

TATA CAPITAL WEALTH

Market Outlook - March 2023



Macro Indicators



	Current		Month Ago	Quarter Ago	Half Year Ago	Year Ago
Economic Indicators:						
PMI Manufacturing	55.3 (Feb-23)	↓	55.4 (Jan-23)	55.7 (Nov-22)	56.2 (Aug-22)	54.9 (Feb-22)
PMI Services	59.4 (Feb-23)	↑	57.2 (Jan-23)	56.4 (Nov-22)	57.2 (Aug-22)	51.8 (Feb-22)
Consumer Price Index (CPI)	6.5% (Jan-23)	↓	5.7% (Dec-22)	6.8% (Oct-22)	6.7% (Jul-22)	6.0% (Jan-22)
Wholesale Price Index (WPI)	4.7% (Jan-23)	↓	5.0% (Dec-22)	8.7% (Oct-22)	14.1% (Jul-22)	13.7% (Jan-22)
Industrial Production (IIP)	5.2% (Jan-23)	↑	4.3% (Dec-22)	4.2% (Oct-22)	2.2% (Jul-22)	2.0% Jan-22)
GDP	4.4% (Dec-22)	↓	NA	6.3% (Sep-22)	7.8% (Jun-22)	11.2% (Dec-21)
Trade Deficit (\$ bn)	17.7 (Jan-23)	↓	23.8 (Dec-22)	27.5 (Oct-22)	28.0 (Jul-22)	17.3 (Jan-22)
Commodity Market:						
Brent Crude (\$/barrel)	83.8 (28-Feb-23)	↓	84.5 (31-Jan-23)	85.4 (30-Nov-22)	96.5 (31-Aug-22)	100.9 (28-Feb-22)
Gold (\$/oz)	1,836.7 (28-Feb-23)	↑	1,929.5 (31-Jan-23)	1,759.5 (30-Nov-22)	1,726.2 (31-Aug-22)	1,900.7 (28-Feb-22)
Silver (\$/oz)	20.9 (28-Feb-23)	↑	23.8 (31-Jan-23)	21.8 (30-Nov-22)	17.9 (31-Aug-22)	24.4 (28-Feb-22)
Currency Market:						
USD/INR	82.6 (28-Feb-23)	↑	81.7 (31-Jan-23)	81.4 (30-Nov-22)	79.5 (31-Aug-22)	75.5 (28-Feb-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: For the month of Feb'23, both **Sensex** and the **Nifty** slipped by 0.6% and 1.6% respectively. While Mid-cap and small-cap indices were down -0.2% and 1.3%, respectively, outperforming the Nifty and Sensex.

Domestic factors that played out for the Indian markets:

- Domestic equity markets fell as persisting concerns over rate hikes, high inflation, geopolitical tensions and signs of a slowdown in global growth dampened market sentiments.
- Continued selling by FIIs, negative cues from weak global equity markets, strengthening dollar index and a weaker rupee against US dollar also acted as headwinds for the markets.

Outlook:

- While major developed economies are struggling with concerns of rising inflation, interest rates, falling economic activity post-pandemic which led to disruptions in demand and supply-side amid Russia-Ukraine crisis, **India has shown consistent recovery and is back to pre-pandemic levels.**
- **Even after the RBI cutting the GDP forecast for FY23, the GDP growth projections are still the one of the highest for India compared to its emerging market peers.** This gives confidence in the long-term prospects of the economy.
- However, the anticipated global slowdown and interest costs **may lead to higher than usual volatility** especially in the short run.
- Therefore, **investors are suggested not to time the reversal in any of the recent unfavourable dynamics and focus on the medium to long term potential of the equity markets.** The important drivers for equity market 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 - February 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	58,962	-0.60	-5.67	1.72	4.83	8.77	15.45	11.51	22.78	3.10	1.36
Nifty 50	17,304	-1.65	-6.78	-0.05	3.04	8.28	15.58	10.52	20.39	4.05	1.44
Nifty 100	17,084	-2.81	-8.63	-3.32	0.40	7.12	14.70	9.48	21.08	4.10	1.49
Nifty 200	8,965	-2.50	-8.21	-3.19	1.23	7.85	15.54	9.48	21.23	3.88	1.47
Nifty 500	14,519	-2.32	-8.02	-3.05	1.47	8.36	16.26	9.40	21.21	3.82	1.44
Nifty Midcap 150	11,411	-0.24	-5.11	-1.92	7.44	12.93	22.03	10.85	23.88	3.21	1.24
Nifty Smallcap 250	8,924	-1.28	-7.39	-2.72	0.41	12.79	22.68	5.67	17.77	2.87	1.32
Sectoral Indices											
Nifty FMCG	44,940	0.99	1.56	4.70	26.54	17.08	15.30	11.12			
Nifty Infrastructure	5,017	-0.06	-7.04	-0.57	4.55	9.63	18.53	7.76			
Nifty Bank	40,269	-0.18	-6.40	5.23	11.22	6.82	11.37	9.90			
Nifty Financial Services	17,990	-0.22	-6.30	2.04	6.22	4.83	9.85	11.49			
Nifty IT	29,664	-0.33	-2.13	7.21	-12.36	9.92	24.91	18.28			
Nifty Auto	12,732	-2.65	-2.34	-1.21	17.66	10.60	22.61	2.67			
Nifty India Consumption	7,116	-2.65	-8.08	-8.68	4.95	10.29	13.49	8.16			
Nifty Realty	393	-3.41	-11.68	-12.22	-9.90	5.33	11.90	3.76			
Nifty Services Sector	22,973	-3.45	-9.80	-2.75	-1.77	5.01	12.09	10.62			
Nifty PSU Bank	3,658	-4.12	-9.82	25.13	37.14	23.91	23.40	3.51			
Nifty Healthcare	7,499	-5.10	-9.57	-5.31	-7.46	1.78	16.03	7.50			
Nifty Pharma	11,747	-5.89	-9.60	-6.40	-9.13	-1.44	15.72	5.56			
Nifty Energy	21,682	-9.97	-19.11	-21.44	-10.45	6.39	16.66	9.15			
Nifty Oil & Gas	6,942	-12.35	-18.81	-15.12	-4.49	5.15	15.63	6.88			
Nifty Metal	5,269	-16.98	-17.43	-9.40	-10.65	16.30	32.84	5.69			

Equity Market Flow

Equity Flow (₹ Cr.)	1-Mth	YTD	1 Yr.
FII	-11,091	-2,43,918	-2,43,918
DII	19,239	2,64,364	2,64,364

