MOTILAL OSWAL
PRIVATE WEALTH

αLPHA STRATEGIST

"Slow But Steady"

WINNING PORTFOLIOS
POWERED BY KNOWLEDGE

December 2024 | Issue No. 144

Summary

- US economy continues to remain strong with stable GDP growth, largely contained inflation and strong labor market. However, signs of overvaluation in the US markets have emerged, with forward PE ratio exceeding 1 standard deviation above the 10-year average, the top 10 stocks nearing peak concentration levels, and the earnings yield-to-bond yield ratio dropping below 1, last seen in 2002.

- After heavy FII selling in October, net outflows slowed to $2.5 billion in November, with December MTD flows turning positive.

- India's Q2FY25 GDP growth surprised markets at 5.4%, falling short of expectations. The decline was driven by weaknesses in mining, manufacturing, electricity, and construction, while the tertiary sector remained resilient.

- Despite this, the growth remains **slow but steady**, positioning India as one of the fastest-growing major economies globally, with relatively low volatility and stable growth.

- Economic momentum is expected to recover in H2FY25, driven by a rebound in government capex post-elections, recovery in rural consumption, and on the back of festive season demand.

- RBI aims to keep balance between growth & inflation as policy rates are kept unchanged with the stance being neutral while focusing on easing liquidity by cutting CRR by 50 bps.

- With the recent market correction, large-cap valuations appear attractive. Investors can adopt a lump-sum strategy for Hybrid, Large, and Flexi-cap funds while taking a staggered approach over three months for select mid- and small-cap strategies.

- In the evolving interest rate environment, we maintain a neutral stance on duration strategies and an overweight position on accrual strategies.

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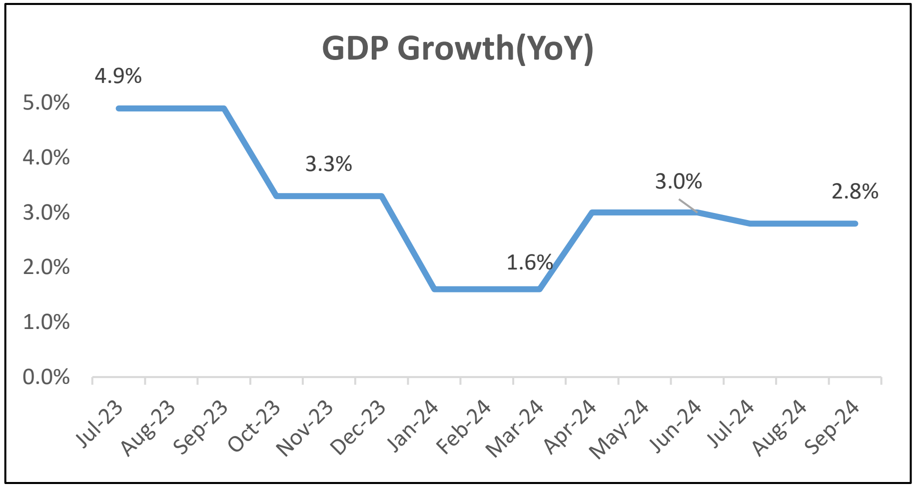
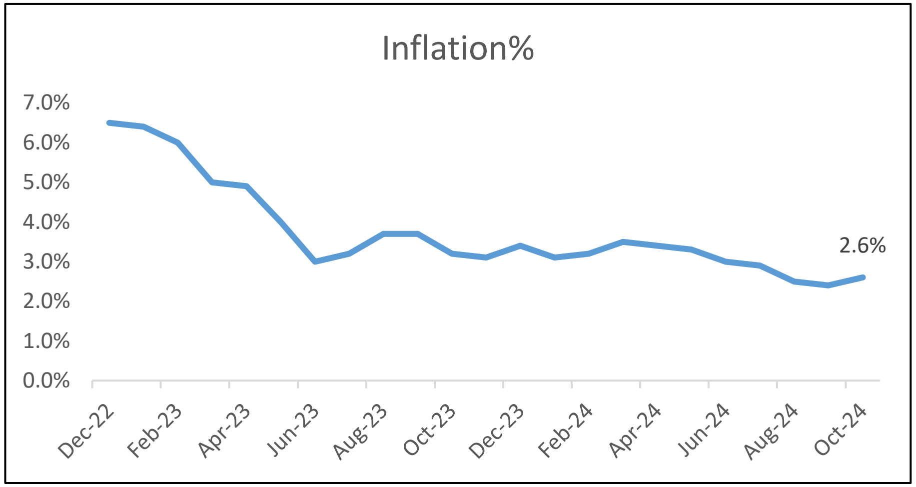
Different Asset Class Perform differently over Market Cycles

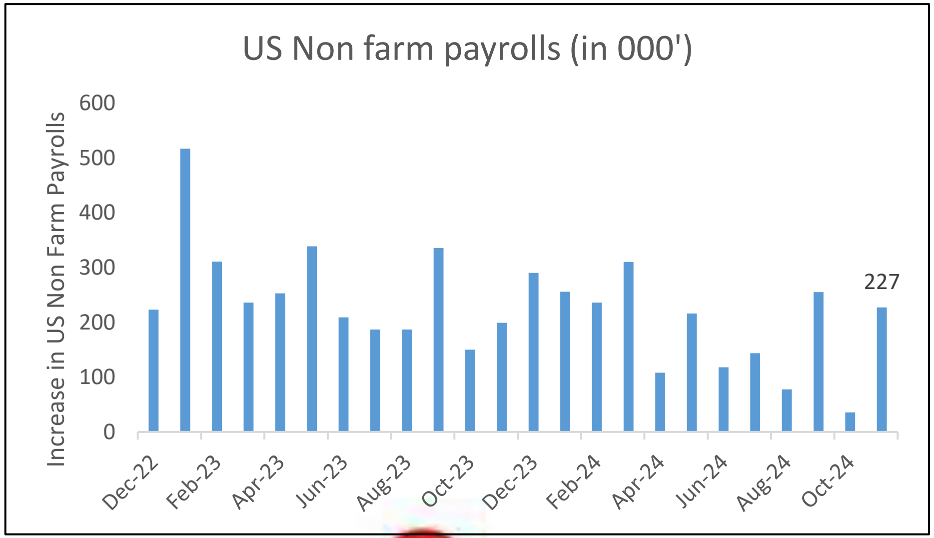
2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	1st Jan'24 to 6th Dec'24 (Abs basis)
Equity-IND 37.8%	NASDAQ 10.9%	Debt 12.9%	Equity-IND 35.9%	Gold 7.9%	NASDAQ 38.3%	NASDAQ 47.0%	Equity-IND 30.2%	Gold 13.9%	NASDAQ 46.0%	NASDAQ 33.9%
Real Estate 16.9%	Real Estate 9.7%	Equity-US 12.5%	MSCI EM 26.3%	Liquid 7.6%	Equity-US 31.9%	Gold 28.0%	Equity-US 29.1%	Liquid 5.1%	Equity-IND 25.8%	Equity-US 29.6%
NASDAQ 15.7%	Debt 8.6%	MSCI EM 11.5%	NASDAQ 20.6%	Debt 5.9%	MSCI DM 28.1%	Equity-US 19.0%	NASDAQ 23.5%	Equity-IND 3.0%	Equity-US 25.7%	MSCI DM 23.5%
Debt 14.3%	Liquid 8.2%	Gold 11.3%	MSCI DM 12.9%	Real Estate 5.1%	Gold 23.8%	MSCI EM 18.6%	MSCI DM 22.2%	Real Estate 2.8%	MSCI DM 22.3%	Gold 20.6%
Equity-US 13.6%	Equity-US 4.2%	NASDAQ 10.4%	Equity-US 12.3%	NASDAQ 5.0%	MSCI EM 18.1%	MSCI DM 16.8%	Liquid 3.6%	Debt 2.5%	Gold 15.4%	Equity-IND 20.0%
Liquid 9.2%	MSCI DM 2.1%	Real Estate 8.3%	Real Estate 7.2%	Equity-US 2.4%	Debt 10.7%	Equity-IND 16.7%	Debt 3.4%	MSCI DM -10.0%	MSCI EM 7.7%	MSCI EM 9.7%
MSCI DM 5.0%	Equity-IND -0.7%	MSCI DM 8.1%	Liquid 6.7%	MSCI DM -2.2%	Equity-IND 7.7%	Debt 12.3%	Real Estate 3.1%	Equity-US -10.7%	Debt 7.3%	Debt 9.4%
MSCI EM -2.7%	Gold -6.6%	Liquid 7.5%	Gold 5.1%	Equity-IND -3.4%	Liquid 6.9%	Liquid 4.6%	MSCI EM -2.9%	MSCI EM -13.5%	Liquid 7.1%	Liquid 7.5%
Gold -7.9%	MSCI EM -12.9%	Equity-IND 3.8%	Debt 4.7%	MSCI EM -8.9%	Real Estate 3.0%	Real Estate 2.2%	Gold -4.2%	NASDAQ -26.1%	Real Estate 2.0%	Real Estate 4.6%

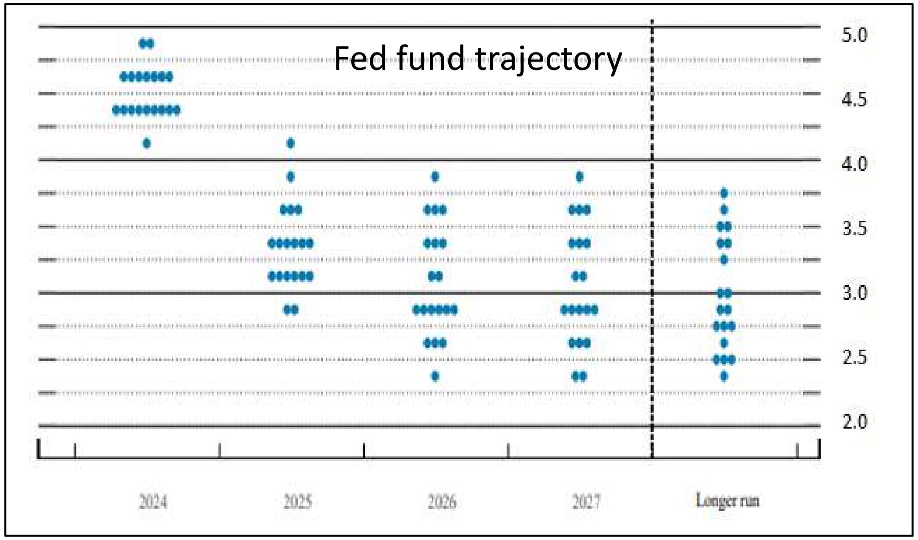
Note: Price Index values are being considered. Returns for Debt & Liquid are taken on Annualised basis, rest all are on absolute basis
Equity IND - Nifty 500, Equity US - S&P 500 INR, MSCI DM – MSCI World Index (Developed) INR, MSCI EM -MSCI Emerging Index INR, Gold - Gold INR, Debt - CRISIL Composite Bond Index, Liquid - CRISIL Liquid Index, NASDAQ - NASDAQ Composite index INR, Real Estate - RBI House Price Index (3 month returns for CY24 since data for this index is available only till end Mar'24)
Source: Investing.com, RBI, Internal research

US Economy remains Strong, Rate cut to be data Dependent









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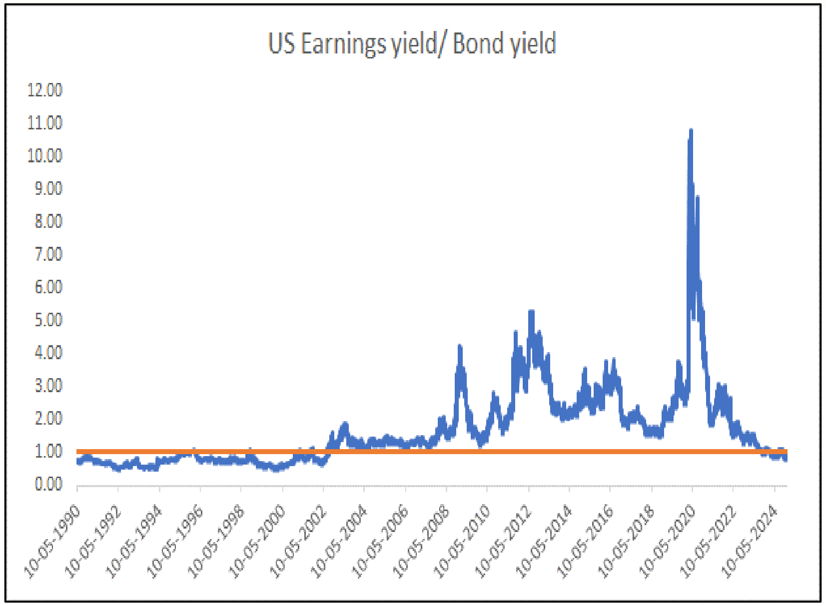
Source: CLSA, Trade economics, Macrotrends

