

Market Update 28th March 2022



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On YTD basis, Nifty 50 remained flat and Nifty Smallcap 100 down bu 8.5%.During the same period, our fund was down bu 5%.Markets in the month of February has been volatile due to war and FII selling

INSTITUTIONAL FLOWS

Despite the large FII selling as seen in the chart, the corresponding buying bu DIIIs has resulted in the markets correcting 10%.

FII DII Cash Movement



The FII selling has coincided with the increasind FED rate hike probability as the probability of hike has increased since October so has the selling intensified as shown in the below chart.



Source: Bloomberg

The markets are anticipating 7 rate hikes as shown in the next chart. We feel this anticipation of the markets is overdone

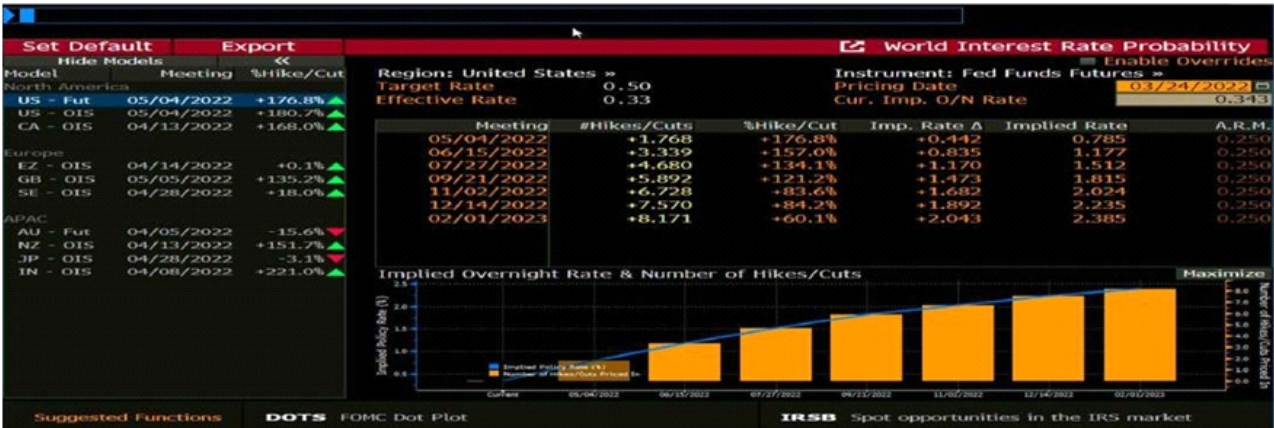
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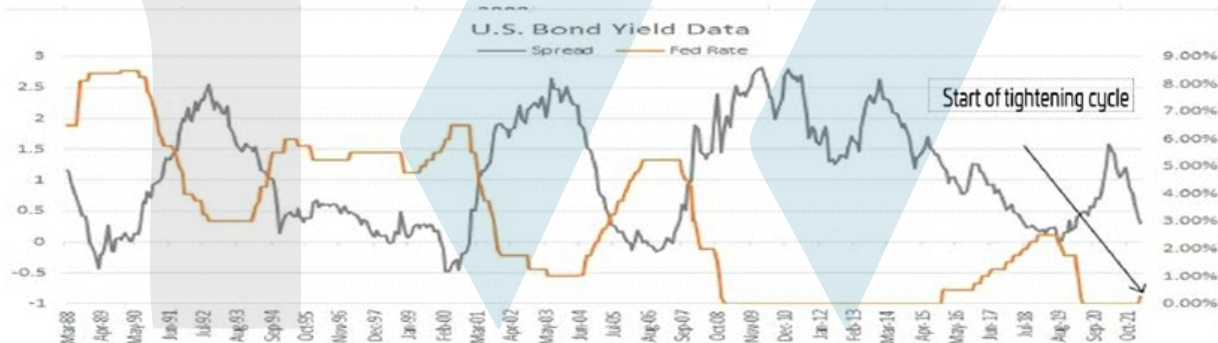


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Source: Bloomberg

For the past 35 years, we've noticed that when the FED interest rate cycle tightens 10 years yield minus 2 years yield spread starts declining. Further as shown whenever yield spread has turned negative the FED has paused raising or has been at the end of tightening cycle save for periods when we saw very high asset price inflation. As we are at the beginning of the tightening cycle at 21 bps not leaving much room for the FED, thus rate hike expectation may moderate going into the next quarter. As a result, we the markets anticipation of 7 rate hikes is exaggerated



The markets could see short term volatility due to the rate hikes but as the probability of rate hikes sober down, we would expect flows to begin

MARKET ANALYSIS

We believe market will be bullish in the medium term. We believe market will reward stock picking and our continuous endeavour in understanding on micro-verticals based investing. Our research and micro-observations gives indications of strong pick-ups in a open themes like hotels, travels, multiplex, consumer retails etc. and paper industry.

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26.417

31.012

20.556

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