

**IONIC WEALTH**  
BY ANGEL ONE

# The Investing Pantheon

March 2025



“The Investing Pantheon”, harmonizes timeless wisdom with modern innovation. Just as the ancient Pantheon stands as a sanctuary for all Gods, our Investing Pantheon embraces comprehensive topics in investing, across asset classes and styles

---

# What Are We Saying?

Global policy vulnerability continues as new policies are being designed and redesigned. Now all eyes are on April 2 when reciprocal tariffs are to be implemented on 15 countries with trade surplus, popularly coined as “dirty 15”. 2025 continues to be the year of asset allocation and there are investing opportunities for an asset allocator’s portfolio. Asset allocation creates the right backdrop to avoid behavioural biases in times of volatility.

## US : Economic strength is fading in soft data, hard data more resilient but uncertainty is spiking

Global investors are dealing with unprecedented uncertainty and therefore the predictability power of macro data is hindered given unusual behavior such as import boom to avoid tariffs later. We maintain a stable but staggered call on US allocation

## Chinese outperformance to likely continue

The Hang Seng Tech index has outpaced the Nasdaq 100. Given the valuations and business moat, there’s continued uptick that is possible in Chinese equities. However, volatility from Trump policies can not be discounted

## Global policy is now more important than ever

The policy making of Trump and how the countries retaliate will be the most important driver of asset classes hereon. We continue to keep a sharp eye on this space.

## Europe: Rising like a phoenix

EU has the right monetary + fiscal plan in place. The problem is that it hasn’t delivered investor returns despite picture perfect macros in the past. Can this time be different? We think so.

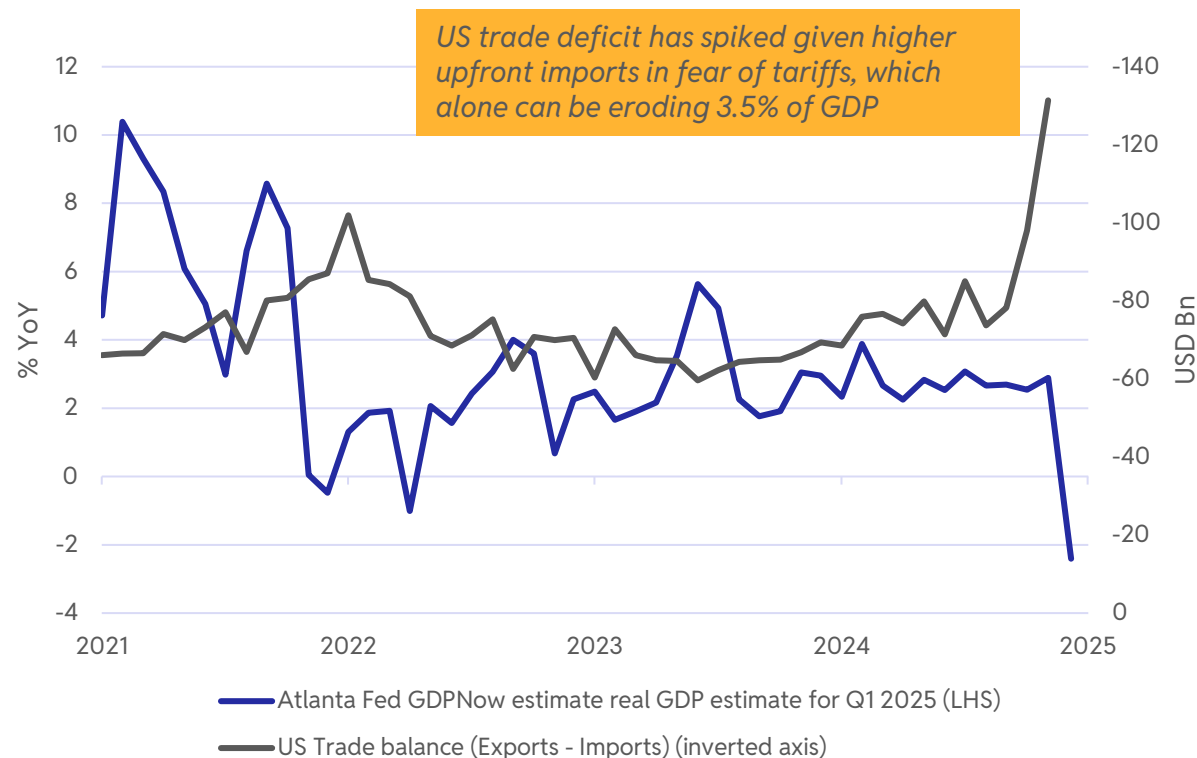
## India: Valuation comfort + turning economic data

The high frequency data is showing green shoots, but it is not very broad based. Monetary reflation continues to be the need of the hour, so all eyes will be on RBI’s policy. Like previously said, NIFTY 50 at ~22000 became our reasonable valuation zone and we had initiated a 100% equity deployment call

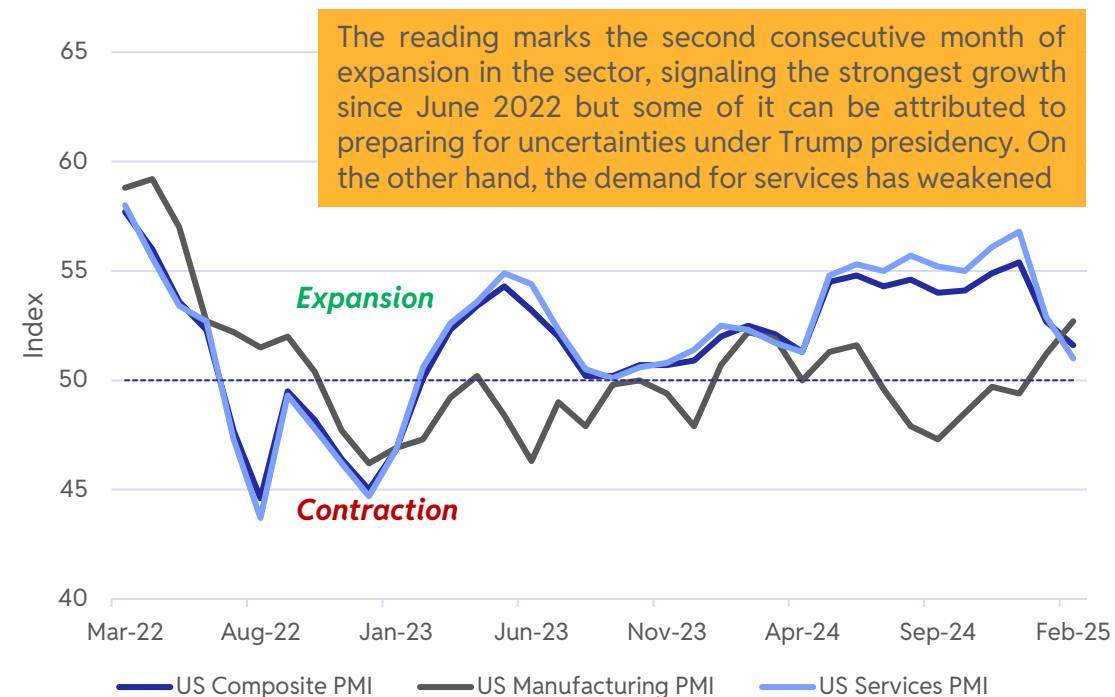
2025 will be an interesting year for asset allocators. Global policy landscape will create opportunities across assets. Equity also is likely to offer good buying opportunities, with global equities now looking more promising. Domestic equities also got within our comfort zone and we initiated a 100% deployment. All eyes on RBI’s MPC and Trump policy- expect a volatile start to April

# US Growth Outlook: Optimism Fading ?

The Atlanta Fed's GDPNow estimate now predicts the U.S. economy will contract 2.8% in the first quarter.



Manufacturing PMI rose to 52.7 in February, surpassing the preliminary estimate of 51.6 but services PMI is not doing so well



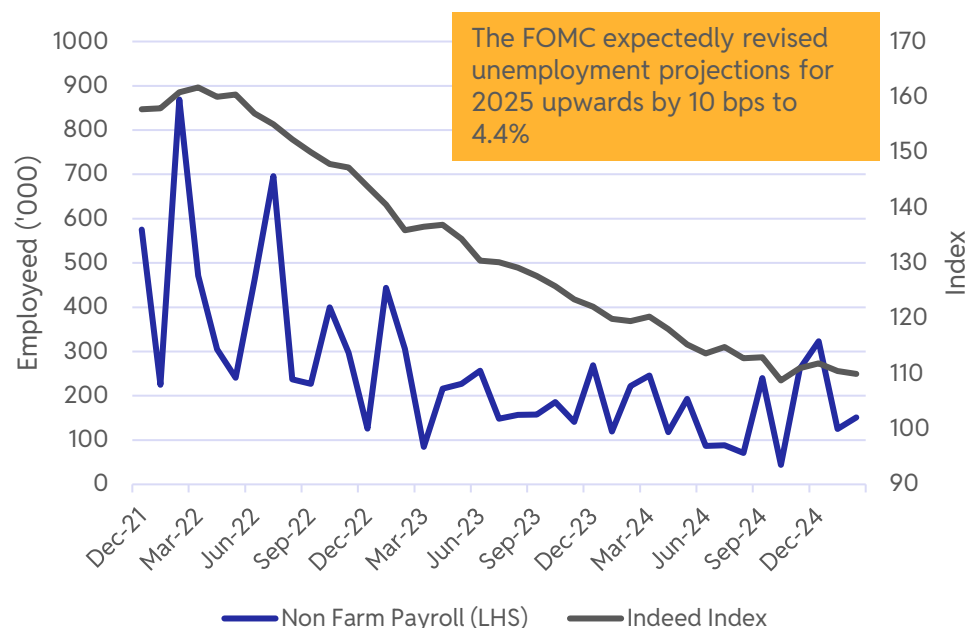
Source: Bloomberg, Ionic Wealth, Data available as on March, 2025

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

Recent “soft” data continues to flash warning signs. The US economy may now be headed towards a period of uncertainty as indicated by a string of troubling economic indicators, including declining GDP growth, stagnant private investment and an unprecedented rise in the debt-to-GDP ratio. Structural adjustments in the US economy proposed by Trump administration could potentially lead to long-term gains, they however come with significant short-term challenges. The Fed has marked down the outlook for economic growth for 2025 from 2.1% to 1.7% as uncertainty around the economic outlook has increased.

