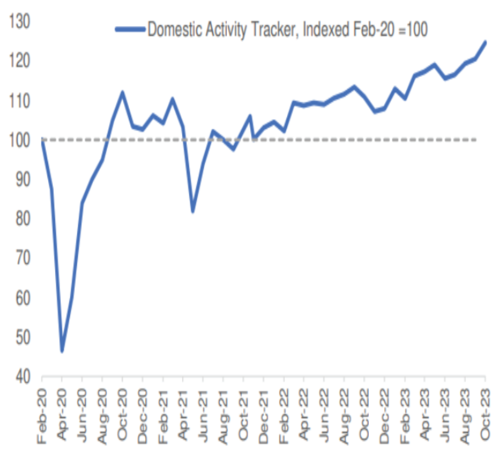
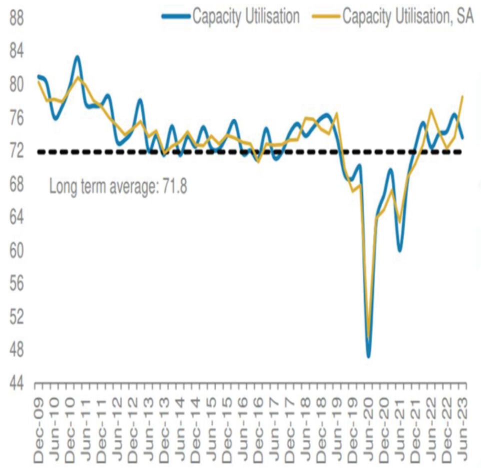
Capital League
OUTLOOK

DECEMBER 2023

INDIAN ECONOMY

- India's Q2 GDP growth (7.6%) beats estimates. RBI has increased full year GDP growth estimate to 7% from 6.5%.
- PMI for both Manufacturing and Services continue to be in expansionary mode.
- Economic activity has increased beyond pre-Covid levels and this has pushed capacity utilization above long term average. This indicates growth





- Core Sector growth at 12.1% in October. Industrial growth low. Gold imports jumped in October (60% YoY, highest in 31 months), leading to increase in trade deficit.
- CMIE Index of Consumer Sentiment continues to rise. New sales of residential units is at record high.
- Q2, FY24 results are mostly inline and some above market expectation. Net profit is increasing. Revenue growth is muted.

Number of Cos	Sales	EBDITA	PBT	PAT
Above	6	15	17	21
In Line	40	25	26	23
Below	4	10	7	6
Nifty Universe	50	50	50	50

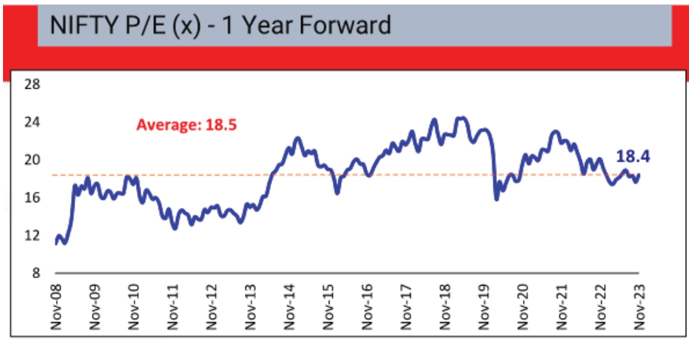
- RBI has kept interest rates unchanged at the latest monetary policy meeting

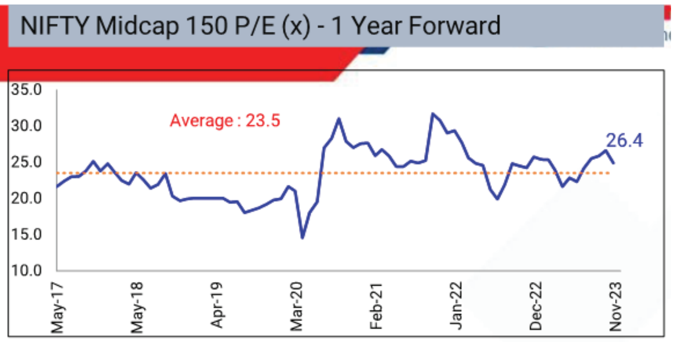
GLOBAL ECONOMY

- FDI (Foreign Direct Investment) has turned negative for the first time since 1998.
- US Q3 GDP has grown at the fastest pace in past 2 yrs.
- Oil prices remain subdued. (Brent ~ $76) A positive for recovering economies and a tailwind for India.
- Moody’s has cut China’s credit outlook to negative and expects GDP growth at 4%.

OUTLOOK

- Valuation for NIFTY is close to long term average. NIFTY Midcap is at about 12% premium to long term average and NIFTY Small cap is at about 25% vpremium to long term average.





- Globally inflation is trending downwards. Consensus view is that US FED is likely to cut interest rates sometime in 2024. Lower interest rates is positive for equity markets. FIIs who booking profits for few months, have started reinvesting from November. Healthy macros and supportive government policy, makes India an attractive investment destination.

  Debt: Indian bonds are seeing inflows from FPIs post inclusion in JP Morgan GBI-EM Global index.

  RBI may pivot to begin the rate cut cycle after by US FED rate cuts in 2024.

  Surpluses for 3-12 months can be parked in arbitrage funds which are currently giving very healthy and tax efficient returns.

  Some new tax efficient solutions for debt investment can be considered and debt exposure can be taken via hybrid offerings.

  Tactical allocation with 18-24 months view to longer-duration and dynamic debt funds can be staggered over next 3 months for capital gains on any yield correction during this time frame.