



Asset X: Investment Strategy

September 2024



What Are We Saying?

There is more opportunity in domestic large caps

Defensives such as Consumer and Pharmaceuticals appear favorable

Long duration Bonds in India

has the stage set up for performance

Precious metals still have more runway available

Can opt for Gold and silver for commodity allocation

In Foreign Equities, US is a stable bet, China can be tactical

However, growth is yet to bounce back in China and the road ahead can be bumpy but valuations are extremely attractive

INR is likely to be range bound,

with mild depreciative bias

Unlisted Equity has become favorable

after recent tax announcements. The late stage funding is ripe, can early stage pick up?

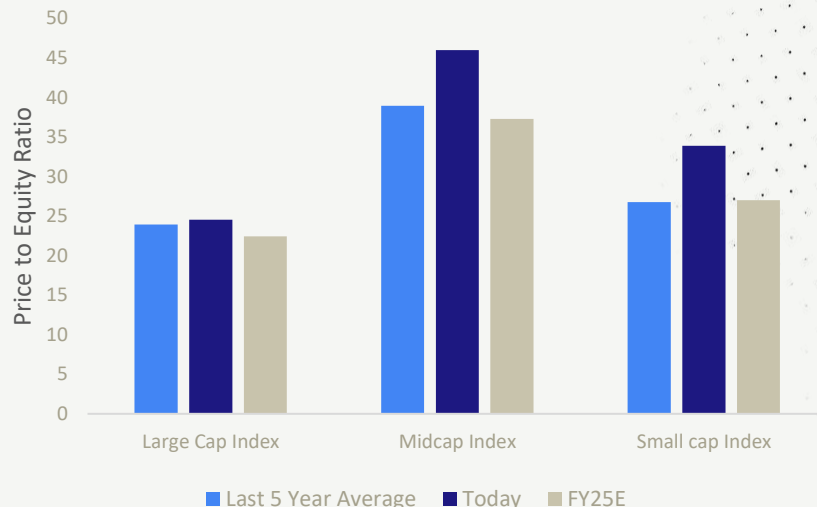
India Equity: Opportunity In Large Caps, Defensives

Earnings growth has overall slowed down but some sectors held up...

	Top line (% YoY)		EBITDA (% YoY)		PAT (% YoY)	
	FY24	Q1FY25	FY24	Q1FY25	FY24	Q1FY25
Auto	20	10	53	23	99	19
Cement	10	-2	43	-6	58	-19
Chemicals	-6	6	-23	1	-35	-5
Consumer services	17	9	13	12	12	-8
Durables	13	18	16	23	18	27
Energy	-1	11	8	5	-1	1
OMCs	-6	0	276	-64	892	-78
FMCG	3	7	8	11	8	10
Industrials	15	8	18	27	23	21
Infrastructure	23	14	32	31	35	53
IT	6	5	4	8	4	9
Logistics	1	10	-2	11	3	25
Media	27	-3	-22	-20	6	-40
Metals & Mining	-1	0	6	27	17	5
Pharmaceuticals	13	10	25	19	31	23
Private banks	17	10	14	12	18	4
PSU banks	14	5	8	3	40	17
Non lending financials	41	44	45	54	50	33
NBFC	20	21	27	22	25	16
Telecom	7	7	13	4	47	-1
BSE500	5	7	20	5	29	1

Source: Capitaline, Nuvama research Angel One Wealth, Data as on Aug, 2024

... with valuations offering more comfort in large caps, alongside stable earnings



Source: Bloomberg, Angel One Wealth, Data as on Aug, 2024
Large cap=Nifty 50 ; Mid cap=Nifty Midcap 150 ; Small cap=Nifty Smallcap 250

Our Hypothesis

India is in a mid to late stage bull run, go for large caps, defensive sectors

Drivers

Valuations, global risk-off sentiment, fall in global demand, reducing corporate earnings

Risks

Domestic growth surprising to upside, favourable geopolitics, flows and liquidity

