



# Asset X: Investment Strategy

04, April 2025  
*(revised on 07, April, 2025)*



“**Asset X**” is a multi-asset strategy that aims to highlight the most important signals in the financial markets, across the major asset classes. We strive to marry clarity of thought with brevity.

# Key highlights

“Asset X” is a multi-asset strategy that aims to highlight the most important signals in the financial markets, across the major asset classes. We strive to marry clarity of thought with brevity. We live in dynamic times, with geopolitics, politics, monetary policy, and global growth continuing to shape up the world. Our goal is to create strategies for long-term.

## Remain at neutral equity allocation

At 22100 levels, we completed deployment to neutral equity allocation. **Tariff news led uncertainty has played out in equity markets with extreme volatility spike. We recommend slow staggering and want to lower the levels of fresh deployment to 21, 200 (below 22,500 recommended on Apr 4).** We maintain our large cap bias with 60% allocation there.

## INR likely to be rangebound

But the worst may be behind us already. Expect INR to hover in 85-88 range

## Mid & Long duration bond mix is better positioned

A portfolio with 3–5-year bonds and long duration bonds, a 60:40 mix will be ideal. Rate cut, growth slowdown and liquidity injection is likely to advantage this mix

## Unlisted Equity has become favorable

after tax announcements and conventional asset classes losing upside hereon. IPO listing way of exit can continue to gain steam

## Precious metals will continue to offer hedge against equity volatility and inflationary expectations

Silver can continue to outperform Gold, albeit with higher volatility, given the higher probability of recession

## Commercial RE is improving

Growth is primarily driven by GCC and Flexible Office space while India focus business continues to anchor

## In Foreign Equities, it’s a seeding phase, hold some cash for deployment later, basket of EU and China appear more promising than US alone

Tariff volatility is making next quarter appear as a phase where most readjustments will happen, deploy in basket of US, EU and China, and hold some cash for deployment later when the froth is fully eroded.

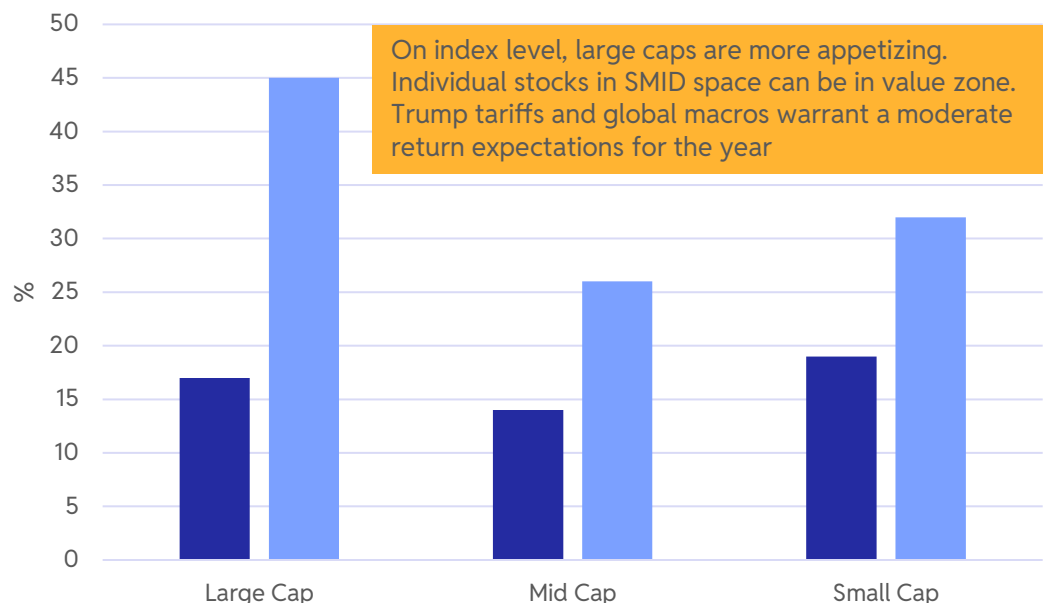
# What to do now?

1. **Domestic Equity Fresh Allocation:** 33% would have been deployed, remaining 66% to continue over next 3 months. We still believe there will be better opportunities to accelerate. Large cap bias continues. Banks/consumption have done well.
  - NIFTY is now trading at 20X fwd P/E which is reasonable
  - FII's have started to tiptoe back
  - From a sell on rise market, it has now become a buy on dip markets
  - We went negative in September and have successfully prevented significant downside so far
  - RBI is injecting liquidity
  - Then why no buy everything? A) Earnings are ahead of us B) Global volatility is not behind, but finally we have higher conviction in buy on dips
  
2. **Global Equity: 15% in US and China, rest 10% in cash** , a great opportunity to deploy will emerge. On a ytd basis, the 10.2% decline in the S&P 500 has been led by a 21.9% drop in the Magnificent-7. The S&P 493 is down just 5.2% so far.
  
