IONIC WEALTH

BY ANGEL ONE

The Investing Pantheon

July 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?

Talk of the town last month has shifted away from tariff trauma to trade deal. Aug-1 is expected to be the new liberation day, with US already sending letters to many of its trading partners. Amidst this, pockets of opportunities continue to arise in global equities, and undoubtedly markets are now at an all-time high. What next? While some pullbacks maybe inevitable, all eyes will now be on the earnings season. The economies that get it right will continue to attract capital.

US : Strong Macros, Can Earnings Sustain?

Economy is very strong, with signs of weakness hard to find. However, valuations are elevated and the best way for them to course correct is higher earnings. US has so far delivered, this result season will be critical.

China: Markets Lead Macros

China's markets have led the actual macros, as is always common. Stimulus is turning out to be piecemeal but valuation comfort, revival in earnings and general optimism towards EMs fuelled by DXY weakness have created a strong opportunity in the region.

Europe: Benefitting From Flows

Europe is doing well as it continues to attract flows form DXY weakness + resurgence in the economy. Pockets of opportunity exist here.

Korea: The Return Of The Underdog

There's more than one reason as to why we think Korea may do very well in coming few quarters with reasons ranging from change of Government to revival of earnings. Markets will be watching the return of this Asian giant.

India: Mixed HFD Signals, Individual Stock Opportunity Exists

India macros are giving mixed signals, but lower inflation can help margins and revive corporate profitability. We are of the view that it remains a decent buy on dips market.

FY26 has started with all things unfamiliar but now is settling as trade deals are now in more or less in place with reasonable tariffs. We will be keeping a very close eye on the ongoing earnings season to carve more global and domestic opportunities.

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Developed Markets

US:

No Signs Of Slowdown In Economy, Markets YET “We Expect Correction” Sentiment Is Ripe

Europe:

Marginally Benefitting

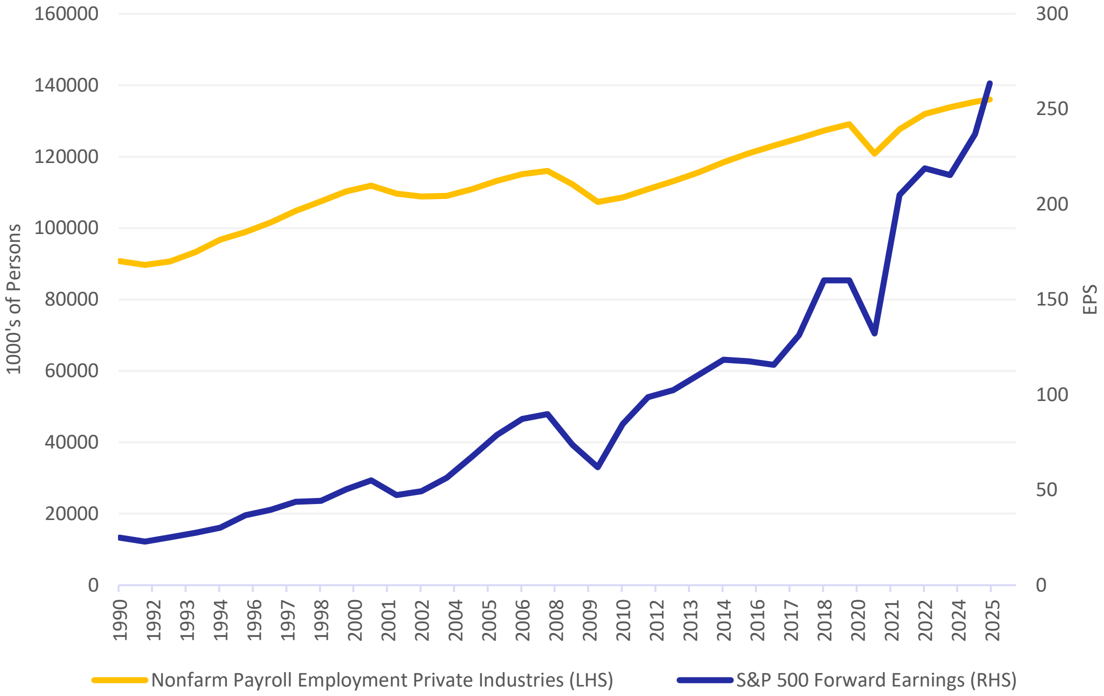
Japan:

Rising Above Its Own History

Disclaimer: Country flags shown are purely representational and intended for visual illustration.

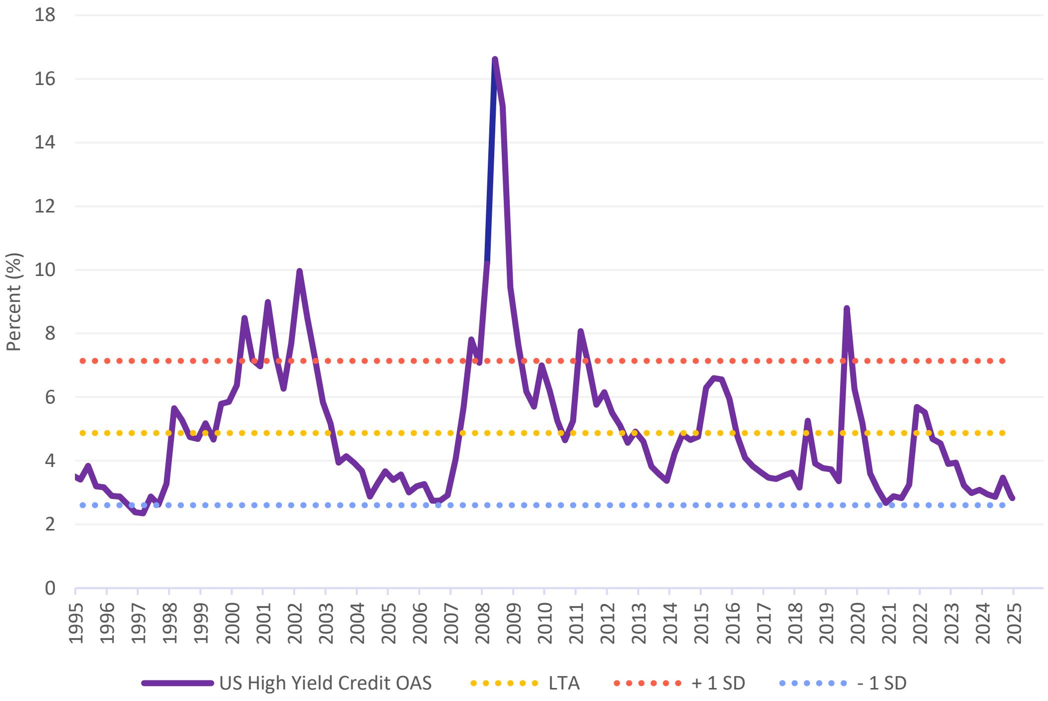
US Economy: Data Continues To Be Strong

Nonfarm payroll employment in private industries powers higher alongside strong forward earnings, underscoring US economic durability even as market leadership shifts and late-cycle signals emerge.



Source: Bloomberg, Yardeni, Ionic Wealth, Data available as on July 2025

US investment grade as well as high yield credit spreads remain near multi-year lows, well below their long-term average.

