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Market Outlook – March 2022

Macro Economic Update

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Inflation:

Consumer Price Index (CPI): Retail inflation rose to a 7-month high of 6.01% in January, breaching the upper tolerance level set by the RBI. The rise was mainly on account of high food inflation, which jumped to a 14-month high of 5.43%, along with an unfavourable base.

Wholesale price index (WPI): WPI in January softened to 12.96% from 13.56% a month ago, marking the 10th consecutive month of being in double digits; as the food inflation was at a 24-month high of 9.6%. WPI-based inflation is reflective of the price pressures on the inputs side & manufacturers passing this on to their output prices.

Deficit:

Fiscal Deficit: The Centers fiscal deficit worked out to be Rs 9.38 lakh crore or 58.9% of the budget estimates at the end of January '22. The deficit figures in the current fiscal appear much better than the previous fiscal when it had soared to 66.8% of the revised estimates mainly on account of jump in expenditure to deal with the pandemic.

Trade Deficit: India's exports in February rose 22.36% on an annual basis to $33.81 billion; while imports rose to $55.00 billion, an increase of 35.00% annually, with inbound shipments of petroleum and crude oil surging. The trade deficit in February '22 was $21.19 billion, while it was $176.07 billion during April '21 -February '22.

IIP, Core Sector and PMI:

Index of Industrial Production (IIP) & Core Sector: Industrial output slumped to a 10-month low of 0.44% in December, dragged down by manufacturing, capital goods and consumer durables output along with an unfavourable base. For the month of January, the 8 core sectors which comprise of 40.27% of IIP grew by 3.7%.

Manufacturing & Services PMI: India's manufacturing PMI rose to 54.9 from 54 in January, aided by modest rise in the new orders component as the impact of Omicron on demand conditions faded. India's services sector activity rose marginally in February, with the PMI at 51.8 after decelerating to a six-month low of 51.5 in January.

Inflation and Industrial Production Trajectory

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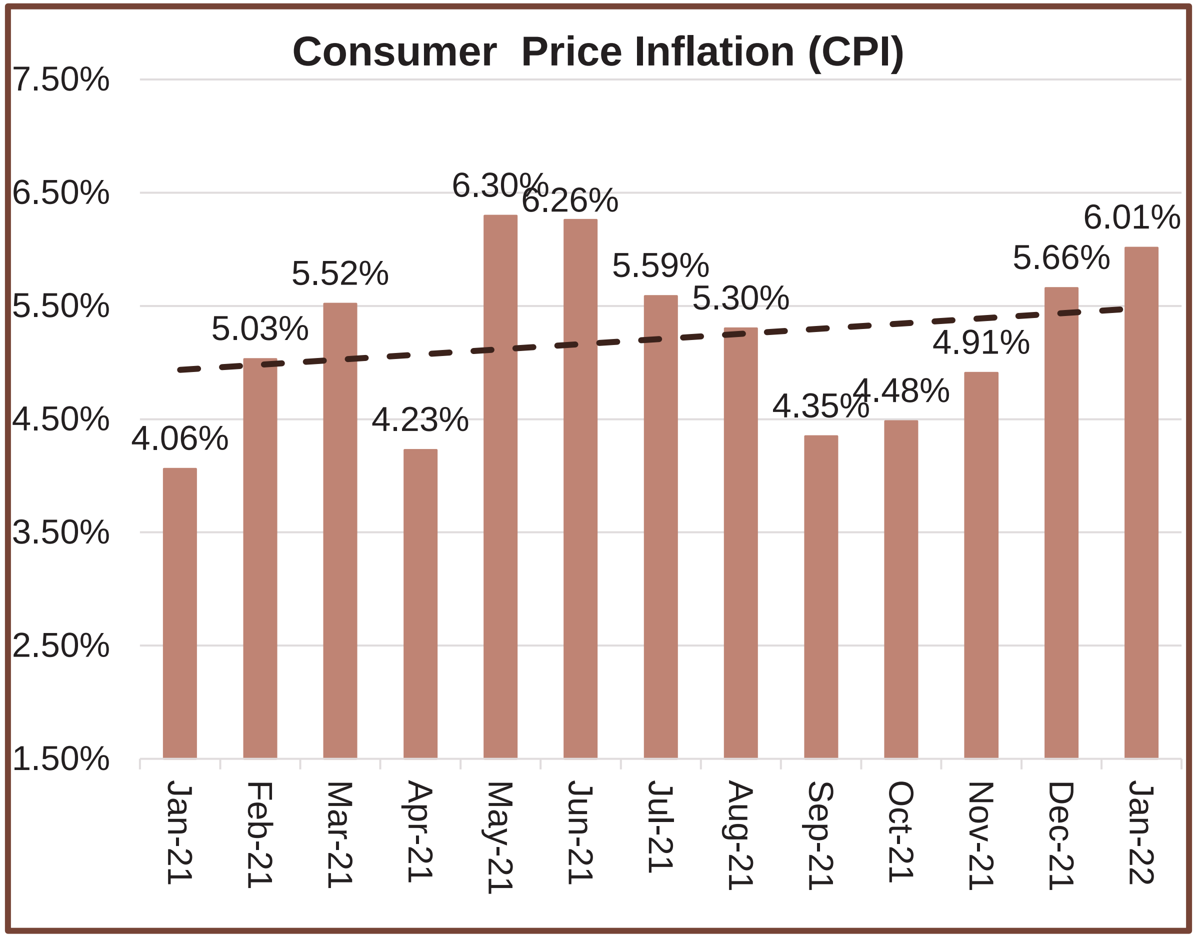
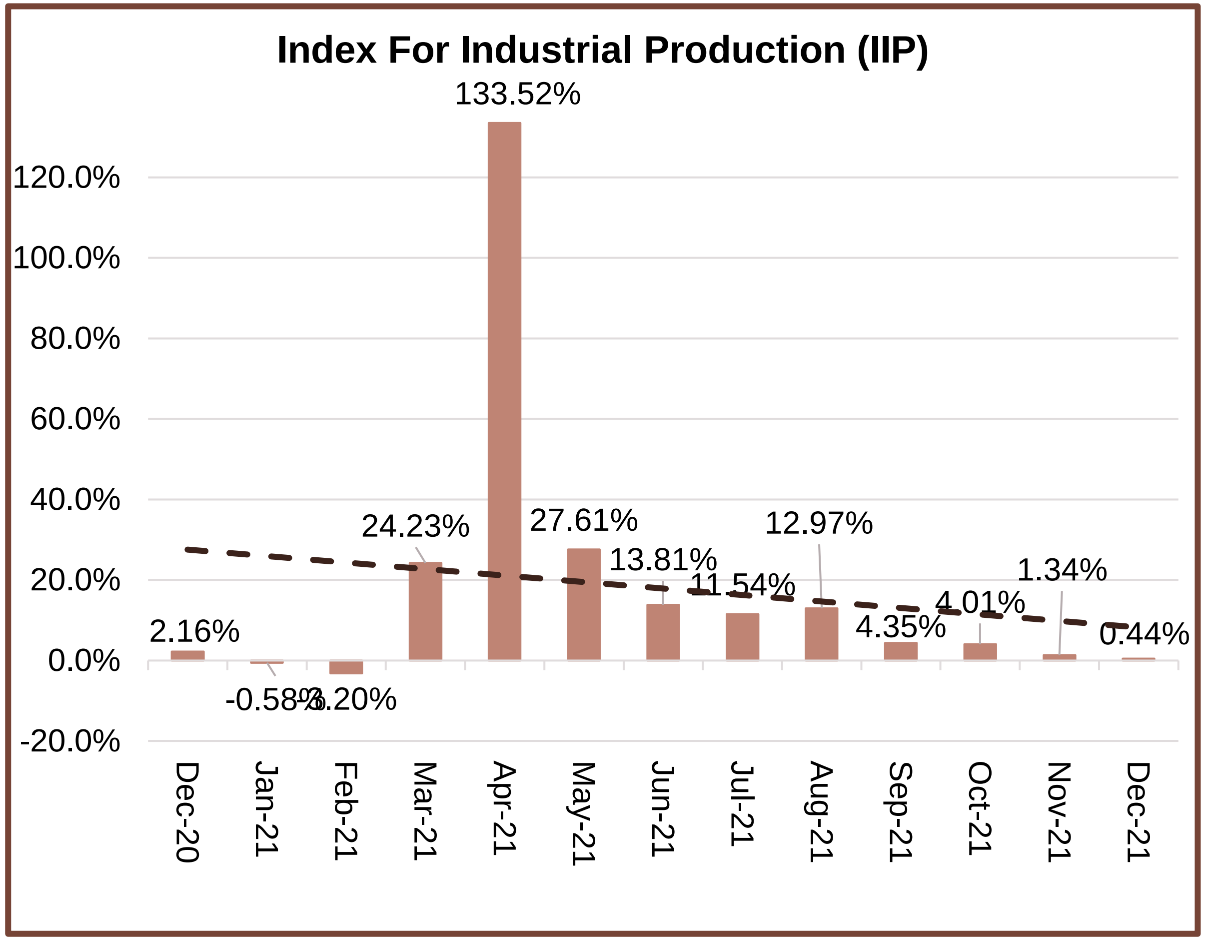
After being below the RBI upper tolerance level for July to December 2021; January 2022 witnessed inflation inching above the same.



