Issue 48 | Sept, 2024

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INVESTMENT COMMENTARY

SEPTEMBER 2024

Welcome to the latest edition of Know the Now - "Equity Outlook – A Shifting Landscape," your monthly source for insightful analysis and commentary on Indian equity markets. In this edition, our Chief Investment Strategist, Sunil Sharma, highlights key shifts in the global and domestic investment landscape, and assesses their impacts on India's equity market outlook.

A SHIFTING LANDSCAPE

This month, we highlight key global shifts underway across asset classes and global central bank policy, review the historical precedent across business cycles, and assess their impact on Indian equity markets going forward. We also highlights shifts we're witnessing in our shorter term outlook.

TRACKING KEY DRIVERS – CENTRAL BANK POLICY, GOVERNMENT INVESTMENTS, AI, FLOWS

We track key announcements on policy, the Indian government's continued commitment and progress on infrastructure, physical and digital, as well as emerging developments in the AI landscape. We review flow data.

EVALUATING THE CASE FOR AN RBI RATE CUT

As central banks increasingly tilt towards accommodative monetary policy, we review global and domestic factors that are likely to drive the RBI's monetary policy and evaluate the likelihood of a rate cut in India.

INVESTMENT OUTLOOK & ASSET ALLOCATION

We share our investment outlook for Indian equities, and tactical changes to asset allocation.

MARKET DATA, TACTICAL ASSET ALLOCATION & RATIONALE

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

Authored by:

SUNIL A SHARMA

Chief Investment Strategist

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Main Content

Market Data & Asset Allocation

A SHIFTING LANDSCAPE

Equity investors have enjoyed strong returns since 2020. Fear of missing out (FOMO) and fear of a market peak are both prevalent in investor's minds. **Is it time to jump off the bandwagon?**

The Message from Crude Oil

Crude oil has been a **key contributor to market tops** in a majority of past recessions, except covid (see chart below). As crude prices rise, they impact all manner of goods, services, logistics costs, and contract operating margins. Concurrently, disposable incomes and consumption demand contract**. Rising** crude prices coincided with the Gulf War peak in '90-91, the Asian currency crisis in '97, the Nasdaq '00 peak, the GFC '07 peak, the PIGS '11 peak, debatably the '15 peak (crude prices remained high heading into '15), the '18 IL&FS peak and the Ukraine war '21 peak. Covid is the only notable exception. Crude was an equally critical input in the recessions in the 1970s.

Crude prices have been in a year long down trend, *dropping* down from $96/b in Sep '23 to $73.1/b as we write this, **a 24% drop**. Collapsing oil prices are a boon for commodity importers like India, creating downward pressure on inflation, improving corporate margins, leading to a rise in real incomes and earnings.

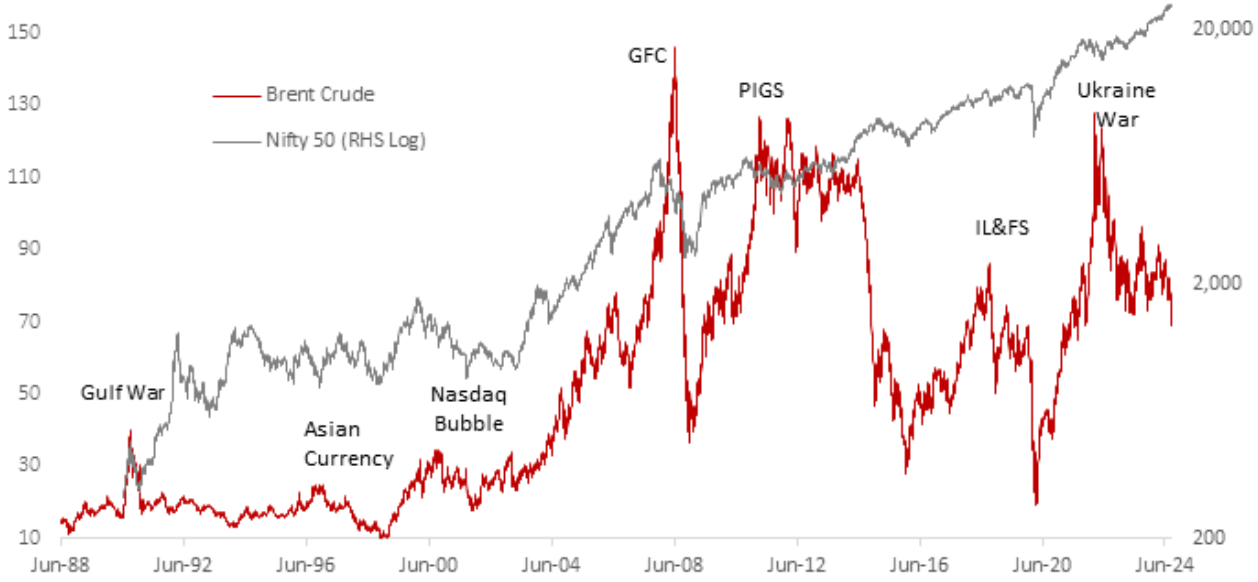
The corollary is that crude - a key input at almost all prior market peaks going back to 1970 - **is nowhere near signaling a market peak**.

Periods of Declining Inflation

We next look at market action during periods of declining inflation. We use U.S. data (see chart next page) for the larger sample size. The data on inflation and equities is also unequivocally clear. **Periods of declining inflation are good for equities.**

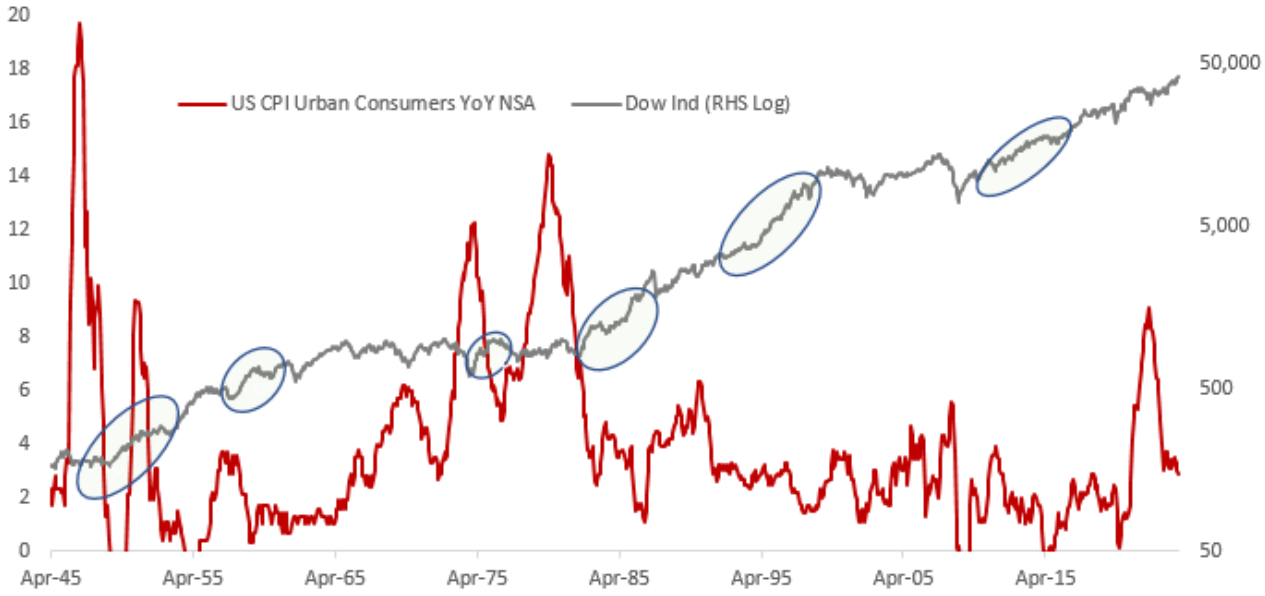
Rising Crude Oil Contributed to Market Peaks in 1990, 1997, 2000, 2007, 2011, 2018 and 2021…

…Today, Crude Oil Prices are Collapsing



Source: Bloomberg, NSE unless noted otherwise.

Periods of Declining Inflation Are Typically Associated with Rising Equities…



A period of particular interest to us is **the 1990s,** a period we consider similar to today, with an **emerging technology, a strong investment cycle**, **declining inflation and strong market returns**. We'd also note that the Indian economy is closely connected to the U.S. economy – in tech in particular - and well positioned to garner benefits.

The sharp decline in inflation in India, the U.S., and globally, **has typically been rewarding for equity investors**. As of this writing, **CPI in India is 3.5%,** down from 7.4% a year ago, core is 3.6%, WPI is 2.0%. These are the lowest readings this year.

Declining Short Term Interest Rates (U.S.)

Short term rates in India have declined by roughly 50-75 bps. The decline in U.S. short term rates has been sharper, ~170 bps. While much concern has focused around declining short rates portending volatility in markets, we highlight instances during the 1990s – and earlier – where declining short rates were a **precursor to solid equity performance**.

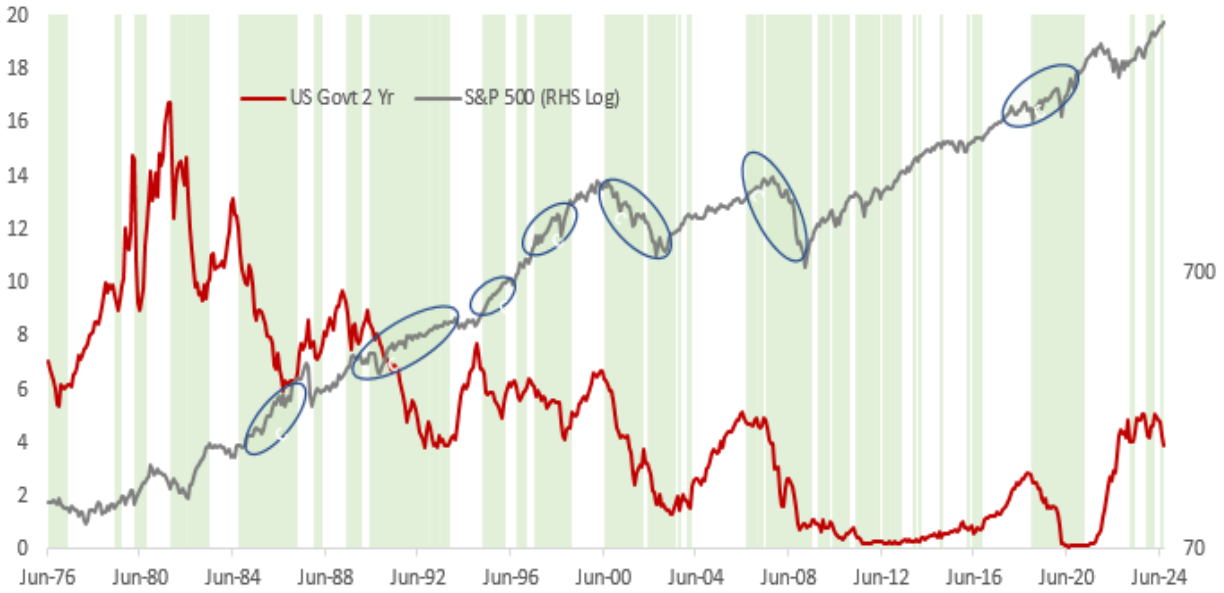
The 1990s had two waves where short term rates dropped. (chart on next page). Tech was dominant and markets had a strong run. Prior instances in the 1980s also led to strong market performance. However, markets crashed in 2001 and 2008 despite strong declines in interest rates. In both instances, the central bank had a faulty outlook (Greenspan on bubbles and Bernanke on subprime) and were late in acting. Valuations and excesses were at bubble levels, a condition not evident in today's markets.

Steepening Yield Curves

Much has been written about the un-inversion of the U.S. yield curve, and the vicious market sell-offs in 2008 and 2001. We consider data going back to the late 1960s. And the outcomes are not quite as clear cut. Rather, **as the Fed brings the effective funds rate below the normal borrowing rate** of the economy, i.e. into accommodative interest rate policy, the **market responds favorably**. A good proxy for the neutral borrowing rate is the 10 year treasury yield.

