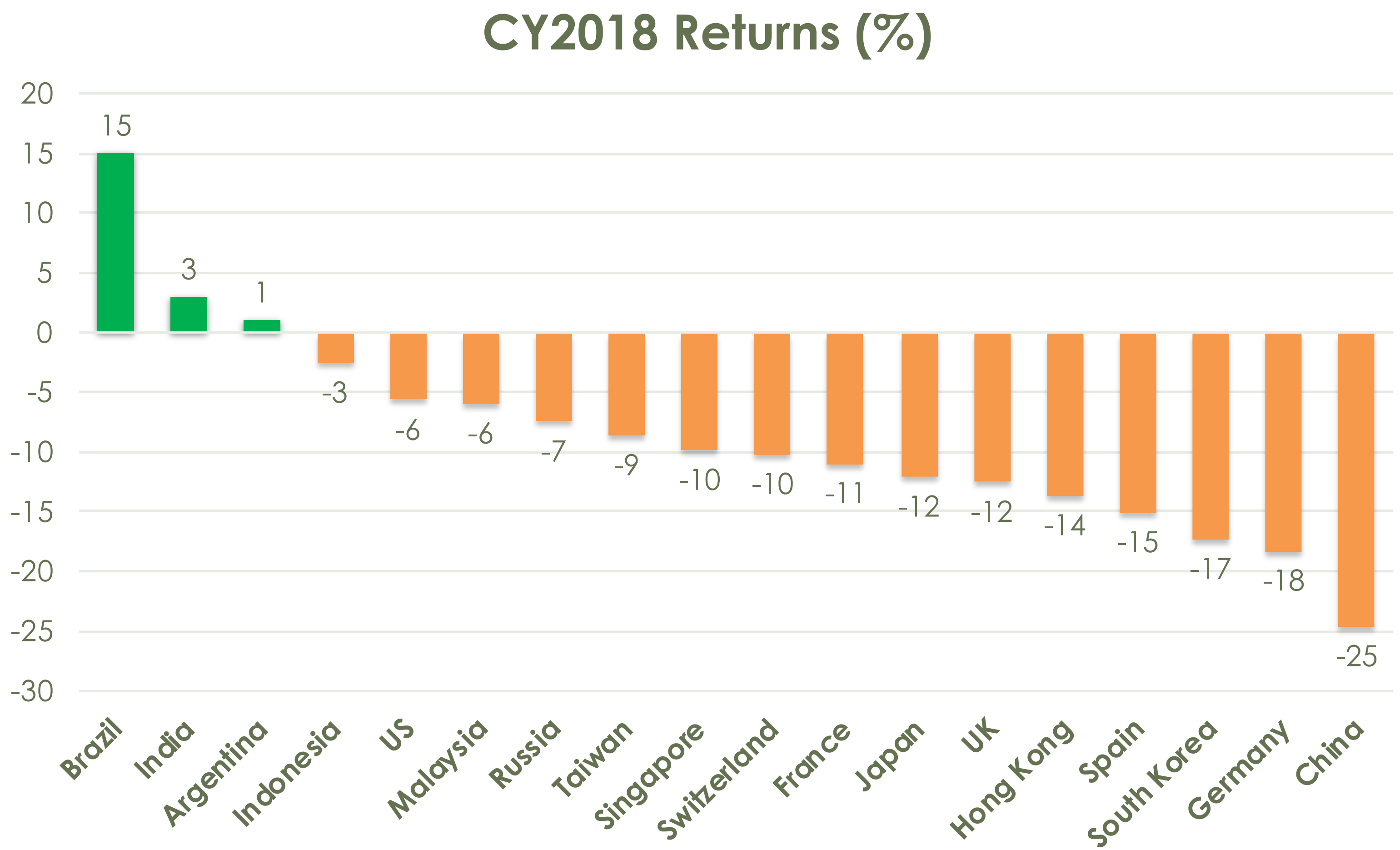
TOP 10 ISSUES FOR 2019

I-CAN FINANCIAL SOLUTIONS

Citrus Advisors

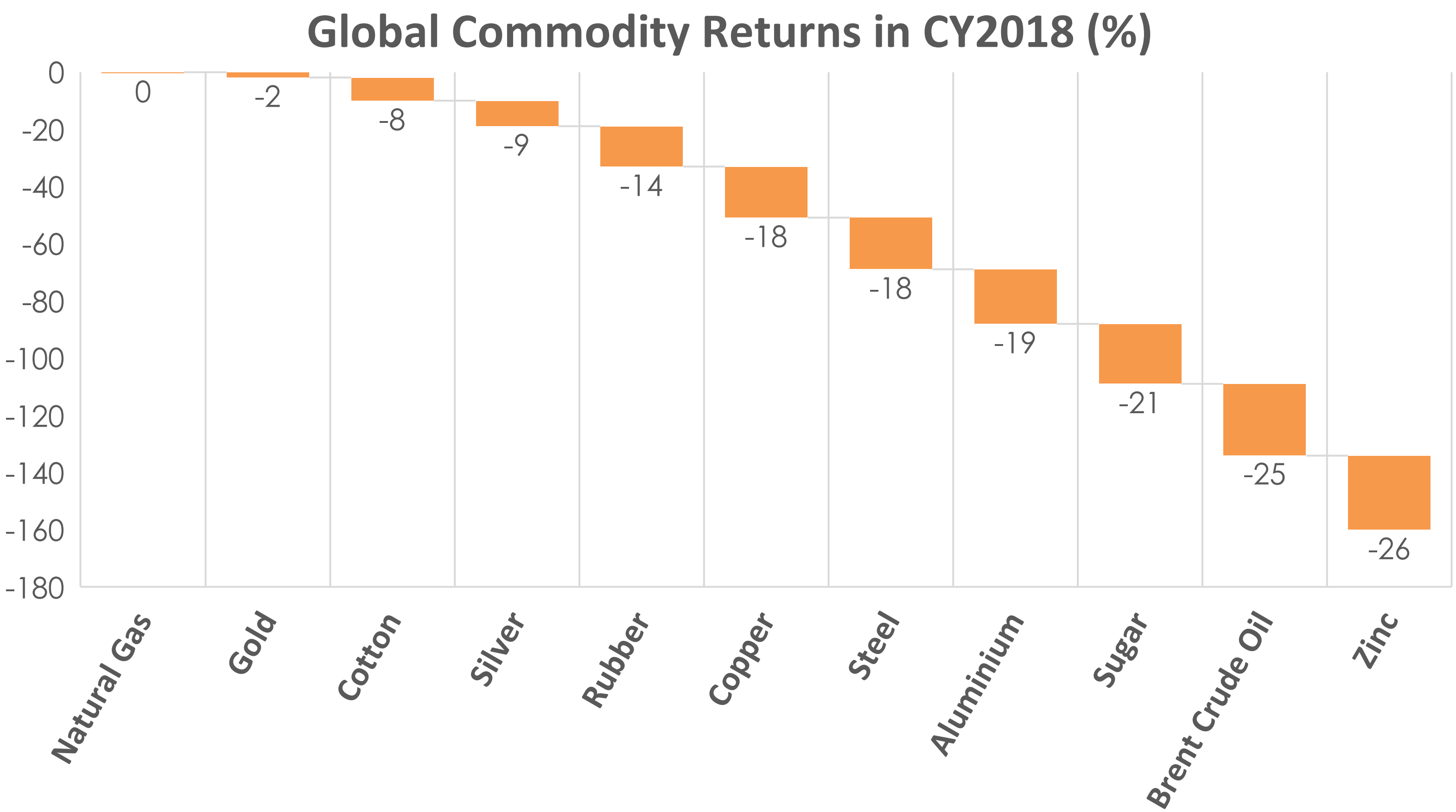
GLOBAL MARKETS IN 2018

A) EQUITY



GLOBAL MARKETS IN 2018

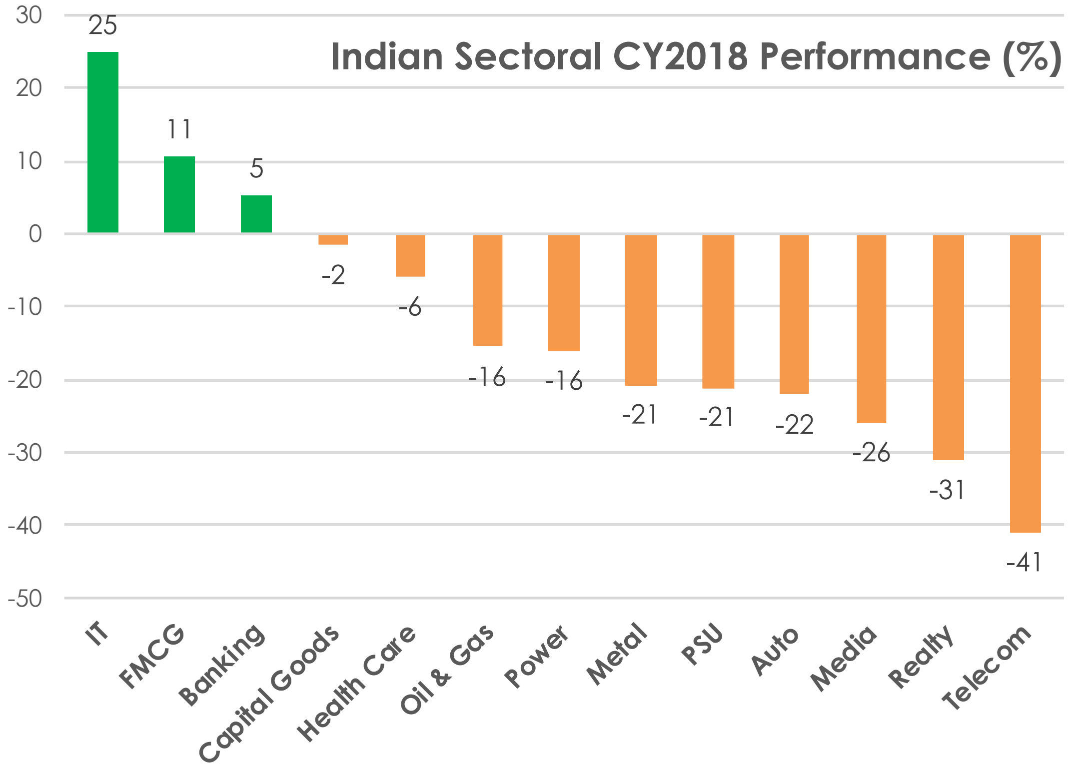
B) COMMODITIES



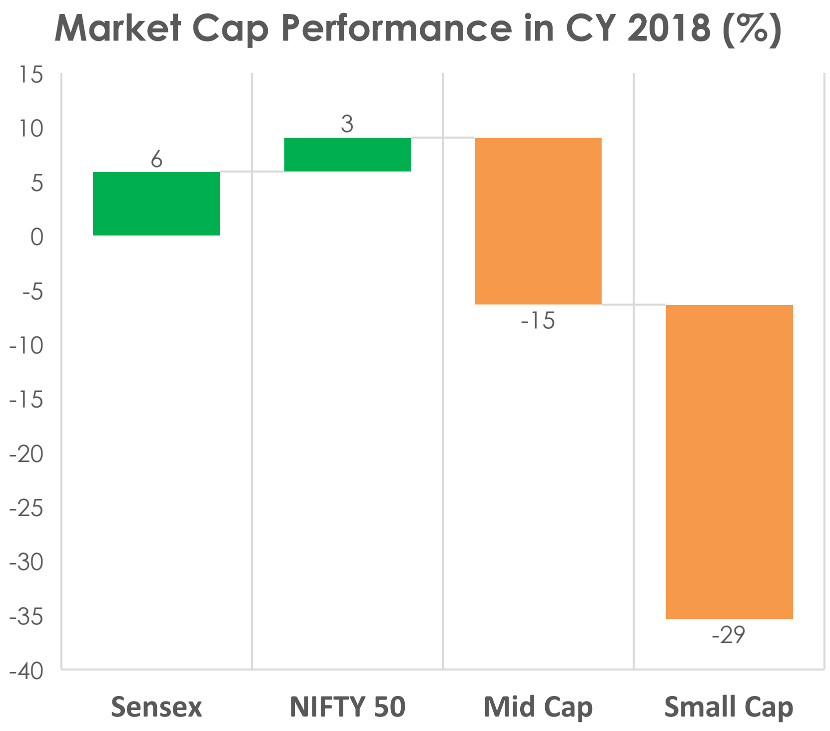
INDIAN MARKETS IN 2018

A) EQUITY

Sector Performances in CY2018

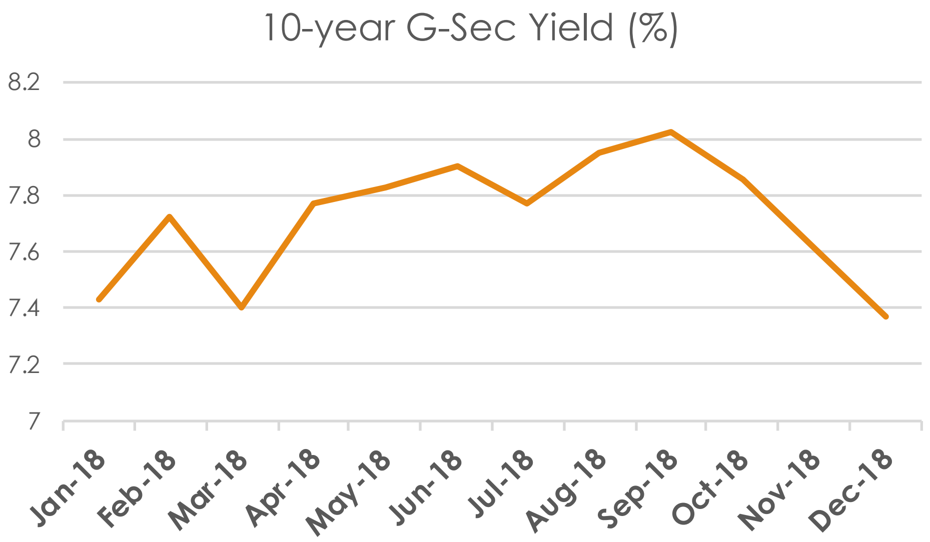


Market Cap Performances in CY2018



INDIAN MARKETS IN 2018

B) DEBT



	31-Dec-17	31-Dec-18	Difference in basis points
Call Rate	5.9	6.53	63
91 Day T-Bill	6.2	6.75	55
6 Month T-Bill	7.33	6.84	-49
1 Yr T-Bill	7.53	6.92	-61
10 year AAA Corp Bond	7.77	8.52	75
10 year AA Corp Bond	8.2	9.06	86
10 year G-sec Yield	7.34	7.37	3

- Bond yields were affected in 2018 due to the liquidity crisis that engulfed the NBFC market after IL&FS defaulted on a series of debt payments September onwards
- Reasons for softening of yields in the later part of the year:
  - Cooling commodity prices
  - A series of open market operations by RBI
  - Rupee appreciation
  - Govt intervention in the IL&FS saga

TOP 10 ISSUES FOR 2019

1. GLOBAL POLITICS
2. GLOBAL ECONOMY
3. GENERAL ELECTIONS
4. EARNINGS REVIVAL