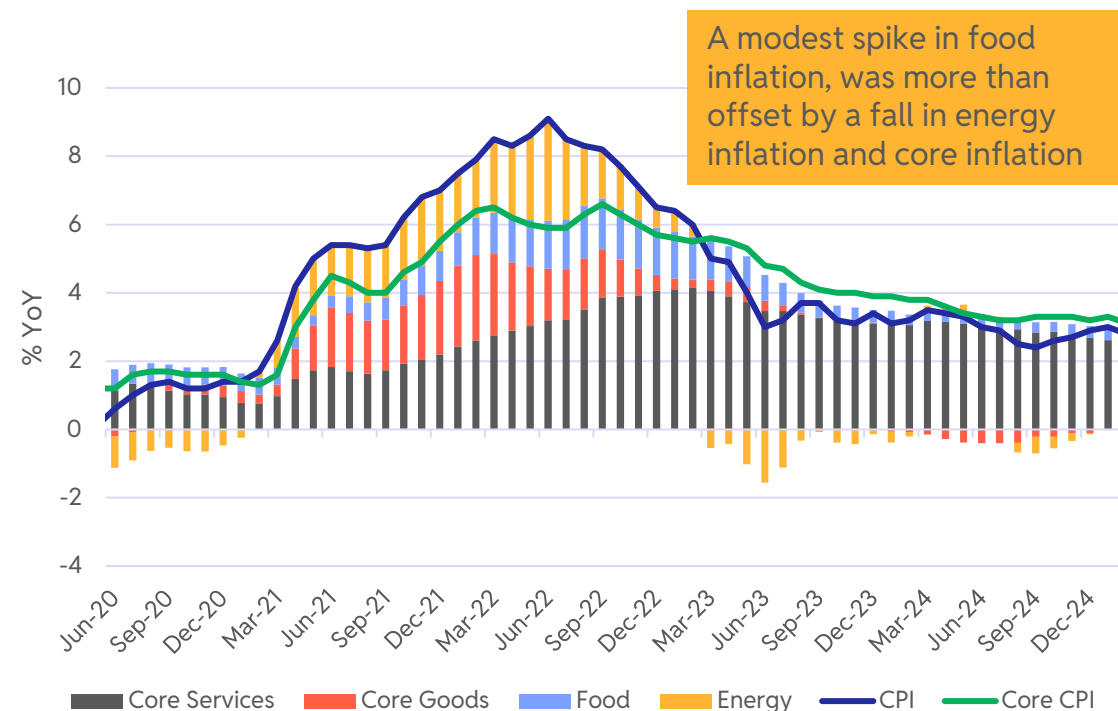
# Inflation And Jobs Data: Turning Unfavorable But Not Worrying

US non-farm payroll employment increased by 151k in February, just slightly below expectations of 156k, and broadly in line with the 12-month average of 168k.



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

While headline CPI inflation for Feb-25 has eased 20 bps to 2.8%, the gap of 80 bps from the target and the potential impact of tariffs remain risk factors.

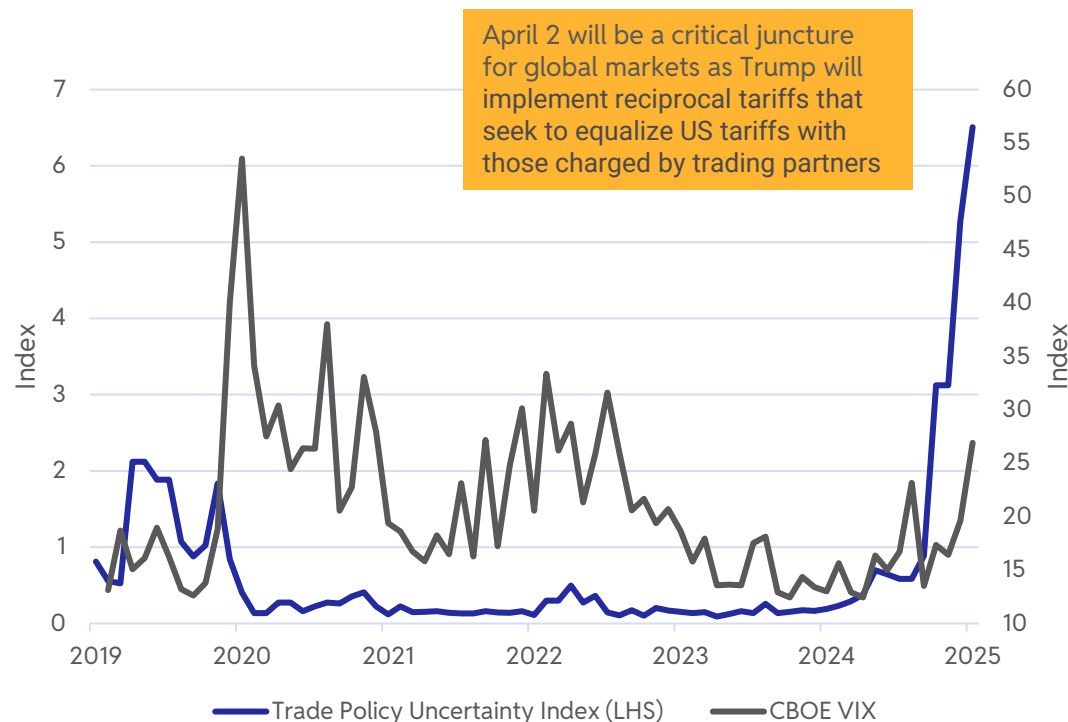


Source: Bloomberg, Ionic Wealth, Data available as on March, 2025

The Trump administration’s DOGE cuts will likely nudge the unemployment rate higher in coming months but it is expected to remain historically low. Inflation improved in February but is still high and tariffs could push it higher. At the same time, ongoing tariff threats as well as sharp cuts to government spending and jobs have hit consumer and business confidence, which could weigh on the economy. The Fed implemented three cuts (~100 bps) last year and has signaled at the March FOMC meeting that they still expect 2 more cuts in 2025, but will not act until the economic outlook becomes clearer.

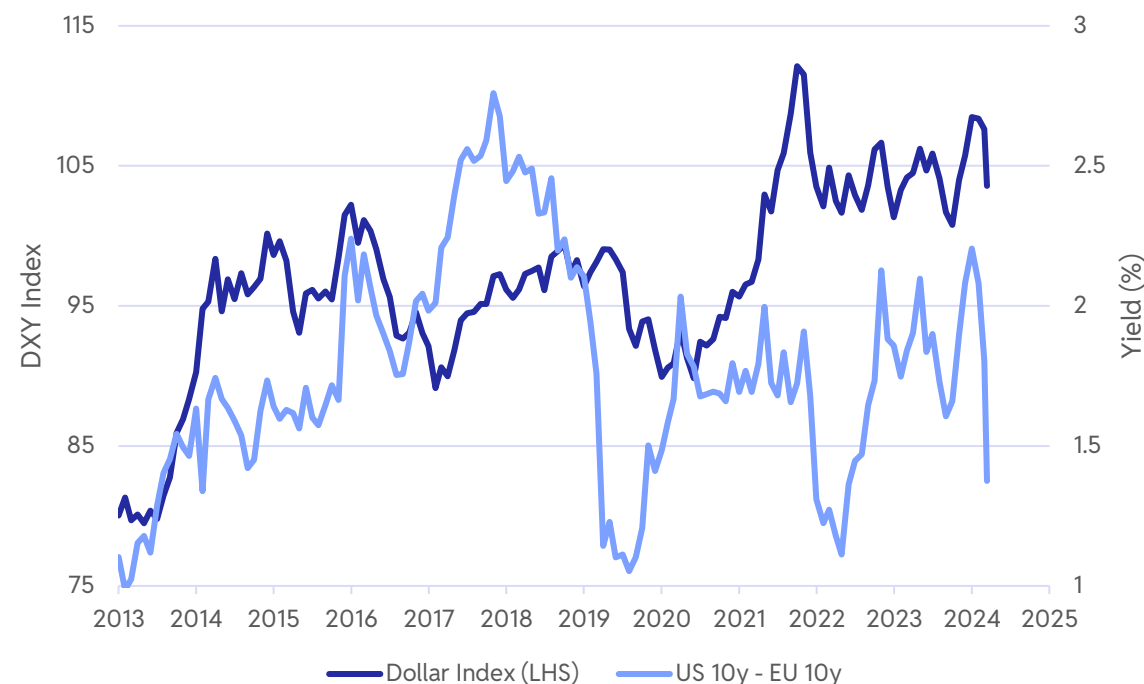
# Trump Trade Policy Sows Uncertainty

The on-off nature of the trade policies has fueled uncertainty in markets, and has sent the VIX to its highest level since August



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

The Dollar index is currently down almost 6% from the peak of 110.17 touched in mid-January, as EU picked pace and fears of growth slowdown in US and dovish Fed reignited



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

On one hand we see a "sharp re-rating lower" of U.S. assets on the back of tariff volatility and the environment of broader policy uncertainty created by the new administration, while on the other we see a "sharp re-rating higher" in the fiscal impulse in Germany. Together, these two shifts pose a significant challenge to the narrative of U.S. exceptionalism that has been a dominant market theme.

# Trump Tariffs Push For Global Trade Rebalancing

Imported goods totaled USD 2.9 Tn in 2024 with China, Canada and Mexico accounting for more than 40% of that volume. It's these top trading partners that Trump has frequently criticized.



Source: US Census Bureau, Ionic Wealth, Data available as on March, 2025

Seven of Asia's largest economies (excluding China and Japan) tariff American exports to their countries at a higher rate than the US currently tariffs their exports

Trading Partner	Country's tariffs on US Exports (%)	US Tariffs on Countries Exports (%)
South Korea	13.6	1.9
India	10.5	2.7
Thailand	4.8	1.7
Philippines	3.9	2.1
Taiwan	1.6	0.7
Malaysia	1.4	0.7
Vietnam	3.3	3.1

Source: Visualcapitalist, Ionic Wealth, Data available as on March, 2025

Asia is home to seven countries that run the biggest trade surpluses with the United States. After Trump's 10% blanket tariff on Chinese goods, China hit back with new duties on an array of U.S. agricultural products. Moreover, US duties on steel and aluminum also drew swift retaliation from major trading partners like Canada. Despite these reactions, Trump has also promised "reciprocal tariffs," which typically refer to one-for-one taxes on individual countries. We're yet to see the tariff talks take a break as global economies figure their way around Trump 2.0

