



# Asset X: Investment Strategy

05, February 2025



# 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.

## Continue staggered addition to domestic equities for the next 2 months, accelerate if markets correct 5%

The correction can be used as an opportunity to build long-term portfolios. We recommend neutral equity allocation, 60% of which can be in large caps and remaining in SMIDS. On deployment, 50% can be deployed now and rest can be staggered.

## 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 is likely to advantage this mix

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

Silver can continue to outperform Gold, albeit with higher volatility

## In Foreign Equities, US is a stable bet, China has been our strong tactical call

Combination of low valuation, growth stimulus, tech unleash, and flows make China an interesting tactical investment avenue, US is a strong and stable allocation given the resilient earnings opportunity; dips are a window to add more. A 70:30 split between US and China will provide right diversification

## On INR there is a depreciative bias

But the worst may be behind us already

## Unlisted Equity has become favorable

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

## Commercial RE is improving

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

# India Equity: Continue Staggered Addition

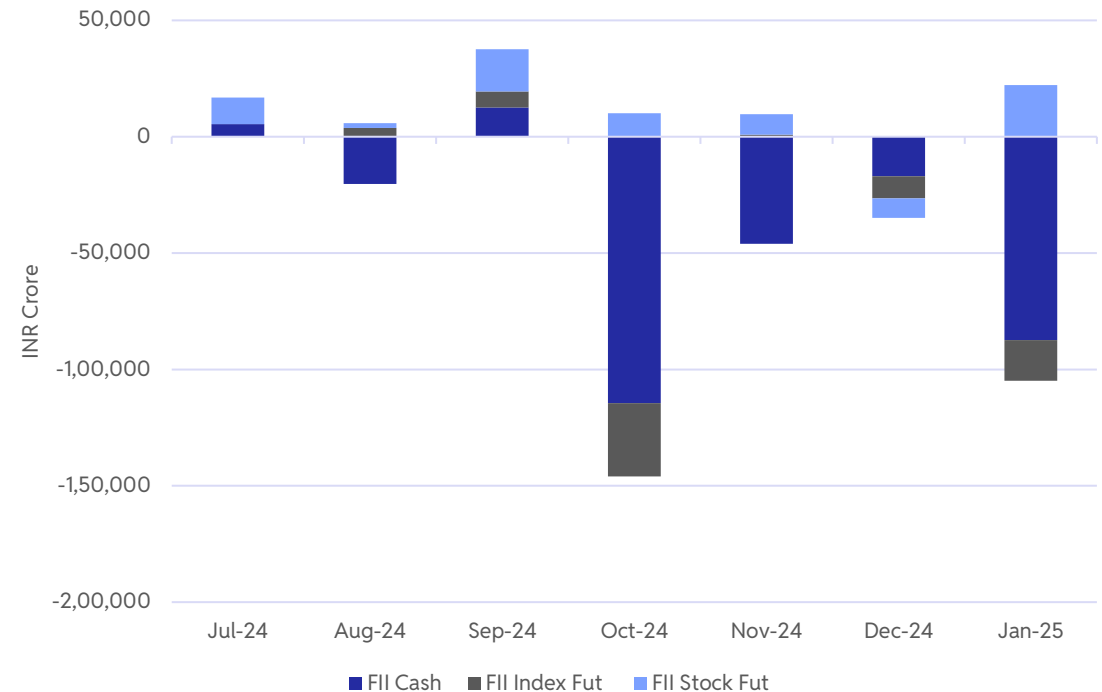
Indian markets may continue to be sideways; we recommend staggered allocation with preferred sectors as Consumption, Pharma, IT (buy at dips) and Private banks.

