WAY2WEALTH

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MONTHLY REPORT

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CONTENTS

NIFTY 50
Closing- 23508.40
PE – 21.33
PB – 3.51x
Div Yield – 1.38%

NIFTY MIDCAP 100
Closing –53712.20
PE – 37.98
PB – 4.94x
Div Yield – 0.84%

10 Yr. GOI Yield
6.70%

CRUDE
74.76 $/bbl

USD/INR
86.62

GOLD
2,798 $/Oz

Data as on January 31, 2025
Source: Bloomberg

Indicators	Jan-25	Dec-24	Nov-24	Oct-24	Sep-24	Aug-24	Jul-24	Jun-24	May-24	Apr-24	Mar-24	Feb-24	Jan-24
Sensex	0.80%	-7.30%	0.52%	-5.80%	2.35%	0.76%	3.43%	6.86%	-0.70%	1.13%	1.59%	1.00%	-0.68%
Nifty	-0.60%	-8.40%	-0.31%	-6.20%	2.28%	1.14%	3.92%	6.57%	-0.33%	1.24%	1.57%	1.20%	-0.03%
Nifty Midcap 100 Index	-6.14%	-4.90%	0.50%	-6.70%	1.50%	0.50%	5.84%	7.80%	1.65%	5.81%	-0.54%	-0.50%	5.17%
Nifty SmallCap 250 Index	-11.49%	-3.60%	-0.20%	-3.60%	1.30%	1.24%	4.89%	9.50%	-1.31%	10.49%	-4.24%	-0.70%	7.28%
S&P 500 Index	4.80%	2.10%	4.70%	-1.00%	2.00%	2.28%	1.13%	3.47%	4.80%	-4.16%	3.10%	5.20%	1.59%
Nifty 50 EPS TTM (Rs)	1078	1069	1069	1021	1018	1016	991	989	990	926	937	955	936
Nifty 50 Price/Earnings (PE Ratio)	21	22.1	22.5	23.6	25.2	24.7	25.03	24	23	24	23	23	23
Nifty Midcap 100 (PE Ratio)	38	40	37	37	41	40	40	37	34	33	30	27	35
India Economic Indicator													
Bank Credit Growth (YoY%)	11.46%	11.28%	11.15%	12.13%	13.35%	13.48%	13.87%	19.16%	19.54%	19.03%	20.18%	20.79%	20.25%
Bank Deposit Growth (YoY%)	10.84%	11.50%	11.21%	12.33%	11.18%	10.88%	11.28%	12.58%	13.28%	13.31%	13.48%	13.68%	13.07%
Debt Market Indicator													
RBI Repo Rate (%)	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
G-sec 10 year Yield (%)	6.70	6.76	6.75	6.85	6.75	6.86	6.93	7.01	6.98	7.19	7.06	7.08	7.14
Corp Bond 10 Yr AAA Yield (%)	7.17	7.24	7.40	7.34	7.31	7.45	7.48	7.55	7.57	7.58	7.52	7.63	7.68
Corp Bond 10 Yr AA Yield (%)	7.92	8.04	8.09	8.03	8.04	8.12	8.12	8.25	8.22	8.23	8.16	8.25	8.34
Corp Bond 10 Yr A Yield (%)	6.70	9.73	9.79	9.78	9.75	9.88	9.95	10.02	9.99	10.15	10.05	10.05	10.13
Corp Bond 5 Yr AAA Yield (%)	7.34	7.46	7.36	7.52	7.50	7.62	7.56	7.74	7.65	7.69	7.61	7.69	7.78
Corp Bond 1 Yr AAA Yield (%)	7.71	7.78	7.63	7.63	7.69	7.76	7.65	7.74	7.72	7.80	7.76	7.88	7.89
CD 1 Yr (%)	7.62	7.63	7.55	7.46	7.76	7.63	7.57	7.62	7.62	7.54	7.62	7.79	7.84
Commodity & Currency													
Gold Price (USD)	2,798	2,625	2,643	2,744	2,635	2,503	2,448	2,327	2,327	2,286	2,230	2,044	2,040
Gold (Rs/10gm)	81,798	75,913	76,400	79,181	75,051	71,679	69,046	71,563	72,127	71,529	66,987	62,010	62,591
Crude($)	76.76	74.64	72.94	73.16	71.77	78.80	80.72	86.41	81.62	87.86	87.48	83.62	81.71
INR/1 USD	86.62	85.60	84.49	84.08	83.80	83.87	83.73	83.39	83.47	83.44	83.40	82.91	83.04
INR/1 EURO	89.95	89.20	89.22	91.39	93.77	92.95	90.65	89.30	90.53	89.50	89.87	89.98	89.88
Flows													
FII-Equity (Rs.cr)	-72,677	16,437	-22,602	-91,934	49,793	11,678	27,957	25,940	-25,260	-9,175	2,355	4,000	-26,111
FII-Debt (Rs.cr)	12041.06	13,375	-968	-5,978	19,225	16,421	21,863	19,673	15,109	-15,941	4,723	19,693	21,063
MF-Equity (Rs.cr)	55073.23	28,138	35,633	32,561	32,264	31,685	20,601	28,226	48,099	32,824	-1,066	14,295	23,011
MF-Debt (Rs.cr)	-51536.26	-56,887	-32,395	-36,396	-36,890	52,470	-6,612	-4,800	-61,291	14,529	-5,229	-46,298	-21,642

