



panorama

January 2025



Momentum has significantly outperformed other factors since 2011

- Momentum has delivered a 21% annualised return since January 2011, followed by a 14% return from quality
- Since April 2020, the value factor has outperformed other factors, followed by the momentum factor
- Historically, the value factor has witnessed significantly larger drawdowns
- Excluding value, momentum has had the largest drawdowns, though the gap with other factors isn't substantial
- Low volatility and quality factors generally tend to outperform during periods of market correction



India's household debt to GDP continues to trend upwards

- HH net financial savings subdued at 5.3% of GDP in FY24, slightly up from 5.0% in FY23 (lowest since the 1970s)
- India's household debt-to-GDP ratio, at 43%, is rapidly closing the gap with the EM average of 48%
- Sub-prime borrowers availed loans for consumption, whereas super-prime used debt for asset creation
- Share of consumption loans declined in FY24 as the RBI tightened regulations on unsecured personal loans
- Both banks and NBFCs have witnessed a decline in retail loan growth, driven by a slowdown in personal loans



The banking system's asset quality improves as the GNPA ratio falls to 2.6% in Sep'24

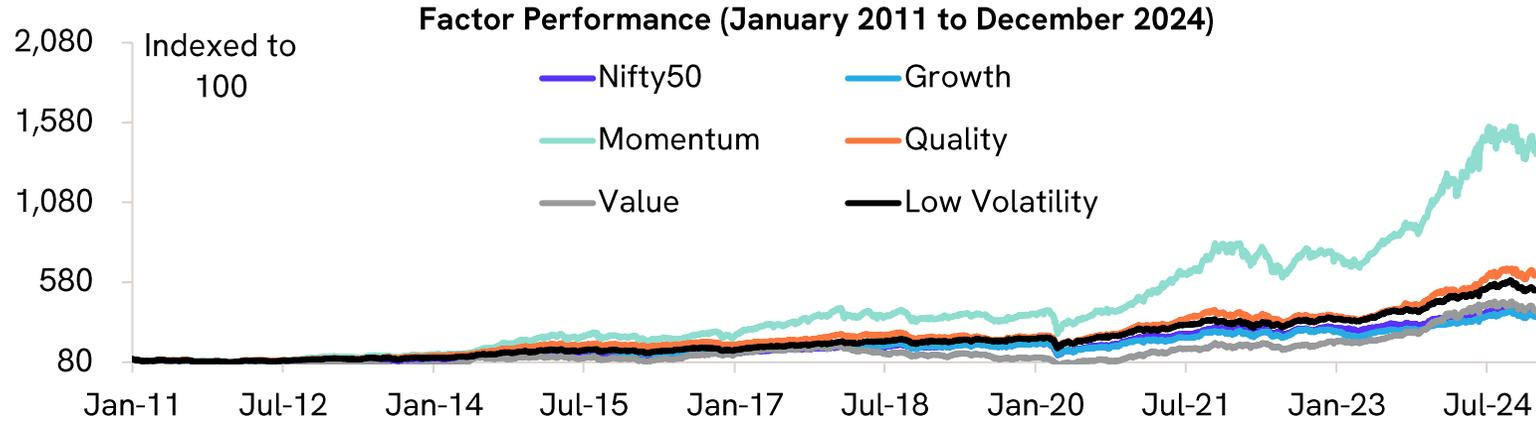
- However, RBI's latest stress test projects the GNPA ratio to increase to 3.0% by Mar'26 (baseline scenario)
- Microfinance sector showing signs of stress with rising delinquencies
- Impairment remained high among borrowers with multiple lenders and higher credit exposure

Factor Performance



Momentum has significantly outperformed other factors since 2011

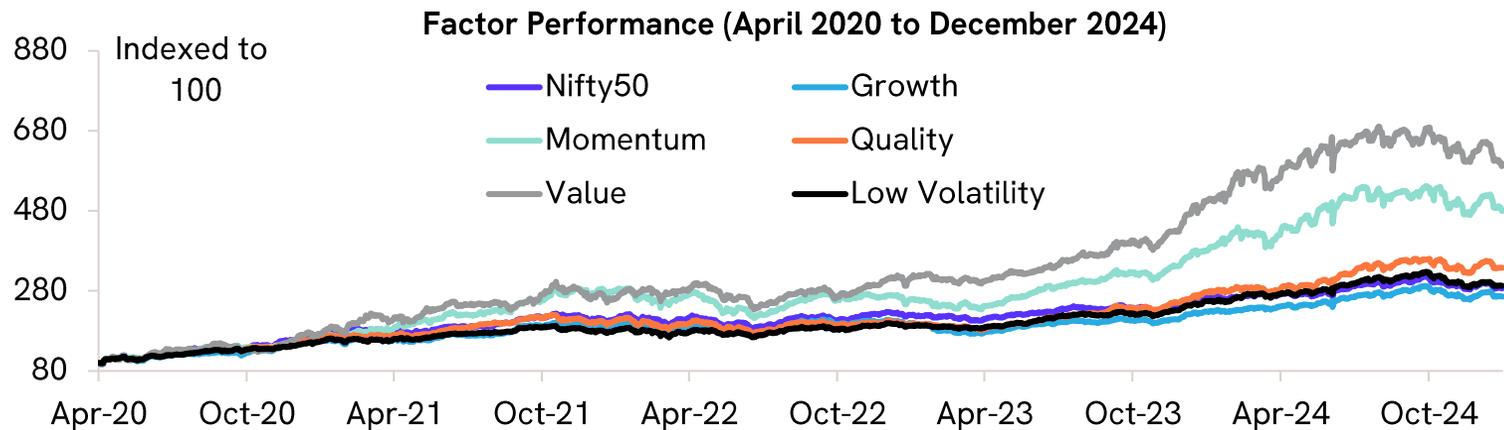
However, post-pandemic, the value factor has delivered the highest returns, followed by the momentum factor