## Earnings Snapshot

Sector	# Companies reported earnings	Revenue (%YoY)		EBITDA (%YoY)		PAT (%YoY)	
		Q3FY25A	Q3FY25E	Q3FY25A	Q3FY25E	Q3FY25A	Q3FY25E
<b>Commodity sectors</b>	13	0.5%	-4.1%	-3.8%	-1.4%	-12.0%	-8.5%
OMCs	3	-2.0%	-9.3%	-14.4%	14.9%	-19.5%	13.8%
Energy (ex OMC)	4	5.2%	2.7%	5.4%	-3.5%	3.9%	-7.8%
Metals & Mining	6	-0.5%	-0.6%	-8.6%	-11.7%	-26.6%	-28.0%
<b>Exports/High global exposure</b>	22	5.2%	6.0%	2.5%	8.1%	3.3%	8.6%
Export Auto	2	2.9%	6.4%	-14.1%	11.7%	-20.0%	9.6%
Chemicals	3	16.6%	17.1%	29.1%	27.1%	8.4%	4.2%
Agri fertilizers	2	17.9%	23.1%	46.0%	97.0%	52.5%	260.6%
IT	12	5.9%	5.1%	7.2%	6.3%	8.6%	8.5%
Pharmaceuticals	3	10.2%	10.2%	12.2%	7.8%	10.2%	5.1%
<b>Domestic Investment</b>	22	15.0%	12.2%	10.3%	16.5%	34.4%	5.6%
Power	4	8.2%	7.7%	24.0%	31.3%	8.8%	11.8%
Industrials / Infra	5	21.9%	19.2%	24.4%	20.5%	36.0%	29.1%
Cement	4	3.4%	1.7%	-27.1%	-16.5%	46.3%	-23.7%
Real Estate	5	27.4%	20.7%	32.5%	29.8%	74.3%	34.5%
<b>Domestic consumption</b>	37	13.8%	12.9%	9.6%	8.6%	4.1%	2.4%
Domestic auto	7	12.9%	15.7%	10.1%	15.8%	7.4%	12.1%
FMCG	6	13.3%	7.1%	4.4%	-1.4%	7.0%	-1.7%
Durables	6	11.5%	15.3%	6.3%	9.5%	-3.4%	6.3%
Apparel / retail	5	16.9%	14.8%	10.7%	12.2%	7.4%	17.7%
Media	1	-3.3%	-1.2%	53.3%	35.3%	131.0%	64.6%
QSR	1	2.3%	6.7%	23.7%	23.5%	8.0%	8.9%
Internet	3	56.7%	58.2%	96.3%	124.2%	-0.2%	50.2%
<b>Consumer services</b>	2	15.1%	8.0%	11.1%	3.6%	-10.9%	-25.5%
BFSI	23	9.6%	17.2%	19.9%	19.5%	9.1%	4.9%
NBFC	5	5.4%	10.6%	8.6%	9.7%	36.6%	-9.7%
Non lending financials	5	33.8%	31.3%	45.2%	39.3%	16.5%	8.1%
Insurance	6	16.5%	11.9%	93.3%	-68.0%	14.6%	7.7%
Private banks	7	8.4%	19.1%	21.0%	20.8%	5.7%	6.0%
<b>Total</b>	<b>117</b>	<b>4.7%</b>	<b>2.8%</b>	<b>5.5%</b>	<b>7.9%</b>	<b>2.8%</b>	<b>1.7%</b>

Source: Nuvama, Ionic Wealth, Data available as on Feb,2025

FII have started to tip toe back with some exposure to single stock futures



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

### Our Hypothesis

Some correction has played out, markets can be range bound for a bit, but this continues to be a good time to add equity

### Drivers

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

### Risks

Sudden risk-on momentum, coming back of FIIs, weakening of dollar, earnings out performance

### Data to watch

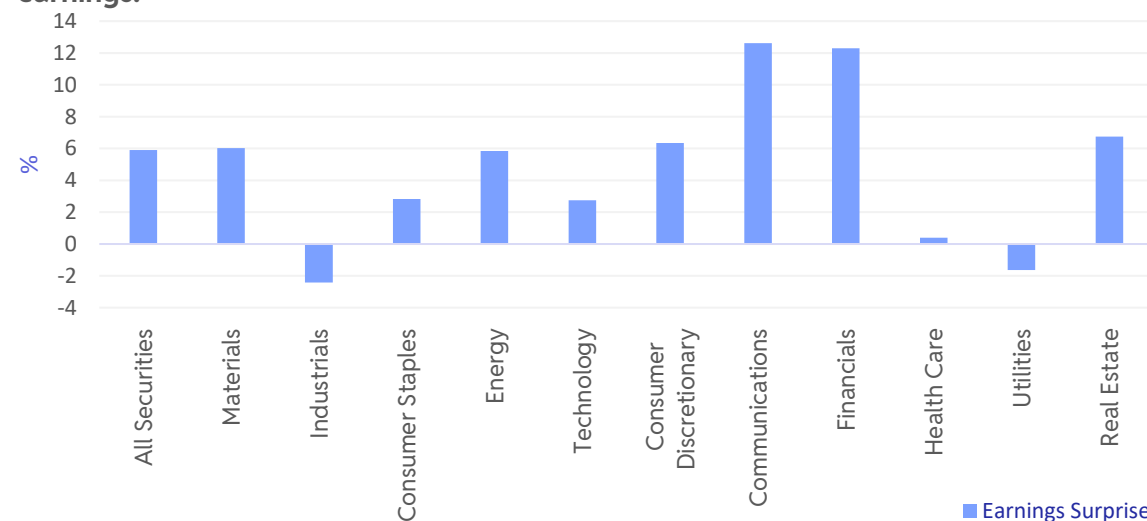
Earnings, interest rates, geopolitics, sentiments, FII and DII flows, domestic demand

