

20th October 2024

IFA GLOBAL WEEKLY OUTLOOK

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

Global Developments & Global Equities

PRECIOUS METALS RALLY AS MARKETS BRACE FOR US ELECTIONS

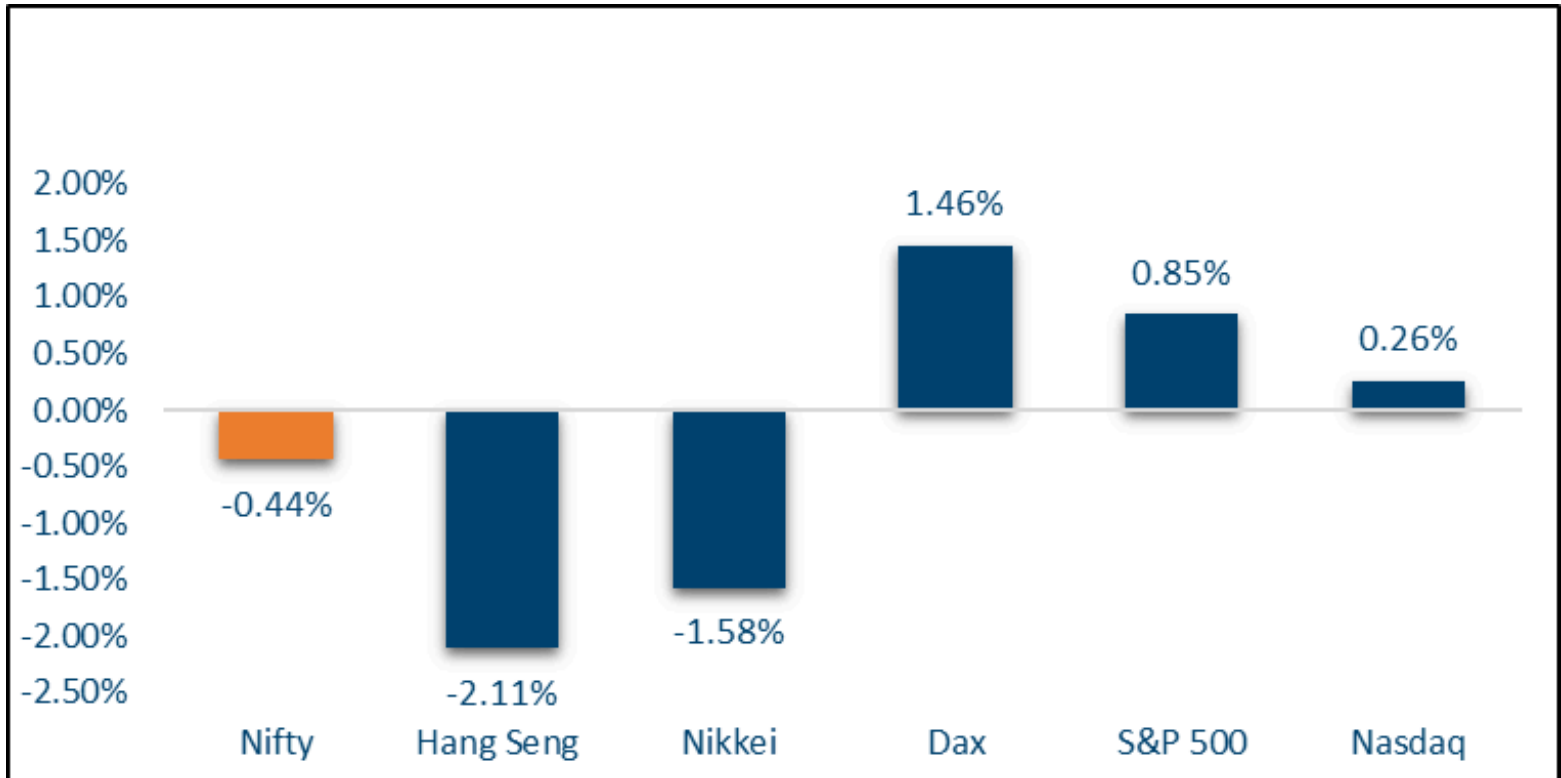
The focus over the coming few weeks will shift towards US elections as we approach the election date i.e. 5th November. Betting markets seem to be having Trump ahead at 60/40 while polling averages are still about 50/50.

After a stronger than expected NFP print and higher than expected CPI, US September Retail Sales too beat estimates. Market is pricing in a 90% chance of a 25bps cut at the November policy. It is pricing in 40bps of cuts by December end.

NIFTY V/S GLOBAL MARKETS

S&P500 gained for the 6th straight week to end 0.8% higher at record highs on stronger than expected earnings reported by big banks and Nvidia. It is the longest winning streak of 2024.

