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Global Private Client



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AGGLOMERATION AND VALERIEPIERIS CIRCLE

INVESTMENT COMMENTARY

Agglomeration & the Valeriepieris Circle

Sunil A. Sharma

Chief Investment Strategist

Bearish Rhetoric & Bullish Price Action

Bearishness is rampant in the developed world, across strategists, and also the **global press and social media**, where it's eyeballs and traffic that matters, not accuracy of opinion. Fear sells. Being **a bear is the easy positioning in financial markets** today, maybe always. Maybe rightly so, as the U.S. navigates a debt bubble and banking crisis, an impending commercial real estate crisis, plummeting money supply. The U.S. the yield curve is inverted, the regional banking system is in a slow motion collapse and so on.

The **pain trade today is bullish**. That's certainly not lost on us. A **different reality is that Indian equities are chugging higher**, a long way up, +19.6%, from the bottom in June (see **Know the Now, Time to Buy, June 2022**) last year at Nifty 15,294 and approaching all-time highs. For that matter, the S&P 500 is a scant 14% down from its all-time highs and up 12.1% CAGR over 3 years. It feels like we've been **waiting well over 18 months** for a crisis, and **what we've gotten is a 15-20% correction**.

A whole host of names - ICICI Bank, Titan Co, HDFC Bank, Cholamandalam Finance, Vasrun Beverages, ABB India, KEI Industries... are surging **to new highs**. **The real call, in our humble opinion, is parsing this dichotomy**.

For all the fear mongering and hand wringing, Indian equities (Nifty 50) are up a handsome +25.4% CAGR over the past 3 years.

In an effort to add color to the **sharp contrast**, this month we consider some powerful structural forces that are at play, their impacts and implications for India, equity investment strategy and portfolio construction.

The Valeriepieris Circle

The Valeriepieris circle – which includes India - is a South Asia centered circular region (see map below) on the world map that contains **more than half the world's population**. The Valeriepieris Circle is a meaningful **example of the benefits of agglomeration**, and important to understand as India investors.

More Than Half the World's Population is Located in the Valeriepieris Circle



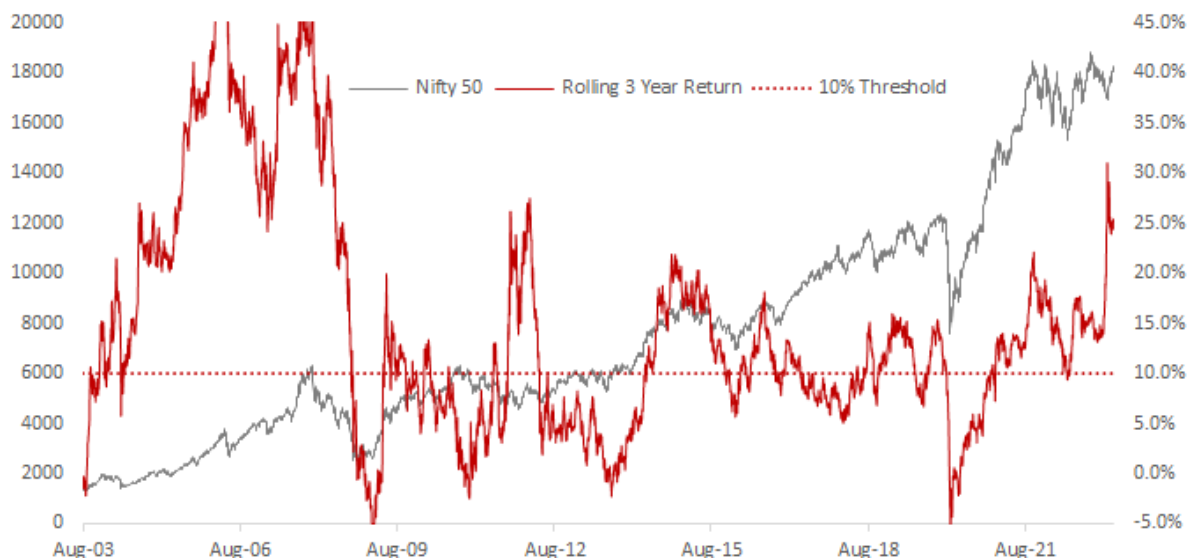
Source: Wikipedia

Agglomeration - Definition

Agglomeration is a large group of many different things collected or brought together. We present the case below that **agglomeration is leading to powerful impacts, myriad opportunities and benefits for India**.

Asia's growth started out in Japan in the 1970-80s, with Japan's leadership in automobiles and electronics, then shifted to Taiwan and S. Korea in semi-conductors and chip manufacturing, and then to **China in low cost manufacturing**.

The 3 Year Rolling Nifty 50 Return is 25.4%...
...and Equities Have Delivered Double Digit Returns For Much of the Last 10 Years



Source: Bloomberg

It is now the turn of India, Vietnam, Phillipines, Bangladesh etc. The region has been **the workshop of the world** and has been unstoppable in recent decades.

South Asia has benefitted from an agglomeration of **cheap, plentiful, competent labor**, cumulating synergies and expertise, as well as growing and large **consumer end markets**. As firms cluster together, their costs of production decline, greater specialization and division of labor leads to further efficiencies, efficient knowledge spill-over, and faster generation of new ideas.

Infrastructure Driven Agglomeration

The Indian government has made massive progress (see charts below) in building a national highway infrastructure, and improving logistics via railways, airports, waterways and ports. Each of these are proven **growth multipliers**. The electricity grid now covers the entire country, and major progress has been achieved in water distribution and sanitation. Efficient transportation and logistics reduces costs, improves productivity and enhances competitiveness.

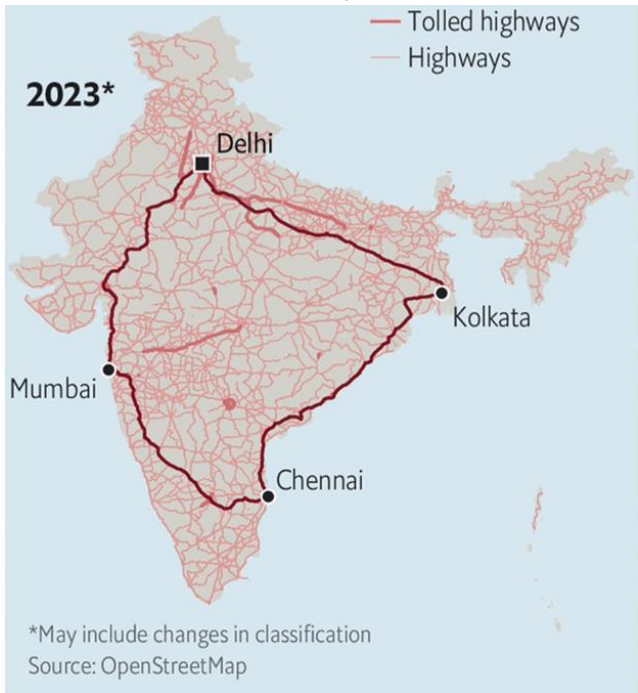
Rapid Urbanisation and Poverty Eradication

A number of positive trends are unfolding in India. **270 million individuals will be added to India's urban population** in the next 15 years. Consumer discretionary spending is set to rise from 24% to 40% of wallet share. India is no longer a poor country; much progress on poverty has been made. Via targeted income subsidies and job, welfare programs, India has reduced the number of individuals below the poverty line from 124 million in 2016 to 15 million in 2022.

The National Highway Grid Was Sparse in 2014...

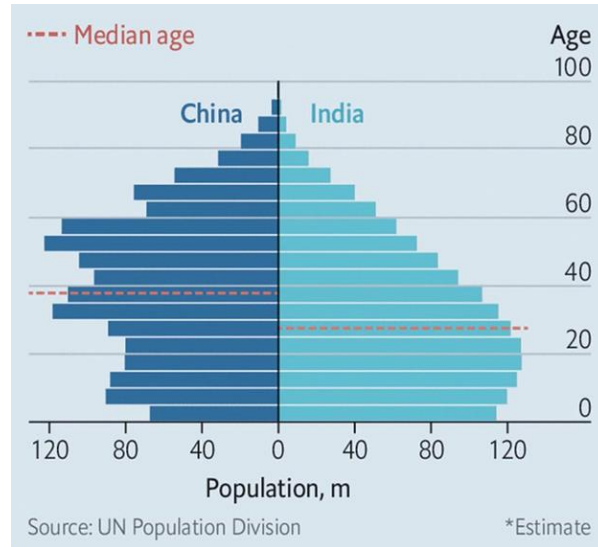


...Has Grown Massively In the Last 9 Years



consumption. Economic growth is a function of **labor force growth and productivity**, and both cylinders are firing.

