Issue 46 | July, 2024

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INVESTMENT COMMENTARY

JULY 2024

Every month, our focus is on the relevant issues of the day for Indian investors. This month, we attribute the Nifty return related to earnings growth, PE expansion and dividends. We review earnings revision trends, flows and market technicals. We compare the AI era with the internet era, and consider impacts on the global economy and India. Finally, we share our investment outlook and tactical asset allocation views.

WHAT'S REALLY DRIVING INDIAN EQUITIES?

What portion of the rally in large, mid and small caps can be attributed to earnings growth? The data may surprise you.

EARNINGS REVISIONS

We update earnings revisions trends across large, mid and small caps to discern guidance trends from companies.

FLOWS & TECHNICALS

We take a look at the impact of flows on equity markets, and also review the health of the broader market via technical.

TODAY'S AI DRIVEN INVESTMENT WAVE IS SIMILAR TO 1995

We update surprising data on the U.S. and global economy.

INVESTMENT OUTLOOK

We update our investment outlook, asset allocation, style preferences, sector preferences.

MARKET DATA, TACTICAL ASSET ALLOCATION & RATIONALE

Key market data across asset classes, tactical asset allocation preferences and investment rationale.

Authored by:

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Chief Investment Strategist

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Market Data & Asset Allocation

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WHAT'S REALLY BEEN DRIVING EQUITIES?

On July 16, 1999, JFK Jr's plane tragically crashed into the Atlantic ocean. Experts reckoned that the pitch darkness of the Atlantic ocean played havoc with his mind. Not being a seasoned pilot, he wasn't able to trust his instruments. Likewise, investors too are susceptible to biases, particularly now, and these biases, alongside greed and fear, hold the potential to lead us astray.

Some investors are wondering if this is 1999 all over again and a Nasdaq crash is next. Others are wondering what to do now: buy, sell, lock in profits etc. We'll cover the data first and pick these issues up in the Investment Outlook section.

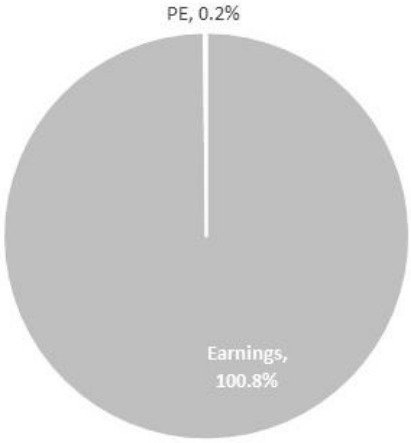
The Nifty 50 is Up 101.1% Since Jan 2020…

Source: NSE, Bloomberg unless noted otherwise.

But Earnings Are Up 100.8% Since That Time…

	01/01/2020	13/07/2024	Change
Index	12,182.5	24,502.2	101.1%
Earnings	493.4	990.8	100.8%
PE	24.7	24.7	0.2%
Div Yield	1.1	1.1	0.0%

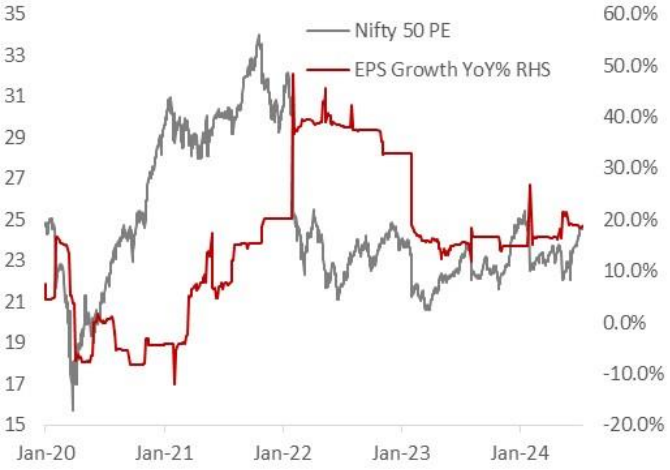
So Earnings Growth Accounted For 100% of the Price Appreciation of the Nifty 50…



Source: NSE, Bloomberg unless noted otherwise.

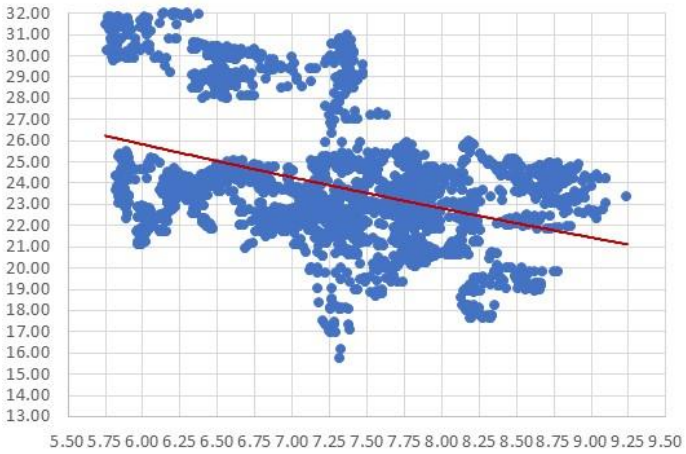
The Nifty PE is Unchanged Since 2020…

…With Trailing 12M EPS Up +18.6% YoY



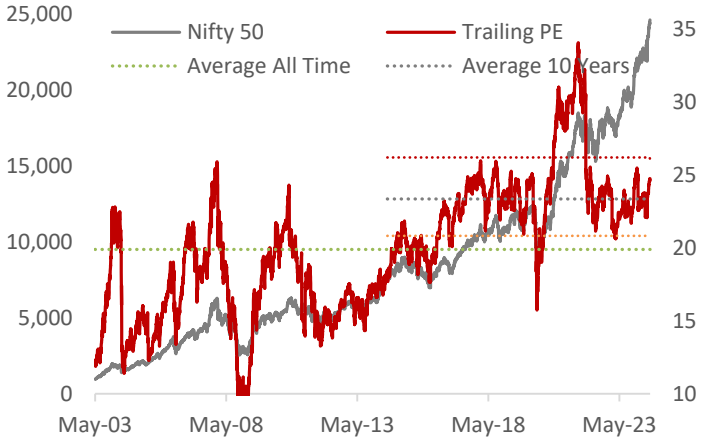
There's a notion out there that valuations on the Nifty 50 are expensive. Let's deal with that next. We have a useful regression model on the Nifty 50 with interest rates as inputs.

The Nifty 50 Predicted Fair Value PE is 24.25

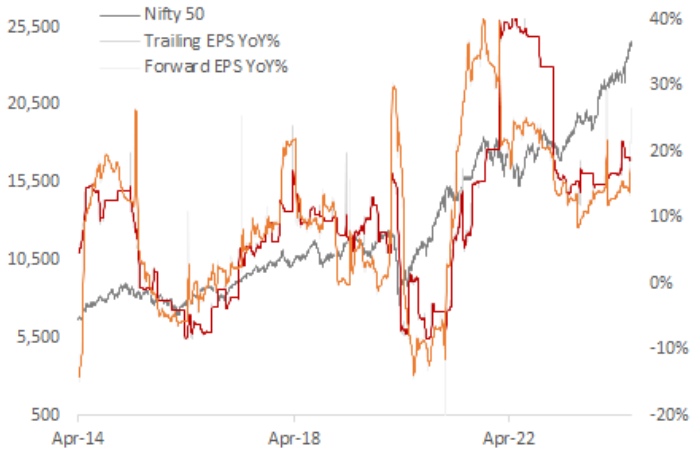


The Nifty 50's current PE of 24 times is in the range that has persisted for most of the Modi regime of the past 10 years. PEs peaked at 34 times during the recent 2021 market peak. However, it's worth noting that peaks are usually accompanied by a crisis – PIGS, Ukraine war, Covid, IL&FS etc – and it isn't necessarily valuations that end bull markets.

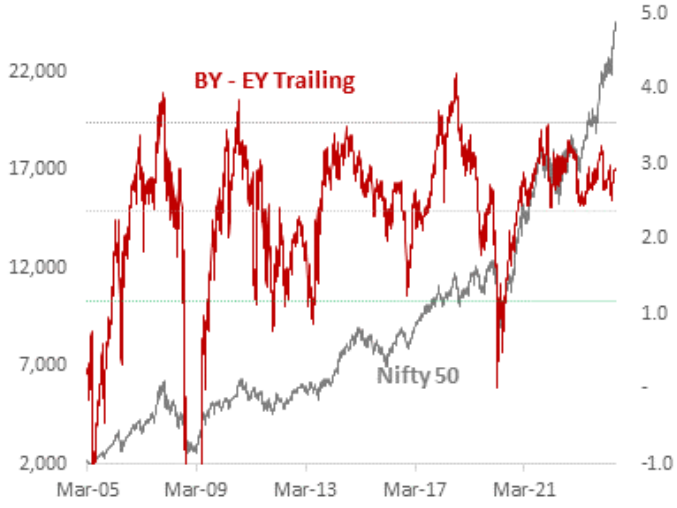
The Nifty 50's Current Trailing PE is 24.5



While EPS Growth is 18.6% YoY Trailing



The Nifty 50 Is Also Fairly Valued Based on the Fed Model



The marginal decline in bond yields has increased the attractiveness of equities relative to bonds. The current yield gap spread between bonds and equities is only marginally above what would be relative parity between bonds and equities.

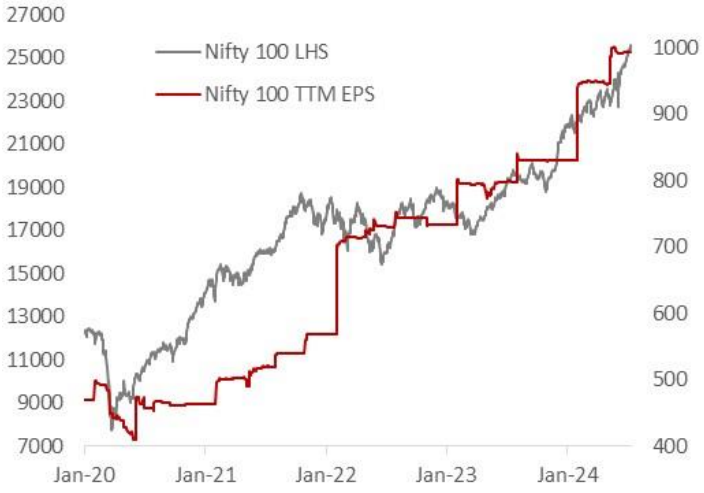
Key Takeaways

Despite the strong rise in the Nifty 50 index, valuations have stayed unchanged. Nifty 50 **valuations are at fair value**. Earnings growth has translated directly to price appreciation. The index is delivering handsome high teens EPS growth.

