Issue 49 | Oct, 2024

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MARKET UPDATE

MARKET UPDATE

October is off to a rocky start, with the Nifty down 3.9% MTD and down -5.6% from all time highs.

Factors Driving the Weakness in Equities

Macro Factors - we note weakness in recent 8 core industry data, across cement production, coal output, and electricity generation. We're seeing additional weakness in vehicle registrations, exports. Government spending has not shown indications of pickup post elections. Despite strong announcements, market action isn't supportive of the news flow. Credit data across personal loans, home loans, services, travel has decelerated from very high growth to low double digit growth. Services PMI has decelerated from stellar 60 plus levels to still solid 57-58 levels. Oil products consumption has fallen 1.6% y/y.

Flows – FIs have sold heavily in the past week, with outflows nearing INR 30k crores, not including today and Friday. The **China stimulus** has no doubt been a factor in pulling money away from India. Secondly, regulatory changes in the F&O market have also contributed to small retail deleveraging, exiting the derivatives markets and adding to volatility.

A separate factor drawing money out of listed equities has been the blistering **IPO market**, with deal count at the highest levels in at least a decade, and deal flow exceeding USD 54 billion over the past 12 months. That's drawn money away from listed equities.

Infrastructure Investment –Defence, PSEs, PSUs and infra have been laggard sectors the last 3 months.

Additional factors weighing on equities include the ratcheting up of **war tensions** between Israel-Iran, and arguably worries about **electoral implications** from recent state exit polls.

Outlook

We'll address these factors in detail in coming days. Net net, these factors have combined to **marginally increase the uncertainty** for Indian equities. The critical question then is determining the **impact** on the **India story**.

We continue to **classify the domestic economic data as healthy**. What we're noting is **a possible deceleration** in growth from strong levels.

It is difficult to make a reliable judgement on volatile data series. The weak numbers could be the result of **high base effects** from Aug 2023.

We are heading into a seasonally strong time of the year with the onset of **Diwali and wedding season**. Should weakness in the economy persist, we expect the **RBI to respond with rate cuts.**

Lower crude oil, **low inflation**, and **lower interest rates** look set to provide a boost to CY Q3 earnings, and going forward.

The U.S. economy remains in surprising decent shape, with an improving employment picture, declining interest rates, low inflation and a Fed that remains accommodative.

We expect **budgeted allocations for infrastructure spend** will be disbursed, and possibly be **back-end loaded**. Should some funds be allocated towards populist measures, those too will find their way back into the economy.

While FI flows can dominate in the short term, **SIP data remains solid** and a significant amount of cash on the sidelines would look to enter markets as earnings come forward and valuations become more attractive.

The **rapid financialization of Indian savings** is set to continue. **Indian investors** get that they **need to own asset classes that outperform inflation**.

Significant additional domestic capital will continue to make its way into Indian equities. Increasingly, **India's weight in global equity benchmarks** is also contributing to rising overseas inflows.

On valuations, the yield gap model continues to indicate no preference between bonds or equities, suggesting **equities remain equally attractive relative to bonds**.

India Story Remains Intact

The key pillars of the India story, attractive demographics, a young growing workforce, attractive labor cost advantage, rising per capita income, manufacturing incentives, China plus one, an increasingly skilled workforce, and a government committed to pouring money into growing infrastructure and creating jobs remains in place.

U.S. Employment Improving, Economy Resilient

Separately, the global economy, particularly the U.S. employment picture appears to be improving, benefitting from investments in AI and data centers.

Asset Allocation

On the rise in uncertainty in outlook, we take the **prudent** course of action to **marginally trim our asset allocation to small and mid-caps**, still remaining slightly over-weight mid and small and over-weight large caps. (see our asset allocation table on page 11-12).

We turned bullish on mid and small caps in Apr 2022 and equities in June 2022.