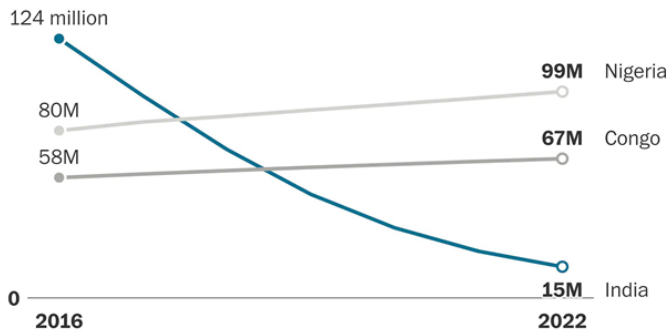
Population Pyramid Drives Agglomeration



More Indians Have Disposable Income...

Poverty in retreat in India

Nigeria recently eclipsed India as the country where the largest number of people are living in extreme poverty. The gap is set to widen.



Source: World Poverty Clock

THE WASHINGTON POST

Attractive Demographics Are Driving Agglomeration...

In the next 20 years, **India's 20-40 age population will double**, and its **40-60 age population will grow roughly 2.5x~**. With **per capita income now at \$2600**, incomes have almost doubled from the \$1400 that we wrote about in 2015-16.

India's median age remains around 30, as we are entering a 10 year period of growing earnings and

Apple in India – A Case Study

Companies like Apple now view **India as a region with unique production advantages and a massive destination market**. Apple is just one example of a company that sees India as a large opportunity, referenced by Tim Cook's **20 mentions of India** on their recent earnings call. From 1% in 2021, **Apple is targeting 40-45% of iPhone manufacturing out of India**. India is a democracy that offers Make in India incentives and tax breaks. Locally produced products bypass high import duties, have lower shipping and logistics costs.

Alongside the manufacturing, Apple is **also opening new stores** in India. Apple is targeting a **billion new customers**. That's what India represents to MNCs today. This is the **essence of agglomeration**, and it's why the effect often seems like an unstoppable snowball.

As Apple decided to de-risk from China, South America, Africa, Europe or the U.S. weren't as attractive as India, Vietnam, Philippines, Indonesia etc.

Geopolitical tailwinds for India

Ongoing political tensions between the U.S. and China are causing companies across a range of industries to actively seek to diversify their **supply chains**. India is a key beneficiary of this trend. We believe frictions between the U.S. and China are structural and unlikely to diminish, suggesting this environment could **benefit India** for years to come.

Virtuous Cycle – A New Corporate Profit Cycle

These forces are coming together to drive a **new corporate profit cycle** in India, which we believe is likely to continue for a meaningful number of years.

A virtuous cycle is unfolding, leading to capital investment, job creation, and boosting consumption and investment. **Productivity** - alongside the strongest **demographics** of any large economy – is rising, driven by rapid infrastructure enhancement, reduced logistics costs and time, rapid digitalization, and technological innovation. Reforms in the **India stack**, banking, fin tech, real estate, bankruptcy law, logistics, and direct-subsidy transfers are also eliminating wastage and driving growth.

We believe the structural and cyclical forces are in a long term upcycle, with improving fundamentals and profitability that are **not fully appreciated by investors** today, as investors let **worries and fears** about a recession in the U.S. and a collapse of developed financial markets as we know them drive fear.

Besides structural factors, a deepening investment landscape, increasing urbanisation and rising wealth, geopolitical tailwinds such as China plus one are additional drivers.

Investment Outlook

Employment Trends in India are Strong, Ex IT

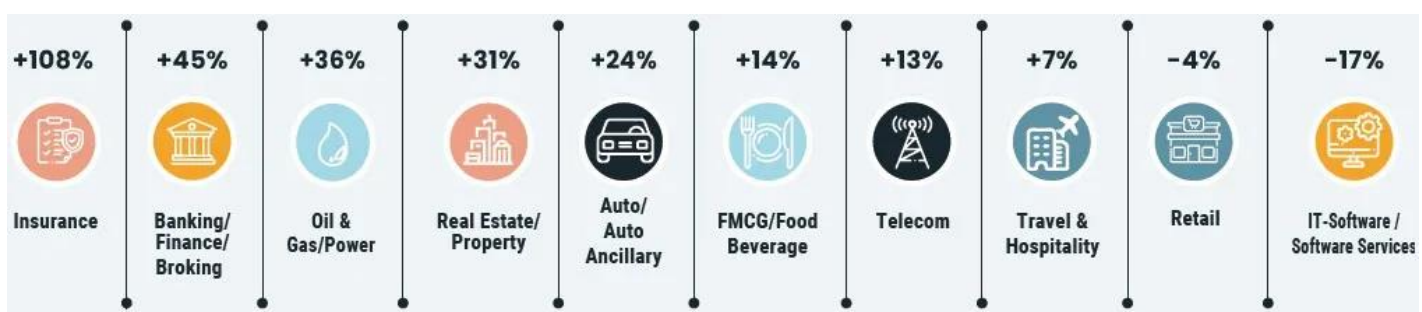
The **Insurance and Banking** sectors are witnessing a secular bull run in new job creation. The new jobs created in the insurance sector recorded an astonishing **+108% YoY** growth, driven by jobs related to selling insurance products.

The banking sector displayed a **+45% YoY growth** fuelled by the expansion of digital banking services in the rapidly evolving global economy. The **IT sector**, witnessed consolidation with a decline of **-17% YoY** in new jobs created, particularly amongst IT giants.

New jobs created in other Non-Tech sectors such as Oil & Gas +35%, Real Estate +31%, FMCG +14%, and Hospitality +7%.

Non-Metros continue to act as growth drivers in white-collar job market. Vadodara leads hiring trends with a 50% growth in new job creation vs. last year, followed by Ahmedabad, Jaipur, and Kochi with 49%, 29%, and 13% growth in new job creation respectively

Hiring Trends are Robust Across All Sectors ... Excluding IT (U.S. Europe exposure) and Retail (Online Impact)



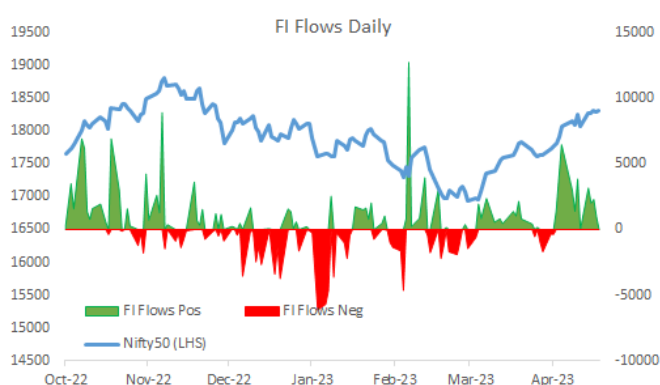
Source: Naukri. Data shown is Year on Year percentage Growth.

In metro cities, Mumbai and Delhi/NCR observed positive hiring momentum, with 17% and 7% growth in new job creation, respectively, primarily driven by the insurance sector, while Bangalore, Hyderabad and Pune dipped due to IT.

Investors Remain Committed to the Cult of Equity

India investors remain committed to capital markets. More sophisticated companies are listing in the public markets.

FI Flows Have Been Strong During the Past Few Weeks



Robust Outlook Offered by Bank Managements

Nowhere is the contrast between India and the U.S. more evident than in the commentary and outlook of the banking system. GST collections continue to be robust, +13% year-on-year. Full year '23 GST is +21%.

