



ATLAS

Monthly Market Review
January 2025


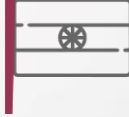





2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
10.3	8.8	11.1	14.1	18.1	17.0	4.0	53488	2528	2164	6388	25004	2451	6600	6400	6601.37
10.3	8.8	11.1	14.1	18.1	17.0	4.0	53488	2528	2164	6388	25004	2451	6600	6400	6601.37
10.3	8.8	11.1	14.1	18.1	17.0	4.0	53488	2528	2164	6388	25004	2451	6600	6400	6601.37

S&P 500
11118.49
1183.26
2124.45
9202.45
135.75

Trages H/T	Ketra (G)	Haha	Ther	52 Wochen	2009
47.15	46.54	46.02	45.58	45.14	44.70
91.09	89.83	89.04	88.25	87.46	86.67
52.70	52.08	51.28	50.49	49.69	48.90
54.43	53.81	53.02	52.23	51.44	50.64
47.39	46.55	45.76	44.97	44.18	43.39

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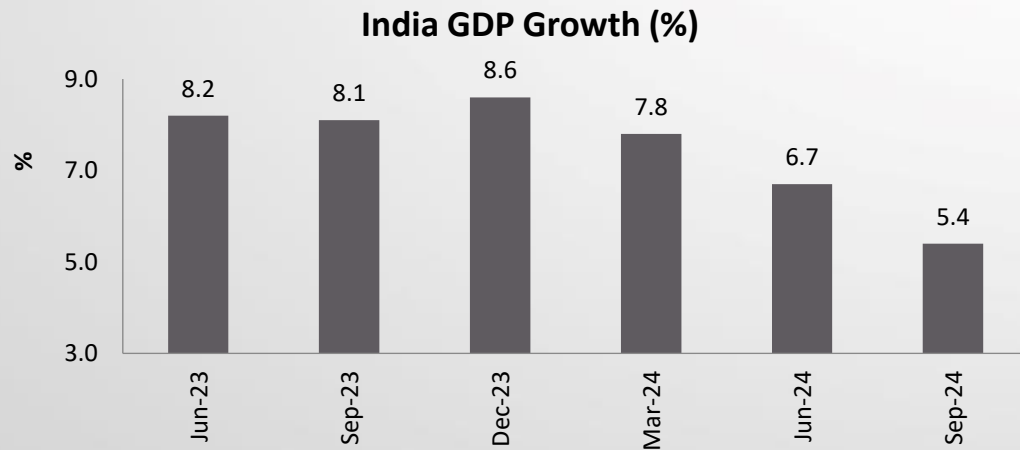
MACRO ECONOMIC INDICATORS

GDP and Current Account Deficit Trend



MACRO

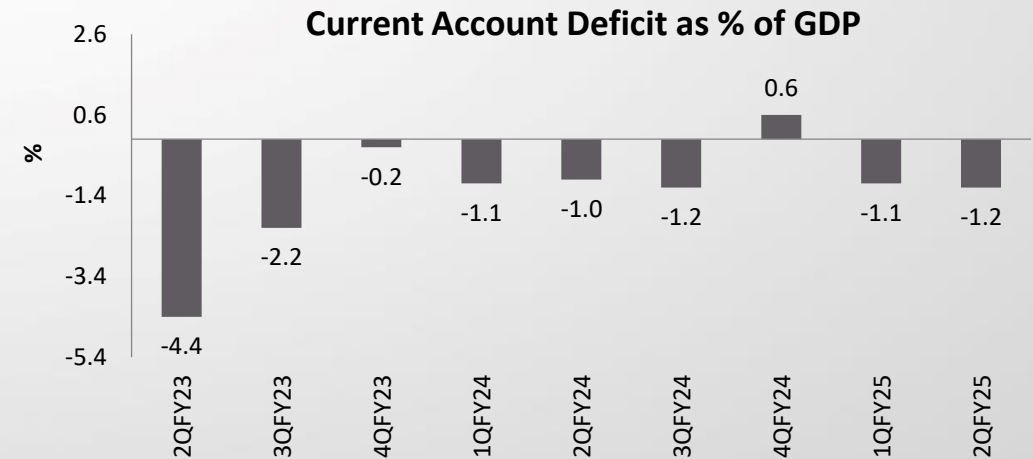
GDP growth slowed YoY in 2QFY25



Source: Refinitiv

GDP of the Indian economy at constant (2011-12) prices witnessed a growth of 5.4% YoY in the second quarter of FY25. In the Jul-Sep quarter of last year, the GDP growth rate was 8.1%.

Current a/c deficit moderated marginally in 2QFY25



Source: Refinitiv

Current account deficit moderated marginally to US\$ 11.2 billion (1.2% of GDP) in Q2 FY25 from US\$ 11.3 billion (1.3% of GDP) in Q2 FY24.

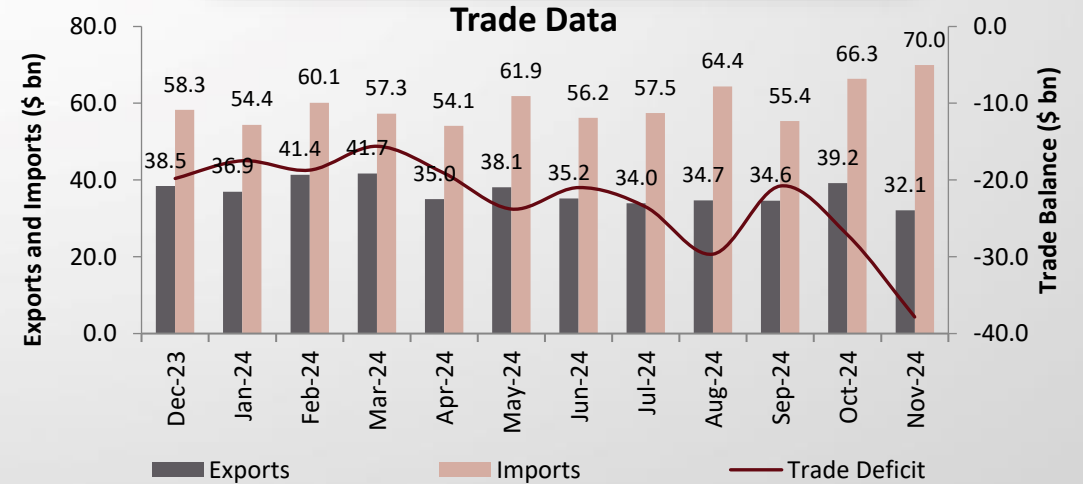
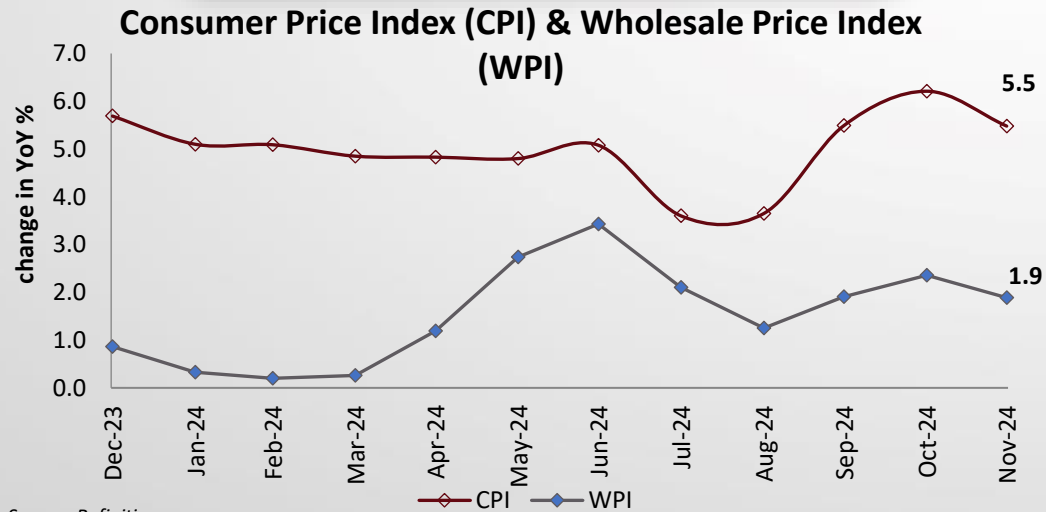
MACRO ECONOMIC INDICATORS

Inflation and Trade Data Trend

MACRO

CPI inflation eased in Nov 2024

Trade deficit widened YoY in Nov 2024



CPI-based inflation eased to 5.48% YoY in Nov 2024, driven by moderating vegetable prices and stabilized edible oil costs. WPI-based inflation eased to 1.89% YoY in Nov 2024.

Merchandise trade deficit widened annually to \$37.84 billion in Nov 2024 compared to \$21.31 billion in Nov 2023. Exports fell by 4.86% YoY and imports increased 27.04% YoY in Nov 2024.