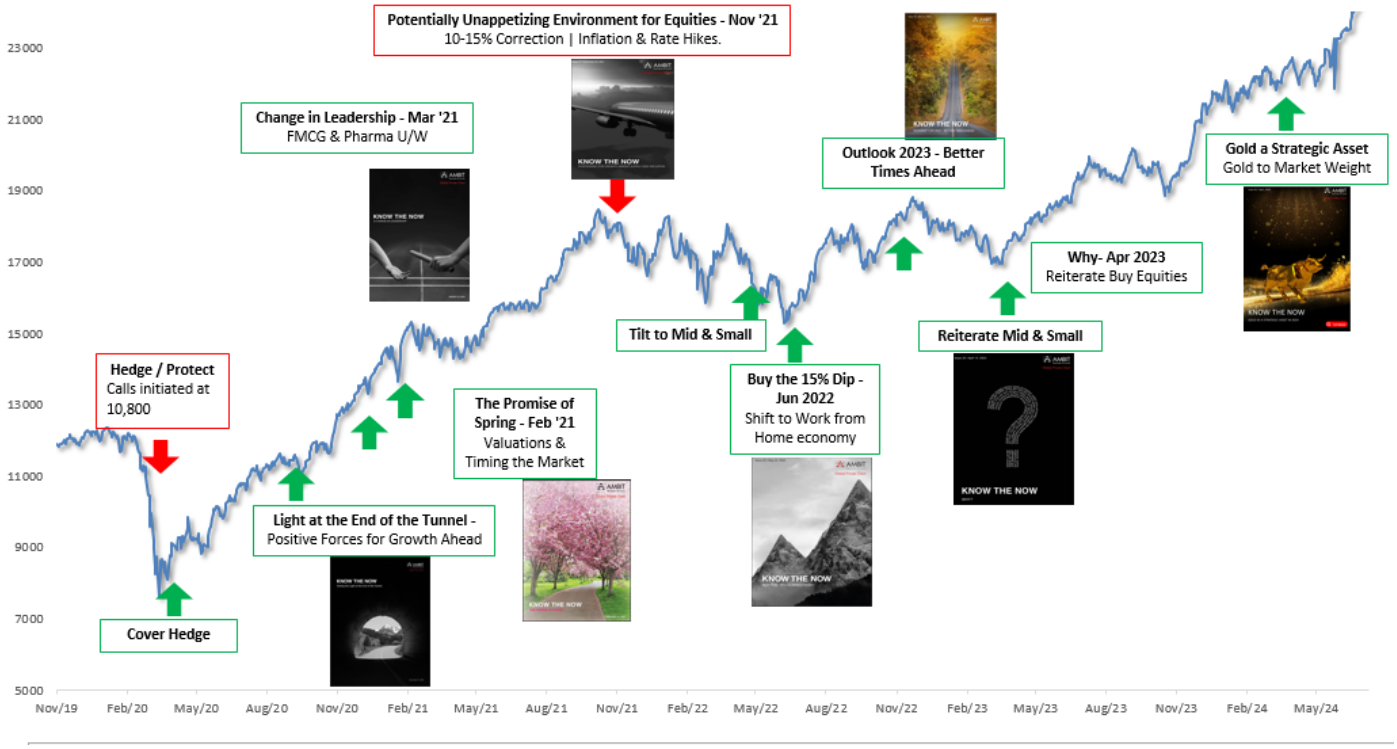
With a **global rate cut cycle unfolding**, likely **rate cuts by the RBI** later this year, **lower interest** rates, low **inflation, benign crude**, a **global tech investment** cycle alongside **domestic investment,** the track record of the Indian equities over the past decade and longer, suggests that the correct positioning is to **stay invested** and ride out the noise.

Should volatility persist in the coming quarter, **we'd flip to being buyers** of equities at more **reasonable valuations**, with attractive earnings visibility and growth triggers.