5. OUTPERFORMING/UNDERPERFORMING SECTORS
6. STATE OF THE INDIAN ECONOMY
7. MONETARY POLICY UNDER THE NEW GOVERNOR
8. FLOWS - DOMESTIC AND INTERNATIONAL
9. THEMES FOR 2019
10. OUTLOOK ON ASSET CLASSES

#1

USA - PRESIDENT DONALD TRUMP'S TERM TILL NOW

- **Mixed Performance in Mid-Terms:**
  - Democrats won a majority in the House of Representatives in the US Mid-term held in Nov. Republicans held a majority in the Senate.
- **Government Shutdown:**
  - The US government partially shut down on 22nd December and nearly 8 lakh federal employees were either on leave of absence or worked without pay.
  - Longest government shutdown since 2013
- **Signs of Trouble & Controversies**
  - High Attrition: The White House under Trump has seen more firings, resignations and reassignments in its first year than any other Presidency. Trump's cabinet turnover is the highest in last 100 years.
  - Accusations of colluding with Russia to win the 2016 presidential election
  - Alleged use of campaign hush money to cover up his relationships with women. This was executed by Trump's lawyer Michael Cohen who has been sentenced to prison

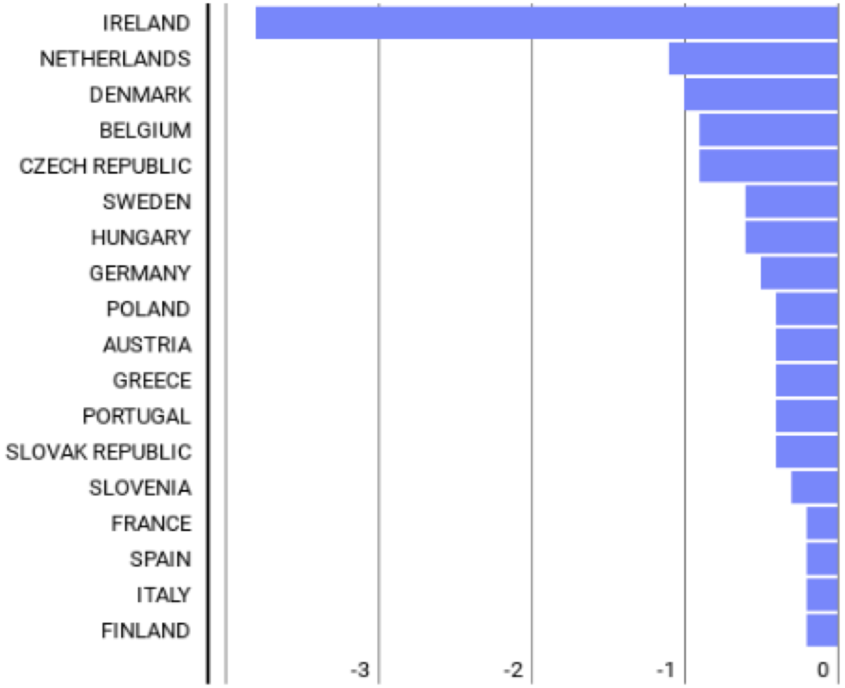
#1

USA - WILL THE PRESIDENT BE IMPEACHED?

