



KNOW THE NOW

BUSINESS CYCLE UPDATE.

PREFACE

Dear Clients,

Being an Investor is not easy.

Especially in the backdrop of rising inflation, slowing economic growth and geopolitical conflicts. The irresponsible global central bank behaviour of infusing excessive liquidity beyond what the COVID-19 crisis warranted has created a monster in inflation numbers that the U.S. has not seen in a long time and surprisingly did not anticipate. Add the geo political conflicts to this toxic cocktail and it seems pretty certain that volatility will continue in global markets.

The tremors have been felt in India with the FII's selling almost USD 33 Bn. since Oct'21 and if it was not for the tsunami of domestic savings coming through SIPs the impact would have been much worse.

In this edition of **Know the Now: Business Cycle Update** our Chief Investment Strategist, Sunil Sharma continues to objectively put forth facts that suggest an underlying resilience in the Indian economy i.e. the strength we're witnessing in credit growth and other domestic indicators.

We have recommended to our clients to deploy into the markets in a staggered manner over the next 6-8 months and buy growth stocks and strategies. NIFTY is up 5% from its bottom and as commodity prices come down, yields stabilize and corporate earnings reflect the healthy consumer demand, the medium term outlook for equity performance looks fairly promising. We expect the U.S. Fed to increase rates to reign in Inflation and that will bring in volatility, which is why the staggered approach is the most prudent path. To facilitate this strategy for our clients we have created a STP (Systematic Transfer Plan) into two exclusive discretionary strategies run by Ambit GPC: CALIBER and Alpha Growth.

Howard Marks in a recent interview said and I quote "In order to outperform, by definition you have to depart from the crowd, you have to hold a different position. And you have to have resolve to do it. It's a rare person who can do that and not feel discomfort. In order to be a great investor, you have to dare to be different – you have to be willing to do some things that are unpopular".

When there is uncertainty, there is opportunity. There is opportunity today across asset classes in options that can weather rising prices be it fixed income, equities or alternates. We believe we are in moderate territory today, valuations were high but had not gone excessive into bubble territory and the events of the last six months have taken the bloom off the rose, in that most of the excesses have been driven out. The principles of greed and fear are at play, it's not going to be as simple as it was to make returns when money was very easy. You will need to cut the cacophony and build the resolve to overcome the fear.

Happy Investing and enjoy the read.

Amrita Farmahan

Chief Executive Officer

INVESTMENT COMMENTARY

Business Cycle Update

Sunil A. Sharma

Chief Investment Strategist

A variety of cross market indicators are signalling that commodity inflation has peaked and there is a light at the end of the tunnel on the hike cycle.

Commodity Prices Have Plummeted

The LME metals pack is down 30-40% in the past 3 months. Palm Oil is down 43%. Wheat is down 28%. Fed hikes have been effective in reigning in commodity prices. However, we're not seeing it in the inflation data, possibly because retailers are choosing to hold on to higher margins.

Yields are Stabilizing on the G-Sec Yield Curve

G-sec rates appear to have stabilized, and are marginally lower. Rates have come off at the long end of the curve, typically where inflation premiums are highest.

10 Year OIS Swap Rates are Headed Lower

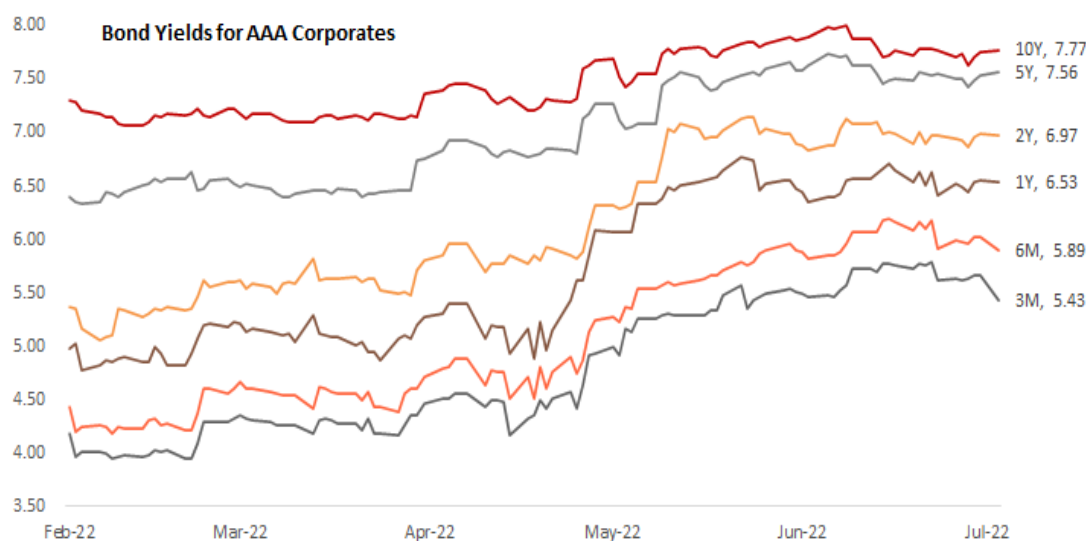
The 10 year OIS swap rate has had clear leading indicator characteristics relative to the 10 year G-Sec yield. The 10 year OIS has turned lower as well, again signalling that the 10 year G-Sec yields have stabilized at current levels.

Credit Growth Continues To Rise

Commercial credit growth is accelerating, **up 13.2% YoY**, outpacing deposit growth, which is clocking a healthy 8.3%. Clearly, domestic demand appears to be robust across personal loans, agriculture, services and industry.

Upgrades to Downgrades Ratio at a Multi-Year High

We're witnessing a rising number of upgrades by credit agencies. The ratio of upgrades to downgrades is now a robust 1.5 times. That's one of the healthiest readings we've had over the past 7 years.

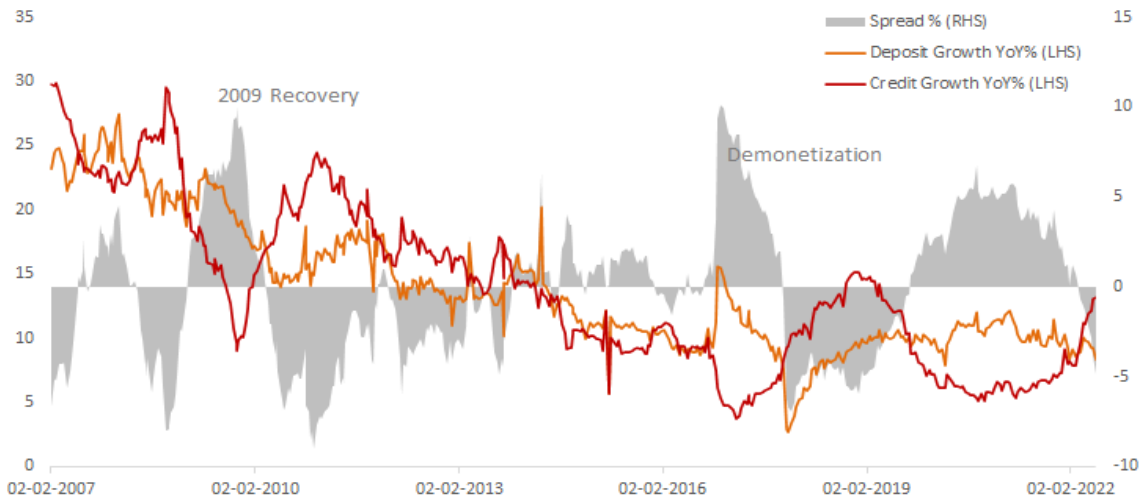
AAA Corporate Yields Have Stabilized or are Marginally Lower

Source: Bloomberg and NSE, unless otherwise noted, for all charts. Data as of July 13, 2022.

