

# **HDFC Bank – Research Presentation**

## **December 2024**

## Risk profile-based asset allocation

Asset Class	Overall View	Asset Allocation		
		Aggressive	Moderate	Conservative
Equity Funds	◆	75%	55%	25%
Debt Funds	▲	20%	40%	70%
Gold	◆	5%	5%	5%

<b>Note:</b>	Optimistic	▲
	Cautiously Optimistic	◆
	Cautious	▼

## Category-wise view

MF Categories	View
<b>Equity Oriented Funds</b>	
Largecap Funds	▲
Large Cap Index Funds	▲
Multi/Flexicap Funds	▲
Large and Mid Cap Funds	◆
Mid cap	▼
Small cap	◆
ELSS	◆
Value / Contra / Dividend Yield Funds	◆
Focused Funds	◆
Aggressive Hybrid Funds / Dynamic Asset Allocation / Balanced Advantage Funds	▲
Equity Savings Funds	▲
Business Cycle	▲
Sector/Thematic Funds	◆
Multi Asset Allocation Funds	▲

MF Categories	View
<b>Debt Oriented Funds</b>	
Short Duration Funds/Medium Duration Funds	▲
Banking & PSU Funds	◆
Corporate Bond Funds	▲
Target Maturity Index Funds	◆
Medium to Long / Long Duration Funds	▲
Dynamic Bond Funds	▲
Gilt Funds	▲
Ultra Short Duration/Low Duration/Money Market Funds	▲
Arbitrage Funds	▲
Liquid/Overnight Funds	◆
Conservative Hybrid Funds	◆
Credit Risk Funds	◆

## Equity MF Strategy – December 2024

- Global growth is likely to decelerate over the next couple of years led by gradual normalisation in government deficit rising geo political conflicts, impact of climate change and weakening productivity.
- With the election of Donald Trump as the next US president, the market is keenly awaiting for him to unveil his policies to drive the US economy forward. In anticipation of further Tax cuts for corporates and higher tariff barriers with its trading partners, the US equity markets have rallied along with the US bond yields.
- As per a calculation by the IMF, rising tariffs, controlling immigration and rising policy uncertainty across key economies can have a severe negative impact on global growth prospects in the medium term. This negative impact is also likely to reflect on the equity markets globally.
- The market participants seem to be unenthused by the latest round of stimulus coming from the Chinese government. Hence any expectation that China may drive outflows from other EMs seem to be drying up.
- The base commodity prices have been range bound with a weakening bias on the back of rise in the Dollar Index and weak global growth impulses. Food Inflation globally has started to turn positive after a long period of weakness, putting upward pressure on global inflation. The crude oil prices have been weighed down de-escalation in Middle East, higher supply and moderating global demand. Lower Crude prices is positive for India.
- With the US fed giving signals of slowing the rate cut process and rising US bond yields in the runup to the election of Donald trump, the US Dollar Index has seen an uptrend, which has led to outflow by FPIs in the Emerging markets.
- India's GDP growth for Q2FY25 came in much below market expectations at 5.4% YoY, predominantly weighed down by moderation in Government consumption and Gross fixed capital formation. Slower government capital expenditure seem to be a key reason for the deceleration.
- At a macro level, we are starting to see incremental weakness emerge in key data points. On the one hand PMI data suggests steady uptick in both Manufacturing and Services activity, E-way bills growth remain strong, and the RBI economic activity index remains robust; while on the other hand the tax collection data is showing gradual deceleration, Electricity consumption moderating, consumer confidence data remains weak and forex reserves is declining.
- **As a bright spot, Rural economy seems to be gathering momentum. Strong monsoons, higher crop acreage and higher agri-prices bode well for rural economy. The Two-Wheeler sales and improving volume growth commentaries (which are divergent from their commentary on urban demand) from FMCG companies are suggestive of improving consumption impulse in this segment. Another key reason for the rural uptick has been the increased handouts that are now being given by Many state governments for the lower income households and farming community. Rural facing stocks/sectors are likely to outperform in the medium term.**
- Urban demand continues to show signs of deceleration, despite the premiumisation trend continuing. Passenger vehicle sales growth has continued to remain weak. Other indicators like personal loan growth has also seen deceleration building in, while White collar job creation has remained steady. In the Q2FY25 result season, many FMCG and Auto companies have hinted at a weakening demand momentum in the urban segment, especially post the festive season.
- Corporate and Banking sector balance sheets in India have shown strong improvement. India's Corporate debt to GDP has come off consistently, which has created room for India Inc. to raise further borrowing for capex requirements. As per data from the RBI, the capex intentions of the Private sector seems to be on an upswing. Sunrise sectors like Semiconductors, New Energy, Defence and Electronics are likely to undertake new capacity creations.
- The key concern for the current capex led upcycle for the economy seems to be the lower government capex. With key state elections behind, market participants expect that the Central Government capex is likely to rise substantially in the next 4 months. However, with many state government focussing on supporting the weaker sections of society through higher direct payouts, their ability to spend on capex plans could be limited.
- Liquidity conditions have seen recent tightening with the RBI's intervention in the forex market to maintain an orderly movement in the INR, possibly sucking domestic liquidity. Market participants are hopeful of RBI inducing durable liquidity in the system, given its dovish stance on liquidity and to support the decelerating domestic growth.
- On the back of weaker than expected Q2FY25 result season, stocks across markets cap have seen correction and cuts in their future earnings estimates. While the inflow into the equity markets have been substantial from the domestic investors, FPI outflows have remain a cause of concern. Also the supply of fresh equity in the form of FPO, IPO and dilution by the promoters have also been substantial liquidity guzzlers.
- In terms of valuations, Midcap indices continue to enjoy higher multiples compared to Smallcap indices, which in turn have higher multiple compared to Largecap indices.
- **With the government capex spending expected to revive substantially, the market participants expect Q3FY25 and Q4FY25 results to be better. In case this pans out, the equity markets are likely to see consolidation with an upward bias, given that the current valuations are not very cheap to begin with. However, the market may not take further earnings disappointments lightly and could see sharper correction (especially in small and midcap category) if such scenario pans out.**
- In the long term, improving domestic macro conditions, favourable demographics, rising per capita income and strong consumption demand could keep driving the Indian corporate earnings higher and support the equity markets.
- **Post the recent correction, fresh Investment deployment strategy could be 50% lumpsum and rest 50% to be staggered over the next 5-6 months. Mutual Fund investors can look to focus on categories like Diversified equity, Equity Hybrid and Multi-asset funds. Aggressive investors may also look at Business Cycle Funds for allocation. All allocations should be done in line with the risk profile and product suitability of the investor.**

## Debt Mutual Fund Strategy

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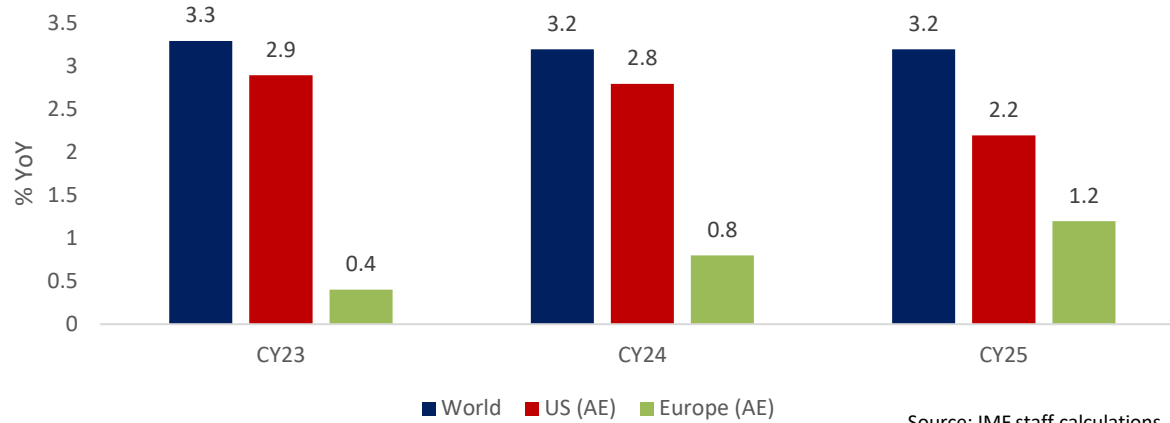
- The inverted corporate bond yield curve may normalize, making the case for corporate bonds at the 1-4-years segment of the curve.
- Hence, investors can look at Corporate Bond Funds for a horizon of 15 months and above.
- For a horizon of 24 months and above, investors can look at Dynamic Bond Funds.
- For a horizon of 3 months and above, investors can consider Arbitrage Funds or Money Market Funds.
- Whereas for a horizon of up to 3 months, investors can consider Overnight Funds and Liquid Funds.
- Investors can also look at Multi-asset allocation funds for a horizon of 36 months and above.
- Investors should invest in line with their risk profile and product suitability.

## Research presentation – Content

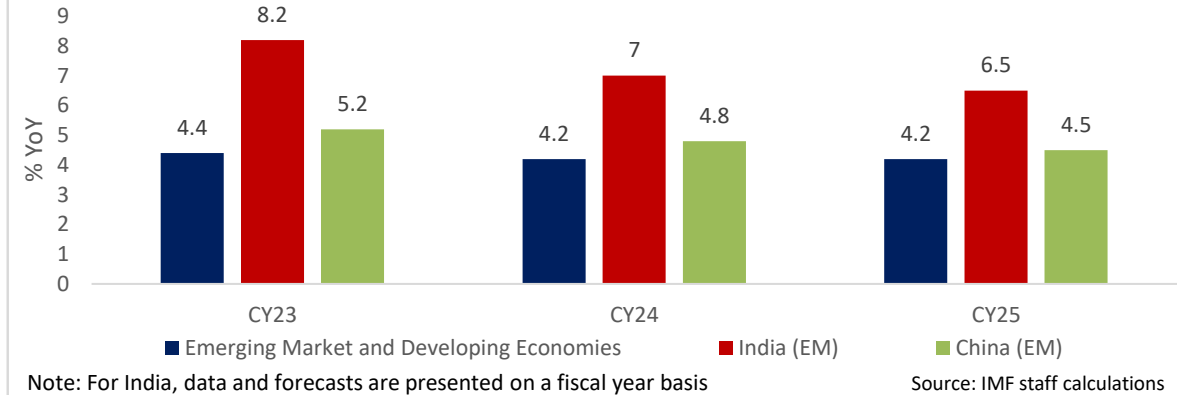
- Global growth likely to see gradual deceleration... with inflation almost tamed, policy makers may move to tighten fiscal policy
- US: Trump wins...dollar index rallies, Manufacturing remains a weak point in the US, while other data points improving
- Higher mutual tariffs, policy uncertainty and changes on immigration policies can weigh down on global growth incrementally... as per IMF
- Industrial commodities continue to remain in range due to muted growth impulse in China, while food price index rises on back of weak base and steady prices. Crude prices have dipped due to de-escalation in Middle East and steady supplies
- With rising Dollar Index, the EM flows have been under pressure.. Movement of Dollar index would be a key monitorable for FPI inflows in the EMs
- Post the outcome of 2 state election markets bounced back from lows, while DII have remained to support and FPI's have been net seller
- Q2FY25 GDP weakness led by slowdown in government expenditure and Gross Fixed Capital Formation
- Sectoral performance and FPI flows in November 2024
- India – High frequency macro data starting to show incremental signs of deceleration
- Urban India – Weakness persisting
- Rural India: Turnaround gaining pace
- Capex in key sectors driven by Private sector remains strong, Private sector balance sheets remains robust... to further drive capex.... weak government capex weighs upon overall capex growth... substantial uptick expected in H2FY25.
- Q2FY25 Results were weaker than market expectation, Banks Shine...All eyes on H2FY25
- With recent correction, valuation has dipped and mutual funds has enough dry powder available to support market on further downturn
- Market Roundup – November 2024
- Key concerns for Indian equities
- Annexure...
- Sectoral outlook by fund managers – Part 1
- Sectoral outlook by fund managers – Part 2
- Monthly Sectoral Movement
- AMC Sectoral Holdings
- Fixed Income Outlook
- US Bond Yields spike in anticipation of inflationary policies by the Trump administration... Fed's dovishness moderates
- Policy rate cut expectations for the Developed Markets imply continuous cuts into CY25... US may delay further rate cuts
- In Europe, financial conditions improve on the back of monetary easing by ECB, driven by moderating inflation
- Majority of the global central banks are continuing with policy easing stance
- Global Commodities - Industrial commodities and Crude prices moderate, food turning sticky
- Liquidity remained in surplus for the month, but RBI's reported forex intervention resulted in a brief liquidity deficit
- Base effect and higher vegetable prices kept CPI inflation elevated... food inflation likely to come off in winter
- Weakening currency remains a cause for concern as its implication could be inflationary... Weak external sector performance remains key monitorable
- Weak GDP and supportive fiscal deficit data led to the decline in G-sec yields... Further dips may drive profit booking from long duration funds
- Deteriorating liquidity conditions has resulted in higher SDL and corporate bond spreads... attractive to add into corporate bond funds
- Disclaimer

# Global growth likely to see gradual deceleration... with inflation almost tamed, policy makers may move to tighten fiscal policy

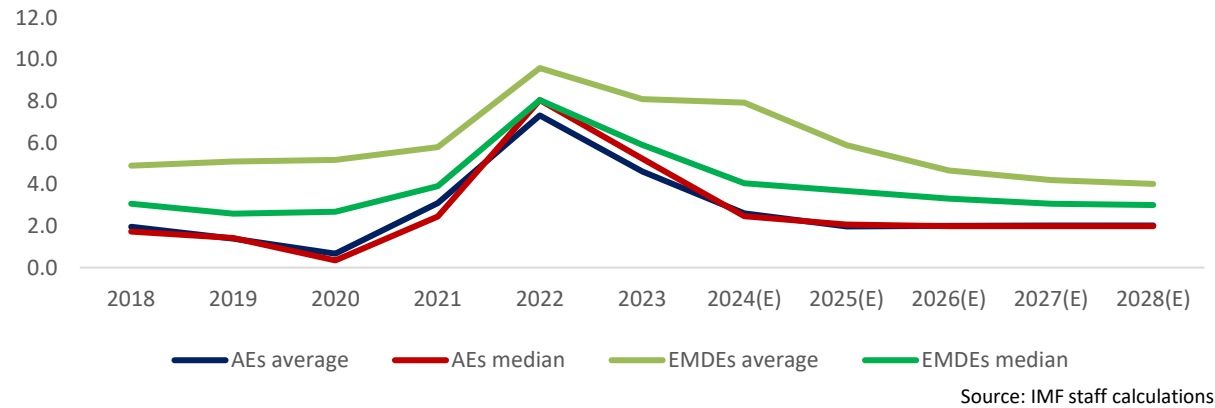
## Global and Advanced Economies growth may see deceleration



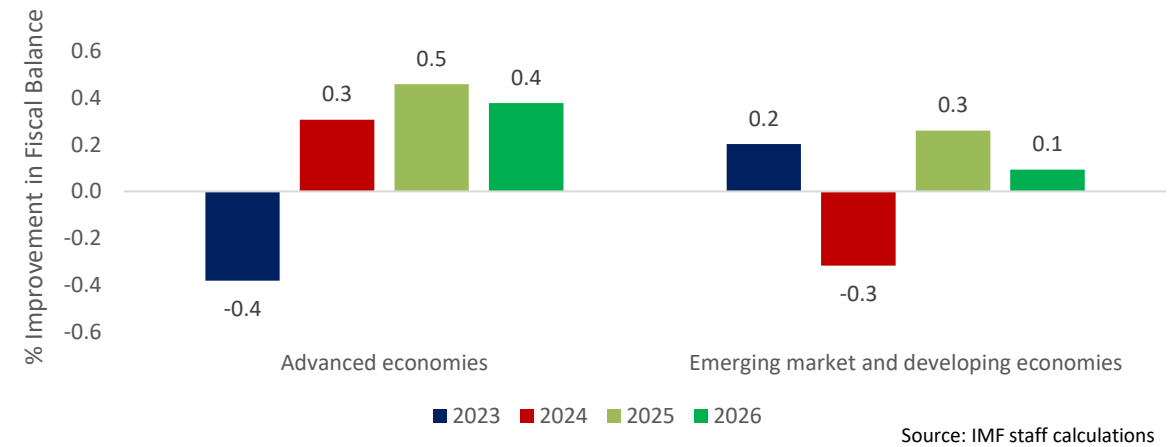
## Emerging and Developing Markets growth to also decelerate



## With Inflation coming down for Advanced, Emerging and Developing Economies



## ... IMF Projects policy makers may tighten Fiscal Policy

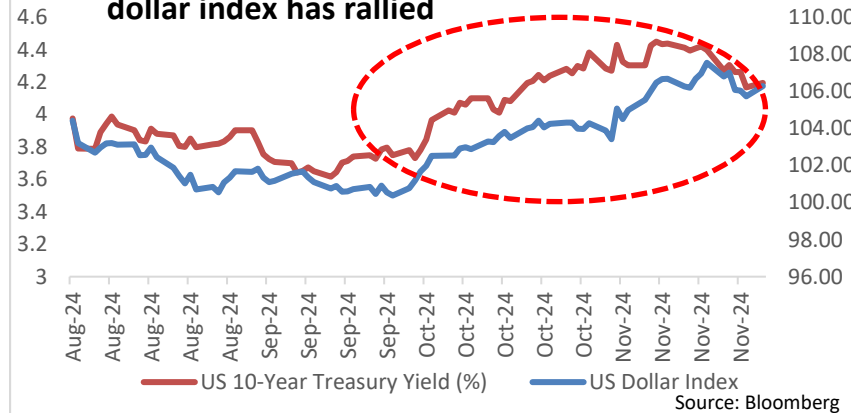


## US: Trump wins...dollar index rallies, Manufacturing remains a weak point in the US, while other data points improving