Industrial Production grew at a moderate pace in December ’21 as the low base effect started waning off.



Source: DBIE, RBI

Macro Indicators

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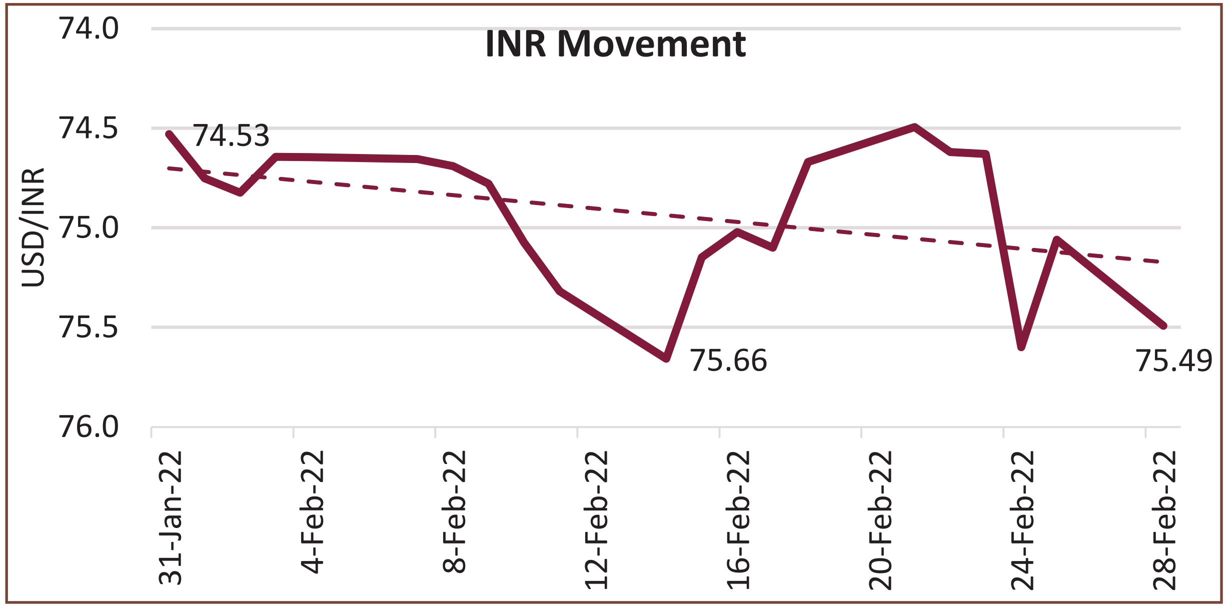
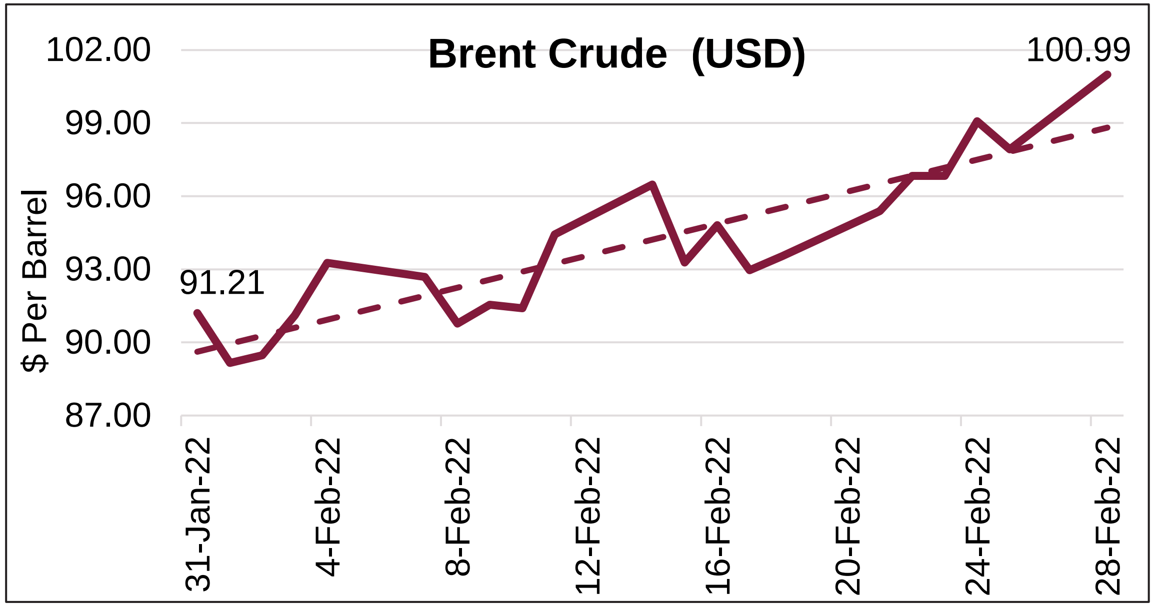
	Current	Month Ago	Quarter Ago	Year Ago
Economic Indicator				
Consumer Price Index (CPI)	6.01% (Jan-22) ↑	5.66% (Dec-21)	4.48% (Oct-21)	4.06% (Jan-21)
Wholesale Price Index (WPI)	12.96% (Jan-22) ↓	13.56% (Dec-21)	13.83% (Oct-21)	2.51% (Jan-21)
Industrial Production (IIP)	0.44% (Dec-21) ↓	1.34% (Nov-21)	4.35% (Sep-21)	2.16% (Dec-20)
GDP	5.4% (Dec-21) ↓	NA	8.5% (Sep-21)	0.7% (Dec-20)
Trade Deficit ($ bn)	21.19 (Feb-22) ↓	17.94 (Jan-22)	22.91 (Nov-21)	27.63 (Feb-21)
Commodity Market				
Brent Crude ($/barrel)	100.99 (28-Feb-22) ↑	91.21 (31-Jan-22)	70.57 (30-Nov-21)	66.13 (26-Feb-21)
Gold ($/oz)	1,900.70 (28-Feb-22) ↑	1,796.4 (31-Jan-22)	1,778.30 (30-Nov-21)	1,742.50 (26-Feb-21)
Silver ($/oz)	24.37 (28-Feb-22) ↑	22.43 (31-Jan-22)	22.77 (30-Nov-21)	26.83 (28-Feb-21)
Currency Market				
USD/INR	75.49 (28-Feb-22) ↑	74.56 (31-Jan-22)	75.10 (30-Nov-21)	73.94 (26-Feb-21)

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

INR and Brent Crude Performance





INR Performance: The **rupee had a roller coaster ride** during the month of February 2022 to close lower at 75.49 up from 74.53 in January 2022. Initially, the rupee fell against the U.S. dollar on expectations that the U.S. Fed will increase interest rates at an aggressive pace after **U.S. inflation jumped to a four-decade-high**. However, these loses were restricted as U.S. Fed's latest meeting indicated **calibrated rate hikes moving ahead**. It fell again during the fag end of the month following **increase in global crude oil prices** and losses in domestic equity market after **Russian President ordered a military operation in Ukraine.**

Brent Crude: Brent crude oil prices **jumped up by 10.7% February** from a $91.21 per barrel to $100.99 per barrel. Brent crude oil prices rose as demand for petroleum products surged while supply remained constrained. Geopolitical tensions between **Russia and Ukraine** as well as in the **Middle East** also contributed to the upside. Worries that a wave of **international sanctions on Russia's energy sector could disrupt supplies** also added to the upside. The promise of increased **Iranian supplies in the event of a nuclear deal between U.S. and Iran** capped the rise.

Source: Investing.com

Equity Market - Review

Equity Market Roundup - Key Takeaways

Performance: Indian equity indices ended lower for second consecutive month. The **key benchmark indices S&P BSE-30 and Nifty-50 indices were down 3.0% and 3.1% respectively in the month ended February 2022** as the tensions between Russia and Ukraine turned into a full-fledged war putting pressure on global equity markets.