Since January 2011, the momentum factor has outperformed other key factors by a significant margin

The quality factor follows, but the gap between quality and momentum is considerable

Value and growth have been the worst-performing factors



Since April 2020, the value has outperformed other factors, followed by the momentum factor

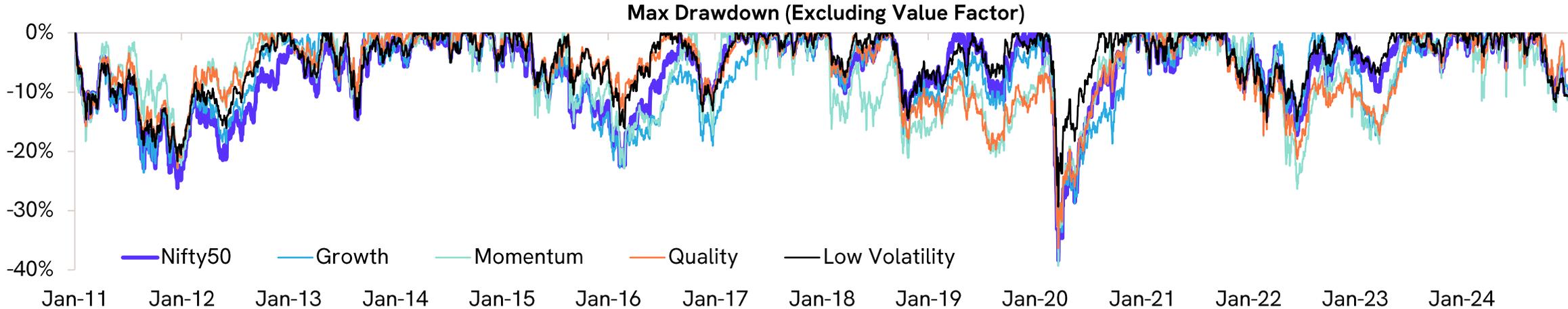
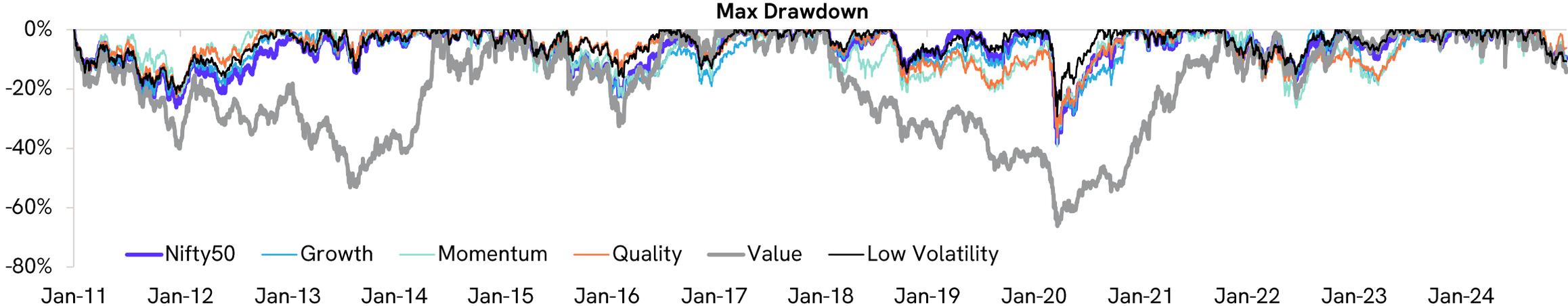
Growth continues to be the worst-performing factor post-pandemic

Note: The study is based on the following indices: Growth – MSCI India Growth Index, Momentum – Nifty500 Momentum 50, Quality – Nifty500 Quality 50, Value - Nifty500 Value 50, Low Volatility - Nifty500 Low Volatility 50

Source: NSE, MSCI, 360 ONE Asset Research

Historically, value has witnessed significantly larger drawdowns

Excluding value, momentum has had the largest drawdowns, though the gap with other factors isn't substantial



Source: NSE, MSCI, 360 ONE Asset Research

In 2024, momentum outperformed other factors, followed by quality

Since January 2011, momentum has delivered a 21% annualised return, followed by a 14% return from quality

Yearly Returns

	Nifty50	Growth	Momentum	Quality	Value	Low Volatility
2011	-25%	-21%	-22%	-21%	-40%	-20%
2012	28%	30%	50%	33%	29%	30%
2013	7%	14%	12%	16%	-16%	5%
2014	31%	27%	69%	46%	75%	33%
2015	-4%	-1%	11%	7%	-9%	6%
2016	3%	-2%	-2%	-1%	23%	1%
2017	29%	29%	67%	32%	42%	30%
2018	3%	-1%	-12%	-4%	-29%	5%
2019	12%	7%	8%	0%	-16%	7%
2020	15%	10%	20%	26%	6%	23%
2021	24%	23%	78%	28%	52%	19%
2022	4%	5%	-8%	-5%	19%	5%
2023	20%	15%	47%	40%	61%	32%
2024	9%	17%	26%	22%	19%	15%
CAGR	10%	10%	21%	14%	10%	13%

Momentum has been the best-performing factor in most years, delivering a 21% annualised return since January 2011

Value was the worst-performing factor for three consecutive years – 2018, 2019 and 2020

Value outperformed other factors in 2022 and 2023, contributing to its post-pandemic outperformance