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

7-Oct-24	Price	1 Day %	5 Day %	MTD %	1 Mo %	QTD %	3 Mo %	6 Mo %	YTD %	1 YR %	% from 52 Wk Hi	From '22 Trough
Nifty 50	**24,796**	**-0.9**	**-5.3**	**-3.9**	**-0.2**	**-3.9**	**2.0**	**9.4**	**14.1**	**26.2**	**-5.6%**	**62%**
SENSEX	81,050	-0.8	-5.3	-3.9	-0.2	-3.9	1.4	8.4	12.2	22.8	-5.7%	58%
Nifty Next 50	72,884	-2.3	-6.3	-5.5	-2.1	-5.5	-0.8	15.7	36.6	62.1	-6.5%	104%
Nifty 200	13,979	-1.3	-5.5	-4.3	-0.9	-4.3	1.3	10.8	18.5	33.1	-5.8%	74%
Nifty 500	23,182	-1.5	-5.3	-4.4	-1.3	-4.4	0.9	11.3	19.3	34.0	-5.7%	78%
NIFTY Midcap 100	57,300	-2.0	-5.1	-4.7	-2.1	-4.7	0.7	14.5	24.1	42.2	-6.0%	121%
Nifty Midcap 150	21,265	-2.1	-4.9	-4.7	-1.9	-4.7	-0.4	15.1	24.5	41.2	-5.6%	118%
NIFTY Smallcap 100	18,243	-2.7	-5.2	-4.9	-5.4	-4.9	-3.5	11.2	20.5	42.1	-7.1%	121%
NSE NIFTY Smallcap 250	17,515	-2.8	-4.8	-4.9	-4.3	-4.9	-1.1	14.9	24.7	42.2	-6.3%	122%
Americas												
S&P 500 Index	5,751	0.9	0.2	-0.2	6.3	-0.2	3.3	10.5	20.6	33.5	-0.3%	56%
Dow Jones Indus. Avg	42,353	0.8	0.1	0.1	5.0	0.1	7.6	8.9	12.4	26.8	-0.6%	42%
Nasdaq Composite	18,138	1.2	0.1	-0.3	8.7	-0.3	-1.2	11.6	20.8	35.0	-2.9%	68%
Nasdaq 100 Stock Indx	20,035	1.2	0.1	-0.1	8.8	-0.1	-1.8	10.6	19.1	33.8	-3.2%	78%
Nyse Fang+ Index	11,552	1.8	1.3	1.3	11.0	1.3	-4.7	15.1	32.5	51.4	-5.9%	140%
Bbg Magnificent 7 Pr Usd	22,405	1.7	0.2	-0.5	12.2	-0.5	-2.9	21.9	43.4	55.2	-5.1%	151%
S&P Ex Magnificent 7	121	0.8	0.2	-0.1	4.7	-0.1	7.2	7.6	15.3	28.2	-0.3%	42%
Russell 2000 Index	2,213	1.5	-0.5	-0.8	5.8	-0.8	9.2	7.2	9.2	26.8	-3.8%	33%
Canada	24,163	0.8	0.9	0.7	6.1	0.7	9.5	8.5	15.3	25.5	-0.1%	28%
Mexico	52,610	1.8	-1.8	0.3	3.0	0.3	0.5	-9.4	-8.3	5.9	-10.9%	10%
Brazil Bovespa	131,792	0.1	-0.7	-0.0	-2.1	-0.0	4.4	3.9	-1.8	15.4	-4.1%	32%
Europe												
Euro Stoxx 50 Pr	4,959	0.1	-0.8	-0.8	4.7	-0.8	-0.4	-1.1	9.7	19.7	-3.2%	44%
FTSE 100	8,314	0.4	0.9	0.9	1.6	0.9	1.3	5.1	7.5	10.9	-1.9%	18%
CAC 40 Paris	7,557	0.2	-1.0	-1.0	2.8	-1.0	-1.5	-6.3	0.2	7.0	-8.5%	28%
DAX Germany	19,081	-0.2	-1.3	-1.3	4.3	-1.3	3.3	5.0	13.9	25.3	-2.1%	45%
Asia												
Japan - Nikkei 225	39,333	1.8	3.7	3.7	8.1	3.7	-3.6	-0.0	17.5	26.9	-7.3%	51%
Hang Seng	23,100	1.6	12.0	9.3	32.4	9.3	31.8	38.1	35.5	32.1	-0.6%	10%
Shenzhen CSI 300	4,018	8.5	25.1	0.0	21.0	0.0	15.5	11.7	17.1	8.9	-0.5%	-7%
Australia	8,205	0.7	-0.8	-0.8	2.4	-0.8	5.7	5.3	8.1	18.0	-1.0%	27%
Taiwan	22,703	1.8	-0.7	2.2	5.9	2.2	-4.9	11.2	26.6	37.4	-7.0%	45%
Korea	2,610	1.6	-2.3	0.7	2.6	0.7	-8.7	-3.9	-1.7	8.4	-9.9%	7%
Straits Times Index STI	3,599	0.3	0.4	0.4	4.2	0.4	5.7	11.9	11.1	13.4	-1.5%	16%
Vietnam Ho Chi Minh	1,270	-0.1	-1.4	-1.4	-0.3	-1.4	-1.1	1.6	12.4	12.5	-2.8%	4%
Jakarta Indonesia	7,504	0.1	-0.3	-0.3	-2.8	-0.3	3.5	3.0	3.2	8.9	-5.1%	8%
Phillipines	7,555	1.2	3.9	3.9	8.9	3.9	15.7	12.1	17.1	20.7	-0.7%	19%

