

TATA CAPITAL WEALTH

Market Outlook - November 2023



Macro Indicators

	Current		Month Ago	Quarter Ago	Half Year Ago	Year Ago
Economic Indicators:						
PMI Manufacturing	55.5 (Oct-23)	↓	57.5 (Sep-23)	57.7 (Jul-23)	57.2 (Apr-23)	55.3 (Oct-22)
PMI Services	58.4 (Oct-23)	↓	61.0 (Sep-23)	62.3 (Jul-23)	62.0 (Apr-23)	55.1 (Oct-22)
Consumer Price Index (CPI)	5.0% (Sep-23)	↑	6.8% (Aug-23)	4.9% (Jun-23)	5.7% (Mar-23)	7.4% (Sep-22)
Wholesale Price Index (WPI)	-0.3% (Sep-23)	↑	-0.5% (Aug-23)	-4.2% (Jun-23)	1.4% (Mar-23)	10.6% (Sep-22)
Industrial Production (IIP)	5.8% (Sep-23)	↑	10.3% (Aug-23)	3.8% (Jun-23)	1.9% (Mar-23)	3.3% (Sep-22)
GDP	7.8% (Jun-23)	↑	NA	6.1% (Mar-23)	4.5% (Dec-22)	13.1% (Jun-22)
Trade Deficit (\$ bn)	19.4 (Sep-23)	↑	24.2 (Aug-23)	18.7 (Jun-23)	19.0 (Mar-23)	29.3 (Sep-22)
Commodity Market:						
Brent Crude (\$/barrel)	87.4 (31-Oct-23)	↑	95.3 (29-Sep-23)	85.6 (31-Jul-23)	79.5 (28-Apr-23)	94.8 (31-Oct-22)
Gold (\$/oz)	1,994.3 (31-Oct-23)	↓	1,866.1 (29-Sep-23)	2,009.2 (31-Jul-23)	1,999.1 (28-Apr-23)	1,640.7 (31-Oct-22)
Silver (\$/oz)	22.9 (31-Oct-23)	↓	22.4 (29-Sep-23)	25.0 (31-Jul-23)	25.2 (28-Apr-23)	19.1 (31-Oct-22)
Currency Market:						
USD/INR	83.3 (31-Oct-23)	↑	83.0 (29-Sep-23)	82.2 (31-Jul-23)	81.7 (28-Apr-23)	82.8 (31-Oct-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: Volatility in the Indian equity markets increased in Oct-23 as S&P BSE Sensex and Nifty 50 indices fell (-3%). For Oct-23, Smallcap indices fared better than both Midcap indices and Largecap indices. Nifty Midcap and Nifty Smallcap indices were down by (-4%) and (-1.6%), respectively

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

- Domestic equity markets continued to remain volatile due to multiple factors such as concerns over higher U.S. Treasury yields, escalating geopolitical tensions in the middle east and higher crude prices.
- Sentiments were boosted after dovish comments from U.S. Federal Reserve officials that the U.S. Fed may not raise interest rates further in the Nov'23 meeting. Markets rose following upbeat earning numbers from index heavyweight companies for Q2.
- **FII's were net sellers** while **DII's were net buyers** of Indian equities not only for the month of October, but also calendar year to date and in the past 1 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, festive season demand uptick, Credit Growth & stable retail inflation **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 – **Q2FY24 earnings season in India, global crude oil prices, global liquidity conditions, geopolitical tensions and central banks actions.** Looking at the sharp rally in the equity markets followed by a correction, 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 – October 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	-2.76	-3.66	5.56	6.54	5.11	18.65	14.51	22.35	3.29	1.25
Nifty 50	-2.66	-3.09	6.45	7.01	5.13	19.27	14.27	20.45	3.35	1.41
Nifty 100	-2.60	-2.98	7.07	5.33	4.35	18.75	13.69	20.99	3.40	1.40
Nifty 200	-2.80	-2.10	9.14	7.81	5.65	20.51	14.41	21.32	3.36	1.34
Nifty 500	-2.69	-1.24	11.04	9.87	6.64	21.85	15.16	21.78	3.38	1.31
Nifty Midcap 150	-3.67	3.17	22.22	23.45	13.96	31.96	20.22	25.08	3.46	1.04
Nifty Smallcap 250	-1.63	6.15	28.26	29.14	14.18	35.33	20.03	23.46	3.09	1.01
Nifty Microcap 250	-0.15	12.21	44.19	49.03	27.73	53.48	24.95	25.76	2.47	0.82

Sectoral Indices							
Nifty Realty	4.60	6.48	35.57	37.95	10.31	38.65	23.40
Nifty FMCG	-0.64	-2.60	7.46	17.15	17.67	22.49	14.21
Nifty India Consumption	-1.47	-0.70	11.48	5.48	9.88	19.78	13.93
Nifty Auto	-1.60	1.60	21.29	19.86	19.77	28.33	13.87
Nifty Energy	-1.90	0.26	13.35	0.99	9.29	23.89	16.81
Nifty Infrastructure	-2.29	0.12	14.29	17.14	11.19	26.49	17.21
Nifty Services Sector	-2.89	-3.48	3.57	-0.45	0.37	17.03	12.61
Nifty Financial Services	-2.96	-5.40	1.12	4.55	2.00	19.07	13.24
Nifty IT	-3.15	2.76	11.71	8.41	-3.87	15.58	17.69
Nifty Oil & Gas	-3.60	-6.17	1.95	-5.36	1.09	18.70	13.66
Nifty Bank	-3.78	-5.93	-0.06	4.60	5.51	22.27	11.78
Nifty Healthcare	-4.62	-3.10	15.87	11.02	4.45	12.02	11.43
Nifty Pharma	-4.64	-1.94	16.85	12.09	3.70	10.14	9.33
Nifty Metal	-5.47	-4.35	11.44	9.81	9.74	42.69	16.52
Nifty PSU Bank	-5.97	6.79	19.07	43.63	34.10	59.33	11.84

Equity Market Flow			
Equity Flow (₹ Cr.)	1-Mth	CYTD	1 Yr.
FII	-29,057	-52,187	-43,872
DII	25,106	155,819	173,677

Source: Moneycontrol

Global Equity Market Dashboard - October 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										
Malaysia	KLSE	1,442	1.22	-1.18	1.83	-1.25	-3.91	-0.57	-3.34	
U.S.	Nasdaq 100	14,410	-2.01	-8.55	8.69	26.34	-4.64	9.23	15.63	
Taiwan	Taiwan Capitalization Weighted Stock	16,001	-2.02	-6.67	2.68	23.56	-2.94	8.44	10.29	
U.S.	Russell 1000	2,292	-2.43	-8.98	0.57	7.71	-5.79	7.88	8.87	
Indonesia	Jakarta Composite	6,752	-2.62	-2.58	-2.34	-4.88	1.21	9.57	2.97	
India	Nifty 50	19,080	-2.76	-3.41	5.56	5.93	3.90	17.88	12.93	
Pan - Europe	Euronext 100	1,286	-2.76	-8.23	-6.26	7.69	-2.14	11.36	5.46	
China	SSE Composite	3,019	-2.77	-8.27	-9.06	4.33	-7.73	-2.17	3.01	
Brazil	Ibovespa Sao Paulo	113,144	-2.84	-7.22	8.25	-2.49	4.54	6.39	5.29	
Japan	Nikkei	30,859	-3.04	-6.97	6.86	11.86	3.34	10.32	7.08	
France	CAC 40	6,886	-3.39	-8.16	-8.00	9.88	0.40	14.43	6.21	
Germany	DAX	14,810	-3.63	-9.95	-6.91	11.74	-2.83	8.61	5.28	
UK	FTSE	7,322	-3.65	-4.91	-6.90	3.20	0.58	9.49	0.54	
Hong Kong	HangSeng	17,112	-3.79	-14.77	-13.83	16.51	-17.83	-10.79	-7.28	
Singapore	Strait Times	3,068	-4.51	-9.08	-6.13	-0.82	-2.05	8.16	0.32	
Switzerland	Swiss Market	10,391	-5.06	-8.12	-9.05	-4.03	-7.34	2.72	2.86	
South Korea	Kospi	2,278	-6.92	-13.47	-8.84	-0.68	-12.40	0.16	2.33	

Data as on 31st October 2023. Performance shown is for Price Return Index. Source: ICRA MFI Explorer

For Client Circulation. The content does not construe to be any investment, legal or taxation advice.