PMIs remain healthy. **Manufacturing PMI at 56.4** has remained in the expansionary zone since July '21. **Services activity at 57.8** continues to remain strong. **Government capital spending remains strong**, +18% yoy and +22.8% full year.

Rabi crops sowing is progressing well with approximately 3.3% improvement to last year's level. The IMD is forecasting a **normal monsoon** this year which also bodes well for the semi-urban and rural activity.

Valuation

Indian equities have traded at a premium to EM for years now. However, over that span, Indian equities have outperformed EM by 2-3% CAGR.

Reasons for Optimism

The government's **infrastructure push** in railways, airports and highways has led to agglomeration benefits, multiple growth catalysts and increased efficiency in commerce.

India has already gone through a debt deleveraging and public banking system clean up. Bank **balance sheets are healthy**, corporate and household balance sheets are strong, with households demonstrating willingness to spend on travel, leisure. **Credit growth is strong**.

India's **fiscal balances are solid**, especially compared to the ludicrous debt to GDP ratios of developed markets. Household savings are increasingly and efficiently finding their way into financial assets, via direct investment, insurance and pension funds.

Incomes are rising and hiring is strong. This is leading to an increased consumer demand. A budding **real estate cycle** is gathering some steam driven by rising services activity, rising income, increasing jobs across industries and better affordability. The **manufacturing** sector is gaining significant traction, particularly in smartphones, semiconductor, and EVs.

Monetary policy appears to have peaked. Inflation is more or less in check. India will continue to deliver economic growth in the neighbourhood of 6-7%, implying corporate earnings of roughly 13-14%.

Crude oil prices are in the low 70s as of this writing. This – and lower commodity prices and lower PPI – bodes well for inflation and margins in coming months. **FIs seem to be less of a threat**, after a historic selling binge of roughly 3 lakh crore that barely dented the indices lower by a paltry 10-15%.

India Outlook

Investors have consistently let fears of a U.S. recession and developed world crises impact their equity decisions over the years, missing out on handsome gains in the process. Equities bottomed at 15,294 and are up 19.6% since June 2022. We incidentally put out a note that month (see Know the Now, Time to Buy, June 2022).

Corporates Continue to Perform on Earnings

Primary among fears today is that the bottom is somehow about to fall out from markets. That's just

not the case. Top line growth has been a healthy 15.6% and bottom line profits are also up 15-16%.

The fall in crude will further aid the recovery, as inflation dips and rates decline further. The RBI has levers for growth if necessary. Central bank policy globally will be supportive of equities, and there frankly, are limited investment opportunities that promise liquid, reliable, inflation beating returns.

Nifty 50, with 58% of Companies Reported, Sales are Up +15.6% and Profits are +15.8%... ...An Impressive Performance Driven by Financials, Consumer and Industrials

Sector	Qtrly Operating			Op Margin			Net Profit		
	Qtr Sales YoY%	Profit YoY%	Qtr PAT YoY%	Operating Margin	Op Margin Prior Qtr	Op Margin Qtr	Net Profit Margin	Net Profit Prior Qtr	Net Profit Prior Yr Qtr
Communication Services	NA	NA	NA	NA	NA	NA	NA	NA	NA
Consumer Discretionary	19.0%	32.8%	33.6%	12.6%	12.2%	11.3%	9.8%	9.6%	8.7%
Consumer Staples	13.0%	14.7%	18.1%	21.9%	21.9%	21.6%	15.3%	14.9%	14.6%
Energy	4.0%	12.0%	8.8%	18.0%	18.0%	16.7%	10.6%	10.0%	10.2%
Financials	31.8%	50.3%	26.7%	46.7%	43.8%	40.9%	23.4%	23.3%	24.4%
Health Care	NA	NA	NA	NA	NA	NA	NA	NA	NA
Industrials	26.1%	172.1%	328.2%	11.0%	5.7%	5.1%	3.5%	2.4%	1.0%
Information Technology	15.7%	12.1%	7.9%	23.1%	23.7%	23.8%	16.1%	16.2%	17.3%
Materials	11.4%	-6.3%	-37.4%	17.2%	17.9%	20.4%	7.5%	8.2%	13.4%
Real Estate	NA	NA	NA	NA	NA	NA	NA	NA	NA
Utilities	NA	NA	NA	NA	NA	NA	NA	NA	NA
Nifty 50	15.6%	29.2%	15.8%	26.2%	25.2%	23.5%	14.9%	14.6%	14.9%

NSE 500 Earnings Are Up Similar to the Nifty 50...

Sector	Qtrly Operating			Op Margin			Net Profit		
	Qtr Sales YoY%	Profit YoY%	Qtr PAT YoY%	Operating Margin	Op Margin Prior Qtr	Op Margin Qtr	Net Profit Margin	Net Profit Prior Qtr	Net Profit Prior Yr Qtr
Communication Services	0.2%	-16.1%	-35.5%	30.4%	15.8%	36.4%	9.7%	0.4%	15.0%
Consumer Discretionary	17.4%	29.9%	34.0%	13.5%	13.0%	12.2%	8.4%	8.0%	7.4%
Consumer Staples	7.8%	9.2%	8.5%	14.6%	14.7%	14.4%	9.7%	9.6%	9.6%
Energy	4.8%	11.6%	3.1%	16.9%	15.9%	15.8%	9.9%	8.8%	10.1%
Financials	29.5%	41.1%	31.3%	51.2%	48.6%	47.0%	18.7%	19.7%	18.4%
Health Care	4.7%	-3.3%	0.9%	19.5%	20.5%	21.1%	11.6%	11.3%	12.0%
Industrials	20.2%	54.2%	39.9%	10.2%	8.5%	8.0%	4.4%	4.5%	3.7%
Information Technology	16.6%	14.2%	9.5%	22.2%	22.5%	22.6%	15.3%	15.2%	16.3%
Materials	8.3%	-6.1%	-16.3%	19.9%	19.7%	23.0%	11.0%	10.5%	14.2%
Real Estate	4.5%	-3.3%	27.1%	21.1%	17.4%	22.8%	21.1%	22.9%	17.4%
Utilities	7.7%	-18.2%	17.6%	24.7%	19.9%	32.6%	24.8%	1.9%	22.7%
Nifty 500	15.7%	25.2%	15.6%	28.2%	26.4%	26.0%	13.5%	12.7%	13.5%

Note: Tata Steel is excluded in both tables due to the volatile nature of its earnings and to provide a fairer picture of the earnings performance of companies in the index.

Indian equities in our view **are likely to benefit from multiple drivers and deliver strong real returns**, as they have done the past 2 decades.

Style Preferences

With rate hikes largely behind us, **Growth looks set to outperform**, and recent market action suggests the same. With strong domestic tailwinds, we prefer **domestic focused sectors** over exposure to developed markets. We prefer diversified portfolios centered around 70% large and 30% mid and small. Small caps remain a bottom up stock selection story and we prefer **active selection on multi, mid and small cap portfolios**.

Stock Selection in Inflationary Environments

Certain businesses are best suited to survive and thrive in higher inflation regimes. We prefer businesses with financial strength, low leverage, cost advantages or competitive advantages in promising business spaces, or operating in emerging growth industries, with innovation or automation proprietary defensible edges, dominant positioning, limited substitutes, and established economies of scale with potent pricing power.

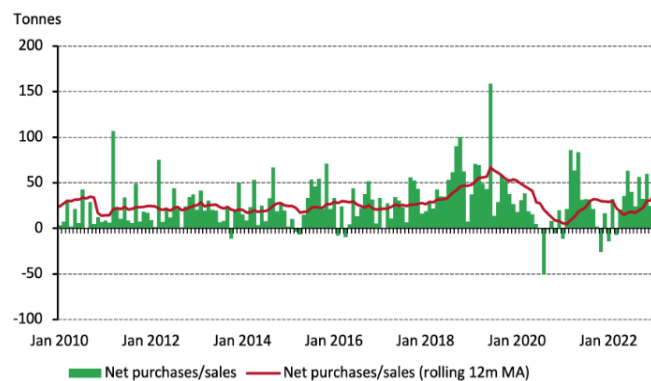
Precious Metals

Central bank gold buying momentum continued in February 2023. Reported global gold reserves have risen by 52t during February, making for eleven consecutive months of net purchases.

