

**2nd February 2025**

# **IFA GLOBAL'S WEEKLY OUTLOOK**

**India Forex & Asset Management (IFA Global)  
FX, Treasury & Wealth Management**

# Global Developments & Global Equities

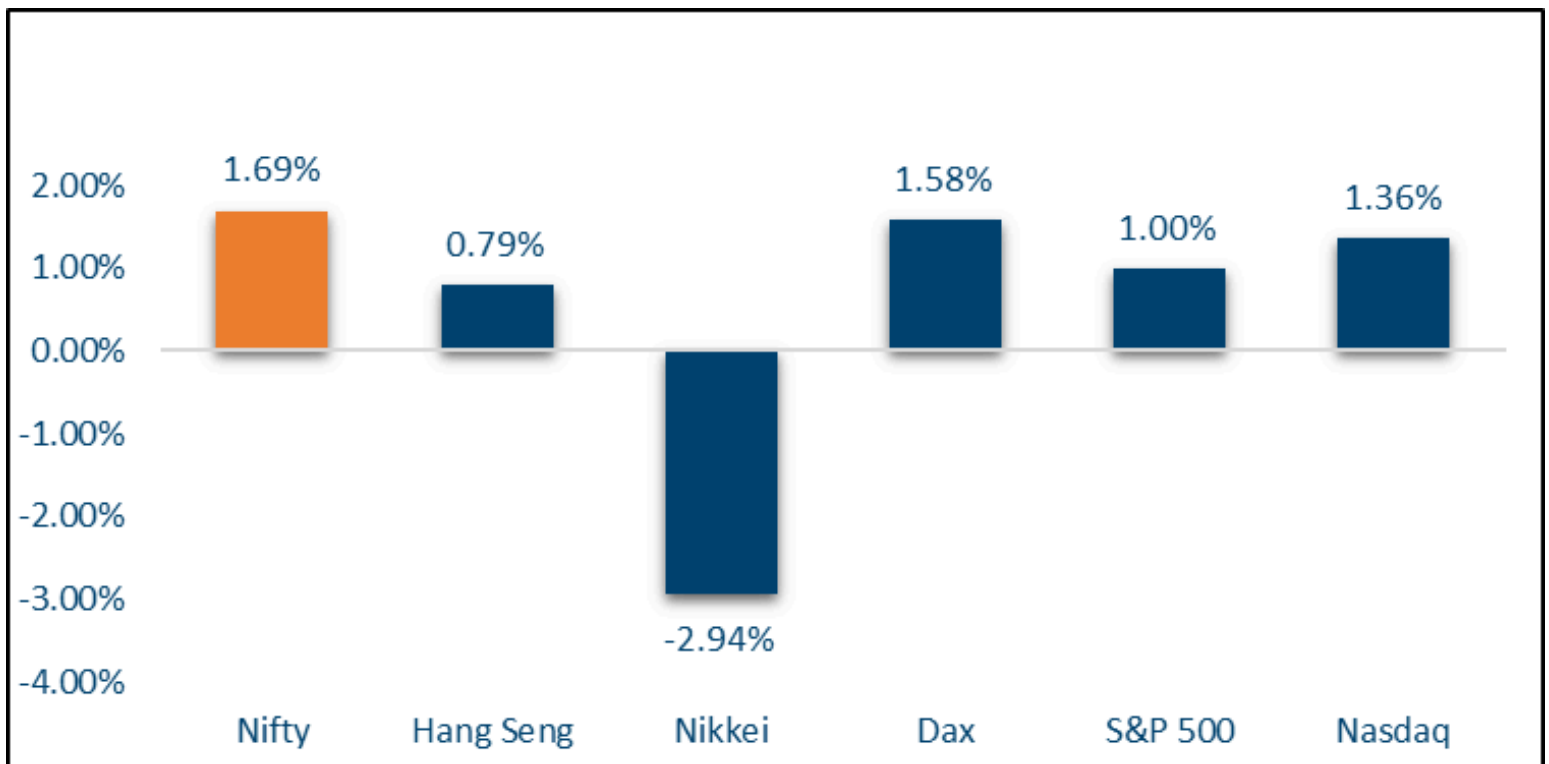
## BUDGET TICKS THE RIGHT BOXES: FOCUSES ON REVIVING PERSONAL CONSUMPTION WHILE MAINTAINING FISCAL PRUDENCE

