



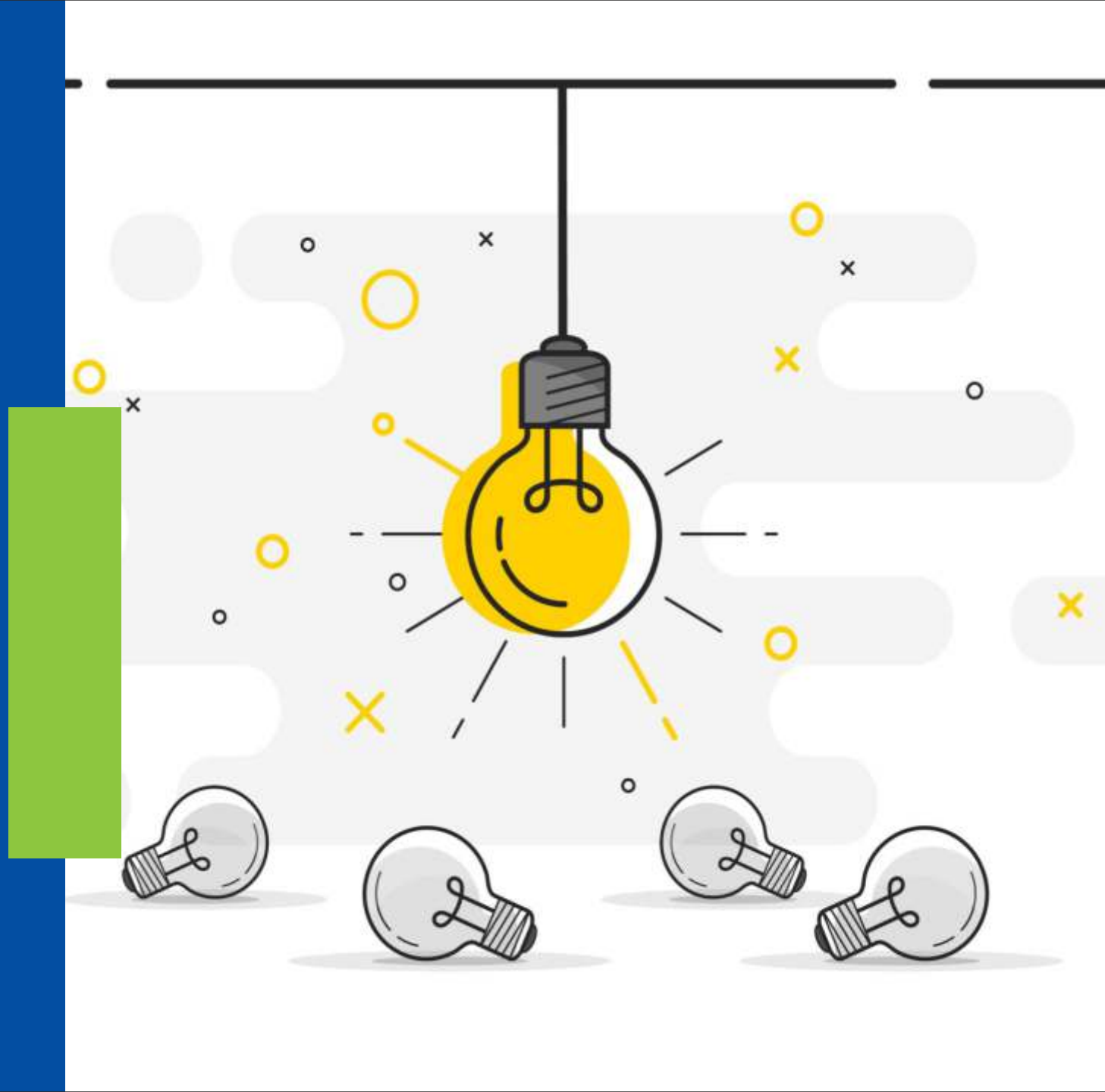
# FinYog

For a healthy and wealthy life.

## Equity Market & Fund Insights

Dec 2022

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# Equity Market Insights for 2023



## What we said last year

2022 will be a tale of two halves, 1HY22 likely to see market volatility while 2HY22 should see markets returning to normalcy.

## What we think about 2023

Recessionary conditions globally before returns materialize in 2H 2023.

