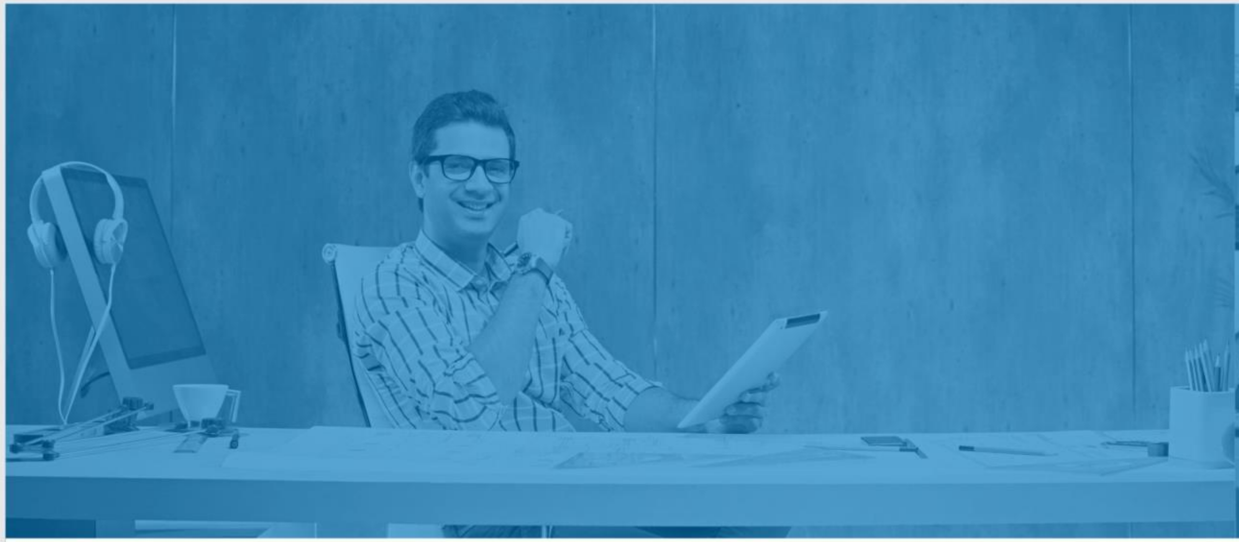
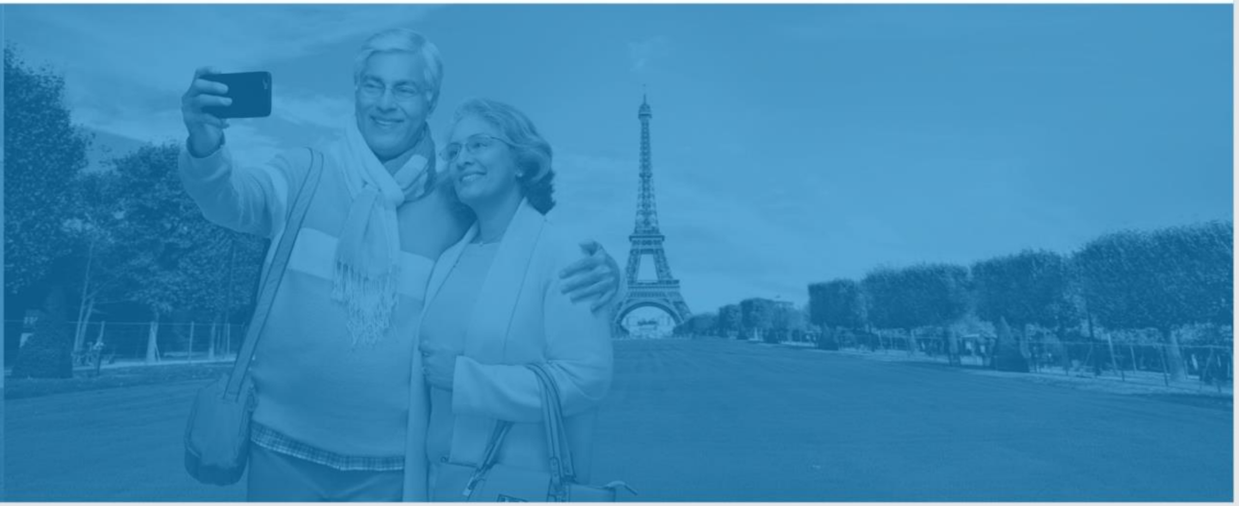



Year-end Review & Outlook for 2020

January 2020

LIFE GOALS. **DONE.**

BAJAJ | Allianz

Summary – 2019: The Year that was!

Global Macros & Markets

- Major global central banks eased rates, but have paused lately. Global bond yields eased significantly, but have hardened a bit in the last quarter.
- Synchronized slowdown seen in global growth, but some recovery expected in 2020/2021 (esp. in emerging markets). Trade war expected to de-escalate.
- Indian market delivered moderate returns in 2019, but has outperformed global peers over the long term.

Domestic Macro-economic Scenario

- Domestic economy sees a significant slow-down, although the worst maybe behind us now.
- High-frequency indicators showing some early signs of recovery. We expect GDP growth to gradually recover in FY21. Govt. has taken various measures to stimulate the economy.
- Inflation has risen lately. Geo-political events caused some volatility in oil prices.

Domestic equity markets, earnings & flows

- It was a narrow/polarized market in 2019, and small/mid-caps under-performed.
- Excluding “quality” stocks, markets valuations are quite reasonable.
- Corporate earnings growth affected by economic slowdown, but expected to recover in FY21.
- FII equity flows picked up during the year, while DII equity flows slowed a bit lately (due to MF lumpsum outflows, although SIP flows remain healthy).

Debt Markets & Interest rates

- Domestic bond yields softened during the year, but have hardened a bit lately.
- RBI cut rates 5 times this year, but is on pause presently. Future monetary policy action to be data-dependent. RBI launches “Operation Twist” to reduce steepness in yield curve.
- Liquidity in surplus. Credit risk still a bit elevated, although the worst maybe behind us now.

Global Macro & Markets

A synchronized slowdown seen in global growth in 2019, but some recovery expected in 2020/2021

World Bank GDP growth forecast (in %)

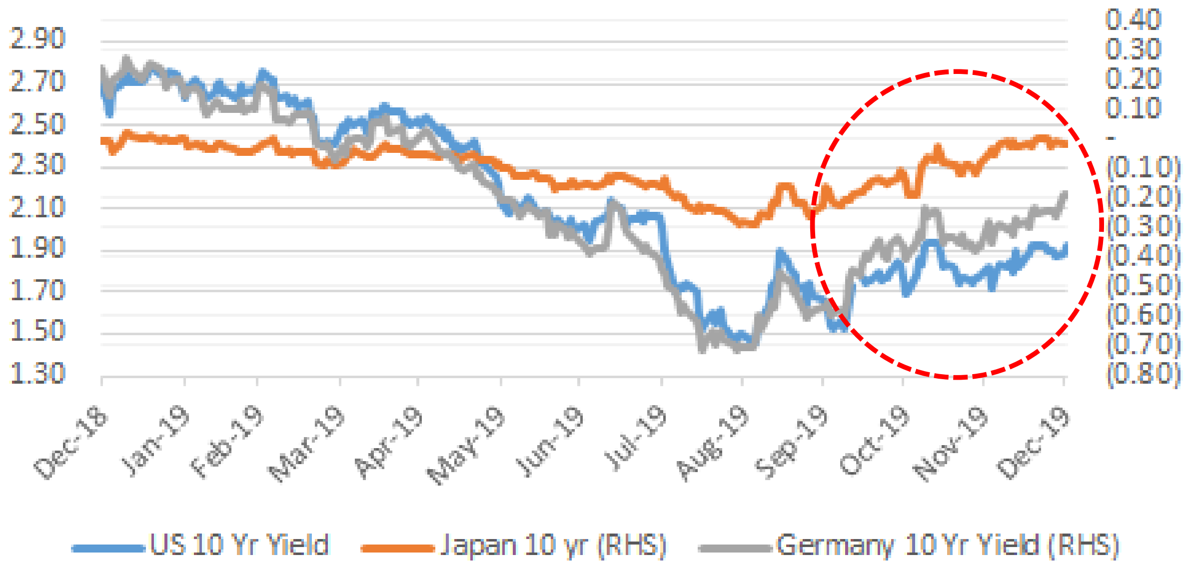
% chg (YoY)	2018	2019E	2020F	20201F
World	**3.0**	**2.4**	**2.5**	**2.6**
Advanced Economies	**2.2**	**1.6**	**1.4**	**1.5**
US	2.9	2.3	1.8	1.7
Euro Area	1.9	1.1	1.0	1.3
Japan	0.8	1.1	0.7	0.6
Emerging Economies	**4.3**	**3.5**	**4.1**	**4.3**
China	6.6	6.1	5.9	5.8
Indonesia	5.2	5.0	5.1	5.2
Thailand	4.1	2.5	2.7	2.8
India	**6.8**	**5.0**	**5.8**	**6.0**
Russia	2.3	1.2	1.6	1.8
Turkey	2.8	0.0	3.0	4.0
Brazil	1.3	1.1	2.0	2.5
Saudi Arabia	2.4	0.4	1.9	2.2
Pakistan	5.5	3.3	2.4	3.0

Source: World Bank Global Economic Prospects Report, Jan 2020. For India, fiscal year ended March is considered, so 2019 = FY20 and 2020 = FY21. For other countries it is calendar year.

- World Bank cut growth forecasts across advanced and emerging economies. Global growth to slowdown from 3% in 2019 to 2.4% in 2019, but recover a bit in 2020/2021
- This is primarily due to growth slowdown in advanced economies (US, Euro Area, Japan).
- Emerging economies growth also forecasted to slowdown to 3.5% in 2019 from 4.3% in 2018, but recover in 2020/2021.
- India's GDP growth forecast for FY20 downgraded to 5.0%, but some recovery expected in FY21/22.
  - RBI/CSO also downgraded India's GDP growth forecast for FY20 to 5%
- China's GDP growth forecasted to slow down from 6.6% in 2018, to 6.1% in 2019, with further slowdown projected in 2020/2021.