Source: Moneycontrol

Global Equity Market Performance as on 28 February 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									
France	CAC 40	7,268	2.33	9.04	16.90	9.15	12.03	11.02	6.43
UK	FTSE	7,876	1.39	5.38	5.98	5.60	9.35	6.17	1.72
Germany	DAX	15,365	1.38	6.83	19.28	6.25	4.72	8.91	4.32
Pan - Europe	Euronext 100	1,350	1.10	6.09	10.39	6.37	8.63	9.70	5.59
Taiwan	Taiwan Capitalization Weighted Stock	15,598	0.70	7.08	4.50	-12.85	-1.12	11.34	7.59
China	SSE Composite	3,280	0.34	6.53	1.21	-5.28	-3.91	4.42	0.12
Japan	Nikkei	27,446	0.22	-2.55	-1.56	3.46	-3.82	9.08	4.46
Indonesia	Jakarta Composite	6,843	-0.78	-2.48	-4.07	-1.13	3.91	7.86	0.73
U.S.	Nasdaq 100	12,042	-0.99	3.92	-3.56	-15.42	-4.79	12.47	11.92
India	Nifty 50	17,304	-1.65	-6.78	-0.05	3.04	8.28	15.58	10.52
Switzerland	Swiss Market	11,098	-2.00	-0.57	1.86	-7.41	1.82	4.12	4.50
U.S.	Russell 1000	2,188	-2.29	0.61	-1.36	-9.70	-0.55	10.18	7.82
South Korea	Kospi	2,413	-2.78	0.19	-0.58	-10.61	-10.48	6.68	-0.12
Malaysia	KLSE	1,454	-2.80	-1.56	-3.17	-9.58	-3.68	-0.64	-4.76
Singapore	Strait Times	3,263	-3.76	0.70	1.26	0.63	4.76	2.71	-1.49
Brazil	Ibovespa Sao Paulo	1,04,932	-6.37	-3.54	-6.62	-8.94	-2.48	0.24	4.21
Hong Kong	HangSeng	19,786	-12.39	14.38	-1.19	-12.89	-18.06	-8.85	-8.49

Data as on 28 February '23. Source: ICRA Analytics (<http://www.icraanalytics.com/legal/standard-disclaimer.html>)

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Global Equity Market Performance across Calendar years



2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	YTD (%)
U.S.-S&P 500 0.00	Germany 29.06	Japan 56.72	China 52.87	Germany 9.56	U.K. 14.43	Hong Kong 35.99	India 3.15	U.S.-Nasdaq 35.23	U.S.-Nasdaq 43.64	France 28.85	India 4.33	France 12.27
U.S.-Nasdaq -1.80	India 27.70	U.S.-Nasdaq 38.32	India 31.39	China 9.41	U.S.-S&P 500 9.54	India 28.65	U.S.-Nasdaq -3.88	U.S.-S&P 500 28.88	South Korea 30.75	U.S.- S&P 500 26.89	U.K. 0.91	Germany 10.35
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 -9.37	U.S.-Nasdaq 9.45
South Korea -10.98	Hong Kong 22.90	Germany 25.48	U.S.-S&P 500 11.39	France 8.53	Germany 6.87	South Korea 21.76	France -10.95	Germany 25.48	Japan 16.01	U.S.-Nasdaq 21.39	France -9.50	South Korea 7.89
Germany -14.69	U.S.-Nasdaq 15.91	France 17.99	Japan 7.12	U.S.-Nasdaq 5.73	France 4.86	U.S.-S&P 500 19.42	Japan -12.08	China 22.30	India 14.90	Germany 15.79	Germany -12.35	China 6.16
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	China -15.13	U.K. 5.70
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	Hong Kong -15.46	Japan 5.18
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.- S&P 500 -19.44	U.S.- S&P 500 3.40
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	South Korea -24.89	Hong Kong 0.02
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	U.S.-Nasdaq -33.10	India -4.43

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

* Performance as on 28 February 2023. Source: MorningStar Direct

Asset Class Performance



2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	YTD (%)
Gold 31.81	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	Intl 3.82
Real Estate 26.26	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	Gold 1.38
Cash 9.07	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	Cash 1.08
Bonds 6.92	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 0.69
G-Sec 5.29	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	Bonds 0.56
Intl -0.51	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	Real Estate 0.00
Large Cap -24.69	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	Mid Cap -3.93
Mid Cap -32.18	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 -4.35
Small Cap -36.13	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	Small Cap -5.78

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

* Performance as on 28 February 2023. Source: ICRA Analytics (<http://www.icraanalytics.com/legal/standard-disclaimer.html>) & RBI - DBIE

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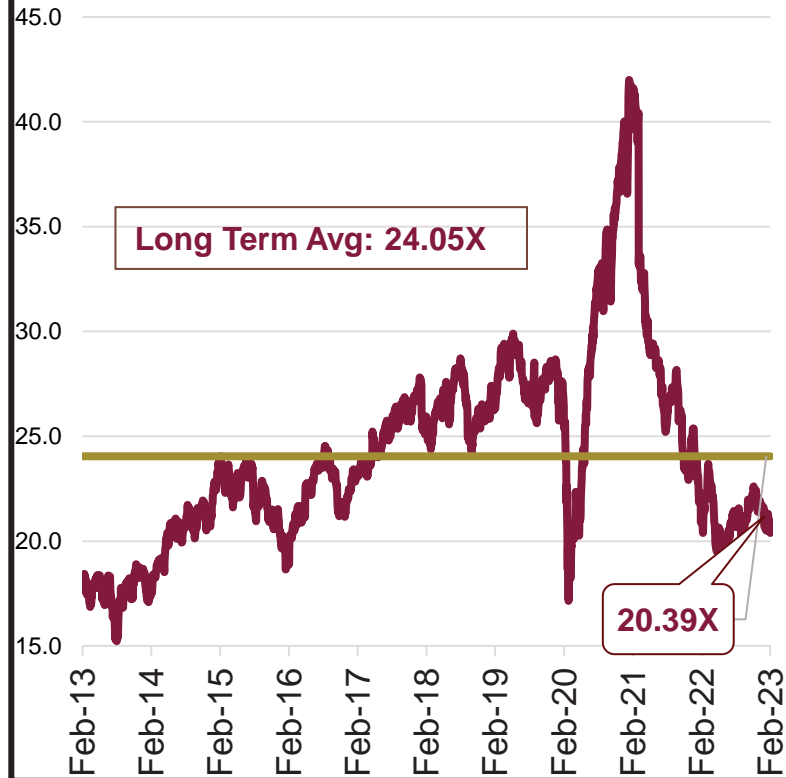
Valuations on the Trailing P/E, P/BV & Div. Yield Metrics

Nifty 12-month trailing P/E of 20.39X is lower than its historical long-term average of 24.05X

At 4.05X, the Nifty Trailing P/B is above the historical long-term average of 3.53X

At 1.44%, the Nifty Trailing Dividend Yield is above the historical long-term average of 1.30%