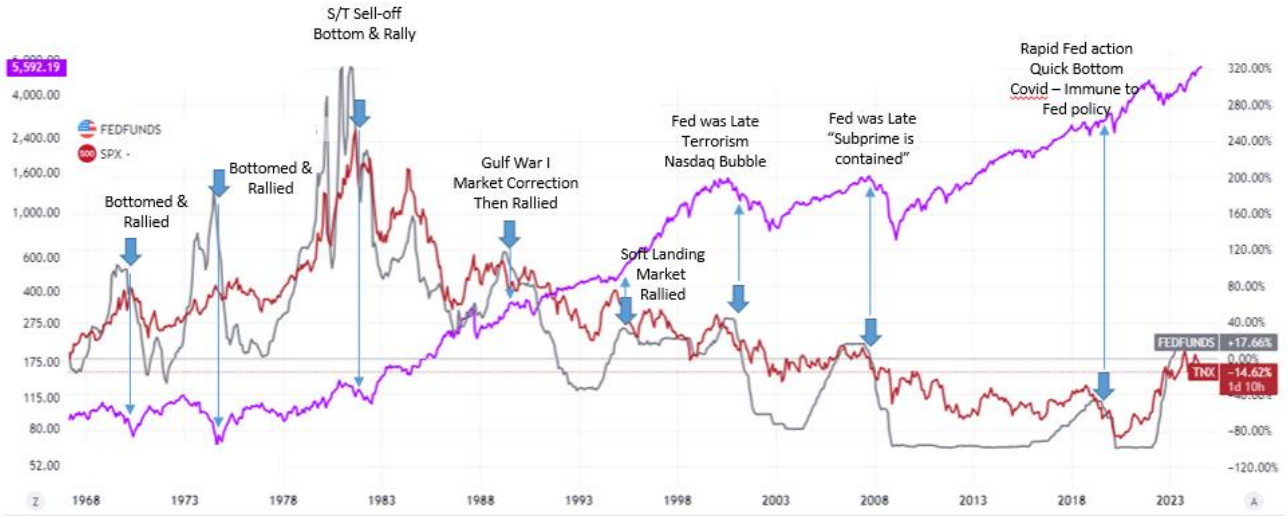
Declines in the 2 Year Treasury Yield in the 1990s Alongside an Emerging New Technology …

…Led to Strong Equity Market Performance



As the Fed Funds Rate Declines Below the Neutral Borrowing Rate …

…Markets Typically Bottom (except in Bubble Years 2000 and 2007)



Source: TradingView

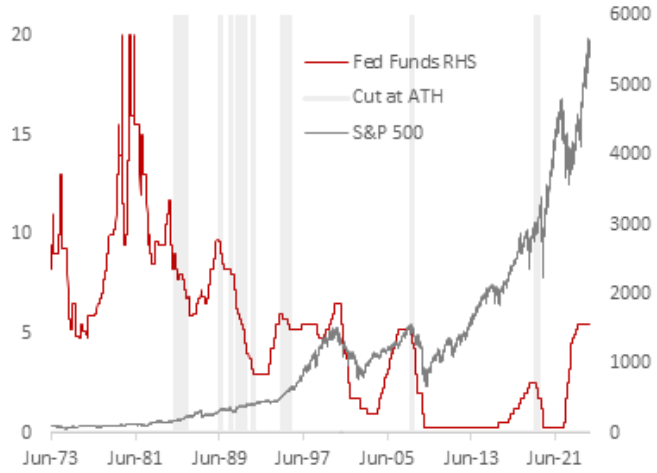
That's the case in the late 1960s, the 1973-74 crisis, the 1982 bear market, and even Covid. Markets surprisingly bottomed in March 2020 as the Fed acted aggressively. The Fed was late – and wrong in its outlook - in reacting to the bear markets of 2001 and 2008. Bernanke famously quoted that sub-prime was contained. Greenspan did not believe bubbles could be stopped and needed to run their course. In contrast, **aggressive policy actions by the Powell Fed in 2020 led to a market bottom** in March 2020. **Fed policy matters**.

Today, the Fed is ahead of the curve. Our market is at all-time highs, and the Fed is **pro-actively signaling rate cuts**.

Fed Rate Cuts at Market All Time Highs

It is noteworthy that the Fed has cut rates in prior cycles at or near all-time market highs.

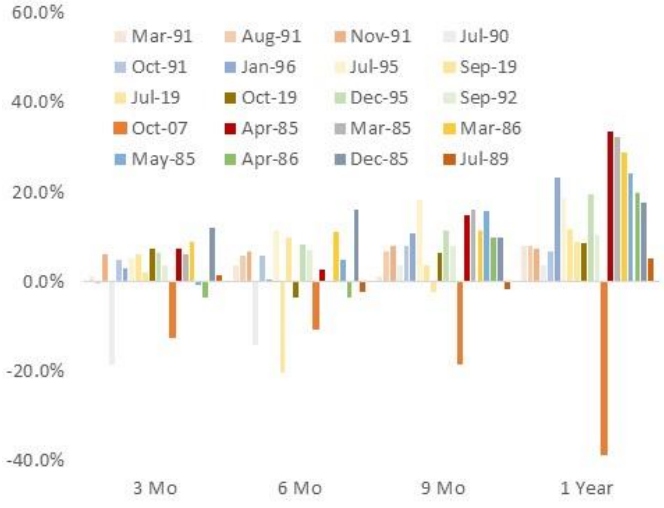
The Fed Has Cut Rates at Market All Time Highs 20 Times in the Past 50 Years



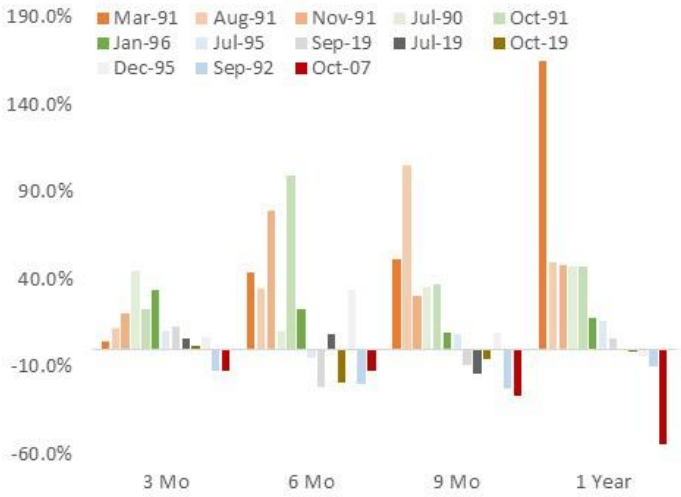
The Fed has cut rates with the markets at or near all time highs in 20 different instances. In 19 of those 20 instances, the S&P 500 was higher 12 months later. The only instance where the S&P was lower… 2008.

Coming to the Nifty, the market was strongly higher 54% of the cases. In 38% of the cases, the market was flat. In 1 case, 2008, the market was down significantly.

12 Month Forward Returns for the S&P Are Positive in 19/20 of These Instances



The Nifty Has Been Strongly Higher 54% of these Instances…With Strong Returns in the 1990s, and One Down Instance in 2007-08



Unemployment and Market Peaks

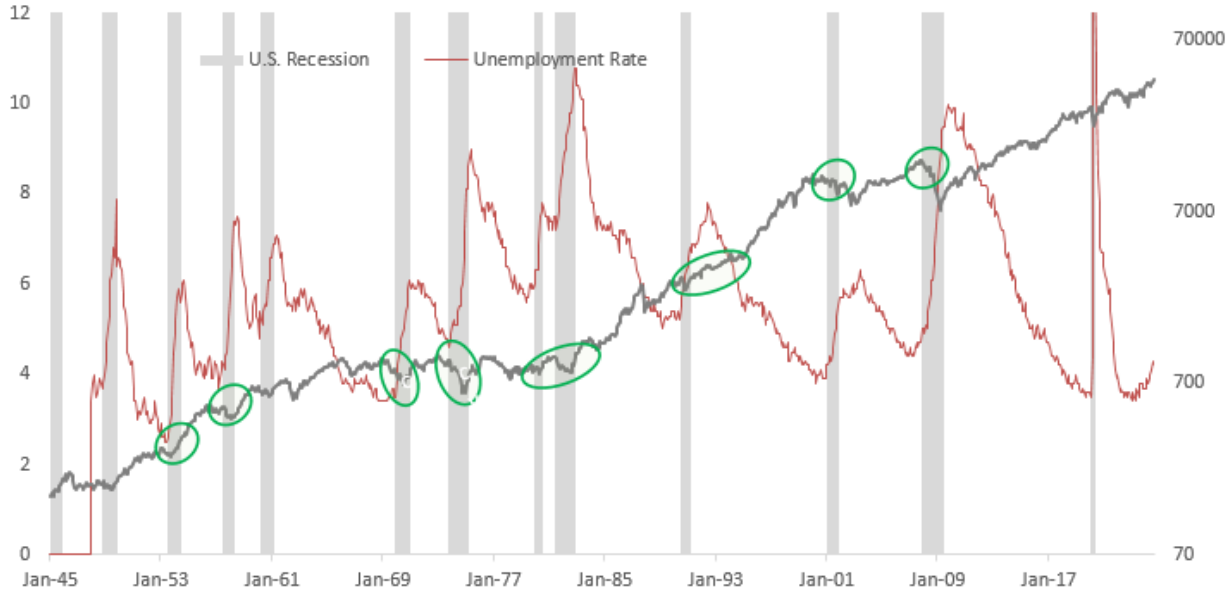
The relationship between rising unemployment and recessions is clear cut. However, **there are limited exceptions with respect to the stock market and rising unemployment.**

In particular, we **consider the early 1990s. As fears around a protacted Gulf War I receded**, markets started rising and continued to rise alongside a rising unemployment rate. Maybe the market was able to look ahead to better times, look ahead to a soft landing, a strong technology cycle around companies like Microsoft, Intel, Compaq et al.

Having noted that, should U.S. unemployment keep rising, a close and continual assessment of the situation would be warranted.

The Correlation Between Worsening Employment and Economic Recession is Unequivocally Clear…

…However, Markets Can Rise Alongside Rising Unemployment as they Did in the Early 90s



Trending to a Global Easing Cycle

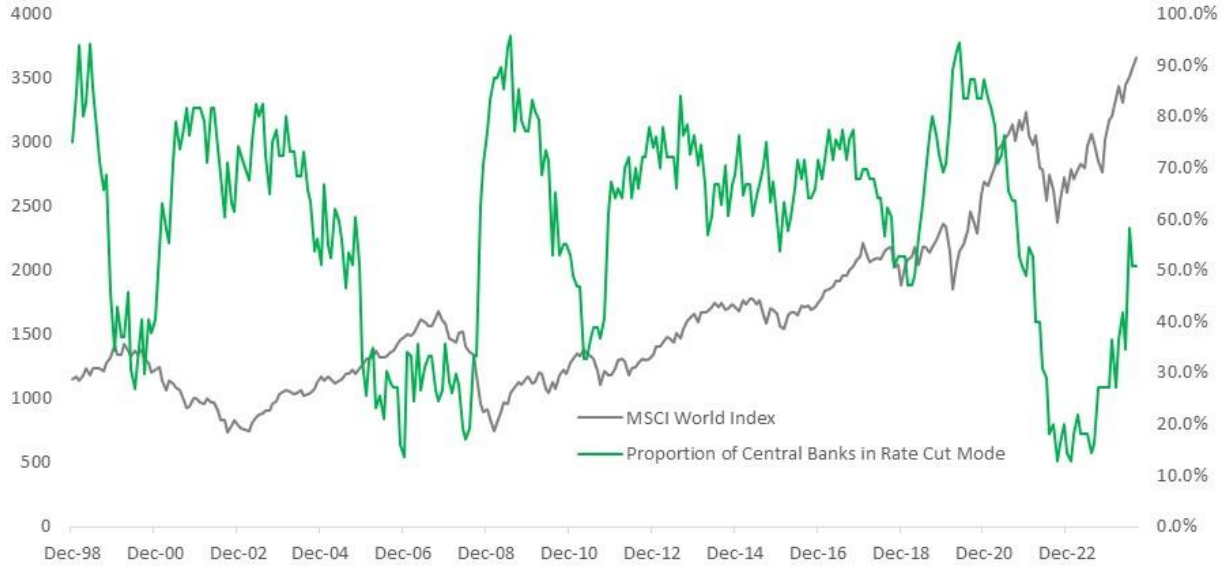
Global central banks are trending towards easing monetary policy (see charts below). That adds a **tailwind to equity markets**, should it unfold as expected, that will aid in offsetting weaknesses that unfold in the global economy.

