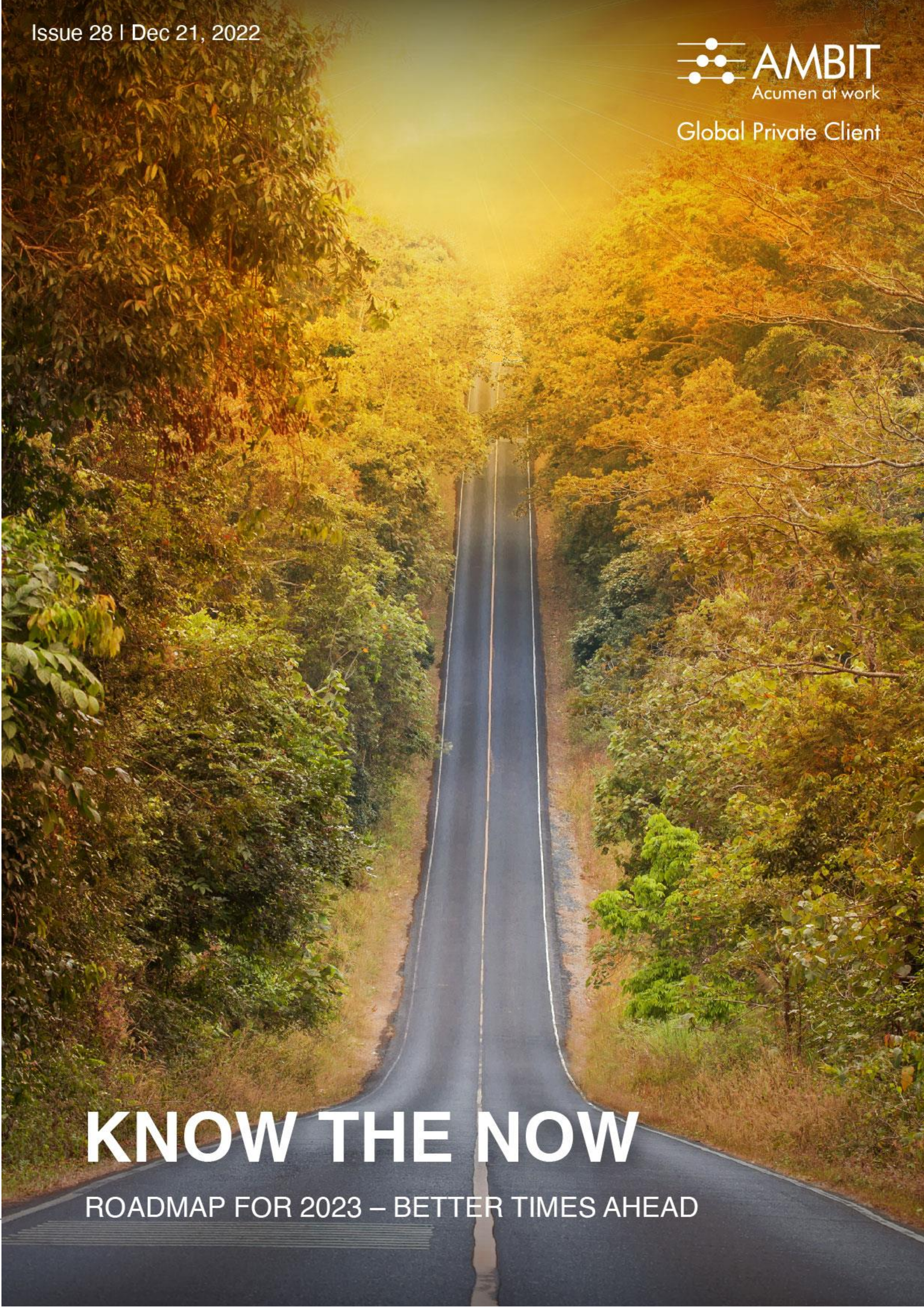
Issue 28 I Dec 21, 2022

AMBIT
Acumen at work

Global Private Client



# KNOW THE NOW

## ROADMAP FOR 2023 – BETTER TIMES AHEAD

# PREFACE

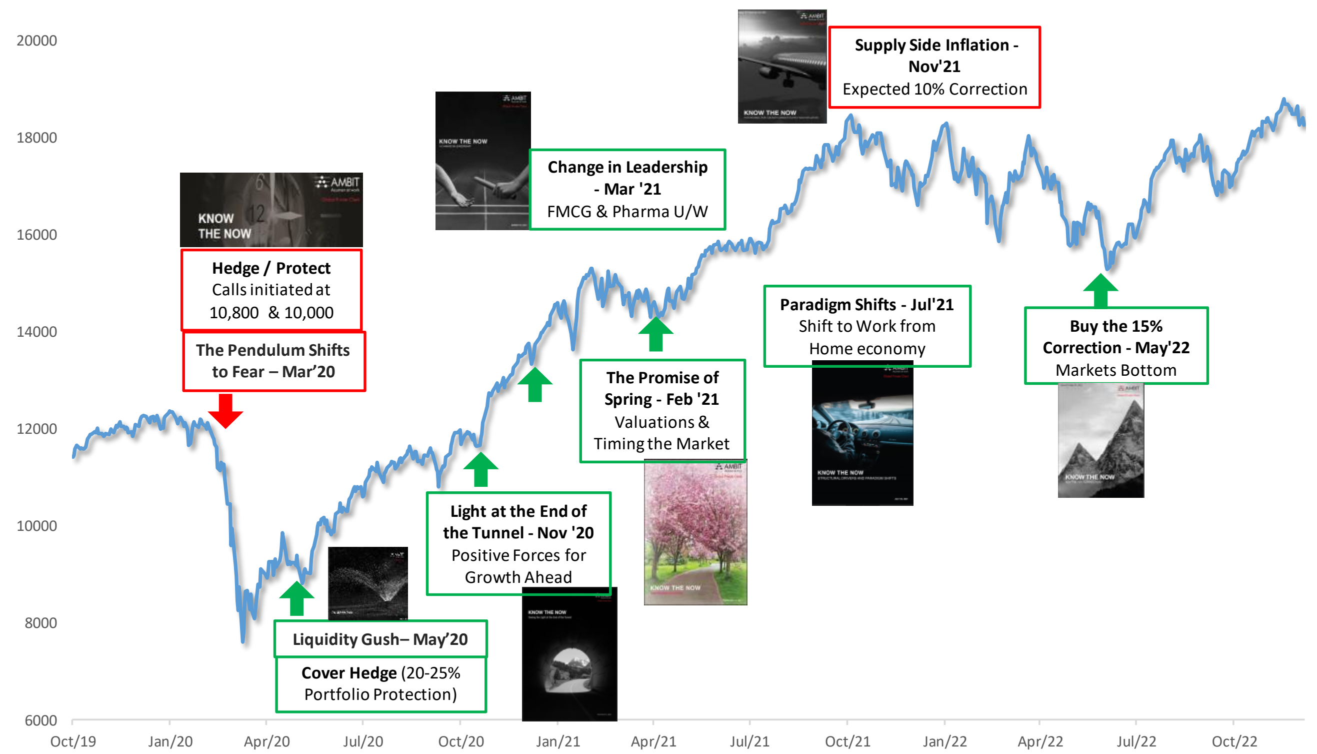
Dear Clients,

2022 has been marked with geopolitical tensions, high inflation prints, central bank tightening, higher interest rates, global economy slow down and the ensuing higher market volatility. Just two years ago the situation was entirely different - there was falling interest rates, low inflation, strong growth, ample liquidity and higher profit margins.

