

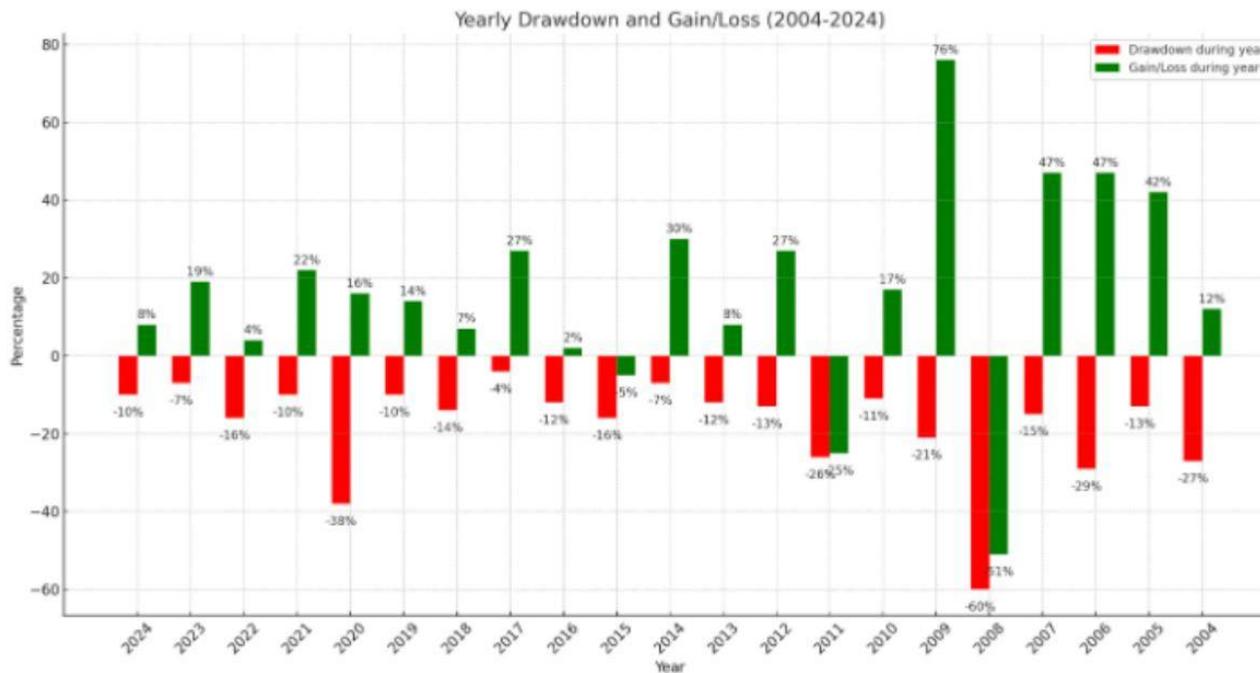
What does the Techno-Macro-Funda and O'Neil Says About Possibility of Market Bottom

Current Market Scenario



"We're expecting stocks to rally, but we don't know which ones and when."

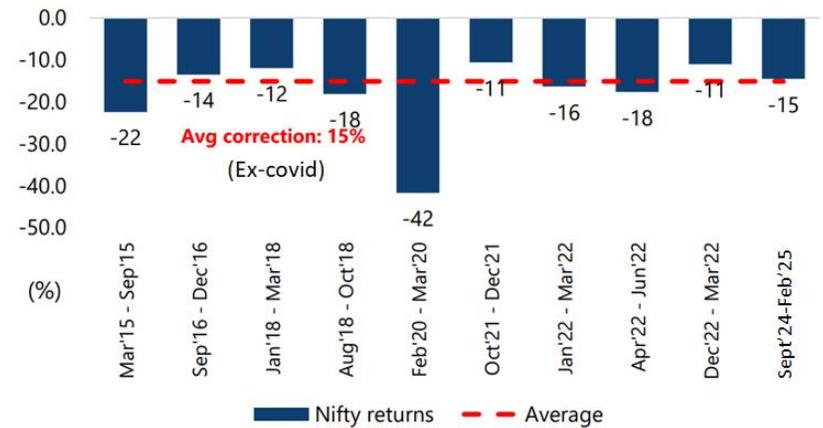
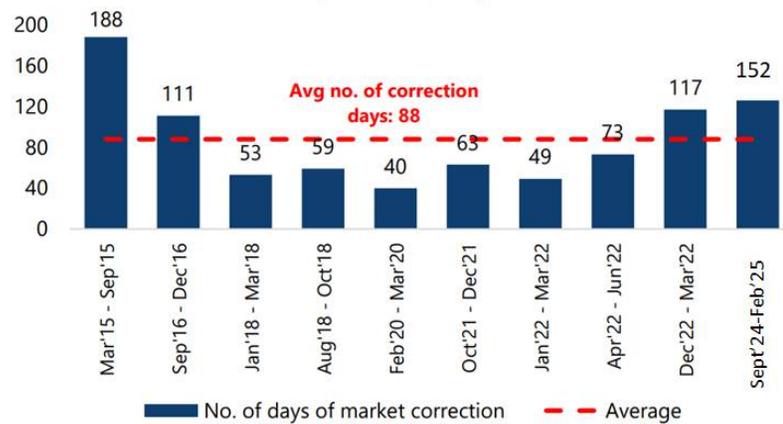
Market Correction is Normal - It's the financial ecosystem's way of hitting the reset button.



