



Bandhan
Mutual Fund
Badhte Raho

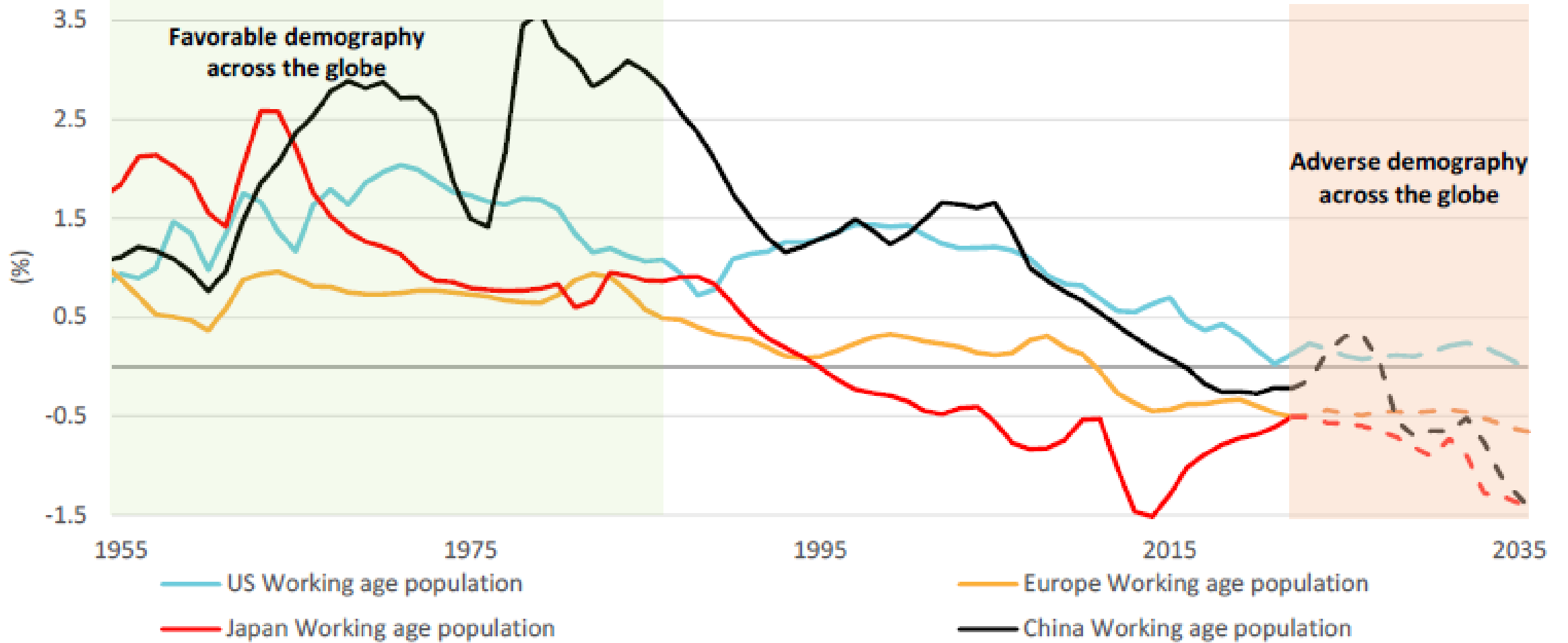
EQUITY MARKET OUTLOOK

JANUARY 2025



**GLOBAL GROWTH IS LIKELY TO BE SLOW
STRUCTURALLY**

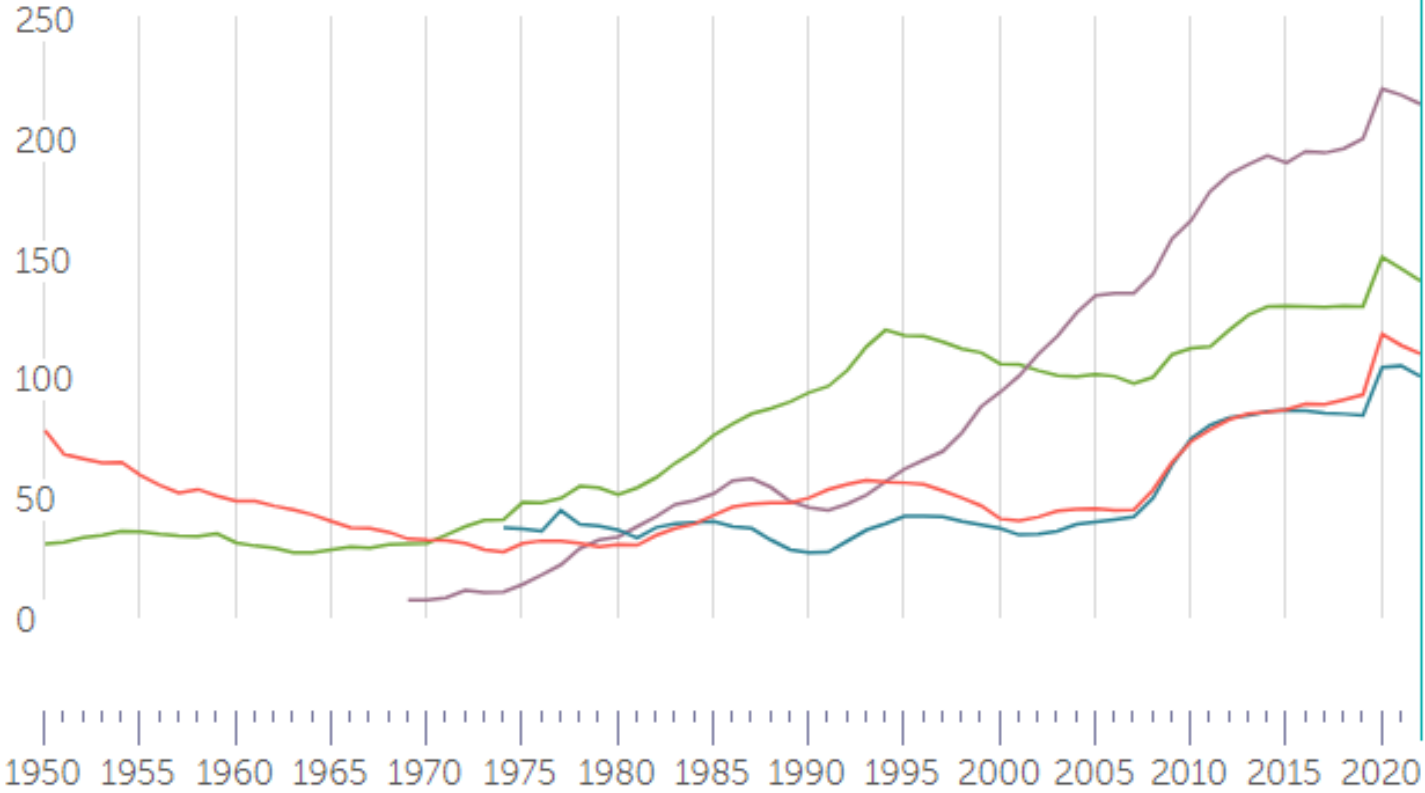
Long Term challenge To global growth – 1) Demographics