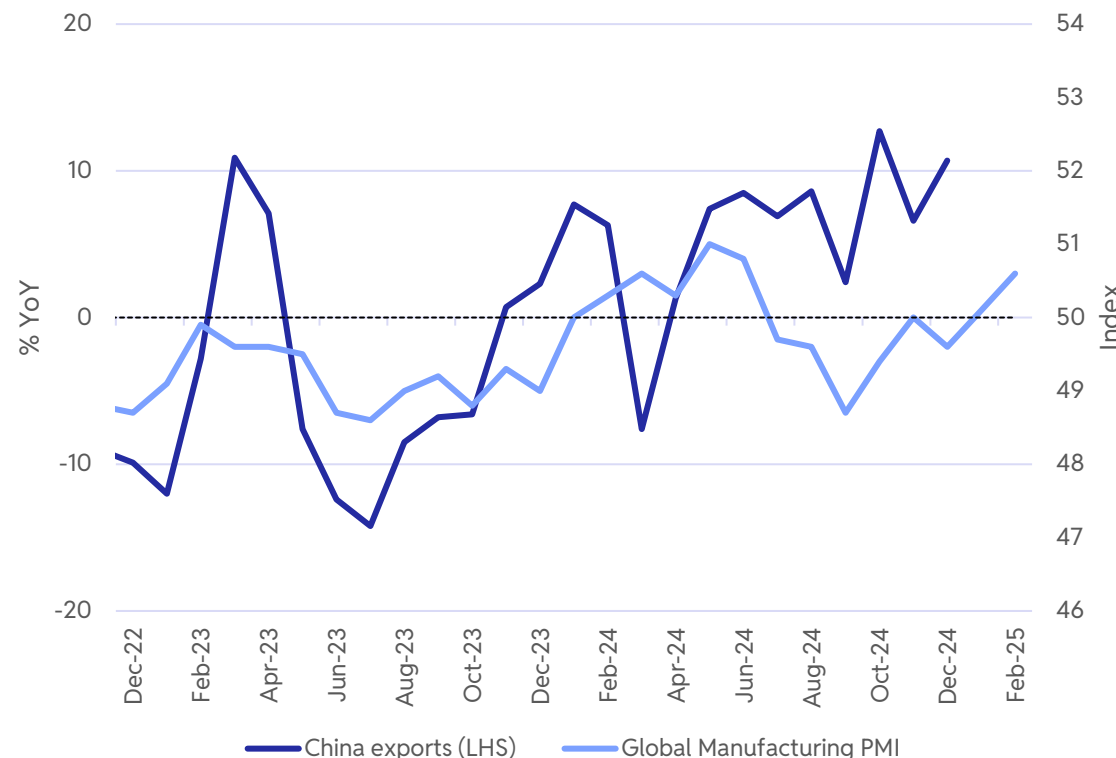
# China Economic Pickup Tops Forecasts Before Tariff Pain Deepens

China's manufacturing PMI rises to 50.2 in February, signaling accelerating production activities, attributable to business resumption after the Spring Festival holiday



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

Front-loading of shipments abroad has been supporting industrial production at the start of the year as exports reached USD 540 billion in the first two months of the year

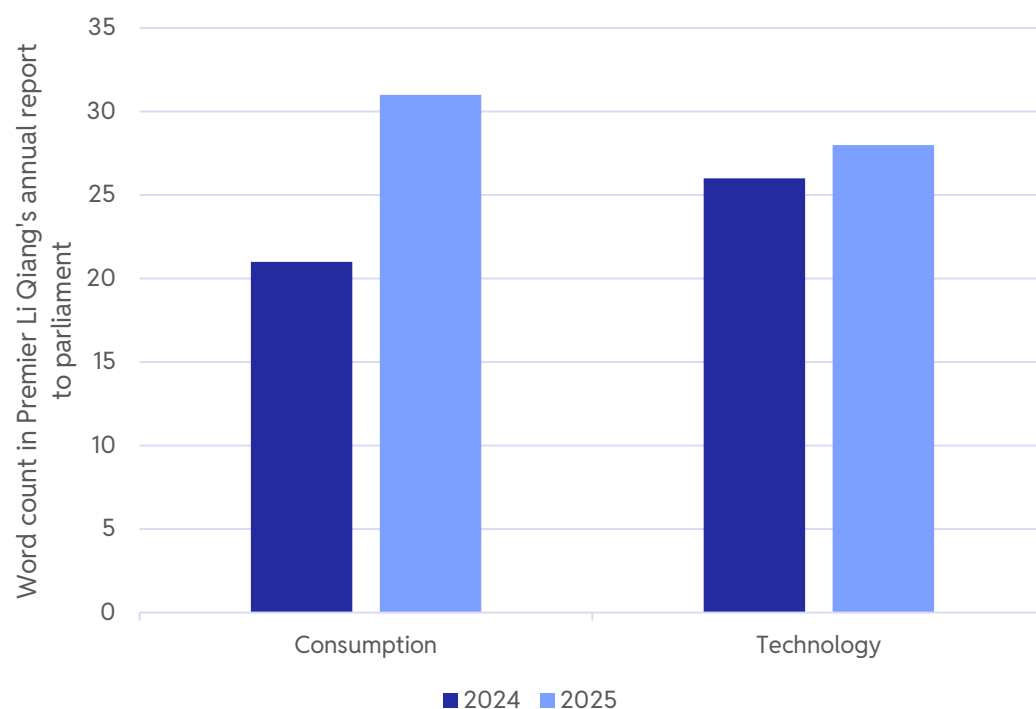


Source: Bloomberg, Ionic Wealth, Data available as on March, 2025

China's non-manufacturing PMI rose by 0.2 percentage points to 50.4, and the composite PMI climbed to 51.1, rising by 1 percentage point from the previous month. With all three gauges returning to expansion territory, it is suggested the overall economic prosperity level of the country is improving. China's February PMI rise reflects strengthening market demand and expanding production activities nationwide, driven by policy measures to stimulate economic growth.

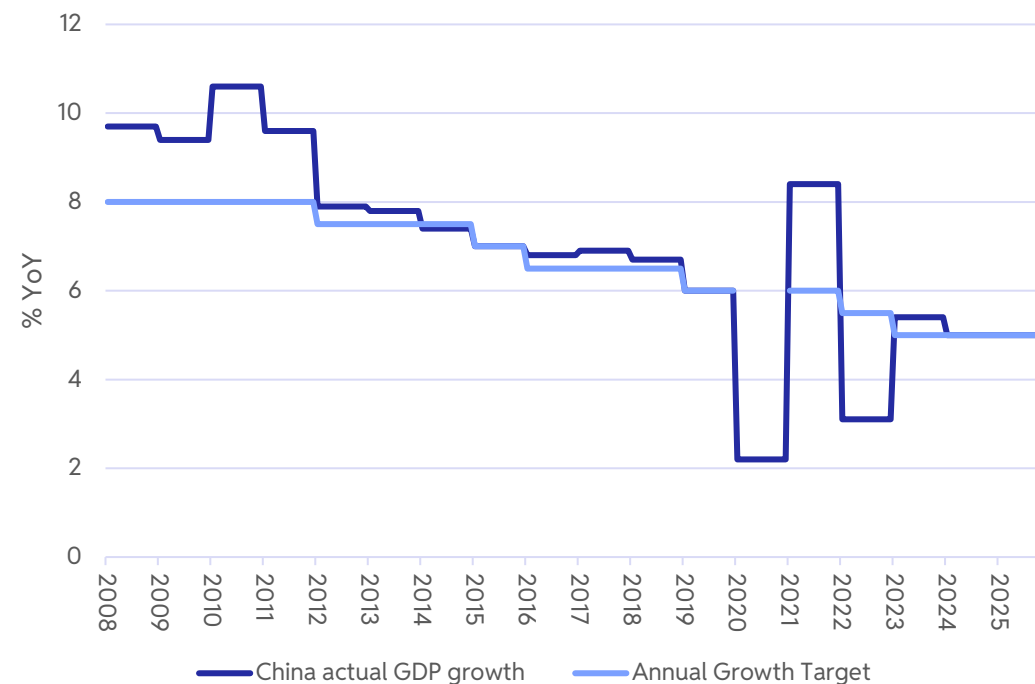
# China Launches Action Plan To Spur Consumption

The plan's objectives are to “vigorously stimulate consumption” and “comprehensively expand domestic demand” as the consumption theme takes center stage



Source: Guotai Junan, Ionic Wealth, Data available as on March, 2025

China is keeping its economic growth target at around 5% for 2025. It has more often than not beat the target it sets for GDP growth, can it still continue the trend?



Source: Reuters, Ionic Wealth, Data available as on March, 2025

The list of actions features promoting income growth at the top, followed by supporting consumption capacity, enhancing service consumption and upgrading major consumer goods. In addition, the document pledges to "stabilize the stock market" and "accelerate the entry of long-term capital" to increase financial income, positioning stocks as an alternate source of household wealth amid a prolonged property market downturn.

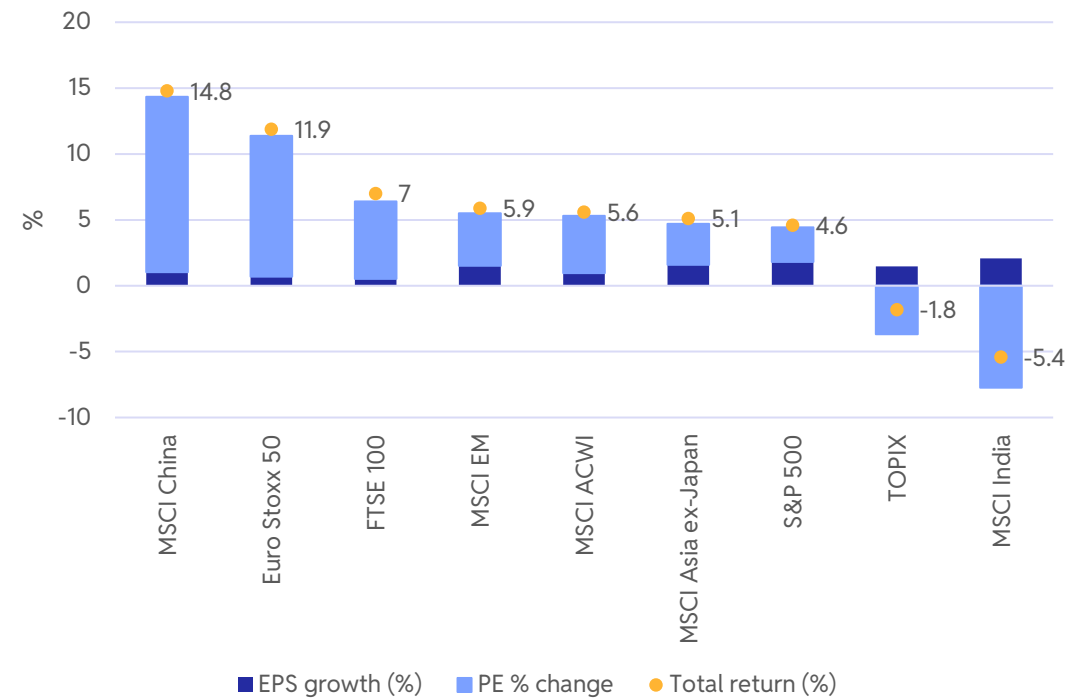
# Markets Leading Macro Data As Momentum Builds In China

