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"The consensus estimates indicate ~23% earnings CAGR in FY20-23 period driven by financials, auto, energy, and IT sectors. Nifty now trades at 16.8x FY23 EPS.

We would advise investors to not to time the market and invest in a disciplined way in equities for the long-term within their earmarked asset allocation (based on one's risk profile). In the current market scenario, staggered investments through SIPs or STPs would remain one of the best ways to invest in equities."

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"In terms of our portfolio positioning, we remain focused on companies with faster earnings growth visibility. We continue to remain overweight on private sector banks on account of their ability to gain market share and maintain relatively higher growth rates.

Long-term structural drivers like demographic advantage, low household debt, limited penetration across different consumer categories, increased potential for financial savings and urbanization makes India a compelling equity story from medium to long term perspective.

We believe investors would be well advised to invest with medium to long term perspective and systematically increase exposure to Indian equity markets."

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Equity market valuations are broadly reasonable adjusted for the cyclical low in earnings and potential for revival going forward.

We remain bullish on equities from a medium to long term perspective.

Investors are suggested to have their asset allocation plan based on one's risk appetite and future goals in life.

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"Within domestic cyclical sectors we will be wary on Automobile sector because of the commodity cost pressure which can impact margins.

Global investment managers are shifting their focus & allocations from developed markets to Emerging markets after so many years. This could be a multi-year trend of USD depreciation Vs. Asian currencies including INR. Current covid situation can put a lid on the flows but as the cloud goes away FII flows can accelerate. We are very confident on the mid & small cap space with a five years view as they are coming out of underperformance period versus large caps."

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"As on 30 April 2021, NIFTY 50 was trading near 21x FY22E and 18.1x FY23E price to earnings ratio. In our view, these are reasonable multiples, especially given the low interest rate environment and optimism on economic recovery. Further, the gap between 10Y Gsec and 1Y-Forward NIFTY 50 Earning yield* stood at 1.2, below its 10-year average of 1.7. *Earning yield = 1/(one year forward P/E).

In view of the above, in our opinion, there is merit in increasing allocation to equities in a phased manner or in staying invested as the case may be (for those with a medium to long term view and in line with individual risk appetite). Significant rise in the spread of COVID-19, unwinding of expansionary fiscal and monetary stimulus, significant rise in crude oil prices, higher than expected NPAs, etc. are key risks in the near term."

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"We believe, economic recovery though delayed continues to remain on track as the Govt. and RBI are taking active measures to spur growth through structural reforms. With developed economies reporting strong set of activity numbers, demand recovery is expected which may benefit Indian exports.

The current macro-economic scenario is much more conducive for a Business Cycle Recovery as we are at the bottom of economic cycle and sentiments too are not euphoric. We continue to remain positive on sectors which are closely linked to the economy like Banks, Capital Goods, Infrastructure, Metals & Mining, etc. We believe Indian markets may recover and the following triggers play out - US acknowledging inflation & in conclusion pausing stimulus and US Treasury Yields reaching 2%."

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"The next few years is expected to be driven by the return of the investment cycle which is expected to add more muscle to economic recovery. The twin cylinders of investment and consumption is expected to fire up the growth through manufacturing and services. Our medium-term approach is to pursue a well-diversified portfolio strategy with focus on growth oriented companies, within the above themes of manufacturing, industrials, consumer, services and technology. "

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"Cyclical sectors are expected to lead the earnings growth trend. Sectors including financials (lowering concerns of asset quality, economic recovery), discretionary (improving demand), cement (volume growth, pricing power) and metals (rising global prices, better pricing power) are expected to post healthy earnings growth. Other sectors with positive outlook include IT (slower deal wins in Q4, but secular tailwinds through demand for digital support and outsourcing), healthcare (lower cost, traction in India and API businesses) and consumer staples (rural demand) among others. Impetus to private investment cycle from supportive factors such as economic revival, fiscal and monetary stimulus and focus on capex growth could further contribute to sustainability of earnings growth."

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"Global commodities continued their upward trajectory in April too with Brent up 5.8% in USD terms. One saw an all round firming up of all metals including iron ore, aluminium, copper, etc. With China continuing to cut capacities in steel, one saw a further firming up of steel prices across the world. This was well reflected as Metal stocks were amongst the best performers for April. "

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"With global liquidity remaining high and global markets being strong, the impact of second wave on Indian markets seem to be limited. We remain positive on medium to-long term. Any near-term volatility due to news flow around Covid-19 cases would be an opportunity to add equity exposure.

We continue to stick to growth companies with strong balance sheets in the portfolio."

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Once the pandemic subsides the economic activity should recover as we saw in the second half last year. However, given that a larger group of people have been impacted in the second wave, the consumer demand might take time to recover. As such, we think the markets will be in a sideways zone in the near term as while growth in sales and profit of companies is likely to be good, markets will watch for the slowdown of COVID cases, movement in inflation and bond yields and global risk appetite.

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"FY 2021 economic growth was attributed to resounding BHARAT unimpacted by COVID1.0. What will save FY2022 as COVID 2.0 has impacted urban as well as rural India. Thankfully, the number of cases have come down in May. Input costs for various industries have gone up by 40% to 80%. Such price shock may delay the nascent economic recovery."

