



Macro-economic developments

- The World Bank has maintained India's growth forecast for FY24 at 6.3% in light of robust investments. Due to difficult external conditions and declining pent-up demand, growth is predicted to moderate from 7.2% in the prior fiscal year. Inflation in India was predicted to an average of 5.9% in FY24.
- The consumer price index in the US increased 3.7% YoY, the same headline CPI print as in Aug 23. The latest reading is a significant improvement from peak of 9.1% in June 2022 (COVID period), the highest rate since November 1981. The US 10 Year treasury yield reached to 5% during the month however largely remained range bound and averaged at 4.77% in Oct 23. It closed at 4.92% but the initial days of the Nov'23 it declined significantly and currently it is trading around 4.5%.
- The RBI, US Fed, ECB, BoE, BoJ and Bank of Canada held interest rates unchanged. The US Fed's policy statement remained hawkish as it reiterated that future rate hikes cannot be ruled out if the inflation continues to remain elevated and economic growth is proving to be more resilient than previously anticipated.
- Index of Industrial production in India (IIP) climbed to 10.3% YoY in Aug 2023, the highest since Jun last year, as compared to 5.7% rise in Jul 2023. Production in the manufacturing industry increased by 9.3%, in mining by 12.3% and in electricity by 15.3%.
- The Manufacturing Purchasing Managers' Index growth slowed for the second consecutive month in Oct 2023 to 55.5, compared to 57.5 in Sep 2023. There was a slower increase in total new orders, production, exports, buying levels and stocks of purchases. Cost pressures increased concurrently with a decrease in output price inflation.
- India's Services Purchasing Managers' Index (PMI) fell to a seven-month low to 58.4 in Oct 2023 from 61 in Sep 2023, due to tapered demand, price pressures, and competitive conditions. Composite PMI also fell to 58.4 from 61 in the same period.
- India's eight core sectors increased by 8.1% in Sep 2023 as compared to 8.3% in Sep 2022.
- India's fiscal deficit for the period from Apr to Sep of FY24 stood at ₹7.02 lakh crore or 39.3% of budget estimates of the current fiscal. India's fiscal deficit stood at 37.3% of the budget estimate in the corresponding period of the previous fiscal year. Total expenditure stood at ₹21.19 lakh crore or 47.1% of the budget estimate as compared to 46.2% of the budget estimate in the corresponding period of the previous fiscal year.
- The net direct tax collection was increased by 21.82% YoY to around ₹9.57 trillion up to Oct 9, 2023 due to strong inflows from corporates and individuals. The net collections have reached 52.5% of the budget estimation of ₹18.23 trillion for the entire fiscal year.
- India's merchandise trade deficit narrowed to \$19.37 in Sep 2023 from \$27.98 in Sep 2022. Exports decreased by 2.6% to \$34.47 billion in Sep 2023 from \$35.39 billion the previous year, and its imports also fell by 15% to \$53.84 billion from \$63.37 billion during the same period.
- Crude oil price declined significantly and averaged USD 89.69/bbl in Oct'23 (down ~11% MoM), it closed at USD 81.02/bbl amid growing demand uncertainties and arising concerns over potential supply disruptions in the Middle East.
- INR depreciated against USD to a record-low of 83.29/\$ on 18 Oct 2023. It averaged at 83.18/\$ during the month and closed at 83.25/\$, currently it is trading at around 83.29/\$. INR against USD has performed relatively better than its peers other Asian currencies.

Equity market developments and Outlook

- After achieving the milestone of 20000 in Sep'23, the Nifty-50 consolidated and declined 2.8% in Oct'23 due to the uncertain global environment (including the ongoing conflict in the Middle East), volatile crude oil prices, rising US bond yields and significant selling by foreign institutional investors.

The 12-month trailing P/E for the Nifty, at 20.9x, is below its LPA of 22.1x. At 3.2x, however, the 12-month trailing P/B ratio for the Nifty is above its historical average of 3.0x (7% premium). Nifty Midcap 50 fell ~5% and underperformed large cap however Nifty Small Cap 100 declined by just ~1 hence outperformed Large Cap.

- On the sectoral front – all sectoral indices declined, except Real Estate that gained 3.7%. Power, Healthcare and Metals declined 4.9%, 4.3% and 4.2%, respectively.
- The MSCI world index was down by 3% during the month of Oct 2023. The U.S. benchmark S&P 500 index fell ~3%, within Europe, major markets like UK, Germany & France also fell by ~4%, ~4% & ~4% respectively during the month.
- Within Asian markets; all major markets fell except Malaysia which was up 1.3%. South Korea, Thailand, Singapore & Hong Kong were the bottom performers and fell by ~8%, 6%, ~5% & ~4% respectively in Oct 2023.
- Foreign portfolio investors (FPIs) flows remained negative and witnessed the outflow of ₹9,320 crores during the month of Oct 2023 compared to a net equity outflow of ₹18,894 crores in the previous month.
- Domestic Institutional Investors (DIIs) flows remained positive and registered inflow of ₹16,433 crores in the month of Oct 2023 compared to net inflow of ₹20,199 crores in the previous 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

- Domestic 10Y yield inched up by 14bps and traded in the range of 7.22-7.38% in Oct'23 from 7.13-7.25% in Sep'23. Apart from global factors, the major driver towards this increase has been RBI's surprise mention of OMO sales in the policy document. Apart from this, volatility in crude prices and rise in US yield also retained pressure on domestic yields. Average system liquidity deficit rose to ₹52,034 crore in Oct'23 from ₹17,799 crore in Sep'23.
- The consumer price index based inflation dropped to 5.02% in Sep 2023 compared to 6.83% in Aug 2023. The rate fell within the RBI's upper tolerance level of 6% after remaining above in the previous two months due to a significant slowdown in food inflation. The consumer food price index eased to 6.56% in Sep from 9.94% in Aug. Core CPI (ex Food and fuel) also eased to 4.5% from 4.8%.
- The Monetary Policy Committee (MPC) in its fourth bi-monthly monetary policy kept the key policy repo rate unchanged at 6.50% for the fourth consecutive time. The standing deposit facility (SDF) rate also remains unchanged at 6.25%. All six members unanimously 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.
- The RBI projected the CPI inflation at 5.4% for FY24, with Q2 at 6.4%, Q3 at 5.6% and Q4 at 5.2%. CPI inflation for Q1 of FY25 is projected at 5.2%, the real GDP growth is projected for FY24 at 6.5%, with Q2 at 6.5%, Q3 at 6.0%, and Q4 at 5.7%.
- The Goods and Services Tax collections in Oct 2023 jumped 13% YoY to touch its second highest-ever collection of ₹1.72 trillion, compared to ₹1.63 trillion in Sep 2023. GST revenue collection for Oct 2023 is second highest ever, next only to April 2023, at ₹1.72 lakh crore; records increase of 13% YoY. The highest-ever revenue from Goods and Services Tax (GST) was recorded in April 2023 at ₹1.87 lakh crore. The average gross monthly GST collection in the FY 2023-24 now stands at ₹1.66 lakh crore, 11% higher than the year-ago period.
- Foreign Portfolio Investors (FPIs) flows remained positive and increased to ₹6,321 crores in the month of Oct 2023, compared to a net inflow of ₹1,628 crores in the previous month.
- From an investment perspective, we prefer the medium to long term part of the yield curve.