



JANUARY NEWSLETTER WITH



**BUDGET  
HIGHLIGHTS**

Benchmark indices were Nifty down by **2.58%**, CNX midcap down **1.69%** and CNX small cap **1.24%** down.

For the month, on a total return basis, the Nasdaq 100 Index and the Nasdaq Composite both advanced over 10.7%, the S&P 500 gained 6.3%, the Dow added 2.9% and the Russell 2000 rose 9.7%. Many of the laggards of 2022 saw sharp increases to start the year, including many Consumers' Discretionary, Technology and Communications names.



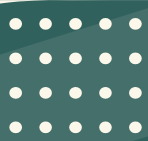
U.S. equities posted strong gains in January following last year's dismal performance. One key factor was optimistic investor sentiment, based on moderating inflation data, that the Fed could pull off a soft-landing scenario as opposed to a much-feared deep recession. Other factors included a softening dollar, the reopening of the Chinese economy, the easing of supply chain restraints, declining energy prices, and a lower bar for corporate earnings. An increase in the federal funds rate by 25 basis points in February setting the benchmark target range to 4.5%-4.75%, which might be followed by one more 25-basis point hike in March, which may bring an end to the current Fed rate hike cycle. We saw some weakness in Treasury yields across the curve in January. The yield on the benchmark U.S. 10-year Treasury now sits at 3.51%, below the October peak of 4.25%.

The U.S. dollar ticked lower for four consecutive months on the expectation that central banks will slow the rate at which interest rates are being raised as inflation pressures somewhat ease. The U.S. Dollar Index declined 1.35% in January. Eye-popping layoff news from tech stalwarts Amazon, Microsoft, Salesforce and 3M. Chip giant Intel reported another tough outlook amid a major slowdown in PC demand. Ford and Tesla slashing prices on EVs as the economy has cooled and yet stocks are off to a surprisingly solid start to the year. In January, oil prices declined 1.5% but increased nearly 8% from the early January lows.



Several listed companies announced their quarterly results in January. Indian markets witnessed selling pressure where in the banking and financial sector lost maximum closely followed by the energy and realty sectors. IT companies reported moderate growth in their earnings which prevented further sell-off. Hindenburg Research announced its short position on Adani Group companies through U.S. traded bonds and non-Indian traded derivatives and published a research report accusing Adani Group companies of “brazen stock manipulation and accounting fraud.” Adani stocks continued to sell off since Hindenburg Report. So far fall is restricted to Adani stocks only and rest of market showing an isolation to fall.

Budget 2024 has been very positive on many areas. It bolsters saving, consumer spending with tax slab reforms. It clearly focuses on renewables & green energy, Infrastructure and asset formation, agriculture reforms, railway transformation. It shows commitment towards to logistic and tourism development. These particular sectors will be set for bullish megatrends for next 4-5 years. India's PMI fell to 55.4 in January 2023 from 57.8 in December. Despite some loss of growth momentum. Companies will continue to lift output in the coming months with less challenging supply-chain conditions. Banks, Green power, Infrastructure, and telecom should remain the top sectoral themes for 2023. The Capital Expenditure of the Central Government and crowding in the private Capex led by the strengthening of the balance sheets of the Corporates is one of the growth drivers of the Indian economy in the current year. Private consumption in H1 is the highest since FY15 and this has led to a boost in production activity resulting in enhanced capacity utilization across sectors.



