

Tata Capital Wealth

Market Outlook - March 2024



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Macro Indicators

	Current		Month Ago	Quarter Ago	Half Year Ago	Year Ago
Economic Indicators:						
PMI Manufacturing	56.9 (Feb-24)	↑	56.5 (Jan-24)	56.0 (Nov-23)	58.6 (Aug-23)	55.3 (Feb-23)
PMI Services	60.6 (Feb-24)	↑	61.8 (Jan-24)	56.9 (Nov-23)	60.1 (Aug-23)	59.4 (Feb-23)
Consumer Price Index (CPI)	5.1% (Feb-24)	↓	5.1% (Jan-24)	5.6% (Nov-23)	6.8% (Aug-23)	6.4% (Feb-23)
Wholesale Price Index (WPI)	0.2% (Feb-24)	↓	0.3% (Jan-24)	0.4% (Nov-23)	-0.5% (Aug-23)	3.9% (Feb-23)
Industrial Production (IIP)	3.8% (Jan-24)	↓	4.2% (Dec-23)	11.6% (Oct-23)	6.2% (Jul-23)	5.8% (Jan-23)
GDP	8.4% (Dec-23)	↑	NA	8.1% (Sep-23)	8.2% (Jun-23)	4.3% (Dec-22)
Trade Deficit (\$ bn)	17.5 (Jan-24)	↓	19.8 (Dec-23)	29.9 (Oct-23)	19.0 (Jul-23)	17.0 (Jan-23)
Commodity Market:						
Brent Crude (\$/barrel)	78.3 (29-Feb-24)	↑	75.8 (31-Jan-24)	76.0 (30-Nov-23)	83.6 (31-Aug-23)	82.6 (28-Feb-23)
Gold (\$/oz)	2,054.7 (29-Feb-24)	↓	2,067.4 (31-Jan-24)	2,057.2 (30-Nov-23)	1,966.0 (31-Aug-23)	1,836.7 (28-Feb-23)
Silver (\$/oz)	22.9 (29-Feb-24)	↓	23.2 (31-Jan-24)	25.7 (30-Nov-23)	24.8 (31-Aug-23)	21.0 (28-Feb-23)
Currency Market:						
USD/INR	82.9 (29-Feb-24)	↓	83.1 (31-Jan-24)	83.3 (30-Nov-23)	82.7 (31-Aug-23)	82.6 (28-Feb-23)

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: The S&P BSE Sensex rose 0.9% in Feb'24, in line with the global peers. The Nifty 50 Index outperformed the S&P BSE Sensex, rising by 1.3% while the Nifty Small cap index ended the month at 1.7%.

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

- During the month, domestic equity markets witnessed healthy gains and reached a fresh high as negative sentiments underpinned by **better-than-expected quarterly earning updates from some of the index heavy-weights. India remains strong relative to emerging markets driven by healthy credit demand & robust high-end consumption demand and narrative around policy continuity in upcoming general elections.**
- However, **rise in global crude oil prices** due to conflict in the Red sea that threatened a disruption in global trade and crude oil supplies; impacted market sentiments.
- **Strong buying was seen by DIIs during the month while the FIIs were net sellers.**

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, surge in manufacturing activities 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 near-term drivers for equity market are – Corporate earnings for the last quarter of the fiscal, monetary policy outlook from major central banks including the US Fed and the RBI and movement in crude oil prices. Looking at the sharp rally in the equity markets, investors need to be cautious **and invest in staggered manner and follow asset allocation as per their risk profile. 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 – February 2024

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	0.90	8.53	11.80	24.51	15.00	15.22	16.48	24.80	3.68	1.13
Nifty 50	1.26	9.58	14.05	28.40	15.73	16.12	16.64	22.70	3.85	1.22
Nifty 100	2.33	12.05	17.16	33.15	16.31	16.63	16.80	22.37	4.02	1.21
Nifty 200	2.09	12.29	18.31	36.90	18.41	18.24	17.87	23.62	3.99	1.15
Nifty 500	2.04	12.38	19.06	39.58	19.69	19.35	18.79	24.37	4.04	1.11
Nifty Midcap 150	1.02	12.71	22.79	57.08	30.45	27.42	25.42	26.96	4.23	0.85
Nifty Smallcap 250	1.69	14.27	28.23	68.56	30.78	30.49	26.14	28.85	3.86	0.83
Nifty Microcap 250	0.70	14.39	29.58	96.43	46.33	45.98	32.90	28.76	3.19	0.61
Sectoral Indices										
Nifty PSU Bank	14.09	35.96	52.56	90.49	63.55	44.03	21.00			
Nifty Realty	9.21	29.45	66.61	131.92	44.89	37.90	32.15			
Nifty Pharma	8.06	19.10	25.99	62.81	22.19	17.64	17.33			
Nifty Auto	7.89	16.80	31.08	61.30	38.47	27.26	20.92			
Nifty Oil & Gas	7.25	36.51	46.76	66.01	26.75	24.86	21.64			
Nifty Healthcare	7.23	18.45	26.24	60.27	22.32	19.56	19.44			
Nifty Energy	5.43	33.17	50.36	81.42	28.15	29.80	23.93			
Nifty IT	3.29	16.02	23.38	29.48	7.71	17.99	21.49			
Nifty India Consumption	2.23	10.36	18.75	38.88	21.46	20.49	17.13			
Nifty Infrastructure	2.06	23.81	35.65	62.40	30.95	26.70	24.38			
Nifty Services Sector	1.62	8.50	11.67	22.04	10.10	11.70	14.47			
Nifty Bank	1.49	3.49	3.65	15.45	13.78	10.55	12.01			
Nifty Metal	1.05	13.00	19.94	50.81	17.57	29.75	24.67			
Nifty Financial Services	0.00	2.07	3.16	14.53	10.76	9.09	13.40			
Nifty FMCG	-1.54	2.96	6.33	21.71	25.34	20.67	14.99			

Equity Market Flow			
Equity Flow (₹ Cr.)	1-Mth	CYTD	1 Yr.
FII	-15,963	-51,841	-15,610
DII	25,379	52,123	180,954

