

09th March 2025

IFA GLOBAL'S WEEKLY OUTLOOK

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

Global Developments & Global Equities

UNPRECEDENTED GERMAN STIMULUS TAKES MARKETS BY SURPRISE

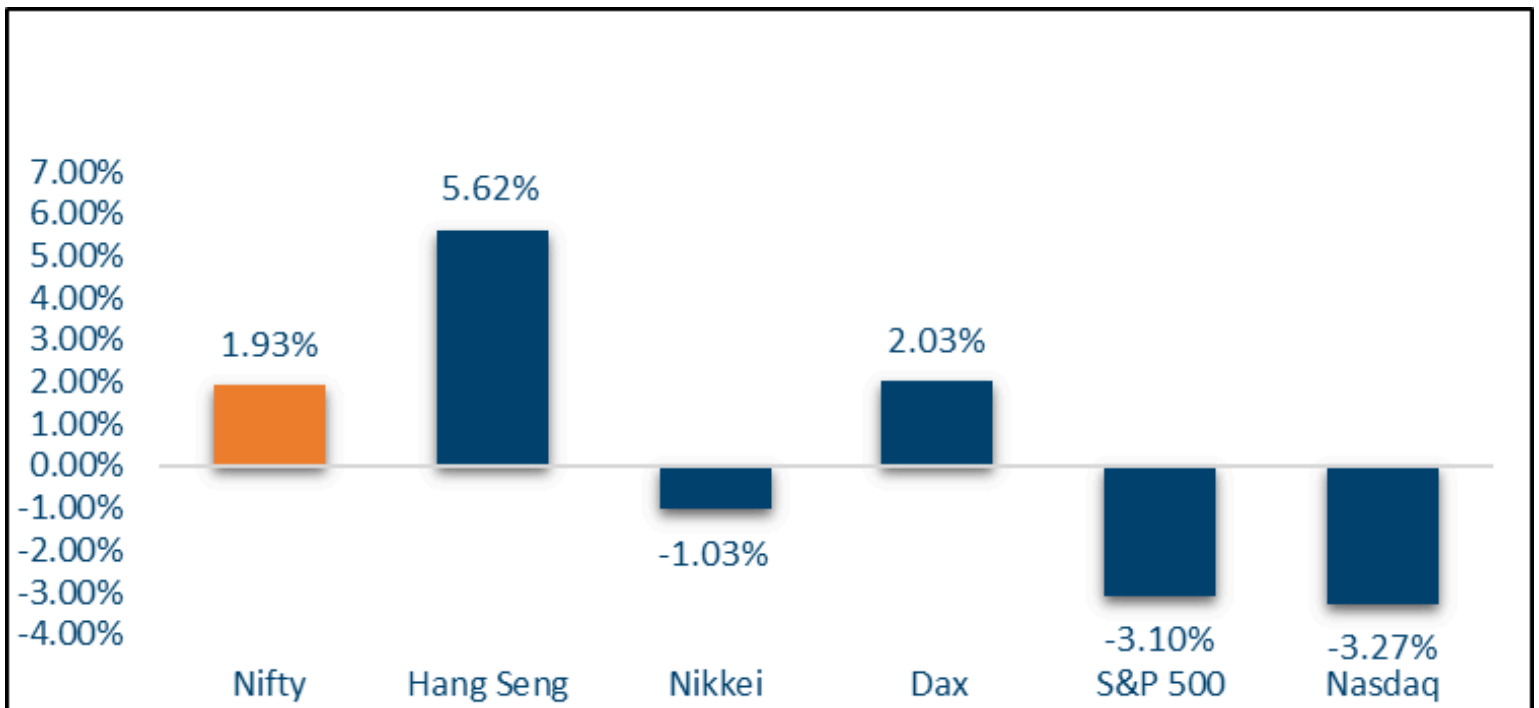
Germany' unprecedented fiscal stimulus dominated headlines this week. Germany lifted the historic debt brake to increase defense spending and also created a fund for infrastructure investment. This is seen as a game changer for the struggling German economy. European leaders got together to discuss increasing defence spending in the wake of US pulling a plug on aid. This caused the Euro to rally, European bond Yields to surge and European equities to rise this week.

