

**IONIC WEALTH**  
BY ANGEL ONE

# The Investing Pantheon

May 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

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# What Are We Saying?

With global policy becoming increasingly volatile and the primary force shaping market behaviour, asset allocation has never been more critical in navigating uncertainty. With Trump's tariff truces calming immediate fears, the spotlight is now firmly on how central banks and governments recalibrate their playbooks. In this environment, staying diversified is essential. China's stimulus efforts are visible but lack conviction. US data is mixed but the resilience in hard indicators offers stability amid the noise. Here are our thoughts on major global economies-

## US: Earnings Shine while Credit concerns resurface

Market sentiment is still not outright bullish, but green shoots are visible. The S&P 500 leads global indices, driven by strong Q1 earnings and resilient hard economic data. Record-high buybacks have held the market, though a credit downgrade and widening fiscal deficit raise macro level concerns.

## China: Stimulus Is Active, Yet To Improve Economic Data, Equities Up In Optimism

China's 10-point easing plan aims to revive domestic demand, but deflation persists for a third month and growth remains uneven. PMI is softening yet expansionary. In our view, Tech may continue to draw investor flows.

## India: Macro Pulse Steady, Rate Cut Window Open

RBI's accommodative stance improved liquidity, reflected in stronger high-frequency data. With CPI eased to a six-year low, and DXY weakness helping currency, door's now open for a potential rate cut. Despite war tensions, DII flows remained robust

## Global policy is now more important than ever

With geopolitics, trade tensions, and fiscal shifts driving volatility, global policy has become the primary force shaping asset class behavior. From tariffs to rate pivots, investor focus is now firmly on the policymakers, not just the fundamentals.

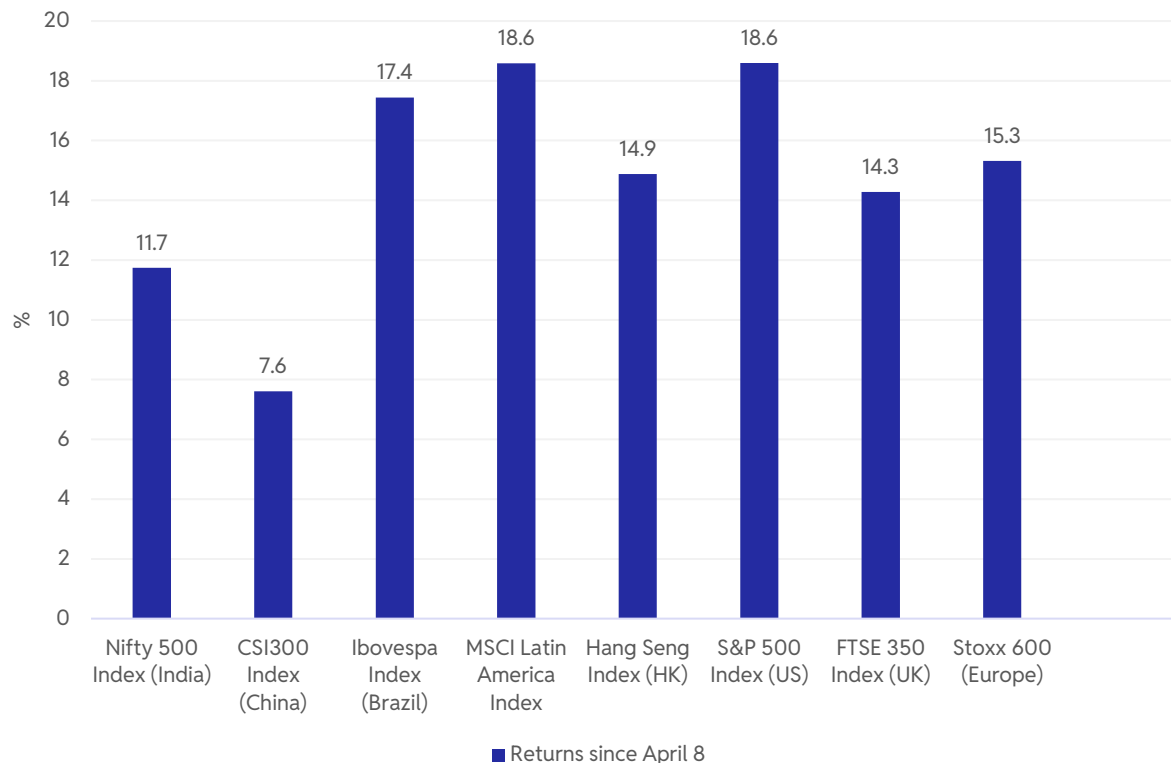
## India: Valuations Elevated, Need Sustained Earnings But The Undertone Of Markets Is Optimist

India's market cap-to-GDP is near all-time highs, but strong earnings growth—most of it beating estimates—offers support. We believe large cap bias is a sound strategy for this environment

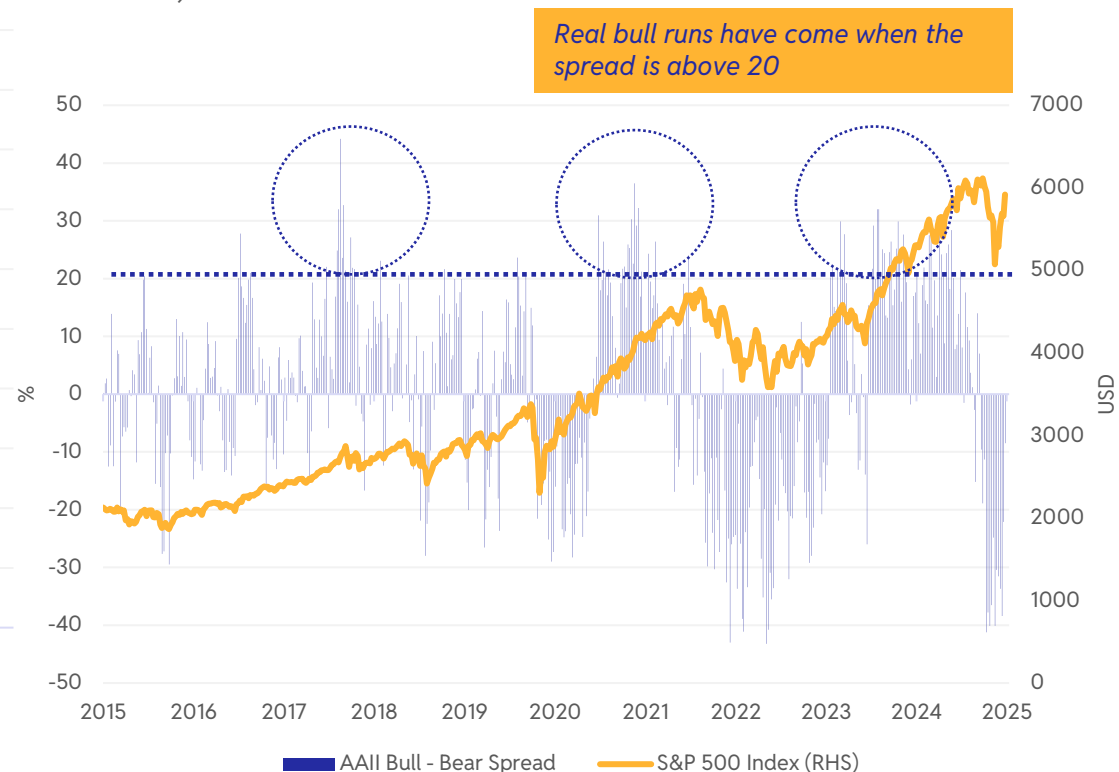
There's a bunch of noise out there. This is now a more of active manager's market than ever before. Diversification and asset allocation will define this year.

# Global Markets Have Demonstrated An Unprecedented Come Back

Markets returns from April 8 showcase buoyancy across global market indices..



...But market sentiment for US is still not particularly bullish, a dead cat bounce?



