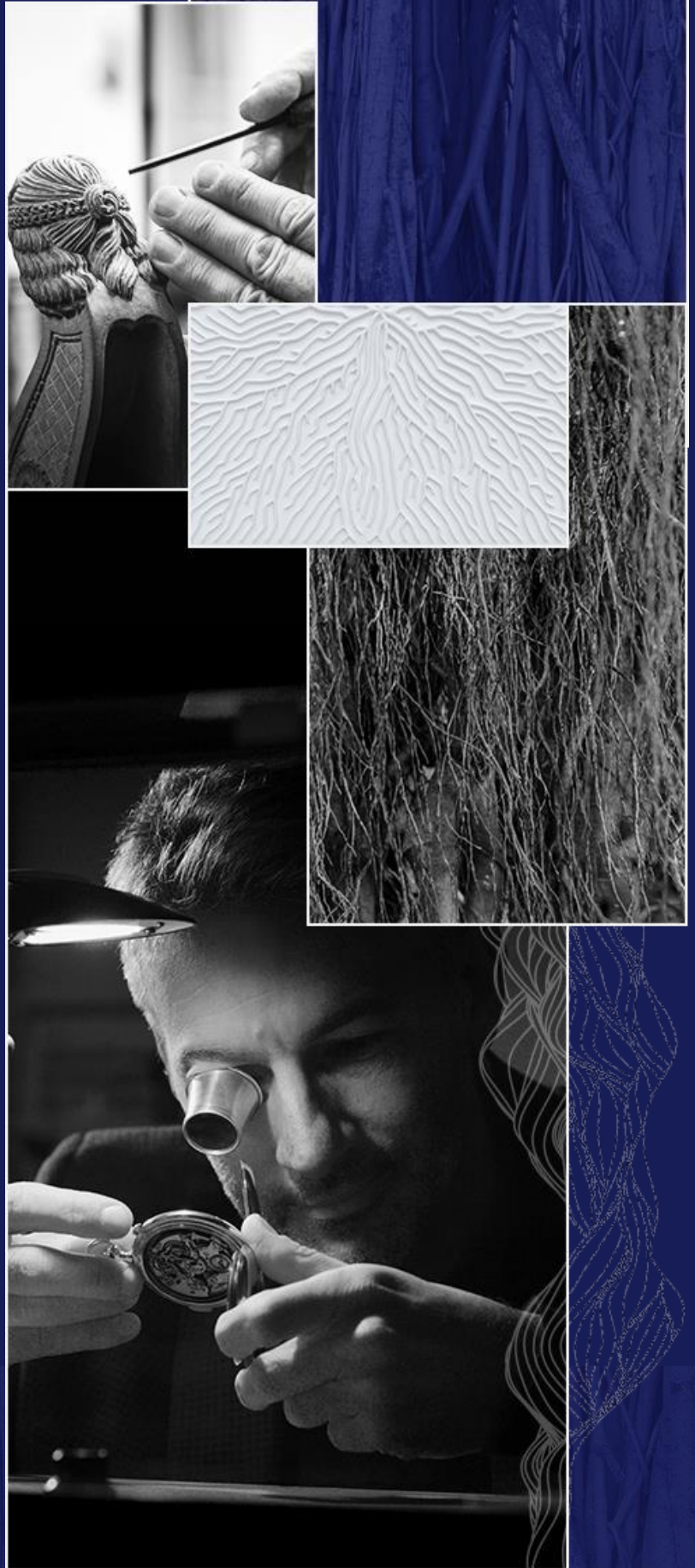


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**NEWSLETTER
April 2024**





Indian – Market Outlook

If 2023 was a tale of two halves, with extraordinary volatility in bonds and flip-flopping equity market narratives in the first six months, followed by a robust comeback of red-hot equities, then 2024 so far might be viewed as a cohesive narrative. The final stretch of the disinflation journey has recently proven to be the most challenging, with incremental data continuously adjusting market expectations regarding the timing and extent of rate cuts in CY24. Moreover, country-specific factors are increasingly influencing policy actions and their timing.

While central banks have suggested that cuts will begin this year, the exact timing of the first cut is less important than the pace and magnitude of the entire cutting cycle. Signs of still-sticky price pressures and an economy in good health suggest the cutting cycle may be shallow. Yet, central banks have recently shown a bias towards easier monetary policy, particularly the Fed.