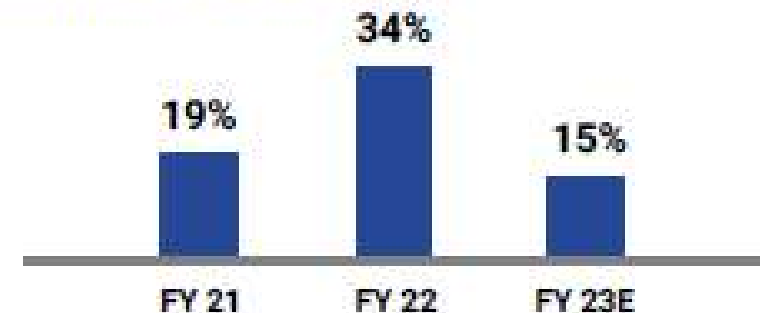
## Valuations

	Trailing PE	1Y Forward PE
Current	22.20	19.92
10 Y Average	19.01	17.11

Valuations are reasonable. Returns can be earnings driven rather than valuation expansion

Source: Bloomberg, Data as on 31st Dec 2022.

## Earnings Growth



We are selectively positive on earnings growth in CY23. Sectors that may support earnings growth shall be Financials, Industrials and Capital Goods.

Source: Bloomberg

# Equity Market Insights for 2023

## FII Flows

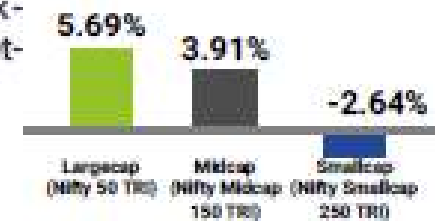
CY 2021 (US \$mn)	CY 2022 (US \$mn)
3716	-16,489

FII flows may come back in CY23. Intensity may depend on the global interest rate scenario and relative growth rates.

Source: Bloomberg, Kotak Institutional Equities

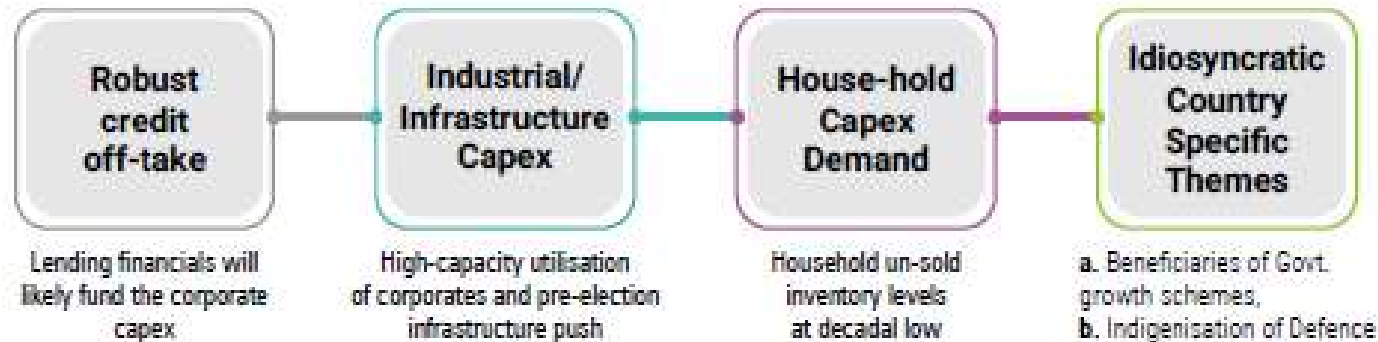
## Market-cap View

Returns shall be stock-specific rather than Market-cap specific.



