

# **Market Kya Lagta Hai ?**

**Smallcaps have rallied a Lot !**

**Euphoria?**

**Correction ?**

**Crash ?**

**Long Term Bull Market ?**

**Nooresh Merani & Harsh Doshi**

[www.nooreshtech.co.in](http://www.nooreshtech.co.in)

# Smallcap Index Going Bonkers ?

# Smallcap Index went from 15000 to 28000 after crossing pre covid highs. Small Shakeouts



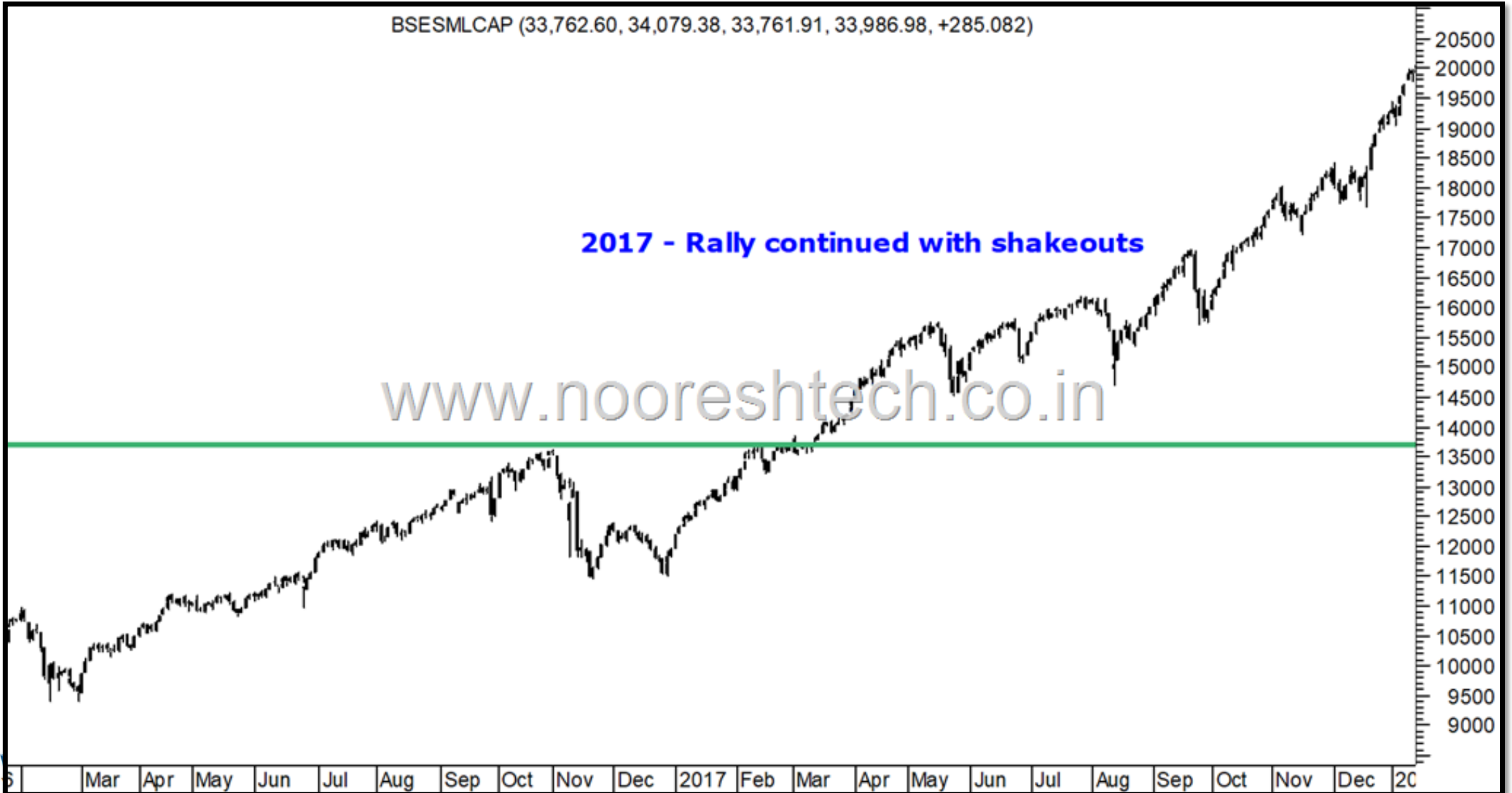
