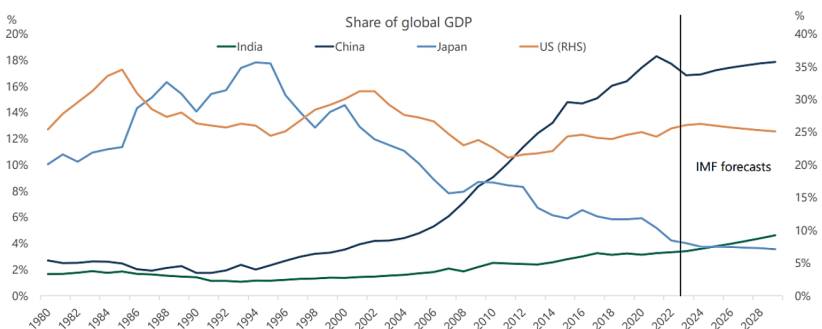


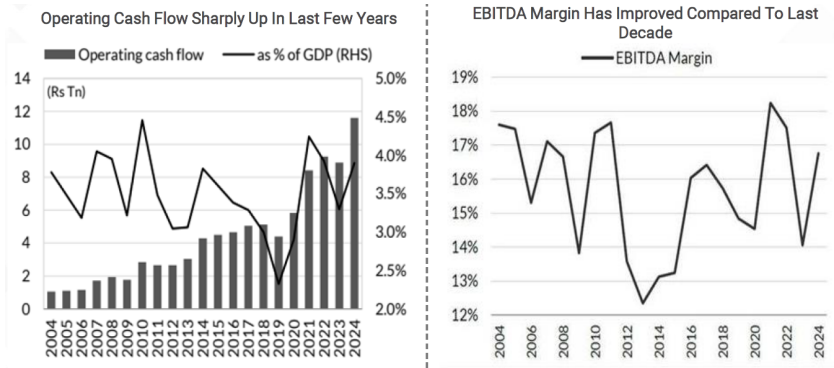
Indian Economy

- India's strong growth & stable macros set it apart. Manufacturing & Services PMI continues to be in expansionary mode. Manufacturing PMI at 57.5 has picked up again after September's reading of 56.5.
- The level of positive sentiment in the Industry was above the average in the over 13-1/2 year of HSBC PMI Series history.
- India's share of global GDP is steadily increasing and so is the share in Global Market Cap.



Source: IMF WEO, Apollo Chief Economist

- Economic activity in India is at an all time high (Jeffries Economic Indicator) and capacity utilization is increasing. Rural demand is showing signs of pickup while a slowdown in urban demand is observed.
- Government finances are healthy - increasing collection of Income & corporate tax. Fiscal deficit for April-September stood at INR 4.75 Tn, which was only 29.4% of the estimate for 2024-25.
- Cash flows of Indian corporations are improving. Both operating cashflow & EBIDTA margin is benefiting from low debt servicing, lower input cost and improving efficiency.



Source – Refinitiv, Axis Capital

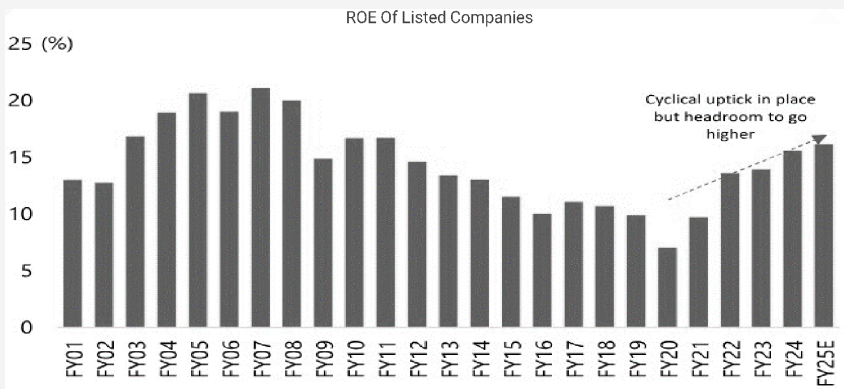
- India's strong growth is being reflected in growing profits of corporate India. Aggregate profit of corporate India is expected to touch 6% of GDP by 2026. 2Q FY24 earnings have on an average been lower than expectations resulting in earnings downgrades for FY24.
- Strong growth is increasing the value of equity markets. India's share of global market cap is now at 4.3%. above long term average of 2.7%.
- INR has been one of most resilient global currencies against the USD – it has only depreciated by 1.47% in the last one year.

Global Economy

- Globally inflation is trending down and central bankers are cutting rates.
- The US FED has cut rates by another quarter percent. Inflation is now close to FED's target rate.
- US Corporates earnings revision is most negative since Dec'22
- Crude oil continues to stay benign, under USD 75/BI.
- China has announced a stimulus package of USD 1.4 Tn for primarily debt restructuring to cushion its economy
- The US Dollar Index has jumped up to 106 levels appreciating by nearly 5% in the last six weeks with Donald Trump winning the US elections and expectations of inflationary policies and higher interest rates in the US.

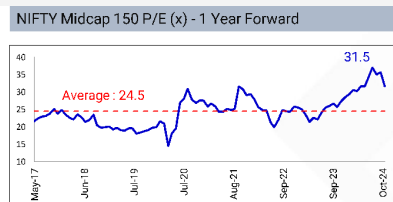
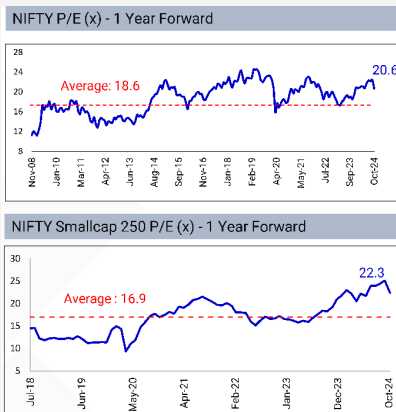
Outlook

- Indian macros remain robust and GDP is projected to grow at over 6.5% for the next 2 to 4 years.
- Corporate India's balance sheets are improving with low debt and increasing ROE.



Source: Ace Equity, Jefferies

- Equity markets gave spectacular returns in the last one year on the back of strong domestic flows. FIIs pulled out INR 1.14 lac crores in October and INR 25,000 crs in November MTD on earnings downgrades, China Stimulus and strong Dollar.
- Valuations continue to be at a premium to historical averages despite a 9-10% correction from the peak levels of various indices.



Valuation	
Largecap	11% premium to historical average
Midcap	29% premium to historical average
Smallcap	32% premium to historical average

Source: Motilal Oswal, Bloomberg, As on 31st Oct 2024

Equity Outlook

- Markets are likely to be range-bound over the next quarter in the absence of any fresh major triggers. Investors should invest surpluses on dips or through the systematic route over the next 4-6 months. Investment in hybrid funds like Equity Savings, Balanced Advantage, Multi Asset funds can be made through lumpsum investments also.

Debt Outlook

- The retail inflation Index (CPI) has come in at a 14 month high of 6.21% exceeding RBI's comfort zone on the back of higher vegetable prices (52% up). As a result, it is unlikely that RBI will cut rates in the December meeting. Capital gains from duration funds are postponed.
- Arbitrage Funds are recommended for a 3m to 1 year time horizon. Long term debt exposure can be taken through a combination of Corporate Fixed deposits and the tax efficient conservative hybrid funds.

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