MACRO ECONOMIC INDICATORS

Manufacturing and Services PMI Trend

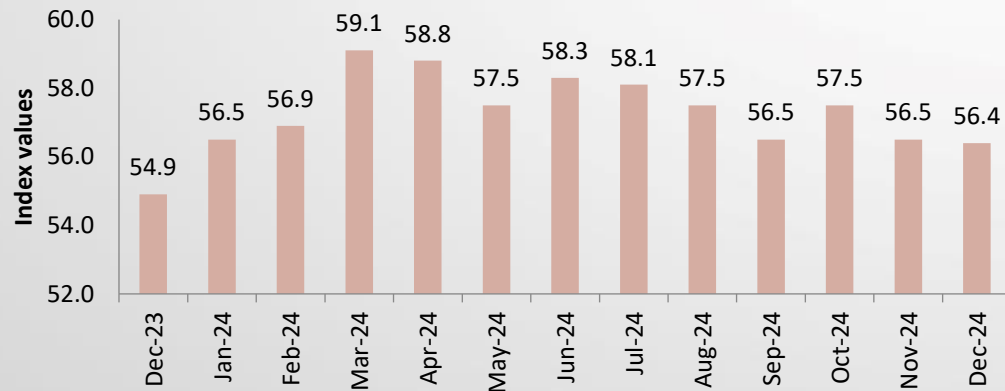


MACRO

Manufacturing PMI fell marginally in Dec 2024

Services PMI rose in Dec 2024

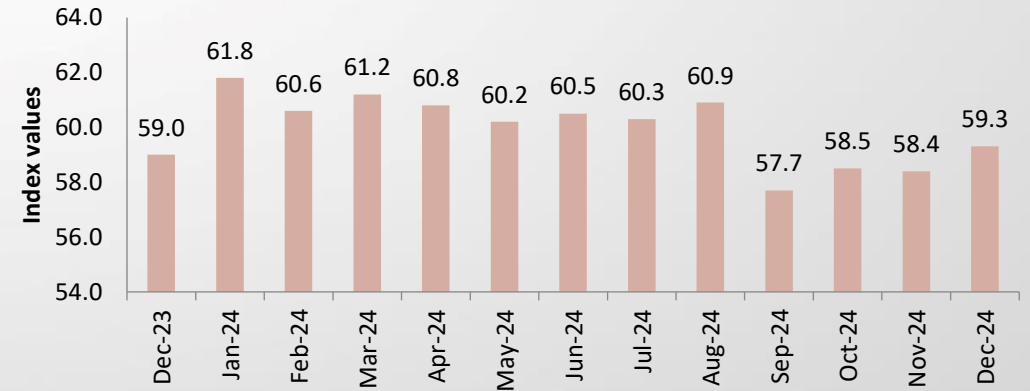
India Manufacturing PMI



Source: Refinitiv; PMI >50 denotes expansion and <50 is contraction

Manufacturing PMI fell marginally to 56.4 in Dec 2024 compared to 56.5 in Nov 2024. The data indicated softer demand in the sector despite easing cost pressures and strong jobs growth.

India Service PMI



Source: Refinitiv; PMI >50 denotes expansion and <50 is contraction

Services PMI rose to 59.3 in Dec 2024 from 58.4 in Nov 2024. India's services sector ends 2024 positively, driven by sustained demand, robust hiring, and eased inflationary pressures.

MACRO ECONOMIC INDICATORS

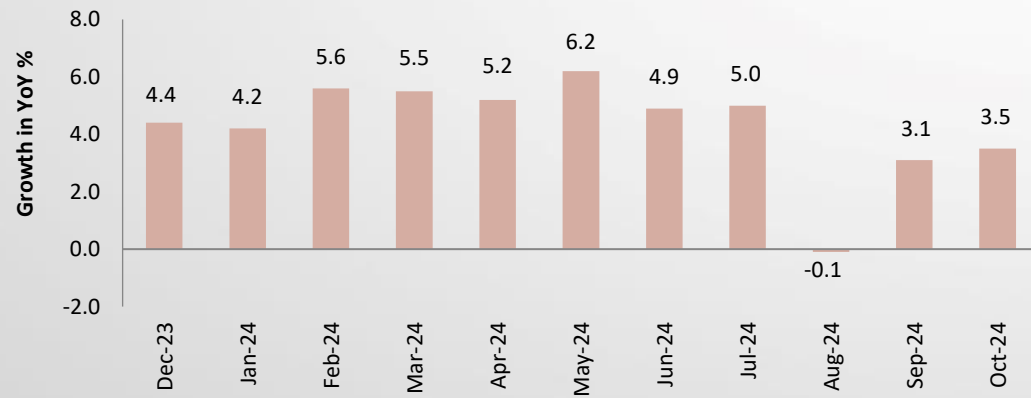
IIP and GST Trend



MACRO

Industrial output rose YoY in Oct 2024

Index of Industrial production (IIP)

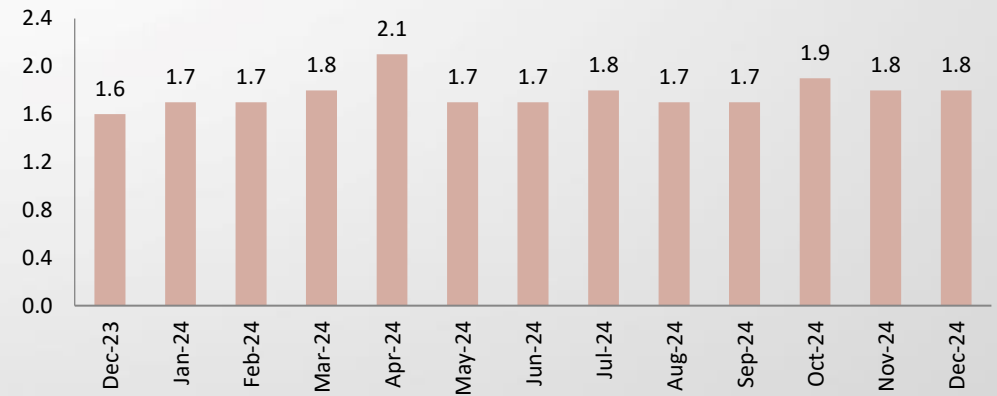


Source: Refinitiv

Industrial production rose 3.5% YoY in Oct 2024, as compared to 3.1% rise in Sep 2024. Production in mining, manufacturing and electricity witnessed a growth of 0.9%, 4.1% and 2.0%, respectively.

GST collections fell MoM in Dec 2024

GST Collections (Rs. Lakh Crore)



Source: PIB

The total gross goods and services tax (GST) revenue grew 7.3% YoY to Rs. 1.77 lakh crore in Dec 2024 as compared to Rs. 1.65 lakh crore in Dec 2023.

MACRO ECONOMIC INDICATORS

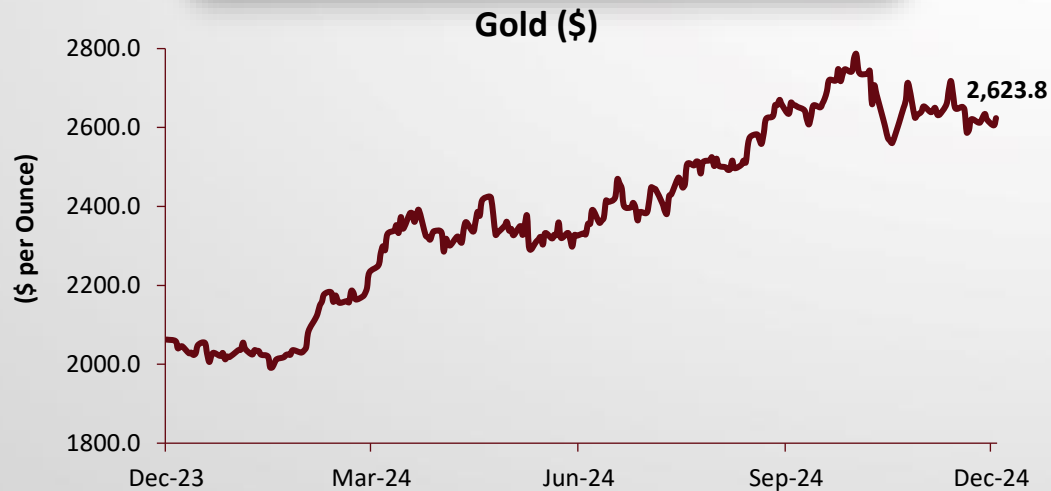
International Gold and U.S. 10 Year Treasury Trend



MACRO

Gold prices fell MoM in Dec 2024

U.S. Treasury yields rose MoM in Dec 2024



Gold prices fell as markets began to understand the ramifications of the new President's election victory and its possible effects on U.S. interest rate forecasts.

U.S. Treasury prices fell after the U.S. Fed hinted a slow pace of easing in 2025 amid a stable labor market and inflation that has become stickier than normal.