Nifty 50 P/E vs Long Term Average



Nifty 50 P/BV vs Long Term Average

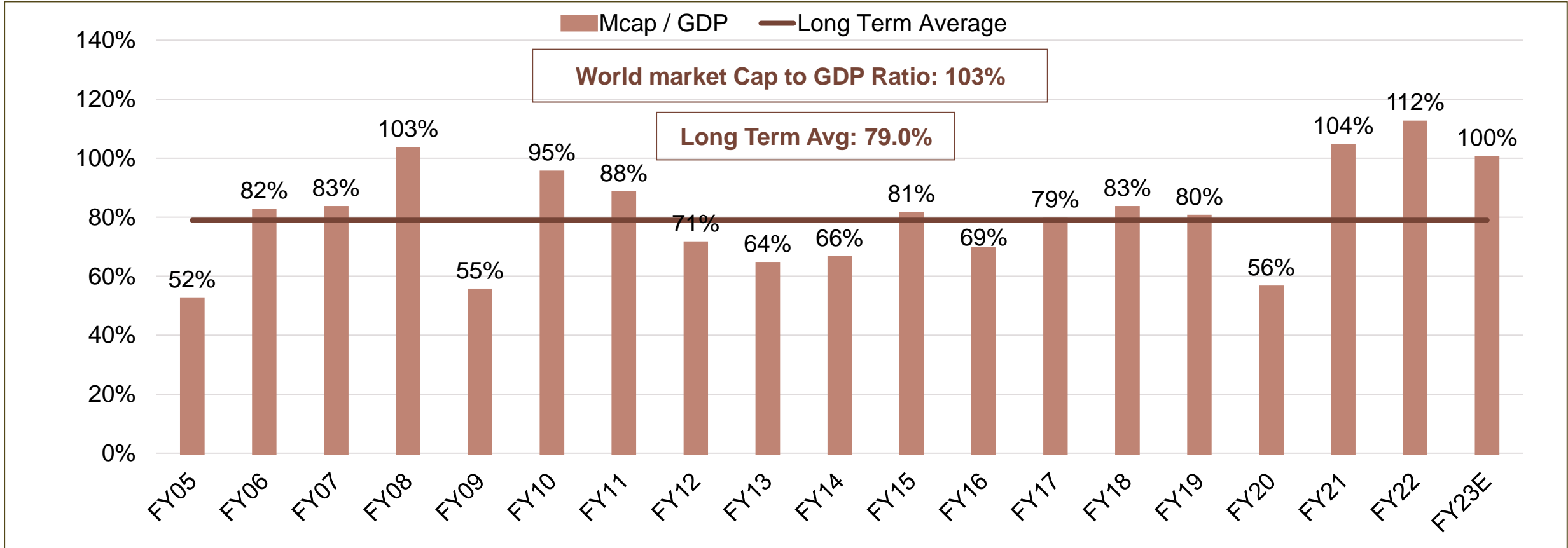


Nifty 50 Dividend Yield vs Long Term Average



Valuations on a Market Capitalisation / GDP perspective

On Market Capitalisation to GDP parameter (FY23E 100%), India is trading above the long-term average of 79%

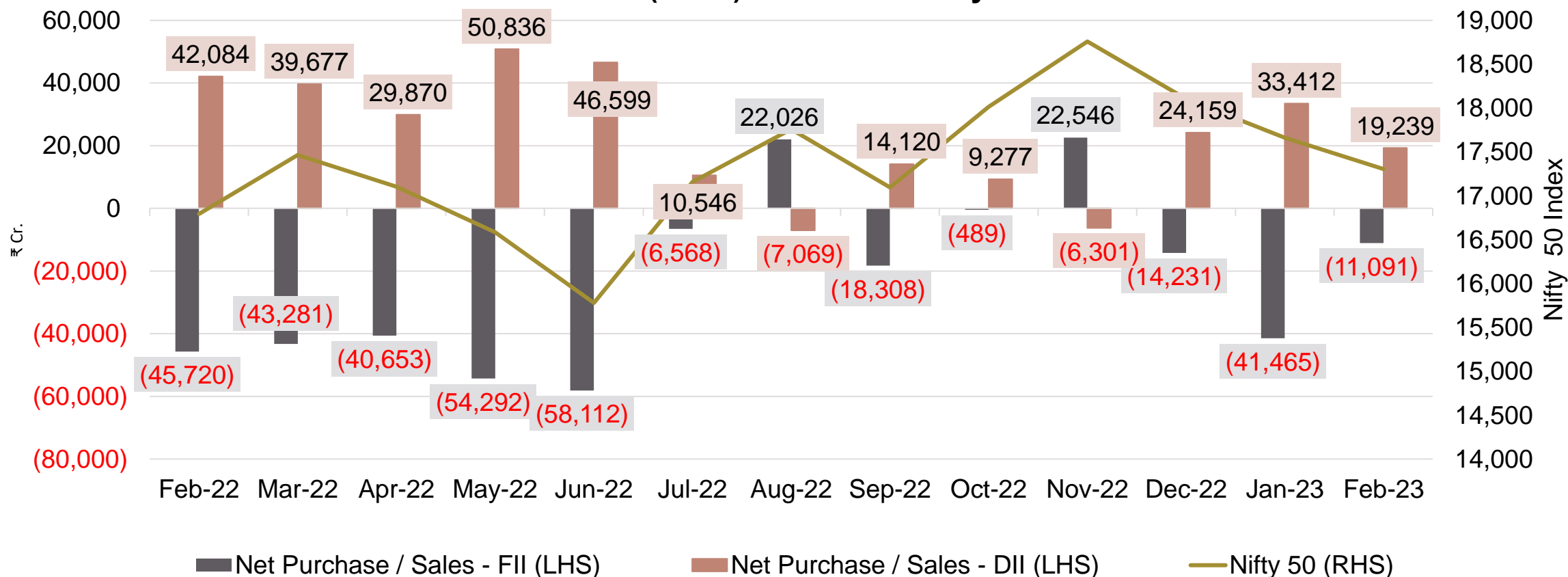


Source: Kotak AMC, Monthly Market Outlook, January '23

FII & DII Flow into Equity

- FIIs continued to remain net sellers for the third consecutive month, they sold over Rs. 10,000 crs of equities in Feb month.
- On the other hand, DIIs continued to remain net buyers for the month, DIIs purchased equities worth a net of ~Rs 19,000 crore.