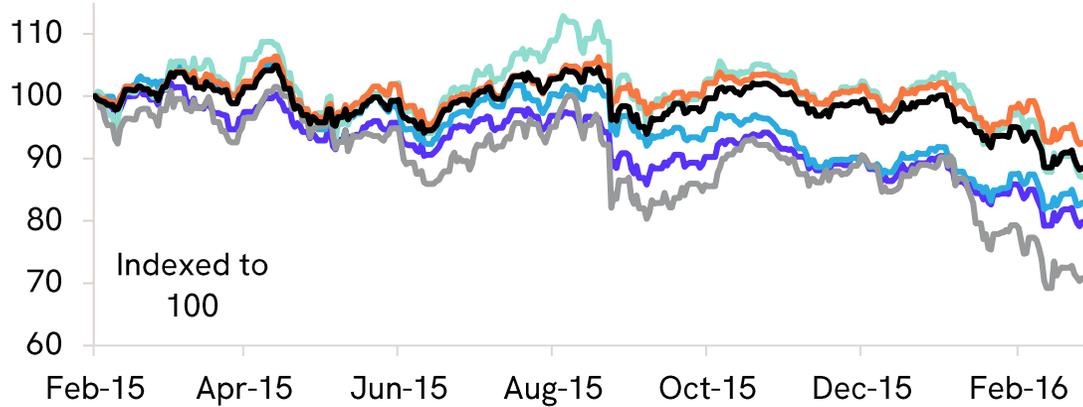
Momentum returned 26% in 2024, followed by a 22% return from quality

Source: NSE, MSCI, 360 ONE Asset Research

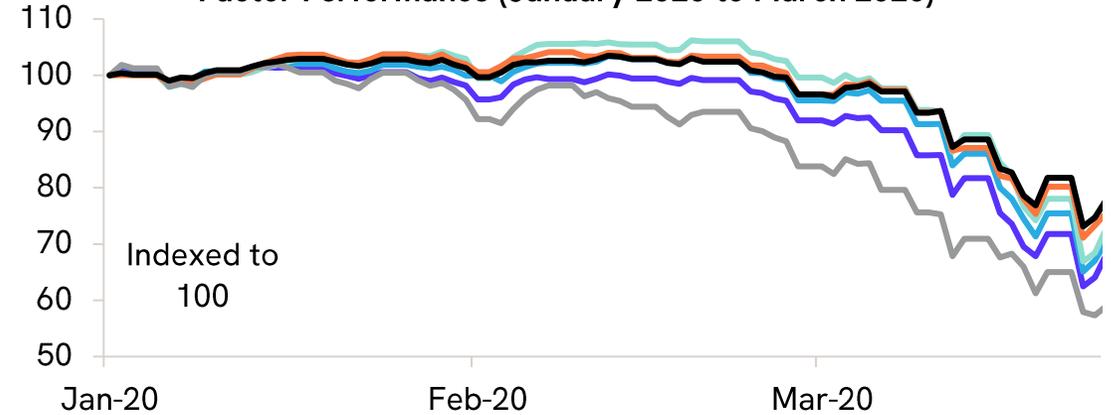
Low volatility tends to outperform during periods of market corrections

Quality has also performed well during two out of three periods of market correction discussed below

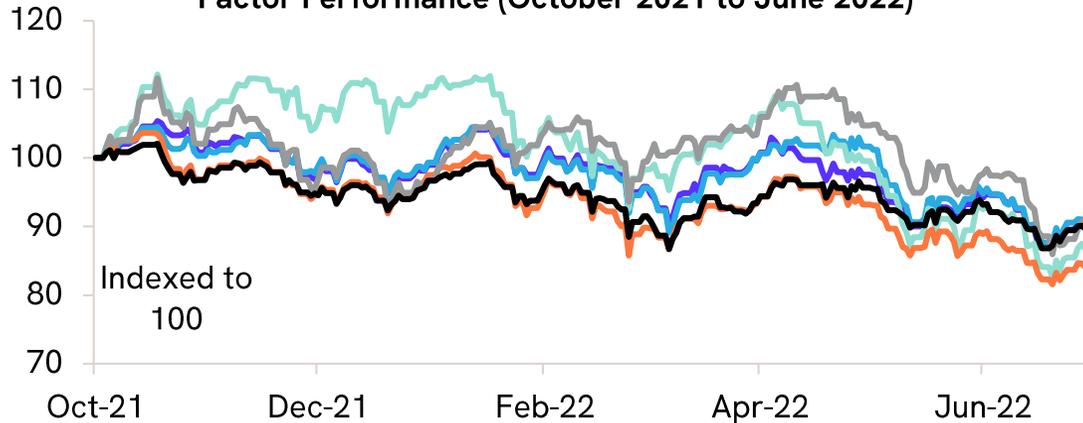
Factor Performance (February 2015 to February 2016)



Factor Performance (January 2020 to March 2020)



Factor Performance (October 2021 to June 2022)



- Nifty50
- Growth
- Momentum
- Quality
- Value
- Low Volatility

Both low volatility and quality performed comparatively better during the Feb'15 – Feb'16 and Jan'20 – Mar'20 market corrections

During Oct'21 – Jun'22, momentum and quality witnessed the most significant corrections, while other factors broadly performed the same

Low volatility has the highest active weight in auto and healthcare

Value has the highest active weight in oil & gas and metals; Momentum is concentrated in consumer services and healthcare

Active Weight w.r.t NSE 500 (%)

