

Macro-Economic Update and Key Events

Event Update

The RBI kept policy repo rate unchanged at 6.50%

The Monetary Policy Committee (MPC) in its fifth bi-monthly monetary policy review of FY25 kept key policy repo rate unchanged at 6.50% for the eleventh consecutive time. The standing deposit facility rate also remained unchanged at 6.25%. Four out of six members voted to keep the policy repo rate unchanged. The MPC also decided to continue with the neutral monetary policy stance and to remain unambiguously focused on a durable alignment of inflation with the target, while supporting growth. The RBI has 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.

GDP of the Indian economy grew 5.4% YoY in Q2 FY25

Government data showed that Gross Domestic Product (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%. On the sectoral front, the growth of Manufacturing sector decreased to 2.2% in Q2 of FY25 from 14.3% in same quarter of previous fiscal year. However, growth of Agriculture, Livestock, Forestry & Fishing increased to 3.5% in Q2 of FY25 compared to 1.7% growth in Q2 of FY24, while Mining & Quarrying witnessed a negative growth of 0.1% in the same period.

Manufacturing PMI fell to 56.5 in Nov 2024

The Manufacturing Purchasing Managers' Index fell to 56.5 in Nov 2024 compared to 57.5 in Oct 2024. The reading indicated steady yet decelerated growth in new business and production. This strong demand was tempered by competitive forces and pricing pressures.

Services PMI eased slightly in Nov 2024 to 58.4

India's Services Purchasing Managers' Index (PMI) eased slightly in Nov 2024 to 58.4 as compared to 58.5 in Oct 2024. Despite this, strong demand led to increased business sentiment and record hiring. New orders from both domestic and international markets supported the growth. Composite PMI decreased to 58.6 from 59.1 in the same period.

Industrial production rose 3.1% YoY in Sep 2024

Index of Industrial production (IIP) rose 3.1% YoY in Sep 2024, as compared to a contraction of 0.1% in Aug 2024. Production in mining, manufacturing and electricity witnessed a growth of 0.2%, 3.9% and 0.5%, respectively, in Sep 2024.

CPI-based inflation accelerated to 6.21% YoY in Oct 2024

The consumer price index-based inflation accelerated to 6.21% YoY in Oct 2024 compared to 5.49% in Sep 2024, mainly due to rise in food prices. This is the first time since Aug 2023 that inflation has gone beyond the RBI's upper tolerance limit of 6%. Consumer food price inflation rose to 10.87% YoY in Oct 2024 from 9.24% in Sep 2024.

Key Indicator	Frequency	Period	Latest	Previous
CPI	Monthly	Oct-24	6.21%	5.49%
WPI	Monthly	Oct-24	2.36%	1.84%
IIP	Monthly	Sep-24	3.10%	-0.10%
GDP	Quarterly	Sep-24	5.40%	6.70%
Credit Growth	Month End [^]	Nov-24	11.10%	11.90%
Deposit Growth	Month End [^]	Nov-24	11.20%	11.80%
Export Growth (YoY)	Monthly	Oct-24	17.26%	0.49%
Import Growth (YoY)	Monthly	Oct-24	3.88%	1.60%
Trade Balance (Billion)	Monthly	Oct-24	-\$27.14	-\$20.78

Source: RBI, Refinitiv, MOSPI CPI- Consumer Price Index, WPI- Wholesale Price Index IIP- Index of Industrial Production, GDP- Gross Domestic Product, Trade deficit- in Billion, All above indicators are in percentage change on Y-o-Y (Year-on-Year) basis, except Trade Deficit. [^]RBI releases credit and deposit growth data on fortnightly basis. For Credit and Deposit growth, previous means last fortnight of the previous month. Latest available data as on 30-Nov-2024.

Institutional Flows (Equity)

Net Flow (INR Crore)	Latest Month	Previous Month	Year to Date
FII Flows	-21,612	-94,017	-15,020
DII Flows	44,484	107,255	492,384
MF Flows	35,633	90,771	406,130

Source: CDSL, NSE & SEBI; As on 29-Nov-2024.

