



TATA CAPITAL WEALTH

Market Outlook - April 2023



Macro Indicators



	Current		Month Ago	Quarter Ago	Half Year Ago	Year Ago
Economic Indicators:						
PMI Manufacturing	56.4 (Mar-23)	↑	55.3 (Feb-23)	57.8 (Dec-22)	55.1 (Sep-22)	54.0 (Mar-22)
PMI Services	57.8 (Mar-23)	↓	59.4 (Feb-23)	58.5 (Dec-22)	54.3 (Sep-22)	53.6 (Mar-22)
Consumer Price Index (CPI)	6.4% (Feb-23)	↓	6.5% (Jan-23)	5.9% (Nov-22)	7.0% (Aug-22)	6.1% (Feb-22)
Wholesale Price Index (WPI)	3.9% (Feb-23)	↓	4.7% (Jan-23)	6.1% (Nov-22)	12.5% (Aug-22)	13.4% (Feb-22)
Industrial Production (IIP)	5.2% (Jan-23)	↑	4.7% (Dec-23)	4.1% (Oct-22)	2.2% (Jul-22)	1.2% (Feb-22)
GDP	4.4% (Dec-22)	↓	NA	6.3% (Sep-22)	7.8% (Jun-22)	11.2% (Dec-21)
Trade Deficit (\$ bn)	17.4 (Feb-23)	↓	17.7 (Jan-23)	23.9 (Nov-22)	27.0 (Aug-22)	18.7 (Feb-22)
Commodity Market:						
Brent Crude (\$/barrel)	78.0 (31-Mar-23)	↓	84.0 (28-Feb-23)	85.9 (30-Dec-22)	88.0 (30-Sep-22)	107.9 (31-Mar-22)
Gold (\$/oz)	1,969.0 (31-Mar-23)	↑	1,836.7 (28-Feb-23)	1,826.2 (30-Dec-22)	1,672.0 (30-Sep-22)	1,954.0 (31-Mar-22)
Silver (\$/oz)	24.2 (31-Mar-23)	↑	21.0 (28-Feb-23)	24.0 (30-Dec-22)	19.0 (30-Sep-22)	25.1 (31-Mar-22)
Currency Market:						
USD/INR	82.2 (31-Mar-23)	↓	82.6 (28-Feb-23)	82.7 (30-Dec-22)	81.5 (30-Sep-22)	75.9 (31-Mar-22)

Source: Currency & Commodity – Investing.com, Economic Indicators – DBIE, RBI & News Articles

↑ signifies positive movement over Q-o-Q ↓ signifies negative movement over Q-o-Q

Equity Market - Review



Equity Market Roundup - Key Takeaways



Performance: For the month of Mar'23, Large caps outperformed Mid & Small caps. Mid-cap and small-cap indices were down -0.5% and -1.5%, respectively.

Domestic factors that played out for the Indian markets:

- Domestic equity markets fell as persisting concerns over rate hikes, high inflation, geopolitical tensions, signs of a slowdown in global growth & the US banking crisis dampened market sentiments.
- There was a slight momentum in FII buying although negative cues from weak global equity markets, strengthening dollar index and a weaker rupee against US dollar also acted as headwinds for the markets.

Outlook:

- Key risk for equity markets currently is the situation in US. **Fed actions will be critical going forward** as they need to balance both inflation and the current volatile banking sector conditions post the Silicon Valley Bank crisis.
- **Challenging global macros, on-going banking crisis in USA and Europe with central banks hiking interest rates** have led to FII selling in India, and FII flows can remain weak/volatile in the near term as well.
- The anticipated global slowdown and interest costs **may lead to higher than usual volatility** especially in the short run.
- Therefore, **investors are suggested not to time the reversal in any of the recent unfavourable dynamics and focus on the medium to long term potential of the equity markets.** The important drivers for equity market are - **global economic trends, oil prices, earning growth of corporates, global liquidity conditions and central banks actions.** We believe, market may remain volatile for the next few months, investors need to be cautious **and invest in staggered manner and follow the prescribed asset allocation.**

Indian Equity Market Dashboard - March 2023



Index Name	Index Value	Absolute(%)				CAGR (%)			Valuations Trailing			
		1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	P/E	P/B	Div. Yield	
Indian Market Performance & Valuation												
S&P BSE Sensex	89,326	0.05	-2.84	3.09	2.03	10.42	27.46	13.47	22.28	3.04	1.38	
Nifty 50	25,266	0.32	-3.98	1.79	0.59	9.99	27.80	12.54	20.44	4.05	1.44	
Nifty 100	22,905	0.61	-5.71	-1.22	-1.58	8.96	26.66	11.45	21.20	4.04	1.47	
Nifty 200	11,681	0.49	-5.56	-1.30	-1.09	9.56	27.98	11.37	21.26	3.73	1.46	
Nifty 500	22,610	0.28	-5.60	-1.61	-1.22	9.91	28.97	11.28	21.14	3.63	1.43	
Nifty Midcap 150	14,204	-0.50	-4.32	-2.42	2.77	13.36	37.34	12.12	23.47	2.81	1.26	
Nifty Smallcap 250	10,982	-1.52	-7.10	-4.23	-6.03	13.47	41.21	7.65	16.94	2.52	1.38	
Sectoral Indices									Equity Market Flow			
Nifty Energy	38,570	5.22	-11.68	-10.82	-10.90	14.18	29.92	13.98	Equity Flow (₹ Cr.)	1-Mth	YTD	1 Yr.
Nifty Metal	8,169	4.38	-17.98	-4.63	-12.63	20.28	54.37	11.34				
Nifty Oil & Gas	10,673	2.99	-15.08	-6.43	-8.18	9.79	28.01	11.31	FII	1,998	-1,98,639	-1,98,639
Nifty Pharma	14,685	2.30	-4.28	-7.07	-10.79	-0.30	19.55	7.68	DII	30,549	2,55,236	2,55,236
Nifty FMCG	72,250	2.17	4.48	4.25	29.08	17.06	21.25	13.60				
Nifty Healthcare	8,904	1.64	-4.43	-6.91	-9.31	2.74	20.89	9.66				
Nifty PSU Bank	4,958	1.58	-13.80	24.08	39.54	32.97	42.27	5.98				
Nifty Infrastructure	6,520	1.48	-3.01	2.72	2.31	12.95	30.96	10.34				
Nifty Bank	55,224	0.84	-5.47	5.12	12.55	11.07	28.99	11.25				
Nifty India Consumption	8,822	0.65	-4.95	-8.74	6.12	10.97	22.09	9.60				
Nifty Financial Services	22,248	0.39	-4.79	3.18	6.19	7.94	25.36	12.60				
Nifty Services Sector	32,413	0.28	-7.16	-1.25	-3.83	6.95	25.94	12.28				
Nifty Realty	426	-1.49	-10.18	-8.64	-16.16	7.99	30.57	5.94				
Nifty IT	38,524	-3.25	0.45	7.23	-19.26	7.44	33.43	20.11				
Nifty Auto	15,840	-3.83	-2.83	-3.52	17.15	12.60	38.55	3.30				