- **Popularity**
  - Mr. Trump's approval ratings remain stuck around 40%; unlike most presidents, he has hardly tried to expand his appeal.
- **Will Donald Trump be impeached?**
  - Impeachment is where a formal accusation of serious wrongdoing is lobbied against a sitting president or any other senior US official. It does not necessarily imply removal from office.
  - A trial is set in the Senate and a two-thirds majority is needed to remove the President. This number has never been reached in the US history.
  - In the light of the recent controversies, Democrats majority in the House of Representatives and shutdown the chances of an impeachment motion against Donald Trump have only increased. However, the Democrats still seem divided on this issue and the chances of removal seem ambiguous.
  - If President Trump is impeached, he could even face criminal charges

#1

UK – BREXIT: WHEN AND HOW WILL IT HAPPEN?



The impact differs from country to country

Source: IMF estimates

- British PM Theresa May might be able to secure a deal which ensures Britain's exit from the EU by 29th March, 2019.

- **Impact on the European Union:**
  - **Higher barriers** to trade, capital flows and labour mobility will affect the output and jobs in the United Kingdom (UK) as well as the remaining 27 EU member states.
  - UK is one of the largest trading partners in the EU and accounts for around 13% of the trade in goods and services. **The costs of trade on both sides will increase**
  - According to an IMF study, if the UK and EU arrive at a free trade agreement, the EU output will fall by 0.8% and employment by 0.3% in the long run. **If the parties default to WTO rules**, the **decline in output will be even larger** – 1.5% in the long run and **employment will fall by 0.7%**

#1 BREXIT: IMPACT ON INDIA AND THE WORLD

- **Impact on India**
  - A large proportion of India's forex reserves comes from exports to and inflows from UK and EU. Total trade in goods and services between the UK and India was 18 billion pounds in 2017, which was a growth of 15% from 2016
  - Indian companies have made more investments in UK than the rest of EU combined. Examples of such companies include Tata Motors, Tata Steel, Tech Mahindra, Hindalco, Motherson Sumi etc. The businesses of these companies will be impacted as they will not be able to rely on free movement of goods, services, labour and capital.
  - India can also find opportunities to negotiate new free trade agreement terms with UK and EU and collaborate in segments like technology, defence, finance and so on since UK and EU will be losing their trade partners in the process

- **Impact on the world economy**
  - Increase in trade barriers could upset global supply chains
  - Slower spread of new technologies
  - Lower global productivity and welfare in the long run
  - A no-deal scenario could be a huge headwind for European countries and could also have an impact on the overall world economic growth. A no-deal scenario means Britain will be treated as a 'third country', leading to tariffs, border checks and controls.

#1

MIDDLE EAST: DISQUIET, PRODUCTION CUTS AND OIL

- US decided to withdraw troops from Syria in December'18.
- Unpredictability and chaos is expected to continue in 2019
- Partial accords could be signed in Yemen, Syria and Libya
- Possibilities of new wars exist.
    - Risk of a war between Israel and Iran and its allies
    - Risk of a war between Turkey and Syrian forces (and their Russian and Iranian allies)
- The murder of journalist Jamal Kashoggi in October has weakened Saudi Arabia's King Salman and his son Muhammad, the crown prince. Saudi's cold war with Qatar and Turkey could intensify.
- Russia is the only country that enjoys friendly terms with all the key regional players – Israel, Turkey and Iran. It has cast itself as a powerful force in the Middle East.
- Effective 4th Jan 2019, OPEC and allied members have decided to cut production upto1.2 million bpd to stabilize prices.

I-CAN FINANCIAL SOLUTIONS

Citrus Advisors

#1 CHINA: TARIFF AND SLOWDOWN

- US President Donald Trump and Chinese premier Xi Jinping agreed to a trade truce after the recent G20 Summit in Argentina. They have time till 1st March to reach a deal
- As China realizes the negative impact of a Trade war with the US, it is likely to try and sustain the trade truce
  - China has hinted at a list of concessions after the meeting. The purchase of American soya beans has resumed, tariff cuts on auto imports have been announced and it has mentioned its intent to modify an industrial policy that had raised concerns.
  - The US negotiators should be convinced that the Chinese actions are more than cosmetic in nature for the two countries to reach a constructive deal
- Likely measures to boost domestic consumption
- Accommodative monetary policy to counter trade war effects
- Investment in automation
  - Chinese companies are betting heavily on automation in order to be globally competitive and there is a massive surge in the use of industrial robots.

I-CAN FINANCIAL SOLUTIONS

Citrus Advisors

#2 STATE OF THE GLOBAL ECONOMY

Current State	Risks
EU • The European Central Bank (ECB) ended the stimulus programme of €30 billion a month in December • ECB to reinvest the quantitative easing money once the bonds mature • British PM Theresa May negotiating a Brexit deal with the EU members	• With interest rates near zero, questions remain on how it will help improve growth in the region • Elections in 2019: European Parliament, Denmark, Poland • Slowdown in growth • EU falling behind US and China in terms of new artificial intelligence (AI) technologies • No-deal Brexit by 29th March'19 • Strain from PIIGS
US • Growth is healthy • Unemployment has reached a 48-year low • US Government Shutdown • Controversies surrounding President Trump • US Fed has indicated 2 more rate hikes in 2019	• Inversion of yield curve • Likely moves towards Impeachment of US President Donald Trump • Growth slowdown due to relatively higher interest rates • Intense tariff war

#2 STATE OF THE GLOBAL ECONOMY

Current State	Risks
China • Growth slowing down • Accommodative monetary policy • Increased investment in automation to counter effects of trade war • Measures to boost domestic demand	• Intensified tariff war with the US • Slowdown in exports due to weak demand • Environment norms to affect industries
Japan • Moderate growth • Inflation picked up but still below Bank of Japan's target of 2% • Sales tax hike expected in October'19 • Govt likely to increase spending to counter effects of the new tax • Efforts to increase labour force	• Trade war and geopolitical tensions can affect Japan's GDP growth due to weak domestic demand • Rapidly ageing population

#2

WORLD ECONOMY –VOLATILE AND SLOWING DOWN

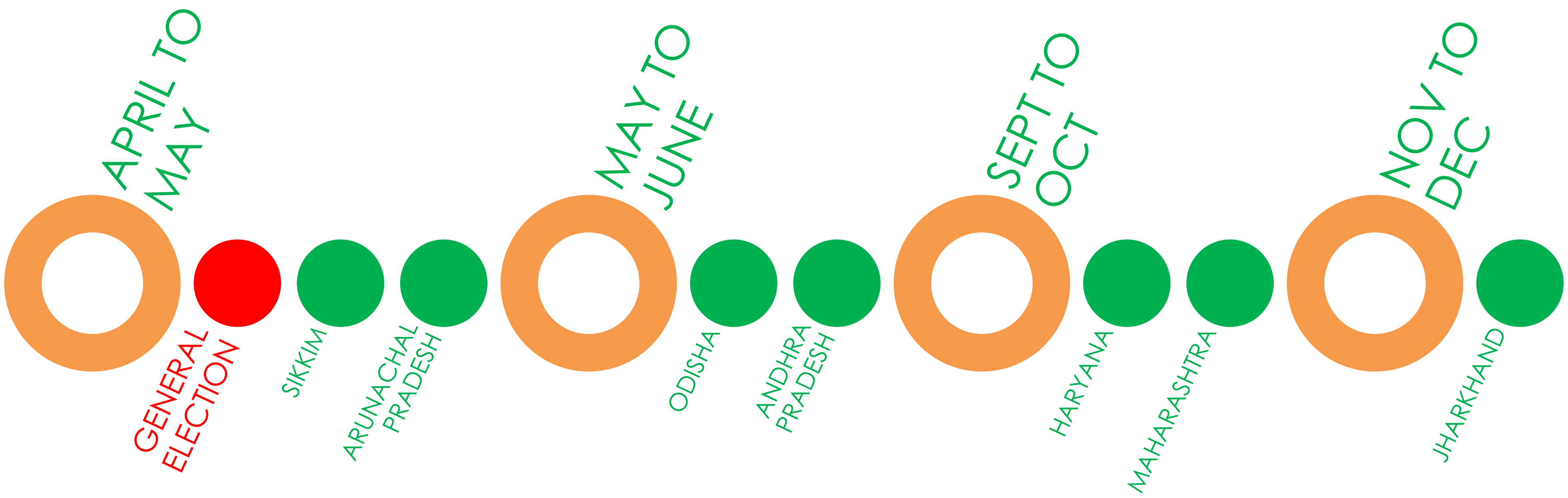
- Increased financial market volatility and cause capital outflows from emerging markets
- Higher interest rates globally is leading to slower growth
- Contraction in global trade volumes
- Trade disputes could continue in 2019. If all tariffs currently under consideration get implemented, it would affect 5% of total global trade flows
- Limited scope for monetary easing in developed economies: Interest rates across much of the developed world remain close to zero, and asset-purchase plans could prove politically difficult to expand—particularly in Europe.
- Slower growth in the world's two largest economies – US and China – could have an impact on global economic prospects
- The World Bank expects global growth to slow to 2.9% in 2019 and emerging market and developing economies growth is predicted to be 4.2%
- Bouts of financial market volatility can be expected