### Donald Trump wins US elections: His key poll promises are as follows:

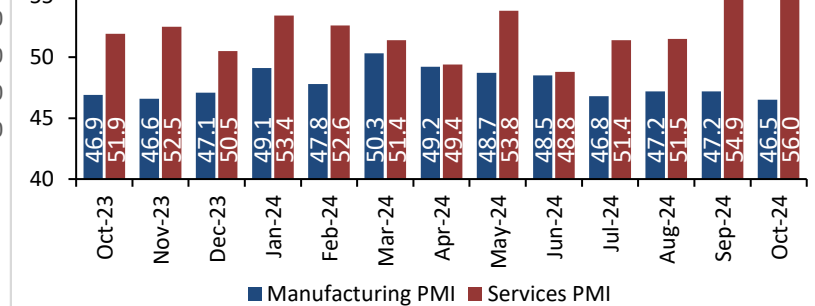
- **Trade** : New tariffs of 10 to 20% on most foreign goods, with higher tariff on China.
- **Immigration**: To cut and reverse illegal immigration
- **Tax cut**: Extending Tax Cuts and Jobs Act (TCJA) and further reduction of Corporate tax by up to another 500 bps

On expectations that increased protectionism may lead to higher inflation, US bonds and dollar index has rallied



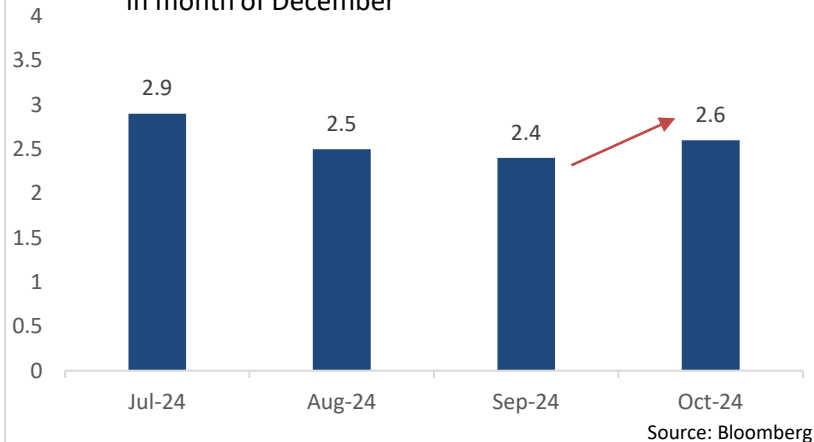
### US Manufacturing & Services PMI

Lagging manufacturing PMI likely to get policy support from incoming administration, Services PMI remain resilient



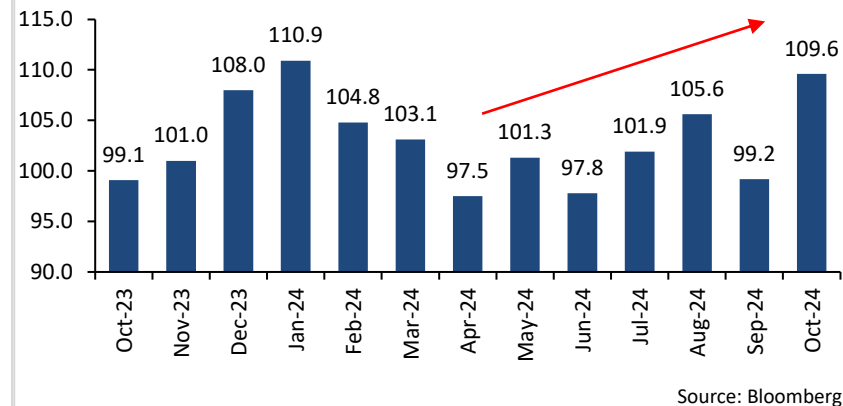
### US Consumer Price Index (YoY %)

CPI jumps reducing hopes for rate cuts in month of December



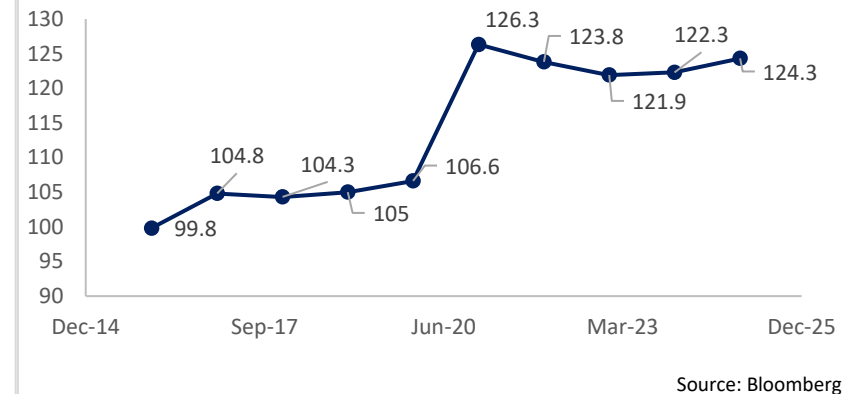
### US Consumer Confidence Index

Strength in consumer confidence visible

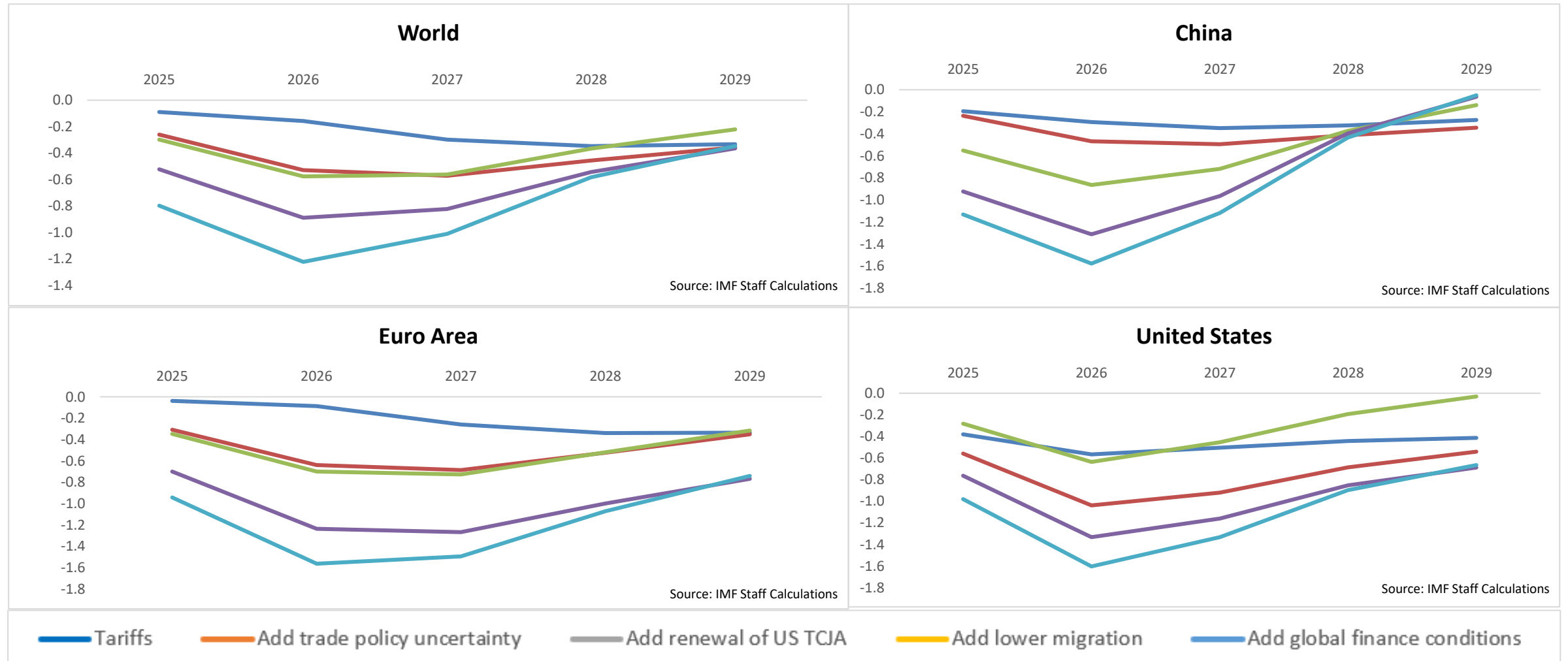


### US Gross Federal Debt in Percent of GDP

Rising Debt to GDP seen to be the biggest macro risk for the US



# Higher mutual tariffs, policy uncertainty and changes on immigration policies can weigh down on global growth incrementally... as per IMF



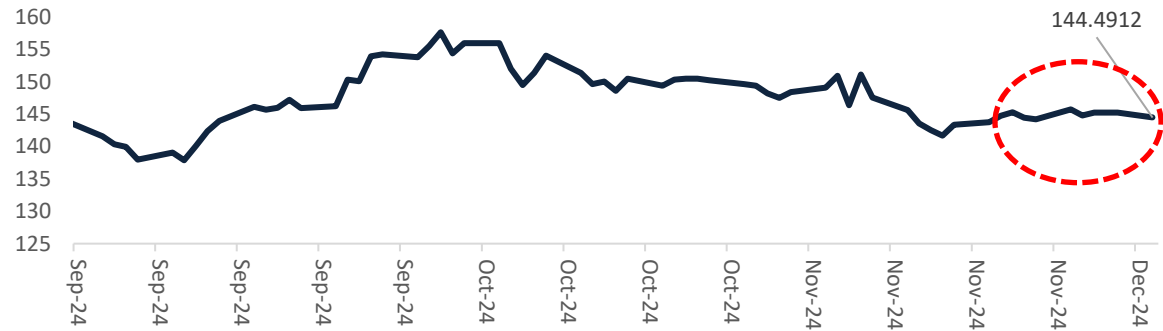
**Assumptions taken by IMF:** The United States, the euro area, and China impose a 10% tariff on trade flows among the three regions; a 10% tariff is also levied on trade flows (in both directions) between the United States and the rest of the world. The increase in tariffs directly affects about one-quarter of all goods trade, representing close to 6% of global GDP. The revenue generated by the tariffs is transferred back to households.



**Industrial commodities continue to remain in range due to muted growth impulse in China, while food price index rises on back of weak base and steady prices. Crude prices have dipped due to de-escalation in Middle East and steady supplies**

### Bloomberg Industrial Metals Index

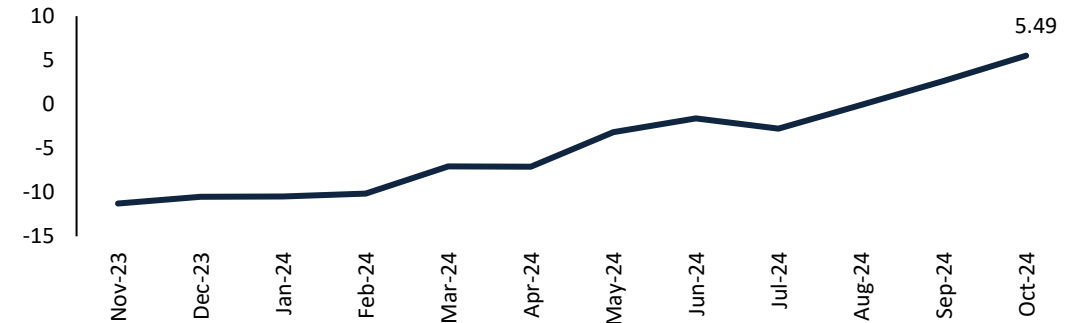
Remains range bound



Source: Bloomberg

### UN Food & Agriculture World Food Price Index

Food Inflation globally has started to turn positive after a long period of weakness.



Source: Bloomberg

### Brent Crude (USD Per Barrel)

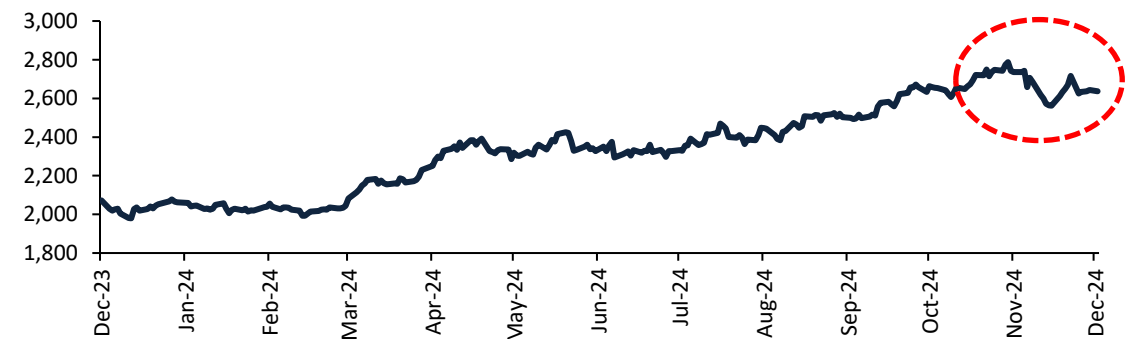
De-escalation in Middle East, higher supply and tight global demand has kept the absolute level under check



Source: Bloomberg

### Gold Price (USD Per Troy Ounce)

With rise in US Dollar Index, gold prices seem to be consolidating

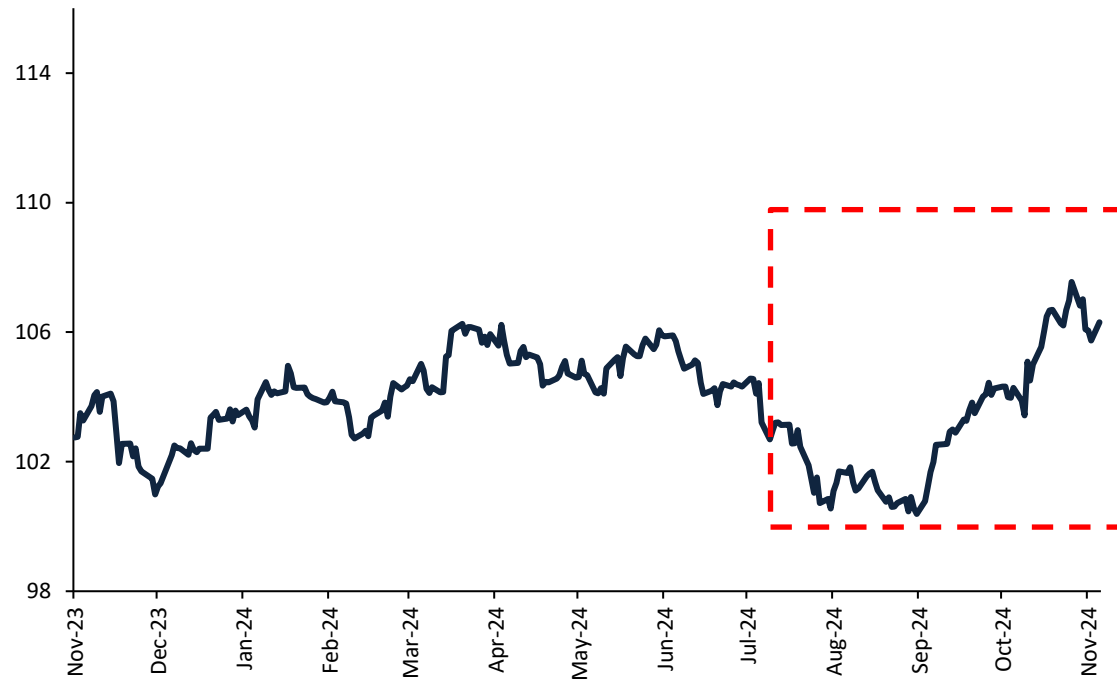


Source: Bloomberg

**With rising Dollar Index, the EM flows have been under pressure.. Movement of Dollar index would be a key monitorable for FPI inflows in the EMs**