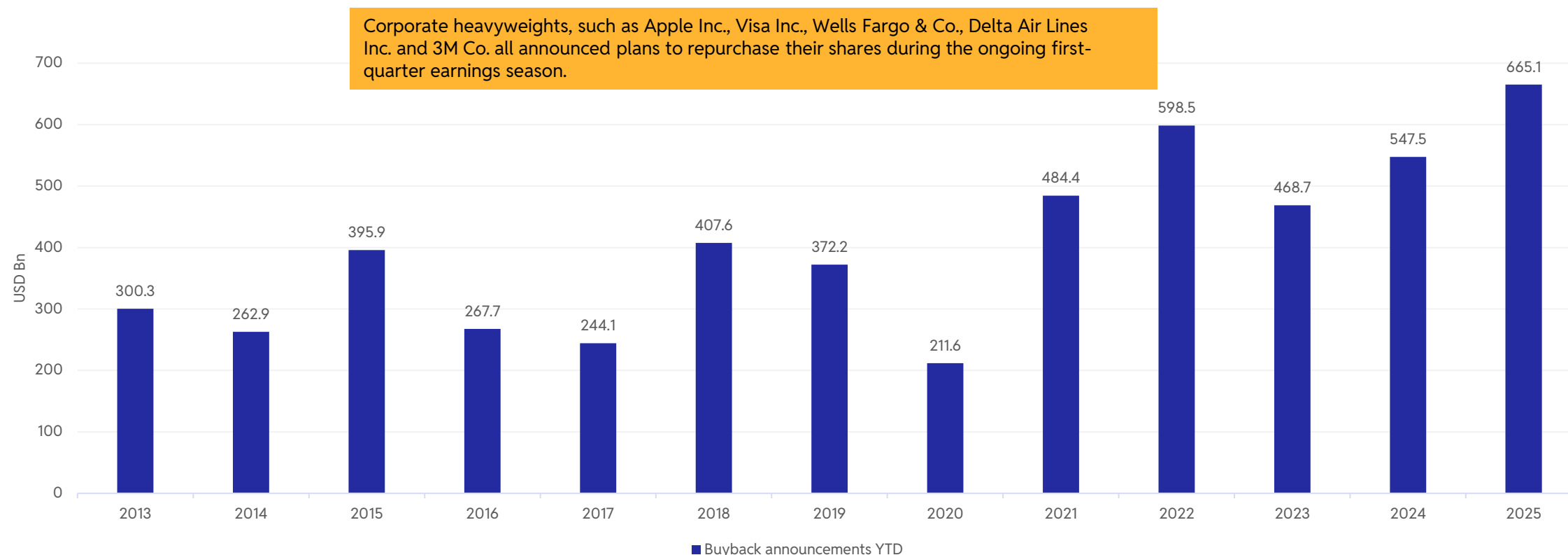
Source: Bloomberg, Topdown charts, Ionic Wealth, Data available as on May, 2025

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

Sentiment remains sluggish, albeit with some reticent rebound in progress. In persistent bull markets, the bull-bear spread gets above 20 and stays there. — in other words it takes bulls to have a bull market. Partial recoveries in sentiment took place before a revisiting of the lows (2016, 2022)—maybe particularly relevant for now given the macro outlook but if Trump surprises with earnings support + opening of new revenue streams from Gulf countries + tax break, the bulls may truly be back. The outlook for other EMs remains strong.

# US Has Been Led By Extraordinary Buybacks Which Has Been EPS Accretive

Repurchase announcements through May 2 are at the highest level ever

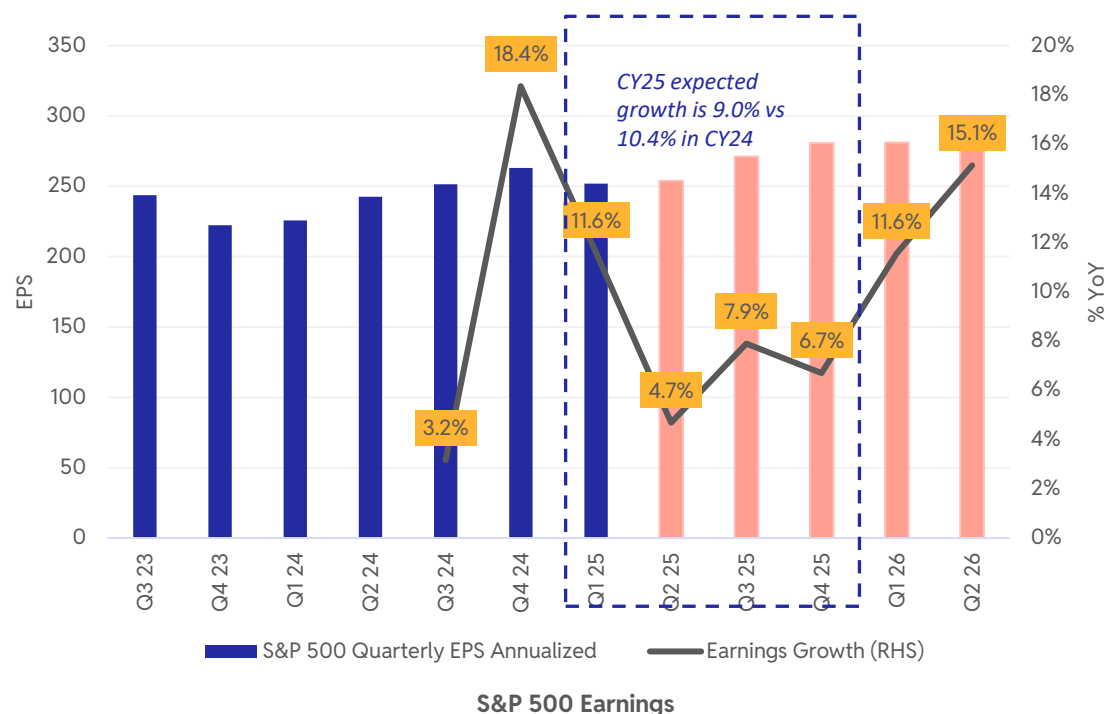


Source: Bloomberg, Ionic Wealth, Data available as on May, 2025

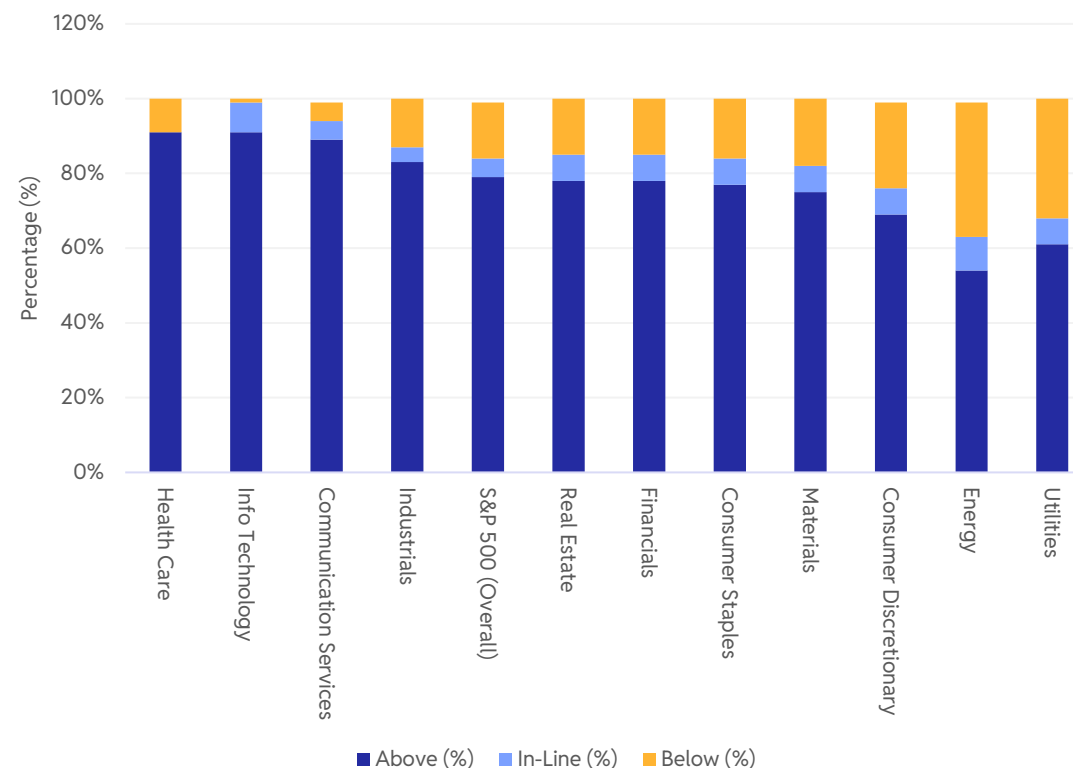
US companies are planning to buy back their own shares at a historic rate, with announced buybacks reaching USD 233.8 billion in April, **the second highest monthly tally on record**. The surge in buybacks is seen as a sign of confidence by corporate leader, but can also suggest they're holding off on capital investments due to uncertainty about the future. This marks a dramatic swing from companies' muted buying in March, when many of them planned to hold on to cash amid rising trade tensions. But as the extreme uncertainty stemming from tariffs in early April subsided and first-quarter earnings turn out largely better than feared, companies are looking to jump back into the fray.

# US: Market Earnings Are Robust

At this late stage of the earnings season, the S&P 500 is reporting strong results for the first quarter.



