Issue 32 | April 14, 2023

AMBIT
Acumen at work

Global Private Client

KNOW THE NOW

WHY?

INVESTMENT COMMENTARY

Why?

Sunil A. Sharma
Chief Investment Strategist

As we navigate through financial, policy and geo-political turmoil, asking the right questions to arrive at sound conclusions is more critical than ever. Here goes.

Why Has the Dollar been Weakening During a Banking Crisis?

In recent years, a pronounced trend during times of crisis, has been a flight to "quality" which is typically U.S. Treasuries and concurrent Dollar strengthening. Over longer time horizons, the Dollar typically has been weak during periods of weak economic conditions for the U.S. such as the 2000s, the inflation ravaged 1970s and the late 1980s.

However, in March, as two of the largest bankruptcies unfolded in the U.S., the Dollar did not react much at all, other than keep weakening. We can't help wonder if markets are i) telecasting a period of weaker economic growth ahead for the U.S., ii) questioning the safe haven status, and reserve currency status of the U.S., and iii) questioning the credibility of the Fed and sound policymaking.

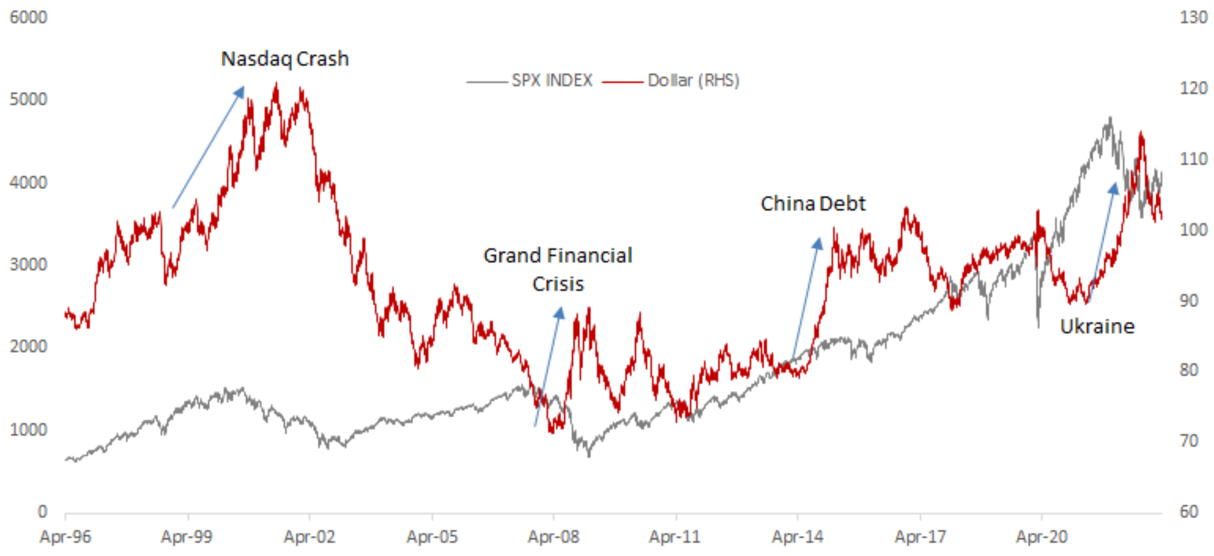
Could we be then be looking at a period of Rupee stability and Dollar weakness ahead in the 2020s? It's certainly a question worth considering and keeping an eye on. Unfortunately, we're not done. There is also de-Dollarization.

De-Dollarization and Geo-Politics Are a Threat to the Dollar Reserve Currency Status

Chalk it up to heavy handed U.S. policy. It started with reneging on the Iranians nuclear arms treaty and imposing draconian sanctions. Then came freezing Russian assets in U.S. and European banks, blocking access to SWIFT for Russia, restricting access to key semi-conductor chips to China. We won't even get into the reasons behind the Ukraine war, and Nordstream.

***Tectonic shifts** are underway in geo-political alliances. **Saudi Arabia** is tilting towards China and the BRICS. China has brokered a restoration of diplomatic ties between Saudi Arabia and **Iran**. Saudi is in the process of doing the same with **Egypt**. There appears to be a push for peace and alliance forming in the Middle East, and why not?*

The Dollar Has Typically Strengthened During Financial Crises... Not So in March 2023



China and ***Brazil*** *have agreed to use the Yuan to settle trade. Quietly, global currency* ***reserves held in dollars have declined to 57%*** *from 72% in the past few years. The trend will accelerate with recent announcements. The supremacy of the U.S. dollar as the settlement currency for global oil trade is under attack.*

Additional resentment has probably built up in EM around heavy handed developed world central bank policies as well, that explicitly state a policy of no regard to the implications for emerging economies.

The BRICS appear to be working on a BRICS currency. Saudi wants to join BRICS. Asian banks are luring asset flows away from Europe and the U.S., with clearly stronger fundamentals. ***EM saw $5.5 billion inflows*** *in March, China saw $4 billion and the U.S. suffered a -$10.3B outflow.*

There is ***risk*** *in the form of a response from the U.S. Typically, a fading power will resort to overwhelming force. But it's difficult to fathom how the U.S. could engage China in a war in the South China seas, or Russia in Europe. European support for a U.S. offensive would probably be tepid, as winter approaches in a few months, again. Elections loom, so the timing is tough domestically as well. Xi is going for a full court press to court Macron during his visit to China, hoping to distance Europe from the U.S. further. The U.S. does not have the economic strength to wage an expensive overseas war.*

Implications for India

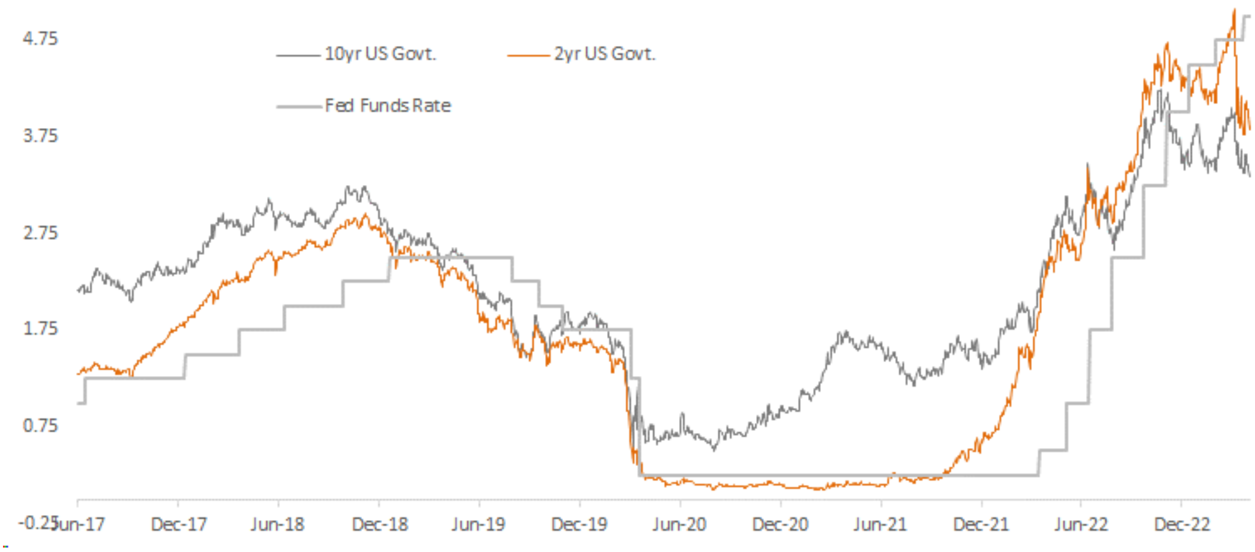
India has benefitted from the purchase of cheap Russian, Iranian oil. The Chabahar port acquisition now looks to be a prescient move. A new trading block with China, Russia, India, Saudi Arabia, Brazil, Egypt, Iran, Malaysia, S. Africa appears to be shaping up.

Bilateral trade settlement, and access to cheap oil from Russia, Iran clearly ***favors*** *India. Not needing large dollar reserves* ***favors*** *India. A worsening of ties between China and the U.S.* ***favors*** *India. Peace in the Middle East, the elevation of BRICS as a strong global body, rising local trading partners,* ***favors*** *India.*

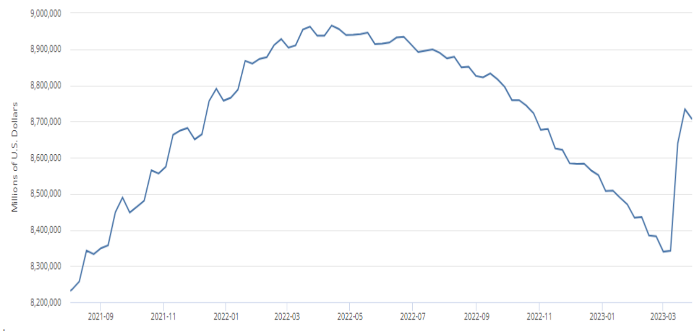
Why … Are U.S. Bond Yields Down Sharply?