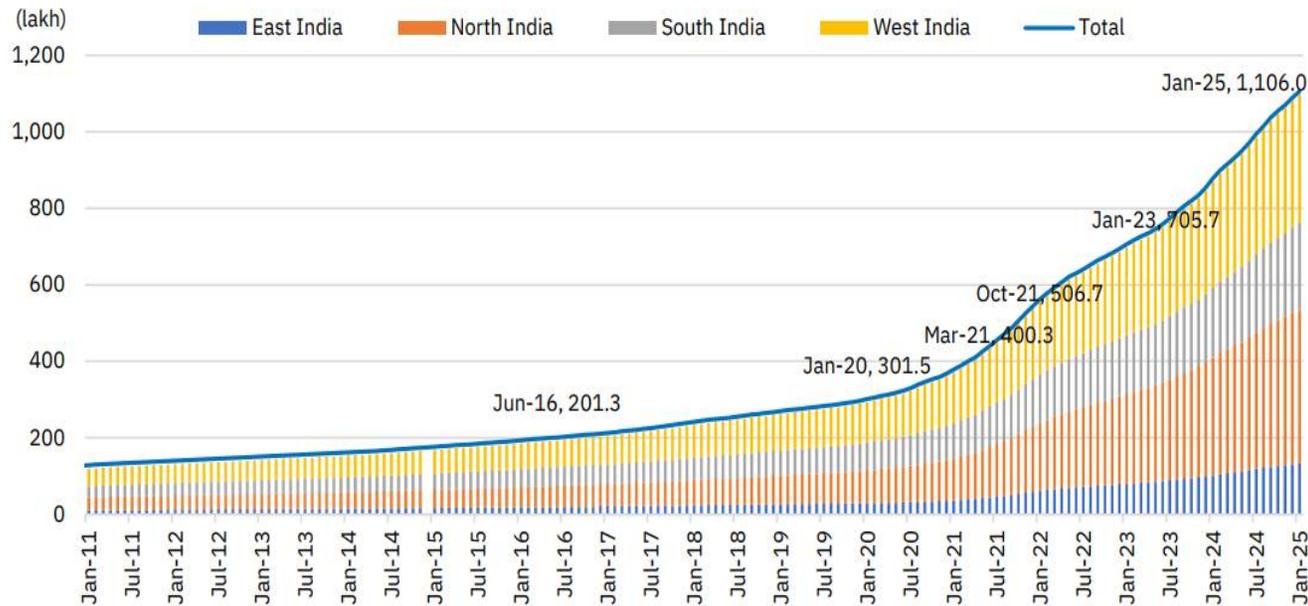
William J. O’Neil, a legendary figure in the world of investing, once remarked that major market corrections are not only normal but necessary. These corrections act like a spring cleaning for the markets, sweeping away prior excesses and making way for a fresh crop of chart patterns and leaders to drive the next bull market.

In the last 20 years, the Sensex ended in the red only three times. Yes, just three out of twenty! But even during the 17 positive years, the Sensex faced drawdowns of 10% or more in 14 of those years. And here’s the kicker: In four of those years, the Sensex was down over 15% at some point. Yet, the market still managed to close the year in the green.

Market Corrections in the last 10 years



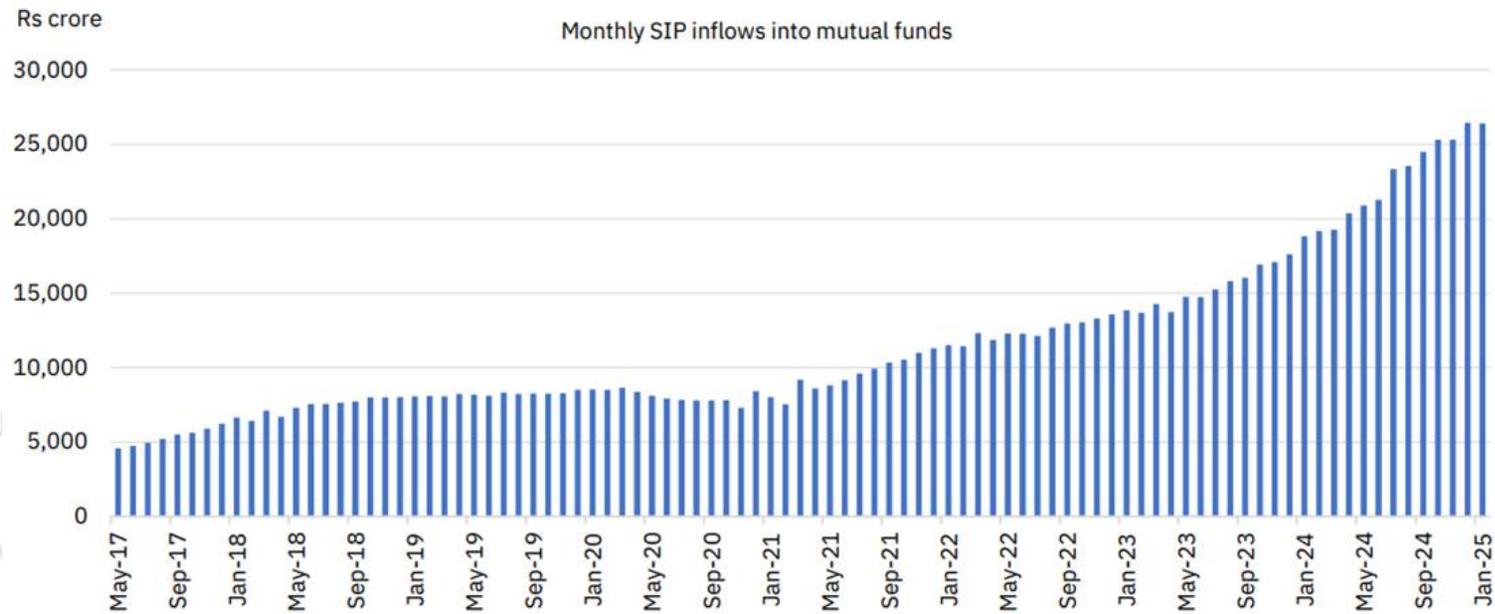
Why More Panic This Time?



Source: NSE EPR

There has been a massive increase in market participation by retail investors. Before COVID, there were only 3 crore demat accounts, but now that number has exceeded 11 crore. Many of these new investors have never experienced a major market downturn. Notably, around 5 crore investors entered the market after the 2022 correction, meaning they have yet to witness any significant setbacks in the equity market. And now, reality hits.

Why More Panic This Time? - Huge Surge in SIPs in the last 2-3 years



Source: AMFI, NSE EPR.

