

Tata Capital Wealth

Market Outlook - December 2023



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Macro Indicators

	Current		Month Ago	Quarter Ago	Half Year Ago	Year Ago
Economic Indicators:						
PMI Manufacturing	56.0 (Nov-23)	↓	55.5 (Oct-23)	58.6 (Aug-23)	58.7 (May-23)	55.7 (Nov-22)
PMI Services	56.9 (Nov-23)	↓	58.4 (Oct-23)	60.1 (Aug-23)	61.2 (May-23)	56.4 (Nov-22)
Consumer Price Index (CPI)	4.9% (Oct-23)	↓	5.0% (Sep-23)	7.4% (Jul-23)	4.7% (Apr-23)	6.8% (Oct-22)
Wholesale Price Index (WPI)	-0.5% (Oct-23)	↑	-0.3% (Sep-23)	-1.2% (Jul-23)	-0.8% (Apr-23)	8.7% (Oct-22)
Industrial Production (IIP)	5.8% (Sep-23)	↑	10.3% (Aug-23)	4.0% (Jun-23)	1.9% (Mar-23)	3.3% (Sep-22)
GDP	7.6% (Sep-23)	↓	NA	7.8% (Jun-23)	6.1% (Mar-23)	6.2% (Sep-23)
Trade Deficit (\$ bn)	31.4 (Oct-23)	↑	19.4 (Sep-23)	18.4 (Jul-23)	14.4 (Apr-23)	26.3 (Oct-22)
Commodity Market:						
Brent Crude (\$/barrel)	82.8 (30-Nov-23)	↓	87.4 (31-Oct-23)	86.9 (31-Aug-23)	83.9 (31-May-23)	85.4 (30-Nov-22)
Gold (\$/oz)	2,038.1 (30-Nov-23)	↑	1,994.3 (31-Oct-23)	1,965.9 (31-Aug-23)	1,982.1 (31-May-23)	1,759.9 (30-Nov-22)
Silver (\$/oz)	25.7 (30-Nov-23)	↑	23.0 (31-Oct-23)	24.8 (31-Aug-23)	23.6 (31-May-23)	21.8 (30-Nov-22)
Currency Market:						
USD/INR	83.4 (30-Nov-23)	↑	83.3 (31-Oct-23)	82.7 (31-Aug-23)	82.7 (31-May-23)	81.4 (30-Nov-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: Indian equity markets rallied in November '23 as S&P BSE Sensex (4.5%) and Nifty 50 (5.2%) indices rose. For November 23, Smallcap indices fared better than both Midcap indices and Largecap indices. Nifty Midcap 100 and Nifty Smallcap 100 indices were up by (10.8%) and (12.0%), respectively.

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

- Domestic equity markets was upbeat due to multiple factors such as U.S. Federal Reserve kept the rates unchanged for the third consecutive time, U.S. Treasury yields fell on hopes of no further rate hikes, buoyant corporate earning numbers for the quarter ended Sep 2023 from some key domestic corporates and fall in the crude oil prices even as war in the middle east continued.
- However, gains were capped following disappointing trade data from China for Oct 2023 that underscored an uneven economic recovery and U.S. Federal Reserve Chief reignited rate hike worries.
- **FII's were net sellers** while **DII's were net buyers** not only for the month November, but also calendar year to date and in the past one year too.

Outlook:

- **Favorable and continuous improvement in macroeconomic factors and net positive DII flows for the current fiscal** have played a key role in the market rally. **Domestic high frequency indicators** like GST collections, purchasing managers index, credit growth and a stable retail core inflation (ex of food and energy) **augurs well for the Indian economy.**
- 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 crude oil prices, global liquidity conditions, geopolitical tensions and global central banks actions.** Looking at the sharp rally in the equity markets and the Nifty 50 crossing the 21,000 levels in early December, investors need to be cautious **and invest in staggered manner and follow the prescribed asset allocation. Investors may look at Large cap oriented funds along with Multi Asset, Balanced Advantage and Balanced Hybrid categories as these categories shall assist to manage the near term risks.**

Indian Equity Market Dashboard – November 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	
Indian Market Performance & Valuation											
S&P BSE Sensex	4.57	3.13	7.25	7.59	9.79	16.27	14.46	23.72	3.45	1.19	
Nifty 50	5.26	4.24	8.82	8.47	10.19	17.12	14.45	21.52	3.53	1.35	
Nifty 100	5.95	4.81	9.82	7.83	9.40	16.85	14.03	21.92	3.61	1.34	
Nifty 200	6.68	5.57	12.32	11.28	11.04	18.65	14.96	22.08	3.58	1.28	
Nifty 500	6.99	6.18	14.57	13.84	12.01	20.05	15.83	22.68	3.62	1.24	
Nifty Midcap 150	9.95	9.08	27.56	32.84	20.19	29.88	21.87	24.85	3.79	0.93	
Nifty Smallcap 250	10.22	12.42	35.36	38.24	20.17	34.28	22.06	25.63	3.40	0.95	
Nifty Microcap 250	10.92	13.56	50.16	58.65	35.78	52.53	27.36	29.01	2.76	0.75	
Sectoral Indices								Equity Market Flow			
Nifty Realty	19.86	28.74	50.74	59.12	21.40	40.14	25.70	Equity Flow (₹ Cr.)	1-Mth	CYTD	1 Yr.
Nifty Oil & Gas	10.87	8.66	13.13	-1.05	8.42	19.61	15.71				
Nifty Healthcare	10.51	8.26	26.87	23.75	9.01	14.18	14.58	FII	5,795	-46,392	-60,623
Nifty Pharma	9.93	7.40	29.54	24.61	9.92	11.94	12.69	DII	12,762	168,582	192,741
Nifty Energy	9.55	13.27	22.10	8.10	15.21	24.33	18.05	Source: Moneycontrol			
Nifty Auto	9.54	11.96	24.67	33.66	29.86	26.64	14.96				
Nifty Metal	8.52	5.18	18.55	7.29	18.29	36.22	19.48				
Nifty India Consumption	7.98	7.94	13.99	14.57	14.52	19.92	14.08				
Nifty Infrastructure	7.85	10.20	21.17	21.78	16.53	25.84	18.10				
Nifty IT	6.45	5.44	12.80	9.12	-1.68	16.51	19.71				
Nifty Services Sector	4.98	3.32	6.09	0.84	4.55	13.29	12.79				
Nifty Financial Services	4.28	1.85	2.75	4.60	7.93	12.80	12.59				
Nifty FMCG	3.92	3.25	4.66	18.01	21.18	20.88	13.80				
Nifty Bank	3.35	0.56	0.64	3.76	12.56	15.26	11.15				
Nifty PSU Bank	2.31	11.34	25.72	26.93	42.48	49.43	12.32				

