

**13th October 2024**

# **IFA GLOBAL WEEKLY OUTLOOK**

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

# Global Developments & Global Equities

## S&P500 CLOSES AT RECORD HIGHS ON STRONG Q3 BANK EARNINGS

Key data this week was the US Sep CPI print which came in on Thursday and was hotter than expected. Last week's jobs report and this week's CPI together make a November Fed skip a real possibility.

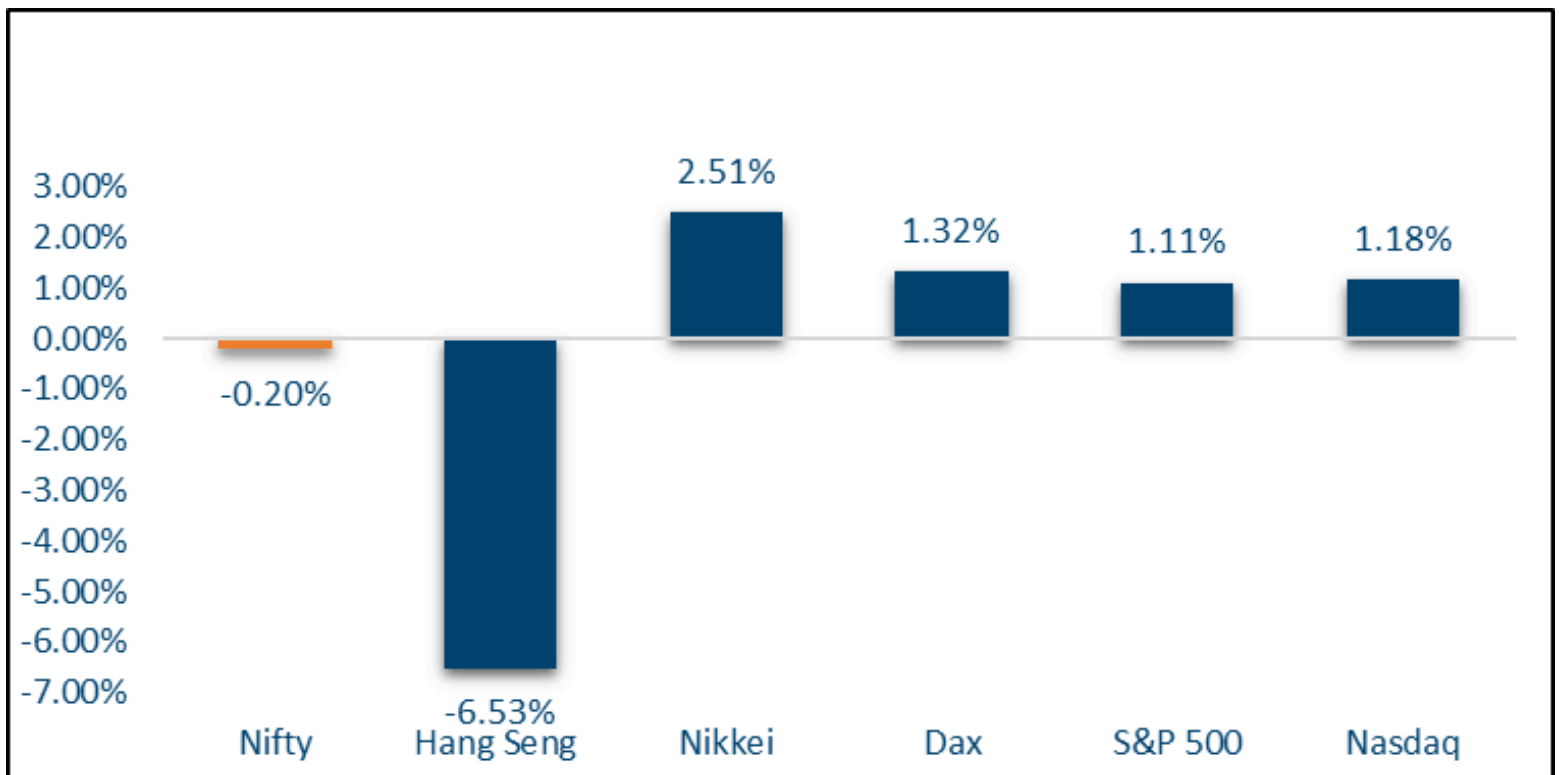
Market is now pricing in less than two cuts by the Fed by end of 2024 compared to three before last week's jobs report and two indicated by the September median dot plot.