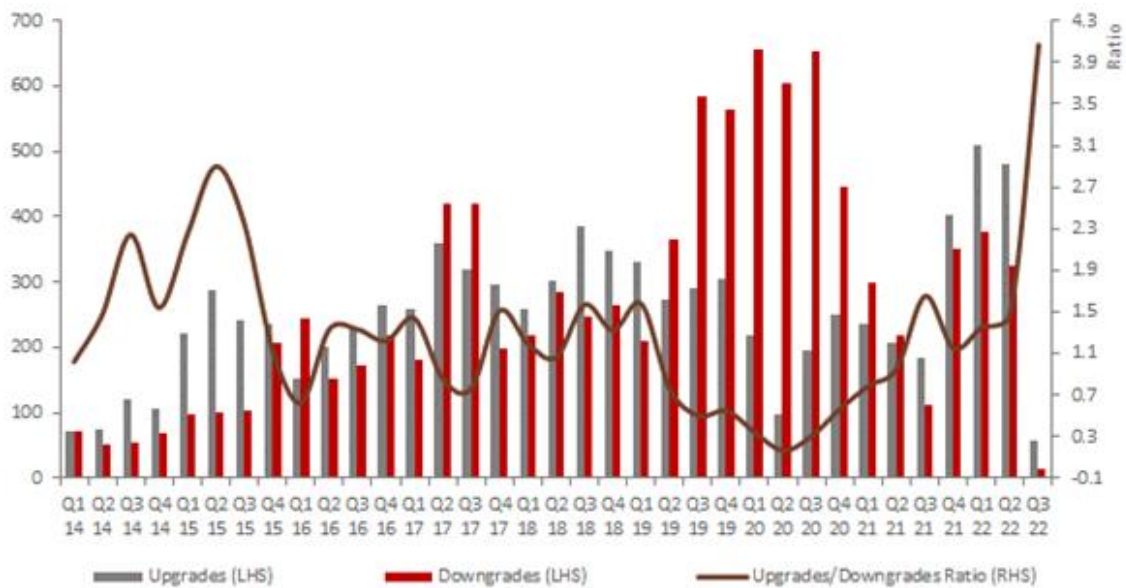
10 Year OIS Swap Rate Suggests 10 Year G-Sec Yields Should Stabilize



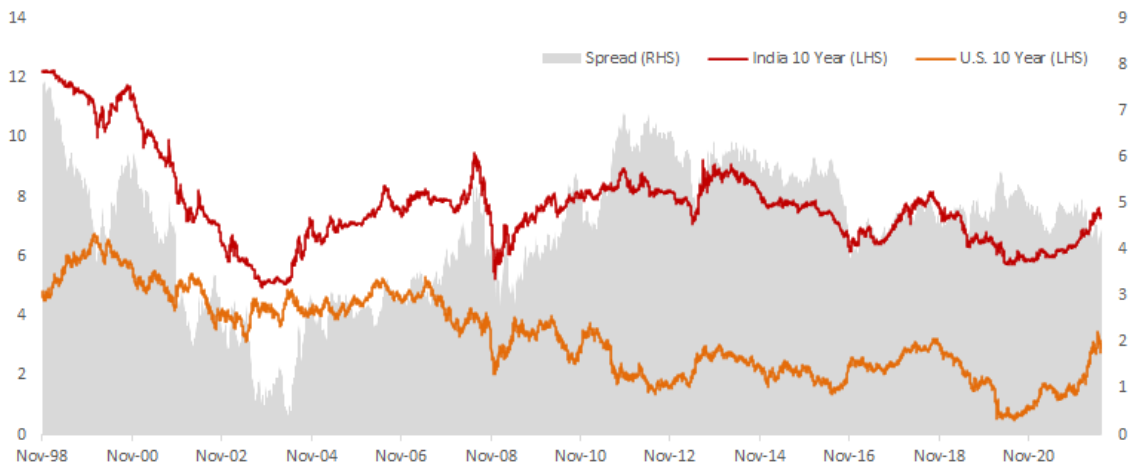
Commercial Credit Growth is Up 13.2% YoY, Deposits +8.3%



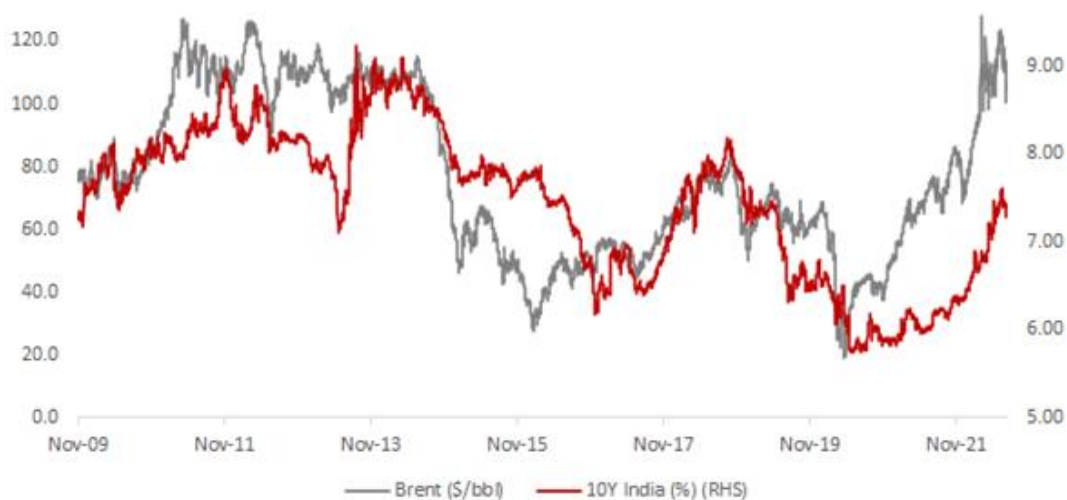
Upgrades are Outpacing Downgrades by 3 to 2



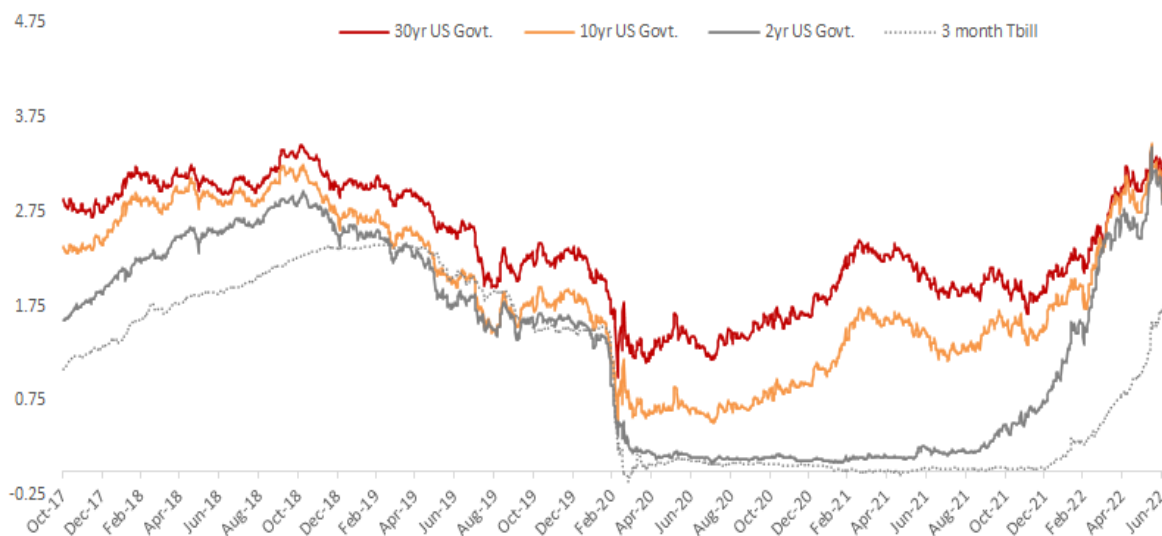
India U.S. Rate Spread Remains at Historical Average – Markets are Ahead of the RBI



Brent Prices Are Down Under \$100 and Typically Peak Coincidentally with Rates



U.S. Yield Curve Has Flattened and Inverted in Parts



Source: Bloomberg and NSE, unless otherwise noted, for all charts. Data as of July 13, 2022.