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

Global Equity Market Performance across Calendar years



2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	YTD (%)
Germany 29.06	Japan 56.72	China 52.87	Germany 9.56	U.K. 14.43	Hong Kong 35.99	India 3.15	U.S.-Nasdaq 35.23	U.S.-Nasdaq 43.64	France 28.85	India 4.33	U.S.-Nasdaq 22.78
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 18.26
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 9.23
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 6.37
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 6.36
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 5.38
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 1.86
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. -1.74
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 -2.28
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 -13.49

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 31st October 2023. Source: MorningStar Direct

For Client Circulation. The content does not construe to be any investment, legal or taxation advice

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 26.73
Small Cap 37.96	Real Estate 10.06	Mid Cap 60.26	Real Estate 9.75	Bonds 13.09	Mid Cap 54.49	Gold 7.87	Gold 23.79	Small Cap 25.02	Mid Cap 46.81	Cash 5.23	Mid Cap 22.48
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	Gold 11.92
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	Intl 8.83
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	Cash 6.04
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	Large Cap 5.36
G-Sec 11.11	Mid Cap -3.01	Intl 11.07	Intl -1.09	Mid Cap 5.41	Bonds 5.55	Intl -6.55	Real Estate 2.99	G-Sec 13.20	G-Sec 3.13	Real Estate 1.43	Bonds 5.25
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	G-Sec 5.20
Cash 9.42	Small Cap -8.14	Gold -7.91	Gold -6.65	Small Cap 0.36	G-Sec 3.52	Small Cap -26.65	Small Cap -8.27	Real Estate 2.19	Gold -4.21	Intl -20.47	Real Estate 3.28

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

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

YTD Performance as on 31st October 2023. Source: ICRA MFI Explorer & RBI - DBIE

For Client Circulation. The content does not construe to be any investment, legal or taxation advice

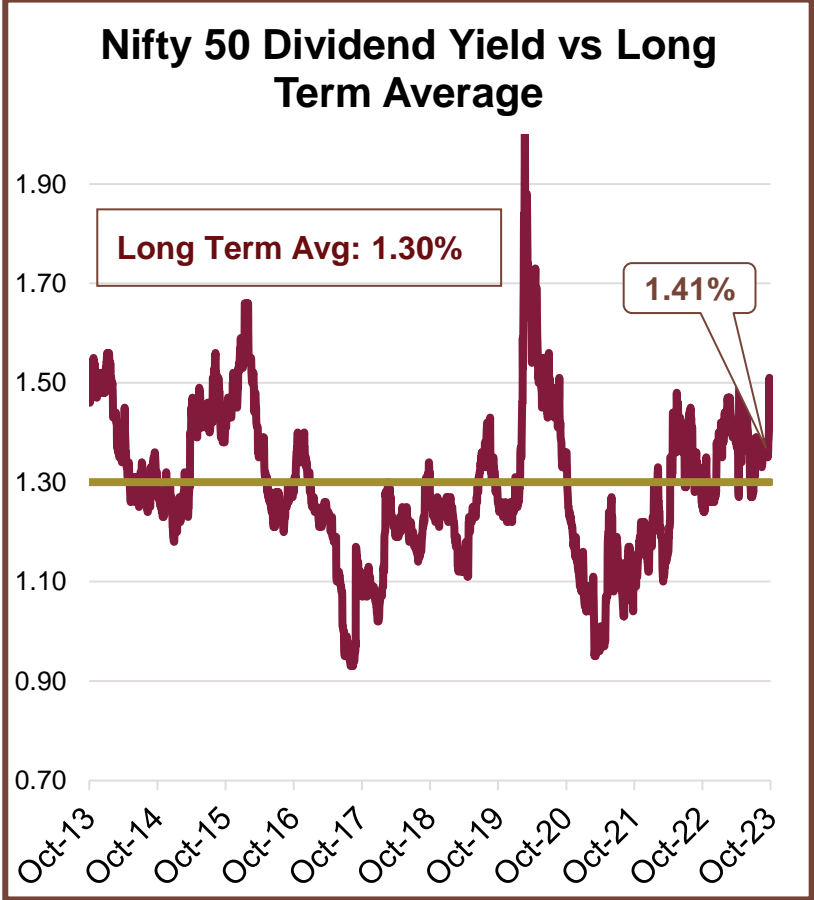
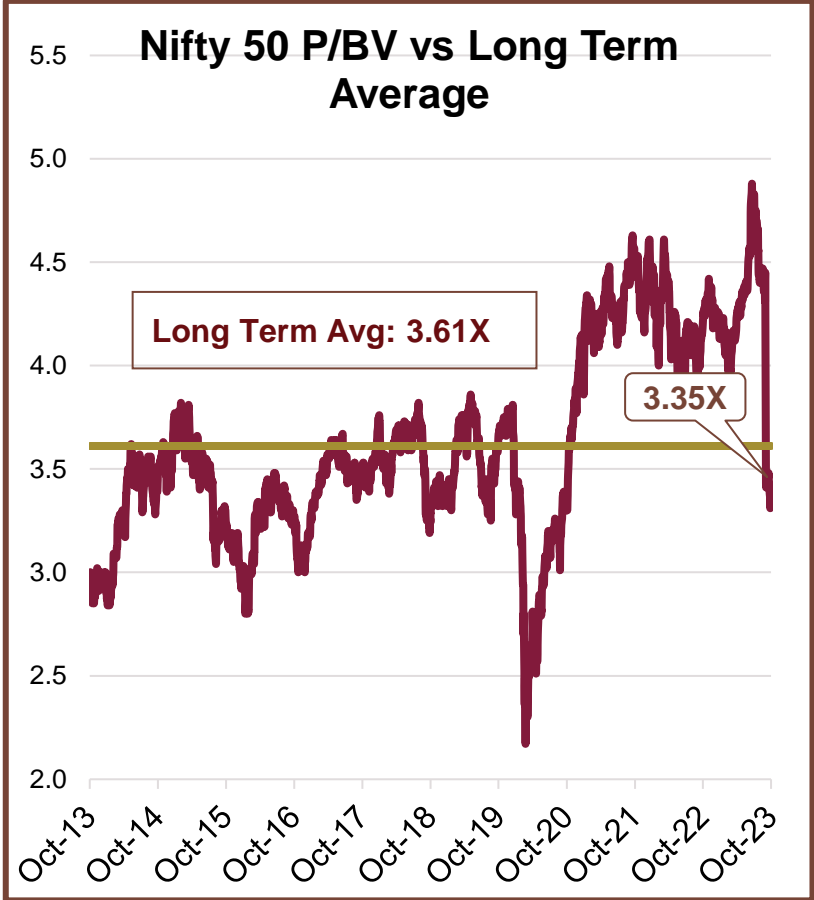
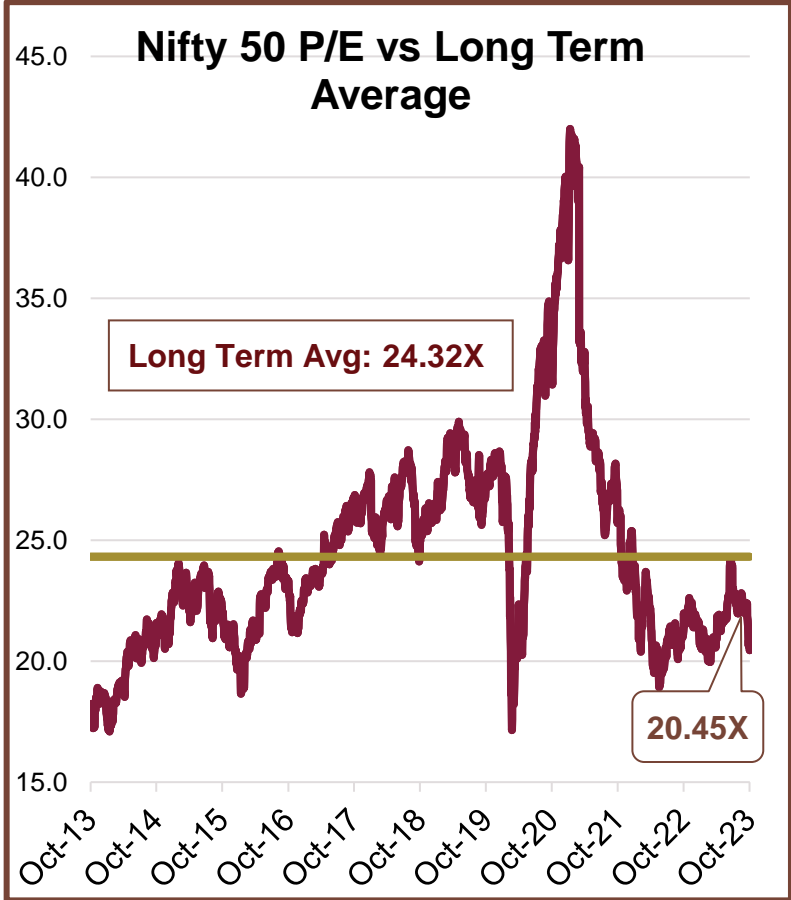
(<http://www.icraanalytics.com/legal/standard-disclaimer.html>)