Long term challenge to global growth – 2) Government Debt Has Exploded

TREND (1950-2022)

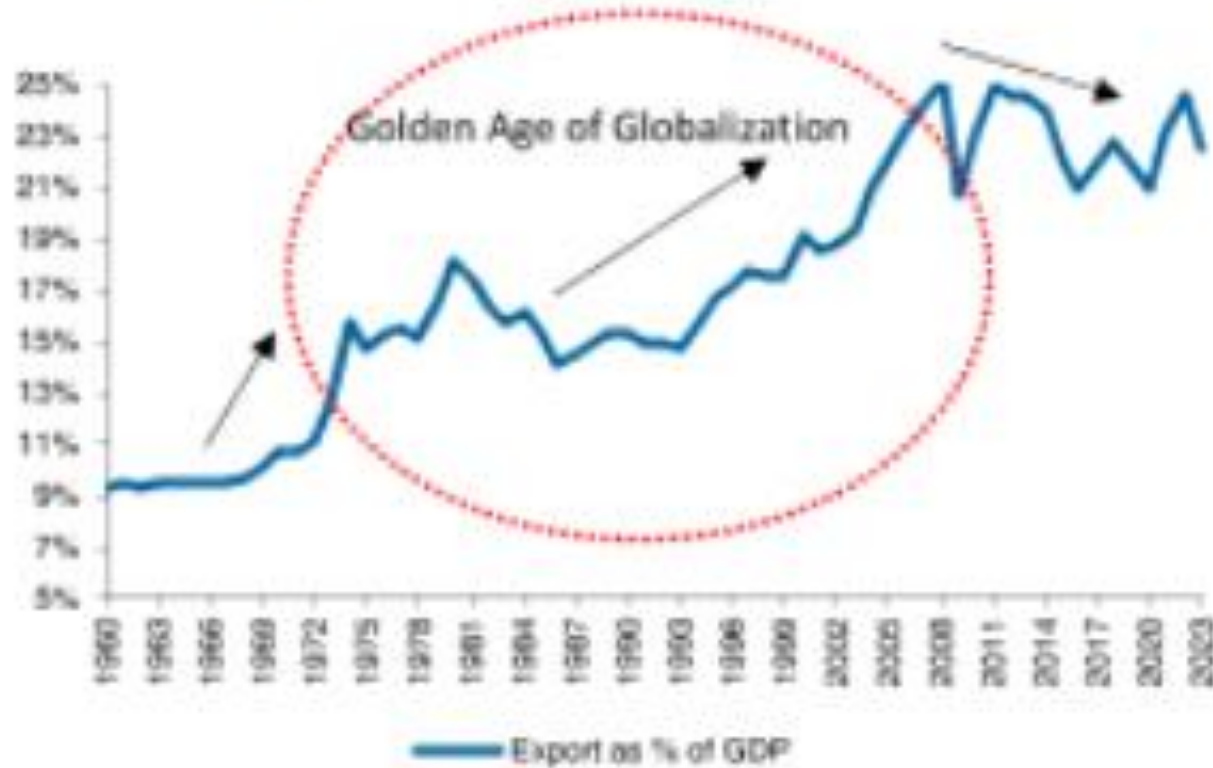
Percent of GDP



Italy	140.57
Japan	214.27
United Kingdom	100.75
United States	110.15

Long term challenge to global growth – 3) Global trade has stagnated

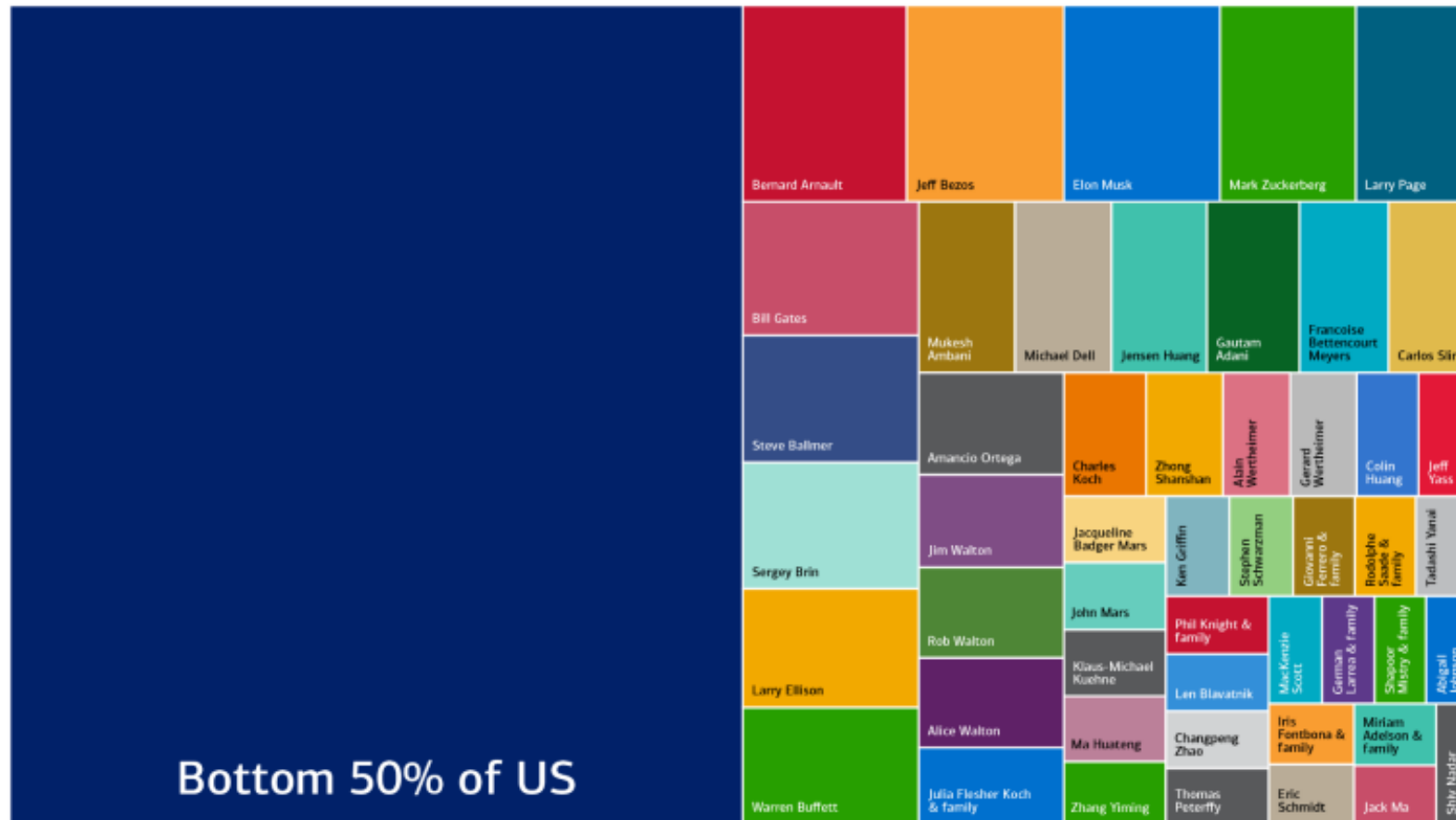
Global Exports to GDP (%) - stagnating



