

# TATA CAPITAL WEALTH

## Market Outlook – September 2023



# Macro Indicators

	Current		Month Ago	Quarter Ago	Half Year Ago	Year Ago
<b>Economic Indicators:</b>						
PMI Manufacturing	58.6 (Aug-23)	↓	57.7 (Jul-23)	58.7 (May-23)	55.3 (Feb-23)	56.2 (Aug-22)
PMI Services	60.1 (Aug-23)	↓	62.3 (Jul-23)	61.2 (May-23)	59.4 (Feb-23)	57.2 (Aug-22)
Consumer Price Index (CPI)	6.8% (Aug-23)	↑	7.4% (Jul-23)	4.3% (May-23)	6.4% (Feb-23)	7.0% (Aug-22)
Wholesale Price Index (WPI)	-0.5% (Aug-23)	↓	-1.4% (Jul-23)	-3.6% (May-23)	3.9% (Feb-23)	12.5% (Aug-22)
Industrial Production (IIP)	5.7% (Jul-23)	↑	3.7% (Jun-23)	4.5% (Apr-23)	5.8% (Jan-23)	2.2% (Jul-22)
GDP	7.8% (Jun-23)	↑	NA	6.1% (Mar-23)	4.5% (Dec-22)	13.1% (Jun-22)
Trade Deficit (\$ bn)	20.7 (Jul-23)	↑	18.8 (Jun-23)	15.5 (Apr-23)	17.0 (Jan-23)	25.4 (Jul-22)
<b>Commodity Market:</b>						
Brent Crude (\$/barrel)	86.9 (31-Aug-23)	↑	85.6 (31-Jul-23)	72.7 (31-May-23)	83.9 (28-Feb-23)	96.5 (31-Aug-22)
Gold (\$/oz)	1,965.9 (31-Aug-23)	↓	2,009.2 (31-Jul-23)	1,982.1 (31-May-23)	1,836.7 (28-Feb-23)	1,726.2 (31-Aug-22)
Silver (\$/oz)	24.8 (31-Aug-23)	↑	25.0 (31-Jul-23)	23.6 (31-May-23)	21.0 (28-Feb-23)	17.9 (31-Aug-22)
<b>Currency Market:</b>						
USD/INR	82.7 (31-Aug-23)	↔	82.2 (31-Jul-23)	82.7 (31-May-23)	82.6 (28-Feb-23)	79.5 (31-Aug-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 August 2023, the Nifty index fell by 2.5%. Further, the month witnessed a continued outperformance of the Midcap and Smallcaps over Large Caps.

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

- Domestic equity markets fell after a **major global credit rating agency (Fitch) downgraded the credit rating of the U.S.** economy from “AAA” to “AA+”.
- **Minutes of the U.S. Federal Reserve’s** policy meeting held in Jul ‘23 showed that most U.S. Federal Reserve officials remained wary of significant upside risks to inflation, which raised concerns of further tightening of monetary policy.
- The **RBI MPC outcome** led to worries that the key policy **repo rate may remain elevated for a prolonged period** on the back of near term inflation risk on account of liquidity overhang in the banking system and a recent spike in food prices.
- **FII’s were net sellers** for the month of August while, **DII’s were net buyers** of Indian equities.

## Outlook:

- **Favorable and continuous improvement in macroeconomic factors and net positive FII flows for the current fiscal** have played a key role in the market rally. **Domestic high frequency indicators** like GST collections, Credit Growth, Purchasing Managers’ Index (PMI), strong domestic capex triggers, etc. **point to elevated activity levels.**
- 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, progress of the south west monsoon** - which is expected to be below normal after 8 years, **kharif crop output** - expected to be dim on the back of weak monsoon, **earning growth of corporates, foreign and domestic flows, global liquidity conditions and central banks actions.** Looking at the sharp rally in the equity markets – Nifty crossed the 20K level in Sep ‘23, investors need to be cautious and invest in staggered manner and follow the prescribed asset allocation.

# Indian Equity Market Dashboard - August 2023

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
<b>Indian Market Performance &amp; Valuation</b>										
S&P BSE Sensex	-2.33	4.10	11.02	10.31	7.54	20.30	12.24	24.23	3.44	1.25
Nifty 50	-2.31	4.38	12.15	9.50	7.31	20.58	11.83	21.97	4.40	1.38
Nifty 100	-2.21	4.63	13.23	7.03	6.38	20.03	11.12	22.55	4.44	1.38
Nifty 200	-1.35	6.23	15.51	9.40	7.98	21.79	11.75	22.62	4.21	1.35
Nifty 500	-0.60	7.80	17.32	11.39	9.03	23.10	12.33	23.07	4.22	1.30
Nifty Midcap 150	4.03	16.82	29.27	24.56	18.05	33.31	16.87	25.32	3.71	1.06
Nifty Smallcap 250	5.24	20.72	34.19	29.36	17.14	36.35	15.24	24.05	3.65	1.06
Nifty Microcap 250	10.15	31.85	54.33	49.39	31.18	53.21	20.17	31.06	2.81	0.86
<b>Sectoral Indices</b>										
Nifty IT	4.14	7.10	6.04	11.60	-3.21	22.51	16.77			
Nifty Pharma	0.80	19.68	29.18	19.85	3.43	11.72	8.59			
Nifty Auto	0.02	11.13	23.94	19.42	26.15	27.24	8.60			
Nifty Healthcare	-0.79	15.95	26.98	19.14	2.48	14.33	10.49			
Nifty India Consumption	-1.10	4.58	17.28	5.27	10.83	19.40	10.32			
Nifty Metal	-1.35	13.28	26.69	12.57	10.13	42.71	14.94			
Nifty Realty	-1.47	16.96	42.41	20.90	20.55	36.31	15.64			
Nifty Services Sector	-2.15	2.60	8.55	2.66	2.32	19.45	10.78			
Nifty Infrastructure	-2.32	9.53	19.20	16.64	13.82	25.08	14.36			
Nifty FMCG	-2.92	0.31	14.24	18.07	15.68	20.92	10.96			
Nifty PSU Bank	-3.32	11.04	23.01	49.71	40.45	44.69	6.86			
Nifty Bank	-3.42	0.02	10.16	12.16	10.80	23.62	9.94			
Nifty Financial Services	-3.47	1.04	9.93	8.45	5.09	20.76	11.53			
Nifty Energy	-3.71	8.35	19.31	-7.94	14.98	20.71	12.81			
Nifty Oil & Gas	-4.75	4.34	11.72	-7.06	5.67	17.12	11.16			

## Equity Market Flow

Equity Flow (₹ Cr.)	1-Mth	CYTD	1 Yr.
FII	-20,621	3,562	-6,920
DII	25,017	110,401	151,656

Source: Moneycontrol

Data as on 31 August 2023. Performance shown is for Total Return Index. Source: ICRA MFI Explorer (<http://www.icraanalytics.com/legal/standard-disclaimer.html>)

