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Global Private Client



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INVESTMENT COMMENTARY

Hobson's Choice

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India Outlook

We start with the India outlook, delve into Nifty 50 earnings and macro trends to get a picture of the state of the domestic economy.

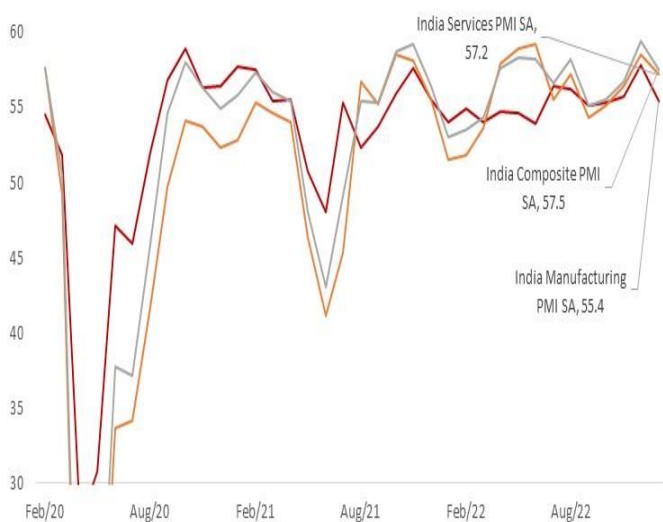
India's Global Trade is Contracting Sharply...

Merchandise imports and exports are in negative single digits, and non-oil imports are also entering de-growth year over year. (see charts on page 4).

...But India PMIs are Showing Strength

India's Composite, Manufacturing and Services PMIs have maintained a steady growth trajectory in the mid to high 50s for several quarters now, with the recent Services PMI hitting a 12 year high in Feb.

India's PMIs Have Remained Solidly in Growth...



Crude is Turning Into a Tailwind...

Crude after months of skirting higher levels, now offers some respite in the low 80s, and crude prices are now in a zone where they were pre-Ukraine war. (see chart on Page 4)

Wholesale Prices Are Dropping

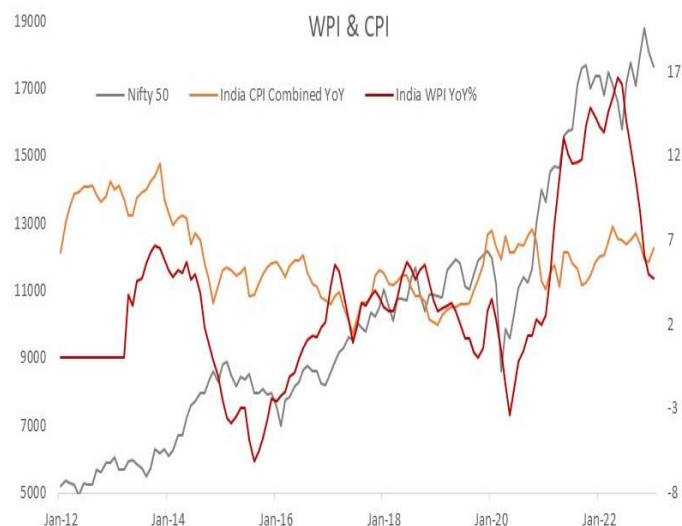
The sharp drop in the WPI suggests that **inflation pressures in the producer pipeline are easing**. India's adhering to a largely responsible fiscal strategy has helped keep inflation under control. As we hear news about tomato rationing in the U.K., and crises around the world, we should laud the government's skilful management of inflation, energy supply, food supply, and fiscal position.

Sales & Earnings Growth is Healthy

Nifty 50 Sales are up +18.0%, and PAT up +13.6% ex Commodity stocks (Hindalco and JSW Steel). Every sector delivered positive operating profits with the exception of Materials. Consumer, Financials, Industrials and Utilities delivered strong PAT performance.

As would be expected, **large cap** performance in an inflationary environment held up **better** than the broader market. The **NSE 500** sales are up 17.5% in line with Nifty 50, but PAT is up +9.2%. Consumer Discretionary, Staples, Financials, Industrials and Real Estate delivered strong top and bottom line performance.

Declining WPI Bodes Well for Consumer Inflation & Corporate Margins



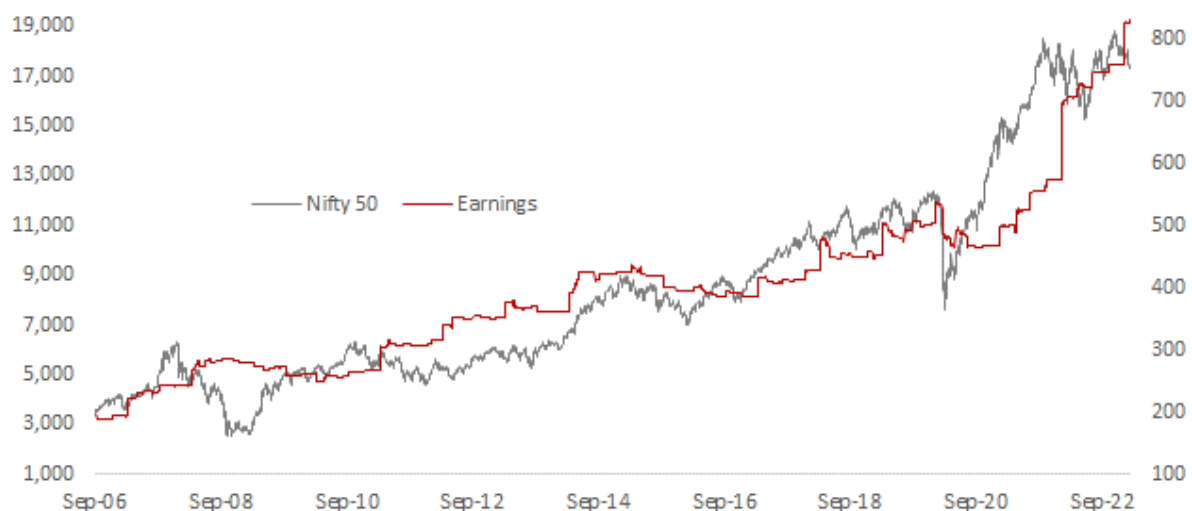
Q3FY22 Earnings Update: Nifty 50 Sales are +18% Earnings Ex Commodity (Hindalco & JSW Steel) are +13.6% for the Quarter and +14.3% for the Full Year

Sector	Qtrly			Operating Margin	Op Margin Prior Qtr	Op Margin Prior Yr Qtr	Net Profit Margin	Prior Qtr	Prior Yr Qtr	TTM (Dec 22) Sales YoY%	TTM (Dec 2022) Operating Profit YoY%	TTM (Dec 2022) PAT YoY%
	Qtr Sales YoY%	Operating Profit YoY%	Qtr PAT YoY%									
Communication Services	19.9%	25.5%	188.2%	51.5%	51.0%	49.2%	8.3%	7.6%	3.5%	21.5%	27.5%	182.4%
Consumer Discretionary	21.5%	31.4%	125.3%	12.7%	10.9%	11.7%	6.5%	4.3%	3.5%	18.4%	15.4%	1189.8%
Consumer Staples	10.0%	16.3%	27.1%	27.5%	26.1%	25.9%	20.6%	19.4%	17.8%	16.5%	16.9%	20.2%
Energy	15.6%	13.8%	-1.8%	12.9%	9.6%	13.1%	6.8%	5.1%	8.0%	33.3%	20.8%	-6.4%
Financials	25.4%	31.2%	35.9%	44.2%	40.1%	42.3%	21.3%	21.5%	19.6%	17.9%	37.5%	37.4%
Health Care	11.1%	7.8%	0.1%	24.7%	25.5%	25.4%	16.1%	16.9%	17.8%	10.0%	4.5%	-9.9%
Industrials	24.7%	16.1%	28.1%	14.0%	12.9%	15.0%	6.5%	5.8%	6.3%	44.5%	12.3%	21.8%
Information Technology	18.8%	13.5%	10.7%	23.7%	22.8%	24.8%	16.2%	15.7%	17.4%	19.2%	8.1%	9.2%
Materials	4.7%	-42.0%	-66.2%	12.8%	13.3%	23.1%	4.4%	4.2%	13.5%	16.4%	-19.5%	-30.4%
Real Estate	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Utilities	27.7%	21.1%	23.7%	43.6%	36.8%	46.0%	17.1%	11.6%	17.7%	27.5%	16.9%	6.7%
Nifty 50	18.0%	16.4%	13.6%	22.5%	19.6%	22.8%	11.2%	9.8%	11.6%	24.8%	19.3%	14.3%

