

Macro-Economic Update and Key Events

Event Update

MPC kept key policy repo rate unchanged at 6.50%

The Monetary Policy Committee (MPC) in its sixth bi-monthly monetary policy review of FY24 kept key policy repo rate unchanged at 6.50% with immediate effect for the sixth consecutive time. The economy is still being affected by the policy repo rate increases over time. The MPC will keep a close eye out for any indications that the pressures on food prices are spreading to non-food prices, as this could unduly undermine the progress made in reducing core inflation. According to the MPC, the momentum in investment demand, upbeat business sentiments, and rising consumer confidence are expected to support the steady growth in domestic economic activity. Regarding inflation, the pace of disinflation, which is driven by the moderation of core inflation, is being disrupted by significant and recurring shocks to food prices.

Manufacturing PMI climbed to 56.5 in Jan 2024

The Manufacturing Purchasing Managers' Index (PMI) climbed to four-month high to 56.5 in Jan 2024 compared to 54.9 in Dec 2023 as the health of manufacturing sector improved substantially on the back of fast growth in new orders and production.

Services PMI rose to 6-month high to 61.8 in Jan 2024

India's Services Purchasing Managers' Index (PMI) rose to 6-month high to 61.8 in Jan 2024 as compared to 59.0 in Dec 2023 due to an increase in new business activity. Composite PMI also rose to 61.2 from 58.5 in the same period.

CPI based inflation went up by 5.69% in Dec 2023 YoY

The consumer price index-based inflation went up by 5.69% in Dec 2023 YoY compared to 5.55% in Nov 2023, due to an acceleration in the prices of vegetables, pulses and spices. However, the retail inflation remained below the central bank's upper tolerance level for consecutive four months. The consumer food price index climbed by 9.53% in Dec 2023 from 8.70% in Nov 2023.

IIP growth eased to 2.4% YoY in Nov 2023

Industrial production growth in India (IIP) eased to 2.4% YoY in Nov 2023, as compared to 11.6% rise in Oct 2023. Production in the manufacturing industry increased by 1.2%, mining by 6.8% and in electricity by 5.8% in Nov 2023.

WPI based inflation rose to 0.73% YoY in Dec 2023

India's wholesale price index (WPI) based inflation rose to 0.73% in Dec 2023 as compared to 0.26% in Nov 2023, mainly due to an increase in prices of food articles, machinery and equipment, other manufacturing, other transport equipment, and computer, electronics, and optical products. This is the second consecutive month that the wholesale inflation rate has remained in positive territory after it had recorded deflation for seven consecutive months until Oct 2023.

Merchandise trade deficit narrowed in Dec 2023

India's merchandise trade deficit narrowed to \$19.80 billion in Dec 2023 from \$23.14 billion in Dec 2022. Exports increased by 1% to \$38.45 billion in Dec 2023 from \$38.08 billion of the same month of previous year and imports fell by 4.9% to \$58.25 billion from \$61.22 billion during the same period.

GST revenue reached Rs. 1,72,129 crore in Jan 2024

Goods and Services Tax (GST) revenue reached Rs. 1,72,129 crore in Jan 2024, indicating a remarkable 10.4% YoY growth. Over the course of a 10-month period of FY24, GST collections increased by 11.6% YoY to Rs. 16.69 lakh crore.

Key Indicator	Frequency	Period	Latest	Previous
CPI	Monthly	Dec-23	5.69%	5.55%
WPI	Monthly	Dec-23	0.73%	0.26%
IIP	Monthly	Nov-23	2.40%	11.60%
GDP	Quarterly	Sep-23	7.60%	7.80%
Credit Growth	Month End [^]	Jan-24	20.30%	19.90%
Deposit Growth	Month End [^]	Jan-24	13.10%	13.20%
Export Growth (YoY)	Monthly	Dec-23	1.00%	-2.84%
Import Growth (YoY)	Monthly	Dec-23	-4.85%	-4.34%
Trade Balance (Billion)	Monthly	Dec-23	-\$19.80	-\$20.58

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 31-Jan-2024.