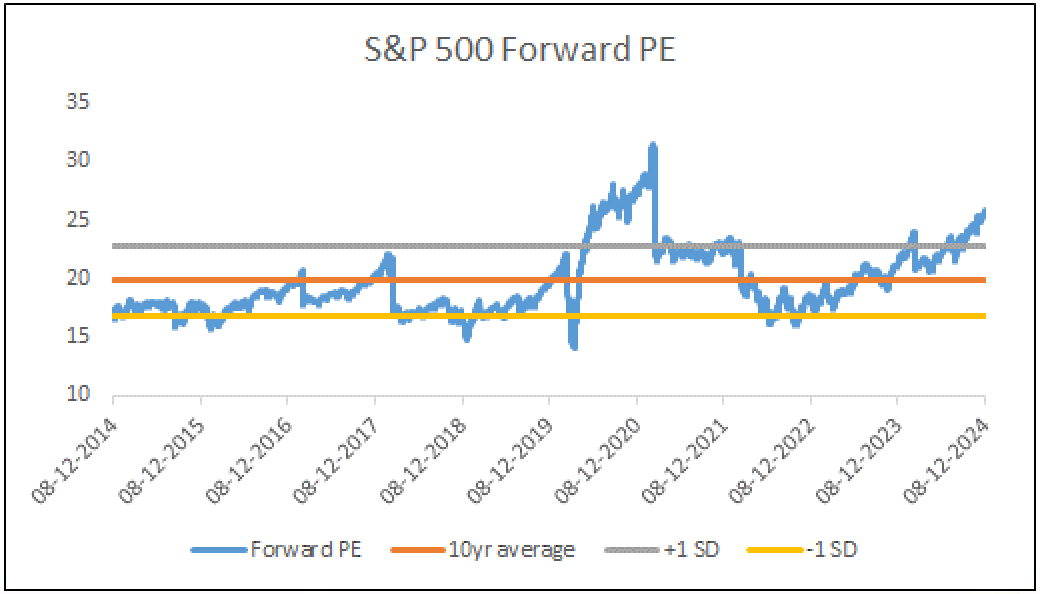
Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

US Equities Valuations are multi decadal high



Earnings yield taken based on S&P 500 earnings & bond yield taken as US 10yr G-sec yield

The US earnings yield to bond yield ratio has fallen to parity for the first time in 22 years (since May 2002)



S&P 500 Forward PE multiples are 1.8 std dev higher compared to long term average

Source: Bloomberg

Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

World Equities – Dual Concentration in US

US equity market concentration remains near its highest level in a century

Source: FactSet, Compustat, Goldman Sachs Global Investment Research. As of September 30, 2024. Universe consists of US stocks with price, shares, and revenue data listed on the NYSE, AMEX, or NASDAQ exchanges. Series prior to 1985 estimated based on data from the Kenneth French data library, sourced from CRSP, reflecting the market cap distribution of NYSE stocks.

- The share of US Market Cap to the global market cap accounts for **70%**, whereas US GDP contributes only **25-26%** to the global GDP. This dominance has led to increasingly stretched valuations compared to historical averages.

- World market cap is concentrated into US Equities and further US market cap is concentrated into top 10 stocks.

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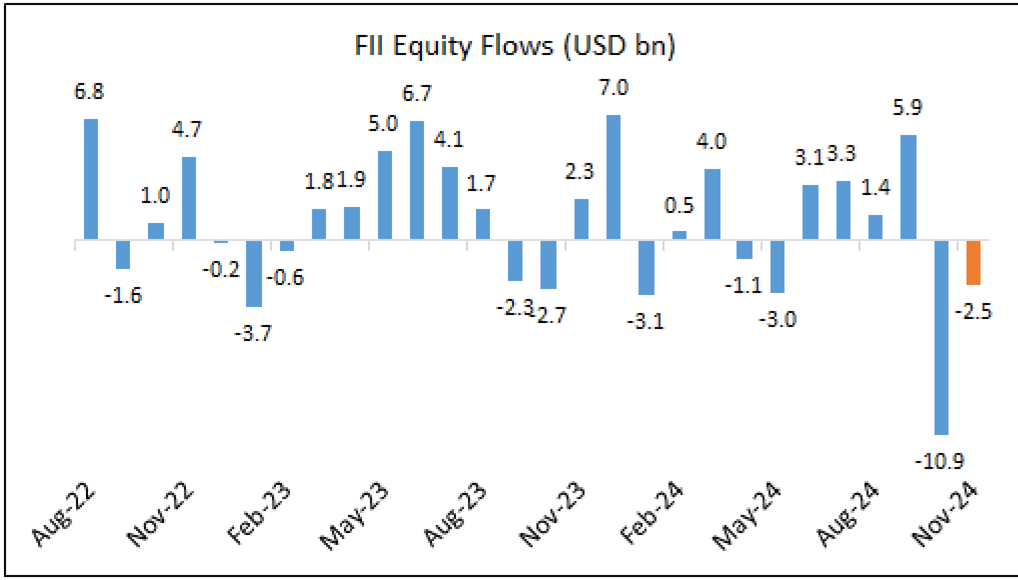
Source: CLSA

Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

India : FII Selling spree slowing down, turned Net Buyer in Dec (till 6th)

FII's selling spree continues, but the magnitude of selling has reduced



Weekly net flows

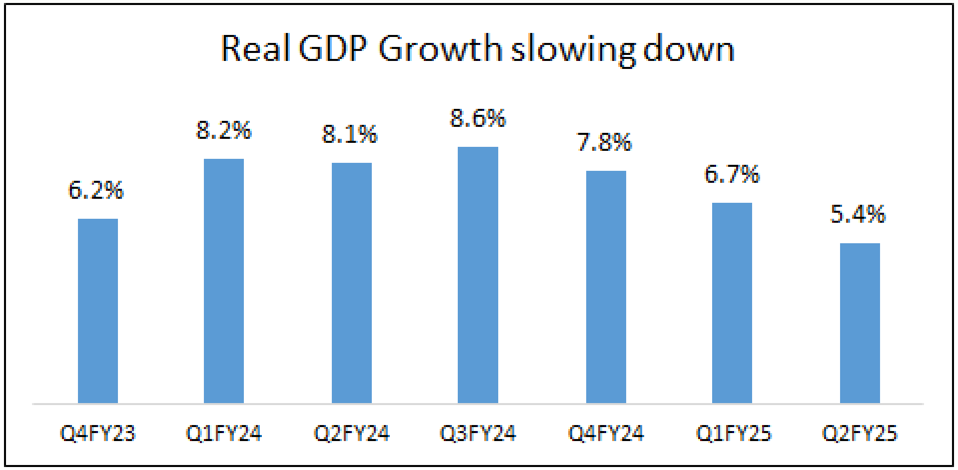
November	Net Flow (USD Bn)
1 – 7 Nov	-2.4
8 – 14 Nov	-0.2
15 – 21 Nov	-0.3
22 – 30 Nov	0.4

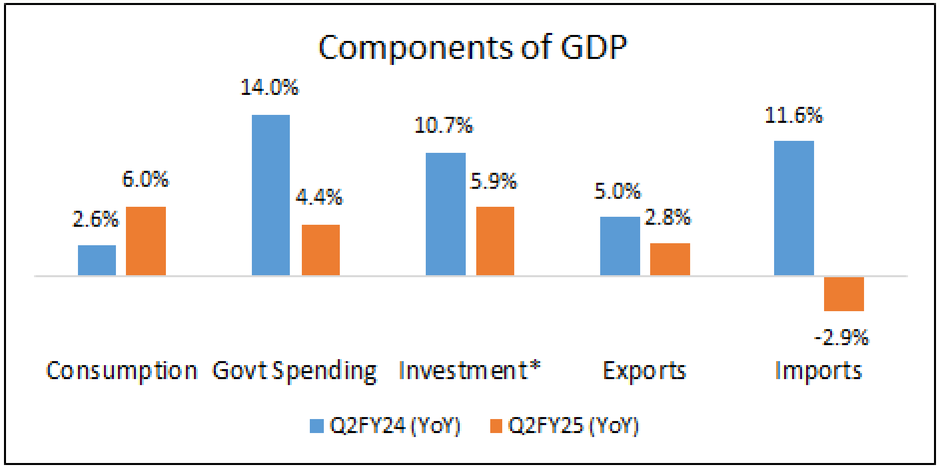
Flows update:

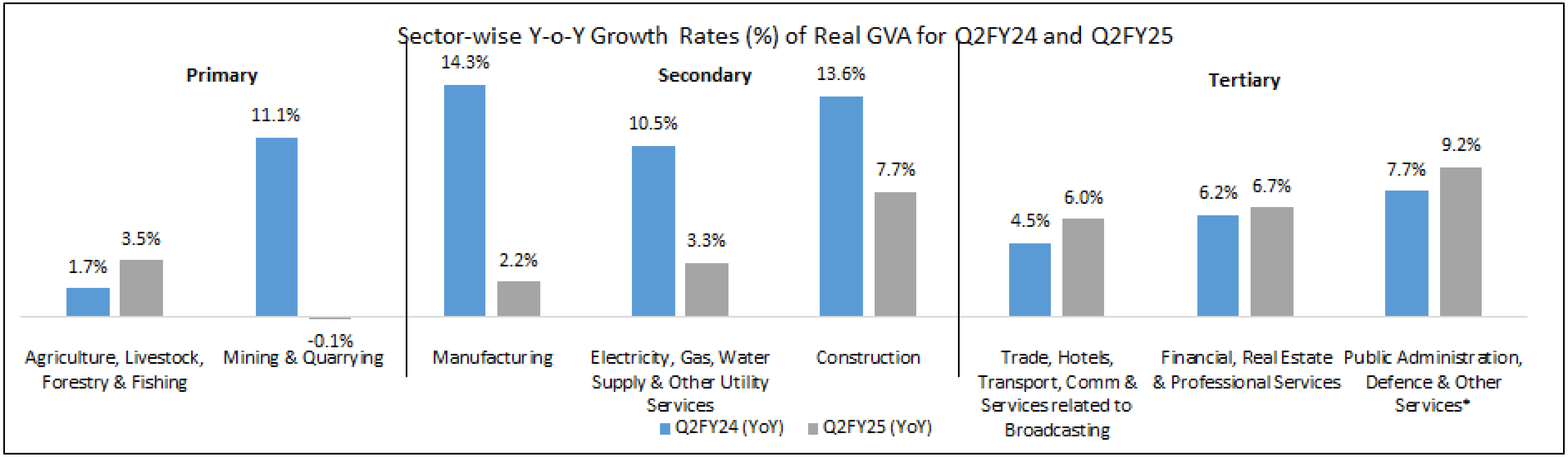
- FII turned net buyers after 38 trading sessions with an infusion of 9947 Crores, This was owing to the MSCI rebalancing and positive market sentiment due to the BJP's victory in Maharashtra. On the same day, DII were net sellers after 13 trading sessions.
- Pace of FII selling has slowed down since then.
- Dec (till 6th) has seen net FII inflow of ~2.5bn USD.

Source: Internal Research, NSE, MO Institutional Research

India : GDP growth Slowing..







The Q2FY25 GDP growth (YoY) came in at 5.4%, lowest in the last 7 quarters mainly led by lower govt spending and slower capex.

