

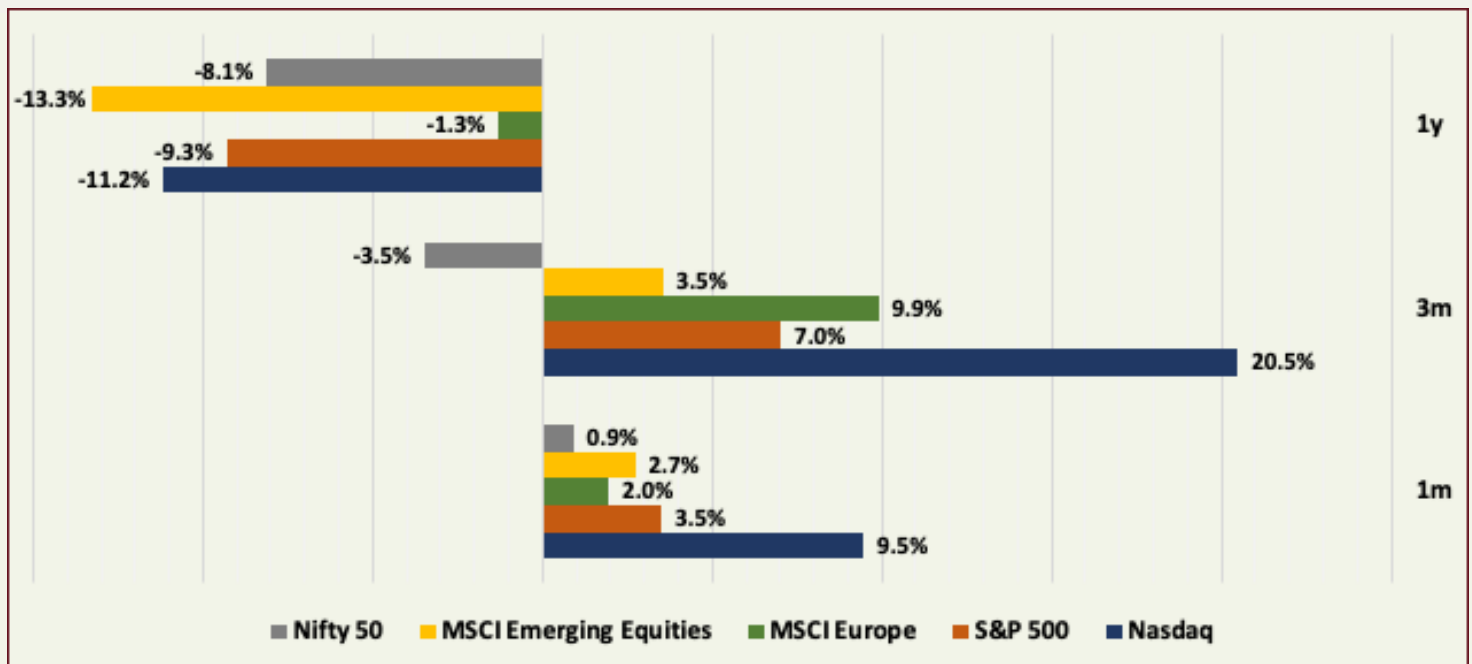


# WEALTH FIRST

## Monthly Newsletter

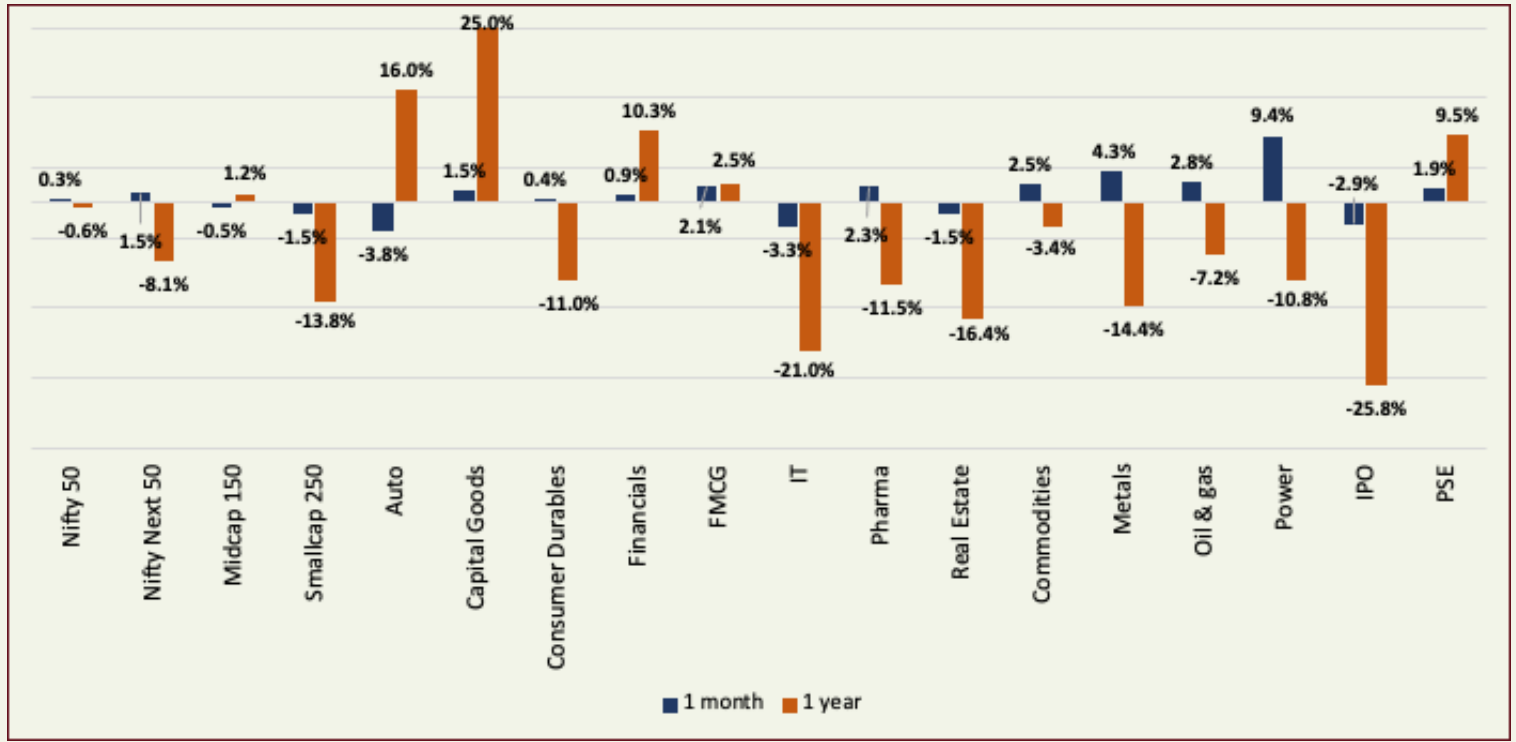
### Global Equities

Despite turbulence, S&P 500 gained 7% while the NASDAQ Composite gained 16.8% during the quarter. The Dow Jones Industrial Average however was an underperformer. (Data in USD terms). US markets did well during the month given the support by the Fed including the \$140 billion funding to new bridge banks and the overall balance sheet increase by \$300 billion.





# Domestic Equities



While Global turmoil hurt market sentiment across the globe, Indian equities underperformed global peers as there was no stimulus of any kind.

Auto, Capital Goods, Financials and PSUs are the only sectors to have seen positive returns on FY basis.

Large Cap and Midcap indices have continued to outperform small cap indices. On FY basis, while Nifty and Midcap Index are almost flat, Small cap index is down 7%.

Also, Nifty's correction of around 10% is presenting an opportunity to accumulate stocks over the long term.





