

# Multi - Asset

# Weekly Newsletter



# Global Developments & Global Equities

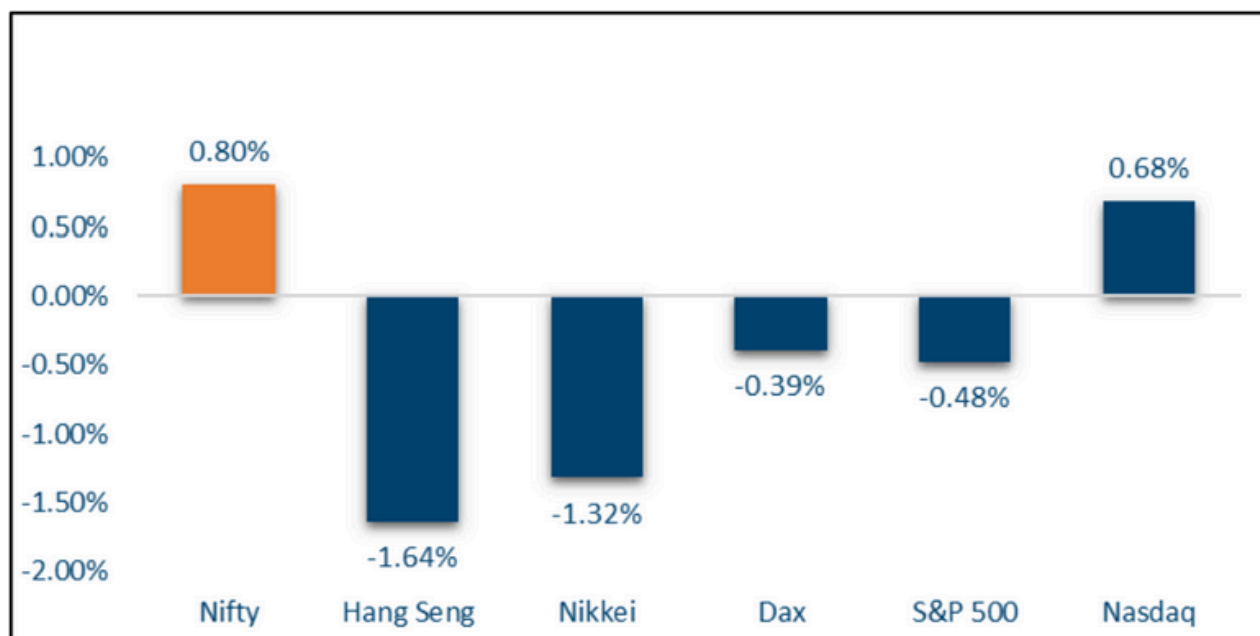
## NERVOUS START TO 2025 AMID EUROPE, CHINA GROWTH CONCERNS, UNCERTAINTIES AROUND TRUMP'S POLICIES

Activity in markets globally was limited this week due to the holiday season. First few sessions seems to have begun with investors and traders being a bit cautious.

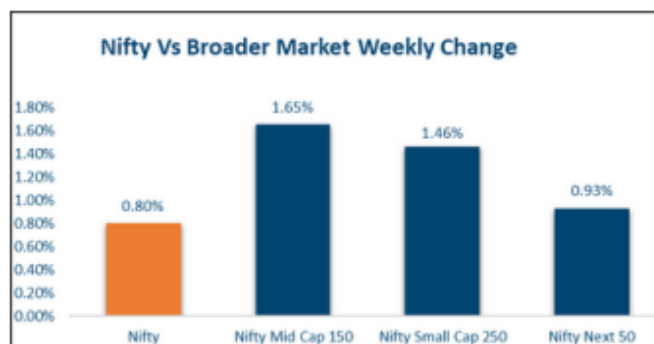
News of Russia shutting off gas supply to Eurozone hurt sentiment in Europe. Greater participation would return to markets next week. Focus will be on the US December jobs report due on Friday.

