

## Macro-Economic Update and Key Events

### Event Update

#### RBI kept repo rate unchanged at 6.50%

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. The standing deposit facility (SDF) rate also remained unchanged at 6.25%. Five out of six members voted to keep the policy repo rate unchanged. The MPC also remained focused on withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth.

#### Manufacturing PMI rose to 59.1 in Mar 2024

The Manufacturing Purchasing Managers' Index rose to 16-year high to 59.1 in Mar 2024 compared to 56.9 in Feb 2024 supported by production and sales that rose at fastest rates since Oct 2020.

#### Services PMI rose to 61.2 in Mar 2024

India's Services Purchasing Managers' Index (PMI) rose to 61.2 in Mar 2024 as compared to 60.6 in Feb 2024 on the back of strong demand that spurred sales and business activity. Composite PMI also increased to 61.8 from 60.6 in the same period.

#### CPI based inflation eased to 5.09% YoY in Feb 2024

The consumer price index-based inflation eased to 5.09% YoY in Feb 2024 compared to 5.10% in Jan 2024. The retail inflation remained below the central bank's upper tolerance level for consecutive six months. However, the consumer food price inflation increased to 8.66% in Feb 2024 from 8.30% in Jan 2024.

#### IIP growth slowed to 3.8% YoY in Jan 2024

Industrial production growth in India (IIP) slowed to 3.8% YoY in Jan 2024, as compared to 4.2% rise in Dec 2023. Production in the manufacturing industry increased by 3.2%, mining by 5.9% and electricity by 5.6% in Jan 2024.

#### WPI based inflation eased to 0.20% YoY in Feb 2024

India's wholesale price index (WPI) based inflation eased to 0.20% YoY in Feb 2024 as compared to 0.27% in Jan 2024. Positive rate of inflation in Feb 2024 is primarily due to increase in prices of food articles, crude petroleum & natural gas, electricity, machinery & equipment and motor vehicles.

#### Current account deficit stood at US\$ 10.5 bn in Q3FY24

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. This improvement was primarily driven by higher service exports, with a 5.2% YoY growth in services exports, particularly in software, business, and travel services.

#### Fiscal deficit stood at 86.5% of BE till Feb of FY24

Government data showed that India's fiscal deficit for the period from Apr to Feb of FY24 stood at Rs. 15.01 lakh crore or 86.5% of Budget Estimates (BE) of the current fiscal. India's fiscal deficit stood at 82.8% of the BE in the corresponding period of the previous fiscal year. Total expenditure stood at Rs. 37.47 lakh crore or 83.4% of the BE as compared to 83.4% of the BE in the corresponding period of the previous fiscal year.

Key Indicator	Frequency	Period	Latest	Previous
CPI	Monthly	Feb-24	5.09%	5.10%
WPI	Monthly	Feb-24	0.20%	0.27%
IIP	Monthly	Jan-24	3.80%	4.20%
GDP	Quarterly	Dec-23	8.40%	8.10%
Credit Growth	Month End <sup>^</sup>	Mar-24	20.20%	20.40%
Deposit Growth	Month End <sup>^</sup>	Mar-24	13.50%	13.70%
Export Growth (YoY)	Monthly	Feb-24	11.90%	3.19%
Import Growth (YoY)	Monthly	Feb-24	12.20%	4.17%
Trade Balance (Billion)	Monthly	Feb-24	-\$18.71	-\$17.49

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. <sup>^</sup>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 31-Mar-2024.

### Institutional Flows (Equity)

Net Flow (INR Crore)	Latest Month	Previous Month	Year to Date
FII Flows	35,098	1,539	10,894
DII Flows	55,904	24,927	107,575
MF Flows	44,233	14,295	81,539

Source: CDSL, NSE & SEBI; As on 28-Mar-2024.