www.nooreshtech.co.in

# Rally continued with shakeouts. Post Demonetization a strong trend

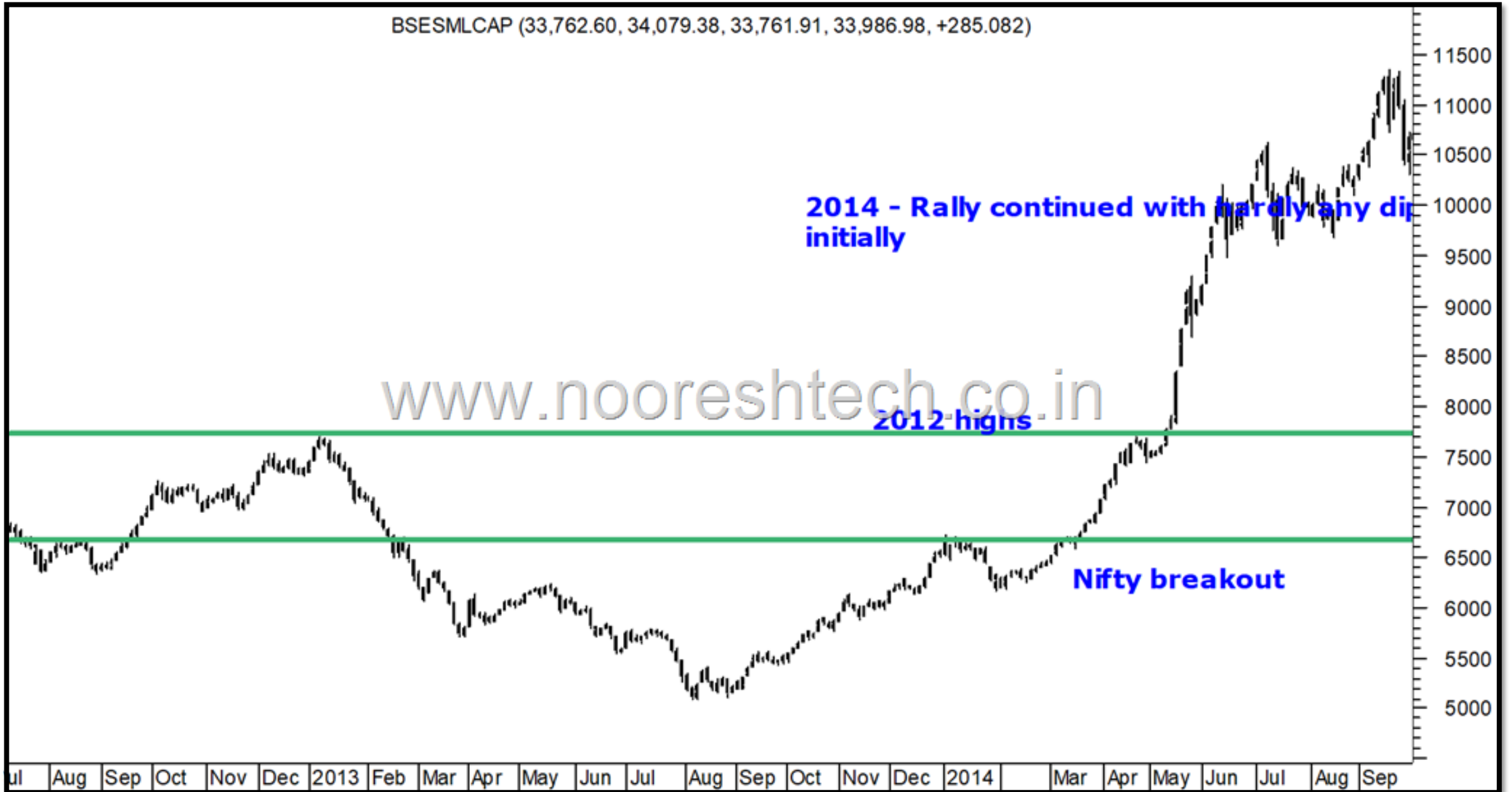
BSESMLCAP (33,762.60, 34,079.38, 33,761.91, 33,986.98, +285.082)

**2017 - Rally continued with shakeouts**

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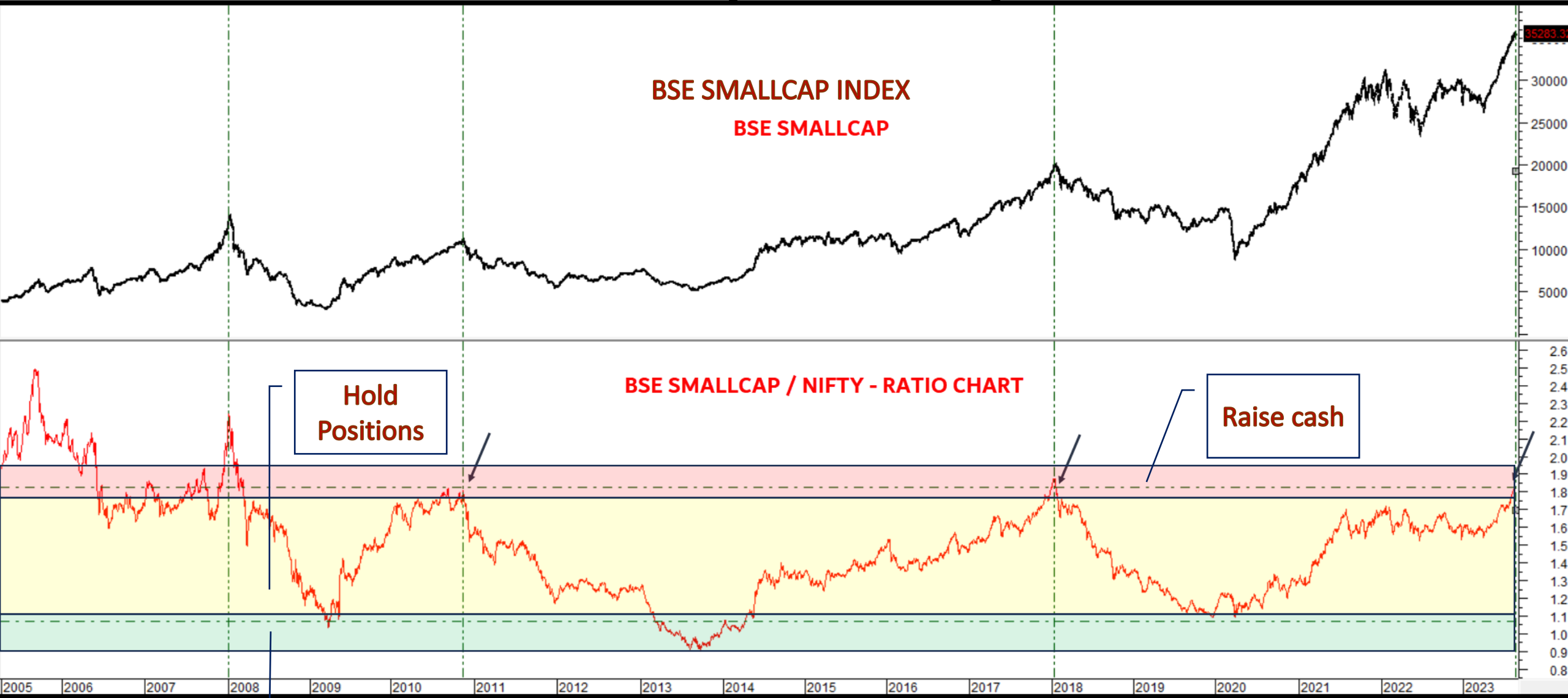