3. **Debt:** Must have done very well. 10Y down to 6.3%. Expect more noise around lower yields
  
4. **Currency:** Range bound between 85-88 this year, DXY weakness to help but export/import balance is more imp + RBI's own goal

# India Equity: Staggered Deployment, Continued Large Cap Bias, Active Manager's Market

Large Caps are now at relatively more comfortable valuations, we therefore continue to have a large cap bias to the portfolio

## Valuation Check



On index level, large caps are more appetizing. Individual stocks in SMID space can be in value zone. Trump tariffs and global macros warrant a moderate return expectations for the year

■ % of stocks below 10 year median (pre-correction) ■ % of stocks below 10 year median (today)

Pre Correction period is taken as on 30/09/2024

Note: Large Cap = Nifty 50 Index; Mid Cap = Nifty Midcap150 Index; Small Cap = Nifty Smallcap250 Index

Source: Bloomberg, Ionic Wealth, Data available as on April, 2025

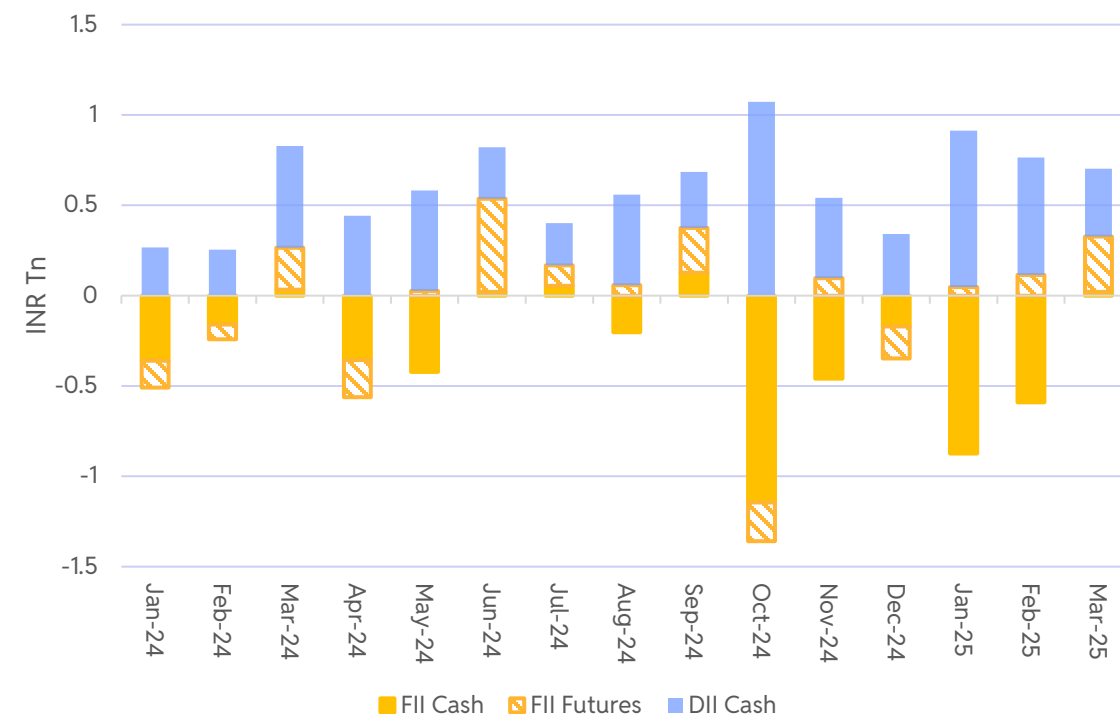
### Our Hypothesis

At 22100 levels, we completed deployment to neutral equity allocation. **We can't rule out further downside and will suggest staggering with acceleration below 21,200.**

### Drivers

Valuations, earnings, global and domestic macros, rate cut cycle, domestic growth, strength of dollar and the US economy

FII's have started to tip toe back in March. but the uncertainty created by Trump tariffs can potentially weigh on risk-appetite.



■ FII Cash ■ FII Futures ■ DII Cash

Source: Moneycontrol, Ionic Wealth, Data available as on April, 2025

### Risks

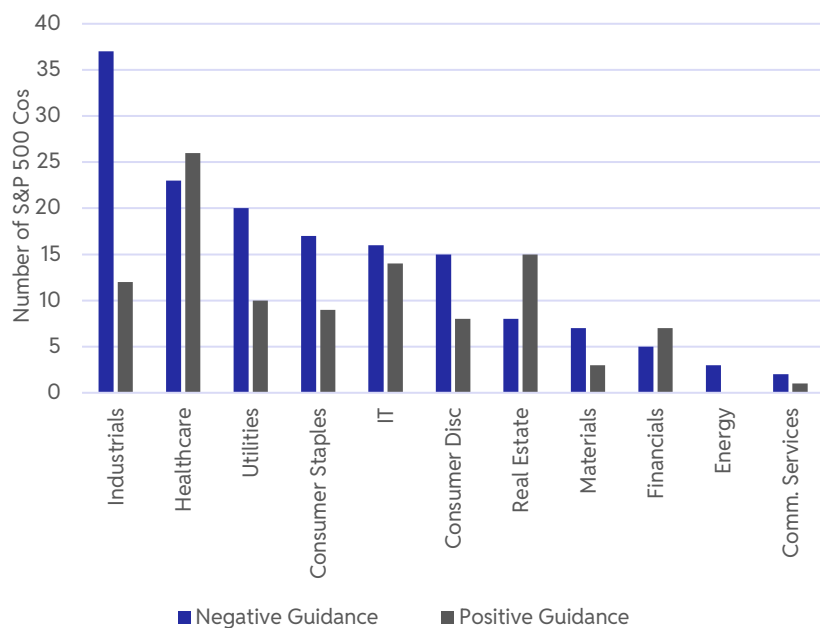
India macro weakening further and no signs of earning revival

