

Market Outlook



February 2024


Union
Mutual Fund

Global Market Performance

Global Indices	1M Returns (%) - USD Terms	1M Returns (%) - Local Currency Terms	12M Returns (%) - USD Terms	12M Returns (%) - Local Currency Terms
MSCI World Index	1.1	1.1	15.1	15.1
MSCI India Index	2.4	2.2	26.1	28.0
MSCI Emerging Markets Index	-4.7	-4.7	-5.4	-5.4
MSCI EM Asia Index	-5.3	-5.3	-7.9	-7.9
MSCI EM BRIC USD	-5.6	-5.6	-12.4	-12.4
Dow Jones Industrial Average	1.2	1.2	11.9	11.9
NASDAQ Composite Index	1.0	1.0	30.9	30.9
CAC 40 Index	-0.5	1.5	8.0	8.1
FTSE 100 Index	-1.7	-1.3	1.3	-1.8
Deutsche Boerse AG German Stock Index DAX	-1.0	0.9	11.6	11.7
Ibovespa Brasil Sao Paulo Stock Exchange Index	-6.3	-4.8	16.2	12.6
Shanghai Shenzhen CSI 300 Index	-7.2	-6.3	-27.1	-22.6
Hang Seng Index	-9.2	-9.2	-28.9	-29.1
NSE Nifty 50 Index	0.2	-0.03	21.2	23.0
NIFTY Midcap 100	5.5	5.2	56.0	58.3
NIFTY Smallcap 100	6.1	5.8	66.1	68.7

Source: Bloomberg; Data as on January 31, 2024

Past performance may or may not be sustained in future.
The Above-mentioned returns should not be construed as any indication of future returns.

Indian Equity Market Performance

Index	MoM (%)	YoY (%)
NSE Nifty 50	-0.03	23.0
Auto	4.2	44.5
Bankex	-4.4	12.8
Capital Goods	1.9	67.7
Consumer Durables	0.7	33.4
Financial Services	-2.4	19.7
Fast Moving Consumer Goods	-2.8	23.5
Healthcare	7.2	50.3
Industrials	4.6	74.3
Information Technology	3.7	26.0
Metal	-0.9	26.5
Oil & Gas	12.6	39.9
Realty	9.4	106.3
Telecom	6.9	50.6
Utilities	9.7	67.1

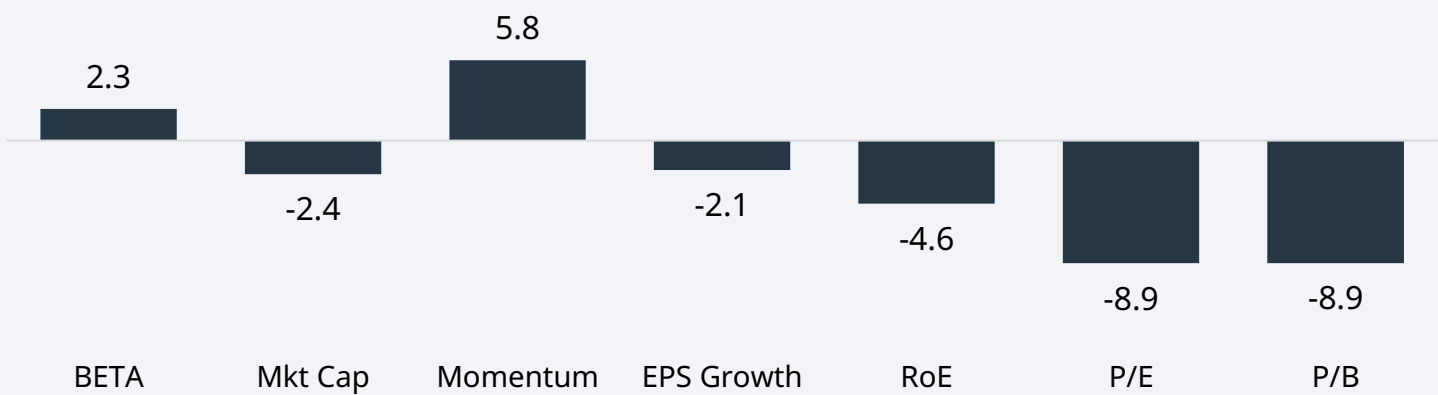
Note: BSE Sectoral Indices; As of January 2024

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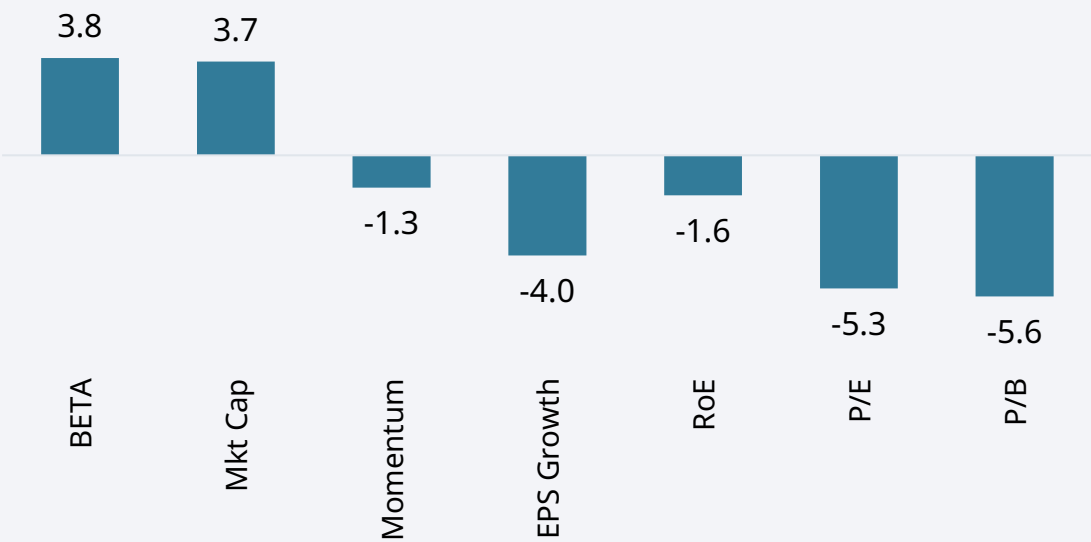
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Factor Analysis

