

16th February 2025

# IFA GLOBAL'S WEEKLY OUTLOOK

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

# Global Developments & Global Equities

## DOLLAR WEAKENS, RISK SENTIMENT POSITIVE DESPITE RECIPROCAL TARIFFS, HAWKISH POWELL, HIGHER US CPI

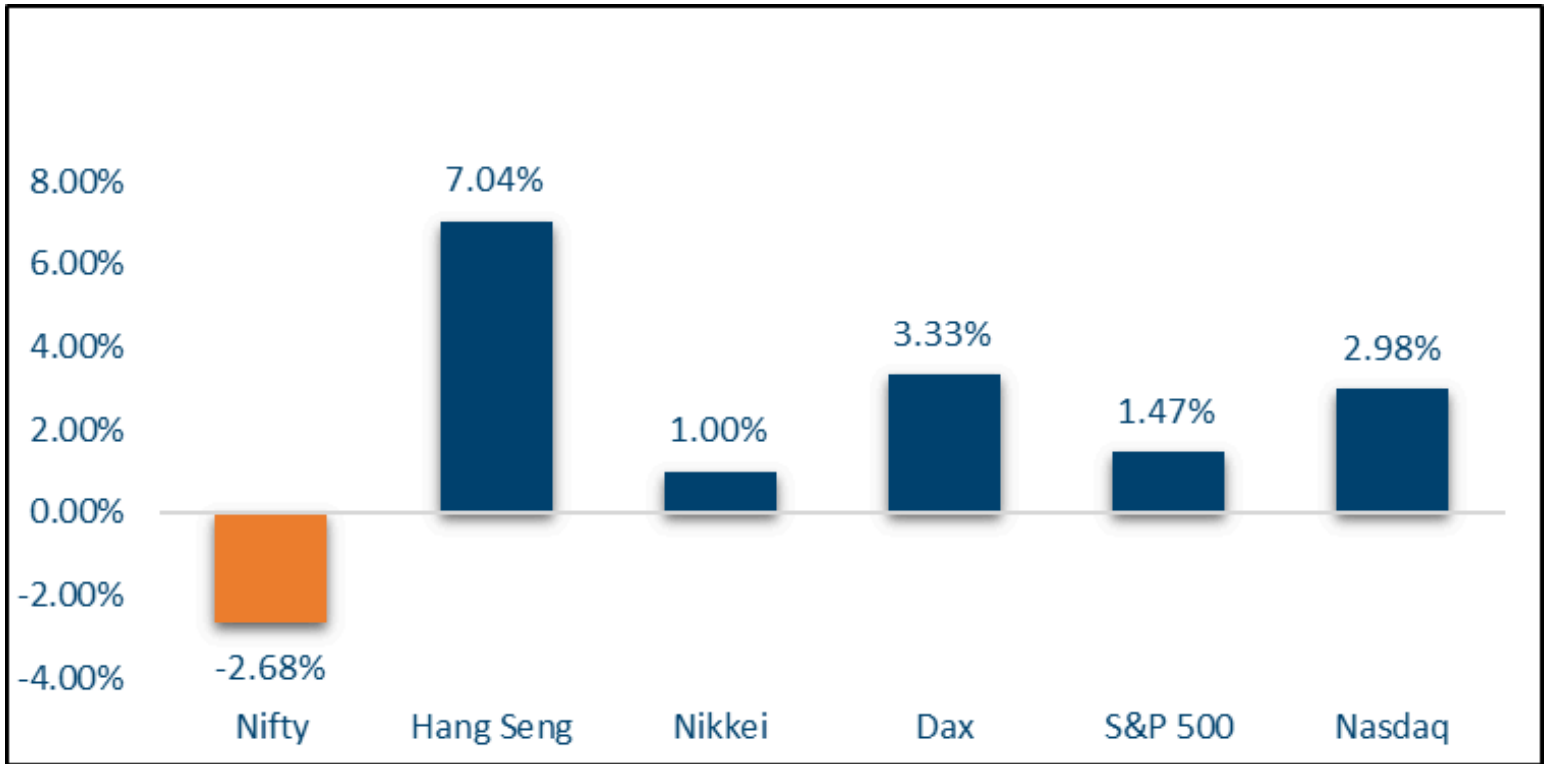
It was an action packed week with US president Trump announcing reciprocal tariffs, PM Modi visiting the US, Fed Chair Powell testifying in the Congress and US CPI and Retail sales data coming out. Trump announced reciprocal tariffs but vagueness around timelines of them being effective meant that markets were not spooked.

