

TATA CAPITAL WEALTH

Market Outlook – November 2022



Macro Indicators



	Current		Month Ago	Quarter Ago	Half Year Ago	Year Ago
Economic Indicators:						
PMI Manufacturing	55.3 (Oct-22)	↓	55.1 (Sep-22)	56.4 (Jul-22)	54.7 (Apr-22)	55.9 (Oct-21)
PMI Services	55.1 (Oct-22)	↓	54.3 (Sep-22)	55.5 (Jul-22)	57.9 (Apr-22)	58.4 (Oct-21)
Consumer Price Index (CPI)	7.41% (Sep-22)	↑	7.00% (Aug-22)	7.01% (Jun-22)	6.95% (Mar-22)	4.35% (Sep-21)
Wholesale Price Index (WPI)	10.70% (Sep-22)	↓	12.41% (Aug-22)	16.23% (Jun-22)	14.63% (Mar-22)	11.80% (Sep-21)
Industrial Production (IIP)	3.10% (Aug-22)	↓	2.36% (Jul-22)	19.64% (May-22)	1.15% (Feb-22)	12.97% (Aug-21)
GDP	13.5% (Jun-22)	↑	NA	4.1% (Mar-22)	5.4% (Dec-21)	20.1% (Jun-21)
Trade Deficit (\$ bn)	26.72 (Sep-22)	↑	28.68 (Aug-22)	25.63 (Jun-22)	18.69 (Mar-22)	11.71 (Sep-21)
Commodity Market:						
Brent Crude (\$/barrel)	94.8 (31-Oct-22)	↓	88.0 (30-Sep-22)	110.0 (29-Jul-22)	109.3 (29-Apr-22)	84.4 (29-Oct-21)
Gold (\$/oz)	1,640.70 (31-Oct-22)	↓	1,672.00 (30-Sep-22)	1,771.50 (29-Jul-22)	1,915.10 (29-Apr-22)	1,784.90 (31-Oct-21)
Silver (\$/oz)	19.12 (31-Oct-22)	↓	19.02 (30-Sep-22)	20.20 (31-Jul-22)	23.09 (29-Apr-22)	23.97 (29-Oct-21)
Currency Market:						
USD/INR	82.77 (31-Oct-22)	↑	81.51 (30-Sep-22)	79.34 (29-Jul-22)	76.52 (29-Apr-22)	74.92 (29-Oct-21)

Source: Currency & Commodity – Investing.com, Economic Indicators – DBIE, RBI & News Articles

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↑ signifies positive movement over Q-o-Q ↓ signifies negative movement over Q-o-Q

Equity Market - Review



Equity Market Roundup - Key Takeaways



Performance: Sensex rose 5.8% in October, while the Mid-cap and Small-cap indices underperformed Large-cap and were up 1.8% and 1.9% respectively.

Domestic factors that played out for the Indian markets:

- India's economy is expected to expand at 6.8% in FY23 and further decline in FY24, to 6.1% on the back of tightening monetary & fiscal policies, according to IMF.
- The **S&P Global India Manufacturing & Services PMI business activity Index** slipped which restricted the upside during the initial days of the month.
- **Healthy corporate earning** numbers for the quarter ended Sep 2022 boosted market sentiments.
- A **rise in global crude oil prices** restricted the gains which made market participants weary regarding the widening trade deficit of the country.

Global factors that shaped the graph of the Indian markets:

- Expectations that the U.S. Federal Reserve may slow down the pace of rate hikes in the coming months amid worries of a slowdown added to the gains.

Outlook:

- While major developed economies are struggling with concerns of rising inflation, interest rates, falling economic activity post-pandemic which led to disruptions in demand and supply-side amid Russia-Ukraine crisis, **India has shown consistent recovery and is back to pre-pandemic levels.**
- **GDP growth projections for 2022 are still the one of the highest for India compared to its emerging market peers.** This gives confidence in the long-term prospects of the economy.
- However, the anticipated global slowdown, rising energy & interest costs **may lead to higher than usual volatility** especially in the short run.
- Therefore, **investors are suggested not to time the reversal in any of the recent unfavourable dynamics and focus on the medium to long term potential of the equity markets.** The important drivers for equity market will be - **global economic trends, oil prices, earning growth of corporates, global liquidity conditions and central banks actions.** We believe, market may remain volatile for the next few months, investors need to be cautious **and invest in staggered manner and follow the prescribed asset allocation.**

Indian Equity Market Dashboard - October 2022



Index Name	Index Value	CAGR (%)				Valuations Trailing					
		1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	P/E	P/B	Div. Yield	
Indian Market Performance & Valuation											
S&P BSE Sensex	60,747	5.78	5.40	6.42	2.41	14.81	12.83	22.75	3.39	1.18	
Nifty 50	18,012	5.37	4.87	5.29	1.92	14.88	11.74	21.42	4.23	1.25	
Nifty 100	18,243	4.62	4.74	4.48	2.02	14.85	11.17	22.07	4.38	1.31	
Nifty 200	9,544	4.34	4.92	4.59	2.20	15.83	11.09	22.14	4.13	1.30	
Nifty 500	15,424	4.01	5.06	4.31	2.22	16.74	10.99	22.21	4.06	1.27	
Nifty Midcap 150	11,868	1.83	5.89	5.92	4.17	24.13	12.09	24.45	3.32	1.19	
Nifty Smallcap 250	9,372	1.88	6.47	-1.27	-0.05	25.05	6.95	19.05	2.99	1.11	
Sectoral Indices								Equity Market Flow			
Nifty FMCG	44,296	-0.25	4.17	15.86	15.81	11.07	11.51	Equity Flow (₹. Cr.)	1-Mth	YTD	1 Yr.
Nifty India Consumption	7,965	1.17	5.86	12.29	13.02	15.48	11.14				
Nifty Auto	13,382	5.37	6.54	20.68	18.35	16.55	3.31	FII	-489	-2,86,745	-3,62,140
Nifty Energy	26,673	4.27	2.46	-6.68	14.71	17.38	12.94	DII	9,277	2,57,868	3,19,659
Nifty Oil & Gas	8,076	5.66	2.93	-1.44	4.80	14.39	9.08				
Nifty Metal	5,896	2.22	7.32	-6.77	5.95	33.06	8.74				
Nifty Bank	41,308	6.93	9.96	14.39	5.57	11.16	10.54				
Nifty Healthcare	8,402	2.31	4.69	-0.12	-2.44	20.81	9.31				
Nifty Financial Services	18,538	5.89	6.18	11.37	-1.35	11.09	12.61				
Nifty Pharma	13,212	1.85	3.34	-1.85	-4.78	18.79	6.25				
Nifty Infrastructure	5,235	5.58	6.89	2.07	3.74	16.34	7.88				
Nifty Services Sector	24,726	5.76	5.32	6.38	-0.06	14.49	13.13				
Nifty IT	28,728	6.47	-1.43	-9.10	-16.42	22.66	21.51				

Source: Moneycontrol

Global Equity Market Performance as on 31 October 2022



Index Name		Index Value	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years
Global Market Indices								
U.S.	Nasdaq 100	11,406	3.96	-11.66	-11.21	-27.89	12.15	12.78
U.S.	Russell 1000	2,128	7.91	-5.99	-6.47	-17.53	8.26	8.31
Pan - Europe	Euronext 100	1,194	7.20	-4.76	-4.13	-11.03	2.84	2.25
UK	FTSE	7,095	2.91	-4.34	-5.93	-1.97	-0.71	-1.09
France	CAC 40	6,267	8.75	-2.76	-4.06	-8.21	3.03	2.63
Germany	DAX	13,254	9.41	-1.67	-5.96	-15.44	0.99	0.04
Switzerland	Swiss Market	10,828	5.46	-2.79	-10.67	-10.52	1.94	3.22
South Korea	Kospi	2,294	6.41	-6.30	-14.81	-22.67	3.25	-1.89
Japan	Nikkei	27,587	6.36	-0.75	2.73	-4.49	6.36	4.62
Hong Kong	HangSeng	14,687	-14.72	-26.56	-30.19	-41.90	-18.26	-12.25
China	SSE Composite	2,893	-4.33	-10.82	-5.01	-18.33	-0.41	-3.14
Taiwan	Taiwan Capitalization Weighted Stock	12,950	-3.54	-13.38	-21.83	-23.64	4.46	3.71
Singapore	Strait Times	3,093	-1.19	-3.61	-7.82	-3.27	-1.43	-1.72
Indonesia	Jakarta Composite	7,099	0.83	2.08	-1.78	7.66	4.45	3.40
Malaysia	KLSE	1,460	4.71	-2.09	-8.70	-6.49	-2.95	-3.53
Brazil	Ibovespa Sao Paulo	116,037	5.45	12.21	7.52	12.05	2.67	9.32
India	Nifty 50	18,012	5.37	4.87	5.29	1.92	14.88	11.74

