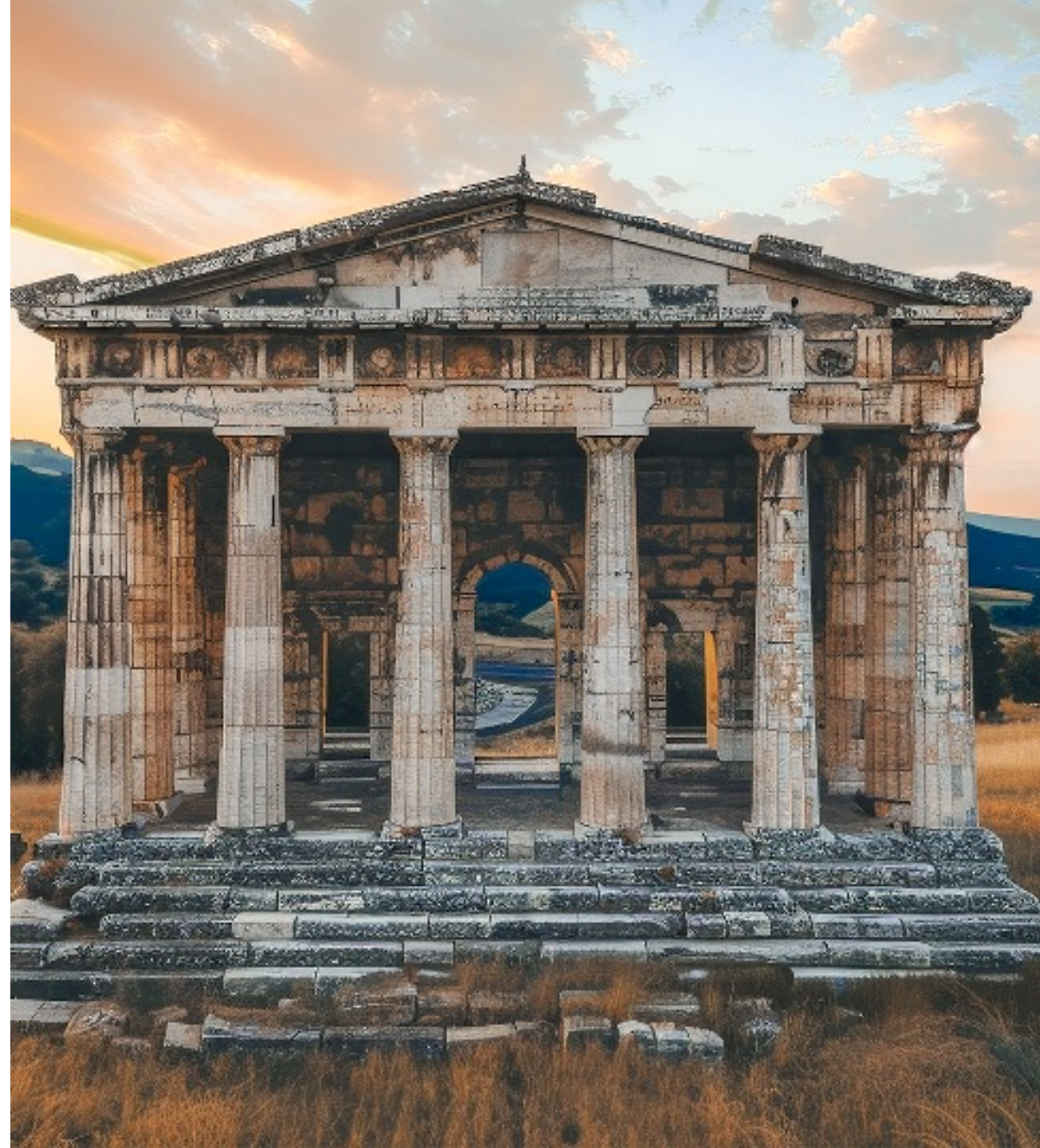


IONIC WEALTH
BY ANGEL ONE

The Investing Pantheon

June 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?

With global policy becoming increasingly volatile and the primary force shaping market behaviour, asset allocation has never been more critical in navigating uncertainty. As we decode TACO and OBBA, alongside geopolitical uncertainty, the markets are seeming to have a mood on their own- a different one rather each day. Here's our take on the world.

US : More is less

Markets are asking how much more? With every day turning out to be a news- based, volatility has been market's friend. At the same time, performance has continued, albeit slower than rest of the world but not negative. High frequency hard economic data is not bad and markets are expected to be resilient

US: Highly Volatile Yet Opportunistic

US remains highly volatile and susceptible to news but despite high valuations, it continues to reward earnings winners disproportionately.

India: Valuations Elevated, But Stock Opportunity Exists

India macros are looking better. Of course, broad market indices are still expensive making this a perfect timing for an active manager to pick select opportunities.

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 have created a strong opportunity in the region

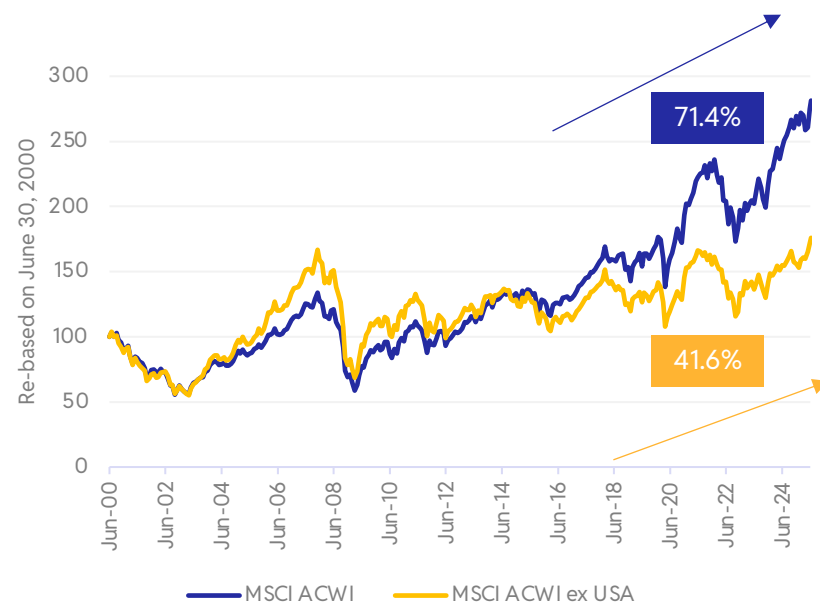
Oil: Ceasefire announced, But Worries Weren't Material

In history, Strait of Hormuz has been threatened but actual closure is logistical constraint. Oil fundamentally is headed lower and shouldn't occupy much of investor headspace

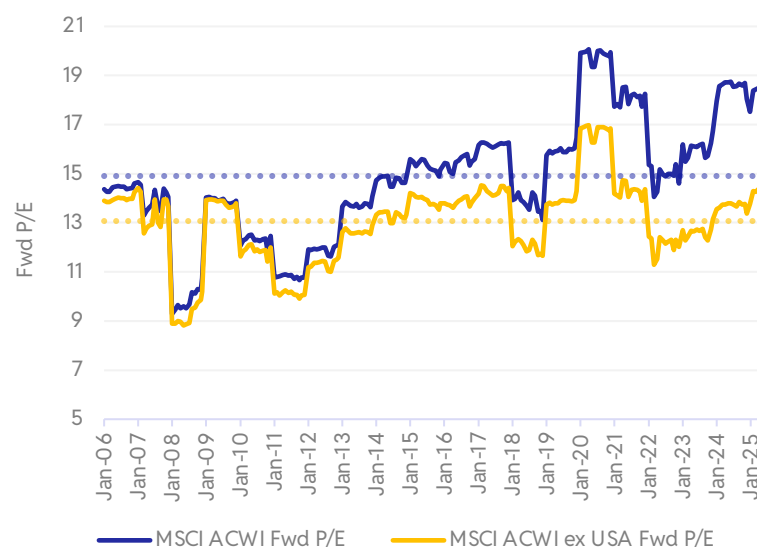
FY26 has started with all things unfamiliar, it is upon the markets now to carve out symphony amidst the noise. We believe the market remain fertile to seed opportunities. Policy uncertainty and volatility thereof can be blessing in disguise for long-term equity investors.

Global Markets Hit Their All Time High In June, But Didn't Last There Too Long

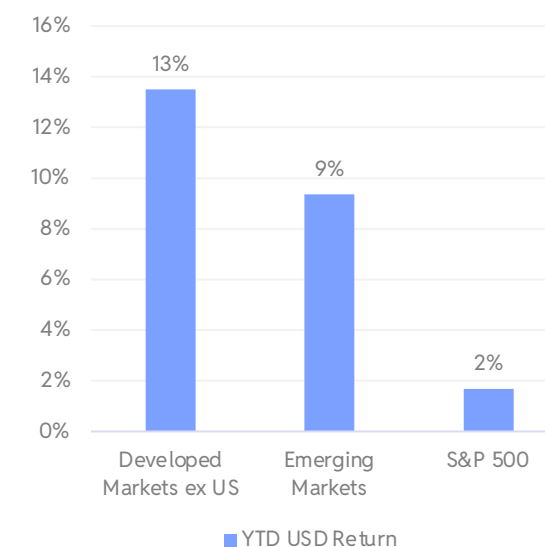
Global markets have reached their all-time high in June driven by US...



... but now US has become relatively more expensive



.. And US has underperformed rest of world YTD



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

US has seen significant outflows across asset classes in 2025. The valuations are high, policy risk and uncertainty prevails. Under this macro backdrop, rest of the world has risen to outperform the US. Can this continue?

Global Risk-On Needs Sustenance

Past one year has been kinder to risk-off assets than risk-on assets



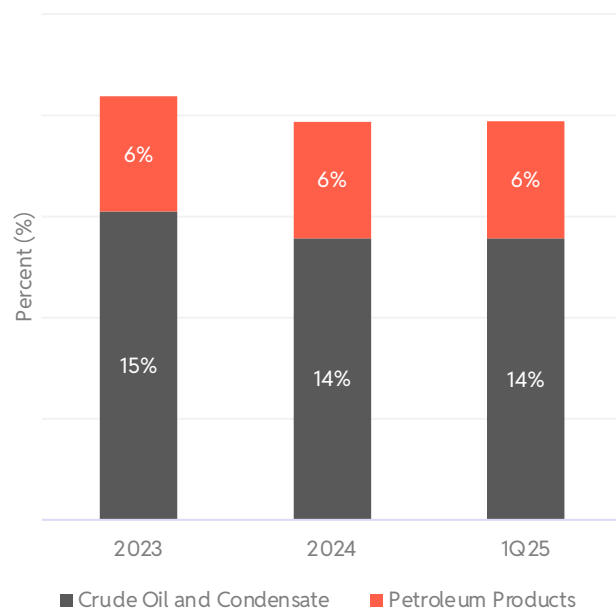
Source: Bloomberg, Ionic Wealth, Data available as on June, 2025

Risk On: MSCI World, Silver, Bitcoin (equal-weighted, rebased to 100 on 13/06/2025). Risk Off: Gold.