Data to watch

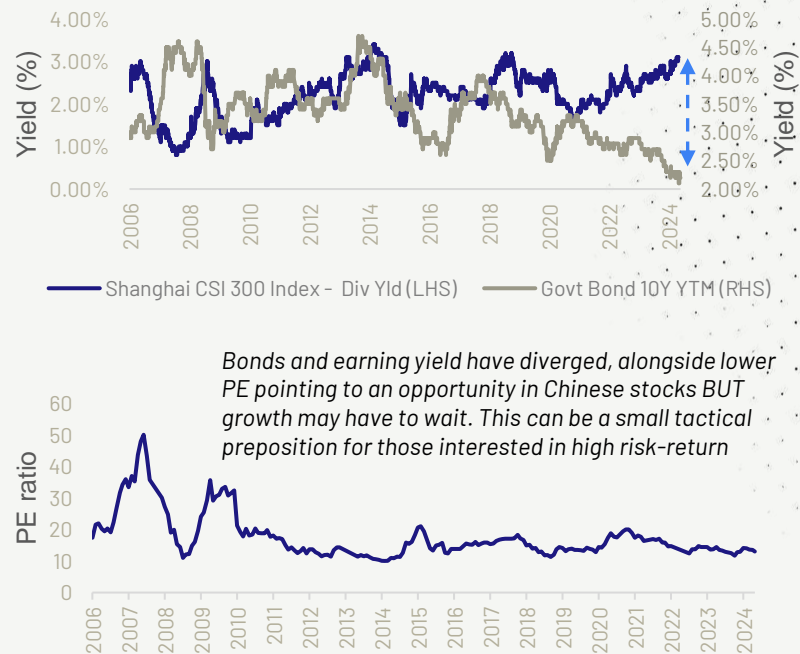
Earnings, interest rates, geopolitics, sentiments, FII and DII flows, demand

Global Equities: Stable US, Tactical China

US: Good Growth, High Valuations



China: Cheap Valuation, Missing Growth



Source: Bloomberg, Angel One Wealth, Data as on Aug, 2024

Our Hypothesis

US is a stable bet but China can be a tactical, long-term bet hereon albeit with a high risk

Drivers

Cheap Chinese valuations, minor uptick in data, Fed rate cuts giving room for expansion in China

Risks

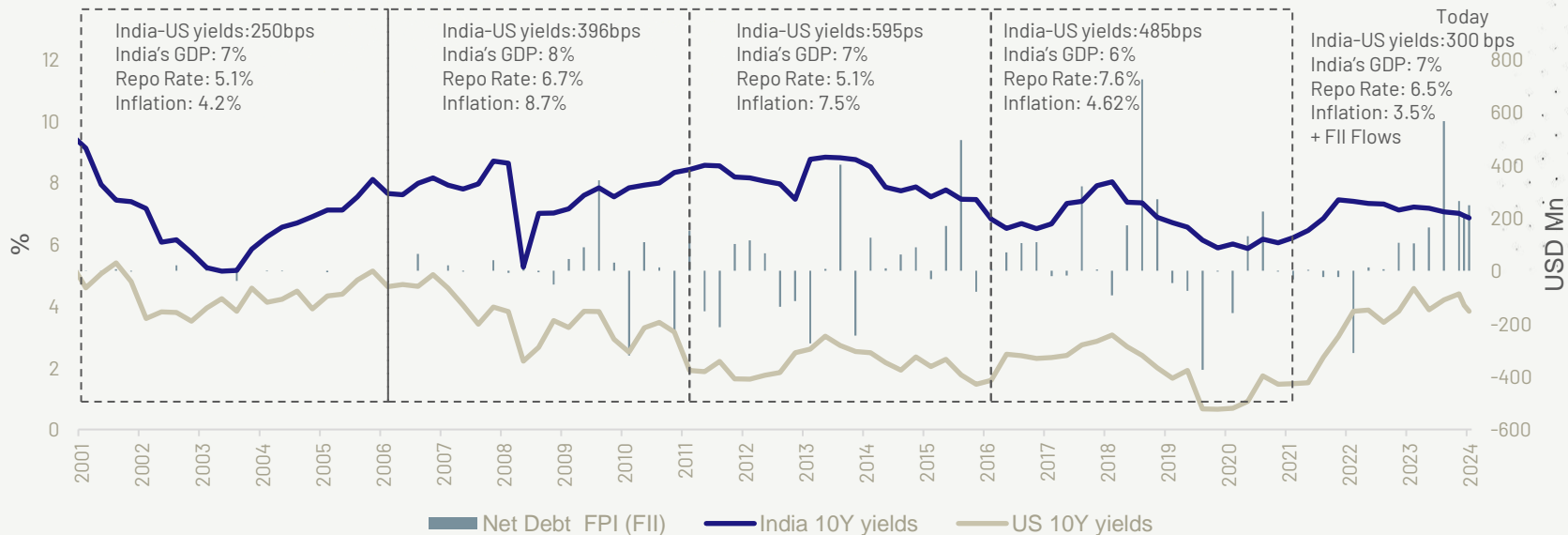
Growth not picking up, Trump's victory and tariffs