### Exchange Rate Movement

Exchange Rate	Mar-24	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
₹/ Dollar	83.37	82.92	83.12	83.06	82.22
₹/ Euro	90.22	89.86	92.00	87.94	89.61
₹/ Pound	105.29	105.03	106.11	101.67	101.87
₹/ 100 Yen	55.09	55.36	58.82	55.81	61.80

Source: Refinitiv

### Performance of Various Commodities

Commodities	Mar-24	Returns			
		1 Month	3 Month	6 Month	1 Year
Crude Brent (\$/Barrel)	85.52	-0.81%	6.51%	-11.71%	7.59%
Gold (\$/Oz)	2,232.38	9.26%	8.23%	20.78%	13.44%
Gold (₹./10 gm)	66,987	7.88%	6.43%	16.31%	12.47%
Silver (\$/Oz)	24.97	10.17%	5.11%	12.70%	3.74%
Silver (₹./Kg)	74,028	6.52%	1.38%	3.61%	3.70%

Source: Refinitiv, MCX

# Monthly Market Update

April 2024



## Indian Debt Market Update

### Key Policy Rates (%)

	Mar-24	3 Months Ago	6 Months Ago	Year Ago	2 Years Ago
Repo	6.50	6.50	6.50	6.50	4.00
Reverse Repo	3.35	3.35	3.35	3.35	3.35
Bank Rate	6.75	6.75	6.75	6.75	4.25
CRR	4.50	4.50	4.50	4.50	4.00
SLR	18.00	18.00	18.00	18.00	18.00
SDF	6.25	6.25	6.25	6.25	NA

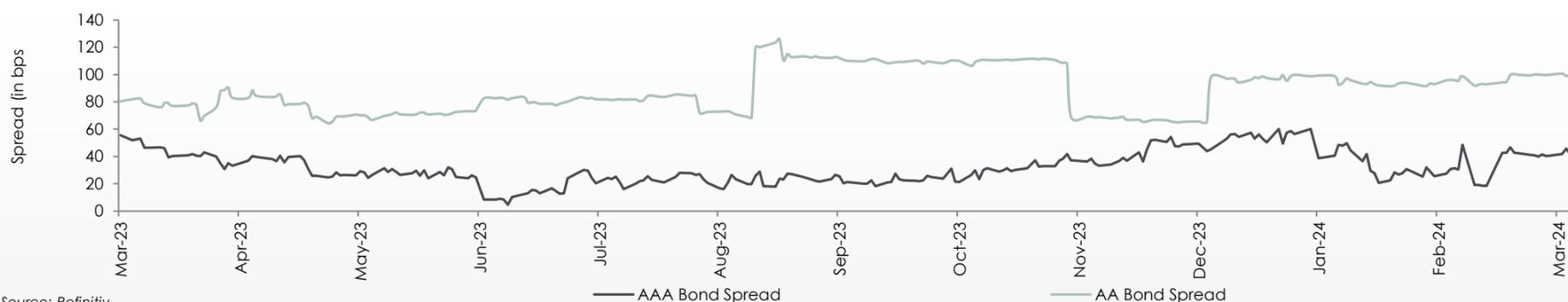
Source: RBI

### Money Market Rates (%)

	Mar-24	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
TREP (Overnight Rate)	6.99	6.68	6.77	6.80	6.92
91 Days T-Bills	6.90	6.86	7.00	6.80	6.88
3 Month CD	7.77	7.72	7.33	7.01	7.24
3 Month CP	7.70	7.76	7.45	7.04	7.25
6 Month CP	7.77	7.90	7.72	7.29	7.45
364 Days T-Bills	7.00	7.11	7.10	6.78	7.27

