



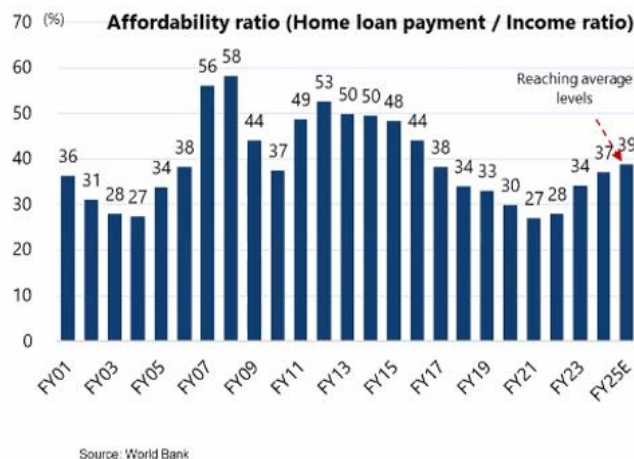
Capital League

OUTLOOK

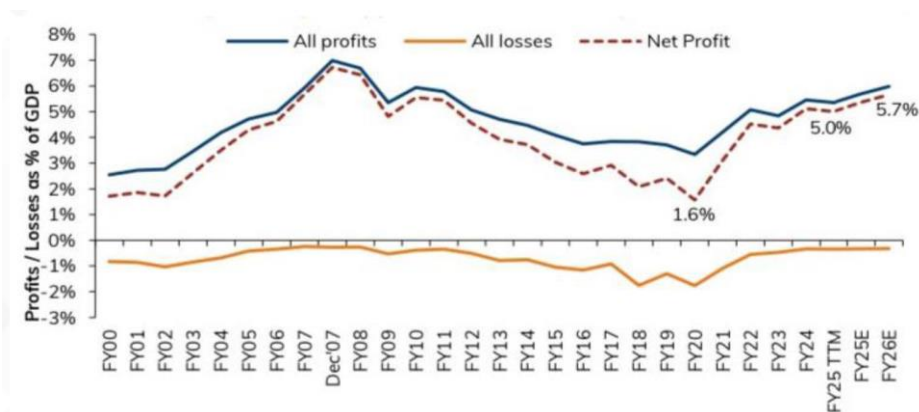
SEPTEMBER 2024

Indian Economy

- Moody's has upgraded India's GDP growth forecast to 7.2% for 2024 and 6.6% for 2025.
- GST collections of INR 1.7 Tn are the new normal. August GST collection has shown a 10% YoY increase.
- RBI has kept repo rate unchanged at 6.5% for 9th consecutive time.
- CPI inflation has eased to 3.5% in July. This is the first time in 5 yrs that inflation is within RBI's 4% band.
- India's banking System is improving steadily with NPA levels now below 1%. Capital adequacy is increasing and credit off take is steadily improving.
- The housing cycle recovery continues with affordability improving. As interest rates decrease over the coming years the 'affordability' will improve. Rising salaries and wealth effect bode well for demand. Rules like RERA have increased transparency.



- Corporate profitability is increasing and aggregate profits as percentage of GDP is expected to touch ~6% by FY26.



Source: Bloomberg, Capitaline, I-Sec research

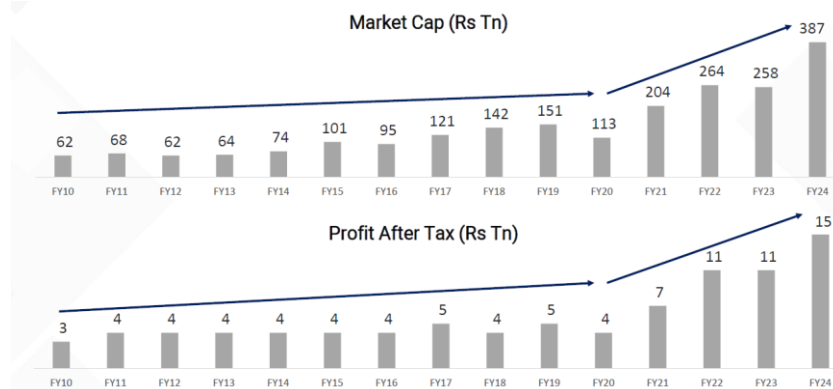
- Monsoon has covered the country with overall 4% over long-term average. Reservoirs levels are above long-term average except in North India.