Source: Ace MF, Data as on 31st Dec 2022

## Themes to look at while entering 2023



# Equity Market Insights for 2023



## Key risks to look after



## Advice for investors in 2023

Investors entering in 2023 should mainly focus on bottom-up selection-oriented strategies to generate wealth over medium-term



# Fixed Income Market Insights for 2023



## What we said last year

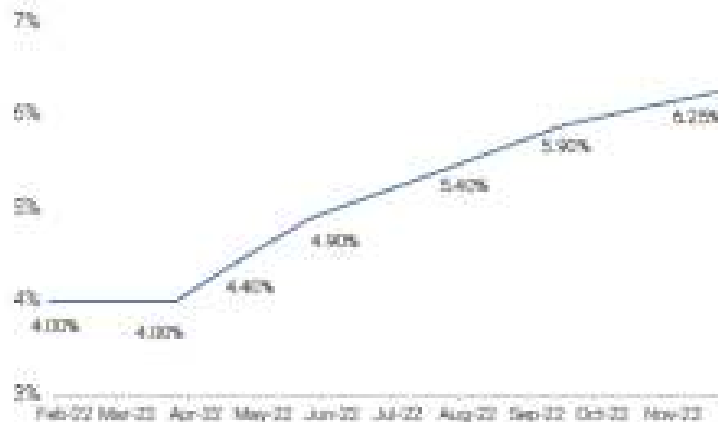
Year of policy normalization & hardening yields, expect low single digit returns

## What we think about 2023

Bond markets may deliver high single digit returns due to higher income and potential price appreciation

## RBI rate cycle

RBI repo rate may rise to 6.50% and can stay put in 2023



## Terminal rate range

Terminal rate may stay between 6.25% to 6.50%.

## US Fed rate

Fed may continue to raise rates up-to 5.00% - 5.25%

## Liquidity

Liquidity in debt markets may remain marginally positive with average surplus around Rs. 1 trillion

# Fixed Income Market Insights for 2023



## Inflation range

Inflation likely to stay between 5.5% to 6.0%



## 10-year G-sec yield

7.0% to 7.5%



## Yield curve

Yield curve may remain flat with term spreads in 50-75bps range



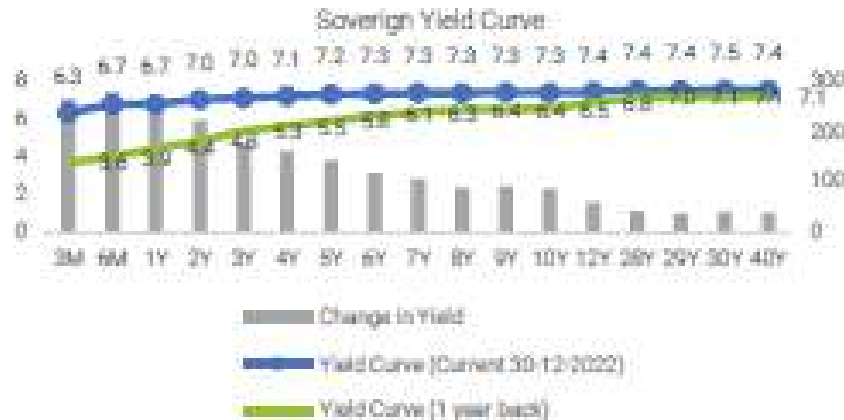
## Credit spreads

Will widen gradually over benchmark yields



## Currency outlook

USD-INR pair will likely weaken to Rs.85 per USD in 2023





# Fixed Income Market Insights for 2023



## Government borrowing and fiscal deficit

Net borrowing to be around Rs. 11 trillion based on FY24 FD @ 5.8% of GDP



## Risks

Risks to look for in 2023 would be resurgence of the pandemic amidst rising cases globally & Geo-politics



## Advice for investors in 2023

Great time to invest in 5+Y G-Sec/SDL - Target Maturity Funds to capture superior tax-adjusted returns & for maintaining long-term asset allocation