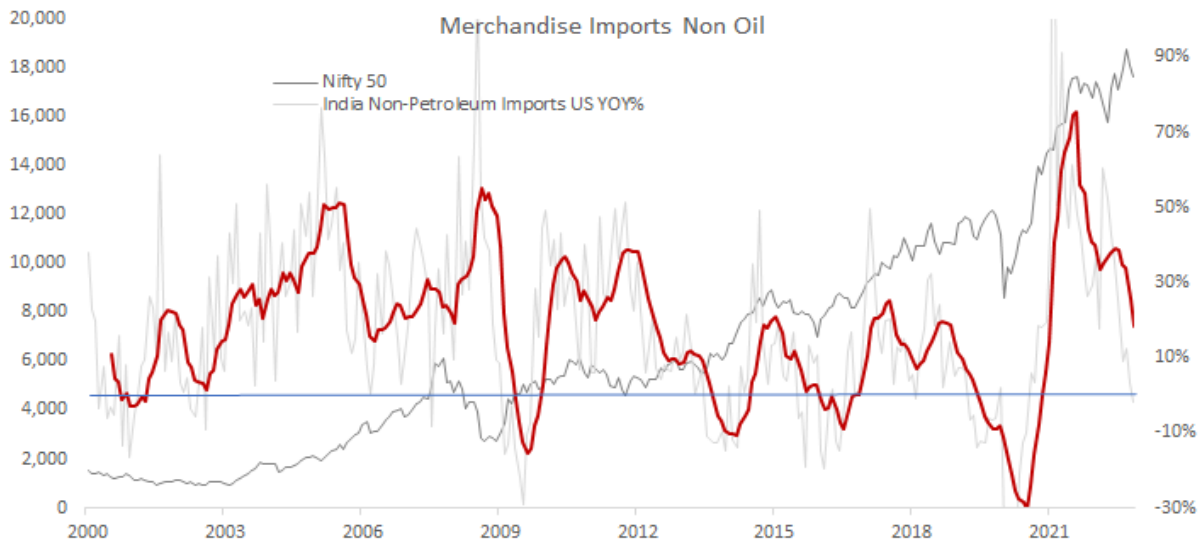
Broader Market (Nifty 500) Numbers Show the Similar Trend. Nifty 50 Sales are +17.5%, Earnings Ex Commodity (Hindalco & JSW Steel) are Up 9.2% for the Quarter and 12.4% for the Full Year

Sector	Qtrly			Operating Margin	Op Margin Prior Qtr	Op Margin Prior Yr Qtr	Net Profit Margin	Prior Qtr	Prior Yr Qtr	TTM (Dec 22) Sales YoY%	TTM (Dec 2022) Operating Profit YoY%	TTM (Dec 2022) PAT YoY%
	Qtr Sales YoY%	Operating Profit YoY%	Qtr PAT YoY%									
Communication Services	13.9%	4.1%	NM	38.8%	40.3%	42.5%	-6.0%	-4.0%	-0.7%	16.9%	13.0%	NM
Consumer Discretionary	24.0%	19.9%	47.3%	9.5%	8.7%	9.8%	4.5%	3.5%	3.7%	24.3%	14.9%	117.8%
Consumer Staples	9.0%	12.0%	22.7%	15.9%	14.7%	15.5%	11.4%	11.6%	10.2%	17.5%	14.1%	22.4%
Energy	16.2%	3.8%	-11.0%	8.8%	6.1%	9.8%	4.5%	2.7%	5.8%	34.1%	4.4%	-18.9%
Financials	20.0%	29.5%	45.9%	32.4%	28.4%	30.0%	16.2%	16.5%	13.3%	15.0%	40.0%	50.6%
Health Care	10.8%	4.2%	-11.5%	21.1%	20.9%	22.4%	12.0%	12.6%	15.0%	9.2%	-0.5%	-16.1%
Industrials	17.7%	19.4%	38.8%	13.6%	11.6%	13.4%	7.5%	5.8%	6.4%	28.6%	23.1%	62.1%
Information Technology	20.8%	14.4%	12.2%	20.0%	19.6%	21.1%	13.5%	13.4%	14.5%	20.5%	8.4%	9.8%
Materials	10.2%	-26.6%	-41.8%	14.1%	13.3%	21.2%	6.2%	5.5%	11.8%	21.8%	-13.2%	-22.0%
Real Estate	20.0%	24.5%	69.0%	27.7%	28.2%	26.7%	16.9%	1.5%	12.0%	19.6%	21.6%	3.2%
Utilities	27.9%	4.1%	-14.0%	25.2%	24.0%	30.9%	9.4%	8.5%	14.0%	38.9%	11.3%	0.9%
Nifty 500	17.5%	11.3%	9.2%	17.5%	15.4%	18.5%	8.4%	7.6%	9.1%	24.4%	15.9%	12.4%

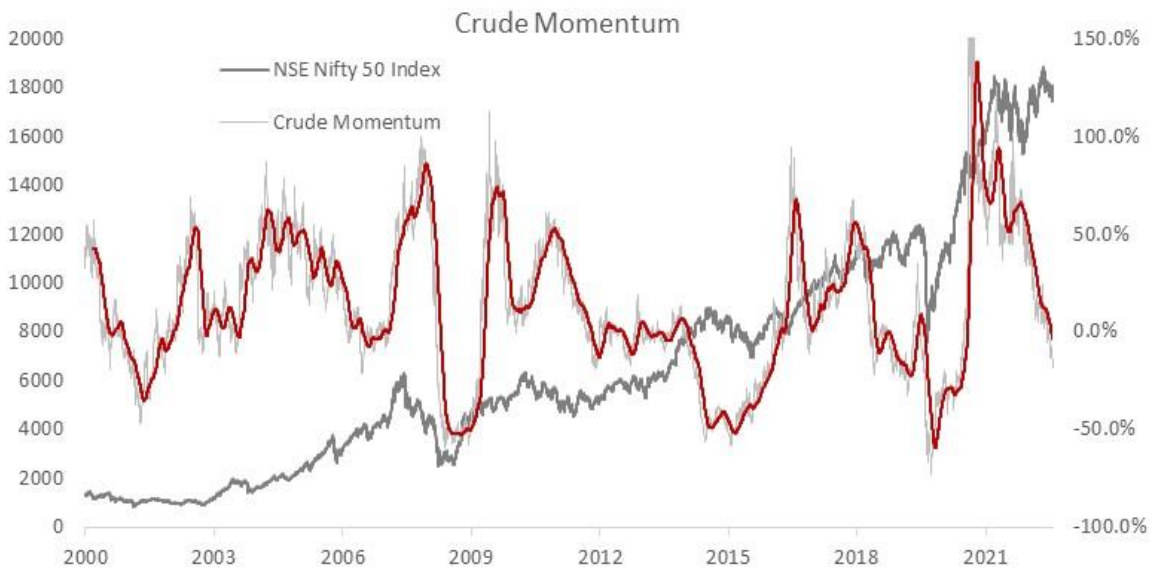
Nifty 50 EPS is Firmly Growing Up, Now to 829 From 500 Levels a Scant 2 Years Ago



Both India's Merchandise Imports and Exports Are Contracting...



...But Crude Oil Is a Stronger Force Multiplier for India's Largely Domestic Economy (70%~)...



