Issue 52|December, 2024

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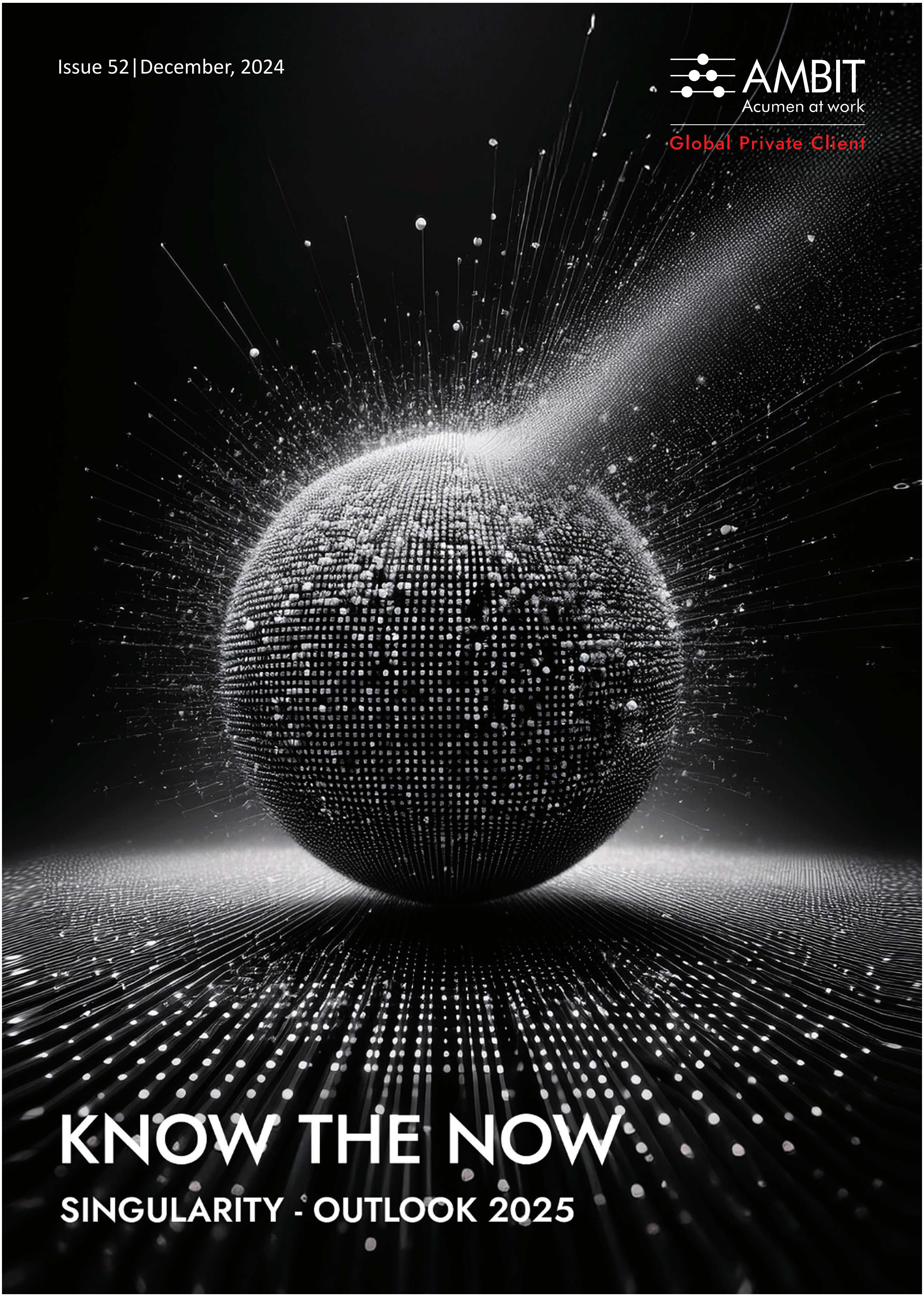

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SINGULARITY - OUTLOOK 2025

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SINGULARITY

Singularity: "a hypothetical point in time when artificial intelligence and technology becomes so advanced that humanity undergoes a dramatic and irreversible change."

High Stakes – AI is Bigger than the Internet

AI is not a race for the next technological innovation, it is a race for global supremacy. Today, robots and drones run, lift, dance, jump, shoot, sprint. There is one missing piece - intelligence.

AI is potentially as important as the gun and the atom bomb were in their time in determining winners in wars. To the winners went the spoils, colonialization, reserve currency status, leader of the free world etc.

AI Creates a Global Prisoner's Dilemma

Since there is limited cooperation on AI between countries, limited trust, and massive opportunity, each country is left with no choice but to invest aggressively in developing AI defence expertise.

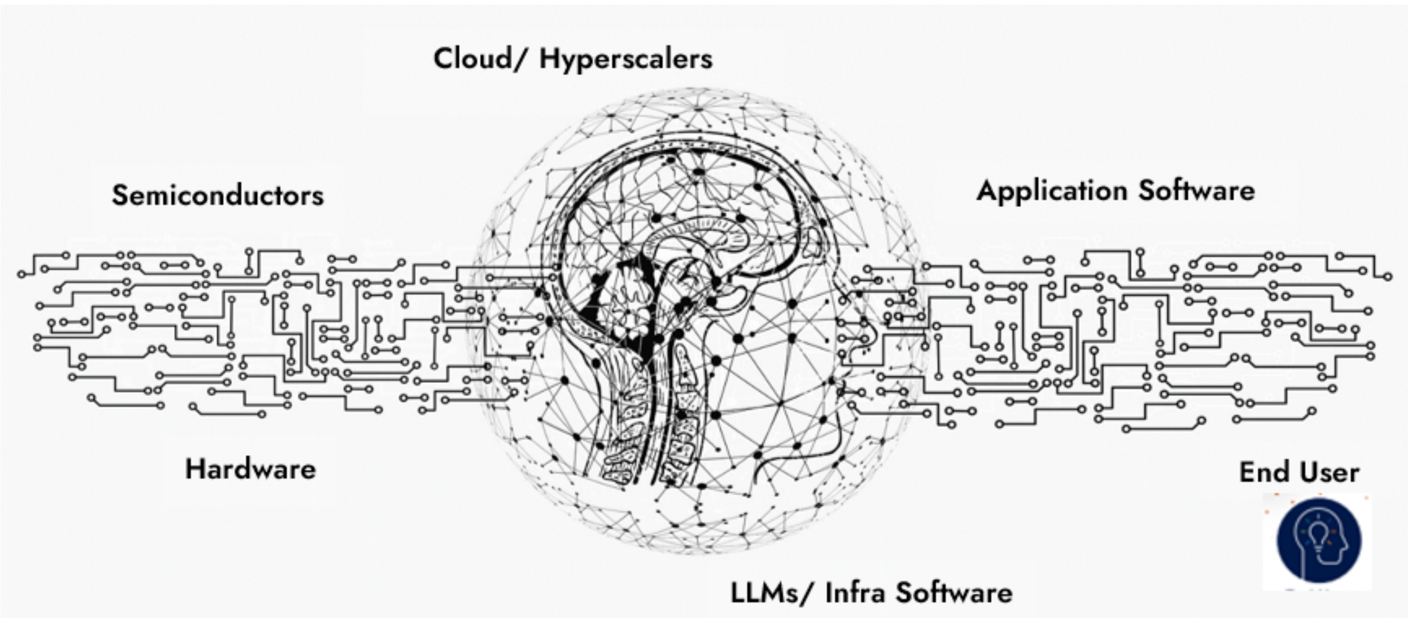
The same applies to companies. Being left behind is an unacceptable and high risk outcome. Therefore, billions are being poured into hardware, automation, robotics and countries are purchasing GPUs and setting up data centers.

"The risk of underinvesting is dramatically greater than the risk of overinvesting."—Sundar Pichai, Alphabet CEO, July 2024

AI Showing Impressive Capabilities

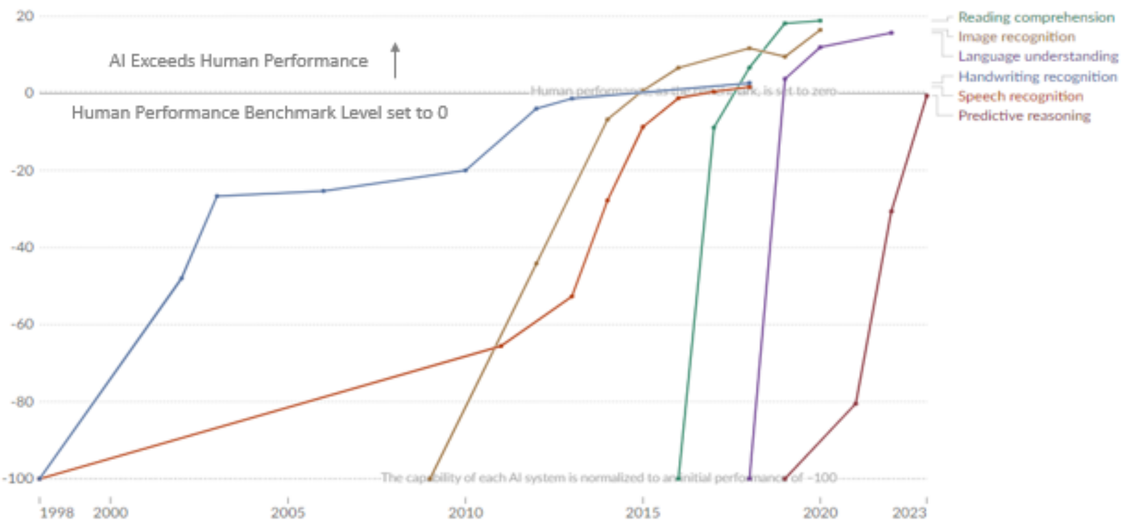
From the start of this century, it took 12 years to reach human-level performance in handwriting recognition. (see chart on next page). Since then, AI systems have demonstrated human-level capabilities in progressively more challenging arenas, first tackling speech and image recognition, then visual reasoning, then language reasoning. The pace of learning has been startling.

AI – The Race is On Towards Singularity and Super Intelligence



Source: Ambit

AI is Rapidly Exceeding Human Level Performance Across Performance Benchmarks



Source: Ourworldindata. Kiela et al (2021)

Even as the benchmarks have become more difficult, it has taken less time for AI to exceed human proficiency.

ROI Potential is Visible

The capital finding its way into the AI battlefield is uber smart money. It is the innovators and tech leaders of our time. They are without question best positioned to assess the opportunity.

It is evident that AI, like disruptive technologies that came before it, will enhance productivity, disrupt existing industries and create new industries.

Machine learning is powering major scientific developments and advancements in robotics, genomics, search, advertising, content delivery, and design. Increasingly, limitations of LLMs can be addressed when combined with machine learning and software libraries, leading to powerful advances.

Three Layers of Opportunity

AI will impact labor, profits, capital and productivity. Investment opportunities fall into 3 categories – infrastructure, foundational models and application software. As always, the picks n shovels providers will win until new entrants enter the fray and create oversupply. Unlike EVs which did not get a comprehensive infrastructure buildout, AI has massive funding. AI's daunting infrastructure requirements will be achieved.

Ballpark Impacts

Estimates for GenAI indicate it could contribute $2.6 to 4.5 trillion annually to global GDP across various industries by 2030. With hyperscalers driving innovation, each potential opportunity will be expertly woven together into a product that can be offered rapidly, globally, at scale.

Early Wins Are Productivity Enhancing

In geopolitics, geo-positioning software, intelligence in missiles, surveillance, drones, and defense systems have impacted the trajectory of the Israel and Ukraine wars.

AI's impact extends to all industries. In energy, drillers are utilizing sophisticated technology to extract oil with higher yields, and automating processes for increased efficiency.

A leading automaker is using GenAI to accelerate tender document creation, while improving document quality and consistency, analyzing competing offers and reducing the time necessary to search knowledge assets by more than half.

Companies are inventing new revenue streams with AI. Sales and marketing is emerging as a major opportunity. Workflow automation, next action recommendations, real time assistance, selling via digital avatars, sales proposal and marketing material creation are areas AI is creating value. The entire customer service experience is being automated and enhanced.

Global **pharma** is using AI to accelerate drug discovery. One company screened over 1 billion drug compounds to create a pipeline for molecular chemists, leading to faster launches, and an order of magnitude larger database.

Companies are analyzing call recordings for cost savings and customer satisfaction, reducing call transfers to live agents. AI chatbots handle a third of incoming calls. AI is having a big impact in image generation for training in healthcare.

Financial companies are using GenAI to boost productivity by improving sales force access to relevant data, creating automated onboarding processes with end to end governance.

Banks are modernizing CRMs to improve service quality, reduce operational costs. Marc Beniof at Salesforce is hiring aggressively - 2000 employees - to sell AI products. GenAI is taking over customer interactions and backend processes, chat support, enhancing agent efficiency, improving service quality, leading to a drop in average service times, increases in product sales, and rising customer satisfaction.

Companies are easily creating personalized marketing, content and digital marketing campaigns, via GenAI software. Google is using AI to display more sophisticated ads to customers.

Automakers are using AI to generate initial designs, simulations, and accelerated software checking. Insurance companies are leveraging AI in fraud assessment and policy automation.

Agentic AI and Service as a Software

All indications suggest that agents will be the next step forward. These will take over complex tasks and act as human support agents across various tasks and industries.

Winners

The clear initial winner is Nvidia. Other players such as AMD and Broadcom are entering the fray. That was the case with the Internet as well, as infrastructure won big early. How things evolve is unclear, but one thing is clear – there will be surprises along the way.

A clear winner will be the U.S., in pole position currently, with massive barriers to entry. U.S. technology assets remain among the best and most innovative in the world.

As regards Singularity, OpenAI just announced a step forward in its AI's ability to "reason" through math and science problems, coding and knowledge, moving us a step closer.

As we exit 2024, it's clear that AI will play an increasingly integrated and pivotal role in the global geopolitics and the global economy.

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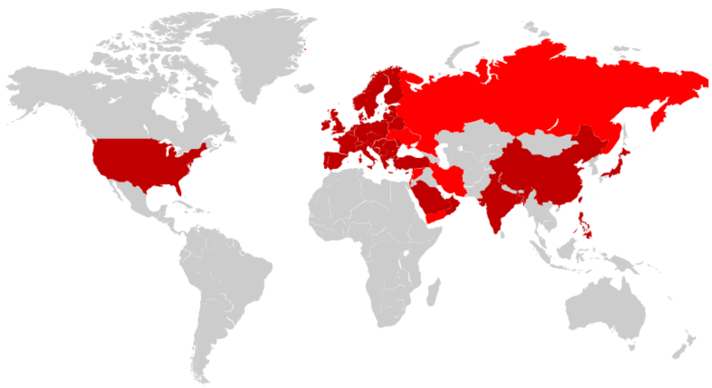
DEFENCE A GLOBAL GROWTH INDUSTRY

Geopolitical tensions look set to stay elevated in 2025. Key regions of the world will seek to rapidly enhance their defence capabilities. Geopolitics will increasingly factor in the economic backdrop.

Major Regions of the World Will Look to Spend Aggressively on Defence in 2025



Good News – Wars Could Come to an End

President elect Trump urged President Zelensky to be prepared to strike a deal with Russian President Putin, bringing an end to the Ukraine war. We venture President elect Trump will be seeking a similar outcome on the Israel war. A possible end to war will be a welcome shot in the arm for the global economy.

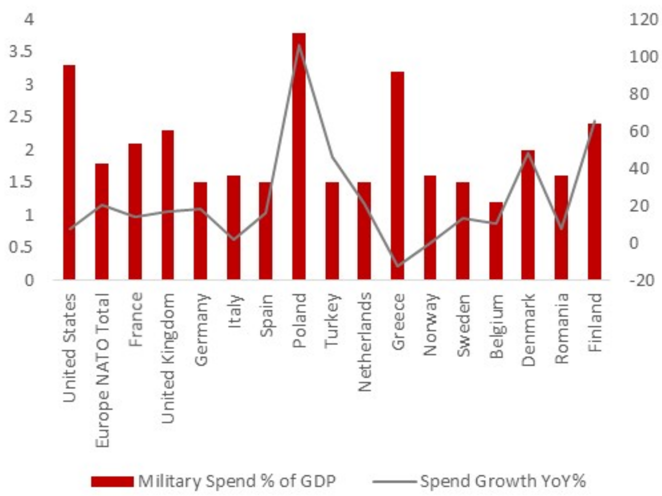
Bad News – Nations Must Increasingly Fend for Themselves

The bad news is that Europe in particular, will feel increasingly vulnerable in light of Trump's stated position on wars and the U.S. bearing the burden of spending on defense to protect other nations. Southeast Asian nations will also look to enhance defence spending as China looks increasingly expansionary. The Middle East will similarly be thinking about beefing up its security.

Defense Spending Set to Soar Globally

Net net, expect defence spending to soar, whether it be Europe, the U.S., China, India, Asia, the Middle East, Japan. NATO is expected to up military spending by $340 billion annually.

The U.S. Spends Above 3% of GDP on Military... Europe, Not So



Source: CIPRI Military Exp Database, CIA

The fall of Syria creates the potential for further upheaval and strife in the Middle East.

Evolving Nature of Conflict

The Russia Ukraine war and the Israel Hamas war have highlighted the evolving nature of conflict. Technology, drones, software, surveillance systems, are increasingly playing a pivotal role in warfare.