### Data to watch

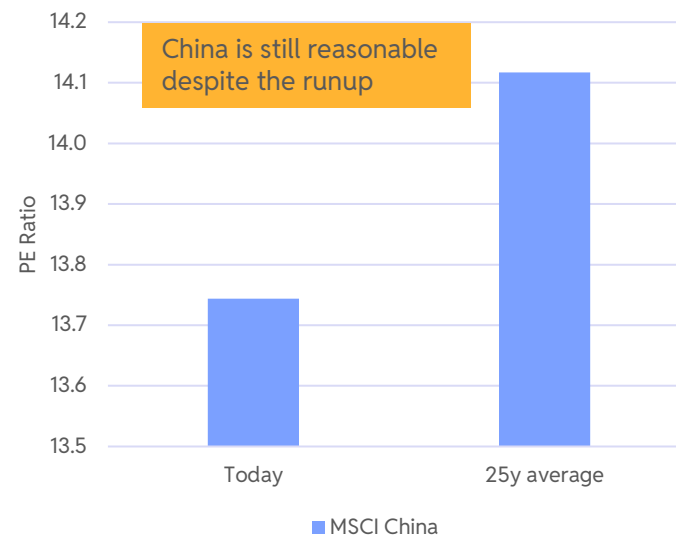
Earnings, interest rates, geopolitics, sentiments, FII and DII flows, domestic demand

# Global Equities: Seeding Phase, Buy Value, Hold Some Cash For Allocation Later

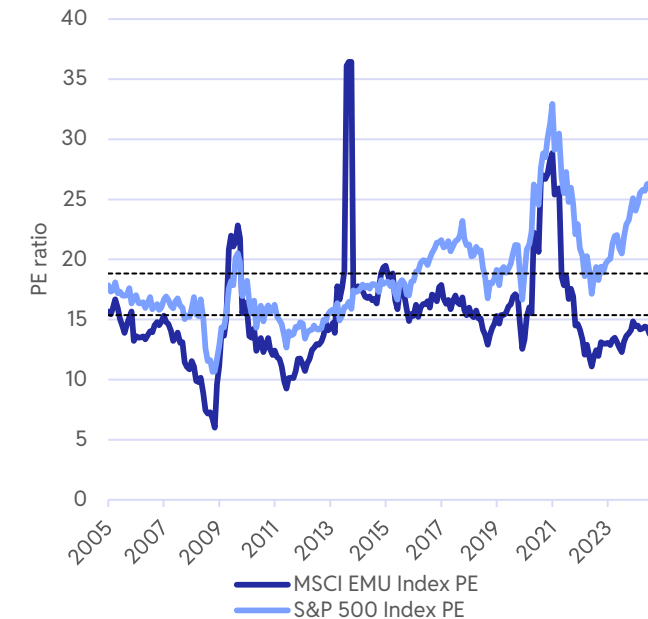
The weakness in markets is visible from coming back of negative guidance. Tariff is being perceived negative for growth. The cycle of higher earnings and re-rating seems to have broken. What to do? **International equity is not seasonal, choose a diversified global allocation. Less US, more China and Europe can be a better strategy**



We believe **China will unfold more fiscal stimulus** when the Trump policy uncovers fully. The turnaround in the economy will keep equities attractive. However, in light of tariffs, **expect a higher volatility ahead**



**Europe appears promising.** It can be a good diversification in the overall global equities strategy.



Source: FactSet, Ionic Wealth, Data available as on April,2025

Source: Bloomberg, Ionic Wealth, Data available as on April,2025

Source: Bloomberg, Ionic Wealth, Data available as on April,2025

## Our Hypothesis

US is a stable bet, there's merit in staggering now. China is a tactical call given measures to revive economy

## Drivers

Cheap Chinese valuations, uptick in data, tariffs, tech unleash, Chinese stimulus to revive its economy