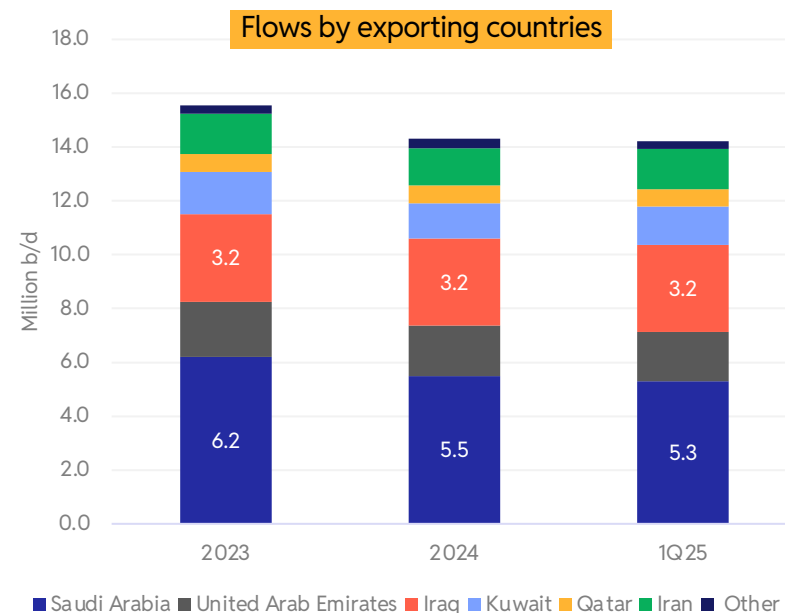
On the geopolitical front, there is ambiguity around how the countries are shaping their defence strategies. . Risk-off assets like Gold are doing well whereas riskier assets like equity have been taking a breather. Elevated volatility and reduced investor confidence are pressuring equities. This time around, news of ceasefire brought the market cheer back but what next?

Strait of Hormuz Closure Worries Were Ripe, It's Important But Not Easy To Close

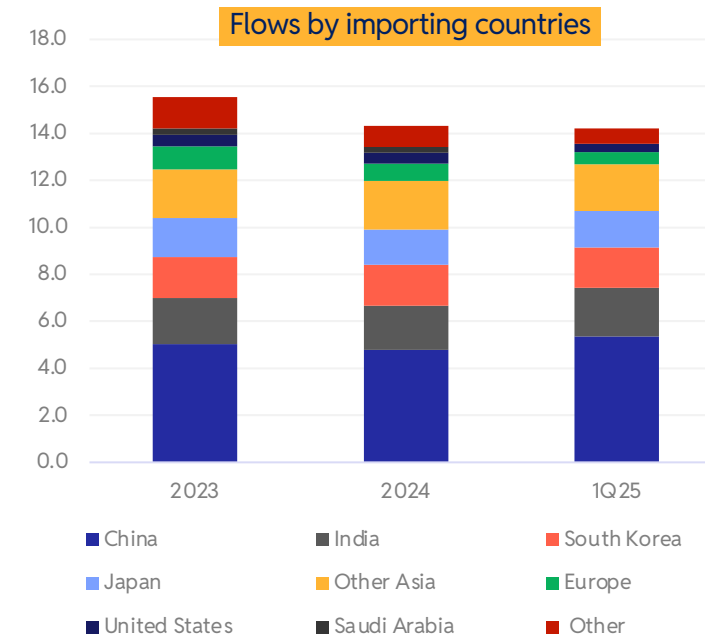
20% of global oil and liquid fuel consumption flows through the Strait of Hormuz.



...Saudi Arabia remains the largest exporter by far, contributing nearly 40% of total flows, though volumes are modestly down.



38% of Hormuz crude flows go to China, while 15% head to India.



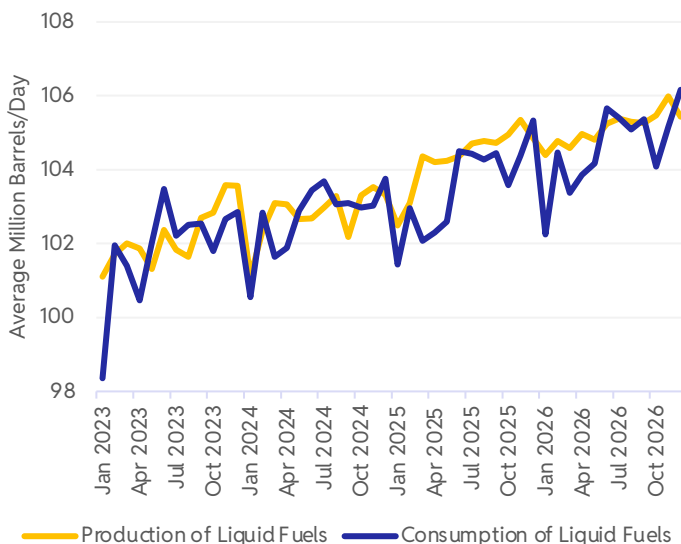
Source: Independent Statistics and Analysis report, Ionic Wealth, Data available as on June, 2025

The strait is approximately **39 kilometres (about 24 miles)** wide at its narrowest point. Iran has **never fully closed the Strait of Hormuz** in a prolonged or official sense, but it has **threatened to do so multiple times** and has occasionally disrupted shipping temporarily. During the **1980-1988 Iran-Iraq War**, Iran and Iraq targeted oil tankers and ships in the "Tanker War" phase, creating dangers in the Strait but not closing it outright. In recent years, especially amid rising tensions with the U.S. (e.g., after the 2018 U.S. withdrawal from the Iran nuclear deal), Iran has repeatedly warned that it could close or restrict traffic through the strait in retaliation for sanctions or military actions.

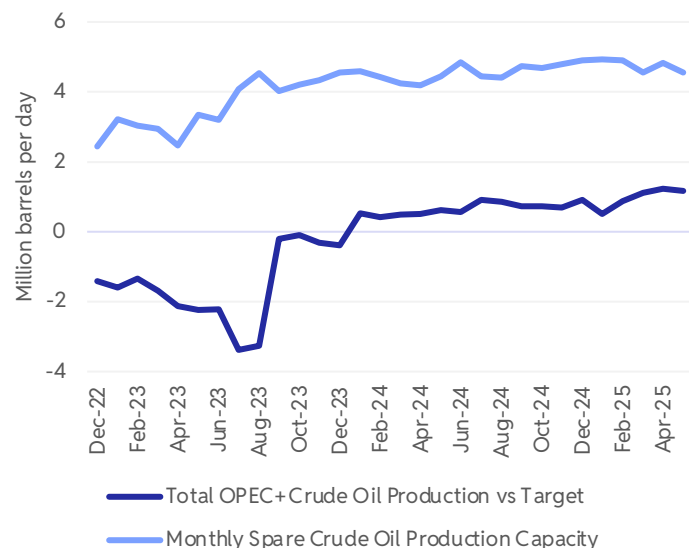
Oil fundamentals Don't Warrant It Above \$80

Oil supply is higher than demand, and no pure-play commodity warrants sustainable high price in a set up like this

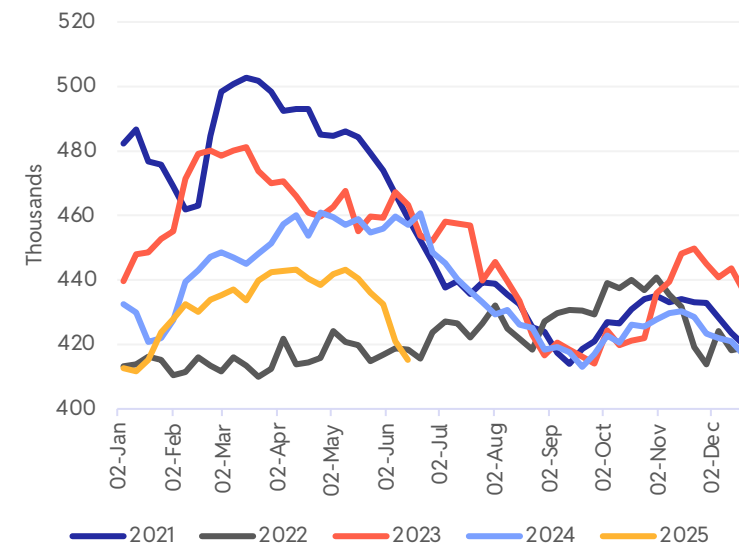
Current supply levels exceed consumption trends, prompting a slow build in surplus barrels.



And since 2024, OPEC+ has exceeded targets while spare capacity continues to rise...



