



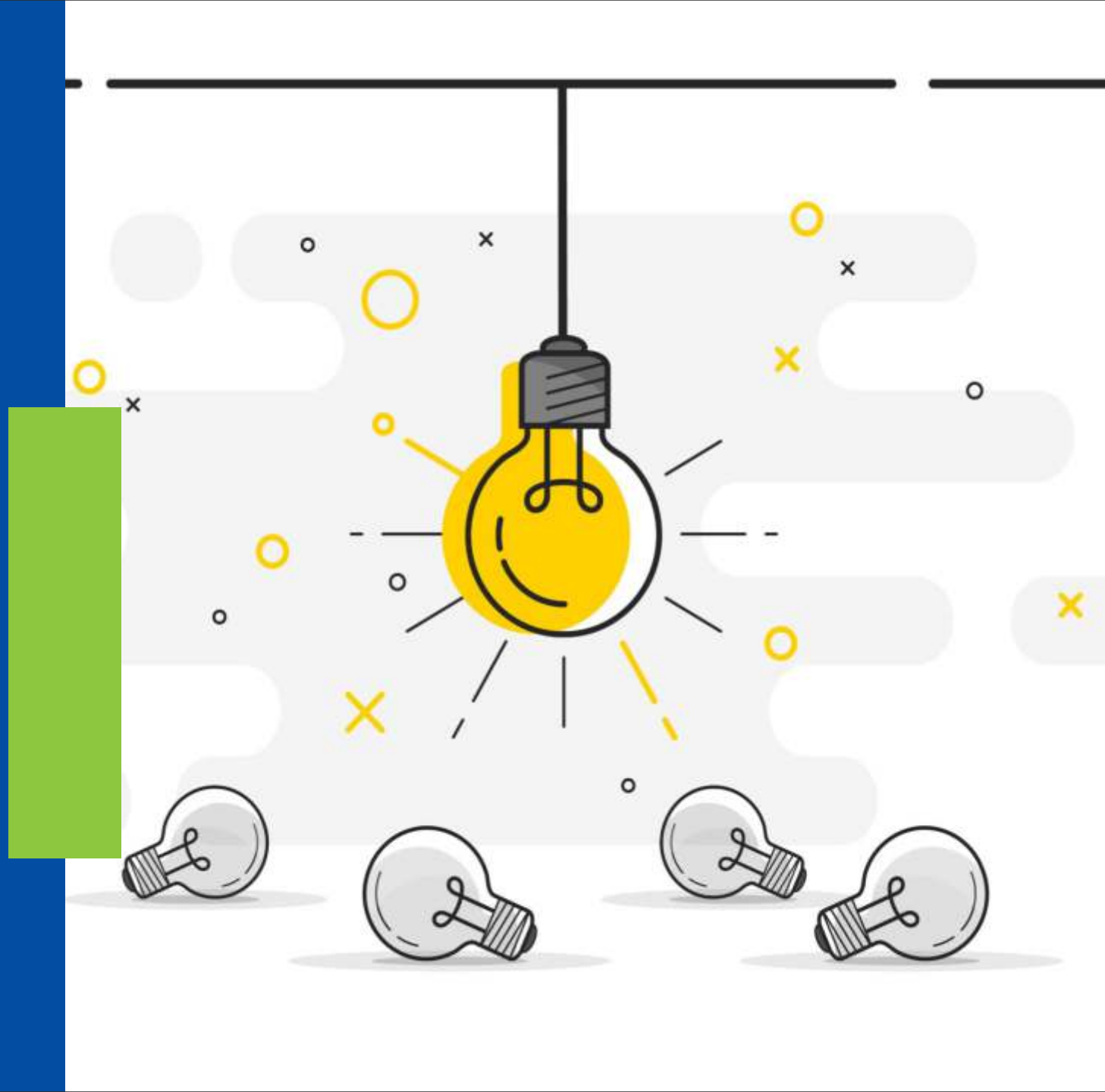
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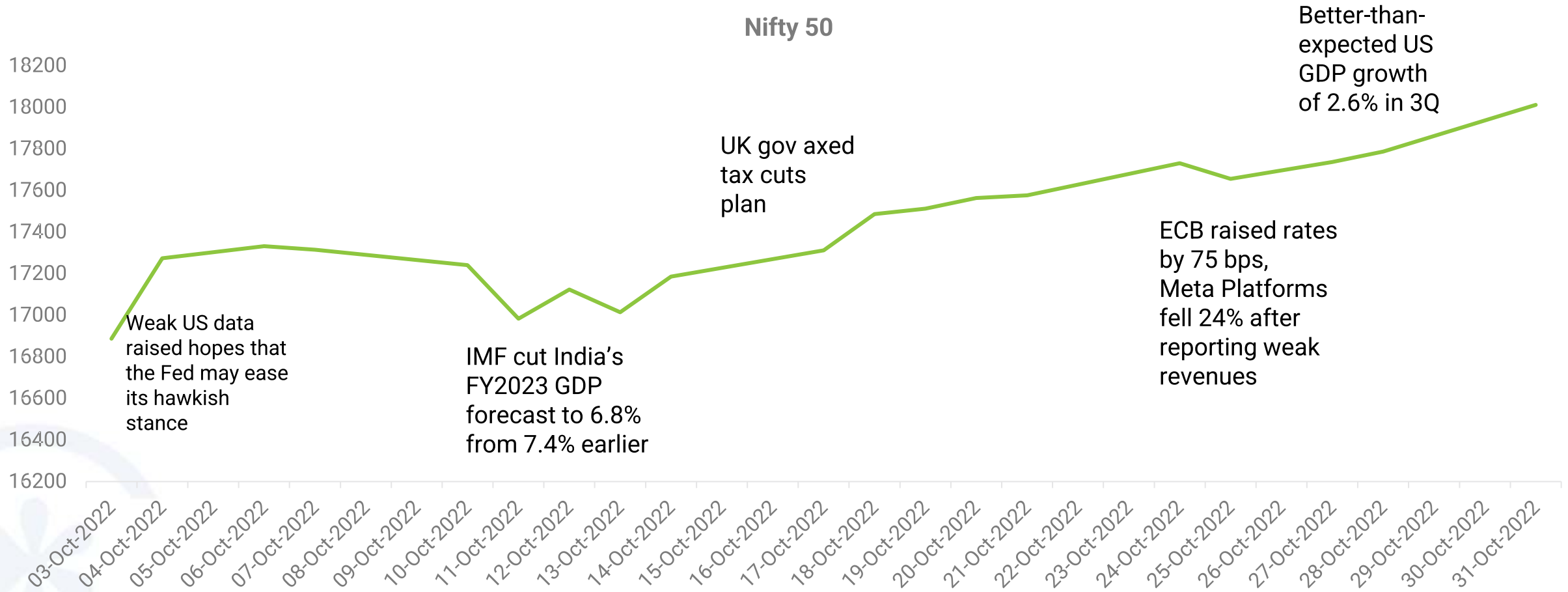
Equity Market & Fund Insights