Weaker than expected US Feb jobs data that came out on Friday and ADP print earlier in the week too put pressure on the Dollar.

China set the 2025 growth target at 5% and laid out further stimulus measures to boost the economy amid looming trade war concerns. Budget deficit would rise to 4% of GDP in 2025 from 3% last year which would be the highest since 2010. China would keep the currency 'generally stable at an adaptive, balanced level'

NIFTY V/S GLOBAL MARKETS

US equities came off this week. S&P500 ended 3.1% lower. DAX rose 2% on German stimulus measures. HangSeng and Jakarta composite both rose 5.8%. Nifty50 recovered this week and bounced back 1.9% to 22552 from a strong technical support level on the weeklies around the 22000 mark.



Domestic Equities

Broader markets saw a sharper recovery. Midcap100 and Smallcap250 indices 2.7% and 5.5% respectively

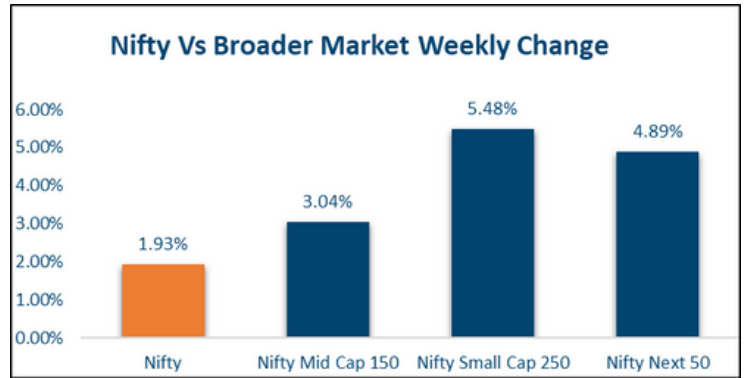
Among sectors, metals and energy outperformed this week.

FPIs have sold net USD 2.8bn in the first few sessions of March. This is turning out to be the third consecutive month of outflows.

Below are the trailing 12m and forward 12m valuations:

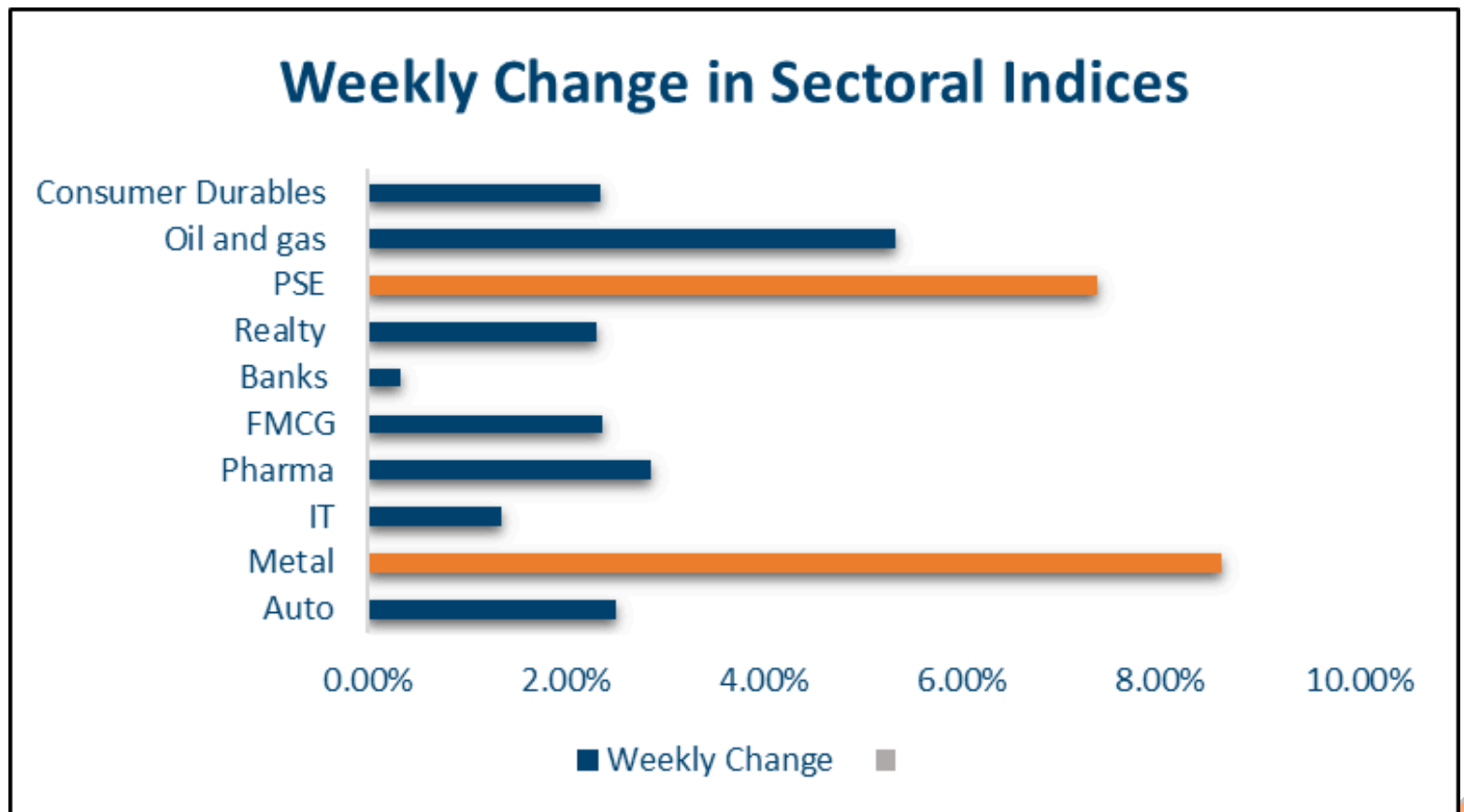
Nifty50: 21, 18.9
 Midcap100: 33, 28.5
 Smallcap250: 24, 22.3

Value and Dividend yield styles outperformed growth and momentum in the week gone by.



Inflows/Outflows	FII RS Crores	DII Rs Crores
This Week	-15,501.57	20,950.89
Previous Week	-22,011.38	22,252.17

Top Gainers	Performance	Top Losers	Performance
Triveni Turbine Ltd.	26.20%	BSE Ltd.	-9.80%
Sun Pharma Advanced Research Company Ltd.	21.50%	Five-Star Business Finance Ltd.	-9.60%
Jyoti CNC Automation Ltd.	21.00%	Anand Rathi Wealth Ltd.	-6.80%



Fixed Income, IPO, and Institutional Deals

REAL ESTATE:

India's largest office property owner, Blackstone, along with Bengaluru's Sattva Group, is preparing to list its fifth REIT, Knowledge Realty Trust. The ₹6,200 crore (\$712 million) IPO is intended to repay ₹5,800 crore in loans. As of September 30, 2024, the REIT and its SPVs carried total borrowings of ₹19,948.3 crore. Of India's four listed REITs, Blackstone has sponsored three.

This will be the fifth listed REIT in India, after Embassy Office Parks REIT, Mindscape REIT, Brookfield India REIT and Nexus Select Trust. Of these, Blackstone had sponsored all but the Brookfield REIT.

PRIVATE EQUITY AND VENTURE CAPITAL:

The overall activity in the PE and VC space dropped nearly 45% sequentially to \$312 million this week. However, excluding last week's mega KKR-HCG deal of around \$420 million, the total value was higher than the previous week. Deal activity remained strong with 32 transactions.

The largest funding deal this week was HR tech startup Darwinbox securing \$140 million from KKR, Partners Group, and Gravity Holdings. As the only transaction over \$100 million, the round included both primary and secondary capital, supporting Darwinbox's global expansion plans.

Activity in the M&A space remained strong for the week. While domestic deals dominated, a few cross-border transactions also took place. The largest M&A deal was Italy's Fontana Gruppo acquiring a 60% stake in Right Tight Fasteners for \$114 million, with Right Tight taking over Fontana's Indian operations as part of the deal.