# After a pause in 2014 start no stopping in 2014 rally

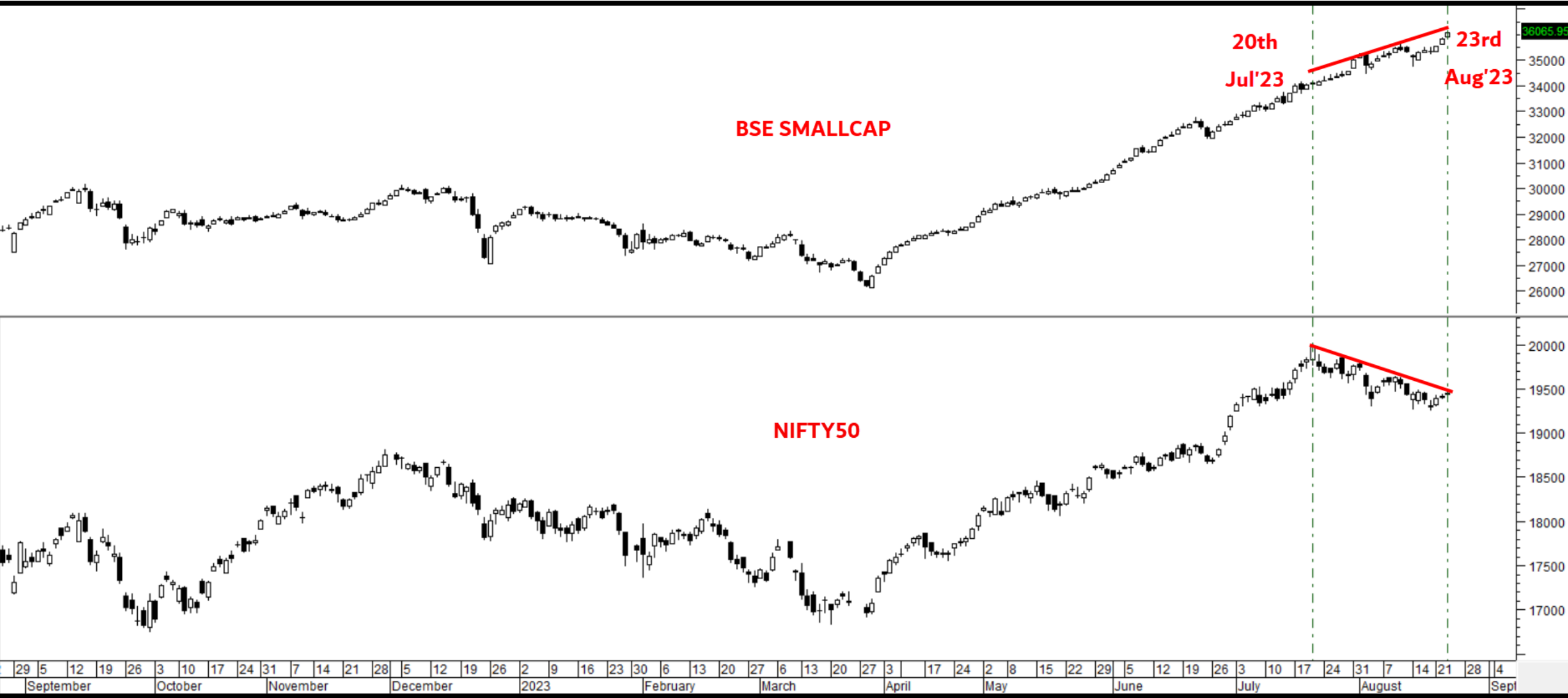


# Ratio Chart – BSE Smallcap to Nifty Ratio

# BSE Smallcap to Nifty Ratio



# BSE Smallcap & Nifty 2023





**BSE SMALLCAP GOING  
CRAZY AND BONKERS –**



**BSE Smallcap doing a 3x  
Move to Nifty !!**

**Gadhe Udd Rahe hai !!**

# **BSE Smallcap and Nifty Divergence**



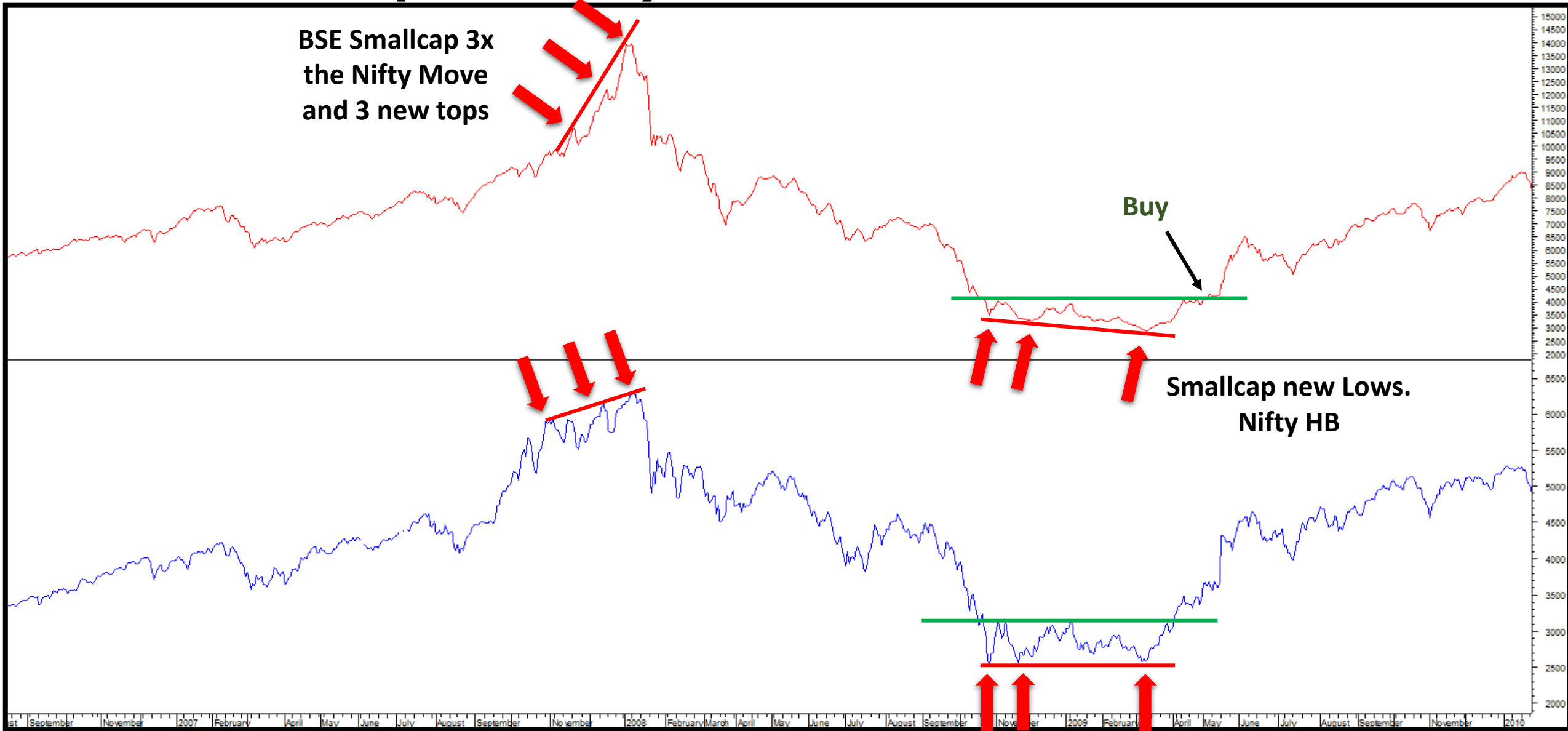
**Nifty struggling to make New Highs .  
This can last 2-3 attempts and a few  
weeks.**