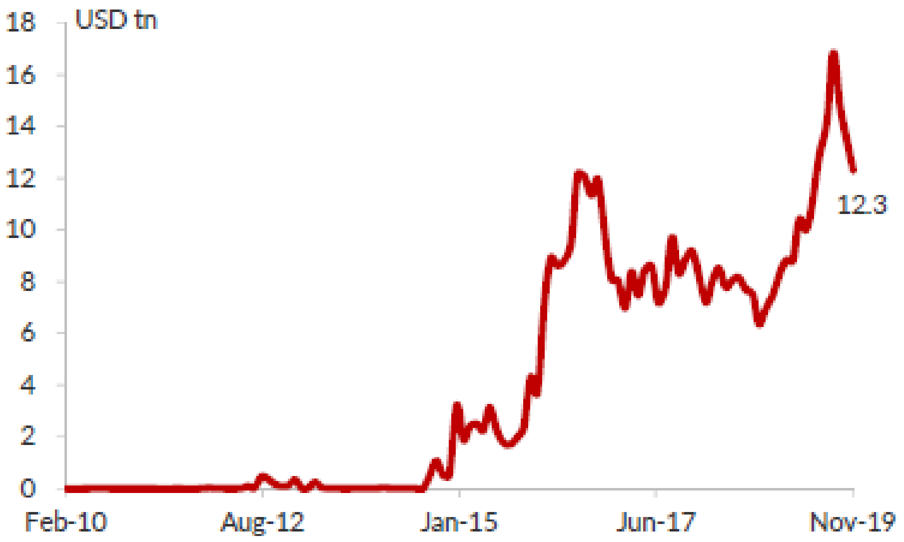
US Fed signals pause in rates through 2020; global bond yields harden in the last quarter

Global 10 Yr Bond Yields (in %)



Source: Bloomberg

Aggregate value of negative yielding bonds ($ in trln)

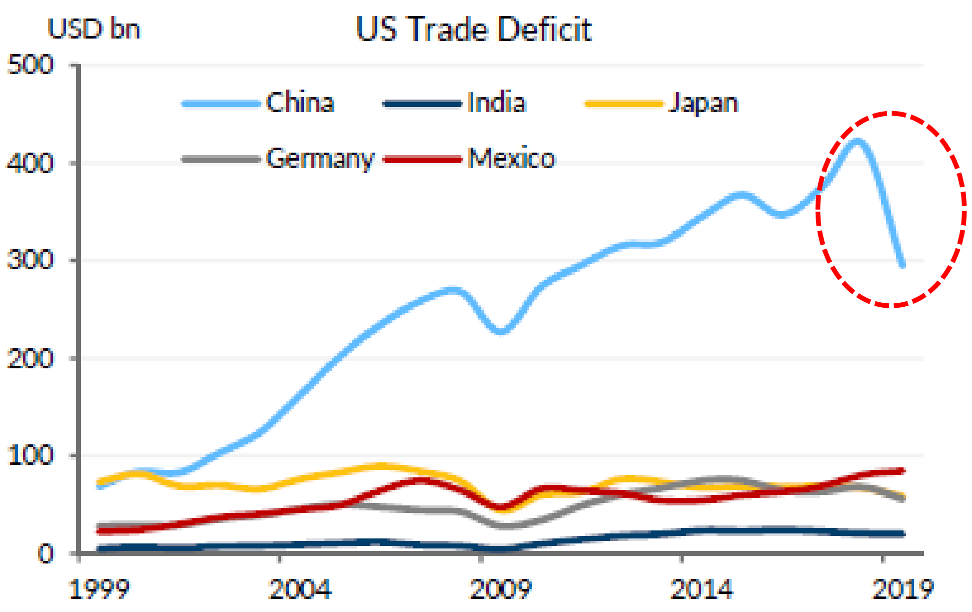


Source: Bloomberg, Yes Securities

- After cutting rates thrice (by a cumulative 75 bps) since July, the US Fed kept rates unchanged in its Dec 2019 policy and signaled a pause in policy rates through 2020.
- After falling substantially in the first 3 quarters of CY2019, global bond yields have hardened in the past quarter, on the back of improving economic data and on expectation of US-China trade resolution.
- US, Germany and Japan 10 year yields closed the quarter ended December 2019 up 25 bps, 40 bps and 20 bps respectively.
- Aggregate value of negative yielding bonds have dropped from a record $18 trln to $12 trln.

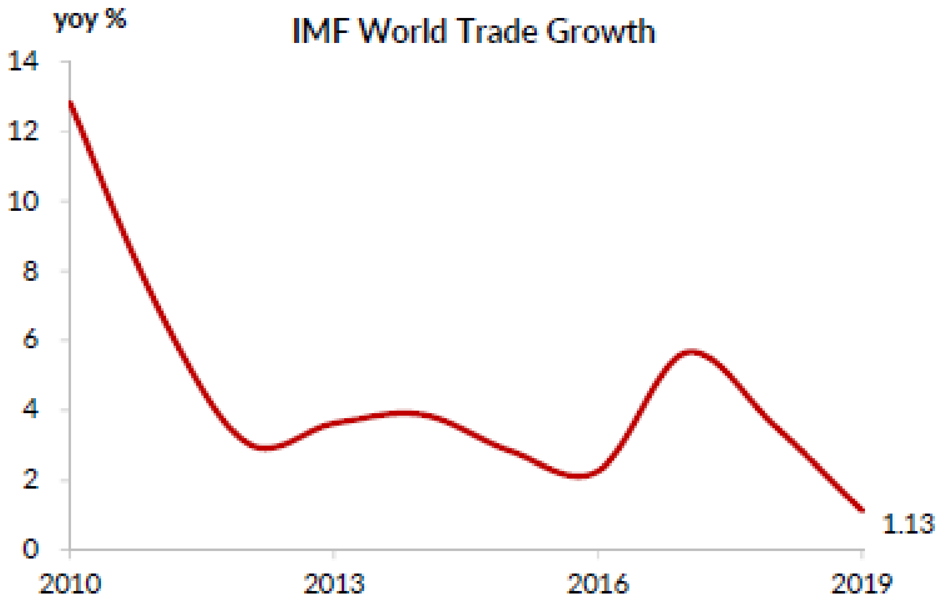
US-China trade war de-escalated through a phase-one trade deal

US trade deficit with China has narrowed due to the trade war



Source: Yes Securities

Global trade growth has slowed due to the trade war



Source: Bloomberg, Yes Securities

- The US-China trade war saw some resolution with the countries agreeing to a phase-one deal recently.
- As per the deal, the US will be halving its tariff from 15% to 7.5% on $120 bln of Chinese imports, but maintaining its tariff of 25% on $250 bln of Chinese imports. The US & China will be suspending any fresh tariffs that were to come into effect.
- US said that China has agreed to increase its total purchases of U.S. goods and services by at least $200 bln over next 2 years (incl. US agricultural products).

LIFE GOALS. DONE.

India has relatively underperformed over the past quarter & year, while it has outperformed over the long term (3 years and 5 years)

Performance of International Indices (ended Dec 2019, in %)						
Index Name	**Country / Region**	**3 mths**	**6 mths**	**1 Yr**	**3 Yrs**	**5 Yrs**
RTS RTSI PR USD	Russia	16.1	12.2	44.9	10.4	14.4
BOVESPA	Brazil	10.4	14.5	31.6	24.3	18.3
S&P 500 PR	US	8.5	9.8	28.9	13.0	9.4
CAC 40	France	5.3	7.9	26.4	7.1	6.9
FSE DAX TR	Germany	6.6	6.9	25.5	4.9	6.2
MSCI World PR USD	World	8.2	8.3	25.2	10.4	6.6
TSEC TAIEX	Taiwan	10.8	11.8	23.3	9.0	5.2
Shanghai Composite	China	5.0	2.4	22.3	-0.6	-1.2
S&P/ASX 200	Australia	-0.1	1.0	18.4	5.7	4.3
Nikkei 225	Japan	8.7	11.2	18.2	7.4	6.3
MSCI EM PR USD	Emerging Mkts	11.4	5.7	15.4	8.9	3.1
MSCI Asia Ex Japan PR USD	Asia ex Japan	11.4	5.5	15.4	10.2	4.1
FTSE 100	UK	1.8	1.6	12.1	1.8	2.8
Nifty 50	**India**	**6.0**	**3.2**	**12.0**	**14.1**	**8.0**
Hang Seng	Hong Kong	8.0	-1.2	9.1	8.6	3.6
FTSE/SGX STI	Singapore	3.3	-3.0	5.0	3.8	-0.9
JSX Composite	Indonesia	2.1	-0.9	1.7	5.9	3.8
KOSPI Korea	South Korea	6.1	2.3	-0.4	1.7	1.1
FTSE SET All Share	Thailand	-3.3	-9.8	-0.9	0.0	0.3
FTSE Bursa Malaysia KLCI	Malaysia	0.3	-5.0	-6.0	-1.1	-2.0

Source: Morningstar Direct. Returns are in local currency of index, and returns greater than 1 year are CAGR
Date sorted on the basis of 1 year return in descending order

- Global equity markets registered strong gains over the past quarter, on the back of return of global risk appetite, some positive economic data, and expectations of resolution to trade war
  - India underperformed a number of peer EM and developed markets during this period.
- In CY 2019
  - Developed markets outperformed emerging markets by a healthy margin.
  - EMs like Russia & Brazil were the top performers.
  - India was a relatively underperformer in CY2019.
  - A number of other Asian markets also underperformed during the year.
- Over the long term (3 yrs and 5 yrs) Indian market has managed to fare relatively well.