While the Fed Chairman talks a tough game and the Fed keeps raising the Fed Funds rate higher, the fact is that the crisis in the regional banks is largely tied to spiking U.S. bond market yields. Those ***yields are***

U.S. Interest Rates are Dropping Fast, QT is Dead, and the Fed Put is Back …
…the 2 Year U.S. Yield is Down from a Peak of 5.07% to 3.8% in Less than a Month…
… the U.S. 10 Year is Down 3.99% to 3.35%



The Fed's Balance Sheet is Back Up to $8.7 Trillion...
...Only $0.2T Lower Than It's All Time High of 8.9T



down sharply over the past month. (see chart) Secondly, the size of ***the Fed Balance Sheet has risen sharply*** *in March 2023, by roughly $400 billion. It's now only $0.2 trillion away from its all-time high of $8.9T.*

So, what we're witnessing is hawkish Fed speak, a bond market that has pivoted, and a Balance Sheet that is back to near all time highs. Seems a lot like a stealth pivot on U.S. interest rates is underway, a yield curve "modification", and the Fed Put is alive and well.

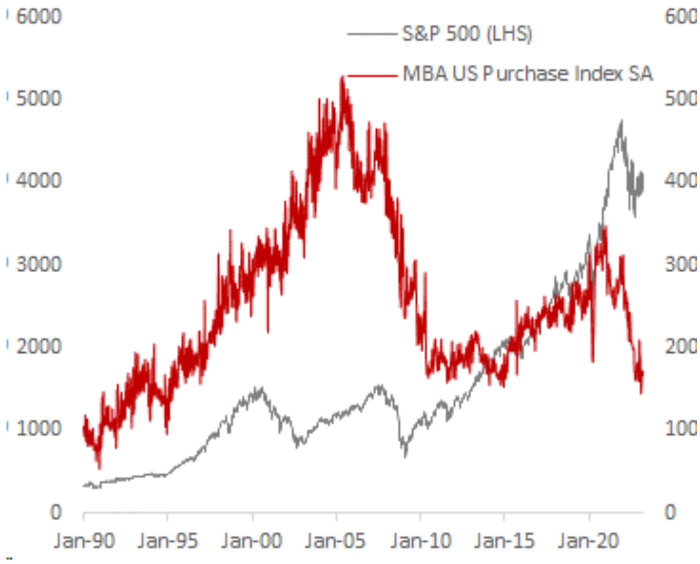
How is the U.S. Economy Faring?

With the constant dire warnings of impending doom on social media – fear sells - we think a rational review of U.S. economic data is warranted.

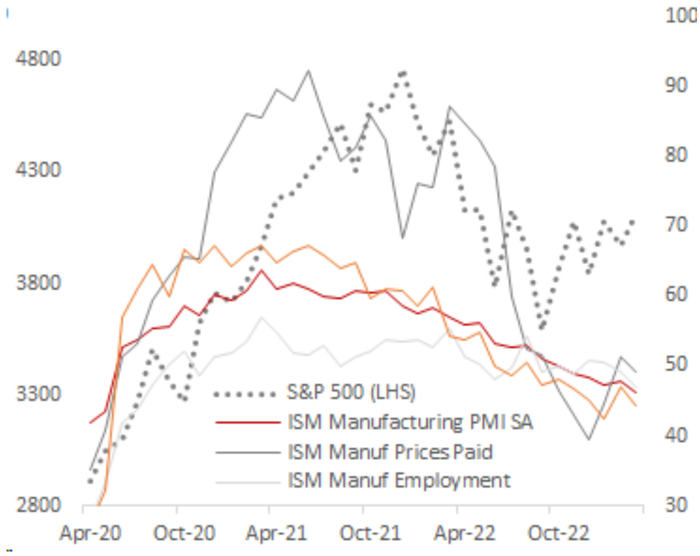
The MBA (Mortgage Bankers Assoc) Purchase index – a proxy of U.S. home loan applications - is at a 25 year low. The MBA Refi index is also at a 20 year low, at levels last witnessed in July 2000. Real estate activity is lower today than it was in 2008! The Fed created housing frenzy since 2020 and is now bursting it.

ISM Manufacturing diffusion surveys continue to head lower, now at 46.3, or contracting, that's the March 2023 reading. But Services PMI remains in growth mode, at 51.2. The good news is that the prices paid component for manufacturing has crashed to 49.2 from a high 85 in Oct '22. But employment trends are weakening to 46.9, while new orders are also weakening to 44.3.

Housing Activity in the U.S. is Crashing

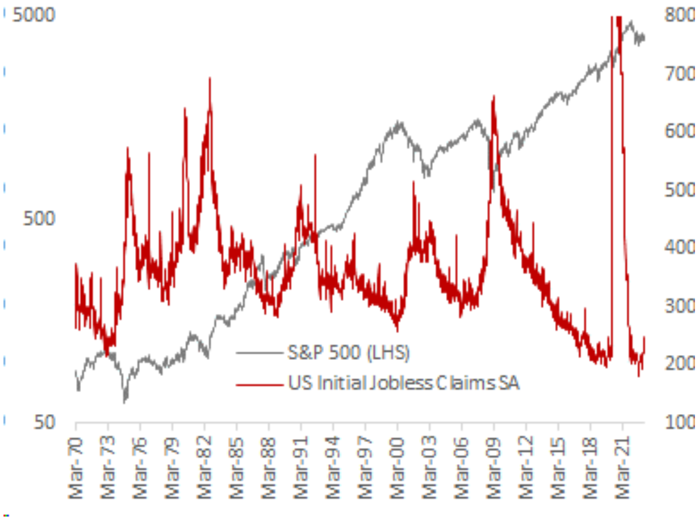


U.S. Manufacturing Prices Paid are Crashing…
…But Economic Activity is Slowing



The ***Bearish view*** *is centered around rising rate hikes leading to slowing demand and rising unemployment,* ***but employment remains strong****. Typically, a steepening yield curve, rising credit spreads, rising claims, rising unemployment are what take markets lower. We're not seeing a worsening employment situation, yet, other than a drop in job openings.*

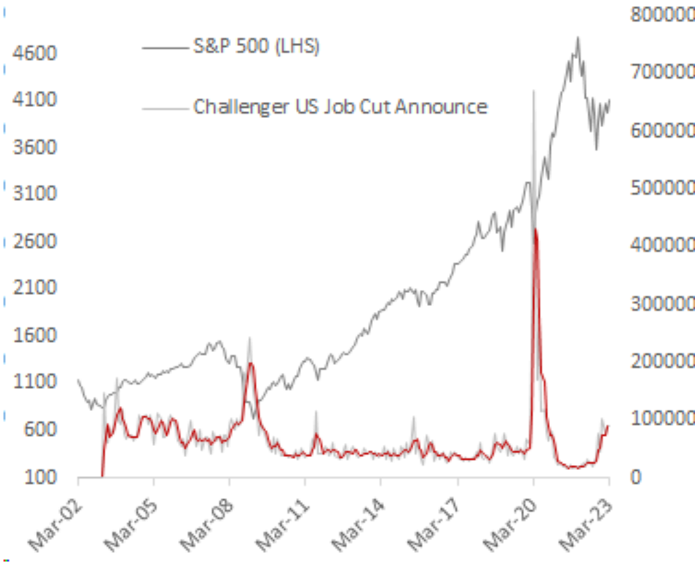
Initial Unemployment Claims came in at 228,000, Not An Alarming Number