Nifty 100

We cover the Nifty 100 as well to ensure complete coverage of the large cap universe. The data is equally re-assuring as it is for the Nifty 50.

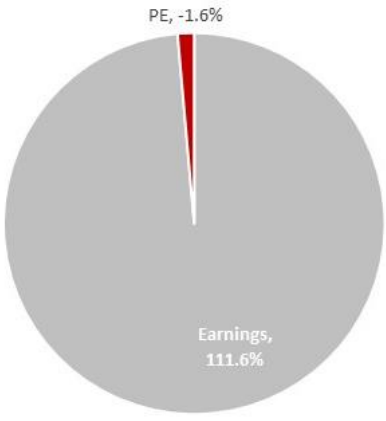
The Nifty 100 is Up 108.3% Since Jan 2020...



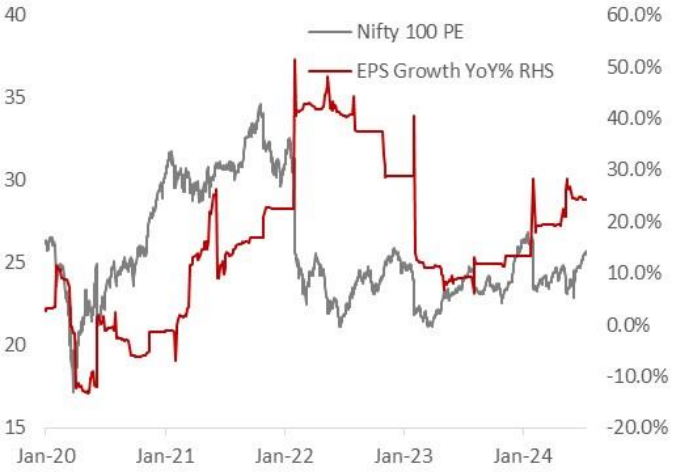
...And Nifty 100 EPS is Up +111.6% in That Time

	01/01/2020	13/07/2024	Change
Index	12,279.1	25,577.3	108.3%
Earnings	469.6	993.9	111.6%
PE	26.1	25.7	-1.6%
Div Yield	1.1	1.1	0.0%

Ergo, Earnings Growth Has Accounted For 100% of the Price Appreciation of the Nifty 100...

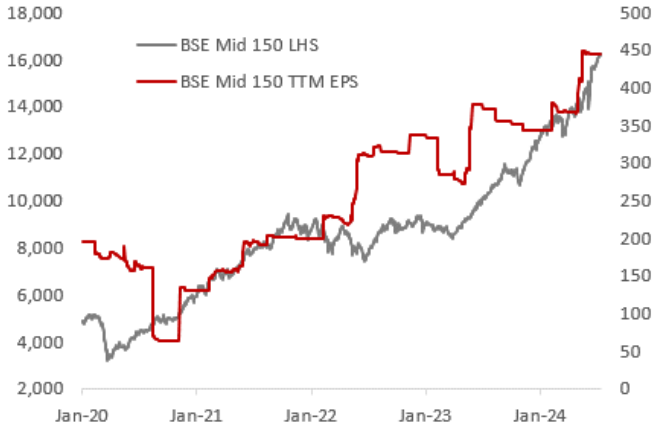


The Nifty 100 PE is Marginally Lower at 25.7 VS a Year Ago at 26.1 Times...and Trailing 12M EPS Growth is Up a Healthy +24.4% YoY



Mid Caps

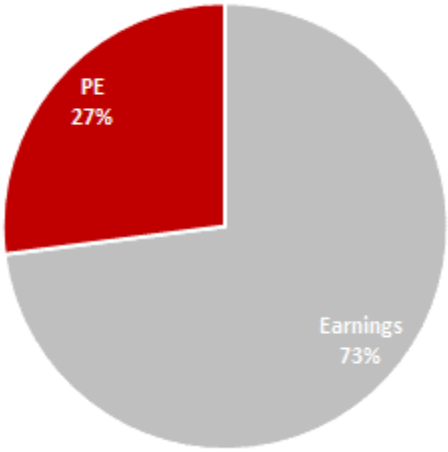
The Midcap Index is Up 238.6% Since Jan 2020...



...Meanwhile EPS is Up 129.1%

	01/01/2020	13/07/2024	Change
Index	4,791.9	16,223.4	238.6%
Earnings	194.2	445.0	129.1%
PE	24.7	36.5	47.8%
Div Yield	0.7	0.7	0.0%

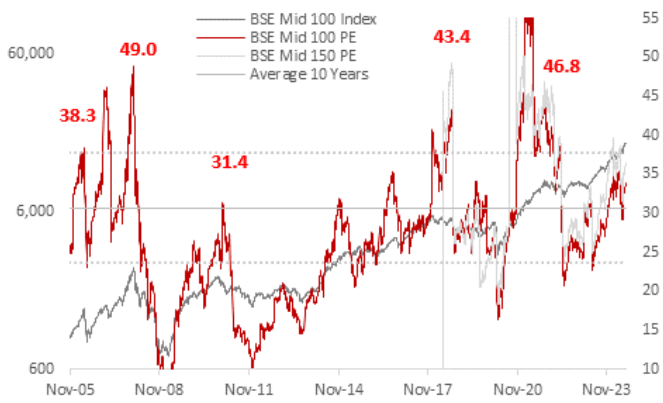
So, 73% of the Index Appreciation is Explained by EPS Growth and 27%~ by PE Expansion



The Midcap 150 EPS YoY is Up 19.4%...

...But the PE Has Risen to 36.5 Times

A Midcap PE of 36.5 Times Remains Under Prior Peak PEs for Past Cycles Except PIGS in '11



A Note on Data

We use the BSE Midcap 150 and Smallcap 250 in our computations for a number of reasons. Our bottom up computations align with the valuations we get for the BSE mid and small indices, the historical data is cleaner, less volatile and better aligned in terms of the cycles we've come through.

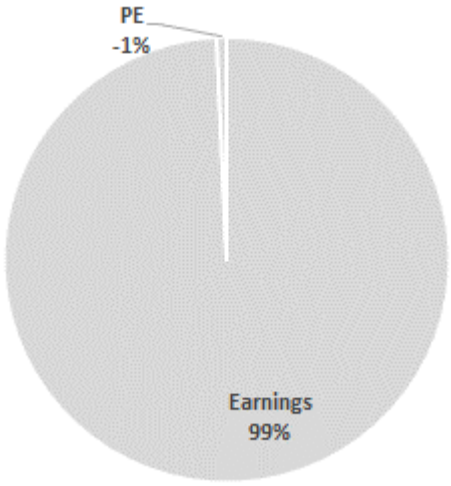
Small Caps

The Smallcap 250 Index is Up 254.0% Since Jan 2020...

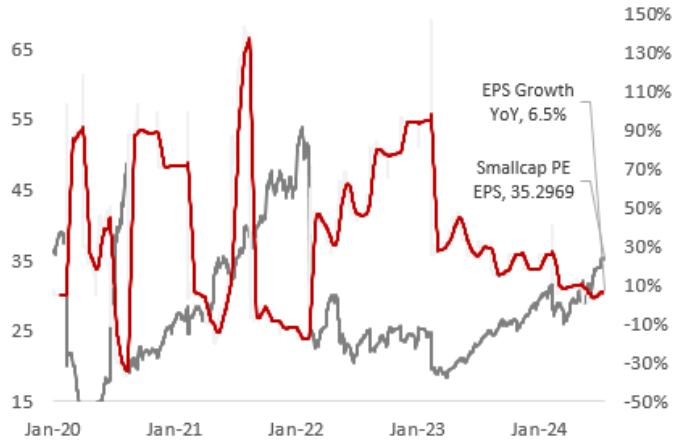
While Small cap Earnings are Up 259.1%

BSE 250	01/01/2020	13/07/2024	Change
Index	2,023.0	7,161.5	254.0%
Earnings	56.2	202.0	259.1%
PE	36.0	35.3	-1.9%
Div Yield	0.6	0.6	0.0%

Yet Again, 100% of the Index Appreciation is Explained by Earnings Delivery



The Smallcap 250 PE Is Marginally Lower Than It Was in 2020…



…And the Current Index PE of 36 is Lower than Recent Prior Peaks in 2021 and 2018

The year over year earnings data is lower than our bottom up estimates, and could be due to one off losses, and missing data for some names. The forward earnings growth appears healthy, as we detail in the next section. For small caps, our preference, and the most reliable approach, remains stock level bottom up analysis.

Key Takeaways

The market's 4+ year run since 2020 appears to be **entirely explained by earnings growth**.

Valuations are fair for the Nifty 50, NSE 100 and small caps, and slightly **elevated for midcaps**. Valuations are **fair relative to bonds** for equities. Valuations are **fair relative to interest rates** and cost of capital. Valuations are **lower than prior peak** valuations.

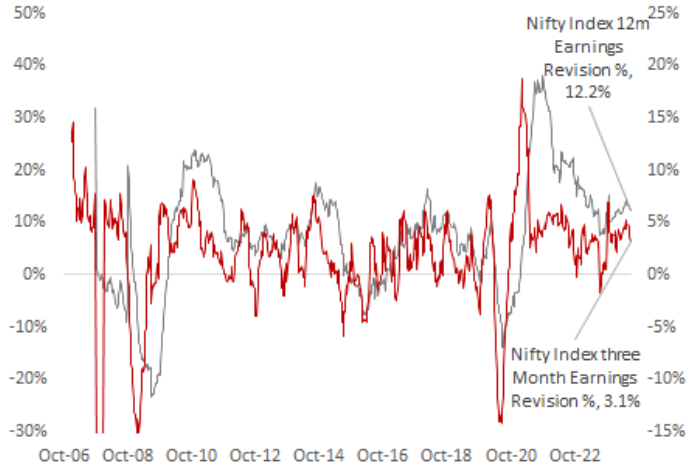
Earnings growth has been robust and that trend looks set to continue in the current year as well.