Domestic Macro-economic Scenario

GDP growth has slowed down considerably in the past few quarters

India Quarterly GDP Growth trend (%, YoY)

GDP Growth yoy %	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
Real GDP (market prices)	**7.0**	**6.6**	**5.8**	**5.0**	**4.5**
Private consumption	9.8	8.1	7.2	3.1	5.1
Government spending	10.9	6.5	13.1	8.8	15.6
Fixed Investment	11.8	11.7	3.6	4.0	1.1
Exports	12.7	16.7	10.6	5.7	-0.4
Imports	22.9	14.5	13.3	4.2	-6.9

Source: CSO, MOSPI

- Q2 FY20 GDP growth slowed down to more than a 6-year low of 4.5% YoY
  - ➢ Slowdown was led by Investments, where growth slowed to 1.1% from 4.0% in previous quarter, and 11.8% a year ago.
  - ➢ Private consumption (~55% weight of GDP) growth improved to 5.1% from 3.1% in the previous quarter.
  - ➢ Government spending growth picked up strongly to 15.6% from 8.8% in the previous quarter.
- RBI in its Dec 2019 policy revised down the GDP growth estimate for FY20 to 5.0% (from 6.1% earlier).
- CSO recently pegged GDP growth for FY20 at 5.0% (advance estimate), which is a 11-year low.

Industrial Production has also been lackluster and volatile

IIP components, yoy growth rate, %

	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	June-19	July-19	Aug-19	Sept-19	Oct-19	Nov-19
IIP	**0.2**	**2.5**	**1.6**	**0.2**	**2.7**	**3.2**	**4.5**	**1.3**	**4.9**	**-1.4**	**-4.3**	**-4.0**	**1.8**
Mining (wt. 14.37)	2.7	-1.0	3.8	2.2	0.8	5.1	2.3	1.5	4.9	0.0	-8.6	-8.0	1.7
Manufacturing (wt. 77.63)	-0.7	2.9	1.3	-0.3	3.1	2.5	4.4	0.3	4.8	-1.7	-4.0	-2.3	2.7
Electricity (wt. 8)	5.1	4.5	0.9	1.3	2.2	6.0	7.4	8.6	5.2	-0.9	-2.6	-12.2	-5.0

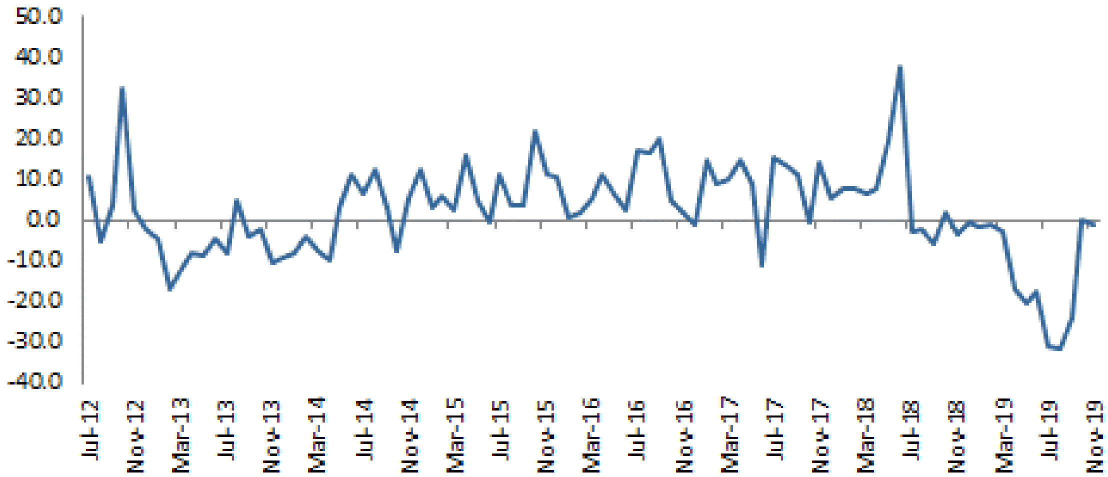
Source: MOSPI, Phillip Capital

- Index of Industrial Production (IIP) has been lackluster and volatile, primarily due to slowdown in manufacturing sector (has highest weight of ~78% in IIP). Other sectors like electricity and mining have also seen a slowdown lately. Some recovery seen in the latest month data for November 2019.

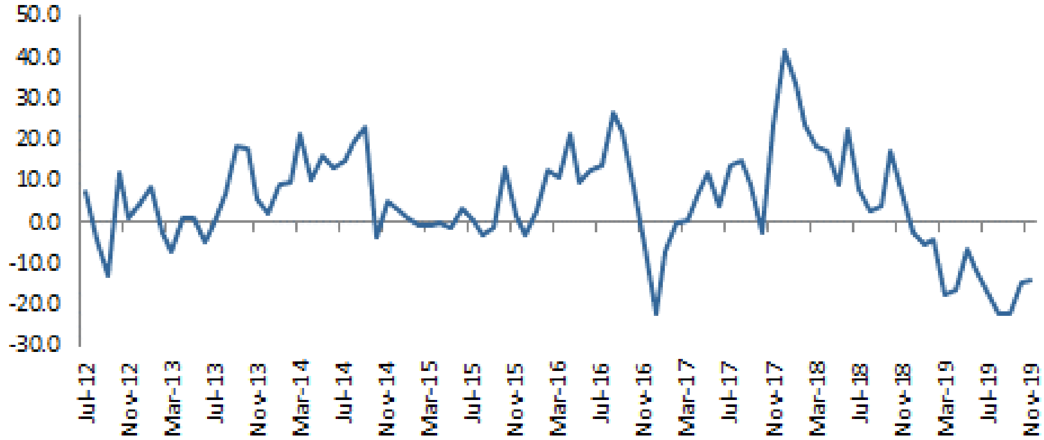
- For FYTD20 (up to November), IIP growth was significantly lower at 0.6%YoY, compared to 5.0%YoY in the corresponding period, a year ago.

High Frequency Indicators: Auto sector see some recovery from its lows

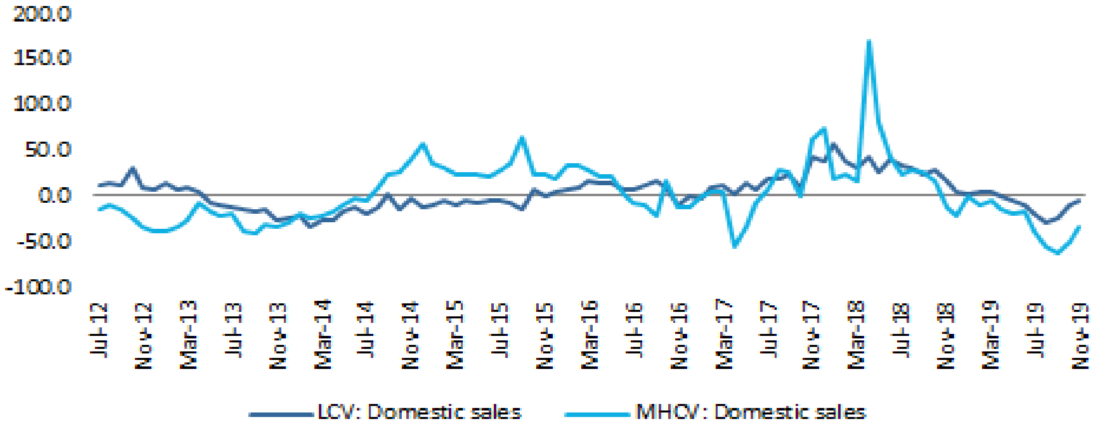
Monthly Passenger Vehicles Sales Growth (%YoY)



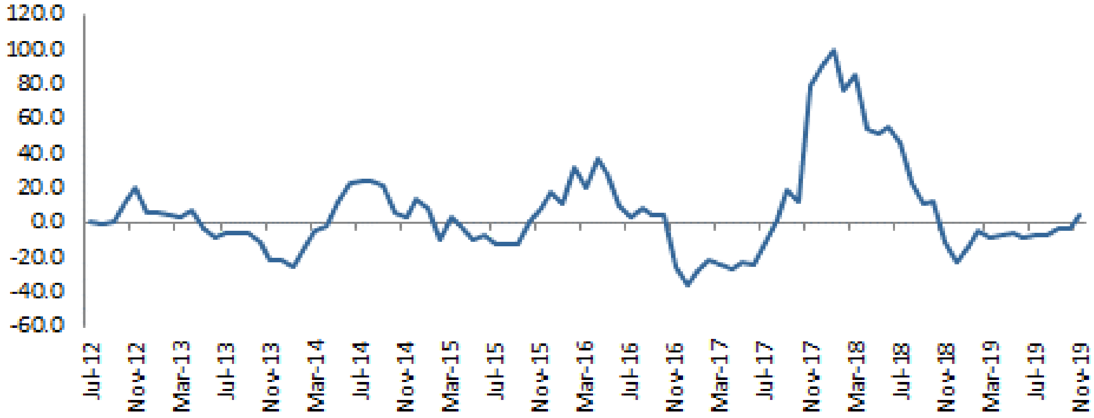
Monthly 2-Wheeler Sales Growth (%YoY)



Monthly Commercial Vehicles Sales Growth (%YoY)



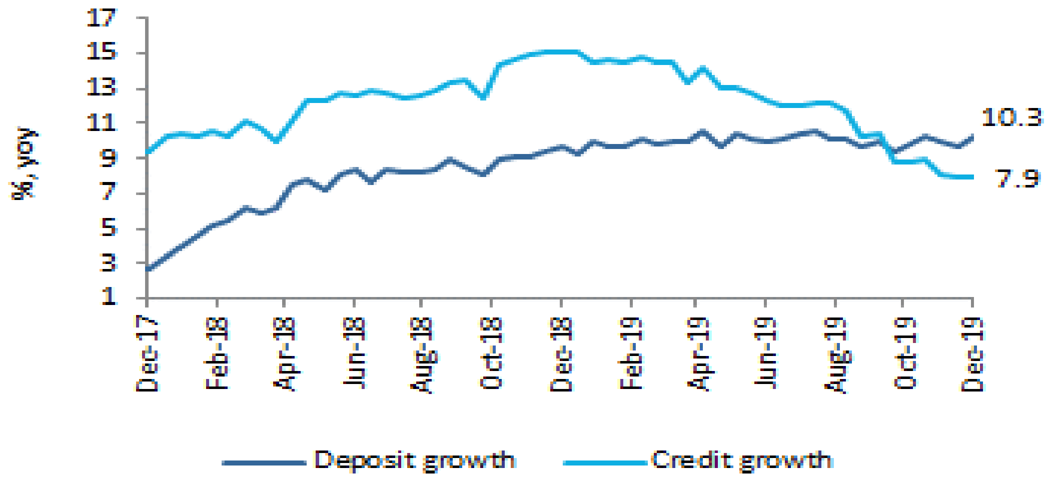
Monthly 3-Wheeler Sales Growth (%YoY)