Long Term Challenge To Global Growth – 4) Inequality

Income inequality

The 50 richest people in the world own wealth equal to the poorest 50% of the US





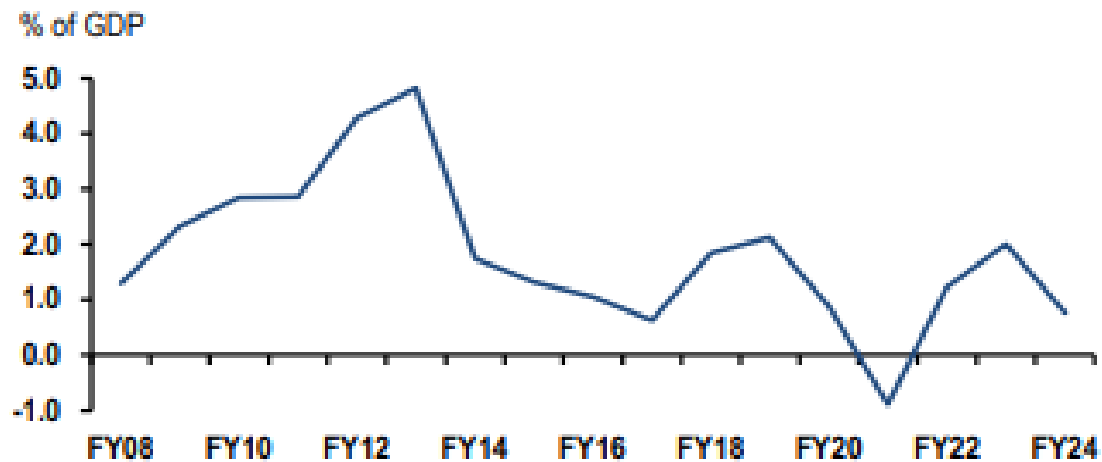
LIQUIDITY FOR INDIAN ASSETS LIKELY TO BE STRONG

Key Factors For Liquidity



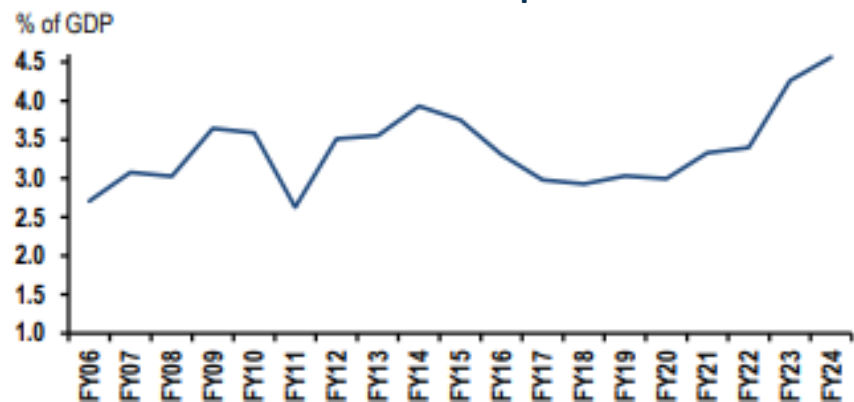
Structural Improvement in CAD for India is healthy for Rupee