These observations are also interesting because most investors would presume that much of the rally is as result of valuations expanding. Not so, as we have shown.

Reality is often at odds with what our perceptions suggest.

EARNINGS REVISION TRENDS

Nifty EPS Revisions are Up 12.2% YoY, 3.1% QoQ



Nifty Earnings Forward 1Yr Growth: +17.4%

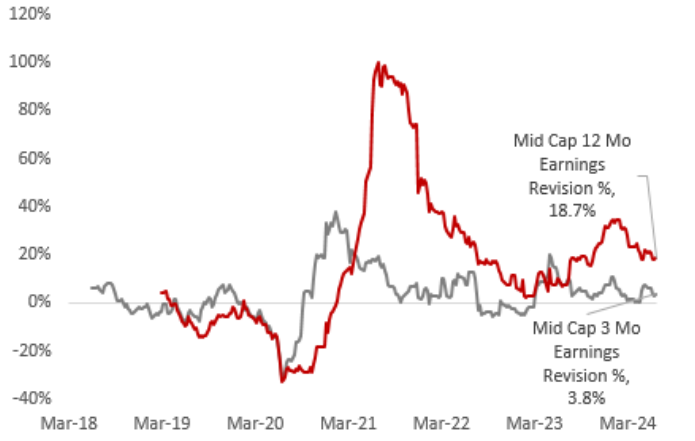
Nifty 50	EPS - Jul'24	EPS - Apr'24	% Chg - Jul'24	% Chg - Apr'24
Trailing EPS	988.33	951.01		
1yr Forward	1,159.83	1,092.03	17.4%	14.8%

Midcap Earnings Forward 1 Yr Growth: +11.4%

NSEMCAP Index

Midcap	EPS - Jul'24	EPS - Apr'24	% Chg - Jul'24	% Chg - Apr'24
Trailing EPS	496.40	474.92		
1yr Forward	553.02	552.06	11.4%	16.2%

Midcap Revisions are Up 18.7% YoY, 3.8% QoQ



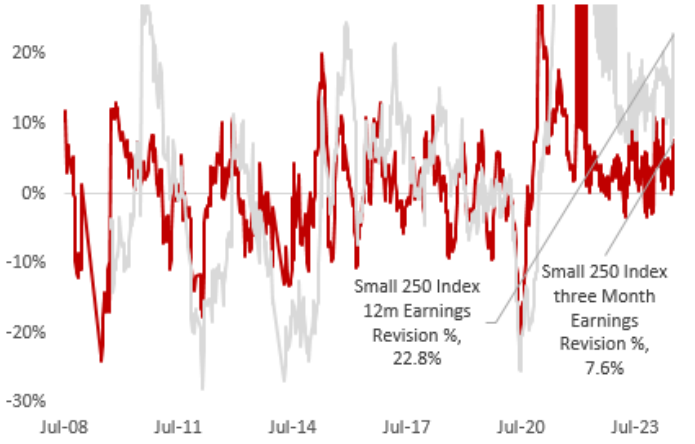
Smallcap Earnings Forward 1 Yr Growth: 22.5%

Smallcap	EPS - Jul'24	EPS - Apr'24	% Chg - Jul'24	% Chg - Apr'24
Trailing EPS	208.77	217.18		
1yr Forward	255.79	269.99	22.5%	24.3%

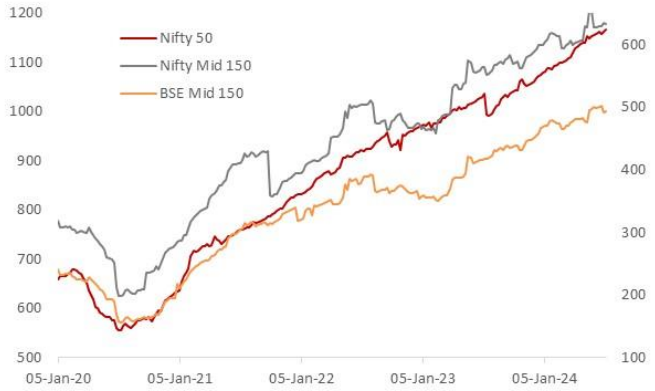
Earnings Revisions Trends Remain Positive

Earnings revision data trends remain positive. Earnings growth estimates for the current year forward remain strong, particularly for the Nifty 50, NSE 100 and small caps.

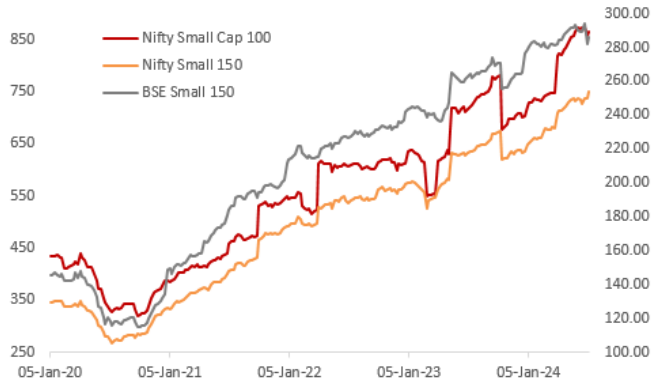
Smallcap Revisions are Up 22.8% YoY, 7.6% QoQ



Nifty and Mid Cap Estimated Earnings Continue to Rise



Small Cap Estimated EPS Continue to Rise Higher

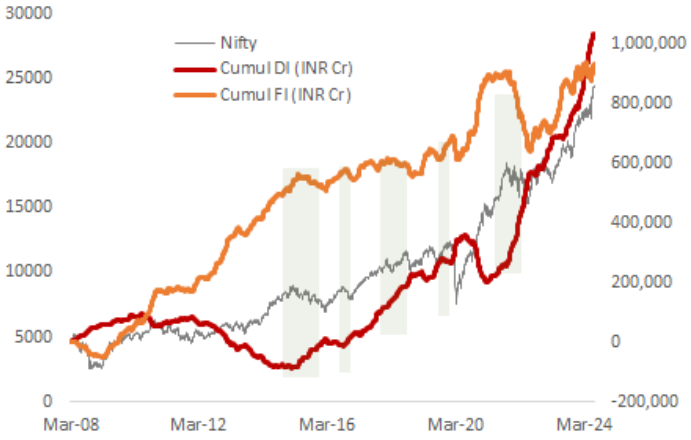


Earnings Estimates Healthy

While the variability of some of the data series (see above) can skew the year over year comparables, the view from a longer lens is incontrovertible: **India Inc earnings are growing consistently, across large, mid, small cap,** at a mid teens rate.

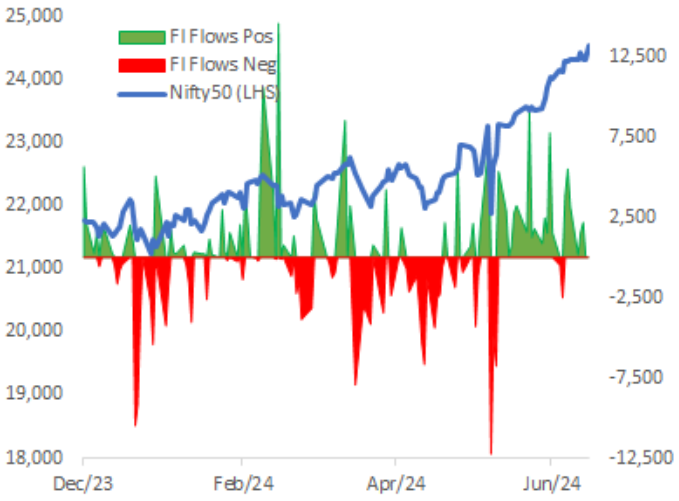
Flows & Market Breadth

Cumulative DI Flows Have Overtaken Cumulative FI Flows Since 2008

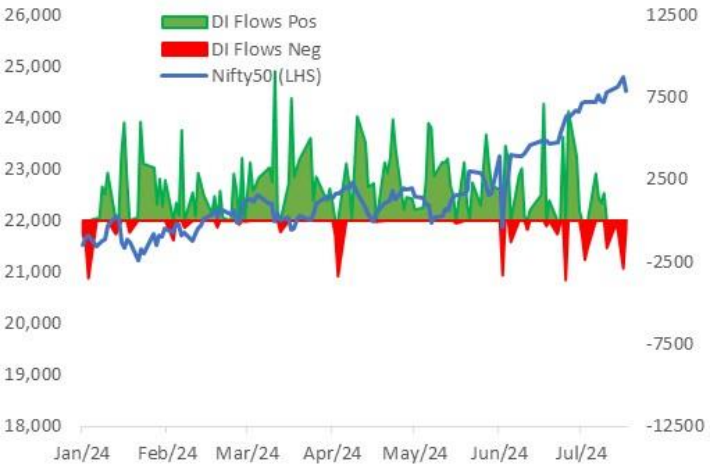


We've been expecting **DI flows to surpass FI flows** for some time now. The DI flow into markets are structural since 2016, interrupted only by Covid for a short few weeks. Hockey like and accelerating higher. DIs have been winners since Oct 2018 on their buying strategies, and outlasted massive FI selling in 2022 of 2.5 lakh~ crores.

