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BULL-E-TIN

March 2024

Mumbai • Hyderabad • Bengaluru • Coimbatore
Investment Banking | Private Wealth | M&A - Tax & Regulatory | Corporate Insurance

THE WISE OUTLOOK

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Head of Family Office Advisory & Private Wealth

Equity Markets: A Promising Landscape with a Cautious Eye

As we navigate through the second quarter of 2024, I'm pleased to report that our optimistic outlook for the Indian equity market remains strong. The market continues to outperform expectations, reaching new highs fueled by a robust domestic economy. India's Q3 FY 23-24 GDP growth of 8.4% paints a picture of a healthy and thriving business environment.

However, with the upcoming general elections on the horizon, we anticipate increased volatility in the market. Additionally, mid and small-cap stocks are currently trading at higher valuations compared to large caps, driven in part by strong domestic investment.

To navigate these factors, we recommend building a well-diversified portfolio with a long-term focus. Mid and small-cap investors may want to consider strategically allocating a portion of their holdings to large-cap or flexi-cap funds. Furthermore, from a near-to-medium-term perspective, a "buy-on-dips" approach, strategically investing during market downturns, could be a successful strategy.

Debt & Other Opportunities: A Positive Outlook with High-Yield Potential

The debt market outlook remains positive following the recently announced interim budget for 2024. Bond yields across the curve have seen a welcome decline, reflecting lower-than-expected fiscal deficits and gross borrowing projections.

Looking ahead, we expect the debt market to stay buoyant in the near term, driven by factors such as the anticipated initiation of a rate cut cycle by the Reserve Bank of India. Increased foreign portfolio investor (FPI) debt inflows and a favorable global rate environment are further tailwinds supporting the debt market. We anticipate the 10-year government security yield to hover between 6.7% and 7%.

Given that we are likely nearing the peak of the interest rate cycle, we recommend investors seeking higher returns over the next few years to consider investing in medium-to-long duration debt funds to lock in the currently high yields. For those with shorter investment horizons or a more risk-averse approach, liquid funds remain a reliable option.

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GLOBAL ECONOMY & MARKETS

GLOBAL ECONOMY

Economies around the world are showing signs of improvement.

Federal Open Market Committee (FOMC) in its February meeting, agreed to keep the target range of its **Fed Funds Target Rate (FFTR) unchanged at 5.25%-5.50%**, signalling that we are at the peak of Interest rate cycle. Following the trend, the other major global banks also kept their deposit rate unchanged.

Inflation across the major economies is on a declining trend and moved down from its peak, however, it is still above the target levels. The unemployment data is also improving which is again a positive sign.

The **PMI** data globally is also showing some sign of improvement with few economies like UK & Euro Area moving from contraction to expansion zone. India's composite PMI is the highest compared to the major global economies which shows the sign of significant expansion in both manufacturing and service industry.

India's **GDP** witnessed a sharp growth of 8.4% in the 3rd quarter (October-December) of the current FY 2023-24, surpassing all expectations. Compared to the global peers, UK and EA are relatively inexpensive from a Market Cap to GDP perspective.

India's **market cap to GDP** looks expensive, however, the same is supported by the strong GDP growth trajectory.

Country	Interest Rate	Inflation	Unemployment	PMI	Market Cap/GDP	Debt/ GDP	GDP ($ Tn)
India	6.5%	5.1%	8.0%	61.5	1.40	0.87	3.41
USA	5.3%	3.1%	3.7%	51.4	1.95	1.29	26.97
China	3.5%	-0.8%	5.2%	52.5	0.61	0.77	17.48
Euro Area	4.5%	2.8%	6.4%	48.9	1.04	0.91	15.32
Japan	-0.1%	2.2%	2.4%	50.3	1.61	2.64	3.92
UK	5.3%	4.0%	3.8%	53.3	0.85	0.97	3.36

Red	Rate Hike/ Peak	High/Low	High	Expansion (50>)	Expensive (1>)	High (>0.8)
Green	Rate Cut /Bottom	Moderate	Low	Contraction (<50)	Inexpensive (<1)	Low (<0.8)

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GLOBAL EQUITY MARKET

February 2024 was a fairly good month for global equity markets, with resilient economic data and relatively strong earnings reports both contributing to year-to-date gains.