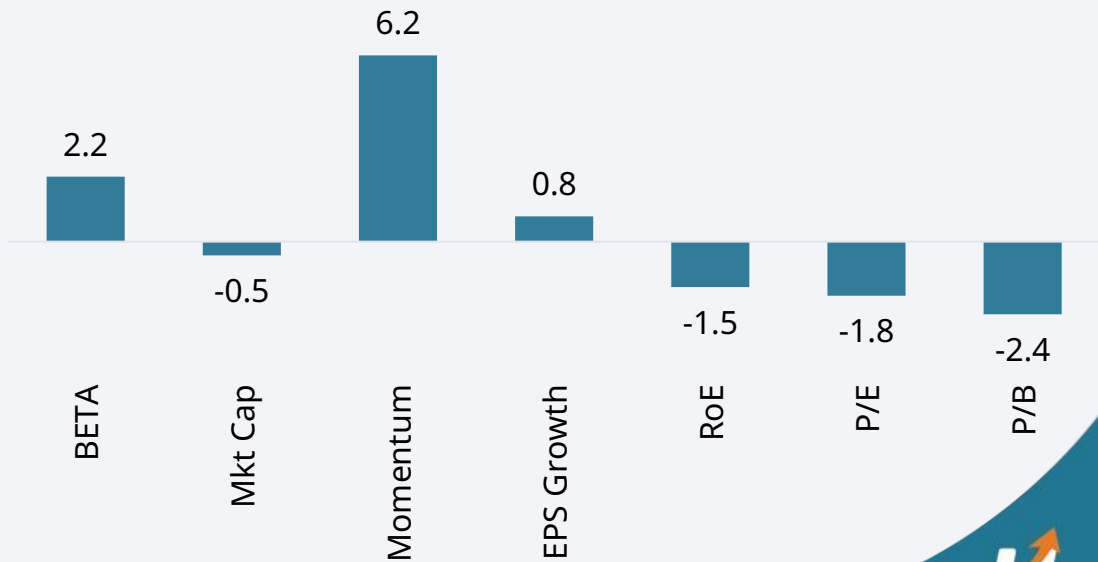
January 2024



December 2023



November 2023



Global Market Performance

Global Commodity/Currency/Bond	1M Returns (%) - Local Currency Terms	12M Returns (%) - Local Currency Terms
Crude Oil Dated Brent FOB NWE	6.6	-2.0
FTSE/Core Commodity CRB Excess Return Index	3.3	-2.0
US Generic Govt 10 Yr	0.9	11.6
India Govt Bond Generic Bid Yield 10 Year	-0.4	-2.7
GOLD SPOT \$/OZ	-1.1	5.8
DOLLAR INDEX SPOT	1.9	1.2

Source: Bloomberg; Data as on January 31, 2024

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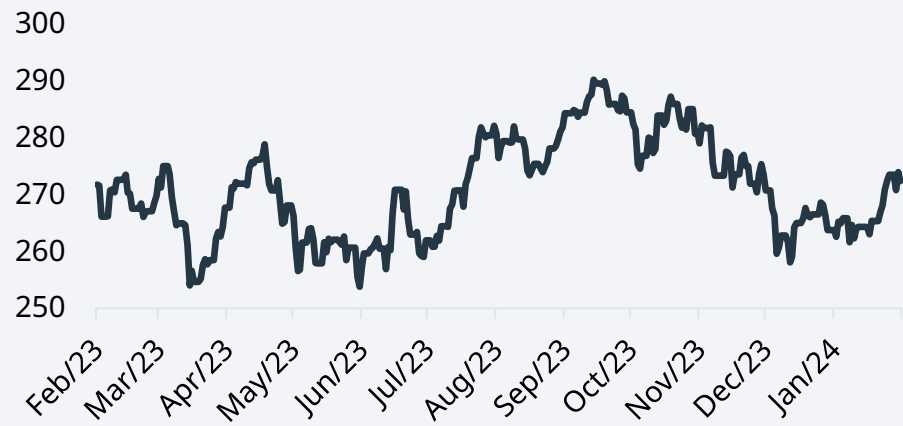
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Key Indices