78% of reported companies have reported actual EPS above estimates



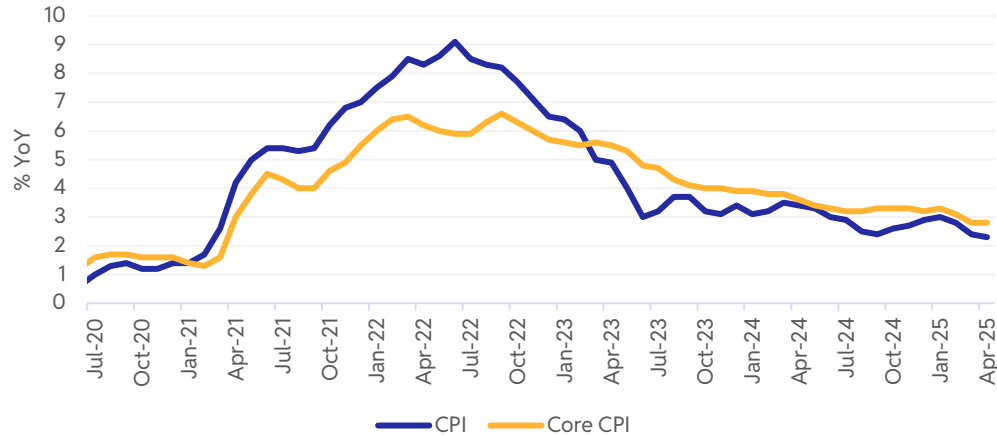
Source: FactSet, Ionic Wealth, Data available as on May, 2025

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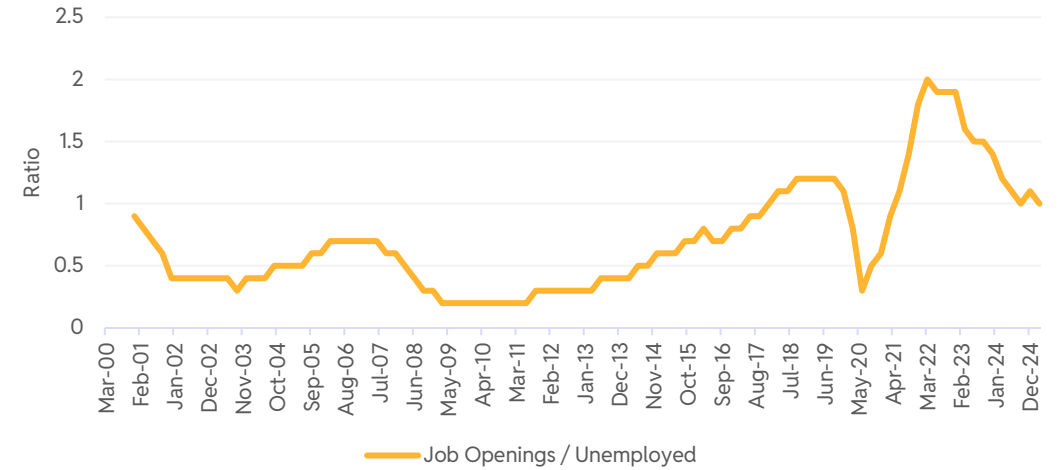
Since bottoming out in April, the S&P 500 has now risen by 19%. Part of the explanation lies in softer rhetoric on trade policy and a partial rollback of previous tariff announcements. **But the strength of corporate earnings has also played a key role in restoring investor confidence.** Ahead of the season, earnings growth for 2025 was expected to come in at around 10%. Today, that estimate has been revised only slightly to just under 9%. This means the bar is now set high for the remainder of the year.

# US: Economy Check, Hard Data Is Not Too Bad

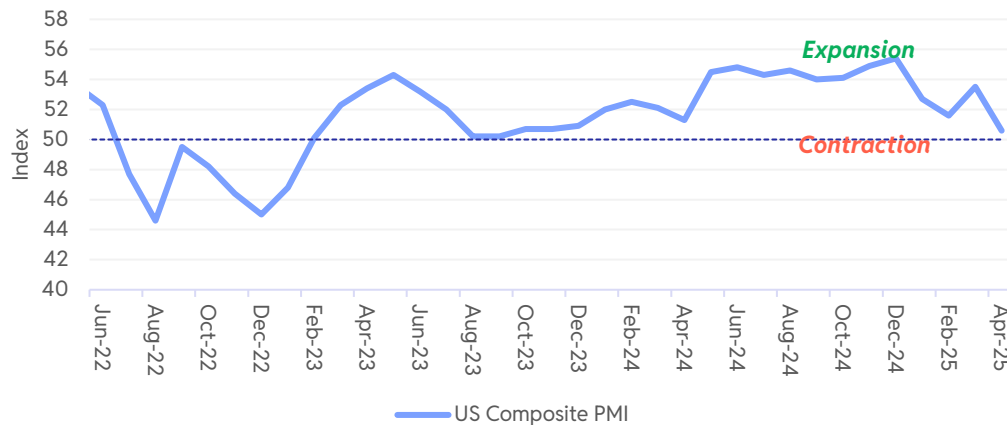
CPI has remained low despite tariff news, keeping the space open for Fed to act...



...and labor data remains robust



US PMI has dipped but remains in expansionary zone..

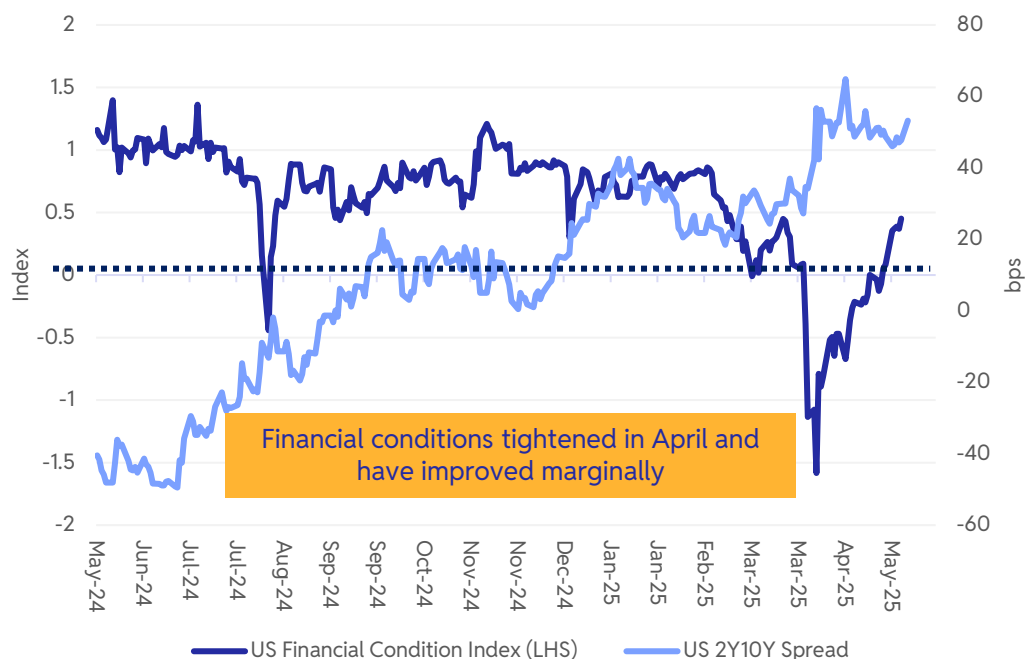


... and retail sales held up decently

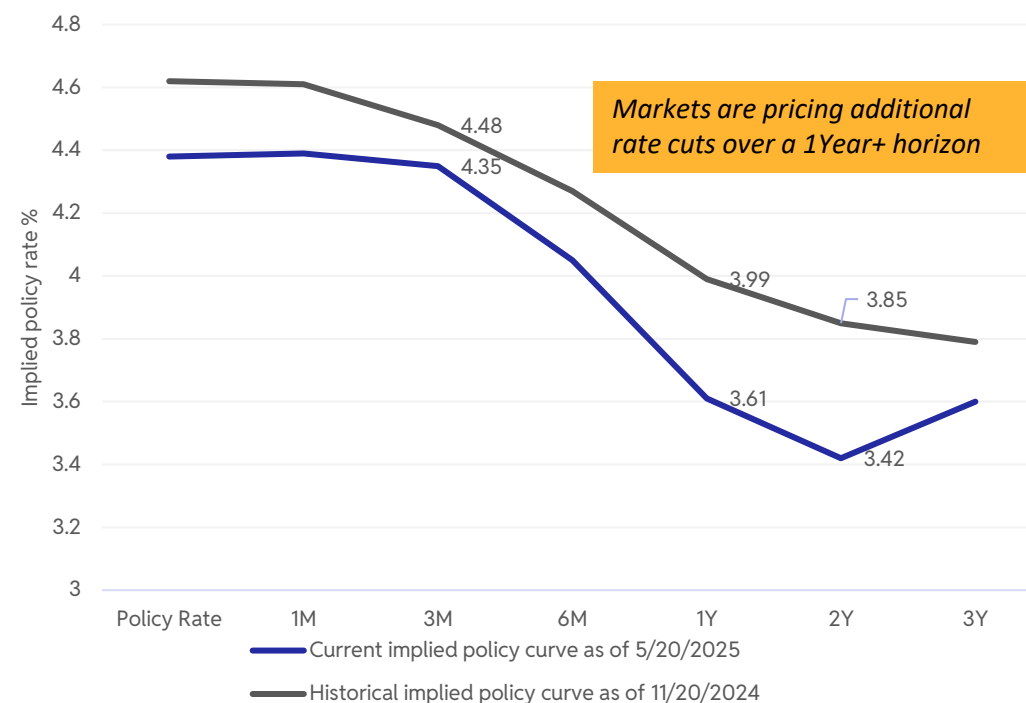


# Tariff News Has Steepened the Curve and Tightened Financial Conditions

Recent tariff announcements have contributed to both the rapid steepening in the yield curve and the tightening in financial conditions....



