

26th January 2025

IFA GLOBAL'S WEEKLY OUTLOOK

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

Global Developments & Global Equities

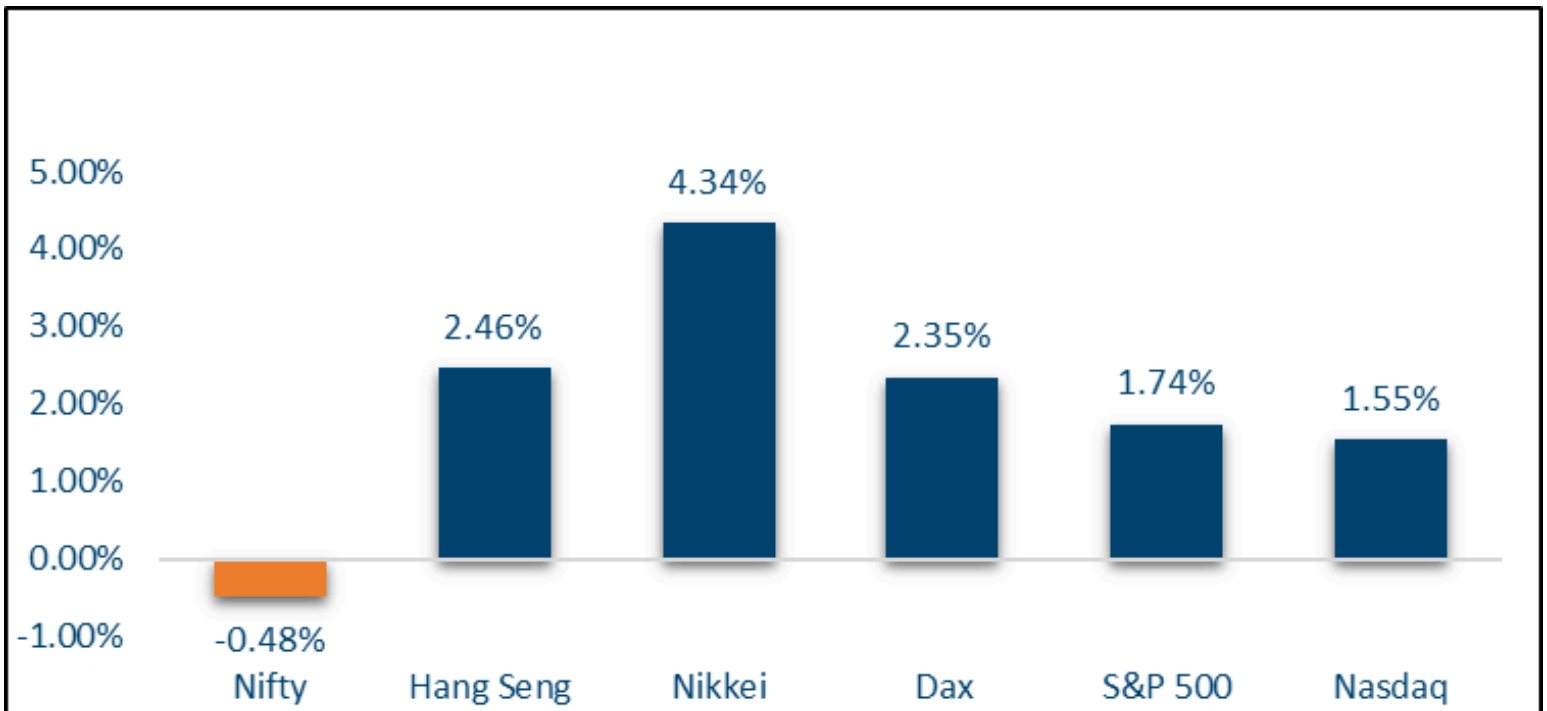
FEAR PREMIUM RETREATS AS TRUMP DELIVERS NO MAJOR TARIFF SURPRISES

President Trump's inaugural speech was heavy on rhetoric, pretty much in line with his speeches delivered on the campaign trail and as president elect. Trump signed executive orders to declare emergency at southern border and withdraw from Paris Climate Agreement and the WHO. Most of these were expected. While tariffs were mentioned, there were no specifics. This has taken out the fear premium and volatility across assets classes has subsided. However, these are just initial days in Trump's presidency and we expect the ride to be bumpy going forward.

BoJ hiked Rates by 25bps this week. Market is pricing in one more hike by the BoJ this year. Focus in the coming week will be on the Fed rate decision due on Wednesday. The Fed is expected to keep Rates unchanged. Market is pricing in 1.6 cuts by the Fed in 2025. The ECB policy is due on Thursday. The ECB is likely to cut Rates by 25bps. Market is pricing in 2.5 more cuts this year apart from the one we are likely to see in the coming week.

