Date: 01st August, 2022

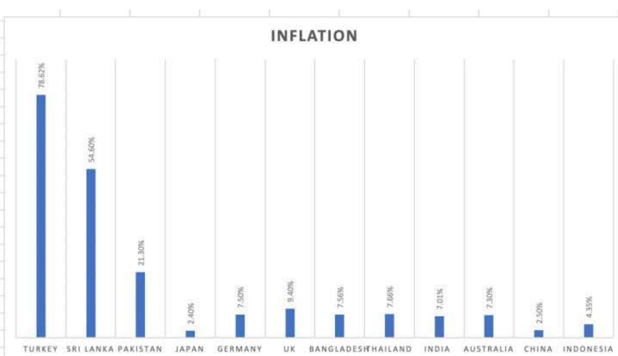
Dear Investor,

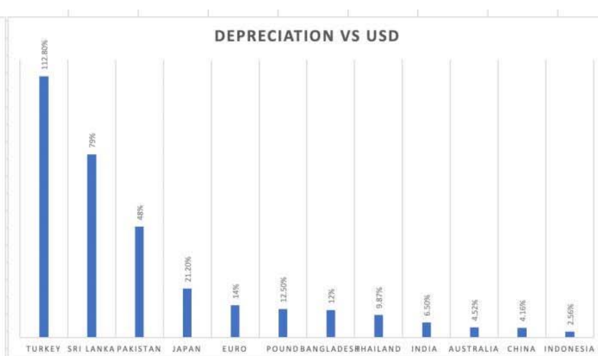
Hope all is fine with you and your loved ones.

The NSE benchmark index displayed remarkable improvement in July 2022 with the expectations of easing inflation. The index was nearly up 8.3% at 17157 after a deep cut of 15200 in June 2022. The FPI reversed their selling spree though buying in selective stocks. The Global Banks monetary policy had good impact on the demand compression in the developed economies thereby causing commodities to weaken. Most commodities such as metals, crude agricultural corrected roughly24% in July from their all-time highs, due to recessionary fears and global slow-down. The recent softening of stand by Fed on neutral rate in their 27-28th July22 meet after hiking another 75bps, sends positive signals on future rate hike besides removing the fear of recession backed by decent USLabor market. Thus, Fed may pause sooner than indicated to avoid any demand destruction and any action will be measured depending on inflation and economy. Similarly, RBI also we believe, will be watchful on July inflation numbers on their future stance on rate hike.

Inflation and currency depreciation

We give below the gist of inflation and currency depreciation (against $) faced by the world over and more so the emerging markets. It will be clear in the picture below, that how India has fared much better visa vis the emerging markets and developed markets. The currency depreciation was the main reason for the FPI sell off. Except for crude India has been nearly self-sufficient and the demographics of India and the aspiration took care of the rest with the Government supportive policies.





Source: FRED, KRIIS Research

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Our position on India stands vindicated for its resilience

As we maintained in all our earlier monthly notes about India's unique position in terms of demand and growth. We see India is in a unique position given its quite resilient domestic demand, self-sufficiency in major food items, deleveraged corporate balance sheet and Government policy measures supporting domestic manufacturing &infra spends and job creation. Higher direct and indirect tax collection during the Q1 2023 reflects the state of economic activity. Nevertheless, we believe India will continue to remain as a major growth engine and current geopolitical impasse will only increase economic opportunities in both domestic markets. It continues to be in advantageous position of being both consumption and production.

India remains attractive for FPIs going forward

India remains attractive destination and as and when the external factors show sign of subsiding, FIIs will start looking at India. The important point to note is the dollar index and valuation getting attractive. Hence our positive outlook remains on India notwithstanding the obviously challenging externals in geo-politics, commodity prices, central banks' action, reversing portfolio flows, etc. Also, the long-term bond yields in the US indicate a possible rate cut by March 2023 meaning 9.1% inflation in US is likely to be a peak inflation.

Portfolio Positioning

We reiterate the stance we have taken in our earlier reports and recommend investors to remain invested through thiscurrent turmoil and as stated earlier use additional liquidity and cash flows if any to top-up their existing equity allocations with a 2/3 year's view. Once we invest in fundamentally great companies and follow the principles of discipline and patience, success is a matter of when and not whether. Wishing you the best from KRIIS team and stay safe.

Thanks with Regards,
CA Rakesh Doshi
Principal Officer & Fund Manager
KRIIS – The Portfolio Management Company

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