The People's Bank of China reported its gold reserves rose by 25t during the month. This was the fourth consecutive month that China's gold reserves have risen, growing by 102t over that period. The Central Bank of Russia, published its gold reserves for the first time in over a year, reporting gold holdings of 2,330t at the end of February 2023, 31t more than January

2022.

Central Banks Remain are Strong Buyers of Gold



We've been bullish on Gold since late last year, as Gold broke out and evidence mounted that the U.S. crisis was about to worsen. With pressures rising on the U.S. Dollar as global reserve currency, an ongoing regional bank crisis, possible bank runs in the U.S., challenges around the debt ceiling, Gold has been on a tear in recent months (>15% return since Nov. 2022).

Silver Has Broken Out from Long Term Resistance

Silver has recently broken through a long term trend line and has been moving higher of late. Besides EV, new solar installations require vast amounts of metals and minerals, including Silver. As an industrial metal, and a storehouse of value, Silver has dual characteristics. Due to these reasons, similar to Gold, Silver has also run up a lot over the recent months (over 20% return since Nov. 2022).

As a result of attractive and predictable opportunities available in equity and fixed income, we **move to a slight under-weight in Gold & Precious Metals**.

U.S. Macro

Where is the U.S. Recession?

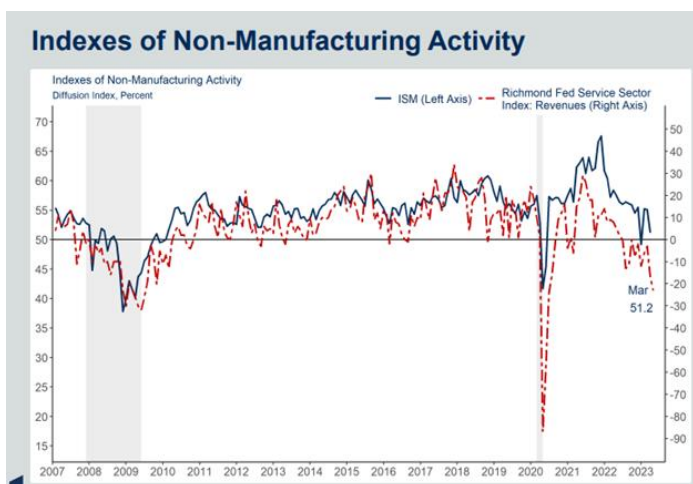
There is consensus bearishness today in the U.S. Strategists are competing to be more pragmatic in terms of their forecasts for the U.S. Possibly rightly so.

Narratives are shifting all the time... from soft landings, to renewed inflation, stagflation, hard landing, financial crisis. **Financial conditions are tighter in the U.S.** than ROW. Expectations now suggest earnings estimates are headed lower by 10% from 220 to 200.

Strong Employment Data

U.S. payrolls report showed non-farm payrolls rising by 253k, vs expectations of 185k. The **U.S. unemployment rate declined to 3.4% from 3.6%**. In past commentaries, we've noted that employment is amongst the last indicators that signals weakness before a recession hits. That's just not happening.

Employment trends remain healthy, including aggregate weekly hours worked, average hourly earnings (+4.4% YoY), the labor force participation rate is rising, to 62.6%, manufacturers' new orders remain healthy. U.S. Manufacturing PMIs are below 50, at 46.3, with New Orders even lower at 44.3. However, Services PMIs are healthy, at 51.2 (down from 55.1 in March) but New Orders have dropped precipitously (from 62.6 to 52.2). Parts of the U.S. economy do appear to be slowing.

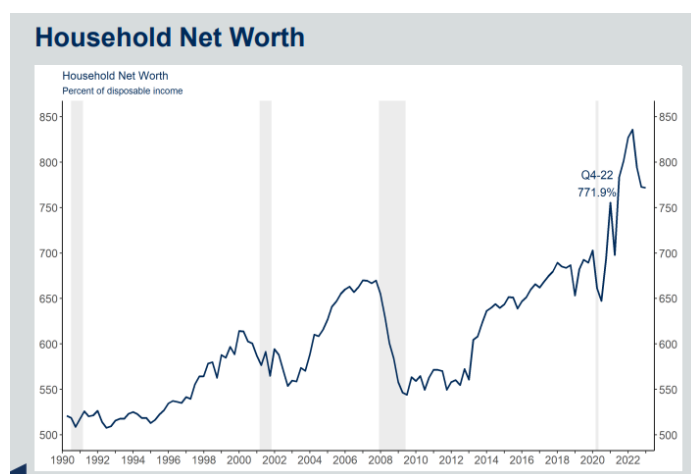


A Bounce in Real Estate

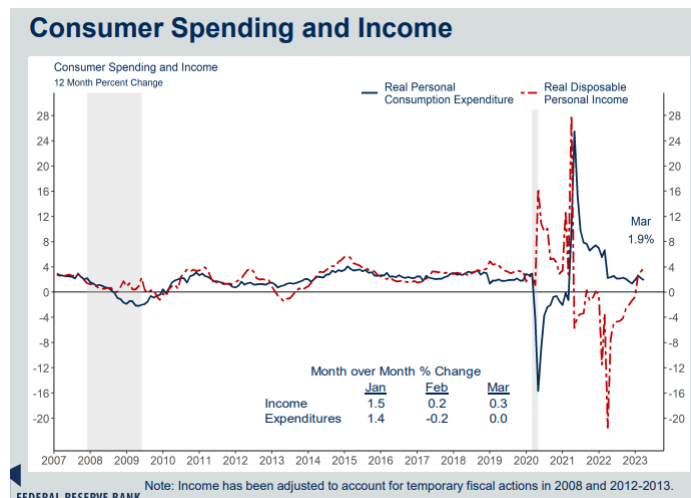
Surprisingly, multi-family housing permits have started rising, as have new single family home sales and existing home sales. The real estate market appears to be bottoming.

Net Worth Remains Healthy

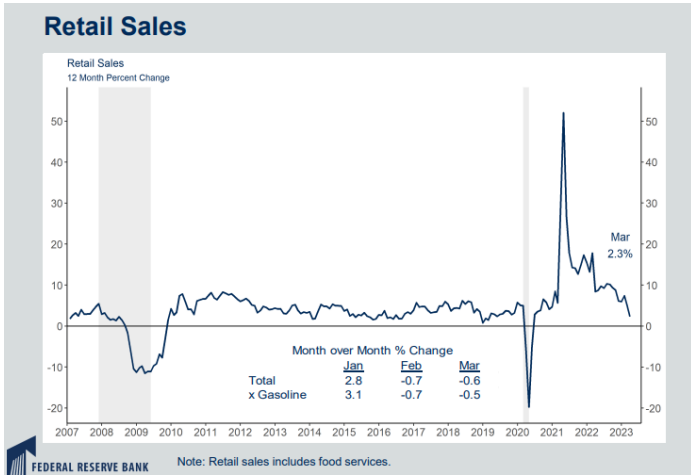
Household net worth appears to have peaked last year, but most households are much wealthier now than in the past. No wonder spending is strong.



Tighter lending standards are likely to impact growth, and that's evident in slowing retail sales.



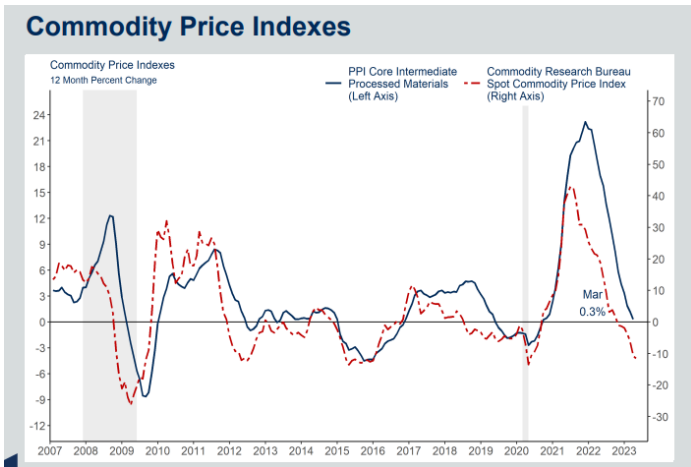
Source for U.S. charts: Federal Reserve.