### NIFTY V/S GLOBAL MARKETS

Equities globally had a quiet week amid holidays. S&P500 ended 1.1% lower. Broad gauge of European stocks was down 0.5%. Nikkei lost 1%. Shanghai composite was the exception, gaining 0.2%

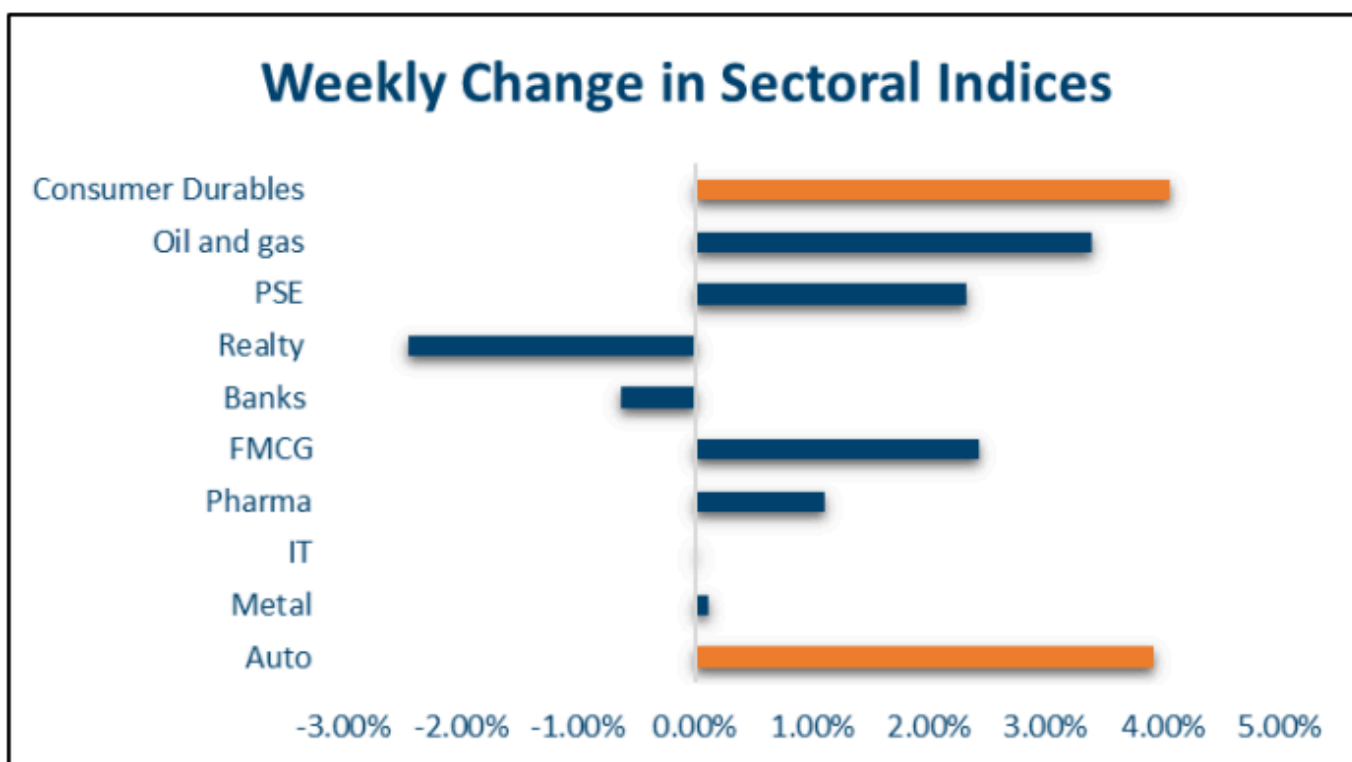


Nifty ended the week 0.7% lower. Broader indices performed better with Midcap100 index gaining 0.4% and Smallcap250 index ending 0.4% lower. Defensive sectors, Pharma, FMCG and IT did well while high beta auto, realty, banks, metals underperformed. FPIs invested net USD 1.8bn in domestic Equities in December. Nifty is currently trading at a P/E of 22.4 on a trailing 12 month basis compared to an average of 24.1 over the last 5 years.