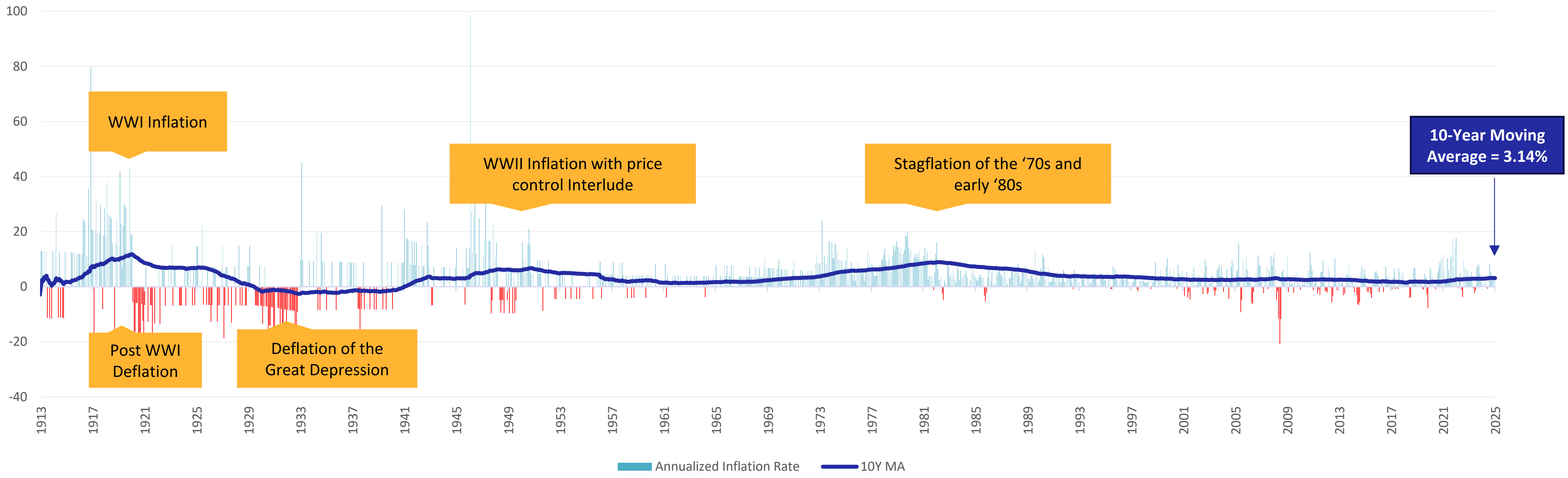


Source: Bloomberg, Ionic Wealth, Data available as on July 2025

US private sector payrolls continue to surpass historic highs, confirming durable job market strength even late in the cycle. Healthy employment gains are supporting robust consumer demand and underpinning forward earnings resilience, even as financial markets rotate and investors position for potential policy shifts and evolving macro headwinds. There is underlying euphoria in US economy which is not showing any eminent signs of correction in the moment.

US Economy: June Data Was High, Not So High In Historical Perspective

The July Consumer Price Index (CPI-U) shows annual inflation at 2.7%, still staying below both the post-WWII average (3.73%) for over two years and the 10-year moving average (3.14%) for five straight months. This extended period of moderate inflation signals that US price pressures remain contained despite the noise around tariff led inflation

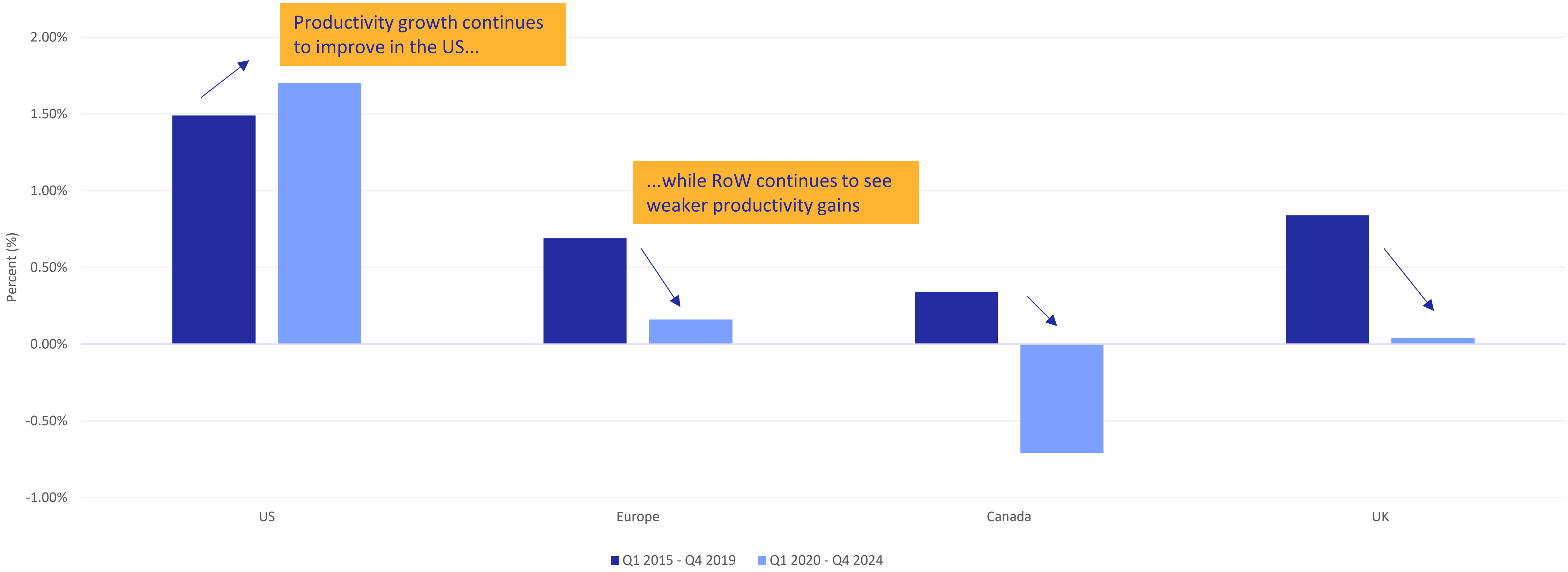


Source: Bloomberg, Ionic Wealth, Data available as on July, 2025

Looking across history, the turbulence of pre-World War II price swings—marked by frequent inflation and deflation cycles—stands in sharp contrast to the more stable inflation patterns seen since the 1940s. Enhanced government involvement following the Great Depression has helped to smooth out extreme economic fluctuations, reducing the risk of deep recessions and volatile price shocks. This enduring inflation moderation reinforces confidence in the US economic framework and supports a constructive outlook for markets, as a steady inflation environment underpins purchasing power, investment, and long-term planning. Currently, inflation is back as noise but will be interesting to see if it can sustain. Most market participants are expecting fed rate cuts this year nevertheless.

US Economy: Productivity Is Improving

US labor productivity growth has accelerated and decisively outpaced other major economies, underlining America's adaptability and structural efficiency gains.

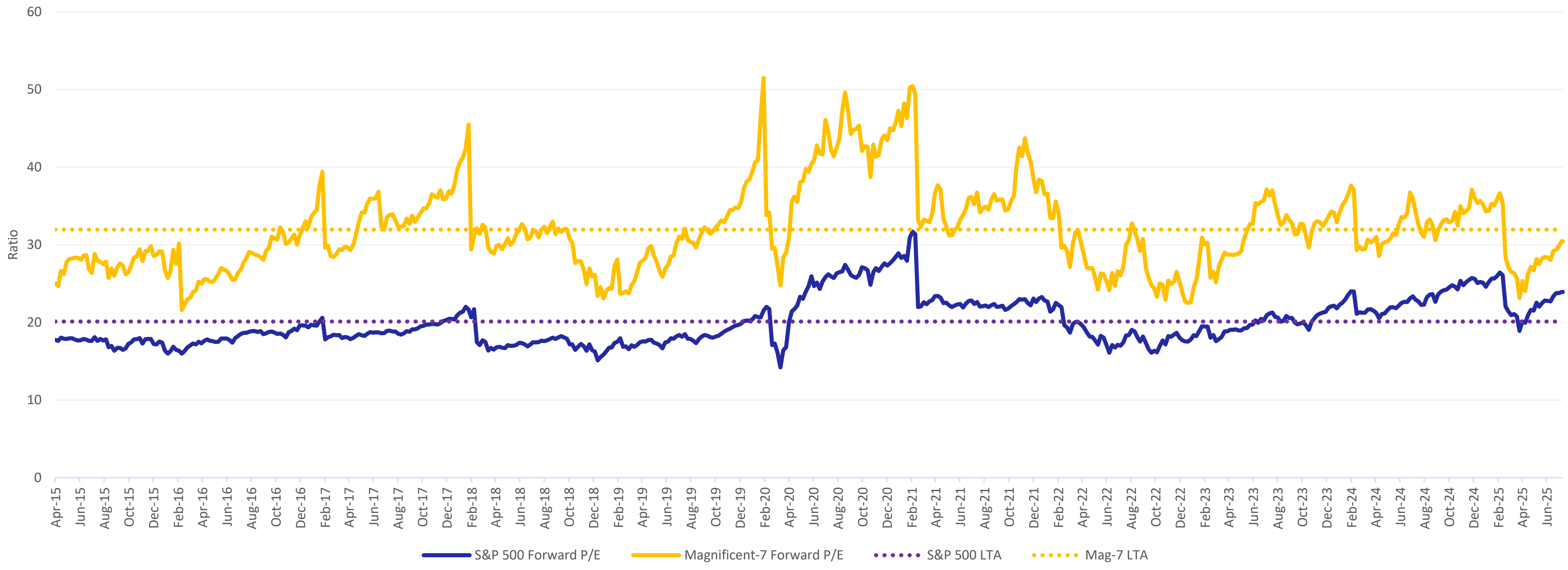


Source: Ionic Wealth, Data available as on July, 2025

This sustained productivity momentum reinforces US economic leadership and supports a constructive outlook for equities and long-term growth. US productivity growth continues to set the global standard, with recent gains decisively outpacing those of Europe, Canada, and the UK. The chart highlights how, even in a more challenging macro environment, US adaptability and structural efficiency are driving a notable acceleration in labor productivity. While other advanced economies have seen marked stagnation or contraction since 2020, the US is reinforcing its position as a global leader, supporting stronger economic potential and corporate competitiveness in the years ahead. This disparity underlines the critical importance of innovation and flexibility as engines of post-pandemic growth.