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Source: Moneycontrol, Internal Research. Mospi.gov

Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

GDP Growth vs Market returns

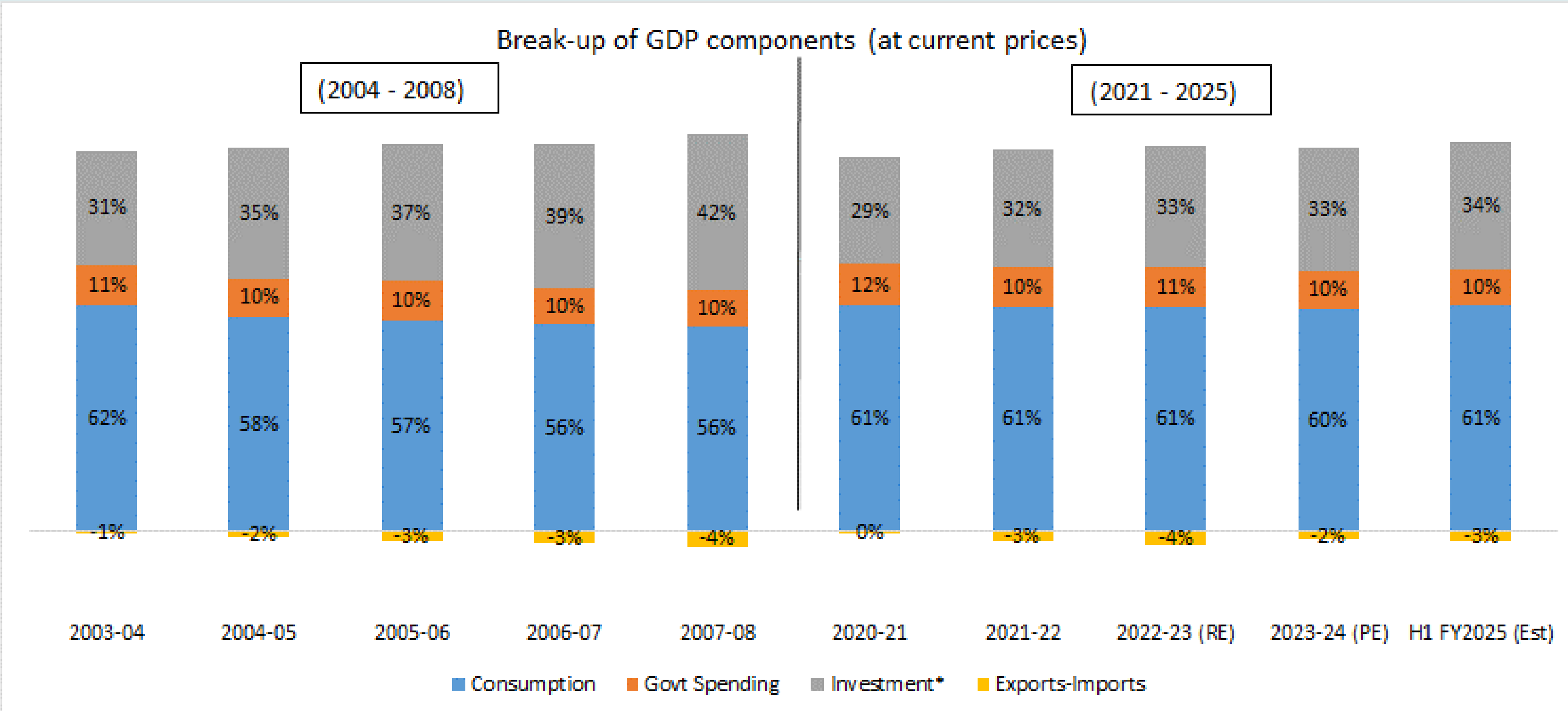
The below table compares the Nifty 50 monthly returns with respect to the release of the quarterly GDP growth rate (YoY)

GDP Data	GDP growth% YoY	Trailing 2 months return	Returns 1 months forward
Q1 2021-22	21.6	9.2%	2.9%
Q2 2021-22	9.1	-3.4%	2.2%
Q3 2021-22	5.5	-3.0%	4.0%
Q4 2021-22	4.5	-4.6%	-4.7%
Q1 2022-23	12.8	13.0%	-3.7%
Q2 2022-23	5.5	9.9%	-3.5%
Q3 2022-23	4.3	-4.3%	0.3%
Q4 2022-23	6.2	7.1%	3.7%
Q1 2023-24	8.2	0.7%	2.0%
Q2 2023-24	8.1	2.7%	7.9%
Q3 2023-24	8.6	1.3%	1.6%
Q4 2023-24	7.8	1.3%	6.8%
Q1 2024-25	6.7	5.4%	2.3%
Q2 2024-25	5.4	-6.4%	??

GDP data is lagging indicator as it is released with delay of 2 months. Market often factors in the sharp moves in the GDP growth rate most of the times before its release as corporate earnings reflect the same.

Trailing 2 months means 2 months before the GDP Data release date and 1 month forward is 1 month after the release
Source: Mospi.gov, AceMF

Comparing with earlier period of High Growth & Bull market



*Investment includes Gross Fixed Capital Formation (GFCF), Changes in Stocks (CIS) & Valuables

- As witnessed in the previous bull-cycle of 2003 to 2008, the proportion of investment as a % of GDP had increased from 31% to 42%
- While the similar trend is visible in the current cycle, the pace of growth seems to be slowing down.

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Source: Economic Survey, MOSPI

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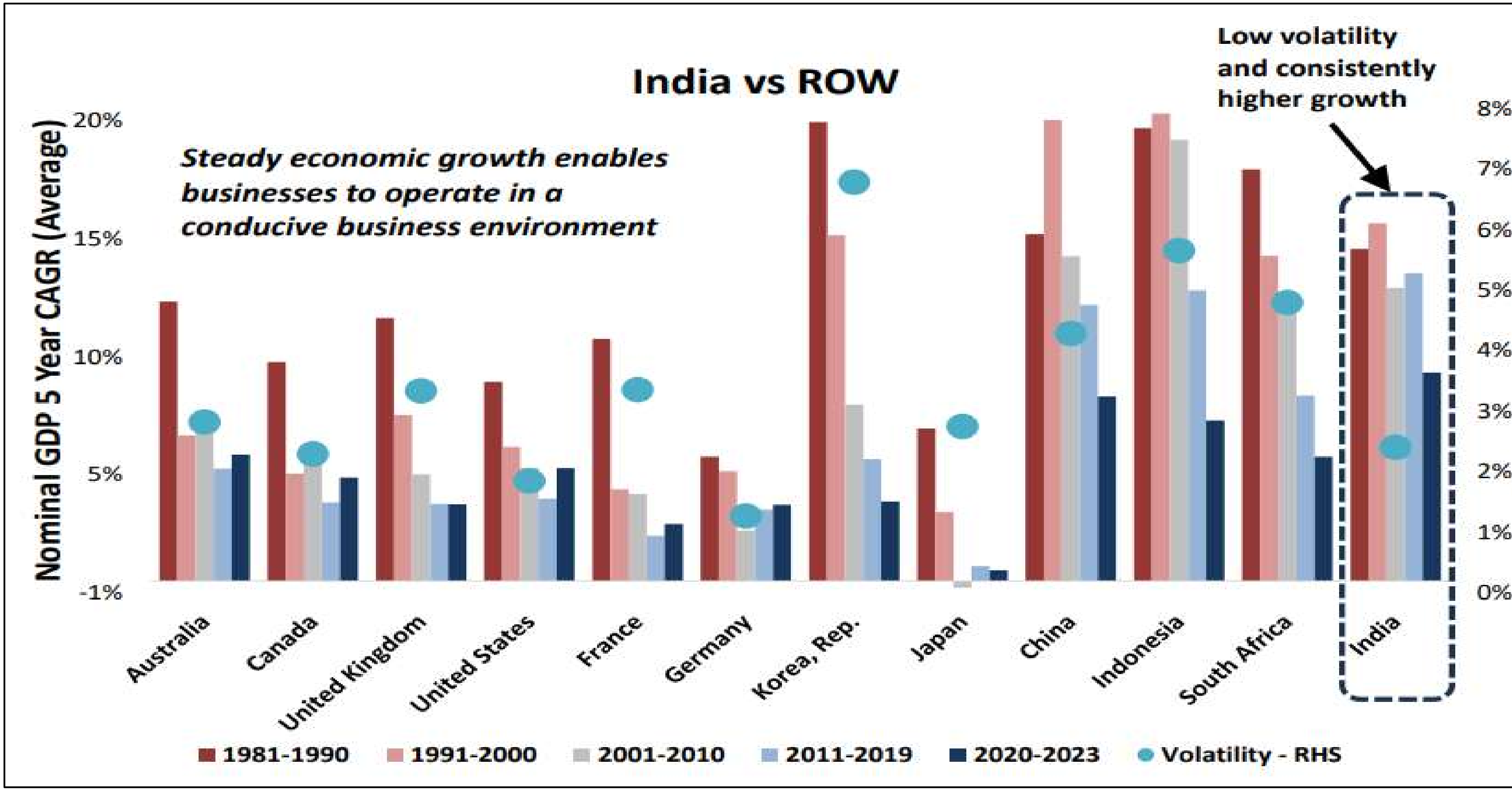
India's Growth: A Stable and Resilient Trajectory



Source: DSP Netra, Mospi.gov

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NDA win in critical states implying Political stability at Centre as well

NDA wins MH, HR

Maharashtra

Assembly Constituencies: 288

* Status of Top Five Parties

Parties	Leading/Won
BJP	132
SHS	57
NCP	41
SHSUBT	20
INC	16

Haryana

Assembly Constituencies: 90

* Status of Top Five Parties

Parties	Leading/Won
BJP	48
INC	37
IND	3
INLD	2

INDIA wins JH, J&K

Jharkhand

Assembly Constituencies: 81

* Status of Top Five Parties

Parties	Leading/Won
JMM	34
BJP	21
INC	16
RJD	4
CPI(ML)(L)	2

Jammu & Kashmir

Assembly Constituencies: 90

* Status of Top Five Parties

Parties	Leading/Won
JKN	42
BJP	29
IND	7
INC	6
JKPDP	3

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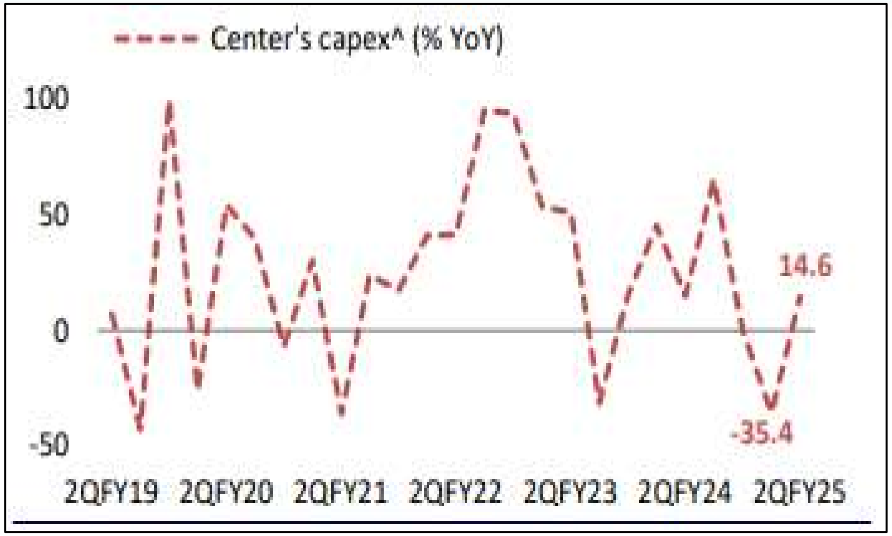
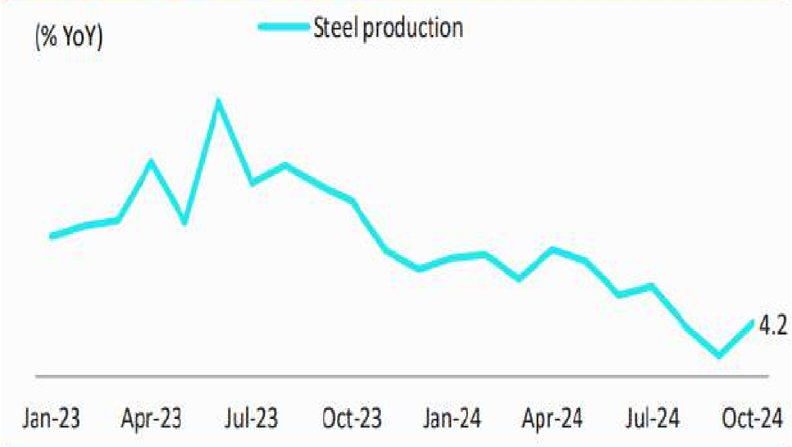
Source: ECI

Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

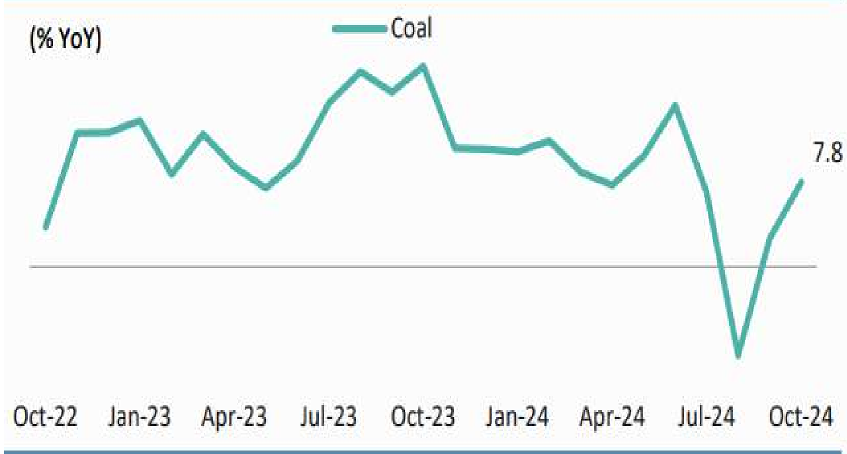
And this should lead to revival in capex and govt spending



