

TATA CAPITAL WEALTH

Market Outlook – April 2022



Macro Economic Update



Inflation:

Consumer Price Index (CPI): Retail inflation rose to an eight-month high of 6.07% in February, breaching the upper tolerance level set by the RBI for the second consecutive month. The Consumer Food Price Index (CFPI) also spiked on-month during February to 5.85%, from 5.43% in January.

Deficit:

Fiscal Deficit: The fiscal deficit worked out to be Rs. 13.17 lakh crore at the end of February, signifying 82.7% of the revised estimates, on the back of increased expenditure and high transfers to states. The government had revised the fiscal deficit target to 6.9% of GDP for FY22, in the budget presented in February, from the budgeted 6.8%.

IIP, Core Sector and PMI:

Index of Industrial Production (IIP) & Core Sector: Industrial output rose to 1.3% in Jan. compared with 0.7% in the month before; as several states had imposed restrictions in Jan. as the Omicron variant of Covid spread through the country. For the month of Feb., the 8 core sectors which comprise of 40.27% of IIP grew by 5.8%.

Wholesale price index (WPI): WPI in February hardened to 13.11% from 12.96% a month ago, marking the 11th consecutive month of being in double digits; on the back of greater rise in prices of manufactured products, while the other two major (Primary article & Fuel & Power) groups of the WPI saw marginal decline.

Trade Deficit: India's trade deficit rose 87.5% to \$192.41 bn in 2021-22 as against \$102.63 bn in the previous year. The increase was primarily on account of the sharp increase in petroleum imports due to the surge in global crude oil prices. While merchandise exports for FY22 were at a record high of \$418 bn, imports rose to \$610 bn.

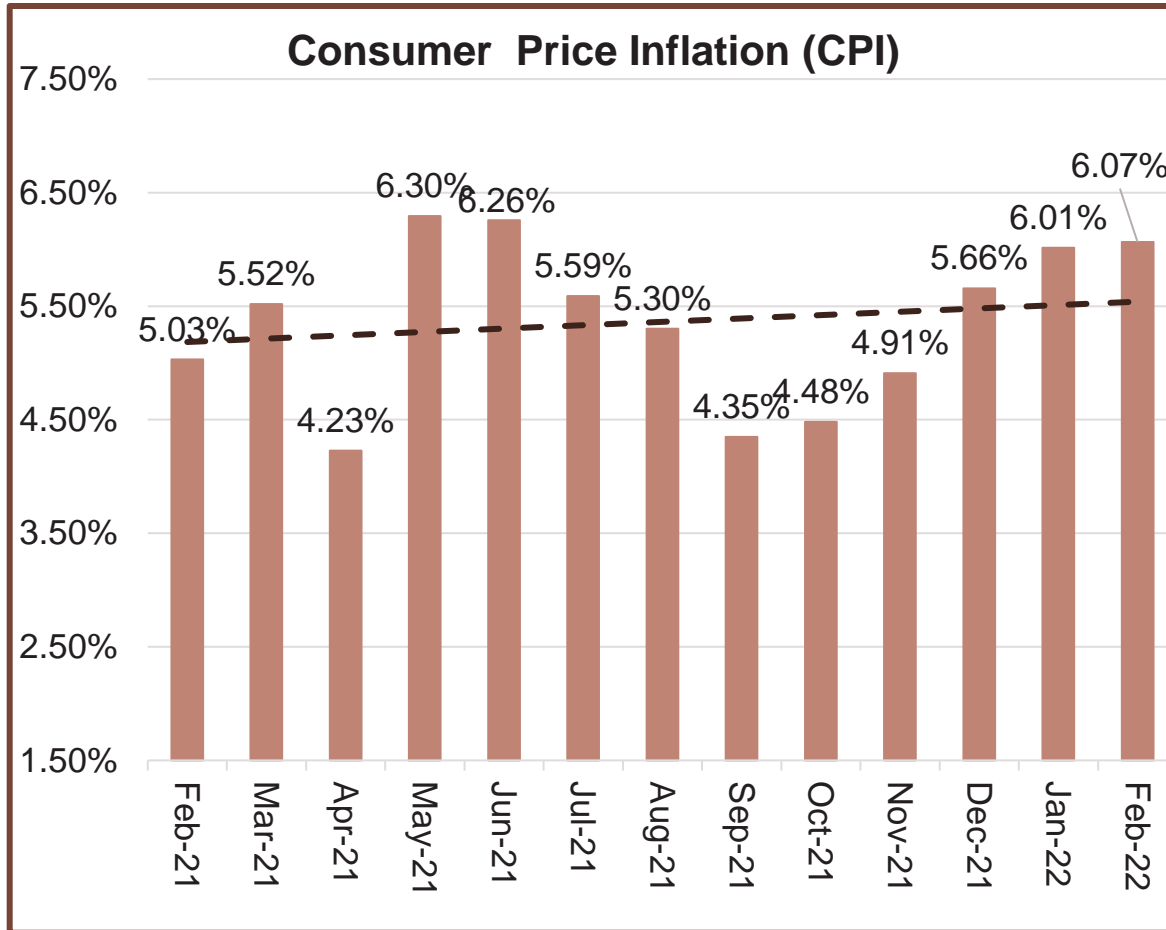
Manufacturing & Services PMI: India's manufacturing PMI rose to 54.0 in March from 54.9 in February, falling to a 6-month low, as inflationary pressures led by geopolitical turmoil weighed on business confidence. The services sector activity edge up in March, with the PMI at 53.6, being the 8th straight month, the sector witnessed expansion.

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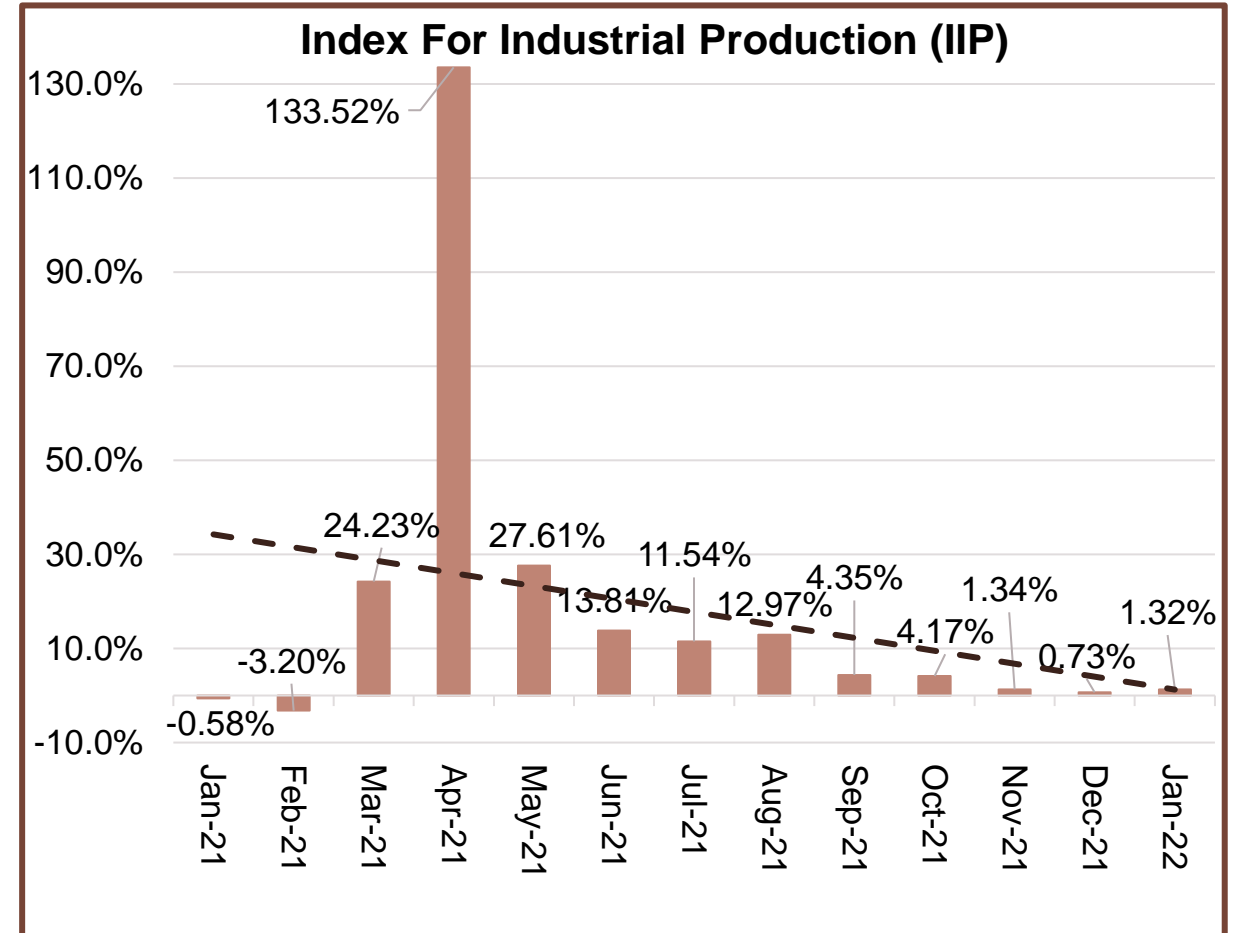
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Inflation and Industrial Production Trajectory

