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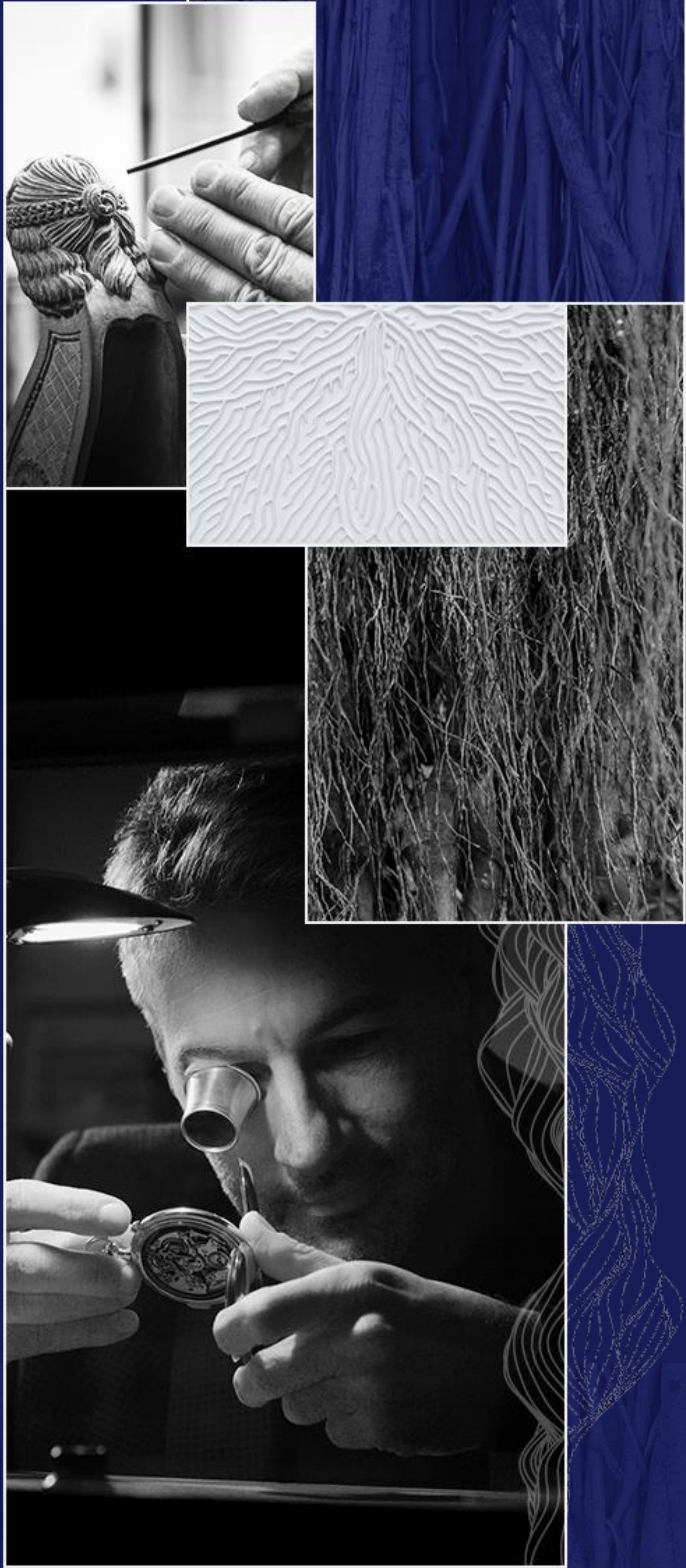


NEWSLETTER
March 2024

WODEHOUSE

W.I.N.
WODEHOUSE INVESTMENT NETWORK

WORLD M&A ALLIANCE

Indian – Market Outlook

As we step into an environment where there's an anticipation of easing monetary policy and declining inflationary pressures, global economic growth is forecasted to be muted. The near-term challenge might be to calibrate the monetary policy in response to the descending inflation.

