MONTHLY INVESTMENT PERSPECTIVES APR-25

Wealth India

GLOBAL MACRO: U.S. HOLDING THE REST OF THE WORLD ECONOMIC RANSOM

Taxing imports in a bid to shore up fiscal revenues if enacted thoughtfully, perhaps by first eliminating exemptions, could be a viable strategy in the interim to plug the US fiscal hole. A 10% levy on ~$4trn of US imports will garner ~$300-400bn (ignoring elasticity) in tariff revenues vs. the $530bn collected in taxes in CY24. Consequently, the Trump administration is trying to make a pivot away from "loose fiscal and tight monetary policy" to a more sustainable "tight fiscal and loose monetary policy". This could indeed be sustainable debt dynamics – at the cost of elevated shorter-term rates in the near term, with the longer end seeing softening of yields and hence the usual inverted yield curve and, thus, an impending recession to reset this transition. Such a self-engineered recession is indeed a game of high stakes and questions the basic tenet of "Pax Americana", i.e. long world peace.

GLOBAL EQUITIES: "DEFENSIVE, HIGH DIVIDEND" CAPITALISING THE VOLATILITY

Given the rising policy uncertainties impacting corporate confidence, capital expenditures, and trade, which may drive earnings downgrades, caution should prevail in the equity market in the near term. In the worst-case scenario, where tariffs lead to a significant deterioration in economic growth, the SPX Index could potentially be derated further from the current level (20x P/E, 0.8x standard deviation above the 10-year average), implying up to double-digit downside risks (5-15% depending on severity). Prefer resilient high dividend/dividend growth stocks and suggest investors monitor macro data developments, policy pivots, and valuations for buy-on-dip opportunities, particularly in the services sectors and high-quality secular growth names with limited direct impact from tariffs. An uncertain macro environment presents opportunities to monetise volatility for yield-seeking clients through select structured products.

GLOBAL FIXED INCOME: FOCUS ON QUALITY

Despite the increasing risk of inflation, the risk of recession has also risen. With the Fed fund rate still above a neutral level, we think the Fed's response will be asymmetrically dovish to downside growth risk. The Fed may adopt a wait-and-see approach but is likely to pivot to rate cuts later this year. According to JP Morgan, every 10pp effective rise in US tariffs could potentially knock off 1pp from US growth. Growth concerns should outweigh inflation concerns, driving US Treasury yields lower. This would support the performance of global investment-grade credit in the current environment. It is expected that spreads will widen further due to the growing recession risk. High-yield bonds are anticipated to be more vulnerable than investment-grade bonds amidst the global economic slowdown. Maintain a preference for 3-7year USD investment-grade bonds as core holdings and a selective approach to high-yield bonds.

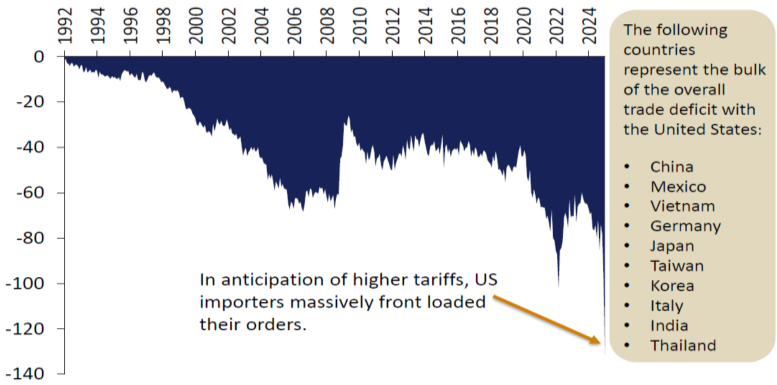
GLOBAL COMMODITIES: GOLD ETF INFLOWS SURGE GLOBALLY

Gold continues to shine as a standout asset for portfolio diversification and a reliable hedge against inflation, particularly in the current economic landscape marked by weak growth and elevated inflation risks. Structural demand from central banks remains robust, with official sector purchases exceeding 1,000 tonnes for the third consecutive year in 2024, underscoring its enduring appeal. This year, additional positive catalysts have emerged, including the return of ETF buyers and regulatory changes in China that now permit domestic insurers to invest in Gold. Global gold ETF holdings have surged nearly 5moz YTD, with February's net buying of over 3moz marking the strongest monthly increase since 2020, though these levels remain below the record highs of five years ago.