Oct 2022

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Key events during the month



Global Equity Markets at glance



	Countries	Exchange Name	Index Level	P/E (x)	Valuation (12 month forward)			Performance (%)				
					P/B (x)	Divd Yield (%)	ROE (%)	1Month	3Month	6Month	1 Year	YTD
Developed Market	USA	S&P500	3,901	16.8	3.5	1.8	20.7	8.8	(5.5)	(5.6)	(15.3)	(18.2)
	USA	Nasdaq	11,102	22.6	4.2	1.1	18.6	5.0	(10.4)	(10.0)	(28.4)	(29.0)
	Europe	STOXX 600	411	11.3	1.6	3.9	13.8	5.9	(6.3)	(8.8)	(13.6)	(15.8)
	UK	FTSE 100	7,064	9.1	1.4	4.6	15.9	2.5	(4.8)	(6.4)	(2.4)	(4.3)
	Germany	DAX	13,261	10.5	1.3	3.8	12.8	9.5	(1.7)	(5.9)	(15.5)	(16.5)
	France	CAC 40	6,262	10.3	1.4	3.7	13.9	8.7	(2.9)	(4.2)	(8.3)	(12.5)
	Japan	Topix	1,929	12.0	1.1	2.7	9.3	5.1	(0.6)	1.6	(3.6)	(3.2)
	Australia	ASX 200	6,863	13.3	1.9	4.7	14.0	6.0	(1.2)	(7.7)	(6.3)	(7.8)
	Singapore	STI Index	3,093	10.7	1.0	4.9	9.2	(1.2)	(3.7)	(7.9)	(3.3)	(1.0)
	Hong Kong	Hang Seng	14,687	7.4	0.8	4.8	10.9	(14.7)	(27.1)	(30.4)	(42.1)	(37.2)
Emerging Market	India	Nifty 50	18,012	19.7	3.0	1.5	15.2	5.4	5.0	5.3	1.9	3.8
	China	Shanghai composite	2,893	9.2	1.1	3.7	11.9	(4.3)	(11.1)	(5.0)	(18.4)	(20.5)
	Brazil	Bovespa	1,14,539	7.0	1.3	8.1	18.3	4.1	11.0	6.2	10.7	9.3
	Russia	MOEX Russia	2,164	2.7	NA	NA	NA	10.6	(2.2)	(11.5)	(47.8)	(42.9)
	South Africa	Johannesburg AllShr	66,624	8.7	1.4	5.4	16.5	4.5	(3.4)	(8.0)	(1.2)	(9.6)
	Korea	KOSPI	2,294	10.5	0.9	2.5	8.3	6.4	(6.4)	(14.9)	(22.8)	(23.0)
	Mexico	IPC	49,086	12.3	1.8	4.0	14.3	10.0	2.0	(4.5)	(4.3)	(7.9)
	Phillipines	PCOMP	6,153	13.1	1.4	2.3	10.8	7.2	(2.6)	(8.6)	(12.8)	(13.6)
Turkey	XU100	3,936	4.7	1.1	5.4	23.1	23.8	51.8	62.0	158.6	111.9	