...this has also driven a divergence in monetary policy expectations, with the implied rate Fed funds rate falling in the long term



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

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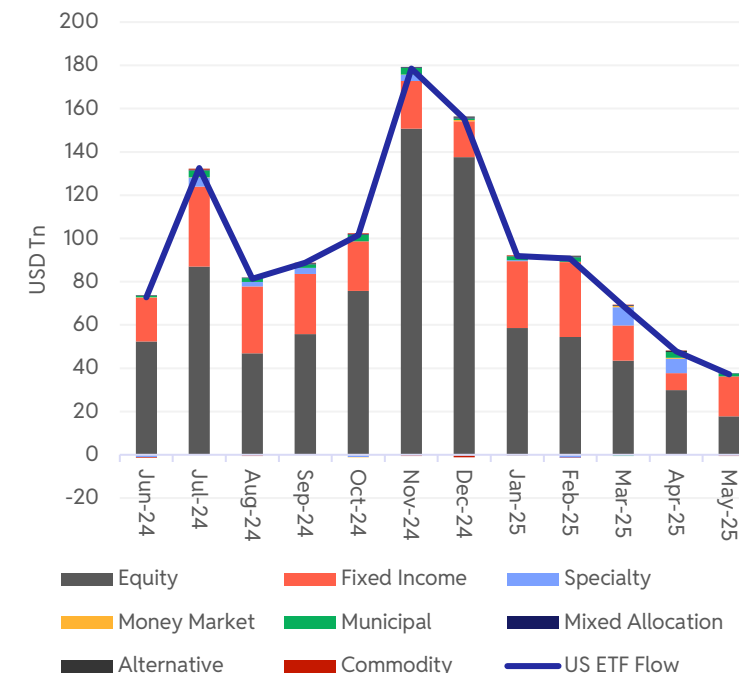
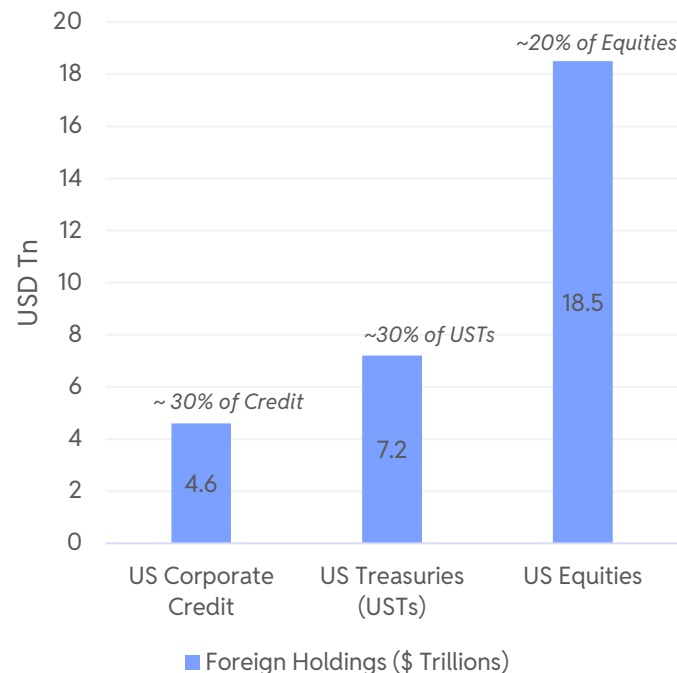
As trade tensions weigh on global economic growth, central banks around the world are stepping in. Markets have showed mixed movement. The S&P 500 is 3% below it's All time high and slightly down following a six-day winning streak. Meanwhile, 10-year Treasury yields dipped slightly, settling at 4.47%, as investors digested concerns about America's debt and fiscal stability. **Long-term yields remain high, reflecting lingering anxiety over Washington's budget issues.**

# USD Has Weakened But How Far Can It Go?

Recent USD weakness is driven by outflows from US...

...with foreign demand of US Assets being high in the last decade..

...but can foreign holding reversing be a sustainable trend?



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

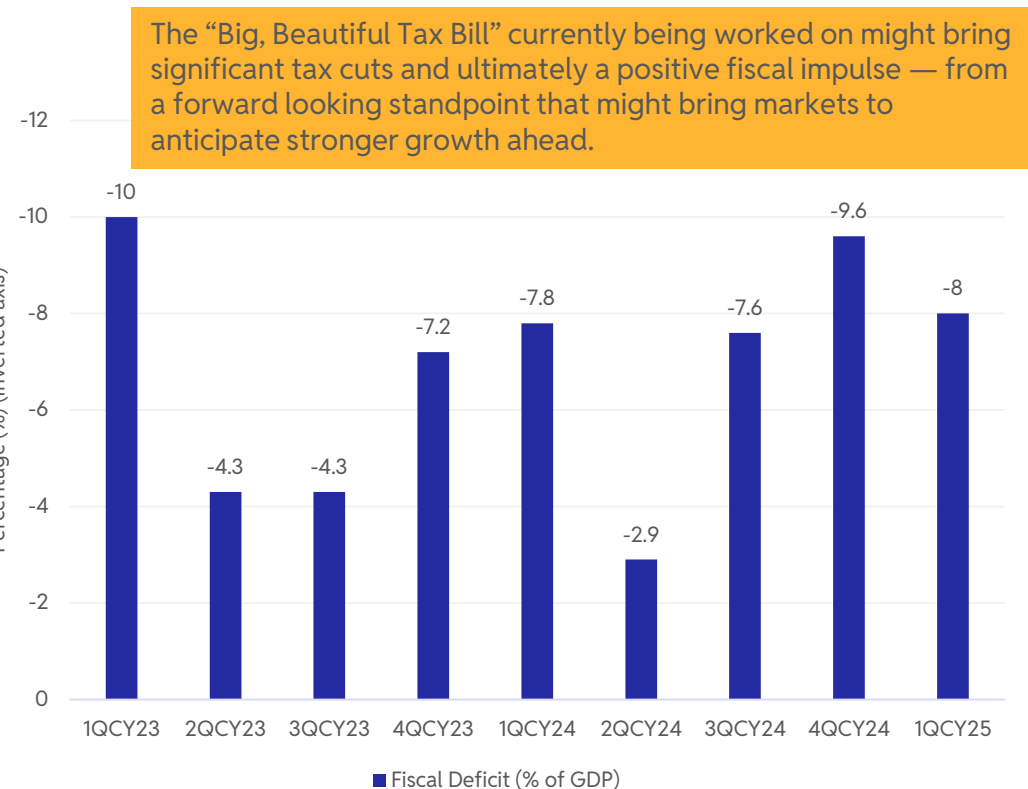
Source: MSIM, Ionic Wealth, Data available as on May, 2025

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

It is vital to US national agenda that the dollar retain its role at the center of global trade and financial networks. US must maintain the attractiveness of dollar-denominated assets for foreign investors, and look for a speedy resolution of tariff disputes that have a strong potential to weaken the dollars global standing. U.S. assets have till now been the default destination for over a decade, with the dollar as a reliable anchor. However, In a rare and striking shift, U.S. stocks, bonds and the dollar have all declined in tandem. This trifecta of weakness isn't just unusual—is it a meaningful shift in sentiment?

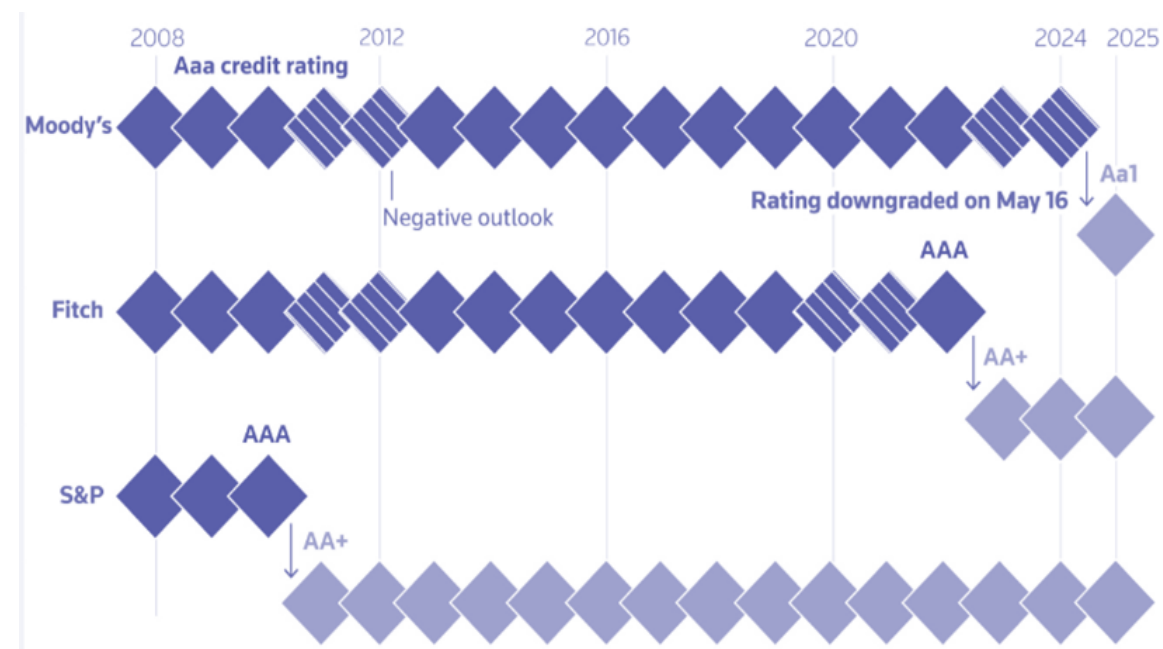
# US Credit Rating Downgrade Could Add Pressure To Government Debt

