



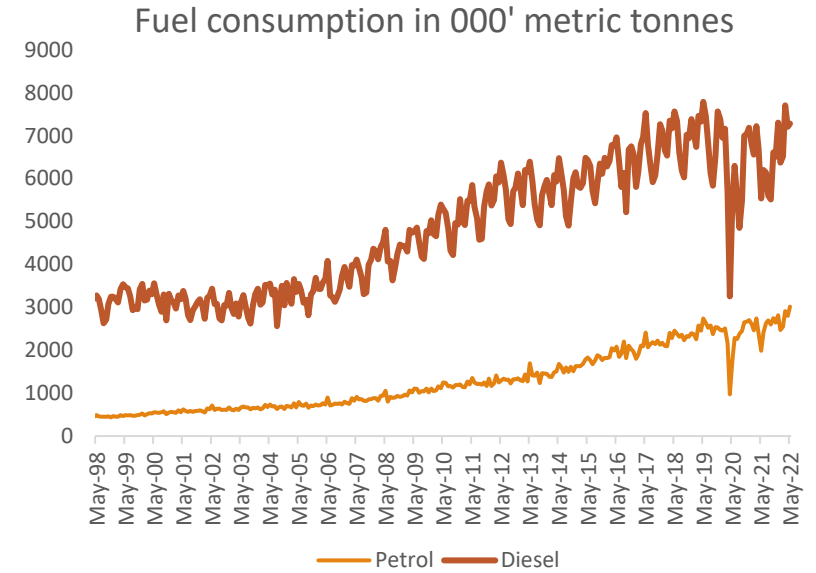
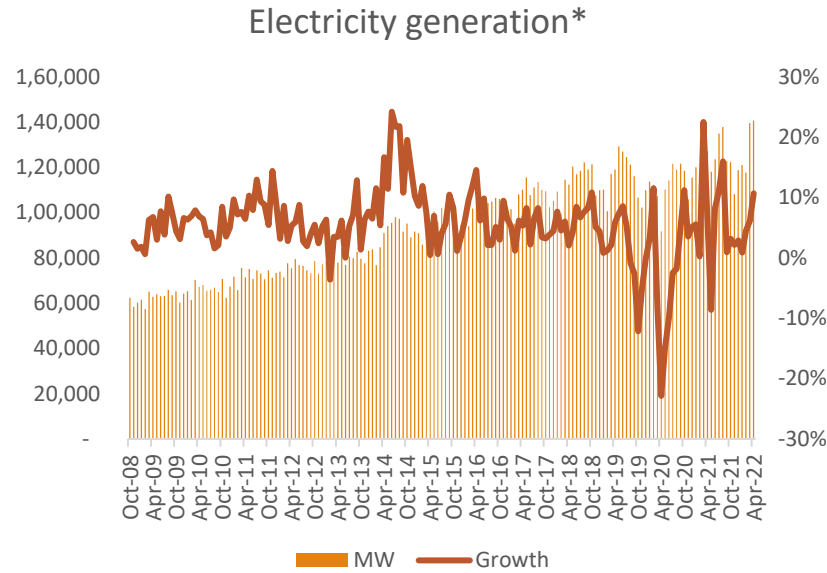
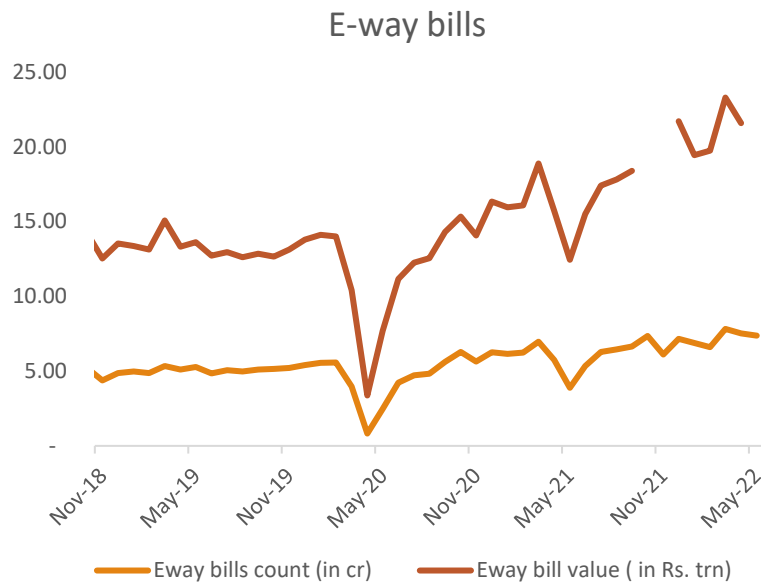
Indian Macro and Markets Overview

June 2022



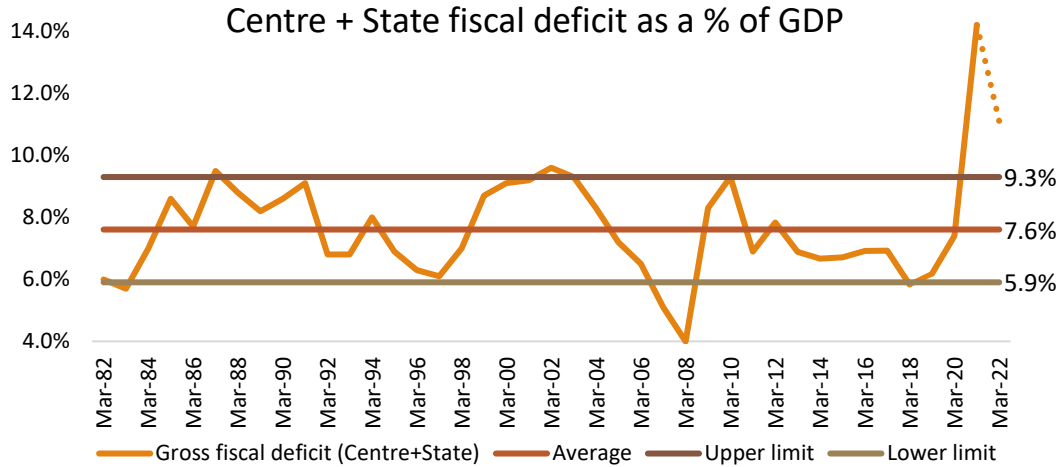
Quick dots

Economic activities seem to gain some pace



- Overall economic growth indicators continue to gather pace as evident from goods movement, energy consumption and certain sales volume indicators during May/June.
- Electricity consumption growth have eased slightly during May.
- FMCG sales continue to remain weak, as per [reports](#). This suggests some stress at rural level.
- RBI survey suggests significantly [improved capacity utilisation expectations](#) of manufacturing units.

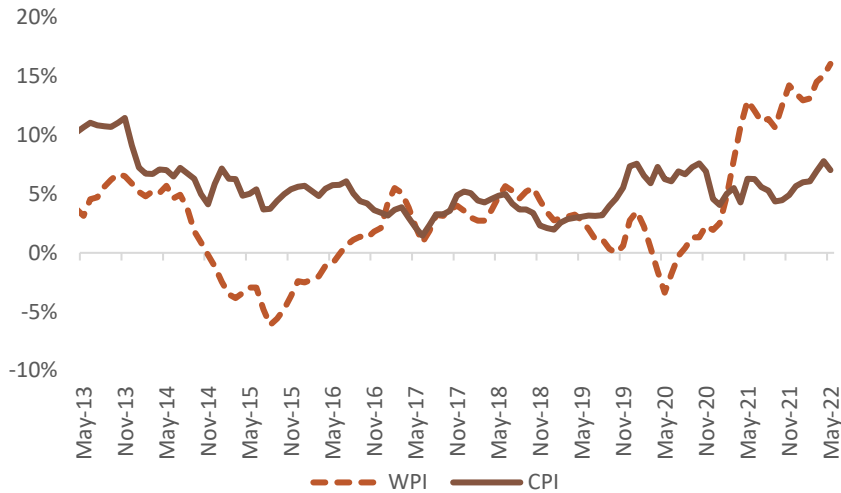
Fragile Fiscal Fitness



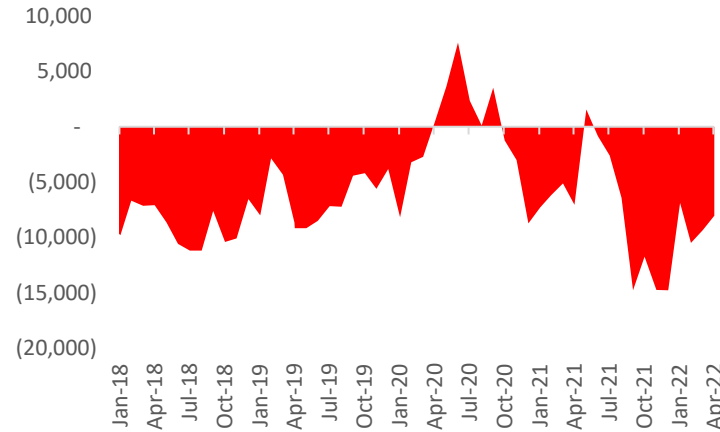
- Despite a good start to tax collection during initial months of FY-23, government’s fiscal deficit target comes under pressure on provisioning for fertilizer costs, continued free food grains policy in place since COVID-19 times ([PMGKAY](#)) and reduced excise on petrol and diesel.
- Note that GST collections and indirect tax collection are higher on high inflation as well.
- [Rising interest rates](#) adds to the cost pressures as yields have moved up to 7.5-7.6% range. Government budget had estimated weighted average interest rate of ~6.6% for the year. Technical analysis suggests that India 10Y can move towards 8% to 8.25% if it breaks 7.75% (currently 7.6%).
- Govt intends to borrow Rs 14 lakh crore from the market this fiscal. Volatile capital markets limits divestment ability of the government (e.g., subdued LIC IPO).

Importing inflation

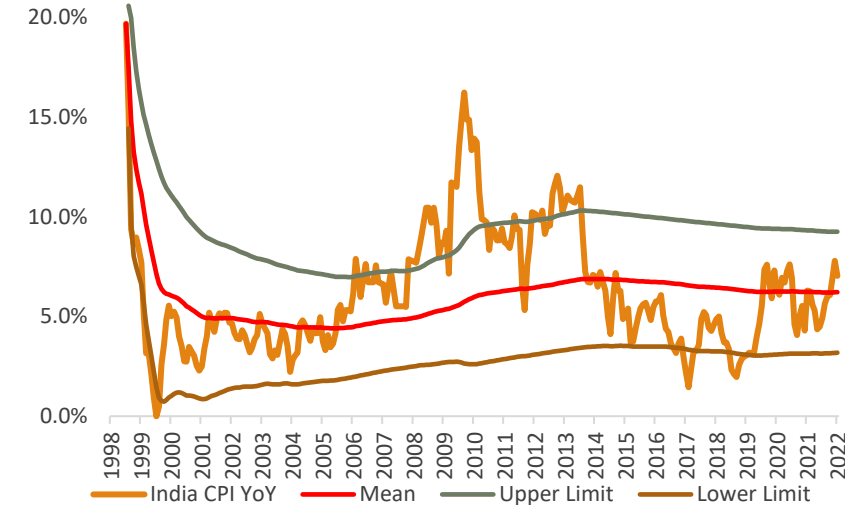
WPI Vs CPI



Net Merchandise Import minus Net Services Import (USD Bn)



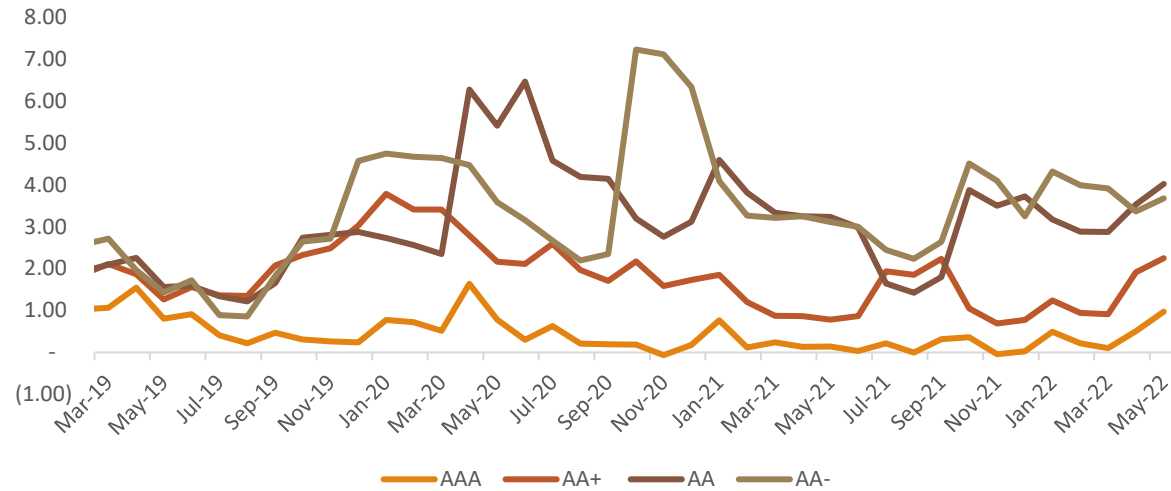
India Consumer Inflation (May-22)



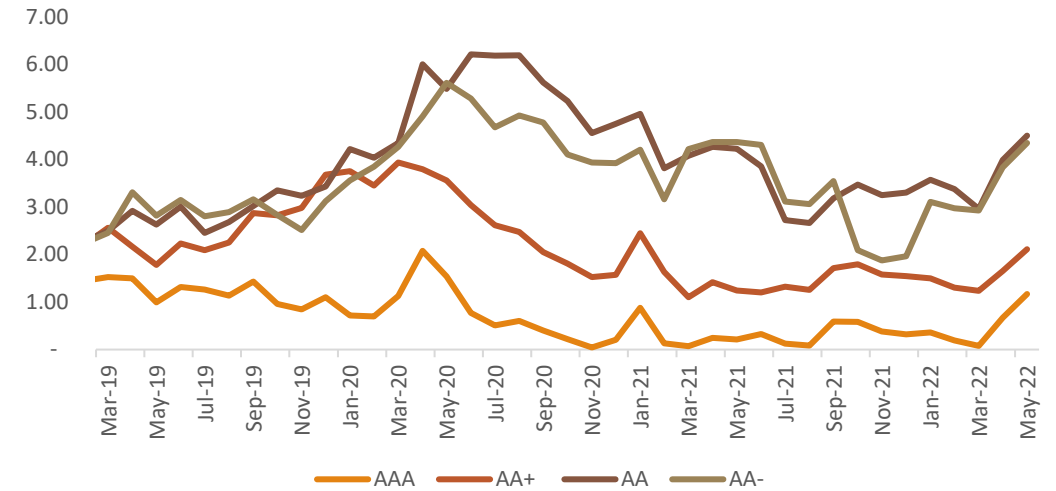
- Inflation during May-22 remained above RBI's tolerance level of 6% for the fifth straight month.
- India's crude basket has reached record high level in US\$ terms. Higher energy costs has tendency to make inflation sticky as businesses look to pass on costs.
- Wholesale Price Index remains higher than CPI suggesting passing on of cost increases by manufacturers. Recent RBI survey suggests continued cost pressures for manufacturers till at least Q3 of FY23.
- This prompted RBI to take a 40 bps rate hike in an out of cycle meeting last month and a further 50 bps rate hike in the June meeting. Tightening in international markets can lead to continued hikes by RBI as well.

Rising spreads and interest rates

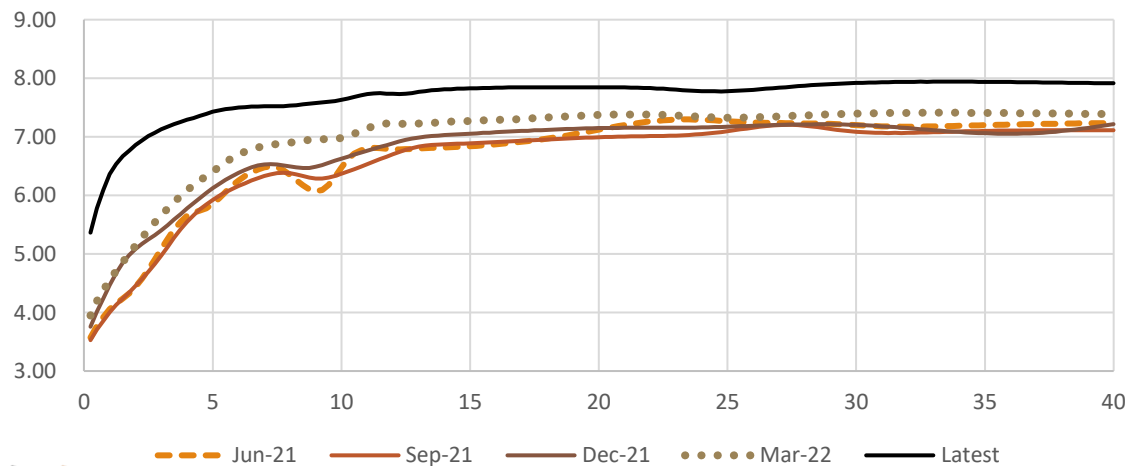
Spread: Ultra Short term Index-G-sec(3months)



Spread: Low Duration Bond Index- G-sec(1 year)



Yield curve



- Yield curve as at early part of June has shown a major rise as compared to Mar-22 reading.
- Corporate spreads also seem to have risen during last month.
- Average spread increase over 3 months tenure is 40 bps across quality and 50 bps for 1 year tenure securities.
- This maybe indicative of some risk aversion.

INR weak and vulnerable

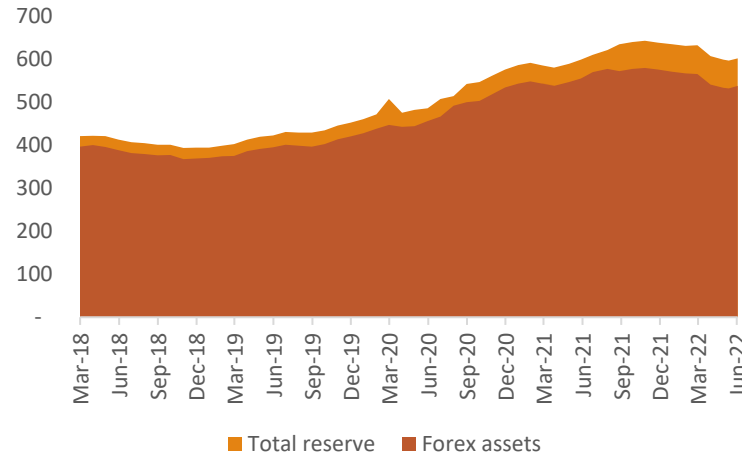
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USD/INR, Real-timeFX:USD/INR, D

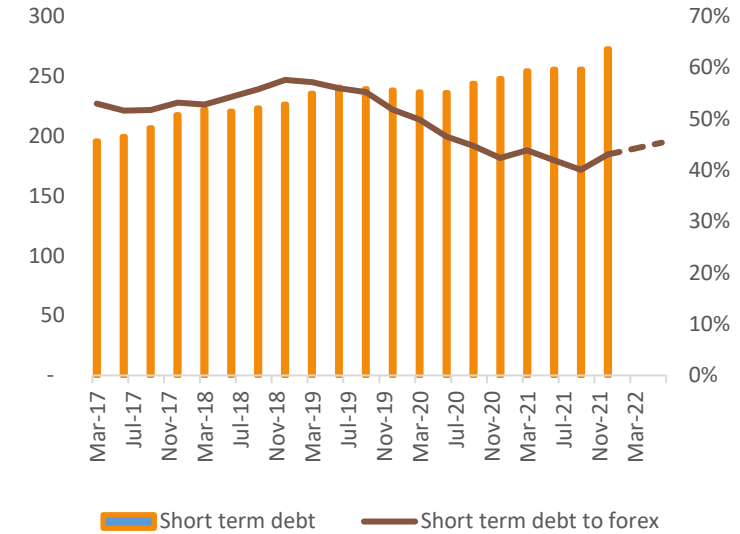
Volume (20)



India - Forex reserves (USD bn)
June-22



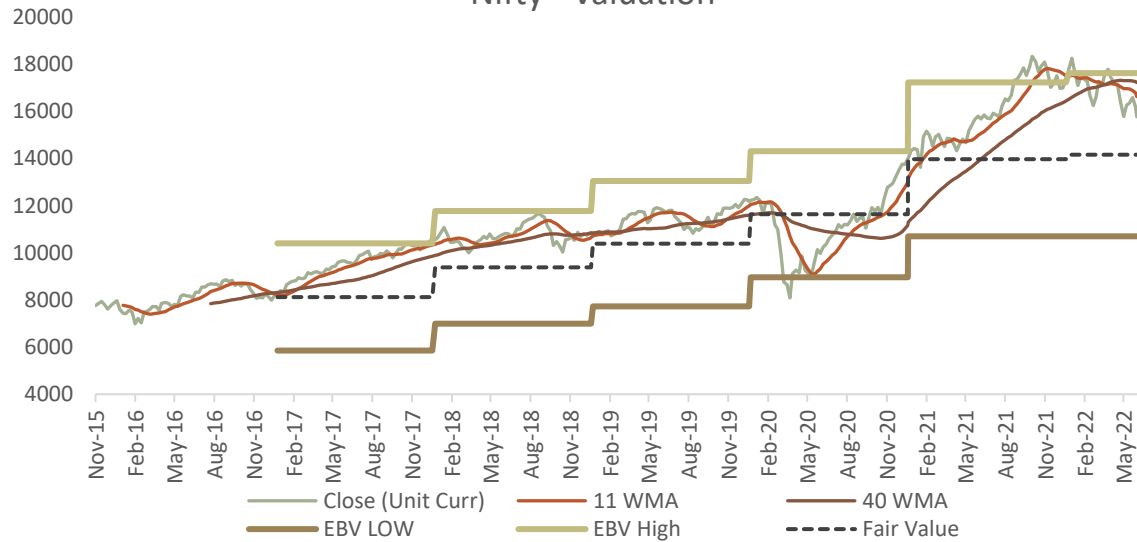
India External debt- Short term



- Trade imbalances continue to remain high. FDI and NRI deposit remain erratic and lower than what we have seen in recent past. FIIs remain net sellers of Indian equities and fixed income.
- India's short term external debt to forex reserves ratio has been deteriorating in last few months as reserves decline. Repayment/rollover risk has increased.
- Higher gold prices have partially compensated for decline in fiat currencies reserves over last 1 to 1.5 years or so.
- Global monetary tightening conditions keeps INR vulnerable to external macro economic conditions. Technical analysis suggests that INR could reach 79-80 in the near to mid term.

Equity valuation and sentiment

Nifty - Valuation



Published on Investing.com, 14/Jun/2022 - 14:18:09 GMT, Powered by TradingView.

Nifty 50, India, NSE:NSEI, D

Volume (20)



- Valuation remain stretched on broader basis, however, with Nifty correcting, valuations multiples seems to have come off from its highs.
- Nifty is in Setup 2 conditions (expensive valuation + weakening technical momentum indicator). Nifty fair value is ~14,200.
- Advance-Decline ratio is near lowest points suggesting high pessimism. HQ-LQ index has started to make a move towards pessimism.
- Foreign institutional investors remain major sellers in Indian equity markets. 1 year Nifty USD returns are flat.
- Indian retail investors continue to provide steady stream of cash flows via SIPs.



Annexures:
High Frequency Indicators and Long-Term Trends

GDP High Frequency Indicators – Heat map

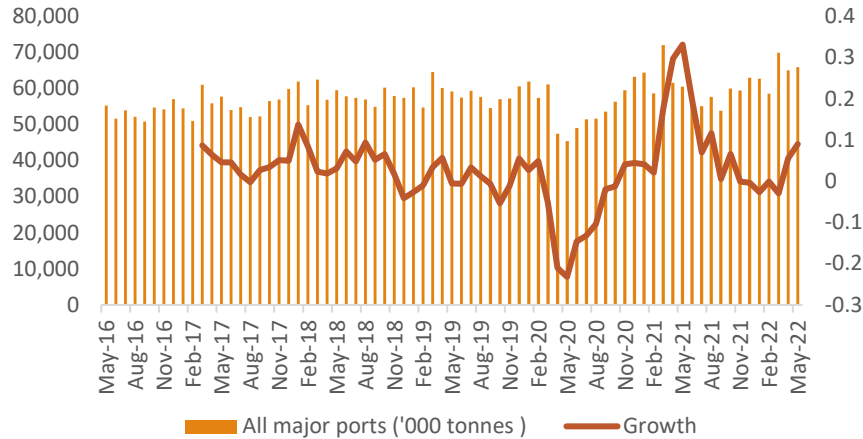
GDP components	Indicator	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Private Final Consumption	Bank Retail loans in INR														
	Production of Petro products														
	Domestic Scooter sales units														
	Domestic Motorcycle sales														
	Rural men wages INR														
	Domestic car sales														
	Hindustan Unilever volume growth														
Government Spending	Revenue and non-debt capital receipts														
	Capital and non-interest revenue spending														
Fixed Capital Formation	Domestic CV sales volume														
	Cement Production														
	Tractor sales														
	Electricity requirements MW														
	Projects completed/Total projects														
	Commercial papers issuances														
	Industrial loans														
	Revenue earning rail freight (tonnes)														
	Production of finished steel														
Net Exports	FDI inflows growth in USD														
	Non-oil exports USD														
	Non-oil non-gold and silver imports USD														

... Growth in production of commodities were mixed, with coal growing significantly due to shortages while Steel production was flat. Petro products and Cement saw mid to high single digit growth.