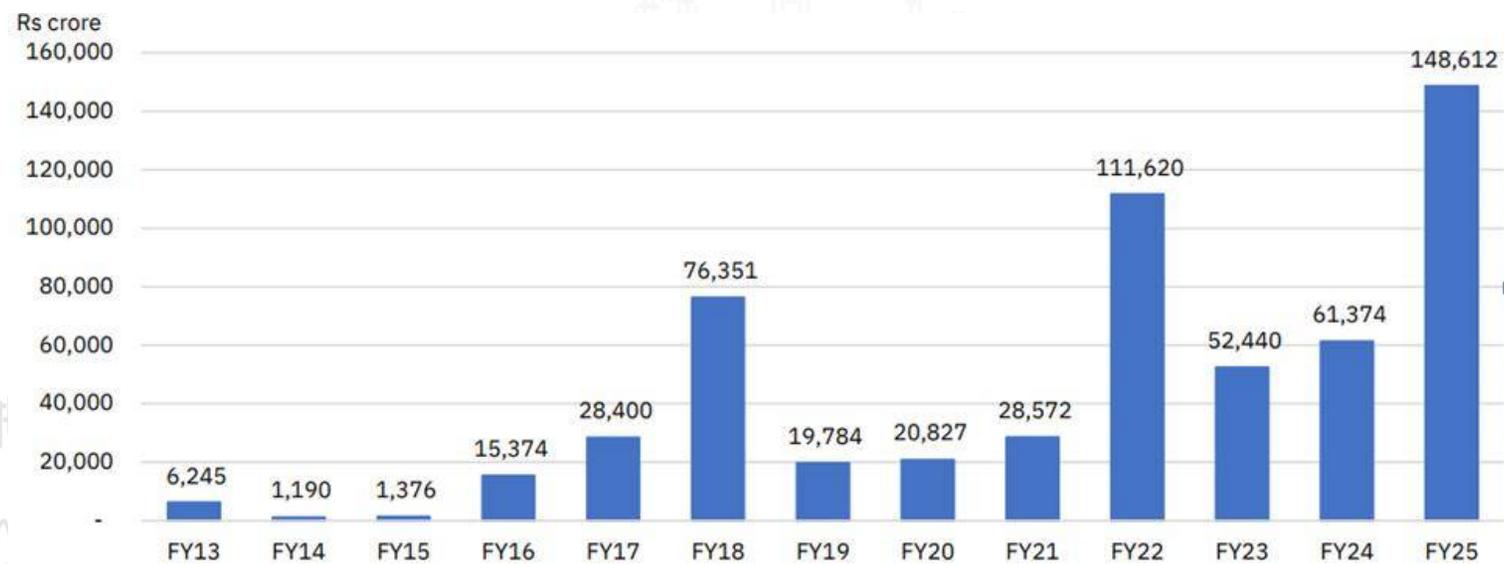
Even My Ex Didn't Drop Me This Hard – Many Investors Might Have Felt This

Out of the total registered investors, more than 40% are now under the age of 30. For most of them, this is the first time they're realizing that the market can betray them—just like their ex boyfriend or girlfriend!

Age category	Share of registered investor base (%)						
	Mar'19	Mar'20	Mar'21	Mar'22	Mar'23	Mar'24	Jan'25
Less than 30 years	22.6	23.5	29.4	37.5	38.5	40.0	40.2
30-39 years	31.1	31.2	30.4	28.9	29.2	29.1	29.3
40-49 years	20.1	19.7	17.9	15.8	15.6	15.4	15.5
50- 59 years	13.1	12.6	11	9.1	8.6	8.1	8.0
60 years and above	13.1	13	11.2	8.7	8.1	7.4	7.0

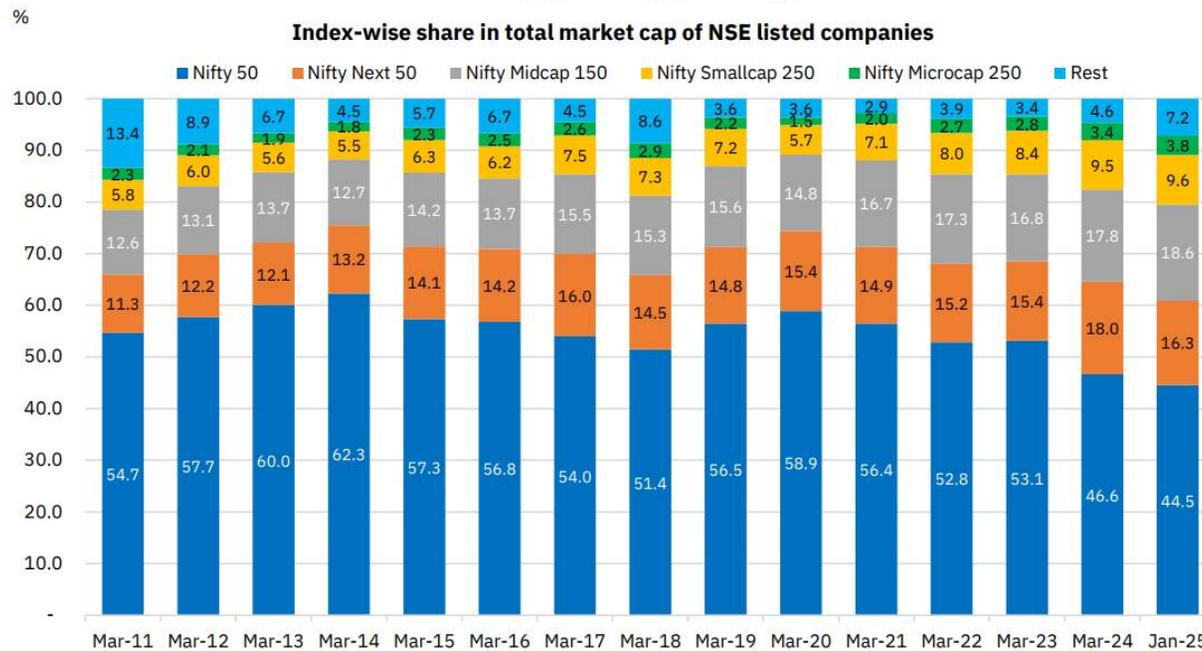
Source: NSE EPR

Huge Money Got Invested in Mainstream IPOs



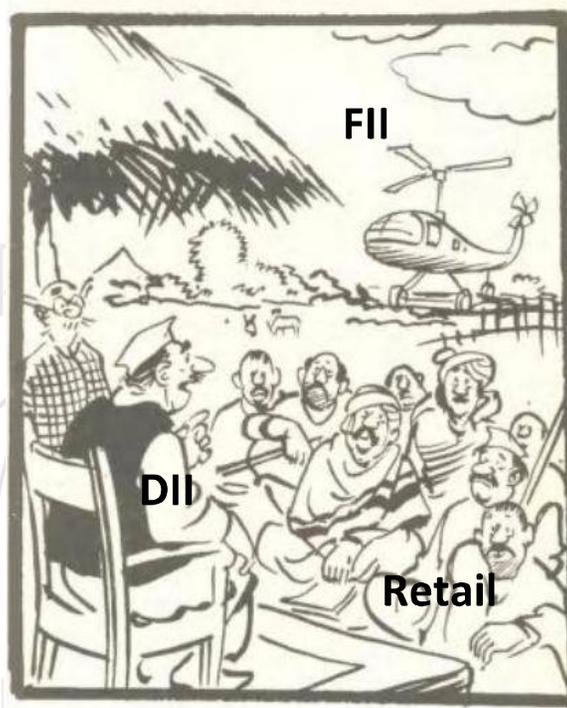
Source: NSE EPR.
Note: FY25 data is as of January 2025.

