

23rd February 2025

IFA GLOBAL'S WEEKLY OUTLOOK

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

Global Developments & Global Equities

WALMART' NEGATIVE OUTLOOK SPOOKS SENTIMENT ON WALLSTREET; NIFTY ENDS WEEK BELOW CRUCIAL 22800 SUPPORT

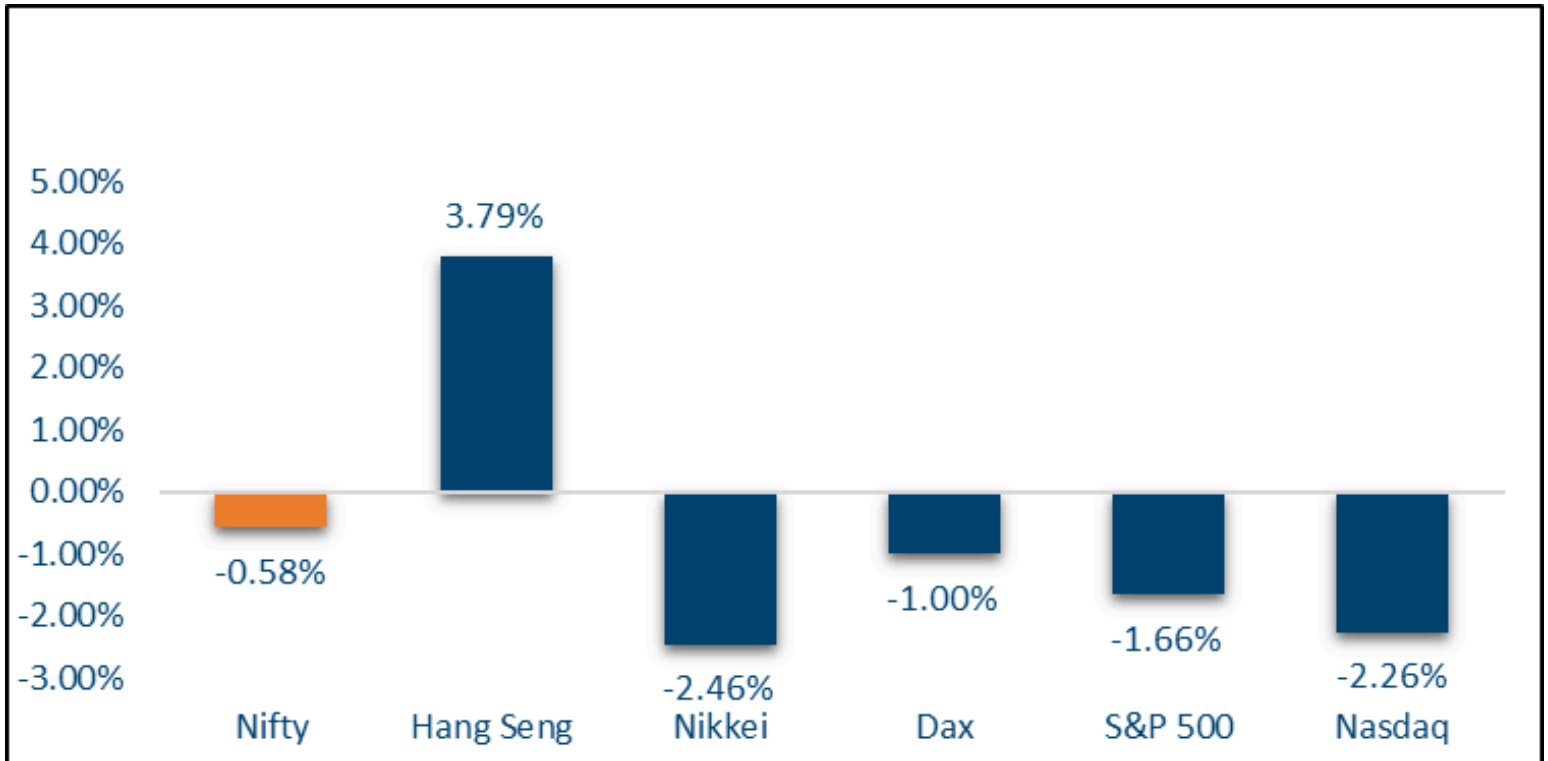
It was a steady week in terms of price action in the absence of major data/events/comments. US S&P Global Feb Services PMI missed expectations and slipped into contraction territory for the first time since Jan'23. University of Michigan Long term inflation expectations rose to 3.5% from 3.3%. FOMC minutes were hawkish.