# Commodities

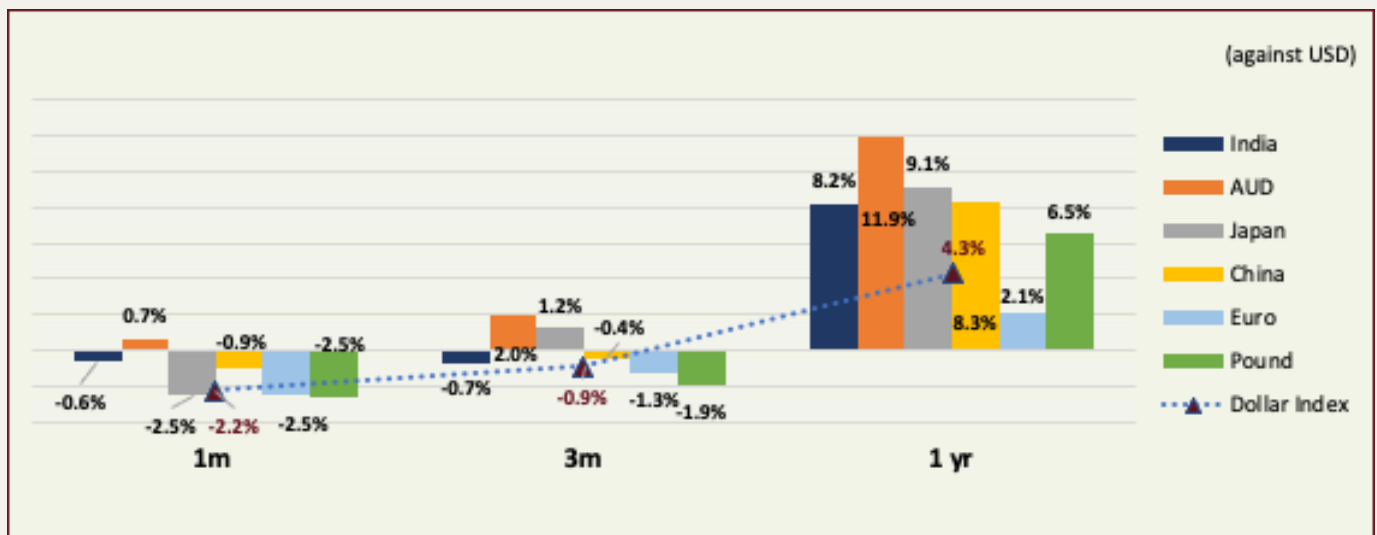
| Commodities              | Returns |        |        |
|--------------------------|---------|--------|--------|
|                          | 1m      | 3m     | 1y     |
| Brent Crude              | -3.5%   | -6.7%  | -26.4% |
| <b>Precious Metals</b>   |         |        |        |
| Gold                     | 7.8%    | 7.9%   | 2.6%   |
| Silver                   | 15.2%   | 0.5%   | -2.7%  |
| <b>Industrial Metals</b> |         |        |        |
| Steel                    | 1.1%    | 4.3%   | -24.6% |
| Iron Ore                 | 0.8%    | 8.1%   | -13.9% |
| Aluminium                | 2.1%    | 1.9%   | -32.9% |
| Copper                   | -0.1%   | 7.3%   | -13.6% |
| Zinc                     | -3.0%   | -2.1%  | -28.8% |
| Nickel                   | -4.2%   | -21.2% | -25.8% |
| Lead                     | 1.0%    | -9.1%  | -11.1% |

Oil slumped to lowest level in a year at \$72 per barrel during the month, after the banking crisis fears emerged. The prices rebounded in the second half after Fed support and OPEC supply cut announcement.

Gold and Silver Prices surged significantly as they regained their safe haven status after the collapse of SVB.

Spot Gold hit an all time high of 61000 per 10 gms (or rose 8.5%).

