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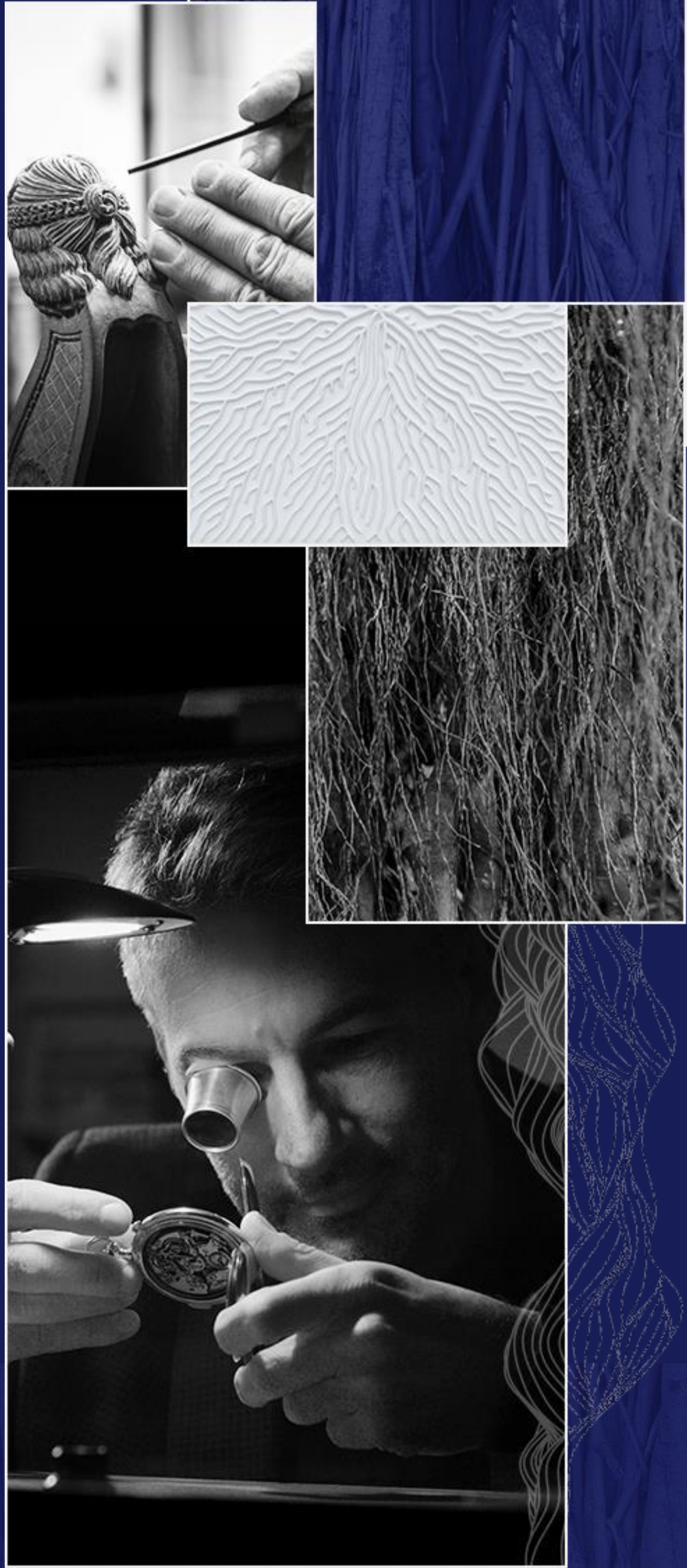

NEWSLETTER
June2024

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Indian - Market Outlook

The bull market galloped through the first half of the year in the most celebratory fashion, kicking up its heels and hitting new highs as if to taunt experts' modest expectations. As we reach the midpoint of the year, 2024 continues to demonstrate strong potential for corporate earnings growth worldwide. Indian companies are leading, helped by a resilient domestic economy, strong pricing power and, of course, leadership positions in the all-important capital goods sector. The hunt for positive growth momentum and attractive valuations is starting to shift investors' focus away from the US and towards a more regionally-diversified exposure.

June was a good month for returns from both equities and fixed-income. Ongoing investor optimism about the economic outlook supported risky assets, with developed market stocks delivering returns of 4.5% over the month. Indian bonds also generated positive performance with markets still anticipating rate cuts this summer albeit with some divergence in the timing between the US and India. Expectations of declining interest rates benefited Growth sectors, leading them to outperform Value sectors. Small-cap stocks also gained traction, producing an alpha over large caps.