The takeaway from Fed chair Powell's testimony was that the Fed is no rush to cut Rates as inflation still remains elevated. Market is pricing in 1.5 cuts by the Fed by end of 2025

Possible easing of Russia-Ukraine tensions also supported risk sentiment.

## NIFTY V/S GLOBAL MARKETS

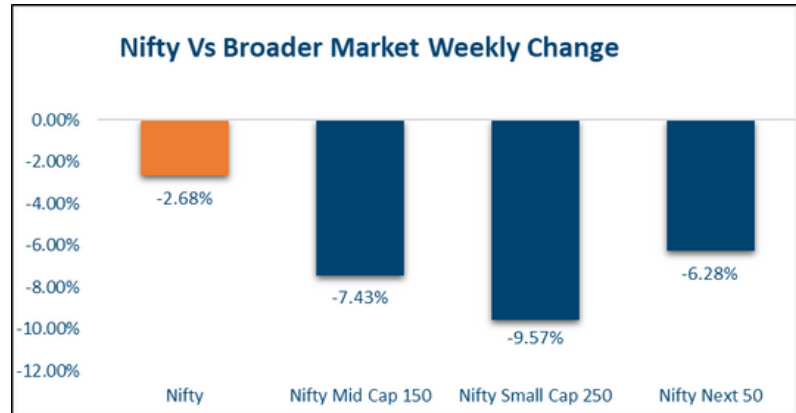
Equities overall had a good week globally. S&P500 was up 1.5%. CAC and DAX rose 2.6% and 3.3% respectively. HangSeng gained 7% on AI fuelled enthusiasm while Kospi rose 2.7%



# Domestic Equities

Domestic Equities underperformed global equities. Nifty ended the week 2.7% lower. There was a bloodbath in the broader markets with Midcap100 and Smallcap250 indices dropping 7.4% and 9.6% respectively.

FPIs have sold net USD 2.4bn in Equities in Feb so far. Jan and Feb combined is 11.4bn, the most ever in the first 6 weeks of any calendar year. In terms of price, it is the worst start for the Nifty50 since 2016.

