



WEALTH FIRST

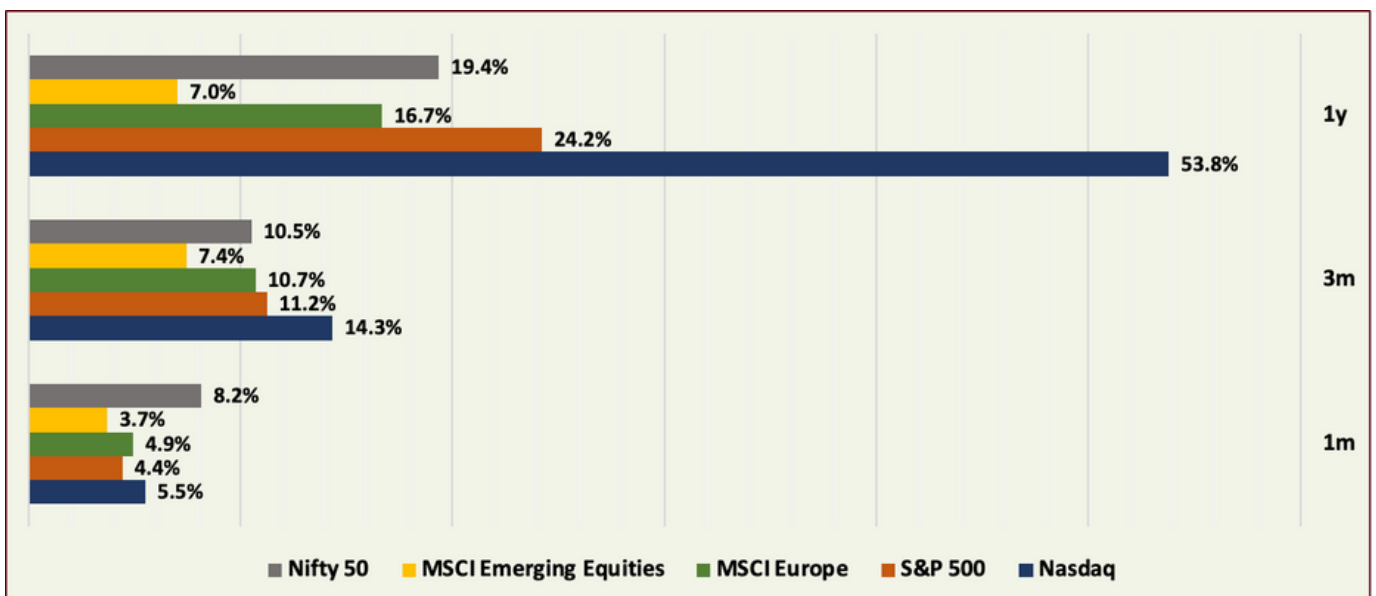
Monthly Newsletter

Global Equities (in USD terms)

S&P 500 ended 2023 with an unexpected 24% gain due to slowing inflation, a robust economy, and signals from the Federal Reserve indicating an end to rate hikes. The S&P 500's nine-week winning streak marked its best performance since 2004, while Nasdaq had its strongest year since 2020, propelled by Big Tech stocks.