# 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	3,840	16.7	3.4	1.8	20.3	(5.7)	7.1	0.4	(19.4)	0.0
	USA	Nasdaq	10,466	21.8	3.9	1.2	17.9	(8.7)	(1.0)	(5.9)	(33.1)	0.0
	Europe	STOXX 600	428	11.9	1.6	3.7	13.8	(3.5)	10.3	5.0	(12.3)	0.7
	UK	FTSE 100	7,452	9.7	1.6	4.4	16.0	(1.4)	8.1	3.9	0.9	0.0
	Germany	DAX	14,010	11.1	1.4	3.6	12.7	(3.6)	15.7	9.3	(11.8)	0.6
	France	CAC 40	6,551	11.1	1.5	3.6	13.5	(2.8)	13.7	10.5	(8.4)	1.2
	Japan	Topix	1,892	11.8	1.1	2.8	9.2	(3.2)	3.0	2.5	(5.1)	0.0
	Australia	ASX 200	7,039	14.0	2.0	4.5	14.2	(3.6)	8.7	7.6	(5.5)	0.0
	Singapore	STI Index	3,251	10.7	1.0	4.9	9.6	(0.2)	3.9	5.0	4.1	0.0
	Hong Kong	Hang Seng	19,781	9.6	1.1	3.7	11.1	5.9	14.9	(9.5)	(15.5)	0.0
Emerging Market	India	Nifty 50	18,197	19.0	2.9	1.5	15.4	(3.48)	6.06	15.32	6.61	0.5
	China	Shanghai composite	3,089	10.0	1.2	3.4	11.8	(2.1)	2.1	(8.8)	(15.1)	0.0
	Brazil	Bovespa	1,09,735	6.7	1.1	7.0	17.0	(2.4)	(0.3)	11.4	4.7	0.0
	South Africa	Johannesburg AllShr	73,049	9.7	1.6	4.9	16.6	(1.7)	14.6	11.2	(0.9)	0.0
	Korea	KOSPI	2,226	11.0	0.8	2.7	7.6	(10.0)	3.3	(4.6)	(25.3)	(0.5)
	Mexico	IPC	48,464	11.6	1.7	4.0	14.8	(5.4)	8.6	1.5	(9.0)	0.0
	Phillipines	PCOMP	6,566	13.2	1.5	2.2	11.3	(3.2)	14.4	6.7	(10.5)	0.0
	Turkey	XU100	5,636	6.3	1.5	NA	24.5	13.6	77.2	130.6	203.4	2.3
	Thailand	SET	1,669	15.5	1.6	3.1	10.2	1.6	5.0	6.1	0.7	0.0
	Vietnam	VN30	1,005	7.9	1.3	NA	16.0	(8.0)	(12.7)	(19.7)	(34.5)	0.0

# 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
<b>Market-cap</b>	Large-cap (NIFTY 50)	-3.48	6.06	15.32	6.61	15.23	12.84	13.22
	Large-cap (NIFTY Next 50)	-3.43	-0.40	16.01	2.52	15.01	7.46	14.47
	Multicap (NIFTY 500)	-3.12	4.30	15.97	5.33	17.16	11.50	13.83
	Large & Midcap (Nifty LargeMidcap250)	-2.61	3.44	17.06	5.67	19.94	11.71	15.56
	Midcap (Nifty Midcap 150)	-1.72	2.04	18.88	5.26	24.61	11.18	17.41
	Small-cap (Nifty Smallcap 250)	-1.75	3.18	17.96	-1.50	26.40	6.61	14.78
<b>Themes/Sector</b>	Auto (NIFTY AUTO)	-4.69	-0.68	8.38	18.56	16.25	2.23	11.29
	Commodities (NIFTY COMMODITIES)	-2.30	6.87	19.37	10.25	22.34	10.08	11.34
	Consumption (NIFTY CONSUMPTION )	-4.57	-3.93	13.28	10.02	16.14	9.46	13.72
	Energy (NIFTY ENERGY)	-5.43	1.13	3.85	17.24	20.70	15.48	14.96
	Financials (Nifty Financial Services)	-1.95	8.43	22.89	11.86	9.61	13.25	14.92
	Infrastructure (NIFTY INFRA)	-3.59	5.94	14.56	8.48	18.98	9.49	8.99
	Information Technology (NIFTY IT)	-5.82	6.75	4.06	-24.38	24.34	22.07	19.05
	Realty (NIFTY REALTY – TRI)	-4.07	1.84	12.44	-9.44	13.75	4.93	5.12
	Healthcare (S&P BSE Healthcare)	-3.81	-1.29	7.06	-10.77	20.38	9.96	11.66
<b>Factors</b>	Beta (Nifty High Beta 50)	-0.02	11.25	34.88	13.79	19.12	0.06	4.32
	Value (Nifty 50 Value 20 Index)	-3.33	6.74	13.73	2.21	21.27	16.56	15.64
	Quality (Nifty 100 Quality 30 Index)	-4.07	0.82	11.52	0.11	13.85	10.49	13.26
	Momentum/Alpha (Nifty Alpha 50)	-3.27	0.36	13.68	-12.41	32.43	16.63	21.06

