

TATA CAPITAL WEALTH

Market Outlook – December 2022



Macro Indicators



	Current		Month Ago	Quarter Ago	Half Year Ago	Year Ago
Economic Indicators:						
PMI Manufacturing	55.7 (Nov-22)	↓	55.3 (Oct-22)	56.2 (Aug-22)	54.6 (May-22)	57.6 (Nov-21)
PMI Services	56.4 (Nov-22)	↓	55.1 (Oct-22)	57.2 (Aug-22)	58.9 (May-22)	57.6 (Nov-21)
Consumer Price Index (CPI)	6.8% (Oct-22)	↑	7.4% (Sep-22)	6.7% (Jul-22)	7.8% (Apr-22)	4.5% (Oct-21)
Wholesale Price Index (WPI)	8.4% (Oct-22)	↓	10.7% (Sep-22)	14.1% (Jul-22)	15.5% (Apr-22)	13.8% (Oct-21)
Industrial Production (IIP)	3.1% (Sep-22)	↓	-0.8% (Aug-22)	12.7% (Jun-22)	2.2% (Mar-22)	4.4% (Sep-21)
GDP	6.3% (Sep-22)	↓	NA	13.5% (Jun-22)	4.1% (Mar-21)	8.4% (Sep-21)
Trade Deficit (\$ bn)	21.24 (Oct-22)	↓	28.59 (Sep-22)	27.75 (Jul-22)	18.36 (Apr-22)	17.91 (Oct-21)
Commodity Market:						
Brent Crude (\$/barrel)	85.4 (30-Nov-22)	↓	94.8 (31-Oct-22)	96.4 (31-Aug-22)	1122.8 (31-May-22)	70.5 (30-Nov-21)
Gold (\$/oz)	1,759.50 (30-Nov-22)	↑	1,640.70 (31-Oct-22)	1,721.40 (31-Aug-22)	1,848.40 (31-May-22)	1,776.50 (30-Nov-21)
Silver (\$/oz)	21.78 (30-Nov-22)	↑	19.12 (31-Oct-22)	17.88 (31-Aug-22)	21.69 (30-May-22)	22.82 (30-Nov-21)
Currency Market:						
USD/INR	81.36 (30-Nov-22)	↑	82.77 (31-Oct-22)	79.49 (31-Aug-22)	77.57 (31-May-22)	75.09 (30-Nov- 21)

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

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

Equity Market - Review



Equity Market Roundup - Key Takeaways



Performance: **Sensex** and the **Nifty** rose 4.0% and 4.3% in November, touching the all-time high during the last couple of days of the month and later even crossed the psychologically important levels of 63,000 and 18,700, respectively during the month.

Domestic factors that played out for the Indian markets:

- Cooling down of global **crude oil prices** added to the gains which made market participants less weary regarding the widening trade deficit of the country.
- GDP numbers for Q2FY23 at 6.3%, nearly in line with the market expectations, released at the end of the month boosted market sentiments.
- Market participants view the Indian economy as a bright spot in the global economy which has managed to attract foreign investors.

Global factors that shaped the graph of the Indian markets:

- Expectations that the U.S. Federal Reserve may slow down the pace of rate hikes in December amid worries of a slowdown added to the gains.

Outlook:

- While major developed economies are struggling with concerns of rising inflation, interest rates, falling economic activity post-pandemic which led to disruptions in demand and supply-side amid Russia-Ukraine crisis, **India has shown consistent recovery and is back to pre-pandemic levels.**
- **Even after RBI cutting the GDP forecast for FY23, the GDP growth projections are still the one of the highest for India compared to its emerging market peers.** This gives confidence in the long-term prospects of the economy.
- However, 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 will be - **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 - November 2022



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	63,100	4.00	5.98	12.83	10.58	18.90	15.62	13.73	23.94	3.52	1.14
Nifty 50	18,758	4.28	5.63	12.59	10.45	19.65	15.85	12.89	22.54	4.40	1.28
Nifty 100	18,920	3.83	4.46	12.36	9.55	19.63	15.77	12.17	23.36	4.54	1.33
Nifty 200	9,877	3.60	4.12	12.50	9.40	20.53	16.63	11.93	23.52	4.27	1.32
Nifty 500	15,946	3.50	4.05	12.66	8.86	21.34	17.53	11.73	23.43	4.19	1.29
Nifty Midcap 150	12,094	1.96	1.91	13.96	7.75	26.84	24.09	11.86	26.31	3.38	1.18
Nifty Smallcap 250	9,651	3.08	3.93	12.41	3.37	30.51	25.89	6.90	19.07	3.08	1.07

Sectoral Indices											
Nifty FMCG	45,537	2.89	3.91	17.94	21.80	19.87	13.68	12.01			
Nifty India	7,917	-0.63	-0.46	14.95	12.99	20.66	16.56	10.40			
Nifty Auto	13,232	-1.16	0.11	15.15	24.79	21.37	17.81	3.22			
Nifty Energy	27,354	2.64	-2.67	5.53	19.85	28.89	18.96	14.12			
Nifty Oil & Gas	8,610	6.82	3.01	9.18	16.50	27.28	17.49	11.26			
Nifty Metal	6,564	11.70	10.61	24.70	26.19	48.63	35.65	12.27			
Nifty Bank	43,231	4.81	9.34	20.67	21.11	20.44	10.59	11.28			
Nifty Healthcare	8,380	-0.27	4.56	7.01	-4.69	8.05	19.32	9.96			
Nifty Financial	19,359	4.57	6.16	16.41	10.40	16.16	10.84	13.39			
Nifty Pharma	13,144	-0.53	3.50	3.73	-3.80	4.47	17.05	7.30			
Nifty Infrastructure	5,447	4.20	6.24	12.01	9.84	25.20	17.87	9.14			
Nifty Services Sector	25,693	4.04	5.54	13.35	7.07	18.17	14.59	13.80			
Nifty IT	30,392	5.99	6.98	2.15	-13.28	17.10	26.49	22.27			

Equity Market Flow			
Equity Flow (₹ Cr.)	1-Mth	YTD	1 Yr.
FII	22,546	-264,198	-299,692
DII	6,301	9,277	282,798

Source: Moneycontrol

Global Equity Market Performance as on 30 November 2022



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	11,503	0.92	-6.87	-9.11	-28.79	-3.17	11.02	12.56
U.S.	Russell 1000	2,172	2.17	-1.00	-4.34	-14.74	3.25	7.72	8.15
Pan - Europe	Euronext 100	1,273	7.09	5.06	1.78	-2.00	8.16	4.06	4.14
UK	FTSE	7,512	6.29	2.07	-1.17	6.43	9.50	0.74	0.50
France	CAC 40	6,669	6.86	7.47	1.63	-0.78	9.94	4.13	4.42
Germany	DAX	14,355	8.89	10.88	-1.52	-4.95	3.93	2.74	1.97
Switzerland	Swiss Market	11,078	2.47	1.79	-5.64	-8.92	2.83	1.82	3.52
South Korea	Kospi	2,473	8.06	0.88	-7.38	-12.91	-2.32	5.79	-0.03
Japan	Nikkei	27,969	1.43	-0.80	2.19	0.53	2.18	6.27	4.24
Hong Kong	HangSeng	18,597	27.51	-6.78	-11.96	-20.78	-15.98	-10.94	-8.61
China	SSE Composite	3,151	9.21	-2.35	0.07	-11.58	-3.61	3.14	-1.02
Taiwan	Taiwan Capitalization Weighted Stock	14,880	15.40	-0.50	-10.42	-14.62	4.13	8.98	7.09
Singapore	Strait Times	3,290	6.59	1.58	1.59	8.19	8.29	1.00	-0.85
Indonesia	Jakarta Composite	7,081	-0.26	-1.09	0.62	8.38	12.33	5.60	3.53
Malaysia	KLSE	1,489	2.01	-1.54	-3.51	-1.66	-2.39	-1.58	-2.82
Brazil	Ibovespa Sao Paulo	110,910	-4.72	0.44	-0.11	8.85	0.92	0.82	9.03
India	Nifty 50	18,758	4.28	5.63	12.59	10.45	19.65	15.85	12.89

