

***March 2022***

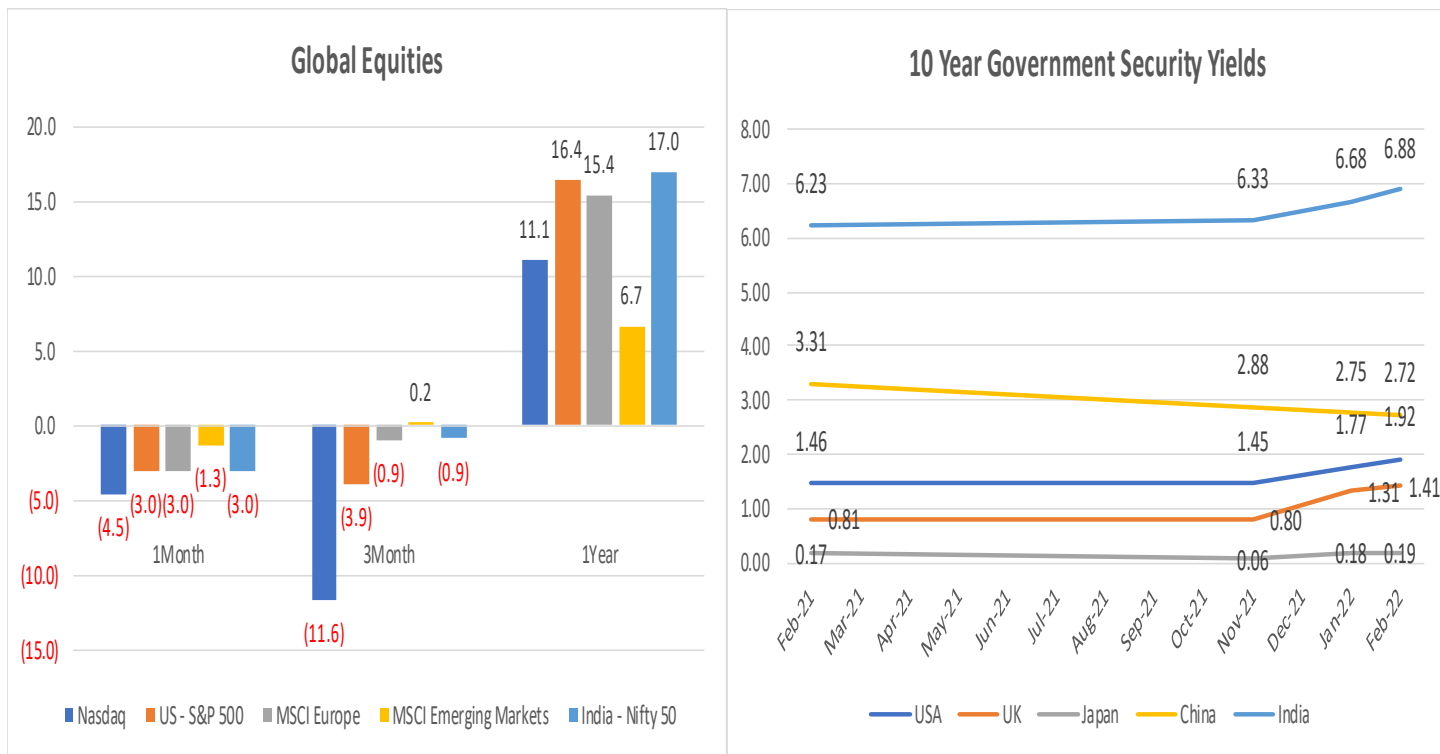
# **Monthly Newsletter**

**Wealth First Advisors Pvt. Ltd.**  
***Value, Focus, Action***





# Global Markets



Source: Morningstar Direct as on 28<sup>th</sup> February 2022

Source: Trading Economics as on 3<sup>rd</sup> March 2022

## Comments on Global Equities:

- Overall it has been a difficult month for global equities. During the first half of the month, there were concerns around the increased pace of expected rate hikes and the second half was all about risk off sentiment due to Russia's invasion of Ukraine. Broadly, commodity exporting countries outperformed and importers underperformed.
- Reports suggest that growth stocks continued to underperform value stocks like January 2022, however the extent of underperformance reduced this month. Globally (Ex Europe), technology and communication services sectors were the most impacted.
- US: Has been a below average performing this month. Nasdaq (-4.5%) worst impacted, smallcaps outperformed and delivered positive returns. Reports suggest that US companies delivered earnings growth of 30% YoY versus expectations of 20% YoY.
- European equities were amongst the most impacted as they rely substantially on Russian Exports. Consumer Discretionary and Financials were worst hit as rising energy prices built up economic pressures. Defensive sectors did relatively better but yet delivered negative returns.
- Russian Equities plummeted and closed -30% of the month.
- India: After a relatively better January, continued to underperform global peers given headwinds for global importers due to Russian war. FII outflows intensified.
- Given stronger metal prices, commodity rich emerging markets like Mexico, South Africa, Peru outperformed.

## Comments on Global Debt:

- In the first half, global bond yields rose in anticipation of faster interest rate hikes given higher than expected inflation. However due to Russia's invasion in Ukraine, bond markets scaled back these expectations and yields softened again.
- The US 10-year Treasury yield briefly rose above 2%, while the equivalent UK yield rose to 1.59% and Japan's yield rose to 0.22% - all three reversed from their annual highs and ended the month lower.
- Bank of England raised interest rates again (first hike in January 2022) despite economic outlook concerns.
- Across Europe, corporate spreads widened (more for highly impacted sectors like energy).
- Bond sell off visible across emerging economies as money moved towards safe haven economies.
- The most important thing to watch for from here on is how central banks react to higher energy prices by increasing the magnitude / speed of interest rate rises in order to combat inflation or by reducing their pace of tightening in order to support economies.



