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Macro-economic developments

- The Organization for Economic Co-operation and Development (OECD) predicted global growth to ease 2.2% in 2023 from 3.1% in 2022. In 2024, growth is projected to be 2.7%, helped by initial steps to ease policy interest rates. The United States GDP is projected to grow by 1.8% in 2022, 0.5% in 2023 and 1.0%

in 2024. High inflation and tighter financial conditions will further skewed spending plans across the economy.

- In the euro area, after a strong first half of the year, real GDP growth is projected at 3.3% in 2022 and only 0.5% in 2023 owing to Russia's war of aggression against Ukraine, monetary policy tightening and the global slowdown. Growth is projected to rebound to 1.4% in 2024 as consumption and investment pick up. Inflation is set to decline only gradually, remaining above target in 2024.
- As per OECD Economic Outlook Nov 2022, India is set to be the second-fastest growing economy in the G20 in FY 2022-23, despite decelerating global demand and the tightening of monetary policy to manage inflationary pressures. GDP growth will slow to 5.7% in FY 2023-24, as exports and domestic demand growth moderate. Inflation will skewed private consumption but moderate at the end of the projection period, helping, along with improved global conditions, to boost growth to 6.9% in FY 2024-25., in line with the 20-year average (excluding the COVID-19 recession).
- The U.S. annual inflation rate slowed for a 4th month to 7.7% in Oct 2022, the lowest since January, and below forecasts of 8%. It compares with 8.2% in Sep 2022. Compared to the previous month, the CPI rose 0.4%, below expectations of 0.6%. The core inflation (ex food and energy) rose 6.3%. A slowdown was also seen in food (10.9% vs 11.2%). Still, figures continue to point to strong inflationary pressures and a broad price increase across the economy.
- India's gross domestic product (GDP) grew 6.3% on a YoY basis for the quarter ended Sep 30, 2022 as compared to a growth of 8.4% in the same period of the previous year. The Gross Value Added (GVA) agriculture grew at 4.6%, public administration, defense and other services, which represent government expenditure, grew 6.5% and construction sector grew 6.6%. The manufacturing and mining sectors recorded a fall in growth at 4.3% and 2.8%, respectively, during the quarter ended Sep 2022.
- India's Index of Industrial Production (IIP) rose 3.1% YoY in Sep 2022 as against 4.4% rise in Sep 2021. As per the sectoral classification, manufacturing sector rose 1.8% YoY in Sep 2022 from 4.3% rise in Sep 2021. Mining sector rose 4.6% in Sep 2022 from 8.6% growth a year ago, while electricity rose 11.6% in Sep 2022 from 0.9% in Sep 2021.
- India's merchandise exports fell to \$29.78 billion in Oct 2022 from \$35.73 billion in Oct 2021. Merchandise imports rose to \$56.69 billion in Oct 2022 from \$53.64 billion in Oct 2021. During Apr to Oct 2022, exports rose to \$263.35 billion and imports rose to \$436.81 billion. The merchandise trade deficit for Apr-Oct 2022 was estimated at \$173.46 billion as against \$94.16 billion in Apr-Oct 2021.
- According to Department for Promotion of Industry and Internal Trade (DPIIT), Foreign Direct Investment (FDI) equity inflows into India contracted 14% to USD 26.9 billion during the Apr 2022 - Sep 2022 as against USD 31.15 billion during the same period in FY22. The total FDI inflows also declined to USD 39 billion during the first six months of FY23 as against USD 42.86 billion in FY22.
- India's Manufacturing Purchasing Managers' Index rose to 55.7 in Nov 2022 from 55.3 in Oct 2022. India's manufacturing sector expanded at its highest rate in three months in Nov as input cost inflation dropped to a two-year low in spite of the worsening state of the global economy.
- India's Services Purchasing Managers' Index rose to 56.4 in Nov 2022 from 55.1 in Oct 2022. Strong demand, effective marketing, and a consistent uptick in sales all contributed to the increase in the service activity. The overall S&P Global India Composite PMI Output Index rose to 56.7 in Nov 2022 from 55.5 in Oct 2022.
- India's eight core sector growth slowed to 0.1% in Oct 2022 as against 8.7% in the same month last year. In Sep 2022, the core sectors' output growth stood at 7.8%. The cumulative growth in the eight core industries till Oct in FY23 was 8.2%. In the corresponding months in FY22, the cumulative growth stood at 15.6%.
- India's fiscal deficit stood at 45.60% of the Budget Estimates (BE) from Apr to Oct of FY23. The revenue deficit stood at 38.80% of Budget estimate. Total receipts stood at Rs. 13.86 lakh crore or 60.7% of the budget target as compared to 64.7% in the corresponding period of the previous year. Total expenditure stood at Rs. 21.44 lakh crore or 54.3% of the budget estimate as compared to 52.4% in the corresponding period of the previous year.