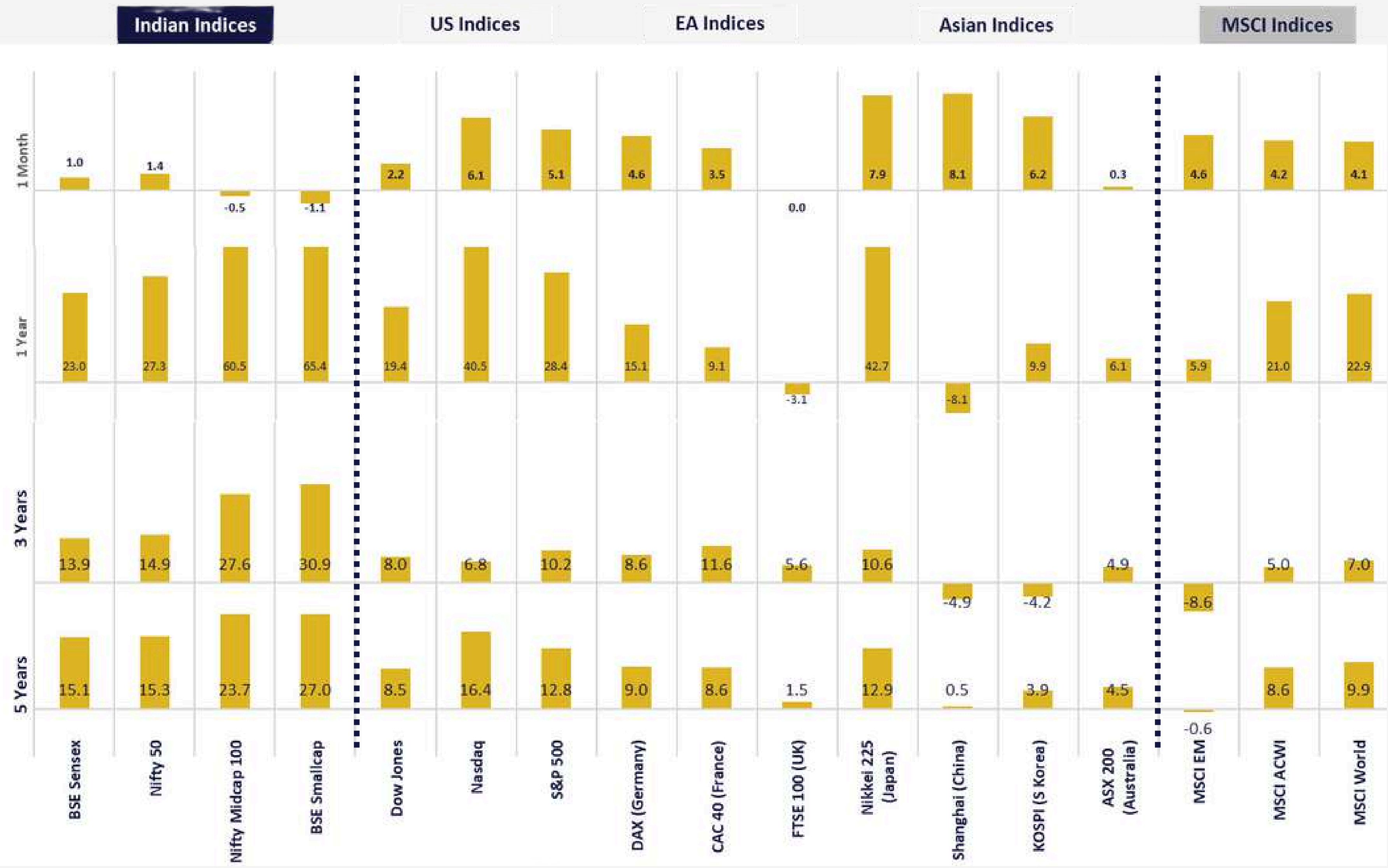
In the US, the technology index, **Nasdaq**, and industrial index, **Dow Jones**, surged by 6.1% & 2.2% in February 2024 due to the rally in AI-related stocks and the upbeat earnings of Nvidia.

Britain's **FTSE** remained flat in February 2024. Germany's **DAX** and France's **CAC 40** rose sharply by 4.6% and 3.5%, respectively. Japan's **Nikkei 225** surged by 7.9% in February 2024 following gains in chip-related and technology-related stocks and weak **Yen**.

China's **Shanghai** Composite rose by 8.1%, and Hong Kong's **Hang Seng** rose by 6.6% in February 2024 after China cut its five-year loan prime rate by 0.25% to 3.95% in an effort to revive the country's property market.

MSCI EM Index to surged by 4.6% supported by the strong performance of the Chinese market as it has the highest weightage.

Indian broad market indices – **BSE Sensex and Nifty 50** - rose by 1% & 1.2%, respectively, in February 2024.



Note: For Periods till 1 year the returns are absolute and for beyond 1 year, its CAGR returns

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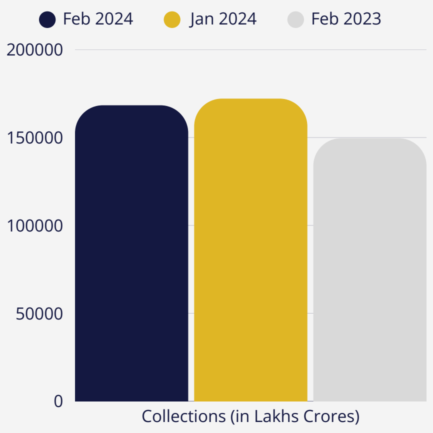
INDIAN ECONOMY & MARKETS

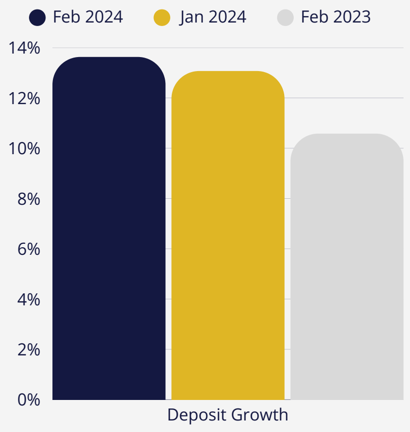
INDIAN ECONOMY

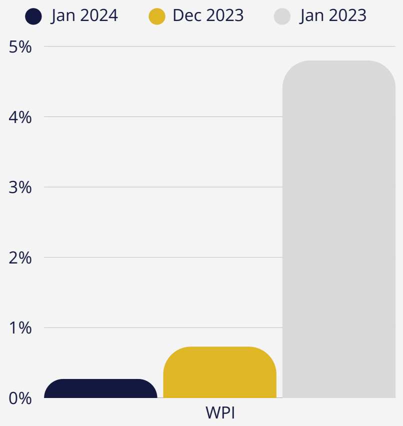
The **Goods and Service Tax (GST) revenue collection** for February 2024 surged to Rs 1.68 lakh crore, up 12.5% compared to the GST revenue during the same month last year, reflecting the robustness of the Indian economy and domestic consumption story going strong.



Bank credit growth continues to outpace deposit growth on the back of sustained momentum of demand. The growth has been sustaining around 20% since June 2023.

