

Tata Capital Wealth

Market Outlook - April 2024



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Macro Indicators

	Current		Month Ago	Quarter Ago	Half Year Ago	Year Ago
Economic Indicators:						
PMI Manufacturing	59.1 (Mar-24)	↑	56.9 (Feb-24)	54.9 (Dec-23)	57.5 (Sep-23)	56.4 (Mar-23)
PMI Services	61.2 (Mar-24)	↑	60.6 (Feb-24)	59.0 (Dec-23)	61.0 (Sep-23)	57.8 (Mar-23)
Consumer Price Index (CPI)	4.8% (Mar-24)	↓	5.1% (Feb-24)	5.7% (Dec-23)	5.0% (Sep-23)	5.7% (Mar-23)
Wholesale Price Index (WPI)	0.5% (Mar-24)	↓	0.2% (Feb-24)	0.9% (Dec-23)	-0.1% (Sep-23)	1.4% (Mar-23)
Industrial Production (IIP)	5.7% (Feb-24)	↑	4.1% (Jan-24)	2.5% (Nov-23)	10.3% (Aug-23)	6.0% (Feb-23)
GDP	8.4% (Dec-23)	↑	NA	8.1% (Sep-23)	8.2% (Jun-23)	4.3% (Dec-22)
Trade Deficit (\$ bn)	18.7 (Feb-24)	↓	16.5 (Jan-24)	20.6 (Nov-23)	22.6 (Aug-23)	16.6 (Feb-23)
Commodity Market:						
Brent Crude (\$/barrel)	87.5 (28-Mar-24)	↑	83.6 (29-Feb-24)	77.0 (29-Dec-23)	95.3 (29-Sep-23)	79.8 (31-Mar-23)
Gold (\$/oz)	2,254.8 (29-Mar-24)	↑	2,054.7 (29-Feb-24)	2,071.8 (29-Dec-23)	1,866.1 (29-Sep-23)	1,969.0 (31-Mar-23)
Silver (\$/oz)	25.1 (29-Mar-24)	↑	22.9 (29-Feb-24)	24.0 (29-Dec-23)	22.4 (29-Sep-23)	24.2 (31-Mar-23)
Currency Market:						
USD/INR	83.3 (28-Mar-24)	↑	82.9 (29-Feb-24)	83.2 (29-Dec-23)	83.0 (29-Sep-23)	82.2 (31-Mar-23)

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

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

Equity Market - Review



Equity Market Roundup - Key Takeaways

Performance: The S&P BSE Sensex & Nifty (+1.7%) rose in Mar'24. Nifty Mid-cap & Small-cap indices underperformed Large cap index - Nifty falling by -0.37% & -4.68%, respectively.

Domestic & Global factors that played out for the Indian markets:

- During the month, domestic equity markets witnessed healthy gains and reached a fresh high as negative sentiments underpinned by **better-than-expected** quarterly earning updates from some of the index heavy-weights.
- India remains strong relative to emerging markets driven by healthy credit demand & robust high-end consumption demand and narrative around policy continuity in upcoming general elections.
- **Brent crude rose 4.2%** as global oil markets remained **volatile** based on the sustenance of the Organization of the Petroleum Exporting Countries (OPEC+) production caps, U.S. supply compensation and the situation in the red sea.
- **Strong buying** was seen by DIIs during the Jan'24-Mar'24 quarter while the FIIs were net sellers.

Outlook:

- **Elevated levels of GST collections, festive season demand uptick, stable retail inflation, deflated input inflation and elevated credit growth** may augur well for the Indian economy.
- **Gold prices reached an all time high at the end of Mar'24, up nearly 10% in Mar'24, propped by Central bank buying and rate cut expectations.**
- Therefore, **investors are suggested not to time the markets and focus on the medium to long term potential of the equity markets.** The important near-term drivers for equity market are – Corporate earnings for the last quarter of the fiscal, monetary policy outlook from major central banks including the U.S. Fed, the RBI and movement in crude oil prices. Looking at the sharp rally in the equity markets, investors need to be cautious **and invest in staggered manner and follow asset allocation as per their risk profile. Investors may look at Large cap oriented funds along with Multi Asset, Balanced Advantage and Balanced Hybrid categories as these categories shall assist to manage the near term risks.**

Indian Equity Market Dashboard - March 2024

Index Name	Absolute(%)				CAGR (%)			Valuations Trailing			
	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	P/E	P/B	Div. Yield	
Indian Market Performance & Valuation											
S&P BSE Sensex	1.76	2.13	12.41	26.63	13.64	15.57	15.09	25.44	3.78	1.10	
Nifty 50	1.73	2.96	14.25	30.24	14.43	16.34	15.27	22.88	3.92	1.20	
Nifty 100	1.95	4.81	17.67	34.97	15.22	16.99	15.50	23.18	4.01	1.18	
Nifty 200	1.56	4.73	17.90	38.46	16.99	18.43	16.45	24.25	4.04	1.12	
Nifty 500	0.93	4.47	17.70	40.69	17.85	19.31	17.19	24.74	4.06	1.09	
Nifty Midcap 150	-0.37	4.23	17.83	57.82	27.31	26.55	23.31	33.63	4.59	0.78	
Nifty Smallcap 250	-4.68	2.21	17.62	64.45	24.26	28.38	22.52	26.60	3.70	0.87	
Nifty Microcap 250	-6.88	1.70	17.40	86.49	38.36	42.60	29.12	28.37	2.86	0.61	
Sectoral Indices											
Nifty Auto	5.48	15.28	32.78	76.62	43.81	30.79	22.16				
Nifty Metal	4.69	3.60	21.10	51.02	14.82	29.74	24.04				
Nifty India Consumption	3.65	5.99	20.33	42.88	23.10	20.70	17.17				
Nifty Infrastructure	3.43	14.52	34.35	65.52	30.09	28.26	22.74				
Nifty Financial Services	3.19	-2.28	6.14	17.50	11.69	11.03	11.55				
Nifty Bank	2.41	-2.44	5.76	17.11	14.80	13.04	9.68				
Nifty PSU Bank	1.24	22.90	33.63	90.37	62.96	49.84	16.75				
Nifty Healthcare	1.00	13.74	24.62	59.60	20.26	18.95	18.66				
Nifty Services Sector	0.64	0.71	11.39	22.58	8.55	11.91	12.66				
Nifty Energy	0.52	17.37	44.56	73.86	24.40	31.33	21.39				
Nifty Pharma	-0.03	13.26	23.74	59.60	19.27	16.59	16.15				
Nifty Oil & Gas	-0.10	21.08	45.81	61.56	21.74	24.84	19.07				
Nifty FMCG	-0.10	-4.87	5.51	19.18	24.04	17.76	14.16				
Nifty Realty	-1.20	15.20	57.13	133.96	39.99	39.69	27.83				
Nifty IT	-8.28	-1.46	10.97	24.04	0.02	12.69	19.79				
Equity Market Flow											
								Equity Flow (₹ Cr.)	1-Mth	CYTD	1 Yr.
								FII	3,314	-48,526	-14,294
								DII	56,312	1,08,435	2,06,717