The Growth Of Domestic Flows – Particularly During Steep Declines – Has Been a Pillar of Support

	Nifty Change* (%)	Net Investments (in Rs. Cr.)	
		FPIs	Mutual Funds
Feb 2000 - May 2000	-30	7,022	-762
Feb 2001 - Sep 2001	-40	7,864	-3,187
Jan 2004 - May 2004	-30	15,285	1,358
May 2006- June 2006	-30	-6,829	5,917
Jan 2008 - Oct 2008	-60	-51,754	14,144
Nov 2010 - Dec 2011	-28	16,578	7,543
Mar 2015 - Feb 2016	-23	-27,979	80,284
Jan 2020 - Mar 2020	-38	-48,030	41,304
Oct 2021 - June 2022	-21	-255,879	189,220

Source: Kotak Bank, Bloomberg

Brent Also Suggesting a Peak in Interest Rates

The 10 year g-sec has tended to peak alongside peaks in crude oil prices. We saw this in 2018, 2011 and 2013. Brent is down 20% from its peak prices of \$127.9. With the slowdown in the global economy, Brent is unlikely to witness a demand turnaround, but could be volatile on supply constraints. India's fiscal and consumption story will benefit tremendously, particularly with Iran and Russia willing to offer discounted prices to market to India.

U.S. 10 Year Yields Have Dropped 52 bps

As of this writing, the U.S. 10 year is at 2.96%, down from a high of 3.60%, or a 52 bps drop. The drop in the long bond yield is clearly signalling a reduced inflation premium, but the 10/2 spread has inverted, while the central bank's preferred measure the 10 year/3 month has not.

Spread between India and U.S. Interest Rates

Finally, notions that India will need to raise rates aggressively due to rising rates in the U.S. does not seem to be supported by the data. The 10 year G-Sec versus U.S. treasury bond spread is at the average end of the range over the past 20 years.

Equity Outlook

Where are we in the Business Cycle

It's clear that interest rates, inflation, commodities appear to have peaked, barring an unforeseen event. What's unique about our economy – ergo the current cycle – is the strength we're witnessing in domestic credit growth and domestic indicators while global growth slows.

Speculative Action Has Been Crushed

Recent stories about speculative bets placed in the commodities market have begun to emerge. The Central Bank hikes have led to all manner of such bets, including the Yen carry trade, U.S. tech with negative eps, Bitcoin, NFT, SPACs have experienced painful unwinds.

Sectoral Action

The Metals sector, as expected, has been pummelled of late. (see charts at the end of the commentary). Meanwhile Financials are beginning to show signs of outperformance, outperforming the index in the past month. Autos and consumption are also outperforming after a long stretch of underperformance. The action in Financials in particular is **typical of a bottoming process**.

14-Jul-22	1 Mo %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %
Nifty Auto	8.9	13.0	3.9	3.3	10.6	15.5
Nifty Bank	4.0	-7.5	-9.7	3.6	-2.4	-2.9
NIFTY Private Bank	3.3	-7.9	-10.3	4.3	-3.3	-6.7
Nifty Financial Services	4.5	-8.2	-13.9	3.3	-7.8	-5.0
Nifty India Consumption	8.5	1.1	-1.2	6.5	1.0	11.9
Nifty Metal	-3.2	-26.7	-17.2	4.3	-12.0	-8.3

To date, companies have managed to fend off inflation pressures, largely by passing on price hikes to consumers. So far, consumers seem willing to bear higher prices.

Domestic Flows Bode Well for the Future

- SIP flows in January 2020 stood at 8,532 Cr. Today they are 12,276 Cr. That's an increase of **+44%**.
- SIP flows in June 2021 were 9,156 Cr, today at 12,276 Cr, that's an increase of 34%
- Despite a tough market, SIPs have stayed resilient in the past 3 months.
- FIs sold 2.6 lakh crores over the past 7 months, and the market remains resilient.
- There is a **tsunami of domestic savings** that will provide support to this market over the next 3 to 5 years.

Total **consumption of oil products** in India has risen to 18.7 million tons, the highest level in three months, up **+18% YoY**, driven by an uptick in diesel. Diesel is up 5.4% MoM and 24% YoY.

According to Bloomberg, India's **corporate profits** as a percent of GDP is now in an uptrend and rising for the past three years. FY23 estimate is expected to be 5%, an 8 year high. The cycle is just getting started.

Technicians are reporting a breadth thrust signal in the NASDAQ that has typically marked an intermediate term bottom over the next 6 months.

Anecdotally, **Mercedes Benz** just clocked their highest ever Q2 sales of 7,573 units in India, despite supply challenges, posting a **+56% YoY** increase. **Dmart** reported their highest ever quarterly sales of Rs. 10,038 Cr, a jump of **~73%** over 5814 Cr in June 2019, tied the highest gross and operating margin percentage from Jun 2019 and the highest net margin over the past few years. **Titan** reported strong performance. **Mindtree** and LTI have dispelled notions of a technology slowdown on top and bottom line, at least in the near term.

Outlook

Our view remains that the market is going through a bottoming process. Due to irresponsible global central bank policy over the past many years, volatility has risen. Excesses are frequently occurring driven by **extremes in greed and fear**, risk tolerance and risk aversion.

Markets are showing resilience in light of the bearish cacophony in the media and social media, up 800 points off the bottom. In the face of gloom and doom, **the market is telling its own story**.

U.S. Inflation Remains a Concern

U.S. inflation rose to 9.1% and that's a 40 year high. Our **inflation problem appears to be addressable** in contrast to the stagflationary situation facing the Fed. As a result, further aggressive Fed action can be expected.

Equity markets have **weathered a 2.6 lakh crore tsunami of selling by FIs** in the past six months. Meanwhile, the prognosis remains for **steadily rising domestic capital flows**. As does the prognosis for domestic demand.

India Has Strong Growth Drivers

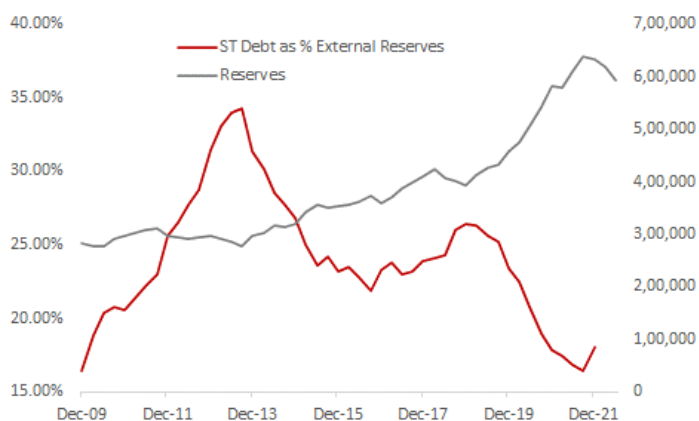
India’s structural story remains intact. **IT demand** remains robust and the barrier to entry is significant. India remains a primary alternative to **China de-risking** for MNCs. That bodes well for specialty chemicals and textiles. **Domestic demand** remains strong. Telecom sector is hiring aggressively alongside services and IT. Private sector **credit growth** signals a willingness by promoters to invest in **capex**, as does anecdotal evidence in company announcements. The **services sector** is booming and **PLI schemes** are attracting manufacturing companies to India.