As long as both jobs and inflation are both surprising on the up side, the risk sentiment is likely to hold up.

Chinese Finance minister just today in his much awaited speech gave some specifics of the fiscal stimulus to revive the Chinese economy. Helping state government's raise debt to buy unsold homes and infusion of capital into state banks for lending to property sector were among the plans outlined.

## NIFTY V/S GLOBAL MARKETS

Chinese equities gave up gains this week on reopening post a national day holiday on Tuesday. Shanghai composite ended 3.5% lower while HangSeng shed 6.5%. Markets were awaiting specifics of China fiscal stimulus from Finance Ministers speech on Saturday. The Shanghai composite nevertheless is still up 20% from mid September lows.

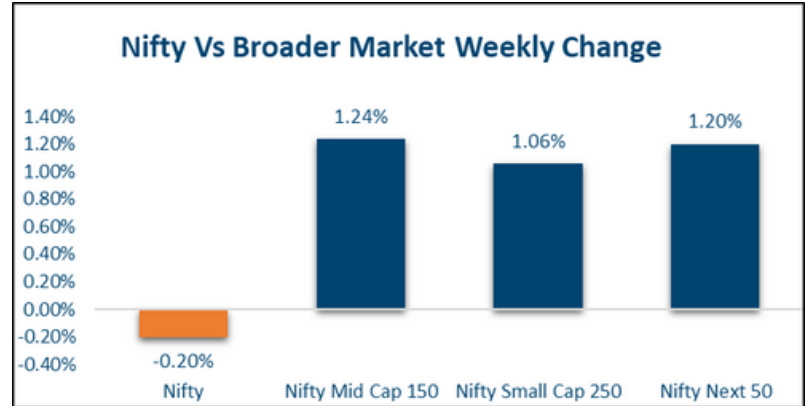


# Domestic Equities

The Nifty ended the week almost flat (0.2% lower). While it opened higher a couple of sessions, it was running into selling pressure and was not able to sustain gains. Broader markers however did better with Midcap (+1.3%), Smallcap (+1.1%) and Nifty Next 50 (+1%) indices ending the week higher. Pharma and Auto were the best performing sectors while metals and FMCG stocks were the laggards this week