Fed members prefer seeing further progress on the inflation front before cutting rates.

Outcome of the German elections will be in focus next week. US Jan PCE print is also due next week. Market is pricing in 1.8 cuts by the Fed till end of 2025, 3.1 cuts by the ECB, 2 cuts by BoE and 1.4 hikes by BoJ

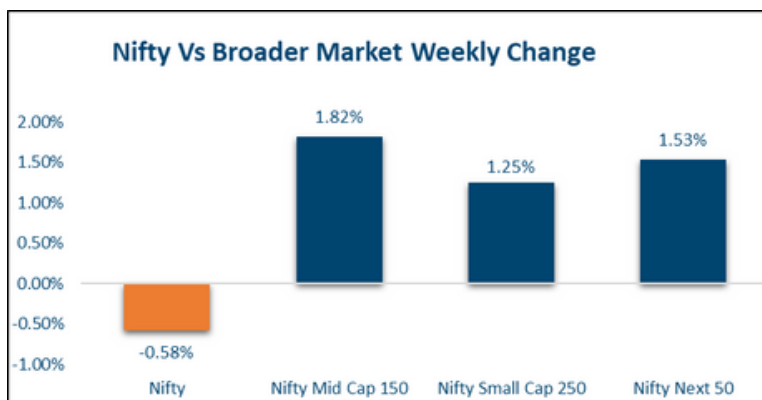
NIFTY V/S GLOBAL MARKETS

US equities corrected this week. S&P500 ended 1.7% lower while Nasdaq ended 2.1% lower. Poor outlook by Walmart dampened sentiment on Wallstreet. CAC, DAX and FTSE were down 0.3%, 1% and 0.8% respectively. Asian equities overall did well. Benchmark indices in Korea, Indonesia, Taiwan were up 2.5%. Hang Seng continued to outperform, gaining 3.8%.