There's been a complete reversal of tailwinds in a very short period of time, investors and market participants have had to deal with change at the speed of light. And the volatility that was episodic now seems to be here to stay and the only way to live with it is to embrace it and be prepared for it at all times. The world, as we know it, is changing, Howard Marks in his latest memo titled Sea Change writes "In my 53 years in the investment world I've seen a number of economic cycles, pendulum swings, manias and panics, bubbles and crashes, but I remember only two real sea changes. I think we may be in the midst of a third one today"

In India, we have been largely insulated from these headwinds, whether because of our central bank's more constrained policies during the pandemic, earnings growth of corporate India which were a long time in the waiting, ample liquidity flow into the markets by retail investors, coming of age of our private markets or the demographic dividends. Whether this decoupling is sustainable over the next year or will we get impacted by the global downtrends is the question now on every investors mind.

As 2022 ends, as a team we reflect on how we did and take stock, discuss and debate about things we got right and what we could have done better. **Know the Now** is in its 28th issue and through it we have tried to communicate our views to you directly. Before we look ahead let's take a minute to look back at how we did.



The chart above is the journey on equity markets since 2020 and the views we put out, time stamped in Know the Now. Protecting equity portfolios in Mar'20 (The Pendulum Shifts to Fear, What to Do Now.. in the Midst of the Fastest Bear Market Ever) and then getting positive (The Liquidity Gush) and going over weight (Seeing the Light at the End of the Tunnel) and staying overweight albeit advising caution through a staggered approach through 2022, has allowed our clients (those who listened) to participate in the growth the Indian markets offered over the last 24-30 months.

On the private markets side, we have been able to build a compelling track record of investment themes and ideas that many of you participated in, and those businesses have not just dodged the 'downround' trend but also grown underlying earnings as well as valuations. In the last 24 months our Direct Deal vertical has done over 12 transactions and deployed ~INR 1800 Cr which is valued at around ~INR 3200+ Cr (MoIC of ~2.1x and IRR of ~50%). Through our F.I.T (Fixed Income Thesis) we have tried to stay ahead of interest rate increases and lock in higher yields through our MLD program of select and well researched issuers. Overall it's been a deeply satisfying year on this aspect and we are inspired to continue to help you navigate your investment journey.

In this edition of **Know the Now: Roadmap for 2023 - Better Times Ahead**, Sunil lays down all the key variables simply and succinctly - be it the peaking of inflation and central banks hawkishness, concerns on global growth and earnings, geopolitical trends and commodity prices. There are better times ahead, there will be newer investment opportunities and investment discipline, total portfolio perspective and risk management will be essential to navigate this investment environment.

Best wishes to you and your loved ones for a very happy 2023. Happy Holidays. Happy Investing.

**Amrita Farmahan**

**Chief Executive Officer**

INVESTMENT COMMENTARY

# Roadmap for 2023 – Better Times Ahead

Sunil A. Sharma
Chief Investment Strategist

## An Important Milestone for Indian Equities on Inflation is Behind Us

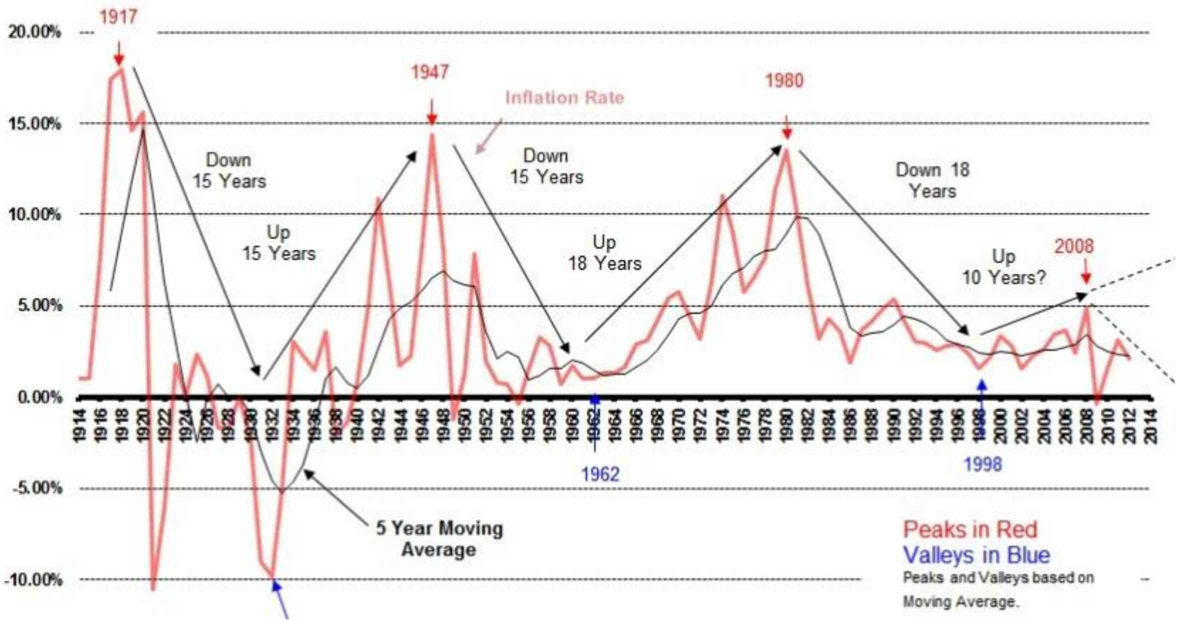
As the calendar year comes to a close, it's an appropriate time to look ahead to what 2023 might hold in store. It's been a long road for equity investors, particularly growth investors; however, an important milestone – getting **inflation back under control** and the pending cessation of rate hikes – has been crossed. The bulk of the painful pass through an inflationary period appears to be in the rear-view mirror, certainly domestically.

## The Fed Will Err on the Side of Caution on any Potential Pivot in Policy in 2023…

History seems to suggest that inflation moves in fairly long cycles, and that's a key reason the Fed has moved so aggressively to squash embedded expectations. The problem the Fed will face is that any pivot towards easing will create excess liquidity that will flow into scarce assets - commodities. Therefore our forecast for 2023 remains a global central bank that will ease aggressively only once inflation has been crushed conclusively.

The Fed will err to the side of caution on any pivot decision. There will likely need to be a fairly painful global recession, and inflation will need to be muted before any talk of a Fed pivot. The global central bank will spend much of H1 CY2023 bringing inflation under its 2-3% preferred range, and will be in no hurry to unleash further commodity speculation and excess liquidity.

Inflation Has Historically Moved in Cycles…
…The Fed Will be Wary of Being Too Accommodative in 2023




Source: inflationdata.com

## U.S. Bond Markets Are Already Signalling Inflation Will Cool Further…
## …and the Focus is Shifting from Inflation to Earnings Growth

Inflation's move below the RBI's acceptable band marks an important milestone through the business cycle. While India's inflation appears manageable, the challenge for the Fed remains daunting, to get to 2-3% from 7%~.

Of equal concern is the sharp slowdown we've witnessed in the Indian Industrial Production data. Concerns about slowing growth will move front and centre in 2023.

