

The Great Unwind?

13th Aug'24

Since we rolled out our last publication 'The tide recedes', the markets took on an entirely different stance. The transition from overtly 'risk on' to a cautious 'risk off' stance took hardly a week to set in. Lets take a closer look at the various events that led to this spike in bearish sentiments.

Firstly, we saw the Bank of Japan administering an unexpected hike in interest rates by 15 bps on 30th Jul policy meeting to take overnight rates to 25bps (highest since 2008), while simultaneously advocating a reduction in the quantum of their central bank's bond buying program from JPY 6 Trn per month currently to JPY 3 Trn per month by Q1 CY'26 (roughly a reduction of JPY 400 Bn each quarter). This led to fears of the popular 'Carry trade' unwinding which was basically opportunistically borrowing from a cheaper yen and investing in other jurisdictions (primarily the US) and earning an arbitrage in the bargain.

Secondly, we had a set of weaker unemployment and jobs data release on 1st Aug which exacerbated an anxious response from market participants on the Fed having kept interest rates 'too high' for 'too long' resulting in 'hard landing' rather than the 'soft landing' stance which had been the Fed's and market expert buzzword during the entire policy normalization cycle. Data below:

- Non-Farm Payrolls for Jul'24 expanded by 114,000, against **market expectations of 195,000**. Moreover, Jun'24 payroll additions revised downwards to 179,000 from 206,000.
- Hourly earnings rose by 0.2% for the month, making for a 3.6% YoY gain - **both below expectations (0.3% and 3.7% respectively)**.
- Unemployment rate increased to 4.3% in Jul'24 from 4.1% in the previous month-**highest since Oct'21**.
- All eyes on CPI release scheduled for 14th Aug. Headline inflation for Jun'24 declined 0.1% MoM, thereby pegging annual growth at 3.0%.

Lastly, markets are keeping a close eye on the Israel Palestine standoff, with Iran entering into the arena. While the initially rumored official response from Iran hasn't materialised yet, it is expected to keep markets tentative.

Market Impact:

- VIX index spiked to 38.5 on 6th Aug, from 23.4 on 2nd, the highest in past 1 year although it subsided to 20.4 as on 12th Aug.
- US yields came off marginally, as markets have started pricing in series of rate cuts from the US Fed starting Sep'24. As per CME Fed watch tool, markets are assigning higher probabilities of a 75-125 bps cut in rates by Dec'24.
- Equities nosedived post the BoJ rate hike followed by weaker set of economic data from the US. Nikkei led the losses (-19.5%), followed by NASDAQ (-8%), S&P 500 (-6%) and Dow Jones (-5%). MSCI World and MSCI EM also fell by 6.5% respectively.
- Nifty 50 also sold off, although the quantum of fall was relatively muted compared to its global peers (-3.9%).
- Global equities, however recouped losses over the week as BoJ officials moderated their aggressive stance stating no further rate hikes will be administered if markets remain unstable.

Global central banks interest rate outlook

Barring the Bank of Japan, most major central banks globally have attained peak interest rates and some major banks like the ECB, Bank of England, Swiss National Bank and Bank of Canada have already initiated reduction in policy rates. US FOMC has lagged its peers and is likely to initiate the rate reduction cycle from Sep'24 onwards. RBI in their latest MPC meeting maintained their hawkish stance on interest rates (**covered in our detailed note earlier this month**) and is likely to lag their peers with respect to a shift in stance from hawkish to neutral , followed by reduction in interest rates.

Global Central Bank Policy Snapshot

Central Bank	Rate	Last Change	Next Meeting	Expectations
Bank of Canada	4.50%	24 th Jul'24, 25 bps Cut	4 th Sep'24	Rate Cut
Bank of England	5.00%	1 st Aug'24, 25 bps Cut	19 th Sep'24	Rate Cut
Bank of Japan	0.25%	31 st Jul'24, 15 bps Hike	20 th Sep'24	Status Quo
European Central Bank	3.75%	7 th Jun'24, 25 bps Cut	12 th Sep'24	Rate Cut
US Federal Reserve	5.50%	26 th Jul'23, 25 bps Hike	18 th Sep'24	Rate Cut
People's Bank of China	3.65%	25 th Jan'24, 50 bps Cut		
Reserve Bank of Australia	4.35%	7 th Nov'23, 25 bps Hike	24 th Sep'24	Rate Cut
Reserve Bank of India	6.50%	8 th Feb'23, 25 bps Hike	9 th Oct'24	Status Quo
Swiss National Bank	1.25%	20 th Jun'24, 25 bps Cut	26 th Sep'24	Status Quo

Gold prices continue upward trajectory while Silver prices decline:

Gold ended July up around 6.5% and has already breached the \$2500/oz handle in August. The primary driver behind the surge in gold prices is the anticipation of a US interest rate cut in September. The allure of non-yielding bullion tends to increase when interest rates are lowered because the opportunity cost of holding gold decreases.