# Global Equities: Stable US, Tactical China

US: Good earnings + robust economy makes US a stable portfolio allocation

S&P 500 Earning Growth Est	Q1 2025	Q2 2025	Q3 2025	Q4 2025	CY25	CY26
	10.1	10.9	14.9	16.1	14.3	13.7

US has sustainably outperformed rest of the world in the last decade, can it continue? US data is strong and is backed by earnings, there may be volatility, but long-term exposure is recommended. **Almost all sectors are currently beating estimates on earnings.**



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

China: Cheap Valuation, revival in momentum with stimulus, re-iterating and tech unleash bolsters our Sep 05, 2024 tactical call but there will be volatility ahead...

High-Tech spend as a % of China's GDP	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	10.9	11.0	11.3	11.4	12.5	13.1	14.1	15.4	16.8	18.3



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

## Our Hypothesis

US is a stable bet but China is a tactical call given measures to revive economy

## Drivers

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

## Risks

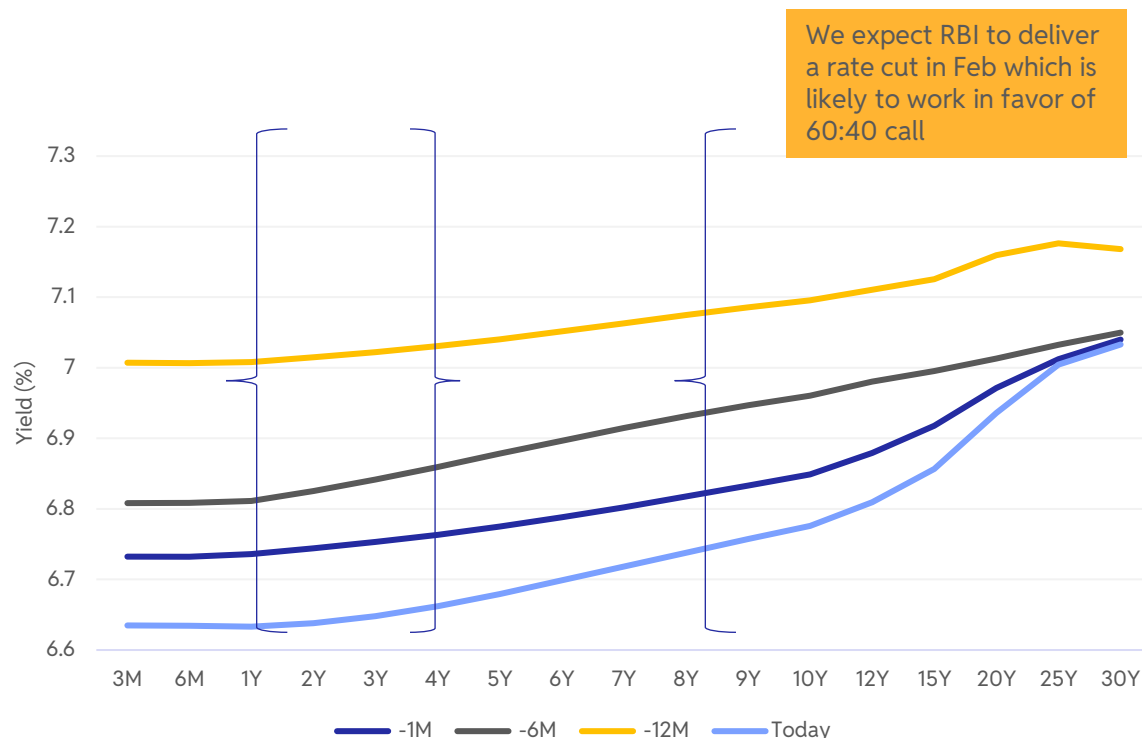
Growth not picking up, Trump's victory and tariffs in ways worse than market's expectations, strong DXY