Leadership Stocks – U.S. & India

Select Leadership Stocks - India U.S.	Price	1 Day %	5 Day %	MTD %	1 Mo %	QTD %	3 Mo %	6 Mo %	YTD %	1 YR %	% from 52 Wk Hi	% from 52 Wk Lo
Nifty 50	**24,796**	-0.9	-5.3	-3.9	-0.2	-3.9	2.0	9.4	14.1	26.2	-6%	32%
Microsoft Corp	416	-0.1	-2.8	-3.3	3.6	-3.3	-11.0	-2.2	10.6	27.1	-11%	29%
Apple Inc	227	0.5	-0.4	-2.7	2.7	-2.7	0.2	33.7	17.8	27.8	-4%	38%
Amazon.Com Inc	187	2.5	-0.8	0.1	8.8	0.1	-6.7	0.8	22.8	45.8	-7%	58%
Walt Disney Co/The	95	1.6	-0.9	-1.1	8.2	-1.1	-2.9	-19.6	5.4	14.7	-23%	20%
Nvidia Corp	125	1.7	2.9	2.9	21.5	2.9	-0.7	41.9	152.3	173.0	-11%	218%
Netflix Inc	720	1.8	1.7	1.5	8.1	1.5	4.2	13.1	47.8	88.6	-1%	109%
Tesla Inc	250	3.9	-4.0	-4.4	18.7	-4.4	-0.6	51.7	0.6	-4.0	-8%	80%
Alphabet Inc-Cl A	167	0.7	1.9	0.7	10.7	0.7	-12.4	9.5	19.6	21.4	-13%	39%
Hdfc Bank Limited	1,618	-2.4	-7.7	-6.6	-1.2	-6.6	-1.8	4.4	-5.4	5.5	-10%	19%
Icici Bank Ltd	1,234	-0.5	-5.6	-3.1	2.1	-3.1	0.0	13.9	23.8	30.5	-9%	37%
Tata Consultancy Svcs Ltd	4,273	0.5	-0.8	0.1	-4.1	0.1	6.5	7.4	13.2	18.5	-7%	30%
Reliance Industries Ltd	2,741	-1.1	-10.2	-7.2	-6.4	-7.2	-13.7	-6.1	6.1	18.3	-15%	23%
Bajaj Finance Ltd	7,269	0.8	-6.3	-5.6	-0.7	-5.6	1.8	1.3	-0.8	-11.0	-11%	17%
Hindustan Unilever Ltd	2,833	-0.5	-4.5	-4.2	-0.2	-4.2	11.2	25.0	6.4	13.4	-7%	30%
Nestle India Ltd	2,574	-0.9	-6.3	-4.3	2.8	-4.3	-0.0	1.4	-3.2	12.3	-7%	13%
Titan Co Ltd	3,589	-2.2	-6.0	-6.1	-2.9	-6.1	9.8	-4.4	-2.3	8.4	-8%	17%
Asian Paints Ltd	3,062	-0.3	-7.5	-8.0	-6.5	-8.0	4.3	6.2	-10.0	-4.2	-11%	15%
Srf Ltd	2,308	-1.8	-6.2	-7.6	-8.0	-7.6	-3.9	-10.8	-6.9	2.8	-14%	11%

Nifty Sectors

7-Oct-24	Price	1 Day %	5 Day %	MTD %	1 Mo %	QTD %	3 Mo %	6 Mo %	YTD %	1 YR %	% from 52 Wk Hi	From '22 Trough
Nifty 50	**24,796**	**-0.9**	**-5.3**	**-3.9**	**-0.2**	**-3.9**	**2.0**	**9.4**	**14.1**	**26.2**	**-5.6%**	**31.6%**
Nifty Sectors												
Nifty Auto	25,807	-0.5	-6.5	-4.5	1.1	-4.5	2.2	16.9	38.6	61.4	-6.8%	63.3%
Nifty Bank	50,479	-1.9	-6.2	-4.7	-0.2	-4.7	-3.7	3.9	4.5	13.8	-7.3%	19.9%
NIFTY Private Bank	25,119	-1.8	-6.8	-5.2	-0.8	-5.2	-4.4	3.7	1.0	9.3	-7.9%	14.8%
Nifty PSU Bank	6,492	-3.3	-5.3	-3.9	-2.4	-3.9	-10.3	-10.3	13.6	24.4	-19.4%	39.9%
Nifty Financial Services	23,221	-1.7	-6.8	-5.1	-1.3	-5.1	-1.6	7.5	8.1	17.2	-7.9%	23.1%
Nifty India Consumption	12,259	-0.8	-5.7	-4.4	1.6	-4.4	9.3	20.7	28.0	44.5	-6.1%	48.7%
Nifty FMCG	63,028	-0.6	-4.3	-3.8	-0.2	-3.8	7.5	16.8	10.6	22.2	-5.1%	24.5%
Nifty Energy	41,039	-2.5	-7.9	-6.8	-2.8	-6.8	-3.8	2.7	22.6	53.5	-8.8%	58.9%
Nifty Infrastructure	9,015	-1.5	-7.0	-5.8	-1.8	-5.8	-2.6	6.5	23.4	44.7	-7.1%	51.3%
Nifty IT	42,191	0.7	-0.3	0.6	-0.1	0.6	11.8	19.7	18.8	30.5	-3.3%	40.4%
Nifty Metal	9,886	-2.2	-1.8	-3.1	7.9	-3.1	0.1	12.4	23.9	46.6	-4.2%	55.8%
Nifty Pharma	22,978	-0.5	-2.3	-1.3	-0.3	-1.3	13.0	19.6	36.5	51.9	-2.5%	58.0%
Nifty Realty	1,020	-1.1	-8.7	-7.2	-1.2	-7.2	-8.4	7.4	30.3	73.6	-11.9%	82.4%
Nifty Sectors & Themes												
Nifty Media	1,995	-3.7	-5.7	-6.7	-3.1	-6.7	-2.2	4.9	-16.4	-12.7	-20.5%	16.2%
Nifty CPSE	6,844	-3.1	-6.1	-5.7	-2.3	-5.7	-3.5	14.1	40.8	79.4	-10.7%	82.3%
Nifty PSE	10,507	-3.2	-7.1	-6.9	-5.0	-6.9	-6.4	10.1	33.8	78.3	-11.1%	84.9%
Nifty India Defence PR	6,237	-3.0	-7.1	-6.3	-9.0	-6.3	-24.8	23.8	49.4	88.4	-24.9%	102.0%
Nifty Commodities	9,301	-2.4	-5.4	-5.3	0.1	-5.3	-0.5	7.5	20.5	46.2	-6.0%	52.5%
Nifty MNC	31,158	-1.4	-4.8	-4.4	1.5	-4.4	0.9	17.9	28.7	41.7	-5.1%	45.3%