# Global Equity Market Dashboard - August 2023

Country	Index Name	Index Value	Absolute(%)				CAGR (%)			
			1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	
<b>Global Market Indices</b>										
Indonesia	Jakarta Composite	6,953	0.32	4.82	1.61	-3.14	6.33	9.90	2.93	
Malaysia	KLSE	1,452	-0.53	4.72	-0.16	-3.98	-4.78	-1.62	-4.41	
Switzerland	Swiss Market	11,126	-1.62	-0.82	0.25	2.50	-5.32	3.16	4.39	
U.S.	Nasdaq 100	15,501	-1.62	8.75	28.72	26.31	-0.26	8.58	15.15	
Japan	Nikkei	32,619	-1.67	5.61	18.85	16.12	7.76	12.13	7.36	
U.S.	Russell 1000	2,470	-1.92	8.07	12.90	13.49	-1.33	8.27	8.92	
France	CAC 40	7,317	-2.42	3.07	0.67	19.45	4.66	13.93	6.23	
India	Nifty 50	19,254	-2.53	3.88	11.27	8.39	6.01	19.13	10.51	
South Korea	Kospi	2,556	-2.90	-0.81	5.94	3.41	-10.61	3.19	1.93	
Taiwan	Taiwan Capitalization Weighted Stock	16,635	-2.98	0.34	7.14	10.20	-2.48	9.73	8.49	
Germany	DAX	15,947	-3.04	1.81	3.79	24.25	0.35	7.20	5.22	
Pan - Europe	Euronext 100	1,356	-3.25	2.84	0.45	13.33	1.77	11.43	5.07	
UK	FTSE	7,439	-3.38	-0.09	-5.55	2.13	2.22	7.63	0.02	
Singapore	Strait Times	3,233	-4.17	2.36	-0.90	0.36	2.88	8.48	0.12	
Brazil	Ibovespa Sao Paulo	115,742	-5.09	6.84	10.30	5.68	-1.29	5.22	8.58	
China	SSE Composite	3,120	-5.20	-2.64	-4.87	-2.57	-6.17	-2.78	2.74	
Hong Kong	HangSeng	18,382	-8.45	0.81	-7.10	-7.88	-15.72	-9.95	-7.99	

Data as on 31<sup>st</sup> August 2023. Performance shown is for Price Return Index. Source: ICRA MFI (<http://www.icraanalytics.com/legal/standard-disclaimer.html>)

# 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 34.09
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 25.00
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 24.10	Japan -9.37	U.S.- S&P 500 17.40
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 14.53
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	South Korea 14.30
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	France 13.02
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	India 6.34
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	China 0.99
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. -0.17
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 -7.07

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 August 2023. Source: MorningStar Direct

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# 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	Small Cap 25.73
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	Mid Cap 23.53
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	Intl 17.22
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	Gold 8.59
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	Large Cap 6.32
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	G-Sec 5.62
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	Bonds 5.14
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	Cash 4.80
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 3.28

Index used for each of the Asset Class: Gold: Domestic Prices of Gold, Real Estate: House Price Index (Data updated upto June 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 31 August 2023. Source: ICRA MFI (<http://www.icraanalytics.com/legal/standard-disclaimer.html>) & RBI - DBIE

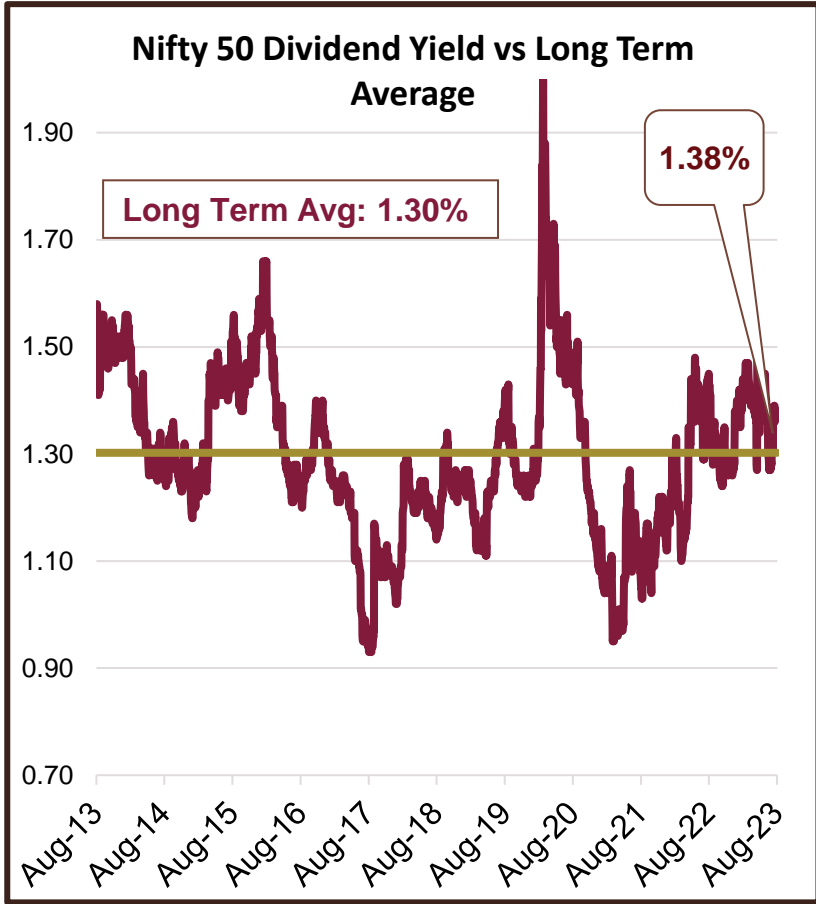
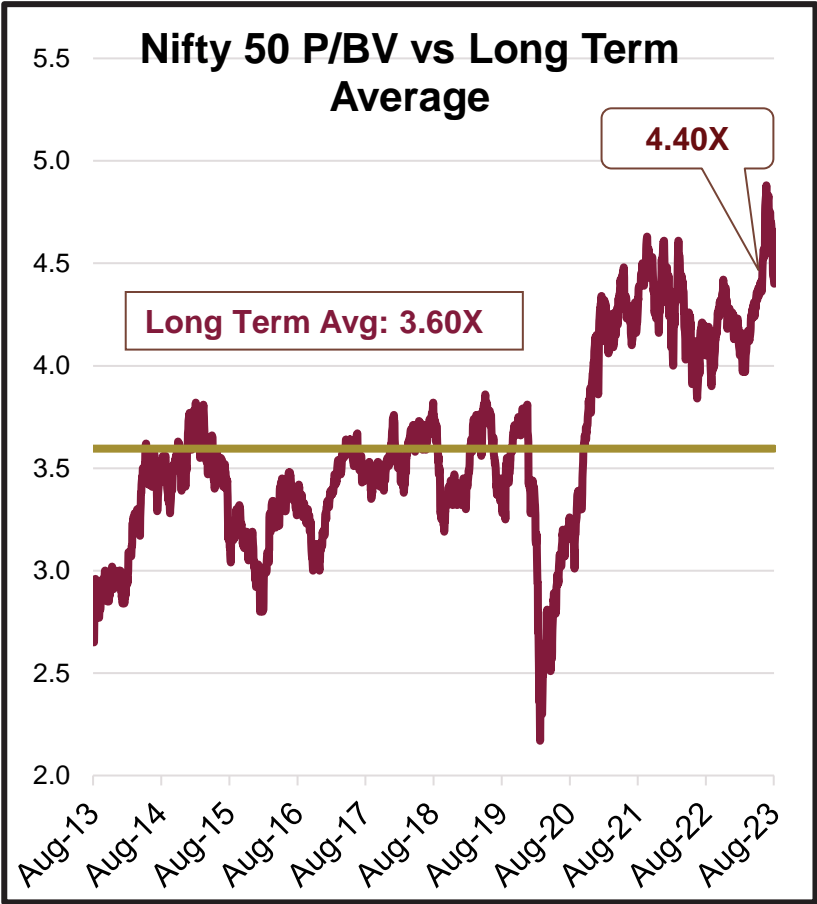
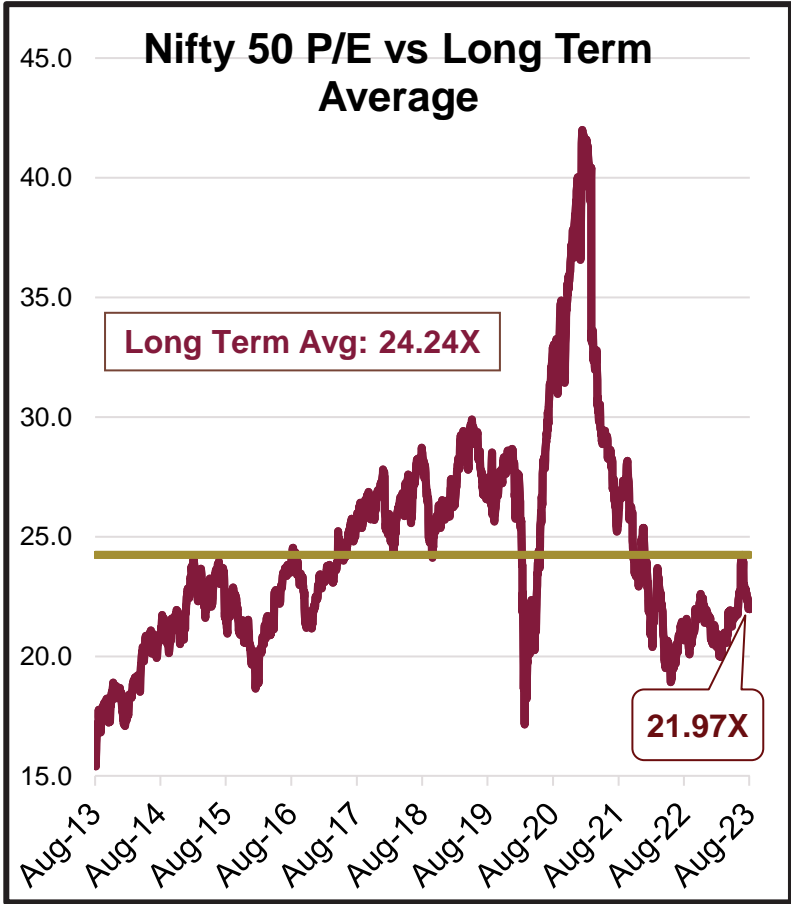