Source: Moneycontrol

Global Equity Market Performance as on 31 March 2023



Country	Index Name	Index Value	Absolute(%)				CAGR (%)		
			1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
Global Market Indices									
U.S.	Nasdaq 100	13,181	9.46	20.27	20.14	-11.17	0.34	19.04	14.88
Hong Kong	HangSeng	20,400	3.10	3.09	18.45	-7.26	-15.21	-4.75	-7.47
U.S.	Russell 1000	2,253	3.00	6.93	14.25	-9.91	0.34	16.74	8.98
South Korea	Kospi	2,477	2.65	10.52	14.91	-10.18	-10.05	12.18	0.25
Japan	Nikkei	28,041	2.17	7.38	8.11	0.79	-1.97	14.02	5.57
Taiwan	Taiwan Capitalization Weighted Stock	15,868	1.79	12.10	18.20	-10.32	-1.73	17.80	7.78
Germany	DAX	15,629	1.72	12.11	29.01	8.42	2.05	16.30	5.25
Pan - Europe	Euronext 100	1,360	0.79	10.33	22.11	7.10	6.69	16.60	6.09
France	CAC 40	7,322	0.75	12.96	27.07	9.95	9.86	18.54	7.21
India	Nifty 50	17,360	0.32	-4.07	1.55	-0.60	8.71	26.39	11.20
Switzerland	Swiss Market	11,106	0.07	3.47	8.17	-8.68	0.27	6.05	4.90
Singapore	Strait Times	3,259	0.11	0.23	4.11	-4.39	1.47	9.51	-1.01
China	SSE Composite	3,273	0.21	5.88	8.22	0.64	-2.49	5.97	0.65
Indonesia	Jakarta Composite	6,805	0.55	-0.65	-3.35	-3.76	6.63	14.45	1.91
Malaysia	KLSE	1,423	-2.17	-4.82	2.00	-10.38	-4.92	1.74	-5.25
Brazil	Ibovespa Sao Paulo	1,01,882	-2.91	-7.00	-7.41	-15.10	-6.54	11.74	3.59
UK	FTSE	7,632	-3.10	2.39	10.70	1.54	6.62	10.40	1.58

Data as on 31 March '23. Source: ICRA Analytics (<http://www.icraanalytics.com/legal/standard-disclaimer.html>)

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Global Equity Market Performance across Calendar years



2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	CYTD* (%)
Germany 29.06	Japan 56.72	China 52.87	Germany 9.56	U.K. 14.43	Hong Kong 35.99	India 3.15	U.S.-Nasdaq 35.23	U.S.-Nasdaq 43.64	France 28.85	India 4.33	U.S.-Nasdaq 16.77
India 27.70	U.S.-Nasdaq 38.32	India 31.39	China 9.41	U.S.-S&P 500 9.54	India 28.65	U.S.-Nasdaq -3.88	U.S.-S&P 500 28.88	South Korea 30.75	U.S.- S&P 500 26.89	U.K. 0.91	France 13.11
Japan 22.94	U.S.-S&P 500 29.60	U.S.-Nasdaq 13.40	Japan 9.07	U.S.-Nasdaq 7.50	U.S.-Nasdaq 28.24	U.S.-S&P 500 -6.24	France 26.37	U.S.-S&P 500 16.26	India 24.1	Japan -9.37	Germany 12.25
Hong Kong 22.90	Germany 25.48	U.S.-S&P 500 11.39	France 8.53	Germany 6.87	South Korea 21.76	France -10.95	Germany 25.48	Japan 16.01	U.S.-Nasdaq 21.39	France -9.50	South Korea 10.75
U.S.-Nasdaq 15.91	France 17.99	Japan 7.12	U.S.-Nasdaq 5.73	France 4.86	U.S.-S&P 500 19.42	Japan -12.08	China 22.30	India 14.90	Germany 15.79	Germany -12.35	Japan 7.46
France 15.23	U.K. 14.43	Germany 2.65	South Korea 2.39	South Korea 3.32	Japan 19.10	U.K. -12.48	Japan 18.20	China 13.87	U.K. 14.30	China -15.13	U.S.- S&P 500 7.03
U.S.-S&P 500 13.41	India 6.76	Hong Kong 1.28	U.S.-S&P 500 -0.73	India 3.01	Germany 12.51	Hong Kong -13.61	U.K. 12.10	Germany 3.55	Japan 4.91	Hong Kong -15.46	China 5.94
South Korea 9.38	Hong Kong 2.87	France -0.54	India -4.06	Japan 0.42	France 9.26	South Korea -17.28	India 12.02	Hong Kong -3.40	China 4.80	U.S.- S&P 500 -19.44	Hong Kong 3.13
U.K. 5.84	South Korea 0.72	U.K. -2.71	U.K. -4.93	Hong Kong 0.39	U.K. 7.63	Germany -18.26	Hong Kong 9.07	France -7.14	South Korea 3.63	South Korea -24.89	U.K. 2.42
China 3.17	China -6.75	South Korea -4.76	Hong Kong -7.16	China -12.31	China 6.56	China -24.59	South Korea 7.67	U.K. -14.34	Hong Kong -14.08	U.S.-Nasdaq -33.10	India -4.07

Index used for each of the Equity Markets: China – SSE Composite, France – CAC, Germany - DAX, Hon Kong – Hang Seng, India - Nifty 50, U.K. – FTSE 100, South Korea – Kospi, Japan – Nikkei 225

* Performance as on 31 March 2023. Source: MorningStar Direct

Asset Class Performance



2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	CYTD* (%)
Mid Cap 44.02	Intl 30.44	Small Cap 69.57	Small Cap 10.20	G-Sec 14.24	Small Cap 57.43	G-Sec 8.00	Intl 28.89	Gold 27.88	Small Cap 61.94	Gold 13.94	Gold 9.07
Small Cap 37.96	Real Estate 10.06	Mid Cap 60.26	Real Estate 9.75	Bonds 13.09	Mid Cap 54.49	Gold 7.87	Gold 23.79	Small Cap 25.02	Mid Cap 46.81	Cash 5.23	Intl 6.93
Large Cap 27.54	Cash 9.34	Large Cap 31.39	Bonds 8.93	Gold 11.35	Large Cap 28.72	Cash 7.25	Bonds 12.20	Mid Cap 24.13	Intl 24.76	Large Cap 4.34	G-Sec 2.02
Real Estate 25.10	Large Cap 6.76	Real Estate 16.90	Mid Cap 8.41	Intl 9.70	Intl 19.39	Bonds 6.04	Large Cap 12.02	Intl 18.81	Large Cap 24.12	Mid Cap 2.97	Cash 1.76
Intl 13.85	Bonds 5.11	G-Sec 15.28	Cash 8.30	Real Estate 8.34	Real Estate 7.20	Real Estate 5.13	G-Sec 11.34	Large Cap 14.86	Bonds 4.22	Bonds 2.71	Bonds 1.69
Gold 12.27	G-Sec 2.65	Bonds 14.04	G-Sec 8.17	Cash 7.45	Cash 6.57	Large Cap 3.13	Cash 6.74	Bonds 13.46	Cash 3.56	G-Sec 2.34	Real Estate 0.00
G-Sec 11.11	Mid Cap -3.01	Intl 11.07	Intl -1.09	Mid Cap 5.41	Bonds 5.55	Intl -6.55	Real Estate 2.99	G-Sec 13.20	G-Sec 3.13	Real Estate 1.43	Large Cap -4.07
Bonds 10.18	Gold -4.50	Cash 9.23	Large Cap -4.06	Large Cap 3.01	Gold 5.12	Mid Cap -13.26	Mid Cap -0.28	Cash 4.43	Real Estate 3.12	Small Cap -3.66	Mid Cap -4.44
Cash 9.42	Small Cap -8.14	Gold -7.91	Gold -6.65	Small Cap 0.36	G-Sec 3.52	Small Cap -26.65	Small Cap -8.27	Real Estate 2.19	Gold -4.21	Intl -20.47	Small Cap -7.23

Index used for each of the Asset Class: Gold: Domestic Prices of Gold, Real Estate: House Price Index, Intl: Russell 1000 Index, G-Sec: ICRA Composite Gilt Index, Bonds: ICRA Composite Bond Fund Index, Cash: ICRA liquid Index, Large Cap: Nifty 50, Mid Cap: Nifty Midcap 150, Small Cap: Nifty Small Cap 250

- a. Large Cap: 1st -100th company in terms of full market capitalization
- b. Mid Cap: 101st -250th company in terms of full market capitalization
- c. Small Cap: 251st company onwards in terms of full market capitalization