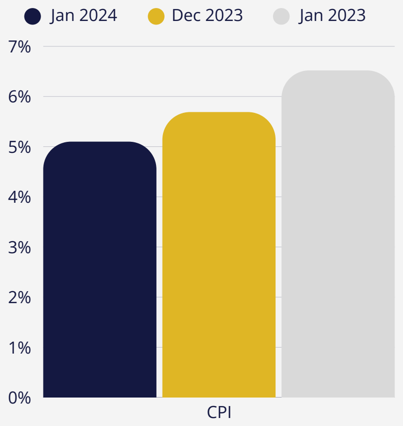
Bank deposit growth of above 13% is a very positive sign and has lowered the gap with credit growth.

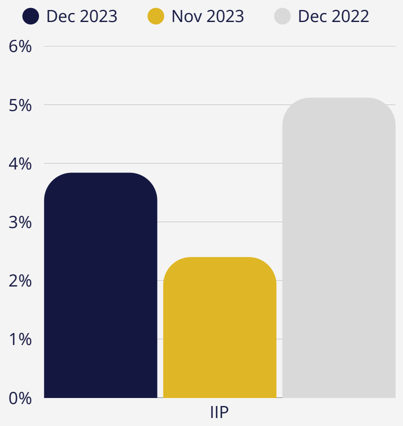




India's **Wholesale Price Index (WPI) inflation** eased to 0.27% in January 2024 from 0.73% in December 2023, primarily due to a decrease in food prices and primary products.

India's **Consumer Price Index (CPI)-based inflation** eased to 5.1% in January 2024 from a 4-month high of 5.69% in December 2023 due to a favourable base effect and easing food prices.





India's **Index of Industrial Production (IIP)** grew at a faster-than-expected pace of 3.8% in December 2023. Economists polled by Reuters had estimated growth of 2.4 per cent.

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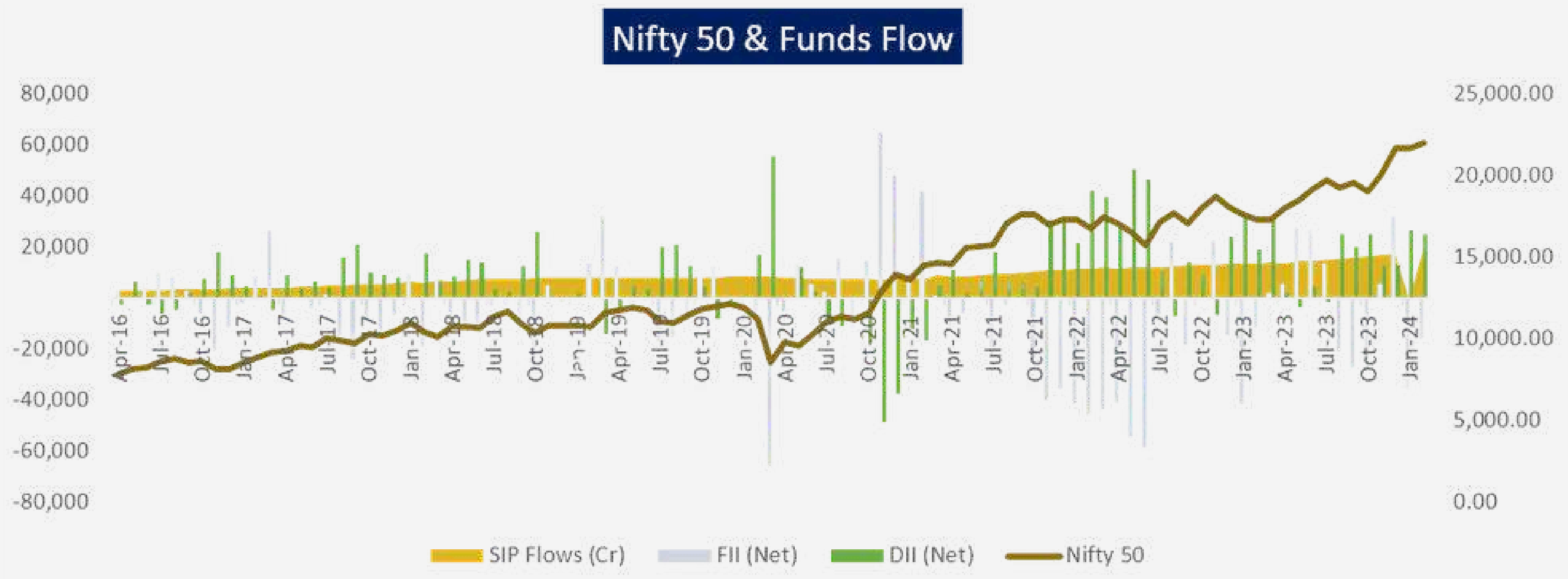
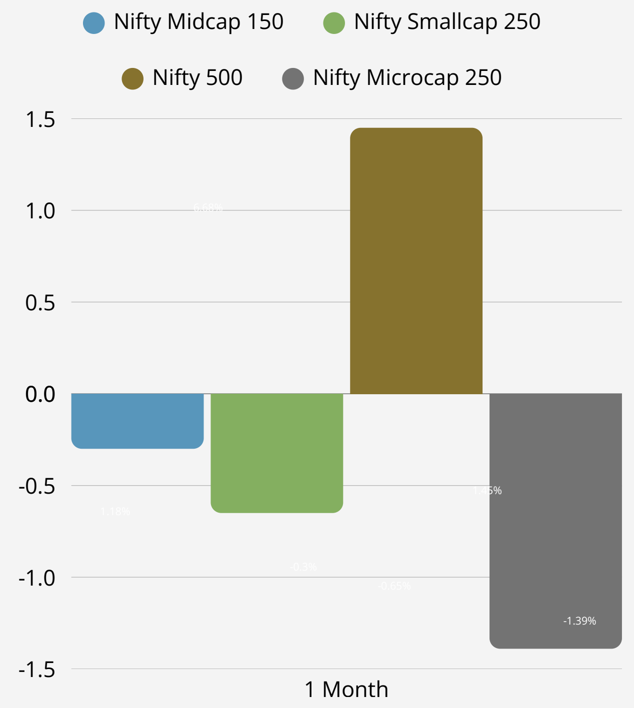
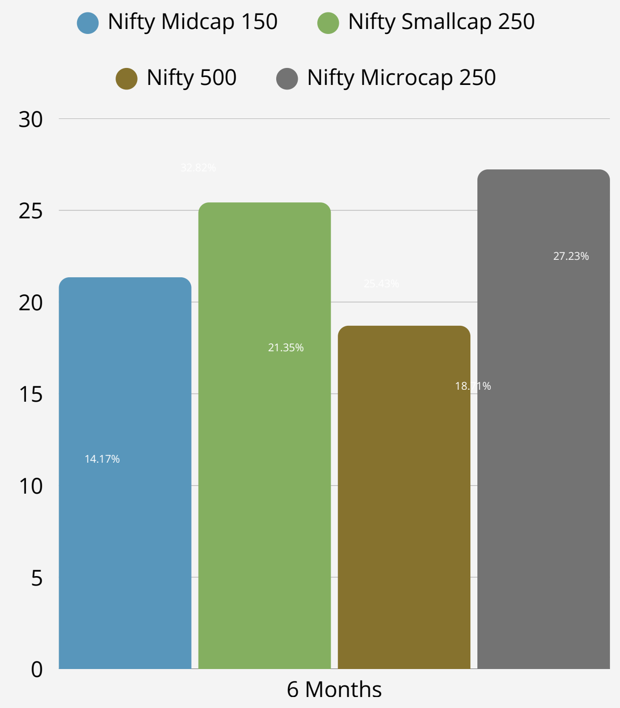
EQUITY & FUND FLOWS