Domestic factors that played out for the Indian markets:

- In the beginning of the month investor sentiments were boosted by the **growth-oriented budget delivered by the finance minister**.
- **DIIs** were net buyers which supported Indian equity market however gains were erased with continuous selling of **FIIs** for the fifth consecutive month.

Global factors that shaped the graph of the Indian markets:

- Bourses continued to fall as a **high inflation in the U.S.** shook investor confidence who feared aggressive rate hikes.
- Indian equity markets slumped during the week as uncertainty on the **Russia and Ukraine geopolitical conflicts** continued to weigh on the market sentiments.
- The geo-political tensions had impact on **crude oil prices** which put further pressure on global equity markets.

Outlook: Union Budget was an important event that the market was looking forward to in terms of government policy and sectoral thrust for the next full year and the budget has largely delivered on most of the expectations. Markets in the **near term** are likely to be influenced by **Ukraine-Russia conflict, rising crude oil prices, inflation and rate hikes by global central banks**. In the **long term**, further direction of the market can be result of factors such **policy measures by governments and improvement in supply chain issue across the globe**. The important drivers for equity market will continue to be earning **growth of corporates, global liquidity conditions and central banks actions**. We believe, market may remain volatile for the next few months, investors need to be cautious and invest in staggered manner and **follow the prescribed asset allocation.**

Equity Dashboard – February 2022

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Index	Closing Value	1-Mth Return (%)	YTD Return (%)	1 Yr. Return (%)	Current Value - Trailing		
					P/E	P/B	Dividend Yield
S&P BSE Sensex	56,247	-3.05	-3.44	14.56	24.67	3.42	0.99
Nifty 50	16,794	-3.15	-3.23	15.59	21.59	4.23	1.26
Nifty 100	17,017	-3.03	-3.42	16.01	21.62	4.23	1.27
Nifty 200	8,856	-3.53	-3.94	16.65	22.04	4.09	1.26
Nifty 500	14,308	-4.11	-4.59	17.46	22.67	4.09	1.22
Nifty Midcap 100	28,223	-6.77	-7.29	21.29	25.35	3.35	1.20
Nifty Smallcap 100	9,845	-11.44	-12.79	22.30	26.74	3.62	0.97

Data as on 28 February '22; Source: NSE and BSE

Markets nosedived during the month with the Sensex touching a low of ~54,400 levels, however, to close the month higher at ~56,200 levels. The movement of the market were governed by the following factors:

- Domestic Factors – Initially during the month, sentiments were boosted by the growth-oriented budget delivered by the finance minister. Improved GST collection data along with targeted fall in fiscal deficit number also uplifted the investor's sentiments.
- Investors found intermittent relief, thanks to the accommodative stance of Monetary Policy Committee in its latest policy meet.
- Global cues – Weak global cues, on escalated conflicts between Russia and Ukraine added negative sentiments in the market across the globe as the Russian President authorized a "special military operation" in the eastern part of Ukraine.
- Rise of crude oil prices and looming worries over imminent aggressive interest rate hike by the Fed further dampened sentiments.

Market witnessed **unceasing selling through FII**, however **high purchases by DII** supported the markets.

Index*	1-Mth Return (%)	YTD Return (%)	1 Yr. Return (%)
Metal	9.48	7.99	51.49
Consumer Durables	2.82	-3.73	35.71
Power	-2.11	10.70	59.35
Energy	-3.03	-0.49	15.13
Health Care	-3.10	-10.87	11.99
FMCG	-3.37	-5.64	8.70
IT	-3.55	-11.47	37.17
Bankex	-4.44	3.04	6.81
Capital Goods	-5.15	-3.80	28.53
Auto	-6.79	-0.81	7.32
PSU	-7.11	2.92	19.47
Oil & Gas	-7.27	-1.10	11.40
Telecom	-7.73	-7.40	20.12
Realty	-9.07	-9.76	24.37

*S&P BSE Sectoral Indices . Source: BSE

Equity Flow (Rs. Cr.)	1-Mth	YTD	1 Yr.
FII	-45,720	-87,066	-229,718
DII	42,084	64,012	187.187

Source: Moneycontrol

International Equity Market Performance

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2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022* (%)
U.S.-S&P 500 0.00	Germany 29.06	Japan 56.72	China 52.87	Gemany 9.56	U.K. 14.43	Hong Kong 35.99	India 3.15	U.S.-Nasdaq 35.23	U.S.-Nasdaq 43.64	France 28.85	U.K. 1.00
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	Hong Kong -2.93
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	India -3.23
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	China -4.88
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	France -6.91
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	Japan -7.87
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	U.S.-S&P 500 -8.23
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	Germany -8.96
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 -9.35
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 -12.10

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

Performance as on 28st February 2022. Source: Morning Star Direct

Asset Class Performance

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2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022* (%)
Gold 31.82	Mid Cap 43.99	Intl 30.44	Small Cap 69.57	Small Cap 10.2	G-Sec 14.24	Small Cap 57.47	G-Sec 8.00	Intl 28.89	Gold 27.88	Small Cap 61.94	Gold 5.39
Bonds 6.92	Small Cap 37.94	Large Cap 6.76	Mid Cap 60.26	Bonds 8.63	Bonds 12.91	Mid Cap 54.53	Gold 7.87	Gold 23.79	Small Cap 25.02	Mid Cap 46.81	Bonds 0.27
G-Sec 5.29	Large Cap 27.53	Bonds 3.79	Large Cap 31.39	Mid Cap 8.41	Gold 11.35	Large Cap 28.74	Bonds 5.91	Large Cap 12.00	Mid Cap 24.13	Intl 24.76	G-Sec 0.10
Intl -0.51	Intl 13.84	G-Sec 2.65	G-Sec 15.28	G-Sec 8.17	Intl 9.7	Intl 19.4	Large Cap 3.13	G-Sec 11.34	Intl 18.81	Large Cap 24.12	Large Cap -3.23
Large Cap -24.68	Gold 12.27	Mid Cap -3.01	Bonds 14.31	Intl -1.09	Mid Cap 5.41	Gold 5.12	Intl -6.55	Bonds 10.72	Large Cap 14.86	Bonds 3.44	Mid Cap -7.99
Mid Cap -32.17	G-Sec 11.11	Gold -4.50	Intl 11.07	Large Cap -4.06	Large Cap 3.01	Bonds 4.71	Mid Cap -13.26	Mid Cap -0.28	G-Sec 13.20	G-Sec 3.13	Intl -8.43
Small Cap -36.11	Bonds 9.34	Small Cap -8.14	Gold -7.91	Gold -6.65	Small Cap 0.36	G-Sec 3.52	Small Cap -26.68	Small Cap -8.27	Bonds 12.25	Gold -4.21	Small Cap -9.68

Index used for each of the Asset Class: Gold: Domestic Prices of Gold, Intl: Russell 1000 Index, G-Sec: ICRA Composite Gilt Index, Bonds: CRISIL Composite Bond Fund Index, Large Cap: Nifty 50, Mid Cap: Nifty Midcap 150, Small Cap: Nifty Small Cap 250

Performance as on 28st February 2022. Source: ICRA Analytics (http://www.icraanalytics.com/legal/standard-disclaimer.html)

a. Large Cap: 1st -100th company in terms of full market capitalization
b. Mid Cap: 101st -250th company in terms of full market capitalization
c. Small Cap: 251st company onwards in terms of full market capitalization