Many have been skeptical, and for good reason: Inflation has felt like a problem that wouldn't go away. But with price pressures now abating, and policymakers shifting their focus to the risk of overtightening, times are changing. Markets are taking notice: a global 60/40 stock/bond allocation is having its best week of the year so far.

This year is off to the races again with strong equity market returns across Japan, Europe, and the United States. Within the U.S. market, the Magnificent Seven stocks continue to outperform benchmark exposures but returns across these mega-caps are increasingly divergent. China continues to hold the emerging markets back as its measured policy response and property market challenges have left many global investors sitting on the sidelines.

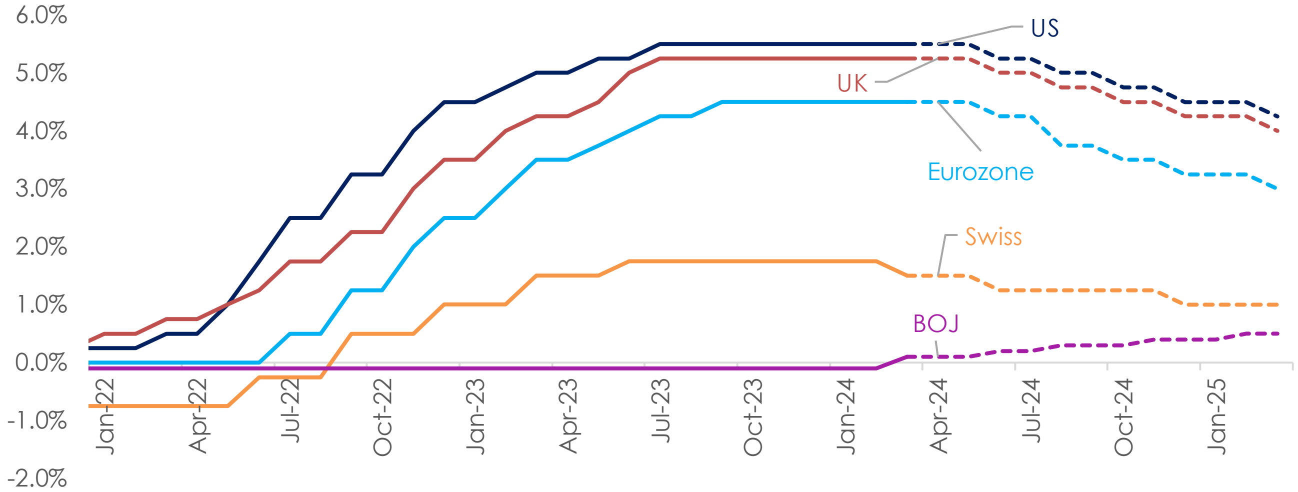
2024 is lining up to be the first year after the pandemic when we are finally past all the disruptions and dislocations. India's story continues to show a narrative of resilience and adaptability. Marked by robust economic growth, moderating inflation, and high foreign flows into the market accompanied by a stable Indian rupee.