China's outperformance of 11% in February vs -0.4% for APAC and -0.6% for the FTSE All-World Index was encouraging for investors



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

The year-to-date gains have largely been driven by valuation expansion fueled by positive sentiment around recent AI developments and turning macroeconomic data. **Earnings growth will be critical for sustained revival.**

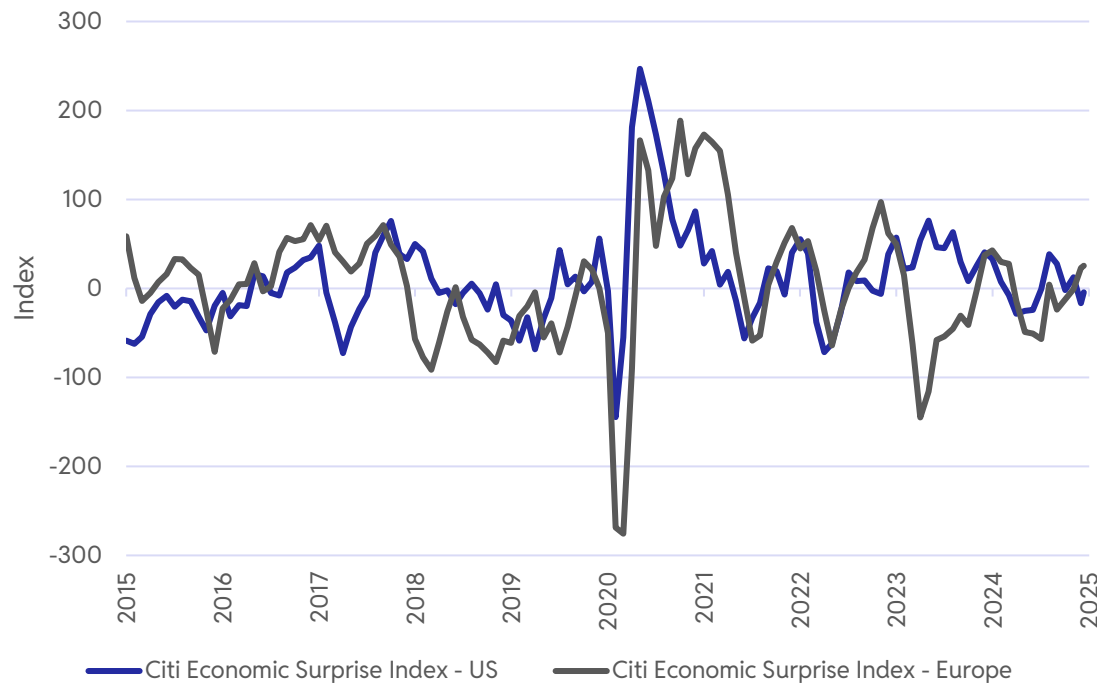


Source: J.P. Morgan Private Bank, Ionic Wealth, Data available as on March, 2025

Optimism around Chinese AI advancements and positive earnings prospects for consumer tech products and EVs were the main drivers. The Hang Seng Index has surged nearly 20% this year, reflecting renewed confidence in China's economic prospects. A significant boost came from DeepSeek, which has made waves with its R1 reasoning model. China's resurgence is shaping up to be one of the defining investment narratives of the year. While tech advancements have been emphasized upon, turning trends in China's consumption resurgence has wide ranging potential which must not be overlooked.

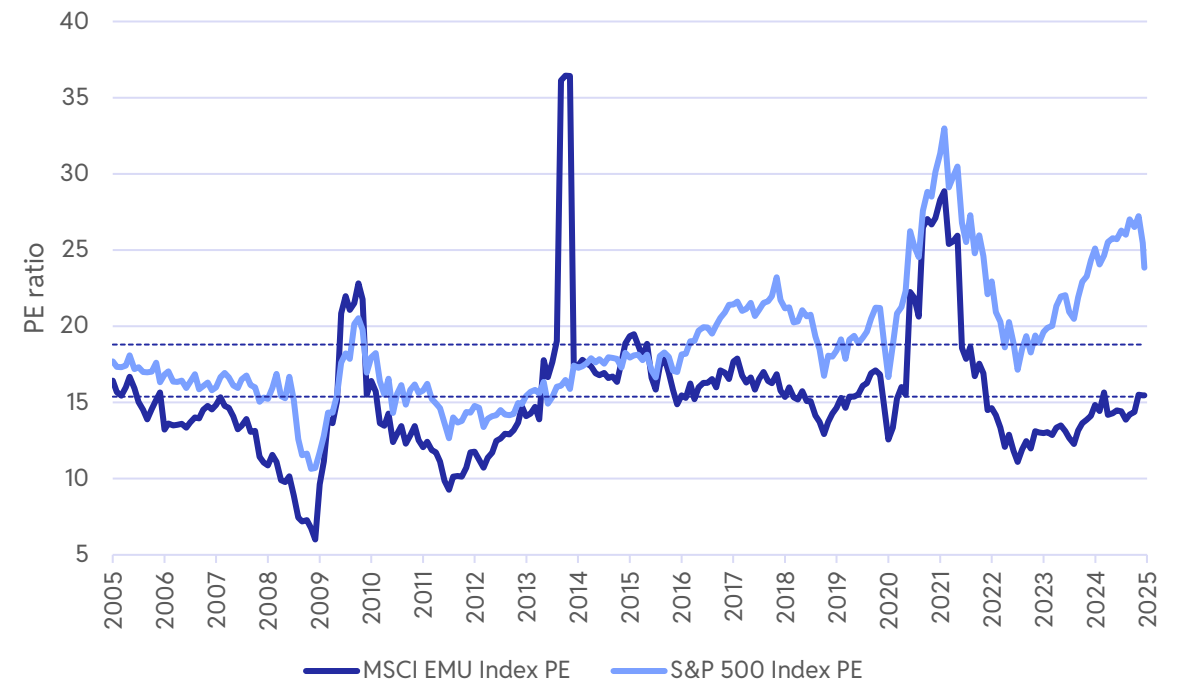
## Europe: Opportunity or Value Trap?

There has been positive economic surprise in the eurozone and negative economic surprise in the US



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

There's a widening valuation gap between EU and US. The switch in Europe/US stock market performance is likely to be amplified by the switch in fiscal impulse.

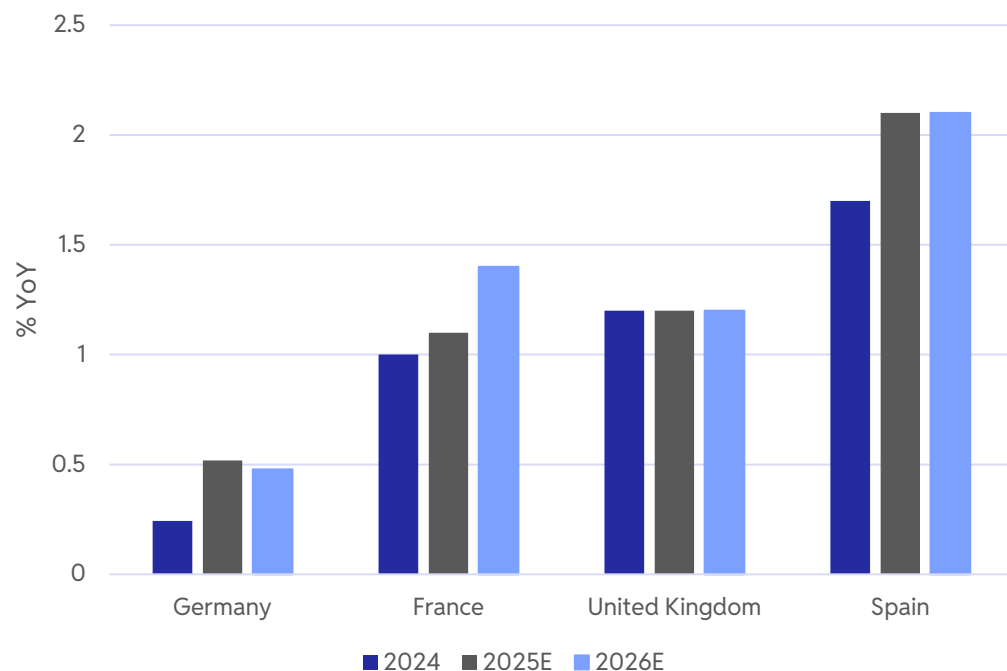


Source: Charles Schwab, Ionic Wealth, Data available as on March, 2025

Monetary policy in the eurozone is expected to be more accommodative than monetary policy in the US going forward. Earnings momentum, while negative, has been improving in the eurozone while earnings momentum in the US hasn't. Valuations are relatively low in the eurozone but very high in the US. European stocks are leading the global markets this year, with double-digit gains of over 11%. This more than doubles the total return of the S&P 500 Index at 4.6% year to date.

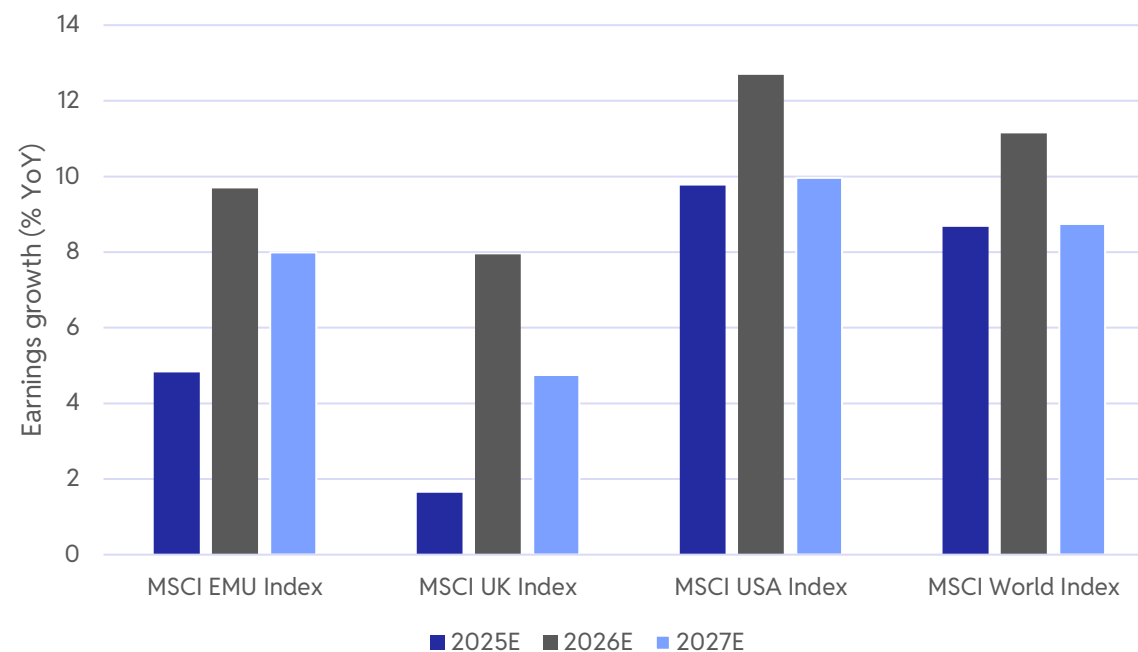
# Europe's Strengthening Is Backed By Earnings Growth