INITIAL PUBLIC OFFERING (IPO):

India's IPO market has been subdued recently, with only two new SME issues planned for the coming week. Investor sentiment remains cautious, as three out of four recent listings are trading below their offer prices.

Despite this, strategic listings continue. Blackstone and Sattva Group have filed for India's largest REIT IPO. These developments indicate ongoing engagement in India's primary market, despite current challenges.

FIXED INCOME:

Yield on the US 10y treasury rose 15bps to 4.30%. 10y German bond yield rose by the most in a day post announcement of the unprecedented fiscal stimulus. It ended the week 34bps higher. 10y Yields of other Eurozone countries were also up 33-36bps as these countries discussed and agreed to step up defence spending given that the US is backing off. Greece 10y at 3.65% is the highest since Jul'24. On the other hand, Yield on the benchmark 10y ended 4bps lower at 6.69%. Announcement of a Rs 1 lakh crs OMO purchase (to be conducted in 2 tranches of Rs 50000crs each) supported the market. 1y OIS came off 5bps to 6.19% and 5y OIS came off 3bps to 5.96%. Brent slipping below USD 70 per barrel intraweek and hitting lowest level since Aug'21 also aided sentiment in the domestic bond and Rates markets FPIs have invested net USD 1.7bn in FAR Bonds in March so far.

FX and Commodities

FOREIGN EXCHANGE:

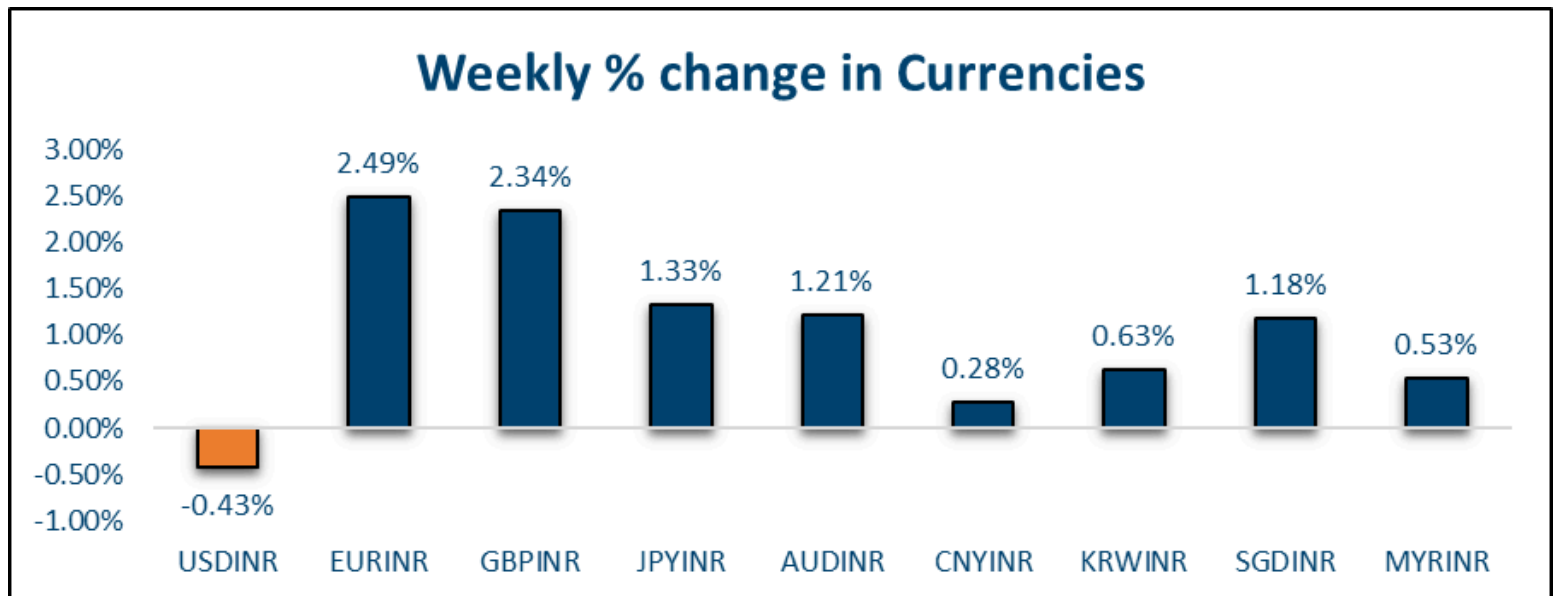
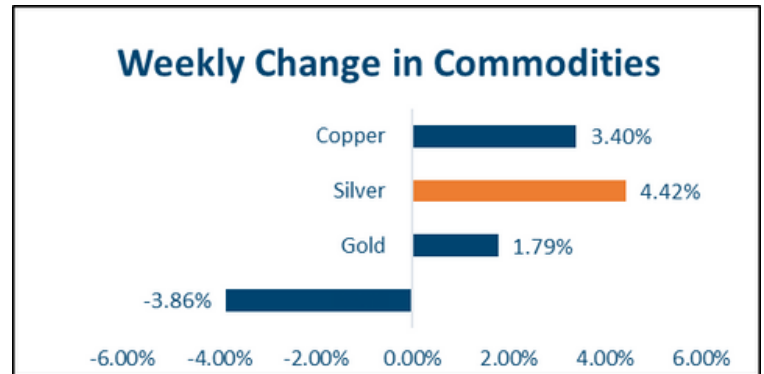
All G10 currencies strengthened against the Dollar this week with SEK (+6.8%) and EUR (+4.4%) being the best performers and commodity currencies AUD (+1.5%) and CAD (+0.6%) being the underperformers. Euro rose as Germany relaxed the debt brake and announced unprecedented fiscal measures to stimulate the struggling economy through defence and infrastructure spending. The ECB cut Rates by 25bps and revised the growth projection lower and inflation projection higher for 2025. There was a bit of a hawkish tilt as the ECB said the policy is now 'meaningfully less restrictive'. Among Asian currencies, IDR (+1.8%) was the best performer. CNH (+0.7%) and INR (+0.7%) underperformed. Underperformance of the Rupee means that Cross/INR surged. EUR/INR rose to 94.35 and GBP/INR to 112.40, both record highs. RBI announced another Buy-Sell swap for USD 10bn and 3y tenor. 1y forward yield ended the week 5bps higher at 2.13%. It had risen to 2.25% but came off on B-S swap announcement.