# Indian Equity Markets at glance

## Marketcap, theme and factor performance - YOY

	Segment	2022	2021	2020	2019	2018	2017
<b>Market-cap</b>	Large-cap (NIFTY 50)	5.69	25.26	16.01	12.98	5.59	30.27
	Large-cap (NIFTY Next 50)	0.96	29.84	15.97	1.86	-7.68	47.73
	Multicap (NIFTY 500)	4.25	30.95	17.7	8.64	-1.55	37.65
	Midcap (Nifty Midcap 150)	3.91	46.48	25.12	0.58	-12.49	55.73
	Small-cap (Nifty Smallcap 250)	-2.64	61.48	25.55	-7.59	-26.54	58.47
<b>Themes/Sector</b>	Auto (NIFTY AUTO)	16.60	19.32	13.58	-8.84	-21.57	32.57
	Commodities (NIFTY COMMODITIES)	8.67	49.18	12.47	2.3	-12.99	38.32
	Consumption (NIFTY CONSUMPTION )	8.53	20.11	20.59	1	-0.39	46.7
	Energy (NIFTY ENERGY)	16.48	37.94	8.98	13.21	3.56	41.94
	Financials (Nifty Financial Services)	10.47	14.73	4.62	25.13	12.4	42.67
	Infrastructure (NIFTY INFRA)	7.49	36.9	14.06	3.99	-10.98	36.06
	Information Technology (NIFTY IT)	-24.46	60.99	57.38	10.91	27.2	14.53
	Realty (NIFTY REALTY – TRI)	-10.52	53.43	5.91	26.44	-32.83	110.68
	Healthcare (S&P BSE Healthcare)	-11.50	20.57	62.19	-3.06	-5.45	1.1
<b>Factors</b>	Beta (Nifty High Beta 50)	11.94	35.02	9.94	-18.07	-27.37	60.96
	Value (Nifty 50 Value 20 Index)	1.65	36.3	27.92	8.56	11.56	31.84
	Quality (Nifty 100 Quality 30 Index)	-0.90	21.7	22.55	5.64	5.77	23.45
	Momentum/Alpha (Nifty Alpha 50)	-13.47	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	4.81	7.46	1.23

# 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
<b>2022</b>	<b>-16,643</b>	<b>35,390</b>	<b>23,495</b>

# Key Macro Indicators



Indicator	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22
CPI Inflation (YoY %)	5.7	6	6.1	7	7.8	7.04	7	6.71	7	7.41	6.8	5.9
Crude Indian Basket (\$)	73	84	93	113	102	109	116	106	98	90	87	87
GST Collection (lkh Crs.)	1.3	1.41	1.33	1.42	1.67	1.41	1.45	1.49	1.44	1.47	1.51	1.45
FX Reserve (\$ bn)	634	630	632	623	602	601	593	574	561	537	531	550
Trade Balance (\$Bn)	-21	-17	-19	-18	-20	-24	-26	-28	-28	-26	-27	-24
CAD (% of GDP)	-2.74	-2.74	-2.74	-1.52	-1.52	-1.52	-2.8	-2.8	-2.8	-4.4	-4.4	-4.4
Bank Credit (Industry)	7.6	6.4	6.5	3.9	7.5	8.1	9.5	10.5	11.4	12.6	13.6	13.1
Bank Credit (Services)	10.8	7.3	5.6	8.7	11.1	12.9	12.82	16.5	17.2	20	22.5	21.3
Bank Credit (Retail)	14.3	11.6	12.3	12.6	14.7	16.4	18.1	18.4	19.5	19.6	20.2	19.7
Manufacturing PMI	55.5	54	54.9	54	54.7	54.6	53.9	56.4	56.2	55.1	55.3	55.7
Services PMI	55.5	51.5	51.8	53.6	57.9	58.9	59.2	55.5	57.2	54.3	55.1	56.4



# Sectoral trends



**Domestic consumption:** Demand remains strong with lagging segments such as domestic auto and consumer services now playing catch-up to durables and FMCG. On the margins front, pressure could ease hereon, although demand risks loom.



**Domestic investment:** Cement companies reported a decadal low EBITDA/ton, while industrial companies had strong order inflows.



**Global exporters:** IT companies' margins seems to be stabilising, while that of pharma are deteriorating. Export auto disappointed on margins, while chemicals was a mixed bag. Hereon, the market participants anticipate broad-based demand risks.



