ET Markets: Beating Volatility

Household Debt on the Rise, Also Financial Assets: Paper

SMART INVESTING ▸▸ 10

Market Trends

STOCK INDICES		% CHANGE
Nifty 50	24801	0.76
BSE Sensex	81343	0.78

Japan[Nikkei]	40126	2.36
Hong Kong [HSI]	17778	0.22
S.Korea [Kospi]	2824	0.67
Singapore[STI]	3471	0.53

OIL ($/BRL)
DUBAI CRUDE 86.62
0.02
Absolute Change

GOLD RATE

	US ($/Oz)	India (₹/10Gm)
OPEN	2466.00	74364.00
LAST*	2466.00	74357.00
Prev(%) chg	-0.13	0.30

FOREX RATE (₹-$ Exchange Rate)

OPEN	LAST*
83.57	83.61

*At 6 pm IST Source: Bloomberg, MCX, ETIG

Market on Twitter@ETMarkets

SOME EXPECT NIFTY TO CROSS 25,000 ON OR BEFORE THE UNION BUDGET ON TUESDAY

Indices Hit a New High, Sensex Closes Above 81K for First Time

Our Bureau

Mumbai: India's benchmark indices surged to fresh new highs on Thursday, with the Sensex closing above 81,000 and Nifty ending above 24,800 for the first time. The rally was led by gains in information technology (IT) stocks ahead of Infosys' first quarter results which were announced after trading hours on Thursday.

The BSE Sensex ended at 81,343.46 up 626.91 points, or 0.78%, after hitting its lifetime high of 81,522.55. NSE's Nifty rose 187.85 points, or 0.76%, to a close at a record 24,800.85. The index hit an all-time high of 24,837.75 during the day.

"We see the Nifty crossing 25,000 on or before the Union budget itself, and in case there is no negative news in the budget, it can extend further," said Rajesh Palviya, head of technical and derivatives research at Axis Securities. "This time the rally is purely led by large-cap stocks, while small- and mid-caps are seeing some sideways consolidation and profit taking."

Small and Midcap indices ended weak, with Nifty Midcap 150 dropping 0.94% and Nifty Smallcap 250 falling 1.11%. Out of the 4,016 stocks traded on the BSE, 1,372 advanced, while 2,549 declined.

The government will announce its Union Budget on July 23 — the first after returning to power.

Nifty's IT index gained 2.2% with TCS advancing 2.8%, Wipro moving up 2.4% and Infosys gaining 2.2%. Money managers said the unexpected better-than-expected June quarter results by IT companies so far have revived investor sentiment in these stocks.

"IT has been a surprise this results season and may continue its rally upwards," said Andrew Holland, CEO, Avendus Capital Public Markets Alternate Strategies.

Holland said macro-indicators are favouring banks but the prospects of the stocks will depend on the first quarter results.

The Bank Nifty index gained 0.4% on Thursday to 52,620.70.

"Bank Nifty, which has seen sideways consolidation in the past few weeks, is on the verge of a breakout above 52,800 and will contribute to the uptrend," said Palviya.

Nifty's India Volatility Index or VIX gained 2.02% to 14.51 on Thursday, indicating some caution among options traders.

"Large caps have seen a catch-up rally, while small and midcaps, where investors were taking some profits off the table, could start performing again once the budget is announced," said Holland.

Elsewhere in Asia, China advanced 0.48%, Hong Kong rose 0.22%, South Korea declined 0.67% and Taiwan dropped 1.56%.

The pan-Europe index Stoxx 600 was up 0.37% at the time of going to print.

Foreign portfolio investors net bought shares worth Rs 5484 crore. Domestic institutions were sellers to the tune of Rs 2904 crore.

Megacaps Drive Nasdaq Higher

The Nasdaq and the S&P 500 bounced back on Thursday, boosted by a recovery in megacaps, as an upbeat forecast from Taiwan Semiconductor Manufacturing lifted chip stocks after a sharp sell-off in the previous session.

Apple and Nvidia, both TSMC customers, rose 0.5% and 2.4%, respectively.

Re Falls 6 P to Close at All-time low of 83.64

Rupee depreciated 6 paise and settled at its all-time low of 83.64 (provisional) against the US dollar on Thursday, as the strength of the American currency in the overseas market and overnight surge in crude oil prices weighed on investor sentiments.