Why More Panic This Time? – More Money in Mid/Small/Microcap Stocks



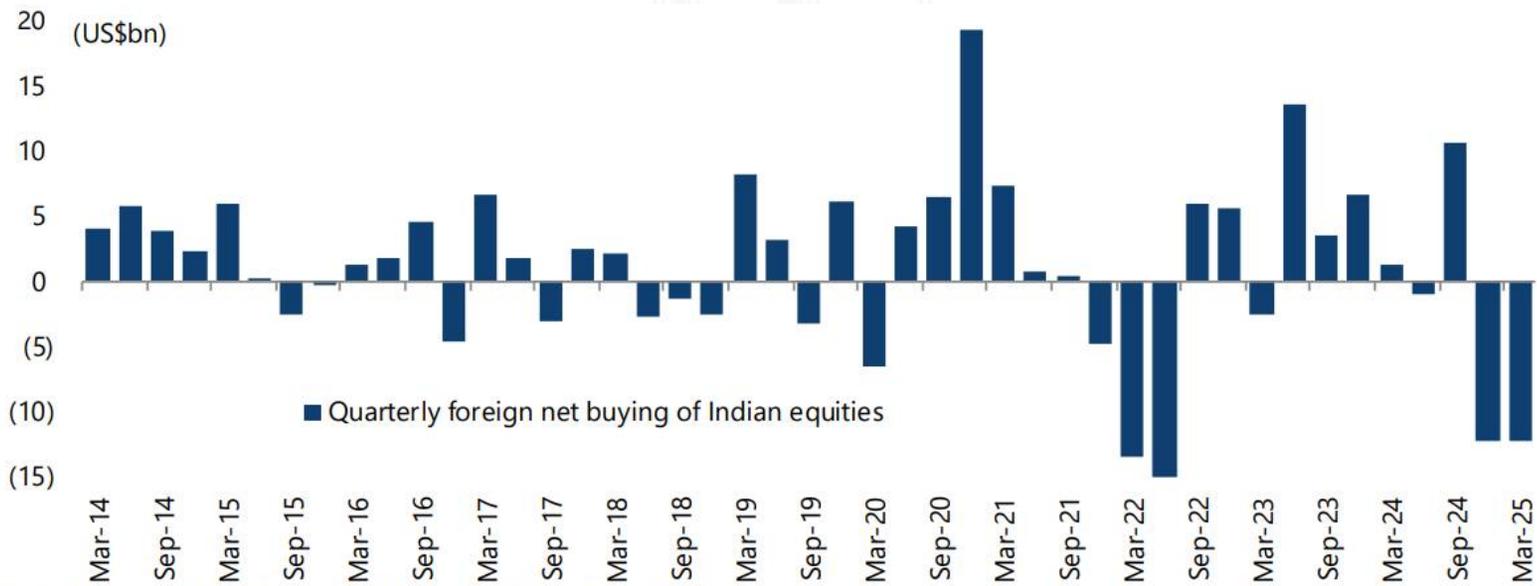
Source: Nifty Indices, NSE EPR.

The Big Problem - Image is More than Words



Source: RK Laxman's Cartoons

FII Selling Data



Note: Data up to 24 February 2025. Source: Bloomberg, SEBI

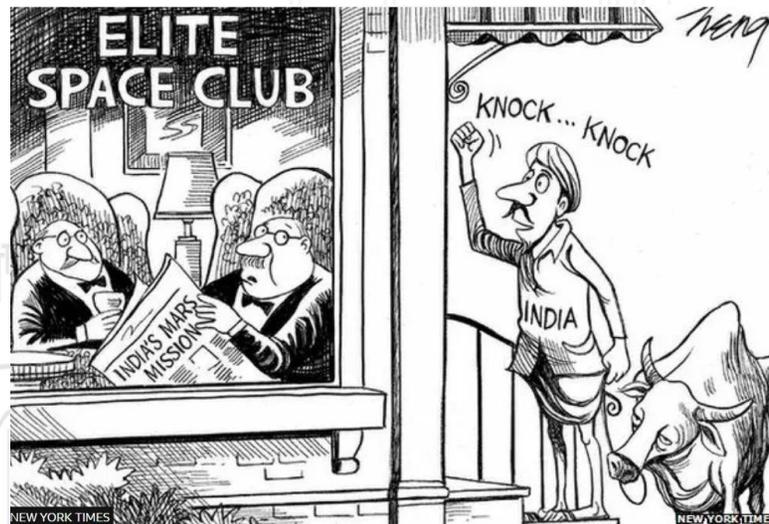
Will FIIs Fly Back to India Soon?



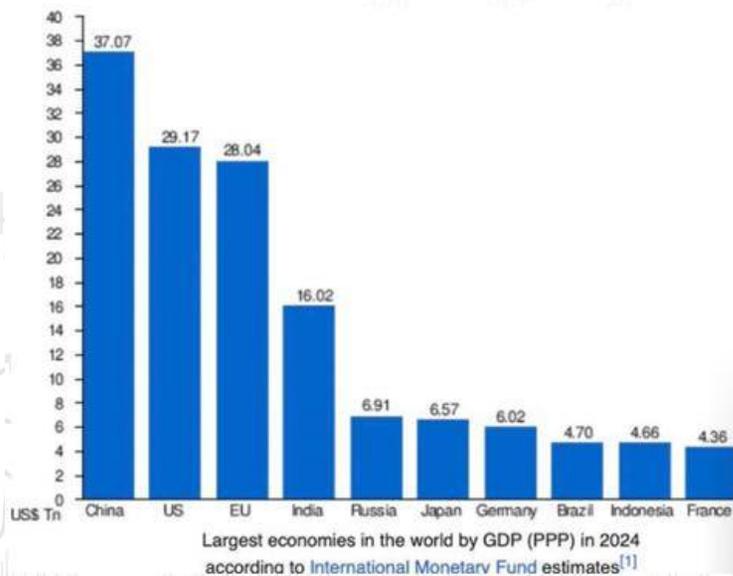
Source: RK Laxman's Cartoons

Yes! Let's See Why...