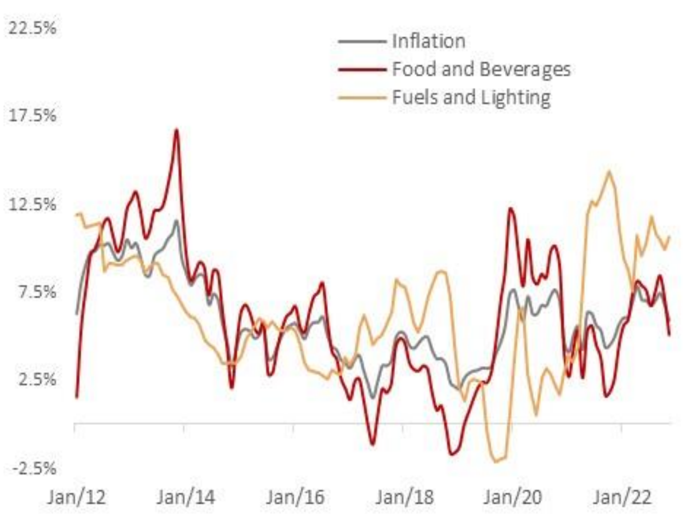
Earnings, and earnings surprises to the upside or downside, will drive equity performance.

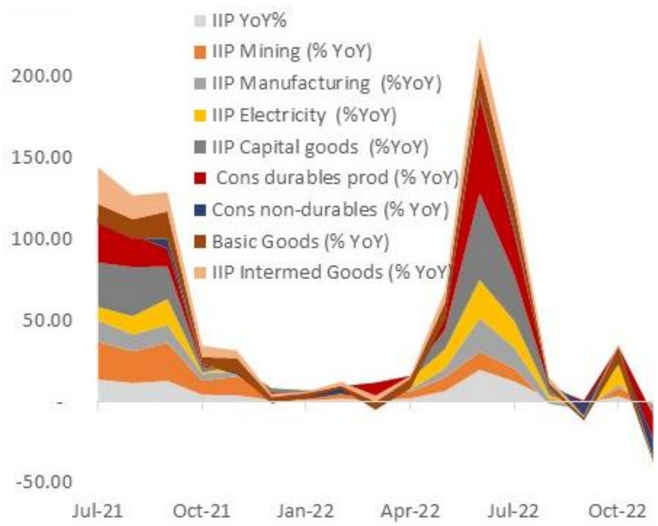
## Global Markets Should Bottom by Q1- Early Q2 CY23, If They Have Not Already Done So

There are a slew of data that suggest U.S. markets have bottomed, and an equal amount of compelling data that suggest they have not. **The data does not provide a definitive view.** Retail does appear to have silently capitulated, if one goes by social media noise and account closings.

The base case is that the aggressive rate hikes will unleash slowing growth on the economy mid-year 2023. Markets will react in advance of the worsening economic data. A bottom ideally accompanied by a **default event** or crisis in late Q1 CY2023 would prove to be a **lasting bottom**.

### While Inflation Has Clearly Come Under Control, the Focus Now Shifts to Growth and the Impact of Hikes…
### …Domestic IIP Data Has Shown an Alarming Rate of Contraction




## The Prospects for U.S. Earnings – and FANG - Look Unattractive. We Prefer India over U.S.

Roughly **50% of S&P 500 earnings come from overseas**. **China** is currently in a serious slowdown, the worst since the Grand Financial Crisis of 2008. **Europe and the UK** are entering a recession. The U.S. itself will be impacted by the massive collapse in real estate. A negative wealth effect will play out as a result of massive losses in Bitcoin, equities and real estate. While the valuation correction may be close to over, earnings growth will become increasingly challenging. Looming in the horizon will be the impacts of extremely **aggressive Fed hikes**.

India's situation is far better on a relative basis. While the ISM data has stayed healthy, IIP shrunk this month to amongst the lowest reading in months. Q4 CY22 earnings will provide the catalyst for further gains.

FANG stocks Earnings & Valuations Have Collapsed…
…and U.S. MNC Global Profits Also Looks Challenged in 2023



## It's Unclear that U.S. Tech Will be the Leadership Sector of the Next Cycle

Are Uber, Airbnb, Zomato, Netflix innovative breakthrough technologies? They are life changing, but we'd argue that they aren't technological innovation as much as they are disruptive software backed by massive private equity capital to disrupt, consolidate and ultimately dominate an entire industry. Ergo, we can't think of the last real technological innovation. Google maps? Social media is dying. LinkedIn, Meta are dying. So where does that leave tech? Do wireless earpods constitute innovation? IoT has disappointed, so has AI. EVs are hardly a technology innovation. Instead, to our skeptic lens it appears to be a massively overhyped rotation of energy from oil to coal. Net, technology does not appear to be as dominant as it used to be.

## Geopolitical Trends Are Headwinds to a Global Recovery

The **Chinese** have reduced dollar denominated loans by 25%. The **Saudis** are no longer friendly puppets of the Western world. The **Europeans** Russians, and Ukrainians, the biggest losers of the war, are staring at deep recession. Europe will be focused on energy security in 2023.

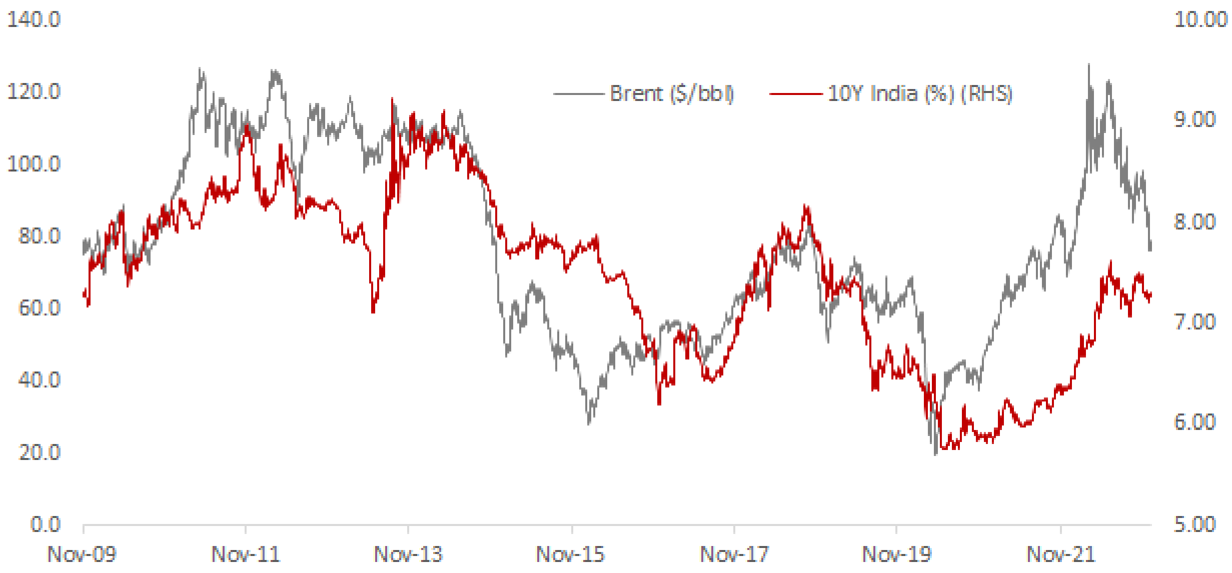
Meanwhile, China's credit boom is likely over. Real estate prices are declining and the banking system's equity capital is alarmingly low. The government could underwrite another stimulus package but a stimulus to a moribund patient is unlikely to have lasting effects. **Covid** is unleashing further panic in China. China could witness a devolving scenario of capital flight, company flight- and consumer demand contraction.

The global economy will remain challenged in 2023 as the impact of aggressive rate hikes filters through.

## The Dollar's Recent Weakness is Positive for Emerging Markets

The U.S. dollar is an **anti-cyclical currency**, meaning when the world economy weakens, the Dollar strengthens. When rates go up, Dollar liquidity tightens and the Dollar strengthens. The peak in the Dollar suggests that **the fear and flight to quality trade may be done**, that's a positive for emerging markets.