Exchange Rate Movement

Exchange Rate	Nov-24	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
₹/ Dollar	84.50	84.09	83.87	83.42	83.35
₹/ Euro	89.36	91.25	92.91	90.05	91.48
₹/ Pound	107.46	108.95	110.50	105.87	105.87
₹/ 100 Yen	56.31	55.03	57.86	53.18	56.68

Source: Refinitiv

Performance of Various Commodities

Commodities	Nov-24	Returns			
		1 Month	3 Month	6 Month	1 Year
Crude Brent (\$/Barrel)	75.45	2.11%	-8.48%	-6.33%	-11.43%
Gold (\$/Oz)	2,653.55	-3.29%	6.01%	14.03%	30.35%
Gold (₹./10 gm)	76,400	-3.51%	6.59%	5.92%	22.36%
Silver (\$/Oz)	30.60	-6.28%	6.09%	0.74%	21.19%
Silver (₹./Kg)	89,351	-7.45%	5.23%	-3.22%	17.67%

Source: Refinitiv, MCX

Monthly Market Update

December 2024



Indian Debt Market Update

Key Policy Rates (%)

	Nov-24	3 Months Ago	6 Months Ago	Year Ago	2 Years Ago
Repo	6.50	6.50	6.50	6.50	5.90
Reverse Repo	3.35	3.35	3.35	3.35	3.35
Bank Rate	6.75	6.75	6.75	6.75	6.15
CRR	4.50	4.50	4.50	4.50	4.50
SLR	18.00	18.00	18.00	18.00	18.00
SDF	6.25	6.25	6.25	6.25	5.65

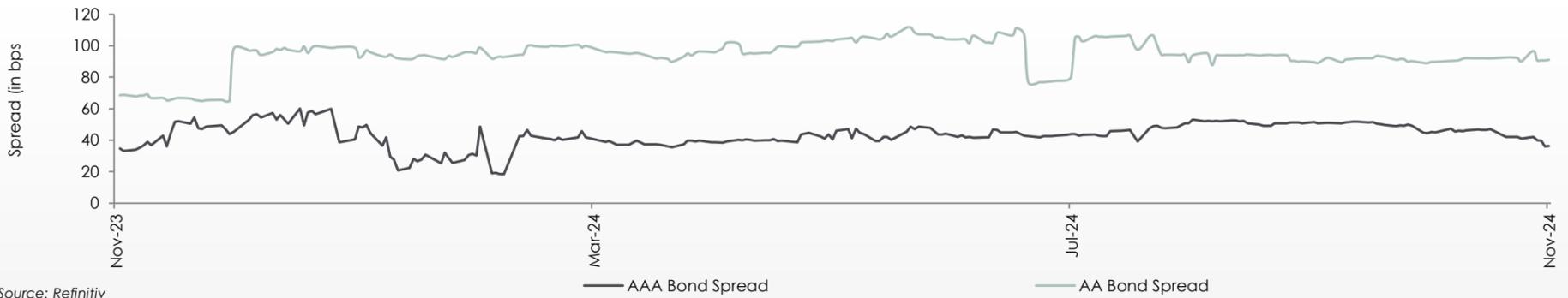
Source: RBI

Money Market Rates (%)

	Nov-24	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
TREP (Overnight Rate)	6.65	6.27	6.60	6.36	6.76
91 Days T-Bills	6.47	6.51	6.66	6.86	6.97
3 Month CD	7.20	7.17	7.23	7.23	7.39
3 Month CP	7.21	7.23	7.24	7.18	7.42
6 Month CP	7.49	7.46	7.56	7.50	7.62
364 Days T-Bills	6.60	6.75	6.70	7.03	7.14