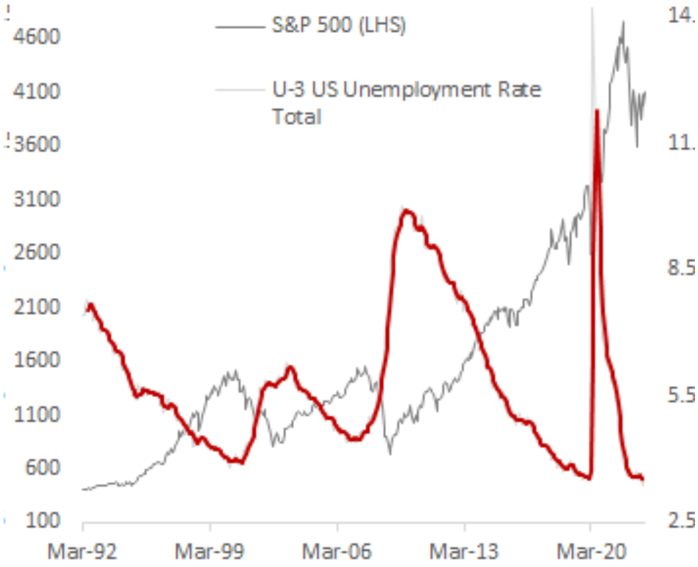
Following our suspicion that the U-3 number may be manipulated, we checked Non-Farm Payrolls, and those are growing, up 2.8% YoY. The ***labor force participation rate also remains healthy at 62.5%*** *and recovering from a low of 60% during covid.*

Meanwhile, ***sentiment is low. Small business optimism*** *is near levels last seen in 2009. But* ***Retail Sales remain healthy, up 5.4%****, albeit slowing. Building permits are actually rising. Cap Utilization remains robust at 79.1.*

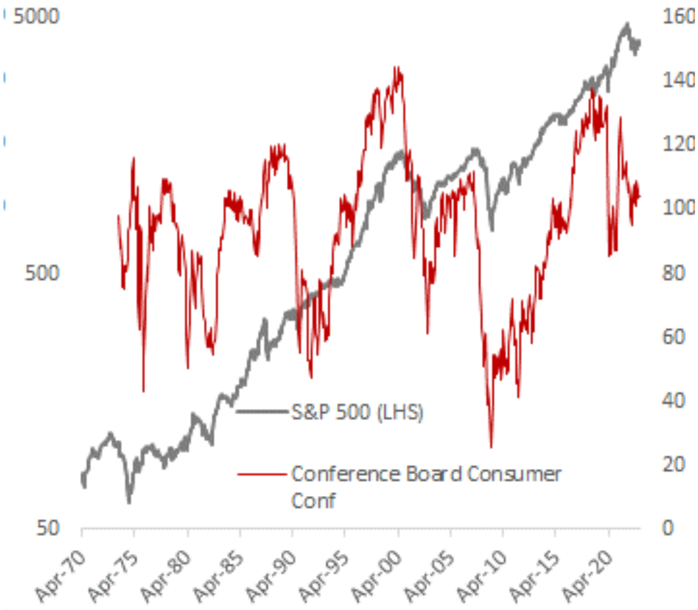
Job Cuts Announcements Are Starting to Rise…
…But It's Not Showing Up in the Labor Market



Unemployment Rate Remains Low 3.6%



Consumer Confidence Remains Muted…
…But Not at 2002 or 2009 Levels

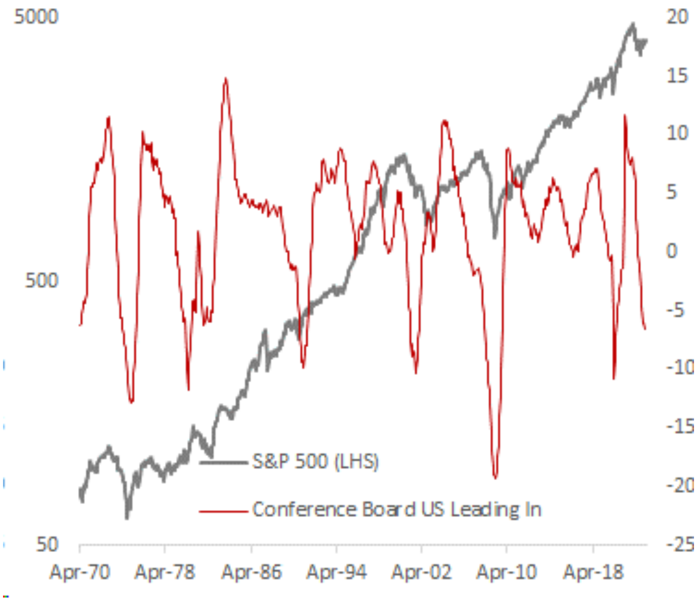


Separately, U.S. Durable Goods ***New Orders growth has slowed dramatically from 10.9% in Jan, but it's still 1% YoY*** *in Feb and could go negative in March. Cap Goods New Orders are similar, up 3% YoY.*

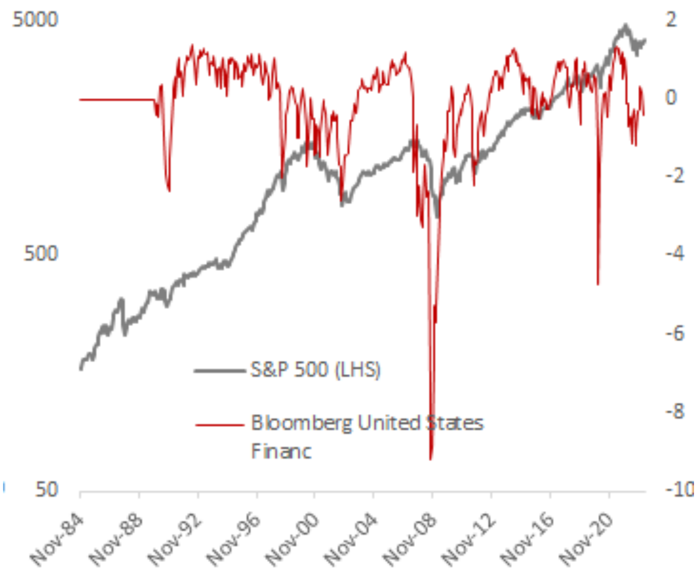
Wholesale inventories were rising strongly in Jun '22 but they've started to decelerate, a sign of normalization. ***Consumer Credit continues to clock a solid 8%****, despite tightening lending standards. Despite* *these, the unemployment rate remains resiliently stuck at 3.6%.*

*The **LEI – Leading Eco Indicator** – is dropping to recession levels. However, the LEI had dropped during Covid as well, and markets recovered sharply. Second, the markets have already dropped 20% to 30%, so it's difficult to say that the recession hasn't already been priced in.*

U.S. Leading Economic Indicator Points to Recession …But It Did So in 2020 as Well, and a Strong Component of LEI is S&P 500



Meanwhile, U.S. Financial Conditions Have Not Weakened Much…

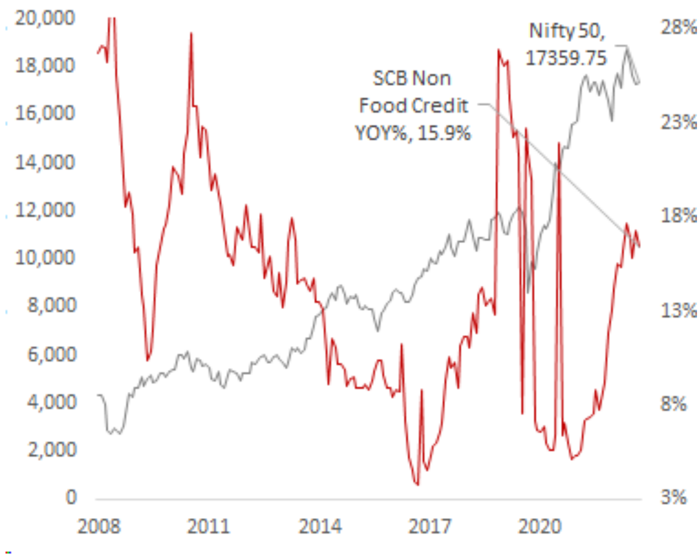


***Inflation** appears to be waning, with the Personal Consumption Expenditures Deflator – the preferred Fed measure for inflation – showing a **4.6% YoY** increase.*

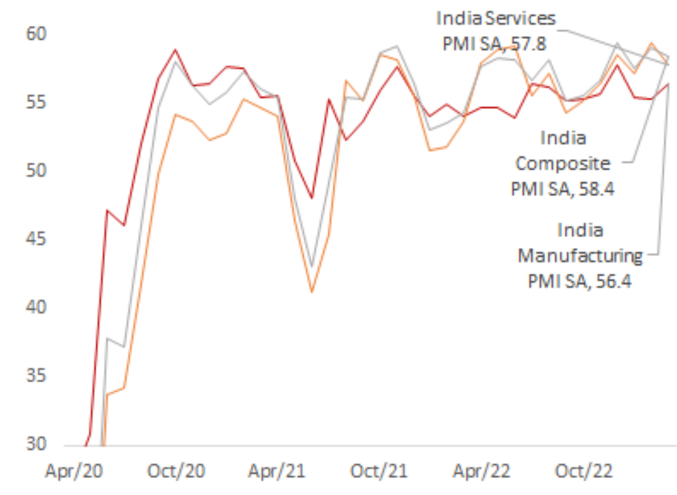
The Indian Economy

*The India **outlook remains solid**. Credit is growing at a robust +15.9% YoY, and Manufacturing and Services activity remains very **strong**, as evidenced by PMI surveys.*

