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Macro-economic developments

- The Organization for Economic Cooperation and Development (OECD) maintained its 6.3% growth forecast for India in FY24, citing the country's continued reliance on public investment and soaring services exports as its main economic drivers. However, predict that the economy would contract to 6.1% in FY25 as a result of unfavorable weather related incidents and a dimming global outlook.
- The US consumer price index, a closely watched inflation gauge, increased 0.1% in Nov'23 (MoM), and was up 3.1% YoY compared to 3.7% in Sep'23 and 3.2% in Oct'23. Excluding volatile food and energy prices, the core CPI increased 0.3% MoM and 4% YoY compared to 4.1% in Sep'23 and 4.0% in Oct'23. A 2.3% decrease in energy prices helped keep inflation in check, as gasoline fell 6% and fuel oil was off 2.7%. Food prices increased 0.2%.
- The US 10 Year treasury yield significantly soften but remained elevated during the month, traded largely range bound and averaged at 4.51% in Nov'23. It closed at 4.32% in the initial days of the month, it declined significantly from 4.93% (previous month close) and currently it is trading at around 4.24% (approaching again three-month lows).
- In Nov'23, US Fed, ECB, BoE, BoJ and Bank of Canada held rates unchanged. Fed chairperson and other members have consistently reiterated that rate hike is not off the table if data warrants and any talks of rate cuts a premature.
- India's Gross Domestic Product (GDP) of the Indian economy at Constant (2011-12) prices witnessed a growth of 7.6% in the second quarter of FY24. In the Jul-Sep quarter last year, the GDP growth rate was 6.2%. On the sectoral front, the growth of the manufacturing sector soared to 13.9% in Q2 of FY24 from a negative 3.8% in same quarter of previous fiscal year. However, growth of Agriculture, Livestock, Forestry & Fishing slowed to 1.2% in Q2 of FY24 from 2.5% in Q2 of FY23.
- According to the data from the Department for Promotion of Industry and Internal Trade, the Jul-Sep quarter of FY24 saw a 7.7% decline YoY in foreign direct investment (FDI) equity inflows into India, from \$10.3 billion to \$9.5 billion. For the second quarter of this fiscal year, FDI inflows fell 7.8% overall to \$15.3 billion. The top FDI sources were Mauritius and Singapore.
- According to the Income Tax department, net direct tax collection for the fiscal year increased by 22% to ₹ 10.60 lakh crore, exceeding 58% of the full-year budget target. While the mop-up of personal income tax increased by 31.77%, net corporate tax collection increased by 12.48%.
- The goods and services tax (GST) collection increased by 15% YoY in Nov'23 to ₹ 1.68 lakh crore. The gross GST collection surpassed the mark of ₹ 1.60 lakh crore for the sixth time in FY24. India's GST collection has been showing an upward trend on an annual basis since its rollout on Jul 1, 2017, with the average gross monthly standing at ₹ 1.66 lakh crore. Additionally, the Finance Minister said that every month of the current fiscal year saw GST collection surpass ₹ 1.50 lakh crore, and in Apr 2023 it reached a record high of ₹ 1.87 lakh crore.
- Industrial production in India (IIP) increased by 11.7% YoY in Oct 2023, as compared to 6.2% rise in Sep 2023. Production in the manufacturing industry increased by 10.4%, mining by 13.1% and in electricity by 20.4%.
- The Manufacturing Purchasing Managers' Index growth surged to 56 in Nov 2023 after falling to an eight-month low of 55.5 in Oct 2023. Firms increased their purchases of inputs, leading to increases in factory orders and stronger production. At the same time prices and selling charges rose at slower rates.
- India's Services Purchasing Managers' Index (PMI) declined to 56.9 in Nov 2023 from 58.4 in Oct 2023, lowest in 2023 so far. The decrease in services PMI was primarily caused by a decline in new orders and overall sector output. Composite PMI also fell to 57.4 from 58.4 in the same period.
- The combined Index of Eight Core Industries increased by 12.1% in Oct 2023 as compared to 0.7% in Oct 2022. The production of all Eight Core Industries recorded positive growth in Oct 2023 over the corresponding month of last year. Electricity witnessed the maximum growth at 20.3% in Oct 2023 followed by coal with 18.4% growth.
- India's fiscal deficit for the period from Apr to Oct of FY24 stood at ₹ 8.04 lakh crore or 45.0% of budget estimates of the current fiscal. India's gross foreign direct investment (FDI) inflows fell by nearly 16% to \$33.12 billion in the first half of FY24 compared to the same period the previous year.
- India's merchandise trade deficit widened to \$31.46 in Oct 2023 from \$26.31 in Oct 2022. Exports increased by 6.2% to \$33.57 billion in Oct 2023 from \$31.6 billion of the same month of previous year and imports rose by 12.3% to \$65.03 billion from \$57.91 billion during the same period.
- Crude oil prices continue to decline and averaged at USD 80.89/bbl in Nov'23 (down 5% MoM), it closed at USD 82.83/bbl amid doubts on whether OPEC+ production cuts next year would offset growing global supplies and weakening demand. Even as OPEC+ pledged to cut 2.2

million barrels per day for the first quarter of 2024, markets fear that output from non-OPEC countries could lead to excess supply.

