

# **WEALTH FIRST**

## **MONTHLY NEWSLETTER - JUL'24**

*"Money is like manure. You have to spread it around or it smells." - J. Paul Getty*

## Global Equities (in USD terms)

Global Equities		
	1m	1y
Nasdaq	6.2%	29.7%
S&P 500	3.5%	22.7%
MSCI Europe	-2.4%	8.7%
MSCI Emerging Equities	3.6%	9.8%
Nifty 50	6.7%	23.2%

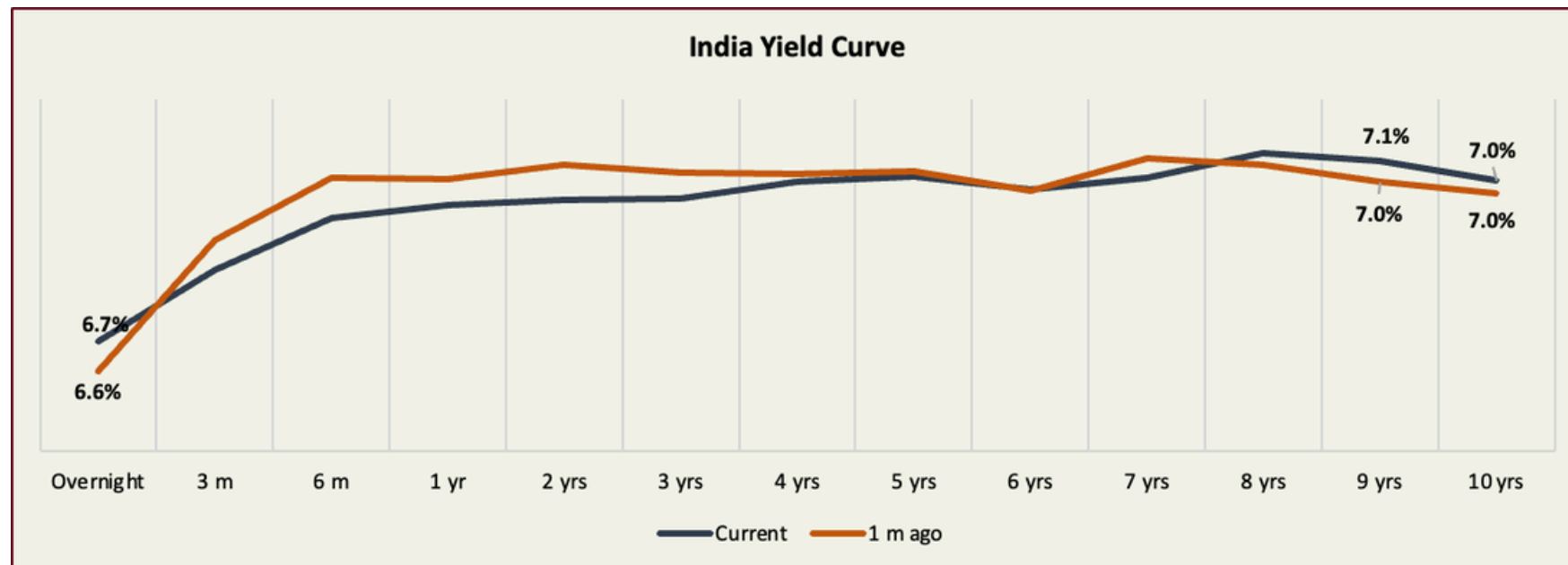
Global equities continued their positive momentum into the second quarter of 2024, delivering a total return of 2.8%. This performance was driven mainly by large-cap companies, while small-cap stocks and REITs struggled due to a higher-for-longer interest rate environment. Global growth stocks, particularly in the US tech sector, outperformed with a 6.4% gain, buoyed by strong earnings and the ongoing AI boom. Asia ex-Japan equities rose by 7.3%, supported by Chinese real estate sector interventions and Taiwanese market strength. Emerging market equities outperformed developed markets, posting a 5.1% quarterly return

## Domestic Equities

Returns		
	1 month	1 year
Nifty 50	6.6%	25.1%
Nifty Next 50	5.9%	63.5%
Midcap 150	7.9%	55.4%
Smallcap 250	9.5%	62.3%
IT	11.6%	22.3%
Real Estate	8.4%	112.5%
Auto	7.6%	66.4%
Capital Goods	3.2%	77.6%
PSE	1.7%	110.3%
Metals	0.9%	58.1%
IPO	8.8%	56.0%

