TACO vs Sarajevo 1914 – --- Odds Swinging Wildly….

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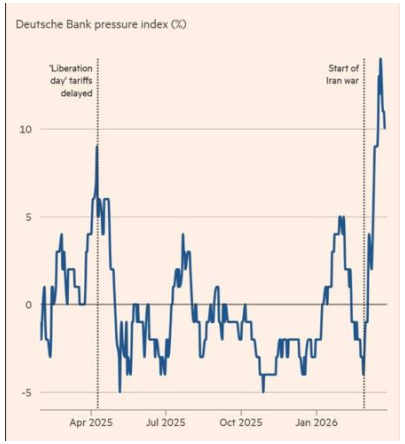
Geopolitical Indicators are wildly random…

Pressure index showing signs of reversal



Intermittent breather


Donald J. Trump
@realDonaldTrump

I AM PLEASED TO REPORT THAT THE UNITED STATES OF AMERICA, AND THE COUNTRY OF IRAN, HAVE HAD, OVER THE LAST TWO DAYS, VERY GOOD AND PRODUCTIVE CONVERSATIONS REGARDING A COMPLETE AND TOTAL RESOLUTION OF OUR HOSTILITIES IN THE MIDDLE EAST. BASED ON THE TENOR AND TONE OF THESE IN DEPTH, DETAILED, AND CONSTRUCTIVE CONVERSATIONS, WHICH WILL CONTINUE THROUGHOUT THE WEEK, I HAVE INSTRUCTED THE DEPARTMENT OF WAR TO POSTPONE ANY AND ALL MILITARY STRIKES AGAINST IRANIAN POWER PLANTS AND ENERGY INFRASTRUCTURE FOR A FIVE DAY PERIOD, SUBJECT TO THE SUCCESS OF THE ONGOING MEETINGS AND DISCUSSIONS.
THANK YOU FOR YOUR ATTENTION TO THIS MATTER!
PRESIDENT DONALD J. TRUMP

473 ReTruths **2.03k** Likes Mar 23, 2026, 7:23 AM

Parallel build up



At the ground too



Source: Media, Bloomberg, Refinitiv, ASK PW

What is good (for TACO) – Bond Markets are flashing red…

A. US yields have spiked recently



B. Responding to the events of the day



Source: Media, Bloomberg, Refinitiv, ASK PW

What is good (for Sarajevo 1914) – Sentiments are hardening…

A. It's not over for affected countries



B. Signs of conflict intensifying



C. Clouds of deep mistrust



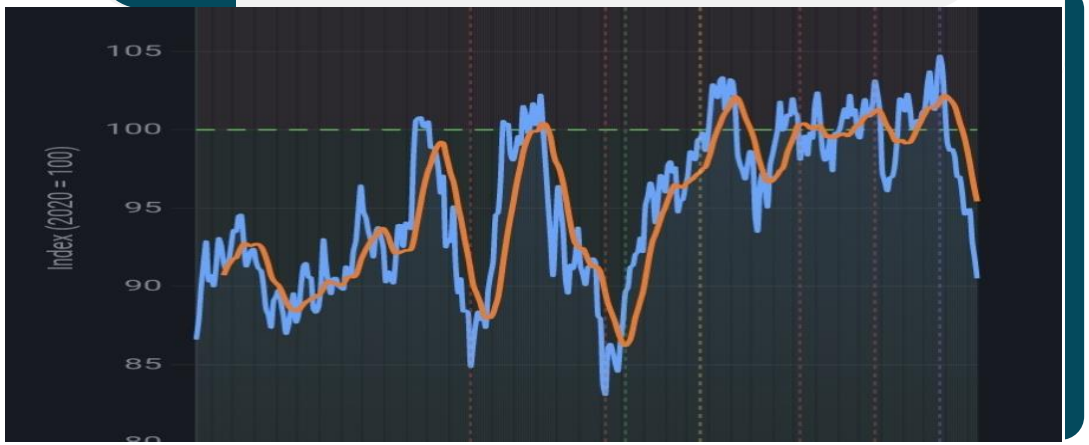
ASK

Source: Media, Bloomberg, Refinitiv, ASK PW

Base Case moves to equal probability TACO (50%) vs Sarajevo 1914 (50%): --- Hedge portfolios for stagflation