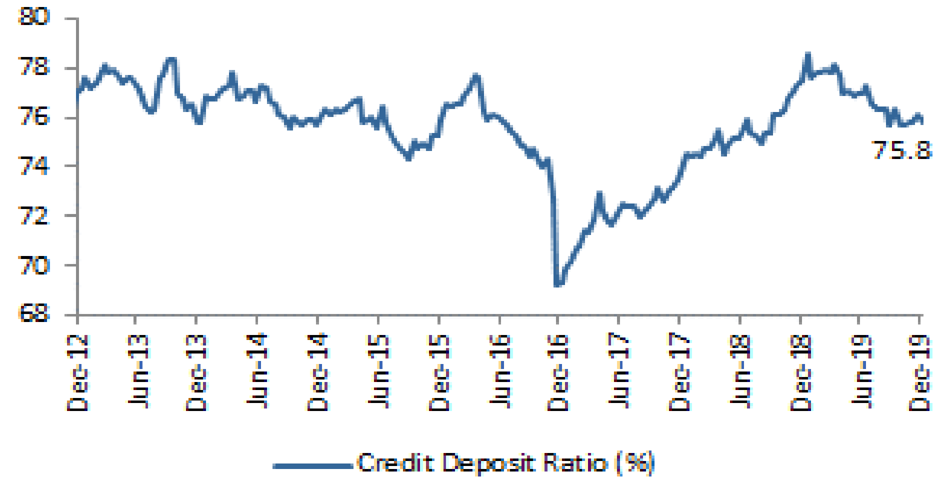
Source: SIAM, Spark Capital. LCV – Light Commercial Vehicle, MHCV = Medium & Heavy Commercial Vehicle

High Frequency Indicators: Credit growth slows down, with deposit growth outpacing it. Cement & coal output see some recovery lately, while steel output remains lackluster

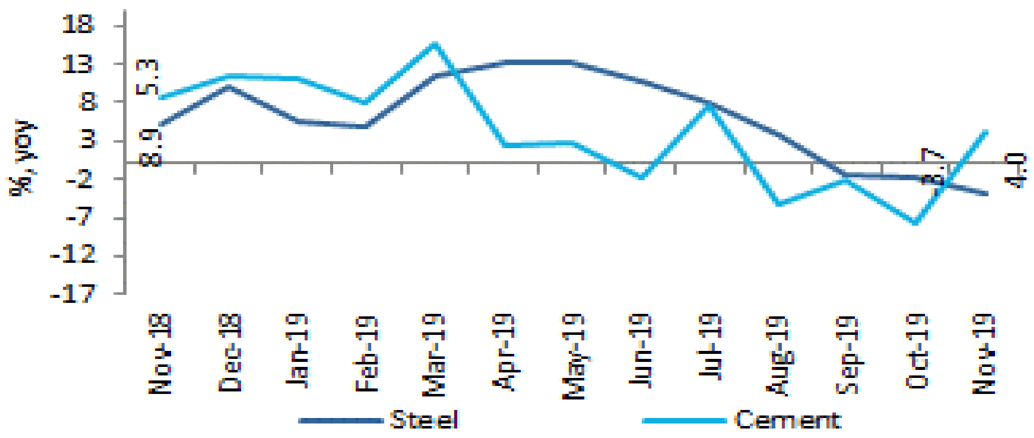
Credit & Deposit Growth (%YoY)



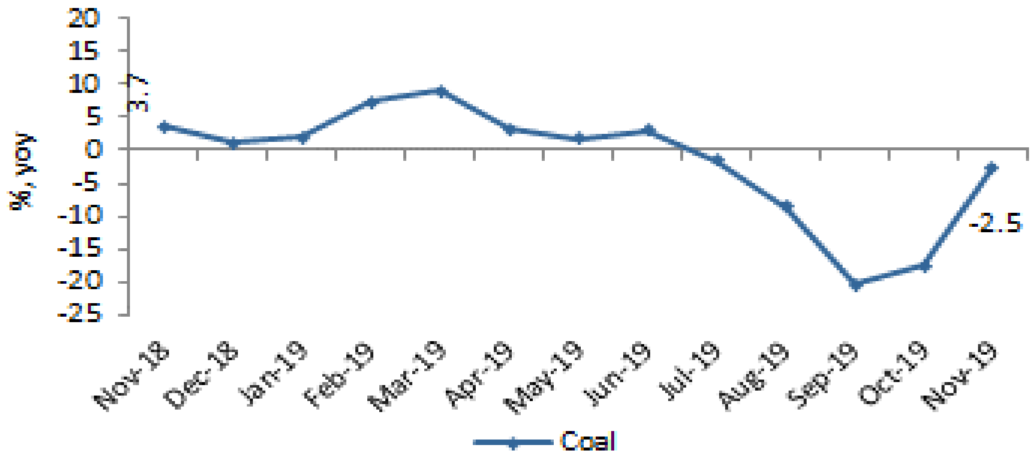
Credit to Deposit Ratio dips



Monthly Steel & Cement Output (%YoY)



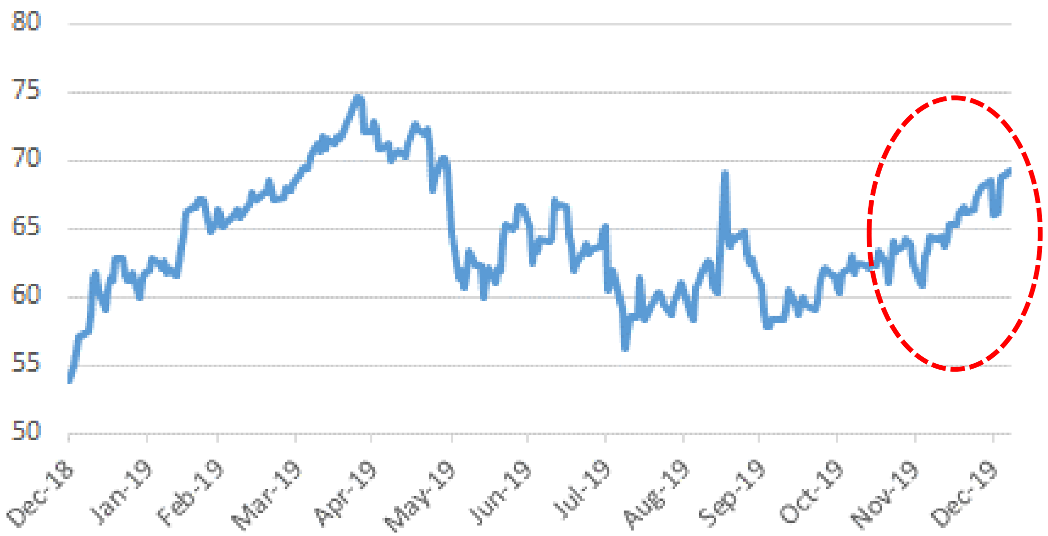
Monthly Coal Output (%YoY)



Source: Spark Capital

Crude prices have risen lately due to OPEC cuts, US-China trade deal, US-Iran tensions

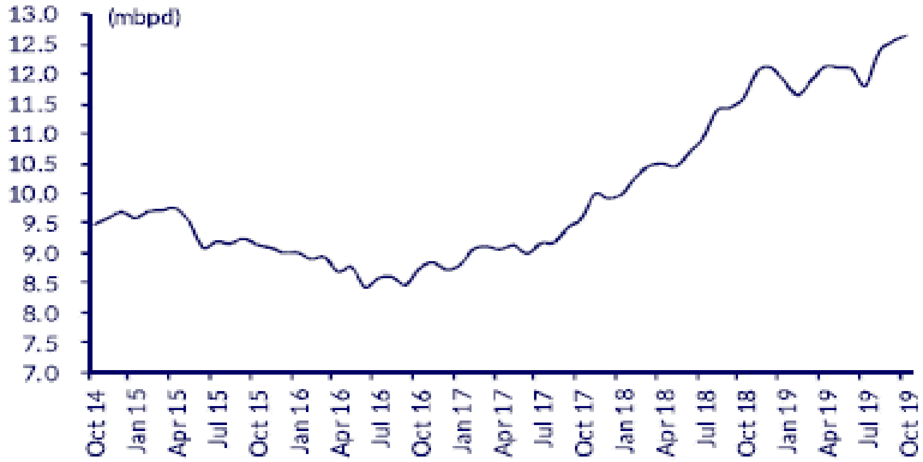
Brent Crude Price ($/bbl.)



- After the spike in crude prices in Sep 2019 (to ~$69/bbl) due to drone attacks on a major Saudi refinery, crude prices stabilized.
- However, crude oil prices rose over the past month on the back of OPEC cuts (OPEC & allies announced production cuts of 500,000 barrels per day) and on US-China phase one trade deal.
- Recently there have been some geo-political tension between US-Iran, which is causing volatility in crude prices.

