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MARKET RESILIENCE & CYCLE EVOLUTION

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INVESTMENT COMMENTARY
Market Resilience and Cycle Evolution

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Chief Investment Strategist

It's been a terrific rally. Turning bullish in June 2022 (see Know the Now, "Time to Buy?"- July 22), and reiterating our bullish call in late March 2023, we focus this month on rally characteristics and positioning.

Our Predicted vs Actual P/E Spread Model Suggests Markets Have Room to Rally

We generate a predicted P/E using an interest rate driven regression model. The predicted P/E is currently 22.1, while the actual P/E is 23.2, implying markets are now **marginally above fair value**. (Chart below).

What's interesting is that **the spread** between the predicted and actual P/E has widened in each of the major market tops - late 2007, late 2010, Feb 2015, Jan and Sep 2018, and Oct 2021. In other words, **it's an accurate market top indicator**. Currently, the spread just turned positive at 1.07, implying there's much **more to go on this rally**.

The Frequency of Bear Markets Has Declined

Next, we consider cycle duration between bear market bottoms for the Nifty 50. 10% corrections occur with regularity. **20%+ bear market corrections have occurred only twice in the past 10 years.** In the 2000s, there were 4 deep bear markets. The 2010s had 3 bear markets. So far, we have had one in the 2020s, using the classic 20% down definition of a bear market.

Four Year Cycles

Sticking with the classic definition, the **duration** between bear market corrections has **risen from 2.6 years to 4+ years** in the past decade. Ergo, we are in the midst of a **third consecutive long cycle**. The previous two cycles were 4+ years in duration, and this cycle, starting in March 2020, would then be expected to extend into the summer of 2024.

Our Predicted P/E Model Takes Interest Rates into Account in Valuation …
… When the Gap Between Predicated and Actual Widens, Markets Peak…
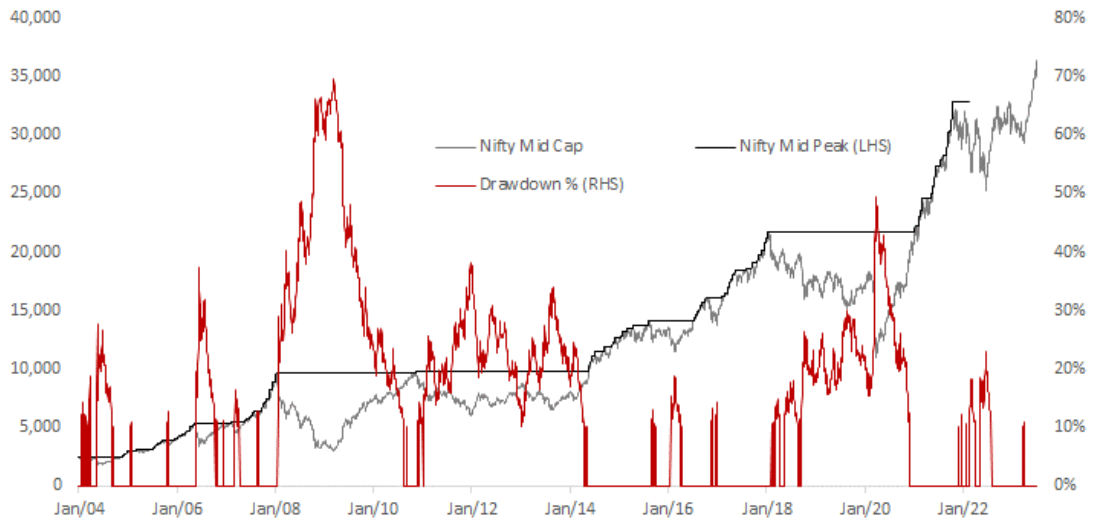… We Are Nowhere Close to That Today
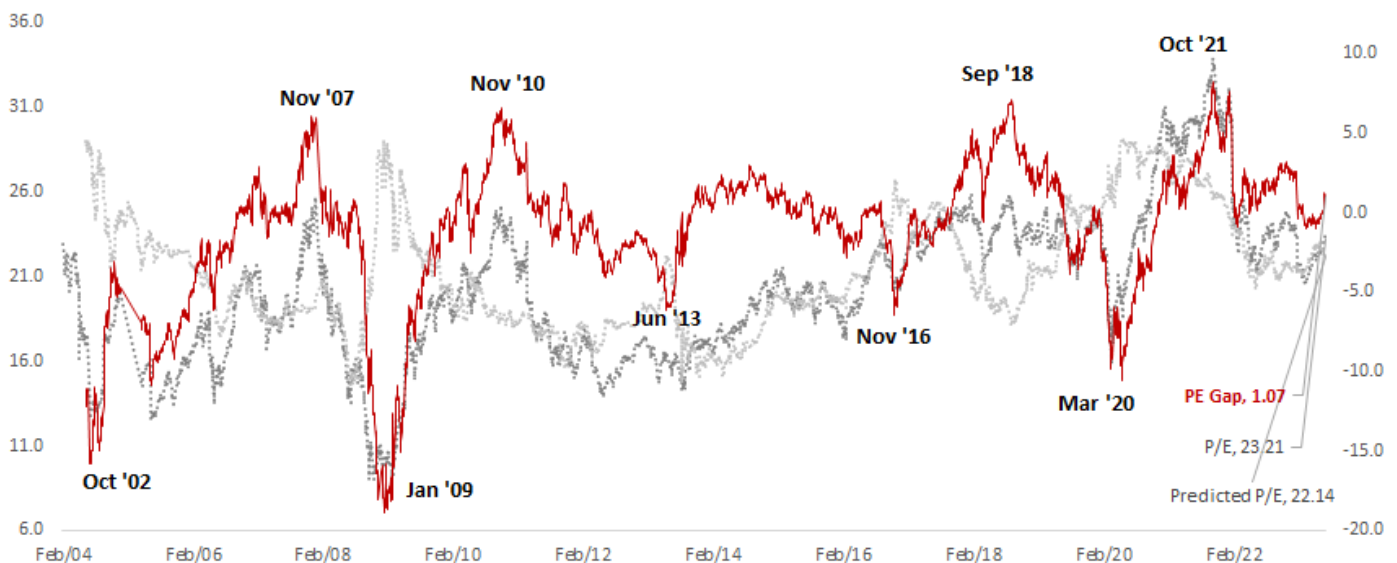
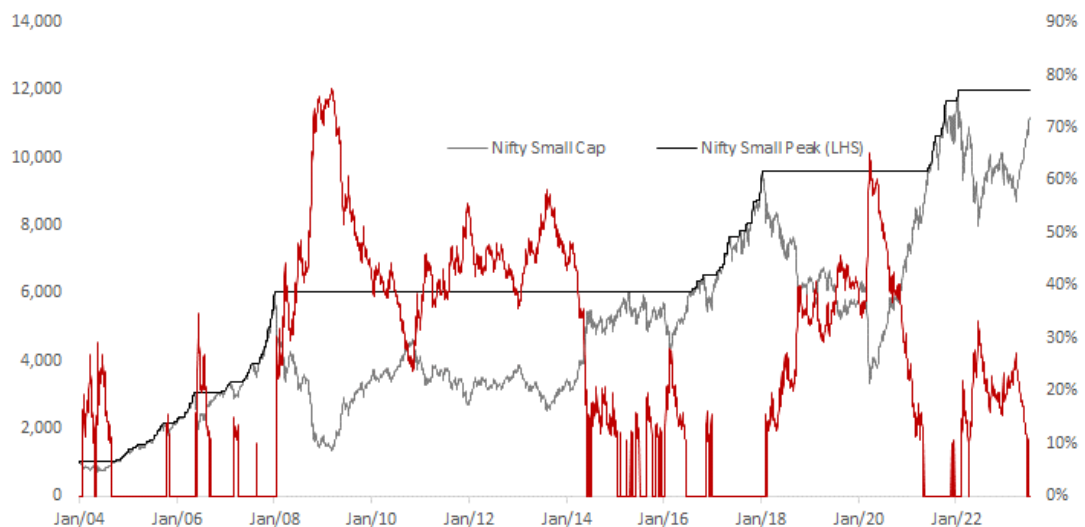Source: All data from NSE, Bloomberg unless noted otherwise.