Assuming a 13-14% growth in EPS over the next year, gives an 880 EPS estimate for the next 12 months. Applying a fair value multiple of 20-21 times, **fair value target for the Nifty is 18,000.**

A Review of India’s Fiscal Position

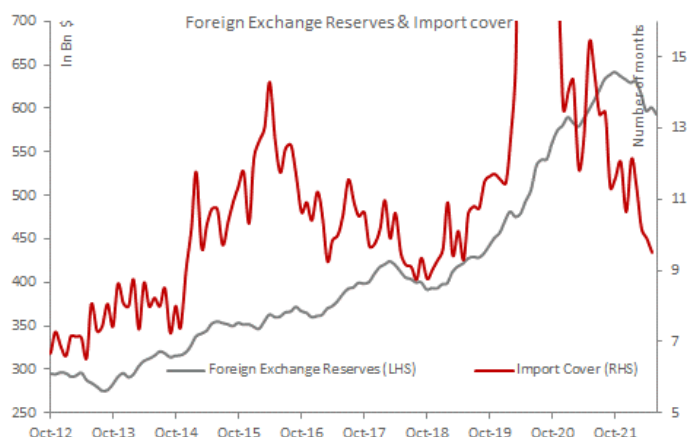
There have been murmurings of late about India’s worsening fiscal position. We start with short term debt, which has risen at a rapid clip over the years. However, as the chart shows, the relevant metric is short term debt relative to external reserves. That’s at a multi-year low, and looks fairly manageable (chart below).

Short Term Debt % of External Reserves



Next we consider import cover. Despite the healthy rise in forex reserves, India’s import cover has declined to roughly 9 to 10 times. That’s much higher than the paltry 6 to 7 times that we witnessed in 2013. Much of the decline can be attributed to the rising crude oil bill. Crude is now under US\$100 a barrel.

The Import Cover Remains Comfortable at 9-10 Times and Should Benefit from Declining Crude

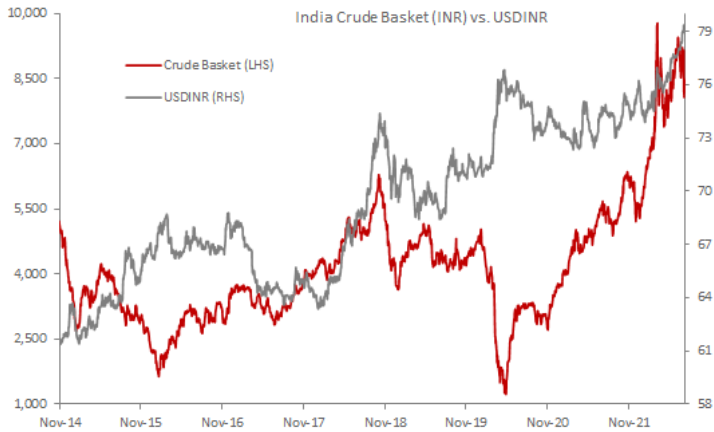


The RBI has billions in long forex dollars in addition to the US\$600 billion in reserves, which can also be used to protect the currency.

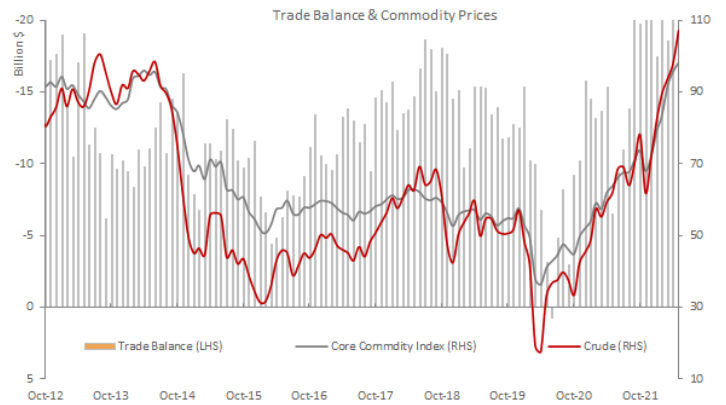
30% of India's imports are crude oil related. That bill is now looking more manageable, with Crude now under US\$100. 15% is Gold and the government’s tax increase on gold imports will impede demand.

India’s current fiscal position remains comfortable for now, both on import cover and short term debt, and we believe the government and RBI are monitoring the situation carefully, and will take measures necessary to ensure fiscal discipline and stability.

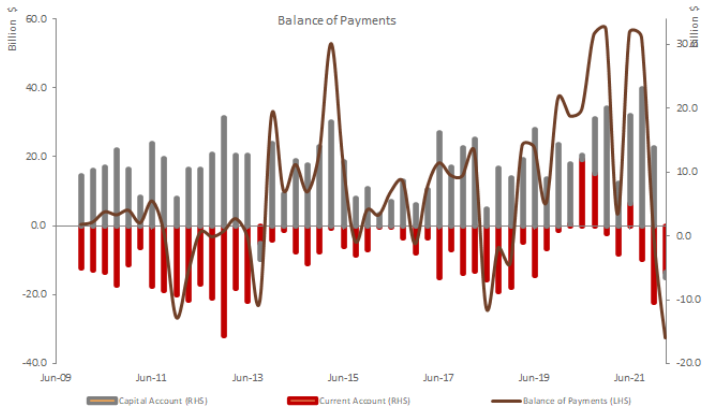
India's Crude Basket Pricing Has Peaked and Declining