Source: Refinitiv

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



Source: Refinitiv

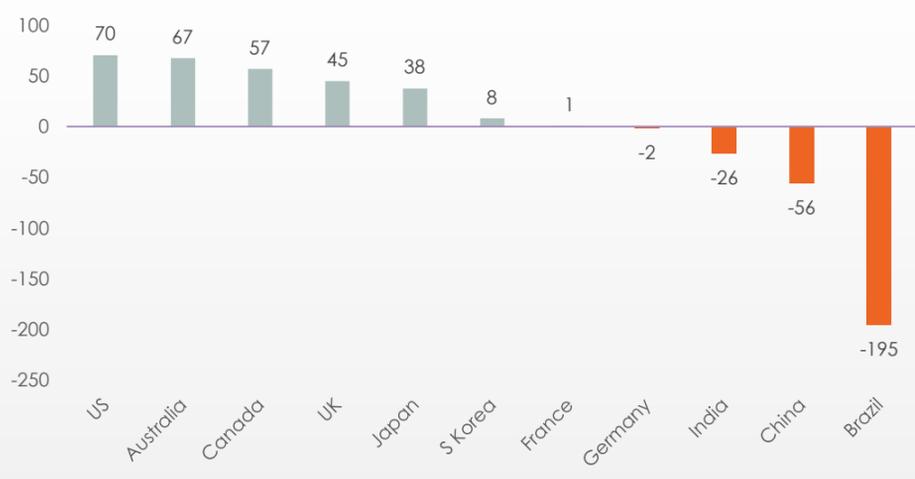
Bond yields fell following the U.S. Federal Reserve's decision to keep the interest rate unchanged with an outlook for three rate cuts this year. Yields further fell on the government's first-half planned borrowing from the market being much less than anticipated.

Yield on corporate bonds increased up to 11 bps across the curve, barring 2 to 4 year papers that fell by 2 or 4 bps. Yield rose the most on 15 year paper and the least on 5 year paper.

## Global Debt Market Update

### U.S. saw the highest rise in yields while Brazil witnessed the highest fall

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



### Yield of 10 Year Government Bonds (%)

	Feb-2024	Mar-2024	Inflation: Mar-2024	Real Yields: Mar-24
Brazil	10.8	11.0	4.5	6.5
<b>India</b>	<b>7.1</b>	<b>7.1</b>	<b>5.1</b>	<b>2.0</b>
China	2.4	2.3	0.7	1.6
US	4.3	4.2	3.2	1.0
Canada	3.5	3.5	2.8	0.7
UK	4.1	3.9	3.4	0.5
S Korea	3.5	3.4	3.1	0.3
Australia	4.2	4.0	4.1	-0.1
France	2.9	2.8	3	-0.2
Germany	2.4	2.3	2.5	-0.2
Japan	0.7	0.7	2.6	-1.9

Source: Refinitiv

### Asset Class Monthly Performance

Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Domestic Equity 4.06%	Global Equity 5.8%	Global Equity 6.59%	Crude Oil 14.41%	Crude Oil 2.97%	Crude Oil 10.12%	Gold 7.27%	Global Equity 10.7%	Domestic Equity 7.94%	Crude Oil 6.58%	Global Equity 6.12%	Silver 10.17%
Silver 4%	Domestic Equity 2.6%	Domestic Equity 3.53%	Silver 8.87%	Bond Index 0.56%	Domestic Equity 2%	Silver 3.34%	Silver 10.26%	Global Equity 5.52%	Global Equity 1.02%	Domestic Equity 1.18%	Gold 9.26%
Crude Oil 3.96%	Bond Index 0.77%	Crude Oil 2.71%	Global Equity 4.05%	Gold -1.24%	Bond Index 0.47%	Bond Index 0.36%	Domestic Equity 5.52%	Gold 1.32%	Bond Index 0.64%	Crude Oil 0.76%	Global Equity 1.79%
Bond Index 1.11%	Gold -1.37%	Bond Index 0.38%	Domestic Equity 2.94%	Silver -1.35%	Gold -4.71%	Global Equity -2.78%	Gold 2.68%	Bond Index 0.71%	Domestic Equity -0.03%	Bond Index 0.66%	Domestic Equity 1.57%
Gold 1.11%	Silver -6.23%	Gold -2.18%	Gold 2.32%	Global Equity -2.17%	Global Equity -5.81%	Domestic Equity -2.84%	Bond Index 0.59%	Crude Oil -5.75%	Gold -1.23%	Gold 0.3%	Bond Index 0.61%
Global Equity 0.04%	Crude Oil -12.04%	Silver -3.09%	Bond Index 0.6%	Domestic Equity -2.53%	Silver -9.31%	Crude Oil -4.61%	Crude Oil -7.79%	Silver -5.9%	Silver -3.55%	Silver -1.08%	Crude Oil -0.81%