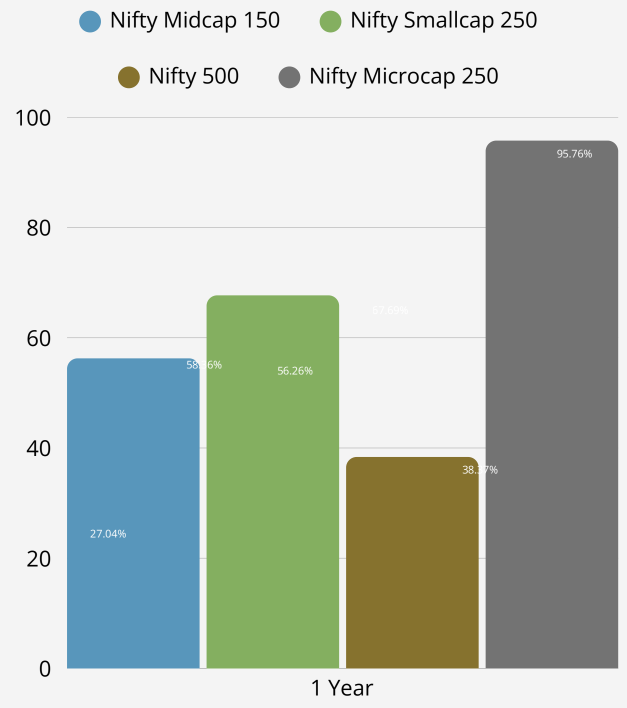
Strong **retail SIP Inflows** is giving inherent strength to the Indian market irrespective of the FII/DII flows.

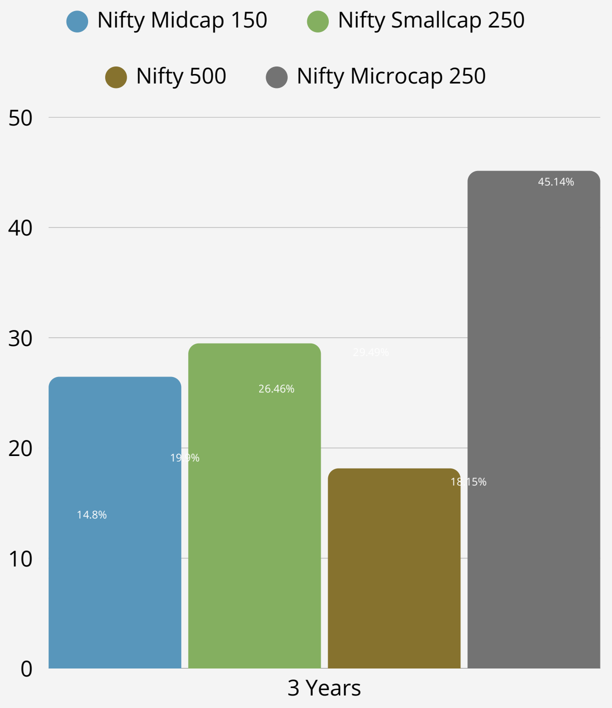


Large Caps are gaining momentum while **Mid** and **Small Caps** are cooling off post their breathtaking rally so far.