Spreads & Financial Conditions Benign

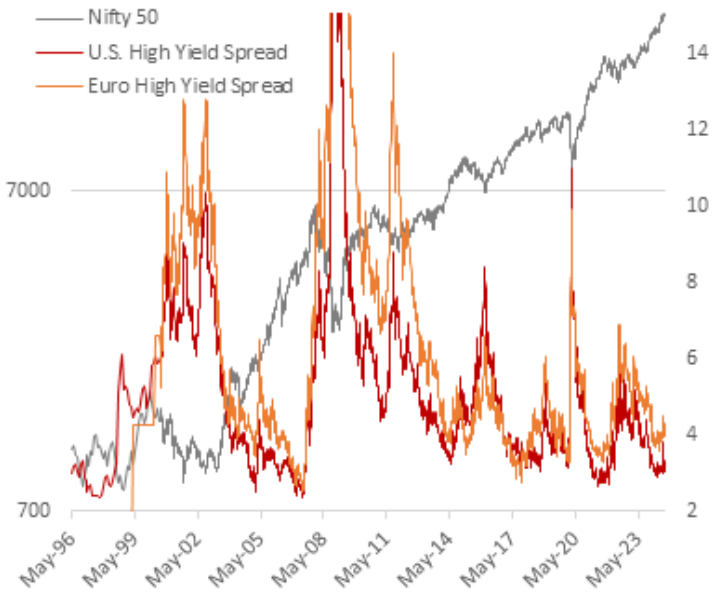
Like crude, worsening spreads are indicators of financial stress, such as during the Nasdaq bubble, GFC, Covid, PIGS and other financial crises. Today, there is **minimal evidence of worsening financial conditions** or rising spreads.

As the Percentage of Global Central Banks Tightening Continues to Drop Sharply…

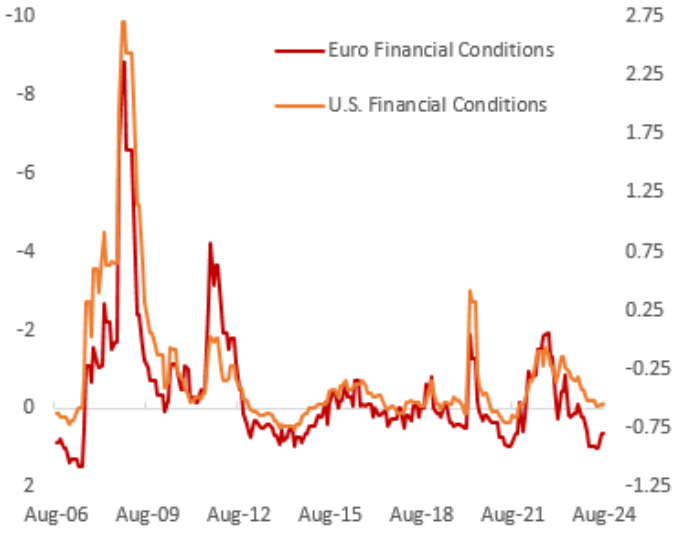
...It is Increasingly Looking Like a Global Central Bank Easing Cycle is Getting Underway



High Yield Spreads Remain Benign



Financial Conditions Stable



TRACKING KEY DRIVERS – ARTIFICIAL INTELLIGENCE

Tech Investment Cycles

A key component of our investment thesis is an AI driven investment cycle unleashing large investments in tech and infrastructure (data centers), leading to productivity gains. One in which India looks increasingly well positioned to garner benefits as well. Markets took off once Chat GPT was announced, just as they took off when the internet was announced.

AI has emerged as a key trend driving the U.S. rally. Given the fair amount of skepticism out there, we share pertinent news flow and trends supporting our thesis below.

Taiwan's Exports to the U.S. Have Exploded Higher, to $12 billion from $6 billion a year ago

Taiwan's electronics exports are surging, largely driven by AI, and that's **good news for the global economy**.

AI Use Cases Emerging

AI is going to be **integrated into every industry**, and facilitate work that was previously too expensive or prohibitively large in terms of size of data set.

The opportunity in high cost **repetitive language-based tasks** that dominate most verticals and sectors in the economy is a massive addressable market that AI is targeting. It's an **opportunity larger than legacy SaaS.**

India stands ready to benefit from AI, with nearly 5 million programmers at a time when AI talent is in short supply globally. Analysts predict India's AI services revenues could **exceed $15 billion** by 2027. India also owns some of the largest public datasets in the world.

Use cases are emerging across sectors, such as Sarvam's voice enabled multi-**language bots**, automated demand **letter generation** for personal injury attorneys, converting client conversations into **clinical notes**, providing powerful **medical search** platforms that support clinical decision making, assisting **manufacturers** by analyzing large volumes of data in telematics, reviewing hundreds of hours of **camera footage** to help public defenders build their cases during discovery, assisting **auditors** in completing complex **audit workflows** and investment bankers in tedious slide creation. AI is being used for **climate modelling**, leading to advances in forecasting accuracy, creating critical lead times to prepare and save lives.

AI will act as a **deflationary force across industries,** increase forecast accuracies, reduce operating costs, improve resource allocation and lead to tangible

productivity gains.

Reliance Industries recently announced **JioBrain**, a suite of AI tools and applications that will improve the capabilities of the company in energy, textiles, telecommunications, and subsequently creating platforms that can be offered to other enterprises.

Reliance Industries is planning to build a gigawatt-scale artificial intelligence (AI) **data center in Jamnagar,** in the Indian state of Gujarat.

Tata Consultancy has a $1.5 billion investment pipeline in generative AI projects.

MAG 7 investments in AI continue to soar. Google's capex is up over 60% year over year, Amazon 50%, Microsoft 40% and Meta 20%. These companies are betting aggressively on AI and AI startups.

Data center construction in the U.S. is up by **+70%** year over year, to a record 3.9 gigawatts. Per CBRE, 500 MW of new data centers has been rolled out in eight largest markets in North America in the first half of this year.

Singapore based **ST Telemedia** Global Data Centres, one of the world's fastest-growing data center colocation services provider, has announced an investment of INR 26,000 crores (**$3.2 billion**) **in India** to expand its existing **data center** operations, nearly tripling the company's capacity.

Telangana has partnered with Yotta to launch India's largest **AI supercomputer**, with 25,000 highest performance GPUs in a 50MW AI cloud data center campus in Hyderabad. The data center will offer startups, educational institutes, research labs, enterprises, and the government flexible pay as you use access and pre-trained online models.

AWS has announced plans to invest an additional **$2 billion** in data centers in Telangana, with investment across Telangana state.

Ikea has announced an advanced AI powered **drone** technology initiative, featuring drones operating 24/7 in inventory management and distribution centers.

OpenAI, the world's premier artificial intelligence research organization, will likely release its most powerful AI model this fall, codenamed **Project Strawberry**. It is expected to feature autonomous Internet research and dramatically improve AI reasoning capabilities.

The **Web of Science Research Assistant** is a generative AI app that helps researchers find key papers faster from 120 years of trusted publication and citation data, handle complex research tasks and visualize connections.

AI Likely to Be Highly Disruptive & Deflationary

There is a flip side to all new technologies. Avasant, an outsourcing advisory firm that works extensively in the Philippines, estimates that up to 300,000 business process outsourcing (BPO) jobs could be lost in the country to AI in the next five years.

Buy now, pay later firm Klarna is seeking to get rid of almost half its employees in coming years, as efficiencies from investments in artificial intelligence come to fruition.

TRACKING KEY DRIVERS – INDIAN GOVERNMENT INVESTMENTS

India Government Investment Picks Up Pace

Modi assured participants in a recent **Singapore** meet that **India will increase the pace and scale of infrastructure** development in his third term across railways, roads, ports, civil aviation, industrial parks and digital connectivity.

The **National Industrial Corridor Development Programme** is India's most ambitious infrastructure initiative, aiming to shape the future of urban and industrial development, with plans to create new **industrial cities** as "**Smart Cities**," with next-generation technologies seamlessly integrated across infrastructure. The **Cabinet recently greenlighted 12 new Industrial cities** under NICDP with a planned INR 28,600 cr (**$3.1 billion**) investment to boost India's global manufacturing competitiveness.

On June 20, the Union Cabinet approved a major all-weather port at **Vadhavan** to bolster India's maritime infrastructure. State-owned Jawaharlal Nehru Port Authority (JNPA) and Maharashtra Maritime Board (MMB), will jointly develop the gigantic port at an estimated cost of **INR 76,220 crore**.

ADIA-backed India's quasi-sovereign fund - **National Investment & Infrastructure Fund NIIF** - is seeking it largest ever fund raise of **$4 billion** early next year for **infrastructure** investments. It plans to use the funds to upgrade infrastructure across the country. NIIF backers include Abu Dhabi Investment Authority, Temasek, HDFC, ICICI, and Axis.

India's **Defense Acquisition Council** has approved **defence** purchases worth **$17.2 billion**, including ten key proposals to upgrade combat vehicles, aircraft, patrol vessels, and other critical defense systems. Notably, **99 percent** of the acquisitions will be sourced from **domestic** vendors.

India's **National Bank for Financing Infrastructure and Development (NaBFID)** is planning to disburse **$17 billion** in local currency loans this year and next to finance various long term projects.

The **Ministry of Road Transport and Highways (MoRTH)** has an ambitious **INR 1 Lakh crore** plan to transform India's infrastructure by constructing **74 new tunnels** across the country, spanning a total of 273 kilometres (km), boosting connectivity and highway infra, particularly in challenging terrains like the Himalayas.

The Center is **expediting 38 rail projects** to enhance **coal logistics**, with an aim to guarantee consistent supplies of coal to meet growing energy demand from power plants and other users.

India plans to add **12 new warships** to its fleet over the next year to enhance the Indian Navy's presence in the Indian Ocean region. India's defence sector has crossed Rs 1.27 lakh crore in annual production, with a target of Rs 1.75 lakh crore for the current fiscal year. The export sector is thriving, with defence exports expected to grow 2.5 times to Rs 50,000 crore by 2029, as India becomes a global hub for defence manufacturing.

Maharashtra approved **Rs 70,795 crore** in investments in April-June in 2024-25. The **Maharashtra** government has now approved **INR 1.2 lakh crore** in investments, including **Tower Semiconductor** for **semiconductor manufacturing** in collaboration with **Adani Group** ($10 billion), **Skoda** on investment of up to INR 15,000 crores on **EVs** and next gen ICE vehicles, and **Toyota**, a INR 21,270 cr investment to manufacture **hybrid vehicles**, plug-in hybrids, fuel cell EVs, battery electric vehicles (BEVs). Separately, **Raymond Luxury Cottons** will set up a INR 188 cr mega project for spinning, yarn dyeing, and weaving.

The **Karnataka** State Cabinet approved a proposal to secure long-term loan of ₹5,000 crore to fund the **Bengaluru Business Corridor** project, develop new industrial areas, infrastructure and dedicated water supply to industrial areas.

The **Tamil Nadu** government has signed MoUs for investments worth INR 850 cr with 3 U.S. companies – Lincoln Electric, Vishay Precision and Visteon. The pact with Visteon will establish EMS units in Chennai and Coimbatore.

Terminal operator **DP World** is looking to invest up to **$1 billion in India** in coming years around **existing ports** and infra.

Germany's tech manufacturing firm **ZF Group** will spend **2 billion Euro** to expand material sourcing from India for its local and global businesses across cars, CVs and industrial technology.

Private investment firm **Bain Capital** is planning to increase its exposure in India in the next three years, as it looks to write larger checks of over $500 million in a fast-growing economy.

Singapore's **CapitaLand Investment** aims to more than double its funds under management in India by 2028 from S$7.4 billion **($5.66 billion)** as of June 30.

India and Singapore signed an MoU to boost **semiconductor collaboration** and collaborate on digital technologies, health care and skills during Indian Prime Minister Modi's two-day visit to Singapore. Singapore companies **pledged INR 5 lakh crore investments** in India after PM Modi's Roundtable. Business leaders from Temasek, GIC Private, Singapore Airlines, Changi Airport Group, SingTel, and DBS Group were present.