Lower Energy Prices Bode Well for Inflation

The base effects from lower energy prices are extremely powerful. A year ago, West Texas Intermediate (WTI) had climbed to over \$100/barrel. Today, it's stabilized around \$71, running about 20% below its 2022 peak.

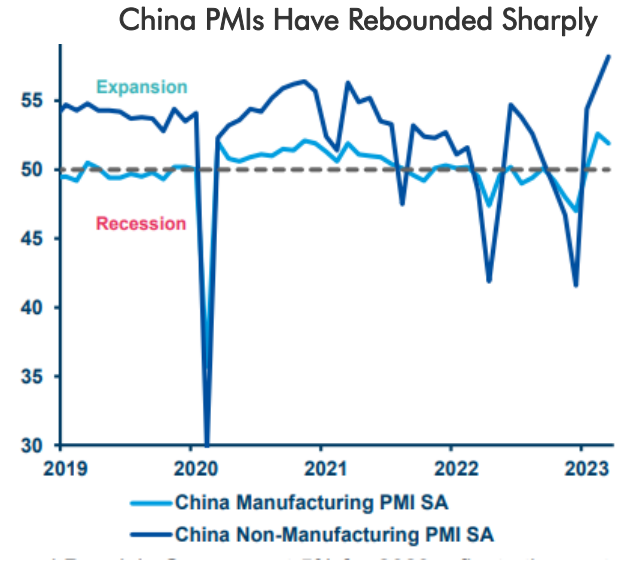
China and India have been buying oil from Russia at a 30% discount, and as the largest customers and marginal price setters for oil, \$70 per barrel seems the right price for OPEC oil.



China Re-Opening a Positive Catalyst

While much attention has been paid to the U.S., the Chinese economy is emerging out of a multi-year covid shutdown that will provide a much needed boost to global growth. Household cash in bank accounts appears to have grown in China from 8 to 9 trillion

RMB to 15.5 trillion, up more than 50%. Let's see, because all things China are typically opaque.



U.S. Recession Odds Remain High

Whether we consider the inverted yield curve, ISM manufacturing below 50, leading indicators in negative territory, aggressive Fed tightening, a banking crisis, and a variety of indicators continue to point to a recession.

Corporate sentiment in the U.S. and Europe remains **one of caution**. Weakness in U.S. has spread beyond manufacturing to all sectors, and the environment remains uncertain.

Outlook

Animal Spirits in Equities Courtesy Fed Put

Private equity has taken severe haircuts. Questions abound about tech leadership. Nevertheless, animal spirits remain resilient in U.S. equity markets, courtesy the Fed Put, which was evident in all its glory in March '23 as the regional banking crisis hit hard. Some investors are also expecting rate cuts later this year.

With abundant risks still ahead, we wouldn't go overboard with allocations to developed markets. **A somewhat cautious asset allocation stance** in U.S. financial assets would be a more prudent course.

Equity Index Performance

12-May-23	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
Nifty 50	18,273	1.1	2.6	1.2	2.3	-0.4	5.3	0.9	15.6	18,888	15,183	-3.3%	20.3%
Americas													
S&P 500 Index	4,131	1.7	0.9	-0.9	1.0	3.4	0.5	7.6	5.1	4,325	3,492	-4.5%	18.3%
Dow Jones Indus. Avg	33,310	0.5	-1.0	-2.3	-1.7	-1.3	0.1	0.5	5.0	34,712	28,661	-4.0%	16.2%
Nasdaq Composite	12,329	3.0	3.3	0.8	5.2	8.9	0.9	17.8	8.4	13,181	10,089	-6.5%	22.2%
Nyse Fang+ Index	6,428	6.5	8.8	5.1	16.0	38.9	3.8	44.5	34.3	6,449	4,103	-0.3%	56.7%
Canada	20,418	0.9	-0.2	-1.1	-0.9	1.5	1.6	5.3	3.6	21,036	17,873	-2.9%	14.2%
Mexico	55,014	0.6	1.3	-0.2	4.8	5.9	2.1	13.5	11.6	55,627	44,519	-1.1%	23.6%
Brazil Bovespa	108,256	6.0	1.3	3.7	0.2	-3.6	6.3	-1.3	2.4	120,752	95,267	-10.3%	13.6%
Europe													
Euro Stoxx 50 Pr	4,310	0.5	-0.6	-1.1	2.7	11.4	-0.1	13.6	19.3	4,412	3,250	-2.3%	32.6%
FTSE 100	7,731	-0.7	-1.2	-1.8	-1.9	5.6	1.3	3.7	6.9	8,047	6,708	-3.9%	15.3%
CAC 40 Paris	7,382	0.6	-0.2	-1.5	3.5	11.9	0.8	14.0	18.9	7,581	5,628	-2.6%	31.2%
DAX Germany	15,835	0.6	0.8	-0.5	3.4	11.3	1.3	13.7	15.2	16,012	11,863	-1.1%	33.5%
Asia													
Nikkei 225	29,388	0.8	4.6	1.8	6.2	4.0	4.8	12.6	14.1	29,426	25,520	-0.1%	15.2%
Hang Seng	19,635	-2.1	-3.3	-1.3	-7.3	13.3	-3.8	-0.7	1.3	22,701	14,597	-13.5%	34.5%
Shenzhen CSI 300	3,951	-1.6	-3.6	-1.9	-3.8	4.3	-2.5	2.1	-0.2	4,530	3,496	-12.8%	13.0%
Australia	7,257	0.5	-1.2	-0.7	-2.4	1.4	1.1	3.1	4.5	7,568	6,407	-4.1%	13.3%
Taiwan	15,502	-0.8	-2.7	-0.5	-0.5	10.7	-2.3	9.7	-0.7	16,811	12,629	-7.8%	22.7%
Korea	2,475	-1.0	-2.9	-1.0	0.2	-0.3	-0.1	10.7	-2.9	2,686	2,135	-7.8%	16.0%
Straits Times Index STI	3,207	-1.8	-2.4	-1.9	-4.6	-0.7	-1.6	-1.4	1.3	3,408	2,969	-5.9%	8.0%
Vietnam Ho Chi Minh	1,061	1.9	-0.8	1.1	0.5	11.1	-0.4	5.3	-14.4	1,317	874	-19.5%	21.4%
Jakarta Indonesia	6,724	-0.9	-1.1	-2.8	-2.3	-5.2	-1.2	-1.9	1.9	7,377	6,510	-8.9%	3.3%
Phillipines	6,605	-1.2	2.1	-0.3	-4.0	5.1	1.6	0.6	1.1	7,138	5,699	-7.5%	15.9%