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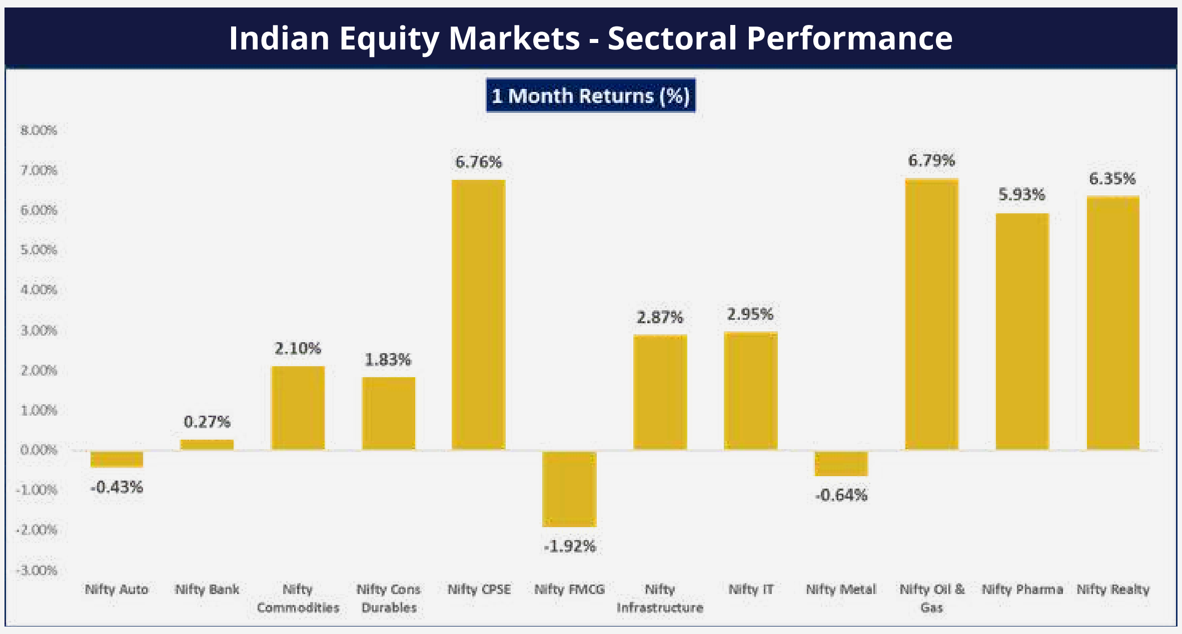
NIFTY 50 VALUATION & RETURNS

Markets have been re-pricing the **PE of Nifty 50**. From an average of 18 PE couple of decades ago, it has gone and has been consistently above 20 with a peak of 40 post the COVID low rate and liquidity rush. Historically, 3-year CAGR returns ~40% has been earned when investments happen when Nifty 50 PE is ~20.

Current Nifty PE of 22.6 indicates a good range to accumulate into broad market indices.

All the major **sectorial indexes** ended higher in February 2024, excluding Auto FMCG & Metal, with Oil & Gas, CPSE (PSU), and Realty, posting returns of 6.79%, 6.76%, and 6.35%, respectively.

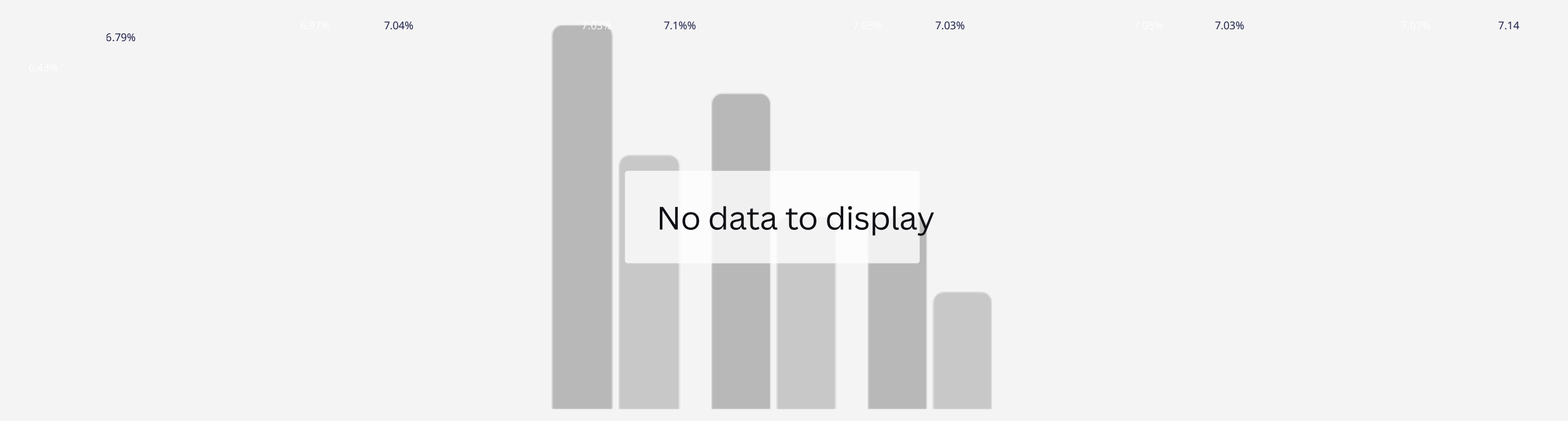


Years	Average PE
2000-09	17.80
2010-19	22.16
2020-YTD	25.42
2000-YTD	20.92
Current	22.66

