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FinSight

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Newsletter

Kaima Asset
Responsible Wealth Management

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Editorial

Welcome to the second edition of the FinSight Newsletter, where we delve into the dynamic world of finance, investment strategies, and economic trends shaping the future.

As the financial landscape evolves at an unprecedented pace, staying informed and adaptable is more critical than ever. Through FinSight Newsletter, our mission is to bridge the gap between complex financial concepts and actionable insights. Whether you are an industry veteran, a budding investor, or simply curious about the forces shaping global markets, we strive to offer content that resonates with and inspires you.

This edition explores topics ranging from Market Outlook and Investment Opportunities in finance to Economic Events and the Global Economy. We've collaborated with industry experts to ensure that each piece not only informs but also ignites meaningful conversations.

We would like to extend our heartfelt gratitude to our contributors, readers, and partners for making the FinSight Newsletter a trusted resource in the financial community. Your unwavering support drives us to raise the bar continuously.

On behalf of the editorial team at Kaima Asset Private Limited, we hope this issue provides valuable perspectives and equips you to navigate the ever-changing financial landscape with confidence.

Warm Regards,

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MARKET OUTLOOK

Friday, Jan 10, 2025

- Market Capitalization-To-GDP Ratio at 116.28%.
- ·Macro-stability indicators are expected to remain within a comfortable range, offering policymakers the flexibility needed to adjust strategies.
- Inflation had moderated to 4.8% in December, within its target range of 2-6%, but RBI remained cautious about risks stemming from global geopolitical uncertainties and oil price volatility
- Valuations are at Premium To Historical Averages, similar as last quarter despite recent correction across indices.
- NIFTY P/E (x) - 1 Year Forward is 20.5; Large cap valuation is 10% premium to historical averages
- NIFTY Mid cap 150 P/E (x) - 1 Year Forward is 30.7; Midcap valuation is 25% premium to historical average
- NIFTY Small cap 250 P/E (x) - 1 Year Forward is 24.6; Small Cap valuation is 45% premium to historical average

TOP NEWS

India's GDP Slips To Seven-quarter Low Of 5.4% In Q2

Diwali 2024 saw e-commerce sales surge by 49%

Net Direct Tax Collections till 10th Nov 2024 Up 15.4%

India's November GST mop-up at Rs 1.82 lakh crore, up 8.5% on-year

Market Capitalization-To-GDP Ratio At All Time High

GROWTH FORECAST FOR 2024-25 | Q3

6.6% RBI

6.4% IMF

7.0% WORLD BANK

6.4% FITCH

6.3% SBI

5.4% - INDIA'S GROWTH IN Q2 FY 2024- 2025, similar number is expected for Q3 as well.

Benchmark, Factor and Sectoral Indices performance

Index	1M	3M	6M	12M
Nifty 50	-6.2%	-3.0%	7.1%	26.9%
NSE Midcap 150	-6.4%	-4.5%	10.5%	43.3%
NSE Smallcap 250	-3.6%	-1.1%	12.1%	47.6%
Nifty 500	-6.4%	-3.6%	8.1%	35.0%
Nifty 100 Low Vol 30	-8.1%	-2.5%	10.2%	32.3%
NIFTY 100 Quality 30	-8.6%	-4.5%	10.4%	31.2%
Nifty 200 Momentum 30	-8.2%	-6.7%	5.9%	54.2%
Nifty High Beta 50	-9.8%	-14.1%	-6.8%	33.7%
Nifty 50 Value 20	-5.6%	-3.7%	9.8%	35.0%
Nifty IT TRI	-3.7%	-1.1%	21.7%	32.1%
Nifty Auto TRI	-13.0%	-11.9%	4.6%	47.7%
Nifty Pharma TRI	-2.3%	4.4%	19.8%	54.8%
Nifty FMCG TRI	-9.7%	-4.6%	9.1%	15.5%
Nifty Bank TRI	-2.8%	-0.2%	4.2%	20.1%

Data as on 31st October 2024, Source: Bloomberg, AMFI

INVESTMENT OPPORTUNITIES

- Favor large-cap over mid & small-cap
- Prefer pharma/healthcare, FMCG and IT within defensive sectors.
- Consider adding longer-duration bonds to your portfolio. RBI may surprise with a rate cut in Feb policy.
- Expect the Indian Rupee to remain volatile to USD in a range of Rs. 85.6 to Rs. 87.3.