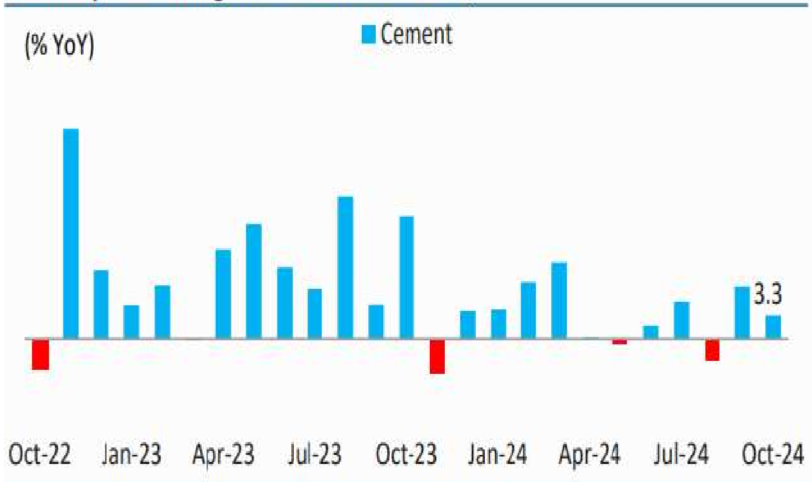
Steel production grew 4.2% in Oct'24



Coal output grew 7.8% in Oct'24



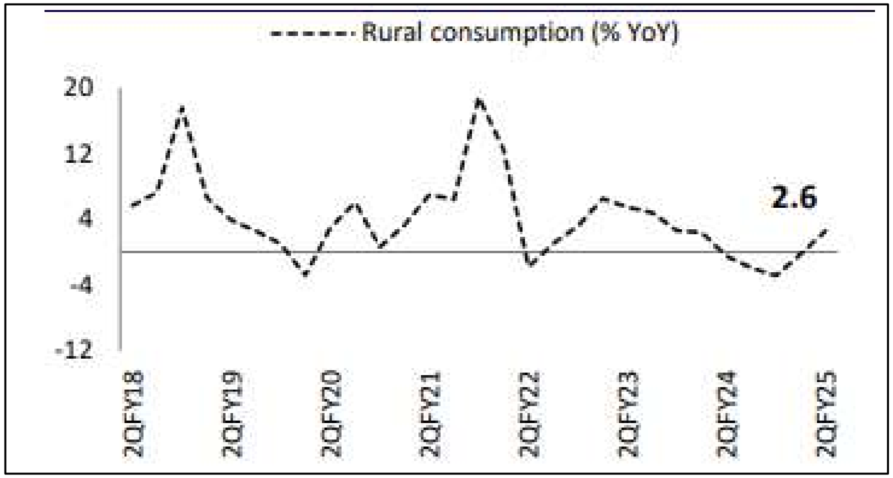
Cement production grew 3.3% YoY in Oct'24,



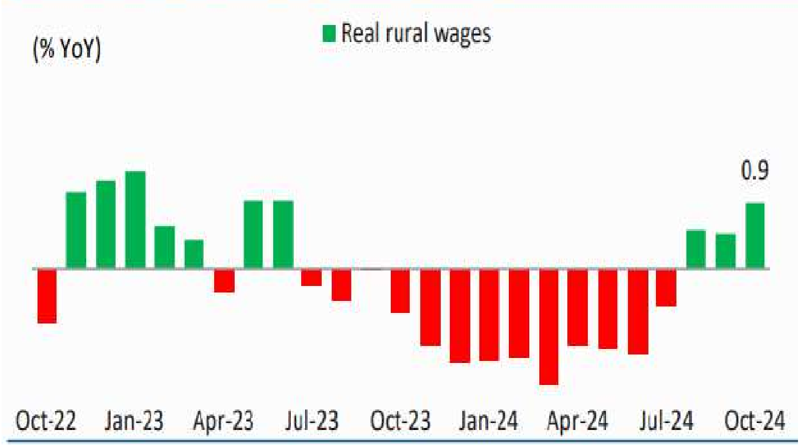
Source: Centrum, NeilsenIQ, pib.gov

Added by pick up in Rural consumption and Services growth

Rural Consumption growth at 6 month high in Q2FY25



Real rural wages expected to grow 0.9% in Oct'24



Deflated by CPI for rural workers

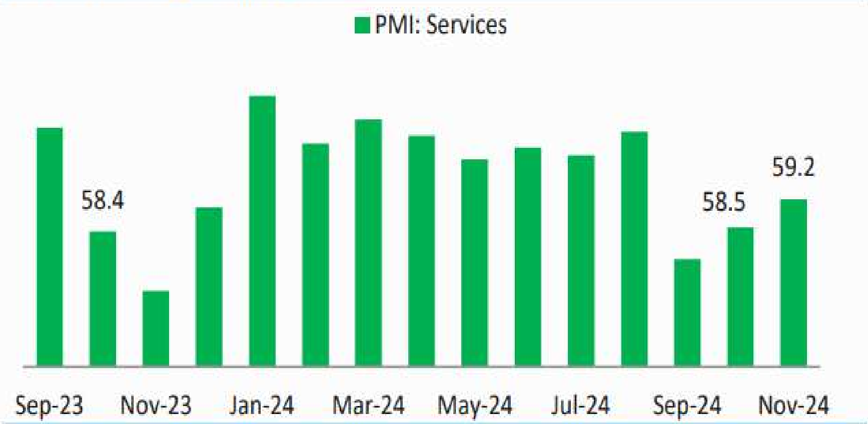
Oct'24 is our estimate

Q2 commentary – FMCG companies

Mohit Malhotra (CEO – Dabur): "As far as rural is concerned, rural remains resilient, and we see secondary growth in rural higher than urban by around 130 bps for us"

Varun Berry (MD- Britannia): "rural is coming back slowly. So as rural starts to come back to the kind of double-digit growth that we were seeing in the past, I think we should be in a good place"

PMI services at 59.2 in Nov'24



Reading of <50 indicates contraction (Red) and >50 indicates expansion (Green)

Source: MOSL Research, Centrum, NeilsenIQ, pib.gov

Earnings needs to deliver as Valuation has little room to inch higher

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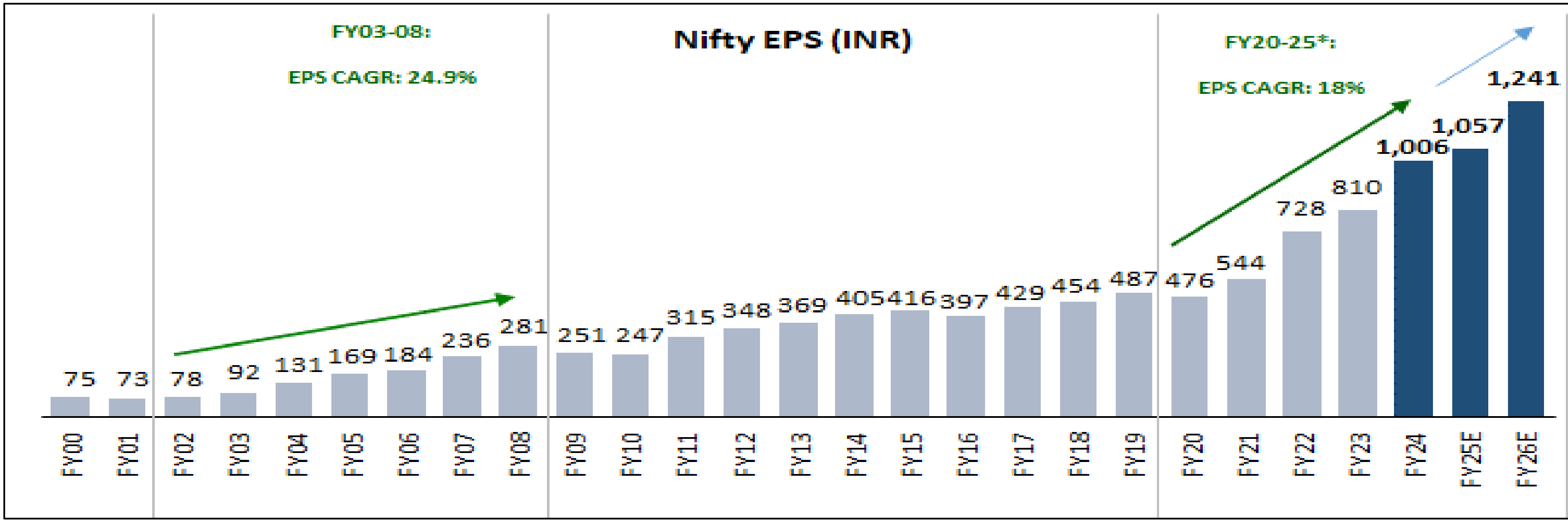
Current cycle is exhibiting strong double digit earnings growth, exhibiting high resemblance to the 2003-08 bull market



FY 02- FY 08

	FY02	FY08	X times
EPS	78	281	3.6x
PE	14	17	1.2x
Price	1130	4735	4.2x

Returns in this period was driven largely by strong Earnings growth

FY20 - FY25 till Now

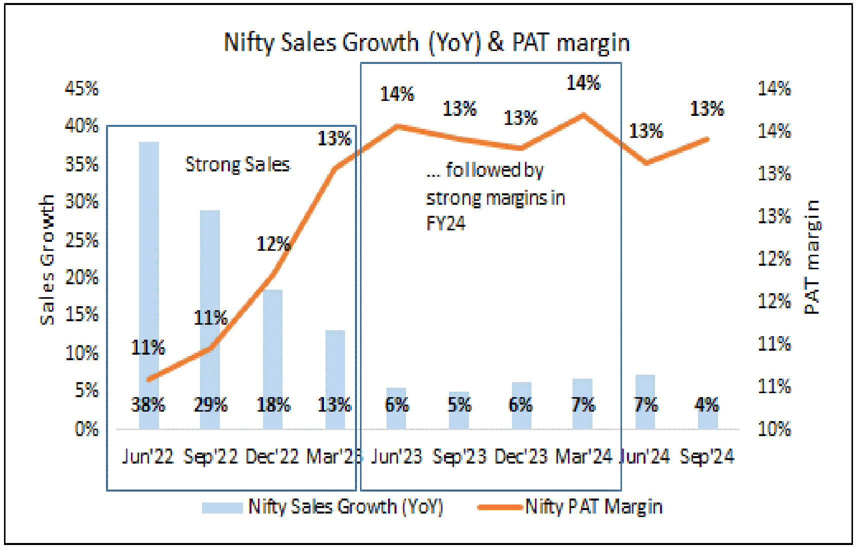
	FY20	FY25*	X times
EPS	476	1032	2.2x
PE	18	24	1.3x
Price	8598	24600	2.9x

Valuation has already risen to the same extent as in 02-08. Earning needs to rise for market upmove.

*FY25 data is as on 6th Dec

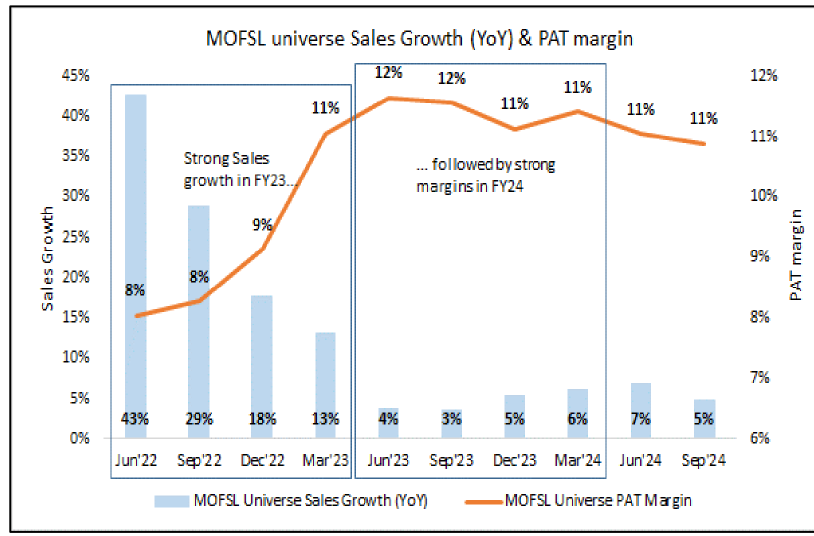
Source: MOAMC, internal research, Ace MF

With Margin almost peaking, time to focus on Topline



- While strong sales growth in Nifty 50 companies drove the performance in FY23, strong margins contributed in FY24

- Similar story also played out for companies under MOFSL universe.



<u>With margin almost at the higher end of historical range, Revenue growth needs to pick up for higher earning growth</u>

Source: MOFSL

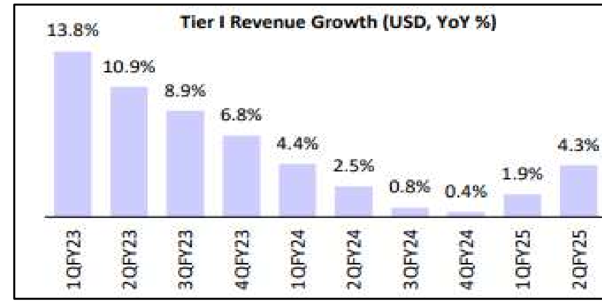
Sectoral Overview

Positive

➢ **Technology: IT services post robust 2Q, but guarded outlook signals gradual recovery**

- The demand environment remained relatively stable vs. the previous quarter. 2Q results were encouraging.
- We anticipate a gradual recovery in modernization and discretionary spending in areas such as US Banking, Healthcare, and Data/ERP modernization as clients shift focus from cost-cutting to high-priority initiatives aimed at reducing technological debt.