Market Watch									
Indian Equities	**Mar-24**	**1 Month**	**1 Year**	**3 Year**	**Currency**	**Mar-24**	**1 Month**	**1 Year**	**3 Year**
Nifty 50	22,327	1.6%	30.7%	53.9%	USD/INR	83.39	0.6%	1.5%	14.6%
S&P BSE Sensex	73,651	1.6%	27.1%	50.3%	EUR/INR	89.93	0.4%	0.9%	5.1%
S&P BSE Midcap	39,322	-0.1%	65.0%	96.9%	GBP/INR	105.15	0.5%	3.9%	5.0%
S&P BSE Smallcap	43,166	-4.6%	62.3%	112.9%	INR/JPY	1.82	0.4%	12.4%	20.3%
Global Equities					**Economic Data (Abs)**				
Dow Jones (US)	39,760	2.0%	21.5%	19.9%	10-year Ind G Sec	7.05%	7.08%	7.32%	6.18%
Nasdaq (US)	16,400	1.9%	37.5%	25.6%	CPI Inflation Ind	5.09%	5.10%	6.44%	5.03%
FTSE 100 (UK)	7,958	4.3%	5.2%	18.1%	WPI Inflation Ind	0.20%	0.27%	3.85%	4.17%
Nikkei 225 (Japan)	40,151	2.5%	44.0%	36.6%	US Dollar Index (DXY)	104.7	0.5%	2.0%	12.7%
Hang Seng (HK)	16,541	0.2%	-18.1%	-41.6%	CBOE VIX	13.0	-3.2%	-32.2%	-37.5%
Commodity					**GDP Overview**	**Actual**	**Forecast**	**Previous**	**-**
Gold USD	2,207.0	7.9%	12.3%	28.8%	Indian GDP YoY	8.4%	6.6%	7.6%	
Silver USD	24.6	8.4%	5.3%	-0.4%	US GDP QoQ	3.4%	3.2%	4.9%	
Brent Oil USD	85.9	2.7%	9.7%	32.2%	China GDP YoY	5.2%	5.3%	4.9%	

Source: investing.com

The race to lower rates is officially on—and the SNB just kicked it off.

- The Swiss National Bank (SNB) made history as the first developed market central bank to deliver a rate cut this cycle.
- The Federal Reserve confirmed that it still plans to cut rates two to three times this year, despite the dovish bias, the Fed slightly raised its expectations for core PCE inflation this year to 2.6% from December's 2.4% estimate. The central bank also increased its 2024 economic growth projection to 2.1% from the previous 1.4%, based on an annual GDP forecast.
- The Bank of England laid the groundwork for a potential cut as soon as June, with the UK "on the way" to winning its fight against inflation.
- On the contrary Bank of Japan made its milestone, hiking rates for the first time in 17 years to officially put an end to the negative interest rate experiment.
- All-in-all, the central bank meetings suggest Developed Market policymakers are turning more supportive of growth and less concerned about inflation.



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

Commodities Corner

- Gold Hits Record High Amid Global Buying Spree; Putin's Gold Strategy Challenges Western Sanctions. LME Base Metals Trade Mixed on China's Economic Concerns.
- Despite the mining sector producing approximately 800 to 825 million ounces of silver in 2022, consumption estimates soar to 1.2 to 1.4 billion ounces, driving a surge in silver prices due to its critical role in technological advancements and highlighting its distinct market dynamics from gold.

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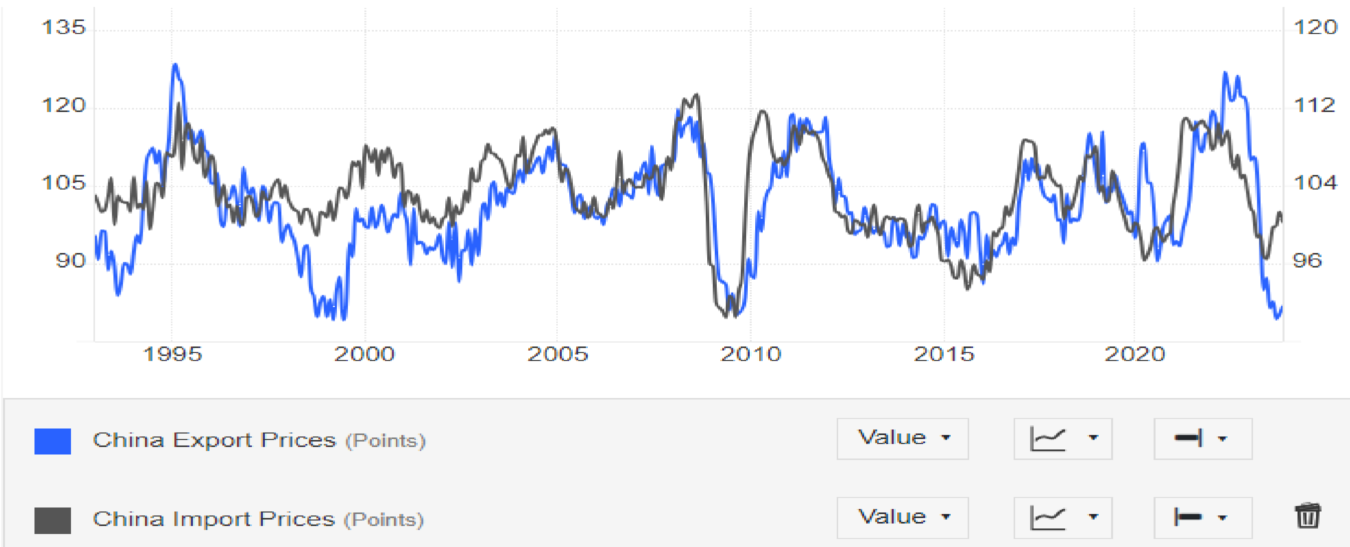
What's powering Europe's economic resilience?