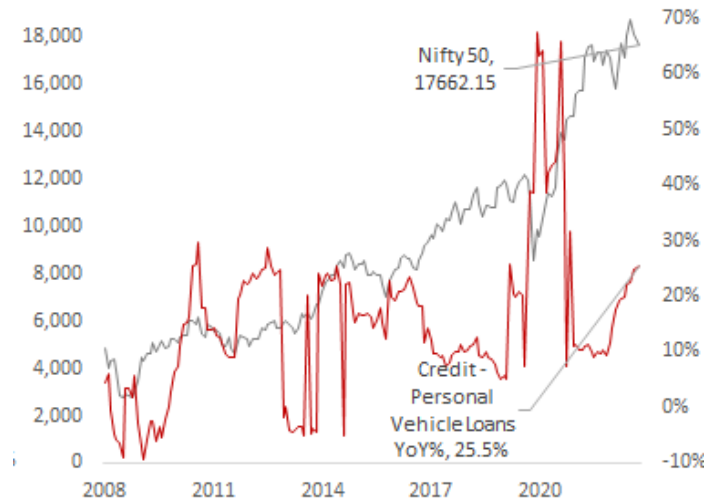
Valuations Remain Reasonable...

The Nifty 50 P/E remains at 21.2 times. The Nifty 50 Forward P/E has dropped to 18.05, near the lowest level it's been in 2023.

Credit Trends Remain Healthy ...

Credit remains healthy at the national level, up +15% YoY. Consumer Personal Loan growth is equally strong, up +20.4% YoY. Consumers are borrowing for vehicle loans, borrowing for home loans and borrowing for travel is through the roof.

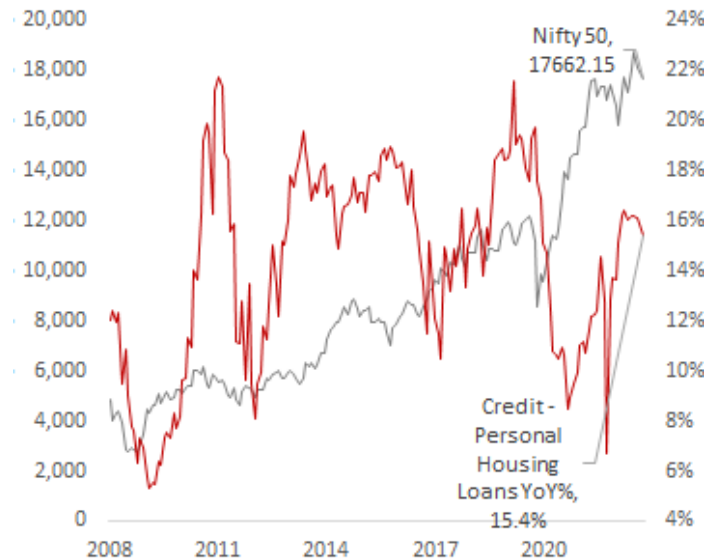
Vehicle Loans +25.5%...



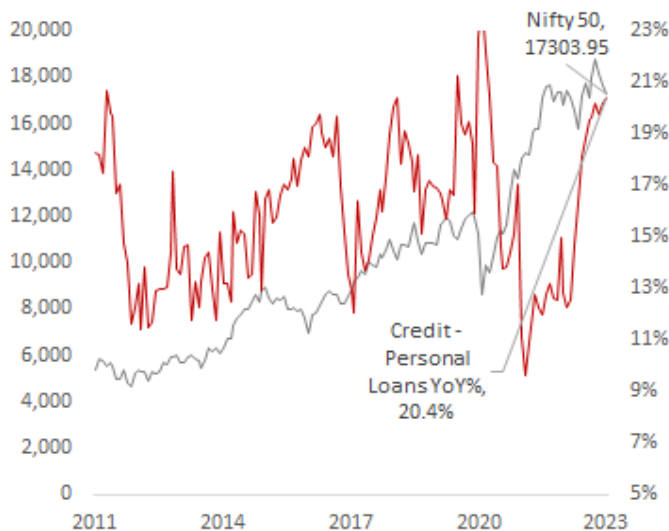
India Non Food Credit Continues to Grow +15% YoY



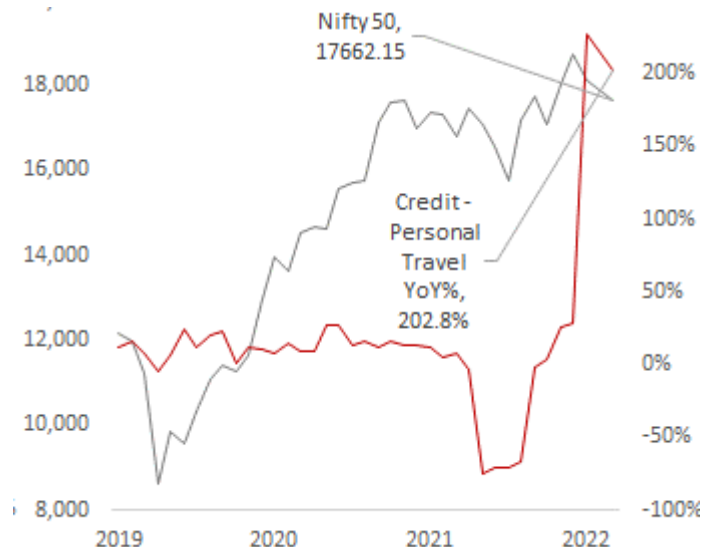
Housing Loans Growth +15.4%...



Consumers Personal Loans +20%...



And Credit Growth in Travel is Through the Roof...

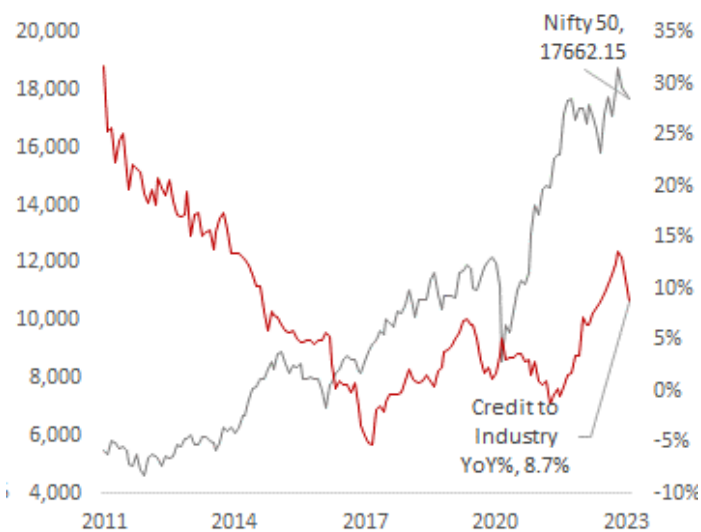


But Credit to Industry Has Rolled Over...

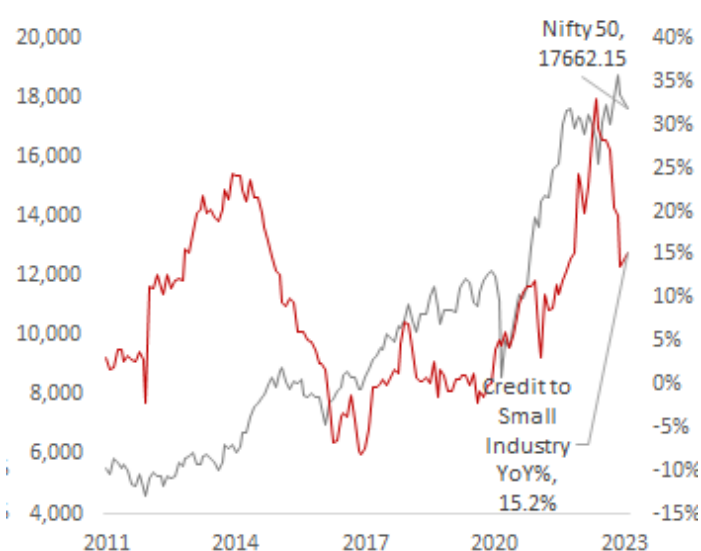
Credit to large industry appears to have rolled over, to a fairly dismal +6.5% YoY. Credit to small companies is healthy at 15.2% YoY, but has decelerated sharply from prior months.

Confirming the strength in Services PMI, Credit to Services remains robust at +19.6% YoY.

