



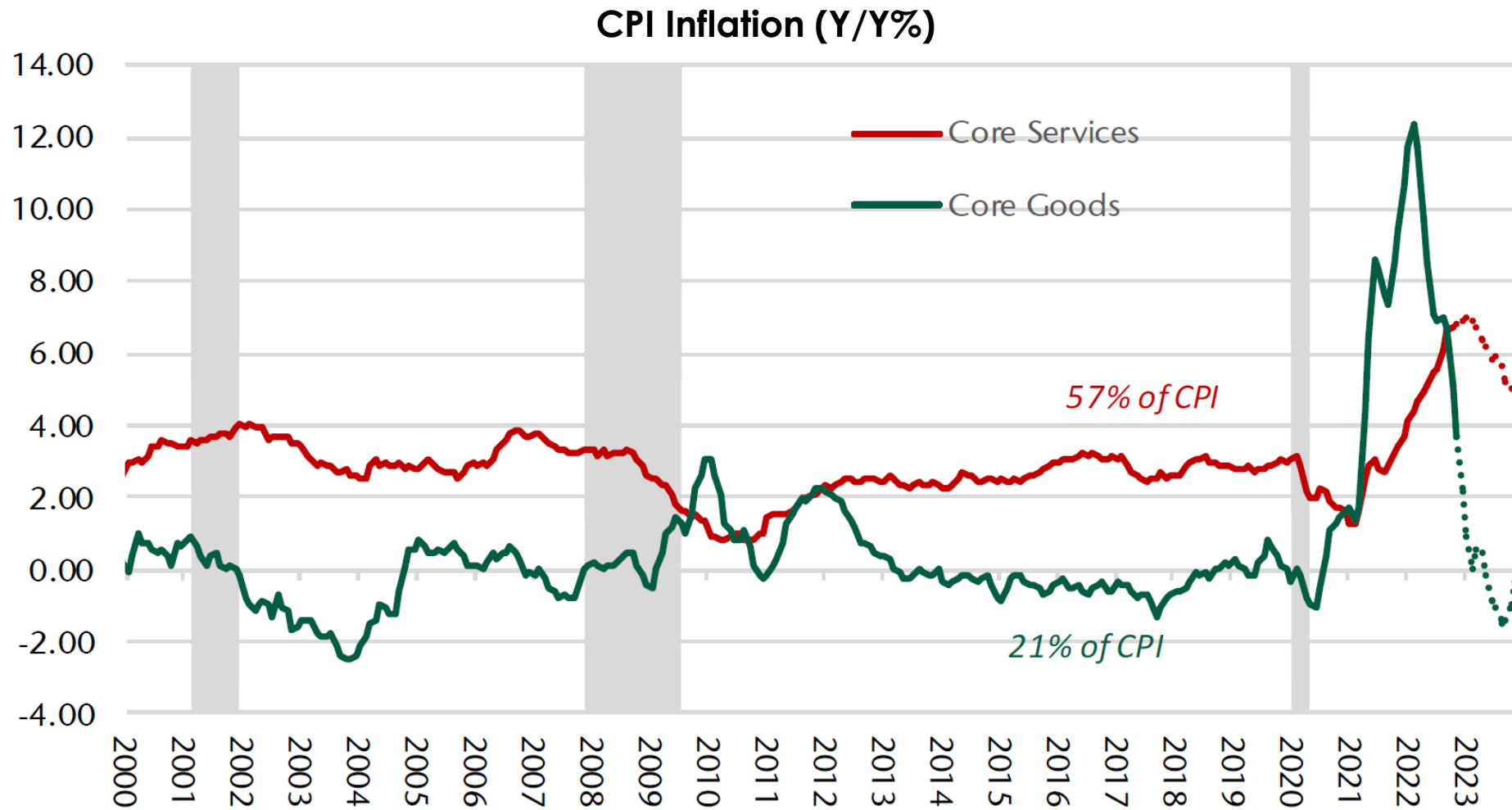
Vetri Subramaniam
Chief Investment Officer