# Valuations on the Trailing P/E, P/BV & Div. Yield Metrics

**Nifty 12-month trailing P/E of 21.97X is lower than its historical long-term average of 24.24X**

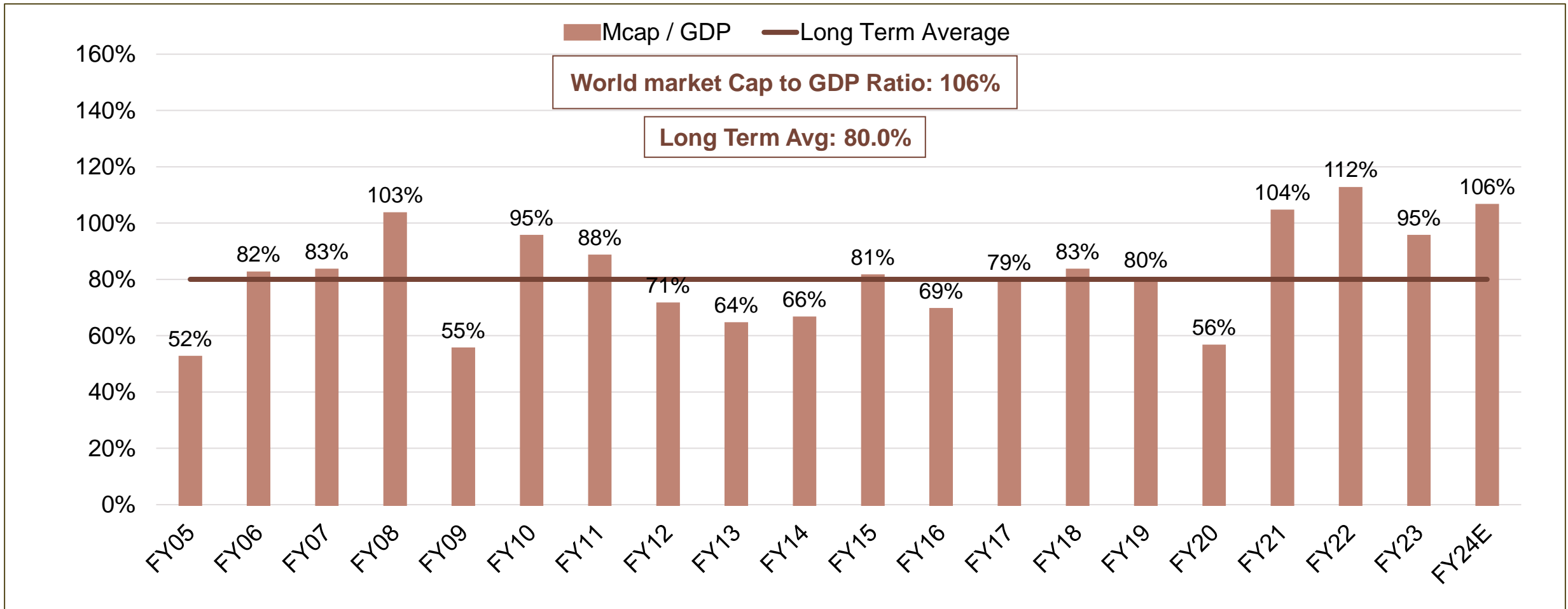
**At 4.40X, the Nifty Trailing P/B is above the historical long-term average of 3.60X**

**At 1.38%, the Nifty Trailing Dividend Yield is above the historical long-term average of 1.30%**



# Valuations on a Market Capitalisation / GDP perspective

On Market Capitalisation to GDP parameter (FY24E 106%), India is trading above the long-term average of 80%