Source: Refinitiv

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



Source: Refinitiv

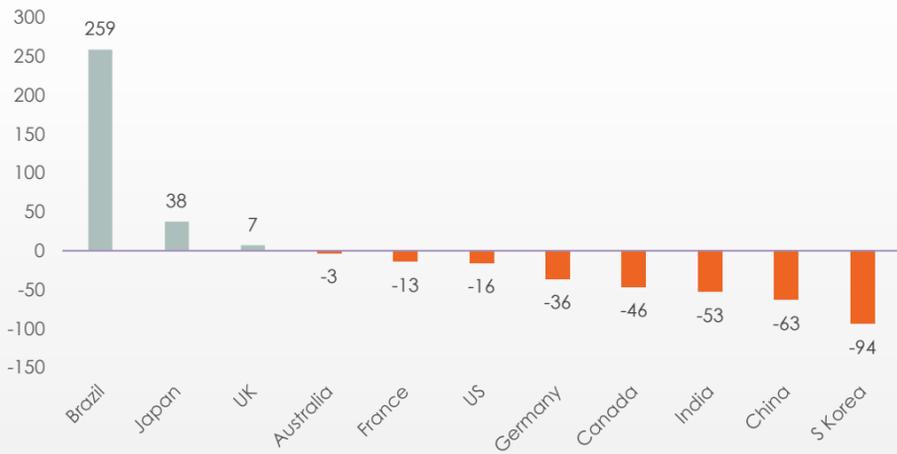
Bond yields fell during the month following the weaker-than-expected domestic GDP growth data for the second quarter of FY25, as market participants expecting that could pave the way for an earlier rate cut by the RBI.

Yield on corporate bonds fell in the range of 2 to 22 bps across the curve, barring 1 & 2 year papers that increased by 5 bps each.

Global Debt Market Update

Brazil saw the highest rise in yields while S Korea fell the most

Change in 10 Year Sovereign Bond Yield: Nov-24 v/s Nov-23 (bps)



Yield of 10 Year Government Bonds (%)

	Oct-2024	Nov-2024	Inflation: Nov-2024	Real Yields: Nov-24
Brazil	12.9	13.5	4.8	8.7
UK	4.4	4.2	2.3	1.9
China	2.1	2.1	0.3	1.8
France	3.1	2.9	1.2	1.7
US	4.3	4.2	2.6	1.6
Australia	4.5	4.4	2.8	1.6
S Korea	3.1	2.8	1.5	1.3
Canada	3.2	3.1	2	1.1
India	6.8	6.8	6.21	0.5
Germany	2.4	2.1	2	0.1
Japan	1.0	1.0	2.6	-1.6

Source: Refinitiv

Asset Class Monthly Performance

Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Domestic Equity 7.94%	Crude Oil 6.58%	Global Equity 6.12%	Silver 10.17%	Silver 5.23%	Silver 15.58%	Crude Oil 10.18%	Gold 5.26%	Gold 2.24%	Silver 7.99%	Silver 4.82%	Global Equity 6.21%
Global Equity 5.52%	Global Equity 1.02%	Domestic Equity 1.18%	Gold 9.26%	Crude Oil 4.5%	Global Equity 6.88%	Domestic Equity 6.57%	Domestic Equity 3.92%	Domestic Equity 1.14%	Gold 5.25%	Gold 4.15%	Crude Oil 2.11%
Gold 1.32%	Bond Index 0.64%	Crude Oil 0.76%	Global Equity 1.79%	Gold 2.38%	Gold 1.81%	Global Equity 5.96%	Bond Index 0.78%	Global Equity 0.65%	Global Equity 2.68%	Crude Oil 1.23%	Bond Index 0.44%
Bond Index 0.71%	Domestic Equity -0.03%	Bond Index 0.66%	Domestic Equity 1.57%	Domestic Equity 1.24%	Bond Index 0.81%	Bond Index 0.52%	Silver -0.3%	Bond Index 0.64%	Domestic Equity 2.28%	Bond Index 0.62%	Domestic Equity -0.31%
Crude Oil -5.75%	Gold -1.23%	Gold 0.3%	Bond Index 0.61%	Bond Index 0.39%	Domestic Equity -0.33%	Gold -0.05%	Global Equity -0.75%	Crude Oil -0.41%	Bond Index 0.73%	Global Equity -0.52%	Gold -3.29%
Silver -5.9%	Silver -3.55%	Silver -1.08%	Crude Oil -0.81%	Global Equity -4.41%	Crude Oil -9.87%	Silver -4.11%	Crude Oil -6.73%	Silver -0.67%	Crude Oil -11.46%	Domestic Equity -6.22%	Silver -6.28%