Europe will focus on what's worked in Ukraine to guide defence purchases. Air defense systems, advanced electronic warfare capabilities, and cheap drones look to be vital. Tanks, artillery will remain on the agenda. Lockheed Martin, General Dynamics, BAE, Boeing will be amongst the companies being awarded contracts

Geopolitics and strategic nationalist policy are paving the way towards a more fragmented world order. Investors will need to factor geopolitics into their capital flows. Investors would do well to emphasize "Return of Capital" as a checkpoint on their list.

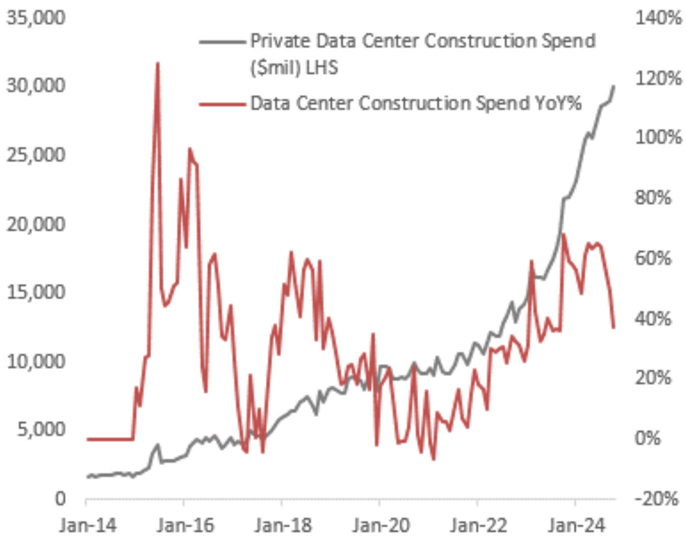
AI Capex Creating Real Jobs and Real Growth

As we've laid out, big tech views AI as an existential threat and enormous opportunity, with the only rational choice being to invest now.

Each time Microsoft escalates, Amazon and Google are compelled to escalate. Big tech happens to have the resources to afford this. With early wins clearly evident, the worst case scenario looks increasingly acceptable.

AI is demonstrating the potential to be a generational technology. The road ahead will be long, but worthwhile.

U.S. Private Data Center Construction Spending Is Growing Rapidly

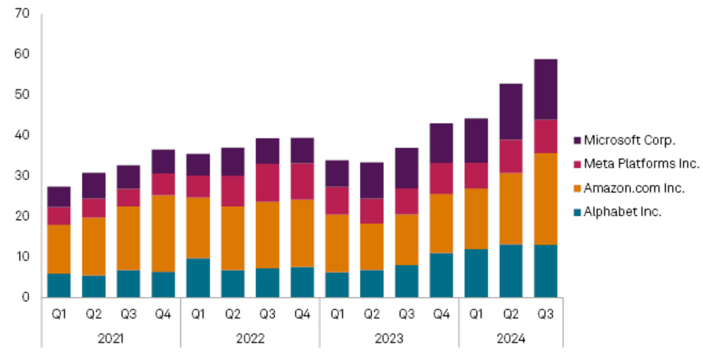


Source: Bloomberg

Real Jobs and Real Impact

The industrial capacity needed to build new AI data centers is serving as an economic stimulus and creating real jobs in the economy in tech, steel, energy, construction, materials and transportation etc.

Accelerating Capex Across Big Tech



Source: S&P Global Market Intelligence

The need for more power was clear before AI, the situation is only getting exacerbated. Lithium-ion batteries have become a staple of new data center buildouts; new approaches are being contemplated to further lower cost and increase capacity.

Big Tech Capex Plans

Amazon announced $50 billion in new data center projects in H1 2024, an $11 b campus in Indiana, $10 b in Mississippi, $5 b in Saudi Arabia, nuclear powered data center in Salem, PA, $15 b commitment in Japan. Germany, Taiwan and Singapore are on the pipeline for new projects. Amazon recently acquired land from Lodha in Mumbai in a 450 cr deal for data centers, is looking to aggressively expand in Hyderabad.

Microsoft's announcements include France, Germany, Sweden, UK, Spain, Malaysia, Indonesia, Kenya, Mexico. Microsoft is also building data centers in Pune and Hyderabad. These add up to a number over $20 billion.

Real Revenues

Github Copilot is a AI powered coding assistant developed by Github, Open AI and Microsoft. Today, it writes 46% of users' code. With AI copilots, we may eventually be able to program computers using natural language alone.

Newer startups are taking AI and applying the technology to sectors like mining, robotics, construction, accounting and legal.

Amazon CEO Andy Jassy said during an earnings call that the company is experiencing strong demand for generative AI, with gen AI growing 3 times faster than AWS at this stage of it evolution, which grew rapidly.

Microsoft shared that its AI business is on track to reach $10 billion this year. CEO Satya Nadella said most of the revenue came from inference use products such as Copilot rather than raw GPU demand, making it one of the first tech players to monetize AI at the application layer.

Inference is the stage in which trained AI models are fed inputs like prompts to generate new output.

Alphabet reported a 35% increase in cloud revenue to $11.4 billion, with program requests to its gen AI app, Gemini, increasing fourteenfold. Separately, Alphabet NotebookLM, a free GenAI app enabling users to create podcasts from uploaded documents and notes, has gained popularity, and the company is launching the app for business use.

Meta Platforms said enhancements in its AI-driven feed and video recommendations have increased user time on Facebook and Instagram.

India Investments in Data Ramp Up

Coming to India, ICRA announced that India's data center operational capacity is expected to double in the next 30 months to 2,000-2,100 MW by FY2027, with investments of INR 50k cr, driven by AI data center expansions and data localization initiatives. New developers like Yotta, Digital Connexion, Lumina CloudInfra, CapitaLand, Digital Edge, etc., have been making massive investments alongside existing players.

India holds a competitive cost advantage in constructing data centers versus most other countries, affordable real estate and local IT expertise. India's cost is roughly a third to 50% cheaper than alternatives such as Japan and Singapore.

AWS recently announced a $12.7 billion investment in India to expand its cloud infrastructure by 2030. Earlier this year, Microsoft pledged another Rs. 16,000 crore to set up data centres in Hyderabad. Apart from this, NTT and Google continue to expand capacity in the country.

Separately, a survey recently found 79% of companies planning to increase AI budgets with an anticipated 41% rise in spending from 2024.

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U.S. Economy – Leading the AI Wave

Consensus Gets It Wrong, As Usual

Economists and strategists have had consensus forecasts for a U.S. recession since 2021. Much time and paper has been wasted on the yield curve inversion, recession probability indicators and the like.

We've stuck with the 1995 roadmap of a soft landing scenario, accompanied by a new AI driven technology wave akin to the internet in the mid-1990s.

U.S. Economy Has Led DMs on Per Capita Income Growth

The U.S. has in the aggregate delivered strong 5% income growth per capita in the past 5 years, which represents an acceleration over prior periods, leading European peers, and keeping pace with Asian leaders.

U.S. Also Leads DMs on R&D

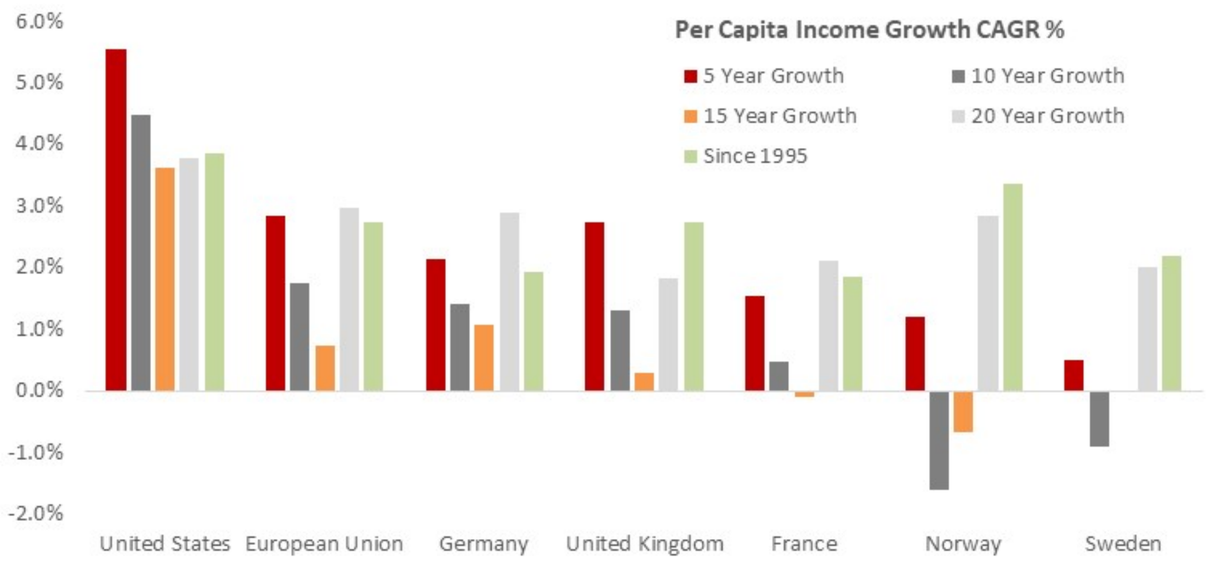
With the exception of South Korea and Israel, the U.S. spends more on R&D as a percentage of GDP than any of its peers. Leading government research agencies such as DARPA, leading university researchcenters, leading private equity funding, and leading companies collectively provide the U.S. a dominant innovation economy, one that has driven global progress for decades. As a result, we have arguably participated in the greatest acceleration in the well-being of humans in the history of mankind.

A Benign Outlook for 2025

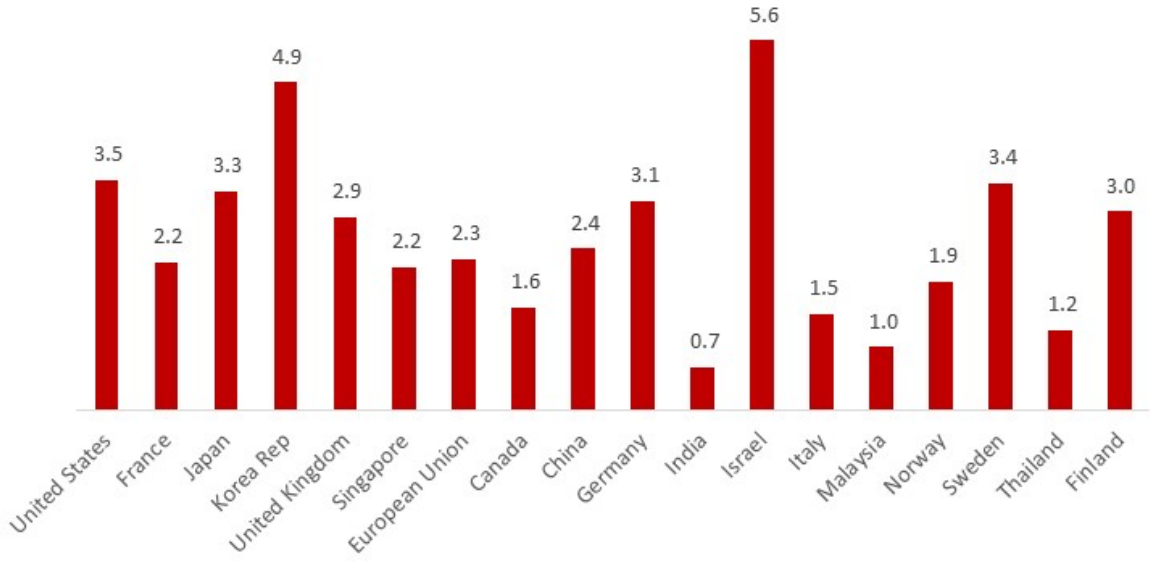
We enter 2025 with a fairly benign outlook on the U.S. economy. The U.S. is leading the world into yet another capex intensive technology innovation wave. Inflation has stabilized under 3%. Inflation in the pipeline is flat. The central bank is accommodative, and on a rate cut cycle. A massive stimulus, massive investments in technology, labor, and real estate, and a massive equity wealth effect has allowed the U.S. economy to skirt recession. Understandably, the impacts are more pronounced for the tech heavy U.S. economy relative to Europe. Crude oil prices remain attractively low.

Deflationary impacts from technology, commodities, with a welcome assist from China on collapsing real estate and debt woes, have brought inflation under control. Rather than slumping into recession, the U.S. looks set to continue the cycle.

The U.S. leads All Developed Economies on Per Capita Income Growth Across Time Periods...



...It Also Happens to Lead on R&D Spend as a % of GDP Among the Developed World

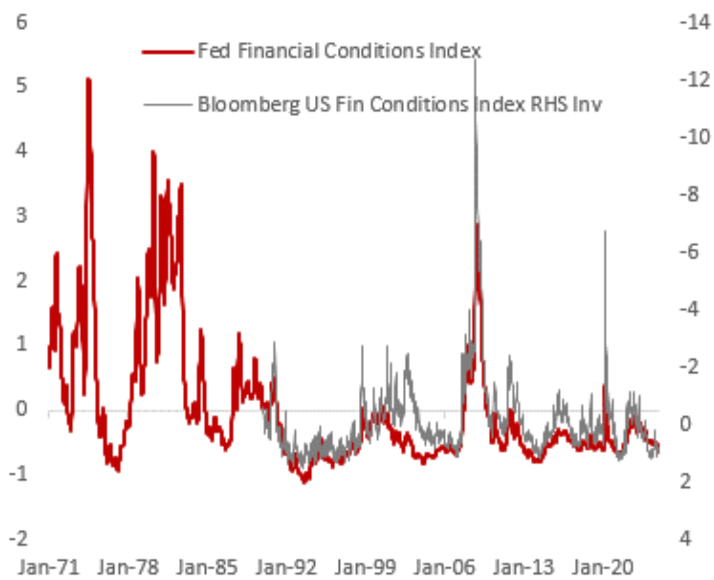


Source: Bloomberg

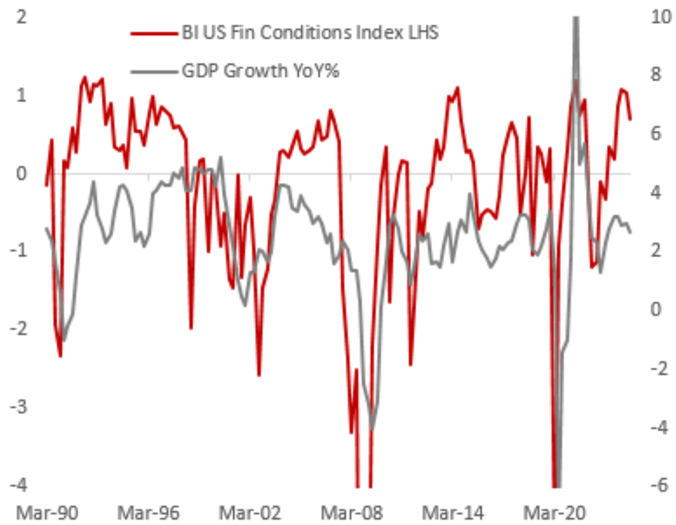
Accommodative Central Bank

While the Fed delivered a rate cut in December, it did talk down market expectations for further rate cuts. With roaring conditions in the stock market, raging animal spirits in Bitcoin and other memes, the central bank acted in a prudent and responsible manner.

Financial Conditions are Benign in the U.S...



That Typically Coincides with Economic Growth



A Historic Spike in Small Business Optimism

The small business optimism index spiked by 8 points in November 2024. That's the largest move higher since July 1980. Clearly businesses are feeling more optimistic, anticipating tax cuts, and better times ahead.

The small business survey also indicated a rise in the intent to hire, the first up move in the index since it peaked in August 2021.