Persistent inflows into gold ETFs are evident across various regions, with a notable sharp rise in China—despite accounting for only 4% of global holdings—reflecting strong local interest. Furthermore, since December 2024, over 600 tons of Gold have been transported from London to vaults in New York amid tariff threat concerns. Our **view remains neutral on Gold**

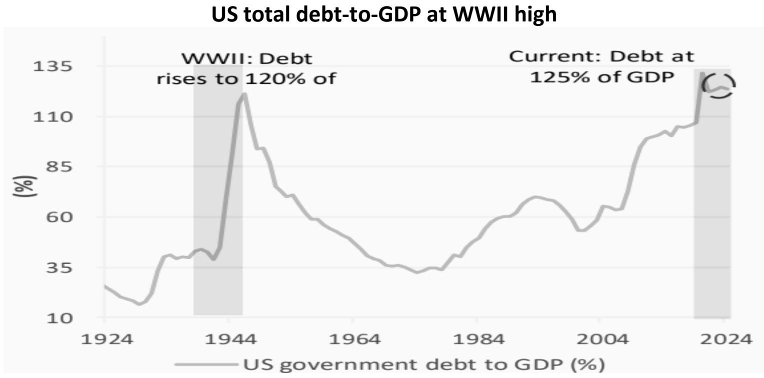
US importers have been front loading their orders

US trade balance, in USD bn, monthly



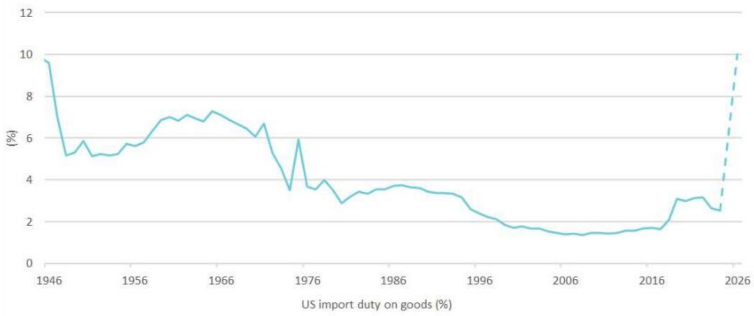
Source: Macrobond, LGT

US total debt-to-GDP at WWII high



Source: Bloomberg, Nuvama

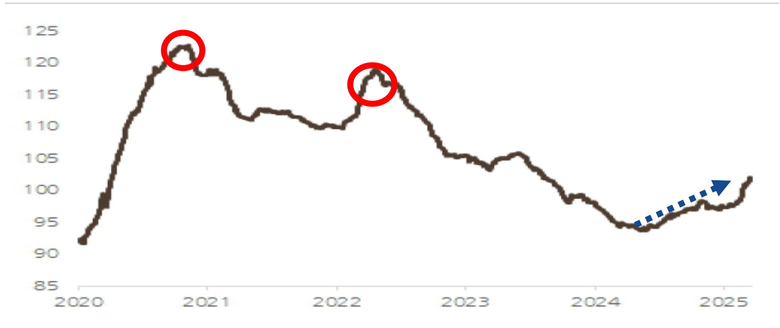
US weighted average tariffs to rise sharply



Source: St. Louis Federal reserve, Bloomberg, Nuvama

Note: Import duty – dividing the total customs duties by the value of imported goods. Dotted line representsbaseline tariffs announced on Liberation Day—actual tariffs could higher.