MUTUAL FUNDS

- Strong inflows continue, largely on account of NFO's in Q3, 2024.
- Inflows into equity mutual funds increased in the month of Dec 24 to Rs. 41,156 cr vs Rs. 35,943 cr in Nov 24.
- Sectoral & Thematic fund saw highest allocation in the month of Dec 24.
- Arbitrage funds saw second highest inflow after thematic funds in Q3, 2024.
- Inflows in systematic investment plan (SIP) jumped to all time at Rs. 26,459 crore despite volatility.
- Asset Under Management in equity category remained muted at Rs. 30.57 lac crore in Dec 24 vs Rs 30.35 lac crore in Nov 24, largely due mark to market losses.

Index	1 M	3 M	6 M	12 M
Large Cap	-5.82	-6.5	-3.86	12.77
Large and Mid Cap	-6.67	-6.27	-2.5	18.72
Mid Cap	-6.76	-6.39	-2.64	22.16
Small Cap	-7.74	-6.27	-1.36	19.55
Flexi Cap	-6.21	-6.27	-2.8	16.25
Multi Cap	-6.6	-6.22	-1.84	18.17
Focused	-6.49	-7.08	-2.91	15.43
Dividend Yield	-6.41	-8.23	-4.92	16.52
Contra	-6.35	-6.79	-2.56	19.16
Sectoral- IT	-3.51	1.24	12.51	28.4
Sectoral-Pharma	-1.27	-1.34	13.25	32
Sectoral-Infra	-8.93	-9.84	-10.99	19.87
Sectoral-FMCG	1.03	-7.59	-3.93	2.86
Sectoral-BFSI	-8.35	-5.85	-4.02	7.68

Data as on 03rd January 2025, Source: AMFI

SECTORAL OUTLOOK

1. **Healthcare Sector:**

India's healthcare sector is experiencing significant growth, driven by increased investments, policy reforms, and rising demand for quality medical services. The healthcare industry is projected to reach $320 billion by 2028, reflecting substantial expansion across various segments. The medical device industry, currently valued at $12 billion, is anticipated to reach $50 billion by 2025, driven by innovation and venture capital funding.

2. **Renewable Energy:**

India's renewable energy sector is poised for robust growth due to supportive government policies, a growing need for energy security, and increasing global commitments to combat climate change.

- As of 2025, India has over 125 GW of renewable energy capacity, which includes solar, wind, hydro, and bioenergy.
- India ranks 4th globally in renewable energy capacity, reflecting its ambitious efforts to transition to cleaner energy sources.
- India's renewable energy sector is expected to attract $200 billion in investments by 2030.

3. **Information Technology Sector:**

The Indian IT sector is on a robust growth trajectory for 2025, characterized by increased spending, job creation, and a strong emphasis on emerging technologies. India's IT spending is projected to reach $160 billion in 2025, marking an 11.2% increase from 2024. This growth is primarily fueled by expansions in application and infrastructure software markets, with software spending expected to rise by 17%

4. **FMCG Sector:**

Analysts anticipate a revenue increase of 7-9% for the FMCG sector in the fiscal year 2025. This growth is expected to be driven by higher sales volumes, a revival in rural demand, and steady urban consumption. The rural segment, accounting for approximately 40% of FMCG revenue, is projected to experience a volume growth of 6-7%.

5. **BFSI Industry:**

The Reserve Bank of India (RBI) projects a decline in banks' gross non-performing asset (NPA) ratio to 2.5% by March 2025, indicating improved asset quality. Banks are expected to remain well-capitalized, maintaining capital levels above the regulatory minimum even under stress scenarios.