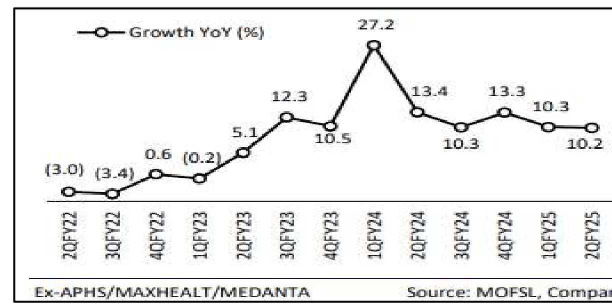
IT: Revenue picking up



➢ **Healthcare: In-line 2Q; robust mid-teens YoY growth in EBITDA**

- Improved profitability driven by steady growth in chronic therapies and high inventory levels benefitting formulators.
- Improved segmental mix, increased niche launches, better traction in existing products, and lower price erosion in the base portfolio resulted in healthy YoY growth in US generics for the quarter.

Healthcare: Robust US sales



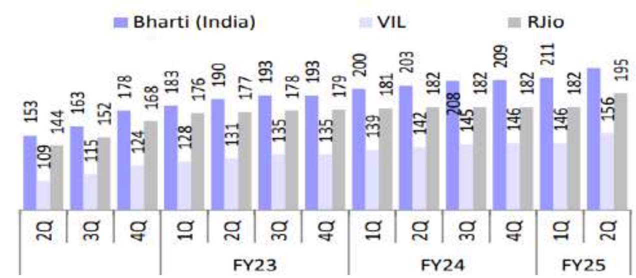
➢ **Banks: Deposit growth surpasses credit growth**

- The banking sector reported a soft quarter amid moderation in margins and a rise in provisioning expenses, mainly for private banks.
- Deposit growth surpassed credit growth, improving the LDR(Loan/Deposit ratio) for some banks
- Public Sector Banks: Earnings momentum steady; asset quality continues to improve.

Source: MOAMC, internal research

Positive

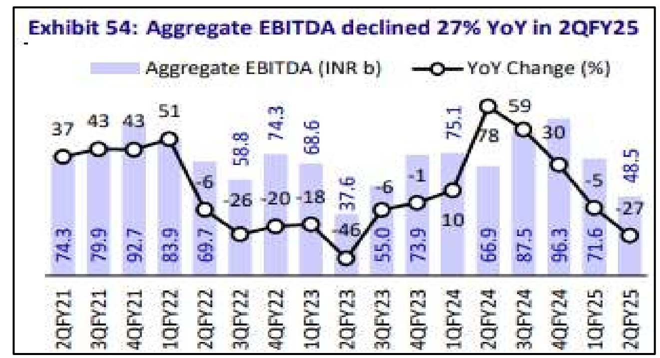
Bharti continues to lead with higher ARPU Growth



- **Telecom: Strong quarter on partial benefits of tariff hike flow-through**
  - 2QFY25 was a strong quarter for telcos, with 8% QoQ growth (17% YoY, inline) in wireless revenue for the three private telcos led by tariff hikes.
  - However, due to SIM consolidation subscribers for private telcos declined by ~21m which is expected to moderate over next few months

Negative

Cement: EBITDA declining



- **Cement: Muted volume growth and price drop dent margins**
  - Cement demand in 2QFY25 was hit by intense monsoons across the country and lower government spending.
  - Most of the management teams guided an industry demand growth of ~6-7% YoY in FY25E, with demand growth of ~8-9% YoY in 2HFY25 owing to pent-up demand, improving construction activities and infrastructure projects

- **Autos: Demand moderation drives earnings cuts**
  - Auto OEMs reported ~9% YoY volume growth for the quarter, driven entirely by 2W and 3W segments, which grew around 13% and 7% YoY, respectively.
  - PV volumes declined ~2% YoY, CV volumes declined 11% YoY, due to challenges in Europe and China, impacting OEMs like JLR and ancillaries . Rising freight and energy costs are expected to pressure margins further.

Source: NSE, Ace MF, internal research

Negative

➢ Consumption: Urban slowdown a disappointment

- Volumes were marginally hit in 2QFY25 due to several factors, including subdued macroeconomic conditions, inventory corrections by select companies to improve systemic health, and adverse weather conditions such as floods and heavy rains.
- The growth in e-commerce (primarily quick commerce) and modern trade continues to outpace general trade. FMCG companies will see subdued volume growth in the near term

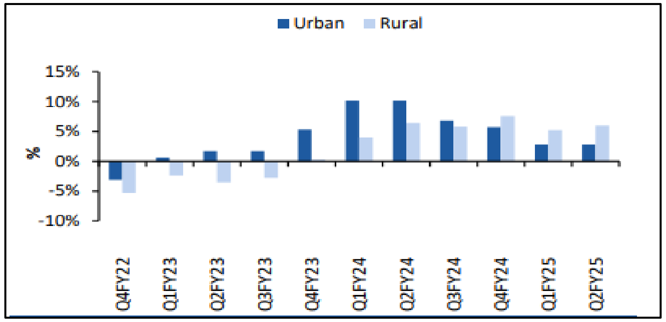
➢ Metals: Volume remain subdued across the board

- ASPs of ferrous metals plunged sequentially, mainly due to increased imports
- Aggregate revenue for non-ferrous companies rose 10% YoY, fueled by favorable pricing
- Coking coal costs are expected to moderate in the period ahead benefiting the margins of the companies however volumes will be a concern

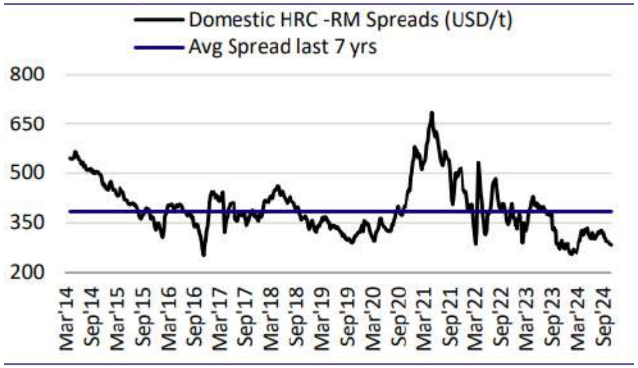
➢ Oil & Gas: Refining dents OMC performance

- Brent crude oil price averaged USD74.5/bbl in Nov'24 (vs. USD75.6/bbl in Oct'24). Oil prices remained flat MoM as demand weakness was balanced by geopolitical fears.
- Revenue for the sector disappointed as it grew by only 0.6%, (a 8% miss from estimates, the outlook ahead for the refining business is weak.

Consumption: Urban slowing down



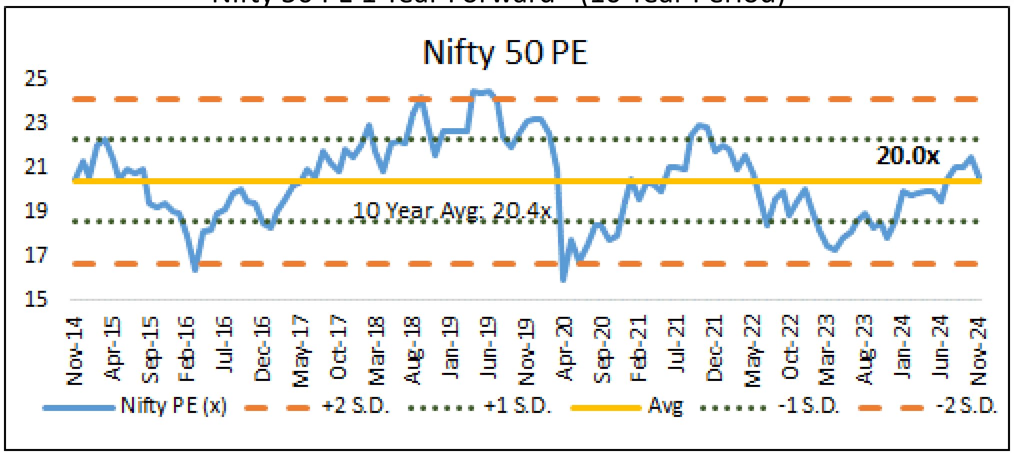
Metals: Domestic spot steel spreads (USD/t) contracted & currently below the LTA



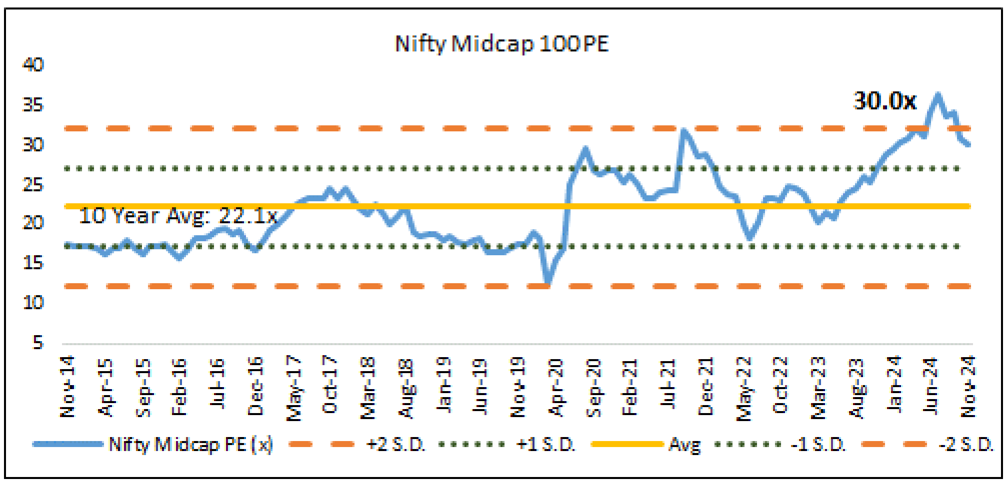
Source: MOAMC, internal research

Market Indices Valuations

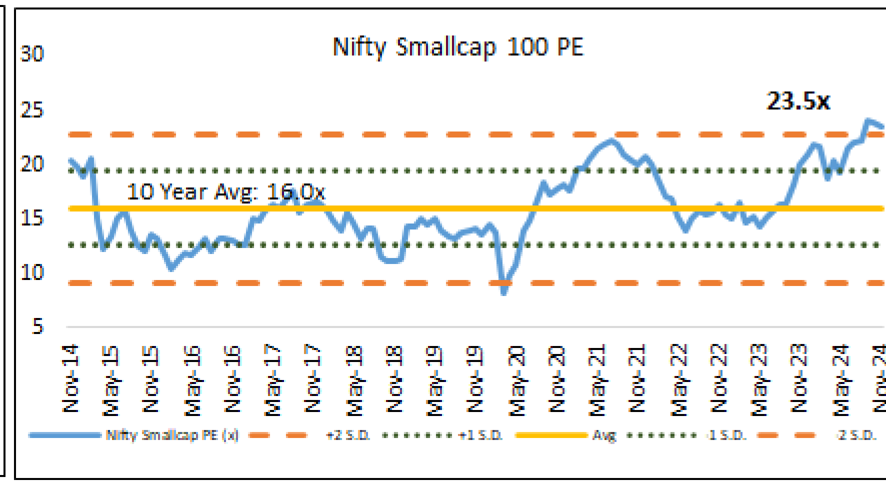
Nifty 50 PE 1 Year Forward - (10 Year Period)



Nifty Midcap 100 PE 1 Year Forward - (10 Year Period)



Nifty Smallcap 100 PE 1 Year Forward - (10 Year Period)



- Nifty Midcap forward PE & Nifty Smallcap forward PE are trading significantly higher & higher respectively compared to their respective long-term average.

