

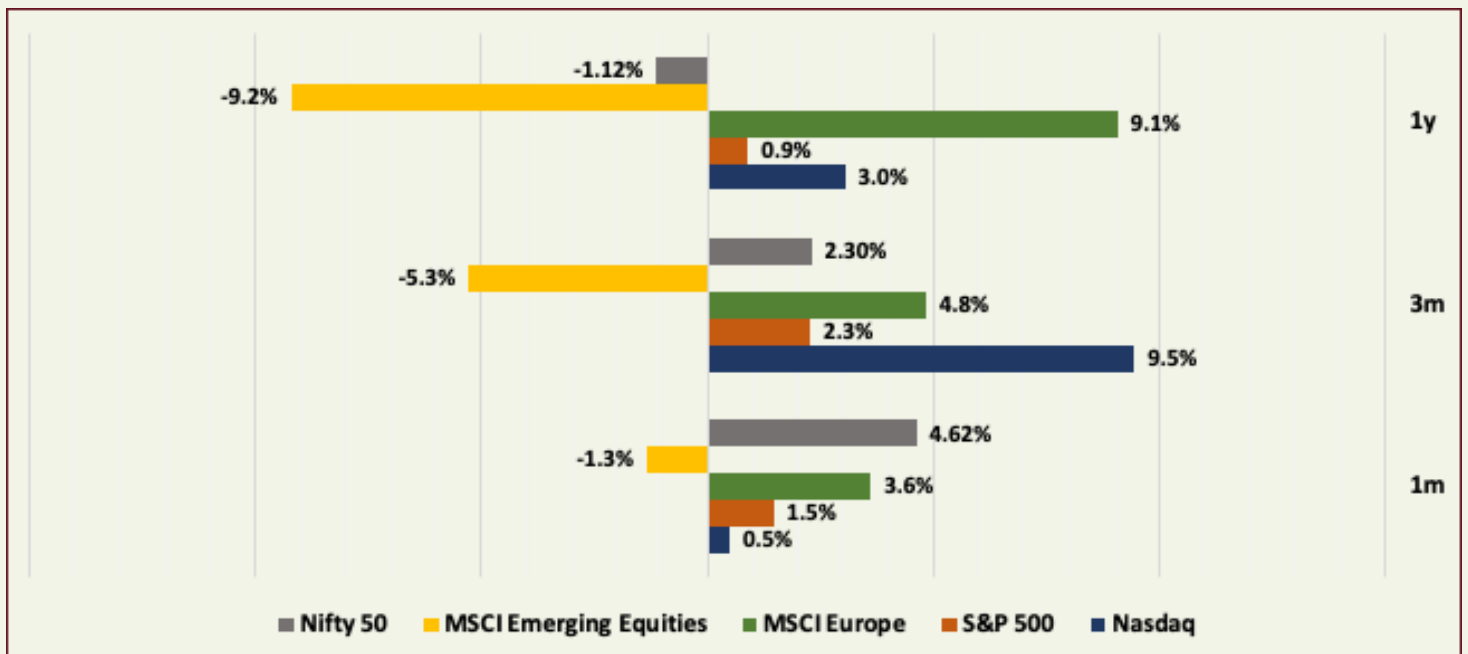


WEALTH FIRST

Monthly Newsletter

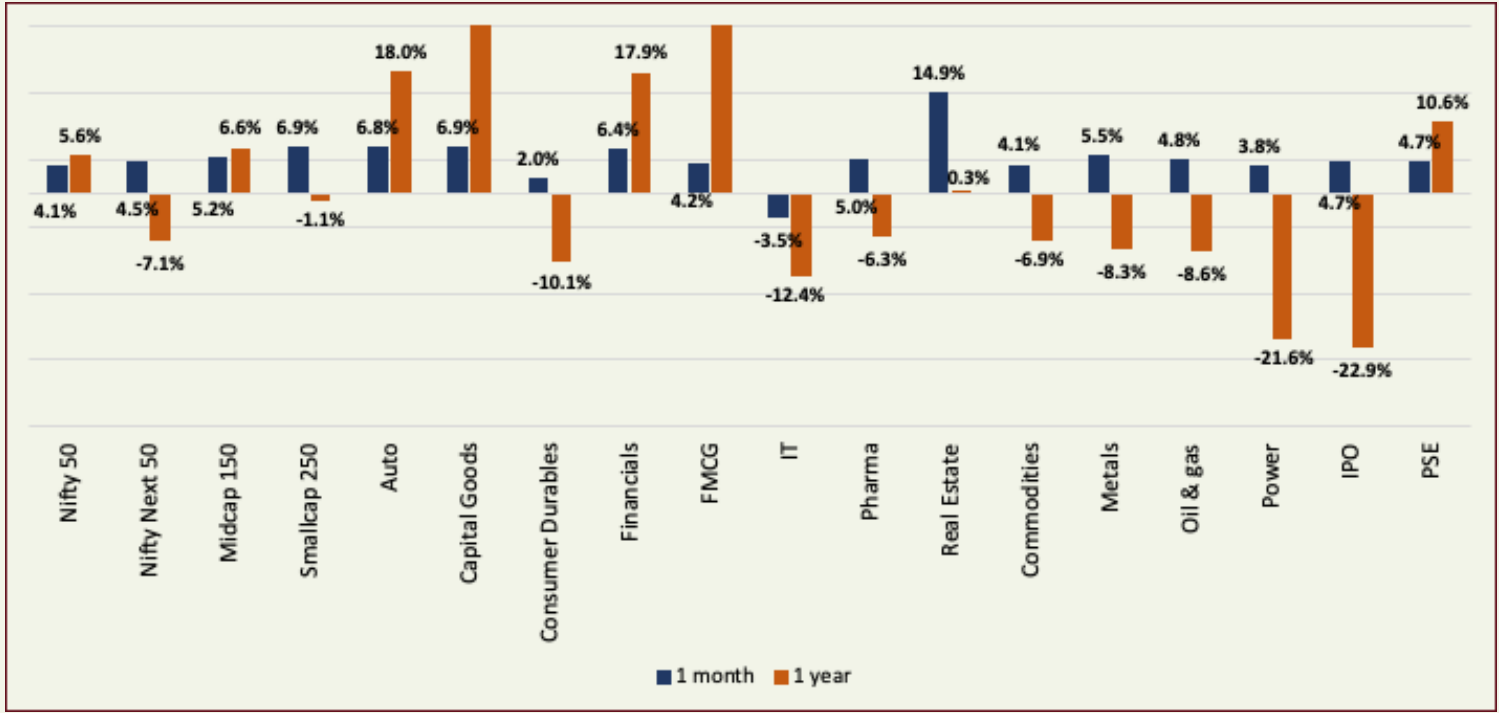
Global Equities

US equities fell sharply in the first half of April post announcement of weak economic data. However, they revived as better than expected earnings trumped weak data. Eurozone saw a 3.6% rise in equities on the back of falling unemployment rate and a slightly decent economic growth rate of 0.2%. Asia, ex-Japan equities underperformed as Shanghai was in lockdown since March end. Taiwan was the worst performing index in April, with major electronics manufacturers struggling due to disruptions in the supply chain.





Domestic Equities



Indian Equities outperformed global peers as earnings were better than expected, with Nifty 50 closing above the 18000 level and Sensex crossing the 61000 mark.

Auto, Banking and Realty sectors saw a strong rally aided by expectations of peaking of the rate cycle and strong inflow of FPIs.

Mid and Small Cap stocks have outperformed Large Caps.

IT remains the only sector to have seen a fall of nearly 3.5% post weak earnings data and growth guidance of prominent stocks.