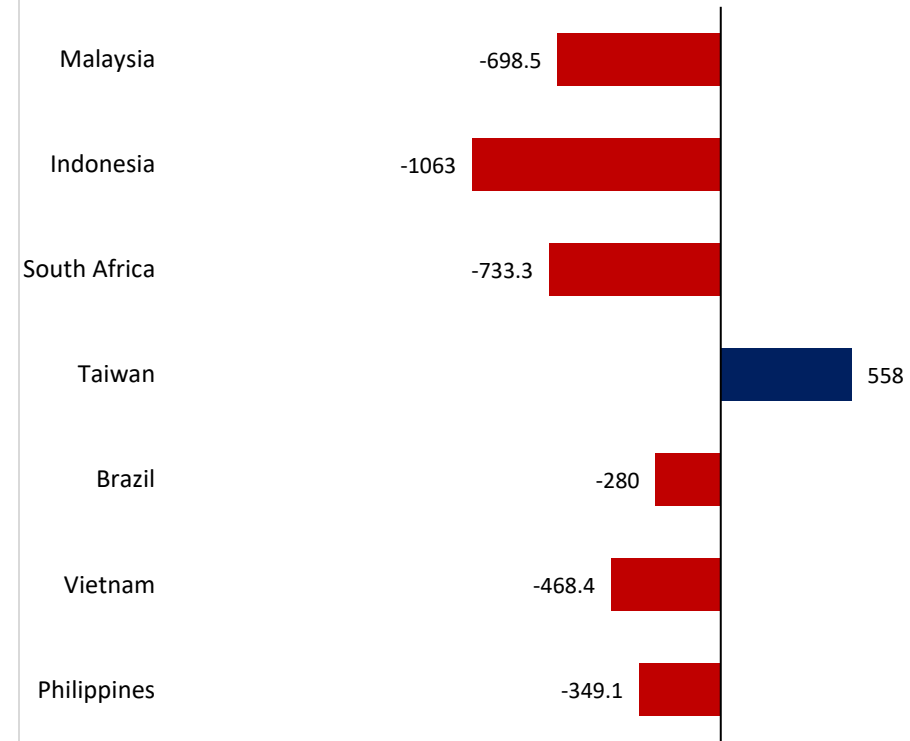
### US Dollar Index

The US dollar's momentum gains on back of Trumps re election



Source: Bloomberg

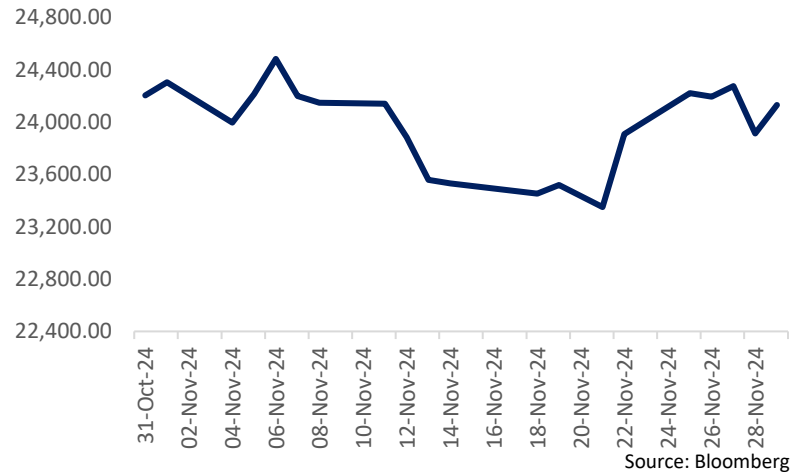
### Emerging Markets - Net Flows In November 2024 (USD Million)



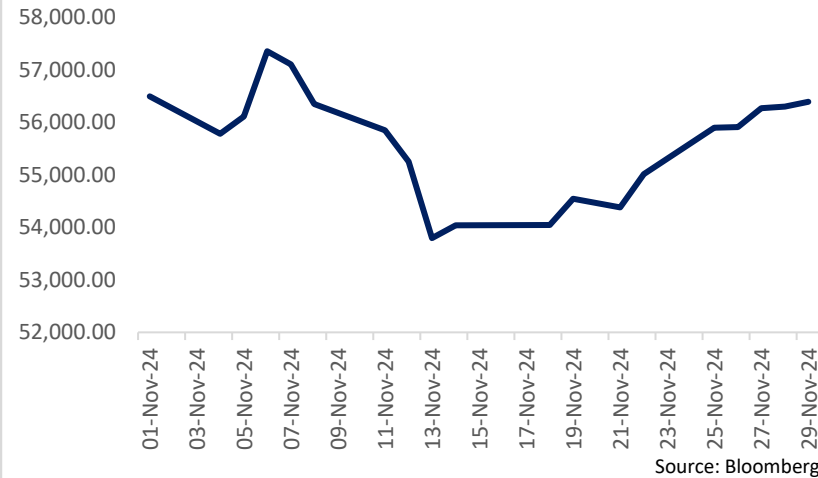
Source: Bloomberg

**Post the outcome of 2 state election markets bounced back from lows, while DII have remained to support and FPI's have been net seller**

### Nifty 50 price movement



### Nifty Midcap 100 price movement

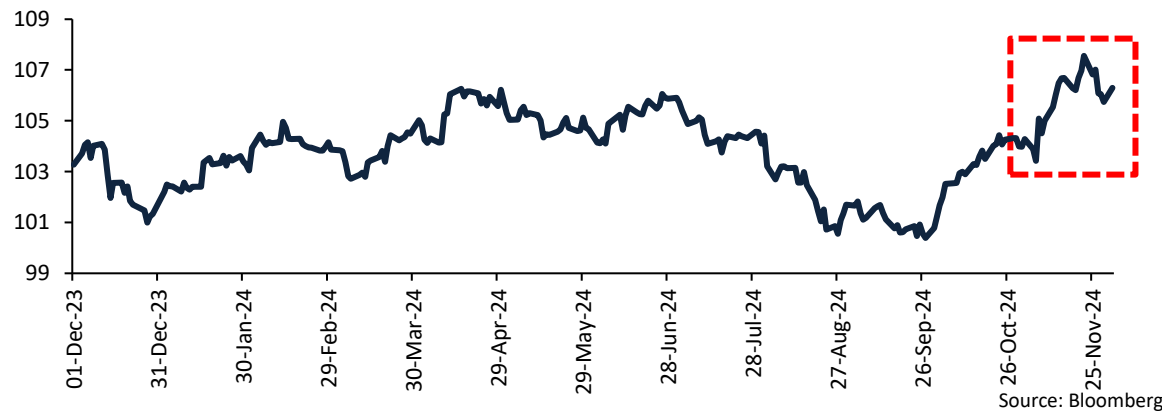


### Nifty Smallcap 250 price movement



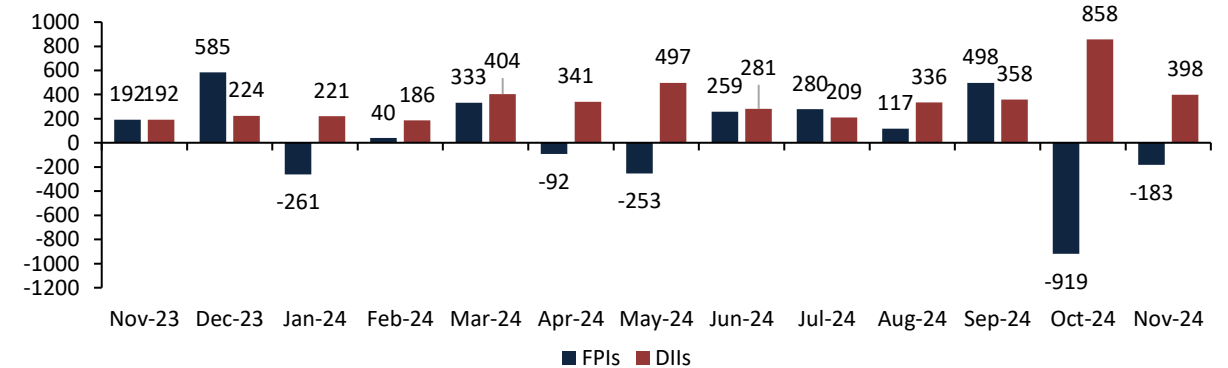
### US Dollar Index

Rising dollar seem to have driven outflows from Indian Equities by FPIs



### Net Flows In Equities (Rs Bn)

FPIs were net sellers in November while DII bought in the moth of November



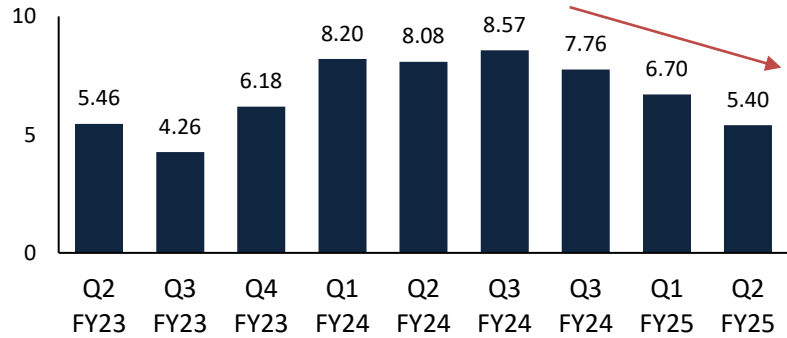
\*For 2024, FPI and DII data is up to 29th November

Source: SEBI, CDSL

## Q2 FY25 GDP weakness led by slowdown in Government Consumption expenditure and Gross Fixed Capital Formation

### Real GDP Growth - YoY Change (%)

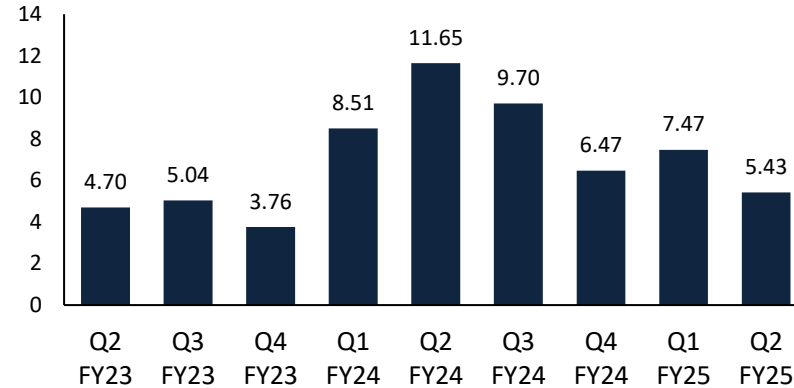
Q2FY25 GDP growth below expectations



Source: Bloomberg

### Gross Fixed Capital Formation - YoY Change (%)

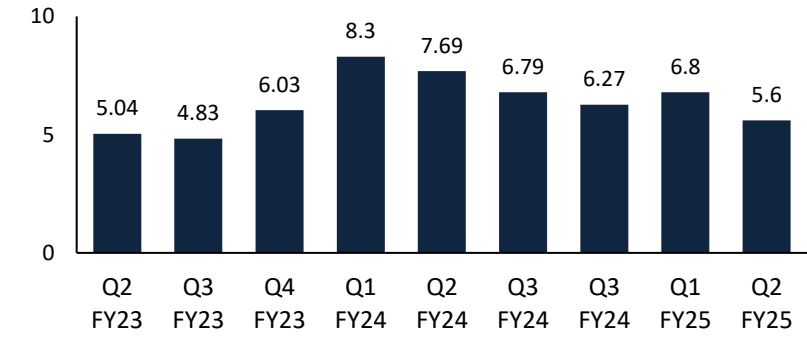
Momentum decelerating



Source: Bloomberg

### Gross Value Added - YoY Change (%)

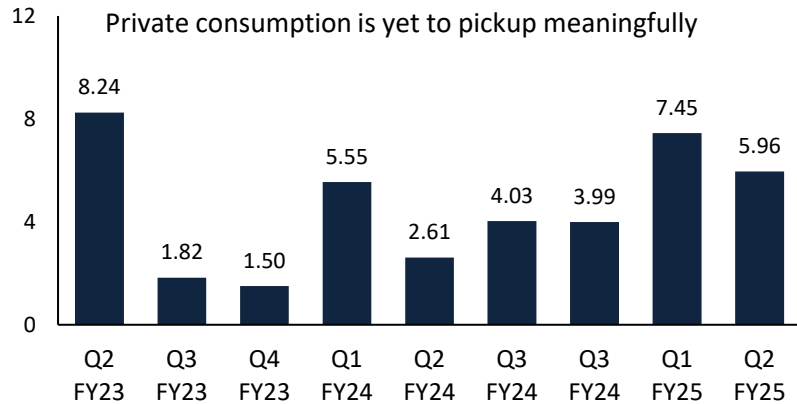
On a declining trajectory



Source: Bloomberg

### Private Final Consumption Expenditure - YoY Change (%)

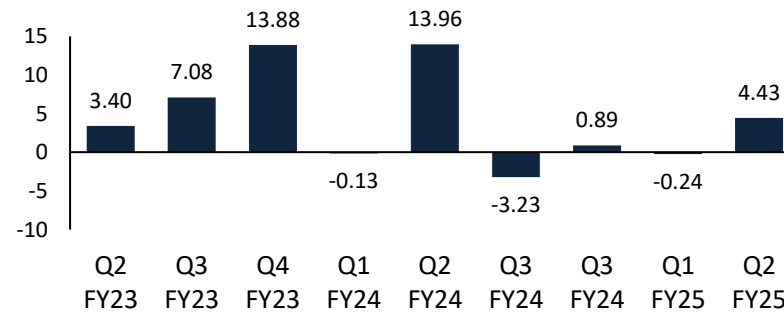
Private consumption is yet to pickup meaningfully



Source: Bloomberg

### Govt Final Consumption Expenditure - YoY Change (%)

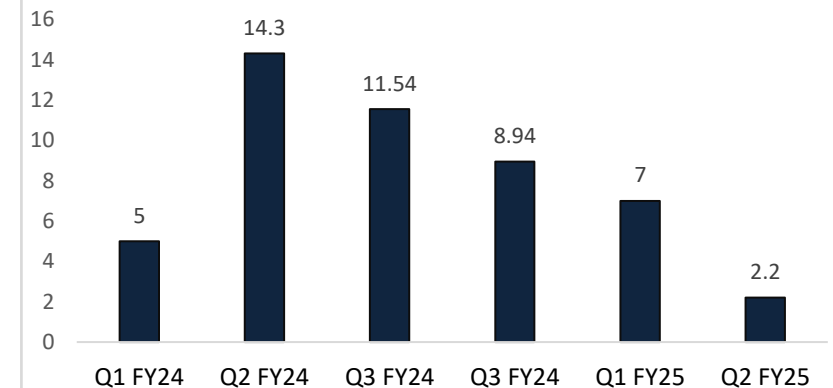
Strong public capex has been a key GDP growth driver, however public capex seems to be picking up slowly



Source: Bloomberg

### Manufacturing growth YoY Change (%)

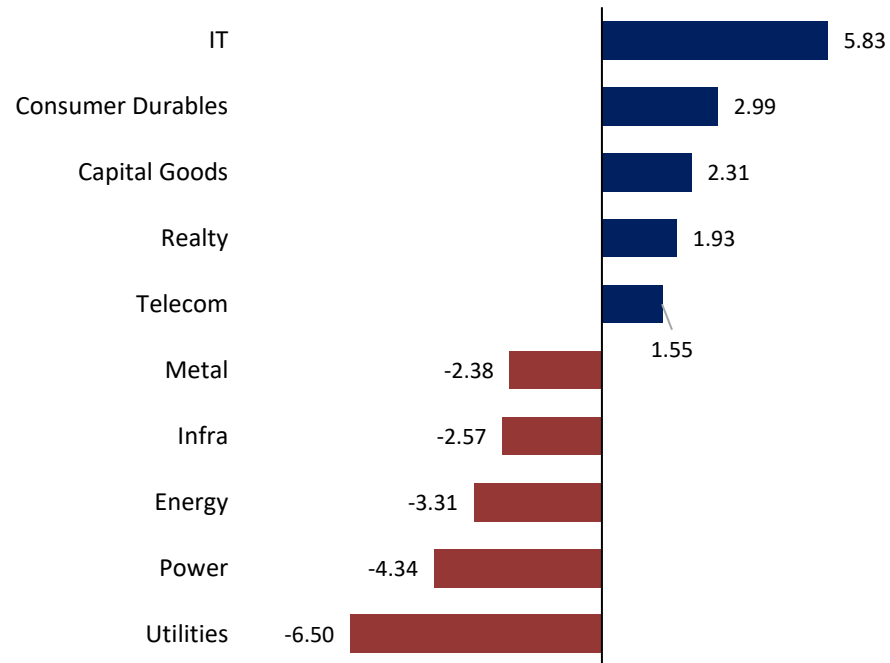
Manufacturing activities seem to be losing steam