The Duration Between Bear Markets Was Roughly 2-3 Years in the 2000s…
…That Duration Has Risen to 4+ Years in the 2010s
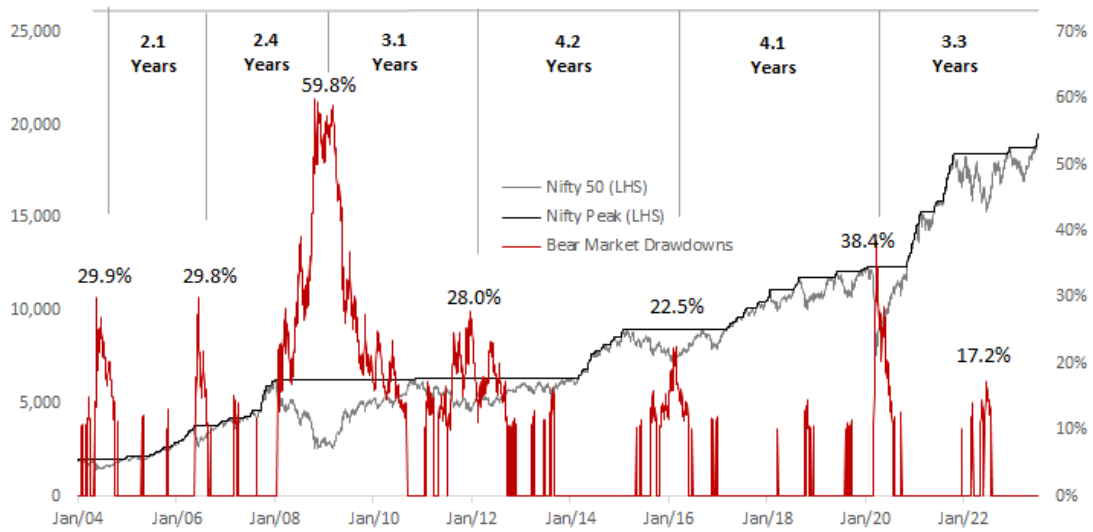
Mid Cap Volatility Also Appears to Have Declined Relative to Past Bear Markets…

Small Caps Remain Volatile During Downturns

Mid & Small Cap Cycles Remain Volatile

The data for mid and small caps is more volatile. The 2021-22 correction *did* qualify as a bear market for mid and small caps. Cycle volatility remains high as well (see charts page 3) but the frequency of cycles appears to have lengthened for mid and small as well.

Comparing returns versus the Nifty 50; since the beginning of 2017, the Nifty 50 has returned an absolute 137.9%. Mid caps have returned 151.2%, and small caps 91.6%. These returns do not justify the additional volatility of mid and small caps. **Exposure to mid and small is best achieved via active managers**, generating alpha via bottom up stock selection.

Yield Gap Model — Forward & Trailing

The historical relationship between earnings yields and bond yields is a reliable indicator of relative asset valuation. Currently, the yield gap models are ranging higher, slightly favouring bonds, but not near signal extremes. The forward PE model signal is typically early, by at least a few months. **That suggests the market rally has further to run**.
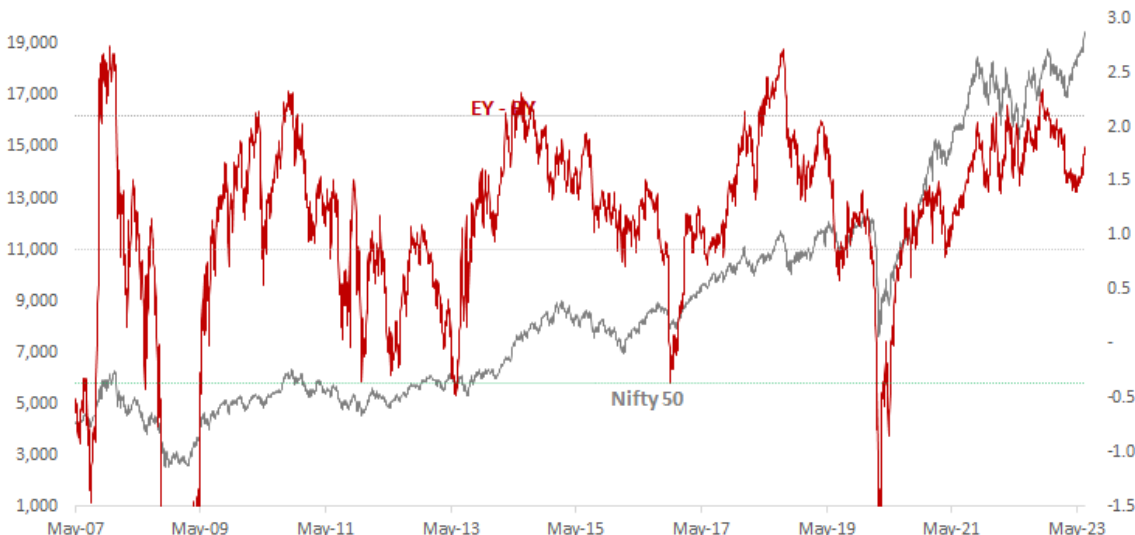
Valuation Metrics Remain Slightly High

Sentiments are strong today but valuations remain manageable. Valuations are barely above fair value

The Trailing P/E Yield Gap Model Suggests Relative Valuations Are Slightly Above Fair Value

Forward P/E based Yield Gap Model is Typically Early and We're Not Close to a Top Yet

on price to earnings. Valuations are at the high end of the range on price to sales; however, P/S does not have a very effective track record as a predictive metric.
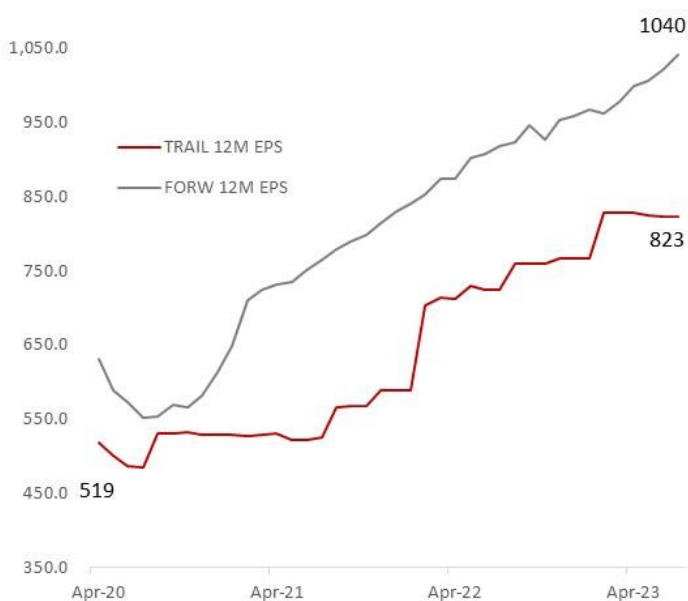
Earnings Growth

Markets typically run aground when earnings growth slows. We're in the **midst of a period of rapid growth in EPS**. Nifty trailing earnings have grown to 823 from 519 in Q1 '20. That's a healthy **+58% growth over a 3 year** period. However, we'd note that Nifty 50 momentum in earnings growth stalled in Q1 '23, while forward estimates have continued to rise, and the spread between actual and estimate earnings has widened.

Mid Caps Lead the Way in Terms of Earnings Growth

The story for mid-caps is much better. Earnings have grown **+91% over 3 years**. Analyst estimates appear to be conservative relative to actual earnings growth. Moreover, the **momentum** in Q1 '23 earnings growth remains **strong**, and relatively stronger than large caps. Finally, **small cap earnings grew +75%** over 3 years, and the momentum appears to be steadily accelerating over the past couple of quarters.