## Union Budget 2023 Highlights

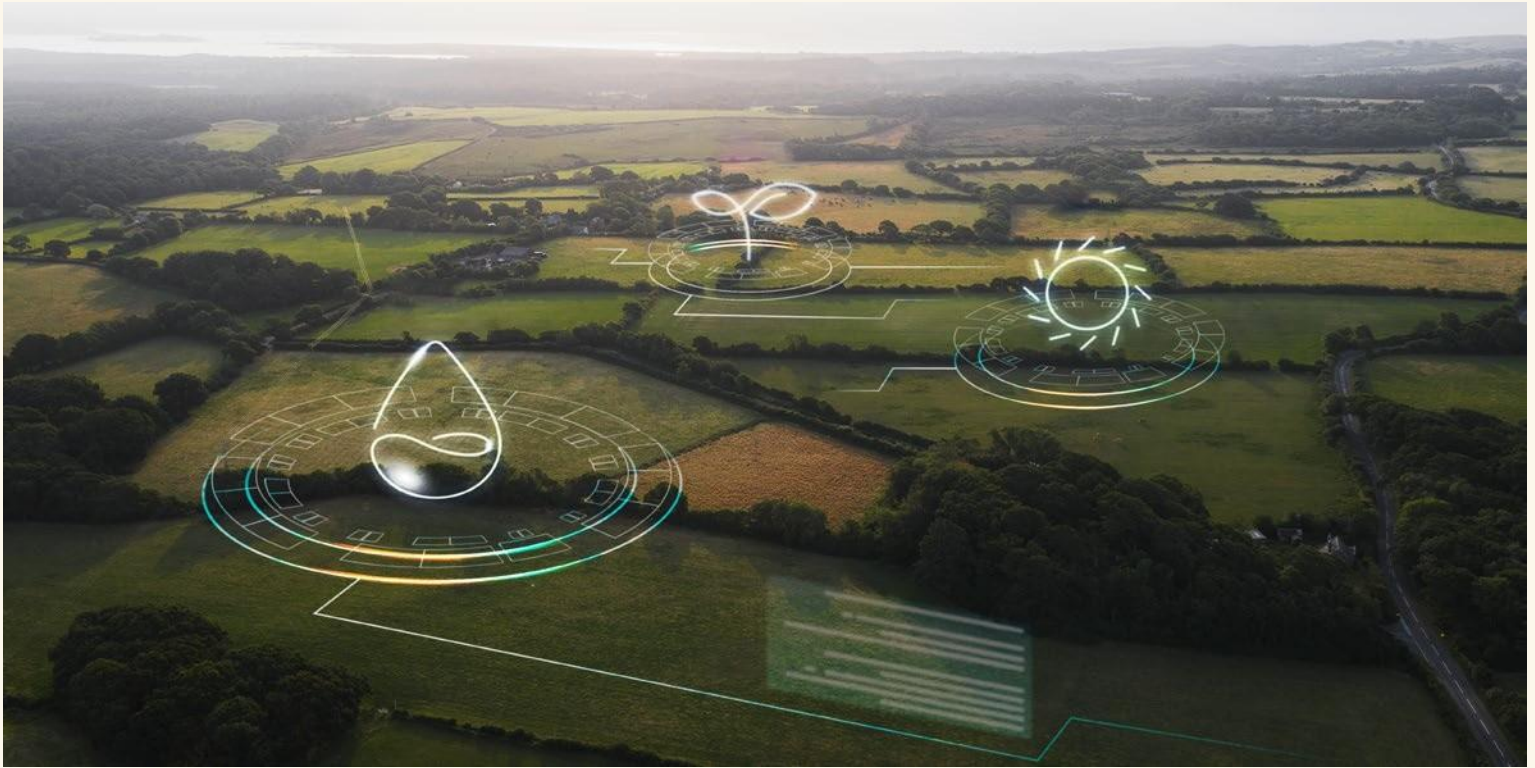
The targeted fiscal deficit for FY24 is 5.9%, namely, a 50 bps reduction, and reaffirmation to take the fiscal deficit under 4.5% by FY26. The budget is also committed to continuing on the path of fiscal consolidation to reach a fiscal deficit-to-GDP ratio of less than 4.5% by FY25-26. Moreover, an increase of only 1% is budgeted for revenue expenditure while capital expenditure is budgeted to increase by 37% in FY23-24 over FY22-23 RE, thereby further improving the quality of the deficit. Private consumption is expected to grow by 7.7% in FY23 mainly due to the pent-up demand for contact-intensive services

The capex allocation has been increased by 33% and taken to INR 10tn. The very high allocation of INR 2.4tn to railways is good news as roads and railways are sectors that have been able to absorb the higher allocation.

The announcements on the personal income tax have been aligned to incentivizing taxpayers to move to the new tax regime, wherein the tax slabs have been enhanced and rates have been lowered. The old tax regime has tax incentives only on savings that are eligible for deductions and therefore do not incentivize consumption. The budget has lowered the customs duties on several components and items used for manufacturing, indicating that India seeks to be a part of the global value chain. This will help position India well for consideration by the MNCs in the reorientation of their manufacturing and supply chains.



**Green Energy:** growth-related announcements with INR 350bn being allocated for energy transition and PPP-based battery energy storage systems with viability gap funding and allocations for renewable energy evacuation are welcome moves. A green credit program to incentivize environmentally sustainable actions by corporates is aligned to the Life philosophy that is being espoused by the Prime Minister globally. The budget allocation for the Ministry of Environment, Forest and Climate Change increased from a revised estimate of Rs 2,478 crore in the last budget to Rs 3,079.4 crore this year. The recently launched National Green Hydrogen Mission, with an outlay of Rs 19,700 crore, will facilitate the transition of the economy to low carbon intensity, reduce dependence on fossil fuel imports, and make the country assume technology and market leadership. To further green mobility, the import of capital goods and machinery required for the manufacture of lithium-ion cells for batteries used in electric vehicles will be exempted from customs duties.