Geopolitical tensions and strong demand from China, the world's top consumer of gold, have also contributed to the rise in prices. Despite pausing official gold purchases recently, China still has a significant appetite for gold. China's bullion holdings remain low as a share of reserves, and ongoing geopolitical tensions are likely to sustain their demand.

Silver, after having a stellar run in the first half of the year, has faced downward pressure in the last three months. For the month of August, the precious metal is currently trading down around 3.8% (as on 13th Aug). This has happened on the back of increased recession fears (and hence lower industrial demand) after a very weak US jobs report.

Crude prices recover in August

Crude prices are up around 2% in August (as on 13th Aug) and currently trades around \$80 per barrel (WTI benchmark), amid intensifying conflict in the Middle East. The US Pentagon recently dispatched additional forces to the Middle East in anticipation of an Iranian attack on Israel. This has heightened risk of disruption in oil supply.

Crude prices had fallen sharply in July, ending the month down around 4.5%, amid fears of an impending recession in the US post a weaker than expected US jobs report.

China factory activity shrinks for a third straight month, GDP growth slows

The official purchasing managers' index (PMI) fell to 49.4 in July from 49.5 in June, below the 50-mark separating growth from contraction. Retail sales growth sank to an 18-month low as deflationary pressures forced businesses to slash prices. Non-manufacturing activity expanded more slowly in July, pointing to slowing domestic demand for services. The official non-manufacturing purchasing managers' index (PMI), which includes services and construction, slowed to 50.2 from 50.5 in June.

China's GDP grew by 4.7 per cent in the second quarter compared to the previous year, which was below expectations of a 5.1 per cent increase. The growth rate marked a slowdown from the 5.3 per cent growth observed in the first quarter. It is the worst pace in five quarters.

Dollar index continues decline in August

The dollar index is down around 1.5% in August (as on 14th Aug), trading at 102.2 levels and is on its way to a third monthly decline in the past four months. The index closed the month of July down 1.6%. The decline in the USD has tracked the decline in US yields, as the US economy has started to show signs of slowing down meaningfully and inflation seems to be cooling off.

INR has depreciated against the USD over the past month, touching the 84 handle in August. This was driven by a sell-off in global markets caused by rising geopolitical tensions in the Middle East, worries over recession in the US and carry trade unwinding in the Japanese yen.

Indian Macro Update:

India's macroeconomic landscape continues to be robust although there has been some moderation in growth trajectory. The RBI in their latest monetary policy meeting also hinted at a marginal decline in projected real GDP growth for FY'25 from 7.2% to 7.1%. Some key highlights provided below:

Industry

- India's eight core industries growth slowed to 4% YoY in Jun'24, down from 6.3% registered in May'24. Six out of eight sectors registered growth, led by coal and electricity which grew by 14.8% and 7.7% respectively while crude oil and petroleum refinery products contracted by 2.60% and 1.50% respectively.
- The Index of Industrial Production (IIP) declined to 4.2% in Jun'24 from an upward revision of 6.2% in May'24, amidst a slowdown in government capex due to elections and lackluster rural demand, dampening manufacturing growth. On a broader level, only seven out of 23 industries witnessed higher growth, with mining production increasing to 10.3%, while electricity output increased by 8.6%.
- India's manufacturing PMI for Jul'24 came in at 58.1, slightly lower than previous month reading of 58.3 in Jun'24. The index has remained above both its long-term average and the 50-point mark, with the fastest expansions in international sales for over 13 years and robust job creation, despite slightly softer increases in new orders and output.
- Services PMI reading for Jul'24 slipped to 60.3 from 60.5 in Jun'24. The slowdown in services growth mirrors a similar easing in the manufacturing PMI and has also remained above the 50-mark.

Fiscal

- GST collections continued its robust show, with Jul'24 collections at INR 1.82 Trn, as compared to INR 1.74 Trn in Jun'24, marking a 10.3% YoY increase.

