



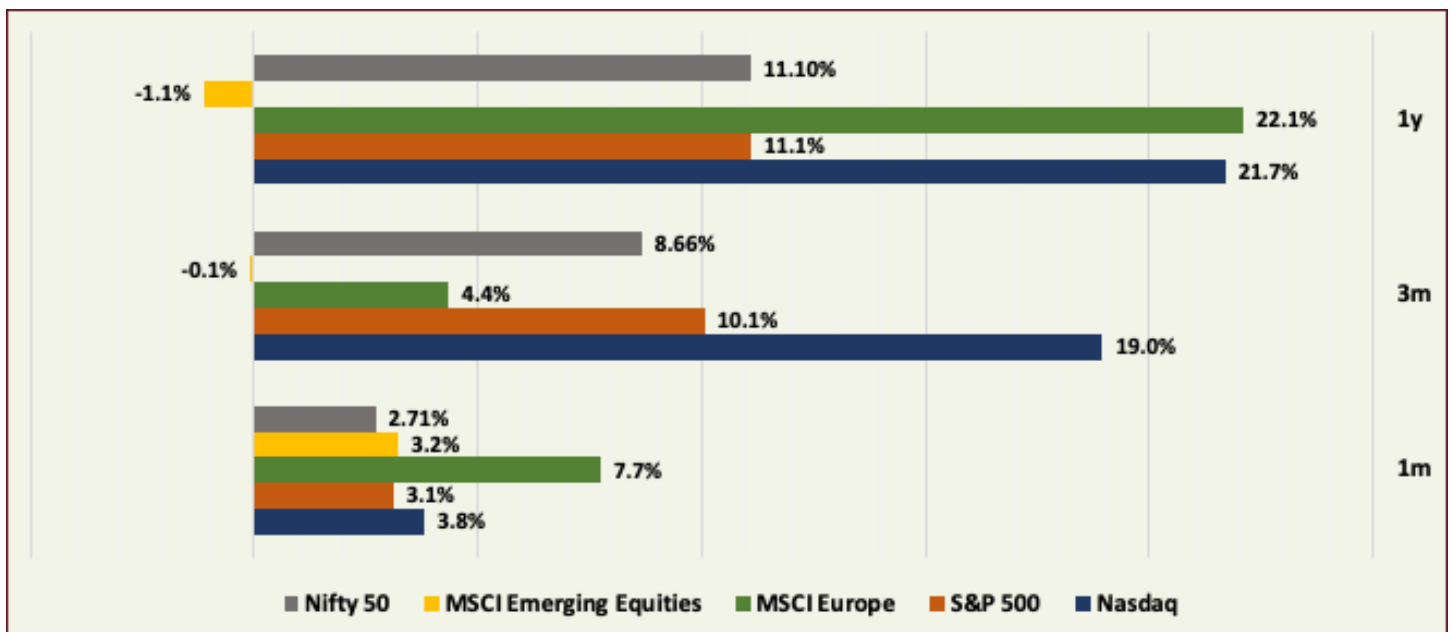
WEALTH FIRST

Monthly Newsletter

Global Equities (in USD terms)

