TATA CAPITAL WEALTH

Market Outlook – May 2022

Macro Economic Update

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Inflation:

Consumer Price Index (CPI): Retail inflation rose to a 17-month high of 6.07% in February, breaching the upper tolerance level set by the RBI for the third consecutive month. The Consumer Food Price Index also spiked on-month during March to 7.7%, from 5.85% in February, ringing alarm bells simultaneously in North Block and Dalal Street.

Wholesale price index (WPI): Wholesale Price Index (WPI) rose to a 4-month high of 14.55% in March from 13.11% in February. This being the 12th consecutive month WPI inflation has now been in double-digit territory. High WPI inflation is seen as a precursor to higher consumer prices as producers pass on rising costs to customers.

Deficit:

Fiscal Deficit: The fiscal deficit worked out to be Rs. 13.17 lakh crore at the end of February, signifying 82.7% of the revised estimates, on the back of increased expenditure and high transfers to states. The government had revised the fiscal deficit target to 6.9% of GDP for FY22, in the budget presented in February, from the budgeted 6.8%.

Trade Deficit: Led by petroleum products, electronic goods and chemicals, India's merchandise exports rose 24.22% on-year in April to $38.19 billion. A higher increase in imports of 26.55% at $58.26 billion left a wider trade deficit of $20.07 billion against $15.29 billion in the year-ago period and $18.51 billion in March 2022.

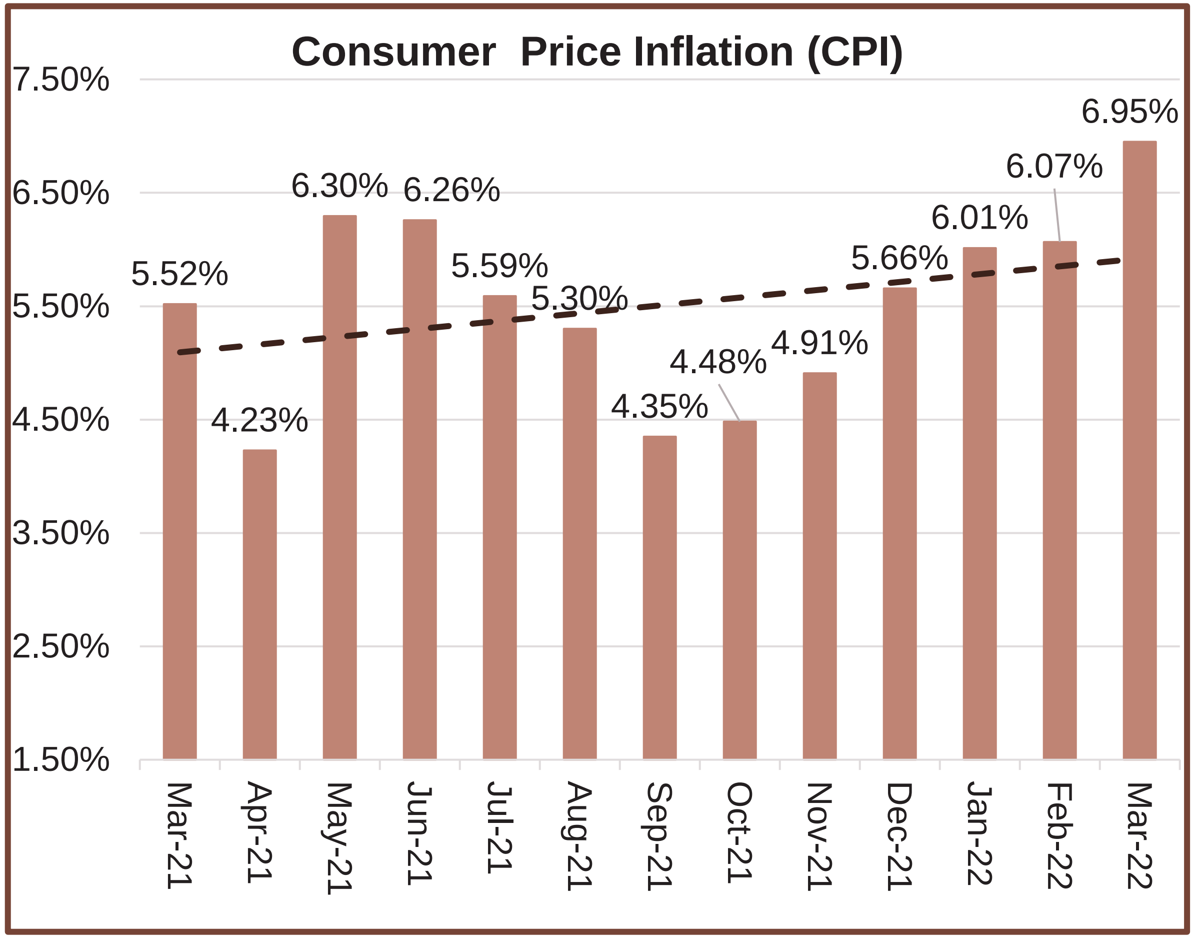
IIP, Core Sector and PMI:

Index of Industrial Production (IIP) & Core Sector: Inidi's industrial growth, as per the Index of Industrial Production (IIP), edged up to 1.7% in February from 1.5% in January. For the month of March., the 8 core sectors which comprise of 40.27% of IIP grew by 4.3% as against 5.8% in February.

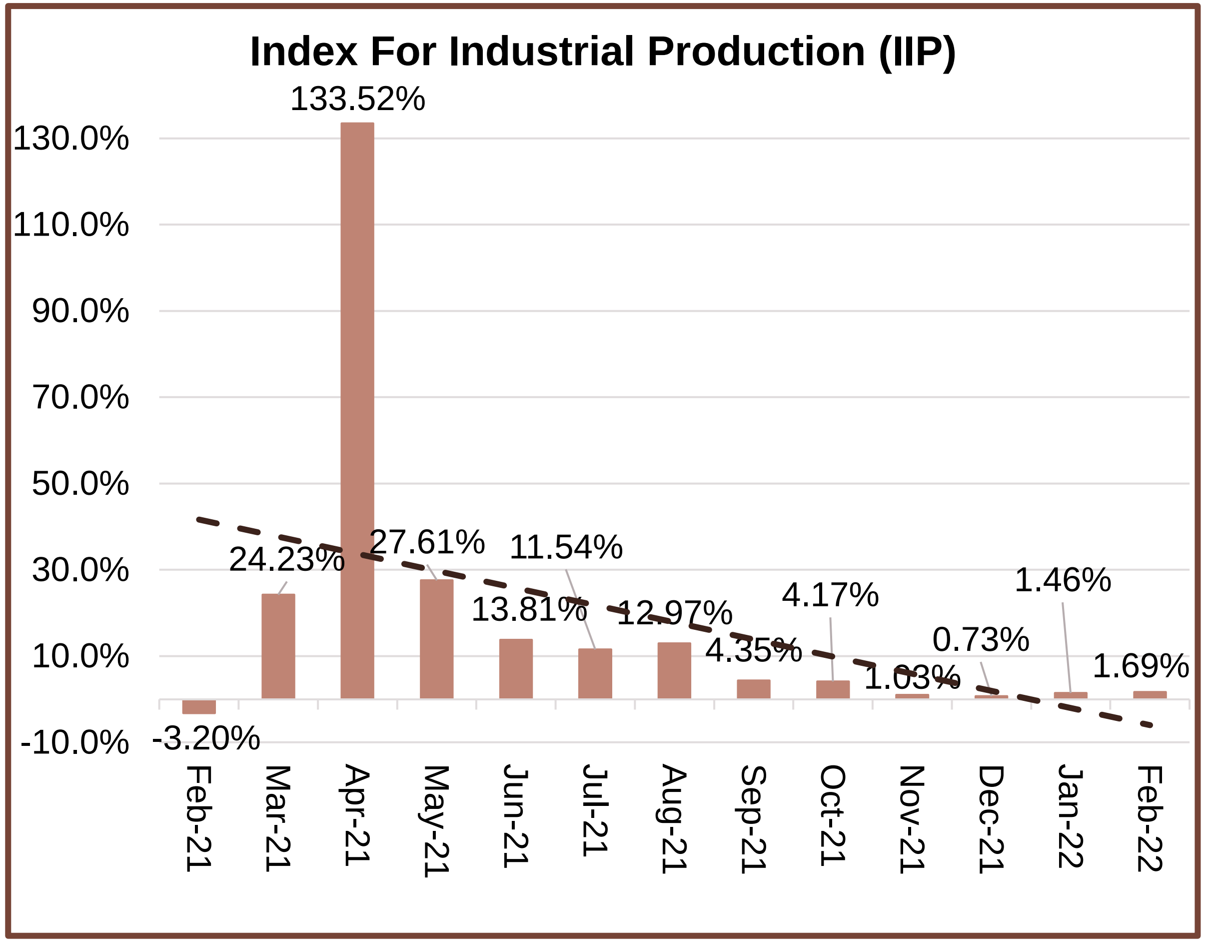
Manufacturing & Services PMI: The Manufacturing PMI rose to 54.7 in April from 54.0 in March. Indian manufacturing activity in April saw a marked increase in new orders and production, with international sales growing "solidly". The services sector activity jumped to a 5-month high of 57.9, being the 9th straight month, the sector witnessed expansion.