Data as on 30 November '22. Source: ICRA Analytics (<http://www.icraanalytics.com/legal/standard-disclaimer.html>)

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Global Equity Market Performance across Calendar years



2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022* (%)
U.S.-S&P 500 0.00	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 8.09
U.S.-Nasdaq -1.80	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. 2.55
U.K. -5.55	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 -2.86
South Korea -10.98	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 -5.79
Germany -14.69	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 -9.37
France -16.95	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 -13.42
Japan -17.34	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	U.S.- S&P 500 -14.39
Hong Kong -19.97	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	South Korea -16.96
China -21.68	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	Hong Kong -20.52
India -24.62	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 26.70

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

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* Performance as on 30 November 2022. Source: MorningStar Direct

Asset Class Performance



2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022* (%)
Gold 31.82	Mid Cap 43.99	Intl 30.44	Small Cap 69.57	Small Cap 10.20	G-Sec 14.24	Small Cap 57.47	G-Sec 8.00	Intl 28.89	Gold 27.88	Small Cap 61.94	Gold 9.76
Bonds 6.92	Small Cap 37.94	Large Cap 6.76	Mid Cap 60.26	Bonds 8.63	Bonds 12.91	Mid Cap 54.53	Gold 7.87	Gold 23.79	Small Cap 25.02	Mid Cap 46.81	Large Cap 8.09
G-Sec 5.29	Large Cap 27.53	Bonds 3.79	Large Cap 31.39	Mid Cap 8.41	Gold 11.35	Large Cap 28.74	Bonds 5.91	Large Cap 12.00	Mid Cap 24.13	Intl 24.76	Mid Cap 4.76
Intl -0.51	Intl 13.84	G-Sec 2.65	G-Sec 15.28	G-Sec 8.17	Intl 9.70	Intl 19.40	Large Cap 3.13	G-Sec 11.34	Intl 18.81	Large Cap 24.12	Bonds 2.05
Large Cap -24.68	Gold 12.27	Mid Cap -3.01	Bonds 14.31	Intl -1.09	Mid Cap 5.41	Gold 5.12	Intl -6.55	Bonds 10.72	Large Cap 14.86	Bonds 3.44	G-Sec 1.99
Mid Cap -32.17	G-Sec 11.11	Gold -4.50	Intl 11.07	Large Cap -4.06	Large Cap 3.01	Bonds 4.71	Mid Cap -13.26	Mid Cap -0.28	G-Sec 13.2	G-Sec 3.13	Small Cap -1.92
Small Cap -36.11	Bonds 9.34	Small Cap -8.14	Gold -7.91	Gold -6.65	Small Cap 0.36	G-Sec 3.52	Small Cap -26.68	Small Cap -8.27	Bonds 12.25	Gold -4.21	Intl -17.98

Index used for each of the Asset Class: Gold: Domestic Prices of Gold, Intl: Russell 1000 Index, G-Sec: ICRA Composite Gilt Index, Bonds: CRISIL Composite Bond Fund 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 30 November 2022. Source: ICRA Analytics (<http://www.icraanalytics.com/legal/standard-disclaimer.html>)

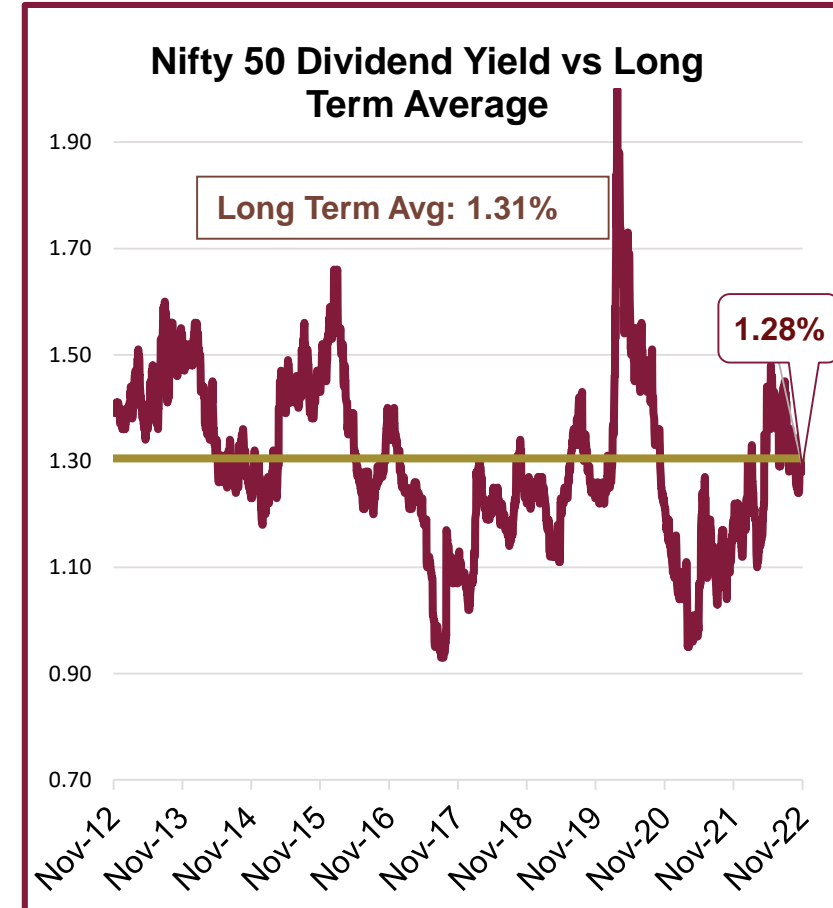
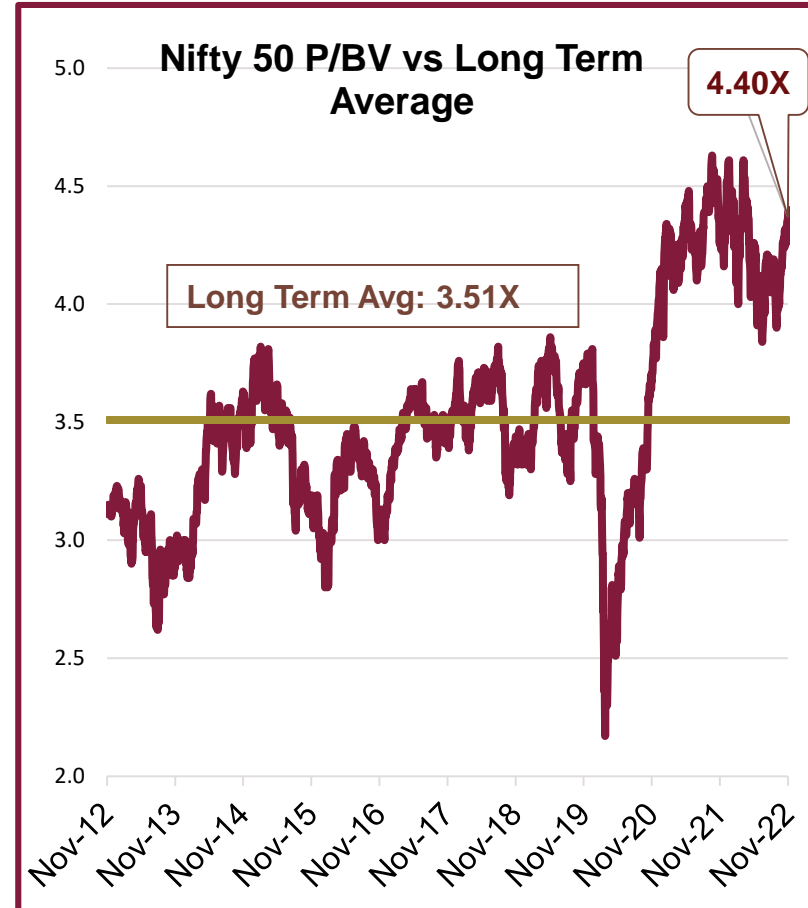
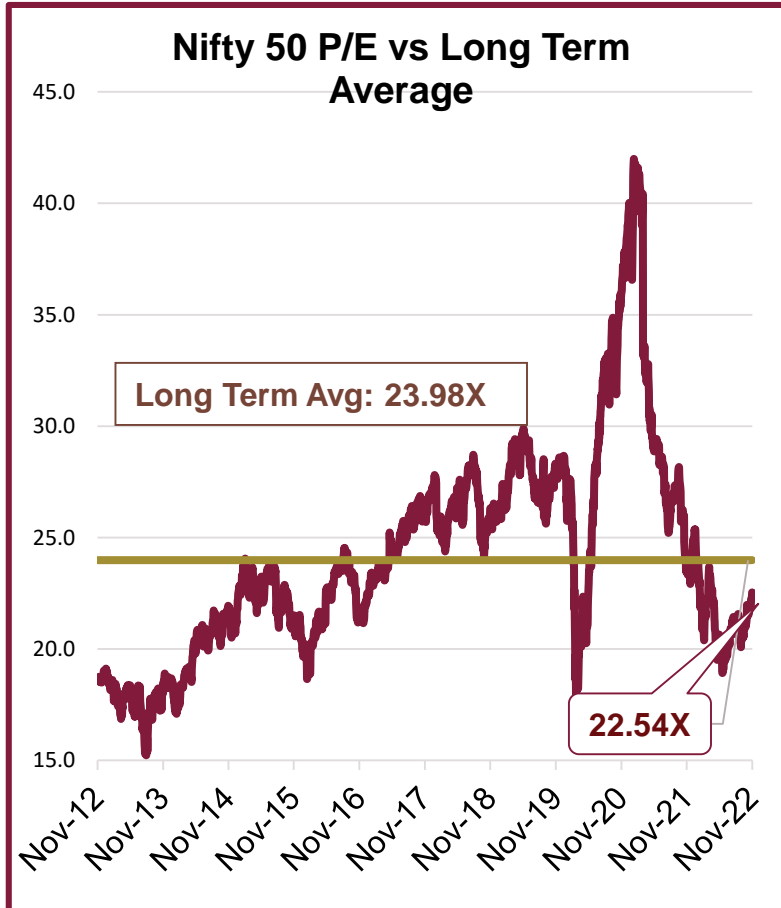
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Valuations on the Trailing P/E, P/BV & Div. Yield Metrics

