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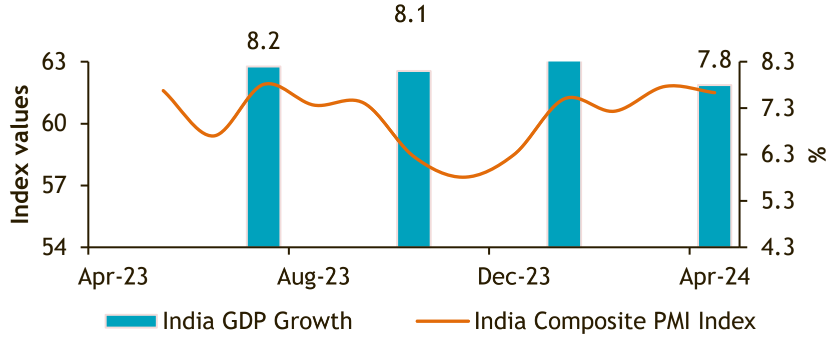
Monthly Factbook

May 2024

Indian Economic Indicators

India Composite PMI & GDP Growth



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

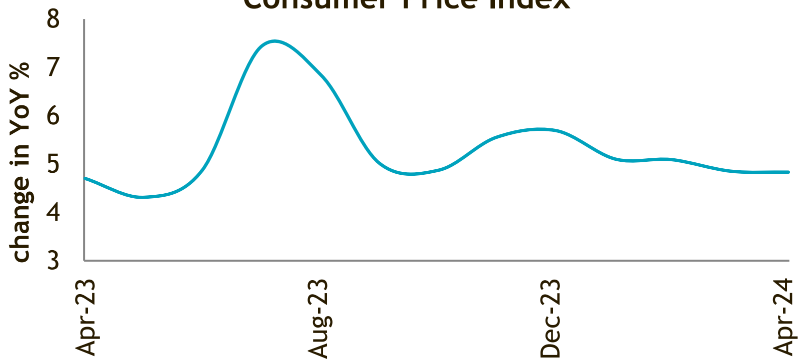
The S&P Global India Composite PMI eased slightly to 61.5 in Apr 2024 from 61.8 in Mar 2024 and GDP of the Indian economy at constant (2011-12) prices witnessed a growth of 7.8% in the fourth quarter of FY24.

Index of Industrial production (IIP)

Source: Refinitiv

Industrial production growth in India (IIP) slowed to 4.9% YoY in Mar 2024, as compared to 5.6% rise in Feb 2024.

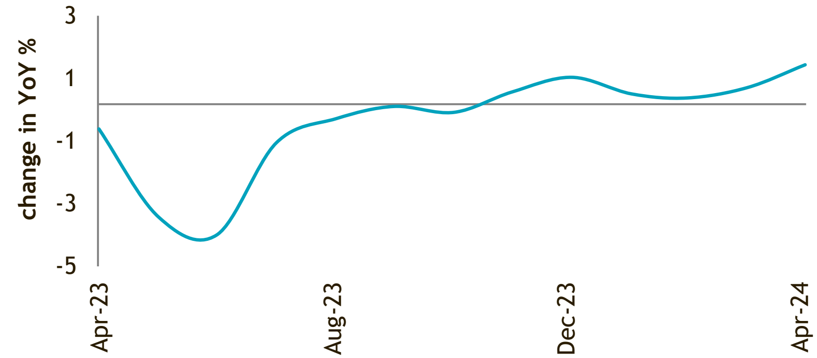
Consumer Price Index



Source: Refinitiv

The consumer price index-based inflation eased slightly to 11-month low of 4.83% YoY in Apr 2024 compared to 4.85% in Mar 2024.

Wholesale Price Index



Source: Refinitiv

India's wholesale price index (WPI) based inflation accelerated by 1.26% YoY in Apr 2024 as compared to 0.53% in Mar 2024.

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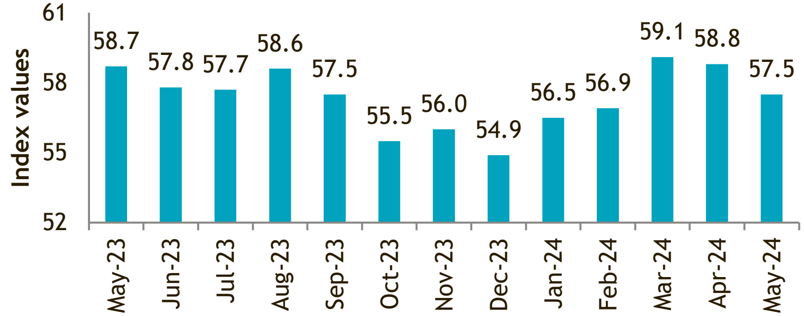
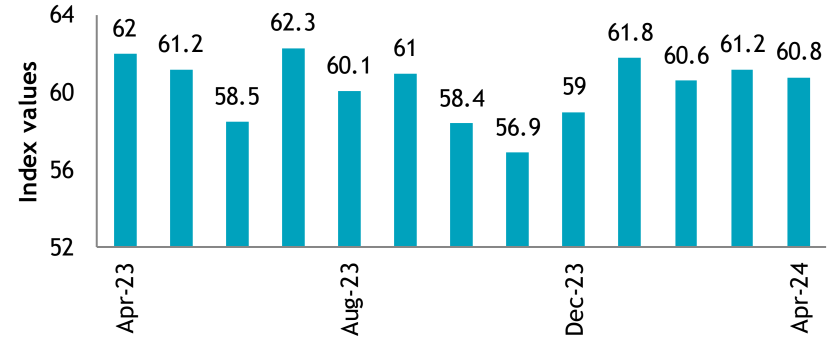
India Manufacturing PMI



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

The Manufacturing Purchasing Managers' Index eased slightly to 57.5 in May 2024 compared to 58.8 in Apr 2024.