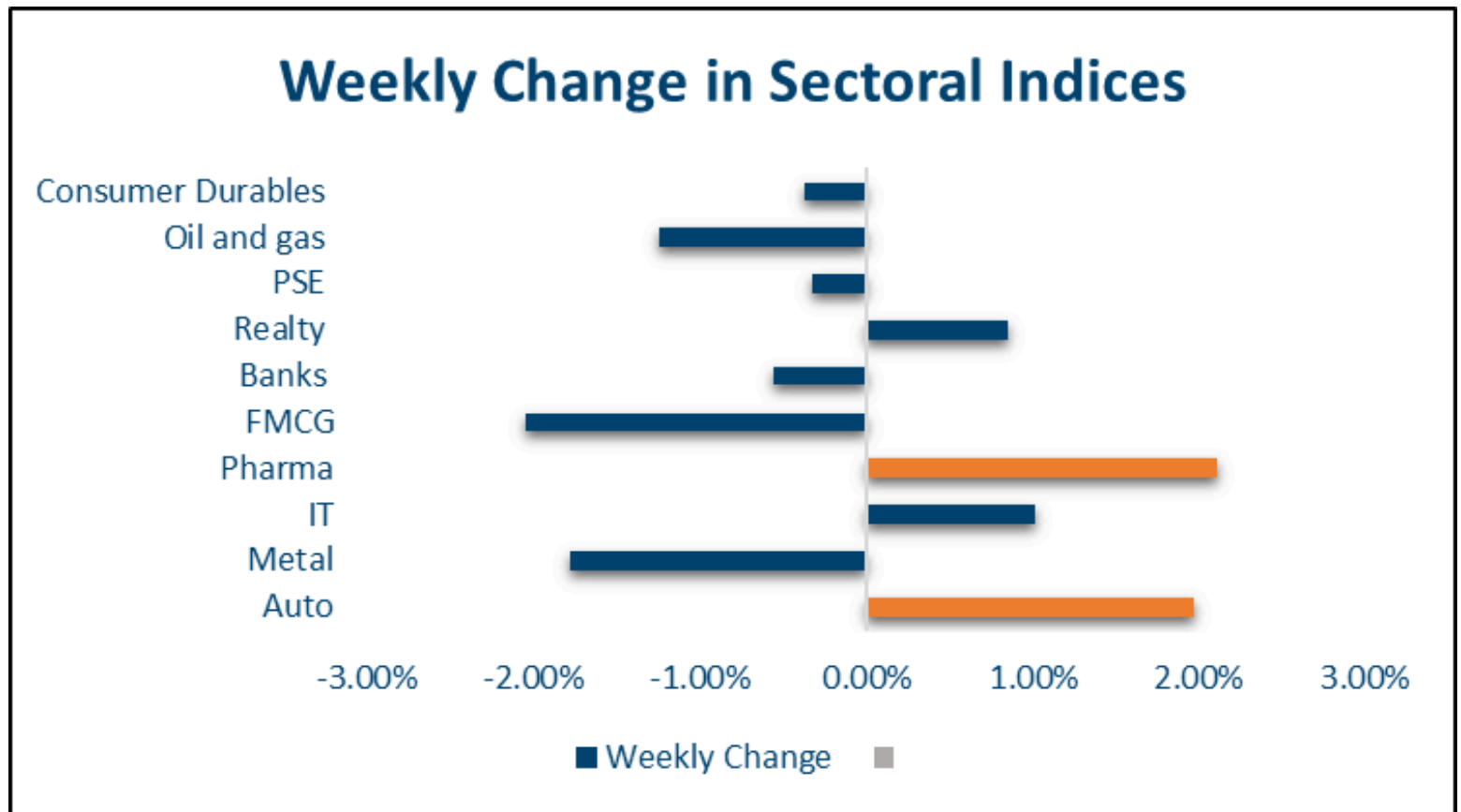
The Nifty is currently trading at a P/E of 23.5 on a trailing 12 month basis

Inflows/Outflows	FII RS Crores	DII Rs Crores
This Week	-27,674.99	31,363.61
Previous Week	-20,822.62	17,523.51



Top Gainers	Performance
Usha Martin Ltd	21.00%
CG Power and Industrial Solution Ltd	19.40%
Triveni Turbine Ltd	18.50%

Top Losers	Performance
Godawari Power and Ispat Ltd	-7.70%
Jubilant Ingrevia Ltd	-7.60%
JK Cement Ltd	-7.20%



# Fixed Income, IPO, and Institutional Deals

## FIXED INCOME:

US 10y yield rose 8bps to end at 4.10%, the highest point of the week While 2y yield ended at 3.95%, down 4bps for the week.

The MPC kept the rates unchanged and changed the stance to neutral from 'withdrawal of accommodation' in its policy this week. This would give the MPC flexibility to cut rates at subsequent meetings if global and domestic factors are favorable. RBI kept the FY25 growth estimate unchanged at 7.2% and inflation projection unchanged at 4.5%.

Yield on the benchmark 10y ended 3.5bps lower on the week at 6.79%. Inclusion of Indian bonds in the FTSE emerging market bond index lift sentiment. 1y OIS ended 3bps lower at 6.43% while 5y OIS ended the week 3bps higher at 6.16%. 1y T-bill yield is at 6.52% while 1y CD rate is at 7.50%

## PRIVATE EQUITY AND VENTURE CAPITAL:

IFunding activity surged after a quiet previous week, with over \$375 million raised across 31 deals, more than tripling previous volumes. EvenUp and Vindhyachal Expressway accounted for over 60% of the total value. EvenUp led with the largest deal, raising \$135 million in Series D funding from Bain Capital Ventures.

The second-largest deal was Kalpataru Projects International's sale of Vindhyachal Expressway to Actis Atlantic for \$92 million.