# About BSE Smallcap Index

**BSE Smallcap Index** – The **Best Kachra Index** of India

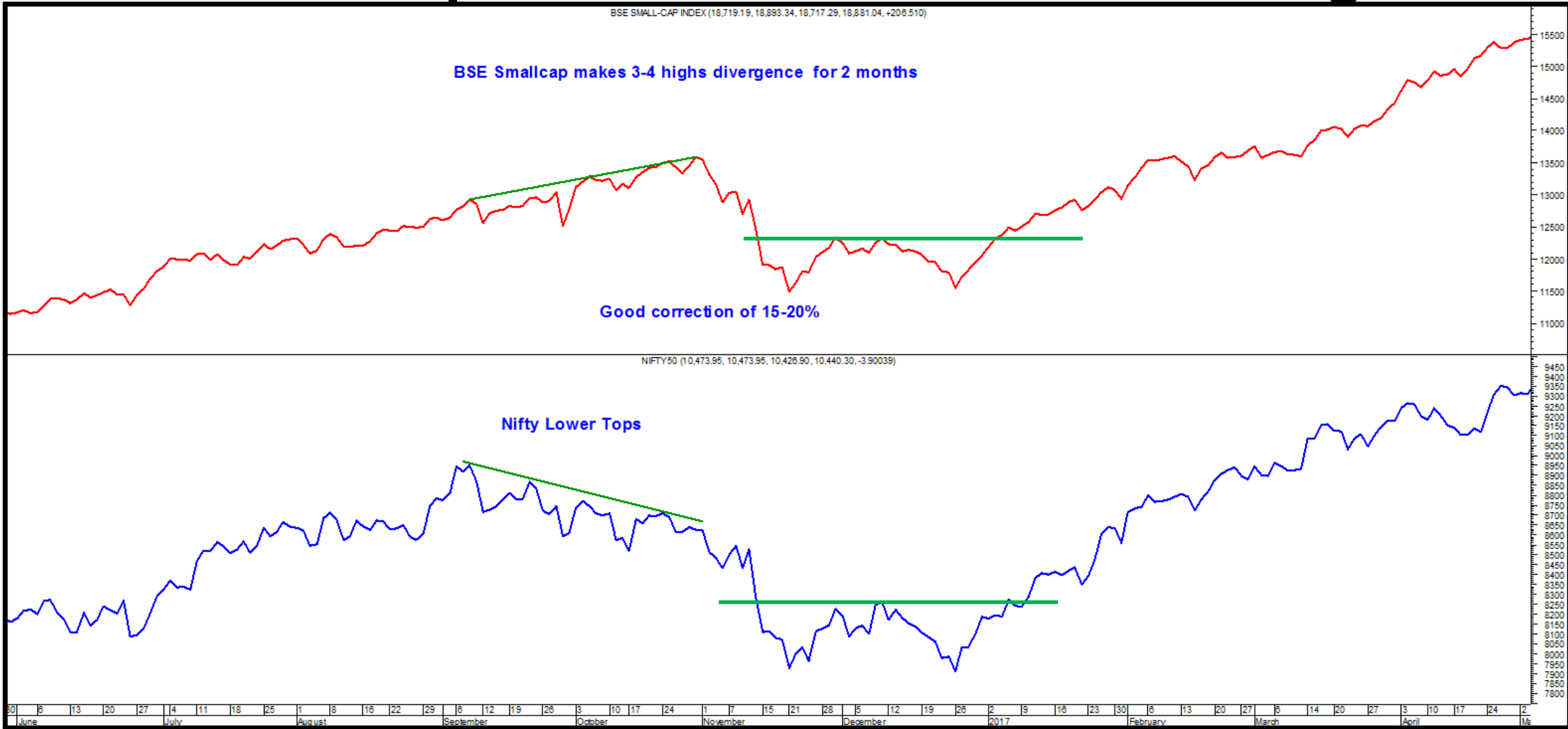
- The S&P BSE SmallCap is designed to represent the **bottom 15% of the total market cap** of the S&P BSE AllCap. The index is designed to represent the small-cap segment of India's stock market.
- The reason to look at it is because it has the lowest of the smallcaps and is not limited by no of stocks like Nifty Small 100. As of now the index has **959 Stocks !!**
- It is 50% higher compared to top of Jan 2018.
- Best Index to check for **Froth & Pessimism**

