

TATA CAPITAL WEALTH

Market Outlook - June 2023



Macro Indicators



	Current		Month Ago	Quarter Ago	Half Year Ago	Year Ago
Economic Indicators:						
PMI Manufacturing	58.7 (May-23)	↑	57.2 (Apr-23)	55.3 (Feb-23)	55.7 (Nov-22)	54.6 (May-22)
PMI Services	61.2 (May-23)	↑	62.0 (Apr-23)	59.4 (Feb-23)	56.4 (Nov-22)	58.9 (May-22)
Consumer Price Index (CPI)	4.3% (May-23)	↓	4.7% (Apr-23)	6.4% (Feb-23)	5.9% (Nov-22)	7.0% (May-22)
Wholesale Price Index (WPI)	-0.92% (Apr-23)	↓	1.3% (Mar-23)	4.8% (Jan-23)	8.7% (Oct-22)	15.4% (Apr-22)
Industrial Production (IIP)	4.2% (Apr-23)	↓	1.1% (Mar-23)	5.2% (Jan-23)	-4.4% (Oct-22)	6.7% (Apr-22)
GDP	6.1% (Mar-23)	↑	NA	4.4% (Dec-22)	6.3% (Sep-22)	4.1% (Mar-22)
Trade Deficit (\$ bn)	15.2 (Apr-23)	↓	19.7 (Mar-23)	17.7 (Jan-22)	27.5 (Oct-22)	18.3 (Apr-22)
Commodity Market:						
Brent Crude (\$/barrel)	72.6 (31-May-23)	↓	79.5 (28-Apr-23)	84.0 (28-Feb-23)	85.4 (30-Nov-22)	122.8 (31-May-22)
Gold (\$/oz)	1,982.5 (31-May-23)	↑	1,999.1 (28-Apr-23)	1,836.7 (28-Feb-23)	1,759.9 (30-Nov-22)	1,848.4 (31-May-22)
Silver (\$/oz)	23.6 (31-May-23)	↑	25.2 (28-Apr-23)	21.0 (28-Feb-23)	21.8 (30-Nov-22)	21.7 (30-May-22)
Currency Market:						
USD/INR	82.6 (31-May-23)	↓	81.7 (28-Apr-23)	82.6 (28-Feb-23)	81.4 (30-Nov-22)	77.6 (31-May-22)

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: In May 23, benchmark NIFTY50 was up 2.7% while broader markets represented by Nifty Midcap 150 and Nifty SmallCap 250 did better rising 5.4% and 5.3% respectively.

Domestic factors that played out for the Indian markets:

- Improving domestic macros, better than expected Q4FY23 earnings, US debt ceiling extension and strong FII inflows into Indian equities; led to an improvement in sentiments.
- Sustained high levels of GST collections, easing retail inflation, resilient core sector outputs, and healthy credit growth bode well for the Indian economy.

Outlook:

- **Domestic high frequency indicators** like GST collections, credit growth, Purchasing Managers' Index (PMI), strong domestic capex triggers, etc. **point to elevated activity levels.**
- On the global side, US debt ceiling issue was finally resolved with the Senate passing a legislation to suspend the US debt ceiling and **impose restraints on government spending through the 2024 election** which may have implication on growth for the US in FY24 and beyond.
- There is though a **forecast of El-Nino impacting Indian monsoons** and that is the key monitorable in the near term.
- Therefore, **investors are suggested not to time the markets** and **focus on the medium to long term potential of the equity markets.** The important drivers for equity market are - **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 - May 2023



Index Name	Index Value	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	95,211	2.68	6.64	-0.18	14.05	11.18	26.02	13.48	23.48	3.28	1.29	
Nifty 50	27,057	2.69	7.44	-0.80	12.94	10.39	26.02	12.89	21.59	4.33	1.36	
Nifty 100	24,639	3.03	8.22	-2.18	11.07	9.30	24.97	12.06	22.47	4.42	1.38	
Nifty 200	12,640	3.40	8.74	-1.20	12.29	10.11	26.45	12.27	22.57	4.15	1.36	
Nifty 500	24,538	3.55	8.83	-0.81	12.74	10.39	27.61	12.35	22.56	4.12	1.33	
Nifty Midcap 150	15,797	5.36	10.66	4.53	19.81	14.95	36.75	14.59	24.98	3.41	1.14	
Nifty Smallcap 250	12,395	5.25	11.15	2.92	15.39	12.32	42.11	10.63	19.50	3.28	1.24	
Sectoral Indices												
Nifty Auto	18,370	7.19	11.52	7.37	23.72	17.56	32.83	6.53				
Nifty Realty	526	7.11	21.77	6.37	16.67	19.70	38.85	10.61				
Nifty FMCG	80,529	6.44	13.88	13.01	33.83	22.89	22.75	13.95				
Nifty India Consumption	9,829	5.90	12.14	1.00	16.38	14.75	21.41	10.90				
Nifty IT	39,425	5.48	-0.99	-3.19	0.39	5.83	30.12	18.84				
Nifty Bank	60,313	2.43	10.14	2.59	25.37	12.39	32.42	10.87				
Nifty Healthcare	9,593	2.32	9.51	-1.73	6.01	-0.52	13.81	12.24				
Nifty Services Sector	34,197	2.22	5.80	-5.37	8.73	6.98	25.71	11.80				
Nifty Financial Services	24,111	2.00	8.79	1.11	19.07	9.03	27.76	12.52				
Nifty Infrastructure	6,993	1.82	8.83	0.26	12.86	13.68	25.89	12.18				
Nifty Metal	8,753	1.47	11.84	-10.20	12.77	9.29	49.17	12.54				
Nifty Energy	40,364	0.56	10.12	-12.72	-6.10	11.64	24.99	14.60				
Nifty Pharma	15,495	0.49	7.94	-3.25	1.44	-4.29	9.80	9.87				
Nifty Oil & Gas	11,096	0.75	7.07	-13.64	-4.08	5.74	21.72	12.26				
Nifty PSU Bank	5,407	-2.59	10.78	1.30	60.31	30.95	54.33	6.98				

Equity Market Flow

Equity Flow (₹ Cr.)	1-Mth	YTD	1 Yr.
FII	27,856	-70,126	-70,126
DII	-3,306	1,73,441	1,73,441

Source: Moneycontrol

Global Equity Market Dashboard - May 2023



Country	Index Name	Index Value	Absolute(%)				CAGR (%)			
			1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	
Global Market Indices										
U.S.	Nasdaq 100	14,254	7.15	18.37	18.49	12.75	2.04	14.23	15.38	
Japan	Nikkei	30,888	6.61	12.54	10.44	13.23	3.45	12.16	6.82	
Taiwan	Taiwan Capitalization Weighted Stock	16,579	6.03	6.65	11.42	-1.36	-1.44	14.83	8.79	
Brazil	Ibovespa Sao Paulo	1,08,335	3.51	3.24	-3.69	-2.71	-7.35	7.41	7.13	
South Korea	Kospi	2,577	2.84	6.81	4.23	-4.05	-10.31	8.27	1.24	
India	Nifty 50	18,534	2.44	7.11	-1.19	11.76	9.06	24.56	11.53	
U.S.	Russell 1000	2,286	0.27	4.48	2.08	0.73	-1.68	10.73	8.75	
Germany	DAX	15,664	-1.52	1.95	8.80	8.87	0.78	10.55	4.44	
Switzerland	Swiss Market	11,218	-1.30	1.08	0.81	-3.39	-0.64	4.49	5.81	
Malaysia	KLSE	1,387	-1.91	-4.61	-6.83	-11.65	-6.41	-1.98	-4.44	
Singapore	Strait Times	3,159	-3.21	-3.18	-4.00	-2.28	-0.09	7.94	-1.62	
China	SSE Composite	3,205	-3.36	-2.29	1.69	0.57	-5.85	3.95	0.69	
Pan - Europe	Euronext 100	1,318	-3.73	-2.32	2.44	6.11	2.74	12.30	4.67	
Indonesia	Jakarta Composite	6,633	-3.34	-3.07	-6.33	-7.21	5.61	11.73	2.08	
France	CAC 40	7,099	-4.93	-2.33	5.34	9.74	4.93	14.74	5.63	
UK	FTSE	7,446	-5.07	-5.46	-1.68	-2.12	2.96	7.00	-0.61	
Hong Kong	HangSeng	18,234	-7.34	-7.84	-1.95	-14.85	-20.91	-7.38	-9.75	