Dholera Special Investment Region (DSIR) is a greenfield industrial smart city located 100 km southwest of Ahmedabad, being designed to be India's leading hub for manufacturing and industrial development. As the country's first platinum-rated industrial smart city, it features the **largest land parcels in Southeast Asia** and targets key sectors like Defence, Aviation, High-Tech, and Pharmaceuticals.

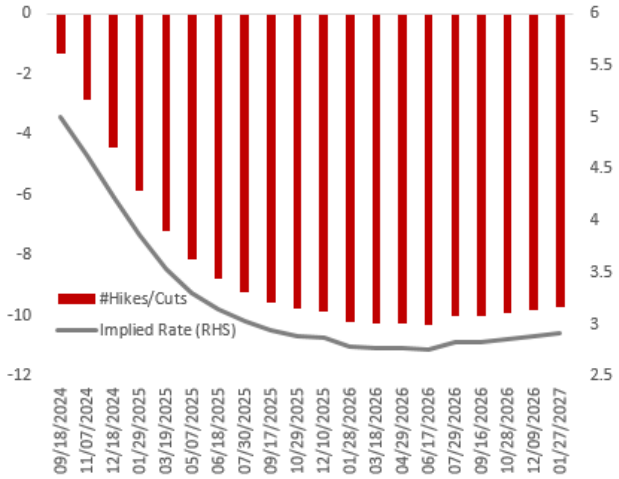
Minister of External Affairs S Jaishankar and his Chilean counterpart Alberto Van Klaveren, who is on an official visit to India, discussed various areas of bilateral cooperation including trade and investment, critical minerals, agriculture and defence.

Rajasthan Chief Minister Bhajan Lal Sharma has deputed 19 IAS officers of the state cadre to reach out to businesses in their home states and 23 more to reach out to foreign countries.

EVALUATING THE CASE FOR AN RBI RATE CUT

U.S. markets are indicating 4 rate cuts by the end of the year, and a 100% likelihood of a rate cut in September. That view was reinforced by Powell voicing concerns around a deteriorating employment situation.

Markets are Anticipating 4 Rate Cuts by Year End

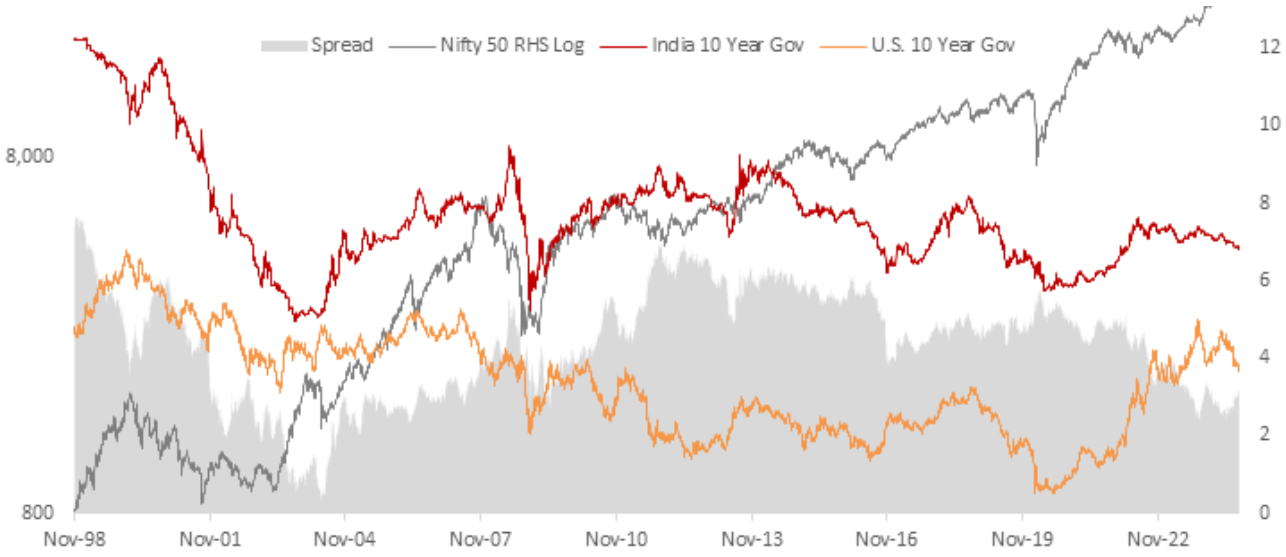


The Case for a Rate Cut

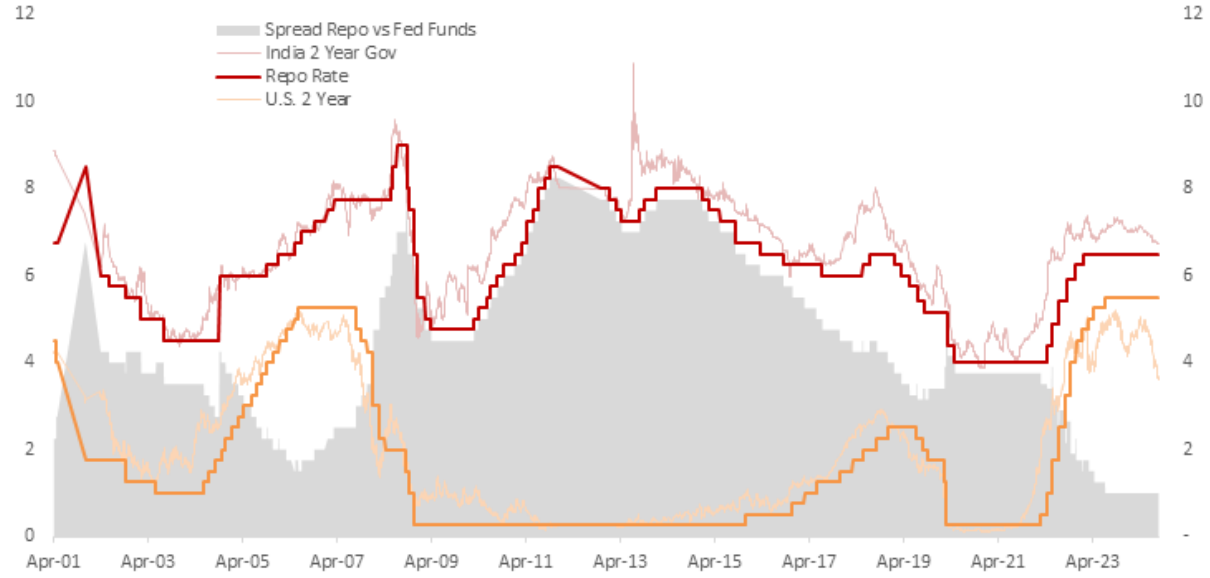
We start with international factors. Spreads this year between U.S. and India 10 year yields are the tightest they've been since 2006. Ditto the spread between the repo rate and the fed funds rate. At 1%, it's the tightest it's been since 2001. Amongst comparable Asian economies, **India's central bank rate is the highest at 6.5%** during 2024 (see table next page). Meanwhile India's **inflation has now declined to 3.5%**, in line with most emerging markets.

Clearly, relative to Asian peers and the U.S., India's rate appears high. However, in our view, the **RBI is acting prudently,** walking a fine line between growth and low inflation. **Euphoric equity markets** – particularly in the SME, IPO and derivatives space – are a concern. Significant government investments are in the pipeline. Private capex appears to be picking up. Credit is growing at a double digit clip. Services momentum is strong. The consumer is generally healthy. There is limited compelling evidence for **the RBI to consider a rate cut at this juncture**. Meanwhile the **risks of stoking inflation are tangible**. The **RBI seems content to hold on to its ammo** until such time that it is **clearly necessary**.

The Spread Between U.S. and India Government Bond Yields is the Narrowest in 2 Decades…



The Spread Between the Repo Rate and the Fed Funds Rate is the Narrowest Since at Least 2001



India's Central Bank Rate Ranks Highest Amongst Emerging and Developed Asia Markets[1]

Central Bank Rate	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Australia (%)	1.5	1.5	0.8	0.1	0.1	3.1	4.4	4.3	3.5	3.3
India (%)	6.0	6.5	5.2	4.0	4.0	6.3	6.5	**6.3**	5.8	5.8
Indonesia (%)	4.3	6.0	5.0	3.8	3.5	5.5	6.0	6.0	5.2	4.9
Japan (%)	(0.1)	(0.1)	(0.1)	-	-	-	-	0.3	0.6	0.9
Malaysia (%)			3.0	1.8	1.8	2.8	3.0	3.0	3.0	3.0
New Zealand (%)	1.8	1.8	1.0	0.3	0.8	4.3	5.5	4.9	3.7	3.0
Pakistan (%)	5.8	10.0	13.3	7.0	9.8	16.0	22.0	18.8	14.8	11.0
Philippines (%)	3.0	4.8	4.0	2.0	2.0	5.5	6.5	6.0	5.0	4.3
South Korea (%)	1.5	1.8	1.3	0.5	1.0	3.3	3.5	3.3	2.6	2.4
Taiwan (%)	1.4	1.4	1.4	1.1	1.1	1.8	1.9	2.0	1.8	1.8
Thailand (%)	1.5	1.8	1.3	0.5	0.5	1.3	2.5	2.4	2.1	2.0
Vietnam (%)	6.3	6.3	6.0	4.0	4.0	6.0	4.5	4.5	4.5	

[1] – with the exception of Pakistan

Meanwhile, India's CPI index is Currently In Line at 3.5%

Consumer Prices YoY%	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Asia Pacific (YoY%)	1.8	2.1	2.3	2.2	1.6	3.5	2.5	1.6	2.2	2.4
Australia (YoY%)	1.9	1.9	1.6	0.9	2.9	6.6	5.6	3.4	2.8	2.6
China (YoY%)	1.6	2.1	2.9	2.5	0.9	2.0	0.2	0.5	1.5	1.9
Hong Kong (YoY%)	1.5	2.4	2.9	0.3	1.6	1.9	2.1	1.8	2.1	2.1
India (YoY%)	**3.3**	**4.0**	**3.7**	**6.6**	**5.1**	**6.7**	**5.7**	**5.0**	**4.5**	**4.5**
Indonesia (YoY%)	3.8	3.2	3.0	2.0	1.6	4.2	3.7	2.8	2.8	2.7
Japan (YoY%)	0.5	1.0	0.5	-	(0.3)	2.5	3.3	2.4	1.9	1.8
Malaysia (YoY%)	3.8	1.0	0.7	(1.1)	2.9	3.4	2.5	2.3	2.6	2.3
New Zealand (YoY%)	1.9	1.6	1.7	1.7	3.9	7.2	5.8	3.1	2.2	2.0
Pakistan (YoY%)	4.1	3.9	6.7	10.7	8.9	12.1	29.2	23.6	12.8	8.0
Philippines (YoY%)	2.9	5.2	2.4	2.4	3.9	5.8	6.0	3.5	3.0	3.0
Singapore (YoY%)	0.6	0.4	0.6	(0.2)	2.3	6.1	4.8	2.6	2.0	1.9
South Korea (YoY%)	2.0	1.5	0.4	0.5	2.5	5.1	3.6	2.5	2.0	2.0
Sri Lanka (YoY%)	6.6	4.3	4.3	4.6	6.0	45.2	20.0	3.4	4.5	4.8
Taiwan (YoY%)	0.6	1.4	0.6	(0.2)	2.0	3.0	2.5	2.1	1.8	1.7
Thailand (YoY%)	0.7	1.1	0.7	(0.8)	1.2	6.1	1.3	0.8	1.5	1.6
Vietnam (YoY%)	3.5	3.5	2.8	3.2	1.8	3.2	3.3	3.8	3.5	3.7