OPEC Crude Production (Mill. Barrels per day)

US Crude Production (Mill. Barrels per day)



Source: Bloomberg, CLSA

Headline inflation rises due to spike in food inflation, but core inflation subsides

CPI Inflation & its Components (% YoY)

% y-o-y	Weight (%)	Sep-19	Oct-19	Nov-19
Headline CPI	**100.0**	**4.0**	**4.6**	**5.5**
Food	39.1	5.1	7.9	10.0
Intoxicants	2.4	4.6	3.9	3.3
Beverages	1.3	3.2	2.6	1.3
Prepared meals	5.6	2.0	2.2	1.9
Fuel	6.8	(2.2)	(2.0)	(1.9)
Clothing	6.5	1.0	1.6	1.3
Housing	10.1	4.7	4.6	4.5
Miscellaneous	28.3	4.5	3.4	3.7
H'hold Goods & services	3.8	3.5	2.4	2.2
Health	5.9	7.7	5.6	5.5
Transport & Communication	8.6	0.1	(0.5)	0.9
Recreation	1.7	5.1	5.1	4.1
Education	4.5	6.2	6.1	5.2
Personal Care	3.9	6.7	5.5	6.3
Core CPI (CPI ex-food & beverages, fuel)	**47.3**	**4.2**	**3.4**	**3.7**

Source: Nomura

- CPI headline inflation rose to 5.5%YoY in November 2019, from 4.0%YoY in September 2019.
- CPI food inflation rose to 10.0%YoY in November 2019, from 5.1%YoY in September 2019.
- Meanwhile, core inflation (ex food & fuel) remained in control, and dropped from 4.2%YoY in September 2019 to 3.7%YoY in November 2019.
- In its December 2019 policy review, RBI raised its headline CPI inflation projection to 4.7-5.1% in H2 FY20 (from 3.5-3.7% earlier) and to 3.8-4.0% in H1 FY21 (from 3.6% in Q1 FY21),

Government Measures

The govt. had announced a slew of measures to help and revive economic growth & improve investor sentiment

Large fiscal stimulus by slashing corporate tax rates

Higher surcharge on capital gains tax (announced in the Union Budget) rolled back for FPIs and domestic HNIs

PSU bank recapitalization of Rs. 70,000 crore would be released upfront—helping to improve liquidity

Mega merger of 10 PSU banks into 4 large banks

Measures for auto sector:

- Additional 15% depreciation to be allowed on all vehicles purchased by March 2020 (to esp. benefit CV sector)
- Govt. also postponed increase in registration fee charges for vehicles to June 2020

For realty sector, govt to set up a Rs. 25,000 crore AIF to revive stalled housing projects

Govt's push towards divestment by announcing strategic sale of 5 PSUs, and laying the road for divestment of others

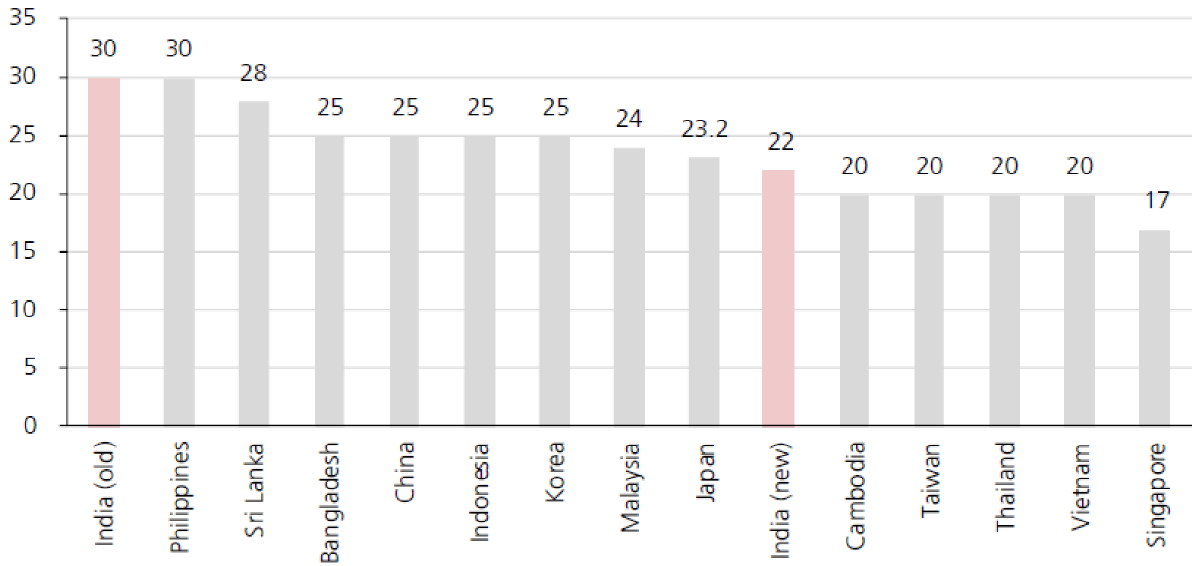
Govt releases National Infrastructure Pipeline of ~Rs. 1 lakh crore over 5 year period (FY20-25). <u>We expect a gradual recovery in capex cycle (as the economy recovers).</u>

Corporate tax rate cuts – A major reform that will help to boost manufacturing & investment

India Corporate Tax Rate trend – One of steepest cuts in ~20 yrs

Source: Credit Suisse

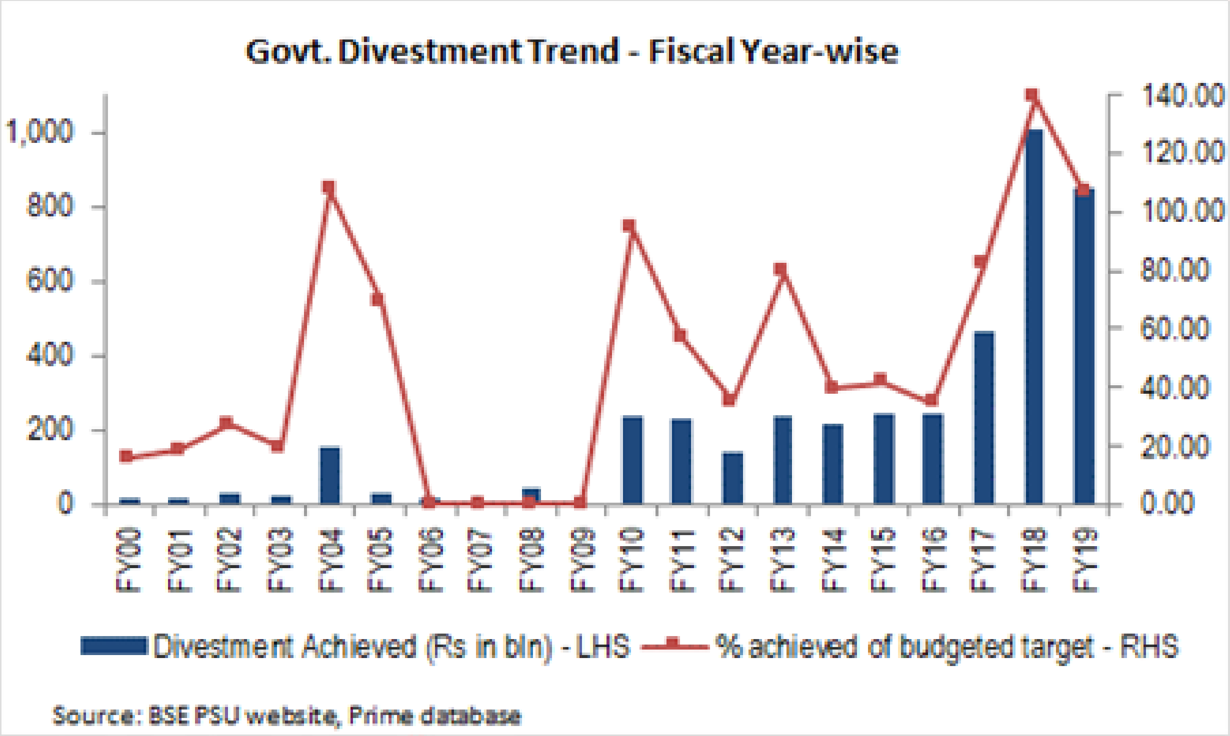
Base Corporate Tax Rate of Major Asian Economies (in %)