The Decline in Brent Has Historically Coincided with Declines in India Rates…
…Lower Crude Will Provide Relief on Multiple Fronts – Fiscal, Inflation, Margins

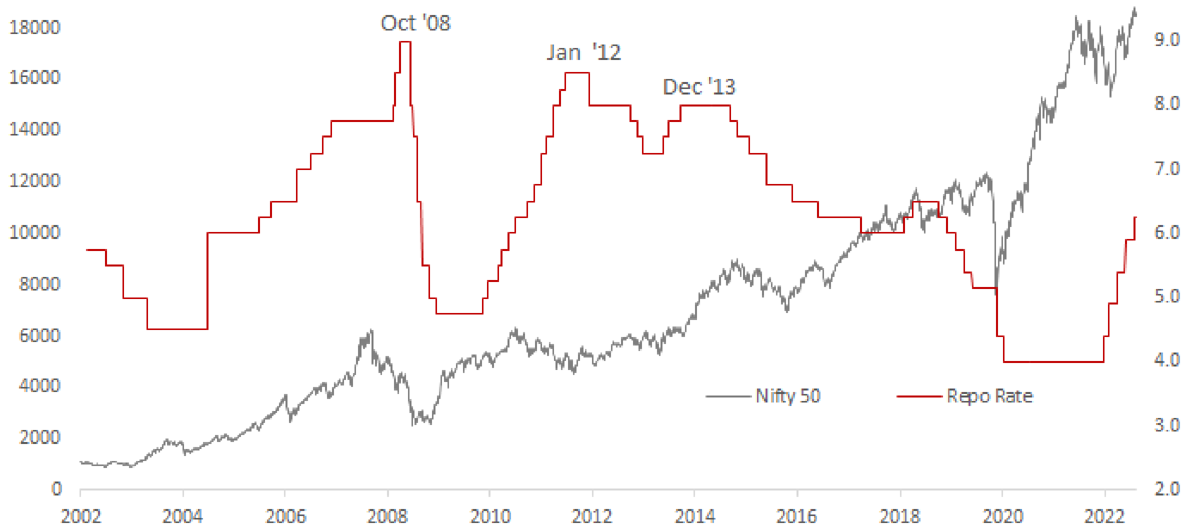



## Lower Brent, Declining Inflation and the End of RBI Hike Cycle are Strong Positives for India

With CPI coming within the band, the RBI has a much larger toolset to promote growth than global central banks. Nor does India have the ailing consumer, dramatically rising inflation, high cost of living and high debt.

Both the cessation or RBI rate hikes and dramatic decline in Crude prices will be strong tailwinds for an India equities growth stocks recovery.

Prior Endings of RBI Hike Campaigns Led to Strong Rallies in 2009, 2012 and 2013




## RBI Hikes Have Typically Been Followed by Equity Rallies

While the dataset is small, the rate hike cycles in 2008, 2011-12, and 2013 were all precursors to strong equity market rallies. We can be hopeful a similar scenario unfolds in 2023.

## Outlook

### We've crossed an Important Milestone on Inflation in India

We expect India growth to reassert itself next year, because unlike developed markets we still have an effective toolkit – **rate cuts, policy, stimulus** – to generate growth, alongside fairly favourable demographics and healthy balance sheets. The policy driven debt woes that ail the developed world remain - a developed world problem. India's inflation is within the band that the RBI deems acceptable.

### We're Entering a Friendlier Space for Equities in 2023

2023 looks a lot friendlier than 2022, **particularly for India**. **Inflation** is declining. The **RBI** will shift focus to pro-growth positioning. Declining inflation, declining input costs and a normalizing job market are all positive for **margins**.

A pro-growth RBI and earnings will drive price. The **hit to valuations from inflation and rising rates is largely done**, and we can look forward to rates normalizing lower in 2023, and growth stocks responding.

**Crude oil** as of this writing is under US$80. That bodes well for a return to a more benign environment favouring growth, lower inflation, healthier fiscal and healthier margins.

**Europe Plus, China Plus One**, Make in India will remain key drivers, as will demand for Services.

### Domestic Flows Will Improve in 2023

As rates normalize, investors will gain confidence with an accommodative central bank, flows will begin to find their way into equities. Private Banks, FMCG, and PSU banks lead the market today, alongside Metals and we expect consumer and banking to continue to show momentum. Government driven capex plays will perform, and Indian IT will recover in a declining rate environment.

### Worries about Global Growth

Global growth will remain a challenge. The global economy will also remain a challenge, but here too, it will ultimately be **global central banks** that come to the rescue, which is what the U.S. 10 year and 2 year yields seem to be suggesting.

More importantly, we'll point to the **performance of quality growth stocks over the past decade**. Companies have grown consistently across market environments, and delivered high returns, despite the noise emanating from developed markets.

### Portfolio Management

Given lacklustre global growth, we prefer to orient portfolios towards **domestic and predictable earnings growth**.

Should our thesis on declining inflation and accommodative policy play out, consumption, banking, leisure, and domestic are likely to be the **dominant themes in 2023**. As we move through the business cycle, and rates normalize, company fundamentals and earnings growth will have a greater say on performance than **cap** size.

### Lessons from 2022

2022 was yet another reminder that **growth stocks underperform during rising rate** environments. It was also a reminder that events – Ukraine war – can come out of left field and de-rail forecasts and returns.

Equities remains an attractive investment class, but one that carries volatility. Said volatility generally manifests predominantly in small caps and to a lesser extent in mid-caps.

Greed and fear remain the dominant traits of markets. Investors chased returns in late 2021 and chased safety in mid-2022. **.Time and again, investors end up reach for excess return at inopportune times.** Invariably, these decisions rarely pay off.

**Ultimately, attempts at market timing are also a source of risk,** not protection. A wiser strategy is to avoid the timing decision by adhering to an asset allocation strategy and / or spreading the timing and allocation of flows.

No group, style or sector in the investment world enjoys as its birth-right the promise of consistent high returns. Each has its time in the sun, and expecting otherwise does not make it so.