**Agriculture:** The government will set up an agriculture accelerator fund to nurture start-ups in rural areas. The government will also build an open-source, digital public agriculture infrastructure. The federally subsidized credit limit for FY24 for agricultural activities was raised to ₹20 lakh crore. The Budget's estimates for 2023-24 for the agriculture ministry stood at ₹1.25 lakh crore. The Indian Institute of Millet Research, Hyderabad, will be upgraded as a center of excellence, terming millets as "Shree Anna". The government will implement a plan to set up a chain of decentralized storage facilities to help farmers store their produce and sell it at appropriate times for remunerative prices. ANB Horticulture Clean plant program to be launched to boost production of high-value horticulture crops.



**Healthcare:** A new program to promote research and innovation in pharmaceuticals through centers of excellence. A Mission to eliminate Sickle-Cell Anaemia by 2047 will be established with a screening of 7 Crore people in affected areas. 157 new nursing colleges would be set up in core locations. The total allocation for the department of health and family welfare stood at Rs 89,155 crore



**Education:** Revamped Teachers' training via District Institutes of Education and Training. National Digital Library to be set up for children and adolescents. States are encouraged to set up physical libraries at Panchayat and ward levels.



**Financial Sector:** Setting up of national Financial Information Registry to enable efficient lending, promote financial inclusion and enhance financial stability. Mahila Samman Bachat Patra- one-time new small savings scheme for a 2-year deposit facility of up to INR 2 lakh for women. Enhanced maximum deposit limit for senior citizens savings scheme from 15 lakhs to 30 lakhs. Setting up of a central data processing center for faster handling of administrative work. Several announcements for supporting MSMEs have been made, and the most important is the continuation of the Credit Guarantee Line for MSMEs with additional allocation to the corpus of INR 90bn that is estimated to facilitate an additional collateral-free guaranteed credit of INR 2tn





**Infrastructure and Investment:** Capital investment outlay is being increased steeply for the third year in a row by 33 percent to ₹ 10 lakh crore (\$122 bn), which would be 3.3 percent of GDP. This is being complemented with the continuation of the 50-year interest-free loan to state governments for one more year to spur investment in infrastructure and to incentivize them for complementary policy actions, with a significantly enhanced outlay of ₹ 1.3 lakh crore (\$16 Bn). To give further impetus to the aviation sector fifty additional airports, heliports, water aerodromes, and advanced landing grounds will be revived for improving regional air connectivity. To further improve India's logistics sector, one hundred critical transport infrastructure projects, for last and first-mile connectivity for ports, coal, steel, fertilizer, and food grains sectors have been identified.



**Youth Power:** Pradhan Mantri Kaushal Vikas Yojana 4.0 will be launched to skill lakhs of youth within the next three years. The digital ecosystem for skilling will be further expanded with the launch of a unified Skill India Digital platform for enabling demand-based formal skilling. In order to provide stipend support to 47 lakh youth in three years, Direct Benefit Transfer under a pan-India National Apprenticeship Promotion Scheme will be rolled out. States will be encouraged to set up a Unity Mall in their state capital or most prominent tourism center or financial capital for the promotion and sale of their own ODOPs. Sector-specific skilling and entrepreneurship development will be dovetailed to achieve the objectives of the 'Dekho Apna Desh' initiative.





**Trust-based Governance:** For enhancing the ease of doing business, more than 39,000 compliances have been reduced and more than 3,400 legal provisions have been decriminalized. For furthering trust-based governance, we have introduced the Jan Vishwas Bill to amend 42 Central Acts. Entity Digi Locker to be set up for use by businesses and charitable trusts. Setting up 100 labs for 5G services-based application development. R&D grant for Lab grown (LGD) sector. A National Data Governance policy is to be introduced and 3 specialized AI centers are to be set up in educational institutes.



**Reaching the Last Mile:** Financial assistance to be given for sustainable micro irrigation in drought-prone regions of Karnataka. Pradhan Mantri PVTG Development mission to be launched. More teachers will be recruited for 740 Eklavya Model Residential schools. Bharat (SHRI) to be set up for the digitization of ancient inscriptions.



**Inclusive Development Achievements:** Cash transfer of Rs 2.2 lakh Cr to over 11.4 Cr farmers under the PM-KISAN program. Insurance cover for 44.6 Cr persons under PMSBY and PMJJY with 47.8 Cr PM Jan Dhan bank accounts. India has administered 220 crores Covid vaccines to 102 crore people since the vaccination drive started. 9.6 Cr LPG Connections provided under Ujjawala. 11.7 Cr household toilets have been constructed under SBM. 9 Cr drinking water connections were provided to rural houses.

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