Source: Moneycontrol

Global Equity Market Dashboard - February 2024

Country	Index Name	Index Value	Absolute(%)				CAGR (%)		
			1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
Global Market Indices									
Japan	Nikkei	39,166	8.71	17.54	21.53	42.57	21.48	10.55	12.85
South Korea	Kospi	2,642	5.67	4.86	3.53	9.48	-1.06	-4.27	3.77
Taiwan	Taiwan Capitalization Weighted Stock	18,967	4.68	9.19	14.10	22.03	3.64	5.92	12.77
China	SSE Composite	3,015	4.57	-0.22	-3.85	-8.04	-6.67	-4.92	0.50
Germany	DAX	17,678	4.35	9.35	10.97	15.01	10.55	8.62	8.94
France	CAC 40	7,927	3.75	9.08	7.51	9.05	9.10	11.57	8.62
U.S.	Russell 1000	2,796	3.41	12.18	13.52	27.70	7.41	8.96	12.57
Hong Kong	HangSeng	16,511	2.70	-2.84	-10.67	-16.51	-14.72	-17.05	-10.42
Pan - Europe	Euronext 100	1,459	2.61	7.87	6.95	8.10	7.23	9.09	7.43
U.S.	Nasdaq 100	18,044	2.54	12.86	17.35	49.67	12.56	11.78	20.49
Malaysia	KLSE	1,551	2.38	7.29	6.67	6.67	-1.78	-0.56	-1.90
Indonesia	Jakarta Composite	7,316	2.22	3.98	5.15	6.89	3.04	5.42	2.57
India	Nifty 50	21,983	1.13	9.39	13.65	26.96	14.39	14.76	15.27
Brazil	Ibovespa Sao Paulo	129,020	0.40	2.26	8.97	22.89	6.75	5.43	6.18
Switzerland	Swiss Market	11,439	0.08	5.89	2.99	3.06	-2.31	2.82	4.02
Singapore	Strait Times	3,142	0.05	1.85	-2.52	-3.69	-1.56	2.13	-0.44
UK	FTSE	7,630	-0.04	2.78	2.21	-3.12	1.14	5.56	1.52

Data as on 29th February 2024. Performance shown is for Price Return Index. Source: ICRA MFI Explorer (<http://www.icraanalytics.com/legal/standard-disclaimer.html>)

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Global Equity Market Performance across Calendar years

2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	YTD (%)
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 43.42	Japan 17.04
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 28.24	U.S.-Nasdaq 7.20
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 24.23	U.S.- S&P 500 6.84
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 20.31	Germany 5.53
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	India 20.03	France 5.09
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	South Korea 18.73	China 1.35
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	France 16.52	India 1.16
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. 3.78	South Korea -0.49
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 -3.70	U.K. -1.33
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 -13.82	Hong Kong -3.14

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

Performance as on 29th February 2024. Source: MorningStar Direct

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Asset Class Performance

2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	YTD (%)
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 48.23	Intl 6.40
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 43.80	Small Cap 6.37
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 24.58	Mid Cap 4.27
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	Large Cap 20.08	G-Sec 2.30
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	Gold 15.41	Bonds 1.83
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 7.68	Cash 1.24
Mid Cap -3.01	Intl 11.07	Intl -1.09	Mid Cap 5.41	Bonds 5.55	Intl -6.55	Real Estate 2.99	G-Sec 13.20	G-Sec 3.13	Real Estate 1.43	Cash 7.35	Large Cap 1.12
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 7.21	Gold -1.30
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 3.81	Real Estate NA

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 29th February 2024. Source: ICRA MFI Explorer & RBI - DBIE

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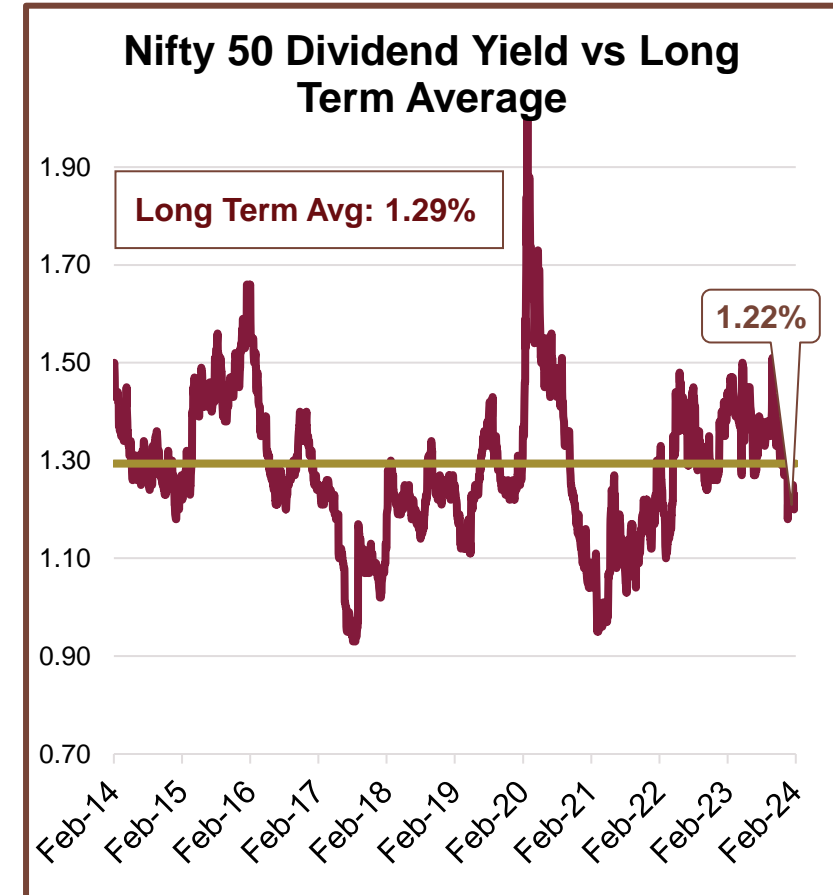
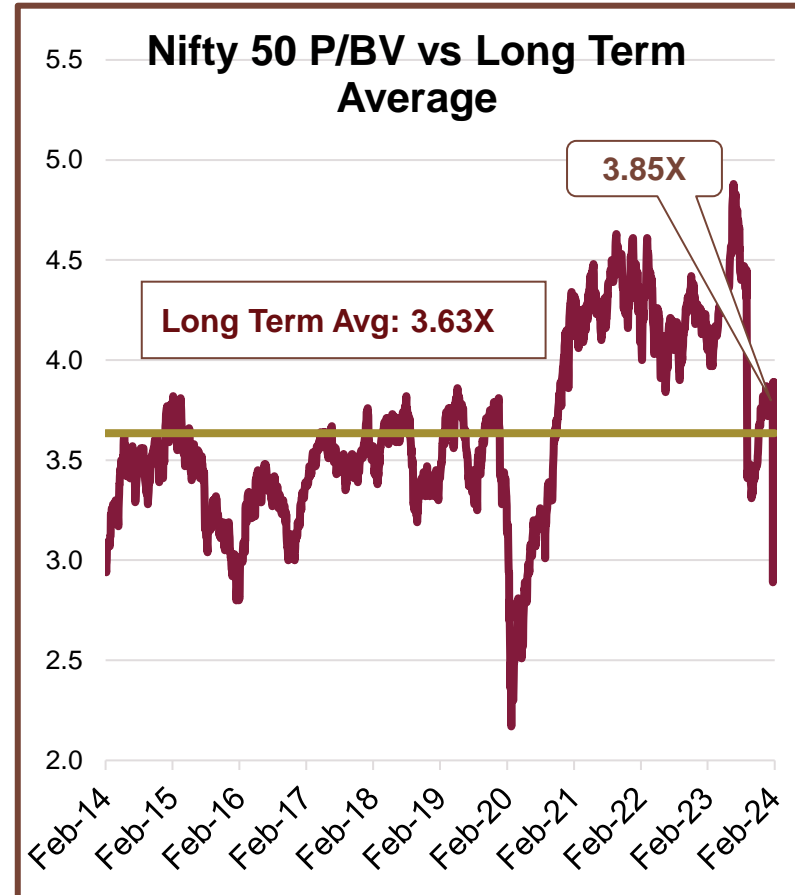
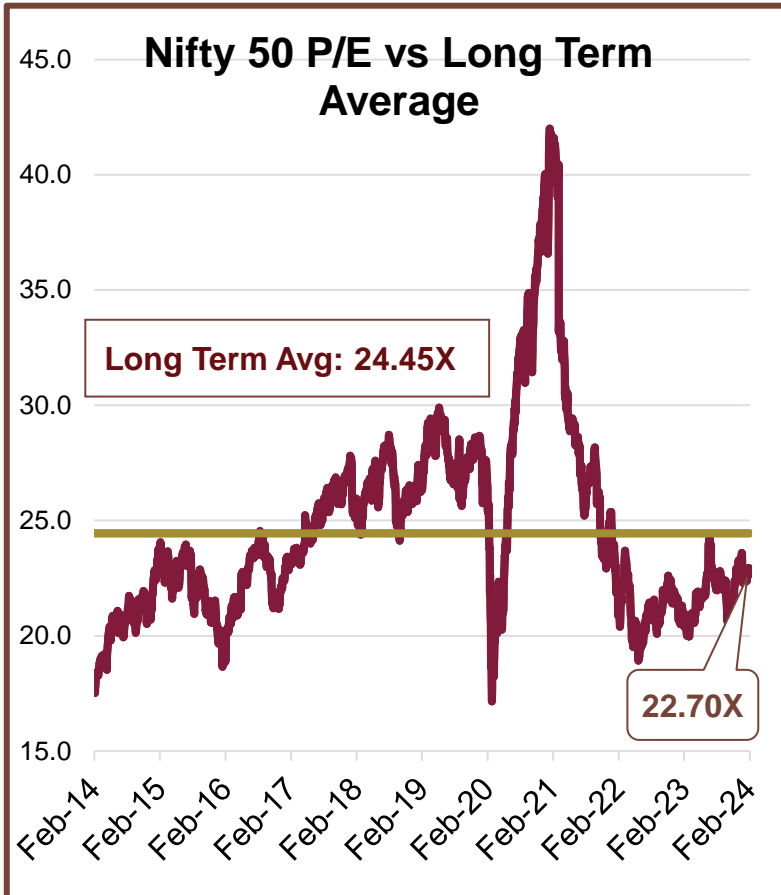
(<http://www.icraanalytics.com/legal/standard-disclaimer.html>)