## Data to watch

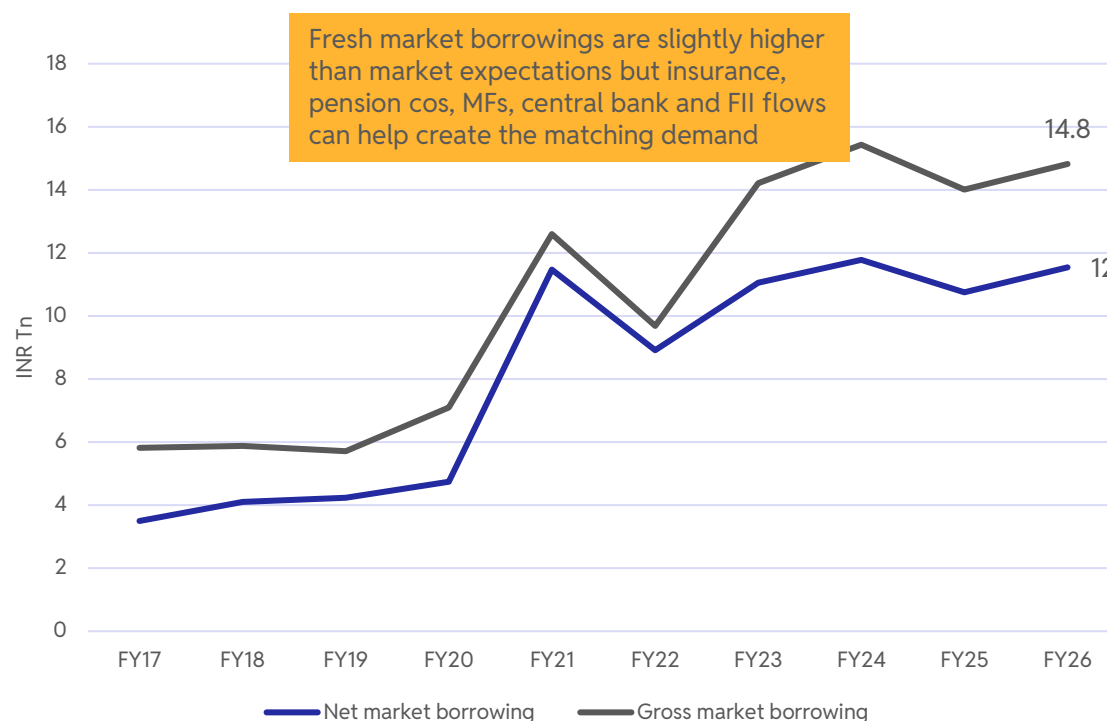
Monetary and fiscal policy of China, rest of the world moves towards US, DXY, real yields, high frequency data

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

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



Gross market borrowings and net market borrowings are slightly higher but comfortable, India can stomach in that much supply



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

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

## Our Hypothesis

Medium duration is a sweet spot, long duration will play out in a 12 month+ time frame