US Markets: Valuations Are Reasonable Beyond The Big Names

S&P 500 is trading at a forward P/E of 22.2, Mag-7 is at 29.5 but S&P 493 is at 19.5, Mag-7 is lower than its historic euphoria, but earnings expectations are very high, markets are likely to be brutal to even small slippages.



Source: Yardeni, Ionic Wealth, Data available as on July, 2025

S&P 500 sector valuations are broadly reasonable, with most sectors trading at or below their 10-year average price-to-earnings ratios—even as market leadership persists in technology and communication services. The normalization in valuations across the index suggests that equity prices are now well-anchored by fundamentals rather than excessive exuberance, providing a solid foundation for sustained market performance in the current cycle. This healthy valuation backdrop supports investor confidence in continued US equity market resilience and attractive sector-level opportunities

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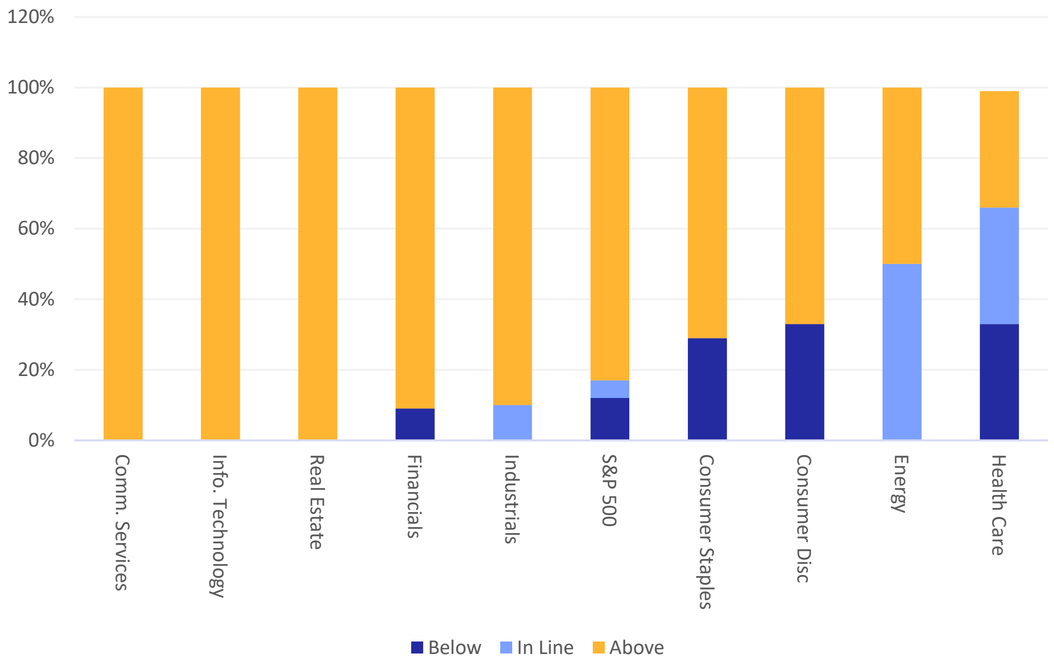
US Equities Are Seeing Earnings Sustenance

The Q2FY25 earnings had more surprises than missed, all eyes will now be on Q3



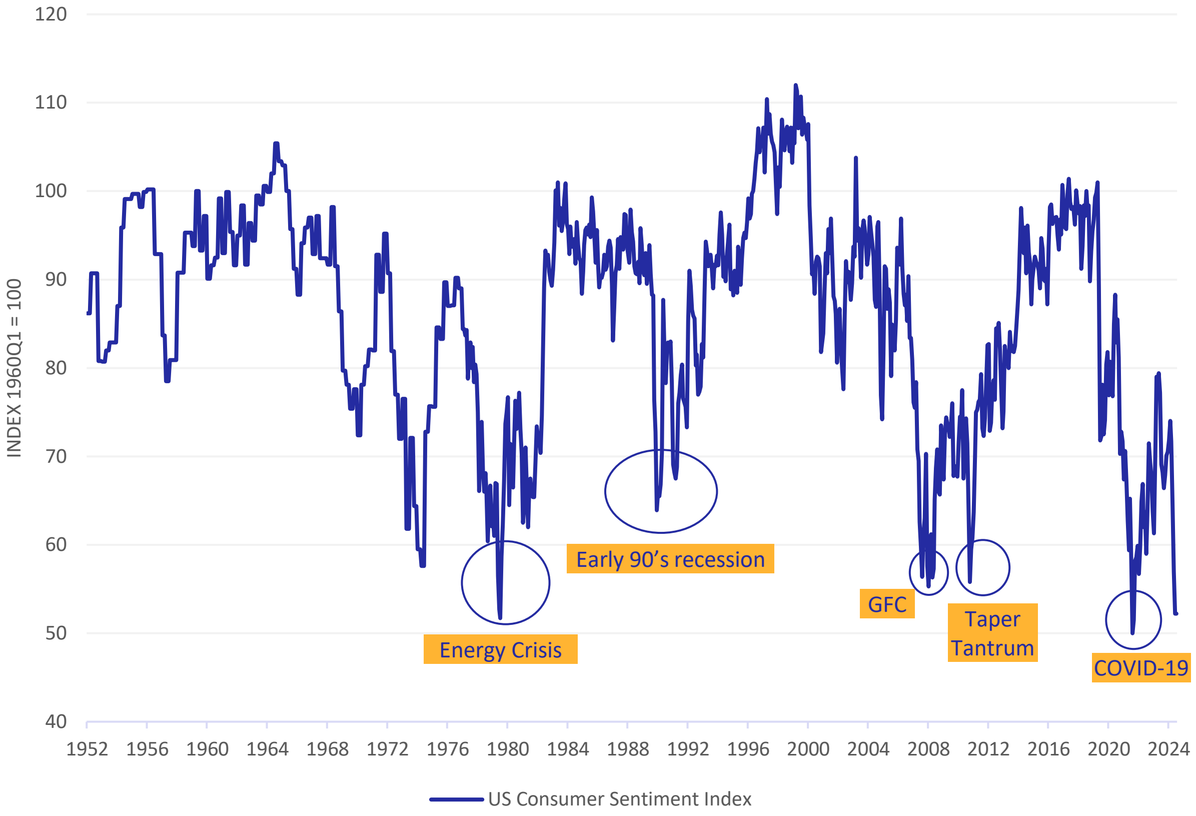
While stock prices seem to be on a strong uptrend, they're accompanied with earnings