Nifty 50 Trailing EPS are +58% Since Q1 20 but Growth Momentum Appears to Have Moderated

Prefer Mid and Small Caps at This Stage of the Cycle

Earnings growth is healthy across capitalization, but stronger for mid and small caps, with better short term acceleration. As outlined in past commentaries, we continue to **prefer mid and small caps at the current stage** of the business cycle.

Mid Cap EPS are Up +91% Since Q1 20 With Strong Acceleration in Recent EPS Trends
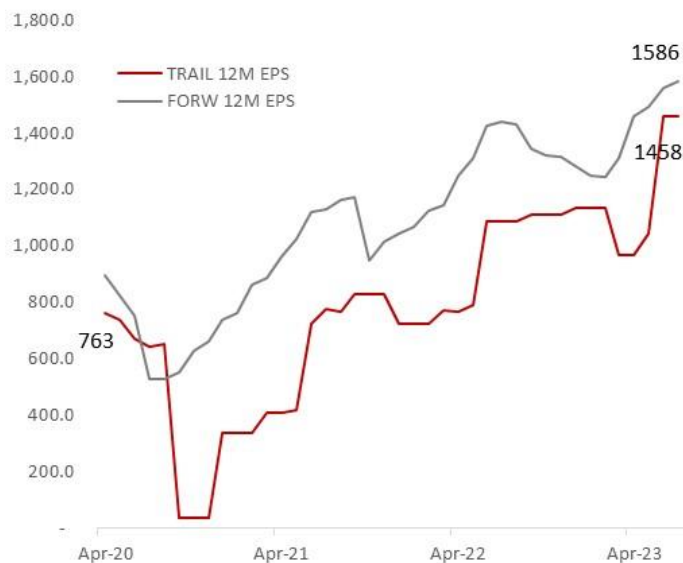
Small Cap EPS Are Up +75% And Surging as Well

The Nifty 50 P/E Ratio of 23.2 Remains Only Marginally Above Fair Value P/E of 22.1
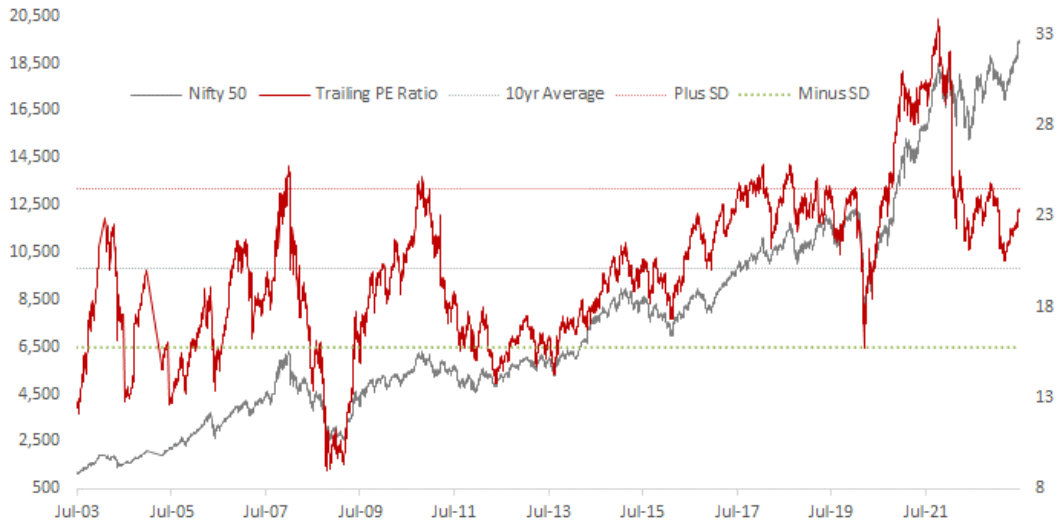
Price to Sales is at +1 Std Deviation…
…But Has Not Been an Effective Predictor of Cycle Peaks

The Gap Between Trailing and Forward PE Rises During Market Peaks…
…The Current Gap is at the Low End of the Range

India Remains One of the Fastest Growing Large Economies in the World…
…Equally Heartening is the Resilient Bounce in Global and U.S. Services PMI Since March '23