## Risks

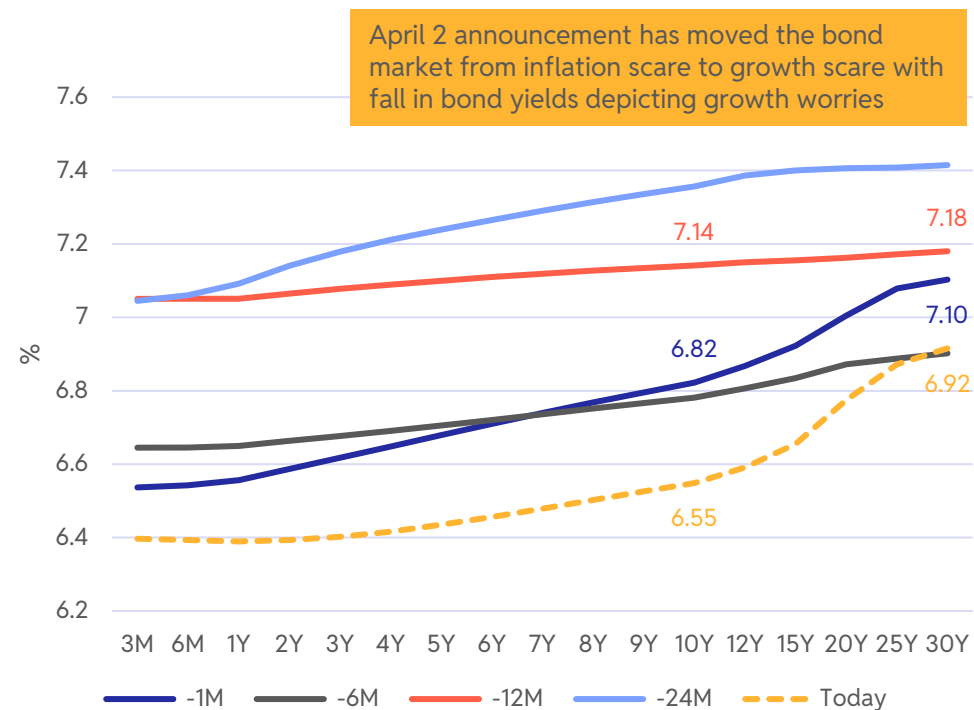
Growth not picking up, Trump's victory and tariffs in ways worse than market's expectations, strong DXY

## Data to watch

Monetary and fiscal policy of China, rest of the world moves towards US, DXY, real yields, high frequency data

# India Debt: Mix of Medium Term And Long Term Debt

We recommend 60% allocation in the 3-5 years duration and 40% in the longer duration, keep accumulating long duration bonds for investment horizon greater than 12 months



Source: Bloomberg, Ionic Wealth, Data available as on April,2025

## Our Hypothesis

Medium duration is a sweet spot, long duration can strategically play out as rate cuts and liquidity injection is now in play

## Drivers

Increased demand, onset of global rate cut cycle to now reflect on India, higher spreads, OMOs

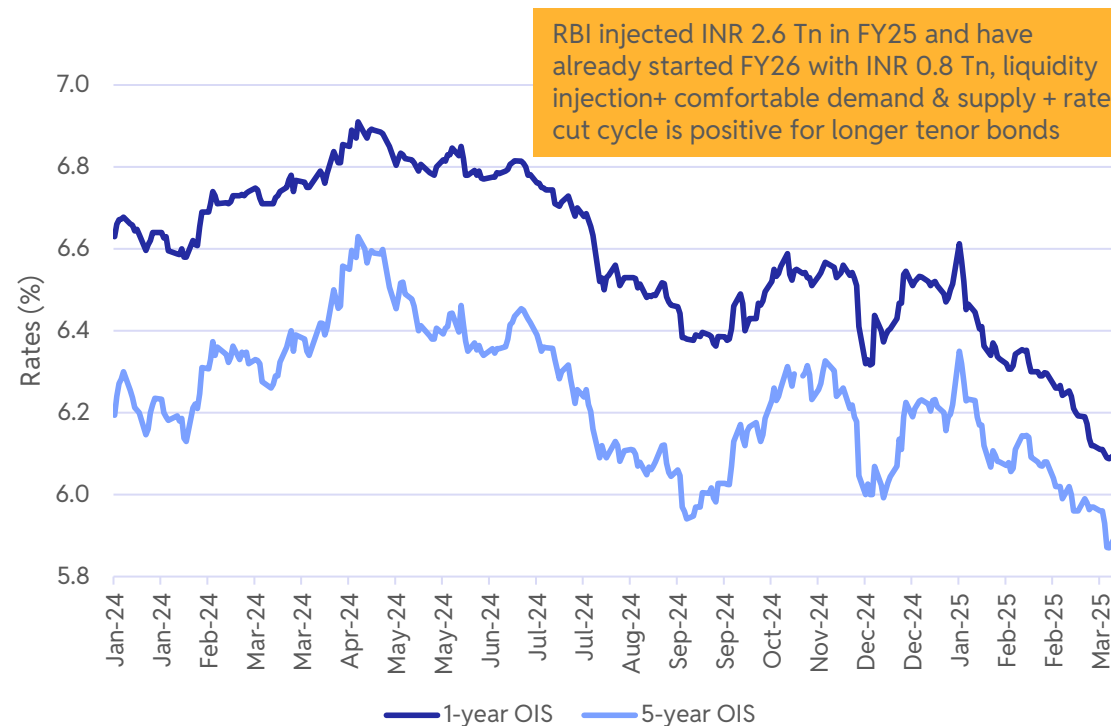
## Risks

Domestic/US growth & inflation remaining higher, geopolitics, weak currency and delayed rate cuts