Sector	Growth	Momentum	Quality	Value	Low Volatility
Financials	-8	-15	-9	-4	4
IT	-2	6	7	-10	-2
Oil & Gas	-7	-6	5	18	-7
FMCG	-1	-3	6	-7	1
Auto & Ancil	-7	-2	3	-2	10
Healthcare	1	10	-4	-7	11
Telecom	6	-3	-3	-3	-3
Construction	-3	-2	-3	-2	-3
Metals	-3	-1	-2	17	-3
Utilities/Power	-1	-3	0	8	-3
Consumer Disc.	17	7	-3	-3	5
Materials	4	-2	-2	3	1
Consumer Services	-4	15	0	-4	-4
Industrials	12	0	7	-6	-5
Services	-2	-1	-1	-1	-2
Chemicals	-2	1	0	3	1
Realty	2	-1	-1	-1	-1
Textiles	0	0	2	0	1
Media	0	0	0	1	0

The quality factor is fairly spread across sectors, with the highest active weight in industrials and IT

Low volatility has the highest active weight in the auto and healthcare

The value factor is concentrated in the metals and 'oil & gas'

Growth has the highest active weight in consumer discretionary and industrials

Momentum has the highest active weight in consumer services, followed by healthcare

Source: NSE, MSCI, 360 ONE Asset Research

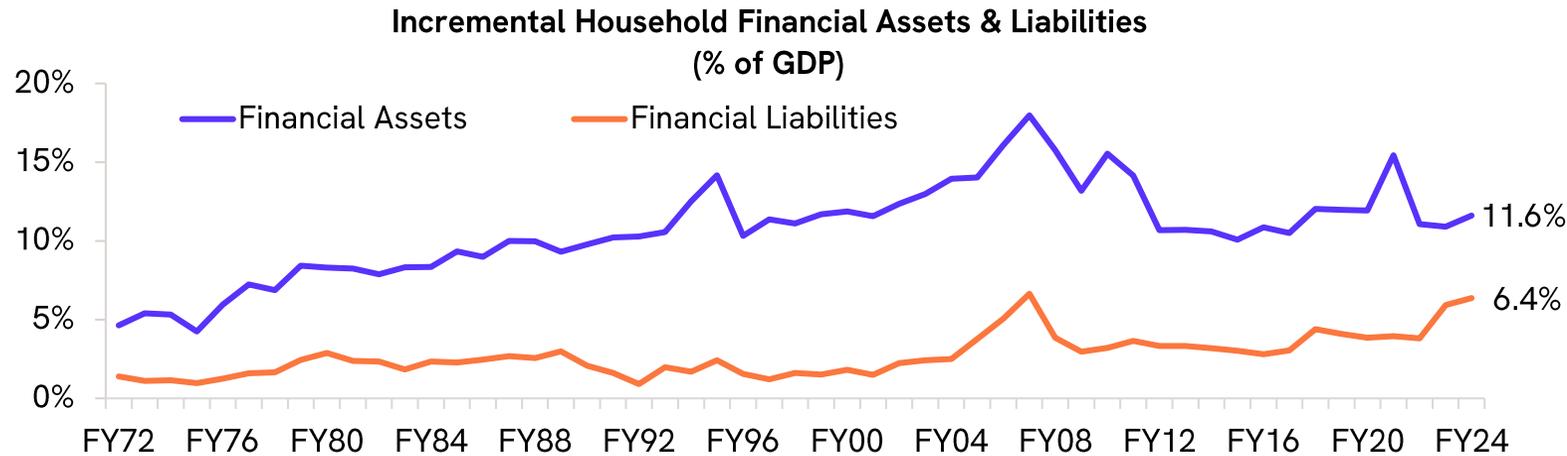
Note: The above analysis is as of 31 December 2024

Household Debt & Financial Stability



Net financial savings of households remain subdued in FY24

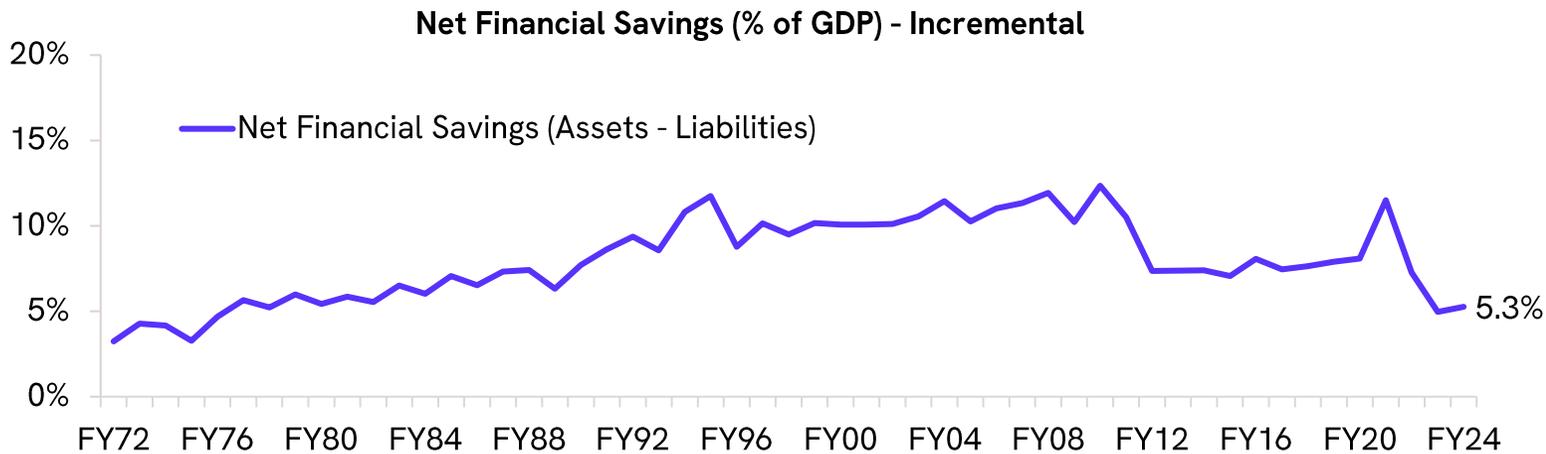
HH financial liabilities (% of GDP) continue to trend upwards in FY24, offset by an increase in financial assets