India : What looks good – Panic in parts of the market

A. REER indicates INR oversold position



B. Yield spreads are quite high



C. Panic opens opportunity

- INR REER looking extremely oversold – at multi-year lows
- Yield-spread (Earnings Yield – Bond Yield) approaching 2 sigma above mean levels
- FPI outflows could be a lagging indicator, reflecting a bottom rather than a trend

ASK

Source: Media, Bloomberg, Refinitiv, ASK PW

All market cap-based indices are in the same valuation band (Q3) on a 10yr basis

Nifty 50



BSE Midcap



BSE Smallcap



Nifty 500



Source: Bloomberg, Refinitiv, ASK PW

Earnings cuts more widespread in SMID than large cap

Nifty 50



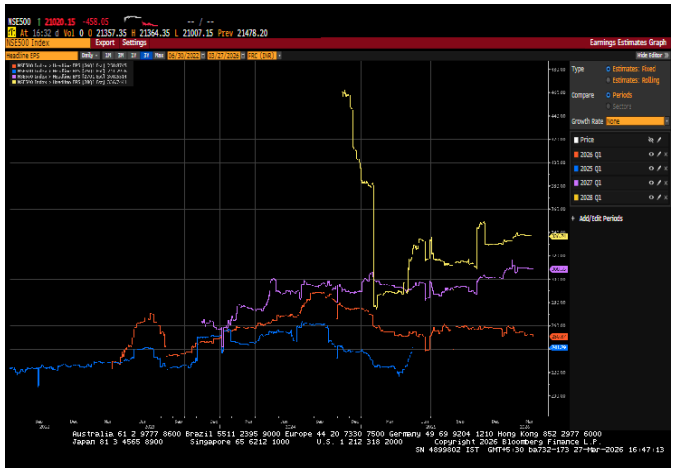
BSE Midcap



BSE Smallcap



Nifty 500



Source: Bloomberg, Refinitiv, ASK PW

Earnings-valuation combo favorable for largecap

A. Earnings downgrade more for SMID

	1yr EPS estimate change (%)			1yr Index
	Q12026	Q12027	Q12028	Change (%)
Nifty 50	-4.4	9.9	26.9	4.1
BSE Midcap	5.7	-13.1	-32.7	7.3
BSE Smallcap	-2.8	-13.8	-1.6	2.7
Nifty Midcap	12.0	-1.1	-19.0	12.7
Nifty Smallcap	-2.8	-16.3	-18.8	4.4
Nifty 500	-1	5	17	6

B. PEG favorable for largecap

	PE			EPS growth			PEG		
	F12 Est	Y+1 Est	Y+2 Est	F12 Est	Y+1 Est	Y+2 Est	F12 Est	Y+1 Est	Y+2 Est
Nifty 50	19.2	18.1	15.9	6.0	13.9	16.2	3.0	1.1	0.8
BSE Midcap	27.5	23.2	19.3	18.5	20.3	6.3	1.3	1.0	2.9
BSE Smallcap	23.7	21.6	16.7	9.9	28.9	13.1	2.2	0.6	1.1
Nifty Midcap150	30.3	25.6	20.9	18.3	22.4	8.2	1.4	0.9	2.4
Nifty Smallcap250	27.1	24.5	18.7	10.9	30.9	18.3	2.2	0.6	0.9
Nifty 500	21.1	19.8	17.1	8.7	15.4	12.2	2.3	1.1	1.2

C. Earnings cut; PEG best for largecap

- In the last one year, earnings growth has been cut down; more so for SMID. This has not been accompanied by market correction.
- Thus PE has stayed elevated and would moderate if only earnings follow through. PEG is most favourable for large cap.

