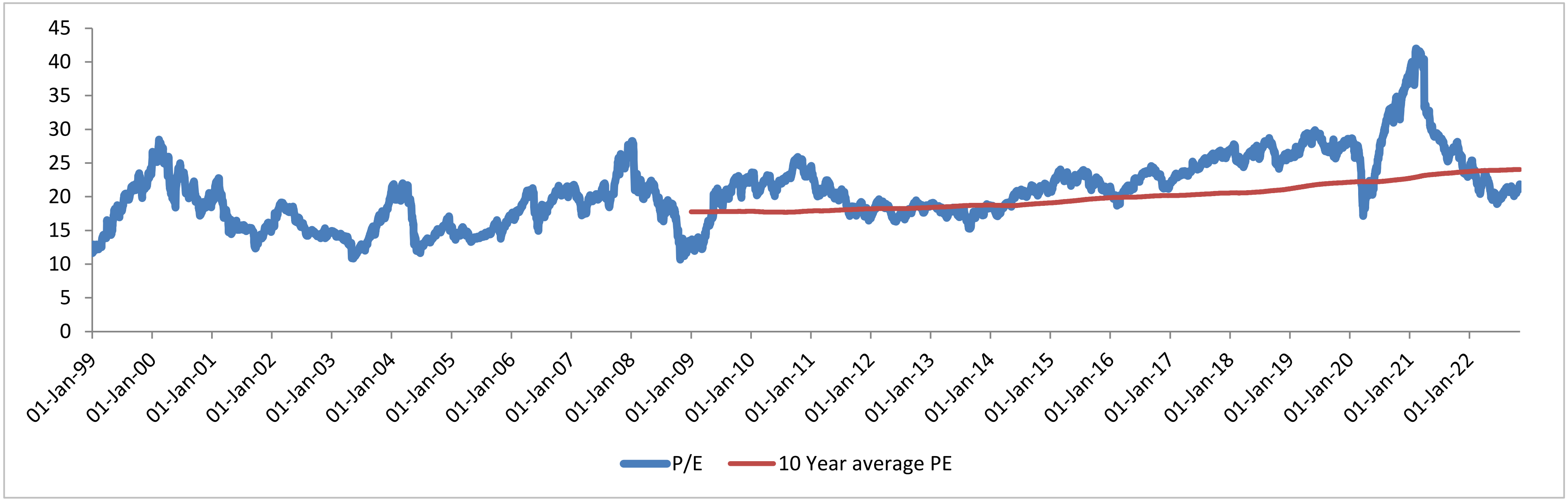
MFP Market Report Card As On 05-11-2022

Nifty Price-Earning(P/E) Ratio

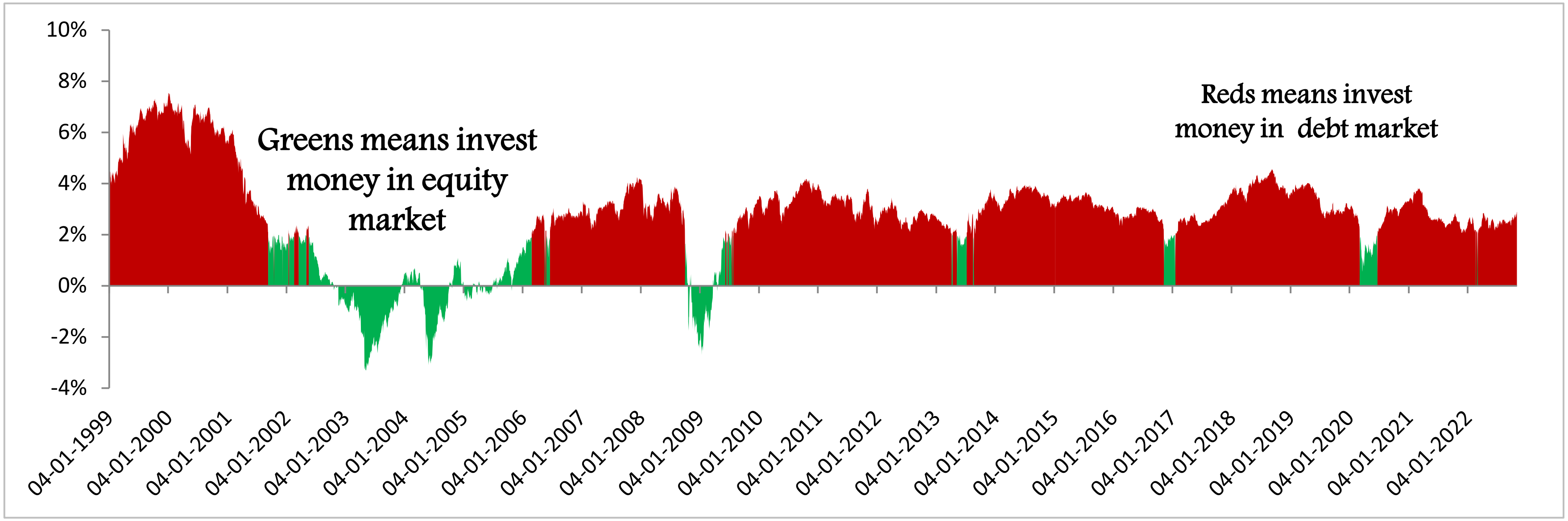


Price to earnings ratio is broadly used to identify how cheap or expensive a particular index or stock. Simply put P/E ratio implies the amount an investor is willing to pay to earn one rupee as profit. For example, if PE ratio of a company is Rs15 it means that investors are willing to pay Rs15 for one rupee profit the company earns.

Nifty PE ratio is important as it is a measure of valuation of all the companies included in Nifty. If the ratio is between 17 and 20, it is considered that the market is fairly valued. Anything above 20 