

Multi - Asset

Weekly Newsletter



Global Developments & Global Equities

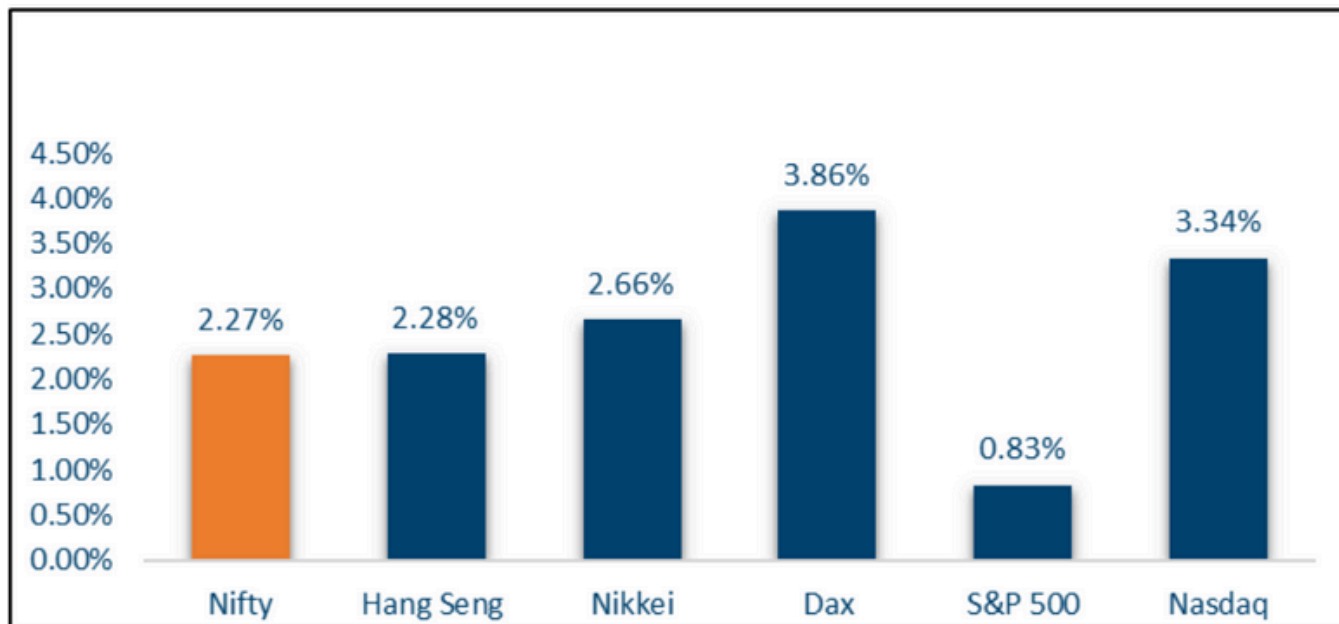
RBI LENDS A HELPING HAND TO BANKS, LOWERS CRR AND FACILITATES DEPOSIT MOBILIZATION

US ISM services PMI came in much weaker than expected this week. The November jobs report however was along expected lines and further underscored the resilience of the US economy and labor market. University of Michigan one year inflation expectation rose to 2.9% from 2.7% last month. Rates market is pricing in a 85% chance of a 25bps cut by the Fed on 18th Dec. US November CPI would be the key data to look forward to in the coming week.

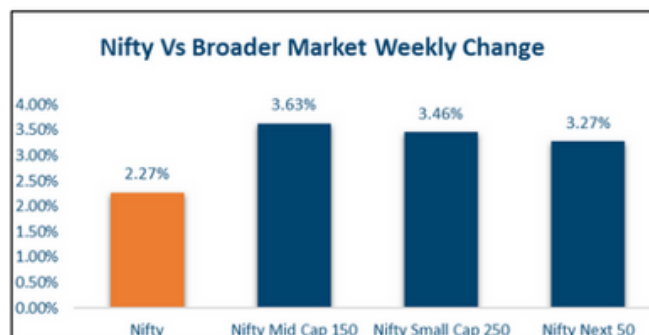
The RBI kept rates and stance unchanged. It lowered GDP forecast and raised inflation forecast for FY25. It chose to use the liquidity lever instead of the rates lever to support the banking system and ensure that liquidity and high cost of deposits do not become impediments in the smooth flow of credit. The RBI cut the CRR by 50bps to 4% and raised the cap rate at which banks can raise FCNR deposits in order to facilitate deposit mobilization.