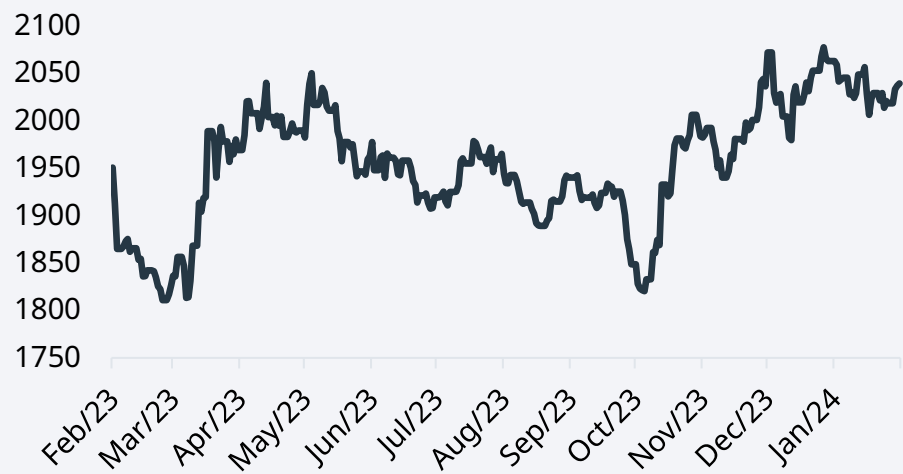
Crude Oil Dated Brent FOB NWE



FTSE/CoreCommodity CRB Excess Return Index



GOLD SPOT \$/OZ



DOLLAR INDEX SPOT

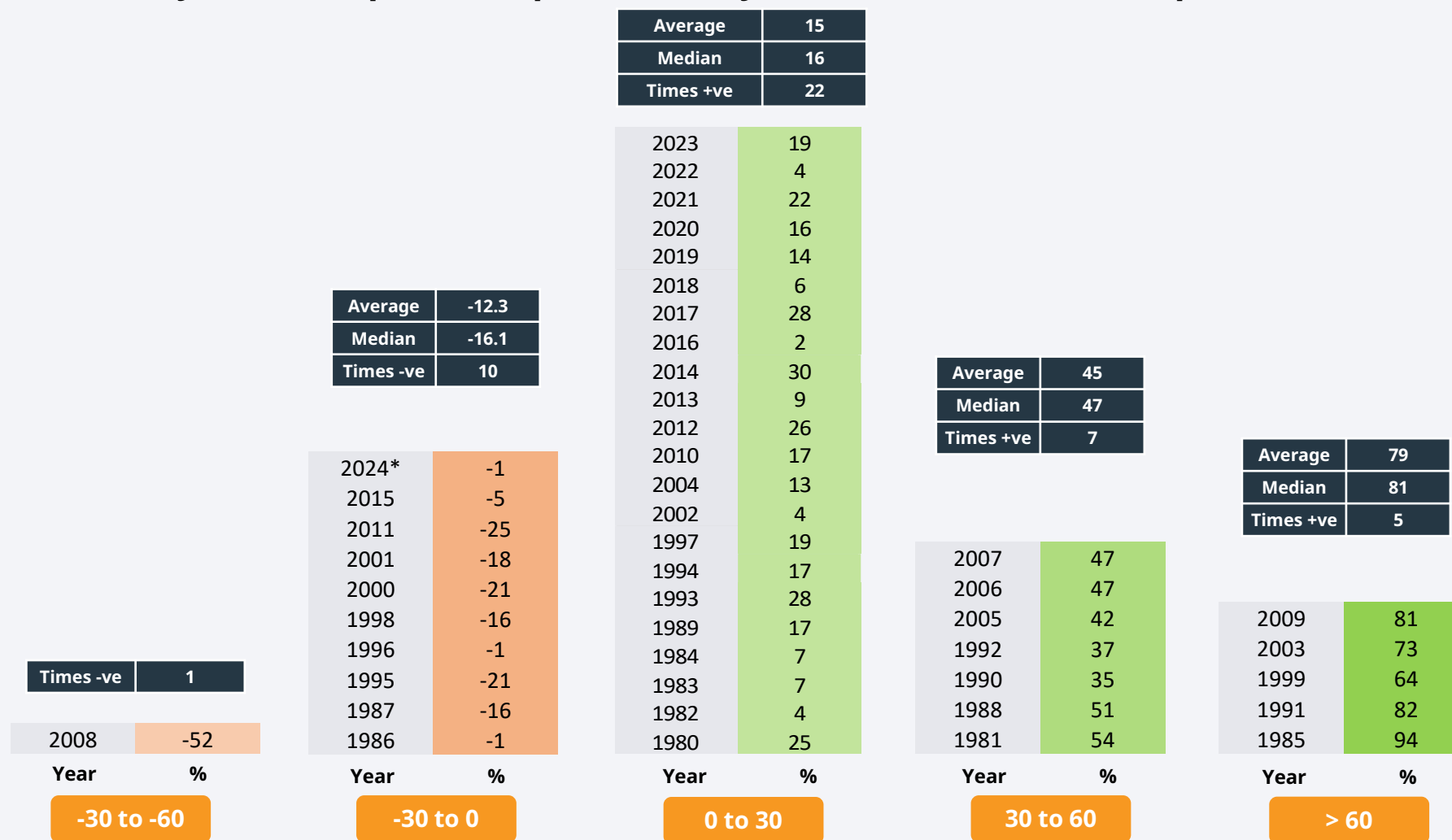




Long Term Historical Market Trends

Return Distribution - Sensex

Historically, Indian Equities (represented by Sensex) have delivered positive returns in 34/44 years.



Source: Bloomberg, Internal Research; *Data till January 31, 2024.

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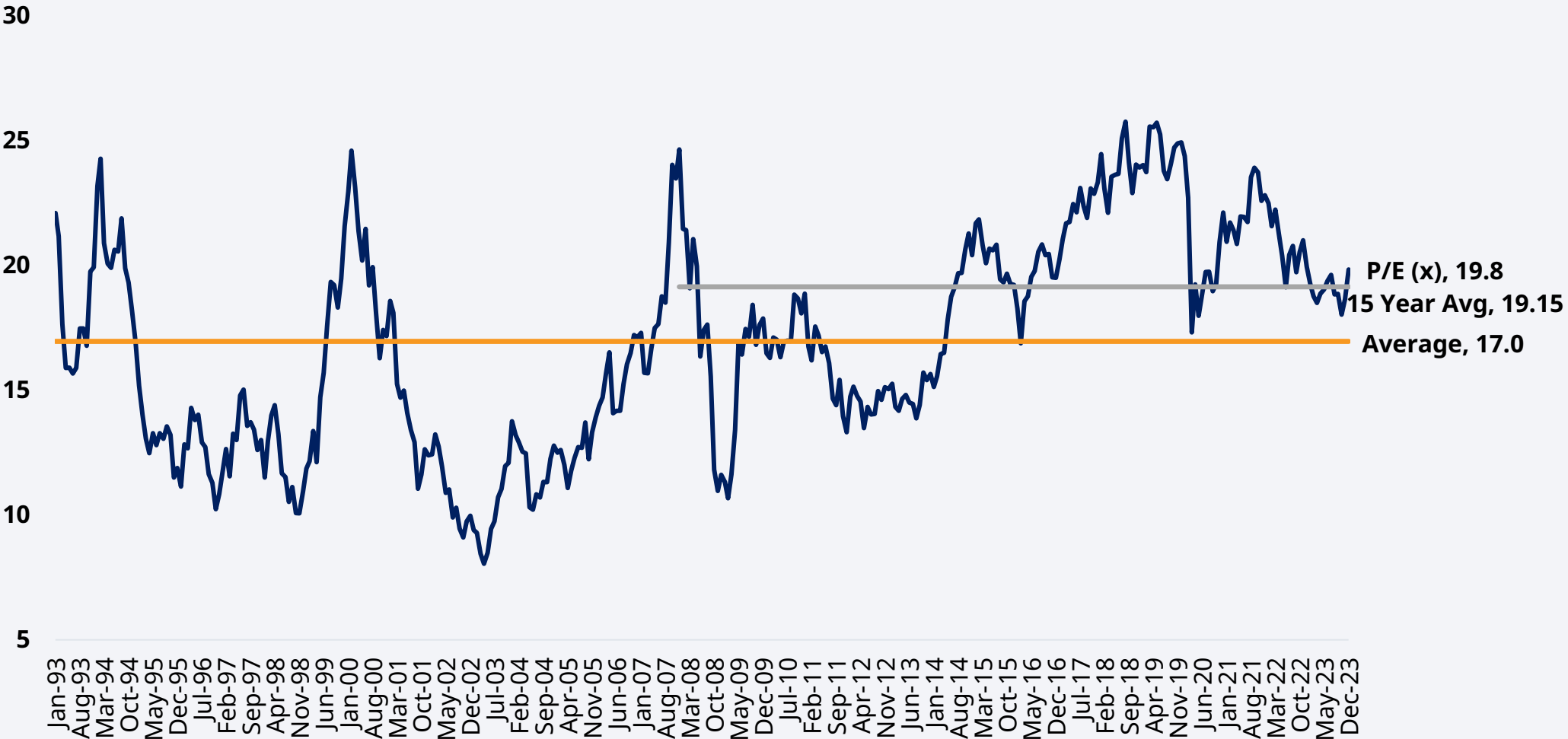
Indian Equity Market Performance- Rolling