European economic growth has been sluggish but is on the path to improvement from a low base. Faster growth in Germany would be positive for the region overall



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

Company Earnings Growth Improvements Could Spark a Re-Rating

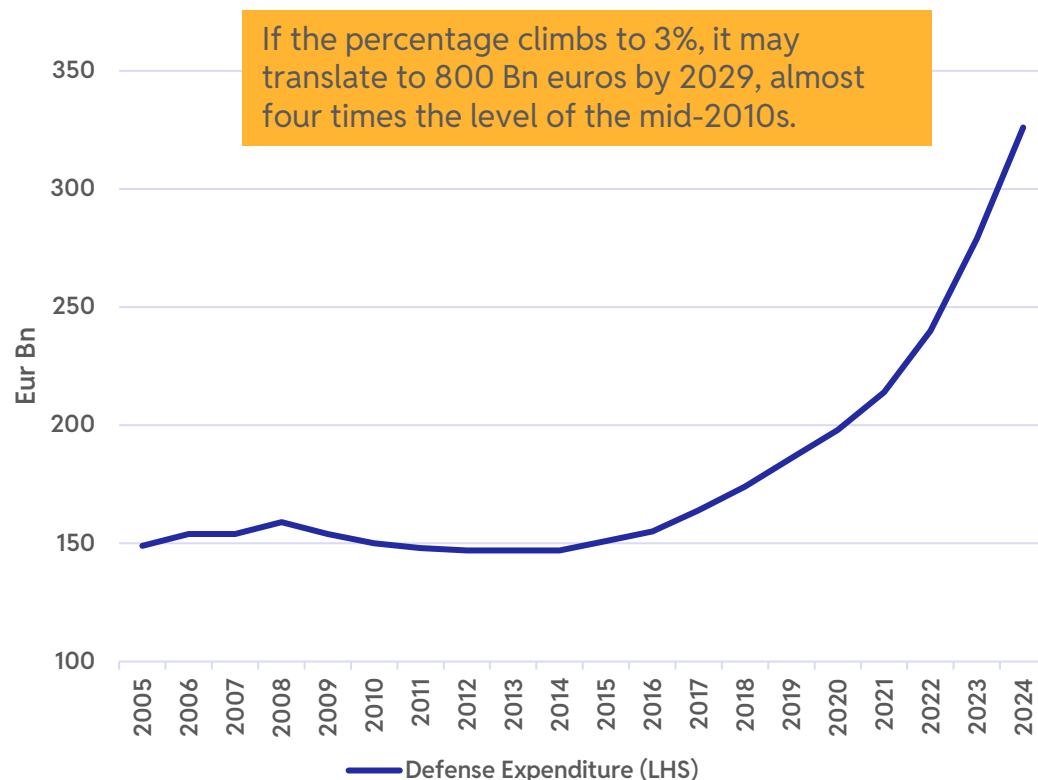


Source: Franklin Templeton, Ionic Wealth, Data available as on March, 2025

For global value investors, Europe remains fertile ground for finding companies trading at cheaper valuations while offering solid or improving global businesses that could eventually spark a re-rating. Corporate earnings growth for the region could get a bounce in the coming years. While 2024 closed with sluggish economic growth, forecasts for 2025 are more promising, with a slight pick-up in activity, stabilizing inflation, and resilient private consumption expected to drive growth.

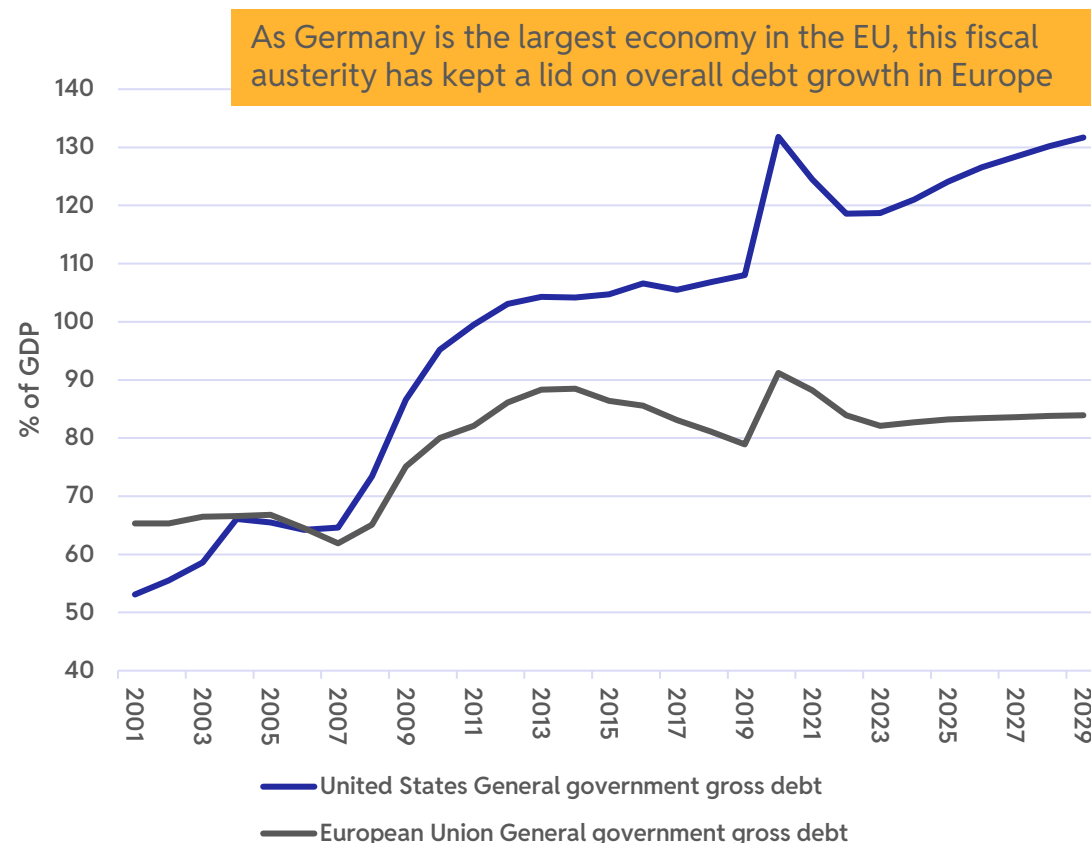
# And Fiscal Moat In Europe Is Picking Up

Europe's defense spending climbed above 2% of GDP for the first time in 2024



Source: European Council, Ionic Wealth, Data available as on March, 2025

Public debts in the U.S. and eurozone have been trending in different directions

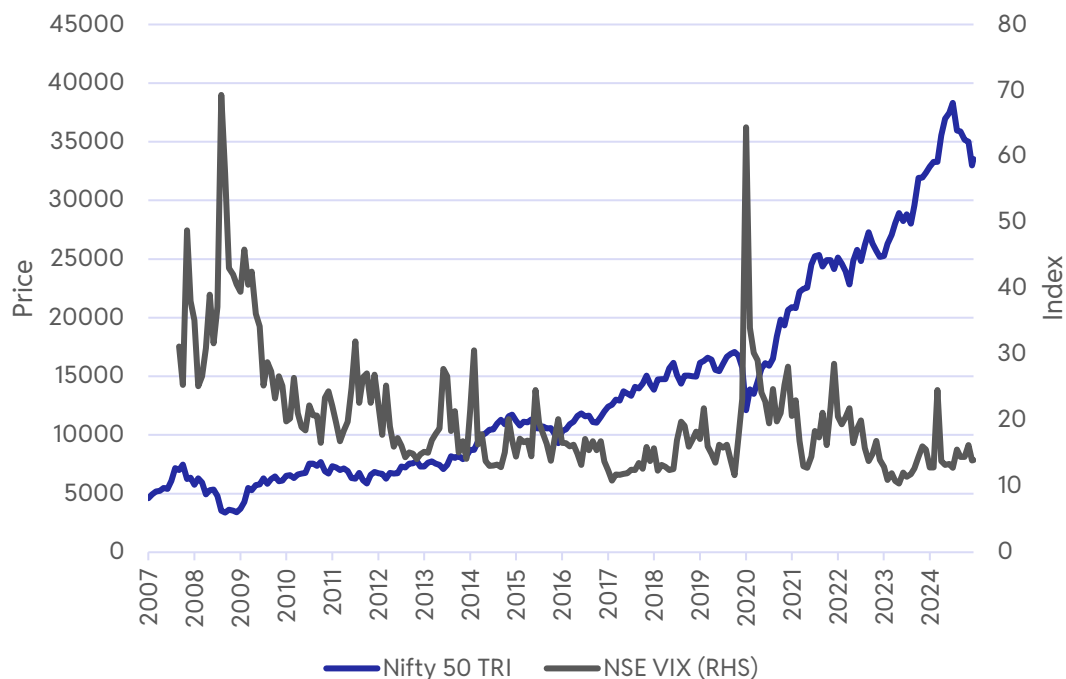


Source: imf.org, Ionic Wealth, Data available as on March, 2025

Incoming Chancellor Friedrich Merz announced plans to increase defense and infrastructure spending substantially. This is a 180-degree change for a country that has been laser-focused on maintaining fiscal prudence. The “grand coalition” has passed a bill for boosting government spending via reform of the constitutional debt brake rule, having a more aggressive industrial and defense policy and a 500 bn euro infra and climate fund. If carried out as planned, this added stimulus could mean faster economic growth which may support higher stock prices.