## Data to watch

RBI policy, high frequency data, crude oil, more FII inclusions

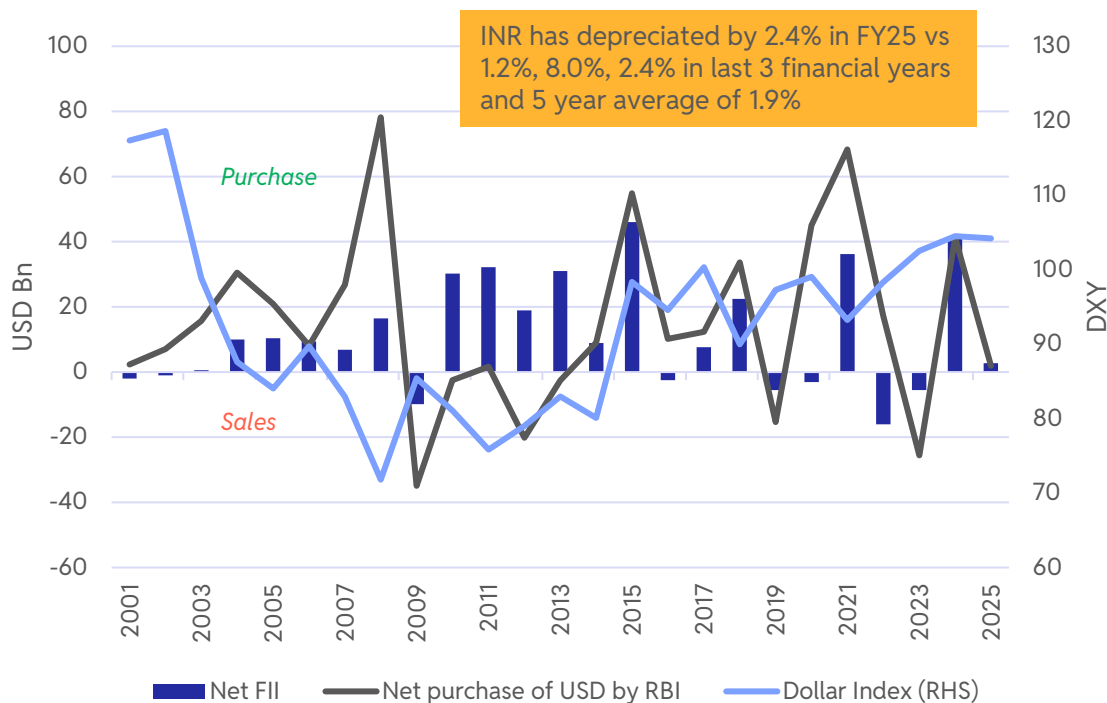
With RBI's efforts to inject liquidity and start of a rate cut cycle, long-duration yields could finally see a significant correction



Source: Bloomberg, Ionic Wealth, Data available as on April,2025

# Currency: INR depreciated by 2.4% in FY25, Expect It To Be Rangebound

INR ended the year at 85.4. Given the macros, INR can be in the range of 85-88 in the near term. RBI has slowed down the intervention in the FX markets in March, adding roughly USD 20 Bn to FX reserves which stand at USD 658 Bn as of 21<sup>st</sup> March 2025. Current account worries are not as bad as 2013, and therefore further depreciation is likely to be curbed