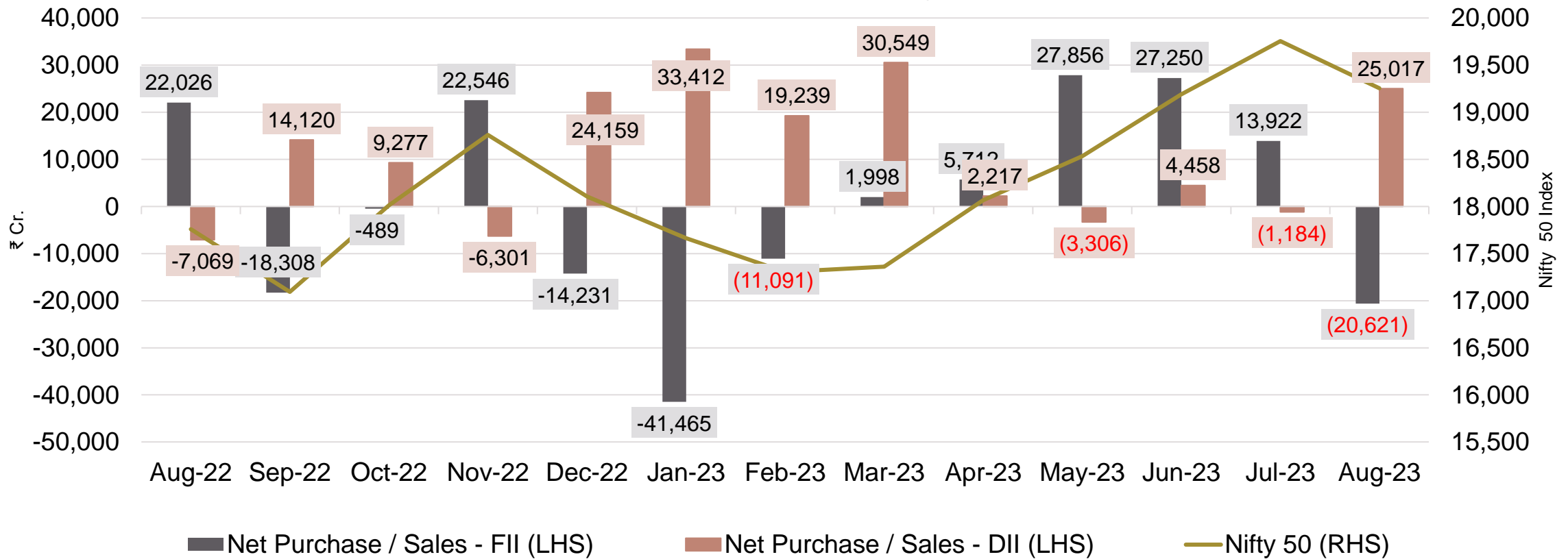


Source: Kotak AMC, Monthly Market Outlook, August'23

# FII & DII Flow into Equity

- FIIs were net sellers of Indian equities in August (₹~20,621 cr in equities as compared to being net buyers in July-23) .
- On the other hand, DIIs were net buyers in August (₹~ 25,000 cr in equities as compared to being net sellers in July-23) .

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



# Equity Mutual Fund Category Average Performance – August 2023

- **For August month**, performance of most of the equity categories were in the green with Small Cap, Mid Cap, Multi Cap & Large & Mid Cap outperforming the rest. Large Cap category witnessed a negative growth. Among the sectoral funds, Technology and Infrastructure outperformed. Financial Services & FMCG saw a negative growth.
- On a 1-year CAGR basis, all the equity and sectoral/thematic categories delivered positive double digit returns. **Small Cap category has emerged as the top performer** followed by Mid Cap, Value, Multi Cap and Contra categories. In case of sectoral/thematic categories, **Infrastructure category has been the top performer** across given time frames as on August end.
- **On a 3-year CAGR** basis, among the sectoral category, **Healthcare generated lowest returns** as compared to other categories.
- **With respect to the 5-year CAGR returns, barring Financial Services** which generated 10% CAGR returns; all other categories delivered returns above 10%.
- **Large Cap has been one of the bottom performer** across all time frames.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Large Cap	-1.29	6.04	13.92	10.56	6.54	19.25	10.67
Large & Mid Cap	0.97	10.14	18.96	15.44	10.22	24.64	13.01
Multi Cap	1.86	12.08	21.73	19.05	12.28	27.84	15.12
Flexi Cap	0.53	8.83	17.73	13.58	8.15	22.10	12.32
Mid Cap	3.29	14.25	24.36	19.80	13.76	29.40	15.63
Small Cap	3.99	16.08	28.00	25.78	17.54	36.94	18.93
Focused	-0.03	8.36	16.54	12.45	8.04	21.55	11.70
ELSS	0.15	8.40	16.73	13.67	8.58	22.21	11.90
Contra	0.31	9.94	18.14	18.46	14.00	27.99	14.69
Dividend Yield	-0.25	9.01	16.80	17.17	11.42	24.65	12.78
Value	0.25	10.69	19.26	19.18	12.10	26.28	12.37
<b>Sectoral / Thematic</b>							
Consumption	0.97	8.79	20.34	14.39	13.53	24.55	13.35
Infrastructure	1.46	14.37	26.12	25.61	19.57	34.88	15.83
Financial Services	-1.58	5.13	15.16	15.30	9.32	22.72	9.57
FMCG	-1.99	3.58	13.99	17.01	18.34	22.28	11.49
Healthcare	0.82	17.37	26.71	22.12	3.64	15.61	16.16
Technology	4.26	11.16	14.71	18.26	1.56	26.34	18.76
Others	0.52	10.56	19.71	16.72	11.63	24.58	12.15

Source: Morningstar Direct

# Debt Market - Review



# Debt Market Roundup - Key Takeaways

- The **India 10-Year G-sec yield for the month of August closed at 7.17%; same levels as at the end of July.**
- Markets were volatile during the month; initially, yields rose following continuous rise in the U.S. Treasury yields on growing possibility of continued interest rate hikes by the US Federal Reserve (Fed). Gains were registered as US inflation eased which increased confidence of the market participants that the Fed rate hikes will soon come to an end. However, the end of the month witnessed the markets to fall as **the Fed turned hawkish as against general expectations of nearing pause.**
- **Q1FY24 GDP came in strong at 7.8%** indicating robust growth momentum driven by buoyant capex & improvement in private consumption from demand side & services and construction on supply side.