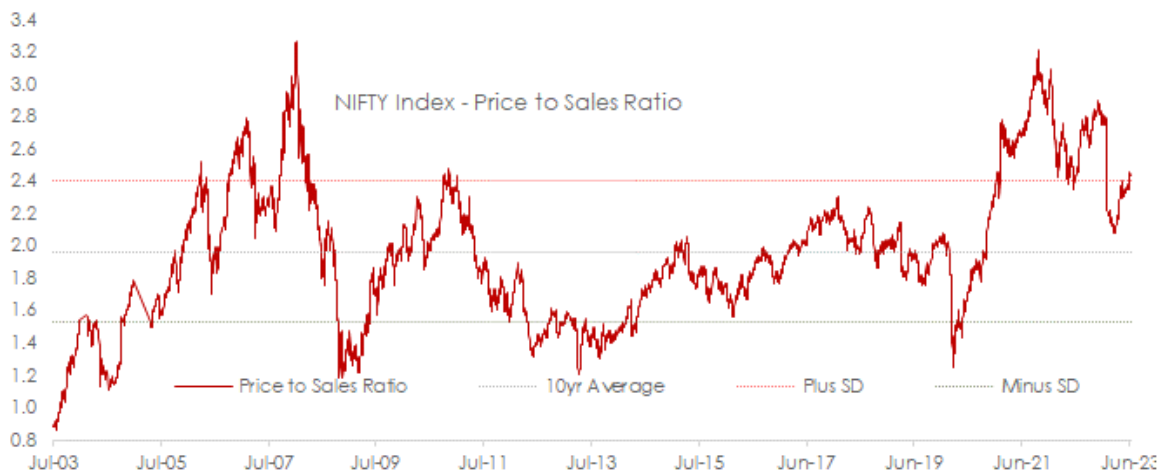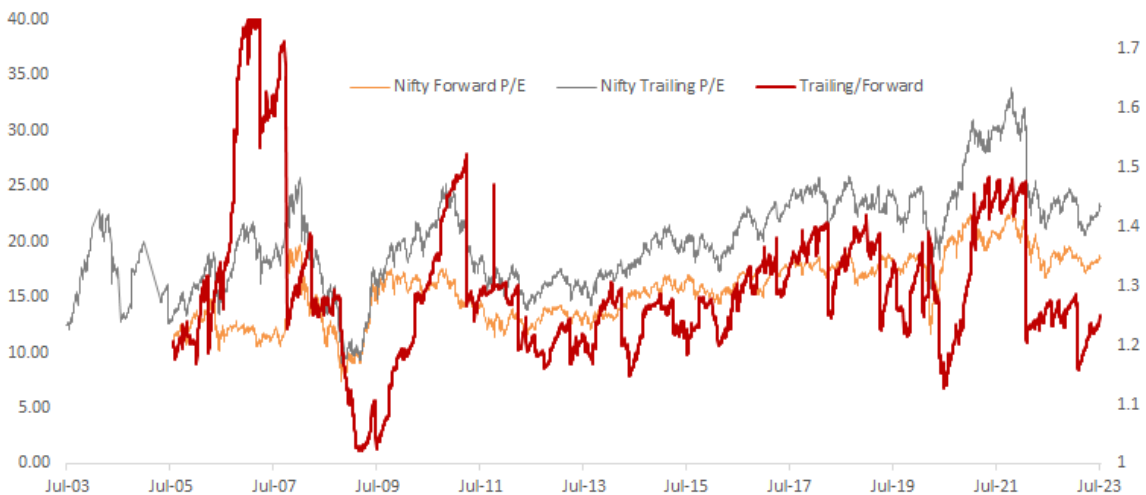| PMI	Jun-23	May-23	Apr-23	Mar-23	Feb-23	Jan-23	Dec-22	Nov-22	Oct-22	Sep-22	Aug-22	Jul-22	Jun-22	May-22	Apr-22	Mar-22	Feb-22	Jan-22
JPMorgan Global Composite PMI	51.4	54.3	54.8	54.5	53.3	52.5	55.8	56.6	58.5	56.7	54.8	53.2	52.3	52.7	53.1	53.3	52.5	52.5
JPMorgan Global Manufacturing	48.8	49.6	49.6	49.6	49.9	49.1	48.7	48.8	49.4	49.8	50.3	51.1	52.2	52.4	52.3	53	53.7	53.2
JPMorgan Global Services PMI S	54	55.5	55.4	54.4	52.6	50.1	48.1	48.1	49.2	50	49.2	51	53.9	51.9	52.2	53.4	54	51
US Manufacturing PMI SA	46.3	48.4	50.2	49.2	47.3	46.9	46.2	47.7	50.4	52	51.5	52.2	52.7	57	59.2	58.8	57.3	55.5
US Services PMI Business Activ	54.4	54.9	53.6	52.6	50.6	46.8	44.7	46.2	47.8	49.3	43.7	47.3	52.7	53.4	55.6	58	56.5	51.2
US Composite PMI SA	53.2	54.3	53.4	52.3	50.1	46.8	45	46.4	48.2	49.5	44.6	47.7	52.3	53.6	56	57.7	55.9	51.1
India Composite PMI SA	59.4	61.6	61.6	58.4	59	57.5	59.4	56.7	55.5	55.1	58.2	56.6	58.2	58.3	57.6	54.3	53.5	53
India Manufacturing PMI SA	57.8	58.7	57.2	56.4	55.3	55.4	57.8	55.7	55.3	55.1	56.2	56.4	53.9	54.6	54.7	54	54	54
India Services PMI NSA	59	57.6	60	57.7	61.2	58.6	59.1	59.7	59	55.5	57	54	56.7	56.2	55.6	56.7	52.4	50.1
Eurozone Composite PMI SA	49.9	52.8	54.1	53.7	52	50.3	49.3	47.8	47.3	48.1	48.9	49.9	52	54.8	55.8	54.9	55.5	52.3
Eurozone Manufacturing PMI SA	43.4	44.8	45.8	47.3	48.5	48.8	47.8	47.1	46.4	48.4	49.6	49.8	52.1	54.6	55.5	56.5	58.2	58.7
Eurozone Services PMI SA	52	55.1	56.2	55	52.7	50.8	49.8	48.5	48.6	48.8	49.8	51.2	53	56.1	57.7	55.6	55.5	51.1
Eurozone Construction PMI SA	44.2	44.6	45.2	45	47.6	46.1	42.6	43.6	44.9	45.3	44.2	45.7	47	49.2	50.4	52.8	56.3	56.6
Germany Composite PMI Output S	50.6	53.9	54.2	52.6	50.7	49.9	49	46.3	45.1	45.7	46.9	48.1	51.3	53.7	54.3	55.1	55.6	53.8
Germany Services PMI Business	56.6	57.6	55.9	55.4	48.6	46.3	49.3	46.2	48.6	47	45.8	50	55	54.4	56.6	57.4	55.2	50.6
Caixin China Composite PMI Out	52.5	55.6	53.6	54.5	54.2	51.1	48.3	47	48.3	48.5	53	54	55.3	42.2	37.2	43.9	50.1	50.1
Caixin China Manufacturing PMI	50.1	51.5	50.1	50.8	52.4	46.3	49.5	50.5	49.8	48.7	49.2	50.2	51.8	48.8	47.1	51.2	43.2	46.4
Caixin China Services PMI Busi	52.8	59.1	56.9	60.9	55	55	49	47	48.3	50	54.8	57.2	55.5	42.8	36.4	42.8	41.1	51.4
Developed Markets Composite PM	52.2	53.7	53.7	52.6	51.1	48.5	47.1	47.3	48.5	49.3	46.9	49	52.5	53.7	55.4	55.9	54.7	51.3
Developed Markets Manufacturin	46.3	47.6	48.5	48.4	48.1	48.1	47.3	47.8	48.8	50.1	50.2	51.2	52.5	55	56.3	56.5	56.5	56.3
Developed Markets Services PMI	53.6	54.9	54.6	53.4	51.8	48.7	47.2	47.5	48.8	49.6	46.7	49.1	53.1	53.9	55.8	56.5	55	50.8
Emerging Markets Composite PMI	53.6	55.6	54.9	54.6	53.9	51.9	50	49	49.8	50.1	53.4	53.9	55.2	46.9	43.5	46.9	51.3	50.8
Emerging Markets Manufacturing	51.1	51.4	50.5	50.7	51.6	49.9	49.8	49.7	49.8	49.3	50.2	50.8	51.7	49.5	48.1	49.2	50.9	50
Emerging Markets Services PMI	54.7	56.7	57.3	56.7	54.5	53.1	50.1	49.2	49.9	50.6	54.9	55.4	55.5	47.2	43.7	46.3	51.6	51.5

Global Growth Resilience

Three quarters of large emerging economies have beaten their growth forecasts this year, including India, Mexico and Brazil, which have done so by a wide margin. Global growth remains resilient in the U.S. as well, as Fed officials are increasingly confident a recession can be avoided this year. Emerging markets have also proven to be resilient to FI outflows, rapidly rising interest rates. A global recovery is underway as Global Services PMI is showing a healthy recovery.

Inflation is Dropping Rapidly in Some Countries

Thai inflation has retreated dramatically with a YoY inflation reading of 0.2%. China's consumer inflation rate has declined to 0%, while PPI is -5% YoY. That bodes well for the global economy. Unfortunately, incessant rains have harmed crops domestically and led to a limited supply of key vegetables, and price increases. India's inflation outlook remains mixed, but will self-correct in a couple of months. Food inflation spikes have remained a regular occurrence over the years.

P.M. Modi U.S. Visit a Strategic Positive

PM Modi's visit served to further solidify India U.S. ties, and positive comments by U.S. CEOs across industries have spurred FI flows into India, driving markets higher.

The Indo U.S. partnership is a strong positive for Indian equities as it strategically enhances India's positioning as a China offset for the U.S. This is translating into bilateral agreements on production of fighter jet engines, procurement of armed sea guardian drones, master ship repair agreements for U.S. warships in India, enhanced collaboration between U.S. and India tech start-ups in AI, maritime, space and autonomous systems, and a new "Innovation Handshake" to connect the start-up ecosystem of India and the United States. Micron Technology announced intentions to set up a chip assembly in Gujarat, supported by the central government, and India will also partner on critical minerals security partnership with the U.S.

Most critically, P.M. Modi's visit was hailed by both Democrats and Republicans, signalling a strategic long term alliance between the two countries.

More Data on India's Powerful Demographics

India's workforce now includes roughly 200 million workers with moderate to advanced education. That dwarfs all emerging markets by a factor of at least 2. India's **middle class is growing dramatically**, and is predicted to reach **715 million by 2031** from 430 million in 2021, according to data released by PRICE (People Research on India's Consumer Economy).

Outlook

Growth Vs Value

We created Growth and Value sub-indices based on a classification of select growth and value stocks in the Nifty 50. The charts below highlight the **exceptional performance delivered by growth stocks**. The select growth index delivered a 411% return since 2017, versus 229% for the Nifty 50, and a paltry 165% return for Value stocks. The **case for growth** as dominating the long term portfolio remains overwhelmingly positive. (see charts below)

India Growth Story Remains on Solid Footing

India remains a structural growth story, possibly one of the brightest stories out there, and the best means of playing it is via **growth equities**.