Fed kept the rates unchanged in its policy this week, as expected. Chair Powell said that the FOMC was in no hurry to cut Rates. ECB cut Rates as expected by 25bps. President Lagarde said that the direction of travel was clear but refrained from giving solid forward guidance. US Q4 GDP missed estimates (2.3% against the expected 2.6% yoy). Eurozone Q4 GDP too came in weaker than expected. German Jan CPI print came in way lower than expected at -0.2% against the expected 0.1% MoM.

President Trump said that he would impose 25% tariffs on Canada and Mexico and that China would also have to face tariffs. News about Chinese LLM Deepseek being computationally more efficient sent shivers down the spine of US chip companies that have capitalized on demand from LLMs such as ChatGPT. The Deepseek saga suggests that China could also have tricks up its sleeve to keep Trump's aggressive tariff policies in check.

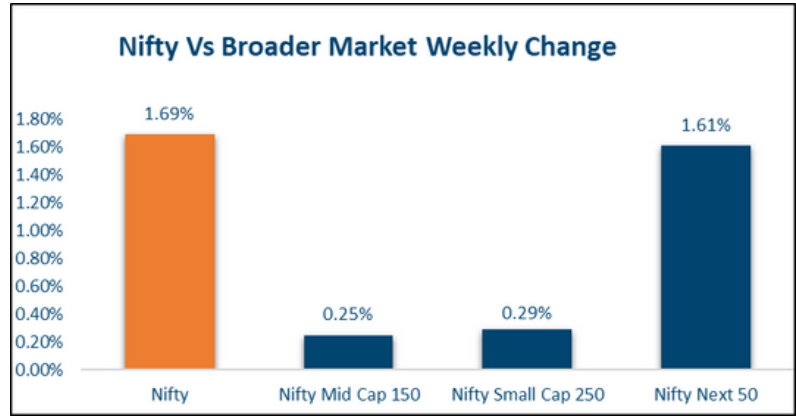
## NIFTY V/S GLOBAL MARKETS

S&P500 ended the week 1% lower. Tech-heavy Nasdaq was down 1.6% on demand concerns given growing Deepseek popularity. European indices were mixed with FTSE gaining 1.3%, CAC ending 1% lower and DAX ending 0.3% higher.