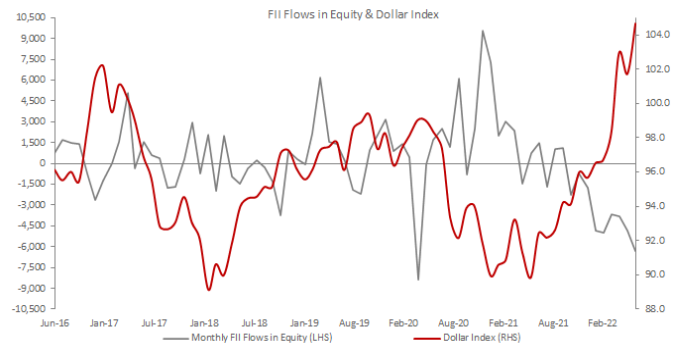
Trade Balance and Commodity Prices



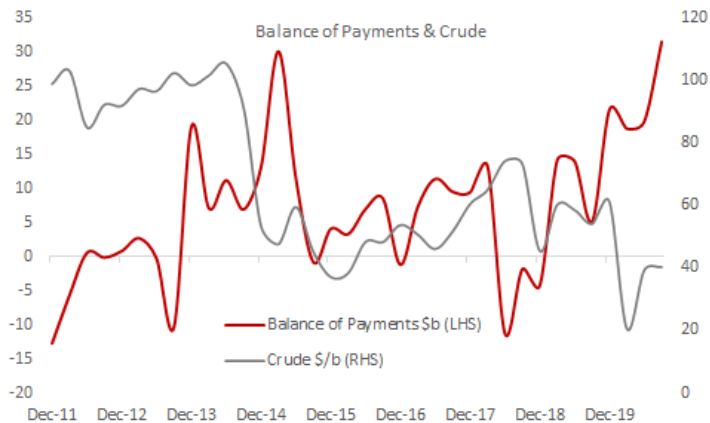
Balance of Payments



FI Flows in Equity and Dollar



Balance of Payments & Crude Oil



Equity Index Performance

14-Jul-22	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	High Date
Nifty 50	15,924	-1.3	1.2	0.9	-8.9	-12.8	0.9	-8.2	0.4	18,604	15,183	-14.4%	4.9%	19/10/2021
Americas														
S&P 500 Index	3,802	-1.1	1.8	0.4	-13.5	-18.5	0.4	-20.2	-13.1	4,819	3,637	-21.1%	4.5%	04/01/2022
Dow Jones Indus. Avg	30,773	-0.9	1.3	-0.0	-10.7	-14.3	-0.0	-15.3	-11.9	36,953	29,653	-16.7%	3.8%	05/01/2022
Nasdaq Composite	11,248	-1.0	3.9	2.0	-15.8	-24.5	2.0	-28.1	-23.2	16,212	10,565	-30.6%	6.5%	22/11/2021
Nyse Fang+ Index	4,995	-2.7	3.7	1.2	-16.7	-30.9	1.2	-32.7	-31.5	8,077	4,619	-38.2%	8.1%	04/11/2021
Canada	18,615	-0.6	-4.8	-1.3	-14.8	-12.8	-1.3	-12.3	-7.6	22,213	18,379	-16.2%	1.3%	05/04/2022
Mexico	47,461	-0.5	-1.5	-0.1	-12.4	-11.7	-0.1	-10.9	-4.0	57,064	46,345	-16.8%	2.4%	01/04/2022
Brazil Bovespa	97,881	-0.8	-4.1	-0.7	-15.8	-8.5	-0.7	-6.6	-23.8	129,620	96,499	-24.5%	1.4%	14/07/2021
Europe														
Euro Stoxx 50 Pr	3,417	-2.1	-1.7	-1.1	-11.2	-20.0	-1.1	-20.5	-16.7	4,415	3,357	-22.6%	1.8%	18/11/2021
FTSE 100	7,101	-1.2	-1.2	-0.9	-6.8	-5.9	-0.9	-3.8	0.1	7,687	6,788	-7.6%	4.6%	10/02/2022
CAC 40 Paris	5,940	-1.1	-0.2	0.3	-9.9	-16.8	0.3	-17.0	-9.4	7,385	5,756	-19.6%	3.2%	05/01/2022
DAX Germany	12,657	-1.5	-4.9	-1.0	-10.6	-20.3	-1.0	-20.3	-19.8	16,290	12,391	-22.3%	2.1%	18/11/2021
Asia														
Nikkei 225	26,643	0.6	0.1	0.9	-1.9	-5.3	0.9	-7.5	-6.9	30,796	24,682	-13.5%	7.9%	14/09/2021
Hang Seng	20,751	-4.1	-1.5	-5.1	-3.6	-14.9	-5.1	-11.3	-25.3	28,219	18,235	-26.5%	13.8%	16/07/2021
Shenzhen CSI 300	4,322	-2.7	2.4	-3.6	3.1	-8.6	-3.6	-12.5	-15.0	5,171	3,757	-16.4%	15.0%	22/07/2021
Australia	6,651	0.0	-0.5	1.3	-11.6	-10.1	1.3	-10.7	-9.6	7,633	6,407	-12.9%	3.8%	13/08/2021
Taiwan	14,439	0.7	-10.0	-2.6	-16.3	-21.5	-2.6	-20.7	-19.1	18,620	13,929	-22.5%	3.7%	05/01/2022
Korea	2,322	-0.5	-6.8	-0.4	-14.5	-20.5	-0.4	-22.0	-28.9	3,296	2,277	-29.5%	2.0%	05/08/2021
Straits Times Index STI	3,091	-0.4	-0.6	-0.4	-7.4	-5.8	-0.4	-1.1	-2.0	3,466	3,038	-10.8%	1.7%	17/02/2022
Vietnam Ho Chi Minh	1,182	1.3	-3.9	-1.3	-19.7	-21.0	-1.3	-21.1	-7.6	1,536	1,143	-23.1%	3.4%	10/01/2022
Jakarta Indonesia	6,690	0.6	-5.1	-3.2	-7.5	-0.0	-3.2	1.7	11.9	7,355	5,938	-9.0%	12.7%	11/04/2022
Philippines	6,248	-1.6	-3.5	1.5	-10.5	-14.0	1.5	-12.3	-8.6	7,552	6,055	-17.3%	3.2%	09/02/2022

Leadership Stocks – U.S. & India

Select Leadership Stocks - India U.S.	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	High Date
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Microsoft Corp	253	-5.1	3.4	-1.6	-9.7	-18.5	-1.6	-24.9	-10.5	350	242	-27.7%	4.6%	22/11/2021
Apple Inc	145	1.8	9.6	6.4	-12.0	-15.9	6.4	-18.1	-2.5	183	129	-20.5%	12.7%	04/01/2022
Walt Disney Co/The	93	-3.3	-1.4	-1.5	-28.8	-38.8	-1.5	-40.0	-49.3	188	91	-50.5%	2.1%	13/08/2021
Amazon.Com Inc	110	-3.4	7.9	3.9	-27.2	-31.9	3.9	-33.8	-40.0	188	101	-41.3%	9.0%	19/11/2021
Netflix Inc	177	-4.1	5.4	1.0	-48.2	-66.4	1.0	-70.7	-67.8	701	163	-74.8%	8.5%	17/11/2021
Alphabet Inc-Cl A	2,227	-2.8	4.3	2.2	-12.1	-20.2	2.2	-23.1	-13.2	3,031	2,038	-26.5%	9.3%	02/02/2022
Hdfc Bank Limited	1,350	-3.3	2.9	0.2	-7.8	-12.6	0.2	-8.7	-9.9	1,725	1,272	-21.7%	6.2%	18/10/2021
Icici Bank Ltd	752	1.4	9.8	6.4	-1.3	-8.2	6.4	1.7	13.3	867	639	-13.2%	17.7%	25/10/2021
Tata Consultancy Svcs Ltd	2,992	-9.0	-6.8	-8.4	-18.3	-24.6	-8.4	-20.0	-6.9	4,043	2,967	-26.0%	0.8%	17/01/2022
Reliance Industries Ltd	2,396	0.3	-8.8	-7.7	-6.1	-5.6	-7.7	1.2	14.9	2,856	2,016	-16.1%	18.9%	29/04/2022
Bajaj Finance Ltd	5,816	-0.8	8.2	7.7	-20.6	-25.7	7.7	-16.6	-5.2	8,050	5,220	-27.8%	11.4%	18/10/2021
Hindustan Unilever Ltd	2,500	1.1	15.2	12.1	16.2	5.8	12.1	5.9	3.5	2,859	1,902	-12.6%	31.5%	21/09/2021
Nestle India Ltd	18,370	0.9	8.9	5.2	-0.1	-5.3	5.2	-6.8	4.7	20,609	16,000	-10.9%	14.8%	14/09/2021
Titan Co Ltd	2,123	-0.2	1.0	9.3	-13.8	-18.1	9.3	-15.8	24.1	2,768	1,663	-23.3%	27.7%	21/03/2022
Asian Paints Ltd	2,936	1.5	11.4	8.9	-4.7	-12.7	8.9	-13.2	-2.2	3,590	2,560	-18.2%	14.7%	10/01/2022
Srf Ltd	2,206	6.4	-2.7	-2.1	-15.5	-16.8	-2.1	-8.9	45.5	2,773	1,513	-20.5%	45.8%	08/04/2022
Central Depository Services	1,097	-1.9	-1.8	-1.5	-23.6	-32.1	-1.5	-26.8	-15.9	1,734	1,015	-36.7%	8.1%	15/12/2021