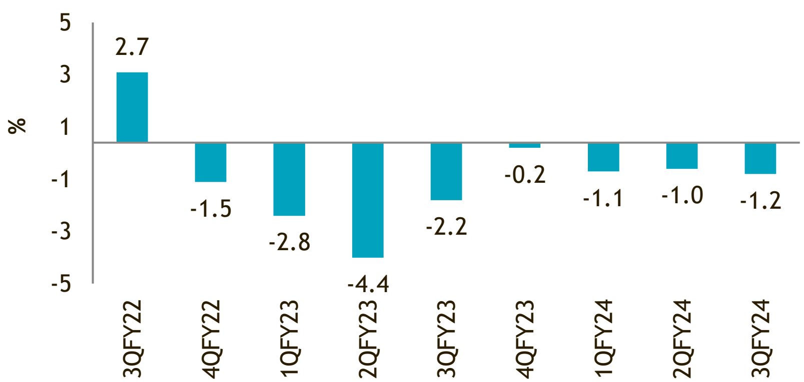
India Service PMI



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

India's Services Purchasing Managers' Index (PMI) eased slightly to 60.8 in Apr 2024 as compared to 61.2 in Mar 2024 but saw the fastest growth rates in 14 years.

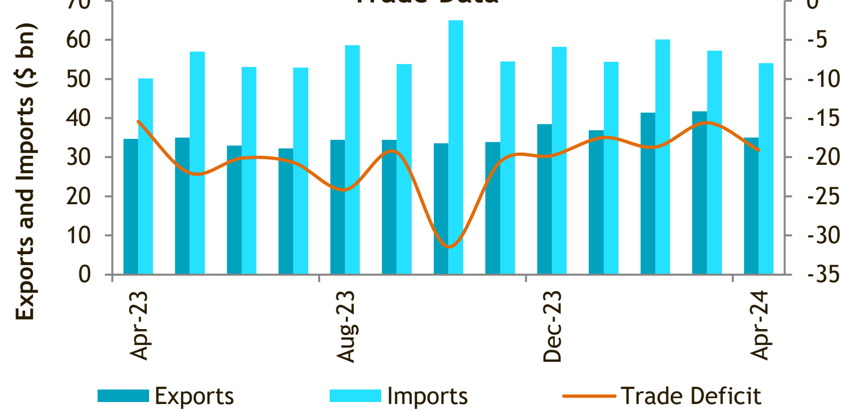
Current Account Deficit as % of GDP



Source: Refinitiv

India's current account deficit narrowed to US$ 10.5 billion (1.2% of GDP) in Q3 FY24 from US$ 11.4 billion (1.3% of GDP) in Q2 FY24 and it was also lower than US$ 16.8 billion (2.0% of GDP) compared to the same period of previous year.

Trade Data



Source: Refinitiv

India's merchandise trade deficit widened to $19.10 billion in Apr 2024 from $14.44 billion in Apr 2023.

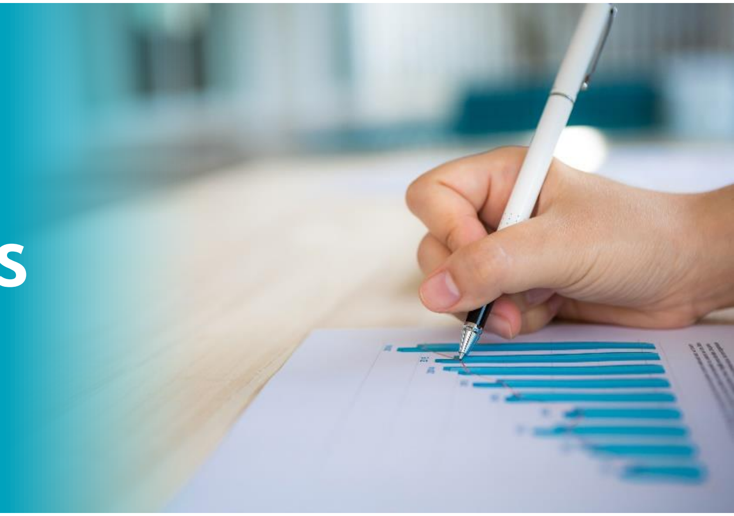
Key Domestic Market Highlights

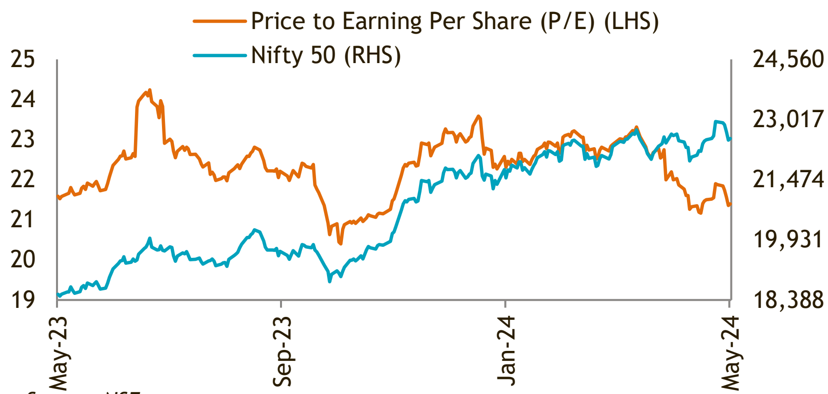
- Domestic equity markets fell as market participants exercised caution and remained on the sidelines as they awaited the outcome of the general elections for 2024. Sentiments were also dampened on worries that rate cut by the U.S. Federal Reserve in 2024 will be delayed. However, further losses were restricted after India's consumer price index-based inflation eased to a 11-month low of 4.83% on an annual basis in Apr 2024 which led to expectations of a rate cut by the Reserve Bank of India. Sentiments were further boosted after the Reserve Bank of India decided to transfer a record surplus of Rs. 2.11 lakh crore for FY24 which is expected to strengthen the fiscal position of the government.

- Domestic equity markets fell initially during the month under review after the U.S. Federal Reserve kept interest rates steady for a sixth consecutive time. According to the U.S. Federal Reserve, "The economic outlook is uncertain, and the Committee remains highly attentive to inflation risks." The outcome dampened expectations of an early rate cut by the U.S. Federal Reserve this year which led to concerns of foreign fund outflow from the domestic capital markets.

- Losses were extended due to concerns of global geopolitical tensions as Gaza ceasefire talks ended without a deal after the Israeli military ramped up its attacks in Rafah, southern Gaza. Later during the month Israel warned that its war in Gaza could extend until the end of the year which too kept the markets on tenterhooks.