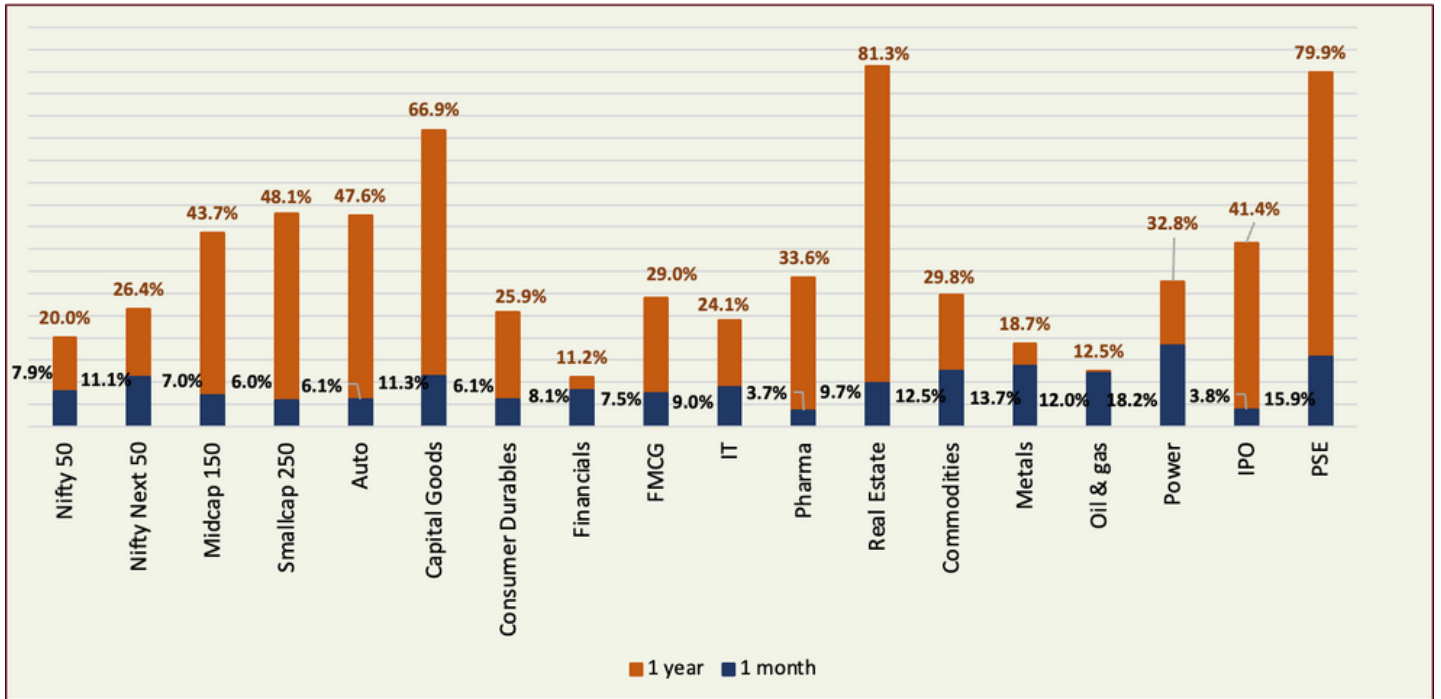
European markets ended the year positively, with the Stoxx 600 up 12.6%, and individual indices like Germany's DAX rising nearly 20%.

Concurrently, the market navigated through challenges, including a regional banking crisis and conflicts in Ukraine and the Middle East.





Domestic Equities



Markets have done exceedingly well in December continuing the gains seen in November. On a whole, Indian markets closed the year with a bang, delivering gains of 20% in the year.

Mid and Small Caps have continued their momentum with nearly 6-7% gains. PSE, Energy and Commodities stole the spotlight by delivering gains close to 15%.

India's stock market value surpassed Hong Kong's, securing its position as the seventh-largest in the world by the end of November 2023.

With clear mandate for BJP in MP, Rajasthan and Chhatisgarh state elections, the key risk before Central elections in May has been removed.

As such, the sentiment has turned positive and the gains have got extended further in December.

Although the month witnessed a slight scare in terms of COVID resurgence across different parts of the country, the bullish run continued to take the market to new highs.





Commodities

Commodities	Returns		
	1m	3m	1y
Brent Crude	-4.4%	-14.7%	-10.1%
Precious Metals			
Gold	1.3%	11.6%	13.1%
Silver	-1.7%	7.2%	-0.9%
Industrial Metals			
Steel	1.1%	10.1%	-2.3%
Iron Ore	7.6%	19.2%	21.3%
Aluminium	8.7%	1.6%	0.3%
Copper	1.4%	3.9%	1.9%
Zinc	7.4%	0.3%	-10.6%
Nickel	-0.4%	-11.2%	-45.2%
Lead	-2.8%	-7.5%	-12.9%