U.S. crude inventories hit a five-year low in June but if oil prices rise, Shale production will pick pace

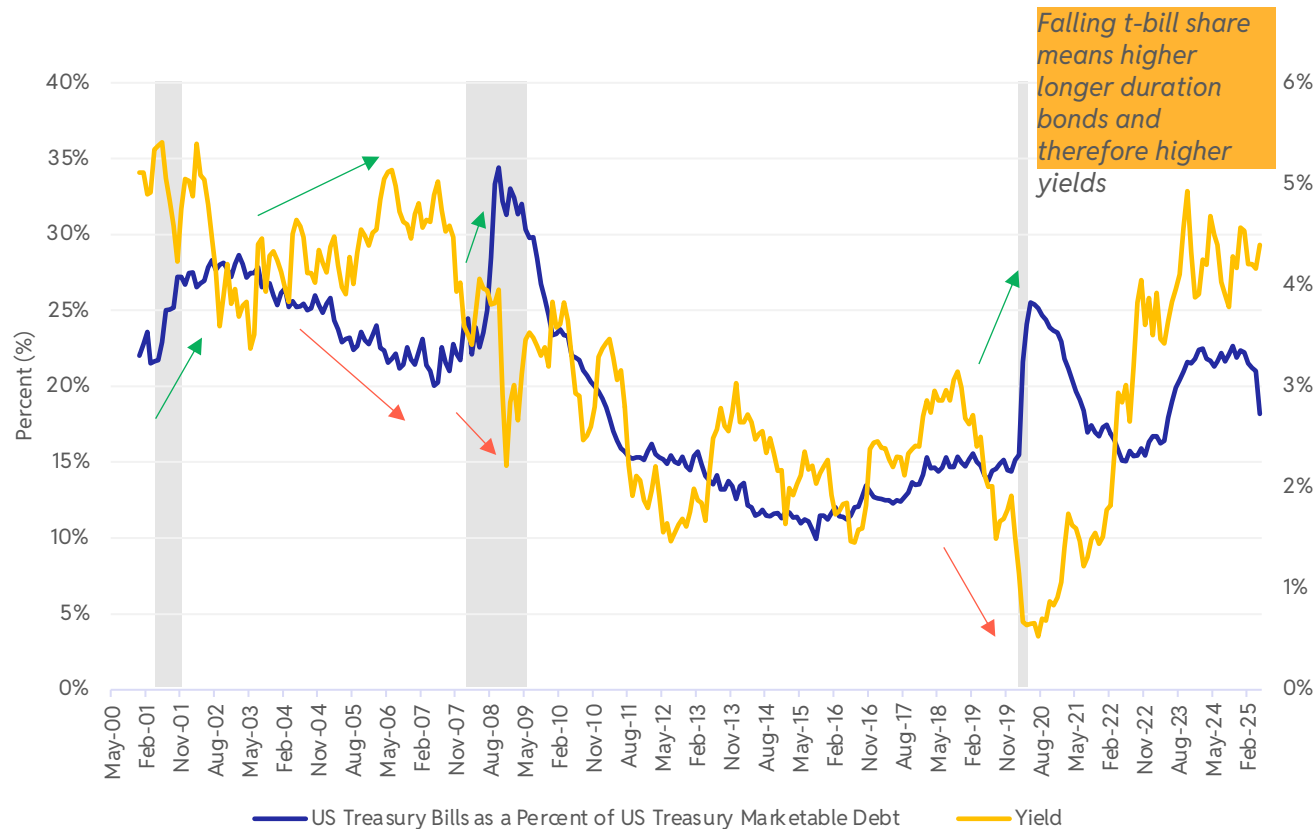


Source: IEA, MacroMicro, Ionic Wealth, Data available as on June, 2025

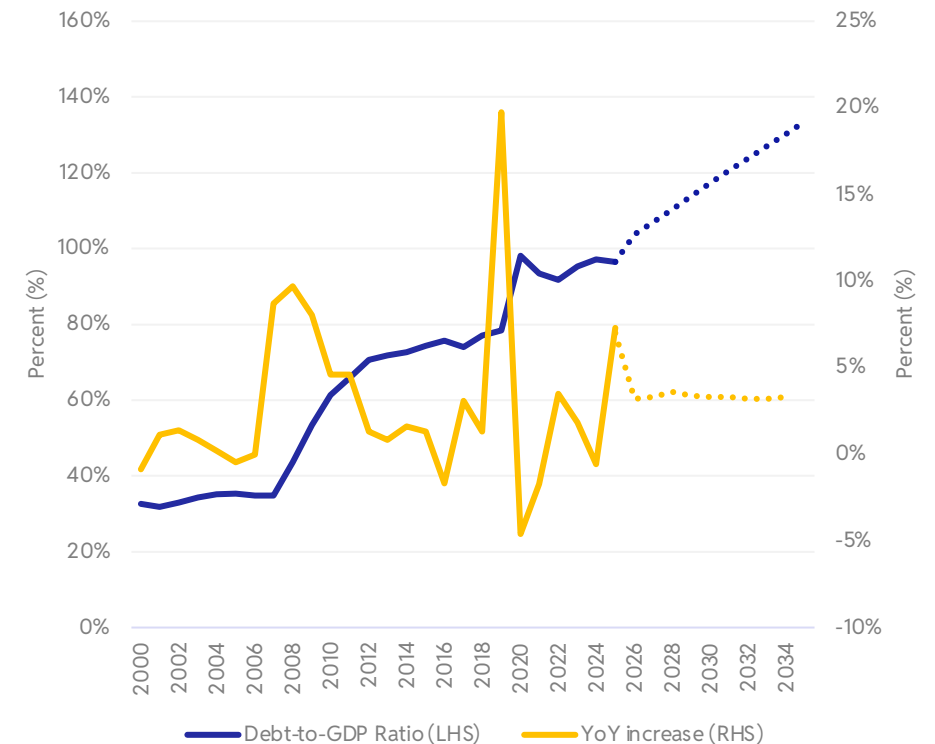
In 2025, global oil supply is projected to surpass demand, leading to a market surplus. The International Energy Agency (IEA) forecasts that oil production will increase by 1.8 million barrels per day (b/d) to 104.9 million b/d, while demand is expected to rise by only 720,000 b/d to 103.8 million b/d. This surplus is driven by a combination of factors, including a rebound in production from OPEC+ countries and a significant increase in output from non-OPEC+ producers, particularly the United States, Brazil, and Canada

US: Debt And One Big Beautiful Bill Act (OBBA)

T-bill share in marketable debt spikes in crises; the fall is good omen...



... but overall spike in debt is a bad one

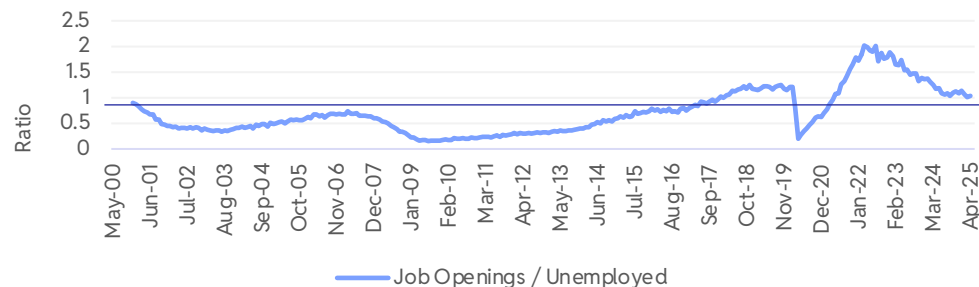


Source: The Budget Lab, Bloomberg, Ionic Wealth, Data available as on June, 2025

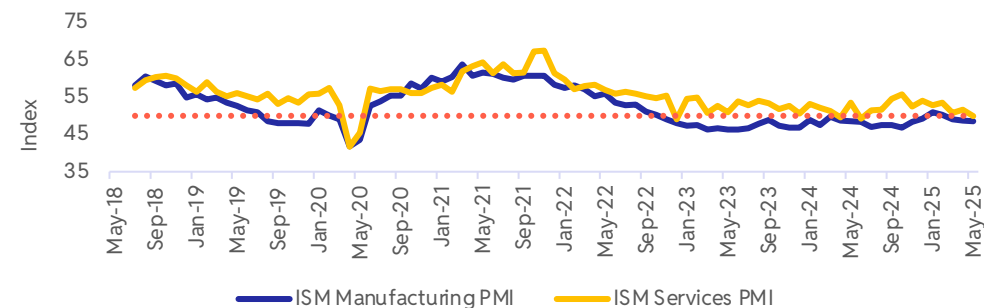
By extending and expanding the 2017 tax cuts without meaningful offsets, the legislation is projected to add between **\$2.4 to \$3.4 trillion** to deficits over the next decade, with longer-term projections putting the added debt at over **\$15 trillion by 2055**. This surge in borrowing comes at a time when U.S. debt-to-GDP is already above 100% and interest costs are consuming a growing share of federal spending. As a result, analysts warn of increased risk to U.S. fiscal credibility, upward pressure on interest rates, and potential erosion of investor confidence in Treasuries. While the bill aims to stimulate growth, its scale and lack of fiscal discipline could accelerate the nation's slide toward a structurally fragile debt position.

US High Frequency Data Check: Hard Data Not So Bad

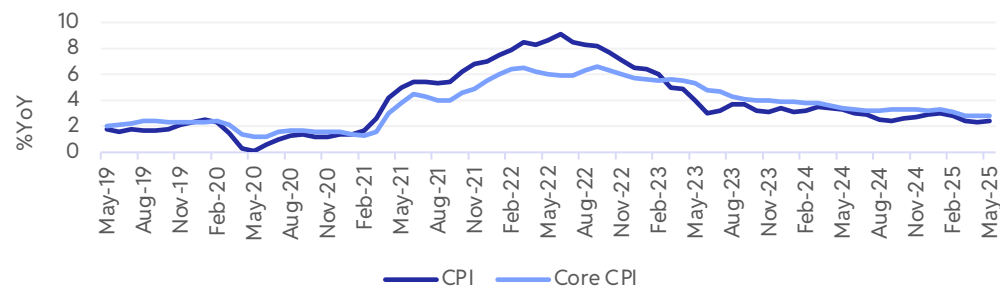
The ratio has been on a steady decline but is currently holding just above 1.