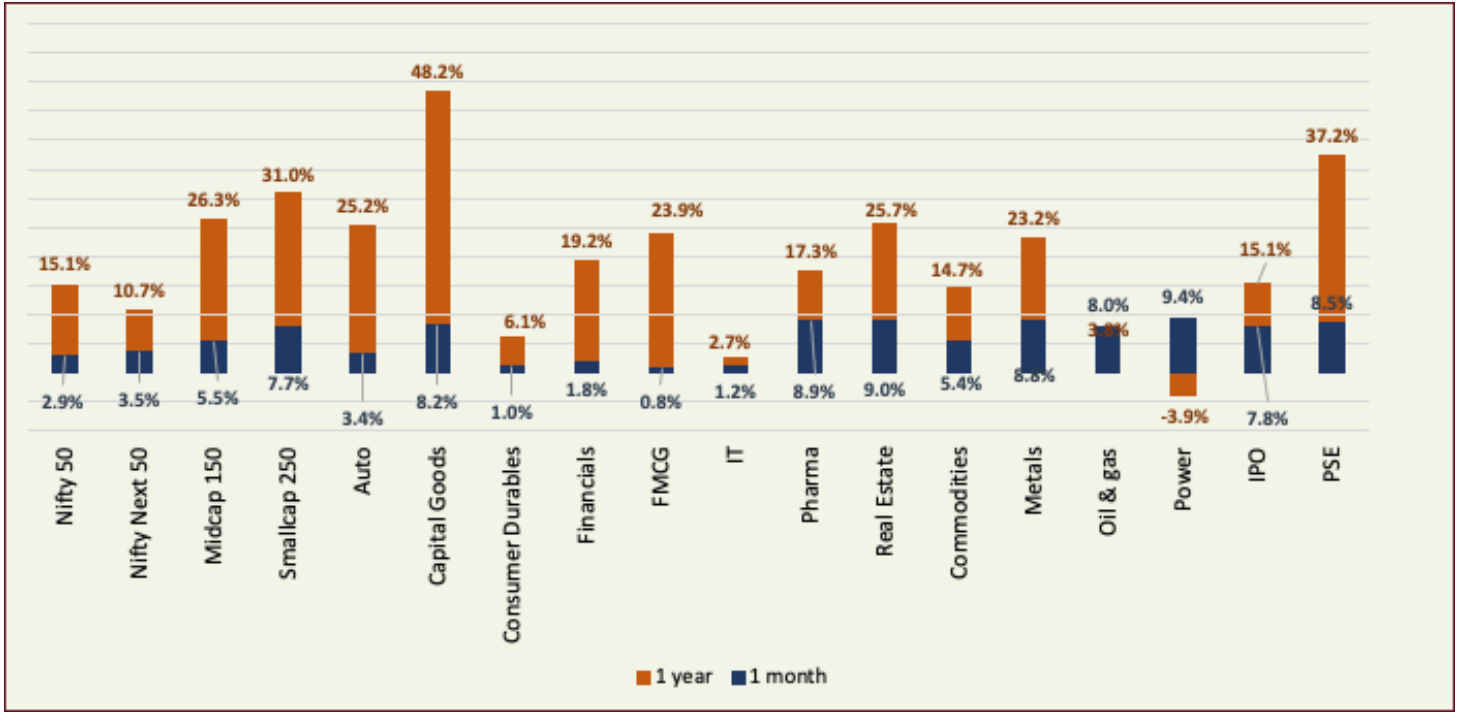
The MSCI All Country World Index gained 3.7% over the month in USD terms. US equities advanced in July, with economic data indicating resilient growth and inflation starting to fall. The Federal Reserve (Fed) enacted a rate hike of a quarter percentage point in July. The central bank offered no firm position on whether rates would rise further in September, although expectations are that this will be the final hike of this cycle. Hopes have also risen that the central bank may have orchestrated a “soft landing”, by cooling growth and taming inflation without triggering a recession.

Eurozone shares made gains in July, supported by a fall in inflation and positive economic growth data. The European Central Bank raised interest rates by 25 basis points in July. However, investors began to anticipate that the central bank might be close to the end of its rate-hiking cycle as inflationary pressures are falling. Euro area annual inflation for July was estimated at 5.3%, down from 5.5% in June.





Domestic Equities



Nifty scaled new highs of nearly 20000 in July while easing back in the last week.

Capital Goods, Pharma and Real Estate sectors continue to give a strong performance while Power and Metals aided the rally.

July witnessed an IPO Boom with most IPOs giving staggering listing gains.

Mid and Small Cap stocks continue to outperform Large Caps.

The FMCG industry largely remained flat with rural sales starting to climb in Q1.

FII's have pumped in more than 1.3 lakh crores in equity alone since April.