Leadership Stocks – U.S. & India

Select Leadership Stocks -	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
India U.S.													
Nifty 50	18,273	1.1	2.6	1.2	2.3	-0.4	5.3	0.9	15.6	18,888	15,183	-3.3%	20.3%
Microsoft Corp	310	1.5	9.4	0.9	17.9	25.5	7.6	29.3	21.4	313	213	-0.9%	45.3%
Meta Platforms Inc-Class	236	1.0	10.2	-1.9	35.4	108.6	11.3	95.9	23.3	245	88	-3.7%	167.7%
Apple Inc	174	4.8	8.5	2.4	15.1	16.1	5.4	33.7	21.9	176	124	-1.4%	39.9%
Walt Disney Co/The	92	-5.3	-5.7	-9.9	-14.6	-2.8	-7.8	6.3	-11.5	126	84	-27.0%	9.8%
Amazon.Com Inc	112	7.9	14.7	6.4	14.9	11.3	8.6	33.5	4.9	147	81	-23.5%	37.8%
Netflix Inc	345	7.5	4.1	4.5	-0.7	18.8	-0.2	16.9	97.8	379	163	-9.1%	111.9%
Alphabet Inc-Cl A	117	11.3	11.4	8.6	23.3	20.9	12.4	32.1	3.3	122	83	-4.8%	39.9%
Hdfc Bank Limited	1,658	2.0	-1.6	-1.7	0.1	2.9	3.0	1.9	27.3	1,734	1,272	-4.4%	30.4%
Icici Bank Ltd	936	1.0	5.1	2.0	9.6	3.2	6.7	5.1	34.5	958	670	-2.3%	39.7%
Tata Consultancy Svcs Ltd	3,274	1.3	1.0	1.7	-7.4	0.7	2.1	2.6	-2.0	3,575	2,868	-8.4%	14.2%
Reliance Industries Ltd	2,466	1.0	5.1	1.9	5.5	-6.3	5.8	-3.2	2.8	2,817	2,180	-12.5%	13.1%
Bajaj Finance Ltd	6,702	4.9	14.4	6.7	4.1	-5.0	19.3	1.9	19.8	7,778	5,220	-13.8%	28.4%
Hindustan Unilever Ltd	2,629	5.1	4.0	7.0	2.0	5.0	2.7	2.6	22.9	2,742	2,100	-4.1%	25.2%
Nestle India Ltd	22,022	0.0	13.3	1.2	15.8	8.4	11.8	12.3	35.8	22,300	16,000	-1.2%	37.6%
Titan Co Ltd	2,775	1.5	7.2	5.0	12.4	4.7	10.3	6.8	35.5	2,791	1,825	-0.6%	52.1%
Asian Paints Ltd	3,158	4.8	13.3	8.8	12.6	3.4	14.3	2.3	3.9	3,583	2,560	-11.9%	23.4%
Srf Ltd	2,554	1.0	5.3	0.5	11.6	6.9	5.9	11.5	16.4	2,865	2,002	-10.9%	27.6%
Central Depository Servici	997	0.7	-	-0.9	-0.4	-17.8	9.7	-10.6	-7.2	1,452	881	-31.3%	13.2%

Large, Mid & Small

12-May-23	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
India Indices													
Nifty 50	18,273	1.1	2.6	1.2	2.3	-0.4	5.3	0.9	15.6	18,888	15,183	-3.3%	20.3%
Sensex	61,843	1.3	2.4	1.2	1.9	0.1	4.8	1.6	16.8	63,583	50,921	-2.7%	21.4%
Nifty 500	15,468	1.2	3.5	1.6	3.0	-1.2	6.2	0.1	14.9	16,042	12,856	-3.6%	20.3%
NIFTY Midcap 100	32,560	1.3	5.6	2.4	4.9	3.8	8.4	3.3	21.4	32,939	25,048	-1.2%	30.0%
NIFTY Smallcap 100	9,874	1.5	6.1	2.1	3.7	1.7	9.8	1.5	13.3	10,181	7,905	-3.0%	24.9%

Nifty Sectors

12-May-23	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
Nifty Sectors													
Nifty Auto	13,900	4.2	8.1	5.4	5.0	6.6	13.5	10.2	36.8	13,957	10,093	-0.4%	37.7%
Nifty Bank	43,487	1.9	4.6	0.6	4.6	3.2	7.1	1.2	29.7	44,152	32,291	-1.5%	34.7%
NIFTY Private Bank	22,047	2.6	4.7	0.7	3.7	2.8	6.9	0.8	30.0	22,492	16,280	-2.0%	35.4%
Nifty Financial Services	19,406	2.0	3.8	1.3	4.8	2.1	7.5	2.2	25.3	19,518	14,857	-0.6%	30.6%
Nifty India Consumption	7,752	2.1	6.1	3.3	5.3	-1.1	8.3	2.6	19.7	8,147	6,364	-4.8%	21.8%
Nifty FMCG	49,019	1.7	6.3	2.5	7.8	10.1	6.8	11.0	35.3	49,021	35,827	0.0%	36.8%
Nifty Energy	24,012	0.3	3.4	1.2	7.6	-10.9	5.2	-7.2	-6.6	28,257	21,631	-15.0%	11.0%
Nifty Infrastructure	5,407	0.0	3.5	0.9	6.5	2.7	6.2	2.9	15.6	5,485	4,406	-1.4%	22.7%
Nifty IT	28,096	1.4	-3.1	1.4	-9.0	-5.1	-2.1	-1.8	-5.6	31,587	26,184	-11.1%	7.3%
Nifty Metal	5,716	-1.6	0.4	-1.4	-1.0	-11.3	4.0	-15.0	5.4	6,920	4,437	-17.4%	28.8%
Nifty Pharma	12,579	-0.2	0.0	-0.3	2.0	-3.4	4.7	-0.2	1.2	13,736	11,542	-8.4%	9.0%
Nifty PSU Bank	3,977	-4.3	6.0	-4.6	1.5	5.7	7.0	-7.9	65.5	4,617	2,284	-13.9%	74.1%
Nifty Realty	454	2.0	8.0	2.0	9.4	1.3	17.2	5.1	17.7	484	366	-6.1%	24.1%
Nifty Sectors & Themes													
Nifty Media	1,702	-0.3	-1.9	-0.8	-9.6	-19.1	0.1	-14.6	-11.6	2,236	1,637	-23.9%	4.0%
Nifty CPSE	3,135	0.9	4.4	2.7	12.4	11.3	7.5	12.0	24.0	3,180	2,276	-1.4%	37.8%
Nifty PSE	4,778	0.7	4.4	2.0	10.1	11.5	6.8	9.4	19.4	4,846	3,602	-1.4%	32.6%
Nifty Commodities	5,827	0.1	2.4	0.8	5.2	-1.9	4.9	-2.0	5.3	6,189	4,774	-5.9%	22.1%
Nifty MNC	20,570	2.3	6.4	3.8	5.2	2.5	7.5	4.4	19.9	20,626	16,805	-0.3%	22.4%

Crude Oil & Commodities

12-May-23	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
Nifty 50	18,273	1.1	2.6	1.2	2.3	-0.4	5.3	0.9	15.6	18,888	15,183	-3.3%	20.3%
Gold U.S. & India													
Gold Spot \$/Oz	2,007	-0.5	-0.4	0.8	8.3	13.3	1.9	10.0	10.1	2,063	1,615	-2.7%	24.3%
Gold India	61,238	0.7	1.7	2.2	7.7	17.3	2.8	12.2	20.1	61,460	49,111	-0.4%	24.7%
Platinum Spot \$/Oz	1,085.6	2.2	6.4	0.7	13.3	6.2	9.1	1.1	14.6	1,135	821	-4.3%	32.2%
Crude													
Brent Crude	74.5	-1.1	-14.7	-6.3	-13.8	-22.4	-6.6	-13.3	-30.7	125	70	-40.5%	6.2%
WTI Crude	70.5	-1.2	-15.4	-8.2	-11.6	-20.8	-6.9	-12.2	-33.6	124	64	-43.0%	10.7%
Metals													
LME Copper	8,133.2	-3.7	-8.1	-5.2	-7.9	-4.3	-9.7	-2.8	-13.1	9,713	6,995	-16.3%	16.3%
LME Aluminum	2,196.7	-5.0	-2.7	-7.2	-8.7	-10.2	-7.6	-6.5	-20.0	2,963	2,079	-25.9%	5.6%
LME Nickel	21,703.0	-12.1	-6.7	-10.4	-21.3	-19.2	-8.2	-27.4	-21.7	31,176	19,094	-30.4%	13.7%
LME Zinc	2,532.3	-3.5	-8.6	-4.5	-17.2	-16.8	-14.1	-15.7	-31.3	3,977	2,488	-36.3%	1.8%
LME Lead	2,100.1	-1.3	-0.2	-3.4	1.5	-3.0	-1.1	-10.1	-0.2	2,335	1,753	-10.1%	19.8%
LME Tin	25,616.0	-5.3	8.1	-3.0	-5.7	19.2	-1.2	3.5	-28.8	37,555	17,400	-31.8%	47.2%
Commodities													
Lumber	8,133.2	-3.7	-8.1	-5.2	-7.9	-4.3	-9.7	-2.8	-13.1	9,713	6,995	-16.3%	16.3%
Palm Oil	3,770.0	-7.4	-9.6	-4.2	-0.9	-10.0	-7.1	-9.6	-46.1	7,230	3,143	-47.9%	19.9%
BBG Comdty ex-Prec Mtl	89.7	-2.0	-7.5	-4.1	-10.4	-18.8	-5.8	-14.4	-26.2	134	89	-32.8%	0.7%
CRB Metals Index	1,012.4	-2.9	-3.3	-4.2	-7.0	3.4	-7.0	0.1	-18.5	1,287	806	-21.4%	25.6%
Bloomberg Commodity In	100.8	-2.1	-6.3	-3.3	-7.2	-13.7	-4.4	-10.6	-20.7	138	101	-27.0%	0.0%
CRB Commodities Index	544.8	0.1	-0.2	-0.5	-1.6	-3.3	-1.1	-1.8	-13.5	637	539	-14.5%	1.0%
Wheat	614.3	-2.7	-8.9	-0.9	-21.9	-24.5	-11.3	-22.4	-44.6	1,284	596	-52.2%	3.1%
CRB Raw Industrials Inde	550.6	-1.4	-1.0	-1.9	-3.5	-3.4	-2.1	-3.4	-16.3	665	547	-17.2%	0.6%
Commodities													
Bloomberg Grains Spot	288.14	-2.3	-7.1	0.3	-12.5	-11.0	-8.6	-12.0	-27.4	414	283	-30.5%	2.0%
Raw Sugar	26.02	2.0	6.8	-3.6	20.6	32.5	16.9	29.8	40.3	27	17	-5.1%	51.3%
Simex Iron Ore	104.30	1.9	-13.4	-10.2	-16.8	15.3	-17.9	-6.3	-19.9	147	77	-29.2%	35.7%

