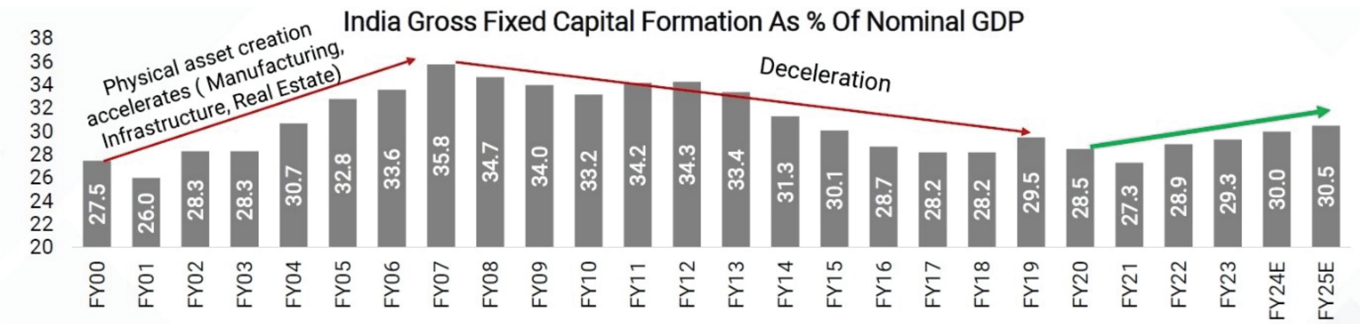
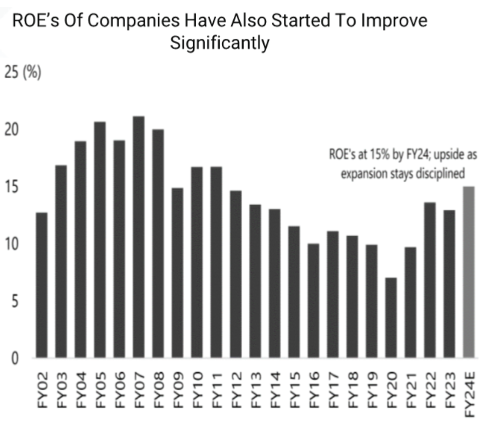
Capital League
OUTLOOK
MARCH 2024

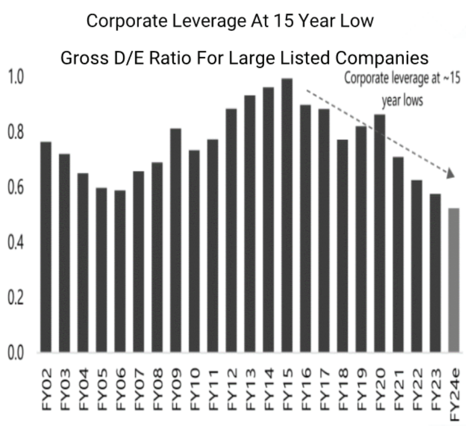
INDIAN ECONOMY

- India is on track to be the third largest economy by CY2027.
- India's contribution to world GDP to reach 7.7% by 2028.
- The economy is on a high growth trajectory. For Quarter ended December'23, economy grew by 8.4% against a projection of 6.3%.
- Current Account Deficit is expected to be below 1% of GDP in FY'24.
- PMI for both Manufacturing (56.9) and Services (60.6) continue to be in expansionary phase.
- Unemployment rate declined to lowest level of 3.1% in 2023, viz 3.6% in 2022
- Housing sector is showing signs of multi year upcycle.
- Capex is increasing steadily. Government has been doing the major part of Capex but now private Capex is picking up. Increasing Capex indicates a phase of robust economic growth.



- Corporate health is steadily improving. Return on Equity (ROE) is up and corporate debt is at a decadal low.





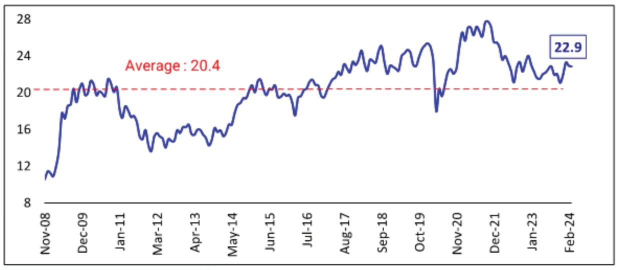
GLOBAL ECONOMY

- Globally inflation coming down.
- US GDP grows more than expected, aided by the large deficit. US housing affordability worsens. The US has been adding ~ USD 100 Bn in debt every 13 days.
- Central bankers expected to cut rates in 2HCY'24
- China's growth is slowing. FDI in 2023 was USD 33 Billion, down 82% from 2022.

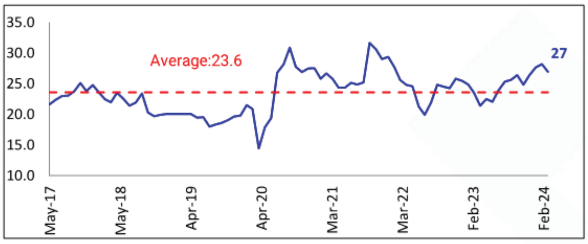
OUTLOOK

- In the coming months interest rate pivot by US FED, elections in US & India, oil prices and consumption recovery are going to be the key factors affecting markets.
- Indian macros are good. Election results appear to have been discounted. If oil prices stay soft and interest cut cycle starts, it would be a very big positive for India
- At present equity valuations are at a premium to historical averages.

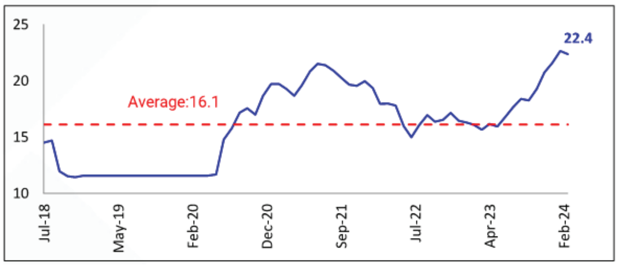
NIFTY P/E (x) - 1 Year Forward



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



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



Valuation	
Largecap	12% premium to historical average
Midcap	14% premium to historical average
Smallcap	39% premium to historical average

- India Government bond yields are at a 7-month low. Indian Bonds have had the best start to the year since 2019. India has a well-managed fiscal deficit and inflation.
- Investment in arbitrage funds can be considered for 3-12 months for healthy, tax-efficient returns. Longer-term debt exposure can be taken through hybrid offerings for tax efficiency.
- For investors with an investment horizon of 18-24 months, it is a good time to increase allocation to longer duration funds and dynamic debt funds.