Source: Bloomberg, Factset, Ionic Wealth, Data available as on July, 2025

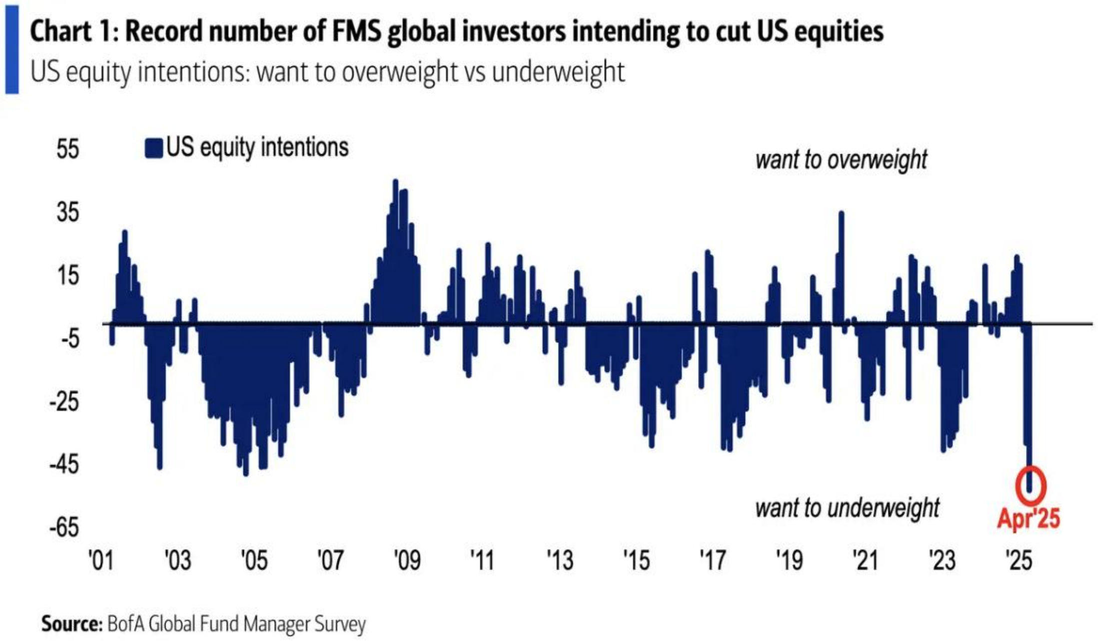
Strong, broad-based earnings growth across key financial industries and a decade-long alignment between rising S&P 500 prices and forward earnings expectations highlight the resilient profit foundation powering US equities, supporting continued market strength in an adaptable economic landscape. A vast majority (83%) of companies reporting so far have beaten EPS estimates—exceeding historic averages for both positive earnings and revenue surprises. Forward guidance for the full year remains firm, with S&P 500 earnings projected to rise roughly 9.3% in 2025, fuelled by robust tech demand, ongoing cost controls, and resilience in key sectors like financials and consumer staples.

YET Confidence In The Consumers/Markets Is Subdued

Consumer confidence remains at historical lows



A bunch of managers have shown intention to go underweight US

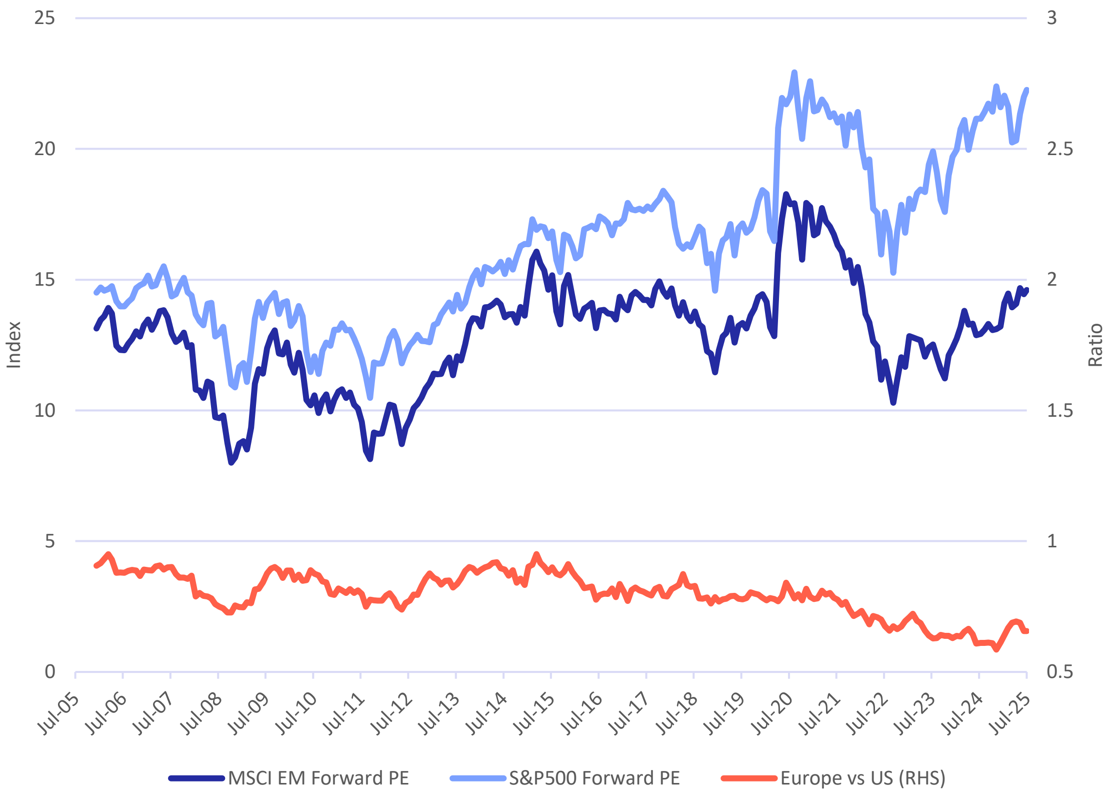


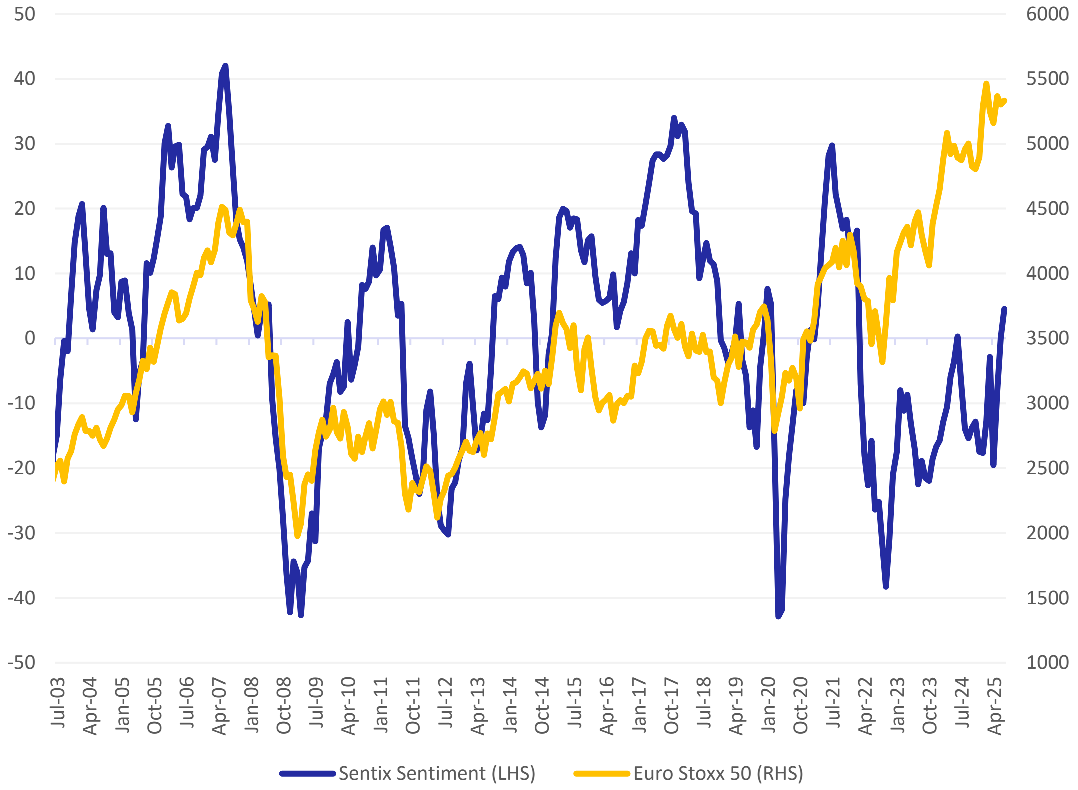
Source: Bloomberg, Ionic Wealth, Data available as on July, 2025

Investor scepticism toward US equities has grown more pronounced in 2025, driven by persistent macroeconomic uncertainty, lingering inflation, and political factors such as tariffs and fiscal imbalances. Although US stock indices have recovered from earlier volatility, surveys and ETF flow data reveal that investors remain wary of the domestic market's sustainability—daily inflows into equity ETFs have dropped by over 50% since the April rebound, even as headlines tout record highs. Underlying these trends is a backdrop of historic pessimism among US consumers. The Conference Board's Consumer Confidence Index has slumped to its lowest level in 12 years, reflecting mounting anxiety about future income, jobs, and the overall economy.