Interest Rates and Inflation

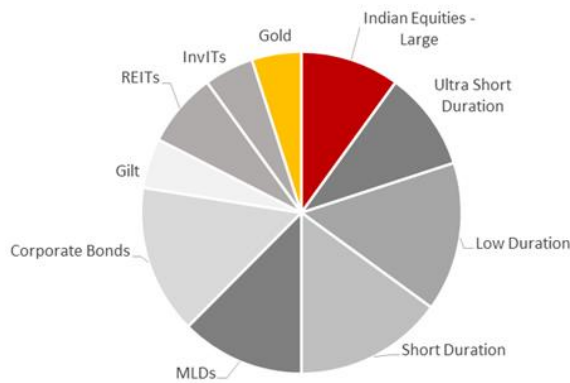
12-May-23	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
India G-Sec Yields													
10 Year India G-Sec	7.03	7.01	7.19	7.12	7.36	7.31	7.31	7.33	7.24	7.62	6.98	-0.59	0.05
5 Year India G-Sec	6.98	6.95	7.02	7.00	7.28	7.20	7.17	7.23	7.13	7.48	6.82	-6.8%	2.3%
3 Year India G-Sec	6.96	6.92	6.93	6.97	7.16	7.07	7.09	7.04	6.80	7.42	6.66	-6.2%	4.5%
1 Year India G-Sec	6.91	6.89	6.92	6.90	7.04	6.66	7.14	6.72	6.02	7.38	5.71	-6.4%	21.0%
3 Month India G-Sec	6.91	6.86	6.73	6.78	6.67	6.45	6.88	6.26	4.87	7.12	4.85	-2.9%	42.5%
Repo Rate India	6.50	6.50	6.50	6.50	6.25	5.90	6.50	6.25	4.00	6.50	4.90	N/A	N/A
India CPI													
India CPI Combined YoY	5.66		6.44	5.66	5.72	7.41	5.66	5.72	6.95	7.41	5.66	-1.75	-
India WPI	1.34		3.9	1.3	5.0	10.6	1.3	5.0	14.6	17	1	-91.9%	0.0%
India Core CPI	6.12		6.4	6.1	6.4	6.3	6.1	6.4	6.1	6	6	-5.6%	10.9%
U.S. & China Yields & CPI													
U.S. 10 Year	3.38	3.44	3.39	3.42	3.73	3.81	3.47	3.87	2.85	4.34	2.51	-0.95	0.87
U.S. 5 Year	3.35	3.41	3.46	3.48	3.92	3.94	3.57	4.00	2.82	4.50	2.58	-1.16	0.77
U.S. 2 Year	3.89	3.91	3.96	4.01	4.52	4.33	4.03	4.43	2.56	5.08	2.44	-1.19	1.45
U.S. 1 Year	4.45	4.75	4.66	4.76	4.88	4.58	4.62	4.71	1.90	5.24	1.90	-0.79	2.55
U.S. 3 MO T-BILL	4.97	5.22	5.01	5.06	4.76	4.17	4.75	4.37	0.94	5.22	0.90	-0.26	4.06
Spread 10-2	-0.50	-0.48	-0.57	-0.58	-0.79	-0.52	-0.56	-0.55	0.29	-0.74	0.08		
Spread 5-1	-1.10	-1.34	-1.20	-1.28	-0.96	-0.64	-1.05	-0.71	0.92	-0.73	0.68		
U.S. CPI	4.90		5.00	4.90	6.40	7.70	5.00	6.50	8.30	9	5	-46.2%	0.0%
China CPI	0.10		0.7	0.1	2.1	2.1	0.7	1.8	2.1	3	0	-96.4%	0.0%
Inflation Expectations 10	2.20		2.2	2.2	2.2	2.3	2.2	2.3	2.4	3	2	-12.9%	0.0%
U.S. Dollar & INR													
USD INR	82.2	81.8	82.1	81.8	82.7	81.3	82.2	82.7	77.4	83.3	77.3	-1.3%	6.3%
Dollar Index	102.1	101.2	101.5	101.7	103.6	106.3	102.5	103.5	104.9	114.8	100.8	-11.1%	1.3%

Tactical Asset Class Rationale		
Equities	Weight	Rationale
India Equities	Over Weight & Stagger	Outlined in the commentary, we continue to remain moderately over-weight equities and suggest staggered deployments into equities.
India Hedge Funds	Marginal Over Weight	Hedged portfolios provide an attractive complement to equity portfolios, providing a diversifying non-correlated asset class that enhances risk adjusted return, while holding the opportunity to provide equity-like returns with debt-like risk. Typically, rising volatility is a constructive environment for hedge fund managers; however, we have not witnessed it translate to alpha for fund managers.
Long Short (Absolute Return)	Under Weight	Typically, long short funds that have consistently delivered post-tax 8% returns are a worthy consideration for portfolios. We remain under-weight due to a lack of predictable return and performance.
U.S. Equities	Market Weight	Indian HNI portfolios are dramatically underweight U.S. equities. Diversification provides strong portfolio optimization benefits. U.S. equities have dramatic barriers to entry and global leadership. U.S. equities have experienced a dramatic sell-off and we recommend a staggered accumulation approach.
Emerging Market Equities	Market Weight	The Japanese economy is witnessing a surprise uptick, after many years. China is opening up after 3 years and while concerns remain around real estate, the Chinese consumer should have pent up buying power. Other emerging markets are valued reasonably and showing growth.
Europe Equities	Under Weight	Growth in India, emerging markets is likely to outpace European growth and therefore find limited triggers to gain exposure to European equities.
Fixed Income	Weight	Rationale
Duration	Positive	Duration is an attractive proposition on a risk reward basis notwithstanding the intermittent volatility. As predicted by us prior to policy, RBI rightly paused in April policy citing likely cooling of inflation going ahead. The recent inflation cooling corroborates RBI thoughts. Going ahead, with expectation of inflation cooling trend continuing and growth support becoming more important, duration will be an attractive risk reward proposition. Intermittent volatility could arise due factors like, spike in crude prices, and international geopolitical uncertainty continuing unabated, developed economies rate actions amongst others. However resultant temporary yields spikes would be an opportunity to add to positions rather than permanent weakness in the fixed income investment proposition.
Accrual	Selectively Positive	Accrual space offers good opportunity to lock in yields. The journey from here could be positive barring occasional hiccups in terms of temporary spread widening. Investors should lock in the attractive spreads that accrual assets offer. The near and belly of the curve offers good options for investors.
Credit Risk	Selectively Positive	In all the policy reversal led tightening there was a visible difference between perceived good and actual good credit. Good issuers have shown their mettle by successfully navigating stressed times. Rich pickings are available in credit space of lesser understood / lesser known issuers and they offer attractive risk reward opportunities for risk savvy investors. Allocations should be in line with investor's risk appetite.
REITs	Over Weight	Real estate investment trusts (REITs) lagged in 2020 and 2021 due to the impact of Covid on retail and urban office space. However, REITs recovered in 2022. During the uncertain and inflationary environment, REITs offer an attractive inflation hedge that provides exposure to fixed assets
InvITs	Over Weight	Infrastructure Investment trusts offer an attractive opportunity to invest in diversified portfolio of assets generating an attractive yield through regular income distribution
Alternate	Weight	Rationale
Private Unlisted	Selectively Positive	We are selectively positive and expect significant value and wealth creation in the unlisted space in India primarily led by Technology, Financial and New Age Consumption companies. Our Direct Deal Thesis focuses on late stage companies with significant market share & profitability and our Manager Selection in early stage investments focuses on fund managers with established track record across cycles.
Gold	Weight	Rationale
Gold	Under Weight	Given the recent run up in Gold prices and attractive opportunities available in equities and fixed income, we recommend an under-weight position in Gold.