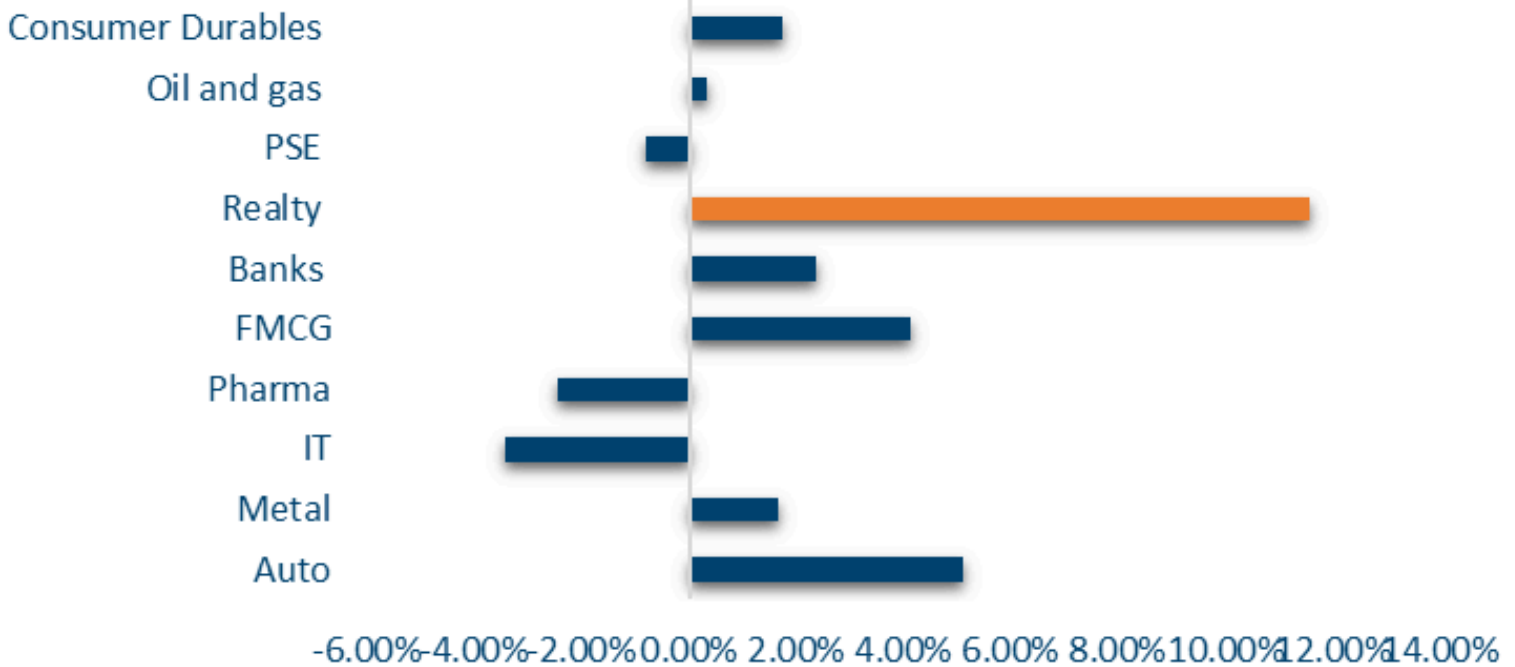
# Domestic Equities

Nifty is up 2.4% on the week. The market is open on Saturday on account of the budget. Broader markets though have underperformed. Midcap100 is up 0.5% while the mallcap index is down 0.5%. Real estate index bounced back strongly this week, rising 11.3%. Rate-sensitive sectors including banks (+2.2%) and auto (+5.4%) also did well on account of rate cut expectations building up given the announcement of liquidity measures. FPIs sold USD 9bn of domestic Equities in January. Nifty50 P/E currently stands at 21.90 on a trailing 12-month basis.



Top Gainers	Performance	Top Losers	Performance
Sobha Ltd.	21.10%	ITC Hotels Ltd.	-34.30%
Inox Wind Ltd.	20.30%	Whirlpool of India Ltd.	-27.40%
Macrotech Developers Ltd.	16.40%	Anant Raj Ltd.	-21.20%

## Weekly Change in Sectoral Indices



# Fixed Income, IPO, and Institutional Deals

## INITIAL PUBLIC OFFERING (IPO):

Dr Agarwal's Health IPO, which closed on January 31, saw strong demand, with QIBs subscribing 4.64 times, retail investors 41%, and NIIs 40%. Allotment will be finalized on February 3, with successful applicants receiving shares and others getting refunds.

Meanwhile, Ken Enterprises will launch its IPO on February 5, 2025, with an issue price of ₹94 per share, and investors are tracking the grey market premium to gauge sentiment.

## PRIVATE EQUITY AND VENTURE CAPITAL:

Private equity and venture capital investments dropped this week due to a lack of large deals. PE and VC firms invested \$272 million, marking a 40% decline from the previous week as deals exceeding \$25 million were scarce. However, overall transaction volume held steady at 32.

The largest funding round saw Leap, an overseas education guidance and financing platform, raise \$65 million in Series E funding led by London-based Apis Partners. About 80% of the capital was primary, with the remaining 20% secondary. Existing investors Owl Ventures, Jungle Ventures, and Peak XV Partners also participated.