Household (HH) financial liabilities (% of GDP) continue to pick up in FY24, rising to 6.4% from 5.9% in FY23

This is the highest reading since at least the 1970s, barring 6.6% in FY07

HH financial assets (% of GDP) also increased to 11.6% in FY24, from 10.9% in FY23



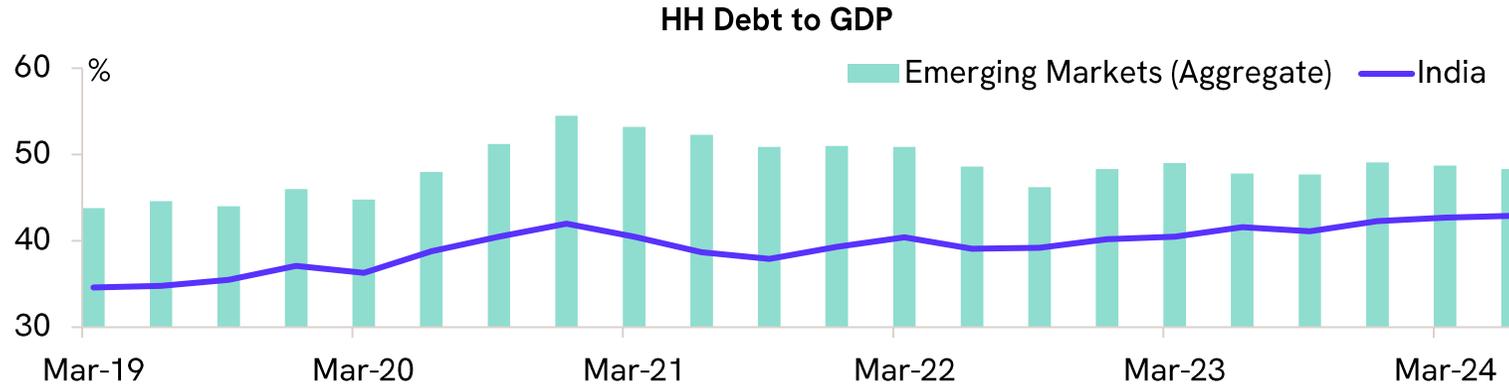
Net financial savings of households are the difference between incremental financial assets and liabilities

Net financial savings (% of GDP) increased slightly to 5.3% in FY24 from 5.0% in FY23

The subdued net financial savings of the household are due to the steep increase in financial liabilities

India's HH debt to GDP is rapidly closing the gap with the EM average

India's household debt-to-GDP ratio does not appear to be unsustainably elevated when compared to other countries



India's HH debt to GDP continues to climb even as the aggregate for emerging markets moderates from the post-pandemic peak

India's HH debt to GDP has increased to 43% in September 2024 from 35% in March 2019



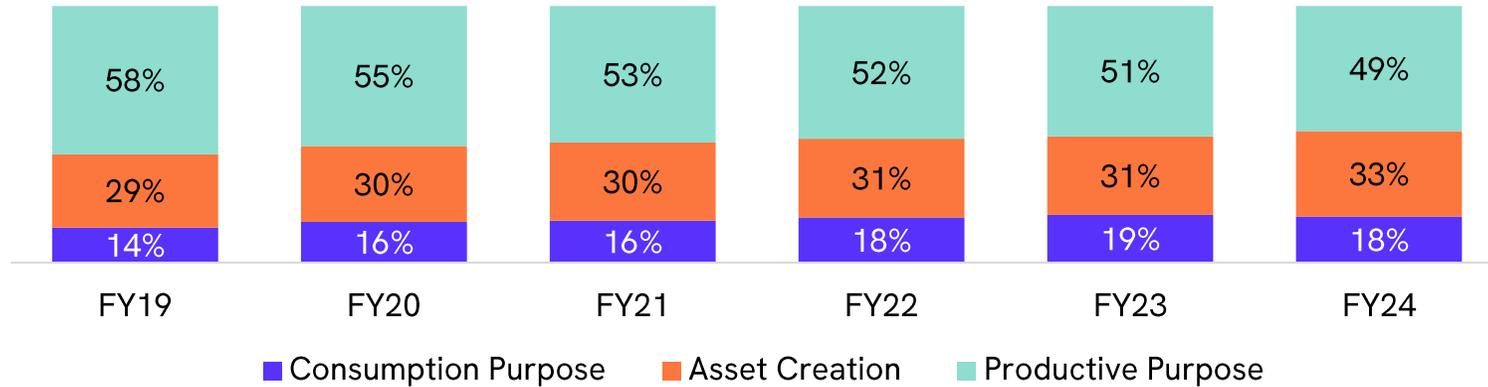
India's household debt-to-GDP ratio remains significantly lower than that of many developed and emerging market economies, posing no systemic risks

Source: RBI, BIS, 360 ONE Asset Research

Subprime borrowers avail loans for consumption; super-prime for assets

Share of consumption loans declined marginally in FY24 as the RBI tightened regulations on unsecured personal loans

Distribution of HH Debt (Bank Credit)