Crude Oil, Commodities and Precious Metals

7-Oct-24	Price	1 Day %	5 Day %	MTD %	1 Mo %	QTD %	3 Mo %	6 Mo %	YTD %	1 YR %	% from 52 Wk Hi	% from 52 Wk Lo
Brent Crude	79.4	1.8	10.7	10.7	11.8	10.7	-8.2	-12.9	3.1	-6.1	-15%	16%
CRB Raw Industrials Index	560.1	0.1	0.8	0.2	3.3	0.2	0.5	2.0	3.0	1.5	-1%	5%
BBG Cmdty ex-Prec Mtl	86.5	0.1	2.0	2.0	9.3	2.0	-2.4	-3.8	-1.3	-8.6	-11%	10%
CRB Metals Index	1,102.7	0.2	1.1	0.6	7.2	0.6	1.1	6.6	6.8	13.3	-4%	13%
LME Copper	9,796.4	0.8	-0.5	1.1	10.9	1.1	0.6	6.0	15.7	24.4	-10%	26%
LME Aluminum	2,642.1	0.9	0.4	1.3	11.3	1.3	6.8	9.8	12.6	19.6	-3%	28%
LME Nickel	17,743.3	2.3	5.9	2.8	11.2	2.8	4.6	1.1	8.4	-3.8	-17%	15%
LME Zinc	3,143.5	1.5	3.0	2.8	14.6	2.8	7.3	20.8	19.1	27.6	0%	38%
LME Lead	2,103.0	0.5	1.3	2.5	6.2	2.5	-3.5	-0.4	3.4	-1.6	-8%	10%
LME Tin	33,770.0	0.2	2.9	0.8	11.2	0.8	2.1	18.0	34.1	42.9	-5%	49%
SGX Iron Ore	111.8	2.9	1.8	1.8	21.6	1.8	2.3	16.5	-10.1	13.4	-13%	30%
Commodities												
Bloomberg Commodity In	102.1	0.1	1.8	1.8	9.0	1.8	-0.4	-0.7	3.5	-0.4	-5%	11%
CRB Commodities Index	538.3	-0.1	-0.0	-0.4	0.7	-0.4	-0.5	-0.7	5.5	-1.5	-3%	7%
Lumber	9,796.4	0.8	-0.5	1.1	10.9	1.1	0.6	6.0	15.7	24.4	-10%	26%
Palm Oil	4,400.0	-	6.7	6.7	10.6	6.7	7.6	-3.6	20.2	23.5	-4%	25%
Wheat	590.8	0.2	1.2	1.2	6.8	1.2	3.2	4.1	-5.9	4.0	-18%	20%
Cocoa	6,947.0	-1.7	-10.0	-10.0	-26.6	-10.0	-10.0	-29.1	65.6	101.2	-43%	104%
Commodities												
Bloomberg Grains Spot	220.97	-1.2	-0.2	-0.2	3.9	-0.2	-1.8	-4.3	-12.6	-11.9	-16%	9%
Raw Sugar	22.85	-0.7	0.8	0.8	20.8	0.8	13.5	3.9	11.0	-14.5	-19%	30%
Simex Iron Ore	111.30	2.4	18.6	18.6	21.3	18.6	0.3	12.5	-18.4	-5.3	-26%	24%
Gold U.S. & India												
Gold Spot $/Oz	2,655	0.0	0.8	0.8	5.9	0.8	12.5	13.5	28.7	42.6	-1.2%	43.9%
Gold India	75,276	-0.6	-0.1	0.3	5.1	0.3	4.0	8.0	19.6	33.6	-0.6%	31.8%
Silver Spot $/Oz	32	-1.0	2.3	2.3	12.5	2.3	3.6	14.5	34.0	45.7	-3.3%	47.8%
Platinum Spot $/Oz	980.5	-1.2	-0.1	-0.1	4.0	-0.1	-2.3	1.5	-1.1	10.1	-10.5%	16.3%