Commodities

Commodities	Returns		
	1m	3m	1y
Brent Crude	8.6%	1.8%	-19.4%
Precious Metals			
Gold	2.3%	-1.3%	11.3%
Silver	8.9%	-1.1%	21.9%
Industrial Metals			
Steel	3.4%	11.4%	-3.0%
Iron Ore	-2.2%	5.7%	-5.5%
Aluminium	6.1%	-3.1%	-8.3%
Copper	6.5%	3.2%	11.5%
Zinc	7.4%	-3.1%	-22.5%
Nickel	8.5%	-8.8%	-6.4%
Lead	0.1%	-1.3%	5.3%

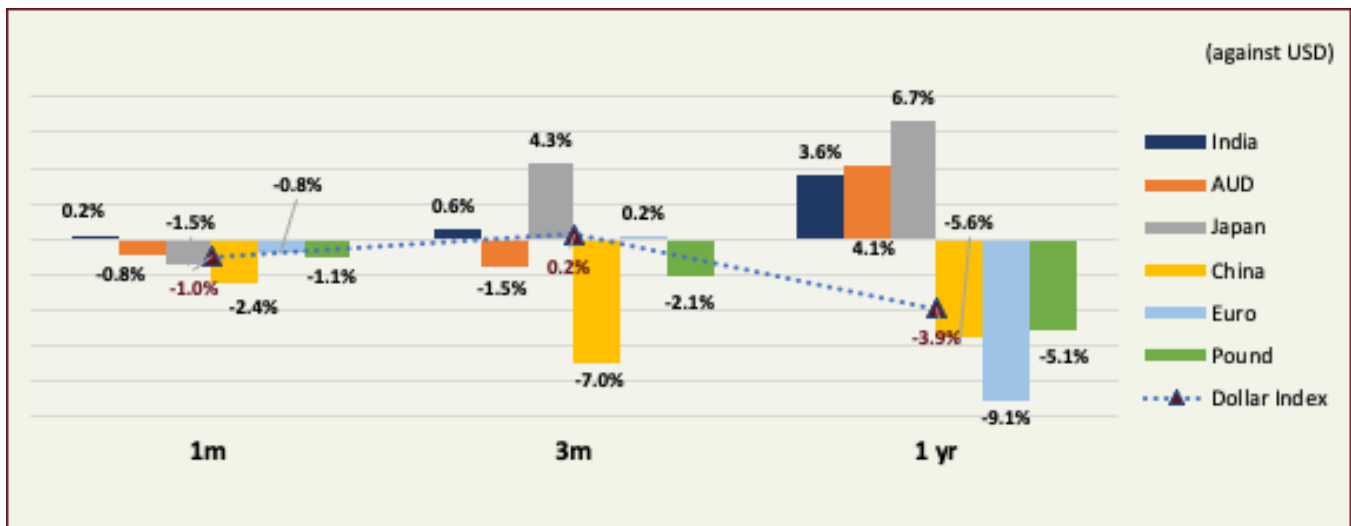
Most commodities saw sharp increases in July. Russia's cancellation of Black Sea grain export deal contributed to price rises in agri-commodities.

The S&P GSCI Index recorded a positive performance in July. Energy was the best-performing component of the index, with sharply higher prices for gas oil, heating oil and unleaded gasoline offsetting a small decline in the price of natural gas.

Within industrial metals, all sub-components achieved robust price gains, with nickel and zinc achieving the strongest advance in the month. In precious metals, the price of silver was sharply higher, while the increase in the price of gold was more muted.