Global Equity Market Dashboard - November 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									
Brazil	Ibovespa Sao Paulo	127,331	13.15	8.33	16.85	13.20	11.78	5.35	7.30
U.S.	Nasdaq 100	15,948	11.25	3.14	11.10	32.57	-0.58	9.14	18.06
Germany	DAX	16,215	10.19	2.04	1.93	12.63	3.63	6.85	7.57
U.S.	Russell 1000	2,502	9.86	1.17	8.80	11.73	-0.87	7.08	10.39
South Korea	Kospi	2,535	9.73	-1.01	-1.94	2.54	-5.50	-0.73	3.87
Japan	Nikkei	33,487	9.09	3.57	6.89	19.73	9.71	7.89	8.42
Taiwan	Taiwan Capitalization Weighted Stock	17,434	7.95	4.27	4.88	17.17	0.02	8.31	12.00
France	CAC 40	7,311	7.12	-0.73	1.40	8.49	4.29	9.83	7.87
Pan - Europe	Euronext 100	1,357	6.55	-0.32	1.44	5.48	2.22	7.63	6.88
India	Nifty 50	20,133	5.18	4.06	8.05	7.33	8.88	15.75	13.10
Indonesia	Jakarta Composite	7,081	5.12	1.64	6.70	-0.01	4.10	8.05	3.17
Switzerland	Swiss Market	10,854	4.55	-2.13	-3.79	-2.46	-5.52	1.19	3.73
UK	FTSE	7,454	1.72	-0.27	-0.91	-1.58	2.75	5.96	1.32
Malaysia	KLSE	1,453	0.94	0.06	4.00	-2.42	-2.04	-2.40	-2.86
Singapore	Strait Times	3,073	0.28	-4.57	-3.59	-6.61	0.52	3.08	-0.29
China	SSE Composite	3,030	0.27	-3.43	-6.03	-3.86	-7.80	-3.69	3.20
Hong Kong	HangSeng	17,043	-2.09	-7.79	-8.35	-8.36	-14.79	-13.51	-8.45

Data as on 30th November 2023. Performance shown is for Price Return Index. Source: ICRA MFI Explorer

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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 35.92
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 28.33
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 18.97
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 16.46
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 12.93
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	India 11.20
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	South Korea 13.36
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.K. 0.03
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	China -1.93
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 -13.84

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 30th November 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 39.65
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 34.20
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 18.74
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 14.41
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 11.17
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	Cash 6.67
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	G-Sec 6.19
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	Bonds 6.06
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 1.36

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

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

YTD Performance as on 30th November 2023. Source: ICRA MFI Explorer & RBI - DBIE

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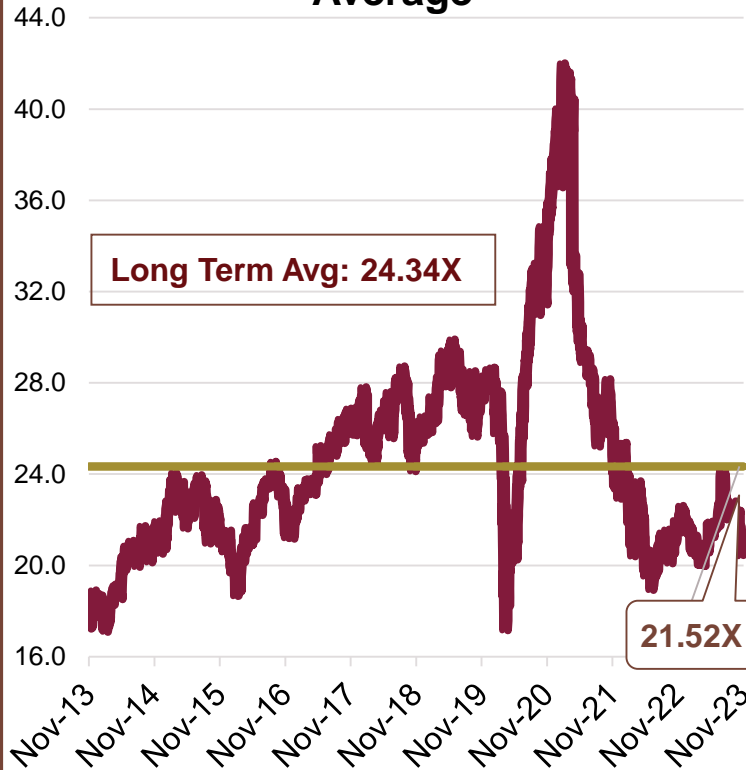
Valuations on the Trailing P/E, P/BV & Div. Yield Metrics

Nifty 12-month trailing P/E of 21.52X is lower than its historical long-term average of 24.34X

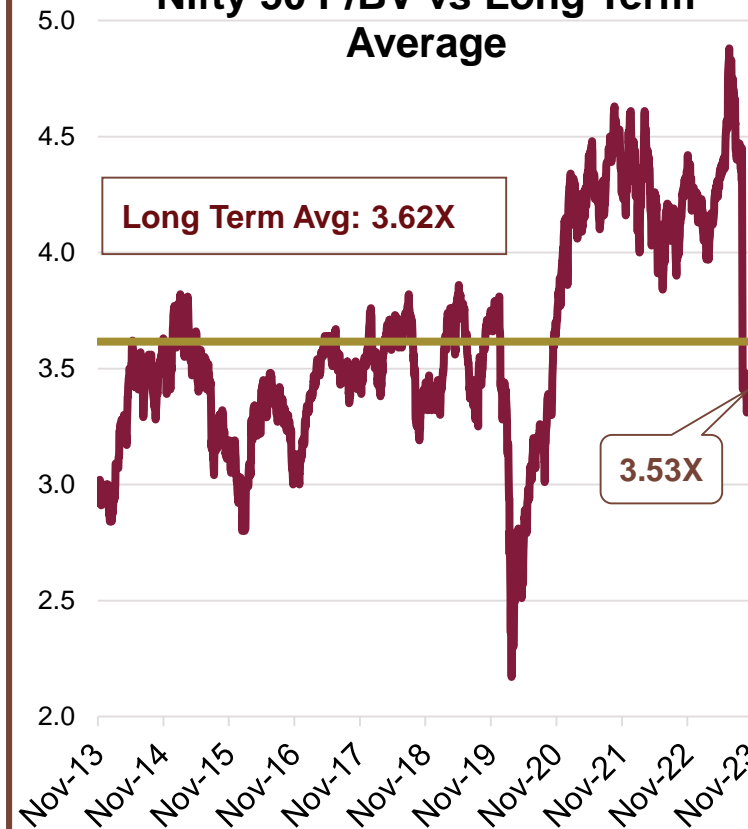
At 3.53X, the Nifty Trailing P/B is marginally lower than the historical long-term average of 3.62X

At 1.35%, the Nifty Trailing Dividend Yield is above the historical long-term average of 1.30%