...but both Service and Manufacturing PMI are now trending below 50



Inflation, on the other hand, has been stabilizing

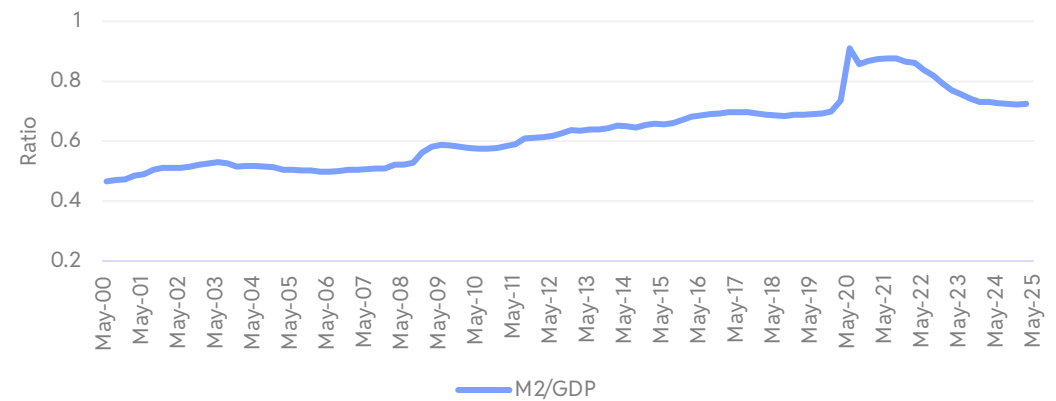
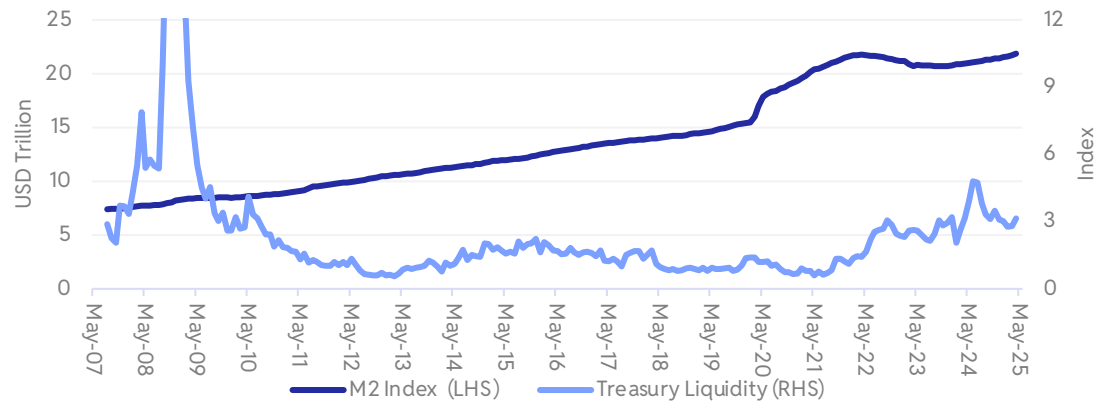


...and retail sales continue to be positive



US Money Supply: M2 whereto?

M2 is at record high but relatively it has been falling, more liquidity injection for Fed to do?

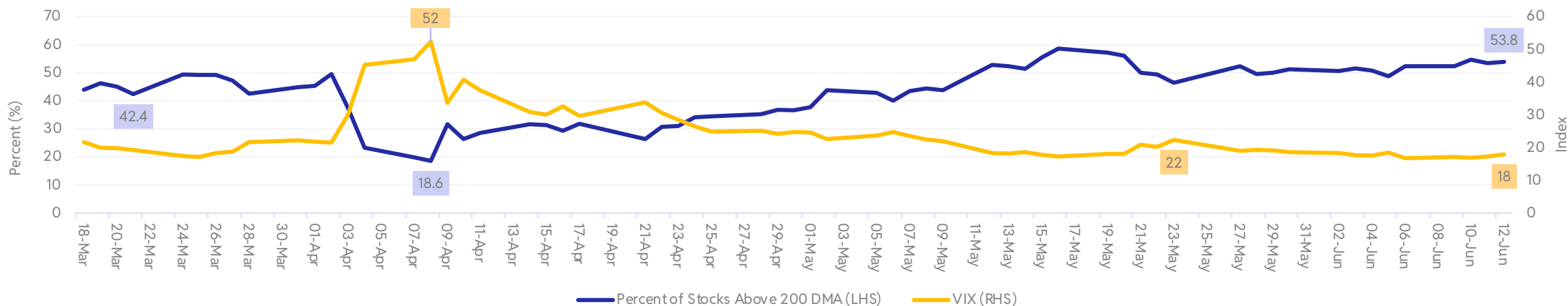


Source: Bloomberg, Ionic Wealth, Data available as on June, 2025

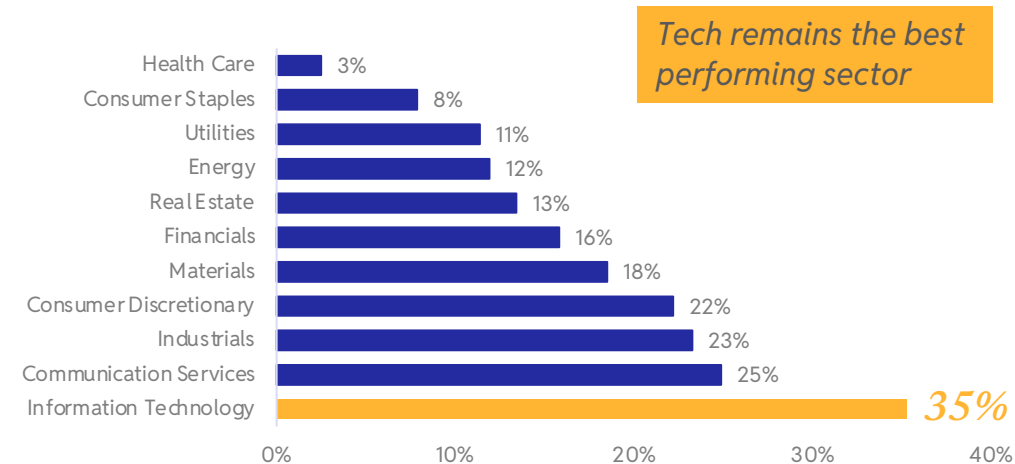
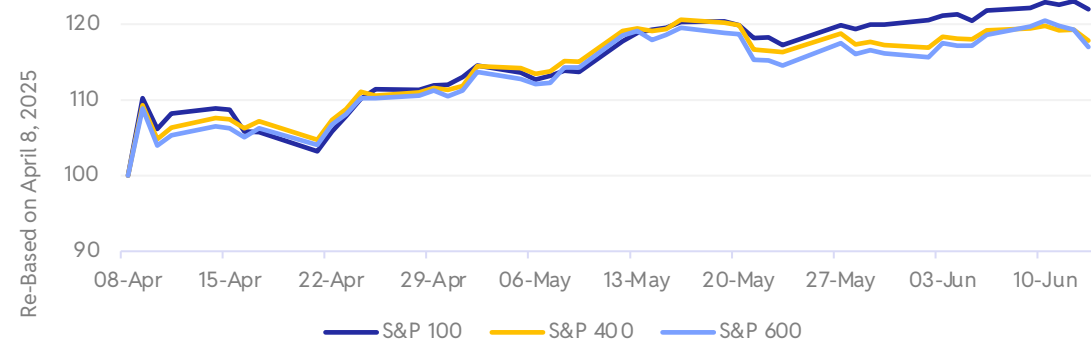
U.S. M2 money supply stands at approximately \$21.86 trillion. This is near the **highest level on record**—surpassing even post-COVID peaks. However, GDP growth, equity markets and Gold growth has outpaced M2 growth. Will US need more liquidity or will the indicators mean revert?

US Markets: Scared But Performing

US markets' breadth has broadened since liberation day, VIX is down from peak but sanity does not prevail



Broader US large caps have again delivered

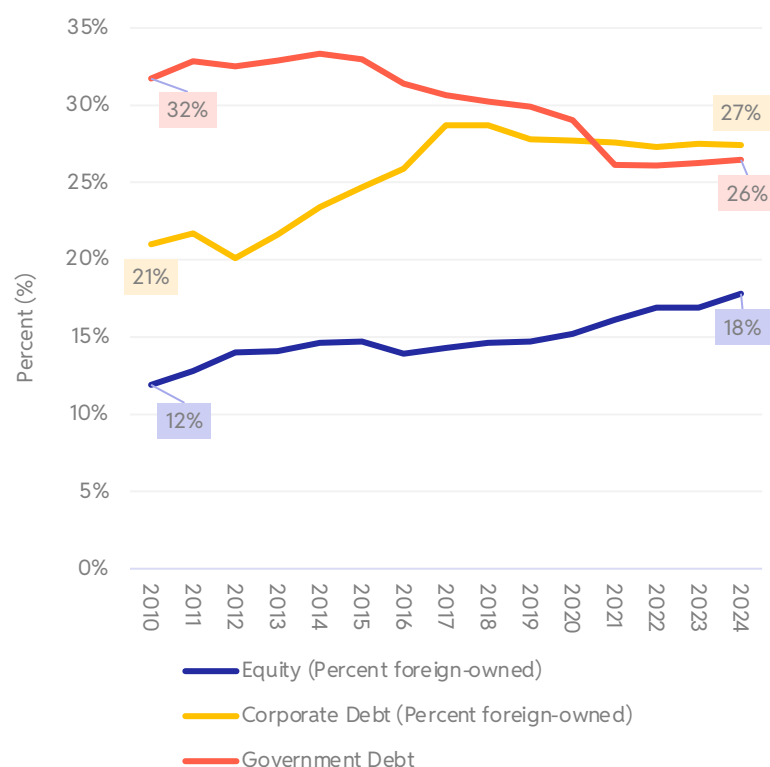


Source: Bloomberg, Ionic Wealth, Data available as on June, 2025

While sentiment metrics like AAI bull-bear spread remain subdued, institutional positioning tells a different story—CFTC data shows net long positions in S&P 500 futures have climbed to a 15-month high. At the same time, corporate buybacks remain strong, with over \$750 billion in authorizations YTD, supporting equity prices from below. Together, these forces point to quiet but growing support for markets beneath the surface.

Who funds US Markets?