# Currencies



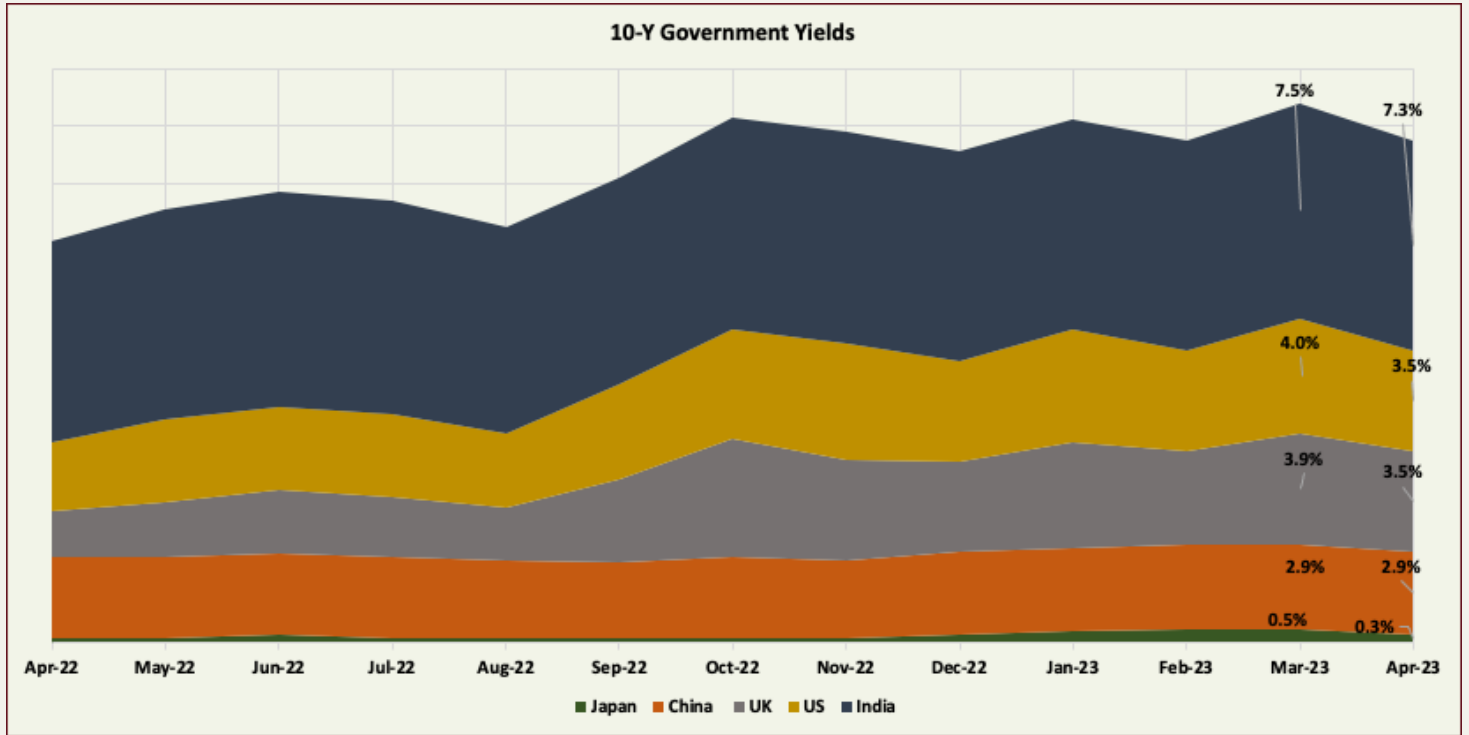
INR has finally seen a marginal appreciation against USD in March, although it still depreciated about 8% in the last 1 year. Dollar index saw a significant dip during the month, as hopes of Fed taking less aggressive stance going forward increased.

DXY (Dollar Index) dropped in the last 3 consecutive weeks amid receding fears of witnessing a bank crisis and the downbeat US data. Also weighing on the US Dollar Index could be the Federal Reserve (Fed) policymakers' inability to convince markets of their hawkish stance.

However, the weekend news of oil supply cuts from OPEC+, renew inflation fears and propel the concerns of higher rates, which in turn underpinned the US Dollar's haven demand.

