



# Capital League

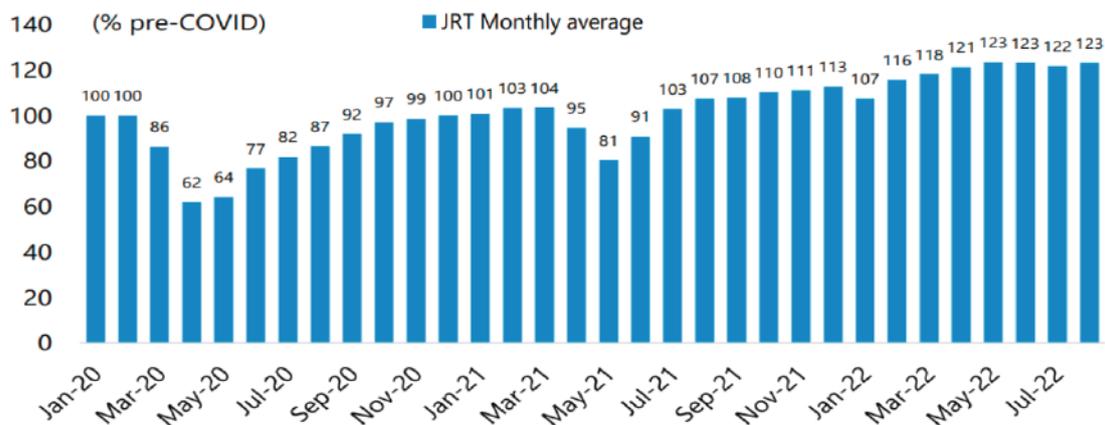
## OUTLOOK

OCTOBER 2022

### INDIAN ECONOMY

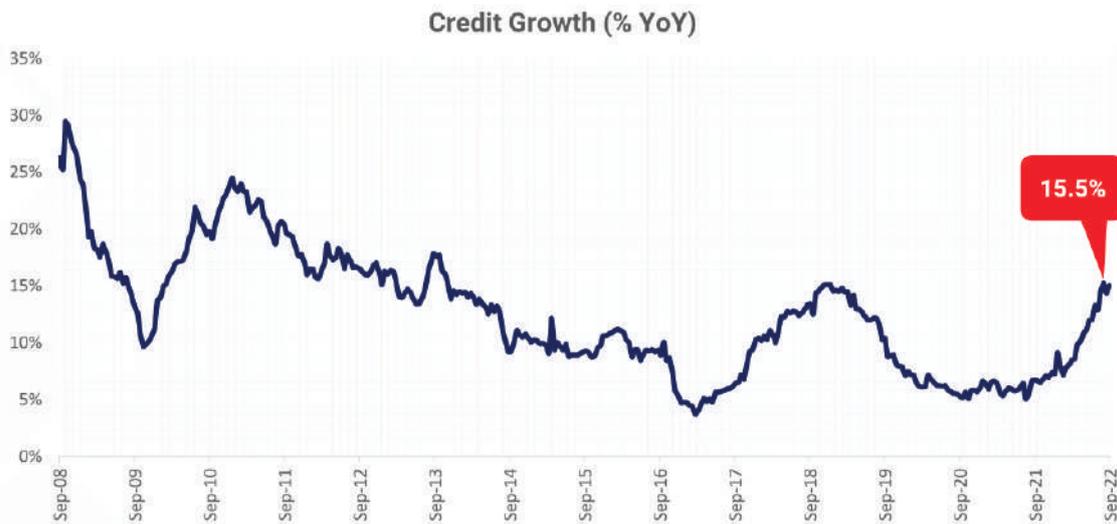
- Festive Season is breaking records- online sales are estimated at INR 47,000 Cr in the first week of the festive season. Industry report predicts INR 94,000 Cr gross value merchandise till Diwali. Nearly 1100 mobile phones have been sold each minute totalling INR 11,000 Cr sales on various e-commerce sites. Overall, the festive sales this year saw 75-80 million online shoppers, up 24 percent from a year ago. Tier 2+ customers made up an amazing 65% of the shoppers.
- Jeffries 'India Recovery Tracker' is indicating economic activity is now higher than pre-covid levels.