Inflows/Outflows	FII RS Crores	DII Rs Crores
1st week of Jan 2025	-4,503.21	2,533.11

Top Gainers	Performance	Top Losers	Performance
ITI Ltd.	39.30%	Triveni Engineering & Industries Ltd.	-10.50%
Lloyds Metals & Energy Ltd	22.00%	Balaji Amines Ltd.	-8.90%
Saregama India Ltd.	18.00%	Cyient Ltd.	-8.00%



# Fixed Income, IPO, and Institutional Deals

## INITIAL PUBLIC OFFERING (IPO):

Building on last year's momentum, the IPO market has started strong in 2025, with seven offerings set for this week. Six companies have recently completed or are finalizing their IPOs. Fundraising through IPOs is expected to exceed ₹2 lakh crore this year, with around 100 companies filing draft offer letters with SEBI, many awaiting or receiving approval. This week's largest IPO is Capital Infra Trust InvIT, aiming to raise ₹1,578 crore.

## PRIVATE EQUITY AND VENTURE CAPITAL:

Funding activity in the PE and VC space remained muted in the first week of 2025 as the total volume dropped for 4th consecutive session. A total of \$308 million was raised across 10 deals. Sekura Roads, an investment platform of EAAA Indian Alternatives Ltd (formerly Edelweiss Alternative Asset Advisors), led with its acquisition of Ashoka Buildcon's road projects, accounting for 90% of the total PE/VC deal value. Botanic Healthcare ranked second, raising ₹250 crore from Stakeboat Capital and Abakkus. Mergers and acquisitions gained momentum this week. JSW Neo Energy, a subsidiary of JSW Energy Ltd, acquired O2 Power for \$1.47 billion from EQT and Temasek, marking a major renewable energy deal. Meanwhile, Adani Group exited its consumer goods JV with Wilmar International, selling a 13% stake in Adani Wilmar to meet public shareholding norms and transferring its remaining 31% stake to Wilmar for \$1.44 billion.

## REAL ESTATE:

Smartworks Coworking Space Ltd, aiming to go public this year, received increased investment from Mumbai-based Ananta Capital, backed by the Taparia Group. Through its SEBI-registered fund, Ananta Capital Ventures Fund I, ₹45 crore was invested in two tranches last year. Additional funding came from Pivotal Enterprises, Tusk Investments, and angel investors, including members of Polycab's promoter family.

## FIXED INCOME:

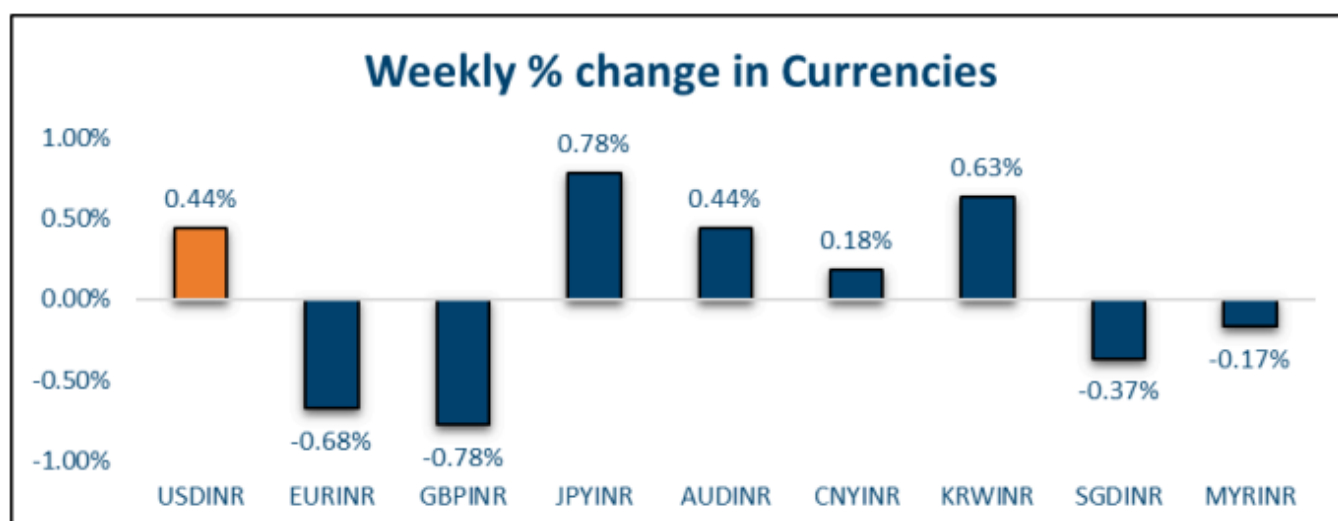
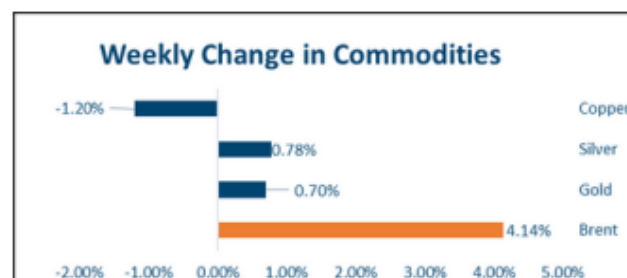
US 10y yield rose 6bps this week. Market is pricing in a mere 10% chance of a 25bps rate cut in January by the Fed. 10y Yields across Eurozone too rose anywhere between 5-9bps. India benchmark 10y yield ended almost flat at 6.78%. Government of India announced buyback of bonds worth Rs 25000crs. 1y and 5y OIS ended 2bps lower each at 6.51% and 6.21% respectively. Overnight call fixings eased post quarter end.