Source: Bloomberg

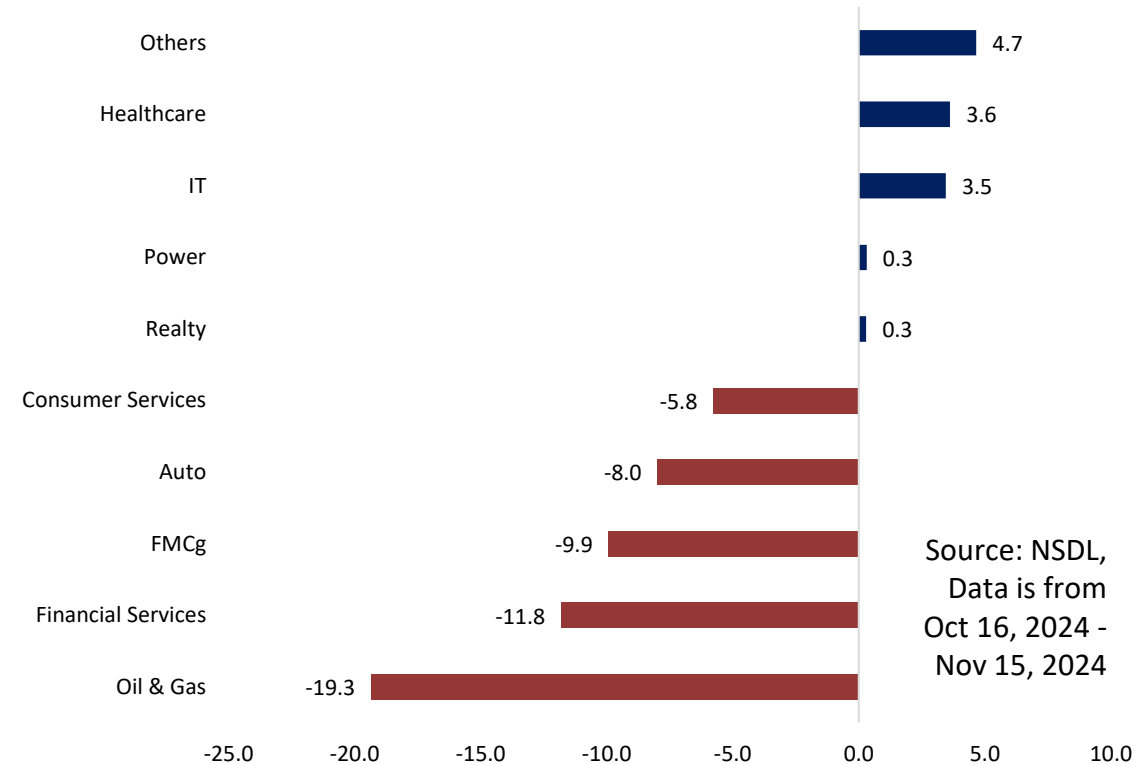
## Sectoral performance and FPI flows in November 2024

**S&P BSE Sectors - Absolute Return In November 2024 (%)**  
(Only the top and bottom 5 names shown)



Source: Ace MF

**Sectoral FPI flows - Top 5 and Bottom 5 (Rs in Bn)**

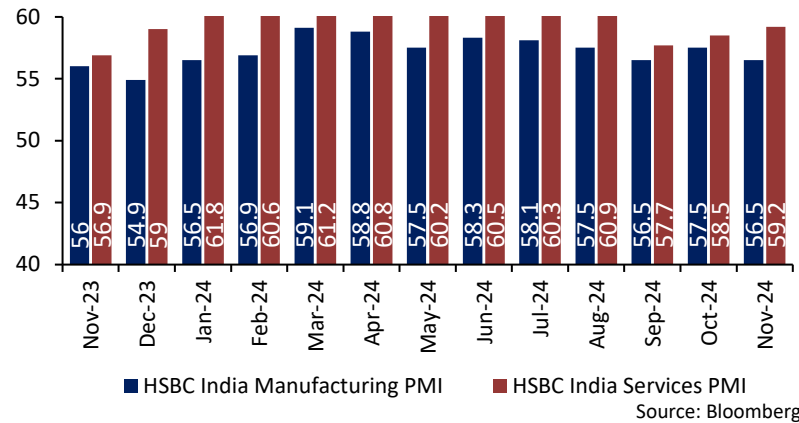


Source: NSDL,  
Data is from  
Oct 16, 2024 -  
Nov 15, 2024

# India – High frequency macro data starting to show incremental signs of deceleration

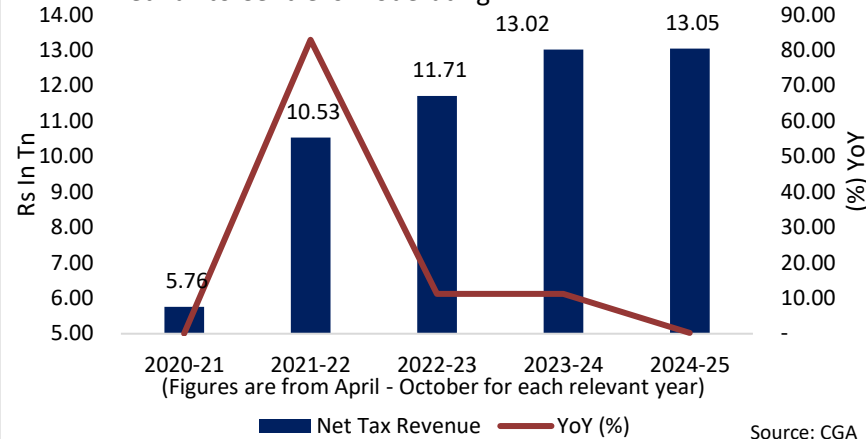
## HSBC India PMI

India's PMI data continues to remain robust



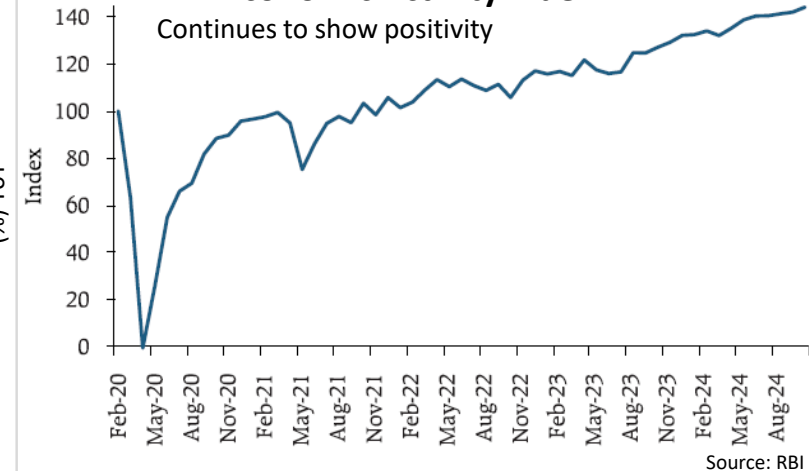
## Net Tax Revenue

Net Tax to Centre is moderating



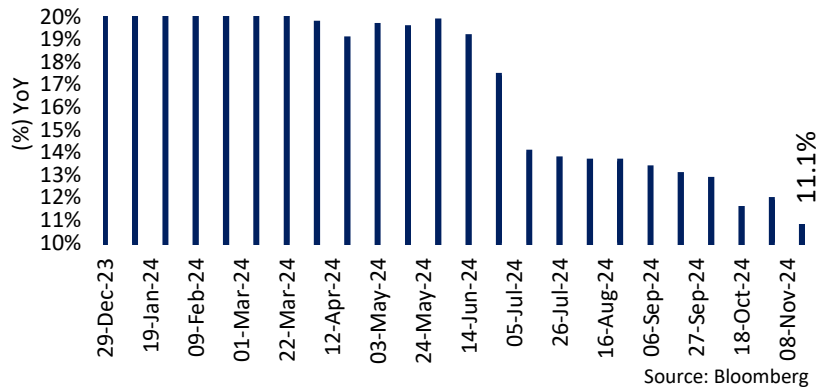
## RBI Economic Activity Index

Continues to show positivity



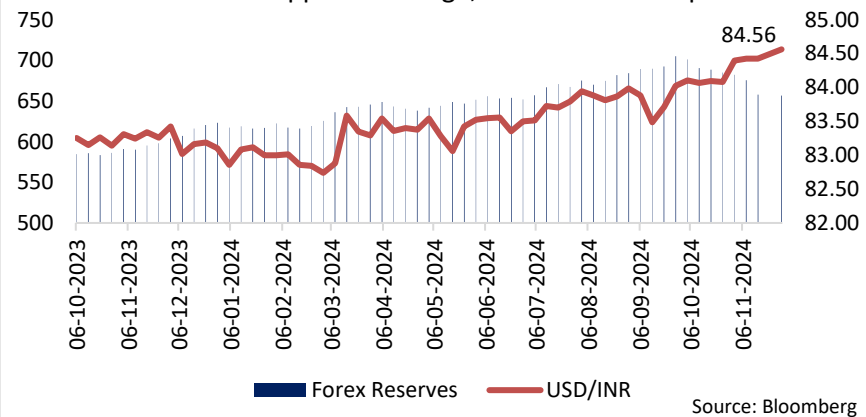
## Banking Total Commercial Credit

Decelerating credit growth suggestive of weak demand conditions



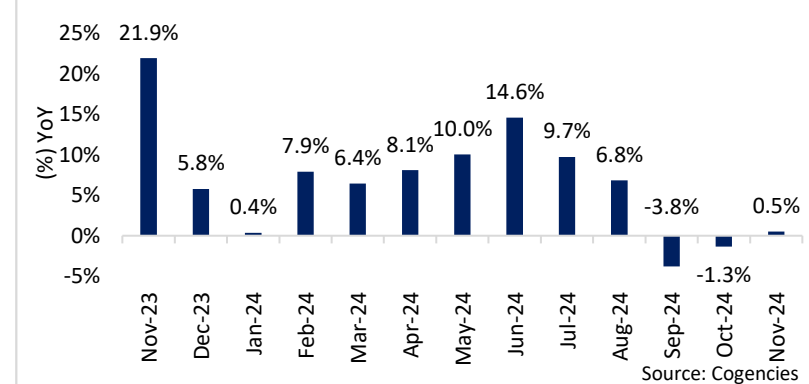
## Forex reserves (USD Bn) & USD/INR

Forex Reserves dipped from high, while INR also depreciated



## Power Consumption Weakening

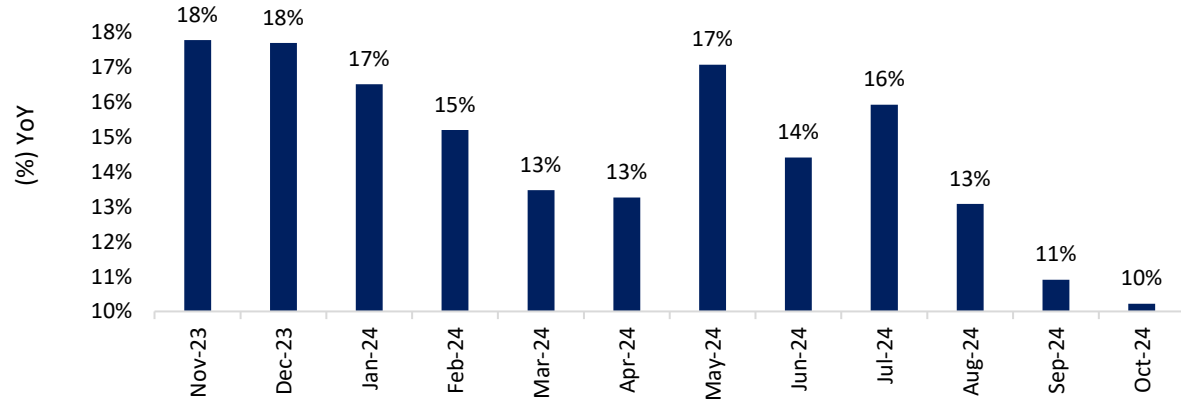
Declining electricity demand suggestive of incremental economic weakness



## Urban India – Weakness persisting

### Bank Retail Credit

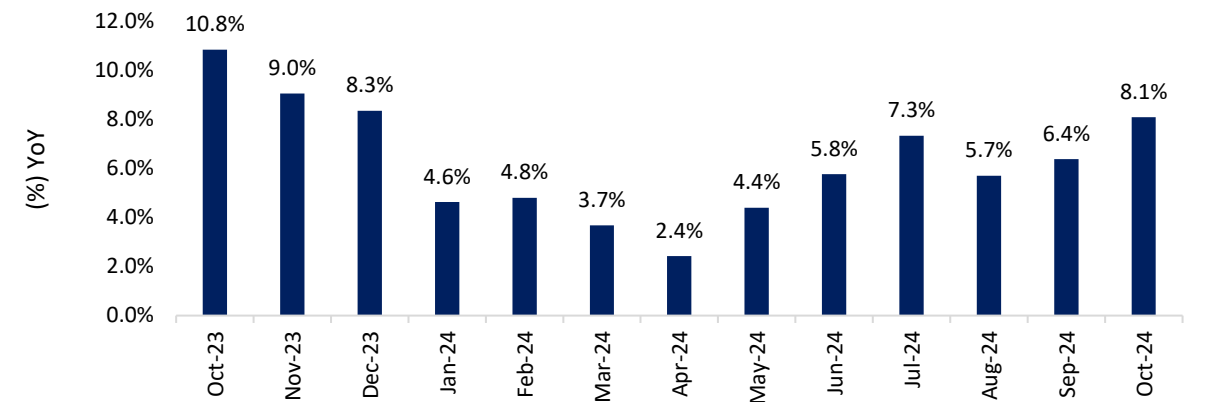
Credit growth showing slowing trend in retail banking



Source: Bloomberg

### Domestic Passengers Carried by airlines

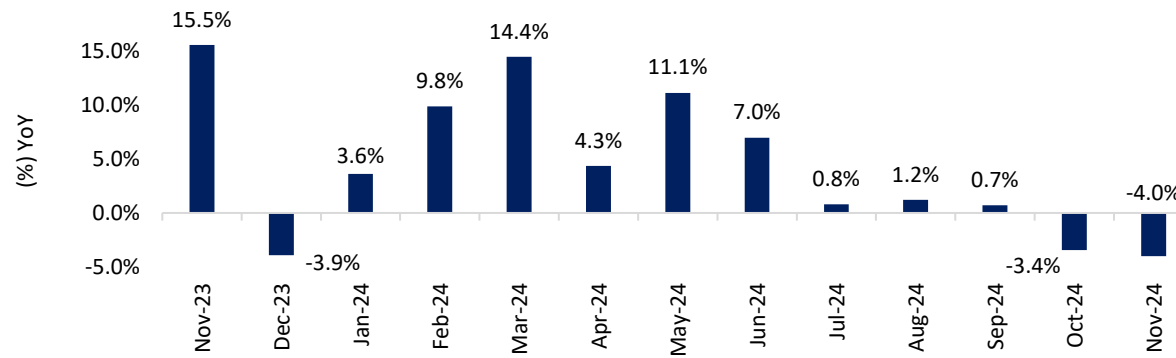
Air traffic growth has been stable



Source: Bloomberg

### Passenger Vehicles Production

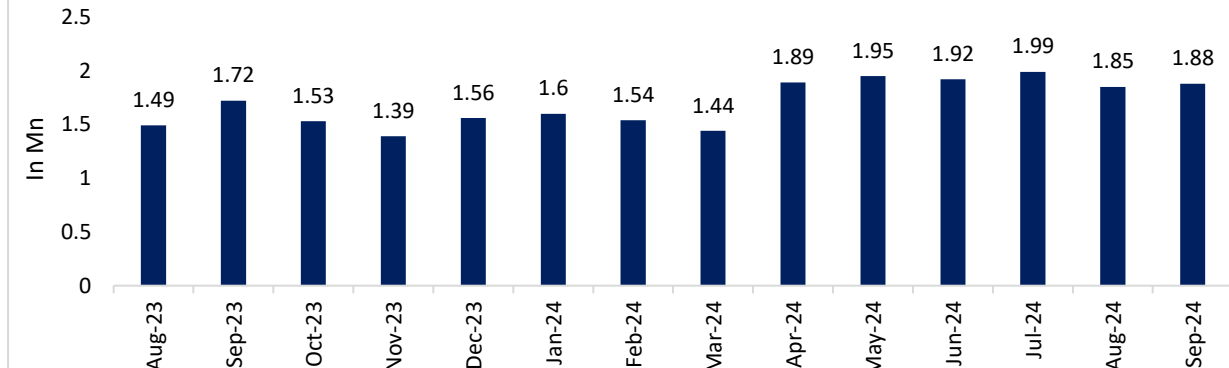
Weakness in vehicle production continues