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

Nifty 12-month trailing P/E of 22.70X is lower than its historical long-term average of 24.45X

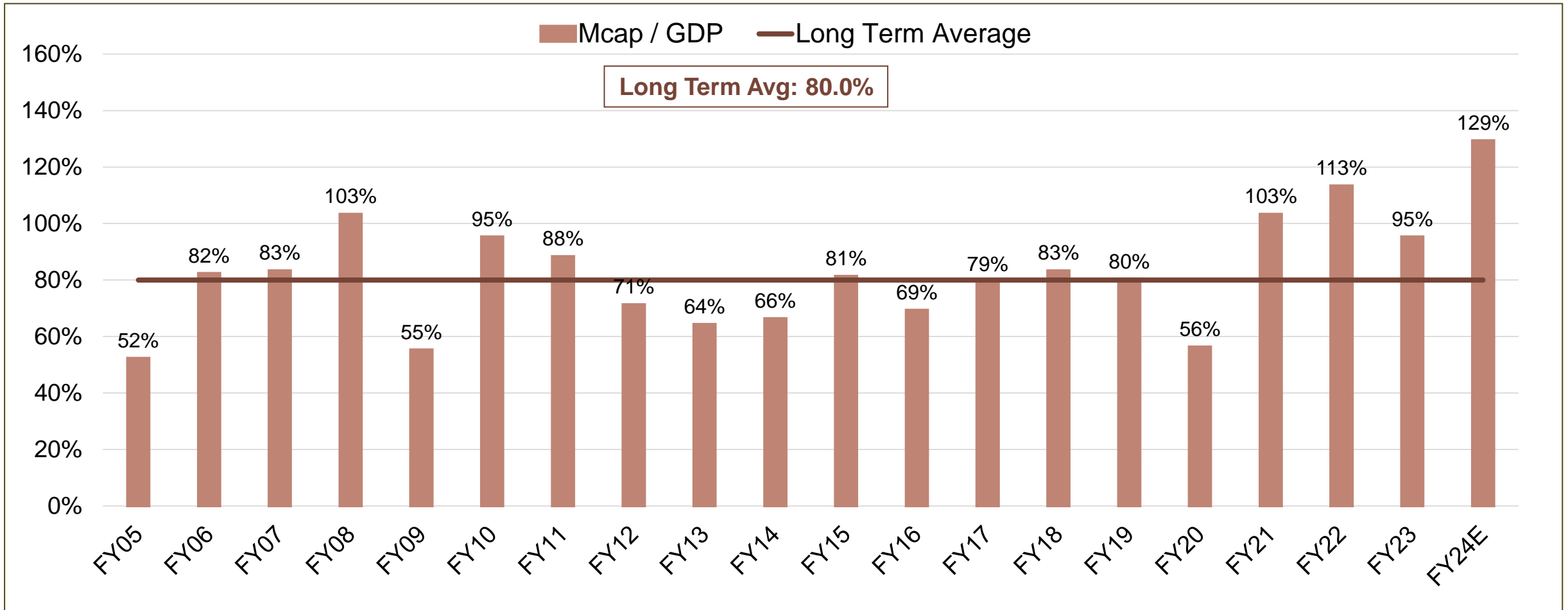
At 3.85X, the Nifty Trailing P/B is higher than the historical long-term average of 3.63X

At 1.22%, the Nifty Trailing Dividend Yield is marginally lower than its historical long-term average of 1.29%



Valuations on a Market Capitalisation / GDP perspective

On Market Capitalization to GDP parameter (FY24E 129%), India is trading above the long-term average of 80%