Sensex data since inception

Period	Minimum Returns	Average Returns	Standard Deviation	+ve Returns	-ve Returns	Return to Risk Ratio (Average Returns/Standard Deviation)
1 Year Rolling	-56.1%	18.5%	32.4%	72.9%	27.1%	0.57
3 Year Rolling	-18.5%	15.7%	15.7%	88.8%	11.2%	1.00
5 Year Rolling	-7.9%	15.2%	11.9%	92.6%	7.4%	1.28
7 Year Rolling	-7.6%	15.0%	9.2%	94.7%	5.3%	1.63
10 Year Rolling	-2.8%	14.9%	7.2%	99.1%	0.9%	2.07

Longer the investment is held, lesser the probability of negative returns.

Source: Union AMC Internal Research & Bloomberg; Daily rolling returns are calculated for the period 03-04-1979 to 31-01-2024 by the CAGR approach. Example: For 1 Year Return, the first data point will be CAGR between 01-04-1979 to 01-04-1980, similarly the next data point would be CAGR between 02-04-1979 to 02-04-1980. The last data point would be CAGR between 31-01-2023 to 31-01-2024. Returns are calculated in a similar manner for other time frames (3, 5, 7, and 10 Years). The Index used is S&P BSE Sensex. **Past Performance may or may not be sustained in the future.** Index performance does not signify the performance of any schemes of Union Mutual Fund.