- India's fiscal deficit for Q1 FY'25 stood at INR 1.36 Trn or 8.1% of overall budgeted quantum for the fiscal (which was pegged at 4.9% of GDP for FY'25), significantly lower than 25.3% for Q1 FY'24 and roughly 60% during the pre-covid period.
- Total receipts stood at INR 8.34 Trn while overall expenditure stood at INR 9.7 Trn for Apr-Jun'24. Revenue receipts stood at INR 8.3 Trn split between tax and non tax revenue of INR 5.5 Trn and INR 2.8 Trn for Q1'FY25 which accounted for 21.1% and 70.1% of the budgeted estimates. **The spike in non tax revenues is owing to the record surplus transfer of INR 2.1 Trn from RBI.**
- In addition to the surge in tax and non tax revenues, slower government expenditure in the midst of the general elections also seems to have played a major role in lower fiscal deficit for Q1. Capital expenditure stood at INR 1.81 Trn for the quarter or 16.3% of annual budgeted estimate, compared to INR 2.78 Trn (27.8% of FY'24 budgeted estimates) in Q1'FY24. Revenue expenditure stood at INR 7.8 Trn, or 21.3% of budgeted estimates for FY'25, lower than 22% of budgeted estimates for Q1'FY24.

Trade

- India's merchandise trade deficit for Q1FY'25 increased to USD 62.3 Bn from USD 56.2 Bn as on Q1FY'24. Overall Imports for the quarter stood at USD 172.2 Bn (growth of 7.5% YoY) while exports equalled USD 110 Bn (growth of 5.8% YoY).
- Export growth was led by drugs & pharma (+9.3%), crude oil (+9.3%) and chemicals (+7.6%). Imports were led by crude oil (+23%), non ferrous metals (+14.5%) precious metals like Gold and Silver and petroleum.
- Services Exports meanwhile increased at a sharper clip, up 12.2% in Q1'FY25 to USD 90.4 Bn from 5.9% in Q1 FY'24. imports also increased at a faster pace, up 11.5% to USD 50.7 Bn from 0.9% growth witnessed same period previous year. Overall services exports surplus grew to USD 39.7 Bn from USD 35.1 Bn in Q1'FY'24.
- India's current account turned surplus in Q4FY'24 by USD 5.7 Bn or 0.6% of GDP. The current account deficit for Q4FY'23 stood at USD 1.3 Bn or 0.2% of GDP, while for Q3 FY'24 it stood at USD 8.7 Bn or 1.0% of GDP.
- For overall FY'24, India's Current account deficit stood at 0.7% of GDP, significantly narrower than 2% of GDP in FY'23. Net services receipts which grew 4.1% YoY and private transfer receipts which grew by 11.9% were key contributors towards narrowing current account deficit as well as surplus in Q4'FY24.

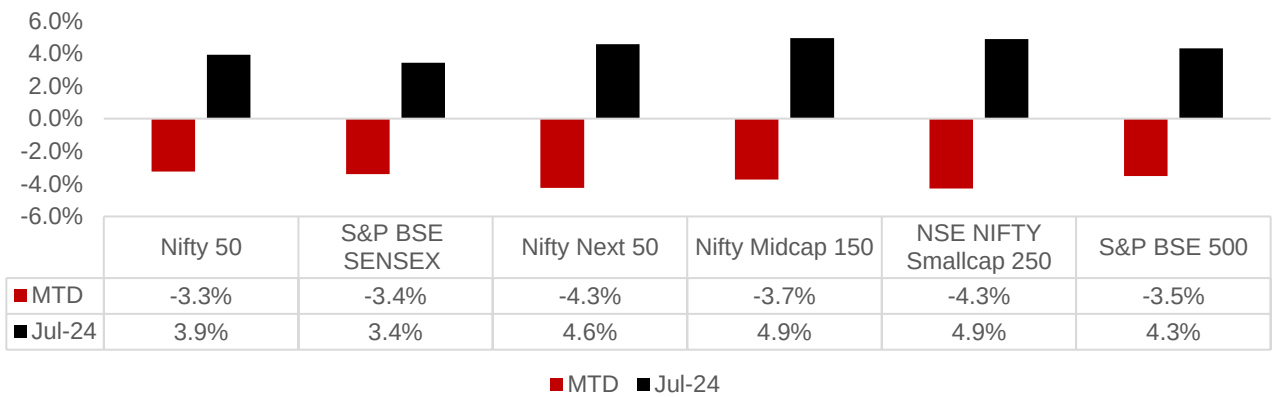
Indian Equity Update :

Overview:

On 1 August 2024, Nifty50 touched a lifetime high of 25,078. What followed was high volatility in the markets with the index correcting over 900 points to settle at 24,139 (as on 13th Aug) as a result of global slowdown, subdued Q1FY25 earnings, FII selling & concerns over valuations.