# BSE Smallcap & Nifty 2008-2009

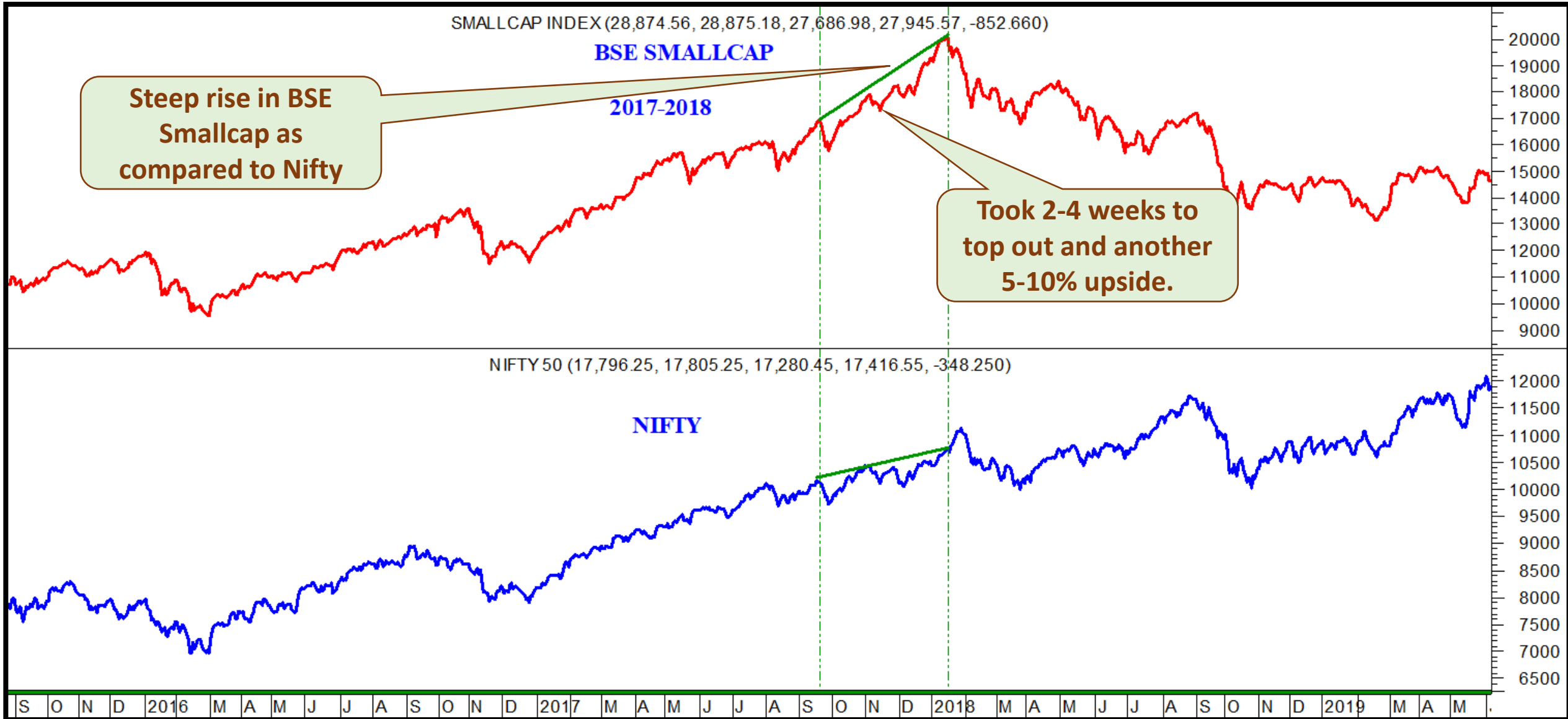




# Before Trump and Demonetization Divergence

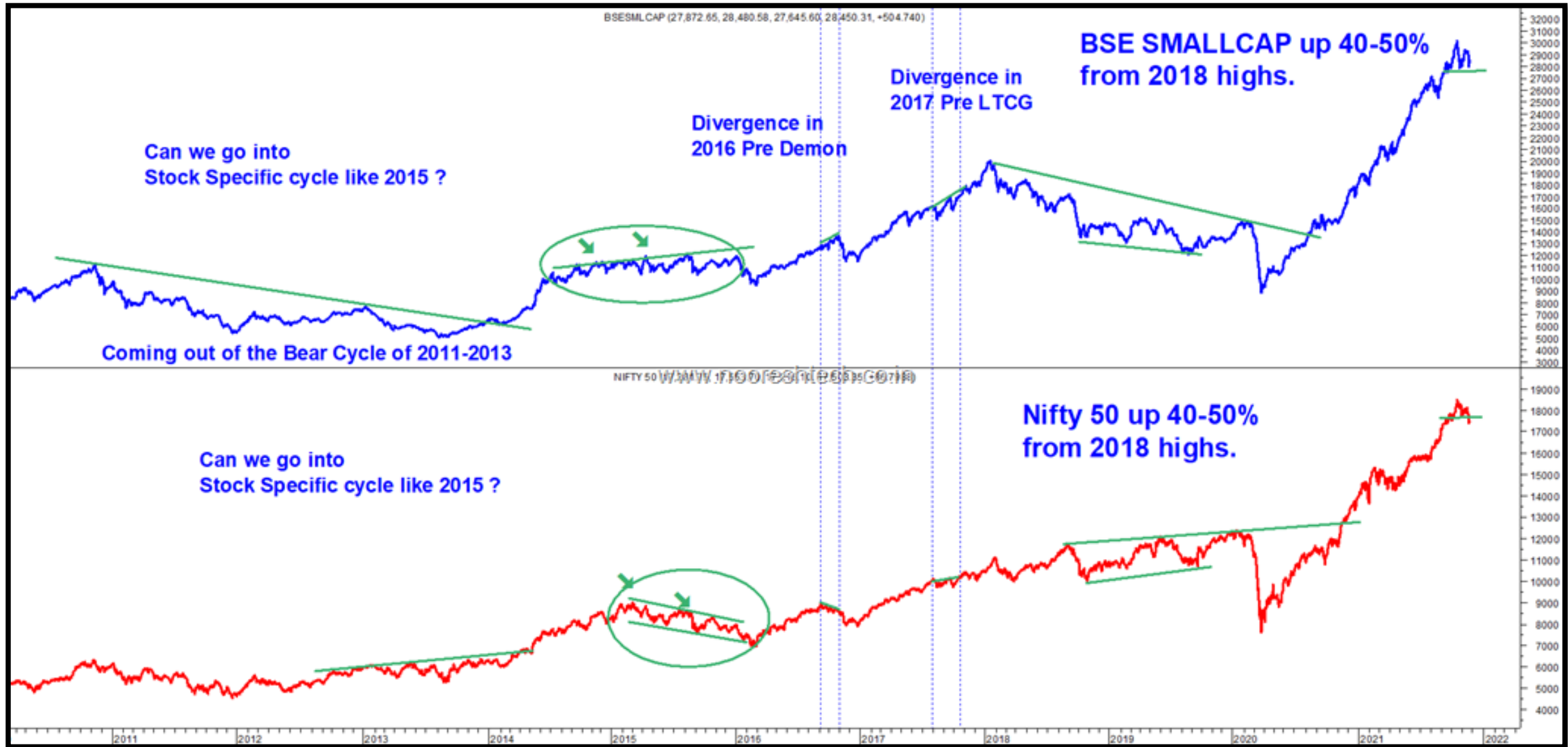


# BSE Smallcap & Nifty 2018



**Increase Cash?  
Stay Put?  
Deploy Cash on Dips ?**

# View in November 2021





## Conclusion

- Everything Going Up – Microcap, Smallcap, Midcap, LargeCaps and kachracaps seems to be over.
- It will keep getting very selective and new sectors could take leadership if we are in a similar cycle.
- One has to be extremely careful in some of the big beneficiaries of the covid related sectors – Pharma, Midcap Smallcap IT
- Another sector to be careful would be Speciality Chemicals which have had a 5 year cycle very similar to Pharma of 2010-2015. Could well top out or underperform for next couple of years.
- Simply put time to exit Speciality Chemicals is the view. It may or may not top out but no more can it be the best performer.
- The hunt for new leadership continues. It could come from sectors which have done nothing over last 10 years – Real Estate, Power, Infra etc.

<https://nooreshtech.co.in/2021/11/nifty-50-breaks-swing-lows-but-nifty-midcap-smallcap-hold-on-back-to-2015.html>