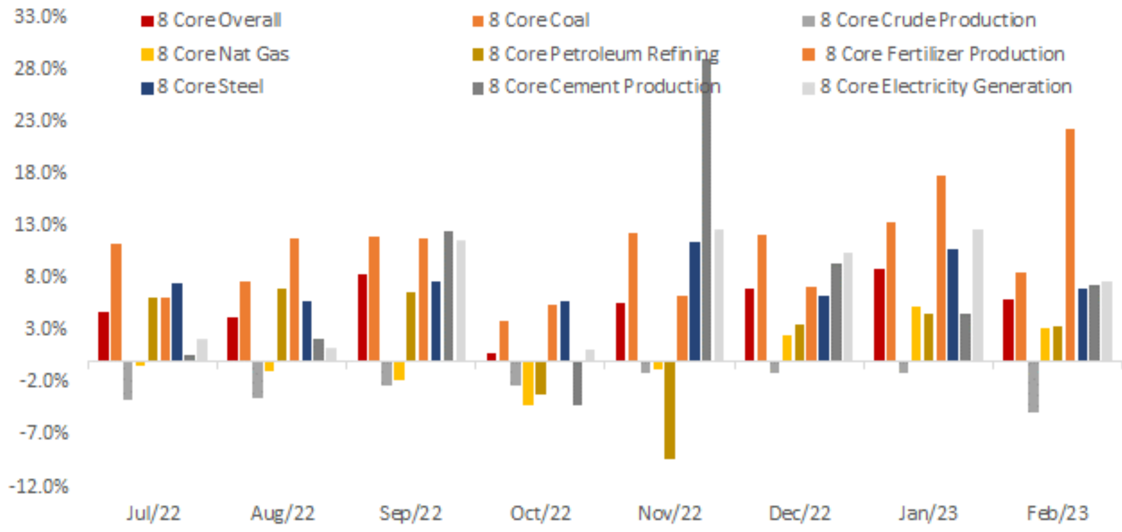
Non Food Credit Growth is Robust +15.9% YoY



India PMIs are Registering Their Highest 3 Month Rolling Readings in a Few Years



India Core Activity Remains Healthy, Despite Concerns About Waning Demand



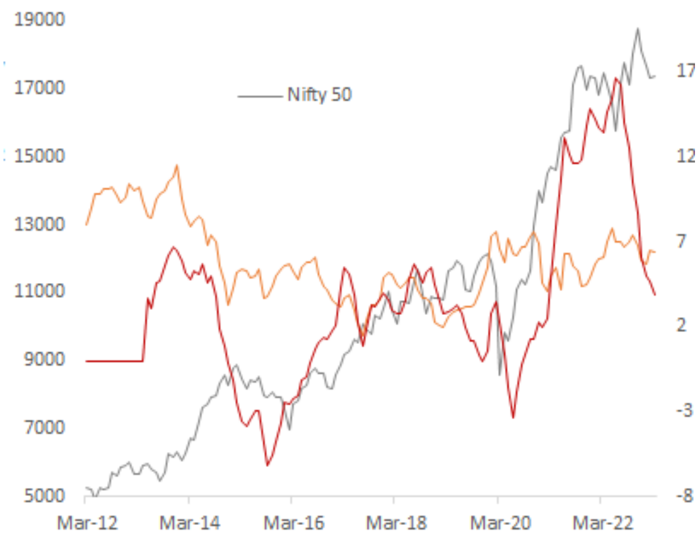
India Industrial Production has averaged +5.7% during Q1 CY2023. Infrastructure sector growth is 10.1%, Autos +15.1%, and ***Electricity production registered an impressive +12.0%*** *YoY growth in Q1 2023. Capital goods – ie machinery, buildings, equipment, vehicles, tools – production was a robust +13.5%.*

Diesel demand *averaged a robust* ***+8.9%*** *YoY during the quarter. Vehicle loan growth is a strong +23%,* ***housing loan growth at +15%*** *YoY, while* ***travel accelerated to 248%*** *YoY. Credit to industry appears to be stabilizing around 6-8%, while credit to the* ***Services sector*** *remains solid at +20.7% YOY.*

WPI Signalling CPI Lower, Bodes Well for Corporate Margins

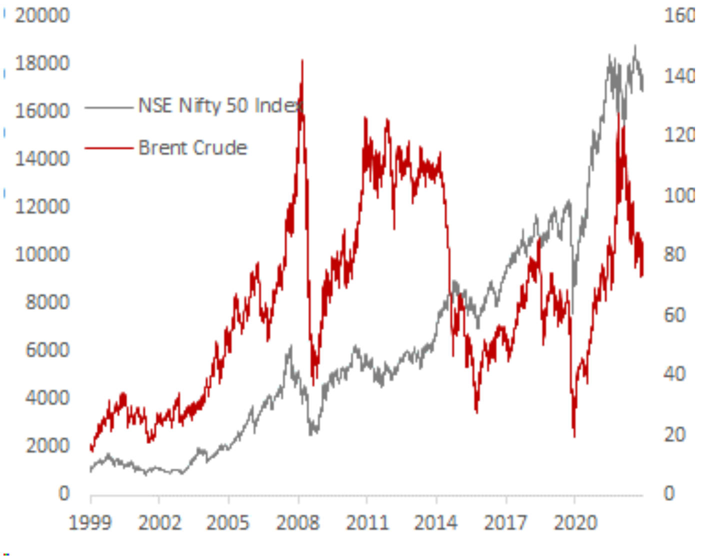
With Wholesale Prices Rising 3.85%, we wholeheartedly agree with the RBI pause. One can reasonably expect consumer inflation to decline further, and a lower WPI bodes well for corporate margins.

Wholesale Prices Have Collapsed to 3.8% YoY…
…Suggesting CPI Could Move Lower as Well



Brent Crude hit a high of 123.6 in August 2022. It has declined to 85.2. India's cost of Brent is even cheaper than list price, thanks in large part to the regime's ability to tap into Russia, Iraq, Iran supplies while avoiding sanctions.

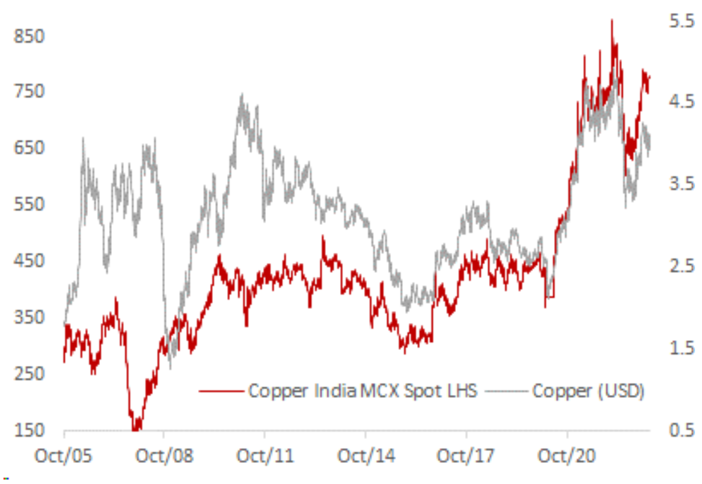
Lower Brent Crude Is Providing Relief



Copper Prices Have Remained Resilient

We track Copper for it's economic predictive properties. Longer term, Copper prices bottomed in 2016 in India and have been headed sharply higher ever since. Generic Copper futures on the CMX Commodity Exchange bottomed in July 2022 and have since been carving a move higher despite the Regional Banking crisis.

Copper Prices Have Been Rising Steadily



A Welcome RBI Shift on Rate Policy

The RBI should be lauded for not squandering its reserves on a currency defense, and acting in tandem with the FinMin to deliver a multi-pronged approach that has kept food and fuel inflation manageable, avoiding extreme levels of angst for the poor and middle class such as witnessed in Pakistan, Turkey, Argentina, Sri Lanka to name just a few. With RBI rate policy on neutral, the domestic prognosis for interest rates and inflation moves to marginally attractive.