	Nifty 50 - Average PE											
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	26.16	27.12	25.69	22.81	20.33	23.68	22.33	20.53	20.84	18.22	18.77	19.59
2001	20.75	21.32	18.2	16.08	15.74	15.37	15.32	15.23	13.65	13.76	14.86	15.59
2002	16.42	18.32	18.59	18.02	17.44	16.28	15.39	14.54	14.69	14.25	14.55	14.57
2003	14.56	14.32	13.85	13.2	11.15	12.2	12.5	13.89	15.09	16.6	17.42	19.19
2004	21.02	20.32	20.78	19.91	14.86	12.18	13.08	13.5	14.14	15	15.67	16.04
2005	14.41	14.4	14.98	14.16	13.77	14.01	14.31	14.61	15.58	15.26	15.47	16.72
2006	17.27	17.97	19.25	20.59	19.53	16.65	17.95	18.55	20.09	20.92	20.72	20.95
2007	21.24	19.64	17.95	19.28	19.74	20.08	21.3	19.47	21.05	24.59	25.15	26.55
2008	25.33	22.19	20.58	21.26	21.46	19.04	17.56	18.63	17.98	13.77	12.42	12.69
2009	12.73	13.38	13.3	15.89	18.67	20.16	19.83	20.5	21.86	22.34	21.91	22.7
2010	22.84	20.72	22.03	22.76	21.2	21.73	22.42	22.95	24.51	25.23	24.39	23.82
2011	22.84	20.67	21.16	22.02	20.37	20.2	20.49	18.29	18.11	18.15	18.11	17.32
2012	17.71	19.09	18.74	18.46	16.97	16.89	17.22	17.67	18.42	18.95	18.14	18.63
2013	18.87	18.26	17.89	17.4	18.13	17.49	17.88	16.12	16.83	17.72	17.8	18.56
2014	18.29	17.37	18.33	18.99	19.62	20.57	20.66	20.42	21.2	20.65	21.5	21.23
2015	21.73	23.09	23.21	22.88	22.4	22.7	23.49	22.99	21.69	22.48	21.36	21.1
2016	20.34	19.34	20.39	21.29	21.51	22.52	23.33	23.65	24.08	23.35	21.99	21.49
2017	22.44	23.23	23.47	23.37	24.25	24.31	25.1	25.37	25.99	26.26	26.35	26.42
2018	27.24	25.61	24.97	26	26.58	26.77	27.19	28.22	27.46	25.05	25.59	26.07
2019	26.08	26.66	27.76	29.12	28.88	29.25	28.28	27.12	26.93	26.51	27.67	28.18
2020	27.96	26.92	21.38	20.38	21.24	24.7	28.6	31.59	32.55	33.99	34.34	37.26
2021	38.9	40.8	40.43	32.73	29.27	29.08	28.11	26.11	26.98	27.31	23.43	23.69
2022	23.42	22.54	21.7	22.7	20.32	19.5	20.73	21.2	20.64	20.9	21.9	22.09
2023	21.49	20.89	20.29	20.7	21.56	21.8	23.35	22.43	22.39	21.74	21.02	22.61
2024	22.86	22.66										

DEBT & OTHERS

Short term and long term yields have come down while the medium term yields have remained flat

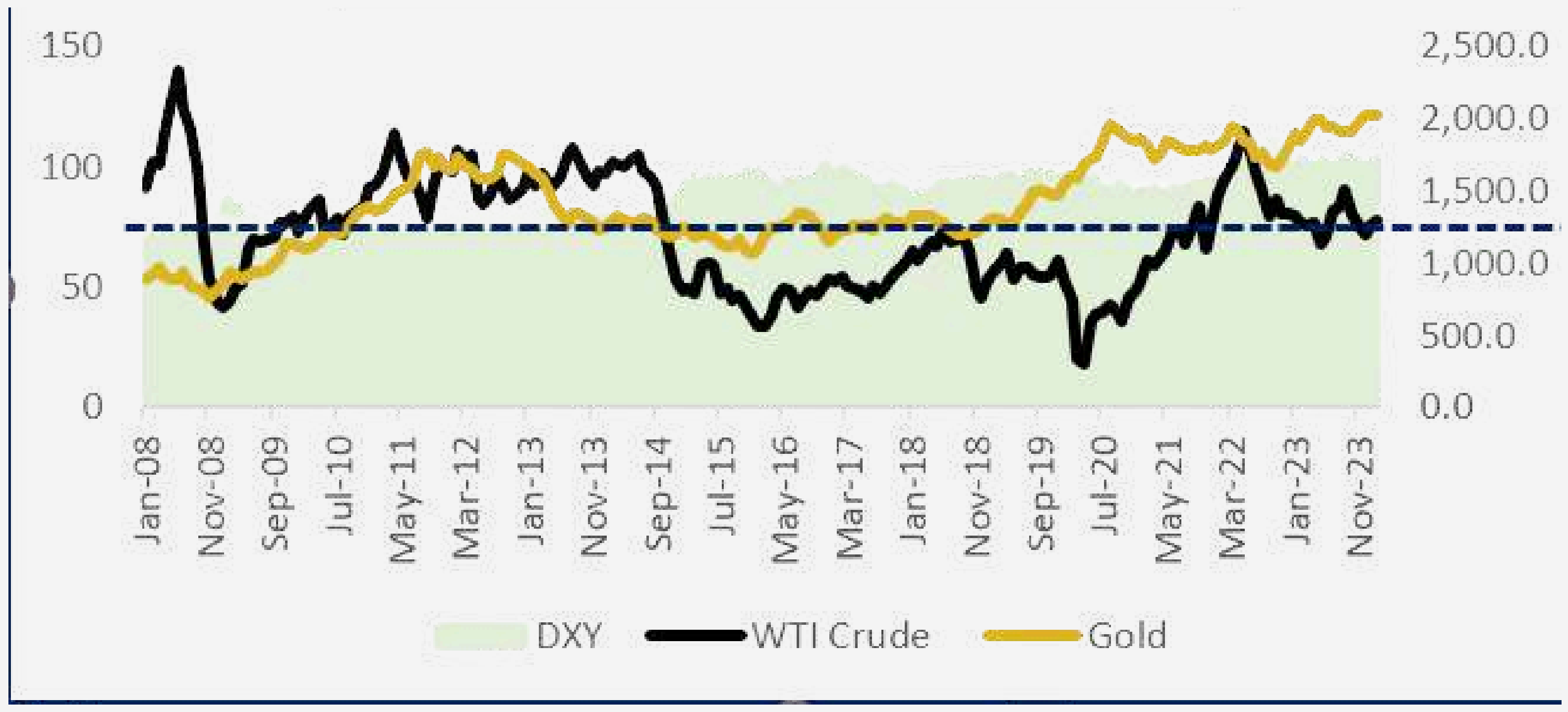


Unlike most emerging market currencies, **the rupee** has showed remarkable stability against the dollar and other developed economy currencies

Major Currencies				
Duration	**US Dollar**	**GBP**	**Euro**	**Yen**
Feb 2024	82.92	105.03	89.86	0.55
1 month ago	83.35	105.87	91.48	0.57
6 months ago	82.68	105.09	90.22	0.57
1 year ago	82.68	102.38	88.36	0.59

Gold fell by 0.3% in February on a rise in risk appetite and higher Treasury yields. But a bounce in early March has seen gold hit new all-time-highs.

