

FinSight

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Newsletter



Kaima Asset

Responsible Wealth Management

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UPDATE

MARKET OUTLOOK SEPTEMBER 2024

Friday, Sep 20, 2024

- Market Capitalization-To-GDP Ratio at 110%, last 10 year high was 119%.
- India's Contribution to the Global Market Cap at an all-time high.
- Globally, fears of an economic slowdown in the US ,Slowing demand in China and elevated geopolitical risks from middle east have raised concerns for investors.
- Valuations are at Premium To Historical Averages.
- NIFTY P/E (x) - 1 Year Forward is 21.1; Large cap valuation is 14% premium to historical averages
- NIFTY Midcap 150 P/E (x) - 1 Year Forward; Midcap valuation is 31% premium to historical average
- NIFTY Small cap 250 P/E (x) - 1 Year Forward; Small Cap valuation is 42% premium to historical average

TOP NEWS

India Surges Ahead: Now World's Fourth-Largest Stock Market!

Federal Reserve has cut rates by 50 bps: Inflation forecast for US to remain around 2%

GST Collections - ₹1.75 Tn Is The New Normal

India's CPI inflation eased to 3.54% in July from 5.08% in June.

GROWTH FORECAST FOR 2024-25

7.2% RBI

7.0% IMF

7.0% WORLD BANK

7.2% FITCH

7.2% MOODY'S

6.7% - INDIA'S GROWTH IN Q1 FY
2024- 2025

Index	1M	3M	6M	12M
Nifty 50	3.9%	10.4%	14.8%	26.3%
NSE Midcap 150	4.9%	15.7%	22.2%	54.6%
NSE Smallcap 250	4.9%	13.4%	19.1%	58.1%
Nifty 500	4.3%	12.1%	18.8%	37.9%
Nifty 100 Low Vol 30	5.9%	13.0%	16.0%	33.6%
NIFTY 100 Quality 30	6.3%	15.6%	20.1%	37.4%
BSE Momentum	5.0%	14.0%	28.3%	67.7%
Nifty High Beta 50	4.0%	8.5%	19.9%	60.7%
Nifty 50 Value 20	8.5%	14.0%	18.2%	39.8%
Nifty IT TRI	13.0%	23.0%	11.5%	36.5%
Nifty Auto TRI	5.9%	18.7%	38.8%	69.9%
Nifty Pharma TRI	10.4%	14.8%	21.4%	45.3%
Nifty FMCG TRI	9.4%	14.5%	12.7%	17.9%
Nifty Bank TRI	-1.5%	4.4%	12.1%	12.9%

INVESTMENT OPPORTUNITIES

- Favor interest-rate sensitive sectors like real estate and financials.
- Prefer pharma/healthcare, FMCG and IT within defensive sectors.
- Consider adding longer-duration bonds to your portfolio.
- Expect the Indian Rupee to remain stable.

MUTUAL FUNDS

- Strong inflows continue, with assets under management increasing and equity allocation rising.
- SIP contribution has reached Rs 23,547 crore per month with SIP accounts crossing 9.61 crore mark.
- Sectoral/Thematic & Flexicap funds see strong investment.
- Equity Strategy: Neutral, with a focus on large-cap stocks.
- Assets managed by the Indian MF industry has increased from Rs. 48.20 Tn to Rs. 66.70 Tn in last 12 months with proportionate share of Equity schemes increasing from 51% to 57.4%

Equity MF Category wise Performance (in %)

Category	1M	3M	6M	1Y
Large Cap Funds	4.1%	11.4%	18.9%	34.5%
Mid Cap Funds	4.5%	16.7%	25.8%	52.2%
Small Cap Funds	4.4%	14.6%	20.2%	46.2%
Large & Mid Cap Funds	4.2%	13.9%	22.6%	43.5%
Multi Cap Funds	4.5%	13.3%	21.6%	45.9%
Flexi Cap Funds	4.1%	12.6%	20.1%	39.5%
Focused Funds	3.6%	11.7%	19.6%	36.9%
Value / Contra Funds	5.1%	13.6%	22.1%	48.8%
Dividend Yield Funds	6.3%	14.4%	21.6%	48.8%