# Indian Markets Are More Comfortable On Valuations

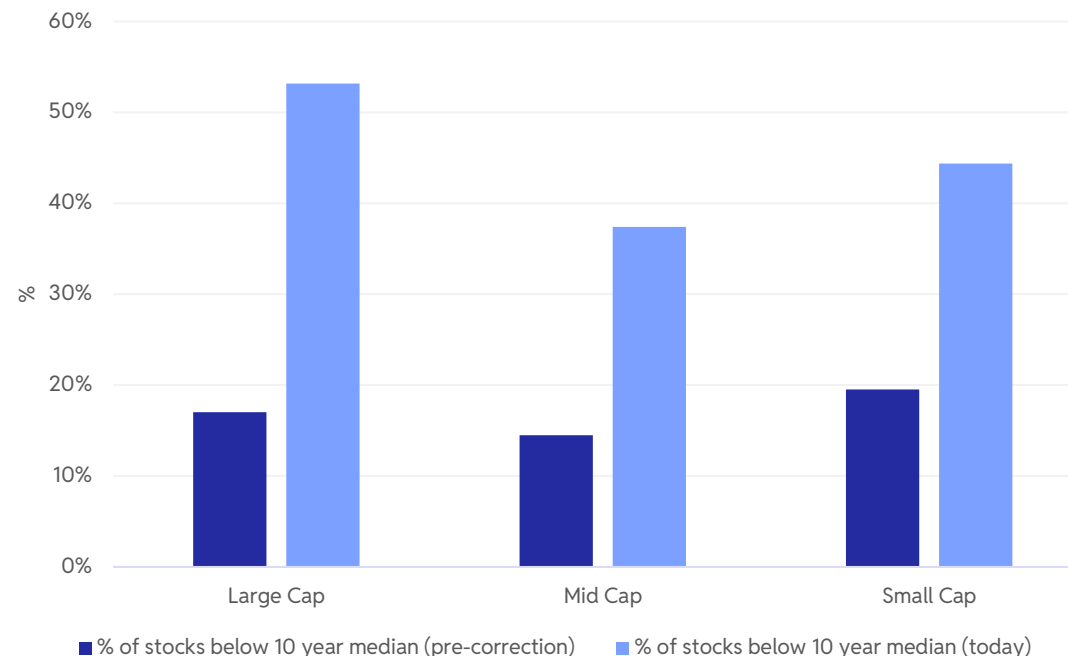
Despite the Nifty Index falling sharply from its peak, the VIX has not markedly risen and still remains at lower levels



Source: DSP MF, Ionic Wealth, Data available as on March, 2025

Large Caps are now at more comfortable valuations, we therefore continue to prefer a higher deployment here

## Valuation Check



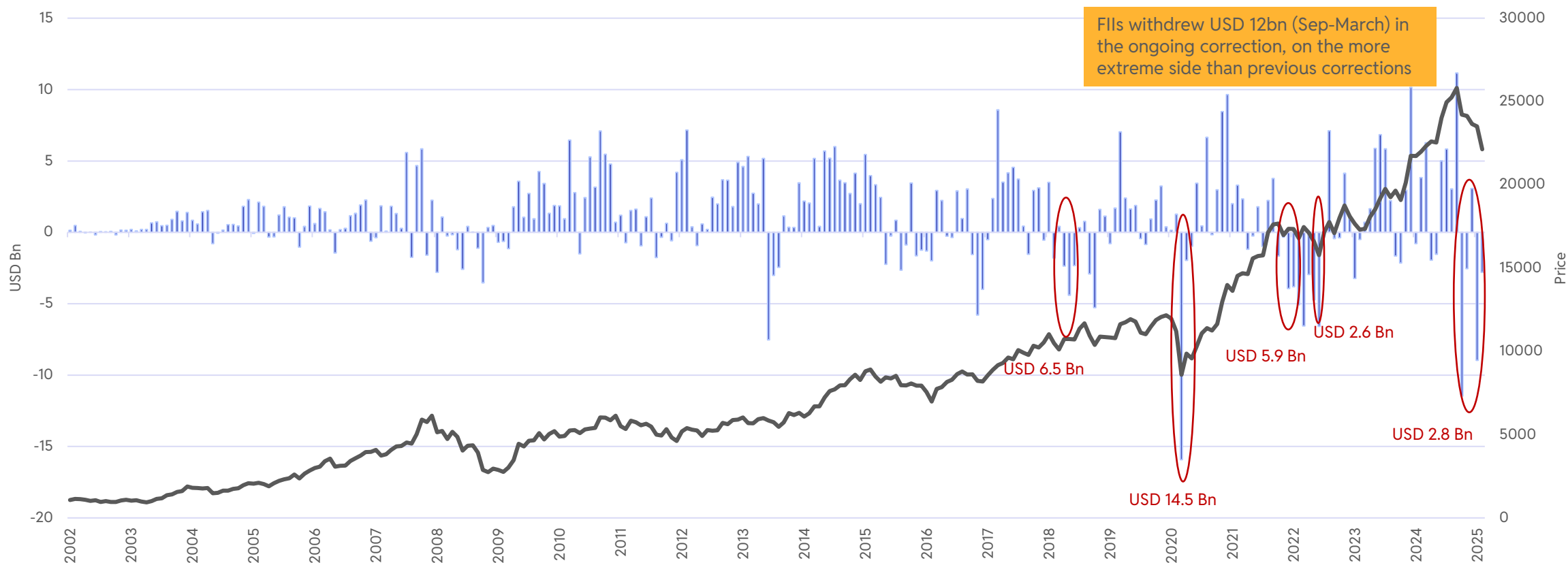
Pre Correction period is taken as on 30/09/2024

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

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

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, at levels of 22000 (as also mentioned in the past versions of AssetX), we believe 100% deployment is warranted. We also recommend 60% low volatility and 40% momentum allocation for the factor strategy.

# FII Withdrawal In The Current Cycle Of 10% Correction Has Been Very Steep



Note: The red circles indicates periods when nifty corrected more than 10% (since 2018)

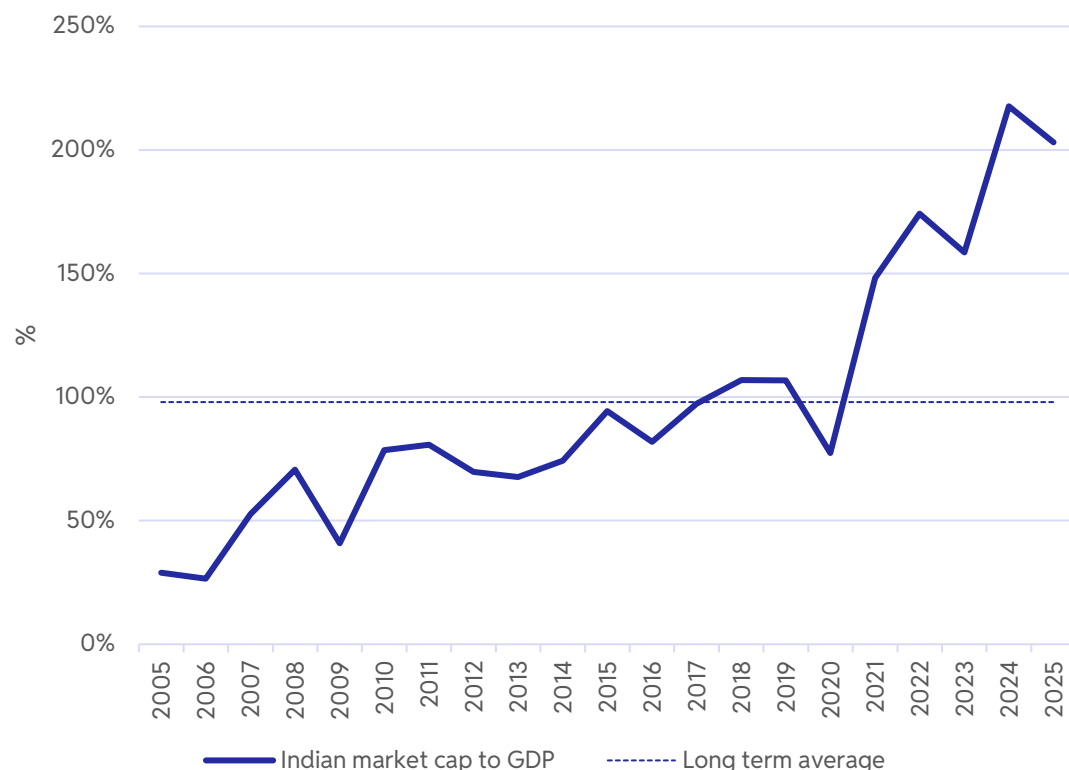
Source: CMIE, Ionic Wealth, Data available as on March,2025

■ FII (LHS) — Nifty 50

With outflows inching closer to the record USD 17.0 billion in 2022, concerns over valuations and global macroeconomic shifts continue to weigh on market sentiment. The FII exodus has already wiped out USD 1.3 trillion in market value. Foreign Portfolio Investor (FPI) stakes in Nifty 50 companies have plummeted to 24.3%—the lowest in 12 years. The decline comes amid massive outflows, with USD 10.9 billion withdrawn in Q3 FY25 and USD 12.5 billion in Q4 so far.

## Market Valuation Is Correcting But Not Yet Extremely ‘Cheap’

Over the last 5 years, the market capitalization to GDP ratio (Buffet ratio) has consistently traded above 100%. In fact, it has recently surpassed 200%