I-CAN FINANCIAL SOLUTIONS

Citrus Advisors

#3

ELECTIONS - POPULISM AND COALITIONS



- Political rhetoric & populist measures will be driving factors till general elections. Fiscal discipline & structural reforms may take back seat.

- Due to general Election in May as well as assembly elections in important states like Maharashtra, AP and Jharkhand, we are in it for very volatile ride in 2019.

#3

ELECTIONS - SCENARIOS

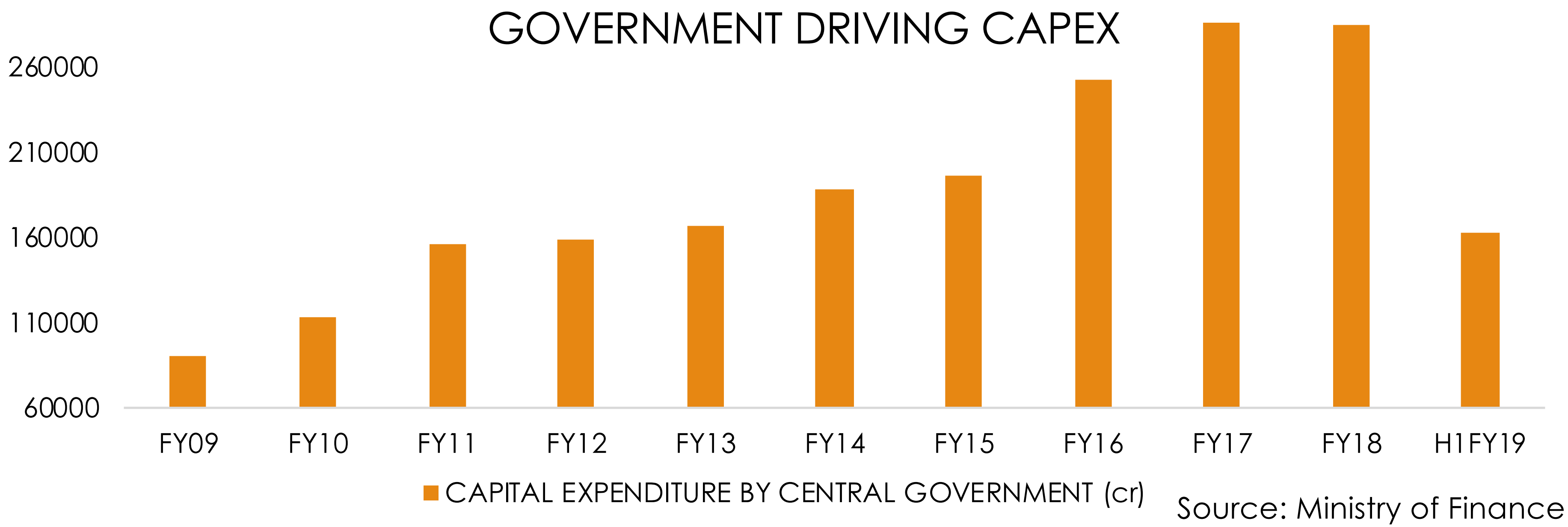
Three possible scenarios	Possible impact on the markets	Remarks
The NDA will come to power	The markets will continue to rally	Much will also depend on opinion polls and exit polls before the actual results
The UPA will win	The markets may witness a short term shallow correction before bouncing back – and will continue to rally	Let us not forget what happened in 2014.
Third Front coalition	The witness will witness a sharp and swift correction. The recovery period will depend on a number of factors.	The market may remain subdued for long only if we have a anti market Government which is opposed to reforms.

I-CAN FINANCIAL SOLUTIONS

Citrus Advisors

#3

ELECTIONS

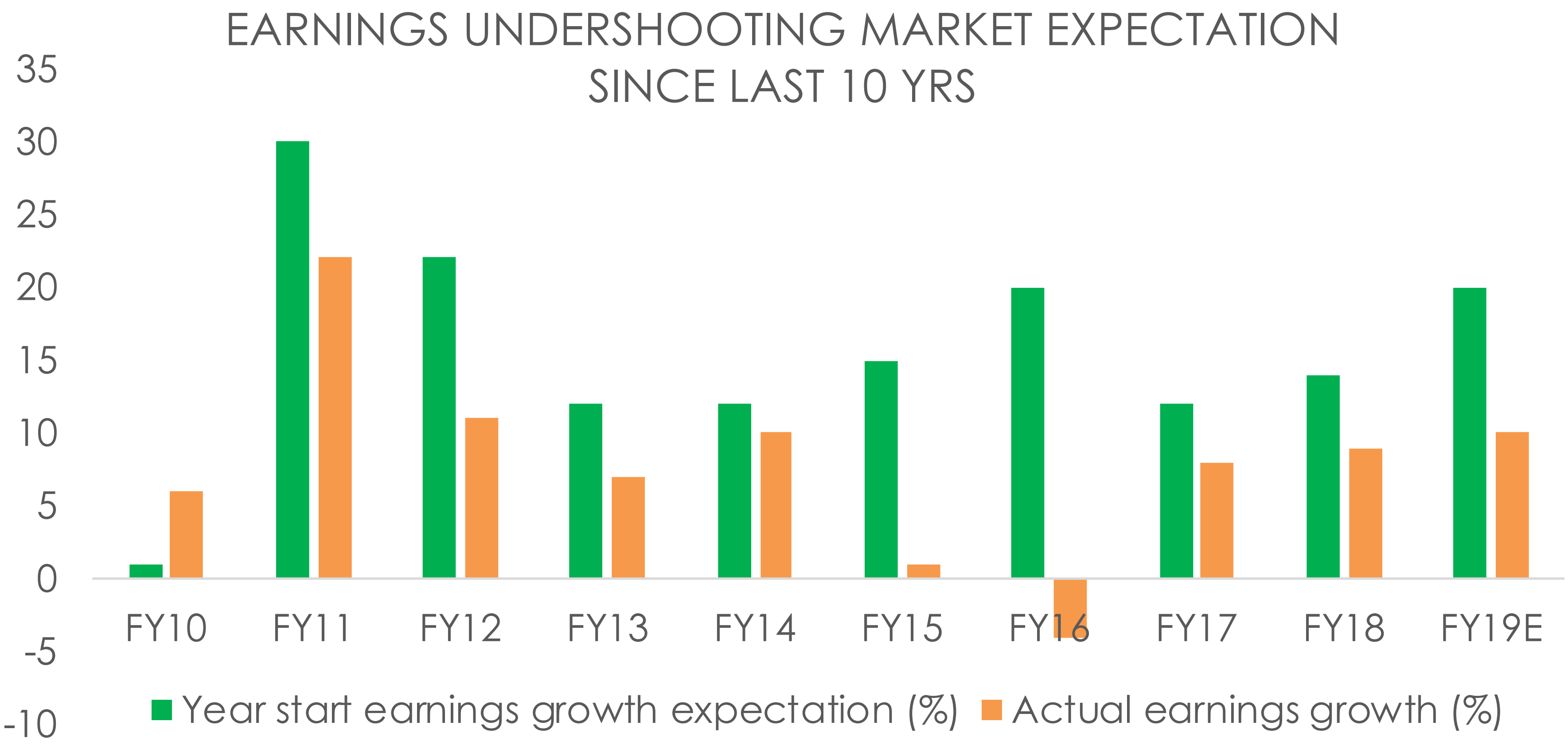


Source: Ministry of Finance

Government was major driver of capital expenditure since last 2-3 years. While populist measures may improve rural distress, it is likely to delay capex cycle recovery as government might hold back on new capex. It will also give upward pressure to the inflation.