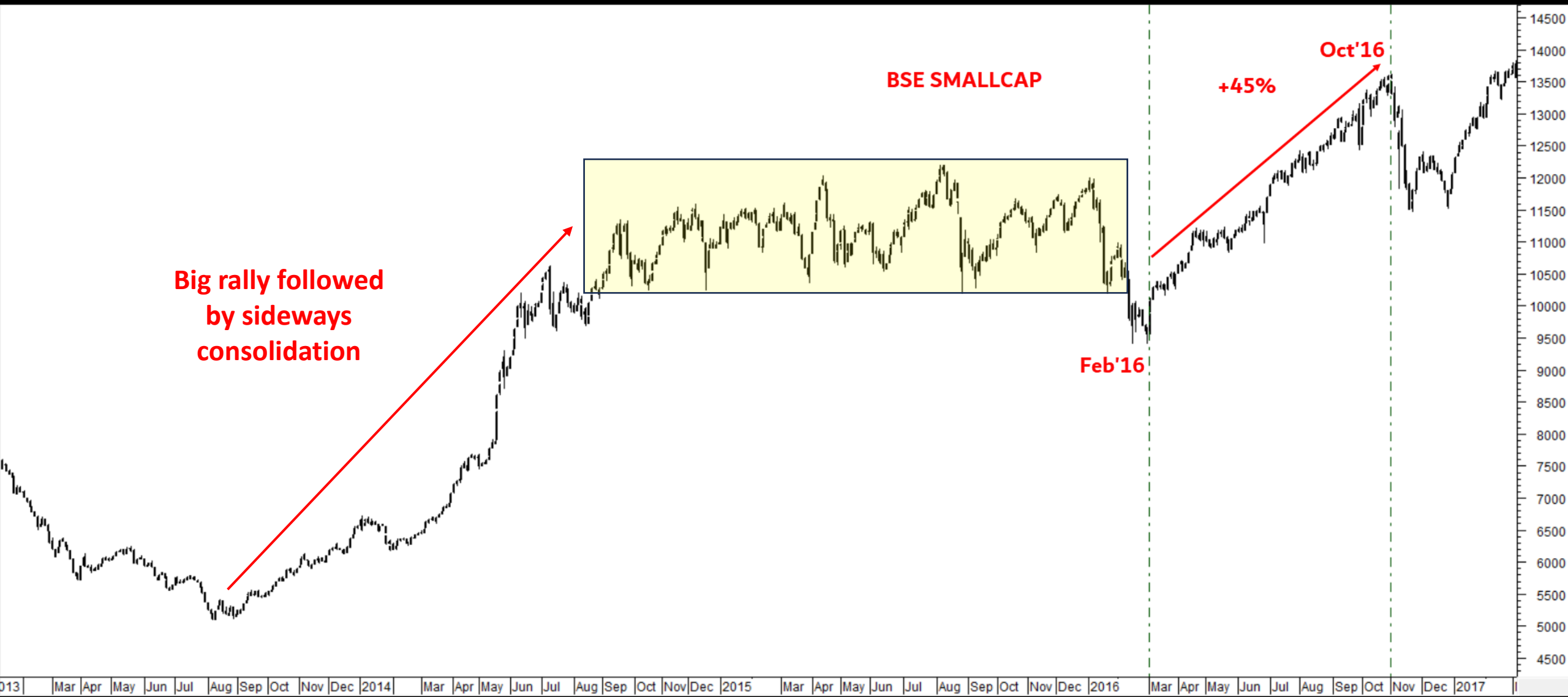
# What worked in 2021-2023

- As we see in our view in 2021 the expectation was Index could drift lower but we continued to focus on new themes/sectors/opportunities and remained fully invested.
- The end result in 2 years is Top 10 Techno Funda is up 116 % , Top 10 insider 98% , Top 10 Value up 75% and our Technical Traders Club also similar in last 2 years against a 20% up for Smallcap Index.

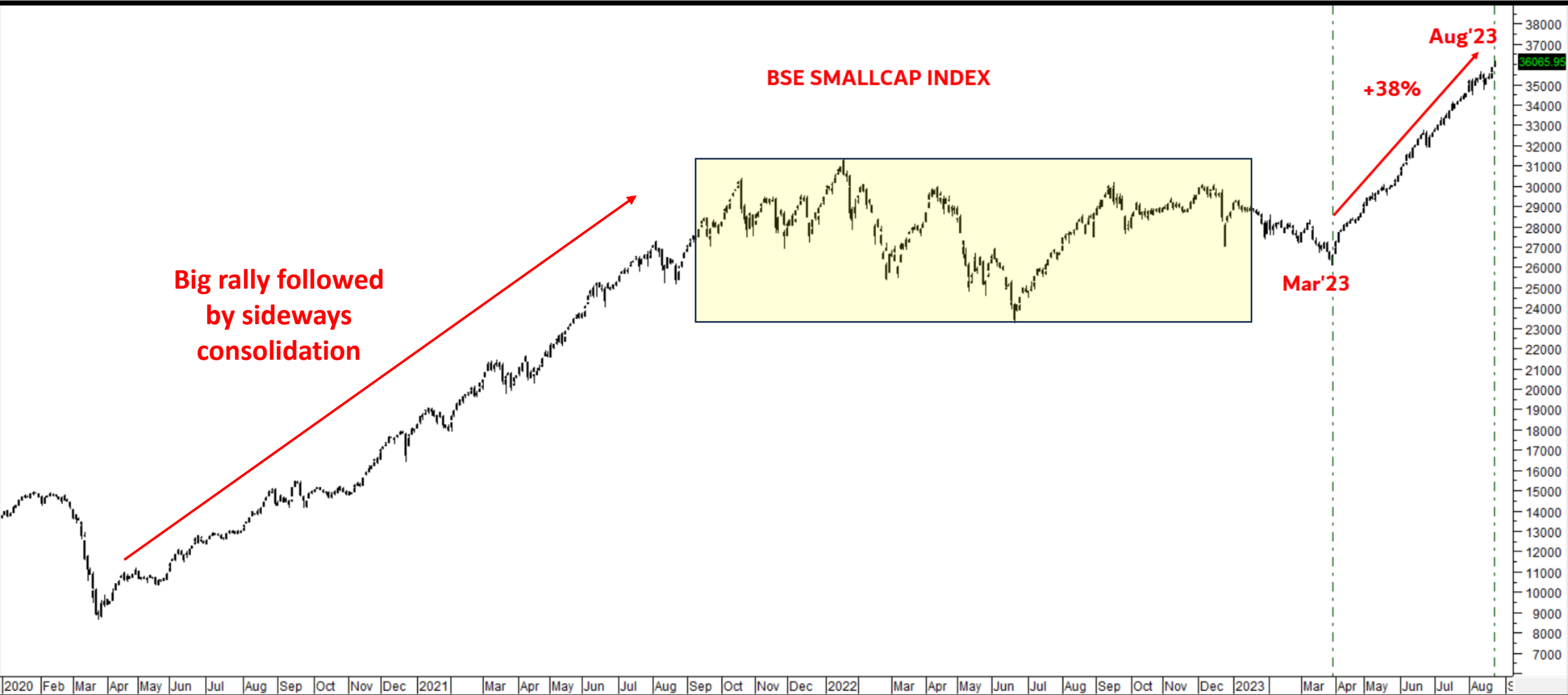
Check this post <https://nooreshtech.co.in/2023/08/smallcases-and-technical-traders-club-outperformance.html>

**So is it 2018 and 2008  
Or  
2016/2006**

# BSE Smallcap – Similarity between 2016 and 2023



# BSE Smallcap – Similarity between 2016 and 2023



# **Sleeping HeavyWeights in 2023. Trivedi in 2018-2020.**

# Nifty Sleeping HeavyWeights Problem

#Nifty - Sleeping Heavyweights Problem.

#RelianceInds - 10%

#HDFCBank - 14%

#KotakBank - 3%

#ITIndex - 13% ( #Infy - 6% )

40% of the #Nifty is now in a sideways range and still at 2021.

Broader Market looks diverging a lot more coz of them.



Back in 2018-2020 - #Nifty Trivedi Problem

#Nifty from 11171 in Jan 2018 to 12400 by Jan 2020.

#Smallcap & #Midcap Indices down 20-40%

#Heavyweights up 25-64%

Every bounce got sold in #BroaderMarkets.

Are we going to see the opposite? Buy on Dips in 2023-2025?

Think?