**2023 looks markedly more promising** than 2022. **Happy investing and Happy New Year**!

## Equity Index Performance

| 16-Dec-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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Nifty 50 | **18,269** | **-1.2** | **-0.8** | **-2.6** | **4.2** | **18.9** | **6.9** | **5.3** | **5.9** | **18,888** | **15,183** | **-3.3%** | **20.3%** |
| **Americas** | | | | | | | | | | | | | |
| S&P 500 Index | 3,896 | -1.7 | -1.6 | -4.5 | 0.6 | 6.2 | 8.6 | -18.3 | -16.6 | 4,819 | 3,492 | -19.2% | 11.6% |
| Dow Jones Indus. Avg | 33,202 | -1.7 | -1.0 | -4.0 | 7.7 | 10.9 | 15.6 | -8.6 | -7.5 | 36,953 | 28,661 | -10.1% | 15.8% |
| Nasdaq Composite | 10,811 | -2.4 | -3.3 | -5.7 | -5.6 | 1.5 | 2.2 | -30.9 | -28.8 | 15,901 | 10,089 | -32.0% | 7.2% |
| Nyse Fang+ Index | 4,670 | -3.8 | -0.2 | -4.5 | -7.5 | -1.7 | -0.5 | -37.1 | -35.2 | 7,605 | 4,103 | -38.6% | 13.8% |
| Canada | 19,601 | -1.8 | -1.8 | -4.2 | 1.1 | 3.1 | 6.3 | -7.6 | -5.5 | 22,213 | 17,873 | -11.8% | 9.7% |
| Mexico | 49,342 | -2.7 | -4.3 | -4.5 | 5.5 | 3.8 | 10.6 | -7.4 | -4.0 | 57,064 | 44,519 | -13.5% | 10.8% |
| Brazil Bovespa | 103,738 | -3.3 | -5.9 | -7.8 | -5.1 | 0.9 | -5.7 | -1.0 | -4.2 | 121,628 | 95,267 | -14.7% | 8.9% |
| **Europe** | | | | | | | | | | | | | |
| Euro Stoxx 50 Pr | 3,810 | -3.4 | -1.9 | -3.9 | 8.8 | 11.1 | 14.8 | -11.4 | -9.3 | 4,396 | 3,250 | -13.3% | 17.2% |
| FTSE 100 | 7,391 | -1.1 | 0.5 | -2.4 | 2.1 | 4.9 | 7.2 | 0.1 | 1.8 | 7,687 | 6,708 | -3.8% | 10.2% |
| CAC 40 Paris | 6,468 | -3.1 | -2.1 | -4.0 | 6.4 | 9.9 | 12.2 | -9.6 | -7.7 | 7,385 | 5,628 | -12.4% | 14.9% |
| DAX Germany | 13,893 | -3.3 | -2.4 | -3.5 | 9.0 | 6.6 | 14.7 | -12.5 | -11.1 | 16,285 | 11,863 | -14.7% | 17.1% |
| **Asia** | | | | | | | | | | | | | |
| Nikkei 225 | 27,527 | -1.3 | -1.8 | -1.6 | -0.1 | 4.1 | 6.1 | -4.4 | -5.3 | 29,388 | 24,682 | -6.3% | 11.5% |
| Hang Seng | 19,451 | -2.3 | 6.5 | 4.6 | 3.7 | -6.7 | 12.9 | -16.9 | -17.1 | 25,051 | 14,597 | -22.4% | 33.2% |
| Shenzhen CSI 300 | 3,954 | -1.1 | 3.1 | 2.6 | 0.5 | -7.0 | 3.9 | -20.0 | -21.5 | 5,035 | 3,496 | -21.5% | 13.1% |
| Australia | 7,149 | -0.9 | 0.4 | -1.9 | 6.1 | 8.5 | 10.4 | -4.0 | -2.0 | 7,625 | 6,407 | -6.2% | 11.6% |
| Taiwan | 14,529 | -1.2 | -0.1 | -2.4 | -0.2 | -8.3 | 8.2 | -20.3 | -18.3 | 18,620 | 12,629 | -22.0% | 15.0% |
| Korea | 2,360 | -1.2 | -4.7 | -4.6 | -1.0 | -3.7 | 9.5 | -20.7 | -21.5 | 3,026 | 2,135 | -22.0% | 10.6% |
| Straits Times Index STI | 3,241 | -0.2 | -0.8 | -1.5 | -0.8 | 4.6 | 3.5 | 3.7 | 3.6 | 3,466 | 2,969 | -6.5% | 9.2% |
| Vietnam Ho Chi Minh | 1,052 | 0.1 | 11.6 | 0.4 | -14.7 | -14.9 | -7.0 | -29.8 | -28.7 | 1,536 | 874 | -31.5% | 20.5% |
| Jakarta Indonesia | 6,812 | 1.4 | -2.9 | -3.8 | -5.0 | -3.4 | -3.2 | 3.5 | 3.3 | 7,377 | 6,510 | -7.7% | 4.6% |
| Phillipines | 6,497 | -1.3 | 1.6 | -4.2 | -0.8 | 1.6 | 13.2 | -8.8 | -10.2 | 7,552 | 5,699 | -14.0% | 14.0% |

## 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 | **18,269** | **-1.2** | **-0.8** | **-2.6** | **4.2** | **18.9** | **6.9** | **5.3** | **5.9** | **18,888** | **15,183** | -3.3% | 20.3% |
| Microsoft Corp | 249 | 0.7 | 3.0 | -2.4 | 1.7 | 1.6 | 6.9 | -26.0 | -23.4 | 344 | 213 | -27.7% | 16.7% |
| Apple Inc | 137 | -4.3 | -8.3 | -7.8 | -9.4 | 5.0 | -1.2 | -23.1 | -20.8 | 183 | 129 | -25.4% | 5.8% |
| Walt Disney Co/The | 90 | -2.2 | -3.7 | -7.5 | -16.4 | -4.0 | -4.1 | -41.6 | -39.2 | 160 | 86 | -43.6% | 4.9% |
| Amazon.Com Inc | 88 | -2.1 | -8.9 | -8.4 | -28.4 | -14.7 | -21.7 | -46.9 | -47.6 | 174 | 86 | -49.2% | 3.0% |
| Netflix Inc | 290 | -6.4 | -5.1 | -4.9 | 20.9 | 67.5 | 23.3 | -51.8 | -50.9 | 621 | 163 | -53.2% | 78.5% |
| Alphabet Inc-Cl A | 91 | -3.0 | -8.1 | -10.0 | -11.6 | -14.3 | -5.0 | -37.3 | -37.1 | 152 | 83 | -40.0% | 9.0% |
| | | | | | | | | | | | | | |
| Hdfc Bank Limited | 1,640 | 0.5 | 0.4 | 1.9 | 9.8 | 28.0 | 15.4 | 10.8 | 9.3 | 1,722 | 1,272 | -4.8% | 28.9% |
| Icici Bank Ltd | 902 | -3.0 | -1.3 | -5.3 | -0.8 | 32.9 | 4.6 | 21.9 | 21.7 | 958 | 642 | -5.9% | 40.5% |
| Tata Consultancy Svcs Ltc | 3,240 | -1.6 | -3.4 | -4.4 | 7.7 | 3.1 | 7.8 | -13.3 | -9.5 | 4,043 | 2,926 | -19.9% | 10.7% |
| Reliance Industries Ltd | 2,566 | -1.7 | -1.0 | -6.1 | 2.7 | 0.2 | 7.9 | 8.3 | 6.7 | 2,856 | 2,180 | -10.2% | 17.7% |
| Bajaj Finance Ltd | 6,597 | 1.2 | -4.3 | -1.8 | -9.3 | 24.8 | -10.1 | -5.5 | -6.1 | 8,045 | 5,220 | -18.0% | 26.4% |
| Hindustan Unilever Ltd | 2,674 | -1.8 | 7.9 | -0.4 | 5.8 | 24.6 | -0.8 | 13.3 | 15.8 | 2,742 | 1,902 | -2.5% | 40.6% |
| Nestle India Ltd | 19,739 | -2.5 | -1.8 | -2.2 | 7.3 | 17.0 | 3.1 | 0.2 | 2.5 | 21,050 | 16,000 | -6.2% | 23.4% |
| Titan Co Ltd | 2,483 | -5.1 | -6.1 | -6.4 | -4.9 | 20.5 | -4.8 | -1.6 | 5.3 | 2,791 | 1,825 | -11.0% | 36.0% |
| Asian Paints Ltd | 3,056 | -5.3 | -0.9 | -3.8 | -8.0 | 15.0 | -8.6 | -9.7 | -7.4 | 3,590 | 2,560 | -14.9% | 19.4% |
| Srf Ltd | 2,324 | -1.7 | -1.9 | -1.8 | -14.0 | 6.2 | -7.2 | -4.0 | 4.9 | 2,865 | 2,002 | -18.9% | 16.1% |
| Central Depository Servic | 1,202 | -0.7 | -1.7 | -2.9 | -9.9 | 8.6 | -3.5 | -19.8 | -25.0 | 1,680 | 1,015 | -28.4% | 18.4% |