Source: CMIE, Ionic Wealth, Data available as on April,2025

## Our Hypothesis

INR can see some more depreciation hereon but the worst is likely behind

## Drivers

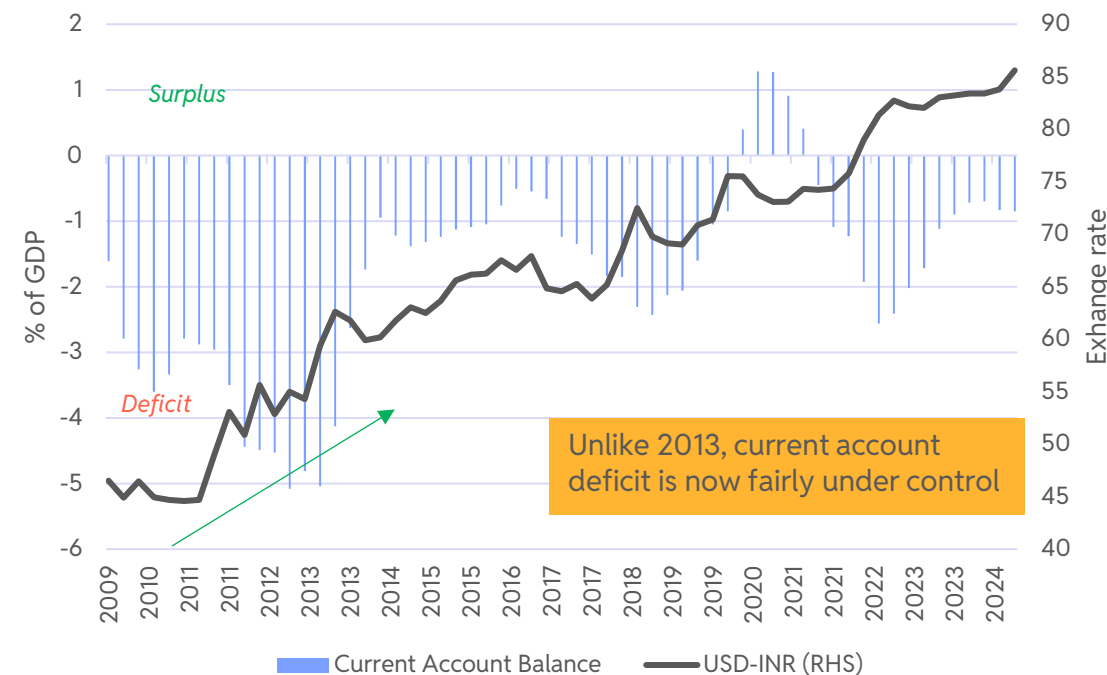
RBI action, cushion from FX, FII flows coming back, bond indices inclusion

## Risks

Dollar strength, complete risk off and drying of EM liquidity

## Data to watch

FX reserves, flows, DXY, geopolitics, inflation differential, yield movements

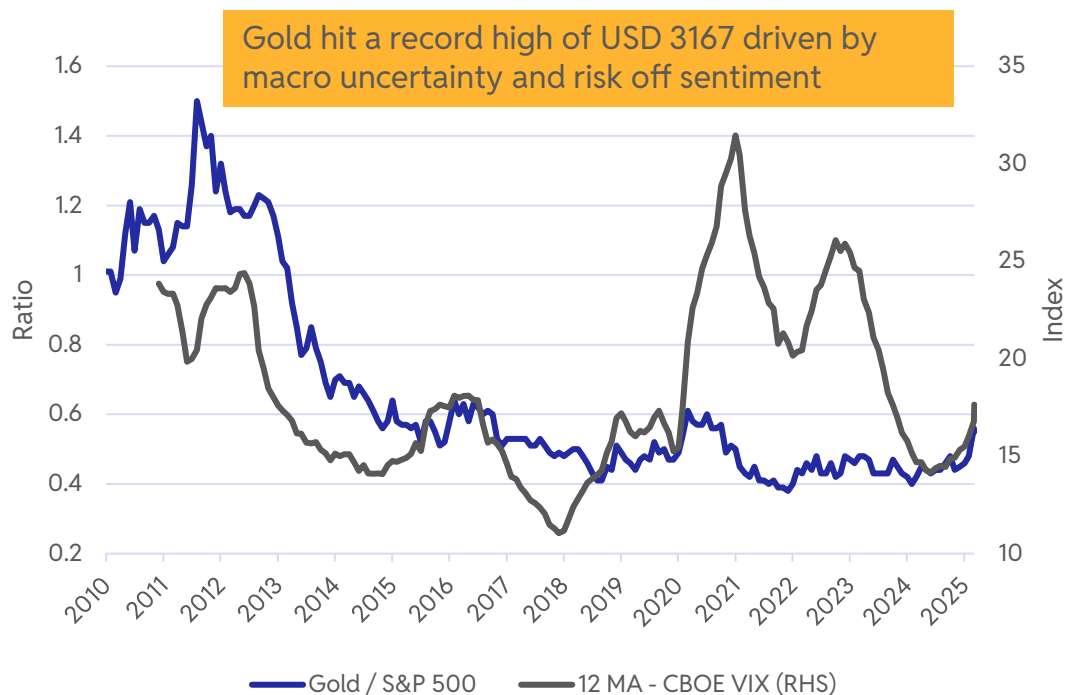


Source: Bloomberg, Ionic Wealth, Data available as on April,2025

# Commodities: Still Positive Precious Metals, Silver May Have More Space

Gold has a macro stage set up for its performance- possibility of higher inflation, lesser risk appetite, slower growth outlook, and immense policy uncertainty. Despite the current performance, there's still money on the table as far as Gold is concerned.

...Silver is likely to be resilient in the current macro landscape, but higher chances of recession can make it volatile. It is still worth accumulating for longer term.