Source: Cogencies, SIAM

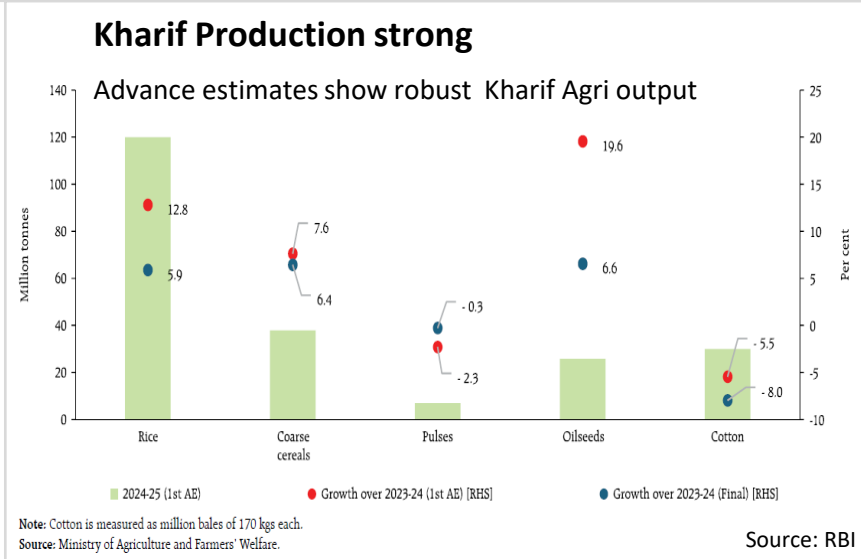
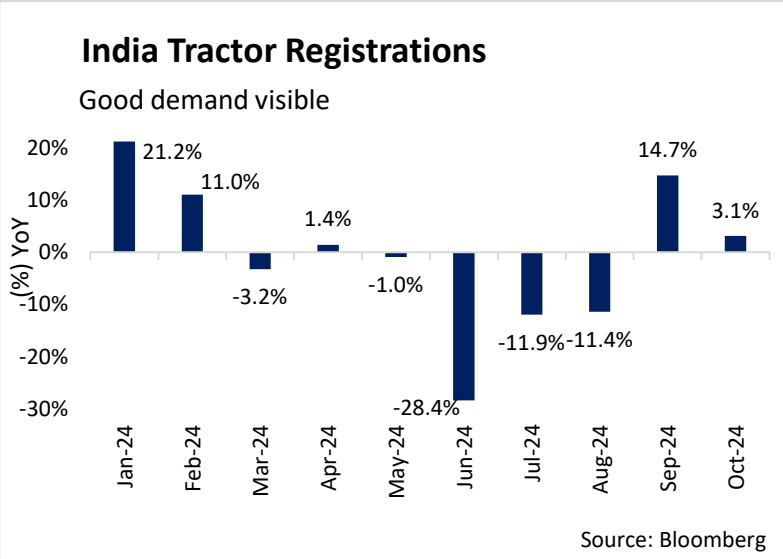
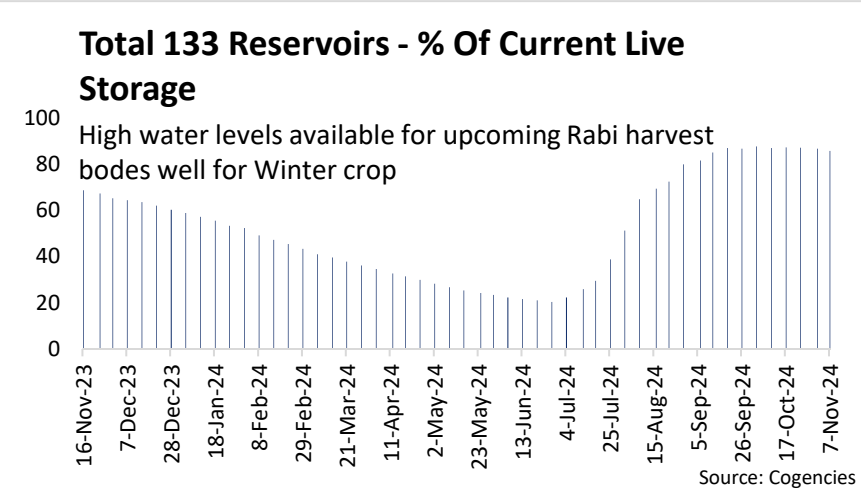
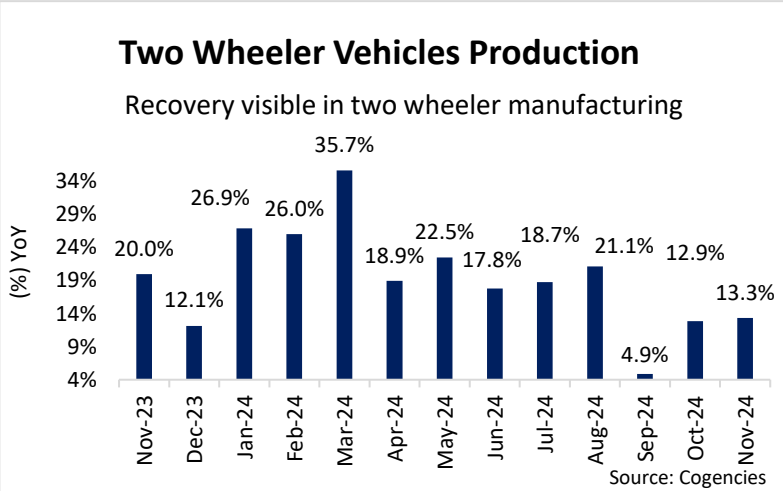
### Formal Job Creation (EPFO Payroll net subscriber growth)

Job creation remains range bound



Source: EPFO, PIB

Rural India: Turnaround gaining pace



### State Wise Roll-Out Of Schemes

Strong subsidy outflow to boost rural spending

States	Name of the schemes	Annual Estimated Outlay (Rs. Crore)
Maharashtra	Mukhya Mantri Yuva Karyaprashikshan Yojana	5,500
	Mukhyamantri Majhi Ladki Bahin Yojana	46,000
	Majha Ladka Bhau Yojana	Stipend of Rs 6,000 – Rs 10,000 per month
West Bengal	Educational Support	970
	'Jai Johar' Old Age Pension Scheme	366
Uttar Pradesh	Mukhya mantri samuhik vivah yojana	600
	Mukhyamantri Shikshuta Protsahan Yojana	100
Tamil Nadu	Chief Minister's Thayumanavar Thittam	27,922
	Loan-Waiver Schemes	3,100
Odisha	Subhadra Yojana	55,825
	DBT to wage earners	3,651
Madhya Pradesh	Mukhyamantri Ladli Behna Yojana	18,984
Karnataka	Gruha Lakshmi	28,608
	Yuvanidhi	2,500
Gujarat	Namo Laxmi Yojana	1,250
	Namo Shree Yojana	750
Andhra Pradesh	YSR RythuBharosa	6,534
	Sunna Vaddi Panta Runalu	Interest free crop loans to all the farmers who availed crop loans up to Rs 1 lakh

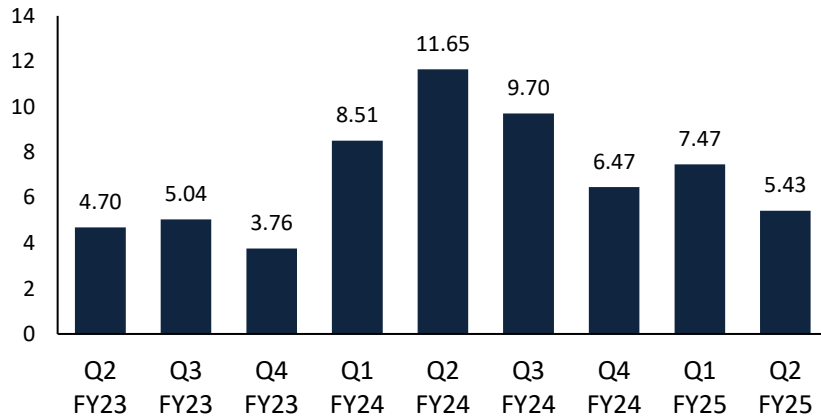
Source: Media Documents



**Capex in key sectors driven by Private sector remains strong, Private sector balance sheets remains robust... to further drive capex.... weak government capex weighs upon overall capex growth... substantial uptick expected in H2FY25.**

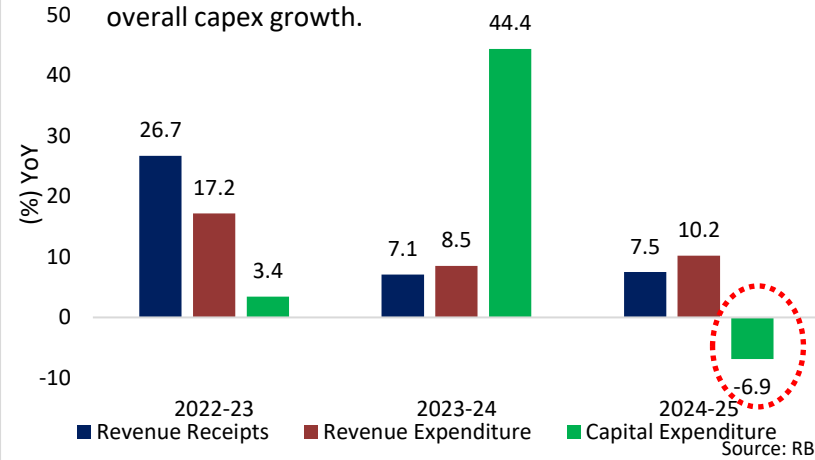
### Gross Fixed Capital Formation - YoY Change (%)

Decelerating trend visible



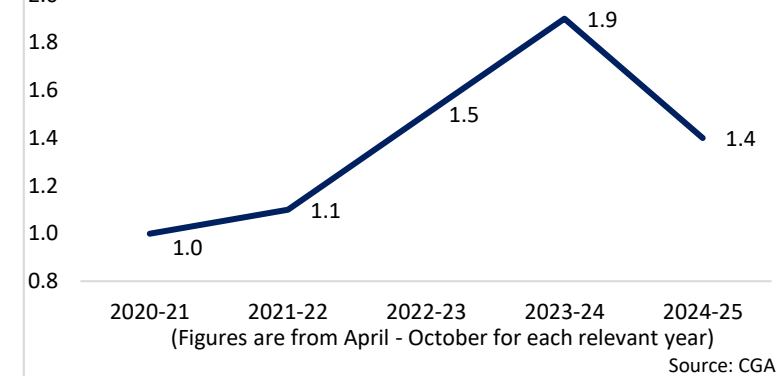
### ... due to declining Capital Expenditure

Reduction in government capex seems to be impacting overall capex growth.



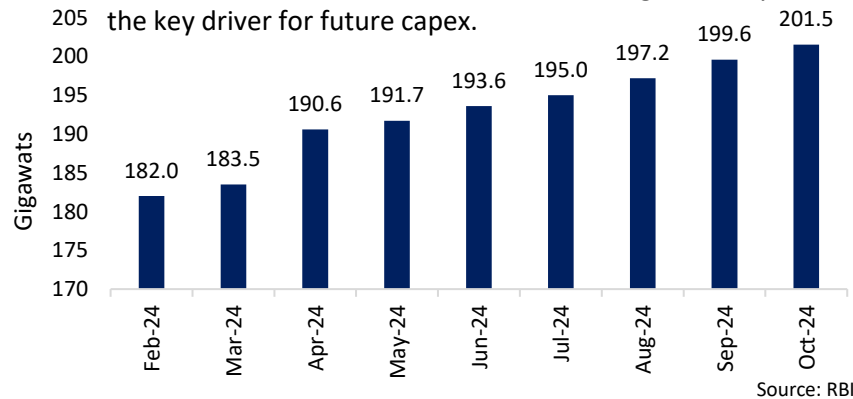
### Government Capital Expenditure As A Percentage Of GDP declines

Lower Capex may impact growth of Capital goods and EPC companies and incremental job creation



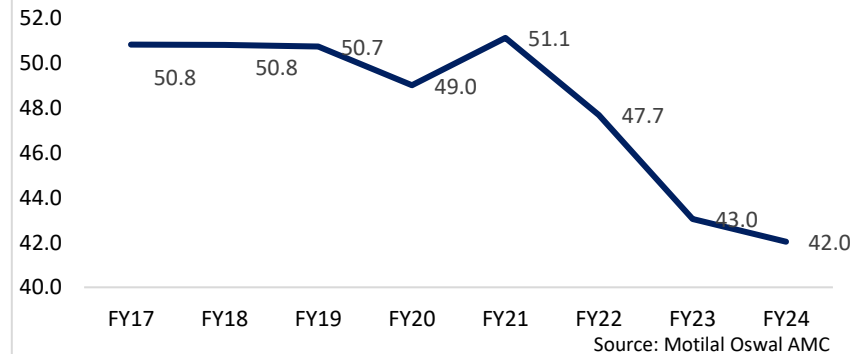
### Renewables Installed Capacity

Power value chain continues to remain strong and likely to be the key driver for future capex.



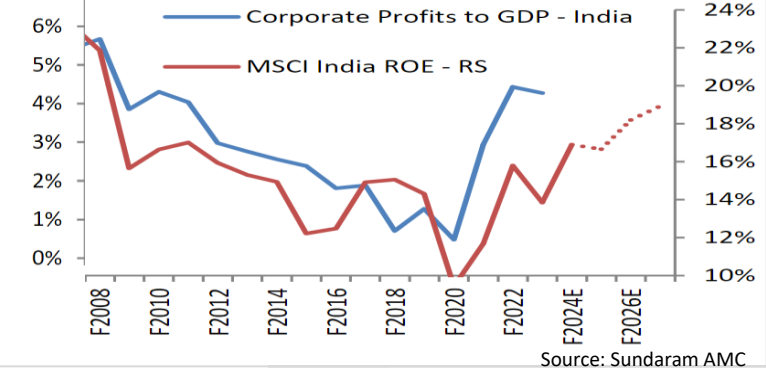
### Corporate Debt as % of GDP

Lower Leverage position gives Corporates cushion for further expansion



### Corporate Profits (%) To GDP

...continues to remain strong, can push private sector capex



## Q2FY25 Results were weaker than market expectation, Banks Shine...All eyes on H2FY25

Sector	Net Sales - YoY Growth (%)			EBITDA - YoY Growth (%)			PAT - YoY Growth (%)		
	Q2 FY25	Q1 FY25	Q2 FY24	Q2 FY25	Q1 FY25	Q2 FY24	Q2 FY25	Q1 FY25	Q2 FY24
Auto & Auto Anc	4.17	6.05	0.26	4.69	31.65	105.44	-0.59	30.67	93.41
BFSI	14.47	21.27	20.14	9.07	16.45	2.88	15.34	19.94	20.29
Capital Goods	24.03	19.09	16.32	21.77	23.49	11.63	20.29	30.00	28.55
Cement & Products	-3.12	-0.44	12.88	-48.77	-19.44	209.78	-50.44	-19.33	241.53
Chem & Fert	6.65	-2.27	-17.02	-10.66	-24.33	-26.35	-32.13	-52.26	-39.90
Ecomm	22.58	22.17	38.27	54.39	-45.06	62.96	3,240.34	-6.62	104.95
FMCG & Retail	10.83	8.51	4.97	1.84	7.75	13.26	1.08	7.48	8.20
Healthcare	10.57	10.64	14.69	20.15	19.69	22.26	15.96	37.34	21.44
Infrastructure	6.33	11.34	27.55	17.50	35.16	32.08	36.95	46.61	1.37
IT	6.24	3.91	5.92	10.15	8.92	3.12	10.87	9.66	2.58
Media & Ent	-15.81	3.30	22.34	-22.17	1.56	9.53	4.08	15.02	9.18
Metal & Mine	-3.71	1.16	0.47	-3.43	19.22	52.55	116.40	7.84	-27.20
Oil & Gas	1.35	3.81	-9.14	-48.61	-41.34	179.82	-45.26	-42.51	185.80
Others	14.06	12.15	-42.42	50.74	40.36	31.64	221.48	78.90	15.83
Power	3.65	13.47	6.21	-2.09	13.67	32.81	-10.46	1.23	35.48
Realty	30.09	8.45	43.55	21.42	41.18	68.19	22.87	67.40	125.48
Telecom	9.85	3.57	3.87	28.14	3.55	16.60	83.34	104.45	-54.97
Textiles	11.06	9.00	9.95	-5.95	3.14	38.34	-45.65	-11.98	34.11
Transport	12.15	15.91	17.48	-79.76	-1.89	235.27	-140.00	-3.58	156.51
Grand Total	6.76	9.56	4.61	-9.85	-2.13	48.92	2.70	4.01	38.24
Ex-Financials	4.17	6.05	0.26	-12.68	-4.87	59.62	-5.48	-4.88	53.02

Data as on November 29, 2024 and pertains to 198 companies within the Nifty 200 universe

Source: Capitaline, HDFC Bank Research

- The corporate earnings scorecard for Q2 FY25 has been weak.
- Consumption has emerged as a weak spot.
- Sectors like Auto, Select capital goods names, Cement, FMCG, Retail, Oil and Gas, Power have delivered weaker set of numbers.
- Sector like BFSI, IT, Healthcare, Telecom and Realty delivered better growth.
- Many other sectors have also delivered growth, but were below market expectations.
- H2FY25 is expected to be better on the back of renewed Capex spending focus by the government and targeted policy measures to drive growth

**With recent correction, valuation has dipped and mutual funds has enough dry powder available to support market on further downturn**

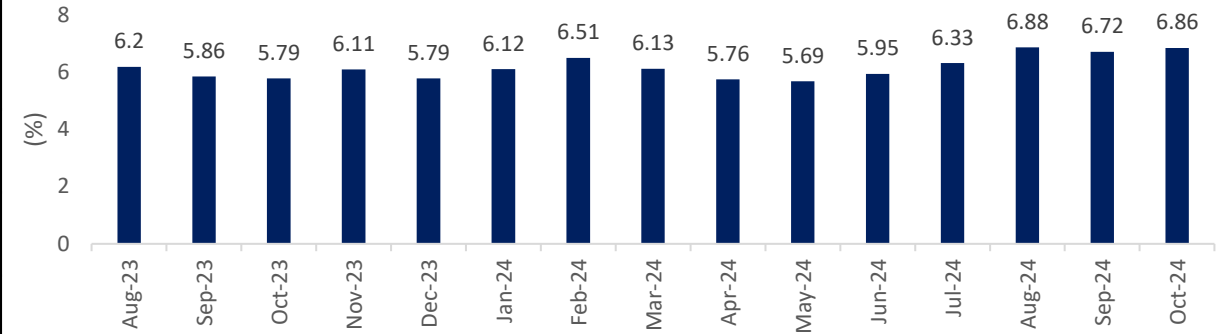
**With the recent correction, Valuations have improved, though still not cheap.**