Economic resilience has also been the story in most other developed economies. Europe and Japan have surprised on the upside. Europe has been helped by natural gas prices that are lower than before the Russian invasion of Ukraine, the pick-up in global manufacturing activity and a recovery in bank lending growth. The European Central Bank (ECB) has hinted that rate cuts are likely to commence in June in response to the downward trend in core inflation.

The exception to the positive surprise narrative is the United Kingdom, where economic activity is subdued, and inflation is falling more slowly than in other developed economies. European indexes lack the AI-themed stocks that have boosted the S&P500, but are cheap relative to the U.S.

China's Countermeasure: Boosting Manufacturing Amid Property Slowdowns

- In response to a property slowdown, China injects funds into the manufacturing sector to offset the economic impact.
- Drowning in Overcapacity: China's Manufacturing Excess Is Now a Global Problem.



Data Source: https://tradingeconomics.com/

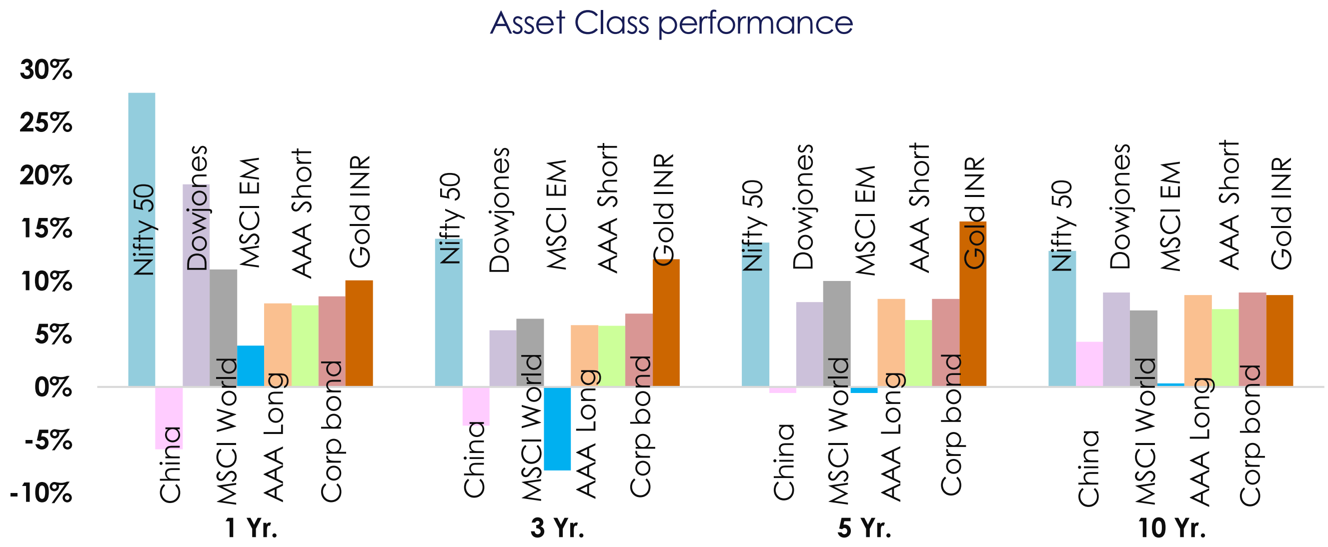
China's Global Goods Surge: A Two-Edged Impact

