

# MONTHLY NEWSLETTER

**From the Desk of Portfolio Manager**

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The Benchmark indices ended on a positive note in the month of May 2023. Our Portfolios were up by 5% compared to Nifty returns of 2.5% in May 2023, while small-cap and midcap indices gave whopping returns of 5.10% and 6.19% respectively

With the completion of the earnings season, we witnessed marginal growth in IT, strong growth in Auto and Auto Ancillary, and Robust numbers from PSU banks. While the Chemicals and Pharma segments are witnessing Sequential improvement on a QoQ basis due to Inflationary pressure bottoming out. Nifty EPS stands at 856.8 Rs with a multiple of 21.7 times. Data reveals that FPIs invested INR 37,316 cr in Indian equities in May, the highest investment in the last six months. The S&P 500 was up 0.25% in May, bringing its YTD return to 8.86%. The Dow Jones Industrial Average dropped by 3.49% for the month and was down by 0.72% for YTD. With the strong numbers in employment, a decline in incremental wage pressure, and inflationary pressure cooling down, we expect a pause on rate hikes in the June Fed meeting. The debt ceiling increase in US Congress was quite priced in and has triggered a call for a rate hike pause.

Fitch Ratings affirmed India's long-term rating at BBB with a stable outlook. India's rating reflects a strong growth outlook with robust internal systems. India will be one of the fastest-growing Fitch-rated sovereigns globally at 6% growth in FY24. Softening of commodity prices is further relief for India to control inflation. It is forecasted that India will receive normal monsoons this year, potentially bolstering the outlook for agriculture production and economic growth. With Food constituting a major share of economic output, a normal monsoon could help to bring down food inflation and hence headline inflation. The recovery in the rural economy is important for growth in automobiles, rural housing, and FMCG growth. Crude oil in our view is likely to come down in FY24 while FDI investment inflow is rapidly proliferating across sectors in India

Globally despite uncertainty, the market is reflecting positive sentiments for FY24. We have positioned our portfolio in such a way that will make maximum benefit out of the most relevant growth themes when India reaches a 5 Trillion Economy. Assuring our best efforts.

India's manufacturing PMI reached 58.7 in May 2023, marking its highest since October 2020 owing to strong demand across sectors. Whereas India's service sector PMI declined to 61.2 in May from 62 in April, however despite the decline the demand continues to remain strong. Automobiles sales for May remain robust owing to the wedding season and recovery in spending of rural segments. We expect two-wheeler sales to outperform due to normal monsoon, recovery in export markets, and easing supply chain pressure. Import substitution themes of specialty chemicals, solar panels, and defense segments are witnessing strong demand. An increase in HNIs and UHNIs will give a boost to luxury consumption and experienced living. Luxury watches, cars, 5 star hotels are likely to do well over the next decade. We expect sectors like EMS, defense, railways, CAPEX oriented companies will do extremely well in the next 3-5 years. New Sunrise industries like EV ancillary, renewable energy, solar and semiconductor chemicals, and hydrogen as a fuel are supposed to grow exponentially over the years.