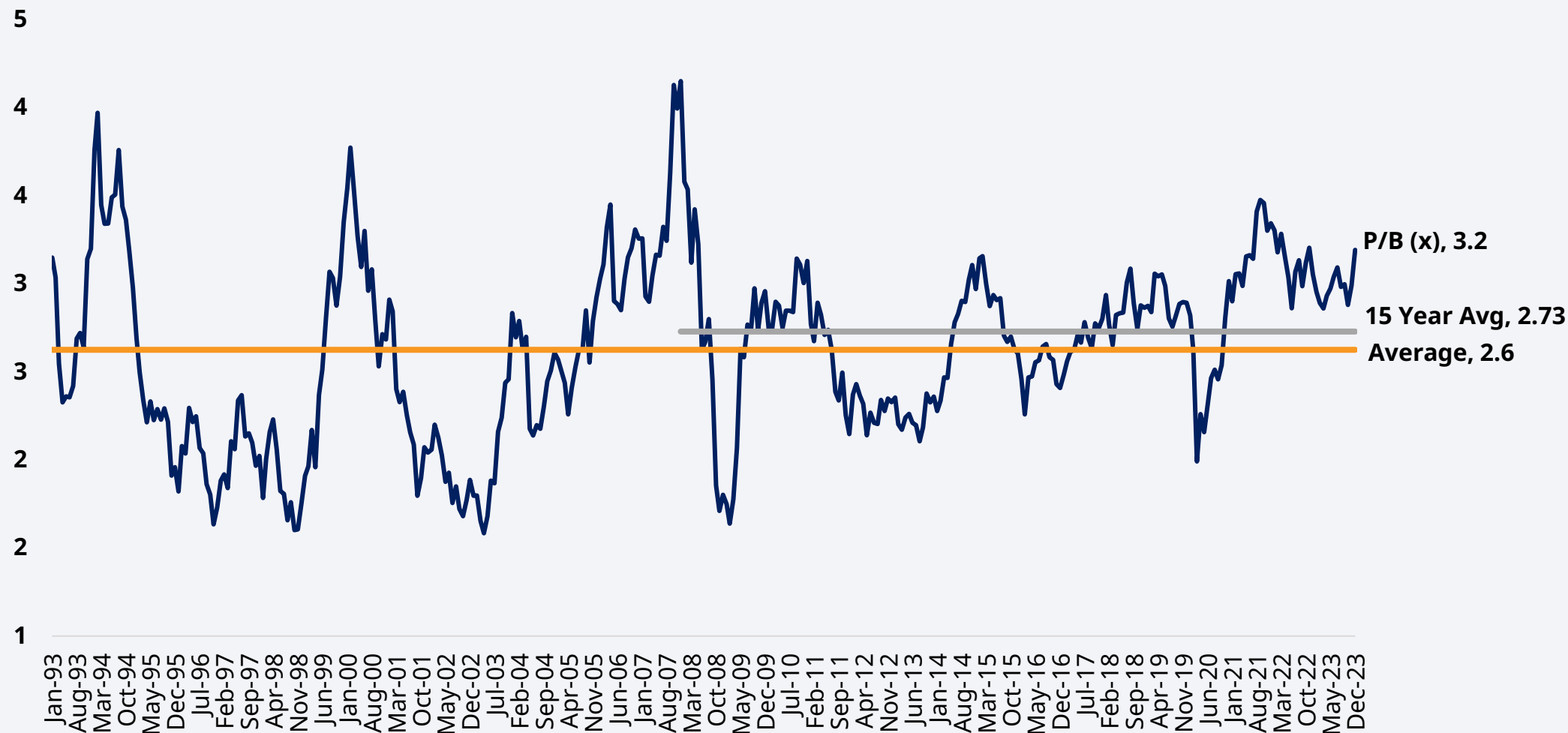


Source: Motilal Oswal Financial Services Limited

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SENSEX P/B – 1 Year Forward

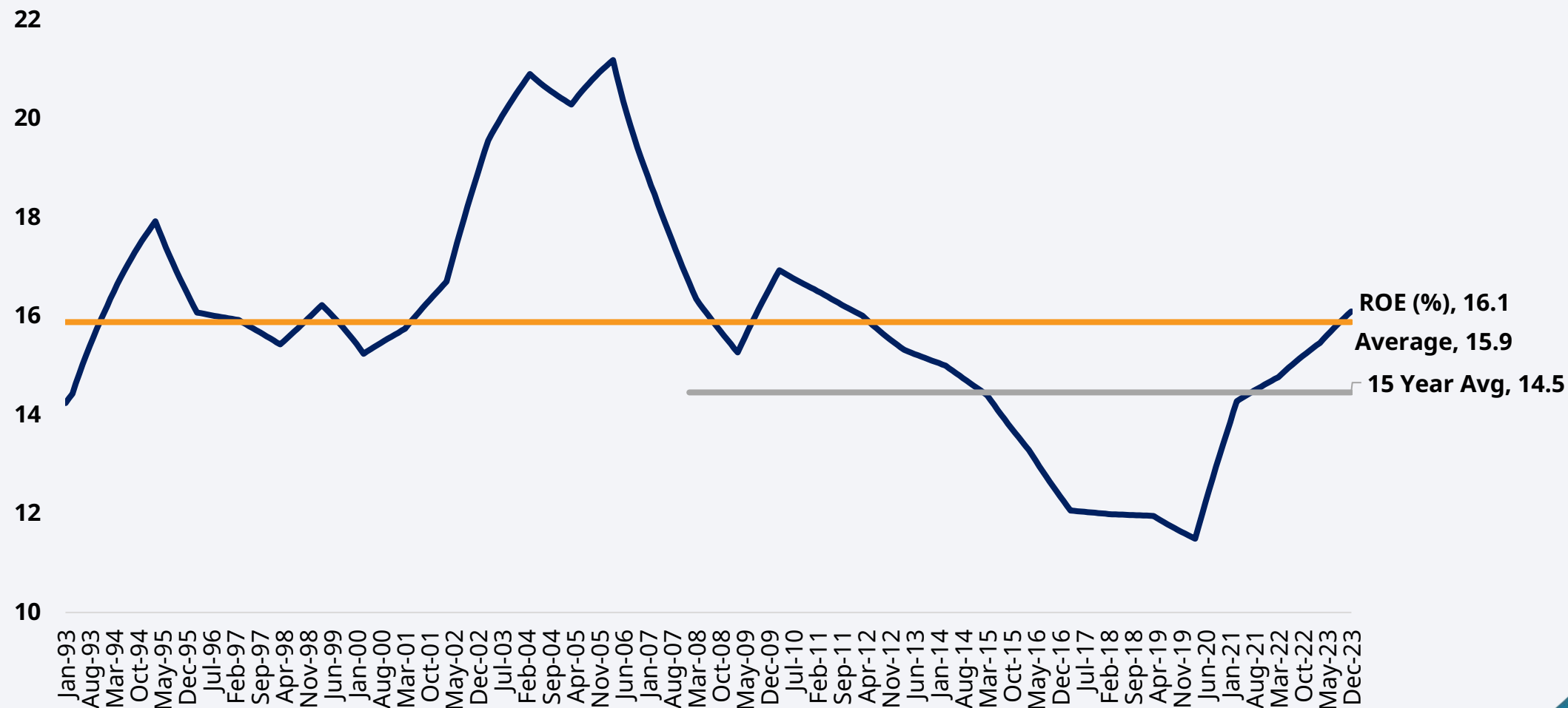


Source: Motilal Oswal Financial Services Limited

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SENSEX ROE (%) – 1 Year Forward