## Large, Mid & Small

| 16-Dec-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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **India Indices** | | | | | | | | | | | | | |
| Nifty 50 | **18,269** | **-1.2** | **-0.8** | **-2.6** | **4.2** | **18.9** | **6.9** | **5.3** | **5.9** | **18,888** | **15,183** | **-3.3%** | **20.3%** |
| Sensex | 61,338 | -1.4 | -1.0 | -2.8 | 4.2 | 19.1 | 6.8 | 5.3 | 5.9 | 63,583 | 50,921 | -3.5% | 20.5% |
| Nifty 500 | 15,636 | -1.1 | -0.2 | -1.9 | 2.6 | 19.5 | 5.4 | 4.3 | 4.7 | 16,042 | 12,856 | -2.5% | 21.6% |
| NIFTY Midcap 100 | 32,010 | -1.1 | 2.6 | -0.1 | 1.6 | 22.3 | 4.4 | 5.1 | 4.3 | 32,939 | 25,048 | -2.8% | 27.8% |
| NIFTY Smallcap 100 | 10,017 | 0.5 | 3.3 | 0.4 | 2.0 | 20.5 | 6.1 | -11.3 | -10.0 | 12,047 | 7,905 | -16.9% | 26.7% |

## Nifty Sectors

| 16-Dec-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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Nifty Sectors** | | | | | | | | | | | | | |
| Nifty Auto | 12,775 | -0.7 | -2.5 | -3.5 | -1.4 | 16.6 | 0.6 | 16.8 | 16.7 | 13,545 | 9,227 | -5.7% | 38.5% |
| Nifty Bank | 43,220 | -0.9 | 1.6 | -0.0 | 6.0 | 32.5 | 11.9 | 21.8 | 18.3 | 44,152 | 32,155 | -2.1% | 34.4% |
| NIFTY Private Bank | 22,054 | -0.2 | 1.9 | 0.2 | 5.1 | 34.0 | 10.6 | 22.2 | 18.4 | 22,492 | 16,280 | -1.9% | 35.5% |
| Nifty Financial Services | 19,112 | -0.9 | -0.2 | -1.3 | 4.0 | 27.4 | 9.2 | 10.3 | 7.9 | 19,516 | 14,857 | -2.1% | 28.6% |
| Nifty India Consumption | 7,670 | -2.1 | -1.8 | -3.1 | -2.6 | 18.1 | -2.6 | 8.8 | 9.5 | 8,147 | 6,178 | -5.9% | 24.2% |
| Nifty FMCG | 45,321 | -1.8 | 3.2 | -0.5 | 4.9 | 23.8 | 2.1 | 20.6 | 21.7 | 46,331 | 33,408 | -2.2% | 35.7% |
| Nifty Energy | 26,302 | -0.3 | -1.7 | -3.8 | -5.1 | 7.9 | 2.8 | 16.2 | 13.5 | 29,304 | 21,842 | -10.2% | 20.4% |
| Nifty Infrastructure | 5,364 | -0.9 | 1.6 | -1.5 | 3.6 | 18.1 | 8.2 | 8.4 | 7.2 | 5,483 | 4,406 | -2.2% | 21.7% |
| Nifty IT | 28,702 | -1.6 | -4.2 | -5.6 | 7.5 | 5.8 | 6.4 | -25.8 | -20.6 | 39,447 | 26,187 | -27.2% | 9.6% |
| Nifty Metal | 6,658 | -0.4 | 3.0 | 1.4 | 8.5 | 41.0 | 15.4 | 20.6 | 18.9 | 6,835 | 4,437 | -2.6% | 50.0% |
| Nifty Pharma | 12,636 | -1.1 | -2.8 | -3.9 | 2.3 | 4.7 | -2.6 | -11.2 | -5.7 | 14,280 | 11,726 | -11.5% | 7.8% |
| Nifty PSU Bank | 4,334 | 0.8 | 15.2 | 8.3 | 37.5 | 81.6 | 44.7 | 71.3 | 61.9 | 4,617 | 2,284 | -6.1% | 89.8% |
| Nifty Realty | 440 | -1.7 | -1.9 | -2.3 | -3.2 | 16.4 | 3.7 | -9.2 | -11.2 | 527 | 366 | -16.6% | 20.2% |
| **Nifty Sectors & Themes** | | | | | | | | | | | | | |
| Nifty Media | 2,092 | -2.2 | 3.6 | -1.1 | 0.5 | 14.2 | 1.4 | -5.7 | -12.4 | 2,485 | 1,752 | -15.8% | 19.4% |
| Nifty CPSE | 2,820 | -0.5 | -0.5 | -1.4 | 1.8 | 15.5 | 10.0 | 24.6 | 22.8 | 2,903 | 2,166 | -2.9% | 30.2% |
| Nifty PSE | 4,404 | -0.6 | 2.2 | -1.2 | 3.1 | 15.7 | 10.4 | 14.8 | 12.4 | 4,530 | 3,602 | -2.8% | 22.3% |
| Nifty Commodities | 6,017 | -0.9 | 1.4 | -1.1 | 2.7 | 21.1 | 8.2 | 7.8 | 6.9 | 6,458 | 4,774 | -6.8% | 26.0% |
| Nifty MNC | 20,095 | -1.9 | 0.1 | -1.4 | 2.1 | 17.0 | 2.0 | 4.5 | 5.3 | 20,626 | 16,805 | -2.6% | 19.6% |