Note: CBOE VIX : Chicago Board Options Exchange's Volatility Index  
Source: Bloomberg, Ionic Wealth, Data available as on April,2025

Average	Gold/Silver Ratio
20 years	70
10 years	81
5 years	82
Today	95



Source: Bloomberg, Ionic Wealth, Data available as on April,2025

## Our Hypothesis

Precious metals may have more upside left, Silver could possibly benefit more than Gold

## Drivers

Chinese demand, hedge against inflation and geopolitical risk

## Risks

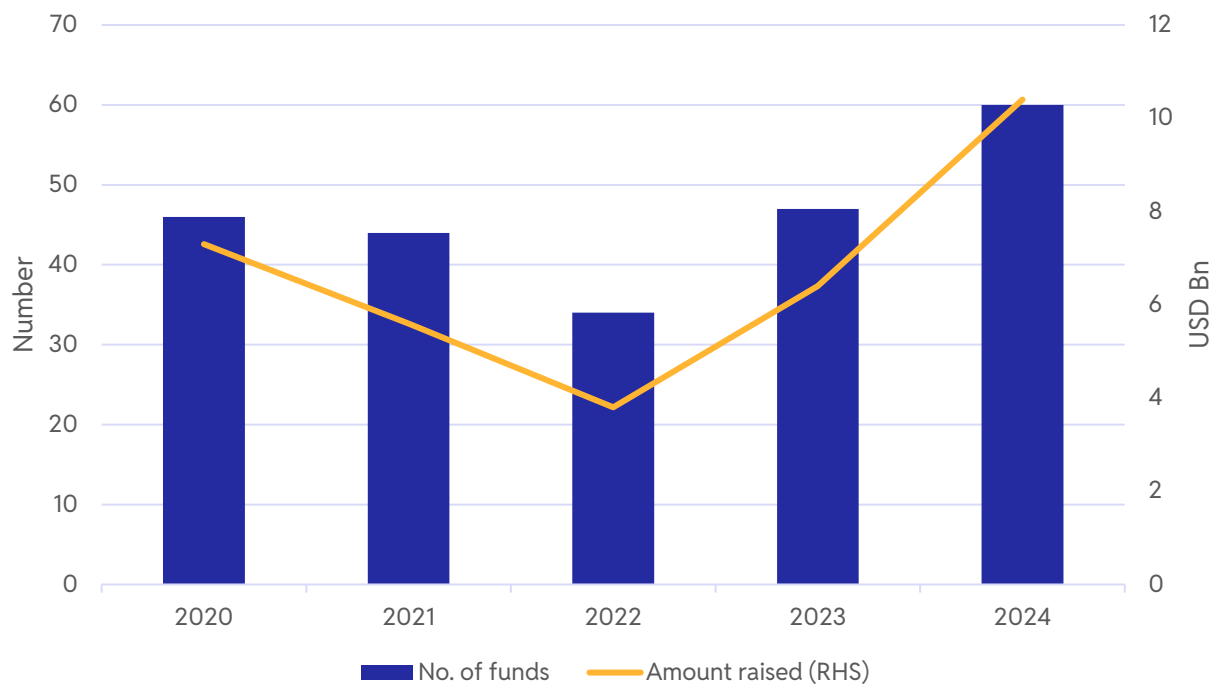
Further dollar strength, growth improving for good without inflation

## Data to watch

Sentiments, DXY, demand from Chinese central banks for Gold, industrial demand for silver

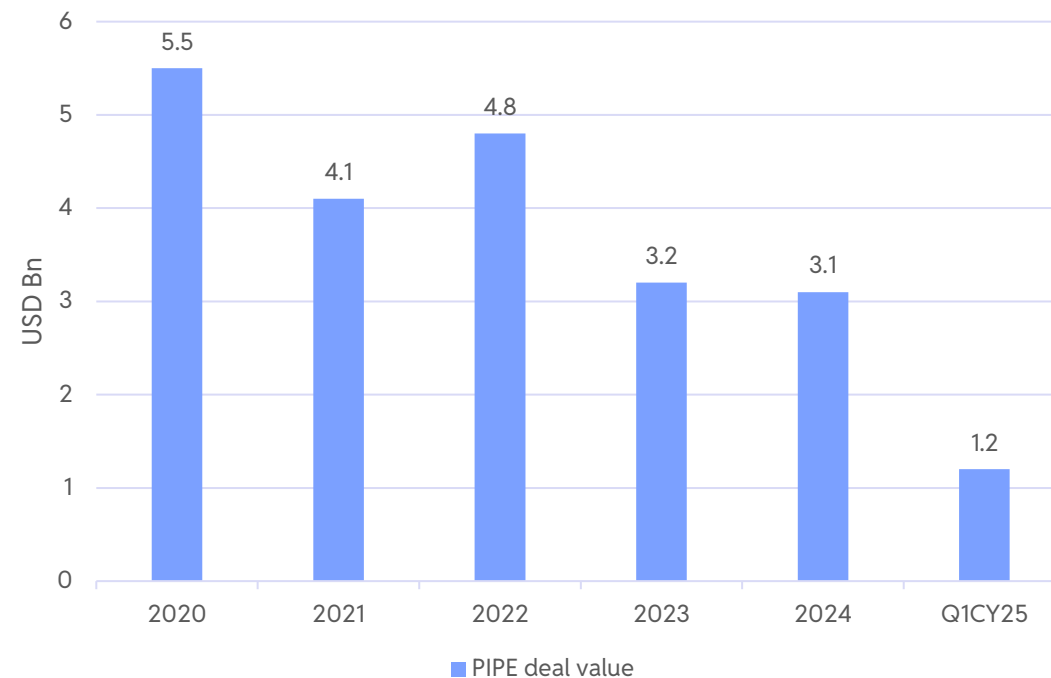
# Unlisted Equities: Record-Breaking Fundraising Despite Fewer Fund Launches in 2024