MARKET 
Insight
EQUITY

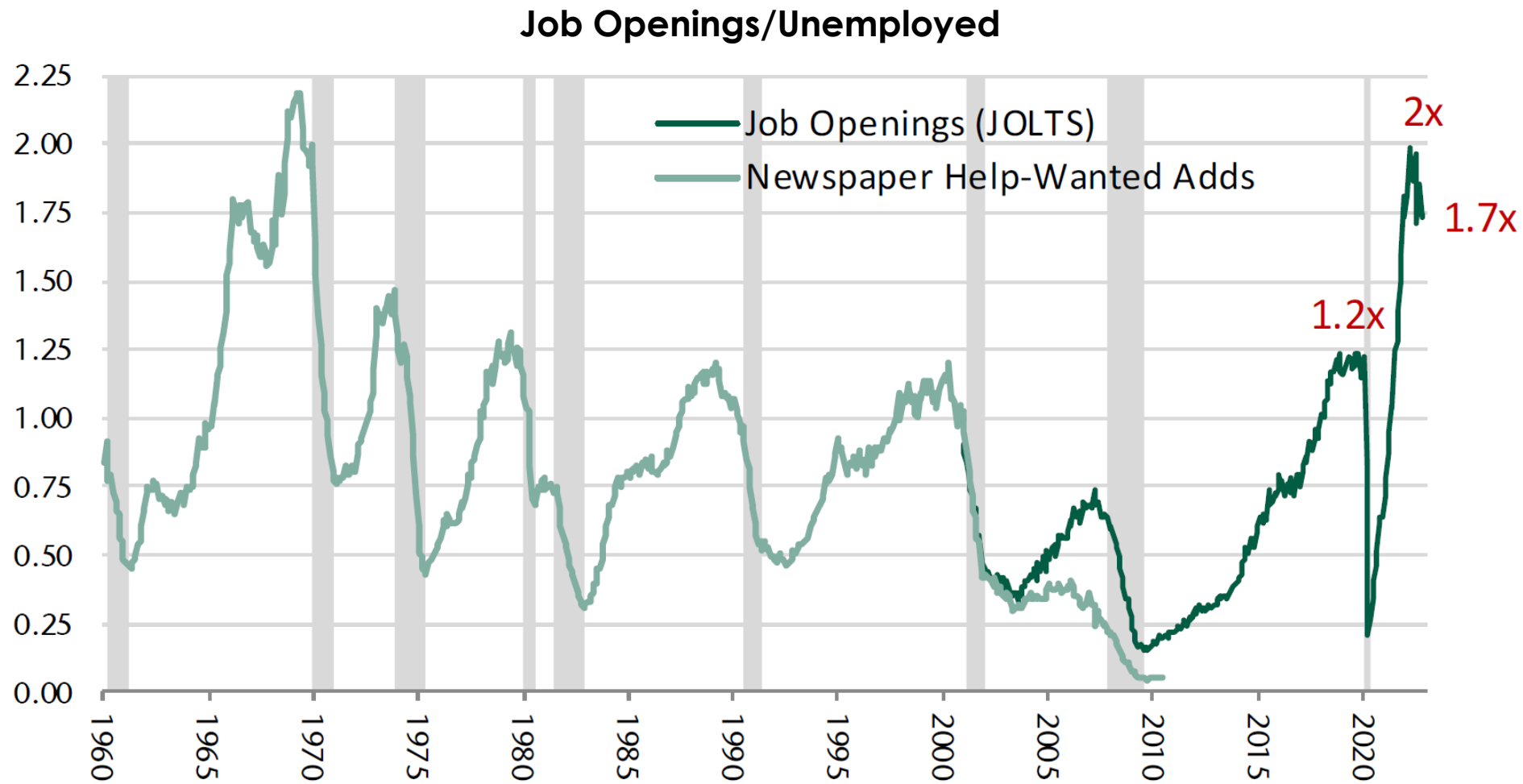
February 2023

US : Service inflation challenge

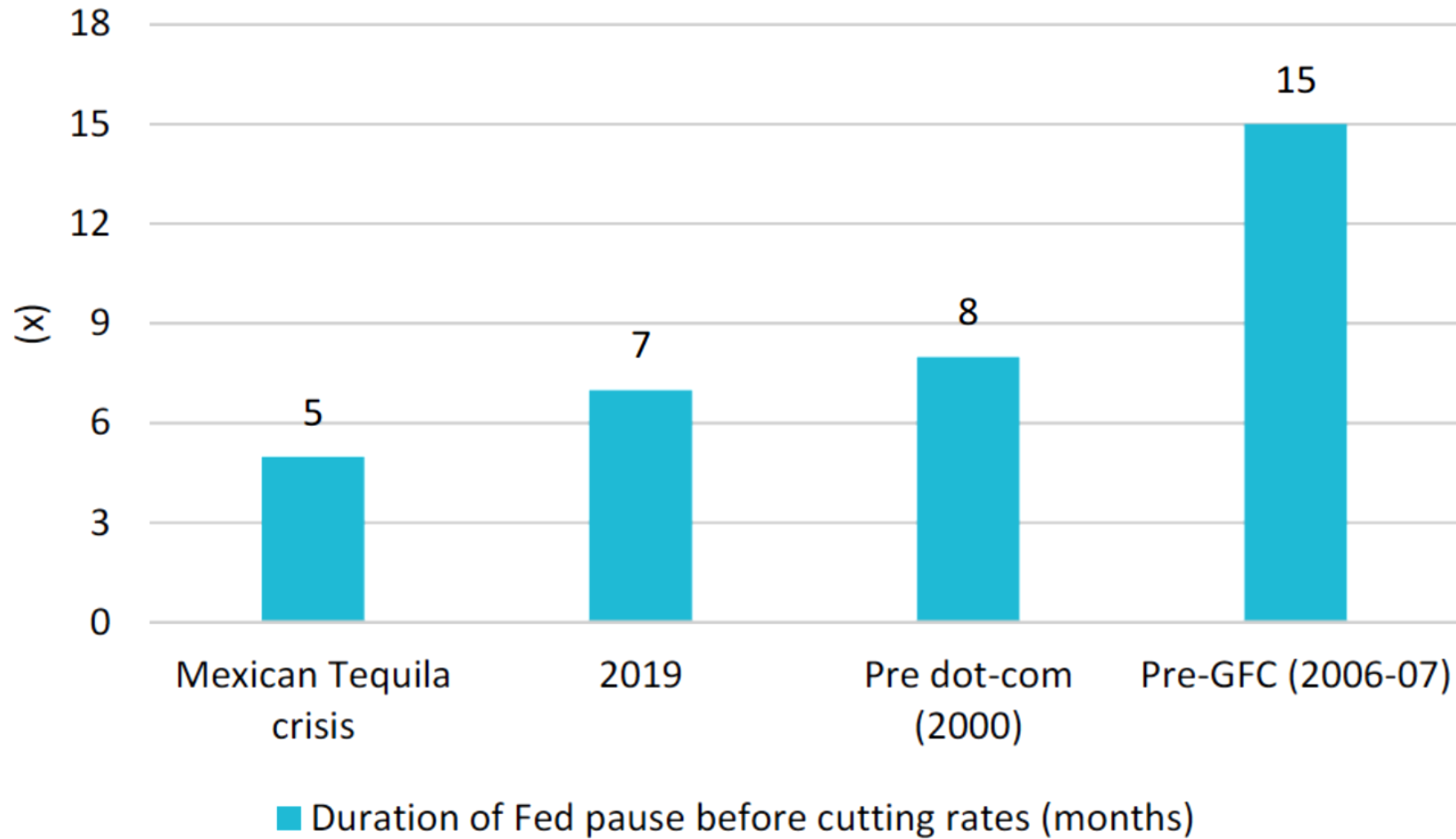


Haq, ek behtar zindagi ka.

US : More jobs than people



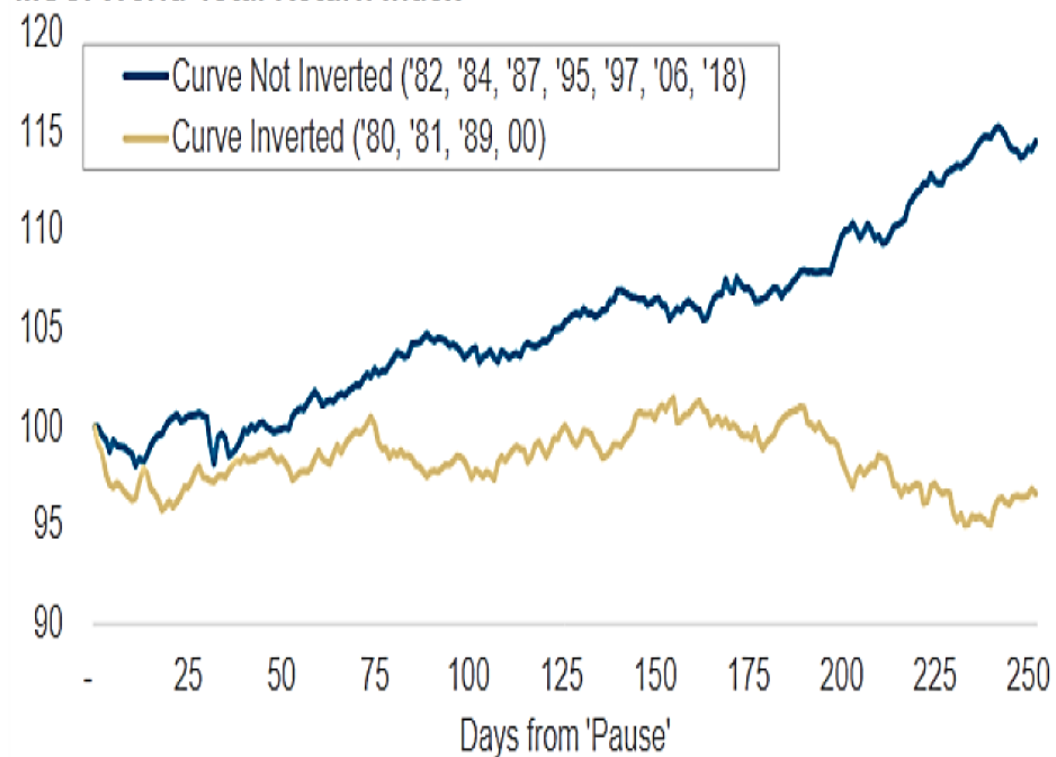
US Fed: Pause is not a pivot



US : Yield Curve Matters for Stocks (not Bonds)