After being below the RBI upper tolerance level for July to December 2021; January & February 2022 witnessed inflation inching above the same.



Industrial Production grew at a moderate pace in January '22 as the low base effect started waning off.



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Source: DBIE, RBI

Macro Indicators



	Current	Month Ago	Quarter Ago	Year Ago
Economic Indicator				
Consumer Price Index (CPI)	6.07% (Feb-22) ↑	6.01% (Jan-22)	4.91% (Nov-21)	5.03% (Feb-21)
Wholesale Price Index (WPI)	13.11% (Feb-22) ↓	12.96% (Jan-22)	14.87% (Nov-21)	4.83% (Feb-21)
Industrial Production (IIP)	1.32% (Jan-22) ↓	0.73% (Dec-21)	4.17% (Oct-21)	-0.58% (Jan-21)
GDP	5.4% (Dec-21) ↓	NA	8.5% (Sep-21)	0.7% (Dec-20)
Trade Deficit (\$ bn)	18.69 (Mar-22) ↓	21.19 (Jan-22)	21.70 (Dec-21)	14.12 (Mar-21)
Commodity Market				
Brent Crude (\$/barrel)	107.91 (31-Mar-22) ↑	100.99 (28-Feb-22)	77.78 (31-Dec-21)	63.54 (31-Mar-21)
Gold (\$/oz)	1,949.20 (31-Mar-22) ↑	1,900.70 (28-Feb-22)	1,831.00 (31-Dec-21)	1723.90 (31-Mar-21)
Silver (\$/oz)	25.13 (31-Mar-22) ↑	24.37 (28-Feb-22)	23.38 (31-Dec-21)	24.61 (31-Mar-21)
Currency Market				
USD/INR	75.90 (31-Mar-22) ↑	75.49 (28-Feb-22)	74.49 (31-Dec-21)	73.15 (31-Mar-21)

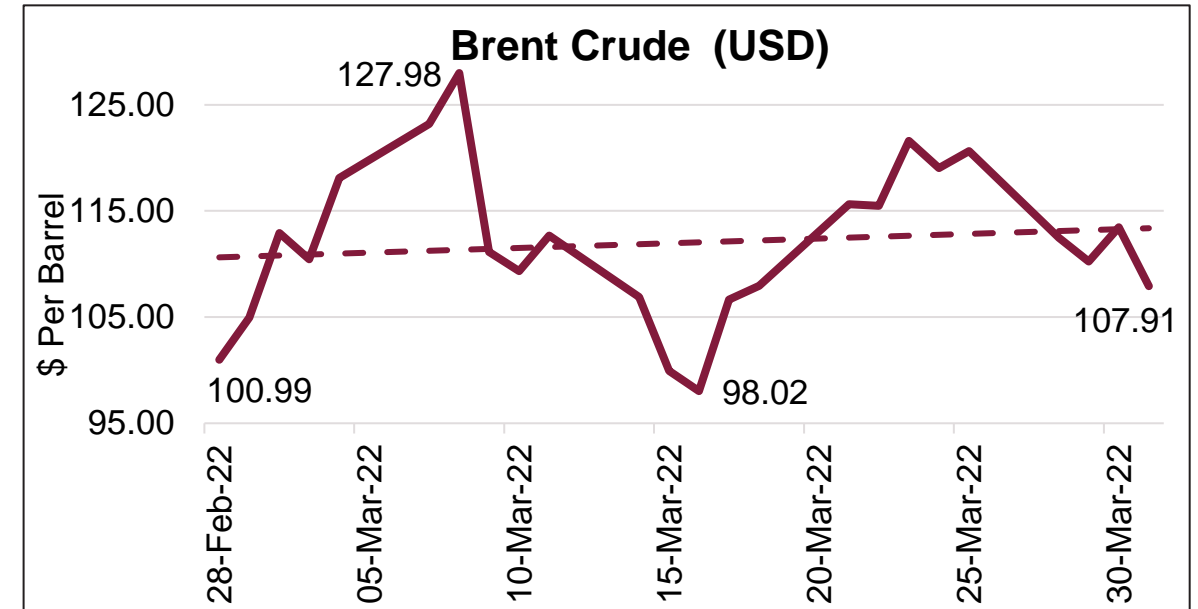
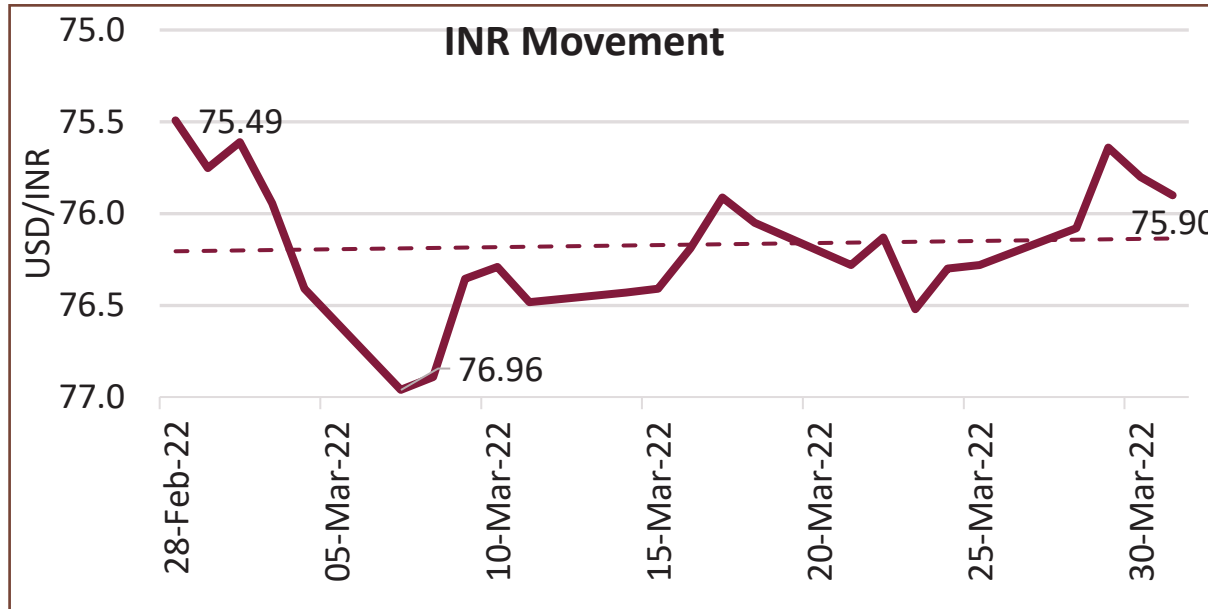
Source: Currency & Commodity – Investing.com, Economic Indicators – DBIE, RBI & News Articles

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

INR and Brent Crude Performance



INR Performance: The rupee gyrated during the month of March 2022 to close lower at 75.90 up from 75.49 in February 2022. Initially, the rupee fell against the U.S. dollar, as intensifying geopolitical risks due to the **Russia & Ukraine conflict** led to a surge in **global crude oil prices** and losses in the domestic equity market. However, it regained lost ground following the outcome of the **U.S. Fed monetary policy review coming along expected lines**, gains in the **domestic equity market** and fall in global crude oil prices.