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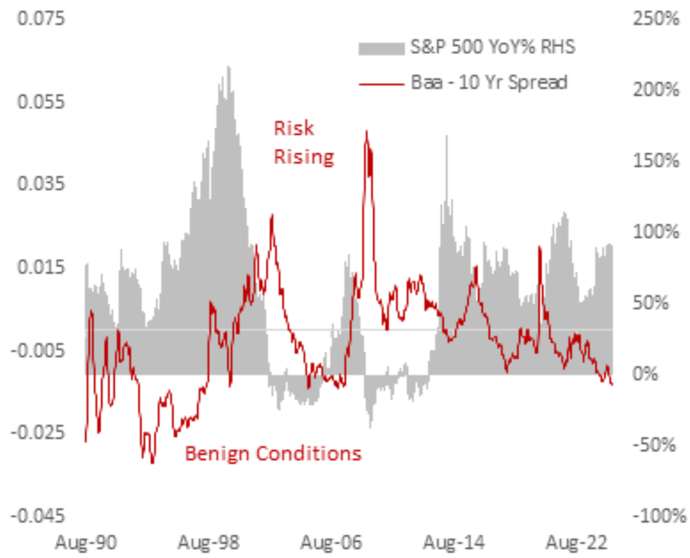
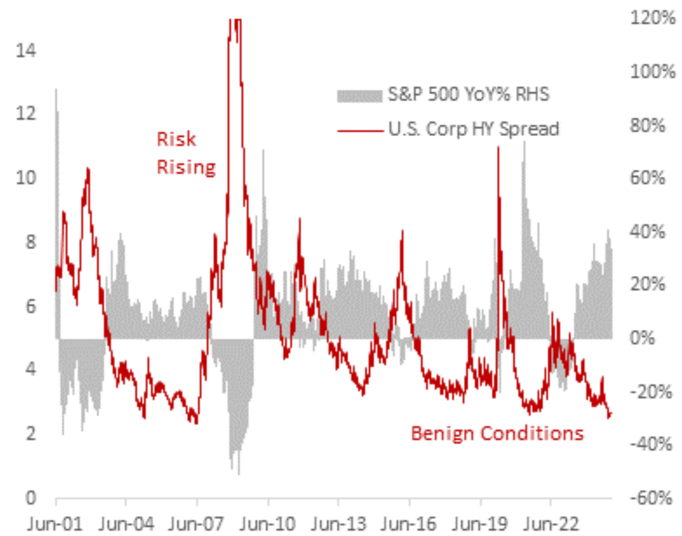
Small Business Optimism Spikes Higher, Fastest Rise in 44 Years

Corp Credit Spreads Show No Signs of Stress

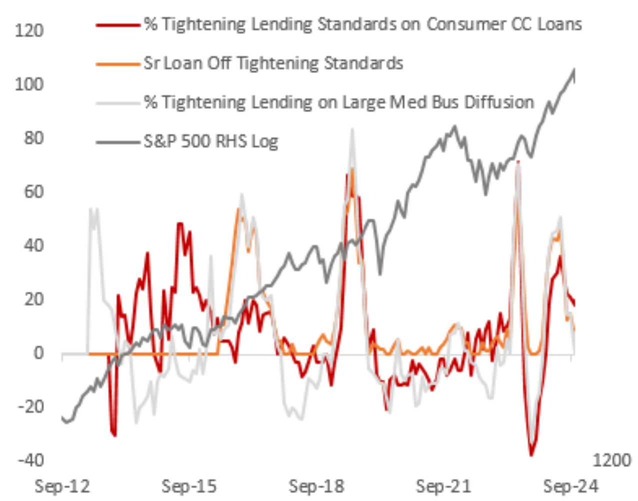


Small Businesses Hiring Plans Improve

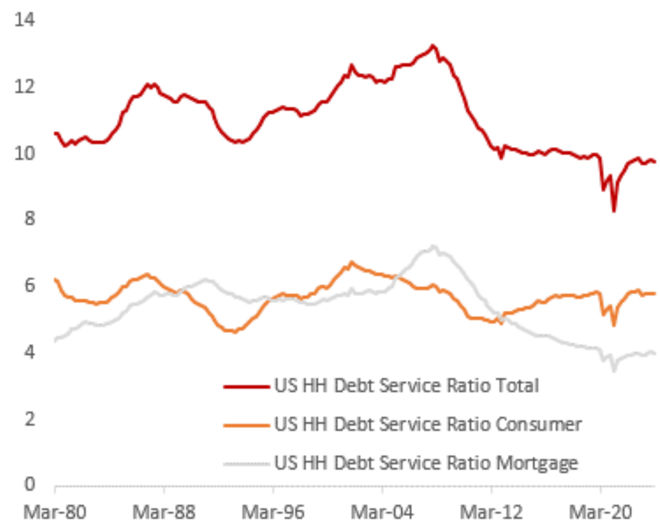
High Yield Spreads Equally Benign



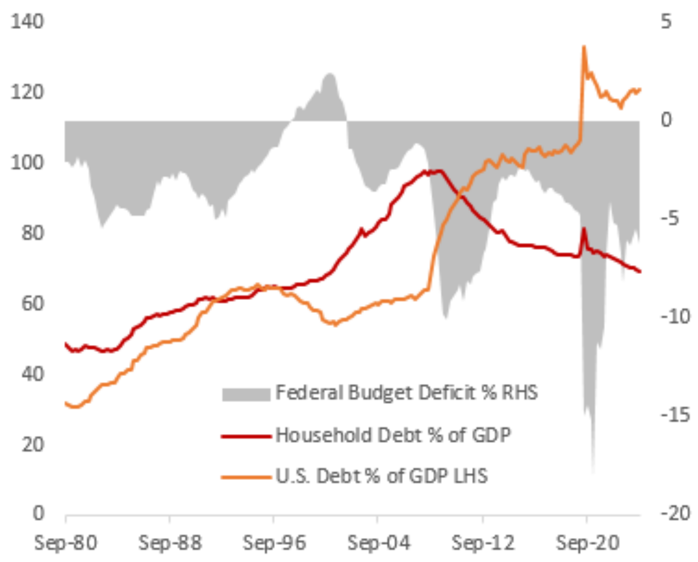
Lending Officers are Loosening Lending



Household Debt Service Ratios are Healthy



U.S. Consumer Finances Have Improved



Bifurcating U.S. Consumer

Experience it turns out continues to matter more than stuff. People are travelling more and paying for upgrades and luxury. Whether that's the U.S. or India, consumers want luxurious, memorable experiences. 15 years ago, U.S. airlines had trouble selling premium business and first class seats for actual money. Today 75% of premium seats are selling at premium prices. Those with wealth of $100,000 to $1million are the fastest growing client group in the sector, per Bloomberg. They are also younger, often under 40.

There is the bottom 50 that is struggling with high prices, making ends meet. The divide has gotten ever wider.

Massive Wealth Effects Kicking In

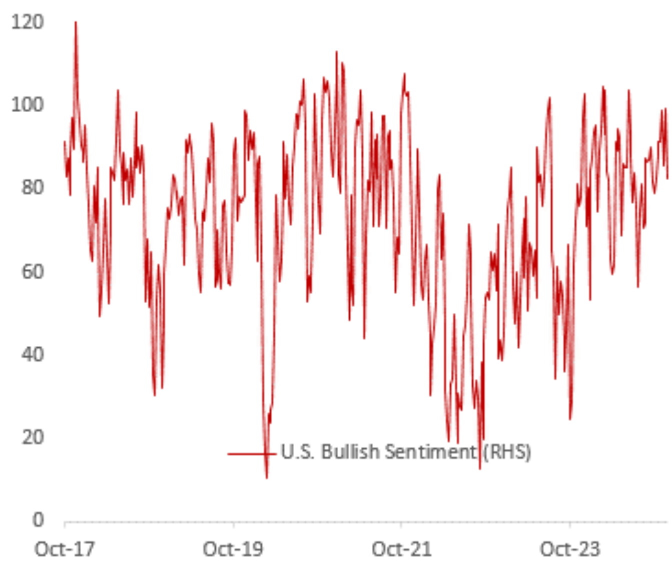
It's a whole lot easier to feel the holiday spirit when portfolios are up handsomely. The wealth effects of rising equity markets and rising real estate, rising gold has been under-appreciated until lately, and looks set to sustain.

Sentiment

Institutional and retail investors are heavily invested in equities but not quite at historic extremes.

U.S. Retail Allocation to Equities

Institutional Managers are Close to All In as Well



Technology Drives a Benign Outlook

Alongside massive AI investments, low mortgage rates, low corporate borrowing rates, Fed cash handouts and soaring equities and real estate have all contributed to create a benign scenario for the U.S. economy. Technology, however, is the driving force behind the recovery in the U.S., global economy, and global markets. One needs only look at market action since the day ChatGPT was announced in March 2023.

Inflation Decline Creates Leg Room for Rate Cuts

A key reason for optimism on global growth is the dramatic inflation decline over the past two years, incoming tax cuts, lower regulations and optimism on rate cuts.

Bessent's Agenda

Treasury Secretary nominee Scott Bessent will push for reducing the budget deficit, growing GDP at 3% and pumping 3 million barrels more oil per day.

Tariff War a Key Concern

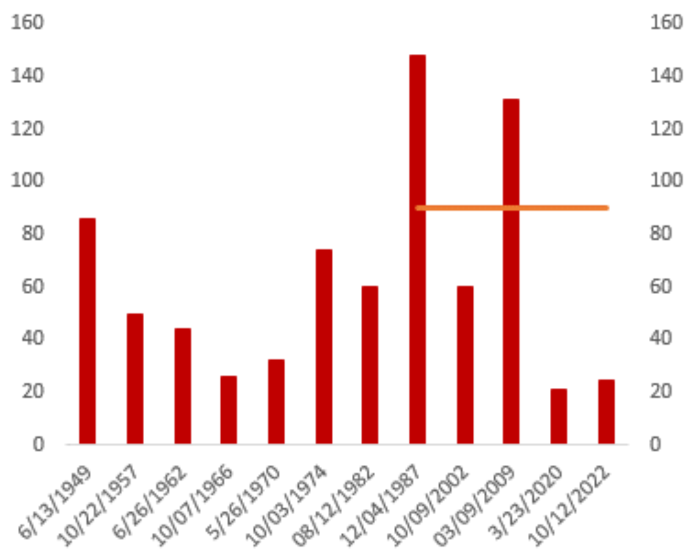
What worries us? Obviously, tariffs. A tariff war would lead to a rise in inflation. Should the economy suffer a concurrent shock in prices, it will likely slow. The resultant stagflation will be a challenge for global markets. The dollar will likely appreciate, as emerging markets devalue their currencies. Further, China's actions on the capital account could lead to rising interest rates and falling equity prices, and currency volatility.

U.S. Policy To Drive Market Direction

U.S. politics – Trump – will overshadow almost everything. Just as the Federal Reserve is the "core" central bank of the world, so the "Leader of the Free World" remains the "head" of the global political order. The Trump win lays open a possibility for greater political uncertainty, and economic uncertainty.

Lastly , we note that bull markets last longer than most of us expect, and that seems likely to be case in 2025.

Bull Markets Cycles Typically Lasting Longer



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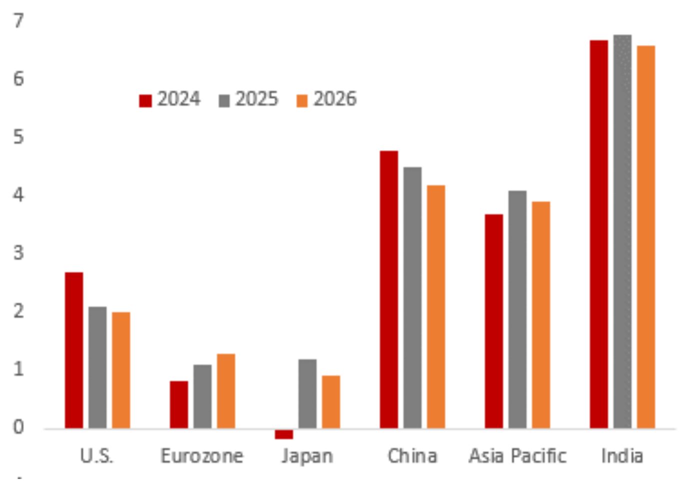
INDIA

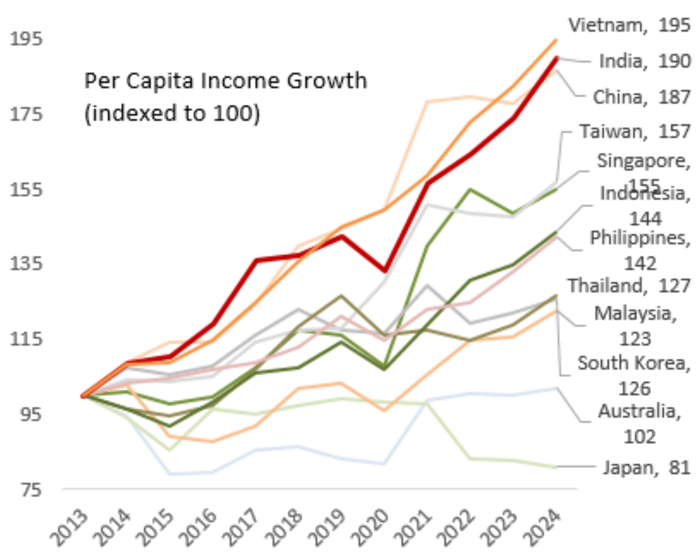
While other economies cheer 3% growth, the India economy stands apart delivering 6-7% growth in a global economy that's been challenged on growth since 2020.

India Continues to Lead on Economic Growth (GDP)



Growing a 1.4 billion strong nation's per capita income is no easy feat. Yet, India's done just that, doubling PCI from 1438 to 2730 during Modi's tenure.

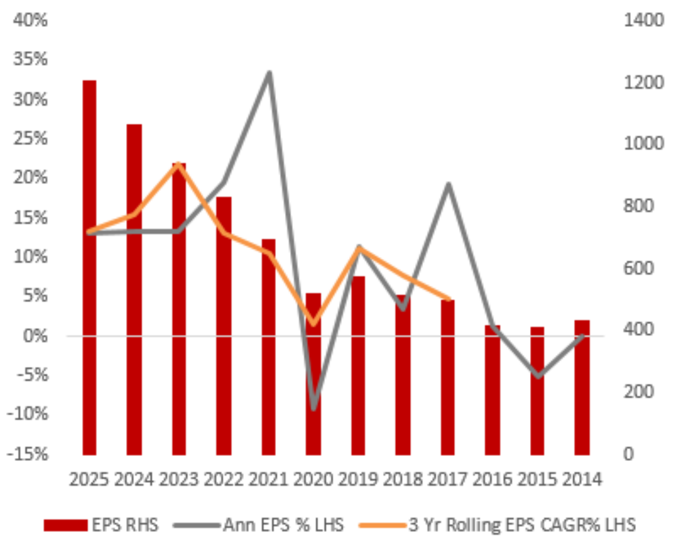
India's Per Capita Income Growth is Amongst the Fastest in the World (GDP)



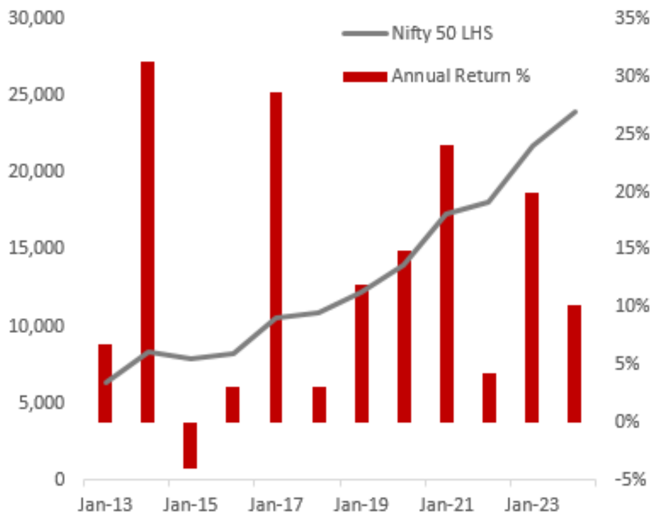
Post 2020, Nifty 50 Earnings Have Delivered Strong Growth and Are Meeting Analyst Expectations

From 2014 to 2020, Nifty EPS consistently underperformed relative to EPS estimates. In 2020, a turnaround occurred. Nifty 50 EPS has surprised to the upside or largely met EPS estimates since then.

The Nifty's 3 Year Rolling EPS CAGR Has Been a Consistent 13.3-15.4%



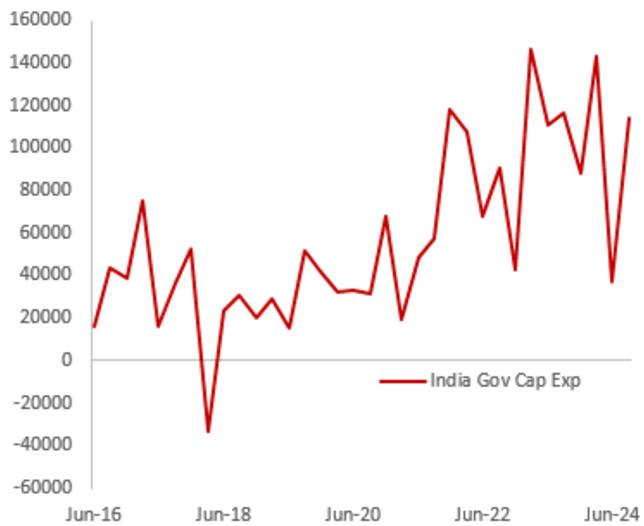
As a Result, the Nifty 50 is On Its 9th Year of Positive Annual Equity Returns



However, we noted in early October that the Indian economy had slowed in August and reduced our equity allocation to close to neutral.

A key reason for the slowdown has been the deceleration in government investment flows.

Govt. Capex Decelerated in H1 FY2025



India's Outlook – Are Fundamentals on Track?

India's demographics remain healthy. India's workforce is young, growing, with rising incomes.

Inflation is headed lower, other than vegetable inflation. Crude oil prices are benign.

Labor cost arbitrage remains in place, particularly as the dollar strengthens.

Services momentum remains healthy.

In a recent survey, India remained the country most likely to experience high growth rates, and a credible reform agenda.

India, S Korea and Taiwan remain the top destinations for global pension plan allocations in the next 3 years.

India continues to benefit from supply chain diversification, and moves by Samsung, Apple, and EMS financials demonstrate that India is succeeding in steadily building a global manufacturing base, and the opportunity remains significant.

Alongside Vietnam, Philippines, Mexico, India is the preferred destination for multinationals, sporting a large end market, manufacturing incentives and low cost labor.

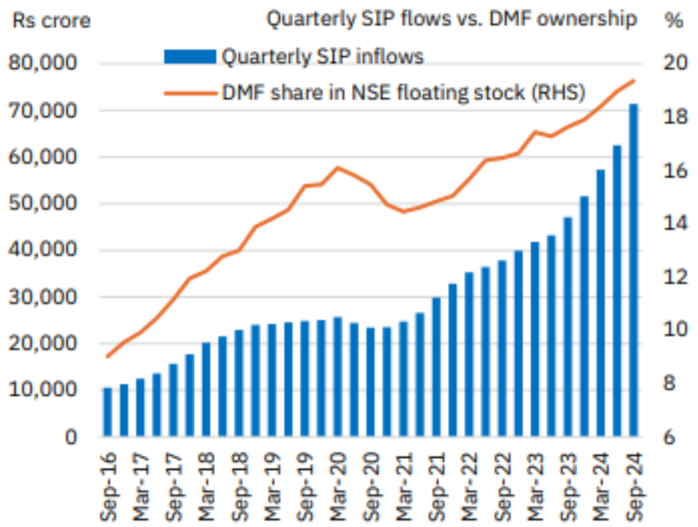
India's upper end consumer has benefitted from a significant equity and real estate wealth effect.