Global Equity Market Performance across Calendar years



2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022* (%)
U.S.-S&P 500 0.00	Germany 29.06	Japan 56.72	China 52.87	Germany 9.56	U.K. 14.43	Hong Kong 35.99	India 3.15	U.S.-Nasdaq 35.23	U.S.-Nasdaq 43.64	France 28.85	India 3.79
U.S.-Nasdaq -1.80	India 27.70	U.S.-Nasdaq 38.32	India 31.39	China 9.41	U.S.-S&P 500 9.54	India 28.65	U.S.-Nasdaq -3.88	U.S.-S&P 500 28.88	South Korea 30.75	U.S.- S&P 500 26.89	U.K. -3.93
U.K. -5.55	Japan 22.94	U.S.-S&P 500 29.60	U.S.-Nasdaq 13.40	Japan 9.07	U.S.-Nasdaq 7.50	U.S.-Nasdaq 28.24	U.S.-S&P 500 -6.24	France 26.37	U.S.-S&P 500 16.26	India 24.1	Japan -4.18
South Korea -10.98	Hong Kong 22.90	Germany 25.48	U.S.-S&P 500 11.39	France 8.53	Germany 6.87	South Korea 21.76	France -10.95	Germany 25.48	Japan 16.01	U.S.-Nasdaq 21.39	France -12.39
Germany -14.69	U.S.-Nasdaq 15.91	France 17.99	Japan 7.12	U.S.-Nasdaq 5.73	France 4.86	U.S.-S&P 500 19.42	Japan -12.08	China 22.30	India 14.90	Germany 15.79	Germany -16.56
France -16.95	France 15.23	U.K. 14.43	Germany 2.65	South Korea 2.39	South Korea 3.32	Japan 19.10	U.K. -12.48	Japan 18.20	China 13.87	U.K. 14.30	U.S.- S&P 500 -18.76
Japan -17.34	U.S.-S&P 500 13.41	India 6.76	Hong Kong 1.28	U.S.-S&P 500 -0.73	India 3.01	Germany 12.51	Hong Kong -13.61	U.K. 12.10	Germany 3.55	Japan 4.91	China -20.50
Hong Kong -19.97	South Korea 9.38	Hong Kong 2.87	France -0.54	India -4.06	Japan 0.42	France 9.26	South Korea -17.28	India 12.02	Hong Kong -3.40	China 4.80	South Korea -22.97
China -21.68	U.K. 5.84	South Korea 0.72	U.K. -2.71	U.K. -4.93	Hong Kong 0.39	U.K. 7.63	Germany -18.26	Hong Kong 9.07	France -7.14	South Korea 3.63	U.S.-Nasdaq -29.77
India -24.62	China 3.17	China -6.75	South Korea -4.76	Hong Kong -7.16	China -12.31	China 6.56	China -24.59	South Korea 7.67	U.K. -14.34	Hong Kong -14.08	Hong Kong -37.23

Index used for each of the Equity Markets: China – SSE Composite, France – CAC, Germany - DAX, Hon Kong – Hang Seng, India Nifty 50, U.K. – FTSE 100, South Korea - Kospi

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Asset Class Performance



2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022* (%)
Gold 31.82	Mid Cap 43.99	Intl 30.44	Small Cap 69.57	Small Cap 10.2	G-Sec 14.24	Small Cap 57.47	G-Sec 8	Intl 28.89	Gold 27.88	Small Cap 61.94	Gold 4.78
Bonds 6.92	Small Cap 37.94	Large 6.76	Mid Cap 60.26	Bonds 8.63	Bonds 12.91	Mid Cap 54.53	Gold 7.87	Gold 23.79	Small Cap 25.02	Mid Cap 46.81	Large Cap 3.79
G-Sec 5.29	Large 27.53	Bonds 3.79	Large 31.39	Mid Cap 8.41	Gold 11.35	Large 28.74	Bonds 5.91	Large 12	Mid Cap 24.13	Intl 24.76	Mid Cap 2.81
Intl -0.51	Intl 13.84	G-Sec 2.65	G-Sec 15.28	G-Sec 8.17	Intl 9.7	Intl 19.4	Large 3.13	G-Sec 11.34	Intl 18.81	Large 24.12	Bonds 0.7
Large -24.68	Gold 12.27	Mid Cap -3.01	Bonds 14.31	Intl -1.09	Mid Cap 5.41	Gold 5.12	Intl -6.55	Bonds 10.72	Large 14.86	Bonds 3.44	G-Sec 0.23
Mid Cap -32.17	G-Sec 11.11	Gold -4.5	Intl 11.07	Large -4.06	Large 3.01	Bonds 4.71	Mid Cap -13.26	Mid Cap -0.28	G-Sec 13.2	G-Sec 3.13	Small Cap -4.76
Small Cap -36.11	Bonds 9.34	Small Cap -8.14	Gold -7.91	Gold -6.65	Small Cap 0.36	G-Sec 3.52	Small Cap -26.68	Small Cap -8.27	Bonds 12.25	Gold -4.21	Intl -19.56

Index used for each of the Asset Class: Gold: Domestic Prices of Gold, Intl: Russell 1000 Index, G-Sec: ICRA Composite Gilt Index, Bonds: CRISIL Composite Bond Fund Index, Large Cap: Nifty 50, Mid Cap: Nifty Midcap 150, Small Cap: Nifty Small Cap 250

Performance as on 31 October 2022. Source: ICRA Analytics (<http://www.icraanalytics.com/legal/standard-disclaimer.html>)