Nifty 12-month trailing P/E of 22.54X is lower than its historical long-term average of 23.98X

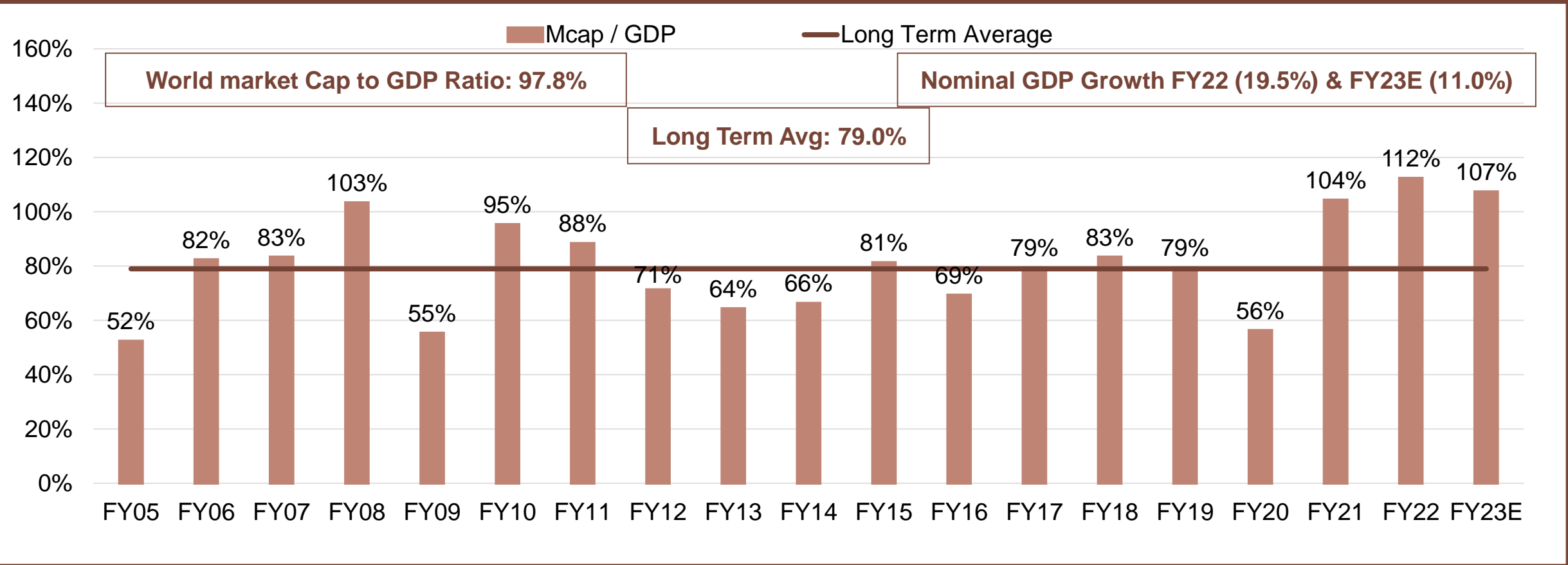
At 4.40X, the Nifty Trailing P/B is above the historical long-term average of 3.51X

At 1.28%, the Nifty Trailing Dividend Yield is in line with the historical long-term average of 1.31%



Valuations on a Market Capitalisation / GDP perspective

On Market Capitalisation to GDP parameter (FY23E 107%) India is trading above the long term average of 79% and also above the world average of 98%.