Growth Has Massively Outperformed the Nifty 50, and Value, Over the Years in India
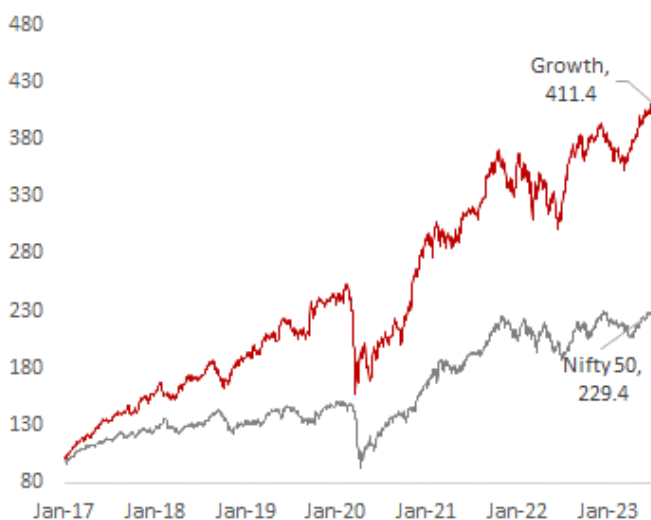
Value Has Held Back Nifty Returns, a Case We've Made Repeatedly Over the Years
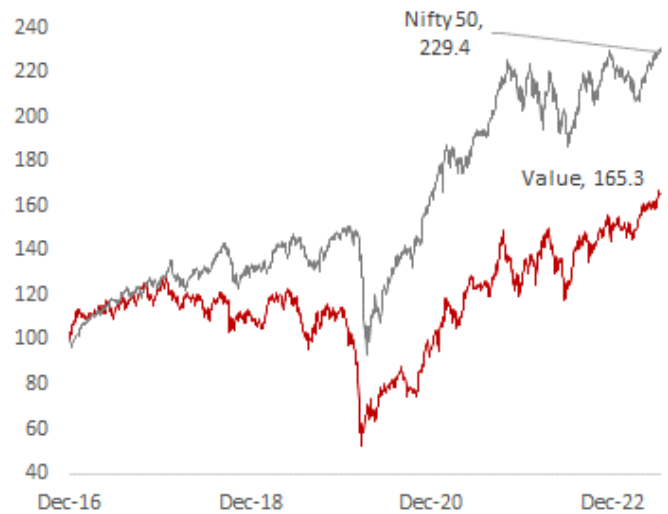
Source: Ambit, NSE, Bloomberg

Separately, India's fiscal positioning has also strengthened alongside strong economic growth. External debt to GDP is the lowest in 10 years at 18.9% to GDP per RBI. India is also **rapidly turning digital**, which bodes well for **productivity** improvement. UPI transactions are up +43% to 14.9 lakh crores in May 2023, per the National Payments Corp of India.

U.S. CFO surveys continue to **list India as one of the top destinations for U.S. relocation** away from China, alongside Japan, Hong Kong, South Korea and Thailand. This puts India's ranking higher than those for Vietnam, Phillipines, Malaysia and Taiwan.

Strong Structural Trends Underpin Growth

The India story is driven by demographics, by favourable geo-political positioning, labor cost advantages, developed markets desire for a China alternative, a large domestic market of aspiring consumers with healthy balance sheets, rising urbanization, rising incomes, rising manufacturing, a strong and favourable macro environment, competent regulatory and financial structures and substantial foreign and domestic flows seeking real growth.

Most factors we've evaluated – including technicals (see charts below) – suggest that the rally is climbing the wall of worry and has room to continue.

As outlined in this commentary, our style preferences are **over weight equities**, **overweight mid and small caps** at this stage of the cycle, relative to strategic weight, and **over weight growth stocks**. With strong domestic tailwinds, we prefer **domestic focused** sectors over exposure to developed markets.

Style Preferences

During a bull market, stock prices can detach from intrinsic value. Our primary focus remains on identifying businesses with enduring competitive advantages at reasonable prices.

Small and mid caps remain a bottom up, stock selection play and we prefer **active managers on multi, mid and small cap** portfolios.

Technicals Remain Sound for the Indian Markets…
… The Advance Decline Line Remains Healthy
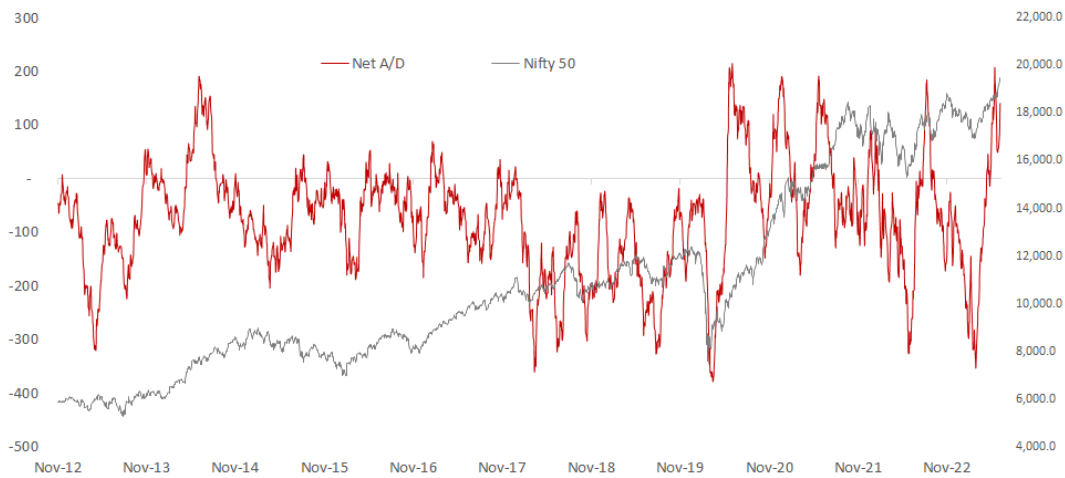
As Does Market Breadth…
… A Breadth Thrust Occurred in March 2023, Typically a Precursor to Equity Bull Markets