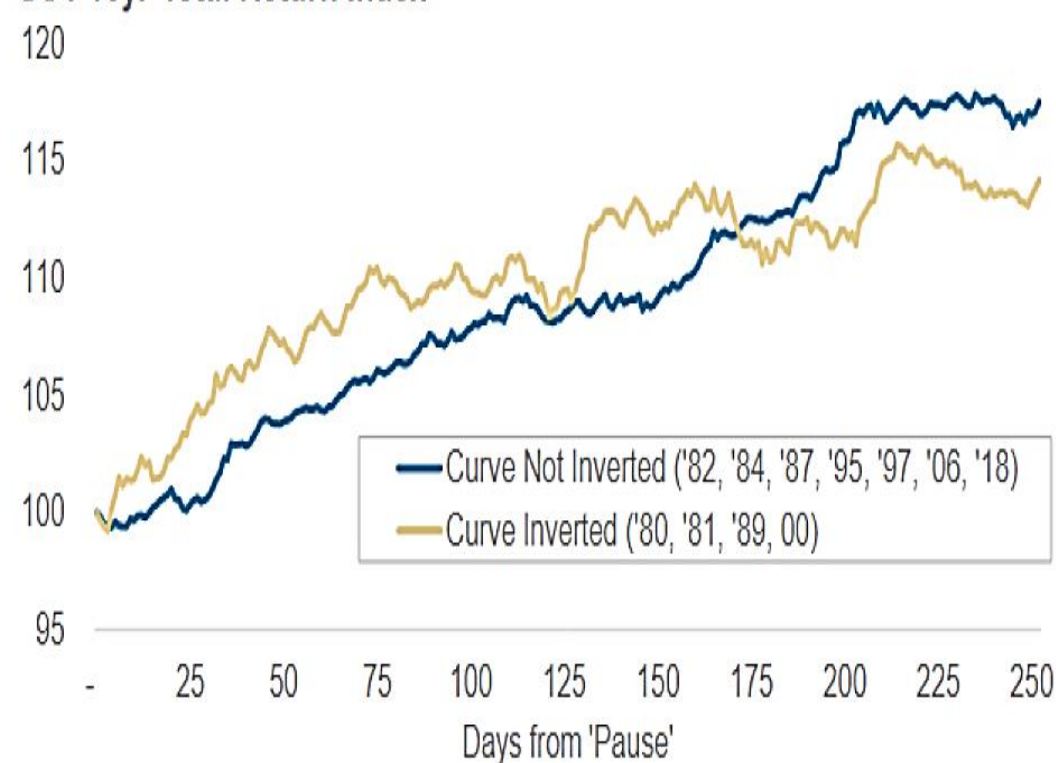
Global Equities after “Last Hike”

MSCI World Total Return Index



US 10yr Returns after “Last Hike”

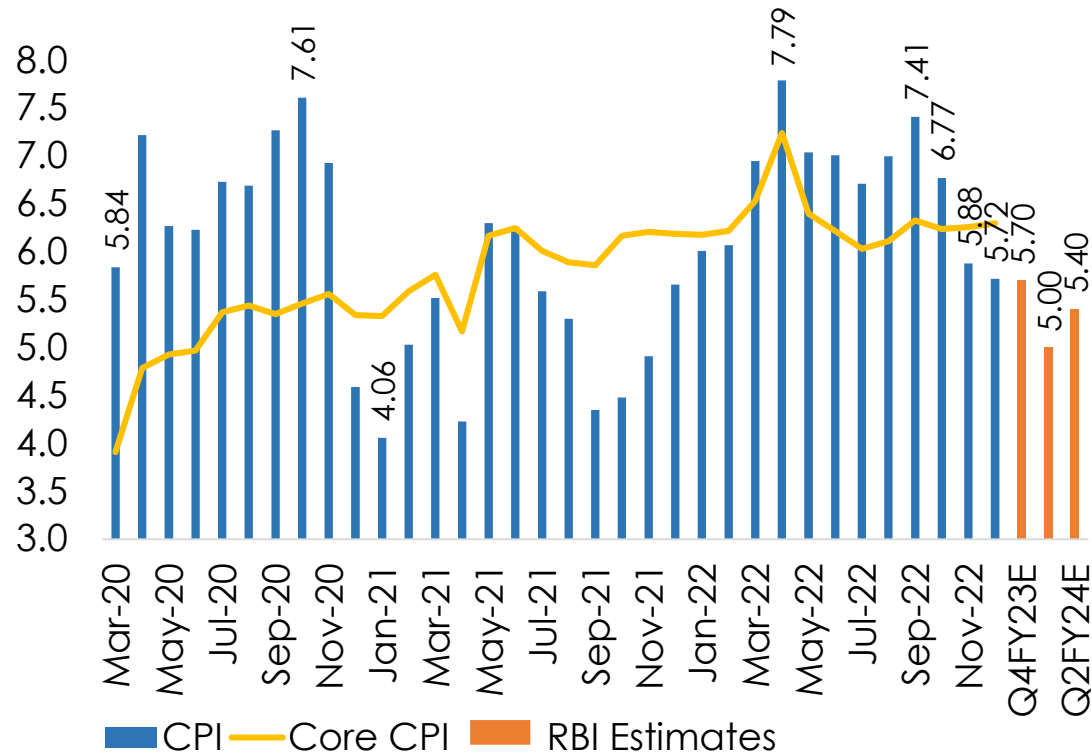
UST 10yr Total Return Index



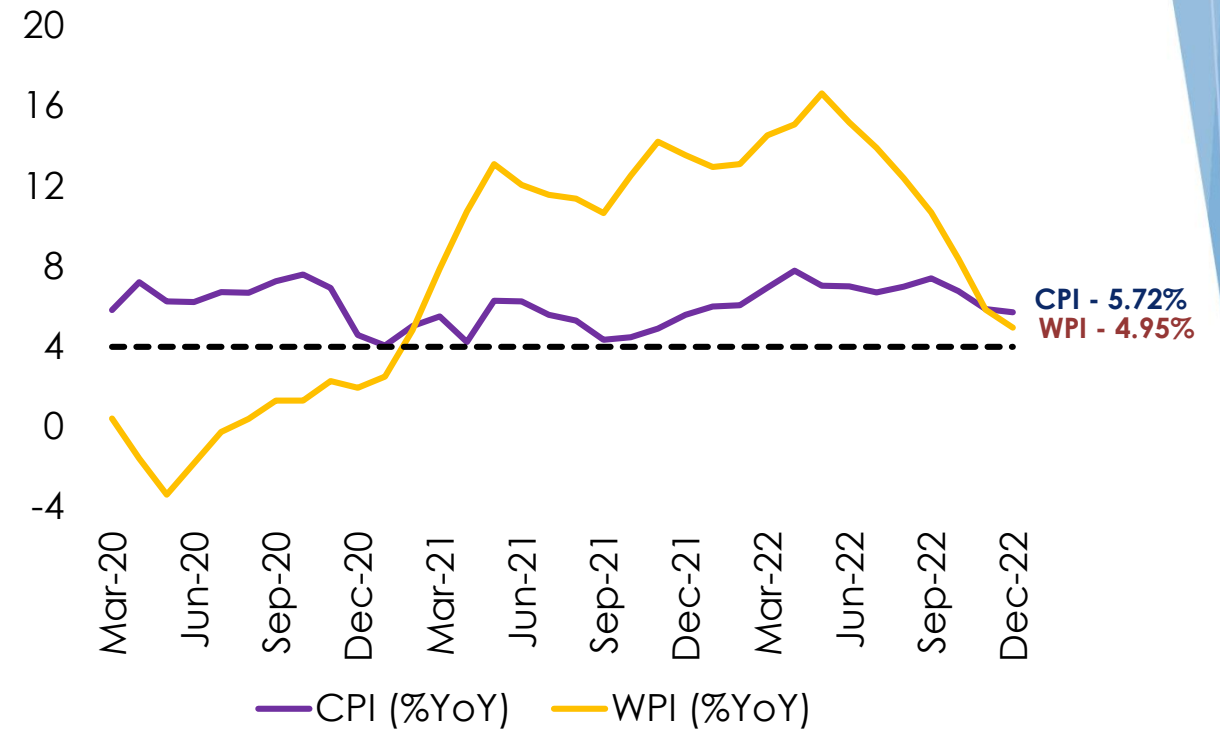
Source: Bloomberg, Morgan Stanley Research; Note: Covers last Fed hikes -May 1981, Aug 1984, Feb 1989, Feb 1995, Mar 1997, May 2000, Jun 2006, Dec 2018.