Brent Crude: Brent crude oil prices jumped up by 6.9% in March from a \$100.99 per barrel to \$107.91 per barrel after touching a **13-year high of \$130 per barrel in the beginning of the month**. Brent crude oil prices rose as concerns over growing supply interruptions outweighed the promise of increased Iranian supplies in the event of a **nuclear deal between U.S. and Iran**. Later during the month, it fell on news that **Russia will fulfill contractual promises** which helped to ease the worries about supply disruptions, the **surprise surge in U.S. crude inventories** and hopes on the progress of the **peace talk between Russia and Ukraine**, which is expected to ease supply concerns.

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Source: Investing.com

Equity Market - Review



Equity Market Roundup - Key Takeaways



Performance: Indian equity indices retraced all the recent losses after dropping sharply in the beginning of the month. The key benchmark indices S&P BSE-30 and Nifty-50 indices rose 4.13% and 3.99% respectively in the month ended March 2022.

Domestic factors that played out for the Indian markets:

- Initially sentiments remained subdued after data showed that India's economic **growth momentum slowed to 5.4%** in the Dec quarter and also when United Nations **downgraded India's projected economic growth** for 2022 by over 2% to 4.6%.
- Key indices gained momentum following **state election results** favoring the ruling party.
- Gains were restricted by data showing **retail inflation accelerated above the RBI upper tolerance level**, however on the flip side **industrial production grew** at a faster pace helped the markets to move ahead

Global factors that shaped the graph of the Indian markets:

- Lingering concerns over the **aggressive sanctions against Russia** along with **rise of crude oil prices** dented the market sentiments across the globe. Bourses reversed the trend soon amid hopes of settlement between Russia & Ukraine followed by high-level talk between their ministers.
- Investors factored in **interest rate hike decision of the Federal Reserve** to check the rising Inflation.

Outlook: Ukraine-Russia conflict has been the biggest factor in influencing market direction in the near term along with rising crude oil prices, inflation and rate hikes by global central banks. In the **long term**, further direction of the market can be result of factors such **policy measures** by governments and improvement in **supply chain issue** across the globe. The important drivers for equity market will continue to be **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.**

Equity Dashboard – March 2022



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Count on us

Index	Closing Value	1-Mth Return (%)	YTD Return (%)	1 Yr. Return (%)	Current Value - Trailing		
					P/E	P/B	Dividend Yield
S&P BSE Sensex	58,569	4.13	0.54	18.30	25.77	3.57	0.95
Nifty 50	17,465	3.99	0.64	18.88	22.92	4.46	1.13
Nifty 100	17,660	3.78	0.24	19.27	22.86	4.50	1.17
Nifty 200	9,207	3.97	-0.12	20.01	23.18	4.31	1.16
Nifty 500	14,895	4.10	-0.68	20.96	23.67	4.29	1.13
Nifty Midcap 100	29,692	5.20	-2.47	25.32	25.43	3.42	1.09
Nifty Smallcap 100	10,436	6.01	-7.55	28.63	24.71	3.69	0.94

Index*	1-Mth Return (%)	YTD Return (%)	1 Yr. Return (%)
Telecom	9.49	1.39	41.88
Energy	8.91	8.38	29.37
IT	8.66	-3.81	37.15
Oil & Gas	8.23	7.04	26.45
Metal	7.62	16.22	55.87
Realty	6.23	-4.15	37.88
Power	4.91	16.14	63.37
Health Care	4.06	-7.26	13.95
PSU	2.72	5.72	28.39
FMCG	2.52	-3.26	3.57
Bankex	0.28	3.33	11.20
Capital Goods	-0.55	-4.33	30.39
Consumer Durables	-1.92	-5.58	28.78
Auto	-2.30	-3.09	8.08

Data as on 31 March '22; Source: NSE and BSE

Markets recouped most of the losses it had incurred during the last couple of months after it closed at a low of ~52,800 during the initial weeks of the month. The movement of the market were governed by the following factors:

- **Domestic Factors** – Initially sentiments remained subdued after data showed that **India's economic growth momentum slowed** to 5.4% in the Dec quarter.
- Key indices gained momentum following **state election results favoring the ruling party**.
- Gains were restricted by data showing **retail inflation accelerated above the RBI upper tolerance level**, however on the flip side **industrial production grew at a faster pace** helped the markets to move ahead.
- **Global cues** – Lingering concerns over the **aggressive sanctions against Russia along with rise of crude oil prices** dented the market sentiments across the globe. Bourses reversed the trend soon amid hopes of **settlement between Russia & Ukraine** followed by high-level talk between their ministers.
- Investors factored in **interest rate hike decision of the Federal Reserve** to check the rising Inflation. Market witnessed **unceasing selling through FII**, however **high purchases by DII** supported the markets.

*S&P BSE Sectoral Indices . Source: BSE

Equity Flow (Rs. Cr.)	1-Mth	YTD	1 Yr.
FII	-43,281	-130,348	-274,244
DII	39,677	103,690	221,660

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Source: Moneycontrol

International Equity Market Performance



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	U.K. 1.78
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	India 0.64
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 -3.37
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	U.S.- S&P 500 -4.95
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	Hong Kong -5.99
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	France -6.89
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	South Korea -7.39
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	U.S.-Nasdaq -9.10
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	Germany -9.25
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	China -10.65

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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Performance as on 31st March 2022. Source: Morning Star Direct

Asset Class Performance



2009 (%)	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022* (%)
Small Cap 113.92	Gold 23.17	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 8.00	Intl 28.89	Gold 27.88	Small Cap 61.94	Gold 7.12
Mid Cap 110.55	Mid Cap 18.50	Bonds 6.92	Small Cap 37.94	Large Cap 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 0.64
Large Cap 75.76	Large Cap 17.95	G-Sec 5.29	Large Cap 27.53	Bonds 3.79	Large Cap 31.39	Mid Cap 8.41	Gold 11.35	Large Cap 28.74	Bonds 5.91	Large Cap 12.00	Mid Cap 24.13	Intl 24.76	Bonds 0.48
Intl 25.47	Small Cap 16.25	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 Cap 3.13	G-Sec 11.34	Intl 18.81	Large Cap 24.12	G-Sec 0.00
Gold 24.25	Intl 13.87	Large Cap -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 Cap 14.86	Bonds 3.44	Mid Cap -3.57
Bonds 3.50	G-Sec 5.64	Mid Cap -32.17	G-Sec 11.11	Gold -4.50	Intl 11.07	Large Cap -4.06	Large Cap 3.01	Bonds 4.71	Mid Cap -13.26	Mid Cap -0.28	G-Sec 13.20	G-Sec 3.13	Small Cap -4.05
G-Sec -6.93	Bonds 4.96	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 -5.47

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 31st March 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