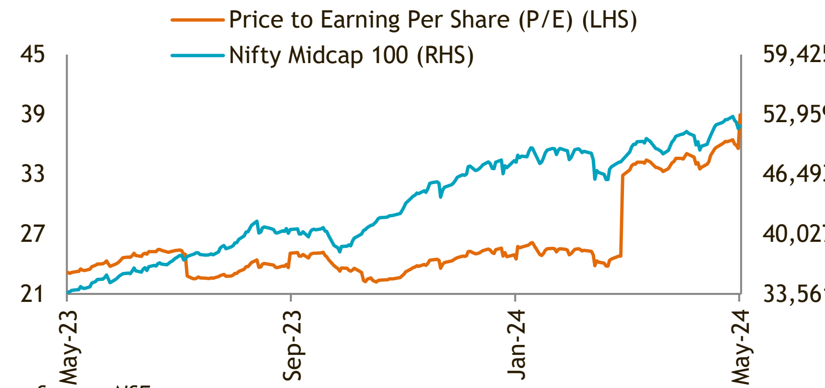
Domestic Equity Markets





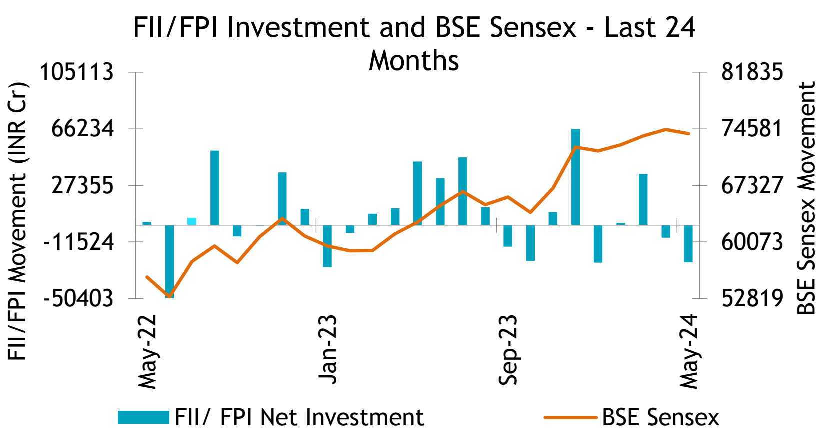
Source: NSE

During the month, BSE Sensex and Nifty 50 fell 0.70% and 0.33% respectively to close at 73,961.31 and 22,530.70 respectively.



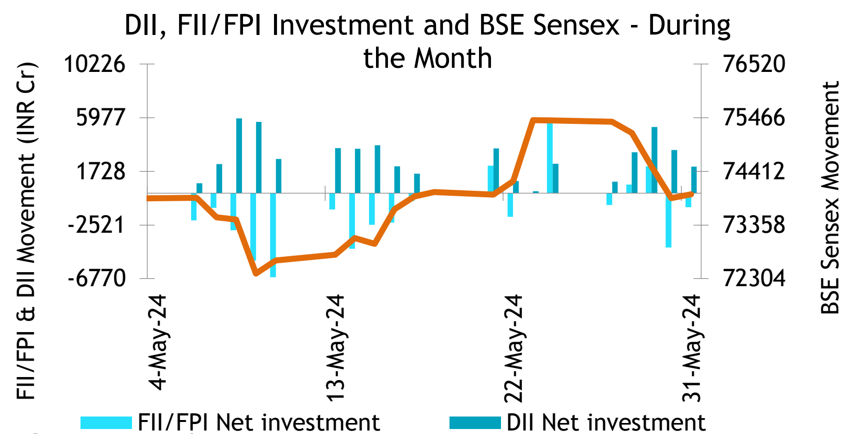
Source: NSE

Nifty Midcap 100 rose 1.65% and Nifty Small cap 100 fell 1.85% to close at 51,705.7 and 16,696.7 respectively.



Source : MFI Explorer

Foreign portfolio investors (FPIs) were net seller of domestic stocks worth Rs. 25,586.33 crore in May 2024 compared with net sell of Rs. 8,671.27 crore in Apr 2024.



Source : MFI Explorer

Domestic mutual funds remained net buyer in the equity segment to the tune of Rs. 47,666.250 crore in May 2024.

Returns of Major NSE Indices

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	CYTD
Smallcap 69.57%	Media 10.30%	Metal 45.20%	Realty 110.22%	IT 23.64%	Realty 28.49%	Pharma 60.43%	Metal 69.66%	PSU Bank 70.92%	Realty 81.64%	Realty 30.18%
PSU Bank 67.07%	Smallcap 10.20%	Auto 10.75%	Smallcap 57.47%	FMCG 13.57%	Finance 25.65%	IT 54.75%	Smallcap 61.94%	Metal 21.83%	Smallcap 48.26%	PSU Bank 29.27%
Midcap 60.26%	Pharma 9.26%	Midcap 5.41%	Midcap 54.53%	Finance 10.54%	Largecap 10.42%	Smallcap 25.02%	IT 59.58%	FMCG 17.59%	Auto 47.78%	Auto 25.79%
Finance 57.34%	Midcap 8.41%	Finance 4.93%	Metal 48.71%	Largecap 1.13%	IT 8.39%	Midcap 24.31%	Realty 54.26%	Auto 15.36%	Midcap 43.82%	Metal 21.88%
Auto 56.69%	FMCG 0.33%	PSU Bank 4.11%	Finance 41.56%	Pharma -7.77%	Midcap -0.28%	Metal 16.14%	Midcap 46.81%	Finance 9.55%	Pharma 33.72%	Midcap 13.07%
Pharma 43.42%	IT -0.03%	Largecap 3.60%	Media 32.80%	Midcap -13.26%	FMCG -1.29%	Largecap 14.82%	PSU Bank 44.37%	Largecap 3.64%	PSU Bank 32.40%	Pharma 11.67%
Largecap 33.17%	Auto -0.32%	FMCG 2.78%	Auto 31.47%	PSU Bank -16.47%	Smallcap -8.27%	FMCG 13.42%	Media 34.56%	Midcap 2.97%	FMCG 29.10%	Smallcap 11.29%
Media 33.02%	Largecap -2.41%	Smallcap 0.36%	Largecap 31.15%	Metal -19.84%	Pharma -9.34%	Auto 11.43%	Largecap 25.04%	Smallcap -3.66%	IT 24.16%	Largecap 7.30%
FMCG 18.22%	Finance -5.41%	Media -0.85%	FMCG 29.47%	Auto -22.99%	Auto -10.69%	Realty 5.11%	Auto 18.96%	Media -10.25%	Largecap 20.11%	Finance 1.07%
IT 17.84%	Realty -15.02%	Realty -4.20%	PSU Bank 24.17%	Media -25.80%	Metal -11.20%	Finance 4.46%	Finance 13.96%	Realty -10.84%	Media 19.94%	FMCG -5.05%
Realty 10.02%	Metal -31.35%	IT -7.25%	IT 12.21%	Smallcap -26.68%	PSU Bank -18.25%	Media -8.55%	Pharma 10.12%	Pharma -11.46%	Metal 18.72%	IT -8.81%
Metal 7.02%	PSU Bank -32.91%	Pharma -14.18%	Pharma -6.32%	Realty -32.87%	Media -29.72%	PSU Bank -30.50%	FMCG 9.96%	IT -26.11%	Finance 13.24%	Media -21.68%