Trump's tariff policies could create opportunities for India.

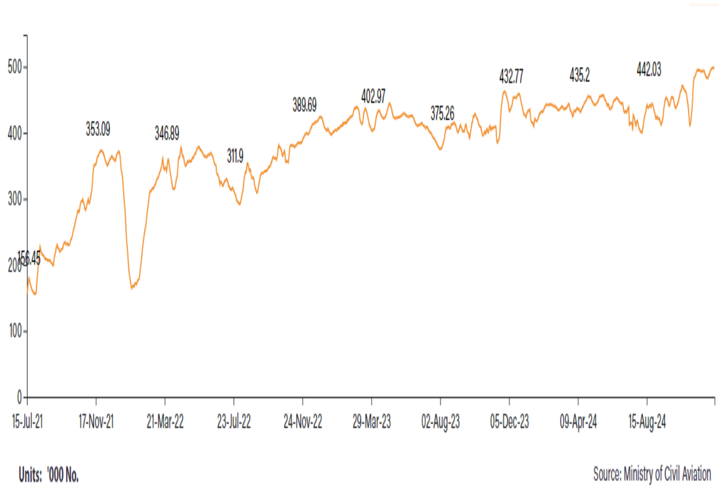
India's private equity pipeline and capital markets are amongst the most liquid and vibrant in the world.

One of India's strongest drivers is financialization, that trend continues unabated. India's markets are large, deep and liquid, with lower correlation to global equities.

India's Thirst for Equity Ownership Continues



Daily Passengers Are Rising



Source: Ministry of Civil Aviation

India has raced to neck and neck with China, and become one of the top weighted nations in the MSCI EM investable market index.

India is focused on diversifying trading partners, via regional trade agreements with developed and neighboring countries.

The Big Fat Indian Wedding could be making a comeback. The Ambani wedding redefined splendor. Anecdotal comments from consumer facing companies suggests a bumper wedding season is in progress, and travel and luxury leisure trends remain healthy.

Key Watchlist – Fiscal Monetary Policy & Capex

Strong fiscal and monetary policy support, or aggressive capex spend will be key determinants of earnings growth and market direction.

Should these factors not come through, Indian equities returns will be widely dispersed. India will benefit from **technology spending**, i.e., AI, robotics and automation. Investments in data will continue unabated.

Earnings, Revisions & Valuations

We covered Indian markets last month, and things are largely unchanged. This month we turn our attention to U.S. equities.

Valuation Outlook for U.S. Equities

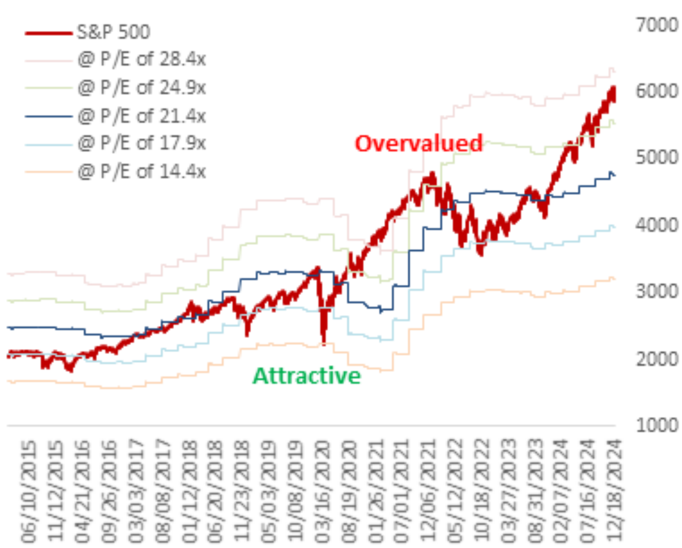
We are coming off a decade of extraordinary US equity outperformance.

However, PE ratios on the S&P 500 are now approaching 2 standard deviations above the 10 year mean. S&P valuations are at levels last seen in 2021, and only once in the past 10 years. Earnings are projected to grow by 12.9%.

Valuation Not an Effective Timing Tool

We would hasten to note that using valuations for timing is tricky and an imperfect science. Adherents to valuation driven strategies would have missed large chunks of return during the past 10 years, a topic we've covered previously.

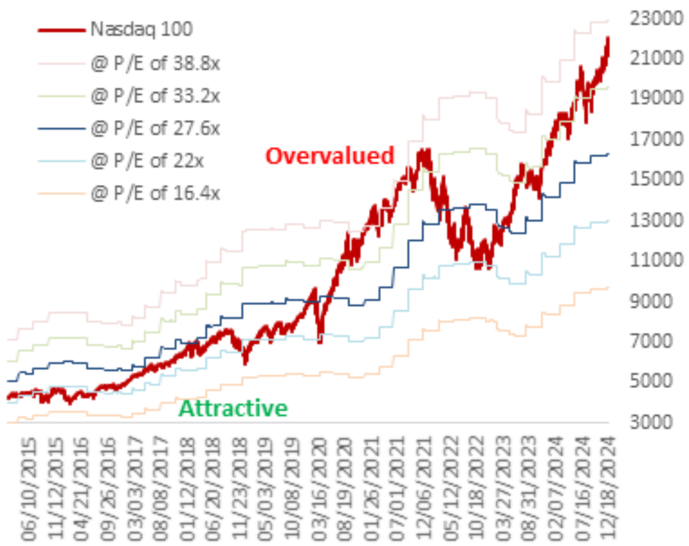
The S&P 500 PE Has Crossed Over Into Expensive



Should the S&P correct back to its average 10 year valuation, alongside 13% predicted earnings growth, we'd be looking at a flat performance for the index over the next 12 months.

The Nasdaq is similarly over-valued. Should the Nasdaq revert to its mean 10 year valuation, alongside predicted 23% earnings growth; again, we'd be looking at a meagre 5% return for 2025.

The Nasdaq PE Is Close to Highest in 10 Years



As we stated earlier for the S&P 500, valuations can be an unreliable timing tool. For instance, investors would have exited the Nasdaq on valuations in June/July 2020 with the Nasdaq at 9776 and 27 times earnings. Alternatively, we note the Nasdaq has been riding the 1 standard deviation band ever since 15,000 on the current bull run to 22,000, a 45% return differential.

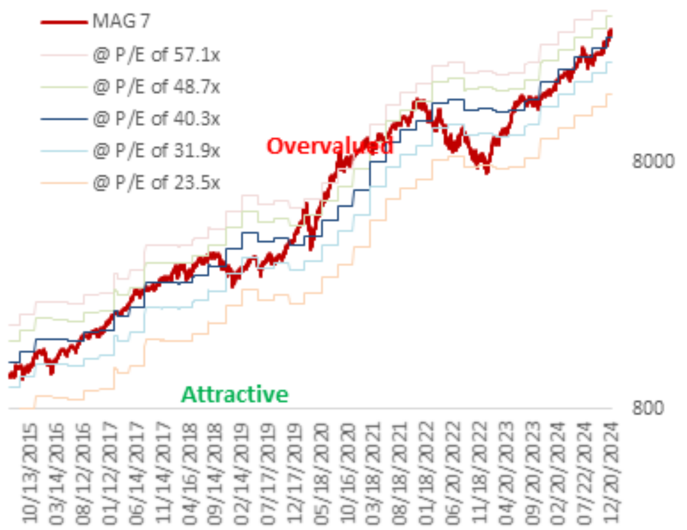
There are plenty of examples in India as well, where exiting on high valuations would have led to missing substantial rallies, traversing all the way back to 2014.

There is More...

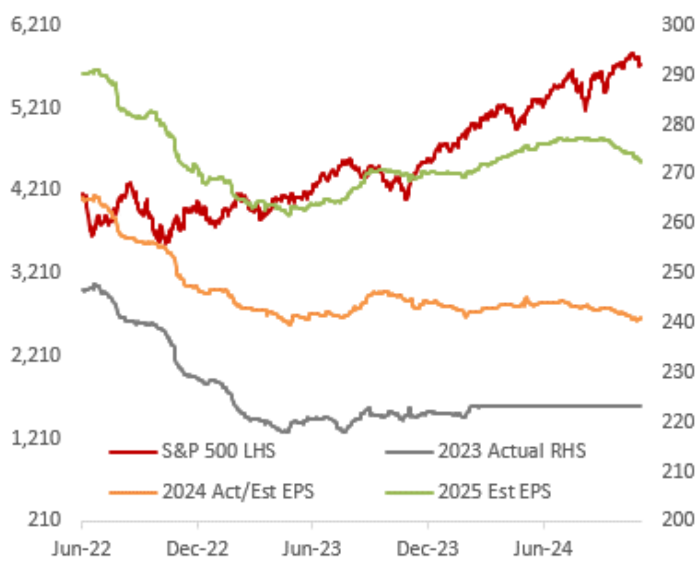
Valuation Outlook for MAG 7

The 10 year average PE of the MAG 7 is 40.3. The current valuation on the MAG 7 is 41.5. So the core of the market – the MAG 7 – is selling at a reasonable valuation relative to its historical average. It's the other stocks in the Nasdaq that are expensive. That explains the recent negative divergence in the performance of the Russell 2000.

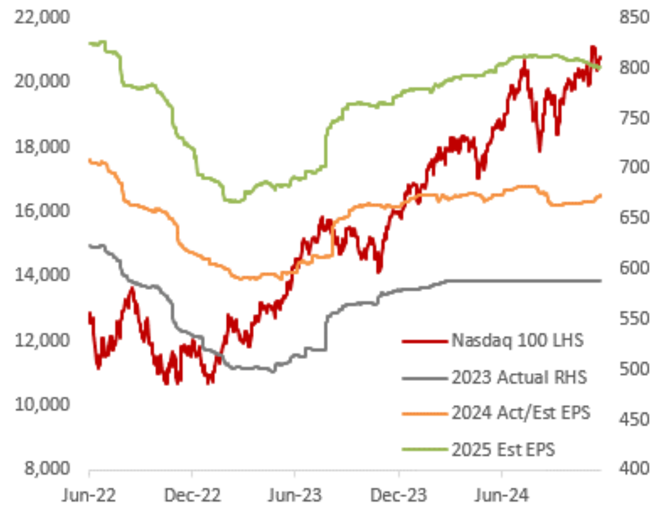
Valuations on the MAG 7 are in Line With Historical 10 Year Average



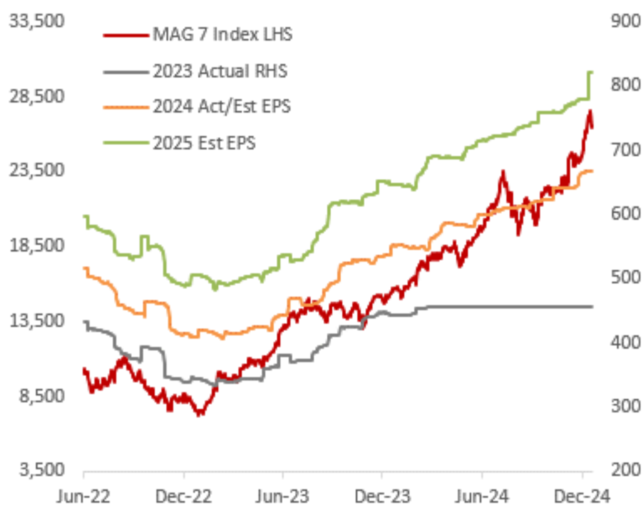
Analysts Expect S&P 500 EPS to Grow 12.4% YoY



The Nasdaq an Impressive 18.9% YoY...



And the Mag 7 ... 22.7%

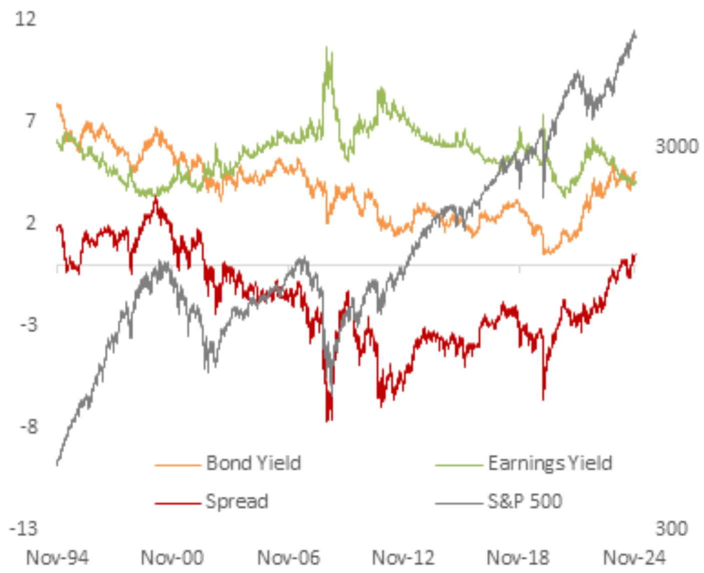


The Mag 7 are Truly Magnificent

As long as the Mag 7 are delivering earnings, valuations are unlikely to drag the market lower; rather, quite the opposite will likely occur.

The forward PE on the Mag 7 is a fairly reasonable 31.4 for the sort of consistent, visible earnings the index has delivered. As long as earnings are coming through, we doubt the market will mind paying a premium, with AI opportunities lying ahead.

Tech Share of Profits



Valuation Outlook for MAG 7

Equity Risk Premium

The equity risk premium measures the return on equities (the equity yield or the inverse of the PE ratio) versus the risk free rate.

As is evident from the charts above, the equity risk premium has turned negative for both the S&P 500 and the Nasdaq. That's interesting from a longer term only. Risk premia are poor predictors of short or medium term market action. On a longer term, the spread suggests that current index prices have pulled in a fair share of the future return, i.e. valuations are high.

The risk premium was negative for most of the late 1990s, for both the S&P 500 and the Nasdaq 100.

The other point to be made is that the constitution of the stock market has changed over time. While the 1990s Nasdaq was challenged for earnings, the MAG 7 today in large part have monopolistic positioning and strong margins and earnings.

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Commodities & Currencies

Tariff Policy Could Drive Currency Volatility

President Trump adopted an aggressive stance towards foreign trade and tariffs. China has responded pre-emptively, placing restrictions on strategic rare earth mineral exports. Mexico and Canada also responded with strong rhetoric.

Should tariffs be implemented, expect a decline in global trade, with direct impacts to Europe and China, a currency weakening response by EM and a stronger U.S. Dollar.

Tariffs will lead to higher inflation in the U.S., take future rate cuts off the table, lead to higher interest rates, roil equity markets, and create potential for a stag-flationary quagmire. The market expects fiscally prudent voices such as Treasury secretary Bessent to dissuade the President from pursuing an aggressive tariff driven agenda.

China's aggressive response has hit where it hurts, and made clear that the U.S. does not hold all the chips. Not only that, China's policies have massive lasting power, while Trump benchmarks his progress via the S&P 500.

Any surge in inflation and rise in interest rates in the U.S. would likely mean revert. The negative growth shock from tariffs would weigh on the U.S. economy and possibly push the economy into recession. Given the dismal state of public finances, higher interest rates would also be a worry for the Treasury secretary.

EM would have limited choice but to follow China on competitive devaluation against the dollar.

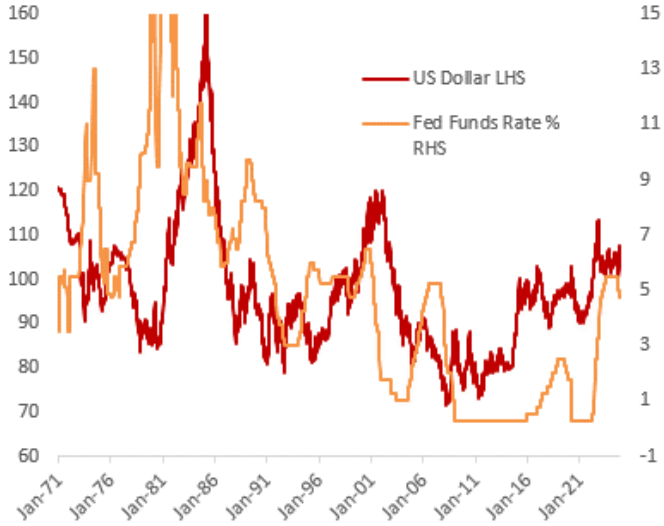
A Stronger U.S. dollar

Europe is struggling with weaker economic growth, weak / flat productivity growth, rising political, energy, debt, rising unrest, immigration angst, populism, reduced competitiveness worries, competition from China EVs, and geopolitical, defence challenges. We see capital seeking optimal returns and that appears to be dollar assets. Ditto GBP.

The same goes for Canada and Australia, commodity exporters that are dealing with weak global demand and a China slump.

The U.S. appears stronger across the board, driven by solid big tech earnings and earnings visibility. Strong equity wealth effects have also kicked in, and consumption has held up in the aggregate.