Currencies

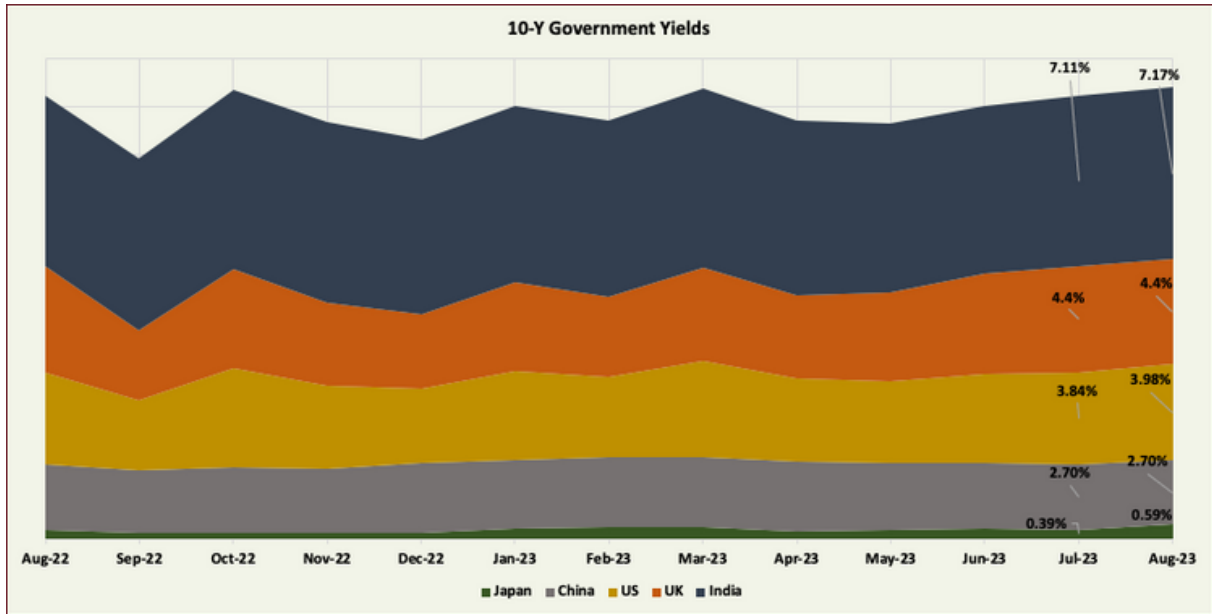
(depreciation against USD)



Most developed market currencies continued to appreciate against the greenback with the Dollar Index slipping 4% in 3 months. Yen rallied after BoJ relaxed its policy. INR has slightly depreciated against the Greenback.