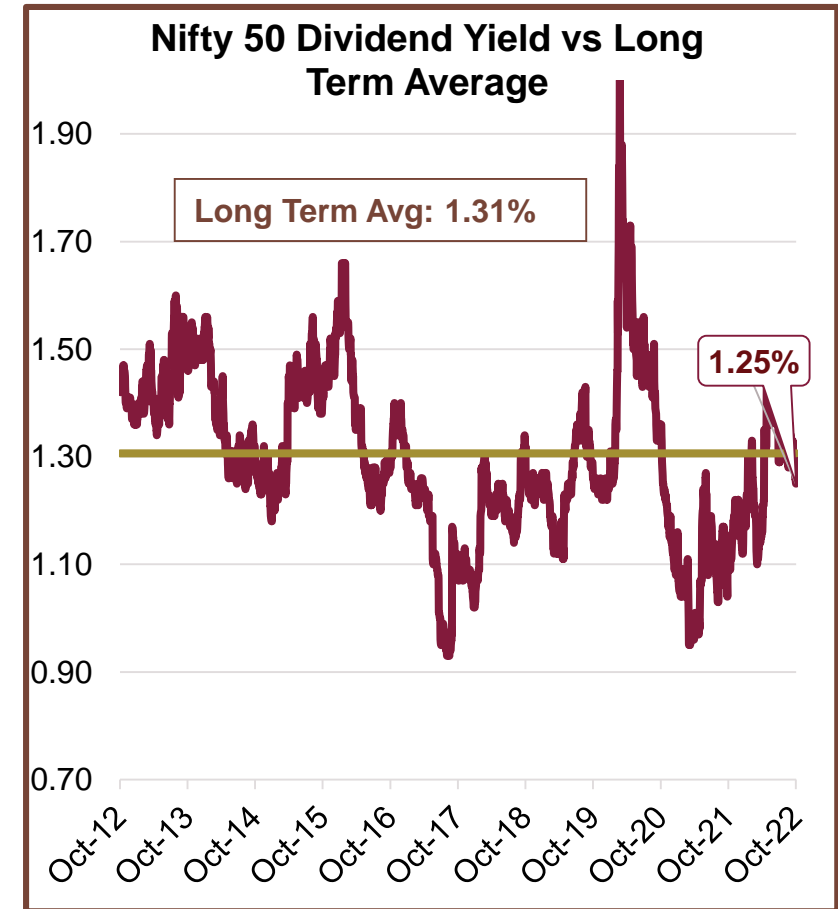
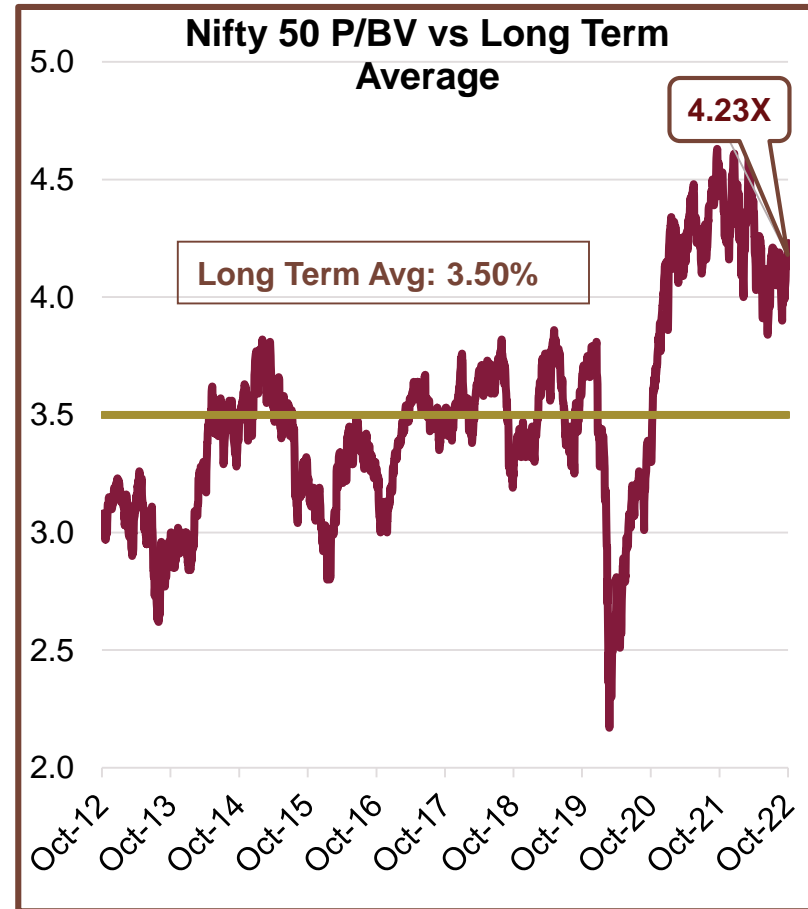
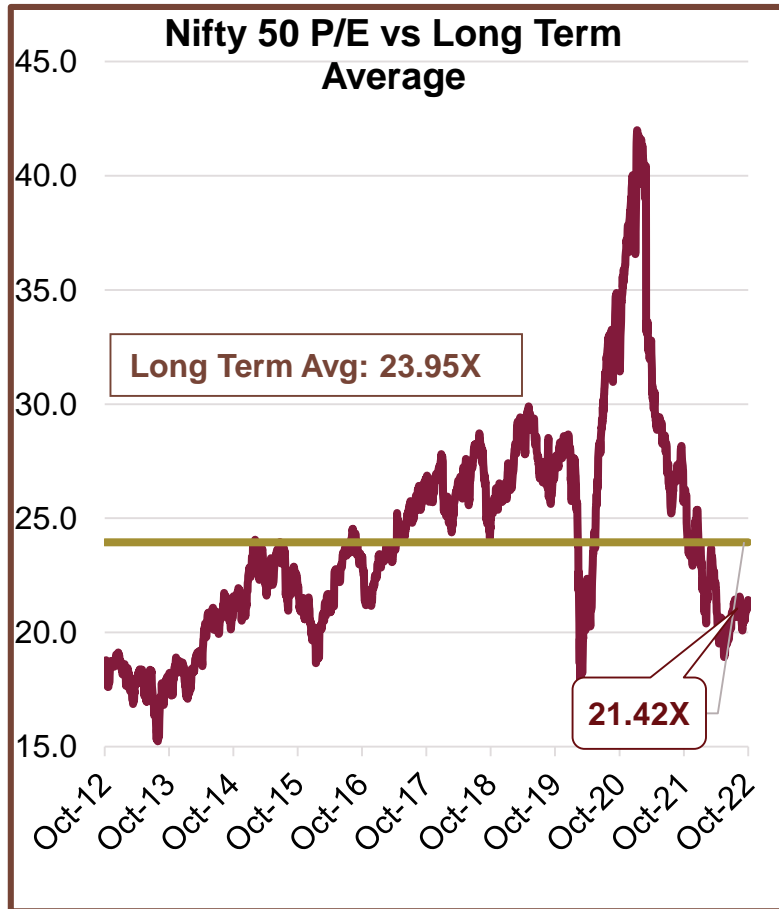
- a. Large Cap: 1st -100th company in terms of full market capitalization
- b. Mid Cap: 101st -250th company in terms of full market capitalization
- c. Small Cap: 251st company onwards in terms of full market capitalization

Valuations on the Trailing P/E, P/BV & Div. Yield Metrics

Nifty 12-month trailing P/E of 21.42X is lower than its historical long-term average of 23.95X

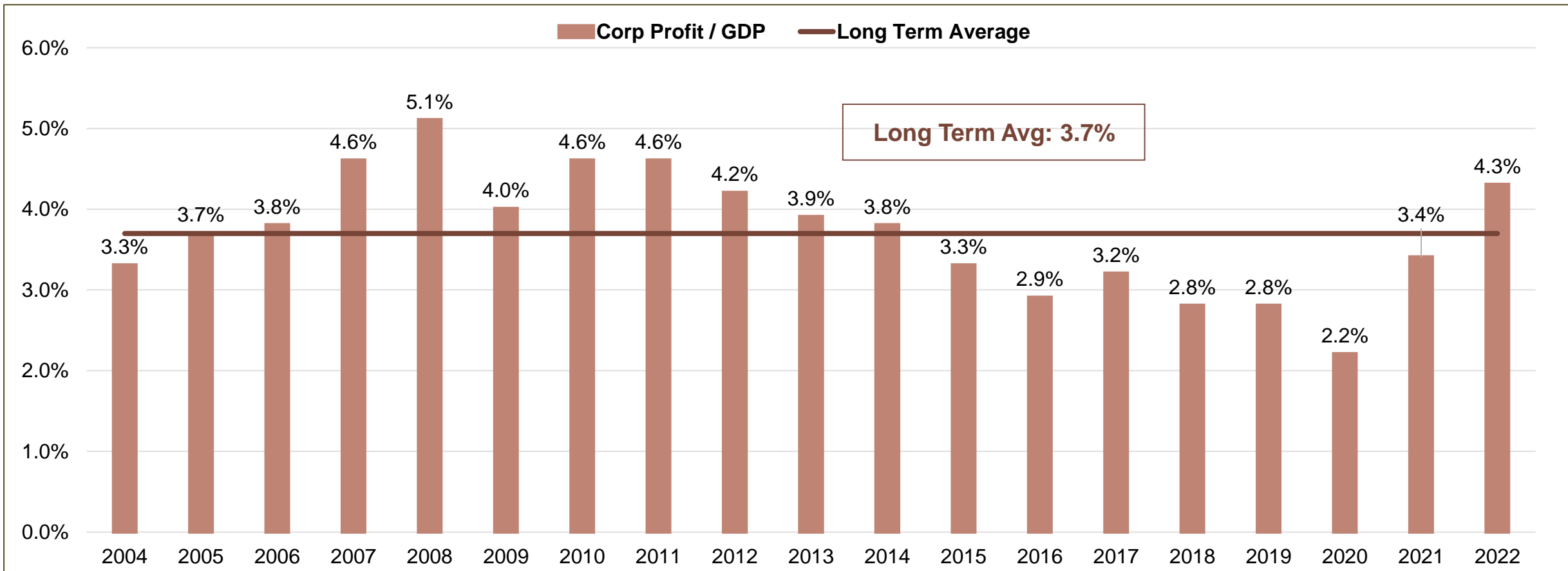
At 4.23X, the Nifty Trailing P/B is above the historical long-term average of 3.50X