COMMODITIES:

Brent slipped 3.9% this week to USD 70.4 per barrel. US Natural gas prices surged 14.7%

Previous metals rallied on Dollar weakness. Gold ended 1.8% higher and Silver 4.4%

Base metals too rallied with LME Copper and Aluminum gaining 2.7% and 3.8% respectively. Iron ore ended the week 4.3% lower.



IFA'S VIEW

Ideas and Opportunities

WHAT WE LIKE:

Equities:

In the medium term, we see equities being sideways with Nifty50 likely consolidating in 22000-22800 range. Only a break and close below 22000 would open room for a downmove to 20700.

We prefer value over growth, low beta over high beta and Large caps over Midcaps and Smallcaps

FX:

This week's move likely stopped out long Dollar positions, especially in Euro and GBP. We see the move as a reversal and now prefer going short Dollar on spikes.

We expect the Rupee to underperform amid broad Dollar weakness. This could cause Cross/INR to drift higher into uncharted territory. In USD/INR we still remain a buyer on dips, a view we will revisit only on downside break of 86.50

Fixed Income:

We see this week's move in DM Bonds as a one off and expect the US treasuries to start tallying again. We may not see a big follow through sell off in Eurozone Bonds as well.

We expect the India 10y to trade sideways in 6.65-6.80% range

Commodities:

We hit our target on Brent of USD 70 per barrel. We still see Brent as being a sell on uptick.

While base metals rallied this week on China stimulus, we remain neutral on Base metals

We have taken some profits off the table in previous metals. We see silver outperforming Gold from current levels.

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