Inflation and Industrial Production Trajectory

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



Industrial Production grew at a moderate pace in February '22 as the low base effect started waning off.



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Source: DBIE, RBI

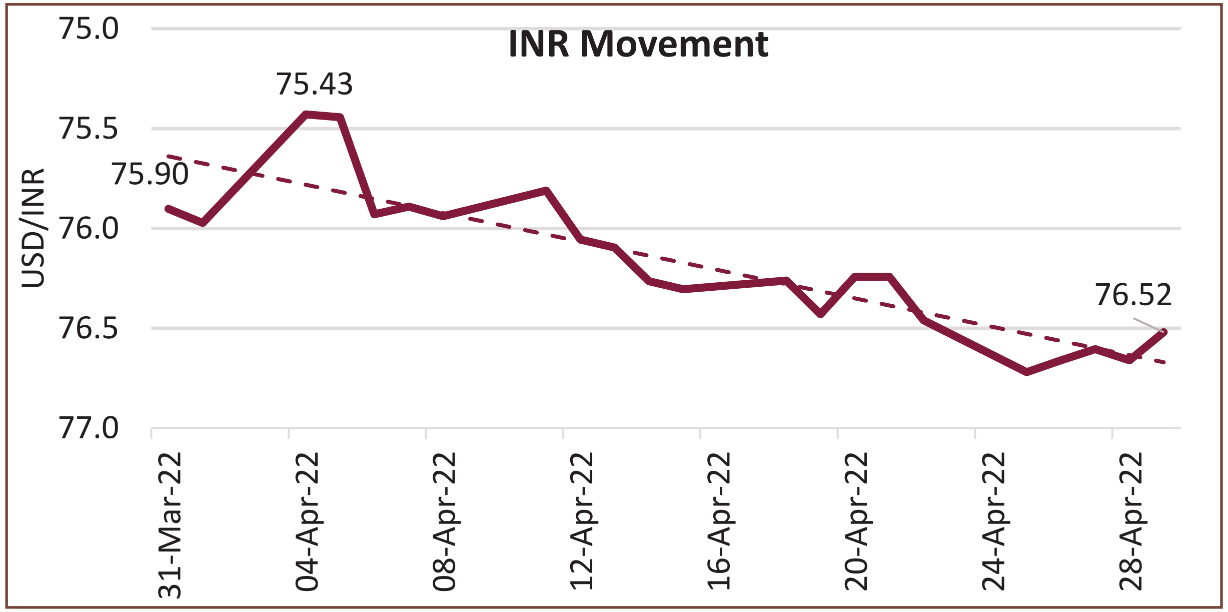
Macro Indicators

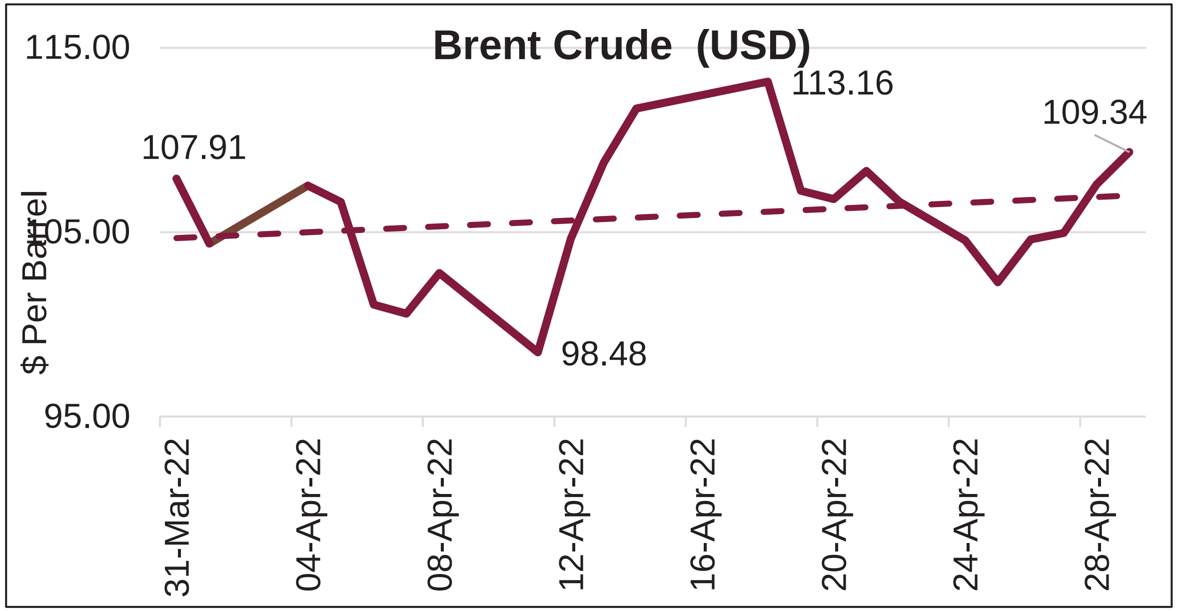
	Current	Month Ago	Quarter Ago	Year Ago
Economic Indicator				
Consumer Price Index (CPI)	6.95% (Mar-22) ↑	6.07% (Feb-22)	5.66% (Dec-21)	5.52% (Mar-21)
Wholesale Price Index (WPI)	14.55% (Mar-22) ↑	13.11% (Feb-22)	14.27% (Dec-21)	7.89% (Mar-21)
Industrial Production (IIP)	1.69% (Feb-22) ↑	1.46% (Jan-22)	1.03% (Nov-21)	-3.20% (Feb-21)
GDP	5.4% (Dec-21) ↓	NA	8.5% (Sep-21)	0.7% (Dec-20)
Trade Deficit ($ bn)	20.07 (Apr-22) ↑	18.52 (Feb-22)	17.42 (Jan-22)	15.29 (Apr-21)
Commodity Market				
Brent Crude ($/barrel)	109.34 (29-Apr-22) ↑	107.91 (31-Mar-22)	91.21 (31-Jan-22)	67.25 (30-Apr-21)
Gold ($/oz)	1,911.70 (29-Apr-22) ↑	1,954.00 (31-Mar-22)	1,799.20 (31-Jan-22)	1778..70 (30-Apr-21)
Silver ($/oz)	23.09 (30-Apr-22) ↑	25.13 (31-Mar-22)	22.43 (31-Jan-22)	26.04 (30-Apr-21)
Currency Market				
USD/INR	76.52 (29-Apr-22) ↑	75.90 (31-Mar-22)	74.56 (31-Jan-22)	74.06 (30-Apr-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 fell by about a rupee during the month of April 2022** to close lower at 76.52 up from 75.90 in March 2022 after touch a high of 75.43 in the beginning of the month. Initially, the rupee appreciated against the U.S. dollar, following gains in the domestic equity market. However, later it fell against the U.S. dollar after the **U.S. Fed Chairman indicated probability of 50 bps rate hike in May 2022 and more aggressive measures to check a surge in U.S. inflation.**

Brent Crude: Brent crude oil prices had a **roller coaster ride** during the month of April 2022 as it **closed at $109.34/barrel up by ~1.3% during the month**. Initially during the month Brent crude prices fell following reports that member nations of the **International Energy Agency (IEA) will release 120 mn barrels over the next six months**. Brent Crude oil prices fell **on weaker global economy, higher interest rates, and COVID19 lockdowns in China** weighed on consumption. During the end of the month crude oil prices rose amid reports that **Germany is no longer opposed to an embargo on Russian oil**, which could further tighten supplies in the already stressed global crude market.

Source: Investing.com

Equity Market - Review

Equity Market Roundup - Key Takeaways

Performance: Indian equity indices witnessed a **sharp fall** in the month of April. The key benchmark indices S&P BSE-30 and Nifty-50 indices fell by 2.57% and 2.07% respectively after struggling against strong headwinds arising from weak global cues mainly due to concerns over **aggressive rate hike by US central banks across the globe.**

Domestic factors that played out for the Indian markets:

- Investors heaved a sigh of relief as the RBI decided to keep the interest rates unchanged and maintained 'accommodative' stance despite liquidity unwinding by global central banks.
- While **rising inflation** also weighed on investor sentiments and record high **GST numbers** restricted the losses.
- **Upbeat earning numbers** from some of the major companies helped uplift the market sentiments.