Commodities

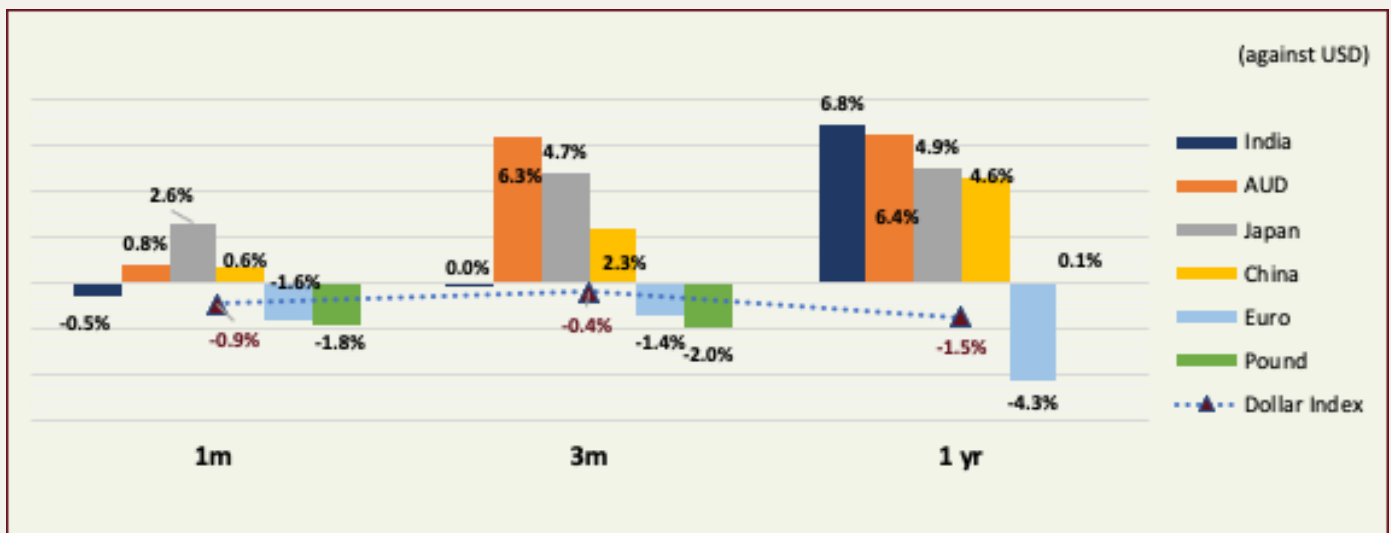
Commodities	Returns		
	1m	3m	1y
Brent Crude	-1.1%	-7.3%	-25.1%
Precious Metals			
Gold	1.1%	3.2%	4.9%
Silver	4.0%	5.6%	10.1%
Industrial Metals			
Steel	-13.3%	-13.7%	-32.4%
Iron Ore	-17.3%	-18.6%	-26.1%
Aluminium	-2.4%	-10.9%	-22.8%
Copper	-5.3%	-8.5%	-12.1%
Zinc	-9.4%	-21.9%	-35.5%
Nickel	2.4%	-19.7%	-23.7%
Lead	2.4%	2.1%	-3.8%

Crude oil Prices remained flat around \$80 per barrel.

With world economies going through a tough phase and equity markets looking uncertain, gold and silver have maintained the positive momentum.

Most commodities have witnessed significant corrections with Shanghai lockdown hurting the sentiment; though still above COVID lows.