US fiscal deficit widened to 8% of GDP in Q1CY25 from 7.8% in Q1CY24



Source: MSIM, Ionic Wealth, Data available as on May, 2025

US loses last top-notch credit rating after Moody’s downgrade, losing about 50% returns in past 5 years



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

Moody’s downgraded the U.S. credit rating from Aaa to Aa1, citing “persistent, large fiscal deficits” and projecting U.S. debt to reach 134% of GDP by 2035, up from 98% in 2024. The downgrade has triggered fears of “bond vigilantes” demanding higher yields, potentially raising U.S. borrowing costs across public and private sectors. Moody’s warned that extending Trump-era tax cuts could add \$4 trillion to the federal deficit over the next decade, pushing annual deficits to nearly 9% of GDP by 2035.

# China: The PBOC will intensify macroeconomic regulation with 10 coordinated monetary policy tools

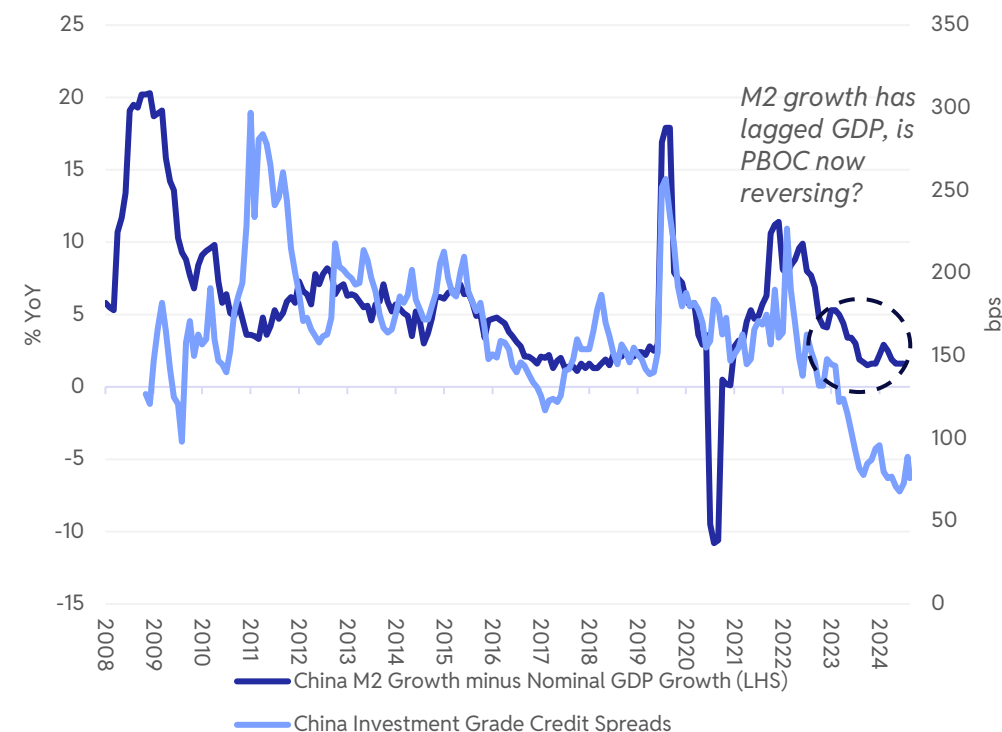
These tools are designed to inject liquidity, guide market rates downward, and support high-quality development.

China's 10 point policy	
<b>RRR Cut</b>	0.5 percentage point cut to release RMB 1 trillion (US\$138B) liquidity.
<b>Targeted RRR Exemption</b>	Temporary drop from 5% to 0% for auto finance and leasing firms.
<b>Policy Rate Cut</b>	7-day reverse repo rate cut from 1.5% to 1.4% to lower LPR.
<b>Structural Rate Cuts</b>	0.25 percentage point cut for agriculture, SMEs, and PSL tools.
<b>Housing Loan Rate Cut</b>	Five-year provident fund loan rate cut from 2.85% to 2.6%.
<b>Tech Refinancing Boost</b>	Quota raised by RMB 300B to RMB 800B (US\$110.4B) for innovation.
<b>Consumer &amp; Elderly Care Loans</b>	New RMB 500B (US\$69B) refinancing tool launched.
<b>Rural &amp; SME Lending</b>	Additional RMB 300B (US\$41.4B) for rural and private sector credit.
<b>Capital Market Liquidity</b>	RMB 800B unified tool from merged swap and repurchase facilities.
<b>Tech Bond Support</b>	Central bank-backed refinancing with shared-risk guarantees.

Source: Ionic Wealth, Data available as on May, 2025

## China's pro growth stimulus may spur credit spreads

Currently, PBOC is engaging in a serious rate cut cycle. Could monetary stimulus alone revive growth?