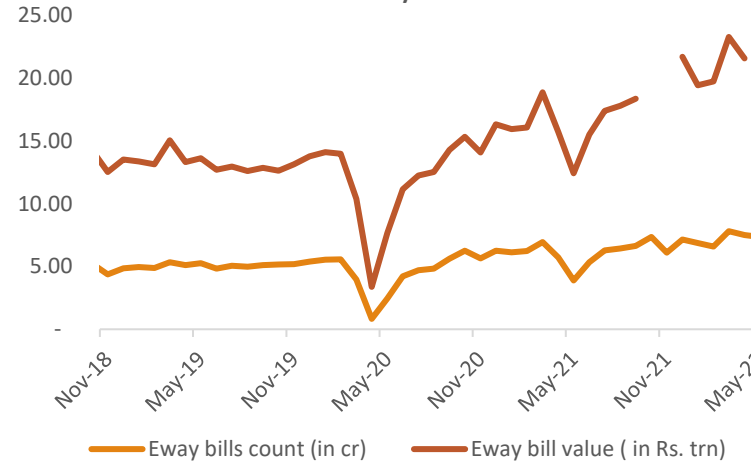
... Motorcycles and scooters sales grew on a YoY basis due to low base effect, but growth was also seen on a MoM basis. Tractor sales continued to grow

Goods movement and mobility

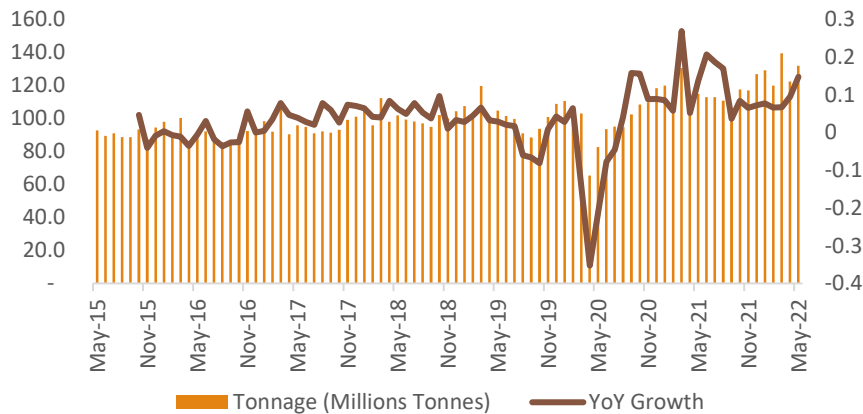
Port Cargo Traffic- May 22



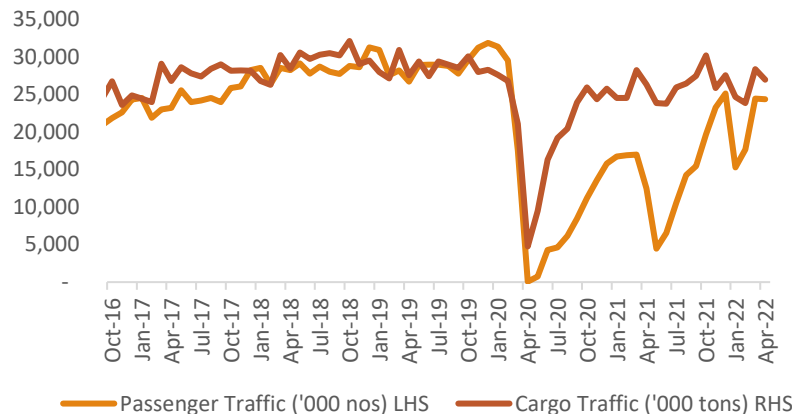
E-way bills



Railway Freight tonnage*-May 22



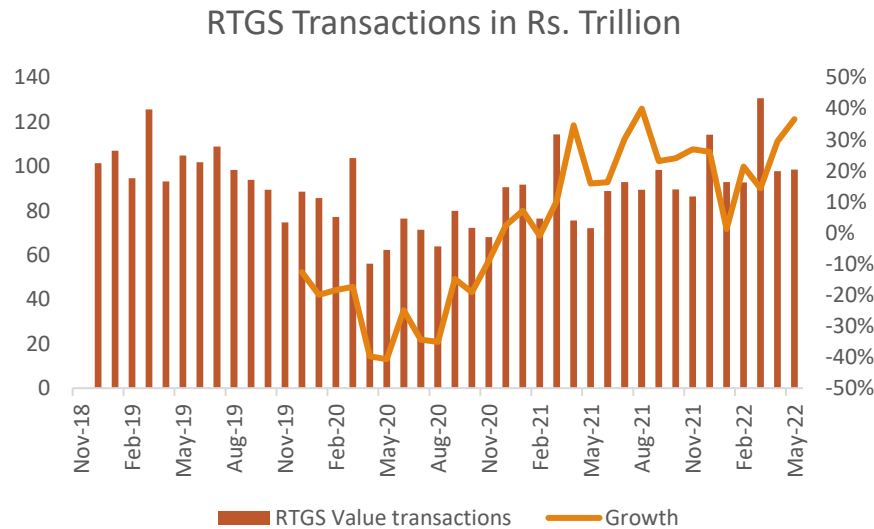
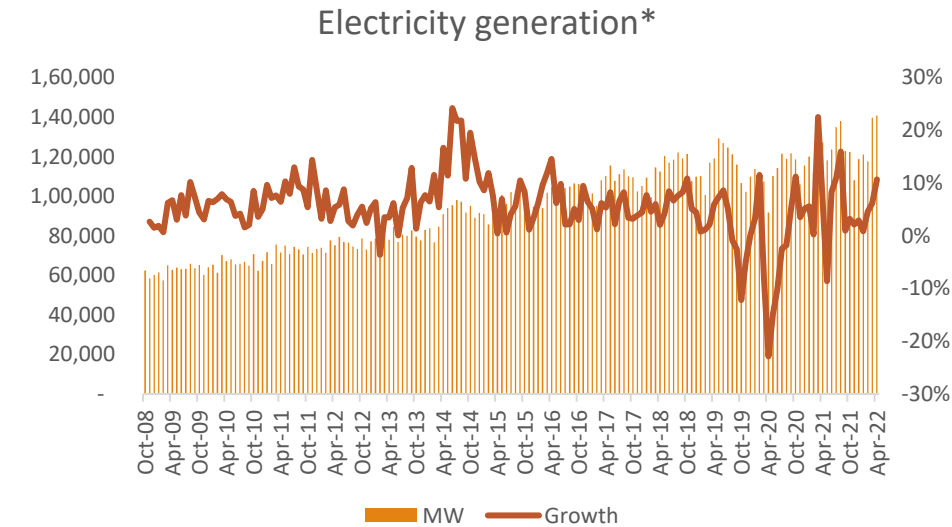
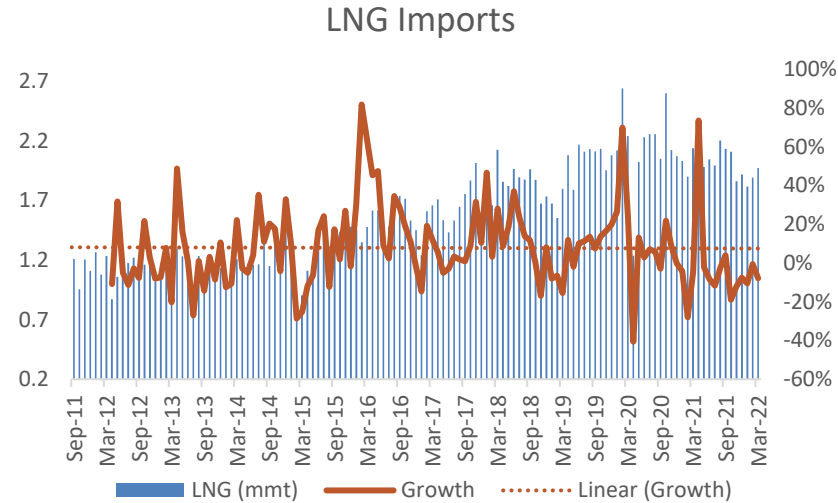
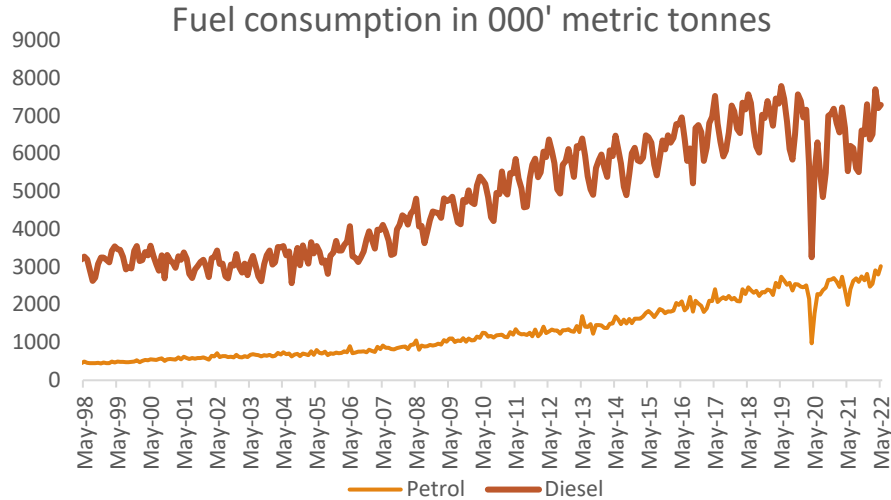
Air traffic*- April 22



- ... E-way bill generation during May moderated further on a MoM basis but continues to remain strong on a YoY basis.
- ... Cargo movement at ports improved on a YoY basis in May benefiting from crises in Sri Lanka in the last few [months](#).
- ... Rail freight movement in April continued to grow on a YoY basis mainly driven by continued growth in coal dispatches and Food grains along with higher dispatches of Fertilizer, Cement and Mineral Oil.
- ... Air Cargo traffic remained flat while Air passenger traffic has seen a substantial recovery in the last few months. ATF consumption data suggests further recovery in May 22.

*Base adjusted in Apr 21 to Apr 19 due to low base effect of Apr 20.

Energy consumption and money flow

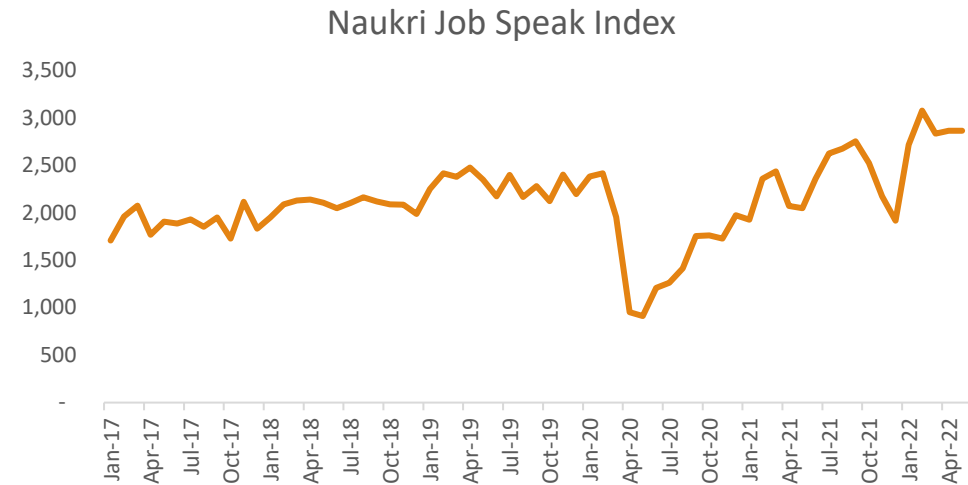
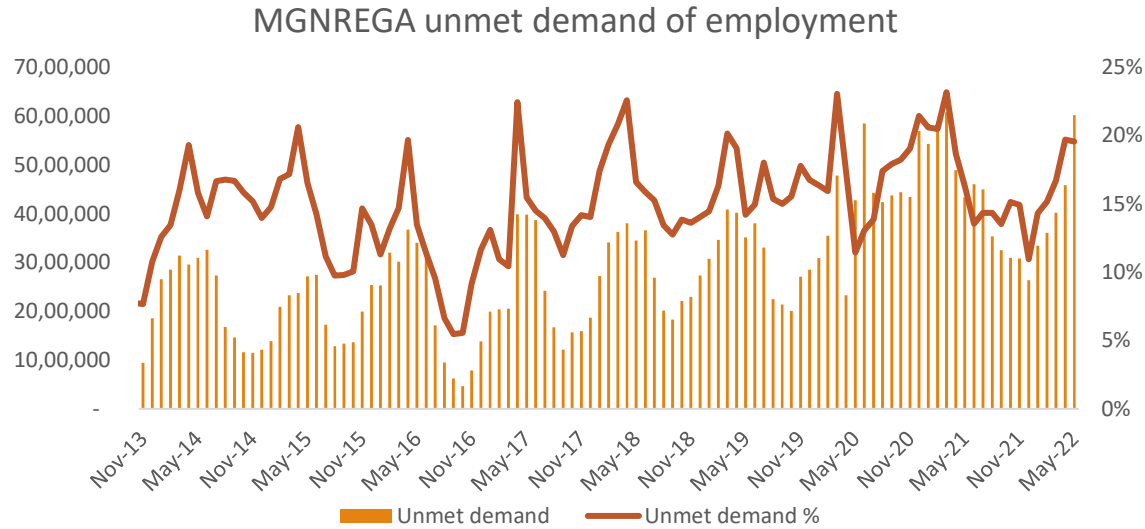


... Petrol and diesel consumption grew significantly on a YoY basis mainly driven by a low base of previous year because of Covid-19 lockdowns. [Petrol](#) usage has been on the rise driven by easing of lockdowns and people preferring personal vehicles.

... Electricity consumption grew in April driven by early onset of summer and improvement of economic activity. However, [reports](#) suggest demand has come down as there has been a recent drop in temperatures.

... RTGS transactions continue to remain at elevated levels indicating improved money movement.

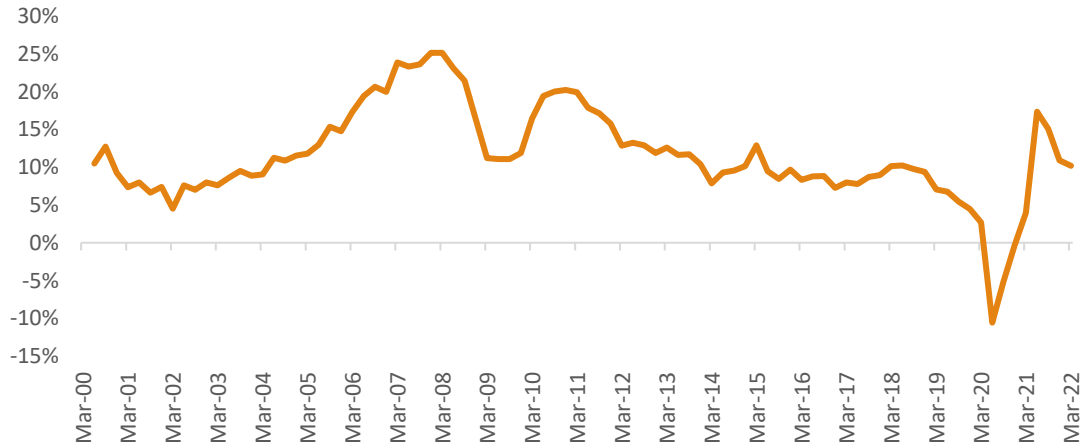
Employment Indicators



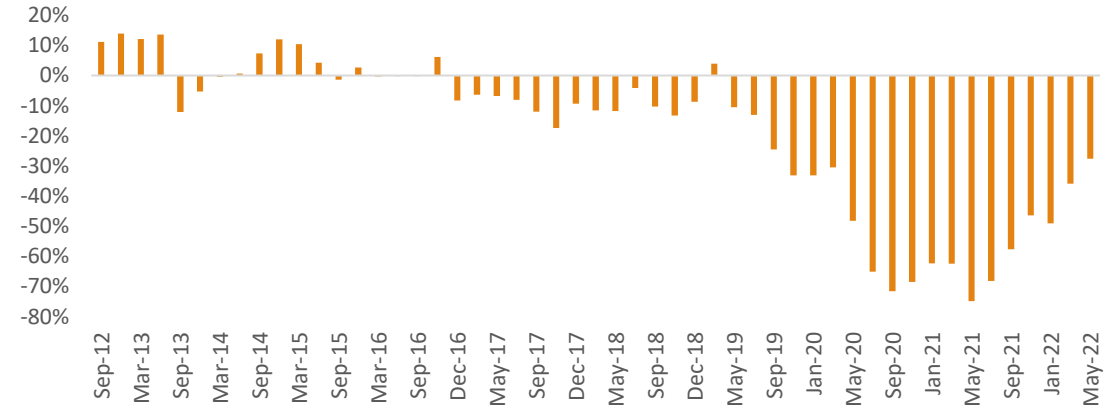
- ... Hiring activities in urban India in May seems to have remained at a similar level as the previous month and continue to remain elevated.
- ... In rural India, the trend continues to suggest a lack of [opportunities](#), as work demanded, and unmet demand continue to remain higher than pre pandemic levels. Demand for work under the scheme shot up significantly in May to the highest levels since July 21, while unmet demand moved towards its previous peak during the second wave of Covid. This is despite a rise in jobs provided under MGNREGA both on a YoY and MoM basis.
- ... Lower allocation towards MNREGA for FY23 budget of Rs 73k crores can increase the unmet demand and hence, some continued stress at rural level. Also, actual expenditure for FY 23 may be even lower as ~Rs 20k crore may be spent on clearing unpaid dues in FY 23.
- ... The government has [proposed](#) to fill ~10 lakh vacancies across various Govt departments in the next 18 months which may boost employment and increase government employee strength by ~30%.

Employment Indicators

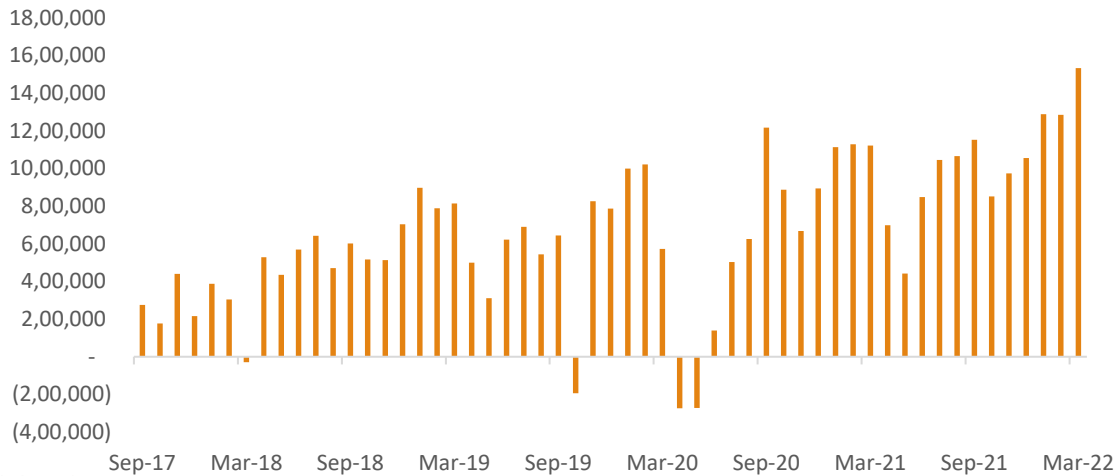
Median Employee cost growth



RBI Survey- Perception on Employment (Represents % of net respondents favouring improvement or worsening)



EPFO net payroll additions

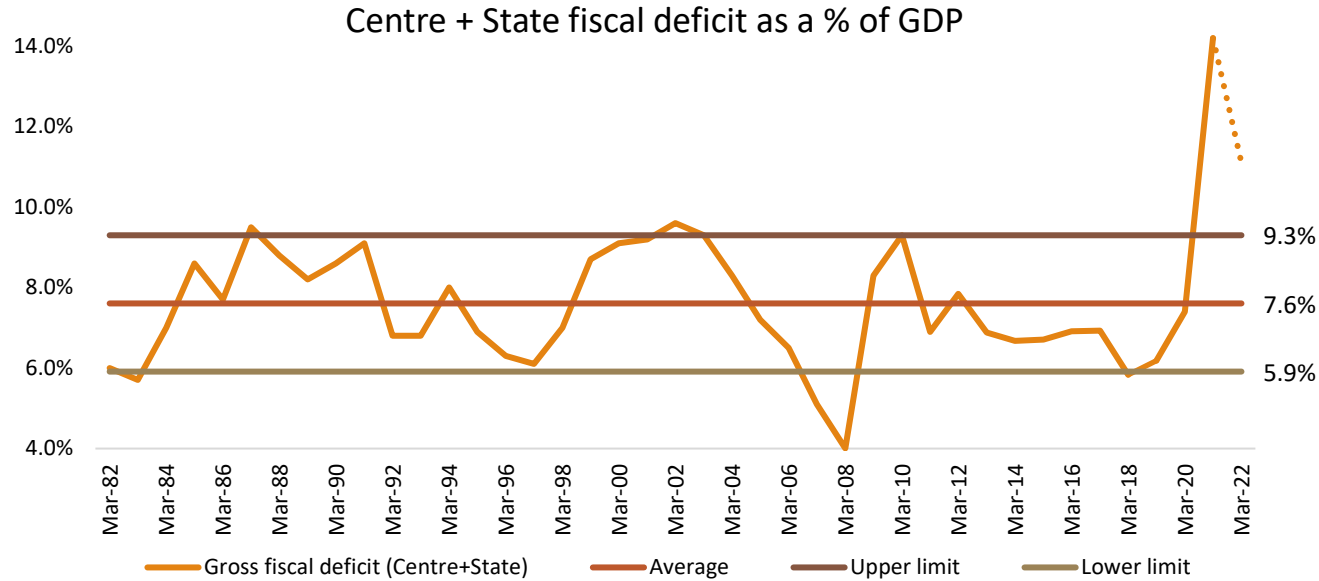


... Employee cost of listed Indian companies continued to grow in the Fourth quarter, with growth slightly moderating . Rise in employee cost may be a good indicator of increased overall hiring activity and income for individuals.

... Expectations about employment in the recent RBI survey continued to show improvement, as compared to previous periods. This can be seen in increasing hiring activities in urban India.

... Net payroll additions in EPFO continue to track better overall hiring activity as indicated by Naukri Jobs Speak index.

Fiscal Deficit



- ... The total tax revenue for FY 21 was higher by 3% than budgeted resulting in better than expected fiscal deficit position (6.7% vs 6.9% budgeted).
- ... The robust tax collections continue in April, with gross tax collections growing by 37% in April-22 on a YoY basis.
- ... This higher tax receipt, as compared to earlier BE may not translated into improved fiscal deficit position as the government is expected to spend additionally for Fertilizer subsidy, Transport and Food subsidy.
- ... The government has provisioned additionally Rs 1.1 lakh crore towards fertilizer subsidy in May to cushion the impact of higher international prices.
- ... The government has also cut excise duty on petrol and diesel which will result in loss of revenues of ~Rs 1 lakh crores to the center.
- ... Also, Government seems to have continued [PMGKAY](#) scheme until September 22 which add ~INR 80k crore to existing expenditures.