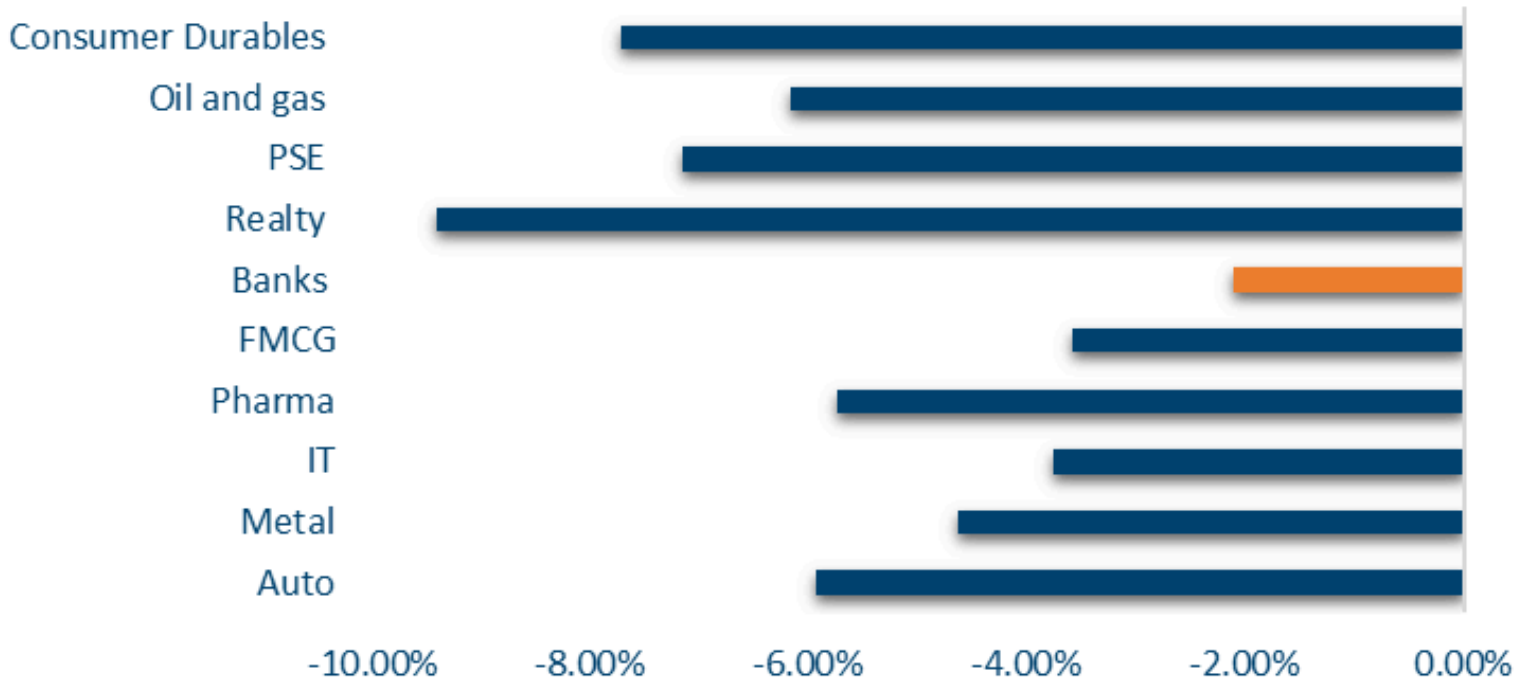


| Inflows/Outflows | FII RS Crores | DII Rs Crores |
|------------------|---------------|---------------|
| This week        | -19,004.03    | 18,745.02     |
| Previous week    | -10,179.40    | 7,274.05      |

| Top Gainers                     | Performance |
|---------------------------------|-------------|
| Godfrey Phillips India Ltd      | 9.70%       |
| Bajaj Holdings & Investment Ltd | 7.10%       |
| Redington Ltd.                  | 5.80%       |

| Top Losers                      | Performance |
|---------------------------------|-------------|
| Natco Pharma Ltd.               | -33.10%     |
| Concord Biotech Ltd.            | -27.90%     |
| Archean Chemical Industries Ltd | -24.60%     |

## Weekly Change in Sectoral Indices



# Fixed Income, IPO, and Institutional Deals

## REAL ESTATE:

Blackstone-backed Nexus Select Trust, India's only listed retail-focused REIT, has acquired Bengaluru's Vega City Mall for Rs 913 crore (~\$105 million). The REIT invested Rs 870 crore in the purchase, with the remainder allocated to capex, including renewable energy and closing costs.

This marks Nexus Select Trust's fourth acquisition in Bengaluru, strengthening its market presence. The mall was purchased from Blue Horizon Hotels Pvt Ltd, with the deal initially announced in October 2023 at Rs 877 crore.

## PRIVATE EQUITY AND VENTURE CAPITAL:

PE and VC investments fell by 26% to \$269 million compared to the previous week, with just two deals surpassing \$50 million. Deal volume also eased to 25 from 28.

The week's largest funding round saw ToneTag raise \$78 million, led by Mumbai-based ValueQuest, with participation from Iron Pillar and Elevate Innovation Partners.

SpotDraft raised \$54 million in a Series B round led by Vertex Ventures and Trident Partners, with participation from Xeed VC, Arkam Ventures, Prosus Ventures, and PremjilInvest.