Investment Outlook

The Growth Prognosis for Developed Markets is Muted

Let's face it. The U.S. is now entering a potentially challenging period of cautious consumer, slowing Tech, slowing growth and heightened financial risks. For years, informed observers have wondered if the U.S. had found the secret formula of QE forever. Treasury Secretary Yellen famously said in 2017 she expected no new financial crisis in our lifetimes. It's now looking like the adage "there are no free lunches" will ultimately come to roost. The Fed has succeeded in heightening awareness of the risks lurking in bank balance sheets across the G7. Commercial RE is starting to look weak. Other dominoes could fall as well.

Why Have India Equities Remained Resilient?

Typically, U.S. markets would sneeze and India would catch a high fever. We have just come through a Banking Crisis, Ukraine War, and Fed Rate Hikes. Indian markets should have been down 30%. We think that hasn't occurred due to a few key factors:

1. *The **radical shift in earnings trajectory** in India. Indian equities are delivering strong earnings growth in the wake of a challenging inflation, challenging interest rates and global growth*
2. *Sound **fiscal and monetary policy**. Seasoned observers will agree that the RBI has done a good job managing through a challenging time – Covid, Ukraine war, inflation etc. While pessimists highlighted worsening fiscal conditions in India, it*

has not transpired and India's fiscal position is strong.

3. *Sound stewardship of a generally stable currency, except for the FI selling in 2022. The Modi regime inherited a Rupee at 60 in 2014. A depreciation of 36% over 9 years is roughly 4% a year, which isn't bad considering much of the depreciation occurred during a massive 3 lakh crore of FI selling last year.*
4. *Deft political manoeuvring by the Government, on the **purchase of crude oil** at discounted prices kept crude inflation under control, and sound domestic **policies on food** production and transport eliminated the inefficiencies in the supply chain, improved logistics and infrastructure, while also improving yield and productivity.*
5. *Strong **FDI investment** and **Make in India** are bearing fruit, with companies such as Apple manufacturing in India.*
6. *Strong **demographics and rising wages** in sectors such as IT, Finance, Private Equity, Health Care have allowed for multiplier benefits to growth.*
7. ***Stable interest rates and a widening corporate bond market**. The volatile FI investor has become an increasingly less important player in fixed income, and rates have largely remained stable.*
8. ***Sound fiscal debt policy** maintain a sound and prudent fiscal deficit.*

Why Has the Nasdaq Delivered the Best Quarter Since 2020?

*Whether the bond market has wrested control from the central banks and disregarded the Fed Funds rate, or the Fed has implicitly engineered a yield curve control/modification, one cannot say. Net net, we've had **a pivot on interest rates** in the Bond market. We've had a pivot on QT, **QT is dead** and the **Fed Balance Sheet is growing**, **inflation is declining**, the duration impact on Tech looks to be done, and rate cuts could be on the anvil should economic growth slow.*

Outlook for Indian Equities

If there is one reason to invest in India equities it is this:

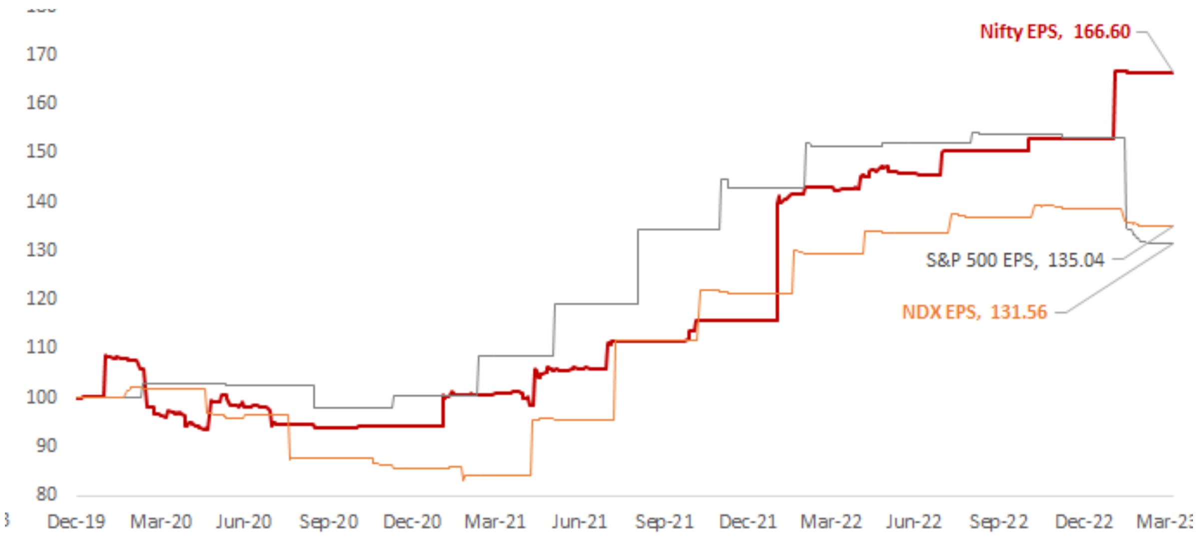
***Nifty 50 EPS has grown +67% since Jan 2020**. That's **twice the growth in the Nasdaq 100** and almost twice the growth in the S&P 500. Meanwhile the Nifty 50 is up 44% during the same period.*

*Fundamentals are the key drivers for equities. Our market has been punched in the face Mike Tyson style with **Covid, Fed hikes, Ukraine war, Inflation and U.S. Regional Banking crisis. FIs sold almost 3 lakh crores.** Yet the markets have been resilient. At this writing the Nifty 50 has again bounced back above 17,500.*

The Nifty 50 Has Delivered +67% EPS Growth Since 2020…

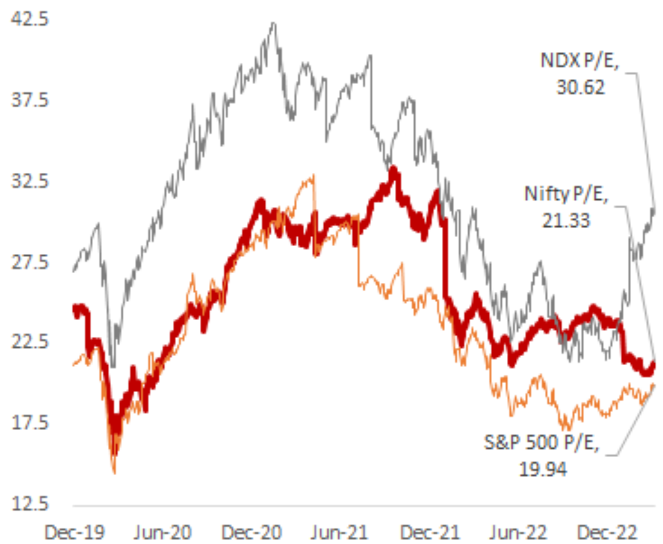
…2X the Nasdaq 100's EPS 32% Growth, Almost 2X the S&P 500's EPS Growth…

…Despite Covid. Despite Fed Hikes. Despite the Ukraine War. Despite Inflation. Despite SVB



Despite Delivering 2X the EPS Growth of the Nasdaq 100, the Nifty 50 is up 44.6% Since Jan 2020…
…While the Nasdaq 100 is up 49.6%!

Or Let's Look at the S&P 500…
Which Sells at a Similar Multiple as the Nifty 50…
While Delivering Half the EPS Growth



*Maybe there is a method to the madness. Growth stocks have taken a painful hit on rate hikes. With rates headed lower, the **duration penalty should begin to reverse**.*

*Markets recognize this. **Indian equities are selling 30% cheaper than the Nasdaq** while delivering twice the growth.*

*Inflation is also likely headed lower. The Fed appears to have engineered a **stealth pivot**. The **Fed Put** is also alive and well, and has backstopped the banking crisis. As inflation declines alongside a **neutral RBI stance, the prospects for growth have improved considerably** from a few weeks ago.*

*We continue to **recommend building/adding gradual, exposure in Equities**. Suggesting that there aren't **risks** in the global financial system would be Pollyannish. However, our focus is on the positive growth story emanating in India.*

*To further assuage investors, let's consider the two worst sell-offs in the past 20 years. In the 2001 crisis, the market never broke the 1998 low. In the 2008 crisis, the market broke the 2006 low for 2 quarters. **Indian equities have withstood the worst of times and delivered attractive returns.***

Meanwhile Gold Has Broken Out to All Time Highs

*The case we've laid out on a **BRICS currency**, de-dollarization is bullish for Gold. **Central banks** are ditching dollars and buying Gold. **Silver** is an alternative means of playing dollar debasement, along with it being an industrial commodity. Gold is on the verge of breaking through to all times highs in USD, and at all-time highs in INR.*

Indian Rupee

The Rupee appears to have peaked against the Dollar at 82.99 on Oct 19, 2023. It's since managed its first close under 82 since Mar 9th, this week on April 6, 2023. A weaker Dollar is a positive for India and Indian equities.