indicates that the market is overpriced, and when it goes below 17, it shows the market is undervalued.

P/E ratio of the NIFTY 50 currently stands at 21.77 which is below its 10 years average but above its fair value zone.

Spread Between 10 Years G-Sec and Nifty Earnings Yield



Earnings Yield

The inverse of the P/E ratio is the earnings yield. That means if the company has an earnings yield of 4.65% then it means that the stock has a P/E ratio of 21 times.

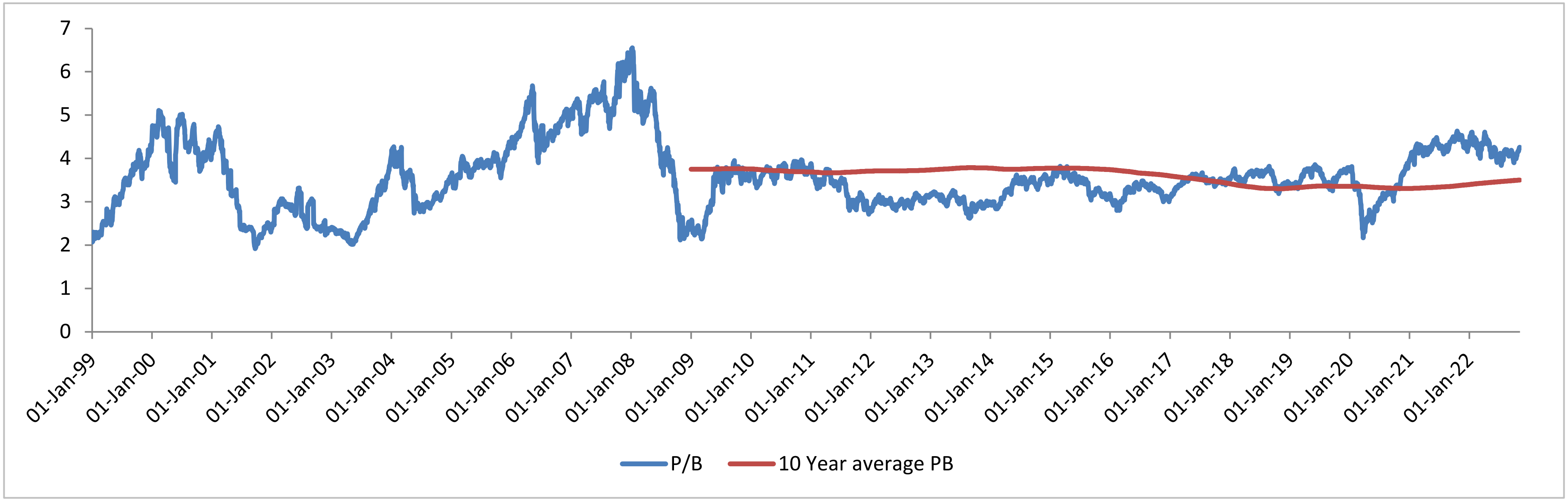
10 Year s Government Security

The 10-years G-Sec yield is the yield that the government pays to investors that purchase the 10 years government bond.
Current 10 years G-sec yield is 7.47%.