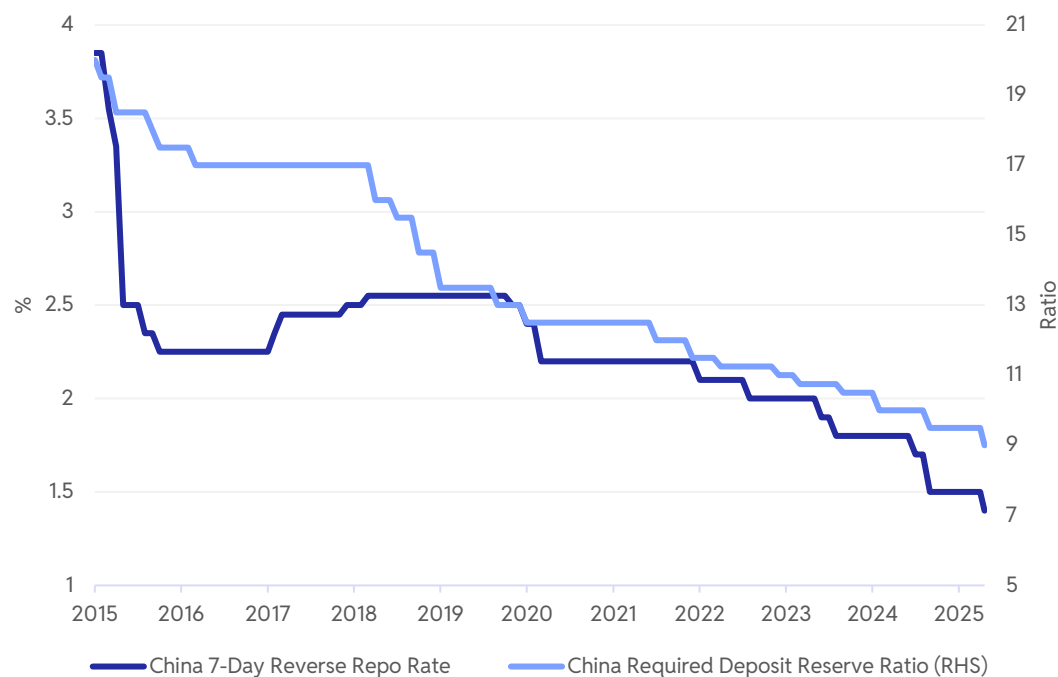


Source: Bloomberg, Ionic Wealth, Data available as on May, 2025

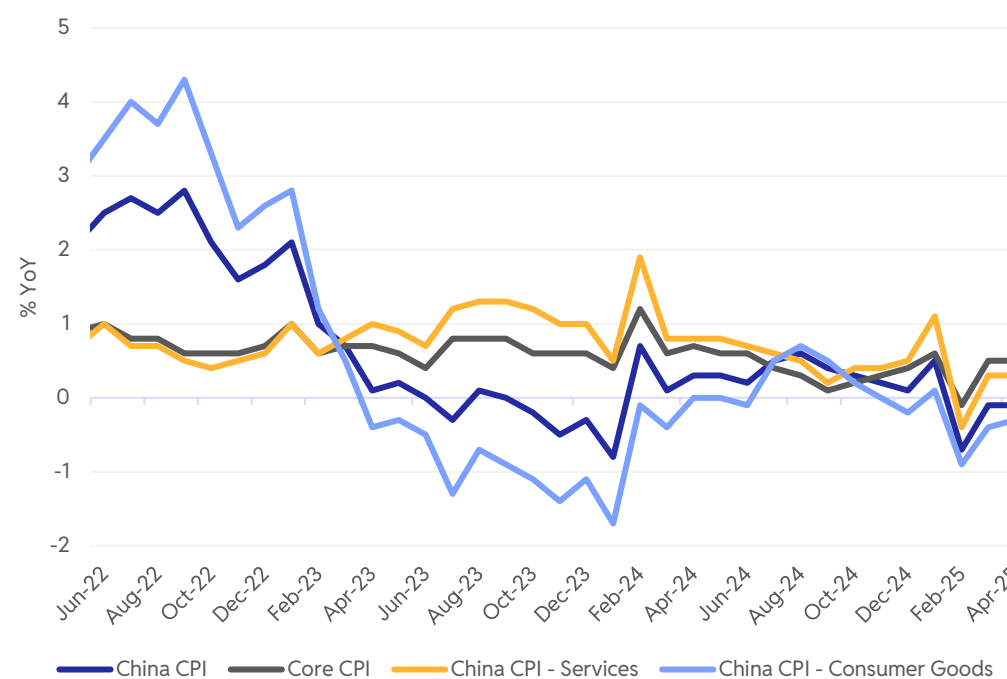
The PBOC unveiled a comprehensive 10-point monetary policy package aimed at enhancing market confidence, boosting long-term liquidity, and supporting innovation-driven growth. The measures—ranging from reserve requirement and interest rate cuts to new tools for tech financing—underscore China's efforts to stabilize economic expectations amid global uncertainty and domestic restructuring. The announcement of these coordinated monetary and financial policies marks a clear signal that Chinese authorities are prioritizing stability, confidence, and innovation. But will these measures suffice?

# China's Tactical Stimulus Continues But Inflation Data Is Not Recovering

China cut the Reserve Requirement Ratio (RRR) for the first time in 2025, to boost liquidity



Meanwhile, China's CPI in Deflation for a Third month as trade war bites show, raising concerns for economic growth



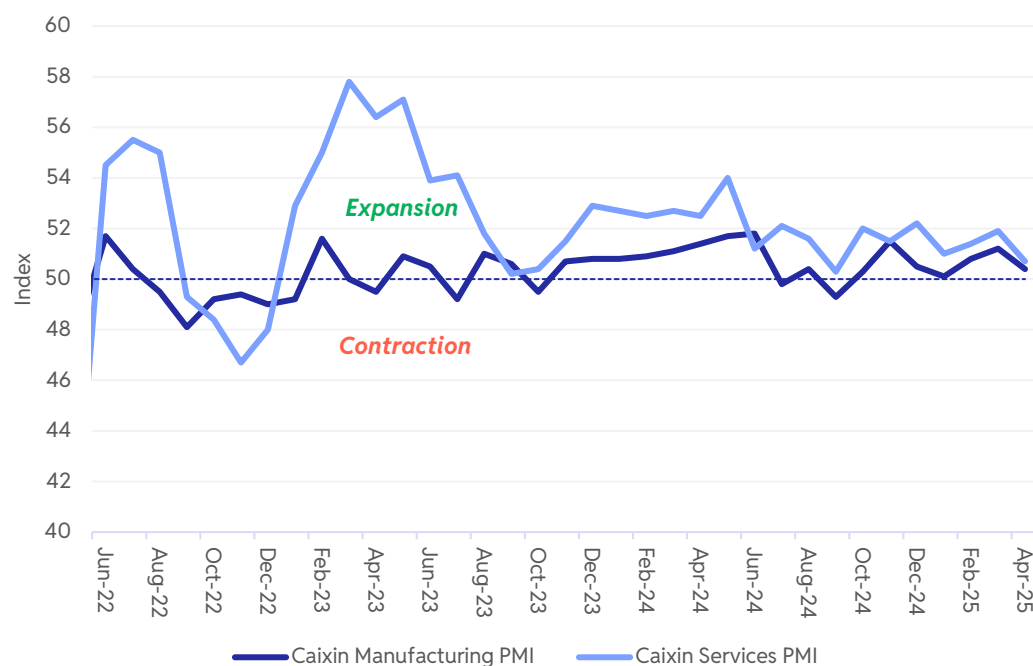
Source: Bloomberg, Ionic Wealth, Data available as on May, 2025

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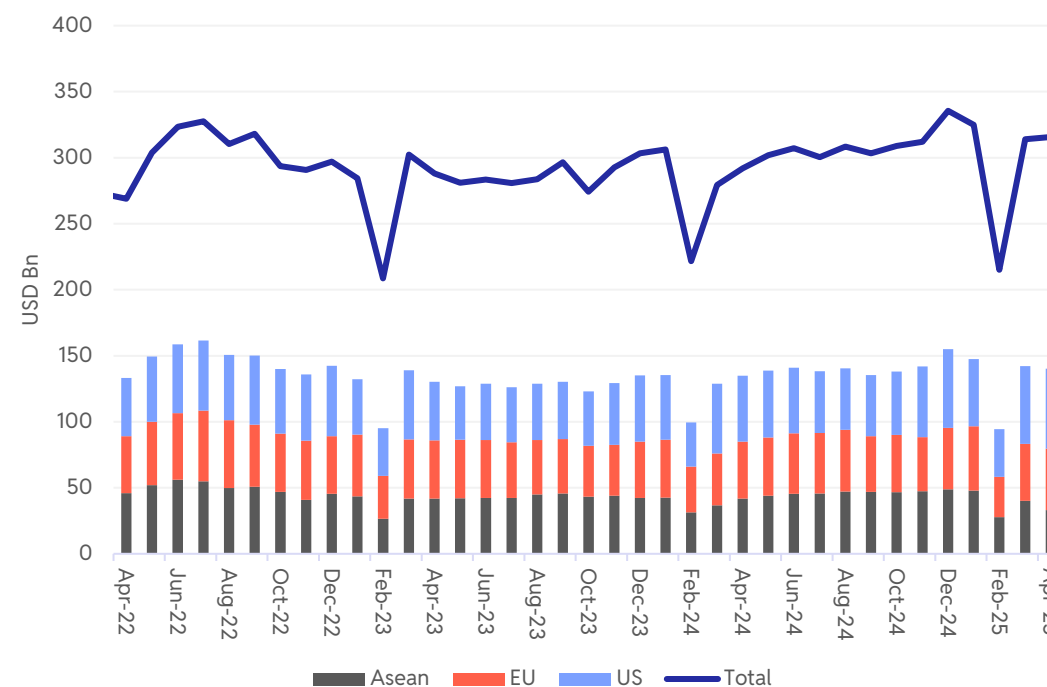
Beijing's stimulus push came ahead of trade talks between the U.S. and China that have raised hopes of a de-escalation in trade tensions between the two countries. The scope of the stimulus package has drawn some comparisons to a sweeping policy rollout last September that had fueled a multi-day market rally. However, the story did not repeat this time. The benchmark index barely budged on the day of the announcement as the stimulus was touted to be "nothing but a stopgap instead of a solution"

# Trade Talks Resumption Holds The Key To China's Challenges

China's Caixin PMIs remained in expansion despite falling from highs created by frontloading of demand post tariffs



China exports to the US slumped, although total shipments continued at similar level from March, as China either temporarily looked avenues to re-export or tactically created new markets