Equity Index Performance

10/04/2023	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	**17,624**	**3.2**	**-0.5**	**1.5**	**-1.3**	**1.8**	**1.5**	**-2.7**	**-0.1**	**18,888**	**15,183**	**-6.7%**	**16.1%**
Americas													
S&P 500 Index	4,105	1.3	3.0	-0.1	5.4	12.8	-0.1	6.9	-8.8	4,521	3,492	-9.2%	17.6%
Dow Jones Indus. Avg	33,485	1.9	1.9	0.6	-0.4	14.3	0.6	1.0	-3.2	35,492	28,661	-5.7%	16.8%
Nasdaq Composite	12,088	0.6	4.8	-1.1	14.4	13.5	-1.1	15.5	-13.0	13,978	10,089	-13.5%	19.8%
Nyse Fang+ Index	6,061	0.6	10.9	-2.1	37.7	30.6	-2.1	36.3	-5.5	6,486	4,103	-6.6%	47.7%
Canada	20,197	1.3	-0.4	0.5	1.9	8.7	0.5	4.2	-7.5	22,088	17,873	-8.6%	13.0%
Mexico	53,498	-0.7	-0.8	-0.8	3.4	15.5	-0.8	10.4	-3.5	55,851	44,519	-4.2%	20.2%
Brazil Bovespa	100,822	-2.8	-3.3	-1.0	-7.5	-13.4	-1.0	-8.1	-15.2	120,752	95,267	-16.5%	5.8%
Europe													
Euro Stoxx 50 Pr	4,309	0.6	0.7	-0.1	7.3	27.7	-0.1	13.6	13.3	4,347	3,250	-0.9%	32.6%
FTSE 100	7,742	1.6	-2.2	1.4	0.5	10.7	1.4	3.9	2.5	8,047	6,708	-3.8%	15.4%
CAC 40 Paris	7,325	0.8	-0.2	0.0	6.8	24.8	0.0	13.1	13.4	7,401	5,628	-1.0%	30.1%
DAX Germany	15,598	0.5	0.2	-0.2	6.8	27.1	-0.2	12.0	10.8	15,737	11,863	-0.9%	31.5%
Asia													
Nikkei 225	27,634	-2.0	-1.8	-1.5	5.6	1.9	-1.5	5.9	2.4	29,223	25,520	-5.4%	8.3%
Hang Seng	20,331	0.7	-1.0	-0.3	-3.1	14.6	-0.3	2.8	-6.8	22,701	14,597	-10.4%	39.3%
Shenzhen CSI 300	4,105	1.3	3.5	1.3	2.2	10.3	1.3	6.0	-3.0	4,530	3,496	-9.4%	17.4%
Australia	7,219	1.4	-2.0	0.6	1.5	6.7	0.6	2.6	-3.0	7,625	6,407	-5.3%	12.7%
Taiwan	15,876	0.7	2.3	0.1	7.2	15.9	0.1	12.3	-8.1	17,374	12,629	-8.6%	25.7%
Korea	2,512	1.6	4.9	1.4	6.8	12.5	1.4	12.3	-7.0	2,738	2,135	-8.2%	17.7%
Straits Times Index STI	3,294	1.1	1.5	1.1	0.5	4.7	1.1	1.3	-3.2	3,415	2,969	-3.5%	11.0%
Vietnam Ho Chi Minh	1,065	-1.3	1.2	0.1	1.1	2.2	0.1	5.8	-28.1	1,508	874	-29.3%	21.9%
Jakarta Indonesia	6,771	-0.5	0.1	-0.5	1.3	-3.6	-0.5	-1.2	-5.0	7,377	6,510	-8.2%	4.0%
Phillipines	6,489	-2.1	-2.7	-0.2	-2.7	9.3	-0.2	-1.2	-8.7	7,157	5,699	-9.3%	13.8%

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	**17,624**	**3.2**	**-0.5**	**1.5**	**-1.3**	**1.8**	**1.5**	**-2.7**	**-0.1**	**18,888**	**15,183**	-6.7%	16.1%
Microsoft Corp	292	2.7	17.3	1.1	27.4	27.2	1.1	21.6	-1.8	294	213	-0.9%	36.6%
Meta Platforms Inc-Class A	216	4.0	20.4	2.0	62.5	61.5	2.0	79.6	-2.8	224	88	-3.7%	145.3%
Apple Inc	165	1.4	10.9	-0.1	26.0	17.3	-0.1	26.7	-3.2	176	124	-6.5%	32.6%
Walt Disney Co/The	100	1.9	6.8	-0.2	4.6	5.1	-0.2	15.1	-24.2	134	84	-25.2%	18.9%
Amazon.Com Inc	102	0.1	12.5	-1.2	13.6	-10.2	-1.2	21.5	-33.9	159	81	-35.7%	25.3%
Netflix Inc	339	0.3	15.9	-1.8	3.6	47.5	-1.8	15.1	-4.7	379	163	-10.6%	108.5%
Alphabet Inc-Cl A	108	7.5	19.6	4.5	22.6	10.8	4.5	22.9	-18.7	132	83	-17.9%	30.1%
Hdfc Bank Limited	1,658	4.4	4.4	3.0	5.7	17.2	3.0	1.9	9.5	1,702	1,272	-2.6%	30.4%
Icici Bank Ltd	868	2.1	3.1	-1.0	0.8	-1.5	-1.0	-2.5	15.1	958	670	-9.4%	29.6%
Tata Consultancy Svcs Ltd	3,263	4.0	-2.0	1.8	1.3	6.8	1.8	2.2	-9.7	3,665	2,868	-11.0%	13.8%
Reliance Industries Ltd	2,325	4.0	0.1	-0.3	-9.1	-3.4	-0.3	-8.7	-11.1	2,856	2,180	-18.6%	6.6%
Bajaj Finance Ltd	5,829	3.6	-0.8	3.8	-1.3	-20.1	3.8	-11.4	-20.9	7,778	5,220	-25.1%	11.7%
Hindustan Unilever Ltd	2,532	0.1	2.7	-1.1	-4.2	-2.8	-1.1	-1.1	16.0	2,742	2,047	-7.6%	23.7%
Nestle India Ltd	19,530	2.5	5.7	-0.9	-2.5	2.2	-0.9	-0.4	5.8	21,050	16,000	-7.2%	22.1%
Titan Co Ltd	2,584	2.7	8.8	2.7	4.7	-3.6	2.7	-0.5	2.9	2,791	1,825	-7.4%	41.6%
Asian Paints Ltd	2,776	0.2	-1.9	0.5	-6.2	-15.3	0.5	-10.1	-13.4	3,583	2,560	-22.5%	8.5%
Srf Ltd	2,390	-0.4	4.2	-0.9	5.3	-6.0	-0.9	4.3	-13.0	2,865	2,002	-16.6%	19.4%
Central Depository Service:	992	11.3	-1.1	9.2	-10.0	-20.7	9.2	-11.0	-32.0	1,484	881	-33.1%	12.6%

Large, Mid & Small

10/04/2023	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	**17,624**	**3.2**	**-0.5**	**1.5**	**-1.3**	**1.8**	**1.5**	**-2.7**	**-0.1**	**18,888**	**15,183**	**-6.7%**	**16.1%**
Sensex	59,847	3.3	-0.6	1.4	-0.1	2.8	1.4	-1.6	1.4	63,583	50,921	-5.9%	17.5%
Nifty 500	14,791	3.1	-0.6	1.6	-3.2	-1.6	1.6	-4.3	-2.7	16,042	12,856	-7.8%	15.1%
NIFTY Midcap 100	30,470	2.3	-1.6	1.4	-3.0	-3.0	1.4	-3.3	-1.4	32,939	25,048	-7.5%	21.6%
NIFTY Smallcap 100	9,224	4.2	-2.3	2.5	-4.5	-4.8	2.5	-5.2	-15.0	11,002	7,905	-16.2%	16.7%