Category Average Performances – February 2022

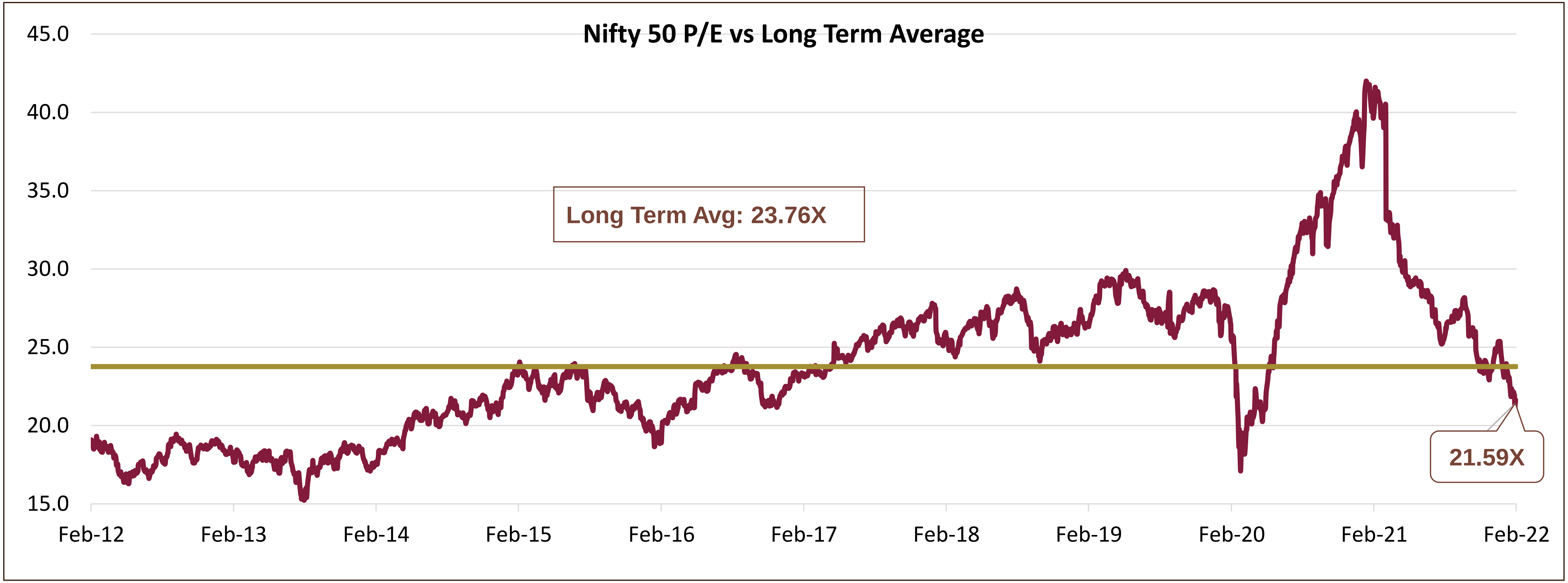
- **During the month** under consideration all the categories were in the red with Small Cap & Mid Cap being major losers. Among the sectoral funds, while the Healthcare and Technology were dep in the red, it was the financial services which outperformed the rest. For the trailing 3 months too, the situation was not much different.
- **For the full year** all the categories were in the green registering a double-digit return. Small Cap was the best performing category. Among the sector based and thematic funds Technology was the best performing sector followed by Infrastructure, FMCG, Consumption, Heathcare and Financial Services.
- **On a 3-year CAGR** basis most of the categories delivered early double digit returns with the Mid Cap & Small Cap outperforming the rest. Among the sector and theme-based funds Technology and Healthcare were the top performers.
- **With respect to the 5-year CAGR returns** most the categories have early double digit return with the exception of Technology which clocked in gains of ~28%.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Large Cap	-3.90	-2.30	-2.63	14.67	20.09	15.75	12.45
Large & Mid Cap	-5.30	-3.42	-1.73	19.96	23.97	18.72	13.16
Multi Cap	-5.33	-3.69	-0.99	22.82	26.77	21.00	14.79
Flexi Cap	-4.68	-3.05	-2.26	18.99	23.17	17.83	13.56
Mid Cap	-5.62	-4.15	-1.11	22.69	28.51	21.74	14.23
Small Cap	-7.13	-4.40	1.29	34.37	38.10	27.06	15.89
Focused	-4.57	-3.39	-2.14	17.14	22.38	17.45	13.19
ELSS	-4.61	-2.95	-1.92	17.34	22.53	17.18	13.12
Contra	-5.09	-1.99	0.03	19.05	28.38	19.47	15.07
Dividend Yield	-3.47	-1.03	0.41	25.87	29.00	18.49	13.14
Value	-4.92	-1.45	-0.58	19.87	26.74	16.72	11.62
Sectoral / Thematic							
Consumption	-3.75	-3.86	-0.90	18.17	20.10	17.43	14.10
Infrastructure	-5.83	-2.30	1.66	25.71	28.91	19.38	11.56
Financial Services	-5.76	-2.28	-5.49	4.33	9.88	11.55	10.18
FMCG	-2.08	-1.31	1.23	20.12	14.94	11.54	12.23
Healthcare	-3.65	-7.30	-11.27	12.55	31.47	24.13	12.14
Technology	-3.66	-6.87	-1.90	40.19	51.80	32.11	27.67

Source: Morningstar Direct

Valuations on the Trailing P/E Metrix

Nifty 12-month trailing P/E of 21.59x is in lower than its historical long-term average of 23.76x



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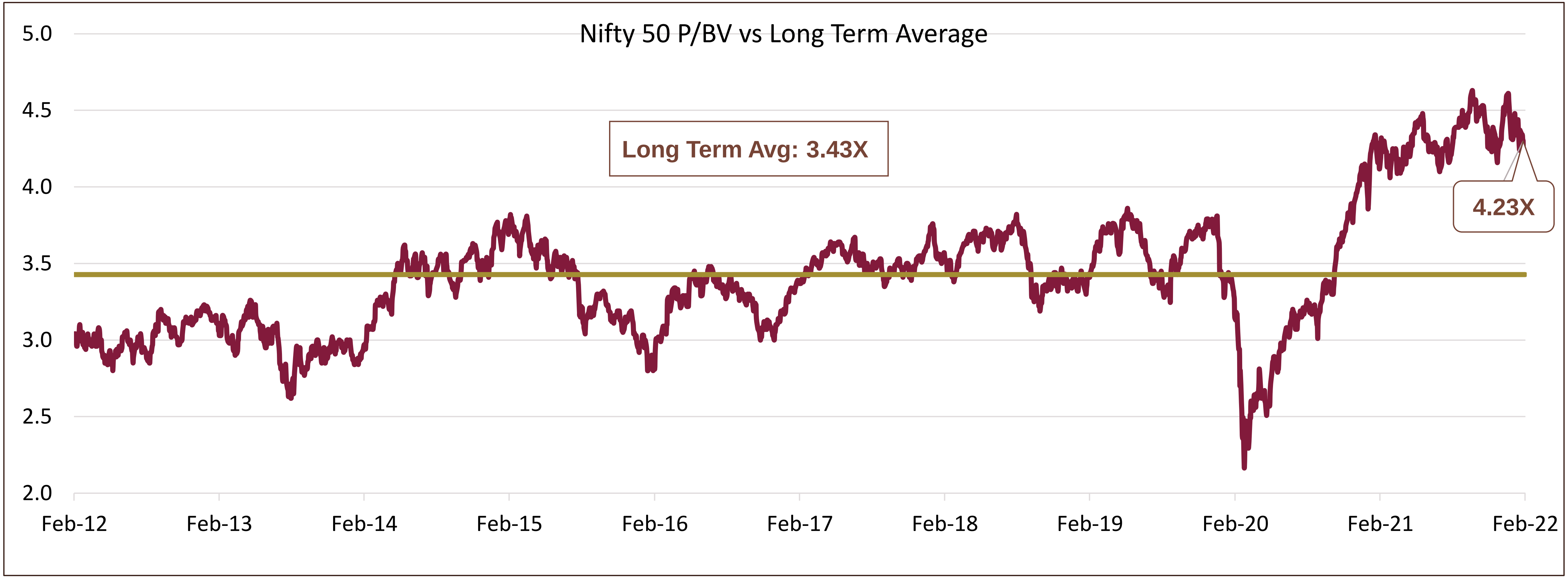
For Client Circulation.

Source: NSE India

Valuations on the Trailing P/BV Metrix

At 4.23x, the Nifty Trailing P/B is above the historical long-term average of 3.43x.