## Crude Oil & Commodities

| 16-Dec-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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Nifty 50** | **18,269** | **-1.2** | **-0.8** | **-2.6** | **4.2** | **18.9** | **6.9** | **5.3** | **5.9** | **18,888** | **15,183** | **-3.3%** | **20.3%** |
| **Crude** | | | | | | | | | | | | | |
| Brent Crude | 79.4 | 4.3 | -14.5 | -7.1 | -13.1 | -33.7 | -9.7 | 2.1 | 5.8 | 139 | 69 | -42.9% | 14.6% |
| WTI Crude | 74.3 | 4.6 | -13.2 | -7.7 | -12.7 | -36.8 | -6.5 | -1.2 | 2.7 | 131 | 66 | -43.1% | 12.5% |
| **Metals** | | | | | | | | | | | | | |
| LME Copper | 8,253.0 | -3.2 | -1.1 | 0.3 | 5.2 | -10.5 | 7.4 | -15.3 | -10.4 | 10,730 | 6,995 | -23.1% | 18.0% |
| LME Aluminum | 2,344.8 | -5.1 | -2.6 | -4.2 | 2.0 | -8.7 | 8.8 | -16.4 | -9.3 | 3,985 | 2,079 | -41.2% | 12.8% |
| LME Nickel | 28,103.0 | -4.9 | -6.9 | 4.5 | 21.7 | 9.1 | 33.7 | 34.6 | 46.7 | 43,000 | 19,094 | -34.6% | 47.2% |
| LME Zinc | 3,180.8 | -2.7 | 1.7 | 4.3 | -1.0 | -14.0 | 5.5 | -11.4 | -3.4 | 4,530 | 2,680 | -29.8% | 18.7% |
| LME Lead | 2,146.5 | -2.4 | -3.3 | -1.6 | 12.6 | 3.9 | 12.3 | -8.2 | -7.1 | 2,512 | 1,753 | -14.6% | 22.4% |
| LME Tin | 23,636.0 | -4.3 | 0.2 | 2.6 | 12.9 | -27.7 | 14.3 | -40.0 | -38.5 | 50,026 | 17,400 | -52.8% | 35.8% |
| **Commodities** | | | | | | | | | | | | | |
| Lumber | 8,253.0 | -3.2 | -1.1 | 0.3 | 5.2 | -10.5 | 7.4 | -15.3 | -10.4 | 10,730 | 6,995 | -23.1% | 18.0% |
| Palm Oil | 3,868.0 | -1.4 | -1.0 | -5.6 | 4.5 | -31.9 | 16.3 | -25.0 | -20.7 | 8,757 | 3,143 | -55.8% | 23.1% |
| BBG Cmdty ex-Prec Mtl | 105.2 | 1.3 | -4.7 | -4.2 | -5.9 | -15.7 | -0.7 | 17.6 | 20.2 | 134 | 85 | -21.3% | 23.8% |
| CRB Metals Index | 1,012.9 | -1.7 | 1.3 | 3.3 | 3.0 | -15.9 | 5.1 | -20.7 | -17.9 | 1,431 | 406 | -29.2% | 149.7% |
| Bloomberg Commodity In | 112.6 | 0.8 | -3.6 | -3.0 | -3.6 | -13.6 | 1.0 | 13.5 | 16.0 | 141 | 95 | -19.9% | 19.0% |
| CRB Commodities Index | 556.6 | -0.5 | -2.4 | -1.4 | -2.2 | -10.9 | -0.5 | -3.8 | -1.8 | 644 | 549 | -13.6% | 1.3% |
| Wheat | 756.3 | 6.1 | -7.5 | -2.0 | -12.0 | -29.9 | -17.9 | -1.9 | -1.8 | 1,340 | 703 | -43.6% | 7.7% |
| CRB Raw Industrials Inde | 569.3 | -0.7 | -1.1 | 0.1 | -2.5 | -12.2 | 0.3 | -12.1 | -10.2 | 689 | 547 | -17.4% | 4.0% |
| **Commodities** | | | | | | | | | | | | | |
| Bloomberg Grains Spot | 315.98 | 1.2 | -2.4 | -1.9 | -3.7 | -15.0 | -3.8 | 7.5 | 9.2 | 414 | 287 | -23.8% | 10.3% |
| Raw Sugar | 19.90 | 1.5 | -1.8 | 1.4 | 11.3 | 7.1 | 8.0 | 5.4 | 2.6 | 21 | 17 | -4.0% | 15.7% |
| Simex Iron Ore | 110.70 | -0.5 | 18.5 | 18.7 | 11.8 | -18.0 | 12.6 | -1.6 | 0.5 | 166 | 77 | -33.1% | 44.0% |

## Interest Rates and Inflation

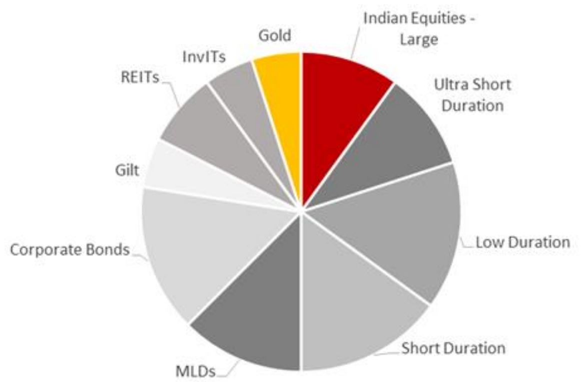
| 16-Dec-22 | Price | 5 Day % | 1 Mo % | MTD % | 3 Mo % | 6 Mo % | QTD % | YTD % | 1 YR % | 52 Wk High | 52 Wk Low | % from 52 Wk Hi | % from 52 Wk Lo |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **India G-Sec Yields** | | | | | | | | | | | | | |
| 10 Year India G-Sec | 7.28 | 7.30 | 7.27 | 7.28 | 7.23 | 7.62 | 7.40 | 6.45 | 6.38 | 7.62 | 6.37 | -0.34 | 0.91 |
| 5 Year India G-Sec | 7.14 | 7.18 | 7.14 | 7.13 | 7.19 | 7.40 | 7.32 | 5.79 | 5.69 | 7.48 | 5.69 | -4.5% | 25.5% |
| 3 Year India G-Sec | 6.99 | 7.00 | 7.03 | 6.96 | 7.03 | 7.08 | 7.10 | 5.30 | 5.14 | 7.34 | 5.11 | -4.7% | 36.8% |
| 1 Year India G-Sec | 6.73 | 6.81 | 6.66 | 6.85 | 6.46 | 6.22 | 6.70 | 4.37 | 4.38 | 6.94 | 4.31 | -3.0% | 56.4% |
| 3 Month India G-Sec | 6.39 | 6.39 | 6.44 | 6.37 | 5.73 | 5.04 | 6.04 | 3.59 | 3.52 | 6.52 | 3.52 | -2.0% | 81.5% |
| Repo Rate India | 6.25 | 5.90 | 5.90 | 5.90 | 5.40 | 4.40 | 5.90 | 4.00 | 4.00 | 6.25 | 4.00 | N/A | N/A |
| **India CPI** | | | | | | | | | | | | | |
| India CPI Combined YoY | 5.88 | | 6.77 | 5.88 | 7.00 | 7.04 | 7.41 | 5.66 | 4.91 | 7.79 | 5.66 | -1.91 | 0.22 |
| India WPI | 5.85 | | 8.4 | 5.9 | 12.5 | 16.6 | 10.6 | 14.3 | 14.9 | 17 | 6 | -64.8% | 0.0% |
| India Core CPI | 6.51 | | 6.4 | 6.5 | 6.0 | 5.5 | 6.3 | 5.3 | 5.2 | 7 | 5 | 0.0% | 21.9% |
| **U.S. & China Yields & CPI** | | | | | | | | | | | | | |
| U.S. 10 Year | 3.49 | 3.58 | 3.69 | 3.61 | 3.45 | 3.20 | 3.83 | 1.51 | 1.41 | 4.34 | 1.35 | -0.85 | 2.14 |
| U.S. 5 Year | 3.65 | 3.77 | 3.85 | 3.74 | 3.63 | 3.28 | 4.09 | 1.26 | 1.16 | 4.50 | 1.11 | -0.85 | 2.54 |
| U.S. 2 Year | 4.25 | 4.34 | 4.35 | 4.31 | 3.87 | 3.09 | 4.28 | 0.73 | 0.61 | 4.80 | 0.59 | -0.55 | 3.67 |
| U.S. 1 Year | 4.36 | 4.70 | 4.60 | 4.71 | 3.96 | 2.82 | 3.99 | 0.38 | 0.24 | 4.78 | 0.24 | -0.42 | 4.12 |
| U.S. 3 MO T-BILL | 4.15 | 4.28 | 4.22 | 4.35 | 3.13 | 1.53 | 3.27 | 0.04 | 0.04 | 4.35 | 0.04 | -0.20 | 4.11 |
| Spread 10-2 | -0.76 | -0.77 | -0.67 | -0.70 | -0.42 | 0.10 | -0.45 | 0.78 | 0.80 | -0.46 | 0.77 | | |
| Spread 5-1 | -0.71 | -0.93 | -0.75 | -0.98 | -0.33 | 0.46 | 0.10 | 0.88 | 0.92 | -0.27 | 0.87 | | |
| U.S. CPI | 7.10 | | 7.70 | 7.10 | 8.30 | 8.60 | 8.20 | 7.00 | 6.80 | 9 | 7 | -22.0% | 1.4% |
| China CPI | 1.60 | | 2.1 | 1.6 | 2.5 | 2.1 | 2.8 | 1.5 | 2.3 | 3 | 1 | -42.9% | 77.8% |
| Inflation Expectations 10 | 2.46 | | 2.3 | 2.5 | 2.5 | 2.5 | 2.4 | 2.3 | 2.3 | 3 | 2 | -2.4% | 7.7% |
| **U.S. Dollar & INR** | | | | | | | | | | | | | |
| USD INR | 82.9 | 82.3 | 81.3 | 81.4 | 79.7 | 78.1 | 81.3 | 74.3 | 76.1 | 83.3 | 73.8 | -0.5% | 12.3% |
| Dollar Index | 104.7 | 104.8 | 106.3 | 106.0 | 109.8 | 103.6 | 112.1 | 95.7 | 96.0 | 114.8 | 94.6 | -8.8% | 10.6% |