Because...We Are Not This Any More... We Are Emerging Superpower

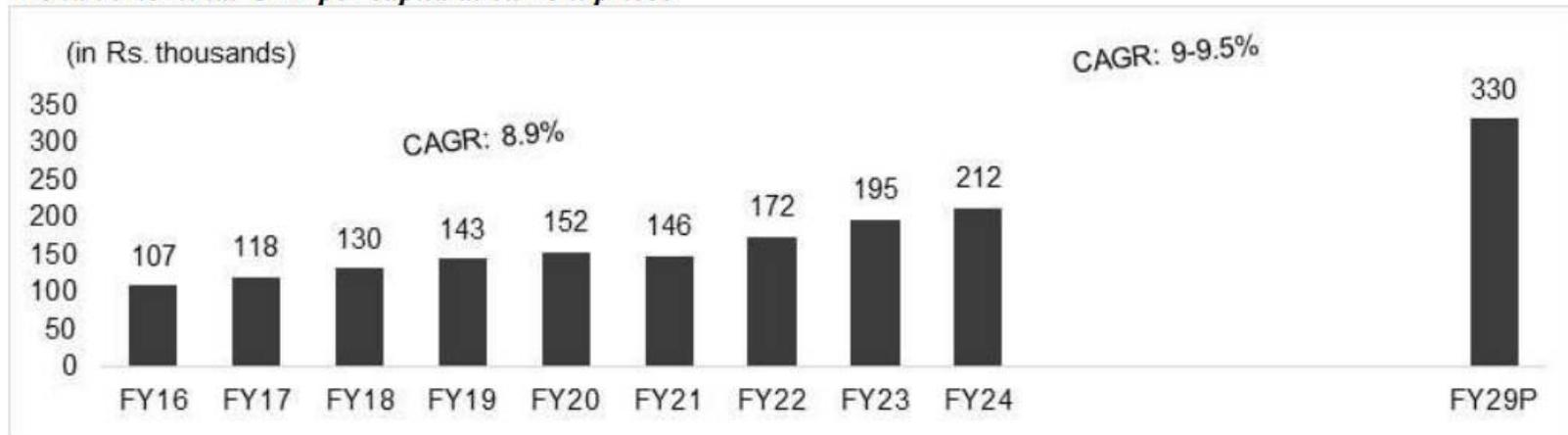


We are Third Largest Economy in PPP terms



GDP Growth on Track: Small Shocks Won't Derail Momentum

Trend in nominal GDP per capita at current prices

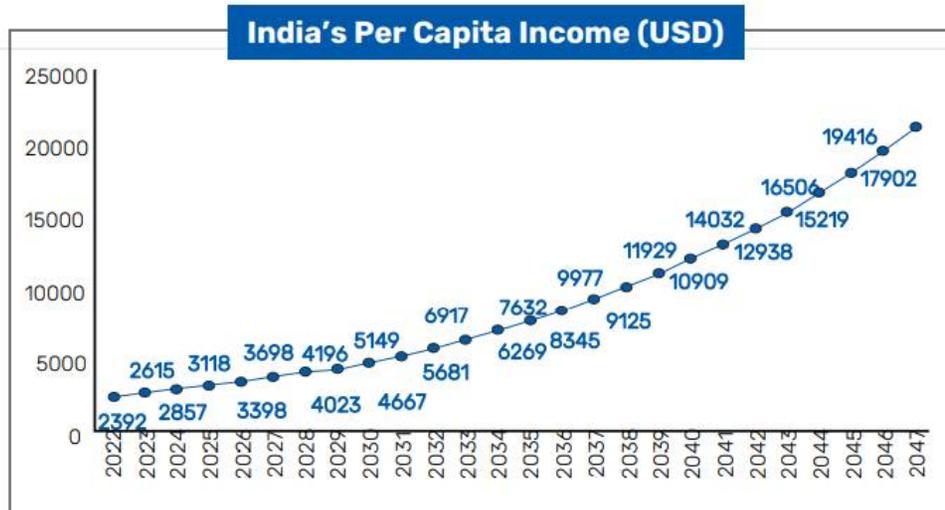


Note: P - Projected. Fiscal 2024 estimates are based on provisional estimates by MoSPI; Fiscal 2029 projections are based on IMF – World Economic Outlook

(April 2024 update)

Source: MoSPI, IMF, CRISIL MI&A

The Common Man's Income in India is Growing: The Multiplier Effect on Consumption Tax cuts to boost it further.



Source: PHD Research Bureau; projections for the years 2023, 2040 and 2047 are by PHDCCI