In March 2024, silver rose the most followed by gold while crude oil fell among the asset classes. Gold prices rose on anticipation of interest rate cuts by the U.S. Federal Reserve in Jun 2023. Further, prices rose as demand for safe havens rose due to geopolitical tension.

Source: NSE, Refinitiv; Data as on 28-Mar-2024; Bond Index data as on 31-Mar-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.

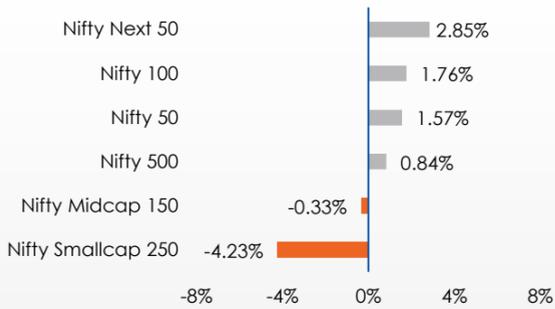
# Monthly Market Update

April 2024

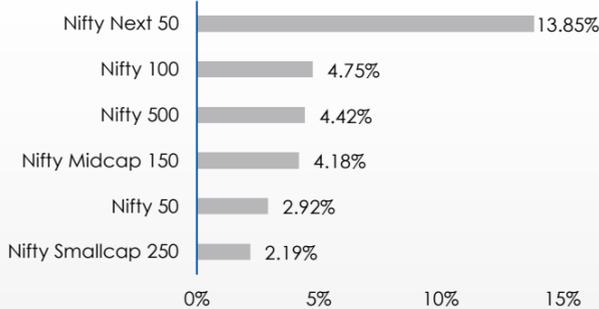


## Indian Equity Market Update

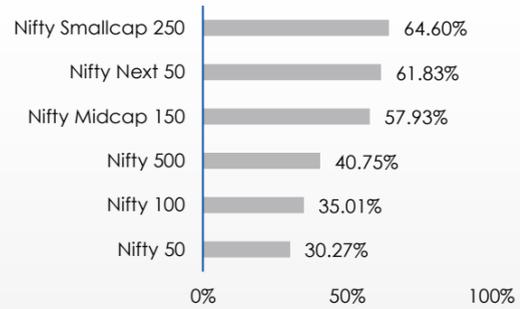
### 1 Month



### CYTD



### 1 Year



Domestic equity markets rose during the month under review as market participants remained optimistic regarding the growth prospects of the domestic economy after the Indian economy witnessed a faster-than-anticipated growth rate in the quarter ended Dec 2023. Sentiments were further boosted after the U.S. Federal Reserve kept interest rates unchanged for a fifth consecutive meeting in Mar 2024 and maintained its forecast for three rate cuts in 2024.