## Drivers

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

## Risks

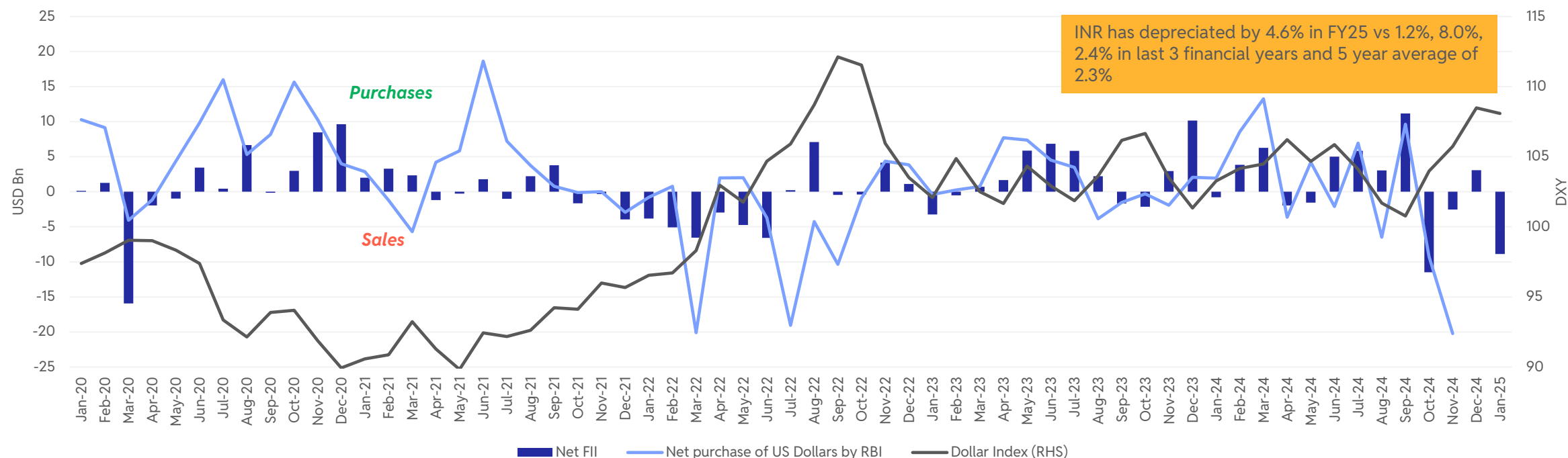
Domestic/US growth & inflation remaining higher, geopolitics, weak currency and delayed rate cuts

## Data to watch

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

# Currency: Expect INR To Be Range Bound, With Continuing Depreciative Bias

INR has depreciated and is now overshooting our estimated range of 86-86.5. RBI has slowed down the intervention in the FX markets in January, burning roughly 40% less than the run rate of December.



Source: CMIE, Ionic Wealth, Data available as on Feb, 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

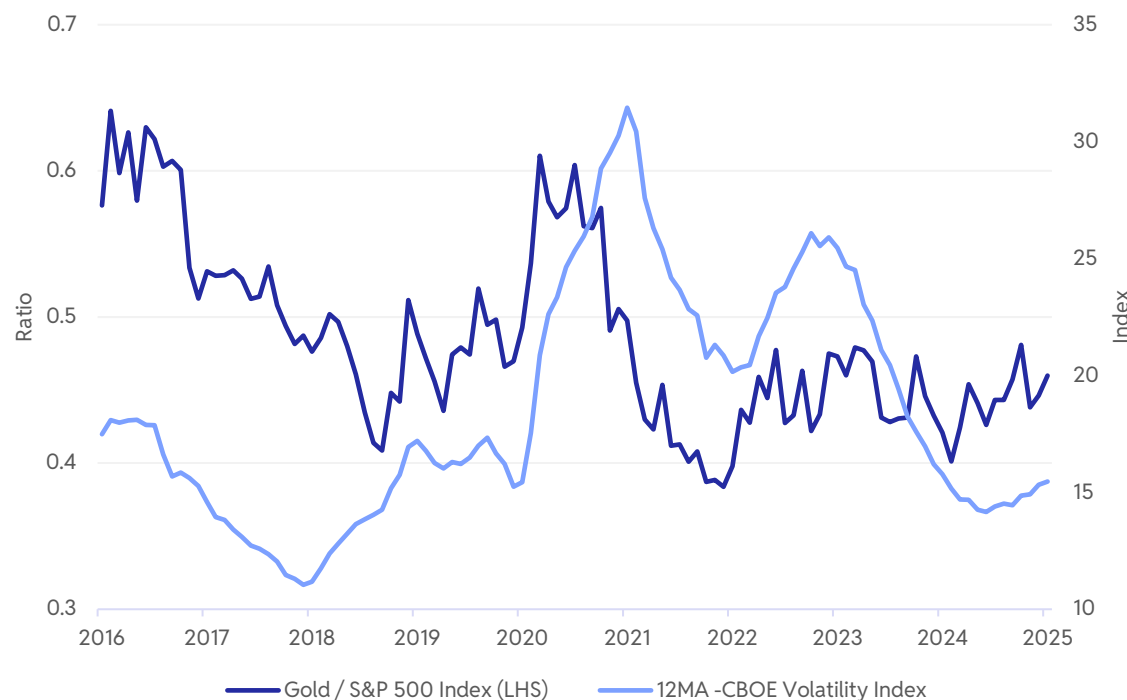
Dollar strength, complete risk off and drying of EM liquidity