Current Account Deficit



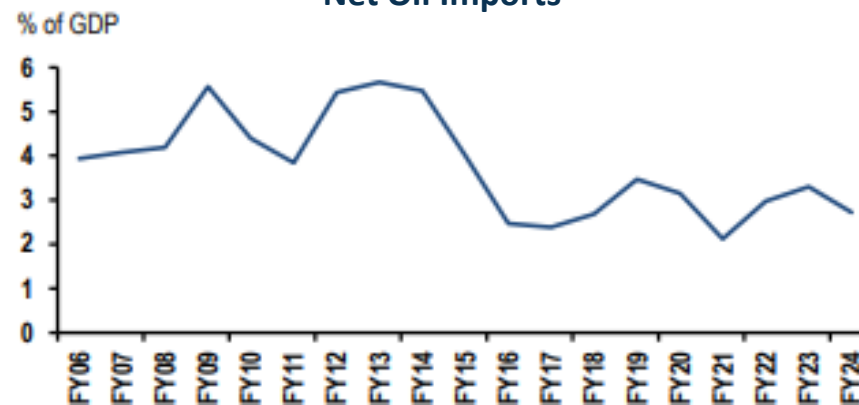
Source RBI

Net Services Exports



Source RBI

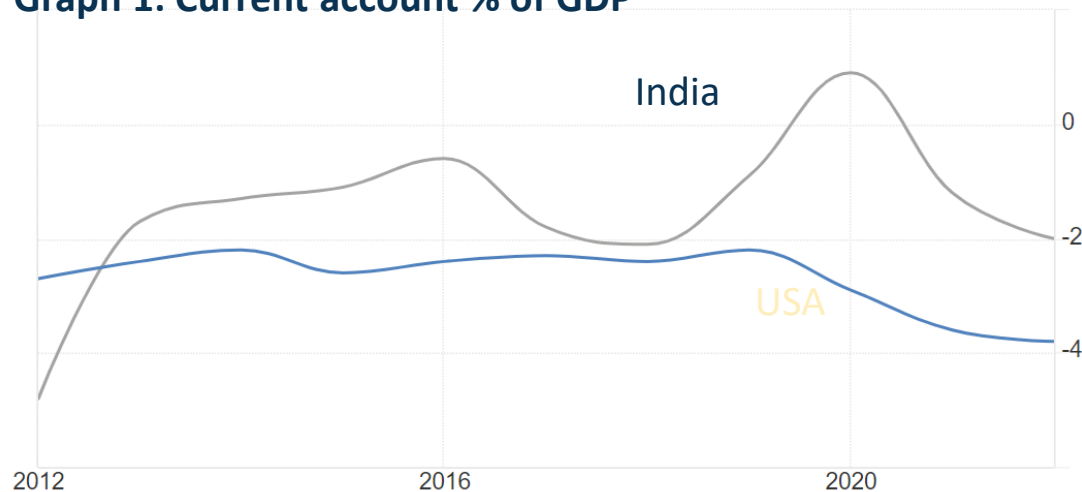
Net Oil Imports



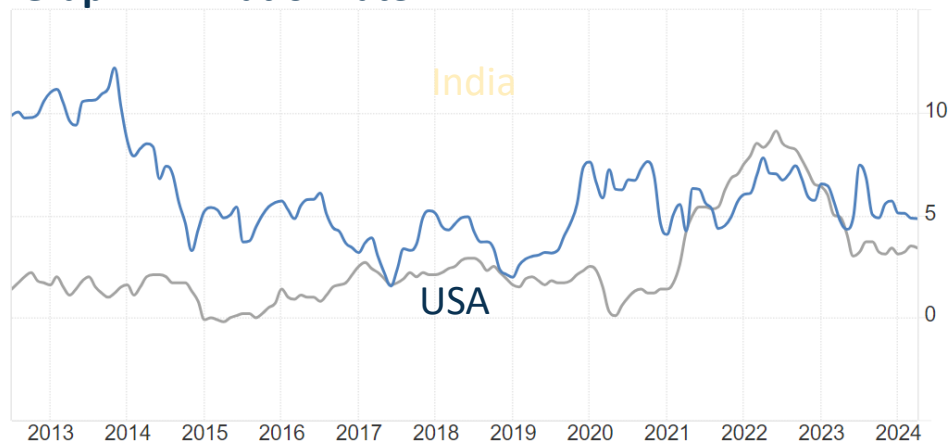
Source MoC

India's macro has improved vs US

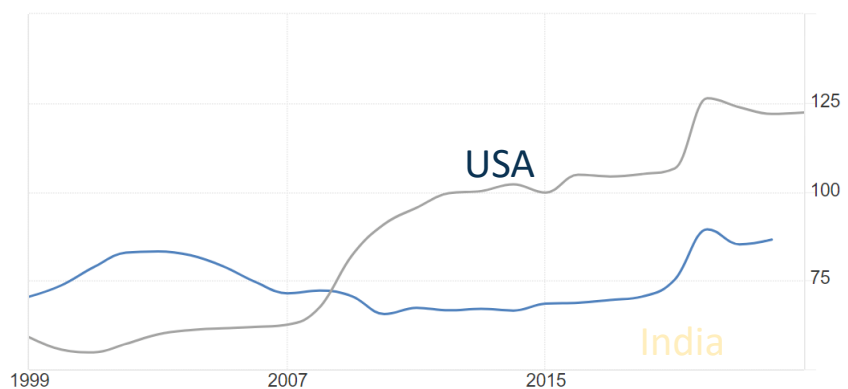
Graph 1: Current account % of GDP



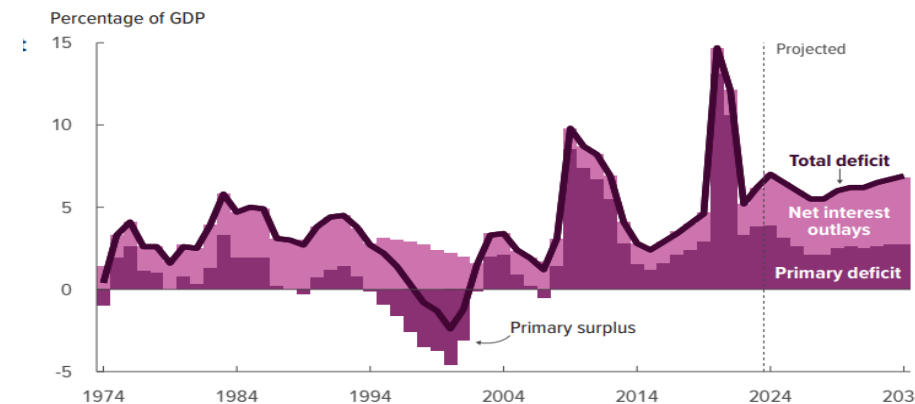
Graph 2: Inflation rate



Graph 3: Government debt as % of GDP



Graph 4: US Fiscal deficit as % of GDP

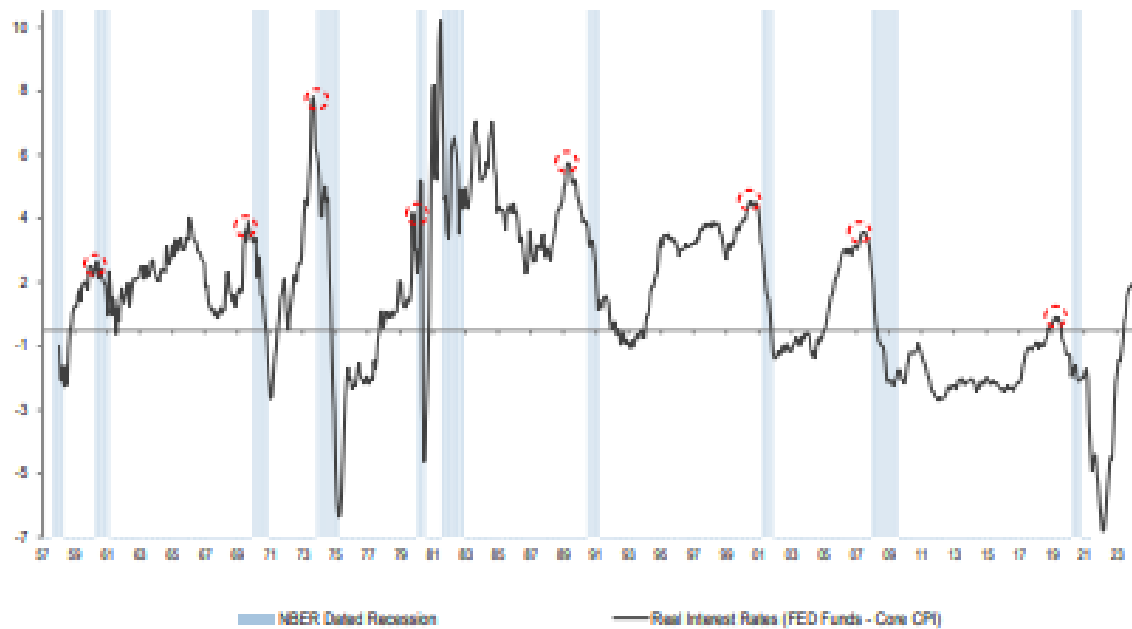


India Relative To Other Emerging Markets

