



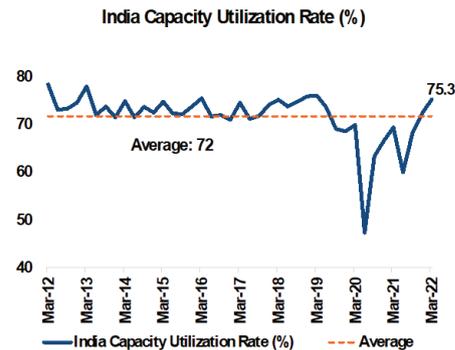
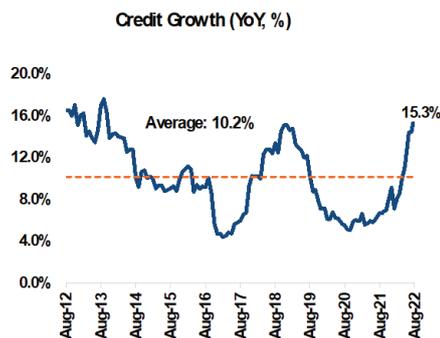
Capital League

OUTLOOK

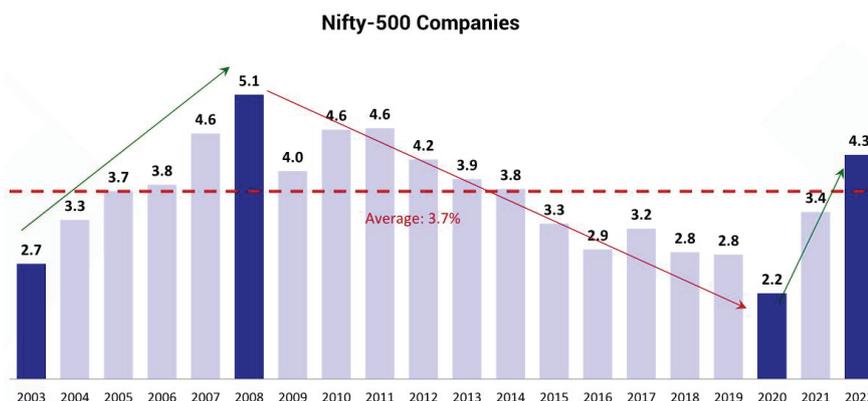
SEPTEMBER 2022

INDIAN ECONOMY

- India has overtaken UK to be the 5th largest economy in the world.
- Indian Manufacturing PMI at 56.4 has been in expansionary phase for 14th straight month, despite headwinds, indicating economy's resilience. Services PMI at 55.5 is also in expansionary phase. PMI reading above 50, indicate expansion.
- Credit growth and Capacity utilisation indicates that the economy is moving into a growth phase and is expected to advance further.



- Approx. 20% of government expenditure in FY23 is aimed at Capex. Highest in 18 yrs.
- GST collections monthly, continue to remain above INR 1.4 Tn.
- Corporate Profits to GDP ratio is at record high.



- Monsoon is normal. Reservoirs are in surplus. Current storage is higher than last 10-year average. This will support rural economy.
- 1.2 Cr Apple I-phones to be made in India as compared to 75 lacs in 2021.
- US Navy ship has arrived in India for repairs, in a major boost to 'Make in India'.

GLOBAL ECONOMY

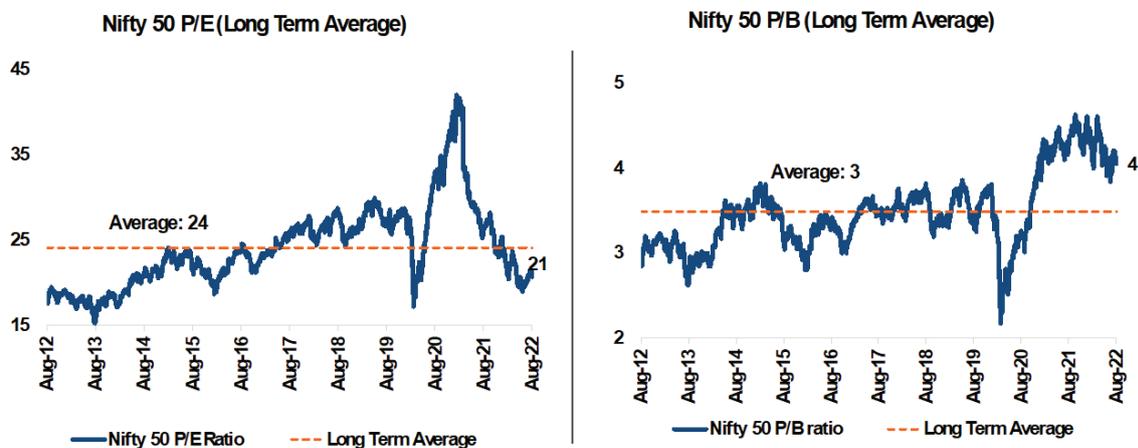
- US has contracted for second Qtr in a row. Also, Eurozone economic activity fell for second consecutive month in August.
- Chinese economy's projected growth has slowed to about 3%, viz their government's target of 5.5%. Worst performance in 40 years (other than in 2020, due to Covid).
- Inflation in developed economies is at historical highs and central bankers are expected to raise rates further, after ECB's 75 bps raise
- Commodity prices are contracting in view of slowing demand outlook.

Commodity	Price as on 31/08/2022	Peak Price in 2022	Price in May 2021	% Fall from peak price in 2022
Aluminum	2,499	3,750	2,500	-33.4%
Zinc	3,647	4,500	2,969	-19.0%
Copper	356	480	470	-25.9%
Palladium	2,130	3,000	2,200	-29.0%
Oil (Brent)	102	128	65	-20.2%
Wheat	814	1,280	700	-36.4%
Soybean	1,506	1,750	1,400	-14.0%
Sugar	18	20.2	17	-9.4%

OUTLOOK

- Indian economy is showing resilient recovery. And corporate earnings outlook is steady. Corporate earnings growth is expected to normalise from FY23 onwards.

- As on 31st Aug'22, Nifty50 trading at close to historical averages. Market cap to GDP and Price / Book are all trading slightly higher than long term averages. In view of several indicators showing future expansion, we maintain a neutral stance on equity.



- Nifty earnings are expected to grow 13% to 15% over next three years.
- Going forward markets are likely to be affected by crude prices, Russia-Ukraine war, US monetary policy and China's stance on zero-Covid.
- Debt Outlook:** In anticipation of India's inclusion in the JP Morgan GBI-EMI index the 10yr yield has rallied to 7.18%. This inclusion is likely to draw \$30 Billion to Indian debt markets. We continue to look at Targeted Maturity Funds and medium-term corporate bonds as preferred options to capture the high yields.
- "It will not just be India's decade, but India's century, with all key components in place – A large working population, multinational companies, reimagining global supply chains. And a country leapfrogging at digital scale to achieve something special not just for Indian economy but potentially for the world." (Bob Sternfels's, CEO Mckinsey & Co.)