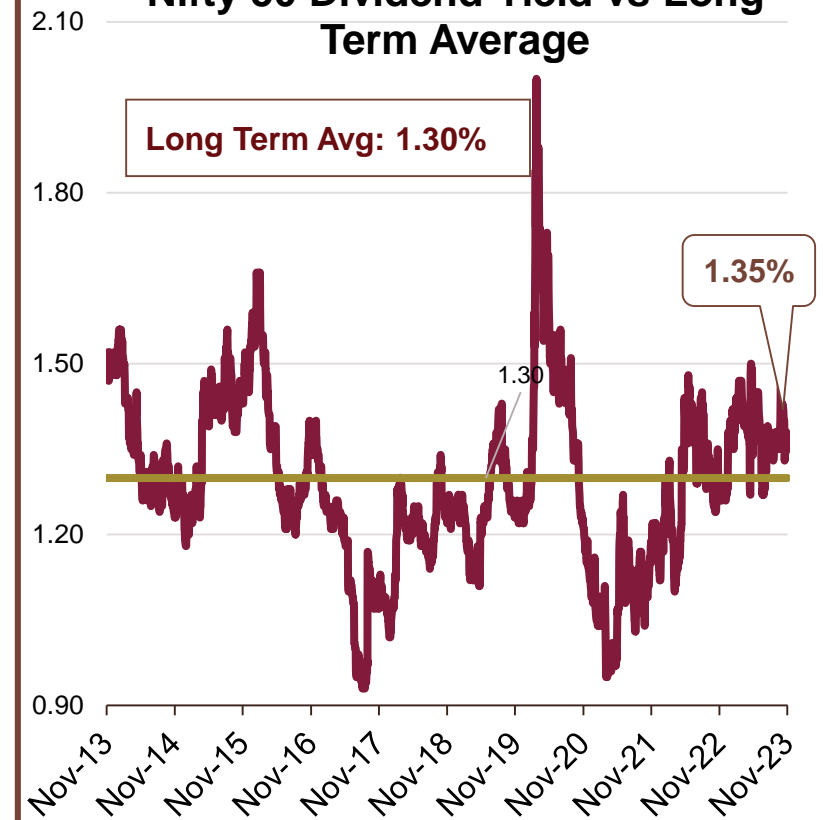
Nifty 50 P/E vs Long Term Average



Nifty 50 P/BV vs Long Term Average

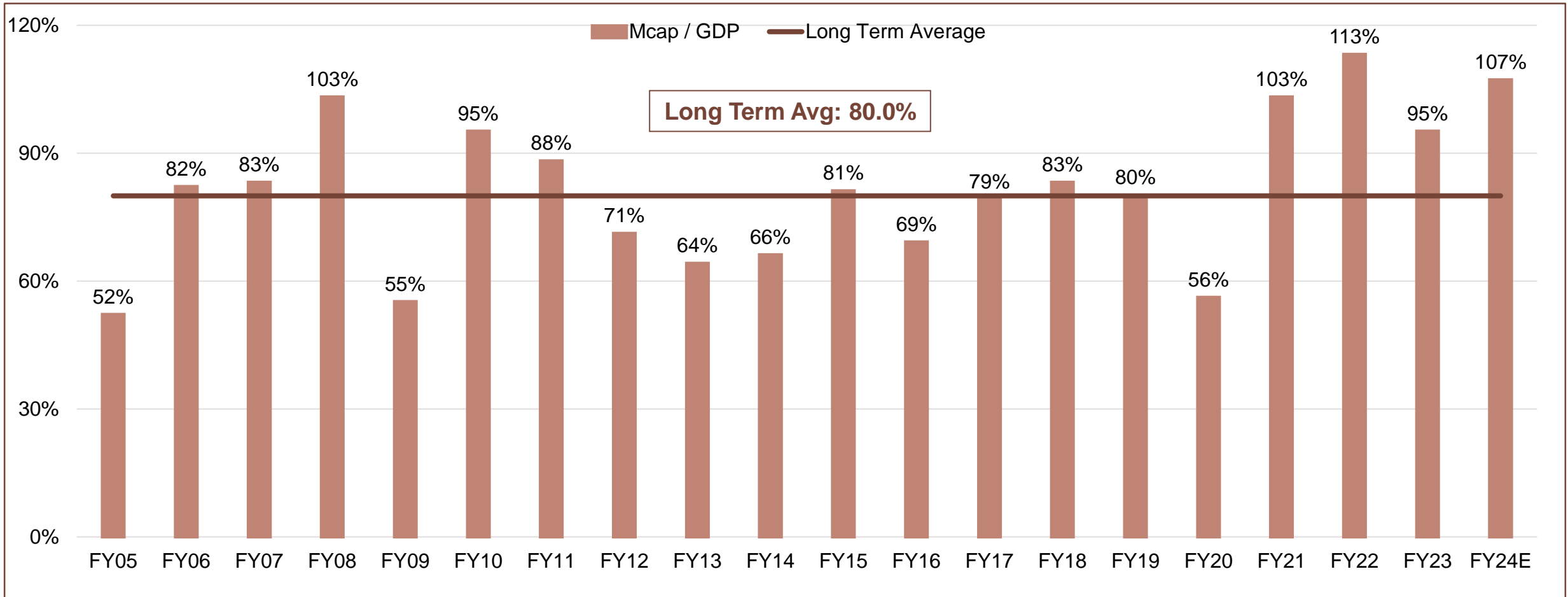


Nifty 50 Dividend Yield vs Long Term Average



Valuations on a Market Capitalisation / GDP perspective

On Market Capitalisation to GDP parameter (FY24E 107%), India is trading above the long-term average of 80%

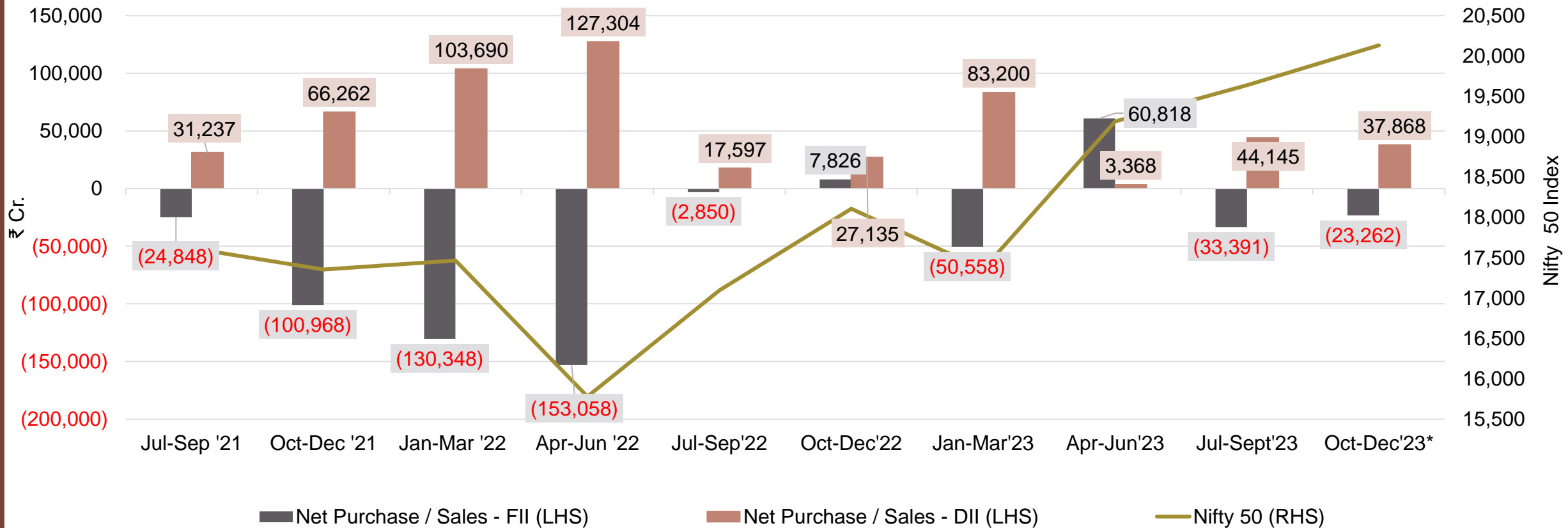


Source: Kotak AMC, Monthly Market Outlook, November '23

Quarterly FII & DII Flow into Equity

- FIIs remained net sellers of Indian equities in the ongoing Oct-Dec'23 quarter ~₹23,000 cr
- On the other hand, DIIs continued to remain net buyers in Q3FY24 purchasing equities worth ~₹38,000 cr.