Global Gold ETF Holdings (moz) have been trending higher, still low compared to cycle highs



Source: Bloomberg, LGT

INDIA MACRO: FINDING WAYS TO ADJUST TO TARIFF NEGOTIATIONS

The US is a significant part of the World: the United States of America (USA) accounts for 25% of the global GDP. The USA has just announced a baseline reciprocal tariff of 10% on all countries. India stands relatively better off (26%) vs. other countries: China 34%, EU 20%, Taiwan 32%, and Japan 24%. US Tariffs seek to narrow trade deficits of $1 trillion per year. The US exports $3 trillion vs. $4 trillion in imports. Until the talks conclude, there is a 10% base tariff on all 180 countries. Indian economy and its effect on markets would be global in nature, though India is better placed, thankfully, vs. the 180 countries on which US Tariffs have been imposed. The EU, China, India and all countries have lined up bilateral talks with the US over the next six months. India's bilateral negotiations with the US are scheduled for Aug or Sep-25; until then, no new tariffs should emerge, save for the recently announced potential Pharma tariffs. If bilateral talks progress well, tariffs can be rolled back. While the headline number of 26% tariff India appears optically high, it is sector-dependent, and overall, India's macros remain in fine fettle.

INDIA EQUITIES: BUYING THE DIPS

India remains a potent global economic force with the 5th largest GDP and stock market capitalisation. Consumption, manufacturing and technology multiplier effects remain the three key drivers of GDP expansion. For perspective, when the US economy touched $ 4- 5 trillion GDP and/or market capitalisation, their stock markets delivered a 9-20% CAGR over the subsequent 5-10 years. India is at that inflexion point right now. And while tariffs are a spot of bother, the Indian economy remains inwardly focused with ~80% domestic facing. Delivered earnings growth remains one of the best in the world, with excellent bottom-line growth potential (save, perhaps, in the US). Despite being the largest expected contributor to global GDP growth, Indian equity valuations seem to reflect potential negatives, with the NIFTY50 trading at '-1 standard deviation' from its five-year averages. The broader market, including smaller companies, makes up about 42% to 50% of the landscape.

With favorable macroeconomic factors, India effectively turns challenges—like U.S. tariffs and oil imports—into investment opportunities, particularly in new-age exports and renewable energy investments.

The distribution of capital expenditures, consumption, and investible sectors in India is well diversified compared to historical trends. We believe the downside to corporate earnings is limited due to this positive macro environment, which supports our **"Overweight" (OW) stance on equities relative to bonds**. In the current volatile market environment, instead of being overly cautious, investors should view this as an opportunity to meet their asset allocation goals by investing gradually. From an allocation standpoint, **the risk-reward balance still favors large-cap stocks over mid-cap** stocks, primarily due to the significant changes in valuations that provide a margin of safety.

INDIA FIXED INCOME: 2025 – A YEAR TO CAPITALISE

The Indian fixed income market witnessed a broad-based rally across the yield curve in March 2025, driven primarily by increased expectations of rate cuts by the Reserve Bank of India (RBI) and favorable macroeconomic indicators. The 10-year benchmark Government Security (G-sec) yield declined by 15 basis points (bps) on a month-on-month basis, settling at 6.58% as of March 31, 2025, compared to 6.73% at the end of February 2025. This rally reflects the market's anticipation of an accommodative shift in monetary policy in the coming quarters, with a growing consensus around a shallow easing cycle in the second half of 2025. Currently, the yield curve remains relatively flat, with the spread between the 10-year and 1-year G-sec narrowing to just ~15 bps, indicating a muted term premium, mainly due to strong demand in the belly and long end of the curve.

Going forward, we foresee a moderate 50-75 basis-point rate cut cycle by the RBI, towards the end of 2025. With inflation expected to remain comfortably within the MPC's target band and domestic growth poised to return to its long-term potential, the policy environment is expected to turn incrementally accommodative. With this, we believe the curve is likely to steepen from here, where we expect the 10-year G-sec yield to trade in a range of 6.35-6.55% in the near term.