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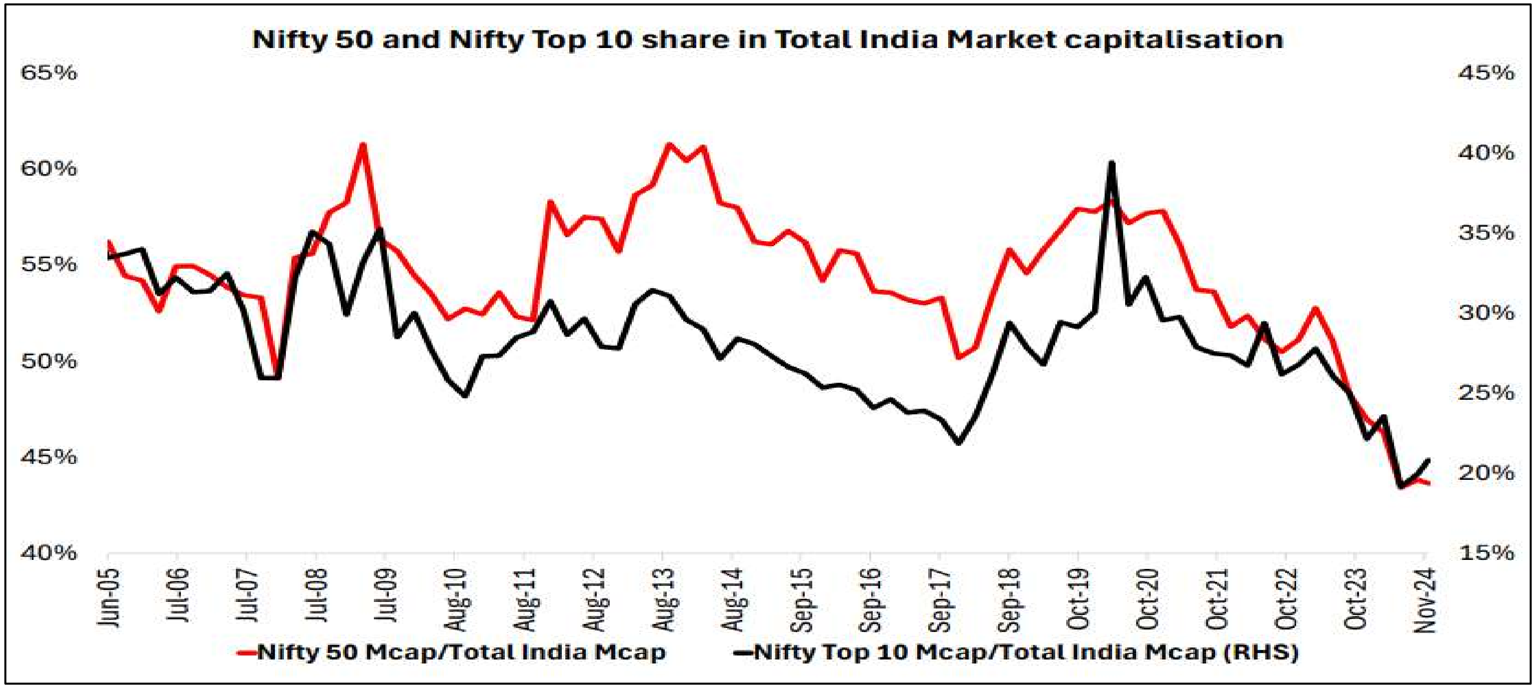
Source: Bloomberg, MOSL

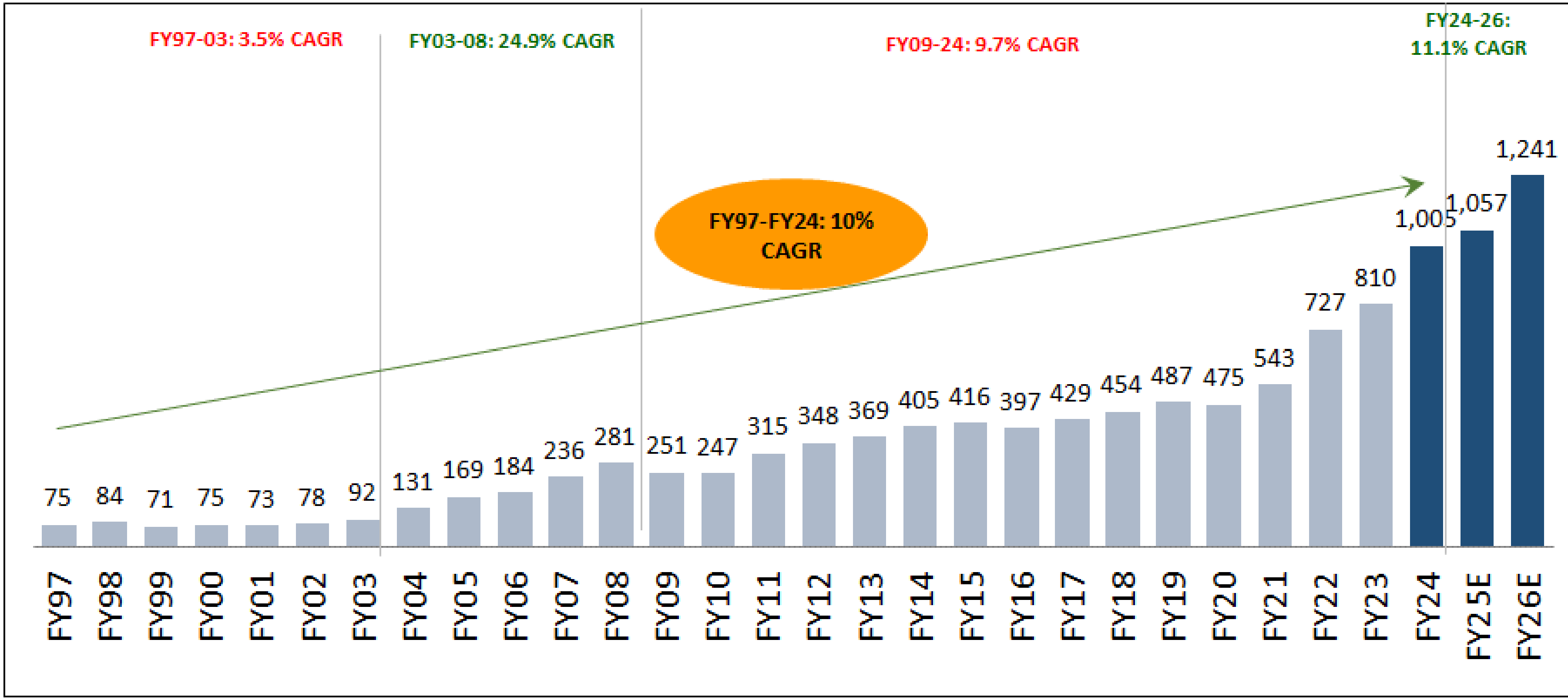
Nifty Top 10 and Nifty 50 proportion in total market cap



Nifty 50 market cap proportion in total India Mcap has fallen from 55% to ~45% while the ratio of Nifty Top 10 market cap to total Indi Mcap has fallen from ~35% to ~20%.

Source: DSP Netra

Nifty 50 - Earnings Growth Outlook



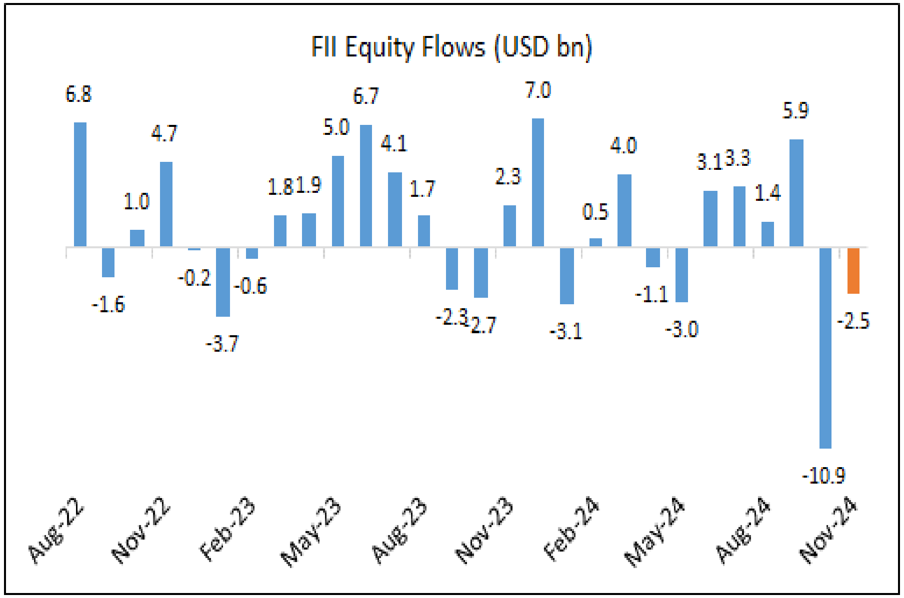
- Nifty EPS is estimated at INR 1,057/INR 1,241. Nifty EPS is expected to grow 5% and 17% in FY25 and FY26, respectively

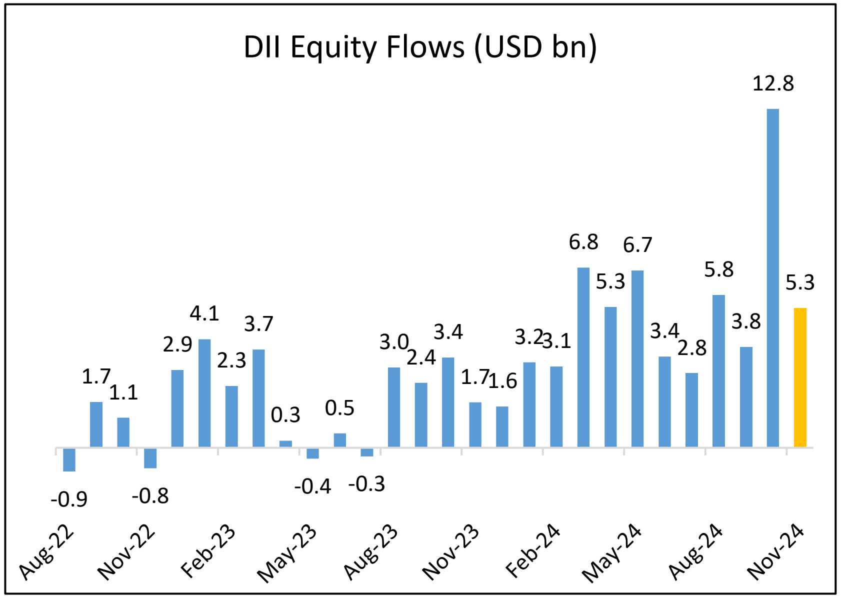
Index

Source: MOFSL

Disclaimer: The above chart is for informational purpose. Past performance may or may not be sustained in future

FII & DII flows Equity markets





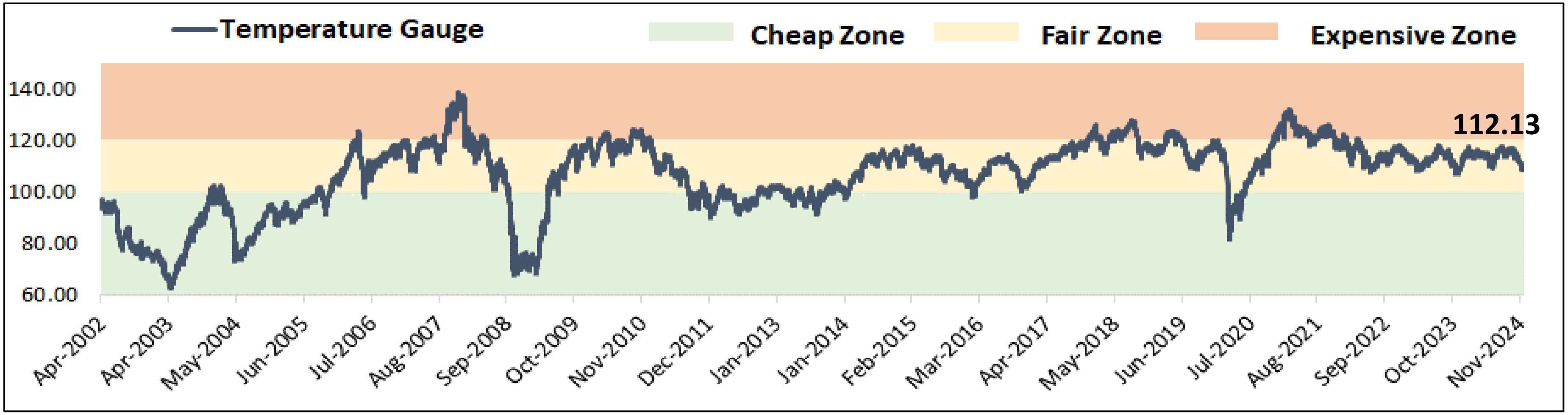
- FIIs continued their selling trend in November, though at a slower pace, offloading ~$2.5 billion in November 2024 compared to $11 billion in October 2024.
- DIIs sustained their strong market support with robust inflows of $5.3 billion during the month.

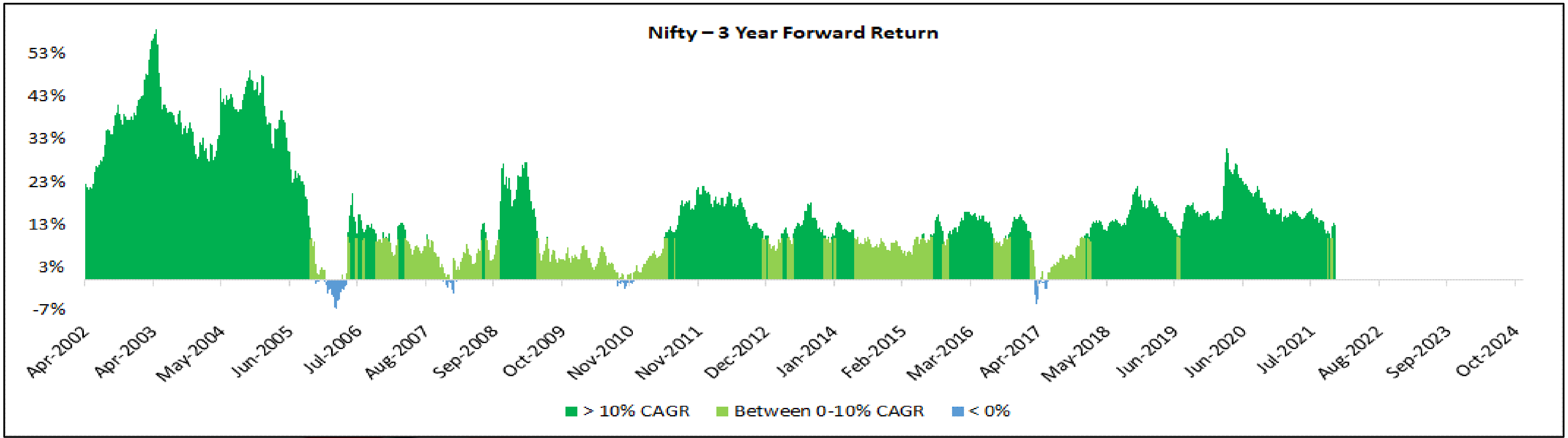
Index

Source: MOFSL, Internal Research, Moneycontrol

Temperature Gauge Index

- Temperature Gauge Index is an equally weighted index of EY-BY and MOVI Index
- It incorporates PE Ratio, PB Ratio, Div. Yield and G-sec Yield, and hence is a useful valuation metric.