Europe: Favorable Valuations Reviving Sentiments

Attractive Valuations and Improving Sentiment Drive Renewed Optimism Across European Equity Markets and Economic Expectations



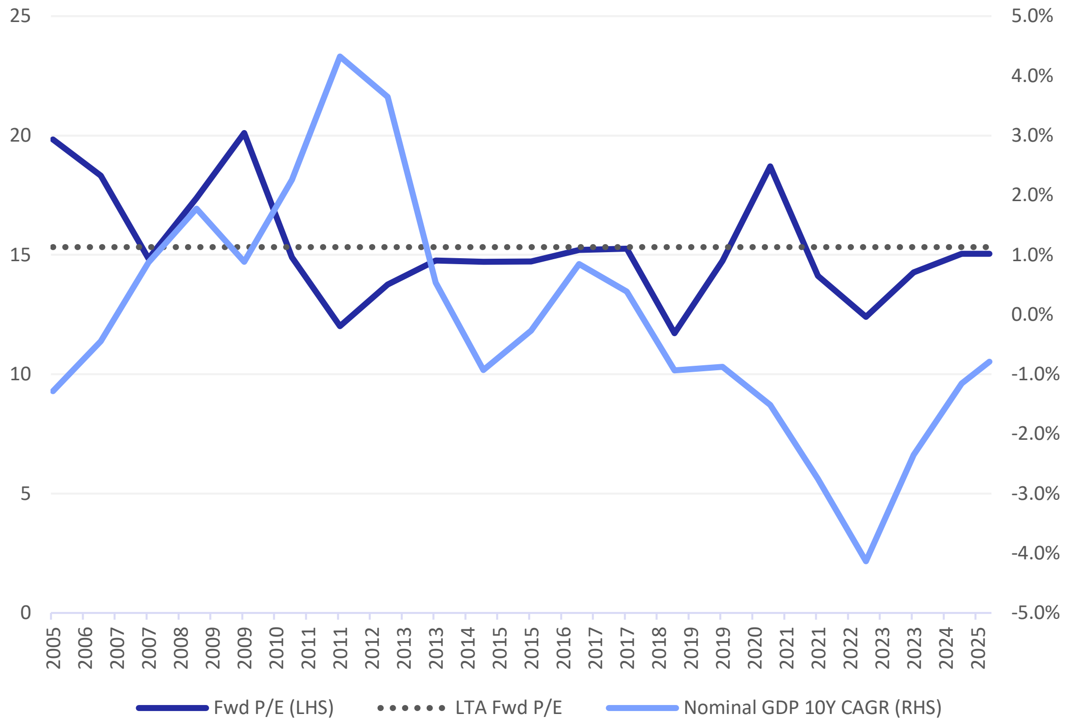


Source: Bloomberg, Ionic Wealth, Data available as on July, 2025

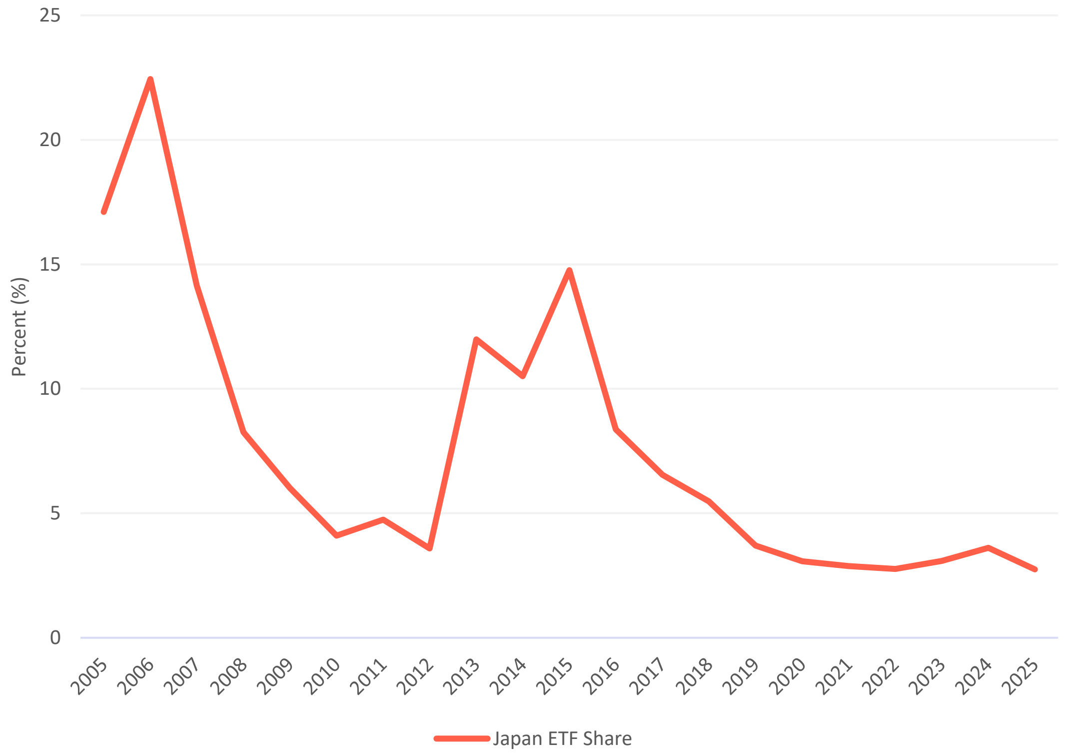
Europe's equity breakout is gathering momentum, driven by a powerful shift from extreme undervaluation and deep pessimism to renewed optimism and policy support. With valuations still attractively discounted versus the US, and ongoing monetary and fiscal tailwinds, the region offers a compelling case for catch-up performance as global investors reconsider opportunities beyond the increasingly expensive US market. Also, de-dollarisation effectively benefits other DMs such as Europe and Japan.

Japan: Rising Above Its Own History

Japanese Valuations Steady Amid Growth Slowdown



..as global allocation to Japanese equities still remain low



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

Japan's equity market is standing on firmer ground, with forward P/E ratios closely tracking historic averages—signalling that valuations remain disciplined despite market optimism. Notably, the nominal GDP 10-year CAGR has rebounded markedly, underscoring improving macro momentum. Yet, global ETF flows to Japanese equities in the US remain near historic lows, revealing substantial room for international investors to re-engage with Japan's evolving growth story.

Emerging Markets

Korea :

The Turn of the Underdog

China:

Still Bullish

India :

Recent Returns Lower Than Other Global Markets, Monetary Reflation May Help in Medium Term

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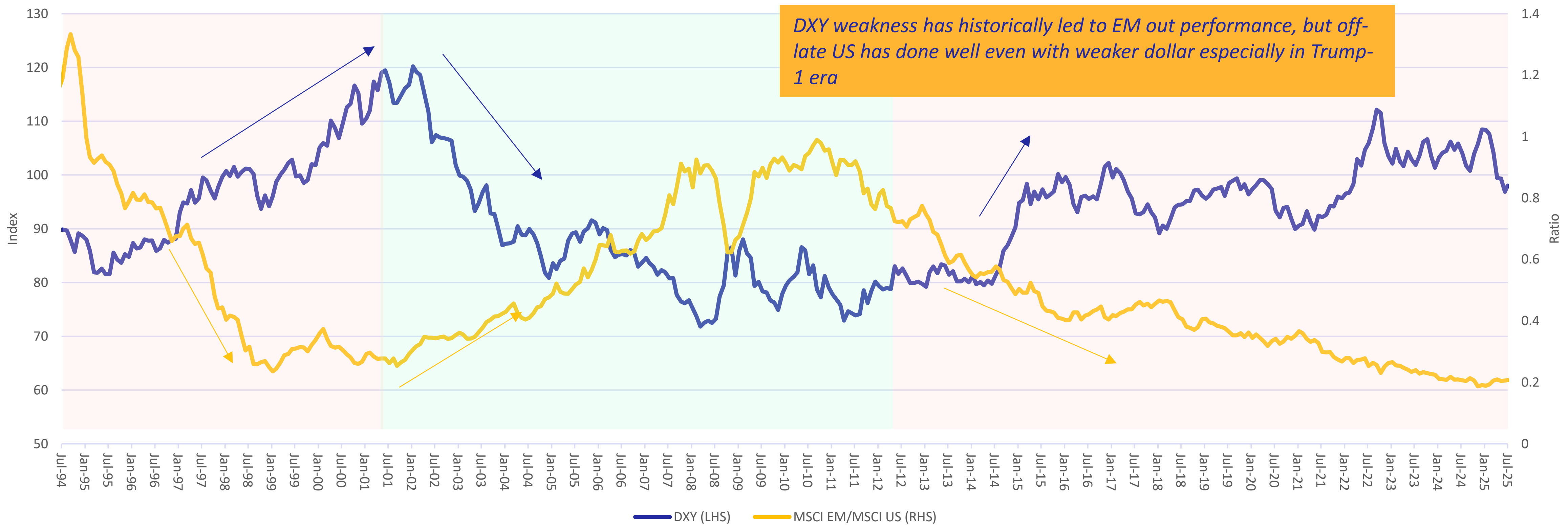
DXY weakness is positive EMs

Periods of sustained DXY weakness—such as 2002–2007 and 2017—have historically sparked powerful rallies in emerging markets, as global risk appetite surged and capital rotated toward EM equities. Conversely, DXY strengthening cycles—post-2014 and 2022—tended to coincide with EM underperformance and tightening global liquidity, echoing financial stress episodes and US policy pivots.