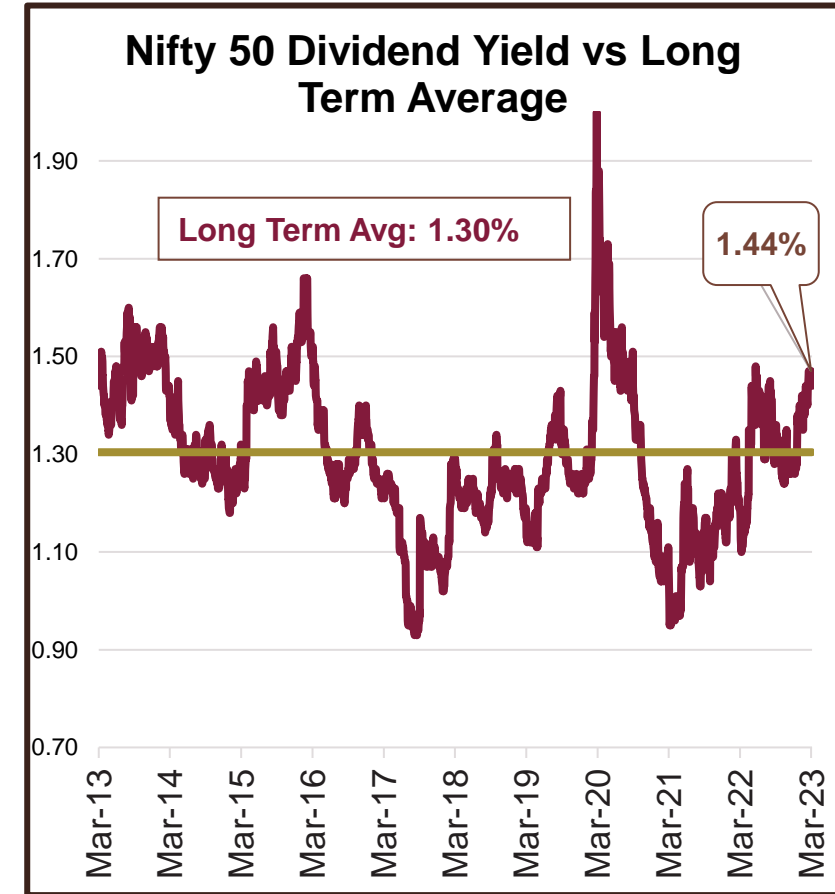
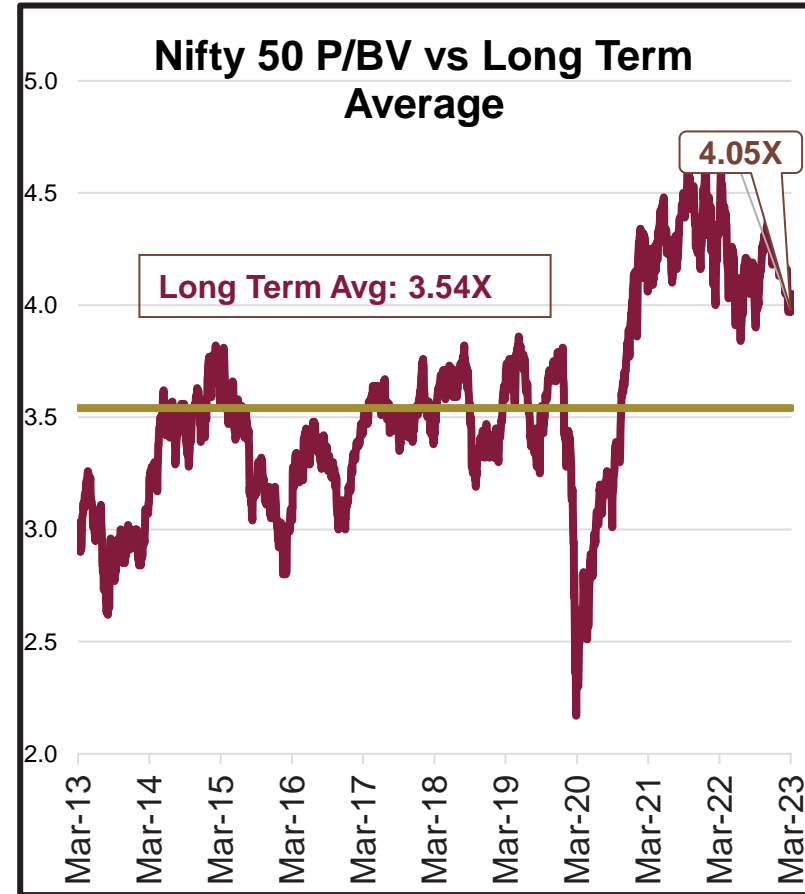
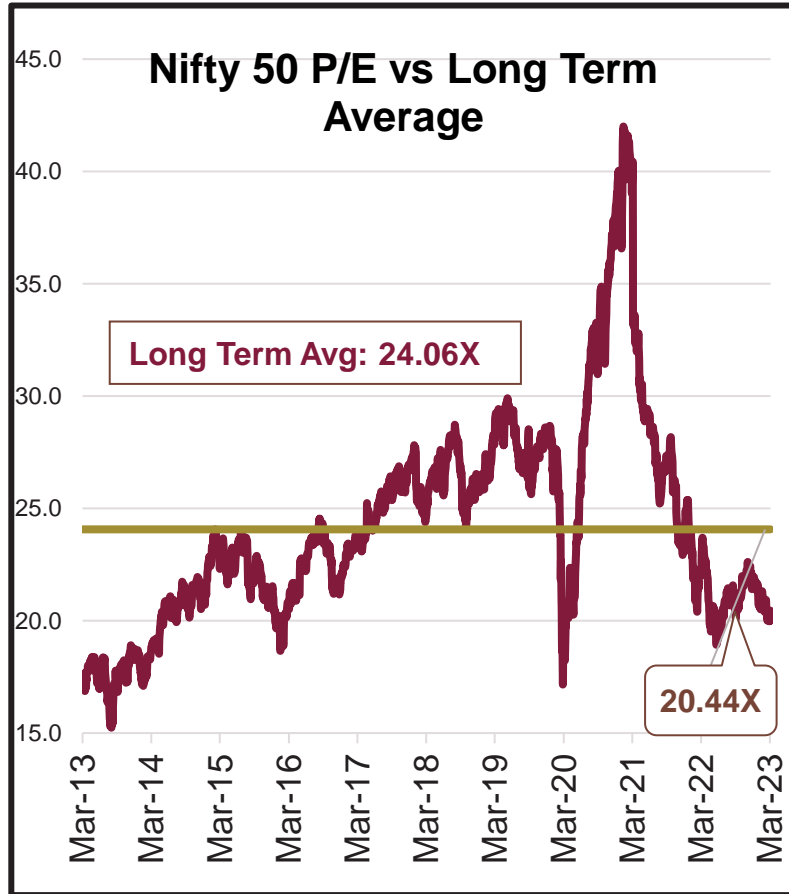
* Performance as on 31 March 2023. Source: ICRA Analytics (<http://www.icraanalytics.com/legal/standard-disclaimer.html>) & RBI - DBIE

Valuations on the Trailing P/E, P/BV & Div. Yield Metrics

Nifty 12-month trailing P/E of 20.44X is lower than its historical long-term average of 24.06X