IT returns represented by NIFTY IT
Metal returns represented by NIFTY Metal
Realty returns represented by NIFTY Realty
Auto returns represented by NIFTY Auto
Pharma returns represented by NIFTY Pharma
Media returns represented by NIFTY Media
Finance returns represented by NIFTY Finance
FMCG returns represented by NIFTY FMCG
PSU Bank returns represented by NIFTY PSU Bank
Largecap returns represented by Nifty 100
Midcap returns represented by Nifty Midcap 150
Smallcap returns represented by Nifty Small cap 250

Source: MFI Explorer

Equity Market Outlook

- Global macro environment while remains complex on geopolitical front, it seems to be stabilizing on the economic front. US growth is stabilizing, employment data remains healthy, and inflation is moderating gradually. This is leading to a possible goldilocks scenario where you might get lower inflation without hurting growth too much. Having said this, inflation remains higher at around 3-3.5% and growth and employment data too strong – a recipe for delayed timelines for interest rate cuts. We are now expecting interest rates cuts only post August'24. Europe is gradually stabilizing at lower growth /degrowth state, but not deteriorating further, as inflation and interest rates peak in most economies there. China continues to have challenges on growth revival due to ageing population and leverage in households/Real estate, which are structural in our view and thus commodities in general will remain muted for extended period, given >30-40% of every commodity is consumed by China. Geopolitical tensions are taking time to abate and are only getting complex. Given these tensions, supply chains and global trade has become vulnerable to new dimension now, missing till pre-covid. India remains one of the differentiated markets in terms of growth and earnings. In our worldview, 1) the Liquidity, 2) Growth and 3) Inflation surfaced post monetary and fiscal expansion in CY20-21 in that order and they will reverse in the same order during CY23-24. We have seen an initial downtick in inflation, which will accelerate in our view over next few quarters. Inflation is taking more time than usual to recede given healthy household savings in US, elevated energy prices, tight labor markets and challenged supply chains.

Equity Market Outlook

- Indian macro remains best among large markets. Political stability looks almost given. CAD has improved significantly and is expected to be ~1% for FY24. Most domestic macro and micro indicators remain steady. Given these aspects, the domestic equity market remains focused on earnings. Earnings growth (>15% earnings CAGR FY24-26E) remains relatively far better than most EM/DM markets. While the earnings are not getting upgraded significantly yet; they are resilient and seems to be bottoming. Financials, Auto, industrials, Cement, Telecom, Hospital and Hotels and Real Estate are witnessing a healthy earnings cycle whereas FMCG, chemicals and IT continue to face headwinds. Indian equity market trades at 20FY26 earnings – with earnings CAGR of >15% over FY24-26E – in a fair valuation zone from medium term perspective – given longevity of earnings cycle in India. The broader market has moved up >50% in last 1 year -capturing near term earnings valuation positives for FY24/25. Expect a rollover return as the earnings rollover to FY26. Given the upfronting of returns in mid and small caps (aided by very strong flows also), valuation premium of mid/small caps over past; we are more constructive on large caps from FY25/26 perspective.

- Having said this on near term earnings /market context, we believe that Indian economy is in a structural upcycle which will come to fore as global macroeconomic challenges recede over next few quarters. Our belief on domestic economic up-cycle stems from the fact that the enabling factor are in place viz. 1) Corporate and bank balance sheets are in best possible shape to drive capex and credit respectively, 2) Consumer spending remains resilient through cycle given our demographics, 3) Govt is focused on growth through direct investments in budget as well as through reforms like GST(increasing tax to GDP), lower corporate tax and ease of doing business (attracting private capex), PLIs(private capital through incentives for import substitution or export ecosystem creation) and 4) Accentuated benefits to India due to global supply chain re-alignments due to geopolitics. This makes us very constructive on India equities with 3years view. We believe that India is in a business cycle / credit growth cycle through FY24-27E – indicating starting of healthy earnings cycle from medium term perspective.

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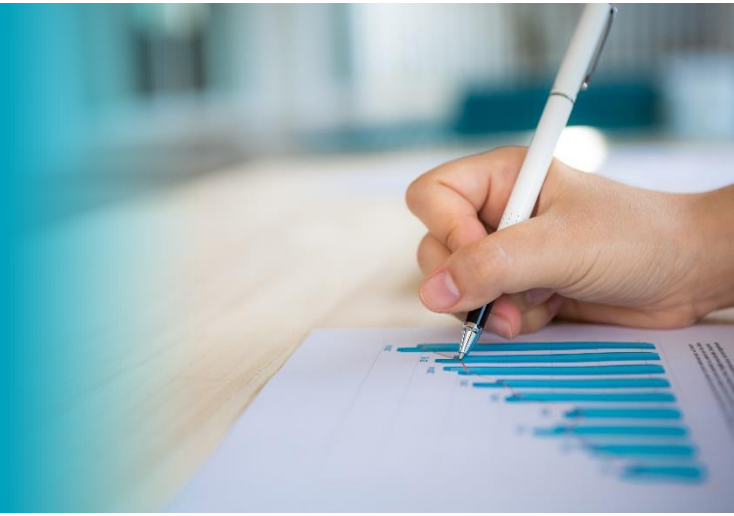
Domestic Debt Markets