India's current account surplus for January–March 2024 highlights its emerging role in services exports and the formidable strength of its diaspora. This marks a stark contrast from 33 years ago, when India had barely enough foreign reserves to cover three weeks of oil imports, and from 2013, when it was deemed one of the 'fragile five' due to a substantial current account deficit. The January–March 2024 surplus is a testament to India's remarkable economic journey, underscoring its solid foundation and forward-looking growth trajectory.

Market Watch									
Indian Equities	**Jun-24**	**1 Month**	**1 Year**	**3 Year**	**Currency**	**Jun-24**	**1 Month**	**1 Year**	**3 Year**
Nifty 50	24,154	3.8%	25.0%	53.6%	USD/INR	83.51	-0.5%	-1.9%	-12.1%
S&P BSE Sensex	79,462	4.0%	22.0%	51.6%	EUR/INR	89.64	-1.0%	0.3%	1.4%
S&P BSE Midcap	46,630	5.2%	61.6%	107.3%	GBP/INR	105.55	-0.8%	1.5%	2.5%
S&P BSE Smallcap	53,184	10.3%	62.3%	108.1%	INR/JPY	1.94	3.1%	9.7%	29.9%
Global Equities					**Economic Data (Abs)**				
Dow Jones (US)	39,170	1.6%	13.8%	12.6%	10-year Ind G Sec	7.01%	6.99%	7.11%	6.05%
Nasdaq (US)	17,876	6.2%	29.4%	22.1%	CPI Inflation Ind	4.75%	4.83%	4.81%	6.30%
FTSE 100 (UK)	8,167	-1.2%	8.5%	14.7%	WPI Inflation Ind	2.61%	1.26%	-3.48%	12.94%
Nikkei 225 (Japan)	40,096	3.0%	18.8%	39.3%	US Dollar Index (DXY)	105.9	1.7%	2.8%	14.8%
Hang Seng (HK)	17,751	-3.6%	-8.1%	-37.3%	CBOE VIX	12.2	-6.8%	-10.0%	-18.9%
Commodity					**GDP Overview**	**Actual**	**Forecast**	**Previous**	**-**
Gold USD	2,329.9	-0.9%	21.3%	30.4%	Indian GDP YoY	7.8%	6.7%	8.4%	
Silver USD	29.4	-4.5%	28.4%	11.1%	US GDP QoQ	1.4%	1.3%	3.4%	
Brent Oil USD	86.8	11.0%	16.3%	14.0%	China GDP YoY	5.3%	4.8%	5.2%	

Source: investing.com

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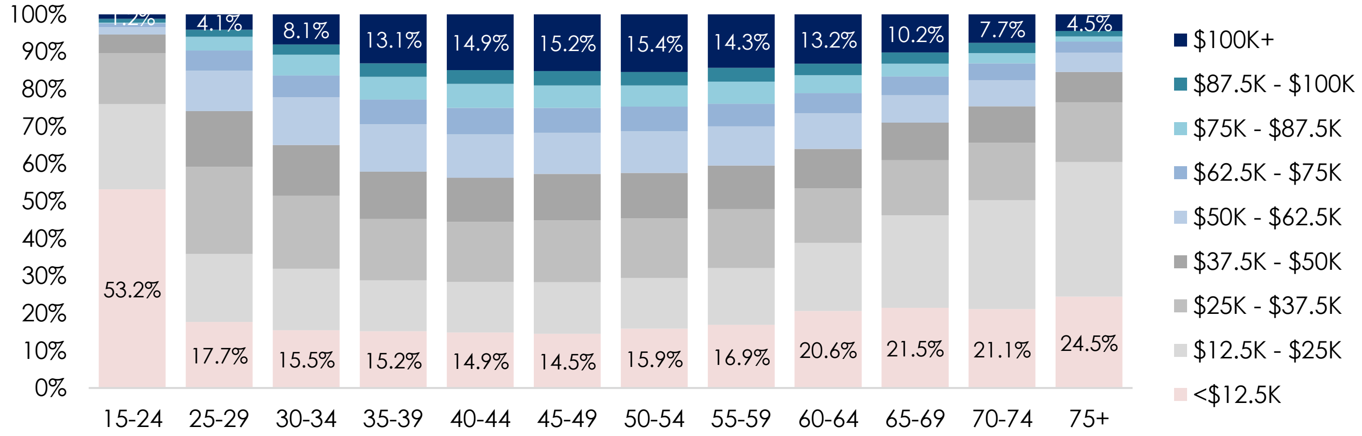
Seize the Moment: The Strategic Path to Financial and Personal Enrichment

