Markets close at new lifetime highs

FPI flows, optimism about growth drive the rally

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Sustained inflows from foreign portfolio investors (FPIs) and optimism about a pick-up in growth in the domestic economy helped the benchmark indices scale new lifetime closing highs on Friday.

The Sensex rose 467 points, or 0.7 per cent, to end at 63,385, surpassing its previous all-time closing high of 63,284 made on December 1, 2022. The Nifty50 index added 138 points, or 0.7 per cent, to settle at 18,826, overtaking its previous closing high of 18,813. Both indices, however, are yet to surpass their intra-day highs — 63,583 for the Sensex and 18,888 for the Nifty — made on December 12, 2022.

Friday's gains came amid expectations that the Chinese government would boost spending on infrastructure as part of a broader stimulus push. This week, the Chinese central bank cut interest rates for the first time since August 2022 to boost the world's second-largest economy, which has been struggling after an initial surge following the easing of Covid restrictions.

From this year's lows on March 23, the benchmark indices have rallied about 10 per cent amid robust inflows from FPIs.

Domestic economy-focused stocks have seen the maximum gains.

After being net sellers in the first two months of the year, FPIs turned aggressive buyers. So far this year, they have been net buyers to the tune of ₹45,665 crore. On Friday, FPIs net-bought domestic stocks worth ₹795 crore, according to provisional data from the exchanges.

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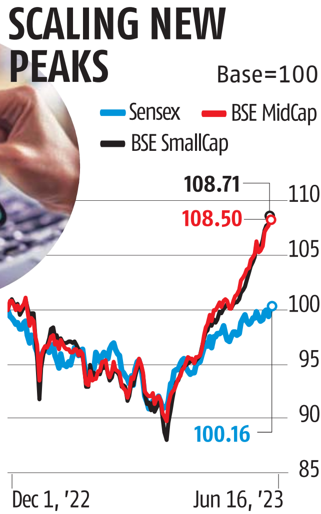

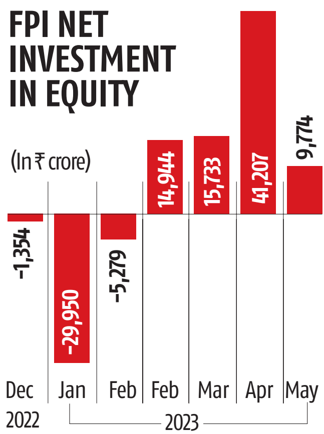

Till June 15, 2023; Sources: NSDL/Sebi
Compiled by *BS* Research Bureau

DOMESTIC CYCLICALS FUEL LATEST RECORD RALLY IN MARKETS P10 ▸

pared to a loss in the previous year. The bottomline was also propped up by the company's asset-right strategy. After an investment-led strategy around the early 2000s to expand the footprint, ITC decided to expand under management contracts some years back.

In FY23, 11 new properties were added under management contracts to the group portfolio taking the total number of properties to 121. The total number of rooms in the portfolio is about 11,500 and the ratio of owned to managed is roughly 50:50.

Markets...

Foreign investors have been raising bets on Indian equities on optimism that domestic corporations will be able to deliver high growth in earnings over the next one or two financial years, underpinned by robust economic growth. Moreover, India being insulated from the fallout of the banking crisis and economic distress in the developed world has further boosted investor sentiment.

"The game changer in the last two months has been FPI investments. Domestic-facing sectors are doing well because the economy is robust, and that is attracting FPIs. Other emerging markets are big exporters to the West, and they depend on the robustness of the Western economy to do well," said U R Bhat, co-founder of Alphaniti Fintech.

FMCG, automobile, and capital goods have been the best-performing sectors this year, while export-oriented IT and healthcare sectors have underperformed. The broader market (mid-cap and small-cap indices) has seen a sharper up move.

Some recovery in Adani group stocks, after getting battered since the release of the Hindenburg Research report in January, also helped to improve sentiment.

After the sharp rise, the markets' valuations are elevated, making them vulnerable to any disappointments, experts say. The Sensex is trading at a one-year forward price-to-earnings (P/E) ratio of 19 and the Nifty at 18.5 times, as against their 10-year average of close to 18x. Moreover, hopes of peaking interest rates, which had driven the global rally over the last few months, have received a jolt.

Though Federal Reserve officials paused rate hikes on Wednesday, they were unambiguous about resuming tightening at some point to tame inflation. The European Central Bank (ECB) raised rates this week by 25 basis points to 3.5 per cent, the highest in 22 years, and its chief Christine Lagarde said another hike in July was highly likely.

"Valuations remain challenging, but markets just don't care at the moment. At these levels, people don't want to be out of the equity markets. As long as the momentum continues in the US and globally, then these things are not going to upset our markets in the short term," said Andrew Holland, CEO of Avendus Capital Alternate Strategies.

Holland added that despite the new highs, the Indian equity benchmarks had risen 4 per cent on a year-to-date (YTD) basis, whereas Taiwan and South Korea had gone up by 22.9 and 17.4 per cent, respectively.