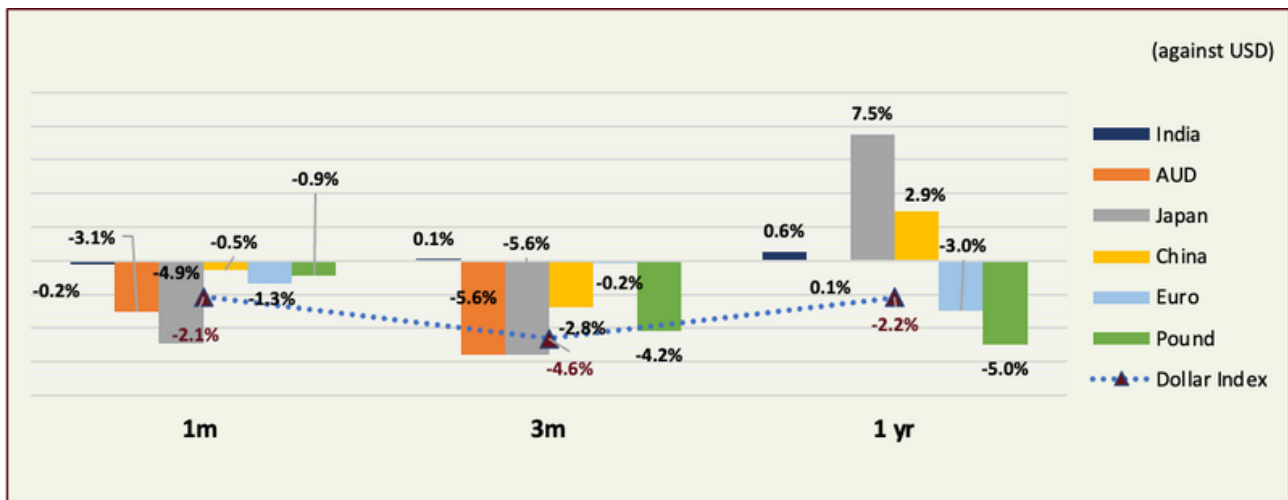
Commodities were the best performing asset class in 2021 and 2022 while ending the streak in 2023.

Closing the year with a decline of over 10%, US crude oil faced bearish sentiment, driven by concerns about oversupply from record production outside OPEC. Both US crude and the global benchmark registered their first annual decline since 2020, despite ongoing geopolitical risks in the Middle East, including the devastating war in Gaza.

However, a recent uptick is observed amid fears that militant attacks on shipping in the Red Sea could disrupt global trade and crude supplies.

Gold secured its best performance since 2020, surpassing \$2,000 an ounce, driven by optimism that the US Federal Reserve might reduce interest rates as early as March.

Currencies (depreciation against USD)