Source: Kotak Institutional Equities, KPMG, Deloitte

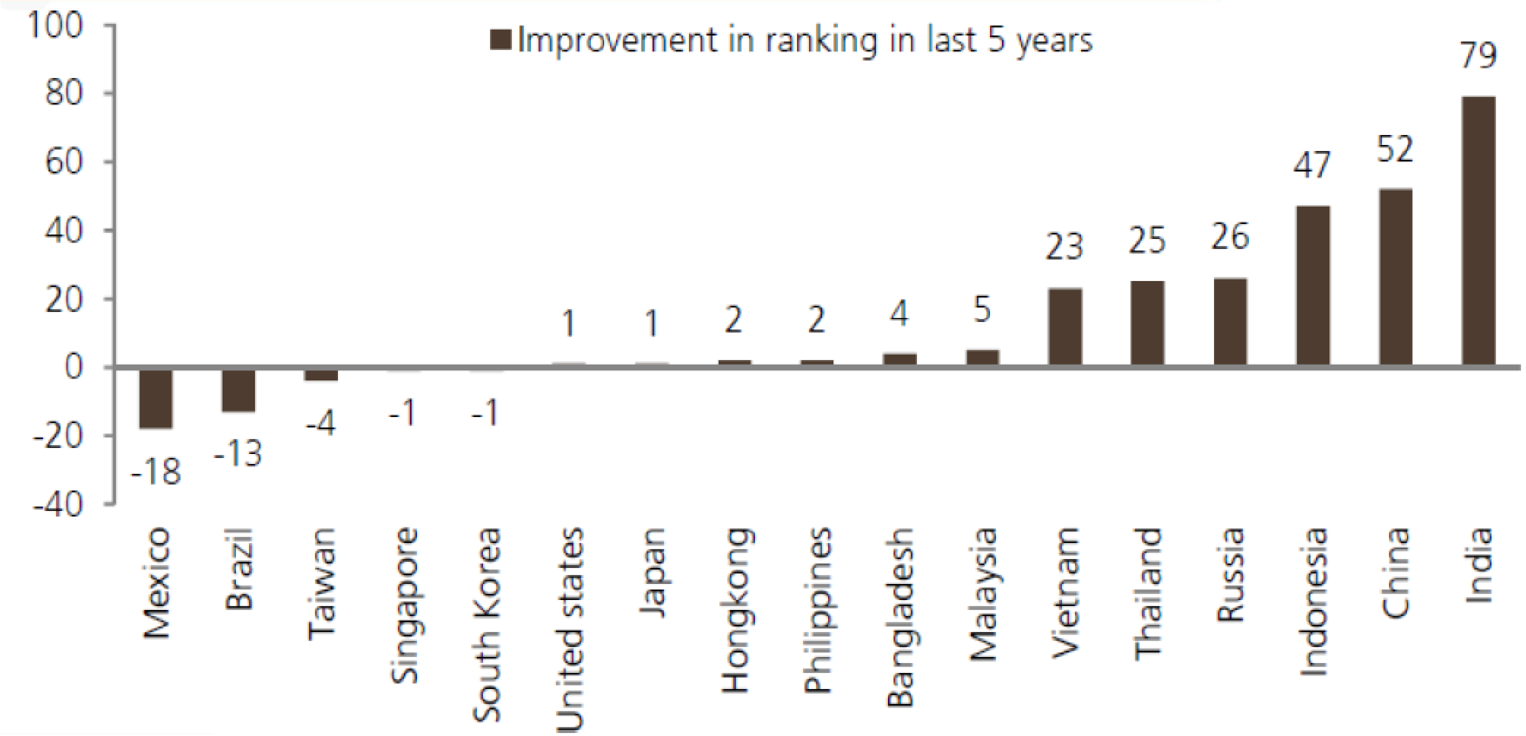
- For domestic company, the corporate tax rate has been reduced to 22% (plus surcharge & cess, effective tax rate 25.17%), from 30% (plus surcharge & cess, effective tax rate 34.94%) earlier. However, it is applicable for companies that are not using any other tax incentives/exemptions.
- The corporate tax rate of new domestic company incorporated from Oct 2019, making new investment in manufacturing will be 15% (plus surcharge & cess, effective tax rate 17.01%)
  - ➢ This will help to attract private investment & capex.
  - ➢ For, global companies looking to diversify their manufacturing operations away from China (due to the ongoing US-China trade war), India is now an attractive proposition (from a taxation perspective).

Govt’s divestment drive gathers steam



- The govt. approved the divestment of 5 PSUs (BPCL, SCI, CCI and sale of THDC and NEEPCO to NTPC). Govt. has also given “in-principle” approval for strategic divestment of 28 CPSEs.
- NDA government has been gradually increasing the divestment proceeds, with a sharp jump seen in the past few years. Also, in recent years the govt has been able to surpass/achieve its divestment target.
- The higher revenue from divestment expected to mitigate some of the fiscal slippage expected from lower than budgeted tax collections so far. Govt. has an ambitious divestment target of Rs. 1,050 billion for FY20.

India's Ease of Doing Business rankings have significantly improved under the present govt.



- India's ranking in the World Bank "Ease of Doing Business report 2020" improved further to 63rd position (out of 190 countries) from 77th position in the previous year.
- The improvement in ranking was helped due to categories like resolving insolvency / bankruptcy, construction permits and trading across borders.
- India's rankings have improved the most (by 79 places) from 124th rank in 2014, under the present government

Equity Markets, Valuations, Earnings & Flows

Domestically, it was a narrow market in CY 2019. Realty, consumer durables & banking were the top sectors; large-caps outperform the broader markets

Performance of Domestic Indices in % (ended Dec 2019)			
Index Name	3 mths	6mths	1 yr
S&P BSE Realty	15.3	3.6	26.8
S&P BSE Consumer Durables	-3.3	-4.3	20.9
S&P BSE BANKEX	11.5	4.9	20.7
Nifty 50	6.0	3.2	12.0
S&P BSE IT	-1.2	-1.1	9.8
Nifty 500	5.7	2.2	7.7
S&P BSE Oil and Gas	0.7	-0.4	7.2
S&P BSE Healthcare	7.5	4.2	-3.5
S&P BSE FMCG	-3.1	0.4	-3.6
S&P BSE Power	-0.4	-8.0	-3.6
S&P BSE PSU	4.4	-11.2	-3.9
Nifty Midcap 50	7.0	-3.5	-4.7
NIFTY Smallcap 100	4.3	-5.9	-9.5
S&P BSE Capital Goods	-9.4	-14.7	-10.0
S&P BSE Auto	10.3	3.2	-11.3
S&P BSE Metal	14.8	-6.1	-11.9

Source: Morningstar Direct. Data sorted in descending order on the basis of 1 year return.
Returns more than 1 year is CAGR

Nifty 50 Index contribution analysis over 1 Yr (ended Dec 2019)		
Name	% Chg	Index Points Contribution
Reliance Industries Ltd	35.3%	333
ICICI Bank Ltd	49.8%	283
HDFC Bank Ltd	20.9%	234
HDFC Ltd	23.0%	187
Kotak Mahindra Bank Ltd	35.8%	146
Top 5 contributing stocks		**1182**
Remaining 45 index stocks		**124**
Nifty 50 index	**12.0%**	**1306**

Source: Bloomberg

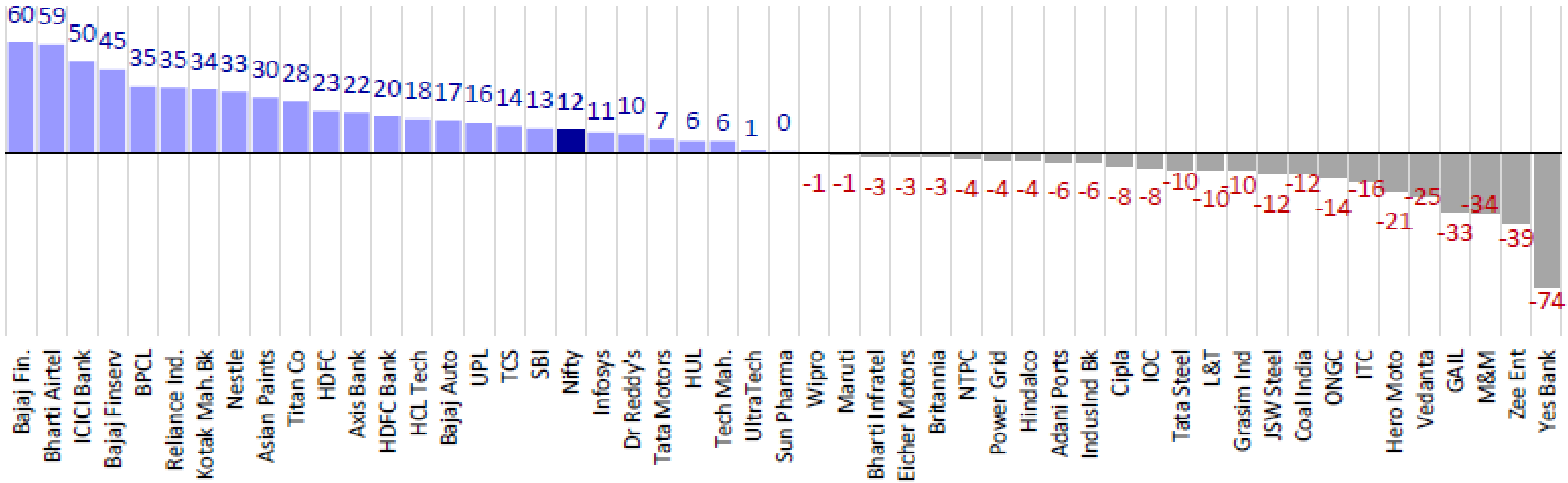
- It continues to be a narrow market over the past year, with bulk of the Nifty returns being contributed by a handful of quality stocks.
  - Top 5 positive contributing stocks in Nifty index were mostly financials, and contributed 1182 points.
  - Meanwhile the balance 45 stocks of Nifty index contributed only 124 points.

- Markets delivered moderate returns in CY2019. Mid/small-caps underperformed large-caps during the period
- The top performing sectors during the calendar year were realty, banking, and consumer durables.
- The bottom performing sectors during the year were metal, auto and capital goods.

Source: Morning Direct

Top & Bottom Performers of Nifty index in CY 2019

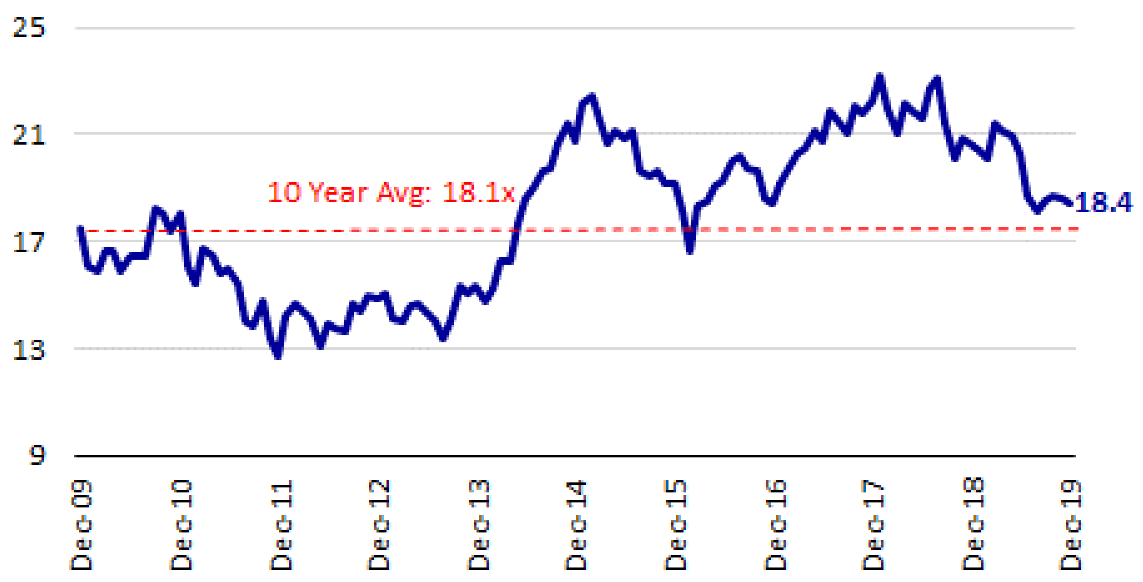
Top & Bottom Performing Stocks of Nifty 50 index in CY2019 (in %)