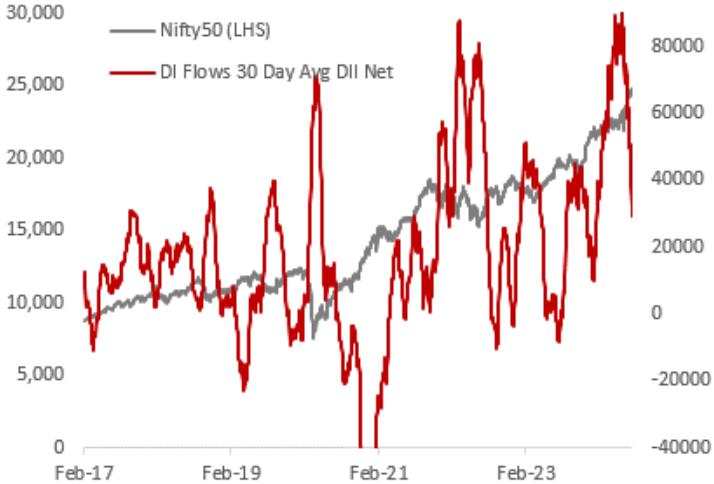
FIs Were Avoiding Election Risk, and Are Now Returning to the India Story



But DIs Have Been Selling in July

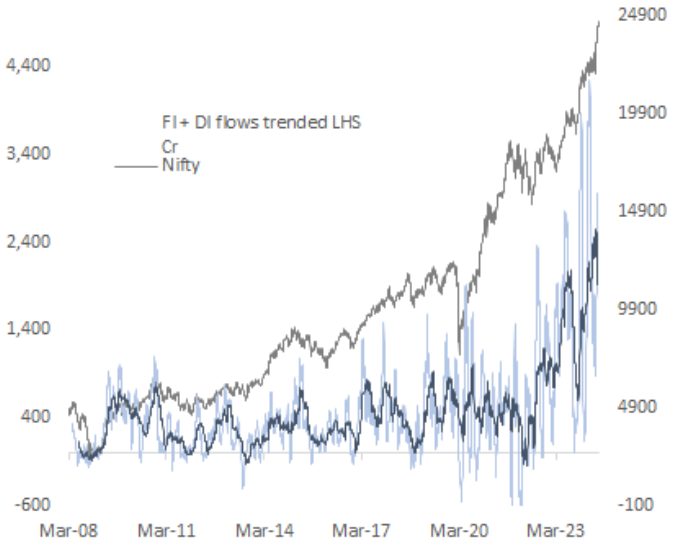


DI Flows 2017-2024



In reviewing DI historical data, DIs reduced exposure marginally in 2023, early 2024 and also 2022. The selling appears to be profit taking post a sharp rally, and pre-Budget positioning.

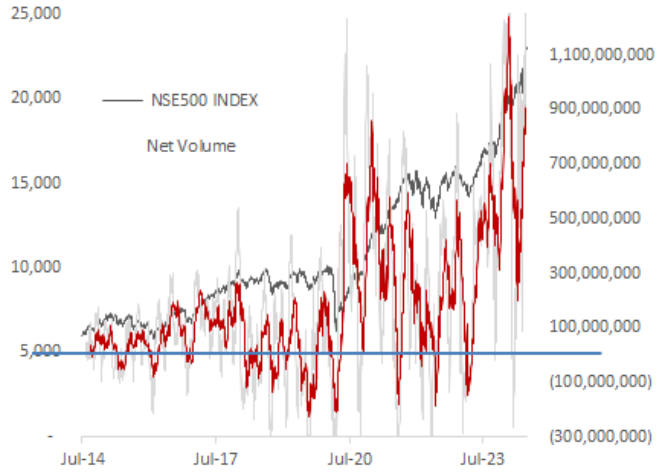
FI & DI Flows Remain Strongly Positive



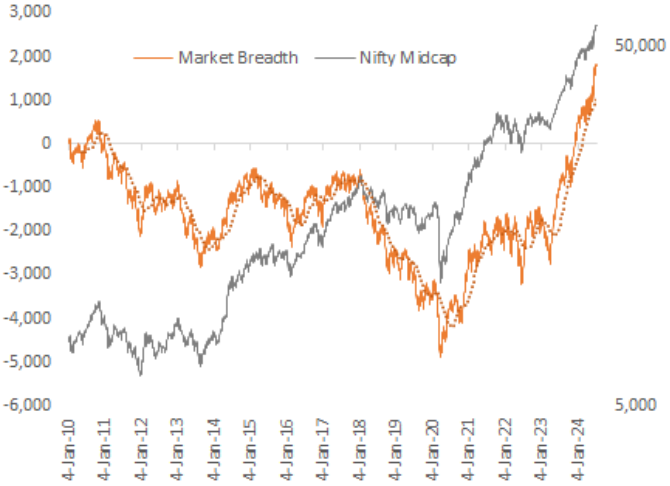
Net Buying Volumes Rising

FIs on the other hand, have been buyers in July. So, net buying volumes, continue to stay in positive territory. (see chart).

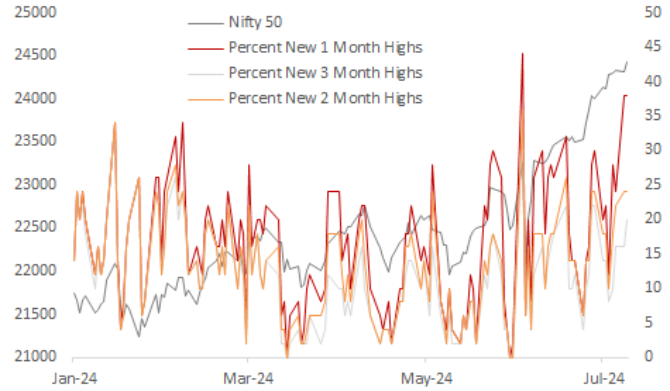
Net Volume Remains High



The Market's Breadth Remains Strong...



38% of the Nifty Made New 1 Month Highs This Week



Key Takeaways

FIs and strong SIP flows supported the markets this month. Flows continue to be strongly positive. We believe India is now firmly in global institutional discussions, and allocations will continue to rise as investors look to diversify beyond the very narrow Mag 7 trade.

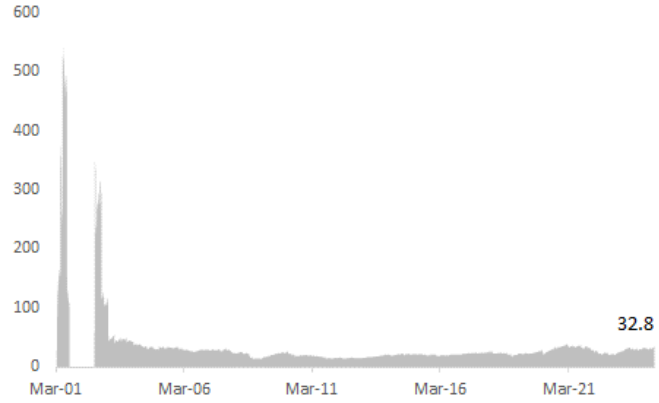
AI IS UNLEASHING THE NEXT TECH WAVE

The greatest **secular trend of our generation** has been the digitalization of the global economy. The release of **ChatGPT was a seminal moment**, right up there with the release of the Netscape browser, Windows, Apple computer, Lotus123, email, the mobile phone etc.

The technology sector has progressed through **waves of innovation**. AI is the current debutante. The explosion of interest in AI, convergence with robotics, IoT, and automation is powering U.S., Taiwan, and **India IT stocks** to strong gains.

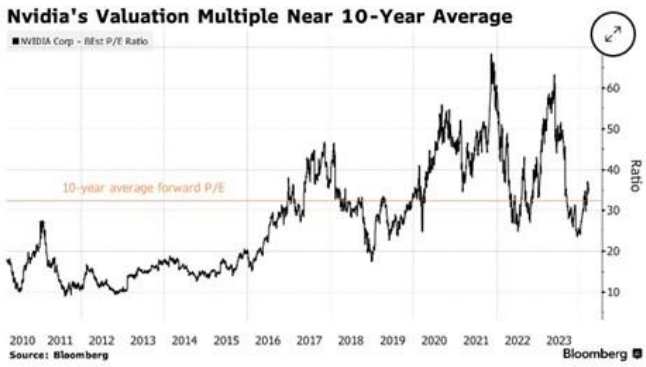
We are at an **inflection point** and the world as we know it could change dramatically. Investors are questioning whether the AI investing craze will be a repeat of the dot-com bubble and whether it's time to prepare for a crash and bust. This is fairly easy to address.

The Nasdaq PE Today is a Reasonable 32.8 Times & Supported by Earnings Growth



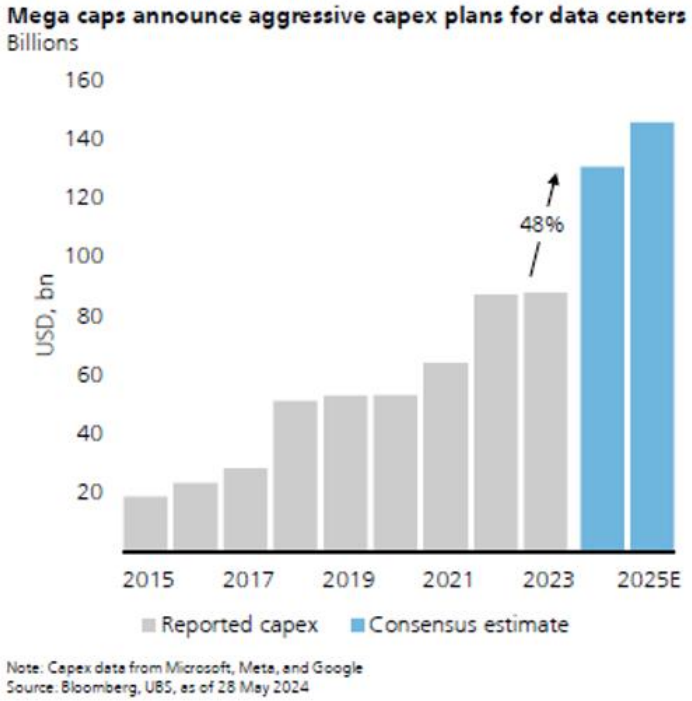
The companies investing in AI infrastructure – hyperscalers like Amazon, Microsoft, Google, Apple, Meta, Tesla etc – are hugely profitable, with deep pockets, scale, global reach, dominating tech and execution prowess. That's a far cry from the days of the Nasdaq bubble.

The early internet failed to live up to expectations because the business models weren't sound. Ultimately, companies disappointed and the hype turned to disappointment and the bubble crashed. That's unlikely to turn out to be the case today. The AI leaders of today are gorillas, well positioned to weather pitfalls along the way and skilled at innovation and product development. Investments in infrastructure will pay off, whether via AI or accelerated compute networking on the cloud.