India's Expected Q4 2025 Central Bank Rate Remains Relatively High at 5.8%

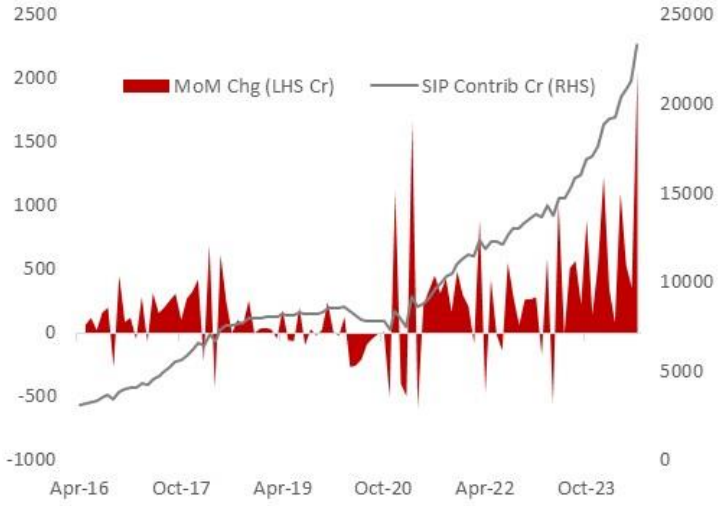
Country	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25	Q2 25	Q3 25	Q4 25
European Union (%)	4.72	4.69	4.64	4.38	3.8	3.5	3.13	2.99	2.64	2.41
Eurozone (%)	4.5	4.5	4.5	4.25	3.65	3.4	3.1	2.85	2.65	2.55
Western Europe (%)	4.47	4.47	4.46	4.26	3.53	3.25	3.24	2.78	2.54	2.33
Australia (%)	4.1	4.35	4.35	4.35	4.35	4.3	4.15	3.9	3.7	3.5
Austria (%)	4.5	4.5	4.5	4.25	3.65	3.4	3.15	2.9	2.65	2.4
Belgium (%)	4.5	4.5	4.5	4.25	3.65	3.4	3.15	2.9	2.65	2.4
Brazil (%)	12.75	11.75	10.75	10.5	10.5	10.5	10.5	10.25	9.75	9.5
Bulgaria (%)	3.53	3.8	3.8	3.78	3.5	3.3	3.15	2.9	2.65	2.55
Chile (%)	9.5	8.25	7.25	5.75	5.65	5.4	5.2	5	4.8	4.65
Colombia (%)	13.25	13	12.25	11.25	10.15	8.9	7.75	7	6.5	6.2
Croatia (%)	4.5	4.5	4.5	4.25	3.65	3.4	3.15	2.9	2.65	2.4
Cyprus (%)	4.5	4.5	4.5	4.25	3.65	3.4	3.1	2.85	2.65	2.55
Czech Republic (%)	7	6.75	5.75	4.75	4.25	3.9	3.6	3.4	3.25	3.2
Denmark (%)	3.75	3.75	3.75	3.5	3.1	2.85	2.6	2.35	2.35	2.2
Finland (%)	4.5	4.5	4.5	4.25	3.65	3.4	3.15	2.9	2.65	2.4
France (%)	4.5	4.5	4.5	4.25	3.65	3.4	3.15	2.9	2.65	2.4
Germany (%)	4.5	4.5	4.5	4.25	3.65	3.4	3.15	2.9	2.65	2.4
Ghana (%)	30	30	29	29	28.35	27.85	26	24.5	23.5	21.5
Greece (%)	4.5	4.5	4.5	4.25	3.65	3.4	3.1	2.85	2.65	2.55
Hungary (%)	13	10.75	8.25	7	6.5	6.25	5.9	5.45	5.2	4.95
India (%)	6.5	6.5	6.5	6.5	6.5	6.25	6.05	5.9	5.85	5.8
Indonesia (%)	5.75	6	6	6.25	6.25	5.95	5.6	5.45	5.3	5.2
Ireland (%)	4.5	4.5	4.5	4.25	3.65	3.4	3.15	2.9	2.65	2.4
Israel (%)	4.75	4.75	4.5	4.5	4.45	4.25	4.2	3.9	3.7	3.45
Italy (%)	4.5	4.5	4.5	4.25	3.65	3.4	3.15	2.9	2.65	2.4
Japan (%)	-0.1	0	0.1	0.1	0.2	0.3	0.4	0.5	0.6	0.6
Kazakhstan (%)	16.5	15.75	14.75	14.5	14.25	13.25	12.75	12.25	11.75	11
Kenya (%)	10.5	12.5	13	13	12.75	12	11.35	11	10.4	10.4
Malaysia (%)	3	3	3	3	3	3	3	3	2.95	2.95
Mexico (%)	11.25	11.25	11	11	10.5	10.25	9.75	9	8.5	8.13
Netherlands (%)	4.5	4.5	4.5	4.25	3.65	3.4	3.15	2.9	2.65	2.4
New Zealand (%)	5.5	5.5	5.5	5.5	5.3	4.9	4.65	4.3	3.95	3.65
Nigeria (%)	18.75	18.75	24.75	26.25	26.75	26.75	26.25	24.65	22.5	20.35
Norway (%)	4.25	4.5	4.5	4.5	4.5	4.35	4.05	3.75	3.45	3.3
Peru (%)	7.5	6.75	6.25	5.75	5.35	4.95	4.6	4.25	4.15	4.05
Philippines (%)	6.25	6.5	6.5	6.5	6.25	5.95	5.65	5.3	5.05	4.95
Poland (%)	6	5.75	5.75	5.75	5.75	5.7	5.6	5.4	5.05	4.75
Portugal (%)	4.5	4.5	4.5	4.25	3.65	3.4	3.15	2.9	2.65	2.4
Romania (%)	7	7	7	7		6.25	5.95	5.7	5.25	4.7
Russia (%)	13	16	16	16	18.45	18.25	17.15	15.55	14.15	13.35
Serbia (%)	6.5	6.5	6.5	6.25	5.13	4.8	4.52	4.32	4.13	3.88
Slovakia (%)	4.5	4.5	4.5	4.25	3.65	3.4	3.1	2.85	2.65	2.55
South Africa (%)	8.25	8.25	8.25	8.25	8	7.75	7.5	7.25	7	7
South Korea (%)	3.5	3.5	3.5	3.5	3.5	3.25	3	2.8	2.65	2.6
Spain (%)	4.5	4.5	4.5	4.25	3.65	3.4	3.15	2.9	2.65	2.4
Sweden (%)	4	4	4	3.75	3.3	2.95	2.6	2.4	2.3	2.3
Switzerland (%)	1.75	1.75	1.5	1.25	1	1	1	1	1	1
Taiwan (%)	1.88	1.88	2	2	2	1.95	1.9	1.9	1.8	1.75
Thailand (%)	2.5	2.5	2.5	2.5	2.5	2.4	2.25	2.15	2.15	2.1
Turkey (%)	30	42.5	50	50	50	47.15	41.15	36.2	31.2	31.25
Ukraine (%)	20	15	14.5	13	12.2	11.5	10.85	10.7	10.45	10.2
United Kingdom (%)	5.25	5.25	5.25	5.25	5	4.65	4.35	4.05	3.75	3.6
United States (%)	5.5	5.5	5.5	5.5	5.25	4.75	4.35	4	3.75	3.6

TRACKING KEY DRIVERS – FLOWS

India SIP Flows Continue to Remain Rock Steady

Domestic SIP flows are now at **INR 23,332 cr each month**. July SIP flows rose month over month by INR 2070 cr, the highest number ever.

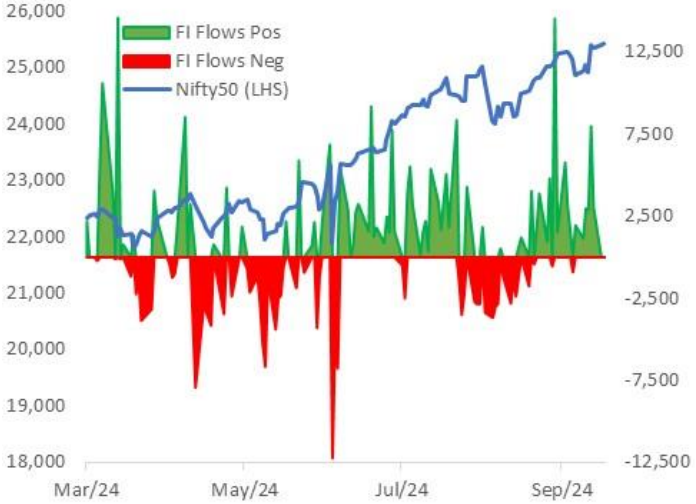
July MoM SIP Flows Rose by 2070 cr, the Highest Monthly Increase on Record



Foreign Institutional Investors

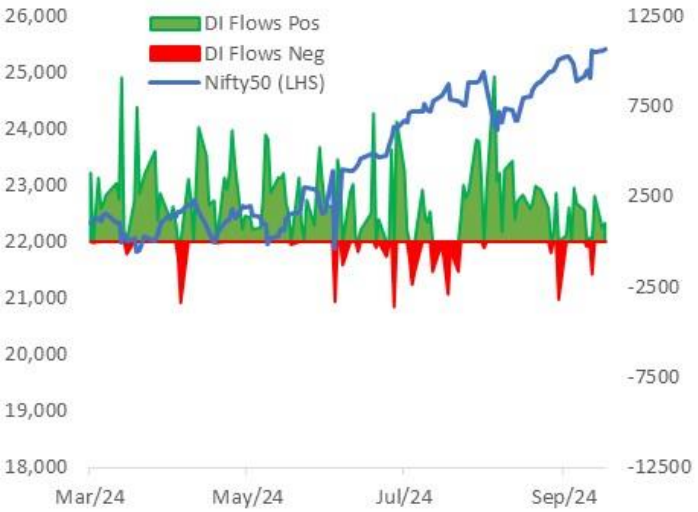
FIIs were buyers of Indian equities in August. The buying momentum continued in early September.

FI Flows Turned Positive in Aug & Early Sep



DIs Flows Have Been Levelling Off…

…With Minor Bouts of Profit Taking



U.S. Pension Funds are Under-Invested in India

As India's weight in the MSCI EM index continues to rise, many global institutional investors that chose an over-weight in China and an under-weight in India, are starting to experience performance pressure. Indian equities have outperformed Chinese equities by a wide margin.

Separately, a contingent of U.S. pension funds with $1.8tn in assets, including the US Development Finance Corporation, are on a trip to India to identify potential investment opportunities.

INVESTMENT OUTLOOK & ASSET ALLOCATION

The Macro Picture Is Increasingly Attractive

As we've laid out in this commentary, a variety of macro indicators are trending towards an environment that is **attractive for equities,** particularly oil importing countries such as India.

Trending Towards a Global Rate Cut Cycle

A global central bank rate cut cycle appears to be emerging, another strong positive for markets. Inflation and crude remain benign. The data on Fed rate cuts at all time highs is also encouraging.

The 1994-1995 Roadmap Remains in Play

We continue to believe a roadmap similar to the mid-1990s with a technology cycle and rate cuts appears to be playing out.

The weight of the **evidence remains consistent** with our thesis of an **ongoing bull market**.

U.S. Economy Resilience Continues

There is limited evidence that the U.S. is heading into a recession. U.S. consumer net worth has soared since 2020. The Johnson Redbook Index of same store sales came in at 6.5% YoY, personal income is +4.1% YoY. Services PMI came in at 51.5, retail sales are up +2.7% YoY, business activity is improving, consumer confidence is ticking up. Durable goods new orders are up 5% MoM, the best showing since June 2020. Inflation has declined to 2.5%. Monetary policy remains strongly supportive if necessary. Mortgage delinquencies as a percentage of total loans today in the U.S. are at the lowest levels witnessed in decades.

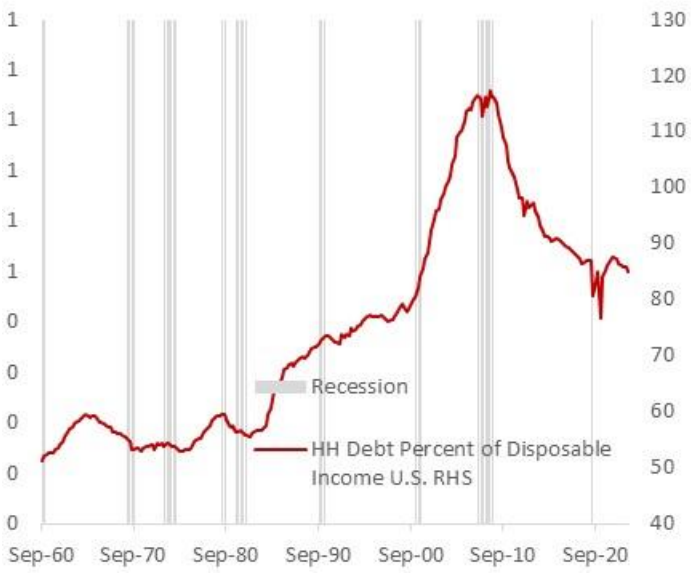
Banks are easing lending standards. Real estate activity appears to be picking up, with new single family homes sales showing a monthly uptick. Consumer credit growth is a solid 8.9% YoY. The Fed balance sheet continues to contract gradually to 7.1 trillion from a peak of 8.9 trillion in 2022.