## Data to watch

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

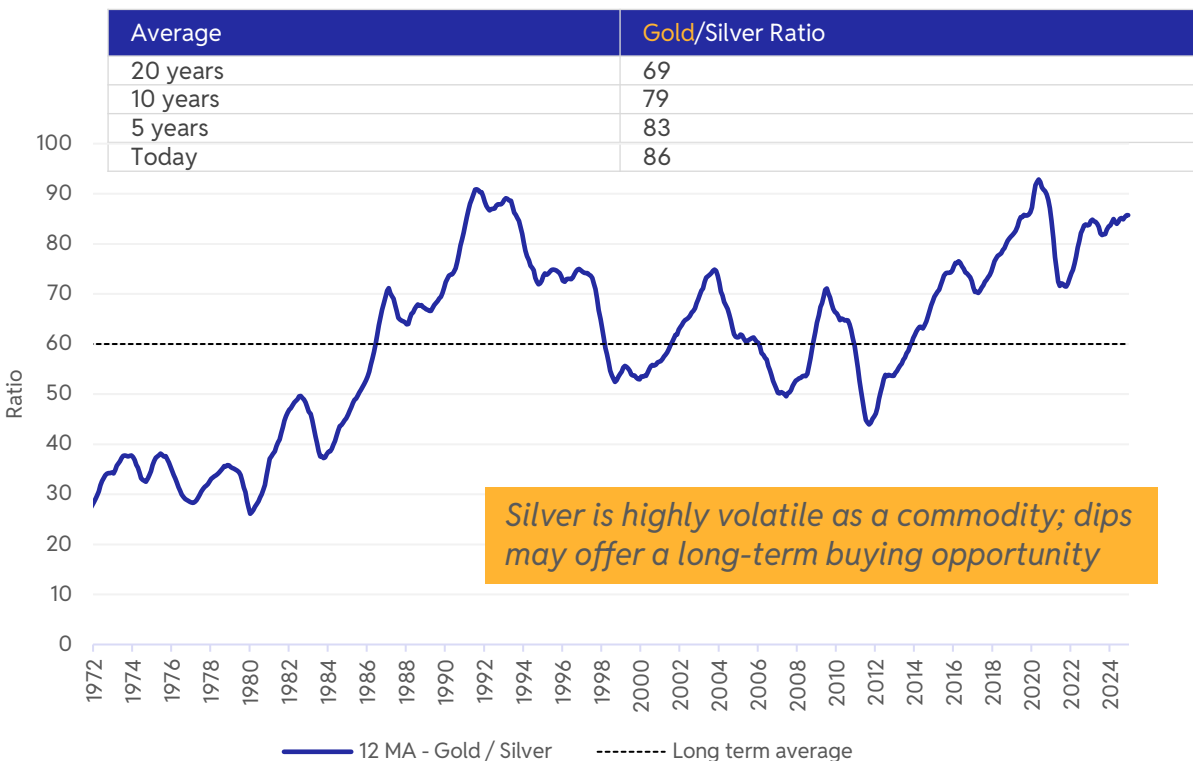
# Commodities: Still Positive Precious Metals, Silver May Have More Space

Given that some equity volatility is expected as Trump policy framing starts, Gold still has more space. Separately, if inflation comes back (given strong US growth, early Fed cuts), Gold will offer a good hedge



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

...Silver is likely to be resilient in the current macro landscape. Robust industrial demand led by the solar sector could drive prices, as silver demand from the photovoltaic industry has grown from 6% of total demand in 2015 to over 19% in 2024.