AI's learning curve will accelerate, costs will decline rapidly, efficiencies will emerge. Cloud enabled SaaS players will inject AI into software. AI enhancements will **increase productivity** across industries, leading to real growth. At some point, a **next big idea** will translate to **billions in sales**.

Mega Cap Techs Huge Plans for Data Centers



Note: Capex data from Microsoft, Meta, and Google
Source: Bloomberg, UBS, as of 28 May 2024

Megatrends from AI

AI is driving a capex boom in tech. Companies across industries will be forced to invest in AI's productivity enhancing technologies or risk falling behind.

Deflation will continue to be a primary force, at least in technology. The AI boom will drive a voracious demand for power. The IEA estimates that data centers may need double the power they use today by 2026.

Third, **convergence** with automation technology, IoT, robotics will drive global innovation. India will benefit as many companies will need IT consultants with expertise in LLM, AI, robotics.

Fourth, AI driven **virtual agents** will emerge that will save time, save money, and manage mundane tasks with tireless efficiency.

AI is a key priority with 14% of CIOs stating AI is the number one priority. **The AI revolution is just getting started.**

It's A Lot Like 1995

In terms of where we are in the lifecycle of AI versus the lifecycle of the internet, we think 1995 is an appropriate comparison year for where we stand. The release of the **Netscape browser in Oct 1994** is a milestone marker for the internet. The release of Chat GPT4 in March 2023 is the equivalent marker A.I. The A.I. wave is just getting started.

In the next section, we cover why the macro environment is a lot like 1995 as well.

INVESTMENT OUTLOOK & ASSET ALLOCATION

19995 and not 1999

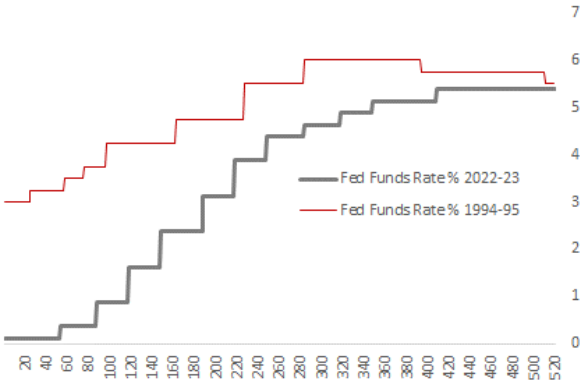
The internet was just getting started as is AI today. Excessive valuations were not an issue in 1995, and they aren't today, unlike 1999. Investors are unclear on what exactly the future heralds with AI, just as we were unclear back in 1995 when the internet was in its infancy. Unlike the Nasdaq bubble, this time investors are deep pocketed leaders, skilled at leveraging technology to change the world.

The Fed Was Hiking Rates in 1994-95

The Fed had raised rates while managing to engineer a **soft landing in 1995**. This time around as well, the Fed has deftly managed to avoid a recession and the U.S. economy has been surprisingly resilient.

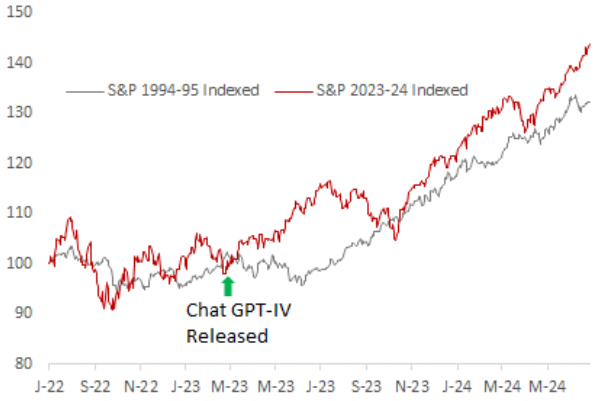
The Fed Funds Rate Peaked at 5.5% in 1995…

…And 5.37% in 2023



The PC and the semiconductor chip launched the roaring 80s. Storage, mobile and the internet launched the 90s. We are **now at the cusp of the robotics, AI, automation wave**. **It feels like 1995.**

The S&P 500 Took Off the Day Chat GPT IV Was Released



Investment Outlook

To **recap**, **earnings** growth has been responsible for nearly 100% of the performance of the market since Jan 1, 2020. Earnings **revisions** data is healthy. **Valuations** are reasonable, particularly for large caps, and generally for small caps. Mid caps appear to be somewhat extended.

We're potentially riding an **AI investment** boom. Besides AI, governments across the world are scrambling to invest or upgrade **infrastructure**, and scrambling to build **power** capacity.

With AI learning curves exploding, it's a good bet productivity will start to improve in coming quarters. For most companies, there is no alternative but to invest in AI or risk being left behind. Several large companies are already signing contracts with tech firms to incorporate AI. **Robotics** could herald a revolution in 2026. India is well positioned to benefit from the boom in AI.

The India Investment Cycle

Separately, an investment cycle continues in India. We expect a continuation of policy with the government continuing to focus on the supply side and infrastructure buildout.

Central banks stand ready to step in if necessary. Inflation is within the band and decelerating. **Structural drivers** and demographics remain in place. India is increasingly looking like the new engine of growth for the world.

Make in India Makes Inroads

Make in India is starting to show meaningful traction. **Apple** has made India its second base for iPhone manufacturing after China. Apple exports contribute 65% of India's $15.6 billion in mobile exports. Meanwhile, U.S. imports from China are down by 8% since 2017. FY24 mobile shipments from China and Vietnam are down by $9.4b, while India's shipments have surged 40% or $4.5 b. So India has captured meaningful **40-50%~ market share** from China and Vietnam.

Macro Remains Healthy

India's macro remains healthy. Services and Manufacturing PMIs are strong. Inflation is largely under control, with blips along the way. Earnings continue to come through across cap. Consumer spending remains healthy based on early earnings indications. The banking system is healthy.

That's what the data suggests.

It's Been a Heck of a Ride in Equities Since 2020

We've been bullish since the Fall of 2020, turned bullish again in June 2022, reiterated our bullish call in March 2023, recommended switching to mid and small in April 2022, and away from expensive growth in the summer of 2020.

The Risks

There are always risks. Most of them follow the dictum "this shall pass", and it typically does. Today we would list sentiment, valuations for some parts of the market, regulatory risk, recession and an inverted yield curve in the U.S., war, struggling bottom 30% consumers in the U.S., the concentration in the Mag 7, rising interest burden of DM debt as some of the risks. AI is also a risk. An awesome new technology, with the promise of changing the world, that wows us and gets investors overhyped, but eventually flops.

Today, there remain an abundance of positives that counter-balance, and in our view, outweigh the risks. We remain vigilant in tracking asset classes, across multiple frameworks and disciplines.

Asset Allocation

We've laid out a case, over many months, for an investment driven cycle that will generate earnings growth, backed by a whole host of structural factors.

Large caps look attractive with fair valuations and strong earnings growth. Small caps will continue to offer opportunities with stock selection increasingly important. Midcaps are relatively expensive compared to large and small. There are **no changes to our tactical preferences.** Our tactical weights are listed on page 27.

The record over the past 2 decades speaks clearly. Most of the time, reasons to sell generally may work in the short term, but are typically tough to execute, generate meaningful tax impacts, and usually impede the compounding of long term wealth. Until there are compelling indications of mounting risks, we prefer to stay the course.

Sector & Style

The follow on from our view this month is **technology is clearly back in vogue**, with focus on data data centers, AI, robotics, automation. Sectorally, infrastructure, manufacturing, financials, power, defence, building materials, consumerism, real estate remain themes.

We prefer **GARP, emerging value** and are particularly discerning when paying a premium. We are **cap agnostic**, while orienting towards a typical two third large cap, one third mid and small mix for moderate investors.

Please contact your Ambit wealth advisor for a review or discussion of your portfolio holdings, a discussion on asset allocation, our tactical calls, long term planning, or any other requirements whereby we may be of assistance.

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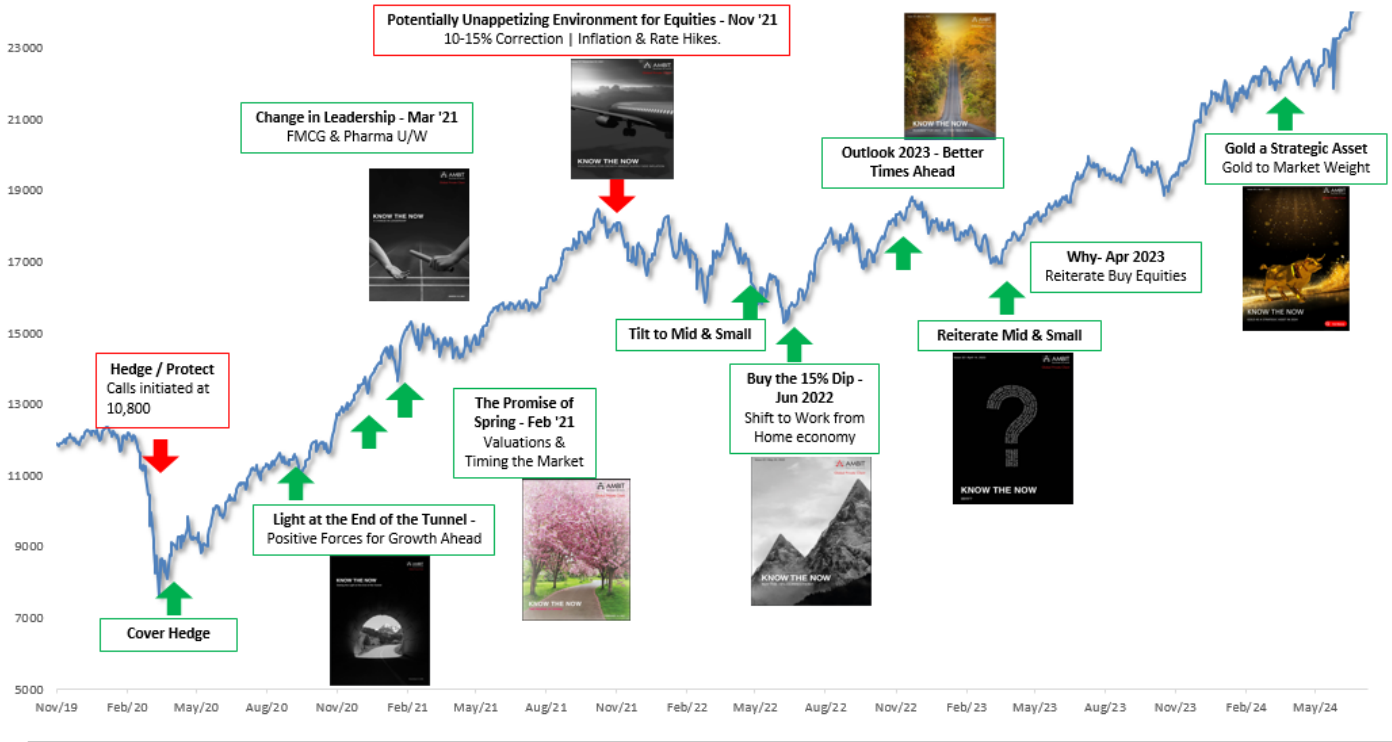
KEY CALLS FROM PAST COMMENTARIES