Indian Equity Markets at glance

Marketcap, theme and factor performance – Trailing period

	Segment	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Market-cap	Large-cap (NIFTY 50)	5.48	5.31	6.40	3.32	16.23	13.16	13.74
	Large-cap (NIFTY Next 50)	0.59	4.39	0.73	2.60	15.14	8.66	15.97
	Multicap (NIFTY 500)	4.09	5.47	5.25	3.54	18.03	12.29	14.54
	Large & Midcap (Nifty LargeMidcap250)	3.27	5.73	6.07	4.41	20.77	12.92	16.50
	Midcap (Nifty Midcap 150)	1.84	6.26	6.57	5.27	25.29	13.10	18.65
	Small-cap (Nifty Smallcap 250)	1.92	6.98	-0.57	1.02	26.32	8.01	15.46
Themes/Sector	Auto (NIFTY AUTO)	5.37	6.88	21.87	19.78	18.00	4.59	13.12
	Commodities (NIFTY COMMODITIES)	4.04	4.91	-5.63	3.41	21.31	9.46	11.45
	Consumption (NIFTY CONSUMPTION)	1.22	6.16	13.36	14.53	16.88	12.49	15.50
	Energy (NIFTY ENERGY)	4.27	3.33	-5.93	18.33	20.63	15.81	15.53
	Financials (Nifty Financial Services)	5.90	6.46	12.33	-0.48	11.71	13.26	15.75
	Infrastructure (NIFTY INFRA)	5.58	7.60	2.89	5.60	18.26	9.76	9.39
	Information Technology (NIFTY IT)	6.97	-0.98	-7.70	-14.77	25.02	23.96	19.00
	Realty (NIFTY REALTY – TRI)	3.46	-2.47	-0.82	-11.75	18.12	8.04	7.12
	Healthcare (S&P BSE Healthcare)	2.50	4.76	-1.25	-3.76	22.62	11.60	12.81
	Factors	Beta (Nifty High Beta 50)	6.07	10.48	4.68	0.52	19.45	0.59
Value (Nifty 50 Value 20 Index)		5.68	3.82	4.68	5.83	20.32	17.17	15.97
Quality (Nifty 100 Quality 30 Index)		2.49	2.25	6.23	3.02	14.01	11.97	13.89
Momentum/Alpha (Nifty Alpha 50)		3.16	8.21	-10.57	-1.86	34.53	18.61	22.43

Source: ACE MF. Performance upto 1 yr is absolute above 1 yr is CAGR. Data as on Oct 31, 2022