India : Inflation cooling

CPI and Core CPI Inflation (% YoY)



CPI and WPI Inflation (%YoY)

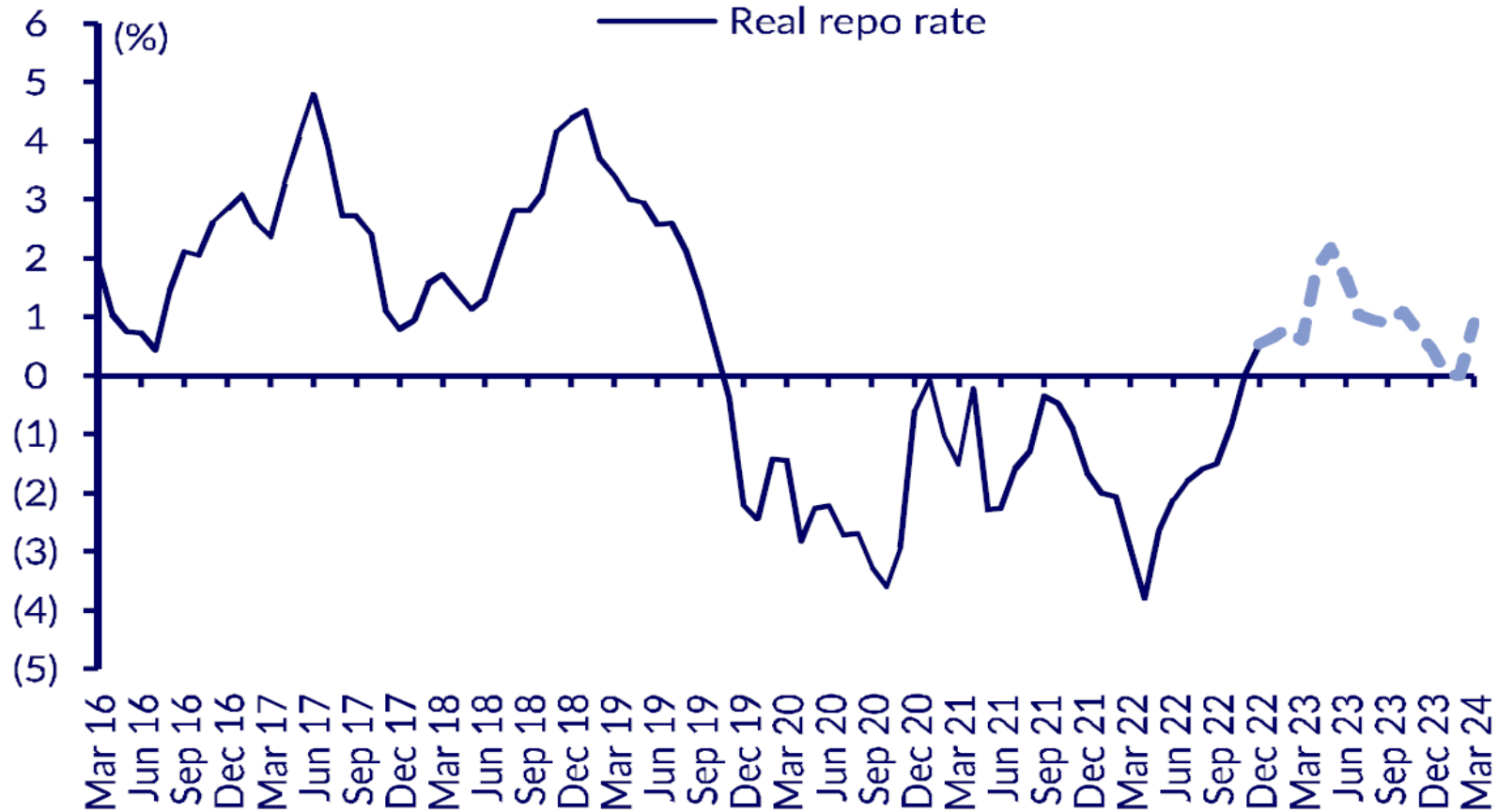


- Dec'22 headline CPI inflation came at 5.72%
- WPI inflation eased to a 22-month low in Dec'22 to 4.95% YoY



Haq, ek behtar zindagi ka.