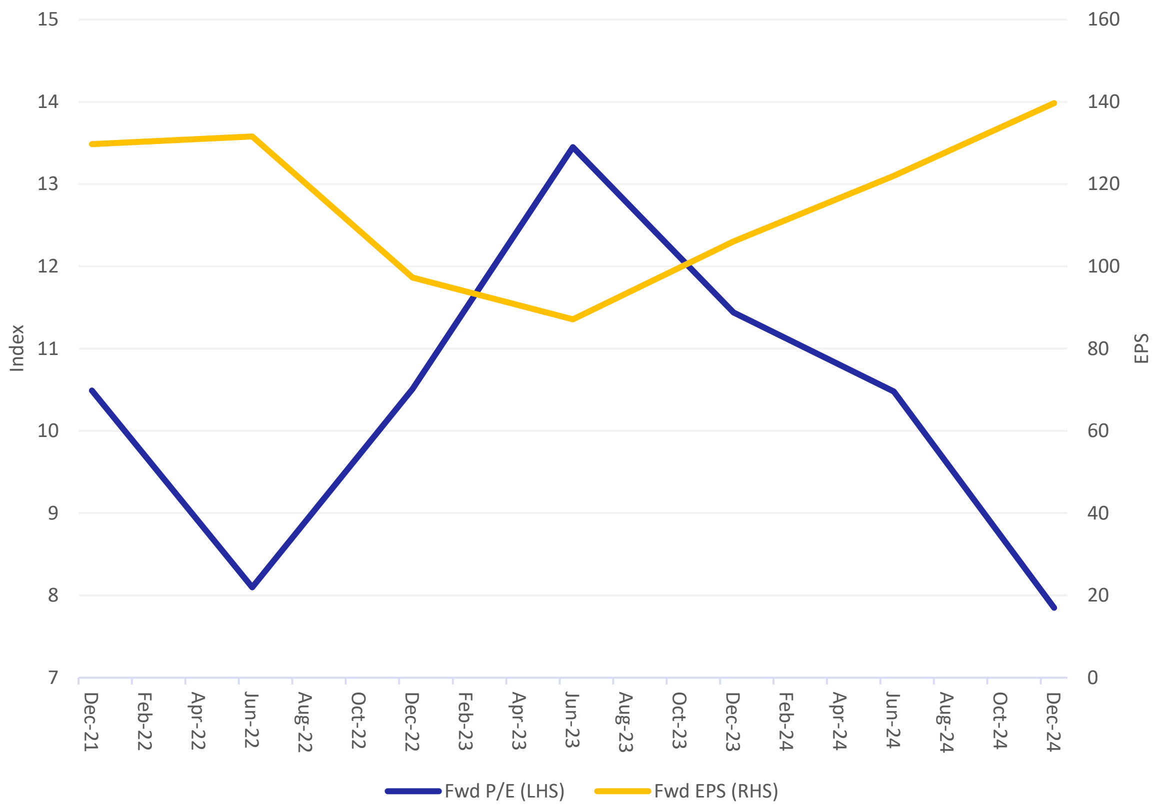


Source: Bloomberg, Ionic Wealth, Data available as on July, 2025

As the dollar depreciates, these economies benefit from lower servicing costs on their dollar-denominated debt, freeing fiscal resources for other priorities and lowering financial stress for both governments and corporations. The shift also attracts global capital to EM equities and bonds, as investors seek higher yields and potential currency appreciation. Additionally, most commodities are priced in dollars, so a weaker greenback generally results in higher local currency revenues for EM commodity exporters, strengthening trade balances and supporting domestic growth. This combination of increased capital inflows, improved fiscal conditions, and rising export earnings creates a more favourable environment for policy flexibility and sustainable economic momentum in many emerging markets.

Korea: Turn of The Underdog?

Korea's equity market is turning heads as forward P/E drops to multi-year lows just as earnings forecasts rebound and global inflows accelerate.



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

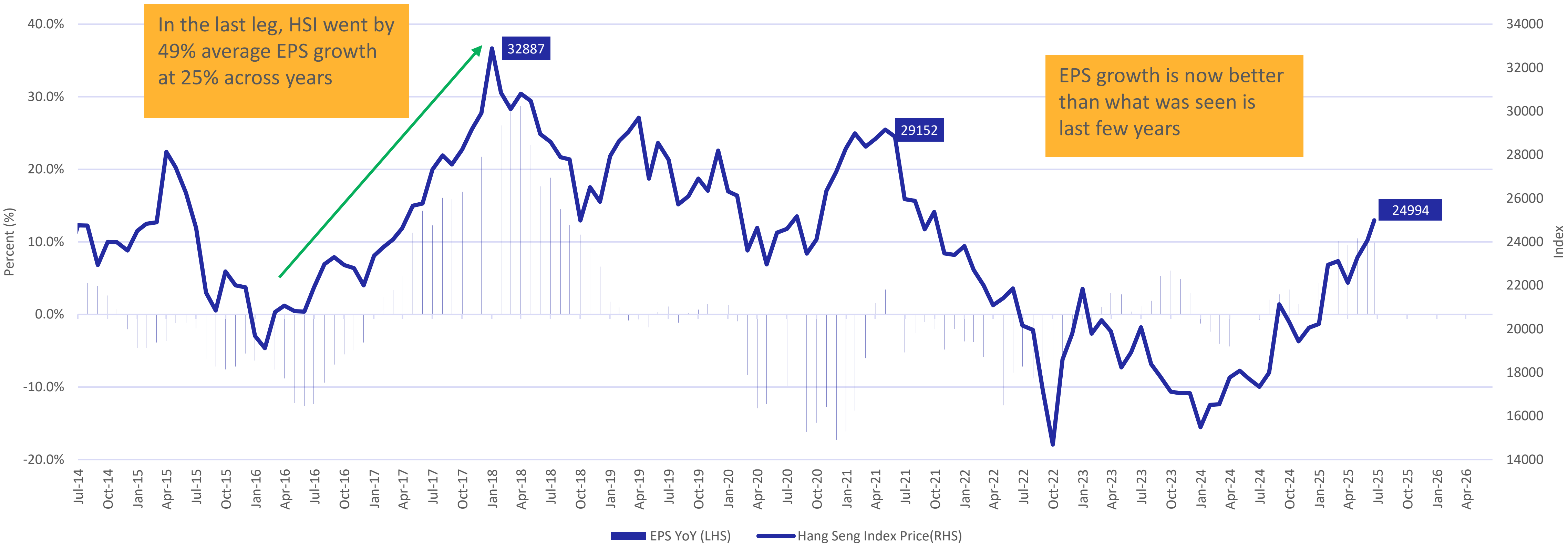
Why Korea's Markets Are Outperforming Global and EM Peers

- **Ambitious Government Reforms:** Sweeping improvements in corporate governance, transparency, and shareholder rights—driven by government initiatives.
- **Rebounding Corporate Earnings:** Korean listed companies are posting a sharp turnaround in earnings growth, with 2025 consensus EPS forecasts up +20%, supported by robust export recovery and the technology sector's competitive edge.
- **Multi-Year Valuation Lows:** The market's forward P/E ratio has dropped to its lowest level since 2012—well below regional and historical averages—creating an appealing entry point.
- **Record Global Inflows:** Korea has attracted the largest share of Asia ex-Japan equity fund inflows since early 2025, as international investors seek under-owned, high-growth opportunities in the region.
- **Strategic Sector Positioning:** Korea's world-leading electronics, battery, and semiconductor industries are benefiting from global supply chain realignment and surging demand for AI hardware, electric vehicles, and clean tech—a structural tailwind unique among EMs.