Large, Mid & Small

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India Indices														
Nifty 50	15,924	-1.3	1.2	0.9	-8.9	-12.8	0.9	-8.2	0.4	18,604	15,183	-14.4%	4.9%	19/10/2021
Sensex	53,364	-1.5	1.3	0.7	-8.5	-12.8	0.7	-8.4	0.9	62,245	50,921	-14.3%	4.8%	19/10/2021
Nifty 500	13,680	-0.6	2.2	2.2	-9.6	-13.0	2.2	-8.8	0.1	16,004	12,856	-14.5%	6.4%	19/10/2021
NIFTY Midcap 100	27,714	0.5	3.7	4.8	-10.0	-13.4	4.8	-9.0	0.3	33,244	25,048	-16.6%	10.6%	19/10/2021
NIFTY Smallcap 100	8,683	-0.2	1.5	2.8	-19.1	-27.1	2.8	-23.1	-15.2	12,047	7,905	-27.9%	9.8%	18/01/2022

Nifty Sectors

14-Jul-22	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	High Date
Nifty Sectors														
Nifty Auto	12,092	-0.2	8.9	3.3	13.0	3.9	3.3	10.6	15.5	12,304	9,227	-1.7%	31.1%	08/07/2022
Nifty Bank	34,636	-0.8	4.0	3.6	-7.5	-9.7	3.6	-2.4	-2.9	41,830	32,155	-17.2%	7.7%	25/10/2021
NIFTY Private Bank	17,445	-0.7	3.3	4.3	-7.9	-10.3	4.3	-3.3	-6.7	21,719	16,280	-19.7%	7.2%	25/10/2021
Nifty Financial Services	15,986	-1.2	4.5	3.3	-8.2	-13.9	3.3	-7.8	-5.0	19,779	14,857	-19.2%	7.6%	25/10/2021
Nifty India Consumption	7,125	0.5	8.5	6.5	1.1	-1.2	6.5	1.0	11.9	7,653	6,178	-6.9%	15.3%	18/10/2021
Nifty FMCG	40,927	0.5	10.6	8.7	7.2	8.2	8.7	8.9	13.5	42,021	33,408	-2.6%	22.5%	18/10/2021
Nifty Energy	24,844	3.0	-1.3	-1.1	-11.9	-0.1	-1.1	9.8	27.2	29,304	18,803	-15.2%	32.1%	29/04/2022
Nifty Infrastructure	4,618	0.0	-1.2	-0.0	-10.2	-12.5	-0.0	-6.7	4.9	5,363	4,346	-13.9%	6.3%	15/11/2021
Nifty IT	26,452	-6.2	-5.4	-5.0	-23.0	-31.9	-5.0	-31.6	-9.8	39,447	26,298	-32.9%	0.6%	04/01/2022
Nifty Metal	4,859	0.3	-3.2	4.3	-26.7	-17.2	4.3	-12.0	-8.3	6,826	4,437	-28.8%	9.5%	11/04/2022
Nifty Pharma	12,710	2.6	4.0	4.5	-7.7	-9.0	4.5	-10.6	-12.4	14,938	11,726	-14.9%	8.4%	04/10/2021
Nifty PSU Bank	2,591	-0.4	5.2	6.4	-10.7	-6.9	6.4	2.4	4.5	3,134	2,205	-17.3%	17.5%	07/02/2022
Nifty Realty	415	1.0	6.2	7.8	-10.5	-18.5	7.8	-14.2	10.1	561	366	-25.9%	13.6%	09/11/2021
Nifty Sectors & Themes														
Nifty Media	1,928	-0.9	1.6	1.6	-19.3	-16.8	1.6	-13.1	6.3	2,495	1,569	-22.7%	22.9%	13/12/2021
Nifty CPSE	2,397	2.2	-6.9	-2.6	-11.2	-2.1	-2.6	5.9	15.4	2,828	1,927	-15.2%	24.4%	19/04/2022
Nifty PSE	3,790	0.5	-4.8	-0.8	-13.4	-8.4	-0.8	-1.2	4.8	4,517	3,424	-16.1%	10.7%	19/04/2022
Nifty Commodities	5,101	1.0	-1.6	1.6	-19.7	-15.3	1.6	-8.6	-2.8	6,458	4,774	-21.0%	6.8%	19/04/2022
Nifty MNC	18,402	-0.5	5.7	4.6	-1.2	-5.9	4.6	-4.3	4.3	20,130	16,805	-8.6%	9.5%	19/10/2021

Crude Oil & Commodities

14-Jul-22	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	High Date
Nifty 50	15,924	-1.3	1.2	0.9	-8.9	-12.8	0.9	-8.2	0.4	18,604	15,183	-14.4%	4.9%	19/10/2021
Gold U.S. & India														
Gold Spot \$/Oz	1,716	-1.4	-5.1	-5.0	-13.0	-5.6	-5.0	-6.2	-6.1	2,070	1,691	-17.1%	1.5%	08/03/2022
Gold India	50,564	-0.1	0.3	-0.3	-4.4	5.7	-0.3	5.6	5.4	54,062	45,624	-6.5%	10.8%	09/03/2022
Platinum Spot \$/Oz	839.0	-4.4	-9.3	-6.4	-15.6	-13.9	-6.4	-13.4	-25.9	1,183	835	-29.1%	0.4%	08/03/2022
Crude														
Brent Crude	97.4	-6.9	-19.6	-15.1	-12.8	13.2	-15.1	25.3	30.3	139	65	-30.0%	50.8%	07/03/2022
WTI Crude	93.7	-8.8	-21.2	-11.4	-12.4	11.8	-11.4	24.6	28.1	131	62	-28.2%	51.8%	07/03/2022
Metals														
LME Copper	7,310.5	-2.6	-21.3	-11.4	-28.9	-26.7	-11.4	-24.9	-22.0	10,730	7,260	-31.9%	0.7%	07/03/2022
LME Aluminum	2,344.3	-2.0	-9.9	-3.4	-27.0	-20.3	-3.4	-16.5	-6.9	3,985	2,342	-41.2%	0.1%	07/03/2022
LME Nickel	21,093.5	-3.1	-18.4	-6.8	-36.0	-5.9	-6.8	1.0	12.4	43,000	17,798	-50.9%	18.5%	07/03/2022
LME Zinc	3,039.0	-0.3	-16.2	-4.5	-32.8	-15.2	-4.5	-15.3	4.0	4,530	2,915	-32.9%	4.3%	19/04/2022
LME Lead	1,970.5	-0.8	-5.6	3.5	-19.7	-17.0	3.5	-15.7	-14.6	2,513	1,895	-21.6%	4.0%	18/08/2021
LME Tin	25,626.0	3.1	-22.8	-4.0	-41.4	-37.3	-4.0	-34.9	-23.3	50,026	23,650	-48.8%	8.4%	08/03/2022
Commodities														
Lumber	7,310.5	-2.6	-21.3	-11.4	-28.9	-26.7	-11.4	-24.9	-22.0	10,730	7,260	-31.9%	0.7%	07/03/2022
Palm Oil	3,850.0	-5.5	-37.4	-24.3	-43.5	-27.4	-24.3	-25.4	-6.0	8,757	3,850	-56.0%	0.0%	02/03/2022
BBG Cmdty ex-Prec Mtl	106.2	-2.7	-14.3	-3.8	-15.0	12.7	-3.8	18.7	26.4	134	81	-20.5%	30.7%	08/03/2022
CRB Metals Index	1,038.8	-1.5	-13.5	-5.5	-26.3	-17.2	-5.5	-18.7	-10.5	1,431	406	-27.4%	156.1%	04/04/2022
Bloomberg Commodity Inde	112.2	-2.5	-13.1	-4.1	-15.3	8.4	-4.1	13.2	18.9	141	91	-20.2%	23.2%	08/03/2022
CRB Commodities Index	577.9	-0.6	-7.4	-3.2	-9.6	-1.3	-3.2	-0.1	3.3	644	547	-10.3%	5.6%	04/05/2022
Wheat	798.3	0.8	-25.5	-8.1	-28.3	6.9	-8.1	3.6	27.0	1,340	651	-40.4%	22.6%	04/03/2022
CRB Raw Industrials Index	595.0	-1.0	-8.4	-3.2	-13.2	-8.6	-3.2	-8.2	-2.6	689	595	-13.7%	0.0%	04/04/2022
Commodities														
Bloomberg Grains Spot	300.74	-1.9	-17.9	-6.9	-22.8	3.0	-6.9	2.3	8.8	414	262	-27.4%	14.7%	17/05/2022
Raw Sugar	19.07	3.0	2.0	1.3	-4.9	4.2	1.3	1.0	12.6	21	17	-7.8%	13.3%	18/11/2021
Simex Iron Ore	105.00	-6.5	-24.1	-19.2	-32.3	-17.2	-19.2	-6.7	-51.6	221	88	-52.4%	18.7%	16/07/2021