Gold data as on 31st Dec 2024; U.S. 10 Year Treasury Yield data as on 31st Dec 2024

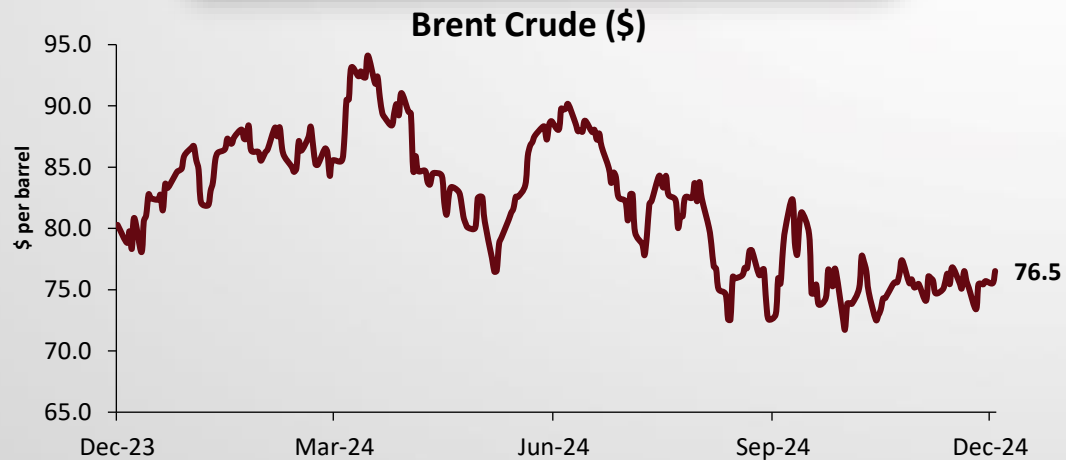
MACRO ECONOMIC INDICATORS

Crude and USD/INR Currency Trend



MACRO

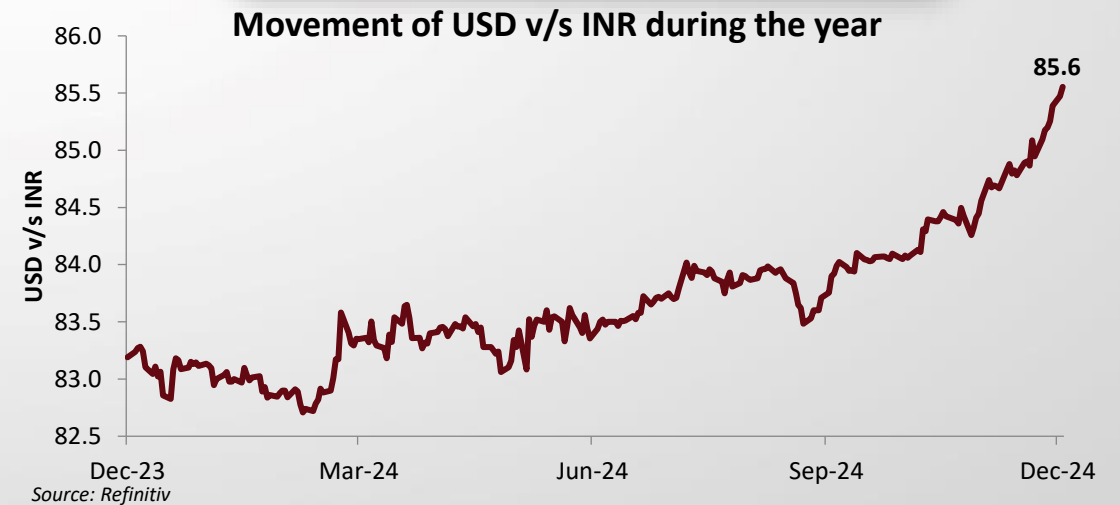
Crude oil prices rose MoM in Dec 2024



Source: Refinitiv

Brent crude oil prices rose, supported by OPEC's choice to postpone its plans for production increases, alongside escalating worries regarding tensions in the Middle East.

Rupee fell against U.S. dollar on MoM in Dec 2024



Source: Refinitiv

Rupee fell against the U.S. dollar due to strong greenback demand. Losses were increased due to likely outflows from the domestic equities market.

EVENT UPDATE

U.S. Federal Reserve reduced interest rate by 25 bps in Dec 2024



MACRO

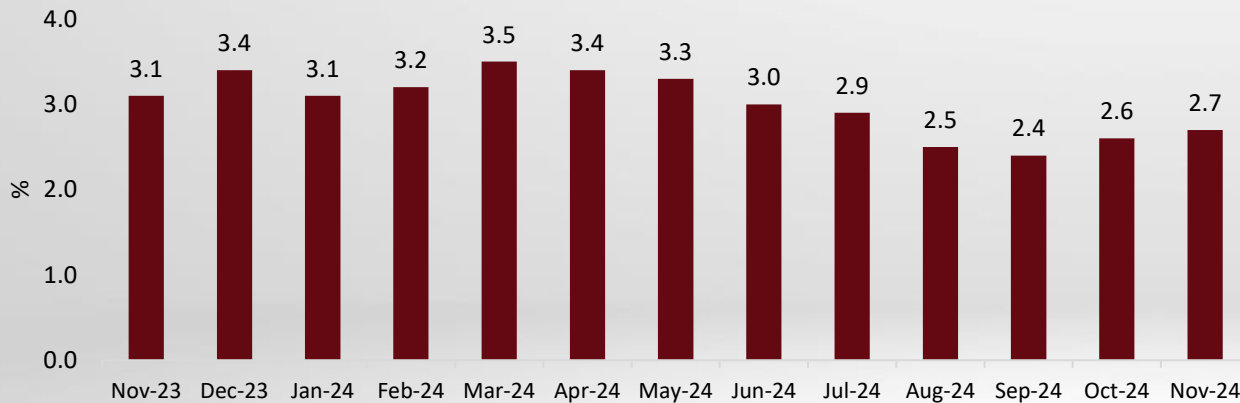
Key Highlights

- The U.S. Federal Reserve announced its widely expected decision to **lower interest rates by another quarter point on 18th Dec, 2024**, in support of its dual goals of maximum employment and inflation at the rate of 2% over the longer run.
- The Fed said it decided to lower the **target range for the federal funds rate by 25 basis points to 4.25 to 4.50%**, matching the rate cut seen in early Nov 2024.

U.S inflation Peaking

- According to the Labor Department, **U.S. consumer price index climbed by 0.3% in Nov 2024** after rising by 0.2% for four straight months. The **annual rate of growth by consumer prices ticked up to 2.7% in Nov 2024** from 2.6% in Oct 2024.
- The Labor Department said **core consumer prices in Nov 2024 jumped by 3.3%** compared to the same month a year ago, unchanged from Oct 2024 and in line with estimates.

U.S. Inflation(%)



Source: Refinitiv

To Conclude

- Recent data from the U.S. indicates that **economic activity has persisted in its robust expansion**. Since the beginning of 2024, labor market conditions have generally improved, with the unemployment rate experiencing a slight increase while still remaining low. **Inflation has made strides toward the Federal Open Market Committee (FOMC) 2% target**, although it continues to be somewhat elevated. **The Committee aims to attain the highest possible level of employment while maintaining an inflation rate of 2% over the long term.**

EVENT UPDATE

RBI MPC kept repo rate unchanged but slashed CRR by 50 bps



MACRO

Key Highlights

- MPC kept repo rate unchanged at 6.50%
- Cash reserve ratio (CRR) was decided to reduce to 4.00% in a phased manner
- The MPC decided to continue with the neutral monetary policy stance
- For FY25, retail inflation is projected at 4.8%
- For FY25, real GDP growth is projected at 6.6%

Policy Rates / Reserve Ratio	09-Oct-24	06-Dec-24	Status
CRR	4.50%	4.00%	↓
SLR	18.00%	18.00%	↔
SDF	6.25%	6.25%	↔
Repo Rate	6.50%	6.50%	↔
MSF	6.75%	6.75%	↔
Bank rate	6.75%	6.75%	↔
Fixed Reverse Repo Rate	3.35%	3.35%	↔

Growth Outlook

- Looking ahead, strong rabi prospects and kharif foodgrain production, along with a predicted increase in industrial activity and ongoing service buoyancy, bode well for private consumption. Strong global trade prospects ought to boost exports and external demand.
- Risks to the outlook still come from geopolitical uncertainties, global commodity price volatility, and geoeconomic fragmentation.

Inflation Outlook

- Going forward, seasonal declines in vegetable prices and the arrival of the kharif harvest are expected to reduce food inflation in Q4. Adverse weather events and rise in international agricultural commodity prices, however, pose upside risks to food inflation.
- Energy prices have recently decreased, but their sustainability still requires attention. Companies anticipate that starting from Q4, selling price growth will pick up speed and input cost pressures will continue to be high.