PROS:
- China's increased exports drive global deflation, easing price pressures.
- Potential for early interest rate cuts by major central banks to alleviate banking stress and spur growth.

CONS:
- Rising imports from China may harm domestic manufacturing competitiveness, leading to unemployment, deficits, and increased debt.
- Persistent deflation in China would likely spill over to developed markets, as a weaker yuan and elevated inventory-to-sales ratios lower the cost of Chinese goods abroad,

Japan's Economic Strength and Market Performance

Japan is also beating expectations, both in terms of economic activity and corporate profits growth, and in financial markets where the Tokyo Stock Price Index (TOPIX) is the best-performing market year-to-date. The risks around Japan are that corporate governance improvements are now fully priced into equity valuations, and that the Bank of Japan will threaten the economic revival by tightening policy and triggering yen strength.



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

Indian Macro-Economic Update and Key Events

Indian economy on robust track: The Indian Economy has continued its strong momentum in the face of global headwinds and uncertainties, GDP grew by 8.4% in Q3 FY24 vs a revised expansion of 8.1% in Q2 FY24, GDP data indicated that investment growth continues to outpace consumption growth by a huge margin.

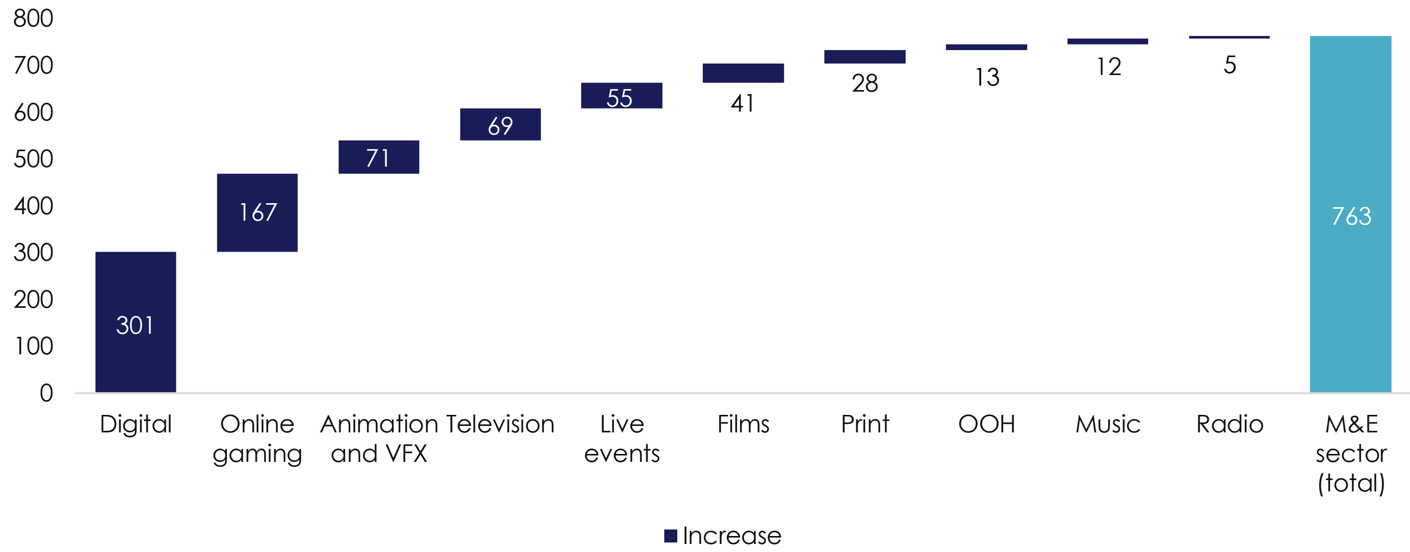
On the macroeconomic front, CPI inflation cooled to a three-month low of 5.09% in Mar'24 due to slow growth in food prices and favorable base effects.

