STANDING TALL

WHILE THE COUNTRY'S MARKETS HAVE OUTPERFORMED ITS GLOBAL PEERS, ONLY A HANDFUL OF INVESTORS HAVE MADE MONEY. WILL THE NEXT YEAR BE ANY DIFFERENT?

BY SAKSHI BATRA

ILLUSTRATION BY **NILANJAN DAS**

WHAT TO EXPECT FROM THE STOCK MARKETS IN 2023

- INDIAN MARKETS WILL CONTINUE TO OUTPERFORM
- EXPERTS SEE BENCHMARK NIFTY SURGING TO 19,000-21,000
- FIIs TO REMAIN BULLISH ON INDIA OVER THE NEXT THREE YEARS
- BANKING, CAPITAL GOODS MAY OUTPERFORM AMONG SECTORS
- EXPERTS SEE ₹1 LAKH CRORE BEING RAISED VIA IPOs
- SIP STRATEGY, PASSIVE INVESTING A BETTER APPROACH

ROLLER COASTER. LACKLUSTRE. Tough. Resilient. Ask any top stock market analyst and that's how they will describe the way 2022 has panned out for Indian investors. The fallout of the Russia-Ukraine conflict, geopolitical risks, wild swings in crude oil prices, a depreciating rupee, skyrocketing inflation, successive rate hikes, macroeconomic uncertainty—everything that could perhaps go wrong in a year, went wrong in 2022.

But amid this upheaval, India has relatively outperformed global peers in terms of all economic parameters, including capex spend, discretionary consumption, pick-up in banking activity, etc., and this is reflected in the Indian equity markets. While in the US the Nasdaq is down by around 29 per cent and the S&P 500 by about 17 per cent year-to-date (YTD) as of November 18, both the Nifty 50 and the BSE Sensex are up by over 5 per cent. Even in the emerging markets context, the MSCI Emerging Markets index is down 22 per cent, with Chinese equities plunging nearly 15 per cent. But only select Indian investors who were smart enough to pick the right stocks, diversify beyond the index and take risks have made good returns.

So, will 2023 be a year of wealth creation?

With little clarity on the global macro environment, experts are reluctant to call a trend for India's stock markets in the New Year. But many of them, looking at the markets from the prism of the decoupling theory—which says that different asset classes that typically rise and fall together start moving in opposite directions—believe India will outperform its peers, but are not sure about the extent, given the all-round recessionary fears.

The key reason why India has been more immune to the rest of the world in 2022 is its fundamental outperformance on key parameters. For instance, credit growth in India is at a nine-year high, which is an indicator of an economy in rebound. Corporate debt-to-GDP is at a 15-year low. The worst of asset quality issues that marred the banking system are behind us. According to data from the Reserve Bank of India, capacity utilisation in manufacturing was at 72.4 per cent in Q1FY23, indicating robust demand and signalling the need for fresh investments. But come 2023, can India remain resilient when the world's largest economies are staring at the possibility of a recession?

Nilesh Shah, MD of Kotak Mahindra Asset Management Company (AMC), says it would be unfair to assume that 2023 will be the year of wealth creation and that there would not be any worry regarding the fast-deteriorating global macros. "However, the New Year will reward disciplined investors, who can take the market volatility in their stride," he says.

Given the pace and sustained rate hikes by the US Federal Reserve and the way it has been impacting the growth of the US economy, most global economists believe that the likelihood of America slipping into a recession is very high.

MEANWHILE, INDIA'S outperformance vis-à-vis the world is expected to continue into 2023, says Devina Mehra, Founder, Chairperson and MD of First Global, an AMC. "The risk is in sitting out rather than staying in. But unlike 2021, this is not a market where everything will go up, so being selective about sectors and companies but remaining invested is a smart move," she says.

But where is the Nifty headed in 2023? Brokerage houses and analysts offer a wide range of 19,000-21,000. "It is always difficult to predict short-term movements, but we will definitely see 20,000 coming on the Nifty in 2023," says Shah. He adds that for the Nifty to touch this mark, it will need a number of things to fall into place: the end of the Russia-Ukraine conflict; clear signals from the US Fed that it is looking to cut interest rates; and inflation settling down.

Another factor will be the direction of foreign flows. After betting big on India in the last two years, foreign institutional investors (FIIs) turned their back on the country this year. FIIs have been net buyers only in July and August. Equities witnessed record outflows, with the total selloff on a YTD basis being more than ₹1.35 lakh crore. Even as FIIs booked profits, domestic institutional investors (DIIs) have ploughed in ₹2.55 lakh crore so far in 2022.