Strong Dollar Cycles Conclude Around Strong Easing Cycles... We Don't See That in 2025



Stronger Dollar Unless Broad Based Global Growth

The dollar has been strengthening on better U.S. economic growth, big Tech. During recessions and crises, the dollar strengthens on a flight to quality. During strong U.S. growth periods, the dollar strengthens as well. The U.S. dollar typically underperforms when broad global growth overtakes the U.S., or when the U.S. economy is weak, such as the 2000s and late 2020. We see that as unlikely given the state of Europe and China. Our view for the Dollar remains stability or moderate strengthening. With expectations for rate cuts being pushed back, dollar stability is likely to persist, with a possible strengthening bias.

The Japanese economy has been showing signs of life of late, alongside rising profits. Given the significant under valuation of the JPY, we expect it could catch up as Japan exits deflationary economics.

Gold

With expected monetary easing across central banks globally, deteriorating balance sheets, deteriorating debt sustainability, pressure on politicians to spur growth, substantial central bank Gold purchases from non-dollar countries such as China, India, and others, continued U.S. China, U.S Russia tensions, geopolitical risks and modest mining growth, Gold continues to have strong tailwinds. Gold has delivered strong equity like returns, while doubling as a reliable hedge during slowdowns as the debasement trade kicks in. Gold should be held as a strategic hedge.

Metals

Metals prices have remained in check as China continues to suffer challenges. The China impact is far more dominant in comparison to AI, EVs. The Chinese challenges are structural, with worsening demographics a key issue, and China increasingly is starting to look like Japan.

Geopolitical tensions between China and ROW have also led to significant changes in supply and demand of commodities, particularly metals, as countries are increasingly focused on rebuilding supply chains with reliable trading partners.

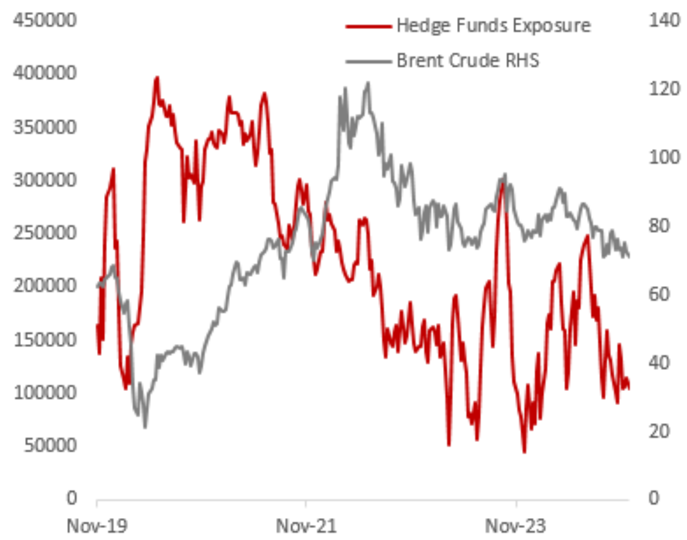
Commodity prices relative to equities are at extreme discounts. Commodity prices are more reflective of their individual market fundamentals. Amongst metals, copper, aluminum, steel continue to witness stronger demand.

Crude

Weak China retail sales and OPEC+ decision on production are an acknowledgement of tepid global demand. Indeed, we believe the near-term outlook for crude oil prices remains challenged. On the supply side, with more than 4 m bpd spare oil production at OPEC+ and rising production in the U.S., Brazil, oil markets are in surplus supply.

It's not just weak Chinese demand. It's also China's rapid electrification that is leading to suppressed oil prices. Sales of new energy vehicles have surpassed ICE in China. Hedge funds have trimmed long positions on crude as concerns focus on a glut. In a scant five years, share of ICE vehicles in China will fall to mid teens. The U.S. intent to "drill baby drill" will further act as a depressant on crude oil prices.

Speculators Have Reduced Exposure to Crude



Exposure to commodities is best achieved via active management and commodity specific allocations. In the near term, amid softening cyclical support for the complex, oil, copper and industrial metals, and the prospect of higher tariffs could weigh on demand and prices. In the medium term, tech and energy demands, replenishing aging infrastructure, could lead to an improving backdrop for commodities. That remains a watch-list item for now.

INVESTMENT OUTLOOK

Recession?

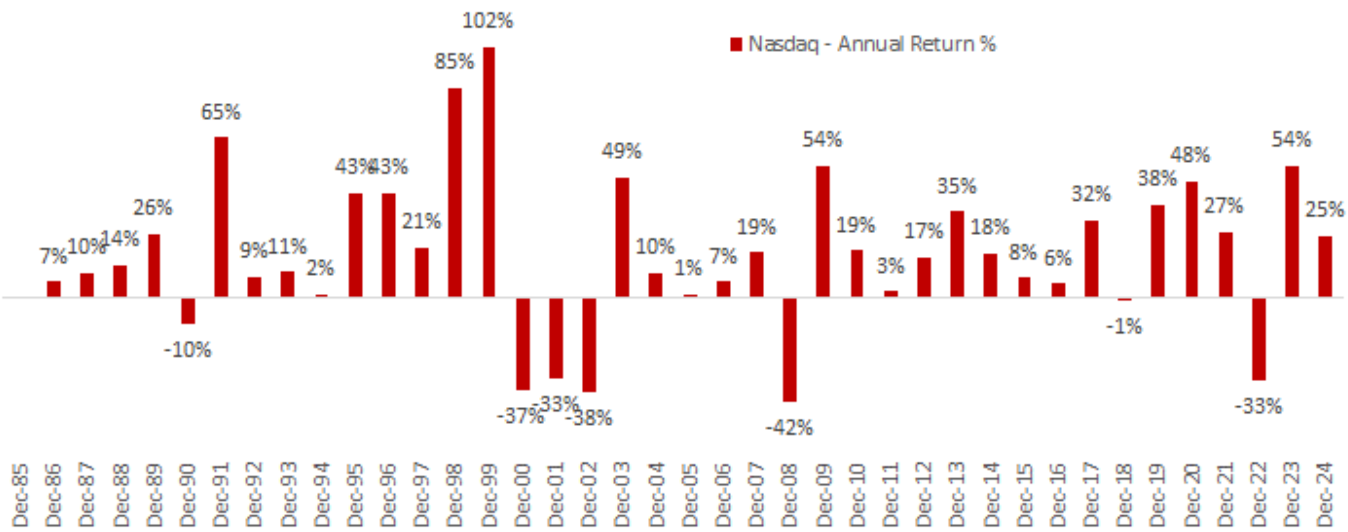
In 2021, the experts told us a recession is coming. In 2022, the experts warned about the yield curve inversion and stated there was a 100% probability of a recession. In 2023, we were told the U.S. is in a recession. In March that year, ChatGPT 4 was announced, and markets bolted.

The Nasdaq 100 has delivered 25%+ in each of the past 2 years. It's done that twice before in the past 30 years (see chart below).

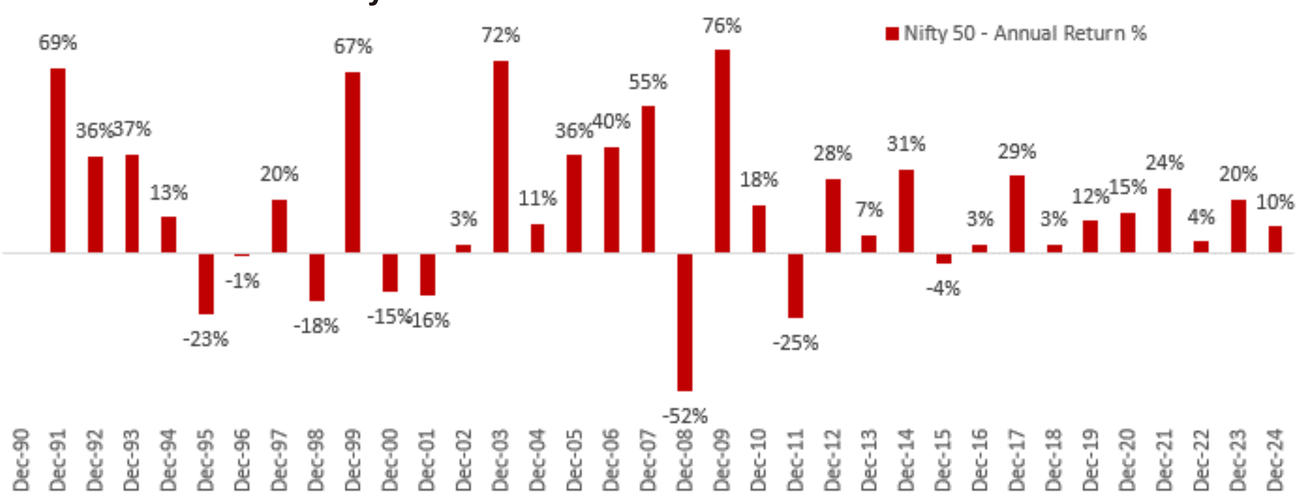
Meanwhile the Nifty 50 is on a streak of its own, delivering a positive return 9 years in a row.

Since we've made the case for the 1995 roadmap, we note that the Nasdaq delivered 25% plus in 1995 and 1996 as well, and went on to deliver a 21% return in 1997, despite the Asian currency crisis in the summer.

The Nasdaq – Two Years of 25%+ Returns



The Nifty 50 – Nine Years in a Row of Positive Returns



Source: Bloomberg

Global

The Central Bank Sell-Off

Bond market yields rose last week as Chairman Powell put the brakes on the easing cycle. The Fed has backed off from further rate cuts but remains ready to step in if needed. We expect European central banks to continue cutting rates on weaker growth outlooks. Markets sold off on a rise in yields, and an improving growth outlook. Major equity sell-offs have typically occurred on a worsening growth outlook.

Investment Outlook – Recession Off the Table

The U.S. central bank, market rally and tech investments (AI) have ensured a smooth landing in the U.S., with steady growth and inflation within acceptable ranges.

Historically, equities tend to do well when growth is durable, inflation isn't a constraint, and policy remains easy enough that it does not short-circuit the expansion.

Meanwhile, AI is driving vast amounts of capital investment across real assets and labor, globally. Tech investment drives innovation, productivity and growth. The U.S. is leading the charge, and the world is racing to catch up. **Major technological breakthroughs can drive returns**, such as autos in the 1920s and the internet in the 1990s.

Base Case – Mid 1990s Soft Landing Roadmap

Our base case for quite a while has been the mid-1990s when the Fed engineered a soft landing and a tech internet boom drove markets and the economy. The cycle extended. Risk assets have performed well when the Fed cuts rates and the U.S. economy avoids a recession.

The central banks remain in easing mode. The Fed has delivered 100 bps over the past few months, and current rhetoric aside, we believe stands ready to do more if necessary. The ECB will be easing as Germany and the EU are dealing with a multi-pronged slowdown. Asian banks will be similarly focused on rate cuts, including India.

A pro-market, pro-growth U.S. government with fresh thinking, DOGE is both a risk and a positive. We expect pressure to end the Ukraine Russia and the Israel Hamas conflicts. On the flip side, a tariff war is absolutely a concern that could roil global markets.

Fixed Income

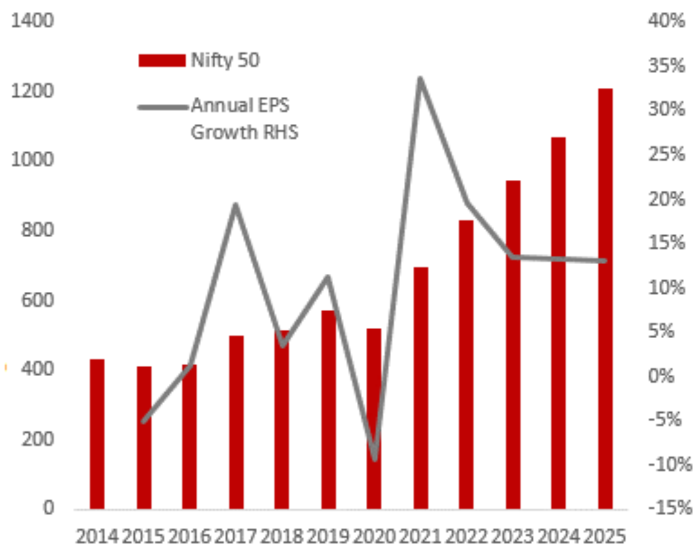
With yields close to historic highs, no recession in sight, U.S. government bonds, credit, leveraged fixed income products, EM bonds with stable currencies present attractive income and capital appreciation opportunities.

With narrow credit spreads vs government bonds, we prefer an underweight in credit and targeted selective opportunities.

U.S. Dollar

Barring a broad based global recovery where non-U.S. does better than U.S., an unlikely scenario, the dollar will remain strong, both against the Euro and EM. We expect the dollar to stay strong in a volatile risk off environment, as well as in a U.S. led growth scenario.

India's Earnings Growth Has Been Solid Since 2020



The new RBI Governor will have a mandate for growth. Rural is set to do better on a bumper crop. Services and manufacturing momentum remain healthy. Anecdotal data suggest a pickup in consumer spending. Financialization trends remain strong. The fundamentals of the India story remain intact.

Fiscal & Monetary Policy Drive Earnings

Clarity on monetary and fiscal policy will drive clarity on equity market expectations, Our preference heading into 2025 is companies with earnings growth, earnings visibility and quality, preferably selling at acceptable valuations. Alternatively, companies uniquely positioned in structural growth industries where we are cautiously willing to pay a premium valuation for long term earnings visibility.

Asset Allocation

Rising Complexity in Portfolios

The asset allocation decision today isn't just about 60 equities / 40 bonds. It's alternatives, private equity, domestic vs international, DM vs EM, growth vs value, sector, trend, quality or value, high beta or low vol, levered vs unlevered, derivatives.

Fundamentally, it's a choice between aggressiveness and defensiveness, preservation or appreciation of capital. With the benign outlook, we lean towards a pro-growth mindset. However, we remain nimble and watchful on changing macro.

Current Positioning

In early October, we reduced our equity exposure to marginally overweight. We advised selective purchases near the recent bottom. (see Know the Now - Market Update, Oct 8th, 2024). We have no changes to our asset allocation this month.

Private assets remain the most significant allocation trend. The hunt for enhanced returns has driven institutions to private assets.

Cap

In a bifurcating economy and bifurcating market, we continue to prefer opportunities in the mid, small and micro cap space, at reasonable valuations. While that may appear risky at first blush, the universe is broad based and opportunities are available at reasonable valuations in the mid and small cap space. Rate cut cycles typically create tactical tailwinds for small caps and emerging markets.

Structural Themes

Our thematic preferences begin with AI, tech, data center, power. Utilities, defence and pharma present additional attractive themes to build out equity portfolios. Infrastructure remains watchlist for now.

Geographic Preferences

U.S. assets remain among the most attractive in the world and should be at the core of investors' portfolios. The U.S. will lead the way in this cycle.

India, Taiwan and Vietnam remain solid long term winners. Indonesia is on the list. Beyond that, we'd look to active manager exposure for selective exposure.

The Japanese market offers interesting value, as long as inflation does not push the Bank of Japan to raise rates. Exiting deflation, with reforms in corporate governance and rising profits are positive signs. As the currency stabilizes, Japan looks interesting. In the short term, China is a stimulus play but we do not subscribe to the view that the stimulus will solve the various issues that are now headwinds for China.

Growth vs Value

There isn't much debate. Value is underperforming - capitulating - with each announcement around tech and AI. It's been a long road for value enthusiasts and clients don't want to hear about attractive valuations anymore. Growth dominates. Growth has delivered the top wealth creators in U.S. markets.

Long Short / Absolute Return

Easing cycles into soft landings are typically attractive environments for equities. However, valuations have over-extended in the U.S., and diversification into long short funds, hedge funds, and absolute return strategies makes good sense.

Active Vs Passive

We prefer our proprietary factor strategy and large cap active mutual funds for our large cap allocation. For mid and small-caps, we prefer experienced active managers with growth orientation, GARP methodology and proven track record.

First Principles

There are a myriad of forces working to steer investors off course. Greed and fear. Social media. Worries about the global economy.