Source: NSE; Returns are on the basis of TRI index as on Mar 28, 2024; CYTD- Calendar Year to Date as on Mar 28, 2024

## Sector Monthly Performance

Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Nifty Realty 14.90%	Nifty Auto 7.66%	Nifty Realty 8.65%	Nifty Media 18.22%	Nifty Media 11.34%	Nifty Energy 6.22%	Nifty Realty 4.75%	Nifty Realty 18.36%	Nifty Energy 14.25%	Nifty Energy 9.80%	Nifty Realty 6.36%	Nifty Auto 4.95%
Nifty Auto 7.72%	Nifty Realty 7.57%	Nifty Pharma 8.61%	Nifty Pharma 9.32%	Nifty IT 4.14%	Nifty Infra 4.98%	Nifty FMCG -0.66%	Nifty Pharma 10.62%	Nifty Metal 13.72%	Nifty Realty 9.34%	Nifty Energy 6.22%	Nifty Metal 4.23%
Nifty Bank 6.46%	Nifty FMCG 6.85%	Nifty Auto 6.69%	Nifty Realty 9.25%	Nifty Pharma 0.80%	Nifty Auto 3.28%	Nifty Auto -1.65%	Nifty Auto 10.28%	Nifty Infra 10.90%	Nifty Infra 7.62%	Nifty Auto 6.20%	Nifty Infra 3.10%
Nifty Financial Services 6.11%	Nifty IT 5.83%	Nifty Metal 5.42%	Nifty Metal 8.94%	Nifty Auto 0.02%	Nifty Realty 3.16%	Nifty Energy -1.96%	Nifty Energy 9.77%	Nifty Realty 9.73%	Nifty Pharma 6.58%	Nifty Pharma 6.16%	Nifty Financial Services 2.88%
Nifty Metal 5.50%	Nifty Bank 2.58%	Nifty Infra 5.13%	Nifty Energy 8.73%	Nifty Metal -1.35%	Nifty Metal 2.77%	Nifty Infra -2.36%	Nifty Metal 8.78%	Nifty IT 9.00%	Nifty IT 3.46%	Nifty Infra 3.07%	Nifty Bank 2.18%
Nifty Infra 5.21%	Nifty Media 2.39%	Nifty Energy 3.49%	Nifty Infra 6.66%	Nifty Realty -1.47%	Nifty Pharma 2.17%	Nifty Media -3.05%	Nifty Infra 8.20%	Nifty Bank 8.57%	Nifty Auto 3.27%	Nifty IT 2.97%	Nifty Energy 0.47%
Nifty Pharma 4.97%	Nifty Financial Services 2.13%	Nifty Financial Services 3.20%	Nifty Auto 4.14%	Nifty Infra -2.32%	Nifty IT 1.99%	Nifty Financial Services -3.06%	Nifty IT 6.66%	Nifty FMCG 7.50%	Nifty Metal -0.06%	Nifty Bank 0.27%	Nifty Pharma -0.03%
Nifty FMCG 4.31%	Nifty Infra 1.93%	Nifty FMCG 2.44%	Nifty Bank 2.03%	Nifty FMCG -2.92%	Nifty Bank 1.35%	Nifty IT -3.26%	Nifty Media 4.54%	Nifty Financial Services 7.14%	Nifty FMCG -3.36%	Nifty Financial Services -0.41%	Nifty FMCG -0.09%
Nifty Energy 4.03%	Nifty Metal 1.56%	Nifty Bank 1.50%	Nifty IT 1.47%	Nifty Bank -3.42%	Nifty Financial Services 1.09%	Nifty Bank -3.90%	Nifty Financial Services 4.48%	Nifty Auto 6.08%	Nifty Financial Services -4.61%	Nifty Metal -0.58%	Nifty Realty -1.08%
Nifty Media 0.87%	Nifty Energy 0.59%	Nifty IT 1.35%	Nifty Financial Services 1.43%	Nifty Financial Services -3.47%	Nifty FMCG 1.00%	Nifty Pharma -4.79%	Nifty Bank 3.82%	Nifty Media 3.99%	Nifty Bank -4.75%	Nifty FMCG -1.42%	Nifty IT -7.48%
Nifty IT -3.30%	Nifty Pharma 0.52%	Nifty Media -0.69%	Nifty FMCG 0.86%	Nifty Energy -3.71%	Nifty Media -1.09%	Nifty Metal -5.65%	Nifty FMCG 3.75%	Nifty Pharma 3.65%	Nifty Media -9.93%	Nifty Media -4.58%	Nifty Media -12.40%

In March 2024, a mixed trend was witnessed across the sectors, among them auto sector showed the highest rise followed by metal and infra, while media followed by IT and Realty showed the steepest fall. Auto sector rose following the SIAM data of Feb 2024 that showed robust growth in sales in different segments.