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



Mutual Fund Category Average Performance - February 2023



- **For February month**, all equity categories were in the red with Value, Large Cap & Multi Cap underperforming the most. Mid and Large & Mid Cap categories fell the least. Among the sectoral funds too, all the sectors were in red, barring FMCG.
- **For the trailing 3-month period**, all the equity categories and sectors were in red **and for trailing 6 months, majority of the categories & sector funds** were in the negative zone, except for Contra & Dividend Yield. Technology and FMCG categories were positive for the 6-month time horizon.
- **For the full year**, all the categories were in green with Contra and Value delivering the highest returns. Among the sector based and thematic funds, FMCG was the top performer; while Technology and Healthcare were the only sectors that were in the red.
- **On a 3-year CAGR** basis, all the categories delivered double digit returns with the broader categories such as Small Cap, Contra & Dividend Yield outperforming the rest. Among the sectoral funds Technology, Infrastructure & Healthcare 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	-1.61	-6.91	-2.56	2.89	8.65	14.20	9.70
Large & Mid Cap	-1.26	-6.33	-2.96	3.88	11.64	16.90	10.19
Multi Cap	-1.60	-6.06	-2.07	6.16	13.37	19.39	12.20
Flexi Cap	-1.25	-6.58	-3.37	1.88	10.20	15.64	10.09
Mid Cap	-0.98	-5.02	-3.38	5.81	13.73	20.25	11.17
Small Cap	-1.48	-4.45	-1.51	6.97	20.01	26.99	12.14
Focused	-1.35	-7.20	-3.60	2.10	9.37	15.38	9.55
ELSS	-1.32	-6.65	-2.70	3.26	9.82	15.60	9.28
Contra	-1.26	-5.21	0.24	9.92	14.39	21.90	12.16
Dividend Yield	-1.43	-4.26	0.45	6.63	16.30	21.29	10.38
Value	-1.93	-5.58	-0.09	6.69	12.74	19.50	8.79
Sectoral / Thematic							
Consumption	-1.55	-7.07	-4.94	8.11	13.02	15.96	10.96
Infrastructure	-1.10	-4.19	-0.40	10.99	17.73	21.70	9.00
Financial Services	-1.48	-6.58	-0.18	9.18	6.66	9.63	8.54
FMCG	0.66	-1.39	2.65	21.35	20.73	17.04	12.22
Healthcare	-3.31	-8.63	-3.64	-4.56	3.57	18.11	11.90
Technology	-0.86	-3.25	3.13	-8.17	13.35	28.31	19.35
Others	-1.89	-5.80	-2.26	4.81	11.92	18.57	8.74

Source: Morningstar Direct

Debt Market - Review



Debt Market Roundup - Key Takeaways



- The **India 10-Year G-sec yield rose** for the month of February to **close at 7.46% as against 7.40% at the end of January.**
- In India, G-sec market started the month on positive note on fiscal consolidation and capex-oriented Union Budget.
- However, hawkish RBI's Feb'23 monetary policy (keeping open option of future rate hike), followed by higher than expectation monthly inflation prices - resulted in yields moving up.
- Moreover, China reopening story, El Nino related drought news along with major concern that US central bank will continue to raise interest rates more than market expectations which resulted in yields moving up further.
- While in Feb' 23 policy, **RBI hiked the key policy rate by 25 bps to 6.5%.** With this, the policy rate has been hiked by 250 bps in current rate hike cycle.
- **The policy was broadly on expected lines,** but some sections of the markets expected a change in stance to neutral.

Outlook:

- In India, there are rising concerns of food inflation from heat wave and El-Nino related drought which may keep core inflation sticky.
- While RBI hiked the rate by 25 bps in line with market expectations in Feb'23, the continuation of policy of 'withdrawal of accommodation' indicates future actions may be data-driven and on inflation and growth trajectory. Higher than expected Jan'23 inflation number and hawkish Fed comments has increased the probability of rate hike in April-23 policy.
- On the other hand, **Global Central Bankers continued to remain hawkish and likely to maintain 'higher for longer' stance in CY2023** as against market expectations of early exit. This may likely impact yield curve across tenures.
- For short term investments, investors can consider Liquid and Money Market funds. For medium to long-term **investments, a combination of duration and accrual strategies including Target Maturity Funds** continue to be our preferred categories. Along with Mutual Funds, good quality **Corporate Fixed Deposits and Bonds** can be looked at allocation in the debt portfolio for diversification and enhancing overall return.

Debt Dashboard - February 2023

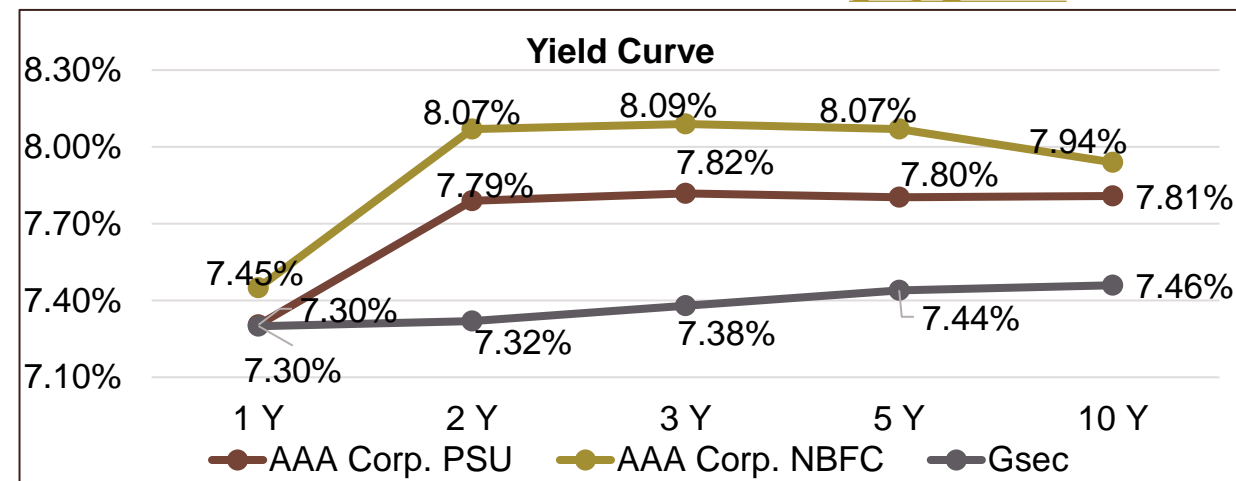
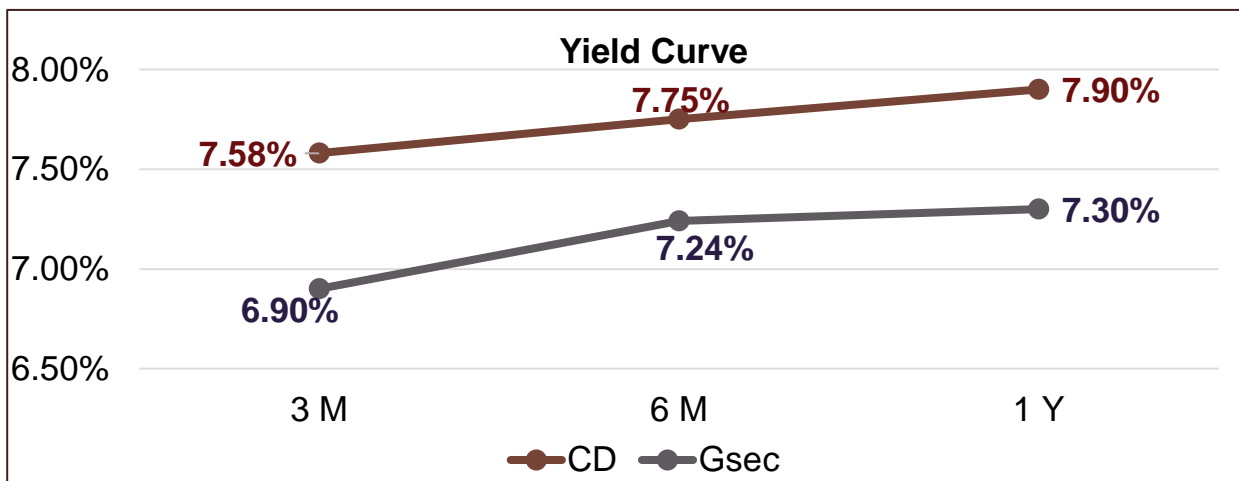