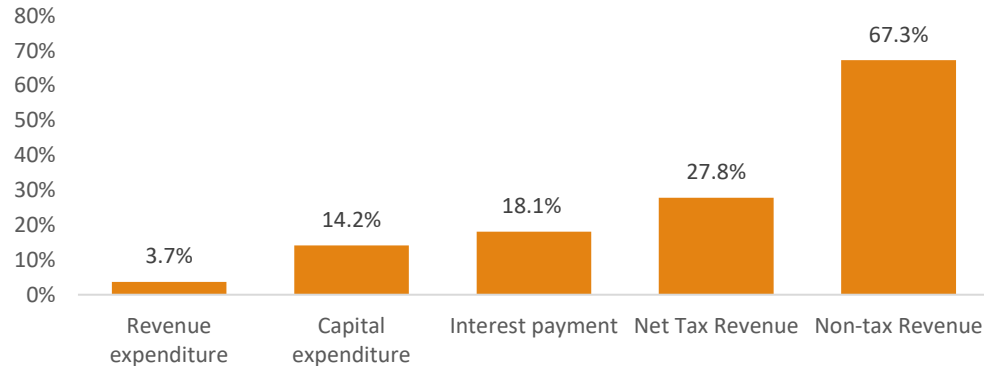
INR crores	Mar-22	Mar-21	Mar-20	Mar 22/Mar 21 Gr	Mar 22/Mar 20 Gr
Gross	2,708,291	2,024,852	2,009,882	34%	35%
Corporate tax	712,037	457,180	556,876	56%	28%
Income tax	673,410	469,226	480,341	44%	40%
CGST + IGST + Cess	701,700	551,223	601,454	27%	17%
Excise	390,807	389,662	239,599	0%	63%
Service tax	1,012	1,615	6,043	-37%	-83%
Customs*	199,114	134,756	109,171	48%	82%
Others	30,211	21,190	16,398	43%	84%
Assignment to state	-881,779	-594,997	-650,677	48%	36%

*Some customs duty paid entitles tax credit under GST

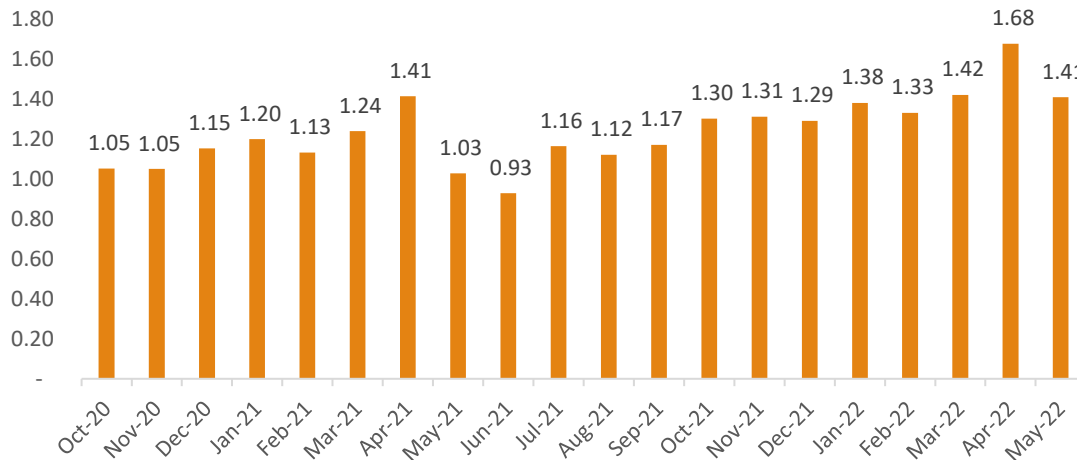
+36% vs March 20

Government Income and Spending

Central government - spending growth YoY
April-March- 22



GST Collection in Rs. Trillion



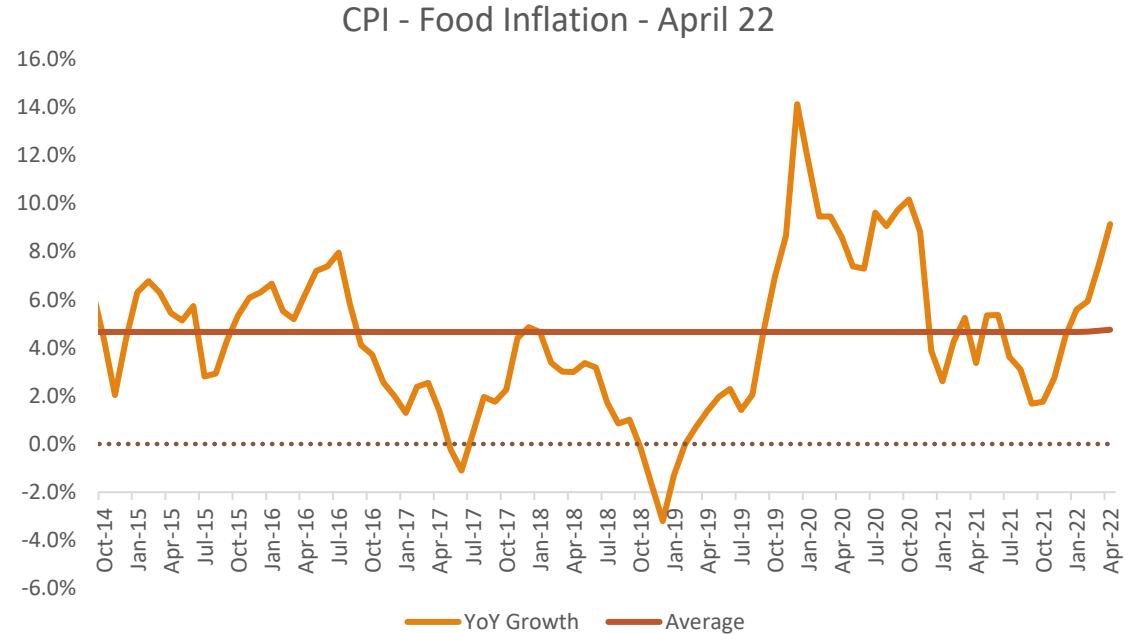
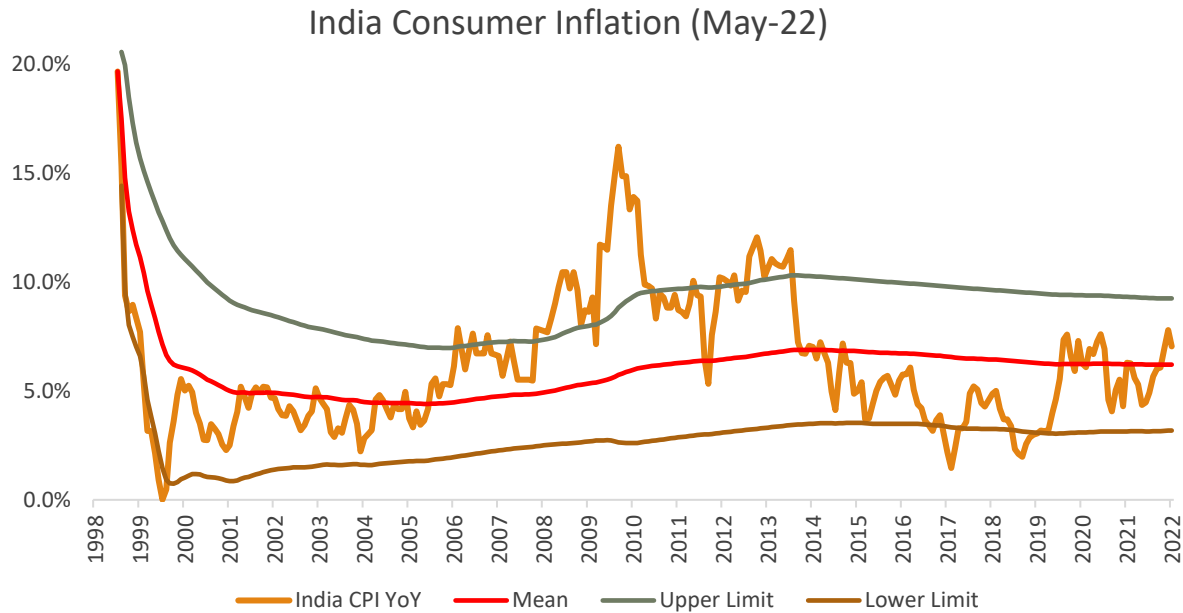
... GST collections cooled off from the highs of April but continued to remain on trend.

... Also being ad valorem tax, inflation would have also contributed towards higher collection.

... GST collections may surpass BE of 1.2 trillion/month as trends suggest higher tax collections. [Reports](#) suggest gross collections in the range of INR 1.35 trillion per month, which will benefit the Centre to the tune of INR 90k crore, offering some respite to the deficit position.

... The governments income will, however, be hampered by poor divestments during the year as the LIC IPO divestment was significantly lower than budgeted and BPCL divestment scrapped. Divestment of Hindustan Zinc may help the government achieve its target after 2 consecutive years of missing target.

Inflation



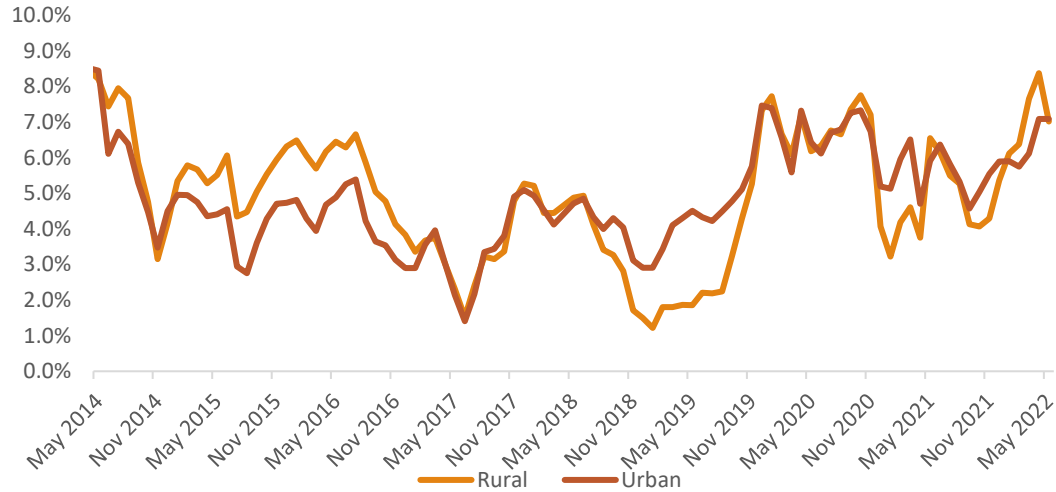
... The CPI inflation eased slightly in May but continued to remain above mean levels. The move towards mean levels was driven by increase in food inflation, fuel and lighting, miscellaneous and clothing and footwear segments.

... Food inflation continues to remain elevated with high vegetable, oil and fat and meat and fish and spices prices.

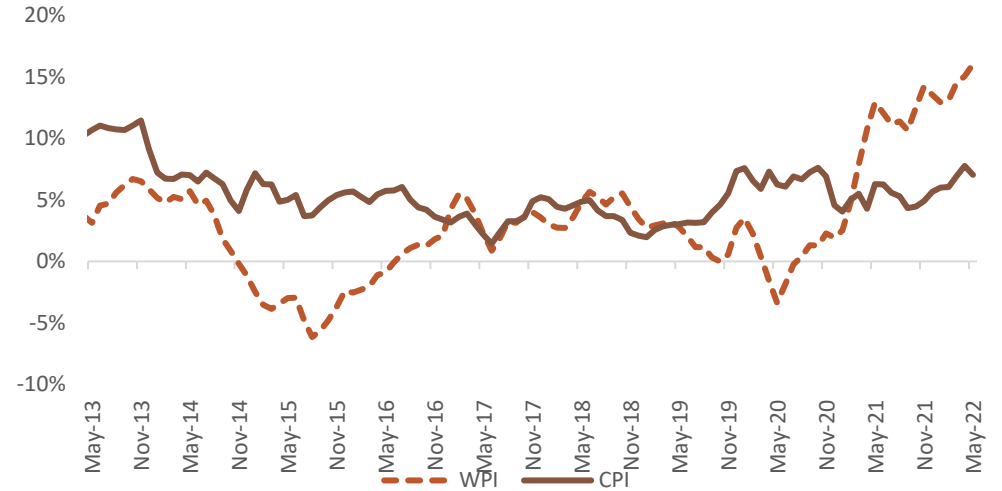
... The persistent high inflation has resulted in hike in the Repo rates by the RBI by 40 bps in an emergency meeting in May and a further hike of 50 bps in June. RBI increased its project for FY 23 inflation by 100 bps to 6.7% in the June meeting. Various reports suggest further rate hikes of 50-100 bps.

Inflation

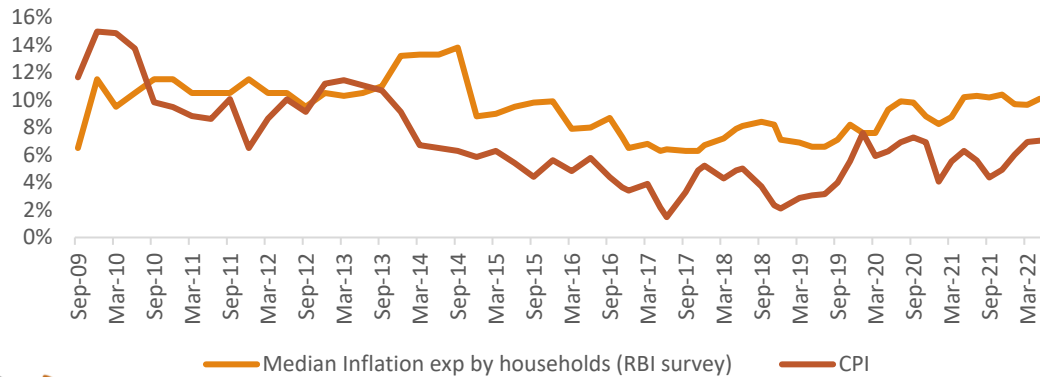
Rural Vs Urban inflation



WPI Vs CPI



CPI vs median inflation experienced by households (RBI survey)



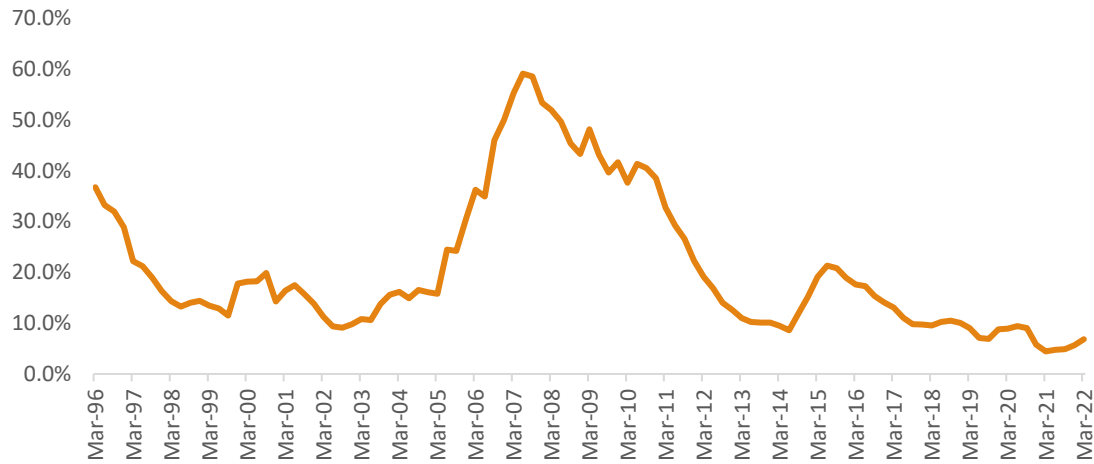
... Wholesale prices continue to rise in double digits in May. WPI also accelerated in May to a 30 year high. The low base effect no longer exists for WPI.

... Inflation in Rural India seems to be growing at a faster pace than in Urban India.

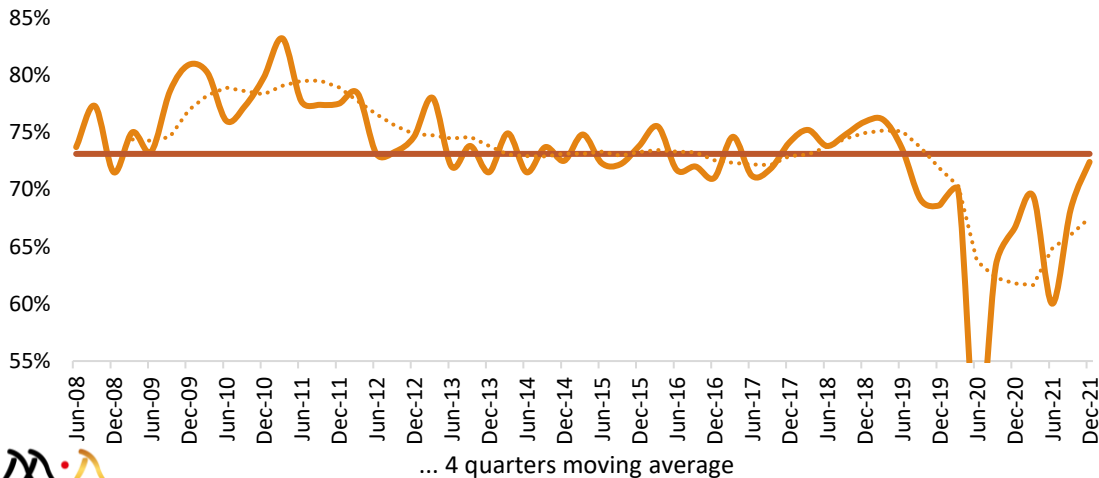
... Inflation experienced by households seems to be significantly higher than the CPI number and has been increasing, especially in urban areas

Capital formation

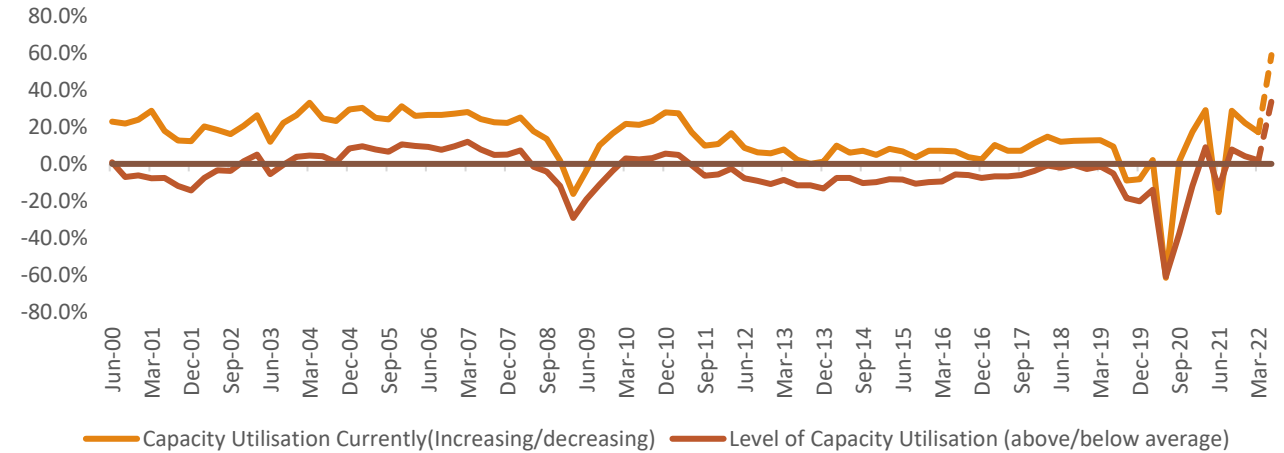
New Capex as a % of GDP - March 22



India Capacity Utilisation as at Dec-21



RBI Survey- Capacity Utilisation
(Represents net % Respondents in favor)

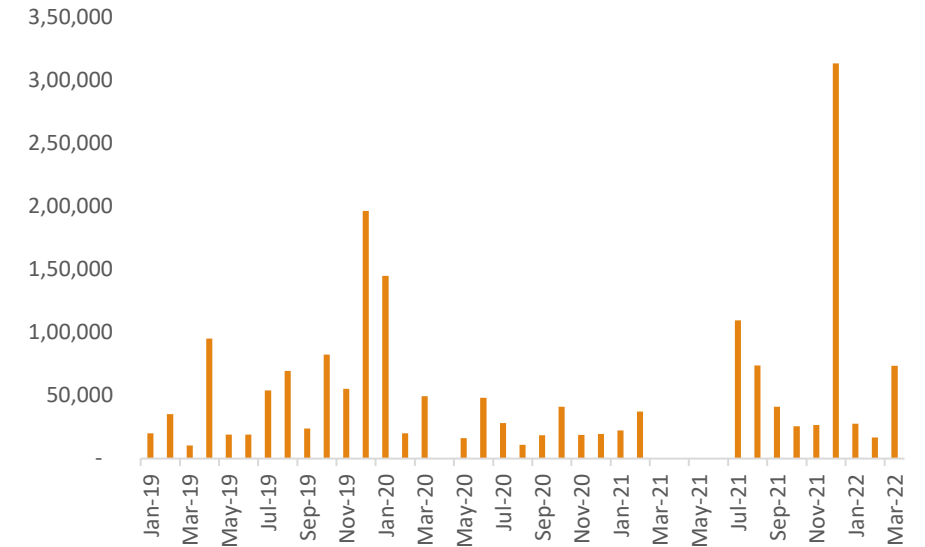


- ... Capacity utilization had moved towards mean levels in the Dec 21 quarter and has improved further as per the RBI survey. Respondents to the survey further expect capacity utilization to improve as they expect expansion in demand parameters.
- ... Also, the survey indicated businesses having enough capacity to meet the demand requirements in the near term (next 6 months).
- ... However, as capacity utilization improves there is some renewed interests for new capex as evident from next slide.

Capital formation

	Industries (IEM Part A filed)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
28%	Electrical Equpts	Green	Yellow	Red	Red	Red	Yellow	Red	Red	Red	Yellow	Green	Green	Green	Green	Green
17%	Mettallurgical Industries	Green	Yellow	Red	Yellow	Red	Red	Red	Red	Yellow	Yellow	Green	Green	Green	Green	Green
8%	Chemicals(Except Fertilizers)	Green	Yellow	Green	Yellow	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Red	Green	Yellow
5%	Cement and Gypsum	Yellow	Red	Yellow	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green
4%	Textiles	Yellow	Red	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Yellow	Yellow	Yellow	Red	Red	Yellow
3%	Fertilizers	Red	Red	Green	Yellow	Red	Yellow	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Red	Red
3%	Fuels	Red	Red	Yellow	Yellow	Red	Yellow	Yellow	Red	Yellow	Red	Yellow	Green	Green	Green	Green
2%	Transportation	Yellow	Red	Green	Yellow	Green	Green	Yellow	Yellow	Yellow	Green	Yellow	Yellow	Red	Green	Yellow
2%	Food Processing Industry	Yellow	Yellow	Green	Green	Yellow	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Red	Red
2%	Comm/Office/Hhold equpts	Yellow	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Red	Red	Red	Red	Yellow	Red	Red
2%	Misc.Mechanical & Engg.Ind	Yellow	Red	Yellow	Green	Yellow	Yellow	Yellow	Red	Red	Red	Green	Yellow	Green	Green	Green
1%	Drugs and Pharmaceuticals	Green	Yellow	Yellow	Yellow	Yellow	Green	Yellow	Red	Yellow	Yellow	Yellow	Green	Red	Red	Red
1%	Fermentation Industries	Green	Yellow	Yellow	Yellow	Red	Yellow	Yellow	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
1%	Paper and Pulp	Red	Red	Red	Green	Yellow	Yellow	Yellow	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
1%	Sugar	Green	Red	Yellow	Red	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Yellow	Yellow	Green	Yellow
21%	Others	Yellow	Red	Green	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Yellow	Yellow	Green	Yellow
	Total	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Green	Green

Value of IEMs filed



... The IEM data from DIPP suggests green shoots in the overall interest for capital expenditure up to December. Sectorial breakup suggests significant capex investments expected in Sugar, Drugs and Pharma and Fermentation industries, with green shoots in the Chemicals, Cement and Metallurgical industries.

... Post December 21, additional projects worth ~Rs 1.17 lakh crores have been announced up to March.

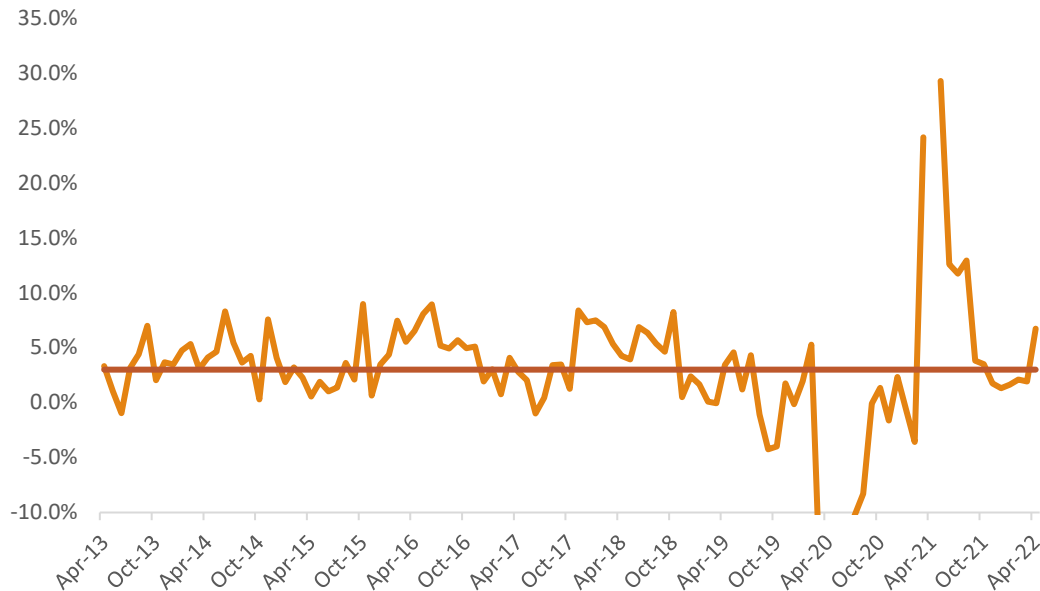
... Electrical equipment, Textiles, Metallurgical Industries and Fermentation Industries have seen major announcements.