Global factors that shaped the graph of the Indian markets:

- **Lockdown restriction in China**, following fresh COVID-19 cases, too weighed on market sentiments.
- The renewed military conflicts between **Russia and Ukraine** and its impending effect on global commodity prices dampened market sentiments.
- IMF's lower than expected India's growth rate dented investor sentiments.

Outlook: With fear of **rising inflation** looming over central banks across world are **increasing interest rates** which may affect **consumer sentiments** in the near term. Also, **Ukraine-Russia conflict** has been the biggest factor in influencing market direction in the near term along with rising crude oil prices, supply chain issues. 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 – April 2022

Index	Closing Value	1-Mth Return (%)	YTD Return (%)	1 Yr. Return (%)	Current Value - Trailing		
					P/E	P/B	Dividend Yield
S&P BSE Sensex	57,061	-2.57	-2.05	16.97	24.59	3.46	1.03
Nifty 50	17,103	-2.07	-1.45	16.89	22.01	4.37	1.16
Nifty 100	17,457	-1.15	-0.92	18.03	22.22	4.44	1.19
Nifty 200	9,123	-0.91	-1.03	18.73	22.61	4.27	1.18
Nifty 500	14,783	-0.75	-1.42	19.56	23.15	4.26	1.14
Nifty Midcap 100	29,880	0.63	-1.85	23.49	25.41	3.44	1.07
Nifty Smallcap 100	10,257	-1.72	-9.14	19.75	24.27	3.66	0.97

Data as on 30 April '22; Source: NSE and BSE

Markets **continued to be volatile during the month** as the Sensex touched a **low of ~56,000 level** mid month from a **high of ~60,800 level** in the beginning of the month and then to **close at ~57,000 level down by 2.6% for the month of April**. The movement of the market were governed by the following factors:

- Domestic Factors – Investors heaved a sigh of relief as the **RBI** decided to keep the interest rates unchanged and **maintained 'accommodative' stance** despite liquidity unwinding by global central banks.
- **Upbeat earning numbers** from some of the major companies helped uplift the market sentiments.
- Global cues – Concerns over **aggressive interest rate hike by U.S. Federal Reserve** in near future dented investors' sentiment. The Fed Chair in a speech during an IMF panel said that **taming inflation is "absolutely essential", and a 50 bps hike is on the table for May.**
- **Lockdown restriction in China**, following fresh COVID-19 cases, too weighed on market sentiments.
- Military **conflicts between Russia and Ukraine** and its impending effect on **global commodity prices** dampened market sentiments.

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

Index*	1-Mth Return (%)	YTD Return (%)	1 Yr. Return (%)
Power	18.10	37.16	92.47
FMCG	5.60	2.16	12.58
Auto	4.82	1.58	16.35
Energy	4.26	12.99	33.97
Oil & Gas	4.04	11.37	30.02
PSU	2.81	8.69	31.45
Consumer Durables	0.93	-4.69	31.99
Health Care	0.15	-7.12	3.44
Capital Goods	-0.49	-4.80	35.15
Bankex	-0.53	2.79	11.34
Metal	-3.19	12.52	21.51
Realty	-4.15	-8.13	42.98
Telecom	-4.28	-2.95	31.20
IT	-12.12	-15.47	21.61

*S&P BSE Sectoral Indices . Source: BSE

Equity Flow (Rs. Cr.)	1-Mth	YTD	1 Yr.
FII	-40,653	-171,000	-302,858
DII	29,870	133,559	240,170

Source: Moneycontrol

International Equity Market Performance

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. 2.17
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	India -1.45
U.K. -5.55	Japan 22.94	U.S.-S&P 500 29.60	U.S.-Nasdaq 13.40	Japan 9.07	U.S.-Nasdaq 7.50	U.S.-Nasdaq 28.24	U.S.-S&P 500 -6.24	France 26.37	U.S.-S&P 500 16.26	India 24.1	Japan -6.75
South Korea -10.98	Hong Kong 22.90	Germany 25.48	U.S.-S&P 500 11.39	France 8.53	Germany 6.87	South Korea 21.76	France -10.95	Germany 25.48	Japan 16.01	U.S.-Nasdaq 21.39	France -8.66
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	South Korea -9.49
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	Hong Kong -9.87
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	Germany -11.25
Hong Kong -19.97	South Korea 9.38	Hong Kong 2.87	France -0.54	India -4.06	Japan 0.42	France 9.26	South Korea -17.28	India 12.02	Hong Kong -3.40	China 4.80	U.S.- S&P 500 -13.31
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	China -16.28
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 -21.16

Index used for each of the Equity Markets: China – SSE Composite, France – CAC, Germany - DAX, Hon Kong – Hang Seng, India Nifty 50, U.K. – FTSE 100, South Korea - Kospi

Performance as on 30th April 2022. Source: Morning Star Direct

Asset Class Performance

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2009 (%)	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022* (%)
Small Cap 113.92	Gold 23.17	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 8.24
Mid Cap 110.55	Mid Cap 18.50	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 -0.48
Large Cap 75.76	Large Cap 17.95	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 -1.19
Intl 25.47	Samll Cap 16.25	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 -1.45
Gold 24.25	Intl 13.87	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 -2.96
Bonds 3.50	G-Sec 5.64	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	Small Cap -3.52
G-Sec -6.93	Bonds 4.96	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	Intl -13.96

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 30th April 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 – April 2022

- **During the month** under consideration most the categories were in the red with exception of Mid & Small Cap being marginally in the green – thus proving that the carnage was not broad based. Among the sectoral funds, FMCG, Infrastructure and Consumption were the only ones in the green, while Technology Funds severely underperformed the rest. For **the trailing 3 months** most of the Categories & Sectors were in the red and similarly for **trailing 6 months** 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 Infrastructure was the best performing sector followed by Technology and FMCG.
- **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 ~27%.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Large Cap	-2.08	-3.01	-4.74	15.46	28.81	13.44	11.43
Large & Mid Cap	-1.20	-2.89	-3.38	20.50	36.33	16.94	12.11
Multi Cap	-1.31	-2.44	-2.47	24.10	40.05	19.68	13.80
Flexi Cap	-1.91	-3.22	-4.17	18.03	33.19	15.62	12.20
Mid Cap	0.35	-1.54	-1.75	23.31	44.20	21.30	13.07
Small Cap	0.11	-2.45	0.83	31.58	58.45	26.52	14.74
Focused	-1.85	-3.38	-4.72	17.48	32.09	14.90	12.00
ELSS	-1.61	-2.93	-3.58	17.81	32.91	15.28	11.85
Contra	0.06	-1.52	-1.00	22.98	41.13	17.94	14.46
Dividend Yield	-1.26	-1.10	-0.43	24.48	38.17	17.22	12.07
Value	-0.74	-2.22	-2.81	20.70	38.95	15.37	10.44
Sectoral / Thematic							
Consumption	1.23	0.36	-1.08	22.61	32.91	17.09	13.10
Infrastructure	1.65	-1.10	1.32	30.23	46.07	17.69	10.28
Financial Services	-1.03	-5.35	-9.14	9.01	27.55	7.81	8.20
FMCG	3.12	4.19	4.39	24.67	24.04	11.90	12.10
Healthcare	-0.94	-0.56	-3.45	3.98	25.36	23.62	13.27
Technology	-10.17	-7.65	-8.24	24.71	54.64	28.88	27.69