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



* Data Updated upto 30th November 2023

Equity Mutual Fund Category Average Performance – Nov'23

- **For October month**, performance of all the equity categories were in green with Mid Cap, Contra & Small Cap outperforming the most. Among the sectoral funds, Healthcare and Infrastructure witnessed significant outperformance.
- 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, Multi Cap, and Dividend Yield categories. In case of sectoral/thematic categories, **Infrastructure, followed by the healthcare category has been the top performer** across given time frame as on November 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**, all categories delivered returns above 13% with Small Cap, Mid Cap, Technology, Healthcare and Infrastructure being the top performer.
- **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	6.06	5.37	11.87	11.43	9.55	16.63	13.46
Large & Mid Cap	7.97	6.61	17.44	18.81	12.80	21.98	16.64
Multi Cap	8.05	7.10	20.05	21.98	14.94	25.56	18.71
Flexi Cap	7.17	6.39	15.77	16.82	11.15	19.35	15.31
Mid Cap	9.02	7.73	23.08	27.38	16.45	26.29	19.92
Small Cap	8.64	8.61	26.09	32.40	19.03	33.79	23.71
Focused	7.40	6.23	14.98	14.72	10.50	19.20	15.25
ELSS	7.48	6.66	15.58	16.33	11.65	19.74	15.30
Contra	8.61	8.39	19.15	21.40	17.43	25.80	18.78
Dividend Yield	7.71	8.55	18.34	21.90	15.44	24.02	17.36
Value	8.32	8.37	20.02	22.11	16.27	24.23	16.26
Sectoral / Thematic							
Consumption	7.48	7.52	16.73	19.98	15.96	22.89	16.91
Infrastructure	8.59	8.85	24.61	31.49	22.52	34.35	20.55
Financial Services	5.45	5.63	10.56	13.53	14.26	17.09	13.25
FMCG	2.67	2.18	5.84	14.86	18.11	21.42	13.98
Healthcare	10.75	8.88	27.47	25.72	10.50	15.02	20.67
Technology	7.83	7.36	19.39	19.25	2.55	22.13	22.57
Others	8.06	8.04	19.38	21.94	15.32	24.16	17.47

Source: Morningstar Direct

Debt Market - Review



Debt Market Roundup - Key Takeaways

- The **India 10-Year G-sec yield for November closed at 7.28%** as against 7.35% at the end of October, as yields fell in line with the U.S. peer.
- The India 10-Year G-sec yield fell following the **fall in U.S. treasury yields due to downbeat economic data released**. Gains were extended following the October '23 month domestic retail inflation which remained below RBI's upper tolerance level for the second consecutive month. However, **mixed remarks from U.S. Federal Reserve kept the markets on tenterhooks**.
- Even as the India 10-Year G-sec paper marginally closed lower; the yields for the corporate papers largely ended higher, bringing the **spread between the two lower**.

Outlook:

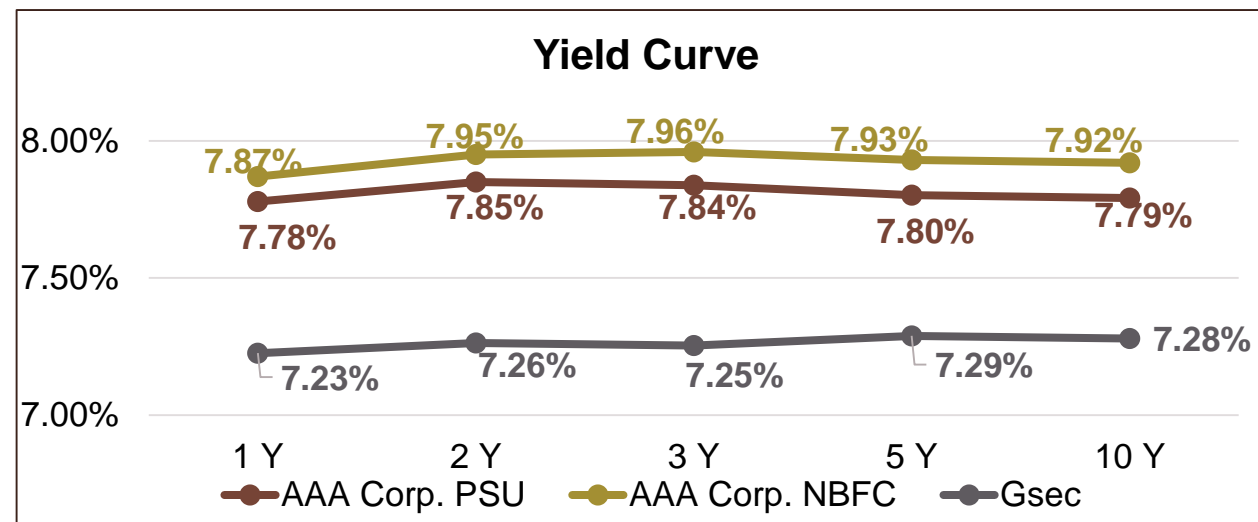
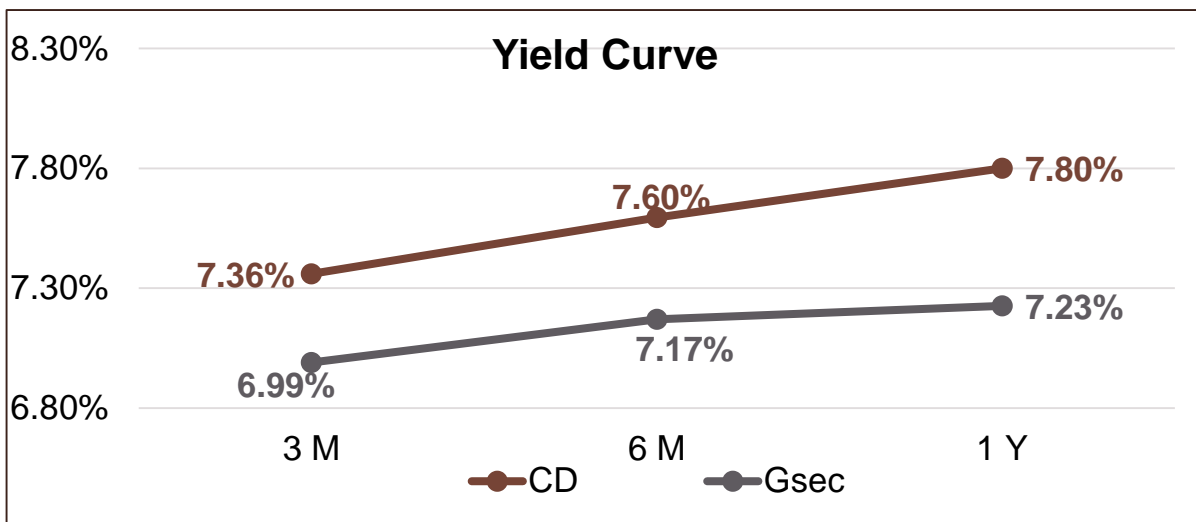
- With the **GDP for Q2FY24 (7.6%)** coming in above the RBI expected number (6.5%) and **RBI revising the full year FY24 growth numbers upwards to 7.0%** from 6.5%, the Indian economy presents a picture of resilience and momentum, against unsettled global economic backdrop.
- While the global economy is slowing, the **domestic conditions remain favorable to bonds considering falling inflation as well as inclusion in JP Morgan Index**. Inclusion in the JP Morgan EM Bond Index will likely lead to inflows of around \$20-25 billion in FY25. Active FII flows have already started in the past few months.
- **However, headwinds from geopolitical tensions and geo-economic fragmentation, volatility in global financial markets and global economic slowdown continue to pose risks**.
- **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 (30 Nov'23)	One Month Ago (31 Oct'23)	One Quarter Ago (31 Aug'23)	Half Year Ago, (31 May'23)	One Year Ago, (30 Nov'22)	M-o-M Change (bps)
Interest Rates						
Repo rate	6.50%	6.50%	6.50%	6.50%	5.90%	0
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	0
CD Rates						
3 month	7.36%	7.27%	7.08%	6.97%	6.85%	9
6 month	7.60%	7.49%	7.20%	7.23%	7.22%	11
1 Year	7.80%	7.73%	7.45%	7.45%	7.60%	8
T-Bill/G-sec						
91 Days	6.96%	6.89%	6.81%	6.76%	6.39%	7
364 Days	7.14%	7.16%	7.03%	6.91%	6.84%	-2
India 10 Year G-Sec Yield	7.28%	7.35%	7.17%	6.99%	7.28%	-7
AAA Corp. Bonds (PSU)						
1 Year	7.78%	7.64%	7.65%	7.37%	7.46%	14
3 Year	7.84%	7.76%	7.61%	7.40%	7.32%	8
5 Year	7.80%	7.72%	7.58%	7.42%	7.53%	8
AAA Corp. Bonds (NBFC)						
1 Year	7.87%	7.77%	7.78%	7.64%	7.68%	10
3 Year	7.96%	7.92%	7.81%	7.69%	7.55%	4
5 Year	7.93%	7.91%	7.77%	7.69%	7.76%	2
US Markets						
10 Year US Treasury Yield	4.33%	4.93%	4.11%	3.65%	3.61%	-60
Currency & Commodity						
USD/ INR	83.36	83.26	82.70	82.65	81.37	↑
Crude Brent (\$/Barrel)	82.83	87.41	86.86	83.89	85.43	↓

- Yields on the 10-year U.S. Treasury fell at a fast pace as market participants held onto a cautious optimism, that the U.S. Fed was done hiking interest rates.
- In line with the U.S. markets, yield on the India 10-year benchmark closed at 7.28% lower than the previous month's close of 7.35%.
- Corporate bond yields of PSU's and NBFC's largely closed the month higher even as the U.S. Treasury and domestic yields fell.
- Though, for the past 5 policy meets 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.
- Even as war in the Middle East continued, Crude fell by over \$5 during the month.