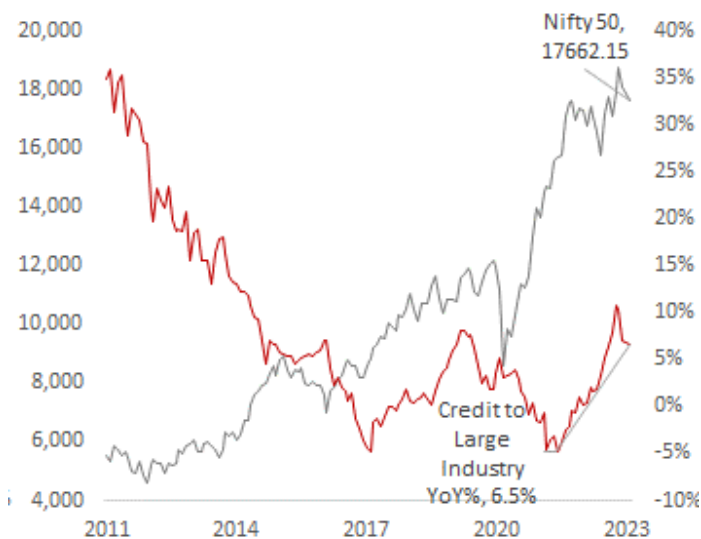
Credit to Industry is Pulling Back +8.7% YoY



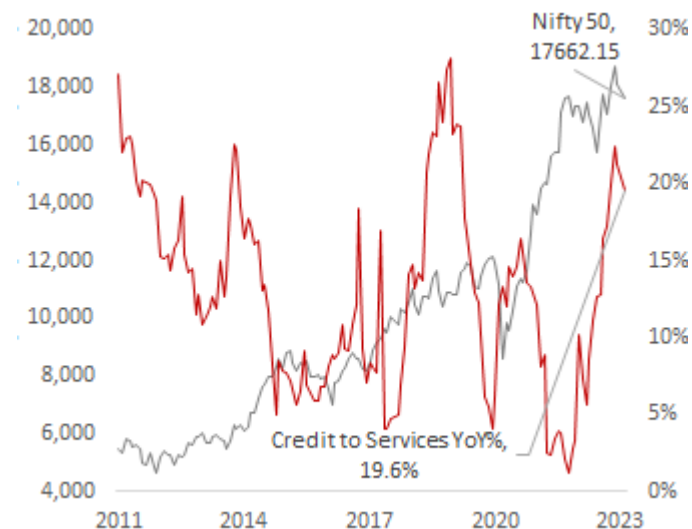
Credit to Smaller Companies +15.2% YoY



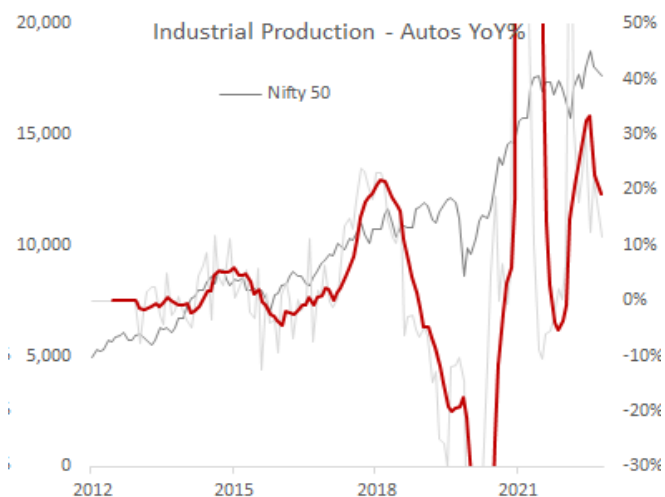
Credit to Large Industry +6.5%



Credit to Services Sector Remains Robust +19.6%



Finally, Auto Production is Healthy But Slowing...



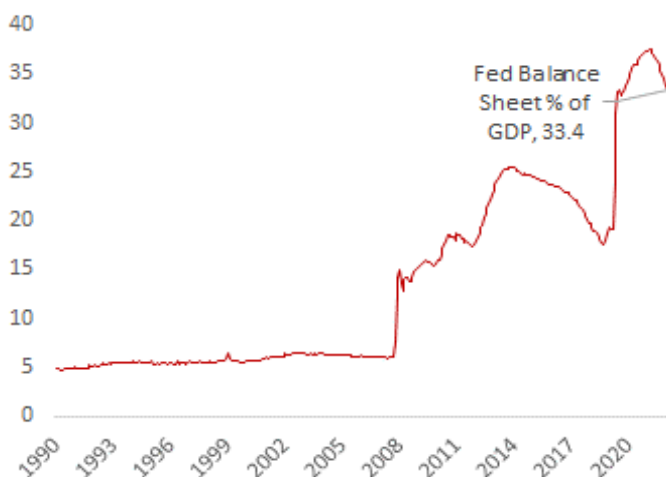
U.S. Macro

Actions by the U.S. central bank have led to growth stocks being pummelled since late 2021, and asset allocation yet again proved to be a critical determinant of portfolio return.

If Inflation *Is* a Monetary Phenomenon...

If inflation is always and everywhere a monetary phenomenon, and it clearly is, then we note with trepidation that the **Fed's balance sheet has risen from 6% of GDP in 2008 to 33.4% today**. It's risen from 17.6% of GDP in 2019 to 33.4% today, a doubling in a scant 2.5 years. Finally, we note that the Fed has managed only marginal progress in reducing the size of its Balance Sheet from 37.2% to 33.4% of GDP.

A Monetary Expansion Tsunami Will Not Be Reigned In As Easily By a Few Rate Hikes...



A second assertion around monetary easing, is that this money typically tends to find its way into risk assets. While asset prices *have* been squeezed over the past year, the Nasdaq 100 is still up 50% since the summer of 2019, and the S&P is still up 33%. It's been a party.

We've all participated in the merriment, hopefully, but the party has now progressed to the stage of drunkenness and hangover. Which begs the question, **can a few rate hikes quell the impacts of the trillions in monetary infusion** of the past 15 years?

U.S. Bond Markets Got It Wrong For Once

Inflation has reared its head after some 45 years. That means you'd have to be older than 65 in order to genuinely understand a high inflation environment.

In a rarity, U.S. bond markets recently got it wrong and the 2 year and 10 year yields have been rocketing higher of late (chart on page 8). The Fed, amazingly, seems to have finally gotten a call right. Hallelujah, maybe the central bank finally starts a trend of getting calls right. And there is a tooth fairy and Santa Claus lives in the North Pole.

Inflation Higher for Longer

So the thinking has now evolved for us all, inflation is our new unwanted, probably persistent and uninvited friend, and likely to stubbornly stick around for longer than anyone expected.

The notion that **inflation can drop to 2% seems difficult** to achieve without crushing the economy so the recognition is emerging that a 3.5%-5% U.S. inflation number may be the best one can hope for.

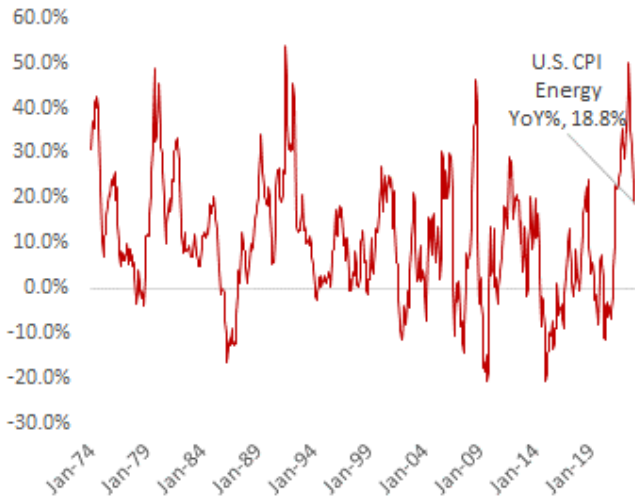
We're approaching a year on the **Ukraine war** and things aren't getting better from a supply perspective. **China's opening up**. Europe and the U.S. continue to experience high **energy inflation**. Geo-politics is ratcheting up nationalist sentiment and on-shoring, re-shoring, friend-shoring etc. Global trade is collapsing.

We have a Good Old Hobson's Choice

Hobson's choice originates from a gentleman in the U.K. in the 1500s that used to rent out the horse closest to the stable door, or no horse at all.