NIFTY V/S GLOBAL MARKETS

Equities globally had a phenomenal week. US equities were up 2.5-3%. Major European equity indices were up 2.5-5%. Asian equity indices were up 1.5-4%

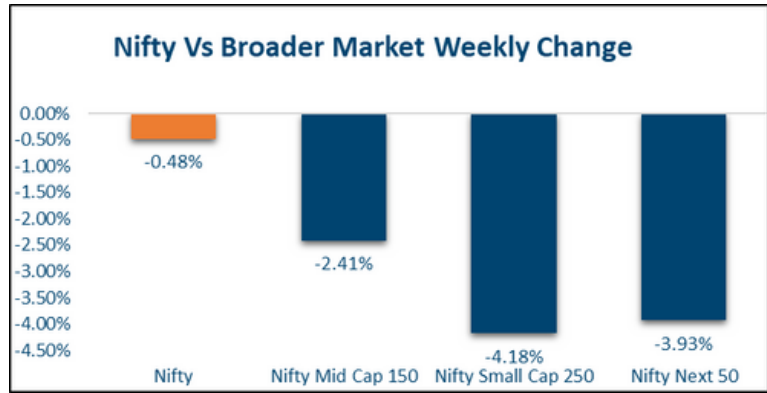


Domestic Equities

Nifty was however an exception as it fell 0.5% this week. Broader markets underperformed with Midcap100 and Smallcap250 indices shedding 2.5% and 4.1% respectively

Realty index got whacked this week, ending 9% lower. Oil and Gas and Consumer Durables indices too saw sharp cuts of 3.5% and 4% respectively. Defensive sectors outperformed. IT index was the best performer, up 3.5%.

FPIs have pulled out net USD 7.4bn from domestic Equities in Jan so far. 18 out of 50 stocks in Nifty have a P/E of less than 24 now.

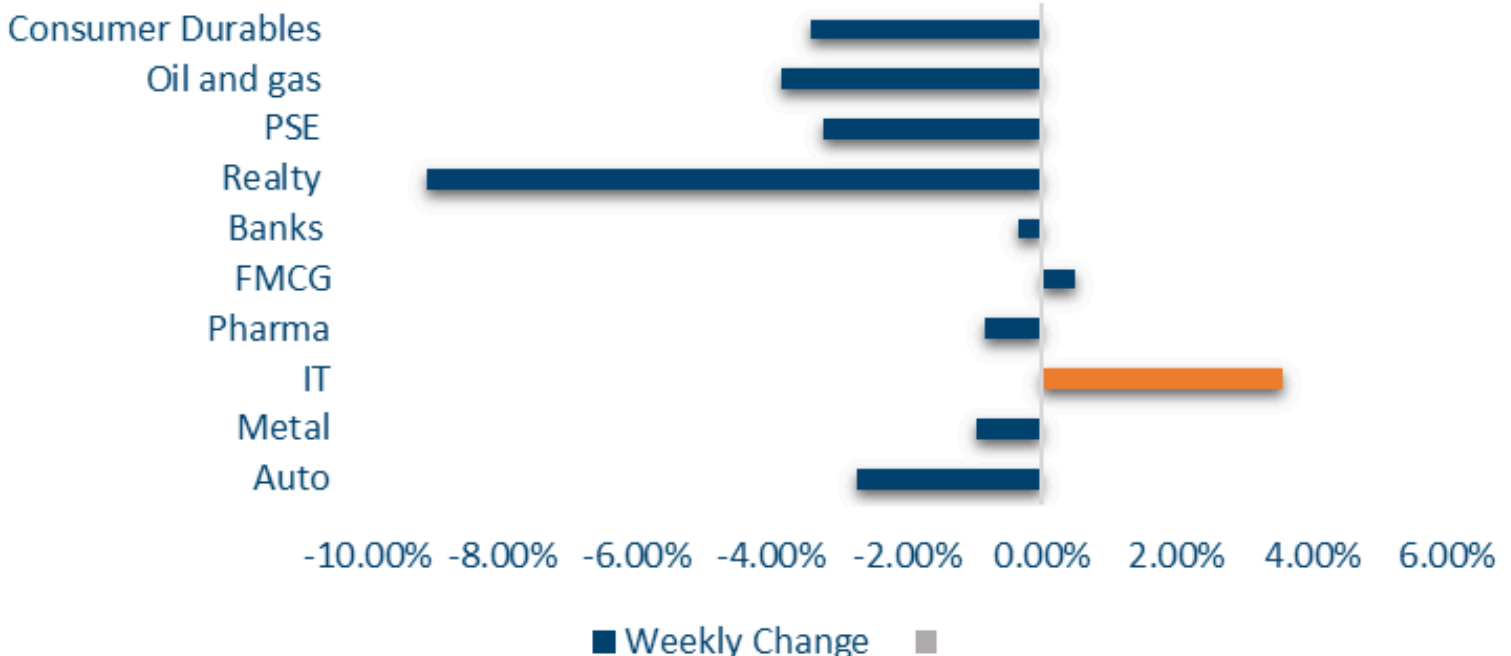


Inflows/Outflows	FII RS Crores	DII Rs Crores
This Week	-22,504.00	17,577.36
Previous Week	-25,218.00	25,151.27