| 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 | Selectively Positive | Domestic macros are such that they have created an entry zone for duration. Non-volatile inflation has aided the improvement in macros substantially. Having said that we are mindful of the risk since India is not completely out of the woods with risk of higher commodity prices being ever present especially due to china opening up narrative. Add to that India's fiscal deficit likely continuing under stress. Global factors especially the developed economies monetary path ahead is going to be critical factor and will add to volatility. For active investors this mixture of favourable domestic factors and higher global risk is creating attractive opportunities on specific points of the term curve. A gradual position building in duration at strategic entry points will generate good risk reward. |
| Accrual | Neutral Weight | Accrual space continues to remain attractive due to spread available to be locked in. Steady state accrual on the mid part of the curve offers good options for risk averse investors. |
| 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. |
| InvITs | Over Weight | Investment trusts have delivered attractive returns and are fast establishing themselves as core holdings in diversified portfolios, offering attractive yields, and 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.<br>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 moves to our watch list, as the implosion of Bitcoin as an alternative store of value has been damaged. Further, concerns around recession in the U.S. are now emerging. Gold provides currency debasement protection. It's suffered of late due to a rush towards Bitcoin investing in the U.S. |

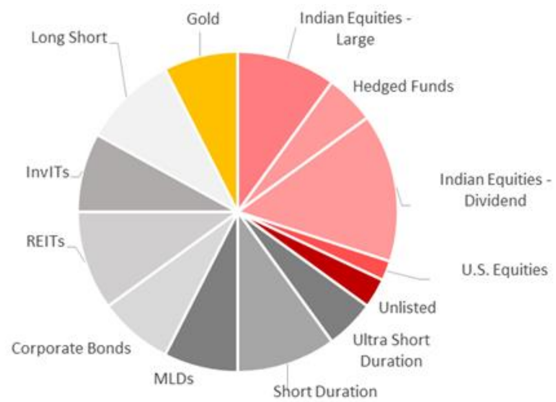
## Ambit GPC Wealth Profiles - Strategic Weights

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.

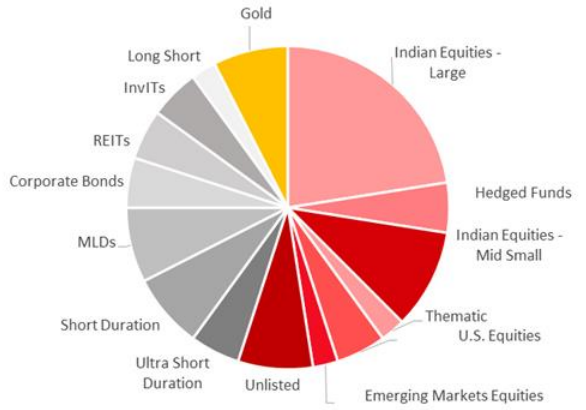
### Wealth Conservation



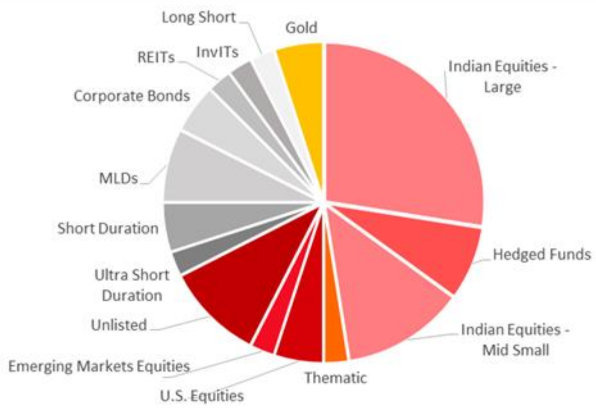

### Income



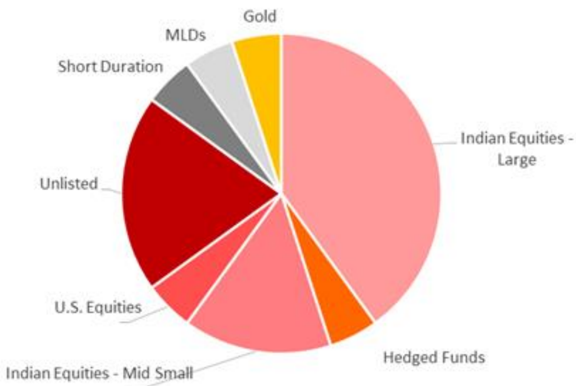

### Balanced Growth




### Moderate Growth




### Aggressive Growth



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

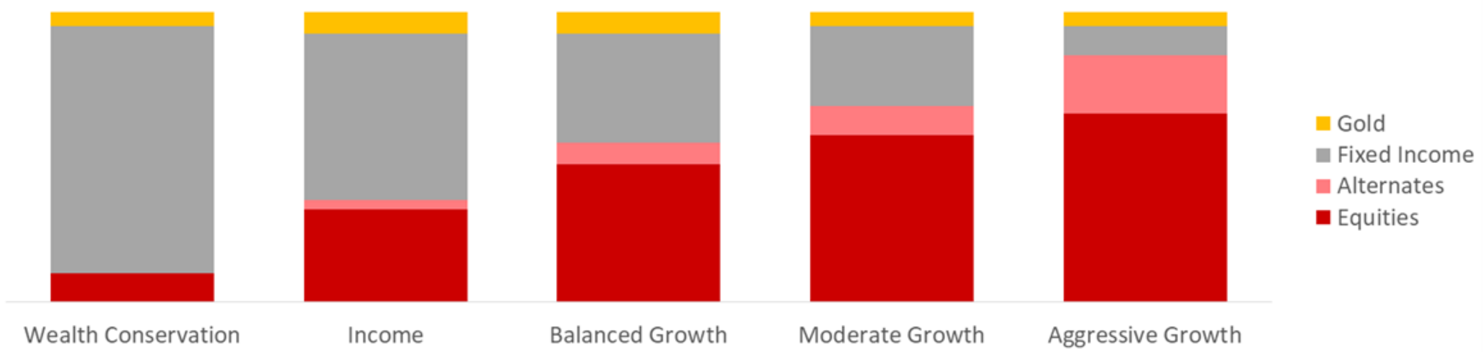
The Ambit GPC Asset Allocation & Investment Committee (AAIC) is a group comprised of the CEO, Head of Products and Alternates, Chief Investment Strategist and Head of Fixed Income (listed below). The team has over 100 years of collective investment experience in markets. The AAIC meets monthly and as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

## Wealth Profiles - Summary

### Strategic Asset Class Weights by Profile



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

| | | | |
|---|---|---|---|
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| CEO | Head – Products & Advisory | Chief Investment Strategist | Head – Fixed Income |
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Sources: All sources unless otherwise noted are Bloomberg, NSE.