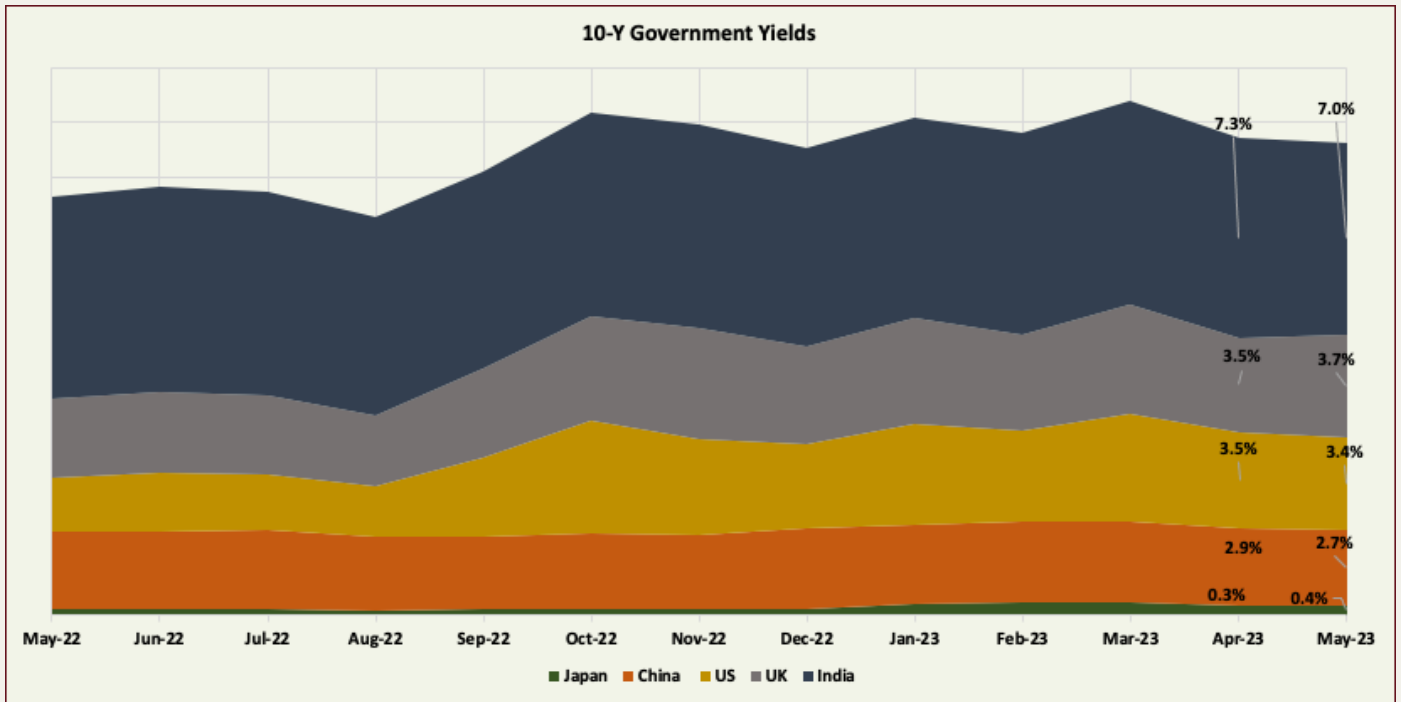
Currencies



INR has continued its appreciation against USD in April, although it still depreciated about 7.3% in the last 1 year. Dollar index has seen a marginal dip during the month.

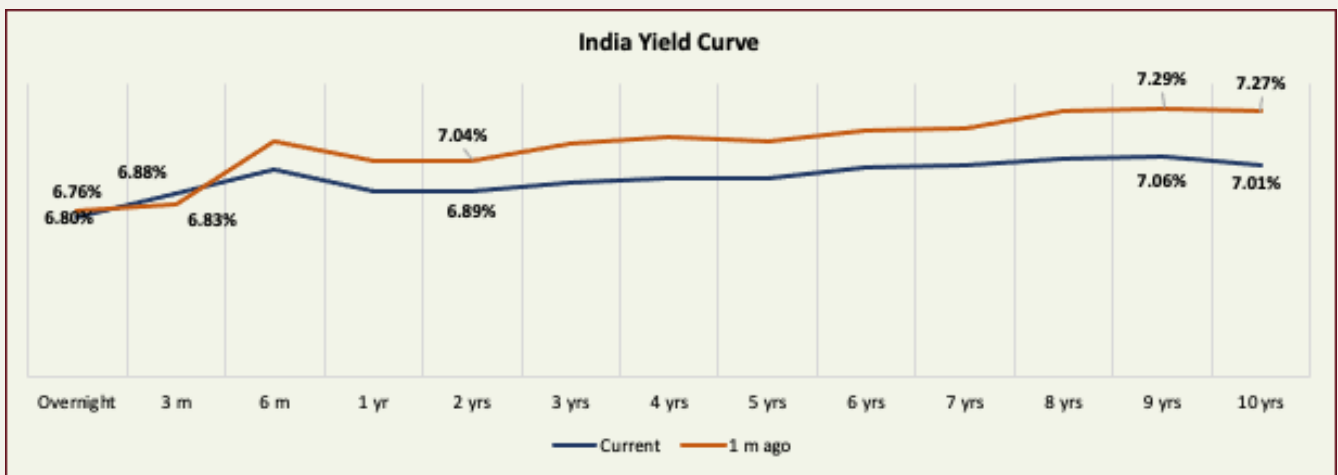


Yield Trends



Global Yields

Fed has increased its key rate by another 25 bps post which it is signaling actions based on the data. The markets are already anticipating this to be the end of hike cycle as stress on the banking system, expectation of a mild recession and the impact that credit tightening measures have already started showing on the economy. This expectation has already started reflecting through lower yields.



India Yield Curve

RBI has paused its rate hike decision in April-23 against a 25 bps hike expectation. However, this is hinted to be a pause and not an end to rate hikes. However, like the US, here too, it is expected to be end of the rate hikes. This led to gradual fall in the yields across various maturities. The yields have gone down further in May with 10Y G-sec trading at 7.02.



Macro Trends

Month Gone By

INR has appreciated 1.2% against the greenback in 2023.

Indian markets saw a healthy monthly gain in April with 46 out of 50 stocks in Nifty ending in green.

Nifty Realty became the top-performing index on the back of RBI's decision to pause rate hikes, which positively impacted real estate companies.

Value of retail investors in NSE companies grew at a CAGR of 21% between March 2017 and March 2022.