South Korea's equity markets have staged a dramatic turnaround in 2025, with the benchmark KOSPI index surging more than 28–30% in the first half of the year—the strongest performance in Asia—after years of underperformance and pronounced volatility. This rally was sparked by a series of pivotal events: the impeachment and removal of the previous president, Yoon Suk Yeol, following an attempted declaration of martial law, ushered in political instability that weighed heavily on markets at the end of 2024. The election of President Lee Jae Myung provided a stabilizing force and renewed investor confidence, as he announced swift reforms targeting the longstanding 'Korea discount'—a chronic undervaluation driven by weak shareholder protections and the dominance of large family-run conglomerate.

China: News Is Positive, Earnings Revival Is The Key

With valuations near multi-year lows, improved policy support and corporate earnings outlook offer scope for renewed upside in Hong Kong and China-listed equities.



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

The current surge is powered by investor enthusiasm for China's policy support, ongoing stimulus measures, and a sector rotation favouring technology, healthcare, and consumer discretionary stocks. Notably, major advancements in artificial intelligence, electric vehicles, and green infrastructure have helped leading tech firms such as Alibaba and Tencent deliver robust corporate earnings, with projected 2025 EPS growth of 5.2% following an 8.5% gain in 2024. IPO activity in Hong Kong has been especially vibrant, underscoring renewed global and regional investor interest.

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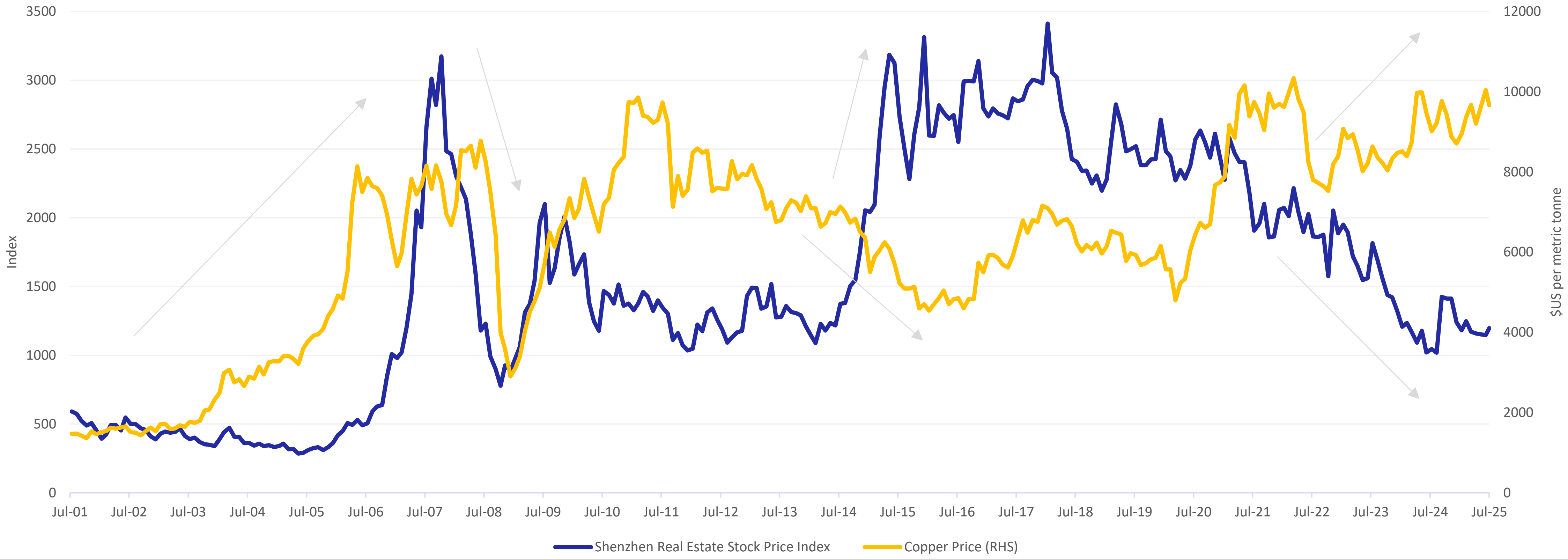
China: Lead Indicator For Industrials Is Evolving?

China's Growth Engine Shifts: Real Estate Fades as Industrial Metals Drive Market Leadership