Category Average Performances – March 2022

- **During the month** under consideration all the categories were in the green with Small Cap & Multi Cap being major gainers. Among the sectoral funds, while the Technology and Healthcare were in the green, it was the financial services which underperformed the rest. For **the trailing 3 months** most of the Categories & Sectors were in the red and similarly for **trailing 6 months** the situation was not much different.
- **For the full year** all the categories were in the green registering a double-digit return. Small Cap was the best performing category. Among the sector based and thematic funds Technology was the best performing sector followed by Infrastructure and Consumption.
- **On a 3-year CAGR** basis most of the categories delivered early double digit returns with the Mid Cap & Small Cap outperforming the rest. Among the sector and theme-based funds Technology and Healthcare were the top performers.
- **With respect to the 5-year CAGR returns** most the categories have early double digit return with the exception of Technology which clocked in gains of ~30%.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Large Cap	3.00	-1.52	-1.85	17.65	38.07	14.45	12.49
Large & Mid Cap	3.79	-2.36	-1.02	23.16	45.87	17.26	13.13
Multi Cap	4.59	-1.34	-0.23	28.25	50.21	20.03	15.05
Flexi Cap	3.32	-2.42	-1.48	21.37	42.70	16.31	13.40
Mid Cap	3.91	-2.93	-1.29	24.40	52.64	20.22	14.00
Small Cap	4.95	-3.57	1.45	37.19	67.38	25.40	15.77
Focused	3.16	-2.26	-1.30	20.25	41.93	15.80	13.16
ELSS	3.24	-1.92	-1.20	20.30	42.09	15.80	12.99
Contra	3.68	-1.12	0.08	22.87	50.47	17.87	14.98
Dividend Yield	3.77	-0.84	0.92	27.72	46.82	17.85	13.14
Value	3.63	-0.70	-0.43	23.08	49.29	15.18	11.51
Sectoral / Thematic							
Consumption	3.00	-1.59	-1.13	20.67	38.41	16.24	13.67
Infrastructure	3.34	-1.39	0.68	28.07	53.50	16.42	11.23
Financial Services	1.48	0.00	-5.25	9.24	35.65	7.83	9.50
FMCG	3.18	1.31	-1.33	17.77	25.15	11.05	11.67
Healthcare	4.19	-6.75	-6.38	14.41	40.05	24.36	12.97
Technology	6.73	-6.39	2.29	40.85	71.68	34.95	29.53

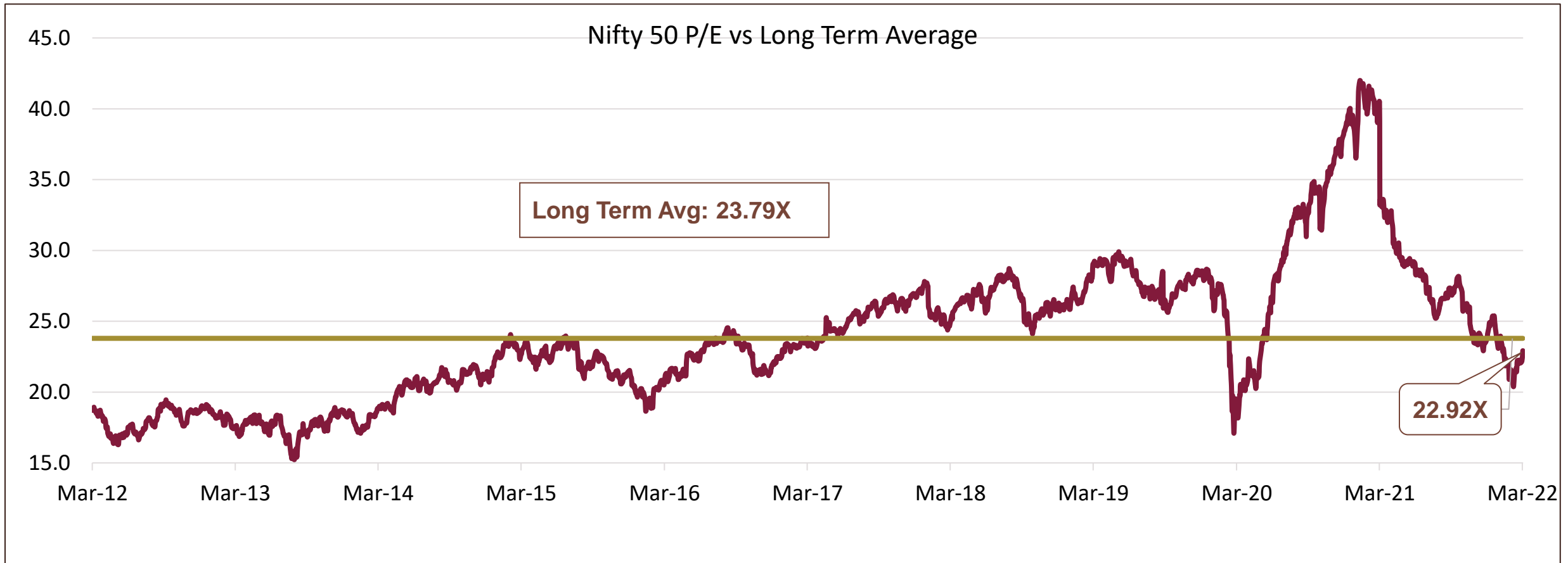
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Source: Morningstar Direct

Valuations on the Trailing P/E Metrix

Nifty 12-month trailing P/E of 22.92x is in lower than its historical long-term average of 23.79x



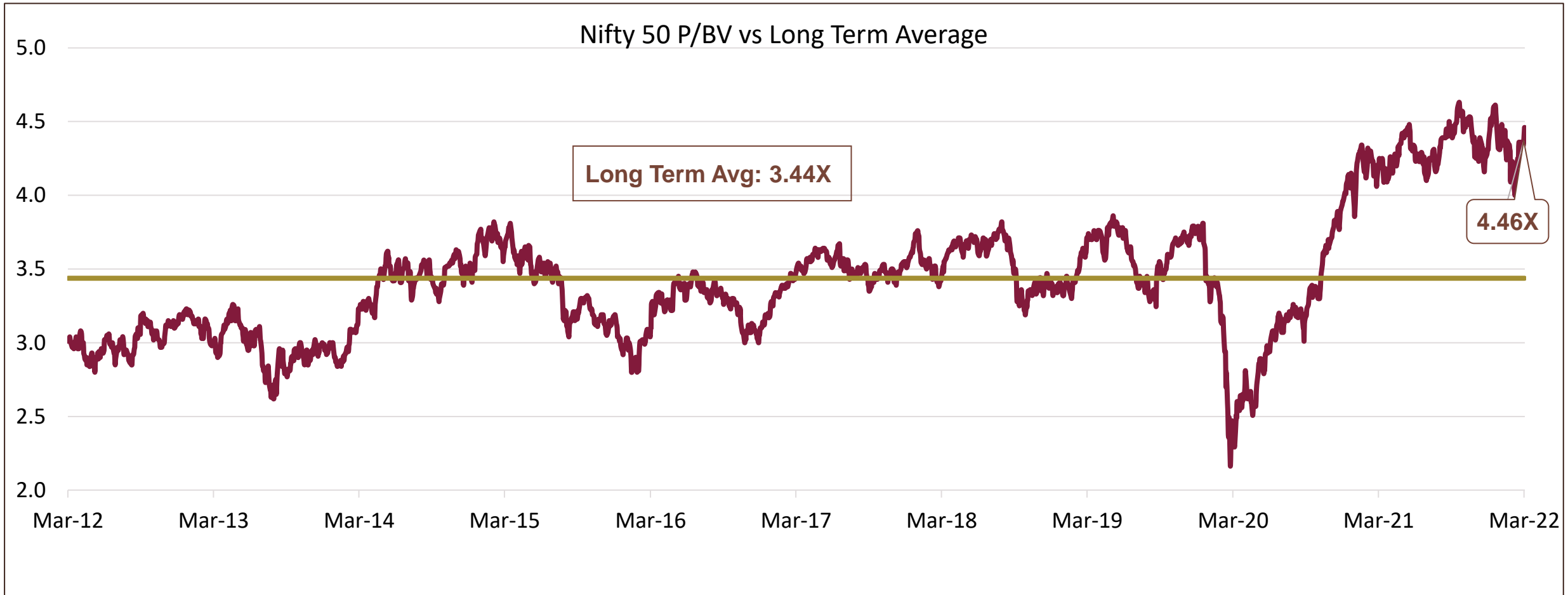
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Source: NSE India

Valuations on the Trailing P/BV Metrix

At 4.46x, the Nifty Trailing P/B is above the historical long-term average of 3.44x.