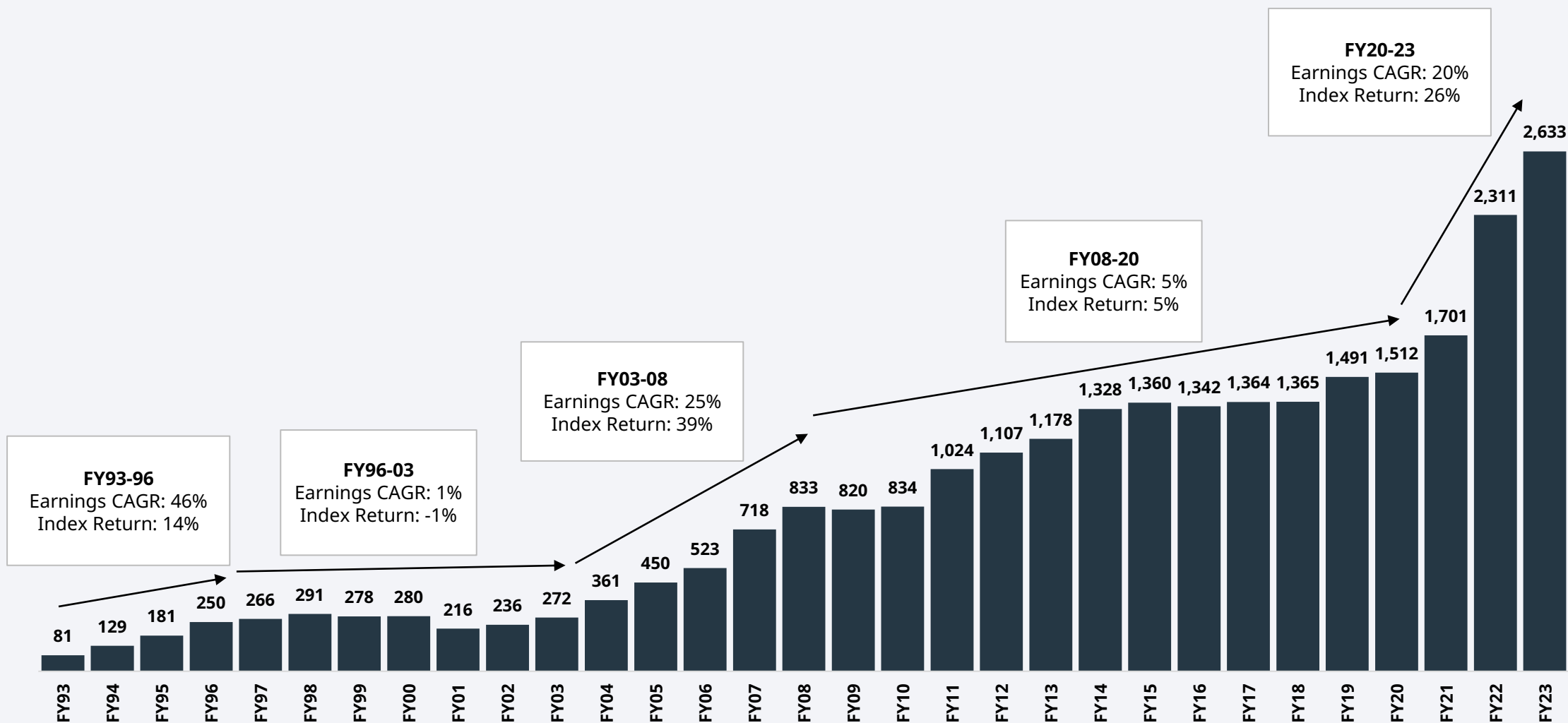


Source: Motilal Oswal Financial Services Limited

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S&P BSE Sensex EPS Trend



Source: Motilal Oswal Financial Services Limited, Internal Research

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Breakup of Returns

	Nifty	% change	EPS 1yr R Forward	% change	P/E 1yr R Forward	% change
Now	21,726		1,081		20.1	
1m ago	21,731	0%	1,082	-0.1%	20.1	0.1%
3m ago	19,080	14%	1,058	2%	18.0	11.4%
6m ago	19,754	10%	975	11%	20.3	-0.8%
1yr ago	17,662	23%	966	12%	18.3	9.9%
3yr ago	13,635	59%	683	58%	20.0	0.7%
5yr ago	10,831	101%	628	72%	17.3	16.4%

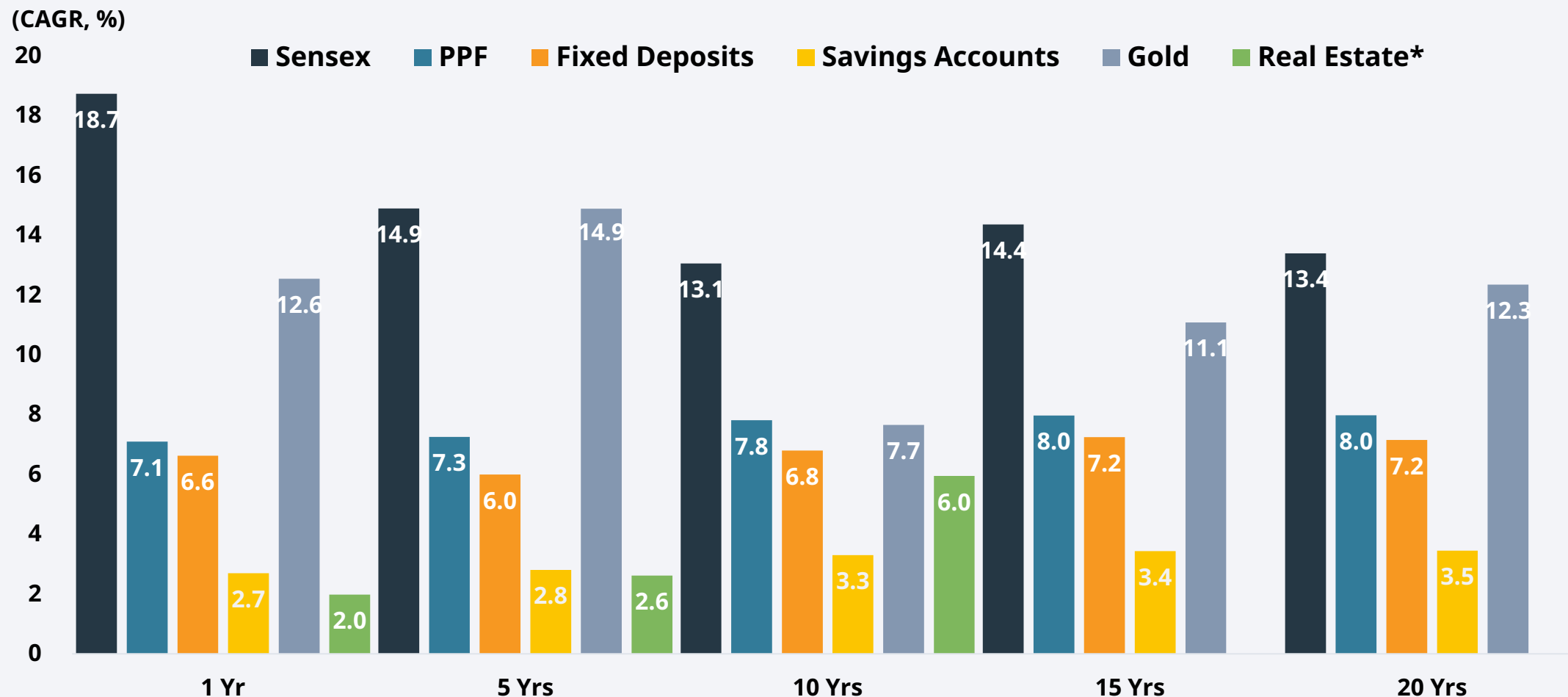
The above table shows the breakup of Historical Nifty Returns in EPS change and Valuation change

Source: Bloomberg; Data till 31st Jan 2024

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What Returns Did Different Asset Classes Give In The Last 20 Years?