The BFSI sector is expected to witness a net employment growth, with the banking segment leading at an anticipated 7.21% increase in the first half of FY2025. Non-Banking Financial Companies (NBFCs) and the insurance sector are also projected to see employment growth of 5.41% and 5.25%, respectively.

6. **Infrastructure Sector:**

- India has maintained a record infrastructure spending target of 11.11 trillion rupees ($132.85 billion) for the financial year ending March 2025, constituting 3.4% of GDP, to bolster growth and create jobs.
- Regular policy interventions, such as amendments in concession agreements and renewable energy incentives, enhance investor confidence and facilitate sector growth.
- Proposed norms requiring higher provisions for under-construction projects by the Reserve Bank of India could impact lending rates and project financing.

POPULAR IPO'S of Q3 to Track

- Hyundai India: Listing date Oct 22nd, 2024
- Waaree Energies: Listing date Oct 28th, 2024
- Swiggy: Listing date Nov 13th, 2024
- One Mobikwick Systems: Listing date Dec 18th, 2024
- Vishal Megamart: Listing date Dec 18th, 2024

MAJOR ECONOMIC EVENTS

- **US elections and President Elect Mr. Donald Trump joining office:** After rising sharply in October-24 on trump trade, US treasury yields continued to harden further post US election results on rising geopolitical uncertainty. US 10 Yr Treasury bond (UST) yield moved in the range of 4.18%-4.44% (as against 3.74%-4.29% in Oct 2024).
- **Union Budget by Government of India:** Market would expect government to keep a growth driven spending amid economic challenges. Expectation includes tax reforms and fiscal consolidation as well.
- **RBI Policy:** Central bank is expected to begin rate cut regime for the first time post covid era. Monetary easing would decide the course of credit offtake and impact of corporate balance sheet of the borrowers.

FIXED INCOME OUTLOOK

- India's CPI Inflation increased sharply to 6.2% in Oct 24, projected at 5.7% for quarter ending Dec 2024
- India's Strong Macro Story intact, Feb monetary policy positive for bonds.
- Inflation projected for Q4-2024-25 is at 4.5% and for Q1- 2025-26 is at 4.6%
- India's Current Account Deficit moderated marginally to USD $ 11.2 bn (1.2% of GDP)
- Forex Reserve declined rapidly in Q3, currently at USD $ 634.58 bn
- GDP Growth – Despite near term hiccups India will remain one of the fastest growing economies in the world.

GLOBAL ECONOMIC OUTLOOK

The World Economic Outlook, October 2024 paints a picture of a slow but steady global economic growth in 2025.

- **Growth:** Global growth is expected to remain stable yet underwhelming at 2.4%. As disinflation continues, a smooth landing is within reach.
- **Developed vs. Developing**: Developed economies are expected to see a slight acceleration compared to 2024 while emerging markets might experience a modest slowdown.
- **Inflation:** Inflation is projected to ease globally, declining to 3.4 percent, providing some relief to businesses and households. Nevertheless, many developing countries are expected to face persistent inflationary pressures, with one in five experiencing double-digit rates. High debt burdens and limited access to international financing will continue to hinder recovery.
- **Global Minerals:** Growing industrial demand for critical minerals, such as lithium and cobalt, presents opportunities and risks. For resource-rich developing countries, these minerals offer potential for growth, job creation, and increased revenues to accelerate progress towards the Sustainable Development Goals (SDGs). However, the report warns that poor governance, unsafe labor practices, and environmental degradation could undermine long-term benefits and exacerbate inequalities.
- **Challenges:** Structural challenges such as population aging, weak investment, and historically low total factor productivity growth are still holding back global growth. The five-year-ahead forecast for global growth stands at 3.1 percent, indicating continued mediocre medium-term prospects relative to prepandemic forecasts.

DISCLAIMER:

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