From an investment perspective, seeing the current macro dynamics, we recommend **maintaining an overweight position in the medium- to long-end of the yield curve**, as it offers an attractive carry and duration play. Given that bond yields typically adjust early to shifts in the interest rate cycle, the 3–6-year segment appears particularly compelling from a risk-reward standpoint. Additionally, we are shifting to a **Neutral view on Government Securities (G-Secs) compared to Corporate Bonds, given the relatively widened spread dynamics.**

CURRENCY: NEW PLAZA ACCORDS ON THE CARDS?

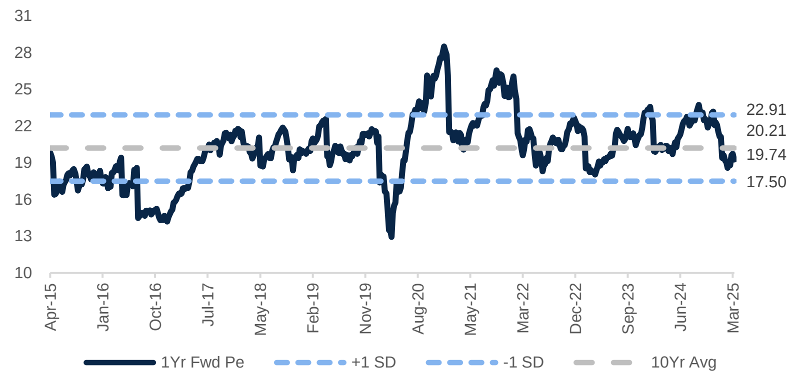
While the greenback has been strengthening on the back of the perceived safe haven status of the USD, during the 1980s there was a solution to this similar condition that existed then. While dubbed the Plaza Accords then, now the Mar-a-Lago accords could be a way out of the current economic harsh reset developed by Trump. The basic concept is that leading governments and central banks work in a coordinated way to significantly depreciate the US dollar. Accordingly, there could be some re-rating in the REERs of certain depressed currencies should such reversions occur. The INR had been shielded by the RBI for a fare degree of time and hence has not seen such devaluations but the Trump tariff regime is certainly volatile. Given the various factors at play, **we are maintaining a neutral stance on the exchange rate between the U.S. dollar and the Indian rupee (USD vs INR).**

India's Exports to the U.S. (loosely, U.S. imports from India)

Product	GICS	India Export (USD bn)	Weighted Average Tariff (%)			Range of Prior US tariff on India exports	US Reciprocal Tariff Impact		
			India	Prior US	Difference		New US Tariff	Positive	Negative
Chemicals & Pharma	Healthcare	10.5	9.7%	1.0%	8.7%	0%-5%	Exempt	Yes	
Electrical, telecom & Electronics	Industrials	11.1	7.6%	0.4%	7.2%	0%-5.4%	Minimum 10.0%		Yes
Diamond Gold & products	Consumer Discretionary	9.9	15.4%	2.1%	13.3%	0%-10%	Minimum 10.0%		Yes
Textile & Clothing	Consumer Discretionary	8.9	10.4%	9.0%	1.4%	0%-28.2%	Minimum 10.0%		
Machinery	Industrials	6.2	6.6%	1.3%	5.3%	0%-7.17%	Minimum 10.0%		Yes
Agricultural	Consumer Staples	2.9	37.7%	5.3%	32.4%		Minimum 10.0%		Yes
Iron, Steel & products	Materials	3.3	4.5%	2.0%	2.5%	0%-12.5%	Minimum 10.0%		Yes
Auto & Auto Component	Consumer Discretionary	2.6	24.1%	1.0%	23.1%	0%-7.15%	25.0%		Yes
Plastic, articles	Materials	0	9.9%	4.4%	5.5%		Minimum 10.0%		Yes
Medical, leather, paper, glass, ships, aircraft and remaining category	Materials	0.7	9.7%	2.8%	6.9%		Minimum 10.0%		Yes
Ores, minerals & petroleum	Materials	5.8	2.3%	6.7%	-4.4%				
Others		15.6							
Total		**77.5**	**17.0%**	**2.5%**	**14.5%**		**26.0%**		