India's economy remains robust. Reforms continue to improve the business environment. The country is benefiting from a young, expanding population and a geopolitical backdrop favoring its rise as a manufacturing base. Maturing capital markets also bodes well for future investment opportunities. While many aspects of India's growth story are well-known, navigating a vast country experiencing major demographic, economic and societal shifts is not without complexities. These include rural poverty, infrastructure gaps, and the country's ambitions to balance growth while decarbonizing. We expect India to remain an attractive investment opportunity and a stronger-for-longer growth story. To capitalize, investors should consider a selective approach and focus on solid businesses aligned with secular tailwinds.

MarketWatch										
Indian Equities	Mar-24	1 Month	1 Year	3 Year	Currency	Mar-24	1 Month	1 Year	3 Year	
Nifty 50	22,605	1.2%	25.1%	54.5%	USD/INR	83.40	0.1%	2.0%	12.6%	
S&P BSE Sensex	74,439	1.0%	21.7%	52.5%	EUR/INR	89.48	-0.5%	-0.3%	0.6%	
S&P BSE Midcap	42,111	7.0%	65.1%	107.2%	GBP/INR	104.66	-0.5%	2.4%	2.3%	
S&P BSE Smallcap	47,325	9.6%	63.6%	118.3%	INR/JPY	1.88	3.6%	11.9%	27.4%	
Global Equities	Economic Data (Abs)									
Dow Jones (US)	38,386	-3.6%	12.7%	13.3%	10-year Ind G Sec	7.20%	7.05%	7.12%	6.03%	
Nasdaq (US)	15,983	-2.4%	30.9%	14.5%	CPI Inflation Ind	4.85%	5.09%	5.66%	5.52%	
FTSE 100 (UK)	8,186	2.9%	4.0%	17.4%	WPI Inflation Ind	0.53%	0.20%	1.34%	7.39%	
Nikkei 225 (Japan)	38,380	-4.9%	31.8%	33.2%	US Dollar Index (DXY)	105.7	1.2%	3.5%	15.8%	
Hang Seng (HK)	17,763	7.4%	-10.7%	-38.2%	CBO EVIX	14.9	14.2%	-7.6%	-20.2%	
Commodity	GDP Overview			Actual			Forecast		Previous	-
Gold USD	2,317.2	3.8%	16.9%	31.0%	Indian GDP YoY	8.4%	6.6%	7.6%		
Silver USD	26.7	6.8%	6.8%	2.9%	US GDP QoQ	1.6%	2.5%	3.4%		
Brent Oil USD	87.4	-0.1%	10.2%	30.0%	China GDP YoY	5.3%	4.8%	5.2%		

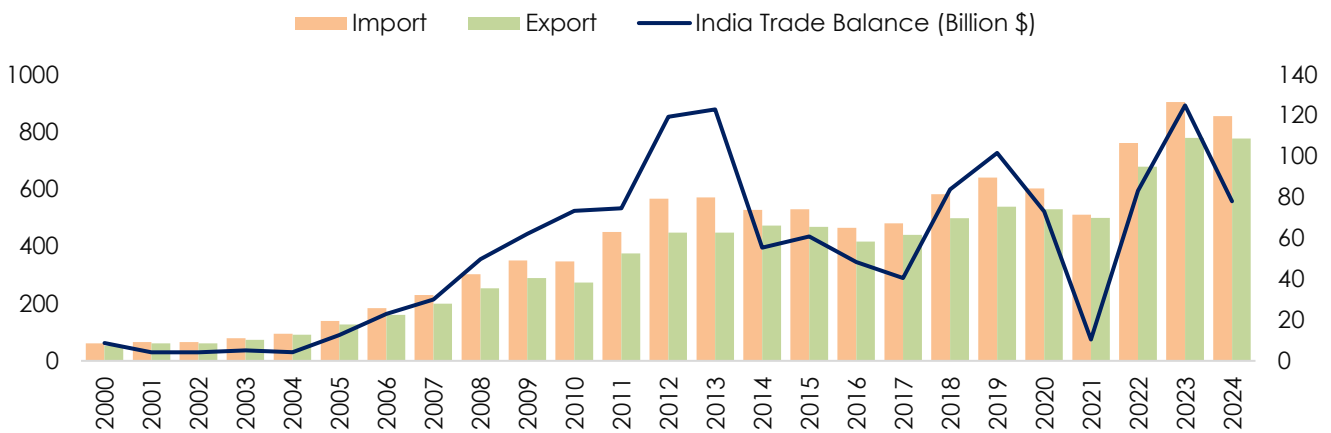
Source: investing.com

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Indian Macro-Economic Update and Key Events

- With a record \$776.68 billion worth of exports in FY24, India's trade deficit narrows to \$78 billion. A fall in imports is the main reason behind the improvement in trade deficits, with exports remaining stagnant.