Source: Bloomberg, W2W Research

Summary:-

- As of 31st January 2025, Nifty 50 was trading at a PE of 21.33x and Nifty Midcap 100 was trading at a PE of 37.98x.
- India’s CPI inflation in December 2024 rose to 5.22%, compared to 5.48% in November 2024. Meanwhile, India’s WPI inflation increased to 2.37% in December 2024, up from 1.89% in November 2024 attributed to increase in price of food articles and manufacturing of food products. Rise in textile manufacturing costs also attributed to the rise in inflation.
- Bank credit increased to 11.46% year over year as of 31 January 2024, compared to 11.28% year over year in December 2024. However, the growth of bank deposits decreased to 10.84% year over year.
- GST collection was 1.96 lac cr in January as compared to Rs. 1.77 lac cr in December.
- India’s Manufacturing PMI rose to 57.7 in January 2025, from 56.4 in December 2024. However, India's Services PMI dropped to 56.5 in January, compared to 59.3 in the previous month.

Debt Market Review

- In January, after President Trump took office mid-month as president, US investor sentiment has been buoyed by his "America First" policy program but news of tariff threats rattled markets at the end of the month. The Federal Reserve kept interest rates on hold and signaled that there may be no further cuts forthcoming which kept the US treasury bonds under pressure. U.S. Treasury yields fell, with 10-year yields ending 8 basis points lower at 4.54%. 2-year yields moved similarly, down 7 bps to 4.20%
- However, the main trigger came later in the month when the headlines about a new AI program from China's DeepSeek caused risk assets to weaken and Treasury yields to decline.
- On the domestic front, the yield on the 10-year G-Sec fell toward 6.7%, the lowest in nearly three years, amid an outlook for lower interest rates by the Reserve Bank of India.
- RBI's liquidity-boosting measures, including cash injections and long-term bond purchases, to counter tight monetary conditions and foreign exchange reserve drainage used to stabilize the rupee. Banking system liquidity has been in deficit since mid-December, driven by foreign exchange outflows and government cash fluctuations. Core liquidity also turned into a deficit for the first time since 2019. In a much-awaited move, the RBI decided to inject liquidity into the banking system through multiple channels, including OMO purchase auctions of Rs 600 billion in three tranches of Rs 200 billion and a 56-day Variable Rate Repo (VRR) auction of Rs 500 billion.
- India's merchandise trade deficit fell to $21.9 bn in December'24 as exports picked up and imports fell from the record high in November'24. The services trade surplus was stable at $15.2 bn. CPI inflation in December'24 softened to 5.2%, supported by a broad-based deceleration in prices. Core inflation moderated marginally to 3.6%. IIP growth in November'24 improved to 5.2% YoY led by manufacturing.