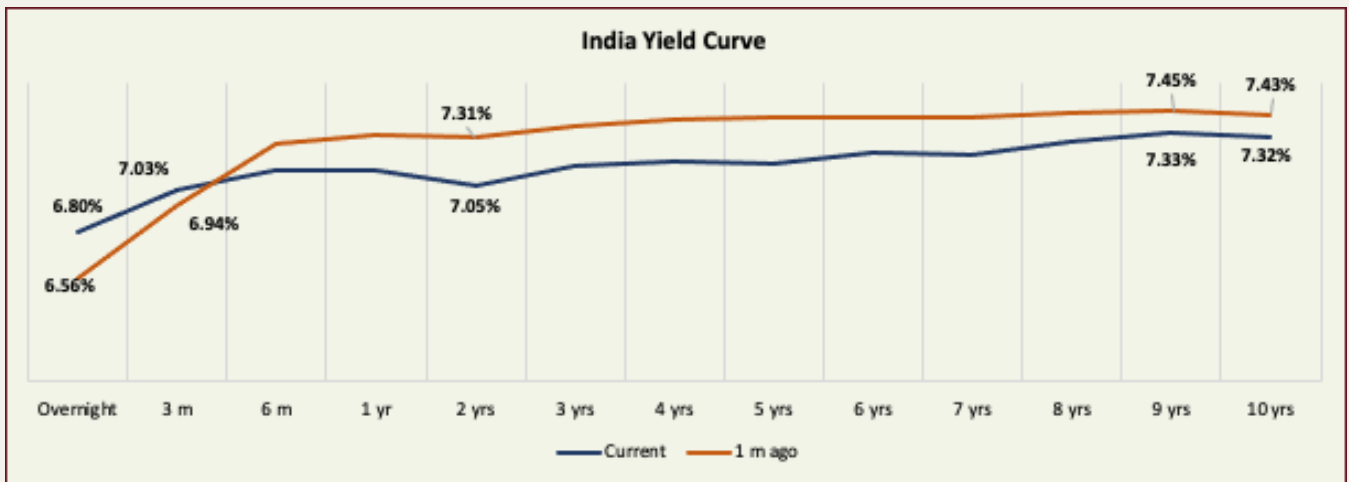


# Yield Trends



## Global Yields

Fed has raised their key rate by another 25 basis points in March while also indicating that it was on the verge of pausing further rate hikes amid stressed financial markets. BoE also raised its interest rate by 25 bps to 4.25%. The Bloomberg US aggregate Bond Index gained 2.5% for the quarter while the 10Yr Treasury yield closed the quarter at 3.54% from its open at 3.30% on Jan 1st, 2023.



## India Yield Curve

Indian debt market saw a slight inversion in the yield curve for the 1st time in nearly 8 years. Economists advise Reserve Bank to hike policy rate by another 25 bps. Due to announcement of removal of the indexation benefit on Long term capital gains from 1st April, large inflows took place in Target maturity/ rolldown funds to avail the same. This meant negative returns for Liquid funds for 2 days as investors moved from short maturity papers to target maturity funds, putting pressure on the short term yields.



# Macro Trends

## Year Gone By

| FII Flows ( in crore) |        |
|-----------------------|--------|
| Month                 | Inflow |
| Oct-22                | -8     |
| Nov-22                | 36239  |
| Dec-22                | 11119  |
| Jan-23                | -28852 |
| Feb-23                | -5294  |
| Mar-23                | 7936   |

250% INCREASE MONTH ON MONTH

| DII Flows ( in crore) |        |
|-----------------------|--------|
| Month                 | Inflow |
| Oct-22                | 9277   |
| Nov-22                | -6301  |
| Dec-22                | 24159  |
| Jan-23                | 10019  |
| Feb-23                | 14629  |
| Mar-23                | 30500  |

108.5% INCREASE MONTH ON MONTH

| FII Debt Flows ( in crore) |          |
|----------------------------|----------|
| Month                      | Inflow   |
| Oct-22                     | -3532    |
| Nov-22                     | -1637    |
| Dec-22                     | -1673    |
| Jan-23                     | 3531     |
| Feb-23                     | 2436     |
| Mar-23                     | -2504.87 |