M&A activity jumped to 10 deals this week from four last week. The biggest deal saw 360 One WAM acquire B&K Securities and its mutual fund arm for ₹1,884 crores in cash and stock, including ₹600crorese in cash and ₹1,174 crores in shares for B&K Securities, plus ₹110crorese for B&K Finserv.

## REAL ESTATE:

The government will introduce a ₹15,000 crore successor to its alternative investment fund for distressed housing projects, Finance Minister Nirmala Sitharaman announced in her Budget speech on Saturday. This second fund under the government-sponsored Special Window for Affordable and Mid-Income Housing (SWAMIH) initiative for real estate comes six years after the first was launched.

## FIXED INCOME:

Yields on US treasuries were flat on the week. 2y ended at 4.20% while 10y ended at 4.54% 10y Yields across Eurozone and UK were down 5-8bps Yield on the India 10y benchmark had dipped to 6.62% in reaction to liquidity infusion measures announced by RBI but eventually ended the week 2bps higher at 6.70% RBI announced a slew of measures to infuse durable liquidity in the banking system i.e. conducting OMOs, Buy-Sell USD/INR swaps, and 56-day VRR. Liquidity in the banking system was running persistently in deficit as a result of RBI's delivery of short forward contracts and Dollar sales. The budget seems fiscally prudent. The thrust is on stimulating private consumption. The government would like to see the capacity utilization increase and thereafter an onset of a private Capex cycle. There has been too much reliance on government spending to maintain growth. The government would gradually want to change that.

# IFA GLOBAL WEEKLY REPORT

## FX and Commodities

### FOREIGN EXCHANGE:

All G10 currencies weakened against the Dollar except Yen (+0.5%)

Commodity currencies were the worst performers. Euro and Pound ended 1.3% and 0.7% lower respectively

Key data to look forward to next week would be the US January jobs report.

BoE monetary policy is also due next week. BoE is likely to cut Rates by 25bps to 4.5%.

All Asian currencies weakened against the Dollar this week. MYR(-1.9%) was the worst performer.

Rupee weakened 0.5% to end at 86.62, close to record lows. FX Reserves rose USD 5.5bn to USD 629.5bn in the week ended 24th January.

1y forward yield climbed 8bps to 2.28%.