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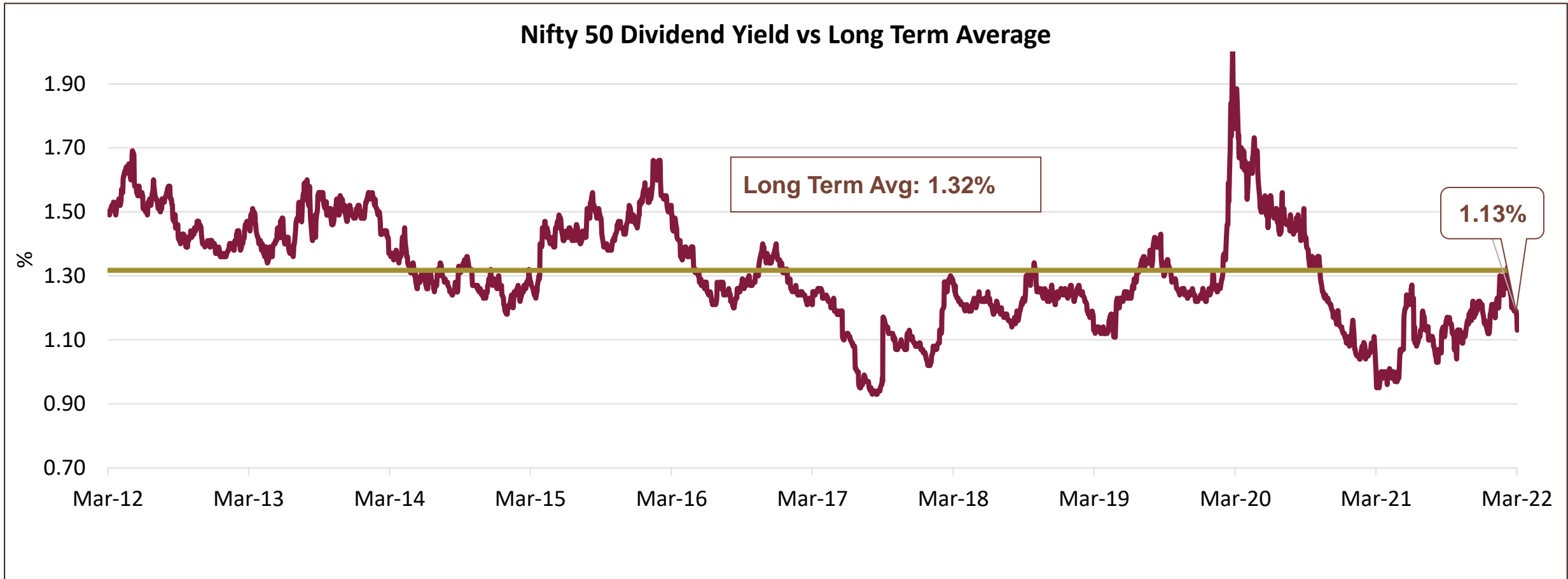
For Client Circulation.

Source: NSE India

Valuations on a Trailing Dividend Yield perspective



At 1.13%, the Nifty Trailing Dividend Yield is below the historical long-term average of 1.32%.



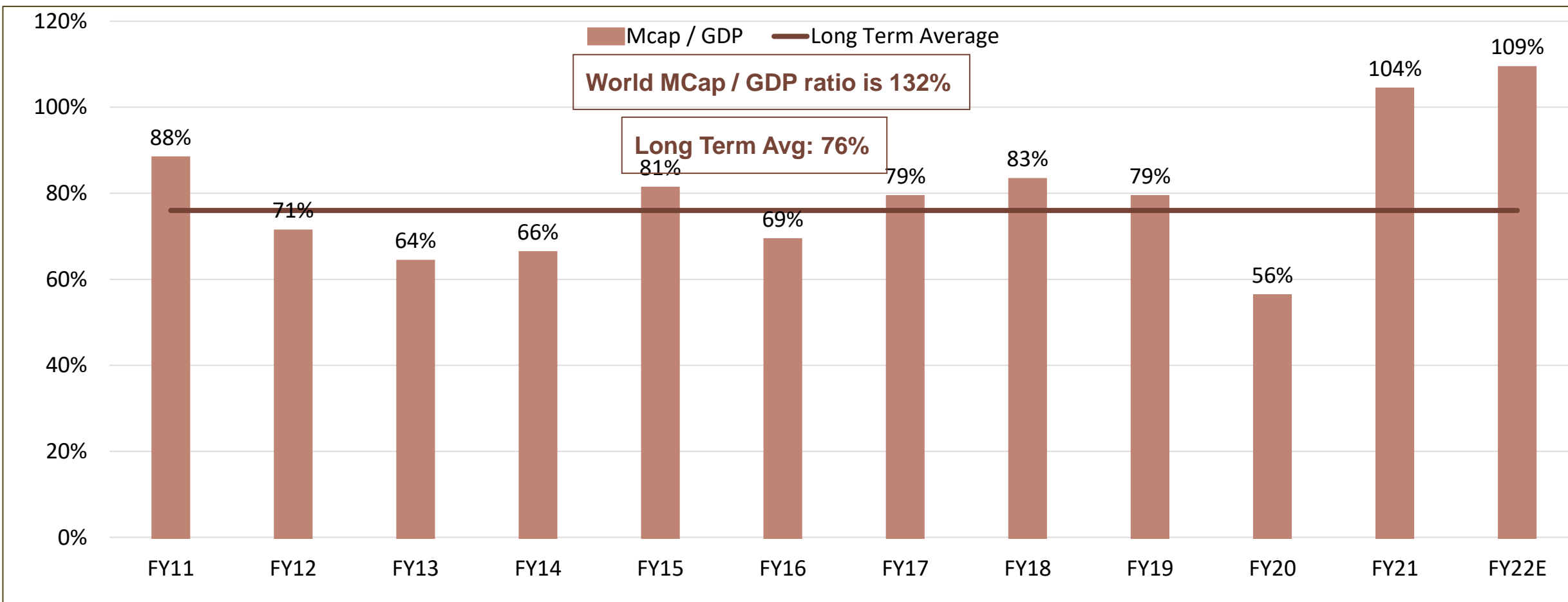
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Source: NSE India

Valuations on a MCap / GDP perspective

On Market Capitalisation to GDP parameter the market is trading above the historical long-term average but below the global average



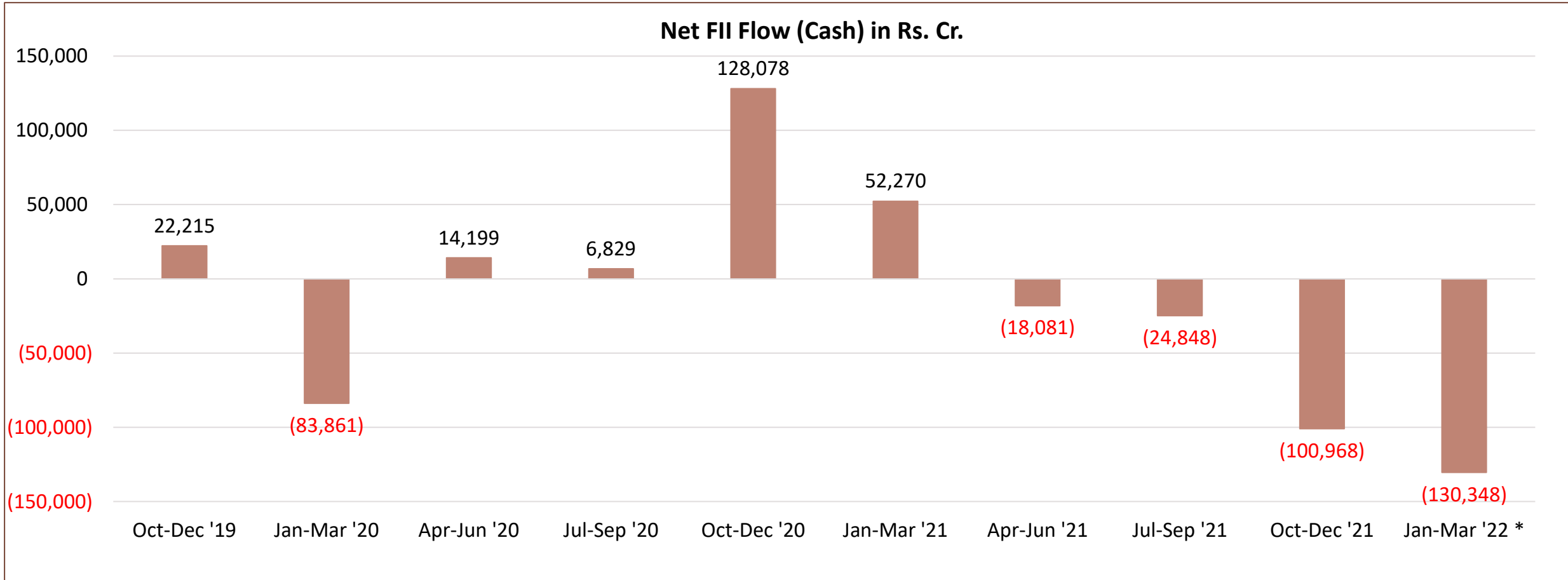
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Source: Kotak AMC, Monthly Market Outlook, Mar 22