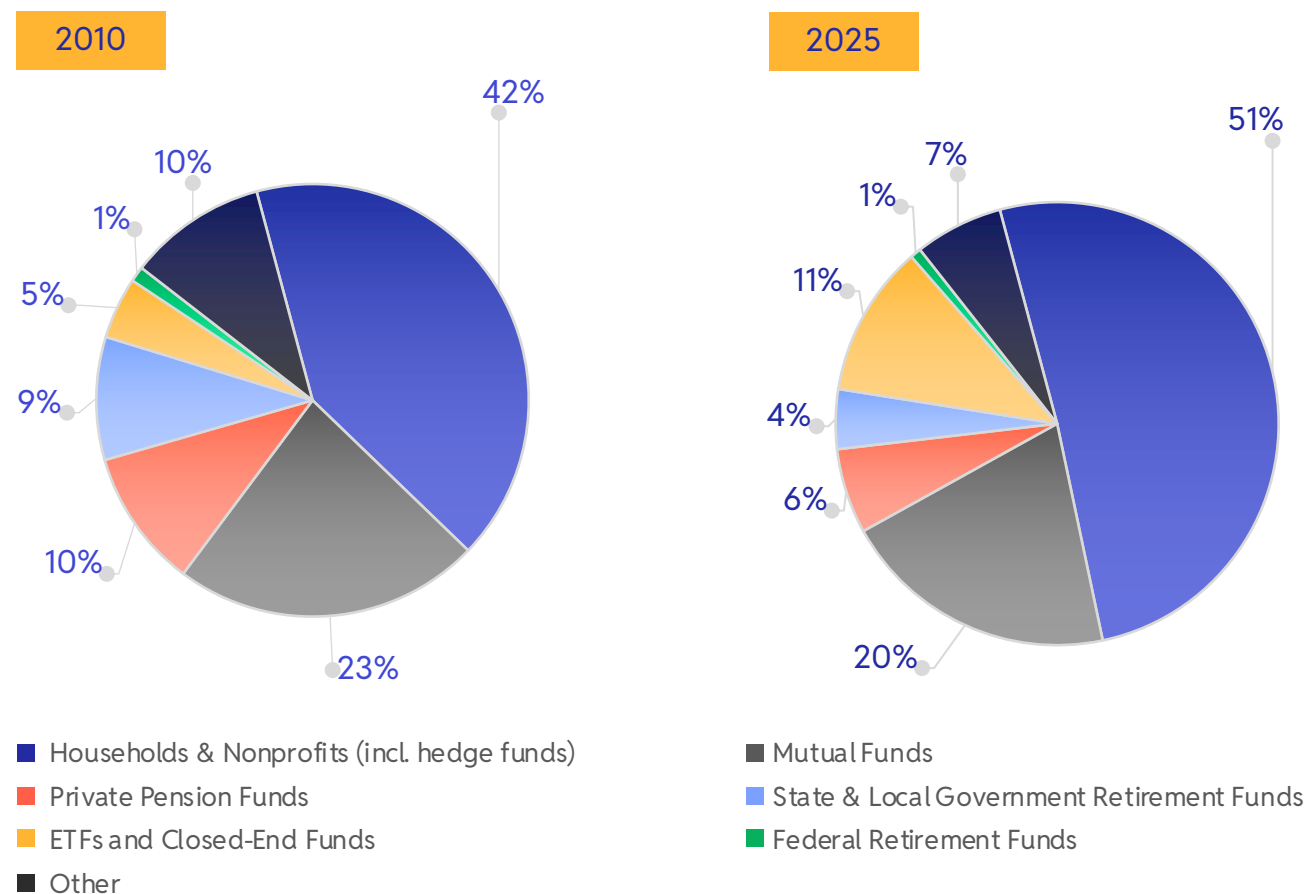
Changing ownership pattern of US, foreign holdings in equity has been rising whereas that in govt debt has been falling...



Source: US Treasury, Ionic Wealth, Data available as on June, 2025

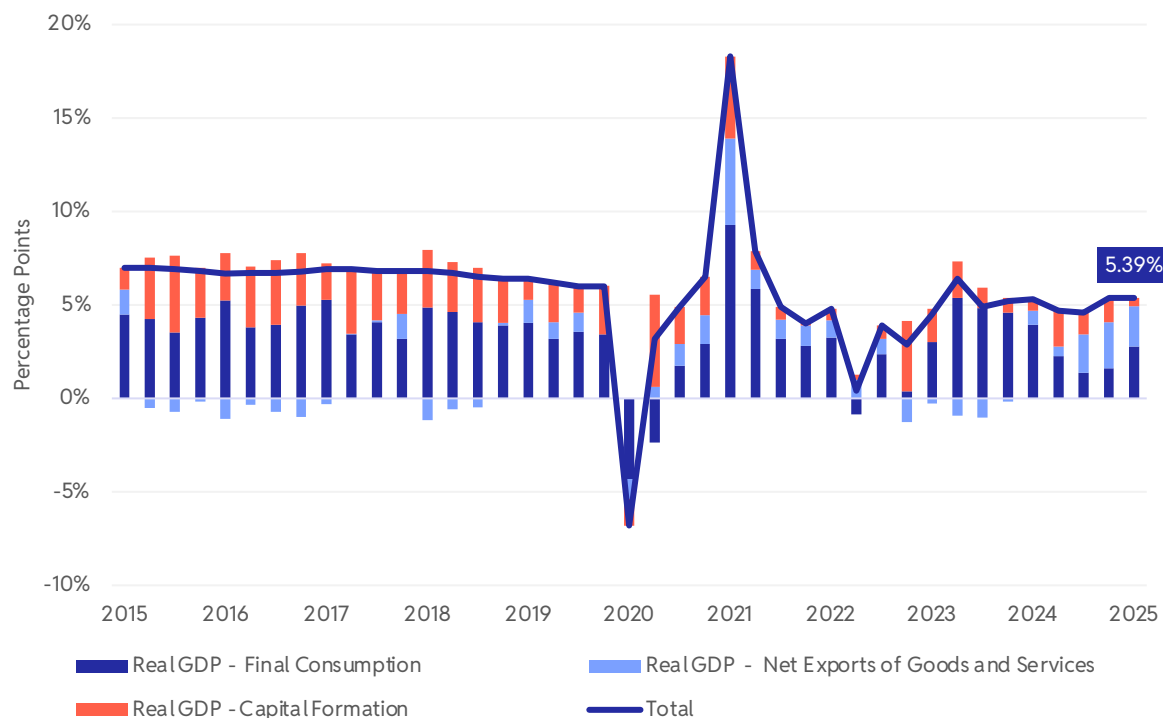
Ownership today includes a higher share of passive and retail investors—who behave differently than traditional active institutions—and because of structural, technological, and geopolitical changes, U.S. equity markets are likely to be **more reactive, less anchored by fundamentals, and potentially more volatile** than in 2010. This new complexion creates both opportunities and challenges for investors navigating modern market dynamics.

...and within domestic participants, households and non-profits and ETFs (representative of retail) have been gaining share over other institutions

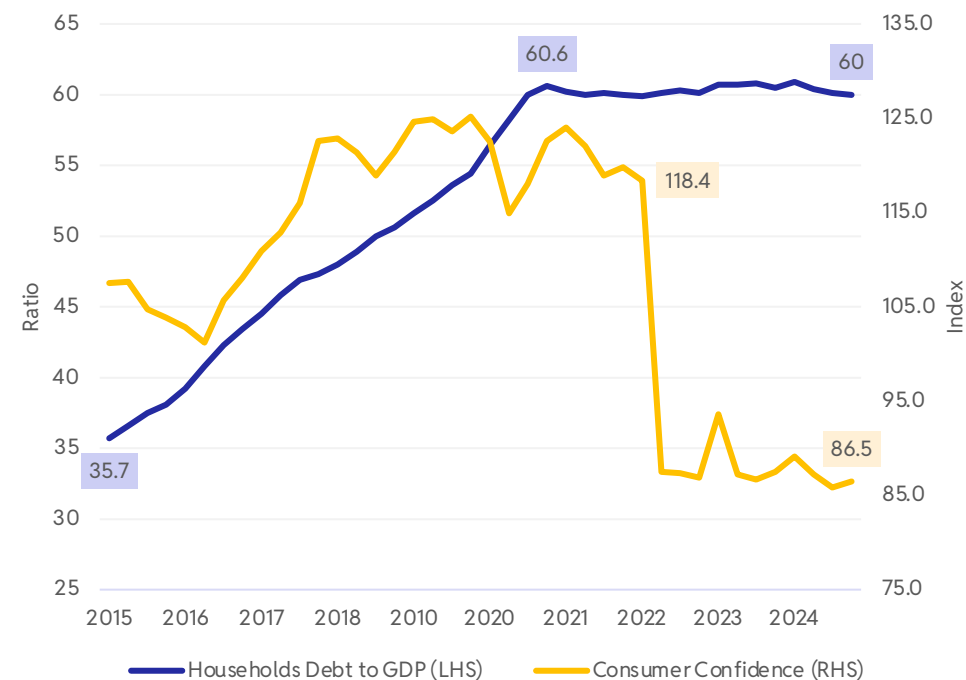


China: GDP Growth Fine but Consumer Confidence is shaken

Post-COVID recovery was initially investment-led; however, the diminishing role of capital formation suggests a shift toward consumption...