Source: Moneycontrol

Global Equity Market Dashboard - March 2024

Country	Index Name	Index Value	Absolute(%)				CAGR (%)		
			1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
Global Market Indices									
Taiwan	Taiwan Capitalization Weighted Stock	20,294	7.48	13.18	24.10	27.96	7.11	7.30	13.77
Germany	DAX	18,492	5.10	10.51	20.41	18.42	13.30	7.22	9.91
Pan - Europe	Euronext 100	1,526	5.09	9.48	15.48	12.27	9.65	8.51	7.92
UK	FTSE	7,953	4.68	2.87	4.58	4.23	2.87	5.82	1.78
South Korea	Kospi	2,747	4.22	3.40	11.36	10.92	-0.20	-3.56	5.11
France	CAC 40	8,206	3.89	8.88	15.17	12.13	11.03	10.61	8.92
U.S.	Russell 1000	2,882	3.42	10.02	22.81	28.04	7.36	8.81	12.90
Japan	Nikkei	40,369	3.28	20.63	26.87	44.06	20.48	11.44	13.73
Singapore	Strait Times	3,224	2.90	-0.51	0.21	-1.08	-2.75	0.62	0.07
Switzerland	Swiss Market	11,730	2.82	5.38	7.07	5.65	-1.79	2.02	4.35
India	Nifty 50	22,327	1.73	2.77	13.84	28.76	13.10	15.00	13.94
U.S.	Nasdaq 100	18,255	1.29	8.59	24.32	38.68	10.94	11.74	19.85
China	SSE Composite	3,041	0.92	2.23	-2.23	-7.10	-3.30	-4.05	-0.32
Hong Kong	HangSeng	16,541	0.20	-3.00	-7.20	-19.02	-13.32	-16.50	-10.65
Indonesia	Jakarta Composite	7,289	-0.41	0.22	5.08	7.14	1.53	6.80	2.41
Brazil	Ibovespa Sao Paulo	1,28,106	-0.78	-4.53	10.01	25.87	3.33	3.18	6.07
Malaysia	KLSE	1,536	-1.06	5.60	7.90	8.00	-1.63	-0.80	-1.34

Global Equity Market Performance across Calendar years

2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	YTD (%)
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 4.33	U.S.-Nasdaq 43.42	Japan 20.63
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. 0.91	Japan 28.24	Germany 10.39
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 24.10	Japan -9.37	U.S.- S&P 500 24.23	U.S.- S&P 500 10.16
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 -9.50	Germany 20.31	U.S.-Nasdaq 9.11
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 -12.35	India 20.03	France 8.78
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	China -15.13	South Korea 18.73	South Korea 3.44
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	Hong Kong -15.46	France 16.52	U.K. 2.84
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.- S&P 500 -19.44	U.K. 3.78	India 2.74
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	South Korea -24.89	China -3.70	China 2.23
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	U.S.-Nasdaq -33.10	Hong Kong -13.82	Hong Kong -2.97

Index used for each of the Equity Markets: China – SSE Composite, France – CAC, Germany - DAX, Hong Kong – Hang Seng, India - Nifty 50, U.K. – FTSE 100, South Korea – Kospi, Japan – Nikkei 225

YTD Performance as on 31st March 2024. Source: MorningStar Direct

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Asset Class Performance

2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	YTD (%)
Intl 30.44	Small Cap 69.57	Small Cap 10.20	G-Sec 14.24	Small Cap 57.43	G-Sec 8.00	Intl 28.89	Gold 27.88	Small Cap 61.94	Gold 13.94	Small Cap 48.23	Intl 10.02
Real Estate 10.06	Mid Cap 60.26	Real Estate 9.75	Bonds 13.09	Mid Cap 54.49	Gold 7.87	Gold 23.79	Small Cap 25.02	Mid Cap 46.81	Cash 5.23	Mid Cap 43.80	Gold 6.5
Cash 9.34	Large Cap 31.39	Bonds 8.93	Gold 11.35	Large Cap 28.72	Cash 7.25	Bonds 12.20	Mid Cap 24.13	Intl 24.76	Large Cap 4.34	Intl 24.58	Mid Cap 4.08
Large Cap 6.76	Real Estate 16.90	Mid Cap 8.41	Intl 9.70	Intl 19.39	Bonds 6.04	Large Cap 12.02	Intl 18.81	Large Cap 24.12	Mid Cap 2.97	Large Cap 20.08	G-Sec 3.12
Bonds 5.11	G-Sec 15.28	Cash 8.30	Real Estate 8.34	Real Estate 7.20	Real Estate 5.13	G-Sec 11.34	Large Cap 14.86	Bonds 4.22	Bonds 2.71	Gold 15.41	Large Cap 2.77
G-Sec 2.65	Bonds 14.04	G-Sec 8.17	Cash 7.45	Cash 6.57	Large Cap 3.13	Cash 6.74	Bonds 13.46	Cash 3.56	G-Sec 2.34	G-Sec 7.68	Bonds 2.71
Mid Cap -3.01	Intl 11.07	Intl -1.09	Mid Cap 5.41	Bonds 5.55	Intl -6.55	Real Estate 2.99	G-Sec 13.20	G-Sec 3.13	Real Estate 1.43	Cash 7.35	Small Cap 2.08
Gold -4.50	Cash 9.23	Large Cap -4.06	Large Cap 3.01	Gold 5.12	Mid Cap -13.26	Mid Cap -0.28	Cash 4.43	Real Estate 3.12	Small Cap -3.66	Bonds 7.21	Cash 1.92
Small Cap -8.14	Gold -7.91	Gold -6.65	Small Cap 0.36	G-Sec 3.52	Small Cap -26.65	Small Cap -8.27	Real Estate 2.19	Gold -4.21	Intl -20.47	Real Estate 3.81	Real Estate NA

Index used for each of the Asset Class: Gold: Domestic Prices of Gold, Real Estate: House Price Index (Data updated upto Sep 2023), Intl: Russell 1000 Index, G-Sec: ICRA Composite Gilt Index, Bonds: ICRA Composite Bond Fund Index, Cash: ICRA liquid Index, Large Cap: Nifty 50, Mid Cap: Nifty Midcap 150, Small Cap: Nifty Small Cap 250