In November 2024, global equity followed by crude oil rose the most, while silver followed by gold fell the most. Global equity rose on renewed hope for global economic growth during the former U.S. President's second term. Gains were extended after the U.S. Fed reduced interest rate by 25 bps in Nov 2024 meeting.

Source: NSE, Refinitiv; Data as on 29-Nov-2024; Bond Index data as on 30-Nov-2024. Domestic equity market-Nifty 50 TRI, Global Equity market-Nasdaq composite, Bond Index-Nifty Corporate Bond Index, Gold, Silver and Crude Oil prices are in U.S. dollar. While Gold and Silver prices are measured in per ounce, Crude oil is on the basis of per barrel.

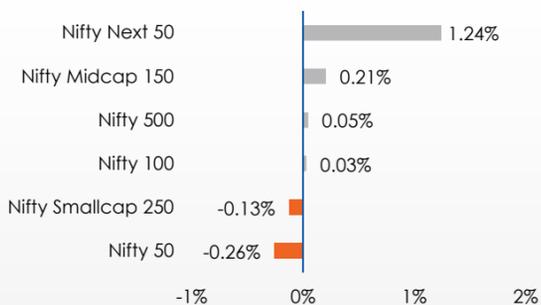
Monthly Market Update

December 2024

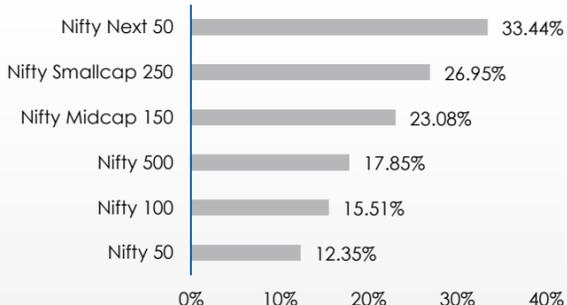


Indian Equity Market Update

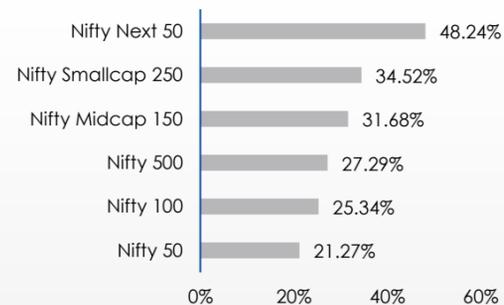
1 Month



CYTD



1 Year



Domestic equity markets remained volatile during the month under review as markets rose initially after the former U.S. President and Republican candidate took a decisive lead in the 2024 U.S. election, which increased the expectation of tax cuts and increased government spending in the U.S. However, rise in domestic retail inflation rate in Oct 2024 above the RBI's upper tolerance level along with the weakening of rupee against U.S. dollar kept the market under pressure.

Source: NSE; Returns are on the basis of TRI index as on Nov 29, 2024; CYTD- Calendar Year to Date as on Nov 29, 2024