Data as on 31st May 2023. Performance shown is for Price Return Index. Source: ICRA MFI

Global Equity Market Performance across Calendar years



2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	YTD (%)
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 4.33	U.S.- Nasdaq 23.59
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. 0.91	Japan 18.37
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 -9.37	South Korea 15.24
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 -9.50	Germany 12.50
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 -12.35	France 9.65
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	China -15.13	U.S.- S&P 500 8.86
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	Hong Kong -15.46	China 7.58
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.- S&P 500 -19.44	India 2.37
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	South Korea -24.89	U.K. -0.08
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	U.S.- Nasdaq -33.10	Hong Kong -7.82

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 31 May 2023. Source: MorningStar Direct

For Client Circulation. The content does not construe to be any investment, legal or taxation advice

Asset Class Performance



2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	YTD (%)
Mid Cap 44.02	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	Gold 10.16
Small Cap 37.96	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	Intl 8.48
Large Cap 27.54	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	Mid Cap 6.16
Real Estate 25.10	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	G-Sec 5.12
Intl 13.85	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	Small Cap 4.53
Gold 12.27	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	Bonds 4.31
G-Sec 11.11	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 2.98
Bonds 10.18	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	Large Cap 2.35
Cash 9.42	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 -1.72

Index used for each of the Asset Class: Gold: Domestic Prices of Gold, Real Estate: House Price Index, 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

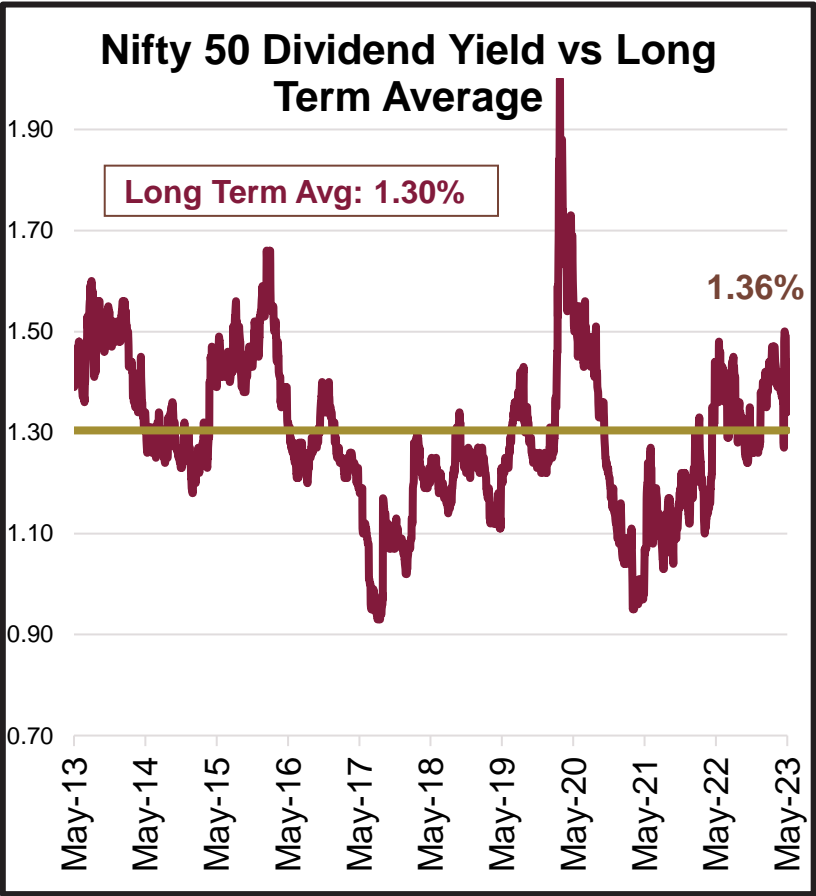
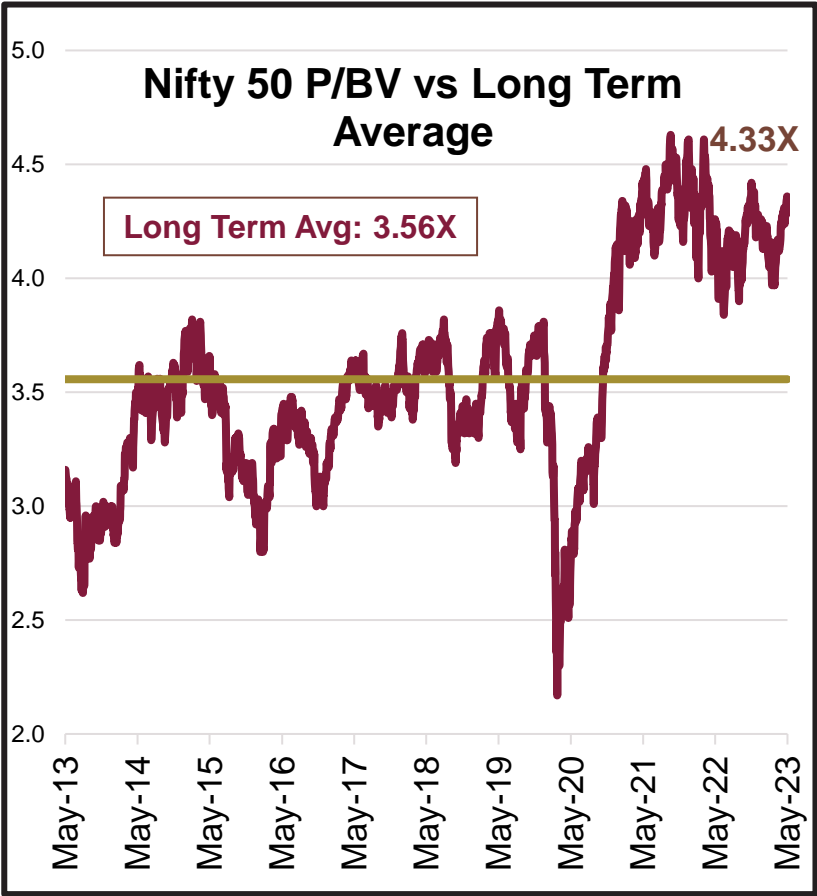
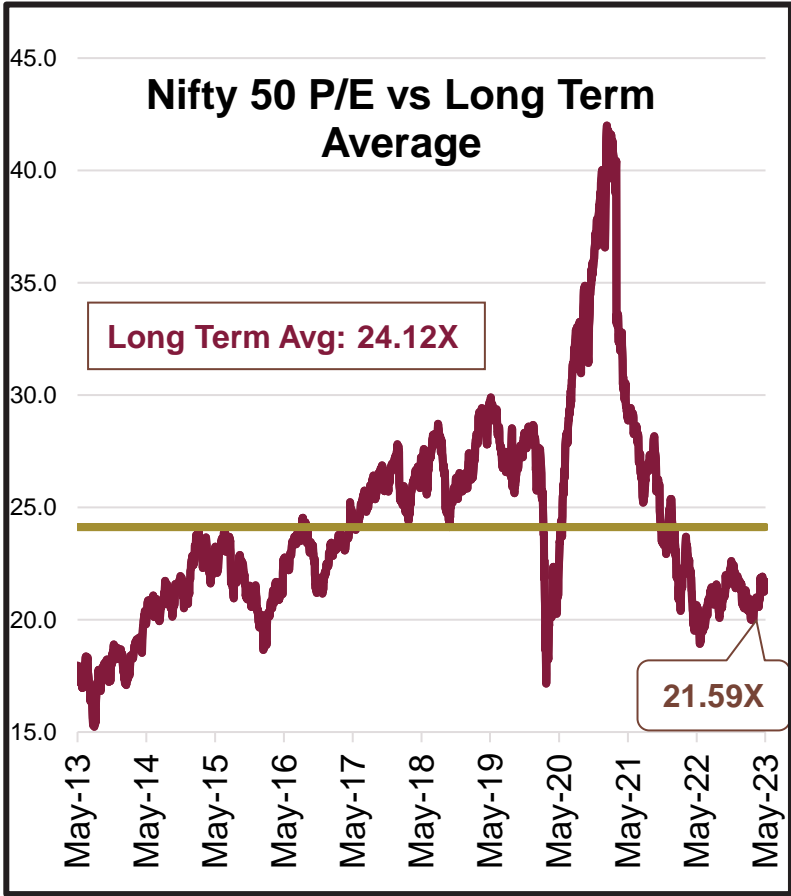
YTD Performance as on 31 May 2023. Source: ICRA MFI & RBI - DBIE