Top Gainers	Performance
Wipro Ltd.	13.50%
Capri Global Capital Ltd.	11.80%
Zensar Technologies Ltd.	10.60%

Top Losers	Performance
Newgen Software Technologies Ltd.	25.90%
Cyient Ltd.	-23.40%
India Cements Ltd.	-22.10%

Weekly Change in Sectoral Indices



Fixed Income, IPO, and Institutional Deals

INITIAL PUBLIC OFFERING (IPO):

In the coming week, the primary market is set to witness two new IPOs opening for subscription: Dr. Agarwal's Health Care and Malpani Pipes and Fittings from the SME segment. Dr. Agarwal's Health Care aims to raise up to Rs. 3,027 crore, leveraging its strong presence in the healthcare sector, while Malpani Pipes and Fittings targets a modest ₹26 crore to support its growth plans in the SME space. In addition to these new offerings, six companies are gearing up for their stock market debut. Among them is Denta Water, which drew significant investor interest with an oversubscription of 200 times during its IPO. Denta Water's shares are scheduled to list on January 29th, making it one of the most anticipated listings of the week.

PRIVATE EQUITY AND VENTURE CAPITAL:

Funding activity in the PE and VC space gained momentum this week, with around 32 transactions executed. However, the total quantum of funds decreased from \$700 million to \$470 million, but could be more as some of the deal values remained undisclosed.

The largest deal involved a Singapore-based PE firm Everstone Capital investing \$200 million in Wingify, a SaaS-based platform for conversion rate optimization. Next in line was Infra.Market that raised \$120 million in a pre-IPO round from Tiger Global.

M&A activity remained stable as Hindustan Unilever acquired Minimalist, a Jaipur-based beauty and personal care brand, for \$342 million.

REAL ESTATE:

Nisus Finance Services has expanded its investor outreach to Southeast Asia, Europe, and the Middle East for its \$500 million-target Guld-focused real estate fund. They aim to make medium-term investments in rent yielding assets primarily in the UAE and the larger Gulf Cooperation Council (GCC).

FIXED INCOME:

US 2y and 10y Yields ended almost flat this week. Yield on the UK 10y gilt was down 3bps whereas 10y yields across Eurozone were up 2-5bps this week.

Yield on the India benchmark 10y ended 4bps lower at 6.72% this week. OIS curve also fell by around 10bps with 1y ending at 6.36% and 5y ending at 6.12%

Banks are borrowing Rs 3.6 lakh crs under VRR at present. Daily VRR auctions have given a lot of comfort to markets. Moreover, the buyback of Gsecs maturing in FY26 would mean lower gross borrowing. This is fuelling the rally in bonds.

FPIs have withdrawn USD 0.7bn from bonds in January so far.