Yield Curve and Policy Rates & Reserve Ratios – as on 30 November 2023

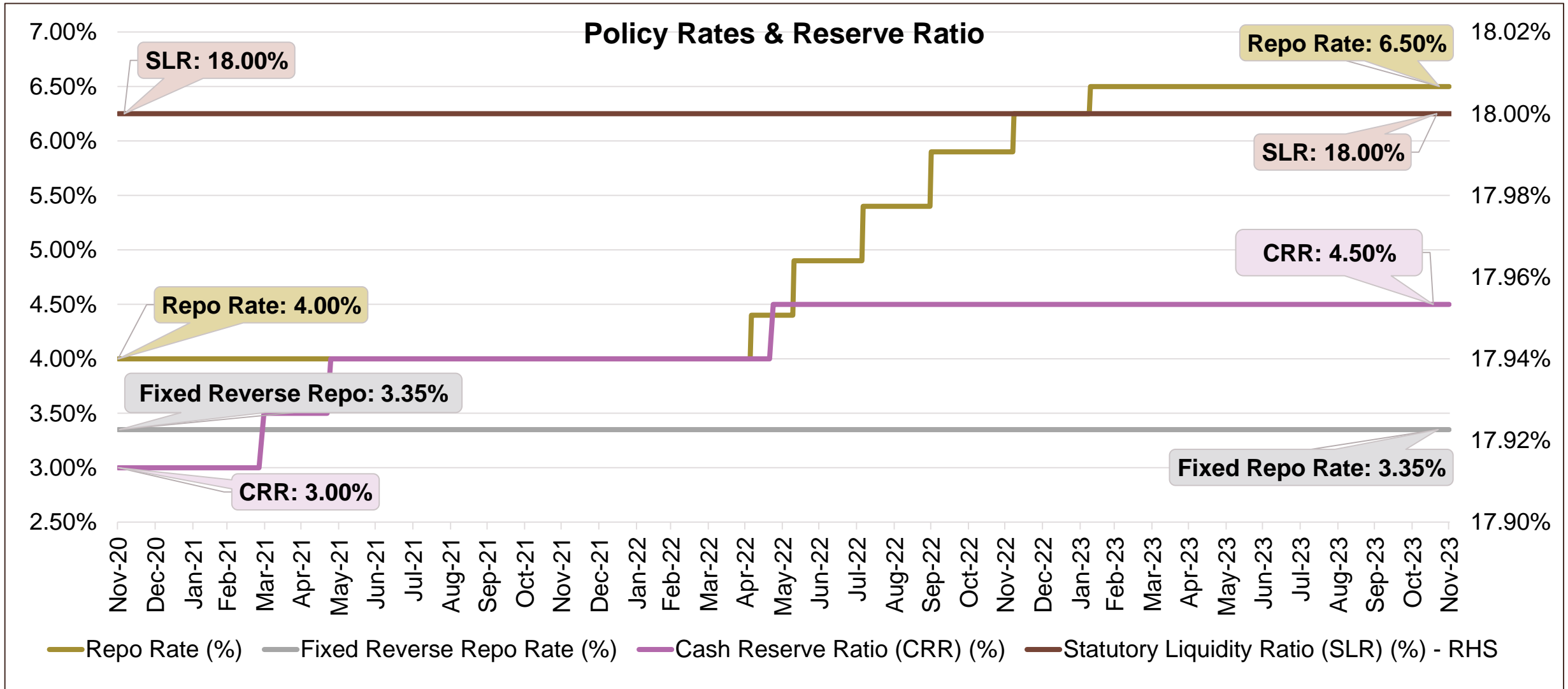


Data as on 30 November '23; Source: Bandhan AMC, Investing.com

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%

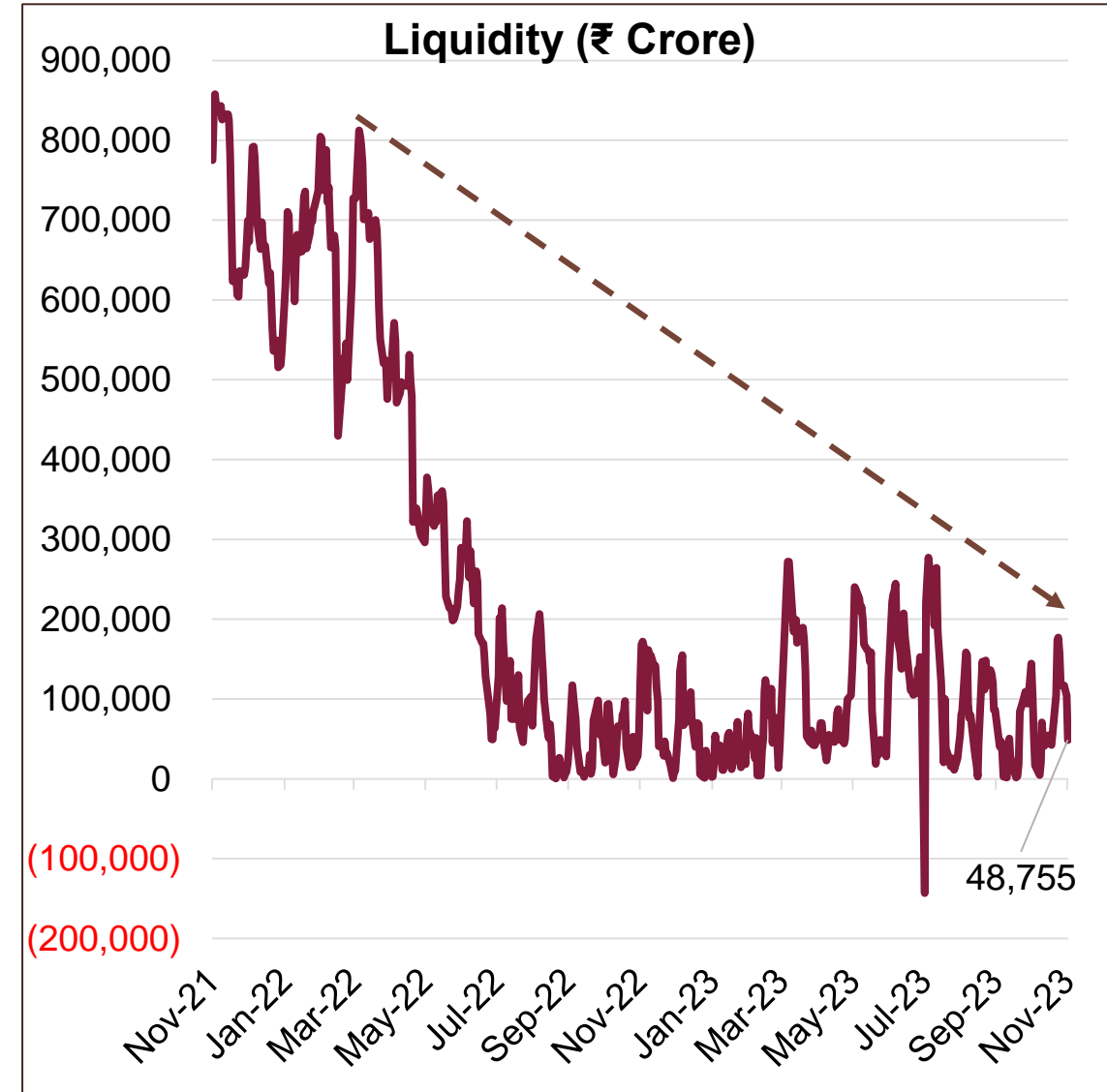
- In May '22, in an off cycle monetary policy committee (MPC) meeting the interest rates were increased. Then **the short end of the yield curve was steep in shape.**
- Now over a year and a half after the rate hike cycle had begun, the yield curve has almost flattened.
- **The 10 Year minus 3 Months spread was at 87 bps in Nov '22 whereas at the end of Nov '23 it has reduced to 29 bps.**
- **Yields have remained higher across categories and maturity profiles in Nov '23 V/S Oct '23.**
- At present, the spread between AAA Corporate Bond (NBFCs) and G-sec is lower at 60-70 bps as compared to a year ago of 50-90 bps.
- In **Dec '23 policy meet**, though the RBI did not increase the policy rates, however said it would allow reversal of liquidity SDF & MSF during weekends.