Interest Rates and Inflation

7-Oct-24	Price	1 Day %	5 Day %	MTD %	1 Mo %	QTD %	3 Mo %	6 Mo %	YTD %	1 YR %
India G-Sec Yields										
10 Year India G-Sec	6.85	6.83	6.73	6.75	6.86	6.75	6.99	7.12	7.17	7.34
5 Year India G-Sec	6.76	6.75	6.67	6.67	6.75	6.67	6.99	7.09	7.13	7.40
3 Year India G-Sec	6.71	6.69	6.66	6.66	6.73	6.66	6.95	7.08	7.08	7.35
1 Year India G-Sec	6.54	6.54	6.55	6.55	6.72	6.55	6.92	7.00	7.09	7.10
3 Month India G-Sec	6.46	6.46	6.50	6.40	6.62	6.40	6.74	6.84	7.00	6.84
Repo Rate India	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Spread 10-3Mo	0.39	0.37	0.23	0.35	0.24	0.35	0.25	0.28	0.17	0.50
India CPI										
India CPI Combined YoY	3.65			3.65	3.60	5.08	4.80	5.09	5.69	6.83
India WPI	1.31			1.31	2.04	3.43	2.74	0.20	0.86	(0.46)
India Core CPI	3.68			3.68	3.64	3.38	3.40	3.51	4.12	5.03
U.S. & China Yields & CPI										
U.S. 30 Year	4.27	4.25	4.12	4.12	4.02	4.12	4.48	4.55	4.03	4.97
U.S. 10 Year	4.00	3.97	3.78	3.78	3.71	3.78	4.28	4.40	3.88	4.80
U.S. 5 Year	3.85	3.80	3.56	3.56	3.49	3.56	4.23	4.39	3.85	4.76
U.S. 2 Year	3.99	3.92	3.64	3.64	3.65	3.64	4.60	4.75	4.25	5.08
U.S. 1 Year	4.05	4.18	4.01	4.01	4.10	4.01	5.00	5.06	4.77	5.43
U.S. 3 MO T-BILL	4.52	4.62	4.63	4.63	5.06	4.63	5.38	5.37	5.34	5.51
Federal Funds Target Rate	5.00	5.00	5.00	5.00	5.50	5.00	5.50	5.50	5.50	5.50
Spread 10-5	0.15	0.16	0.22	0.22	0.22	0.22	0.05	0.01	0.03	0.04
Spread 30-2	0.29	0.33	0.48	0.48	0.37	0.48	(0.13)	(0.20)	(0.22)	(0.11)
Spread 10-2	0.02	0.05	0.14	0.14	0.06	0.14	(0.33)	(0.35)	(0.37)	(0.28)
Spread 10-3mo	(0.51)	(0.65)	(0.85)	(0.85)	(1.35)	(0.85)	(1.10)	(0.97)	(1.46)	(0.71)
Spread Fed Funds Vs 1 Ye	(0.95)	(0.82)	(0.99)	(0.99)	(1.40)	(0.99)	(0.50)	(0.44)	(0.73)	(0.07)
Bloomberg US Corporate I	2.84	2.98	2.99	2.95	3.20	2.95	3.13	3.12	3.23	4.27
Bloomberg Pan-European	3.50	3.59	3.55	3.57	3.74	3.57	3.54	3.61	3.99	4.64
U.S. CPI	2.50			2.50	2.90	3.00	3.30	3.20	3.40	3.70
China CPI	0.60			0.6	0.5	0.2	0.3	0.7	-0.3	0.1
Inflation Expectations 10 '	2.25			2.3	2.2	2.2	2.3	2.2	2.2	2.3
U.S. Dollar & INR										
USD INR	84.0	84.0	83.8	83.8	84.0	83.8	83.5	83.3	83.2	83.3
USD JPY Spot	148.1	148.7	143.6	143.6	143.2	143.6	160.8	151.8	141.0	148.5
XBT-USD Cross Rate	62,991.4	0.6	3.4	-1.2	16.3	-1.2	10.0	-9.1	48.2	125.5
Dollar Index	102.4	102.5	100.8	100.8	101.2	100.8	104.9	104.3	101.3	106.0