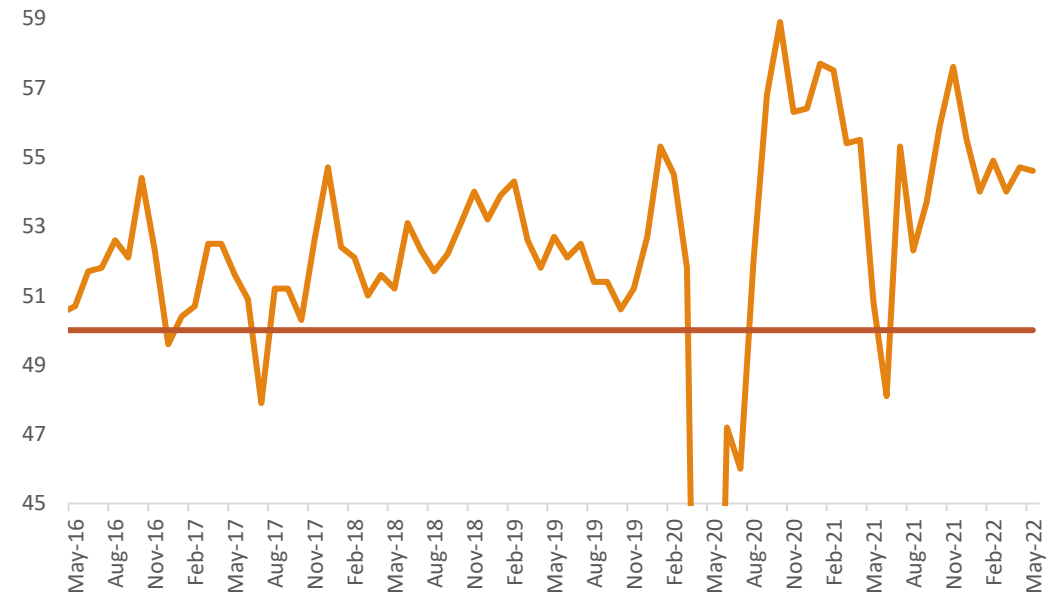
Please refer this link for a brief about IEMs- [About IEMs](#)

Index of Industrial Production

IIP - General Index



PMI - Manufacturing

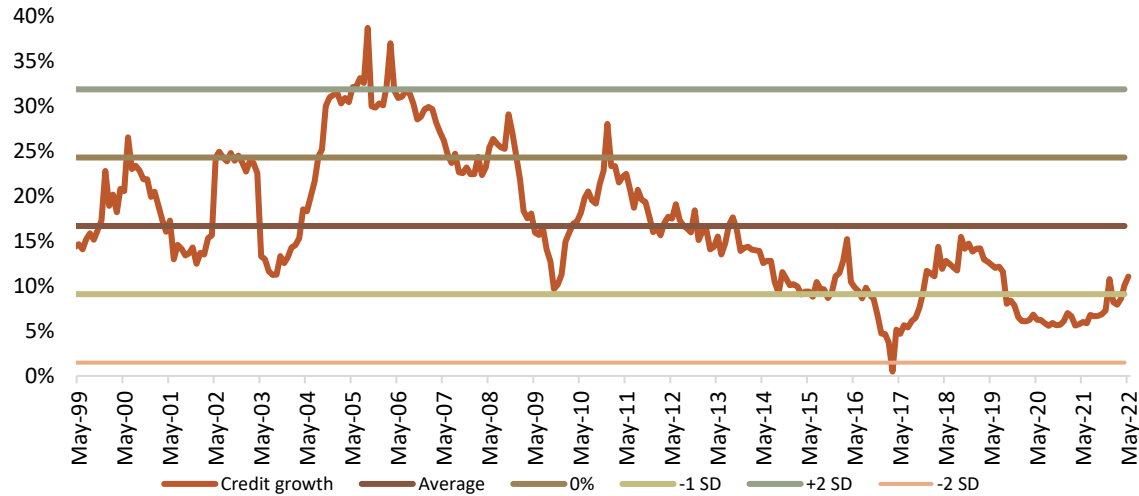


... IIP grew in April due to, to some extent, the low base effect of Covid in April 21. Growth seen across all segments led by growth in electricity and Capital goods.

... Services as well as Manufacturing PMI saw improvement in May-22 indicating continued expansion. Services PMI continued to show strong growth seen in the past few months..

Credit Growth

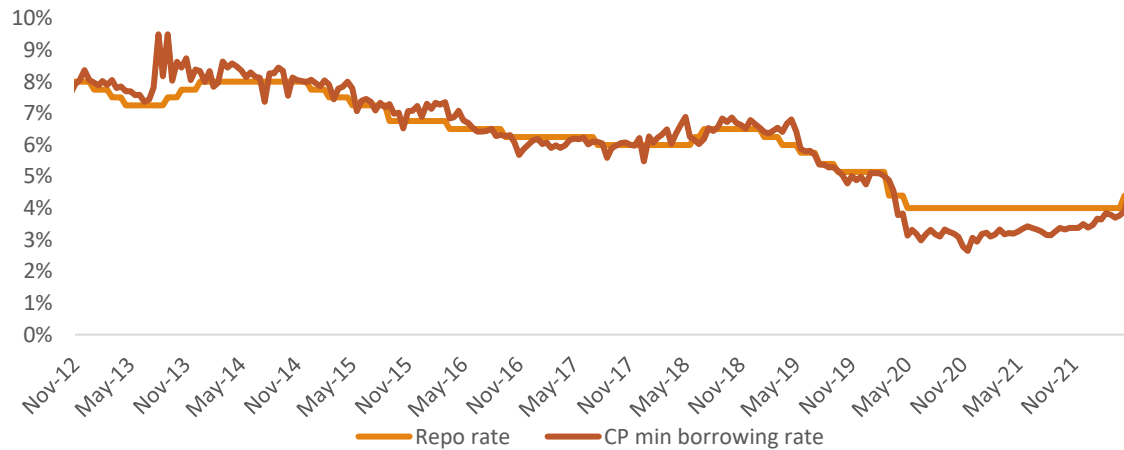
Bank credit growth YoY (May-22)



Commercial Paper Outstanding growth YoY (May 22)



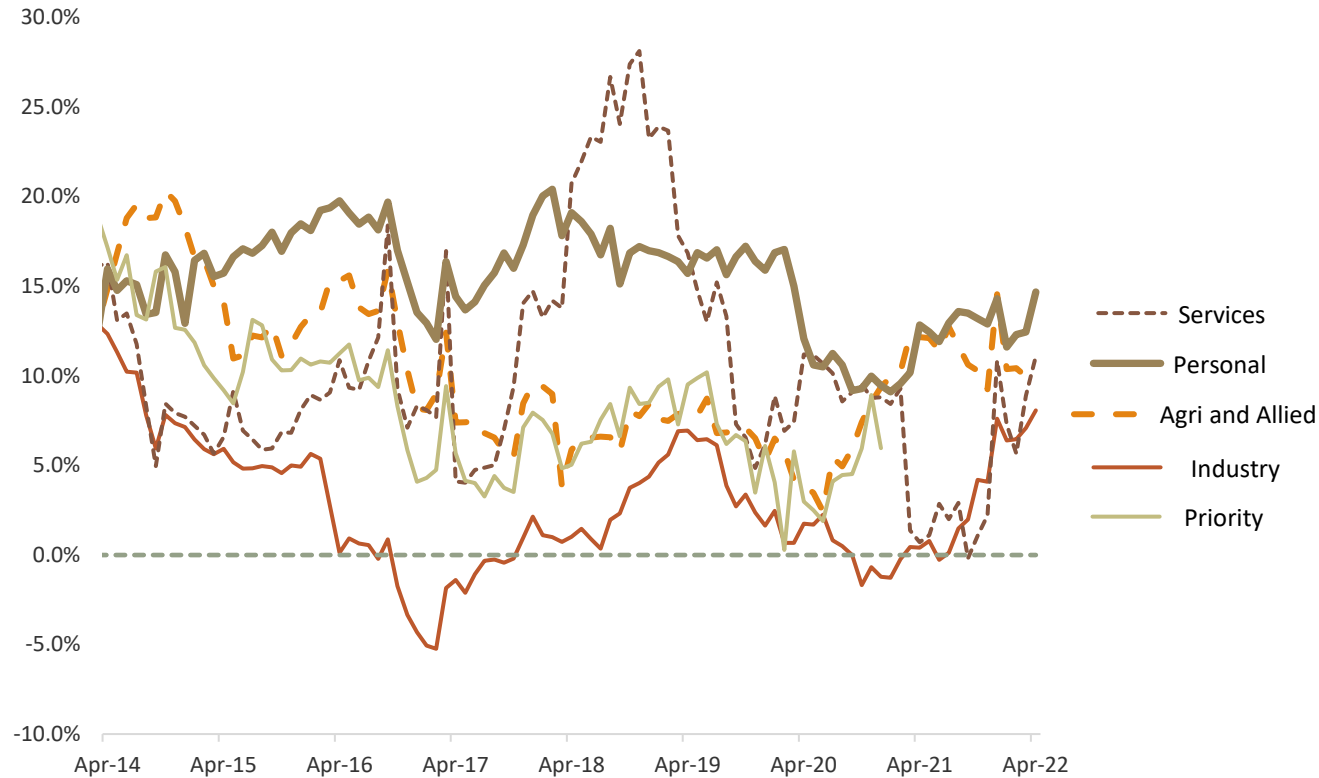
Commercial paper borrowing rates



- ... Credit growth accelerated in May growing above the long term +1SD levels.
- ... Outstanding value of commercial papers de-grew slightly in May.
- ... “Minimum borrowing rates” for commercial papers have seen a significant jump in the last 2 months as rates hikes have triggered an upward move in short term rates.
- ... “Lowest” CP rates have closed the gap to repo rate significantly in May.

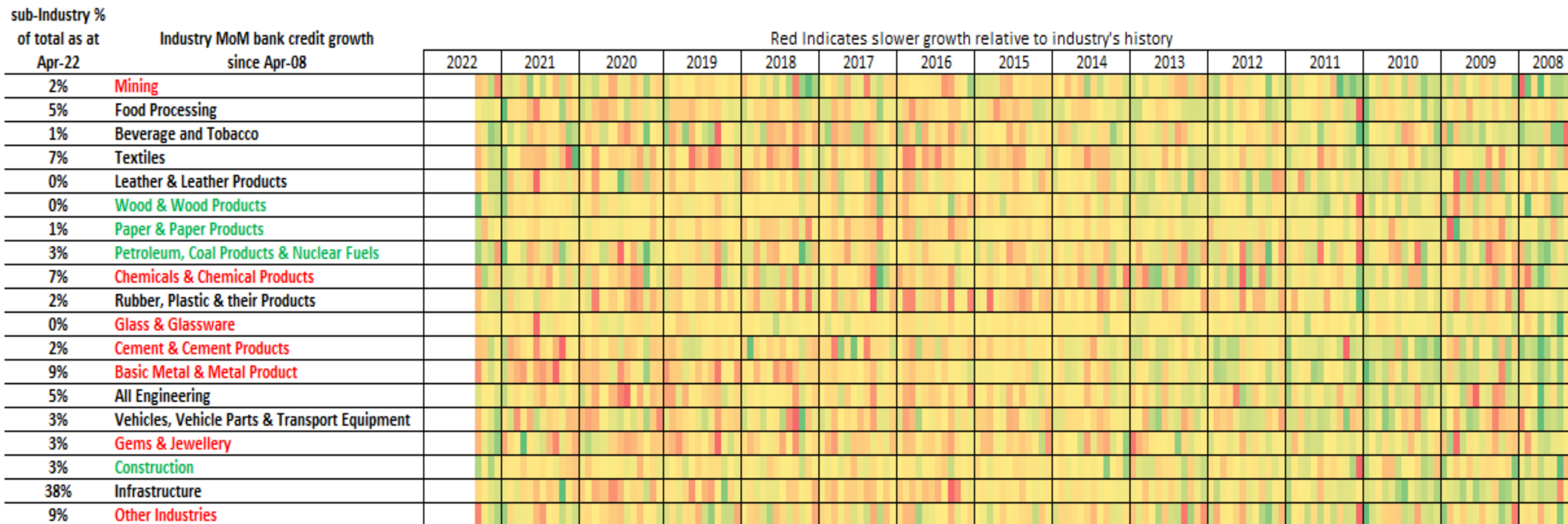
Bank Credit Growth – Key sectors

Sector wise credit growth (April 22)



- ... All segments of the credit market posted accelerating growth in April.
- ... Bank credit also grew on a MoM basis, indicating healthy demand from previous month as well.
- ... Personal credit continued to grow in the mid teens. The growth in overall credit took place on a sequential basis as well. Growth was driven by housing, credit card and vehicle loan segments.
- ... Service sector credit grew in double digits driven mainly by growth in loans to NBFCs.
- ... Industrial segment growth was the highest since FY14.

Bank Credit Growth – sub-Industry Heat map

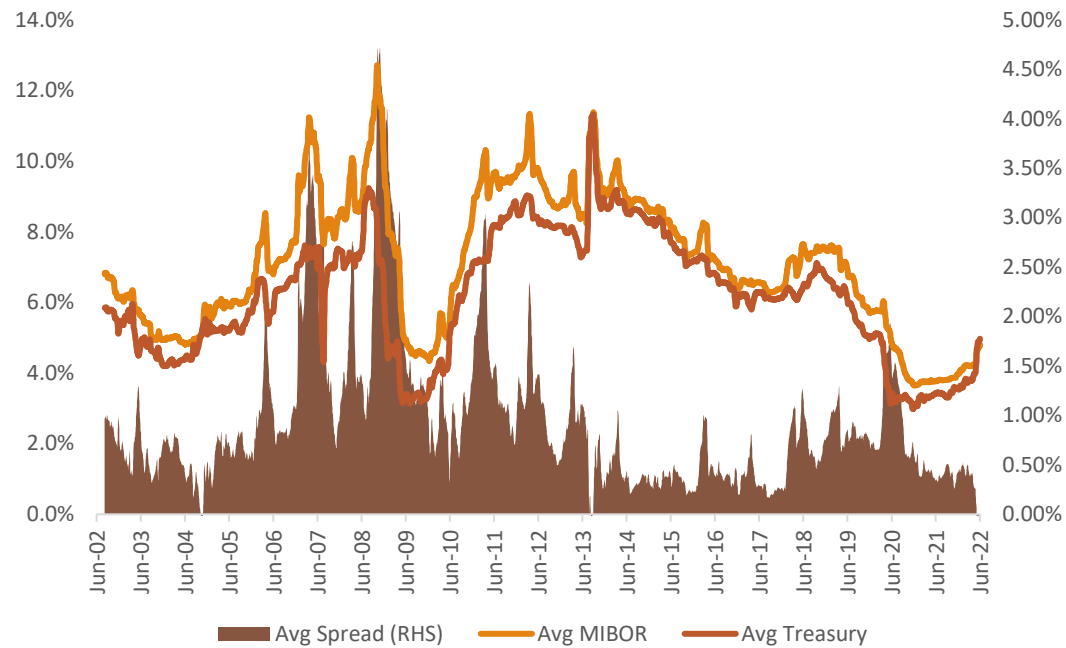


... Petroleum, Coal Products & Nuclear Fuels, Paper & Paper Products, Construction and Wood & Wood Products segment saw growth at the fastest pace in April 22.

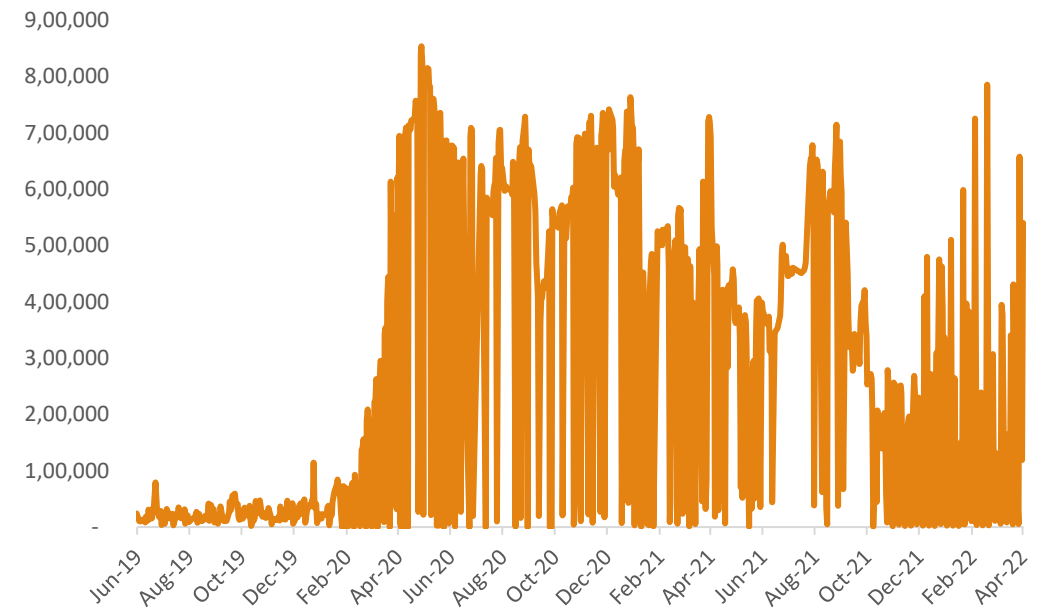
... Majority of the segments saw minor decline on a MoM basis after posting significant growth in the last 2-3 months.

Risk perception

3M MIBOR - 3M Treasury rate



Reverse Repo accepted Rs crores - as at 8 April 22

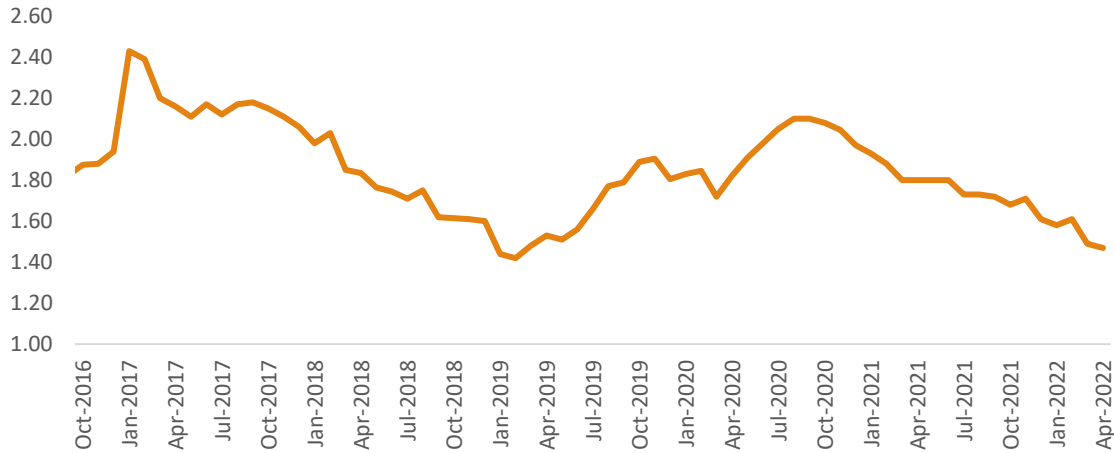


... MIBOR and treasury rates have been rising. Spreads have somewhat narrowed in the last 1 month.

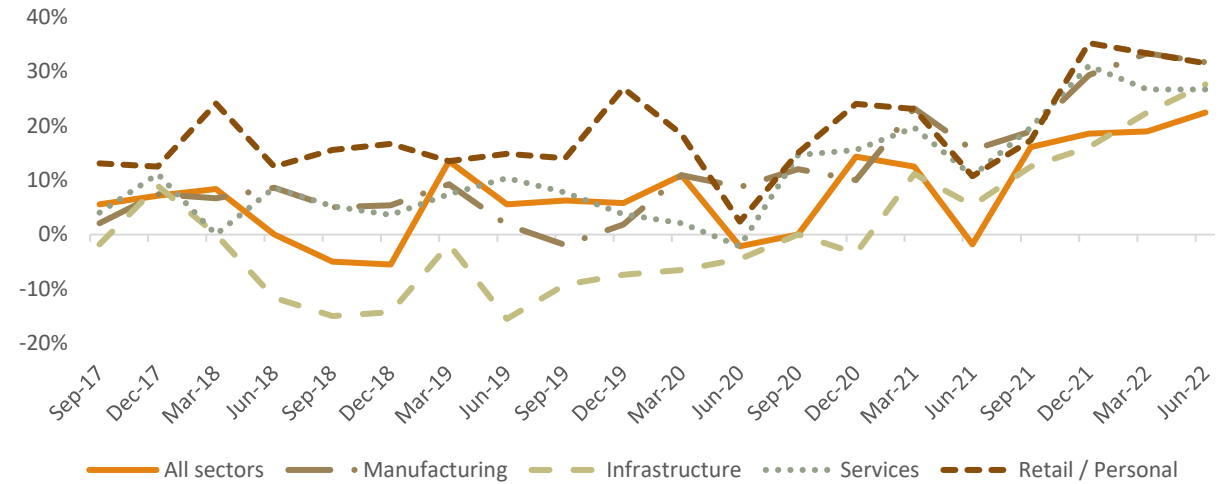
... Reverse repo auctions by RBI have stopped and it has been draining liquidity from the system in the last few weeks..

