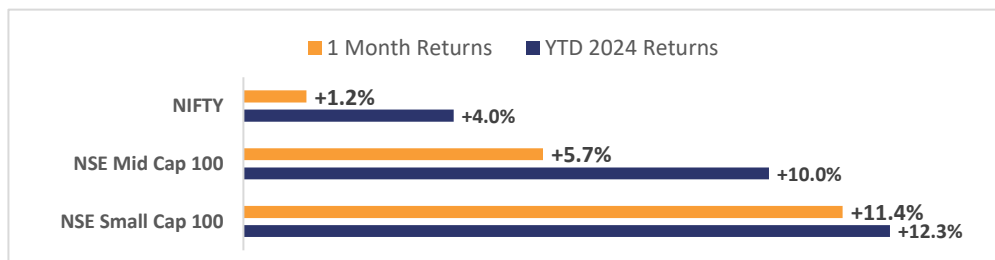


FINGINE Report

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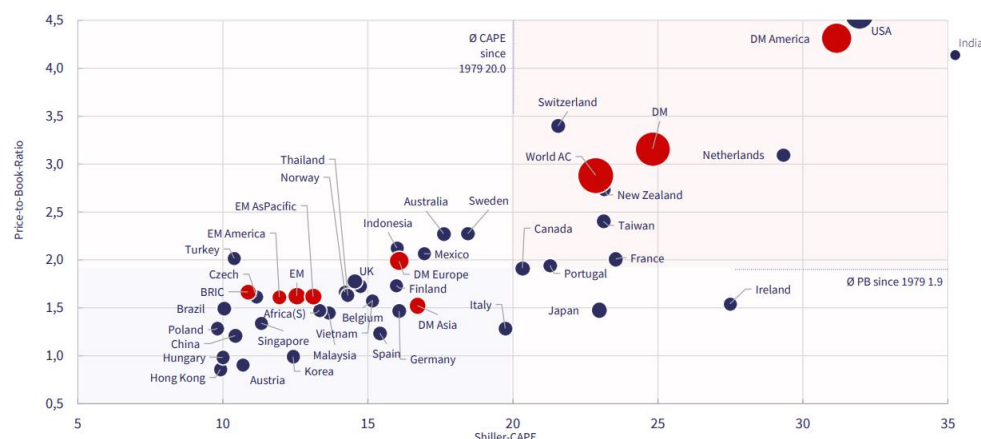
April 2024 was another period of positive momentum for investors in the Indian stock markets. The month saw further divergence in returns as once again large cap stocks lagged the much larger upsides in mid-caps and small caps. The resilient performance was supported by the continued investments by domestic institutions that were buyers of Indian equities in excess of Rs. 30,000 crore in the month of April following the record breaking Rs. 45,000 crore invested in March 2024. As per AMFI data, mutual funds collected almost Rs. 2,00,000 crore from SIPs during 2023-24, which was up 28% on a year-on-year basis. Within this framework, as highlighted by valuation multiples, there has been an increasing preference for smaller cap exposures that tend to chase the source of higher returns. Meanwhile, foreign investors turned sellers for the first time since January as stronger commodity prices and a spike in US bond yields have raised the expectation of interest rates remaining at higher levels for longer and the related flight to safety.



Financial results reported by India's leading companies till now have been generally weaker than market estimates. Technology sector performance has been below par with the net headcount turning negative across every company. Banking sector results were mixed with only some of the reporting banks showing strength. Reliance Industries' Q4 was subdued and consumption-based sectors have also looked weaker. Auto has been the bright spot with accelerated sales performance. Commodity sector results have also been subdued but a turnaround may be expected on the back of the recent increase in prices across a range of commodities.

With the upcoming general elections increasingly dominating the markets discourse, there is an expectation that momentum may pick up at the signs of political continuity and stability in the country's policy environment. On the positive side, the country's strong fiscal position, inflation running at lower than expectations, forecast of a good monsoon season and continuation of secular economic growth now drive the longer-term outlook that remains largely favourable.

However, as indicated in the chart below, these positives already seem to be more than fully captured in the Indian market's current valuations. Further, investor interest and participation has driven overweight allocations to smaller companies, where the run up has been greater, as discussed earlier.



At the same time, interesting diversification opportunities are opening up for investors looking to drive more visible and consistent portfolio returns. Sovereign Gold Bonds is one such avenue that has been successfully explored by investors for periodical payouts, tax efficiency and gold-linked returns. The more recent decision by SEBI to allow companies to issue bonds with face value of Rs. 10,000 is another welcome move likely to expand retail participation and liquidity in the bond market. At Fingine, we will evaluate all such ideas that help our clients structure well thought out, risk-adjusted portfolios for long-term value creation.



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For any further queries, please be in touch with us.

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