#4

EARNINGS REVIVAL



Source: CLSA

#4

EARNINGS REVIVAL

- Despite of earnings disappointment since last 10 years, we believe that for next two years Nifty EPS growth is likely to exceed market expectations due to following reasons:
  - Corporate focused bank's earnings are likely to revive on low base. Banks will contribute more than 50% of incremental nifty profits.
  - Due to populist measures by state as well as central governments, consumption stocks will also show steady growth.
  - Stable Central government will kick-start private capex which is in lull since last many years. Cement, Steel and O&G sectors have already announced significant capex plans.
  - According to RBI data, Private sector capacity utilization at around mid-70s. Sales growth is at multiyear high but sales are not translating to profits. However due to increasing capacity utilization, pricing power should also come back.

#5

OUTPERFORMING/UNDERPERFORMING SECTORS

FY20 EXPECTED PROFIT GROWTH:

HIGH PAT GROWTH (>20%)	MODERATE PAT GROWTH (15%- 20%)	LOW PAT GROWTH (<15%)
PSU BANKS	UTILITIES	LIFE INSURANCE
PRIVATE BANKS	NBFC	LOGISTICS
MEDIA	CONSUMER	TECHNOLOGY
RETAL	OIL & GAS	METALS
HEALTHCARE		INFRASTRUCTURE
CEMENT		TELECTOM
CAPITAL GOODS		
AUTO		

Source: MOSL

#5 OUTPERFORMING/UNDERPERFORMING SECTORS

HIGH PAT GROWTH SECTORS:

<table>
<tr><th>SECTORS</th><th>FY20E PAT GROWTH (%)</th><th>RISKS TO EARNING OUTLOOK</th></tr>
<tr><td>PSU BANKS</td><td>553</td><td rowspan="4">• Slowdown in global economy
• Crude price and rupee movement
• Unfavourable election outcome
• Tighter local as well as global liquidity</td></tr>
<tr><td>PRIVATE BANKS</td><td>48</td></tr>
<tr><td>AUTO</td><td>39</td></tr>
<tr><td>MEDIA</td><td>33</td></tr>
<tr><td>HEALTHCARE</td><td>32</td><td></td></tr>
<tr><td>CEMENT</td><td>32</td><td></td></tr>
<tr><td>RETAL</td><td>26</td><td></td></tr>
<tr><td>CAPITAL GOODS</td><td>22</td><td></td></tr>
</table>

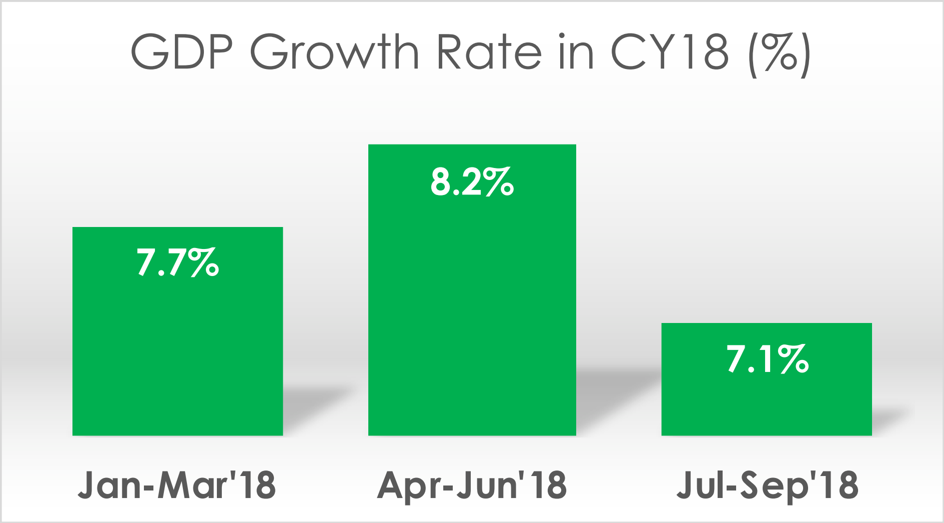
Source: MOSL

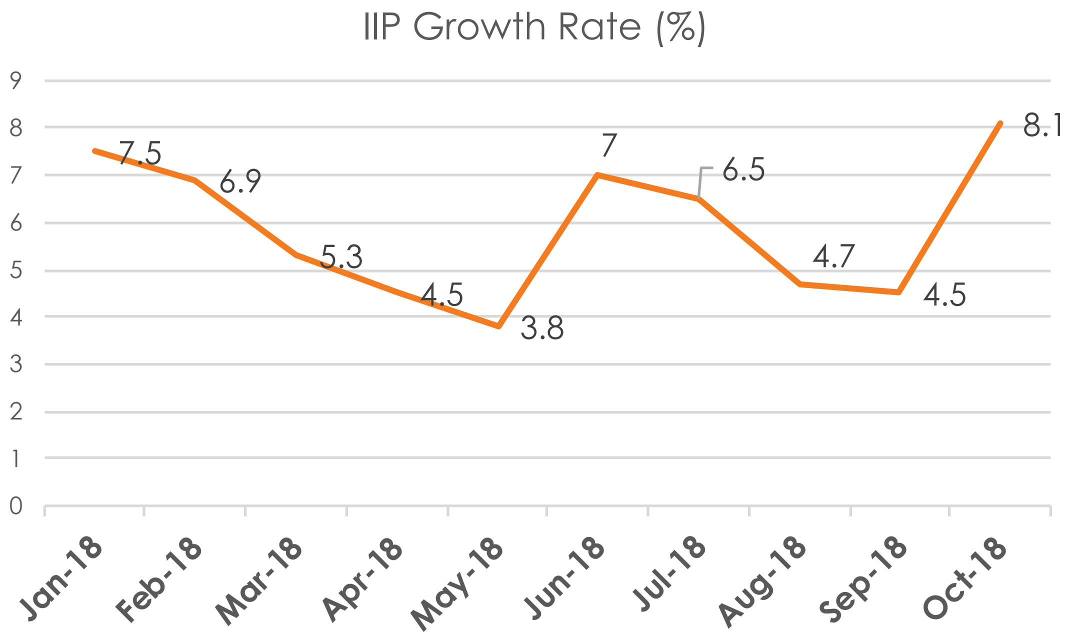
#6

STATE OF THE INDIAN ECONOMY

A) GDP GROWTH

India was the fastest growing major economy in 2018





#6 INDIAN ECONOMY – SWEET AND SOUR

SIGNS TO CHEER ABOUT

- India: the fastest growing major economy in 2018
- IIP Growth
  - Sharp increase in IIP growth rate in October seen due to higher demand in the festival season along with the base effect
  - During the April-October period, industrial output grew 5.6% as compared to 2.5% in the same period of the previous fiscal.
- Cool off in inflation which creates room for further softening of interest rates
- Government reforms
- Consumption demand

ISSUES TO WORRY ABOUT

- Crude Oil Prices & Rupee Movement
  - The Brent crude oil prices increased by 29% between 1st January'18 to 4th October'18 when it touched a peak of $86 per barrel
  - After that, there was a sharp fall of 41% ending the year at $50.57 per barrel on fears of a weak global demand
- Global trade war
- Global economic slowdown
- Rural distress

India likely to be the fastest growing economy in 2019 as well.
The GDP growth could be in the 7.2-7.5% range

#6

INDIAN ECONOMY - GST COLLECTIONS

B) GST Collection:

Month (2018)	GST Collection (Rs. Crore)
April	1,03,459
May	94,016
June	95,610
July	96,483
August	93,960
September	94,442
October	1,00,710
November	97,637
December	94,726

- The collections in 2018 were way below the government estimates
- Causes of lower collection:
  - Lowering of taxes on various products
  - Tax evasion
- In 2019, the government might continue to miss the budgeted GST collections which could pose further challenges to achieving the fiscal deficit target in the short term