Source: NSE India

Valuations on a Trailing Dividend Yield perspective

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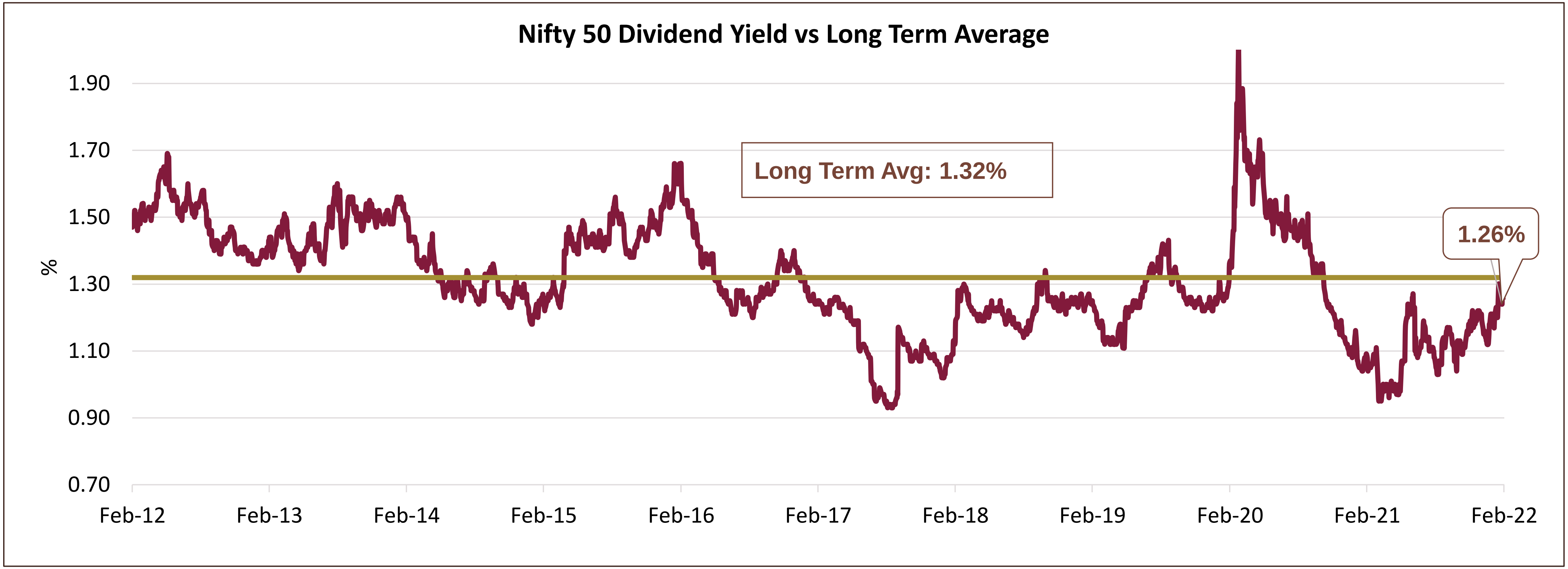
At 1.26%, the Nifty Trailing Dividend Yield is below the historical long-term average of 1.32%.



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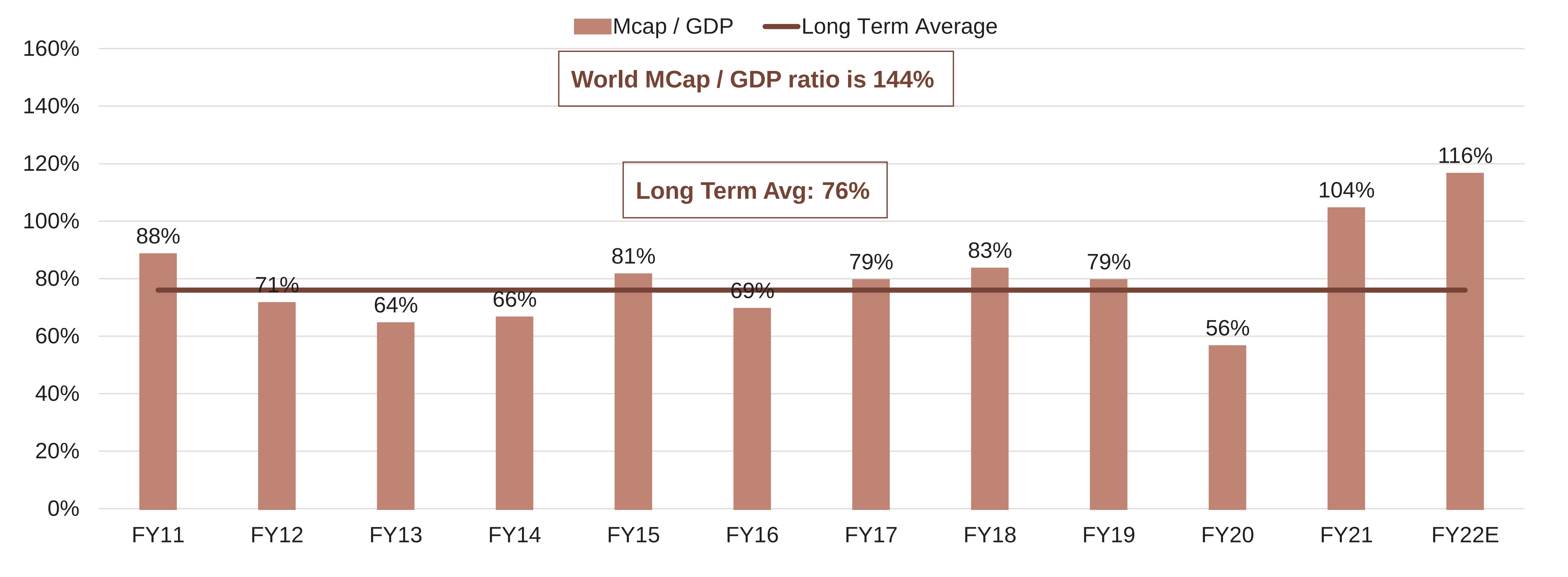
For Client Circulation.

Source: NSE India

Valuations on a MCap / GDP perspective

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



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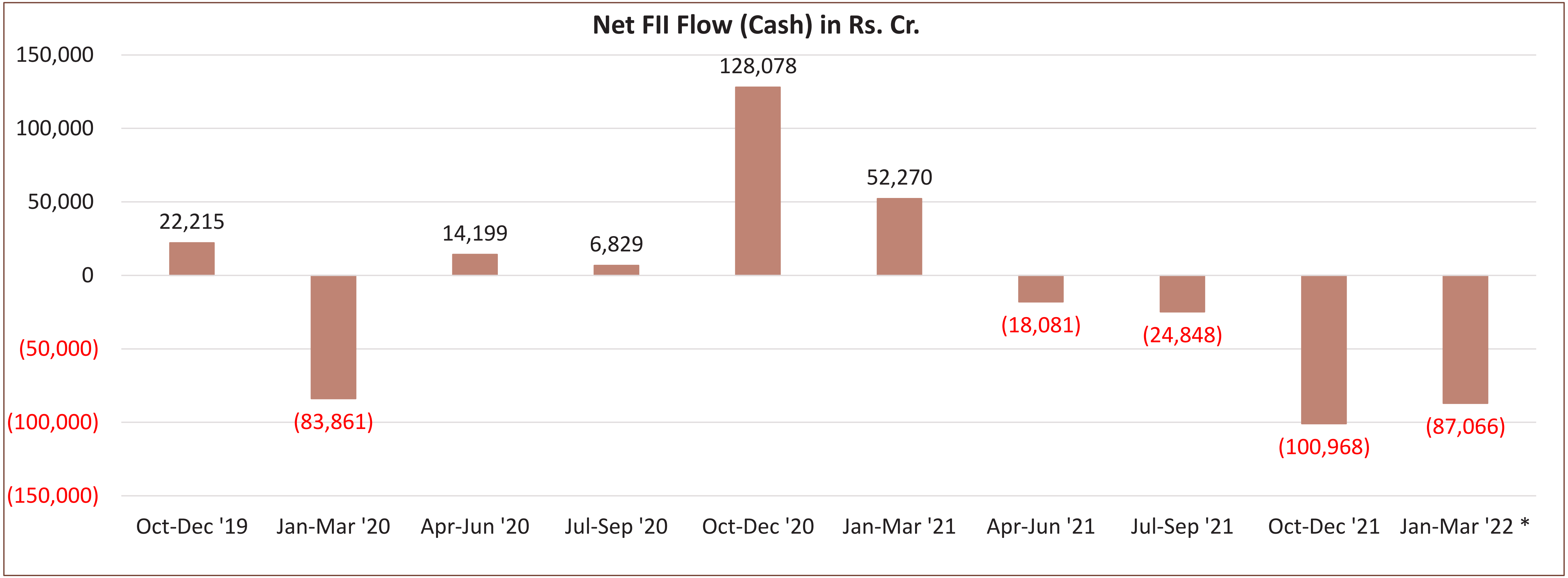
Source: Kotak AMC, Monthly Market Outlook, Feb 22

FII Flow into Equity

FII registered an outflow to the tune of Rs. 45,720 cr in February '22 for the fifth consecutive month