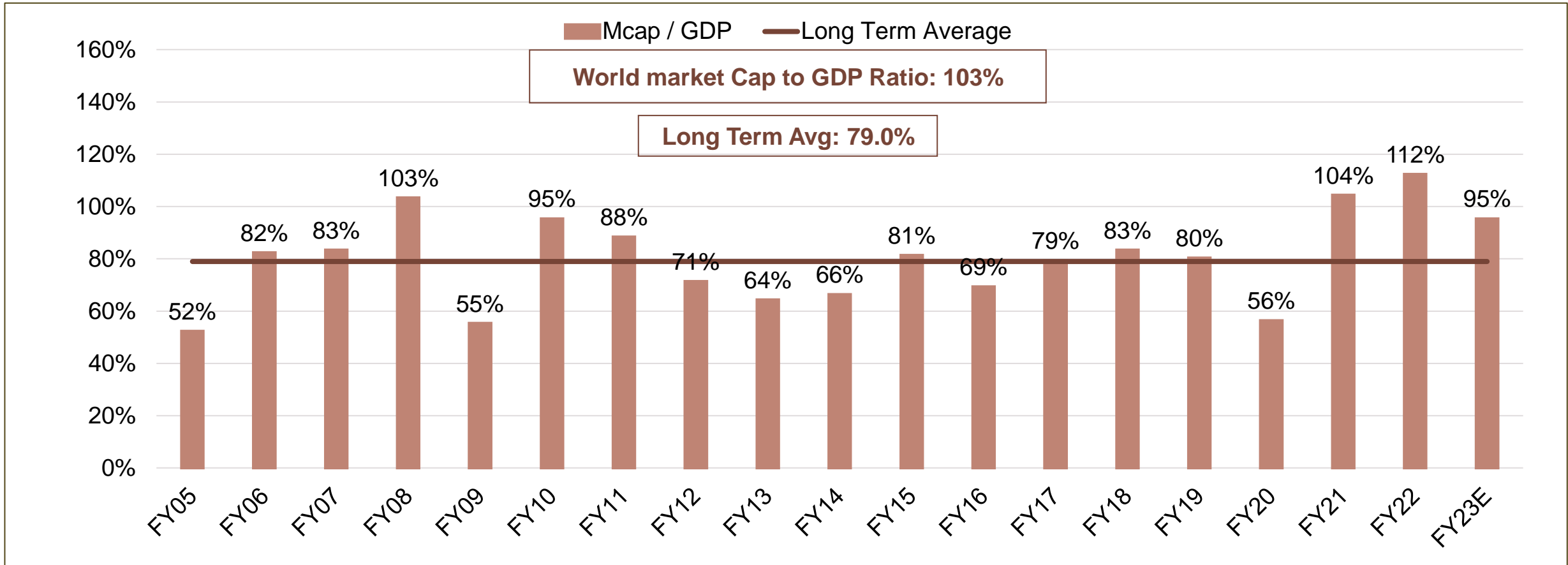
At 4.05X, the Nifty Trailing P/B is above the historical long-term average of 3.54X

At 1.44%, the Nifty Trailing Dividend Yield is above the historical long-term average of 1.30%



Valuations on a Market Capitalisation / GDP perspective

On Market Capitalisation to GDP parameter (FY23E 95%), India is trading above the long-term average of 79%

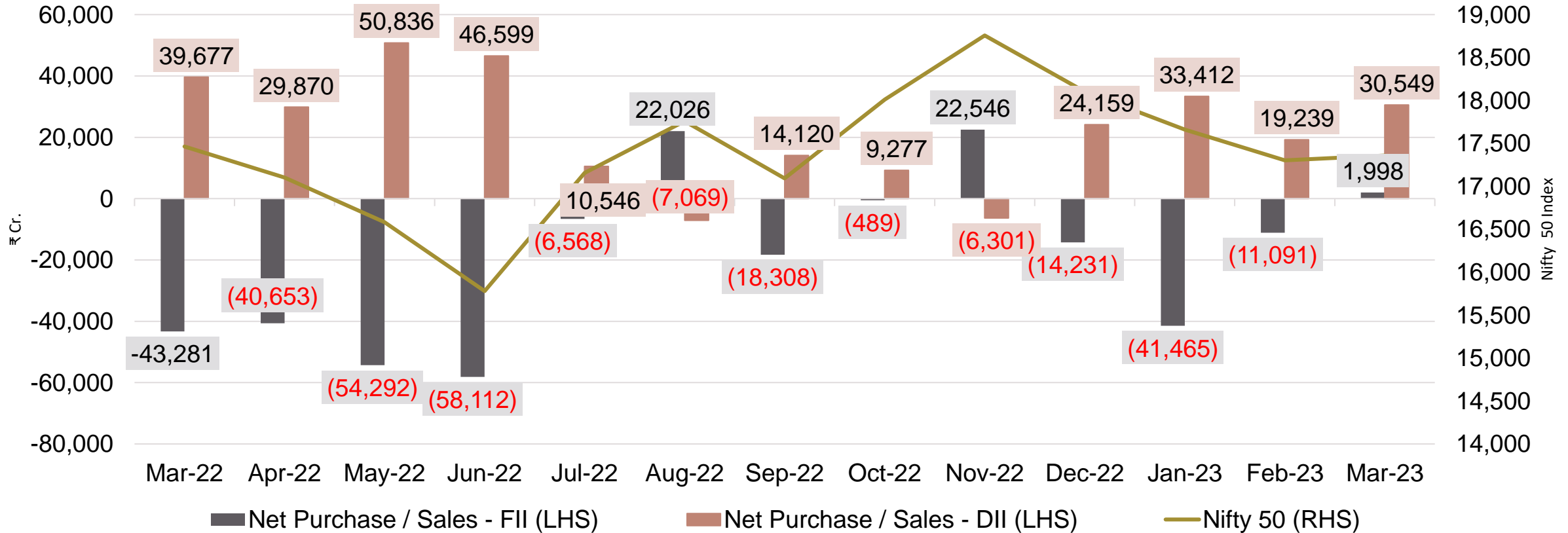


Source: Kotak AMC, Monthly Market Outlook, March '23

FII & DII Flow into Equity

- FIIs gained slight momentum as it saw buying of Rs. 2000 cr in equities after a 3-month selling spree from Dec-Feb.
- On the other hand, DIIs continued to remain net buyers for the month, DIIs purchased equities worth a net of ~Rs 30,000 crore.

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



Equity Mutual Fund Category Average Performance - March 2023



- **For March month**, performance of equity categories was mixed with Mid Cap and Small Cap underperforming the rest. Among the sectoral funds too, Technology and Financial Services were underperforming.
- **For the trailing 3-month period**, all the equity categories and sectors were in red **and for trailing 6 months, majority of the categories & sector funds** were in the negative zone, except for Dividend Yield, Value, Contra and Large Cap. For sectoral, Technology and FMCG category were the top performers for the 6-month time horizon.
- **For the full year**, most of the categories were in green with Contra and Dividend Yield delivering the highest returns. Among the sector based and thematic funds, FMCG was the top performer; while Technology and Healthcare were the only sectors that were in the red.
- **On a 3-year CAGR** basis, all the categories delivered double digit returns with the broader categories such as Small Cap, Contra & Mid Cap outperforming the rest. Among the sectoral funds Technology, Infrastructure & Consumption were the top performers.
- **With respect to the 5-year CAGR returns**, majority of the categories delivered early double digit return with the exception of Technology which clocked in gains of ~20%.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Large Cap	0.22	-3.74	0.48	0.12	8.50	23.94	10.42
Large & Mid Cap	-0.31	-4.10	-1.43	-0.16	10.87	28.58	10.89
Multi Cap	-0.03	-4.07	-1.25	1.04	13.01	31.42	12.92
Flexi Cap	-0.14	-3.96	-1.35	-1.54	9.51	26.11	10.86
Mid Cap	-0.95	-4.03	-3.68	0.75	11.91	32.76	11.63
Small Cap	-0.43	-3.19	-2.45	1.47	18.16	41.89	12.93
Focused	-0.16	-4.30	-1.41	-1.22	8.96	25.97	10.19
ELSS	-0.06	-4.05	-0.62	-0.42	9.15	26.40	9.91
Contra	0.14	-2.82	2.10	6.17	14.21	33.96	13.03
Dividend Yield	0.64	-1.08	4.13	3.49	15.53	31.14	11.48
Value	0.02	-3.46	2.20	3.00	12.29	31.72	9.76
Sectoral / Thematic							
Consumption	0.09	-4.00	-5.73	5.04	12.55	26.24	11.44
Infrastructure	1.49	-1.03	2.66	9.10	17.86	35.26	10.31
Financial Services	-0.07	-6.24	2.60	7.51	8.30	25.49	9.05
FMCG	1.36	2.06	3.75	19.20	18.48	23.13	12.55
Healthcare	1.18	-4.13	-4.28	-7.30	2.89	21.97	13.42
Technology	-1.25	0.94	5.97	-15.02	9.26	35.67	19.71
Others	0.33	-3.15	0.30	1.59	11.48	28.87	9.71

Source: Morningstar Direct

Debt Market - Review



Debt Market Roundup - Key Takeaways



- The **India 10-Year G-sec yield fell** for the month of March to **close at 7.32% as against 7.46% at the end of March.**
- March 2023 marked the change in narrative from inflation to financial stability. Central Bankers, who were ultra-hawkish at the start of month, became attentive to financial contagion issue.
- After aggressively increasing rates in every single meeting of FY23 (total 250 bps in current rate hike cycle), **the RBI left the key policy rates unchanged in early April's meeting. This came as a surprise for markets since consensus expected 25 bps hike.**
- With current inflation above RBI's upper bound, **the RBI continues to focus on 'withdrawal of accommodative' stance** - to ensure that inflation progressively aligns with the target.