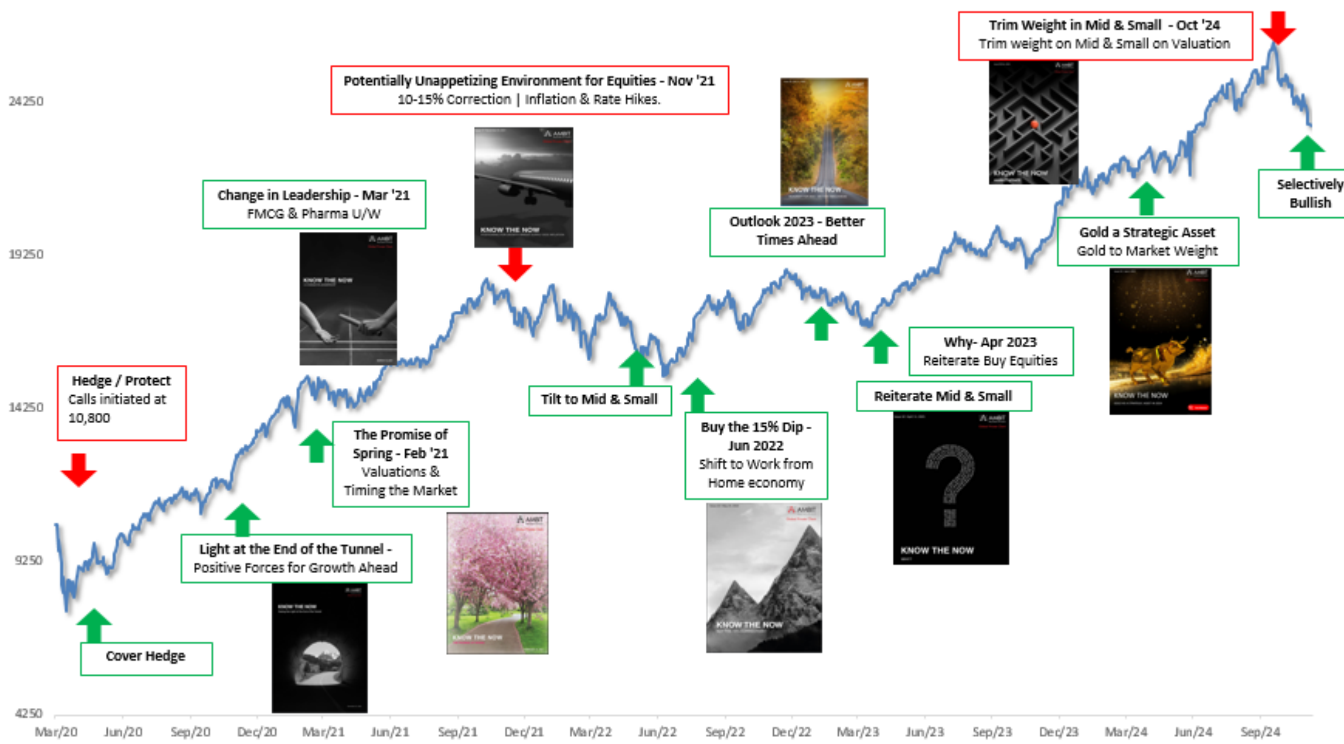
It is beneficial to keep in mind that Indian equities are riding attractive tailwinds, and have overcome serious obstacles — PIGS, IL&FS, banking system risks, covid, trade wars, global crises etc — and consistently managed to deliver strong returns.

Please contact your Ambit Wealth advisor for a consultation on constructing optimized portfolios that meet your investment objectives.

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



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Global Index Performance

22-Dec-24	Price	1 Day %	5 Day %	MTD %	1 Mo %	QTD %	3 Mo %	6 Mo %	YTD %	1 YR %	% from 52 Wk Hi
Nifty 50	**23,588**	**-1.5**	**-4.8**	**-2.3**	**-1.3**	**-8.6**	**-9.1**	**0.4**	**8.5**	**10.5**	**-10.2%**
SENSEX	78,042	-1.5	-5.0	-2.2	-1.4	-7.4	-8.1	1.1	8.0	9.8	-9.2%
Nifty Next 50	68,703	-2.7	-5.8	-2.9	1.0	-10.9	-10.4	-3.4	28.8	32.3	-11.8%
Nifty 200	13,374	-1.9	-4.7	-1.9	-0.1	-8.5	-9.0	0.1	13.4	15.6	-9.8%
Nifty 500	22,319	-1.9	-4.5	-1.6	0.4	-7.9	-8.4	0.4	14.9	17.1	-9.2%
NIFTY Midcap 100	56,907	-2.8	-3.5	0.9	3.4	-5.4	-6.3	2.7	23.2	26.2	-6.6%
Nifty Midcap 150	21,051	-2.4	-3.2	0.7	3.1	-5.7	-6.1	1.5	23.3	26.1	-6.5%
NIFTY Smallcap 100	18,714	-2.2	-3.6	0.3	5.4	-2.4	-4.3	2.6	23.6	26.1	-5.1%
NSE NIFTY Smallcap 250	17,694	-2.0	-3.1	-0.1	4.6	-3.9	-5.0	3.8	26.0	28.3	-5.3%
Bloomberg Microcap Indi	55,922	-2.5	-2.6	1.6	6.5	0.4	-0.3	12.0	32.1	32.6	-4.2%
Americas											
S&P 500 Index	5,931	1.1	-2.0	-1.7	-0.6	2.9	3.7	8.5	24.3	24.7	-2.8%
Dow Jones Indus. Avg	42,840	1.2	-2.3	-4.6	-3.3	1.2	1.7	9.4	13.7	14.6	-5.0%
Nasdaq Composite	19,573	1.0	-1.8	1.8	3.0	7.6	8.9	10.6	30.4	30.5	-3.1%
Nasdaq 100 Stock Indx	21,289	0.8	-2.3	1.7	2.5	6.1	7.2	8.1	26.5	26.9	-3.8%
Nyse Fang+ Index	13,313	1.2	-1.3	7.4	7.3	16.7	16.6	19.3	52.7	52.5	-4.0%
Bbg Magnificent 7 Pr Usd	26,582	0.1	-1.4	8.4	9.8	18.1	19.9	26.3	70.2	69.6	-4.4%
Russell 2000 Index	2,242	0.9	-4.5	-7.9	-6.8	0.6	1.0	10.9	10.6	10.2	-9.1%
Canada	24,599	0.8	-2.7	-4.1	-3.3	2.5	2.9	14.1	17.4	17.8	-4.8%
Mexico	49,586	0.7	-3.9	-0.5	-1.7	-5.5	-5.4	-6.1	-13.6	-13.5	-16.0%
Brazil Bovespa	122,102	0.8	-2.0	-2.8	-5.4	-7.4	-6.5	0.6	-9.0	-8.0	-11.2%
Europe											
Euro Stoxx 50 Pr	4,862	-0.3	-2.1	1.2	1.5	-2.8	-0.5	-0.9	7.5	7.5	-5.1%
FTSE 100	8,085	-0.3	-2.6	-2.4	-2.1	-1.8	-2.1	-1.9	4.5	5.0	-4.6%
CAC 40 Paris	7,274	-0.3	-1.8	0.5	0.3	-4.7	-3.1	-4.6	-3.6	-3.9	-11.9%
DAX Germany	19,885	-0.4	-2.6	1.3	2.9	2.9	5.5	9.5	18.7	19.0	-3.1%
Asia											
MSCI Emerging Markets	1,072	-0.9	-3.1	-0.6	-1.4	-8.4	-3.5	-1.4	4.7	8.1	-10.2%
Japan - Nikkei 225	38,702	-0.3	-1.9	1.3	1.1	2.1	2.6	0.3	15.7	16.7	-8.8%
Hang Seng	19,721	-0.2	-1.3	1.5	2.6	-6.7	8.1	9.4	15.7	20.7	-15.1%
China CSI 300	3,928	-0.4	-0.1	0.3	1.6	-2.2	22.3	12.4	14.5	17.7	-11.7%
Australia	8,067	-1.2	-2.8	-4.4	-3.9	-2.5	-1.1	3.5	6.3	7.5	-5.3%
Taiwan	22,510	-1.8	-2.2	1.1	-1.7	1.3	1.0	-3.2	25.5	27.9	-7.8%
Korea	2,404	-1.3	-3.6	-2.1	-3.9	-7.3	-7.6	-13.7	-9.5	-7.5	-17.0%
Singapore	3,720	-1.1	-2.4	-0.5	-0.7	3.8	2.2	12.5	14.8	18.5	-3.2%
Vietnam	1,258	0.2	-0.4	0.6	2.4	-2.4	-0.9	-1.9	11.3	14.0	-3.7%
Indonesia	6,984	0.1	-4.7	-1.8	-2.9	-7.2	-10.2	1.5	-4.0	-3.5	-11.7%
Malaysia	1,591	-0.5	-1.1	-0.2	0.1	-3.5	-4.4	0.1	9.4	9.4	-5.5%
Phillipines	6,406	0.2	-3.2	-3.1	-5.5	-11.9	-13.6	4.0	-0.7	-1.5	-15.8%

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Leadership Stocks – U.S. & India

Largest Cap by Region	Price	1 Day %	5 Day %	MTD %	1 Mo %	QTD %	3 Mo %	6 Mo %	YTD %	1 YR %	% from 52 Wk Hi
S&P 500 Index	5,931	1.1	-2.0	-1.7	-0.6	2.9	3.7	8.5	24.3	24.7	-2.8%
Apple Inc	254	1.9	2.6	7.2	10.7	9.2	11.5	22.7	32.2	31.5	-0.2%
Nvidia Corp	135	3.1	0.3	-2.6	-5.1	10.9	16.1	6.4	172.0	175.9	-11.9%
Microsoft Corp	437	-0.1	-2.4	3.1	4.7	1.5	0.3	-2.9	16.1	16.6	-6.8%
Amazon.Com Inc	225	0.7	-1.1	8.2	14.1	20.7	17.4	19.0	48.0	46.6	-3.5%
Alphabet Inc-Cl A	191	1.5	0.8	13.3	16.2	15.4	17.0	6.6	37.0	35.3	-5.0%
Meta Platforms Inc-Class	585	-1.7	-5.7	1.9	4.7	2.2	4.3	18.3	65.3	65.6	-8.3%
Tesla Inc	421	-3.5	-3.5	22.0	19.4	60.9	76.7	130.1	69.5	66.7	-13.8%
Broadcom Inc	221	1.1	-1.8	36.2	34.4	28.0	29.0	33.1	97.8	96.8	-12.3%
Netflix Inc	909	0.8	-1.1	2.5	1.3	28.2	29.7	32.5	86.7	86.8	-3.5%
Novo Nordisk A/S-B	589	-20.7	-21.9	-22.2	-21.5	-25.1	-30.7	-40.4	-15.6	-15.2	-43.0%
Investor Ab-B Shs	291	0.1	-2.1	-2.9	-2.6	-7.0	-6.3	0.9	24.5	25.3	-8.3%
Atlas Copco Ab-A Shs	170	-0.8	-3.9	-2.3	-2.3	-13.4	-6.8	-14.2	-2.0	-0.8	-17.6%
Equinor Asa	254	-0.3	-1.2	-4.8	-6.6	-3.2	-1.1	-10.7	-15.8	-16.5	-19.7%
Volvo Ab-B Shs	268	-0.8	-4.5	-1.4	-1.4	-0.2	2.4	-0.1	5.9	6.7	-13.7%
Eqt Ab	305	2.5	-3.3	-7.8	-0.7	-12.3	-16.5	-3.1	6.9	9.0	-17.6%
Assa Abloy Ab-B	326	-0.0	-4.7	-2.7	-2.0	-4.6	-3.6	9.6	12.2	12.9	-6.8%
Dsv A/S	1,507	0.7	-2.2	-	0.2	9.0	10.5	42.3	27.1	26.9	-3.6%
Dnb Bank Asa	224	-0.7	-2.3	-2.8	-2.7	3.6	3.4	7.5	3.8	6.2	-5.7%
Lvmh Moet Hennessy Lou	628	0.1	-1.7	6.0	7.7	-8.8	6.1	-12.4	-14.4	-14.9	-29.1%
Nifty 50	**23,588**	-1.5	-4.8	-2.3	-1.3	-8.6	-9.1	0.4	8.5	10.5	-10.2%
Hdfc Bank Limited	1,772	-1.2	-5.4	-1.4	1.5	2.3	1.7	6.3	3.6	6.0	-5.8%
Icici Bank Ltd	1,288	0.1	-4.2	-0.9	0.8	1.2	-3.7	11.2	29.3	29.6	-5.4%
Tata Consultancy Svcs Ltd	4,170	-2.4	-6.8	-2.4	-1.8	-2.3	-2.7	9.4	10.4	9.6	-9.2%
Reliance Industries Ltd	1,205	-2.0	-5.3	-6.7	-4.7	-18.4	-18.9	-17.1	-6.7	-6.0	-25.1%
Bajaj Finance Ltd	6,848	-1.0	-4.7	4.1	2.5	-11.1	-9.7	-4.0	-6.5	-6.1	-12.5%
Hindustan Unilever Ltd	2,334	-1.1	-2.4	-6.5	-4.6	-20.8	-21.3	-4.0	-12.0	-9.0	-22.8%
Nestle India Ltd	2,164	0.1	-4.0	-3.2	-3.7	-19.6	-19.9	-13.4	-18.6	-14.7	-22.1%
Titan Co Ltd	3,356	-0.0	-4.3	3.3	1.4	-12.2	-11.6	-1.3	-8.7	-7.5	-13.7%
Asian Paints Ltd	2,282	-0.4	-5.2	-8.0	-7.7	-31.4	-31.0	-21.0	-32.9	-31.7	-33.3%

Nifty Sectors

27-Dec-24	Price	1 Day %	5 Day %	MTD %	1 Mo %	QTD %	3 Mo %	6 Mo %	YTD %	1 YR %	% from 52 Wk Hi
Nifty 50	**23,750**	**0.1**	**-1.9**	**-1.6**	**-2.2**	**-8.0**	**-9.3**	**-1.2**	**9.3**	**9.7**	**-9.6%**
Nifty Sectors											
Nifty Auto	22,876	0.8	-1.6	-2.1	-2.7	-15.4	-17.1	-9.2	22.9	25.5	-17.4%
Nifty Bank	51,171	-0.1	-1.9	-1.7	-2.2	-3.4	-4.9	-3.1	6.0	6.0	-6.1%
NIFTY Private Bank	24,798	-0.2	-2.1	-2.1	-2.6	-6.4	-9.0	-6.0	-0.3	0.9	-9.1%
Nifty PSU Bank	6,630	0.3	-2.4	-2.7	-2.3	-1.9	-3.3	-9.2	16.0	16.5	-17.7%
Nifty Financial Services	23,744	0.0	-1.9	-1.1	-1.8	-3.0	-4.7	0.5	10.5	10.6	-5.8%
Nifty India Consumption	11,352	0.4	-1.2	-0.8	-0.3	-11.5	-12.9	2.3	18.5	21.2	-13.1%
Nifty FMCG	56,258	-0.3	-0.4	-2.9	-3.1	-14.2	-14.6	-0.7	-1.3	0.9	-15.3%
Nifty Energy	35,160	0.2	-2.3	-6.2	-5.6	-20.1	-21.1	-15.0	5.1	5.9	-21.9%
Nifty Infrastructure	8,529	0.3	-1.9	-2.4	-2.0	-10.9	-12.0	-6.3	16.8	17.6	-12.1%
Nifty IT	43,664	-0.0	-4.1	1.2	-1.0	4.1	3.6	23.3	22.9	23.0	-5.3%
Nifty Metal	8,805	-0.1	-2.9	-2.5	-2.0	-13.7	-12.5	-9.9	10.4	12.2	-14.7%
Nifty Pharma	22,713	0.7	1.8	2.1	4.0	-2.4	-3.4	16.4	34.9	36.4	-5.0%
Nifty Realty	1,077	0.2	-3.2	5.6	5.1	-2.0	-3.6	-2.0	37.6	39.9	-6.9%
Nifty Sectors & Themes											
Nifty Media	1,847	-1.5	-4.7	-7.5	-5.9	-13.6	-12.7	-7.5	-22.7	-22.4	-26.4%
Nifty CPSE	6,114	0.3	-2.8	-6.3	-5.8	-15.8	-15.7	-8.8	25.8	26.9	-20.2%
Nifty PSE	9,661	0.5	-2.0	-4.5	-4.8	-14.4	-14.5	-9.0	23.0	25.2	-18.2%
Nifty India Defence PR	6,593	-0.1	-3.7	-1.7	-0.0	-1.0	-1.8	-9.6	57.9	57.8	-20.6%
Nifty Commodities	8,213	0.1	-2.5	-3.8	-2.7	-16.4	-16.4	-10.8	6.4	7.5	-17.0%
Nifty MNC	27,958	0.1	-3.3	-3.1	-3.1	-14.2	-14.6	-8.0	15.5	17.2	-14.9%

S&P 500 Sectors

U.S. Sectors	Price	1 Day %	5 Day %	MTD %	1 Mo %	QTD %	3 Mo %	6 Mo %	YTD %	1 YR %	% from 52 Wk Hi
S&P 500	**5,931**	**1.1**	**-2.0**	**-1.7**	**-0.6**	**2.9**	**3.7**	**8.5**	**24.3**	**24.7**	**-2.8%**
S&P 500 Sectors											
Communication Services	344	0.5	-2.2	4.3	6.3	9.5	11.6	12.4	40.0	39.5	-4.5%
Consumer Discretionary	1,871	0.1	-2.6	4.6	7.0	16.5	16.7	26.0	31.9	31.4	-4.8%
Consumer Staples	866	0.1	-2.5	-3.9	-2.5	-2.5	-2.9	4.9	13.6	14.8	-4.2%
Energy	639	0.9	-5.6	-11.8	-13.5	-5.6	-6.8	-6.0	-0.2	-1.5	-15.5%
Financials	804	1.4	-2.0	-5.6	-4.6	6.6	6.3	17.3	28.4	29.3	-6.1%
Health Care	1,603	1.2	-2.2	-6.5	-4.5	-10.8	-11.0	-6.1	0.8	1.8	-12.7%
Info Tech	4,670	1.5	-0.7	2.4	2.7	6.0	7.9	7.1	37.5	37.8	-2.0%
Utilities	385	1.5	-1.6	-8.0	-6.4	-6.1	-5.6	10.1	19.7	21.1	-8.6%
Industrials	1,128	1.1	-2.6	-7.1	-6.3	-1.6	-0.3	8.7	16.9	17.8	-7.4%
Materials	537	1.2	-4.2	-9.8	-9.2	-11.7	-10.1	-4.7	-0.6	-0.7	-13.2%
Real Estate	254	1.8	-5.0	-9.7	-8.0	-9.3	-9.9	6.2	1.1	1.7	-10.7%

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Crude Oil, Commodities and Precious Metals