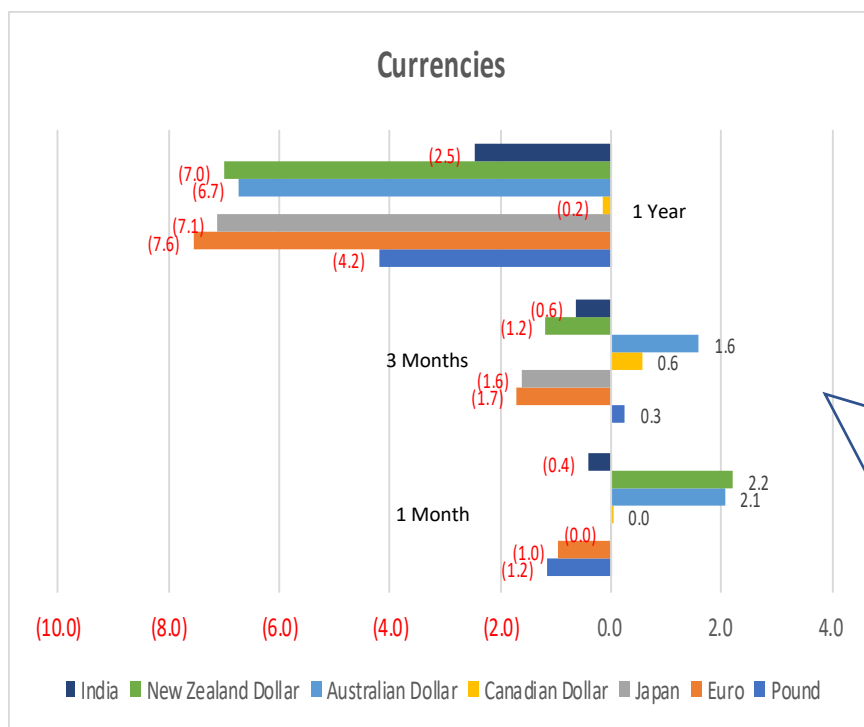
## Commodities & Currencies

Commodity Name	Measure	Price in USD				Returns %		
		Current	1M Ago	3M Ago	1Y Ago	1M	3M	1Y
Oil	Barrel	101.0	91.2	70.6	66.1	10.7	43.1	52.7
<b>Precious Metals</b>								
Gold	Ounce	1,899	1,796	1,776	1,730	5.7	6.9	9.7
Silver	Ounce	24.3	22.4	22.9	26.4	8.5	6.3	(8.0)
<b>Industrial Metals</b>								
Steel	Tonne	830	769	750	690	7.9	10.7	20.4
Iron Ore	Tonne	141	131	95	166	7.2	48.0	(15.1)
Aluminium	Tonne	3,450	3,076	2,635	2,203	12.2	30.9	56.6
Copper	Tonne	9,972	9,620	9,605	9,173	3.7	3.8	8.7
Zinc	Tonne	3,705	3,675	3,201	2,821	0.8	15.7	31.3
Nickel	Tonne	25,240	22,800	20,180	18,607	10.7	25.1	35.6
Lead	Tonne	2,402	2,289	2,344	2,107	4.9	2.5	14.0

Source: LME and Investing.com as on 28<sup>th</sup> February 2022

### Comments on Commodities:

- For the third month in a row, commodities have been the best performing asset class following the Russian invasion of Ukraine.
- While Bloomberg Commodity Index is up 6.2%, all other asset classes delivered negative returns.
- Energy – Russia is a key exporter of oil (~13% of global supply) and natural gas (~17% of global supply), hence prices have seen steep rises. The impact on European commodity prices is much higher as ~25% of oil imports and ~40% of natural gas imports come from Russia. International coal prices too have surged significantly this month with about 40% upmove in the last week itself.
- Agri Commodities – Amongst the best performing commodity component. Wheat prices are up ~40% as Ukraine + Russia account for ~30% of global supply. Other commodities that saw steep price rises include corn, soybean, skimmed milk powder, crude palm oil and urea.
- Gold / Silver – Highlighting the safe haven status both precious metals Gold and Silver ended the month with decent positive gains.
- Both Iron Ore and Steel saw price gains (7% – 8%).
- Among the nonferrous metals, aluminum, nickel and lead saw strong gains while gains for copper and zinc we muted.