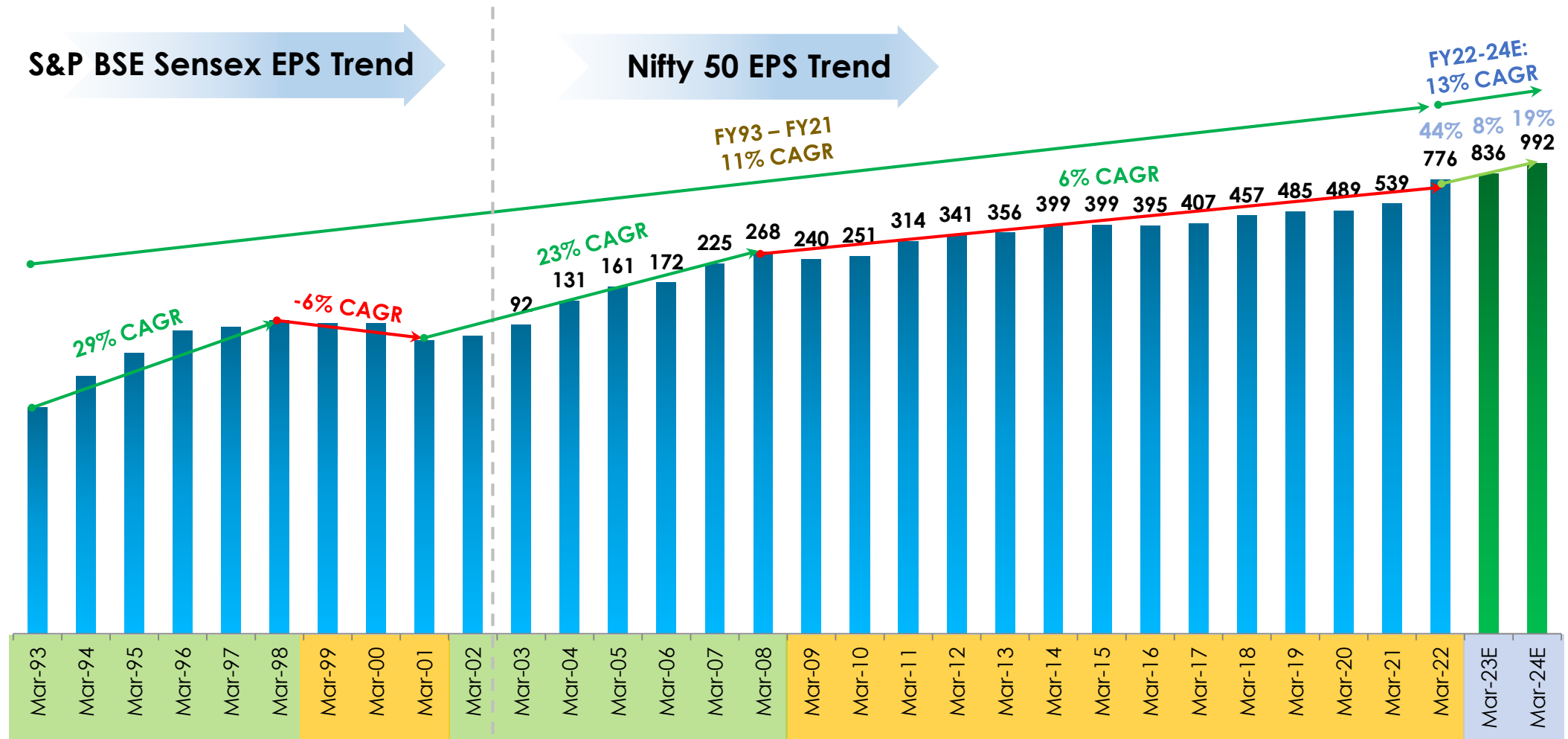
India : Real rates are expected to remain in positive territory



Equity Markets



Earnings Trend



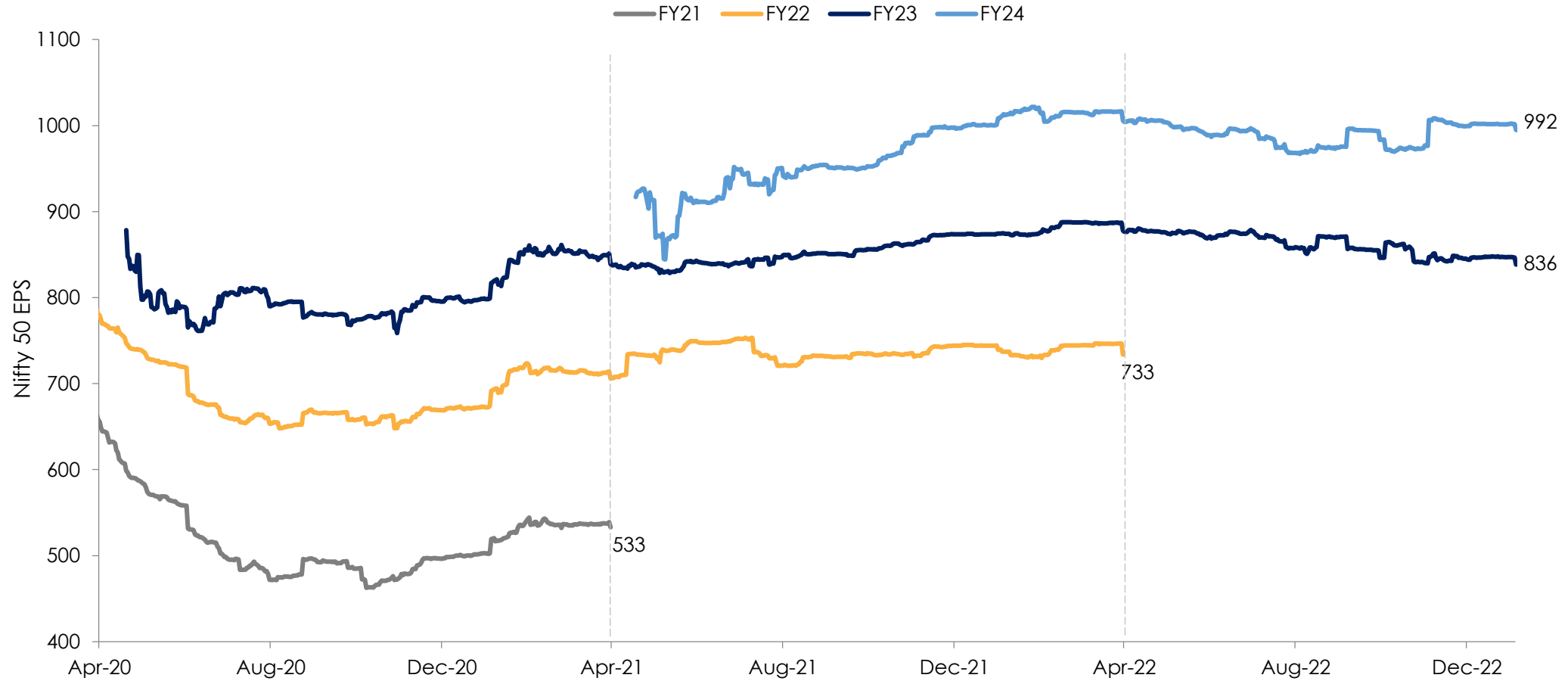
Source: Bloomberg. Data as of January 30, 2023
 The vertical axis is on a logarithmic scale Nifty 50, EPS: Earnings per share.
 CAGR: Compound annual growth rate



Haq, ek behtar zindagi ka.