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

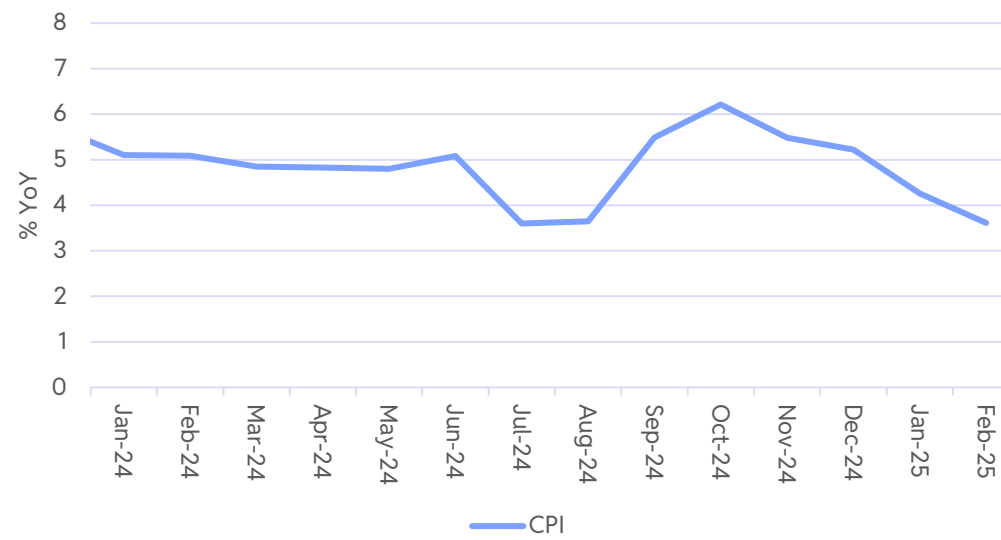
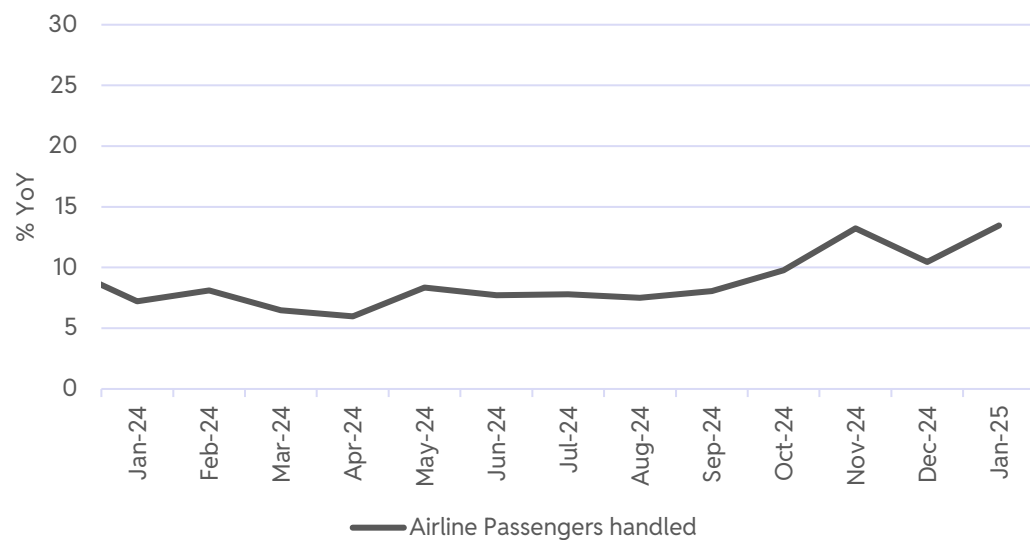
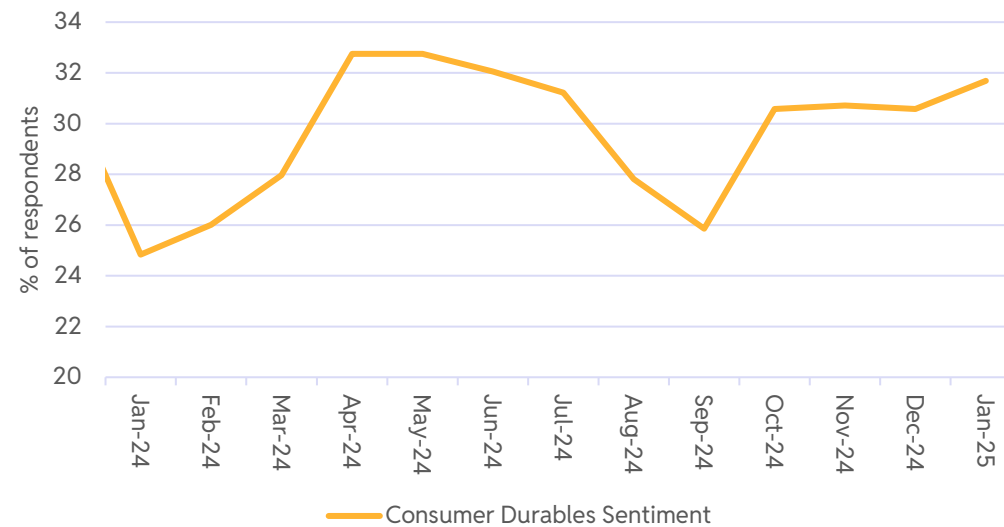
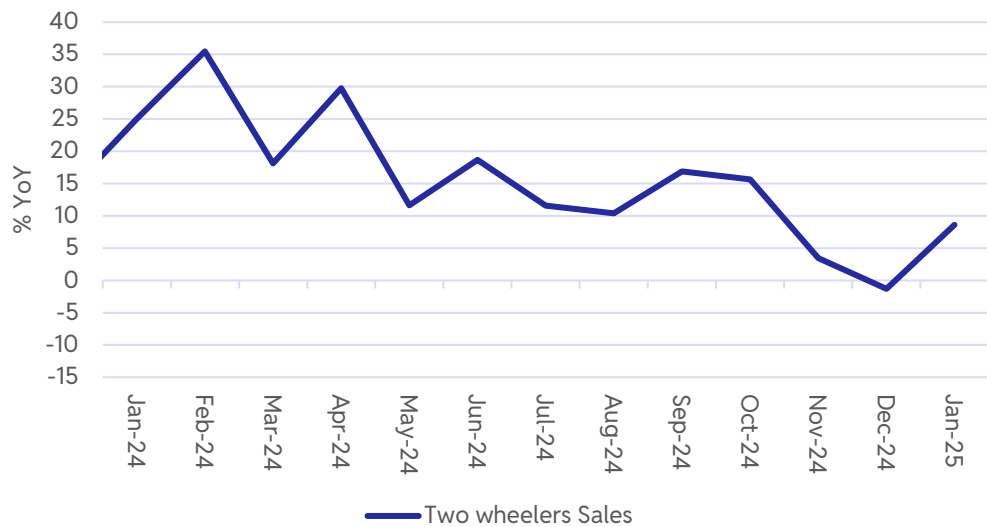
NSE500 PB ratio is still above its long term average despite the recent market corrections



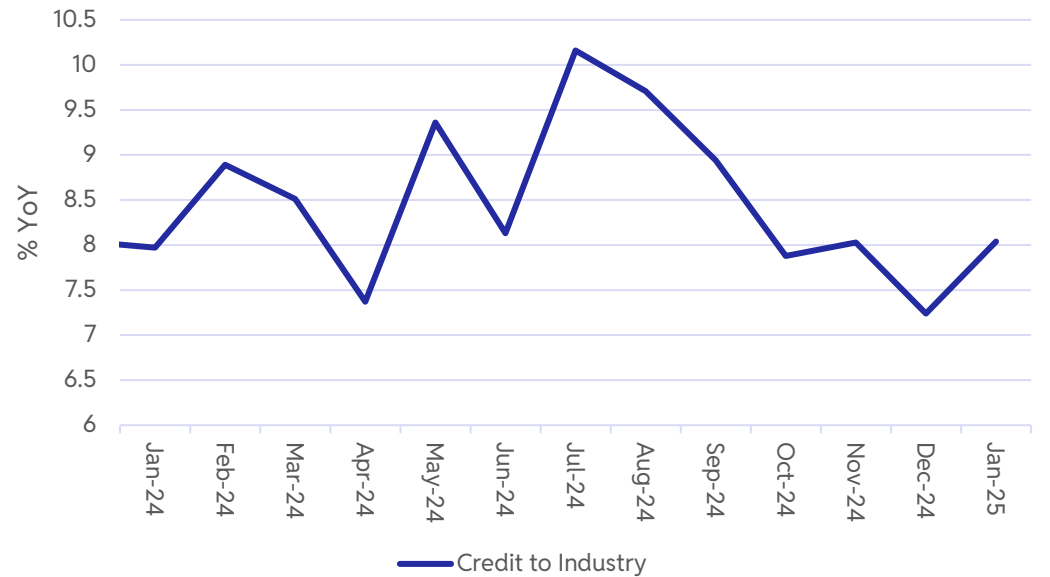
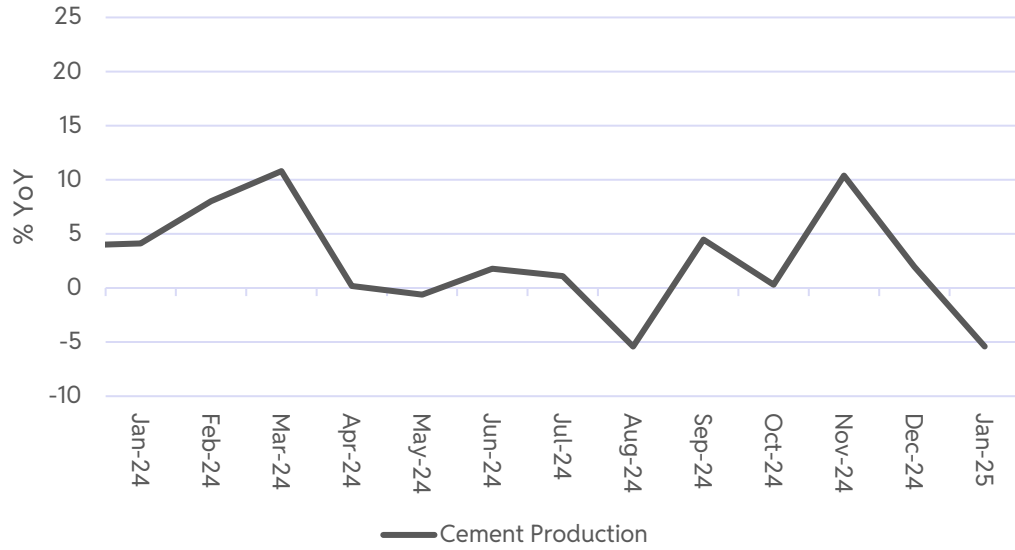
Source: CMIE, Ionic Wealth, Data available as on March, 2025

When compared with emerging markets, India’s valuations still appear expensive by historical standards. India currently commands a premium over the MSCI Emerging Market Index, with MSCI India’s P/E at 20.02x against MSCI EM’s 12.18x. While this is significantly lower than India’s valuation differential at its peak of 10.56x in December 2021 (when MSCI India stood at 22.86x and MSCI EM at 12.80x), it remains higher than the pre-pandemic five-year average (2015-2020) of 6.49x. As valuations drop with a fall in stock prices, it will be interesting to see if FIIs review their India allocations once again.