Performances of some of the key market indices for the month of July & MTD (till 13th Aug) is given below:

Broad Based Indices



Q1FY25 earnings so far:

India Inc has reported a muted start to the financial year 2024-25, with a decline in net earnings and a modest single-digit uptick in revenues.

An analysis of 488 companies that have released their results for the June 2024 quarter reveals a 1.6% year-on-year (Y-o-Y) drop in combined net profit, the weakest performance in the past seven quarters. In stark contrast, the combined net profit of these companies experienced a 13.6% Y-o-Y increase in the previous quarter (Q4FY24).

For Q1FY25, these firms reported combined net earnings of INR 2.65 trillion, a 9.5% decline from the record high of INR 2.93 trillion in Q4FY24 and a dip from INR 2.69 trillion in Q1FY24.

The subdued corporate results underscore challenges on the demand front.

Net sales (including gross interest income for banks and non-banking lenders) of these companies increased by 8.8 per cent Y-o-Y in Q1FY25.

While this represents a slight deceleration from the 9.1 per cent growth recorded in Q4FY24, it shows improvement compared to the 7 per cent growth in the corresponding year-ago period.

These companies reported combined net sales of Rs 25.57 trillion for the April-June 2024 period, down from Rs 26.12 trillion in the previous quarter but up from Rs 23.5 trillion in Q1FY24.

These 488 firms collectively account for nearly 60 per cent of the total market capitalisation of all companies listed on the BSE.

As in previous quarters, corporate earnings in Q1FY25 were primarily driven by the BFSI (banking, financial services, and insurance) and automotive sectors.

However, the oil & gas, mining, and metals sectors weighed heavily on overall earnings.

Notably, the contribution from the BFSI and automotive sectors declined in Q1FY25, with both sectors experiencing slower revenue and profit growth in the period under review.

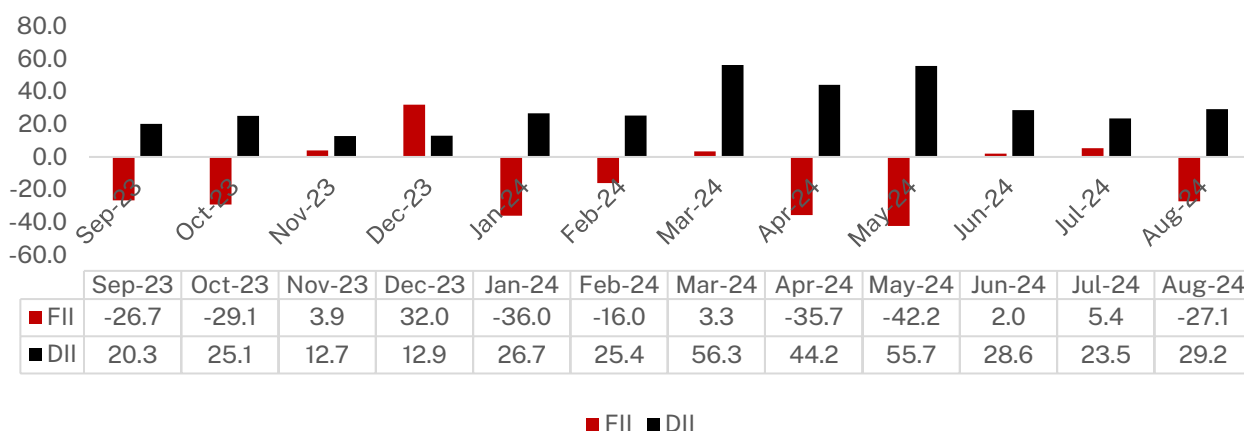
The aggregate performance was hit by a sharp drag from global commodities.

FII/ DII Flows:

After briefly being net buyers in June & July 2024, FII continued their selling spree in the Indian equity markets with total outflows worth Rs. 27,148 Crores in August (till 13th Aug) amid valuation concerns & global slowdown fears.

On the other hand, the domestic institutional investors (DIIs) continued their buying streak and invested Rs. 29,218 crores in August 2024 (till 13th Aug) into the equity markets.

FII/ DII Flows (in Thousand Crores)



Nifty-50 Valuations & Sectoral breakdown

The Nifty-50 is currently trading at 20.3x its one-year forward earnings:

Following the recent correction of over 3% from its all-time high level of above 25,000-mark at the beginning of this month, Nifty-50 is trading at a fair valuation compared to its 10 year forward average multiple of 20.4x.

The domestic and global cyclicals trade lower at 18.2x & 15.2x respectively (at one-year forward earnings). The Nifty-50 defensive basket trades at a forward multiple of 29x, which is at 43% premium to the Nifty-50 multiples.