	Latest (28 Feb '23)	One Month Ago (30 Jan '23)	One Quarter Ago (30 Nov '22)	Half Year Ago 30 Aug '22)	One Year Ago (28 Feb '22)	M-o-M Change (bps)
Interest Rates						
Repo rate	6.50%	6.25%	5.90%	5.40%	4.00%	25
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	0
CD Rates						
3 month	7.58%	7.27%	6.85%	5.93%	3.83%	31
6 month	7.75%	7.43%	7.22%	6.27%	4.38%	32
1 Year	7.90%	7.78%	7.60%	6.87%	4.78%	12
T-Bill/G-sec						
91 Days	6.87%	6.47%	6.39%	5.64%	3.69%	40
364 Days	7.28%	6.88%	6.84%	6.28%	4.49%	40
India 10 Year G-Sec Yield	7.46%	7.40%	7.28%	7.19%	6.77%	6
AAA Corp. Bonds (PSU)						
1 Year	7.30%	7.74%	7.46%	6.55%	4.90%	-44
3 Year	7.82%	7.74%	7.32%	7.05%	5.95%	8
5 Year	7.80%	7.72%	7.53%	7.29%	6.52%	8
AAA Corp. Bonds (NBFC)						
1 Year	7.45%	7.77%	7.68%	6.92%	5.07%	-32
3 Year	8.09%	7.95%	7.55%	7.47%	6.04%	14
5 Year	8.07%	7.94%	7.76%	7.72%	6.67%	13
International Markets						
10 Year US Treasury Yield	3.93%	3.51%	3.61%	3.11%	1.82%	42

- The money market instruments witnessed increase in yields across tenures.
- The **U.S. Treasury Yields rose sharply** driven by strong momentum in inflation and expectations that peak policy rate is likely to be much higher than market expectations.
- In **India, 10-year G-sec surged** on back of hawkish RBI's Feb'23 monetary policy (keeping open option of future rate hike), followed by higher-than-expected Jan's inflation number.
- **Both the AAA Corp. PSU & NBFC** witnessed hardening of the yields for 3 and 5-year paper.
- In Feb' 23 policy, RBI hiked the key policy rate by 25 bps to 6.5% - in line with market expectations. With this, the policy rate has been hiked by 250 bps since May 2022.

Source: IDFC AMC, G Sec – Investing.com

Yield Curve and Policy Rates & Reserve Ratios – as on 28 February 2023

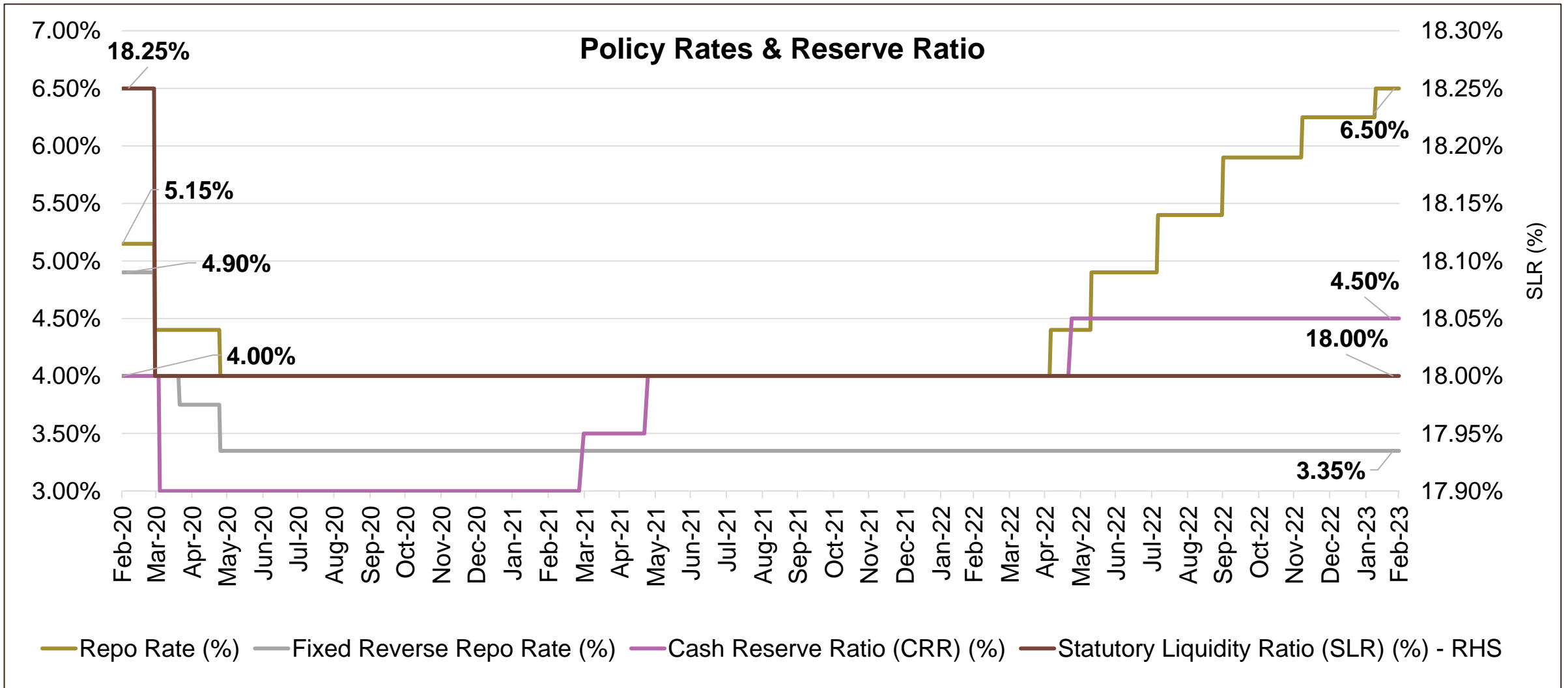


Data as on 31Jan'23; Source: IDFC AMC, Investing.com

Policy Rates / Reserve Ratio	Current (w.e.f Feb 09, 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%