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

Nifty 12-month trailing P/E of 20.45X is lower than its historical long-term average of 24.32X

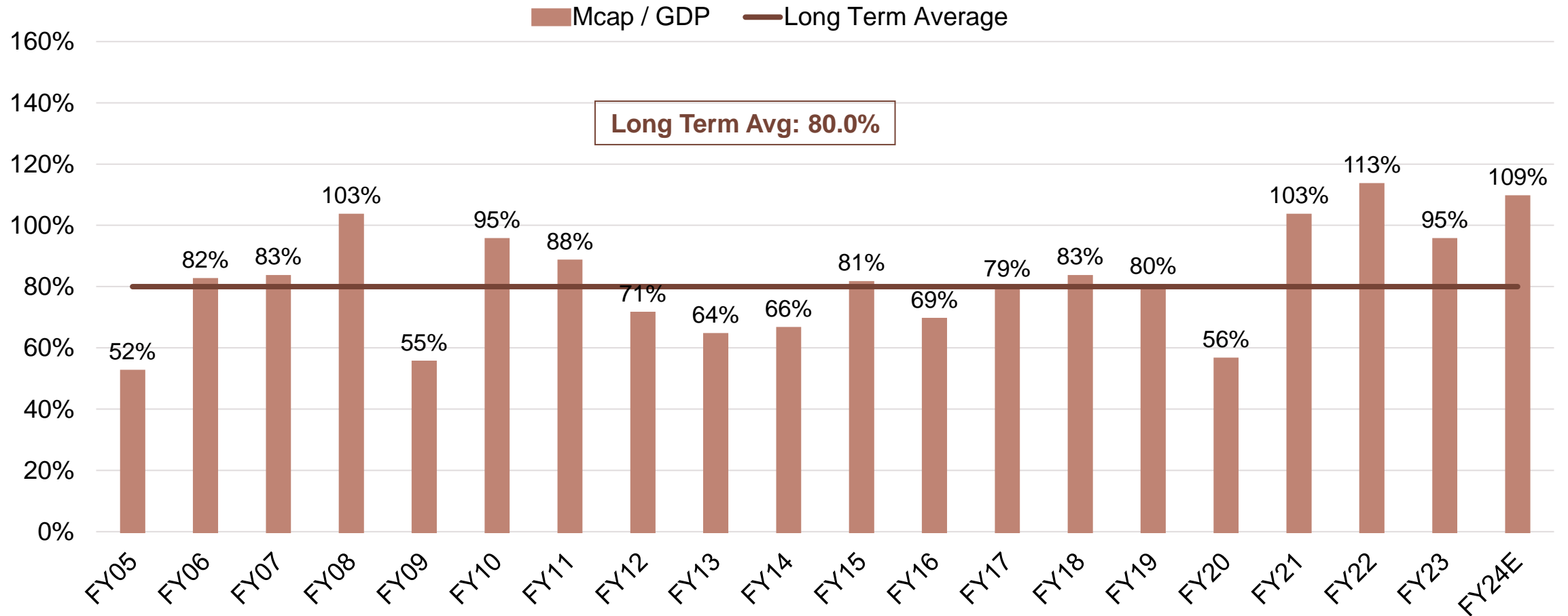
At 3.35X, the Nifty Trailing P/B is lower than the historical long-term average of 3.61X

At 1.41%, the Nifty Trailing Dividend Yield is above the historical long-term average of 1.30%



Valuations on a Market Capitalisation / GDP perspective

On Market Capitalisation to GDP parameter (FY24E 109%), India is trading above the long-term average of 80%