BFSI (ex Insurance), Metals, Oil & Gas, and Utilities trade below the Nifty forward multiples.

Retail (67.7x), Telecom (39.2x), Consumer (37.0x), and Cement (32.6x) trade significantly above the Nifty P/E forward multiples.

On delivered earnings, Nifty trades at 23.1x, nearly at par with its history:

Twelve out of 17 sectors trade at a premium to Nifty-50 trailing multiples. The Telecom sector trades at a 67% premium to its historical trailing multiples, while its forward multiple trades at a mere 1% premium to its own history. This is due to the expected ~65% CAGR in earnings between FY24 and FY26.

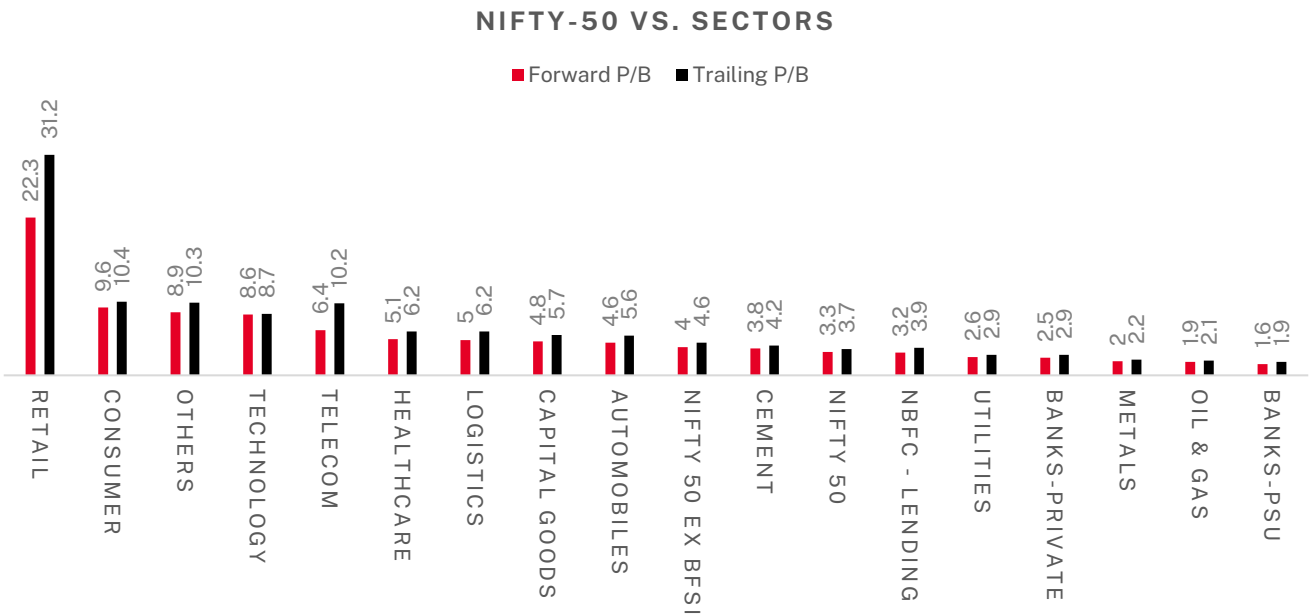
On forward P/B, Nifty trades at a 18% premium:

Nifty-50 trades at 3.3x/3.7x on forward/trailing P/B basis, while Nifty-50 (ex BFSI) trades at 4.0x/4.6x forward/ trailing P/B.