At 1.25%, the Nifty Trailing Dividend Yield is in line with the historical long-term average of 1.31%



Valuations on a Corporate Profit / GDP perspective

On Corporate Profit to GDP parameter – Corporate Profits have risen significantly above the long term average of 3.7% to 4.3% in 2022



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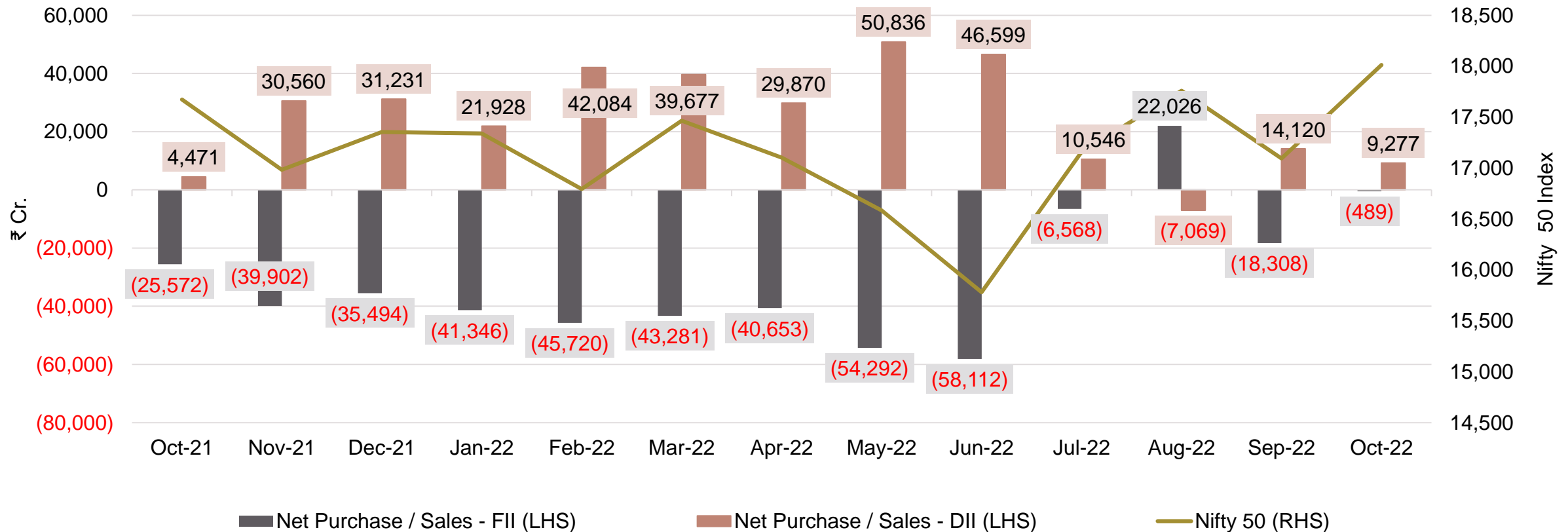
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Source: Kotak AMC, Monthly Market Outlook, August '22

FII & DII Flow into Equity

- FIIs continued to remain net sellers in October, albeit to a lower extent. While, at the same time, the DIIs continued their buying streak in October, however at a slightly slower pace.
- In line with the FIIs, the markets too which slipped in September once again in displayed a comeback in October 2022.

Net FII & DII Flow (Cash) in ₹ Cr. V/S Nifty 50 levels



Mutual Fund Category Average Performance - October 2022



- **During the month** under consideration, all the categories were in the green with the exception of Multi Cap and Dividend Yield. Among the sectoral funds too, all the sectors were in green, Financial Services and Healthcare were the top gainers.
- For **the trailing 3-months**, all the Categories & Sector funds were in the green; while for **trailing 6-months** with the exception of, Technology and Healthcare all the categories were in the green.
- **For the full year**, most of the categories were in the positive terrain with Small Cap and Contra delivering the highest return. Among the sector based and thematic funds, FMCG was the best performing sector followed by Consumption; while Healthcare and Technology sector were in the red.
- **On a 3-year CAGR** basis, all the categories delivered double digit returns with the Mid Cap & Small Cap outperforming the rest. Among the sector and theme-based funds Technology, Healthcare and Infrastructure were the top performers.
- **With respect to the 5-year CAGR returns**, most the categories delivered early double digit return with the exception of Technology which clocked in gains of ~24.00%.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Large Cap	0.59	7.59	3.05	-0.82	23.19	14.14	10.71
Large & Mid Cap	0.66	8.54	3.46	1.04	28.49	17.94	11.37
Multi Cap	-0.06	12.08	3.13	1.97	32.72	20.26	13.69
Flexi Cap	0.18	8.77	2.32	-0.19	25.79	16.31	11.53
Mid Cap	0.21	10.53	4.83	3.15	32.51	23.39	12.90
Small Cap	0.85	9.33	4.15	6.47	41.53	29.89	13.46
Focused	1.52	7.69	3.90	0.69	25.62	16.06	11.03
ELSS	2.20	7.44	4.03	0.84	25.77	16.28	10.83
Contra	0.23	9.84	5.80	4.81	32.38	21.23	13.62
Dividend Yield	-1.11	7.74	0.39	0.73	28.03	18.50	10.68
Value	0.38	9.11	2.57	1.38	29.88	18.04	9.60
Sectoral / Thematic							
Consumption	1.24	11.54	11.45	10.32	31.00	18.93	13.76
Infrastructure	0.89	10.75	7.60	8.21	41.42	20.84	9.86
Financial Services	2.65	10.09	9.35	0.87	27.78	10.36	8.49
FMCG	0.28	12.54	14.90	13.37	27.08	14.56	13.35
Healthcare	2.18	5.57	-1.09	-5.52	10.94	24.27	14.19
Technology	0.18	0.29	-13.56	-16.03	23.24	26.49	23.69

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For Client Circulation.

Source: Morningstar Direct

Debt Market – Review



Debt Market Roundup - Key Takeaways



- The **India 10-Year G-sec yields rose** for the month of October to close **higher at 7.45%** as against 7.40% at the end of September.
- In India, month saw higher than expected inflation print, pressure on currency, high trade deficit and robust fiscal print.
- However, losses were restricted after **minutes of the latest monetary policy meeting** showed **dovish view** from some members, calming fears of slowdown on the back of aggressive rate hikes.
- **Currency:** While the RBI has been intervening regularly in forex markets, adverse external imbalances were reflected clearly on exchange rate movement over last couple of months. Rupee depreciated sharply in Oct by 2.63% month-on-month and even breached 83 mark for short period on strong dollar bias.