Ideally, When earnings yields are higher than the bonds yields than invest money in equity market otherwise invest money in debt market.

Recently, On 24-02-2022 & 07-3-2022 spread between 10 years govt. sec & nifty earnings yield touched equity investment zone/green zone.

Nifty Price to Book Value (P/B) Ratio



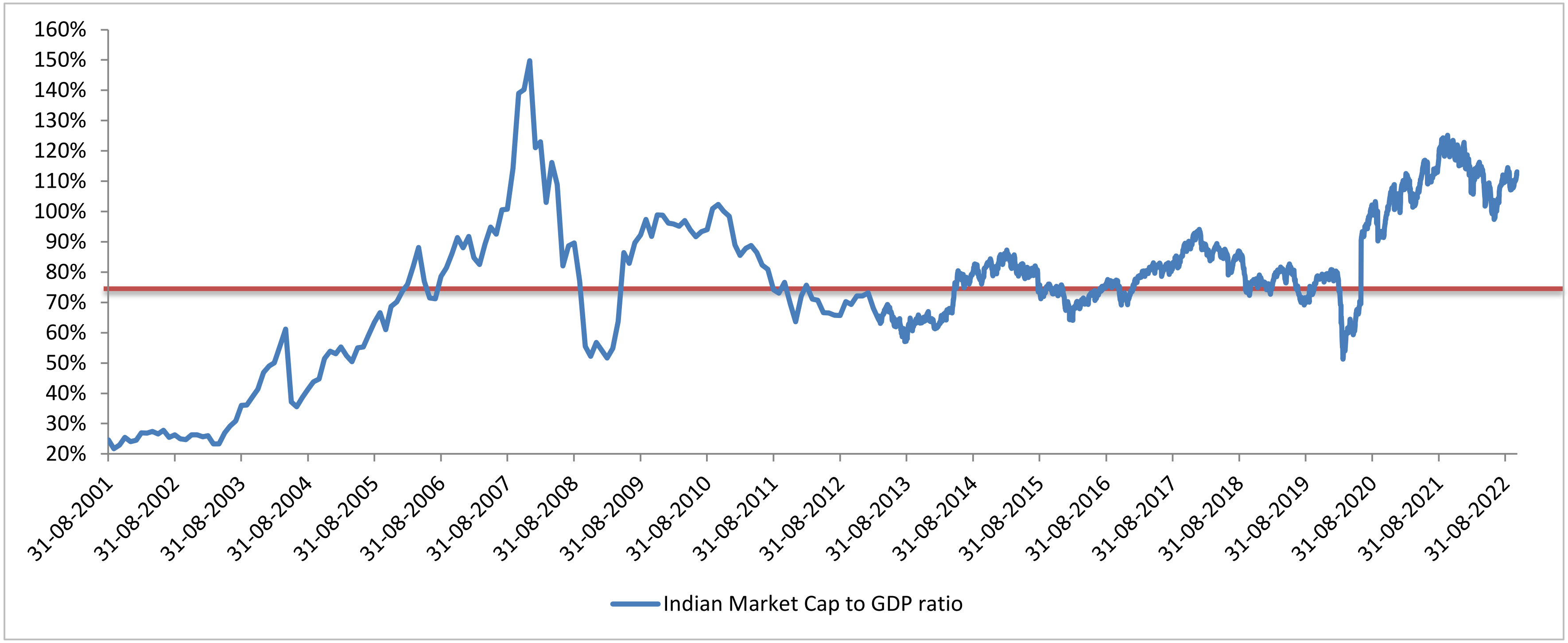
Price to Book Value (PB) ratio is the proportion of assets you own when you buy shares of a company. It is calculated by dividing a company's current market price by its book value. Book value is nothing but a company's assets minus its liabilities.

A P/B ratio of 1 means that the stock price is trading in line with the book value of the company and fairly valued. A company with a high P/B ratio could mean the stock price is overvalued, while a company with a lower P/B could be undervalued.

In addition to stocks, the P/B ratio is calculated for entire stock indexes.