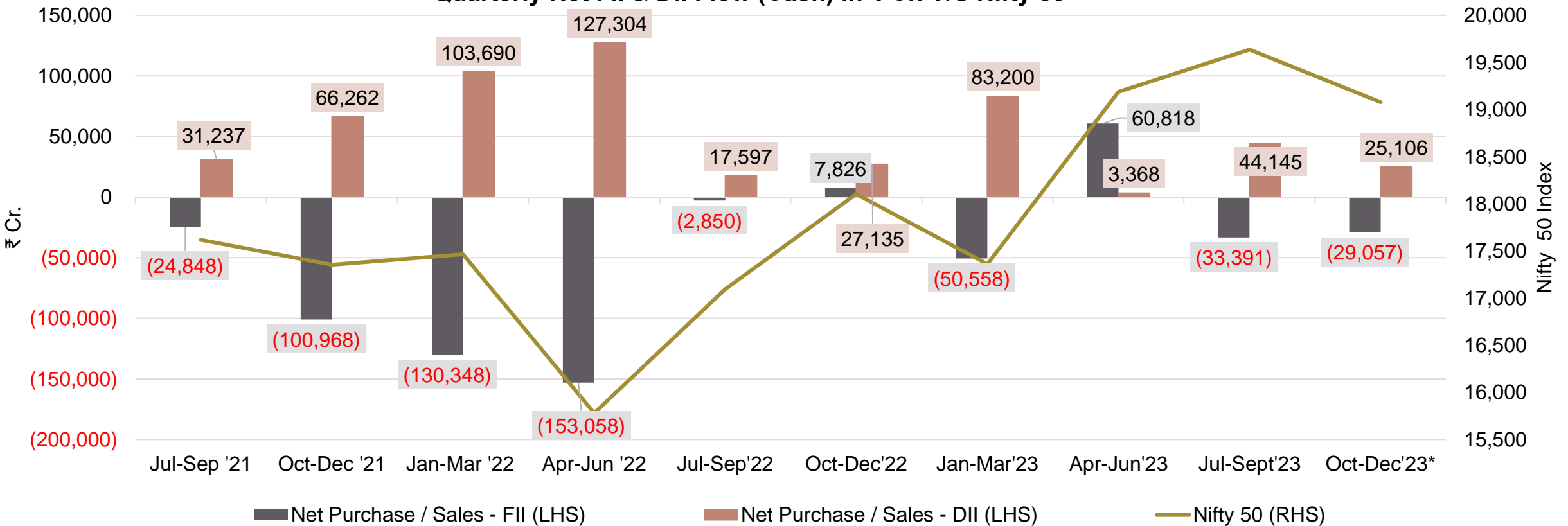


Source: Kotak AMC, Monthly Market Outlook, October '23

Quarterly FII & DII Flow into Equity

- FIIs remained net sellers of Indian equities in October ~₹29,000 cr
- On the other hand, DIIs continued to remain net buyers in October purchasing equities worth ~₹25,000 cr.

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



* Data Updated upto 31 Oct 2023

Equity Mutual Fund Category Average Performance – Oct'2023

- **For October month**, performance of all the equity categories were in the red with Large & Mid Cap, Contra & Mid Cap underperforming the most. Among the sectoral funds, Healthcare and Technology witnessed significant underperformance.
- On a 1-year CAGR basis, all the equity and sectoral/thematic categories delivered positive double-digit returns leaving Large Cap & Focused. **Small Cap category has emerged as the top performer** followed by Mid Cap, Dividend Yield, and Value categories. In case of sectoral/thematic categories, **Infrastructure, followed by the healthcare category has been the top performer** across given time frame as on October 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 12% with Small Cap, Technology 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	-2.68	-1.92	8.91	8.13	4.53	18.20	13.05
Large & Mid Cap	-2.98	-0.31	13.21	12.47	7.19	23.34	15.63
Multi Cap	-2.42	1.04	16.30	15.30	9.26	26.86	17.62
Flexi Cap	-2.46	-0.17	12.65	11.47	6.04	20.86	14.71
Mid Cap	-2.76	2.06	19.11	17.68	10.54	27.60	18.49
Small Cap	-1.45	3.82	22.71	23.48	14.30	35.03	21.95
Focused	-2.75	-1.12	11.18	9.18	5.19	20.35	14.33
ELSS	-2.69	-0.61	11.77	10.73	6.18	20.94	14.51
Contra	-2.87	0.10	13.77	15.19	11.19	27.06	17.42
Dividend Yield	-2.60	0.53	13.35	16.49	10.10	24.63	15.74
Value	-2.39	0.30	14.87	16.37	9.80	25.79	14.99
Sectoral / Thematic							
Consumption	-1.28	0.90	15.14	11.71	11.02	24.07	16.82
Infrastructure	-2.54	1.81	19.75	24.26	16.70	35.85	19.27
Financial Services	-2.17	-1.50	9.12	12.11	7.02	22.54	13.06
FMCG	-1.05	-2.46	8.08	14.39	16.21	23.68	14.33
Healthcare	-3.71	-0.97	18.11	14.78	5.77	13.14	17.49
Technology	-2.70	2.91	16.88	14.75	-0.32	20.62	19.89
Others	-2.57	0.44	14.48	15.99	9.23	25.18	15.88

Source: Morningstar Direct

Debt Market - Review



Debt Market Roundup - Key Takeaways

- The India 10-Year G-sec yield for October closed at 7.35% as compared to 7.21% at the end of September after touching a high of 7.39% in the beginning of the month.
- Markets were volatile during the month; initially bond yields climbed sharply as market participants were surprised due to the **RBI's announcement to conduct open market sale of bonds through auction**. High U.S. treasury yields and rising crude oil prices amid the escalating conflict in the Middle East extended the losses further. However, losses were reversed, and prices increased as market participants went for **value buying to take advantage of the recent rise in yields**. **Fall in domestic retail inflation** helped to extend the gain further.
- Bond yields rose following the rising **U.S. treasury yields which reached to its peak since 2007 financial crisis**.

Outlook:

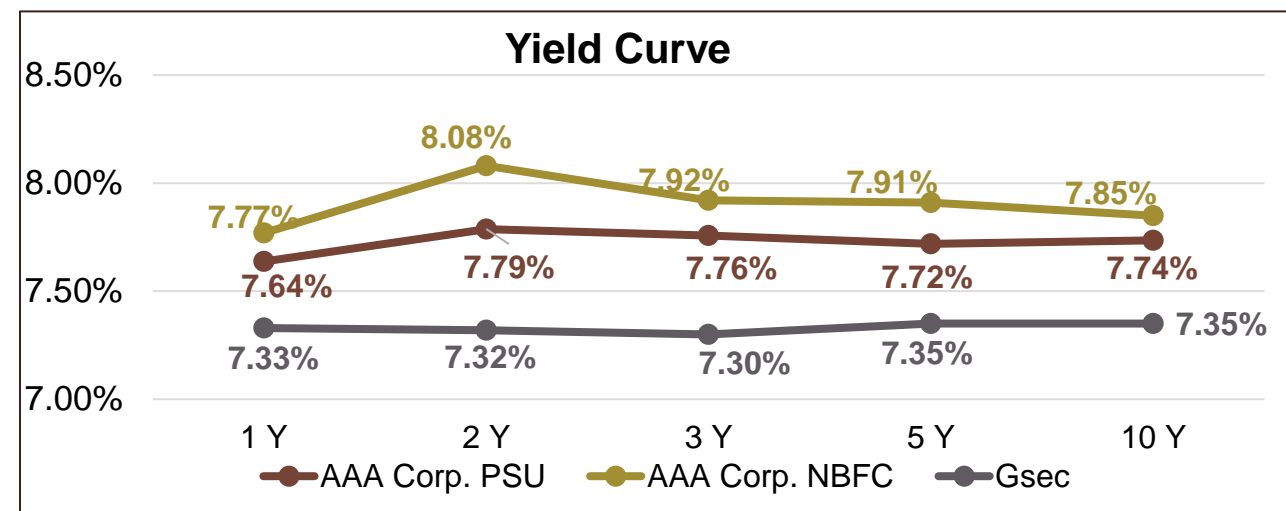
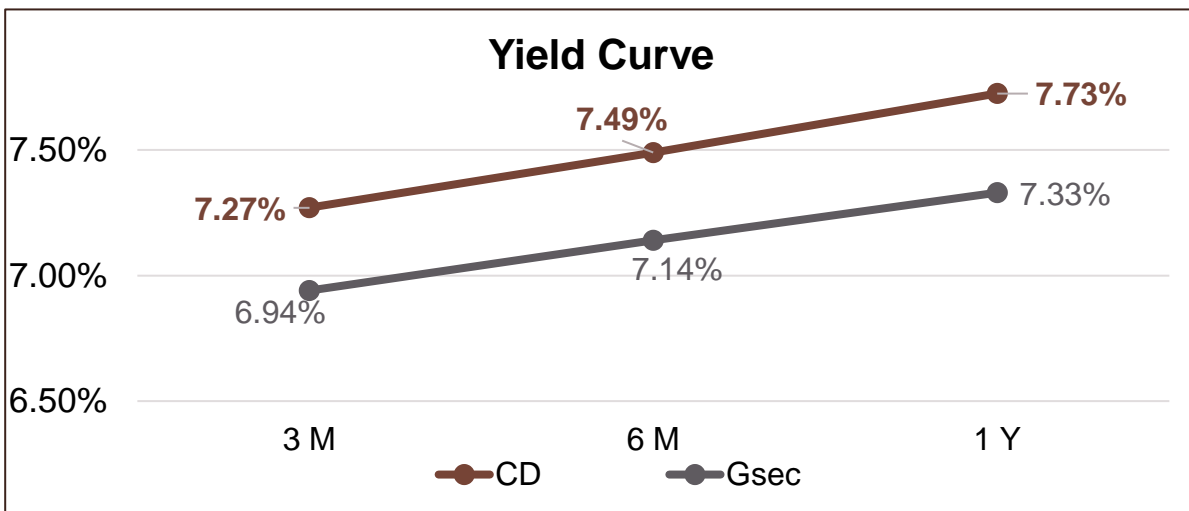
- Markets have largely seen a rise in yields over the last one year across the G-Sec & corporate bond markets.
- While the global economy is slowing, the **domestic economic activity exhibits resilience on the back of strong domestic demand**. As the **industrial sector** extended recovery in Q2 and first month of Q3 as reported in the IIP number of August, core growth of September and the PMI numbers of October; the **services sector** activity too is maintaining buoyancy as indicated by healthy expansion in high frequency indicators during these months.
- **However, headwinds from geopolitical tensions and geo-economic fragmentation, volatility in global financial markets, global economic slowdown, and uneven monsoon, however, 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 (31 Oct'23)	One Month Ago (29 Sep'23)	One Quarter Ago (31 Jul'23)	Half Year Ago, (28 Apr'23)	One Year Ago, (31 Oct'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	7.27%	7.05%	6.98%	7.11%	7.00%	22
6 month	7.49%	7.22%	7.18%	7.34%	7.28%	27
1 Year	7.73%	7.50%	7.38%	7.46%	7.65%	23
T-Bill/G-sec						
91 Days	6.89%	6.92%	6.70%	6.81%	6.42%	-3
364 Days	7.16%	7.08%	6.88%	6.98%	6.91%	8
India 10 Year G-Sec Yield	7.35%	7.21%	7.17%	7.12%	7.45%	14
AAA Corp. Bonds (PSU)						
1 Year	7.64%	7.55%	7.35%	7.56%	7.41%	9
3 Year	7.76%	7.77%	7.58%	7.46%	7.64%	-1
5 Year	7.72%	7.68%	7.65%	7.49%	7.65%	4
AAA Corp. Bonds (NBFC)						
1 Year	7.77%	7.68%	7.67%	7.70%	7.62%	9
3 Year	7.92%	7.86%	7.88%	7.74%	7.80%	6
5 Year	7.91%	7.86%	7.87%	7.80%	7.92%	5
US Markets						
10 Year US Treasury Yield	4.93%	4.58%	3.97%	3.43%	4.05%	35
Currency & Commodity						
USD/ INR	83.26	83.03	82.25	81.75	82.78	↑
Crude Brent (\$/Barrel)	95.31	86.86	74.90	79.77	94.83	↑

- **Yields on the 10-year U.S. Treasury rose 35 bps to close at 4.93%**, from the previous month's close of 4.58%.
- U.S. Treasury yields rose to a 16 year high even as the **Fed kept rates unchanged for the second consecutive meeting**.
- **In line with the U.S. markets, yield on the India 10-year benchmark closed at 7.35% higher than the previous month's close at 7.21%.**
- **Corporate bond yields of PSU's and NBFC's largely closed the month higher on the back of U.S. and domestic yields rising.**
- Though, for the past 4 policy meets (April, Jun, Aug & Oct-23) the MPC kept the policy rates stagnant, but the **cumulative rate hike of 250 bps undertaken by the MPC is working its way into the economy.**

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

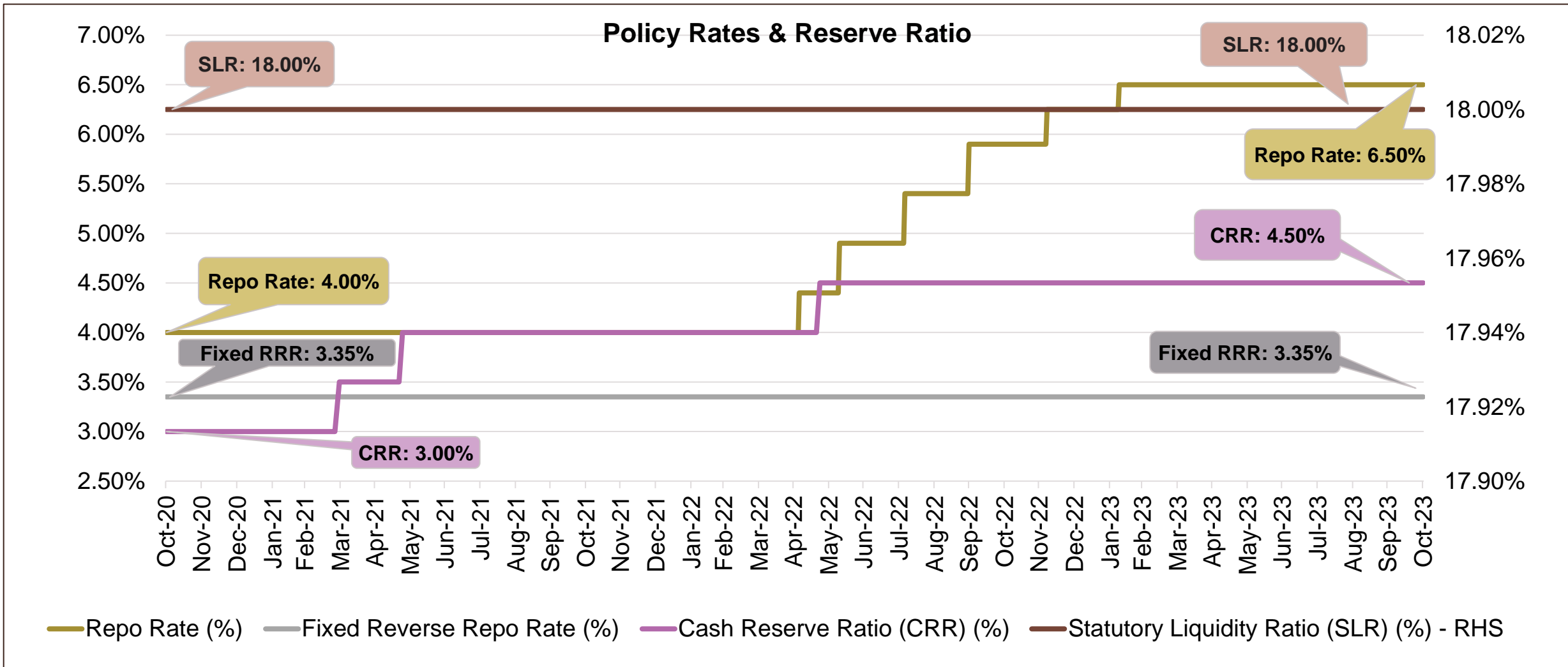


Data as on 31 Oct '23; Source: Bandhan AMC, Investing.com

Policy Rates / Reserve Ratio	Current
CRR	4.50%
SLR	18.00%
SDF	6.25%
Repo Rate	6.50%
MSF	6.75%
Bank rate	6.75%
Fixed Reverse Repo Rate	3.35%