Outlook:

- In India, there are rising concerns of food inflation from heat wave and El-Nino related drought which may keep core inflation sticky.
- RBI governor in MPC meeting held in April highlighted in the press conference **that it is the "pause for this meeting" and it should not be construed as pivot.** The minor tweak in language of stance possibly reflects the RBI's resolve to bring down the inflation toward its target of 4%.
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- Given the recent change in debt taxation, which is now at par with other fixed income instruments, **we believe there is still merit in investing in debt funds if bond yields come down in the future.** For medium to long term investments, investors can consider **mutual fund categories such medium and long duration as they will see capital gains when interest rates start to fall.**
- For short term investments, investors can consider **money market, ultra-short, low duration and short duration funds.** Along with mutual funds, **good quality Corporate Fixed Deposits and Bonds can be looked at allocation** in the debt portfolio for diversification and enhancing overall return.

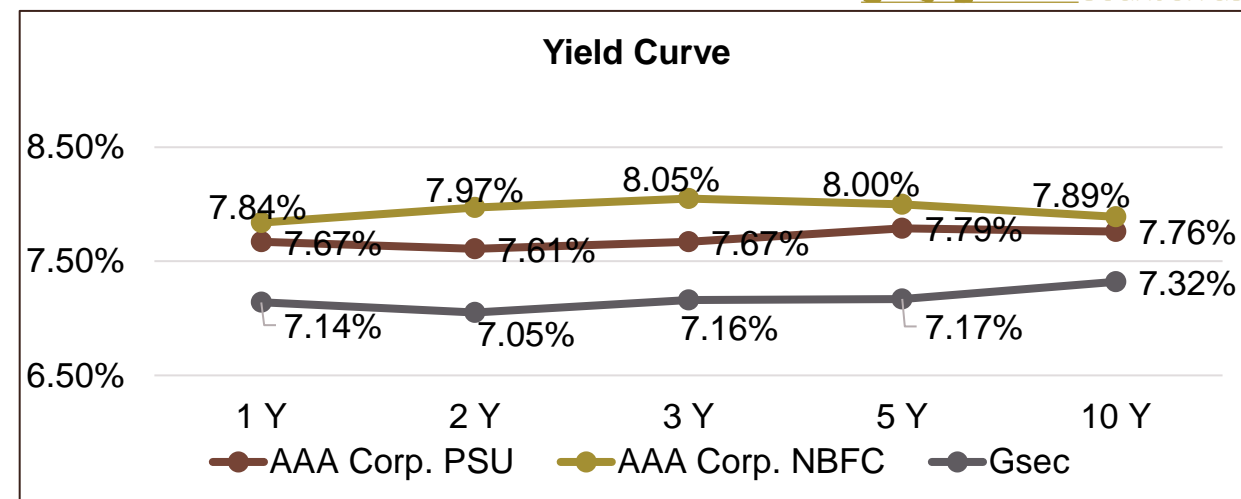
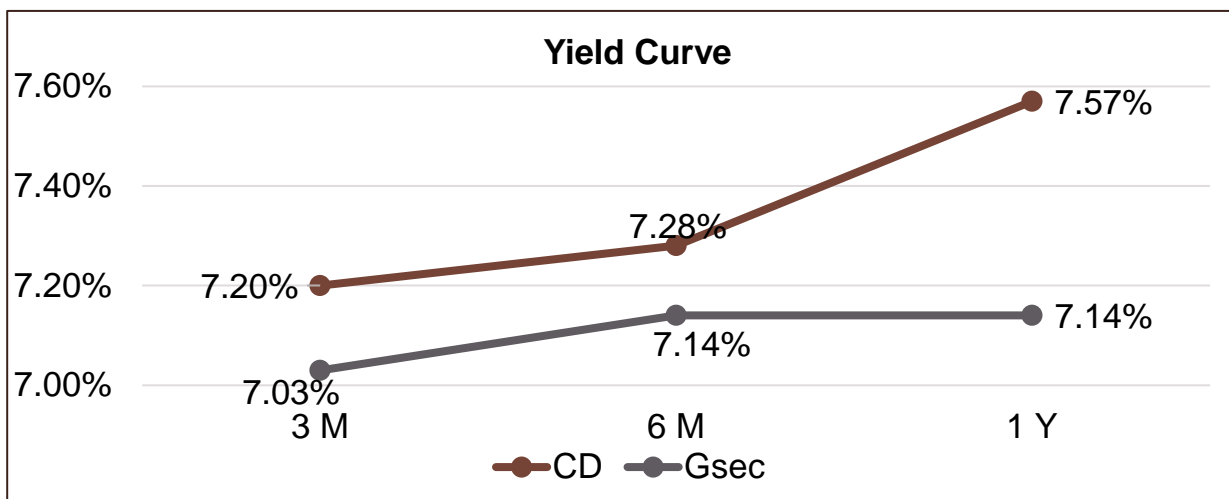
Debt Dashboard - March 2023



	Latest (31 Mar '23)	One Month Ago (28 Feb '23)	One Quarter Ago (30 Dec '22)	Half Year Ago, 30 Sep '22)	One Year Ago, (31 Mar '22)	M-o-M Change (bps)
Interest Rates						
Repo rate	6.50%	6.50%	6.25%	5.90%	4.00%	0
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	0
CD Rates						
3 month	7.20%	7.58%	6.65%	6.30%	3.78%	-38
6 month	7.28%	7.75%	7.15%	6.63%	4.43%	-47
1 Year	7.57%	7.90%	7.60%	7.15%	4.78%	-33
T-Bill/G-sec						
91 Days	7.00%	6.87%	6.29%	6.05%	3.81%	13
364 Days	7.29%	7.28%	6.87%	6.77%	4.56%	1
India 10 Year G-Sec Yield	7.32%	7.46%	7.33%	7.40%	6.84%	-14
AAA Corp. Bonds (PSU)						
1 Year	7.67%	7.30%	7.55%	7.31%	4.98%	37
3 Year	7.67%	7.82%	7.58%	7.31%	5.90%	-15
5 Year	7.79%	7.80%	7.59%	7.47%	6.37%	-1
AAA Corp. Bonds (NBFC)						
1 Year	7.84%	7.45%	7.84%	7.44%	4.96%	39
3 Year	8.05%	8.09%	7.80%	7.53%	6.12%	-4
5 Year	8.00%	8.07%	7.85%	7.64%	6.57%	-7
US Markets						
10 Year US Treasury Yield	3.47%	3.93%	3.83%	3.83%	2.35%	-46

- The money market instruments witnessed fall in yields across tenures.
- The **U.S. Treasury Yields fell sharply** due to concerns over the ongoing turmoil in the global banking sector boosted the safe haven appeal of U.S. Treasuries.
- In **India, 10-year G-sec fell** following decline in yields on U.S. Treasuries after the U.S. Federal Reserve hinted at ending the rate hike cycle soon.
- **Both the AAA Corp. PSU & NBFC** witnessed rise in the short term maturity bucket; while there was fall in yields for 3 and 5-year papers for Mar '23.
- After aggressively increasing rates in last one year, the RBI left the policy rates unchanged in early Apr'23 meeting. This came as a surprise for the markets.