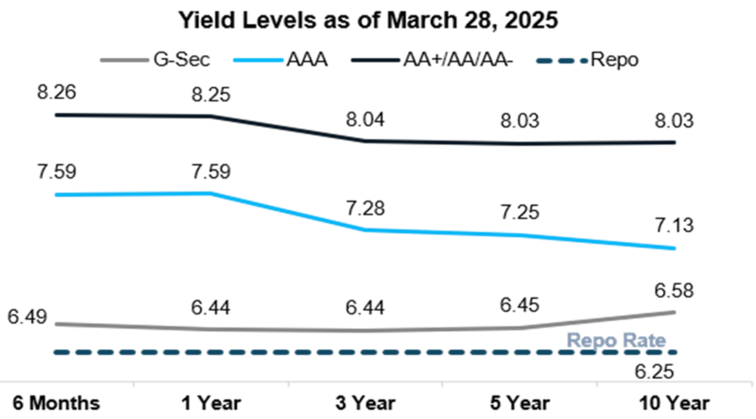
Source: I-Sec, CY23, LGT India

India Valuations now Fairly Attractive



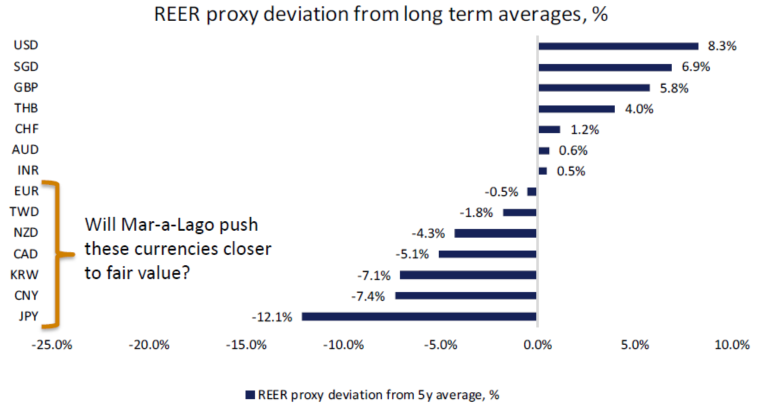
Source: Bloomberg

Debt Market Snapshot



Source: Bloomberg

Mar-a-Lago Accords: Too soon to judge? But could counter unorthodox Trump



Source: BIS, LGT, latest REER valued proxied by changes in the NEER, LGT, Feb 2025