- The India Flash Composite Purchasing Managers Index, came in at 62.2 for April, compared to a final reading of 61.8 for March, indicating that the growth momentum in the economy, already robust, is strengthening further.
- Unfortunately, the biggest segment of the economy, which is private consumption, as measured by the private final consumption expenditure (PFCE), continues to perform poorly.

The Reserve Bank of India (RBI) might believe the economy is chugging along nicely and there is no need to bring down interest rates. But there is clearly a dissonance between the headline numbers and the granular data. The RBI must take cognizance of the very weak consumption demand, the rural distress and the unemployment.

India's Goods and Services Tax (GST) collections in gross terms hit a record high in April 2024 at Rs 2.1 lakh crore. This represents a 12.4 percent year-on-year growth, driven by a strong increase in domestic transactions.

Why is rupee at an all-time low when all economic indicators are favourable?

Indian Rupee Holds Title Of Best Asian Currency So Far In 2024 While the rupee hit an all-time low of Rs 83.58 earlier this month, it still stands out as the best-performing currency among its peers in Asia.

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Symbol	Last	1 Month	YTD	1 Year	3 Years
USD/INR - US Dollar Indian Rupee	83.47	0.05%	-0.33%	-2.06%	-13.07%
USD/CNY - US Dollar Chinese Yuan	7.24	-0.11%	-2.02%	-4.76%	-11.86%
USD/MYR - US Dollar Malaysian Ringgit	4.77	-0.31%	-3.87%	-7.13%	-16.20%
USD/IDR - US Dollar Indonesian Rupiah	16193.00	-1.75%	-5.18%	-10.31%	-12.10%
USD/TWD - US Dollar Taiwan Dollar	32.53	-1.71%	-6.04%	-5.87%	-16.58%
USD/KRW - US Dollar Korean Won	1378.20	-2.46%	-6.39%	-3.25%	-22.99%
USD/THB - US Dollar Thai Baht	36.92	-0.82%	-7.49%	-8.82%	-18.64%
USD/JPY - US Dollar Japanese Yen	155.75	-2.69%	-10.42%	-15.65%	-42.82%
US Dollar Index	105.72	1.41%	4.25%	4.29%	16.21%

Data Source: <https://www.investing.com/>

- The Indian rupee is facing stiff competition from the rising US dollar making the local currency fall to new lows. The dip in local currencies comes at a time when BRICS is looking to end reliance on the US dollar.
- The relative stability of the rupee, despite a stronger US dollar and elevated US treasury yields, reflects the strength of the Indian economy's sound macroeconomic fundamentals, financial stability, and improvements in external position.

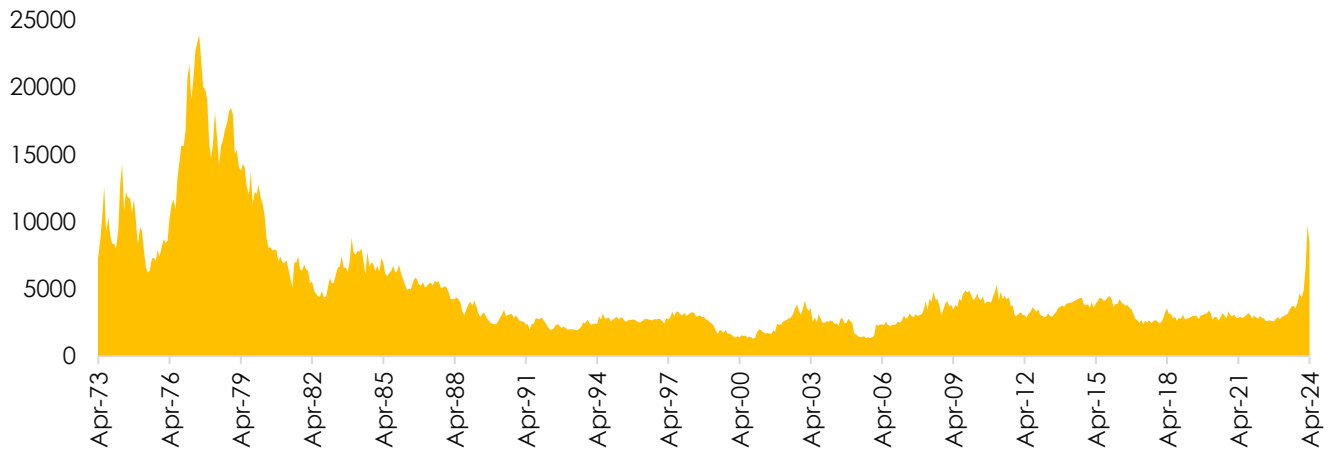
Weathering the Cocoa Storm

Cocoa prices have surged to record levels in the international markets, crossing \$9,000 per metric ton for the first time. While Indian craft chocolate brands are bracing for the impact, they also hope to grab attention away from big brands.