- **The yield curve which was an upward sloping or a normal yield curve where the longer-term bonds have higher yields than short-term ones, is now displaying signs of being slightly inverted.** This phenomena is reflected in the AAA Corporate PSU curve and AAA Corporate NBFC curve, where the 1 year yields is higher than or almost in line with the 2, 3, and 5 year yield.
- The **spreads between AAA Corporate PSU and the respective tenure GSec** at the end of the month were in the range of 35-47 bps , while **spreads between AAA Corporate NBFC and the respective tenure GSec** was in the range of 15 - 75 bps.
- Short term papers upto 3 year maturity across AAA PSUs and AAA Corporate NBFCs are trading at attractive levels close to 8%.

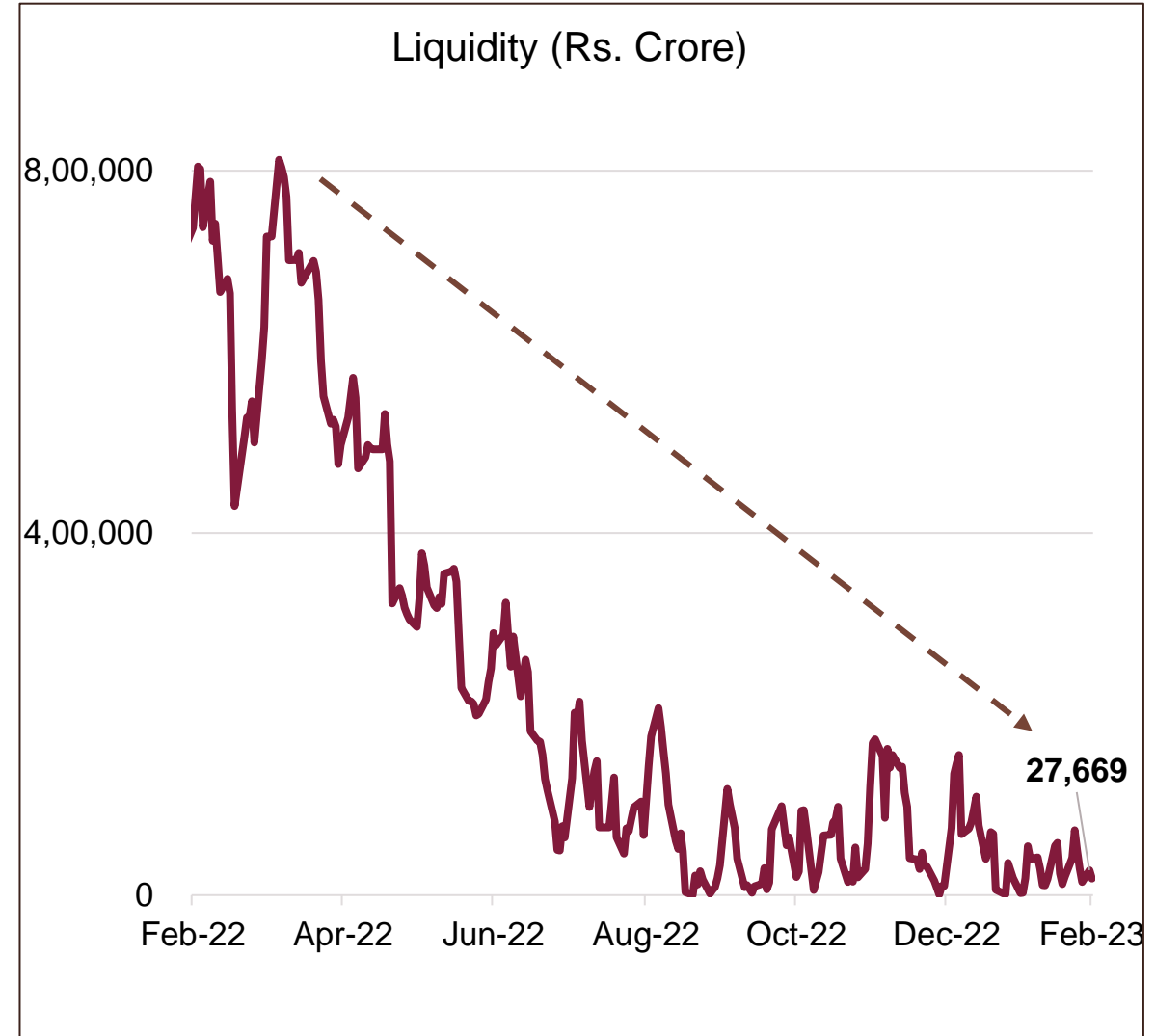
Policy rate & Reserve Ratio movement since Feb'20