FX and Commodities

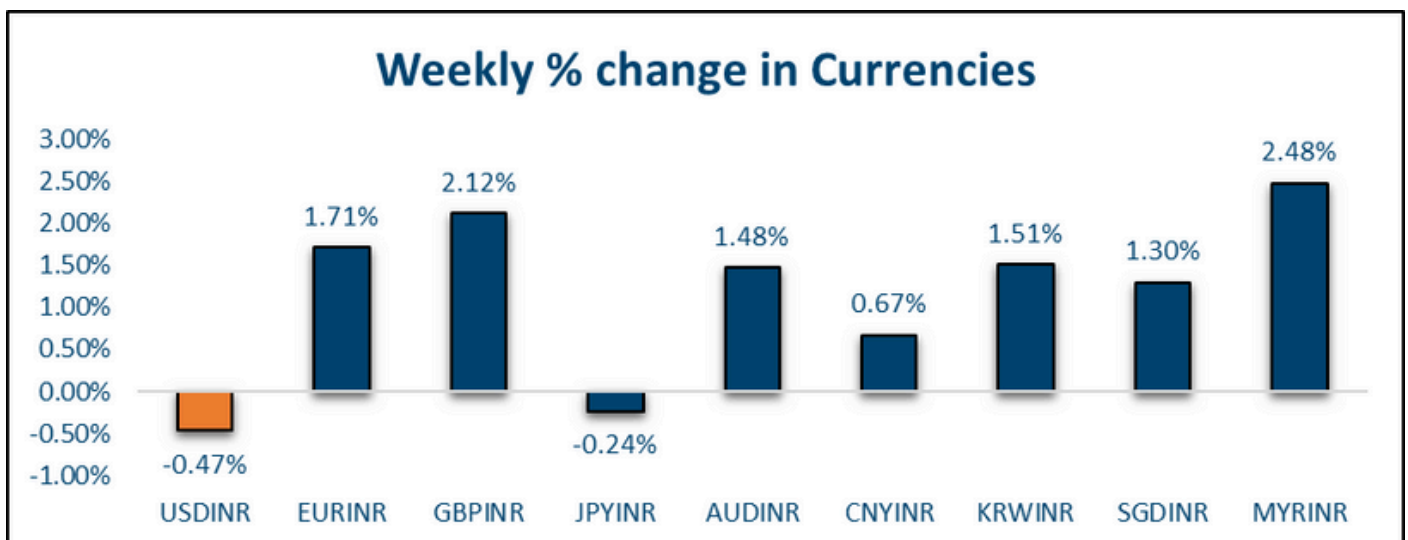
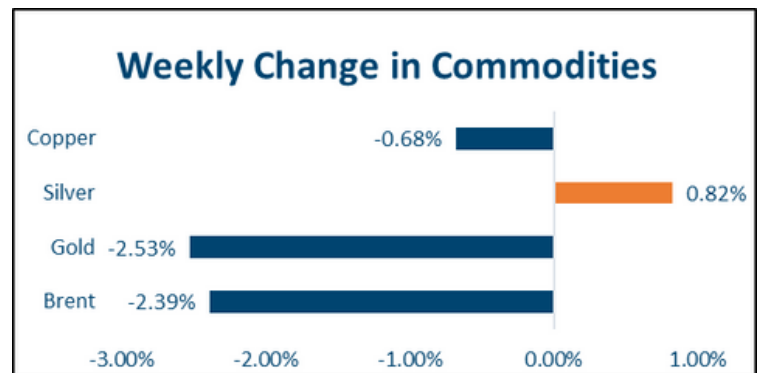
FOREIGN EXCHANGE:

All G10 currencies strengthened against the Dollar this week with GBP(+2.6%) being the best performer and JPY (+0.2%) being the worst. All Asian currencies except the HKD (-0.2%) appreciated against the Dollar. While other currencies appreciated more than 1%, INR (+0.5%) and PHP (0.5%) were the laggards. Rupee appreciated 40p from 86.60 to 86.20. FX Reserves dropped another USD 1.9bn to USD 624bn in the week ending 17th Jan. This is the 15th drop in the last 16 weeks. RBI monthly bulletin showed that RBI had a net short position in forwards of USD 59bn as on November end with USD 32.4bn maturing within 1 month and USD 26.7bn maturing within 1-3 months. It seems the RBI has given delivery of short onshore forwards and not rolled over the short positions in NDF. The short positions would have resulted in a negative impact on this year's P&L. However the impact would be small compared to the surplus for the current year. However, in order to ensure that the MTM gain on Reserves is sufficient to cover for capital required to be kept for market risk as per the economic capital framework, the RBI may not be too keen to let the Rupee appreciate from current levels.

Rupee weakened 0.9% against the Yuan this week and has weakened 2.1% since Nov end when the REER stood at over 108. Considering that other Asian currencies have appreciated a lot more, the overvaluation has easily corrected by more than 2%. However given the ECF considerations we expect the Rupee to underperformed amid broad Dollar weakness.

COMMODITIES:

Brent fell 2.8% this week to USD 78.5 per barrel ending a stretch of 4 weekly declines as president Trump urged OPEC to bring down oil prices and announced sweeping plans to boost domestic production. Gold rose 2.5% this week to USD 2770 per ounce. Silver gained 0.7% to USD 30.6 per troy ounce. LME Copper ended the week 1% higher while Aluminum prices ended flat for the week.



IFA'S VIEW

Ideas and Opportunities

WHAT WE LIKE:

Equities:

This week we saw 2 attempts at 23000 and we saw quick reversals from under 23000. We expect the 22900-23000 to offer good support and would turn cautious only on a decisive break below the 22900 mark. We continue to prefer large caps over midcaps and Smallcaps and defensives over high beta.

FX:

While this week saw the fear premium in Dollar getting shed, we would wait for another week for confirmation to call it a reversal. We expect the Rupee to underperform amid broad Dollar weakness. Importers are advised to cover their exposures in 85.90-86.20 zone while exporters can look to add hedges through participating option structures.

Fixed Income:

Given the retracement in oil prices and US treasury yields and government buying back bonds maturing in FY26, we are likely to see domestic bond Yields remain under pressure. However we see the 10y yield getting supported around 6.60%. Dip to 5.90-6% on 5y OIS would present a good opportunity to lock in a fixed rate.

Commodities:

We continue to hold on to our bearish view on Crude despite the recent scare. We continue to remain bullish on precious metals both in USD and INR terms. We remain neutral on Base metals.

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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