In a world where financial prudence often dictates the deferment of leisure until the twilight years, a compelling case can be made for flipping this script. Instead of postponing adventures and hobbies until retirement, why not indulge in travel and leisure early in your career? Moreover, the notion of early retirement should be reconsidered, given that earnings tend to peak at a certain age. This perspective isn't just about enjoying life more—it's also a strategic approach to financial and personal well-being.

Income Distribution by Age



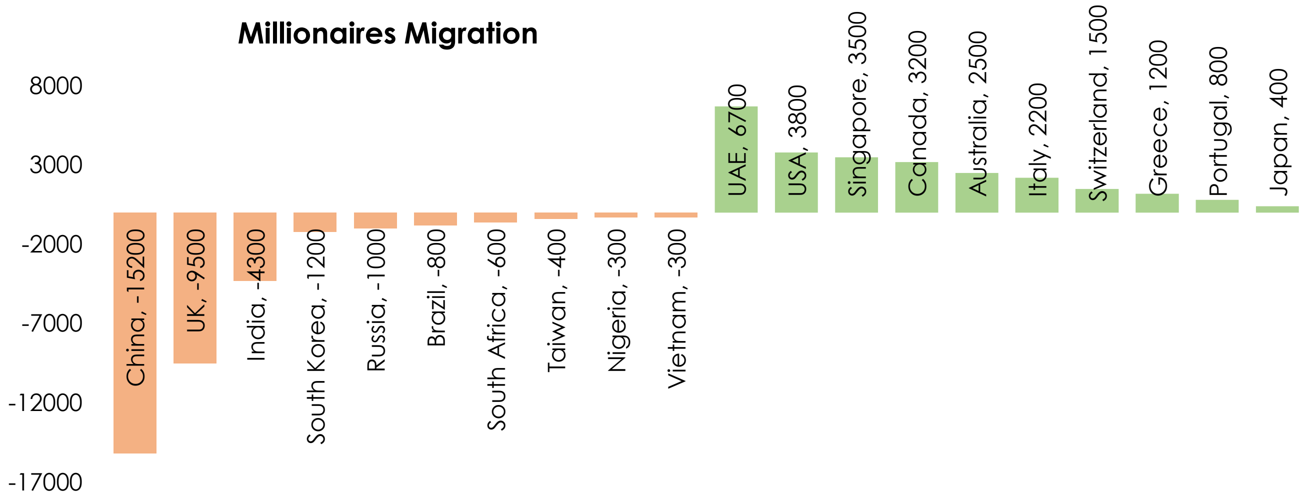
Data Source: U.S. Census Bureau

Unlike money, experiences are inexhaustible and can be called upon at any point in life, no matter your position. That's what makes travel the best investment available. The earlier you pursue travel, the higher the number of compounding periods (years you have left), and the greater the compound interest in the form of opportunities you'll have to implement and embody these lessons. That's tangible progress towards becoming a better person. And that's what life's all about. Becoming the best version of yourself.

Ultimately, while retiring early may offer immediate freedom, staying in the workforce through your peak earning years can significantly enhance your financial stability and overall satisfaction in the long run. It's a choice that merits careful consideration of both financial goals and personal aspirations, ensuring a well-rounded approach to planning for retirement.

Millionaires on the move: Where are the world's rich migrating to in 2024?

India continues to lose large numbers of millionaires, especially to the UAE. However, these outflows are not particularly concerning as India continues to produce far more new HNWIs than it loses to emigration. Furthermore, the bulk of the millionaires who leave India tend to retain business interests and second homes in the country, which is a positive sign.



Overall, millionaires are increasingly on the move. In the 10 years of reporting—despite a dip during the pandemic—the number of HNWIs moving away from their countries of origin has been growing every year.

With its zero income tax, golden visas, luxury lifestyle, and strategic location, the UAE has entrenched itself as the world's number one destination for migrating millionaires and is poised to welcome a record net inflow of 6,700 this year alone.