22-Dec-24	Price	1 Day %	5 Day %	MTD %	1 Mo %	QTD %	3 Mo %	6 Mo %	YTD %	1 YR %	% from 52 Wk Hi
Brent Crude	72.9	0.1	-2.1	0.0	0.2	1.6	-2.1	-14.9	-5.3	-8.5	-21%
CRB Raw Industrials Index	540.8	0.2	-0.7	-1.0	-0.2	-3.3	-2.1	-2.4	-0.5	-0.3	-4%
BBG Cmdty ex-Prec Mtl	82.4	0.9	-0.9	-0.2	-0.6	-2.8	-1.3	-7.0	-6.0	-6.7	-12%
CRB Metals Index	1,031.6	0.3	-1.3	-1.1	-0.6	-5.8	-2.8	-4.9	-0.1	0.4	-10%
LME Copper	8,832.9	0.7	-1.2	-0.7	-1.5	-8.9	-5.5	-9.1	4.4	4.1	-19%
LME Aluminum	2,494.7	1.2	-2.8	-3.2	-4.5	-4.4	1.3	0.9	6.4	14.1	-8%
LME Nickel	15,135.9	1.7	-3.2	-3.4	-3.4	-12.3	-7.0	-11.8	-7.6	-8.9	-29%
LME Zinc	2,949.7	0.3	-3.9	-5.1	-0.9	-3.5	3.9	4.8	11.7	15.3	-11%
LME Lead	1,954.0	0.4	-1.3	-4.6	-1.7	-4.7	-3.1	-10.2	-4.0	-4.6	-15%
LME Tin	28,491.0	1.2	-1.2	-0.7	-1.1	-14.9	-11.2	-13.2	13.2	14.1	-20%
SGX Iron Ore	100.4	-0.2	-4.4	-3.5	0.3	-8.0	11.9	-2.1	-17.5	-16.7	-15%
Commodities											
Bloomberg Commodity In	97.6	1.1	-1.1	-0.6	-1.4	-2.8	-1.5	-4.1	-1.1	-1.8	-9%
CRB Commodities Index	537.2	-0.0	-0.4	0.3	0.5	-0.6	0.6	-1.2	5.3	5.0	-3%
Lumber	8,832.9	0.7	-1.2	-0.7	-1.5	-8.9	-5.5	-9.1	4.4	4.1	-19%
Palm Oil	4,762.0	0.2	-7.4	-9.1	-3.3	15.5	18.3	19.6	30.0	28.0	-12%
Wheat	533.0	-	1.2	0.1	-3.5	-8.7	-6.2	-6.9	-15.1	-12.6	-26%
Cocoa	11,954.0	-1.3	6.9	29.7	43.3	54.8	56.1	24.5	184.9	177.4	-8%
Commodities											
Bloomberg Grains Spot	214.51	0.9	-1.0	0.4	-0.6	-3.1	-1.4	-6.1	-15.2	-14.9	-16%
Raw Sugar	19.51	0.6	-5.8	-7.4	-9.9	-13.9	-13.9	3.3	-5.2	-6.7	-21%
Simex Iron Ore	103.65	-0.1	-1.9	1.2	1.9	10.5	13.4	-2.8	-24.0	-23.9	-31%
Gold U.S. & India											
Gold Spot $/Oz	2,623	1.1	-1.0	-0.8	-1.0	-0.4	0.0	11.1	27.1	29.1	-6.0%
Gold India	75,233	-0.6	-2.0	-1.5	-0.4	0.2	2.1	4.8	19.5	21.0	-5.3%
Silver Spot $/Oz	30	1.6	-3.4	-3.6	-4.3	-5.3	-5.3	-4.0	24.1	22.2	-15.4%
NIPPON INDIA SILVER ETF	83	-2.0	-4.9	-4.6	-6.2	-5.8	-4.1	-6.5	14.9	12.9	-17.1%
Platinum Spot $/Oz	927.8	0.4	0.1	-2.3	-3.6	-5.5	-5.3	-5.7	-6.5	-3.8	-15.3%

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Interest Rates and Inflation

22-Dec-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	6.79	6.79	6.73	6.74	6.85	6.75	6.76	6.98	7.17	7.17
5 Year India G-Sec	6.74	6.73	6.66	6.68	6.79	6.67	6.68	7.00	7.13	7.13
3 Year India G-Sec	6.74	6.72	6.67	6.66	6.71	6.66	6.68	6.97	7.08	7.10
1 Year India G-Sec	6.64	6.64	6.57	6.60	6.58	6.55	6.59	6.96	7.09	7.11
3 Month India G-Sec	6.47	6.47	6.45	6.47	6.45	6.40	6.55	6.79	7.00	6.93
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	0.32	0.32	0.28	0.27	0.40	0.35	0.21	0.19	0.17	0.24
India CPI										
India CPI Combined YoY	5.48			5.48	6.21	5.49	3.65	4.80	5.69	5.55
India WPI	1.89			1.89	2.36	1.91	1.25	2.74	0.86	0.39
India Core CPI	3.95			3.95	4.02	3.83	3.68	3.40	4.12	4.32
U.S. & China Yields & CPI										
U.S. 30 Year	4.72	4.74	4.60	4.36	4.60	4.12	4.08	4.40	4.03	3.99
U.S. 10 Year	4.52	4.56	4.40	4.17	4.41	3.78	3.74	4.26	3.88	3.85
U.S. 5 Year	4.38	4.42	4.25	4.05	4.28	3.56	3.50	4.27	3.85	3.84
U.S. 2 Year	4.31	4.32	4.24	4.15	4.31	3.64	3.59	4.74	4.25	4.33
U.S. 1 Year	4.07	4.26	4.24	4.29	4.41	4.01	3.94	5.10	4.77	4.83
U.S. 3 MO T-BILL	4.22	4.33	4.33	4.49	4.54	4.63	4.66	5.36	5.34	5.37
Federal Funds Target Rate	4.50	4.50	4.75	4.75	4.75	5.00	5.00	5.50	5.50	5.50
Spread 10-5	0.15	0.14	0.15	0.12	0.13	0.22	0.24	(0.02)	0.03	0.00
Spread 30-2	0.41	0.42	0.36	0.21	0.28	0.48	0.49	(0.34)	(0.22)	(0.35)
Spread 10-2	0.21	0.25	0.15	0.02	0.10	0.14	0.15	(0.48)	(0.37)	(0.48)
Spread 10-3mo	0.31	0.23	0.07	(0.32)	(0.13)	(0.85)	(0.92)	(1.10)	(1.46)	(1.53)
Spread Fed Funds Vs 1 Yea	(0.44)	(0.24)	(0.51)	(0.46)	(0.34)	(0.99)	(1.06)	(0.40)	(0.73)	(0.67)
Bloomberg US Corporate I	2.85	2.84	2.62	2.66	2.64	2.95	3.01	3.15	3.23	3.34
Bloomberg Pan-European	3.19	3.15	3.07	3.39	3.17	3.57	3.63	3.69	3.99	4.01
U.S. CPI	2.70			2.70	2.60	2.40	2.50	3.30	3.40	3.10
China CPI	0.20			0.2	0.3	0.4	0.6	0.3	-0.3	-0.5
Inflation Expectations 10 Y	2.25			2.2	2.2	2.2	2.3	2.3	2.2	2.3
U.S. Dollar & INR										
USD INR	85.0	85.1	84.8	84.5	84.4	83.8	83.6	83.6	83.2	83.2
USD JPY Spot	156.3	157.4	153.7	149.8	155.4	143.6	143.9	158.9	141.0	143.6
XBT-USD Cross Rate	96,338.2	-0.5	-9.5	-0.5	-3.1	51.0	52.4	49.9	126.6	120.2
Dollar Index	107.6	108.4	107.0	105.7	106.7	100.8	100.7	105.6	101.3	102.4

GDP

Description	2024 Q4	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4
North America (%YoY)													
U.S.		2.7	3.0	2.9	3.2	3.2	2.8	2.3	1.3	2.3	2.5	4.0	5.7
Canada		1.5	1.1	0.8	1.2	0.9	1.6	2.4	2.3	4.2	5.7	4.6	5.5
Mexico		1.6	2.2	1.4	2.4	3.5	3.4	3.8	4.6	4.7	2.9	2.6	1.9
Western Europe (%YoY)													
Austria		(0.6)	(1.2)	(1.7)	(2.6)	(2.2)	(1.6)	2.8	2.5	2.7	6.6	9.8	6.4
Belgium		1.2	0.9	0.8	0.6	0.6	1.3	2.5	3.1	3.7	5.0	5.2	6.1
Denmark	3.1	3.1	3.7	2.3	4.8	2.3	1.5	1.5	(2.9)	0.6	2.3	6.6	10.4
Euro Area		0.9	0.5	0.4	0.1	-	0.6	1.4	2.0	2.8	4.1	5.5	5.5
Finland		0.3	(1.5)	(1.2)	(1.5)	(2.0)	(0.6)	(0.6)	(0.8)	1.0	2.3	3.5	2.9
France		1.2	0.9	1.4	1.2	0.8	1.3	1.1	0.9	1.4	3.7	4.6	5.2
Germany		(0.3)	(0.3)	(0.1)	(0.2)	(0.3)	-	0.2	0.2	1.4	0.8	3.4	2.1
Greece		2.5	2.6	1.6	2.3	2.0	3.4	1.6	4.1	4.4	7.0	8.0	10.5
Ireland		2.9	(3.2)	(4.8)	(9.1)	(8.4)	(3.9)	(0.2)	8.8	9.2	8.2	8.3	15.3
Italy		0.4	0.7	0.3	0.3	0.1	0.5	2.3	2.4	3.6	6.3	7.1	8.3
Netherlands		1.9	0.6	(0.7)	(0.6)	(0.9)	(0.5)	2.4	3.5	3.8	5.8	7.1	7.0
Norway		3.1	4.2	1.3	1.1	(3.0)	0.2	2.3	2.0	3.1	5.3	2.6	4.7
Portugal		1.9	1.6	1.4	2.1	1.8	2.9	3.3	3.6	5.0	7.7	12.2	7.2
Spain		3.4	3.2	2.6	2.3	2.2	2.4	3.9	4.6	6.1	7.3	6.9	6.7
Sweden		0.6	0.5	(0.0)	(0.1)	(0.5)	(0.4)	1.1	(0.7)	2.2	2.5	2.2	6.1
Switzerland		1.7	1.4	0.6	0.5	0.3	0.5	1.7	1.5	1.8	3.9	5.4	5.8
U.K.		1.0	0.7	0.3	(0.3)	0.3	0.5	0.9	1.5	2.7	4.3	11.5	9.5
Asia Pacific (%YoY)													
Australia		0.8	1.0	1.1	1.5	2.1	2.0	2.7	3.2	6.0	3.8	3.6	4.9
China		4.6	4.7	5.3	5.2	4.9	6.3	4.5	2.9	3.9	0.4	4.8	4.3
Hong Kong		1.8	3.2	2.8	4.3	4.2	1.6	2.8	(4.3)	(4.9)	(1.5)	(4.0)	4.7
India		5.4	6.7	7.8	8.6	8.1	8.2	6.2	4.3	5.5	12.8	4.5	5.5
Indonesia		4.9	5.0	5.1	5.0	4.9	5.2	5.0	5.0	5.7	5.5	5.0	5.0
Japan		0.5	(0.9)	(0.9)	0.7	1.1	1.7	2.4	0.3	1.4	1.4	0.7	1.6
Malaysia		5.3	5.9	4.2	2.9	3.1	2.8	5.5	7.4	14.4	8.9	5.1	3.5
New Zealand		(1.0)	(0.3)	1.3	0.5	0.5	2.9	3.3	3.8	7.8	1.0	0.6	2.5
Philippines		5.2	6.4	5.8	5.5	6.0	4.3	6.4	7.1	7.7	7.5	8.1	7.9
Singapore		5.4	3.0	3.0	2.2	1.0	0.5	0.5	2.4	4.2	4.6	4.2	7.9
South Korea		1.5	2.3	3.3	2.1	1.4	1.0	1.1	1.1	3.4	3.0	3.5	4.3
Sri Lanka		5.5	4.7	5.3	4.5	1.6	(3.0)	(10.7)	(12.4)	(11.2)	(5.3)	(0.6)	2.7
Taiwan		4.2	4.9	6.6	4.7	1.6	1.5	(3.5)	(0.4)	4.1	3.5	3.8	5.1
Thailand		3.0	2.2	1.6	1.7	1.4	1.8	2.6	1.3	4.4	2.4	1.9	1.9
Vietnam		6.8	6.4	5.7	5.0	4.2	3.7	3.3	8.0	8.8	6.4	5.0	2.6
Latin America (%YoY)													
Argentina		(2.1)	(1.7)	(5.2)	(1.2)	(0.7)	(5.3)	1.1	1.3	6.0	7.0	6.9	8.4
Brazil		4.0	3.3	2.6	2.4	2.4	3.8	4.4	2.7	4.3	3.5	1.5	1.5
Chile		2.3	1.6	2.5	0.4	0.6	(0.4)	0.3	(2.3)	0.5	4.4	6.3	11.7
Costa Rica		3.7	5.3	3.6	4.7	5.5	5.9	4.4	4.6	2.7	4.3	6.7	10.6
Peru		3.8	3.6	1.4	(0.2)	(0.8)	(0.4)	(0.3)	1.7	2.1	3.4	4.0	3.2
Eastern Europe (%YoY)													
Russia		3.1	4.1	5.4	4.9	5.7	5.1	(1.6)	(1.8)	(2.8)	(3.5)	3.7	6.1
Turkey		2.1	2.4	5.3	4.6	6.5	4.6	4.5	3.3	4.1	7.6	7.8	9.7
Ukraine			3.7	6.5	4.7	9.6	19.2	(10.3)	(31.4)	(30.6)	(36.9)	(14.9)	6.1
Middle East & Africa (%YoY)													
Bahrain			1.3	3.3	3.5	2.4	2.7	1.1	4.5	3.5	6.6	5.2	6.1
Israel		(1.0)	(2.7)	(0.6)	(4.9)	4.0	4.1	4.8	3.2	8.0	5.5	10.7	11.8
Egypt				2.1	2.2	2.6	2.9	3.7	3.7	4.2	3.2	5.0	7.6
Qatar			0.8	1.5	(0.0)	1.5	1.2	2.2	6.1	4.4	4.0	2.3	2.2
Saudi Arabia		2.8	(0.3)	(1.7)	(4.3)	(3.2)	1.7	3.2	5.6	8.0	9.1	7.5	8.4
South Africa		0.3	0.3	0.5	1.4	(1.0)	1.8	0.5	0.8	4.3	0.2	2.5	1.5
U.A.E.			3.3	3.2	(2.2)	3.5	3.6	9.4	11.8	4.2	5.6	5.9	6.1