Indian Equity Markets at glance

Marketcap, theme and factor performance - YOY



	Segment	2022YTD	2021	2020	2019	2018	2017
Market-cap	Large-cap (NIFTY 50)	5.11	25.26	16.01	12.98	5.59	30.27
	Large-cap (NIFTY Next 50)	1.97	29.84	15.97	1.86	-7.68	47.73
	Multicap (NIFTY 500)	4.04	30.95	17.70	8.64	-1.55	37.65
	Midcap (Nifty Midcap 150)	3.72	46.48	25.12	0.58	-12.49	55.73
	Small-cap (Nifty Smallcap 250)	-3.83	61.48	25.55	-7.59	-26.54	58.47
Themes/Sector	Auto (NIFTY AUTO)	23.70	19.32	13.58	-8.84	-21.57	32.57
	Commodities (NIFTY COMMODITIES)	5.79	49.18	12.47	2.30	-12.99	38.32
	Consumption (NIFTY CONSUMPTION)	14.34	20.11	20.59	1.00	-0.39	46.70
	Energy (NIFTY ENERGY)	20.10	37.94	8.98	13.21	3.56	41.94
	Financials (Nifty Financial Services)	7.90	14.73	4.62	25.13	12.40	42.67
	Infrastructure (NIFTY INFRA)	7.13	36.90	14.06	3.99	-10.98	36.06
	Information Technology (NIFTY IT)	-24.30	60.99	57.38	10.91	27.20	14.53
	Realty (NIFTY REALTY – TRI)	-9.10	53.43	5.91	26.44	-32.83	110.68
	Healthcare (S&P BSE Healthcare)	-8.09	20.57	62.19	-3.06	-5.45	1.10
	Beta (Nifty High Beta 50)	6.73	35.02	9.94	-18.07	-27.37	60.96
Factors	Value (Nifty 50 Value 20 Index)	0.64	36.30	27.92	8.56	11.56	31.84
	Quality (Nifty 100 Quality 30 Index)	0.75	21.70	22.55	5.64	5.77	23.45
	Momentum/Alpha (Nifty Alpha 50)	-11.06	73.09	51.33	7.89	-13.39	69.75

Large, Mid and Smallcap performance

10 out of 15 years Mid and Small caps have outperformed Large caps. In FYTD23 Mid caps have outperformed.

Period	Largecap	Midcap	Smallcap
FY2008	25.12	21.47	31.33
FY2009	-35.44	-48.52	-54.9
FY2010	75.29	135.77	141.42
FY2011	12.36	4.74	0.91
FY2012	-7.45	-4.48	-8.43
FY2013	10.83	7.4	-2.78
FY2014	19.47	18.01	22.9
FY2015	28.17	59.73	62.76
FY2016	-7.82	-1.67	-5.95
FY2017	20.16	37.21	40.56
FY2018	12.68	18.75	15.32
FY2019	16.45	-0.65	-12.44
FY2020	-25.02	-30.09	-40.22
FY2021	72.54	101.57	118.68
FY2022	20.26	25.05	37.02
FYTD23	3.02	5.90	-1.85

Flows

FII flows turned negative again

CY	FII-Cash (US\$ mn.)	DIIs (US\$ mn.)	MFs(subset of DIIs)
2015	3,274	10,313	10,872
2016	2,903	5,425	6,976
2017	8,014	14,043	18,322
2018	-4,557	15,896	17,365
2019	14,234	5,971	7,509
2020	23,373	-4,910	-6,989
2021	3,761	13,034	10,611
2022 (YTD)	-20,611	33,266	22,135
Jan 22	-4,817	2,939	2,212
Feb 22	-5,018	5,601	3,752
Mar 22	-3,693	5,195	3,121
Apr 22	-3,816	4,041	2,934
May 22	-4,871	6,573	3,539
June 22	-6,342	5,969	2,829
July 2022	836	1,328	594
Aug 2022	6,791	-889	-140
Sep 2022	-1,624	1,723	1,299
Oct 2022	1,026	1,129	946

Key Macro Indicators



Indicator	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
CPI Inflation (YoY %)	4.5	4.9	5.7	6	6.1	7	7.8	7.04	7	6.71	7	7.41
Crude Indian Basket (\$)	82	80	73	84	93	113	102	109	116	106	98	98
GST Collection (lakh Crs.)	1.3	1.32	1.3	1.41	1.33	1.42	1.67	1.41	1.45	1.49	1.44	1.47
FX Reserve (\$ bn)	642	638	634	630	632	623	602	601	593	574	561	537
Trade Balance (\$Bn)	-18	-22	-21	-17	-19	-18	-20	-24	-26	-28	-28	-26
CAD (% of GDP)	-1.3	-1.3	-2.74	-2.74	-2.74	-1.52	-1.52	-1.52	-2.8	-2.8	-2.8	-2.8
Bank Credit (Industry)	4.1	3.8	7.6	6.4	6.5	3.9	7.5	8.1	9.5	10.5	11.4	12.6
Bank Credit (Services)	2.9	3.6	10.8	7.3	5.6	8.7	11.1	12.9	12.82	16.5	17.2	20
Bank Credit (Retail)	11.7	11.6	14.3	11.6	12.3	12.6	14.7	16.4	18.1	18.4	19.5	19.6
Manufacturing PMI	55.9	57.6	55.5	54	54.9	54	54.7	54.6	53.9	56.4	56.2	55.1
Services PMI	58.4	58.1	55.5	51.5	51.8	53.6	57.9	58.9	59.2	55.5	57.2	54.3