Source: Bloomberg, Ionic Wealth, Data available as on Feb,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

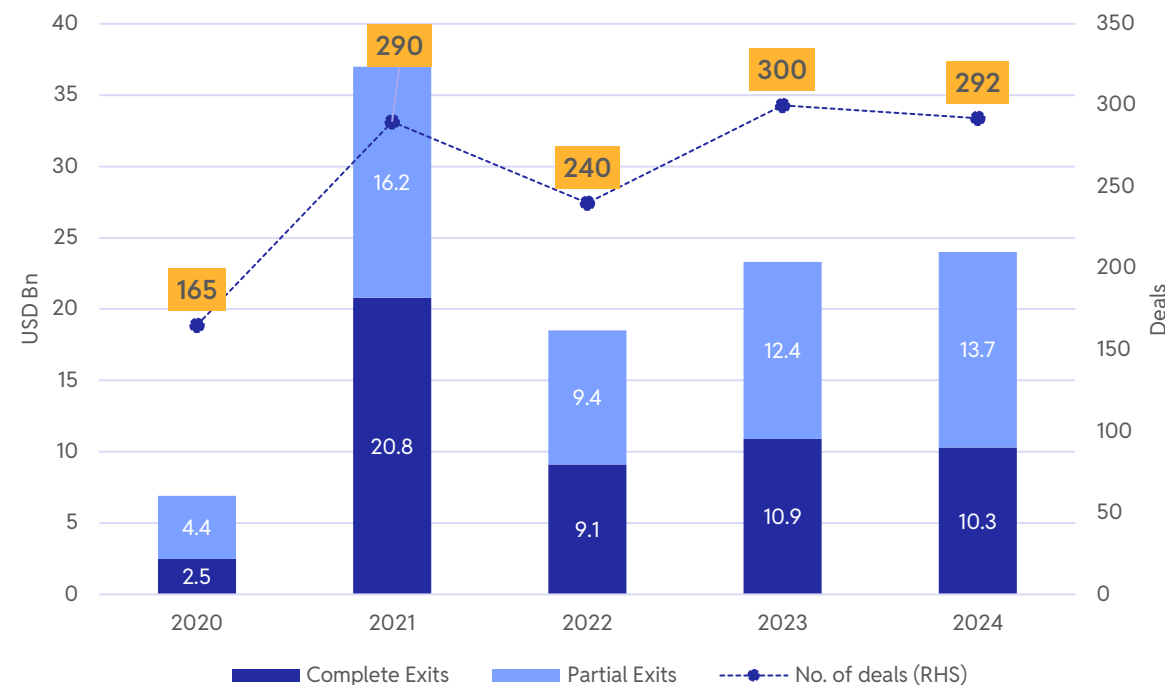
Further dollar strength, growth improving for good without inflation

## Data to watch

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

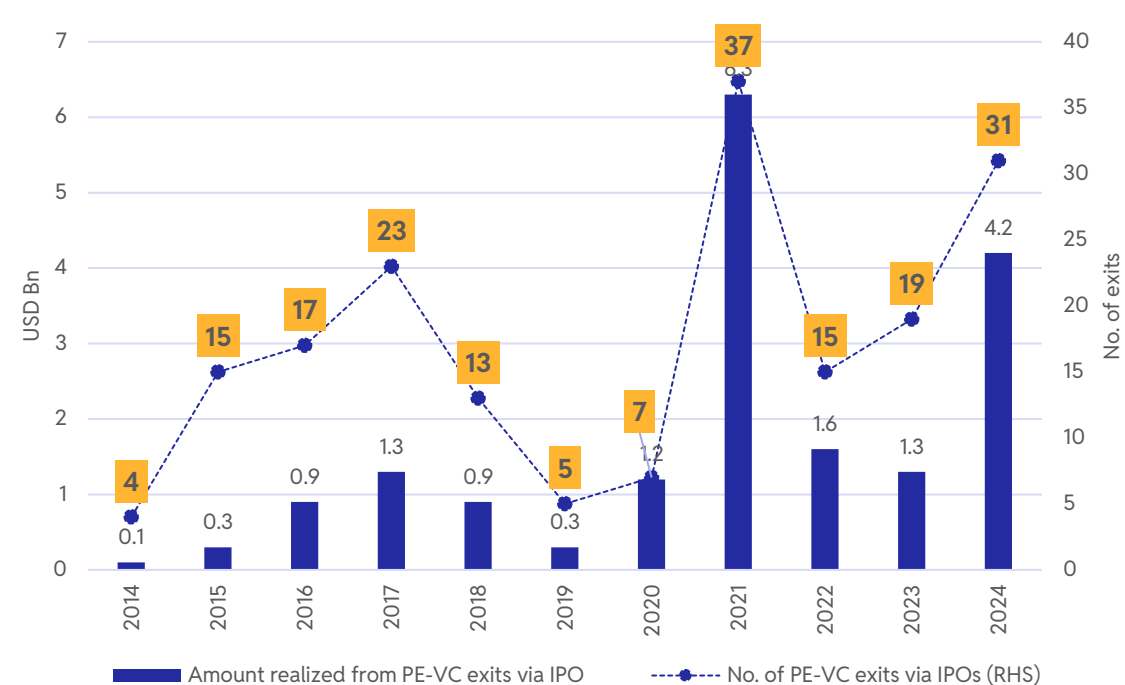
# Unlisted Equities: Revival in Late-stage funding coupled with AI Boom