TACTICAL ASSET ALLOCATION (TAA) VIEWS & PERFORMANCE

Asset Class Pairs	View	Favouring	Start Date	End Date / Open	Call Status	Alpha Return
Equities Vs Bonds	Positive	Equities	31-Dec-18	30-Apr-19	Close	5.90%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Dec-18	31-Jan-20	Close	-8.00%
Short Term Vs Long Term	Positive	Short Term	30-Nov-18	31-Dec-21	Close	-6.00%
USD / INR	Positive	USD	30-Nov-18	31-Jan-19	Close	2.20%
USD / INR	Positive	USD	31-Mar-19	30-Apr-19	Close	0.60%
USD / INR	Positive	USD	31-Jul-19	31-Dec-19	Close	3.70%
Gold Vs Cash	Negative	Cash	30-Nov-18	28-Feb-19	Close	-7.60%
Gold Vs Cash	Positive	Gold	31-Mar-19	30-Jun-21	Close	32.00%
Equities Vs Bonds	Positive	Equities	30-Nov-20	30-Apr-21	Close	11.80%
USD / INR	Negative	INR	31-Dec-20	31-Jan-21	Close	0.20%
USD / INR	Positive	USD	28-Feb-21	31-May-21	Close	-1.20%
USD / INR	Negative	INR	31-Aug-21	30-Sep-21	Close	-1.70%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Oct-20	30-Nov-21	Close	26.70%
Equities Vs Bonds	Positive	Equities	31-May-21	30-Nov-21	Close	8.90%
Short Term Vs Long Term	Positive	Short Term	30-Nov-18	31-Dec-21	Close	-5.90%
USD / INR	Positive	USD	31-Oct-21	31-Dec-21	Close	-0.70%
Gold Vs Cash	Positive	Gold	31-Jul-21	31-Jan-22	Close	-2.60%
Large Cap Vs Mid Cap	Positive	Large Cap	31-Dec-21	30-Apr-22	Close	0.90%
Gold Vs Cash	Positive	Gold	28-Feb-22	31-May-22	Close	-1.80%
Short Term Vs Long Term	Positive	Short Term	28-Feb-22	30-Jun-22	Close	2.20%
USD / INR	Positive	USD	31-Jan-22	31-Jul-22	Close	6.20%
Large Cap Vs Mid Cap	Positive	Large Cap	30-Jun-22	31-Jul-22	Close	-2.80%
Equities Vs Bonds	Positive	Equities	31-Dec-21	30-Sep-22	Close	0.80%
USD / INR	Negative	INR	31-Jul-22	30-Sep-22	Close	-2.60%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Jul-22	30-Nov-22	Close	-0.60%
USD / INR	Positive	USD	30-Sep-22	30-Nov-22	Close	0.10%
Gold Vs Cash	Negative	Cash	30-Jun-22	30-Sep-22	Close	6.50%
Equities Vs Bonds	Positive	Equities	31-Oct-22	31-Dec-22	Close	-2.00%
Large Cap Vs Mid Cap	Positive	Large Cap	30-Nov-22	31-Dec-22	Close	-1.80%
USD / INR	Negative	INR	31-Dec-22	31-Jan-23	Close	1.00%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Dec-22	31-Jan-23	Close	1.00%
Large Cap Vs Mid Cap	Positive	Large Cap	31-Jan-23	28-Feb-23	Close	-1.10%
USD / INR	Positive	USD	28-Feb-23	31-Mar-23	Close	-0.60%
Large Cap Vs Mid Cap	Positive	Large Cap	31-Mar-23	30-Apr-23	Close	1.70%
Corp Bonds Vs G-Secs	Positive	Corp Bonds	30-Nov-18	30-Jun-23	Close	7.80%
Short Term Vs Long Term	Positive	Short Term	30-Nov-22	30-Jun-23	Close	-0.97%
Equities Vs Bonds	Positive	Equities	31-Mar-23	30-Jun-23	Close	8.10%
Gold Vs Cash	Positive	Gold	30-Nov-22	31-Jul-23	Close	8.80%
USD / INR	Negative	INR	30-Apr-23	31-Aug-23	Close	-1.20%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Jul-23	31-Jul-23	Close	6.10%
Gold Vs Cash	Negative	Cash	30-Sep-23	31-Oct-23	Close	-6.32%
USD / INR	Positive	USD	30-Sep-23	31-Dec-23	Close	0.20%
Gold Vs Cash	Positive	Gold	31-Dec-23	30-Jun-24	Close	10.14%
USD / INR	Negative	INR	31-Dec-23	30-Sep-24	Close	-0.71%
Gold Vs Cash	Negative	Cash	30-Jun-24	30-Sep-24	Close	-12.32%
Corp Bonds Vs G-Secs	Negative	G-Secs	31-Jul-23	31-Mar-25	Close	-0.13%
Short Term Vs Long Term	Negative	Long Term	30-Jun-23	31-Mar-25	Open	-5.50%
Large Cap Vs Mid Cap	Positive	Large Cap	30-Sep-23	31-Mar-25	Open	-4.58%
Equities Vs Bonds	Positive	Equities	30-Nov-24	31-Mar-25	Open	-6.16%

M-o-m Summary	Equity vs Bonds	Large vs Mid	Corp. Bond vs. G-Secs	ST vs LT	USD vs. INR	Gold vs Cash
% of Months calls issued	49.4%	83.1%	97.4%	90.9%	61.0%	77.9%
Success Ratio (%)	59.5%	46.0%	57.3%	50.7%	55.3%	56.7%
Avg. positive alpha	4.2%	2.4%	0.6%	0.6%	1.0%	3.8%
Avg. negative alpha	-2.7%	-2.3%	-0.6%	-0.9%	-0.7%	-3.3%
Avg. alpha	1.4%	-0.1%	0.1%	-0.1%	0.2%	0.7%

Source: Bloomberg. Assuming a 6% annualised yield for cash. Note: Returns as of 31st March 2025.