COUNTRY	WEIGHT IN EM INDEX	DOMESTIC GROWTH	EXPORT DEPENDANCE	COMMODITY DEPENDANCE	GEOPOLITICAL OUTLOOK
China	27	Weak	High	Medium	Weak
Taiwan	18	Medium	High	Low	Weak
South Korea	12	Medium	High	Low	High
Brazil + Saudi + South Africa	12	Medium	High	High	Medium
India	19	High	Medium	Low	High

Real rates are likely be very low in developed countries like US and Japan due to high government debt levels

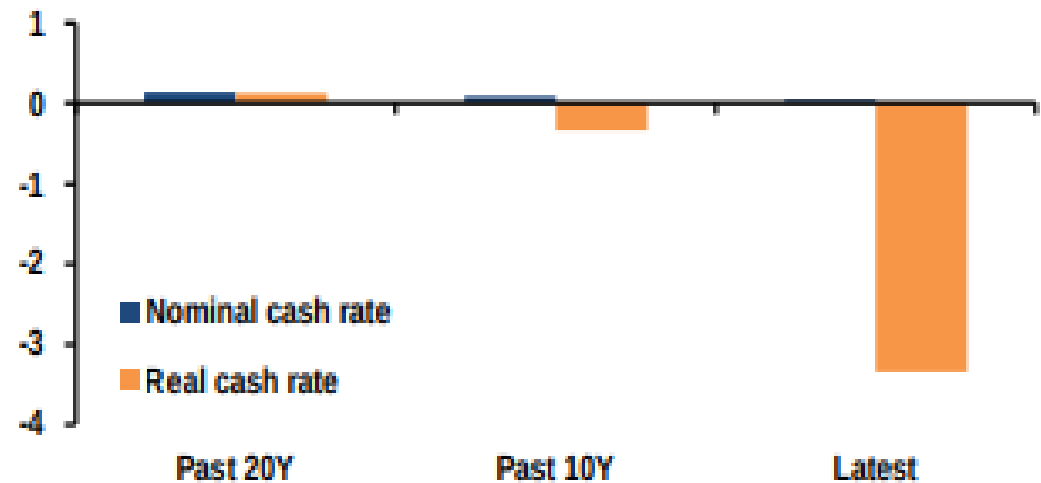
US real policy rates and recessions



Source: Bloomberg Finance LP

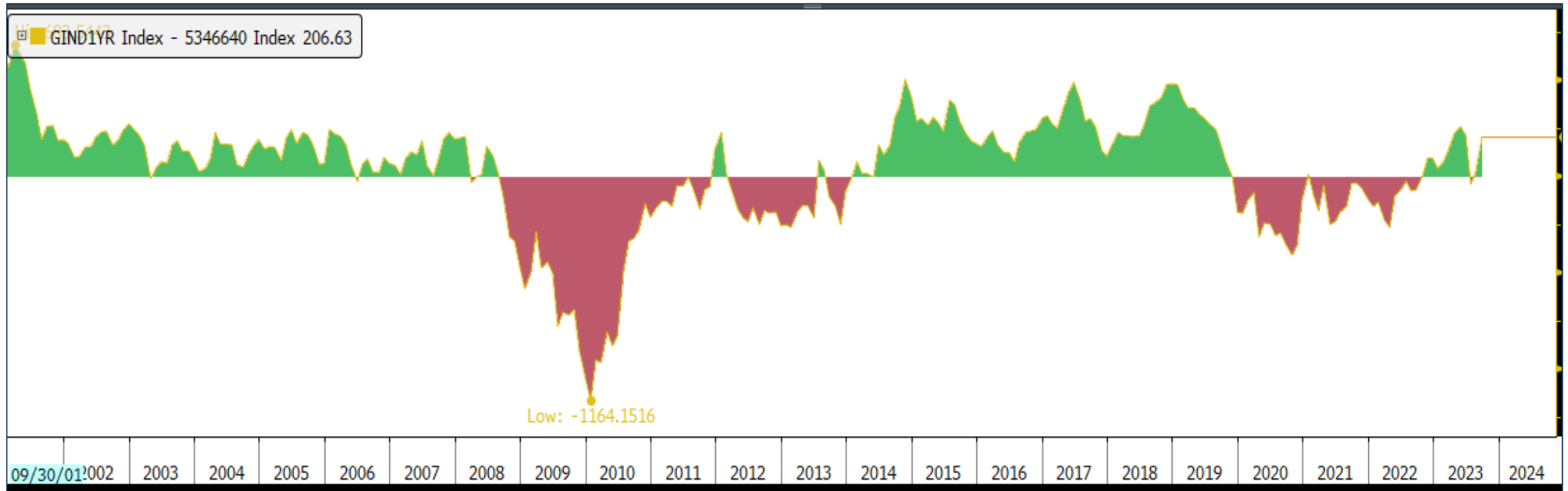
Japan 1-month cash rate

% period average. Latest is last six months.