Data to watch

US election polls, monetary and fiscal policy of China, rest of the world moves towards US

India Debt: Go Higher On Duration

Indian yields have been stagnant for far too long, there maybe a paradigm shift with stable FII money coming in



Source: World Bank, Angel One Wealth, Data as on Aug, 2024

Our Hypothesis

Mid-to-long duration debt is likely to outperform, yields will ease from current levels

Drivers

Increased demand, onset of global rate cut cycle, robust domestic fundamentals

Risks

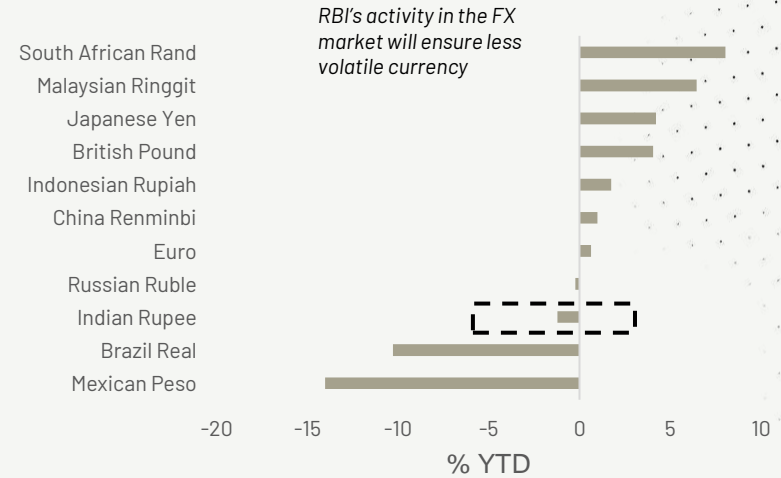
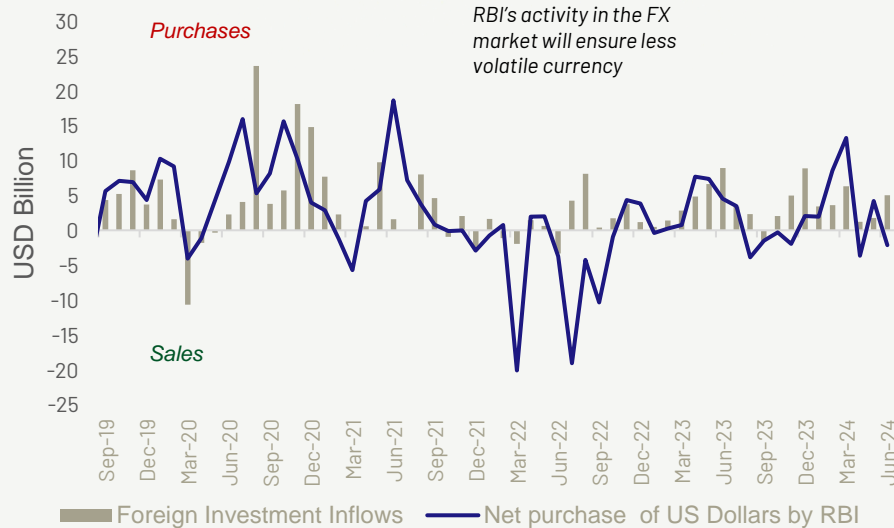
Domestic/US growth & inflation remaining higher, geopolitics