↑ increased compared to previous policy ↓ decreased compared to previous policy ↔ No change

DOMESTIC & GLOBAL

Equity Market Update

INDIAN EQUITY MARKET DASHBOARD

December 2024



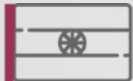
DOMESTIC

Index Name (Broader Market Indices)	Absolute (%)				CAGR(%)		
	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
BSE Sensex	-2.08	-7.15	-0.68	9.49	11.69	14.99	12.40
Nifty 50	-2.02	-8.25	-1.08	10.09	12.16	15.52	12.41
Nifty 100	-2.22	-8.76	-1.62	12.95	12.83	16.08	12.78
Nifty 500	-1.37	-7.59	-0.42	16.24	15.41	18.97	13.94
Nifty Midcap 150	1.12	-5.18	1.77	24.46	23.18	28.29	18.72
Nifty Smallcap 250	0.20	-3.50	4.16	27.21	22.66	30.66	16.65
Nifty Microcap 250	-0.31	-2.58	9.00	34.75	35.19	43.46	22.76
Sectoral Indices							
Nifty Healthcare	5.84	1.36	19.32	41.36	19.39	26.17	10.61
Nifty Pharma	5.27	0.59	19.15	40.03	18.97	24.72	8.59
Nifty Realty	3.16	-4.24	-4.52	34.76	29.92	29.07	18.43
Nifty IT	0.44	3.90	20.72	24.42	5.88	24.93	16.71
Nifty FMCG	-1.97	-13.08	0.52	1.55	16.81	15.49	12.67
Nifty Auto	-2.29	-15.49	-8.93	23.58	28.90	23.84	11.77
Nifty Bank	-2.30	-4.00	-2.59	6.26	13.70	10.23	11.18
Nifty Infrastructure	-3.10	-11.50	-6.91	16.79	20.68	22.58	12.36
Nifty Oil & Gas	-3.24	-17.53	-11.72	13.99	14.63	17.65	15.94
Nifty PSU Bank	-4.01	-3.19	-11.20	15.31	38.94	21.94	5.09
Nifty Metal	-4.03	-14.94	-11.25	9.25	17.70	27.23	15.00
Nifty Energy	-6.12	-19.84	-15.14	6.50	17.43	19.65	17.42

- Domestic equity markets started the month positively on expectations of policy easing by the RBI following by the weaker-than-expected GDP figure in the Q2 of FY25 of domestic economy. However, the trend reversed, in the second half of the month as the U.S. Fed's hawkish tone on interest rate cuts in 2025 dampened the market sentiment.

BROADER MARKET INDICES PERFORMANCE

Calendar Year wise



DOMESTIC

2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	2024 (%)
Nifty Smallcap 250 11.3	Nifty Midcap 150 6.5	Nifty Smallcap 250 58.5	BSE Sensex 7.2	BSE Sensex 15.7	Nifty Smallcap 250 26.5	Nifty Smallcap 250 63.3	BSE Sensex 5.8	Nifty Smallcap 250 49.1	Nifty Smallcap 250 27.2
Nifty Midcap 150 9.7	Nifty 500 5.1	Nifty Midcap 150 55.7	Nifty 50 4.6	Nifty 50 13.5	Nifty Midcap 150 25.6	Nifty Midcap 150 48.2	Nifty 50 5.7	Nifty Midcap 150 44.6	Nifty Midcap 150 24.5
Nifty 500 0.2	Nifty 100 5.0	Nifty 500 37.7	Nifty 100 2.6	Nifty 100 11.8	Nifty 500 17.9	Nifty 500 31.6	Nifty 100 4.9	Nifty 500 26.9	Nifty 500 16.2
Nifty 100 -1.3	Nifty 50 4.4	Nifty 100 32.9	Nifty 500 -2.1	Nifty 500 9.0	BSE Sensex 17.2	Nifty 100 26.4	Nifty 500 4.2	Nifty 50 21.3	Nifty 100 13.0
Nifty 50 -3.0	BSE Sensex 3.5	Nifty 50 30.3	Nifty Midcap 150 -12.6	Nifty Midcap 150 0.6	Nifty 50 16.1	Nifty 50 25.6	Nifty Midcap 150 3.9	Nifty 100 21.2	Nifty 50 10.1
BSE Sensex -3.7	Nifty Smallcap 250 1.4	BSE Sensex 29.6	Nifty Smallcap 250 -26.1	Nifty Smallcap 250 -7.3	Nifty 100 16.1	BSE Sensex 23.2	Nifty Smallcap 250 -2.6	BSE Sensex 20.3	BSE Sensex 9.5

- 2024 truly belonged to Small and Mid-caps, with their performance strongly outdoing Large caps.
- Small-cap (27%) and Mid-cap (25%) delivered better price gains than Large cap (10%) in 2024.

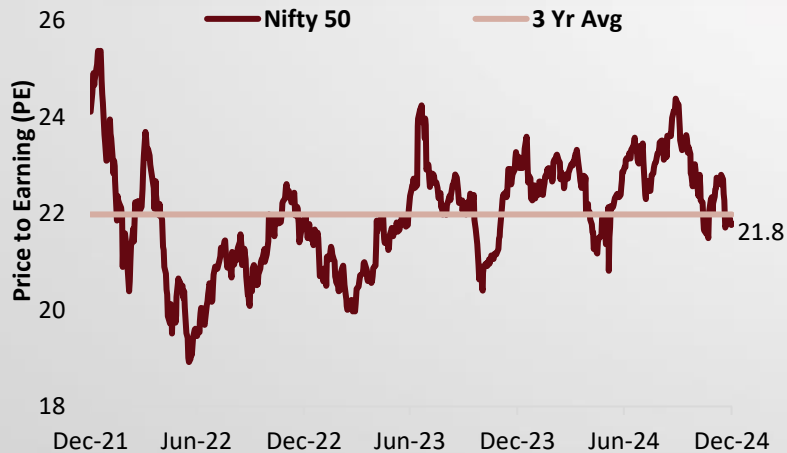
RELATIVE TRAILING VALUATIONS (P/E)

Large Cap vs Mid Cap vs Small Cap

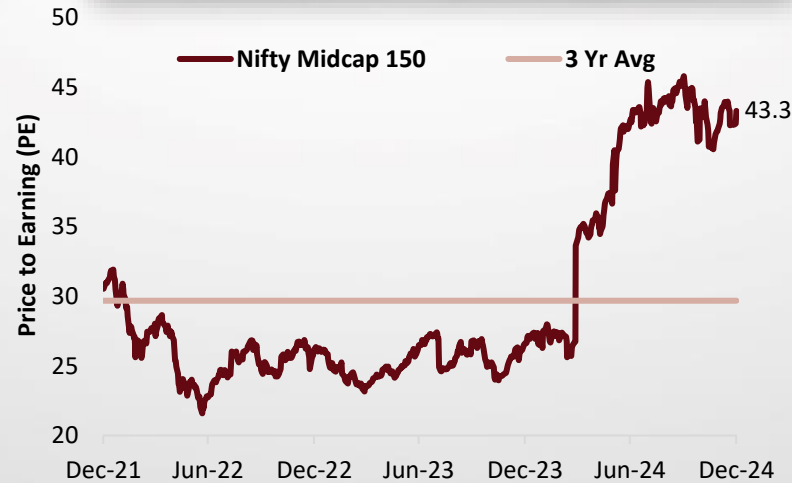


DOMESTIC

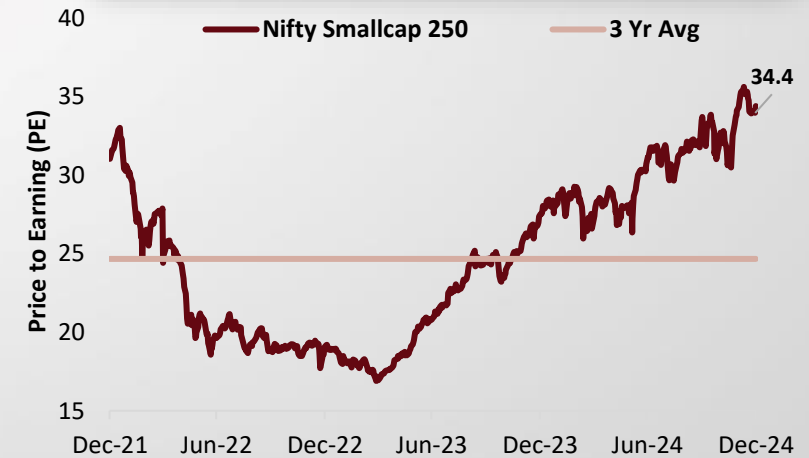
Nifty 50 trailing PE remained below the 3-year average mark



Nifty Midcap 150 trailing PE continued to remain above 3-year average level



Nifty Smallcap 250 trailing PE continued to remain above 3-year average level



- Currently, Midcap valuations are expensive compared with Large cap and small cap due to sudden surge in the last eleven months.
- Large cap valuations are hovering near their 3-year avg level since Jan this year while midcap and small cap are well above their average level.