Moreover, the transformative impact of India's Goods and Services Tax (GST) reform is palpable, exemplified by the historic second-highest GST collection in March, amounting to Rs 1.78 lakh crore, underscoring a revolution in the economic landscape.

India's entertainment industry is gearing up for a series of mergers as both US media giants and local MNCs invest in expanding content. Reliance Industries and Walt Disney are teaming up to invest around US$1.5 billion in merging their Indian media operations. This move follows the Zee-Sony Pictures deal, signaling further industry shakeups.

The Indian Media and Entertainment sector (M&E) will grow at a CAGR of 10% and add INR763 billion in three years.

All figures are gross of taxes (INR in billion) | EY estimates.



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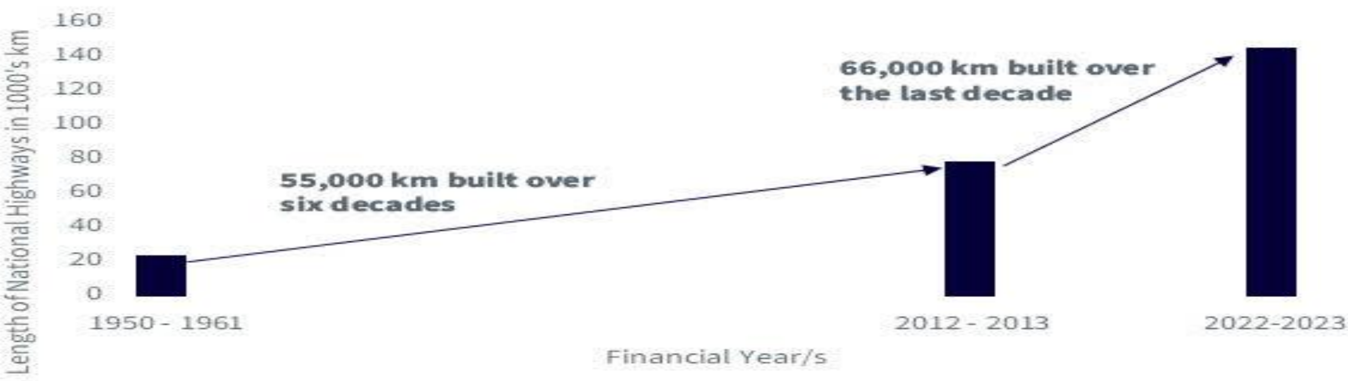
Road Ministry's Growth Trajectory: Over the past nine-and-a-half years, the road ministry has constructed approximately 92,000 km of national highways, with a plan to increase this to 95,000 km by March 2024, as per Anurag Jain, the secretary of road transport and highways.

Lessons from UP Government: Infrastructure and law and order serve as the twin pillars of progress. Once these foundational elements are addressed, the rest of the economy will naturally begin to function effectively.



Source: Government of India Ministry of Road Transport & Highways, New Delhi. National highway length in kilometers over recent years.

Record State Bond Supply: Bond market shows mighty appetite, swallows record state bond supply; 18 states borrowed a record Rs 55,032 crore at auction, taking total borrowing by states to Rs 10 lakh crore in FY24.

FTSE Russell's Decision: FTSE Russell said Portugal would be added to a key government bond index and held off on a decision on South Korea and India for at least six more months.

SEBI Chief Flags Bubble Risks in MSME: Given the ex-Sebi Chief's warning about a potential bubble in small and mid-cap stocks, the segment witnessed heightened volatility, emphasizing the necessity of adopting a bottom-up approach in 2024. Moreover, experiencing a one-way movement similar to 2023 is not the most desirable outcome. In our view, Geopolitical and regulatory uncertainties could continue to pose key risks to the markets.