GLOBAL ASSET PERFORMANCE SNAPSHOT

	Asset	Current	1m	3m	6m	1y		Current	1m	3m	6m	1y
	Equities						Commodities					
Global	S&P 500 INDEX	5,612	-5.8%	-4.6%	-2.6%	6.8%	TR Commodity CRB Index	309.3	2.5%	4.2%	8.5%	6.5%
Global	EURO STOXX 50 Price EUR	5,248	-3.9%	7.2%	5.0%	3.2%	Indian Crude Oil Basket	75.6	-1.4%	-0.1%	3.2%	-11.3%
Global	FTSE 100 Index	8,583	-2.6%	5.0%	4.2%	7.9%	Brent	74.7	2.1%	0.1%	4.1%	-14.6%
Global	Nikkei 225	35,618	-4.1%	-10.7%	-6.1%	-11.8%	Gold	3,123.6	9.3%	19.0%	18.6%	40.1%
India	NSE Nifty 50 Index	23,519	6.3%	-0.5%	-8.9%	5.3%	Aluminium	2,516.2	-4.0%	-0.8%	-4.0%	9.1%
India	NIFTY Midcap 100	51,672	7.8%	-9.7%	-14.1%	7.5%	Copper	503.4	11.5%	25.0%	10.6%	25.6%
India	NIFTY Smallcap 100	16,096	9.5%	-14.2%	-16.1%	5.4%	Corn	457.3	0.8%	-0.3%	7.7%	3.5%
India	NSE Nifty 500 Index	21,340	7.3%	-4.6%	-12.0%	5.4%	Soyabean	1,014.8	-1.1%	-0.7%	-7.9%	-15.2%
	Fixed Income						Currencies					
Global	US Generic Govt 10 Yr	4.21%	4.21%	4.57%	3.78%	4.20%	Dollar Index	104.21	-3.2%	-3.9%	3.4%	-0.3%
Global	German Bunds	2.74%	2.41%	2.36%	2.12%	2.30%	EUR/USD	1.08	4.3%	4.5%	-2.9%	0.2%
Global	JGB 10Yr Comp Yield	1.50%	1.38%	1.11%	0.89%	0.75%	USD/JPY	149.96	-0.4%	-4.6%	4.4%	-0.9%
Global	UK Gilts 10 Yr	4.68%	4.48%	4.57%	4.00%	3.93%	GBP/USD	1.29	2.7%	3.2%	-3.4%	2.3%
Global	China 10Y	1.82%	1.78%	1.68%	2.21%	2.30%	USD/CHF	0.88	-2.1%	-2.5%	4.6%	-1.9%
India	India 10Y	6.58%	6.73%	6.76%	6.75%	7.06%	USD/CNY	7.26	-0.3%	-0.6%	3.4%	0.5%
India	FBIL FBTB12M	6.44%	6.53%	6.68%	6.55%	6.99%	USD/HKD	7.78	0.0%	0.2%	0.1%	-0.6%
India	India 10Y AAA	7.20%	7.31%	7.24%	7.31%	7.52%	USD/INR	85.46	-2.3%	-0.2%	2.0%	2.5%
India	India 1Y AAA	7.41%	7.74%	7.78%	7.69%	7.76%	USD/CAD	1.44	-0.5%	0.0%	6.4%	6.3%

Source: Bloomberg Equity/Fixed Income Returns/Yields in local currencies. Commodities in USD. Numbers for Fixed Income are Yields as of March 31, 2025.

Glossary:

US: United States, GDP: Gross Domestic Product, EU: European Union, SD: Standard Deviation, CAGR: Compounded Annual Growth Rate, RBI: Reserve Bank of India, G-Sec: Government Securities, bps: Basis Points, REER: Real effective exchange rate, PE: Price to Earnings Ratio, MPC: Monetary Policy Committee

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