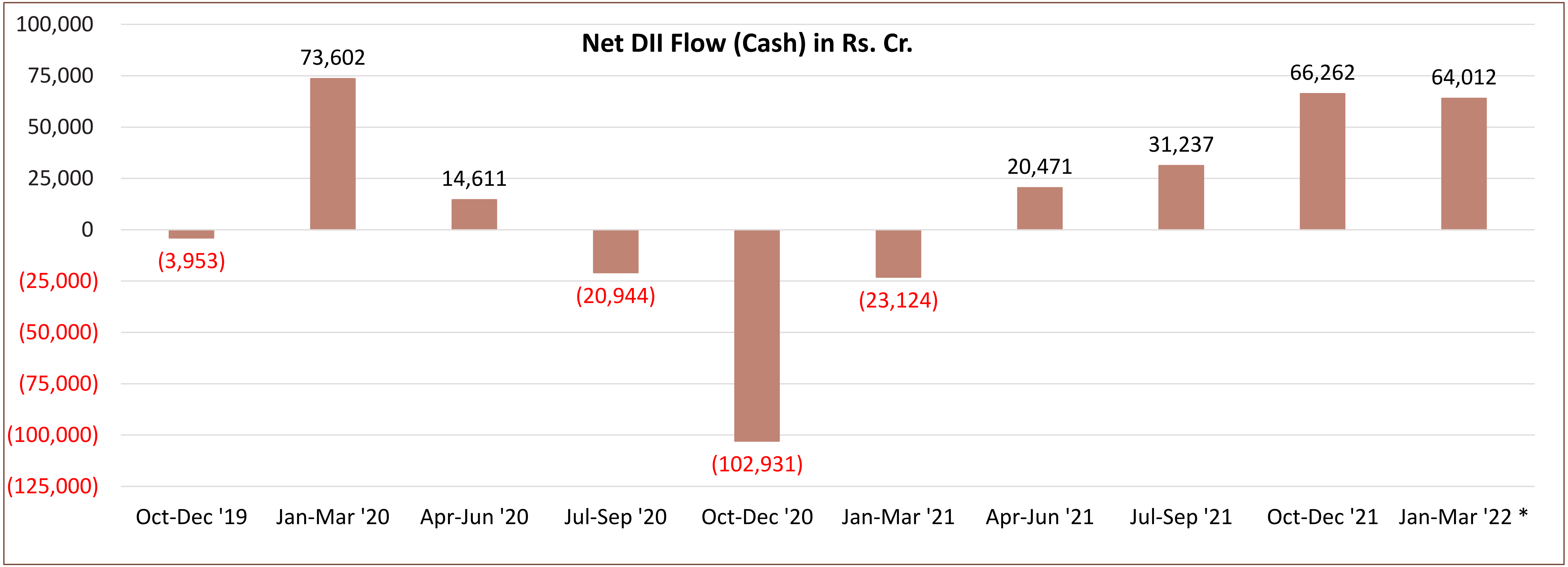


* Data upto 28 Feb 2022

Source: Moneycontrol

DII Flow into Equity

DII were net buyers in the cash market to the tune of Rs. 42,084 cr in February ’22 for the twelfth consecutive months



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For Client Circulation.

* Data upto 28 Feb 2022

Source: Moneycontrol

Debt Market - Review

Debt Market Roundup - Key Takeaways

- After a roller coaster ride during the month , the India 10-Year Government Bond yields hardened marginally to close at 6.77% as against 6.68% at the end of January.
- Bond yields initially rose after the government in the Union Budget announced a **record borrowing for the next financial year and the government did not mention the listing of its bond on global Indices**. Later market sentiment also remained upbeat after the **Monetary Policy Committee kept interest rates on hold** in its monetary policy review and maintained an accommodative stance on the monetary policy. However, it rose once again following escalation in **geopolitical tensions between Russia and Ukraine**.
- Market sentiments were also boosted as the **GST collection stayed above the one-trillion rupees mark** for January for the 7th consecutive month.
- While **January CPI** surged to a 7-month high 6.01% as crude spiked; **December IIP growth** slipped to a 10- month low 0.44% on waning low base effect.
- **Brent crude oil prices rose** after concerns of tight supplies and rise in geo-political tension between Russia and Ukraine.

Outlook:

- The **3rd quarter GDP i.e. Oct – Dec 2021**, was announced which came in way below the market and RBI forecast and at the same time cutting down of estimates for the **full fiscal FY22** have dampened market sentiments. Further, with **inflation worries** which had creeped into the global economy found its way into India as it crossing the RBI upper tolerance level.
- With the news **Russia and Ukraine conflict easing** markets will watch out for the prices of crude which will hurt the **fiscal deficit** target the oil importing country like India. Besides the with the **IPO of LIC** also postponed market participants will also be wary of the fact that the government may miss the fiscal deficit target.
- Further, U.S. Federal Reserve Chief in its testimony to Congress advocating for a 25-basis point hike in its upcoming monetary policy review in mid March, this may have a contagion effect on India GSec yields too.
- Going ahead debt market would be guided by **RBI actions on interest rates & how the growth-Inflation dynamic shapes up.**

Debt Dashboard – February 2022

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	Latest (28 Feb '22)	One Month Ago (31 Jan '22)	One Quarter Ago (30 Nov '21)	Half Year Ago (31 Aug '21)	One Year Ago (28 Feb '21)	M-o-M Change (bps)
Interest Rates						
Repo rate	4.00%	4.00%	4.00%	4.00%	4.00%	0
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	0
CD Rates						
3 month	3.83%	4.00%	3.53%	3.58%	3.18%	-17
6 month	4.38%	4.13%	3.98%	3.75%	3.58%	25
1 Year	4.78%	4.43%	4.33%	4.03%	4.13%	35
T-Bill/G-sec						
91 Days	3.69%	3.70%	3.49%	3.27%	3.14%	-1
364 Days	4.49%	4.50%	4.11%	3.62%	3.63%	-1
India 10 Year G-Sec Yield	6.77%	6.68%	6.33%	6.22%	6.23%	9
AAA Corp. Bonds (PSU)						
1 Year	4.90%	4.92%	4.74%	4.06%	4.31%	-2
3 Year	5.95%	5.79%	5.55%	4.97%	5.53%	16
5 Year	6.52%	6.28%	6.03%	5.93%	6.20%	24
AAA Corp. Bonds (NBFC)						
1 Year	5.07%	5.27%	4.87%	4.32%	4.62%	-20
3 Year	6.04%	6.05%	5.80%	5.27%	5.76%	-1
5 Year	6.67%	6.50%	6.13%	6.08%	6.58%	17
International Markets						
10 Year US Treasury Yield	1.82%	1.78%	1.46%	1.31%	1.41%	4

- The **money market instruments witnessed a mixed movement in the yields** as prices of T-Bills remained flat while that of certificate of deposits were variegated.
- The **U.S. Treasury Yields hardened** as market participants remained mainly concerned about rising inflation. The **India 10-year G-Sec Yields too followed the suit** even as RBI Policy was dovish.
- **Both the AAA Corp. PSU & NBFC witnessed a mixed movement in the yields**.
- In Feb '22 the MPC on unexpected lines **kept the policy rates and reserve ratios unchanged** for the 10th consecutive time.