Outlook:

- Persistently strong inflation has forced the central banks globally to front-load and exercise larger rate hikes and withdraw surplus liquidity at faster pace.
- Now with **inflation both in India and U.S. showing signs of peeking out**, what has to be seen is what approach the respective Central Banks will take on their upcoming policy meet scheduled in December.
- With the **RBI stance of taking out excess liquidity from the system** directly through CRR hike and interest rate hike initiated in the economy, we continue to maintain our stance of **investing in shorter end of the curve (upto 2 years)** through mutual fund categories like Ultra Short Duration, Low Duration or Floating Rate Funds till the time rates stabilize.
- For **more than 2 years horizon, Short Term Funds, Banking & PSU Debt Funds and Target Maturity Funds** continue to be our preferred categories. Along with Mutual Funds, good quality **Corporate Fixed Deposits** and **Bonds** can be looked at allocation in the debt portfolio for diversification and enhancing overall return.

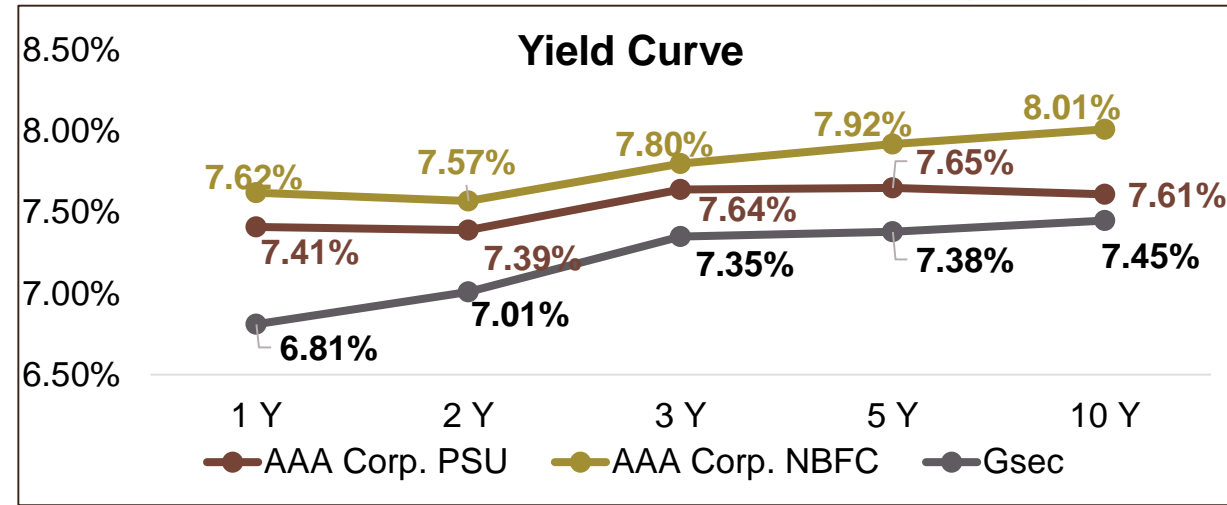
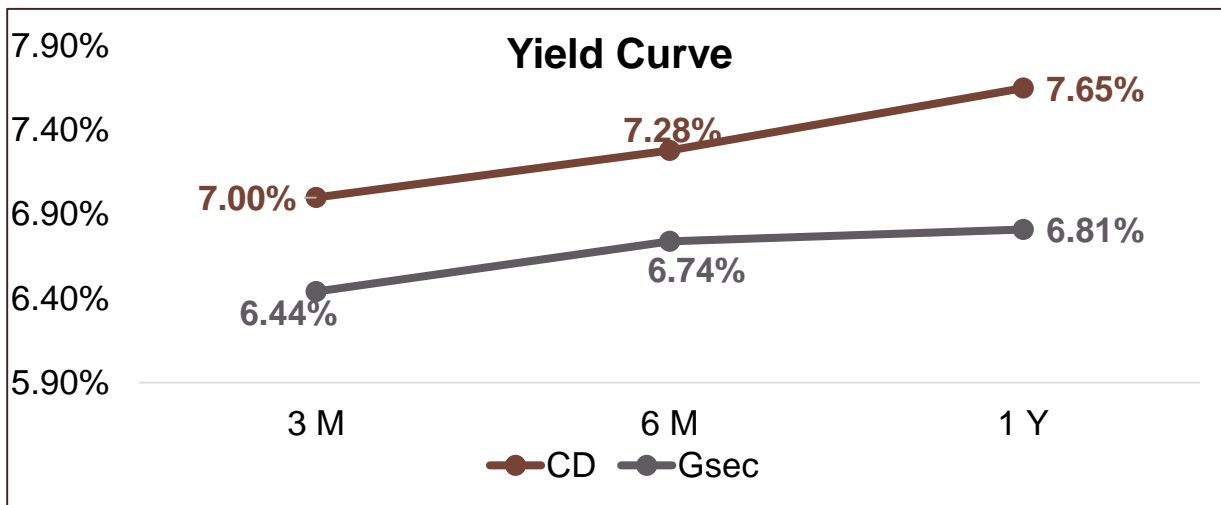
Debt Dashboard - October 2022



	Latest (31 Oct '22)	One Month Ago (30 Sep '22)	One Quarter Ago (31 Jul '22)	Half Year Ago (30 Apr '22)	One Year Ago (31 Oct'21)	M-o-M Change (bps)
Interest Rates						
Repo rate	5.90%	5.90%	4.90%	4.40%	4.00%	0
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	0
CD Rates						
3 month	7.00%	6.30%	5.90%	5.10%	3.28%	70
6 month	7.28%	6.63%	6.23%	5.73%	3.53%	65
1 Year	7.65%	7.15%	6.68%	6.33%	3.78%	50
T-Bill/G-sec						
91 Days	6.42%	6.05%	5.60%	4.88%	3.57%	37
364 Days	6.91%	6.77%	6.28%	5.93%	4.02%	14
India 10 Year G-Sec Yield	7.45%	7.40%	7.32%	7.42%	6.39%	5
AAA Corp. Bonds (PSU)						
1 Year	7.41%	7.31%	6.31%	6.76%	4.34%	10
3 Year	7.64%	7.31%	7.10%	7.24%	5.45%	33
5 Year	7.65%	7.47%	7.27%	7.48%	6.06%	18
AAA Corp. Bonds (NBFC)						
1 Year	7.62%	7.44%	6.69%	6.85%	4.52%	18
3 Year	7.80%	7.53%	7.33%	7.39%	5.72%	27
5 Year	7.92%	7.64%	7.63%	7.69%	6.24%	28
International Markets						
10 Year US Treasury Yield	4.05%	3.83%	2.66%	2.85%	1.56%	22

- The money market instruments witnessed hardening of the yields as the prices of both the T-Bills and Certificate of Deposits fell significantly.
- The **U.S. Treasury Yields hardened even** as the inflation further cooled down from a multi decadal high (June 9.1%) in July-September '22.
- In India, the yields of 10 year G-sec too hardened in line with its global peers and as RBI tightened liquidity.
- **Both the AAA Corp. PSU & NBFC** witnessed hardening of the yields as liquidity tightened.
- RBI's repo rate stands at 5.9% taking the tally of rate hikes to 190 basis points since its first unscheduled mid-meeting in May 2022.