Source: Morningstar Direct

Valuations on the Trailing P/E Metrix

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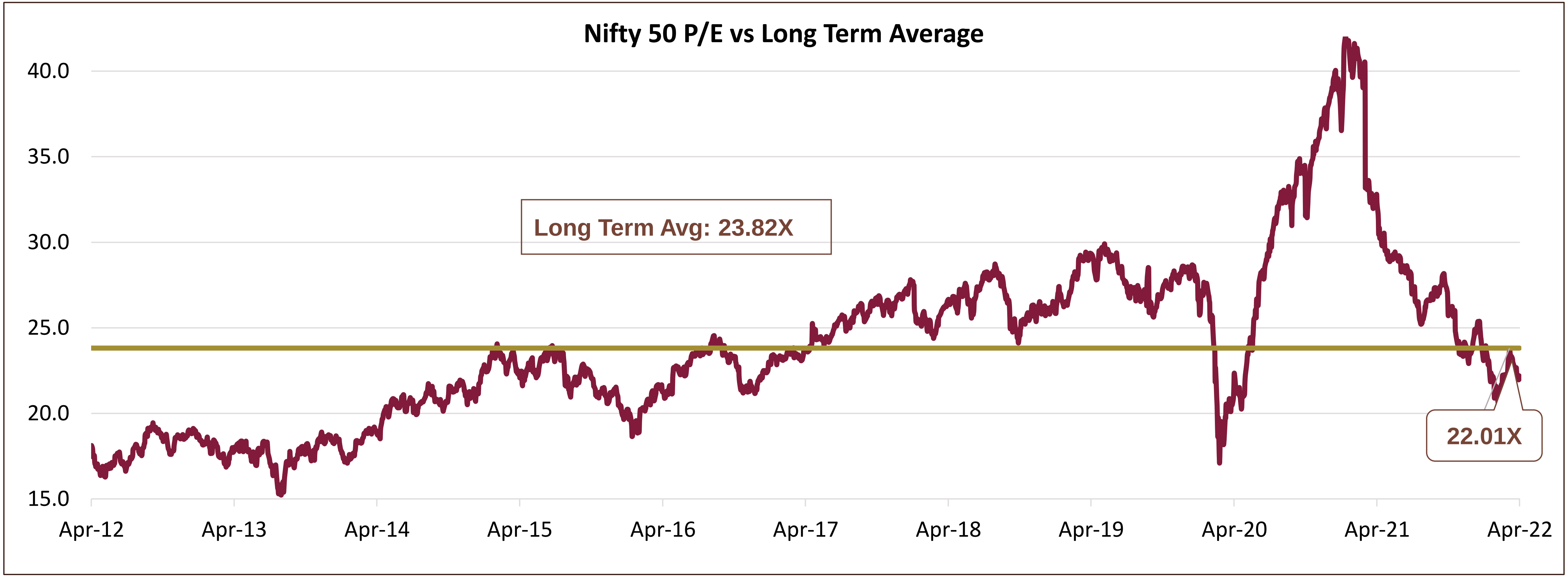
Nifty 12-month trailing P/E of 22.01x is in lower than its historical long-term average of 23.82x



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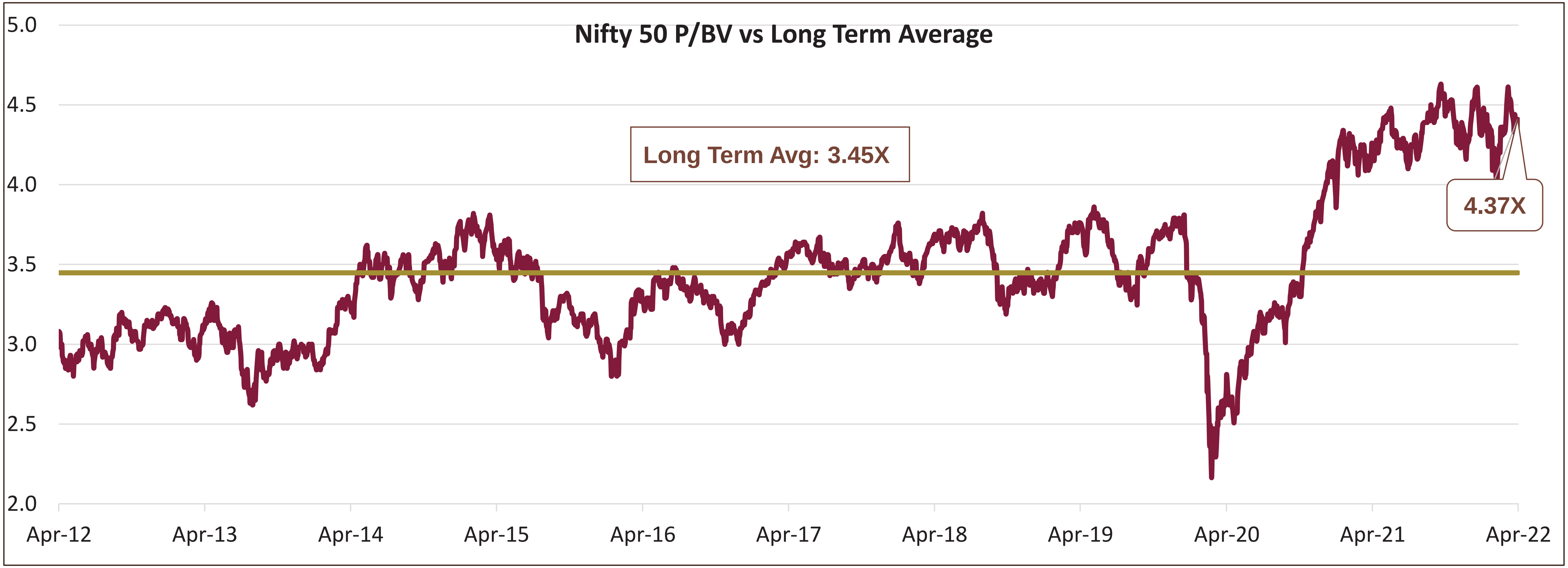
Source: NSE India

Valuations on the Trailing P/BV Metrix

At 4.37x, the Nifty Trailing P/B is above the historical long-term average of 3.45x.



Source: NSE India

Valuations on a Trailing Dividend Yield perspective

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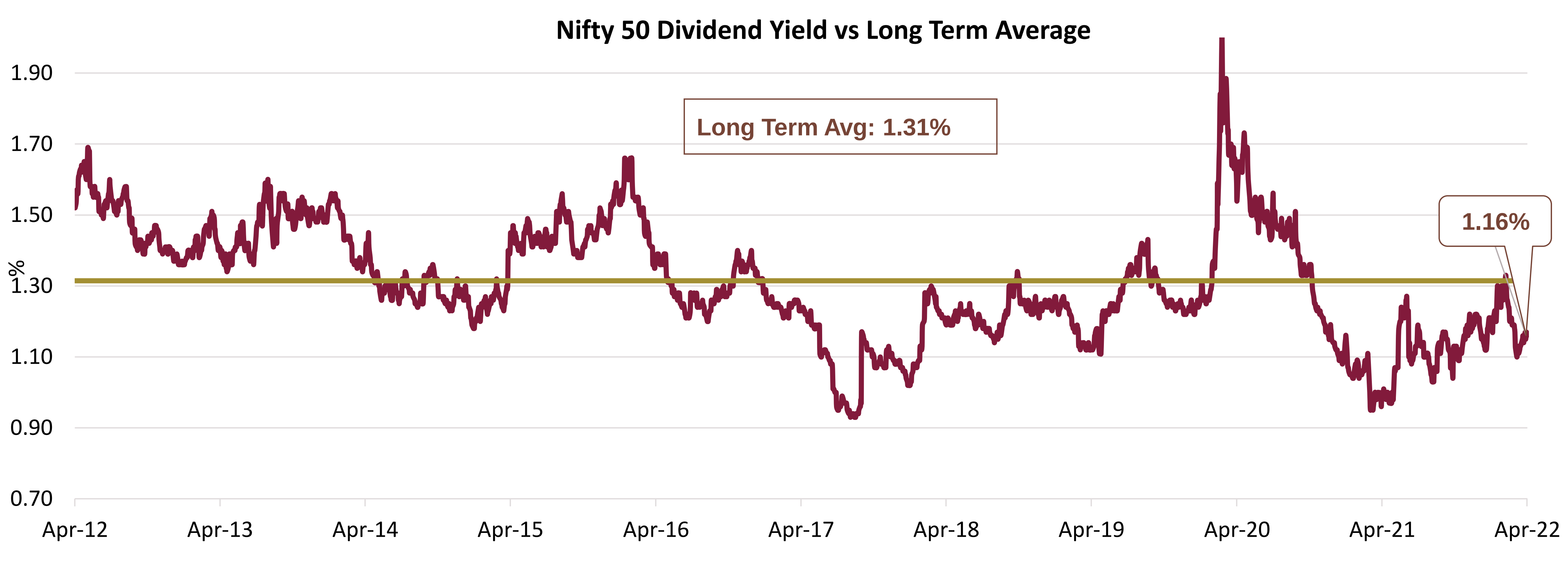
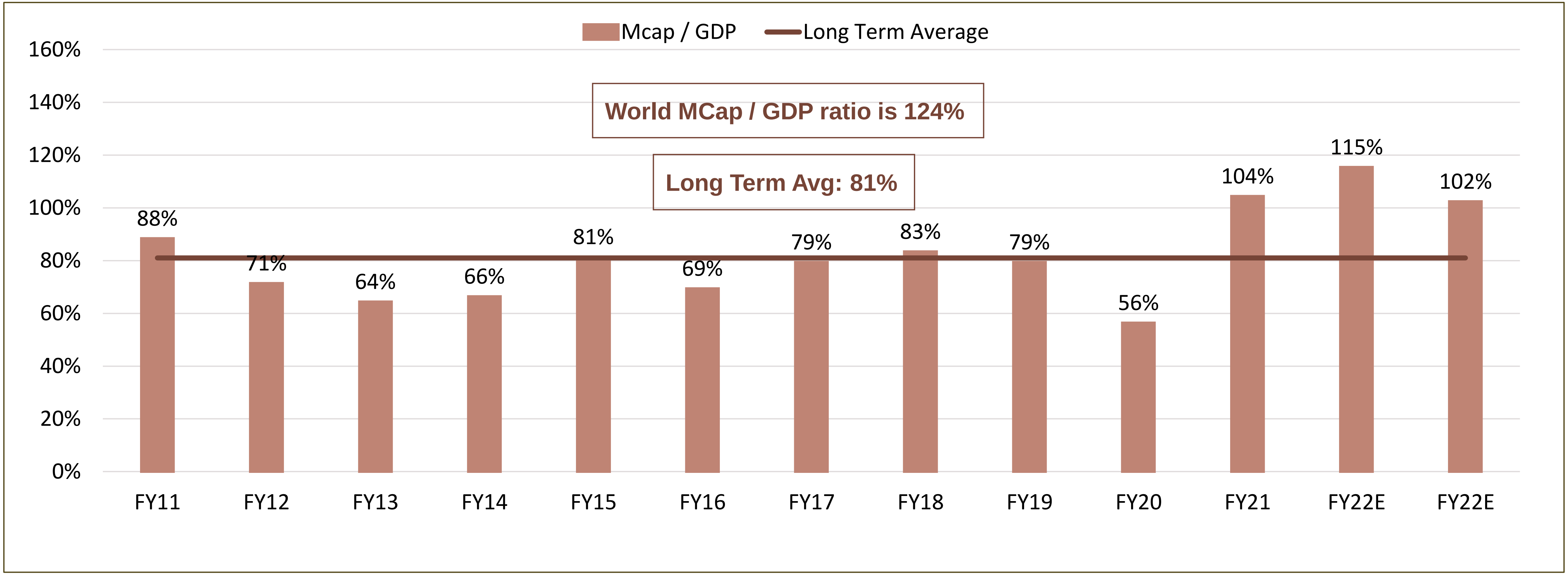
At 1.16%, the Nifty Trailing Dividend Yield is below the historical long-term average of 1.31%.