With the Fed Funds effective rate is at 4.6%, we're approaching the upper bound of what the Fed is comfortable with in terms of rate hikes.

High Energy Costs in the U.S. and U.K. Persist



We're about 50 bps away from the highest rates in 2007, the highest rate in the past 2 decades. To put this in real terms, with a 3% rate of interest, a \$32,000 car – average price in 2019 - would cost \$575 a month. Applying a 6.5% rate of interest, a \$47,000 car – current average price – would cost \$975. Meanwhile, median incomes have only risen 10%.

In conclusion, the central bank is faced with a choice of lower inflation (maybe), a painful recession and rising unemployment. Or higher inflation, lower real growth and stagflation. Our guess is that the Fed will target moderate inflation and avoid the more painful path leading to a deep recession and large layoffs.

We'll not get into the discussion on the **accuracy of reported data**, and whether it represents reality, and how many of us notice the ever shrinking sizes of products. On the matter, we only quote **Mark Twain**: "Figures often beguile me, particularly when I have the arranging of them myself; in which case the remark attributed to Disraeli would often apply with justice and force: "There are three kinds of lies: lies, damned lies, and statistics."

Other Than Rates and Inflation, It's Not All Bad...

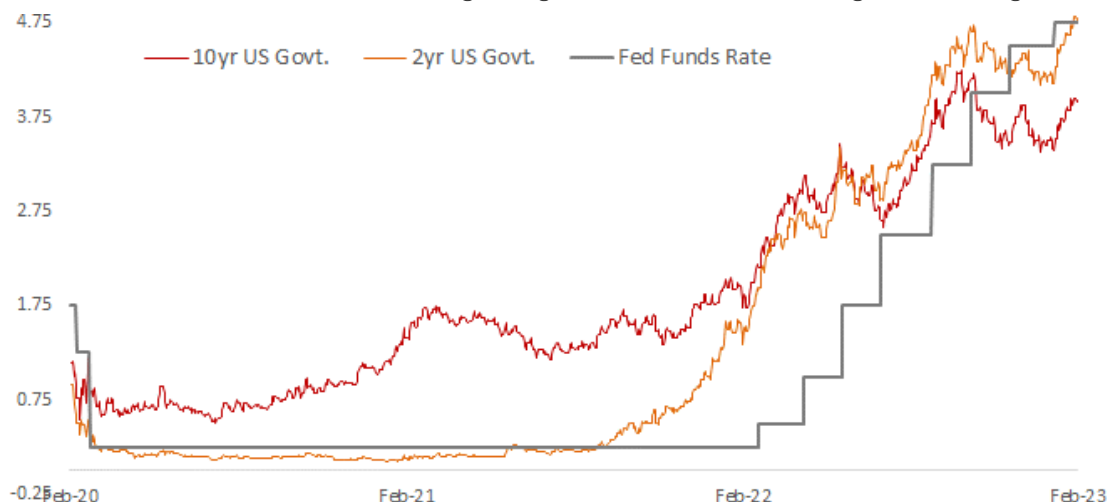
Which is like saying, other than the broken axle, the car's working just fine. Still, we checked the delinquency data for the U.S., it's increased marginally. The **PMI numbers for the U.S. surprised upwards**, retail sales, employment data remain steady.

We're not seeing the economy show signs of stress. There's a reason for that.

What's Up with the Resilient U.S. Economy?

The economy has been surprisingly resilient, confounding many market watchers. Consider the **giant amount of monetary expansion** that has been unleashed, to the order of at least \$20 trillion. Over a period of 15 years, arguably 25 years back to LTCM.

The U.S. 2 Year Bond Yield Has Skyrocketed Higher and the 10 Year is Following Suit... ...The U.S. Bond Market is Recognizing that Rates Could be Higher for Longer



S&P 500 YoY EPS Growth Momentum Has Weakened Considerably... ...Earnings and Commentary Appear to be Painting a Worse Picture than the Economic Data



Will raising rates for borrowers from around 2-3% to 6% suddenly kill the merriment? It is going to take longer this time. The usual 6-9 months then looks more like 18 months or 2 years. Which means that we'll start to see an impact later this year, maybe Q4 2023. To further add to angst, lenders have begun tightening lending standards and debt balances on credit cards are rising, alongside interest rates.

S&P 500 Earnings Momentum Has Cratered...

Year on year growth momentum on S&P 500 EPS has waned dramatically. Rising rates, falling earnings, high inflation, high historical valuations, and an unattractive yield relative to bonds... that's a fairly toxic and worrisome cocktail. (see chart)

Outlook

The U.S. Outlook Remains Somber...

The U.S. **yield curve** is deeply inverted, signalling a recession, U.S. interest **rates** are rising, the Fed is likely to **hike** another 50 bps if not more, and the impact of rate hikes is probably going to begin biting in coming months.

U.S. **inflation** looks **sticky**, when considered in light of the monetary excess that sits in the system. Further, markets traditionally have bottomed only post Fed easing. U.S. corporate **earnings momentum** appears to be waning (see chart above).

Market Tenor Appears to be Shifting ...

Despite all the bad news, the tenor in the U.S. and domestic markets appears to be better of late. This could be driven by impending news of a ceasefire in Ukraine. It could be a massive fiscal stimulus heading into a Presidential election. Or just overly bearish sentiment. Difficult to say.

The Indian Economy Appears to be in Good Shape

It's been our experience over 12 years that it **does NOT** pay to let global, U.S. macro concerns drive investment strategy.

Maybe this time will be different. But those are dangerous words in the investor's lexicon.

The simple track record is that **every investor that has stayed the course – and bought quality stocks - has enriched themselves**, in Indian equities, over the years. Indian corporates continue to grow earnings at a healthy pace.

The Incentives of Power

Geopolitics is actively at play today, in Ukraine, Europe and China. India has deftly managed the situation to date. The players driving strategy are often difficult to ascertain. But we can be clear that each is incentivized to retain or attain power. The financial situation the developed world faces today is largely a result of such choices. The powers that be will continue to do everything they can to maintain the status quo.

Ownership of Compounding Assets & Pricing Power

Inflation is likely to stick around the 5-6% range, that's our best estimate. Ownership of compounding **growth assets remains an important piece of any investment strategy**. Granted, equity growth portfolios are down some 10-20% over the past year, primarily a result of massive FI selling. These same portfolios are up 70% over the prior two years as well.

Most importantly, while many investors have obsessed and wrangled about global macro, investors focused on **quality growth Indian equities have done well, across multiple and frequent crisis environments**.