Government Reforms

Reforms that are likely to generate macro dividend in coming years

Production linked
incentive scheme for
14 manufacturing
sector

Insolvency and
bankruptcy code

Corporate Tax Cut in
2019

Asset monetisation
scheme

GST

Various privatisation
and disinvestment
initiative

Financialisation of Savings

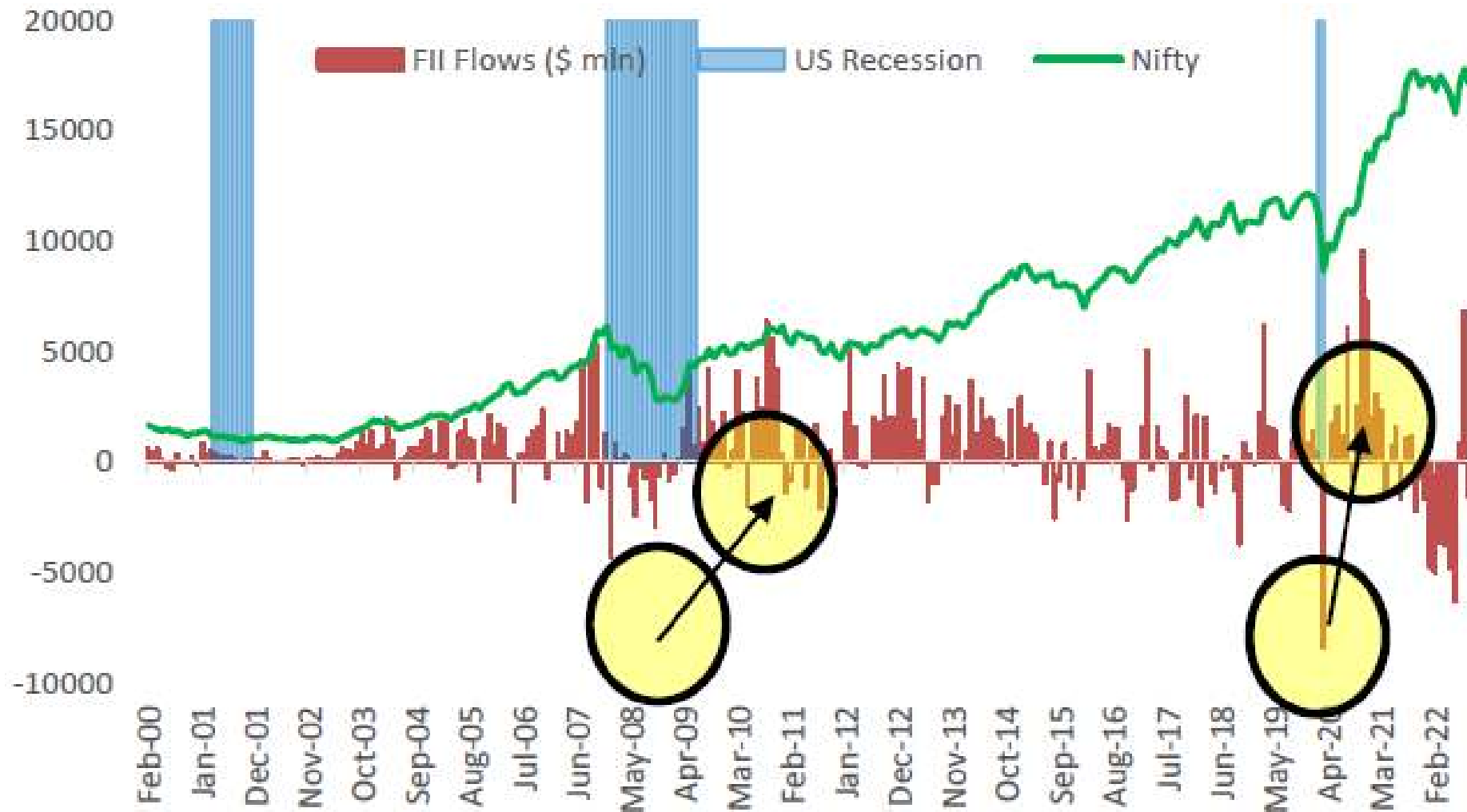
Rise in financial savings is aiding equity markets