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Equity Index Performance

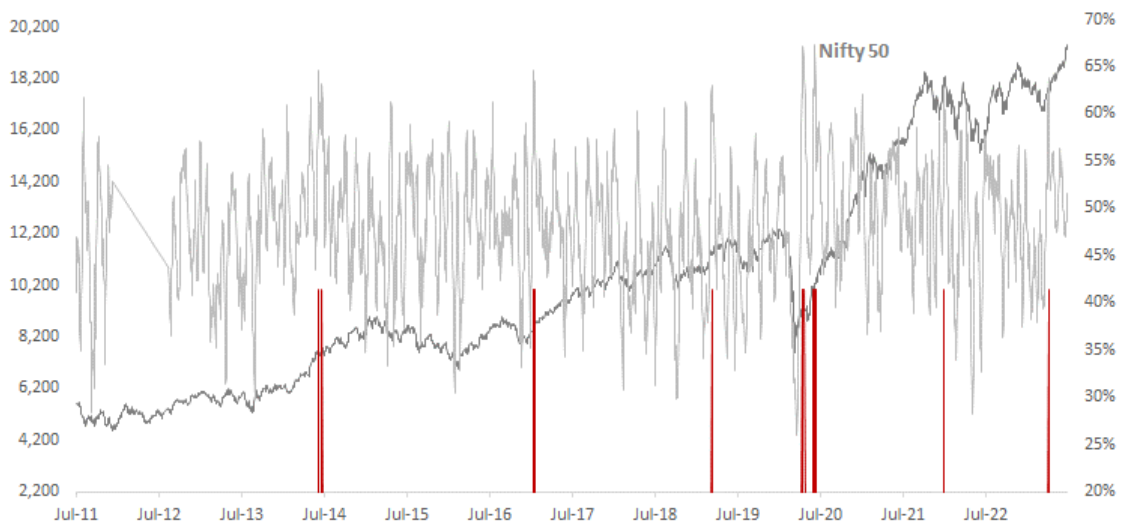| 13/07/2023	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
Nifty 50	19,384	-0.1	3.6	1.0	8.7	8.0	1.0	7.1	21.4	19,524	15,858	-0.7%	22.2%
Americas													
S&P 500 Index	4,472	0.6	2.4	0.5	7.9	11.8	0.5	16.5	17.6	4,488	3,492	-0.4%	28.1%
Dow Jones Indus. Avg	34,347	0.2	0.4	-0.2	0.9	0.1	-0.2	3.6	11.6	34,712	28,661	-1.1%	19.8%
Nasdaq Composite	13,919	0.9	2.5	1.0	14.4	25.6	1.0	33.0	23.8	13,963	10,089	-0.3%	38.0%
Nyse Fang+ Index	7,833	0.2	2.3	1.1	29.5	63.9	1.1	76.1	56.8	7,911	4,103	-1.0%	90.9%
Canada	20,071	-0.2	0.4	-0.4	-2.4	-1.4	-0.4	3.5	7.8	20,843	17,873	-3.7%	12.3%
Mexico	53,957	-0.2	-1.1	0.8	-1.4	0.7	0.8	11.3	13.7	55,627	44,519	-3.0%	21.2%
Brazil Bovespa	117,666	-1.6	0.8	-0.4	10.5	6.1	-0.4	7.2	20.2	120,752	95,267	-2.6%	23.5%
Europe													
Euro Stoxx 50 Pr	4,360	0.2	0.3	-0.9	-0.1	5.1	-0.9	14.9	26.2	4,420	3,250	-1.3%	34.2%
FTSE 100	7,416	-0.3	-2.4	-1.5	-5.4	-5.5	-1.5	-0.5	3.6	8,047	6,708	-7.8%	10.6%
CAC 40 Paris	7,333	0.3	0.6	-0.9	-2.0	4.4	-0.9	13.3	22.2	7,581	5,628	-3.3%	30.3%
DAX Germany	16,023	0.5	-1.3	-0.8	1.9	6.2	-0.8	15.1	25.6	16,427	11,863	-2.5%	35.1%
Asia													
Nikkei 225	32,357	-1.3	-2.0	-2.5	14.9	23.9	-2.5	24.0	22.2	33,773	25,622	-4.2%	26.3%
Hang Seng	19,348	4.4	-0.9	2.3	-4.9	-11.0	2.3	-2.2	-7.0	22,701	14,597	-14.8%	32.5%
Shenzhen CSI 300	3,889	1.2	0.6	1.2	-4.4	-4.6	1.2	0.4	-10.0	4,352	3,496	-10.7%	11.2%
Australia	7,237	1.0	1.4	0.5	-1.2	-1.2	0.5	2.8	9.3	7,568	6,412	-4.4%	12.9%
Taiwan	17,201	2.6	-0.1	1.7	8.8	16.0	1.7	21.7	20.1	17,346	12,629	-0.8%	36.2%
Korea	2,600	1.7	-1.4	1.4	1.5	9.0	1.4	16.3	11.7	2,650	2,135	-1.9%	21.8%
Straits Times Index STI	3,227	2.4	1.2	0.7	-2.0	-2.0	0.7	-0.7	3.2	3,408	2,969	-5.3%	8.7%
Vietnam Ho Chi Minh	1,159	2.9	3.3	3.5	8.9	9.3	3.5	15.1	-1.3	1,295	874	-10.5%	32.6%
Jakarta Indonesia	6,804	0.7	1.3	2.1	0.3	2.4	2.1	-0.7	2.4	7,377	6,543	-7.8%	4.0%
Phillipines	6,564	1.4	0.9	1.5	1.8	-5.6	1.5	-0.0	4.9	7,138	5,699	-8.0%	15.2%

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	19,384	-0.1	3.6	1.0	8.7	8.0	1.0	7.1	21.4	19,524	15,858	-0.7%	22.2%
Microsoft Corp	337	-0.3	0.9	-1.0	16.3	41.0	-1.0	40.6	33.4	351	213	-4.1%	58.0%
Meta Platforms Inc-Class A	309	5.1	14.0	7.8	40.4	125.8	7.8	157.1	89.2	309	88	0.0%	251.2%
Apple Inc	190	-0.8	3.5	-2.2	14.6	40.8	-2.2	46.1	30.4	194	124	-2.4%	52.8%
Walt Disney Co/The	90	0.4	-3.9	1.0	-10.6	-9.3	1.0	3.8	-3.0	126	84	-28.7%	7.2%
Amazon.Com Inc	131	0.3	3.3	0.3	27.7	33.3	0.3	55.7	18.5	147	81	-10.8%	60.6%
Netflix Inc	444	-0.4	1.9	0.8	28.3	33.4	0.8	50.6	151.5	451	170	-1.5%	161.7%
Alphabet Inc-Cl A	119	-2.3	-4.0	-0.6	10.7	29.1	-0.6	34.8	6.8	129	83	-7.8%	42.7%
Hdfc Bank Limited	1,633	-2.5	1.8	-4.0	-3.5	2.0	-4.0	0.3	20.3	1,758	1,337	-7.1%	22.1%
Icici Bank Ltd	944	-1.6	0.1	1.0	5.1	8.1	1.0	6.0	25.4	965	744	-2.1%	26.9%
Tata Consultancy Svcs Ltd	3,260	-1.9	0.5	-1.3	2.2	-1.4	-1.3	2.1	9.5	3,575	2,868	-8.8%	13.7%
Reliance Industries Ltd	2,768	4.9	9.8	8.5	17.5	12.2	8.5	8.7	16.4	2,802	2,180	-1.2%	27.0%
Bajaj Finance Ltd	7,432	-4.3	3.7	3.8	25.9	24.3	3.8	13.0	26.4	8,000	5,486	-7.1%	35.5%
Hindustan Unilever Ltd	2,674	-3.0	-0.1	-0.2	5.4	1.9	-0.2	4.4	7.0	2,770	2,393	-3.5%	11.7%
Nestle India Ltd	23,060	-0.2	2.5	0.7	18.5	16.6	0.7	17.6	26.4	23,392	17,880	-1.4%	29.0%
Titan Co Ltd	3,097	-0.3	6.3	1.6	19.8	28.1	1.6	19.2	46.7	3,210	2,107	-3.5%	46.9%
Asian Paints Ltd	3,407	0.2	4.4	1.3	21.2	17.1	1.3	10.3	15.8	3,583	2,686	-4.9%	26.8%
Srf Ltd	2,210	-2.9	-5.7	-3.5	-9.4	0.5	-3.5	-3.5	-0.6	2,865	2,082	-22.9%	6.2%
Central Depository Service	1,216	2.1	16.1	9.5	21.6	12.8	9.5	9.0	9.3	1,452	881	-16.2%	38.0%

Large, Mid & Small

13/07/2023	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	**19,384**	**-0.1**	**3.6**	**1.0**	**8.7**	**8.0**	**1.0**	**7.1**	**21.4**	**19,524**	**15,858**	**-0.7%**	**22.2%**
Sensex	65,394	-0.6	3.6	1.0	8.2	8.5	1.0	7.5	22.2	65,899	53,164	-0.8%	23.0%
Nifty 500	16,641	-0.3	3.7	1.3	11.3	8.4	1.3	7.7	21.2	16,718	13,617	-0.5%	22.2%
NIFTY Midcap 100	36,408	0.1	4.7	1.8	17.9	16.2	1.8	15.5	30.8	36,459	27,554	-0.1%	32.1%
NIFTY Smallcap 100	11,279	1.0	6.3	4.1	20.8	16.6	4.1	15.9	28.2	11,321	8,647	-0.4%	30.4%