Shanghai composite rose 1.4% while Nikkei fell 1.6%. Broader index of European equities rose 0.6% this week.



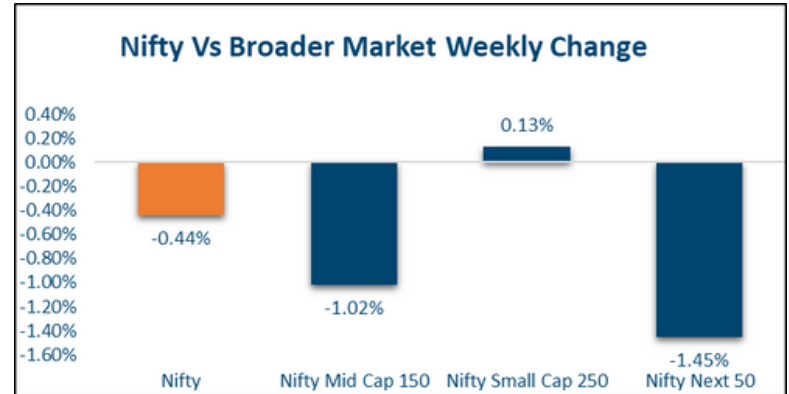
Domestic Equities

The benchmark Nifty fell 0.4% this week, in line with the MSCI EM index. The Midcap index ended 1% lower while Smallcap index rose 0.1%. The Nifty is down 3.7% MTD which seems a relatively modest drop, considering that FPIs have pulled out more than USD 9.2bn from domestic equities in October so far.

The Bank Nifty rose 0.6% this week. Realty index too ended the week 0.6% higher. Nifty P/E stands at 23.4 on a trailing 12 Month basis. INVIX continues to remain subdued around 13.

Auto stocks were the laggards this week with the auto index falling 4.9%.

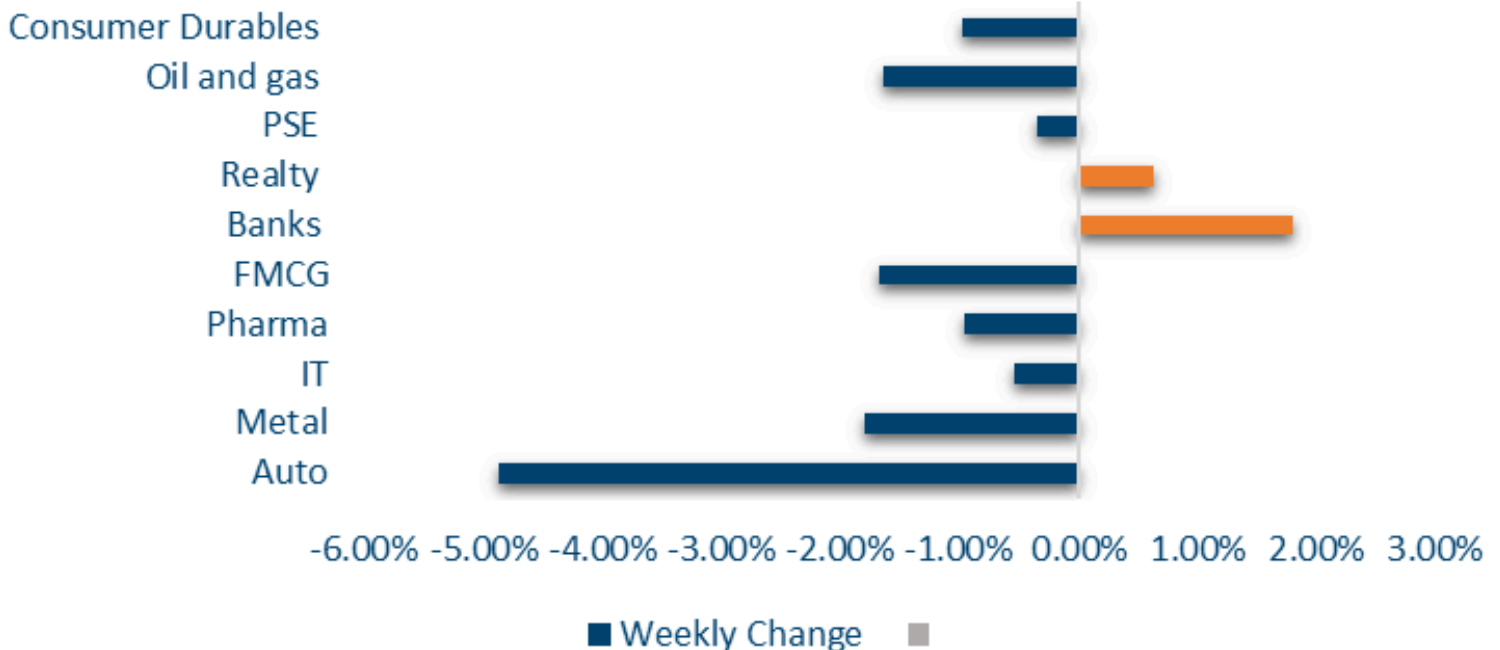
Inflows/Outflows	FII RS Crores	DII Rs Crores
This Week	-21,823.34	16,384.00
Previous Week	-27,674.99	31,363.61