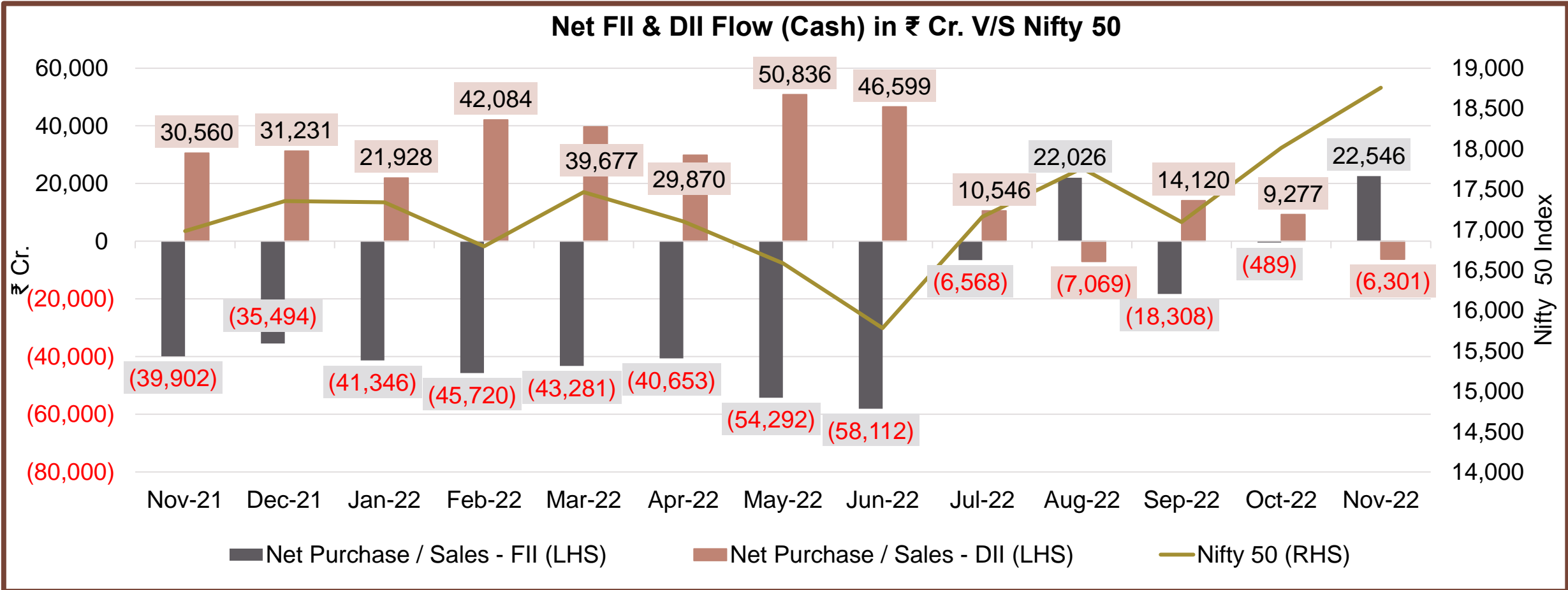
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Source: Kotak AMC, Monthly Market Outlook, November '22

FII & DII Flow into Equity

- The market turned the slate once again in November, FIIs were net buyers, while the DIIs were net sellers for the month.
- In line with the FIIs, the markets too which slipped in September once again displayed a comeback in October and November 2022.



Mutual Fund Category Average Performance - November 2022



- **For November month**, all the categories were in the green with the Value, Dividend Yield and Contra outperforming the rest. While market cap wise, Large cap was the top performer. Mid and Small cap categories underperformed Large cap. Among the sectoral funds too, all the sectors were in green, with the exception of Consumption which was marginally in red. Technology and Financial Services were top gainers.
- **For the trailing 3-months and trailing 6 months**, all the categories & sector funds were in the green.
- **For the full year**, all the categories were in green with Contra and Value delivering the highest return. Among the sector based and thematic funds, FMCG was the top performed; 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 Mid Cap & Small Cap outperforming the rest. Among the sector and theme-based funds Technology, Healthcare and Infrastructure were the top performers.
- **With respect to the 5-year CAGR returns**, most the categories delivered early double digit return with the exception of Technology which clocked in gains of ~24.00%.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Large Cap	2.91	4.53	12.71	7.87	19.38	15.09	11.42
Large & Mid Cap	2.23	3.60	13.00	7.19	23.63	18.53	11.56
Multi Cap	1.93	4.27	13.96	8.52	27.69	20.42	13.24
Flexi Cap	2.16	3.34	11.78	6.00	21.00	17.17	11.80
Mid Cap	1.01	1.79	12.84	7.17	26.24	23.20	12.01
Small Cap	1.45	3.06	13.31	7.16	34.06	30.98	13.06
Focused	2.17	3.86	12.49	6.48	21.52	16.85	10.96
ELSS	2.44	4.23	12.63	7.40	21.30	17.01	10.91
Contra	3.04	5.73	15.43	13.60	28.08	22.64	13.67
Dividend Yield	3.13	4.63	11.44	9.36	25.14	20.32	11.26
Value	3.25	5.82	14.28	10.97	25.45	19.39	10.13
Sectoral / Thematic							
Consumption	-0.06	2.28	14.95	11.86	24.71	18.84	12.59
Infrastructure	2.68	4.31	16.17	14.19	35.49	22.28	10.02
Financial Services	4.06	6.85	19.14	14.11	18.31	10.00	9.38
FMCG	2.25	4.09	14.56	21.44	24.83	15.98	12.78
Healthcare	0.86	5.45	8.30	-3.17	9.49	23.13	13.96
Technology	4.74	6.60	4.36	-11.62	23.87	30.40	23.72

Debt Market – Review



Debt Market Roundup - Key Takeaways



- The **India 10-Year G-sec yields rose** for the month of November to closed lower **at 7.28%** as against 7.45% at the end of October.
- In India, month saw a lower MoM growth in inflation print, a better industrial production number to a month ago, pressure on currency releasing and a lower trade deficit number.
- Further, gains increased after the U.S. Consumer price index-based inflation slowed in Oct 2022 and the minutes of the US Federal Reserve's Nov 2022 meeting indicated slower pace of rate increases from Dec 2022.
- Back in India, fall in global crude oil prices added to the gains in the bond market and reduced the pressure on currency; on back of lower than expected trade deficit for the fiscal.

Outlook:

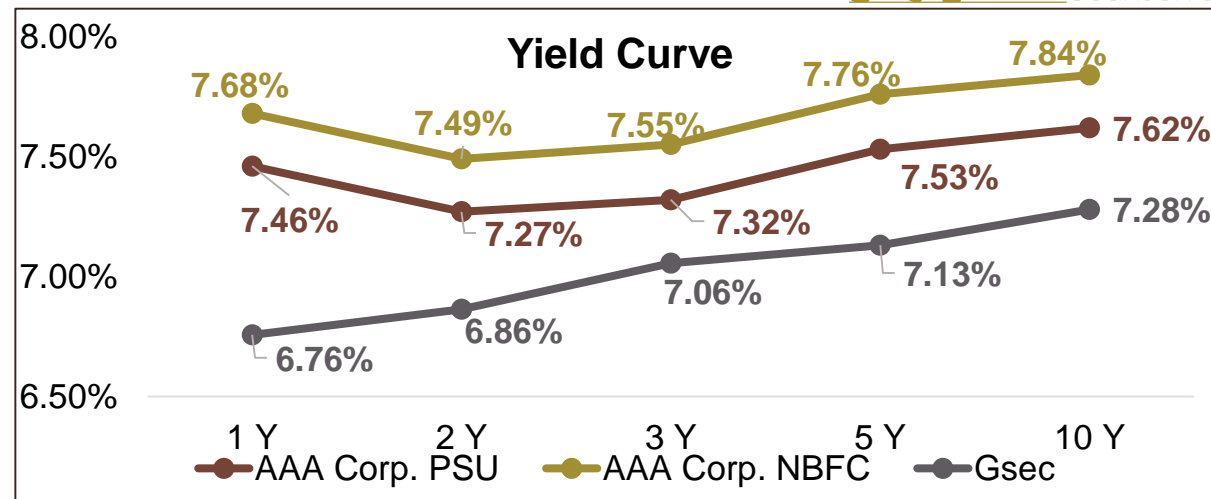
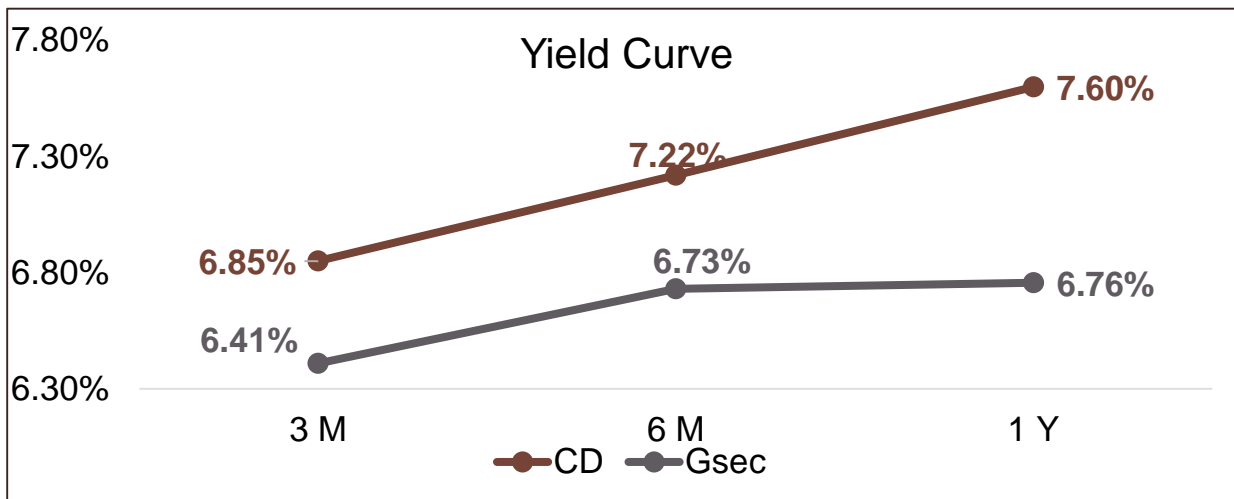
- Persistently strong inflation has forced the central banks globally to front-load and exercise larger rate hikes and withdraw surplus liquidity at faster pace.
- Now with **inflation both in India and U.S. showing signs of peeking out**, what has to be seen is what approach the respective Central Banks will take on their upcoming policy meet scheduled in December 2022 (U.S.) and February 2023 (India & U.S).
- With the **RBI stance of taking out excess liquidity from the system** directly through CRR hike and interest rate hike initiated in the economy, we continue to maintain our stance of **investing in shorter end of the curve (upto 2 years)** through mutual fund categories like Ultra Short Duration, Low Duration or Floating Rate Funds till the time rates stabilize.
- For **more than 2 years horizon**, **Short Term Funds, Banking & PSU Debt Funds and Target Maturity Funds** continue to be our preferred categories. 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 - November 2022