- 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

YTD Performance as on 31st March 2024. Source: ICRA MFI Explorer & RBI - DBIE

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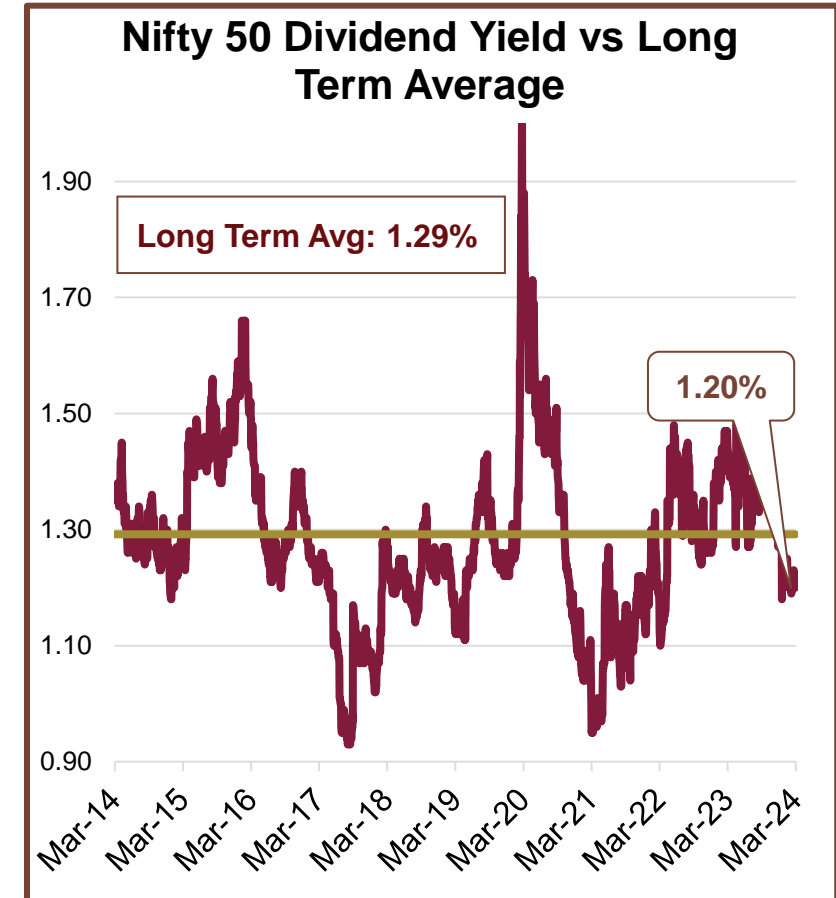
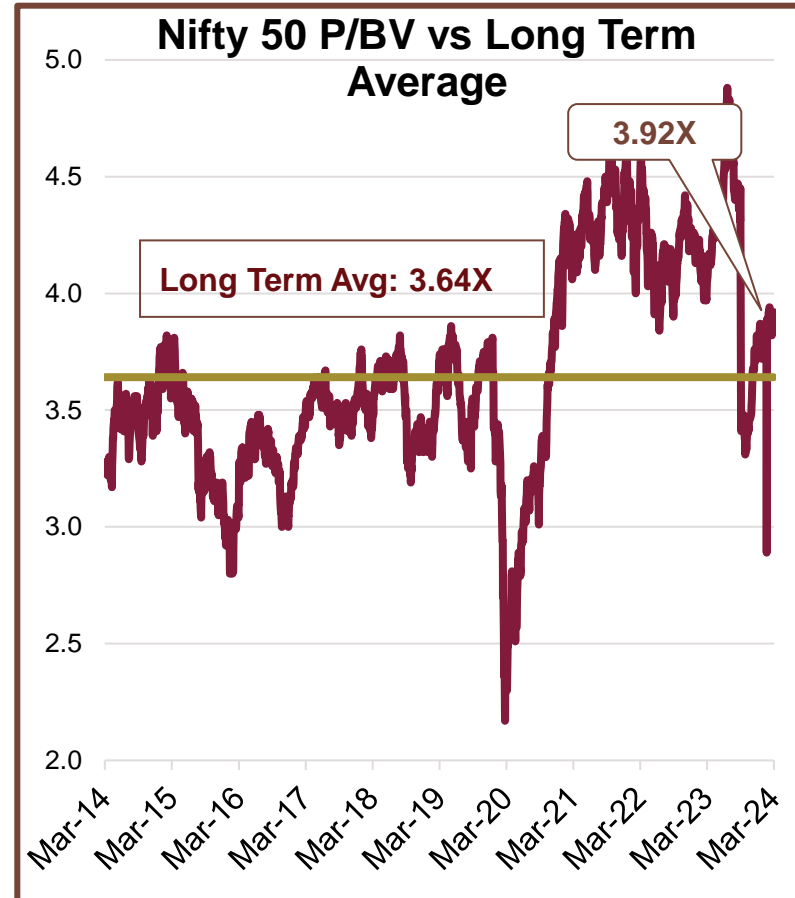
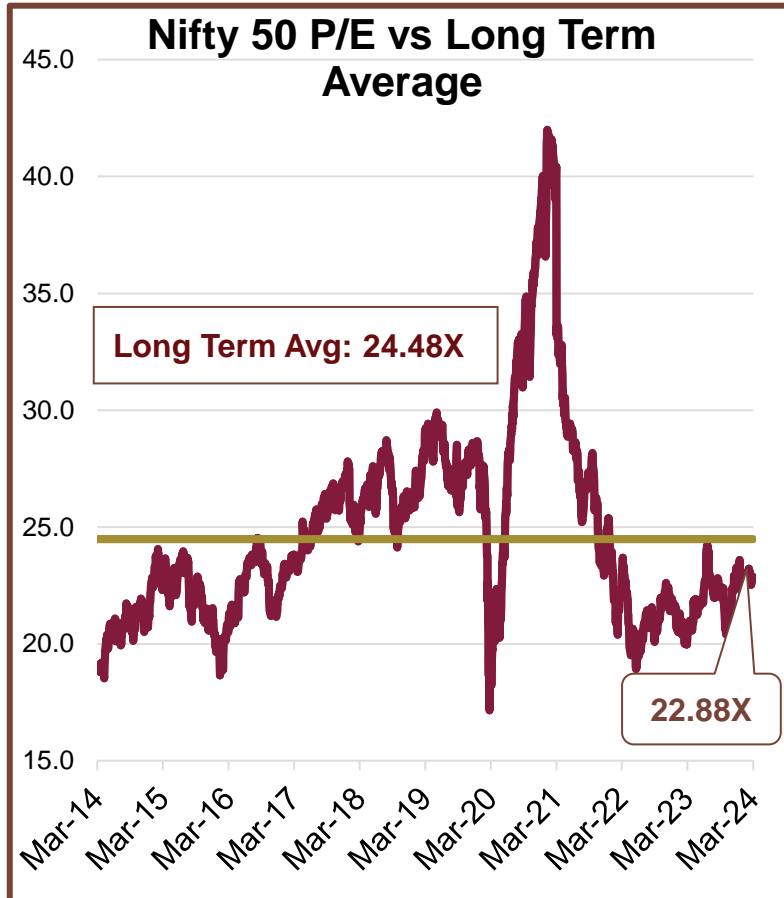
(<http://www.icraanalytics.com/legal/standard-disclaimer.html>)

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

Nifty 12-month trailing P/E of 22.88X is lower than its historical long-term average of 24.48X

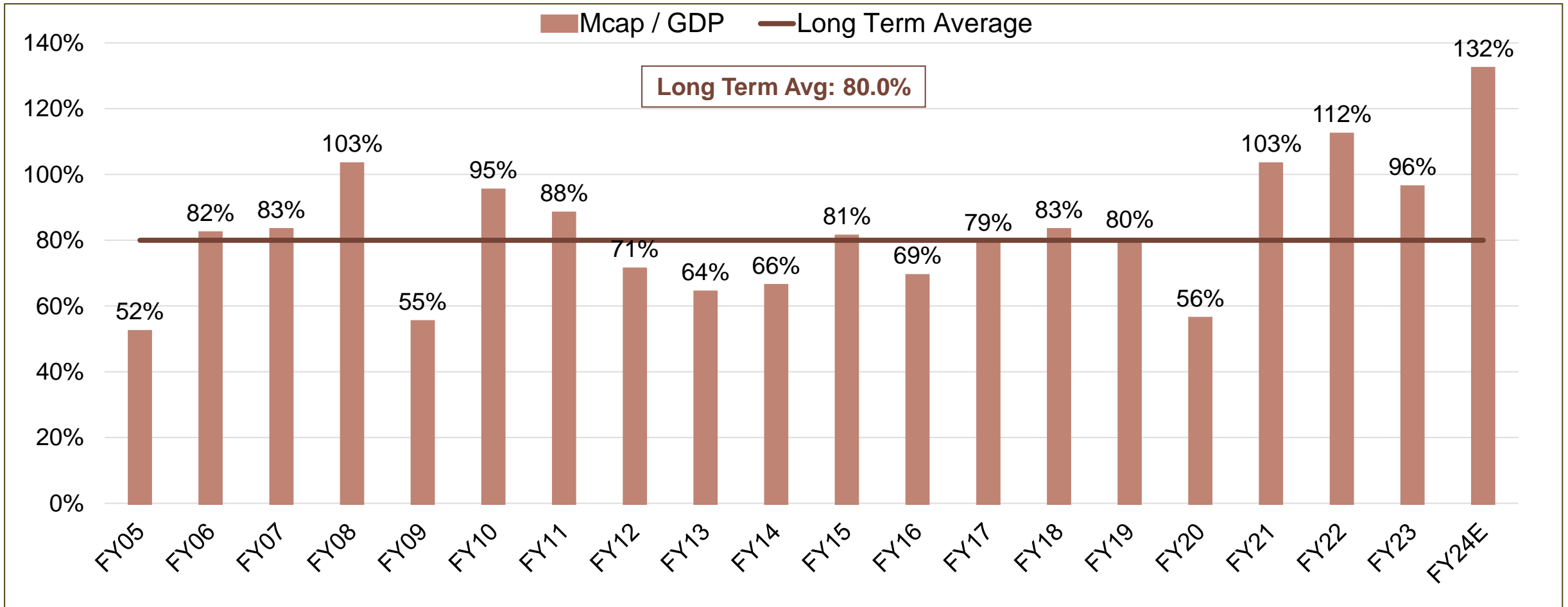
At 3.92X, the Nifty Trailing P/B is higher than the historical long-term average of 3.64X