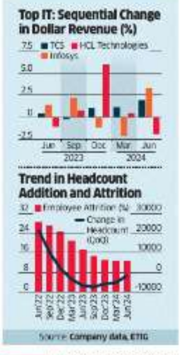
Forex traders expect the rupee to trade with a slight negative bias on strong US dollar and weak Asian as well as European currencies. The US dollar strengthened, while the pound weakened amid disappointing labour market data from the UK.

AFTER BEATING AVERAGE ANALYST ESTIMATES

Discretionary Spend Pickup Key for Infosys, too

Co expects average 1.5-1.6% sequential growth in next 3 qtrs, says H1 usually better

Ranjit Shinde



ET Intelligence Group: Among the top three software exporters who have declared first quarter numbers so far, Infosys delivered better performance beating the average analyst estimates on parameters including revenue, profit, and operating margin. The country's second largest IT company reported stronger sequential top line momentum compared with Tata Consultancy Services (TCS) and HCL Technologies, helped by a low base in terms of a revenue drop in the previous quarter and a one-off revenue benefit from a client.

However, like peers, Infosys echoed a continued slack in discretionary spending by clients. During an analyst conference call, it mentioned that though there are early signs of pick up in the banking, financial services, and insurance (BFSI) vertical, the largest revenue generator for the company, a strong recovery is not yet visible. BFSI contributed around 28% to the company's revenue in the June quarter.

Infosys has raised revenue growth forecast in constant currency terms for FY25 to 3-4% from 1-3% growth. The higher guidance consists of about 0.8% estimated contribution by the company's recent acquisition of Germany based in-tech while the rest fuelled by the BFSI uptick, traction in the key markets of the US and Europe, and consistent trend in deal wins in the June quarter. The operating margin guidance is retained at 20-22%. The revenue guidance implies that the company expects on average 1.5-1.6% sequential growth in each of the remaining three quarters of the current fiscal year.

Earnings Review

THE MORNING BRIEF PODCAST

RBI Sets Rules On Fraud

Host Anirban Chowdhury analyses the pros and cons of the new regulations with Abizer Diwanji of Neostrat Advisors, Dhruv Chawla of PwC and ET's Sangita Mehta.

Tune in to ETPlay.com. *Available on* EconomicTimes.com/podcast, Amazon Prime Music, Apple Podcasts, JioSaavn *and* Spotify.

ECB Holds Rates Steady

The European Central Bank left interest rates unchanged after last month's landmark cut — giving away little on its plans as investors and economists bet on another move in September.

The deposit rate was kept at 3.75% on Thursday — as all 55 economists in a Bloomberg survey predicted. The ECB reiterated that borrowing costs will remain "sufficiently restrictive for as long as necessary" to ensure inflation returns to 2%.

Once again, the ECB said it isn't "pre-committing to a particular rate path."

Hot Mkt Prompts InCred to Shut Multi-cap AIF, Return Money

Ruchita Sonawane

Mumbai: InCred Asset Management has decided to shut one of its equity products, India Value Growth Fund I, and return the money to investors, two months before the fund's maturity, amid growing worries about the overheating equity market.

The asset manager, in a note to clients, said it was booking profits in the fund and is handing back ₹80 crore it managed citing elevated risks of significant fluctuations in the market.

"This decision is driven by the current market conditions, which are at an all-time high, presenting a level of volatility and uncertainty that warrants caution," said the InCred note to its clients.

The practice of returning client money by asset managers on account of challenging market conditions is uncommon in India. Mutual funds usually restrict flows into equity schemes at such times.

India Value Growth Fund I, a close-ended multi-cap Alternative Investment Fund (AIF) meant for the rich, was scheduled to mature in September 2024. Since its inception in September 2019, the fund delivered an absolute return of 165.0% or an annualised 22.7% as of June 30 as against the BSE 200 Total Returns Index's gains of 142.7% or (20.4% annualised) in the same period, the note said.

"The scope for incremental IRR is reducing due to the steep valuations in the market," Aditya Sood, who manages the fund, told ET. "The markets are trading at valuations that are over three times the standard deviation, with many companies at over 100 times Price to Earnings ratio."

Oil Prices Steady on US Rate-cut Hopes

Reuters

Oil was broadly steady on Thursday, finding support from continuing expectations of a looming cut in U.S. interest rates after the release of jobs data, and a larger than expected decline in U.S. crude stocks.

The number of Americans filing new applications for unemployment benefits rose more than expected last week. Initial claims for state unemployment benefits increased 20,000 to a seasonally adjusted 243,000 for the week ended July 1.

Brent futures were unchanged at $85.08 a barrel by 1337 GMT. U.S. West Texas Intermediate (WTI) crude was up 6 cents, or 0.1%, at $82.91. Both had registered gains in the previous session.