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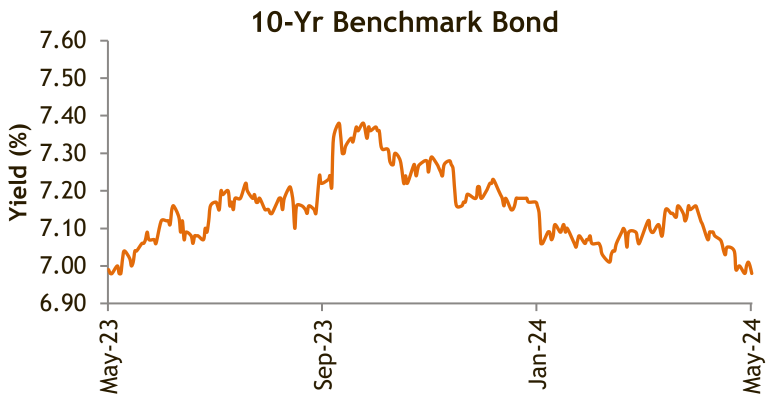
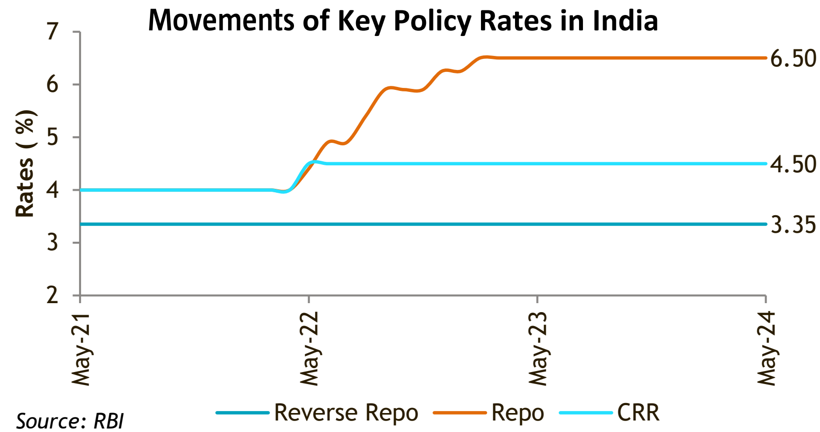


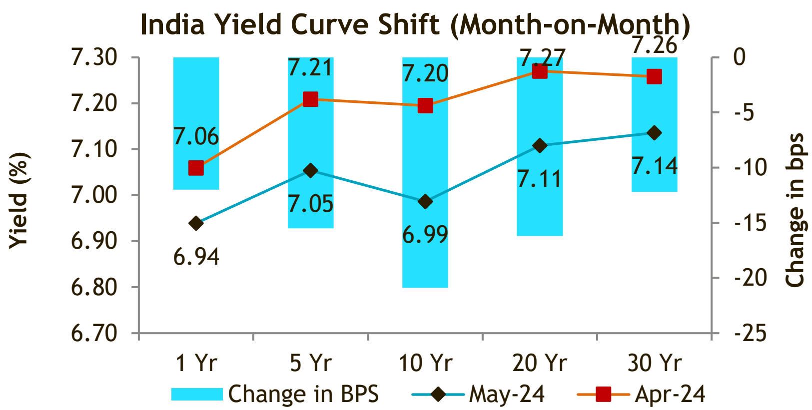
Source: Refinitiv

Bond yields fell in tandem with the U.S. Treasury yields after the U.S. Federal Reserve maintained interest rates as expected but sounded less hawkish than anticipated in its monetary policy concluded on May 1, 2024.



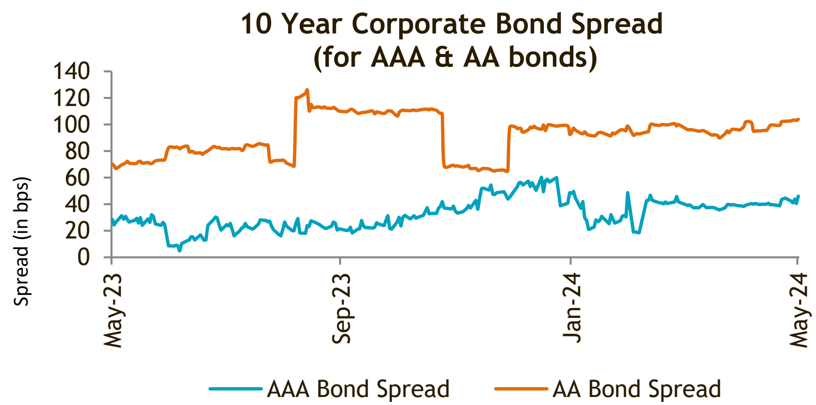
Source: RBI

The Monetary Policy Committee (MPC) in its first bi-monthly monetary policy review of FY25 kept key policy repo rate unchanged at 6.50% with immediate effect for the seventh consecutive time.



Source: Refinitiv

Yield on 5-year & 10-year gilt papers fell by 16 & 22 bps, respectively.



Source: Refinitiv

Yield on 5-year & 10-year paper corporate bonds decreased by 15 & 14 bps, respectively.

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Category-wise Fixed Income returns

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	CYTD
LD 9.05%	LT 14.31%	LD 8.94%	10 Y Gilt 14.93%	LD 6.80%	LD 7.69%	LT 10.72%	LT 12.25%	ST 4.38%	LIQ 5.08%	LD 8.86%	10 Y Gilt 9.50%
LIQ 9.03%	10 Y Gilt 14.14%	ST 8.66%	LT 12.91%	LIQ 6.66%	LIQ 7.58%	10 Y Gilt 10.46%	ST 10.39%	LD 4.23%	LD 3.65%	10 Y Gilt 7.82%	LT 9.02%
ST 8.27%	ST 10.47%	LT 8.63%	ST 9.82%	ST 6.05%	ST 6.65%	ST 9.53%	10 Y Gilt 9.23%	LIQ 3.60%	ST 3.59%	LT 7.30%	LD 7.86%
LT 3.79%	LD 9.87%	LIQ 8.23%	LD 9.02%	LT 4.71%	10 Y Gilt 6.03%	LD 8.60%	LD 7.45%	LT 3.44%	LT 2.51%	ST 7.26%	ST 7.63%
10 Y Gilt -0.68%	LIQ 9.21%	10 Y Gilt 7.39%	LIQ 7.48%	10 Y Gilt -0.05%	LT 5.91%	LIQ 6.86%	LIQ 4.60%	10 Y Gilt 1.35%	10 Y Gilt 0.46%	LIQ 7.13%	LIQ 7.36%

