PERSPECTIVE

SEPTEMBER 2022

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Well, to start not much has changed. As mentioned in (June Perspective – link Provided), Quantum and pace of the Fed/RBI rate hike, trajectory of the US 10-year Treasury Yields will decide the course of market. Rising Debt yields (India 10 Year Government bond @ 7.45 % + & US @ 3.75 % +) have made the domestic market (Sensex) in consolidation phase.

Current Market Scenario: Debt yields have taken a Centre stage. In last 1 Year, Sensex has fallen 7% & US market has fallen more than 25%.

- 18 months back, investor chasing higher yield in medium to longer duration debt fund have faced a volatility in return.
- Currently, 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 Overnight/Liquid fund/Money Manager fund.

We can see a ***positive development*** in Equity markets; if US central bank gave up/abandon its fight against inflation due to falling market.
Secondly, Positive sustainable trigger for Equity market would be if ***Dollar Index*** (measure of the value of the US dollar against six other foreign currencies) falls (**Currently 112**) & Bond yield cools off/Stabilize.

Some near-term ***risk*** include Six-sigma event like nuclear war (Russia-Ukraine crisis) + Deutsche Bank and Credit Suisse are rumoured to be in trouble. In absolute term we are at moderate valuation but relatively we are trading higher/premium (almost 2x valuation) in comparison to emerging markets.

Forecasting Numbers: Our internal assessments and reasoning for Sensex levels are powered by math and facts. SENSEX guesstimates based on valuation implied framework tells:

- Sensex at 56000-57000 is in Moderate Zone @ 55 % Equity (Almost Done)
- Sensex at 52000-53000 (Fair valuation zone) Overweight Equity 70 % +
- Sensex at 45000-47000 (Cheap Zone) @ 90 % + Equity

Action Plan for Investors: One should have a solid process in place, discipline to stick during market extremes & patience for rewards. ***Our process*** is totally built on ***evidence based investing***. Internal Model asset allocation currently shows 75% max towards Equity for Aggressive investor. Ideal/prudent allocation at this valuation should be 55%.

Summing it Up: Anything can happen in financial markets and we must conduct our affairs in such a manner ***that*** if the most extraordinary events happen, then also we are still around to play. We commit to systematic experience acquisition. As an Investor, one's aim should be to generate Inflation beating returns with smoother investment journey aka better stress-adjusted return in long run.