Source: NSE India

Valuations on a MCap / GDP perspective

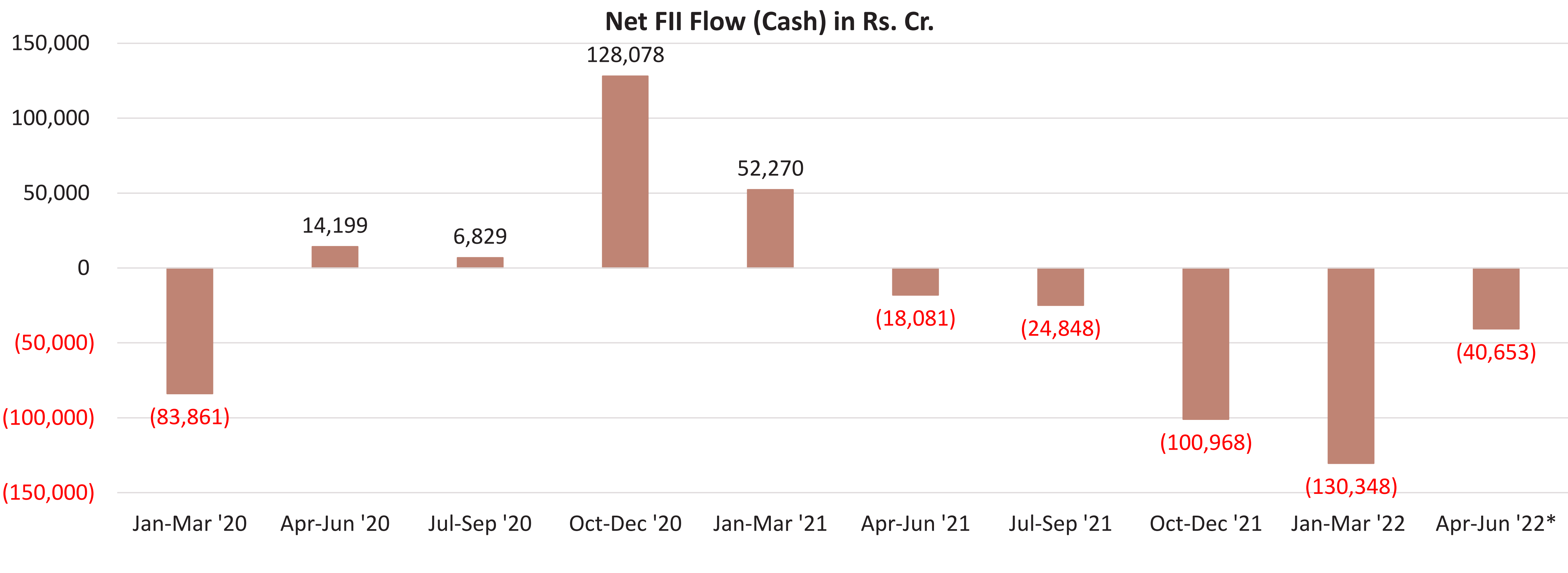
On Market Capitalisation to GDP parameter the market is trading above the historical long-term average but below the global average



Source: Kotak AMC, Monthly Market Outlook, May '22

FII Flow into Equity

FII registered an outflow to the tune of Rs. 40,653 cr in April ’22 for the seventh consecutive month

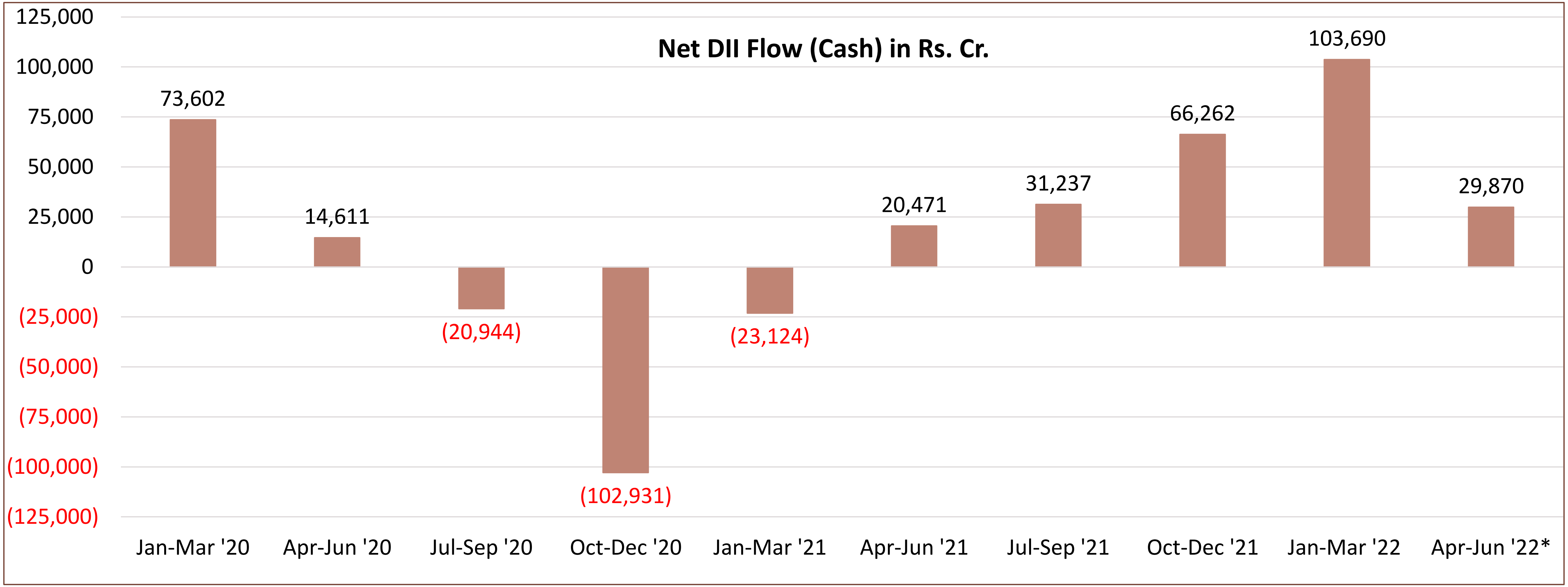


* Data upto 30 April 2022

Source: Moneycontrol

DII Flow into Equity

DII were net buyers in the cash market to the tune of Rs. 29,870 cr in April ’22 for the fourteenth consecutive months