Earnings Expectations

Trend in Consensus Nifty 50 EPS0



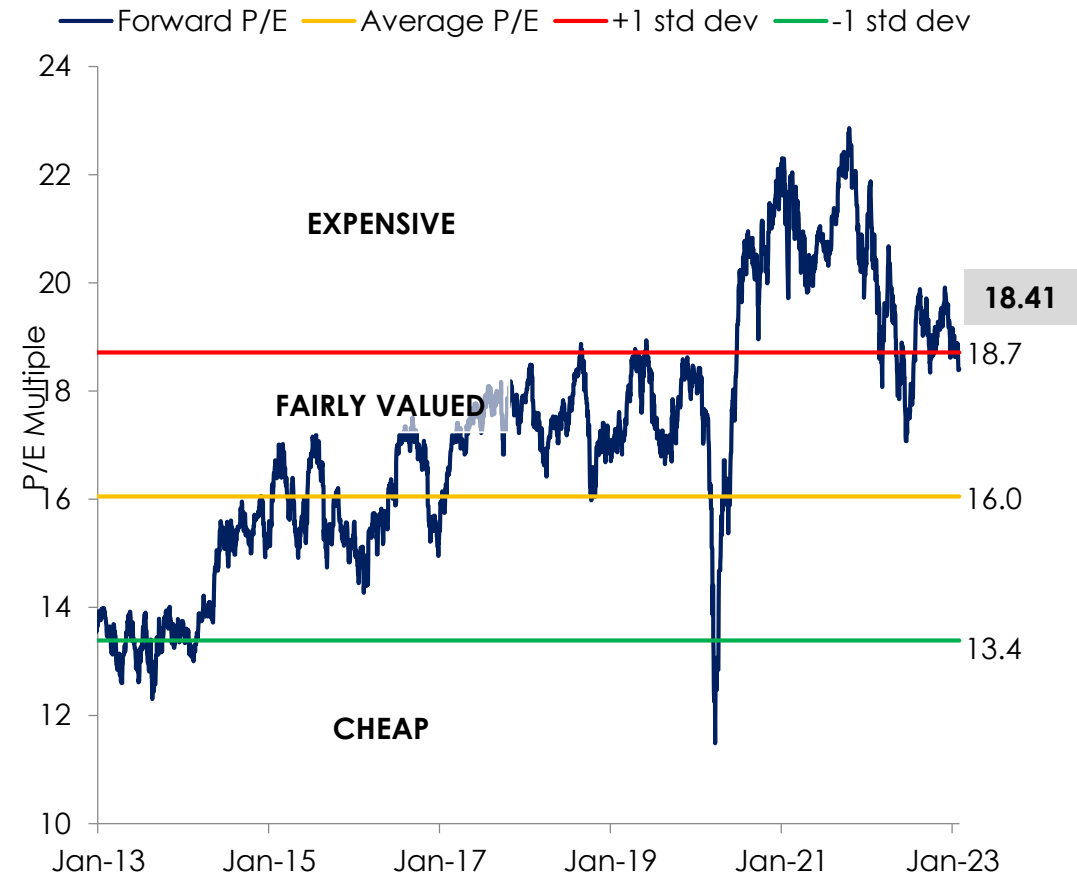
Haq, ek behtar zindagi ka.

P/E Valuations

Nifty 50 Trailing P/E



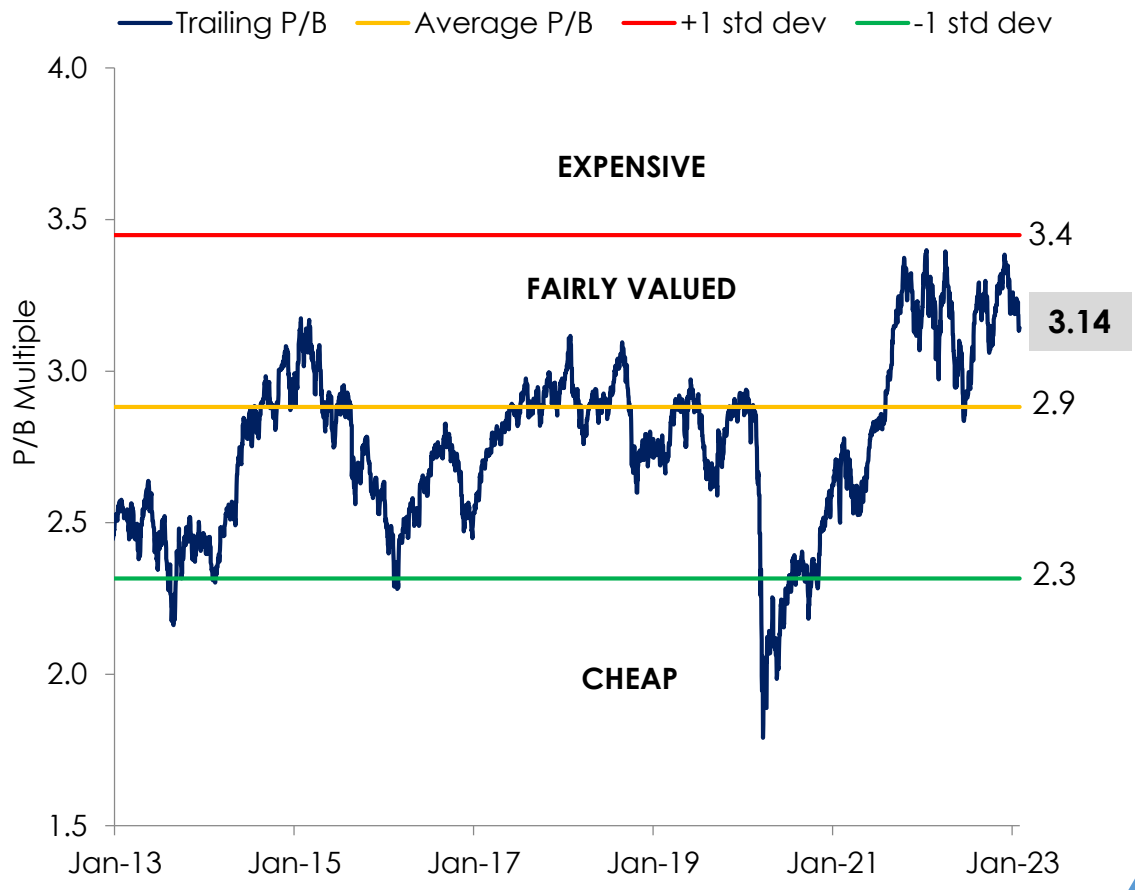
Nifty 50 Forward P/E



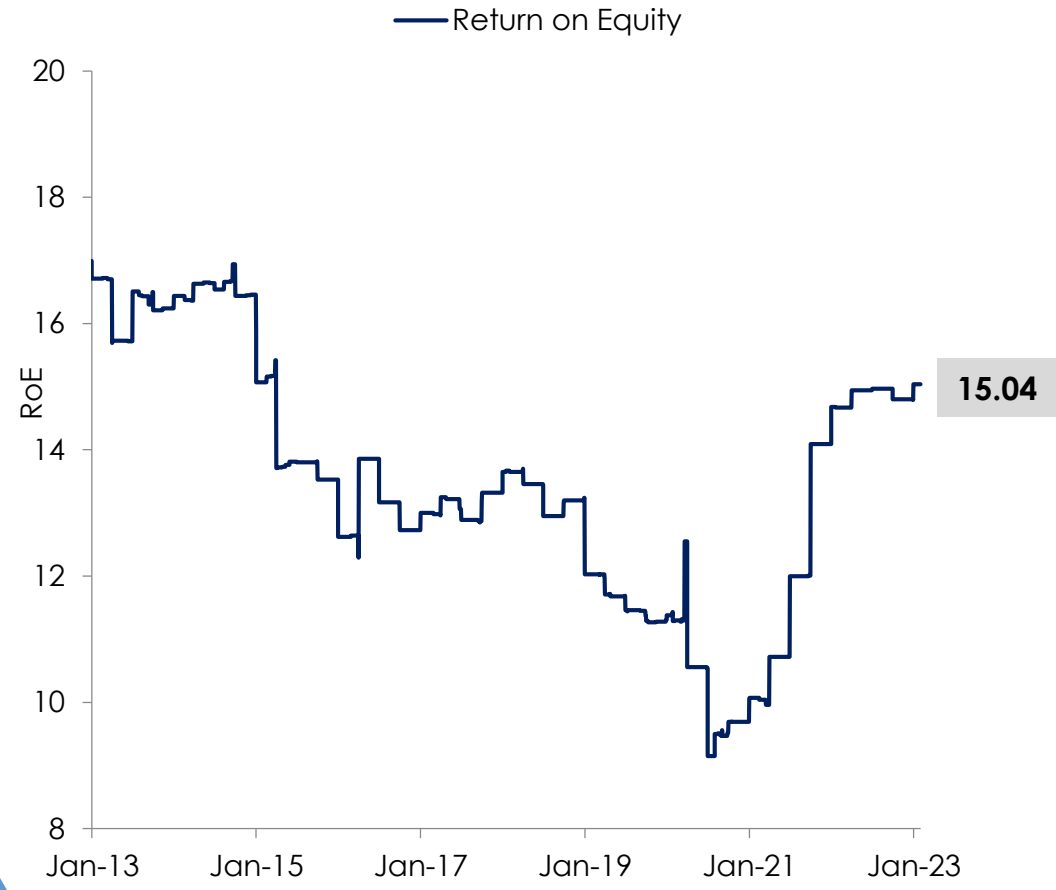
Haq, ek behtar zindagi ka.