	Latest (30 Nov '22)	One Month Ago (31 Oct '22)	One Quarter Ago (31 Aug '22)	Half Year Ago (31 May '22)	One Year Ago (30 Nov'21)	M-o-M Change (bps)
Interest Rates						
Repo rate	5.90%	5.90%	5.40%	4.40%	4.00%	0
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	0
CD Rates						
3 month	6.85%	7.00%	5.93%	5.10%	3.53%	-15
6 month	7.22%	7.28%	6.27%	5.73%	3.98%	-6
1 Year	7.60%	7.65%	6.87%	6.33%	4.33%	-5
T-Bill/G-sec						
91 Days	6.39%	6.42%	5.64%	4.88%	3.49%	-3
364 Days	6.84%	6.91%	6.28%	5.93%	4.11%	-7
India 10 Year G-Sec Yield	7.28%	7.45%	7.19%	7.42%	6.33%	-17
AAA Corp. Bonds (PSU)						
1 Year	7.46%	7.41%	6.55%	6.76%	4.74%	5
3 Year	7.32%	7.64%	7.05%	7.24%	5.55%	-32
5 Year	7.53%	7.65%	7.29%	7.48%	6.03%	-12
AAA Corp. Bonds (NBFC)						
1 Year	7.68%	7.62%	6.92%	6.85%	4.87%	6
3 Year	7.55%	7.80%	7.47%	7.39%	5.80%	-25
5 Year	7.76%	7.92%	7.72%	7.69%	6.13%	-16
International Markets						
10 Year US Treasury Yield	3.61%	4.05%	3.11%	2.85%	1.46%	-44

- The money market instruments witnessed softening of the yields as the prices of both the T-Bills and Certificate of Deposits rose significantly.
- The U.S. Treasury Yields too softened as the Fed Chair in a meet talked about moderation in the December FOMC meet.
- In India, the yields of 10 year G-sec also softened in line with its global peers.
- Both the AAA Corp. PSU & NBFC witnessed softening of the yields largely in the longer end of the curve and hardening in the shorter end leading to a slightly inverted yield curve.
- RBI's repo rate stands at 6.25% (35 bps hike done in Dec 2022 meet) taking the tally of rate hikes to 225 basis points since its first unscheduled mid-meeting in May 22.

Yield Curve and Policy Rates & Reserve Ratios – as on 30 November 2022

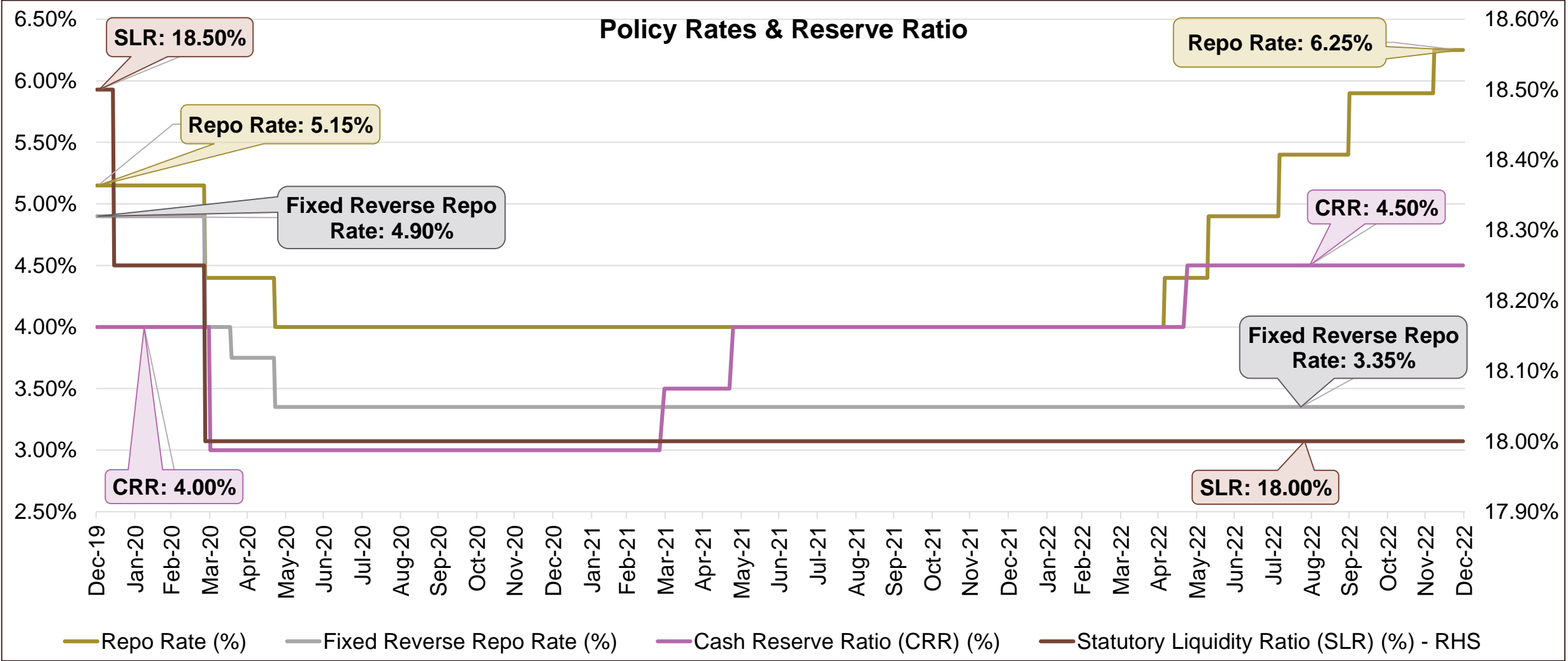


Data as on 30 Nov '22; Source: IDFC AMC, Investing.com

Policy Rates / Reserve Ratio	Current
CRR	4.50%
SLR	18.00%
SDF	6.00%
Repo Rate	6.25%
MSF	6.50%
Bank rate	6.50%
Fixed Reverse Repo Rate	3.35%