## Outlook:

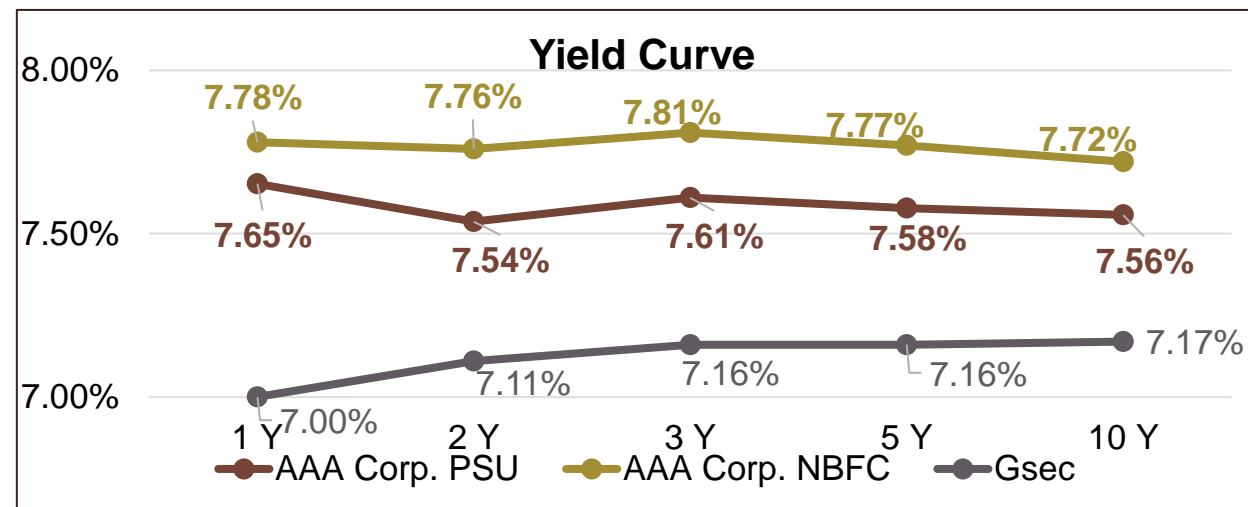
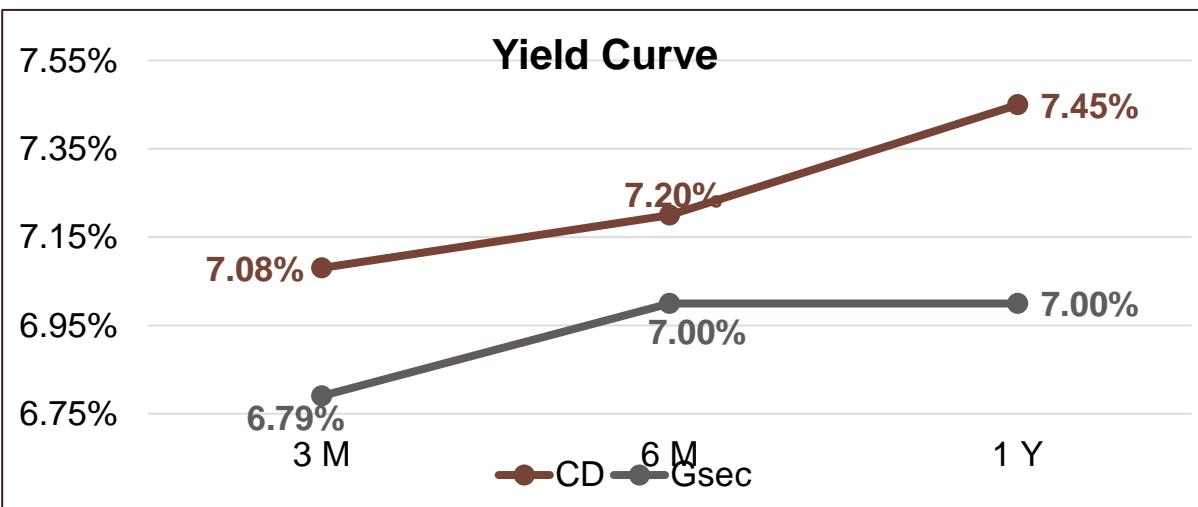
- Markets have largely seen a rise in yields over the last one year across the G-Sec & corporate bond markets.
- The **global growth picture remains uneven**; while the economic momentum in the US seems to be holding up, growth in EU is slowing.
- On the other hand, **Indian economy remain resilient and the high frequency data have shown signs of uptick**, even as inflationary pressure reverted once again on vegetable price shock.
- The markets will remain watchful of **cues like global & domestic central banks actions, commodity prices, energy prices and geo-political developments that may impact the overall macro environment.** While, in the near term, **weak monsoons and higher food inflation may lead to some impact in the rural economy.**
- **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.
- **For satellite portfolio (30-40% of the entire debt portfolio), investors can 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 (31 Aug'23)	One Month Ago (31 Jul'23)	One Quarter Ago (31 May'23)	Half Year Ago, (28 Feb'23)	One Year Ago, (30 Aug'22)	M-o-M Change (bps)
<b>Interest Rates</b>						
Repo rate	6.50%	6.50%	6.50%	6.50%	5.40%	0
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	0
<b>CD Rates</b>						
3 month	7.08%	6.98%	6.97%	7.58%	5.93%	10
6 month	7.20%	7.18%	7.23%	7.75%	6.27%	2
1 Year	7.45%	7.38%	7.45%	7.90%	6.87%	7
<b>T-Bill/G-sec</b>						
91 Days	6.81%	6.70%	6.76%	6.87%	5.64%	11
364 Days	7.03%	6.88%	6.91%	7.28%	6.28%	15
India 10 Year G-Sec Yield	7.17%	7.17%	6.99%	7.46%	7.19%	0
<b>AAA Corp. Bonds (PSU)</b>						
1 Year	7.65%	7.35%	7.37%	7.30%	6.55%	30
3 Year	7.61%	7.58%	7.40%	7.82%	7.05%	3
5 Year	7.58%	7.65%	7.42%	7.80%	7.29%	-7
<b>AAA Corp. Bonds (NBFC)</b>						
1 Year	7.78%	7.67%	7.64%	7.45%	6.92%	11
3 Year	7.81%	7.88%	7.69%	8.09%	7.47%	-7
5 Year	7.77%	7.87%	7.69%	8.07%	7.72%	-10
<b>US Markets</b>						
10 Year US Treasury Yield	4.11%	3.97%	3.65%	3.93%	3.11%	14
<b>Currency &amp; Commodity</b>						
USD/ INR	82.70	82.25	82.69	75.78	79.68	↑
Crude Brent (\$/Barrel)	86.86	85.56	72.66	83.89	97.84	↑

- Yields on the 10-year U.S. Treasury rose 14 bps to close at 4.11%, from the previous month's close of 3.97%.
- Bond yields rose as the Fed turned hawkish as against general expectations of nearing pause.
- In line with the US markets, yield on the India 10-year benchmark closed at 7.17% in line with the previous month's close at 7.17%.
- Corporate bond yields of PSU's and NBFC's closed the month on a mixed note on variegated cues from the domestic and global markets.
- Though, for the past 3 policy meets (Apr, Jun & Aug-23) the MPC kept the policy rates stagnant but the cumulative rate hike of 250 bps undertaken by the MPC is working its way into the economy.