- India's equity markets showed strong performance in the second quarter of 2024. The benchmark Nifty 50 index gained 6.56% in June, marking its best month since December 2023.
- Foreign institutional investors (FIIs) turned net buyers in June after two months of heavy selling, purchasing shares worth \$3.2 billion. This was the second-highest monthly buying figure after \$4.2 billion in March. India's market capitalization increased by 13.8% in dollar terms during the quarter, the highest among the top 10 global markets, reaching \$5.03 trillion.
- The BSE Midcap and Smallcap indices demonstrated even stronger performance, with gains of 7.2% and 10.8% in June, respectively, and quarterly increases of 17% and 21%. Favorable monsoon forecasts are expected to boost rural spending and contribute positively to overall economic expansion.

## Domestic Yields



Indian yields reflected the positive economic sentiment, with the bond market buoyed by favorable monsoon forecasts and robust macroeconomic indicators. Foreign inflows into local debt totaled \$8.1 billion, which supported the rupee and helped stabilize yields. India's current account balance was in surplus for the first time in ten quarters in the January-March period, driven by higher service exports and private transfer receipts.

## Global Yields

10 Year Government Yields (as of 1st of every month)					
Month	Japan	China	US	UK	India
Jul-23	0.39%	2.70%	3.84%	4.40%	7.11%
Feb-24	0.74%	2.45%	3.94%	3.79%	7.14%
Mar-24	0.72%	2.38%	4.25%	4.13%	7.08%
Apr-24	0.72%	2.31%	4.21%	3.95%	7.05%
May-24	0.89%	2.31%	4.61%	4.36%	7.17%
Jun-24	1.05%	2.33%	4.50%	4.33%	6.99%
Jul-24	1.06%	2.23%	4.42%	4.26%	7.01%

- The global bond markets faced challenges in the second quarter of 2024. Investment-grade bonds delivered negative returns of -1.1%. US Treasuries were an exception, ending the quarter with a marginal positive return of 0.1%, as Treasury yields remained stable despite the Federal Reserve's hawkish tone at its June conference. The Fed removed all but one rate cut from its 2024 projections, although soft US consumer data raised hopes for policy easing later in the year.
- The European Central Bank (ECB) cut interest rates as signaled before its June meeting. However, stickier-than-expected services inflation led the ECB to stress that future policy normalization would be heavily data-dependent.

# India Macro Trends

Macro Trends	Jun	May
FII flows (in crs)	26,564	-25,586
DII flows (in crs)	28,633	55,733
FII flows - Debt (in crs)	14,955	3,276
New Corporate Bond Issuances (in crs)	1,040	35,000
Surplus Liquidity (in crs)	3,68,555	1,50,710
GST Collection (in crs)	1,74,000	1,72,129
CPI	4.75	4.83
Manufacturing PMI	58.30	57.50
Services PMI	60.40	61.40

India's resilience among its global peers makes it an attractive destination for both domestic and foreign investors.

# Commodities & Currencies

Commodities	Returns	
	1m	1y
Brent Crude	5.7%	13.8%
<b>Precious Metals</b>		
Gold	0.0%	21.2%
Silver	-3.8%	28.6%
<b>Industrial Metals</b>		
Steel	-5.3%	-10.6%
Iron Ore	-9.4%	-5.4%
Aluminium	-4.1%	18.2%
Copper	-4.6%	17.1%
Zinc	-0.5%	23.8%
Nickel	-11.5%	-14.2%
Lead	-1.7%	4.3%

Performance of US Dollar against currencies			
Country	1m	3m	1 yr
India	0.1%	0.0%	-1.6%
AUD	1.2%	1.2%	2.9%
Japan	-2.3%	-6.3%	-11.1%
Canada	-0.4%	-0.6%	-0.2%
Euro	-1.2%	-0.7%	-1.4%
Pound	-0.8%	0.1%	-0.8%