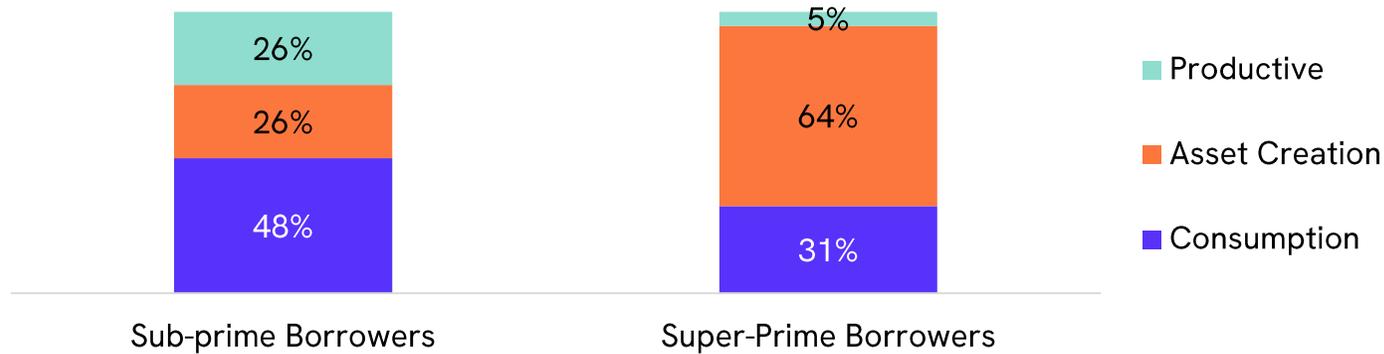


The share of consumption loans in bank credit rose from 14% in FY19 to 18% in FY24, while loans for asset creation increased from 29% to 33%

Both categories increased at the expense of loans for productive purposes

Note that the share of consumption loans declined in FY24 from the previous year as the RBI tightened regulations on unsecured personal loans due to rising stress

Distribution of Debt by Borrower Category (September 2024)



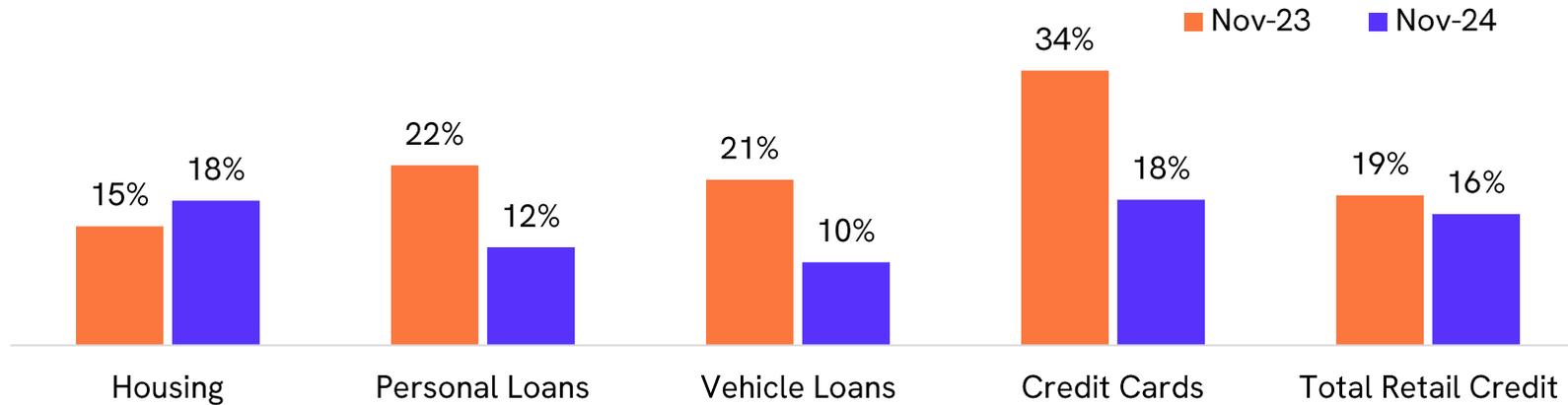
Sub-prime borrowers availed loans primarily for consumption purposes, whereas super-prime borrowers used debt for asset creation, especially housing

The rising stress in unsecured personal loans was discussed in the [Panorama July 2024](#) edition

RBI's regulatory tightening has led to a slowdown in retail loan growth

Banks witness a broad-based slowdown in retail credit growth, except for housing loans

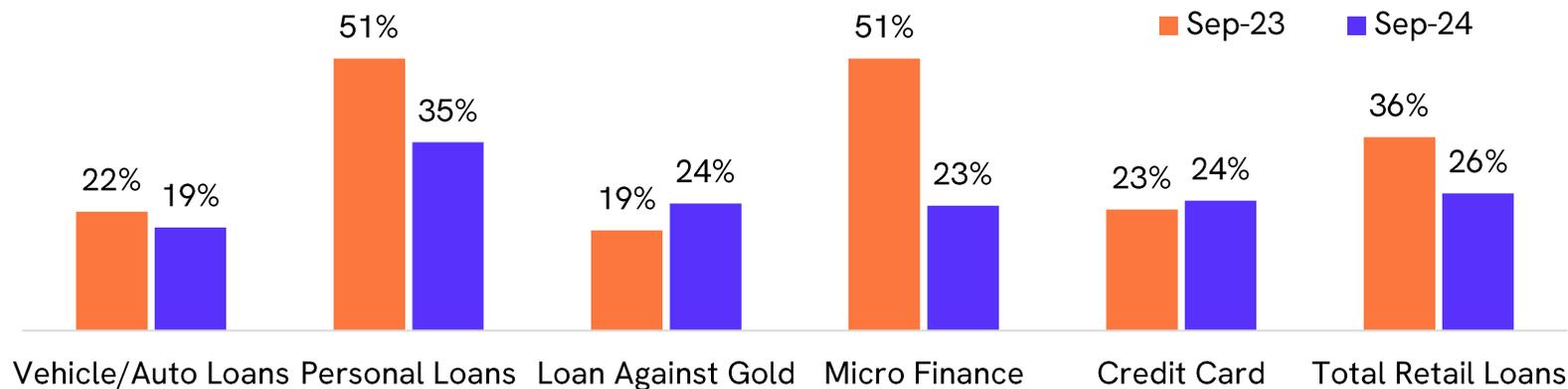
Bank Retail Credit Growth



Banks' retail credit growth declined to 16% YoY in November 2024 from 19% in November 2023 as the RBI tightened regulatory measures to prevent potential stress