Nifty Sectors

10/04/2023	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	12,617	4.1	-2.3	3.0	-0.1	-1.1	3.0	0.0	16.6	13,545	10,093	-6.9%	25.0%
Nifty Bank	40,835	2.3	-1.2	0.6	-3.2	4.2	0.6	-5.0	8.7	44,152	32,291	-7.5%	26.5%
NIFTY Private Bank	20,724	2.4	-1.4	0.5	-3.6	1.9	0.5	-5.2	9.2	22,492	16,280	-7.9%	27.3%
Nifty Financial Services	18,391	3.4	0.1	1.8	-1.1	3.9	1.8	-3.1	4.6	19,516	14,857	-5.8%	23.8%
Nifty India Consumption	7,240	1.9	0.2	1.1	-3.5	-7.7	1.1	-4.2	3.0	8,147	6,364	-11.1%	13.8%
Nifty FMCG	45,910	1.1	0.8	0.0	3.4	4.8	0.0	3.9	22.2	46,413	35,827	-1.1%	28.1%
Nifty Energy	23,060	3.1	1.6	1.1	-10.4	-10.9	1.1	-10.9	-14.6	29,304	21,631	-21.3%	6.6%
Nifty Infrastructure	5,208	3.9	0.9	2.3	-0.7	3.4	2.3	-0.8	1.1	5,483	4,406	-5.0%	18.2%
Nifty IT	29,042	3.7	-3.8	1.2	3.9	4.7	1.2	1.5	-18.0	35,817	26,187	-18.9%	10.9%
Nifty Metal	5,570	2.0	-1.9	1.3	-16.8	-6.1	1.3	-17.2	-15.8	6,920	4,437	-19.5%	25.5%
Nifty Pharma	12,299	3.0	4.2	2.3	-2.8	-6.4	2.3	-2.4	-11.0	13,972	11,542	-12.0%	6.6%
Nifty PSU Bank	3,715	0.9	-6.2	-0.0	-13.1	23.0	-0.0	-14.0	27.1	4,617	2,284	-19.6%	62.6%
Nifty Realty	421	10.5	2.8	8.8	-1.1	-3.9	8.8	-2.4	-11.1	484	366	-12.9%	15.2%
Nifty Sectors & Themes													
Nifty Media	1,735	2.5	-0.9	2.0	-10.9	-19.7	2.0	-12.9	-27.6	2,465	1,637	-29.6%	6.0%
Nifty CPSE	2,989	3.8	0.3	2.5	8.1	11.9	2.5	6.8	11.3	3,011	2,276	-0.7%	31.4%
Nifty PSE	4,558	2.9	-0.1	1.9	3.5	11.1	1.9	4.4	4.8	4,623	3,602	-1.4%	26.5%
Nifty Commodities	5,628	2.6	1.5	1.3	-4.7	-1.2	1.3	-5.3	-9.5	6,458	4,774	-12.9%	17.9%
Nifty MNC	19,302	1.9	0.2	0.9	-2.4	-2.8	0.9	-2.0	3.4	20,626	16,805	-6.4%	14.9%

Crude Oil & Commodities

10/04/2023	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	**17,624**	**3.2**	**-0.5**	**1.5**	**-1.3**	**1.8**	**1.5**	**-2.7**	**-0.1**	**18,888**	**15,183**	**-6.7%**	**16.1%**
Gold U.S. & India													
Gold Spot $/Oz	2,001	0.8	7.1	1.6	6.6	19.9	1.6	9.7	2.4	2,032	1,615	-1.5%	23.9%
Gold India	59,884	1.3	8.0	0.5	7.4	17.7	0.5	9.8	15.9	60,703	49,111	-1.3%	21.9%
Platinum Spot $/Oz	1,014.6	2.3	5.2	1.9	-6.3	12.5	1.9	-5.6	3.4	1,106	821	-8.2%	23.5%
Crude													
Brent Crude	85.2	6.8	2.9	6.8	6.4	-11.4	6.8	-0.8	-17.1	125	70	-32.0%	21.5%
WTI Crude	80.8	0.5	5.4	6.8	7.6	-11.3	6.8	0.7	-17.7	124	64	-34.7%	26.0%
Metals													
LME Copper	8,806.8	-2.2	-1.0	-2.2	2.8	15.1	-2.2	5.3	-14.4	10,388	6,995	-15.2%	25.9%
LME Aluminum	2,292.3	-2.2	-1.8	-3.6	1.2	-2.2	-3.6	-2.4	-32.9	3,444	2,079	-33.4%	10.2%
LME Nickel	22,657.0	-1.5	-6.4	-4.2	-18.8	-0.0	-4.2	-24.2	-32.3	34,100	19,094	-33.6%	18.7%
LME Zinc	2,795.5	-5.7	-8.5	-5.1	-8.1	-11.1	-5.1	-6.9	-34.9	4,530	2,488	-38.3%	12.4%
LME Lead	2,103.7	-2.7	-0.6	-0.9	-5.7	1.1	-0.9	-10.0	-12.3	2,471	1,753	-14.9%	20.0%
LME Tin	24,295.0	-6.7	-0.4	-6.3	-3.6	20.2	-6.3	-1.9	-45.0	45,175	17,400	-46.2%	39.6%
Commodities													
Lumber	8,806.8	-2.2	-1.0	-2.2	2.8	15.1	-2.2	5.3	-14.4	10,388	6,995	-15.2%	25.9%
Palm Oil	4,348.0	4.3	4.3	7.1	11.9	19.8	7.1	4.2	-34.9	7,817	3,143	-44.4%	38.3%
BBG Cmdty ex-Prec Mtl	95.6	0.4	-2.3	0.4	-3.3	-14.4	0.4	-8.7	-18.2	134	91	-28.4%	5.3%
CRB Metals Index	1,063.8	-2.6	-	-2.2	4.3	10.1	-2.2	5.2	-24.8	1,412	406	-24.7%	162.2%
Bloomberg Commodity Ind	106.3	0.8	0.5	0.8	-1.6	-9.2	0.8	-5.7	-14.9	138	102	-23.0%	4.6%
CRB Commodities Index	545.7	-0.7	-0.4	-0.9	-0.3	-2.6	-0.9	-1.6	-13.9	644	539	-15.3%	1.2%
Wheat	680.5	-1.9	2.1	-1.7	-6.9	-27.5	-1.7	-14.1	-35.3	1,284	654	-47.0%	4.1%
CRB Raw Industrials Index	560.6	-0.5	-0.4	-0.3	-0.5	-1.1	-0.3	-1.6	-18.1	686	547	-18.3%	2.4%
Commodities													
Bloomberg Grains Spot	309.68	-1.8	0.3	-1.8	-1.7	-4.9	-1.8	-5.5	-17.2	414	287	-25.3%	8.1%
Raw Sugar	23.61	7.5	13.1	6.1	24.5	27.9	6.1	17.8	20.5	24	17	-0.3%	37.3%
Simex Iron Ore	119.50	-2.3	-7.4	-5.9	-0.4	21.8	-5.9	7.4	-23.2	157	77	-23.9%	55.5%