Sector Monthly Performance

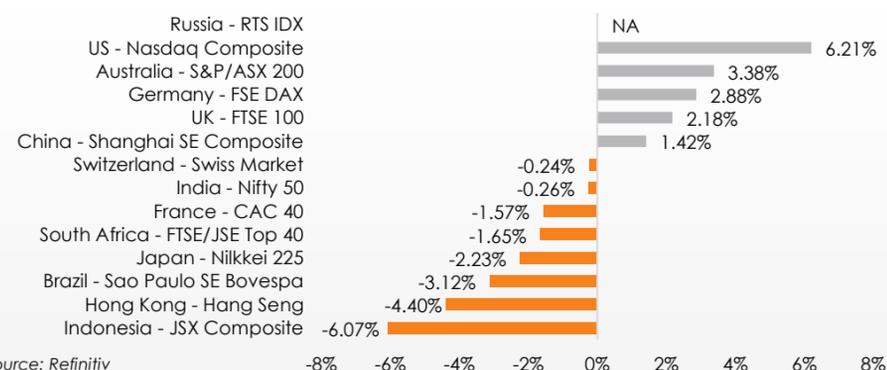
Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Nifty Energy 14.25%	Nifty Energy 9.80%	Nifty Realty 6.36%	Nifty Auto 4.95%	Nifty Metal 11.13%	Nifty Metal 5.97%	Nifty IT 11.72%	Nifty IT 13.14%	Nifty Pharma 6.80%	Nifty Metal 8.54%	Nifty Pharma -2.34%	Nifty IT 6.78%
Nifty Metal 13.72%	Nifty Realty 9.34%	Nifty Energy 6.22%	Nifty Metal 4.23%	Nifty Realty 8.06%	Nifty Realty 4.75%	Nifty Realty 8.38%	Nifty Pharma 10.61%	Nifty IT 4.76%	Nifty Realty 4.34%	Nifty Financial Services -2.42%	Nifty Realty 2.07%
Nifty Infra 10.90%	Nifty Infra 7.62%	Nifty Auto 6.20%	Nifty Infra 3.10%	Nifty Media 5.46%	Nifty Auto 4.18%	Nifty Financial Services 7.91%	Nifty FMCG 9.45%	Nifty FMCG 1.67%	Nifty FMCG 3.93%	Nifty Bank -2.84%	Nifty Bank 1.13%
Nifty Realty 9.73%	Nifty Pharma 6.58%	Nifty Pharma 6.16%	Nifty Financial Services 2.88%	Nifty Auto 4.95%	Nifty Infra 1.08%	Nifty Auto 7.81%	Nifty Media 7.90%	Nifty Financial Services 1.18%	Nifty Financial Services 3.56%	Nifty IT -3.12%	Nifty Financial Services 0.56%
Nifty IT 9.00%	Nifty IT 3.46%	Nifty Infra 3.07%	Nifty Bank 2.18%	Nifty Bank 4.82%	Nifty Financial Services 0.00%	Nifty Bank 6.95%	Nifty Auto 6.13%	Nifty Bank -0.17%	Nifty Auto 3.26%	Nifty Media -5.57%	Nifty Auto -0.60%
Nifty Bank 8.57%	Nifty Auto 3.27%	Nifty IT 2.97%	Nifty Energy 0.47%	Nifty Financial Services 4.06%	Nifty FMCG -0.12%	Nifty Media 6.52%	Nifty Energy 5.53%	Nifty Energy -0.27%	Nifty Bank 3.17%	Nifty Infra -7.81%	Nifty Media -0.82%
Nifty FMCG 7.50%	Nifty Metal -0.06%	Nifty Bank 0.27%	Nifty Pharma -0.03%	Nifty Energy 3.45%	Nifty Energy -0.28%	Nifty FMCG 5.69%	Nifty Infra 4.07%	Nifty Infra -0.51%	Nifty Media 1.61%	Nifty Metal -8.55%	Nifty Infra -0.93%
Nifty Financial Services 7.14%	Nifty FMCG -3.36%	Nifty Financial Services -0.41%	Nifty FMCG -0.09%	Nifty Infra 2.87%	Nifty Bank -0.29%	Nifty Infra 5.51%	Nifty Financial Services 0.00%	Nifty Metal -1.66%	Nifty Infra 1.58%	Nifty Realty -9.05%	Nifty FMCG -1.86%
Nifty Auto 6.08%	Nifty Financial Services -4.61%	Nifty Metal -0.58%	Nifty Realty -1.08%	Nifty FMCG 0.55%	Nifty Pharma -0.90%	Nifty Pharma 4.98%	Nifty Realty -0.84%	Nifty Auto -1.67%	Nifty Energy 0.59%	Nifty FMCG -9.65%	Nifty Pharma -2.16%
Nifty Media 3.99%	Nifty Bank -4.75%	Nifty FMCG -1.42%	Nifty IT -7.48%	Nifty Pharma -0.13%	Nifty Media -1.18%	Nifty Energy 3.81%	Nifty Bank -1.49%	Nifty Media -2.00%	Nifty Pharma 0.28%	Nifty Energy -10.63%	Nifty Metal -3.09%
Nifty Pharma 3.65%	Nifty Media -9.93%	Nifty Media -4.58%	Nifty Media -12.40%	Nifty IT -4.86%	Nifty IT -1.61%	Nifty Metal 0.95%	Nifty Metal -2.25%	Nifty Realty -3.63%	Nifty IT -1.97%	Nifty Auto -12.99%	Nifty Energy -4.47%