Housing credit growth increased to 18% YoY from 15% during the same period, while all other key segments witnessed a decline

NBFCs Retail Credit Growth



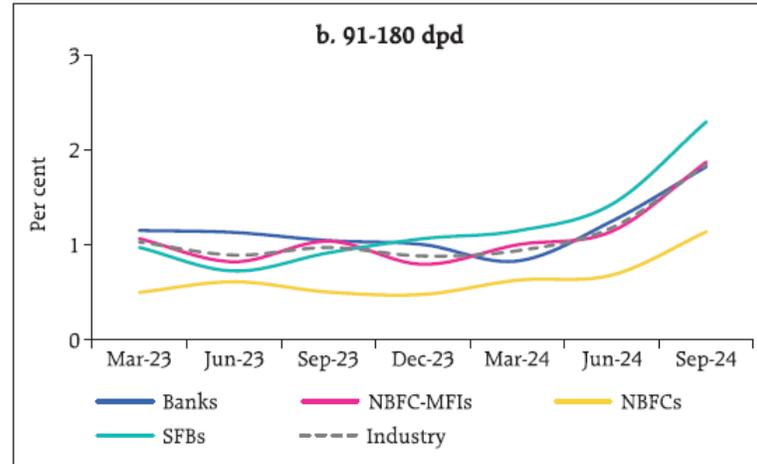
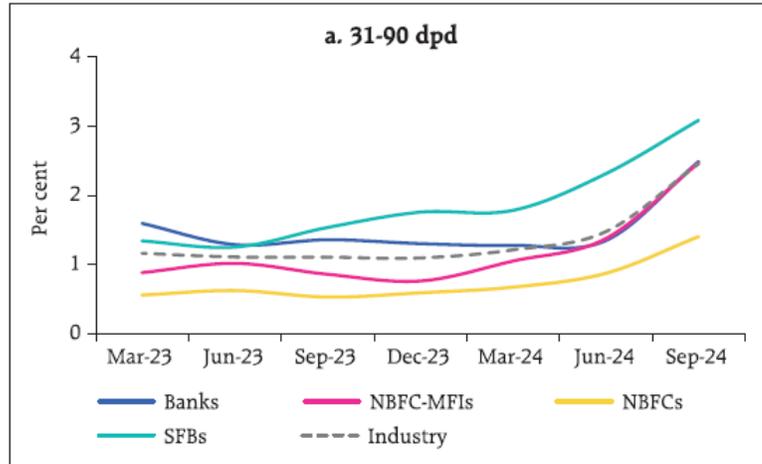
NBFCs have also witnessed a decline in retail credit growth as the RBI increased risk weights for consumer credit exposure (for both banks and non-banks) in November 2023

The RBI also raised the risk weight for banks' exposure to NBFCs, thereby limiting the flow of credit from banks to NBFCs

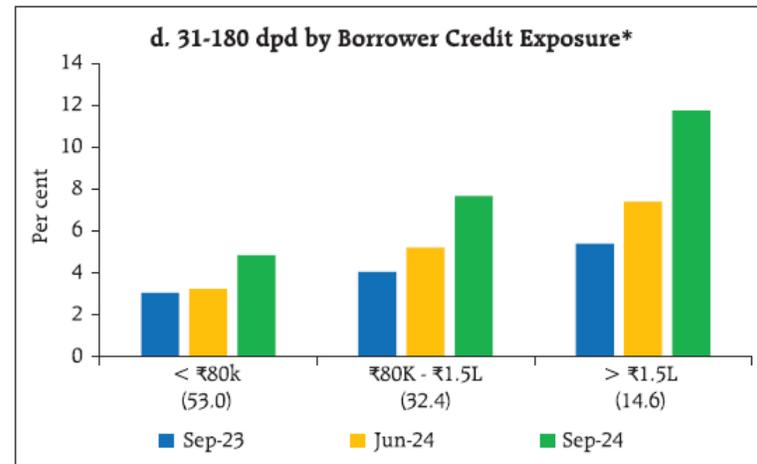
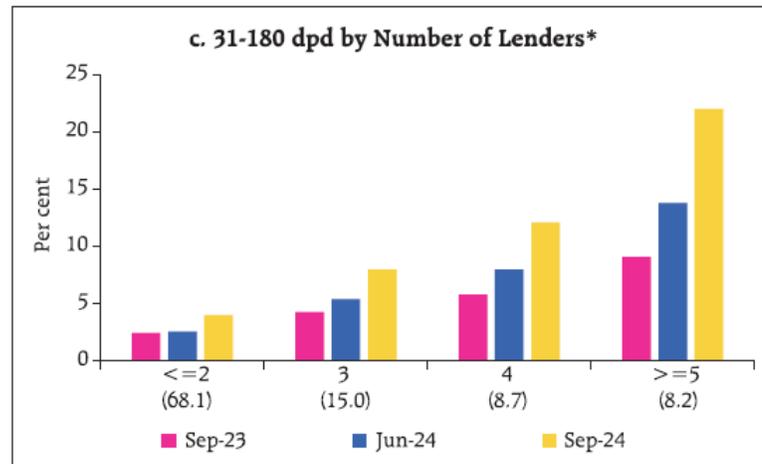
Source: RBI, 360 ONE Asset Research