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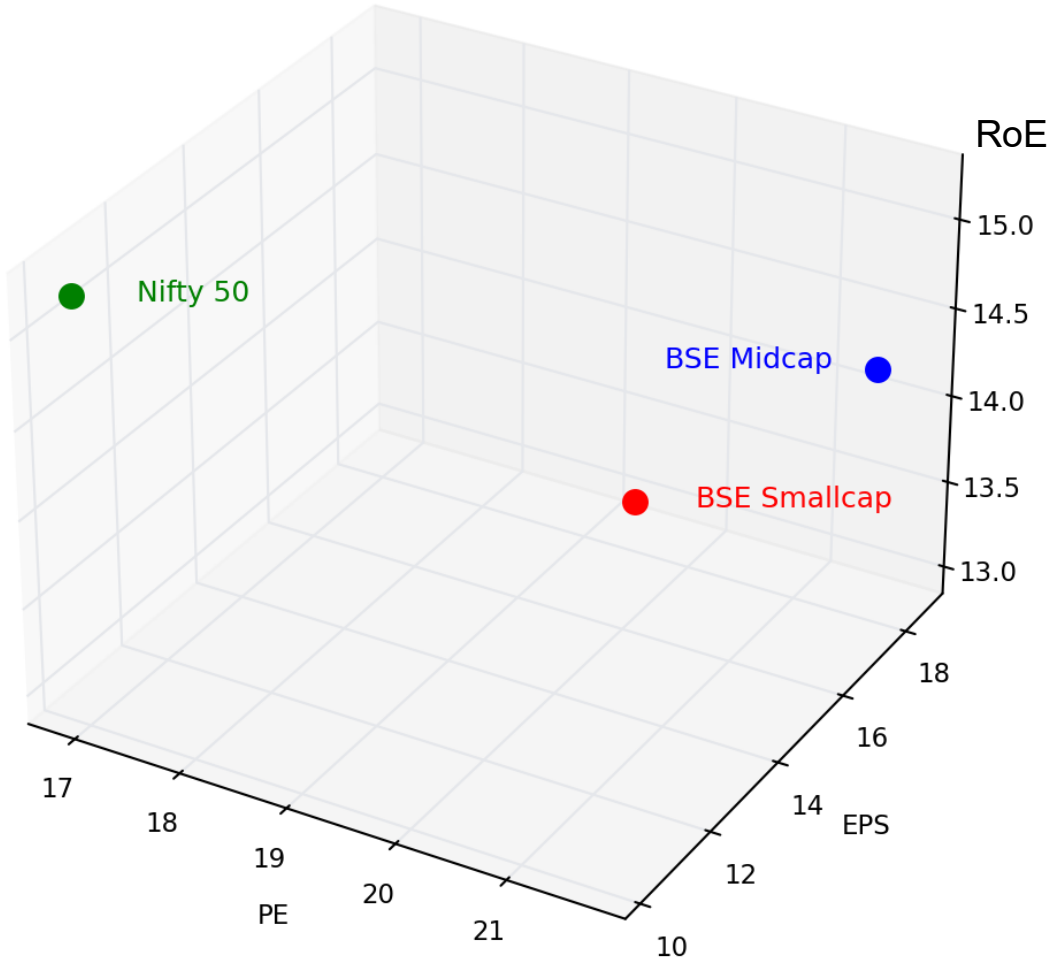
Source: Bloomberg, Refinitiv, ASK PW

P/E, EPS growth and ROE trifecta – Most favourable for larger companies



Source: Bloomberg, Refinitiv, ASK PW

Summary: Tilt portfolios toward largecap

		Largecap	Midcap	Smallcap
1	Price to Earnings	🟢	🔴	🟡
2	Price to Book value	🟡	🔴	🟡
3	Profit Margins	🟢	🟡	🔴
4	Return on Equity	🟢	🟡	🔴
5	Sales	🟢	🟡	🔴
6	Earnings	🔴	🟢	🟡
7	Assets	🟢	🟡	🔴
8	Total debt	🟢	🟡	🔴
9	Book value	🟡	🔴	🟢
10	EV per share	🟢	🟡	🔴
11	Number of Employees	🟢	🟡	🟡
12	Free cash flow	🔴	🟢	🟢
13	Free cash flow yield	🟢	🔴	🔴
14	Net Debt to EBITDA	🟡	🔴	🟡
All		🟢	🔴	🔴

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Source: Bloomberg, Refinitiv, ASK PW

Investments – Hedge for Stagflation, Hope for Low Inflation-Low Growth

Base Case – TACO (50%)		Geopolitical Disruption Case – Sarajevo 1914 (50%)	
Themes	**Core Investment Ideas**	**Themes**	**Core Investment Ideas**
Weak USD	EM Equities	Strong USD	US Treasuries, DXY
High US Fiscal Deficit	Deeptech equities	Low US yields	Precious Metals
High US yields	Thematics – Defence, AI, Largecap	Inflation perking up	Industrial Commodities
	Precious Metals		Thematics – Defence, AI, Largecap
	Select industrial commodities		Oil
	Real Estate, Infrastructure		Real Estate, Infrastructure

Source: ASK PW

Disclaimer

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