SECTORAL OUTLOOK

- 1. Healthcare & Insurance:** Driven by factors like rising income, aging population, and government initiatives (Ayushman Bharat), healthcare demand is surging. Growing health insurance penetration further strengthens the sector's prospects.
- 2. Renewable Energy:** India has ambitious goals for renewable energy capacity (450 GW by 2030) and is making significant progress. Government support for solar, wind, and other renewable sources is accelerating adoption.
- 3. IT Sector:** India is a major IT player with a skilled workforce and a thriving IT services industry. The sector is embracing new technologies like AI and cloud computing, driven by government programs like Digital India.
- 4. Real Estate:** While facing challenges in past, the sector has undergone reforms with government initiatives like RERA and affordable housing programs. Growing urbanization and rising commercial real estate demand present long-term opportunities. With recent prices appreciation it is expected to consolidate now as end user has taken a back seat.
- 5. FMCG:** Rising disposable incomes, urbanization, and changing lifestyles are fueling FMCG consumption in India. The industry is adapting to trends like healthy & organic products and e-commerce. Analysts are turning bullish on the consumer sector once again, as seen by the Nifty FMCG index rising 24 percent over the past six months. In comparison, the Nifty 50 index has gained around 16.5 percent during the same time period.
- 6. Automobile Sector:** A significant contributor to India's GDP, the auto industry has given a rebound in past 1 years. Rising incomes, growing urbanization, and government support for electric vehicles (FAME) are positive signs. However now rising inventories and recent decline in sales indicates consolidation.

7. BFSI industry: The BFSI industry is undergoing a major transformation driven by several key trends.

1. *Open Banking:* This allows customers to share their financial data with third-party apps, enabling new financial products and increased competition.
2. *Embedded Finance:* Businesses are integrating financial services directly into their offerings, making transactions more convenient for customers.
3. *Insur-tech:* Technology is changing the insurance industry with innovative products, data-driven risk assessment, and a focus on customer experience.
4. *Focus on ESG:* Investors and lenders are increasingly considering environmental, social, and governance factors when making decisions.
5. *AI and ML:* These technologies are being used for fraud detection, risk management, customer service, and more, leading to greater efficiency.

8. Infrastructure Sector:

1. *Strong GDP Growth:* India's GDP growth for Q1 2025 was below expectation, i.e. 6.7% vs 7.2%.
 2. *Government Focus:* The Indian government continues to prioritize infrastructure development with this year budget of Rs 11,11,111 crore which is 3.4% of GDP for this year.
 3. NMP was announced in August 2021 on the principle of 'asset creation through monetization' i.e., tapping private sector investment for new infrastructure creation.
 4. The aggregate monetization potential under NMP was estimated at ₹6.0 lakh crore through core assets of the Government, over four-years from FY22 to FY25.
 5. *Interest Rate Stabilization:* The Reserve Bank of India survey suggests expectations of stable or potentially lower interest rates in Q3 2024-25, which could improve investment appeal.
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RECENT POPULAR IPO'S

- Northern Arc Capital IPO: Sep 16th, 2024- Sep 19th, 2024
- Bajaj Housing Finance Limited IPO: Sep 9th, 2024 - Sep 11th, 2024
- Gala Precision Engineering Limited IPO: Sep 2nd, 2024 - Sep 4th, 2024
- OLA Electric Mobility Limited IPO: Aug 2nd, 2024 - Aug 6th, 2024
- Emcure Pharmaceuticals Limited: July 02nd, 2024 - July 5th, 2024

ECONOMIC EVENTS

- Summit of the Future (September 22–23, New York, USA): Part of the UN General Assembly, this summit will discuss reforming the UN and improving international responses to emerging challenges like cyberwarfare and climate change.
- BRICS Summit (October, Kazan, Russia): The expanded BRICS bloc, now including Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the UAE, will discuss strengthening multilateralism and global development.
- G20 Summit (November 18–19, Rio de Janeiro, Brazil): Brazil's presidency will emphasize climate change, sustainable development, and global economic policies, aligning with broader international goals set at other key 2024 summits.

FIXED INCOME OUTLOOK

- India's Fiscal Consolidation Is Promising ; Fiscal Deficit as % of GDP
- India's CPI Inflation Eases In July, Lowest In Five Years
- India's Strong Macro Story – Support Long Bonds
- Inflation- To be well anchored in FY25 and FY26, core may ease further
- CAD- To remain in favor of India as the exports contribution rises.
- Forex Reserve- at record high of \$ 675 billion
- GDP Growth – One of the fastest growing economies in the world.

GLOBAL ECONOMIC OUTLOOK

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

- **Growth:** Global growth is expected to stay around 3.2% for the next two years, which is lower than pre-pandemic levels.
 - **Developed vs. Developing:** Developed economies are expected to see a slight acceleration compared to 2023, while emerging markets might experience a modest slowdown.
 - **Inflation:** Good news! Global inflation is projected to decline from 6.8% in 2023 to 4.5% in 2025, with advanced economies leading the way.
 - **Resilience:** The report highlights the surprising resilience of the global economy despite rising interest rates.
 - **Challenges:** Lower long-term growth is predicted due to factors like limited worker mobility and capital inefficiencies. Additionally, a slowdown in large emerging economies like China could impact others.
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