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Cocoa Prices Inflation Adjusted are well below highs of 1970's



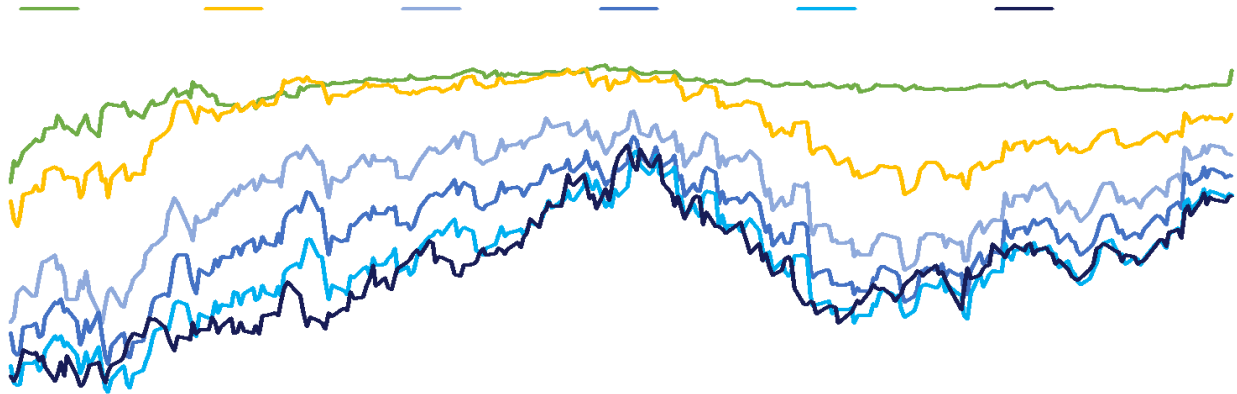
Data Source: <https://tradingeconomics.com/>

- While the temptation is to blame climate change, the bigger long-term factor is the failure of the industry to manage origin diversification as a way of managing longer-term supply risk.
- The signs were all there for a massive deficit: the world had enjoyed chocolate on the cheap for decades, trees were older and crop disease was rampant in the West African countries that supply about half the market.
- It is the lack of physical activity — confined only to the desperate covering of nearby physical contracts — that has caused the drying up of their normal futures activity, reducing the liquidity.

Global Macro-Economic Update and Key Events

- Why Treasury Yields Are Rising Despite Rate-Cut Expectations: The Federal Reserve keeps promising interest-rate cuts. Treasury yields, a key driver of mortgage rates and other borrowing costs, keep rising anyway.

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Data Source: <https://www.investing.com/>

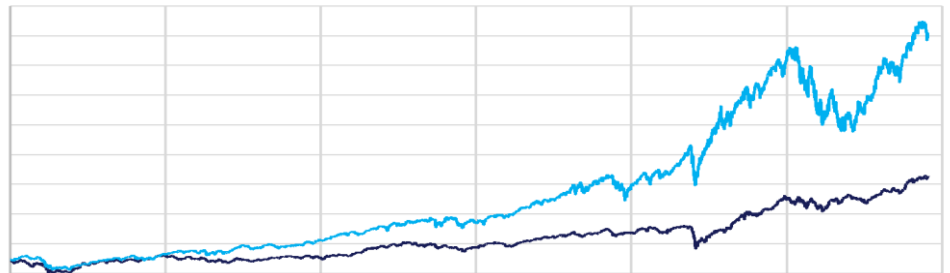
- Expectations for when interest rates will be cut by the Fed have moved backwards in recent weeks and questions have emerged about whether there could be fewer cuts than anticipated this year.
- The S&P Global Flash manufacturing PMI for the U.S. came in at a four-month low of 49.9 for April. Readings below 50 indicate that the sector is contracting. The data therefore suggested to investors that the economy may be easing slightly.

China: The Road to Recovery, The Chinese stock market has underperformed global financial markets for more than three years now, but there are signs that the economic outlook may be improving.