Policy rate & Reserve Ratio movement since November '20



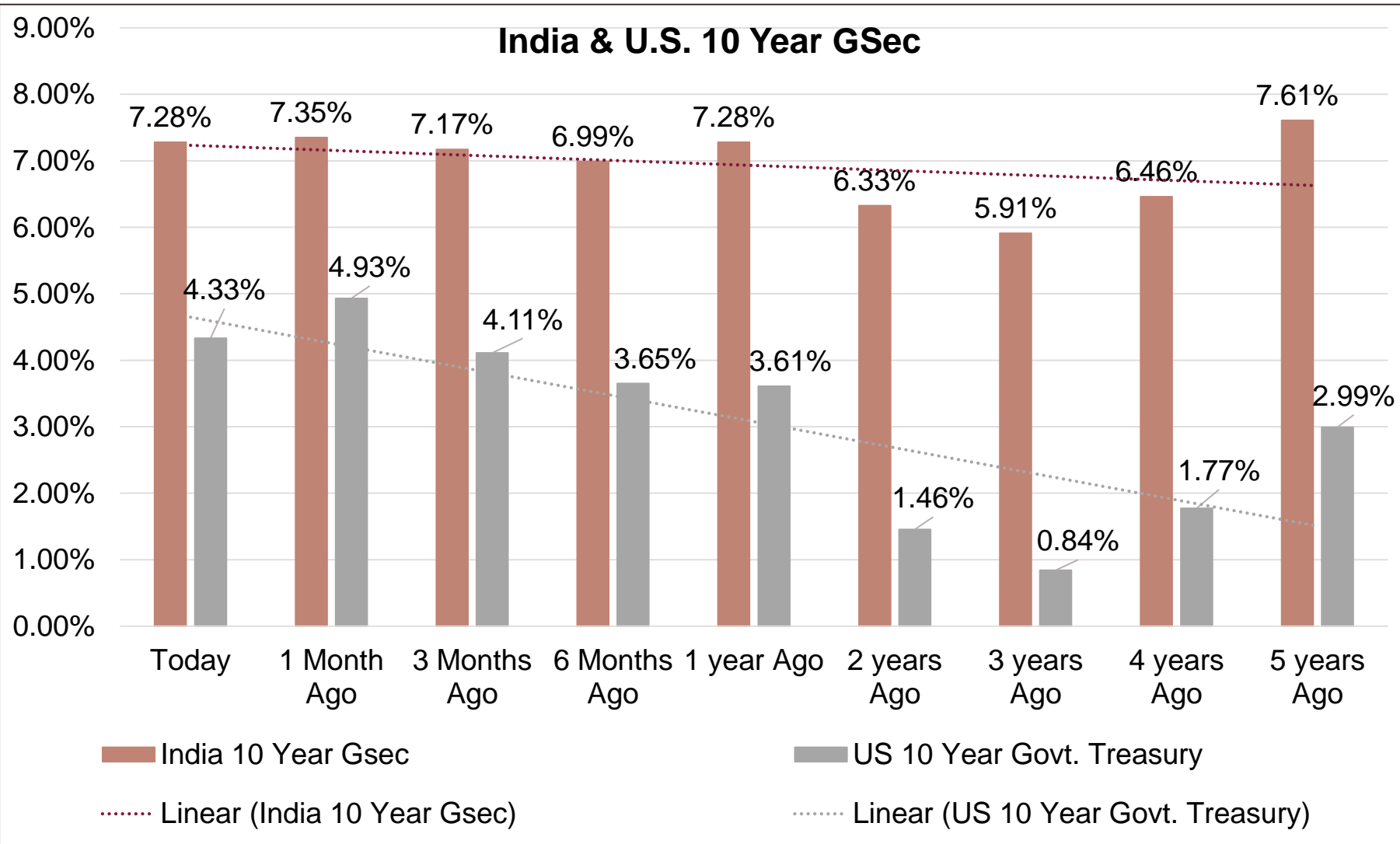
Liquidity in the system

- 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.**
- Like most other central banks, the RBI had injected additional liquidity into the system to counter the COVID-19 related onslaught on the economy. Consequently, the size of Reserve Bank's balance sheet had expanded significantly. Persistence of such expanded balance sheet far too long could have created macroeconomic and financial instability; thus the **Reserve Bank has successfully reduced its balance sheet size well in time.**
- **System liquidity, as measured by the net position under the liquidity adjustment facility (LAF), turned into deficit mode for the first time in September 2023** after a gap of nearly 4.5 years since May 2019. Deficit liquidity conditions persisted during October and November prompting large recourse to the marginal standing facility (MSF) by banks. In parallel, utilisation of the standing deposit facility (SDF) has also been high.
- RBI to remain nimble footed on liquidity – allows reversal of liquidity under SDF & MSF during weekends.



Source: Bandhan AMC

Yields Movement across India and U.S. - as on 30 November 2023



- The **10-year Indian G-sec** has now been trading above ~7% levels.
- After touching a 16 year high in Oct '23, the **U.S. Govt. Treasury yields** fell by 60 bps in Nov '23 to 4.33%.
- **U.S. Fed** kept interest rates unchanged for the second consecutive meeting held in Nov '23.
- In case of U.S., the yields have risen from 3.6% from a year ago to 4.3% at present. **While for the Indian markets, the yields have remained flat at 7.28% during the past one year.**

Source: G Sec – Investing.com

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

➤ The YTM's have gone up in the past one year in the broad category of Money Market, Accrual and Duration Funds. While for Passives, the yields were rather flattish.

➤ 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				
	Oct-23	Jul-23	Apr-23	Oct-22	Oct-21	Oct-23	Jul-23	Apr-23	Oct-22	Oct-21	Oct-23	Jul-23	Apr-23	Oct-22	Oct-21
Money Market															
Liquid	7.17	6.88	6.99	6.50	3.68	0.11	0.11	0.11	0.09	0.08	0.10	0.11	0.11	0.09	0.08
Ultra Short Duration	7.50	7.17	7.31	7.02	4.06	0.43	0.42	0.43	0.37	0.38	0.39	0.39	0.40	0.33	0.34
Low Duration	7.70	7.40	7.50	7.32	4.35	1.17	1.16	1.24	1.33	1.16	0.79	0.80	0.78	0.65	0.64
Money Market	7.39	7.14	7.34	6.96	3.96	0.32	0.47	0.61	0.33	0.27	0.31	0.46	0.58	0.33	0.26
Accrual															
Short Duration	7.69	7.47	7.44	7.41	4.90	3.12	2.93	2.76	2.08	2.22	2.29	2.24	2.12	1.54	1.64
Medium Duration	7.97	7.78	7.69	7.63	5.97	4.77	4.67	5.16	3.89	3.97	3.29	3.20	3.17	2.68	2.95
Banking & PSU Debt Fund	7.68	7.47	7.42	7.36	5.13	4.05	4.10	4.29	3.00	3.39	2.52	2.58	2.39	1.84	2.36
Corporate Bond Fund	7.73	7.52	7.52	7.48	5.12	3.52	3.58	3.34	2.60	2.99	2.49	2.56	2.37	1.66	2.08
Floating Rate	7.85	7.66	7.78	7.37	4.75	3.75	3.57	3.94	3.60	3.77	1.27	1.11	1.10	0.97	1.19
Credit Risk	8.30	8.09	8.04	7.99	5.87	3.19	3.27	3.78	2.51	2.42	1.75	1.69	1.70	1.62	1.77
Duration															
Medium To Long Duration	7.60	7.39	7.36	7.45	5.69	9.08	7.21	7.44	5.91	5.79	5.77	4.83	4.91	3.97	4.01
Long Duration Fund	7.60	7.39	7.37	7.66	6.94	20.92	19.51	19.56	16.88	19.10	9.35	9.06	9.16	8.71	9.59
Dynamic Bond	7.56	7.38	7.41	7.25	5.39	6.55	5.56	5.96	4.03	4.61	4.15	3.64	3.80	2.39	3.16
Gilt	7.48	7.23	7.23	7.05	5.43	8.82	6.65	6.57	4.23	6.85	5.36	4.34	4.38	2.64	3.60
Gilt - 10 Year	7.49	7.28	7.25	7.43	6.35	9.72	9.45	9.55	9.53	9.58	6.69	6.52	6.68	6.64	6.78
Passives															
Target Maturity Funds / Index Funds	7.57	7.39	7.30	7.53	6.22	4.67	4.87	5.09	4.79	5.87	3.62	3.77	3.92	3.74	4.54