## FOREIGN EXCHANGE:

Dollar strengthened against all G10 currencies except the Yen this week. Euro weakened 1.1% on concerns around Eurozone economy. Russia stopping natural gas supply to Europe through Ukraine after Ukraine did not revive the supply agreement for usage of its pipelines weighed on Euro this week. Pound was the worst performing G10 currency this week, weakening 1.2% against the Dollar. Among Asian currencies, except the IDR, all other currencies weakened against the Dollar. Rupee weakened 0.3% this week, the eleventh consecutive week of weakness against the Dollar. Rupee weakened almost as much as the Yuan (-0.35%) this week. It seems there is a change in approach to exchange rate management. There seems to be a shift from the heavy handed management approach that we had been witnessing for the last year and a half to a more liberal approach, tolerant of slightly higher volatility but focused on correction of overvaluation. 3m ATMF vols dipped 16bps to 3.43% this week. 1y forward yield rose 17bps to 2.54%. FX Reserves fell nearly USD 4bn in the week ending 27th December to USD 640.3bn. This was the 12th weekly decline in the last 13 weeks.

## COMMODITIES:

Brent ended 3% higher this week. European natural gas prices rose 4.6% while US natural gas prices dropped 4.6%. Precious metals did well this week. Gold prices rose 0.7% to USD 2640 per ounce. Silver too rose 0.8%. Base metals on the other came off with LME Copper and Aluminum coming off 1.2% and 2.5% respectively this week.



## WHAT WE LIKE:

### **Equities:**

We continue to be selectively optimistic on domestic Equities. There are pockets in large caps where the valuations are attractive. On the other hand Midcaps and Smallcaps still seem overvalued. Banks and energy are sectors we particularly like. We prefer to express our bullish view in the blue chip space and prefer to avoid the mid and smallcap space at this point. We believe 22800-23200 is a crucial support zone for the Nifty50.

### **FX:**

We believe we will see the Dollar continue to trade with a strengthening bias at least until Donald Trump's inauguration. Post that, the trajectory for the Dollar will depend on whether Trump actually follows the aggressive policies on trade, immigration and taxation that he has advocated while on the campaign trail. The offshore Yuan dropped to a 2 year low against the Dollar and that is likely to be the primary driving factor for the Rupee. We expect the Rupee to remain on a steady depreciation trajectory. Any retracement in USD/INR towards 85.40 can be used to hedge imports.

### **Fixed Income:**

We continue to believe that current levels are attractive to add duration to the portfolio in US treasuries. It would act as a hedge in case sentiment turns around if we see a couple of weak US data points. On the domestic 10y we remain neutral and see consolidation in the 6.68%-6.85% range. We expect the domestic rate cut cycle to be a short and shallow one.

### **Commodities:**

We continue to remain bullish on precious metals as a risk hedge, bearish on the energy complex, particularly Brent, given the demand concerns from China and neutral on Base metals given the cautious risk tone.



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