"It is a lukewarm reaction to the jobless claims data," Tamas Varga of oil broker PVM told Reuters. "Nonetheless, I believe that healthy expectations of a Fed rate cut in the not-so-distant future will limit downside."

Oil also found support from falling stocks. Crude inventories in the United States, the world's largest consumer, fell by 4.9 million barrels last week, data from the U.S. Energy Information Administration showed on Wednesday, more than forecast by analysts in a Reuters poll.

"Healthy demand signals from the U.S. outweigh concerns from modest Chinese growth last week," said Priyanka Sachdeva, senior market analyst at Phillip Nova.

"Hopes of a Fed easing (of interest rates), which can boost economic growth, and current summer travel in the U.S. are ensuring enough traction in oil demand from the world's largest economy."

Federal Reserve officials said on Wednesday that the U.S. central bank is closer to cutting rates given inflation's improved trajectory and a labour market in better balance, possibly setting the stage for a reduction in September.

U.S. economic activity expanded at a slight to modest pace from late May through early July with firms expecting slower growth ahead.

The European Central Bank kept interest rates unchanged as expected on Thursday and gave no hints about its next move, arguing that domestic price pressures remain high and inflation will be above its target well into next year.

Goldman's Top Stock Analyst Is Waiting for AI Bubble to Burst

Bloomberg

Over three decades on Wall Street, Jim Covello has learned how painful it can be to bet against an inflating tech stock bubble. The market has a way of minting riches, month after month, even after it's clear the latest breakthroughs aren't playing out quite as expected.

It happened with dot-com companies in the late 1990s and more recently with cryptocurrencies. And Covello, the head of equity research at Goldman Sachs Group Inc., says it'll likely happen with artificial intelligence, too, making it dangerous, if not outright foolish, to start wagering against the likes of Nvidia Corp.

And yet, he has no doubt that the reckoning is coming. It might not be this year or even next year, for that matter, but at some point, he says, it's happening. As he sees it, the hundreds of billions of dollars companies are plowing into AI won't set off the next economic revolution — or even rival the benefits of the smartphone and the Internet. And when that becomes clear, all the stocks that have surged on the back of its promise will come sliding down, too.

"Most technology transitions in history, particularly the ones that have been transformational, have seen us replace very expensive solutions with very cheap solutions," said Covello, who first made a name for himself at Goldman as a tech stock analyst. "Potentially replacing jobs with tremendously costly technology is basically the polar opposite."

Covello is emerging as a leader of a small but growing cohort of market watchers who are casting doubt on a crucial tenet of the rally that's added nearly $16 trillion to the S&P 500 since late 2022: The idea that the dazzling power of large-language models will usher in the next great stage of capitalism, one where corporate profits will boom as more and more work is handed over to intelligent machines, boosting efficiencies and accelerating growth.

GOING BEYOND CHARITY

Philanthropy in India Seeks to Offer the Right Solutions

Our Bureau

Mumbai: Philanthropy in India is evolving significantly, with ultra high-net-worth individuals (UHNIs) playing an increasingly important role in solving problems and catalysing sustainable development, a report by Accelerate India Philanthropy (AIP) and Boston Consulting Group (BCG) revealed.

The report was based on interviews with 100 UHNIs, ensuring diverse representation across net worth, geographical location, source of wealth, and stage of giving.

The findings show that 30% of the top 100 UHNI philanthropists donate to educational causes, while 21% contribute to healthcare. About 11% donate to environmental and sustainability initiatives, and only 5% donate to sports activities.

If UHNIs channel just 5% of their annual incremental wealth, they could contribute an estimated ₹75,500 crore annually, five times the total CSR spent by India Inc. in FY23, according to the report.

About 84% of respondents prefer to support a wide range of causes, allocating their philanthropic resources to more than one cause, with over 50% contributing to three or more causes.

The report also noted that about 56% of philanthropists prefer direct grant-making due to its simplicity, while 70% of larger and more involved philanthropists choose to route their philanthropy through an operating or grant-making foundation.

According to Ashish Dhawan, founder-CEO of AIP, philanthropy in India is transitioning from traditional, informal giving to more strategic and impactful engagement. "Young first-generation wealth creators are leading this shift, focusing on long-term solutions rather than one-time charitable acts."

About 70% of respondents cite structural challenges, procedural complexities, and information gaps as barriers for philanthropists in India, while 34% point to personal challenges and 12% to cultural challenges.