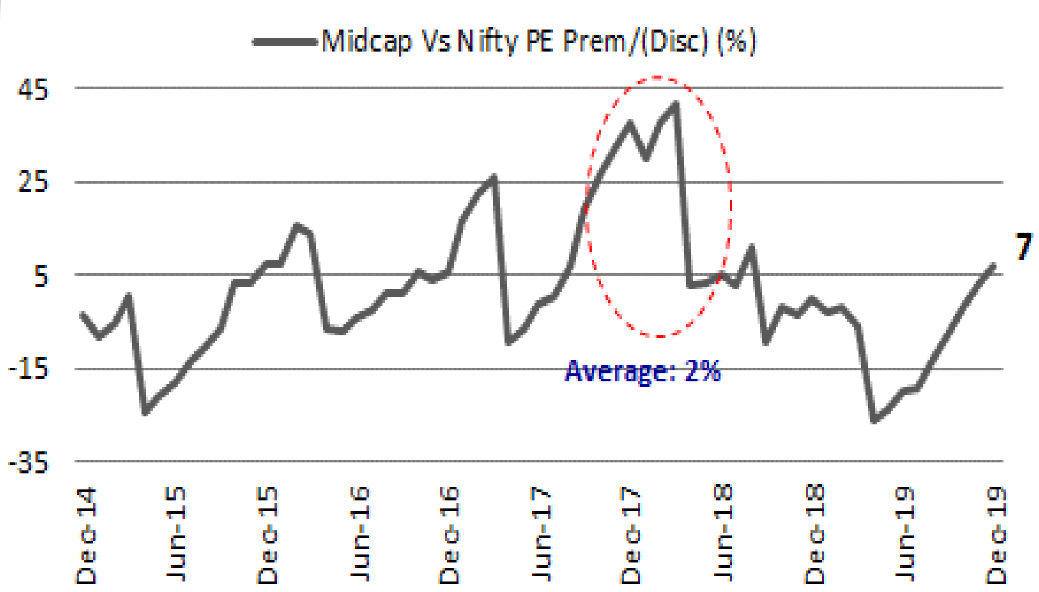
Source: Bloomberg, Motilal Oswal

Market valuation has become more reasonable and slightly above the long term avg. Mid-caps still trading at an attractive valuation relative to large-caps

Nifty 12-month Forward PE (X)



Midcap Vs Nifty Premium – Fwd PE (in %)

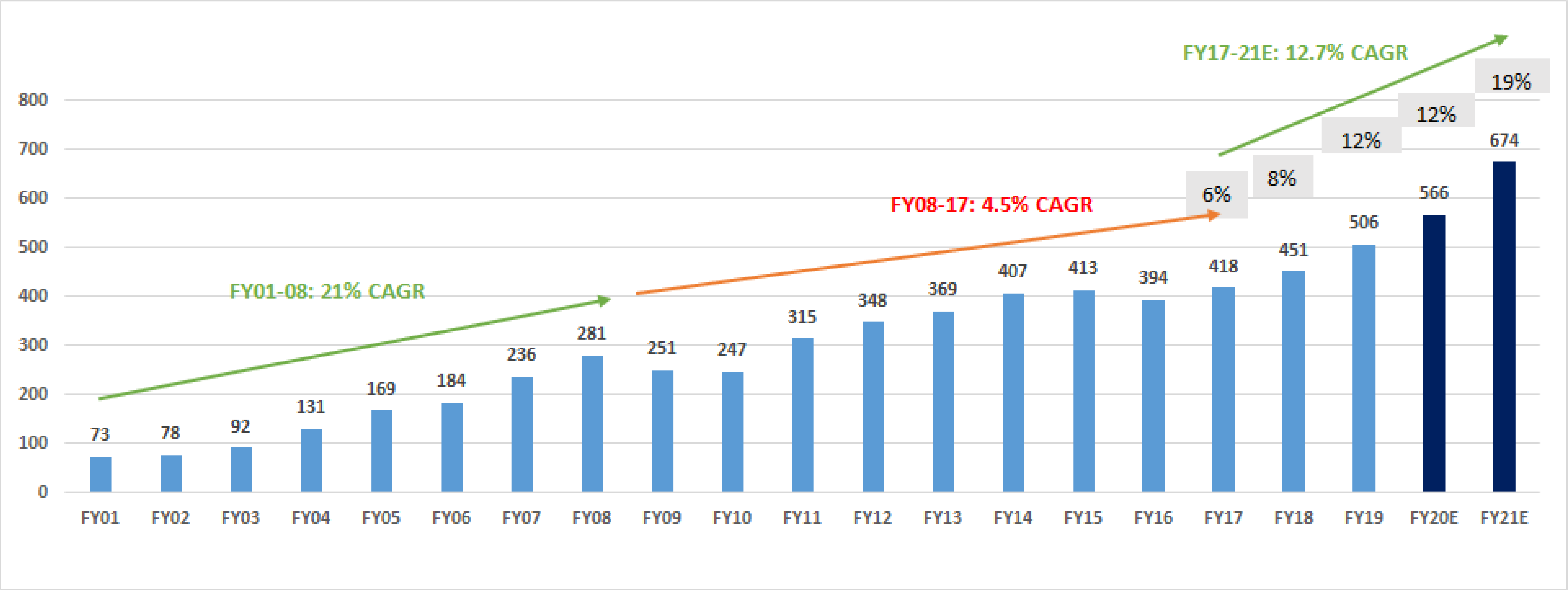


Source: Bloomberg, Motilal Oswal

- Even though forward P/E valuations are reasonable (due to expected corporate earnings recovery in FY21), trailing P/E for Nifty is at elevated levels.
- Valuations are particularly rich for quality stocks—which have seen significant outperformance.

Corporate earnings expected to recover, with Nifty EPS growth projected to rise from 12% in FY20 to 19% in FY21

Nifty Earnings Per Share (EPS) Trend



Source: Bloomberg, Bajaj Allianz Research

FII equity flows have revived in the last quarter, while DII flows see some slowdown

Source: SEBI, BSE	Rs in Crore			
Year	**FIIs**	**DIIs**	**MFs**	**Insurance**
FY2008	52,572	47,794	15,948	31,846
FY2009	-48,250	60,040	6,962	53,078
FY2010	1,10,752	24,211	-10,235	34,446
FY2011	1,10,121	-18,709	-19,974	1,265
FY2012	43,738	-5,347	-1,384	-3,963
FY2013	1,40,032	-69,069	-22,008	-47,061
FY2014	79,709	-54,161	-21,069	-33,092
FY2015	1,11,445	-21,446	40,087	-61,533
FY2016	-14,171	80,416	66,143	14,273
FY2017	60,196	30,787	56,209	-25,422
FY2018	21,074	1,13,258	1,40,517	-27,259
FY2019	-90	72,115	87,462	-15,036
FYTD2020 (upto Dec)	52,209	54,523	51,700	2,821

Source: SEBI, BSE	Rs in Crore			
Month-end	**FIIs**	**DIIs**	**MFs**	**Insurance**
31 January 2019	-505	2,147	7,161	-5,014
28 February 2019	15,328	-566	2,173	-2,739
31 March 2019	33,116	-13,930	-7,665	-6,265
30 April 2019	20,280	-4,219	-4,600	380
31 May 2019	9,826	5,316	5,164	153
30 June 2019	1,033	3,643	6,232	-2,589
31 July 2019	-13,316	20,395	15,083	5,312
31 August 2019	-15,552	20,934	17,406	3,527
30 September 2019	6,674	12,491	11,029	1,461
31 October 2019	14,657	4,675	3,485	1,190
30 November 2019	22,489	-7,971	-4,845	-3,126
31 December 2019	6,118	-741	2,746	-3,487

- FPI equity flows picked up strongly in the past quarter, on the back of some return in global risk appetite--leading to inflows into emerging markets (incl India), expectations of some resolution to the US-China trade war, and various reforms announced by the government. India registered one of the highest FPI flows among peer EM Asian markets.

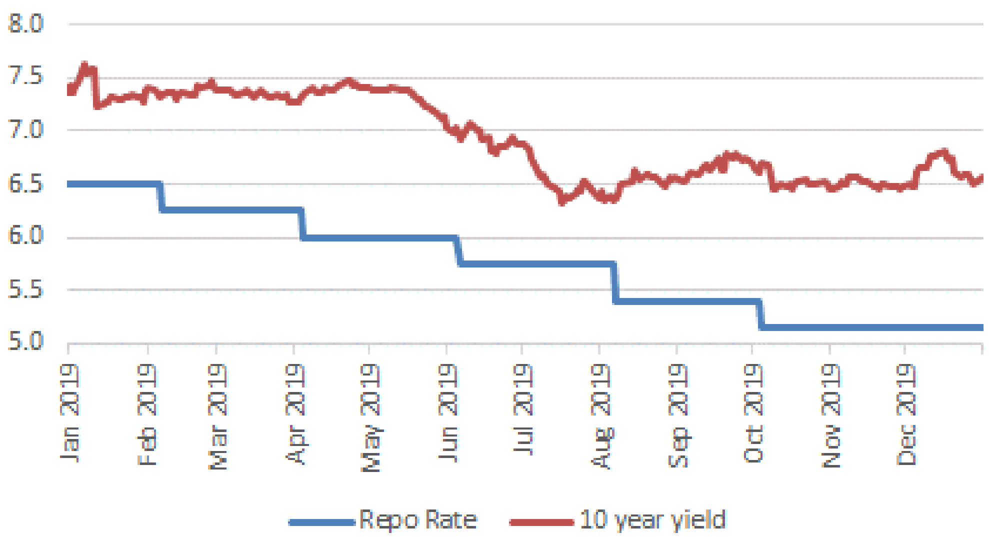
- DII equity flows slowed down considerably in the past quarter, which registered outflows (due to lumpsum outflows from equity mutual funds, although SIP inflows remained stable)

- For FYTD20 both FPI and DII equity flows now stand quite similar, unlike the previous fiscal year.