Are High P/E Ratios the New Normal for the Stock Market? Understanding Generational Shifts in Investment

Traditionally, higher P/E ratios have been associated with growth stocks, where investors anticipate robust future earnings growth that justifies paying a premium today. However, what is striking today is not just the prevalence of high P/E ratios in growth sectors like technology and biotech, but their pervasiveness across the broader market spectrum.

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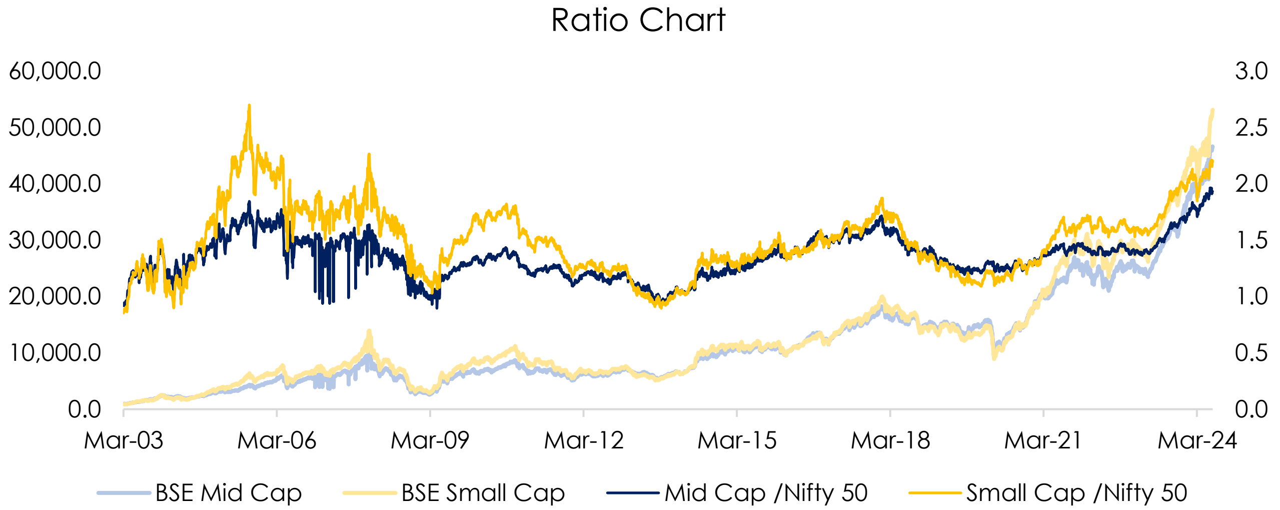
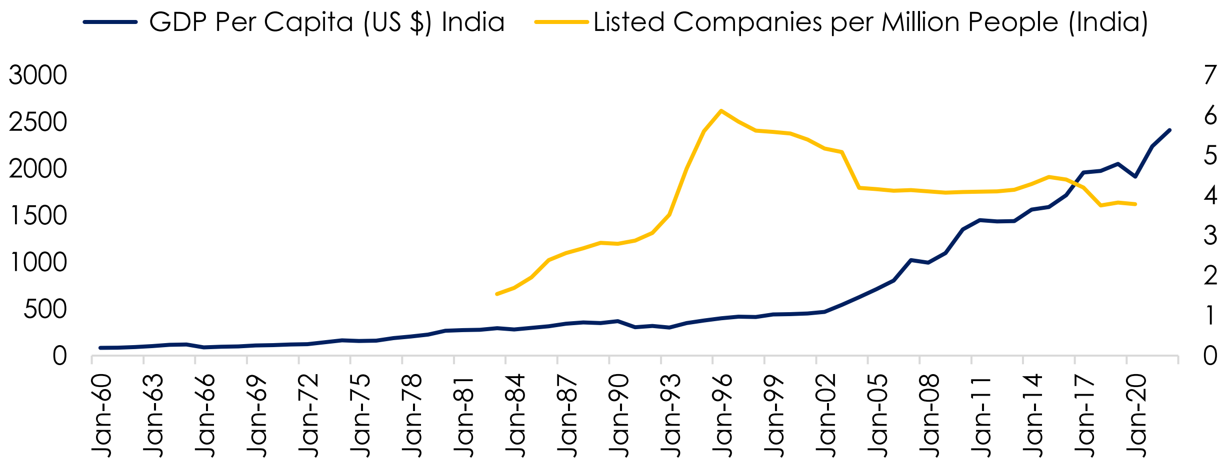
Mid and Small Cap relative to large caps



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

Generational Shifts in Investment Preferences: One compelling explanation for this phenomenon lies in the changing attitudes and preferences of investors across different generations. As Baby Boomers, Generation X, Millennials, and now Generation Z influence the investment landscape, their distinct outlooks and approaches to investing have reshaped traditional benchmarks for P/E ratios.