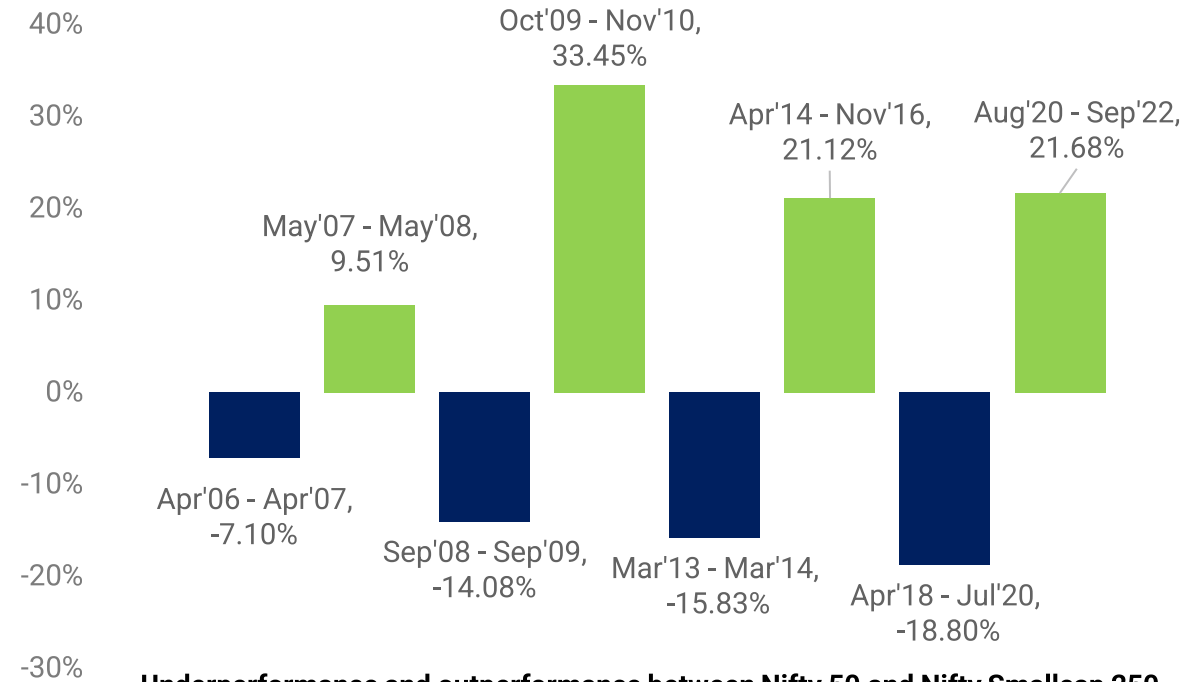
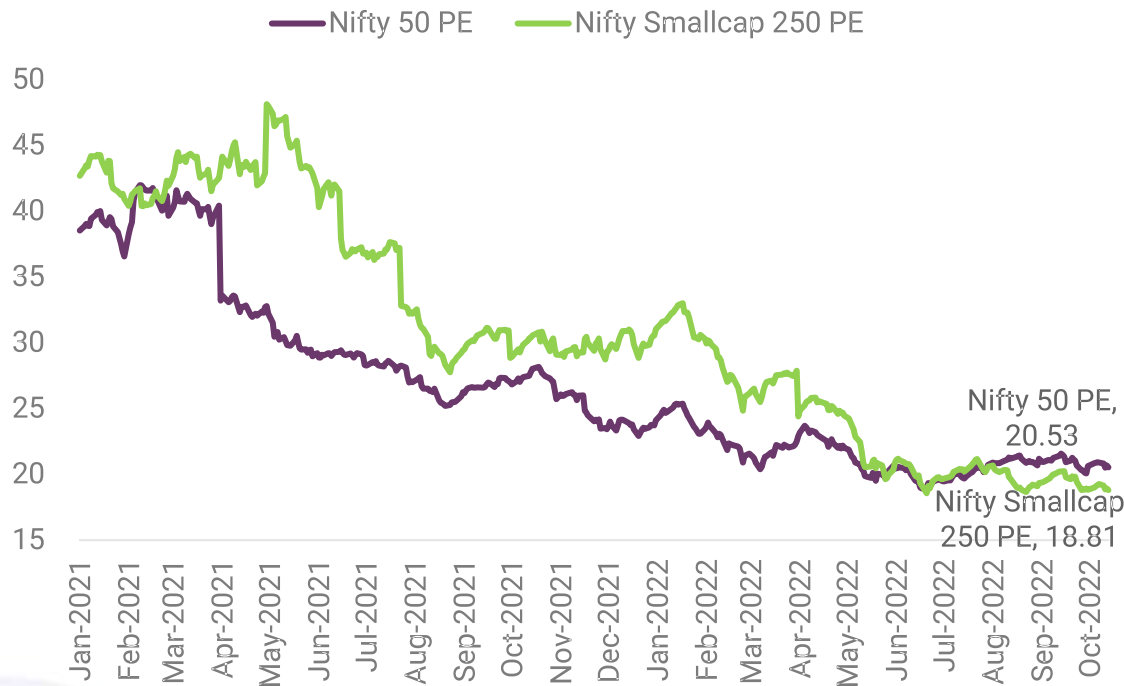
Year	Financial Savings (% of total household savings)	Physical Savings (% of total household Savings)
FY12	31.1	68.9
FY13	32.8	67.2
FY14	36.4	63.6
FY15	36.1	63.9
FY16	44.9	55.1
FY17	41.1	58.9
FY18	39.6	60.4
FY19	37.2	62.8
FY20	40.6	59.4
FY21	44.8	55.2
FY22E	47.1	52.9
FY23E	48.8	51.2