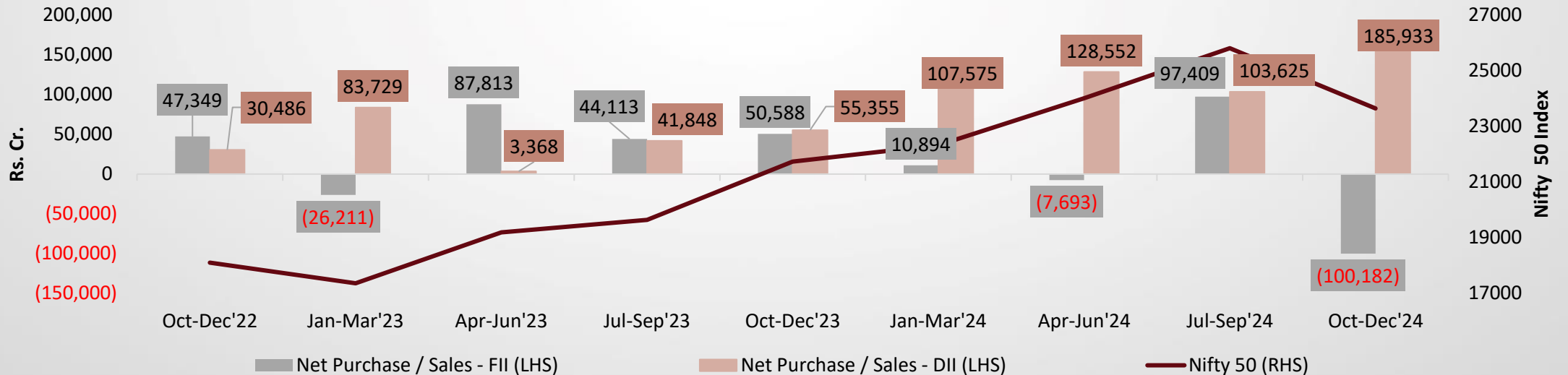
EQUITY FLOWS

Quarterly FII & DII Flows



DOMESTIC

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



- FIIs were net sellers in equity segment in December quarter 2024 after remaining net buyers in previous quarter. Nonetheless, cumulative inflows stood at Rs. 2,67,454 Cr since July 2022 till date. Since April 2021 till date, cumulative FII inflows stood at Rs. 20,105 Cr.
- Mutual funds have been net buyers in equity segment in the last 46 months till December 2024, except April 2023 and August 2022. Cumulative inflows stand at Rs. 8,96,756 Cr from March 2021 till date.

GLOBAL EQUITY MARKET DASHBOARD

December 2024



GLOBAL

Emerging Markets	Index	Absolute (%)					CAGR(%)		
		1 Month	3 Months	YTD	6 Months	1 Year	2 Years	3 Years	5 Years
Taiwan	Taiwan TAIEX	3.47	3.65	28.20	0.01	28.20	27.56	8.12	13.92
China	Shanghai Composite	0.76	0.46	12.56	12.95	12.56	4.15	-2.71	1.90
Indonesia	Jakarta Composite	-0.48	-5.95	-2.64	0.23	-2.64	1.66	2.46	2.36
India	Nifty 50	-2.02	-8.39	8.73	-1.52	8.73	14.24	10.85	14.19
South Korea	Kospi	-2.30	-7.47	-9.56	-14.24	-9.56	3.57	-6.94	1.77
Brazil	Brazil Ibovespa	-4.28	-8.75	-10.28	-2.92	-10.28	4.68	4.69	0.79
Developed Markets									
Japan	Nikkei 225	4.41	5.21	19.10	0.79	19.10	23.61	11.47	11.00
France	CAC 40	2.01	-3.34	-2.14	-1.32	-2.14	6.76	1.05	4.30
Europe	Euro Stoxx 50 Pr	1.91	-2.09	8.21	0.04	8.21	13.56	4.43	5.50
Germany	DAX	1.44	3.02	18.74	9.18	18.74	19.55	7.81	8.48
US	Russell 3000	0.39	6.66	31.28	10.14	31.28	35.59	9.01	17.24
UK	FTSE 100	-1.38	-0.78	5.64	0.11	5.64	4.71	3.44	1.62

- The Japanese market rose as data revealed that the country's GDP grew at a faster pace in Jul-Sep of 2024 than initially reported due to upward revisions in capital investment and exports.
- The Chinese market rose as it was announced that 3 trillion-yuan (\$411 billion) worth of special treasury notes would be issued to boost the economy. However, gains were restricted as the People's Bank of China opted to keep its benchmark lending rates unchanged.

GLOBAL MARKET INDICES PERFORMANCE

Calendar Year wise



GLOBAL

	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	2024 (%)
Germany	9.6	U.K. 14.4	Hong Kong 36.0	India 3.2	U.S. 34.2	U.S. 36.9	U.S. 25.0	India 4.3	U.S. 40.0	U.S. 31.6
China	9.4	Germany 6.9	India 28.7	U.S. -3.3	Germany 25.5	Japan 16.0	India 24.1	U.K. 0.9	Japan 28.2	Japan 19.2
Japan	9.1	U.S. 5.7	U.S. 27.8	Japan -12.1	China 22.3	India 14.9	Germany 15.8	Japan -9.4	Germany 20.3	Germany 18.9
U.S.	3.5	India 3.0	Japan 19.1	U.K. -12.5	Japan 18.2	China 13.9	U.K. 14.3	Germany -12.4	India 20.0	Hong Kong 17.7
India	-4.1	Japan 0.4	Germany 12.5	Hong Kong -13.6	U.K. 12.1	Germany 3.6	Japan 4.9	China -15.1	U.K. 3.8	China 12.7
U.K.	-4.9	Hong Kong 0.4	U.K. 7.6	Germany -18.3	India 12.0	Hong Kong -3.4	China 4.8	Hong Kong -15.5	China -3.7	India 8.8
Hong Kong	-7.2	China -12.3	China 6.6	China -24.6	Hong Kong 9.1	U.K. -14.3	Hong Kong -14.1	U.S. -29.6	Hong Kong -13.8	U.K. 5.7

- Despite the year's volatility, global equities have shown strong performance in 2024.
- In 2024, major regions, including the US, Japan, Germany, and Hong Kong, have seen significant gains, indicating widespread investor confidence and resilience.

ASSET CLASS PERFORMANCE

Calendar Year wise



ASSET CLASS

2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	2024 (%)
Real Estate 9.7	G-Sec 14.3	Indian Equity 37.7	G-Sec 8.0	Intl 34.2	Intl 36.9	Indian Equity 31.6	Gold 13.9	Intl 40.0	Intl 31.6
Bonds 8.9	Bonds 13.1	Intl 27.8	Gold 7.9	Gold 23.8	Gold 28.0	Intl 25.0	Cash 5.2	Indian Equity 26.9	Gold 20.6
Cash 8.3	Gold 11.3	Real Estate 7.2	Cash 7.3	Bonds 12.2	Indian Equity 17.9	Bonds 4.2	Indian Equity 4.2	Gold 15.4	Indian Equity 16.2
G-Sec 8.2	Real Estate 8.3	Cash 6.6	Bonds 6.0	G-Sec 11.3	Bonds 13.5	Cash 3.6	Real Estate 2.8	G-Sec 7.7	G-Sec 10.1
Intl 3.5	Cash 7.5	Bonds 5.5	Real Estate 5.1	Indian Equity 9.0	G-Sec 13.2	G-Sec 3.1	Bonds 2.7	Cash 7.3	Bonds 9.6
Indian Equity 0.2	Intl 5.7	Gold 5.1	Indian Equity -2.1	Cash 6.7	Cash 4.4	Real Estate 3.1	G-Sec 2.3	Bonds 7.2	Cash 7.7
Gold -6.6	Indian Equity 5.1	G-Sec 3.5	Intl -3.3	Real Estate 3.0	Real Estate 2.2	Gold -4.2	Intl -29.6	Real Estate 3.8	Real Estate 2.7

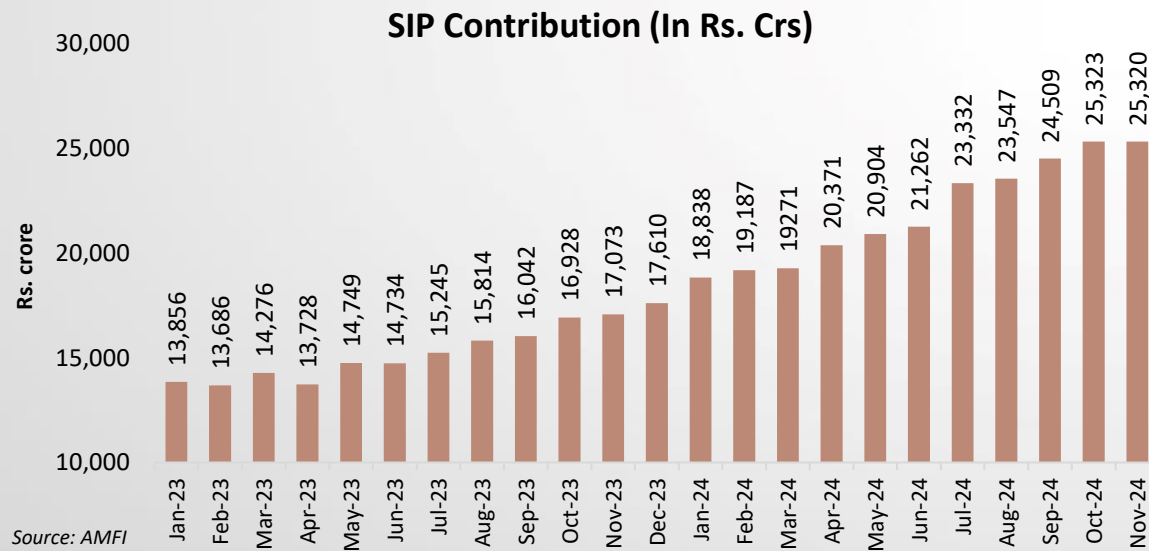
- In 2024, international equity market (U.S.) remained at the top followed by Gold and Indian equity market.
- Till 2023, Indian equities has been among the top three gainers for the past four calendar years while Gold has been one of the top performers in five out of six years.