Yield Curve and Policy Rates & Reserve Ratios – as on 31 March 2023

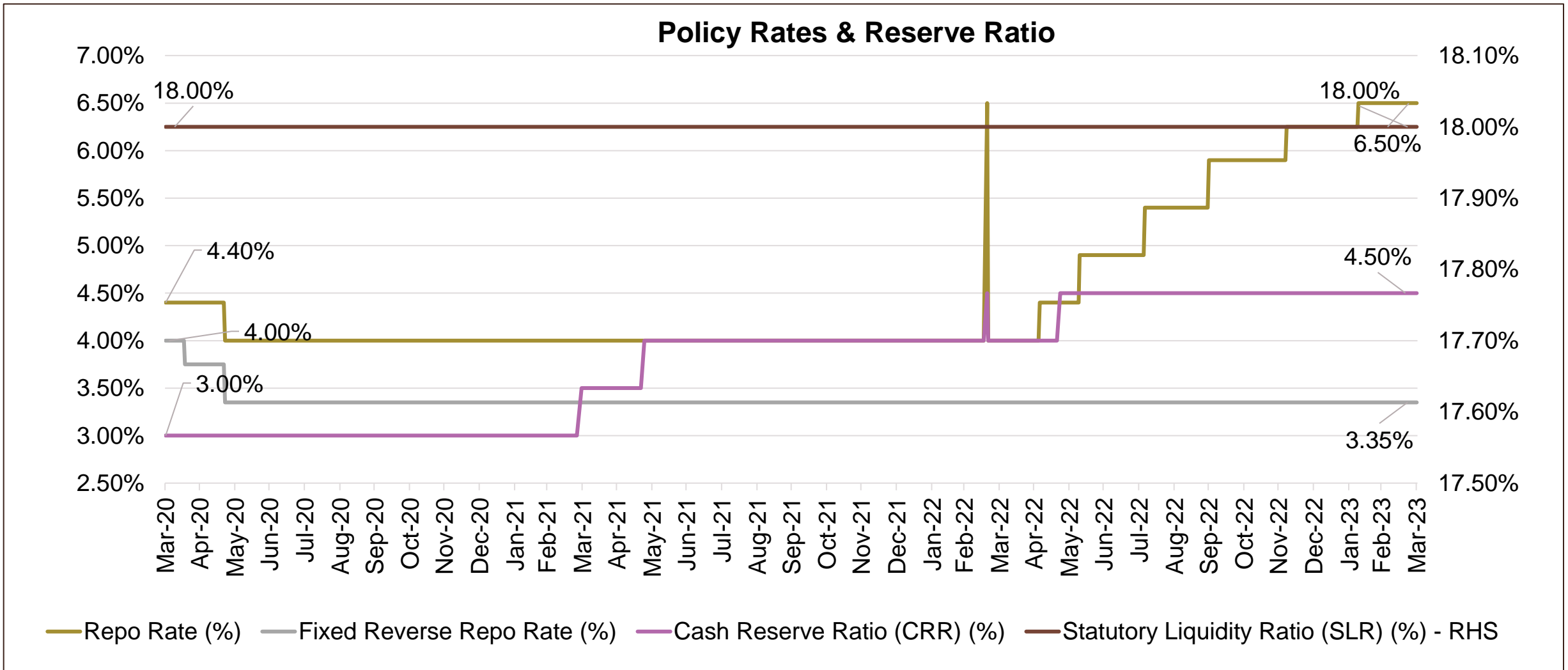


Data as on 31 Mar'23; Source: Bandhan AMC, Investing.com

Policy Rates / Reserve Ratio	Current (w.e.f April 08, 2023)
CRR	4.50%
SLR	18.00%
SDF	6.25%
Repo Rate	6.50%
MSF	6.75%
Bank rate	6.75%
Fixed Reverse Repo Rate	3.35%

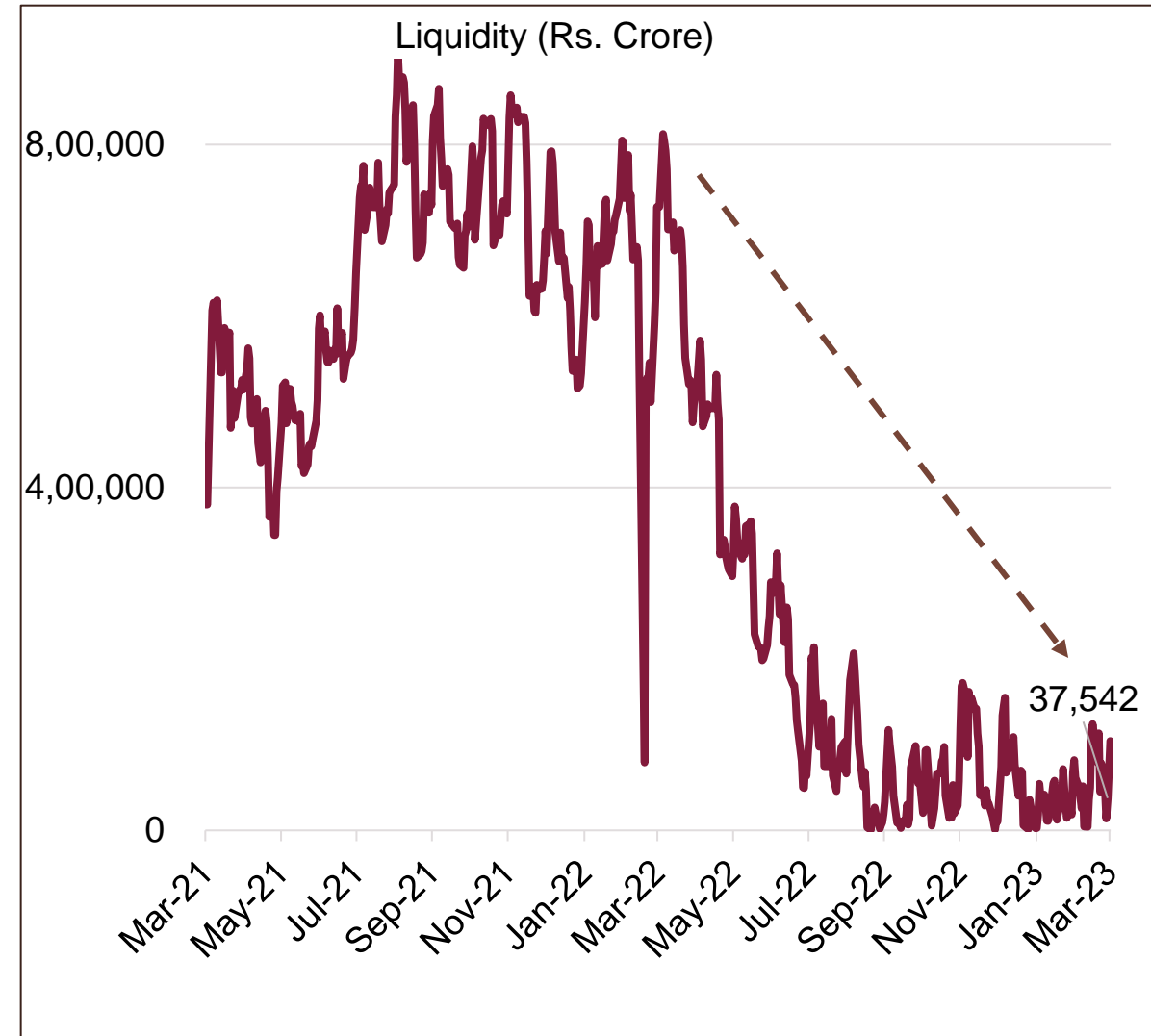
- **Both the AAA Corp. PSU & NBFC for 1-year paper saw rise in yields;** while other tenure papers saw fall in yields for Mar'23.
- The **spreads between AAA Corporate PSU and the respective tenure GSec** at the end of the month were in the range of 44-62 bps, while **spreads between AAA Corporate NBFC and the respective tenure GSec** was in the range of 57-92 bps.
- **Short term papers upto 3 year maturity** across AAA PSUs and AAA Corporate NBFCs **are trading at attractive levels close to 8%.**