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



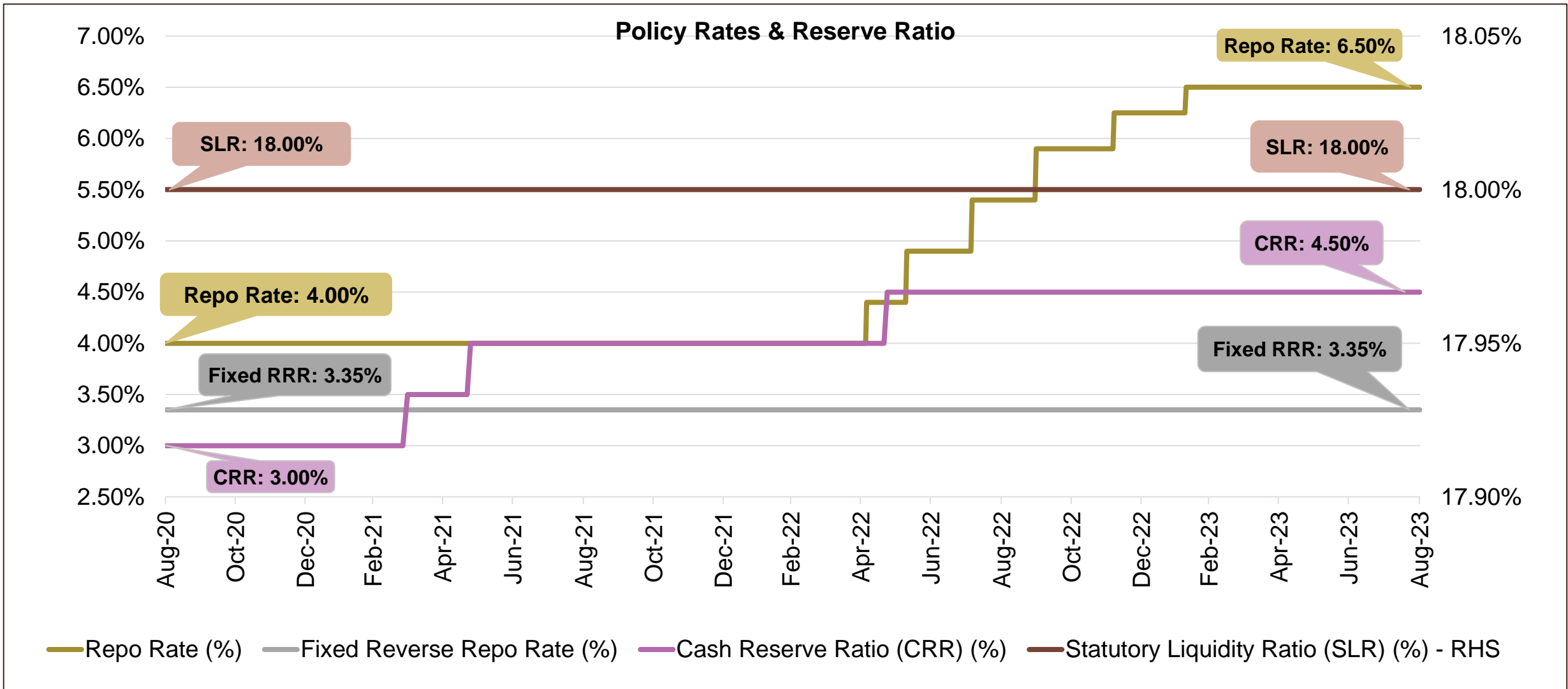
Data as on 31 Aug '23; Source: Bandhan AMC, Investing.com

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, 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.**
- Now over a year after the rate hike cycle had begun the yield curve has almost flattened. **The 10 Year minus 3 Months spread was at 160 bps in Aug '22 whereas at the end of Aug '23 it has reduced to 38 bps.**
- **Yields have remained mixed across categories and maturity profiles in Aug '23.**
- **The spread between AAA corporate bond (NBFCs) and G-sec contracted from 60-140 bps from 3 year ago to 50-80 bps in the end of Aug '23.**
- In **Aug '23 policy meet**, though the RBI did not increase the policy rates but did introduce an incremental CRR which could dampen short term yields in the near term.