U.S. Manufacturers New Orders +5.0% MoM, highest since Jun 2020

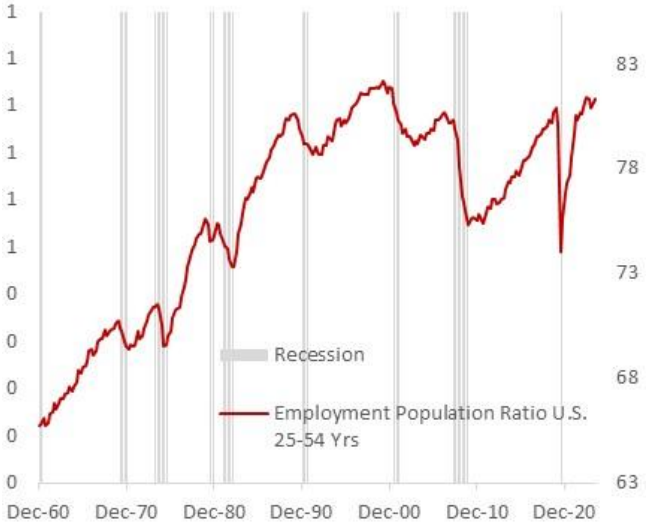
Business cycle durations have lengthened dramatically since 1980. Central banks have faster access to better data and decision making frameworks, and have demonstrated acuity in guiding markets.

The employment population ratio for 25 to 54 year olds is at a 6 year high and holding steady at **80.9%**, at or near the highest levels since 1998, representing a complete bounce back from covid. Jobless claims remain historically low.

U.S. Household Debt % of Disposable Income



U.S. Employment 25 to 54 Yrs Holding Steady



The **30 year mortgage has declined to 6.1%**. Net net, there is insufficient evidence to support a thesis of an incoming U.S. recession. Post a 3% GDP number last quarter, the economy remains in a low economic growth scenario, with easing inflation, increased liquidity, and lower interest rates.

India Investment Trends Supportive…

Information flows clearly suggest that the **Indian government remains committed to infrastructure buildout in its third term. Globally, the investment cycle in AI** is progressing and naysayers seem to less vocal of late. India stands to benefit.

Services & Manufacturing PMI Remains Strong

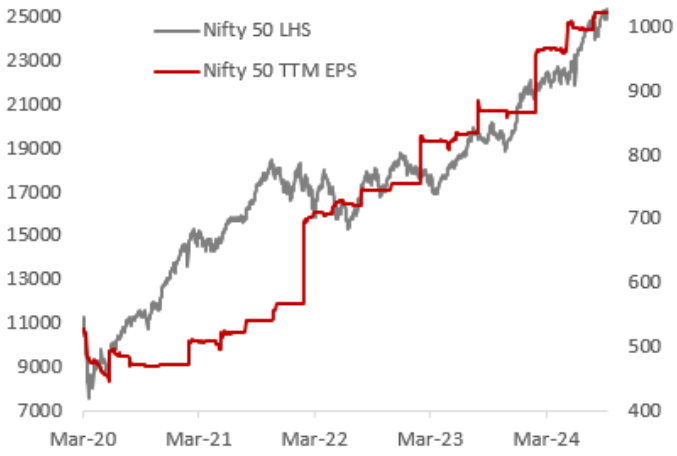
India's services sector PMI surged to a **five-month high** in August. Companies remain upbeat about the economic outlook and slowdown in inflation, and **cost pressures are at their lowest level in four years.**

Bank credit trends across sectors and industries continue to look strong. **Credit to industry is up 10.1%** YoY signaling private capex may finally be starting to pick up. Credit to MSMEs and services is strong, up +15, 17% year over year respectively.

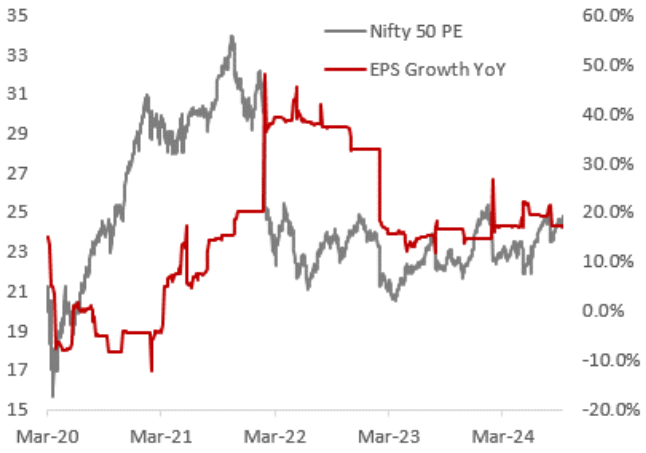
Valuations

The **Nifty 50 is marginally above fair value**. **Earnings** growth remains robust at **+17.3% YoY.**

The Nifty PE is 24.8, Close to Fair Value…



Earnings Growth is a Healthy 17.3% YoY



A Few Things We're Watching

The **market action** in defence and infra stocks has not responded to the government's announcements. PSUs and CPSE are underperforming. PSUs have broken their uptrend. Markets maybe taking a prove-it approach.

The **IPO frenzy** is a concern. The action in the SME market is worrisome. It is also pulling capital away from listed equities.

Valuations on high growth stocks have risen across cap; however, valuations at an index level aren't near peak valuations in prior cycles, especially for large caps and small caps. **Small cap breadth** has been worsening. In other words, a lesser number of small cap stocks appear to be participating in the rally.

Risks

The risks to our view remain geopolitical, or unexpected exogenous shocks, war, policy errors by global central banks, slowing economies, or lurking, embedded risks in the global system.

Asset Allocation

As we've laid out, the **medium to longer term outlook for the market remains healthy.** The **mainline trends remain in place**.

There are **no changes to our equity outlook**, style or tactical preferences. Our tactical weights are listed on page 27.

Sectorally, **FMCG, Pharma and IT** look attractive. Stock selection, manager selection and sector exposure will matter much more going forward than it did in the earlier stages of the cycle in 2023.

Portfolio Construction

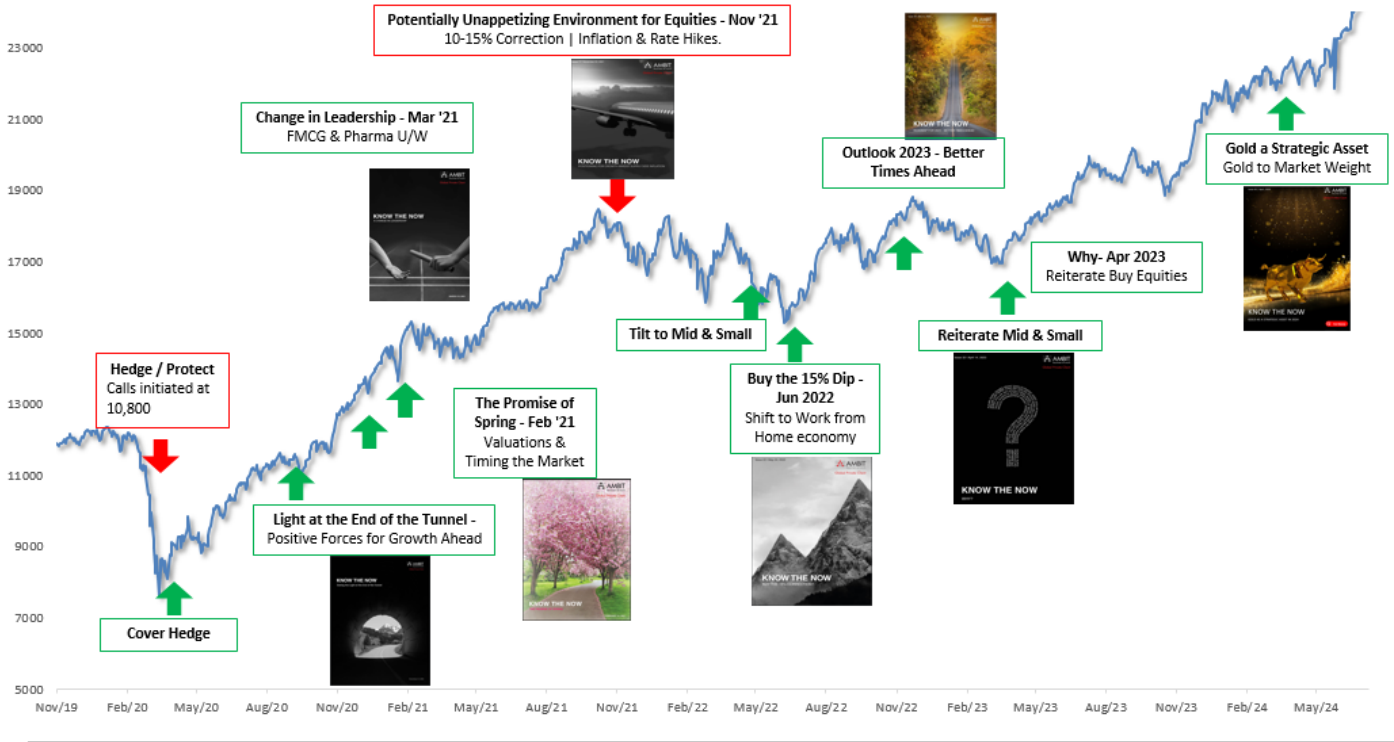
At high valuations, it is imperative to own portfolios that meet your investment criteria and style. The easiest means of doing so is via custom strategies for portfolio construction.

Please contact your Ambit Wealth advisor for a consultation on how we can construct 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