FII Flow into Equity

FII registered an outflow to the tune of Rs. 43,281 cr in March '22 for the sixth consecutive month



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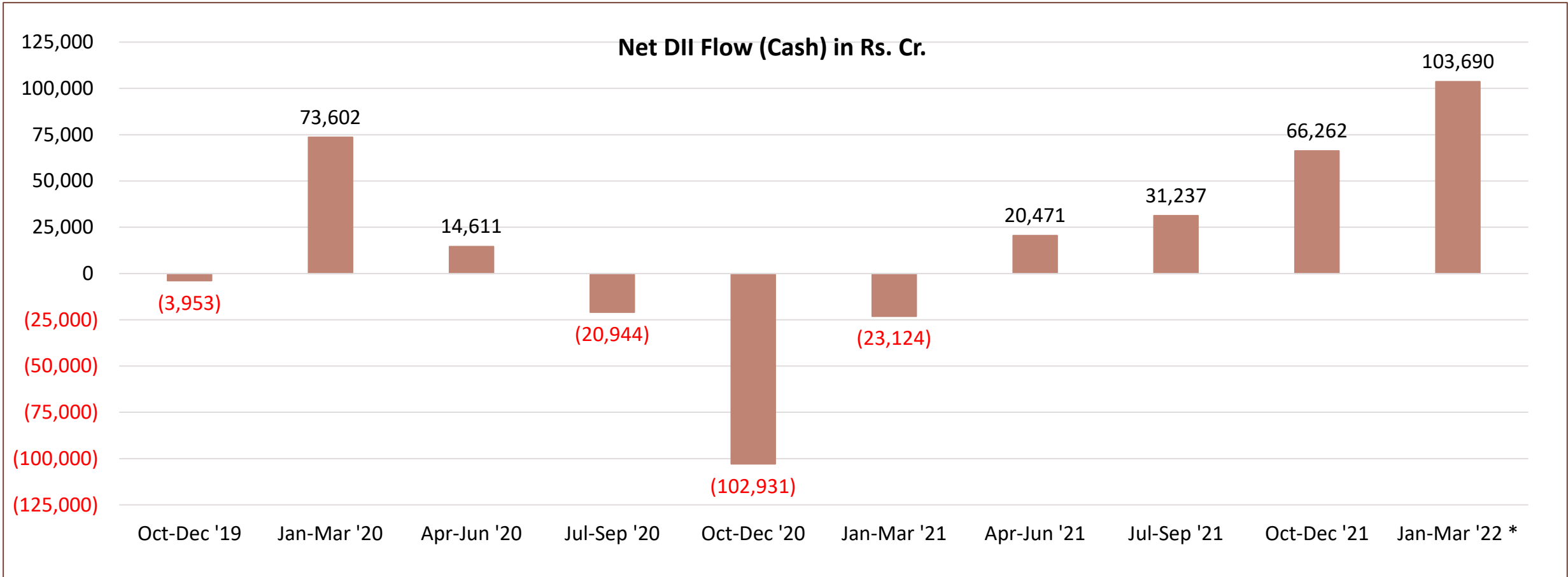
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* Data upto 31 Mar 2022

Source: Moneycontrol

DII Flow into Equity

DII were net buyers in the cash market to the tune of Rs. 39,677 cr in March '22 for the thirteenth consecutive months



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* Data upto 31 Mar 2022

Source: Moneycontrol

Debt Market - Review



Debt Market Roundup - Key Takeaways



- After a roller coaster ride during the month, the India 10-Year Government Bond yields hardened marginally to close at 6.84% as against 6.77% at the end of February.
- Bond yields initially **rose to a 2 year high** as escalating conflict between Russia and Ukraine led to a **sharp rally in global crude oil prices** which weighed on the market sentiment. However, losses were restricted following decline in oil prices on expectations that the ongoing geopolitical tensions between Russia and Ukraine would ease. Lingering concerns of the **U.S. Federal Reserve may raise interest rates at an aggressive pace** to put a check on rising inflation in U.S. also added to the losses.
- The **GST collection not only stayed above the one-trillion rupees mark** for the 8th consecutive month in March, but it also touched an all time high.
- While **February CPI** surged to 8-month high 6.07% as crude spiked; **January IIP growth** recovered to 1.32% after touching a 10-month low in December.
- **Brent crude oil prices rose to a 13-year high**, after concerns of tight supplies and rise in geo-political tension between Russia and Ukraine.

Outlook:

- In the backdrop of rising commodity prices; a hawkish global central bank commentary; and an economy that was no longer in a crisis the **RBI announced the April policy** in which it **cut the growth forecast** and **raised the inflation projection** for FY23 significantly.
- The RBI **changed its stance away from accommodative without actually calling it so**; made an effective rate hike of 40 bps without actually hiking any rates and has **introduced the SDF tool to sterilise unlimited surplus liquidity** but added that it would drain it over a multi-year horizon.
- The policy has clearly shifted gear **from being dovish to a more hawkish guidance** and undertone. **The accommodative stance is now geared towards being withdrawn to ensure inflation remains within target.** The Governor was specific here in mentioning that RBI's order of priorities is now inflation before growth.
- Going ahead debt market would be guided by **RBI actions on interest rates & how the growth-Inflation dynamic shapes up.**

Debt Dashboard – March 2022

	Latest (31 Mar '22)	One Month Ago (28 Feb '22)	One Quarter Ago (31 Dec '21)	Half Year Ago (30 Sep '21)	One Year Ago (31 Mar '21)	M-o-M Change (bps)
Interest Rates						
Repo rate	4.00%	4.00%	4.00%	4.00%	4.00%	0
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	0
CD Rates						
3 month	3.78%	3.83%	3.63%	3.53%	3.28%	-5
6 month	4.43%	4.38%	4.13%	3.73%	3.48%	5
1 Year	4.78%	4.78%	4.43%	3.98%	3.95%	0
T-Bill/G-sec						
91 Days	3.81%	3.69%	3.63%	3.43%	3.30%	12
364 Days	4.56%	4.49%	4.22%	3.77%	3.77%	7
India 10 Year G-Sec Yield	6.84%	6.77%	6.45%	6.22%	6.18%	7
AAA Corp. Bonds (PSU)						
1 Year	4.98%	4.90%	4.68%	4.15%	4.02%	8
3 Year	5.90%	5.95%	5.65%	5.24%	5.35%	-5
5 Year	6.37%	6.52%	6.18%	5.92%	6.16%	-15
AAA Corp. Bonds (NBFC)						
1 Year	4.96%	5.07%	4.91%	4.31%	4.37%	-11
3 Year	6.12%	6.04%	5.97%	5.41%	5.66%	8
5 Year	6.57%	6.67%	6.32%	6.08%	6.51%	-10
International Markets						
10 Year US Treasury Yield	2.35%	1.82%	1.51%	1.49%	1.74%	52

- The money market instruments witnessed a mixed movement in the yields as prices of T-Bills slipped while that of certificate of deposits were variegated.
- The **U.S. Treasury Yields hardened** as market participants remained as the Fed announced a hawkish policy. The **India 10-year G-Sec Yields too followed the suit** as RBI Policy meet neared.
- **Both the AAA Corp. PSU & NBFC witnessed a mixed movement in the yields even as the GSec drifted ahead.**
- In Apr '22 the MPC on unexpected lines **kept the policy rates and reserve ratios unchanged** for the 11th consecutive time.