Interest Rates and Inflation

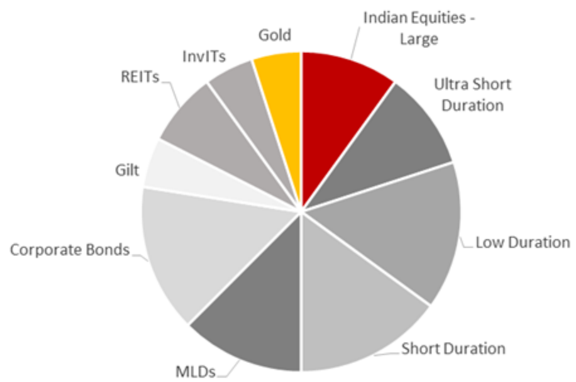
10/04/2023	Price	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	52 Wk High	52 Wk Low	% from 52 Wk Hi	% from 52 Wk Lo
India G-Sec Yields													
10 Year India G-Sec	7.21	7.27	7.42	7.31	7.31	7.48	7.31	7.33	7.12	7.62	7.04	-0.41	0.17
5 Year India G-Sec	7.02	7.14	7.40	7.17	7.18	7.45	7.17	7.23	6.60	7.48	6.65	-6.2%	5.5%
3 Year India G-Sec	6.92	7.08	7.33	7.09	6.99	7.34	7.09	7.04	6.17	7.42	6.09	-6.7%	13.7%
1 Year India G-Sec	6.95	7.12	7.38	7.14	6.67	6.89	7.14	6.72	4.86	7.38	4.85	-5.9%	43.2%
3 Month India G-Sec	6.76	6.88	6.95	6.88	6.35	5.96	6.88	6.26	3.85	7.12	3.94	-5.1%	71.6%
Repo Rate India	6.50	6.50	6.50	6.50	6.25	5.90	6.50	6.25	4.00	6.50	4.40	N/A	N/A
India CPI													
India CPI Combined YoY	6.44		6.52	6.44	5.88	7.00	5.72	5.72	6.07	7.79	5.72	-1.35	0.72
India WPI	3.85		4.7	3.9	6.1	12.5	5.0	5.0	13.4	17	4	-76.8%	0.0%
India Core CPI	6.35		6.4	6.4	6.5	6.0	6.4	6.4	5.6	6	6	-2.0%	15.0%
U.S. & China Yields & CPI													
U.S. 10 Year	3.38	3.41	3.70	3.47	3.62	3.88	3.47	3.87	2.70	4.34	2.51	-0.96	0.87
U.S. 5 Year	3.47	3.50	3.96	3.57	3.73	4.14	3.57	4.00	2.75	4.50	2.57	-1.03	0.90
U.S. 2 Year	3.94	3.96	4.59	4.03	4.25	4.31	4.03	4.43	2.51	5.08	2.27	-1.14	1.67
U.S. 1 Year	4.30	4.58	4.85	4.62	4.72	4.23	4.62	4.71	1.75	5.24	1.67	-0.94	2.63
U.S. 3 MO T-BILL	4.65	4.76	4.91	4.75	4.61	3.36	4.75	4.37	0.69	5.00	0.68	-0.35	3.97
Spread 10-2	-0.56	-0.55	-0.89	-0.56	-0.63	-0.43	-0.56	-0.55	0.19	-0.74	0.24		
Spread 5-1	-0.83	-1.08	-0.89	-1.05	-0.99	-0.08	-1.05	-0.71	1.00	-0.73	0.90		
U.S. CPI	6.00		6.40	6.00	7.10	8.30	6.50	6.50	7.90	9	6	-34.1%	0.0%
China CPI	1.00		2.1	1.0	1.6	2.5	1.8	1.8	0.9	3	1	-64.3%	0.0%
Inflation Expectations 10 Y	2.21		2.4	2.2	2.3	2.4	2.2	2.3	2.3	3	2	-12.5%	0.0%
U.S. Dollar & INR													
USD INR	82.0	82.3	82.1	82.2	81.8	82.3	82.2	82.7	76.0	83.3	75.8	-1.6%	8.2%
Dollar Index	102.1	102.5	104.6	102.5	103.2	113.1	102.5	103.5	99.8	114.8	99.6	-11.1%	2.5%

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*	*With current pause, duration becomes attractive with further rally in rates as a normal expectation. However, as we enter new FY, supply pressures due large government borrowing, climate vagaries led food inflation, higher crude oil prices, and global factors especially developed market economic turmoil led adverse policy actions, could act as a dampener and prevent a one way fall in rates domestically. Thus a position build up at opportune times will be a good strategy to implement and will provide attractive risk adjusted rewards not withstanding intermittent volatility.*
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 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) 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	*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.*

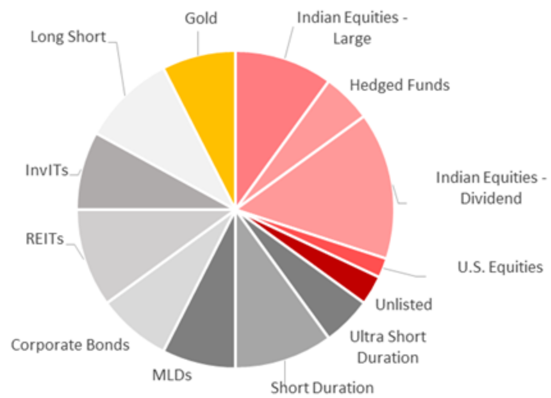
Ambit GPC Wealth Profiles - Strategic Weights

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.

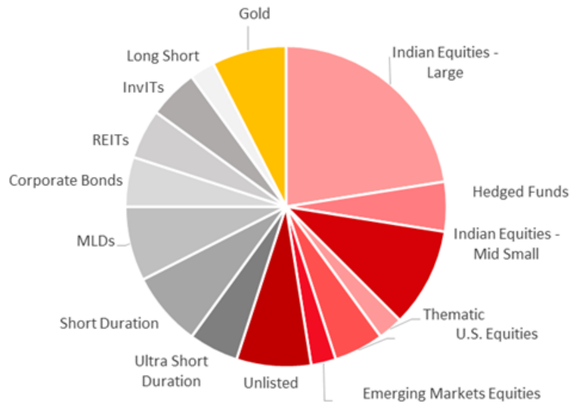
Wealth Conservation



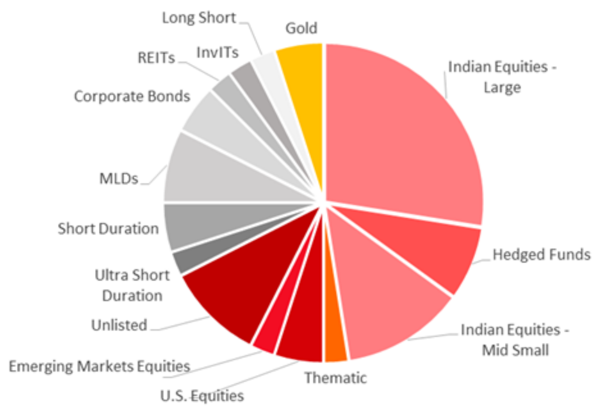
Income



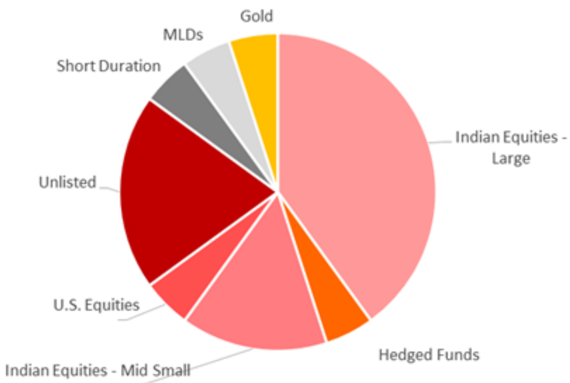
Balanced Growth



Moderate Growth



Aggressive Growth



Ambit Global Private Client - Asset Allocation & Investment Committee

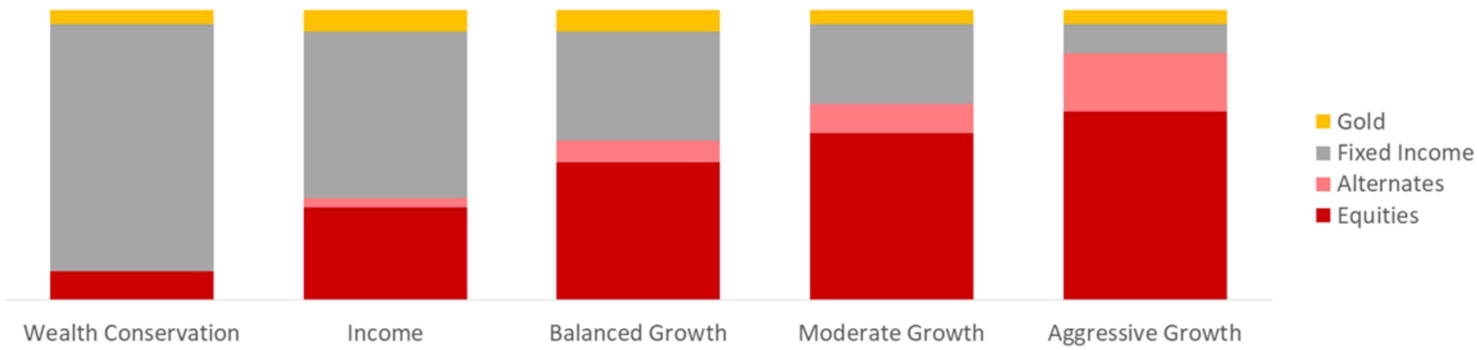
The Ambit GPC Asset Allocation & Investment Committee (AAIC) is a group comprised of the CEO, Head of Products and Alternates, Chief Investment Strategist and Head of Fixed Income (listed below). The team has over 100 years of collective investment experience in markets. The AAIC meets monthly and as 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								◆				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



Ambit Global Private Client – Asset Allocation & Investment Committee

Amrita Farmahan	*Mahesh Kuppannagari*	*Sunil A. Sharma*	*Malay Shah*
CEO	*Head – Products & Advisory*	*Chief Investment Strategist*	*Head – Fixed Income*
Amrita.farmahan@ambit.co	*Mahesh.kuppannagari@ambit.co*	*Sunil.sharma@ambit.co*	*Malay.shah@ambit.co*

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