Institutional Flows (Equity)

Net Flow (INR Crore)	Latest Month	Previous Month	Year to Date
FII Flows	-25,744	66,135	-25,744
DII Flows	27,463	12,942	27,463
MF Flows	23,011	23,628	23,011

Source: CDSL & SEBI; As on 31-Jan-2024

Exchange Rate Movement

Exchange Rate	Jan-24	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
₹/ Dollar	83.08	83.12	83.27	82.25	81.74
₹/ Euro	89.88	92.00	88.32	90.58	88.60
₹/ Pound	105.31	106.11	101.16	105.76	100.90
₹/ 100 Yen	56.20	58.82	55.42	58.06	62.77

Source: Refinitiv

Performance of Various Commodities

Commodities	Jan-24	Returns			
		1 Month	3 Month	6 Month	1 Year
Crude Brent (\$/Barrel)	85.57	6.58%	-7.38%	0.18%	0.79%
Gold (\$/Oz)	2,037.19	-1.23%	2.75%	3.72%	5.96%
Gold (₹./10 gm)	62,591	-0.55%	0.24%	5.58%	9.91%
Silver (\$/Oz)	22.92	-3.55%	0.07%	-7.49%	-2.86%
Silver (₹./Kg)	71,487	-2.10%	-0.69%	-2.74%	4.78%

Source: Refinitiv, MCX

Monthly Market Update

February 2024



Indian Debt Market Update

Key Policy Rates (%)

	Jan-24	3 Months Ago	6 Months Ago	Year Ago	2 Years Ago
Repo	6.50	6.50	6.50	6.25	4.00
Reverse Repo	3.35	3.35	3.35	3.35	3.35
Bank Rate	6.75	6.75	6.75	6.50	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	6.00	NA

Source: RBI

Money Market Rates (%)

	Jan-24	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
TREP (Overnight Rate)	6.70	6.77	6.76	6.37	6.42
91 Days T-Bills	7.02	7.00	6.89	6.71	6.47
3 Month CD	7.82	7.33	7.36	7.04	7.14
3 Month CP	7.90	7.45	7.33	7.02	7.30
6 Month CP	7.90	7.72	7.56	7.30	7.70
364 Days T-Bills	7.13	7.08	7.15	6.88	6.89

Source: Refinitiv

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



Source: Refinitiv

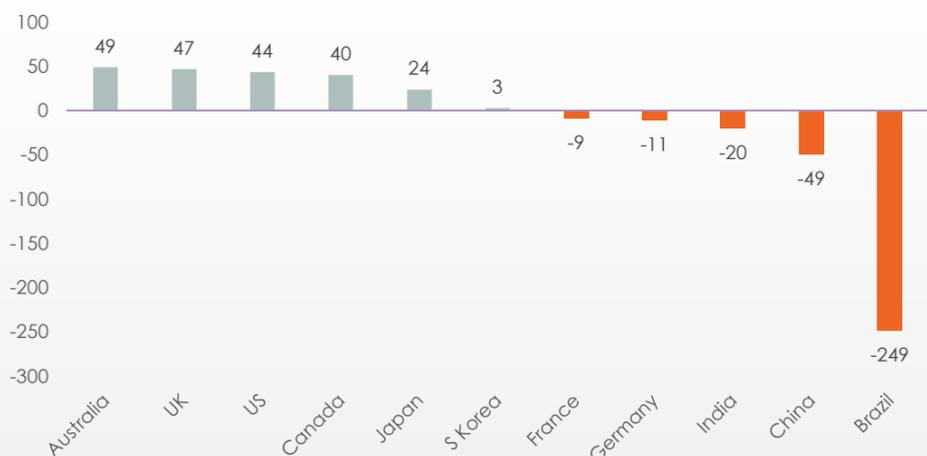
Bond yields fell during the month in response to a proposal to include eligible domestic bonds to the Bloomberg Emerging Market Local Currency index. Gains were extended as broader market sentiment stayed positive for the nation's federal budget.

Yield on corporate bonds increased in the range of 3 to 18 bps across the curve, barring 2 & 15 year papers that fell by 4 & 22 bps respectively, while 10 year paper was unchanged. Yield rose the most on 6 & 7 year papers and the least on 3 year paper.

