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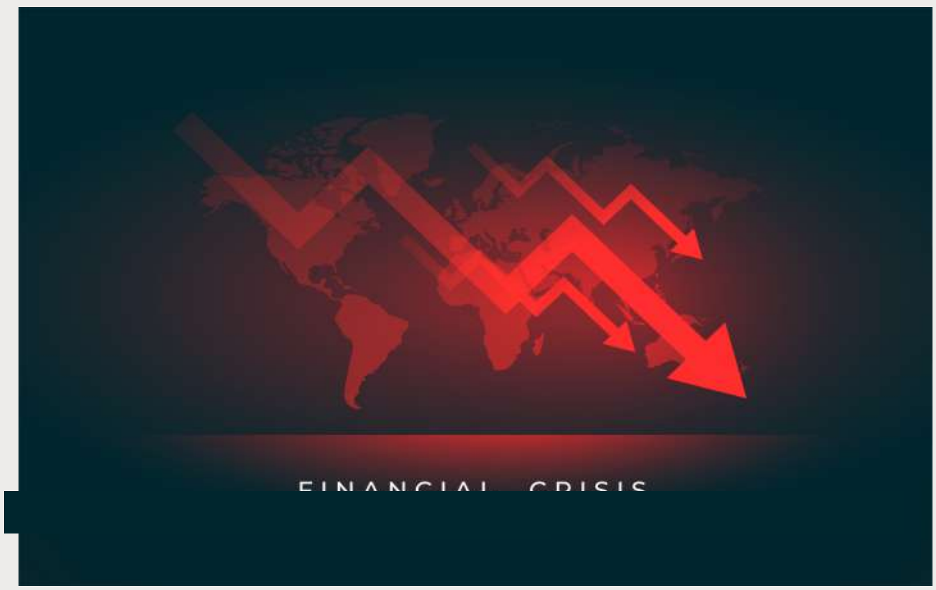
Investments, Simplified!

NEWSLETTER

DECEMBER, 2022

The Benchmark indices ended on a positive note in the month of December 2022. Your «Scheme_Name» Portfolio was up/down by «Absolute_Returns»% compared to benchmark indices were Nifty down by 4.05%, CNX midcap down 1.63% and CNX small cap 3.2% up.

Despite the persistency of inflation and the magnitude of rate increases in 2022, the economy has generally remained resilient, buoyed by the inherent strength of the U.S. consumer and a strong labour market. The Nasdaq Composite posted negative returns of 8.73%, the S&P 500 was down 5.9%, the Dow was down by 4.17% and the Russell 2000 down 6.64% this month. Communication services was the worst performing sector in the S&P 500 this year, falling more than 40%, followed by consumer discretionary.



Energy was the only sector to rise, climbing 59% Earlier in the month, the Fed hiked interest rates half a point to 4.4% to highest level in 15 years. With US interest near its peak, RBI will also keep a close eye and could probably be the first central bank to stop hiking rates since it was amongst the first one to hike. In this backdrop, we would expect both equity and bond markets to start to recover in 2023. The benchmark 10-year Treasury yield has finished the year below 4%. That is a relief to markets compared to October, when it rocketed above 4.3%.

The dollar nosedived across the board on Tuesday after data showed U.S. consumer price inflation rose less than expected last month, reinforcing expectations the Federal Reserve will slow the pace of rate increases.

Global markets fell at the end of December after widespread protests in China against the country's stringent Covid-19 restrictions. However, no deadly new Covid-19 type is likely to be spreading in China, reported by a Seattle based expert. Commodities also slid on China concerns; oil prices dropped sharply. Into early December the fortune of commodities was again mixed with iron ore, thermal coal and base metals all surging, some more than others, while met coal, crude oil and LNG softened.

Despite 2022's downward market trend, aerospace and defence stocks took off in 2022 as commercial travel recovered and geopolitical tensions mounted. Indian stock markets outperformed most global markets this year. Despite geo-political uncertainties and high global inflation; domestic flows remained resilient helping the benchmark indices hit new all-time highs this year. In India, PSU Bank, Metal and Media remained strong and ended in the green. PSU banks are expected to present one more quarter of strong balance sheet with still upside left in the near midterm. Cement sector which was affected due to uncertain monsoons and inflation is showing signs of bottoming out and might show a fresh rally on the basis of demand recovery. The Indian equity market in 2022 was largely supported by the Banking, Auto, FMCG and Metal sectors, as well as a solid comeback by foreign portfolio investors (FPIs). The two big winners of the Covid era - IT and pharma - were in for trouble in 2022 amid sectoral churning of investor portfolios.

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India's manufacturing industry finished 2022 on a solid note as business conditions improved at the fastest rate in over two years, a business survey showed. The manufacturing purchasing managers' index, compiled by S&P Global, rose to 57.8 in December from November's 55.7. Banks, capital goods, power, and telecom should remain the top sectoral themes for 2023. We may see some recovery in the IT sector in the 2nd half of CY 2023 as the US interest rates peak and expectations start building on rate cuts. Lower NPAs and higher credit growth would continue to drive the bank's earnings. Higher tariff rates would be a key driver for ARPUs in telecom, and higher government expenditure.

Assuring our best efforts

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