- **The yield curve which was an upward sloping or a normal yield curve where the longer-term bonds have higher yields than short-term ones, is now displaying signs of being slightly inverted.** This phenomena is reflected in the AAA Corporate PSU curve and AAA Corporate NBFC curve, where the 1 year yields is higher than the 2 and 3 year yield.
- The **spreads between AAA Corporate PSU and the respective tenure GSec** at the end of the month were in the range of 27 - 70 bps, while **AAA Corporate NBFC** is in the range of 50 - 92 bps.
- The RBI in an off-cycle policy meet in May increased the policy rates & reserve ratio for the first time in 4 years, later in **June, August, September and December** in a scheduled policy meet it increased the repo rate further and changed the stance to “withdrawal of accommodation”.
- **With the monetary policy normalising across the globe, there could be further hardening of short-term rates in the coming months.**

Policy rate & Reserve Ratio movement since Jan '20

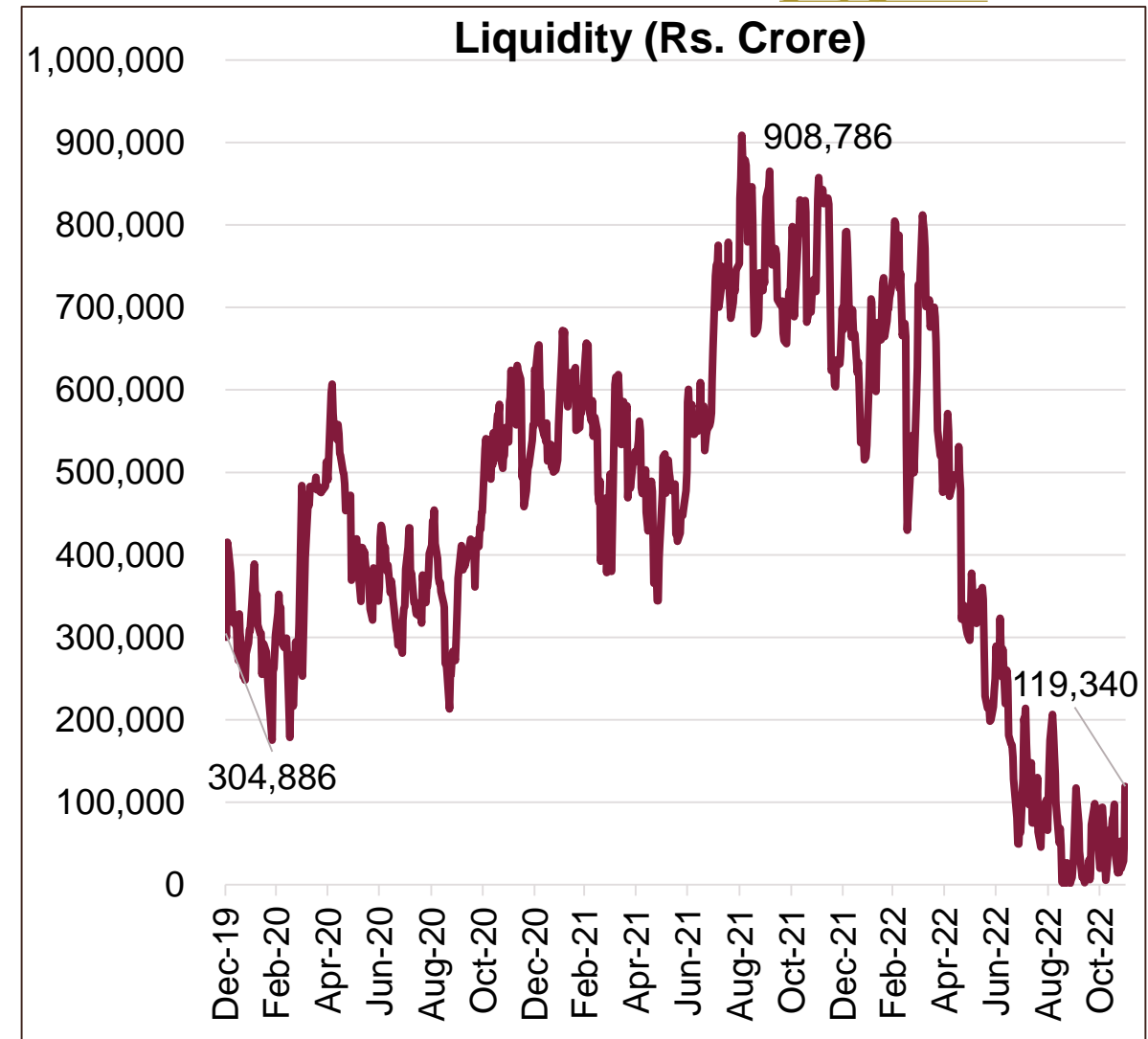


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Source: IDFC AMC

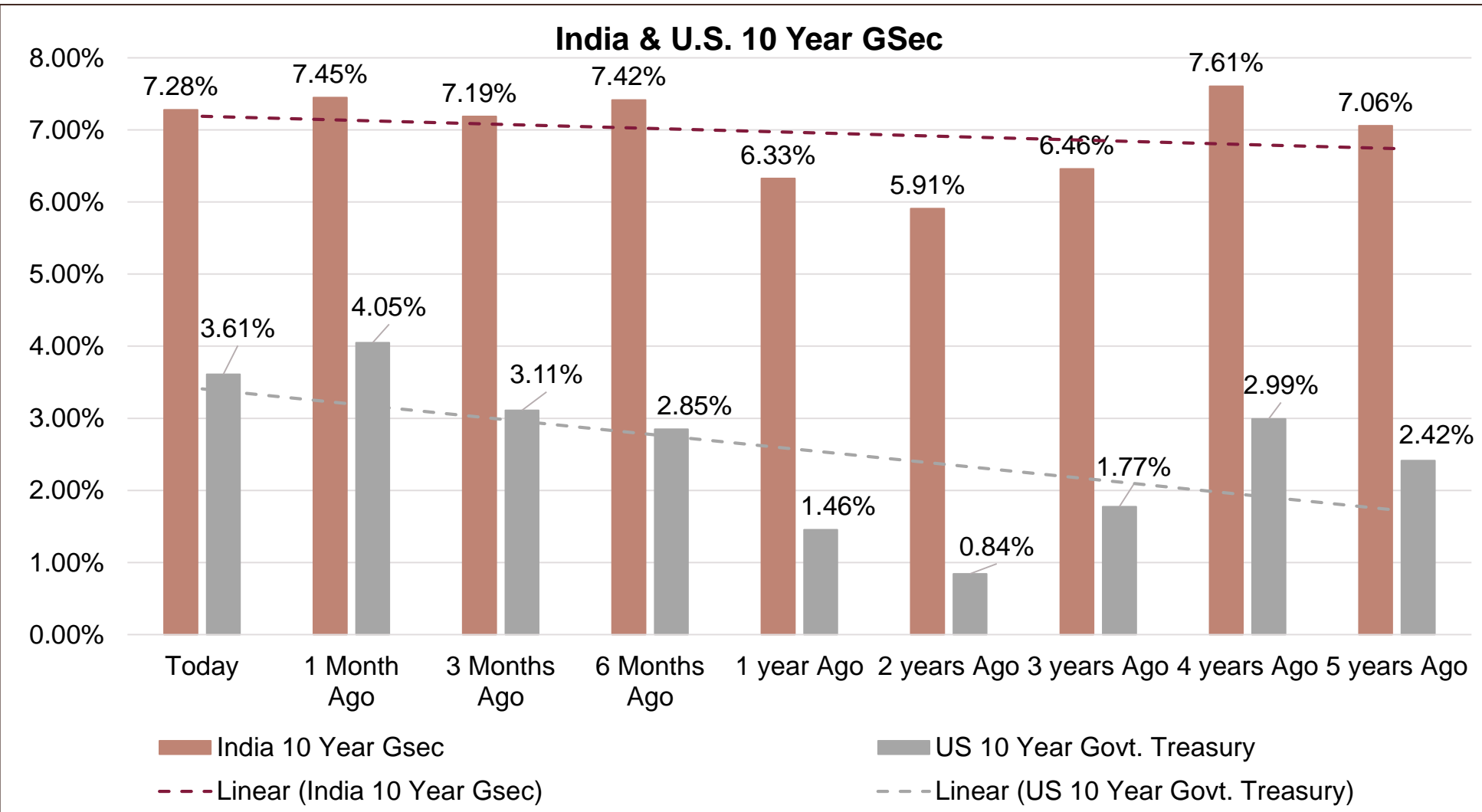
Liquidity in the system

- 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.
- Further in an **off-cycle policy meet in May**, the RBI increased the **CRR by 50 bps to 4.50%** and later in June it stated that “RBI will ensure availability of adequate liquidity to meet the productive requirements of the economy”.
- In December policy meet, the governor stated **overall system liquidity remains in surplus**. During October-November, the average total absorption under the liquidity adjustment facility (LAF) was ₹1.4 lakh crore, down from the average of ₹2.2 lakh crore during August-September. Further he added in the period ahead, **liquidity conditions are likely to improve** due to several factors which would include moderation in currency in circulation in the post-festival period, pick up in government expenditure in the last few months of the financial year and higher forex inflows due to the return of portfolio investors.



Source: IDFC AMC

Yields Movement across - India and U.S. - as on 30 November 2022



- The 10-year G-sec of both India and U.S. has **peaked out in 4 years ago in October 2018** to touch a high of 7.61% and 2.99%, respectively.
- Since then, it is noticed that the yields have been tapering over a period of time.
- However, since the **past 2 years the yields are hardening once again.**

Category Average wise - 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 not much 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, they are at a multi year low as rates have started to increase in the economy.

Category	YTM				
Money Market	Nov-22	Aug-22	May-22	Nov-21	Nov-20
Liquid	6.51	5.64	4.68	3.52	3.07
Ultra Short Duration	7.00	6.14	5.51	3.95	3.66
Low Duration	7.31	6.43	5.89	4.32	3.99
Money Market	6.96	6.18	5.58	3.78	3.30
Accrual					
Short Duration	7.40	6.74	6.30	4.95	4.69
Medium Duration	7.61	7.20	7.19	5.83	6.40