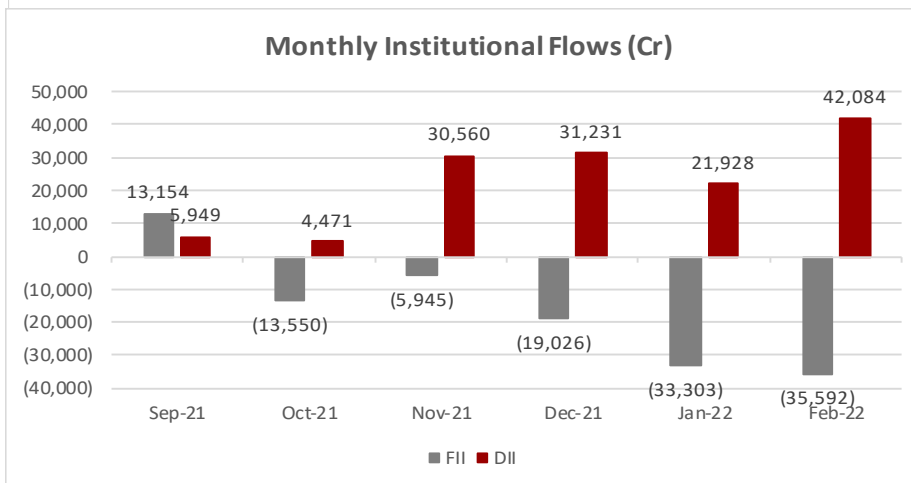
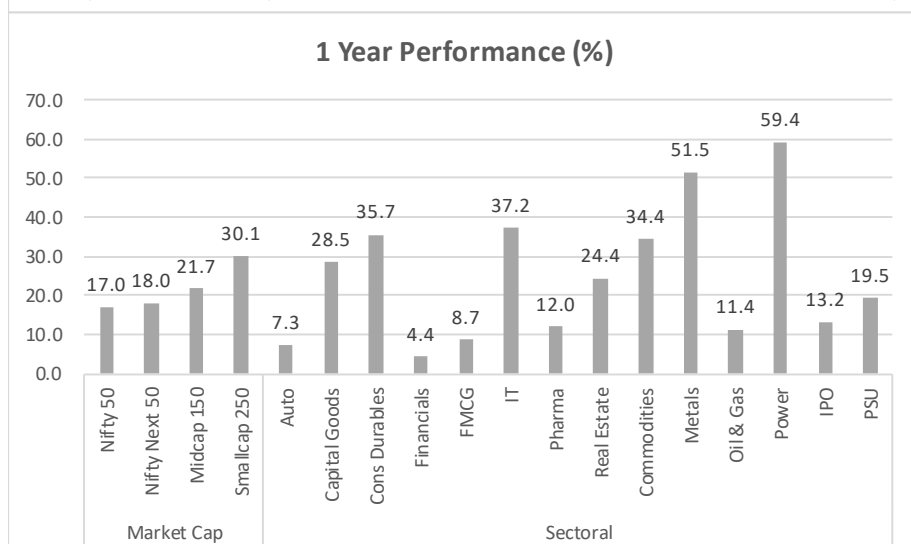
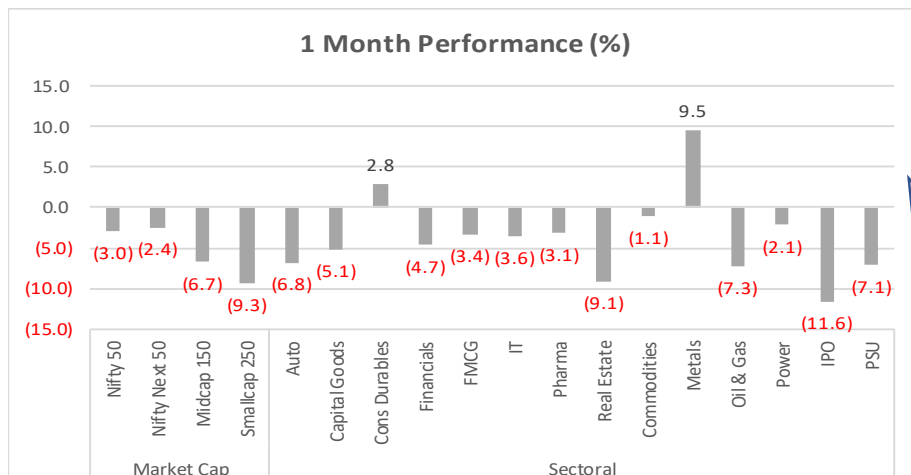


- Many currencies weakened versus the USD as money moved from economies with higher risk to safe havens.
- Developed commodity currencies (CAD, NZD, AUD) and even commodity rich Latin Americans outperformed versus the USD as commodity prices appreciated.
- Russian Ruble: Lost significant value against USD following sweeping sanctions from western nations and the cutoff of major regional banks from SWIFT.

Source: Morningstar Direct as on 28<sup>th</sup> February 2022



# Domestic Equities



Source: Morningstar Direct, NSDL, NSE and Moneycontrol.com as on 28<sup>th</sup> February 2022

4<sup>th</sup> March: Nifty50 16,230 Equities have finally touched their fair zone now. While equities are expected to remain volatile, it may be interesting to add some money gradually for investors with lower existing allocation .