FII flows turn back to India after US recession

FII flows have jumped up sharply after every recession in the US



Smallcaps turning attractive



Underperformance and outperformance between Nifty 50 and Nifty Smallcap 250 based on 1 Yr. average rolling returns for the mentioned period.

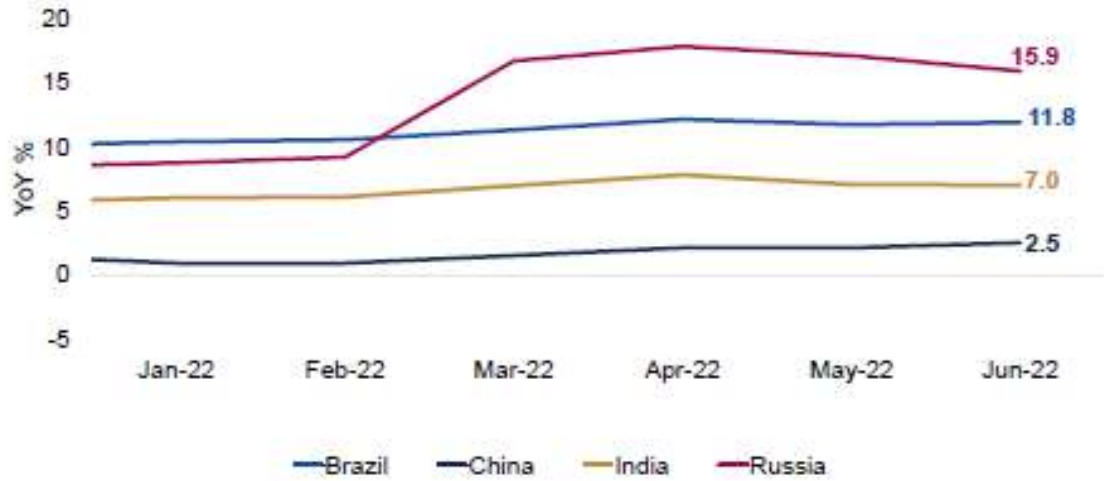
- ❖ Small-caps have seen a steeper correction in their valuations (Trailing PE) from their highs compared to Large-caps.
- ❖ Small-caps are now trading at a discount to large-caps.

- ❖ Whenever Small-caps have underperformed large-caps, they have bounced back showing an even bigger outperformance to the Large-caps as shown in the below table.

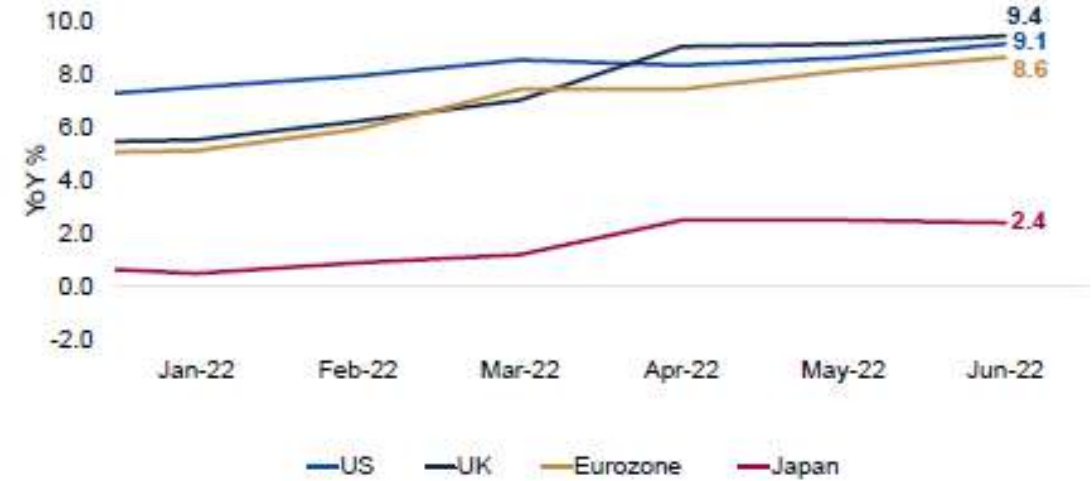
Commodity prices cooling – Inflation may ease soon