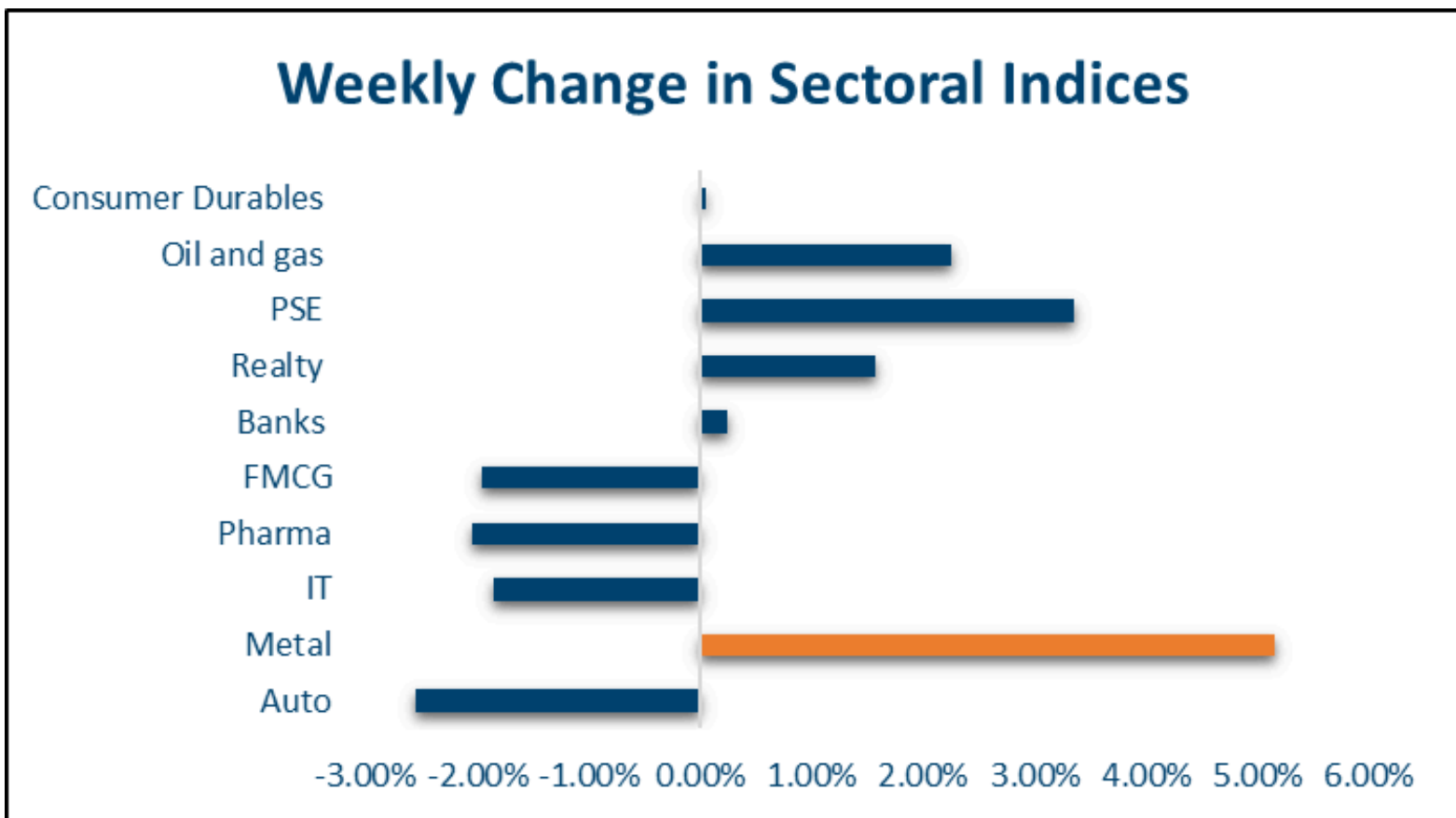
Domestic Equities

Benchmark Nifty50 ended the week 0.6% lower. Broader markets outperformed with Midcap100 and Smallcap250 indices rising 1.7% and 1.3% respectively. On a trailing 12m basis, Nifty50 is trading at a PE of 21.2 and on a forward 12m basis at 19.2. On a trailing 12m basis, Midcap100 index is trading at a PE of 33.8 and on a forward 12m basis at 29.2. High Beta stocks did well while defensives underperformed.



Inflows/Outflows	FII RS Crores	DII Rs Crores
This week	-7,793.27	16,581.95
Previous week	-19,004.03	18,745.02

Top Gainers	Performance	Top Losers	Performance
Godrej Industries Ltd.	41.30%	PTC Industries Ltd.	-20.90%
GlaxoSmithKline Pharmaceuticals Ltd	24.30%	Kirloskar Oil Engines Ltd	-13.30%
Bikaji Foods International Ltd	16.90%	Carborundum Universal Ltd	-11.30%



Fixed Income, IPO, and Institutional Deals

REAL ESTATE:

Brigade Group will invest ₹1,500 crore in Kerala, expanding its real estate presence with a new World Trade Center, a Kochi residential project, and a luxury resort in Vaikom. The projects, set for completion by 2030, are expected to create 12,000 jobs, with government support for regulatory facilitation.

The Income Tax Bill 2025 introduces clarifications on handling house property losses. Taxpayers can offset losses from one house property against income from another. Any remaining loss, up to ₹2 lakh annually, can be adjusted against other income sources; excess losses beyond this limit cannot be offset in the same year. Unabsorbed losses can be carried forward for eight years, but only to offset future house property income.

PRIVATE EQUITY AND VENTURE CAPITAL:

Private equity and venture capital activity slowed down, with total investments dropping 20% to \$217 million from the previous week's \$269 million, despite the number of deals remaining steady at 23.

The largest funding deal of the week came from B2B e-commerce platform Udaan, which raised \$75 million in its Series G round, led by M&G Plc with participation from Lightspeed Venture Partners, valuing the company at \$1.5–1.8 billion. Additionally, Skegen Management Advisors, the family office of Bharat Biotech's founders, invested ₹360 crore in Sagar Defence Engineering and Zeus Numerix.