Index	FY25 P/E (Est)	FY26 P/E (Est)
Nifty 50	22.73	19.95
Nifty Midcap 100	37.64	29.74
Nifty Smallcap 100	29.19	23.40

Source: Bloomberg and data as on 29 November 2024

### Mutual Funds Aggregate Cash Value (%) of AUM

Cash level with MFs high, supporting the markets as and when heavy FPI selling's has come in

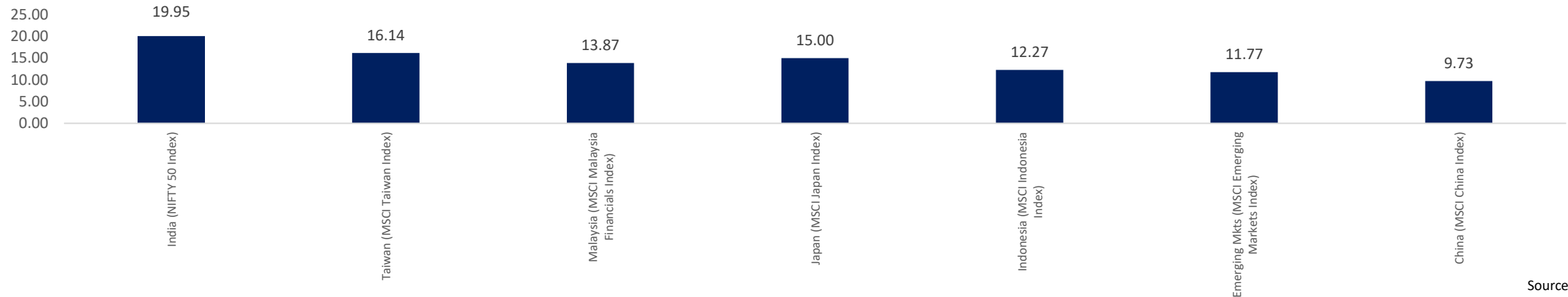


Cash Definition = (Equity Funds + Hybrid Funds) – Arbitrage Funds

Source: ACE MF

### 12M Expected Fwd PE of Various Economies

Further cuts on earnings estimates may continue to put India's premium valuation vs. EM at risk

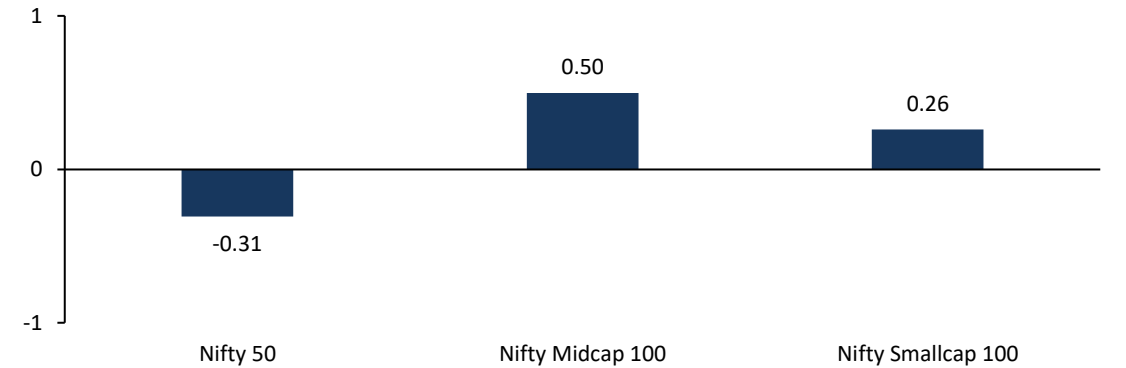


Source: Bloomberg

## Market Roundup – November 2024

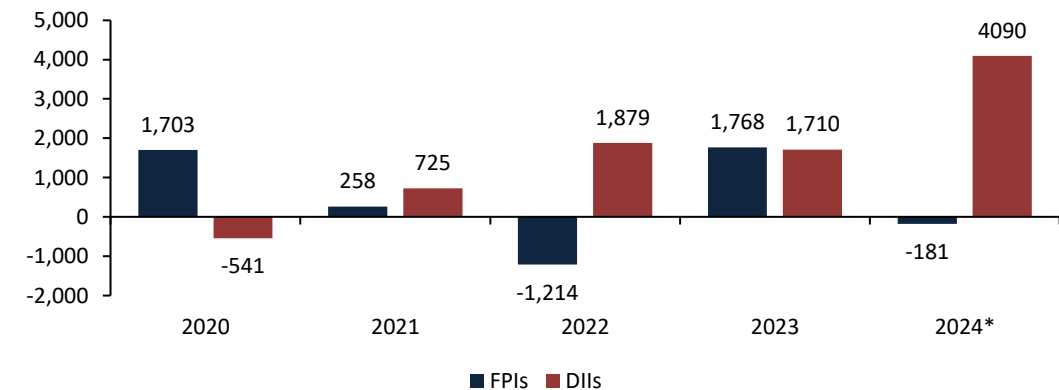
- Indian equities ended the month on a mixed note. Large cap-oriented BSE Sensex ended higher by 0.52% (MoM) and Nifty 50 ended lower by 0.31% (MoM).
- While the BSE Midcap and Small cap indices ended higher by 0.23% and 0.39% (MoM) respectively.
- In terms of BSE sectoral indices, most of the sectors ended on a mixed note. IT, Consumer Durables and Capital Goods outperformed the most whereas Power and Infrastructure were the laggards during the month.
- Domestic equity markets ended on a mixed note amid a rise in dollar index and relentless selling by the foreign portfolio investors. Sentiment was weighed on concerns over potential impact of the newly elected US President's protectionist policies on the global economy. In 2nd half of the month, domestic equity markets were positive due to across-the-board rally led by heavyweight stocks. A firm trend in the US markets also supported the sentiment along with outcome of state election results and easing geopolitical tensions. However, gains were limited due to uncertainty over the Federal Reserve's interest rate path due to expectations of high inflation in November 2024.

### Absolute Return In November 2024 (%)



Source: Bloomberg

### Net Flows In Equities (Rs Bn)



\*For 2024, FPI and DII data is up to 29th November

Source: SEBI, CDSL

## Key concerns for Indian equities

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- Low growth in consumer demand
- Tightening Monetary conditions
- Expectation of weakening margin profile for corporates
- Large IPO/FPO/promoter stock sale
- Impact of the policies of new administration in US
- Upward pressure on food inflation (El Nino, export restrictions by some nations)
- Rising tensions in Middle East along with crude price movement
- The impact of Dollar Index and US Bond Yields on FPI flows in emerging markets

# Annexure...

## Sectoral outlook by fund managers – Part 1

Sector	Particulars
BFSI	<p><b>View –Neutral to Positive</b></p> <ul style="list-style-type: none"> <li>Valuations in most of the Banks are reasonable, especially the Largecap Private sector banks. Earnings for Q2FY25 has been mixed across banking sector.</li> <li>NIM concerns have resurfaced as the cost of funds have risen due to tight liquidity scenario and with policy rates likely to be cut, further pressure to NIMs possible.</li> <li>Credit costs (provisioning) have started to show initial signs of weakness in Smaller banks. Larger Private banks expected to see better asset quality</li> <li>Most fund managers are continuing to add weight in the Pvt sector banks and Capital market companies.</li> </ul>
IT	<p><b>View –Neutral to Positive</b></p> <ul style="list-style-type: none"> <li>Order book growth of Indian companies holding up, execution cycle seeing pickup.</li> <li>Results have mostly been better than expectations, especially in many midcap stocks.</li> <li>Funds have been adding exposure, while some funds have also gone overweight.</li> <li>Sector can act as defensive in case of broad market correction.</li> <li>Market expects that potential corporate tax cuts in the US could be a big boosted for Indian IT services companies in the medium term.</li> </ul>
Pharma	<p><b>View – Neutral</b></p> <ul style="list-style-type: none"> <li>Domestic demand holding up well, stocks have rallied, valuations have risen considerably</li> <li>US is seeing abatement of price erosion in the generic space, which should be positive for Indian pharma stocks.</li> <li>Fund Managers expect the sector to now be market performers and are looking at very stock specific opportunities.</li> <li>Contract development and manufacturing organization (CDMO) companies' stocks are seeing traction due tailwinds expected from the US.</li> <li>US elections is being monitored by the fund managers to track any change in policy by the new dispensation.</li> <li>Hospitals as a segment seems stretched on valuations and are not looking attractive to fund managers currently.</li> </ul>
Auto	<p><b>View – Neutral to Negative</b></p> <ul style="list-style-type: none"> <li>The base for Passenger vehicle volume seems to be loaded against its favour, and volume growth is gradually becoming concern. Fund managers are looking to reduce allocation in the PV segment.</li> <li>2-Wheeler stocks have seen strong outperformance and the volume growth continues to remain steady there.</li> <li>Auto ancillaries may do well due to China+1, Europe+1, PLI, export opportunities and EV initiatives. Valuations remain a key challenge in this segment.</li> <li>In aggregate, the Auto and Auto Ancillary sectors are expected to see weight reduction in many mutual fund portfolios going forward.</li> </ul>



## Sectoral outlook by fund managers – Part 2

Sector	Particulars
Construction & real estate	<p><b>View – Neutral</b></p> <ul style="list-style-type: none"> <li>Favourable demand scenario for housing in terms of volume growth. Results for Q2Fy25 has also been strong</li> <li>Government's focus on infrastructure and investment cycle, though the Govt. spending seems to be sluggish, and is emerging as key risk.</li> <li>Real estate stocks' valuations have moved up substantially, and fund managers expect consolidation in the stocks.</li> <li><b>Approach followed by most AMC's for Real estate sector</b> - Prefer investing in this space through proxy sectors such as housing finance companies, cement, steel and pipes among others.</li> </ul>
Consumption	<p><b>View – consumer services -Neutral, consumer durables and FMCG- Neutral</b></p> <ul style="list-style-type: none"> <li>Staples – Q2Fy25 suggesting weakening of growth, Valuations consolidated. AMC are expected to reduce exposure at margin</li> <li>Hotels/Travel – Valuations rich, Weights being reduced</li> <li>Consumer Durables – Funds are looking players who are gaining market share and adding exposure.</li> <li>Retail and Quick Service Restaurant: Retail valuations high, Earnings have disappointed in the QSR space and fund managers are not too keen to add exposure, they prefer restaurant aggregators instead.</li> <li><b>Long-term positives</b></li> <li>Rising per capita income.</li> <li>Premiumization across categories.</li> </ul>
Capital goods, industrials, utilities	<p><b>View – Neutral</b></p> <ul style="list-style-type: none"> <li>Capex cycle uptick implies that domestic capital goods are gaining traction.</li> <li>Export prospects appear promising, albeit on a bottom-up basis.</li> <li>Order books are robust, and earnings remain stable, sustainability of margin remain a key question.</li> <li>New ideas also emerging and some old themes getting churned.</li> <li>Power, Automation, Electronics continues to be the dominant theme for capex.</li> <li><b>Valuations are steep, while earnings momentum holding up. Funds are trimming/churning at margin. Power value chain still finding favour</b></li> </ul>
Metals	<p><b>View – Neutral</b></p> <ul style="list-style-type: none"> <li>Post recent consolidation, managers yet remain mostly underweight. Demand conditions globally consolidating, prices of base metals volatile. With Chinese Central Bank announcing big monetary stimulus, metals prices are expected to rise. Nevertheless, the strength of demand conditions would drive the stock price movement in the longer run, else this move could be more tactical.</li> </ul>



## Monthly Sectoral Movement

Absolute Monthly Return By Sector (%)

Index	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
BSE 500	6.75	8.01	1.90	1.93	0.84	3.43	0.61	6.87	4.32	0.77	2.05	-6.51	-0.03
Auto	10.08	5.43	4.18	8.12	4.96	3.92	3.84	8.05	5.05	-1.90	3.40	-12.30	-1.20
Bankex	3.47	8.12	-4.38	1.92	2.02	4.64	-0.40	6.94	-1.30	-0.94	2.96	-2.29	1.08
Basic Material	7.25	11.39	0.33	-0.42	1.06	7.86	0.73	6.63	2.06	-2.27	5.69	-6.66	-1.90
Capital Goods	8.88	11.31	1.88	-1.21	6.15	3.42	11.16	3.24	4.58	-3.27	-0.09	-5.47	2.31
Consumer Discretionary	9.36	5.91	2.35	4.89	1.69	5.05	0.77	8.99	4.93	0.99	4.01	-10.07	0.23
Consumer Durables	7.42	6.11	0.70	0.00	2.05	5.59	-0.51	7.12	3.57	4.37	6.40	-10.35	2.99
Energy	9.17	11.06	12.18	6.18	-0.19	3.33	-0.78	4.42	7.34	0.88	-2.91	-12.59	-3.31
FMCG	3.58	6.84	-2.81	-2.33	-0.67	1.52	-0.42	5.23	9.53	2.29	3.32	-8.93	-2.08
Finance	4.82	6.92	-2.40	0.47	1.35	4.93	-1.49	7.10	0.48	0.75	3.03	-3.31	0.53
Healthcare	10.92	3.87	7.18	5.94	-0.08	1.01	-1.46	6.37	9.19	6.56	2.45	-0.72	-0.57
IT	6.77	8.38	3.74	3.38	-7.20	-4.35	-2.63	11.30	12.87	4.27	-2.57	-4.58	5.83
Infra	10.40	14.88	18.15	1.23	0.48	7.03	5.62	2.83	13.17	-2.07	-3.19	-8.72	-2.57
Metal	8.74	11.35	-0.85	1.15	4.95	10.83	4.68	1.03	-0.85	-0.96	6.63	-9.62	-2.38
Oil & Gas	12.51	12.02	12.57	6.86	-0.07	4.83	-1.18	2.91	10.48	1.27	-3.47	-13.75	-2.35
Power	11.16	18.24	8.57	4.33	1.70	7.73	6.64	3.31	6.13	-2.49	5.11	-9.51	-4.34
Realty	19.99	9.37	9.37	9.16	-1.21	7.52	4.40	8.21	-1.10	-3.59	4.36	-9.12	1.93
Telecom	7.21	6.15	6.94	1.44	1.81	8.36	3.29	10.90	4.69	2.36	-5.28	-8.48	1.55
Utilities	11.85	20.00	9.71	3.61	0.25	8.84	2.80	2.40	6.87	-3.79	5.60	-8.54	-6.50