NIFTY V/S GLOBAL MARKETS

Equities globally did well this week. S&P500 rose 1% this week. A broad index of European stocks rose 2%. Nikkei and Shanghai composite rose 2.3% each. MSCI EM index gained 2.5%

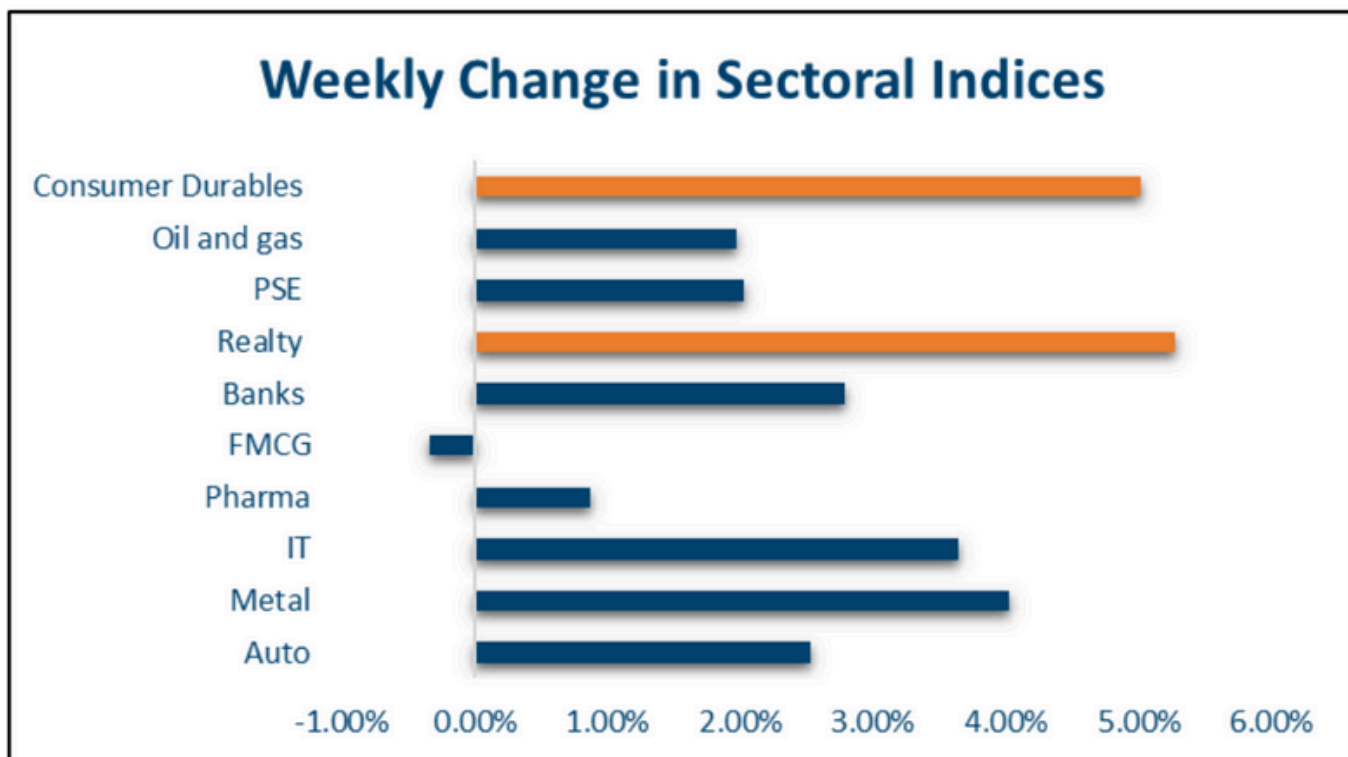


The Nifty50 performed in line with global indices this week, gaining 2.3%. Broader markets too did well with Midcap100 and Smallcap 250 indices gaining 4.1% and 3.5% respectively. Banks did well as RBI addressed the tight banking system liquidity issue by slashing CRR. It also raised the cap at which banks can mobilize FCNR deposits, thereby facilitating deposit mobilization. Bank Nifty ended the week 2.8% higher. Realty and Metal indices too ended 5.3% and 4% higher for the week. IT index was up 3.6%. FMCG index was the worst performer, ending 0.34% lower. FPIs have invested net USD 2.9bn in domestic equities in December so far.