Ticker	24-01-2018(CLOSE)	17-01-2020(CLOSE)	PERCENTAGE DIFF
RELIANCE	966.35	1581	64%
KOTAKBANK	1080.1	1698.1	57%
ICICIBANK	352.75	532.05	51%
TCS	1587.3	2219.1	40%
HDFCBANK	978.83	1278.15	31%
INFY	592.9	767.85	30%
HDFC	1911.2	2453.95	28%

12:08 PM · Aug 24, 2023

htech.co.in

# The Bottom has also become Heavier

- The rally in 2020–2023 has been backed by earnings plus a lot more companies getting listed, SME to Mainboard.
- So the Smallcap/Nifty Ratio may peak at much higher levels like it was in 2007 rally.
- Should focus more on Smallcap Divergences and Price Action to decide.
- The divergence more stark due to Sleeping Heavyweight and Performing Smallcaps.
- Also we should be ready to see the opposite of 2018–2020. Broader Market continuing to outperform the Benchmarks slowly and steadily just like Heavies did in 2018–2020.





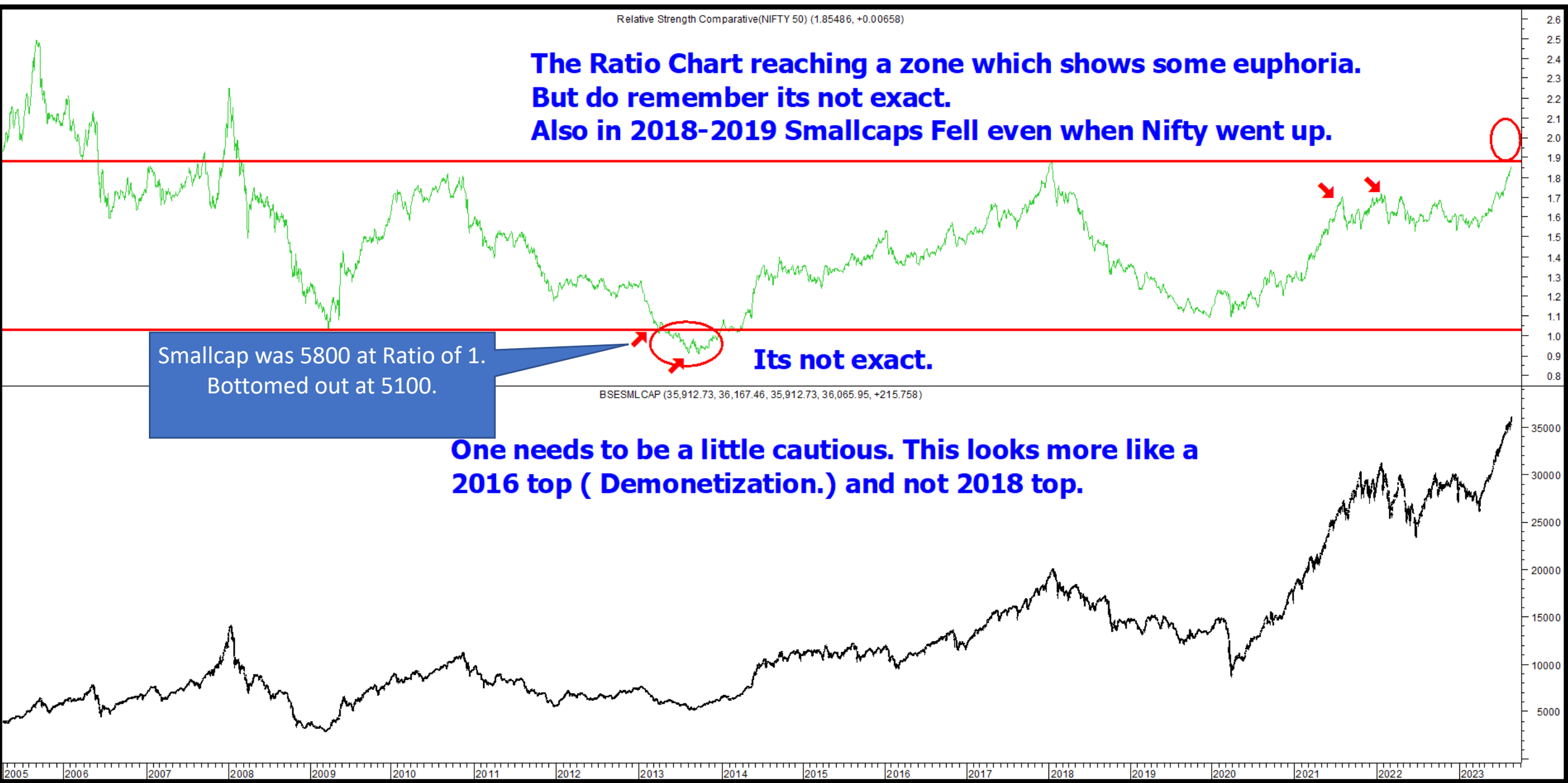
**The Ratio Chart reaching a zone which shows some euphoria.  
But do remember its not exact.  
Also in 2018-2019 Smallcaps Fell even when Nifty went up.**

Smallcap was 5800 at Ratio of 1.  
Bottomed out at 5100.

**Its not exact.**

BSESMLCAP (35,912.73, 36,167.46, 35,912.73, 36,065.95, +215.758)

**One needs to be a little cautious. This looks more like a  
2016 top ( Demonetization.) and not 2018 top.**



# Conclusion

- A short term correction is due. Could take some more 5-10% upside to get Euphoric over next 1-4 weeks.
- Can be 5-15% from peak or sideways timewise correction for few months and correct only 5-7%.
- Increase cash if invested in Fancied Sectors.
- Wait for dips to deploy fresh cash.
- Rotate to new sectors/themes/low risk/start of trend and reduce allocation to fancied stocks.
- STAY PUT is simpler 😊

**THANK YOU FOR WATCHING**