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

Nifty 12-month trailing P/E of 21.59X is lower than its historical long-term average of 24.12X

At 4.33X, the Nifty Trailing P/B is above the historical long-term average of 3.56X

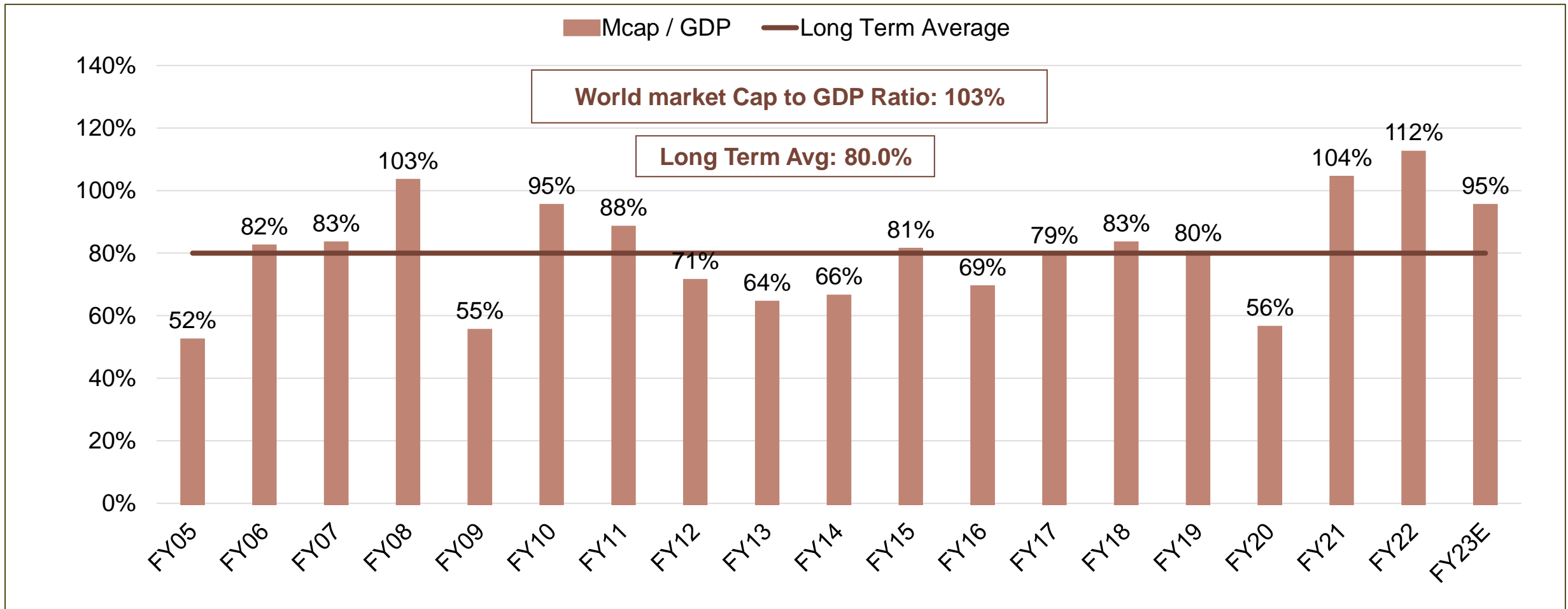
At 1.36%, the Nifty Trailing Dividend Yield is marginally above the historical long-term average of 1.30%



Valuations on a Market Capitalisation / GDP perspective



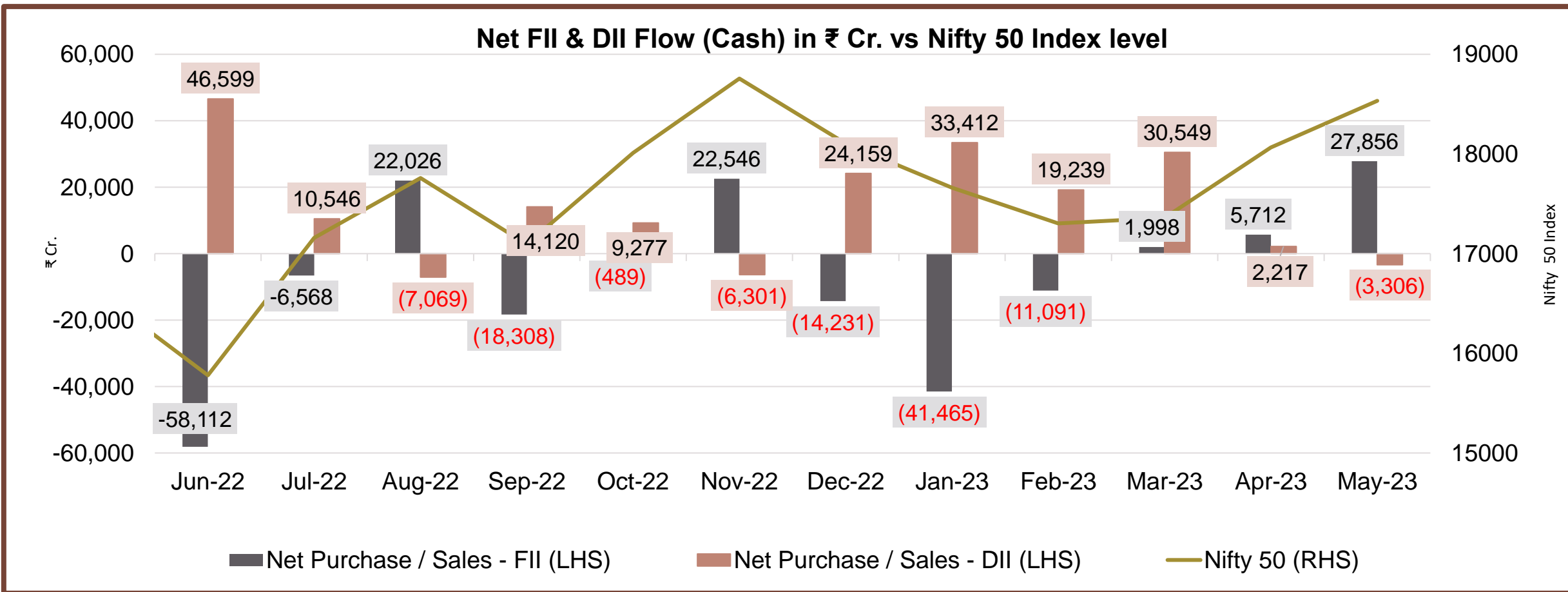
On Market Capitalisation to GDP parameter (FY23E 95%), India is trading above the long-term average of 80%



Source: Kotak AMC, Monthly Market Outlook, May'23

FII & DII Flow into Equity

- FIIs continued to be net buyers of Indian equities in May (Rs. 27,800 cr, following Rs. 5,712 cr in April-23).
- On the other hand, DIIs bucked their buying trend of the previous 5 months, recording negative flows of over Rs. 3,000 cr in equities.