Policy rate & Reserve Ratio movement since Mar '20



Liquidity in the system

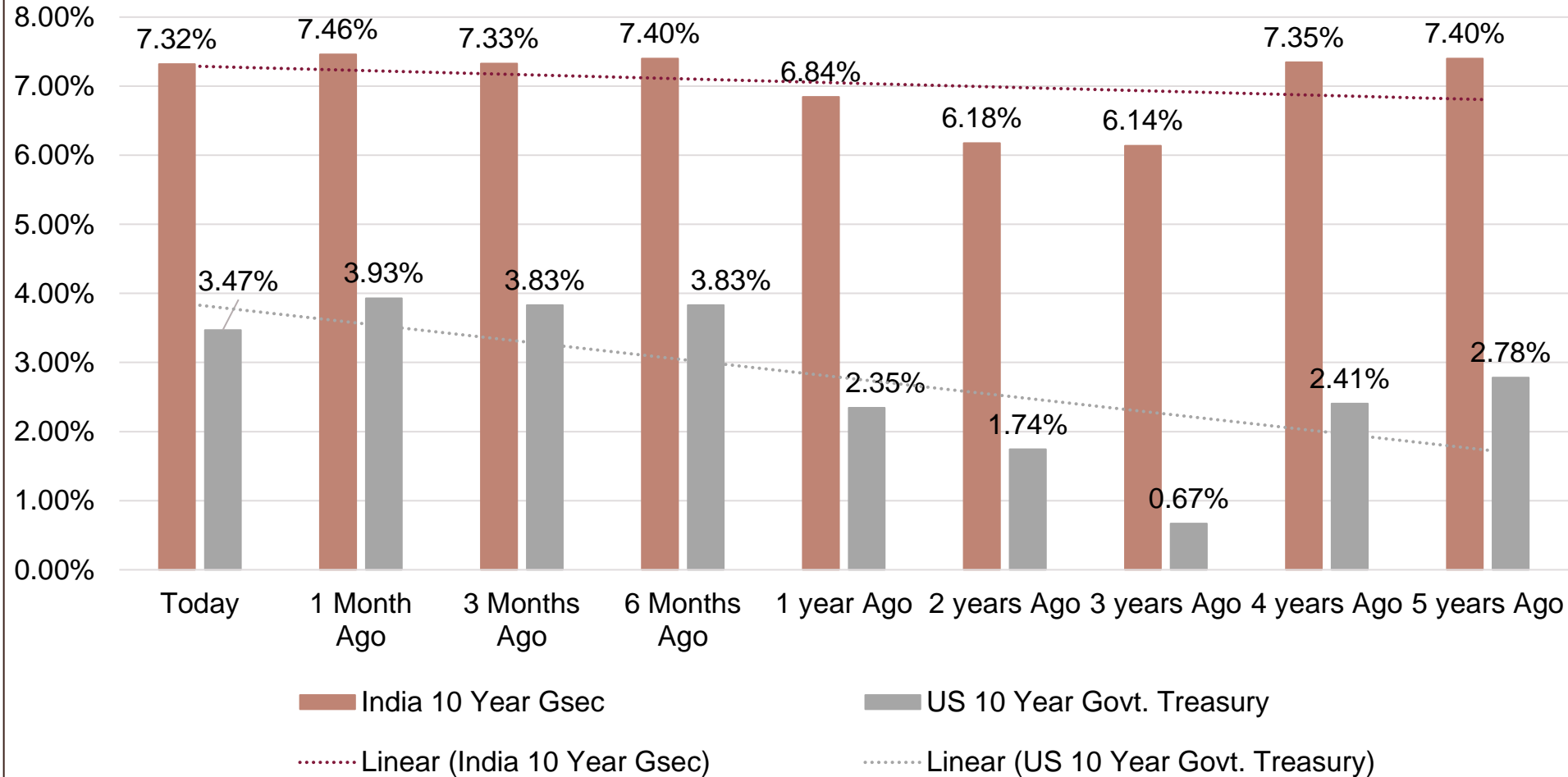
- In the April '22 policy meet **Standing Deposit Facility (SDF) was introduced** and the **Liquidity Adjustment Facility (LAF) corridor** was narrowed to 50 bps **making the Reverse Repo Rate redundant**.
- In the recent Apr '23 policy meet, the governor stated **overall system liquidity remains in surplus, though of a lower order compared to April'22**.
- In the period ahead, while higher government expenditure and the anticipated return of forex inflows are likely to augment systemic liquidity. RBI will remain flexible and responsive towards meeting the productive requirements of the economy. It will conduct operations on either side of the LAF, depending on the evolving liquidity conditions.
- During February – March '23, **the average total absorption under the liquidity adjustment facility (LAF) was ₹1.4 lakh crore, in line with the average of ₹1.4 lakh crore during October-November**.



Source: Bandhan AMC

Yields Movement across India and U.S. - as on 31 March 2023

India & U.S. 10 Year GSec



- The 10-year Indian G-sec has increased across compared to last 1-yr, 2-yr and 3-yr horizon.
- In case of U.S., the yields have risen across horizons.
- While, in the last one month the **U.S. yields reached around 3.5% levels**; and 10-year Indian G-sec fell tracking decline in the U.S. Treasury yields.

Source: G Sec – Investing.com

MF Category wise - Average Yield, Average Maturity and Modified Duration Movement



- The yield have hardened significantly in the past couple of months in the broad category of Money Market and Accrual Funds. This phenomena was also witnessed in the broad category of Duration Funds and Passives.
- With respect to average maturity and modified duration of the funds – especially the Duration & Accrual category, it has been on rise since past 1 year.

Category	YTM					Average Maturity					Modified Duration				
	Feb-23	Nov-22	Aug-22	Feb-22	Feb-21	Feb-23	Nov-22	Aug-22	Feb-22	Feb-21	Feb-23	Nov-22	Aug-22	Feb-22	Feb-21
Money Market															
Liquid	7.19	6.39	5.67	3.66	3.30	0.10	0.10	0.09	0.09	0.08	0.10	0.09	0.09	0.09	0.08
Ultra Short Duration	7.54	6.93	6.12	4.31	3.84	0.41	0.39	0.37	0.40	0.37	0.36	0.34	0.33	0.37	0.33
Low Duration	7.72	7.24	6.43	4.67	4.27	1.28	1.35	1.25	1.19	0.94	0.73	0.69	0.65	0.67	0.69
Money Market	7.45	6.87	6.15	4.10	3.61	0.43	0.33	0.39	0.32	0.28	0.42	0.32	0.38	0.31	0.28
Accrual															
Short Duration	7.69	7.33	6.74	5.11	4.95	2.44	2.31	2.23	2.02	2.13	1.83	1.72	1.59	1.53	1.74
Medium Duration	7.86	7.53	7.20	6.03	6.25	4.13	4.18	3.98	3.79	3.80	2.90	2.93	2.77	2.89	2.86
Banking & PSU Debt Fund	7.71	7.31	6.72	5.27	5.12	3.36	3.27	2.87	2.67	2.83	2.18	2.04	1.89	2.06	2.14
Corporate Bond Fund	7.68	7.35	6.83	5.41	5.26	2.93	2.69	2.58	2.81	2.72	1.75	1.74	1.66	2.05	2.10
Floating Rate	7.76	7.31	6.48	5.10	4.84	3.43	3.55	3.62	3.57	2.53	0.97	0.99	0.94	1.10	1.03
Credit Risk	8.30	7.93	7.46	6.04	7.27	2.57	2.50	2.32	2.40	1.82	1.71	1.66	1.64	1.78	1.46
Duration															
Medium To Long Duration	7.64	7.34	7.00	5.71	5.89	6.66	6.53	6.42	5.70	5.95	4.46	4.35	4.24	3.85	4.18
Long Duration Fund	7.54	7.51	7.48	6.91	6.70	20.40	14.56	17.14	17.96	17.60	9.15	8.15	8.93	9.25	9.10
Dynamic	7.59	7.24	6.70	5.36	5.61	5.32	5.01	4.71	3.99	4.99	3.09	3.18	2.78	2.66	3.68
Gilt	7.49	7.14	6.74	5.04	5.37	6.94	6.39	6.13	4.19	6.26	4.31	4.08	3.77	2.56	4.26
Gilt - 10 Year	7.57	7.35	7.16	6.69	6.45	9.36	9.57	9.42	9.15	9.50	6.61	6.65	6.71	6.66	6.79
Passives															
Target Maturity Funds / Index Funds	7.65	7.37	7.12	6.15	6.34	4.85	4.90	4.43	4.80	6.16	3.75	3.79	3.51	3.76	4.50