At 1.20%, the Nifty Trailing Dividend Yield is marginally lower than its historical long-term average of 1.29%



Valuations on a Market Capitalisation / GDP perspective

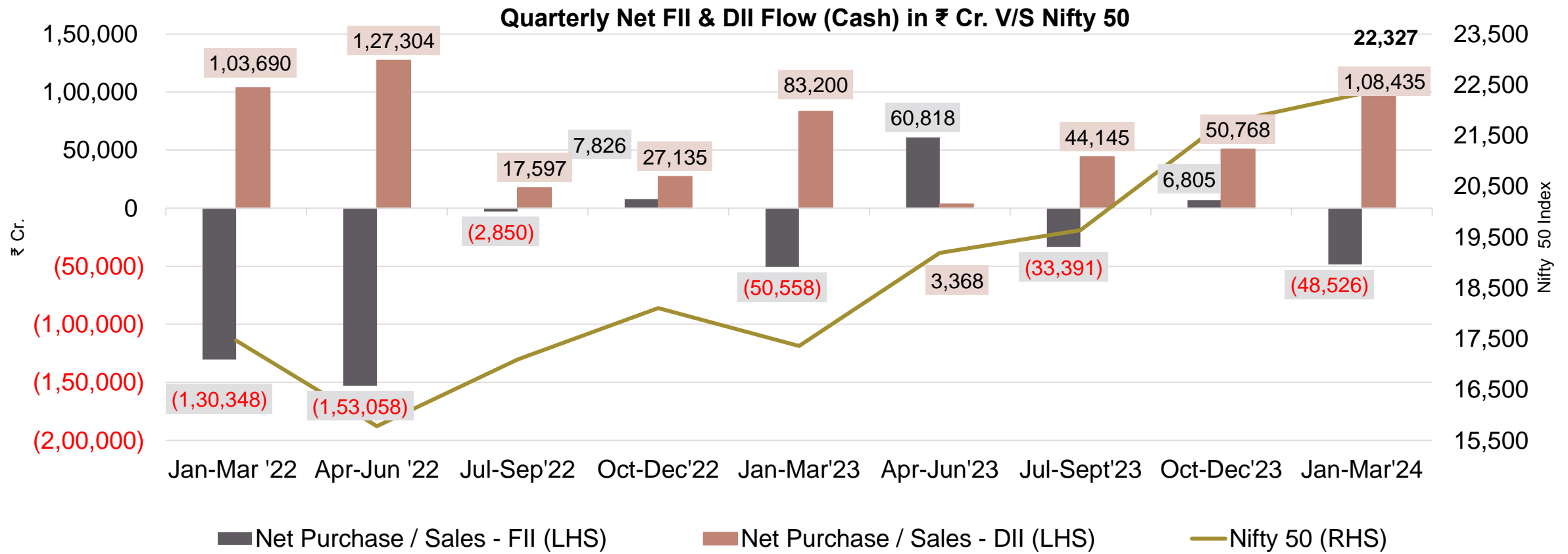
On Market Capitalization to GDP parameter (FY24E 132%), India is trading above the long-term average of 80%



Source: Kotak AMC, Monthly Market Outlook, April '24

Quarterly FII & DII Flow into Equity

- For the quarter Jan'24-Mar'24, FIIs were net sellers of equities to the extent of ~ ₹48,526 cr.
- While DIIs were the net buyers of Indian equities for the quarter Jan'24-Mar'24 to the tune of ₹1,08,435 cr respectively.



* Data Updated upto 31st March 2024

Equity MF Category Average Performance - March 2024

- **For March month**, performance of almost all the equity categories barring Small Cap were in green with **Large Cap, Focused and Large & Mid Cap outperforming the most**. Among the sectoral funds, Infrastructure and Consumption outperformed the rest with Technology falling in the negative zone.
- On a 1-year CAGR basis, all the equity and sectoral/thematic categories delivered positive double-digit returns. **Mid Cap category has emerged as the top performer** followed by Small Cap, Value, & Contra categories. In case of sectoral/thematic categories, **Infrastructure, followed by the Healthcare category has been the top performer** for the given time frame.
- **On a 3-year CAGR** basis, Small Cap was the top performer. Among the sectoral category, **Financial Services generated lowest returns** as compared to other categories while the highest return was delivered by **Infrastructure sector**.
- **With respect to the 5-year CAGR returns**, all categories delivered returns above 15% with Small Cap, Mid Cap, Contra, Multi delivering the highest return. Among the sectoral funds Infrastructure, Technology and Healthcare being the top performer.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Large Cap	1.70	5.47	17.23	35.53	16.13	16.54	14.97
Large & Mid Cap	0.95	5.44	17.70	42.97	19.41	20.64	18.14
Multi Cap	0.17	4.95	17.44	46.12	21.57	23.39	20.38
Flexi Cap	0.68	4.70	16.80	40.02	17.17	18.48	16.53
Mid Cap	0.25	4.80	17.30	49.67	22.73	23.23	21.09
Small Cap	-1.98	1.38	13.40	47.74	22.02	27.21	24.28
Focused	1.46	5.22	16.90	38.64	16.96	18.06	16.33
ELSS	0.63	4.66	16.86	39.11	18.01	18.69	16.69
Contra	0.52	6.11	20.74	46.31	24.61	24.02	20.52
Dividend Yield	-0.09	5.91	20.57	44.28	22.23	24.35	19.65
Value	0.08	5.95	20.67	47.40	23.15	22.43	18.02
Sectoral / Thematic							
Consumption	1.29	2.91	14.27	38.53	20.47	20.38	17.51
Infrastructure	1.84	10.72	27.27	62.60	33.43	31.66	23.05
Financial Services	-0.01	0.29	10.62	28.39	17.73	15.09	11.91
FMCG	0.68	-4.41	2.06	15.45	17.31	17.46	13.51
Healthcare	-0.22	10.10	22.40	56.63	20.48	18.50	22.85
Technology	-4.12	2.86	15.44	35.53	7.25	17.27	23.02
Others	0.99	7.34	21.27	47.67	22.62	22.17	19.08

Source: Morningstar Direct

Debt Market - Review



Debt Market Roundup - Key Takeaways

- **The India 10-Year GSec yield for March closed at 7.05% as against 7.08% at the end of February.** While the Fed kept the target range for the federal funds rate at its 23-year high of 5.25% - 5.50% for fifth consecutive meeting in Mar'24, they might continue to maintain initial forecasts of three rate cuts in 2024 and projecting a shallower rate cut cycle beyond 2025.
- **In early April policy, the RBI maintain status quo on policy rate and stance – in line with expectations.** While the RBI expect growth to be robust and inflation to edge down in FY25, it highlighted the upside risk to inflation from food inflation, climate shock, rising geo-political risks and rising crude prices.