Source: CEIC, Bloomberg, IIFL Research; Data as of December 31, 2023

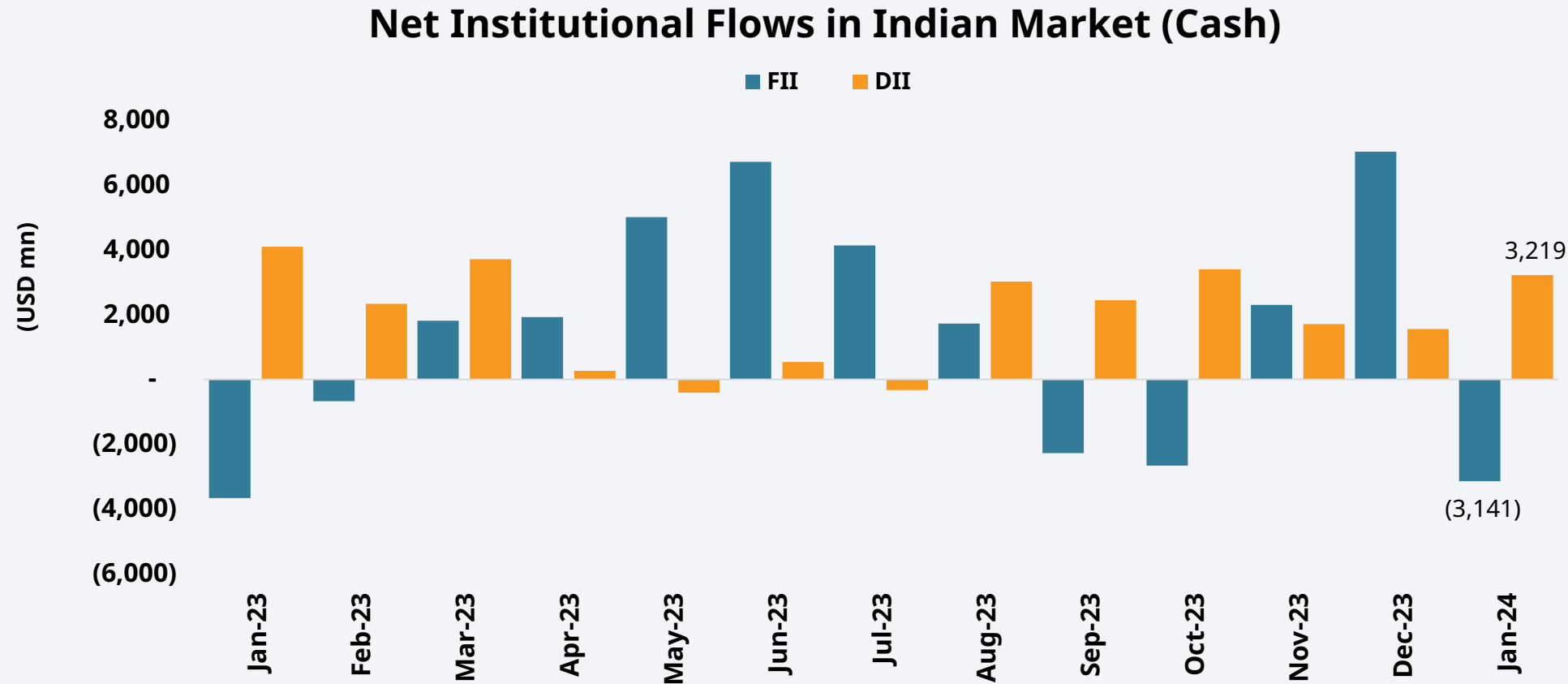
*Note: The House Price Index as released by RBI on a quarterly basis is used for real estate prices. The data is available from 2010 onwards and the latest available data is for Sep 2023.

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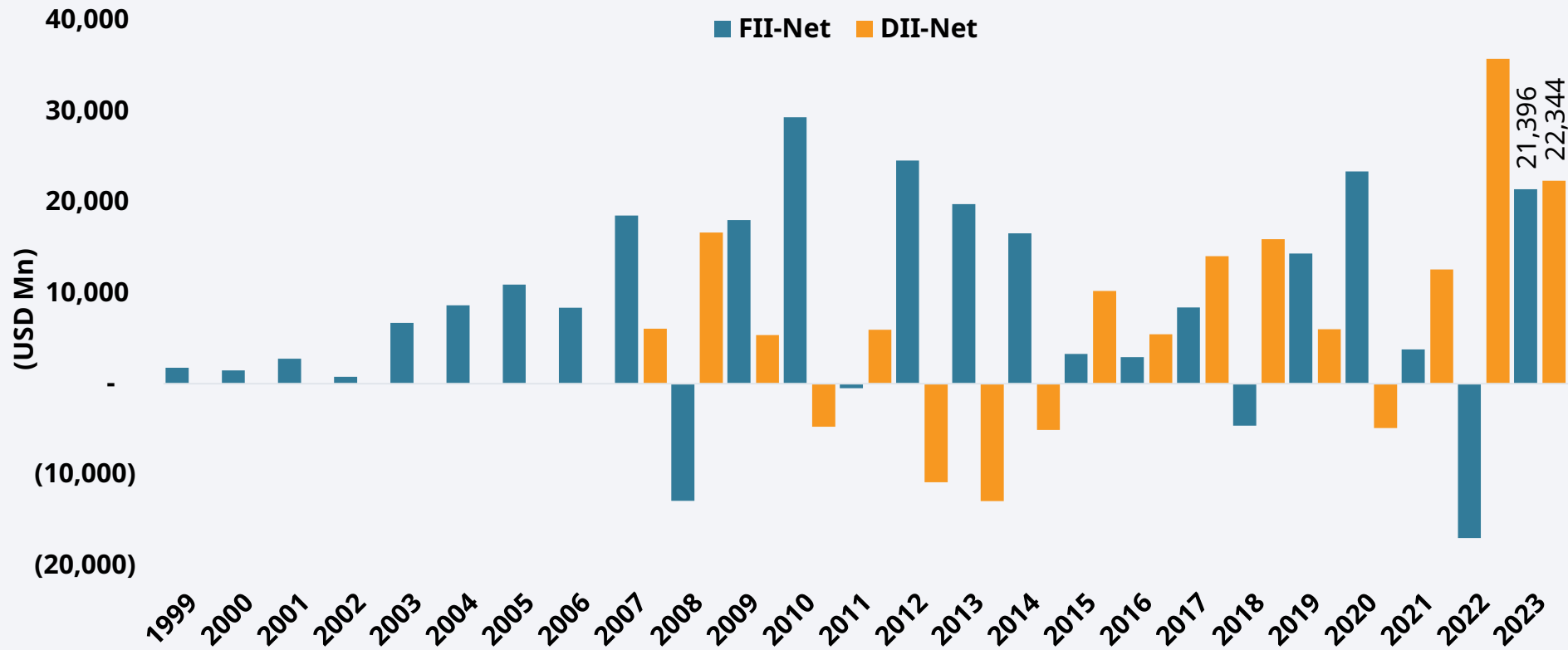
Demand & Supply of Equities

Demand: Monthly Institutional Flows Data



Demand: Annual Institutional Flows Data

Net Institutional Flows in Indian Market (Cash)



New Supply

Year	IPOs	India Promoter/VC/PE Sell downs*	QIPs	SME IPOs	Total
2005	1.6	--	--	--	1.6
2006	4.4	--	0.9	--	5.3
2007	8.3	--	5.7	--	13.9
2008	3.9	--	0.8	--	4.7
2009	4.0	--	7.6	--	11.6
2010	8.2	--	6.0	--	14.2
2011	1.3	--	0.7	--	2.0
2012	1.3	0.0	0.9	0.02	2.2
2013	0.2	0.8	1.4	0.06	2.5
2014	0.2	2.8	5.2	0.04	8.2
2015	2.1	5.7	3.8	0.04	11.6
2016	3.9	2.6	0.7	0.08	7.3
2017	10.3	13.0	9.4	0.26	33.0
2018	4.5	5.5	2.4	0.33	12.8
2019	1.8	10.7	5.0	0.09	17.5
2020	3.6	15.9	11.4	0.02	30.8
2021	16.0	15.1	5.7	0.10	36.8
2022	7.6	9.9	1.5	0.24	19.2
2023	6.0	20.2	6.5	0.57	33.3

Source: IIFL Alternative Research, Prime database. * Deals worth USD 30mn and more included, data is an indicative but not exhaustive set. Issue Size (\$ bn).