Global Index Performance

18-Sep-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi	Price to Earning	52 Wk High
Nifty 50	**25,415**	**-0.0**	**2.0**	**3.6**	**0.7**	**7.9**	**15.2**	**5.8**	**16.9**	**26.2**	**-0.1%**	25.0	**25,446**
Sensex	83,070	-0.0	1.9	3.3	0.9	7.5	14.2	5.1	15.0	22.9	-0.1%	25.4	83,184
Nifty 500	23,969	-0.0	1.9	4.0	1.0	7.3	20.8	6.2	23.4	36.1	-0.2%	28.3	24,026
NIFTY Midcap 100	60,115	-0.1	2.0	4.3	1.4	8.3	29.3	7.9	30.2	47.9	-0.5%	46.6	60,408
Nifty Midcap 150	22,205	-0.1	1.9	4.3	1.3	6.7	29.0	6.6	30.0	46.4	-0.5%	46.8	22,321
NIFTY Smallcap 100	19,500	0.2	1.8	5.8	1.0	6.9	32.1	6.5	28.8	53.2	-0.7%	30.9	19,641
NSE NIFTY Smallcap 250	18,570	0.2	1.8	6.9	2.2	9.2	33.8	8.5	32.3	51.7	-0.5%	34.6	18,657
Americas													
S&P 500 Index	5,635	0.0	2.5	1.4	-0.2	2.7	9.4	3.2	18.1	26.5	-0.6%	24.1	5,671
Dow Jones Indus. Avg	41,606	-0.0	2.1	2.3	0.1	7.1	7.3	6.4	10.4	20.2	-0.5%	21.2	41,835
Nasdaq Composite	17,628	0.2	3.5	-0.0	-0.5	-1.3	9.5	-0.6	17.4	28.6	-5.6%	33.9	18,671
Nasdaq 100 Stock Indx	19,432	0.0	3.2	-0.4	-0.7	-2.4	8.0	-1.3	15.5	27.6	-6.1%	31.0	20,691
Nyse Fang+ Index	11,172	0.3	4.2	-0.6	0.7	-1.6	13.4	-1.2	28.2	45.3	-9.0%	39.2	12,281
Bbg Magnificent 7 Pr Usd	21,391	0.5	4.1	0.4	1.1	0.6	18.1	0.1	36.9	47.4	-9.4%	37.2	23,620
S&P Ex Magnificent 7	119	-0.1	1.9	2.5	-0.2	5.6	7.0	5.9	13.7	21.1	-0.5%	21.1	120
Russell 2000 Index	2,205	0.7	5.2	3.0	-0.5	8.9	8.9	7.7	8.8	20.2	-4.1%	25.5	2,300
Canada	23,678	-0.1	2.9	2.7	1.4	9.6	8.4	8.2	13.0	15.5	-0.5%	16.4	23,801
Mexico	52,274	0.5	2.2	-3.3	0.6	-1.8	-7.0	-0.3	-8.9	1.1	-11.4%	14.5	59,021
Brazil Bovespa	134,960	-0.1	0.5	0.8	-0.8	12.8	6.3	8.9	0.6	14.1	-1.8%	10.2	137,469
Europe													
Euro Stoxx 50 Pr	4,861	0.7	2.4	0.4	-2.0	-1.1	-2.4	-0.7	7.5	14.5	-5.1%	13.8	5,122
FTSE 100	8,310	0.4	1.3	-0.0	-0.8	1.4	7.6	1.8	7.5	8.6	-1.9%	12.2	8,474
CAC 40 Paris	7,487	0.5	1.1	0.5	-1.9	-1.9	-8.1	0.1	-0.7	2.9	-9.3%	14.1	8,259
DAX Germany	18,726	0.5	2.5	2.2	-1.0	3.3	4.4	2.7	11.8	19.1	-1.4%	13.7	18,991
Asia													
Japan - Nikkei 225	36,166	-0.1	0.0	-5.0	-6.4	-6.0	-9.0	-8.6	8.1	7.9	-14.8%	21.8	42,427
Hang Seng	17,660	1.4	2.5	1.3	-1.8	-1.4	5.5	-0.3	3.6	-1.5	-10.4%	9.0	19,706
Shenzhen CSI 300	3,165	0.2	-0.9	-5.4	-4.7	-10.6	-11.3	-8.6	-7.8	-14.7	-15.6%	12.7	3,749
Australia	8,131	-0.1	1.8	2.0	0.5	4.5	5.9	4.7	7.1	12.5	-0.3%	18.9	8,154
Taiwan	21,721	-0.6	3.1	-2.8	-2.5	-3.4	10.4	-5.7	21.1	28.4	-11.0%	21.3	24,417
Korea	2,575	0.1	1.2	-4.5	-3.7	-6.6	-3.4	-7.9	-3.0	-1.0	-11.1%	12.9	2,896
Straits Times Index STI	3,591	-0.1	1.7	7.1	4.3	8.8	13.2	7.8	10.8	10.0	-0.2%	12.2	3,598
Vietnam Ho Chi Minh	1,271	1.0	1.4	1.5	-1.0	-0.7	2.2	2.1	12.5	4.9	-2.7%	14.4	1,306
Jakarta Indonesia	7,844	0.2	1.1	5.5	2.3	16.5	7.4	11.0	7.9	13.1	-0.4%	31.2	7,879
Phillipines	7,212	0.5	3.8	5.3	4.6	13.2	5.2	12.5	11.8	17.8	-0.1%	13.4	7,219

Leadership Stocks – U.S. & India

Select Leadership Stocks - India U.S.	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi	Price to Earning	52 Wk High
Nifty 50	**25,415**	-0.0	2.0	3.6	0.7	7.9	15.2	5.8	16.9	26.2	0%	25.0	25,446
Microsoft Corp	435	0.9	5.1	4.0	4.3	-2.5	4.3	-2.6	15.7	32.2	-7%	36.8	468
Apple Inc	217	0.2	-1.5	-4.1	-5.3	1.2	24.8	2.9	12.6	21.8	-9%	33.0	237
Amazon.Com Inc	187	1.1	4.1	5.5	4.7	2.2	7.1	-3.3	23.0	33.5	-7%	43.9	201
Walt Disney Co/The	93	1.1	5.0	4.0	2.7	-8.5	-18.4	-6.5	2.8	9.2	-25%	23.6	124
Nvidia Corp	116	-1.0	6.9	-7.2	-3.2	-14.7	30.7	-6.4	133.4	162.9	-18%	54.1	141
Netflix Inc	707	1.5	4.9	4.9	0.8	3.1	14.3	4.7	45.2	79.2	-1%	44.7	711
Tesla Inc	228	0.5	0.8	5.4	6.4	23.3	31.1	15.2	-8.3	-14.1	-17%	113.7	274
Alphabet Inc-Cl A	159	0.8	7.2	-2.2	-2.5	-9.0	7.9	-12.5	14.1	15.3	-17%	22.5	192
Hdfc Bank Limited	1,683	0.9	2.4	3.1	2.8	4.7	16.4	-0.0	-1.5	3.3	-6%	18.7	1,794
Icici Bank Ltd	1,271	0.2	2.8	7.0	3.4	13.2	17.5	5.9	27.5	28.3	0%	19.7	1,274
Tata Consultancy Svcs Ltd	4,387	-2.6	-2.1	-0.7	-3.7	15.0	5.6	12.4	16.2	22.2	-4%	34.0	4,592
Reliance Industries Ltd	2,959	0.5	1.9	0.1	-2.0	-0.1	2.8	-5.5	14.5	21.5	-8%	28.8	3,218
Bajaj Finance Ltd	7,495	1.8	2.0	13.7	4.1	2.2	15.2	5.3	2.3	-0.7	-9%	31.6	8,192
Hindustan Unilever Ltd	2,884	0.4	-0.7	4.9	3.8	16.0	25.4	16.6	8.3	15.9	-3%	65.9	2,963
Nestle India Ltd	2,563	0.6	1.4	1.5	2.5	0.5	-0.7	0.4	-3.6	12.3	-7%	77.3	2,769
Titan Co Ltd	3,775	0.2	1.7	9.6	5.9	5.2	5.5	10.9	2.7	13.0	-3%	95.8	3,887
Asian Paints Ltd	3,297	-0.5	-2.1	8.2	5.5	13.0	15.8	13.0	-3.1	2.8	-4%	57.9	3,423
Srf Ltd	2,424	-0.3	-2.3	-2.3	-5.5	0.1	-1.8	-0.5	-2.2	2.3	-10%	53.8	2,694

Large, Mid & Small

18-Sep-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi	Price to Earning	52 Wk High
India Indices													
Nifty 50	**25,415**	**-0.0**	**2.0**	**3.6**	**0.7**	**7.9**	**15.2**	**5.8**	**16.9**	**26.2**	**-0.1%**	25.0	**25,446**
NIFTY Midcap 100	60,115	-0.1	2.0	4.3	1.4	8.3	29.3	7.9	30.2	47.9	-0.5%	46.6	60,408
NIFTY Smallcap 100	19,500	0.2	1.8	5.8	1.0	6.9	32.1	6.5	28.8	53.2	-0.7%	30.9	19,641

Nifty Sectors

18-Sep-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi	Price to Earning	52 Wk High
Nifty Sectors													
Nifty Auto	26,030	0.5	3.1	1.7	-0.5	1.2	27.3	3.3	39.8	57.1	-3.4%	29.4	26,934
Nifty Bank	52,418	0.4	2.8	3.8	2.1	3.9	12.5	0.1	8.5	14.0	-1.8%	15.2	53,358
NIFTY Private Bank	26,357	0.4	3.0	4.4	2.6	5.2	13.2	1.1	6.0	11.1	-1.1%	N/A	N/A 26,654
Nifty Financial Services	24,147	0.6	2.4	5.1	2.2	6.9	17.1	3.1	12.4	18.3	-0.1%	17.9	24,177
Nifty India Consumption	12,527	0.2	1.9	6.0	3.7	11.4	26.8	12.5	30.8	45.6	-0.2%	59.7	12,558
Nifty FMCG	64,848	0.2	0.1	4.2	2.8	13.4	20.3	14.3	13.8	24.2	-1.2%	52.0	65,616
Nifty Energy	42,694	0.1	2.6	-0.2	-2.4	3.4	12.9	2.2	27.6	55.0	-5.2%	16.3	45,022
Nifty Infrastructure	9,402	0.2	2.8	2.7	-0.3	3.8	17.1	2.9	28.7	50.0	-1.5%	28.1	9,548
Nifty IT	42,218	-2.8	-0.6	3.3	-1.3	21.3	14.5	16.8	18.9	27.4	-3.3%	35.5	43,646
Nifty Metal	9,363	-0.3	3.7	4.1	-0.4	-5.3	17.1	-4.6	17.4	34.6	-8.2%	32.4	10,196
Nifty Pharma	23,256	-0.5	0.2	5.2	0.2	17.3	23.6	17.9	38.2	50.0	-1.3%	42.3	23,574
Nifty PSU Bank	6,688	0.2	2.5	-2.3	-4.3	-10.6	-1.4	-9.2	17.0	28.2	-17.0%	8.5	8,053
Nifty Realty	1,065	-0.1	3.7	1.5	1.1	-7.4	27.7	-3.6	36.0	84.0	-8.0%	71.5	1,157
Nifty Sectors & Themes													
Nifty Media	2,131	0.8	2.6	3.4	1.2	4.2	15.6	6.9	-10.8	-7.3	-15.1%	N/A	N/A 2,509
Nifty CPSE	7,044	-0.1	2.3	-3.6	-4.8	2.6	27.9	3.5	44.9	82.8	-8.1%	15.2	7,662
Nifty PSE	10,898	0.2	1.4	-2.6	-5.2	-0.1	24.7	2.0	38.7	84.4	-7.8%	13.7	11,815
Nifty India Defence PR	6,683	-1.6	-1.9	-6.5	-3.6	-10.5	50.2	-8.3	60.0	103.4	-19.5%	64.0	8,302
Nifty Commodities	9,415	-0.0	2.8	2.2	-0.7	2.3	16.2	1.6	22.0	42.9	-3.4%	20.6	9,743
Nifty MNC	31,335	-0.2	1.2	2.4	1.2	2.4	24.3	3.2	29.4	40.3	-0.6%	51.9	31,525

Crude Oil, Commodities and Precious Metals

18-Sep-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %	% from 52 Wk Hi
Brent Crude	73.4	-0.5	3.9	-7.9	-6.9	-14.0	-15.6	-15.1	-4.8	-22.3	-25%
CRB Raw Industrials Index	550.3	-0.1	1.6	1.3	0.4	-0.1	0.1	-1.1	1.2	-1.2	-3%
BBG Cmdty ex-Prec Mtl	81.7	-0.1	2.9	0.8	0.2	-8.8	-7.3	-7.0	-6.8	-17.2	-18%
CRB Metals Index	1,056.6	-0.2	3.1	1.5	-0.1	-1.3	3.0	-2.2	2.4	5.5	-8%
LME Copper	9,237.6	-0.3	3.8	2.6	1.3	-3.1	3.0	-2.3	9.1	10.6	-15%
LME Aluminum	2,513.0	-0.2	8.4	8.3	3.7	2.8	12.9	1.0	7.1	17.0	-8%
LME Nickel	15,935.6	-0.6	2.8	-1.2	-3.6	-7.3	-10.9	-6.5	-2.7	-19.0	-25%
LME Zinc	2,895.5	-0.5	8.7	6.8	1.7	4.7	14.9	0.6	9.7	16.3	-6%
LME Lead	1,978.5	-1.3	3.2	-1.0	-2.1	-6.0	-6.2	-9.1	-2.8	-14.0	-14%
LME Tin	31,694.5	-0.3	4.2	-0.5	-2.5	-0.6	11.2	-2.4	25.9	24.3	-11%
SGX Iron Ore	90.4	-2.0	-2.6	-2.1	-10.6	-14.0	-9.3	-14.4	-28.1	-14.9	-30%
Commodities											
Bloomberg Commodity Ind	97.0	-0.1	3.0	1.3	0.9	-5.6	-2.7	-4.0	-1.7	-9.7	-10%
CRB Commodities Index	533.1	0.0	-0.1	0.5	-0.6	-1.8	-0.5	-1.2	4.5	-3.5	-4%
Lumber	9,237.6	-0.3	3.8	2.6	1.3	-3.1	3.0	-2.3	9.1	10.6	-15%
Palm Oil	3,902.0	1.4	-2.0	0.8	-4.2	-0.9	-9.8	-1.9	6.6	6.1	-15%
Wheat	579.5	0.7	2.8	9.3	8.8	-0.4	6.8	4.7	-7.7	-2.0	-20%
Cocoa	7,620.0	-1.9	-21.1	-11.8	-21.2	-21.1	-5.0	-1.4	81.6	102.8	-38%
Commodities											
Bloomberg Grains Spot	214.64	0.1	0.6	4.9	2.3	-8.5	-6.5	-2.8	-15.1	-16.0	-18%
Raw Sugar	19.98	4.2	8.2	10.8	3.1	5.3	-9.7	-1.6	-2.9	-25.8	-29%
Simex Iron Ore	91.45	-0.8	-1.1	-4.3	-7.3	-14.5	-15.7	-14.1	-32.9	-25.5	-39%
Gold U.S. & India											
Gold Spot $/Oz	2,570	0.0	2.3	2.6	2.7	10.3	19.0	10.5	24.6	32.9	-0.8%
Gold India	72,947	-0.4	2.7	3.8	1.8	1.9	11.6	1.9	15.9	24.1	-1.5%
Silver Spot $/Oz	30	-0.9	6.1	3.3	5.4	3.0	21.5	4.4	27.8	30.9	-6.4%
Platinum Spot $/Oz	980.7	-0.5	2.5	2.1	5.5	0.4	6.8	-1.6	-1.1	4.6	-10.5%