Interest Rates and Inflation

14-Jul-22	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	High Date
India G-Sec Yields														
10 Year India G-Sec	7.38	7.42	7.58	7.45	7.22	6.58	7.45	6.45	6.20	7.62	6.11	-0.24	1.27	16/06/2022
5 Year India G-Sec	7.10	7.17	7.38	7.26	6.84	5.88	7.26	5.79	5.69	7.40	5.56	-4.1%	27.8%	16/06/2022
3 Year India G-Sec	6.81	6.90	7.06	6.96	6.33	5.31	6.96	5.30	5.19	7.09	4.43	-3.9%	53.6%	07/06/2022
1 Year India G-Sec	6.09	6.08	6.10	6.20	4.96	4.34	6.20	4.37	3.92	6.29	3.72	-3.1%	64.0%	23/06/2022
3 Month India G-Sec	5.22	5.02	4.95	5.11	3.97	3.57	5.11	3.59	3.41	5.27	3.26	-0.9%	60.1%	11/07/2022
Repo Rate India	4.90	4.40	4.40	4.40	4.00	4.00	4.90	4.00	4.00	4.90	4.00	N/A	N/A	N/A
India CPI														
India CPI Combined YoY	7.01		7.04	7.01	6.95	5.66	7.01	5.66	6.26	7.79	4.35	-0.78	2.66	30/04/2022
India WPI	15.18		15.9	15.2	14.6	14.3	15.2	14.3	12.1	16	12	-4.4%	31.2%	31/05/2022
India Core CPI	5.87		5.5	5.9	6.1	5.3	5.9	5.3	5.5	6	5	-8.0%	14.0%	30/04/2022
U.S. & China Yields & CPI														
U.S. 10 Year	2.96	2.99	3.47	3.01	2.83	1.78	3.01	1.51	1.35	3.50	1.13	-0.54	1.84	14/06/2022
U.S. 5 Year	3.07	3.03	3.59	3.04	2.79	1.56	3.04	1.26	0.79	3.62	0.60	-0.55	2.47	14/06/2022
U.S. 2 Year	3.19	3.01	3.43	2.95	2.45	0.97	2.95	0.73	0.22	3.45	0.16	-0.26	3.04	14/06/2022
U.S. 1 Year	2.98	2.83	3.01	2.78	1.73	0.49	2.78	0.38	0.07	3.17	0.06	-0.19	2.91	13/07/2022
U.S. 3 MO T-BILL	2.27	1.91	1.78	1.67	0.77	0.12	1.67	0.04	0.05	2.38	0.02	-0.11	2.25	14/07/2022
Spread 10-2	-0.23	-0.02	0.05	0.06	0.37	0.82	0.06	0.78	1.12	0.04	0.97			
Spread 5-1	0.10	0.20	0.58	0.26	1.05	1.07	0.26	0.88	0.72	0.45	0.54			
U.S. CPI	9.10		8.60	9.10	8.50	7.00	9.10	7.00	5.40	9	5	0.0%	71.7%	30/06/2022
China CPI	2.50		2.1	2.5	1.5	1.5	2.5	1.5	1.1	3	1	0.0%	257.1%	30/06/2022
Inflation Expectations 10 Year	2.43		2.5	2.4	2.3	2.3	2.4	2.3	2.2	2	2	-2.2%	8.0%	31/05/2022
U.S. Dollar & INR														
USD INR	79.8	79.2	78.0	79.0	76.2	74.2	79.0	74.3	74.6	79.9	72.9	-0.1%	9.5%	14/07/2022
Dollar Index	108.5	107.1	105.5	104.7	100.3	95.2	104.7	95.7	92.4	108.6	91.8	-0.2%	18.2%	14/07/2022