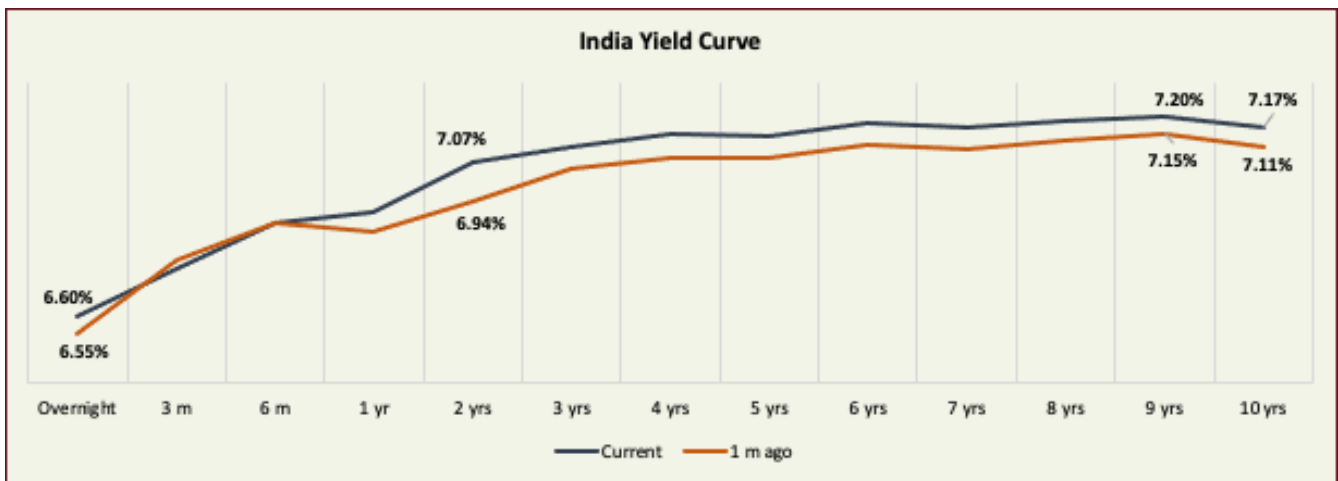
Yield Trends



Global Yields

The US 10-year yield continued on an upwards trend and increased from 3.81% to 3.95% with the two-year remaining at 4.87%. In the UK, the Bank of England's (BoE) Monetary Policy Committee (MPC) did not meet during July, but investors scaled back some of their more extreme rate expectations as better news on inflation emerged.

The Bank of Japan (BoJ) introduced some market volatility by adjusting its yield curve control (YCC) policy. While keeping the original target range, it effectively widened the reference band by introducing a 1% cap on the 10-year Japanese government bond yield, leading to Japanese government bonds selling off in response.



India Yield Curve

India may not see further increase in policy rates while food inflation still remains concerning. RBI data suggested that borrowing costs are restrictive enough to fight against inflation. This is in contrast to the stubbornly high inflation across North America and Europe. However, we continue to be positive on the 3-5Y segment.



India Macro Trends

Month Gone By

	FII	DII	FII Debt
Feb-23	-5,294	14,629	2,436
Mar-23	7,936	30,500	-2,505
Apr-23	11,631	2,217	806
May-23	43,838	-3,306	396
Jun-23	47,148	4,458	3,276
Jul-23	46,618	-1,184	3,726

Though India is experiencing a strong rebound in GDP, making up the losses due to global uncertainties will take time.

FPI investments continue to be strong.

Earnings season has been mixed so far with 18 Nifty companies beating estimates and 15 missing.

However, Mid & small cap companies have seen an upgrade in earnings resulting in their outperformance.

Demat account opening hits 18-month high in July on retail frenzy; total count reaches 12.35 crore.

Inflation, Manufacturing & Liquidity

CPI data	
Month	Inflation
Jan-23	6.52
Feb-23	6.44
Mar-23	5.66
Apr-23	4.70
May-23	4.31
Jun-23	4.81

11.6% increase MoM

PMI		
Month	Manufacturing	Services
Feb-23	55.30	57.80
Mar-23	57.20	62.00
Apr-23	58.70	61.20
May-23	57.80	58.50
Jun-23	57.70	62.30

Manufacturing in Expansion Zone

Surplus Liquidity (in crore)	
Month	Inflow
Feb-23	1,62,110
Mar-23	1,01,422
Apr-23	79,885
May-23	89,697
Jun-23	2,84,219
Jul-23	3,67,517

Surplus increased 293% MoM

Other Trends

Corporate Bond Issues: 7018 crore

Core Sector Growth: 4.81% in May 2023

GST Collection: 1.65 lakh crore



Research Corner

Popular Myth: Index Funds are Better than Actively Managed Funds

Category		1Y	3Y	5Y
Large Cap	<i>Nifty 50 Index Fund</i>	12.57%	21.81%	12.72%
	HDFC Top 100	19.51%	25.72%	12.64%
	ICICI Pru Bluechip	17.36%	23.99%	13.09%
	<i>Average Alpha</i>	5.87%	3.05%	0.14%
Multi Cap	<i>Nifty 500 Multicap</i>	13.79%	23.94%	12.95%
	Quant Active	17.54%	32.70%	21.70%
	Nippon Multicap	29.29%	38.45%	16.54%
	<i>Average Alpha</i>	9.63%	11.64%	6.17%
Mid Cap	<i>Nifty Midcap 150</i>	23.67%	33.87%	16.80%
	HDFC Midcap Opportunities	30.39%	35.13%	16.31%
	Nippon India Growth	24.17%	33.73%	18.27%
	<i>Average Alpha</i>	3.61%	0.56%	0.49%
Small Cap	<i>Nifty Small Cap 250</i>	27.47%	37.22%	14.45%
	ICICI Pru Small Cap	23.43%	41.60%	20.16%
	Quant Small Cap	37.87%	49.67%	27.51%
	<i>Average Alpha</i>	3.18%	8.42%	9.39%

Performance of Index Funds vs Top Active Funds

Debunking the Myth: The above table shows the performance comparison (Trailing returns) of Index Funds with the top 2 actively managed Mutual Funds in different categories.