...but not all is too well with rising debt and shaken confidence

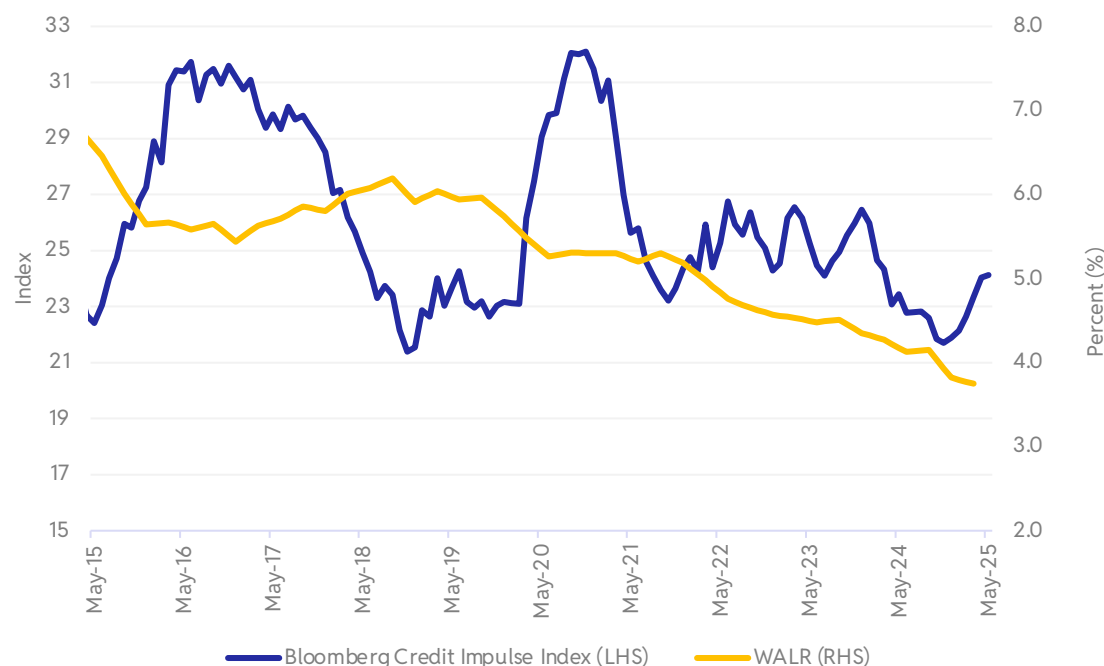


Source: Bloomberg, Ionic Wealth, Data available as on June, 2025

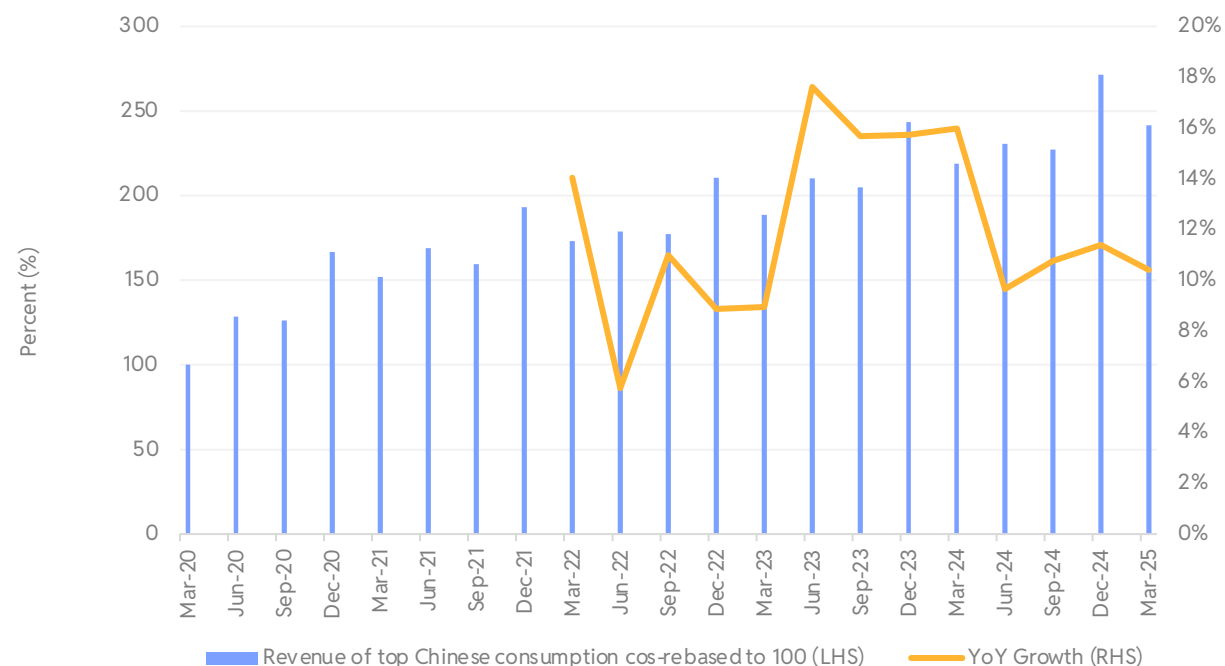
China's economy in 2025 is navigating a complex landscape of early momentum and emerging headwinds. After a stronger-than-expected start to the year with Q1 GDP growth at 5.4%, momentum has slowed due to persistent structural challenges. Household debt has surged to about **60.9 % of GDP** by late 2024—its highest level on record—driven by rising mortgage obligations and loans to service unfinished properties. Consumer confidence, while showing signs of recovery, remains precarious. Surveys from Deutsche Bank and Caixin report rising sentiment—with around **54 %** of households feeling better off than a year prior and **60 %** anticipating income gains—but many remain cautious due to weak real estate expectations and job concerns.

China: Monetary Stimulus Is Fully Underway, Sequential Improvement in Consumption But Aggressive Growth Is Yet To Be Seen

Credit offtake has happened, lending rates are down...



..and top line of consumption cos have grown from covid-lows



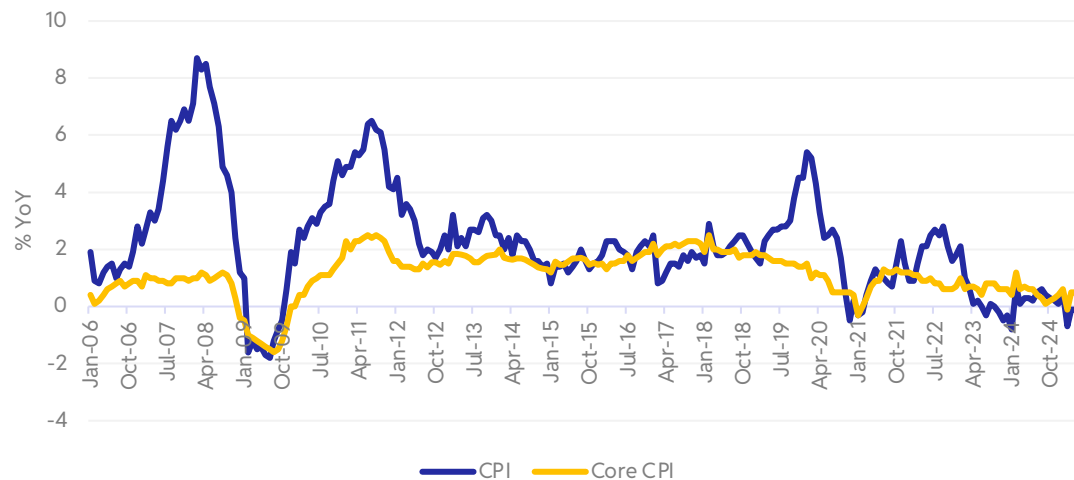
Source: Bloomberg, Ionic Wealth, Data available as on June, 2025

Companies - Alibaba Group, JD.com, Meituan, Pinduoduo, Kweichow Moutai, Wuliangye Yibin, Yili Group, Vipshop, Li Auto

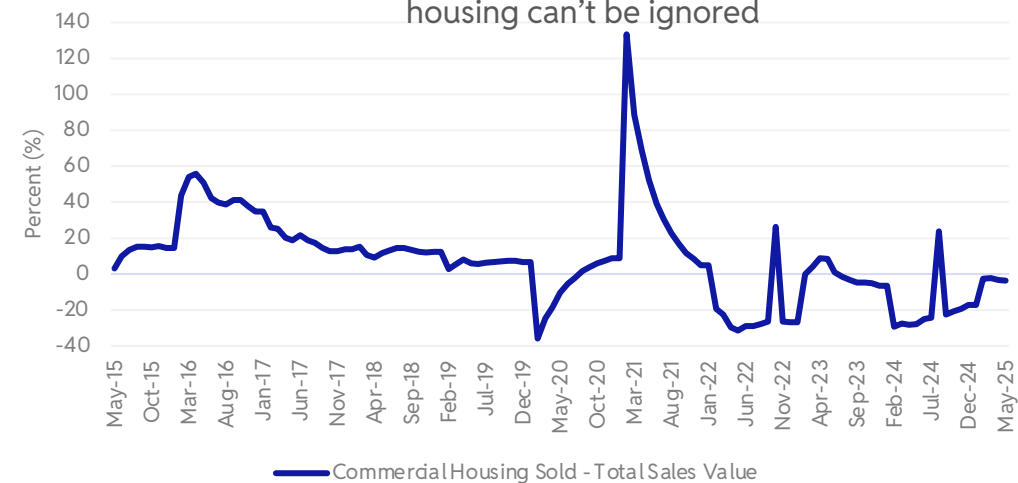
China's central bank is deploying a calibrated mix of **lower rates, RRR cuts, and credit facilities**—especially focused on services, rural areas, elderly care, and tech—with strong fiscal backing through bond-financed subsidies and trade-in schemes. These efforts are tentatively boosting consumption, particularly in services and durable goods, but cautious household sentiment and disinflationary pressure mean that more is needed on the front.

China: High Frequency Indicators

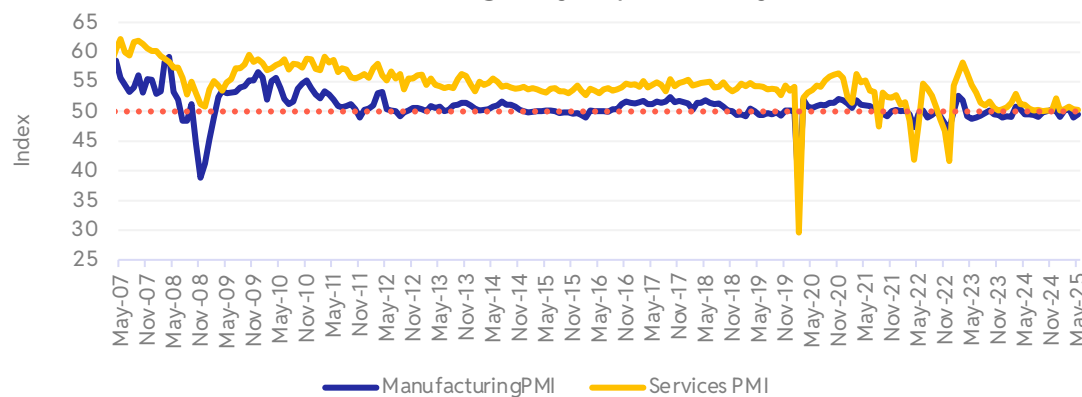
Disinflation continues to linger....



.. But some uptick from rock bottom in housing can't be ignored



PMIs are marginally expansionary..