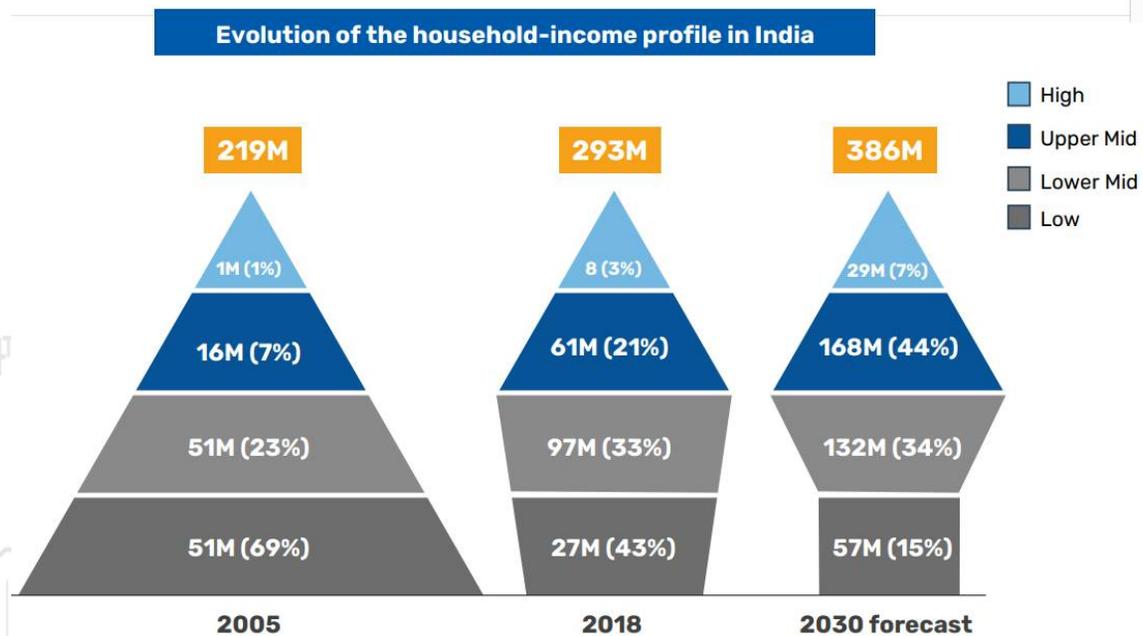
Source: BajajFinserv MF Presentation



Source: RK Laxman's Cartoons

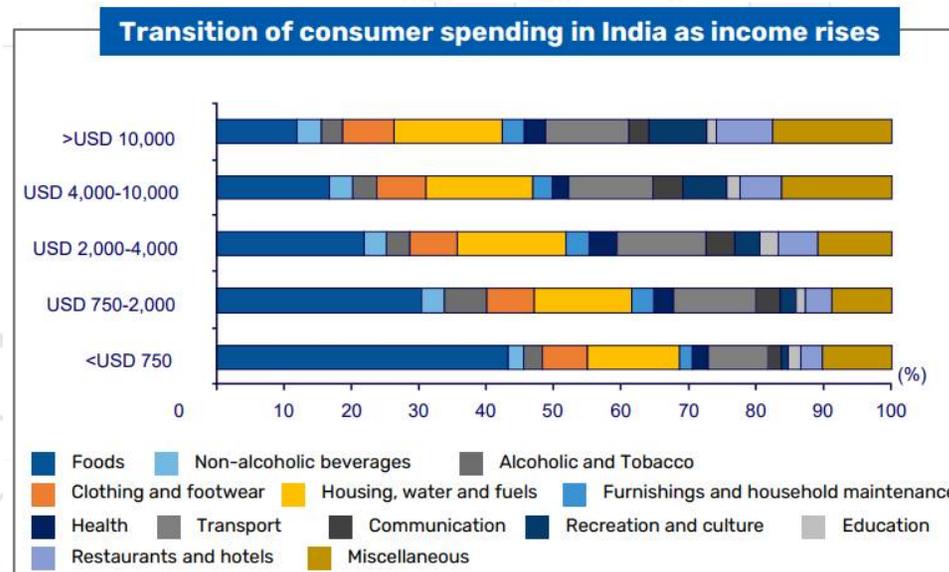
After crossing \$2,000 GDP per capita, many emerging economies have witnessed a strong spurt in discretionary consumption

Indian Households are Moving Towards Upper Mid and High-Income Groups



Source: Bajaj Finserv MF Presentation

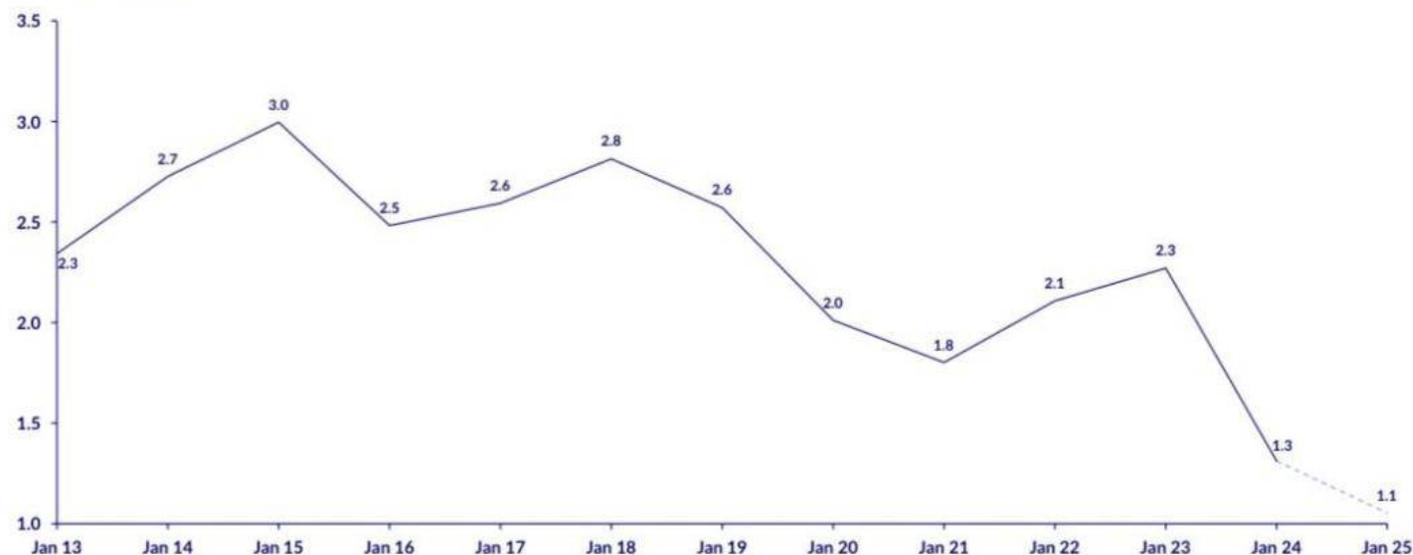
From Needs to Wants: How Rising Incomes Are Shaping Consumer Trends



Source: BajajFinserv MF Presentation

Healthy Corporate Balance Sheet

Net Debt to Ebitda



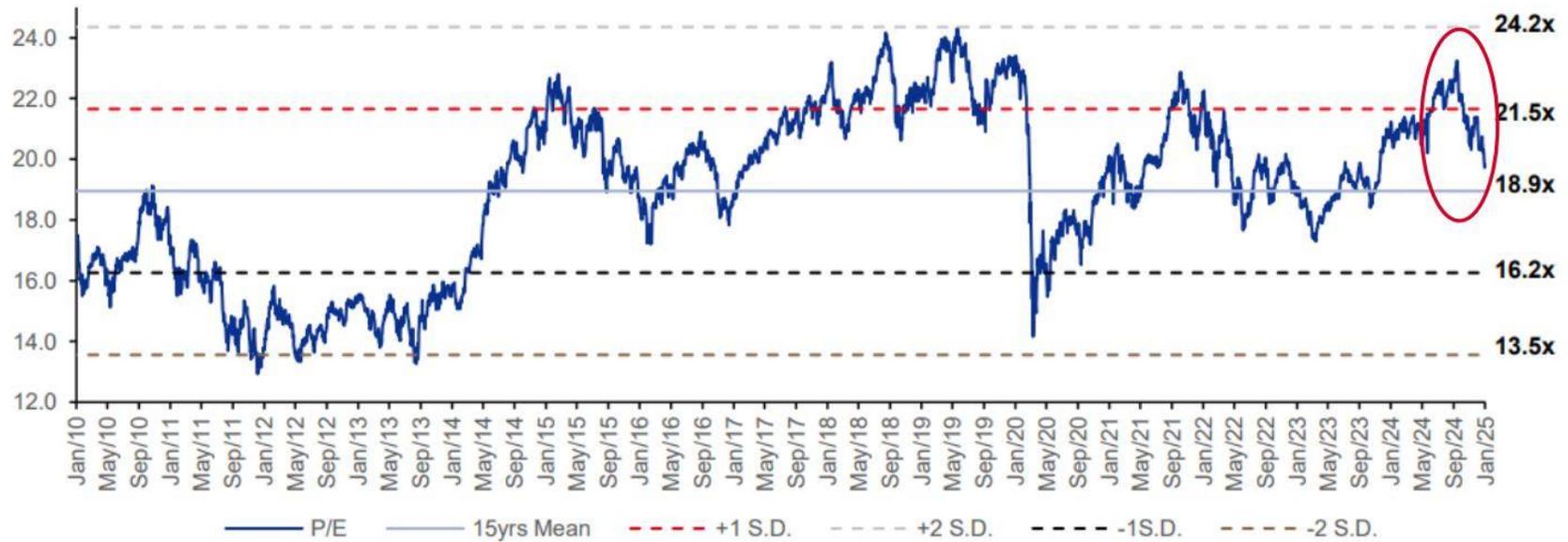
Source: Bloomberg, CLSA

Sir, something to cheer as we begin March. we can see sings of market bottom is near...