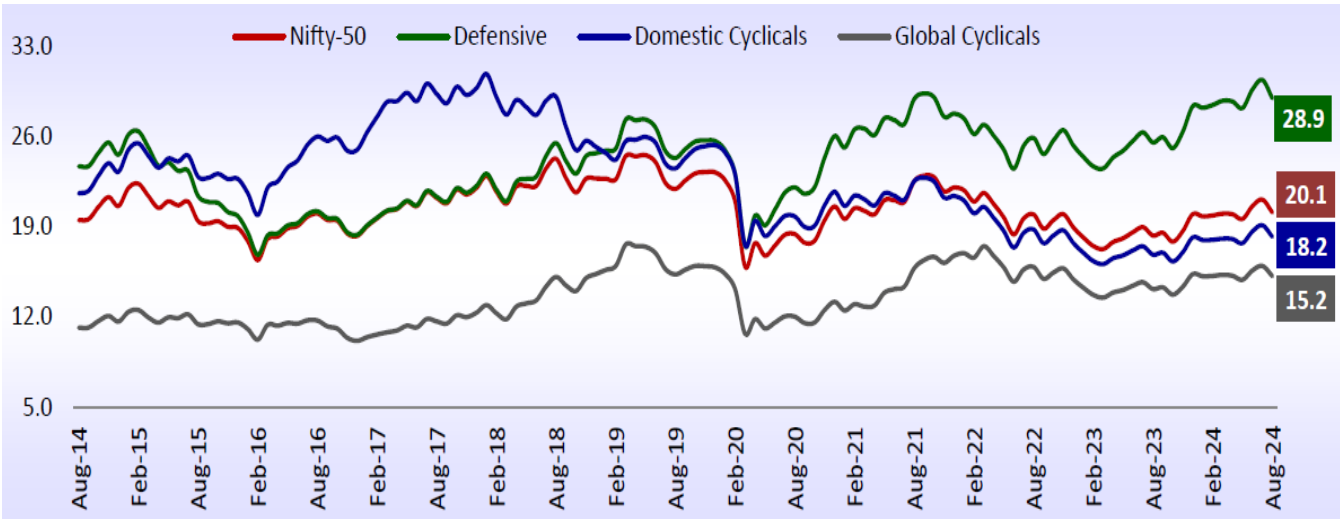
BFSI (ex-Insurance), Metals, Utilities, and Oil & Gas trade below the Nifty P/B forward multiples. Conversely, Retail (22.2x), Consumer (9.6x), Technology (8.6x) and Telecom (6.4x) trade at much higher P/B multiples as compared to Nifty-50. (Chart enclosed in the next page)

Sectors	Free Float P/E		Forward Averages	Premium/Discount	Trailing Averages	Premium/Discount
	Trailing	1 year Forward	Last 10-year Avg. P/E		Last 10-year Avg. P/E	
Automobiles	25.2	21.9	20.0	9%	23.9	5%
Banks-Private	18.8	16.4	19.9	-18%	24.0	-22%
Banks-PSU	10.7	8.7	10.1	-13%	11.2	-4%
Insurance	93.8	84.5	62.3	36%	70.9	32%
NBFC - Lending	23.9	18.4	19.4	-5%	24.4	-2%
Capital Goods	37.6	31.3	24.2	30%	28.1	34%
Cement	35.6	32.6	22.4	46%	24.0	49%
Consumer	40.0	37.0	31.9	16%	34.6	15%
Healthcare	38.8	31.8	29.5	8%	32.2	20%
Logistics	36.8	28.3	18.8	50%	22.0	67%
Metals	16.4	11.1	10.6	5%	12.2	35%
Oil & Gas	17.2	16.8	13.9	21%	15.2	13%
Retail	83.9	67.7	61.7	10%	74.2	13%
Technology	31.7	27.6	21.2	30%	22.3	42%
Telecom	73.9	39.2	38.9	1%	44.2	67%
Utilities	19.3	18.3	10.5	74%	11.1	74%
Others	104.5	85.3	53.9	58%	67.5	55%
Nifty 50	23.1	20.3	20.4	0%	22.5	3%
Nifty 50 ex BFSI	27.7	25.1	19.7	27%	20.1	38%