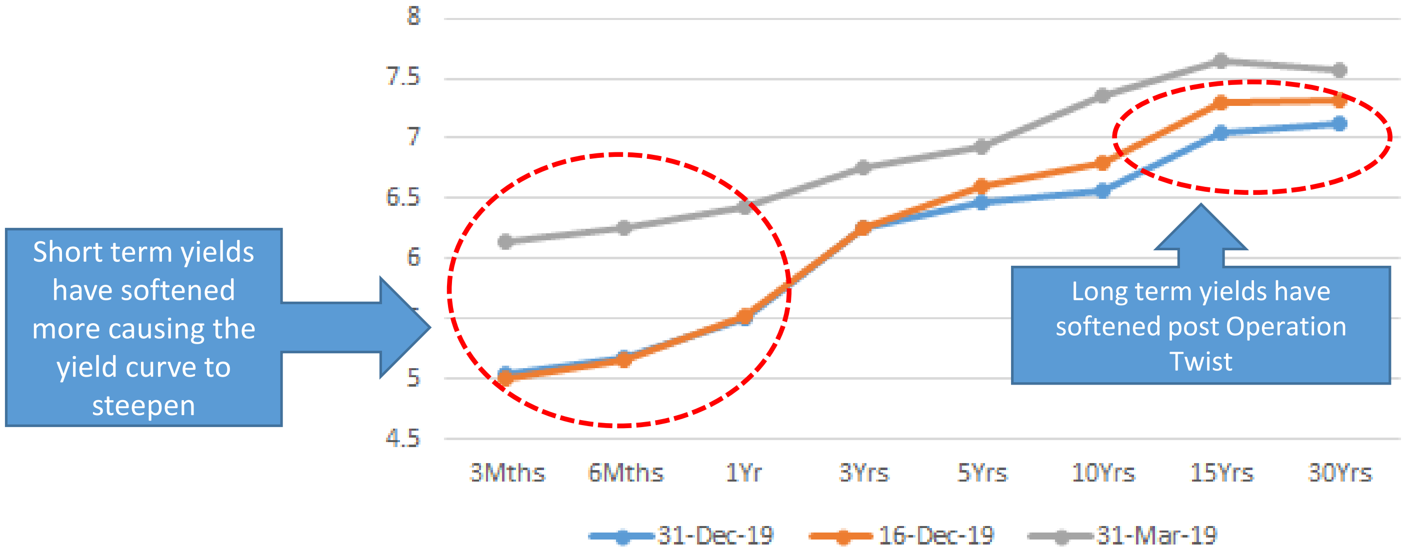
Fixed Income Markets

Bond yields hardened post the Dec 2019 policy, but have softened again on “Operation Twist”

India 10 Yr G-Sec Yield Vs Repo Rate (%)



India Sovereign Yield Curve Shift (in %)

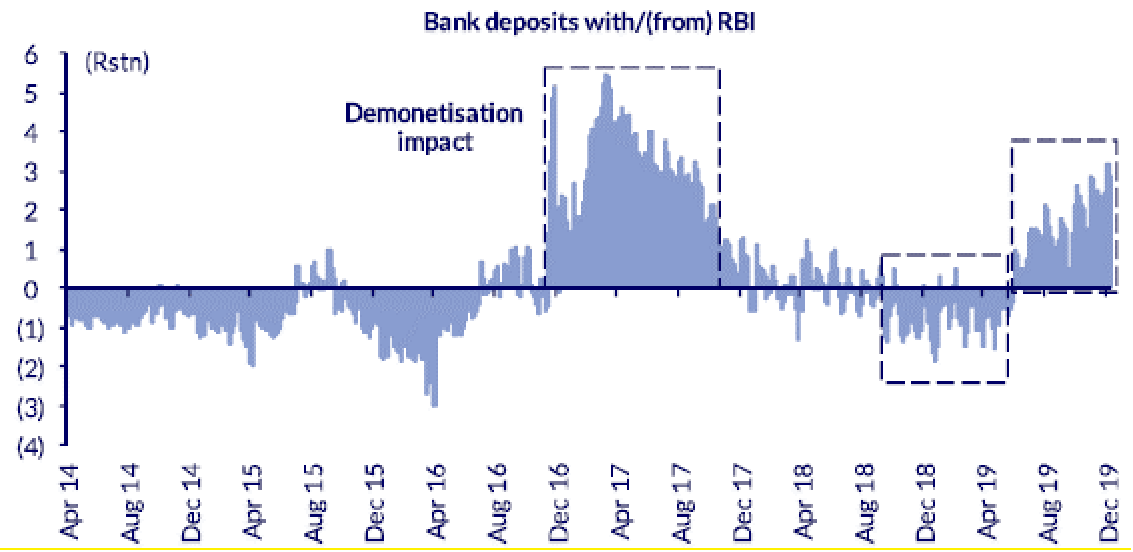


Source: Bloomberg

- After softening in the beginning part of the fiscal year, bond yields have hardened on fiscal slippage worries and pause in monetary easing by RBI.
- The RBI has cut policy rate (repo rate) 5 times since Feb 2019, by a cumulative 135 bps, and also changed the policy stance to “accommodative”. However, in a surprise move RBI kept policy rates unchanged in the Dec 2019 policy, causing bond yields to harden.
- However, bond yields have softened lately, with RBI announcing “Operation Twist”– where it simultaneously buys long term securities & sells short term securities to reduce the steepness in the yield curve (beneficial for long term bond yields). RBI has conducted 3 tranches of OMOs already under the scheme.
- RBI recognized that there is monetary policy space for future action, but it will be data–dependent.

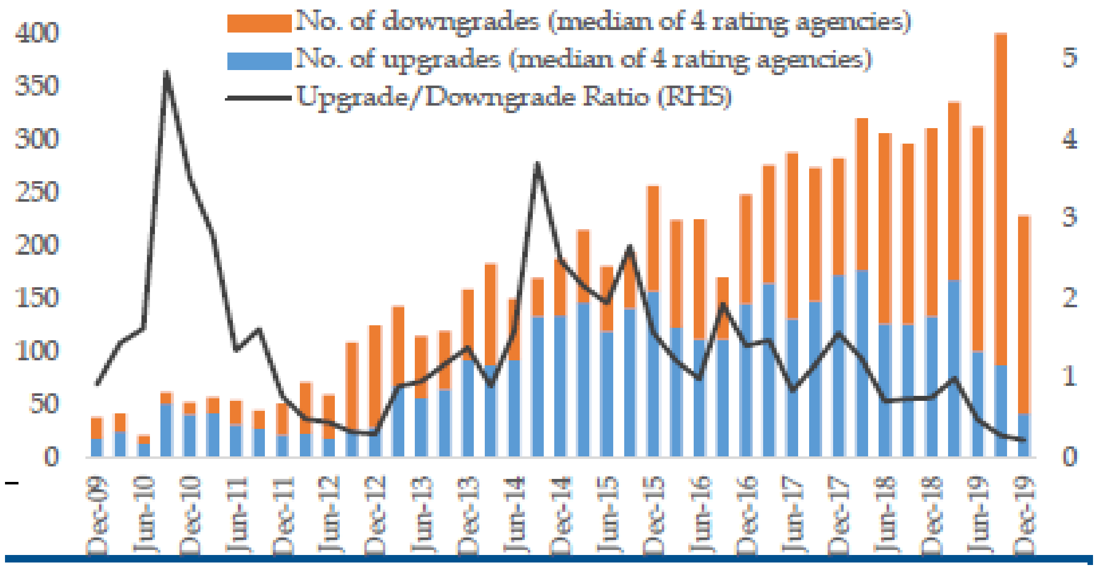
Liquidity conditions have improved significantly; credit risk is still elevated

Liquidity Adjustment Facility (LAF) – INR in trillion



Source: RBI, CLSA

Upgrade to Downgrade ratio – Median of 4 credit rating agencies



Source: Yes Securities

- Liquidity conditions have improved significantly since June 2019. This along with dip in credit-deposit ratio, and linking of new loans to external benchmarks may help banks in faster transmission of the RBI rate cuts, going forward.
- Credit ratio (upgrade to downgrade ratio) hits a 10-year low, indicating that credit risk is still elevated—although the worst maybe behind us now.
- The year saw various corporate credit default events, as a result of which corporate bond spreads still are a bit elevated, although they have come down from their highs. We are a bit cautious on corporate bonds presently.

Market Outlook & Strategy

Stimulus measures by govt.	• The govt. has announced various measures to help revive economic growth, and provide a boost to manufacturing and investment activity. • We feel that economic growth has bottomed out, and expect it to gradually recover.
Valuations are reasonable except for “quality”	• Barring a few “quality stocks”, where valuations are elevated, for the rest of the markets (especially mid/small-caps) valuations are in line with the long term average.
Corporate Earnings	• Corporate earnings to also gradually recover, and Nifty earnings growth to pick-up from 12% in FY20 to 19% in FY21. This will help to drive the markets going forward.
Equity Investment Strategy	• Investors should continue to invest systematically into equities. • We continue to prefer large-caps, but also see some attractive bottom-up opportunities in the mid-cap segment—from a valuation perspective.
Debt Markets & Strategy	• RBI recognized that there is monetary policy space for future action, but it will be data–dependent. We expect bond yields to be range-bound. • We continue to prefer the shorter to medium term part of the yield curve.
Factors to watch out for	• Eye needs to be kept on upcoming union budget, progress on US-China trade resolution, global monetary policy stance, global growth trajectory, geo-political events, and global risk appetite.

THANK YOU

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