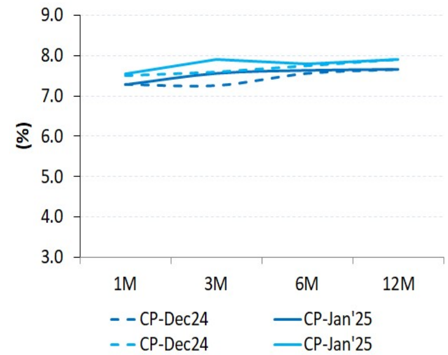
Debt Market Outlook

- February 2025 began with the Federal Reserve keeping interest rates unchanged at 4.25%-4.5%, with no immediate plans to cut rates until job and inflation data justify it. Markets will focus on any disruptions resulting from the U.S. imposing tariffs on Canada, Mexico, and Chinese goods, all due to be implemented. Uncertainty is high on how the trade dispute will play out on supply chains, growth, and inflation. The US 10-year bond yield stands at 4.438% and is expected to remain within the 4.25%-4.50% range and the 2-year bond yield is at 4.23%, expected to fluctuate between 4.10% and 4.40%.
- Expectations of fewer Fed rate cuts and political uncertainties surrounding former President Donald Trump's hawkish foreign policy may further drive US interest rates higher, directly impacting European markets. Higher European interest rates are increasing credit costs, slowing economic activity, and pressuring public finances. These dynamics would create a cycle of weaker growth, limiting fiscal policy options.
- On the domestic front, The Reserve Bank of India's Monetary Policy Committee, has cut the repo rate by 25 basis points to 6.25% which is expected to boost fixed income instruments further, with bond yields expected to ease.
- The market's focus remains on the Reserve Bank of India's (RBI) Open Market Operations (OMO) purchases, liquidity measures, Consumer Price Index (CPI) inflation, and currency movements. The benchmark 10-year GSec yield closed at 6.69% on January 31 and is expected to trade between 6.55%-6.75% in February 2025.
- Active Liquidity Management is likely to remain crucial given the uncertainty related to currency volatility. Recent RBI actions provide cues that RBI is likely to remain liquidity supportive.
- Going forward, growth focussed Economic survey, consumption boost via tax cut yet fiscally prudent Budget and RBI's dovish monetary policy is likely to bode well with growth-inflation dynamics and thereby may be positive for fixed income yields. Further, RBI's assurance to ensure orderly liquidity conditions provides further comfort.

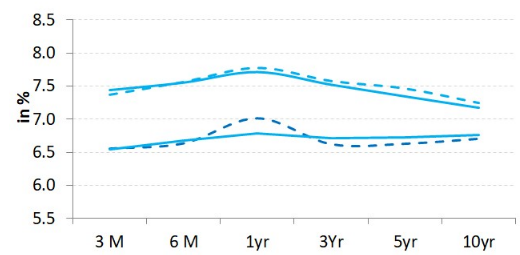
Investment Strategy

- The RBI has initiated the interest rate cut cycle and we expect this to continue. Hence, liquidity easing would help the front end the most, followed by the short and mid duration segments that are both rate and liquidity sensitive. Money Market. Short Term & Medium Duration segment appear best placed given the still elevated yields.
- Investors should continue to plug, in our view, through appropriate duration selection on incremental fixed-income investments.
- Investors can consider investing in the recommended Money Market, Ultra Short Duration, Low Duration, Short Term, or Medium Duration funds as per the investment horizon and risk appetite and should consider the reinvestment risk as the biggest risk at the end of the maturity period.