103% DECLINE MONTH ON MONTH

| FY 2022-2023            |        |
|-------------------------|--------|
| Nifty 50                | -0.1%  |
| Sensex                  | 0.7%   |
| Nifty Smallcap 250      | -7.3%  |
| Nifty Midcap 100        | 1.2%   |
| Nifty 500               | -2.3%  |
| Gold (INR)              | 13.3%  |
| US \$                   | 8.6%   |
| Bitcoin \$              | -41.1% |
| Dow Jones (\$)          | -5.3%  |
| Shanghai Composite (\$) | 0.6%   |
| Nasdaq 100 (\$)         | -12.6% |
| Brent crude (\$)        | -25.5% |
| 10 Y Govt Bond Yield    | 7.0%   |

## Inflation, Manufacturing & Liquidity

| CPI data |           |
|----------|-----------|
| Month    | Inflation |
| Sep-22   | 7.41      |
| Oct-22   | 6.77      |
| Nov-22   | 5.88      |
| Dec-22   | 5.72      |
| Jan-23   | 6.52      |
| Feb-23   | 6.44      |

| PMI    |               |          |
|--------|---------------|----------|
| Month  | Manufacturing | Services |
| Oct-22 | 55.30         | 55.10    |
| Nov-22 | 55.70         | 56.40    |
| Dec-22 | 57.80         | 58.50    |
| Jan-23 | 55.40         | 57.20    |
| Feb-23 | 55.30         | 59.40    |

MAR MANUFACTURING PMI AT 56.4  
HITS 3-MONTH HIGH

| Surplus Liquidity (in crore) |         |
|------------------------------|---------|
| Month                        | Inflow  |
| Oct-22                       | -12000  |
| Nov-22                       | 52333   |
| Dec-22                       | 9975    |
| Jan-23                       | 64034   |
| Feb-23                       | -18257  |
| Mar-23                       | -106660 |

## Other Trends

**Corporate Bond Issues:** 32779 crore (9% MoM increase)

**Core Sector Growth:** 6% in Feb 2023 (slowest in the last 3 months)

**GST Collection:** 1.6 lakh crore (13% MoM increase)

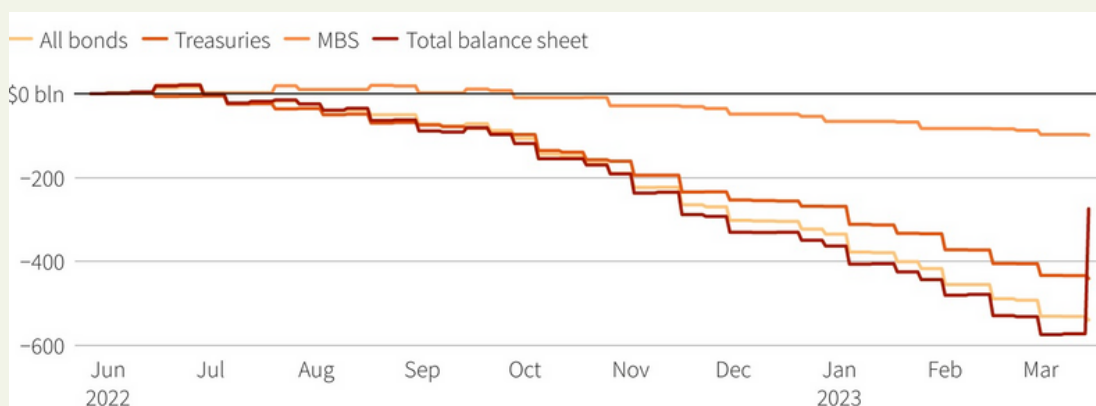




# MARCH'S BRIEF

## Global Banking Turmoil

- In March, two large U.S. banks failed and Swiss regulators forced the takeover of banking giant Credit Suisse, closing the book on its 166-year history.
- The collapse triggered fears of a global banking contagion that caused investors to flee stocks for safer assets, including bonds.
- The Central bank's balance sheet mushroomed by more than \$300 billion in March as they came forward to provide a \$140 billion funding to the new bridge banks.
- Overall Fed holdings had fallen to \$8.39 trillion on March 8, before moving up to nearly \$8.7 trillion, which is the highest since November. The fall earlier was due to the Fed trying to reduce its holdings in Treasury and mortgage backed bonds.
- According to the US federal reserve, "the need to extend roughly \$300 billion in emergency credit for the banking system this week has cut in half the progress the Fed has made in reducing the size of its balance sheet since last June." This is shown below:



Note: Net reductions since the onset of quantitative tightening in June 2022.