Source: BoJ, JP Morgan, Real cash rate deflated by BoJ core inflation

Real rates in India are positive but fixed income is relatively tax inefficient

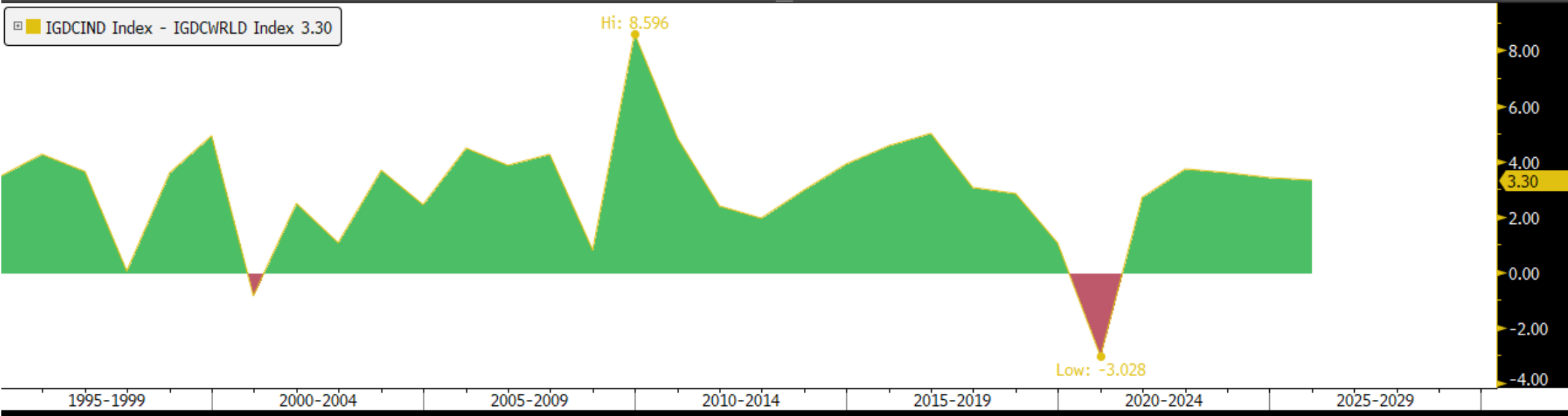




India

Innovation set to take off

GDP Growth of India vs World – usually India grows 3-4% ahead of the world

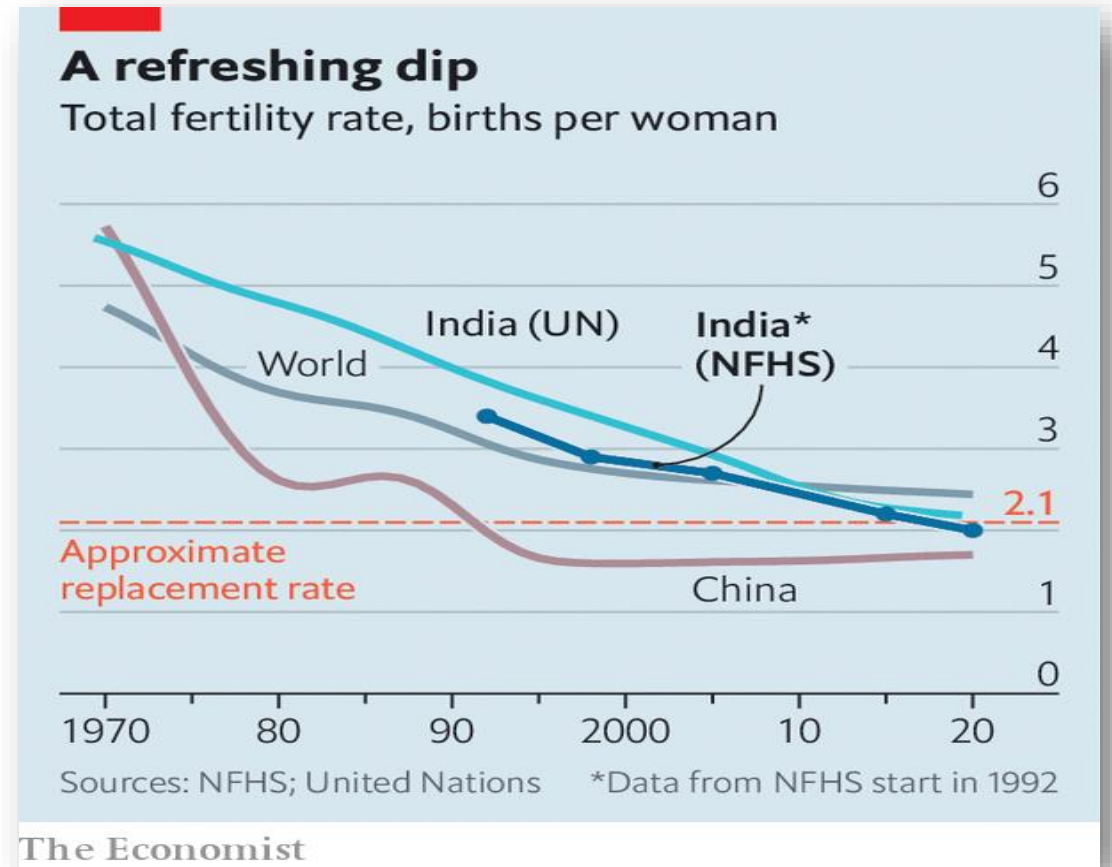
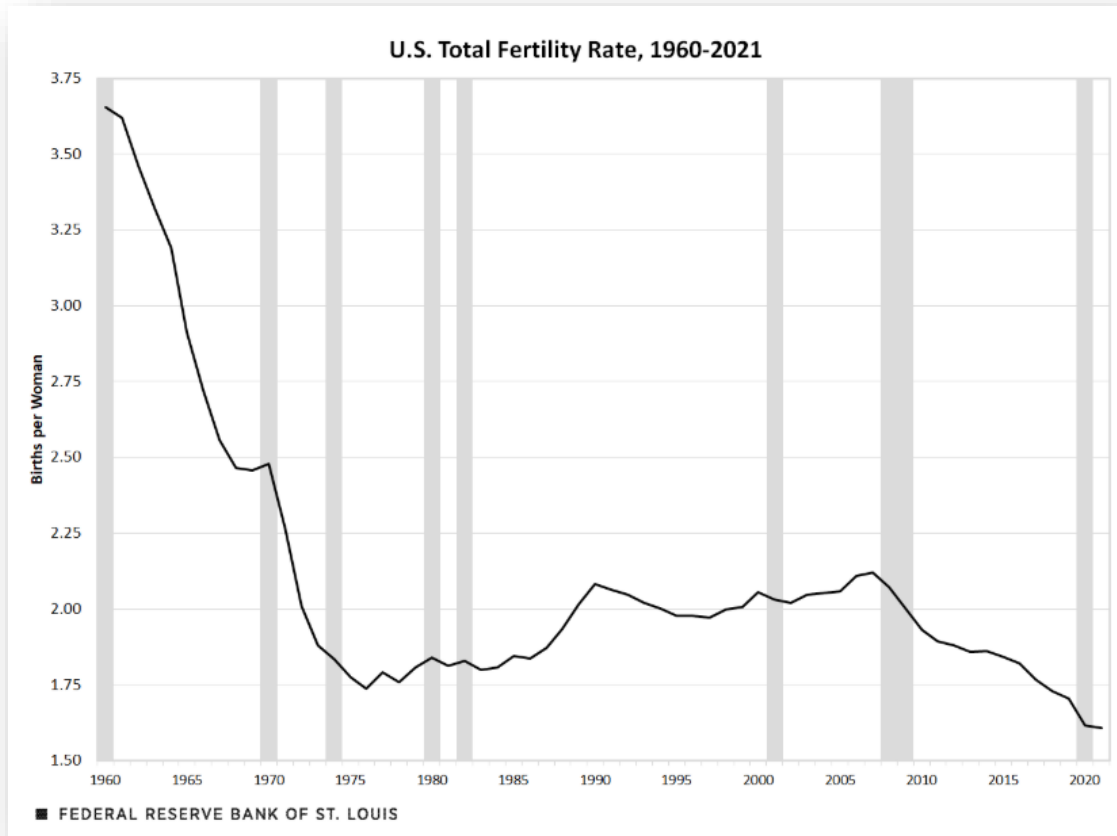