Inflation in developing economies stabilizing

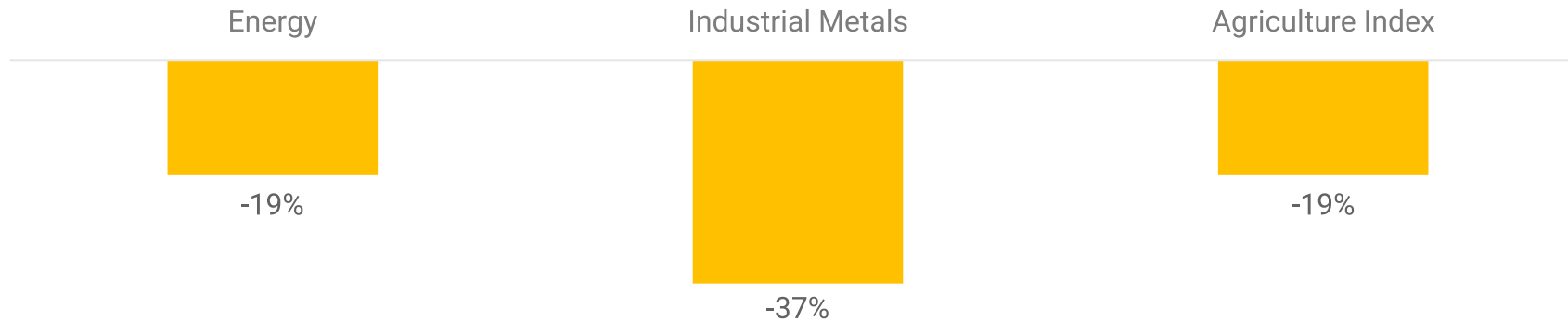


Inflation increasing marginally in developed economies



Commodity prices have declined sharply from their peak

Fall from 2022 Highs



India tagged as the fastest growing economy



GDP Growth	2021	2022E	2023E
India	8.7%	7.4%	6.1%
US	5.7%	2.3%	1%
Advanced Economies	5.2%	2.5%	1.4%
Developing Economies	6.8%	3.6%	3.9%

India has is the fastest growing major economy in the coming years

Total debt to GDP%	2008	2013	2021
India	180%	175%	176%
US	240%	250%	281%
Advanced Economies	230%	261%	289%
Developing Economies	112%	148%	228%

India has the lowest debt compared to the rest of the world which leaves huge scope for financial leverage for the economy

Equity markets and rate cycles

Equity markets have performed well during all interest rate hike cycles

Time frame		Duration (no of days)	Interest Rate Phase	Policy Rate	Change in Policy Rate(bps)	Nifty 50 Absolute returns during the period
18-09-2004	11-10-2008	1484	Hike	Repo 6% to 9%	300	89.2%
11-10-2008	13-02-2010	490	Easing	Repo 9% to 4.75%	-425	47.2%
13-02-2010	10-03-2012	756	Hike	Repo 4.75% to 8.50%	375	10.5%
10-03-2012	20-09-2013	559	Easing	Repo 8.50% to 7.25%	-125	12.7%
20-09-2013	15-01-2015	482	Hike	Repo 7.25% to 8.00%	75	41.3%
15-01-2015	06-06-2018	1238	Easing	Repo 8% to 6%	-200	25.8%
06-06-2018	07-02-2019	246	Hike	Repo 6% to 6.50%	50	3.6%
07-02-2019	08-04-2022	1156	Easing	Repo 6.5% to 4.00%	-250	60.7%
08-04-2022	31-10-2022	206	Hike	Ongoing	140	3.52%

India in last 8 years



	2014	2022	2030
GDP Rank	10 th	6 th	<p style="text-align: center;">?</p> <p style="text-align: center;">Big potential growth by 2030</p>
Share in Global GDP	2.6%	3.2%	
Share in global trade	2%	2.2%	
Share in FDI Flows	2.1%	6.7%	
Auto Production Rank	7 th	4 th	
Steel Production Rank	4 th	2 nd	
No of Start-ups becoming Unicorns	4	100	
Ease of doing business rank	142 nd	63 rd	
Nifty 50 Index	6,101 (Jan 2014)	16,415 (June 2022)	

Investing during bad time has been rewarding



...the Next 5 year average CAGR were

Investing,
when
1 year
returns
were