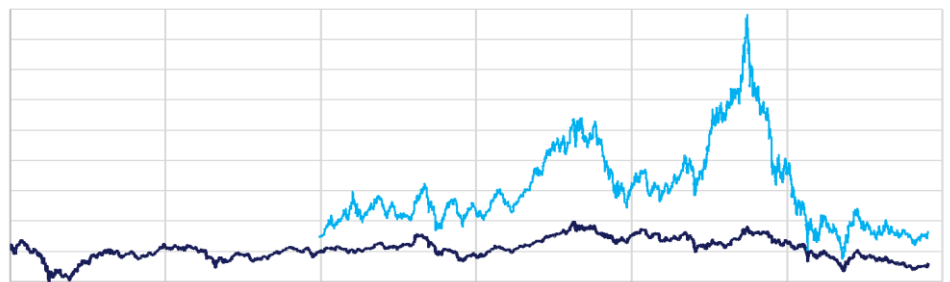
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Indian Indices & US Tech stocks have rallied amid broader optimism about the country's growth.



China and Hong Kong stocks lost nearly \$5 trillion in 3 years — more than India's market cap.



Data Source: <https://www.investing.com/>

Tactical opportunities within Chinese equities?

Chinese equities' positioning is extremely light and has remained steady over the last two months. Economic data, while remaining lacklustre, has begun to beat low expectations. Chinese equities should benefit from any rotation from equity markets where positioning normalises from unusually high levels.

Economic Resilience of Russia

The ongoing conflict in Eastern Europe has sent ripples through the world order, raising questions about Russia's economic resilience in the face of sanctions. Despite expectations of economic collapse, Russia has defied the odds and continued to grow, showcasing characteristics more akin to a market-driven economy than a state-run one.

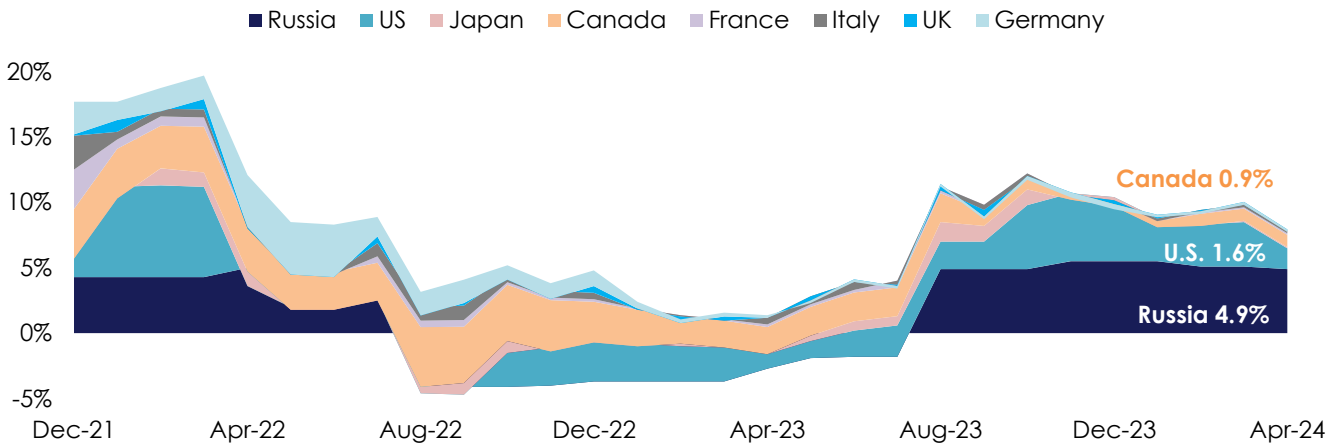
Sanctions on Russian oil and gas were initially expected to weaken the economy. However, increased oil prices and alternative trade partners have offset the impact of sanctions.