In 2024, PE fundraising reached an all-time high of USD 10.4 Bn, up 63% from USD 6.4 Bn in 2023, despite a decline in overall number of fund launches.



Source: Vccedge, Ionic Wealth, Data available as on April, 2025

In the first quarter of CY25, we have seen a phenomenal rise in PIPE deals, reflecting a shift among investors towards more mature, risk mitigated opportunities over high risk, early-stage ventures



Source: Vccedge, Ionic Wealth, Data available as on April, 2025

## Our Hypothesis

Unlisted Equity is likely to benefit in select pockets

## Drivers

Favourable taxation, reduced future expectation in listed

## Risks

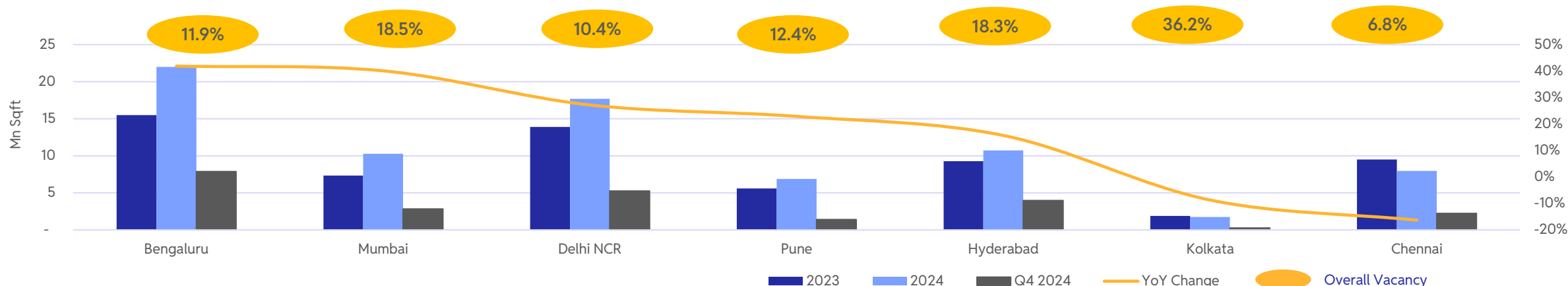
Opaque valuations, liquidity squeeze

## Data to watch

Liquidity, rate cut cycle, operational efficiencies

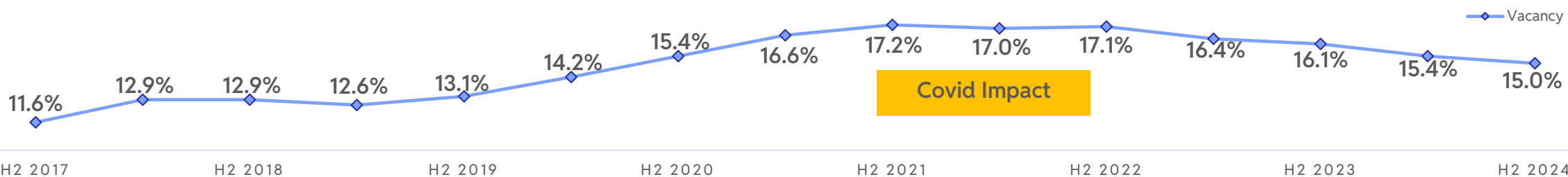
# Real Estate: Commercial Real Estate – Scaling New Peaks

In 2024, pan India leasing achieved a record high, with gross leasing of ~77 Mn sqft (up 22.6% YoY) and with leasing of ~24 Mn sqft in Q4 2024 (up 13.6% YoY), surpassing previous peaks.



Positive outlook across locations except Hyderabad and Kolkata

With absorption outpacing supply, vacancy levels have witnessed steady decline in last couple of years



Source: Knight Frank, JLL Research, Data available as on April 2025

Classified as Internal

### Our Hypothesis

Commercial RE poised for steady growth with Bangalore & Delhi NCR market leading the charge.

### Drivers

GCCs contributing 35-40% of overall leasing and flex office space growing at rapid pace accounting for 15 Mn sqft leased (up 50% YoY)

### Risks

Quality supply constraints, monetary tightening, and macro environmental factors

### Data to watch

New completions, vacancy levels, rental rate escalations, leasing transactions

Reach us at [hello@ionic.in](mailto:hello@ionic.in)

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