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, less so in mid and small caps, with a preference for large caps on valuation. We prefer predictable, dominant business models, with earnings visibility, riding structural trends, at reasonable valuations.
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.
Europe	**Under Weight**	Growth in India, emerging markets is likely to outpace European growth and therefore we find limited triggers to own broad exposure to European equities, particularly in light of recent unrest.
Emerging Markets	**Selectively Positive**	We remain cautious on China, a large weight in the EM. Other emerging markets such as Vietnam are attractive, reasonably valued, and garnering global market share. Taiwan seems set to ride the AI wave. India remains the standout outperformer, alongside Taiwan.
Hedge Funds	**Neutral**	Hedged portfolios provide an attractive complement to equity portfolios, providing a diversifying non-correlated asset class that enhances risk adjusted return. We are market-weight given attractive opportunities in other sub-asset categories.
Long Short (Absolute Return)	**Over Weight**	Long short funds have consistently delivered post-tax 8% returns are a worthy consideration for portfolios. Due to the sharp rally the environment is favourable for L/S strategies. We remain marginally over weight.
Fixed Income	**Slight U/W**	**Rationale**
Duration	**Under Weight**	We increase our weight in duration to market weight. Duration portfolio offers a good opportunity for taking advantage of the expected rate cuts post the Inflation Number Release. Expected US rate cuts and likely action from RBI in similar fashion offers an opportunity to add duration to the portfolio. Although, challenge of timing the duration remains both while entering and exiting the strategy.
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 are market weight in Gold as a hedge against 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

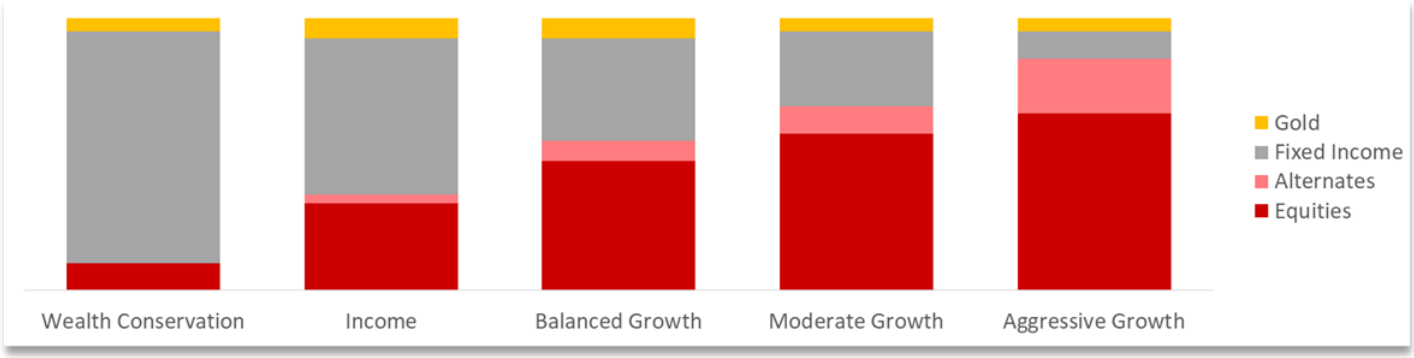
The Ambit GPC Asset Allocation & Investment Committee (AAIC) is a group comprised of the CEO, Head of Products and Alternates, Chief Investment Strategist and Head of Fixed Income (listed below). The team has over 100 years of collective investment experience in markets. The AAIC meets monthly and as 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	Model Score											View
	-5	-4	-3	-2	-1	0	1	2	3	4	5	
	← Under-Weight					Strategic/Neutral					Over-Weight →	
Equities								◆				**Over-Weight**
India Equities – Large								◆				Over-Weight
India Equities – Mid & Small							◆	←				Over-Weight
U.S. Equities						◆						Strategic Weight
Europe Equities				◆								Under-Weight
Emerging Markets					◆							Selectively Positive
Hedge Funds					→	◆						Under-Weight
Long Short (Absolute Return)								◆				Over-Weight
Fixed Income					→	◆						**Under-Weight**
Duration						◆						Strategic 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 O/W