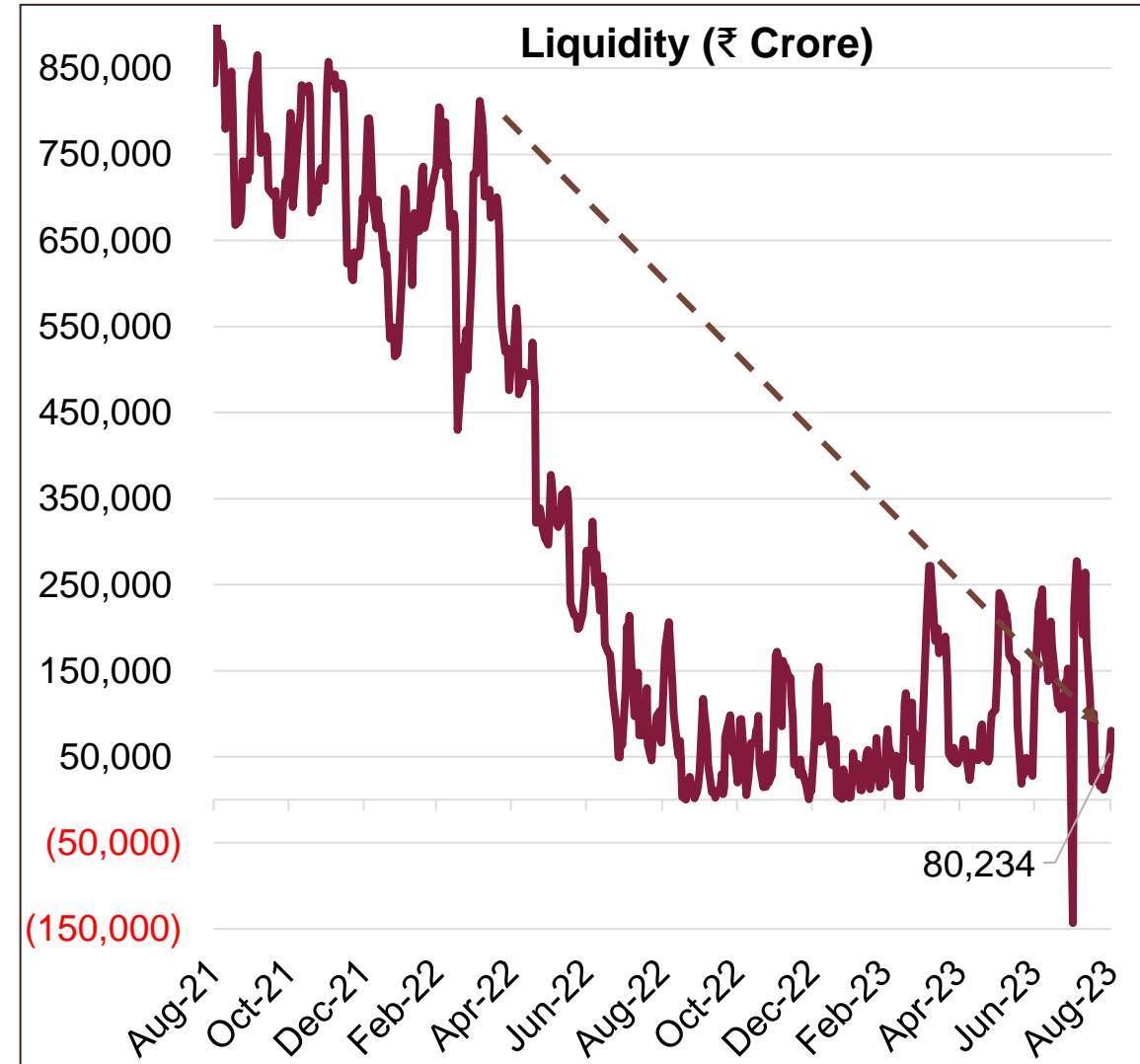


# Policy rate & Reserve Ratio movement since August '20



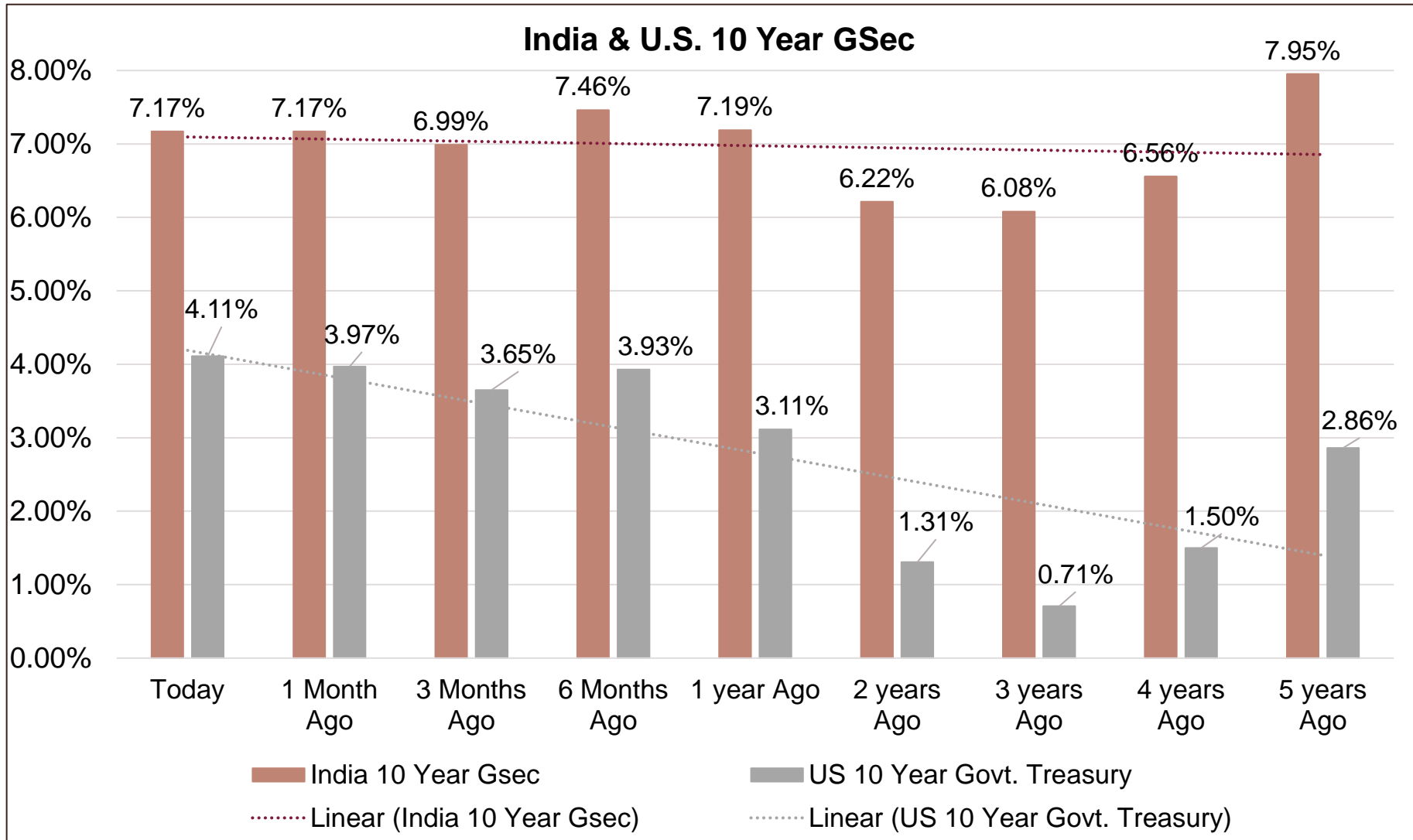
# Liquidity in the system

- In the Apr '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 Aug '23 policy meet, the governor stated that the level of **surplus liquidity in the system has gone up** in the recent months on the back of return of ₹2000 banknotes to the banking system, RBI's surplus transfer to the government, pick up in government spending and capital inflows. The **overall daily absorption under the liquidity adjustment facility (LAF) was ₹1.7 lakh crore in June and ₹1.8 lakh crore in July 2023**.
- In recent years, our stated stance on liquidity is to maintain adequate liquidity in the system to meet the productive requirements of the economy. Excessive liquidity, on the other hand, can pose risks to price stability and also to financial stability. Accordingly it has been temporarily decided to **introduce incremental CRR of 10.0%**, intended to absorb the surplus liquidity generated by various factors referred to earlier including the return of ₹2000 notes to the banking system.



Source: Bandhan AMC

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



- The **10-year Indian G-sec** has now been trading above ~7% levels.
- **US Govt. Treasury yields** further increased in Aug '23 after the US Fed increased the policy rates by 25 bps at the end of July-23 after a pause in the earlier policy meet.
- In case of US, the yields have risen from 3.1% from a year ago to 4.1% at present. **While for the Indian markets, the yields remained relatively flat during the same period.**

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 not 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 largely been on the rise since past 1 year.