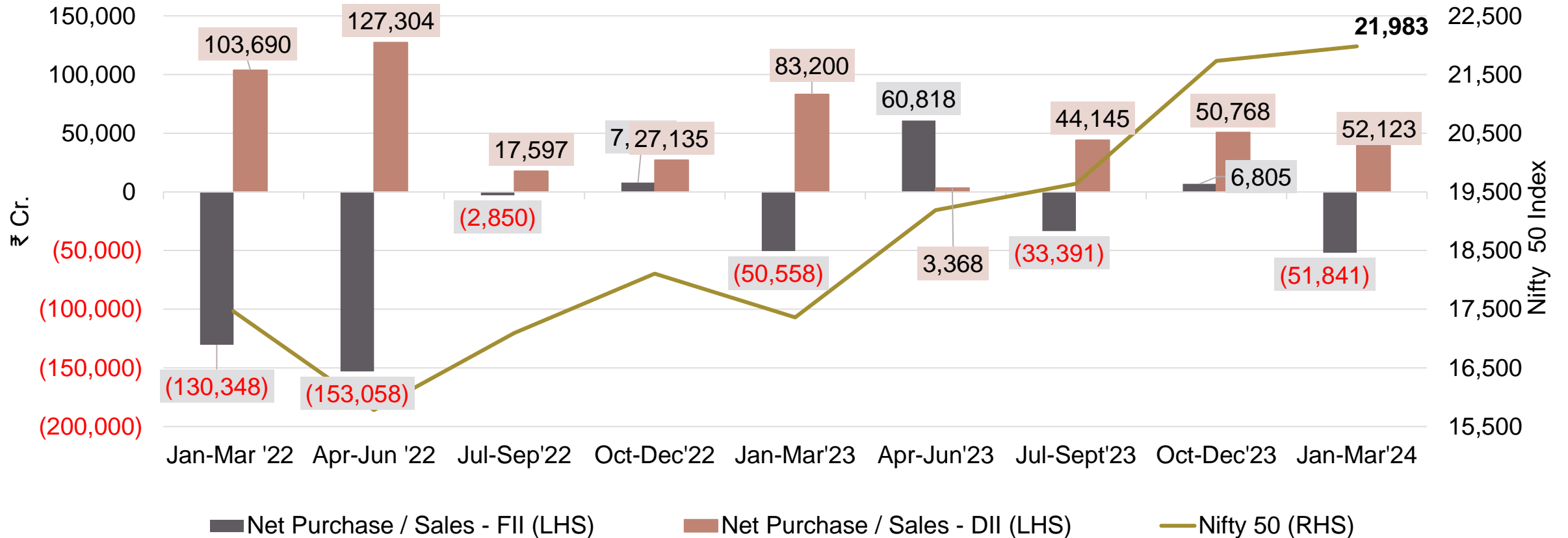


Source: Kotak AMC, Monthly Market Outlook, February '24

Quarterly FII & DII Flow into Equity

- FIIs were net sellers & DIIs were the net buyers of Indian equities for Feb '24 to the extent of ~ ₹15,900 cr and ~ ₹25,300 cr respectively.
- On the back of this, the equity market closed the month on a positive-note.

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



* Data Updated upto 29th February 2024

Equity MF Category Average Performance - February 2024

- For February month, performance of almost all the equity categories were in green with Large Cap, Contra & Dividend Yield outperforming the most. Among the sectoral funds, Infrastructure and Healthcare outperformed the rest with FMCG falling in the negative zone.
- 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, Dividend Yield & Contra categories. In case of sectoral/thematic categories, **Infrastructure, followed by the Healthcare category has been the top performer for the given time frame.**
- On a 3-year CAGR basis, among the sectoral category, **Healthcare generated lowest returns** as compared to other categories while the highest return was delivered by **Infrastructure sector.**
- With respect to the 5-year CAGR returns, all categories delivered returns above 15% with Small Cap, Mid Cap, Contra, Multi Cap delivering the highest return. Among the sectoral funds, Infrastructure, Technology and Healthcare being the top performer.
- Barring one-month period, Large Cap has been one of the bottom performers across all time frames.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Large Cap	2.33	11.37	17.50	33.55	16.82	16.04	16.11
Large & Mid Cap	1.91	11.35	18.76	41.28	21.11	20.73	19.72
Multi Cap	1.21	11.24	19.14	45.20	24.59	23.48	22.09
Flexi Cap	1.93	11.02	17.89	38.86	18.75	18.72	18.08
Mid Cap	1.25	10.35	18.91	47.90	24.95	23.88	22.86
Small Cap	-0.79	7.92	17.24	50.15	26.32	29.24	27.01
Focused	1.90	10.24	17.15	36.40	17.93	17.71	17.73
ELSS	1.98	11.03	18.47	38.28	19.57	18.77	18.23
Contra	2.30	13.84	23.40	45.76	26.56	24.00	22.25
Dividend Yield	2.27	15.02	24.87	46.60	24.60	25.34	20.97
Value	1.95	14.02	23.60	47.39	25.34	22.78	19.80
Sectoral / Thematic							
Consumption	0.25	12.61	13.45	32.77	18.17	21.51	17.98
Infrastructure	6.28	25.34	27.58	56.69	28.94	36.47	24.50
Financial Services	0.16	12.76	11.19	26.33	14.97	18.27	14.12
FMCG	-3.38	4.26	1.69	19.05	18.55	19.84	14.39
Healthcare	6.09	22.47	21.47	47.05	18.22	17.76	23.01
Technology	4.54	20.57	23.89	35.19	9.74	21.17	23.84
Others	3.84	20.38	20.76	41.02	20.22	25.33	20.07

Source: Morningstar Direct

Debt Market - Review



Debt Market Roundup - Key Takeaways

- The **India 10-Year G-Sec yield for February closed at 7.08% as against 7.14% at the end of January, even as yields rose in the U.S. peer.**
- Bond yields fell following the fiscally responsible union budget which positively surprised the market participants with lower-than-expected fiscal deficit and gross borrowing targets for FY25. Profits were extended amid optimism in response to a **proposal to include eligible Indian domestic bonds to the Bloomberg Emerging Market Local Currency index.** This paves the way for Indian debt to potentially become part of considerably larger Bloomberg index that encompasses trillions of dollars of debt. **The RBI left policy rates unchanged and indicated going forward, the rate cut cycle size and timing may be influenced by evolving domestic inflation outlook along with global policymakers' actions timeline.**

Outlook:

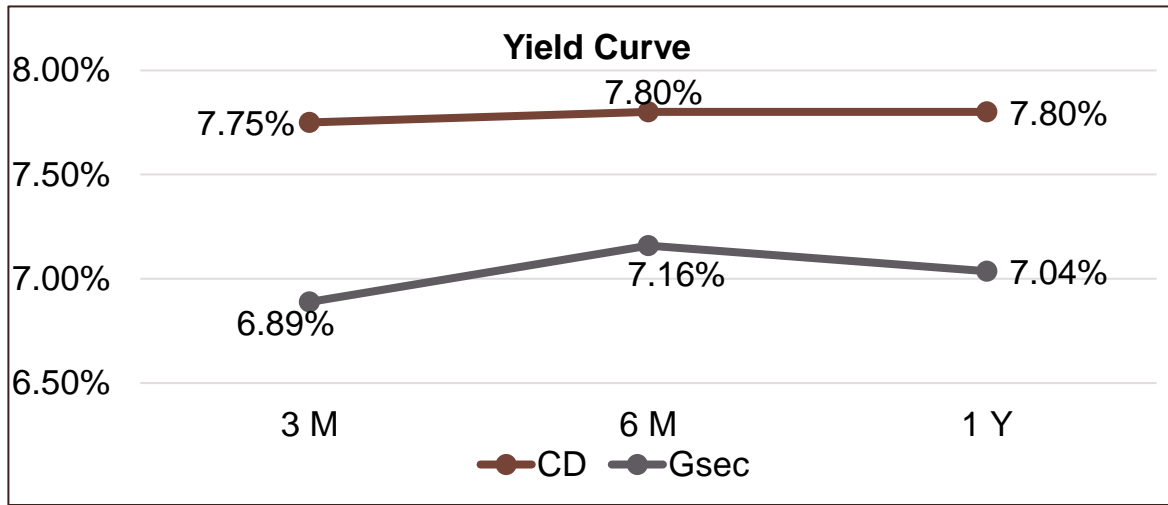
- The **February '24 CPI retail inflation stayed almost flat at 5.09% while India's IIP decelerated to 3.8% in January'24.** Even though the current inflation rate is comfortably within the RBI's upper tolerance band of 2% - 6%, it remains above the central bank's target of 4% and as per experts it is expected that the central bank may not start cutting rates in the first half of the financial year 2025 (FY25).
- While the global economy continues to present a mixed picture, the **domestic conditions remain favorable with growth is accelerating and outpacing most forecasts, while inflation is on a downward trajectory.**
- Other factors which markets will track - index inclusion inflows, US Fed stance, upcoming election results and geopolitical conflicts affecting crude demand.
- **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

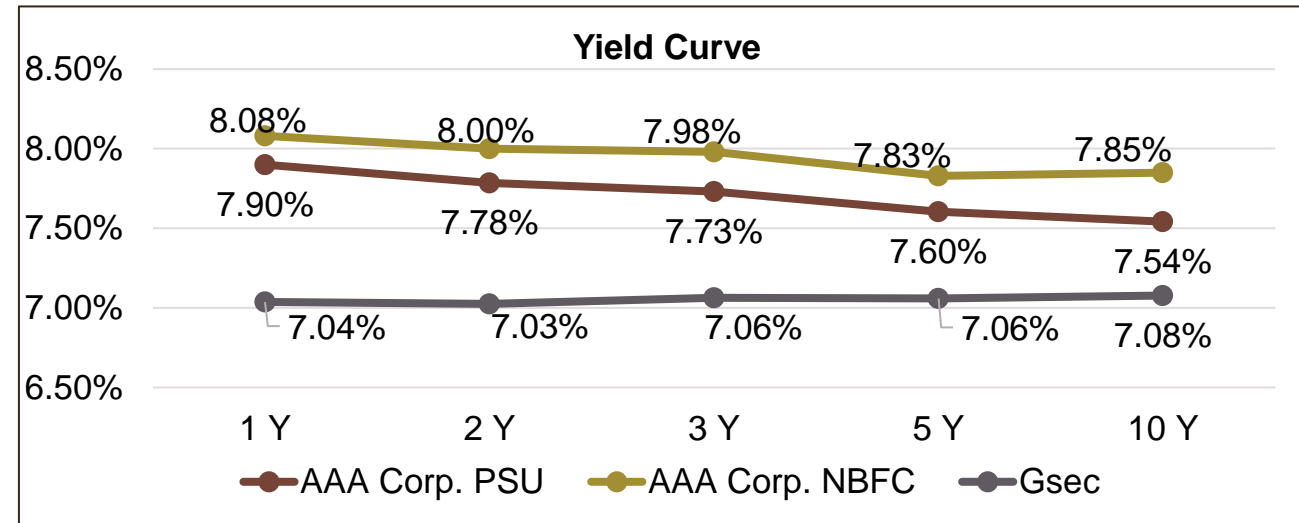
	Latest (29 Feb '24)	One Month Ago (31 Jan'24)	One Quarter Ago (30 Nov'23)	Half Year Ago (31 Aug'23)	One Year Ago (28 Feb'23)	MoM Change (bps)
Interest Rates						
Repo rate	6.50%	6.50%	6.50%	6.50%	6.50%	0
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	0
CD Rates						
3 month	7.75%	7.87%	7.36%	7.08%	7.58%	-12
6 month	7.80%	7.85%	7.60%	7.20%	7.75%	-5
1 Year	7.80%	7.90%	7.80%	7.45%	7.90%	-10
T-Bill/G-sec						
91 Days	6.93%	7.03%	6.96%	6.81%	6.87%	-10
364 Days	7.11%	7.13%	7.14%	7.03%	7.28%	-2
India 10 Year G-Sec Yield	7.08%	7.14%	7.28%	7.17%	7.46%	-7
AAA Corp. Bonds (PSU)						
1 Year	7.90%	8.00%	7.78%	7.65%	7.30%	-10
3 Year	7.73%	7.69%	7.84%	7.61%	7.82%	4
5 Year	7.60%	7.71%	7.80%	7.58%	7.80%	-11
AAA Corp. Bonds (NBFC)						
1 Year	8.08%	8.00%	7.87%	7.78%	7.45%	8
3 Year	7.98%	7.94%	7.96%	7.81%	8.09%	4
5 Year	7.83%	7.93%	7.93%	7.77%	8.07%	-10
US Markets						
10 Year US Treasury Yield	4.25%	3.92%	4.33%	4.11%	3.93%	34
Currency & Commodity						
USD/ INR	82.90	83.09	83.35	82.70	82.64	↓
Crude Brent (\$/Barrel)	78.26	75.85	75.96	83.63	77.05	↑

- **10-year U.S. Treasury yield was up** as market participants trimmed expectations for rate cuts by the U.S. Federal Reserve (Fed) in 2024 after the minutes of the latest Fed policy meeting.
- **India 10-year G-Sec yields fell** amid optimism to include eligible domestic bonds to the Bloomberg Emerging Market Local Currency index.
- **Corporate bond yields of PSU's and NBFC's closed the month on a mixed note** as the Fed and the RBI capped expectation of an aggressive rate cut in the near future.
- **Brent crude** prices edged up on persistent worries that the Israel-Hamas battle may escalate into a larger regional conflict.
- For the past six policy meets, the MPC kept the **policy rates stagnant**.