- INR depreciated against USD to a record-low multiple times during Nov'23, despite lower oil prices and FPI inflows. It averaged at 83.25/\$ during the month and closed at 83.35/\$, currently it is trading at around 83.37/\$. Strong dollar demand from importers have been fueling the weakness in INR.

Equity market developments and Outlook

- After consolidating in Oct'23, the Nifty 50 Index showed robust rebound in Nov'23 with 5.5% MoM gain. The Nifty 50 Index exhibited significant volatility during the month. The resurgence of the positive sentiment is driven by favorable global & domestic market environment, investor confidence led by the expectation that the US Federal Reserve had concluded its rate-hike cycle, coupled with substantial institutional inflows.
- The Nifty 50 Index is up 11.2% in CY23YTD. Midcaps/Smallcaps outperformed large caps by 4.9%/6.5% in Nov'23. Similarly, midcaps/smallcaps have outperformed largecaps and have risen 36%/46%. The 12-month trailing P/E for the Nifty 50 index, at 21.6x, is below its LPA of 22.1x. At 3.3x, however, the 12-month trailing P/B ratio for the Nifty is above its historical average of 3.0x (12% premium).
- On the sectoral front—all sectoral indices ended on a higher note; realty, oil & gas and healthcare gained 18%, 13% and 11%, respectively.
- The MSCI world index was up by 9.2% during the month of Nov'23. The U.S. benchmark S&P 500 index gained 8.5%, within Europe, major markets like UK, Germany & France also gained 2.3%, 9.7% & 6.2% respectively during the month.
- Within Asian markets; major markets like South Korea, Taiwan, Japan, Indonesia, were up 11.3%, 9%, 8.5%, 4.9% respectively. However, markets like Hong Kong & Thailand were the bottom performer, fell by 0.4% & 0.1% respectively in Nov'23.
- Foreign portfolio investors (FPIs) flows turned positive and witnessed the inflow of ₹ 19,178 crores during the month of Nov 2023 compared to a net equity outflow of ₹ 22,113 crores in the previous month.
- Domestic Institutional Investors (DIIs) flows remained positive and registered inflow of ₹ 22,246 crores in the month of Nov 2023 compared to net inflow of ₹ 28,254 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

- In Nov'23, India's 10Y yield fell in line with global yields, especially US 10Y yield guided the trajectory. India's 10Y yield inched up by 7bps, and closed at 7.28%, traded in the range of 7.21-7.35% in Nov'23 compared to 7.22- 7.28% in Oct'23. RBI's guidance ruling out any OMO sales at present will provide additional comfort. Apart from this, any upside surprise in inflation data will be a key risk.
- The consumer price index-based inflation went up to 5.55% in Nov 2023 YoY compared to 4.87% in Oct'23, 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 three months. The consumer food price index climbed to 8.70% in Nov 2023 from 6.61% in Oct 2023. The Core CPI (ex Food and fuel) also eased to 4.11% from 4.21% in Oct'23.
- The RBI raised the risk weights for personal loans and other consumer credit exposure in commercial banks by 25% to 125%. This follows a warning regarding the risks associated with personal loan surging. At 23%, unsecured loans represent an anomaly in comparison to the average of 12% to 14%. As a result, household savings have fallen to multi-year lows and record borrowing has occurred.
- MPC members for the 5th consecutive time kept policy rates on hold, by keeping repo rate unchanged at 6.5%, SDF at 6.25% and MSF and bank rate at 6.75%. RBI also left its stance of "withdrawal of accommodation" unchanged with the vote of 5-1. Central bank reiterated its focus on bringing inflation down to 4% mark on a durable basis and maintain liquidity conditions in the system in alignment with its policy stance.
- The GDP growth forecasts for FY24 were revised upward with RBI now expecting growth to clock 7%, supported by domestic consumption, manufacturing sector and investment. For first three quarters of FY25, RBI expects slight moderation in average growth to 6.5%. Inflation forecasts were retained and projections for first the quarters of FY25 shows that RBI expects inflation to hit 4% mark by the end of FY25.
- Foreign Portfolio Investors (FPIs) flows remained positive and increased to ₹ 13,918 crores in the month of Nov 2023, compared to a net inflow of ₹ 6,321 crores in the previous month.
- From an investment perspective, we prefer the medium to long term part of the yield curve.