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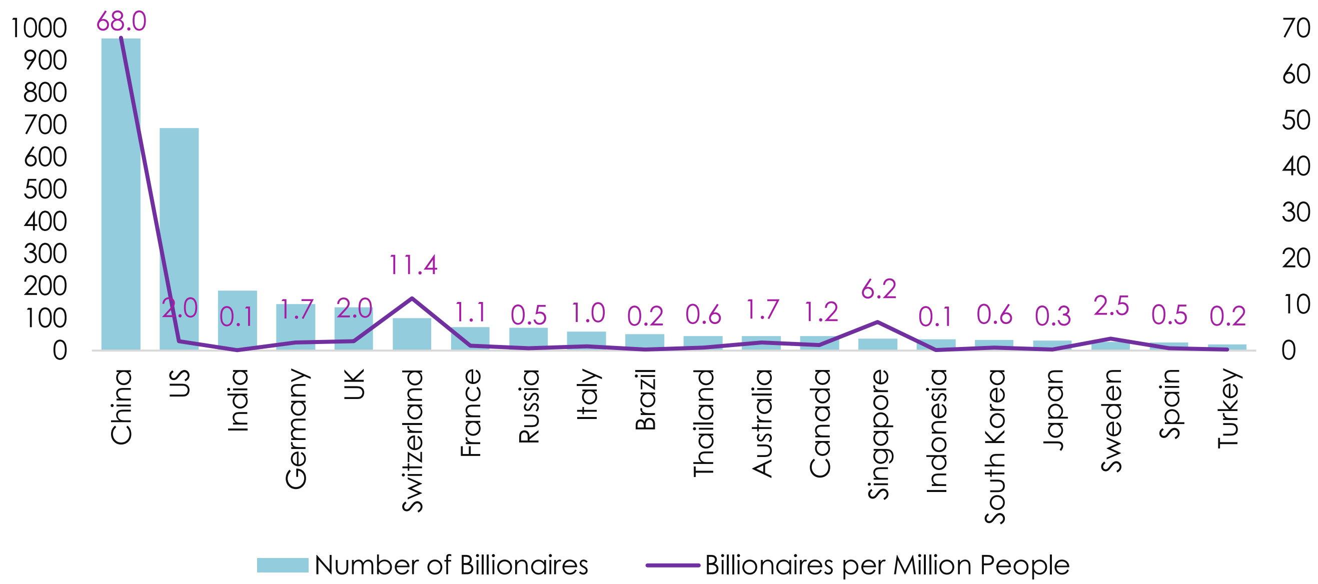
Wealth Creation Trends in India

NEW DELHI, March 20 (Reuters)- By the end of 2023, India's richest citizens owned 40.1% of the country's wealth, the highest since 1961, and their share of total income was 22.6%, the most since 1922, the study, whose four authors included Nitin Kumar Bharti and Thomas Piketty, found.

- Since India, which won its independence in 1947 from Britain, opened its markets to foreign investment in 1992, its number of billionaires has surged.
- Data from Forbes billionaire rankings show the number of Indians with net wealth exceeding $1 billion rose from one in 1991 to 187 in 2023.
- Hyderabad is among the top 5 Indian cities by number of billionaires, Mumbai home to 92 billionaires, leads the list of Indian cities.



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

Breaking Stereotypes

- We need to get used to Indian billionaires, our problem is not Indian billionaires, but that we don't have enough of them.
- India needs more first-generation billionaires who can drive job creation and innovation.
- Unless one is genuinely interested in administrative roles, concentrating solely on the UPSC exam may not be the most efficient use of talent.
- The new opportunities emerging from sectors such as global manufacturing in India, infrastructure development, technology, AI, startups, etc., will propel economic momentum and contribute to wealth creation in the country.