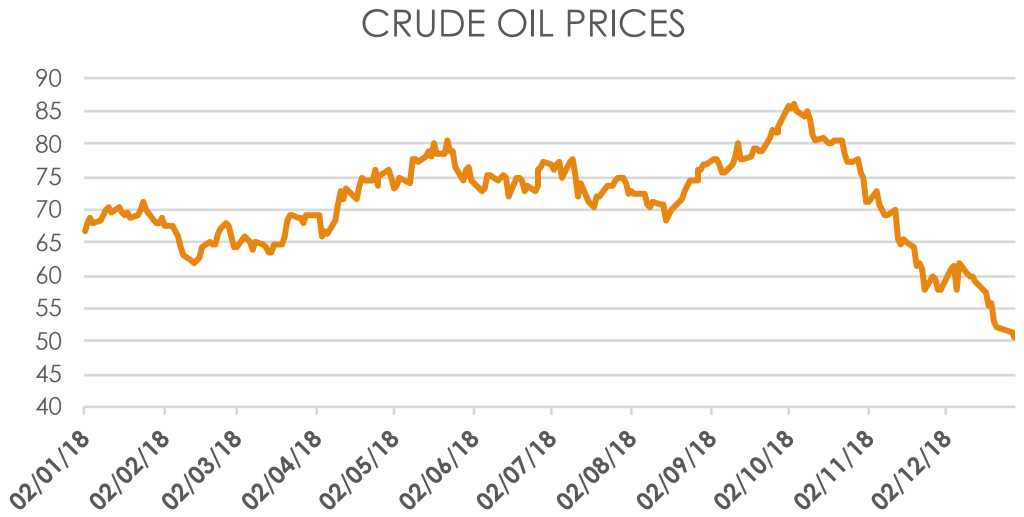
I-CAN FINANCIAL SOLUTIONS

Citrus Advisors

#6 INDIAN ECONOMY – CRUDE AND RUPEE

C) Crude Oil Prices & Rupee Movement

- The Brent crude oil prices increased by 29% between 1st January'18 to 4th October'18 when it touched a peak of $86 per barrel
- After that, there was a sharp fall of 41% ending the year at $50.57 per barrel on fears of a weak global demand
- The Rupee movement has been impacted by movement in crude oil prices
  - Between 1 January and 5th October the Rupee depreciated by 13% to touch an all time low of of 74 against the US dollar. After 5th October the Rupee appreciated by 5.5%.
- In 2019, the Rupee may stay in the range of 69 to 72 against the dollar. The Rupee level will primarily be driven by consumer inflation, crude prices and global yields.



- Crude Prices have come off the highs and are unlikely to reach high levels we saw in 2018. The prices might stay in the range of $55-65 per barrel due to high supply, weaker global demand and a resilient US shale growth. Volatility in crude prices cannot be ruled out based on supply decisions by OPEC

I-CAN FINANCIAL SOLUTIONS

Citrus Advisors

#6

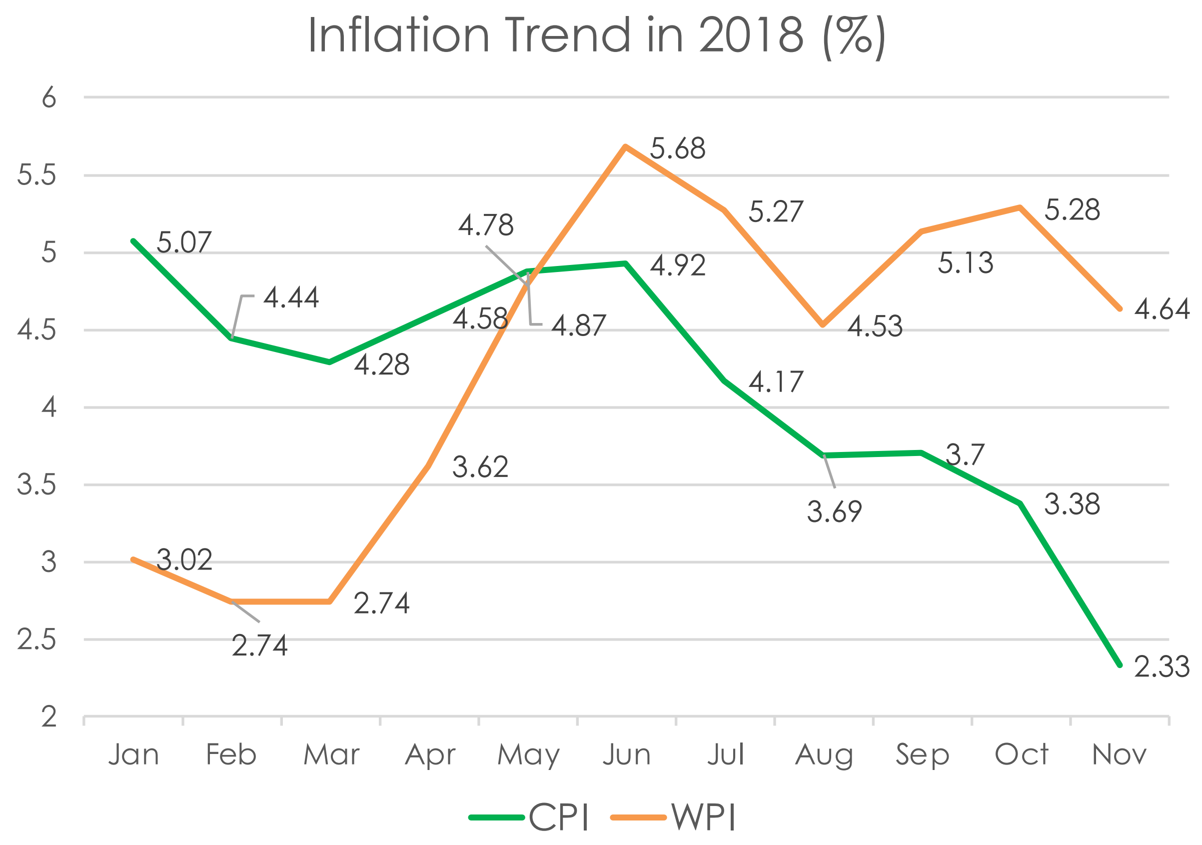
INDIAN ECONOMY – BANKS ARE THE KEY

- Indian PSU banks have been plagued with the problem of a high percentage of non-performing assets (NPAs). The total figure as on 30th September'18 was Rs. 8.71 trillion
- The government invested Rs 22,904 crore of capital in these banks between April and November.
- RBI has placed 11 PSU banks into the prompt corrective action (PCA) framework. This greatly restricts their borrowing and lending operations. The government will infuse capital in some of the banks to enable their exit from the PCA framework.
- Rs. 65,000 crore was allocated to recapitalize PSU banks in the Budget 2018-19. By December-end this was increased by 63% to Rs. 1.06 trillion
- Governance and ownership issues have rocked at least 5 private sector banks in 2018. Almost all these issues appear settled for now.

#7 RBI UNDER NEW LEADERSHIP

- On 10th December'18, Mr. Urjit Patel stepped down from the position of RBI Governor. Soon Mr. Shaktikanta Das was appointed as the new Governor.
- RBI has placed 11 PSU banks into the prompt corrective action (PCA) framework. This greatly restricts their borrowing and lending operations.
- It is expected that the new governor could relax certain regulations for the banking sector – with regards to
  - Liquidity
  - Relaxation of the PCA framework
  - Framework for ownership norms for private banks
- The current monetary stance is that of 'calibrated tightening'. With inflation undershooting target, rate cuts in 2019 may not be ruled out
  - The Reserve Bank of India (RBI) hiked the repo rate twice by 25 basis points each - in June and August of 2018. The current repo rate is 6.5%.

#7 RBI – CHANGE IN THE MONETARY POLICY STANCE



- Inflation has been on a declining trend after June due to lower food prices and falling crude prices towards the end of the year
- RBI projects inflation to be 2.7 - 3.2% in the second half of FY20.
- As inflation numbers are likely to stay benign and below the targeted rate of 4% (+/-2%), RBI is expected to cut the repo rate by 25-50 basis points in 2019 if the inflation trend looks sustainable.

#8

FLOWS: FOREIGN FUNDS SOLD

International flows for CY2018: Foreign Institutional Investors (FIIs) were net sellers

Month	Equity			Debt			Total
	Gross Purchase(Cr.)	Gross Sale(Cr.)	Net(Cr.)	Gross Purchase(Cr.)	Gross Sale(Cr.)	Net(Cr.)	Total
Jan-2018	1,32,351	1,18,570	13,781	33,711	25,188	8,523	22,304
Feb-2018	1,07,282	1,18,319	-11,037	23,425	23,678	-253	-11,291
Mar-2018	1,20,864	1,09,209	11,654	25,507	34,551	-9,044	2,610
Apr-2018	1,01,183	1,06,735	-5,552	33,485	43,520	-10,036	-15,588
May-2018	1,08,111	1,18,171	-10,060	19,336	38,990	-19,654	-29,714
Jun-2018	1,29,594	1,34,425	-4,831	15,526	26,497	-10,970	-15,802
Jul-2018	1,08,342	1,06,078	2,264	20,225	20,177	48	2,312
Aug-2018	1,00,340	98,565	1,775	19,190	15,776	3,414	5,189
Sep-2018	1,16,970	1,27,795	-10,825	14,065	24,263	-10,198	-21,023
Oct-2018	1,11,372	1,40,293	-28,921	23,120	33,099	-9,978	-38,900
Nov-2018	1,03,436	97,455	5,981	24,756	19,146	5,610	11,591
Dec-2018	1,01,130	97,987	3,143	28,371	23,622	4,749	7,892
			-32,628			-47,790	-80,418

