

FLASH NOTE!!

22-Sep-23

Dear Investors,

Hope all is great at your end. I usually write a monthly newsletter, but there is a major economic development a few hours ago and I thought of immediately sharing my views with you on the same.

Flash Development

Just a couple hours ago, JP Morgan announced that it will include India in its widely-tracked emerging market debt index (Source: [Reuters](#) and [Bloomberg](#)). The expectation for this development has been in the media for the past 2-3 years, but somehow there was a disappointment every time. It is great that finally it has been announced.

Implications

This is a major positive for India for the following reasons:

- The notional value of Indian Government Bonds (IGBs) that are eligible is a gigantic number of USD 330bn. India will have a maximum weight of 10% in the index, which is quite substantial. According to estimates from HSBC, almost USD 30bn of flows may happen to India (Source: [Bloomberg](#)).
- The inclusion will happen effective 28-Jun-2024. While the actual inclusion is still 9 months away, but since it is now a done deal, active bond managers will start to invest. According to data from Clearing Corporation of India, foreigners have raised their holdings of eligible bonds to almost USD 12bn from USD 7.4bn at the end of 2022.
- Now that JP Morgan has added India to its debt index, other index providers like FTSE Russell may also follow suit.

This development gives India an access to permanent global savings to finance its growth, development and investment needs. This should bring down the overall cost of debt for Indian government, corporates and the entire economy.

Conclusion

Given the resilient state of Indian economy, strong corporate earnings growth prospect and peaking of interest rate, we feel quite constructive about our portfolio stocks from a medium term (2-3 years) perspective. Recent rally in crude prices is a cause of concern for corporate profitability/margins and we remain watchful of the same.

We would be more than happy to discuss the portfolio/outlook anytime as per your convenience.

Warm regards,

Manish Gupta & entire MoneyGrow team

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