Fact: In the last 5 years, top MFs have given an average 4% alpha over Index funds across most categories. In fact, some of the funds have given an alpha over 5% across tenures.

Hence, we can confidently say that actively managed funds have traditionally given better returns and historically outperformed index funds, barring an odd period.



SUMMARY

Aug 07, 2023

Key Takeaways

Sector Watch:

- Capital goods
- Infrastructure
- Healthcare

Morgan Stanley upgrades India to "overweight" from "equal weight".

- India's dominant service sector expanded at its fastest pace in 13 years despite elevated inflationary pressures.
- The first round of consolidation seems to have started in Markets in the last week of July. Nifty has lost nearly 600 points in the last week of July and 1st week of August so far.
- Any dips in broader indices could be buying opportunities for a later bull run.
- Overall demand for equities has risen since in the last 2 years with pace of growth highest since June 2010.
- Of the IPOs listed in 2023, 79% gave positive listing gains and 38% of them gave more than 30% gains on listing day.

Read our Blog here: [🔗](#)

Key Events in Aug, 2023

Corporate Earnings

RBI MPC Meeting - 10th Aug, 2023

Snippets

India

- Nifty soared almost 12% since Mar'23 while snapping its streak in the last week of July.
- Resilient Indian macros, strong FII inflows, better corporate performance, hope of ending rate hikes have all led to markets scaling new highs.
- Manufacturing activity continue to be expansion zone.
- Inflation has increased for the first time in 5 months to 4.81%.
- Nifty at 19500 is trading in expensive zone as per valuation.

Nifty Valuation Zones	
Above 18000	Expensive
13500-18000	Fair
11700-13500	Buy
Below 11700	Strong Buy

Global

- Fitch has downgraded US rating from AAA to AA+.
- Emerging market equities rallied in July, outperforming developed market equities as Chinese authorities indicated economic support for the real estate sector and consumption. They also pledged to alleviate local government debt burdens. Stronger commodity prices were beneficial for some EM too.
- Although Global bonds rallied 0.7% in July, US and Euro govt bonds lost some gains as 2nd quarter GDP data came out strong.
- Broadly, markets remained upbeat in July with the rumours of a goldilocks scenario playing.
- US activity data turned optimistic suggesting that the Fed may have to hold interest rates at current levels for longer.
- Commodity prices reversed some of their YTD losses, with the Bloomberg Commodity index rising 6.3% in July.



BEHAVIOURAL FINANCE

"I swing big, with everything I've got. I hit big or I miss big", said Babe Ruth, a legendary American Baseball player.

Such mentality stems from the belief that it is better to take big risks than to avoid failure. Eventually the payoffs from the risks are expected to far outweigh the losses from the misses.

This theory is famously known as the Babe Ruth effect and rightly so. This is because Babe achieved a high batting average despite conceding a lot of strikeouts as he had big home runs.

The Babe Ruth effect is usually attributed to Venture Capitalists. However, we could tweak it a little to attribute to investors as well.

This can be better understood by an experiment done on 20 odd portfolio managers in a fund house. The performances of the managers was compared and only one fund manager (say A) managed to beat all the others by a huge margin.

Ironically, A was also the only one with the worst batting average. When asked about this discrepancy, A explained that the frequency of correctness does not matter but the magnitude does.

In fact, people tend to be more happier when they are right frequently. However, this does not necessarily mean that they are finally more successful.

Investors lose out more by completely avoiding risk. Rather, they must learn to appreciate risk and manage it wisely to reap higher rewards.

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*Stay committed to your decisions, but stay
flexible in your approach*
-Tony Robbins