Source: IDFC AMC, G Sec – Investing.com

Debt Category Average Performances – February 2022

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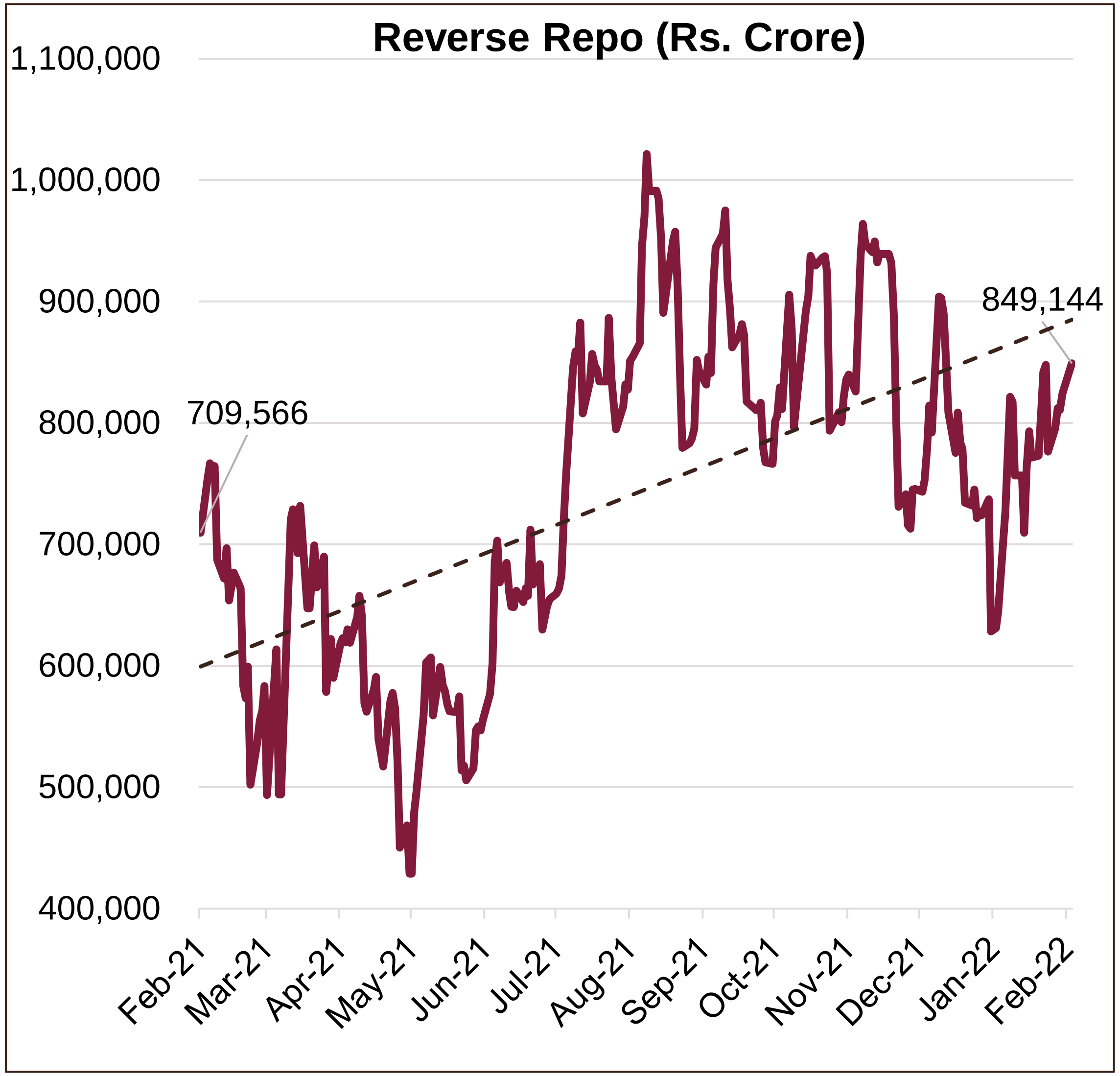
- **During the month** under consideration all the three broad categories Money Market, Accrual & Duration funds were in the green even as there was a variegated movement in yields.
- With respect to the **3 months and 6 months trailing returns too** all the categories with the exception of a couple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

Money Market	Absolute Returns (%)				CAGR (%)		
Category	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Overnight	0.24	0.82	1.60	3.17	3.10	3.81	4.58
Liquid	0.25	0.78	1.52	3.05	3.23	4.10	5.06
Ultra Short Duration	0.26	0.81	1.67	3.64	4.16	5.10	5.49
Low Duration	0.26	0.78	1.65	3.94	4.89	4.08	5.16
Floating Rate	0.11	0.52	1.21	4.20	5.79	6.60	6.68
Money Market	0.28	0.85	1.61	3.55	4.40	5.54	6.01
Accrual	**Absolute Returns (%)**				**CAGR (%)**		
Category	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Short Duration	0.33	0.65	1.76	4.86	5.65	5.89	5.89
Medium Duration	0.67	0.75	1.95	6.67	5.07	5.26	5.40
Banking & PSU Debt Fund	0.42	0.65	1.47	4.80	5.91	7.52	7.08
Corporate Bond Fund	0.41	0.67	1.42	4.89	6.22	7.45	6.94
Credit Risk	0.45	1.29	4.72	9.52	4.03	2.65	3.45
Duration	**Absolute Returns (%)**				**CAGR (%)**		
Category	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Medium To Long Duration	0.41	-0.01	1.44	5.05	5.51	6.66	5.76
Long Duration Fund	1.34	-0.18	2.06	5.49	4.49	8.62	7.06
Dynamic	0.27	0.03	1.46	4.96	5.41	6.84	6.12
Gilt	0.17	-0.38	0.66	4.05	5.21	7.96	6.87

Source: Morningstar Direct

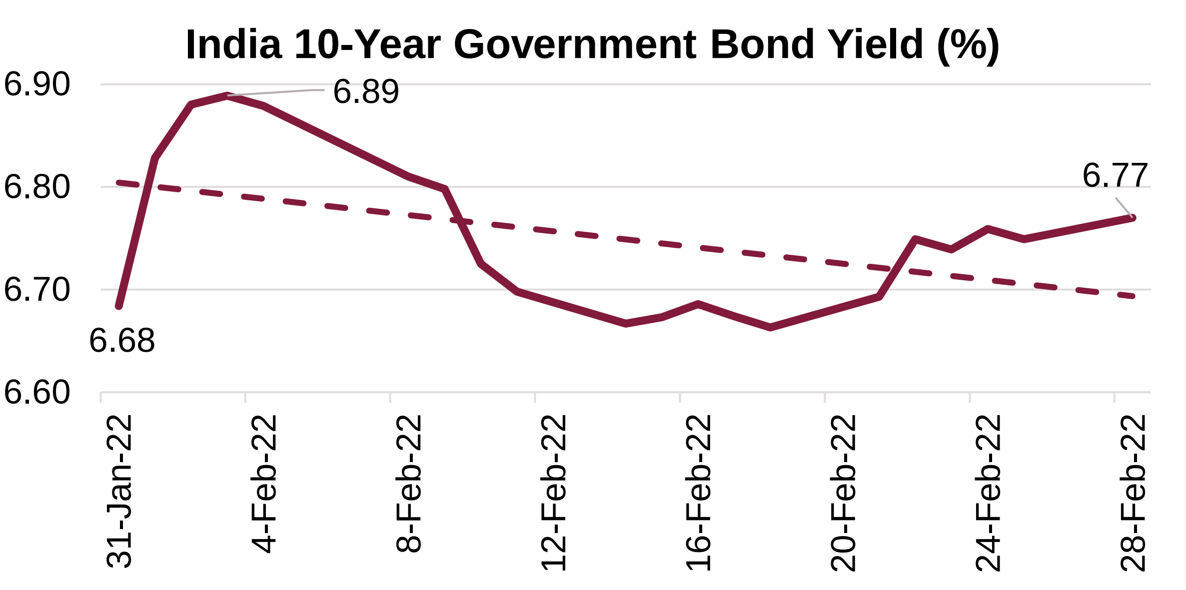
Money parked in Reverse Repo window

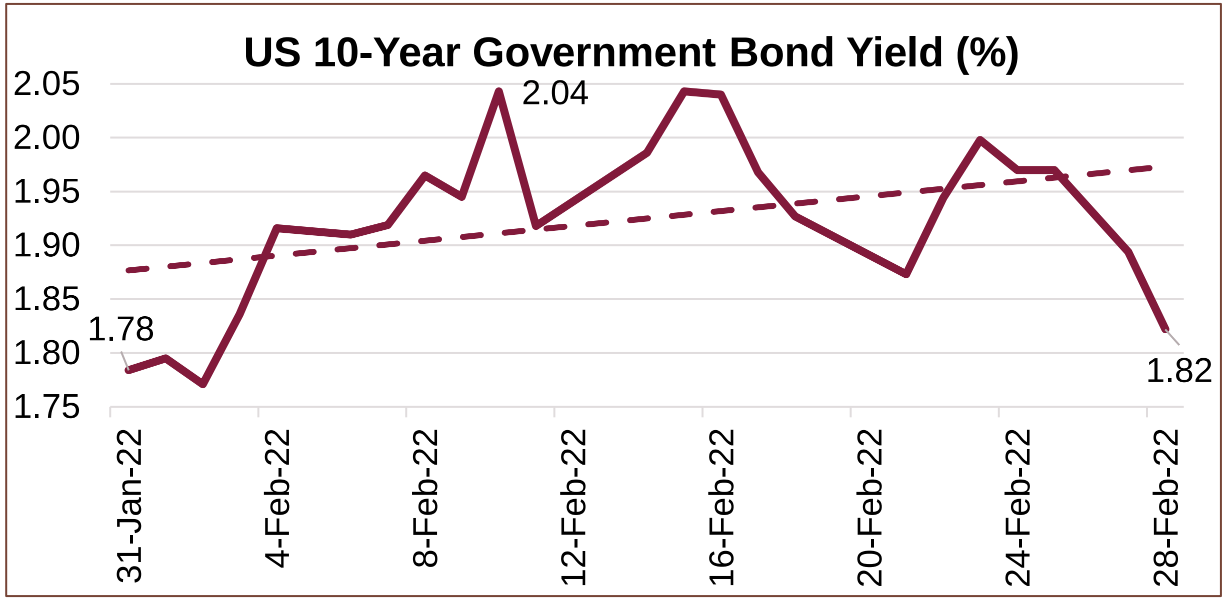
On persistent efforts by RBI to keep **liquidity ultra easy** and **accommodative policy for a long tenure**, a couple of months since November 2020 witnessed extreme **short-term banks, corporate and government borrowing rates remaining below its policy benchmark rates**. This gave RBI legroom for liquidity management and normalization by conducting **a variable rate reverse repo (VRRR) auction and CRR the rollback of CRR in a phased manner.** Further, in August 2021 policy meet the quantum of VRRR absorption from the market was increased over the next 2 months. RBIs persistent efforts to **ensure that the cost of short-term borrowings does not fall below that floor rate**, which is currently at 3.35% by conducting VRRR had not been yielding results off and on. **In the Oct policy meet the RBI decided to discontinue GSAP and step up VRRR further. Later in Dec, RBI decided to re-establish 14-day VRRR auction as a key liquidity management operation from the current 28-day VRRR.** Over time, the idea is to push up the rate at which liquidity is absorbed via these VRRR auctions, which would make it easier for the RBI to eventually raise that benchmark. During the month under review the **banks on an average are parking Rs. 7.99 lakh crore to the reverse repo window** as against Rs. 7.63 lakh crore in January



Source: IDFC AMC

Yields Movement Across - India and U.S.