Yield Curve and Policy Rates & Reserve Ratios – as on 31 October 2022



Data as on 31 Oct '22; Source: IDFC AMC, Investing.com

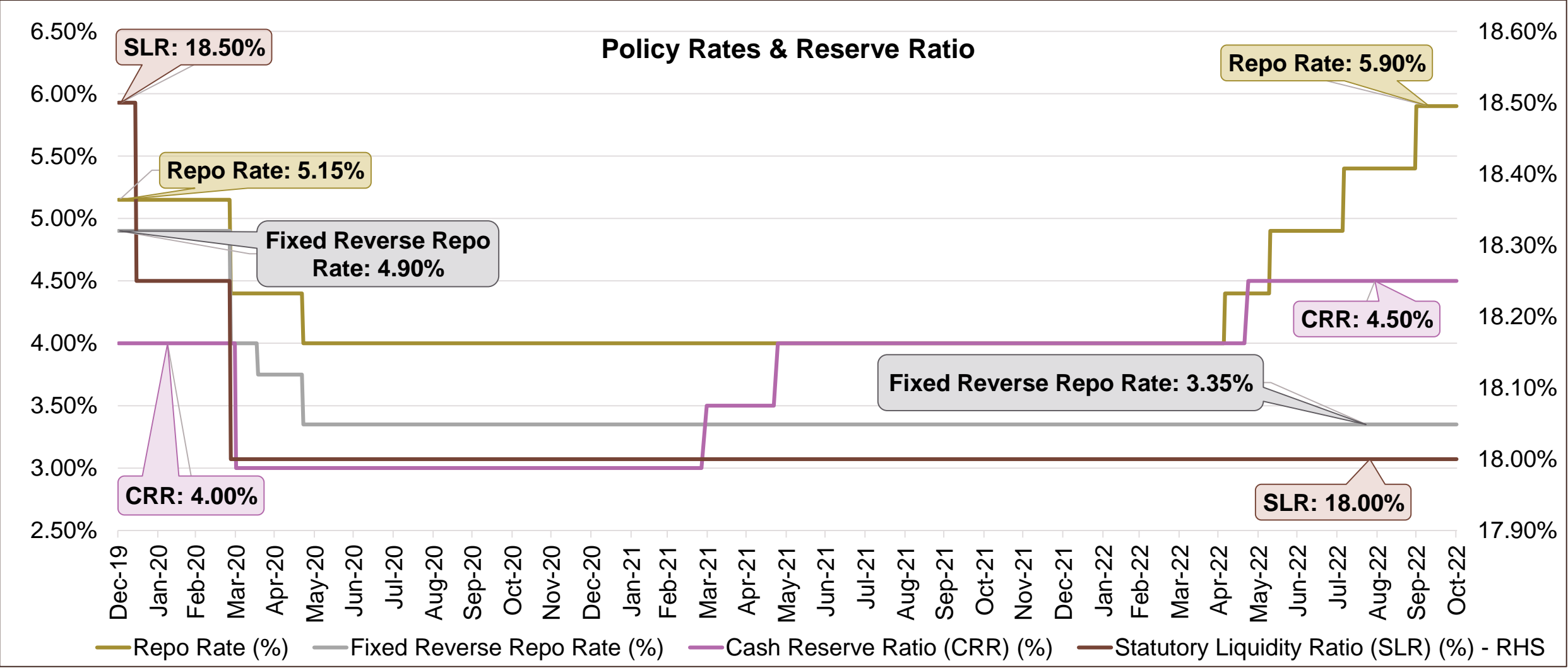
Policy Rates / Reserve Ratio	Current
CRR	4.50%
SLR	18.00%
SDF	5.65%
Repo Rate	5.90%
MSF	6.15%
Bank rate	6.15%
Fixed Reverse Repo Rate	3.35%

- The yield curve is an upward sloping or a normal yield curve where the longer-term bonds have higher yields than short-term ones. This curve had become steep post the pandemic hit the country hard in March 2020 with the spread between a 1 year & 10-year G-sec which has increased from a little above 100 bps to over 200 bps. These have now nearly flattened with the spreads now at about 50 bps.
- The **spreads between AAA Corporate PSU and the respective tenure GSec** at the end of the month were in the range of 16 - 60 bps, while **AAA Corporate NBFC** is in the range of 45 - 81 bps.
- The RBI in an off-cycle policy meet in May increased the policy rates & reserve ratio for the first time in 4 years, later in **June, August and September** in a scheduled policy meet it increased the repo rate further and changed the stance to “withdrawal of accommodation”.
- **With the monetary policy normalising across the globe, there could be further hardening of short-term rates in the coming months.**

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Policy rate & Reserve Ratio movement since Jan '20