In the M&A space, The Good Glamm Group acquired Sirona for \$54 million, alongside other deals involving Sudarshan Chemical Industries acquiring Heubach Group, eBikeGo acquiring Varcas Automobiles, and Ozonetel acquiring CloudConnect for an undisclosed amount.

## REAL ESTATE:

Arka Investment Advisory Services, a real estate asset manager sponsored by a subsidiary of Kirloskar Oil Engines Ltd, rolled out its second investment vehicle, but first in the real estate space, in partnership with a Pune-based developer.

Meanwhile, Ahmedabad-based Shivalik Group launched its first real estate fund, the Shivalik Investment Fund, earlier this year. The fund has a target corpus of Rs 150 crore, with a greenshoe option of the same amount. Shivalik recently achieved its first close by securing Rs 75 crore, approximately half of the target corpus.

## INITIAL PUBLIC OFFERING (IPO):

After a relatively muted week in terms of any major IPOs, we are set for Hyundai Motor's IPO subscription to open on 15th Oct as the company aims to raise around Rs. 27.9 thousand crores.

# FX and Commodities

## FOREIGN EXCHANGE:

Dollar strengthened against all G10 currencies this week except CHF (+0.1%). Commodity currencies, AUD (-0.7%), NZD (-0.8%) and CAD (-1.4%) were the worst performers, tracking base metals and crude, given that no specifics on China fiscal stimulus emerged during the week

The Dollar strengthened against all Asian currencies except the Yuan (+0.4%). MYR (-1.6%) and PHP (-1.6%) were the worst performers this week. As global fund houses trimmed the underallocation to Chinese equities the Yuan gained against Asian peers.

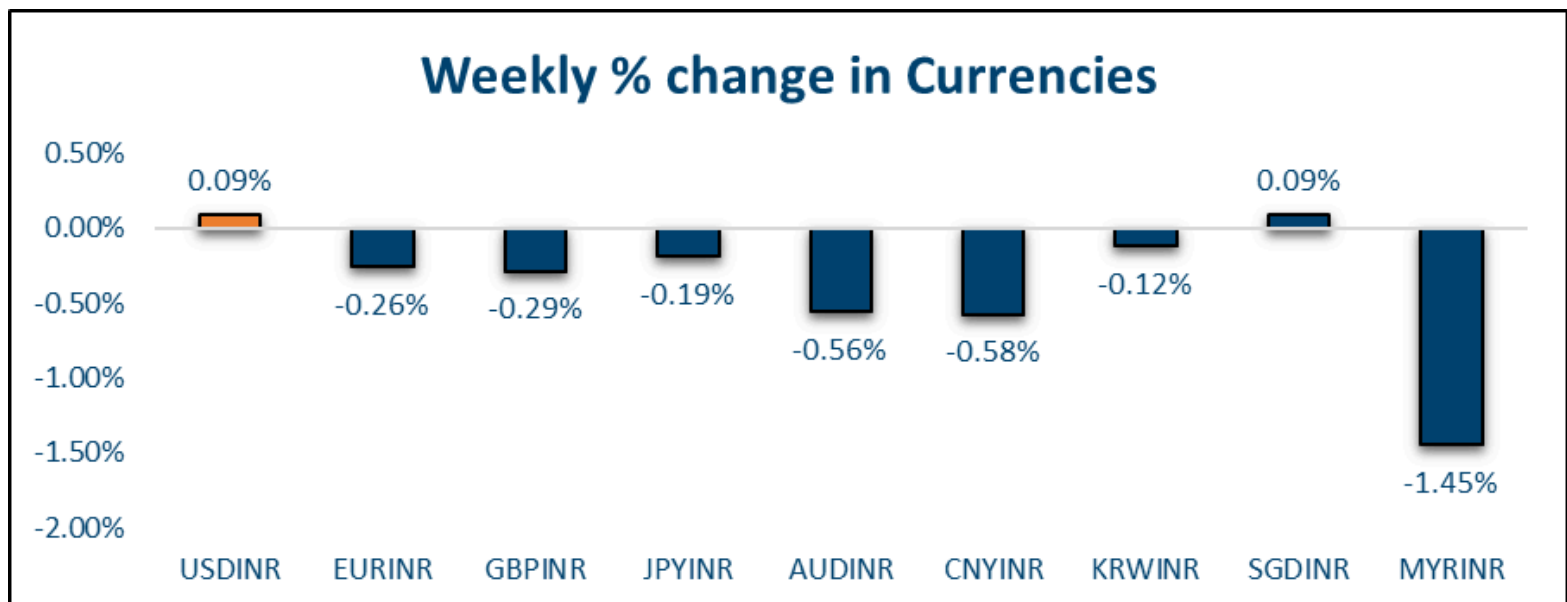
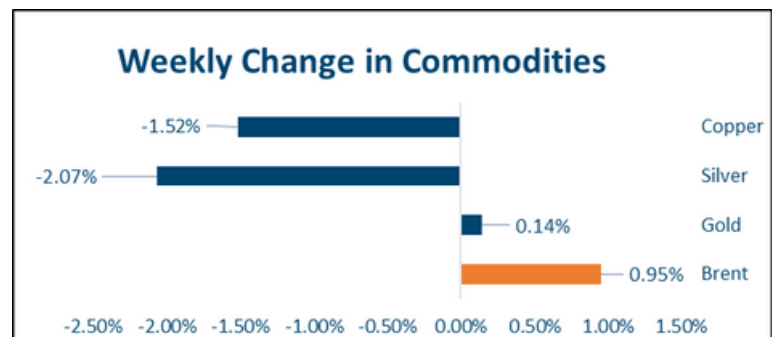
Rupee weakened 0.1% to end at an all time low against the Dollar. The central bank had been defending the 84 mark and there were also reports of banks having been asked not to take major speculative bets against the Rupee. However on Friday, the Rupee weakened past 84 to end at 84.07. FPIs have sold almost USD 7bn of domestic equities in October so far and that is weighing on the Rupee.