Debt Category Average Performances - November 2023

- **During the month** under consideration, all the categories were in the green with Duration funds registering the highest returns
- With respect to the **3 months and 6 months trailing returns** too, all the categories were in the green delivering with the Duration category underperforming the most.
- **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, Liquid, Medium Duration, Short Duration, Floating Rate, Corporate Bonds, 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.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Money Market							
Overnight	0.55	1.65	3.29	6.52	5.44	4.65	4.62
Liquid	0.52	1.58	3.16	6.48	5.34	4.54	4.86
Ultra Short Duration	0.52	1.56	3.19	6.63	5.31	4.74	5.37
Low Duration	0.52	1.50	3.17	6.74	5.25	4.76	5.47
Money Market	0.54	1.62	3.31	6.97	5.55	4.86	5.82
Accrual							
Short Duration	0.60	1.26	2.51	6.18	5.03	4.59	5.97
Medium Duration	0.67	1.13	2.18	6.20	4.90	5.20	5.42
Banking & PSU Debt Fund	0.58	1.27	2.54	6.31	4.66	4.35	6.68
Corporate Bond Fund	0.58	1.27	2.60	6.43	4.61	4.34	6.61
Floating Rate	0.57	1.52	3.47	7.10	5.40	5.03	6.46
Credit Risk	0.58	2.09	3.59	7.60	9.72	9.12	4.79
Duration							
Medium To Long Duration	0.79	0.61	1.29	5.61	3.80	3.69	5.80
Long Duration Fund	0.76	-0.06	-0.01	6.03	3.38	3.00	7.02
Dynamic Bond	0.72	0.81	1.74	5.82	4.20	4.10	6.23
Gilt	0.84	0.75	1.59	5.87	3.81	3.55	6.71
Gilt - 10 Year	1.01	0.62	1.14	6.42	3.23	3.13	7.15
Passives							
Target Maturity Funds / Index Funds	0.78	1.13	2.12	6.49	4.14	4.71	0.00

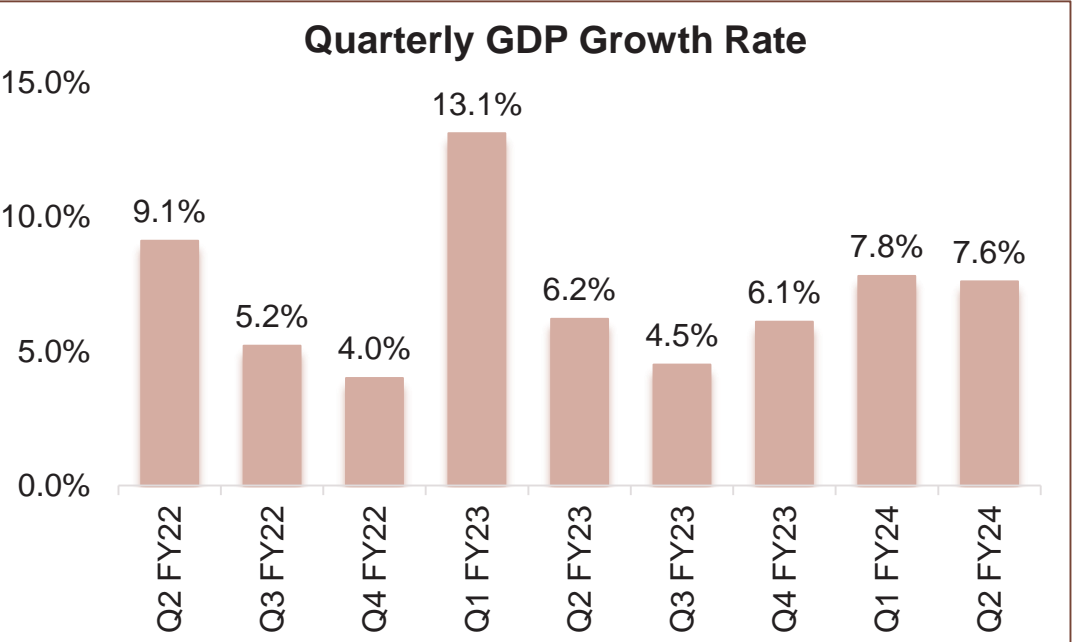
Returns of Credit risk have been adjusted for one time anomalies in the category.

Source: Morningstar Direct

Event Update

India's Q2FY24 GDP accelerates to 7.6%, surprises on the upside

- Key Highlights**
- India's Gross Domestic Product (GDP) for the **July - September quarter (Q2FY24) grew by 7.6%** compared to 7.8% growth rate witnessed in Q1FY24.
 - The **RBI had predicted** a growth rate of 6.5% in Q2FY24.
 - **Real GDP** at constant prices in the Q2FY24 stood at ₹41.7 lakh cr as against ₹38.8 lakh cr in Q2FY23.



- Gross Value Added (GVA)**
- **Gross Value Added (GVA)** at constant prices in Q2FY24 grew at 7.4% with Manufacturing (13.9%) and Construction (13.3%) growing at the fastest rate among other sectors.

- Private Final Consumption Expenditure**
- **Private final consumption expenditure (PFCE)**, which is taken as a proxy for household consumption, slowed to 3.1% in Q2 from 6.0% in the previous quarter, partly due to severe slowdown in the rural demand.

- Government Final Consumption Expenditure**
- The data however, revealed that **government final consumption expenditure (GFCE)** expanded in the second quarter of the fiscal by 12.4% as against the contraction of 0.7% in the first quarter of the fiscal.

- Gross Fixed Capital Formation**
- The growth in **gross fixed capital formation (GFCF)**, a proxy for infrastructure investment, was at a 5-quarter high of 11.0% in Q2FY24.

RBI MPC maintains status quo; hikes the FY24 GDP estimates to 7.0%

Key Highlights

- MPC unanimously keeps repo rate unchanged at 6.50%
- Cash reserve ratio (CRR) kept unchanged at 4.50%
- MPC voted by majority on “**withdrawal of accommodation**”
- For FY24, **retail inflation target maintained at 5.4%**
- **FY24 Real GDP growth rate hiked to 7.0%** from 6.5%
- **RBI to remain nimble footed on liquidity** – allows reversal of liquidity under SDF & MSF during weekends

Policy Rates / Reserve Ratio	6 Oct '23	8 Dec '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

- The **global growth continues to be fragile** under the impact of world trade is decelerating, elevated debt levels, lingering geopolitical hostilities and extreme weather conditions.
- **Domestic economic activity exhibited buoyancy** in Q2 aided by strong domestic demand. **Manufacturing sector** gained strength with easing input cost pressures and pickup in demand conditions. The **services sector** buoyancy has remained intact as reflected in high frequency indicators.
- On the **demand front**, households' consumption is supported by durable urban demand and gradual turnaround in rural demand as reflected in sales of fast-moving consumer goods (FMCG) and other indicators.
- Considering all these factors, **real GDP growth for FY24 is projection has been revised upwards to 7.0% from 6.5% projected in Oct '23.**

Inflation Outlook

- The **disinflation in core gathered momentum during September-October** and reached levels last seen during Q4FY20 due to the combined effect of policy rate increases and reduction in cost-push pressures across core goods and services.
- **Going ahead**, inflation outlook would be considerably influenced by uncertain food prices. High frequency food price indicators point to an increase in prices of key vegetables which may push **CPI inflation higher in the near-term.**
- Considering all these factors, **inflation projection for the full year was maintained at 5.4%.**

Thank You!

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