Jeffries India Recovery Tracker (JRT) monthly average trend



- Recovery is being signaled by numerous indicators – E-way bills, GST collections, Power, Rail freight, Two-wheeler sales etc.
- Tax collections (direct & indirect) remain robust with a YoY growth of more than 25%.
- Capital expenditure as % of GDP is expected to reach 18 year highs.
- Bank balance sheets of all four entities: Govt, Businesses, Banks and Households are healthy. NPAs (non-performing assets) of banks are at an all-time low.

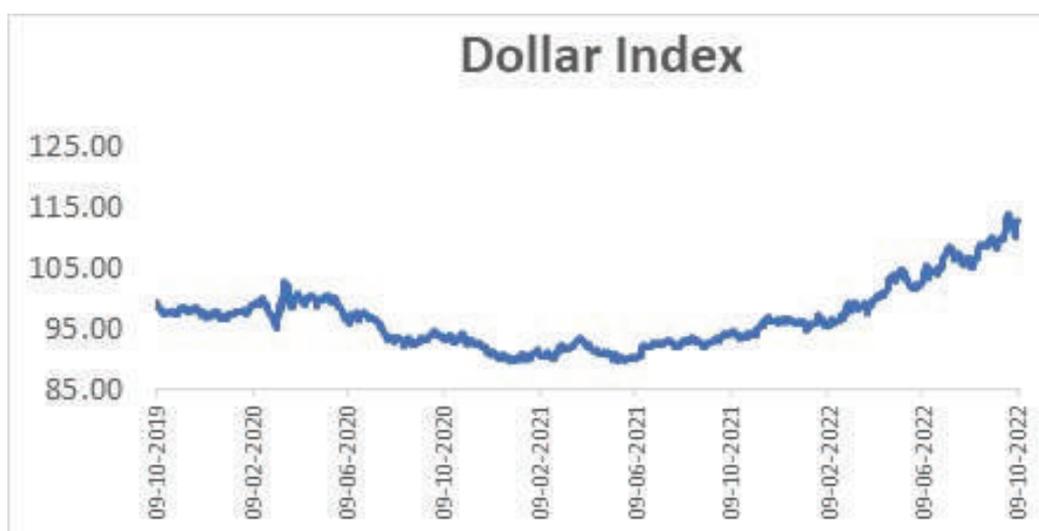
- Credit growth is reviving to double digits after three years of slowdown on account of covid.



- Kharif crop production is likely to be lower than last year. This may impact rural economy.
- IMF has slashed India's growth forecast to 6.5% for FY23, stating external headwinds. Despite this, India will remain one of the fastest growing key economies.

## GLOBAL ECONOMY

- US Fed has increased interest rates by 3% in 8 months. The unprecedented pace of tightening to slow demand and control inflation. Rise in US interest rates & move to USD as a safe-haven has led to the USD basket strengthening by 19% since Jan'22.
- Dollar Index is now at a 20-year high.



- Most Global Central Banks are in tightening mode. IMF has flagged a global inflation crisis.
- Given the expectation of slowdown, commodity prices have seen sharp correction across the board, which is likely to have a sobering impact on global inflation. However, OPEC+ announcement of production cut of 2Mn bpd has seen oil prices climb lately. Prices nearing USD 100/bbl again will feed into higher inflation.

## OUTLOOK

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### Equity

- Healthy tax collections, buoyant savings and recovery from Covid-led slowdown bode well for both investment and consumption, two main pillars of long-term growth. This, along with formalisation of the economy and increased capacity utilisation, will provide impetus to all-round economic activity.
- Expectation is of a better 2HFY23 for corporate earnings, backed by an easing in commodity prices, the festive season and rebound in rural demand.
- With corporate profits to GDP in India showing a turnaround, fund managers anticipate earnings to grow at a healthy CAGR of 13-15% over the next three years, which is higher than the long-term average and nearly double of the previous seven years.
- Nifty trades at a slight premium to its long-term average PE. The upside from here will be a function of stability in global and local macro conditions and continued earnings delivery versus expectations.

### Debt

- Indian yield curve moved up with a flattening bias in Sep'22, with yields at the shorter end of the curves going up more, relative to the longer end of the curve. We continue to look at Targeted Maturity Funds and medium term corporate bonds as preferred options to capture the high yield.