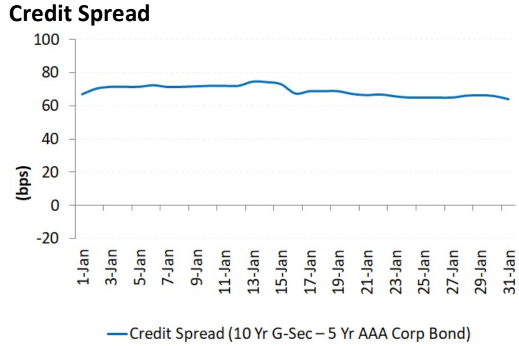
CD Rate Movement



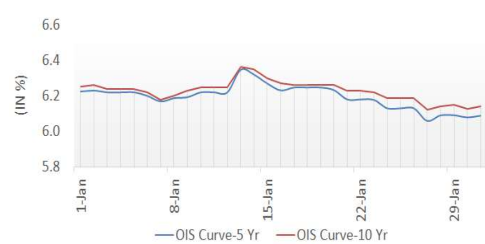
G-Sec and AAA Corp Bond Yield Movement



Credit Spread



OIS Curve

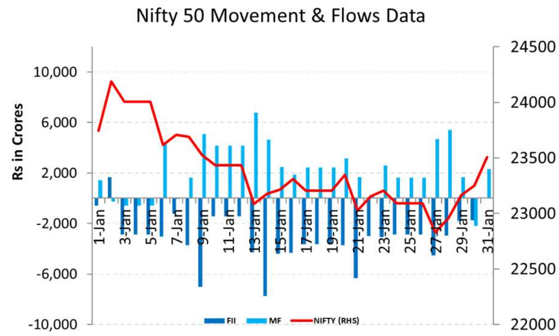


Source: Bloomberg, W2W Research

Equity Market Review

- In January, the S&P 500 delivered 2.8% while the Nasdaq 100 gained 2.2% in January, as earnings came in stronger than expected and the Trump administration started enacting its economic policy quickly. Additionally, the US economy with strong job growth and 2.3% annualized GDP growth in Q4 also supported the market. However, the market's heavy tech concentration dragged performance down later in the month, due to competitive pressures from advanced AI models.
- The MSCI Europe ex UK Index was the best performer in January, rising 7.1%. Gains were driven by strong financials and consumer discretionary sectors, aided by an improving global economic outlook and eurozone data. Its low exposure to the tech sector and upward revisions to 2025 earnings expectations further bolstered performance. The European Central Bank announced a 25-bps interest rate cut, its fifth one since the central bank began easing monetary policy in June last year.
- NIFTY witnessed a more moderate contraction of 0.6% in rupee terms in January. Automobiles, FMCG and Commodities were the three relative outperforming sectors, while Media, Realty and Pharma were the key u/performers. SmallCaps, Midcaps were underperformers to the NIFTY. After a pickup in FII equity inflows, the month saw sharp outflows due to the global factors.
- While large-cap indices recovered towards the end of the month to close only 0.6% and 0.8% lower on the Nifty and the Sensex respectively, The Nifty Midcap 150 and Nifty Small cap 250 indices closed at 6.1% and 10.7% lower. Nifty 50 fell to 23508.40.
- FIIs sold Equities worth Rs. 72,677 Crores in January due to factors such as weakening earnings, slow GDP Growth, record low Rupee, High US Bond yields, and Tariff fears.