Equity Index Performance

2-Mar-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	17,322	-1.1	-1.6	0.1	-7.4	-1.2	-4.3	-4.3	4.3	18,888	15,183	-8.3%	14.1%
Americas													
S&P 500 Index	3,951	-1.0	-5.5	-0.5	-3.0	0.7	2.9	2.9	-9.9	4,637	3,492	-14.8%	13.2%
Dow Jones Indus. Avg	32,662	-1.2	-4.1	0.0	-5.1	4.3	-1.5	-1.5	-3.6	35,492	28,661	-8.0%	14.0%
Nasdaq Composite	11,379	-1.1	-6.7	-0.7	-0.7	-2.2	8.7	8.7	-17.3	14,647	10,089	-22.3%	12.8%
Nyse Fang+ Index	5,411	0.2	-8.0	-1.2	9.1	4.9	21.7	21.7	-14.7	6,924	4,103	-21.9%	31.9%
Canada	20,260	0.3	-2.3	0.2	-1.1	5.1	4.5	4.5	-4.7	22,213	17,873	-8.8%	13.4%
Mexico	53,473	0.5	-0.7	1.4	4.4	16.5	10.3	10.3	0.3	57,064	44,519	-6.3%	20.1%
Brazil Bovespa	104,385	-2.6	-5.2	-0.5	-6.7	-5.8	-4.9	-4.9	-9.4	121,628	95,267	-14.2%	9.6%
Europe													
Euro Stoxx 50 Pr	4,191	-1.6	-1.2	-1.1	5.4	18.3	10.5	10.5	9.7	4,316	3,250	-2.9%	29.0%
FTSE 100	7,888	-0.3	0.9	0.1	4.4	8.3	5.8	5.8	6.2	8,047	6,708	-2.0%	17.6%
CAC 40 Paris	7,193	-1.7	0.4	-1.0	6.7	16.6	11.1	11.1	10.7	7,387	5,628	-2.6%	27.8%
DAX Germany	15,204	-1.8	-2.0	-1.1	4.6	16.5	9.2	9.2	8.6	15,659	11,863	-2.9%	28.2%
Asia													
Nikkei 225	27,499	1.5	0.4	0.2	-1.0	-0.5	5.4	5.4	4.2	29,223	24,682	-5.9%	11.4%
Hang Seng	20,429	0.4	-7.0	3.3	9.4	5.0	3.3	3.3	-8.6	22,712	14,597	-10.1%	40.0%
Shenzhen CSI 300	4,118	0.3	-1.5	1.2	6.4	2.3	6.4	6.4	-10.1	4,599	3,496	-10.5%	17.8%
Australia	7,255	-0.4	-3.4	-0.0	-0.6	6.2	3.1	3.1	1.9	7,625	6,407	-4.8%	13.2%
Taiwan	15,599	0.2	0.0	0.6	4.2	6.3	10.3	10.3	-12.7	18,026	12,629	-13.5%	23.5%
Korea	2,428	0.4	-0.9	0.6	-2.1	0.5	8.6	8.6	-10.1	2,769	2,135	-12.3%	13.7%
Straits Times Index STI	3,235	-0.9	-3.8	-0.8	-0.7	0.9	-0.5	-0.5	-0.3	3,456	2,969	-6.4%	9.0%
Vietnam Ho Chi Minh	1,038	-1.5	-3.7	1.3	-3.9	-19.0	3.0	3.0	-30.2	1,531	874	-32.2%	18.7%
Jakarta Indonesia	6,857	0.3	-0.5	0.2	-2.3	-4.5	0.1	0.1	-0.2	7,377	6,510	-7.0%	5.3%
Phillipines	6,622	-1.1	-5.2	1.0	2.0	-1.0	0.9	0.9	-9.3	7,388	5,699	-10.4%	16.2%

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
Nifty 50	17,322	-1.1	-1.6	0.1	-7.4	-1.2	-4.3	-4.3	4.3	18,888	15,183	-8.3%	14.1%
Microsoft Corp	246	-2.1	-6.9	-1.3	-3.4	-3.8	2.7	2.7	-18.0	316	213	-22.1%	15.4%
Meta Platforms Inc-Class A	173	1.3	-8.1	-0.9	40.4	8.2	44.1	44.1	-16.7	237	88	-26.8%	96.9%
Apple Inc	145	-2.4	-3.7	-1.4	-1.7	-6.7	11.8	11.8	-12.8	180	124	-19.1%	17.0%
Walt Disney Co/The	99	-3.1	-13.0	-1.1	-0.9	-11.4	13.4	13.4	-33.1	149	84	-33.7%	17.2%
Amazon.Com Inc	92	-3.8	-18.4	-2.2	-2.1	-27.7	9.7	9.7	-39.4	171	81	-46.0%	13.2%
Netflix Inc	313	-6.4	-14.6	-2.7	-2.2	38.6	6.3	6.3	-17.5	397	163	-20.9%	92.7%
Alphabet Inc-Cl A	90	-1.4	-16.1	0.3	-10.0	-16.2	2.4	2.4	-32.9	144	83	-37.2%	8.4%
Hdfc Bank Limited	1,584	-1.2	-1.2	-0.9	-1.4	6.7	-2.7	-2.7	15.3	1,722	1,272	-8.0%	24.6%
Icici Bank Ltd	854	1.7	-0.5	-0.1	-8.2	-2.1	-4.1	-4.1	19.5	958	642	-10.9%	33.0%
Tata Consultancy Svcs Ltd	3,321	-2.7	-4.0	0.3	-1.5	8.3	4.1	4.1	-4.4	3,759	2,868	-11.7%	15.8%
Reliance Industries Ltd	2,326	-1.8	-0.0	0.2	-14.6	-8.1	-8.7	-8.7	-3.0	2,856	2,180	-18.6%	6.7%
Bajaj Finance Ltd	6,083	-1.9	6.4	-0.5	-8.9	-15.4	-7.5	-7.5	-11.0	7,778	5,220	-21.8%	16.5%
Hindustan Unilever Ltd	2,455	-1.4	-6.8	-0.2	-6.1	-5.7	-4.1	-4.1	14.3	2,742	1,902	-10.4%	29.1%
Nestle India Ltd	18,485	-0.9	-2.5	-1.0	-6.4	-5.5	-5.7	-5.7	3.6	21,050	16,000	-12.2%	15.5%
Titan Co Ltd	2,359	-1.5	2.2	-0.6	-9.9	-9.7	-9.2	-9.2	-9.0	2,791	1,825	-15.5%	29.3%
Asian Paints Ltd	2,834	4.7	4.7	0.2	-9.8	-17.4	-8.2	-8.2	-6.4	3,583	2,560	-20.9%	10.7%
Srf Ltd	2,250	0.3	2.1	3.8	-6.2	-13.6	-1.8	-1.8	-4.2	2,865	2,002	-21.5%	12.4%
Central Depository Services	988	-0.6	-2.0	-0.1	-20.1	-20.9	-11.4	-11.4	-29.3	1,606	972	-38.5%	1.6%

Large, Mid & Small

2-Mar-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	17,322	-1.1	-1.6	0.1	-7.4	-1.2	-4.3	-4.3	4.3	18,888	15,183	-8.3%	14.1%
Sensex	58,909	-1.2	-1.7	-0.1	-6.3	0.2	-3.2	-3.2	6.2	63,583	50,921	-7.4%	15.7%
Nifty 500	14,587	-0.5	-1.7	0.5	-8.6	-4.0	-5.6	-5.6	2.7	16,042	12,856	-9.1%	13.5%
NIFTY Midcap 100	30,487	1.1	0.2	1.2	-6.4	-2.9	-3.2	-3.2	8.0	32,939	25,048	-7.4%	21.7%
NIFTY Smallcap 100	9,263	0.3	-2.0	1.2	-8.1	-3.7	-4.8	-4.8	-6.4	11,002	7,905	-15.8%	17.2%

Nifty Sectors

2-Mar-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	12,739	-1.9	-3.6	0.1	-2.4	-3.6	1.0	1.0	21.3	13,545	9,227	-6.0%	38.1%
Nifty Bank	40,390	1.0	-0.7	0.3	-6.3	2.5	-6.0	-6.0	14.2	44,152	32,155	-8.5%	25.6%
NIFTY Private Bank	20,639	1.1	-1.0	0.3	-5.9	2.1	-5.6	-5.6	14.9	22,492	16,280	-8.2%	26.8%
Nifty Financial Services	17,947	0.2	-0.4	-0.2	-6.8	-1.1	-5.4	-5.4	8.4	19,516	14,857	-8.0%	20.8%
Nifty India Consumption	7,109	-1.4	-3.7	-0.1	-9.2	-10.3	-5.9	-5.9	6.5	8,147	6,178	-12.7%	15.1%
Nifty FMCG	44,832	-1.5	-2.5	-0.2	-0.7	2.7	1.5	1.5	26.8	46,399	33,408	-3.4%	34.2%
Nifty Energy	21,900	0.5	-4.3	1.0	-19.0	-20.0	-15.3	-15.3	-10.7	29,304	21,631	-25.3%	1.2%
Nifty Infrastructure	5,050	0.2	1.0	0.6	-7.6	-0.6	-3.9	-3.9	5.8	5,483	4,406	-7.9%	14.6%
Nifty IT	29,717	-2.9	-2.8	0.2	-4.3	7.1	3.8	3.8	-11.9	36,813	26,187	-19.3%	13.5%
Nifty Metal	5,473	-2.5	-7.4	3.9	-18.2	-7.0	-18.6	-18.6	-10.8	6,920	4,437	-20.9%	23.3%
Nifty Pharma	11,761	-1.7	-4.4	0.1	-10.1	-6.0	-6.6	-6.6	-7.3	13,972	11,712	-15.8%	0.4%
Nifty PSU Bank	3,767	3.2	-0.2	3.0	-8.2	25.4	-12.8	-12.8	42.7	4,617	2,284	-18.4%	64.9%
Nifty Realty	406	6.1	-0.8	3.2	-12.4	-13.1	-6.0	-6.0	-5.9	484	366	-16.0%	11.0%
Nifty Sectors & Themes													
Nifty Media	1,728	-0.5	-6.9	1.4	-21.0	-17.0	-13.2	-13.2	-15.6	2,485	1,654	-30.4%	4.5%
Nifty CPSE	2,918	2.4	6.2	1.3	2.3	8.0	4.3	4.3	17.8	2,921	2,276	-0.1%	28.2%
Nifty PSE	4,459	2.4	4.2	1.6	-0.0	6.6	2.1	2.1	11.2	4,539	3,602	-1.8%	23.8%
Nifty Commodities	5,461	-0.7	-2.5	1.7	-11.1	-5.2	-8.1	-8.1	-4.7	6,458	4,774	-15.4%	14.4%
Nifty MNC	19,061	-0.7	-1.5	0.3	-6.5	-3.3	-3.2	-3.2	4.6	20,626	16,805	-7.6%	13.4%