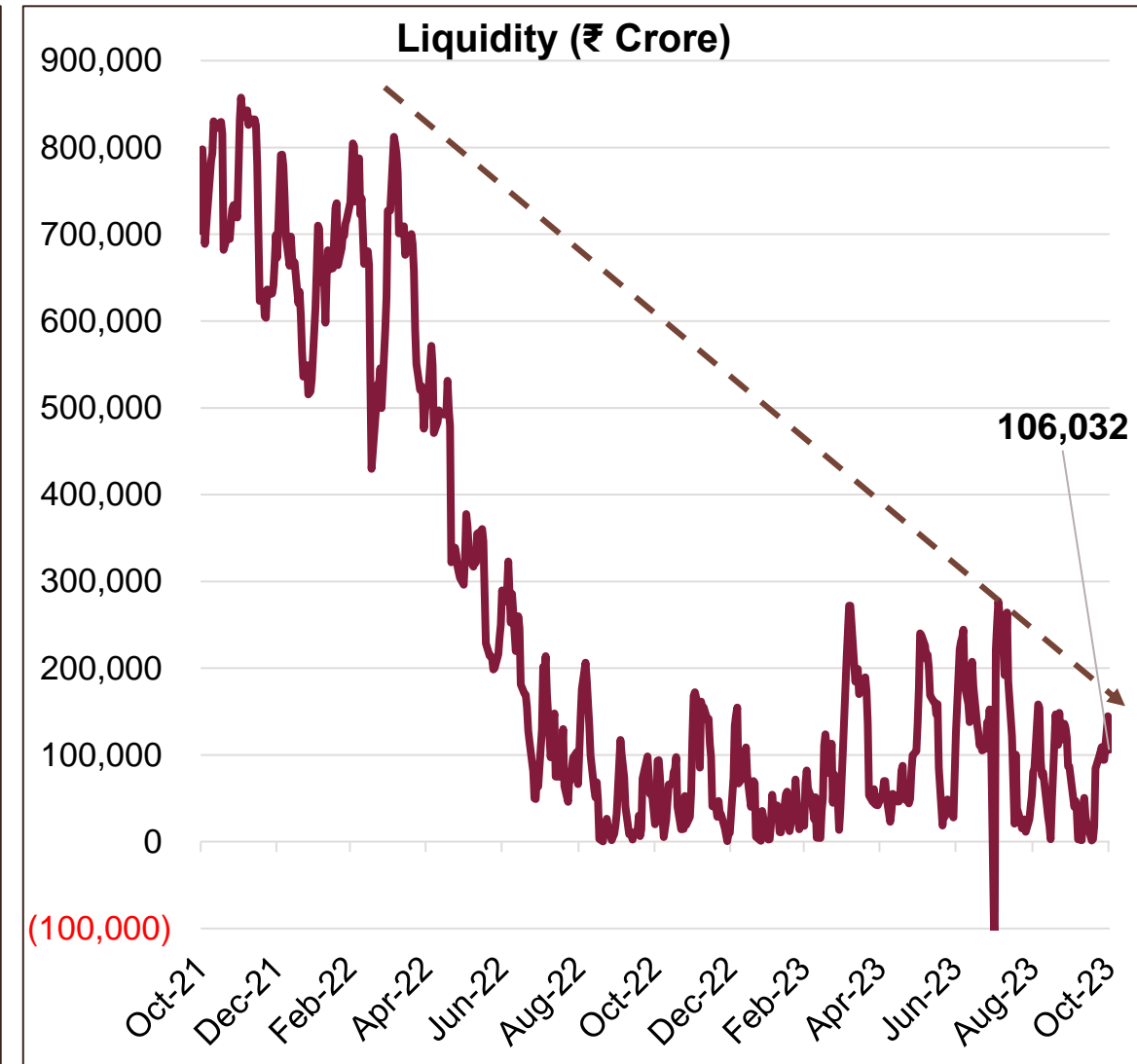
- In May '22, in an off cycle monetary policy committee (MPC) meeting the interest rates were increased. Then **the short end of the yield curve was placed between 4.9% to 6.9%. The yield curve was steep in shape.**
- Now over a year and a half after the rate hike cycle had begun, the yield curve has almost flattened. **The 10 Year minus 3 Months spread was at 101 bps in Oct '22 whereas at the end of Oct '23 it has reduced to 41 bps.**
- **Yields have remained higher across categories and maturity profiles in Oct '23.**
- **The spread between AAA corporate bond (NBFCs) and G-sec contracted from 30-90 bps from 3 year ago to 44-75 bps in the end of Oct '23.**
- In **Oct '23 policy meet**, though the RBI did not increase the policy rates, however said it may consider OMO-sales to manage system liquidity.