Yield Curve and Policy Rates & Reserve Ratios



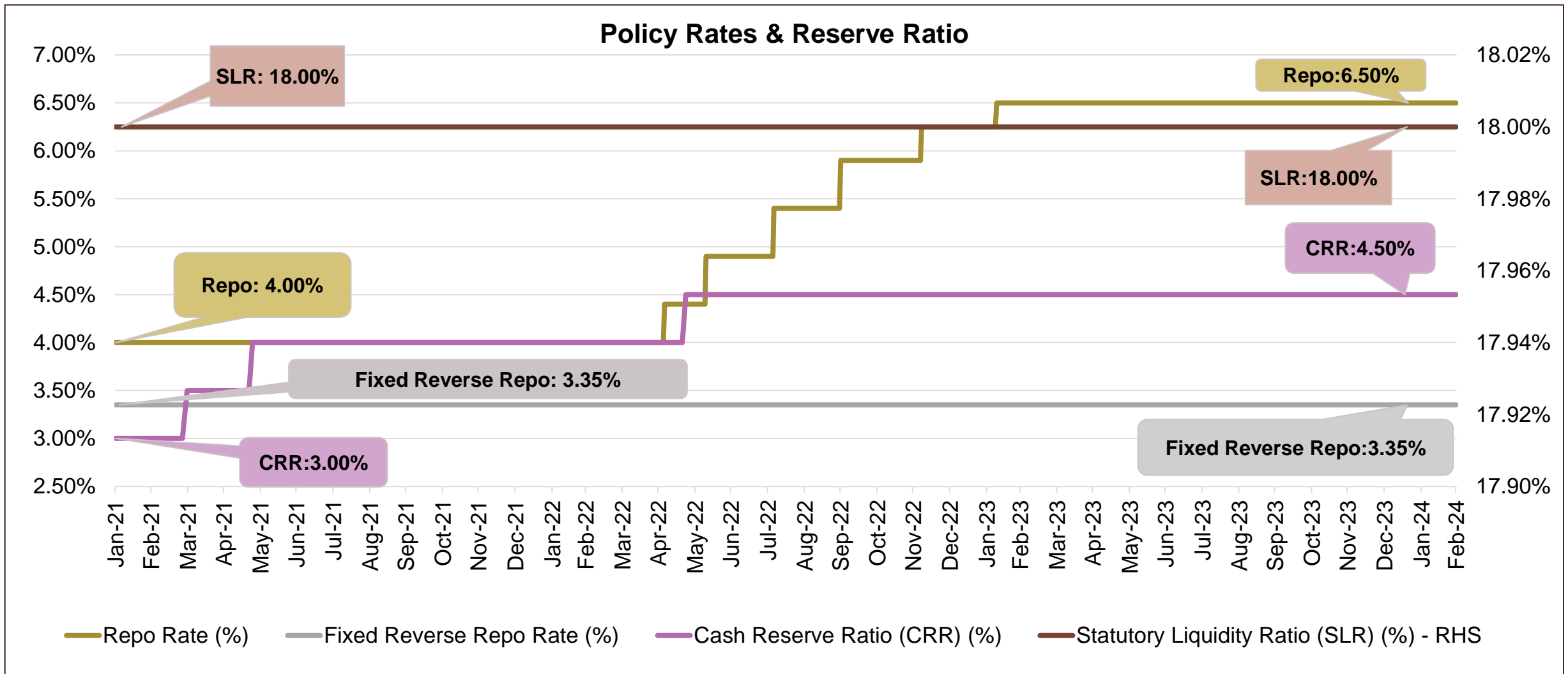
Data as on 28 February'24; Source: Bandhan AMC, Investing.com



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%

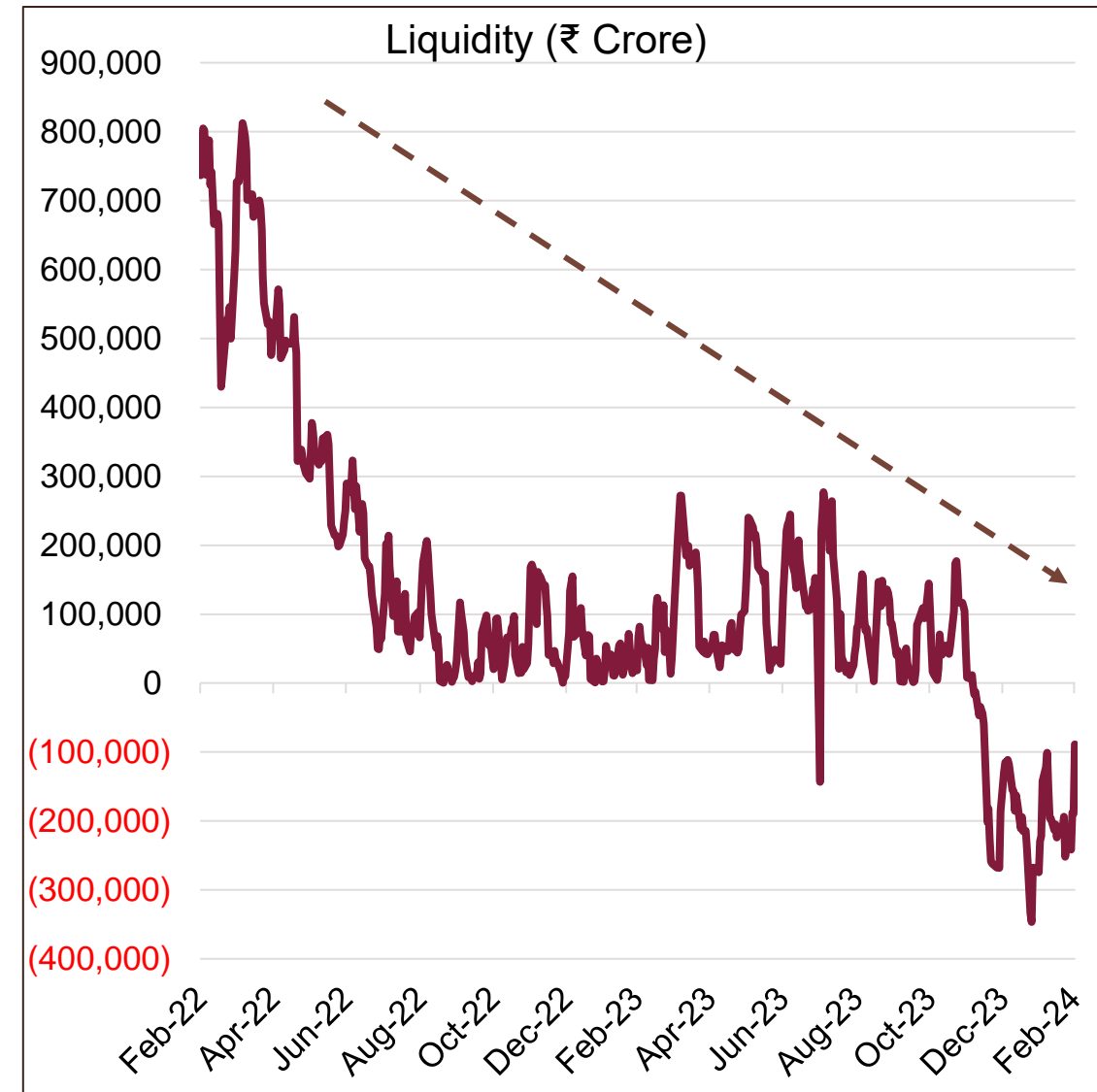
- In May '22, an unscheduled MPC meeting prompted an interest rate hike, leading to a **pronounced steepness in the short end of the yield curve.**
- Now, over a year and a half after the rate hike cycle had begun, the **yield curve has nearly flattened.**
- **The 10 Year minus 3 Months GSec spread** was at 56 bps in Feb '23 whereas at the end of Feb '24 it has reduced to 19 bps.
- **Yields have remained mixed across categories and maturity profiles** in Feb '24 V/S Jan '24
- At present, the spread between AAA Corporate Bond (NBFCs) and G-sec is almost the same at 70-100 bps as compared to a year ago of 20-80 bps.
- In Feb '24 policy meet, though the RBI did not increase the policy rates, **the RBI has made a distinction between the stance of withdrawal of accommodation and liquidity operations.**