Banking & PSU Debt Fund	7.34	6.72	6.29	5.11	4.83
Corporate Bond Fund	7.48	6.84	6.53	5.19	4.80
Floating Rate	7.38	6.48	6.06	4.94	4.74
Credit Risk	8.09	7.48	7.18	6.20	7.30
Duration					
Medium To Long Duration	7.42	6.99	6.88	5.36	5.95
Long Duration Fund	7.66	7.48	7.57	6.83	6.40
Dynamic	7.28	6.71	6.22	5.46	5.76
Gilt	7.08	6.72	6.01	5.30	5.86
Gilt - 10 Year	7.45	7.16	7.37	6.29	5.96
Passives					
Passives / Target Maturity Funds	7.49	7.12	7.31	5.99	5.73

Average Maturity				
Nov-22	Aug-22	May-22	Nov-21	Nov-20
0.10	0.10	0.09	0.07	0.08
0.38	0.38	0.39	0.35	0.40
1.34	1.25	1.22	1.12	0.99
0.33	0.40	0.44	0.22	0.33
2.15	2.23	1.87	2.25	2.84
3.92	3.98	3.74	3.81	4.58
2.93	2.85	2.67	3.31	3.65
2.62	2.57	2.45	3.03	3.37
3.81	3.62	3.37	3.81	2.62
2.61	2.43	2.44	2.72	2.48
5.83	6.21	5.55	5.34	8.26
16.88	17.14	17.09	19.04	18.12
4.15	4.56	3.70	4.82	6.72
4.32	5.97	3.68	6.20	10.80
9.54	9.42	9.43	9.57	9.47
4.40	4.43	4.71	5.11	6.50

Modified Duration				
Nov-22	Aug-22	May-22	Nov-21	Nov-20
0.09	0.09	0.08	0.07	0.07
0.34	0.34	0.36	0.31	0.38
0.65	0.65	0.62	0.61	0.80
0.33	0.39	0.43	0.22	0.32
1.59	1.59	1.35	1.66	2.32
2.70	2.77	2.72	2.82	3.46
1.79	1.88	1.74	2.30	2.79
1.66	1.65	1.68	2.16	2.63
0.99	0.94	0.96	1.19	1.38
1.71	1.67	1.74	2.03	1.95
3.91	4.14	3.71	3.73	5.89
8.71	8.93	8.73	9.59	9.50
2.48	2.72	2.28	3.31	4.78
2.69	3.68	2.22	3.67	6.99
6.64	6.71	6.62	6.70	6.81
3.50	3.51	3.69	4.02	4.78

Debt Category Average Performances – November 2022



- **During the month** under consideration all the categories were in the green as yields softened across most of points on the curve.
- With respect to the **3 months and 6 months trailing returns** the too all the categories were in the green with the Money Market categories outperforming the rest in 3 months horizon and Duration categories in the 6 months horizon.
- **For the full year** all the categories were in the green, with our suggested categories such as Ultra Short Duration, Money Market, Low duration, Short Duration, Floating Rate, Banking & PSU Debt Fund & Corporate Bond Fund delivered decent returns.
- **On a 2-year CAGR** basis all of 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, Short Duration, Banking & PSU, Corporate Bond, 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 Liquid, Medium Duration and credit risk have been adjusted for one time anomalies in these categories.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Money Market							
Overnight	0.47	1.40	2.60	4.37	3.72	3.63	4.50
Liquid	0.45	1.26	2.34	3.90	3.35	3.39	4.67
Ultra Short Duration	0.53	1.28	2.50	4.01	3.82	4.33	5.14
Low Duration	0.58	1.24	2.52	3.79	3.77	5.10	5.22
Money Market	0.55	1.32	2.55	4.10	3.76	4.47	5.68

Accrual	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Short Duration	1.03	1.40	2.93	3.84	3.94	5.50	5.62
Medium Duration	0.95	1.04	2.98	2.20	3.85	4.40	4.80
Banking & PSU Debt Fund	0.75	1.07	2.68	3.02	3.37	5.49	6.52
Corporate Bond Fund	0.77	1.12	2.73	2.83	3.30	5.60	6.35
Floating Rate	0.64	1.35	2.78	3.73	3.95	5.57	6.34
Credit Risk	0.71	1.16	2.97	3.90	5.46	5.49	5.00