Global Debt Market Update

Australia saw the highest rise in yields while Brazil witnessed the steepest fall

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



Yield of 10 Year Government Bonds (%)

	Dec-23	Jan-24	Inflation: Jan-2024	Real Yields: Jan-24
Brazil	10.4	10.6	4.6	6.0
China	2.6	2.4	-0.3	2.7
India	7.2	7.1	5.7	1.5
US	3.9	4.0	3.4	0.6
S Korea	3.2	3.3	2.8	0.5
Australia	4.0	4.0	4.1	-0.1
Canada	3.1	3.3	3.4	-0.1
UK	3.5	3.8	4.0	-0.2
Japan	0.6	0.7	1.6	-0.9
France	2.6	2.7	3.7	-1.0
Germany	2.0	2.2	3.7	-1.5

Source: Refinitiv

Asset Class Monthly Performance

Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Bond Index 0.36%	Silver 15.11%	Domestic Equity 4.10%	Global Equity 5.80%	Global Equity 6.59%	Crude Oil 14.41%	Crude Oil 2.97%	Crude Oil 10.12%	Gold 7.27%	Global Equity 10.70%	Domestic Equity 7.94%	Crude Oil 6.58%
Crude Oil 0.26%	Gold 7.70%	Silver 4.00%	Domestic Equity 2.87%	Domestic Equity 3.70%	Silver 8.87%	Bond Index 0.56%	Domestic Equity 2.00%	Silver 3.34%	Silver 10.26%	Global Equity 5.52%	Global Equity 1.02%
Global Equity -1.11%	Global Equity 6.69%	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 5.60%	Gold 1.32%	Bond Index 0.64%
Domestic Equity -1.95%	Bond Index 0.76%	Bond Index 1.11%	Gold -1.37%	Bond Index 0.38%	Domestic Equity 3.03%	Silver -1.35%	Gold -4.71%	Domestic Equity -2.74%	Gold 2.68%	Bond Index 0.71%	Domestic Equity 0.02%
Gold -5.22%	Domestic Equity 0.32%	Gold 1.11%	Silver -6.23%	Gold -2.18%	Gold 2.32%	Global Equity -2.17%	Global Equity -5.81%	Global Equity -2.78%	Bond Index 0.59%	Crude Oil -5.75%	Gold -1.23%
Silver -11.76%	Crude Oil -4.87%	Global Equity 0.04%	Crude Oil -12.04%	Silver -3.09%	Bond Index 0.60%	Domestic Equity -2.31%	Silver -9.31%	Crude Oil -4.61%	Crude Oil -7.79%	Silver -5.90%	Silver -3.55%

In January 2024, crude oil rose the most followed by global equity while silver fell the most among the asset classes. Brent crude oil prices rose amid concerns of an escalating conflict in the Middle East after another Israeli strike in Rafah.

Source: NSE, Refinitiv; Data as on Jan 31, 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.

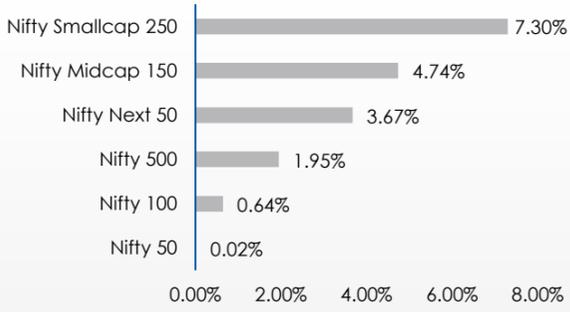
Monthly Market Update

February 2024

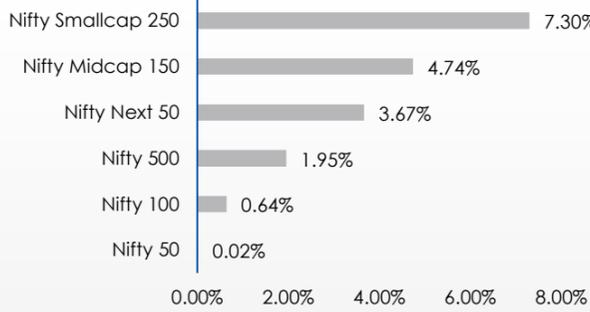


Indian Equity Market Update

1 Month



CYTD



1 Year



Domestic equity markets witnessed considerable volatility during the month under review. Markets started the new year on a subdued note as the ongoing geopolitical tensions in the Middle East and Red Sea weighed on the market sentiment. Mixed corporate earning numbers for the quarter ended Dec 2023 also contributed to the market downside. However, market participants also remained optimistic ahead of the presentation of the Interim Budget for FY25.