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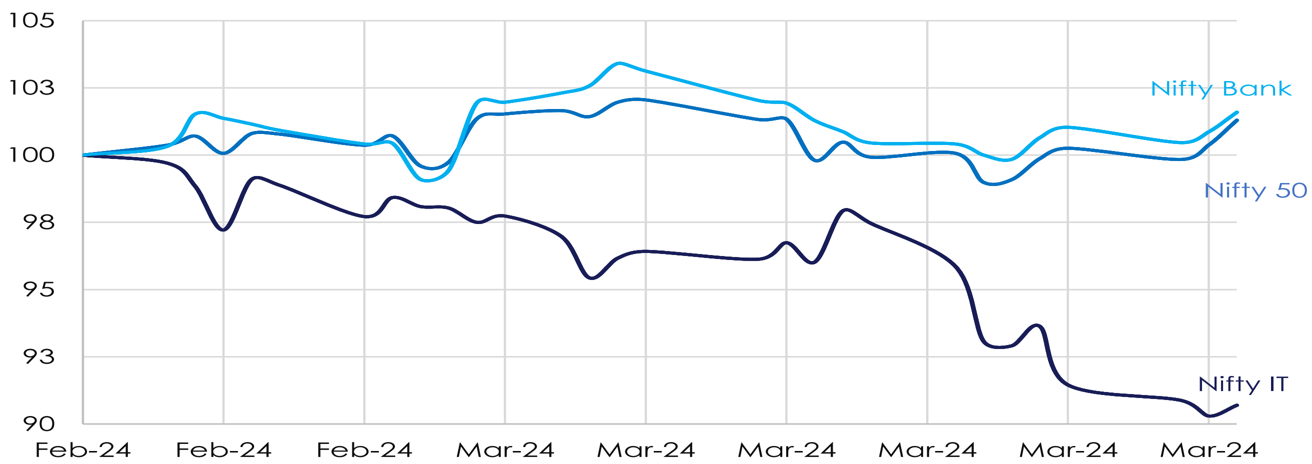
Accenture's guidance cut is weighing on Indian IT sector:

Accenture's results and outlook reaffirm our expectations of cautious near-term demand. Its lackluster performance in the latest quarter, coupled with disappointing guidance, has raised concerns about the trajectory of Indian IT companies extending into the financial year 2024-25.

- Accenture's recent results and outlook reflect a cautious stance on near-term demand.
- Further reductions in short-cycle discretionary projects have been highlighted, which could impact Indian IT services companies.
- Large IT services companies are likely to commence FY2025E with careful guidance due to weak near-term demand.
- Growth prospects will vary significantly among companies based on factors like mega-deal ramp-ups, vertical exposure, and discretionary spending.
- Expectations may see a modest decrease for larger companies where estimates are reasonable, while mid-tier companies could face sharper cuts.



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

WCA Outlook Equities

The current macroeconomic landscape presents a nuanced tapestry of opportunities and challenges, shaped by global events, regulatory actions, and investor sentiments. Navigating these complexities demands a holistic understanding of market dynamics, coupled with prudent decision-making and a long-term perspective.

El Niño's retreat brings hope for a more stable monsoon in India. Meanwhile, 2024 sees the nation's economy thriving, with declining inflation, robust GST collection, and strong GDP growth. Strategic investors navigate shifting markets, prioritizing fundamental-driven bottom-up approaches amidst warnings of bubbles from the ex-Sebi Chief. This emphasizes the importance of vigilance amidst geopolitical and regulatory uncertainties. Additionally, trends in precious metals and the IT sector, along with performance in the mid and small-cap space, align with our expectations.

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.

Higher fiscal deficits in the US and balance sheet reduction (bond sales) by the US Fed create an unfavorable backdrop for a significant decline in US long-term yields. The high real yields today present a suitable opportunity for patient investors to experience high accrual as well as the possibility of participating in capital gains as the rate cycle turns.

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.

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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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