Data as of 8th Dec 2024
Source: Capital Line, Bloomberg Internal Research
Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

Temperature Gauge Index – Sensitivity Analysis

Temperature Gauge Index - Sensitivity Analysis

	6.35%	6.55%	6.75%	6.95%	7.15%
23450	109	109	110	111	112
23700	109	110	111	112	113
23950	109	110	111	112	113
24200	109	111	112	113	114
24450	110	111	112	113	114
24700	110	111	**112**	113	114
24950	110	112	113	114	115
25200	111	112	113	114	115
25450	111	112	113	114	115
25700	111	113	114	115	116
25950	112	113	114	115	116
26200	112	113	114	115	116
26450	112	114	115	116	117

Pink cell Indicates Current Level of Nifty 50 and 10 yr G-sec levels. Data as of 8th Dec'2024

Source: Capital Line, Bloomberg Internal Research
Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future.

3 Yr Forward Returns Of Nifty At Different Levels Of Temperature Gauge Index

MOTILAL OSWAL
PRIVATE WEALTH

Nifty 50				3 Yr Return CAGR				% Times in CAGR range	
Index in Range		No. of Observations	% of Observations	Min	Max	Average	% Times Positive	6% to 10%	>=10%
65	70	60	1%	24%	57%	43%	100.0%	0%	100%
70	75	202	2%	15%	51%	32%	100.0%	0%	100%
75	80	285	3%	14%	45%	37%	100.0%	0%	100%
80	85	168	2%	15%	43%	34%	100.0%	0%	100%
85	90	207	2%	12%	49%	33%	100.0%	0%	100%
90	95	539	6%	2%	47%	27%	100.0%	2%	97%
95	100	832	10%	1%	44%	18%	100.0%	8%	91%
100	105	714	9%	-2%	30%	13%	98.7%	20%	71%
105	110	820	10%	-4%	22%	10%	82.1%	15%	55%
110	115	1845	22%	-7%	22%	9%	62.8%	28%	22%
115	120	1617	19%	-4%	21%	8%	73.3%	21%	23%
120	125	804	10%	-2%	18%	10%	91.4%	8%	61%
125	130	135	2%	0%	16%	12%	99.3%	4%	80%
130	135	84	1%	-2%	15%	6%	91.7%	0%	36%
135	140	28	0%	-3%	0%	-1%	10.7%	0%	0%

Data as of 8th Dec'2024

Source: Capital Line, Internal Research

Disclaimer: The above data is for informational purpose. Past performance may or may not be sustained in future

Equity Allocation & Deployment Grid

MOTILAL OSWAL PRIVATE WEALTH

- Below grid is based on Temperature Gauge Index

Valuation	Underweight	Neutral	Overweight	
Expensive	**No Action**	**Reduce**	**Reduce**	100% Staggered
Fair	**Invest**	**Stay Invested**	**Stay Invested**	**Lumpsum in Hybrid/ Large/Flexi** ***Staggered in Mid/Small***
Cheap	**Invest**	**Invest**	**Stay Invested**	100% Lump-sum

Strategic Allocation

Index

Source: Internal Research

Disclaimer: The above data is for informational purpose. Past performance may or may not be sustained in future

Equity Portfolio Strategy

- Equity markets now are in consolidation phase after a corrective phase of ~10-12% in the benchmark indices. While corporate earning had hinted towards the slowdown, GDP growth numbers confirmed that. However Indian economy continues to remain on strong footing and signs are visible for growth coming back on track gradually. Hence we continue to remain positive on the equity markets from long term perspective.

- However, in the short run, given the uncertainties in the global context like the geopolitical situation, central bank policies, and rich domestic valuations, Indian equities may face concerns. it is advisable to tread with caution by adopting a strategy which is balanced and resilient.

- Based on their risk profile, investors having the appropriate level of Equity allocation can continue to remain invested.

- Considering the recent corrections, if Equity allocation is lower than desired levels, investors can increase allocation by implementing a lump sump investment strategy **for Hybrid, large & flexi-cap strategies** and **3 to 6 months for select mid & small-cap strategies** with accelerated deployment in the event of a meaningful correction.

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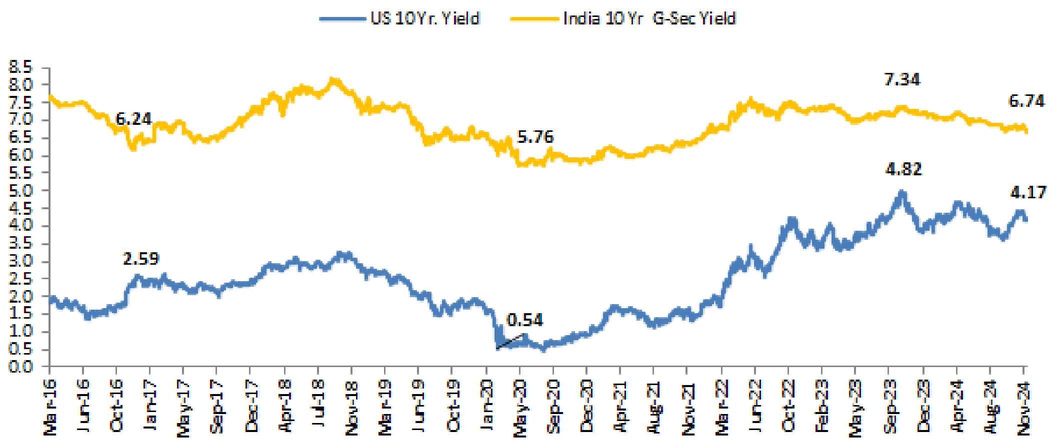
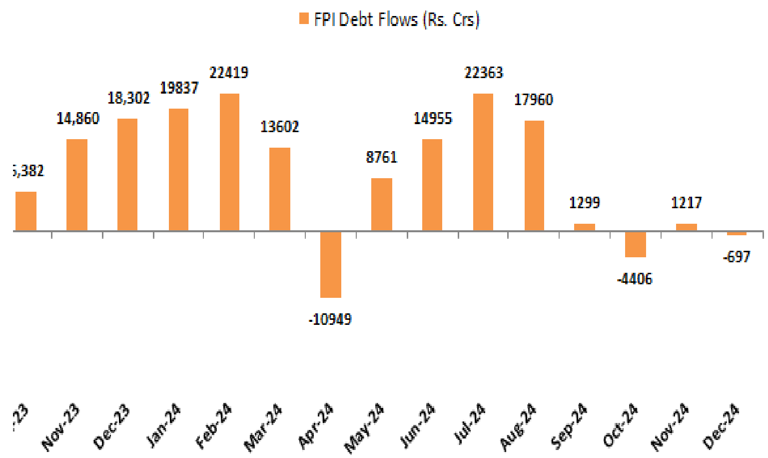
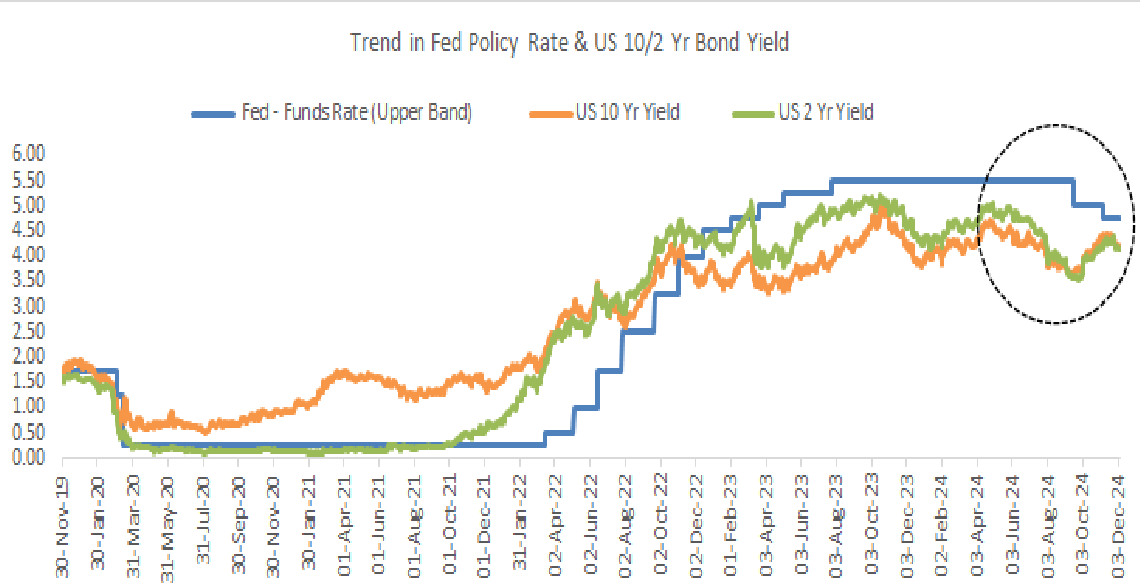
Trend in Fed Policy Rate / US Treasury Yields/FPI Flows in India







- FED reduced policy rate by 25 bps to 4.5% - 4.75% on back of benign inflation trends
- Policy decisions may be more data dependent on macro factors & impact of New Government policy decisions on inflation, fiscal deficit and economic growth
- US Treasury yields have been volatile and has risen since Sep on back of Presidential Elections and likelihood of fiscal expansion
- FPI flows in India has been muted in last 3 months on back of higher US treasury yields , stronger dollar & reduced differential in US/India yields

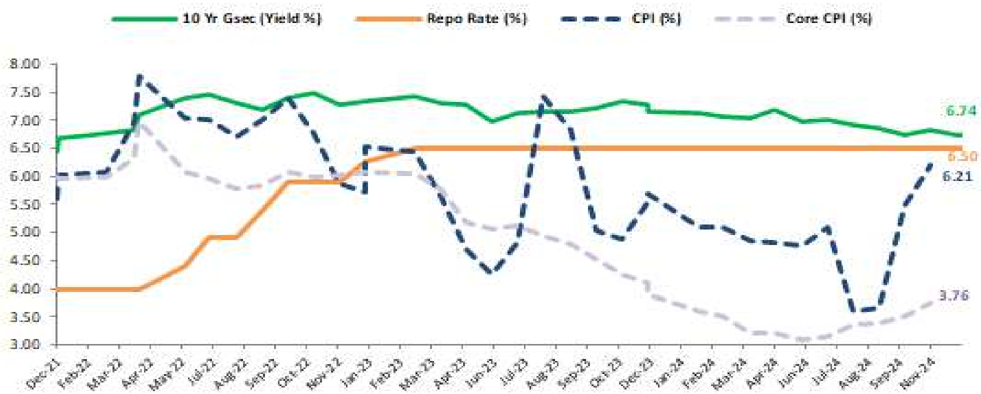
Index

Source: MOWL, Investing.com, Trading Economics
Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

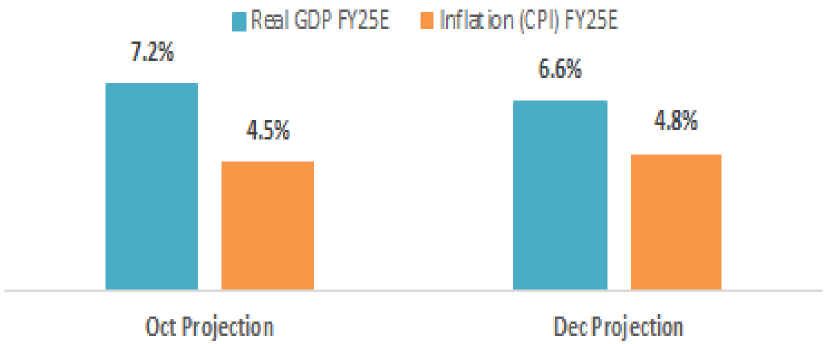
RBI Aims to Keep Balance between Growth & Inflation - While Focusing on Easing Liquidity