LIQ	Liquid Returns represented by Crisil Liquid Fund Index
ST	Short Term Returns represented by Crisil Short Term Bond Fund Index
LT	Long Term Returns represented by Crisil Composite Bond Fund Index
LD	Low Duration Returns represented by Crisil Low Duration Index
10 Y Gilt	10 Year G-sec Returns represented by CRISIL 10 Yr Gilt

Source: MFI Explorer

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Asset Class Returns

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	CYTD
Equity 4.44%	Equity 35.53%	Debt 8.63%	Debt 12.91%	Equity 33.54%	Gold 7.87%	Gold 23.79%	Gold 27.88%	Equity 27.47%	Gold 13.94%	Equity 23.56%	Gold 14.60%
Debt 3.79%	Debt 14.31%	Equity -1.90%	Gold 11.35%	Gold 5.12%	Debt 5.91%	Debt 10.72%	Equity 15.57%	Debt 3.44%	Equity 3.66%	Gold 15.41%	Debt 9.02%
Gold -4.50%	Gold -7.91%	Gold -6.65%	Equity 3.70%	Debt 4.71%	Equity -1.00%	Equity 8.68%	Debt 12.25%	Gold -4.21%	Debt 2.51%	Debt 7.30%	Equity 8.46%

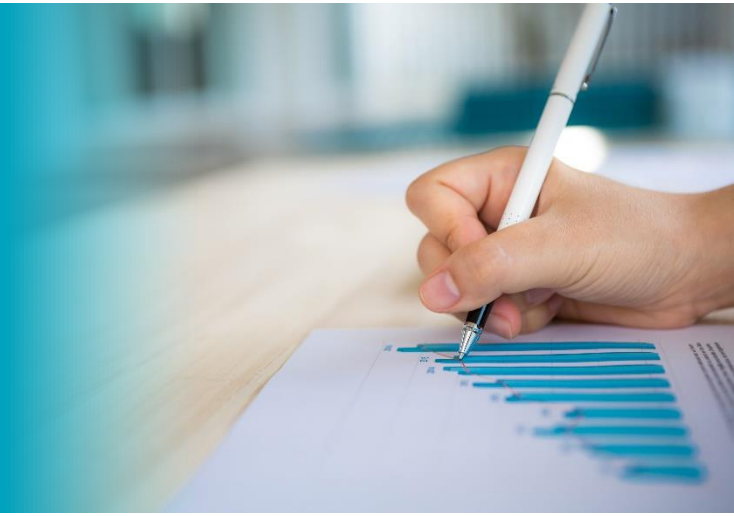
Equity	Equity Returns represented by Nifty 200 Index
Debt	Debt Returns represented by Crisil Composite Bond Fund Index
Gold	Gold Returns represented by domestic prices of gold

Source: MFI Explorer

Fixed Income Market Outlook

- Market dynamics are largely likely to be influenced by US FED rate decisions.
- Recent data on US CPI inflation showing stickiness has spooked markets.
- The extent of US rate cut expectations have reduced for 2024.
- No rate easing is expected from RBI in the near term as US FED is seen delaying rate cuts.
- FII flows have been strong ahead of Index inclusion with USD 6.08 bio in CYTD2024.
- The influx of foreign funds is anticipated to be liquidity-positive, further contributing to the positive sentiment surrounding bonds.
- Looking ahead to the medium and long term, the effect on bonds is expected to be positive due to inclusion in JP Morgan Bond Index, as the demand for Government Securities (G-Sec) is likely to drive yields downward.
- Fiscal consolidation in the interim Budget is likely to provide further positive impetus to bond markets.
- Coupled with anticipated rate moves from the US FED, RBI may change to neutral stance in next few policies.
- We may expect about 25bps rate cut from RBI in FY2025.
- We anticipate that over the next few months, 10-year yields may gradually fall below 7%.

Global Markets



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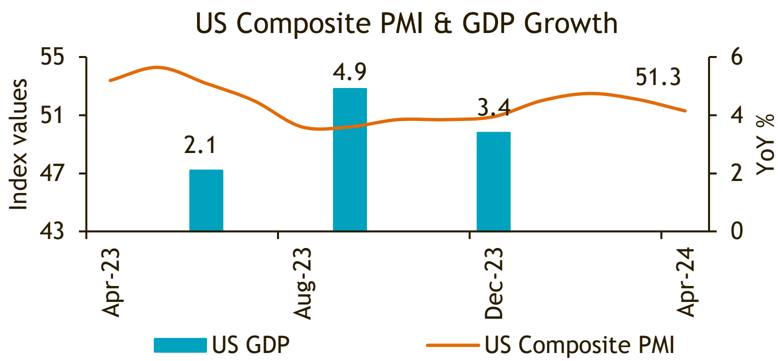
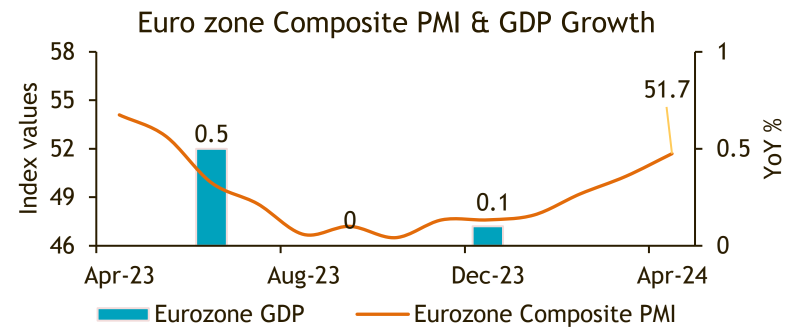