Category	YTM					Average Maturity					Modified Duration				
	Jul-23	Apr-23	Jan-23	Jul-22	Jul-21	Jul-23	Apr-23	Jan-23	Jul-22	Jul-21	Jul-23	Apr-23	Jan-23	Jul-22	Jul-21
<b>Money Market</b>															
Liquid	6.88	6.99	6.82	5.66	3.48	0.11	0.11	0.11	0.10	0.09	0.11	0.11	0.09	0.09	0.09
Ultra Short Duration	7.17	7.31	7.32	6.09	3.81	0.42	0.43	0.58	0.38	0.40	0.39	0.40	0.37	0.35	0.37
Low Duration	7.38	7.50	7.53	6.35	4.15	1.12	1.21	1.56	1.19	1.15	0.78	0.78	0.69	0.62	0.66
Money Market	7.14	7.34	7.15	6.05	3.76	0.48	0.61	0.47	0.39	0.43	0.46	0.58	0.32	0.39	0.41
<b>Accrual</b>															
Short Duration	7.47	7.44	7.54	6.68	4.76	2.93	2.76	2.39	2.00	2.39	2.24	2.12	1.78	1.48	1.77
Medium Duration	7.78	7.69	7.72	7.27	5.89	4.67	5.16	4.12	3.81	3.91	3.20	3.17	2.90	2.73	2.92
Banking & PSU Debt Fund	7.46	7.42	7.54	6.66	4.93	4.04	4.24	3.35	2.76	3.26	2.56	2.39	2.17	1.82	2.28
Corporate Bond Fund	7.52	7.52	7.57	6.81	4.89	3.58	3.34	2.77	2.50	2.80	2.56	2.37	1.85	1.65	2.06
Floating Rate	7.66	7.78	7.66	6.55	4.69	3.57	3.94	3.48	3.63	3.26	1.11	1.10	0.94	0.91	1.14
Credit Risk	8.09	8.04	8.14	7.41	5.95	3.27	3.78	2.66	2.29	2.29	1.69	1.70	1.71	1.62	1.70
<b>Duration</b>															
Medium To Long Duration	7.39	7.36	7.49	7.05	5.77	7.02	7.26	6.79	5.97	5.58	4.75	4.84	4.53	4.03	3.95
Long Duration Fund	7.39	7.37	7.51	7.57	7.00	19.51	19.56	20.63	16.72	19.30	9.06	9.16	9.20	8.76	9.77
Dynamic Bond	7.38	7.41	7.45	6.58	5.44	5.56	5.96	4.76	4.04	5.03	3.64	3.80	3.02	2.46	3.49
Gilt	7.23	7.23	7.20	6.55	5.43	6.65	6.57	6.46	5.05	7.33	4.34	4.38	3.82	2.92	3.99
Gilt - 10 Year	7.28	7.25	7.43	7.31	6.28	9.45	9.55	9.42	9.25	9.38	6.52	6.68	6.48	6.69	6.38
<b>Passives</b>															
Target Maturity Funds / Index Funds	7.39	7.30	7.48	7.24	6.27	4.87	5.09	5.06	4.76	6.28	3.77	3.92	3.91	3.74	4.76

# Debt Category Average Performances - August 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 delivering returns 1%-2% for 3 months time horizon and 3%-5% for 6 months time horizon.
- **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, 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, Overnight, Liquid, Medium Duration, Short Duration, Floating Rate, Dynamic Bond 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
<b>Money Market</b>							
Overnight	0.54	1.61	3.25	6.27	4.99	4.33	4.60
Liquid	0.52	1.56	3.28	6.24	4.89	4.24	4.80
Ultra Short Duration	0.51	1.60	3.49	6.34	4.94	4.56	5.21
Low Duration	0.53	1.64	3.69	6.45	4.93	4.73	5.31
Money Market	0.52	1.66	3.68	6.65	5.10	4.62	5.78
<b>Accrual</b>							
Short Duration	0.49	1.24	3.76	6.32	4.78	4.91	5.89
Medium Duration	0.50	1.04	4.12	6.13	4.92	5.96	5.45
Banking & PSU Debt Fund	0.48	1.25	3.89	6.09	4.42	4.73	6.83
Corporate Bond Fund	0.50	1.31	3.92	6.27	4.33	4.78	6.71
Floating Rate	0.65	1.92	4.12	6.93	4.97	5.22	6.61
Credit Risk	0.52	1.47	4.18	6.63	10.04	9.37	4.44
<b>Duration</b>							
Medium To Long Duration	0.52	0.70	4.30	6.07	4.31	4.47	6.17
Long Duration Fund	0.78	0.05	4.80	7.26	4.46	4.00	8.05
Dynamic Bond	0.50	0.92	4.13	6.13	4.54	4.79	6.50
Gilt	0.57	0.84	4.36	6.22	4.00	4.38	7.23
Gilt - 10 Year	0.64	0.52	5.16	6.70	3.45	4.06	8.00
<b>Passives</b>							
Target Maturity Funds / Index Funds	0.52	0.97	4.37	6.24	4.38	5.41	0.00

Source: Morningstar Direct

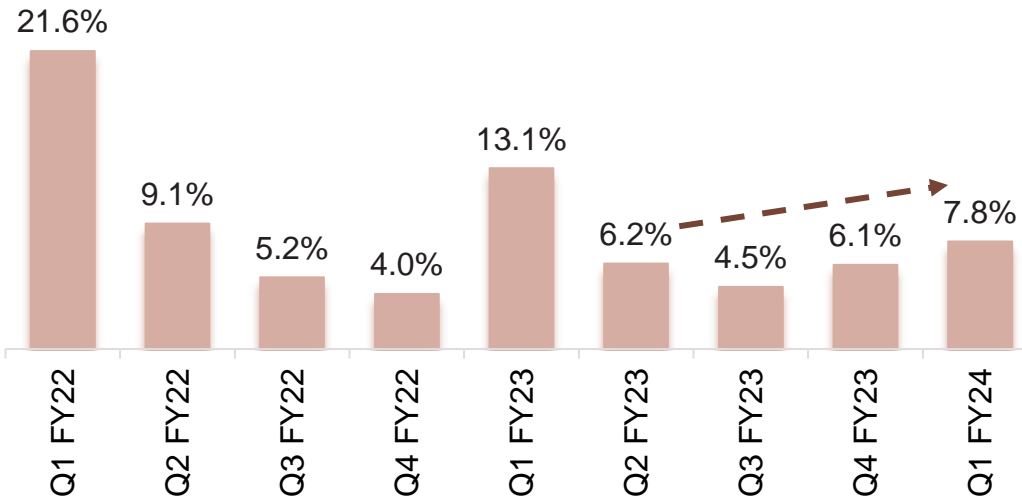
# Event Update

# India's Q1FY24 GDP accelerates to 4-quarter high of 7.8%

## Key Highlights

- India's Gross Domestic Product (GDP) for the April - June quarter (Q1FY24) grew by 7.8% compared to 6.1% growth rate witnessed in Q4FY23 and 13.1% recorded in Q1FY23.
- The RBI had predicted a growth rate of 8.0% in Q1FY24.
- Real GDP at Constant Prices in the Q1FY24 stood at ₹40.4 lakh cr as against the pre-pandemic level of ₹35.5 lakh cr.

## Quarterly GDP Growth Rate



## Gross Value Added (GVA)

- Gross Value Added (GVA) at constant prices in Q1FY24 grew at 7.8% with finance, real estate and professional services accelerating to 12.2% in June 2023 quarter, against 8.5% a year ago.

## Private Final Consumption Expenditure

- A step up in private final consumption expenditure (6.0%) as well as robust growth in gross fixed capital formation (8.0%), which is seen as an indicator of investments, helped India clock this number.

## Government Final Consumption Expenditure

- The government final consumption expenditure (GFCE) contracted in the first quarter of the fiscal by 0.7% as against a low single digit growth of 2.3% in the fourth quarter of the fiscal. Worryingly, exports also contracted by 7.7% in the April to June 2023 quarter as against an 11.9% expansion in the previous quarter amidst global headwinds.

**Thank You!**