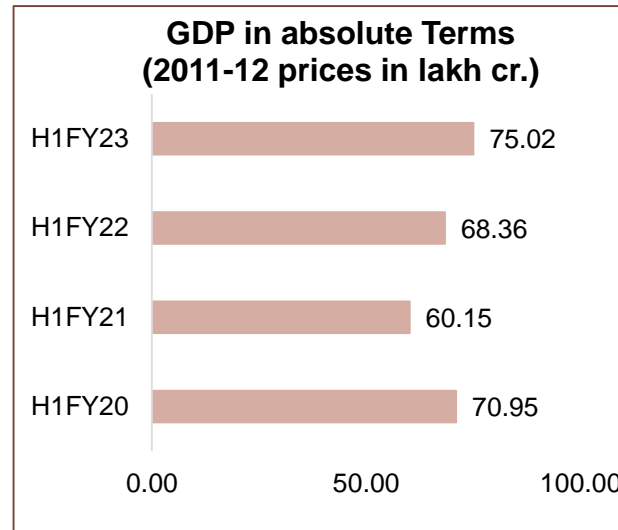
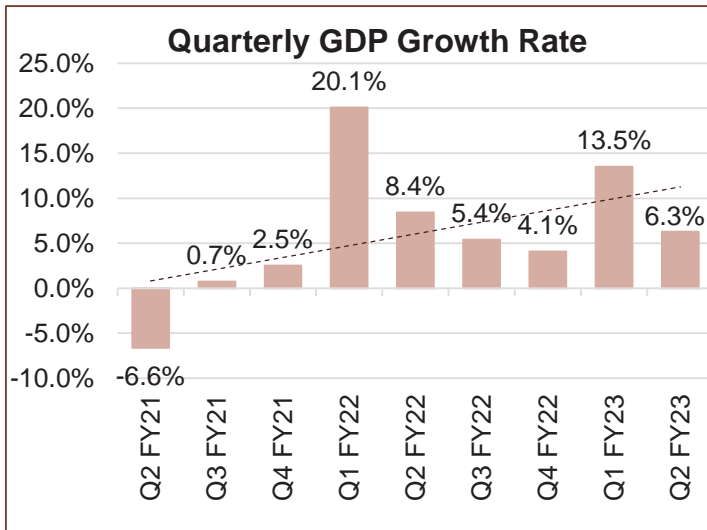
Duration	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Medium To Long Duration	1.15	1.06	3.32	2.03	2.75	4.96	5.26
Long Duration Fund	1.65	1.27	5.05	0.83	1.54	4.96	6.09
Dynamic	0.92	1.11	3.15	2.57	3.26	5.31	5.82
Gilt	1.01	1.10	3.20	1.78	2.41	5.10	6.12
Gilt - 10 Year	1.63	0.89	4.20	0.11	1.51	5.01	7.11

Passives	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Passives / Target Maturity Funds	1.20	1.09	3.73	2.18	4.00	--	--

Source: Morningstar Direct

Event Update

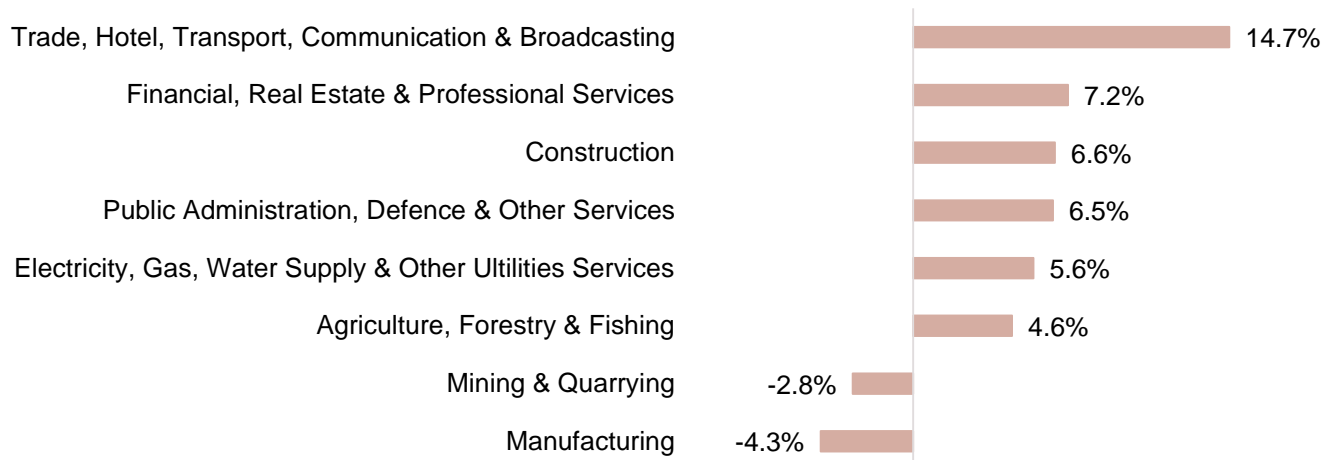
India's GDP grows at 6.3% in Q2FY23



Key Highlights:

- India's GDP for the July-Sep quarter (Q2) of the ongoing financial year 2022-23 rose 6.3%.
- **Gross Value Added (GVA) in Q2FY23** grew at a slower pace (5.6%) as against a growth of 8.3% during the same period last year.
- **In absolute terms for the April – September 2022 half year**, GDP just inched above the pre-pandemic levels i.e. 2019-20 levels of ₹70.95 lakh crore v/s 2022-23 levels of ₹75.02 lakh crore. The GDP growth was dragged down mainly by the **poor performance of manufacturing and mining sectors**.
- The **Private Final Consumption Expenditure (PFCE)**, which is a significant component of overall GDP numbers, rose by 9.74% in Q2FY23 over Q1FY22 number, and came in at ₹22.30 lakh crore. **Government final consumption expenditure (GFCE)** reported a de-growth of 4.36%, on account of high base effect after the Centre had announced a slew of schemes hoping to raise demand in the economy in the same quarter last year. At ₹3.36 lakh crore, GFCE constituted 8.80% of the GDP.
- **Investments, as reflected by Gross Fixed Capital Formation (GFCF)**, rose by 10.38% in quarter y-o-y, compared to 14.61% expansion in the same quarter previous year. Its share in GDP recovered to 34.6% in the July – Sep 2022 quarter.

GVA Year-on-Year % change Q2FY2023



RBI hikes repo rate for the fifth time in a row, albeit to a lower extent



Key Highlights

- Hiked Repo Rate by 35 bps to 6.25% by a majority vote
- Cash reserve ratio (CRR) kept unchanged at 4.50%
- The MPC voted on “withdrawal of accommodation” to ensure that inflation remains within the target going forward, while supporting growth
- FY23 Inflation projection retained at 6.7%
- FY23 Growth projection cut from 7.0% in September to 6.80%
- Both the bond and the equity markets closed the day in the negative territory

Policy Rates / Reserve Ratio	30 Sep '22	7 Dec '22	Status
CRR	4.50%	4.50%	↔
SLR	18.00%	18.00%	↔
SDF	5.65%	6.00%	↑
Repo Rate	5.90%	6.25%	↑
MSF	6.15%	6.50%	↑
Bank rate	6.15%	6.50%	↑
Fixed Reverse Repo Rate	3.35%	3.35%	↔

Growth Outlook

- Real GDP grew by 6.3% (y-o-y) in Q2FY23, led by robust growth in private consumption and investment demand.
- Urban consumption firmed up further, driven by sustained recovery in discretionary spending, especially on services such as travel, tourism and hospitality. Rural demand is recovering as reflected in the pace of tractor and retail two-wheeler sales, with rising farm activity. Investment activity is also gaining traction.
- Real GDP growth for FY23 is projected at 6.8% down from 7.0% projected in September 2022.

Inflation Outlook

- Food inflation is likely to moderate with the usual winter softening and the likelihood of a bountiful rabi harvest, but pressure points remain in the form of prices of cereals, milk and spices in the near-term.

Currency

- On a financial year basis (i.e., from April 2022 to October 2022), the INR has appreciated by 3.2% in real terms, even as several major currencies have depreciated.

Market Reaction

- Both the bond market and the equity markets reacted negatively on a rather hawkish stance by MPC. The 10-year India Government bond yields rose from 7.25% close of 6 Dec '22 to close at 7.28% on 7 Dec '22.

Source: RBI

Thank You!

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