MUTUAL FUNDS

SIP Flows and SIP Returns Data



DOMESTIC



- According to AMFI, monthly SIP contribution in Nov 2024 stood at Rs. 25,320 crore and remained above the Rs. 25,000 crore mark for the second consecutive time.
- SIP AUM increased to Rs. 13.54 lakh crore with 1,022.67 lakh outstanding SIP accounts.

Equity Broad MF category	Category average SIP returns (%)		
	3-year	5-year	10-year
Large cap	17.3	17.9	14.2
Large & Mid cap	24.0	23.6	17.3
Flexi cap	21.4	21.0	16.4
Multi cap	25.5	25.4	18.7
Mid cap	29.0	28.3	20.1
Small cap	29.1	31.7	21.6
Focused	20.2	19.7	15.7
Value	24.8	25.1	18.1

- Small cap category remained top performer in 3-, 5- & 10- year periods.
- Large cap category has been the bottom performer across periods.

Performance is of regular plan growth option for SIP returns.
SIP performance as on 31st Dec 2024. Source: AMFI India, MFI 360 Explorer
<http://www.icraanalytics.com/legal/standard-disclaimer.html>

CATEGORY PERFORMANCE

Equity Mutual Funds



CATEGORY PERFORMANCE

Category	Absolute Returns (%)			CAGR (%)			
	1 month	3 months	6 months	1 year	3 years	5 years	10 years
Large Cap	-1.49	-7.10	-0.07	15.01	13.21	15.79	12.06
Large & Mid Cap	-0.08	-5.01	2.60	23.55	17.69	20.97	14.73
Flexi Cap	-0.38	-5.17	2.22	20.41	15.53	18.79	13.75
Multi Cap	-0.10	-4.49	3.83	23.45	19.64	22.59	15.33
Mid Cap	1.06	-3.91	3.95	29.06	21.66	26.20	16.82
Small Cap	0.00	-2.96	5.67	26.60	21.51	30.97	18.00
Focused	-1.11	-6.26	1.72	19.35	14.83	17.73	13.44
Value	-1.36	-6.71	0.66	20.39	19.88	22.09	14.87
Index:							
Nifty 100	-2.22	-8.76	-1.62	12.84	12.83	16.08	12.78
Nifty 500	-1.37	-7.59	-0.42	16.10	15.41	18.97	13.94
Nifty Midcap 150	1.12	-5.18	1.77	24.24	23.18	28.29	18.72
Nifty Smallcap 250	0.20	-3.50	4.16	26.96	22.66	30.66	16.65

- In the last one-month, Large Cap category followed by Value & Focused categories delivered the lowest returns.
- It is to be worth noted that all the equity categories witnessed positive returns for 1 year and above periods.

EQUITY MARKET ROUNDUP

Key Takeaways & Outlook



DOMESTIC

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

- Domestic equity markets started the month positively on expectations of policy easing by the RBI following the weaker-than-expected GDP figure in the second quarter of FY25 of domestic economy. Gains were extended following a positive global outlook after the U.S. Federal Reserve's Chairman commented about the resilience of the U.S. economy.
- However, the trend reversed, in the second half of the month as the U.S. Federal Reserve's hawkish tone on interest rate cuts in 2025 dampened the market sentiment. Losses were extended on concerns over persistent selling by the foreign institutional investors in domestic equity markets along with rupee's record fall against the U.S. dollar.

Outlook:

- Going forward, the key triggers for domestic equity markets will be Union Budget 2025, focusing on fiscal policies and government spending along with third quarter earnings of corporates. Given the muted spending by the government in Apr to Sep of FY25 so far, markets believe that the government will increase its capital expenditure with focus on building infrastructure, boosting manufacturing and creating sustainable energy in the rest of the fiscal year.
- On the global front, actions of the President-elect in the U.S., the U.S. Federal Reserve's stance on inflation versus growth and geopolitical tensions will also play a major role in determining the performance of the markets.
- **Looking at the current volatility, 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 in the near term risks.**

DOMESTIC & GLOBAL

Debt Market Update

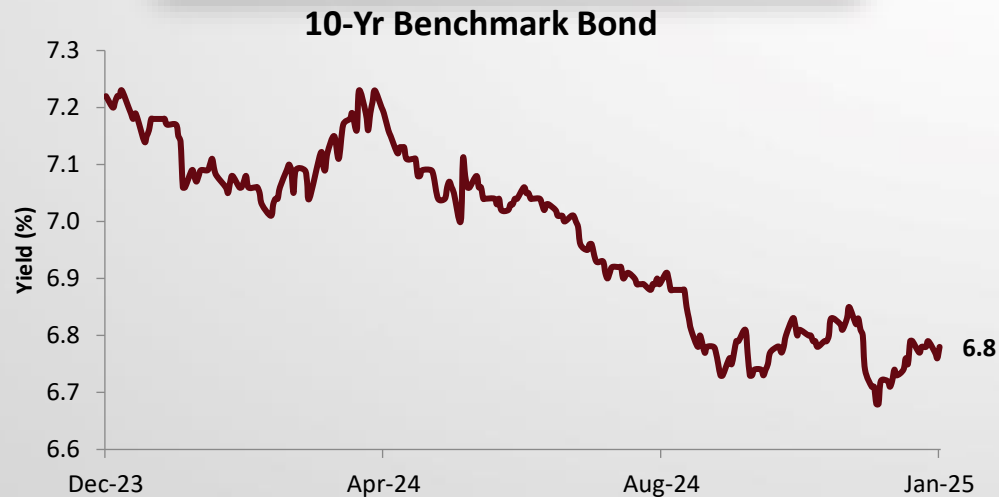
DEBT MARKET

Indian Government Bond and Policy Rate Trend



INDIAN DEBT

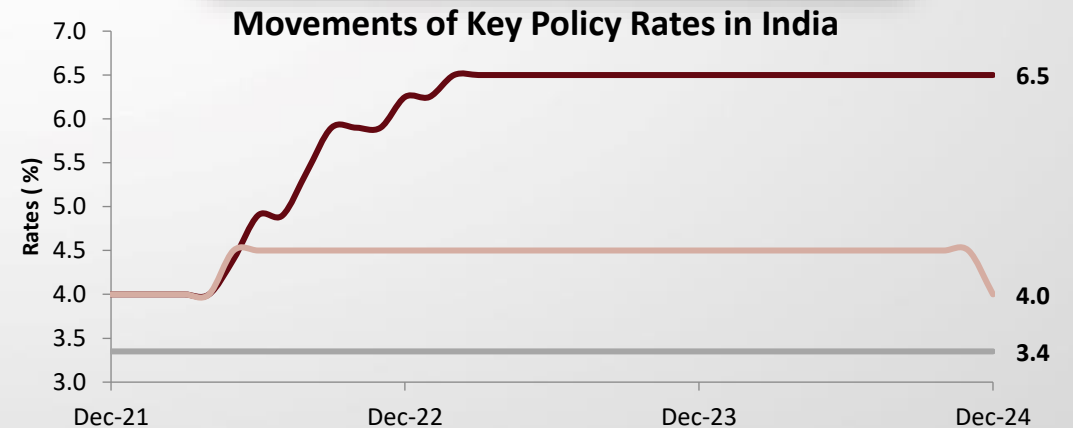
10-year benchmark G-sec yield rose by 1 bps MoM in Dec 2024



Source: Refinitiv

Bond yields fell initially on expectations of policy easing by the RBI following the weaker domestic economic data. However, yields rose after the U.S. Fed flagged a slower pace of policy easing in 2025.

RBI maintained key policy repo rate at 6.50% for the eleventh consecutive time



Source: RBI

The Monetary Policy Committee in its Dec's policy kept key policy repo rate unchanged at 6.50% for the eleventh consecutive time but reduced CRR by 50 bps.

