

Market Outlook

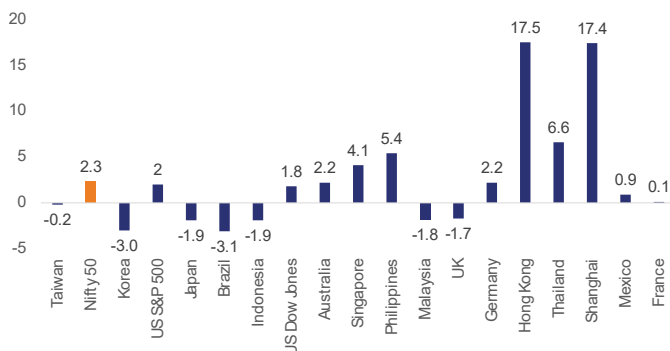
October 2024

Market Update

September 2024 began with a sharp decline in Indian markets, in line with the global markets sell-off. Volatility was high in equity markets globally, though most markets bounced back sharply by the end of September. Indian markets too, recovered quite well with the Nifty Index ending the month up 2.3%, hitting its all-time high on September 27, 2024. The sectoral indices had a mixed finish. Oil & gas (-4%), PSU (-3%) and IT (-3%) were the main losers, while metals (+7%), consumer durables (+6%), and power (+4%) were the biggest winners. Hong Kong, Shanghai, and Thailand saw gains of 17.5%, 17.4%, and 6.6% worldwide, while Brazil, South Korea, and Japan fell 3.1%, 3%, and 1.9% respectively.

Foreign Portfolio Investors (FPIs) bought US\$4.2 billion of Indian equities in the secondary market, whereas Domestic Institutional Investors (DIIs) continued to be huge buyers at US\$3.8 billion for the month.

Global and regional indices 1 Month performance (%)

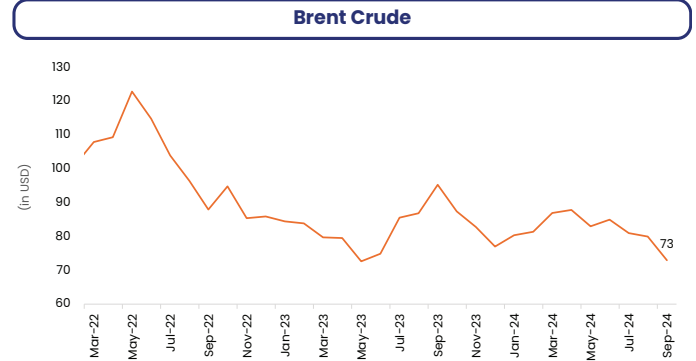


Source: Bloomberg, Kotak Institutional Equities (Data as on 30th September 2024 in local currency)

Macro Update

On the economic front, CPI inflation in August rose marginally to 3.7% from 3.6% in July, supported by a favourable base. WPI inflation fell to 1.3% (Provisional) from 2% in July. IIP growth rate in July was 4.8% compared to 4.7% in June. India's total exports during April-August 2024 saw a growth of 5.3% as compared to total exports during April-August 2023 and the total imports rose by 7.2% during the same period resulting in an overall trade deficit of USD \$46.46 billion during the first five months of FY25. The gross GST collection, which is the number before adjusting refunds, stood at Rs 1.73 trillion in September, with growth falling to 6.5% Y-o-Y from 10% in the previous month. Gross GST revenue stood at Rs 1.75 trillion in August 2024. India 10-year G-sec yield ended the month at 6.8%. The USD/INR for the month was stable and closed at ~83.8. Brent crude price fell to USD 73 per barrel in the month of September '24. Other key developments include revision by Moody of its CY2024 growth forecast for India to 7.1% from its earlier estimates of 6.8% and increase in the minimum wage rates for the unorganized sector by revising the variable dearness allowance by the Indian government.