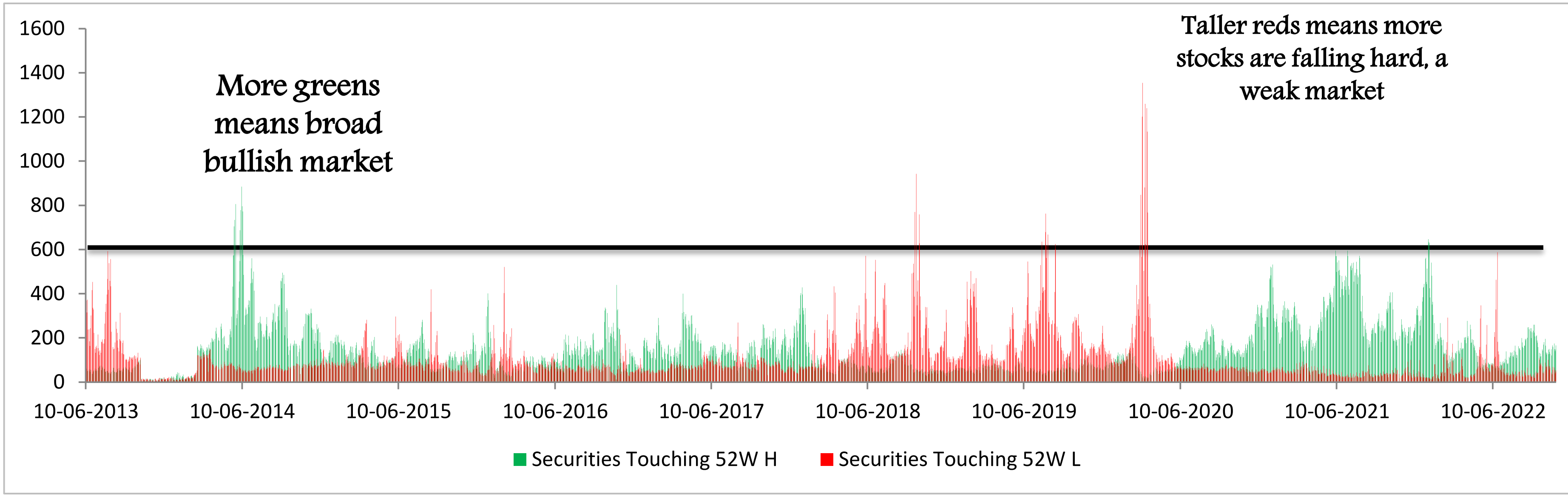
P/B ratio of the NIFTY 50 currently stands at 4.26 which is above its 10 years average and fair value zone.

Indian Market cap to GDP Ratio



The Market Cap to GDP Ratio is a measure of the total value of all publicly-traded stocks in a country, divided by that country's Gross Domestic Product (GDP). It used as a broad way of assessing whether the country's stock market is overvalued or undervalued, compared to a historical average. If the ratio is between 75% and 100%, it is considered that the market is fairly valued. Anything above 100% indicates that the market is overpriced, and when it goes below 75, it shows the market is undervalued. **India's market cap to GDP ratio as on 05-11-2022 is 113%, which indicates that the market is overvalued.**

Securities Touching 52 Week High & 52 Week Low



If more stocks hitting new 52 week high steadily as a sign of on going uptrend. If stock indices are hitting new highs with very few stocks rising, it's generally a sign of weakness. When more stocks participate in the uptrend it reflects stronger underlying risk appetite and possibly better fundamentals if supported by broad earrings growth.

The post pandemic rally has characterized by more stocks rising together.

Currently it shows that more & more stocks are touching 52week high with upward market and it appear that market made bottomed in Jun 2022.

Summary

"Markets can remain irrational longer than you can remain solvent."
-John Maynard Keynes

Valuation Indicator	Current Ratio	Ideal Ratio	Market Valuations Zone
Nifty 50 PE Ratio	21.77	17-20	Overvalued
Spread Between 10 Year G-Sec and Nifty Earning Yield	2.88%	Less than 2%	Overvalued
Nifty Price to Book Value	4.26	3-3.50	Overvalued
Market Capitalisation to GDP	113%	75%	Overvalued
Securities Touching 52 Week High & 52 Week Low	More and more companies are touching 52 week high which is a sign of on going uptrend.		
Momentum Analysis	As per MFP Momentum indicator market is in upward momentum.		

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