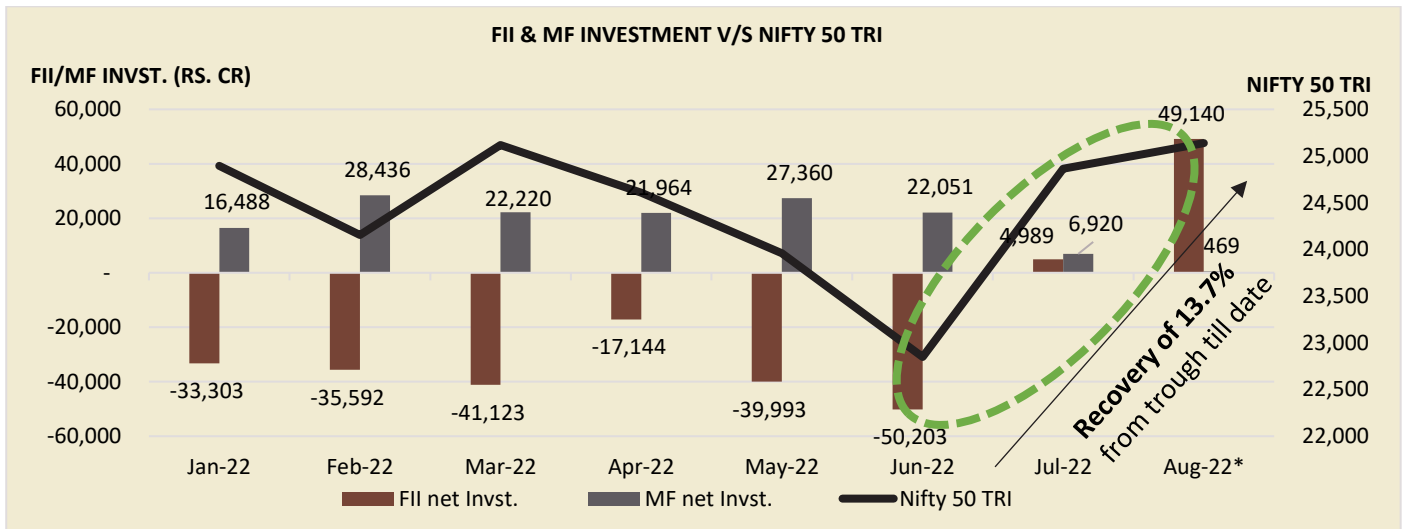


**Sustainable Bounce Back OR a Bear Market Rally?**

**Key Highlights:**

- Domestic markets have rebounded in a sharp manner
- **Nifty 50 TRI surged 13.7%** (till Aug 29, 2022) from a low it hit on June 17, 2022
- Positive factors that contributed to the recovery:
  - **Aggressive buying by FIIs**
  - **Cooling down of global crude oil prices**
  - **Upbeat Corporate Earnings**

- After 9 consecutive months of net selling, FIIs turned out to be net buyers in July 2022 to the tune of ~Rs 4,989 crs and so far in August 2022, **FIIs have purchased Indian shares worth ~Rs 49,000 crs** (can be seen in the below chart)
- Thus, the data clearly shows that FIIs are back buying Indian equities
- **Nifty 50 TRI surged 13.7%** (till Aug 29, 2022) from a low it hit on June 17, 2022
- Between October 2021 and June 2022, **FIIs sold a mammoth Rs 2.46 lakh crore** in the Indian equity markets



Source: MFI Explorer, SEBI and NSDL. \*For Aug-22 - data is shown till Aug 29, 2022. MF investment for Aug-22 is till Aug 18, 2022

Indices	Max Date	Min date	Max Drawdown	Days from Peak to trough	Recovery from trough till date	Days from trough till date	Delta (Max drawdown till date)
<b>Broad Indices:</b>							
Nifty 50	17-Jan-22	17-Jun-22	-15.8%	151	13.7%	73	-2.2%
Nifty Midcap 150	17-Jan-22	20-Jun-22	-20.3%	154	21.8%	70	1.5%
Nifty Smallcap 250	17-Jan-22	20-Jun-22	-26.6%	154	20.3%	70	-6.3%
Nifty 500	17-Jan-22	20-Jun-22	-17.4%	154	16.1%	70	-1.3%
<b>Sectoral Indices:</b>							
Nifty Infrastructure	17-Jan-22	20-Jun-22	-16.1%	154	14.4%	70	-1.7%
Nifty Metal	11-Apr-22	22-Jun-22	-32.9%	72	30.4%	68	-2.5%
Nifty Commodities	11-Apr-22	22-Jun-22	-24.4%	72	19.7%	68	-4.7%
Nifty Realty	17-Jan-22	20-Jun-22	-28.2%	154	21.1%	70	-7.1%
Nifty Pharma	03-Jan-22	17-Jun-22	-16.4%	165	6.7%	73	-9.6%
Nifty IT	04-Jan-22	15-Jul-22	-32.0%	192	4.9%	45	-27.1%

Source: NSE India, TRI indices considered for analysis. Data for analysis is shown for CY 2022 – from Jan 01, 2022 to Aug 29, 2022

- The **max drawdown** was seen in **Small cap segment (27%)** as shown in the above table **followed by Mid cap (20%)** and **Nifty 500 (17%)**.
- While, the **recovery from trough till date, the market rally was broad based** with gains witnessed in the Mid cap segment, Small cap segment and majority of sectoral indices.
- Looking at the difference from max drawdown till date (delta) shows that the **recovery has happened almost at the same level except Small cap (which is still down by 6%); while Nifty 50 is down by 2.2%**.
- In terms of sectoral indices, the **highest delta has been seen in IT** which is down by (27%) followed by Pharma (down by 10%) and Realty (down by 7%).
- However, there are some **sectors which have been resilient such as Auto, Banks, Consumption and Oil & Gas**.

#### Outlook:

- **Sustained fall in commodity prices** has led to inflation fears receding. The sharp drop in commodity and oil prices has helped bring down the cost of raw materials for companies.
- **Fears of recession have raised hopes that central banks may halt the rate hikes** to avert a slowdown.
- **Good monsoons and a normal festive season** after two years is likely to **boost earnings going ahead**.
- Valuations are expensive but most other factors: **Macro, Liquidity and Earnings are moving from neutral to positive**.

#### Investment Approach:

- Investors should **not try to time the market** and **invest in a staggered and disciplined way in equities for long-term, within the earmarked asset allocation** (based on the individual risk profile).
- **Large cap, Flexi cap and Multi cap funds** should be **part of core allocation** of any equity portfolio.
- **First time or Conservative investor can consider Balanced Advantage / Dynamic Asset Allocation funds** which dynamically manage the equity and debt allocation as per the changes in market scenario. Existing investors can also continue with their investment in this category to ride over volatility.

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