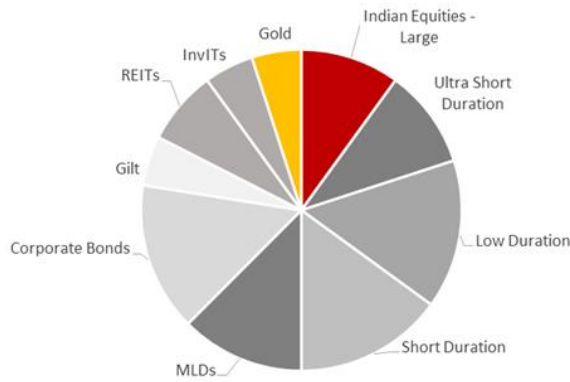
Tactical Asset Class Rationale

Equities	Weight	Rationale
India Equities	Over Weight & Accumulate	Outlined in the commentary, we continue to remain moderately over-weight equities and suggest staggered deployments into equities.
India Hedge Funds	Neutral Weight	Hedged portfolios provide the perfect complement to portfolios today, 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. We move to neutral weight hedge funds. 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	Accumulate	Indian HNI portfolios are dramatically underweight global equities. Diversification provides strong portfolio optimization benefits. U.S. equities have dramatic barriers to entry and global leadership. However, from a market's perspective, yield curve inversion, rising inflation and slowing growth create a stagflationary environment, alongside an aggressive central bank make for a tough short term outlook, we would recommend a staggered accumulation approach.
Emerging Market Equities	Under Weight	Given the action in Commodities, and the Dollar, and valuations for emerging markets trading at reasonable levels, most inflationary risks centered in the U.S., exposure to emerging markets will add to portfolio diversification. Most notably, political risk in China has risen, therefore we prefer exposure to non-Japan, non-China emerging markets that are on growth trajectory.
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, except selectively at a company specific basis.
Fixed Income	Weight	Rationale
Duration	Under Weight	With risks on the inflation front, and demand supply dynamics eventually getting overwhelmed by supply, we are still away from a conducive rate range of taking/adding to long duration positions.
Accrual	Neutral Weight	With the rise in rates, absolute yields are heading into attractive levels, particularly with the future possibility of mid to long duration will witness temporary negative MTM with upward movement of yields. At this point in time the near to mid part of the curve looks better from risk reward perspective.
Credit Risk	Selectively Positive	We remain cognisant of credit being prone to worsening, especially the weaker/over leveraged credits. However selective opportunities do exist with strong balance sheets offering safety and with it opportunity to earn relatively outsized returns. Quality standalone credits provide a positive risk reward equation (especially with well researched and strongly constructed investments). Allocations should be in line with investor's risk appetite.
REITs	Over Weight	Real estate investment trusts (REITs) have lagged in the past year due to the impact of Covid on retail and urban office space. With the rising threat of inflation, REITs offer an attractive inflation hedge that provides exposure to fixed assets.
InvTs	Over Weight	Investment trusts have delivered attractive returns and are fast establishing themselves as core holdings in diversified portfolios, offering attractive yields, attractive long lived underlying assets, in a negative real / low interest rate environment.
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	Gold provides inflation protection, though the relationship isn't highly positively correlated. Gold provides currency debasement protection. It's suffered of late due to a slowdown in India, and the rush towards Bitcoin investing in the U.S. Given it's lacklustre performance amidst an inflationary environment, and a tightening central bank, we remain underweight.

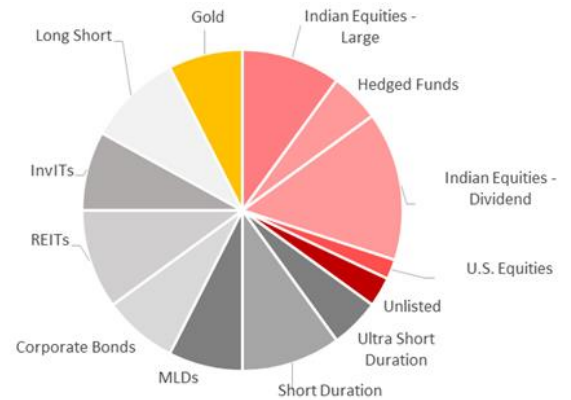
Ambit GPC Wealth Profiles - Strategic Weights

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.

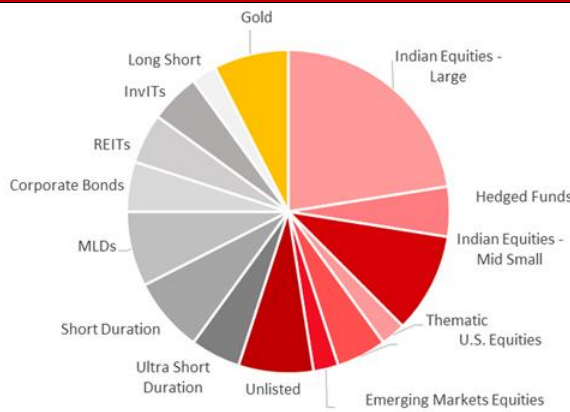
Wealth Conservation



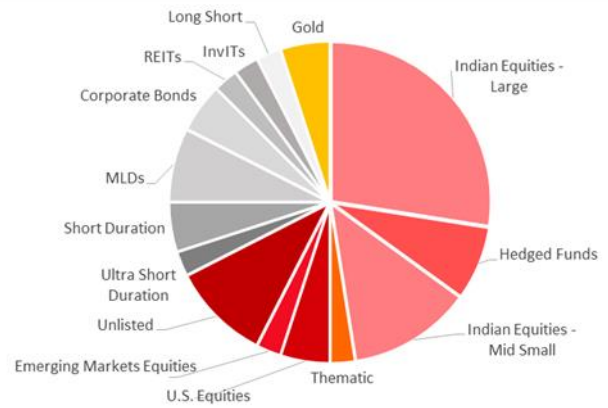
Income



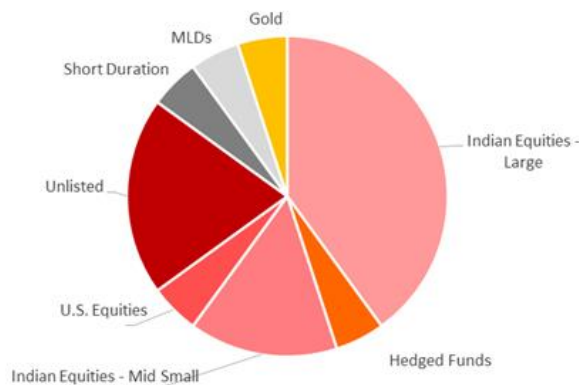
Balanced Growth



Moderate Growth



Aggressive Growth



Ambit Global Private Client - Asset Allocation & Investment Committee

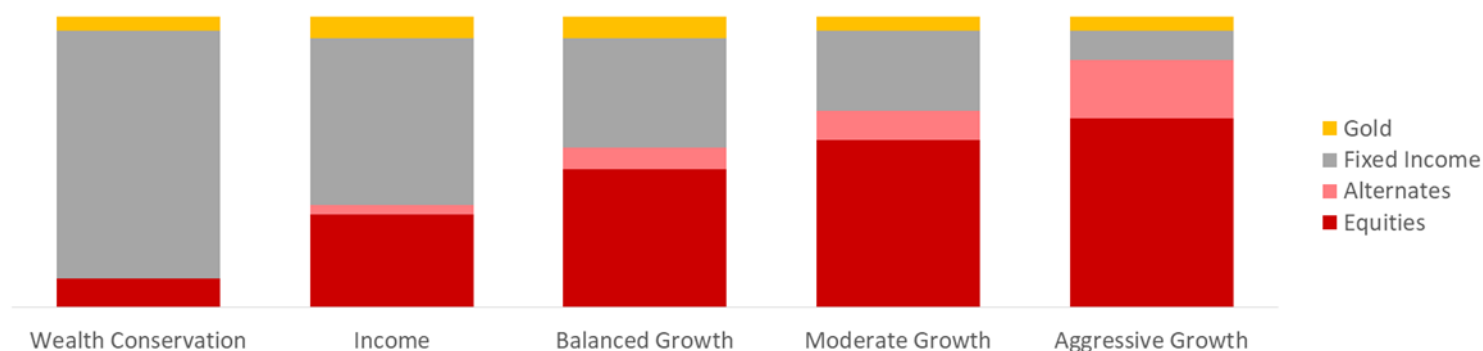
The Ambit GPC Asset Allocation & Investment Committee (AAIC) is a group comprised of the CEO, Head of Products and Alternates, Chief Investment Strategist and Head of Fixed Income (listed below). The team has over 100 years of collective investment experience in markets. The AAIC meets monthly and as 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		
Equity								→	◆				Over-Weight
India Equities – Large								→	◆				Over-Weight
India Equities – Mid & Small								→	◆				Over-Weight
International Equities					◆	←							Under-Weight
Long Short					◆	←							Under-Weight
Hedge Funds						→	◆						Neutral-Weight
Fixed Income					◆								Under-Weight
Duration				→	◆								Under-Weight
Accrual						→	◆						Neutral-Weight
Credit Risk					→	◆							Selectively Positive
InvITs								→	◆				Over-Weight
REITs									→	◆			Over-Weight
Alternate						◆	←						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

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

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