M&A activity remained strong with eight deals announced this week, matching last week's count. The largest deal saw ONGC NTPC Green Pvt Ltd, a JV of ONGC and NTPC Green Energy, acquire Ayana Renewable Power Pvt. Ltd for Rs 19,500 crore (\$2.3 billion), including debt.

## INITIAL PUBLIC OFFERING (IPO):

IPOs are likely to remain significant but less dominant than last year. An oversupply of listings and recent market corrections are prompting cautious capital deployment. Investors are shifting from a broad-based IPO rush to a selective approach, prioritizing high-quality stocks aligned with current macroeconomic conditions.

The primary market is set to take a brief pause with no new mainboard IPOs opening for subscription in the upcoming week. However, the SME segment will see two new public issues.

Additionally, nine companies are scheduled to list their shares next week, including Royalarc Electrodes, which is expected to finalize its allotment on February 19 and list on the NSE SME platform on February 21.

## FIXED INCOME:

Yield on the US 10y was down 2bps this week. It had surged to 4.62% but ended at 4.48%. 2y yield too ended 2bps lower at 4.26%

10y Yields across Europe were 4-10bps higher

Yield on the benchmark 10y traded a 6.68-6.73% range this week.

RBI had increased the OMO purchase amount to Rs 40000crs given that banking system liquidity is still in deficit of around Rs 2 lakh crs. RBI conducted a 49 day VRR as well.

The market offered Rs 180000crs of securities in OMO against notified Rs 40000crs and this helped support yields.