Source: SEBI

I-CAN FINANCIAL SOLUTIONS

Citrus Advisors

#8

FOREIGN FLOWS TREND

- In 2019, the following factors could lead to positive FII inflows:
  - Political stability
  - Resolution of the liquidity crisis
  - Corporate earnings revival
  - US Federal Reserve slowing down the rate hike cycle

<u>Foreign Direct Investment</u>

- For the first time 20 years, India received more foreign direct investment (FDI) than China.
  - In 2018, India saw more than $38 billion of inbound deals compared with China's $32 billion.
  - India's FDI investment total across 235 deals was the highest ever as per data from Dealogic (a global M&A and capital markets data provider).
- We are likely to see healthy FDI flows in 2019

#8

DOMESTIC INVESTORS BOUGHT A RECORD VALUE

Month	Buy Value (Cr.)	Sale Value (Cr.)	Net Value (Cr.)
Jan-2018	9,68,049	8,65,482	1,08,756
Feb-2018	8,75,019	7,72,851	1,08,357
Mar-2018	7,92,803	7,08,447	90,544
Apr-2018	7,13,499	6,35,838	83,850
May-2018	6,39,177	5,70,027	75,339
Jun-2018	5,52,074	4,97,978	60,284
Jul-2018	4,73,144	4,33,194	46,138
Aug-2018	3,95,199	3,57,685	43,703
Sep-2018	3,22,509	2,84,504	38,005
Oct-2018	2,39,520	2,14,019	25,501
Nov-2018	1,43,858	1,42,518	1,340
Dec-2018	75,017	74,450	567
Total	61,89,868	55,56,992	6,82,383

Source: SEBI

- Domestic institutional investors (DIIs) were net buyers in 2018.
- In 2019 as well we are likely to see a robust flow from DIIs.

I-CAN FINANCIAL SOLUTIONS

Citrus Advisors

#8

RETAIL INVESTORS RODE MUTUAL FUNDS INTO MARKETS

Month	Equity			Debt			Total
	Gross Purchase (Cr.)	Gross Sale(Cr.)	Net(Cr.)	Gross Purchase (Cr.)	Gross Sale(Cr.)	Net(Cr.)	
Jan-18	74,886	65,862	9,023	1,50,208	1,27,968	22,240	31,263
Feb-18	63,285	47,104	16,181	1,39,905	1,06,246	33,659	49,840
Mar-18	62,582	53,327	9,256	2,36,733	1,98,756	37,978	47,233
Apr-18	57,585	46,299	11,287	1,71,450	1,51,285	20,165	31,451
May-18	62,429	48,738	13,691	1,67,159	1,79,272	-12,113	1,578
Jun-18	54,022	45,115	8,907	1,80,314	1,41,122	39,192	48,099
Jul-18	59,897	55,902	3,995	1,42,717	1,46,353	-3,635	360
Aug-18	50,317	47,465	2,851	1,37,116	1,09,580	27,536	30,388
Sep-18	61,772	50,134	11,638	1,70,019	1,51,333	18,686	30,325
Oct-18	78,340	54,293	24,047	1,44,357	1,16,992	27,365	51,412
Nov-18	52,499	47,603	4,896	1,78,665	1,26,310	52,354	57,250
Dec-18	48,200	45,281	2,919	2,41,205	1,75,970	65,235	68,154
Total	7,25,814	6,07,124	1,18,690	20,59,848	17,31,186	3,28,662	4,47,353

Mutual Fund Activity in 2018

- The SIP inflows touched Rs 8,233 crore per month in the month of December
- The mutual fund industry AUM was Rs 23.61 lakh crore by December end
- Strong and sticky flows likely to continue in 2019

Source: SEBI

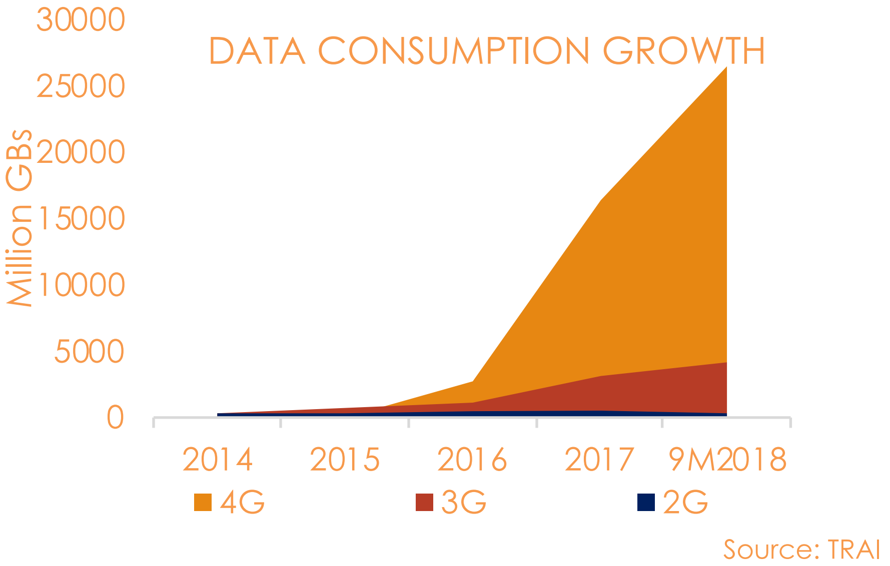
Citrus Advisors

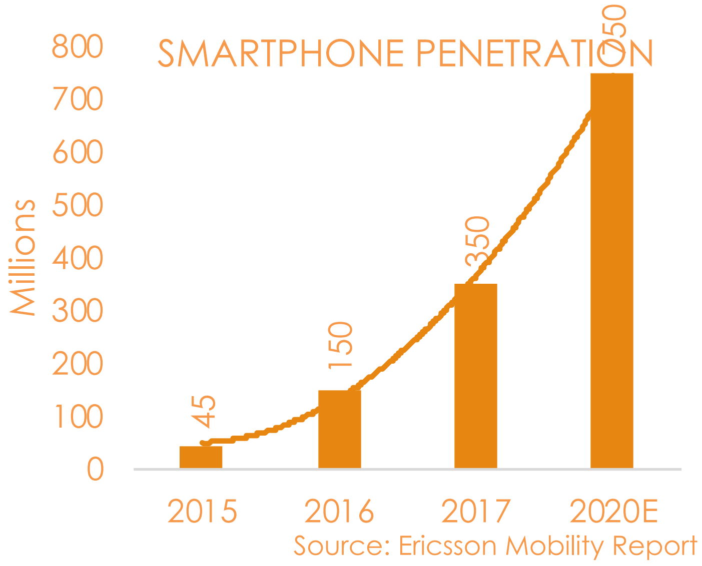
#9 THEMES FOR 2019

A. Connectivity & its impact on sectors:

Telecom:

Internet boom has led to more effective inclusion of rural economy to formal sector via initiatives like Internet Saathi, IFFCO Kisan, Jan-Dhan, Udaan, E-NAM, etc.





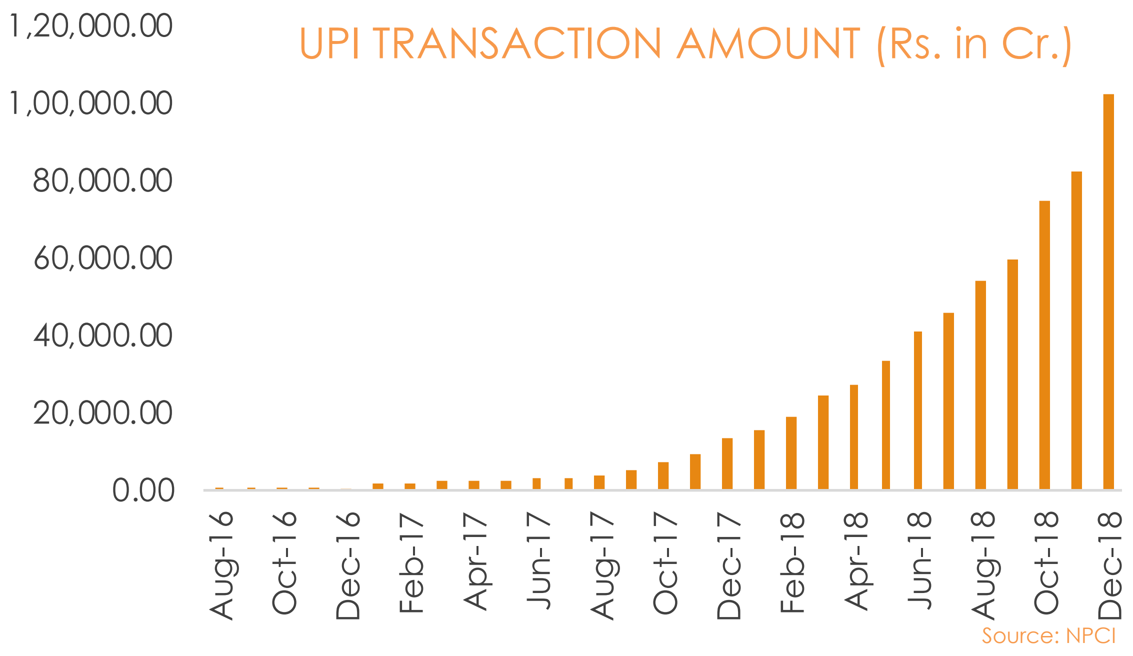
Media: High quality as well as cheaper internet access has created slew of online content viewers form rural and semi-urban areas. This has attracted deep-pocketed Indian as well as foreign players in OTT content space.