Inflows/Outflows	FII RS Crores	DII Rs Crores
This Week	11,935.00	1,792.00
Previous Week	-5,026.00	6,924.00

Top Gainers	Performance	Top Losers	Performance
HEG Ltd.	26.70%	Aegis Logistics Ltd.	-10.30%
Maharashtra Seamless Ltd.	19.60%	Adani Total Gas Ltd.	-10.00%
Swan Energy Ltd.	18.00%	Indegene Ltd.	-9.10%



Fixed Income, IPO, and Institutional Deals

INITIAL PUBLIC OFFERING (IPO):

Suraksha Diagnostic had the largest IPO listing of the week but listed at a 1% discount due to weak investor response and continued selling pressure, driven by inconsistent financials and limited geographic reach. Next week, three new listings are expected, 2 of the biggest being Property Share Investment Trust aiming to raise Rs. 353 crore, and Nisus Finance Services seeking Rs. 114 crore. Additionally, major IPOs are opening, including Vishal Mega Mart and Sai Life Sciences, raising Rs. 8,000 crore and Rs. 3,042 crore, respectively

PRIVATE EQUITY AND VENTURE CAPITAL:

Fundraising in the PE and VC space surged 3.5 times to \$527 million, compared to \$117 million last week. Investments were made by Prosus, including \$100 million in NBFC Vastu Housing Finance and \$80 million in fintech Mintifi. Series A funding of \$20.8 million was raised by AI platform Enterpret, with Canaan Partners, a US-based venture capital firm, leading the round. At a global scale, BlackRock plans to acquire HPS Investment Partners for \$12 billion in an all-stock deal to boost its private credit market presence. The deal, set to close by mid-2025, supports BlackRock's strategy to expand in alternatives, leveraging HPS's \$148 billion in assets

REAL ESTATE:

The RBI's 50 basis point cut in the CRR is expected to encourage banks to lend more to real estate firms, easing liquidity issues. A neutral monetary stance signals economic stability, crucial for key sectors. This move promotes stable financing, allowing businesses to focus on infrastructure projects and renewable energy investments.

FIXED INCOME:

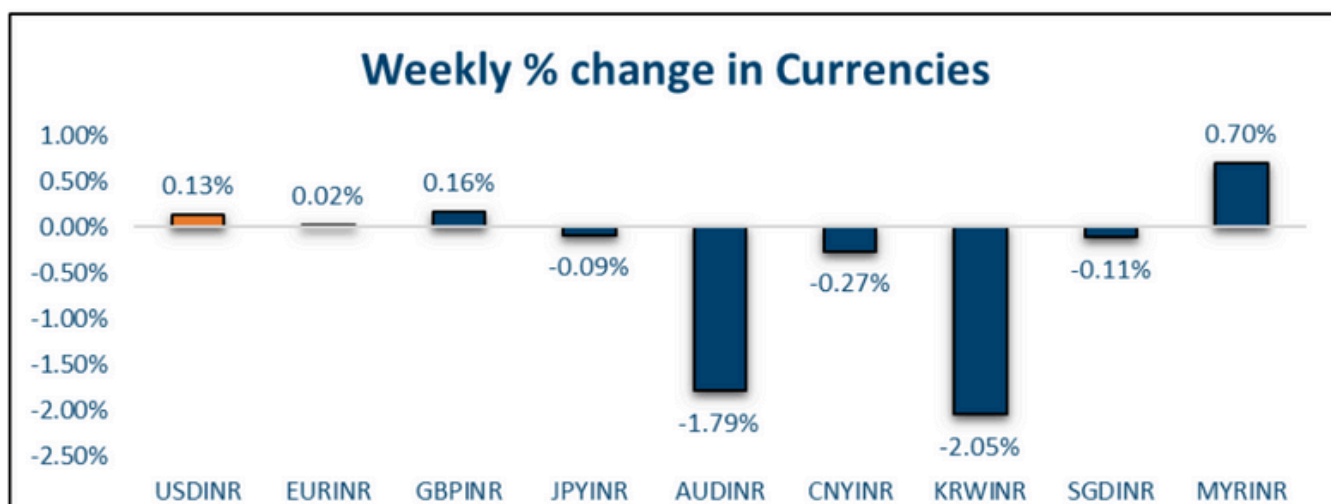
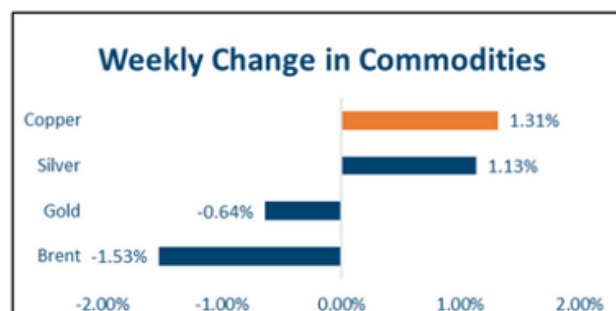
US 10y yield dropped 4bps this week to 4.15%. US 2y yield came off 8bps to 4.10%. France 10y yield spread over German 10y narrowed 11bps this week as France government losing the no confidence vote was priced in and no major changes are likely to the government expenditure profile on account of the outcome. Yield on the benchmark 10y had dropped to 6.68% in anticipation that RBI may drop some cues towards monetary policy becoming more growth focused given the shocking Q2 GDP print. The RBI however opted to use the liquidity lever instead of the rates lever, cutting the CRR (Cash Reserve Ratio) by 50bps to 4%. It also addressed the deposit mobilization woes of banks by lifting the ceiling at which the banks can raise FCNR deposits. As a result the 10y erased all gains, with yield ending almost unchanged for the week at 6.74% 1y and 5y OIS rose 3bps and 2bps respectively to 6.44% and 6.07% respectively