Policy rate & Reserve Ratio movement since Dec 2020



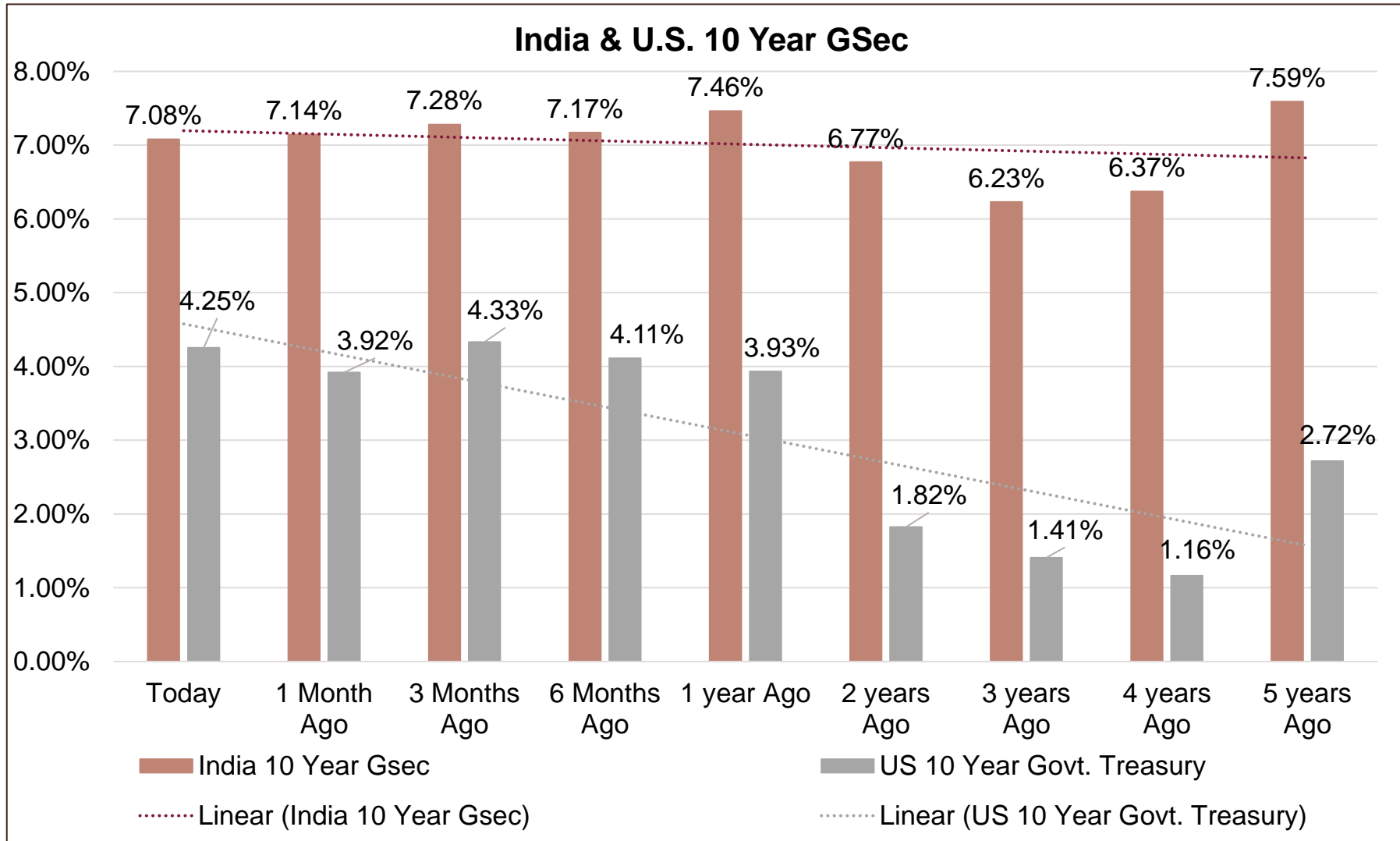
Liquidity in the System

- 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.**
- After remaining in surplus during April-August 2023, system level **liquidity turned into deficit from September after a gap of four and half years.** Adjusted for government cash balances, potential liquidity in the banking system is still in surplus.
- During Dec '23 – Jan '24, the Reserve Bank **pro-actively injected liquidity through both the main and the fine-tuning repo operations to ease liquidity tightness in the system.** With government spending picking up and augmenting system level liquidity, the Reserve Bank undertook six fine-tuning variable rate reverse repo (VRRR) auctions during 2-7 Feb '24 to absorb surplus liquidity.
- Feb '24 saw core liquidity (**system liquidity + government balances**) **declined from daily average of ₹ 2 trillion in Jan'24 to ~ ₹ 1.7 trillion in Feb '24.**



Source: Bandhan AMC

Yields Movement across India and U.S.



- **U.S. Fed** kept interest rates unchanged for the fourth consecutive meeting held in Jan '24.
- In case of U.S., **the yields have** rose from 3.9% a year ago to 4.2% at present.
- While for the **Indian markets, the yields have remained flat at 7.1-7.5%** during the past one year as the RBI kept policy rates unchanged for the past one year.
- In both the U.S. and India, the yields were at its trough ~3 – 4 years ago when the pandemic struck the world.