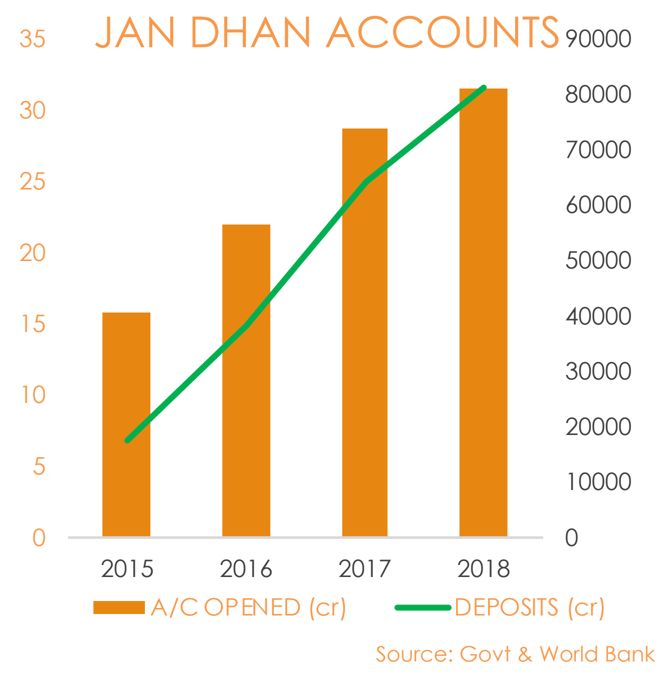
#9

THEMES FOR 2019

A. Connectivity & its impact on sectors:

Cashless transaction as a facilitator:





Digitalization will remove inefficiencies in government as well as private supply chains which must benefit lower section of society.

#9 THEMES FOR 2019

B. ELECTRIC VEHICLES:

- The world is quickly adopting to EVs and in the next decade. All major auto-makers all around the world are now devoting a rather large chunk of their resources towards the R&D of electric vehicles. The government of India also has a plan of converting 30% fleet of vehicles to fully electric by 2030.
- There are many benefits of EVs like no emission, low maintenance, cheaper to run, etc. which should attract consumers but still there are many challenges like short driving range, less speed, frequent charging and subsequent requirement of charging infrastructure, etc. which are yet to be resolved. Although it is believed that use of EVs will reduce air pollution but it won't happen unless renewable energy sources are created to power EVs.
- For crude hungry country like India, increasing adoption of EVs will help reducing it's ballooning CAD. However in will have negative impact on oil & gas industry.
- EVs requires only 20% moving parts when compared to a traditional gasoline vehicle. As EVs will be less complicated compared to a traditional car, it will benefit both OEMs as well as consumer because it will reduce manufacturing cost as well as maintenance cost. However it will significantly impact business of auto ancillaries as many important components like engines, turbochargers, etc. will become obsolete.
- As electricity will replace gasoline, it will have positive impact on power generation as well as transmission & distribution companies. EV vehicle and charging technology providers will also see rise in demand.

#9 TRENDS TO WATCH IN 2019

- Unorganized to organized:
  - **Winners:** Banks, organized Retailing, Luggage makers, Housing materials
  - **Losers:** Medium and small enterprises, unorganised players
- Financialization of the economy
  - Asset management
  - Insurance
  - Pension Funds
  - Micro Finance and NBFCs
- Consolidation:
  - Key Sectors :
    - Telecom/Internet service providers
    - Media
    - FMCG and Retailing
    - Banks
    - NCLT driven cases

#9

EMERGING TECHNOLOGIES

- Blockchain:

In layman's terms, the blockchain is a virtual, public ledger that records everything in a secure and transparent manner. All the data is then held in an interlinked network of computers, owned and run by none other than the users themselves. Here are few examples on how some sectors which will get benefited by blockchain technology:

- **Retail:** Blockchain will legitimize transparency of retail supply chains, as raw material and manufacturing sourcing can be recorded to its immutable ledger.
- **Utilities & Energy:** Blockchain could reduce disputed transactions by quickly processing payments on a transparent ledger with no 3rd party validation required.
- **Healthcare:** Universal health record can be established by aggregating and placing a person's health history onto a blockchain ledger for any HC provider to access and update.

#9 EMERGING TECHNOLIGIES

- <u>Artificial Intelligence:</u>

Artificial Intelligence is a way of making a computer, a computer-controlled robot, or a software think intelligently, in the similar manner the intelligent humans think. Here are the examples of few sectors which will get benefited by AI:

- **Pharma:** Big pharma has the potential to test how likely specific combinations of molecules are to make a useful drug by applying machine learning to predict how they will behave.
- **Retail:** AI is mastering art of selling for online retailers by personalizing customer recommendations based on their digital footprint of behaviours, profile data, etc.
- **Defence:** AI is powering swarms of micro- drones to advance the stealth tracking and searching capabilities of the defence department.

#9 EMERGING TECHNOLOGIES

- Internet-of-Things:

IoT is interconnection via the Internet of computing devices embedded in everyday objects, enabling them to send and receive data. Here are the examples of few sectors which will get benefited by IoT:

- **Insurance:** Connected sensors allow insurers to collect enough data to offer individualized rates termed usage based insurance, which adapt to person's real-world behaviour.
- **Real-Estate:** IoT connected buildings will provide data/information that can influence the economics and value of commercial real estate transactions.
- **Education:** Connected wearables may help teachers adapt curricula by providing student data such as brain activities while testing various teaching style to new class.

#10 OUTLOOK ON EQUITIES

- The markets in 2019 will get support from the following factors:
  - More reasonable valuations compared to the beginning of 2018
  - Improving macroeconomic conditions such as inflation, crude oil prices, Indian Rupee movement
  - Revival in corporate earnings
  - Steady domestic flows to the markets through Systematic Investment Plans (SIP)
- Risks to stock market returns:
  - General election results
  - Global growth slowdown
- We expect the headline indices to give a double digit return in 2019.

I-CAN FINANCIAL SOLUTIONS

Citrus Advisors

#10 OUTLOOK ON DEBT

- **Factors that could ease the bond yields in 2019:**
  - Slower rate of US Fed interest rate hikes could pause the outflows from debt markets
  - Open market operations and liquidity support from RBI
  - RBI might increase FPI investment limit in government bonds
  - Lower crude oil prices
  - Measures by RBI and the government to address liquidity conditions in the NBFC sector
  - Normal monsoons
  - If inflation stays within RBI's comfort zone RBI could reduce the repo rate

- **Risks to the fixed income market:**
  - Rising bond yields could lead to outflows
  - Trade War
  - Geopolitical tensions
  - Populist measures due to an upcoming election leading to fiscal slippage
- Corporate bond spreads could see narrowing in 2019 and positive macros could lead to a softening of yields by 50-75 basis points in the 10 year G-sec yields

I-CAN FINANCIAL SOLUTIONS

Citrus Advisors

DISCLAIMER

This presentation is intended for internal use and may contain confidential information that belongs to the sender and/or legally privileged information that is protected by the attorney-client privilege. If you are not the intended recipient of this communication, you must not disseminate copy or take any reliance on it. If you have received this message in error please notify the sender immediately, to arrange the return of the document. This document is not for public distribution and has been furnished to you solely for your information and may not be reproduced or redistributed to any other person. The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions. This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. No person associated with Citrus Advisors is obligated to call or initiate contact with you for the purposes of elaborating or following up on the information contained in this document. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon. Neither Citrus Advisors., nor any person connected with it, accepts any liability arising from the use of this document. The recipient of this material should rely on their own investigations and take their own professional advice. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. We and our affiliates, officers, directors, and employees world wide, including persons involved in the preparation or issuance of this material may; (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or may perform or seek to perform investment banking services for such company(ies)or act as advisor or lender / borrower to such company(ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The same persons may have acted upon the information contained here. No part of this material may be duplicated in any form and/or redistributed without Citrus Advisors' prior written consent. No part of this document may be distributed in India or abroad. In so far as this report includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Mutual fund investments are subject to market risks. Read the offer document before investing.

I-CAN FINANCIAL SOLUTIONS

Citrus Advisors

THANK YOU

I-CAN FINANCIAL SOLUTIONS

Citrus Advisors