Global Economy

- Globally slowdown is visible across geographies. US labour market is cooling; China is slowing down as reflected in slowing exports & lower Manufacturing PMI; Europe has been impacted due to high interest rates & inflation.
- Globally high interest rate is impacting, real estate demand, consumption and corporate profitability.
- Economic slowdown is bringing down commodity prices. Steel is at a multi-year low. Oil has fallen to USD 75 per barrel.

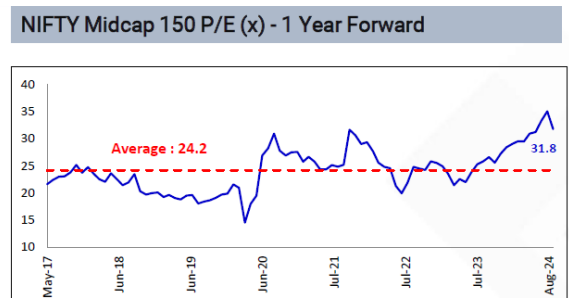
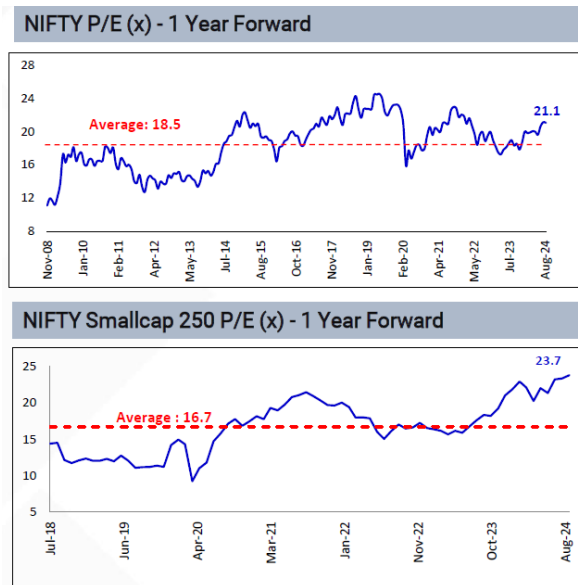
Outlook

- India's growth continues to stand out in a slowing global economy. Both domestic and global investors are participating in anticipation of continued future growth as indicated by improving macros.
- India's contribution to world equity market share is steadily increasing. Rising to all time high of 4.6%. Increase in market cap is being backed by increasing corporate profitability.



Source: Elara Capital

- Price to Earning multiples have been increasing and now valuations are above long-term averages.



Valuation	
Largecap	14% premium to historical average
Midcap	31% premium to historical average
Smallcap	42% premium to historical average

Source: Motilal Oswal, Bloomberg, As on 31th August 2024

- Global markets are in risk-off phase due to concerns about US slowdown, China slowdown, Israel-Iran conflict & Ukraine-Russia. Concerns about slowdown in US and China will keep oil and commodities subdued.
- Looking ahead, the medium-term outlook for India's economy appears promising. This optimism is fuelled by supportive government policies, improving macros, enhanced infrastructure investments, the potential of resurgence in private sector capex, and the enduring robustness of consumption.
- US Bond market is indicating over 100 bps (1%) rate cut by Dec'24. First rate cut is expected in Sept'24. Global bonds have started to rally. This is the time to buy long duration debt funds.
- Portfolios should be rebalanced as per target asset allocation. Risk-return continues to be in favour of Large caps. Long term debt exposure through Conservative Hybrid funds and short term through arbitrage funds is recommended for tax efficiency.