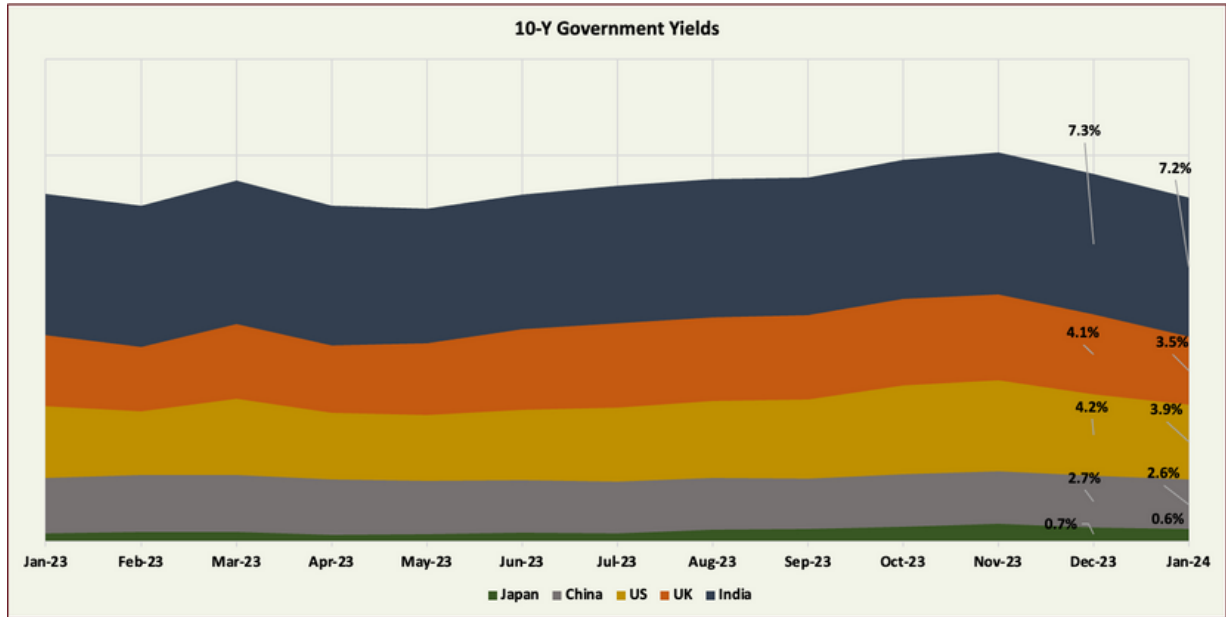


In 2023, the Indian rupee demonstrated remarkable stability against the US dollar, showcasing the lowest volatility in almost thirty years. With only a slight depreciation of 0.5 percent against the dollar, the rupee's steadiness is credited to the timely and proactive intervention by the RBI.

In addition to the RBI's currency management, strong foreign inflows into the domestic market have been crucial in bolstering the resilience of the rupee amid global uncertainties in 2023.



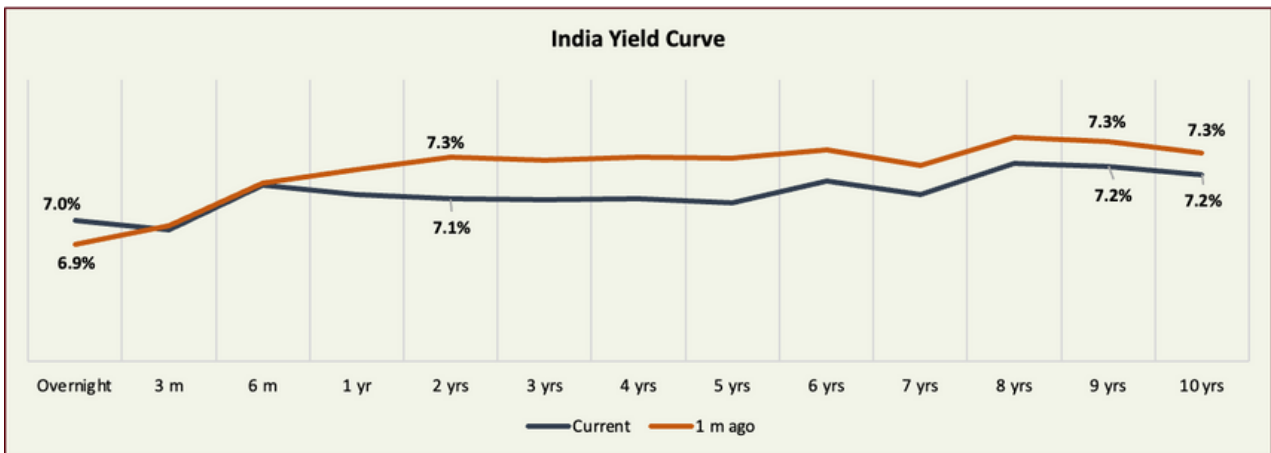
Yield Trends



Global Yields

An anticipated steady and gradual easing cycle toward a neutral level of rates across developed markets is expected, contingent on a soft landing in the macroeconomic baseline. However, risks lean towards quicker cuts in a recession scenario where the macro outlook justifies accommodative monetary policy.

In the U.S., the Federal Open Market Committee (FOMC) is likely to initiate rate cuts in the third quarter of 2024 at a pace of 25 basis points per meeting, while quantitative tightening (QT) will persist through 2024.