Risk perception

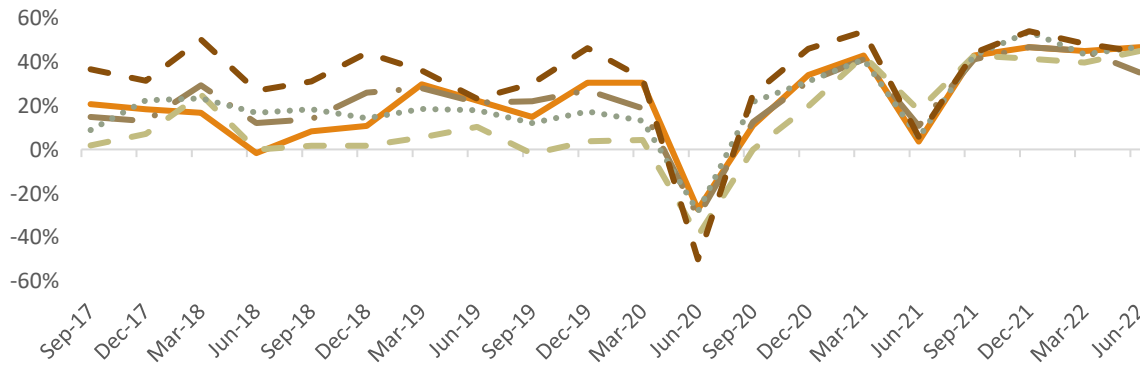
Spread Term loan-MCLR



Bank Lending survey- Loan Terms and Conditions (% Respondents in favour of easing terms/ conditions)



Bank lending survey- Expected Loan demand (% Respondents expecting an increase)

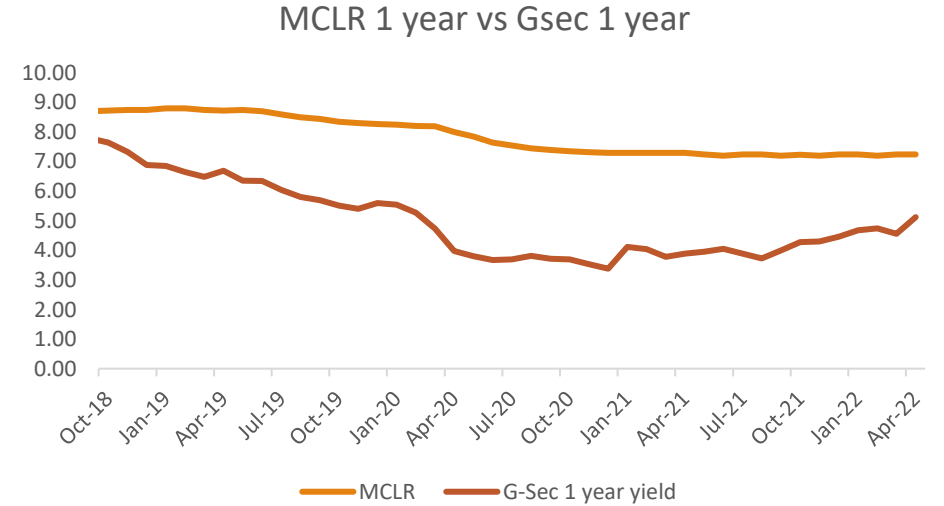
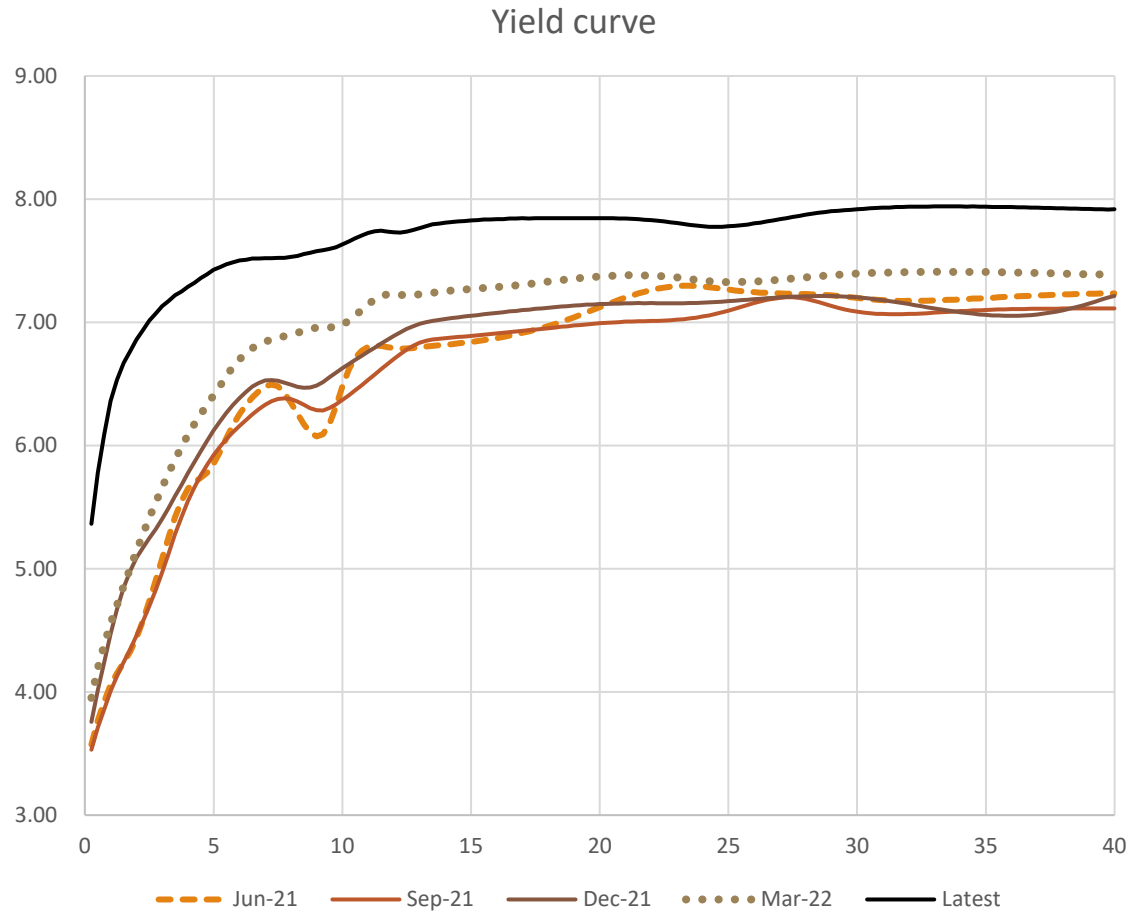


... As per RBI's bank lending survey, bankers expressed continued optimism for loan demand for all major sectors though the level of optimism was somewhat lower.

... Bankers expect loan demand to improve sequentially till Q3 FY 23.

... The current optimism over the demand and ease in terms can also be seen in the spread between the MCLR and term loan rates (both averages) of the scheduled commercial banks. However, MCLR and term loan rates have been on the rise post April.

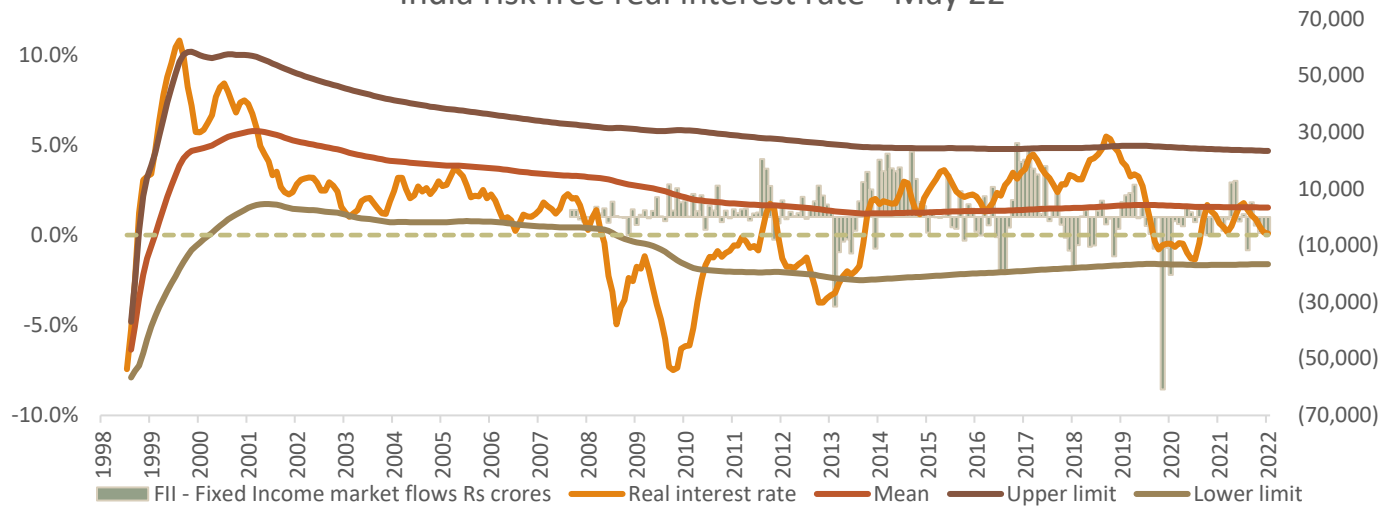
Risk Perception



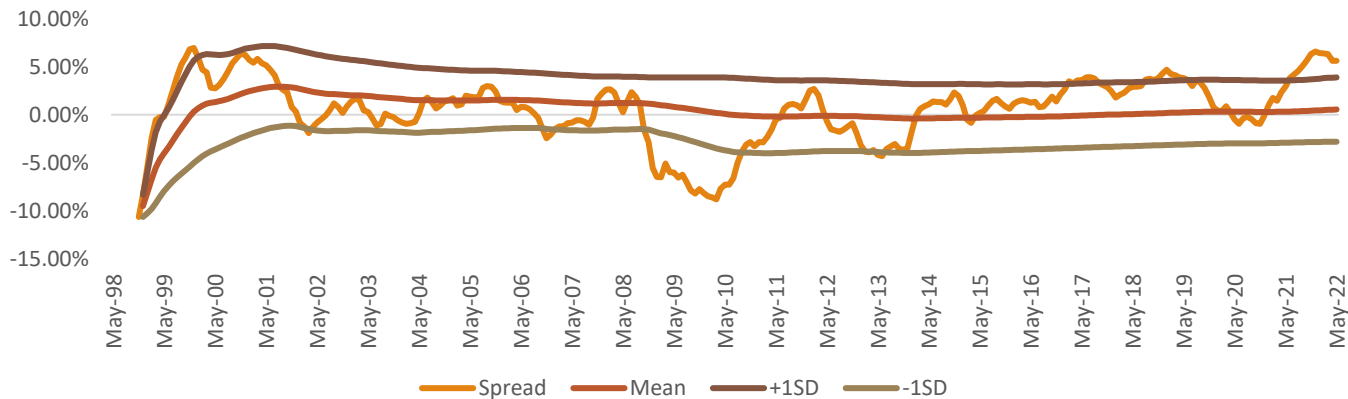
- ... The G-sec yield curve has moved upward significantly in the last 1 month. The rise is mainly driven by repo rate hikes taken and expected to be taken by RBI driving yields higher.
- ... The spread between the 1-year G-sec and 1-year MCLR seems to be narrowing as bond yields have been on the rise. However, MCLR also seem to be rising post April

Real interest rates

India risk free real interest rate - May 22

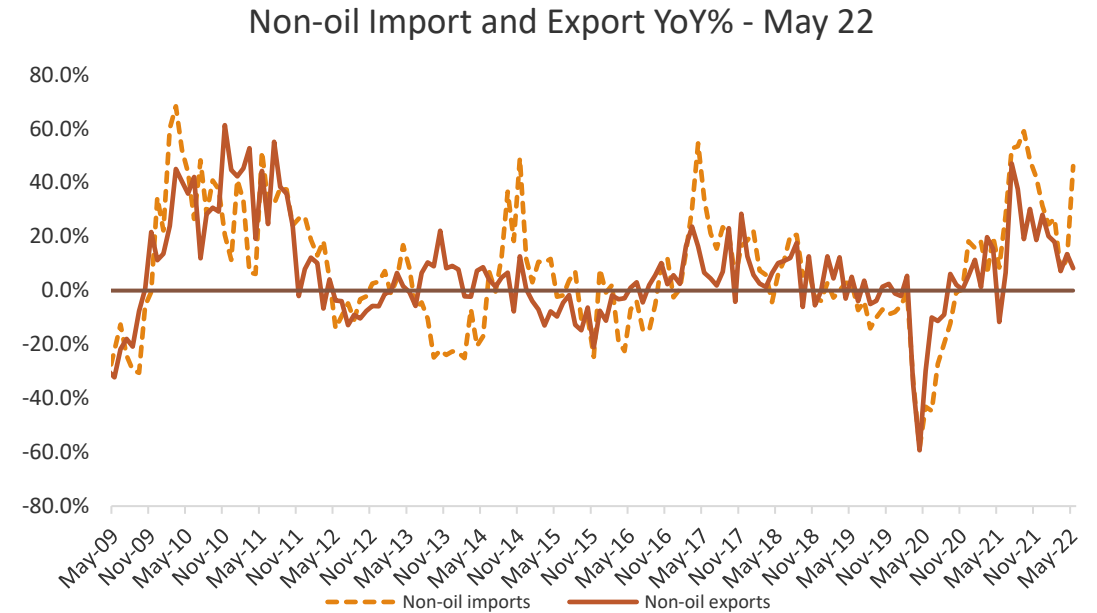


Spread between real rates India vs US



- ... India's real interest rates continue to fall as inflation has picked up in recent months.
- ... The 10-year G-Sec rates had seen a sharp move upwards as international bond yields have hardened on rising global inflation.
- ... Debt markets continue to see outflows from the FIIs.
- ... Spread or difference between real interest rates in India and US remain near highest levels. However, the US rates have risen significantly in the last few months and the spread between the real rates between US and India is slightly declining.

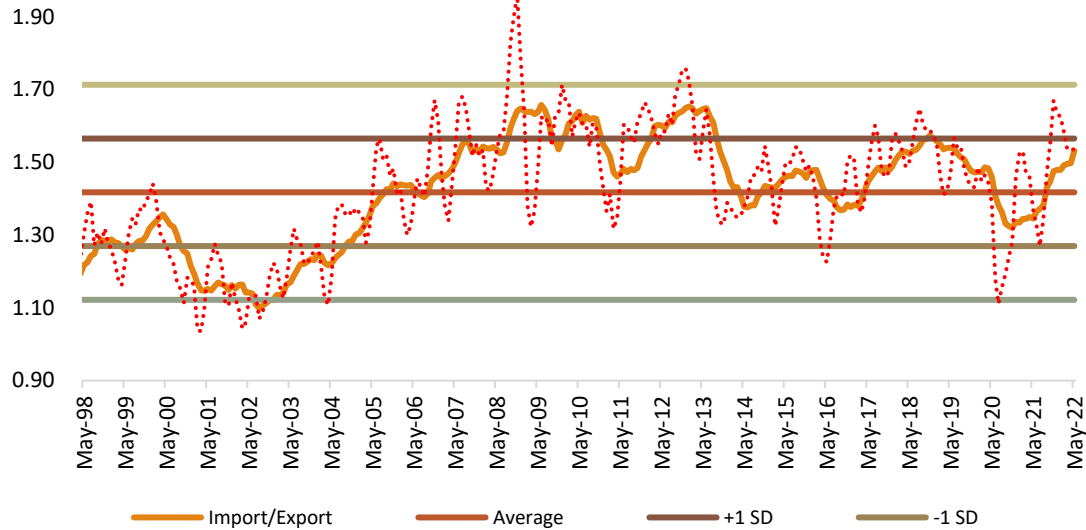
Trade Deficit



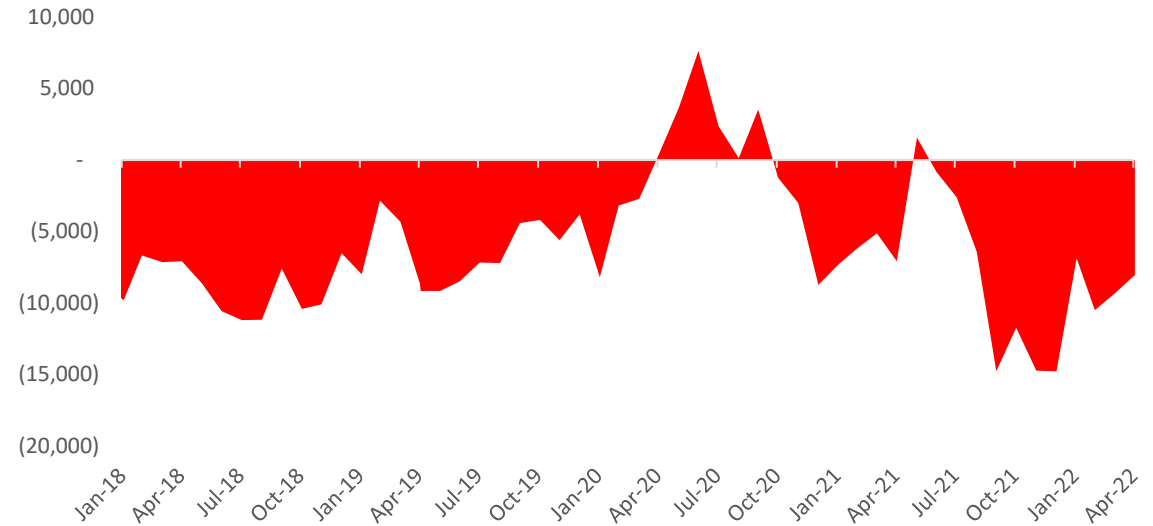
- ... Trailing 12 months Non-Oil Import-Export ratio has been inching up partly on strong demand for items such as electronics, coal and gold and partly driven by inflation in general.
- ... Non-oil trade deficit continues to remain elevated and has shot back up to USD 13 billion in May.
- ... Non-oil exports for May were lower on a MoM basis but grew on a YoY basis. Growth in non oil exports has been slowing down while imports continue to grow.

Trade Deficit and Services

Imports to Exports ratio - 12 month rolling (May-22)



Net Merchandise Import minus Net Services Import



... Trailing 12 months Import-Export ratio has risen above mean on higher crude prices, gold and electronic imports.

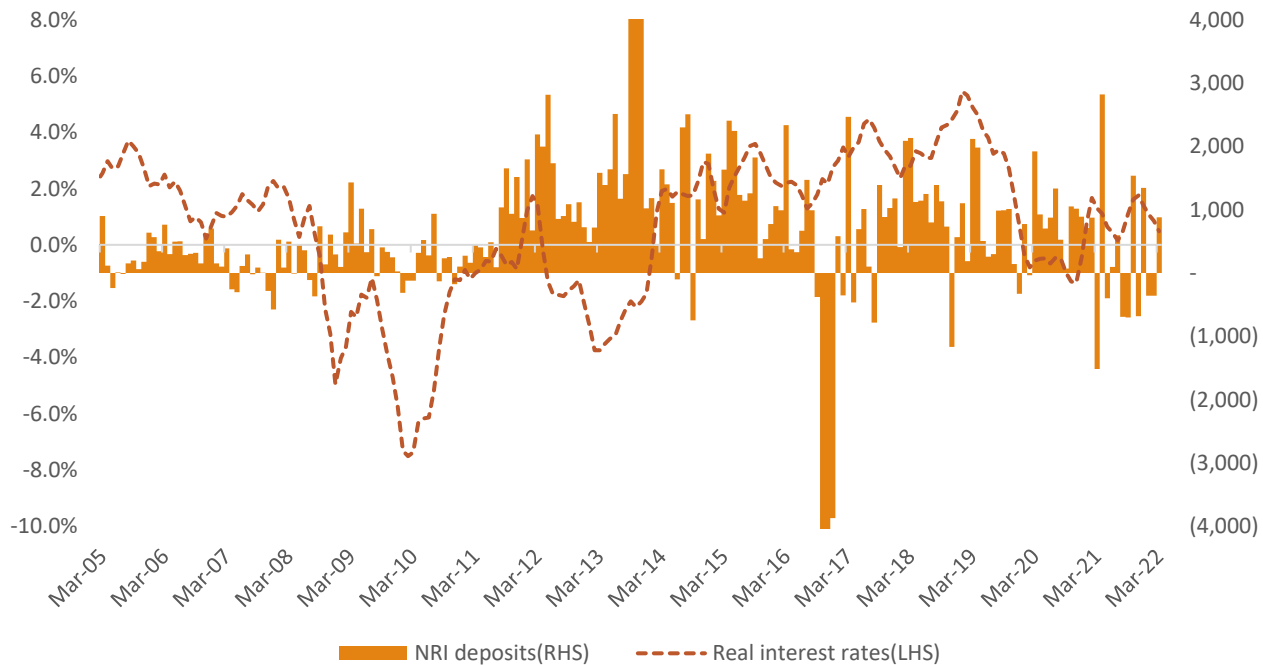
... Trailing 3-month Import-Export ratio also has been inching upwards and is close to +1SD levels. It has come down slightly in the last 3 months.

... Service sector exports continued to grow in April.

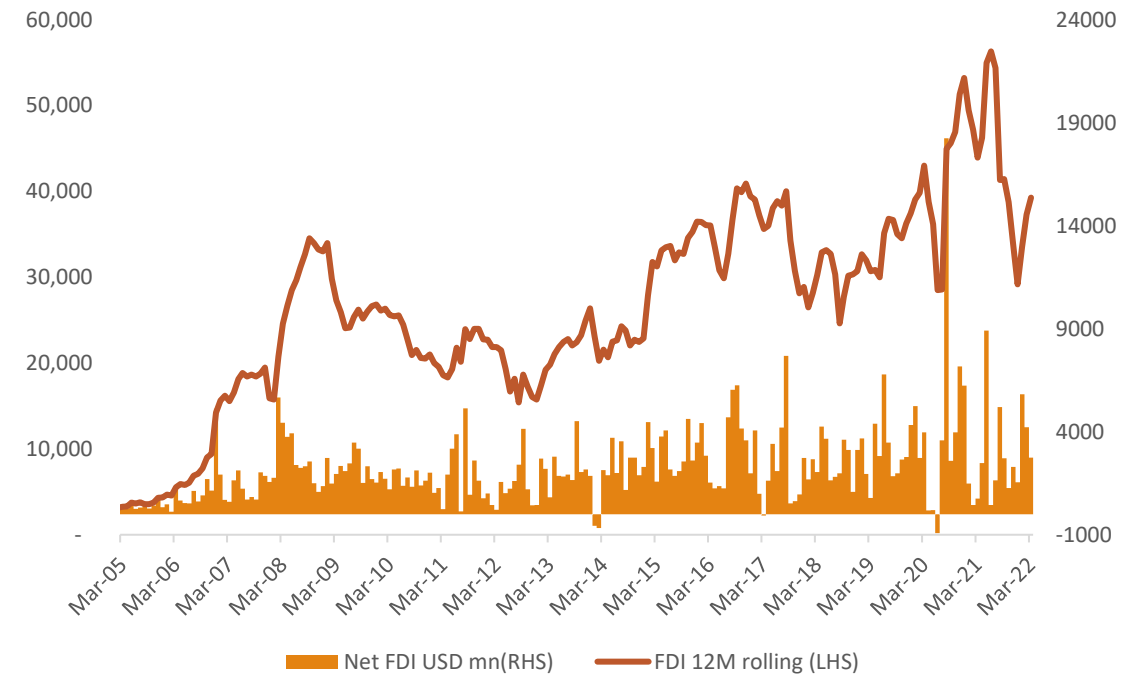
... Trade and services deficit has been declining in the last few months mainly due to growth in service exports. However, Merchandise deficit has seen a significant jump in May 22.

India – Foreign Capital flows

NRI Deposits and Real interest rates -March 22



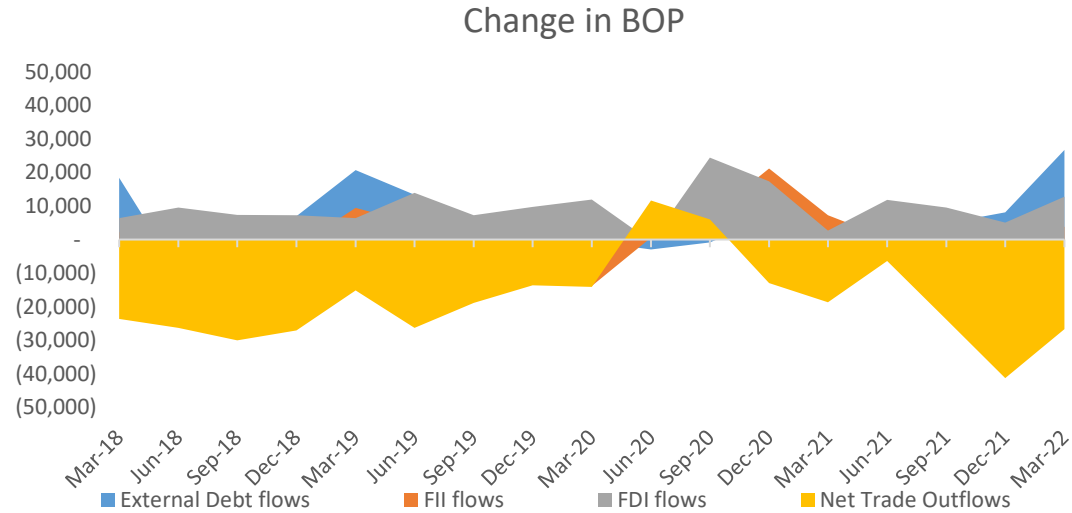
Net India FDI (USD mn) - March 22



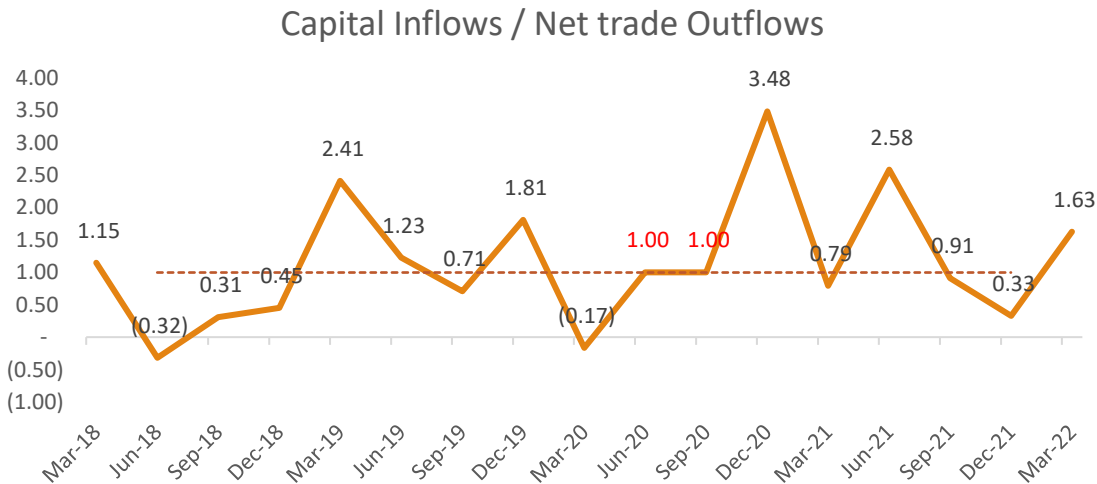
... India saw spike in FDI inflows during Aug-20, however, the rate of FDI inflows has been declining since then and has stagnated.

... Post strong inflows in Oct 21, NRI deposits seem to have slowed down and has been negative in the last few months.