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				
	Jan-24	Oct-23	Jul-23	Jan-23	Jan-22	Jan-24	Oct-23	Jul-23	Jan-23	Jan-22	Jan-24	Oct-23	Jul-23	Jan-23	Jan-22
Money Market															
Liquid	7.39	7.17	6.88	6.82	3.71	0.10	0.11	0.11	0.11	0.09	0.10	0.10	0.11	0.09	0.08
Ultra Short Duration	7.74	7.50	7.17	7.32	4.21	0.42	0.43	0.42	0.58	0.39	0.38	0.39	0.39	0.37	0.36
Low Duration	7.89	7.70	7.40	7.56	4.54	1.24	1.17	1.16	1.63	1.19	0.84	0.79	0.80	0.71	0.65
Money Market	7.55	7.39	7.14	7.15	3.96	0.29	0.32	0.47	0.47	0.21	0.27	0.31	0.46	0.32	0.20
Accrual															
Short Duration	7.69	7.69	7.47	7.54	5.12	3.59	3.12	2.93	2.39	2.21	2.60	2.29	2.24	1.78	1.65
Medium Duration	7.95	7.97	7.78	7.72	6.15	5.14	4.77	4.67	4.12	3.85	3.56	3.29	3.20	2.90	2.98
Banking & PSU Debt Fund	7.40	7.68	7.47	7.55	5.31	4.68	4.05	4.10	3.39	3.16	2.87	2.52	2.58	2.18	2.19
Corporate Bond Fund	7.73	7.73	7.52	7.57	5.41	4.05	3.52	3.58	2.77	3.00	2.80	2.49	2.56	1.85	2.14
Floating Rate	7.95	7.85	7.66	7.66	4.97	4.26	3.75	3.57	3.48	3.59	1.41	1.27	1.11	0.94	1.13
Credit Risk	8.41	8.30	8.09	8.14	5.95	2.54	3.19	3.27	2.66	2.42	1.84	1.75	1.69	1.71	1.77
Duration															
Medium To Long Duration	7.46	7.60	7.39	7.48	5.80	9.92	9.08	7.21	6.92	6.23	6.13	5.77	4.83	4.56	4.25
Long Duration Fund	7.42	7.60	7.39	7.51	7.14	23.36	20.92	19.51	20.63	19.04	10.08	9.35	9.06	9.20	9.63
Dynamic Bond	7.48	7.56	7.38	7.45	5.68	9.89	6.55	5.56	4.76	4.99	5.74	4.15	3.64	3.02	3.36
Gilt	7.34	7.48	7.23	7.20	5.53	12.27	8.82	6.65	6.46	6.30	6.79	5.36	4.34	3.82	4.02
Gilt - 10 Year	7.28	7.49	7.28	7.43	6.64	9.73	9.72	9.45	9.42	9.94	6.67	6.69	6.52	6.48	6.89
Passives															
Target Maturity Funds / Index Funds	7.43	7.57	7.39	7.48	6.36	4.43	4.67	4.87	5.06	5.63	3.41	3.62	3.77	3.91	4.33

Debt Category Average Performances – February 2024

- **During the month** under consideration, all the categories were in the green with Duration funds registering the highest returns.
- With respect to **3 months and 6 months trailing returns**, all the categories were in the green delivering with the Duration category outperforming the most.
- **For the full year**, all the categories were positive, 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 Credit Risk Funds, our suggested categories - the Ultra Short Duration, Low duration, Money Market, Liquid, 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 digit returns.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Money Market							
Overnight	0.51	1.65	3.33	6.69	5.88	4.97	4.65
Liquid	0.54	1.67	3.28	6.70	5.80	4.88	4.81
Ultra Short Duration	0.58	1.69	3.27	6.87	5.76	5.08	5.41
Low Duration	0.59	1.74	3.26	7.09	5.75	5.16	5.42
Money Market	0.59	1.75	3.40	7.22	6.03	5.23	5.75
Accrual							
Short Duration	0.66	2.05	3.33	7.23	5.78	5.36	5.97
Medium Duration	0.77	2.29	3.45	7.71	5.67	6.05	5.63
Banking & PSU Debt Fund	0.77	2.11	3.40	7.43	5.41	5.21	6.70
Corporate Bond Fund	0.73	2.08	3.38	7.43	5.32	5.20	6.61
Floating Rate	0.67	1.89	3.44	7.72	6.12	5.45	6.45
Credit Risk	0.71	2.03	4.16	8.52	10.03	9.55	5.04
Duration							
Medium To Long Duration	1.00	2.88	3.51	7.97	5.42	5.18	6.11
Long Duration Fund	1.74	4.94	4.88	9.89	5.84	5.32	7.50
Dynamic Bond	1.13	3.05	3.88	8.17	5.75	5.51	6.52
Gilt	1.13	3.31	4.08	8.63	5.69	5.20	7.00
Gilt - 10 Year	1.03	3.16	3.80	9.16	5.45	4.86	7.38
Passives							
Target Maturity Funds / Index Funds	0.79	2.52	3.68	8.20	5.09	6.23	--

Source: Morningstar Direct

Event Update

India's GDP grows 8.4% in Q3FY24

Key Highlights

- India's Gross Domestic Product (GDP) for the October- December quarter (Q3) of the ongoing financial year 2023-24 grew 8.4%.
- The rise in GDP growth was supported by robust growth in manufacturing & construction sectors along with high domestic demand.
- GDP at constant (2011-12) prices in Q3 of 2023-24 is estimated at ₹43.72 lakh crore, against ₹40.35 lakh crore in Q3 of 2022-23.

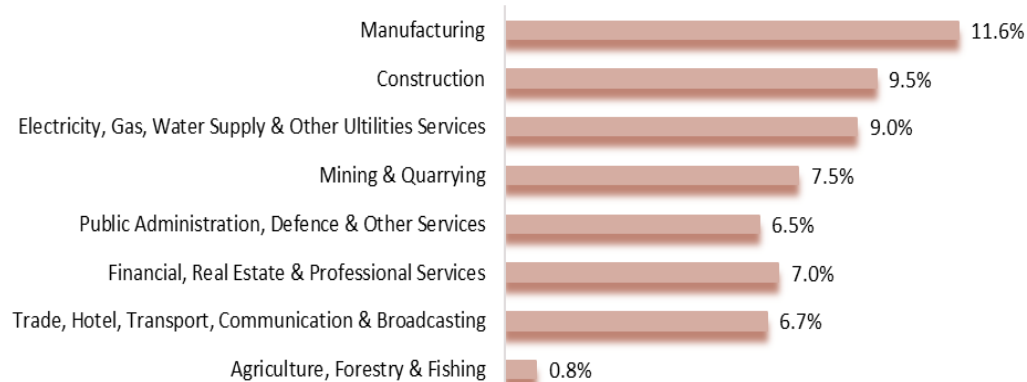
Gross Value Added (GVA)

- Gross Value Added (GVA) in Q3FY24 moderated to 6.5%. India's GVA slowed down in Q3 from 8.2% in Q1FY24 and the upward revised figure in of 7.7% in Q2FY24.

Year- on- Year % Change

- Indian industries fared well in the December quarter, with manufacturing and construction growing 11.6% YoY and 9.5% YoY respectively, reflecting the public capex support push.
- The services sector too fared well, with recovery seen in the Trade, Hotel, Transport, and Communication segments, in addition to Financial, Real Estate, and Professional Services.
- Gross Fixed Capital Formation (GFCF), or fixed investment, continued to drive growth, up 10.6% in Q3. The reading in Q2 stood at 11.6%. Monsoon disappointment meant that agriculture GVA growth contracted 0.8% in Q3, down from 1.6% in Q2.

GVA Year-on-Year % change Q3FY2024



Thank You!

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