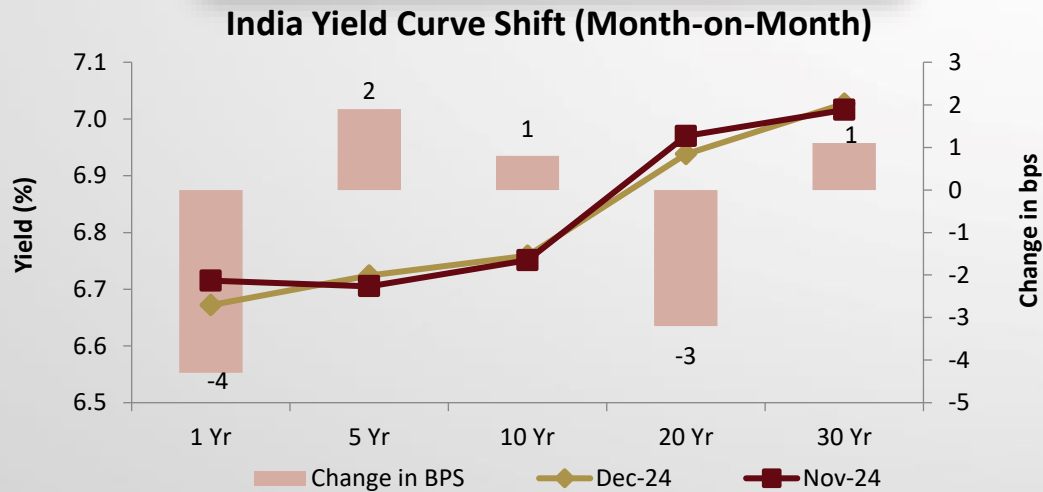
DEBT MARKET

Government Bond & Corporate Bond Yield Trend



INDIAN DEBT

G-sec yields mostly rose during the month

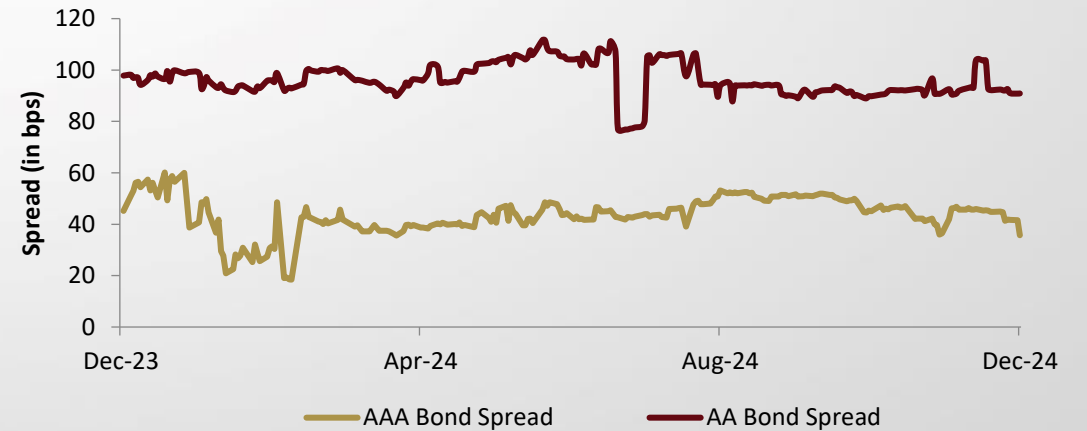


Source: Refinitiv

Yield on gilt securities rose up to 8 bps across the maturities, barring 15 year paper that fell by 3 bps, while 3 & 12 year papers were unchanged.

Corporate bond yields mostly increased during the month

10 Year Corporate Bond Spread (for AAA & AA bonds)



Source: Refinitiv; Spread= 10 year Corporate bond yield minus 10- year Gsec yield

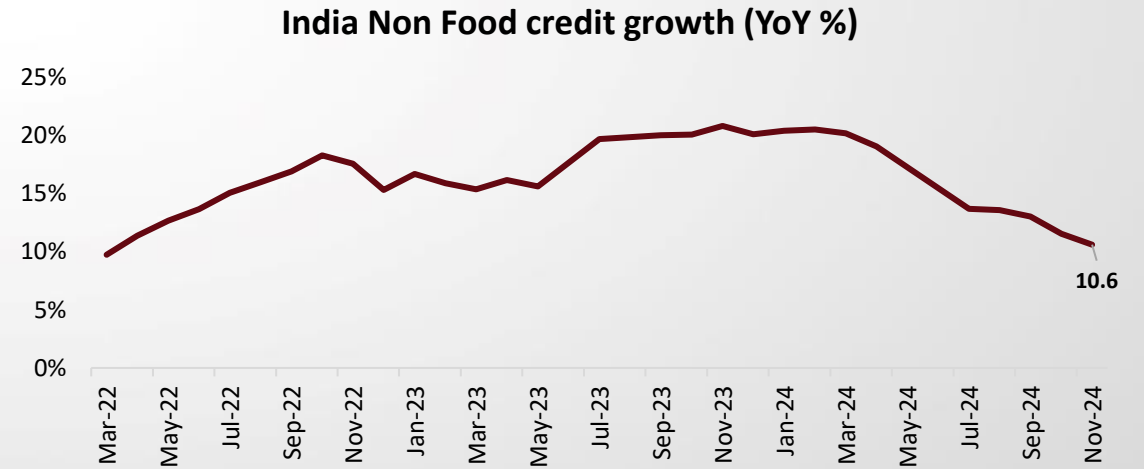
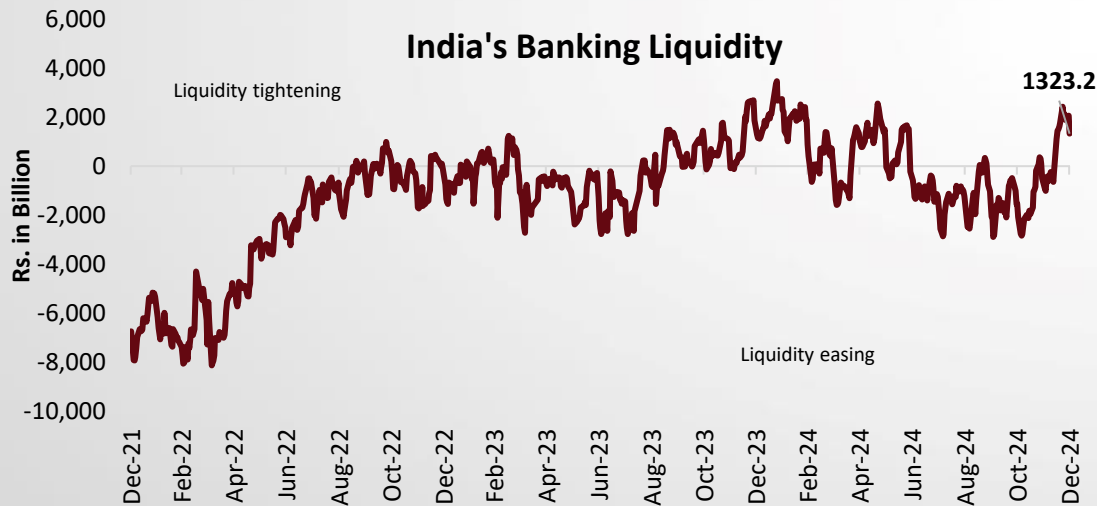
Yield on corporate bonds increased up to 15 bps across the curve, barring 15 year paper that fell by 4 bps, while 10 year paper was unchanged.

DEBT MARKET

System Liquidity



INDIAN DEBT



- Banking system's liquidity remained in surplus mode during the first half of Dec 2024 on the back of government spending. However, the liquidity turned into deficit mode in the second half of the month due to heavy outflows on account of goods and services tax and advance tax payments along with the RBI's regular foreign exchange intervention. The liquidity deficit widened even after the central bank decided to reduce the cash reserve ratio of all banks to 4.0% of net demand and time liabilities in two equal tranches of 25 bps each w.e.f. the fortnight beginning Dec 14, 2024, and Dec 28, 2024. The higher deficit liquidity in the banking system has pushed the central bank to inject liquidity in the system through variable rate repo auctions.

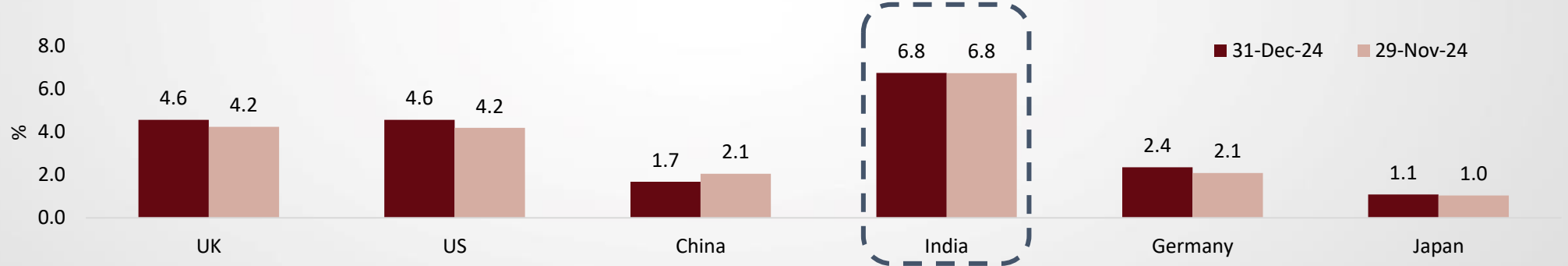
DEBT MARKET

Global



GLOBAL DEBT

Yield of 10 Year Government Bonds across countries (%)



Current Yield (%)	4.6	4.6	1.7	6.8	2.4	1.1
Inflation (%)	2.6	2.7	0.2	5.5	2.2	3.0
Real Yields (%):						
31-Dec-24	2.0	1.9	1.5	1.3	0.2	-1.9

- Globally, 10-year Sovereign yields mostly rose during the month. All above economies witnessed positive inflation adjusted returns/yields except Japan with U.K. being the highest followed by U.S. and China.