- Hedge in March 2020, Exited Hedge at the Bottom March 24, 2020
- Neutral Summer 2020
- Bullish Fall 2020 – Nov 2021
- Cautious Nov 2021 – Expected a 10-15% Correction
- Bullish in June 2022, Reiterated in April 2023 post the Regional Bank crisis
- Tilt to Mid & Small Caps in Apr 2022, Reiterated in May 2023

Know the Now – Tactical Asset Allocation Views – Timeline



Global Index Performance

20-Jul-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi
Nifty 50	**24,531**	**-1.1**	**0.9**	**4.4**	**2.2**	**9.8**	**13.7**	**2.2**	**12.9**	**24.2**	**-1.3%**
Sensex	80,605	-0.9	0.9	4.4	2.0	9.4	12.9	2.0	11.6	20.9	-1.2%
Nifty 500	22,854	-1.5	-0.7	2.8	1.3	11.1	16.6	1.3	17.6	35.2	-1.9%
NIFTY Midcap 100	55,908	-2.1	-2.2	0.9	0.3	13.9	16.3	0.3	21.1	51.9	-3.5%
Nifty Midcap 150	20,812	-2.1	-2.3	0.4	-0.1	14.1	17.4	-0.1	21.9	51.1	-3.4%
NIFTY Smallcap 100	18,398	-2.3	-2.8	0.9	0.4	11.6	18.6	0.4	21.5	59.6	-4.1%
NSE NIFTY Smallcap 250	17,163	-2.4	-3.0	0.7	0.3	11.9	17.4	0.3	22.2	54.5	-4.0%
Americas											
S&P 500 Index	5,505	-0.7	-2.0	0.7	0.8	9.9	13.5	0.8	15.4	21.4	-2.9%
Dow Jones Indus. Avg	40,288	-0.9	0.7	2.9	3.0	5.4	6.0	3.0	6.9	14.4	-2.6%
Nasdaq Composite	17,727	-0.8	-3.6	0.2	-0.0	14.7	15.4	-0.0	18.1	26.3	-5.1%
Nasdaq 100 Stock Indx	19,523	-0.9	-4.0	-0.9	-0.8	13.4	12.6	-0.8	16.0	26.6	-5.6%
Nyse Fang+ Index	11,274	-1.2	-4.6	1.0	-0.3	20.4	25.1	-0.3	29.3	45.4	-8.2%
Bbg Magnificent 7 Pr Usd	21,586	-1.2	-4.8	2.6	1.0	24.9	33.6	1.0	38.2	51.8	-8.6%
S&P Ex Magnificent 7	115	-0.6	-0.5	1.2	1.6	5.0	8.2	1.6	9.0	13.2	-2.1%
Canada	22,690	-0.2	0.1	5.3	3.7	3.7	8.4	3.7	8.3	10.4	-1.3%
Mexico	53,679	1.2	-2.3	1.7	2.4	-5.1	-1.9	2.4	-6.5	-0.0	-9.1%
Brazil Bovespa	127,617	-0.0	-1.0	5.2	3.0	1.6	0.8	3.0	-4.9	6.2	-5.0%
Europe											
Euro Stoxx 50 Pr	4,827	-0.9	-4.3	-1.6	-1.4	-2.2	7.7	-1.4	6.8	9.9	-5.7%
FTSE 100	8,156	-0.6	-1.2	-1.0	-0.1	1.6	8.9	-0.1	5.5	6.4	-3.8%
CAC 40 Paris	7,535	-0.7	-2.5	-1.2	0.7	-6.3	1.6	0.7	-0.1	1.4	-8.8%
DAX Germany	18,172	-1.0	-3.1	0.0	-0.3	1.7	8.9	-0.3	8.5	12.3	-3.8%
Asia											
Japan - Nikkei 225	40,064	-0.2	-5.1	3.8	1.2	7.0	9.6	1.2	19.7	24.0	-5.6%
Hang Seng	17,418	-2.0	-4.8	-3.4	-1.7	5.5	16.4	-1.7	2.2	-8.7	-14.5%
Shenzhen CSI 300	3,539	0.5	1.9	1.2	2.2	0.2	9.9	2.2	3.1	-7.4	-12.9%
Australia	7,972	-0.8	0.2	2.3	2.6	4.2	6.6	2.6	5.0	9.0	-1.4%
Taiwan	22,869	-2.3	-4.4	-1.7	-0.7	17.8	28.4	-0.7	27.5	34.3	-6.3%
Korea	2,795	-1.0	-2.2	0.4	-0.1	6.3	13.4	-0.1	5.3	7.1	-3.5%
Straits Times Index STI	3,448	-0.7	-1.4	4.3	3.4	6.9	9.5	3.4	6.4	5.2	-1.8%
Vietnam Ho Chi Minh	1,265	-0.8	-1.2	-1.3	1.6	6.3	6.9	1.6	11.9	6.7	-3.2%
Jakarta Indonesia	7,294	-0.4	-0.5	6.0	3.3	3.1	0.6	3.3	0.3	6.0	-2.1%
Phillipines	6,792	1.3	2.2	10.3	5.9	5.4	3.2	5.9	5.3	2.2	-3.9%

Leadership Stocks – U.S. & India

Select Leadership Stocks - India U.S.	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi
Nifty 50	**24,531**	-1.1	0.9	4.4	2.2	9.8	13.7	2.2	12.9	24.2	-1%
Microsoft Corp	437	-0.7	-3.6	-1.9	-2.2	9.5	9.6	-2.2	16.2	26.0	-7%
Apple Inc	224	0.1	-2.7	7.0	6.5	35.9	17.1	6.5	16.5	16.1	-5%
Amazon.Com Inc	183	-0.3	-5.8	-1.6	-5.2	4.9	17.9	-5.2	20.5	40.9	-9%
Walt Disney Co/The	96	-1.1	-1.4	-6.0	-3.6	-15.0	2.9	-3.6	6.0	11.1	-23%
Nvidia Corp	118	-2.6	-8.8	-9.8	-4.5	54.8	98.2	-4.5	138.1	159.1	-16%
Netflix Inc	633	-1.5	-2.2	-6.7	-6.2	14.1	31.1	-6.2	30.1	44.8	-9%
Tesla Inc	239	-4.0	-3.6	31.7	20.9	62.7	12.7	20.9	-3.7	-9.0	-15%
Alphabet Inc-Cl A	178	-0.0	-4.0	0.8	-2.5	15.3	21.4	-2.5	27.2	49.0	-7%
Hdfc Bank Limited	1,607	-0.5	-0.9	-3.7	-4.5	5.0	8.7	-4.5	-6.0	-4.8	-10%
Icici Bank Ltd	1,249	-0.1	0.8	7.9	4.1	17.0	23.8	4.1	25.3	25.4	-1%
Tata Consultancy Svcs Ltd	4,302	-0.3	9.7	13.6	10.2	12.4	11.4	10.2	13.9	24.8	-1%
Reliance Industries Ltd	3,110	-2.0	-1.6	5.5	-0.7	5.8	14.6	-0.7	20.3	18.7	-3%
Bajaj Finance Ltd	6,932	-2.5	-0.3	-3.8	-2.6	-2.6	-5.1	-2.6	-5.4	-8.7	-15%
Hindustan Unilever Ltd	2,727	-0.4	4.5	9.9	10.3	22.2	10.5	10.3	2.4	0.9	-1%
Nestle India Ltd	2,598	-1.1	0.2	2.3	1.8	6.6	4.8	1.8	-2.3	12.9	-6%
Titan Co Ltd	3,259	-0.1	0.3	-5.1	-4.3	-8.5	-13.9	-4.3	-11.3	9.0	-16%
Asian Paints Ltd	2,946	0.5	-2.5	1.0	1.0	4.9	-6.1	1.0	-13.4	-16.4	-17%
Srf Ltd	2,343	-2.6	-2.1	-6.3	-3.8	-7.4	2.3	-3.8	-5.5	4.5	-13%

Large, Mid & Small

20-Jul-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi
India Indices											
Nifty 50	**24,531**	**-1.1**	**0.9**	**4.4**	**2.2**	**9.8**	**13.7**	**2.2**	**12.9**	**24.2**	**-1.3%**
NIFTY Midcap 100	55,908	-2.1	-2.2	0.9	0.3	13.9	16.3	0.3	21.1	51.9	-3.5%
NIFTY Smallcap 100	18,398	-2.3	-2.8	0.9	0.4	11.6	18.6	0.4	21.5	59.6	-4.1%