Outlook:

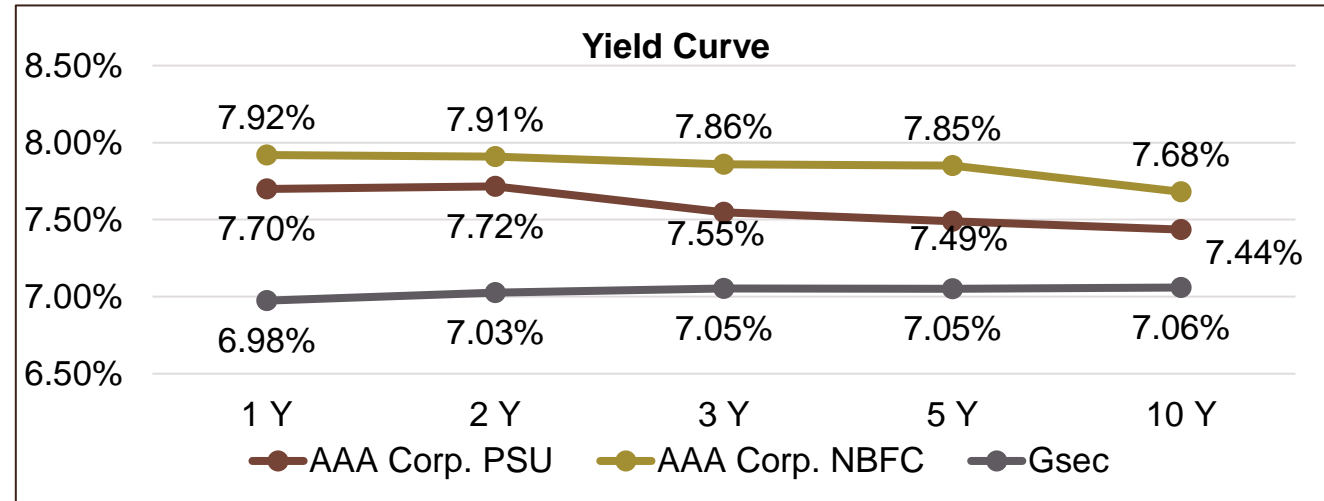
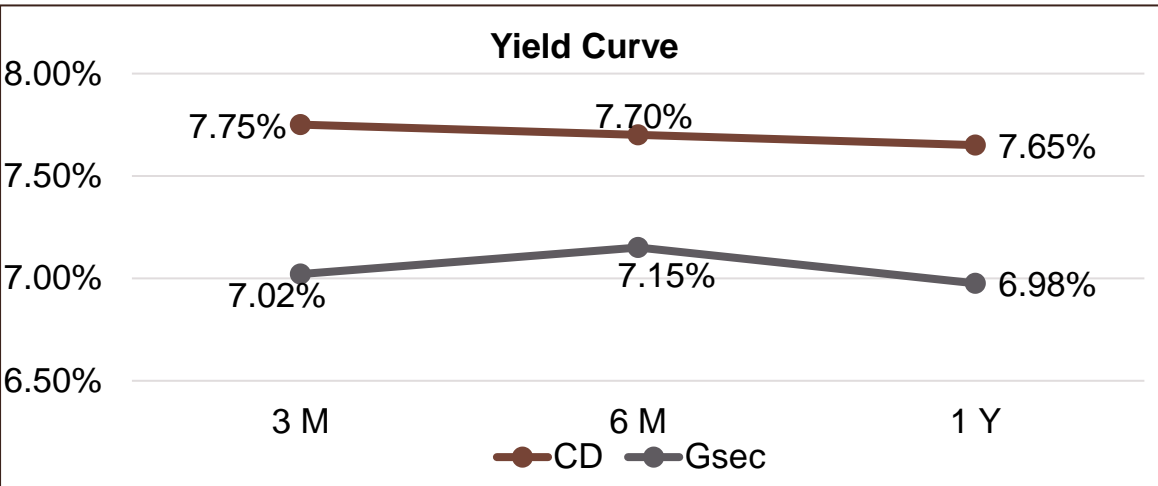
- **The Mar'24 CPI retail inflation eased to 4.85% compared to 5.09% in Feb'24 while India's IIP grew to 5.7% in Feb'24. Domestic Manufacturing Purchasing Managers Index (PMI) touched a high at 59.1 in Mar'24 as against 56.9 for Feb'24, reflecting robust manufacturing activity.** Even though the current inflation rate is comfortably within the RBI's upper tolerance band of 2% - 6%, it remains above the central bank's target of 4% and as per experts it is expected that the central bank may not start cutting rates in the first half of the financial year 2025 (FY25).
- **GST collections remained buoyant, reaching ₹1.78 lakh crore in Mar'24 from ₹1.68 lakh crore in Feb'24.**
- Other factors which markets will track - index inclusion inflows, US Fed stance, upcoming election results and geopolitical conflicts affecting crude demand.
- **For Core portfolio (60-70% of the entire debt portfolio), investors may consider Short Duration funds, Banking & PSU, Corporate Bond and Target Maturity funds (matching with the average maturity of the funds and investment horizon).** 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.
- **For Satellite portfolio (30-40% of the entire debt portfolio), investors may consider mutual fund categories such Medium to Long duration, Gilt and Dynamic Bond Funds as they can generate capital gains when interest rates cuts by central banks happen in future.**

Debt Dashboard

	Latest (28 Mar'24)	One Month Ago (29 Feb'24)	One Quarter Ago (29 Dec'23)	Half Year Ago (29 Sep'23)	One Year Ago (31 Mar'23)	MoM Change (bps)
Interest Rates						
Repo rate	6.50%	6.50%	6.50%	6.50%	6.50%	0
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	0
CD Rates						
3 month	7.75%	7.75%	7.38%	7.05%	7.20%	0
6 month	7.70%	7.80%	7.68%	7.22%	7.28%	-10
1 Year	7.65%	7.80%	7.83%	7.50%	7.57%	-15
T-Bill/G-sec						
91 Days	6.98%	6.93%	6.94%	6.92%	7.00%	5
364 Days	7.08%	7.11%	7.10%	7.08%	7.29%	-3
India 10 Year G-Sec Yield	7.06%	7.08%	7.18%	7.21%	7.32%	-2
AAA Corp. Bonds (PSU)						
1 Year	7.70%	7.90%	7.81%	7.55%	7.67%	-20
3 Year	7.55%	7.73%	7.74%	7.77%	7.67%	-18
5 Year	7.49%	7.60%	7.74%	7.68%	7.79%	-11
AAA Corp. Bonds (NBFC)						
1 Year	7.92%	8.08%	8.13%	7.68%	7.84%	-16
3 Year	7.86%	7.98%	7.85%	7.86%	8.05%	-12
5 Year	7.85%	7.83%	7.90%	7.86%	8.00%	2
US Markets						
10 Year US Treasury Yield	4.21%	4.25%	3.87%	4.58%	3.47%	-5
Currency & Commodity						
USD/ INR	83.35	82.90	83.19	83.03	82.19	↑
Crude Brent (\$/Barrel)	87.48	83.62	77.04	95.31	79.77	↑

- **10-year U.S. Treasury yield was down** as the U.S. Federal Reserve indicated that it would start cutting interest rates in the second half of the year mentioned in the latest policy meet (Mar'24).
- **India 10-year GSec yields fell** amid optimism to include eligible domestic bonds to the Bloomberg Emerging Market Local Currency index.
- **Corporate bond yields of PSU's and NBFC's closed the month on a lower note** change write up next time – It is same as last 2 month's.
- **Brent crude** prices edged up on concerns about a tighter global supply due to the rising conflict in the Middle East and between Russia and Ukraine.- have Changed this – It is same as last 2 month's.
- For the past seven policy meets, the MPC kept the **policy rates stagnant**.