P/B Ratio & RoE

Nifty 50 Trailing P/B



Nifty 50 Return on Equity (RoE)

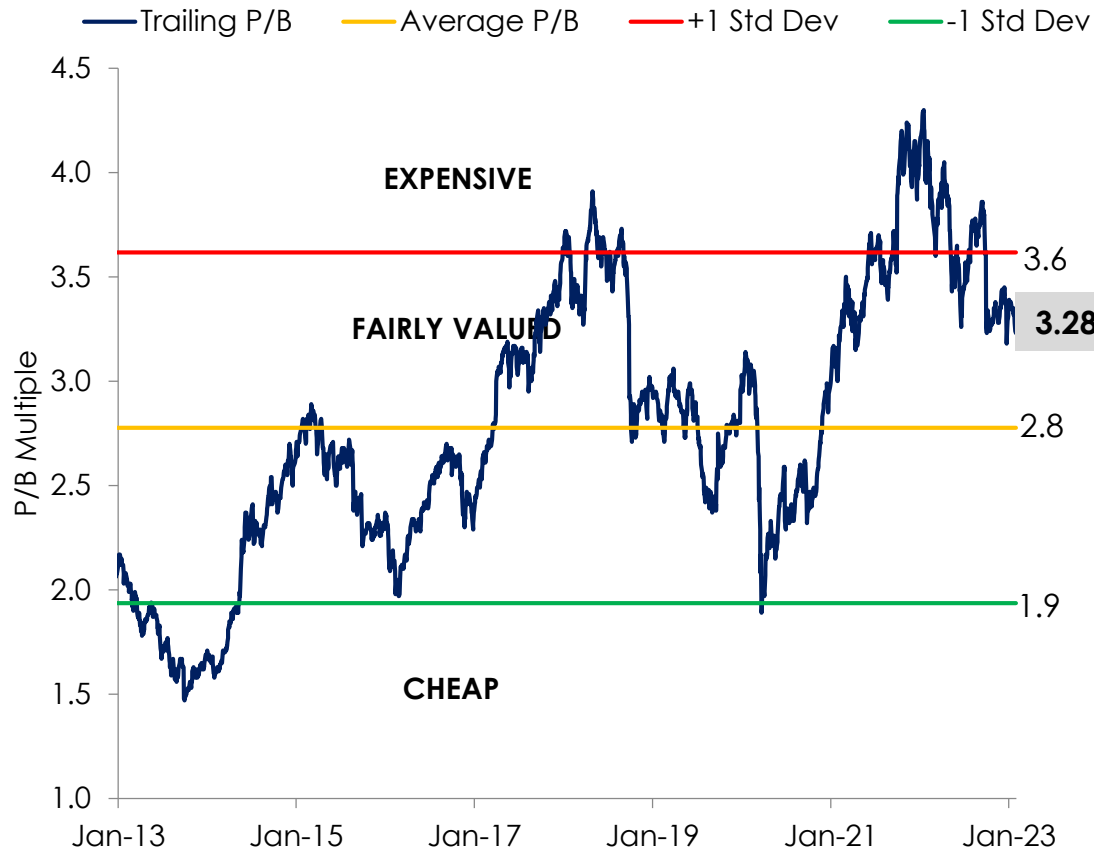


Haq, ek behtar zindagi ka.

Data Source: Bloomberg, P/B - Price to Book Ratio, Avg: Average, std dev: Standard Deviation, P/E data since January 1, 2006. Data as of January 31, 2023

P/B Ratio: Mid caps & Small caps

Nifty Midcap 150 Trailing P/B



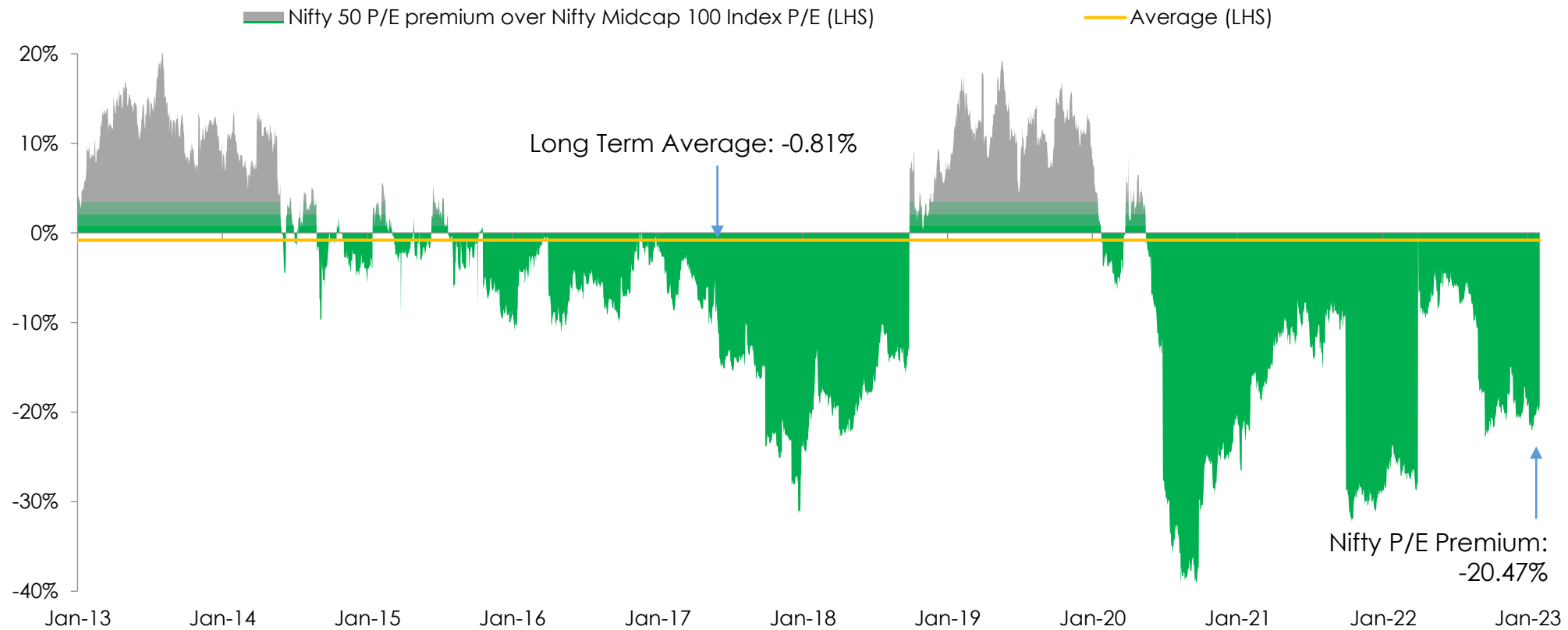
Nifty Smallcap 250 Trailing P/B



Haq, ek behtar zindagi ka.

