

Market Update

20th January 2022



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Market Performance & Events view

From recent lows, Nifty Small cap 100 is up by -15% to all-time highs. In January itself, market gained —40/0 on the ease of 3rd wave lockdown fear especially in the larger metros

(Refer: our last newsletter
<https://www.iwealthindia.com/insights.php?ins=9>).

On this backdrop, our certain observations in macro/fundamental are:

a) India & US 10-year bond yield are moving up.



b) **03 results observations:** Initial results reaction remained muted. * **High Growth/Momentum** companies are reacting moderate on good results (i.e P/E contracting). * **Commodity Inflation:** starting to impact the manufacturing profitability as commented by industry stalwarts in 02. * **Micro Verticals (Consumer Retail):** Consumer's revenue buying helped to post one of the best QB in sales & profits. .

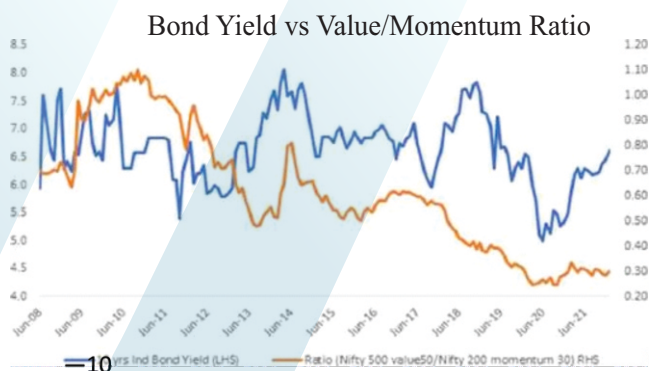
Strategy & Outlook

Bond yield is anticipating the upcoming inflation thus tightening the liquidity in the system. Thus, translating into lesser reactions to positive news/results and vice versa. Our historical bond yield analysis suggests that "style of investing" will change from "growth/momentum" to "value". The style of investing will change but the market outlook remains bullish as suggested by Our proprietary leading/coincident economic indicators.

a) Market will become favourable for stock-pickers (**bottom-up**) vs **broader rise (top-down) in the last 18 -20 months**. Our clear focus remains on understanding micro verticals and invest in them. Keg winners would be the ones who effectively pass through the commodity inflation to the end consumers.

b) Value stocks will start to outperform the growth/momentum stocks, in sync with the initial QB result reactions. Our analysis says that 3 out of 4 occasions, value stocks had outperformed growth stocks in short-medium term in the Indian market (Refer: Bond Yield vs Value/Momentum Ratio Chart).

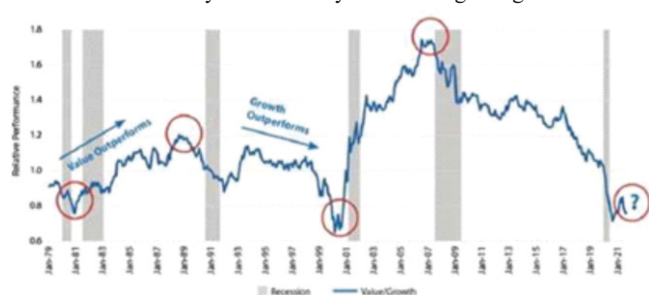
Indian Market Relationship



US Market Relationship

Value Versus Growth

Russell Value Index/Russell IOW Growth Index
Monthly data: January 1979 through August 2021



Sources: Frank Russell Company, Bloomberg



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