Source: RK Laxman's Cartoons

Nifty-50 companies' forward P/E valuation is nearing the 15-year mean level

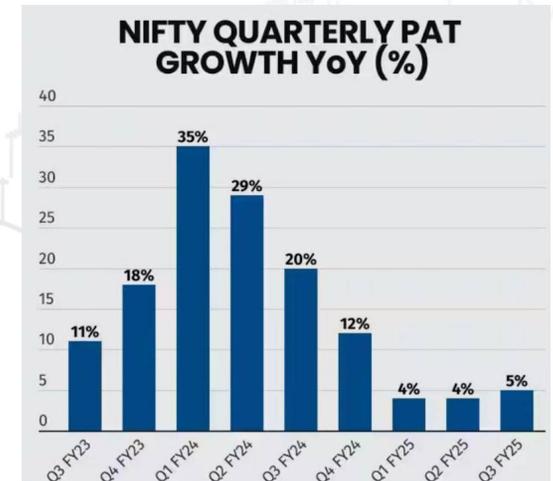
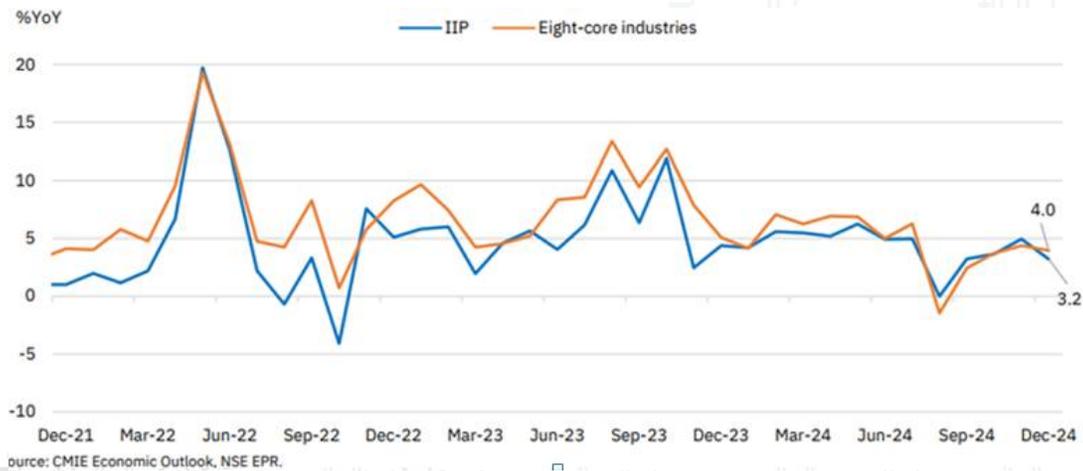


Bond yield - Equity earnings yield



The bond (10-yr GSec)-equity (Nifty 50) yield gap is now at 138bps, tad below the long term avg. of 145bps. Generally, market rewards are higher when invested at lower yield gap

Early Signs of Growth and Earnings Pick Up from H1 FY25 Low



FII Long Less Than 20% for Multiple Weeks Now



When FII Long % is less than 20% for multiple week, a good move in Nifty is seen in Next few months. This time Nifty's long position dropped below 20% in last week of December.

Source: Strike and MarketSmith India

Less than 10% of Nifty500 Stock Above 200-DMA



Less than 10% of Nifty500 stocks trading above their 200-DMA is a rare occurrence. The last two instances were in June 2022 and March 2020, both of which were followed by a market rally.

Source: Strike and MarketSmith India

Less Than 15% of Nifty Midcap100 Stock Above 200-DMA



Source: Strike

Less than 10% of Nifty Smallcap100 Stock Above 200-DMA



Source: Strike

Dollar Index Off-High and Below its 21-and 50-DMA

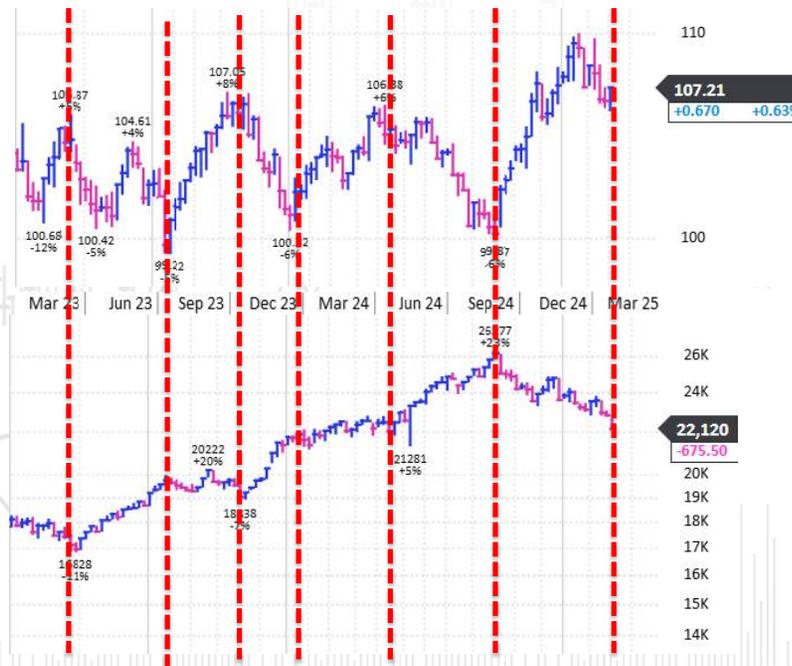


Source: Panaray

Dollar Index v/s Nifty50

Dollar Index

Nifty50



In past two years (2023 & 2024), the DXY has traded in 100-107 range. DXY has rallied thrice above 105 and this was the fourth time where it moved above 105 and went till 110. When we compare DXY movement with Nifty50, a clear trend emerges. When DXY is low, Nifty delivers good returns. When DXY surges, the market declines. The peak-troughs are well aligned. Now the DXY is off-high (almost 4% from high). If DXY formed the top, it can present a good case for Nifty50 forming bottom soon.

CANSLIM[®]

Current Earnings

Annual Earnings

The New Factor

Supply and Demand

Leader vs. Laggard

Institutional Sponsorship

Market Direction



Current Earnings

- **Current Quarterly Earnings of 25% or more.**
- Ideally, you want to see acceleration of these earnings numbers over the last three quarters.