Top Gainers	Performance
Motilal Oswal Financial Services Ltd	27.40%
Angel One Ltd	15.20%
Aditya Birla Real Estate Ltd	13.00%

Top Losers	Performance
Manappuram Finance Ltd	-17.60%
Indraprastha Gas Ltd	-16.40%
Bajaj Auto Ltd.	-15.30%

Weekly Change in Sectoral Indices



Fixed Income, IPO, and Institutional Deals

FIXED INCOME:

While the yield on the US 10y merely ended 2bps lower at 4.08%, Eurozone countries and UK saw the 10y yields drop 14-20bps.

Yield on the India 10y ended 3bps higher at 6.82%. 1y OIS ended 7bps higher at 6.50% while 5y OIS ended 2bps higher at 6.49%

PRIVATE EQUITY AND VENTURE CAPITAL:

Funding activity in PE and VC space picked up lots of steam this week as compared to the previous week thanks to a few large-ticket transactions and higher deal volume. A total of \$651 was raised this week across 38 deals up around 70% from last week's \$375 million.

Emeritus, a Mumbai-based upskilling platform, raised the highest sum of the week amounting to \$150 million. It was led by an American Private Equity fund TPG's impact investment platform The Rise Fund. The second largest deal of the week was around \$95 million, wherein, OneSource was valued at \$1.65 billion (pre-money) by a Swiss investment firm HBM Healthcare.

Activity in the M&A space also picked up with at least 11 transactions this week, up from last week's 5. One of the biggest ones is JSW Steel Ltd forming a joint venture with Japan's JFE Steel Corporation to acquire German industry group Thyssenkrupp AG's Indian unit for around \$480 million.

REAL ESTATE:

Vega City Mall in Bengaluru is being acquired by Nexus Select Trust, India's first retail REIT backed by Blackstone, in an all-cash deal worth up to \$104.4 million (Rs 877 crore). The acquisition, facilitated through Vijaya Productions Pvt Ltd, Nexus Select's special-purpose vehicle, will expand the REIT's presence in the city. The transaction is expected to close by October 22.

INITIAL PUBLIC OFFERING (IPO):

Last week's IPO activity centered around the Hyundai IPO, which had a slow start, with underwhelming subscriptions on day 1, particularly from retail investors. However, the issue was eventually oversubscribed by 2.37 times, driven mainly by non-institutional investors. The GMP remains low, at under 1%.

This week is set for major IPO action, with around 8 companies opening for subscription, including Waaree Energies, one of the most anticipated, boasting a GMP of over Rs. 1,300.

IFA GLOBAL WEEKLY REPORT

FX and Commodities

FOREIGN EXCHANGE:

All G10 currencies weakened against the Dollar this week on strong US retail sales data.

ECB cut its deposit facility rate by 25bps as expected this week to 3.25%. This is the first time that the ECB has cut at back to back meetings since Dec'11. ECB president said that there were probably more downside risks than upside risks to inflation. Market is pricing in a 50% chance of a 50bps cut in the December policy after her dovish comments.