Yield Curve and Policy Rates & Reserve Ratios

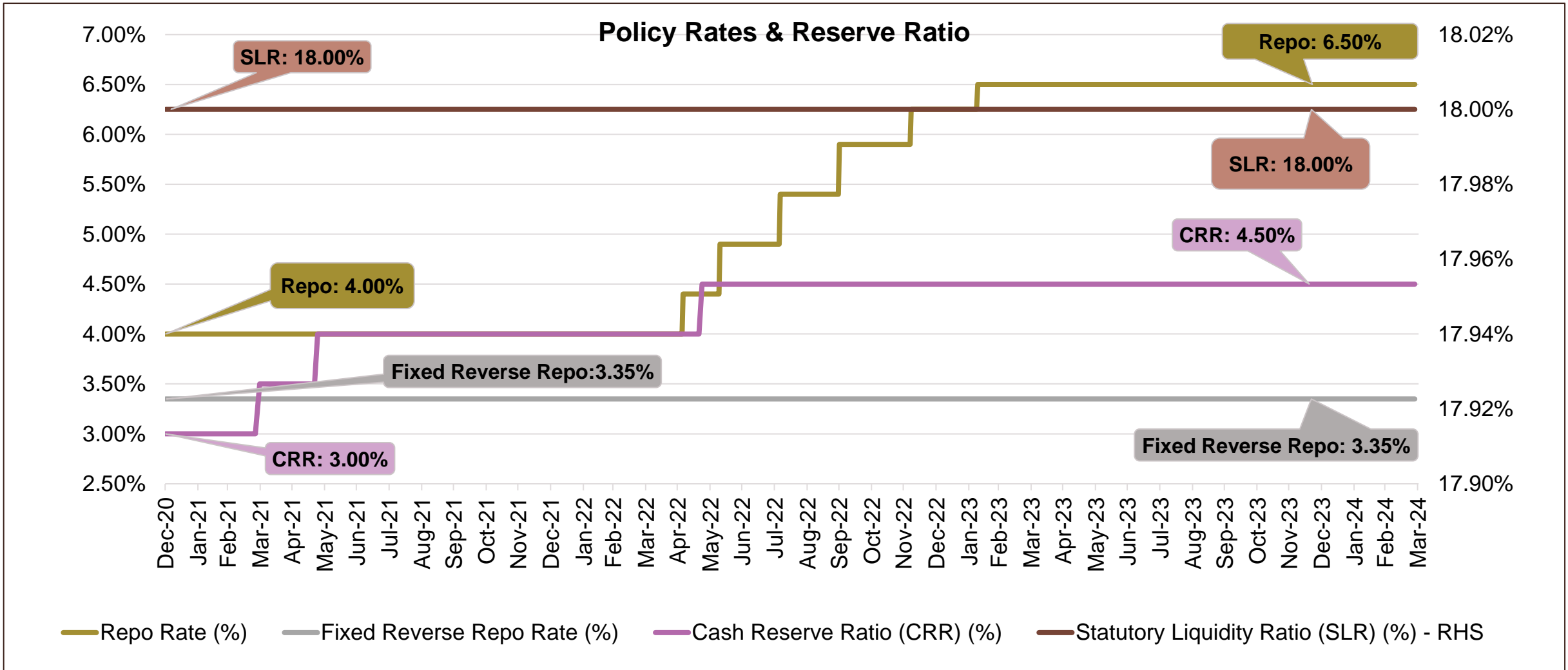


Data as on 31 March'24; Source: Bandhan AMC, Investing.com

Policy Rates / Reserve Ratio	Current
CRR	4.50%
SLR	18.00%
SDF	6.25%
Repo Rate	6.50%
MSF	6.75%
Bank rate	6.75%
Fixed Reverse Repo Rate	3.35%

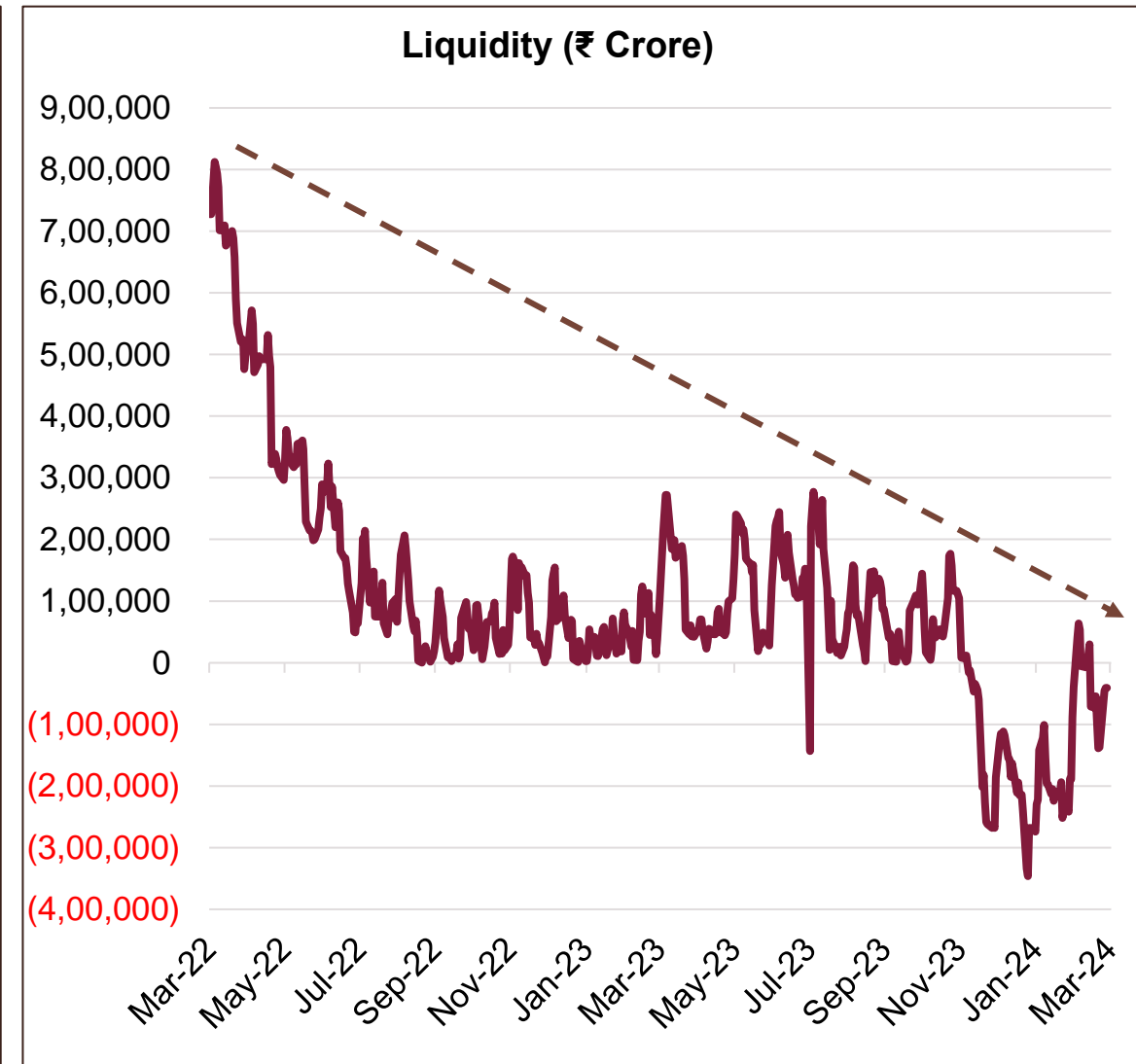
- In May '22, an unscheduled MPC meeting prompted an interest rate hike, leading to a **pronounced steepness in the short end of the yield curve.**
- **The 10 Year minus 3 Months GSec spread** was at 29 bps in Mar'23 whereas at the end of Mar'24 it has reduced to 4 bps.
- **Yields have remained mixed across categories and maturity profiles** in Mar '24 V/S Feb '24.
- At present, the spread between AAA Corporate Bond (NBFCs) and G-sec is almost the same at 60-95 bps as compared to a year ago of 55-95 bps.
- In Apr '24 policy meet, though the RBI did not increase the policy rates, **the RBI said that they will remain nimble and flexible in liquidity management.**