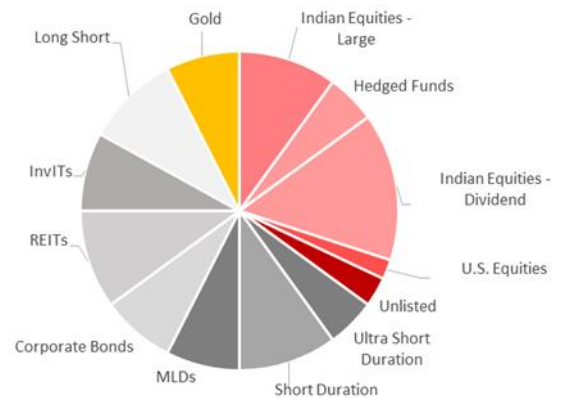
Ambit GPC Wealth Profiles - Strategic Weights

The Ambit GPC Asset Allocation & Investment Committee (AAIC) provide guidance on asset allocation via our wealth profile models below. The models are listed on a scale of rising return and rising risk and represent the most common investor profiles that we base our portfolio construction around.

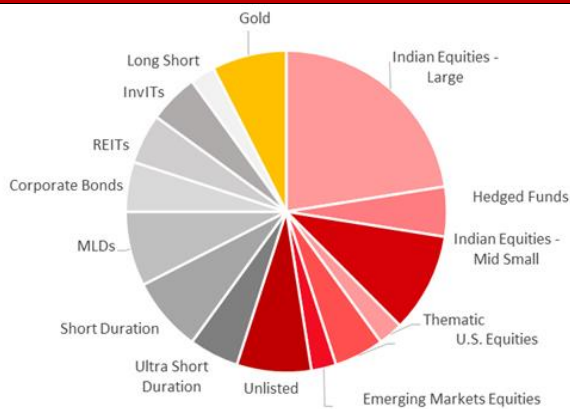
Wealth Conservation



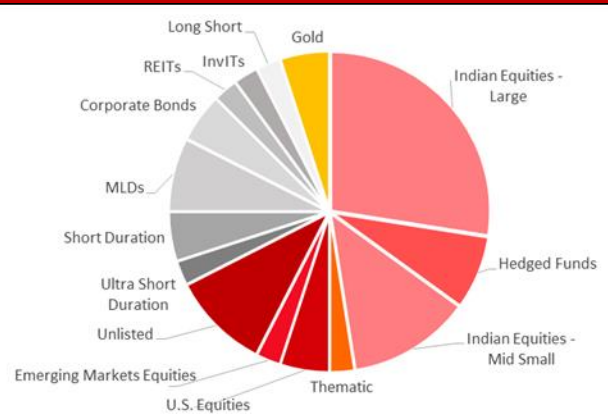
Income



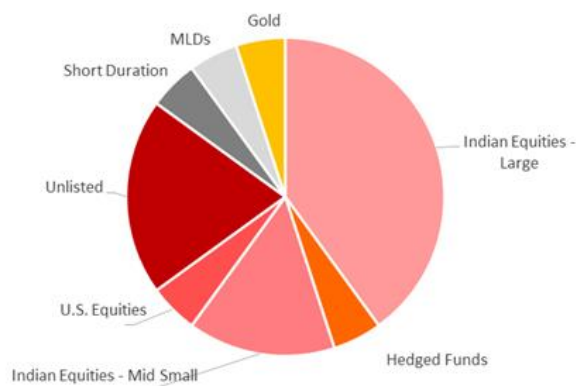
Balanced Growth



Moderate Growth



Aggressive Growth



Ambit Global Private Client - Asset Allocation & Investment Committee

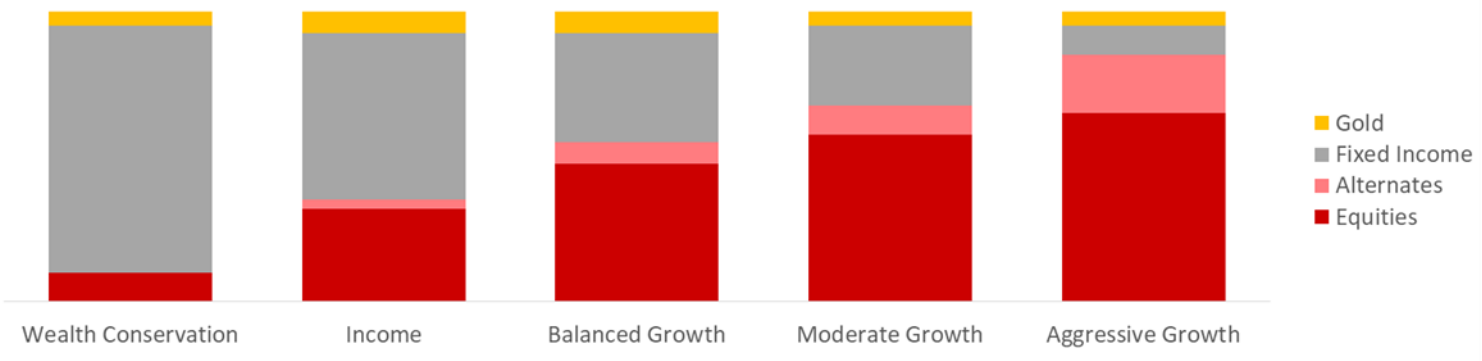
The Ambit GPC Asset Allocation & Investment Committee (AAIC) is a group comprised of the CEO, Head of Products and Alternates, Chief Investment Strategist and Head of Fixed Income (listed below). The team has over 100 years of collective investment experience in markets. The AAIC meets monthly and as necessary during periods of market volatility to discuss the economy and markets. The committee determines the investment outlook that guides our advice to clients. The AAIC continually monitors developing economic and market conditions, reviews tactical outlooks and recommends asset allocation model changes, as well as analysis, investment commentary, portfolio recommendations and reports.

Tactical Allocation Weights Vs Strategic

Asset Class Pairs	Scale											View	
	-5	-4	-3	-2	-1	0	1	2	3	4	5		
Equities								→	◆				Over-Weight
India Equities – Large								→	◆				Over-Weight
India Equities – Mid & Small								→	◆				Over-Weight
U.S Equities						◆							Market-Weight
International ex-U.S.				◆	←								Under-Weight
Long Short				◆									Under-Weight
Hedge Funds						→	◆						Over-Weight
Fixed Income								→	◆				Positive
Duration								→	◆				Positive
Accrual								→	◆				Selectively Positive
Credit Risk								→	◆				Selectively Positive
InvITs								→	◆				Over-Weight
REITs								→	◆				Over-Weight
Alternates						◆							Neutral-Weight
Private Unlisted							◆						Selectively Positive
Gold				◆	←								Under-Weight

Wealth Profiles - Summary

Strategic Asset Class Weights by Profile



Ambit Global Private Client – Asset Allocation & Investment Committee

Amrita Farmahan
CEO

Amrita.farmahan@ambit.co

Mahesh Kuppannagari
Head – Products & Advisory

Mahesh.kuppannagari@ambit.co

Sunil A. Sharma
Chief Investment Strategist

Sunil.sharma@ambit.co

Malay Shah
Head – Fixed Income

Malay.shah@ambit.co

Sources: All sources unless otherwise noted are Bloomberg, NSE.

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