The abovementioned sectoral indices pertain to the S&P BSE universe

Colour scales assigned vertically

Source: Ace MF, HDFC Bank Research

## AMC Sectoral Holdings

Industry(%)	Auto & Auto Ancillaries	Banks & Finance	Capital Goods	Commodities	FMCG	Consumer Durables and Consumer Services	Housing & Construction	IT	Media	Oil & Gas, Energy	Other Equities	Pharma	Telecom	Textiles	Transport & Shipping , Logistics & Services
Nifty 500	7.00%	28.98%	5.67%	7.60%	7.09%	6.48%	4.32%	9.64%	0.21%	11.52%	0.21%	6.32%	2.99%	0.27%	1.68%
360 ONE	11.90%	29.10%	6.22%	2.94%	0.31%	6.38%	4.37%	8.07%	0.22%	7.37%	0.00%	5.79%	8.66%	0.16%	4.87%
Aditya Birla SL MF	8.75%	26.29%	6.84%	6.05%	6.16%	7.81%	4.97%	9.64%	0.26%	8.24%	0.37%	7.60%	2.97%	0.52%	1.56%
Axis MF	9.61%	22.52%	8.78%	7.25%	3.55%	10.30%	4.33%	7.06%	0.07%	4.88%	0.49%	9.33%	3.26%	0.21%	1.73%
Bajaj Finserv MF	6.63%	24.67%	6.34%	3.90%	11.40%	9.94%	3.14%	7.87%	0.18%	5.63%	0.86%	12.66%	3.27%	0.59%	0.60%
Bandhan MF	6.35%	24.79%	7.89%	6.69%	5.93%	7.63%	5.58%	7.01%	0.09%	7.11%	1.77%	8.24%	1.98%	0.89%	2.83%
Bank of India MF	4.69%	21.78%	12.07%	10.35%	4.57%	4.26%	5.48%	7.47%	0.34%	7.31%	-1.39%	7.85%	2.08%	1.54%	0.90%
Baroda BNP Paribas	8.49%	21.61%	10.68%	4.93%	6.88%	9.70%	2.23%	7.46%	0.18%	10.51%	0.73%	8.61%	1.97%	0.20%	0.59%
Canara Robeco MF	9.04%	24.70%	10.92%	5.67%	5.47%	11.86%	3.10%	6.83%	0.24%	5.68%	1.16%	7.94%	2.37%	0.38%	1.43%
DSP MF	7.86%	23.70%	11.55%	9.37%	4.61%	6.96%	3.66%	6.45%	0.00%	5.84%	0.39%	11.13%	1.48%	1.26%	1.00%
Edelweiss MF	6.67%	21.66%	13.80%	5.40%	5.11%	12.32%	5.00%	9.67%	0.00%	4.71%	0.07%	9.81%	1.97%	0.53%	0.65%
Franklin Templeton MF	6.67%	24.77%	7.20%	6.65%	4.61%	9.67%	5.68%	9.02%	0.05%	6.96%	0.05%	8.07%	3.58%	1.09%	1.59%
Groww MF	10.10%	41.76%	4.32%	5.48%	2.26%	2.51%	6.47%	7.17%	0.00%	5.25%	0.00%	3.08%	2.24%	0.29%	3.82%
HDFC MF	9.17%	28.66%	7.09%	5.21%	3.16%	5.63%	3.78%	7.44%	0.56%	4.47%	0.01%	11.39%	3.12%	0.65%	2.77%
Helios MF	0.00%	43.05%	5.63%	0.00%	4.68%	9.13%	2.37%	10.90%	0.87%	4.58%	0.00%	9.48%	2.37%	1.50%	2.77%
HSBC MF	3.88%	20.69%	20.43%	5.18%	4.31%	10.77%	8.84%	6.62%	0.02%	5.36%	1.80%	5.22%	1.32%	1.96%	0.67%
ICICI Pru MF	8.78%	25.12%	4.38%	7.64%	4.36%	4.15%	4.97%	7.85%	0.58%	9.30%	0.52%	8.08%	3.20%	0.63%	1.69%
Invesco MF	5.05%	26.85%	12.47%	3.77%	2.77%	15.36%	4.38%	8.02%	0.00%	4.29%	1.17%	11.18%	1.58%	0.01%	1.56%
ITI MF	4.62%	21.83%	17.00%	8.90%	4.49%	6.16%	5.58%	6.67%	0.34%	5.97%	2.32%	9.59%	1.38%	1.16%	1.66%
JM MF	6.46%	21.69%	7.00%	8.28%	4.85%	12.21%	5.09%	7.93%	0.07%	6.09%	0.00%	14.13%	1.92%	1.67%	0.33%
Kotak MF	8.65%	18.07%	11.65%	11.51%	3.46%	8.27%	4.94%	10.41%	0.68%	6.74%	0.02%	7.48%	2.46%	0.37%	1.56%
LIC MF	7.56%	21.84%	19.45%	5.53%	6.42%	7.62%	3.77%	5.78%	0.48%	5.65%	0.99%	5.27%	1.31%	1.35%	1.85%
Mahindra Manulife MF	6.57%	20.79%	10.03%	9.22%	7.57%	6.16%	2.93%	6.64%	0.23%	9.52%	2.79%	6.17%	2.07%	1.52%	2.13%
Mirae MF	6.46%	31.28%	4.37%	7.93%	2.67%	9.92%	4.23%	9.30%	0.00%	7.09%	0.00%	8.87%	3.67%	0.80%	2.54%
Motilal Oswal MF	12.84%	15.52%	17.74%	3.26%	0.44%	21.72%	3.28%	14.11%	0.00%	0.24%	0.25%	4.41%	3.21%	0.00%	0.41%
Navi MF	5.27%	28.38%	8.75%	3.24%	7.93%	9.76%	0.44%	8.32%	1.24%	3.06%	0.96%	7.22%	2.58%	1.63%	3.45%
Nippon India MF	6.44%	25.66%	12.24%	4.89%	5.42%	10.60%	3.56%	5.47%	0.70%	7.00%	0.77%	9.65%	1.70%	1.09%	1.53%
NJ MF	16.12%	10.80%	0.35%	3.84%	11.95%	4.02%	0.00%	16.00%	0.00%	10.14%	0.00%	25.85%	0.00%	0.38%	0.00%
Old Bridge MF	0.00%	10.76%	0.00%	7.98%	7.43%	3.34%	8.44%	8.40%	0.00%	4.21%	3.62%	19.99%	6.30%	0.00%	12.35%
PGIM India MF	8.45%	21.57%	9.18%	7.86%	5.46%	14.12%	3.18%	8.21%	0.00%	3.44%	0.00%	10.45%	1.67%	0.66%	2.82%
PPFAS MF	5.58%	32.55%	0.03%	0.22%	5.67%	2.49%	0.00%	12.58%	0.00%	13.92%	0.02%	3.38%	0.00%	0.00%	3.18%
Quant MF	4.29%	16.26%	2.38%	10.06%	11.70%	4.05%	6.79%	1.18%	1.58%	17.75%	0.05%	10.71%	2.34%	1.02%	1.82%
Quantum MF	9.28%	38.13%	0.63%	4.59%	0.69%	4.31%	0.00%	14.65%	0.09%	3.25%	0.12%	4.46%	3.76%	0.00%	0.43%
Samco MF	5.99%	14.53%	8.53%	5.26%	7.05%	2.97%	5.76%	4.01%	1.48%	2.16%	0.86%	14.01%	0.00%	0.48%	0.32%
SBI MF	8.49%	21.97%	6.41%	7.10%	6.20%	8.53%	3.43%	6.25%	0.35%	8.40%	1.64%	7.47%	2.88%	2.09%	2.36%
Shriram MF	10.29%	14.89%	8.68%	3.69%	4.94%	15.32%	2.76%	4.18%	0.00%	1.91%	0.00%	24.57%	2.89%	0.00%	0.00%
Sundaram MF	6.96%	26.66%	8.49%	4.79%	5.12%	11.43%	4.33%	6.47%	0.26%	6.08%	0.00%	8.37%	3.62%	0.18%	1.94%
Tata MF	4.28%	21.32%	8.72%	6.54%	5.18%	7.13%	4.05%	15.87%	0.48%	6.66%	0.93%	6.98%	2.07%	1.03%	3.22%
Taurus MF	6.45%	22.75%	4.77%	6.52%	5.32%	4.02%	5.35%	16.31%	0.00%	12.13%	0.30%	7.23%	2.51%	1.69%	0.98%
Trust MF	3.39%	25.91%	10.18%	1.23%	6.93%	9.17%	3.61%	9.33%	0.00%	2.93%	0.53%	16.63%	2.34%	0.00%	0.00%
Union MF	6.12%	19.73%	10.74%	4.97%	3.97%	15.63%	4.01%	11.48%	0.10%	5.14%	0.00%	8.71%	2.40%	0.88%	2.53%
UTI MF	9.37%	24.08%	5.75%	5.80%	4.34%	13.74%	2.17%	10.29%	0.28%	4.18%	0.52%	10.21%	2.99%	0.92%	1.89%
WhiteOak Capital MF	4.03%	32.26%	8.69%	4.13%	4.27%	9.78%	2.50%	9.16%	0.17%	3.51%	1.70%	10.90%	3.09%	0.53%	1.28%

Source: ACE MF

Data as on 30<sup>th</sup> October

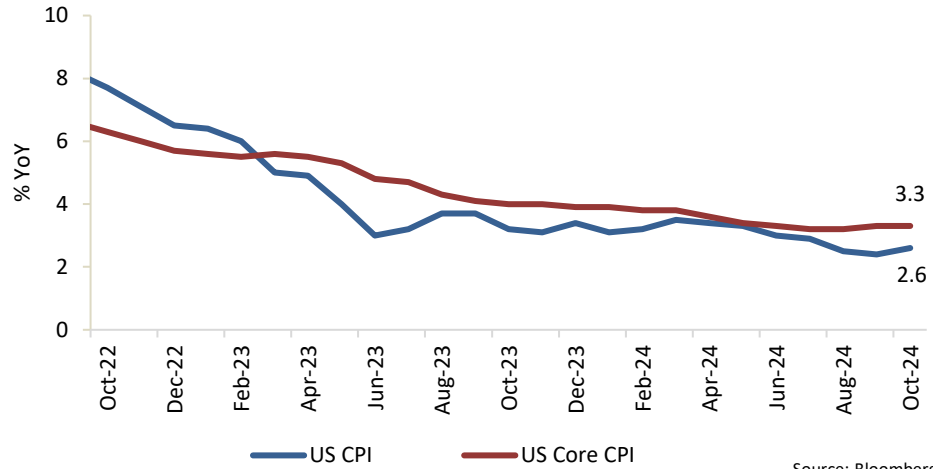
# Fixed Income Market

## Fixed Income Outlook

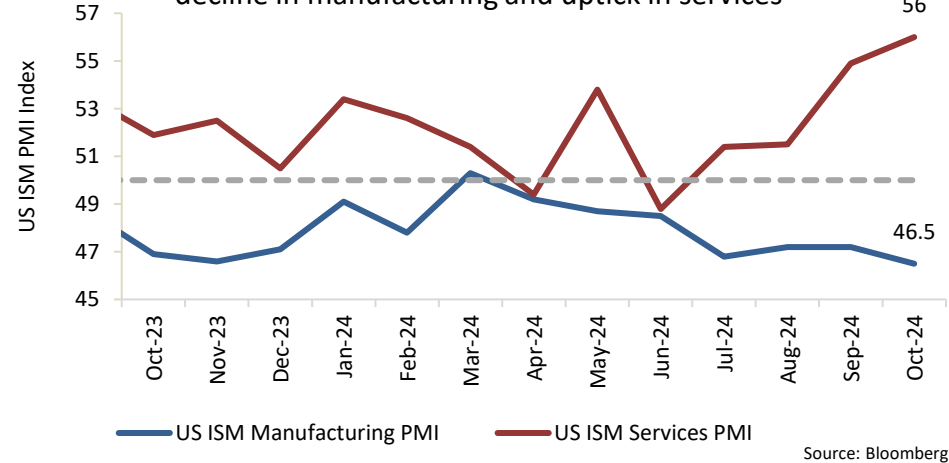
- The liquidity conditions briefly moved to a deficit, seemingly on the back of RBI's forex intervention to support the orderly movement of INR. However, it ended the month in surplus. RBI is likely to ensure surplus liquidity and market participants expect it to inject durable liquidity in the system in consonance with its stance on Neutral liquidity.
- The CPI inflation for October 2024 climbed to a 14-month high of 6.21% YoY, higher than market expectations of 5.81% YoY. While the CPI inflation remains above the RBI's target of 4% YoY, the food inflation is expected to cool down with the onset of winter, which can cause headline inflation to gradually trend downwards and could give room to the MPC for policy rate cuts by February 2025.
- With India's Q2 FY25 GDP coming in at below expectations with a growth rate of 5.4% YoY, policy rate cut and further liquidity easing expectations in the market are rising in the near term.
- However, issues on the external front in terms of rising trade deficit and weakening currency remain a key challenge for the RBI to negotiate with in the medium term.
- The government has remained steadfast on its fiscal consolidation path, with the fiscal deficit (as a % of GDP) till October of FY25 remaining lower than the comparable period of FY24. With the government sticking to its budget estimates for market borrowing in H2 FY25, the market participants believe that the expenditure by the government is likely to pick up pace to alleviate possible slowdown in the economy.
- However, market seems to be expecting possibilities of lower than budgeted Government spending in the second half of FY25, keeping the demand supply dynamics favourable.
- Going forward, the RBI's decision on interest rate cuts will be influenced by incoming high frequency data on GDP growth, income data on the external front, along with the inflation trajectory, as it tries to balance growth-inflation dynamics. If the growth data remains weak and inflation trajectory moderates, the RBI MPC may start to cut policy rates from February 2025 onwards. Market participants are expecting the incoming Policy rates cut cycle to be shallow and expect about 50-75 bps cut in CY25.
- In the US, the Federal Reserve is guiding to slow the pace of policy rate cuts in light of improving growth and employment data. While inflation trajectory in the US remains on a downward path and Manufacturing continues to remain weak, the policy measures announced by the incoming Trump Administration would be a key factor that would drive the policy rates there. The European Central Bank (ECB) has continued to pursue the path of policy rate cuts and is likely to remain dovish to lift growth conditions in the EU.
- Globally, while the disinflationary trends are pushing major central banks across the world to take a dovish stance, the central banks' monetary policy actions may depend on each country's macroeconomic factors and response to any major Geo-Political event, and policies pursued by US President elect Donald Trump and his administration.
- Indian G-sec yields fell due to the US Fed's cut and the weaker-than-expected domestic GDP growth data for Q2 FY25. Domestically, tactical opportunities for duration strategy are playing out, with the growth decelerating and expectation of policy rate cuts rising.
- With the fiscal deficit expected to remain firmly under control, the supply-demand dynamics are likely to support lower yields at the longer end.
- Additionally, as liquidity conditions ease further due to the change in stance, it is likely to compress the corporate bond yields at the shorter end in the medium term.
- The inverted corporate bond yield curve may normalize, making the case for corporate bonds at the 1-4-years segment of the curve. Hence, investors can look at Corporate Bond Funds for a horizon of 15 months and above.
- For a horizon of 24 months and above, investors can look at Dynamic Bond Funds.
- For a horizon of 3 months and above, investors can consider Arbitrage Funds or Money Market Funds.
- Whereas for a horizon of up to 3 months, investors can consider Overnight Funds and Liquid Funds.
- Investors can also look at Multi-asset allocation funds for a horizon of 36 months and above.
- Investors should invest in line with their risk profile and product suitability.

## US Bond Yields spike in anticipation of inflationary policies by the Trump administration... Fed's dovishness moderates

Recent CPI data in the US came in line with expectations



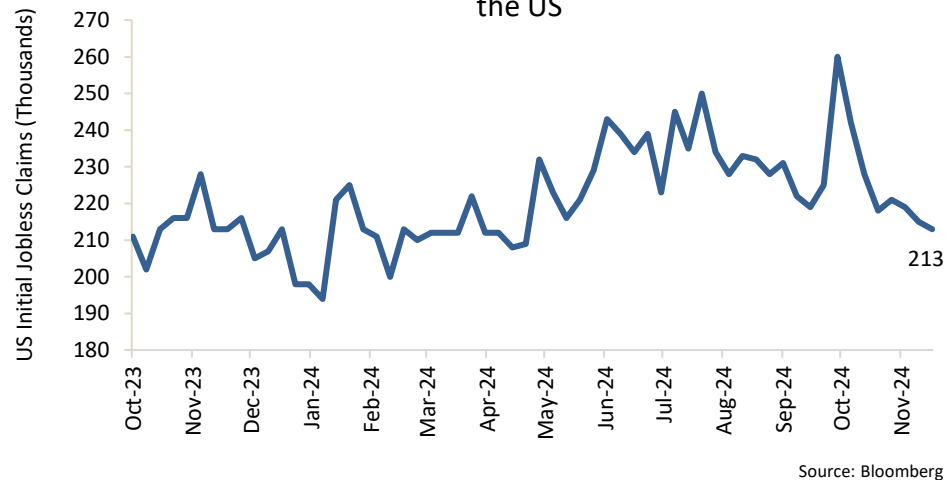
Economic activity in the US showing mixed picture, with a decline in manufacturing and uptick in services



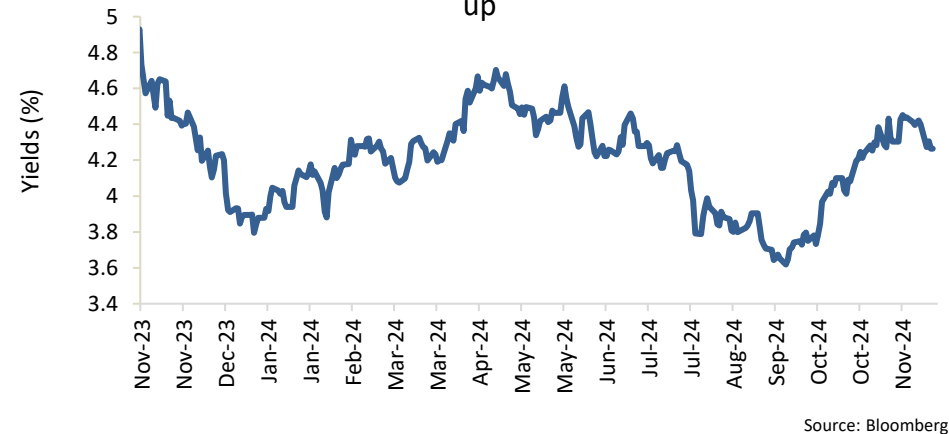
Donald Trump wins the US elections. His key poll promises are as follows:

- Trade: New tariffs of 10 to 20% on most foreign goods, with higher tariff on China.
- Immigration: To cut and reverse illegal immigration.
- Tax cut: Extending Tax Cuts and Jobs Act (TCJA) and further reduction of Corporate tax by up to another 500 bps.