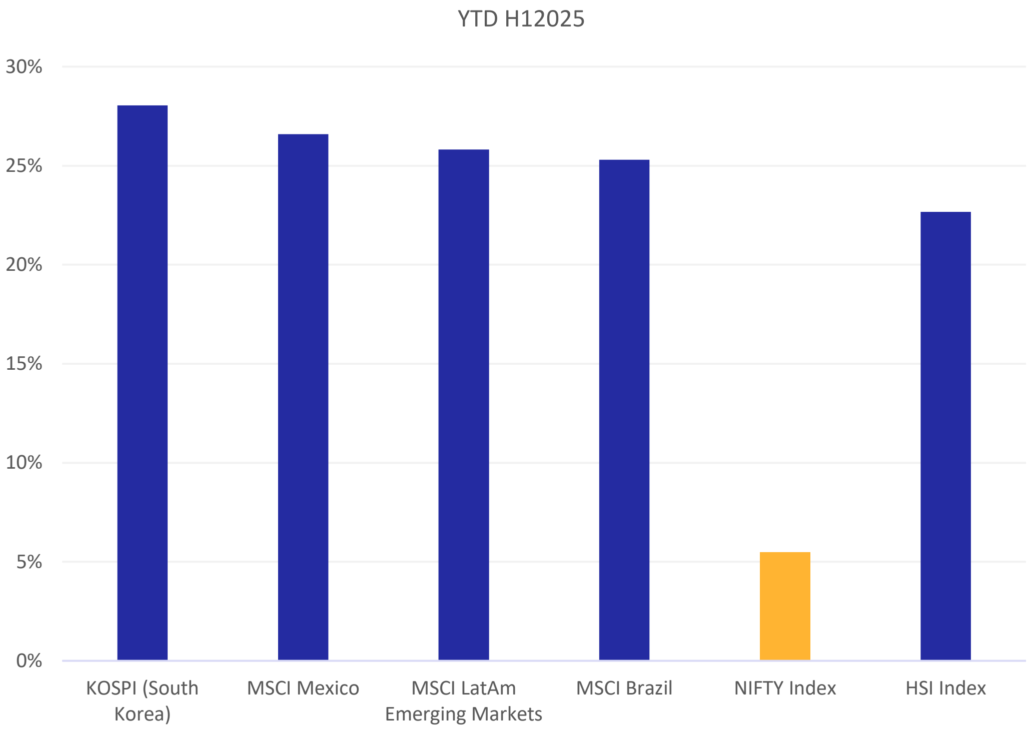


Source: Yardeni, Bloomberg, Ionic Wealth, Data available as on July, 2025

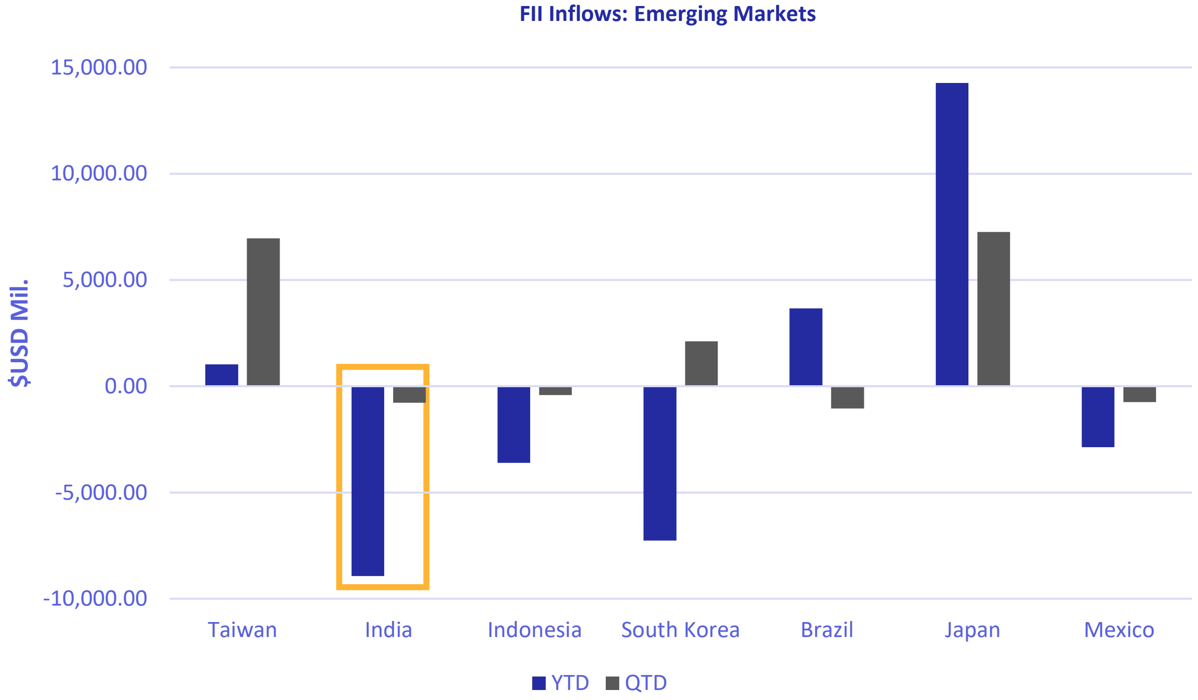
A structural decoupling between copper prices and Chinese real estate equities highlights the waning influence of property on China's growth engine. While ongoing weakness in the real estate sector signals persistent domestic macro headwinds, copper's resilience underscores how global industrial and energy trends are offsetting Chinese demand softness. For investors, this divergence points to a fundamental shift—allocations must pivot toward sectors benefitting from industrial upgrading and the energy transition, as the old property-led cycle has run its course.

India: YTD returns are lower so are FII flows when compared across EMs

Latin America, Korea, and Brazil Lead 2025 Rally as India Lags Behind EM Peers



FII Flows Diverge Sharply: India Sees Weak Inflows Amid Robust Moves in Korea and Brazil

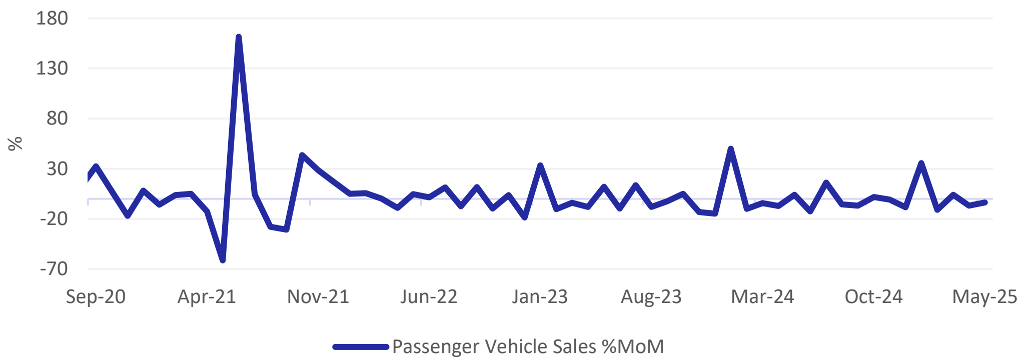


Source: Bloomberg, Ionic Wealth, Data available as on July, 2025

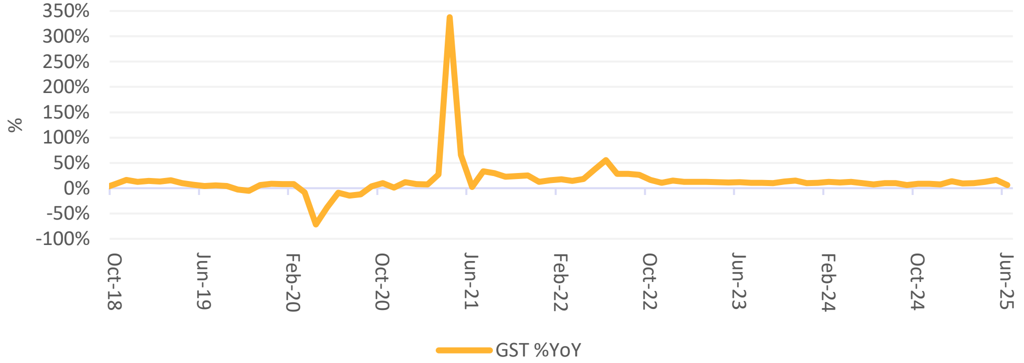
Emerging markets delivered robust returns in the first half of 2025, with strong equity rallies across several major indices. India's equity performance lagged regional peers, posting relatively modest gains while markets like Korea, Brazil, and Mexico soared on earnings rebounds and renewed capital flows. Foreign investor inflows were also subdued for India compared to other EMs, reflecting a shift in sentiment and allocation priorities as global investors sought higher momentum opportunities elsewhere.

India: High Frequency Data Check

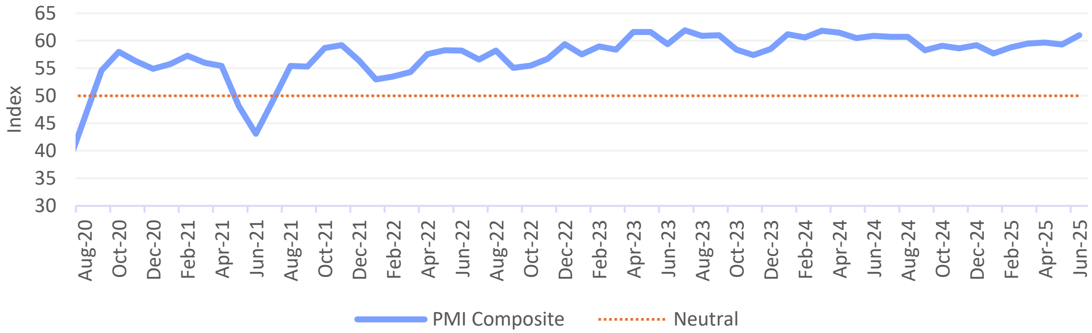
Passenger Vehicle Sales See Moderate Recovery After Consecutive Declines, Signaling Uptick in Consumer Sentiment



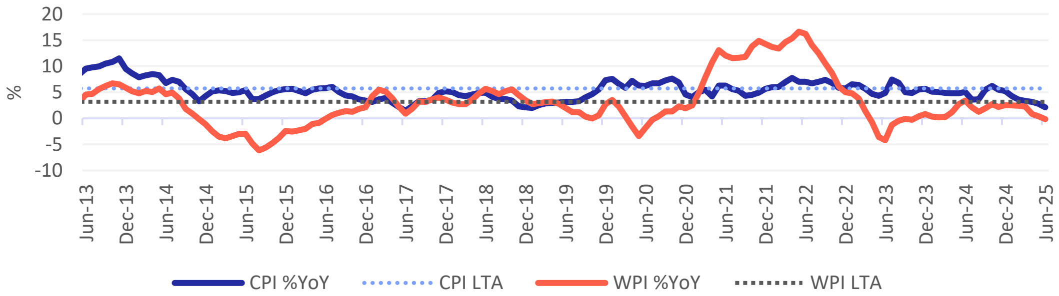
India's GST Revenue Growth Regains Strength with 6% YoY Expansion



Composite PMI showed steady strength, boosted by a 14-month manufacturing high signaling sustained industrial growth and resilient business sentiment amid global challenges.



CPI Inflation Moderates to 2%—Retail Prices Remain Comfortably Anchored; WPI Inflation Turns Negative, Marking Extended Period of Input Price Relief and chance for RBI to act



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

India's macro landscape remains mixed in June 2025. GST revenues climbed 6% YoY(albeit with import duties included) , while CPI inflation cooled to 2%, solidifying a supportive policy environment. WPI stayed negative, underscoring soft input prices. PMI Manufacturing hit a 14-month high in June, driving the composite PMI to continued stable levels. Passenger vehicle sales slid 3.41% MoM in May—still a better result than April's sharp contraction, suggesting tentative stabilization.

In a nutshell,

This remains a time to trust active managers. It has been 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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