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

## Global Equity Market Update

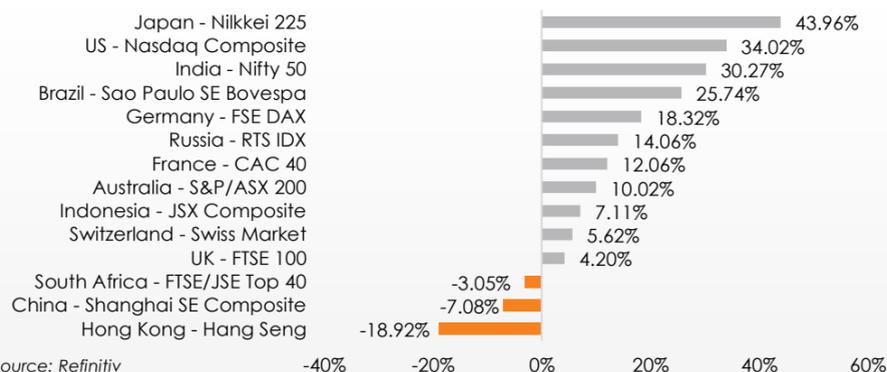
### 1 Month Performance



Source: Refinitiv

Global markets rose in March 2024 barring Brazil and Indonesia, with Germany followed by U.K. and France showed the highest rise.

### 1 Year Performance



Source: Refinitiv

In the last one year, most of the global markets rose with Japan gaining the most while U.K. rising the least.

## News Summary & Market Outlook

### News Summary

#### 1. Domestic

- According to media reports, Index providers (IPs) like BSE, MSCI, and NSE will now be governed by SEBI. The market regulator issued the SEBI (Index Providers) Regulations, 2024 in order to provide IPs in the securities market a regulatory framework and increase their transparency and accountability in the governance and administration of indices.
- According to Association of Mutual Funds of India, asset management companies have been instructed by markets regulator SEBI to cease accepting new subscriptions in overseas exchange traded funds as of Apr 1, 2024, given that the \$1 billion investment cap is about to be exceeded.
- The RBI relaxed the norms on investments in Alternative Investment Funds (AIFs) for banks and non-banking financial companies. According to the circular, the RBI said that its regulated entities will now be required to make provisioning only to the extent of the amount invested by the AIF scheme in the debtor company and not the entire investment.
- Central government decided to exempt the gold imported by the Reserve Bank of India from import duty and Agriculture Infrastructure Development Cess (AIDC). An import duty of 15%, which includes 5% of AIDC, is typically applied to gold imports.
- India and the European Free Trade Association countries which includes Switzerland, Iceland, Norway, and Liechtenstein, signed a free-trade agreement, which may be instrumental in India receiving \$100 billion as foreign direct investment in 15 years with 1 million jobs.
- According to media reports, SEBI has instructed fund houses through AMFI to ask for confirmation from the unitholders in instances where joint mutual fund folios have the name of mutual fund distributors (MFD) listed as the second or third holder. This is in response to reports that SEBI discovered a few cases in which MFDs entered their names as the second and third holder in joint mutual fund folios without the investors' knowledge or consent.