Annual Earnings

- **Earnings up 25% per year for each of the last three years**
- **Margins: Best in the industry**
- **Return on Equity (ROE): 17%**



New

- **New Products**
- **New Services**
- **New Leadership**
- **New Condition in Industry**
- **New Price High**



Supply & Demand

- **Shares outstanding + Big-volume demand**



LEADER & LAGGARD

- **Buy the leading stock**
- **EPS, Sales, Price Performance, etc.**
- **Leading Industry Group**



INSTITUTIONAL SPONSORSHIP

- **Follow the "Big / Smart Money"**
- **Owned by at least 10 funds**
- **Ideally, look for 2-3 quarters of increasing sponsorship**



Market Direction

Understanding the 'M'ost Important Market Direction



Identifying Market Tops

Headaches, coughs and sneezes can tell you when you're going from healthy to getting knocked by a severe cold or any other viral infection.

Yet not everyone knows about a similar indicator to identify top in stock investing: the technique of identifying clear **distribution days**.

When the probable market top is near, it is the best time to quickly raise cash, lock in profits in at least some of your best winners, and to cut-losses to avoid deep cuts.

Identifying Market Tops

Distribution Day:

It occurs when a major index (Nifty in India) falls 0.2% or more on higher-than-previous session volume.

The increase in number of distribution days indicates weakness in the market.

Generally, if more than four distribution day gets accumulated, chance of market forming a top increases. However, other factors like moving averages and OH should also be checked.

After 25 trading sessions, distribution day expires.



How to Identify Bottom According to O'Neil?

When the market is in a downtrend, look for to hit a new price low.

After hitting a new low, look for a day when the index closes higher. That might mean the index has stopped its decline, established a new “bottom,” and is on its way to a rebound. Its called Day-1 on an attempted Rally.

But one up day isn't enough to tell if the market trend has truly changed. If Nifty remains above the correction low for three days, the market status changes to a Rally Attempt.

After Day-3, when market is in a Rally Attempt, A follow-through day indicates the attempted rally has succeeded and market is ready for an Uptrend.



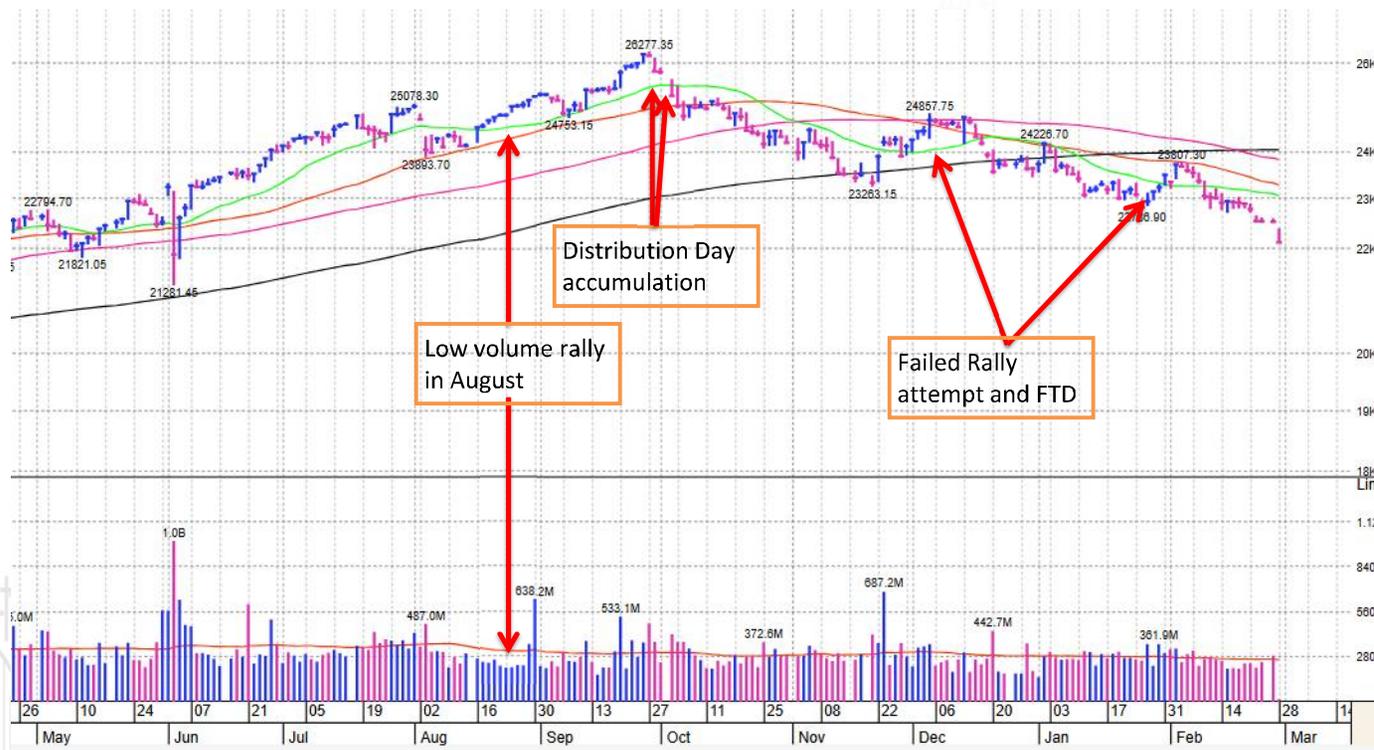
What is a Follow-Through Day?

To count as a follow-through day, Nifty needs to close up 1.5% or higher in volume heavier than the prior day. Volume does NOT have to be above average; just higher than the prior day.

The strength in a follow-through day can be gauged by the action in leading stocks. A follow-through day coupled with leading stocks breaking out from their base patterns provides signs of a sustainable rally.



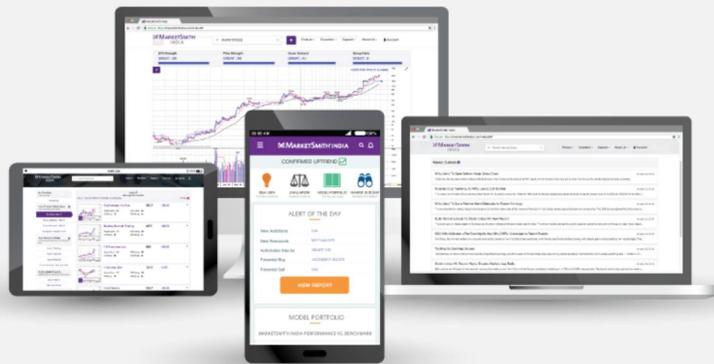
Nifty50-From O'Neil Lens



We will shift the market to a Rally Attempt when Nifty closes in the green for the first time or closes in the upper half of the day's range and stays above that low for three straight sessions. From there, we would prefer to see a follow-through day before shifting the market back to a Confirmed Uptrend.

Source: MarketSmith India

Thank You!



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