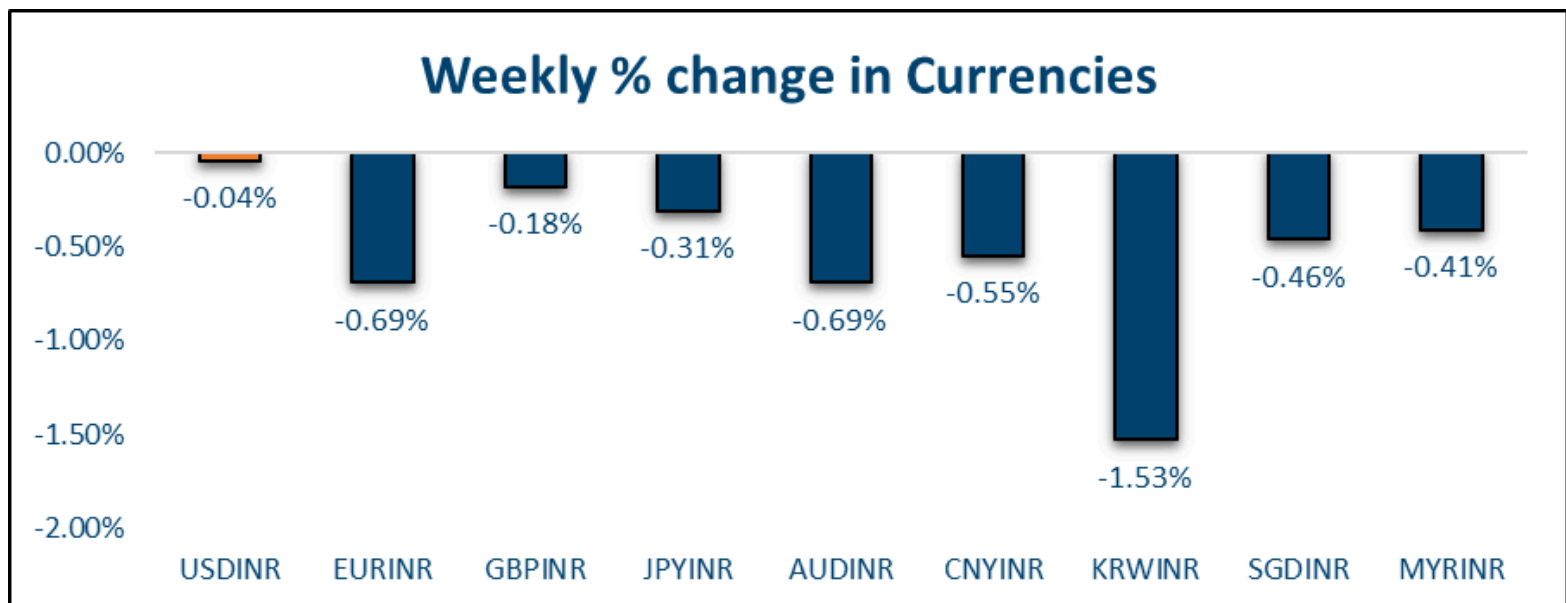
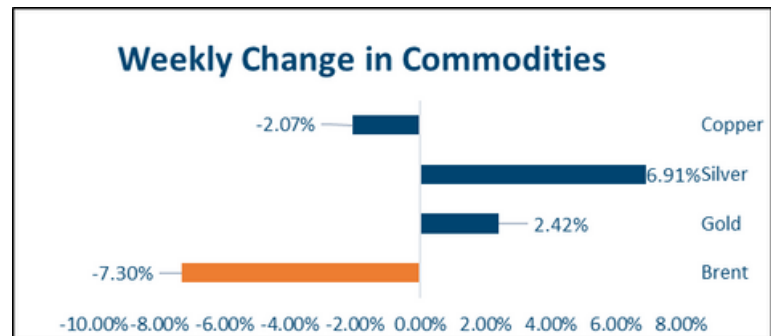
Among Asian currencies, IDR (+0.7%) was the best performing currency while Korean Won (-1.3%) was the worst performer

Rupee ended the week unchanged at 84.07. 1y forward yield was down 2bps on the week at 2.20% while 3m ATMF implied volatility dropped 9bps to 2.31%.

COMMODITIES:

Brent dropped 7.5% this week to USD 73.1 per barrel on waning of geopolitical risk premium and concerns over China demand. President Biden said that there was potential to deal with Iran and Israel such that in way that ends the conflict in the Middle East for a while. China grew at the slowest pace in Q3 since 2023. Also, rise in sales of EVs in China is contributing to tepid demand. China outlook weighed on Copper to which fell more than 3% this week.

Gold rose almost 2.5% on the week to end at fresh all time highs. Silver rose 7% to end the week at highest levels since Dec'12.



IFA'S VIEW

Ideas and Opportunities

WHAT WE LIKE:

Equities:

We expect the equities to trade sideways until the US elections in general. One can look to add exposure to China on dips. We believe the Shanghai composite has bottomed out. After a massive rally post the stimulus, we were expecting a bit of profit taking. These would offer good opportunities to add China exposure to portfolio. Earnings season both in US and India will be in focus. We expect the broader markets to underperform the benchmark. The reaction of stocks to earnings could be asymmetric. The reaction to earnings misses could be more pronounced than to earnings beat.

FX:

We expect the Dollar to weaken from current levels. We believe disinflation is underway and that the recent US CPI print may be a blip. We expect the Rupee to settle in a new 83.80-84.30 range unless we see a more than 3% move on the Dollar index in either direction.

Fixed Income:

We prefer adding duration at current levels. The countermove up in yields seems to be over and we may align soon with the downtrend. 4.10% on the US 10y and 6.85-6.90% on India 10y seem to be good levels to add duration.

Commodities:

We had mentioned last time that crude could retest USD 70 per barrel again and that every uptick is an opportunity to sell. Brent is approaching that level. We expect crude to continue to remain under pressure.

We remain neutral on base metals and continue to remain bullish on bullion despite the recent rally.

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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