Dollar Index v/s Crude and Gold



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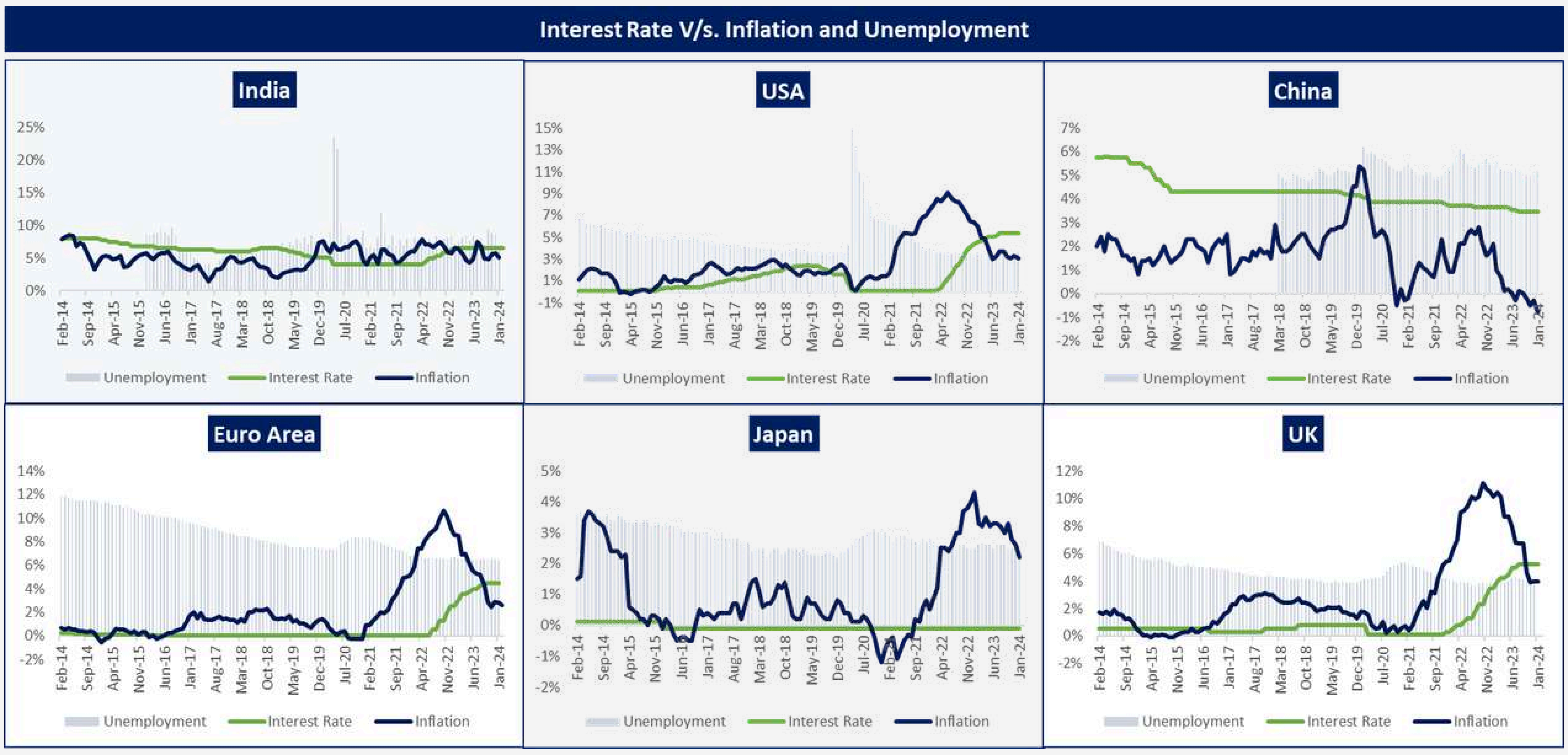
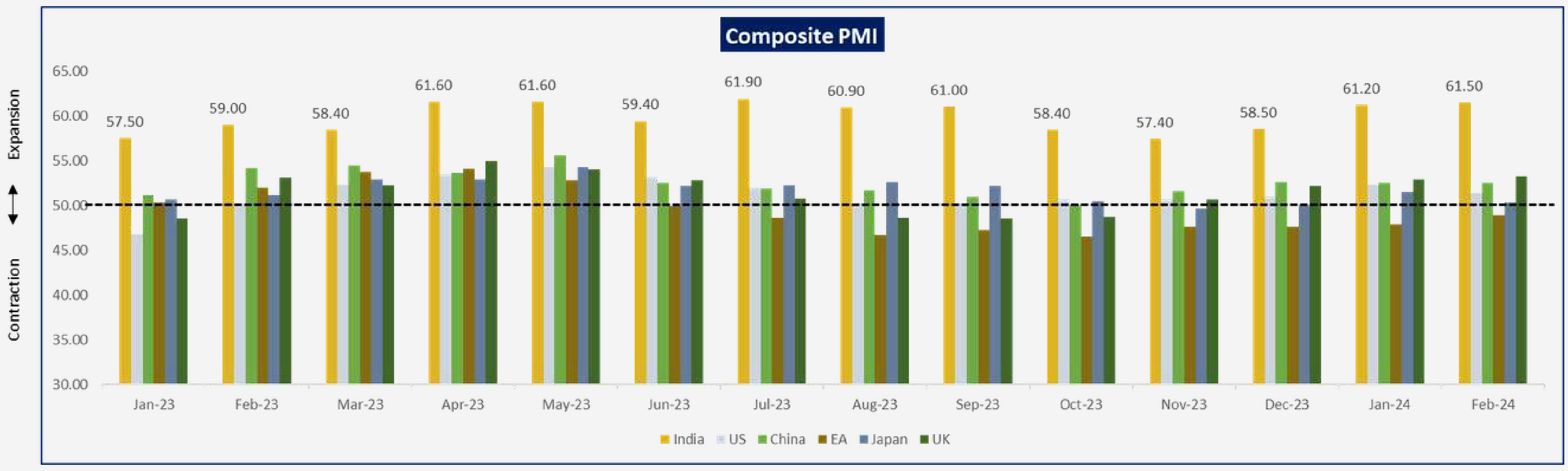
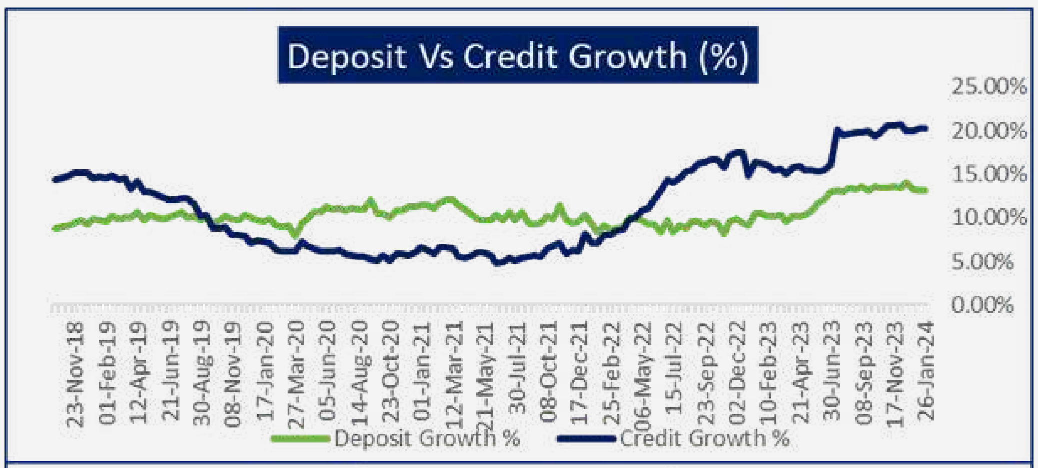
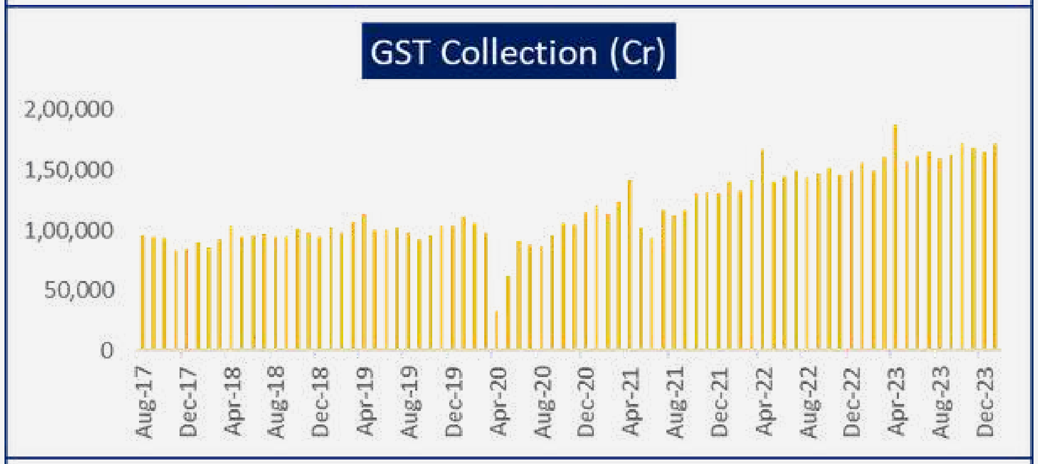
ANNEXURE 1