1y and 5y OIS ended the week 4bps and 2bps lower respectively at 6.30% and 6.09%

# FX and Commodities

## FOREIGN EXCHANGE:

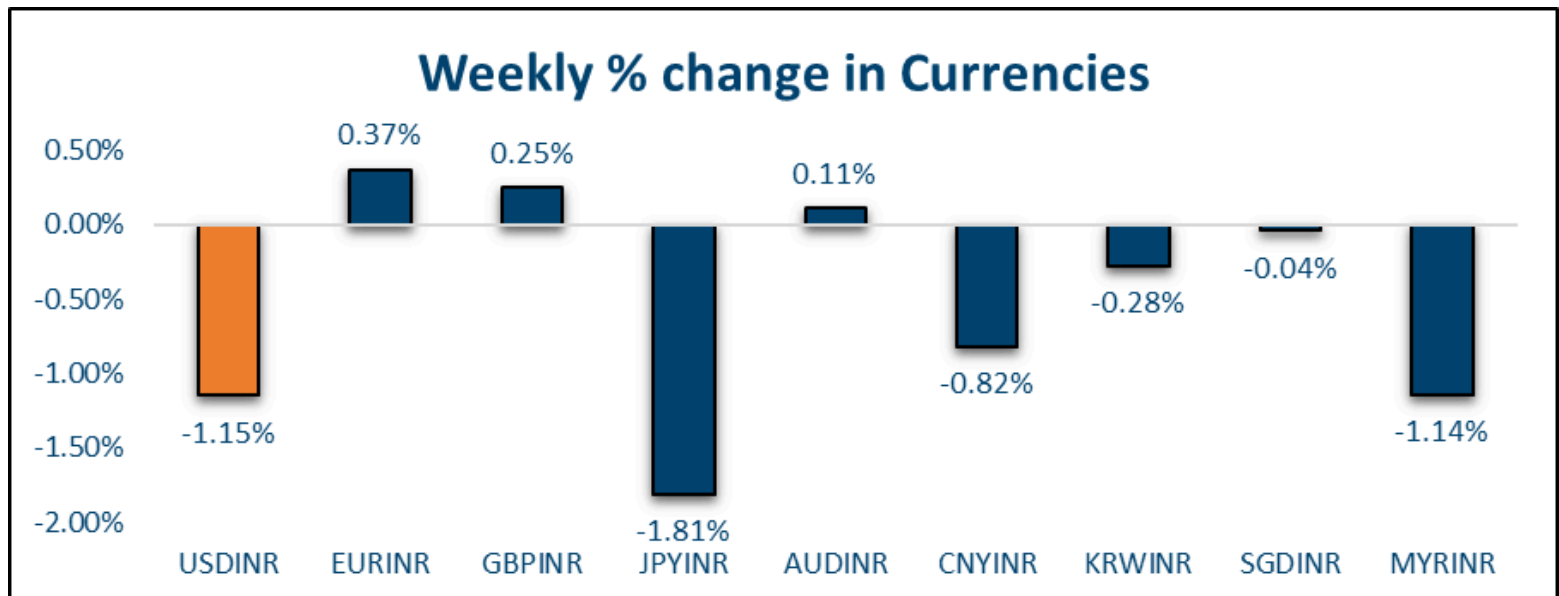
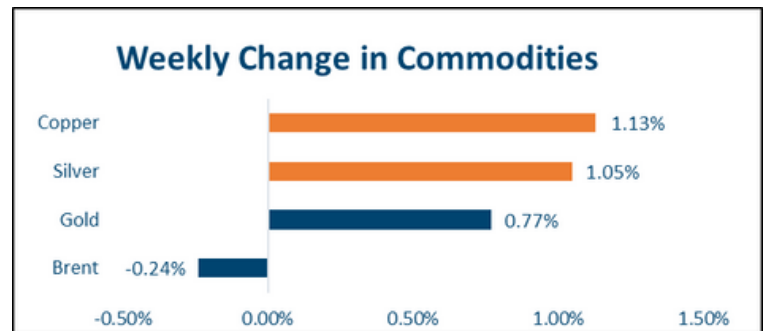
Despite the higher than expected CPI and PPI prints and Powell's hawkish testimony, we saw the Dollar weaken against majors and EM currencies. The components of PPI that feed into PCE, Fed's preferred inflation gauge rose less than expected and therefore it is expected that the PCE print later this month could be softer. All G10 currencies strengthened against the Dollar with the exception of Yen (-0.6%). Euro and Pound gained about 1.5% each. Among Asian currencies, SGD (+1.1%) was the best performer followed by the Indian Rupee (+0.7%). THB and TWD underperformed and ended the week almost flat. After opening the week close to 88, RBI intervened heavily on Monday and Tuesday and simply annihilated long USDINR speculative positions. Rupee has thereafter been consolidating in 86.65 to 86.95 zone. 3m ATM implied volatility had jumped above the 4% mark but ended the week flat at 3.72%. 1y forward yield has been in 2.18-2.28% range, ending the week at 2.20%. FX Reserves rose USD 7.6bn in the week ended 7th Feb to USD 638.3bn

## COMMODITIES:

Brent was down 0.4% for the week to USD 74.7 per barrel

Base metals had a steady week with LME Copper and Aluminum gaining 0.7% and 0.4% respectively

Precious metals continues their upward trend. Gold and Silver were up 0.7% and 0.9% respectively



# IFA'S VIEW

## Ideas and Opportunities

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### WHAT WE LIKE:

#### Equities:

Domestic Equities are clearly underperforming. There is definite pain in the Midcap and Smallcap space and we believe there is still more room for correction.

We prefer large caps over mid and small caps, defensives over high beta and value over growth.

#### FX:

Despite the weakness in Dollar this week, we want to see the price action for one more week before calling it a reversal.

In USD/INR there is strong gap support at 86.20. EUR/USD seems rangish in 1.02-1.06. We would prefer to position in the direction in which the break occurs.

#### Fixed Income:

We believe that current levels on US 10y are attractive to add duration. We see the 10y moving to 4% instead of 5%

Indian Bonds could offer better entry levels. We broadly see the 10y in a 6.60-6.90% range. One can look to trade the range. Dip below 6% on 5y OIS seems attractive to pay.

#### Commodities:

We expect the bearish trend in Brent to continue. We could see USD 70 per barrel on Brent

We expect the precious metals rally to take a breather. We can expect some retracement in USD terms. In INR terms however we continue to remain bullish on Gold and Silver.

We expect base metals to trade sideways.

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