FIIs, however, seem to have felt the fear of missing out (FOMO) on witnessing India's resilience. In November, they turned net buyers again and have accumulated Indian equities worth over $3 billion (over ₹30,000 crore) in the first 13 trading sessions of the month, despite interest rate hikes and the hawkish stance of the US Fed. And that too at a time when the Indian market is trading at a valuation premium to its emerging market peers.

Saurabh Mukherjea, Founder and Chief Investment Officer of Marcellus Investment Managers, believes that a great deal of foreign money will flow into the Indian markets over the next three years. He explains that foreign inflows into the Chinese stock markets are down to zero, and its economy is in trouble. The Indian economy, on the other hand, is in pretty decent shape. "Western investors have $3.5 trillion invested in China... of that, even if half a trillion dollars comes to India, that will virtually double the FII investments in our country. I'm hopeful that this is going to happen over the next three years," says Mukherjea, adding that the banking sector has usually found favour with FIIs.

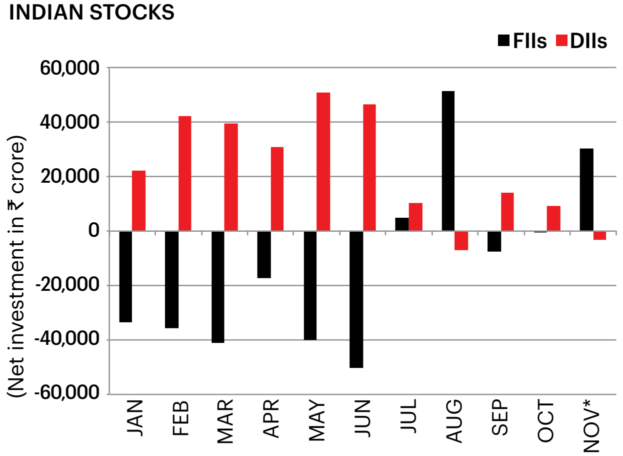
In terms of sectoral performance, the BSE Information Technology index has emerged as the worst performing sectoral index, slipping over 21 per cent YTD. On the other hand, BSE Power has emerged as the best-performing one with nearly 35 per cent returns.

For 2023, there seems to be a consensus among analysts that banking and financials will take the lead. "Within banks, we think the PSU banks would outperform. We are overweight on capital goods and industrial machinery," says Mehra. Shah too, is positive on banking, industrials and capital goods.

Coming to public offers, last year's euphoria is missing in 2022 as the secondary market remains

LOCAL SUPPORT

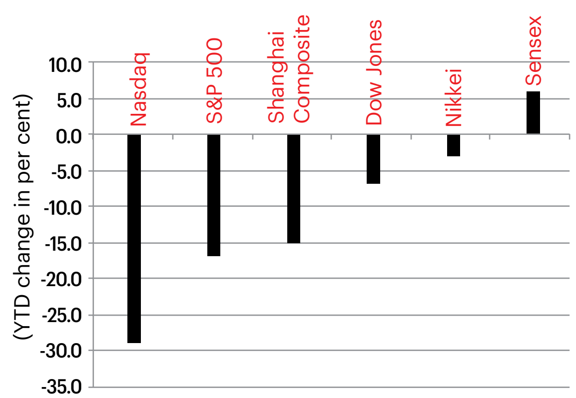
EVEN AS FIIs BOOKED PROFITS IN H12022, DOMESTIC INSTITUTIONAL INVESTORS RUSHED IN TO BUY INDIAN STOCKS