Policy Rate Unchanged & Stance Kept Neutral

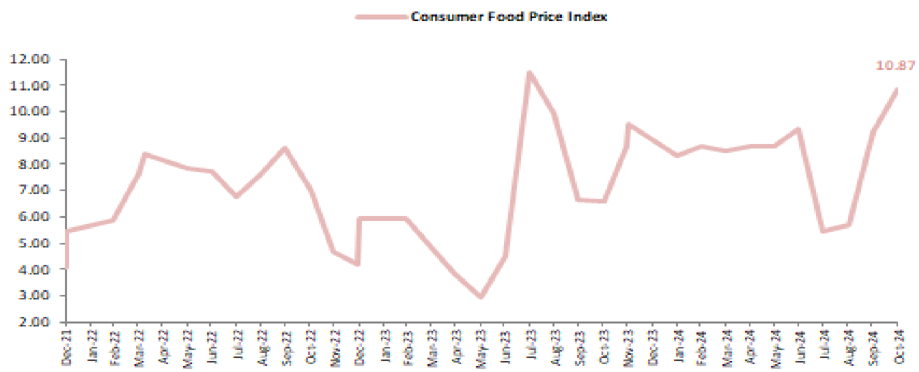
On back of Stubborn Inflationary & Lower Growth Concerns



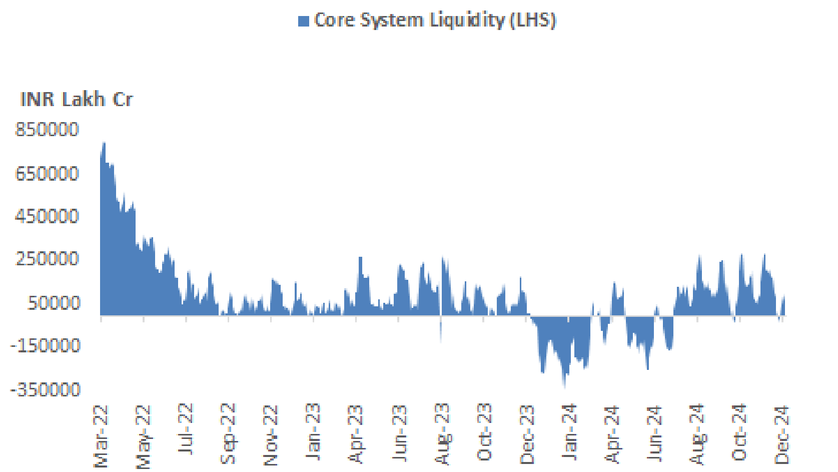
Future Policy Actions would be dependent on Growth/Inflation dynamics – Shallow rate cut cycle is expected in 2025



Food inflation which is ~45% of the CPI index is still high ; Bumper Kharif Harvest may ease food inflation



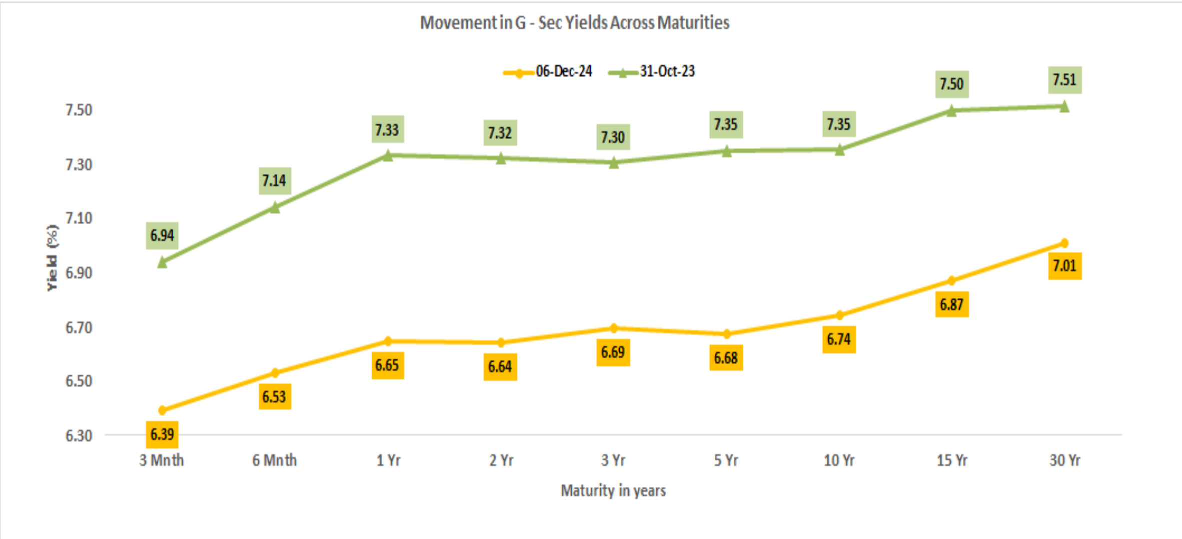
CRR reduction by 50 bps to 4% in 2 phases would infuse ~1.1 Lakh Cr liquidity



Source: MOSPI, MOWL,

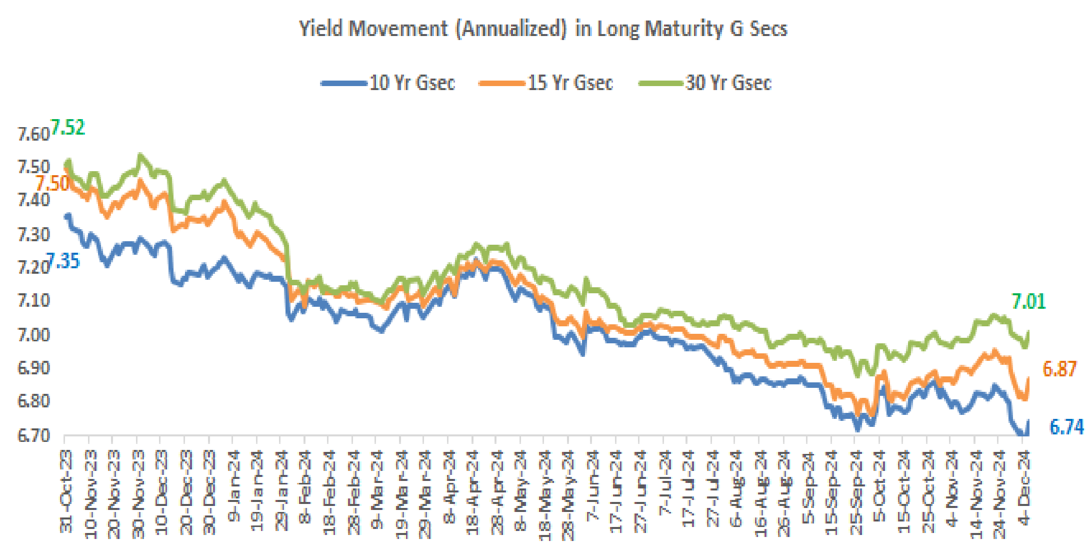
Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

Movement in India's G-Sec Yield Curve



- Since Oct 2023 onwards, yield curve has shifted downwards on back of favourable demand supply dynamics, well-contained inflation and stable domestic macros
- In last 2 months, global and domestic factors have created interim volatility and pushed the yields higher

- In last 1 yr, yields of long term maturity G-secs eased by 40 – 50 bps albeit interim volatility
- The long term yields may remain volatile on back of adverse growth and inflation prints, global macros & yields, geo political tension



Source: MOWL, Bloomberg Investing.com

Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

Fixed Income View & Portfolio Strategy

With the evolving interest rate scenario, the fixed income portfolio **should be Overweight on Accrual Strategies and Neutral on Duration Strategies**

- **With regards to duration,** since majority of easing of the yields in 10 y G-Sec has played out from 7.35% in Oct 2023 to 6.75.% in Dec 24, we believe **only the last leg is left in terms of easing of yields** which can be played through longer maturity G-Sec Bonds/Funds, albeit interim volatility

    - **15% - 20% of the portfolio** may be invested in Actively Managed Duration Funds or Long Term (15 to 30 years average maturity) G-sec papers/funds

- **Accrual can be played across the credit spectrum by allocating 40% – 50% of the portfolio** to Performing Credit & Private Credit Strategies, InvITs & Select NCDs

    - 25% – 35% may be invested in Performing Credit Strategies/NCDs and InvITs

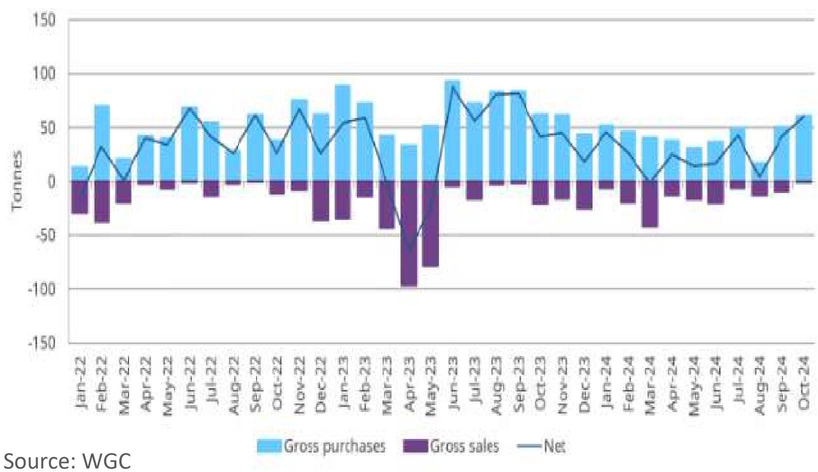
    - 15% - 20% may be invested in Private Credit including Real Estate/Infrastructure strategies and select NCDs

- **15% - 20% of the portfolio** may be invested in Arbitrage Funds (minimum 3 months holding period), Floating Rate Funds (9 – 12 months holding period), Absolute Return Long/Short strategies (minimum 12 -15 months holding period)

- For tax efficient fixed income alternative solutions, **20% - 25% of the portfolio may be allocated in Conservative Equity Savings funds** (minimum 3 years holding period)

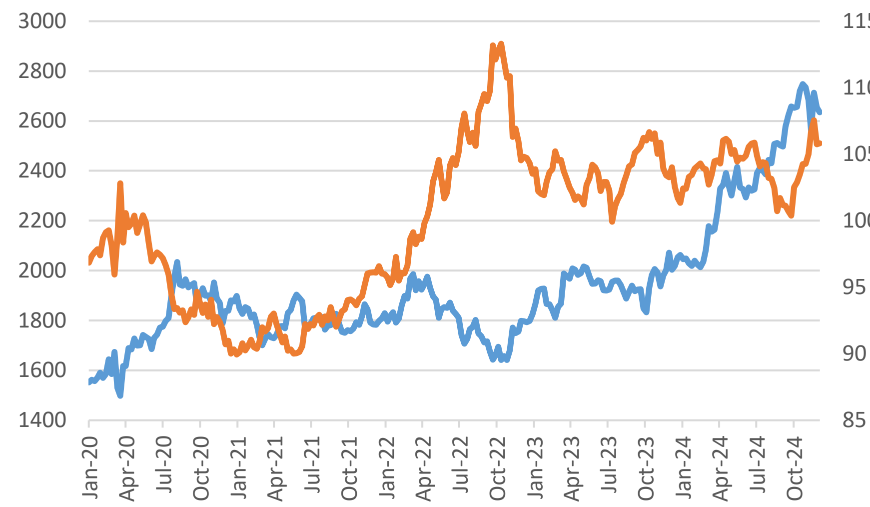
Dollar dampens gold move but CBs continue to add gold

Monthly Central bank Purchases /Sales

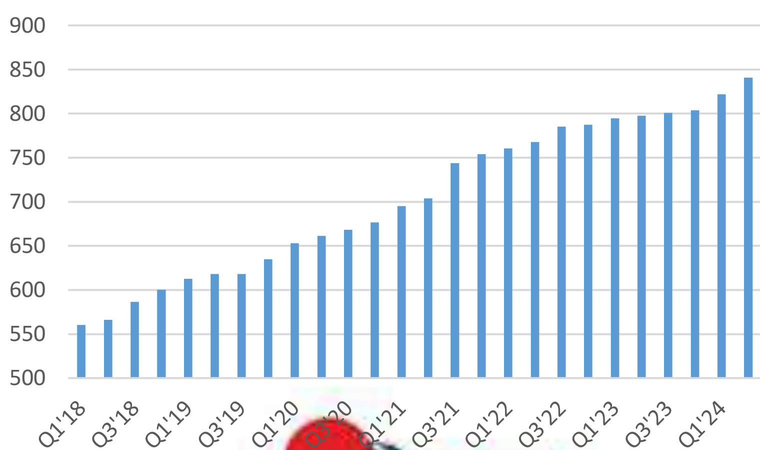


Source: WGC

Gold vs DXY



India Gold Central bank buying



Source: Reuters

Gold witnessed some cool from higher levels primarily as the dollar strengthened

Gains for dollar was led by US elections outcome and uncertainty on the geopolitical front

Central banks continue to add gold to its reserves and India added 27 tonnes in October. For the year RBI added a total of 77 tonnes of gold

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