* Data upto 30 April 2022

Source: Moneycontrol

Debt Market - Review

Debt Market Roundup - Key Takeaways

- **The India 10-Year Government Bond yields hardened** during for the month to close at 7.14% as against 6.84% at the end of March mainly on the back of **global commodity prices rose and putting pressure on global central banks to tighten liquidity and increase interest rates.**
- Bond yields had an upward movement as **RBI unanimously "to remain accommodative while focusing on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth."** Losses were extended as data showed that **India's foreign exchange reserves fell** for the seventh straight week to over nine-month low of $600.42 billion as on Apr 22, 2022. During the last week of the month bond yields moved in a wide range amid large swings in **global crude oil prices and U.S. Treasury yields**.
- Bond The **GST collection not only stayed above the one-trillion rupees mark** for the 9th consecutive month in March, but it also touched an all time high.
- While **March CPI** surged to 17-month high 6.95% as crude spiked; **February IIP growth** recovered to 1.69% thanks to base effect.
- **Brent crude oil prices rose cooled down from the to a 13-year high touched in March,** as weaker global economy, higher interest rates, and COVID19 lockdowns in China weighed on consumption.

Outlook:

- In the **backdrop** of **rising global commodity prices** – especially food; **U.S. Fed meeting** to be held– where there is **likelihood of a rate hike**; an economy that was no longer in a crisis and the **perception that the Indian central bank is behind the curve** - the RBI in an unscheduled policy meet announced a repo rate hike and CRR hike on the opening day of the **LIC Mega-IPO – when liquidity is already an issue**; has proven its independence from the government. The off-cycle policy meeting in summary was an **extremely hawkish one** with clear emphasis on inflation rather than growth.
- The Fed too on its part raised the interest rates by 50 bps and the ECB in its monetary policy review maintained its plans to end its stimulus program in 3QCY22.
- The debt market would be guided by **global central banks actions on interest rates - especially the Fed & RBI and how the growth-inflation dynamic shapes up.**

Debt Dashboard – April 2022

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	Latest (30 Apr '22)	One Month Ago (31 Mar '22)	One Quarter Ago (31 Jan '22)	Half Year Ago (31 Oct '21)	One Year Ago (30 Apr '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	4.15%	3.78%	4.00%	3.28%	3.38%	37
6 month	4.48%	4.43%	4.13%	3.53%	3.73%	5
1 Year	5.13%	4.78%	4.43%	3.78%	4.13%	35
T-Bill/G-sec						
91 Days	3.98%	3.81%	3.70%	3.57%	3.31%	17
364 Days	4.77%	4.56%	4.50%	4.02%	3.68%	21
India 10 Year G-Sec Yield	7.14%	6.84%	6.68%	6.39%	6.03%	30
AAA Corp. Bonds (PSU)						
1 Year	5.13%	4.98%	4.92%	4.34%	4.19%	15
3 Year	6.41%	5.90%	5.79%	5.45%	4.66%	51
5 Year	6.77%	6.37%	6.28%	6.06%	5.77%	40
AAA Corp. Bonds (NBFC)						
1 Year	5.19%	4.96%	5.27%	4.52%	4.39%	23
3 Year	6.80%	6.12%	6.05%	5.72%	5.05%	68
5 Year	6.99%	6.57%	6.50%	6.24%	5.97%	42
International Markets						
10 Year US Treasury Yield	2.94%	2.35%	1.78%	1.56%	1.63%	59

Source: IDFC AMC, G Sec – Investing.com

- The **money market instruments witnessed hardening of the yields** as the prices of both the T-Bills and Certificate of Deposits fell.
- The **U.S. Treasury Yields & the India 10-year G-Sec Yields hardened** global commodity prices rose and put pressure on global central banks to tighten liquidity and increase interest rates.
- **Both the AAA Corp. PSU & NBFC witnessed significant** losses on expectation of rise interest rates in the economy.
- In the **unscheduled** May '22 the MPC meet the RBI **unexpectedly** took a rather **hawkish stance** by **increasing the repo rate & CRR** to cut down the inflationary pressure.

Debt Category Average Performances – April 2022

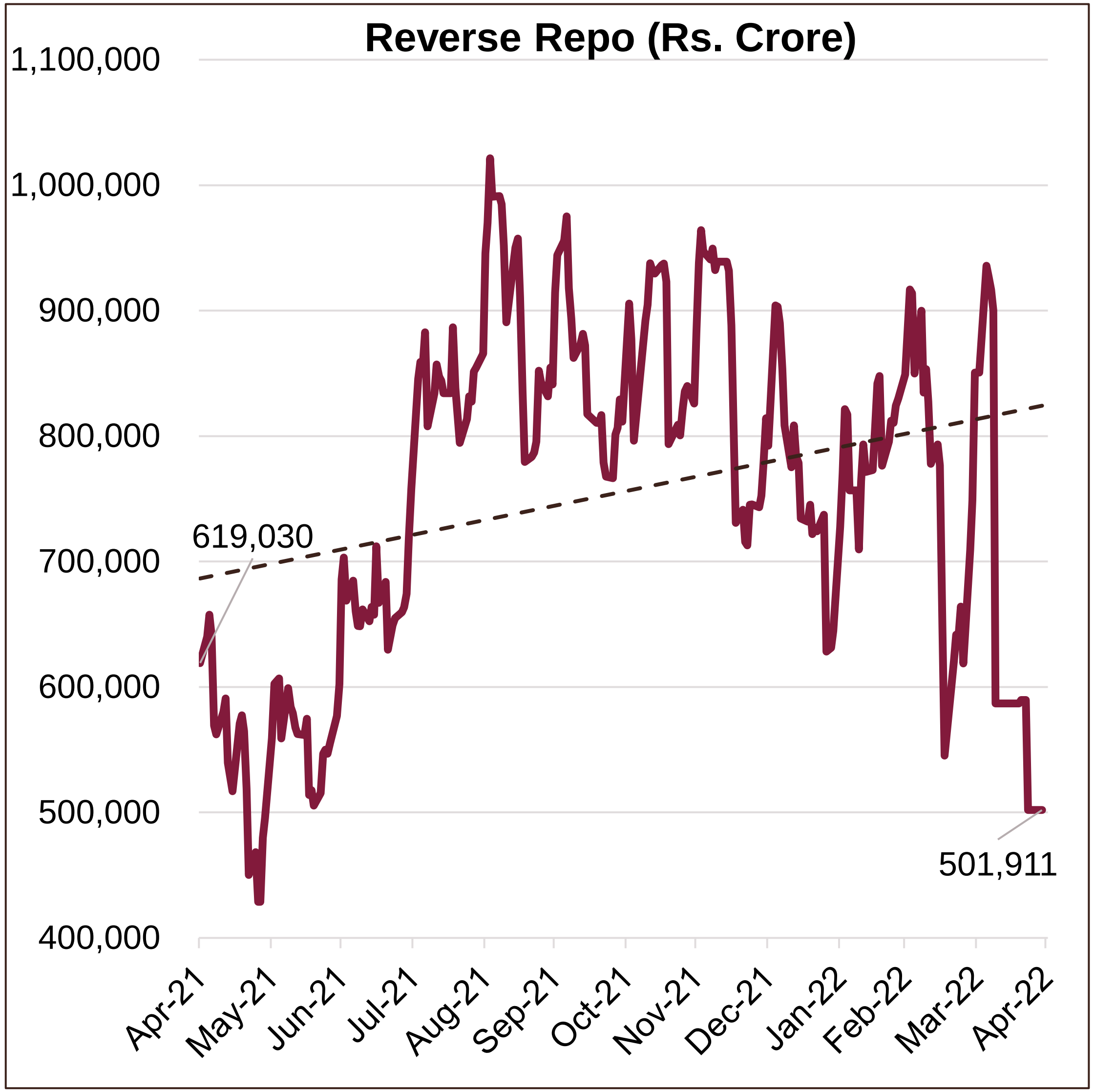
- **During the month** under consideration only the Money Market funds were in the green as RBI announced its liquidity tightening measure by introduction of Standing Deposit Facility (SDF).
- With respect to the **3 months and 6 months trailing returns the duration** categories underperformed the Money Market & Accrual categories on the back of rising yields.
- **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 Medium Duration & Credit Risk Funds, our recommended categories - 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.

