

# How did markets perform during the month of December 2023?

## Performance of PRP PMS Funds and outlook for 2024

### Equity:

Under owned parts of the market outperformed in December as seen from performance of India large caps and the U.S. small & mid-caps. Chinese and Japanese equities didn't participate in the rally. December witnessed India's market capitalisation climbing beyond \$4 trillion. On the basis of market cap to GDP, Indian equities appear rich but is it different this time? 2023 saw record inflows from FPIs. Domestic SIPs have reached \$2 billion per month. We expect flows to be supportive in the near term.

We remain constructive on Indian equities. Irrespective of outcome of 2024 general elections, three factors will influence equity returns – earnings, liquidity and rates. All the three factors bode well for risky assets' performance in the near term. But, slowdown in DMs coupled with lower global liquidity keep us cautious in the medium term. Most economists predicted recession in 2023 which remained elusive. For 2024, only a fraction of economists expect a hard landing! We shall see.

### Bonds:

Yields corrected sharply both in the U.S. and in India with the latter witnessing bull steepening as 2-year G-Sec yields fell by 20 bps compared to 11 bps for 10-year G-Sec during December.

### Rupee:

INR strengthened marginally in December as RBI kept buying Dollars. India's forex reserves have risen to \$620 bn, within striking distance of record high of \$640 bn. As the saying goes, no quantum of reserves is too high. Recent buying and selling of Dollar by RBI is indicative of higher dividend to the government.

### Brent Oil:

Crude oil has been subdued in spite of cut in output by Saudi and Russia. The U.S. becoming the largest producer and exporter of oil & petroleum products are headwinds for the price of crude oil.

### Gold:

The shining metal has come back to favour with the FED signalling pivot in interest rates and weakness in Dollar. Gold gained 0.7% in December in Dollar terms. RBI's mid-year assessment of the health of the Indian financial sector has sprung no negative surprises. The asset quality of Indian banks is on the mend. RBI's clampdown on unsecured lending is being interpreted as a pre-emptive measure, but does bring the focus back on stress in certain pockets of the economy. We remain wary of very high retail participation in the F&O segment. Markets look susceptible to shocks. Secondly, the Indian consumption story remains subdued with weakness in rural India. Investment led growth is driving India's story. On the positive side, better revenue collection has ensured responsible fiscal management. Direct tax collection has been strong. Fiscal deficit at end of November is 50% of FY24 target.

**Performance of our PMS Funds:** We had mixed performances during December. Two of our funds (Alphaa Better Risk Reward 30 Stocks Portfolio and AlphaaMoney Equity+ Portfolio) have seen improved performances over November end. Other two funds (Alphaa Focussed Small-Cap Portfolio and Alphaa MPT Plus Fund) have seen some deterioration in performance which we hope to reverse in coming weeks.