Policy rate & Reserve Ratio movement since Dec 2020



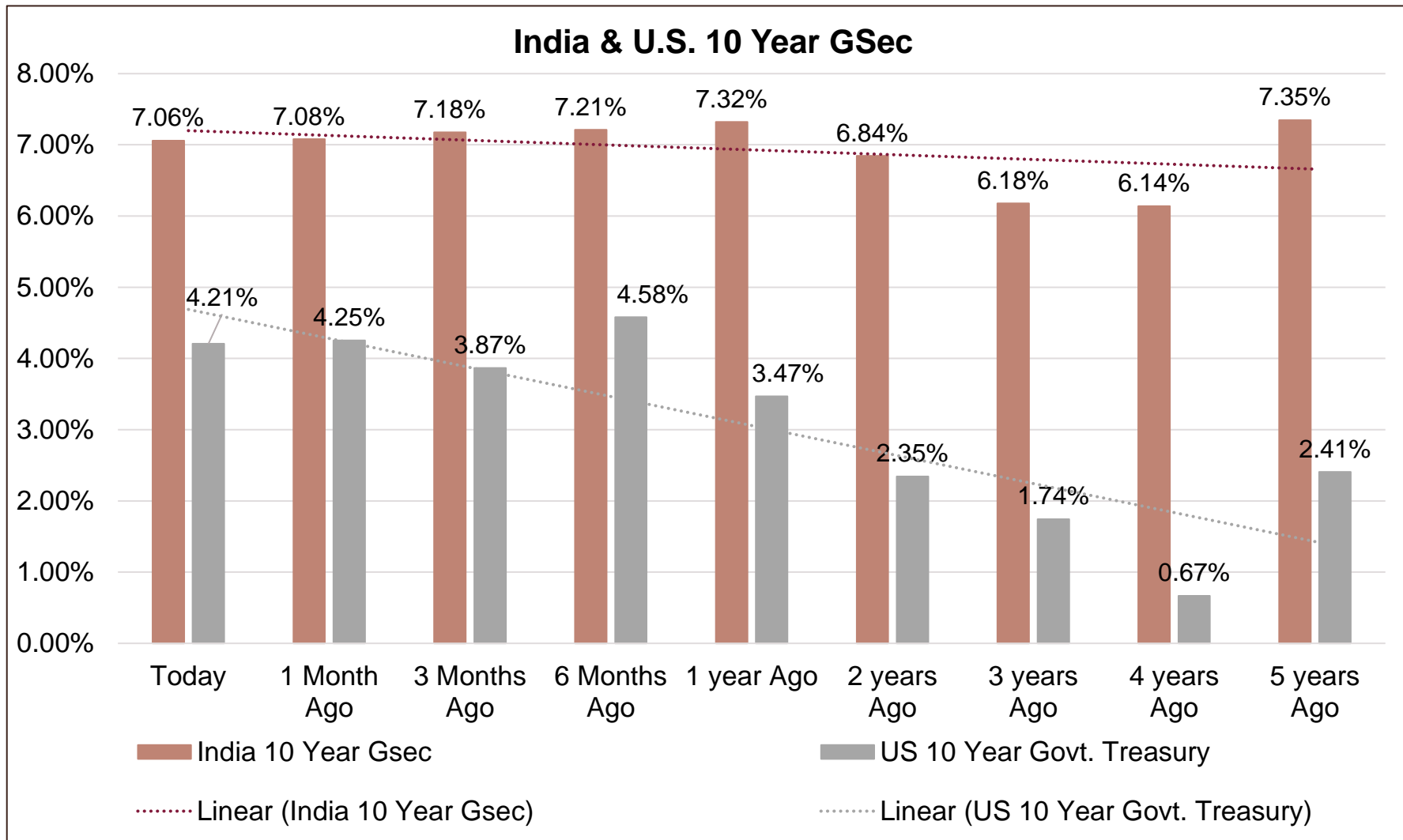
Liquidity in the System

- The liquidity situation improved in Mar'24 with system liquidity turning intermittently surplus in the first half of the month. In these circumstances, the Reserve Bank conducted fourteen fine tuning variable rate reverse repo (VRRR) operations during February and early March to absorb intermittent surplus liquidity.
- Financial conditions remained conducive as reflected in reduced term spread in the G-sec market and stable risk premium in the bond market. In the credit market, monetary transmission continues to be work in progress.
- Looking ahead, the Reserve Bank will remain nimble and flexible in its liquidity management through main and fine-tuning operations in both repo and reverse repo.
- **The Indian rupee (INR) has remained largely range-bound as compared to both its emerging market peers and a few advanced economies during 2023-24.** The INR was the most stable among major currencies during this period. As compared to the previous three years, the INR exhibited the lowest volatility in 2023-24.
- The relative stability of the INR reflects India's sound macroeconomic fundamentals, financial stability and improvements in the external position.
- **Core liquidity (system liquidity + Government balances) improved from ₹2 trn in Feb'24 end to ~₹2.4 trn by Mar'24 end, driven by the RBI's actions (intervention and forex swap maturities).**



Source: Bandhan AMC

Yields Movement across India and U.S.



- **U.S. Fed** kept interest rates unchanged for the fifth consecutive meeting held in Mar '24.
- In case of U.S., **the yields have** rose from 3.5% a year ago to 4.2% at present.
- While for the **Indian markets, the yields have remained flat at 7.1%-7.3%** during the past one year as the RBI kept policy rates unchanged for the past one year.
- In both, the U.S. and India, the yields were at its trough ~3 – 4 years ago when the pandemic struck the world.

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

- The YTM's have gone up in the past one year in the broad category of Money Market, Accrual and Duration Funds. While for Passives-the yields have gone down.
- With respect to average maturity and modified duration of the funds – especially the Duration & Accrual category, it has largely been on the rise since past 2 years.

Category	YTM					Average Maturity					Modified Duration				
	Feb-24	Nov-23	Aug-23	Feb-23	Feb-22	Feb-24	Nov-23	Aug-23	Feb-23	Feb-22	Feb-24	Nov-23	Aug-23	Feb-23	Feb-22
Money Market															
Liquid	7.36	7.28	7.01	7.19	3.72	0.11	0.12	0.11	0.10	0.09	0.10	0.11	0.11	0.09	0.09
Ultra Short Duration	7.73	7.57	7.30	7.57	4.35	0.45	0.40	0.43	0.41	0.41	0.41	0.37	0.39	0.37	0.38
Low Duration	7.86	7.73	7.48	7.74	4.66	1.25	1.18	1.16	1.30	1.24	0.87	0.78	0.80	0.74	0.68
Money Market	7.60	7.47	7.25	7.40	4.03	0.56	0.30	0.43	0.39	0.28	0.54	0.29	0.41	0.38	0.28
Accrual															
Short Duration	7.65	7.71	7.50	7.70	5.13	3.54	3.25	2.89	2.44	2.03	2.64	2.39	2.15	1.85	1.54
Medium Duration	7.89	7.96	7.79	7.88	6.04	5.00	4.78	4.55	4.14	3.76	3.52	3.29	3.21	2.90	2.87
Banking & PSU Debt Fund	7.60	7.69	7.53	7.73	5.30	4.89	4.40	4.12	3.43	2.72	3.00	2.74	2.56	2.22	2.09
Corporate Bond Fund	7.65	7.75	7.56	7.74	5.42	4.09	3.70	3.52	2.76	2.82	2.88	2.59	2.51	1.85	2.05
Floating Rate	7.91	7.87	7.66	7.76	5.10	4.45	3.66	3.65	3.43	3.57	1.49	1.30	1.15	0.97	1.10
Credit Risk	8.38	8.36	8.15	8.27	5.97	2.75	3.11	3.42	2.56	2.33	2.00	1.80	1.77	1.67	1.73
Duration															
Medium To Long Duration	7.39	7.55	7.39	7.64	5.70	10.51	9.20	7.50	6.66	5.52	6.34	5.78	5.07	4.45	3.77
Long Duration Fund	7.29	7.58	7.38	7.54	6.91	22.44	23.08	19.90	20.40	17.96	10.14	9.78	9.19	9.15	9.25
Dynamic Bond	7.37	7.56	7.39	7.60	5.39	11.22	7.70	5.65	5.21	3.95	6.26	4.70	3.74	3.08	2.65
Gilt	7.24	7.46	7.21	7.49	5.07	13.72	10.09	6.21	6.94	4.19	7.27	5.83	4.09	4.31	2.56
Gilt - 10 Year	7.21	7.43	7.25	7.57	6.69	9.75	9.98	9.32	9.36	9.15	6.84	6.77	6.59	6.61	6.66
Passives															
Target Maturity Funds / Index Funds	7.38	7.58	7.42	7.65	6.31	4.40	4.58	4.78	5.04	5.34	3.44	3.56	3.71	3.89	4.16