Crude Oil & Commodities

2-Mar-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	17,322	-1.1	-1.6	0.1	-7.4	-1.2	-4.3	-4.3	4.3	18,888	15,183	-8.3%	14.1%
Gold U.S. & India													
Gold Spot \$/Oz	1,832	0.5	-4.2	0.3	1.9	7.0	0.4	0.4	-5.0	2,070	1,615	-11.5%	13.4%
Gold India	55,831	-0.0	-4.8	0.9	4.5	10.8	2.3	2.3	8.9	58,671	49,111	-4.8%	13.7%
Platinum Spot \$/Oz	956.9	0.6	-6.6	0.1	-6.1	14.0	-10.9	-10.9	-11.0	1,183	821	-19.1%	16.5%
Crude													
Brent Crude	84.6	2.9	3.0	0.9	-1.1	-9.0	-1.5	-1.5	-25.1	139	75	-39.2%	12.6%
WTI Crude	78.0	3.5	2.8	1.2	-2.5	-10.2	-2.8	-2.8	-29.5	131	70	-40.2%	11.3%
Metals													
LME Copper	9,084.0	-0.2	0.3	1.5	9.3	18.7	8.6	8.6	-10.0	10,730	6,995	-15.3%	29.9%
LME Aluminum	2,385.0	0.4	-8.2	2.5	-2.9	3.6	1.5	1.5	-31.9	3,985	2,079	-40.1%	14.7%
LME Nickel	24,676.0	-5.9	-15.2	0.3	-10.3	21.9	-17.4	-17.4	-3.4	43,000	19,094	-42.6%	29.2%
LME Zinc	3,142.5	1.7	-6.9	3.7	1.7	-5.4	4.6	4.6	-16.6	4,530	2,680	-30.6%	17.3%
LME Lead	2,140.5	2.1	0.6	1.8	-0.9	12.7	-8.4	-8.4	-11.2	2,512	1,753	-14.8%	22.1%
LME Tin	25,139.0	-5.8	-12.5	1.6	7.0	18.7	1.6	1.6	-45.4	50,026	17,400	-49.7%	44.5%
Commodities													
Lumber	9,084.0	-0.2	0.3	1.5	9.3	18.7	8.6	8.6	-10.0	10,730	6,995	-15.3%	29.9%
Palm Oil	4,270.0	1.9	16.9	3.8	9.3	11.5	2.4	2.4	-45.4	8,757	3,143	-51.2%	35.9%
BBG Comdty ex-Prec Mtl	99.1	1.3	-1.1	1.1	-7.5	-13.5	-5.5	-5.5	-12.9	134	97	-25.9%	2.6%
CRB Metals Index	1,077.5	-1.5	-2.9	0.9	8.5	7.9	6.5	6.5	-17.3	1,431	406	-24.7%	165.6%
Bloomberg Commodity Index	107.1	1.0	-2.1	0.9	-6.5	-10.1	-5.1	-5.1	-12.3	141	105	-23.8%	2.2%
CRB Commodities Index	551.9	-0.4	-1.0	0.6	-2.5	-4.0	-0.5	-0.5	-10.3	644	547	-14.3%	0.8%
Wheat	697.0	-5.4	-8.3	0.8	-8.1	-10.1	-12.0	-12.0	-30.4	1,340	687	-48.0%	1.5%
CRB Raw Industrials Index	566.4	-0.5	-2.4	0.5	-0.9	-4.4	-0.6	-0.6	-13.7	689	547	-17.8%	3.5%
Commodities													
Bloomberg Grains Spot	309.07	-3.5	-5.0	0.8	-1.1	-2.9	-5.6	-5.6	-17.1	414	287	-25.4%	7.9%
Raw Sugar	20.50	-5.0	-5.4	-7.2	5.2	12.9	2.3	2.3	10.0	22	17	-8.3%	19.2%
Simex Iron Ore	127.15	0.3	2.0	1.1	19.3	33.4	14.3	14.3	-13.1	166	77	-23.2%	65.5%

Interest Rates and Inflation

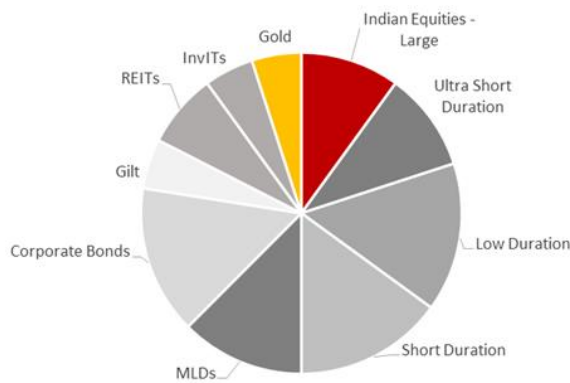
2-Mar-23	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
India G-Sec Yields													
10 Year India G-Sec	7.41	7.39	7.30	7.43	7.22	7.23	7.33	7.33	6.82	7.62	6.77	-0.20	0.64
5 Year India G-Sec	7.43	7.39	7.15	7.43	7.07	7.06	7.23	7.23	6.36	7.48	6.30	-0.7%	17.9%
3 Year India G-Sec	7.35	7.27	7.01	7.33	6.91	6.83	7.04	7.04	5.59	7.35	5.62	0.0%	30.6%
1 Year India G-Sec	7.23	7.23	6.89	6.92	6.91	6.18	6.72	6.72	4.62	7.26	4.67	-0.5%	54.9%
3 Month India G-Sec	6.94	6.88	6.53	6.89	6.35	5.63	6.26	6.26	3.70	6.94	3.71	0.0%	87.1%
Repo Rate India	6.50	6.25	6.25	6.25	5.90	5.40	6.25	6.25	4.00	6.50	4.00	N/A	N/A
India CPI													
India CPI Combined YoY	6.52		5.72	6.52	6.77	6.71	5.72	5.72	6.01	7.79	5.72	-1.27	0.80
India WPI	4.73		5.0	4.7	8.7	14.1	5.0	5.0	13.7	17	5	-71.6%	0.0%
India Core CPI	6.43		6.4	6.4	6.4	5.9	6.4	6.4	5.4	6	6	-0.8%	16.5%
U.S. & China Yields & CPI													
U.S. 10 Year	4.04	3.88	3.39	3.92	3.49	3.19	3.87	3.87	1.88	4.34	1.67	-0.30	2.37
U.S. 5 Year	4.30	4.11	3.49	4.18	3.65	3.29	4.00	4.00	1.76	4.50	1.53	-0.21	2.76
U.S. 2 Year	4.90	4.70	4.10	4.82	4.27	3.39	4.43	4.43	1.51	4.94	1.27	-0.04	3.63
U.S. 1 Year	4.76	5.02	4.63	5.01	4.66	3.43	4.71	4.71	1.03	5.05	0.90	-0.30	3.85
U.S. 3 MO T-BILL	4.66	4.82	4.63	4.81	4.28	2.89	4.37	4.37	0.33	4.85	0.32	-0.20	4.33
Spread 10-2	-0.86	-0.82	-0.71	-0.90	-0.79	-0.20	-0.55	-0.55	0.36	-0.60	0.39		
Spread 5-1	-0.46	-0.92	-1.14	-0.83	-1.01	-0.14	-0.71	-0.71	0.72	-0.55	0.63		
U.S. CPI	6.40		6.50	6.40	7.70	8.50	6.50	6.50	7.50	9	6	-29.7%	0.0%
China CPI	2.10		1.8	2.1	2.1	2.7	1.8	1.8	0.9	3	2	-25.0%	40.0%
Inflation Expectations 10 Year US	2.38		2.2	2.4	2.5	2.5	2.3	2.3	2.4	3	2	-5.6%	7.9%
U.S. Dollar & INR													
USD INR	82.6	82.7	82.2	82.7	81.3	79.8	82.7	82.7	75.7	83.3	75.3	-0.8%	9.7%
Dollar Index	104.8	104.6	101.8	104.9	104.5	109.5	103.5	103.5	97.4	114.8	97.3	-8.7%	7.7%