**Commodities:** OMCs disappointed on marketing margins (inventory loss), whereas upstream energy companies posted strong results. Metal companies' profits moderated significantly.

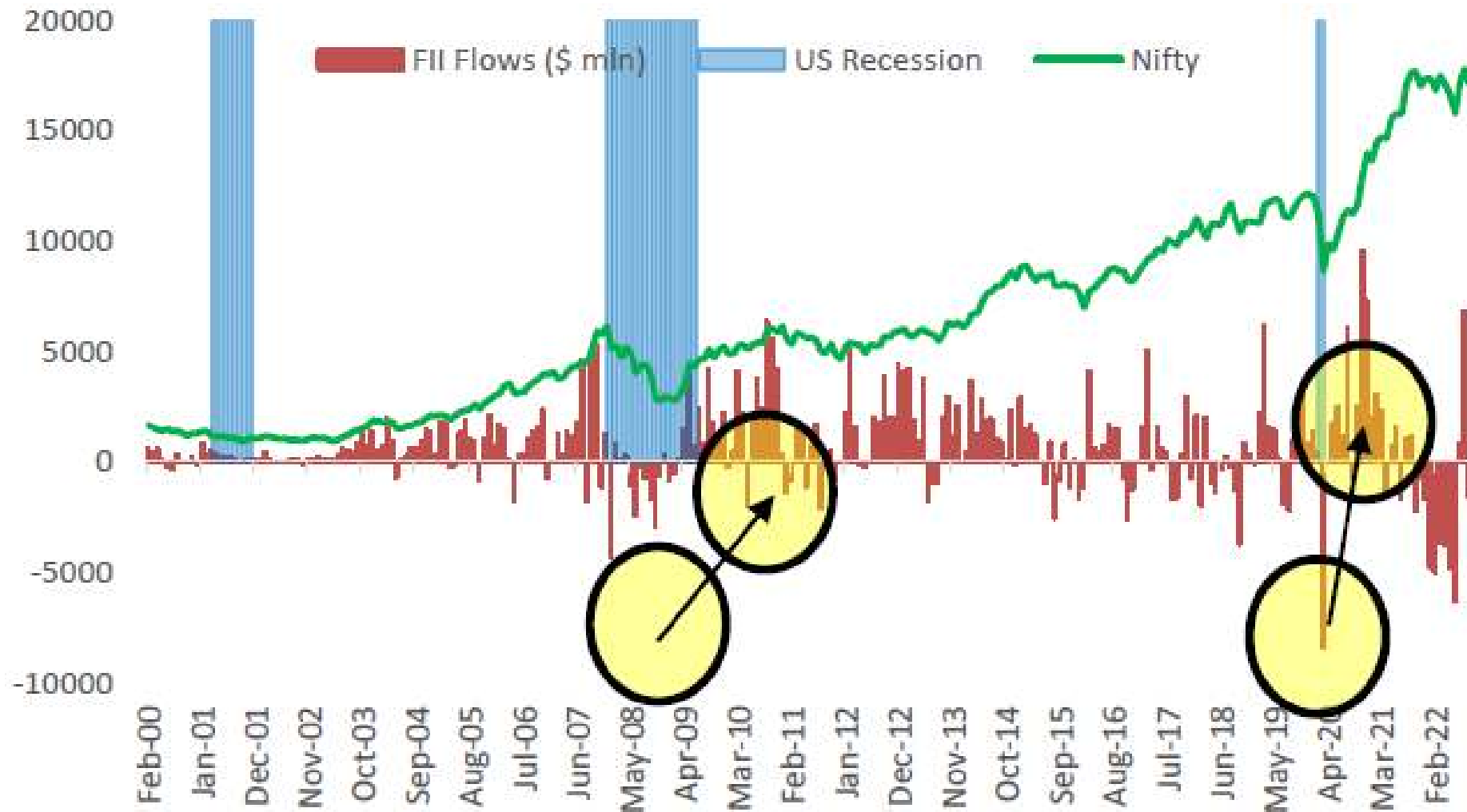


**Financials:** Banks reported an excellent quarter with improving margins, strong loan growth and benign credit costs after a decade. NBFCs however faced some margin issues.



# FII flows turn back to India after US recession

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



# 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**