Debt Category Average Performances - March 2023



- **During the month** under consideration, all the categories were in the green even as yields largely hardened across most of points on the curve.
- With respect to the **3 months and 6 months trailing returns** too, all the categories were in the green with the Duration & Accrual categories outperforming the rest in these two-time horizons.
- **For the full year**, all the categories were in the green, with our suggested categories such as Ultra Short Duration, Overnight, Liquid, Short Duration, Medium Duration, Floating Rate, Banking & PSU Debt Fund & Corporate Bond Fund delivered decent returns.
- **On a 2-year CAGR** basis, all the categories delivered an early single digit growth. In addition to the Medium Duration & Credit Risk Funds, our recommended categories - the Ultra Short Duration, Low duration, Money Market, Liquid, Medium Duration, Short Duration, Floating Rate and Target Maturity Funds were one of the best performing categories during this period.
- **With respect to the 3 and 5 year CAGR returns**, most the categories reported early to mid single returns.

Returns of Credit risk have been adjusted for one time anomalies in the category.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Money Market							
Overnight	0.54	1.54	3.04	5.38	4.28	3.84	4.55
Liquid	0.63	1.63	3.24	5.54	4.40	4.06	5.03
Ultra Short Duration	0.67	1.59	3.08	4.98	4.39	4.59	5.13
Low Duration	0.72	1.64	3.12	4.78	4.36	5.16	5.23
Money Market	0.74	1.72	3.29	5.23	4.42	4.62	5.68
Accrual							
Short Duration	0.89	1.60	3.42	4.25	4.99	5.57	5.73
Medium Duration	1.09	1.59	3.29	4.57	5.39	5.84	5.11
Banking & PSU Debt Fund	0.93	1.56	3.13	4.07	4.16	5.32	6.59
Corporate Bond Fund	0.85	1.54	3.16	3.77	4.07	5.43	6.45
Floating Rate	0.76	1.65	3.17	4.89	4.52	5.54	6.39
Credit Risk	1.06	1.83	3.44	4.35	9.76	6.86	4.27
Duration							
Medium To Long Duration	1.22	1.61	3.28	4.00	3.99	4.78	5.62
Long Duration Fund	1.20	2.17	4.09	4.05	3.05	3.84	6.22
Dynamic	1.05	1.52	3.14	4.24	4.27	4.91	6.17
Gilt	1.31	1.69	3.37	3.94	3.64	4.57	6.84
Gilt - 10 Year	1.48	1.80	3.92	3.34	2.98	4.29	7.41
Passives							
Target Maturity Funds / Index Funds	1.25	1.78	3.73	3.32	4.48	6.22	

Source: Morningstar Direct

Event Update

RBI MPC pauses repo rate hike, pegs FY24 inflation at 5.2%



Key Highlights

- RBI keeps repo rate unchanged at 6.5% in its April'23 policy meet
- Cash reserve ratio (CRR) kept unchanged at 4.50%
- The MPC voted on “withdrawal of accommodation” highlighting the readiness to act should the situation so warrant.
- For FY24, retail inflation lowered to 5.2% from earlier 5.3%
- FY24 GDP growth forecast increased from 6.4% to 6.5%

Policy Rates / Reserve Ratio	8 Feb '23	07 Apr '23	Status
CRR	4.50%	4.50%	↔
SLR	18.00%	18.00%	↔
SDF	6.25%	6.25%	↔
Repo Rate	6.50%	6.50%	↔
MSF	6.75%	6.75%	↔
Bank rate	6.50%	6.50%	↔
Fixed Reverse Repo Rate	3.35%	3.35%	↔

Growth Outlook

- Real GDP Real GDP is expected to have recorded a growth of 7.0% in Q3FY23, led by robust growth in private consumption and investment demand.
- High frequency data in January indicated that economic activity remained resilient.
- On the supply side, Rabi foodgrains production is estimated to increase by 6.2% in FY23. The manufacturing and services PMIs for India in March are among the highest in the world at 56.4 & 57.8, respectively.
- The biggest risks to the outlook continue to be the headwinds emanating from protracted geopolitical tensions, global slowdown, tightening of global financial conditions & banking system disruptions in the U.S.

Inflation Outlook

- Headline inflation excluding vegetables has been rising well above the upper tolerance band and may remain elevated, especially with high core inflation pressures. Inflation, therefore, remains a major risk to the outlook.
- The governor stated the RBI's current objectives remained the 3 simultaneous targets - to keep inflation expectations anchored, break core inflation persistence and thereby strengthen medium-term growth prospects.

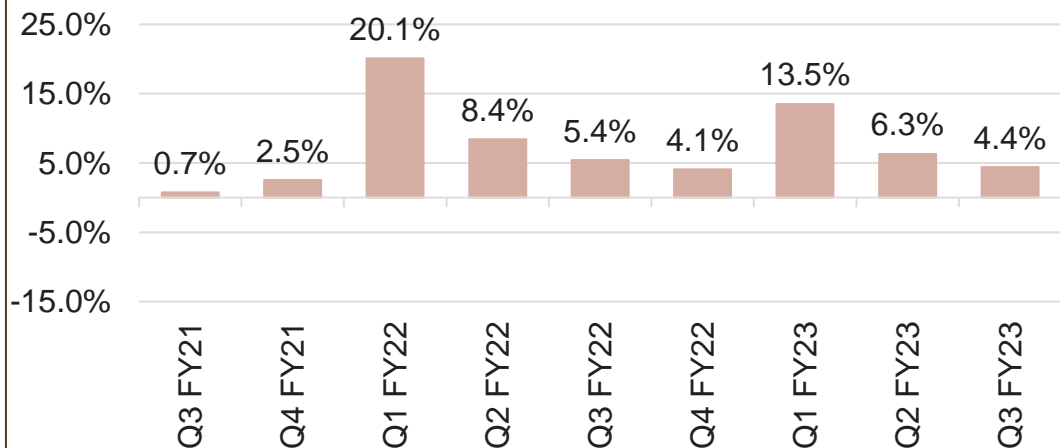
India's GDP slows to 4.4% in Q3FY23



Key Highlights

- India's Gross Domestic Product (GDP) for the October- December quarter (Q3) of the ongoing financial year 2022-23 fell 4.4%.
- The FY23 growth rate is estimated at 7.0% as compared to that of 9.1% in FY22.
- Real GDP at Constant (2011-12) Prices in the year 2022-23 is estimated to attain a level of Rs 159.71 lakh crore, as against the First Revised Estimate of GDP for the year 2021-22 of Rs 149.26 lakh crore.

Quarterly GDP Growth Rate



Gross Value Added (GVA):

- Gross Value Added (GVA) in Q3FY23 grew at a slower pace (4.6%) down from 5.5% in Q2 with manufacturing continuing to shrink for the second quarter, albeit to a slower pace of 1.1% compared to 3.6% in Q2.

Private Final Consumption Expenditure:

- The Private Final Consumption Expenditure (PFCE), a proxy for household consumption, accounted for 63.3% in nominal GDP for the Q3FY23 compared with 65.1% in Q3FY22. .

Year- on- Year % Change:

- The Trade, Hotel, Transport, Communication & Services Related to Broadcasting declined in the third quarter of FY23 to 9.7% as against 14.7% in Q2. Construction GVA growth surged to 8.4% in Q3 from 5.8% in Q2 (revised lower from earlier estimate of 6.6%), as did Electricity, Gas, Water Supply and other Utility Services (up 8.2% in Q3 from 6% in Q2).
- Due to the revisions, Q3 Mining and Quarrying GVA recovered from a 0.4% contraction in Q2 to grow 3.7% in Q3, while Agriculture, Forestry and Fishing GVA accelerated to 3.7%, the fastest pace of growth this year.

Thank You!

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