Source : MOFSL Research



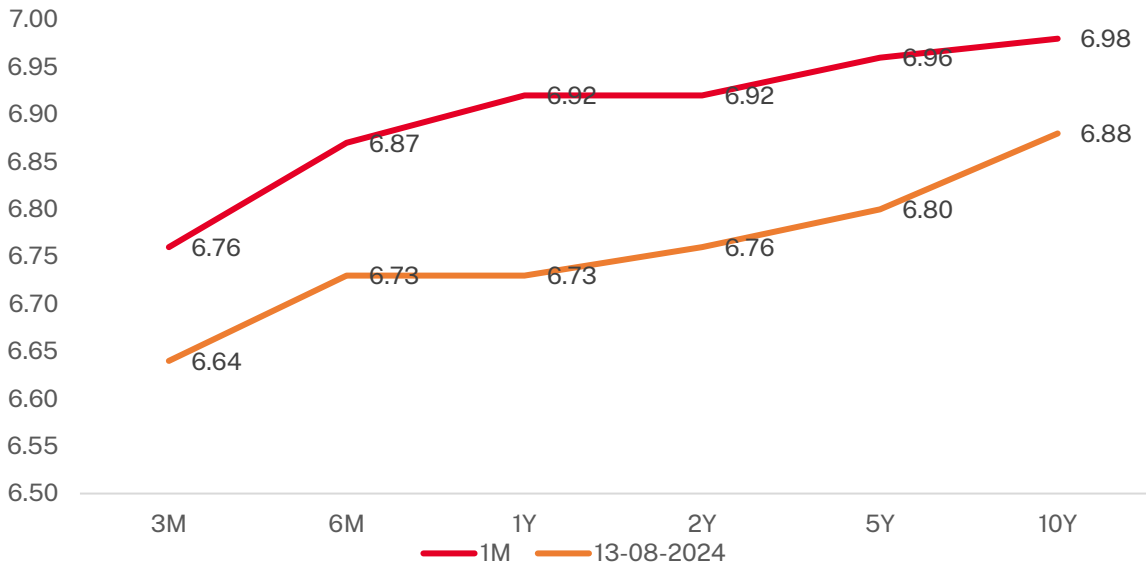
Source : MOFSL Research



Source : MOFSL
Research

India Fixed Income Update :

Indian sovereign yields, notwithstanding RBI’s ‘higher for longer stance’, has seen significant appreciation, tracking a favorable demand supply scenario, fall in US Sovereign yields and a sharp deceleration in Jul’24 CPI. The yield curve has witnessed a shift in the overall curvature since MTD Jun’24 with yields across tenors moving lower than 7% handle as can be witnessed in the graph below.



Highlighted below, are a few key existing and probable factors which are already impacting or further impact Indian fixed Income yields:-

- **US Yields trend lower :** US treasury yields came off sharply over the past month and more noticeably post the weak employment data. Yields across the curve, especially 1 year and beyond compressed between 30-40 bps.

- **System liquidity improves :** Indian system liquidity continued to be in surplus, the average daily liquidity remained surplus at 1.1 Trn in Jul'24 and increased to 1.4 Trn on an average in the first week of Aug'24. This surplus liquidity aided drop in shorter end yields.
- **Robust FPI Inflows in Jul'24 and MTD Aug'24 :** FPI flows in Indian debt markets remained robust in Jul'24 and MTD Aug'24 with combined inflows of USD 3.7 Bn. FPI holdings through the fully accessible route (FAR) saw significant upswing from INR 1.93 Trn as on 15th Jul'24 to INR 2.12 Trn as on 13th Aug'24 (~USD 2bn worth of inflows). Since 28th Jun'24, The FAR holdings inched up by USD ~2.8 Bn indicating flows through the ETF route.
- **Jul'24 CPI declines sharply:** India's headline inflation cooled off in Jul'24 to 3.54%, from 5.08% in the previous month. The decline was led by fall in food inflation, at 5.42% compared to 9.36% in the previous month. The headline CPI growth is the weakest in past five years. While the decline in CPI is noteworthy, base effect likely played a large part in the decline. RBI in their recent monetary policy hinted at holding on to benchmark rates till food inflation slowed down sequentially.
- **Budget sets the path towards fiscal prudence while RBI holds onto hawkish stance:** Market participants cheered the Govt's adherence to fiscal prudence with fiscal deficit target of 4.9% for FY'25 as compared to 5.6% in FY'24. RBI, however, in their latest monetary policy meeting reiterated their hawkish stance and didn't provide any glidepath on policy reduction.

OIS curve Remains Inverted:

The Indian Overnight Indexed Swap (OIS) Curve is normally taken as a lead indicator for the future interest rate trajectory. Compared to the 1-year OIS level of 6.74 and 5-year OIS level of 6.36 as of 15th Jul'24, they stood at 6.56 and 6.13 respectively as of 13th Aug'24. While the levels have cooled off across tenors, the inversion between 1 year and 5 year continues.

Investment Outlook :

Since our last published newsletter, a few events unfolded. The Union Budget on 23rd July and their stance with respect to tweaks in LTCG and STCG rates led to marginal uptick in volatility. This was followed by the BoJ's unexpected rate hike, coupled with weaker US economic data, set the proverbial cat amongst the pigeons, with significant spike in volatility as highlighted earlier. Also the recent escalations in the middle east and Russia – Ukraine and closer home in Bangladesh underline the fact that geo political undercurrents remain strong.

Indian equities have held up relatively stronger compared to their global peers with Nifty 50 only down 1.5% as compared to Nikkei, NASDAQ and S&P 500 which fell by 11.7%, 7.0% and 3.5% respectively over the past month. Indian Mid Cap and Small cap indices, represented by Nifty Midcap 150 and Nifty Smallcap 250 displayed higher volatility, declining by 1.8% and 3.4% respectively.