Significant Increase in GDP per Capita vs. Decline in Listed Companies per Million People



Data Source: https://fred.stlouisfed.org/

Ultimately, whether high P/E ratios are the "new normal" depends on a complex interplay of factors, including generational preferences, economic conditions, and technological advancements. As investors adapt to these changing dynamics, maintaining a disciplined investment strategy that balances growth opportunities with risk management remains paramount.

Macro-Economic Update and Key Events

Global Growth Outlook: Fitch has raised the 2024 world growth forecast to 2.6% but cautions on inflation. For 2025, world growth is expected to decline to 2.4%, with US growth slowing to 1.5% and Eurozone growth increasing to 1.5%.

Inflation's Slower: The softening of inflation has been more reluctant than the upward thrust. This is partly because the initial move in prices was not transitory, which kicked off a feedback loop: wages went up to reflect the pressures that workers were feeling, and that fed back into inflation.

US Regional Bank Failures: Pacific Investment Management Co. predicts more failures among regional banks in the US due to a high concentration of troubled commercial real estate loans. Larger banks have been selling higher quality assets first to avoid deeper losses.

AI and Inflation: The current capex boom may create bottlenecks, making AI inflationary in the short term before its long-term benefits ease inflationary pressures. AI is expected to drive electricity usage up by 160% by 2030, significantly increasing the demand for copper.

Hindenburg Research Criticism: Hindenburg Research criticized SEBI for not naming Kotak Bank, alleging that SEBI protects powerful businessmen and fails to prevent fraud and protect investors. The firm also criticized corporate governance in India and vowed to continue exposing global malfeasance.

India's Growth Forecast Raised: Fitch Ratings has increased India's growth forecast for the current fiscal year to 7.2%, up from the 7% projected in March, attributing the revision to a recovery in consumer spending and increased investment.

Regulatory Changes for Discount Brokers: Potential regulatory changes could disrupt discount brokers and lead to higher broking charges for investors. Equalizing exchange transaction charges could impact the revenue of discount and deep-discount brokers.

Monsoon Pattern Shift in India: Data from the India Meteorological Department show significant changes in monsoon patterns, with weaker rainfall in June followed by heavy rainfall in September. This shift is linked to rising temperatures and an increase in dry days, impacting agriculture and the summer season duration.

Indian Equity Market surge: India—the fifth largest equity market in the world—has added more than $1 trillion to its market capitalisation over the last six months with the domestic equity benchmarks Sensex and Nifty 50 reaching fresh record highs over robust macroeconomic indicators and bullish investor's sentiments.

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What to expect from India's Union Budget 2024-25

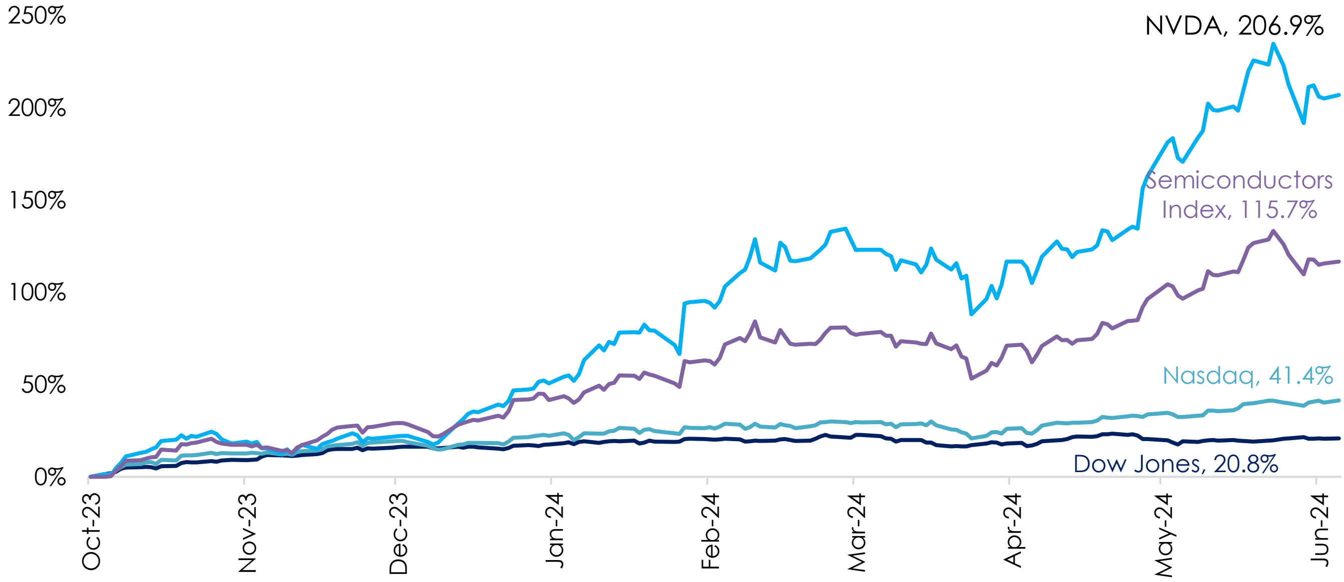
GOI may continue to prioritize capex growth, while pursuing fiscal consolidation.