Money Market	Absolute Returns (%)				CAGR (%)		
Category	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Overnight	0.28	0.80	1.65	3.22	3.10	3.67	4.53
Liquid	0.27	0.81	1.62	3.13	3.10	3.91	4.97
Ultra Short Duration	0.25	0.86	1.72	3.59	4.04	4.90	5.39
Low Duration	0.18	0.81	1.65	3.65	5.42	4.41	5.43
Floating Rate	0.15	0.70	1.35	3.75	5.85	6.30	6.61
Money Market	0.25	0.91	1.81	3.48	4.08	5.30	5.93
Accural	**Absolute Returns (%)**				**CAGR (%)**		
Category	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Short Duration	-0.15	1.06	1.77	4.28	6.07	5.63	5.82
Medium Duration	-0.74	0.20	0.91	4.64	6.76	4.72	5.09
Banking & PSU Debt Fund	-0.27	0.46	1.15	3.27	5.65	7.13	6.87
Corporate Bond Fund	-0.27	0.47	1.18	3.34	6.02	6.91	6.76
Credit Risk	-0.24	0.98	1.93	7.91	8.41	4.73	5.01
Duration	**Absolute Returns (%)**				**CAGR (%)**		
Category	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Medium To Long Duration	-1.07	-0.31	-0.04	2.48	4.51	5.90	5.36
Long Duration Fund	-0.99	0.10	-0.22	1.20	2.78	7.29	6.38
Dynamic	-0.46	0.06	0.44	3.08	4.68	6.41	5.93
Gilt	-0.72	-0.36	-0.20	1.81	3.51	7.24	6.49

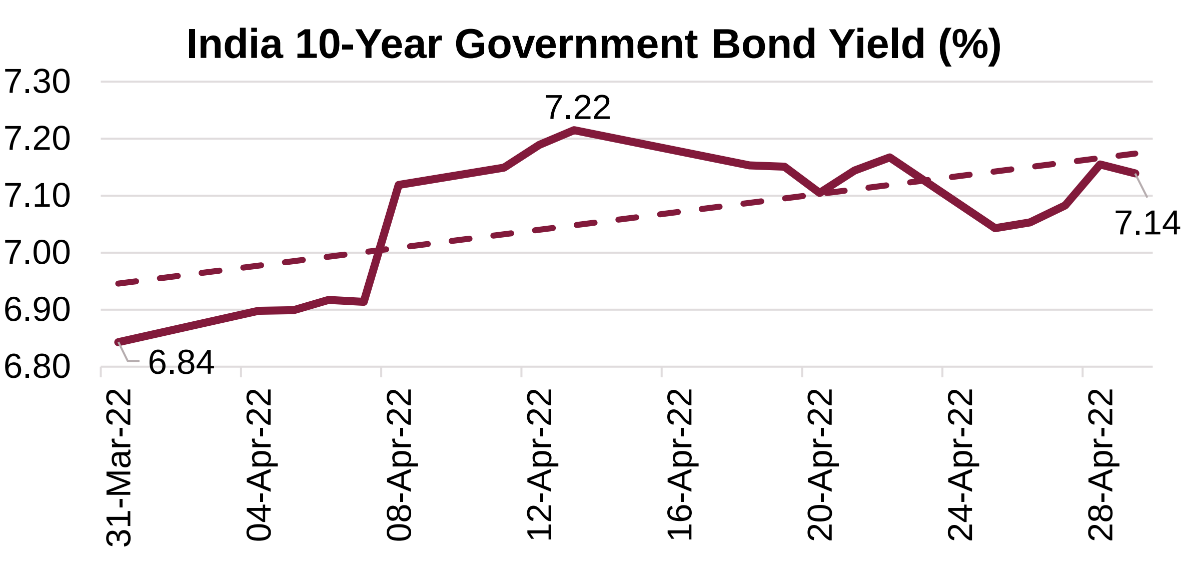
Source: Morningstar Direct

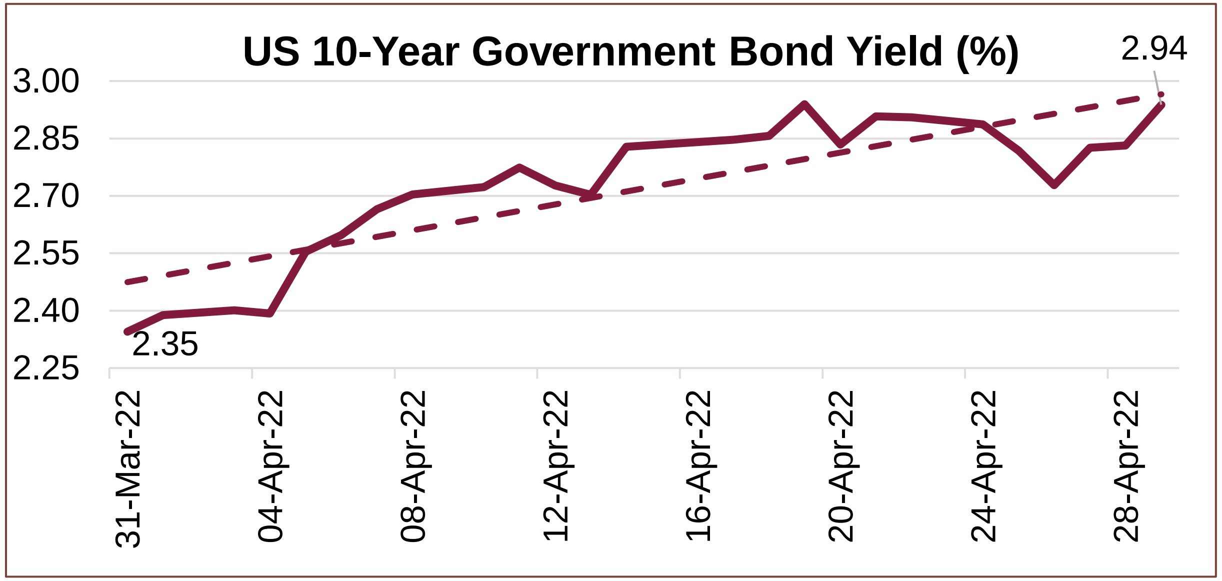
Money parked in Reverse Repo window

The RBI during the 2 pandemic-stricken years provided liquidity to the tune of Rs. 17 lakh crore by announcing various measures such as **system-level liquidity (LTRO), targeted liquidity (TLTRO) and on-tap liquidity window.** However, once there was sufficient liquidity the RBI got legroom for liquidity management and normalization by **the rollback of CRR in a phased manner and** conducting and steadily stepping-up the **variable rate reverse repo (VRRR) auction.** 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. Hinting that normalisation of liquidity overhang is on the anvil, in the last quarter of 2021 **G-sec Acquisition Programme (G-SAP)** was discontinued. In the April '22 policy meet **Standing Deposit Fecality (SDF) was introduced** and the **Liquidity Adjustment Fecality (LAF) corridor** was narrowed to 50 bps **making the Reverse Repo Rate redundant**. Further in an **off-cycle policy meet in May the RBI increased the CRR by 50 bps to 4.50%** as it stated that the **liquidity in the banking system was "comfortable"**. During the month under review the **banks on an average are parking Rs. 6.26 lakh crore to the reverse repo window** as against Rs. 7.61 lakh crore in March.



Yields Movement Across - India and U.S.





- **10-year India Government Bond Yield:** The India **10-Year Government Bond yields hardened** during for the month to close at 7.14% as against 6.84% at the end of March. Bond yields had an upward movement as RBI unanimously "**to remain accommodative while focusing on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth**." Losses were extended as data showed that **India's foreign exchange reserves fell for the seventh straight week** to over nine-month low of $600.42 billion as on Apr 22, 2022. During the last week of the month bond yields moved in a wide range amid large swings in **global crude oil prices and U.S. Treasury yields**.

- **U.S. Treasury Yield: U.S. Treasury yields surged at amplifying rate** during the month from 2.35% at the end of March '22 to **2.94% by the end of April '22.** IN the beginning of the month U.S. Treasury prices fell as market participants focused on the **U.S. Federal Reserve's plan for unwinding its balance sheet** and on probability of a **more hawkish stance from the U.S. Fed** going forward to put a check **on rising inflation in U.S**. Losses were extended after **European Central Bank** in its monetary policy review maintained its **plans to end its stimulus program in the third quarter of 2022.** Losses were restricted as renewed concerns over **COVID-19 pandemic in China** boosted the safe-haven appeal of U.S. Treasuries and gains were extended due to lingering concerns over the **ongoing war between Russian and Ukraine**.