Debt Category Average Performances – March 2024

- **During the month** under consideration, all the categories were in the green with Duration funds registering the highest returns.
- With respect to **3 months and 6 months trailing returns**, all the categories were in the green delivering with the Duration category outperforming the most.
- **For the full year**, all the categories were positive, with our suggested categories such as Ultra Short Duration, Money Market, Low Duration, Liquid, Short Duration, Banking & PSU Debt Fund & Corporate Bond Fund delivered decent returns.
- **On a 2-year CAGR basis**, all the categories delivered an early single digit growth. In addition to the Credit Risk Funds, our suggested categories - the Ultra Short Duration, Low duration, Money Market, Liquid, Short Duration, Corporate Bonds, and Dynamic Bond 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 digit returns.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Money Market							
Overnight	0.55	1.64	3.35	6.71	6.03	5.07	4.67
Liquid	0.59	1.70	3.36	6.64	5.97	5.00	4.81
Ultra Short Duration	0.65	1.81	3.43	6.84	5.92	5.19	5.38
Low Duration	0.68	1.86	3.45	7.05	5.91	5.25	5.36
Money Market	0.70	1.91	3.59	7.19	6.22	5.35	5.71
Accrual							
Short Duration	0.64	1.92	3.62	6.95	5.59	5.37	5.84
Medium Duration	0.66	2.11	3.83	7.25	5.88	6.00	5.44
Banking & PSU Debt Fund	0.66	2.07	3.67	7.15	5.60	5.15	6.52
Corporate Bond Fund	0.70	2.06	3.67	7.27	5.51	5.13	6.42
Floating Rate	0.78	2.05	3.66	7.73	6.30	5.59	6.39
Credit Risk	0.71	2.11	4.47	8.12	6.30	9.38	4.94
Duration							
Medium To Long Duration	0.71	2.49	4.17	7.43	5.69	5.12	5.86
Long Duration Fund	0.83	4.37	6.07	9.57	6.57	5.05	7.18
Dynamic Bond	0.71	2.73	4.43	7.79	5.99	5.44	6.31
Gilt	0.75	2.88	4.74	8.08	6.00	5.18	6.85
Gilt - 10 Year	0.74	2.60	4.56	8.36	5.85	4.76	7.18
Passives							
Target Maturity Funds / Index Funds	0.61	2.11	3.96	7.50	5.23	5.50	--

Source: Morningstar Direct

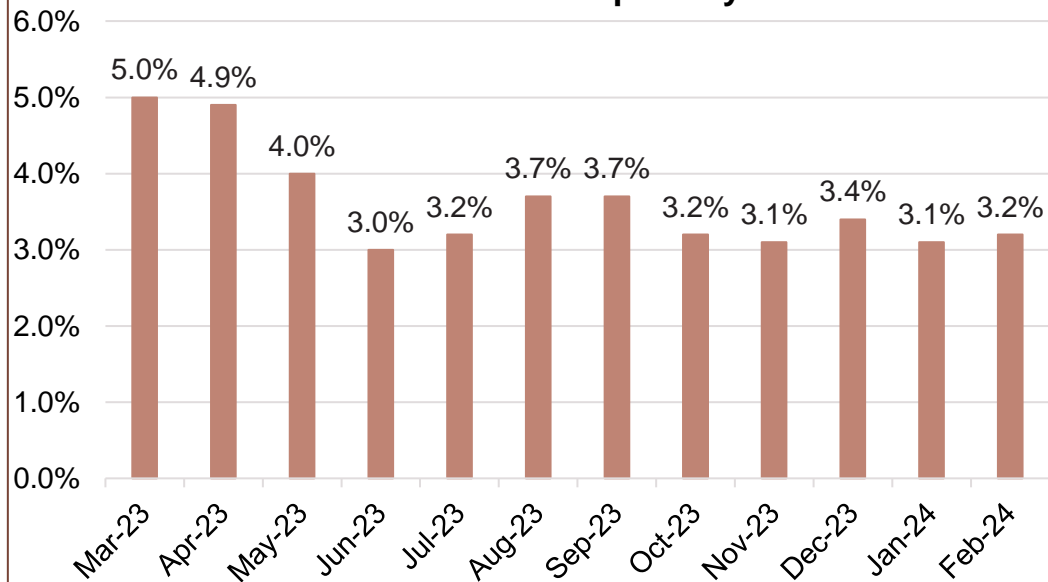
Event Update

U.S. Fed Keeps rates steady, with three cuts expected later this year

Key Highlights

- The Fed kept interest rates unchanged at 5.25%-5.50% range in Mar'24 policy meet.
- Fed maintained pause for the fifth consecutive meeting signaling a commitment to the current rate policy.
- Fed announced that it will only cut interest rates when it has greater confidence of inflation moving sustainably to the 2% level.

U.S. Inflation over the past 1 year



Source: Trading Economics

U.S inflation Peaking:

- ❖ Inflation has eased notably over the past year but remains above the longer-run goal of 2%.
- ❖ U.S. inflation data had shown a significant decrease till June 2023 to 3.0%. In December 2023, CPI inflation rose to 3.4%, from a 5-month low of 3.1% in November. CPI inflation rose slightly to 3.2% in February 2024 as compared to 3.1% in January.
- ❖ Fed estimates U.S. inflation reaching 2.1% by the end of 2025, before finally attaining the 2.0% goal in 2026.

To Conclude:

- ❖ Fed kept the policy rate unchanged, and the decision was widely expected given the Fed's stated goal of slowing inflation to its long-term target of 2%.
- ❖ U.S. economic activity has been expanding at a solid pace while job gains have remained strong and unemployment rate has remained low. Inflation has eased but remains elevated.
- ❖ Restoring price stability is essential to set the stage for achieving maximum employment and stable prices over the long run.

MPC leaves repo rate, stance unchanged

Key Highlights

- MPC keeps repo rate unchanged at 6.50% by majority
- Cash reserve ratio (CRR) kept unchanged at 4.50%.
- FY25 CPI Inflation retained at 4.5%.
- FY25 Real GDP growth rate maintained at 7.0%.
- The RBI will remain nimble and flexible in liquidity management.
- The monetary policy was broadly in line with expectations.

Growth Outlook:

- The global economy exhibits resilience and is likely to maintain steady growth in 2024.
- Equity markets are rallying, while sovereign bond yields and the US dollar are exhibiting bidirectional movements. Gold prices have surged on safe haven demand.
- Domestic economic activity remains strong with healthy corporate and bank balance sheets, robust government capital expenditure and signs of upturn in the private capex cycle.
- Considering all these factors, real GDP growth for FY25 is projected at 7.0% with Q1 at 7.1%; Q2 at 6.9%; Q3 and Q4 at 7.0%, each.

Inflation Outlook:

- Headline inflation softened to 5.1% during Jan-Feb'24 from 5.7% in Dec'23. Food inflation edged up to 7.8% in Feb'24 primarily driven by vegetables, eggs, meat and fish. Fuel prices remained in deflation for the sixth consecutive month in Feb'24.
- Early indications of a normal monsoon augur well for kharif crops. However, increasing geopolitical tensions are leading to supply chain disruptions with price volatility being noticed in crude oil.
- Considering all these factors, inflation projection for the full year was maintained at 4.5%.

Policy Rates / Reserve Ratio	8 Feb '24	5 Apr '24	Status
CRR	4.50%	4.50%	↔
SLR	18.00%	18.00%	↔
SDF	6.25%	6.25%	↔
Repo Rate	6.50%	6.50%	↔
MSF	6.75%	6.75%	↔
Bank rate	6.50%	6.50%	↔
Fixed Reverse Repo Rate	3.35%	3.35%	↔

Thank You!

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