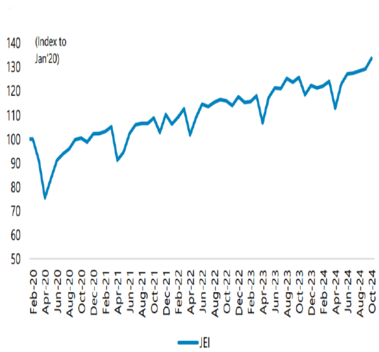
Capital League
PRIVATE WEALTH MANAGEMENT

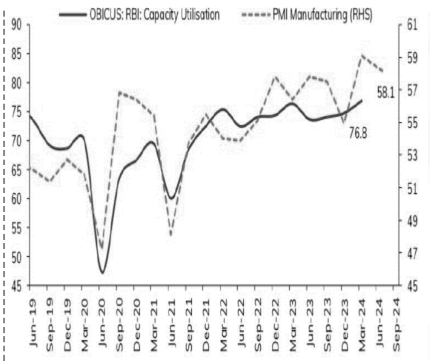
OUTLOOK

DECEMBER 2024

Indian Economy

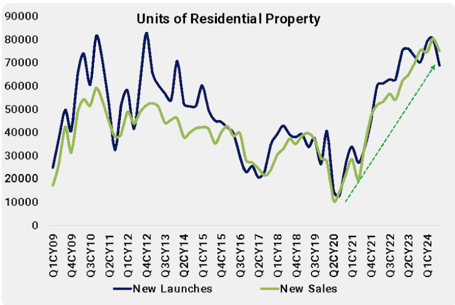
- India's first indigenous antibiotic drug, Nafithromycin, was launched. A significant achievement for the country's pharma industry.
- India's GDP growth rate for the quarter ending September'24 has come lower than expected at 5.4%. India continues to remain the fastest growing large economy.
- Manufacturing PMI at 56.5 in November is in expansionary mode, though this is the lowest reading in the last 11 months.
- India's November GST collections at Rs 1.82 lakh crore, up 8.5% YoY.
- Net Direct Tax collections till November 10 up 15.4% YoY. Personal income tax grew 53% YoY. Corporate tax grew by 5% YoY for 4 month. Higher than budgeted tax revenue and higher GST collections has enabled the government to continue its thrust on Capex.
- Core Sector (cement, oil, coal, electricity, fertiliser, natural gas, steel) grew by 3.1% YoY in October.
- Economic activity and capacity utilisation are increasing.

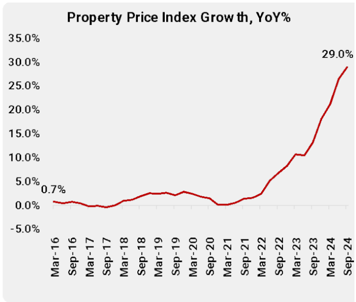




Source: Jefferies, RBI, I-Sec Research

- Rural demand is outpacing urban demand. A favorable monsoon, improving real wages, uptick in consumption and cyclical recovery after sluggish growth are supporting the rural growth.
- Kharif production expected to grow 5.7% YoY which will further support rural demand.
- Real estate industry is low on inventory. High sales and high prices indicate 2025 to be a strong year.





- Improved ease of doing business, govt. fiscal support and global supply chain diversification is driving growth in Indian exports.

Global Economy

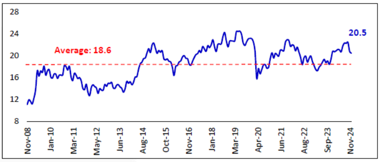
- Globally, inflation is slowing and central banks are in easing mode.
- Incoming US president Trump is expected to focus on raising tariffs, deregulation, tax cuts and onshoring of key technologies.
- Oil prices continue to remain subdued.

Outlook

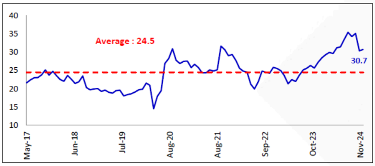
- Structural reforms undertaken by government have put the economy on a growth path. Strong execution of government reforms will likely further strengthen the macros.
- Improved balance sheets of government and corporates, healthy credit flow are all supportive of pick up in private Capex.
- Although macros are healthy, business cycle remains strong, there are some early signs of softening in growth momentum. It remains to be seen over next few months if this is a trend or just a temporary blip.

- The moderation in corporate earnings is primarily due to easing of benefits of lower input prices and easy liquidity, post Covid. Despite early signs of moderation, the fundamental drivers of India's multi-decade consumption and infrastructure growth remain firmly in place.
- Although macros are healthy and fundamentals are intact, valuations are not cheap. Small caps are most overvalued from historical perspective. A staggered and gradual entry is warranted.

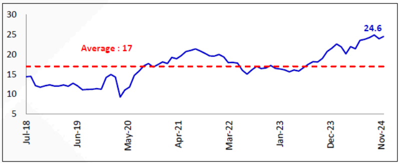
NIFTY P/E (x) - 1 Year Forward



NIFTY Midcap 150 P/E (x) - 1 Year Forward



NIFTY Smallcap 250 P/E (x) - 1 Year Forward



Valuation	
Largecap	10% premium to historical average
Midcap	25% premium to historical average
Smallcap	45% premium to historical average

Source: Motilal Oswal, Bloomberg, As on 30th November 2024

- Maintain asset allocation. Moderate return expectation significantly. Corrections present an opportunity to add. Surpluses to be invested in staggered manner or systematic route over the next 4-6 months. Investment in hybrid funds like Equity Savings, Balanced Advantage, Multi Asset funds give fund managers a more flexible mandate.

- **Debt:** The US Fed will evaluate future rates cuts based on the incoming economic data. Inflation remains a concern and is proving to be sticky. Their decision will have a bearing on other central banks.
- India's retail inflation Index (CPI) has reached a 14 month high exceeding RBI's comfort zone backed by higher vegetable prices in October. RBI will consider November inflation data before any further indication. It appears unlikely that RBI will cut rates in the December meeting.
- Arbitrage Funds are recommended for a 3m to 1 year time horizon. Long term debt exposure can be taken through a combination of Long Duration Debt Funds, Corporate Fixed deposits and the tax efficient conservative hybrid funds.