Indian economic outlook continues to be robust, with RBI and global agencies such as World Bank and IMF projecting the real GDP growth between 6.6%-7.1% for FY'25, thereby placing the country as the fastest growing economy. However, there has been some hints at deceleration in the economic engine, as has been captured in our Indian macro header earlier. Government spend on capex has been the resounding pillar contributing to the country's economic exuberance since Covid and may not sustain its growth momentum which means private capex has to step up. While there has been some green shoots with respect to private capex, weaker consumption patterns amidst weaker jobs growth and income dislocation has inhibited secular expansion in this space.

If the current earnings calendar is used as a barometer, the decline in topline and bottom-line growth across several sectors point towards ensuing headwinds in the economy and may lead to market consolidation. Hence, while we believe the Indian economy is at an inflection point with

respect to multi decadal growth and sustained economic momentum, the current market volatility may be used to revisit asset allocations as well as reassess the narrow risk premia assigned to a few sectors. Equity markets may continue to be exuberant as retail flows remain robust backed by stellar returns in CY'23 and YTD'24. However as we have witnessed over the recent past, it can also be witness to sharper drawdowns as volatility spikes. We also believe that outperformance via valuation re-rating may have already happened and going forward, earnings would increasingly form the basis for continued outperformance for equities as an asset class.

Indian fixed income looks poised to deliver superior risk adjusted returns basis a favourable demand scenario (backed by anticipated FPI flows and stable demand from DIIs), robust fiscal balance centred around policy continuity, easing inflation and peak interest rate environment. While there may be a probable extension in 'higher for longer' stance from RBI's MPC, we do visualise an interest rate cut over the next 9-12 months. Additionally, healthy corporate balance sheets and an upbeat macro-economic landscape augur well for investors looking at corporate bond issuances across the credit curve.

Tighter liquidity conditions combined with marginal uptick in volatility and green shoots with respect to sector rotation makes for attractive opportunities in the market neutral category as an asset class. The recent surge in volatility reinforces the need for a portfolio and asset class hedge at all points of time.

Deployment Overview:

We encourage investors to adhere to 'Asset Allocation' and calibrate investment decisions by carefully monitoring the ever-evolving economic and geopolitical data points. Marrying our in-house Asset Allocation framework with our current stance on markets (as explained above), we build an investment outlook as follows –

Equities : Over the past three years, Indian equity performance have been primarily driven by Value and Momentum style of investing, with quality investing taking a breather. This also explains the large outperformance of Mid and small cap segments as compared to large caps. Since 2023, while earnings have held up well, majority of equity returns have been achieved via valuations re-ratings backed by steady inflows from retail investors, primarily into lower free float stocks within segments like PSUs, Defense, manufacturing and realty to name a few. We believe that going forward, earnings will play a key role in driving stock prices as the exuberance around valuation re-rating dissipates. Stock selection, hence, is expected to play an increasingly important role and managers with proven track record in bottom up stock picking with a keen eye on valuations and displaying requisite agility with respect to portfolio reorientation may continue to outperform their peers. Certain segments within BFSI like private banks, insurance, NBFCs and pharma and consumption segments are being revisited owing to their relative undervaluation and partially explains the relative outperformance of Nifty 50 over its broader market peers over the past month.

Fixed Income: Indian fixed income yields have come off sharply over the past month owing to fiscal prudence at the center, along with a favorable demand supply scenario which is emerging currently via Index inclusion. While RBI continues to maintain a hawkish stance on rates, we believe we are poised towards an rate easing cycle over the next 6-9 months. The interest rate reduction cycle, however, may be shallow and limited to 75-100 bps of easing to be played out over next fiscal. The current scenario hence looks well poised to add to duration in the portfolio over the remainder of Q2 and Q3'CY'24. Corporate yields in the 2-5-year bucket meanwhile remain attractive and selective credit opportunities may be considered via pooled vehicles like AIF.

Precious Metals/ Inflation Hedge : Our view on maintaining a steady allocation to Gold and Silver has reaped steady returns for investment portfolios over the past year and we continue to be bullish on these commodities as a vital asset allocation tool, especially in the current economic and geopolitical backdrop.

Market Neutral and Volatility Hedge : If the past week is any indicator, volatility can witness sudden spikes driven by events both globally as well as locally. With US economy showing signs of weakening and ramifications of the Yen Carry trade unwinding still being assessed, we do not foresee volatility being subdued in the days ahead. We also shouldn't undermine the sudden geopolitical escalations as situation continues to unfold between Israel Palestine and Russia Ukraine with more countries (like Iran) in the fray. Hence, Volatility Hedge strategies primarily played out through a judicious mix of market neutral and select long-short strategies can be considered in the current scenario.

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