Nifty Sectors

20-Jul-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi
Nifty Sectors											
Nifty Auto	24,963	-2.4	-1.2	-0.5	-0.9	14.4	33.8	-0.9	34.1	60.1	-4.0%
Nifty Bank	52,266	-0.7	-0.0	1.2	-0.1	9.1	13.5	-0.1	8.2	13.4	-2.0%
NIFTY Private Bank	26,008	-0.8	-0.5	0.8	-0.3	8.5	9.8	-0.3	4.6	10.4	-2.4%
Nifty Financial Services	23,596	-0.8	-0.0	2.6	0.8	10.6	14.9	0.8	9.8	14.9	-1.9%
Nifty India Consumption	11,394	-1.1	0.5	3.3	2.4	11.3	19.1	2.4	19.0	34.9	-1.2%
Nifty FMCG	61,088	-0.2	2.6	9.1	7.6	14.2	9.1	7.6	7.2	13.8	-0.7%
Nifty Energy	42,063	-2.7	-1.6	4.0	0.7	6.3	19.4	0.7	25.7	62.8	-3.7%
Nifty Infrastructure	9,122	-2.3	-1.5	2.7	-0.1	8.3	19.0	-0.1	24.9	53.6	-2.8%
Nifty IT	39,923	-0.2	6.9	13.4	10.4	19.0	8.8	10.4	12.4	33.7	-1.9%
Nifty Metal	9,256	-3.9	-4.8	-7.4	-5.7	3.6	19.4	-5.7	16.0	43.7	-9.2%
Nifty Pharma	20,425	-1.7	-0.9	4.6	3.5	9.6	18.5	3.5	21.4	43.1	-2.6%
Nifty PSU Bank	7,303	-1.4	0.8	-1.1	-0.9	2.2	20.6	-0.9	27.8	60.0	-9.3%
Nifty Realty	1,096	-2.4	-1.2	-3.2	-0.8	17.5	27.2	-0.8	40.0	104.5	-5.3%
Nifty Sectors & Themes											
Nifty Media	1,963	-2.3	-3.4	-3.8	-1.5	4.7	-17.3	-1.5	-17.8	-1.1	-21.8%
Nifty CPSE	7,073	-3.0	-3.0	5.4	3.9	18.0	36.3	3.9	45.5	114.1	-5.5%
Nifty PSE	10,929	-3.2	-4.2	3.1	2.3	14.6	30.1	2.3	39.1	109.7	-5.7%
Nifty Commodities	9,147	-3.0	-2.4	0.2	-1.3	6.6	17.9	-1.3	18.5	48.7	-4.1%
Nifty MNC	30,455	-1.7	-1.7	1.1	0.3	15.4	26.8	0.3	25.8	37.4	-2.8%

Crude Oil, Commodities and Precious Metals

20-Jul-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi
Nifty 50	24,531	-1.1	0.9	4.4	2.2	9.8	13.7	2.2	12.9	24.2	-1.3%
Crude											
Brent Crude	82.6	-2.9	-2.8	-2.9	-4.4	-5.3	5.2	-4.4	7.3	4.0	-15%
WTI Crude	80.1	-3.2	-2.5	-1.8	-1.7	-3.6	9.2	-1.7	11.8	6.3	-16%
GAS FUTURES NYMEX HEN HUE	2.45	-2.6	-2.6	-1.3	-3.1	-9.6	13.3	-3.1	16.5	-9.9	
Metals											
CRB Raw Industrials Index	549.2	-1.2	-1.4	-0.6	-1.3	-2.1	1.7	-1.3	1.0	-1.4	-3%
BBG Cmdty ex-Prec Mtl	83.5	-1.2	-3.5	-5.7	-4.8	-7.1	-3.5	-4.8	-4.7	-13.3	-16%
CRB Metals Index	1,046.4	-2.7	-4.3	-2.2	-3.1	-6.3	3.3	-3.1	1.4	4.5	-8%
LME Copper	9,179.3	-0.8	-5.6	-4.9	-2.9	-6.3	11.0	-2.9	8.5	9.3	-16%
LME Aluminum	2,294.7	-1.4	-5.0	-6.2	-7.8	-13.7	8.1	-7.8	-2.2	7.1	-16%
LME Nickel	15,985.5	-1.0	-3.6	-6.6	-6.2	-16.6	1.2	-6.2	-2.4	-22.6	-28%
LME Zinc	2,716.7	-1.2	-5.8	-3.4	-5.6	-4.2	10.9	-5.6	2.9	15.9	-12%
LME Lead	2,081.6	-2.2	-3.3	-3.1	-4.4	-5.0	-0.5	-4.4	2.3	0.3	-10%
LME Tin	30,845.0	-1.7	-8.0	-4.0	-5.0	-14.1	22.8	-5.0	22.5	8.6	-14%
SGX Iron Ore	105.1	0.5	-3.5	0.2	-1.2	-7.5	-11.9	-1.2	-18.2	7.9	-21%
Commodities											
Bloomberg Commodity Index	97.5	-1.5	-3.2	-4.2	-3.5	-5.2	0.6	-3.5	-1.2	-8.2	-10%
CRB Commodities Index	534.8	-1.2	-1.3	-1.9	-0.8	-3.3	5.2	-0.8	4.8	-4.7	-6%
Lumber	9,179.3	-0.8	-5.6	-4.9	-2.9	-6.3	11.0	-2.9	8.5	9.3	-16%
Palm Oil	4,013.0	0.7	1.1	1.4	0.9	-1.1	1.3	0.9	9.6	4.2	-13%
Wheat	542.8	1.4	0.9	-6.7	-1.9	-1.4	-8.5	-1.9	-13.6	-25.4	-30%
Cocoa	7,689.0	-4.7	-9.8	-22.6	-0.5	-35.3	67.8	-0.5	83.2	124.0	-37%
Commodities											
Bloomberg Grains Spot	209.94	0.1	-2.2	-8.1	-4.9	-10.9	-12.2	-4.9	-17.0	-26.2	-30%
Raw Sugar	18.66	-1.5	-2.8	-1.4	-8.1	-5.4	-20.8	-8.1	-9.3	-22.9	-34%
Simex Iron Ore	107.35	0.1	-1.9	0.7	0.8	-3.1	-19.7	0.8	-21.3	-5.1	-28%
Gold U.S. & India											
Gold Spot $/Oz	2,401	-1.8	-0.4	3.1	3.2	0.4	18.3	3.2	16.4	21.5	-3.3%
Gold India	73,168	-1.0	0.9	2.3	2.2	-0.1	17.7	2.2	16.3	22.7	-1.2%
Silver Spot $/Oz	29	-2.0	-5.1	-1.9	0.3	1.9	29.2	0.3	22.8	16.2	-10.1%
Platinum Spot $/Oz	966.0	-0.6	-3.8	-1.5	-3.0	3.3	6.9	-3.0	-2.6	-1.0	-11.8%

Interest Rates and Inflation

20-Jul-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %
India G-Sec Yields										
10 Year India G-Sec	6.96	6.97	6.99	6.97	7.01	7.23	7.18	7.01	7.17	7.08
5 Year India G-Sec	6.92	6.92	6.98	7.00	7.02	7.25	7.10	7.02	7.13	7.04
3 Year India G-Sec	6.89	6.89	6.92	6.98	6.98	7.22	7.06	6.98	7.08	7.02
1 Year India G-Sec	7.09	7.10	7.08	7.08	7.08	6.83	7.38	7.09	6.72	6.30
3 Month India G-Sec	6.72	6.73	6.74	6.81	6.79	6.86	6.98	6.79	7.00	6.70
Repo Rate India	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Spread 10-1	(0.12)	(0.14)	(0.09)	(0.11)	(0.07)	0.40	(0.20)	(0.08)	0.46	0.78
Spread 10-3Mo	0.24	0.24	0.25	0.16	0.22	0.37	0.20	0.22	0.17	0.38
India CPI										
India CPI Combined YoY	5.08			4.80	5.08	4.85	5.69	5.08	5.69	4.87
India WPI	3.36			2.61	3.36	0.26	0.86	3.36	0.86	(4.18)
India Core CPI	3.38			3.40	3.38	3.49	4.12	3.38	4.12	5.50
U.S. & China Yields & CPI										
U.S. 10 Year	4.24	4.20	4.18	4.22	4.40	4.62	4.12	4.40	3.88	3.75
U.S. 5 Year	4.17	4.12	4.10	4.24	4.38	4.67	4.05	4.38	3.85	3.99
U.S. 2 Year	4.51	4.47	4.45	4.71	4.75	4.99	4.38	4.75	4.25	4.77
U.S. 1 Year	4.65	4.87	4.86	5.11	5.12	5.17	4.86	5.12	4.77	5.33
U.S. 3 MO T-BILL	5.19	5.34	5.34	5.37	5.36	5.40	5.35	5.36	5.34	5.41
Federal Funds Target Rate - Up	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.25
Spread 10-2	(0.27)	(0.27)	(0.27)	(0.49)	(0.36)	(0.37)	(0.26)	(0.36)	(0.37)	(1.02)
Spread 10-3mo	(0.95)	(1.14)	(1.16)	(1.15)	(0.96)	(0.78)	(1.23)	(0.96)	(1.46)	(1.66)
Spread Fed Funds Vs 1 Year	(0.86)	(0.63)	(0.64)	(0.39)	(0.38)	(0.33)	(0.64)	(0.38)	(0.73)	0.08
Bloomberg US Corporate High	3.03	3.03	3.07	3.16	3.09	3.23	3.38	3.09	3.23	3.81
Bloomberg Pan-European High	3.64	3.67	3.60	3.71	3.70	3.79	3.77	3.70	3.99	4.51
U.S. CPI	3.00			3.30	3.00	3.50	3.40	3.00	3.40	3.00
China CPI	0.20			0.3	0.2	0.1	-0.3	0.2	-0.3	-
Inflation Expectations 10 Year	2.23			2.3	2.2	2.2	2.2	2.2	2.2	2.2
U.S. Dollar & INR										
USD INR	83.7	83.7	83.5	83.5	83.4	83.5	83.1	83.4	83.2	82.1
XBT-USD Cross Rate	66,625.5	-0.5	4.5	2.4	7.6	2.9	59.8	7.6	56.7	124.0
Dollar Index	104.4	104.2	104.1	105.3	105.9	106.2	103.3	105.9	101.3	100.3