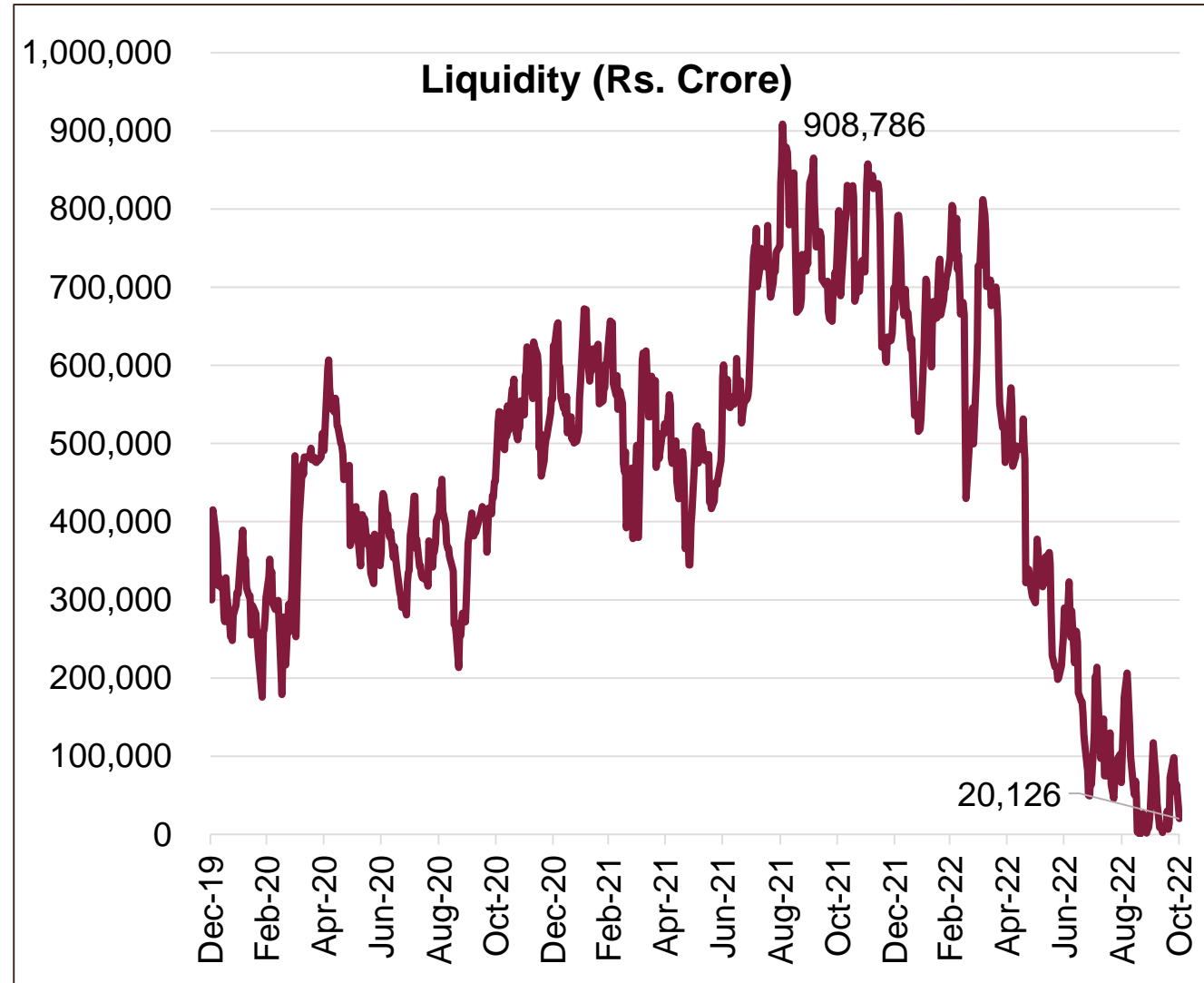


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Source: IDFC AMC

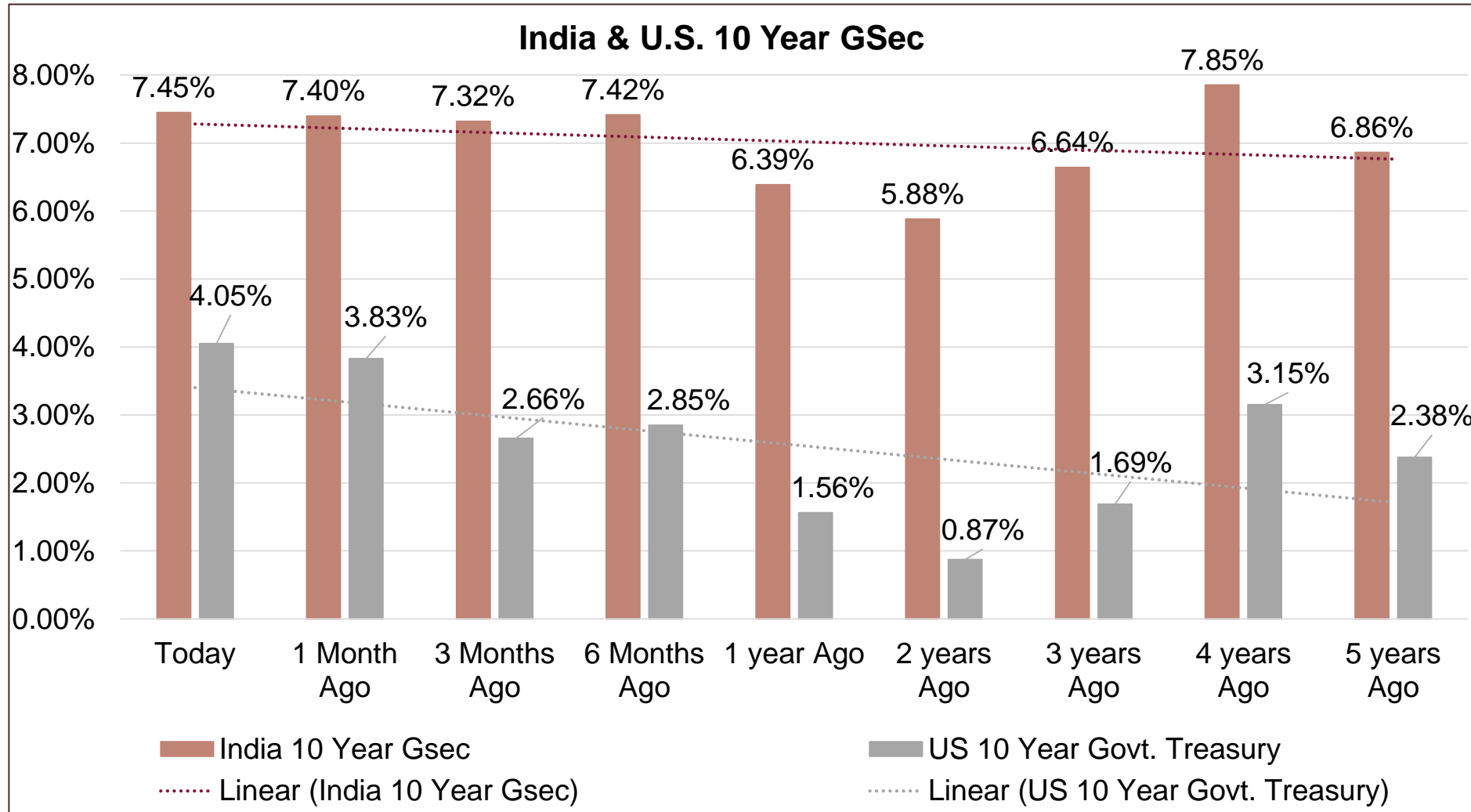
Liquidity in the system

- In the April '22 policy meet **Standing Deposit Facility (SDF) was introduced** and the **Liquidity Adjustment Facility (LAF) corridor** was narrowed to 50 bps making the Reverse Repo Rate redundant.
- Further in an **off-cycle policy meet in May**, the RBI increased the **CRR by 50 bps to 4.50%** and later in June it stated that “RBI will ensure availability of adequate liquidity to meet the productive requirements of the economy”.
- In September policy meet, **Surplus liquidity in the banking system**, as reflected in average daily absorptions under the LAF [both SDF and variable rate reverse repo (VRRR) auctions], moderated to **₹2.3 lakh crore during August - September 2022 (up to Sept 28)** from **₹3.8 lakh crore during June-July**. Drawdown of excess cash reserve ratio (CRR) and excess statutory liquidity ratio (SLR) holdings of banks can also augment system liquidity.



Source: IDFC AMC

Yields Movement across - India and U.S. - as on 31 October 2022



- The 10-year G-sec of both India and U.S. has **peaked out in 4 years ago in October 2018** to touch a high of 7.85% and 3.15%, respectively.
- Since then, it is noticed that the yields have been tapering over a period of time.
- However, since the **past 2 years the yields are hardening once again.**

Category Average wise - Yield, Average Maturity and Modified Duration Movement



- The yield have hardened significantly in the past couple of months in the broad category of Money Market and Accrual Funds. This phenomena was not much witnessed in the broad category of Duration Funds and Passives.
- With respect to average maturity and modified duration of the funds – especially the Duration & Accrual category, they are at a multi year low as rates have started to increase in the economy.

Category	YTM				
Money Market	Sep-22	Jun-22	Mar-22	Sep-21	Sep-20
Liquid	6.23	5.08	3.91	3.54	3.47
Ultra Short Duration	6.77	5.81	4.46	3.89	4.16
Low Duration	7.00	6.18	4.86	4.21	4.50
Money Market	6.73	5.85	4.50	3.76	3.76

Average Maturity				
Sep-22	Jun-22	Mar-22	Sep-21	Sep-20
0.12	0.11	0.12	0.10	0.10
0.40	0.39	0.45	0.41	0.44
1.27	1.19	1.25	1.17	0.96
0.40	0.44	0.55	0.33	0.37

Modified Duration				
Sep-22	Jun-22	Mar-22	Sep-21	Sep-20
0.11	0.11	0.11	0.10	0.09
0.37	0.37	0.43	0.38	0.39
0.68	0.63	0.72	0.67	0.79
0.38	0.43	0.53	0.32	0.36

Accrual					
Short Duration	7.17	6.63	5.19	4.83	5.23
Medium Duration	7.49	7.40	6.18	5.88	7.20
Banking & PSU Debt Fund	7.16	6.60	5.35	5.05	5.38
Corporate Bond Fund	7.28	6.79	5.54	4.98	5.34
Floating Rate	7.05	6.46	5.34	4.69	5.43
Credit Risk	7.80	7.39	6.06	5.80	8.06

2.01	1.97	1.92	2.37	2.74
3.81	3.74	3.55	4.06	4.66
2.91	2.75	2.81	3.47	3.67
2.55	2.39	2.76	2.87	3.09
3.61	3.57	3.49	3.60	2.33
2.32	2.29	2.20	2.58	2.33

1.49	1.45	1.47	1.80	2.24
2.63	2.72	2.72	3.03	3.45
1.89	1.81	1.99	2.43	2.81
1.63	1.60	1.97	2.10	2.44
0.96	0.94	1.10	1.22	1.55
1.61	1.65	1.65	1.91	1.77

Duration					
Medium To Long Duration	7.24	7.05	5.87	5.58	6.18
Long Duration Fund	7.62	7.59	6.96	6.82	6.66
Dynamic	6.98	6.64	5.51	5.42	6.08
Gilt	6.87	6.37	5.02	5.37	6.09
Gilt - 10 Year	7.38	7.40	6.81	6.20	6.16

5.72	5.52	5.32	5.75	7.88
16.89	16.86	16.98	19.16	18.43
3.78	4.34	3.73	5.22	6.33
4.46	4.22	3.46	7.87	11.33
9.16	9.38	9.38	9.53	9.51

3.83	3.70	3.69	4.01	5.62
8.72	8.80	8.81	9.72	9.61
2.29	2.74	2.48	3.52	4.51
2.79	2.57	2.19	4.21	7.28
6.48	6.51	6.70	6.76	6.83

Passives					
Target Maturity Funds	7.42	7.37	6.07	5.85	6.18

4.30	4.68	4.62	5.29	6.62
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3.41	3.67	3.52	4.09	4.85
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Debt Category Average Performances – October 2022



- **During the month** under consideration all the categories were in the green even as yields hardened across all points on the curve, especially in the shorter end.
- With respect to the **3 months and 6 months trailing returns** the too all the categories were in the green with the money market categories outperforming the rest.
- **For the full year** all the categories were in the green (except 10 year Government Securities) with our suggested categories such as Ultra Short Duration, Money Market, Low duration, Short Duration, Floating Rate, Banking & PSU Debt Fund & Corporate Bond Fund delivered decent returns.
- **On a 2-year CAGR** basis all of the categories delivered an early single digit growth. In addition to the Medium Duration & Credit Risk Funds, our recommended categories - the Ultra Short Duration, Low duration, Money Market, Short Duration, Banking & PSU, Corporate Bond, Floating Rate and Target Maturity Funds were one of the best performing categories during this period.
- **With respect to the 3 and 5 year CAGR returns** most the categories reported early to mid single returns.