Data to watch

RBI policy, high frequency data, more FII inclusions

FX: All Hail Central Bank, Expect INR To Be Range Bound

INR is expected to remain range bound with slight depreciation bias as RBI continues to cushion it against shocks



Source: Bloomberg, Angel One Wealth, Data as on Aug, 2024

Our Hypothesis

INR is expected to be range bound with mild depreciation, but no outsized depreciation

Drivers

RBI action, cushion from FX, FII flows as Dollar Index weakens, bond indices inclusion

Risks

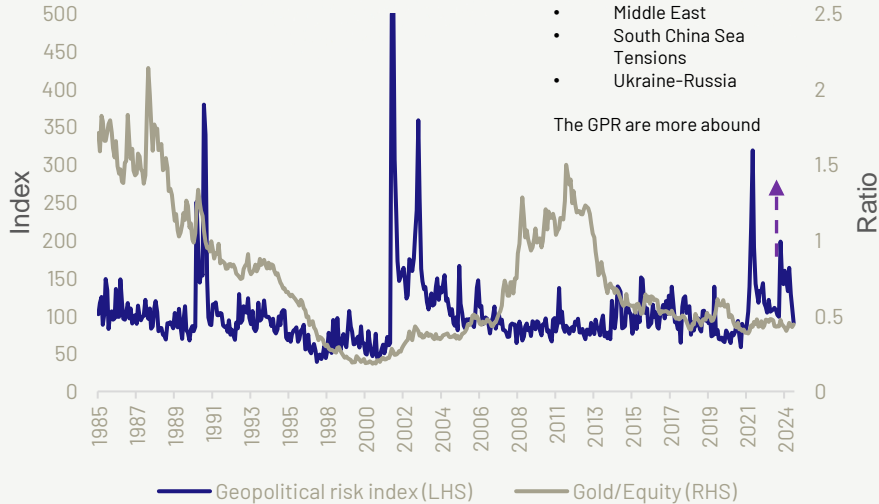
Dollar strength, complete risk off and drying of EM liquidity

Data to watch

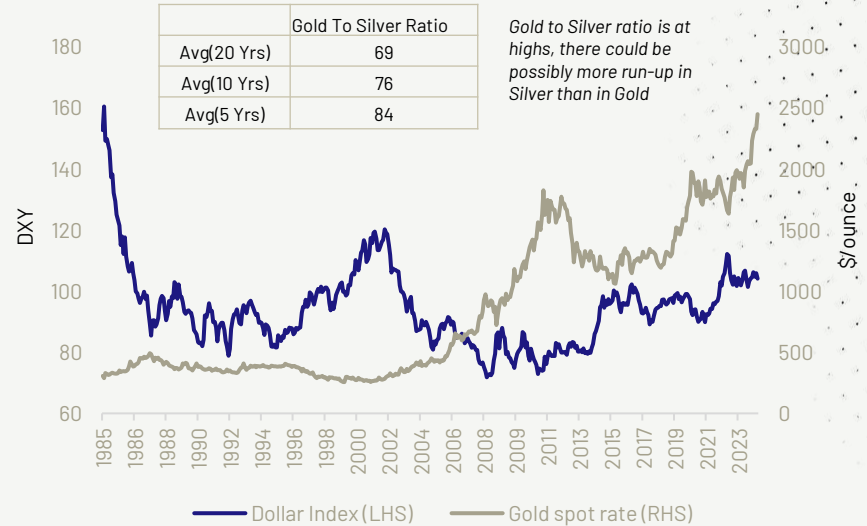
FX reserves, flows, DXY, geopolitics, inflation differential, yield movements

Commodities: It Continues To Be A Precious Time

Geopolitical risk leads to outperformance of Gold...