Nifty, FII & MF Movement



Indices Performance

Index	31-Jan-25	31-Dec-24	Change	% Chg
		India		
Sensex	77,501	78,139	-638.4	-0.8%
Nifty 50	23,508	23,645	-136.4	-0.6%
		US		
Dow Jones	44,545	42,544	2000.4	4.7%
Nasdaq	19,627	19,311	316.6	1.6%
		EC		
FTSE 100	8,674	8,173	500.9	6.1%
		Asia		
Nikkei 225	39,572	39,895	-322.1	-0.8%
Hang Seng	20,225	20,060	165.2	0.8%
Shanghai Comp	3,251	3,352	-101.2	-3.0%
Bovespa	126,135	134,185	-8050.3	-6.0%
RTS	1,126	1,175	-49.0	-4.2%
		Other		
MSCI WORLD	3,837	3,708	128.7	3.5%
MSCI EM	1,093	1,075	17.9	1.7%
MSCI EM Asia	601	597	3.5	0.6%

Equity Market Outlook

- In February, the US markets may experience an upside potential due to factors such as lower taxes, deregulation, improving job growth numbers, and trade deals adding to a positive market narrative built on solid growth and continued investment in artificial intelligence. However, the possible headwinds to the performance would be due to tariffs, excessive fiscal deficits, elevated inflations, and geopolitical strife that would contribute to weaker growth and market volatility.
- On the domestic front, the ongoing macro challenges, with pressure on local economic growth, rupee depreciation, corporate earnings, and escalating tariff tensions globally, support a defensive stance. As the current panic subsides, it is believed markets will become more discerning and move back towards companies that have strong business models, long-term earnings growth, visibility, and sustainable cashflows.
- The FY2025-26 Budget boosts consumption-driven growth with strategic investments and fiscal discipline. Short-term market volatility is expected, but the medium-term outlook is strong, especially for sectors benefiting from rural consumption.
- Tailwinds from moderating inflation and measures to boost growth and consumption expected in FY 26 due to the focus of Union Budget in Agriculture, tax relief measures, robust business sentiment, and continued policy support from government. CPI inflation for 2025-26 is projected at 4.2% with Q1 at 4.5%; Q2 at 4.0%; Q3 at 3.8%; and Q4 at 4.2%. GDP growth is forecasted at 6.7% for FY26 by RBI due to sluggish pace of growth weighed down by global risks.
- Going forward, credit growth will be another important factor to look forward to. RBI has begun to address durable liquidity by deploying various instruments, which is a key step to supporting credit creation by aiding deposit growth.
- GST collections in January 2025 showed impressive growth of 12.5 percent year on year. This consistent increase could indicate an uptick in economic growth and sustained tax compliance by businesses.

Sector Performance

Sector Index	31-Jan-25	31-Dec-24	Change	% Chg
BSE Auto	51,527	51,663	-136.1	-0.3%
Bankex	56,257	57,742	-1484.6	-2.6%
BSE CD	9,176	9,869	-692.1	-7.0%
BSE CG	64,530	67,780	-3249.7	-4.8%
BSE FMCG	20,555	20,772	-216.6	-1.0%
BSE HC	41,803	45,277	-3474.0	-7.7%
BSE IT	41,956	43,188	-1232.2	-2.9%
BSE Metal	28,570	28,892	-322.7	-1.1%
BSE Oil	25,429	26,065	-635.6	-2.4%
BSE Power	6,553	6,966	-412.4	-5.9%
BSE PSU	18,392	18,869	-477.5	-2.5%
BSE Real	7,151	8,234	-1083.5	-13.2%
BSE TEC	19,175	19,478	-302.9	-1.6%

Investment Strategy

- A slump in GDP growth rate, softening inflation and low urban consumption moved the RBI to cut the interest rate which will support the growth fundamentals and ensure a promising long-term growth trajectory. For aggressive to moderate investors with a short to medium-term outlook, we suggest diversifying into Multi Asset Allocation and balanced Advantage Funds. Those with a long-term perspective should opt for staggered investments in Multicap, flexi-cap, Midcap, and small-cap funds to Maximize growth potential.
- Looking ahead, the medium-term outlook for India's economy appears optimistic. This optimism is fuelled by policy continuity, benefits from Production-Linked Incentive schemes, opportunities arising from shifts in the global supply chain, enhanced infrastructure investments, the potential of resurgence in private sector capex, and the enduring robustness of consumption.