Volumes in the M&A space doubled this week to 10 with Head Digital Works acquiring Adda52 from Deltatech Gaming in a ₹491 crore (\$56.6M) cash-and-stock deal. Meanwhile, InCred Group bought Dubai-based Arrow Capital, boosting InCred Global Wealth's AUM to \$2B across Dubai, Singapore, and London.

INITIAL PUBLIC OFFERING (IPO):

Next week, two SME IPOs will open for subscription. Nukleus Office Solutions (Feb 24) is offering 13.54 lakh fresh equity shares at ₹234 each, focusing on co-working spaces in Delhi NCR. Shreenath Paper Products (Feb 25) has a ₹23-crore IPO priced at ₹44 per share, with 53.1 lakh fresh equity shares.

Additionally, five companies, including Quality Power Electrical, are set to list in the market.

FIXED INCOME:

Yield on US 10y dropped 5bps to 4.43% and that on 2y dropped 6bps to 4.20%. 10y Yields across the Eurozone were down 1-5bps this week.

Yield on the India benchmark 10y had dipped to 6.68% intraweek but ended the week flat at 6.706%

1y and 5y OIS ended 1bps lower at 6.2950% and 6.08% respectively

The RBI came out with directions for bond forwards which would be effective from 2nd May onwards.

The USD 10bn Buy-Sell swap announced by the RBI would inject Rs 86000crs of durable liquidity into the banking system. This should reduce the banking system liquidity deficit significantly and bring it close to neutral

FX and Commodities

FOREIGN EXCHANGE:

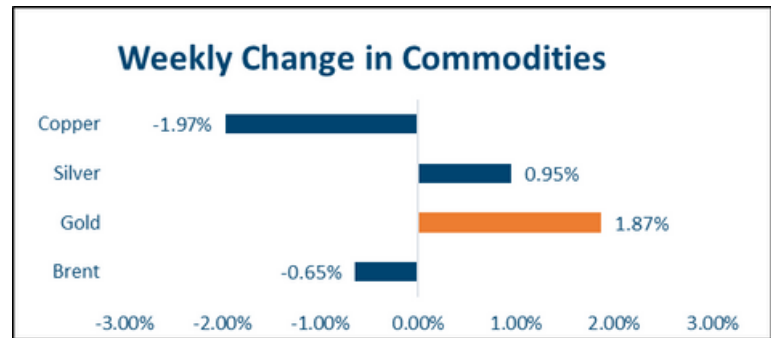
Japanese Yen (+2%) was the best performing G10 currency this week. Inflation in Japan is elevated and therefore the BoJ could stay on its tightening course. Euro fell 0.3% and was the worst performer. Focus will be on the outcome of the German elections. If the AfD party does well and is in a position to influence the next government, it would be negative for the Euro, considering it is a right wing nationalist party and is against Germany being part of Eurozone and using the Euro. UK inflation was higher than expected and Retail sales print better than expected. Pound ended the week 0.4% higher. Among Asian currencies KRW (+0.5%) and MYR (+0.4%) were the best performers while PHP (-0.2%) and IDR (-0.3%) were the worst performers. The Rupee strengthened 0.1% this week to 86.71. It traded a 86.48-86.98 range this week. The RBI announced a USD 10bn Buy-Sell swap for 3y. The same would be conducted on 28th Feb. We are likely to see the forward premiums collapse on Monday on this announcement. FX Reserves fell USD 2.5bn to USD 635.7bn in the week ended 14th Feb.

COMMODITIES:

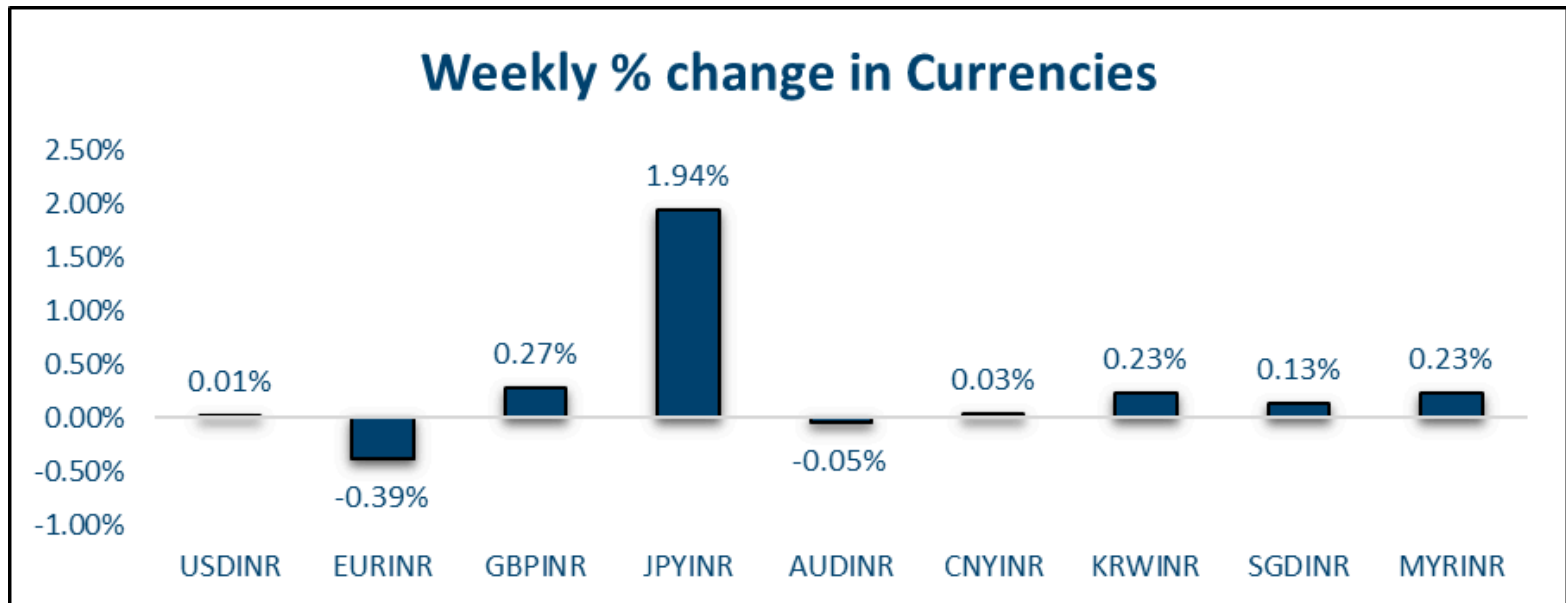
Among base metals iron ore was the big mover this week, gaining 6.4% as China vowed more support for its economy. LME Copper and Aluminum were up 0.9% and 1.9% respectively

Brent dropped USD 2 per barrel despite Israel vowing revenge against Hamas and despite OPEC+ seen deferring production hike to April in spite of Trump's call. Brent ended 0.4% lower for the week.

Precious metals extended the rally with Gold and Silver up 1.9% and 1.1% for the week



Weekly % change in Currencies



IFA'S VIEW

Ideas and Opportunities

WHAT WE LIKE:

Equities:

Latest weekly close on the Nifty50 is a bit concerning. We could see further downside of 3-4% from current levels over the next few weeks. We expect the index to bottom out at those levels

FX:

We expect the broad Dollar to trade sideways with a slight Bullish bias given Trump's histrionics and a more hawkish sounding Fed. Importers are advised to hedge on dips to 86.20-86.30. Exporters can hedge through participating structures

Fixed Income:

We expect US treasuries to rally. US treasury secretary said that increasing longer term issuance is ways off. Fed QT may also be nearing its end. We expect the India 10y yield to be steady in 6.60-6.85% zone over the next few months.

Commodities:

We expect the bearish trend in Brent to continue with a possibility of seeing USD 70 per barrel soon. We have been bullish on precious metals throughout the recent rally but feel now could be a good time to take some profits off the table. We expect the base metals to trade sideways.

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CONNECT US:

Address:

India Forex and Asset Management Private Limited, H-125, 1st Floor, Kanakia Zillion, LBS Marg, CST Road Junction, Bandra Kurla Complex Annexe, Mumbai - 400070

Website:

<https://www.ifaglobal.net/>

Call us at:

+91 8591997028
+91 8655783901

Email:

info@ifaglobal.net
wealth@ifaglobal.net