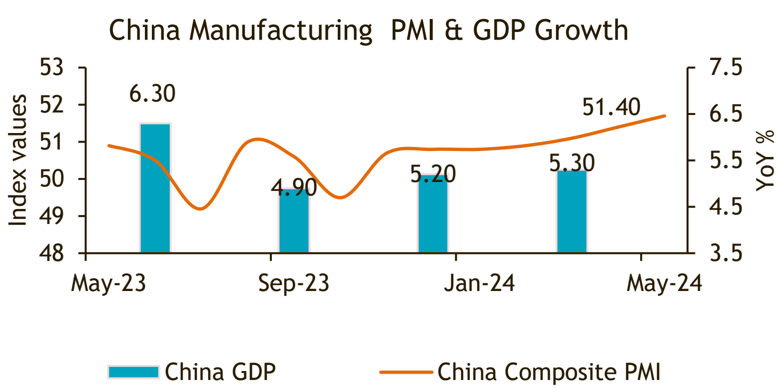
Source: Refinitiv, fxstreet; PMI > 50 denotes expansion and < 50 is contraction



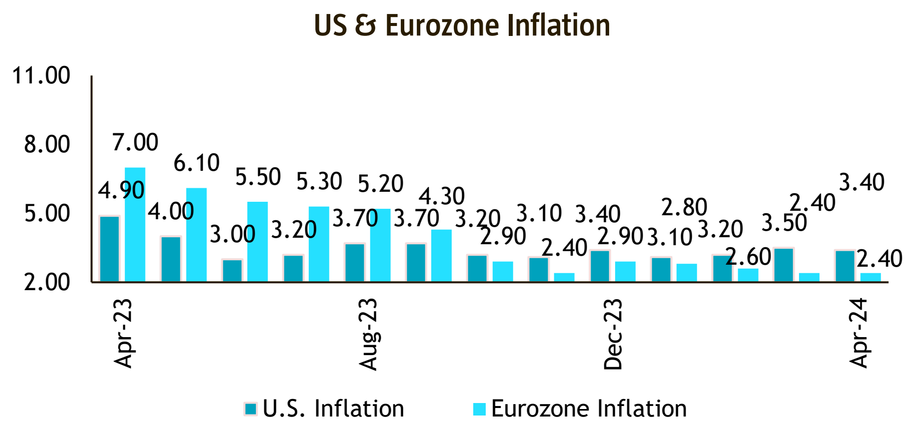
Source: Refinitiv, fxstreet; PMI > 50 denotes expansion and < 50 is contraction

U.S. gross domestic product grew 3.40% in the fourth quarter of 2023 after jumping by 4.90% in the third quarter of 2023. And the U.S. Composite PMI eased to 51.3 in Apr 2024 from 52.1 in Mar 2024.

Year-on-year growth of the Euro zone economy grew to 0.1% in the fourth quarter of 2023 from 0.0% in the third quarter of 2023.



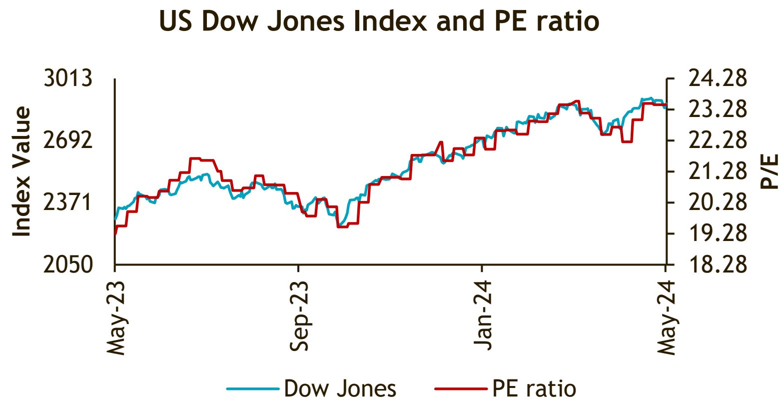
Source: Reuters, fxstreet; PMI > 50 denotes expansion and < 50 is contraction



Source: Refinitiv

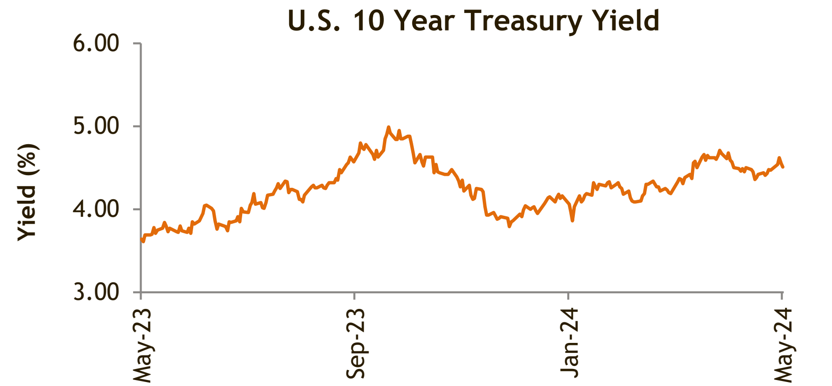
According to a survey, China's Caixin manufacturing Purchasing Managers' Index rose more-than-expected to 51.7 in May 2024 from 51.4 in the previous month.

U.S. inflation stood at 3.40% in Apr 2024 from 3.50% in Mar 2024. The inflation rate in the eurozone for Apr 2024 remained the same at 2.40% YoY from 2.40% in Mar 2024.



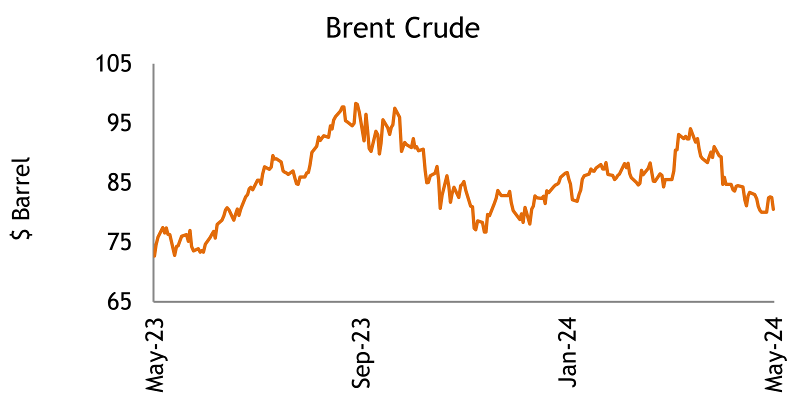
Source: Refinitiv

U.S. equity markets rose after the Labor Department released a report indicating that Apr 2024 consumer prices in the U.S. increased by 0.3%, a somewhat smaller amount than anticipated.