# India: Some High Frequency Data Has Turned



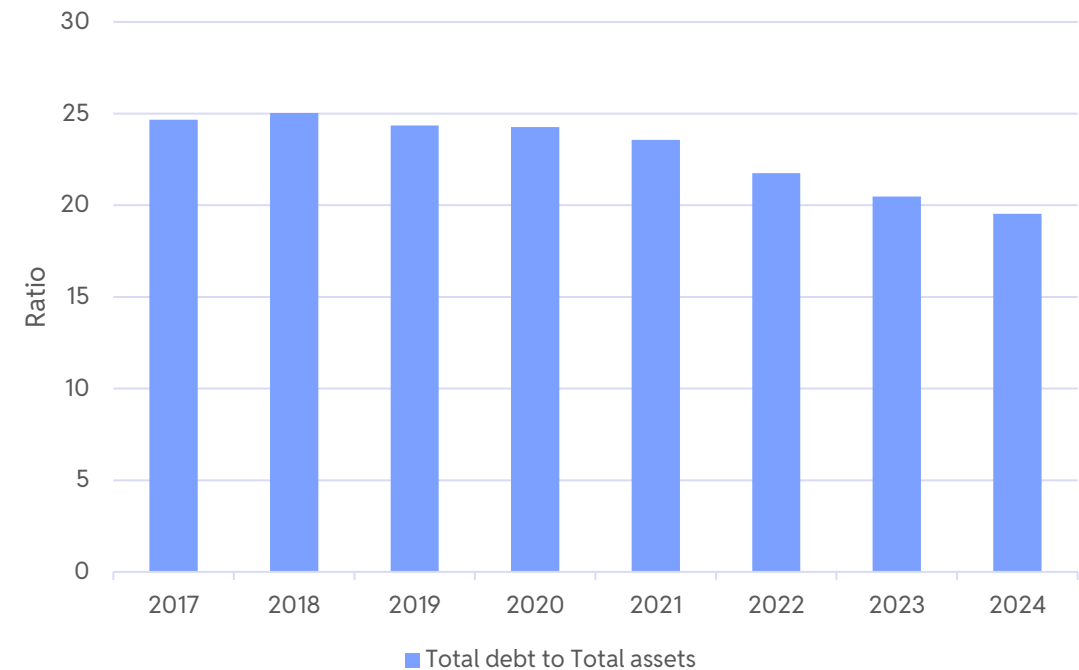
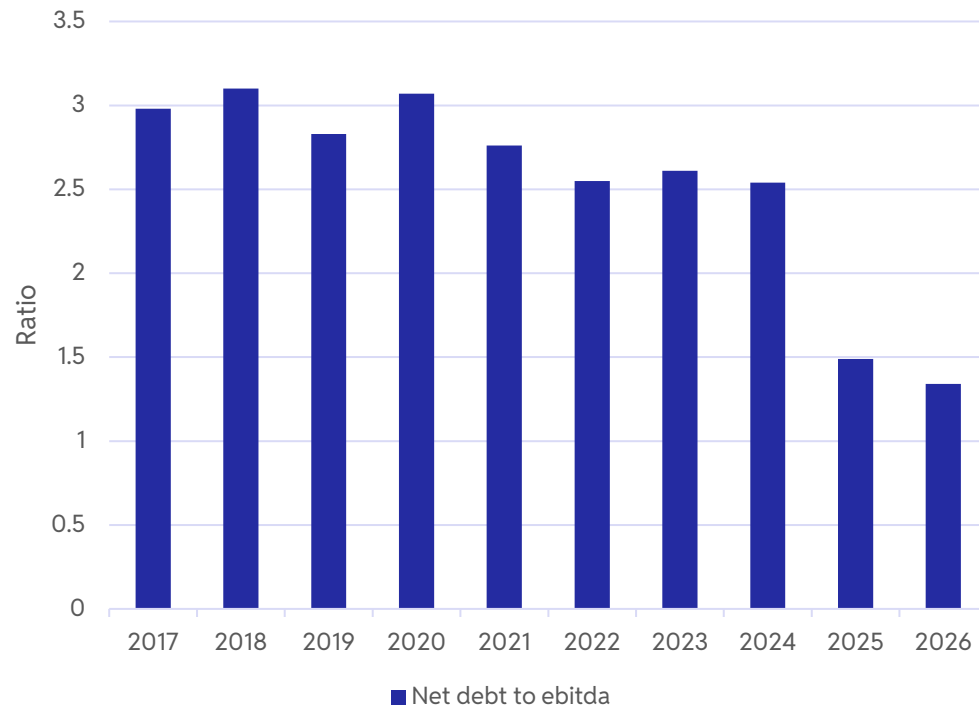
# But There Are Pockets Of Pain



# Corporate Balance Sheet Are Stronger Than Past Corrections

Net debt to ebitda is under control, gives companies the leeway to lever when required..

...though a declining total debt to total assets suggests that companies are increasingly funding expansion through profits, marking a sustainable approach



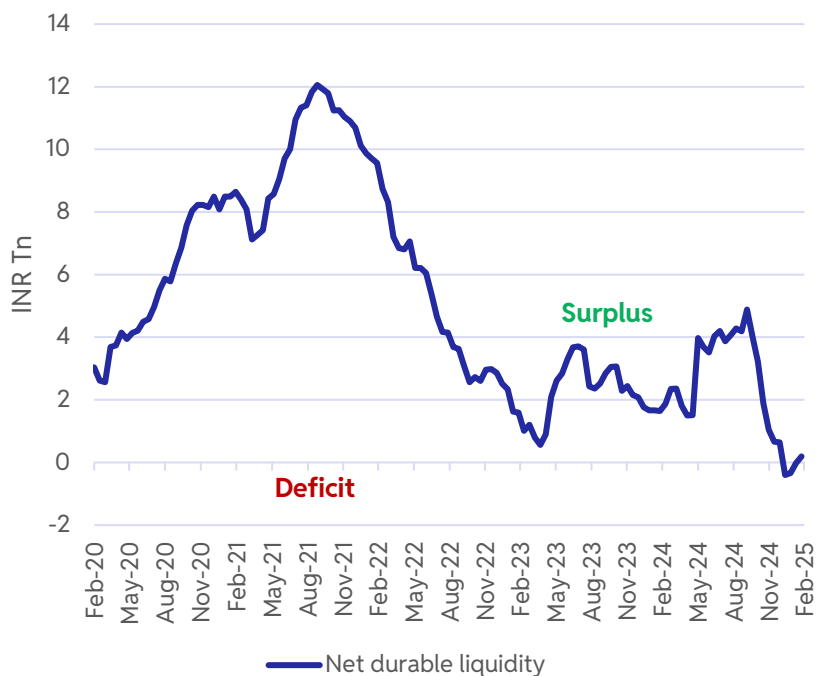
Source: Bloomberg, Ionic Wealth, Data available as on March, 2025

Source: DSP MF, Ionic Wealth, Data available as on March, 2025

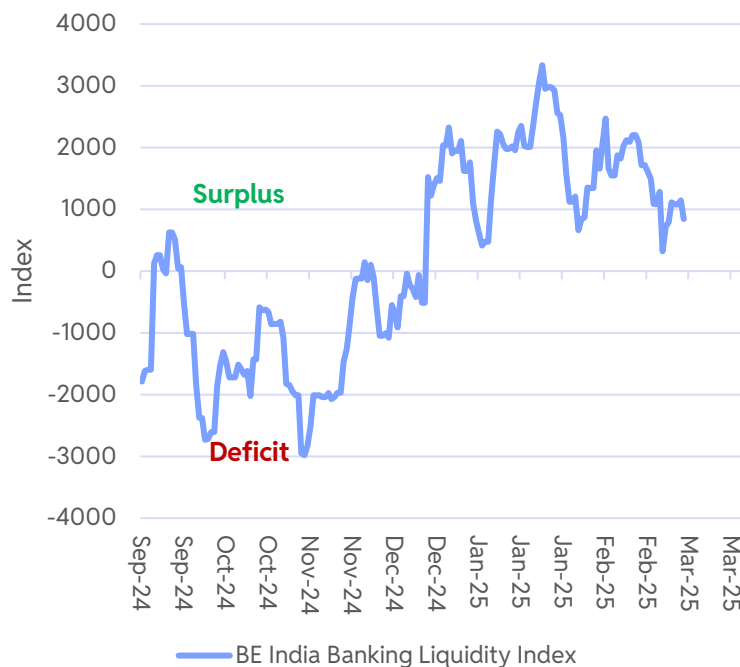
India Inc's cash reserves have grown over 51 percent since just before covid (end of FY20), when its cash reserves were at around INR 5 lakh crore. The IPO and QIP rallies enabled companies to deleverage. Debt repayment has become a key objective for IPO fund utilization. Despite challenges such as global tariff wars and a weakening domestic demand environment, India Inc's strong cash reserves and reduced leverage position it to navigate its recovery in 2025 with confidence.

# RBI Steps In To Diffuse Liquidity Problems

Net durable liquidity has seen a slight uptick



Bloomberg India banking liquidity has continued to remain in surplus zone



RBIs successfully conducted both tranches of INR 1 Lakh Crore OMO injection



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

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

The RBI has injected INR 1 lakh crore through OMOs and conducted a USD INR swap auction worth USD 10bn to address liquidity shortages. The liquidity situation, without the RBI interjection, could have been a deficit exceeding INR 2.5 trillion. The RBI has injected USD 2.3 Tn via OMOs in the first 3 months of 2025 and we expect the RBI to continue to implement measures to inject liquidity. Further cuts in the CRR rate are likely to augment liquidity along with continuing VRR auctions.

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

#### Disclaimer

This presentation note has been prepared by Angel One Investment Services Private Limited (“AOISPL”), a private limited company incorporated under the Companies Act, 2013, being an AMFI-registered Mutual Fund Distributor (ARN 306165), for initial discussions and may undergo change in the future.

This presentation is intended for informational purposes only and does not constitute an offer or solicitation for investing in any products distributed by or services made available by AOISPL or any of its affiliates or group entities. Any information contained in this presentation shall not be treated or construed as an investment advice or a recommendation. The recipient is advised to conduct its own due diligence and consult with its legal, tax and financial advisors before making any investment decisions. The recipient is requested to note that past performances is not indicative of future results.

Although all information and opinions expressed in this document were obtained in good faith from sources believed to be reliable, no representation or warranty, express or implied, is made as to the document’s accuracy, sufficiency, completeness or reliability. AOWL is under no obligation to update or keep current the information contained herein.

All pictures or images (“images”) herein are for illustrative, informative or documentary purposes only, in support of subject analysis and research. Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights.

To the extent this presentation contains statements about future performance, such statements are forward looking and subject to a number of risks and uncertainties. Predictions, forecasts, projections and other outcomes described or implied in forward-looking statements may not be achieved. To the extent this presentation contains statements about past performance, simulations and forecasts are not a reliable indication or future performance. Any information obtained from the public domain herein is based on sources believed to be reliable and accurate at the time of preparation. It is further requested to note that any information contained in herein with respect to business expansions pursuant to obtaining of business licenses is subject to regulatory approvals.

Actual results may differ materially from those suggested in this note due to risk or uncertainties associated with our expectations with respect to, but not limited to, exposure to market risks, general economic and political conditions in India and other countries globally, inflation, etc. There is no assurance or guarantee that the objectives of the products mentioned will be achieved.

Investment decisions based on this note may not be always profitable, as actual market movements may differ from anticipated trends. No guaranteed returns are offered to the investors. This note may contain forward -looking statements, identified by terms such as “will”, “expect”, “should” and similar expressions. All forward-looking statements involve risk and uncertainty, they speak only as of the date they are made.

All trademarks and logos are the property of their respective owners. This presentation is confidential and is intended solely for the recipient. Unauthorized distribution, reproduction, or other use of the information contained herein is strictly prohibited.

AOWL disclaims any liability for actions taken based on the information provided in this presentation.