Equity Mutual Fund Category Average Performance - May 2023



- **For May month**, performance of equity categories was in green with Small Cap, Mid Cap and Multi Cap outperforming the rest. Among the sectoral funds, Technology and Consumption outperformed.
- **For the trailing 3-month period**, all the equity categories and sectors were in green **and for trailing 6 months, majority of the categories & sector funds** were in the positive zone, except Large Cap & Focused. For sectoral, FMCG and Infrastructure categories were the top performers for the 6-month time horizon.
- **For the full year**, most of the categories were in green with Contra and Small Cap delivering the highest returns. Among the sectoral funds, FMCG was the top performer; while Technology and Healthcare were the only sectors that underperformed.
- **On a 3-year CAGR** basis, all the categories delivered double digit returns with the broader categories such as Small Cap, Contra & Mid Cap outperforming the rest. Among the sectoral category, Infrastructure, Technology & Financial Services were the top performers.
- **With respect to the 5-year CAGR returns**, majority of the categories delivered early double digit return with the exception of Technology which clocked in gains of ~19%.

Category	Absolute Returns (%)				CAGR (%)			
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y	
Large Cap	3.26	7.31	-0.05	12.43	8.93	23.04	10.94	
Large & Mid Cap	4.11	8.01	1.17	14.32	11.33	27.70	11.90	
Multi Cap	4.57	8.75	1.96	16.15	11.83	30.07	13.81	
Flexi Cap	4.17	8.14	0.93	12.98	9.70	25.20	11.81	
Mid Cap	5.52	8.84	3.40	16.36	13.14	32.36	13.30	
Small Cap	5.88	10.24	5.25	19.30	16.54	42.55	15.09	
Focused	3.85	7.56	-0.22	12.17	9.52	24.75	11.01	
ELSS	3.87	7.61	0.43	13.17	9.75	25.77	10.98	
Contra	3.71	7.45	1.86	17.61	13.85	32.22	13.67	
Dividend Yield	2.97	6.86	2.29	14.57	13.40	28.94	11.90	
Value	3.66	7.84	1.85	16.46	12.18	29.94	10.69	
Sectoral / Thematic								
Consumption	6.07	10.62	2.80	18.17	14.94	26.91	12.73	
Infrastructure	3.78	9.29	4.88	20.37	16.61	33.71	11.76	
Financial Services	4.17	9.89	2.97	22.52	10.78	30.31	10.62	
FMCG	4.85	10.05	8.52	24.32	21.71	23.29	13.48	
Healthcare	2.62	8.15	-0.98	7.98	1.25	16.93	15.25	
Technology	6.52	3.12	-0.21	4.12	7.87	32.80	18.64	
Others	3.34	7.72	2.07	13.42	9.80	24.08	8.69	

Source: Morningstar Direct

Debt Market - Review



Debt Market Roundup - Key Takeaways



- The **India 10-Year G-sec yield fell** for the month of May to **close at 6.99% as against 7.12% at the end of April.**
- June 2023 marked the change in narrative from inflation to financial stability. Central Bankers, who were ultra-hawkish at the start of month, became attentive to financial contagion issue.
- After aggressively increasing rates in every single meeting of FY23 (total 250 bps in current rate hike cycle), **the RBI left the key policy rates unchanged in early June's meeting. This came in line with market expectations.**
- With current inflation above RBI's upper bound, **the RBI continues to focus on 'withdrawal of accommodative' stance** - signalling the central bank's commitment to maintain price stability

Outlook:

- RBI governor in MPC meeting held in June highlighted in the press conference **that it is the "hawkish pause" focusing on 4% inflation target.** The RBI Governor did highlight upside risk to inflation and indicated that the future rate cuts will be data-dependent.
- While U.S Fed has clearly indicated data-dependency nature of future policy actions, **dovish comments in post policy press conference suggest that rates have probably peaked out in U.S.**
- Given the recent change in debt taxation, which is now at par with other fixed income instruments, **we believe there is still merit in investing in debt funds if bond yields come down in the future. For satellite portfolio (30-40% of the entire debt portfolio),** investors can consider **mutual fund categories such medium to long, long duration as they will see capital gains when interest rates start to fall.**
- **For Core portfolio (60-70% of the entire debt portfolio),** investors can 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.