- Brent crude oil prices fell substantially around 10% during the month of Nov 2022 due to the latest sanctions on Russia, including a US-led price cap on Urals and a European Union embargo on seaborne imports of Russian oil, the Brent crude closed at \$85.43/bbl compared to \$94.83/bbl previous month close. Currently it is traded even below at \$77.17/bbl.
- The Indian rupee against USD remained volatile during the month of Nov 2022, appreciated around 2% and closed at 81.35/\$ as compared to 82.77/\$ close of the previous month. The Indian rupee soared at 82.5/\$ in Dec 2022, the lowest in one month and not far from the record low of 83 touched on Oct 19th 2022.

Equity market developments and Outlook

- The Nifty 50 Index gained 4% during the month. The other market cap indices, Nifty Midcap 50 & Nifty Smallcap 100 also gained 2% & 3% respectively however underperformed large cap.
- On the sectoral front – Auto, consumer durables and power were down 1%, 3% & 4% respectively. Metals, Oil & Gas and IT indices were the top gainers and were up 7%, 6% and 6%, respectively.
- The MSCI world index gained ~7% during the month of Nov 2022. The U.S. benchmark S&P 500 index returned positive to 5% while within Europe, major markets like UK, France & Germany also gained ~7%, ~8% & ~9% respectively during the month.
- Within Asian markets, except Indonesia, all other markets closed in green. Hong Kong, Taiwan & China were the top gainers, rose 26.6%, 17.8% & 8.9% respectively.
- Foreign portfolio investors (FPIs) flows remained positive and registered a strong inflow of Rs.38,234 crores during the month of Nov 2022 compared to a net equity inflow of Rs. 8,431 crores in the previous month.
- After witnessing a net equity inflow in Oct 2022, Domestic Institutional Investors (DIIs) flows turned negative and registered outflow of Rs.6,302 crores in the month of Nov 2022 compared to net inflow of Rs. 9,197 crores in the previous month.
- Lower than expected US CPI inflation and dovish remarks in the US Federal Reserve meeting minutes resulted in softening of bond yields, which helped global equity markets to also rally during Nov 2022. In India Q2FY22 corporate earnings were in line with the expectation, Indian markets also witnessed rally but slightly underperformed its peers during the month.
- Investors can continue to invest systematically in equities. Any market volatility/dips can be used as an opportunity to increase their equity exposure gradually, as per their individual risk profile.

Fixed Income market developments and Outlook

- The 10-year benchmark yield was quite volatile during the month, fell substantially and closed at 7.28%, which is 17 bps down compared to the previous month close of 7.45%.
- The Monetary Policy Committee (MPC) in its bi-monthly monetary policy review raised key policy repo rate by 35 bps to 6.25% (highest repo rate since August 2018). This was the fifth consecutive rate hike by the MPC in this fiscal. With this rate hike, the repo rate has been raised by 225 bps since May 2022. Consequently, the standing deposit facility (SDF) rate stands adjusted to 6.00%. The marginal standing facility (MSF) rate and the Bank Rate stand adjusted to 6.50%. The MPC also remained focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.
- MPC projected inflation at 6.7% for FY23. Inflation for Q3FY23 was projected at 6.6%, for Q4FY23 at 5.9%, for Q1FY24 at 5.0% and for Q2FY24 at 5.4%. MPC lowered its earlier projection of the GDP growth for FY23 at 6.8% vs 7%. The GDP growth for Q3FY23 was projected at 4.4%, for Q4FY23 at 4.2%, for Q1FY24 at 7.1% and for Q2FY24 at 5.9%.
- India's consumer price index-based inflation (CPI) eased to 6.77% in Oct 2022 as against 7.41% rise in Sep 2022. Consumer Food Price Index (CFPI) also eased to 7.01% in Oct 2022 as compared to 8.60% rise in Sep 2022. However, this is the 10th consecutive time that the CPI has come above the Reserve Bank of India's (RBI) upper margin of 6%. While core CPI inflation remained sticky and elevated at 6% Oct 2022.
- Goods and Services Tax (GST) collection rose 11% YoY to Rs. 1.45 lakh crore in November 2022. The rise came due to higher revenues from imports. The CGST accounted for Rs. 25,681 crore and SGST for Rs. 32,651 crore. The IGST accounted for Rs. 77,103 crore and Cess for Rs. 10,433 crore. This is the ninth straight month when collections from GST has remained above Rs 1.40 lakh crore. GST collections reported the second highest in October 2022.
- Foreign Portfolio Investors (FPIs) flows turned slightly positive to Rs. 718 crores in the month of Nov 2022, compared to a net outflow of Rs. 3,011 crores in the previous month.
- From an investment perspective, we prefer the short-medium term part of the yield curve.