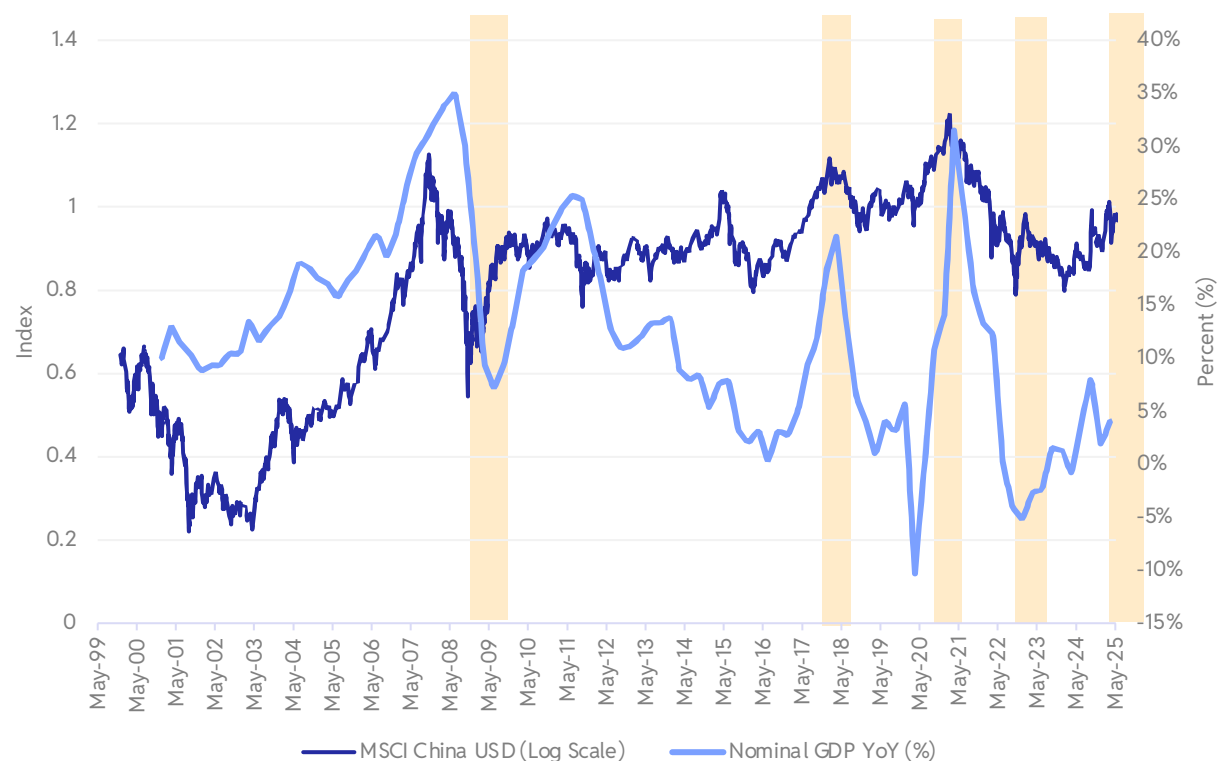


...and retail sales are positive

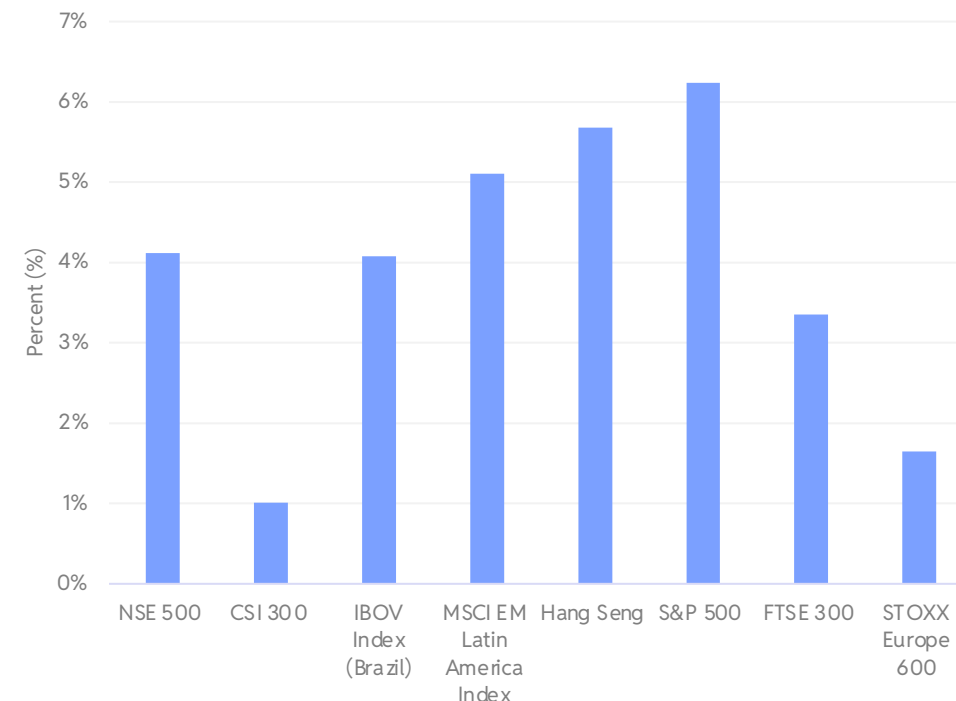


China: Market Leads Macros

Market recovery can happen before and with economic growth....



...with Hang Seng performing decently well from in last quarter



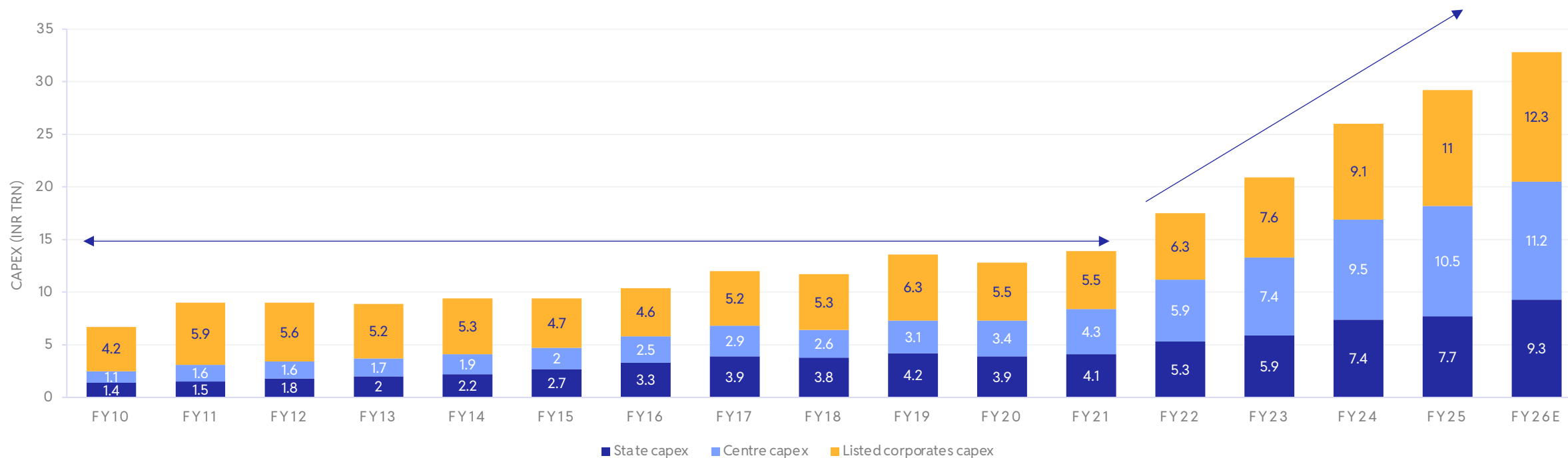
Source: Bloomberg, JP Morgan report, Ionic Wealth, Data available as on June, 2025

Index Performance from 7th May 2025 to 18th June 2025

China's equity markets have functioned more like a leading barometer of investor sentiment and policy anticipation than a direct driver of GDP expansion. The market can always react in anticipation of economic performance which in the current context is driven by stimulus hopes. China is now embarking a new journey at intersection of technology and consumption and there's scope for a run up in a cheap market.

India Capex Gets Better...

Sharp acceleration in corporate capex, reflecting a shift from government-driven to private sector-led growth, was a long pending ask to instill India's capex durably

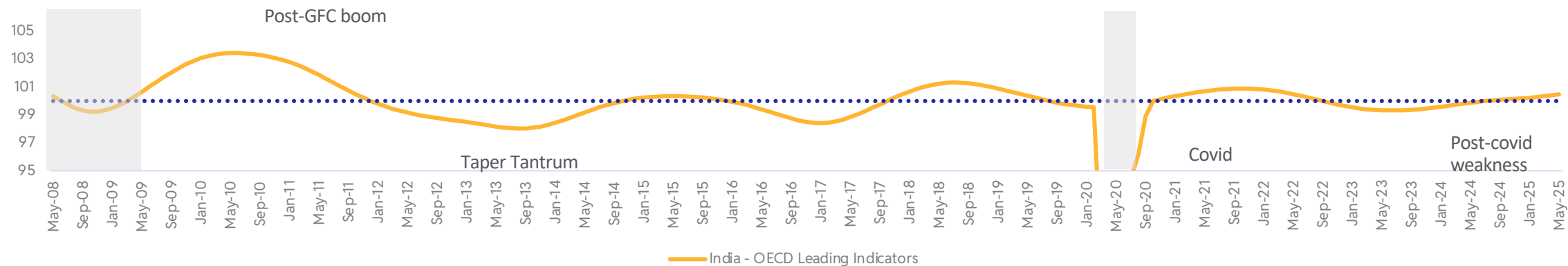


Source: ICICI Securities, Ionic Wealth, Data available as on June, 2025

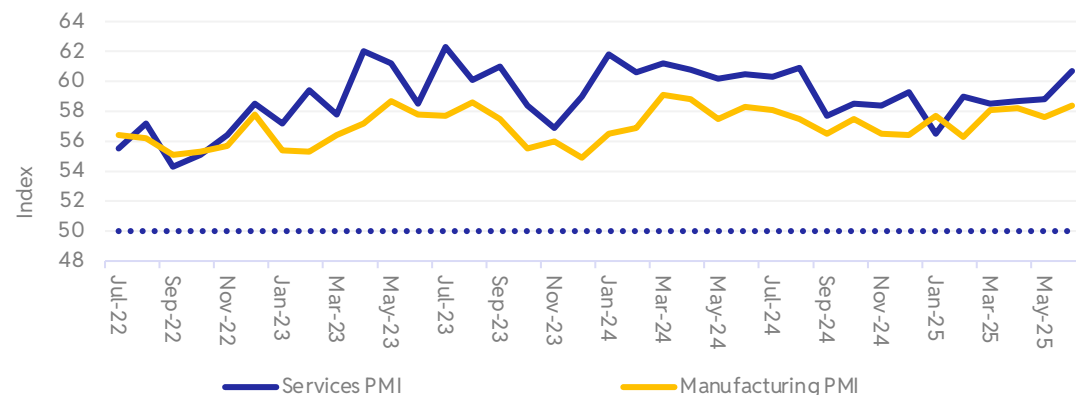
India's capital expenditure (capex) trajectory has shifted significantly: where once the government bore the primary burden, we're now seeing the private sector step in—reducing the fiscal strain on the state and improving the efficacy of monetary policy. After the government ramped up its capex to build infrastructure—spending nearly ₹11 lakh crore in FY 2024–25—private corporate investment began to “crowd in,” rising nearly 20% year-over-year in FY 2022–23. The RBI even projected a 54% jump in private capex in FY 2024–25