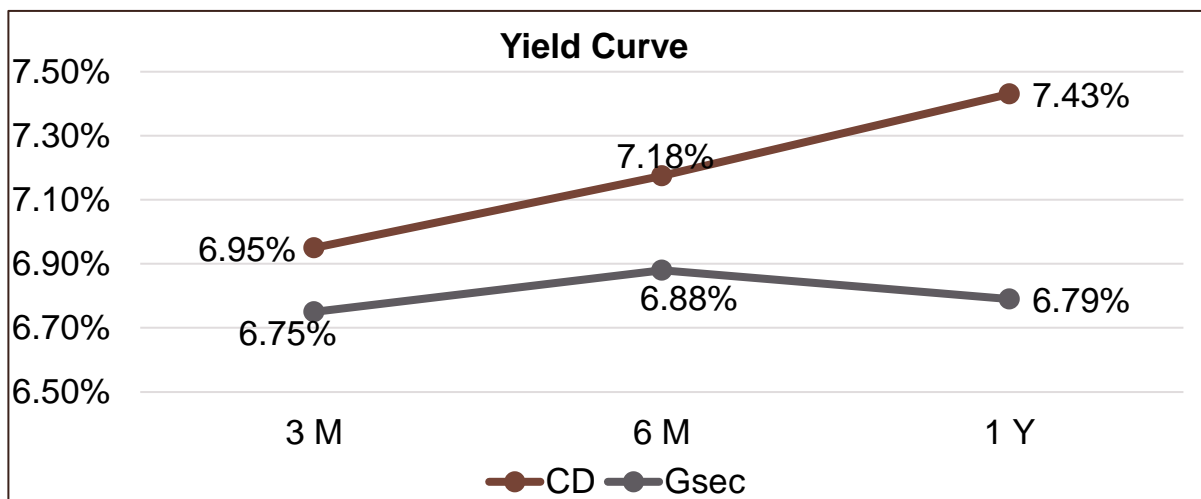
Debt Dashboard



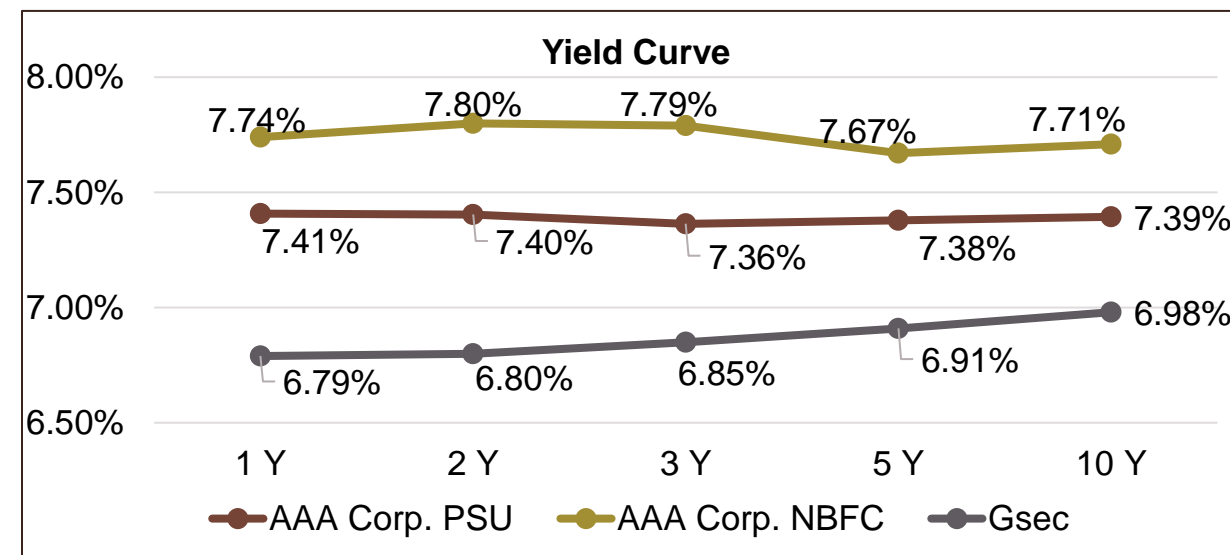
	Latest (2 Jun'23)	One Month Ago (2 May'23)	One Quarter Ago (2 Mar'23)	Half Year Ago, (2 Dec'22)	One Year Ago, (2 Jun'22)	M-o-M Change (bps)
Interest Rates						
Repo rate	6.50%	6.50%	6.50%	5.90%	4.40%	0
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	0
CD Rates						
3 month	6.95%	7.11%	7.65%	6.85%	5.05%	-16
6 month	7.18%	7.23%	7.68%	7.28%	5.73%	-5
1 Year	7.43%	7.53%	7.95%	7.55%	6.33%	-10
T-Bill/G-sec						
91 Days	6.74%	6.78%	6.94%	6.35%	4.94%	-4
364 Days	6.87%	7.00%	7.37%	6.82%	6.00%	-13
India 10 Year G-Sec Yield	6.98%	7.11%	7.43%	7.22%	7.43%	-13
AAA Corp. Bonds (PSU)						
1 Year	7.41%	7.55%	7.97%	7.31%	6.42%	-14
3 Year	7.36%	7.48%	7.85%	7.28%	7.20%	-12
5 Year	7.38%	7.49%	7.79%	7.44%	7.45%	-11
AAA Corp. Bonds (NBFC)						
1 Year	7.74%	7.69%	8.07%	7.51%	6.47%	5
3 Year	7.79%	7.76%	8.07%	7.55%	7.41%	3
5 Year	7.67%	7.80%	8.01%	7.69%	7.67%	-13
US Markets						
10 Year US Treasury Yield	3.62%	3.57%	4.06%	3.49%	2.91%	15
Currency & Commodity						
USD/ INR	82.40	81.75	82.35	82.72	77.38	↑
Crude Brent (\$/Barrel)	76.13	75.32	84.75	85.55	117.61	↑

- Global economic activity as well as inflation levels have moderated across economies.
- **Cooling inflation, RBI pausing rate hikes and a stable macro-economic environment** cooled bond yields across the curve.
- **Money market yields saw a sharp drop owing to a jump in system liquidity.** In a surprise announcement, the RBI announced a gradual withdrawal of the Rs 2,000 currency note.
- **Yield on the 10-year benchmark paper fell 13 bps** to close at 6.98% as compared to the previous month's close 7.11%.
- Yields on the 10-year U.S. Treasury rose 5 bps to close at 3.62%, from the previous month's close of 3.57%.

Yield Curve and Policy Rates & Reserve Ratios – as on 31 May 2023



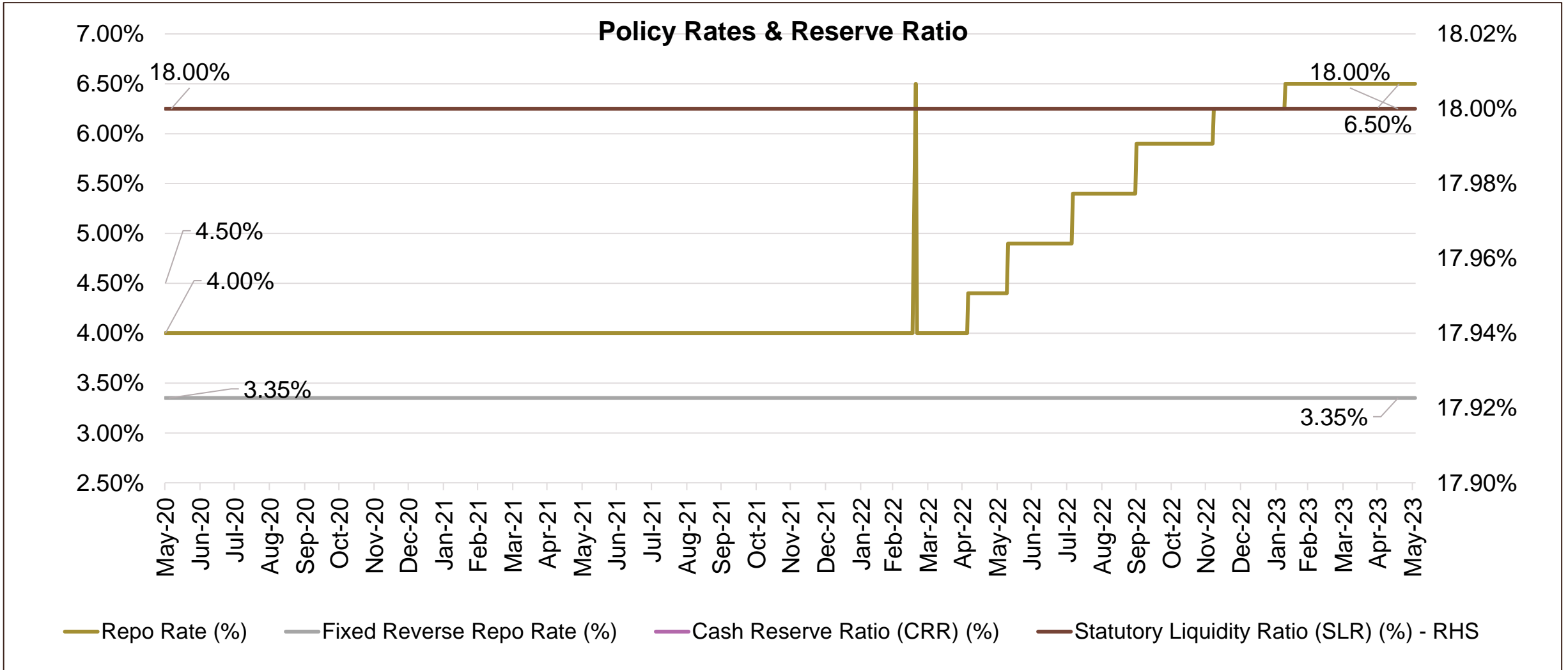
Data as on 31 May'23; Source: Bandhan AMC, Investing.com



Policy Rates / Reserve Ratio	Current (w.e.f June 08, 2023)
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, in an off cycle monetary policy committee (MPC) meeting the interest rates were increased. Then **the short end of the yield curve was placed between 4.9% to 6.9%. The yield curve was steep in shape.**
- A year after the rate hike cycle the yield curve has almost flattened. **The 10Y minus 3M spread was at 210 basis points in May-22 whereas at the end of May-23 it was at 30 basis points.**
- **Yields declined across categories and maturity profiles in May-23 in comparison to Apr-23. The decline was in anticipation off an end to rate hike cycle by RBI.**