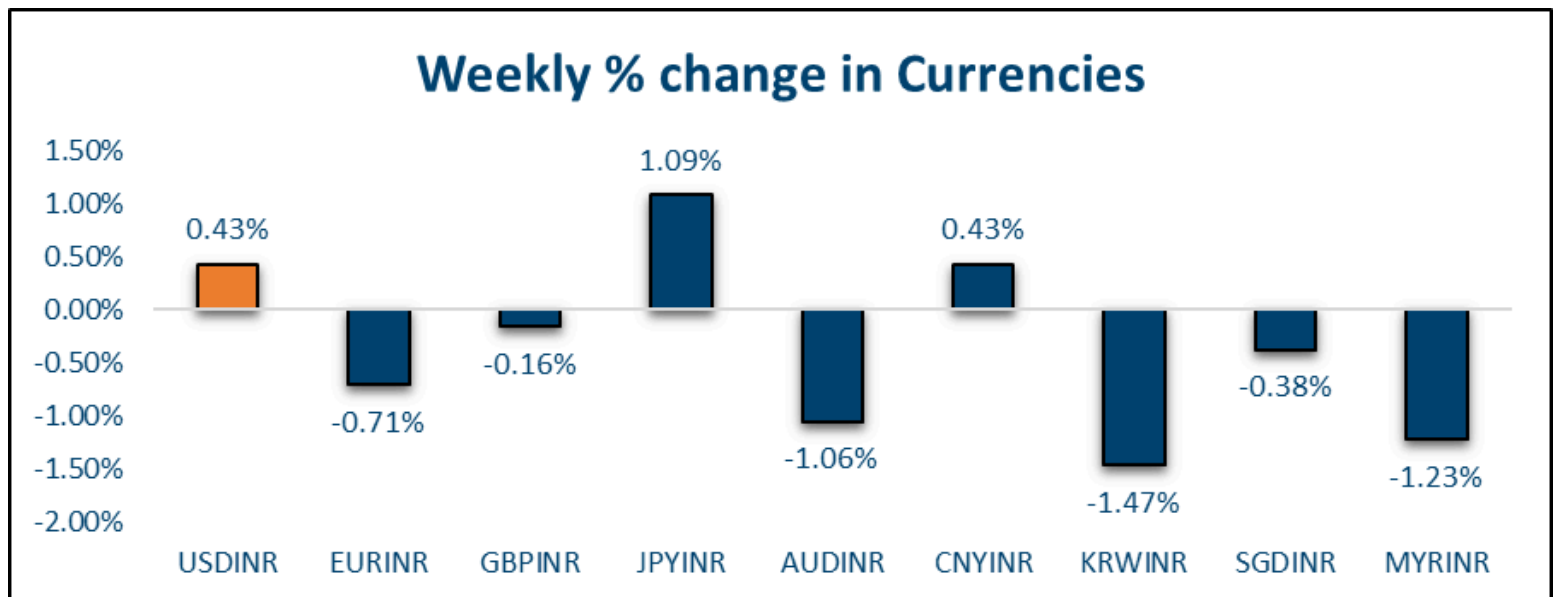
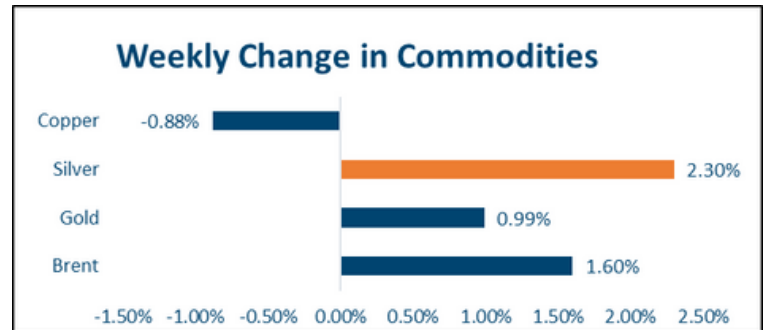
3m ATMF implied volatility climbed 11bps to 3.40%

### COMMODITIES:

Gold and Silver were up 1% and 2.4% respectively this week.

Brent came off 5% to USD 75.7 per barrel. US Natural gas prices fell 24% this week on fears of reduction in energy demand from data centers on Deepseek news and weather Outlook turning warmer.

LME Copper and Aluminum prices fell 2.5% and 3.4% respectively this week



# IFA'S VIEW

## Ideas and Opportunities

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### WHAT WE LIKE:

#### Equities:

We believe 22800-22900 on the Nifty as a crucial support, break of which can result in another 4-5% downside.

We prefer to express our bullish view through large caps and prefer to stay away from small and midcaps. We prefer defensive sectors over high beta

#### FX:

We expect the Dollar to trade sideways over the coming week. Over the medium term we expect the Dollar to trade with a slight bullish bias.

Importers are advised to hedge on every dip. Exporters are advised to hedge through participating option structures

#### Fixed Income:

We expect the US treasuries to rally from current levels. Upside in yields from current levels seems limited.

On the domestic front, one can look to exit long duration positions on any dips in 10y towards 6.60% and wait for better entry levels. We may see a positive reaction to the budget on Monday given that the fiscal deficit was budgeted at 4.4% against expected 4.5%. Gross borrowing and net borrowing at Rs 14.8 lakh crs and Rs 11.5 lakh crs respectively were in line with market expectations.

We see any dip to 6.60% on the 5y OIS as a good paying level.

#### Commodities:

We remain bearish on Brent. We could possibly see levels around USD 70 per barrel again in the medium term

We continue to remain bullish on gold and silver in both Dollar and INR terms

We continue to remain neutral on Base metals.

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