Balance of Payments

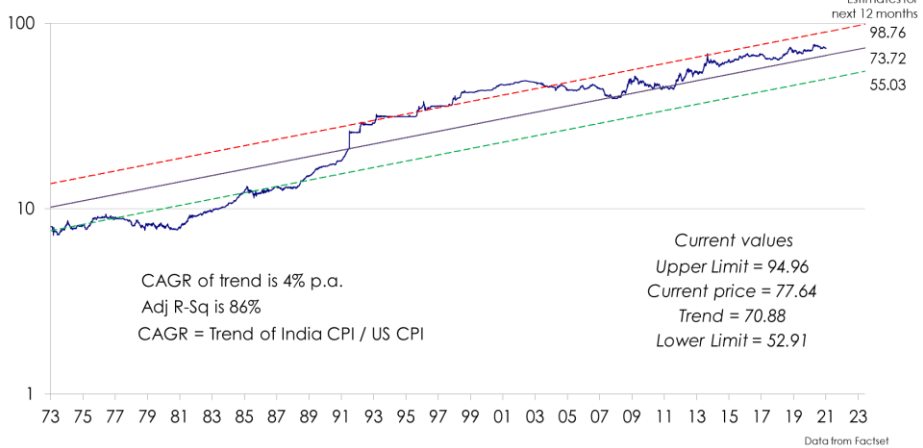


- ... India's balance of payments position deteriorated in the March quarter.
- ... Merchandise Trade deficit started to widen with rising crude prices, however, have been compensated by growing services export.
- ... With foreign capital inflows turning negative and trade deficit widening, India's balance of payment situation is likely to have deteriorated during June as well.



INR

INRUSD Currency Price from 1973 to 31 May 2022



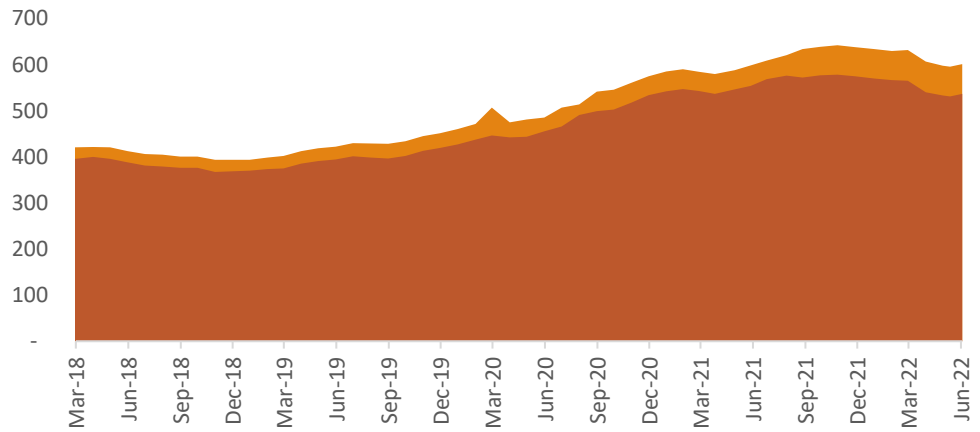
Published on Investing.com, 15 Jun 2022 - 17:06:42 GMT. Powered by TradingView
US Dollar Index, United States, NYSE:DXY, W

USD Index (DXY)



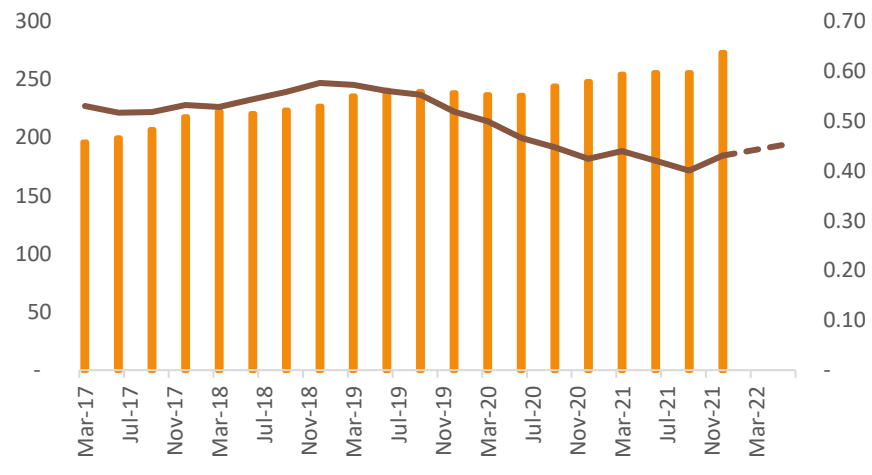
- ... USDINR continue to remain above trend line.
- ... USD Index (DXY) seems to have broken out and is currently trading at 104.
- ... Inline with global trends, INR has also continues to depreciated against USD and is trading at all time lows.

India - Forex reserves (USD bn)
June-22



■ Total reserve ■ Forex assets

India External debt- Short term



■ Short term debt ■ Short term debt to forex

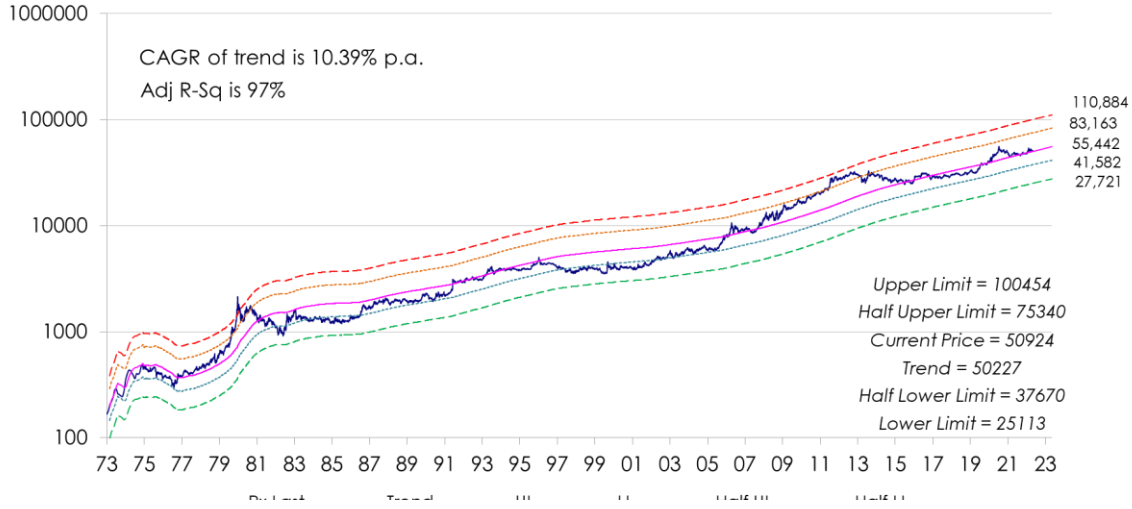
- ... India's forex reserves have been declining since Nov-21.
- ... India had US\$272 bn worth of short-term foreign currency debt outstanding as at Dec-21.



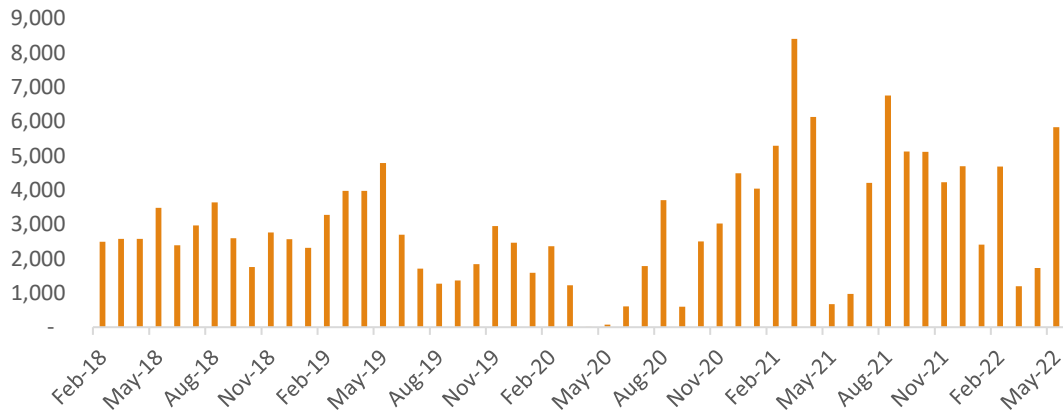
Gold

MCXGOLD Comdty Price from 1973 to 31 May 2022

Estimates for next 12 months



Gold Imports - USD mn



Published on Investing.com, 14/Jun/2022 - 14:14:58 GMT, Powered by TradingView.

Gold Mini Futures, India, MCX:MM1c1, D

Volume (20)



... Gold in INR terms is quoting near trend line.

... Technically gold looks neutral in the near to mid term and is expected to be in the 47-57k trading range.

... Gold imports in India improved in May.



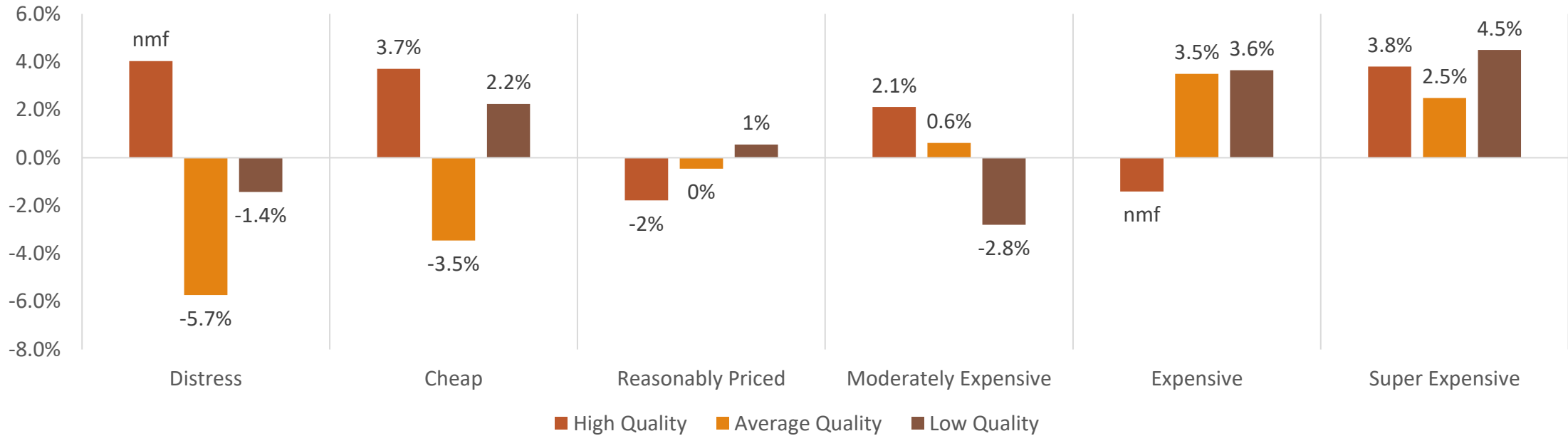
How are Indian equities currently placed?

Returns Attribution

Return buckets for the period between 12-May-22 and 13-June-22 or ~1 month.

448 companies taken, of which 253 companies as covered by Multi-Act's active coverage and 195 from automated coverage, are considered for this. *(There are 90 low quality and 73 high quality companies in the set.)*

Return Attribution: Quality and Valuation Bucket

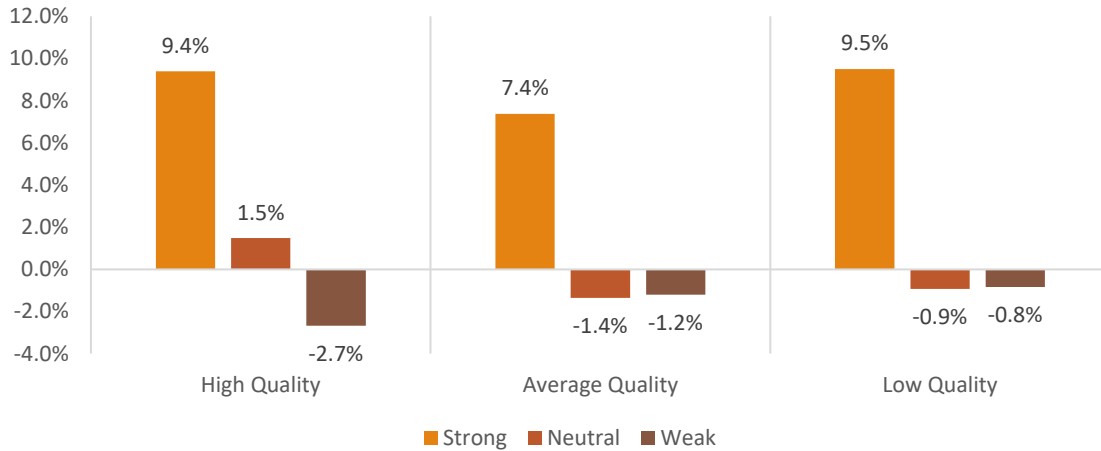


... All segments of the market have given a negative return.

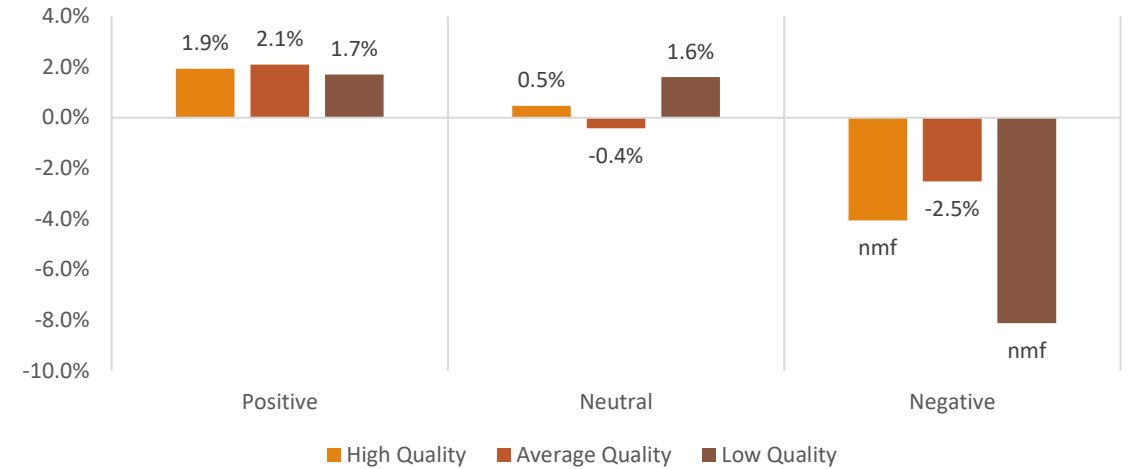
... Low quality companies have underperformed the most.

Returns Attribution - Momentum

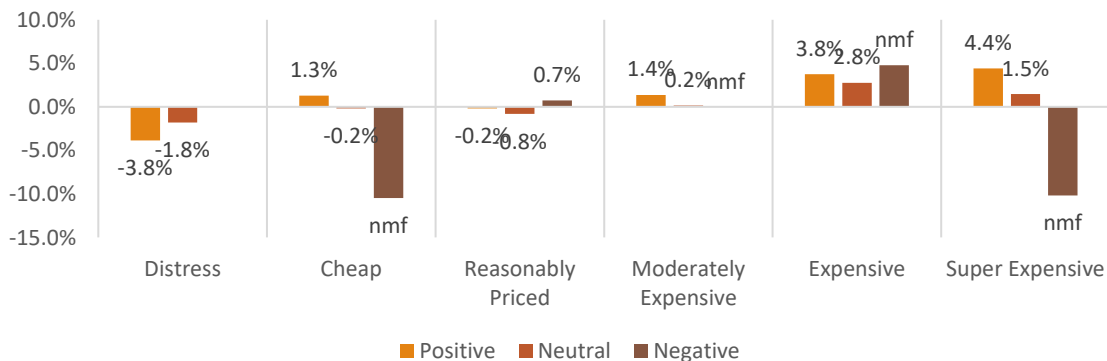
Returns Attribution : Quality & Technical Momentum



Returns Attribution : Quality & Earnings Momentum



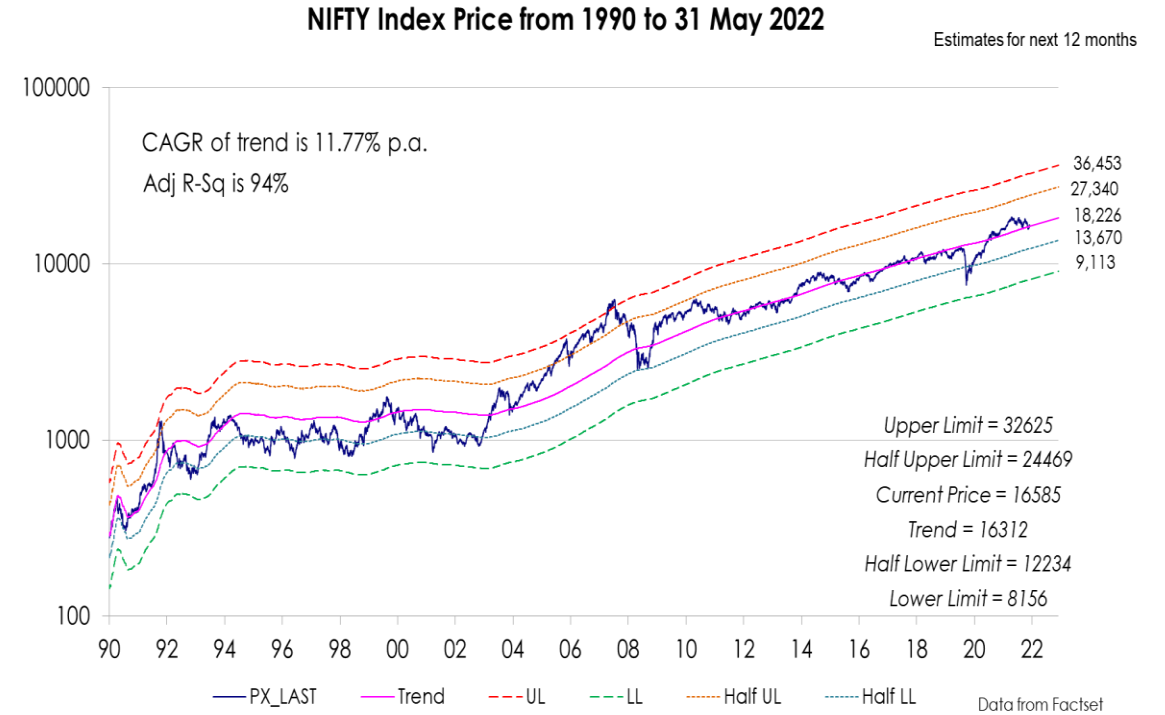
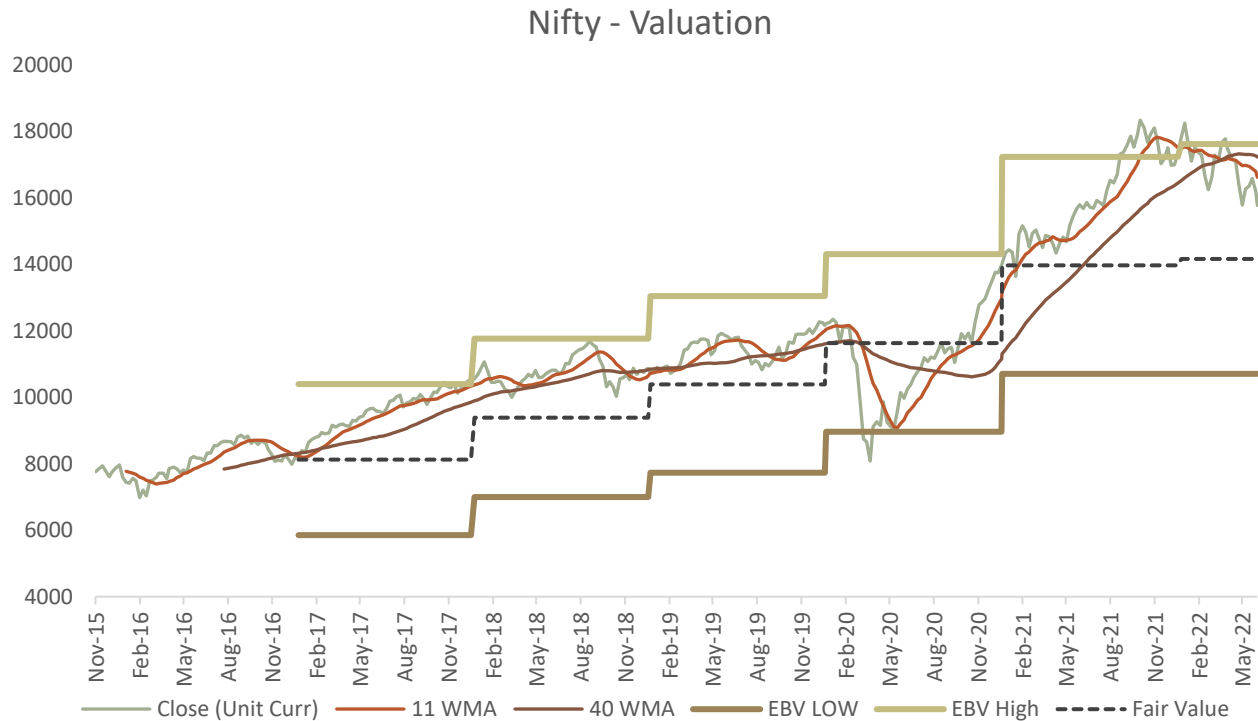
Returns Attribution : Valuation Buckets & Earnings Momentum



... Strong technical momentum stocks delivered better results during last 1 month.

... ~33% of the stocks remain in expensive or super expensive zone.

Nifty – Valuation



... Nifty seems to have corrected and is moving from top end of the valuation band towards the mid band (rolled over 'EBV' for FY23, based on individual companies Estimated Business Value – EBV range under Multi-Act's coverage).

... The recent correction in prices have brought back Nifty to trend line.

Indices-Technical Status

Published on Investing.com, 14/May/2022 - 7:56:48 GMT, Powered by TradingView.

Nifty 50, India, NSE:NSEI, D

Volume (20)

Nifty- 50



Published on Investing.com, 14/May/2022 - 14:20:36 GMT, Powered by TradingView.

NIFTY Midcap 100, India, NSE:NIFMDCP100, D

Volume (20)

Nifty Midcap 100



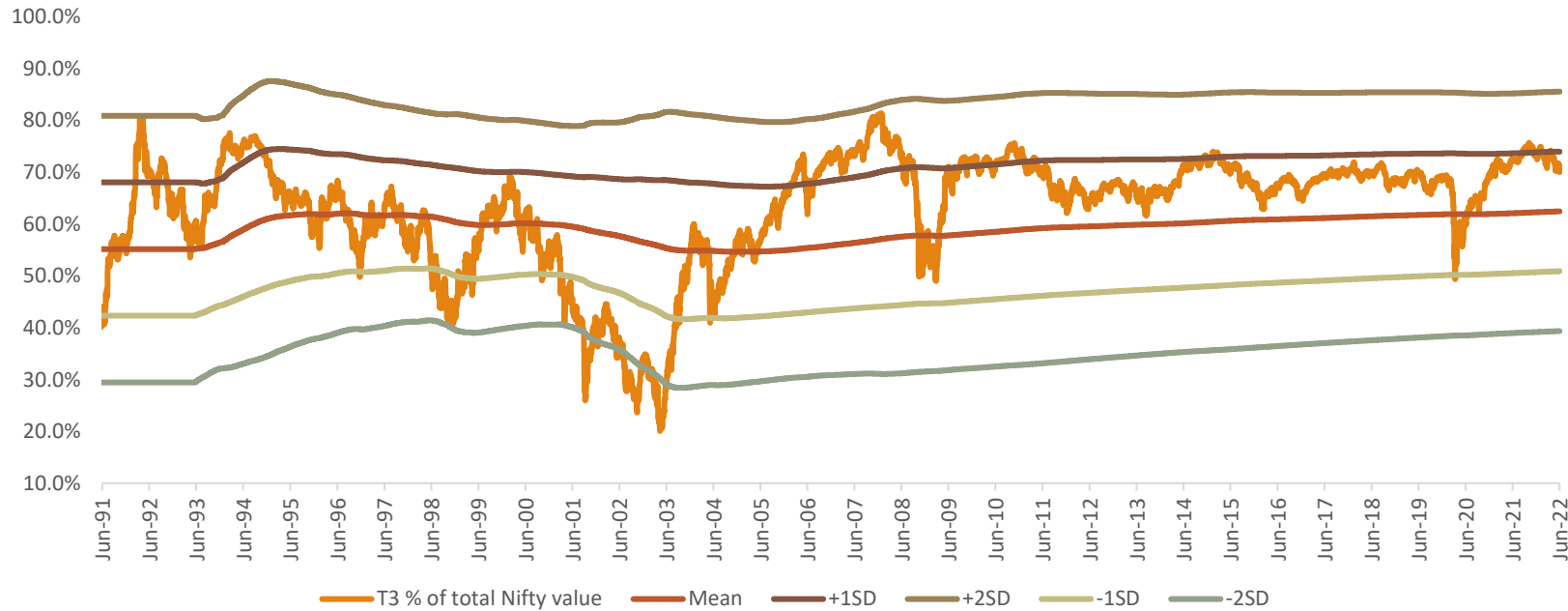
... Both Nifty-50 and Nifty Midcap are at key support levels, if broken will lead to further decline in indices to the tune of 5-10% in the bearish scenario for Nifty 50 and 5% -15% in case of Nifty Midcap.