Interest Rates and Inflation

18-Sep-24	Price	1 Day %	5 Day %	1 Mo %	MTD %	3 Mo %	6 Mo %	QTD %	YTD %	1 YR %
India G-Sec Yields										
10 Year India G-Sec	6.78	6.76	6.81	6.87	6.86	6.98	7.06	7.01	7.17	7.20
5 Year India G-Sec	6.70	6.68	6.72	6.79	6.77	7.01	7.07	7.02	7.13	7.17
3 Year India G-Sec	6.70	6.69	6.71	6.76	6.75	6.99	7.07	6.98	7.08	7.17
1 Year India G-Sec	6.55	6.61	6.70	6.72	6.72	6.98	7.08	6.93	7.09	7.04
3 Month India G-Sec	6.59	6.61	6.64	6.60	6.66	6.93	6.84	6.79	7.00	6.82
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	0.19	0.15	0.17	0.27	0.20	0.05	0.22	0.22	0.17	0.38
India CPI										
India CPI Combined YoY	3.65			3.60	3.65	4.80	5.09	5.08	5.69	6.83
India WPI	1.31			2.04	1.31	2.74	0.20	3.43	0.86	(0.46)
India Core CPI	3.68			3.64	3.68	3.40	3.51	3.38	4.12	5.03
U.S. & China Yields & CPI										
U.S. 30 Year	3.95	3.96	3.97	4.14	4.20	4.36	4.45	4.56	4.03	4.38
U.S. 10 Year	3.64	3.65	3.65	3.88	3.90	4.22	4.32	4.40	3.88	4.30
U.S. 5 Year	3.43	3.44	3.44	3.76	3.70	4.24	4.34	4.38	3.85	4.45
U.S. 2 Year	3.59	3.60	3.64	4.05	3.92	4.71	4.73	4.75	4.25	5.05
U.S. 1 Year	3.82	4.01	4.12	4.48	4.41	5.09	5.08	5.12	4.77	5.43
U.S. 3 MO T-BILL	4.72	4.86	5.01	5.21	5.12	5.38	5.39	5.36	5.34	5.46
Federal Funds Target Rate -	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Spread 10-5	0.21	0.20	0.21	0.13	0.20	(0.02)	(0.02)	0.02	0.03	(0.15)
Spread 30-2	0.36	0.35	0.32	0.09	0.28	(0.36)	(0.28)	(0.20)	(0.22)	(0.67)
Spread 10-2	0.05	0.04	0.01	(0.17)	(0.01)	(0.49)	(0.41)	(0.36)	(0.37)	(0.75)
Spread 10-3mo	(1.08)	(1.21)	(1.35)	(1.33)	(1.21)	(1.16)	(1.07)	(0.96)	(1.46)	(1.16)
Spread Fed Funds Vs 1 Year	(1.68)	(1.49)	(1.38)	(1.02)	(1.09)	(0.41)	(0.42)	(0.38)	(0.73)	(0.07)
Bloomberg US Corporate Hi	3.12	3.20	3.30	3.19	3.05	3.16	3.02	3.09	3.23	3.74
Bloomberg Pan-European H	3.74	3.79	3.80	3.72	3.60	3.77	3.36	3.70	3.99	4.28
U.S. CPI	2.50			2.90	2.50	3.30	3.20	3.00	3.40	3.70
China CPI	0.60			0.5	0.6	0.3	0.7	0.2	-0.3	0.1
Inflation Expectations 10 Ye	2.25			2.2	2.3	2.3	2.2	2.2	2.2	2.3
U.S. Dollar & INR										
USD INR	83.8	83.9	84.0	83.9	83.9	83.6	82.9	83.4	83.2	83.3
XBT-USD Cross Rate	60,378.4	0.4	0.8	0.9	2.4	-7.0	-10.4	-2.5	42.0	125.5
Dollar Index	100.8	100.9	101.7	102.5	101.7	105.3	103.6	105.9	101.3	105.2

Tactical Asset Class Rationale

Equities	Over Weight	Rationale
India Equities	**Over Weight & Stagger**	Outlined in the commentary, we continue to remain over-weight equities and prefer staggered deployments into equities. We remain over-weight across large, mid and small cap, with a slight 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	**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	**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

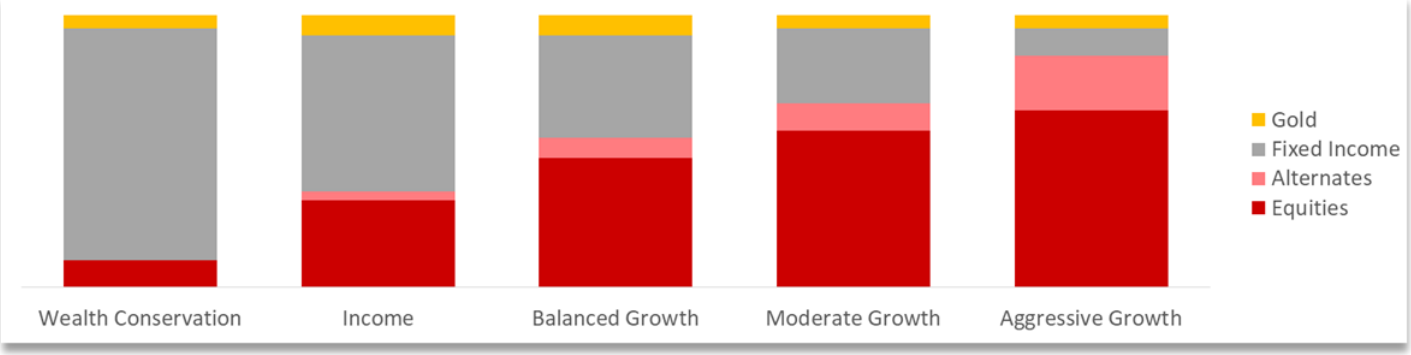
The Ambit GPC Asset Allocation & Investment Committee (AAIC) is a group comprised of the CEO, Head of Products and Alternates, Chief Investment Strategist and Head of Fixed Income (listed below). The team has over 100 years of collective investment experience in markets. The AAIC meets monthly and as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

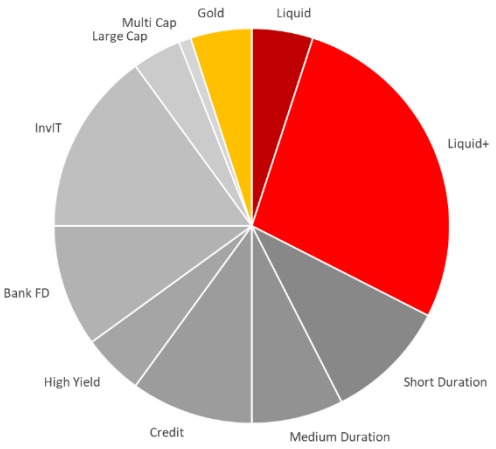
Strategic Asset Class Weights by Profile



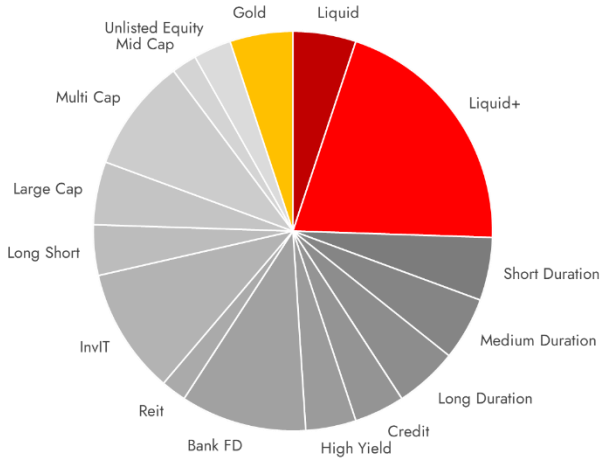
Ambit GPC Wealth Profiles - Strategic Weights

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.

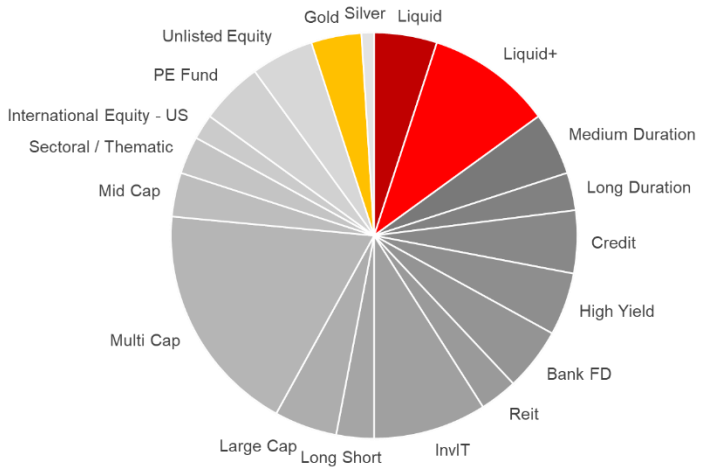
Wealth Conservation



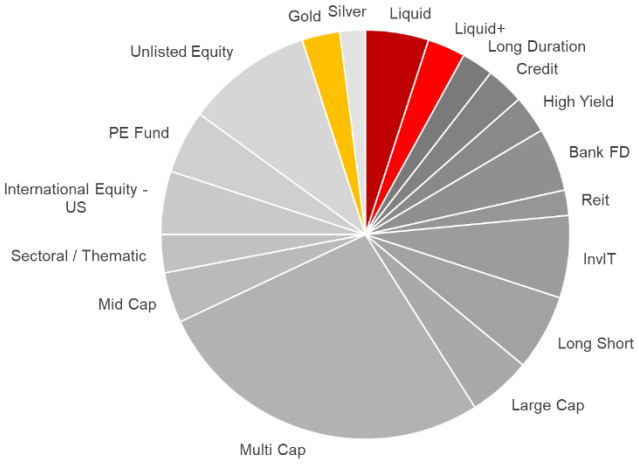
Income



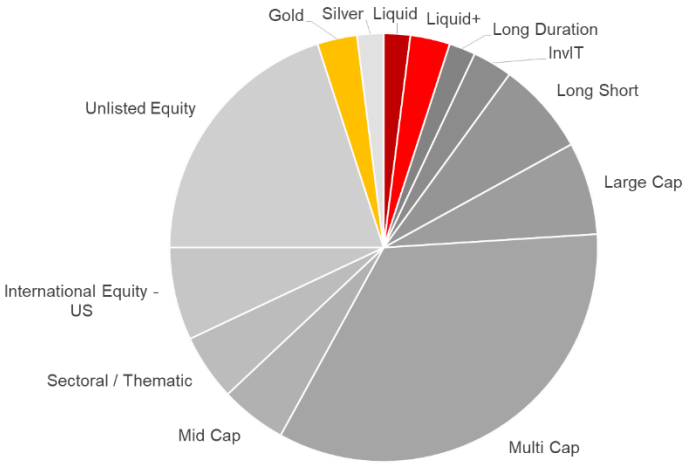
Balanced Growth



Moderate Growth



Aggressive Growth



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