Valuation Zone	Nifty 50 level
Expensive (PE>21.5)	Above 16,200
Fair (PE 16 to 21.5)	12,375 – 16,200
Cheap (PE 14 to 16)	10,900 – 12,375)
Very cheap (PE <14)	Below 10,900

- 5<sup>th</sup> month of continued high volatility for equities.
- Most indices and sectors delivered negative returns.
- Broad Market Indices: Nifty Next 50 (-2.4%) was the best performing index. Underperformers: Midcaps (-6.7%) and Smallcaps (-9.3%).
- Best Performing: Metals (+9.5%) and Consumer Durables (+2.8%).
- Defensive Sectors: IT (-3.6%), Pharma (-3.1%), FMCG (-3.4%) fell lower compared to higher beta sectors.
- IPOs (-11.6%) was again the worst performing segment, down ~26% on 3 Month basis now.
- Real Estate Developers (-9.1%), PSUs (-7.1%), Oil and Gas (-7.3%) were amongst the most impacted sectors.
- Commodities as a basket outperformed broader indices. Mainly due to significant outperformance in Metals and also, due to continued outperformance of Power sector (-2.1%).

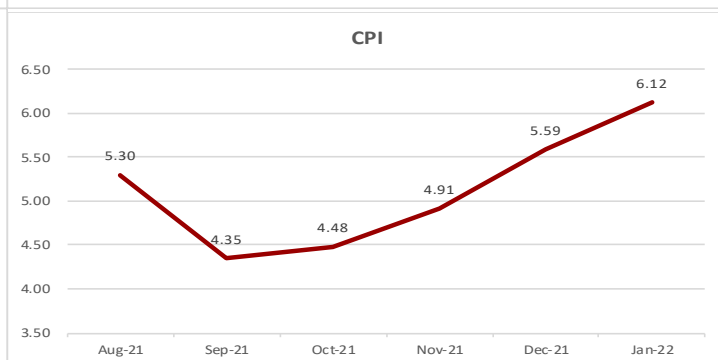
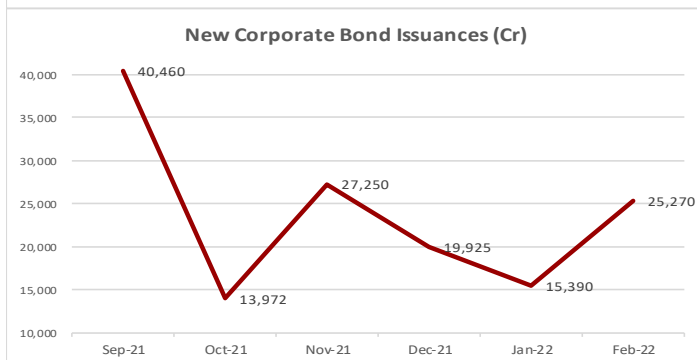
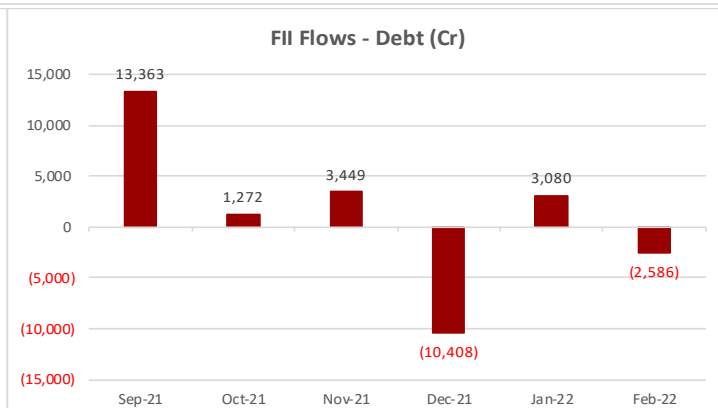
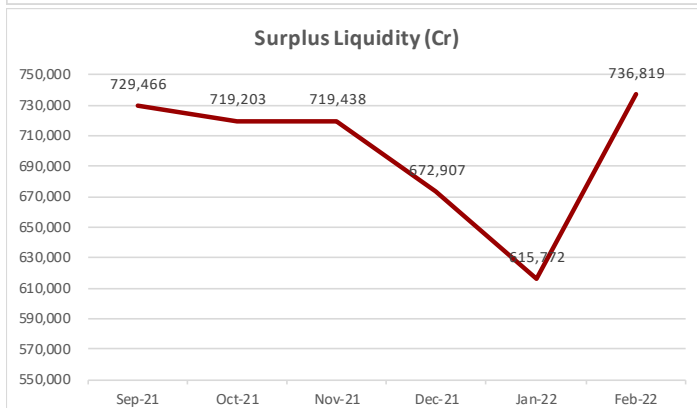
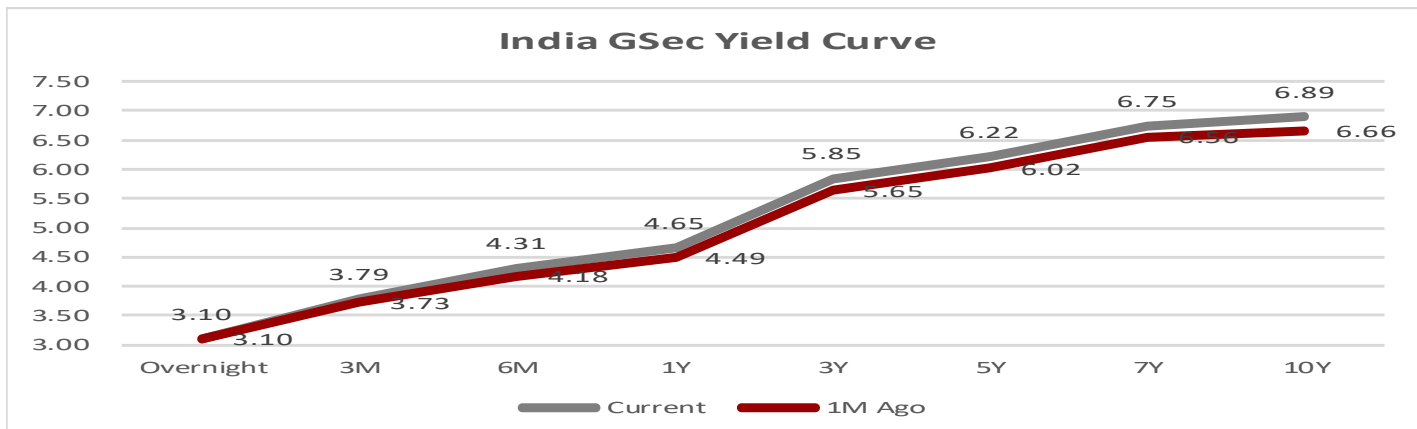
FII selling continued for the 5<sup>th</sup> consecutive month and quantum of sale was highest till now. DII continue to be net buyers which offered some support to the markets. IPOs have dried out completely and high volatility is expected to continue given larger flow movements.