Source: Investing.com

Event Update

RBI surprises the markets on the mega LIC IPO opening day

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RBI's Stance → **Accommodative**

Key Highlights

- **Repo Rate hiked by 40 bps to 4.40%.** This is the first-rate hike in 4 years.
- Cash reserve ratio **(CRR) hiked by 50 bps to 4.50%.**
- Stance kept **"accommodative"** while focusing on withdrawal of accommodation.
- Both the **bond and the equity market reacted negatively**.
- The off-cycle policy meeting in summary was an **extremely hawkish** one with clear emphasis on inflation rather than growth.

Policy Rates / Reserve Ratio	8 Apr '22	4 May '22	Status
CRR	4.00%	4.50% *	↑
SLR	18.00%	18.00%	↔
SDF	3.75%	4.15%	↑
Repo Rate	4.00%	4.40%	↑
MSF	4.25%	4.65%	↑
Bank rate	4.25%	4.65%	↑
Fixed Reverse Repo Rate	3.35%	3.35%	↔

The background

Repo Rate hike: The Governor also added that it may be recalled that in response to the pandemic, monetary policy had shifted gears to an ultra-accommodative mode, with a large reduction of 75 bps in the policy repo rate on March 27, 2020 followed by another reduction of 40 bps on May 22, 2020. Accordingly, the decision of the MPC to raise the policy repo rate by 40 bps to 4.40% may be seen as a reversal of the rate action of May 22, 2020 in keeping with the announced stance of withdrawal of accommodation set out in April 2022.

CRR hike: Since the April policy announcement, banking system liquidity has remained comfortable. Average surplus liquidity in the banking system – reflected in total absorption through SDF and variable rate reverse repo (VRRR) auctions – amounted to Rs.7.5 lakh crore during April 8-29, 2022. The large liquidity overhang in the form of daily surplus funds parked under the SDF has resulted in the weighted average call money rate (WACR) – the operating target of monetary policy – dipping below the SDF rate.

Summary

The policy was under a background of a) **Rising global commodity prices** – especially food; b) Fed meeting to be held – where there is likelihood of a rate hike; c) an **economy that was no longer in a crisis** and d) the **perception that the Indian central bank is behind the curve**. The RBI by raising interest rates and reserve ratios on the **opening day of the LIC Mega-IPO** – when liquidity is already an issue; has **proven its independence from the government**. The off-cycle policy meeting in summary was an **extremely hawkish one with clear emphasis on inflation rather than growth.**

* Effective Midnight of 21 May 2022

Fed raises interest rates by 50 bps; largest increase since 2000

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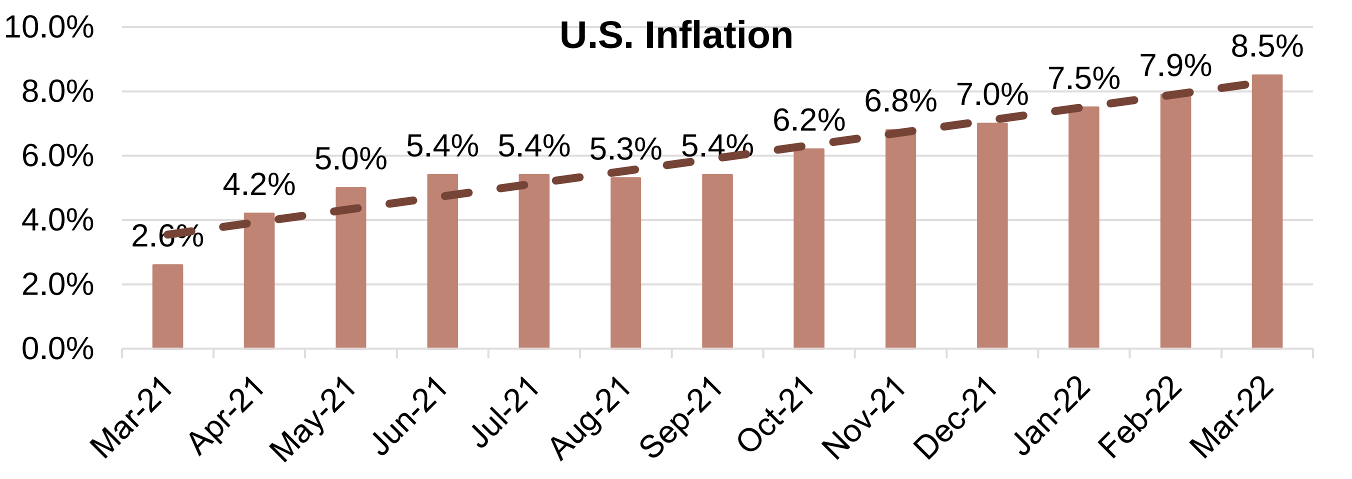

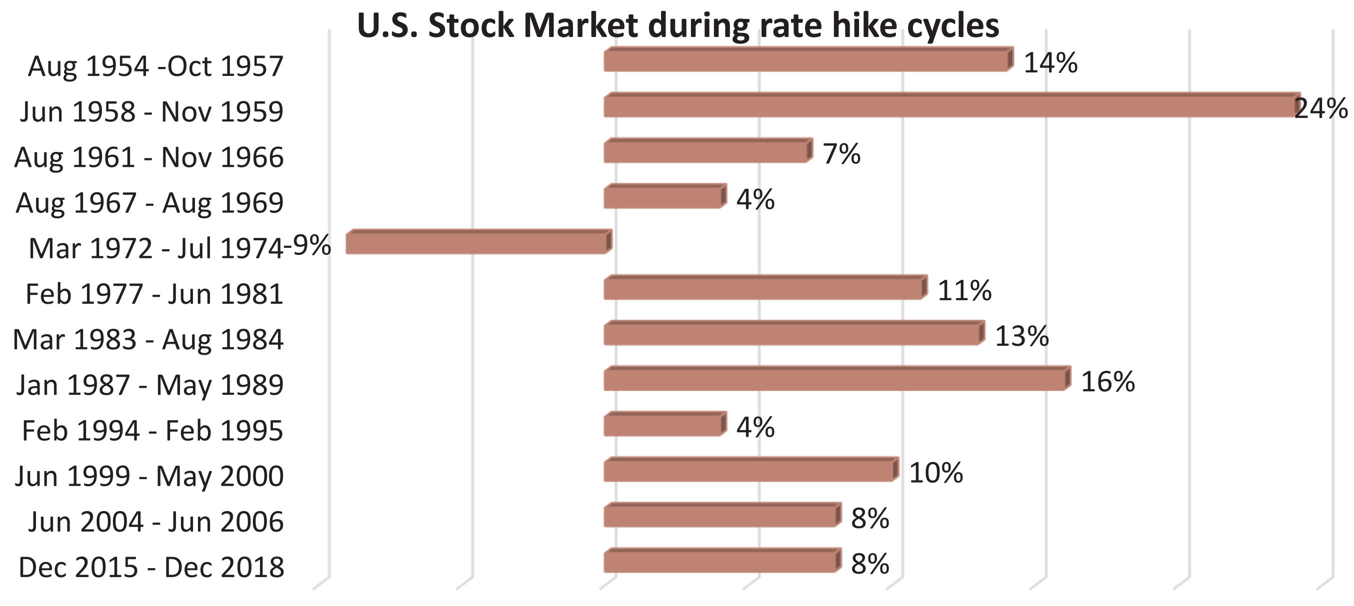

Key Highlights

- In line with expectation the **Federal Reserve (Fed) on 4 May '22 raised interest rates by 50 bps** - the biggest interest-rate increase since 2000 and **signaled it would keep hiking at that pace over the next couple of meetings**, unleashing the most aggressive policy action in decades to combat soaring inflation.
- The U.S. policy makers voted unanimously to lift their key rate to a target range of 0.75% to 1.00%, the second increase since 2018, after two years of holding borrowing costs near zero to insulate the economy from the pandemic.
- In a separate statement, it stated that it will begin **reducing its balance sheet size** by allowing its holdings of Treasuries and mortgage-backed securities to decline in June at an initial combined monthly pace of $47.5 billion, stepping up over three months to $95 billion.
- **"Inflation is much too high and we understand the hardship it is causing and we are moving expeditiously to bring it back down,"** Chair Jerome Powell said.
- FOMC said, "**Although overall economic activity edged down in the first quarter**, household spending and business fixed investment remained strong. Job gains have been robust in recent months, and the unemployment rate has declined substantially."

Source: Trading Economics, Moneycontrol

Thank You!

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