Debt Category Average Performances – March 2022

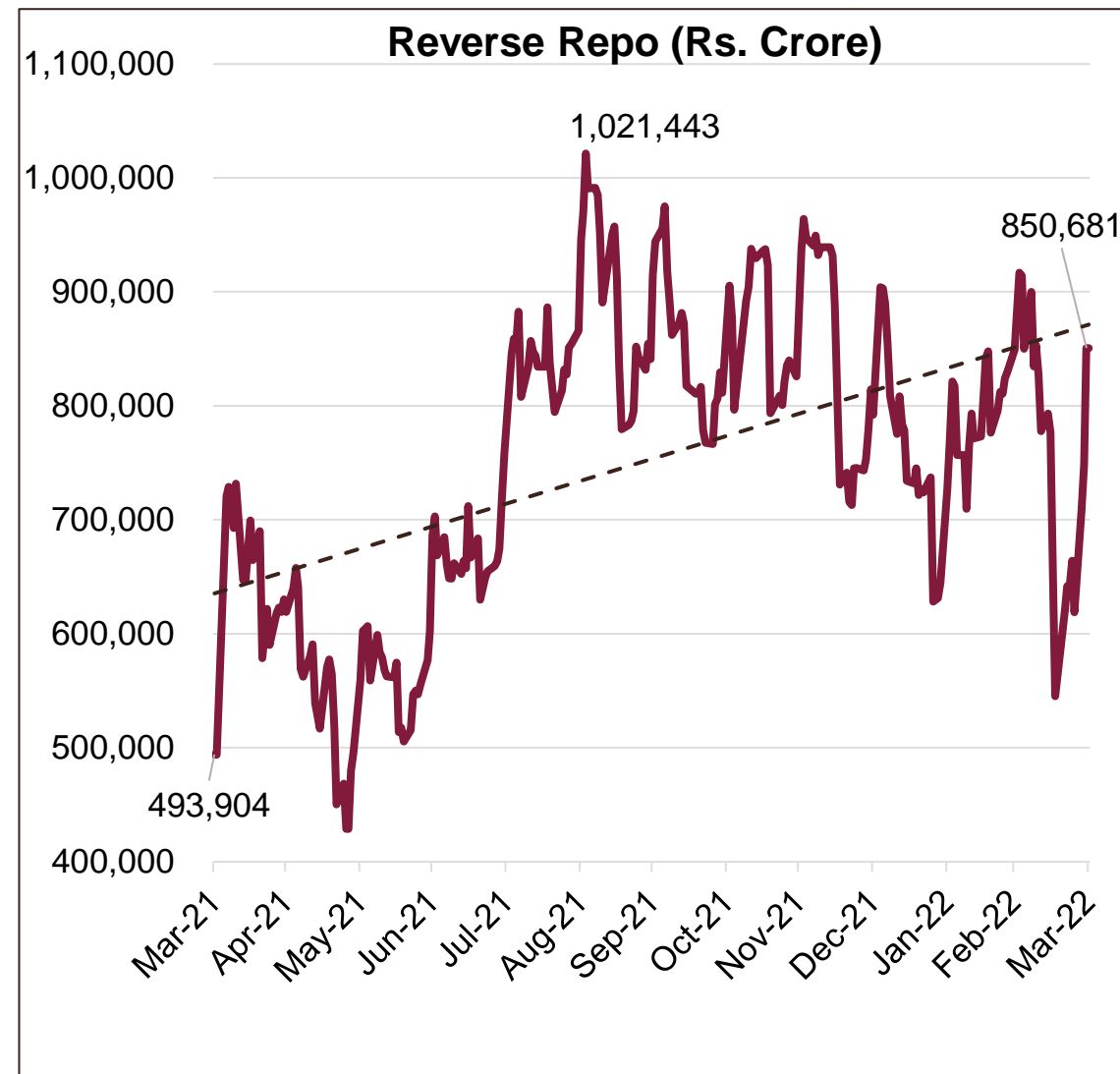


- **During the month** under consideration all the three broad categories Money Market, Accrual & Duration funds were in the green even as there was a variegated movement in yields.
- With respect to the **3 months and 6 months trailing returns too** all the categories, however higher gains were registered in the Money Market & Accrual categories on the back of rising yields.
- **For the full year** all the categories were in the green with our recommended categories such as Ultra Short Duration, Low duration, Floating rate, Money Market, Short Duration, Banking & PSU and Corporate Bond Fund were one of the best performing.
- **On a 2-year CAGR** basis all of the categories delivered an early to mid single digit growth. In addition to some of the Medium Duration & Credit Risk Funds, our recommended categories - the Short Duration, Banking & PSU, Corporate Bond and Floating Rate were one of the best performing categories during this period.
- **With respect to the 3 and 5 year CAGR returns** most the categories reported Mid to late single returns with the exception of credit risk which underperformed.