### Wealth First Value Strategy

Proprietary model to gauge the attractiveness of the Indian Equity Market for investments. Parameters: Nifty 50 historical price to earnings and price to book combined with the mean reversion theory. The index has a track record since 2000.



# Domestic Debt



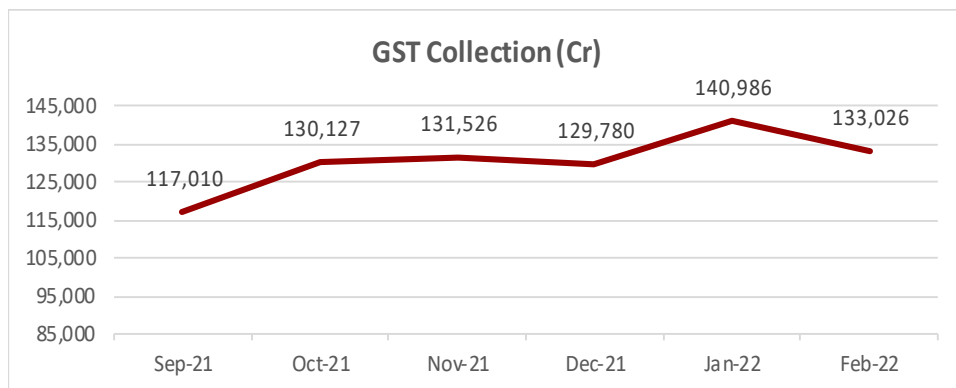
Source: NSDL, NSE, RBI, MOSPI and worldgovernmentbonds.com as on 28<sup>th</sup> February 2022