... The key near term support levels for Nifty 50 are 14.9k-15.1k and 14.1k -14.3k, if it breaks down even further.

Nifty – Growth value

Tranche3 or Implied value assigned for growth by market as a % of total Nifty value (as at 13-June-22)

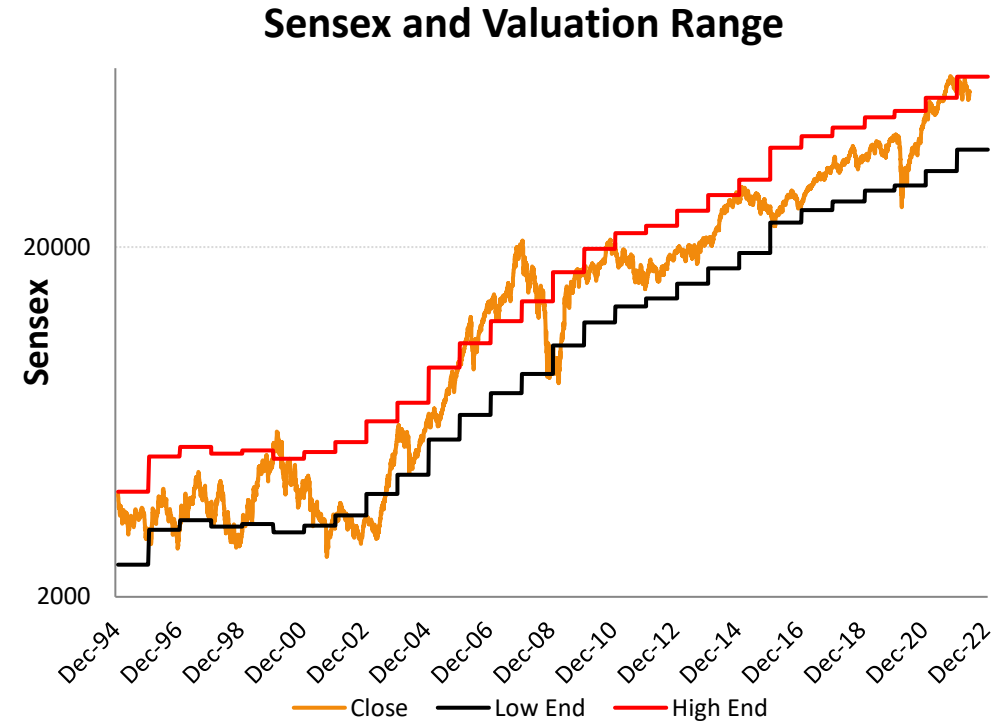
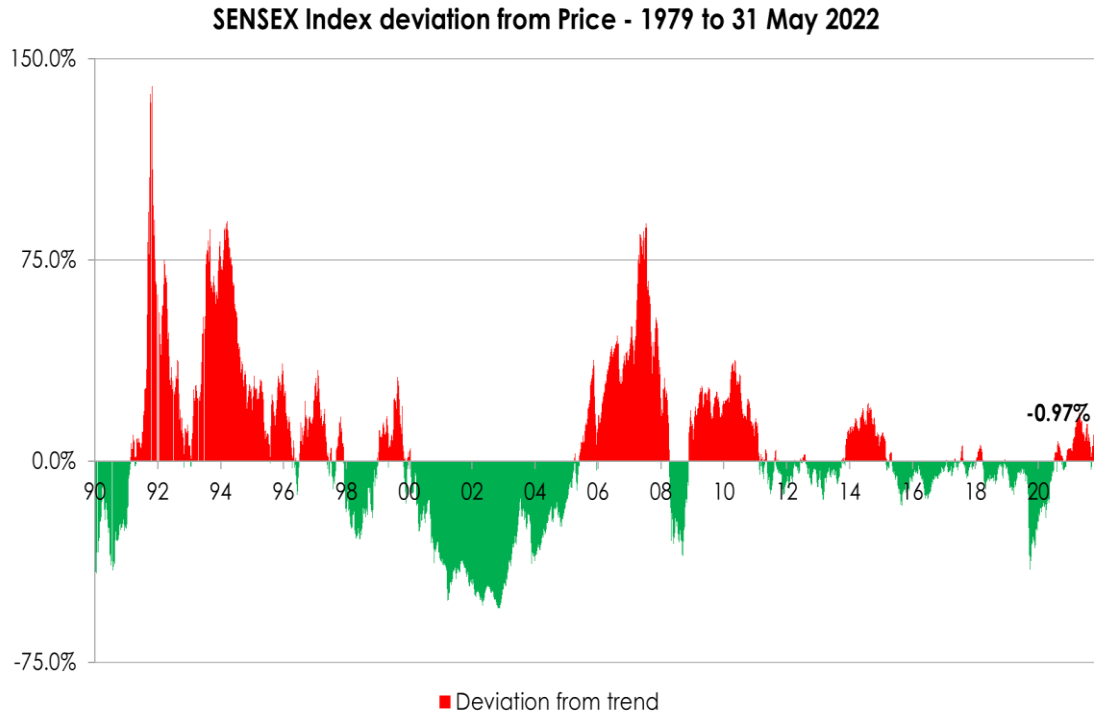
Trend earnings prior to 1999 regressed backwards based on data between 1999 and 2022 to arrive at Tranche 3



Nifty levels as at 13-June-22	
+2SD	18,172
+1SD	16,357
Mean	14,541
-1SD	12,725
-2SD	10,910

... Growth multiples assigned to Nifty are near their previous highs and are close to +1SD levels.

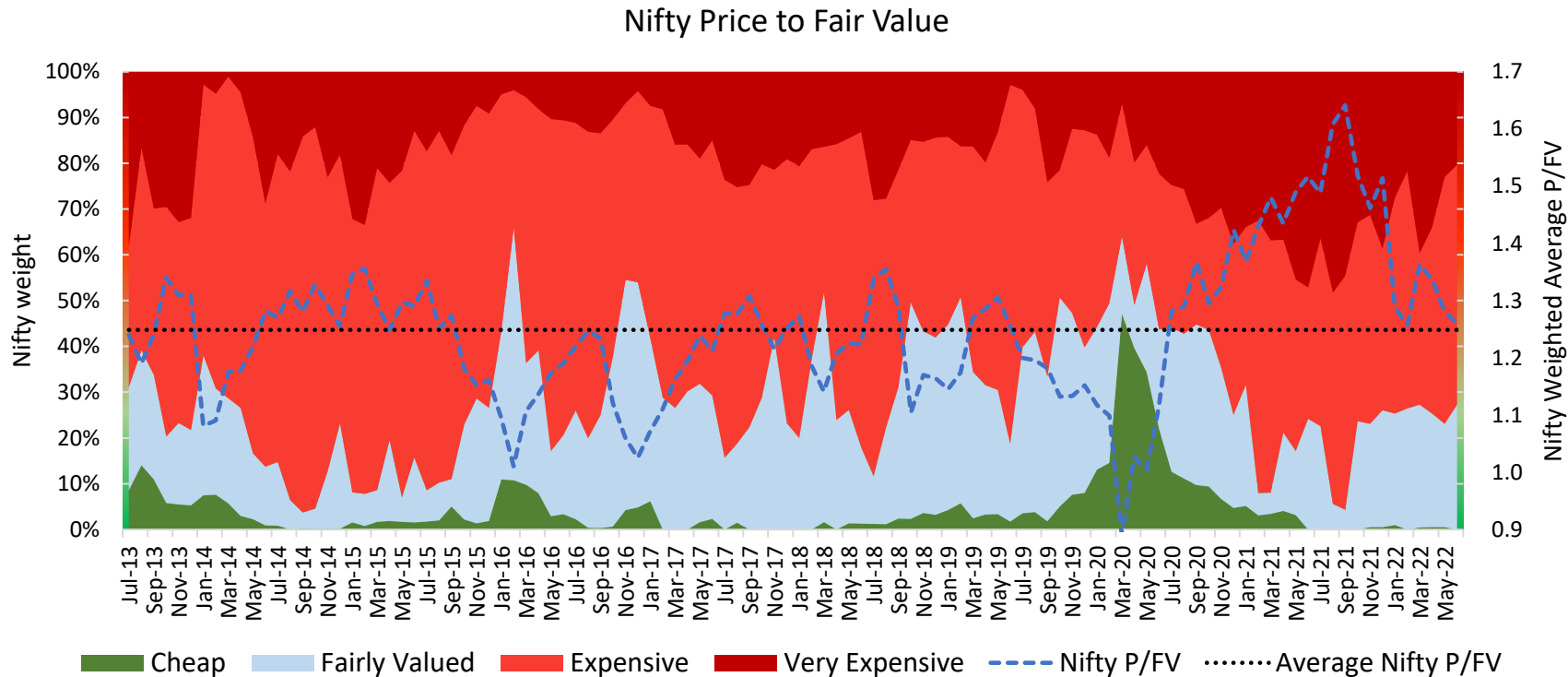
Sensex



... Sensex remains above its trend line.

... Based on normalized growth and returns scenario-based valuation, Sensex is quoting near the high end of its valuation range.

Nifty valuation – Price/Fair Value



P/FV band	11-June-22	
Below 0.5	0.0%	Cheap
0.5 TO 0.75	0.0%	
0.75 TO 1	24.3%	Fairly valued
1 TO 1.25	17.7%	Expensive
1.25 TO 1.5	29.0%	
1.5 TO 1.75	3.1%	Very Expensive
Above 1.75	15.0%	

Wt. avg P/FV	1.26	
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Note: We have neutralized the impact of our internal valuation updates in the above analysis on 3 month rolling basis.

Companies that have old valuations have been ignored. They comprise of small % of Nifty.

FV = Fair Value or mid-band of our EBV

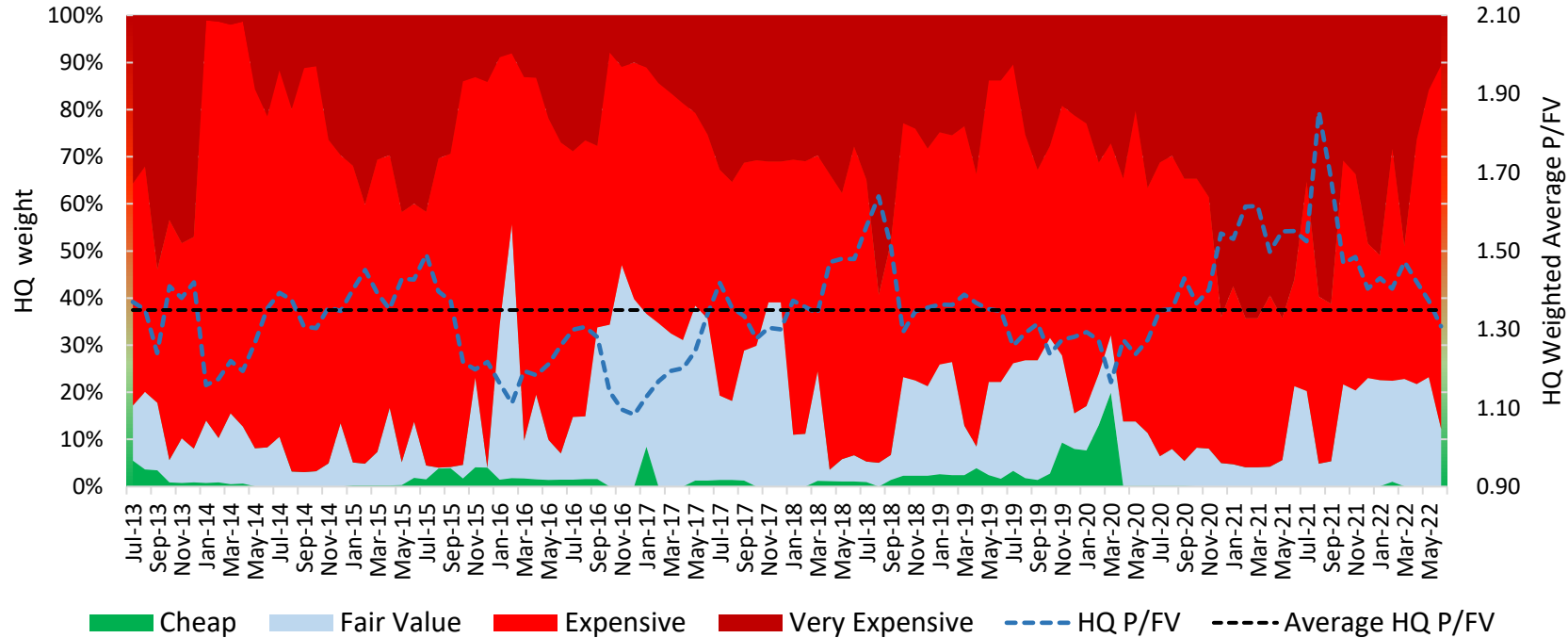
... Nifty P/FV has corrected recently as there has been a slump in markets

... Most stocks within Nifty still remain Expensive or Very Expensive though.

... Majority of the stocks gave negative returns in the last 1 month. ONGC, Coal India, JSW Steel, BPCL, Bajaj Auto and Reliance Industries were the only stocks that gave positive return in the last 1 month.

High Quality valuation – Price/Fair Value

HQ Price to Fair Value



P/FV band	13-June-22	
Below 0.5	0.0%	Cheap
0.5 TO 0.75	13.3%	
0.75 TO 1	10.3%	Fairly valued
1 TO 1.25	21.4%	Expensive
1.25 TO 1.5	43.5%	
1.5 TO 1.75	1.1%	Very Expensive
Above 1.75	7.9%	

HQ P/FV	1.35	
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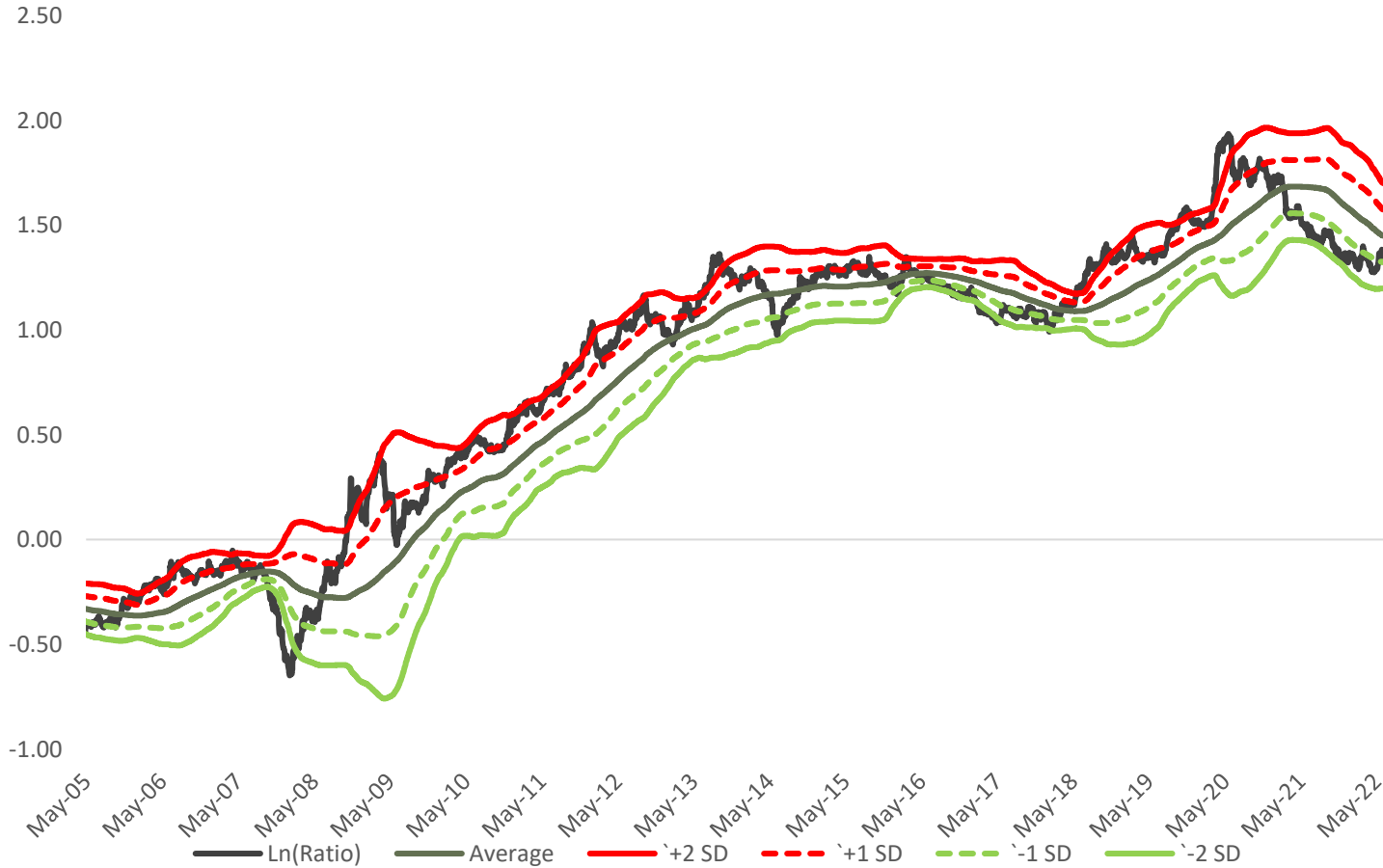
Note: We have neutralized the impact of our internal valuation updates in the above analysis on 3 month rolling basis. High Quality = Grade A and B+ companies as per MA framework.

... Weighted average Price to Fair Value of HQ companies have fallen significantly as prices of many HQ companies have corrected.

... Majority of the companies had negative returns for the period. Computer Age Management Services Ltd, Honeywell Automation India Limited and Foseco India Limited were the top performers.

Sentiment – HQ:LQ Index

Ratio of High Quality Index Vs Low Quality Index (EWI)

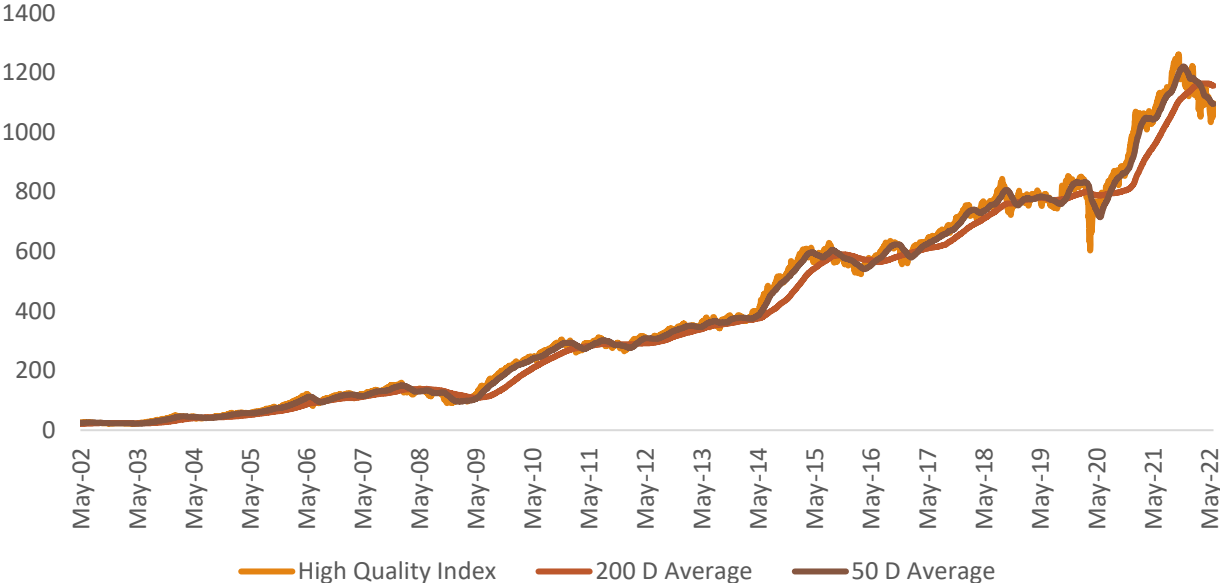


Performance during the month	31-May-22
High Quality	-0.7%
Low Quality	-7.3%
Sensex	-2.6%
BSE Mid	-5.2%
BSE Small	-7.8%

- ... Post the recent correction the HQ:LQ index has started to move upwards again.
- ... The indicator has moved above the -1SD level again in May.
- ... LQ, Mid cap and Small cap companies have been the worst performing companies in the last 1 month.

Sentiment – HQ and LQ Index

High Quality Index - Equal Weighted Index



Low Quality Index



Note: Both indices are equal weighted and balanced annually. As at May-22

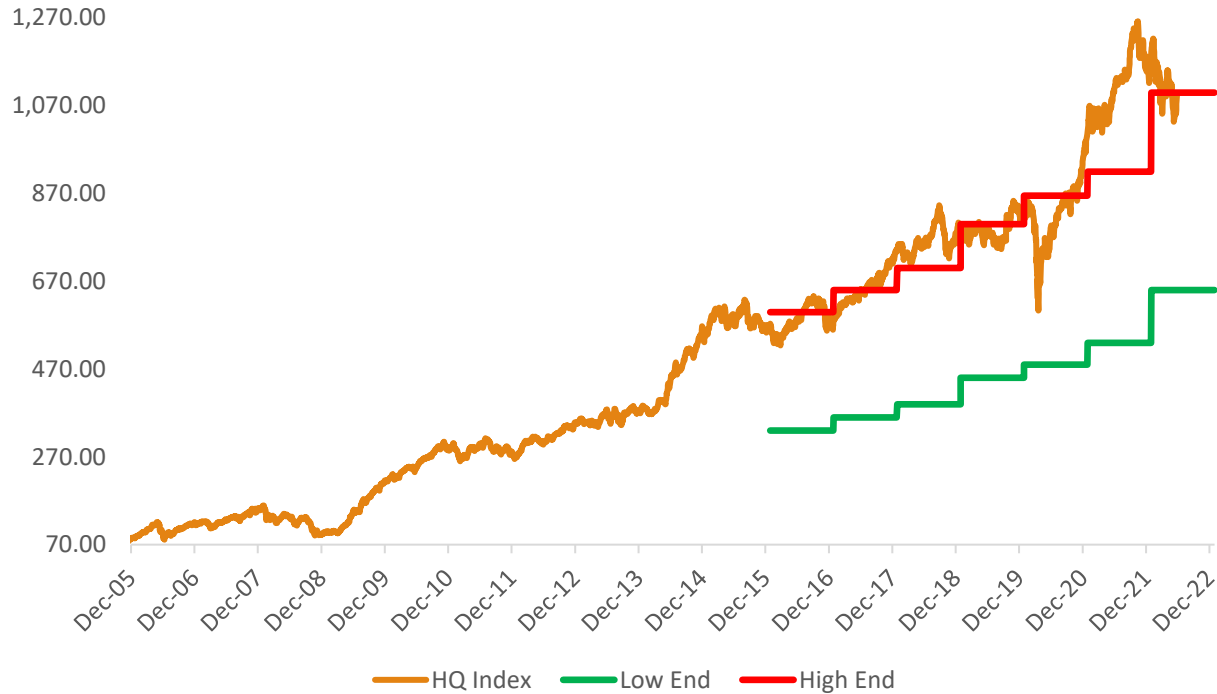
... HQ Index continues to correct in May-22.

... LQ Index has also seen a sharp move downwards.



HQ Index - Valuation

HQ Index and Bottom-up Valuation band



Multi-Act High Quality Index Price to Earnings (PE) Ratio

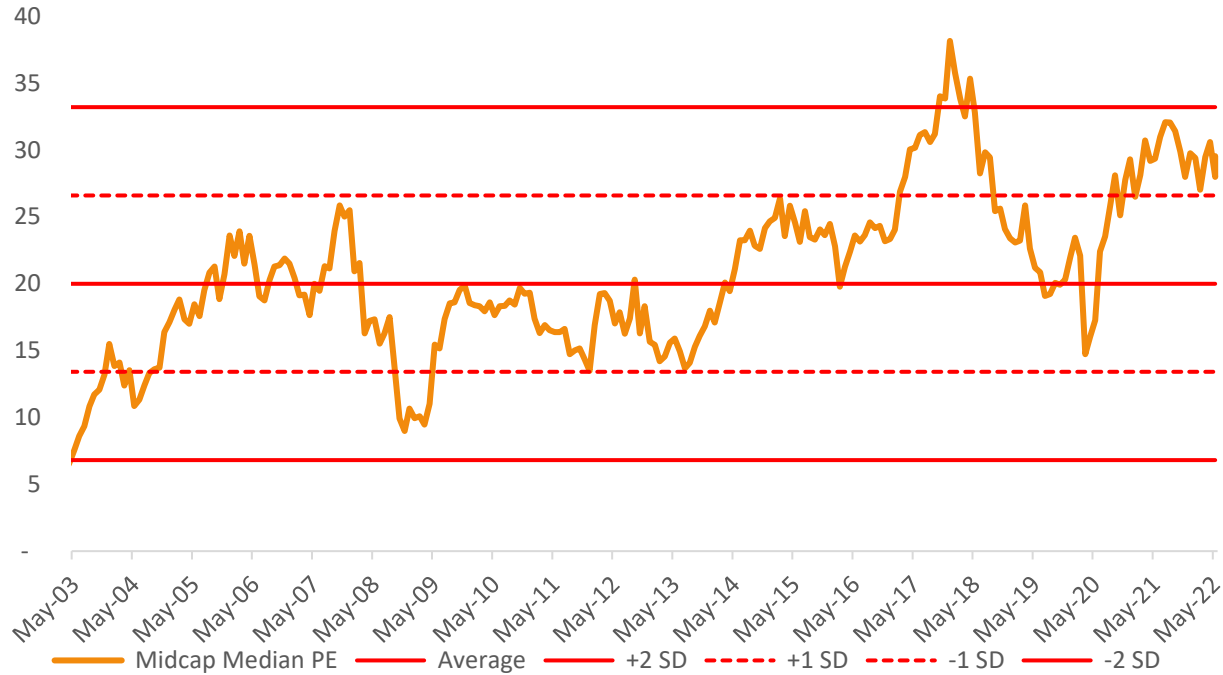


... HQ Index companies remain above valuation range high, however, the index seems to have corrected in the last few month.