In November 2024, information technology sector followed by realty and bank rose the most. Information technology sector surged in anticipation of a rebound in information technology spending in the U.S. following the result of the U.S. election 2024. Gains were extended due to the strong U.S. dollar.

Source: NSE; Returns are on the basis of TRI index; Month wise returns are calculated on absolute basis.

Global Equity Market Update

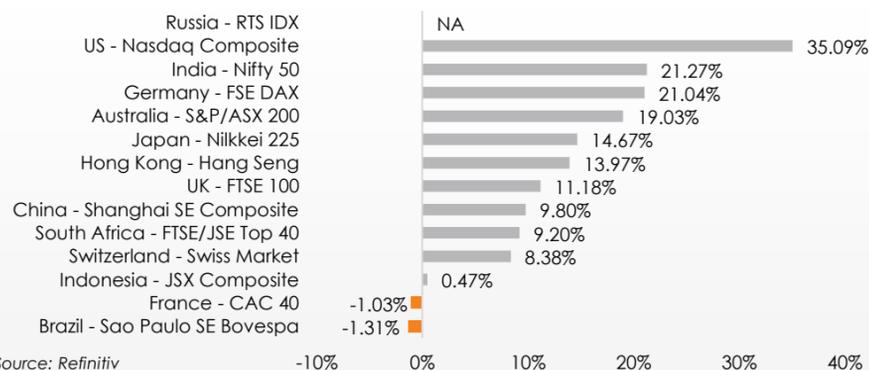
1 Month Performance



Source: Refinitiv

Global markets remained mixed in November 2024, with U.S. followed by Australia rose the most and Indonesia followed by Hong Kong fell the most.

1 Year Performance



Source: Refinitiv

In the last one year, the global markets mostly rose with U.S. gaining the most while Brazil fell the most.

News Summary & Market Outlook

News Summary

1. Domestic

- SEBI has mandated that AMCs provide distinct disclosures of expense ratios, returns, and yields for direct and regular plans. By enacting this new regulation, the regulator aims to promote greater transparency, investor understanding, and a uniform disclosure strategy by the mutual fund industry. Currently, AMCs disclose expense ratio, returns and yields only for regular plans of their schemes.
- SEBI has enabled fund houses to invest in international mutual funds or mutual funds exposed to Indian securities. This came after SEBI received feedback from the Mutual Fund Advisory Committee. The development is expected to facilitate the Indian mutual fund industry invest in international securities, which is currently not possible due to a breach in limit of international investments. However, Indian fund houses can only invest in international mutual funds whose exposure to Indian securities is not more than 25%.
- According to media reports, the RBI has instructed banks to reduce their long positions on the USD/INR pair to curb speculation against the weakening rupee. This move comes amidst record lows for the rupee, fueled by factors like selling by foreign investors and a strengthening dollar.
- SEBI has introduced new valuation metrics for repo transactions in order to have uniformity in valuation methodology of all money market and debt instruments and to address the concerns of unintended regulatory arbitrage that may arise due to different valuation methodology adopted. The regulator has decided that the valuation of repurchase (repo) transactions including TREPS with tenor of upto 30 days shall also be valued at mark to market basis.
- SEBI has released draft guidelines to enable market intermediaries, such as asset management firms and registered investment advisers, to use artificial intelligence (AI) and machine learning (ML).