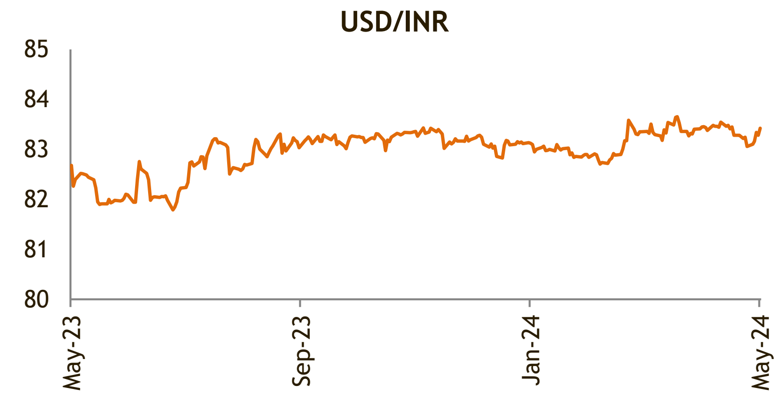
Source: Refinitiv

U.S. Treasury prices rose after data revealed that consumer price inflation in the U.S. decreased in Apr 2024, which raised predictions that the Federal Reserve will lower interest rates twice this year.



Source: Refinitiv

Brent crude oil prices fell amid easing Middle East tensions and signs of weak U.S. demand.



Source: Refinitiv

Rupee fell against the U.S. dollar due to weakness in other Asian peers and negative trends in the domestic equity market.

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Returns of Major Global Indices

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	CYTD
SSEC 52.87%	DAX 9.56%	RTS 52.22%	HangSeng 35.99%	Nasdaq -1.04%	RTS 45.28%	Nasdaq 47.58%	CAC 28.85%	STI 4.09%	Nasdaq 53.81%	Nikkei 15.01%
Nasdaq 17.94%	SSEC 9.41%	FTSE 14.43%	Nasdaq 31.52%	RTS -7.65%	Nasdaq 37.96%	Kospi 30.75%	Nasdaq 26.63%	FTSE 0.91%	Nikkei 28.24%	DAX 10.42%
Nikkei 7.12%	Nikkei 9.07%	DAX 6.87%	Kospi 21.76%	STI -9.82%	CAC 26.37%	Nikkei 16.01%	DAX 15.79%	Nikkei -9.37%	DAX 20.31%	Nasdaq 10.17%
STI 6.24%	CAC 8.53%	Nasdaq 5.89%	Nikkei 19.10%	CAC -10.95%	DAX 25.48%	SSEC 13.87%	RTS 15.01%	CAC -9.50%	Kospi 18.73%	FTSE 7.01%
DAX 2.65%	Nasdaq 8.43%	CAC 4.86%	STI 18.13%	Nikkei -12.08%	SSEC 22.30%	DAX 3.55%	FTSE 14.30%	DAX -12.35%	CAC 16.52%	HangSeng 6.06%
HangSeng 1.28%	Kospi 2.39%	Kospi 3.32%	DAX 12.51%	FTSE -12.48%	Nikkei 18.20%	HangSeng -3.40%	STI 9.84%	SSEC -15.12%	RTS 11.63%	CAC 5.96%
CAC -0.54%	RTS -4.26%	Nikkei 0.42%	CAC 9.26%	HangSeng -13.61%	FTSE 12.10%	CAC -7.14%	Nikkei 4.91%	HangSeng -15.46%	FTSE 3.78%	RTS 3.89%
FTSE -2.71%	FTSE -4.93%	HangSeng 0.39%	FTSE 7.63%	Kospi -17.28%	HangSeng 9.07%	RTS -10.42%	SSEC 4.8%	Kospi -24.89%	STI -0.34%	SSEC 3.76%
Kospi -4.76%	HangSeng -7.16%	STI -0.07%	SSEC 6.56%	DAX -18.26%	Kospi 7.67%	STI -11.76%	Kospi 3.63%	Nasdaq -32.97%	SSEC -3.70%	STI 2.97%
RTS -45.17%	STI -14.34%	SSEC -12.31%	RTS 0.18%	SSEC -24.59%	STI 5.02%	FTSE -14.34%	HangSeng -14.08%	RTS -39.18%	HangSeng -13.82%	Kospi -0.71%

CAC returns represented by CAC 40 Index (France)
DAX Index returns represented by FSE DAX (Germany)
FTSE returns represented by FTSE 100 (United Kingdom)
HangSeng returns represented by HangSeng (Hong Kong)
Nasdaq returns represented by Nasdaq 100 (US)
Nikkei returns represented by Nikkei 225 (Japan)
RTS returns represented by RTS Index (Russia)
SSEC represented by SHANGHAI SE COMPOSITE (China)
STI returns represented by FTSE Straits Times (Singapore)
Kospi represented by Kospi Index (South Korea)

Source: MFI Explorer

Key Global Market Highlights

- U.S. equity markets rose after the Labor Department released a report indicating that Apr 2024 consumer prices in the U.S. increased by 0.3%, a somewhat smaller amount than anticipated, increasing the likelihood that the U.S. Federal Reserve will lower interest rates later this year. Further, the market rose after the Commerce Department reported that the U.S. personal consumption expenditures (PCE) price index rose by 0.3% for the third straight month in Apr 2024, matching economists' estimates.

- U.S. Treasury prices rose after the Labor Department showed that U.S. jobless claims climbed to 231,000 in the week ended May 4th 2024, an increase of 22,000 from the previous week's revised level of 209,000, which fueled hopes the U.S. Federal Reserve will soon start lowering interest rates.

- European equity markets rose after data indicating a lower-than-anticipated increase in U.S. consumer prices in Apr 2024 helped allay worries about the trajectory of interest rates. Further, the market rose as investors positively responded to the most recent set of economic data from the U.S. and Europe and remained generally upbeat about interest rate cuts by many central banks.

- Asian equity markets mostly rose as investors remained optimistic about the trajectory of inflation and the likelihood of two interest rate reductions by the U.S. Fed in 2024. Further, the market rose as fresh signs of cooling in the U.S. labor market revived prospects for U.S. rate cuts this year.

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