... P/E for High Quality companies continue to remain elevated but has come down below +2 SD levels in the last few months.

Mid and Small Caps

NSE Midcap Median PE



NSE Small Cap Median PE



... Median Smallcap P/E and Midcap P/E ratio are quoting close to +1 SD levels.

... Note that to arrive at meaningful P/E, we have used latest quarterly EPS as of March-20 or June/September-20, whichever is higher, to arrive at trailing 12 months EPS.

Sentiment – Regulated Utility Index

Risk Premium (EWI): Reg Utilities Yield - 10 Yr Bond Yield



← Pessimism

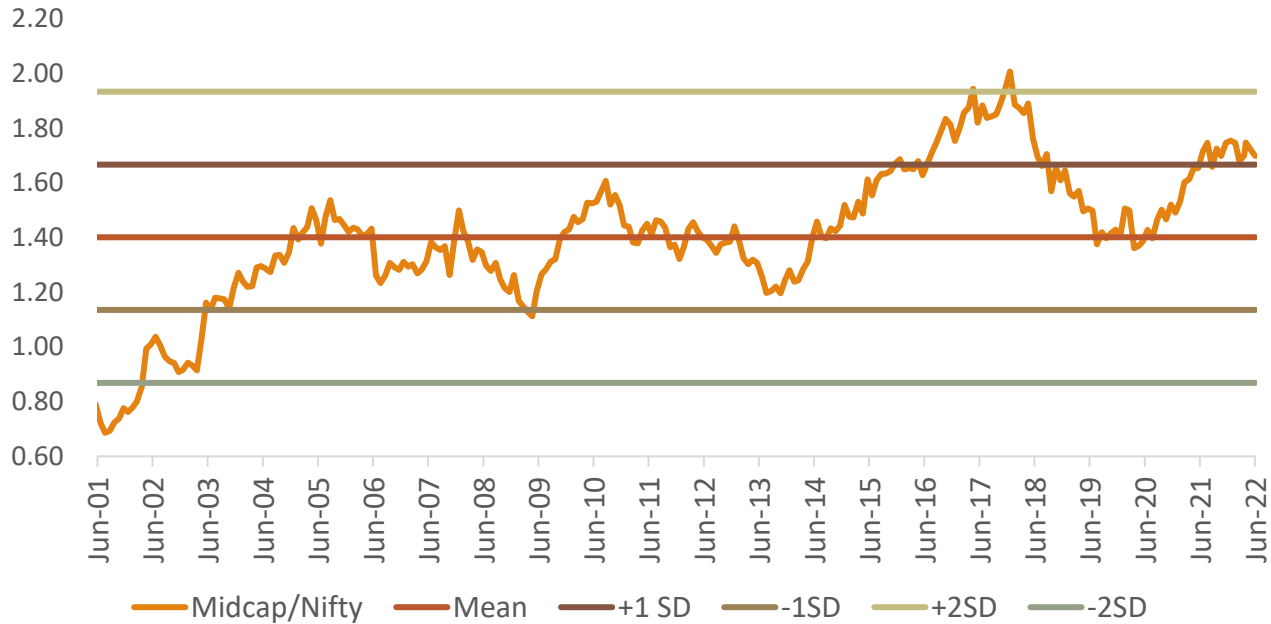
← Optimism

Risk Premium	
+2 SD	10.5%
+1 SD	8.3%
Average	6.0%
-1 SD	3.7%
-2 SD	1.5%

... Regulated Utilities Risk Premium has moved downwards, however, they may not indicate optimism currently as 10-Y yields have risen significantly.

Sentiment – Midcap vs Nifty

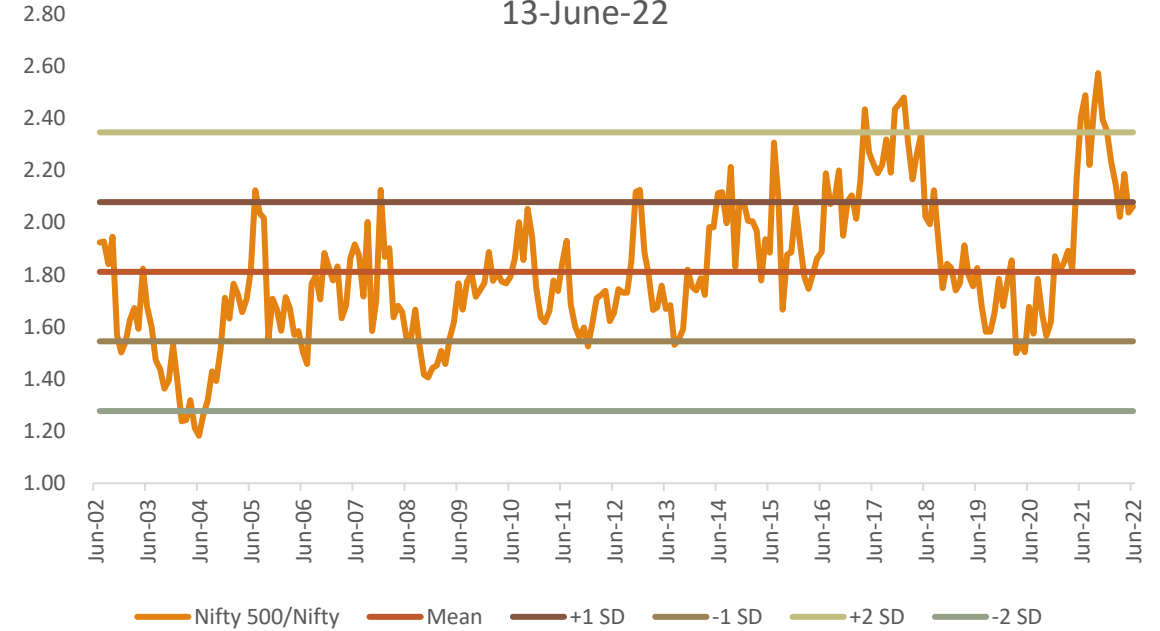
Midcap to Nifty ratio (13 June 22)



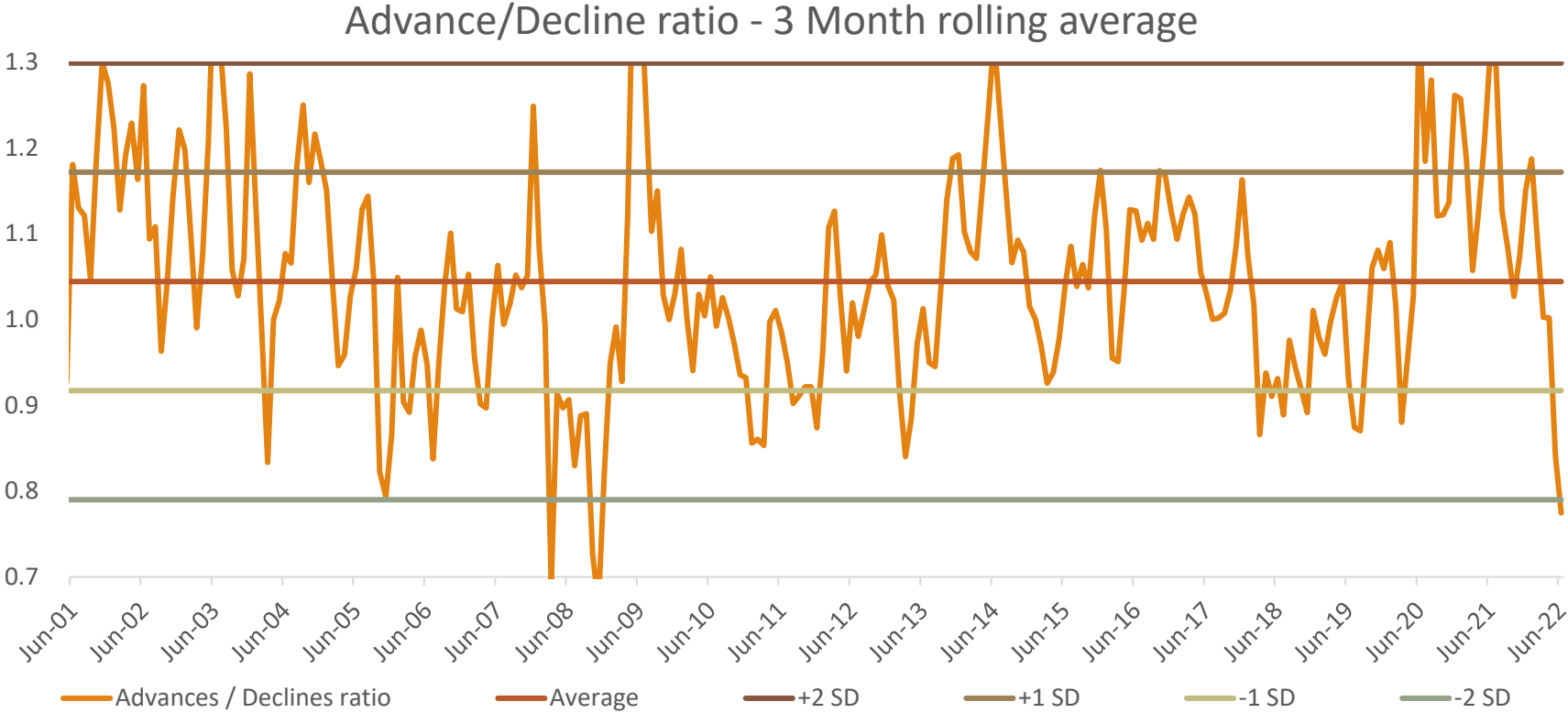
... Midcap to Nifty ratio is at +1SD levels currently.

... Nifty 50 to Nifty 500 ratio currently stands at +1SD levels.

Nifty 500 to Nifty 50 turnover
13-June-22



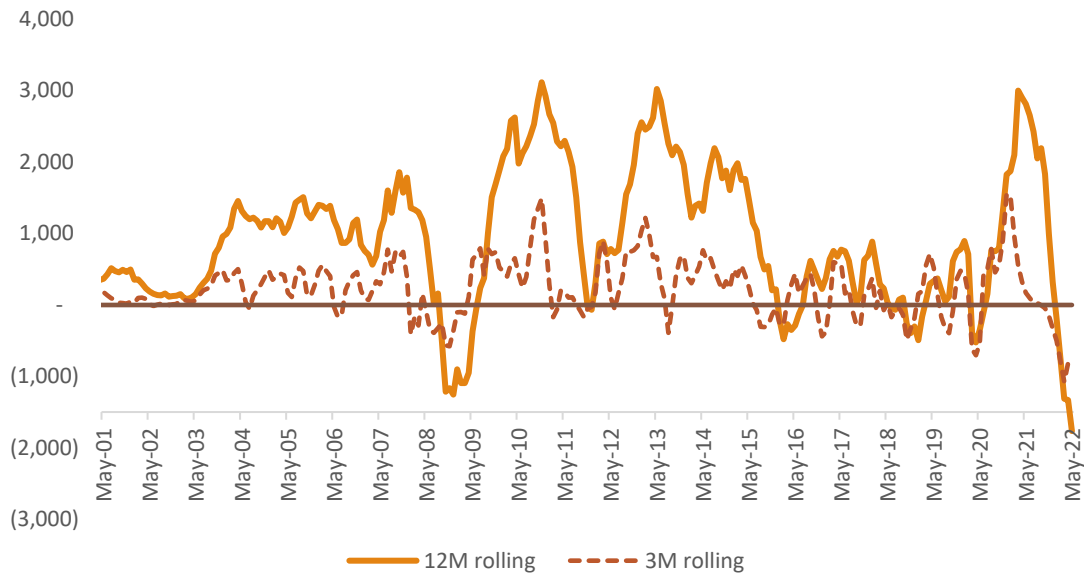
Advance to Decline ratio



... The Advance-Decline ratio has declined significantly in May.

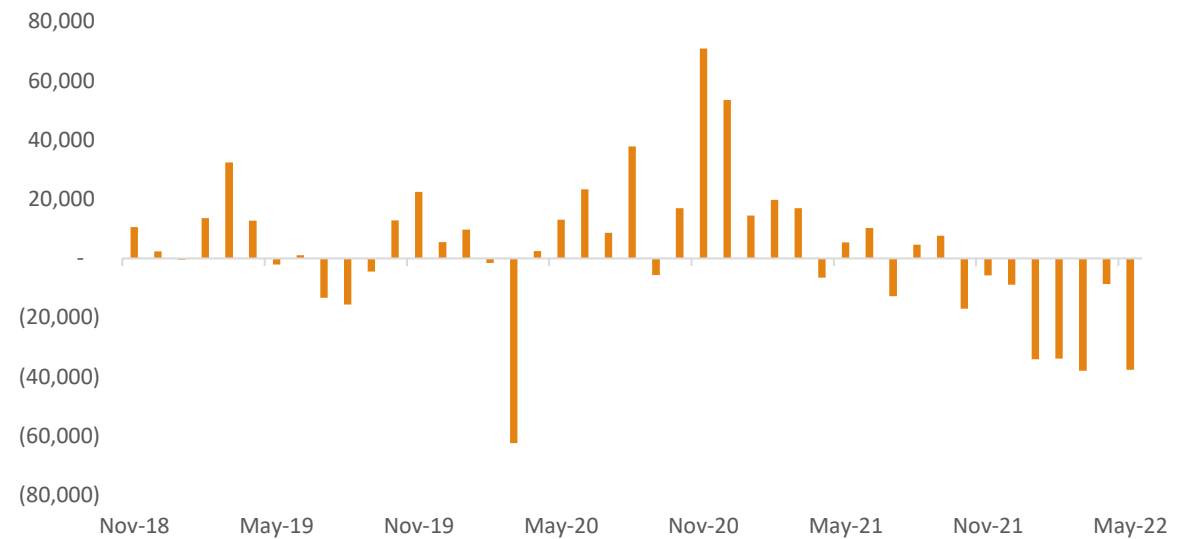
Sentiment – FII

FII net inflows - 12M rolling and 3M rolling



Adjusted with long term inflation rate. As at April 22. In INR bn.

Net FII inflows into Indian Equities



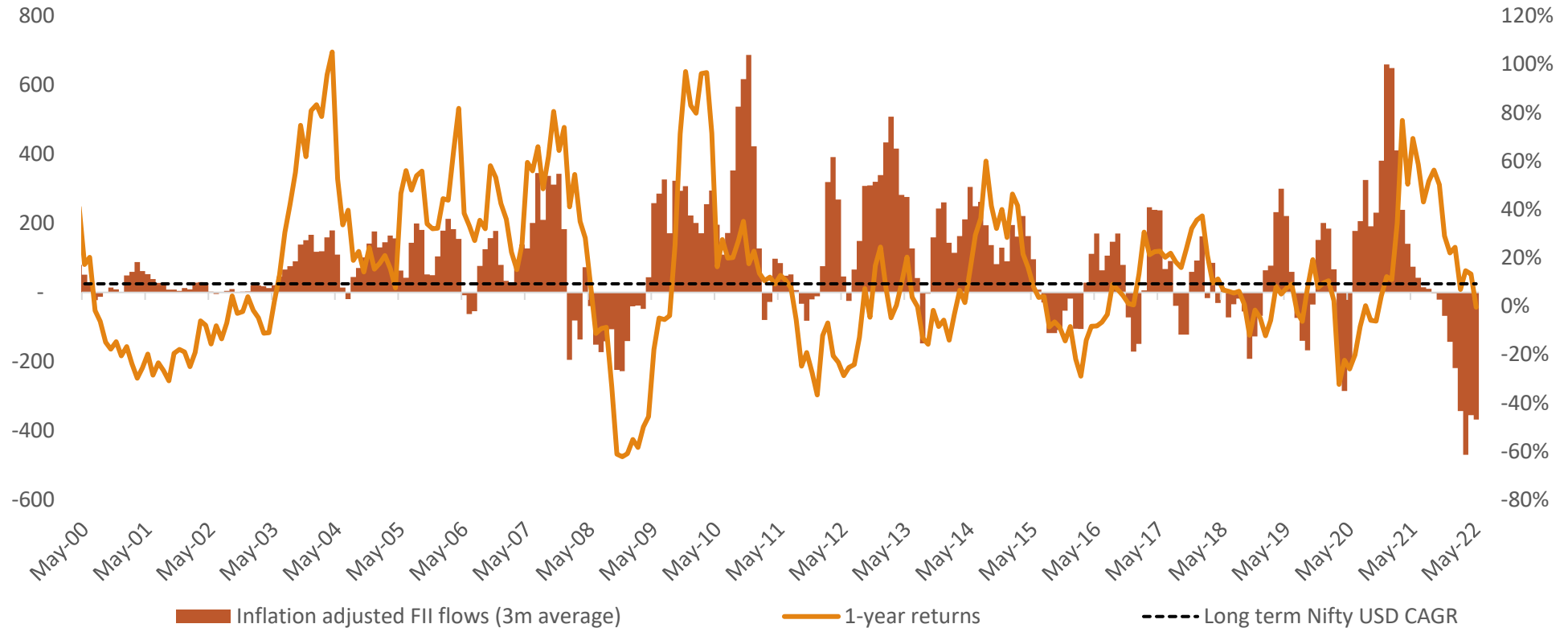
... Over the last few months FIIs seem to have been pulling money out of the markets with the fund flows in the market from FII turning negative on 12 month and 3-month basis.

... FII selling increased in May and FIIs have pulled out ~Rs 152k crore in the first 5 months of the year.

FII flows

Nifty USD and FII Inflows into Indian Equities

*have used inflation adjusted (2.1%) USD flows to present them in today's money terms and provide like to like comparison



... With decline in “momentum” of Nifty USD Index, FII flows into Indian equities have slowed down. One year return has turned slightly negative

FII – Sector wise holdings

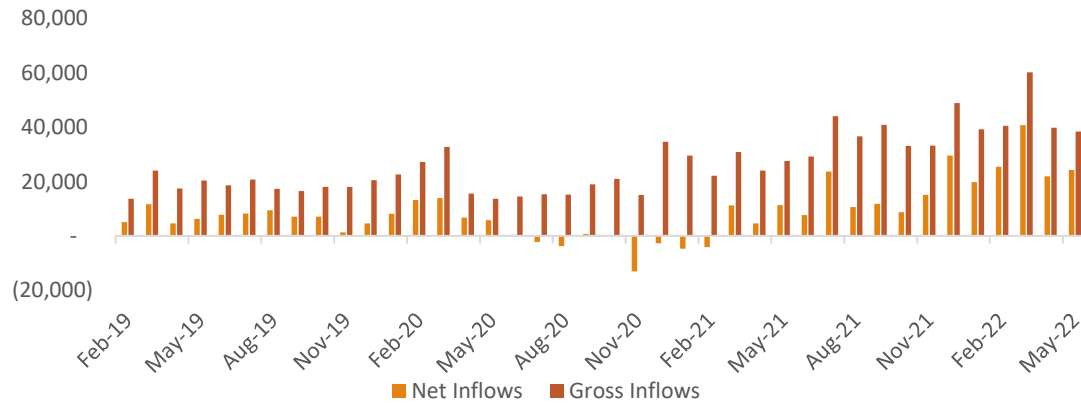
Allocation as at Mar-22	Investment O/S growth MoM Since 2012	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
4%	Automobiles & Auto Components											
29%	Total Financial Services											
17%	Banks											
12%	Other Financial Services											
3%	Capital Goods											
2%	Construction Materials											
3%	Consumer Durables											
3%	Food, Beverages & Tobacco											
3%	Household & Personal Products											
2%	Insurance											
11%	Oil & Gas											
3%	Pharmaceuticals & Biotechnology											
15%	Software & Services											
3%	Telecom Services											
4%	Utilities											
3%	Metals & Mining											
2%	Retailing											
2%	Chemicals & Petrochemicals											
9%	Others											
	Total											

... Majority of the sectors have seen outflows with Financial Services seeing the highest outflow followed by Automobiles.

... Foods and Beverages, Metals and Mining and Chemicals & Petrochemicals have been the only sector that has seen the inflows during the current month.

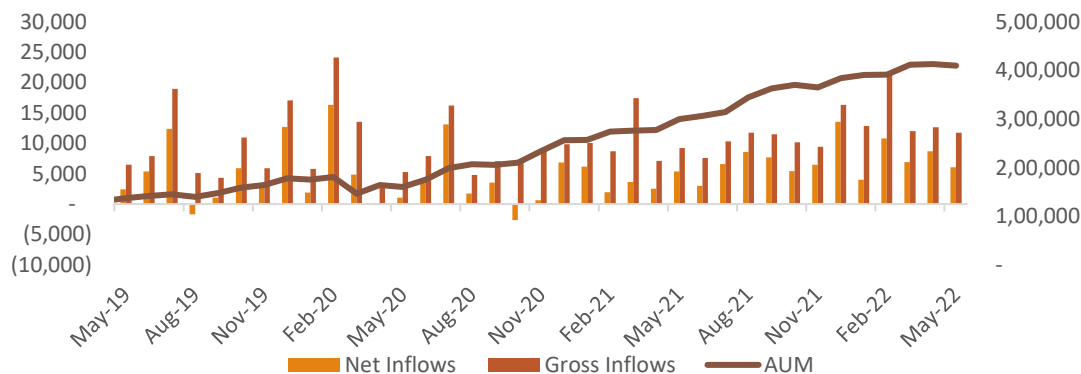
Sentiment – Retail

Equity Mutual Fund Net and Gross Inflows

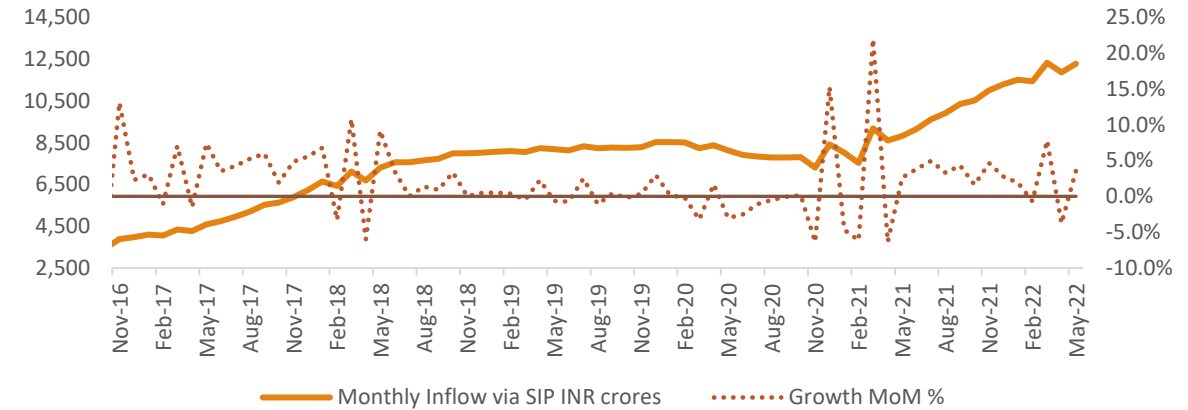


Above flows does not include balanced funds. Some reclassification in disclosures post Apr-19 have impacted the data.

Other ETF Inflows and AuM



Mutual Funds - SIPs



INR crores. Includes net flows into arbitrage funds till Mar-18. AMFI disclosures have changed since Apr-19 and may have impacted data.

- ... Net inflows into equity mutual funds moderated slightly in May.
- ... Monthly SIP amount remains high and provide steady stream of new funds into equities and has now risen to ~\$1.55- \$1.65 bn a month. SIP inflows are at the highest level.
- ... Flows from “Other ETFs” or PF money flow has seen an improvement in the last few months.

Disclaimer

Multi-Act Trade and Investments Private Limited

(SEBI Registered Investment Advisor - Registration No. INA000008589)

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