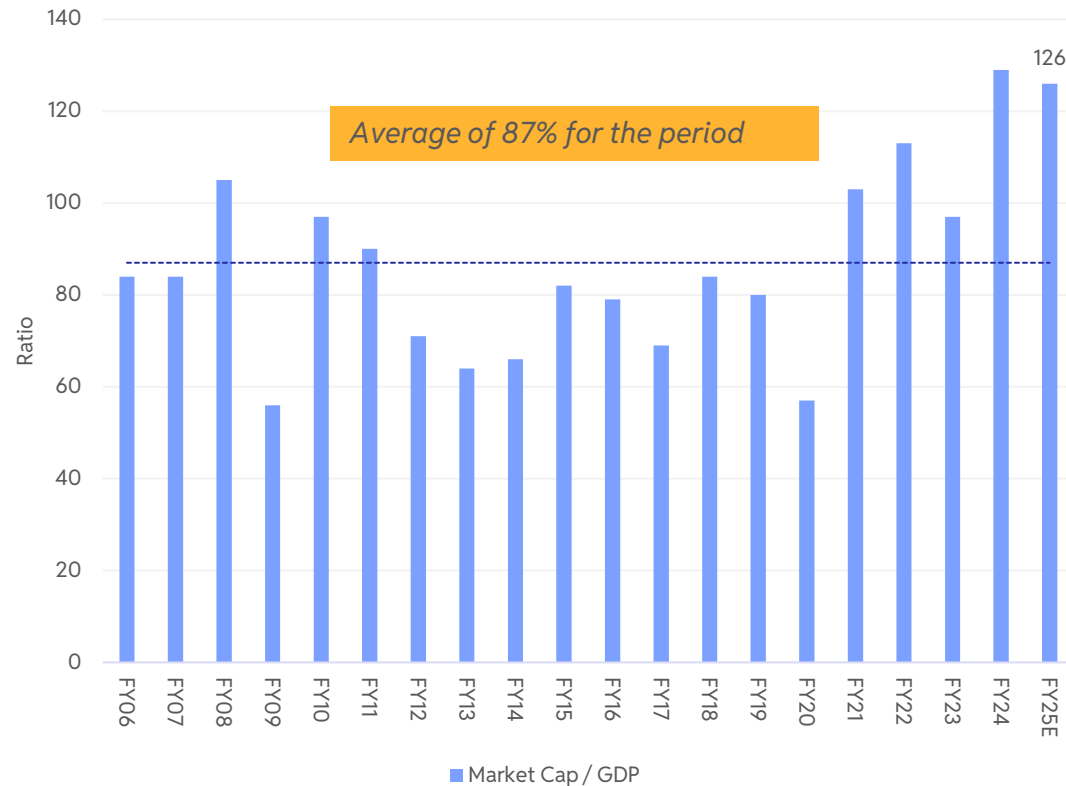
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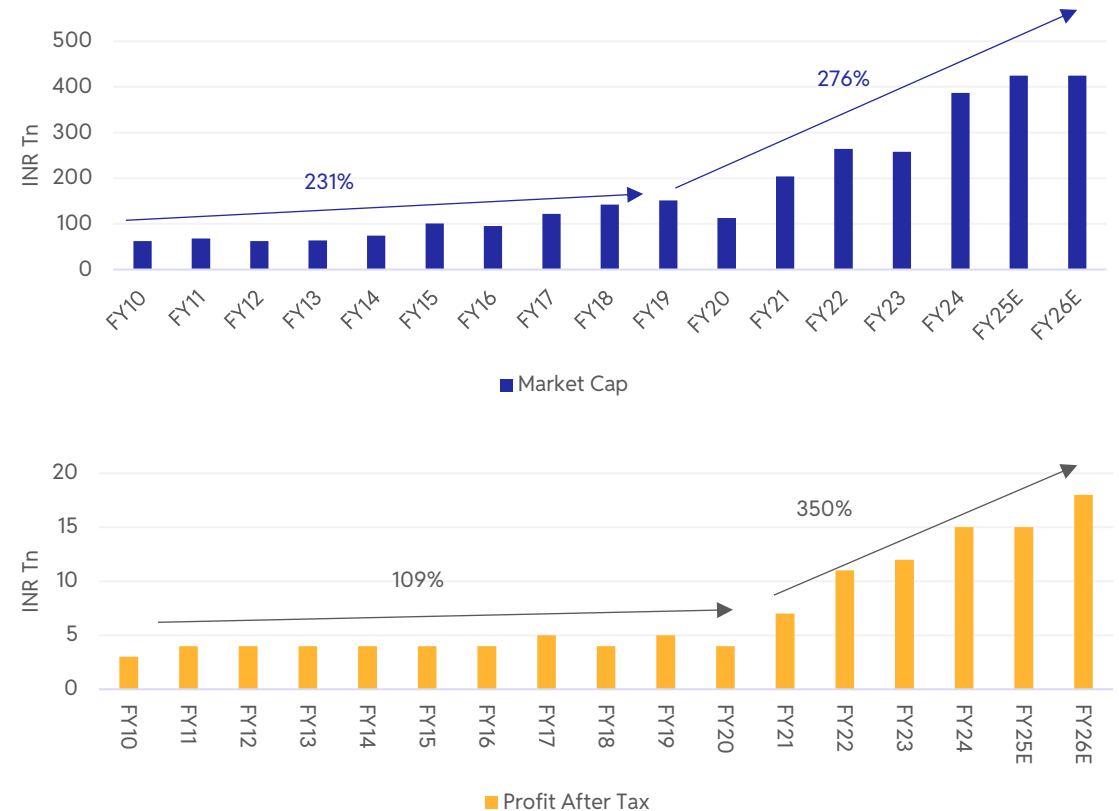
China's economic growth slowed in April due to the impact of the trade war, with weaker retail sales, property investment, and industrial production. The government faces challenges in boosting domestic demand and stabilizing the housing market amid external economic uncertainties. Stronger medicine is needed to jolt China out of deflation and spur healthier economic growth. **However, China's tech prowess has made investors look seriously into this geography.**

# India's Buffett Ratio Is Backed By Strong Earnings

Market Cap to GDP/ Buffet Ratio is near all time high



Market Cap & PAT, both have been on an upward trajectory



Source: Kotakmf, Ionic Wealth, Data available as on May, 2025

Source: Kotakmf, Ionic Wealth, Data available as on May, 2025

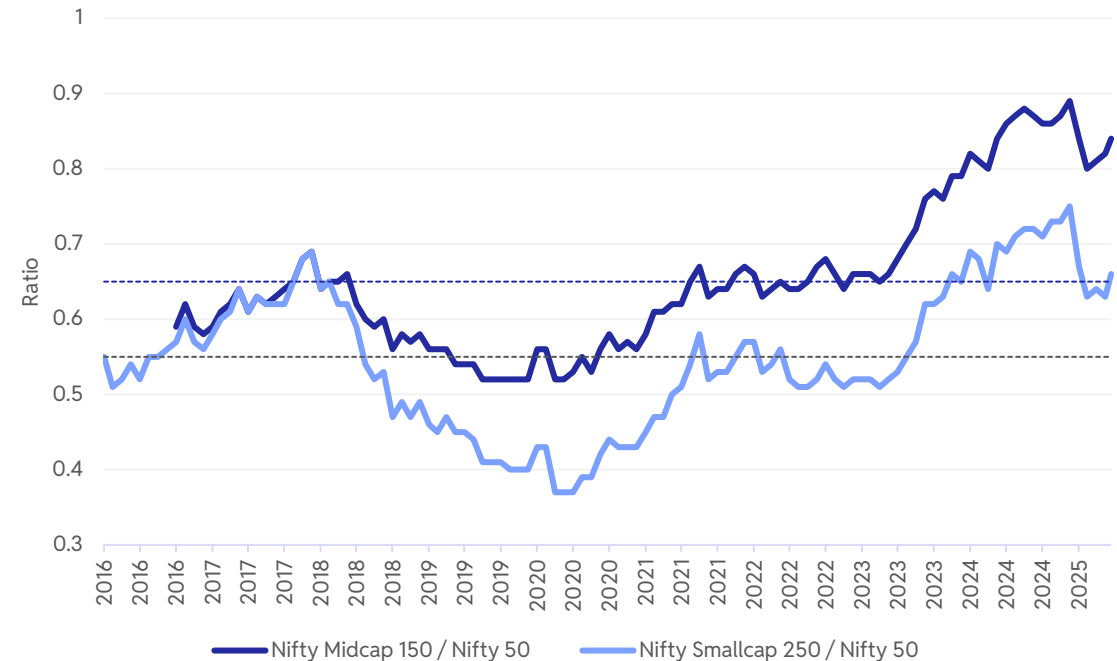
India Inc has delivered a better-than-expected earnings performance so far for the March 2025 quarter, **but forward earnings downgrades continue to outpace upgrades, signaling lingering caution despite strong numbers.** However, *earnings at over half of the companies in Nifty 50 Index that have reported results for the quarter ended March have exceeded analyst estimates.* Metals, technology, BFSI, and oil & gas sectors performed well. **Optimism is also brewing that a likely trade deal with the US will result in tariffs for Indian exports that are lower than other emerging-market peers.**

# Indian Equities Are Not Particularly Cheap

Valuations are not particularly cheap, but can earnings survive...

Index	Nifty 50	Midcap 150	Small cap 250	NSE 500
Valuations- Jan 2024 (Fwd P/E)	19.9	31.1	24.4	22.9
Valuations- November 2024 (Fwd P/E)	20.6	30.6	23.5	22.7
Valuations- May 2025 (Fwd P/E)	21.0	30.9	27.5	22.8
Valuations- 5Y Average	18.9	27.0	20.1	20.3