Wealth Profiles - Summary

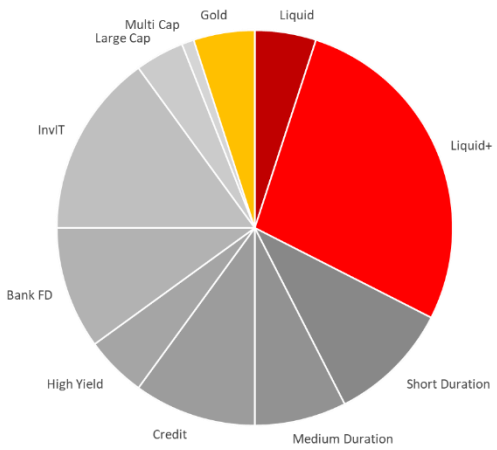
Strategic Asset Class Weights by Profile



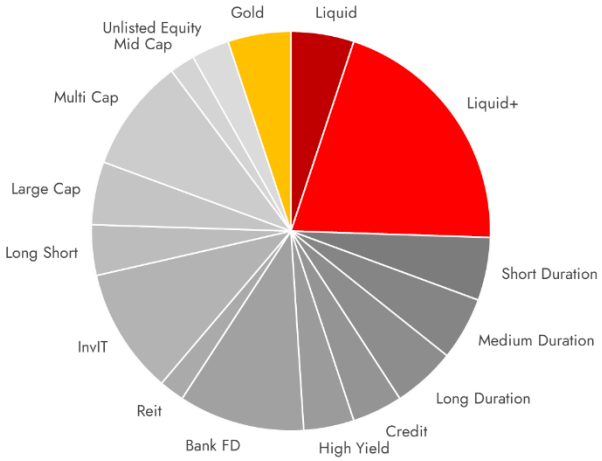
Ambit GPC Wealth Profiles - Strategic Weights

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.

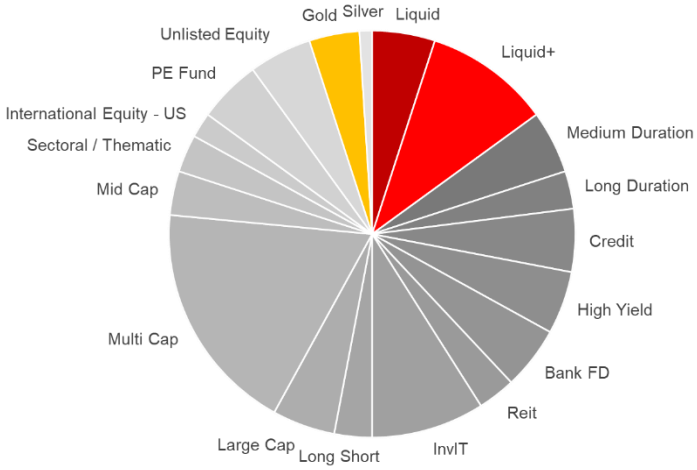
Wealth Conservation



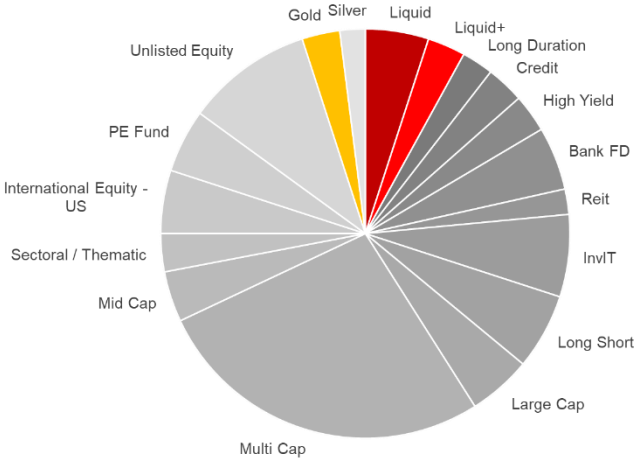
Income



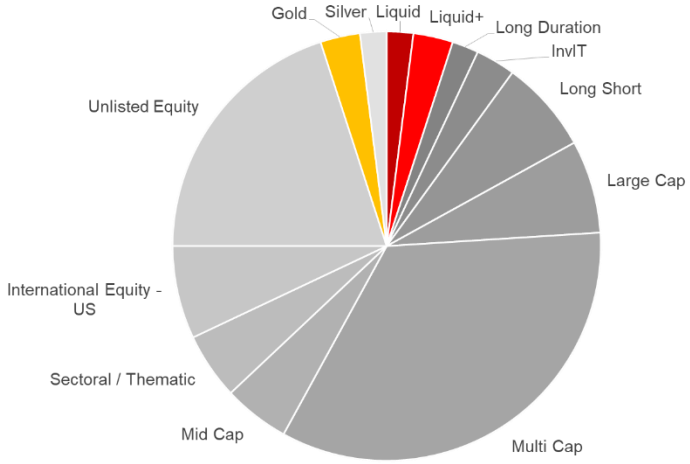
Balanced Growth



Moderate Growth



Aggressive Growth



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