Microfinance sector showing signs of stress with rising delinquencies

Impairment remained high among borrowers with multiple lenders and higher credit exposure



During H1FY25, the share of stressed assets with 31-180 days past due (dpd) rose from 2.15% in March 2024 to 4.30% in September 2024



Impairment remained high among borrowers who had taken loans from multiple lenders and those with higher credit exposure

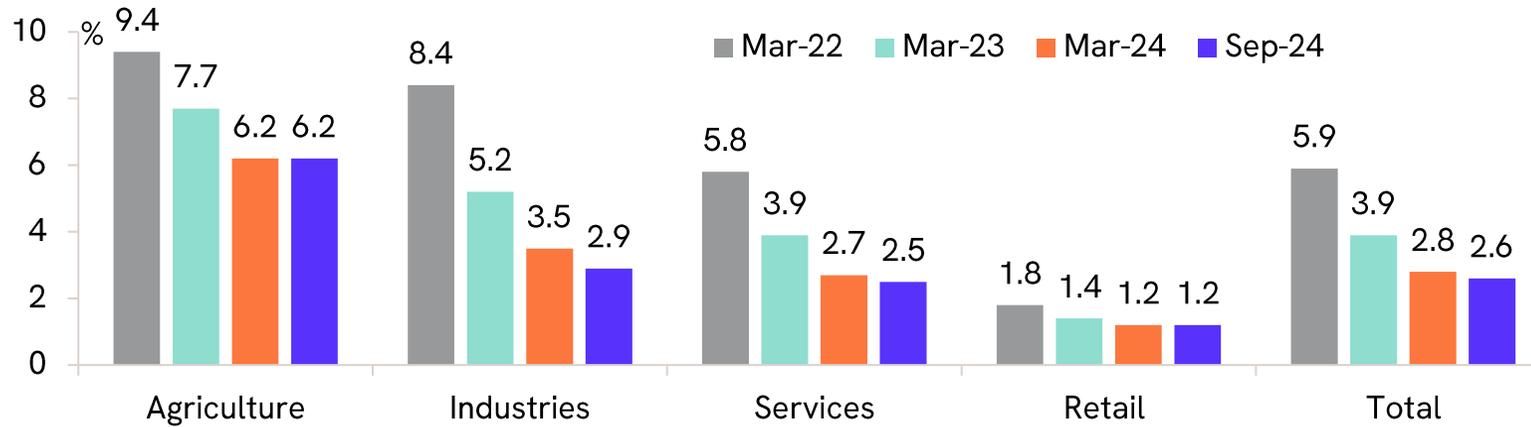
Source: RBI Financial Stability Report, 360 ONE Asset Research

Note: Numbers given in parentheses are the percentage share of loan portfolio outstanding in respective categories as at the end-September 2024

Banking system asset quality continues to improve

The RBI's latest stress test projects the GNPA ratio to increase to 3% by Mar'26 from 2.6% in Sep'24 under the baseline scenario

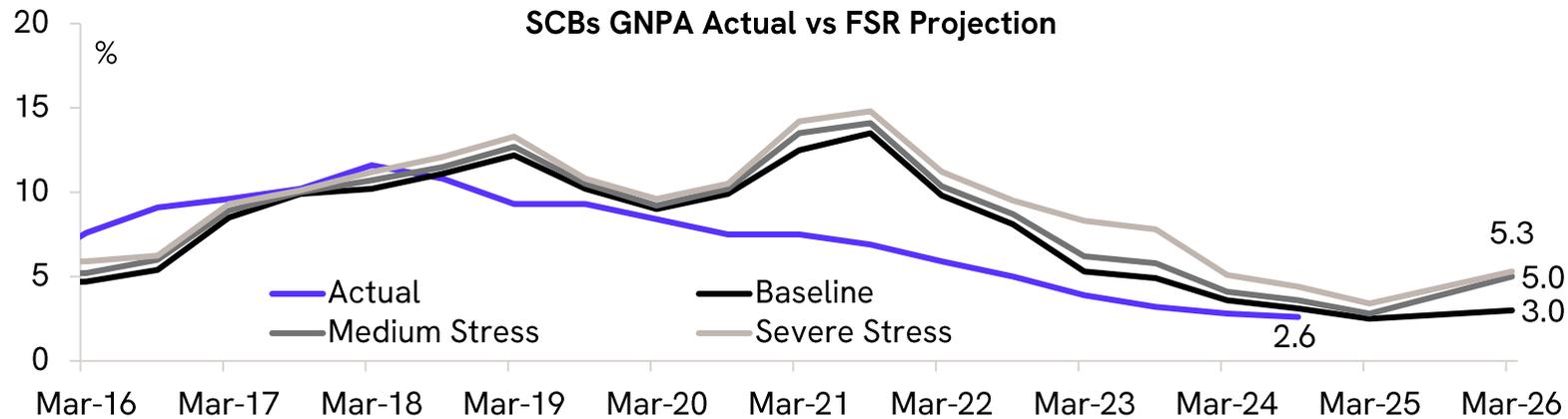
Sector-wise GNPA Ratio (%) of Banks



The banking system's GNPA ratio fell to 2.6% in Sep'24 from 2.8% in Mar'24

Industries and services witnessed improvement in asset quality while agriculture and retail remained flat

SCBs GNPA Actual vs FSR Projection



The RBI's latest stress tests project a worsening of asset quality by March 2026

The GNPA ratio is expected to increase to 3% by March 2026 under the baseline scenario, 5% under the medium stress scenario, and 5.3% under the severe stress scenario

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