Policy rate & Reserve Ratio movement since October '20



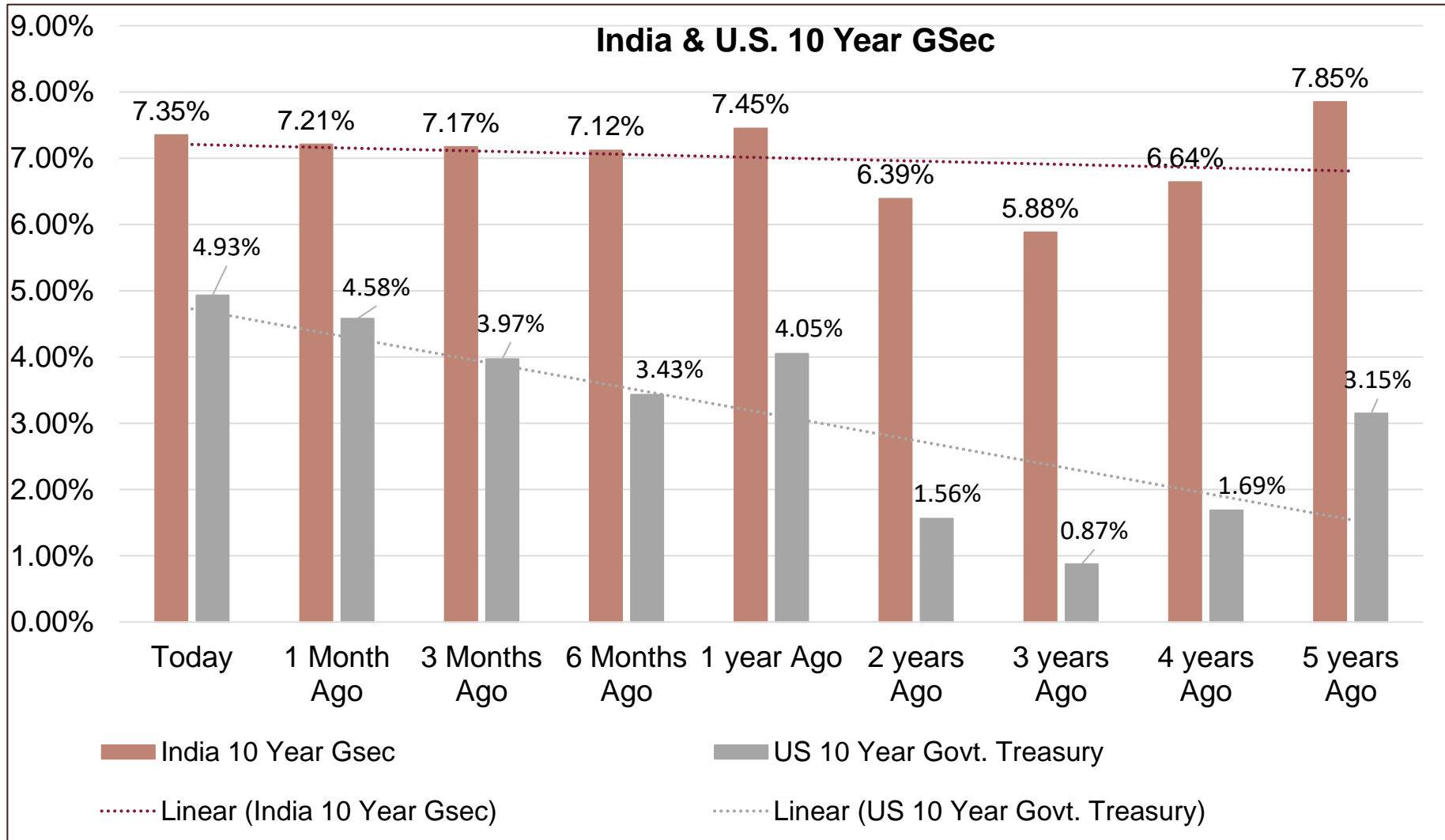
Liquidity in the system

- 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.**
- To ensure that liquidity conditions evolve in sync with the monetary policy stance, the Reserve Bank – as a temporary measure – **had imposed an incremental cash reserve ratio (I-CRR) of 10% which impounded about ₹1.1 lakh crore from the banking system.**
- In the Oct '23 policy meet, the governor stated that liquidity in the banking system is expected to remain adequate in the coming months to meet the productive requirements of the economy with expected pick up in government spending, although festival-related currency withdrawals may provide some counterbalance.
- The RBI will remain nimble footed and ensure that liquidity is actively managed by undertaking whatever operations that are necessary for the economy from time to time **including open market operation sales (OMO- sales).**



Source: Bandhan AMC

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



- The **10-year Indian G-sec** has now been trading above ~7% levels.
- **U.S. Govt. Treasury yields** further increased in Oct '23 even after the 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 4.1% from a year ago to ~5% at present. **While for the Indian markets, the yields have fallen from 7.45% from a year ago to 7.35% at present.**

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 and Accrual Funds. This phenomena was not witnessed in the broad category of Duration Funds and Passives.

➤ With respect to average maturity and modified duration of the funds – especially the Duration & Accrual category, it has largely been on the rise since past 1 year.

Category	YTM					Average Maturity					Modified Duration				
	Sep-23	Jun-23	Mar-23	Sep-22	Sep-21	Sep-23	Jun-23	Mar-23	Sep-22	Sep-21	Sep-23	Jun-23	Mar-23	Sep-22	Sep-21
Money Market															
Liquid	7.06	6.98	7.17	6.23	3.55	0.14	0.14	0.14	0.12	0.10	0.13	0.14	0.13	0.11	0.10
Ultra Short Duration	7.41	7.29	7.52	6.78	3.93	0.47	0.48	0.49	0.40	0.41	0.43	0.43	0.44	0.37	0.38
Low Duration	7.57	7.50	7.70	7.03	4.23	1.22	1.20	1.32	1.36	1.24	0.83	0.81	0.82	0.70	0.67
Money Market	7.29	7.24	7.54	6.73	3.76	0.39	0.54	0.71	0.40	0.33	0.38	0.52	0.68	0.38	0.32
Accrual															
Short Duration	7.58	7.46	7.64	7.17	4.81	3.12	2.91	2.55	2.02	2.34	2.35	2.19	1.99	1.49	1.76
Medium Duration	7.88	7.76	7.76	7.49	5.88	4.76	4.55	4.23	3.81	4.06	3.32	3.04	2.97	2.63	3.03
Banking & PSU Debt Fund	7.58	7.48	7.61	7.16	5.07	4.22	3.97	3.48	2.93	3.48	2.63	2.44	2.30	1.88	2.43
Corporate Bond Fund	7.64	7.55	7.69	7.28	4.98	3.67	3.51	2.94	2.59	2.88	2.61	2.51	2.07	1.64	2.09
Floating Rate	7.77	7.84	8.00	7.05	4.69	3.81	3.92	3.62	3.61	3.60	1.28	1.15	1.11	0.96	1.22
Credit Risk	8.24	8.11	8.17	7.81	5.76	3.38	3.26	2.54	2.28	2.46	1.83	1.56	1.65	1.56	1.83
Duration															
Medium To Long Duration	7.49	7.39	7.50	7.24	5.58	9.07	7.23	6.80	5.72	5.75	5.84	4.71	4.52	3.83	4.01
Long Duration Fund	7.48	7.40	7.52	7.62	6.82	20.98	19.71	17.08	16.89	19.16	9.52	9.19	8.72	8.72	9.72
Dynamic Bond	7.49	7.38	7.55	7.00	5.35	6.76	5.14	5.06	3.78	4.93	4.33	3.38	3.25	2.21	3.29
Gilt	7.37	7.19	7.40	6.91	5.35	8.53	6.25	6.34	4.46	7.86	5.31	4.05	4.19	2.76	4.16
Gilt - 10 Year	7.34	7.23	7.45	7.38	6.20	9.94	9.36	9.57	9.16	9.53	6.87	6.50	6.76	6.48	6.76
Passives															
Target Maturity Funds / Index Funds	7.48	7.34	7.46	7.45	6.03	4.70	4.94	5.32	4.55	5.83	3.65	3.82	4.08	3.61	4.48

Debt Category Average Performances - October 2023

- **During the month** under consideration, all the categories were in the green except for Duration funds.
- 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	0.57	1.65	3.30	6.44	5.30	4.54	4.62
Liquid	0.53	1.57	3.20	6.45	5.20	4.44	4.87
Ultra Short Duration	0.53	1.55	3.27	6.65	5.20	4.68	5.41
Low Duration	0.47	1.50	3.28	6.79	5.14	4.75	5.53
Money Market	0.55	1.60	3.40	6.97	5.44	4.77	5.87
Accrual							
Short Duration	0.29	1.15	2.61	6.66	4.92	4.63	6.06
Medium Duration	0.16	0.96	2.35	6.49	4.82	5.31	5.49
Banking & PSU Debt Fund	0.28	1.17	2.68	6.50	4.60	4.41	6.81
Corporate Bond Fund	0.28	1.19	2.78	6.63	4.53	4.42	6.74
Floating Rate	0.37	1.61	3.57	7.17	5.22	5.10	6.51
Credit Risk	1.07	2.03	3.64	7.72	9.64	9.20	4.86
Duration							
Medium To Long Duration	-0.25	0.35	1.58	5.99	3.73	3.60	5.93
Long Duration Fund	-0.58	-0.04	0.92	6.86	3.72	2.98	7.50
Dynamic Bond	-0.09	0.59	1.96	6.02	4.13	4.04	6.34
Gilt	-0.20	0.48	1.74	6.03	3.72	3.44	6.89
Gilt - 10 Year	-0.39	0.25	1.55	7.06	3.23	2.95	7.42
Passives							
Target Maturity Funds / Index Funds	0.02	0.87	2.28	6.98	4.20	4.69	0.00