Source: NSE; Returns are on the basis of TRI index as on Jan 31, 2024; CYTD- Calendar Year to Date as on Jan 31, 2024

Sector Monthly Performance

Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Nifty FMCG 1.65%	Nifty Energy 5.22%	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 IT -0.24%	Nifty Metal 4.38%	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 Financial Services -0.58%	Nifty Pharma 2.30%	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 Infra -0.86%	Nifty FMCG 2.17%	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 Bank -0.95%	Nifty Infra 1.48%	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 Auto -4.39%	Nifty Bank 0.84%	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 Realty -4.45%	Nifty Financial Services 0.39%	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 Pharma -4.68%	Nifty Media -0.22%	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 Energy -8.57%	Nifty Realty -1.49%	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 Media -10.13%	Nifty IT -3.25%	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 Metal -18.54%	Nifty Auto -3.83%	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%

In January 2024, a mixed trend was witnessed across the sectors, among them Energy sector showed the highest rise followed by Realty and Infra, while Media followed by Bank & Financial Services showed the steepest fall.

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

Global Equity Market Update

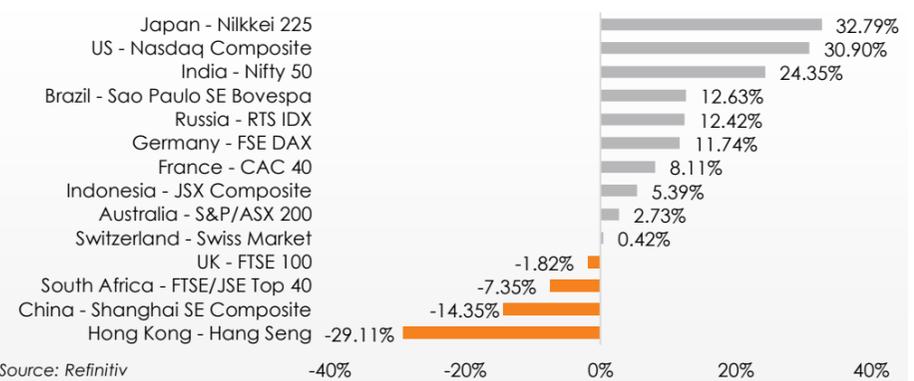
1 Month Performance



Source: Refinitiv

Global markets remained mixed in January 2024. Japan followed by Russia showed the highest rise while Hong Kong followed by China witnessed the steepest fall.

1 Year Performance



Source: Refinitiv

In the last one year, Global markets rose barring Hong Kong, China, South Africa & U.K., where, Japan, U.S. and India were the top performers.

News Summary & Market Outlook

News Summary

1. Domestic

- The RBI has modified the guidelines for the issuance of commercial papers and non-convertible debentures with a maximum one-year maturity to control short-term investments and maintain market transparency. According to the guidelines, issuers must specify the precise end use of the funds raised through these instruments, with the exception of financing current assets and operating expenses.
- India has placed anti-dumping duties on three Chinese products namely industrial laser machinery, gypsum tiles, and wheel loader for a period of five years to protect domestic manufacturers from low-cost imports from the neighbouring nation.
- Central Board of Direct Taxes, released a new report revealing that the country's net direct tax collections have increased by 160 per cent from ₹6,38,596 crore in 2013-14 to ₹16,63,686 crore in 2022-23. Official data further revealed that the income tax department is not allocating increased resources to the collection of direct taxes, despite a substantial rise in the number of taxpayers, suggesting a growing reliance on advanced technology and enhanced compliance measures.
- The direct tax to GDP ratio witnessed an ascent from 5.62 percent in 2013-14 to 6.11 percent in 2022-23, while the cost of tax collection has diminished, decreasing from 0.57 percent of the total collection in 2013-14 to 0.51 percent in 2022-23. Notably, the total number of Income Tax Returns (ITRs) filed in FY 2022-23 stands at 7.78 crore, indicating a substantial increase of 105% compared to the total number of ITRs filed in FY 2013-14, which was 3.80 crore.
- SEBI has directed Association of Mutual Funds in India (AMFI) to refrain asset management companies from offering any reward to their mutual fund distributors for achieving business or sales target. AMFI has asked fund houses not to misuse their training money to incentivize distributors with rewards and trips.