The value of Private Equity exits in India increased by 3% in 2024 with exits worth USD 24.0 Billion (across 292 deals) compared to USD 23.3 Billion (across 300 deals) in 2023.



Source: Venture Intelligence, Ionic Wealth, Data available as on Feb,2025

Overall, 31 IPOs saw PE-VC investors selling as part of the “Offer for Sale” (OFS) portion of the issues. We expect this to trend upwards in 2026 as ~80 companies have their DRHP approved for listing in the coming year.



Source: Venture Intelligence, Ionic Wealth, Data available as on Feb,2025

## Our Hypothesis

Unlisted Equity is likely to benefit in select pockets

## Drivers

Favourable taxation, reduced future expectation in listed

## Risks

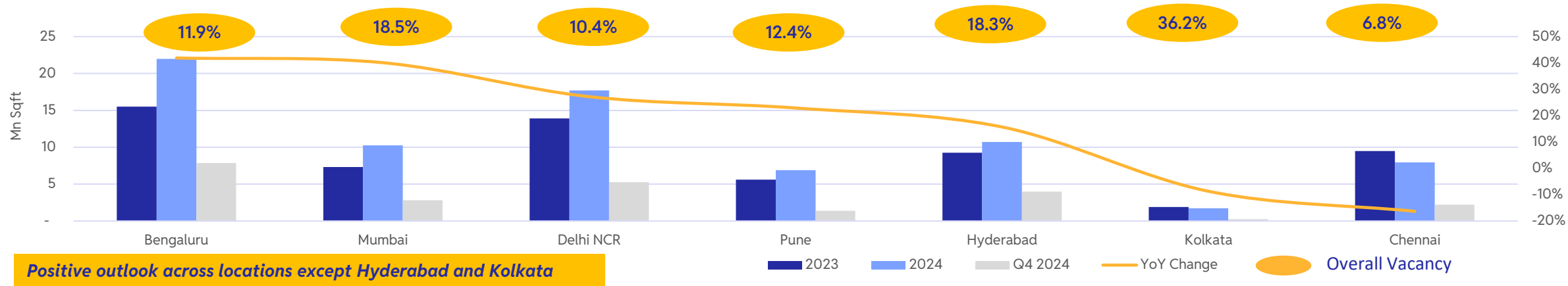
Opaque valuations, liquidity squeeze

## Data to watch

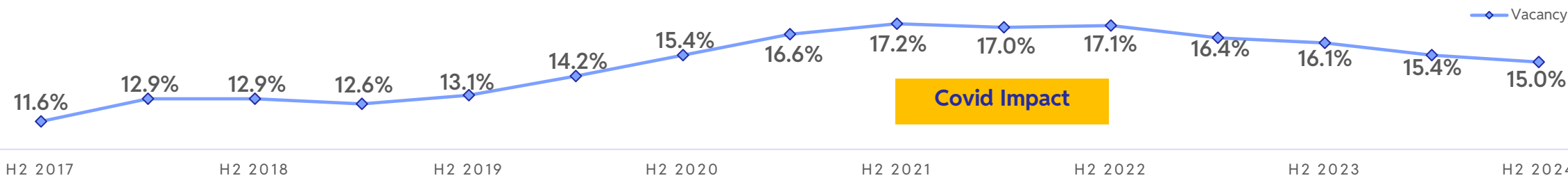
Liquidity, rate cut cycle, operational efficiencies

# 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.



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



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

### 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

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