- The Indian economy is presently well-poised with a buoyant GDP growth of 8.2% in 2023-24, which follows growth rates of 9.7% in 2021-22 and 7% in 2022-23.
- Government finances are quite robust as reflected by a consistent fall in GoI's fiscal deficit from 9.17% of GDP in 2020-21 to 5.6% in 2023-24.
- The 2024-25 budget is expected to emphasize sustaining India's medium-term growth by focusing on infrastructure expansion while ensuring fiscal consolidation.
- Budget 2024-25: India Inc urges lower income tax burden, increased capital expenditure, and steps to contain food inflation in a pre-Budget consultation with Finance Minister Nirmala Sitharaman. They also stressed infrastructure development, boosting MSME sector, and streamlining tax incentives.

AI Mania Fuels Mega-Cap Tech Gains in the First Half of 2024

AI enthusiasm continued to drive the market, with the "Magnificent 7" (NVIDIA, Microsoft, Apple, Google, Tesla, Meta, Amazon) achieving an average gain of 39%, despite a decline for Tesla. NVIDIA's shares surged 150%, making it the world's largest by market cap. Technology and communication services sectors led with over 25% returns, as AI demand boosted earnings and valuations. Mega-cap tech now trades at over 30 times consensus earnings estimates, reflecting strong growth expectations.