## COMMODITIES:

With no major negative headlines on Middle East geopolitics, Brent consolidated this week 1.3% higher at USD 79 per barrel. Situation however remains tense. Iran has waned US allies not to allow their airspace to be used for strikes against Iran. This was in response to US expanding sanctions against Iran's petrochemical sector.

Gold had dipped intraweek to USD 2604 per ounce but recovered to end the week almost flat at USD 2656 per ounce on safe haven demand. Silver ended the week 2% lower at USD 31.54 per troy ounce.

Copper ended the week 1.5% lower at 9791 per tonne



# IFA'S VIEW

## Ideas and Opportunities

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### WHAT WE LIKE:

#### Equities:

Equities might see some consolidation both globally as well as domestically heading into the US presidential elections and earnings season. Lingered geopolitical uncertainties may also continue to weigh.

It will be interesting to see if rotation out of other Asian equities into Chinese equities continues after measures outlined today by Chinese finance minister to support the ailing property sector in his speech today. We expect the rotation to be short lived from here given that uncertainty around US presidential elections might start weighing on Chinese equities again.

Domestically, we may see defensives outperform high beta and benchmark Nifty 50 outperform the broader indices.

#### FX:

We still expect the Dollar to get sold off on upticks and current pullback in Dollar index gives a good opportunity to initiate shorts again

Rupee may outperform amid broad Dollar weakness. Yesterday's close indicates that the RBI seems comfortable with the USDINR range shifting higher. There seems to be much less tolerance for Rupee strength than Rupee weakness, indicating that the intervention could be asymmetric as RBI may look to spend accumulated Reserves judiciously

#### Fixed Income:

We see any upticks in long term yields as an opportunity to add duration to portfolio, both in US treasuries as well as domestically. We expect 6.85-6.90% zone on the 10y to be a strong resistance. We had seen the 10y yield retrace from similar levels this week. We believe Borrowing floating in USD and hedging through collar seems attractive. One can look to accumulate 10y AAA NBFC papers around 7.75%

#### Commodities:

We continue to remain bullish on Gold and Silver. Base metals may get a fillip on account of Chinese Finance Minister's speech today. Brent could be supported over the short term on geopolitical risk premium. However we believe that the overall trend in Brent is lower and that it could retest the USD 70 per barrel mark again over the next couple of months.

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