...and dollar weakening is also a positive Gold signal



Source: Caldara, Dario and Matteo Iacoviello (2022), "Measuring Geopolitical Risk". GPR Index is calculated by counting the number of articles related to adverse geopolitical events in each newspaper.

Our Hypothesis

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

Drivers

Chinese demand, weaker dollar, increased risk-off sentiment, geopolitical risk, high equity vals

Risks

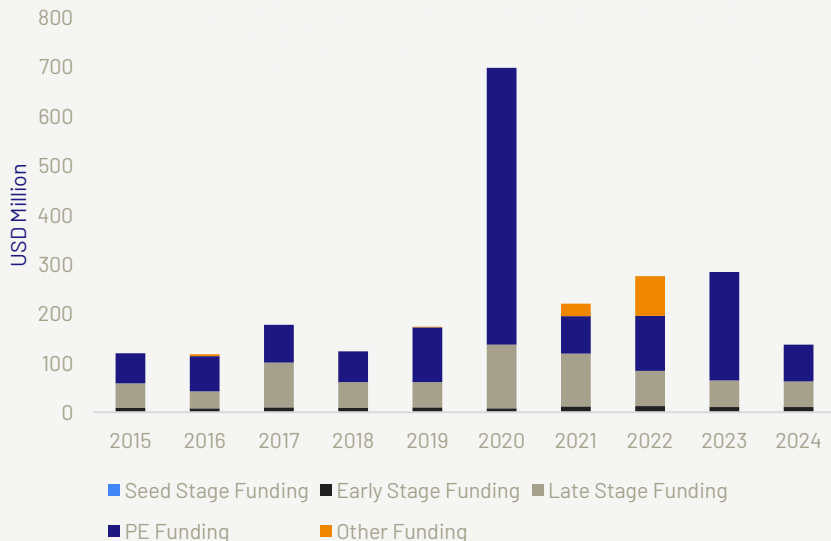
Dollar strength, growth improving for good

Data to watch

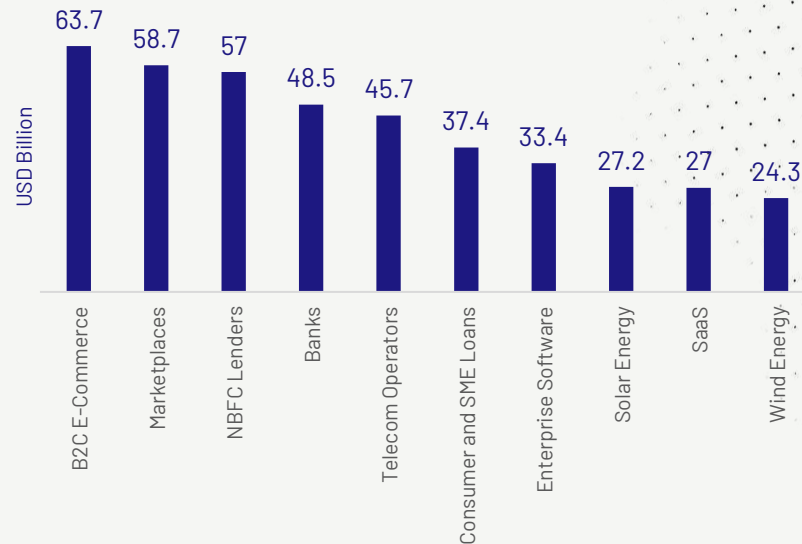
Sentiments, DXY, demand from Chinese central banks

Unlisted Equities: PE Funding Has Been The Backbone, What's Next?

India's PE market is as big as China but VC market is much smaller, can it change?



The funding summer has rewarded ecommerce, marketplaces, FS, tech and sustainable energy



Source: TracXn, One Wealth, Data as on Aug, 2024

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

Please get in touch with us for more details at hello@aowealth.in

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