First-Half Performance: The Dow vs. Technology Investments

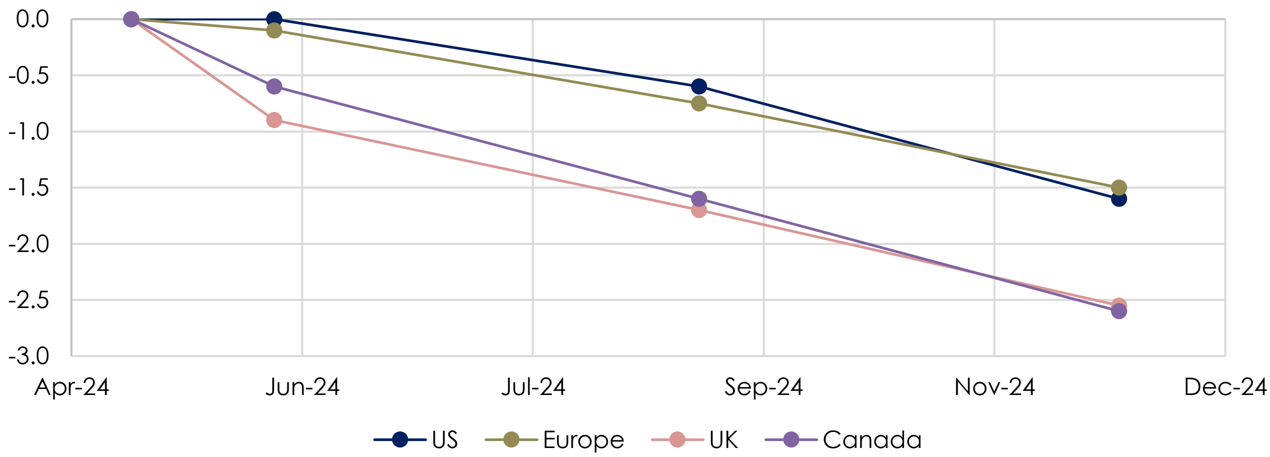


Data Source: https://www.investing.com/

Fed Falls Out of Sync with Global Central Banks

In 2024, several central banks, including the Swiss National Bank, Bank of Canada, and European Central Bank, have cut rates. The Fed has delayed its cut until late this year, while the Bank of Japan hiked rates for the first time in 17 years. This divergence may elevate market volatility in the coming months, with economic data and geopolitical uncertainties playing crucial roles.

Cumulative rate cuts priced in by the market up to year-end



WCA Outlook Fixed Income

Indian Bond Yield Expectations:

- We anticipate the Indian bond yield curve to remain flat due to favorable demand-supply dynamics.
- There is potential for rate cuts in India, driven by high real positive rates and the need to stimulate private investment. Rate cuts are likely in the second half of FY25, following those in advanced economies.

Market Sentiment on Bonds:

- The belief that the bear market for bonds has ended is gaining traction.
- Despite inherent uncertainties, the groundwork appears laid for portfolio rebalancing activities.

Investment Strategy:

- Bond yields typically adjust in anticipation of rate actions, prompting investors to consider increasing their Fixed-Income allocations during yield upticks.
- We anticipate long bond yields to continue their downward trend over the next few quarters, with the benchmark 10-year bond yield projected to move towards 6.50% by Q4 of FY25.

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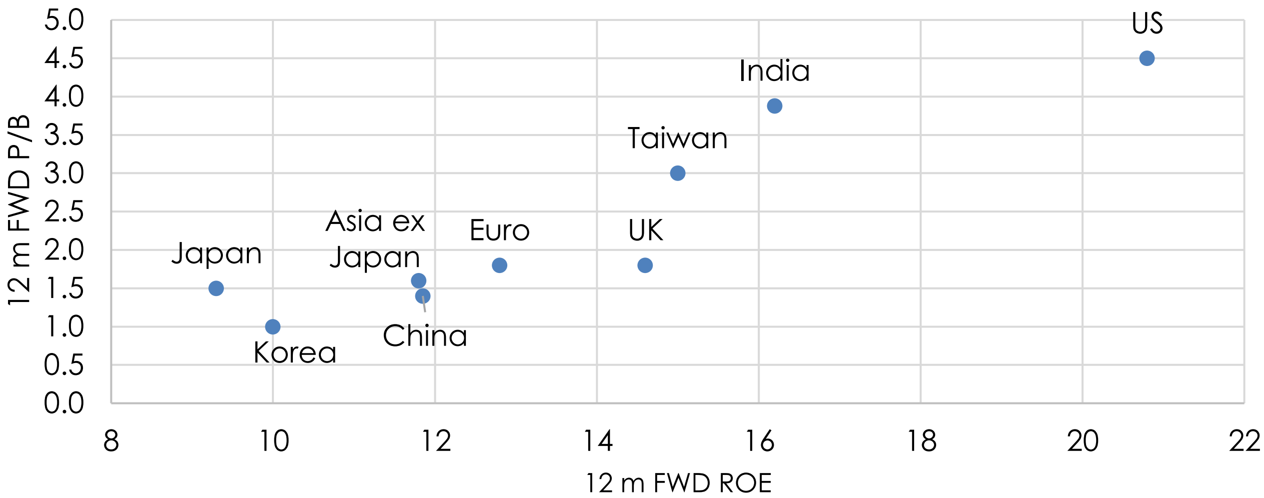
WCA Outlook Equities

High US and Indian equity market valuations arguably justified by high return on equity



Data Source: Standard Chartered

New government, but same economic fundamentals: India's future remains bright with economic momentum predicted to continue through 2024-25 and beyond.

By nearly any measure you cite, Indian equities are enjoying a stellar run. Despite numerous global risks, investor sentiment for Indian shares is resilient. The question, as always, is when is it timely to take some of the winnings and redeploy to other asset classes?

There are countless ways to engage in opportunistic portfolio rebalancing analytics, but a good way to start is by profiling performance. For Indian equities, the case for tamping down expectations looks persuasive. To the extent that expected return evolves inversely with trailing performance, recent history provides a baseline for thinking about risk.

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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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