Policy rate & Reserve Ratio movement since May '20

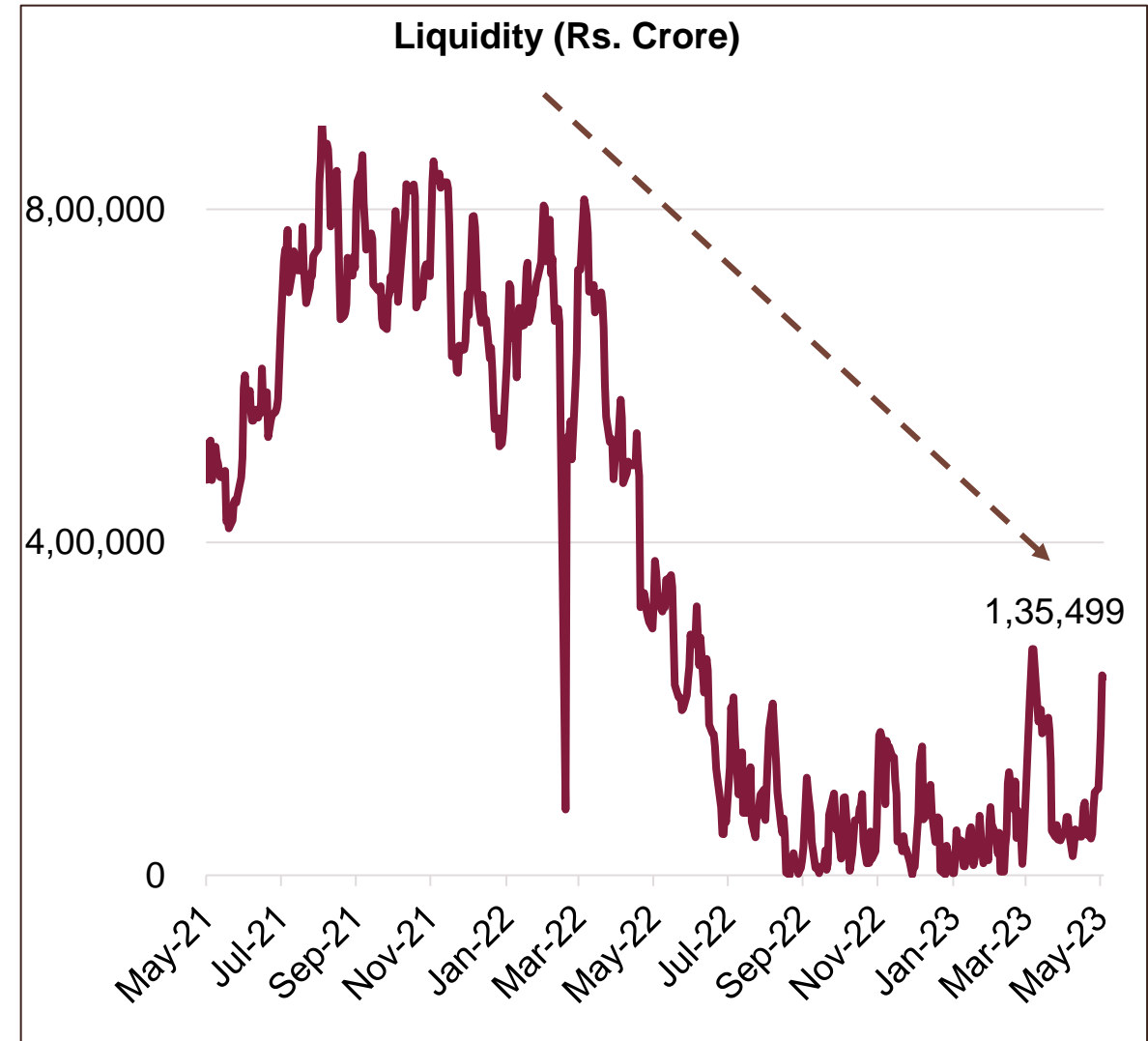


For Client Circulation. The content does not construe to be any investment, legal or taxation advice.

Source: Bandhan AMC

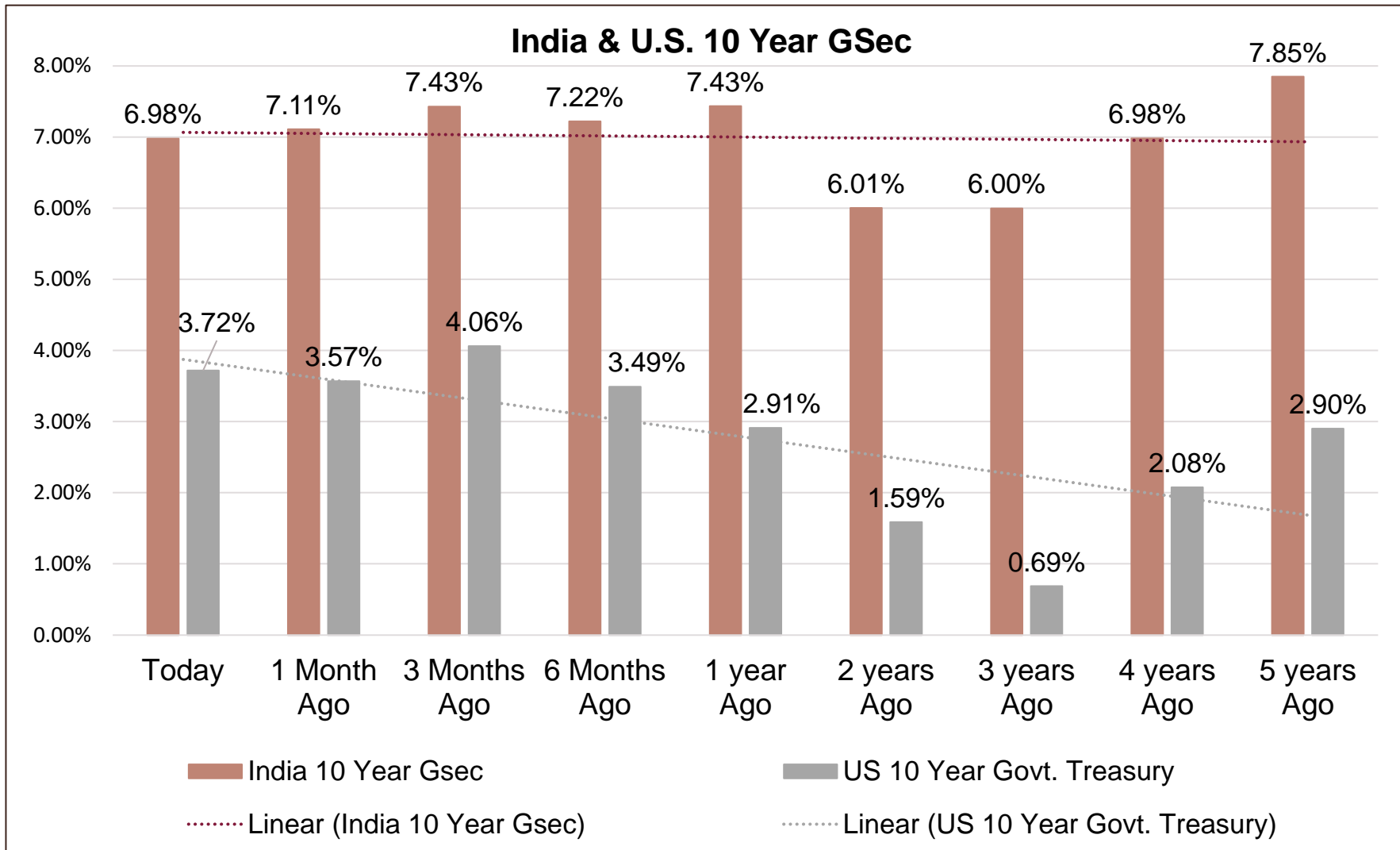
Liquidity in the system

- 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**.
- In the recent June'23 policy meet, the governor stated **overall system liquidity remains in surplus, though of a lower order compared to April'23**.
- In the period ahead, while higher government expenditure and the anticipated return of forex inflows are likely to augment systemic liquidity. RBI will remain flexible and responsive towards meeting the productive requirements of the economy. It will conduct operations on either side of the LAF, depending on the evolving liquidity conditions.
- During February – March '23, **the average total absorption under the liquidity adjustment facility (LAF) was ₹1.4 lakh crore, in line with the average of ₹1.4 lakh crore during October-November**.