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, but caution in the short to medium term.
Emerging Market Equities	Under Weight	With sagging growth in Japan, a currency crisis, and heightened political and economic risk in China, we prefer exposure to non-Japan, non-China emerging markets that are on a 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.
Fixed Income	Weight	Rationale
Duration	Positive	While the timing of the change in current policy of tightening is unclear, the fact remains that the pace of remaining hikes will be slower, or pause would round the corner. This makes duration attractive place to be in. however, as we enter new FY, supply pressures due large government borrowing and global factors especially developed market economic and policy turmoil could lead to a spill over spike in domestic rates too. For a prudent investor, with ability to digest intermittent volatility, good risk reward equation is in duration. Based on that a gradual position build up will be a good strategy to implement.
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 spikes. A pause in tightening is question of when rather than if, and investors should lock in the attractive spreads that accrual assets offer rather than waiting for the actual pause. The near and belly of the curve offers good options for investors.
Credit Risk	Selectively Positive	In all the policy reversal led tightening there has been a visible difference between perceived good and actual good credit. Issuers with relatively strong balance sheets are offering good 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) 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.
InvITs	Over Weight	Infrastructure Investment trusts (InvITs) 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	Market Weight	Given the current global geopolitical uncertainty and inflation concerns, allocation to Gold offers a financial hedge. Exposure to products such as Sovereign Gold Bonds (SGB) to be considered.

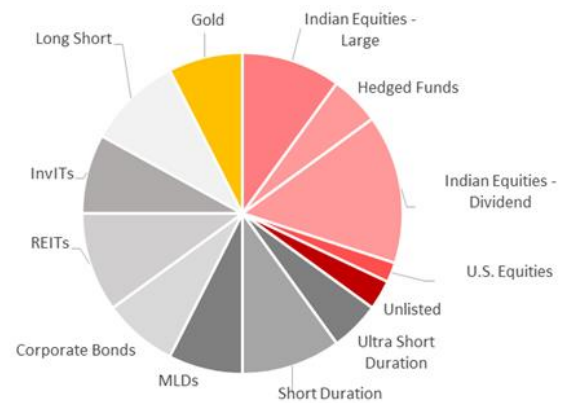
Ambit GPC Wealth Profiles - Strategic Weights

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.

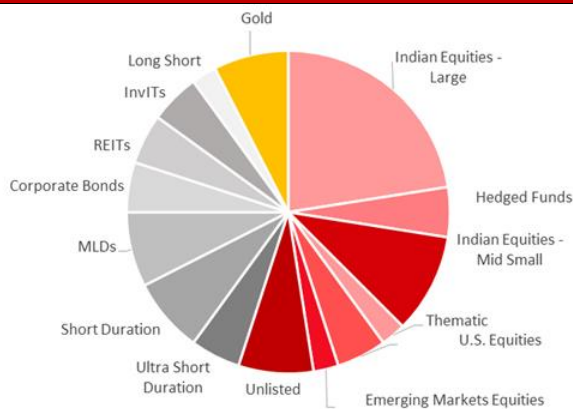
Wealth Conservation



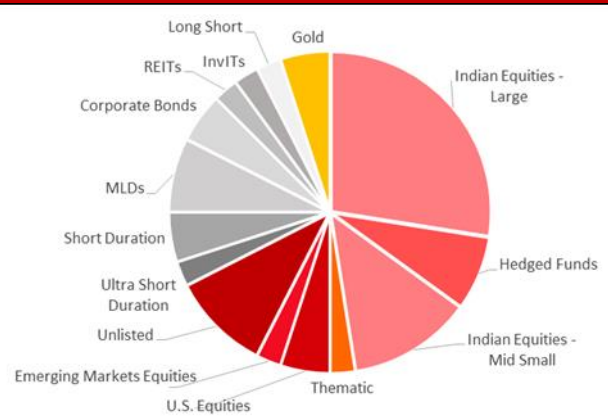
Income



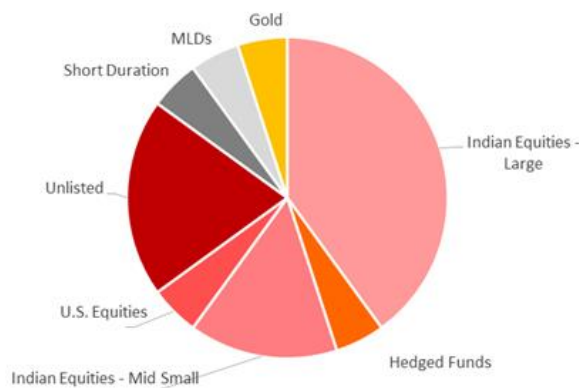
Balanced Growth



Moderate Growth



Aggressive Growth



Ambit Global Private Client - Asset Allocation & Investment Committee

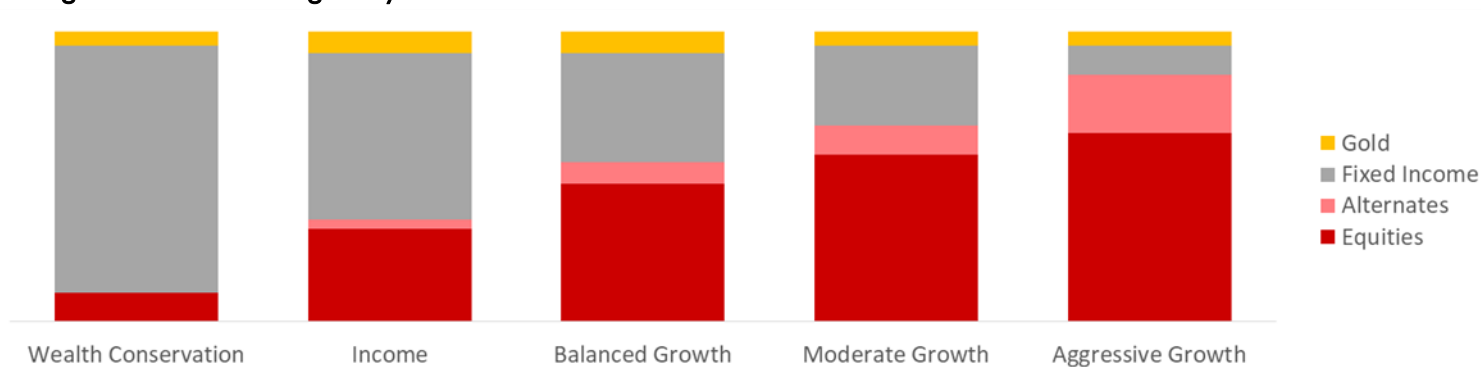
The Ambit GPC Asset Allocation & Investment Committee (AAIC) is a group comprised of the CEO, Head of Products and Alternates, Chief Investment Strategist and Head of Fixed Income (listed below). The team has over 100 years of collective investment experience in markets. The AAIC meets monthly and as 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							→	◆					Selectively Positive
Duration								→	◆				Positive
Accrual						→	◆						Selectively Positive
Credit Risk						→	◆						Selectively Positive
InvITs								→	◆				Over-Weight
REITs								→	◆				Over-Weight
Alternates						◆							Neutral-Weight
Private Unlisted							◆						Selectively Positive
Gold					→	◆							Market-Weight

Wealth Profiles - Summary

Strategic Asset Class Weights by Profile



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

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