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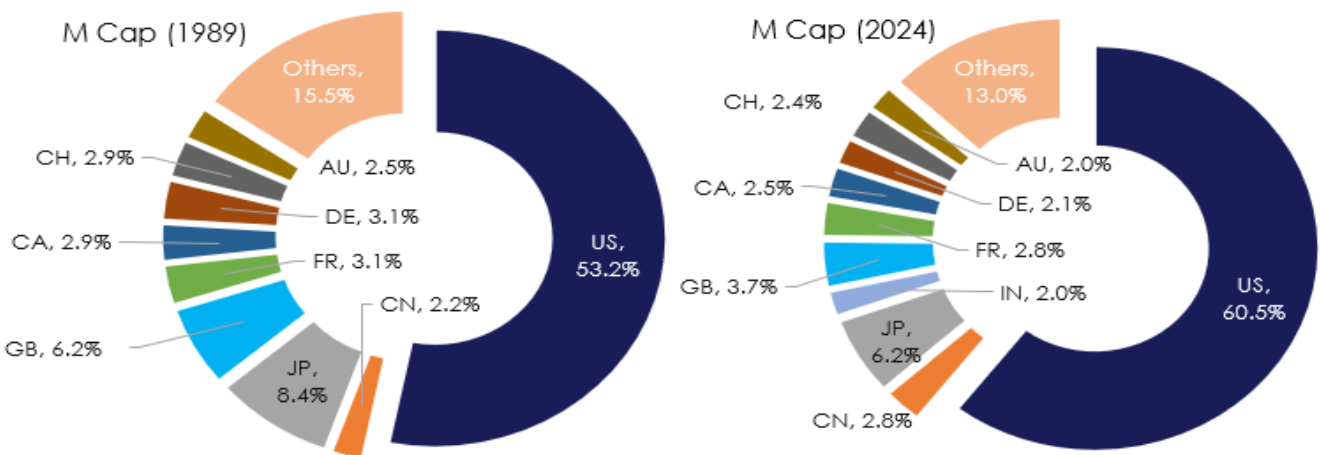
GDP Growth Russia Vs. G7



Data Source: <https://www.investing.com/>

In summary, India must adopt proactive economic policies to sustain long-term stability and growth, leveraging the advantages of its market-driven economy. It's crucial to avoid the pitfalls of war-driven growth and prioritize diversifying trade partners. Urgent action is required to enhance manufacturing capabilities, enabling India to seize export opportunities and secure its position in the global economy.

Relative sizes of world stock markets, end-1989 (left) versus start-2024 (right)



Data Source: companiesmarketcap.com/

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U.S. equities approach mid-20th century dominance, despite obvious advantages, U.S. exchanges do face plenty of competition, especially in emerging markets like China and India.

WCA Outlook Fixed Income

Bond Markets are expected to be driven by global rate cut expectations and net Foreign Portfolio Investment (FPI) flows in the debt market. However, they are still expected to experience some volatility due to swings in United States Treasury (UST) yields and continued geopolitical tensions. Benchmark yields are expected to remain volatile in this current scenario.

In India, investors with a 6–12-month horizon can consider an allocation to low duration/money market strategies given the considerable gap between overnight rates and money market rates (up to 12 months). Investors with a horizon exceeding 12 months can consider allocation towards moderate duration (one-to-four year) categories.

WCA Outlook Equities

Low Voter Turnout, High VIX! Making Markets Jittery

Elections in India have historically seen increased investor interest and market activity, reflecting the anticipation and unpredictability surrounding prospective policy changes and government stability. The Indian market recently has been experiencing strong bouts of volatility due to low voter turnout; the India VIX index, which measures volatility in the Indian stock market, has surged nearly 49% in recent times. We think very little is known about the causes and consequences of turnout change, So, caution is advised on drawing broad inferences from any turnout number.

Conclusion

India's economic future depends on a multitude of variables, including business profits, government policies, monsoon patterns, and inflation trends. Therefore, it is likely that broader economic fundamentals will influence post-election market dynamics more than just election results. Additionally, we believe the markets have not factored in the numbers significantly less than 300 or more than 370 for the BJP.

DIP & SIP: A Winning Investment Strategy

The market has always been volatile, so it makes sense for most of us to stick to the SIPs (for most Benchmark & Sectoral Indices including the IT Sector). Remember, discipline is as good as luck if you stay invested for the long term. Buying on dips sounds like the ultimate strategy. After all, who could question the efficacy of buying an asset cheap, nonetheless, while buying the dip marginally outperformed regular SIPs, it can be challenging to monitor the market continuously over the full investment term, making regular SIPs a preferred option.

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How can Wodehouse Capital Advisors help?

Wodehouse Capital Advisors has extensive network and prior experience across each of the service vertical



Family Office Services

- Investment Management
- Succession Planning
- Real Estate Advisory
- Business Consulting
- India Entry Strategy



Merger & Acquisitions

- Buy Side Representation
- Sell Side Representation
- Bolt- On- Acquisitions



Debt

- Structured Finance
- Refinancing
- Additional Funds for Set-up



Equity

- Growth Capital
- Strategic Capital

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