Source: IDFC AMC

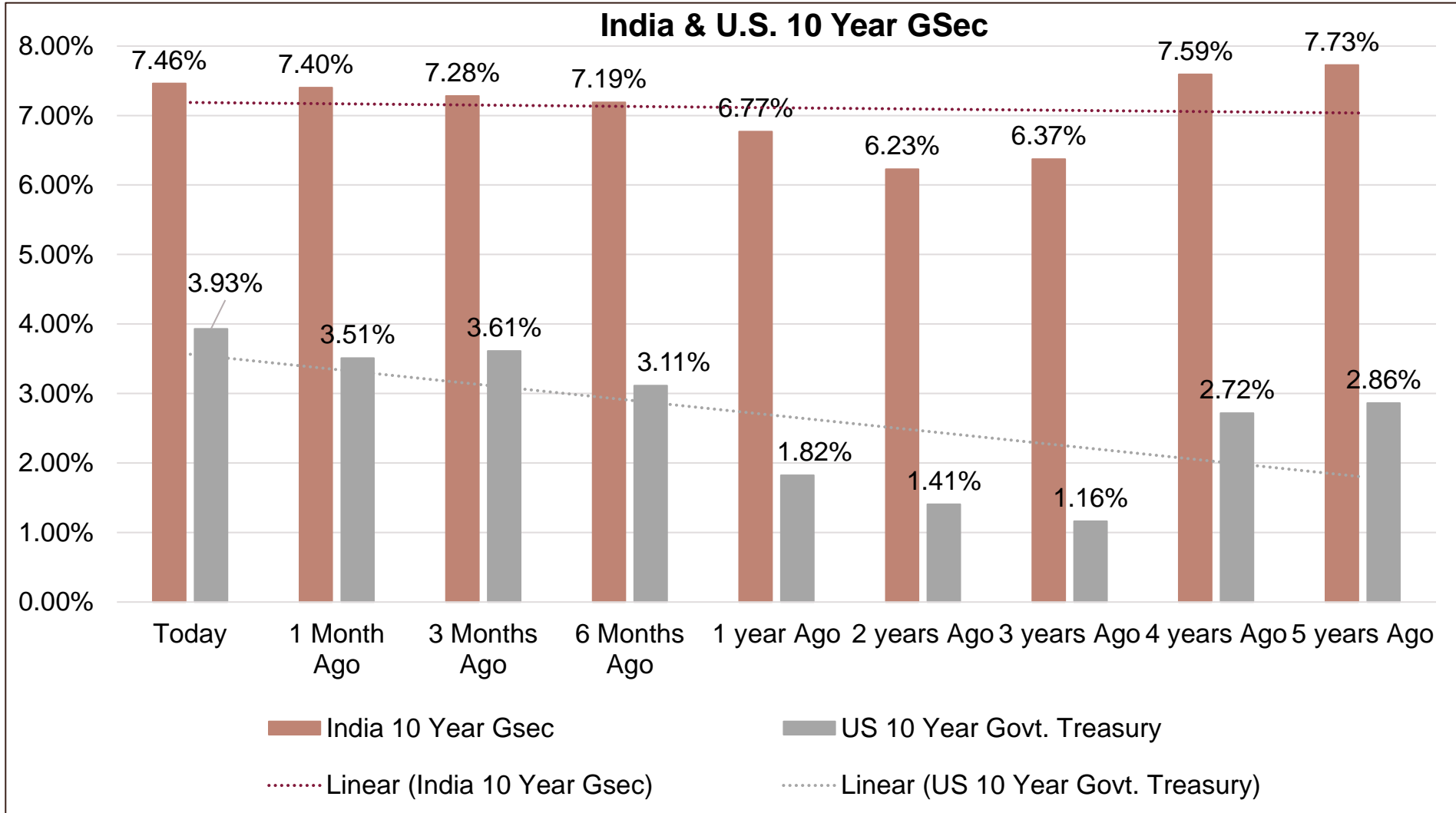
Liquidity in the system

- In the April '22 policy meet **Standing Deposit Facility (SDF) was introduced** and the **Liquidity Adjustment Facility (LAF) corridor** was narrowed to 50 bps **making the Reverse Repo Rate redundant**.
- In the recent Feb'23 policy meet, the governor stated **overall system liquidity remains in surplus, though of a lower order compared to April'22**.
- 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 January, the **average total absorption under the liquidity adjustment facility (LAF) was ₹1.6 lakh crore, above the average of ₹1.4 lakh crore during October-November**.



Source: IDFC AMC

Yields Movement across - India and U.S. - as on 28 February 2023



- The 10-year Indian G-sec has increased across compared to last 1-yr, 2-yr and 3-yr horizon.
- Incase of U.S., the yields have risen compared to last 5 years horizon.
- While, in the last one month **the U.S. yields reached around 4% levels;** and **10-year Indian G-sec rose sharply** on rising Federal policy concerns.

Source: G Sec – Investing.com

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



- The yield have hardened significantly in the past couple of months in the broad category of Money Market and Accrual Funds. This phenomena was 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				
	Feb-23	Nov-22	Aug-22	Feb-22	Feb-21	Feb-23	Nov-22	Aug-22	Feb-22	Feb-21	Feb-23	Nov-22	Aug-22	Feb-22	Feb-21
Money Market															
Liquid	6.82	6.39	5.67	3.66	3.30	0.13	0.10	0.09	0.09	0.08	0.09	0.09	0.09	0.09	0.08
Ultra Short Duration	7.31	6.93	6.12	4.31	3.84	0.59	0.39	0.37	0.40	0.37	0.37	0.34	0.33	0.37	0.33
Low Duration	7.53	7.24	6.43	4.67	4.27	1.59	1.35	1.25	1.19	0.94	0.69	0.69	0.65	0.67	0.69
Money Market	7.20	6.87	6.15	4.10	3.61	0.52	0.33	0.39	0.32	0.28	0.35	0.32	0.38	0.31	0.28
Accrual															
Short Duration	7.54	7.33	6.74	5.11	4.95	2.39	2.31	2.23	2.02	2.13	1.77	1.72	1.59	1.53	1.74
Medium Duration	7.71	7.53	7.20	6.03	6.25	4.14	4.18	3.98	3.79	3.80	2.93	2.93	2.77	2.89	2.86
Banking & PSU Debt Fund	7.55	7.31	6.72	5.27	5.12	3.34	3.27	2.87	2.67	2.83	2.16	2.04	1.89	2.06	2.14
Corporate Bond Fund	7.50	7.35	6.83	5.41	5.26	2.92	2.69	2.58	2.81	2.72	1.75	1.74	1.66	2.05	2.10
Floating Rate	7.66	7.31	6.48	5.10	4.84	3.49	3.55	3.62	3.57	2.53	0.94	0.99	0.94	1.10	1.03
Credit Risk	8.16	7.93	7.46	6.04	7.27	2.64	2.50	2.32	2.40	1.82	1.73	1.66	1.64	1.78	1.46
Duration															
Medium To Long Duration	7.50	7.34	7.00	5.71	5.89	7.01	6.53	6.42	5.70	5.95	4.60	4.35	4.24	3.85	4.18
Long Duration Fund	7.51	7.51	7.48	6.91	6.70	20.86	14.56	17.14	17.96	17.60	9.28	8.15	8.93	9.25	9.10
Dynamic	7.44	7.24	6.70	5.36	5.61	4.84	5.01	4.71	3.99	4.99	3.03	3.18	2.78	2.66	3.68
Gilt	7.20	7.14	6.74	5.04	5.37	6.47	6.39	6.13	4.19	6.26	3.82	4.08	3.77	2.56	4.26
Gilt - 10 Year	7.43	7.35	7.16	6.69	6.45	9.42	9.57	9.42	9.15	9.50	6.48	6.65	6.71	6.66	6.79
Passives															
Target Maturity Funds / Index Funds	7.48	7.37	7.12	6.15	6.34	4.93	4.90	4.43	4.80	6.16	3.80	3.79	3.51	3.76	4.50