2. International

- According to the Commerce Department, U.S. gross domestic product surged by 2.8% in the third quarter of 2024, unchanged versus the "advance" estimate issued last month. The unrevised reading matched expectations.
- According to the Institute for Supply Management, U.S. manufacturing PMI rose to 48.4 in Nov 2024 from 46.5 in Oct 2024, although a reading below 50 still indicates contraction. Economists had expected the index to inch up to 47.5.
- According to payroll processor ADP, U.S. private sector employment climbed by 146,000 jobs in Nov 2024 after jumping by a downwardly revised 184,000 jobs in Oct 2024. Economists had expected private sector employment to grow by 165,000 jobs compared to the surge of 233,000 jobs originally reported for the previous month.
- According to Eurostat, eurozone's harmonized index of consumer prices, or HICP, rose 2.3% YoY following a 2.0% increase in Oct 2024. Core inflation, which excludes prices of food, energy, alcohol and tobacco, was steady at 2.7%. Economists had forecast a score of 2.8%.
- The People's Bank of China has kept its one-year loan prime rate unchanged at 3.10% on 20th Nov, 2024. Similarly, the five-year loan prime rate, which serves as the standard for mortgage rates, has also been held steady at 3.60%.
- According to a survey, China's manufacturing PMI score of 51.5 in Nov 2024. That's up from 50.3 in Oct 2024, and it moves further above the boom-or-bust line of 50 that separates expansion from contraction.

Market Outlook

• Significant Concerns:

- Continued slowdown in Urban consumption due to persistent higher inflation
- Geopolitical escalation in Russia Ukraine and Israel Iran conflict
- Policy uncertainty post Trump taking office in January 2025 – recalibration of trade treaties and global supply chains likely over the next 18-24 months as tariff wars loom in the horizon
- Currency wars led by Yuan depreciation (USD/INR has already started to weaken)
- Earnings deceleration across the board – Q2FY25 has seen the slowest sales and PAT growth in the past 8 quarters – this has led to earnings cuts for FY25 and even FY26
- Record FII selling to the tune of INR 1.6 Lac Crores in the last 60 Days – this is an EM phenomenon as money flowing back to US / DMs due to high yields (USTs have rallied by 70bps post US Fed Rate cuts) and US election outcome
- High frequency indicators (GST collections, Auto Sales, Power Demand, Bank Credit Growth etc) showing slowdown in Q2 (which has continued into Q3)
- Sharp slowdown in GDP growth for Q2FY25 even below RBI's recently watered down guidance

• Greenshoots around the corner?

- Govt reiterating its expenditure program for FY25 indicating growth in govt expenditure to be back ended in H2
- Strong revival in rural incomes due to robust Agri output (good Kharif harvest and high water tables giving good visibility for Rabi season)
- Possible RBI rate cuts to alleviate liquidity constraints in the economy especially post sharply lower GDP Nos.

• Market Key Technicals

- Nifty was in an earnings upgrade cycle since October 2022 till June 2024
- However post Q1 & Q2FY25 results earnings have seen a cut of ~5% for this year as well as FY26 – Now revised earnings estimates for Nifty 50 stand in the INR 1050-1070 range for FY25 and INR 1200-1270 range for FY26
- Earnings growth for H1FY25 was just ~5% - we began the year with a 15% earnings growth estimate for FY25 and FY26. There are downside risks to these assumptions as most of the growth is assumed to be back ended in H2FY25
- Based FY25E EPS, Nifty is currently trading at a slight premium of 8-10% to its long term valuation multiples – as such downside is limited from current levels of 24,000. Worst case downside in our assessment is around 22,000 levels on Nifty from here if macro data does not materially improve at the margin in the next few months.
- Key disappointments have come from sectors such as FMCG, Autos, Materials, Metals, Oil & Gas while Healthcare, Banking, IT have delivered largely inline numbers

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