Tactical Asset Class Rationale

Equities	Over Weight	Rationale
India Equities	**Over Weight & Stagger**	Outlined in the commentary, we continue to remain over-weight equities and prefer staggered deployments into equities. We remain over-weight across large, mid and small cap, with a marginal preference for large and small over mid. We prefer predictable, dominant business models, with earnings visibility, riding structural trends, at reasonable valuations.
India Hedge Funds	**Marginal Under Weight**	Hedged portfolios provide an attractive complement to equity portfolios, providing a diversifying non-correlated asset class that enhances risk adjusted return. However, we prefer to marginally reduce the weight here because of more compelling opportunities in small/mid cap equities, InvITs and precious metals.
Long Short (Absolute Return)	**Over Weight**	Long short funds that have consistently delivered post-tax 8% returns are a worthy consideration for portfolios. Due to the sharp rally, and the upcoming elections, the environment is favourable for L/S strategies. We remain marginally over weight.
U.S. Equities	**Market Weight**	Indian HNI portfolios are dramatically underweight U.S. equities. Diversification provides strong portfolio optimization benefits, particularly the Nasdaq. U.S. equities have dramatic barriers to entry and global leadership, with an emerging AI wave. We recommend staggered accumulation.
Emerging Market Equities	**Market Weight**	The Japanese economy is witnessing a surprising uptick after many years. China debt concerns weigh but the economy is showing signs of recovery. Other emerging markets are valued reasonably and showing growth, but India remains a standout outperformer.
Europe Equities	**Under Weight**	Growth in India, emerging markets is likely to outpace European growth and therefore we find limited triggers to own exposure to European equities.
Fixed Income	**Under Weight**	**Rationale**
Duration	**Under Weight**	We reduce our weight in Duration to under weight, as India Government Bonds appear to be adequately pricing rate cuts, and flows are being absorbed, while inflation remains sticky globally. Accordingly, long term bond yields may not fall significantly; hence, duration doesn't look very attractive from a risk-reward perspective. Further challenges include a high taxation structure and timing duration.
Accrual	**Selectively Positive**	Accrual space offers good opportunity to lock in yields. Investors will enjoy good returns based on their ability to lock in spreads in quality papers available currently. Dual advantage of constant high spread and roll down will result in good returns. The near and belly of the curve offers good options for investors.
Credit Risk	**Selectively Positive**	Rich pickings are available in credit space of lesser understood / lesser known issuers and they offer attractive risk reward opportunities for risk savvy investors. Post RBI change in norms for NBFCs, spread widening for certain subsectors is likely. While there could be higher returns, they will come with higher risks too and investors are cautioned to be mindful of same while taking advantage of richer pickings available.
REITs	**Selectively 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 an uncertain and inflationary environment, REITs offer an attractive inflation hedge that provides exposure to fixed assets. We recommend exposure be considered only with strong due diligence on a case by case bottom up basis.
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	**Strategic 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.
Precious Metals	**Strategic Weight**	**Rationale**
Gold	**Strategic**	We increase our exposure to Gold to market weight due to inflation, debasement of the US dollar, and concerns on the ever increasing US debt.
Silver	**Tactical**	We increase our exposure to Silver on the rising demand for the metal in industrial production, demand outstripping supply and the Gold/Silver Ratio being much higher than the historical long-term average.

Ambit Global Private Client - Asset Allocation & Investment Committee

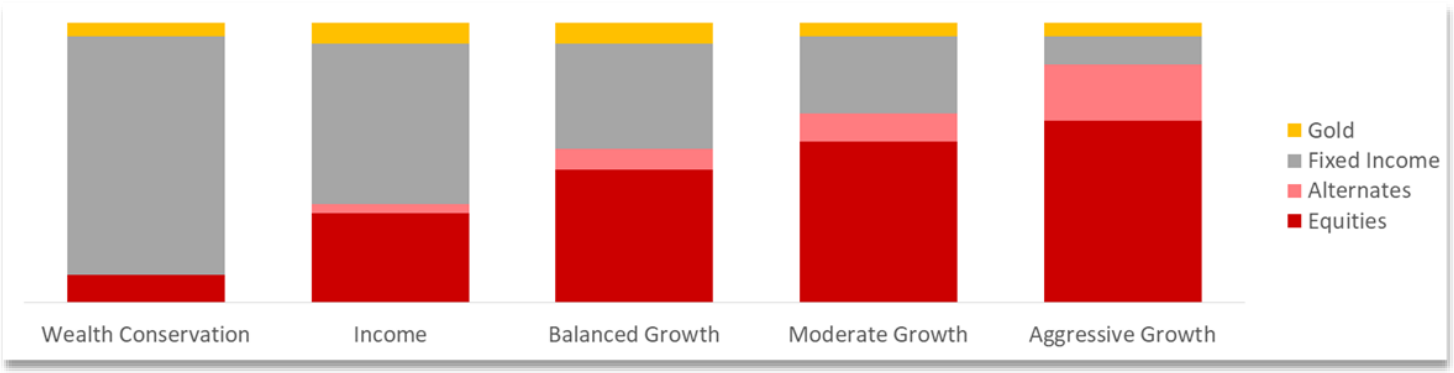
The Ambit GPC Asset Allocation & Investment Committee (AAIC) is a group comprised of the CEO, Head of Products and Alternates, Chief Investment Strategist and Head of Fixed Income (listed below). The team has over 100 years of collective investment experience in markets. The AAIC meets monthly and as 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								◆				Strategic Weight
U.S. Equities						◆						Strategic Weight
International ex-U.S.				◆								Under-Weight
Long Short							◆					Over-Weight
Hedge Funds						◆						Under-Weight
Fixed Income					◆							**Under-Weight**
Duration					◆							Under Weight
Accrual						◆						Selectively Positive
Credit Risk						◆						Selectively Positive
InvITs								◆				Over-Weight
REITs								◆				Over-Weight
Alternates						◆						**Strategic Weight**
Private Unlisted						◆						Strategic Weight
Precious Metals						◆						**Strategic Weight**
Gold						◆						Strategic Weight
Silver							◆					Tactical

Wealth Profiles - Summary

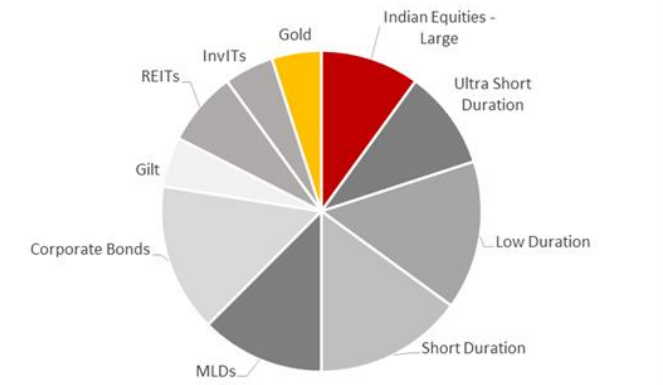
Strategic Asset Class Weights by Profile



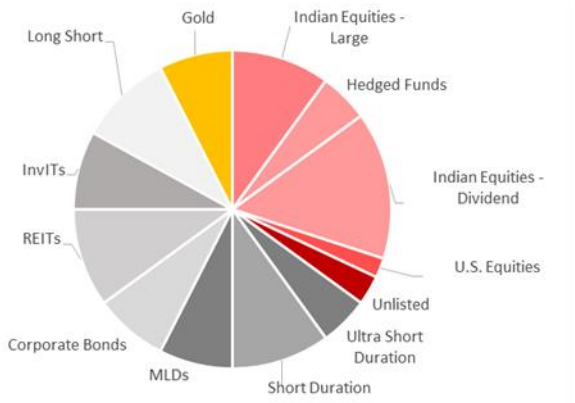
Ambit GPC Wealth Profiles - Strategic Weights

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.

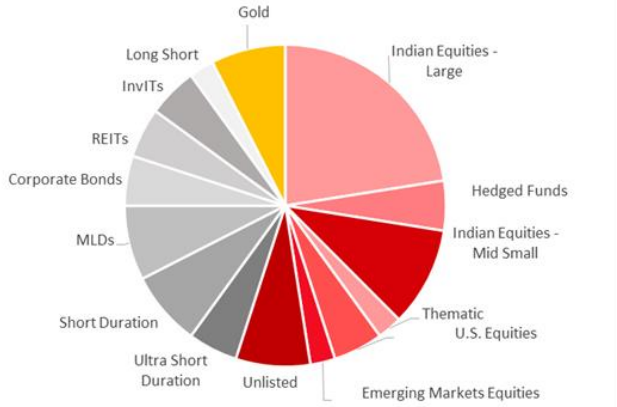
Wealth Conservation



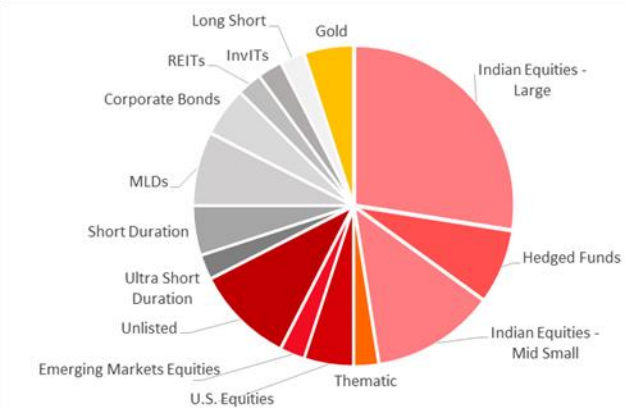
Income



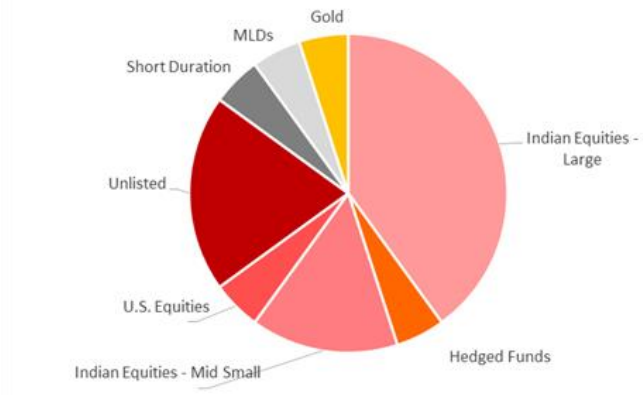
Balanced Growth



Moderate Growth



Aggressive Growth



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