Brent Crude



Source: Bloomberg

Market Outlook

Geopolitical Tensions and Economic Implications

The complexity of global geopolitics is weighing on market sentiment. Escalating tensions in the Middle East have raised concerns over oil price volatility, which could hinder global recovery and intensify inflationary pressures, especially in developed economies like the U.S. and Europe.

U.S. Political Landscape and Market Impact

In the U.S., the upcoming presidential election is becoming a key focal point for global markets. Policy uncertainties regarding fiscal spending, taxation, and trade may have significant repercussions. The Federal Reserve's hawkish stance, combined with elevated U.S. Treasury yields and a strong dollar, poses risks for foreign capital flows into emerging markets, including India. Recently, the Fed announced a 50-basis point rate cut aimed at reducing unemployment and targeting long-term inflation of 2%, leading to a temporary easing of the U.S. 10Y yield.

Developments in China and Japan

In contrast, China has introduced various stimulus packages to support its economy, culminating in a positive September for the Chinese markets, with the Shanghai Composite Index gaining over 8% on the last day of the month. The strong showing has continued in October, with the Chinese markets up a whopping 12.5% over the last two weeks. This has also increased the clamour for some fund movements from Indian markets to Chinese equities. Additionally, a recent presidential change in Japan may signal a shift toward tighter monetary policy, impacting global liquidity. This shift could affect investors engaged in the yen carry trade, which has fuelled investments in higher-yielding markets, particularly in emerging economies like India.

Outlook and Strategic Focus

As we enter October 2024, Indian economy continues to demonstrate resilience, supported by strong domestic fundamentals. Robust rural demand, driven by favourable monsoon conditions, and strong urban consumption are expected in the coming months, especially with the festive season approaching. However, increasing global uncertainties, particularly in the geopolitical arena, are

starting to affect investor sentiment. Crude prices have also shot up in recent times by as much as 12-15% due to the Middle Eastern conflict.

Valuations, particularly in broader markets and in few 'hot sectors', leave little room for positive surprises. Unsatiated demand for IPOs, offers for sale, blocks and unheard-of companies; are all screaming to investors to practice utmost caution. By focusing on both stress-adjusted and risk-adjusted returns, we aim to navigate these challenges while capitalizing on India's structural growth opportunities. Our strategy emphasizes identifying quality companies

with strong fundamentals, even at the cost of avoiding overvalued sectors.

In the very near-term, we anticipate continued global volatility driven by geopolitical tensions, evolving monetary policies in major economies, and uncertainties surrounding the U.S. presidential elections. Elections results in key Indian states of Haryana and Maharashtra, might also be reasons for some softness. However, this might be the time when Indian markets finally give some decent correction that could provide attractive entry points for long-term investors.

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For PMS, IA and AIF related queries and complaints - service@abakkusinvest.com and complianceteam@abakkusinvest.com (both) Alternatively, the Investor may call on +91 22 6884 6601/02/85

Alternative Investment Fund

As per SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 05, 2020, details of industry benchmark and AIF level performance versus Benchmark Reports are available at <https://www.crisil.com/en/home/what-we-do/financial-products/alternate-investment-funds-benchmarks.html> and <https://www.nseindia.com/products-services/aif-benchmark-report>.

Compliance Officer details under AIF:

Mr. Biharilal Deora, Tel: 022-68846600

Portfolio Management Services:

You may refer the Disclosure Document available at <https://abakkusinvest.com/regulatory-disclosure/> for detailed disclosures. As per SEBI circular SEBI/HO/IMD/IMD-PoD-2/P/CIR/2022/172 dated December 16, 2022, the comparison of the relative performance of the investment approach with other portfolio managers is available at <https://www.apmiindia.org/apmi/IACompare.htm?action=iacomaprepage>

Principal Officer and Compliance Officer Details under PMS:

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Compliance Officer: Mr. Biharilal Deora, Tel: 022-68846600

Investment Advisory Services:

You may refer the Disclosure Document available at <https://abakkusinvest.com/regulatory-disclosure/>

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