India Yield Curve

The 10-year Indian government bond yield finished December at 7.2%, nearly unchanged from the start of the year. Stable monetary policy and inflation, along with the RBI concluding rate hikes in February at 6.5%, contributed to this stability.

In May, eased concerns led to a one-year low of 7%. However, fears of quantitative tightening caused a selling spree in the second and third quarters. Despite this, yields ended the year lower, supported by India's inclusion in Debt indices and a rebound in US Treasuries.



India Macro Trends

Month Gone By

The phased inclusion of India in JP Morgan's GBI-EM Global Diversified index over ten months is anticipated to attract substantial inflows, potentially reaching \$25-30 billion.

This addition is likely to play a role in bolstering the strength of the rupee against the US dollar.

In 2023, foreign portfolio investors (FPIs) have staged a notable comeback, injecting Rs 1.7 lakh crore into Indian equity markets.

This surge is attributed to their confidence in India's economic fundamentals amidst global challenges.

Positives going forward: Positive FII buying from Jan given India's inclusion in Debt indices, Falling yields in global markets (US 10Y G-sec moved down by 40 bps in the last 1 month, Steady crude prices (around \$76 per barrel even after Red Sea crisis), Narrowing Current Account Deficit and steady fiscal deficit (latest CAD 1% as against 3.8% same period last year).

	FII's	DII's	FII Debt
Jul-23	46,618	-1,184	3,726
Aug-23	12,262	25,017	7,733
Sep-23	-14,768	20,313	938
Oct-23	-24,548	25,106	-934
Nov-23	9,001	12,762	3,276
Dec-23	66,135	12,942	-4,146

Inflation, Manufacturing & Liquidity

CPI data		PMI			Surplus Liquidity (in crore)	
Month	Inflation	Month	Manufacturing	Services	Month	Inflow
Jun-23	4.9	Aug-23	58.6	60.1	Jul-23	3,67,517
Jul-23	7.4	Sep-23	57.5	60.1	Aug-23	3,60,558
Aug-23	6.8	Oct-23	55.5	61.0	Sep-23	2,36,206
Sep-23	5.0	Nov-23	56.0	58.4	Oct-23	2,85,126
Oct-23	4.9	Dec-23	54.9	56.9	Nov-23	3,06,248
Nov-23	5.6	Manufacturing PMI hits 18-month low			Dec-23	2,15,664
14% decline MoM					Liquidity down	

Other Trends

Corporate Bond Issues: 52,166 crore

Core Sector Growth: 7.8% in November (6-month low)

GST Collection: 1.65 lakh crore



Research Corner

A Recap into 2023

Nifty 50 Shines: In the bustling world of Dalal Street, the Nifty 50 took charge, soaring with an impressive 18% return. Yet, the real stars were mid and small-cap stocks, boasting gains of 40% and 50%. Sectors like defense, realty, autos, and pharma stole the limelight.

Move Over, World: India flexed its economic muscles, claiming the fifth-largest economy spot. A dance of infrastructure spending, foreign investments, and a touch of RBI magic led the way.

IPO Frenzy: The IPO extravaganza stole the show, with 58 mainboard IPOs raising a whopping Rs 49,500 crore. Meanwhile, 172 SME IPOs added nearly Rs 4,500 crore, showcasing India's economic swagger.

Hello Digital: Farewell to Rs 2,000 notes ushered in the digital age, and Apple set foot in Delhi and Mumbai, making India an iPhone-making powerhouse.

Credit Cards, Swipe, Spend, Panic: Credit card spending reached a peak at Rs 1.78 lakh crore, prompting a cautious RBI to tighten the reins on the credit wave.

The Soap Opera: The Adani vs. Hindenburg soap opera unfolded on Dalal Street, a roller coaster ride with \$150 billion in market cap vanishing. Investigations continue, but no conclusion is in sight.

Rupee's Ride: The rupee embarked on a wild ride, hitting a lifetime low against the dollar in October at 83.305, with global factors, trade deficits, and geopolitical tensions playing the villain.

HDFC's Rise: HDFC Bank climbed the global ladder, merging with HDFC to become the world's sixth-largest bank, with a market cap soaring to Rs 13 lakh crore.