Nifty Sectors

13/07/2023	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	15,615	1.0	6.5	3.1	20.9	21.7	3.1	23.8	29.1	15,655	11,902	-0.3%	31.2%
Nifty Bank	44,639	-1.5	1.3	-0.2	6.0	5.4	-0.2	3.8	28.2	45,656	34,464	-2.2%	29.5%
NIFTY Private Bank	22,787	-1.4	1.0	-0.6	7.0	5.5	-0.6	4.2	30.3	23,256	17,363	-2.0%	31.2%
Nifty Financial Services	19,924	-1.7	2.3	-0.7	5.7	6.9	-0.7	5.0	24.2	20,577	15,951	-3.2%	24.9%
Nifty India Consumption	8,440	-0.4	3.7	1.5	15.3	13.2	1.5	11.7	18.7	8,498	7,040	-0.7%	19.9%
Nifty FMCG	53,280	-0.9	3.5	2.1	15.3	21.2	2.1	20.6	30.1	53,971	40,652	-1.3%	31.1%
Nifty Energy	25,701	0.5	5.3	4.1	10.7	-0.6	4.1	-0.7	3.9	28,257	21,631	-9.0%	18.8%
Nifty Infrastructure	5,882	0.4	4.6	2.5	12.9	12.4	2.5	12.0	27.5	5,908	4,586	-0.4%	28.3%
Nifty IT	29,118	-2.3	0.8	-1.5	2.7	0.6	-1.5	1.7	8.0	31,587	26,184	-7.8%	11.2%
Nifty Metal	6,363	0.6	3.8	2.5	11.4	-7.4	2.5	-5.4	30.6	6,920	4,791	-8.0%	32.8%
Nifty Pharma	13,937	0.5	7.3	1.2	11.7	10.0	1.2	10.6	10.4	13,970	11,542	-0.2%	20.7%
Nifty PSU Bank	4,462	1.0	9.8	8.6	17.3	4.3	8.6	3.3	67.9	4,617	2,566	-3.4%	73.9%
Nifty Realty	528	-1.8	1.4	1.6	24.2	23.9	1.6	22.3	26.2	542	371	-2.6%	42.5%
Nifty Sectors & Themes													
Nifty Media	1,890	3.6	4.1	8.4	9.7	-4.2	8.4	-5.1	-2.5	2,236	1,637	-15.5%	15.5%
Nifty CPSE	3,316	-0.6	4.4	1.8	10.2	19.1	1.8	18.5	38.5	3,345	2,378	-0.9%	39.5%
Nifty PSE	5,212	-0.6	4.7	2.6	14.2	17.8	2.6	19.3	37.4	5,266	3,767	-1.0%	38.4%
Nifty Commodities	6,128	-0.6	2.0	1.5	7.9	2.4	1.5	3.1	19.5	6,189	5,059	-1.0%	21.1%
Nifty MNC	22,019	-0.5	2.5	0.8	14.0	11.0	0.8	11.8	19.8	22,154	18,305	-0.6%	20.3%

Crude Oil & Commodities

13/07/2023	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	19,384	-0.1	3.6	1.0	8.7	8.0	1.0	7.1	21.4	19,524	15,858	-0.7%	22.2%
Gold U.S. & India													
Gold Spot $/Oz	1,960	2.6	0.8	2.1	-3.9	2.1	2.1	7.4	12.9	2,063	1,615	-5.0%	21.3%
Gold India	58,566	0.3	-1.9	1.3	-2.9	4.9	1.3	7.4	15.7	61,460	49,111	-4.7%	19.3%
Platinum Spot $/Oz	959.6	5.9	-2.2	5.9	-8.8	-10.3	5.9	-10.7	11.9	1,135	821	-15.5%	16.8%
Crude													
Brent Crude	80.5	5.2	8.3	7.4	-6.5	-5.6	7.4	-6.3	-19.2	111	70	-27.3%	14.8%
WTI Crude	76.1	5.9	9.6	7.7	-7.4	-4.7	7.7	-5.2	-21.0	104	64	-27.2%	19.5%
Metals													
LME Copper	8,488.8	2.2	2.5	2.0	-4.8	-7.4	2.0	1.5	15.7	9,436	6,995	-10.0%	21.4%
LME Aluminum	2,195.0	4.7	0.4	4.0	-4.0	-12.8	4.0	-6.6	-6.6	2,636	2,061	-16.7%	6.5%
LME Nickel	21,464.5	2.1	3.9	5.5	-8.2	-20.0	5.5	-28.2	0.7	31,176	19,094	-31.2%	12.4%
LME Zinc	2,411.0	2.6	2.7	1.2	-13.9	-26.0	1.2	-19.7	-22.8	3,877	2,222	-37.8%	8.5%
LME Lead	2,091.3	1.5	-0.2	-2.4	-3.0	-5.5	-2.4	-10.5	6.1	2,335	1,753	-10.4%	19.3%
LME Tin	29,379.0	3.6	11.5	7.0	22.5	7.5	7.0	18.7	13.9	32,170	17,400	-8.7%	68.8%
Commodities													
Lumber	8,488.8	2.2	2.5	2.0	-4.8	-7.4	2.0	1.5	15.7	9,436	6,995	-10.0%	21.4%
Palm Oil	3,782.0	-1.6	9.9	0.8	-7.8	-1.0	0.8	-9.3	-1.8	4,430	3,143	-14.6%	20.3%
BBG Cmdty ex-Prec Mtl	93.5	1.9	3.0	1.9	-3.2	-8.6	1.9	-10.8	-13.0	122	86	-23.2%	8.8%
CRB Metals Index	1,011.7	1.2	2.8	1.9	-3.7	-7.4	1.9	0.0	-2.9	1,149	806	-12.0%	25.5%
Bloomberg Commodity In	103.6	2.2	2.5	2.1	-3.8	-7.1	2.1	-8.1	-8.8	126	97	-17.7%	6.8%
CRB Commodities Index	553.8	0.3	1.3	1.1	1.3	-0.6	1.1	-0.2	-4.5	593	536	-6.7%	3.2%
Wheat	621.3	-6.2	-2.0	-2.4	-8.6	-16.4	-2.4	-21.6	-22.5	950	573	-34.6%	8.4%
CRB Raw Industrials Index	555.9	0.7	1.8	1.0	-0.1	-3.6	1.0	-2.4	-6.9	614	543	-9.5%	2.4%
Commodities													
Bloomberg Grains Spot	263.17	-3.1	-3.7	-1.7	-14.1	-18.3	-1.7	-19.7	-12.5	337	263	-21.9%	0.0%
Raw Sugar	23.91	1.6	-6.1	4.5	-0.6	22.1	4.5	19.3	27.9	27	17	-12.8%	39.0%
Simex Iron Ore	110.95	-0.7	-1.9	-1.4	-7.1	-10.2	-1.4	-0.3	0.6	132	77	-15.9%	44.4%

Interest Rates and Inflation

13/07/2023	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	7.09	7.16	7.00	7.12	7.22	7.30	7.12	7.33	7.34	7.54	6.94	-0.45	0.14
5 Year India G-Sec	7.07	7.13	6.94	7.08	7.06	7.13	7.08	7.23	7.06	7.48	6.82	-5.5%	3.8%
3 Year India G-Sec	7.08	7.10	6.93	7.05	6.93	6.89	7.05	7.04	6.89	7.42	6.66	-4.6%	6.4%
1 Year India G-Sec	6.97	6.99	6.80	6.99	6.94	6.67	6.99	6.72	6.06	7.38	6.04	-5.6%	15.3%
3 Month India G-Sec	6.73	6.73	6.83	6.71	6.71	6.38	6.71	6.26	5.15	7.12	5.17	-5.5%	30.2%
Repo Rate India	6.50	6.50	6.50	6.50	6.50	6.25	6.50	6.25	4.90	6.50	5.40	N/A	N/A
India CPI													
India CPI Combined YoY	4.81		4.31	4.81	5.66	5.72	4.81	5.72	7.01	7.41	4.31	-2.60	0.50
India WPI	-3.48		-0.9	-3.5	3.9	6.1	1.4	5.0	16.6	14	-3	NM	0.0%
India Core CPI	5.59		5.7	5.6	6.1	6.4	5.6	6.4	5.8	6	6	-13.7%	0.0%
U.S. & China Yields & CPI													
U.S. 10 Year	3.86	4.03	3.81	3.84	3.44	3.50	3.84	3.87	2.93	4.34	2.51	-0.48	1.34
U.S. 5 Year	4.05	4.35	3.99	4.16	3.50	3.61	4.16	4.00	3.03	4.50	2.58	-0.45	1.48
U.S. 2 Year	4.71	4.98	4.67	4.90	3.97	4.23	4.90	4.43	3.15	5.12	2.81	-0.41	1.90
U.S. 1 Year	4.97	5.43	5.23	5.42	4.66	4.68	5.42	4.71	3.17	5.43	2.92	-0.46	2.05
U.S. 3 MO T-BILL	5.18	5.36	5.22	5.30	5.00	4.60	5.30	4.37	2.36	5.40	2.17	-0.23	3.00
Spread 10-2	-0.86	-0.95	-0.85	-1.06	-0.52	-0.73	-1.06	-0.55	-0.22	-0.78	-0.30		
Spread 5-1	-0.92	-1.08	-1.24	-1.26	-1.16	-1.07	-1.26	-0.71	-0.14	-0.92	-0.35		
U.S. CPI	3.00		4.00	3.00	5.00	6.50	3.00	6.50	9.10	9	3	-64.7%	0.0%
China CPI	-		0.2	-	0.7	1.8	-	1.8	2.5	3	-		
Inflation Expectations 10 Y	2.23		2.3	2.2	2.2	2.3	2.2	2.3	2.4	3	2	-11.6%	1.6%
U.S. Dollar & INR													
USD INR	82.0	82.5	82.4	82.0	81.9	81.3	82.0	82.7	79.6	83.3	78.5	-1.6%	4.4%
Dollar Index	100.5	103.2	103.3	102.9	101.0	102.2	102.9	103.5	108.0	114.8	100.4	-12.5%	0.0%