*till November 18; **SOURCE** ACE EQUITY

TR(E)ADING A SOLITARY PATH

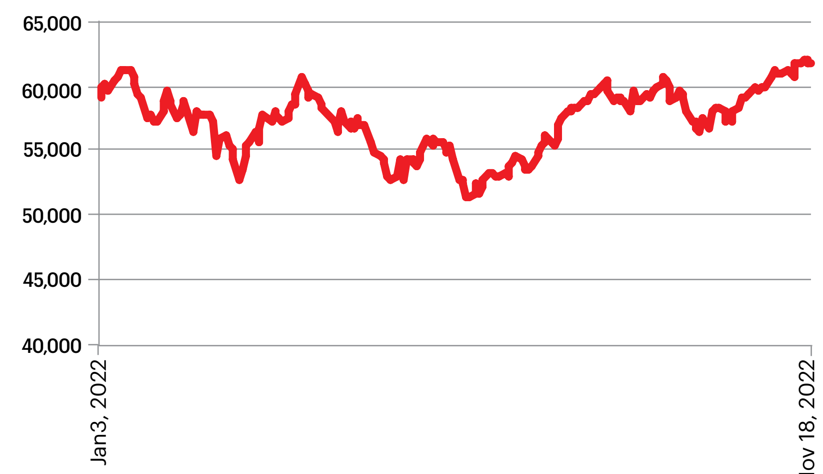
THE BSE SENSEX HAS RELATIVELY OUTPERFORMED ITS GLOBAL PEERS SO FAR IN 2022



Data as of November 18, 2022

TOPSY-TURVY

THE BENCHMARK BSE SENSEX HAS GAINED 5.9 PER CENT SO FAR IN 2022 TILL NOVEMBER 18



volatile. The IPO of insurance behemoth LIC—the biggest one this year—has proven to be a wealth destroyer for investors as the stock has slipped around 33 per cent from its issue price. The silver lining is that of the 23 new listings in 2022, only five have slipped below their issue price. Among the outperformers are names such as Adani Wilmar which is up over 175 per cent from its issue price, followed by Venus Pipes and Veranda Learning which are up over 115 per cent and 100 per cent, respectively, from their issue price.

GOING FORWARD, 2023 looks more promising as markets regulator, the Securities and Exchange Board of India (Sebi), has given its approval to at least 65 companies to raise about ₹1 lakh crore through the primary market in the coming 12 months. Data available with Prime Database shows that companies including Fabindia, Biba Fashion, VLCC Health Care, Sula Vineyards, TVS Supply Chain Solutions, Macleods Pharmaceuticals, Bharat FIH, Emcure Pharmaceuticals, and Go Airlines have secured Sebi's clearance for public offers so far. This apart, 40 more companies—including names such as Oravel Stays (OYO), Snapdeal, Joyalukkas India, Signature Global, Go Digit General Insurance and Yatra Online—have filed offer documents. These companies may be looking to raise another ₹60,000 crore via their public issues, says Pranav Haldea, Managing Director of Prime Database Group.

In the secondary market, in terms of individual performers, as many as 46 companies of the BSE 500 index have jumped over 50 per cent YTD (as of November 18) with Adani Power emerging as the top gainer with returns of 237 per cent. As a whole, the Adani Group has been the biggest wealth creator of 2022 for investors with Adani Enterprises surging over 135 per cent and Adani Total Gas up 112 per cent. In fact, all seven listed firms from the group have given double-digit returns so far this year. The other big movers this year have been Mazagon Dock Shipbuilders, Bharat Dynamics, Deepak Fertilisers, Hindustan Aeronautics Limited (HAL) and Lemon Tree Hotels, all of which have more than doubled investors' wealth this year, giving over 100-194 per cent returns.

As for upcoming IPOs, Rahul Arora, CEO of Nirmal Bang Institutional Equities, says: "The kind of IPOs that are coming now are very different from what got launched 15-18 months ago. From new-generation fintech and consumer tech companies last year, there seems to be a shift towards traditional companies which are making a profit as well."

Among new-age tech firms that were listed last year, Paytm, Policybazaar, Zomato and Nykaa—all have tumbled between 45-60 per cent YTD. Arora says that for new-age companies, the worst may be behind them. "A lot of these firms that listed at steep valuations have now come down to reasonable prices... so there may be a case to look positively at some of them now," he says.

Then what should investors do in 2023? Experts believe that while the markets will be heading higher, it won't be easy to make money as there will be the impact of the rate hikes seen across the world. Arora says that 2023 will see a lot of government spending as it is a pre-election year. "The right way to approach the markets would be via a SIP strategy to spread the risk. Also, I'd prefer passive investing over active investing in the New Year, which means placing bets on the index for the next year would be a better route," he says. **BT**

@sakshibatra18

"The New Year (2023) will reward disciplined investors, who can take the market volatility in their stride"

NILESH SHAH
MANAGING DIRECTOR, KOTAK MAHINDRA AMC

"India's outperformance vis-à-vis the world will continue in 2023. The risk is in sitting out rather than staying invested. But unlike 2021 this is not a market where everything will go up"

DEVINA MEHRA
CHAIRPERSON, MD & FOUNDER, FIRST GLOBAL

"Western investors have $3.5 trillion invested in China... of that, even if half a trillion dollars comes to India, that will virtually double the FII investments in the country. I'm hopeful that this is going to happen over the next three years"

SAURABH MUKHERJEA
FOUNDER & CIO, MARCELLUS INVESTMENT MANAGERS