Returns of credit risk funds (1 year & 2 years) are squeezed on the back of one time anomalies in a couple of funds in this category.

Category	Absolute Returns (%)				CAGR (%)			
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y	
Money Market	0.50	1.36	2.47	4.16	3.59	3.60	4.42	
Overnight	0.50	1.36	2.47	4.16	3.59	3.60	4.42	
Liquid	0.46	1.30	2.32	3.99	3.47	3.69	4.86	
Ultra Short Duration	0.42	1.21	2.02	3.79	3.71	4.34	5.16	
Low Duration	0.39	1.18	1.80	3.48	3.69	5.00	5.07	
Money Market	0.43	1.23	2.02	3.87	3.62	4.45	5.65	

Accrual	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Short Duration	0.37	0.95	1.27	3.09	3.71	5.28	5.32
Medium Duration	0.36	0.88	2.15	3.23	4.73	4.79	4.85
Banking & PSU Debt Fund	0.37	0.98	1.55	2.72	3.37	5.51	6.40
Corporate Bond Fund	0.38	1.00	1.22	2.44	3.29	5.60	6.22
Floating Rate	0.41	1.40	1.93	3.30	4.02	5.56	6.30
Credit Risk	0.40	1.15	1.69	12.86	10.24	5.54	3.94

Duration	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Medium To Long Duration	0.25	0.97	1.83	1.52	2.43	4.80	4.97
Long Duration Fund	0.21	1.86	1.45	0.76	1.13	4.58	5.69
Dynamic	0.32	0.98	1.78	2.16	3.00	5.06	5.54
Gilt	0.26	1.00	1.48	1.46	2.17	4.92	5.83
Gilt - 10 Year	0.20	0.73	1.18	-0.50	0.93	4.63	6.75

Passives	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Target Maturity Funds	0.38	0.93	1.14	1.67	3.66	--	--

Source: Morningstar Direct

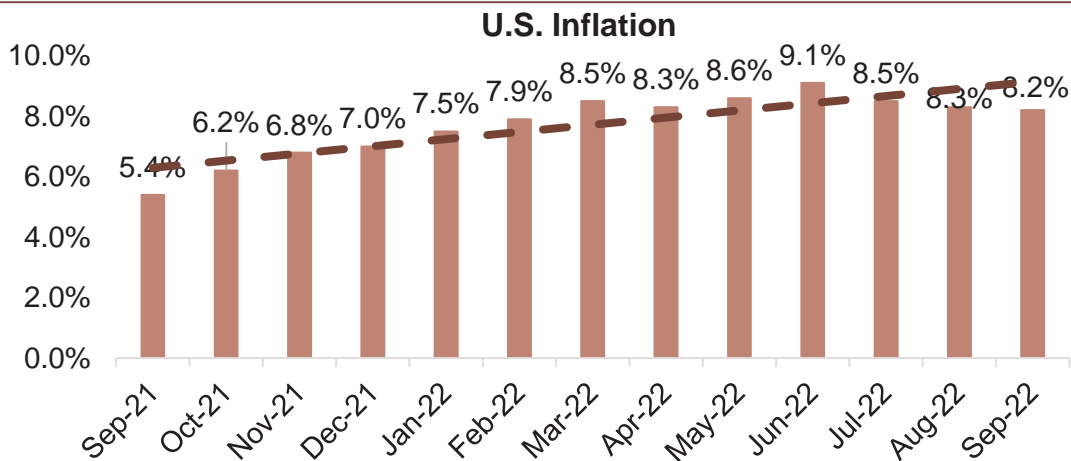
Event Update

Fed hikes rates by 75 bps, and signals slower pace of increases

Key Highlights

- Fed raised its target interest rate by 75 bps to a range of 3.25%-4.00%.
- This was the fourth straight 75 bps increase in this rate hike cycle.
- The central bank signalled that the ultimate level of interest rates will be higher than previously expected.
- The US CPI inflation stood at 8.2% in September, over four times the Fed's target level of 2.0%. The unemployment rate in September 2022 at 3.5%

After touching a fresh 4 decade high of 9.1% in June '22 U.S. Inflation cooled down in July, August & September '22



U.S. Inflation Peaking

- Recent inflation data has shown little change in September compared to August 2022 on Y-o-Y basis. In September 2022, CPI inflation rose to 8.2% over the year.
- The headline inflation increased 0.4% in September. Economists expected a 0.2% increase in the month.
- US Consumer Price Index peaked at 9.1% Y-o-Y in June, but it failed to come down as quickly in recent months as Fed officials had hoped.

To Conclude

In India, the rising US interest rates present challenges for the RBI Governor as inflation in the domestic market is showing signs of receding.

When the Fed raises its policy rates, the difference between the interest rates of India and the US narrows. This makes emerging countries such as India less attractive for the currency carry trade.

With further rate hike are on the cards for most of major developed economies across the world fear of “**stagflation**” are at their highest since the onset of the Great Recession in 2008.

Investment Approach:

Investors should not try to time the market and investors should follow the desired asset allocation to avoid unfavourable portfolio outcomes in case of any volatility that flows in the Indian markets due to tapering.

Source: Trading economics

Failing to meet the inflation target - RBI held an additional MPC meeting on Nov 3

Key Highlights

- In a procedural meeting held on Nov 3, 2022, the MPC explains as to why it has not been able to keep the inflation within the mandated band of 2-6% for 3 successive quarters.
- The report is mandatory under section 45ZN of the Reserve Bank of India Act of 1934 establishing inflation target in India.
- The MPC will draft report with reasons behind failure to achieve inflation target, remedial actions proposed and estimated time-period of achieving inflation target.

Policy Rates / Reserve Ratio	30 Sep '22	3 Nov '22	Status
CRR	4.50%	4.50%	↔
SLR	18.00%	18.00%	↔
SDF	5.65%	5.65%	↔
Repo Rate	5.90%	5.90%	↔
MSF	6.15%	6.15%	↔
Bank rate	6.15%	6.15%	↔
Fixed Reverse Repo Rate	3.35%	3.35%	↔

MPC Panel

- The RBI Governor Shaktikanta Das defended the RBI's policies and mentioned the economy could have taken a "complete downward turn" if it started tightening rates earlier.
- The MPC member Shashanka Bhide said that high inflation rate in three consecutive quarters is a consequence of the 'exogenous' price shocks and addressing the issue will require coordinated policy efforts.

Retail Inflation

- India's retail inflation surged to a 5-month high of 7.4% in September above the RBI's tolerance ceiling of 6%.
- To curb rising inflation, RBI has hiked the repo rate by 190 bps since April' 22.

Russia-Ukraine Conflict

- The Russia – Ukraine conflict has aggravated the commodity upcycle of critical commodities such as coal, metals, crude oil, and essential oils with India being the major importer.

Commodity Prices

- As International commodity prices drop, the central bank expects price gains to fall back within the targeted range by the end of the fiscal year in March.

Source: RBI

Thank You!

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