FII Flows (in crore)	
Month	Inflow
Nov-22	36239
Dec-22	11119
Jan-23	-28852
Feb-23	-5294
Mar-23	7935.63
Apr-23	11630.82

46% increase MoM

DII Flows (in crore)	
Month	Inflow
Nov-22	-6301
Dec-22	24159
Jan-23	10019
Feb-23	14629
Mar-23	30500
Apr-23	2217

84% decrease MoM

FII Debt Flows (in crore)	
Month	Inflow
Nov-22	-1637
Dec-22	-1673
Jan-23	3531
Feb-23	2436
Mar-23	-2504.87
Apr-23	805.56

132% Increase MoM

Inflation, Manufacturing & Liquidity

CPI data	
Month	Inflation
Oct-22	6.77
Nov-22	5.88
Dec-22	5.72
Jan-23	6.52
Feb-23	6.44
Mar-23	5.66

12% decline MoM

PMI		
Month	Manufacturing	Services
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-23	57.20	57.80

Manufacturing in Expansion Zone

Surplus Liquidity (in crore)	
Month	Inflow
Nov-22	52333
Dec-22	9975
Jan-23	64034
Feb-23	-18257
Mar-23	-106660
Apr-23	-42452

Liquidity in deficit

Other Trends

Corporate Bond Issues: 17999 crore (~41% MoM decrease)

Core Sector Growth: 3.6% in Mar 2023 (5-month low)

GST Collection: 1.87 lakh crore (Highest ever monthly collection at 12% MoM increase)



SUMMARY

May 05, 2023



Key Takeaways

Gold touched all-time new highs of 62000 and seems to be heading further.

SGBs might be the best option to investing in Gold. While FY23 returns for Gold were 14.5%, that for SGBs were 18-19%. Discount to spot price (currently 5-6%), and 2.5% interest remain key features .

REITS found to be attractive as they are trading at a significant discount to their valuations. [Read here to know more.](#)

Infra sector showing good growth prospects with huge order books and strong balance sheets. [Read here to know more.](#)

Small savings schemes continue to be attractive with recent hikes across all schemes.

Key Events in May, 2023

Corporate Earnings

India/US CPI Data

Snippets

India

- Inflation decreased to 5.66% in March; a 15-month low.
- Manufacturing activities improved further and touched a 4-month high boosted by improving supply chain conditions, mild price pressures and new robust business growth.
- Nifty at 18200 is trading in expensive zone as per valuation.

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

Global

- The market embraced what it expects to be the U.S. Federal Reserve's last round of interest rate hikes. However, while the Fed may be done with increases, the next thing to watch out will be the debt ceiling and spending level debate.
- The spread between the US 10-year Treasury Yield and the 3 month T-Bill has increased to 200 bps, a clear expectation of recession.
- The consumer price index gained 5% year-over year in March, down from peak inflation levels of 9.1% in June 2022 but still well above the Federal Reserve's 2% long-term target.
- The Commerce Department estimates U.S. gross domestic product grew just 1.1% in the quarter, well below consensus economist expectations for 2% growth.
- The S&P 500 rallied following the GDP report, as investors feel that a weaker economy could force the Federal Open Market Committee (FOMC) to pause interest rate hikes after the May meeting—and potentially look at cuts later in 2023.



BEHAVIOURAL FINANCE

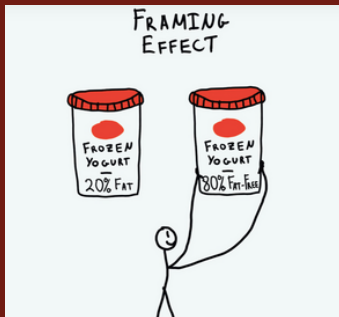
People usually make decisions based on the way information is presented/framed as opposed to just the facts themselves. This also means that the same facts presented in 2 different ways lead to different decisions.

For example, let us consider the statements below:

Stmnt 1: "In Q3, our EPS were \$1.25, compared to expectations of \$1.27.

Stmnt 2: In Q3, our EPS were \$1.25, compared to Q2 where they were \$1.21.

Clearly, statement 2 influences people to think that the reported numbers are better than in the case of stmnt 1.



This, in behavioural finance is known as "Framing Bias".

What is more interesting is that, when all facts are not known regarding a decision, probability of being influenced is also more.

Click here to know more: [🔗](#)

Offices: Mumbai, Ahmedabad, Hyderabad, Pune
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**The 4 most dangerous words in investing are:
'This Time It's Different'
-John Templeton**