INDIA – Divergence in states suggests increase in inequality

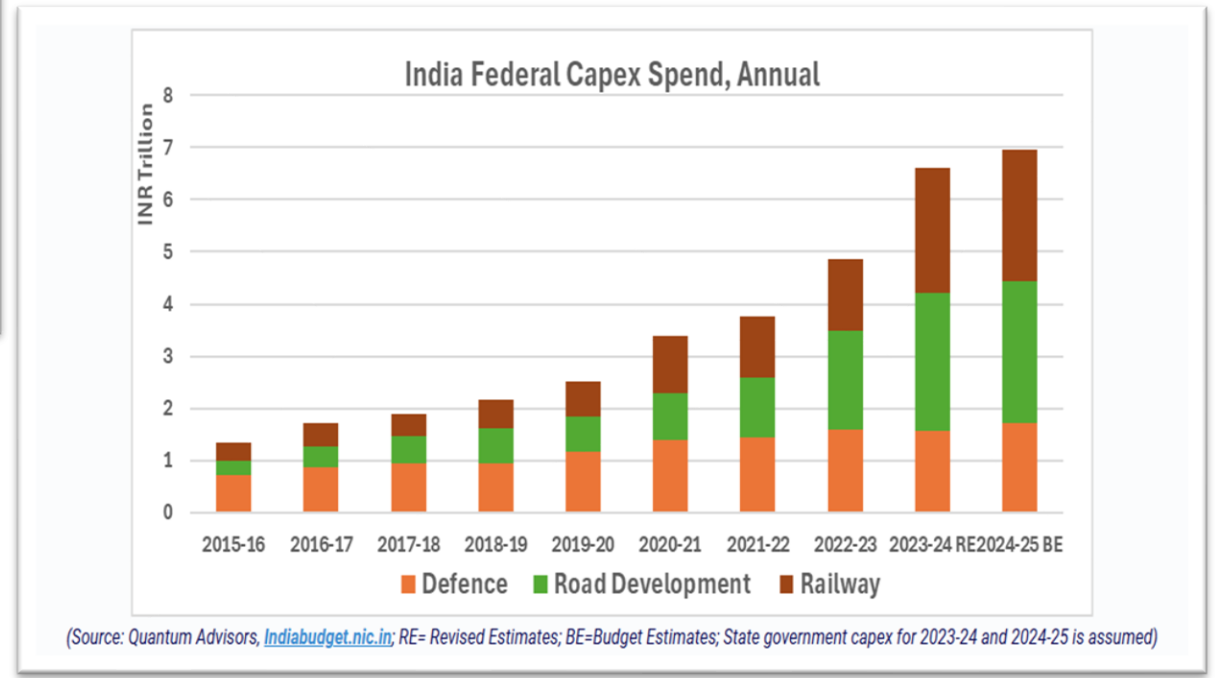
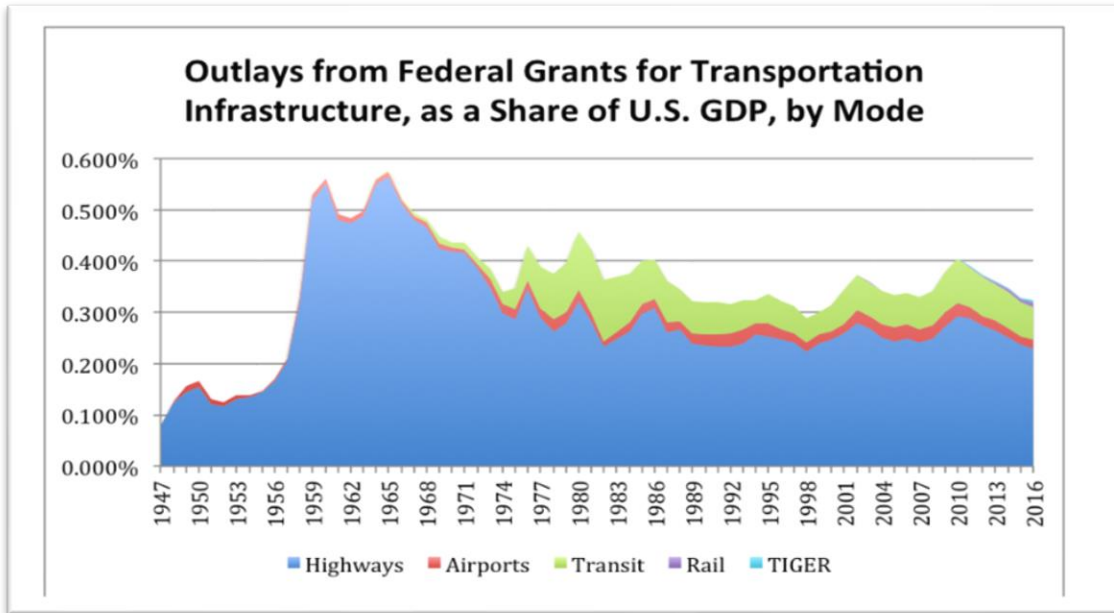
- ✓ Per capita state GDP annual growth rate average 2012-22: More developed states continue to outpace lesser developed

State	Growth (%)	State	Growth (%)
Maharashtra	3%	UP	3%
Gujarat	7%	Bihar	3%
TN	5%	Orissa	5%
Karnataka	6%	West Bengal	3%
Delhi	3%	MP	3%
AVERAGE	4.8%	AVERAGE	3.4%