- The commodities sector experienced mixed performance in the second quarter of 2024. Oil prices rose by around 6% in June, driven by forecasts of a supply deficit from summer fuel demand and geopolitical tensions. Brent crude remained above \$85 per barrel, supported by expectations of Fed rate cuts.
- The Bloomberg Commodities Index gained 6% year-to-date, although this was somewhat less than the 11% return delivered by the MSCI World Index. Industrial metals led quarterly gains, with a 10% rise driven by strong performances in zinc and tin. Precious metals followed, with silver gaining 18.5% (29% year-to-date) and gold rising 5% (21% year-to-date) for the quarter. Gold reached a fresh record high before settling, while silver's rally to an 11-year high was driven by surging copper prices.
- The US dollar strengthened in June, driven by signs of a stronger US economy and the FOMC signal of only one likely interest rate cut by year-end, down from an earlier forecast of three cuts. The USD/CNY has been trending higher throughout the year, reflecting China's ongoing property crisis. The Indian rupee closed at 83.3825 against the USD at the end of June, up nearly 0.1% from the previous session, and performed better than most Asian peers in the first half of 2024.
- Foreign inflows into local debt markets and the Reserve Bank of India's (RBI) interventions supported the rupee. The currency has declined by only 0.2% so far in 2024, while most major Asian currencies have fallen between 2% to 7%, pressured by reduced expectations for aggressive US Fed rate cuts.

# Snippets

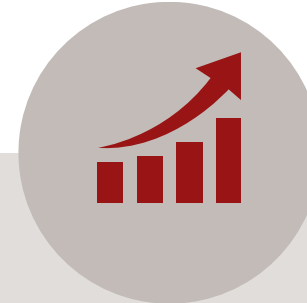


## Indian Macros

On June 4, the vote counting day, the benchmark stock indices crashed 6% in the biggest single-day fall in four years, as counting trends showed the ruling BJP might fall short of a clear majority in the Lok Sabha elections.

It led to a total loss of over ₹31 lakh crore in investor wealth.

After this, the markets rebounded and recovered sharply in the next 4 days to make it a new all-time high. Since then, it has been on a continuous rise to achieve a new all-time high. The Nifty 50 crossed the 24,000 mark at the end of June 2024



## Valuation

Nifty Valuation Zones	
Above 21900	Expensive
17400-21900	Fair
15400-17400	Buy
<15400	Strong Buy



## Global

The FOMC kept interest rates unchanged. The Fed expected inflation to decline to 2.6% at year-end 2024 and to be 2.3% at year-end 2025, compared with its March expectation of 2.4% and 2.2%, respectively. It maintained the 2024 outlook of a 4.0% unemployment rate and increased the 2025 outlook to a rate of 4.2% from the prior forecast of 4.1%.

The Federal Reserve said all 31 big banks passed their annual stress test, which included a simulation of a 10% U.S. unemployment rate, a 32% decline in housing prices and a 40% drop in commercial real estate.



# Research Corner



## Key Trends in Promoter Stake Sales: Kotak's Insights

Promoter entities of 37 companies sold shares worth \$10.5 billion (Rs 87,400 crore) in the first six months of 2024. This is the highest amount in the past five years and is set to surpass the 2023 total of \$12.4 billion (nearly Rs 1 lakh crore). TCS, Interglobe, Indus Tower, and Mphasis alone accounted for almost half of this amount.

**Promoter Selling:** Promoter holding in the BSE 200 Index dropped to 38.8% in March 2024 from 42.1% in December 2022. Domestic mutual funds increased their investments significantly seizing this opportunity.

### Reasons Behind the Stake Sales

Promoter stake sales are driven by:

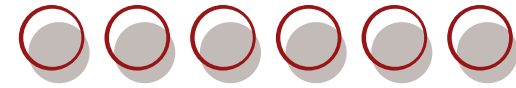
- Business Expansion, Minimum Public Shareholding Criteria (Mankind), Debt Reduction (Vedanta), Promoter Family Holding Adjustments (Cipla), Strategic Realignment (Bharti Airtel, Indus Towers), Debt reduction (Tata Sons).

**Popularity of OFS Route:** Private equity and venture capital investors offloaded shares through both primary and secondary market routes. Offer for Sale (OFS) amounts significantly exceeded fresh issuances in recent years.

**Impact on Equity Valuations:** Promoter stake sales can affect equity valuations. For example, significant sales in Zee Entertainment and Infosys led to short-term declines in stock prices. However, strategic sales to institutional investors can stabilize valuations. Adani Group's sales in 2023 initially caused volatility, but institutional buying helped stabilize prices.

**Market Impact:** Domestic investor holdings (mutual funds, banks, financial institutions, and retail) rose by 80 basis points to 23.5% in March 2024 from 22.6% in December 2022. FPI holdings fell to 20.5% from 21.4% over the same period.

**Conclusion:** Large-scale promoter selling can destabilize equity valuations, triggering investor uncertainty and market volatility. Despite institutional investors stepping in to provide some stability, the high volume of promoter selling may be seen as a red flag, indicating potential underlying issues within the companies and possibly signaling a lack of confidence in future market performance. Business expansions, regulatory compliance, debt reduction, and personal considerations, while valid reasons, may not fully mitigate the negative impact on market perception and investor sentiment.