Inflation

	12/2024	11/2024	10/2024	9/2024	8/2024	7/2024	6/2024	5/2024	4/2024	3/2024	2/2024	1/2024
North America (%YoY)												
U.S.		2.7	2.6	2.4	2.5	2.9	3.0	3.3	3.4	3.5	3.2	3.1
Canada		1.9	2.0	1.6	2.0	2.5	2.7	2.9	2.7	2.9	2.8	2.9
Mexico		4.5	4.8	4.6	5.0	5.6	5.0	4.7	4.7	4.4	4.4	4.9
Western Europe (%YoY)												
Denmark		1.6	1.6	1.3	1.4	1.1	1.8	2.2	0.8	0.9	0.8	1.2
Euro Area		2.2	2.0	1.7	2.2	2.6	2.5	2.6	2.4	2.4	2.6	2.8
Finland		1.0	1.1	0.8	1.2	1.0	1.3	1.5	1.9	2.2	3.0	3.3
France		1.3	1.2	1.1	1.8	2.3	2.2	2.3	2.2	2.3	3.0	3.1
Germany		2.2	2.0	1.6	1.9	2.3	2.2	2.4	2.2	2.2	2.5	2.9
Greece		2.4	2.4	2.9	3.0	2.7	2.3	2.4	3.1	3.2	2.9	3.1
Iceland	4.8	4.8	5.1	5.4	6.0	6.3	5.8	6.2	6.0	6.8	6.6	6.7
Italy		1.3	0.9	0.7	1.1	1.3	0.8	0.8	0.8	1.2	0.8	0.8
Netherlands		4.0	3.5	3.5	3.6	3.7	3.2	2.7	2.7	3.1	2.8	3.2
Norway		2.4	2.6	3.0	2.6	2.8	2.6	3.0	3.6	3.9	4.5	4.7
Portugal		2.5	2.3	2.1	1.9	2.5	2.8	3.1	2.2	2.3	2.1	2.3
Spain		2.4	1.8	1.5	2.3	2.8	3.4	3.6	3.3	3.2	2.8	3.4
Sweden		1.6	1.6	1.6	1.9	2.6	2.6	3.7	3.9	4.1	4.5	5.4
Switzerland		0.7	0.6	0.8	1.1	1.3	1.3	1.4	1.4	1.0	1.2	1.3
U.K.		2.6	2.3	1.7	2.2	2.2	2.0	2.0	2.3	3.2	3.4	4.0
Asia Pacific (%YoY)												
Australia				2.8			3.8			3.6		
China		0.2	0.3	0.4	0.6	0.5	0.2	0.3	0.3	0.1	0.7	(0.8)
Hong Kong	1.4	1.4	1.4	2.2	2.5	2.5	1.5	1.2	1.1	2.0	2.1	1.7
India		5.5	6.2	5.5	3.7	3.6	5.1	4.8	4.8	4.9	5.1	5.1
Indonesia		1.5	1.7	1.8	2.1	2.1	2.5	2.8	3.0	3.0	2.8	2.6
Japan	2.9	2.9	2.3	2.5	3.0	2.8	2.8	2.8	2.5	2.7	2.8	2.2
Malaysia	1.8	1.8	1.9	1.8	1.9	2.0	2.0	2.0	1.8	1.8	1.8	1.5
Philippines		2.5	2.3	1.9	3.3	4.4	3.7	3.9	3.8	3.7	3.4	2.8
Singapore			1.4	2.0	2.2	2.4	2.4	3.1	2.7	2.7	3.4	2.9
South Korea		1.5	1.3	1.6	2.0	2.6	2.4	2.7	2.9	3.1	3.1	2.8
Taiwan		2.1	1.7	1.8	2.4	2.5	2.4	2.2	1.9	2.2	3.1	1.8
Thailand		0.9	0.8	0.6	0.4	0.8	0.6	1.5	0.2	(0.5)	(0.8)	(1.1)
Vietnam		2.8	2.9	2.6	3.5	4.4	4.3	4.4	4.4	4.0	4.0	3.4
Latin America & Caribbean (%												
Argentina		166.0	193.0	209.0	236.7	263.4	271.5	276.4	289.4	287.9	276.2	254.2
Brazil		4.9	4.8	4.4	4.2	4.5	4.2	3.9	3.7	3.9	4.5	4.5
Chile		4.2	4.7	4.1	4.7	4.6	4.2	4.1	4.0	3.7	4.5	3.8
Colombia		5.2	5.4	5.8	6.1	6.9	7.2	7.2	7.2	7.4	7.7	8.4
Paraguay		3.4	3.6	4.1	4.3	4.4	4.3	4.4	4.0	3.6	2.9	3.4
Peru		2.3	2.0	1.8	2.0	2.1	2.3	2.0	2.4	3.1	3.3	3.0
Venezuela			23.6	25.8	35.5	43.6	51.4	59.2	64.9	67.8	75.9	107.4
Eastern Europe (%YoY)												
Poland		4.7	5.0	4.9	4.3	4.2	2.6	2.5	2.4	2.0	2.8	3.7
Russia		8.9	8.5	8.6	9.1	9.1	8.6	8.3	7.8	7.7	7.7	7.4
Turkey		47.1	48.6	49.4	52.0	61.8	71.6	75.4	69.8	68.5	67.1	64.9
Ukraine		11.2	9.7	8.6	7.5	5.4	4.8	3.3	3.2	3.2	4.3	4.7
Middle East & Africa (%YoY)												
Egypt		25.5	26.5	26.4	26.2	25.7	27.5	28.1	32.5	33.3	35.7	29.8
Ethiopia	16.9	16.9	16.1	17.5	17.2	18.6	19.9	23.3	23.3	26.2	28.2	29.4
Israel	3.4	3.4	3.5	3.5	3.6	3.2	2.9	2.8	2.8	2.7	2.5	2.6
Kuwait			2.4	2.8	2.9	3.0	2.8	3.2	3.2	3.0	3.4	3.3
Mauritius		3.4	3.4	3.1	2.7	2.7	2.2	2.9	3.4	5.0	6.2	5.2
Nigeria		34.6	33.9	32.7	32.2	33.4	34.2	34.0	33.7	33.2	31.7	29.9
Oman			0.8	0.4	1.1	1.5	0.7	0.9	0.4	0.2	-	(0.1)
Qatar				0.8	1.2	0.2	1.0	0.9	0.7	1.0	2.7	3.0
Saudi Arabia	2.0	2.0	1.9	1.7	1.6	1.5	1.5	1.6	1.6	1.6	1.8	1.6
South Africa		2.9	2.8	3.8	4.4	4.6	5.1	5.2	5.2	5.3	5.6	5.3

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Asset Class Annual Returns

Year	Nifty 50	Nifty Midcap	Nifty Smallcap	Gold	Silver	Nasdaq 100	S&P 500	Bonds G-Sec
2024 YTD	8%	17%	16%	18%	22%	21%	23%	9%
2023	20%	47%	56%	15%	8%	54%	24%	8%
2022	4%	4%	-14%	14%	10%	-33%	-19%	2%
2021	24%	46%	59%	-4%	-8%	27%	27%	3%
2020	15%	22%	21%	28%	44%	48%	16%	12%
2019	12%	-4%	-10%	24%	22%	38%	29%	11%
2018	3%	-15%	-29%	8%	0%	-1%	-6%	7%
2017	29%	47%	57%	5%	-3%	32%	19%	5%
2016	3%	7%	2%	11%	20%	6%	10%	12%
2015	-4%	6%	7%	-7%	-10%	8%	-1%	9%
2014	31%	56%	55%	-8%	-16%	18%	11%	13%
2013	7%	-5%	-8%	-5%	-23%	35%	30%	5%
2012	28%	39%	37%	12%	13%	17%	13%	11%
2011	-25%	-31%	-34%	32%	9%	3%	0%	5%
2010	18%	19%	18%	23%	71%	19%	13%	5%
2009	76%	99%	107%	24%	51%	54%	23%	0%
2008	-52%	-59%	-71%	26%	-7%	-42%	-38%	18%
2007	55%	77%	87%	16%	1%	19%	4%	8%
2006	40%	29%	42%	20%	43%	7%	14%	4%
2005	36%	35%	62%	21%	29%	1%	3%	6%

Ambit Global Private Client - Asset Allocation & Investment Committee

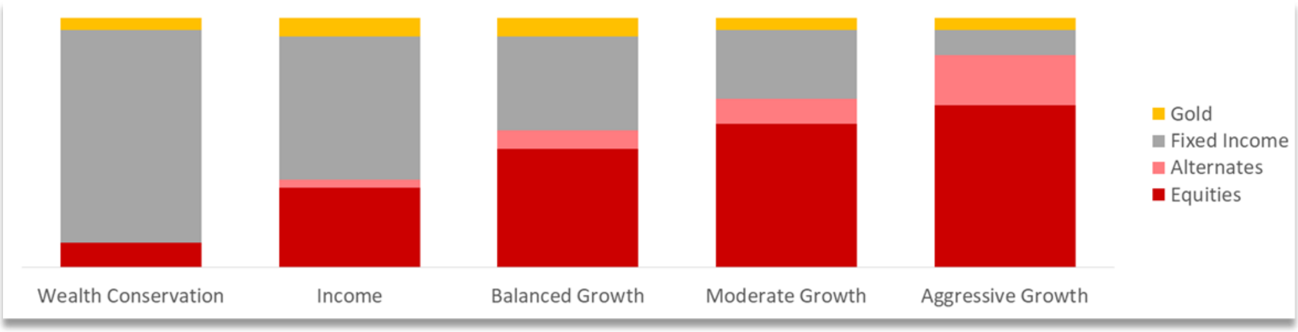
The Ambit GPC Asset Allocation & Investment Committee (AAIC) is a group comprised of the CEO, Head of Products and Alternates, Chief Investment Strategist and Head of Fixed Income (listed below). The team has over 100 years of collective investment experience in markets. The AAIC meets monthly and as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

	Model Score											
Asset Class Pairs	-5	-4	-3	-2	-1	0	1	2	3	4	5	**View**
	← Under-Weight					Strategic/Neutral			Over-Weight →			
Equities							◆					**Over-Weight**
India Equities – Large							◆					Slight Over-Weight
India Equities – Mid & Small							◆					Slight Over-Weight
U.S. Equities						◆						Strategic Weight O/W Tech
Europe Equities				◆								Under-Weight
Emerging Markets					◆							Selectively Positive
Hedge Funds						◆						Strategic-Weight
Long Short (Absolute Return)								◆				Over-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							◆					Slight Over-Weight
Silver								◆				Tactical O/W

Wealth Profiles - Summary

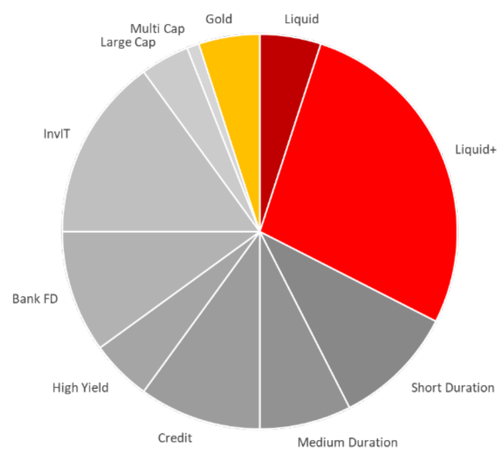
Strategic Asset Class Weights by Profile



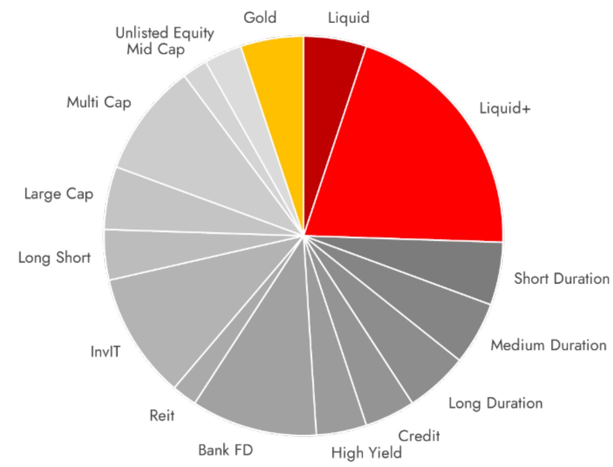
Ambit GPC Wealth Profiles - Strategic Weights

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.

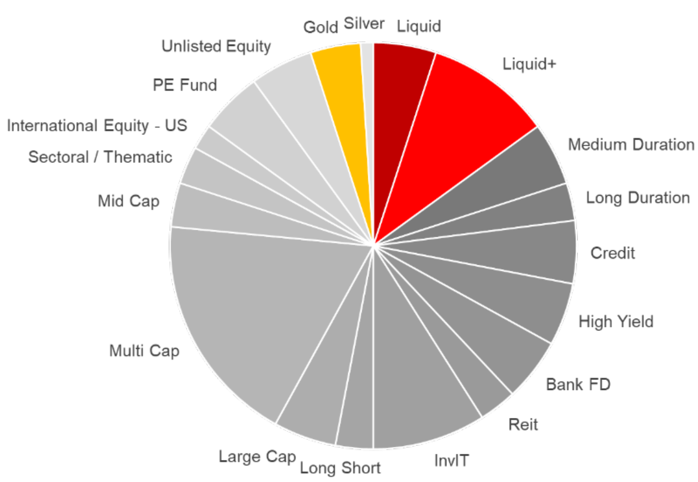
Wealth Conservation



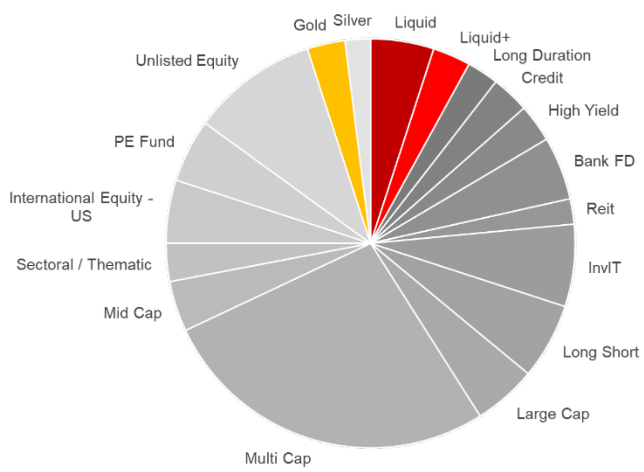
Income



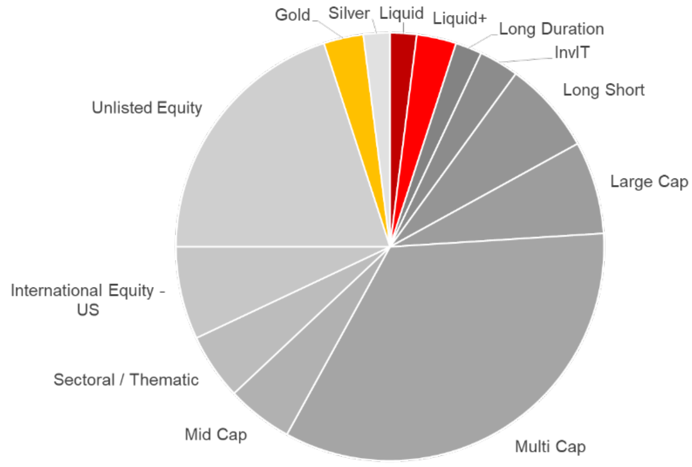
Balanced Growth



Moderate Growth



Aggressive Growth

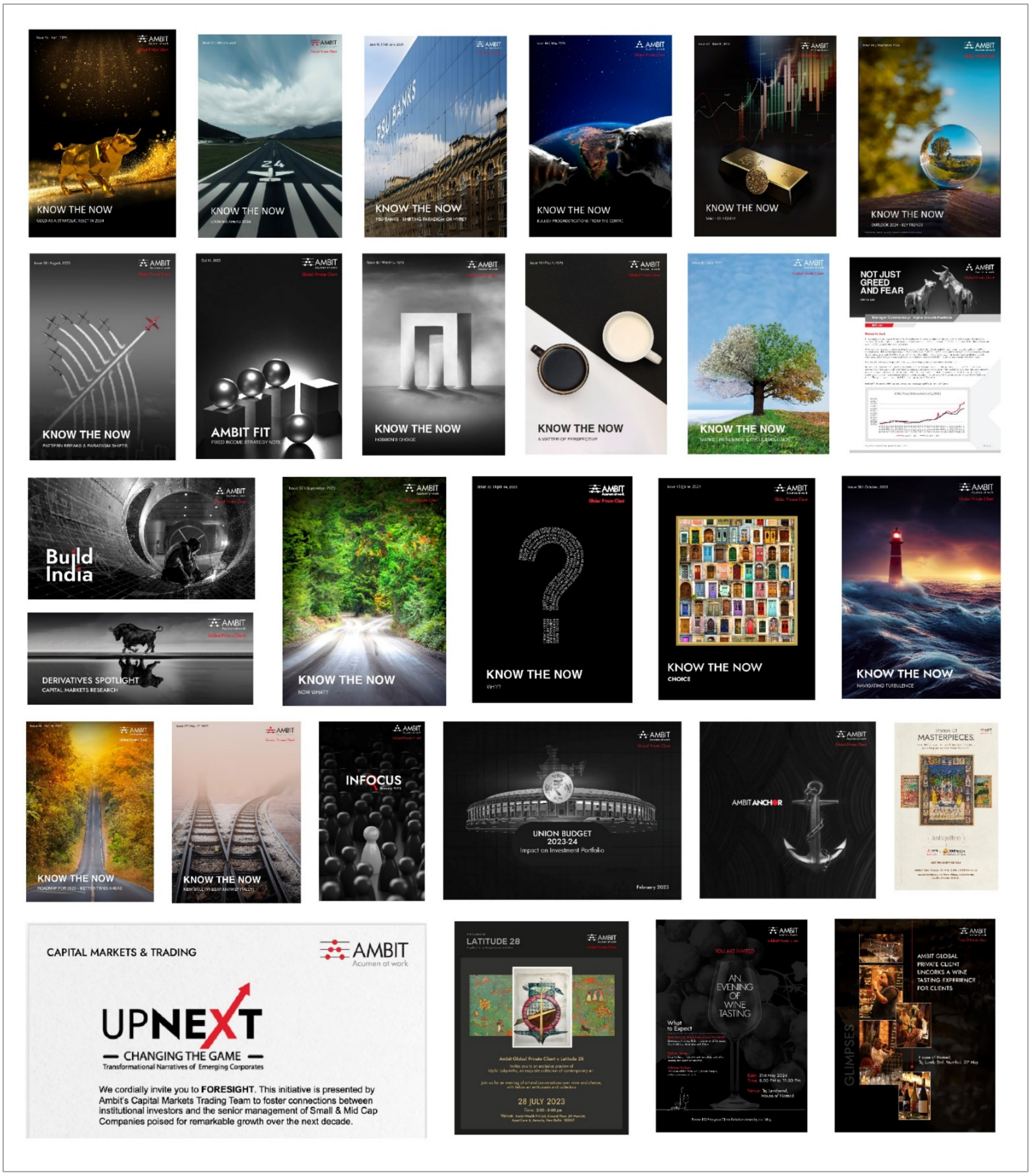


Tactical Asset Class Rationale

Equities	Over Weight	Rationale
India Equities	**Over Weight & Stagger**	Outlined in the commentary, we to remain over-weight equities and tilt positive, preferring a staggered, *selective* deployment strategy into equities as the market bifurcates. We remain marginally over-weight across large, mid and small cap, with a strong preference for mid and small caps. We prefer predictable, dominant business models, with earnings visibility, riding structural trends, at reasonable valuations.
U.S. Equities	**Market Weight, O/W Tech**	Indian HNI portfolios are dramatically underweight U.S. equities. Diversification provides strong portfolio optimization benefits, particularly the Nasdaq and MAG 7. 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	**Marginal Under Weight**	Hedged portfolios provide an attractive complement to equity portfolios, providing a diversifying non-correlated asset class that enhances risk adjusted return. We are under-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	**Under Weight**	**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	**Marginal Over-Weight**	We are marginally over-weight in Gold as a hedge against inflation, debasement of the US dollar, and concerns on the ever increasing US debt.
Silver	**Tactical**	We are over-weight Silver as a tactical call, 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 GPC Publications



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

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