Birth Rates of India Similar to US in 70s

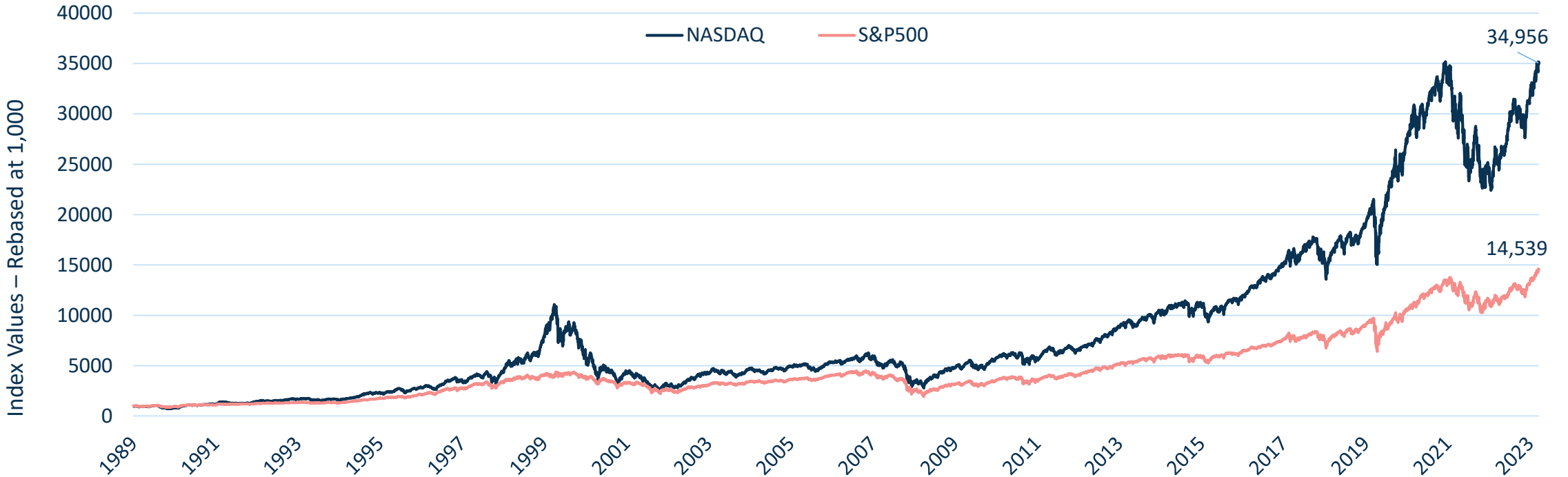


Indian government spend on highways similar to the peak of the US in the 60s



Since 70s innovative cos have outperformed headline index in US

Market Trend: Nasdaq v/s S&P500



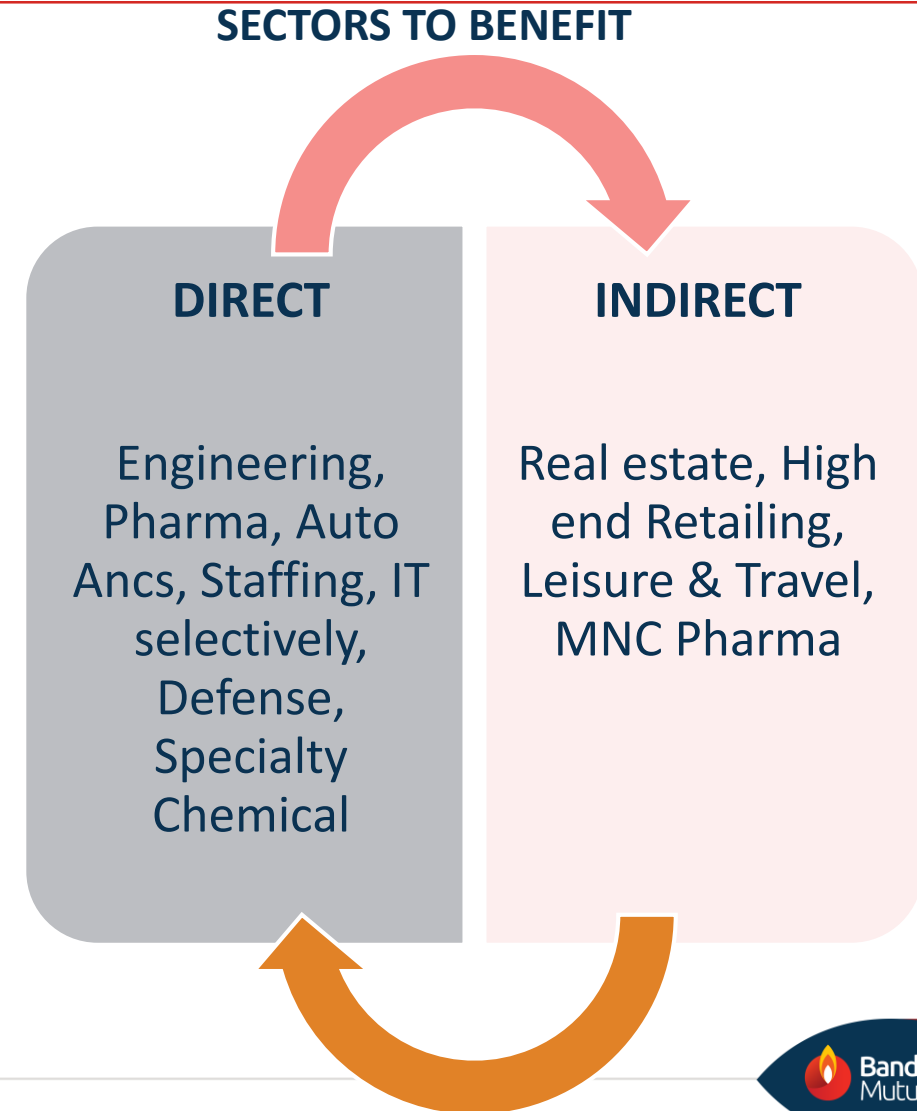
NASDAQ reflects innovative companies; Nasdaq's 35x Returns Outpace S&P 500's 14x Over 34 Years

DEMAND FOR INDIAN WHITE COLLAR WORKFORCE



Implications

- High end service and manufacturing exports leading to better current account dynamics which improves currency outlook
- K-shaped economy
- Urban affluent/luxury consumption to benefit



Key macro thoughts

- ❑ As of now no clear signals of a significant rebound in the economy from the deceleration which started 3-4 months back
- ❑ Budget will be important from a policy understanding perspective as political compulsions are relatively less this time.
- ❑ Big focus of capital markets globally seems to be Trump's policies – there is concern about high tariffs leading to EM currency devaluation especially Yuan
- ❑ Indian currency while having strong fundamentals medium term – tactically looks fragile in above scenario. FII flows are likely to be a challenge in this phase and also interest rates coming down materially is unlikely.
- ❑ Overall, there is reason to be cautious in near term

We continue to run fairly balanced portfolios with high focus on small caps and higher than normal cash levels

Disclaimer

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

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