# Research Corner



## Term Insurance: A Vital Step Towards Financial Security

A term plan is a straightforward and cost-effective life insurance solution that provides financial security for the family in the event of loss of the bread winner. This type of insurance focuses on pure life protection without added complexities.

Term insurance offers multiple benefits: it protects assets from outstanding debts, supports family finances if the primary earner is lost, secures the future of your loved ones, and comes with affordable premiums.

**Coverage:** To determine the appropriate coverage, consider factors like your annual salary, inflation, loans, and lifestyle.

The best time to buy a term policy is as soon as you start earning, as younger policyholders benefit from lower premiums and potentially higher payouts.

Approximate Premiums by different providers for a 40 year Male, Non Smoker up to 88 years of age

Premiums (Annual)	Claim pay- out (%)	50L	1Crore	2 Crore	5 Crore
HDFC Life	99.5	12,423	22,294	39,083	89,450
ICICI Prudential	99.2	12,016	20,970	30,464	73,898
Max Life	99.7	11,850	18,167	30,795	75,902
TATA AIA life	99.0	13,970	17,515	28,650	69,498
Bajaj Allianz	99.2	10,670	16,087	28,478	67,100
PNB MetLife	99.1	14,042	19,234	37,996	94,990
Canara HSBC	99.2	11,396	18,089	30,061	75,152
Aditya Birla	98.4	9,324	16,645	27,391	66,371
Bandhan Life	99.7	9,990	18,020	36,181	90,285
Edelweiss Life	99.2	10,729	18,526	37,052	92,629
Kotak Life	98.8		19,470	38,940	93,810
SBI Life	97.0		23,152	46,304	1,15,758

**Choosing the Insurer:** When choosing an Insurance Company, it's important to consider several key factors to ensure you make a well-informed decision. Here are the crucial points to evaluate:

Reputation, Settlement Ratio, Customer Reviews, Range of Services, Financial Stability:

In conclusion, a term insurance plan is a vital, cost-effective tool that ensures your family's financial security and peace of mind in your absence, making it an indispensable part of any comprehensive financial strategy



## Key Takeaways

- Although, India's equity markets show strong growth potential valuations have been on a higher side with Nifty PE at 23x against a 24-year average of 19x.
- 
- The stable yet cautious stance of major central banks suggests that fixed-income investments need careful consideration. Shorter-duration bonds might be preferable in a higher-for-longer rate environment.
- The rise in industrial and precious metals prices indicates a potential for profitable investments in these commodities. Gold, in particular, continues to be a strong performer and could offer a hedge against inflation

Blog 

## Key Events

July 22; India's Full year budget

Ongoing: US Presidential Debates

From July 12: India Inc Q1 Results

Nov; US Presidential Elections

Book a Consultation 

# Market Watch



# BEHAVIOURAL FINANCE

## Decision Fatigue

Decision fatigue in investing occurs when investors experience a decline in their cognitive abilities and self-control after extended periods of making financial decisions. This can lead to suboptimal investment choices, increased risk-taking behavior, or avoidance of decisions altogether.

**Implications:** For investors, decision fatigue can manifest in several ways that impact financial outcomes:

- **Suboptimal Choices:** Fatigued investors may rush decisions or rely on heuristic shortcuts (mental shortcuts or rules of thumb) rather than thorough analysis.
- **Increased Risk:** As mental fatigue sets in, investors may become more susceptible to taking higher risks without adequately assessing potential downsides.
- **Delayed Decisions:** Fatigued investors might procrastinate on making important investment decisions, missing out on opportunities or failing to adjust to changing market conditions.

Imagine an investor glued to market news and stock charts for weeks. As fatigue mounts, they might impulsively buy or sell stocks without thorough analysis, potentially missing opportunities or increasing their portfolio's risk.

To combat decision fatigue, investors can set clear goals, stick to routines, leverage technology for automation, seek advice when needed, and take regular breaks. These strategies help maintain clarity and discipline, crucial for making sound investment choices even in volatile markets.



# Get In Touch With Us



## Phone

+91 -9398528097



## Website

[www.wealthfirst.co.in](http://www.wealthfirst.co.in)



## Address

202, Apurupa BDR, Road No 110, Jubilee Hills,  
Hyderabad - 500033





**THANK YOU**