Large caps v/s Mid caps

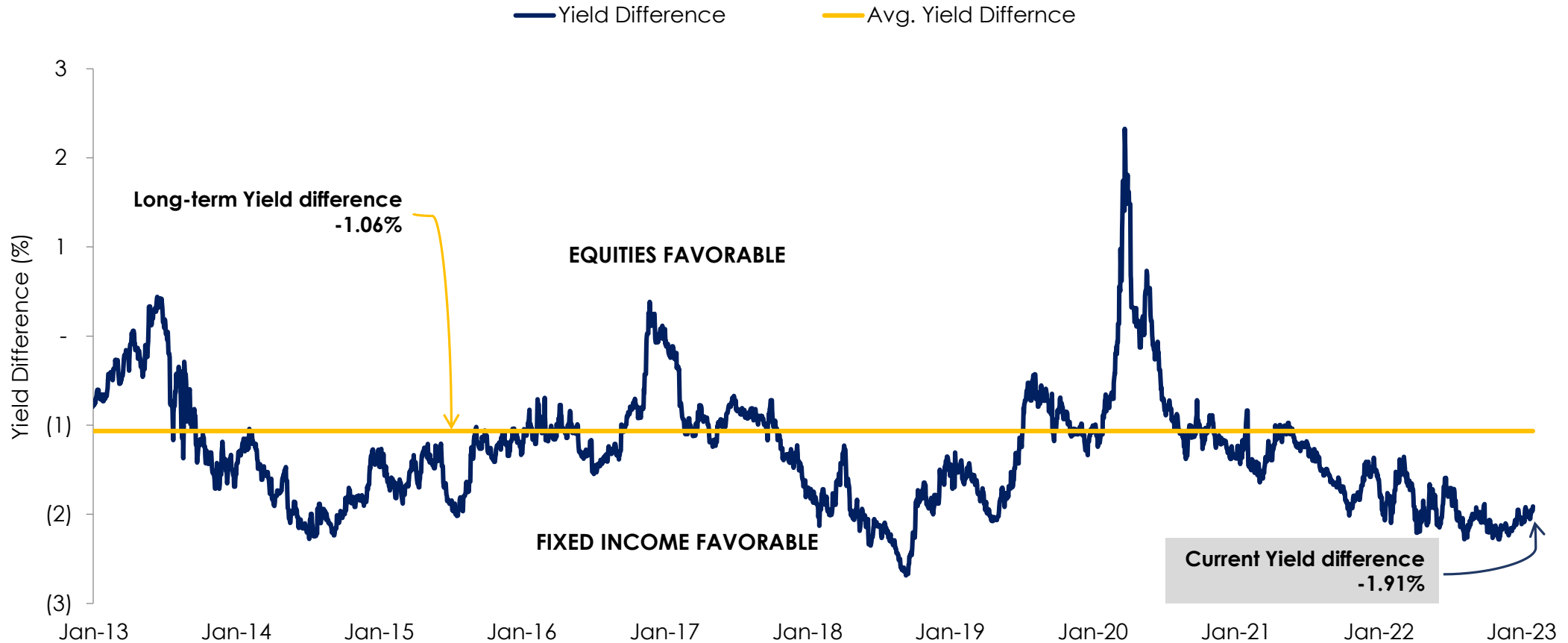
Nifty 50 valuations versus Nifty Midcap 100



Haq, ek behtar zindagi ka.

Equities v/s Bonds

Nifty 50 Yield vs 10 Year G-Sec Yield



Key take away

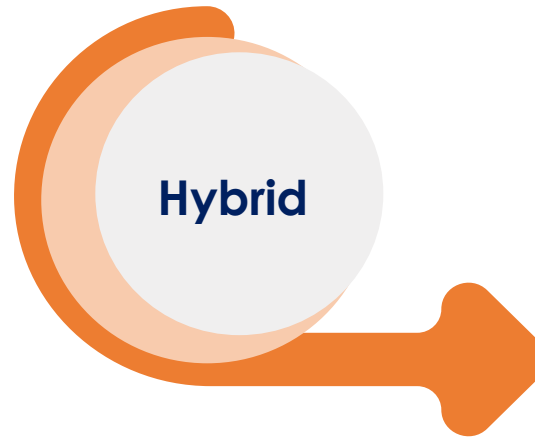
- The US Fed funds rate is forecast to rise to above 5% in Q1CY23; Probability of US recession has risen to 65%
- China has reversed its zero-COVID approach and policy has turned supportive raising hopes of a growth revival in H2 CY23
- The Dollar has eased significantly from its peak in CY22; commodity prices, shipping freight rates have edged lower, tracking concerns over global growth
- In India, the MPC hiked further to 6.5% and retained its policy stance as 'withdrawal of accommodation'
- The Budget demonstrates fiscal restraint; deficit estimated at 5.9% in FY24 and target of 4.5% reiterated for FY26
- There is risk to earnings estimates in FY24. Earnings face headwinds from a slowing economy, fiscal and monetary restraint combined with a weak global environment
- Equity valuations are above the long-term averages; Bonds appear favourable relative to equities
- Investors should adopt a staggered approach towards equities
- Shift mindset from TINA to TARA

Shift mindset from TINA to TARA



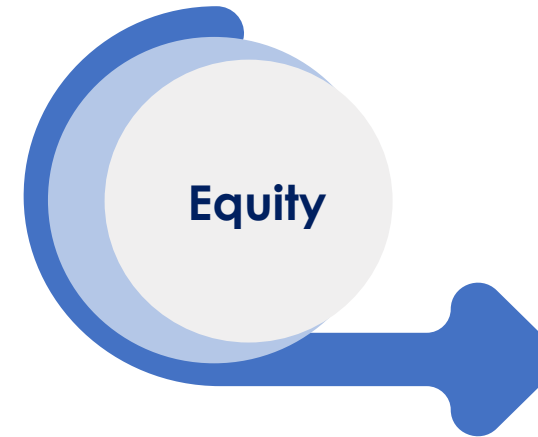
Favorable yields:

Consider Roll down,
Short to medium
duration & Target
maturity (index funds)
strategies



Asset allocation strategies to manage risk:

Consider Hybrid Funds
including Multi Asset Fund
(gold exposure)



Long-term wealth creation:

Valuations are
challenging; Consider
staggered approach

Thank You

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REGISTERED OFFICE: UTI Tower, 'Gn' Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051. Phone: 022 6678 6666. UTI Asset Management Company Ltd (Investment Manager for UTI Mutual Fund) Email: invest@uti.co.in. (CIN-L65991MH2002PLC137867). For more information, please contact the nearest UTI Financial Centre or your AMFI/ NISM certified Mutual Fund Distributor (MFD) for a copy of the Statement of Additional Information, Scheme Information Document and Key Information Memorandum cum Application Form.

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Haq, ek behtar zindagi ka.