Source: Bandhan AMC

Yields Movement across India and U.S. - as on 31 May 2023



- The 10-year Indian G-sec has fallen since past few months and is trading at ~7% levels.
- In case of U.S., the yields have risen from 3% from a year ago to 3.7% at present.
- In the last one month, **the U.S. yields reached around 3.7% levels; and yield on the 10-year Indian G-sec benchmark paper fell 13 bps to close at 6.98% as compared to the previous month's close 7.11%.**

Source: G Sec – Investing.com

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



➤ The YTM's have gone up significantly in the past couple of months in the broad category of Money Market and Accrual Funds. This phenomena was also 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, it has been on rise since past 1 year.

Category	YTM					Average Maturity					Modified Duration				
	Apr-23	Jan-23	Oct-22	Apr-22	Apr-21	Apr-23	Jan-23	Oct-22	Apr-22	Apr-21	Apr-23	Jan-23	Oct-22	Apr-22	Apr-21
Money Market															
Liquid	6.92	6.82	6.52	4.04	3.38	0.11	0.12	0.09	0.10	0.09	0.10	0.09	0.09	0.10	0.09
Ultra Short Duration	7.29	7.30	7.00	4.57	3.80	0.43	0.58	0.37	0.40	0.42	0.39	0.37	0.33	0.37	0.37
Low Duration	7.50	7.53	7.29	4.98	4.18	1.23	1.56	1.29	1.20	1.13	0.78	0.69	0.65	0.65	0.77
Money Market	7.32	7.19	6.94	4.56	3.71	0.58	0.52	0.33	0.43	0.46	0.56	0.35	0.33	0.42	0.44
Accrual															
Short Duration	7.42	7.53	7.41	5.52	4.85	2.72	2.37	2.08	1.94	2.45	2.08	1.77	1.55	1.41	2.00
Medium Duration	7.67	7.69	7.61	6.51	5.98	5.09	4.09	3.92	3.63	3.89	3.19	2.90	2.71	2.71	3.05
Banking & PSU Debt Fund	7.42	7.54	7.34	5.58	4.98	4.21	3.35	2.95	2.84	3.10	2.40	2.16	1.82	1.89	2.33
Corporate Bond Fund	7.53	7.56	7.47	5.77	4.94	3.41	2.79	2.61	2.55	2.65	2.42	1.85	1.67	1.80	2.09
Floating Rate	7.78	7.66	7.37	5.35	4.90	3.94	3.48	3.60	3.30	3.32	1.10	0.94	0.97	0.92	1.34
Credit Risk	8.07	8.16	8.01	6.46	6.67	3.57	2.64	2.47	2.29	2.44	1.70	1.74	1.63	1.70	1.92
Duration															
Medium To Long Duration	7.36	7.49	7.45	6.30	5.73	7.36	6.88	6.06	5.52	5.51	4.87	4.55	4.03	3.72	4.04
Long Duration Fund	7.37	7.51	7.66	7.16	6.70	19.56	20.63	16.88	16.85	17.91	9.16	9.20	8.71	8.69	9.50
Dynamic Bond	7.40	7.44	7.24	5.75	5.51	6.11	4.79	4.07	3.82	4.62	3.85	3.01	2.40	2.40	3.43
Gilt	7.23	7.20	7.05	5.46	5.50	6.57	6.46	4.23	3.57	6.23	4.38	3.82	2.64	2.19	4.36
Gilt - 10 Year	7.25	7.43	7.43	7.09	6.35	9.55	9.42	9.53	9.46	9.34	6.68	6.48	6.64	6.70	5.72
Passives															
Target Maturity Funds / Index Funds	7.30	7.48	7.52	6.76	6.20	5.04	4.98	4.68	4.94	6.44	3.89	3.85	3.66	3.89	4.87

Debt Category Average Performances - May 2023



- **During the month** under consideration, all the categories were in the green even as yields largely hardened across most of points on the curve.
- With respect to the **3 months and 6 months trailing returns** too, all the categories were in the green with the Duration & Passive categories outperforming the rest in these two-time horizons.
- **For the full year**, all the categories were in the green, with our suggested categories such as Ultra Short Duration, Money Market, Low Duration, Liquid, Short Duration, Medium Duration, Floating Rate, 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 Medium Duration & Credit Risk Funds, our recommended categories - the Ultra Short Duration, Low duration, Money Market, Liquid, Medium Duration, Short Duration, 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 have been adjusted for one time anomalies in the category.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Money Market							
Overnight	0.55	1.61	3.14	5.83	4.55	4.03	4.59
Liquid	0.59	1.77	3.35	6.09	4.70	4.17	5.03
Ultra Short Duration	0.61	1.86	3.35	5.94	4.68	4.48	5.28
Low Duration	0.63	2.02	3.45	6.06	4.72	5.22	5.44
Money Market	0.64	1.99	3.55	6.24	4.74	4.49	5.81
Accrual							
Short Duration	0.70	2.48	3.56	6.55	4.95	5.46	6.06
Medium Duration	0.83	3.04	3.92	8.15	5.68	6.37	5.59
Banking & PSU Debt Fund	0.72	2.60	3.68	6.46	4.41	5.07	6.96
Corporate Bond Fund	0.77	2.60	3.76	6.58	4.31	5.21	6.65
Floating Rate	0.67	2.20	3.57	6.46	4.75	5.44	6.62
Credit Risk	0.64	2.66	3.85	6.91	10.22	9.77	4.44
Duration							
Medium To Long Duration	1.06	3.58	4.25	7.73	4.57	4.63	6.30
Long Duration Fund	1.70	4.76	5.63	11.07	4.45	4.01	7.23
Dynamic Bond	0.94	3.20	4.03	7.33	4.77	4.80	6.69
Gilt	1.00	3.58	4.30	7.65	4.28	4.09	7.39
Gilt - 10 Year	1.42	4.62	5.22	9.66	3.68	3.87	8.11
Passives							
Target Maturity Funds / Index Funds	0.94	3.34	4.19	7.90	4.69	6.53	0.00

Source: Morningstar Direct

Event Update

RBI repo rate unchanged at 6.5%; RBI cuts FY24 inflation projection to 5.1%



Key Highlights

- RBI keeps repo rate unchanged at 6.50%
- Cash reserve ratio (CRR) kept unchanged at 4.50%
- The MPC voted on “**withdrawal of accommodation**” signalling the central bank’s commitment to maintain price stability
- **For FY24, retail inflation lowered to 5.1%** from earlier 5.2%
- **FY24 Real GDP growth projected at 6.5%**

Policy Rates / Reserve Ratio	07 Apr '23	08 Jun '23	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%	↔

Growth Outlook

- Economic growth is picking up pace, with the March quarter GDP reading of 6.1% beating economist consensus by a wide margin and signalling that the recovery is on track.
- Current account deficit is expected to have moderated and remain eminently manageable in FY24.
- On the supply side, high Rabi crop production and softening inflation should support household consumption. The manufacturing and services PMIs for India in May are among the highest in the world at 58.7 & 61.2, respectively.
- The biggest risks to the outlook continue to be the headwinds emanating from protracted geopolitical tensions, weak external demand, citing delay in monsoon, El Nino impact and the trend in commodity prices going ahead.