...and mid cap is particularly more expensive



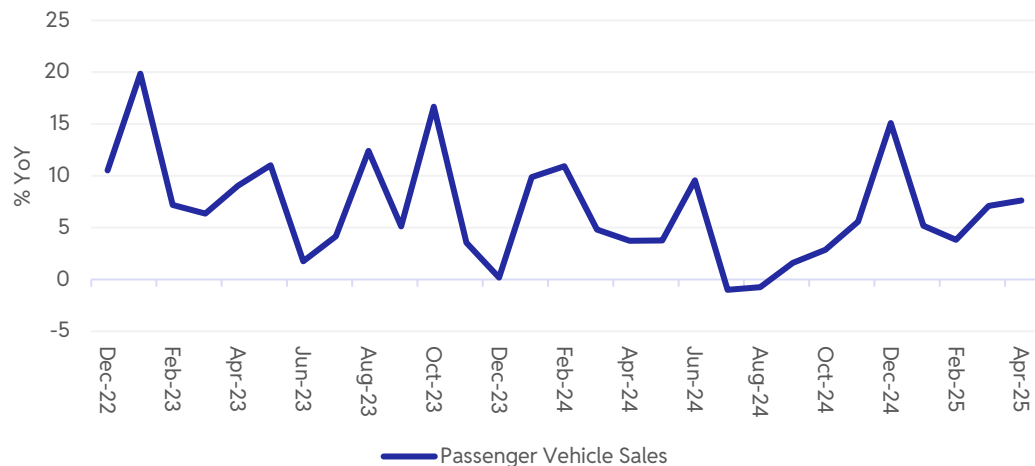
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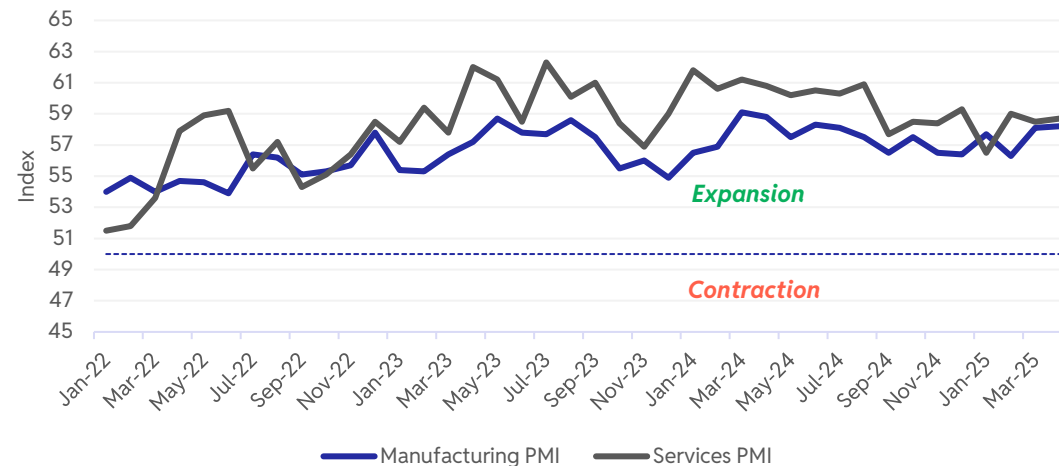
India's stock market remains one of the most expensive globally despite earnings concerns and slowing growth. Nifty trades at 20.1X FY26 earnings amid global uncertainty and muted corporate outlook. Liquidity-driven rally in equity markets raises valuation risks as GDP projections dip for FY26. Private capex is yet to pick up, urban consumption remains soft, and growth in IT services could be weak amid policy uncertainties in the US.

# But Health Of Economy Is Improving

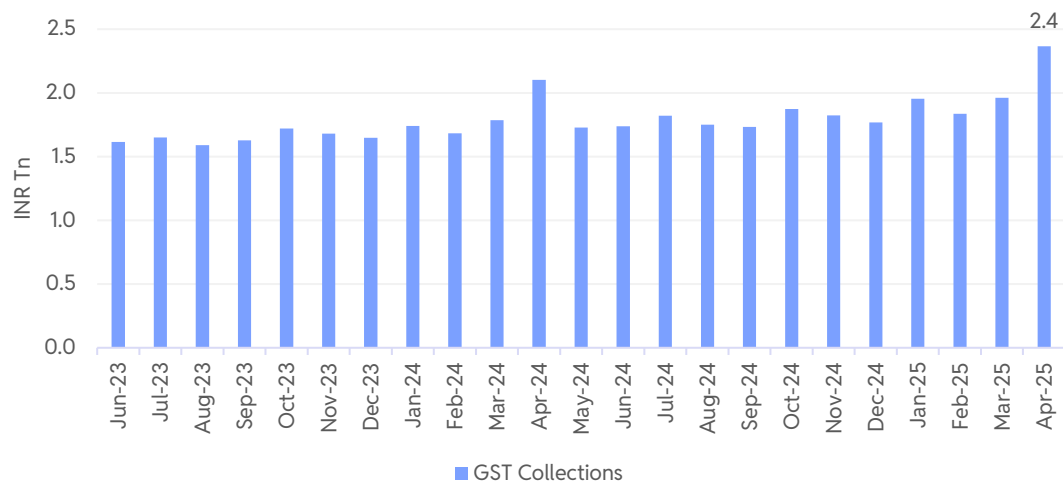
PV sales have picked up...



...and PMI's have demonstrated sustained strength



GST collections are robust..

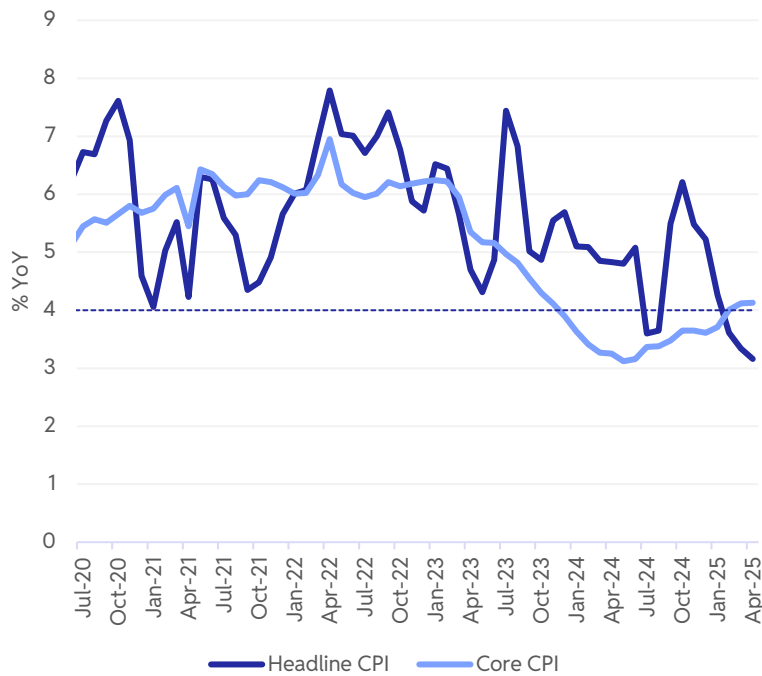


...But air passenger traffic has moderated



# RBIs Accommodative Stance May Stimulate Growth Amidst Gloomy Global Outlook

India's CPI Inflation slowed to 6 year low



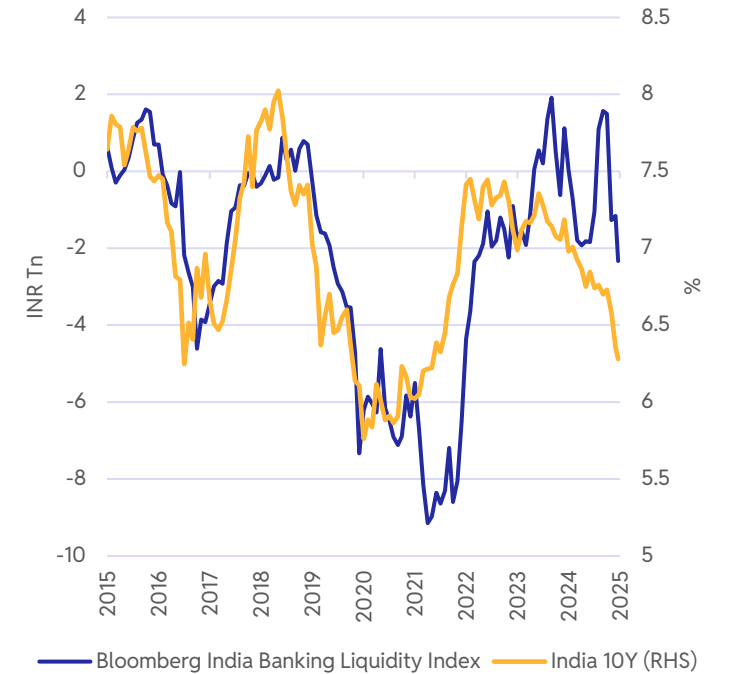
Source: CMIE, Ionic Wealth, Data available as on May, 2025

RBI Measures since Feb 2025 to support Growth

Measures	
Policy Rate Cut	Cut policy rates by 50 basis points (bps)
Monetary Policy Stance	Changed the stance to Accommodative
Policy Rate Trajectory	Indicated a downward trajectory
Long Term Liquidity Infusion	Infused liquidity via OMO purchases and FX swaps exceeding ₹6 lakh crores
Risk Weights Adjustment	Restored risk weights on Micro Finance and NBFC lending by banks
Liquidity Coverage Ratio (LCR) Guidelines	Tweaked final LCR guidelines, resulting in 6% excess liquidity for banks

Source: Kotakmf, Ionic Wealth, Data available as on May, 2025

RBI's Active Liquidity Management Brought Systemic Liquidity to Surplus



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

The RBI has infused INR 3.24 Tn into the banking system through OMO purchases Since January 30. The RBI has been injecting funds since mid-January to counter a sharp decline in liquidity. The deficit had breached the INR 3 Tn mark. However, due to the various measures taken by the RBI, the banking system swung to surplus from April. The measures, include lowering the CRR, VRR auction, forex swaps and OMO purchases, to ease liquidity stress. While durable liquidity is likely to be comfortable over the next few months, banking system liquidity may fluctuate depending on the scale and pace of government spending.



**In a nutshell,**

This remains a time to trust active managers. Within any economy, domestic plays have been more resilient than export plays. It has been a volatile period and uncertainty has surprised on the upside. However, one needs to stay mindful of first principles of investing to remain fool proof in the markets.

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