Politics Ahoy: The political landscape saw BJP sweeping the heartland, while Congress held its ground in the south, triggering an impressive 3.5% week-over-week market gain.

India's economic rollercoaster, from population booms to lunar landings, and a financial extravaganza with JP Morgan, made 2023 a blockbuster year.



SUMMARY

JAN 04, 2023



2024 Outlook

-Analyst Consensus

- Gold investors anticipate record-high prices next year, anticipating a dovish shift in U.S. interest rates, ongoing geopolitical risk, and central bank buying to support the market.
- Positive Predictions: Reuters experts foresee a 9% stock market rise in India by the end of 2023, highlighting India's market resilience despite slow economic progress. However, consensus estimates expect Indian equities to deliver returns more moderate than in the recent year.
- RBI's Accommodative Stance: The RBI's commitment to growth is expected to boost the investor community, with lower rates and increased spending giving a lift to the economy.
- Potential Market Missteps – Watch Your Step!
 - Overvaluation Concerns
 - Profit Booking
 - Market Correction
 - Global Headwinds
 - Economic Slowdown
 - Sectoral Risks

Key Events in 2024

Feb: Interim Budget

May : India General Elections

Fed Meetings

July - India's Full year budget

RBI MPC

November: US Presidential Elections

Snippets

India

- GDP growth is trending over 7% while consensus estimated from all leading institutions project similar continuity.
- General elections in May 2024 and sustained high oil prices are the key risks for India in 2024. Most institutions and rating agencies expect continuity of policy and government while the outlook remains positive.
- Services exports surged by \$60bn to \$300bn in 2023 due to rise of Global Captive Centres set up by MNCs.
- Nifty at 21600 is trading in expensive zone as per valuation.

Nifty Valuation Zones	
Above 19800	Expensive
15300-19800	Fair
13300-15300	Buy
Below 13300	Strong Buy

Global

- In CY23, global markets grappled with challenges ranging from Israel-Hamas war to prolonged Russia-Ukraine Conflict to the ongoing US China tensions.
- Central banks have maintained a delicate balance between growth & inflation.
- China's growth has been muted in the post reopening phase, amid housing and deleveraging. Europe is facing a recession threat while China is expected to have two-way growth risks.
- Global elections involving 40 nations and covering over 40% of the world's population and GDP will be crucial in setting the tone of markets in 2024.
- The US elections scenario is essentially unpredictable at this time while a change in control might have dramatic impact on policy.
- Inflation is expected to have peaked globally. The cumulative consensus is that the Fed will start cutting rates in 2024 though not too frequently while the others will either precede or follow.



BEHAVIOURAL FINANCE

The January Effect!!

This phenomenon suggests that, in January, stock prices (more specifically in the US/Europe) tend to soar more than in any other month. But wait, it's not to be confused with the January barometer, which claims that how stocks perform in January can predict the entire year!

Picture this: back in 1942, investment banker Sidney B. Wachtel discovered the January Effect. His findings revealed that small-cap companies outshine large-cap ones in the first half of January. Since then, numerous studies have delved into this intriguing pattern.

One study spanning from 1904 to 1974 discovered that January returns were five times higher than average. Another from Salomon Smith Barney found a whopping 0.82% average outperformance in January for small-cap stocks compared to their large-cap counterparts from 1972 to 2002.

This Effect has its roots in tax planning, as investors sell underperforming stocks in December to secure a capital loss, reducing their tax bill. This triggers a bounce-back in prices come January. Year-end bonuses also contribute, as investors inject extra cash into the markets, lifting stock prices. The psychological boost of a new year inspires fresh beginnings, attracting individuals to try their hand at the stock market.

However, the January Effect has lost some of its sparkle in recent decades, attributed to the rise of tax-sheltered retirement accounts and increased awareness of potential January price hikes. Despite this, the allure of the stock market's January magic persists, keeping investors intrigued and eager to unravel the mysteries of the financial world!

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*I never attempt to make money on the stock market. I buy on the assumption that they could close the market the next day and not reopen it for five years
- Warren Buffet*