Inflation Outlook

- High inflation, which has remained a key concern for policymakers, has begun cooling off in recent months. The retail inflation rate dropped sharply for the second straight month, hitting an 18-month low of 4.7% in April, but still stays above the RBI's target of 4%.
- There was a clear emphasis on the 4% inflation target this time, unlike the previous policies where deliberations were focused on bringing down the target to below 6% upper band.

India's GDP grows 6.1% in Q4FY23



Key Highlights

- **India's Gross Domestic Product (GDP) for the January- March quarter (Q4) of the ongoing financial year 2022-23 grew 6.1%.**
- The FY23 growth rate was at 7.2% as compared to that of 9.1% in FY22.
- Real GDP at Constant (2011-12) Prices in the year 2022-23 is estimated to attain a level of Rs 160.06 lakh crore, as against the First Revised Estimate of GDP for the year 2021-22 of Rs 149.26 lakh crore.

Gross Value Added (GVA)

- Gross Value Added (GVA) in Q4FY23 was 7.0% against an 8.8% growth in the preceding year with manufacturing accelerating to 4.5% in March 2023 quarter, against 0.6% a year ago.

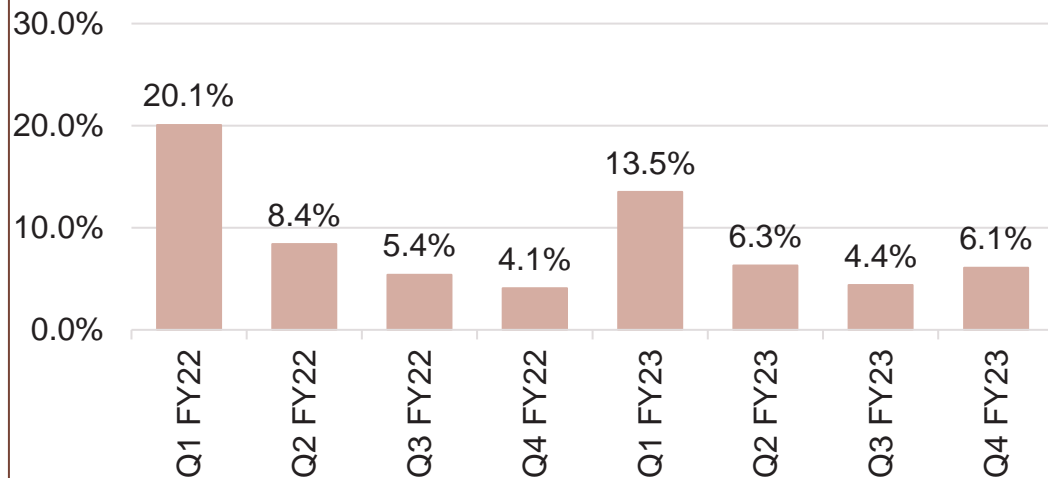
Private Final Consumption Expenditure

- The Private finance consumption expenditure (PFCE), a marker to gauge how households have spent on buying goods and services, has stagnated significantly during Q4FY23. It was down to 55% of GDP vs 61% in last quarter and last 4-quarter average of 59%.

Year- on- Year % Change

- Agriculture seems to have turned the corner with constant prices GVA growth at 5.5% during the quarter compared to 4.1% in the same quarter of the previous year. Manufacturing too, it appears, have rebounded smartly with a 4.5% growth, after two consecutive quarters of contraction.
- Likewise for trade, hotels, and transport that grew 9.1% during the quarter, reflecting packed flights and hotels, both for business and holidaying purposes.
- Thus, both consumption spending and government spending will have to quickly accelerate onto a faster lane and continue to expand consistently over the medium term to maintain India's growth momentum.

Quarterly GDP Growth Rate



Thank You!

Disclaimer



Tata Capital Financial Services Limited ("TCFSL") is registered with The Association of Mutual Funds in India as a Mutual Fund Distributor bearing ARN No.84894 and Tata Capital Wealth is a service offering by TCFSL.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. TCFSL is not soliciting any action based upon it. Nothing in this report shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of the reader.

This report has been prepared for the general use of the clients of the TCFSL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this report in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. TCFSL will not treat recipients as customers by virtue of their receiving this report. Neither this document nor any copy of it may be taken or transmitted into the United States (to US Persons), Canada or Japan or distributed, directly or indirectly, in the United States or Canada or distributed, or redistributed in Japan to any residents thereof. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

It is confirmed that, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. No part of the compensation of the report creator was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this report. The author, principally responsible for the preparation of this report, receives compensation based on overall revenues of TCFSL and TCFSL has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Neither TCFSL nor its directors, employees, agents, representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

The report is based upon information obtained from sources believed to be reliable, but TCFSL does not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. It does not have any obligation to correct or update the information or opinions in it. TCFSL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. TCFSL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations. This information is subject to change without any prior notice. TCFSL reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, TCFSL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Certain products -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Before making an investment decision on the basis of this report, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Neither TCFSL nor the director or the employee of TCFSL accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this report and/or further communication in relation to this report.

We and our affiliates, officers, directors, and employees worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions.

Investments in securities are subject to market risk; please read the SEBI prescribed Combined Risk Disclosure Document prior to investing. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts. Our report should not be considered as an advertisement or advice, professional or otherwise.

General Disclosure



Tata Capital Financial Services Limited ("TCFSL") is registered with the Reserve Bank of India as a Non Deposit Accepting Systemically Important Non-Banking Finance Company ("NBFC-ND-SI").

Tata Capital Financial Services Limited ("TCFSL") bearing License no. CA0076 valid till 31st Mar 2022, acts as a composite Corporate Agent for TATA AIA Life Insurance Company Limited, HDFC Life Insurance Company Limited, TATA AIG General Insurance Company Limited and New India Assurance Company Limited. Please note that, TCFSL does not underwrite the risk or act as an insurer. For more details on the risk factors, terms & conditions please read sales brochure carefully of the Insurance Company before concluding the sale. Participation to buy insurance is purely voluntary.

TCFSL is also engaged in Mutual Fund Distribution business and is registered with The Association of Mutual Funds in India ("AMFI") bearing ARN No. 84894 and Tata Capital Wealth is a service offering by TCFSL. Please note that all Mutual Fund Investments are subject to market risks, read all scheme related documents carefully before investing for full understanding and details.

TCFSL distributes:

- (a) Mutual Fund Schemes of TATA Mutual Fund
- (b) Life Insurance Policies of Tata AIA Life Insurance Company Limited
- (c) General Insurance Policies of TATA AIG General Insurance Company Limited

TCFSL receives commission ranging from 0.00% to 2.00% p.a. from the Asset Management Companies ("AMC") towards investments in mutual funds made through TCFSL. TCFSL receives commission ranging from 0.00% to 40.00% as First year commission and renewal commission ranging from 0.00% to 5.00% on Life Insurance Policies bought through TCFSL. TCFSL receives commission ranging from 0.00% to 25.00% on General Insurance Policies bought through TCFSL. TCFSL receives commission ranging from 0.00% to 2.00% on Corporate Fixed deposit made through TCFSL.

Please note that the above commission may change from time to time and are exclusive of statutory levies like GST, Security Transaction tax, Stamp Duty, Exchange transaction charges, SEBI turnover fee etc. TCFSL does not recommend any transaction which is required to be dealt with on a Principal to Principal basis.

Registered office:

11th Floor, Tower A, Peninsula Business Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013.