FOREIGN EXCHANGE:

Dollar strengthened against all G10 currencies except CHF (+0.25%) and GBP (+0.1%). Australian Dollar was the worst performer on disappointing Q3 GDP print. Euro (-0.1%) survived the French government collapse. PHP (+1.5%) was the best performing Asian currency while KRW (-1.9%) was the worst performer on political turmoil. Korean president imposed Martial law and subsequently revoked the same on account of protests. Rupee (-0.25%) weakened marginally against the Dollar this week to end at 84.70. RBI governor justified RBI's management of the Rupee in his monetary policy speech, saying it fostered financial and macroeconomic stability. 3m ATMF implied volatility cooled off to 2.87% after having spiked to 3.50% during the week, the highest level since Oct'23

COMMODITIES:

Gold ended the week 0.6% lower while Silver gained 1.1% Brent fell 1.5% this week. OPEC+ delayed rollback of production cuts scheduled for January 2025 to April. The cuts will not be rolled back completely until end of 2026 on account of weak demand and booming production outside of the cartel. However, this decision was along expected lines. US Natural gas price cooled off 8.5% this week LME Copper rose 1.3% while Aluminum rose 0.3% this week.



WHAT WE LIKE:

Equities:

We remain bullish on domestic equities and prefer buying the dips. The Nifty now should find support in the 23800-24000 zone. We prefer skewing the allocation to large caps from Mid and Smallcaps though. Though we strategically remain bullish on Chinese equities, we believe current levels offer a good opportunity to take some profits off table and wait for a 3-5% correction to enter again.

FX:

We believe that the medium term trend continue to remain that of Dollar strength. Yuan would be the key driver for Rupee in the medium term. 7.30-7.35 is a key resistance zone for USD/CNH. At present the PBoC is indicating to the market that it is not comfortable with one way Yuan depreciation by fixing onshore USD/CNY lower than expectations. 11.40-11.50 on CNHINR is a crucial floor and of that comes under threat, RBI may become more tolerant of Rupee depreciation

Fixed Income:

We continue to maintain our long duration view on US treasuries and India bonds. US 10y could head lower to the 4% mark and India 10y to 6.60%. One can look to pay 5y OIS close to 5.90% levels to convert floating rate borrowings to fixed rate.

Commodities:

We continue to remain bearish on Brent. Despite the OPEC+ deferring rollback of production cuts, Brent came off this week. We could see USD 65 per barrel mark on Brent again. We continue to remain bullish on precious metals both in USD and INR terms

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