naik, Equity Fund Manager, Axis MF, Asit Bhandarkar, Senior Fund Manager – Equity, JM Financial, Chintan Haria, Principal – Investment Strategy, ICICI Prudential MF and Tejas Gutka, Fund Manager, Tata MF talk about the equity market and share their near-term outlook.



Muzammil Bagdadi Dec 31, 2023

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Equity markets remained volatile but ended on a high in calendar year 2023. Also, the overall market cap of equity markets has crossed \$ 4 trillion in December.

Will the equity market continue its rally in 2024? Let's hear from experts.

**Ashish Naik, Equity Fund Manager, Axis Mutual Fund**

#### Outlook

- India attracted \$16 billion from foreign portfolios and \$22 billion from domestic institutional investors this year
- India's equity indices hit record highs with the Nifty 50 up by 18.4%, BSE Sensex up by 17.3%, mid cap 100 up by 44% and small cap 100 up by 52.8% propelling market cap beyond the \$4 trillion mark
- India's growth trajectory is expected to remain on a strong course supported by a recovery in capex and industrial activity
- Mid and small cap stocks trade notably high above historic premiums compared to large caps
- Overall, stronger economic growth prospects and an improving earnings outlook are expected to augur well for equities in 2024



#### Promising sectors

- Banking, automobiles, retail NBFCs, capital goods, industrials and real estate

**Asit Bhandarkar, Senior Fund Manager – Equity, JM Financial Asset Management**

#### Outlook

- During mid-December, there were significant swings in the equity markets, which led to the mid cap and small cap index underperforming the large cap index
- India's quarterly profit growth was positive and the country's industrial and corporate capex also showed positive signs
- Large caps are still valued attractively as compared to the midcap and smallcap categories
- Numerous fund offerings and market dilutions of promoters and strategic investors are rapidly draining the liquidity



#### Promising sectors

- Banking, real estate, automotive, electricity and public sector undertakings (PSUs) may continue to grow

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#### Fund recommended

- Investors should consider hybrid funds to take advantage of volatility
- Flexicap funds for long-term investors and SIPs in mid cap funds will continue to perform well

#### Chintan Haria, Principal – Investment Strategy, ICICI Prudential AMC

##### Outlook

- In 2024, the attractiveness of the Indian market to foreign investors will impact market levels
- Despite the current fair valuation, a substantial rally in 2024 would increase short-term downside risks. Consequently, investor risks are notably higher in 2024
- Post-Feb 2023, we have observed a predominant interest in equities. However, we advocate a broader focus on asset allocation



##### Promising sector

- Small and midcap sectors have become extremely overvalued at this point
- Optimal approach to asset allocation can be achieved through hybrid categories such as multi-asset, aggressive hybrid, balanced advantage and equity savings

#### Fund recommended

- Large-cap stocks seem to be better positioned than midcap and smallcap
- It is advisable to opt for flexi-cap, multi-cap or large-cap funds

#### Tejas Gutka, Fund Manager, Tata Mutual Fund

##### Outlook

- Indian equities markets remained positive in December, with frontline index increasing by 6 to 8%
- December month saw some catch-up from large caps, which led the rally along with mid-caps, while small caps lagged behind
- The continuation of the profit growth trend, capital spending and stable liquidity are some of the present market triggers
- Valuations across market cap sectors are higher than long-term averages. We believe that large caps may provide better valuation than mid cap or small cap



##### Promising sectors

- We are bullish on the economy's cyclical sectors such as finance, capital goods, infrastructure, real estate and building materials

#### Fund recommended

- Investors can consider balanced/hybrid funds and large/multi/flexi-cap funds

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