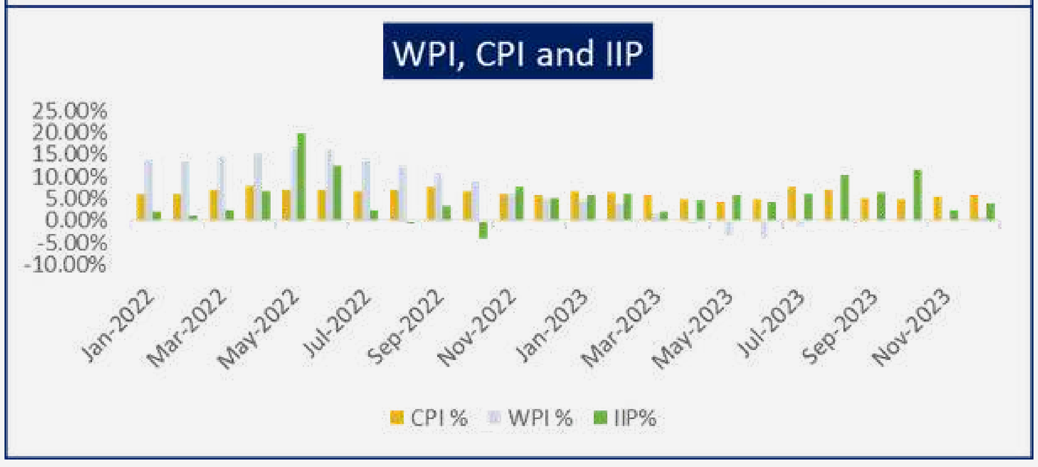




Bank credit growth continues to outpace deposit growth on the back of sustained momentum of demand. The growth has been sustaining around 20% since June 2023.



GST Collections of 1.68 Lakh Crore. This shows the robustness of the Indian economy and domestic consumption story going strong.



The wholesale prices experienced a modest year-on-year increase of 0.27% in January, compared to the 0.73% gain witnessed in December. The subdued growth is attributed to several key factors, primarily marked by an easing of food prices and a decline in the cost of manufactured products.

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