Date: 13/01/2023

Start of **2023** and market participant waiting for Market Outlook/Prediction for **2023**. Well, we want to refrain from above activity and want to go ahead with regular write-up. As usual, we will share asset allocation frameworks, give guidance based on the valuation and most important, manage money responsibly to mandate. **TIP**- Biggest wealth destructor. **DIP** - Biggest wealth creator. We should not run after **TIP** and Enjoy the **DIP**.

Current Market Scenario: As discussed (In October 2022 Perspective – Provide link here), positive trigger for Equity market would be IF DXY fell (Came from 112 to 103) and US Bond yields cool off (Came from 4.2 to 3.6). Because of above development, Sensex rallied to 63,500 (Approx. 10 %) and halted as Fed indicated that Inflation still remains their primary worry.

- 2 Year back, margin of safety in debt funds were low because of historical lower yields. Sticking to Liquid/Overnight fund saved from Mark to Market losses.
- Just to put things in perspective, In US from 1980 to 2021 interest rates went down from 14 to 0.65 %. Now it has gone up from .65 to 4 %. If someone bought US Govt treasury in 2021, then would have lost 50% of capital – Mark to Market losses.
- Currently, Domestic Debt market is providing excellent opportunity to build the Core of a debt portfolio (Staggered Purchase) in low default risk funds like – Target maturity Fund, G-Sec Fund.
- Funds which will be required in Emergency or for shifting to Equity category, should be in Liquid fund/Money Market fund.
- In absolute term, India valuations are nor expensive nor reasonable. In relative term, we are completely out of sync with the world and Emerging Market.
- FIIs have sold Rs 4 lakh Crore worth of Indian equities since April 2021, even if 1/3rd of money comes back we will start seeing a good recovery in domestic indices.

Total world GDP is now at 90 trillion dollars and Current global market cap is 120 trillion dollars which translates to Global market cap to Global GDP :- 133% against long term avg of 102% and 10 year rolling average of 117 %. US Market Cap to GDP is 156% against long term avg of 92% and 10 year rolling average of 124%.

Forecasting Numbers: SENSEX guesstimates based on valuation implied framework tells:

- 57000 – 58000 Moderate Zone @ 60 % Equity ,
- 53000-55000 (Fair valuation zone) @ Overweight Equity 75 % +,
- 48000-50000 (Cheap Zone) @ 90 % + Equity.

Our Appeal to Investor: Returns are provided by the market, not us. We like to focus on Risk Management because that is where we have some control. We will work in your interest and protect it all the times. One should take a rule-based approach than a gut-based approach to investments. Ad-hoc/gut-based approach brings behavioural biases into play and can compromise investment discipline.

Action Plan for Investors: Process is the set of rules that govern how we go about investing. We must concentrate on process because it acts as a guard against mindless investing. Our Internal Model asset allocation currently shows 75-78% max towards Equity for Aggressive investor. Ideal/prudent allocation at this valuation should be 55-58%.

Summing it Up: Perspective is a great way to distill our data mining and analysis into meaningful action. One should feast during period of famine and should start turning cautious when wine is flowing in the street. To succeed in financial market, we need both speed & stamina. Equity gives you speed. Fixed income gives you stamina.