Supply & Institutional Demand

(\$ bn)	Institutional Demand (FII & DII)	New Supply
2012	14	2
2013	7	2
2014	11	8
2015	13	12
2016	8	7
2017	22	33
2018	11	13
2019	20	18
2020	18	31
2021	16	37
2022	19	19
2023	44	33

Outlook

Positives, Risk & Sectoral Positioning

POSITIVES

- ✓ Strong relative growth of the Indian economy and corporate sectors
- ✓ Solid relative macro-economic fundamentals
- ✓ Decline in interest rates and weakening of US\$
- ✓ Strong flows- domestic and foreign
- ✓ Prospects of broadening capital investment

RISKS

- x Volatile geopolitics
- x What if there is no policy continuity? Low probability, high impact event
- x High valuations with pockets of euphoria

SECTORAL POSITIONING

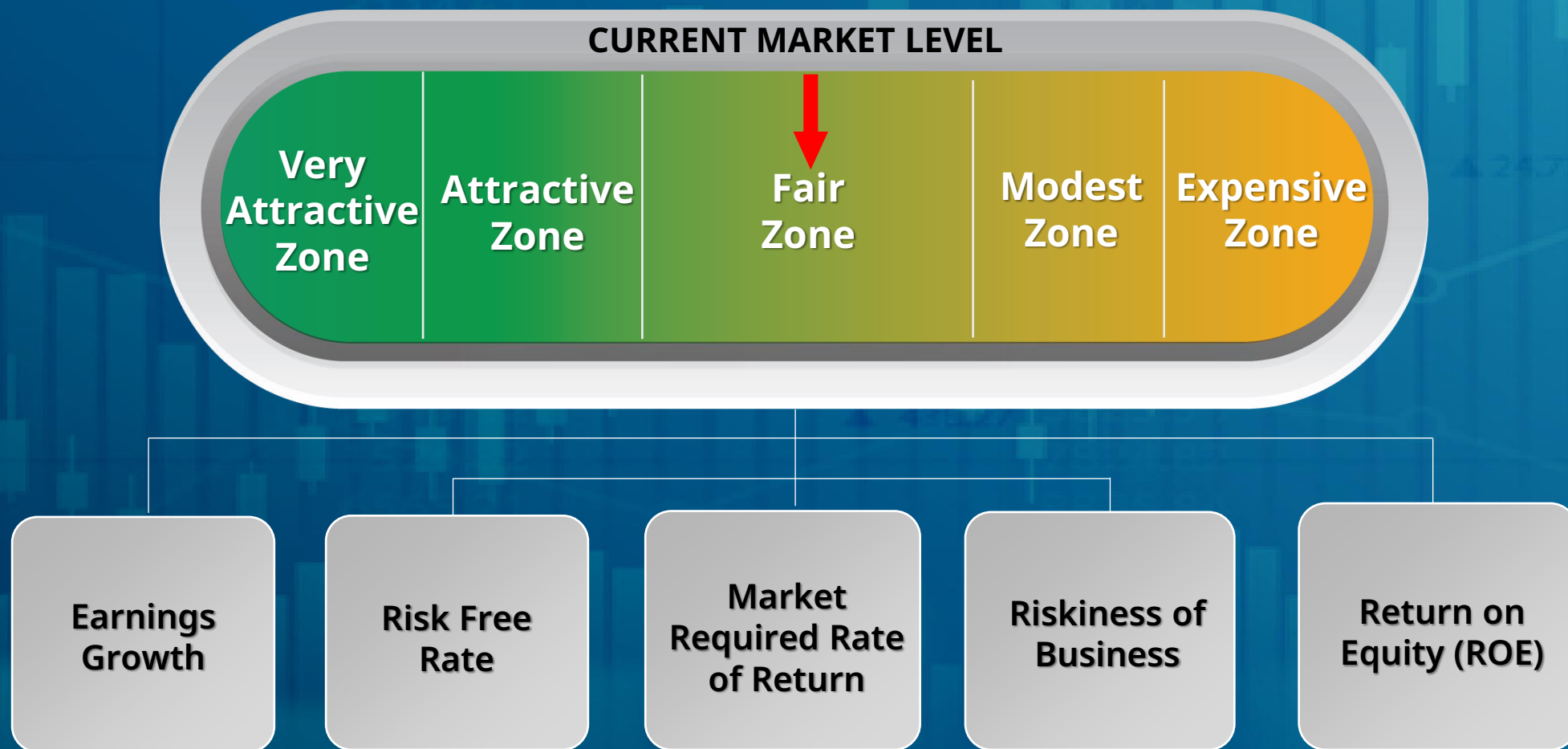
OVERWEIGHT SECTORS

- Auto & Auto Ancillary
- Industrials
- Real Estate
- Power Utilities

UNDERWEIGHT SECTORS

- ❑ Consumer Staples
- ❑ Materials

The Fair Value Spectrum



Source: Union AMC Internal Research, Bloomberg; Data as on January 31, 2024

Disclaimer: Past performance may or may not be sustained in future. The Fair Value Spectrum only depicts our Fund House view on the current equity market environment, and should not be construed as any indication of guaranteed returns or future returns. This information alone is not sufficient and should not be used for the development or implementation of an investment strategy. While utmost care has been exercised while preparing the data, the Sponsors/ Asset Management Company/ Trustee Company/ their associates/ any person connected with it, do not warrant the completeness or accuracy of the information and disclaim all liabilities, losses and damages arising out of the use of this information. The recipients of this material should rely on their investigations and take their own professional advice.

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THANK YOU