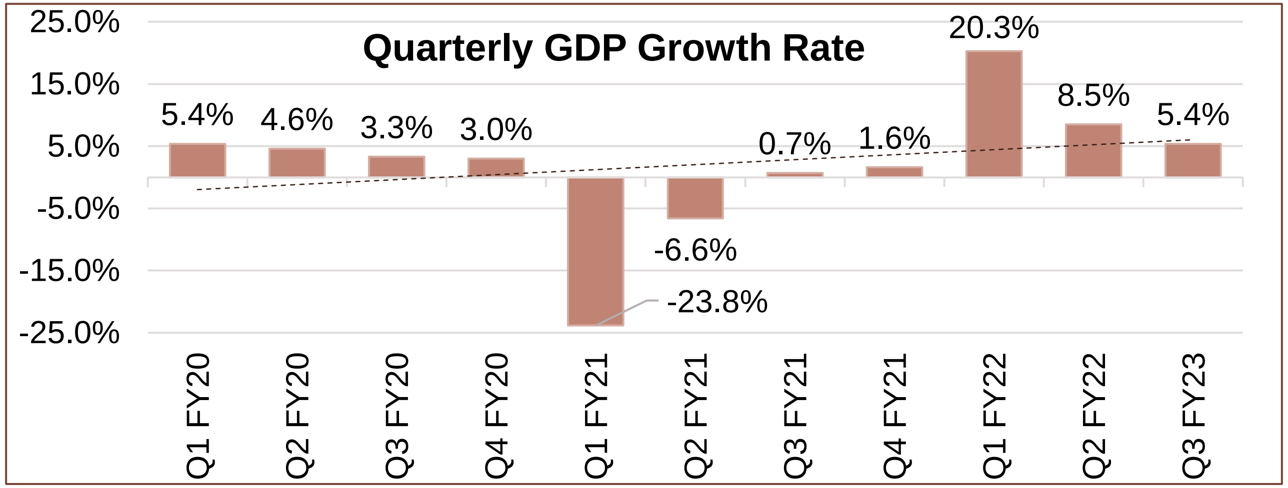
- <u>**10-year India Government Bond Yield:**</u> The India **10-Year Government Bond yields marginally hardened** during for the month to close at 6.77% as against 6.68% at the end of January. Bond yields initially rose after the government in the **Union Budget** announced a record borrowing for the next financial year. Later market sentiment also remained upbeat after the **Monetary Policy Committee** kept interest rates on hold in its monetary policy review and maintained an **accommodative stance** on the monetary policy. However, it rose once again following escalation in **geopolitical tensions** between Russia and Ukraine. Increase in global crude oil prices also weighed on the market sentiments.

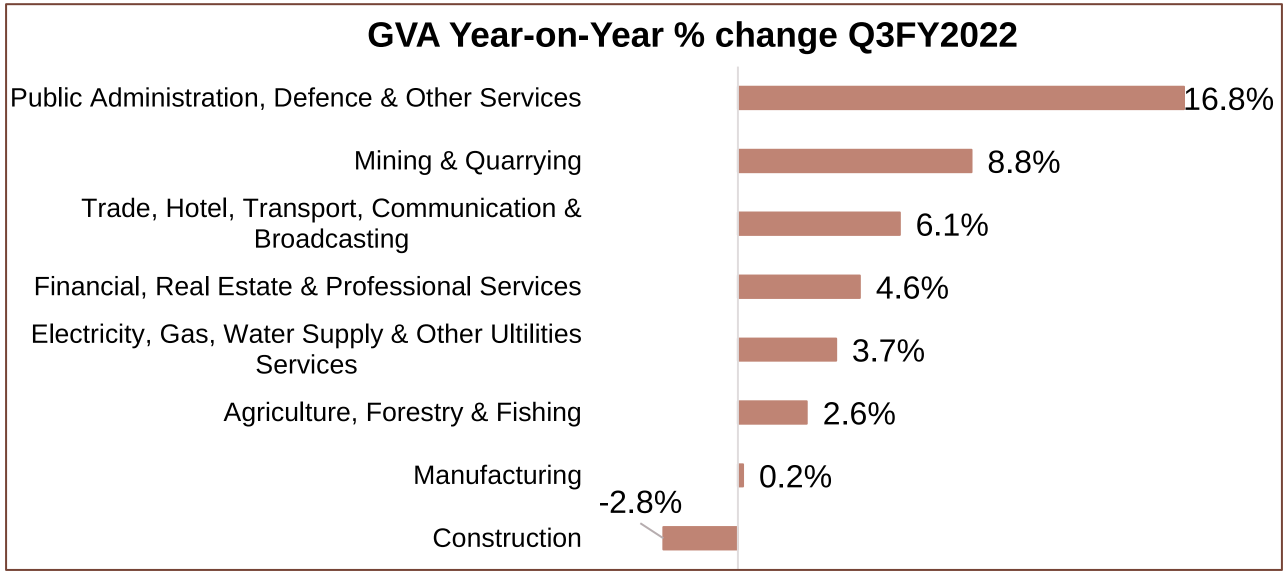
- <u>**U.S. Treasury Yield:**</u> **U.S. Treasury yields surged marginally** during the month from 1.78% at the end of Jan '22 to 1.82% by the end of Feb '22 after touching a high of 2.04% mid month. Initially during the month, U.S. Treasury prices rose sharply after Bank of England raised interest rates to 0.5% which made market participants to price in for similar moves by the Fed. To clamp down U.S. consumer inflation which accelerated to its highest level in 4 decades for Jan 2022. During the later half of the month, most of the losses were neutralized as persisting concerns over escalating geopolitical tensions between Russia and Ukraine boosted the safe-haven appeal of U.S. Treasuries.

Source: Investing.com

Event Update

Q3FY22 GDP in the positive territory for the fifth straight quarter





- Data released by the MOSPI on February 28 showed India's **GDP grew by 5.4% in the October – December quarter of 2021** which was 120 basis points lower than the RBI forecast of 6.6%, made in December 2021. In absolute terms for 9 months ended GDP just inched down the 2019-20 levels of Rs. 106.95 lakh crore v/s 2021-22 levels of Rs. 106.67 lakh crore.
- The statistics ministry's second advance estimate also saw it peg **GDP growth for FY22 at 8.9%,** 30 basis points lower than the first advance estimate of 9.2% on the back of dampening of activity levels is expected in Q3 and Q4 due to the Omicron wave.
- **Gross Value Added (GVA)** in Q3FY22 grew at a stronger pace (4.7%) as against a growth of 2.1% during the same period last year.
- The silver lining was that the **Private Final Consumption Expenditure (PFCE)**, which is a significant component of overall Gross Domestic Product (GDP) numbers, rose by 7.03% in Q3FY22 over Q3FY21 number, and came in at Rs. 23.22 lakh crore. At the same time, when calculated against Q3FY20, PFCE grew at 7.63%.
- **Government final consumption expenditure (GFCE)** rose by 3.42%, after the Centre announced a slew of schemes hoping to raise demand in the economy. At 3.56 lakh crore, GFCE constituted 9.3% of the GDP, down from 9.8% in Q1FY22. This too remained marginally above the FY19-20 levels by 3.07%.
- Investments, as reflected by **gross fixed capital formation (GFCF),** rose by a marginal 2.01% in quarter y-o-y, compared to 0.61% contraction in the same quarter previous year. The tepid growth in investment despite benign interest rates shows that the heavy lifting will have to be done by the government to hasten the recovery.

Source: MOSPI, News Articles

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