#### 2. International

- According to Eurostat, eurozone's harmonized index of consumer prices registered an increase of 2.4% annually, slower than the 2.6% rise in Feb 2024. Prices were forecast to climb 2.5%.
- According to the Institute for Supply Management, U.S. manufacturing PMI jumped to 50.3 in Mar 2024 from 47.8 in Feb 2024, with a reading above 50 indicating growth in the sector. Economists had expected the index to inch up to 48.4.
- According to a survey, China's manufacturing Purchasing Managers' Index rose to 51.1 in Mar 2024 from 50.9 in Feb 2024. A score above 50.0 indicates expansion.
- According to the Commerce Department, U.S. personal consumption expenditures rose by 0.3% in Feb 2024 after climbing by an upwardly revised 0.4% in Jan 2024.
- According to data from the National Bureau of Statistics, China's industrial profits grew 10.2% in Jan to Feb 2024 period from the previous year. This has reversed a 2.3% fall seen in 2023.
- The Federal Reserve announced its widely expected decision to leave interest rates unchanged, although the central bank's forecasts suggest rate cuts are still likely later this year. In support of its dual goals of maximum employment and inflation at a rate of 2% over the longer run, the Fed said it once again decided to maintain the target range for the federal funds rate at 5.25 to 5.50%.

### Market Outlook

Indian Indices have staged a recovery post an intra month low and closed near their life highs end FY24.

Market breadth, as reflected by number of stocks that trade above their key moving averages, have also staged a recovery. The % of stocks trading above their 200 Daily Moving Averages in the Nifty 500 have bounced back to 79% as of 10th April 2024 from a low of 62% hit on 13th March 2024. Typical durable market bottoms have been found to be made when this ratio hits the 10-20% band (last seen in June 2022, March 2020 and October 2018)

The worst performing pockets in the markets in March 2024 were Small Caps, PSUs, IT and Media in particular while Pharma and FMCG held up.

The next 75 days are event heavy for the Indian equity markets 1) Election outcome in early June 2024, 2) Earnings season between April-May 2024, 3) RBI policy meet in June 2024 and 4) Inclusion of Indian Government Bonds in JP Morgan's Global Bond Index starting June 2024.

SEBI's regulatory overtures on the Small Cap category in February 2024 has had a considerable impact on net inflows into the Small Cap Mutual Funds segment with the segment witnessing net outflows in March 2024 for the first time in over 2 years. We continue to be cautious on this segment and advocate adopting a selective approach towards investing in the small caps space.

The India Vix index, a measure of the underlying volatility in the equity markets, has fallen to the 11-11.5 band. Incidentally the Vix was trading between 15-16.5 in the months of January-February 2024. A lower print on the vix clearly suggests higher risk taking appetite amongst market participants, which is unusually ahead of a major event (Central Government election outcome)

The sharp depreciation in carry trade currency pair such as the USDJPY is a cause for worry and one will need to keep a close eye on repercussions of this currency pair crossing critical thresholds across global risk assets

While the USDINR currency pair has remained flat over the past 18 months, there are early signs of a major move setting up in the later half of this year.

We continue to be constructive on the precious metals space and advocate allocations to both Gold and Silver, with a bias towards Silver. Gold (INR terms) has outperformed Nifty 50 in CY24. Silver will very likely be running a demand supply deficit globally for the 4th year in a row, with the metal finding increasing use in various industrial and energy transition applications.

With US Fed maintaining its "Data Dependent" policy stance, the latest negative surprise in US CPI numbers have resulted in dampening of rate cut expectations in CY24 with the average expectation now falling to as low as two rate cuts towards the end of this year.

As a house we are bullish on 3 secular investment themes, which we believe will be relevant for the coming 10 years: 1) Energy Transition (playing the Electric Vehicle, Green Hydrogen, Ethanol, Renewable Energy etc) 2) Circular Economy (playing the recycling industry and businesses that are net positive on the environment) 3) High tech manufacturing (EMS, Semi Conductors, Defence, Aero Space). While we are constructive on this space we currently do not find adequate valuation comfort at current market levels. We would look to build exposure to Companies operating in these segments as and when stocks meet our valuation framework.

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