

Market Performance & Events view:

In December month, Markets bounced back sharply from recent lows (up by ~8-12% Nifty 50 & Nifty Smallcap 100), despite negative news flows like third wave of Covid and Interest rate hikes. Market reacted to one classic saying, “On same idea/ concept, never try to make money second time”. Market, is an intelligent machine, tries to capture & factor even sniff of an information into the system.

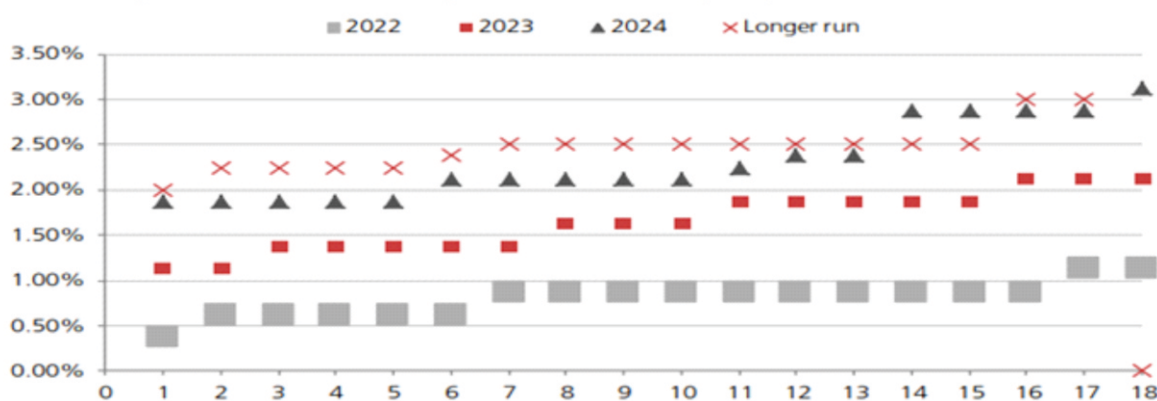
- First wave of covid was “**an unknown event**” -> Market tried to factor in the new information -> reaction negative
- Second wave of covid “**known event at larger scale**” -> Well researched topic. Even though, social life got more impacted, but market reaction positive.
- Third wave of covid “**known event and known results**” -> both financial and social system are well prepared for the event. Fundamental nature’s principle of any living being is to live longer by adopting /surviving into the existing ecosystem. The same principle applies to Viruses too. On the same principle, upcoming variants must be milder and milder to become part of the ecosystem. Even though, headline case numbers may turn out to be significantly higher than earlier waves, but the impact on lives ideally could be milder based upon nature’s principle.

Strategy & Outlook -

Despite the talks of lockdown in a couple of states, economic data points are showing encouraging upticks. Our Proprietary indicators (i-Wealth Co-incident indicator, i-Wealth Liquidity indicator & i-Wealth Modified Yield Spread) are firmly bullish, despite slowed from tops. High-frequency govt data points (export data & e-way bills) are also at all-time highs. Both our own indicators and govt data confirm the underlying ground level demand pickup hence the outlook remains bullish for the markets.

Indian markets have seen FII outflows due to the Dollar strengthening on the back of a hawkish Fed and expected end of tapering by March 2022. The anticipation of the Fed increasing rates seems to be in the price and the dollar markets could weaken or consolidate at these prices. The sentiment reversal in the dollar could be bullish for the commodity, emerging markets, and Indian equities.

Exhibit 5: The majority of FOMC participants expect rates to increase thrice in CY2022
Forecasts of year-end federal funds rate by each individual FOMC participant, December 2021 (%)



Source: Bloomberg, Kotak Institutional Equities

Market Update

5th January 2022

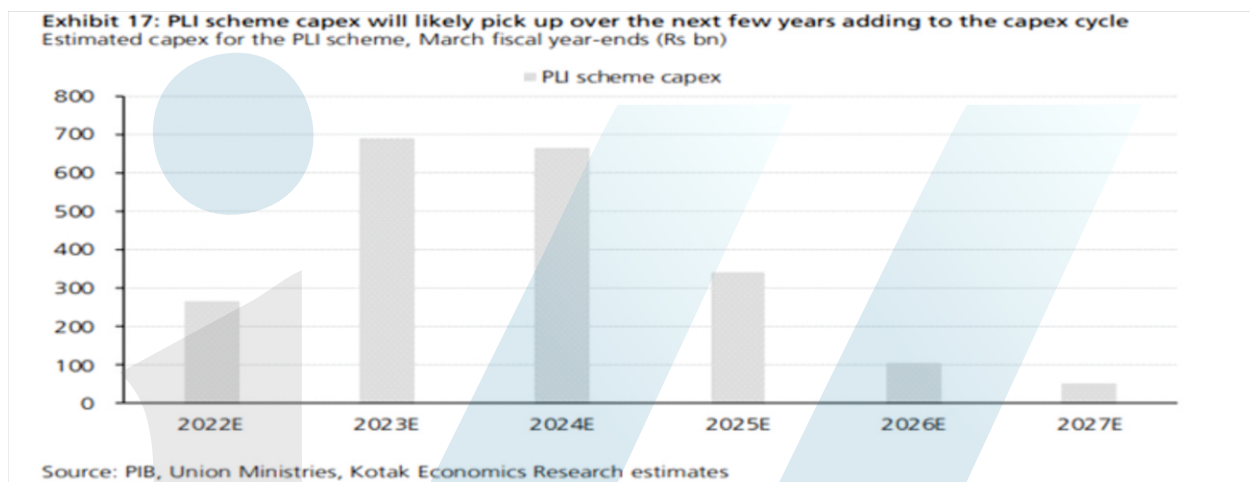


iWealth
Your financial success is our goal

As we enter the results session Q322, we must keep an eye on how the underlying commodity inflation passthrough is happening. Headline inflation is continuing to impact the interest rate-sensitive sectors such as Banks, Real Estate and Auto.

Our focus is always to understand micro-verticals and invest in them. We continue to like the following micro-verticals.

Capital goods & Engineering – across the board heavy Capex announcements by Steel, Auto, Power sectors after the span of 5-7 years and PLI schemes (Electronics, Textile, etc) increase the near to medium-term visibility of these companies.



CNG – Govt is pushing to reduce oil import dependence through a) increase domestic oil output, b) EV push, c) ethanol blending and d) CNG/PNG push. Former three require significant upfront investments and creation of ecosystem, whereas fourth one can be done at a relatively lesser cost. Govt plans to open up 10k gas stations (from existing 3k) in the next 5-7 years, which will boost entire ecosystem and favourable spread between CNG vs Petrol/diesel. Recent data suggests that ~50% of vehicle order backlog is CNG vehicles.

IT – Strong quarterly revenue growth across the board, ensured Accentor results and favourable rupee will keep the space more interesting.

Logistics – On global level, continuing container shortage is keeping the freight rates at elevated levels. On domestic level, raising freight rates and increasing trend in e-way bill provide the higher visibility for the business

Hospitals – Space have posted one of highest quarterly run-rate in Q2 across the board. With strong balance sheet, quality names are planned to be doubling the capacities in the next 3-4 years.

Textile – Spinning companies are getting benefits from higher Yarn price and spreads and remaining at elevated levels. During Dec month, we had successfully migrated to “i-Wealth Fund II” from ‘i-Wealth Fund I’. Thanks for all your support and trust in i-Wealth.