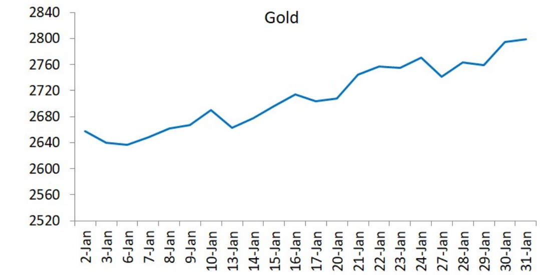
Review

- In January 2025, gold prices in India soared to new heights. At the beginning of the month, gold was priced at around ₹78,000 per 10 grams, and by the end of the month, it had risen to approximately ₹82,860 per 10 grams. This surge was driven by geopolitical risks, particularly tariffs imposed by the US, which increased demand for the safe-haven asset.
- Crude oil prices remained volatile, with Brent trading at around $76.76 per barrel after testing $82.57 per barrel. The volatility was triggered by tariffs imposed by Trump on oil imports from Canada (10%) and Mexico (25%), causing oil prices to rise. These tariffs could disrupt US crude supply and impact refinery profitability. Despite pressure, OPEC+ is unlikely to alter its output plans. Overall, the tariffs may slow the global economy, reducing oil demand and putting downward pressure on prices.
- The USD/INR exchange rate remained volatile, starting around 85.65 and ending near 86.53, as the dollar index continued to strengthen. The dollar index traded at the 108.37 level. Locally, slowing growth, Foreign Institutional Investors (FII) outflows, and a wider trade deficit weighed on the Indian rupee.

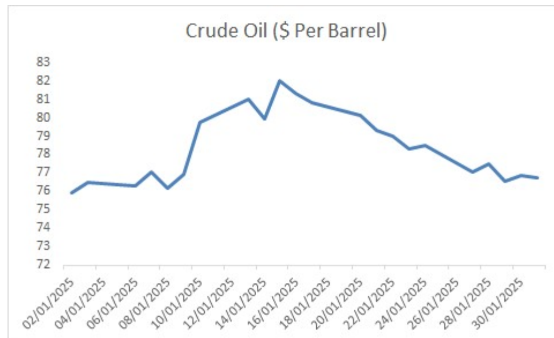
Outlook

- In February 2025, gold prices in India are expected to remain strong, driven by ongoing central bank purchases, trade war concerns, and declining global interest rates. As central banks, including the Reserve Bank of India, continue to buy gold to diversify their reserves, demand is likely to increase. Markets may continue to monitor inflation data and geopolitical risks, with the potential for price fluctuations based on shifts in policy and market sentiment.
- Crude oil prices may remain under pressure and are likely to fall to $75 per barrel and below, as tariffs imposed by President Trump could contribute to a global economic slowdown, reducing oil demand and putting downward pressure on prices. However, OPEC+ members may continue to restrain production in 2025 and 2026 to prevent prices from falling further.
- The USD/INR exchange rate is at 87.44 and is expected to trend upwards, driven by a stronger dollar, FII outflows, and negative global factors, despite interventions from the Reserve Bank of India. Trump's policies might alter global trade dynamics, further supporting the dollar index, which might keep the Indian rupee under pressure.

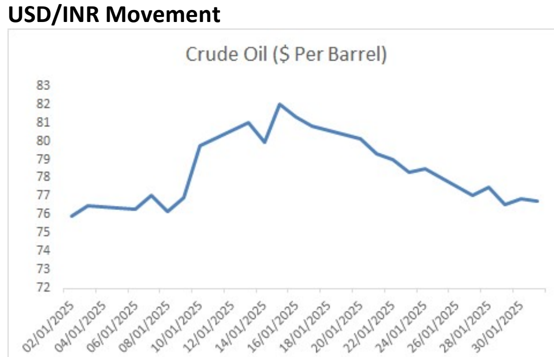
International Gold Movement



Crude Oil Movement



USD/INR Movement



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