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

Source: Morningstar Direct

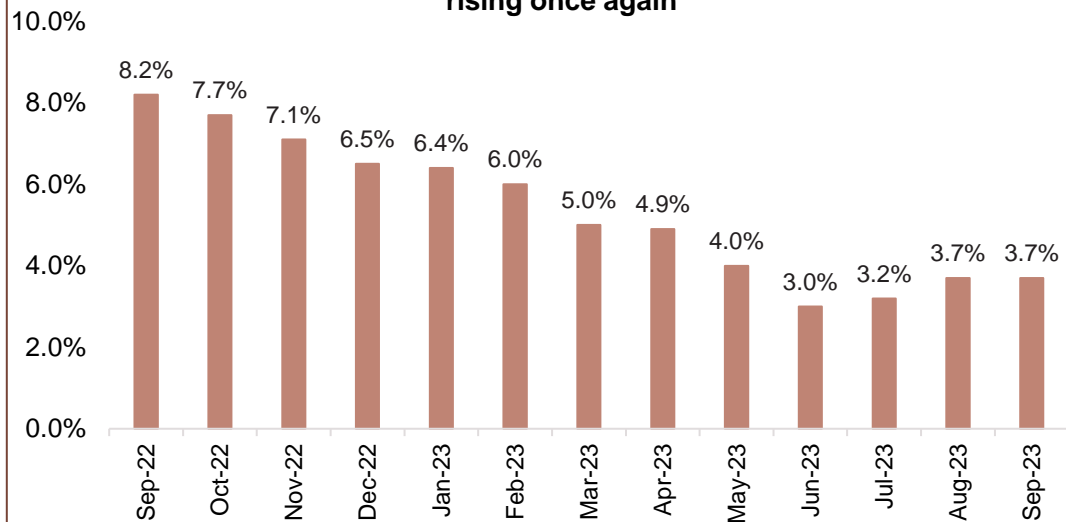
Event Update

U.S. Fed keeps rates unchanged for the second consecutive meeting

Key Highlights

- The Fed keeps interest rates unchanged at **5.25%-5.50% range**.
- Fed **maintained pause for the second consecutive meeting** allowing the economy to absorb the effects of higher borrowing costs.
- FOMC estimates US inflation reaching **2.2% by the end of 2025**.

U.S. Inflation - Eased in the last 1 year but showing signs of rising once again



U.S inflation Peaking

- ❖ Last year, inflation remained high, soaring to record-breaking levels in June, hitting a high of **9.1%**.
- ❖ Now, U.S. inflation data had shown a significant decrease till June 2023 to 3.0%. **In September 2023, CPI inflation rose to 3.7%**.
- ❖ Fed officials project the **inflation at 3.3% at year end**, compared to June's forecast of 3.2%.

To Conclude

- ❖ Fed kept the policy rate unchanged, and the decision was widely expected given the Fed's stated goal of slowing inflation to its long-term target of 2%.
- ❖ With the U.S. banking system being sound and resilient, tighter credit conditions for households and businesses are likely to weigh on economic activity, hiring, and inflation.

Investment Approach

Investors should not try to time the market and **investors should follow the prescribed asset allocation** to avoid unfavourable portfolio outcomes in case of any volatility that flows in the Indian markets due to tapering.

Thank You!

Disclaimer

Tata Capital Financial Services Limited ("TCFSL") is registered with The Association of Mutual Funds in India as a Mutual Fund Distributor bearing ARN No.84894 and Tata Capital Wealth is a service offering by TCFSL.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. TCFSL is not soliciting any action based upon it. Nothing in this report shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of the reader.

This report has been prepared for the general use of the clients of the TCFSL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this report in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. TCFSL will not treat recipients as customers by virtue of their receiving this report. Neither this document nor any copy of it may be taken or transmitted into the United States (to US Persons), Canada or Japan or distributed, directly or indirectly, in the United States or Canada or distributed, or redistributed in Japan to any residents thereof. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

It is confirmed that, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. No part of the compensation of the report creator was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this report. The author, principally responsible for the preparation of this report, receives compensation based on overall revenues of TCFSL and TCFSL has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Neither TCFSL nor its directors, employees, agents, representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

The report is based upon information obtained from sources believed to be reliable, but TCFSL does not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. It does not have any obligation to correct or update the information or opinions in it. TCFSL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. TCFSL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations. This information is subject to change without any prior notice. TCFSL reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, TCFSL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Certain products -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Before making an investment decision on the basis of this report, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Neither TCFSL nor the director or the employee of TCFSL accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this report and/or further communication in relation to this report.

We and our affiliates, officers, directors, and employees worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions.

Investments in securities are subject to market risk; please read the SEBI prescribed Combined Risk Disclosure Document prior to investing. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts. Our report should not be considered as an advertisement or advice, professional or otherwise.

General Disclosure



Tata Capital Financial Services Limited ("TCFSL") is registered with the Reserve Bank of India as a Non Deposit Accepting Systemically Important Non-Banking Finance Company ("NBFC-ND-SI").

Tata Capital Financial Services Limited ("TCFSL") bearing License no. CA0076 valid till 31st Mar 2022, acts as a composite Corporate Agent for TATA AIA Life Insurance Company Limited, HDFC Life Insurance Company Limited, TATA AIG General Insurance Company Limited and New India Assurance Company Limited. Please note that, TCFSL does not underwrite the risk or act as an insurer. For more details on the risk factors, terms & conditions please read sales brochure carefully of the Insurance Company before concluding the sale. Participation to buy insurance is purely voluntary.

TCFSL is also engaged in Mutual Fund Distribution business and is registered with The Association of Mutual Funds in India ("AMFI") bearing ARN No. 84894 and Tata Capital Wealth is a service offering by TCFSL. Please note that all Mutual Fund Investments are subject to market risks, read all scheme related documents carefully before investing for full understanding and details.

TCFSL distributes:

- (a) Mutual Fund Schemes of TATA Mutual Fund
- (b) Life Insurance Policies of Tata AIA Life Insurance Company Limited
- (c) General Insurance Policies of TATA AIG General Insurance Company Limited

TCFSL receives commission ranging from 0.00% to 2.00% p.a. from the Asset Management Companies ("AMC") towards investments in mutual funds made through TCFSL. TCFSL receives commission ranging from 0.00% to 40.00% as First year commission and renewal commission ranging from 0.00% to 5.00% on Life Insurance Policies bought through TCFSL. TCFSL receives commission ranging from 0.00% to 25.00% on General Insurance Policies bought through TCFSL. TCFSL receives commission ranging from 0.00% to 2.00% on Corporate Fixed deposit made through TCFSL.

Please note that the above commission may change from time to time and are exclusive of statutory levies like GST, Security Transaction tax, Stamp Duty, Exchange transaction charges, SEBI turnover fee etc. TCFSL does not recommend any transaction which is required to be dealt with on a Principal to Principal basis.

Registered office:

11th Floor, Tower A, Peninsula Business Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013.