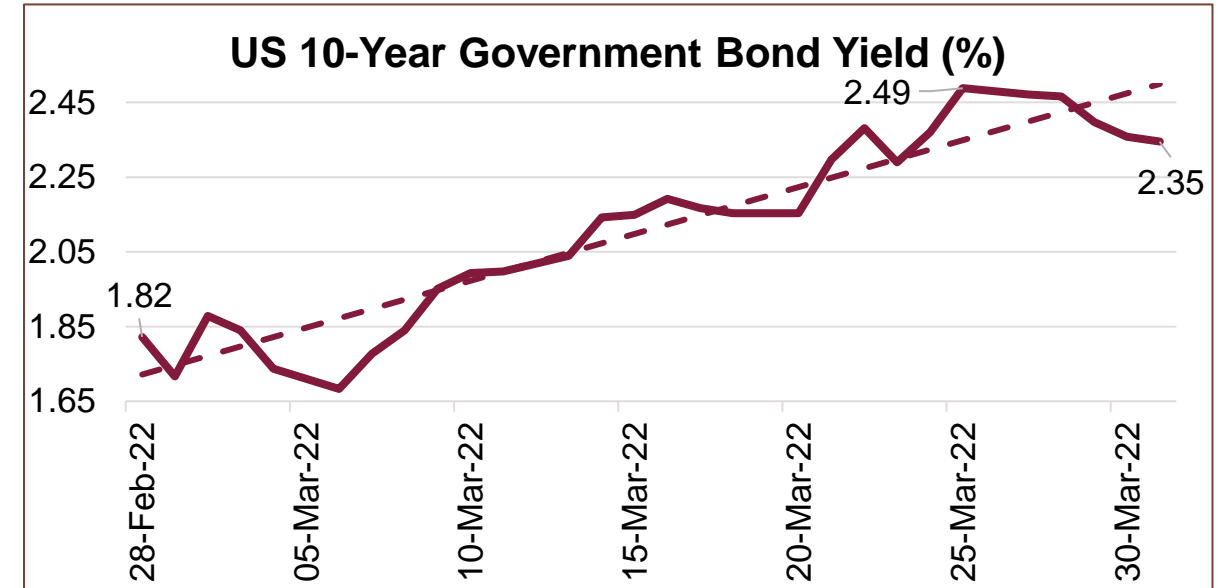
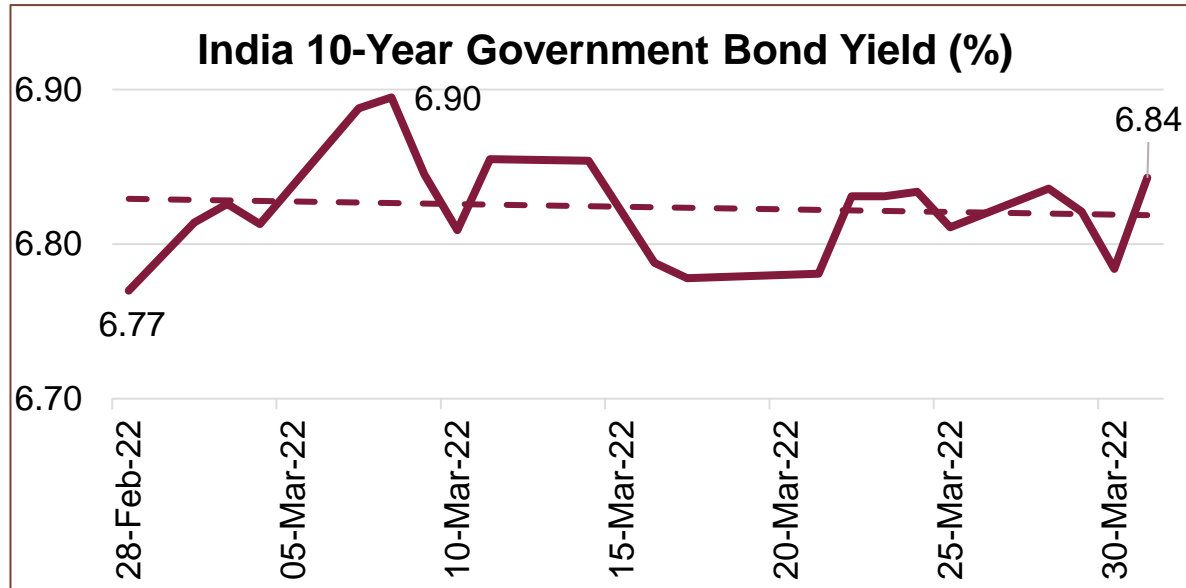
Money Market	Absolute Returns (%)				CAGR (%)		
Category	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Overnight	0.28	0.81	1.63	3.19	3.07	3.75	4.54
Liquid	0.29	0.81	1.60	3.10	3.15	4.01	5.01
Ultra Short Duration	0.34	0.89	1.67	3.64	4.11	4.95	5.44
Low Duration	0.38	0.93	1.65	3.89	5.23	4.49	5.49
Floating Rate	0.44	0.87	1.40	4.22	5.83	6.39	6.67
Money Market	0.37	0.95	1.77	3.56	4.26	5.35	5.97
Accrual	Absolute Returns (%)				CAGR (%)		
Category	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Short Duration	0.89	1.41	2.01	5.15	5.94	5.72	5.93
Medium Duration	0.28	0.96	1.58	6.08	6.40	4.80	5.27
Banking & PSU Debt Fund	0.31	0.82	1.45	4.27	5.88	7.07	7.01
Corporate Bond Fund	0.34	0.89	1.50	4.37	6.26	7.01	6.86
Credit Risk	0.78	1.49	2.46	8.91	7.62	4.78	5.16
Duration	Absolute Returns (%)				CAGR (%)		
Category	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Medium To Long Duration	0.24	0.41	0.62	4.19	5.34	6.08	5.55
Long Duration Fund	0.00	0.38	0.39	3.26	3.74	7.58	6.58
Dynamic	0.25	0.39	0.83	4.36	5.31	6.47	6.04
Gilt	0.17	0.07	0.23	3.42	4.80	7.48	6.62

Money parked in Reverse Repo window

The RBI during the 2 pandemic-stricken years provided liquidity to the tune of Rs. 17 lakh crore by announcing various measures such as **system-level liquidity (LTRO), targeted liquidity (TLTRO) and on-tap liquidity window**. However, once there was sufficient liquidity the RBI got legroom for liquidity management and normalization by the **CRR the rollback of CRR in a phased manner and** conducting and steadily stepping-up the **variable rate reverse repo (VRRR) auction**. Over time, the idea is to push up the rate at which liquidity is absorbed via these VRRR auctions, which would make it easier for the RBI to eventually raise that benchmark. Hinting that normalisation of liquidity overhang is on the anvil, in the last quarter of 2021 **G-sec Acquisition Programme (G-SAP) was discontinued**. 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**. During the month under review the **banks on an average are parking Rs. 7.61 lakh crore to the reverse repo window** as against Rs. 7.99 lakh crore in February.



Yields Movement Across - India and U.S.



- **10-year India Government Bond Yield:** The India 10-Year Government Bond yields marginally hardened during for the month to close at 6.84% as against 6.77% at the end of February. Bond yields initially rose to a **2 year high as escalating conflict between Russia and Ukraine led to a sharp rally in global crude oil prices** which weighed on the market sentiment. However, losses were restricted following decline in oil prices on expectations that the ongoing geopolitical tensions between Russia and Ukraine would ease. Lingering concerns of the **U.S. Federal Reserve may raise interest rates at an aggressive pace** to put a check on rising inflation in U.S. also added to the losses.
- **U.S. Treasury Yield:** U.S. Treasury yields surged at amplifying rate during the month from 1.82% at the end of Feb '22 to 2.35% by the end of March '22 after touching a high of 2.49% at the end of the month. Initially during the month, U.S. Treasury prices rose further as **Russia's attack on Ukraine intensified, following surge in global crude oil prices**. However, later during the month prices plummeted on anticipation that the **U.S. Federal Reserve will raise interest rates for the first time in three years as annual inflation in U.S. in Feb 2022 rose at the fastest pace in 4 decades**. U.S. Treasury prices fell after the U.S. Fed Chairman indicated that it would raise interest rates higher-than-expected if necessary to **bring down inflation that was running "much too high."**

Event Update

Key Highlights - RBI Policy Measures

RBI's Stance

Accommodative

Key Highlights

- Policy rates, Reserve Ratio and Stance kept unchanged
- RBI stays accommodative, warns of 'tectonic shifts'
- SDF was introduced as the floor of the LAF corridor.
- Growth target for FY23 was cut to 7.2% from 7.8%
- Inflation for FY23 was hiked to 5.7% from 4.5%
- This shifted the pivot to focusing on inflation while supporting growth
- RBI Policy was surprisingly hawkish in the light of the current background

The RBI for the 11th consecutive bi – monthly Monetary Policy Committee (MPC) Meeting kept the key policy rates unchanged, on unexpected lines. RBI had last revised its policy rate on 22 May 2020, in an off-policy cycle to perk up demand by cutting the interest rate to a historic low. MPC voted unanimously for keeping the interest rate unchanged. However, with respect to the stance though it decided to continue with its “accommodative” stance, however he did not use the words “as long as necessary” but said “while focussing on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth” and this time the decision was unanimous.

Key Liquidity Measures Announced

- The LAF corridor is now normalised to 50 bps to the pre-Covid levels.
- Liquidity management being the focal point for RBI – thus RBI introduction of a new tool - Standing Deposit Facility (SDF) rate at 3.75% (which will now be the floor of LAF corridor instead of reverse repo rate). This window does not require g-sec as collateral.
- SLR holdings in HTM (Held to maturity) category limit has been enhanced to 23% of NDTL (net demand and time liabilities) and banks have been allowed to include securities acquired between April 1, 2022, and March 31, 2023 under the enhanced limit of 23%. HTM limits would be restored from 23% to 19.5% in a phased manner starting from the quarter ending June 30, 2023.
- Commitment has also been made to start withdrawal of liquidity from FY2023 and over the next few years.

Policy Rates / Reserve Ratio	Prior Policy	8 Apr '22	Status
CRR	4.00%	4.00%	↔
SLR	18.00%	18.00%	↔
SDF	--	3.75%	★
Repo Rate	4.00%	4.00%	↔
MSF	4.25%	4.25%	↔
Bank rate	4.25%	4.25%	↔
Reverse Repo Rate	3.35%	3.35%	↔

Thank You!

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