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With this expected risk-off backdrop, we have pruned our exposure towards high beta stocks and sectors and consequently increased our exposure towards the current defensive sectors such as Pharmaceuticals, Healthcare, FMCG and select Banking stocks. The budget proposals have endorsed our view that this is the time to identify stocks and sectors that are currently under-owned, under-researched and under-valued. We believe that PSU stocks have the potential to generate Alpha as they best qualify our current market hypothesis.

Guided by our Dynamic Money Management practices and coupled with our VLRT Framework, we will be able to navigate our way through the expected tides of volatility as equity markets correct & consolidate due to changing macros.

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After the strong run up in the last one year, we expect market to go through a consolidation phase. During this phase we believe stock selection will be the key contributor to the overall portfolio returns.

We prefer to focus on existing leaders who are likely to disrupt/ innovate in their businesses to ensure that their leadership or competitive advantage remains strong. Value creation is imperative in investment viz, high standards of governance, high capital efficiency, strong moats and sustainable growth.

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- Rollout of the vaccine and continued fiscal / monetary support has underpinned equity market strength across the world
- There has been a sharp surge in global prices for metals and food; impacting inflation expectations
- Reforms undertaken over the past year and a supportive fiscal stance underpin India' growth recovery
- Companies that can navigate a challenging period are often well placed to accelerate growth, gain market share and profitability in the subsequent period as they face less competition
- Elevated valuations make the markets vulnerable to any sharp shifts in global liquidity, inflation expectations & Covid-19 resurgence in India

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'Whilst financing conditions have remained benign compared with last year, domestic demand and activity levels have started to soften across many sectors.

Service's sector may suffer sharper slow-down given lock-downs. **Manufacturing sector seems to be slightly better positioned given good order books and improving global growth outlook."**

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"**GST collections** in April hit a record monthly high of Rs 1.41 tn (from Rs1.24tn in March, +14.1% MoM). This was the 7th consecutive month with collections of more than Rs 1 tn. This is encouraging despite local/regional lockdown implemented in the second half of Apr.il States are resorting to localized restrictions, which are being reflected in weaker sequential momentum in high-frequency indicators like E-way bill, power demand and fuel consumption.
Having said that, the impact is expected to be temporary, and the cyclical recovery view remains intact."

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"Monsoon in 2021 is likely to be "normal" at around 98% of the long period average (LPA)

FIIs turned net sellers for the first time in 2021, recording outflows of ~$1.5bn in April (YTD +$5.7bn) vs net inflows of $2.2bn in March. DIIs on the other hand, ramped up buying to +$1.5bn (YTD -$1.7bn) and absorbed FII selling entirely. DII buying was on the back of buying by both Domestic MF (~$0.8bn, YTD -$2.9bn) and Insurance (~$0.7bn, YTD +$1.2bn)."

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"Maharashtra which was amongst the first states to enter the second wave has shown some signs of plateauing of infections. If this trend continues, there is hope that at the full country level too we may start witnessing moderation over the next few weeks. Moreover, while many states have announced localised lockdowns, the restrictions have been less stringent than feared. Sectors such as manufacturing, construction, agriculture, and logistics have been allowed to operate within specified guidelines. The second wave has also led to urgency on removing bottlenecks around vaccination and may eventually result in a greater proportion of population being inoculated over the next few months, in turn reducing the probability of another harsh wave subsequently."

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"**Manufacturing PMI:** Manufacturing PMI in April at 55.5, still in the expansionary territory, indicates less stringent lockdown conditions versus last year
Power consumption: Power consumption in the month of April was 11.5% higher MoM and 40% higher due low base as compared to the same period last year.
Core sector production: Core sector production increased by 6.8% YoY in March as against a fall of 3.9% in February and a fall of 8.5% in March last year. Steel production rose 23%, natural gas production rose 12.2%, cement production rose 32.4% and electricity production rose 21.6%.
Industrial Production: Manufacturing IIP fell by 3.7% YoY in February as against a fall of 1.3% YoY in January and a rise of 3.8% YoY in February of last year.
Credit growth: Credit growth declined to 6.5% YoY as of 9-Apr against YoY growth of 7.2% as observed on 10-Apr 2020. Aggregate deposit growth also declined marginally to 10.9% YoY."

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"Inflation is set to move higher in the coming months in most countries, given pressure from US fiscal stimulus packages, higher oil prices, supply bottlenecks (e.g. in shipping and semiconductors) and low base effects. We expect US CPI to approach 4% by May, while, in the Eurozone, inflation could rise above 2% in the final months of 2021.
But in both of these economies, we see inflation back below 2% in 2022 as base effects unwind and given the labour market slack."

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- No durable impact on the economy and markets from the second wave of Covid-19 infections
- Strong corporate earnings growth recovery
- Commodities & BFSI sectors are expected to dominate the new flow of earnings
- Mid-caps & small-caps expected to continue outperforming large-caps
- Overweight on Industrials, Cement and Banking & Financial services
- Investors should spread out their investments as the market is expected to be very volatile

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Thanks