Source: U.S. Federal Reserve



# SUMMARY

Apr 04, 2023



## Key Takeaways

### Finance Bill 2023

- Gains from Mutual funds where not more than 35% is invested in equity will now be considered as short-term capital gains and taxed at the applicable tax slab.
- Debt funds, FoFs to lose indexation benefit from April 1st, 2023; FDs to regain their attractiveness.
- Relief to REITs/Invits investors with 'repayment of capital' component of distribution to be taxed only if the cumulative distribution of the component exceeds issue price.
- Marginal relief proposed to tax payers, whose taxable income exceeds 7 lacs and the marginal increase leads to a much higher tax outgo.
- Pension fund investments to be exempt from taxation under Invits.

Going forward, there is parity with respect to taxation of debt instruments. Bonds are better placed as there is possibility of capital gains in the interim period when the yields are lower compared to purchase yields

### Other:

- Small savings schemes interest rates have been hiked by 0.1-0.7% across all schemes with the exception of PPF and Savings Deposit.
- Senior Citizen's savings scheme attractive at a an 8.2% rate along with the fact that the investment limit has increased to 30 lakhs.

### Key Events in Apr, 2023

6th Apr - RBI Policy Outcome

12th April - March CPI Announcement

Earnings Season to kick off with TCS results on 13th

April, 2023

## Snippets

### India

- March 2023 mostly witnessed weakness in global as well as Indian indices (especially in the first half) with hardened expectations of high interest rates and Bank Crises.
- The temporary pressure on short term yields has normalized now and liquid funds have recovered the lost ground.
- India's Current account is fast turning into surplus aided by a good 28% growth in service exports in the 1st 11 months of FY23.
- Finance Bill 2023 was approved with amendments on 24th march 2023.
- India's Industrial Production rose by 5.2% in Jan 2023 as against 4.3% in Dec, 2022.
- Gross NPAs of India Banks likely to touch 10 year lows in FY24.
- Foreign Trade Policy, 2023 focuses on a \$2 trillion export push.
- Nifty at 17398 is at the higher end of fair zone of valuation.

| Nifty Valuation Zones |            |
|-----------------------|------------|
| Above 17700           | Expensive  |
| 13200-17700           | Fair       |
| 11400-13200           | Buy        |
| Below 11400           | Strong Buy |

### Global

- The spread between the US 10-year Treasury yield and the 3-month T-bill yield has increased to -130 bps from -86bps. Historically, this has almost always followed up by recession.
- Oil market likely to go into a deficit by 2nd half of 2023 with Russia trimming supply and China ramping consumption. Brent crude forecasted to average \$89.2 a barrel this year. Slower demand from key regions (US and Europe) would likely keep the prices around \$85 in the first quarter.
- Bitcoin soared 71% during the quarter to \$28419 from \$16576.





# BEHAVIOURAL FINANCE

Fear of missing out, popularly known as FOMO, is one of the main reasons of investors chasing performance.

Simply, performance chasing is making investment decisions solely based on the recent performance of an asset. This usually, is a losing formula for investors over the long run because every trend inevitably reverses and assets might revert to their mean.

However, most humans are wired to think that the grass is always greener on the other side and jump to pick the next hot investment.

As we always emphasise, the only way to overcome such traits is first, to be aware of it and then understand it better.

Performance chasing usually comes from backtesting. Backtesting, however, is not ideal as we can get data to say anything we want if we drill it long enough. Also, backtesting cannot be done on emotions, costs, frictions, liquidity and the level of information available at that point of time in the past.

As Warren Buffet says, always put your hand where your mouth is (or) invest only in things which you understand well enough to manage your risk and return.

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*"Opportunity is missed by most people because it is dressed in overalls and looks like work."  
-Thomas Edison*