| 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. At this stage of the cycle, we prefer a higher over-weight exposure to mid and small caps.
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	In line with our earlier strategy, duration continues to be attractive proposition on a risk reward basis despite the probable intermittent volatility. With continued pause by MPC, this will gain more strength. Intermittent volatility could arise due factors like, erratic monsoon and El Nino effects, international geopolitical uncertainty continuing unabated, and developed economies monetary 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 baring 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.
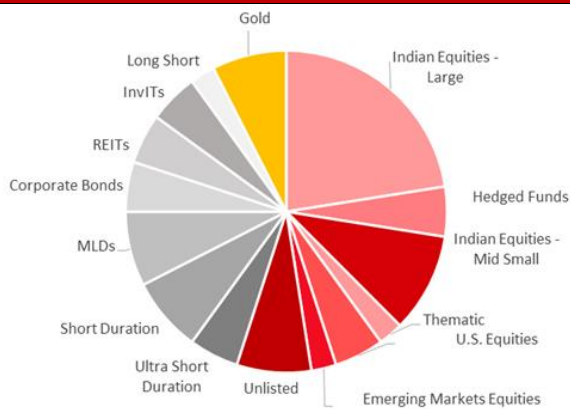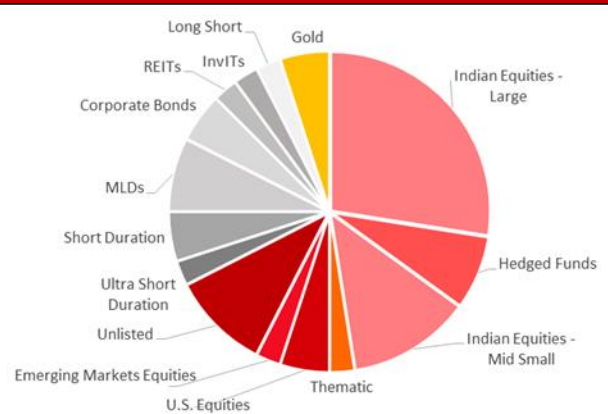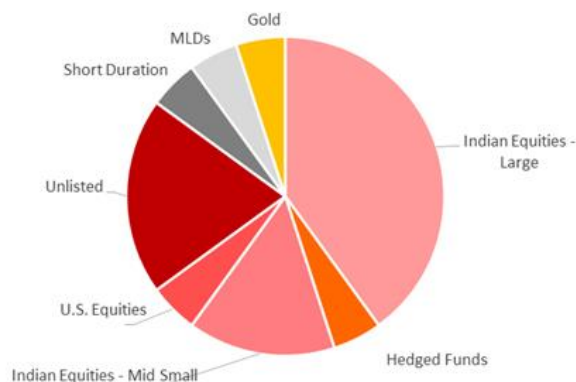
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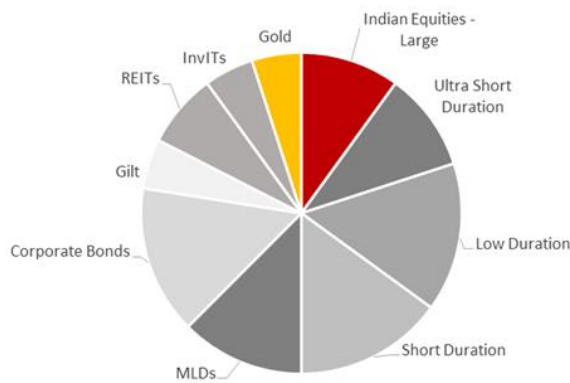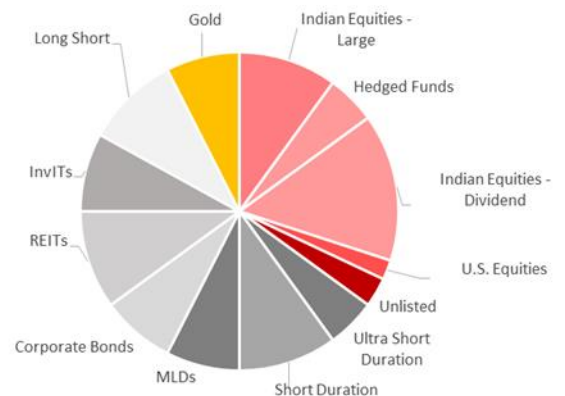
Income

Balanced Growth

Moderate Growth

Aggressive Growth

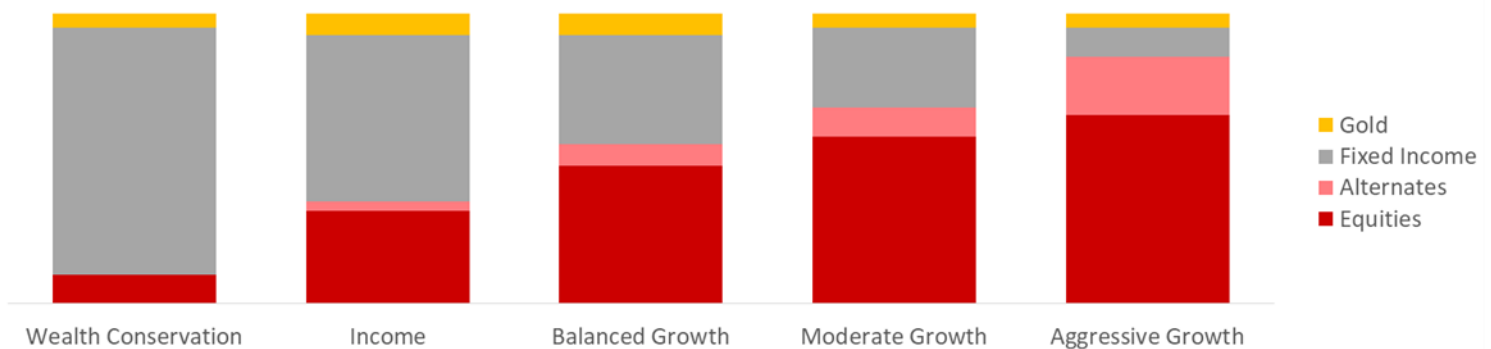## Ambit Global Private Client - Asset Allocation & Investment Committee

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

Legend: Gold, Fixed Income, Alternates, Equities

Profiles: Wealth Conservation, Income, Balanced Growth, Moderate Growth, Aggressive Growth

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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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