2. International

- The U.S. Federal Reserve on 31st Jan, 2024 announced that it has once again decided to leave interest rates unchanged. The Fed said it has decided to maintain the target range for the federal funds rate at 5.25 to 5.50% in support of its dual goals of maximum employment and inflation at the rate of 2% over the longer run. The central bank also described economic growth as solid while noting job gains have moderated since early last year but remain strong.
- According to Destatis, Germany's gross domestic product dropped 0.3% in the fourth quarter of 2023 after stagnating in the previous two quarters. The rate came in line with expectations.
- According to a survey, Japan's manufacturing sector in Japan continued to contract 48.0 in Jan 2024. That's barely up from 47.9 in Dec 2023, and it remains beneath the boom-or-bust line of 50 that separates expansion from contraction.
- The Bank of Japan persisted in maintaining its yield curve control and negative interest rate, going against the global trend of tightening policy to combat inflationary pressures. The BoJ policy board unanimously decided to maintain a negative interest rate of 0.1% on current accounts that financial institutions maintain at the central bank.
- China left its benchmark lending rates unchanged after the central bank maintained its medium-term lending facility rate last week. The People's Bank of China maintained its one-year loan prime rate, or LPR, at 3.45%. Likewise, the five-year LPR, the benchmark for mortgage rates, was left unchanged at 4.20%.

Market Outlook

The current government delivered the interim budget on 1st Feb'24.

- Interim budget is a vote-on-account (VoA) where the budget is passed without a Parliament discussion given the general elections are scheduled in May'24.
- The final budget would depend on the composition of the newly formed government.
- VoA is seen just as a measure to ensure governments get to smoothly spend their budgeted monies.
- We perceive that the direction of the budget is unlikely to change (though final budget numbers are expected to be refreshed in July), but, based on the mandate the government gets from its people, there could be a re-prioritisation of budgeted spends.

Interim budget reiterates its policy priorities

- The budget had a 4 pronged focus: Poor, Women, Youth and Farmers
- Interim budget managed to deliver multiple positives, without the need for any populist measures.
- No changes to direct or indirect taxes was announced. Maybe indicative of policy continuity.
- Continued fiscal consolidation has laid the roadmap for increased credibility and transparency for the Government.
- India's policy priorities remain clearer to the markets than before. For example: Rural, farm, welfare and capex have retained their focus, alongside infrastructure and green energy
- Lower borrowings have sent a positive message to bond markets, reducing some pressure on yields.

Significant fiscal consolidation budgeted for FY25

- Interim budget incorporated a sharp drop in the fiscal deficit for FY25 to 5.1%, well below the most optimistic estimate of 5.3% on the street
- This aggressive consolidation comes from a sharp cutback in revenue spending, even as Capex sees a moderate increase
- Total expenditure is set to drop 60bps, on the back of a 20 bps cut in subsidies and the remaining from cuts in agriculture, rural etc.
- Capex has moved up 20bps, with a shift in incremental spends away from Defense, Railways and Roadways
- 'Viksit Bharat' (current Government's vision of a prosperous Bharat in harmony with nature, modern infrastructure and opportunities for all citizens) is likely to enjoy a large share of this additional capex.

Bond markets were ecstatic!

- Lower than expected fiscal deficits for both FY24 and FY25 have delivered a positive surprise to the bond markets
- Gross market borrowing saw an 8% drop to Rs.14.1 Trn. and flat net market borrowing of Rs.11.8 Trn.
- 10-year yields post budget witnessed a sharp drop of 10 bps to 7.04%, closing marginally higher at 7.06%

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