...And There Is Strength Across Indicators

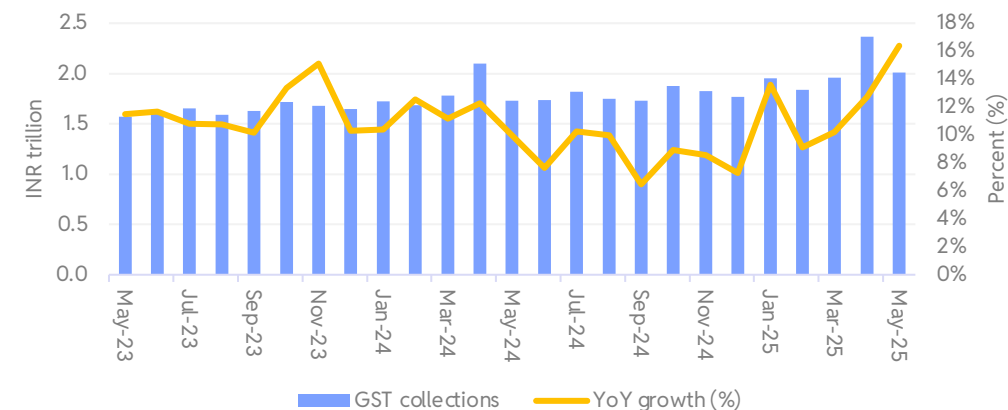
OECD leading indicator continues to be optimistic showing mild and marginal expansion



PMI is in expansionary zone...



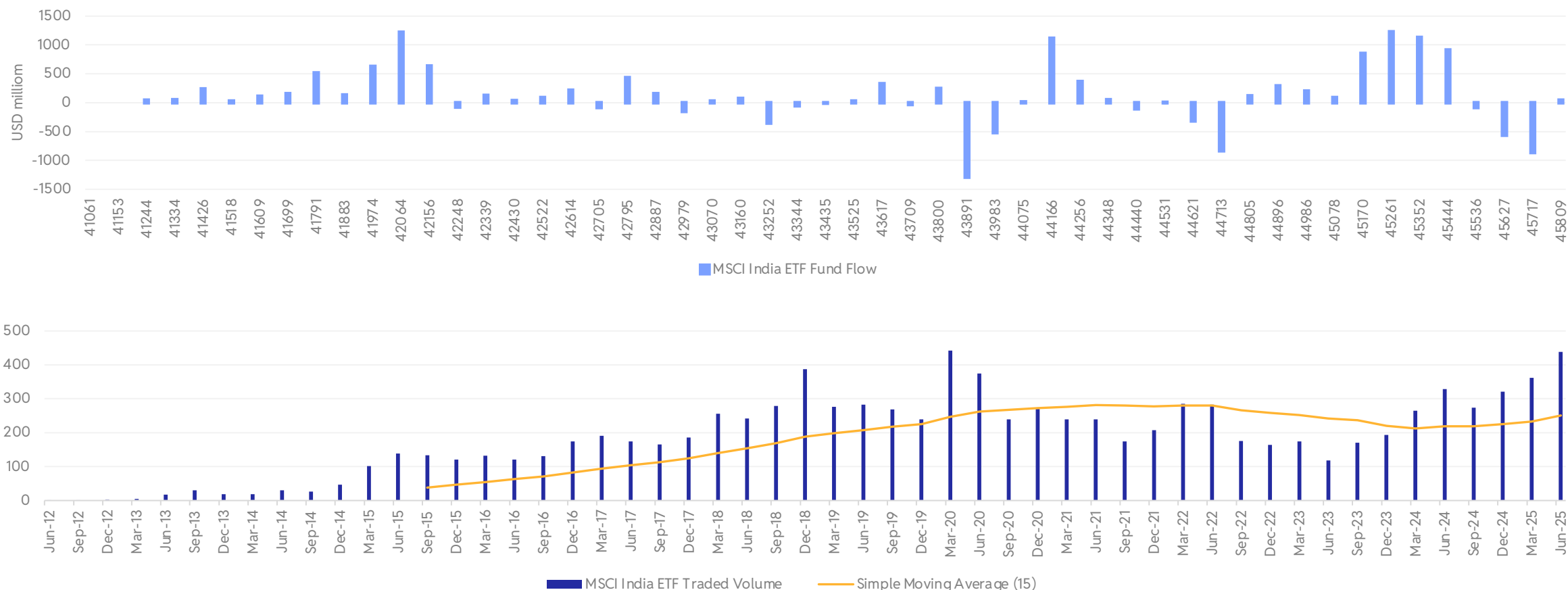
...and GST collections are robust



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

There's resurgence of strength in the domestic macro indicators, with most data turning from bottom. Uncertainties prevail from global macroeconomic fears especially on the trade and exports front. India's macroeconomic growth in the last quarter (Q4 FY25) surprised on the upside, with real GDP expanding by 7.4% year-on-year—its fastest pace in over a year and higher than market expectations. This growth was primarily driven by strong government capital expenditure, a rebound in agriculture, and steady services sector performance. However, high-frequency data points to an uneven recovery beneath the headline number. While rural demand and infrastructure activity have picked up, manufacturing momentum remains soft and urban consumption is yet to show a decisive recovery.

But Market Flows Continue To Be Negative



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

Foreign institutional investors (FIIs) have remained largely on the sidelines despite pockets of renewed activity. After heavy outflows from Indian equities during FY 2025—marking a record withdrawal—FII ownership in Indian markets hit a decade-low of roughly 16 % in early 2025. While recent buying offers some relief, FIIs have yet to fully regain confidence, reflecting persistent global uncertainties and valuation concerns.

India has historically gotten higher valuations, given higher ROEs

India has historically commanded higher valuations, but the gap is widening..



..and the ROE gap is slightly falling but still significant

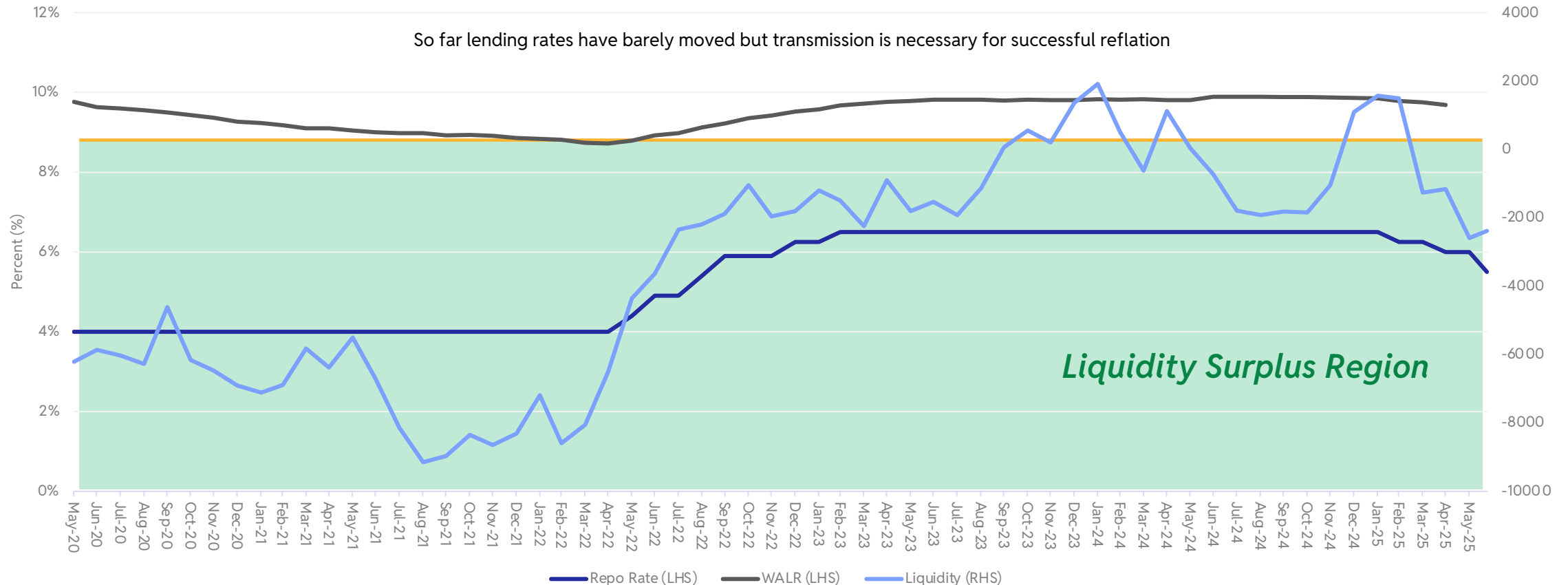


Source: Bloomberg, Ionic Wealth, Data available as on June, 2025

India continues to trade at a premium to its emerging market (EM) peers, with valuations—measured by metrics like price-to-earnings and price-to-book ratios—significantly higher than the broader EM average. A key reason is India's consistently superior return on equity (ROE), which has hovered around 15–16%, compared to the 10–12% typical in other EMs. This reflects stronger corporate balance sheets, a diversified economic base, and more resilient earnings growth. Additional factors such as political stability, a large and growing domestic market, and a proactive policy environment have also contributed to sustained investor interest and premium valuations. However, the rich pricing leaves limited room for error. Going forward, India will need to deliver on earnings expectations, revive private capex, and maintain macroeconomic stability to justify these valuations.

Rate Cut + Liquidity + Transmission= Monetary Reflation

RBI's Monetary reflation, once transmitted to lending rates, will be a driver of domestic markets and equities



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

When the Reserve Bank of India (RBI) reduces the repo rate, the intended effect is to lower borrowing costs across the economy. However, for this to happen smoothly, the banking system must be in a surplus liquidity mode. Adequate liquidity enables banks to access funds easily and cheaply, encouraging them to lower lending rates for consumers and businesses. If liquidity is tight, banks may be reluctant to pass on rate cuts, fearing a squeeze on their margins. Conversely, abundant liquidity enhances the flow of credit, supports market confidence, and amplifies the impact of rate cuts across financial instruments—from government bonds to retail loans.



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.