Debt Category Average Performances – February 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 & Money Market 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, Overnight, 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.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Money Market							
Overnight	0.48	1.50	2.93	5.08	4.12	3.76	4.55
Liquid	0.47	1.55	3.00	5.17	4.19	4.01	5.04
Ultra Short Duration	0.44	1.47	2.77	4.70	4.22	4.41	5.24
Low Duration	0.43	1.40	2.65	4.42	4.29	5.07	5.34
Money Market	0.45	1.52	2.87	4.80	4.19	4.55	5.74
Accrual							
Short Duration	0.21	1.06	2.44	4.17	4.55	5.23	5.76
Medium Duration	0.09	0.86	1.94	3.72	5.24	4.60	5.17
Banking & PSU Debt Fund	0.22	1.05	2.13	3.42	4.08	5.09	6.61
Corporate Bond Fund	0.27	1.13	2.26	3.19	4.02	5.18	6.36
Floating Rate	0.47	1.34	2.72	4.61	4.43	5.43	6.46
Credit Risk	0.28	1.16	2.38	12.05	10.23	5.64	4.15
Duration							
Medium To Long Duration	0.40	1.78	2.77	3.17	2.91	5.13	5.61
Long Duration Fund	0.56	2.29	4.26	3.83	1.38	4.83	6.30
Dynamic	0.41	1.69	2.74	3.65	3.46	5.32	6.14
Gilt	0.41	1.67	2.78	3.03	2.66	5.28	6.80
Gilt - 10 Year	0.37	2.26	3.01	2.16	1.60	4.96	7.39
Passives							
Target Maturity Funds / Index Funds	0.04	0.93	2.05	2.52	5.24	6.23	

Returns of Credit risk have been adjusted for one time anomalies in the category.

Source: Morningstar Direct

Event Update

RBI MPC increases repo rate by 25 bps in Feb'23 policy meet

Key Highlights

- Hiked Repo Rate by 25 bps to 6.50% by a majority vote
- The MPC voted on “withdrawal of accommodation” to ensure that inflation remains within the target going forward, while supporting growth
- FY24 Inflation projection retained at 5.3%
- FY23 Growth rate pegged at 6.4%
- RBI Governor stated current objectives remained - to keep inflation expectations anchored, break core inflation persistence and thereby strengthen medium-term growth prospects

Policy Rates / Reserve Ratio	7 Dec '22	8 Feb '23	Status
CRR	4.50%	4.50%	↔
SLR	18.00%	18.00%	↔
SDF	6.00%	6.25%	↑
Repo Rate	6.25%	6.50%	↑
MSF	6.50%	6.75%	↑
Bank rate	6.15%	6.50%	↑
Fixed Reverse Repo Rate	3.35%	3.35%	↔

Growth Outlook

- Real GDP grew by 6.8% (y-o-y) in Q3FY23, led by robust growth in private consumption and investment demand.
- Urban consumption firmed up further, driven by sustained recovery in discretionary spending, especially on services such as travel, tourism and hospitality. Rural demand is recovering as reflected in the pace of tractor and retail two-wheeler sales, with rising farm activity. Investment activity is also gaining traction.
- The biggest risks to the outlook continue to be the headwinds emanating from protracted geopolitical tensions, global slowdown and tightening of global financial conditions.
- Real GDP growth for FY24 is projected at 6.4% down from 6.8% projected in December 2022.

Inflation Outlook

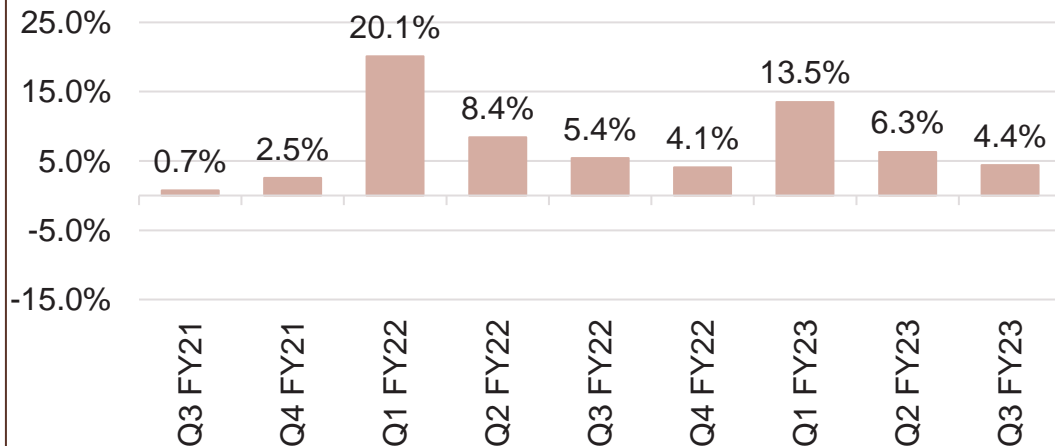
- Headline inflation excluding vegetables has been rising well above the upper tolerance band and may remain elevated, especially with high core inflation pressures. Inflation, therefore, remains a major risk to the outlook.
- The governor stated the RBI's current objectives remained the 3 simultaneous targets - to keep inflation expectations anchored, break core inflation persistence and thereby strengthen medium-term growth prospects.

India's GDP slows to 4.4% in Q3FY23

Key Highlights

- India's Gross Domestic Product (GDP) for the October- December quarter (Q3) of the ongoing financial year 2022-23 fell 4.4%.
- The FY23 growth rate is estimated at 7.0% 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 159.71 lakh crore, as against the First Revised Estimate of GDP for the year 2021-22 of Rs 149.26 lakh crore.

Quarterly GDP Growth Rate



Gross Value Added (GVA):

- Gross Value Added (GVA) in Q3FY23 grew at a slower pace (4.6%) down from 5.5% in Q2 with manufacturing continuing to shrink for the second quarter, albeit to a slower pace of 1.1% compared to 3.6% in Q2.

Private Final Consumption Expenditure:

- The Private Final Consumption Expenditure (PFCE), a proxy for household consumption, accounted for 63.3% in nominal GDP for the Q3FY23 compared with 65.1% in Q3FY22. .

Year- on- Year % Change:

- The Trade, Hotel, Transport, Communication & Services Related to Broadcasting declined in the third quarter of FY23 to 9.7% as against 14.7% in Q2. Construction GVA growth surged to 8.4% in Q3 from 5.8% in Q2 (revised lower from earlier estimate of 6.6%), as did Electricity, Gas, Water Supply and other Utility Services (up 8.2% in Q3 from 6% in Q2).
- Due to the revisions, Q3 Mining and Quarrying GVA recovered from a 0.4% contraction in Q2 to grow 3.7% in Q3, while Agriculture, Forestry and Fishing GVA accelerated to 3.7%, the fastest pace of growth this year.

Thank You!

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