## Comments on Domestic Debt:

- Yield Curve: Bonds yields have moved up across the Gsec yield curve in the last month and are at their highest point in the last 1 year. The rise has been steeper in the longer duration bonds.
- CPI: Rose to 6.12% in January – has moved up above RBI’s comfort zone for the first time in the last 7 months. Oil (india’s major imports) moved up another 11% in February and is now up 43% in the last 3 months and rise in other commodity prices is likely to keep CPI print higher in the upcoming months.
- Bond market issuances were larger this month at Rs 25,270 crore by 27 issuers versus Rs 15,390 crore by 18 issuers in January 2022. There were 2 big issuances this month by NABARD and SIDBI worth Rs 5,000 crore each.
- Yields are likely to face upward pressures given the demand supply imbalance of market borrowings, gradual normalization of monetary policy, higher inflation given higher commodity prices. However, RBI has stepped up to reduce market fears by cancelling auctions and increased surplus liquidity in the system.
- In view of the aforesaid and relatively steep yield curve, the medium duration space (4-7 years) looks interesting for new investments currently where the higher spreads to balance potential risks.

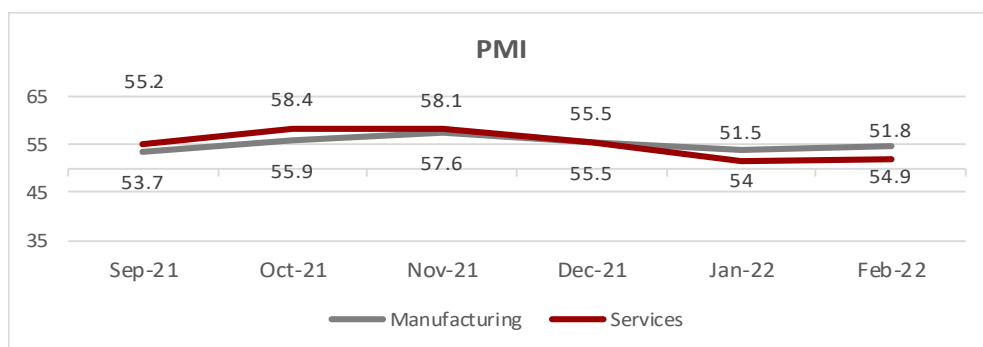


## Macros & Other Important Data Points



GST collections rose 18% on year to Rs 1.33 lakh crore for Feb'22. For the 5th month in a row, the collections crossed the Rs 1.3 lakh-crore mark. The trend so far indicates that the Central GST collections could exceed the FY22 revised estimate by at least Rs 20,000 crore.

Both manufacturing and services PMI's growth has slowed down. Services PMI moved down to ~51 indicating bearish sentiment



Source: Gstcouncil.gov.in and trading economics as on 28<sup>th</sup> February 2022

### Comments on Macros and other High Frequency Indicators:

- After falling in January, all mobility indicators have moved up in the last month. They are at their highest since pre-pandemic levels now.
- Consumer sentiment indicators are improving and are near previous highs seen in December 2021.
- December's total tax receipts rose significantly and are at highest levels.
- India's daily Covid cases have fallen substantially. 7 day moving average is about 14,000 cases and test positivity rate is at 1.4% now.
- Vaccination: With over 177 crore doses administered, over 72.4% of the Indian population has received at least one dose. 59% population has received both doses.

### Key Events in March 2022:

- Development on Russia-Ukraine War
- Exit polls - 7th & 8th March
- Election Results - 10th March
- ECB meeting - 10th March
- FED meeting - 16th March



# Thank You

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