CATEGORY PERFORMANCE

Debt Mutual Funds



CATEGORY PERFORMANCE

Category	Absolute Returns (%)			CAGR (%)		
	1 month	3 months	6 months	1 year	3 years	5 years
Overnight Fund	0.55	1.61	3.23	6.60	5.93	4.83
Liquid Fund	0.58	1.73	3.52	7.25	6.31	5.23
Ultra Short Term Fund	0.57	1.68	3.47	7.06	6.00	5.35
Low Duration Fund	0.56	1.72	3.64	7.33	6.09	6.00
Money Market Fund	0.58	1.73	3.60	7.35	6.31	5.66
Arbitrage Fund	0.59	1.70	3.35	7.28	6.07	5.14
ICRA Liquid Index	0.61	1.82	3.69	7.63	6.73	5.63
Short Term Bond Fund	0.51	1.59	4.00	7.63	6.15	6.17
Medium Duration Fund	0.47	1.50	4.15	8.03	6.24	6.08
Banking and PSU Fund	0.52	1.50	3.96	7.76	5.90	6.27
Corporate Bond Fund	0.52	1.54	4.11	7.94	5.92	6.36
Credit Risk Fund	0.46	1.72	3.99	7.92	9.10	6.58
Nifty Short Duration Debt Index	0.59	1.72	3.83	7.63	6.19	6.54
Dynamic Bond Fund	0.44	0.79	3.96	8.51	5.99	6.20
Medium to Long Duration Fund	0.43	0.94	3.93	8.18	5.73	5.94
ICRA Composite Bond Fund Index	0.67	1.56	4.71	9.61	6.47	7.38
Gilt Fund	0.44	0.60	3.94	8.85	6.01	6.27
ICRA Composite Gilt Index	0.56	1.19	4.72	10.03	6.64	7.20

- Gilt Funds, Dynamic Bond Funds and Medium to Long Duration Funds are the top performing categories over the past year, generating between 8% to 9% returns.

DEBT MARKET

Sensitivity Analysis



INDIAN DEBT

Sensitivity Analysis				Interest Rate Scenario's					
Category	Avg YTM (%)	Avg Maturity (Years)	Avg Mod duration (Years)	Decreases			Increases		
				0.25%	0.50%	1.00%	0.25%	0.50%	1.00%
Overnight Fund	6.49	0.00 Years	0.00 Years	6.49%	6.49%	6.49%	6.49%	6.49%	6.49%
Liquid Fund	7.14	0.04 Years	0.11 Years	7.17%	7.20%	7.25%	7.12%	7.09%	7.03%
Ultra Short Term Fund	7.45	0.27 Years	0.40 Years	7.55%	7.65%	7.85%	7.35%	7.25%	7.05%
Money Market Fund	7.37	0.16 Years	0.38 Years	7.46%	7.56%	7.75%	7.27%	7.18%	6.99%
Low Duration Fund	7.64	0.81 Years	0.88 Years	7.86%	8.08%	8.52%	7.42%	7.20%	6.76%
Short Term Bond Fund	7.46	3.50 Years	2.62 Years	8.11%	8.77%	10.08%	6.80%	6.15%	4.84%
Corporate Bond Fund	7.42	5.00 Years	3.45 Years	8.29%	9.15%	10.87%	6.56%	5.70%	3.97%
Banking and PSU Fund	7.35	4.65 Years	3.19 Years	8.15%	8.94%	10.54%	6.55%	5.75%	4.16%
Credit Risk Fund	7.64	2.87 Years	2.09 Years	8.16%	8.69%	9.73%	7.12%	6.60%	5.55%
Medium Duration Fund	7.61	4.99 Years	3.60 Years	8.51%	9.41%	11.21%	6.71%	5.81%	4.01%
Dynamic Bond Fund	7.11	14.99 Years	7.10 Years	8.89%	10.66%	14.21%	5.34%	3.56%	0.01%
Medium to Long Duration Fund	7.18	11.24 Years	6.13 Years	8.71%	10.25%	13.31%	5.65%	4.12%	1.05%
Gilt Fund	6.69	19.16 Years	8.60 Years	8.84%	10.99%	15.29%	4.54%	2.39%	-1.91%

- Credit Risk funds, Low Duration funds and Medium Duration funds offer higher YTM's.

Note: Modified Duration indicates the sensitivity of a fund/bond with a change in interest rate scenario. It helps help investors predict how the bond's price will be affected by the fluctuations in interest rates.

For eg: If a fund with a modified duration of 8 years and YTM of 8% sees a 50-bps interest rate fall in a year, then the estimated return will be 12% [Average YTM - (Modified Duration x Change in Interest Rate)].

DEBT MARKET ROUNDUP

Key Takeaways & Outlook



INDIAN DEBT

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

- Bond yields declined initially on expectations of monetary easing by the RBI following the weaker-than-expected domestic economic growth data of Q2 FY25. However, yields rose after the RBI maintained the repo rate at 6.50% in Dec 2024 monetary policy meeting. Losses were extended after the U.S. Federal Reserve reduced the interest rate by 25 bps in its Dec 2024 policy meeting and flagged a slower pace of policy easing in 2025, pointing to stable labour market and sticky inflation.
- Yields rose further tracking a sharp fall in the domestic currency w.r.t. U.S. dollar that weighed on overall investors' appetite.

Outlook:

- Moving ahead, Indian government is expected to continue the fiscal consolidation at the Union Budget 2025, which is a positive for debt markets and with the government borrowing program ending soon, the demand supply imbalance is likely to remain favorable. With the new RBI governor at control, market participants will be looking forward to the domestic rate cuts. A good rabi harvest and softening of vegetable prices will increase the confidence of the central bank, which would open up space for easing to support growth. Global factors such as tariff hikes on emerging markets, the fiscal situation in the U.S. under the new administration, China's fiscal expenditure composition and lingering global geopolitical risks will play a pivotal role in determining the timing and depth of India's rate cut cycle in the forthcoming quarters.
- **For Core portfolio 60-70% of the entire debt portfolio), investors may 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 MFs, good quality Corporate FDs and Bonds can be looked at allocation in the debt portfolio**
- **For Satellite portfolio (30-40% of the entire debt portfolio), investors may consider MF categories such Medium to Long duration, Gilt and Dynamic Bond Funds as they may generate capital gains when the RBI will start cutting interest rates in near future.**

ECONOMIC CALENDAR

Upcoming Key Events for the Month



DOMESTIC

Events for January 2025	
Event	Date
Industrial Production YoY Nov 2024	10-Jan-25
Manufacturing Production YoY Nov 2024	10-Jan-25
CPI Inflation Rate YoY Dec 2024	13-Jan-25
WPI Inflation YoY Dec 2024	15-Jan-25
Passenger Vehicles Sales YoY Dec 2024	15-Jan-25
Balance of Trade Dec 2024	15-Jan-25
Fiscal deficit (as a % of budget estimates) Dec 2024	31-Jan-25
Infrastructure Output YoY Dec 2024	31-Jan-25



GLOBAL

Events for January 2025	
Event	Date
U.S. Non-Farm Payrolls Dec 2024	10-Jan-25
U.S. CPI YoY, NSA Dec 2024	15-Jan-25
U.K. GDP Estimate YoY Nov 2024	16-Jan-25
Euro Zone HICP Final YoY Dec 2024	17-Jan-25
China Loan Prime Rate 1Y Jan 2025	20-Jan-25
U.K. ILO Unemployment Rate Nov 2024	21-Jan-25
Japan CPI, Overall Nationwide Dec 2024	23-Jan-25
U.S. Existing Home Sales Dec 2024	24-Jan-25

MUTUAL FUND DASHBOARD

Category Performance

MUTUAL FUND DASHBOARD

Category Performance



CATEGORY PERFORMANCE

Equity Category:	1 Yr	3 Yr	5 Yr	10 Yr
Large Cap	15.01	13.21	15.79	12.06
Large & Mid Cap	23.55	17.69	20.97	14.73
Multi Cap	23.45	19.64	22.59	15.33
Flexi Cap	20.41	15.53	18.79	13.75
Mid Cap	29.06	21.66	26.20	16.82
Small Cap	26.60	21.51	30.97	18.00
Focused	19.35	14.83	17.73	13.44
Value	20.39	19.88	22.09	14.87
Hybrid Category:				
Conservative Hybrid	10.06	8.43	8.87	7.73
Balanced Hybrid	15.62	--	--	--
Balanced Advantage	12.77	11.43	12.39	9.75
Multi Asset Allocation	14.70	13.68	17.36	12.08
Aggressive Hybrid	17.04	13.41	16.08	11.54

Debt Category	3 Mths	6 Mths	1 Yr	3 Yr
Money Market:				
Overnight	1.61	3.23	6.60	5.93
Liquid	1.73	3.52	7.25	6.31
Ultra Short Duration	1.68	3.47	7.06	6.00
Low Duration	1.72	3.64	7.33	6.09
Money Market	1.73	3.60	7.35	6.31
Accrual:				
Short Duration	1.59	4.00	7.63	6.15
Medium Duration	1.50	4.15	8.03	6.24
Banking & PSU Debt	1.50	3.96	7.76	5.90
Corporate Bond	1.54	4.11	7.94	5.92
Floating Rate	1.63	4.06	8.11	6.50
Credit Risk	1.72	3.99	7.92	9.10
Duration:				
Medium to Long Duration	0.94	3.93	8.18	5.73
Long Duration	0.37	3.97	10.75	6.46
Dynamic Bond	0.79	3.96	8.51	5.99
Gilt	0.60	3.94	8.85	6.01
Gilt Fund with 10 year constant duration	1.14	4.65	9.15	5.83

Note: <1 year return are absolute and ≥ 1 year returns are CAGR

Performance is of regular plan growth option. MF Category average performance as on 31st Dec 2024.

Source: MFI 360 Explorer <http://www.icraanalytics.com/legal/standard-disclaimer.html>

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