Decline in jobless claims may lead to further rate cuts in the US

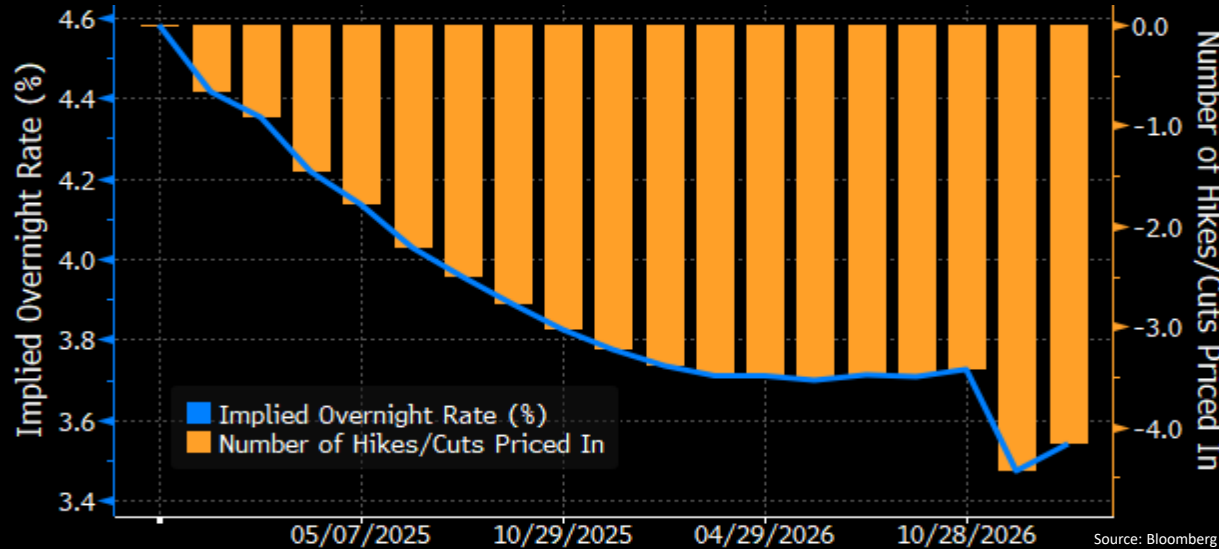


In anticipation of Trump getting elected and inflationary policies being implemented, US bond yields have moved up



## Policy rate cut expectations for the Developed Markets imply continuous cuts into CY25... US may delay further rate cuts

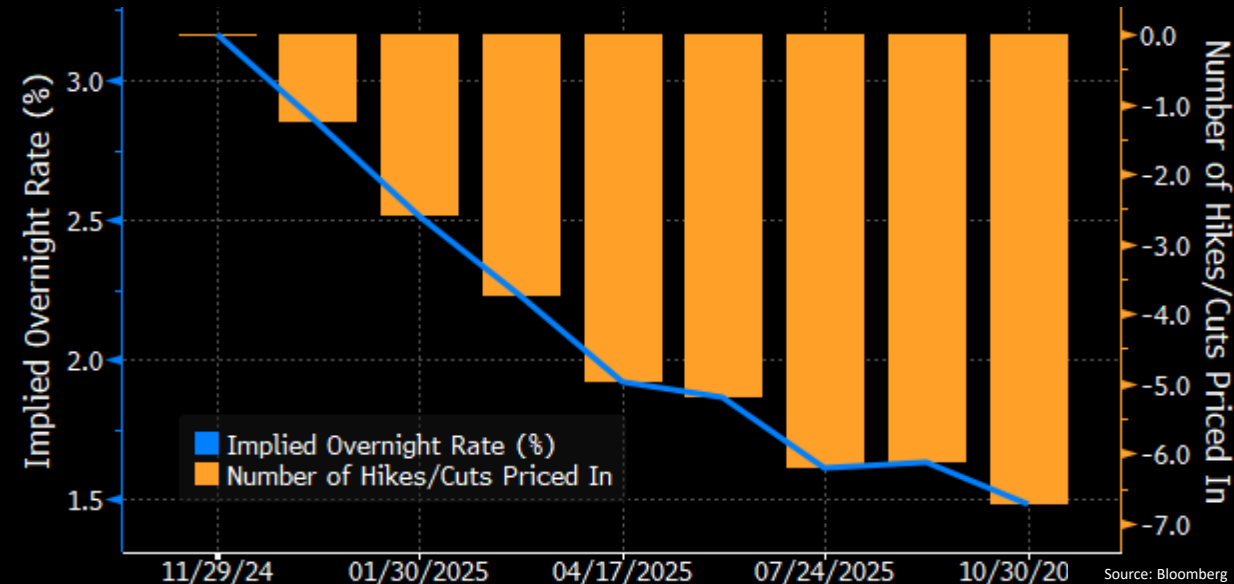
While US policy rate cuts may get delayed, expectations are still for significant rate cuts during the cycle



“The economy is not sending any signals that we need to be in a hurry to lower rates”....  
 ... “The strength we are currently seeing in the economy gives us the ability to approach our decisions carefully.”

– Federal Reserve Chair Jerome Powell

ECB is expected to continue on the easing path



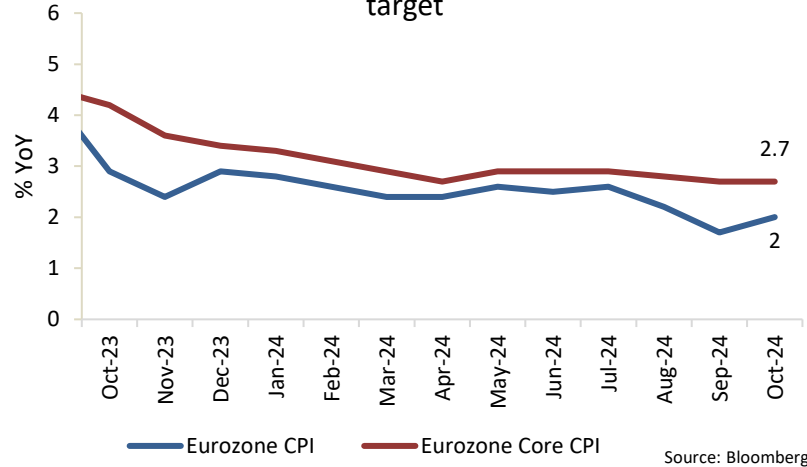
“This proposal [to cut rates in October] was motivated by prudent risk management. If the slowdown signalled by indicators of economic activity and the downside surprise to inflation proved to be temporary, a decision to cut rates at the October meeting could, ex post, turn out as merely having brought forward a December cut. By contrast, if the data suggested a more persistent weakness, which confirmed a stronger disinflationary process, cutting at the current meeting would, ex post, signal a nimble adjustment of policy to changing macroeconomic conditions.”

– Minutes of the ECB October Policy Meeting

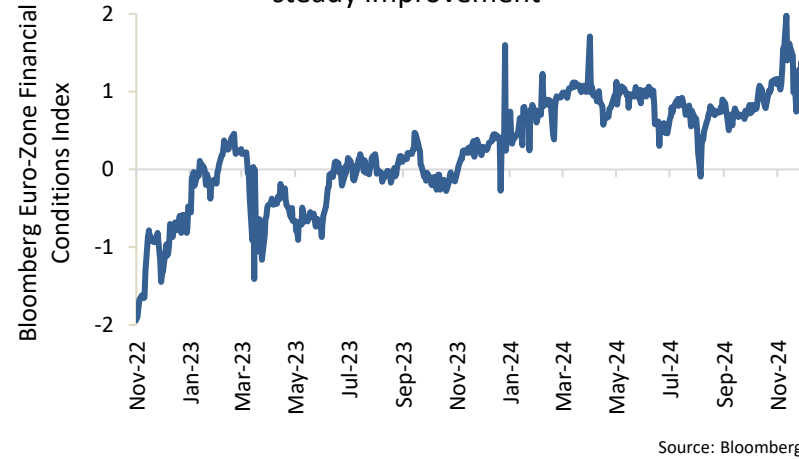


## In Europe, financial conditions improve on the back of monetary easing by ECB, driven by moderating inflation

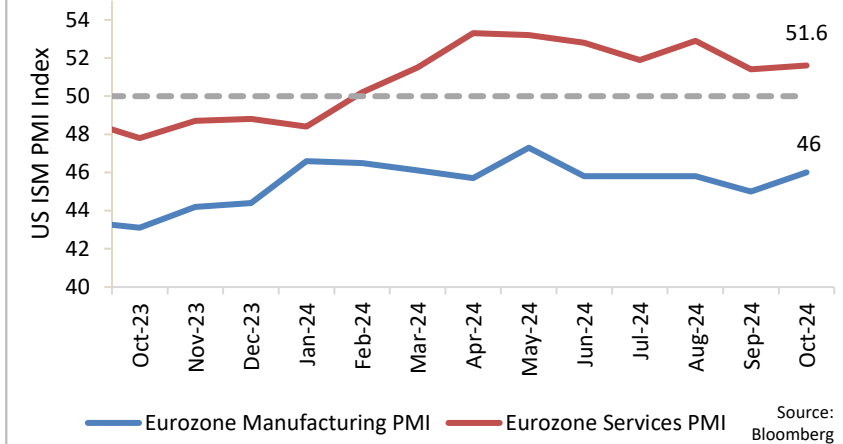
Eurozone Inflation remains around the ECB's 2% target



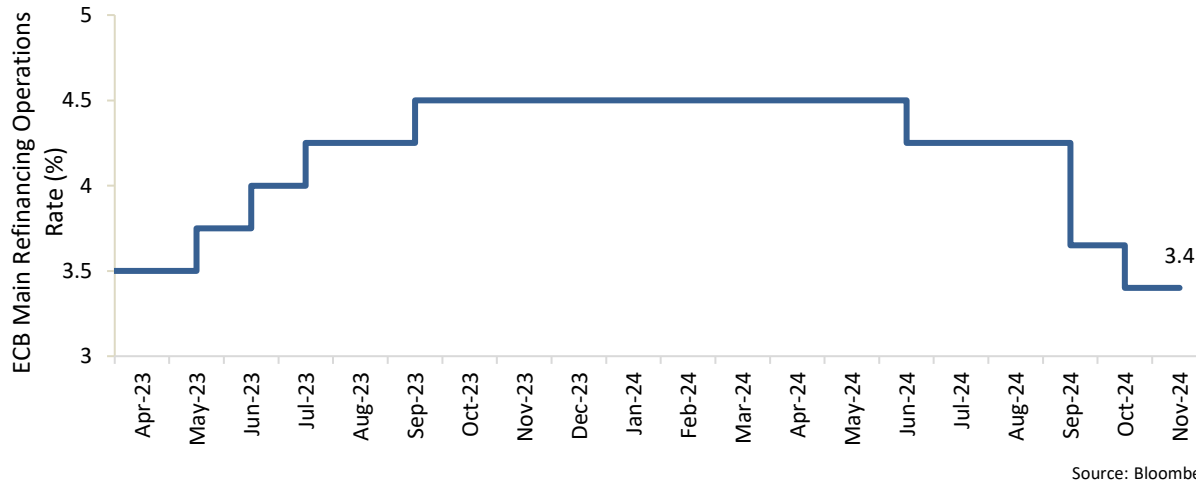
Eurozone Financial Conditions Index has seen steady improvement



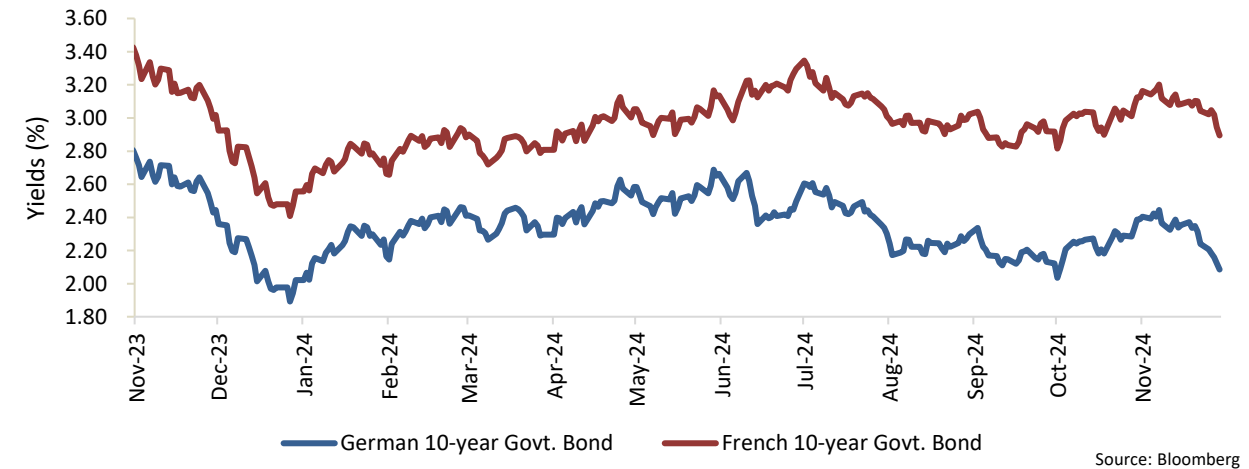
EU PMI shows a slight uptick



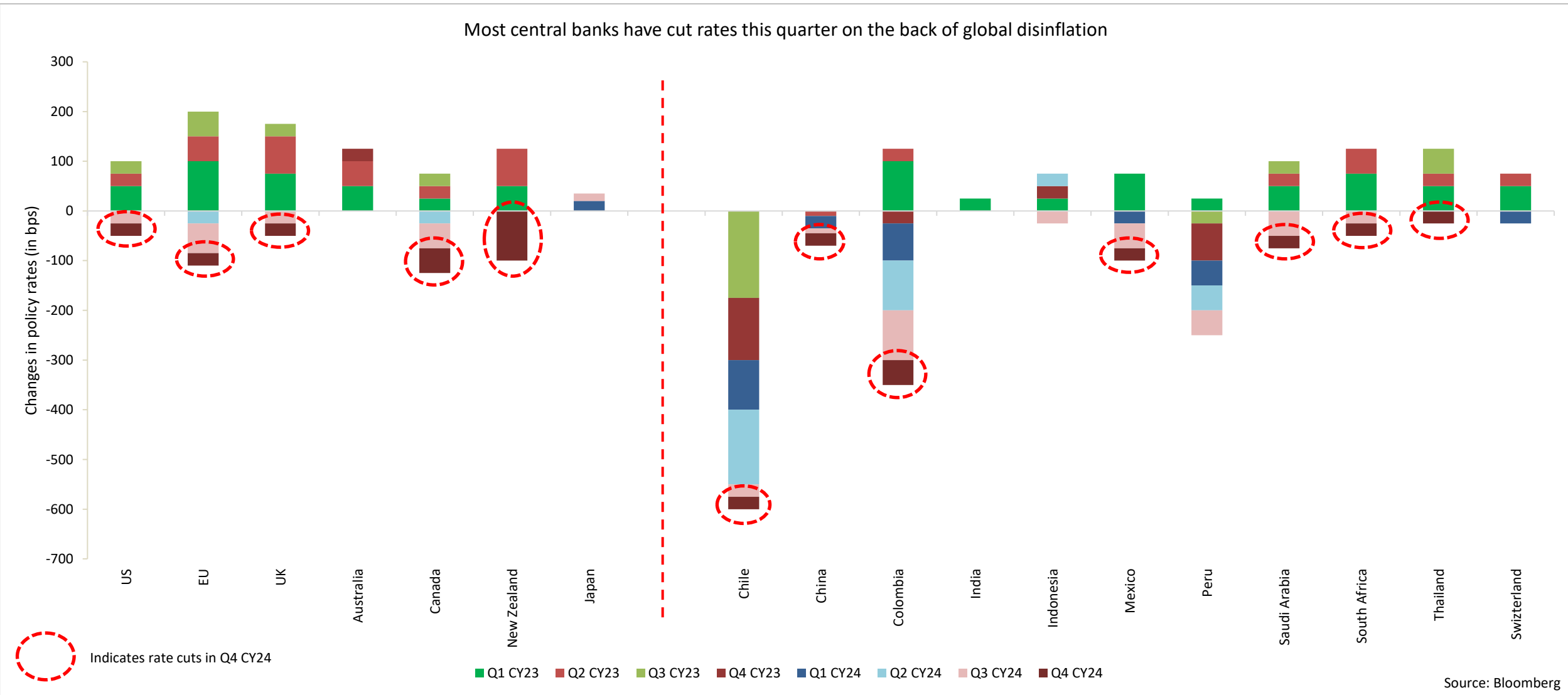
ECB continues on its rate cut path...



...ensuring stability in key EU bond yields, while US yields spike



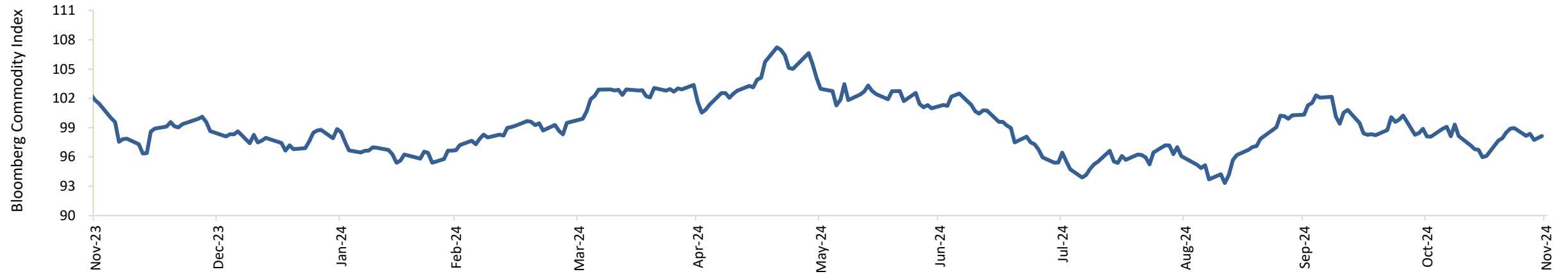
## Majority of the global central banks are continuing with policy easing stance





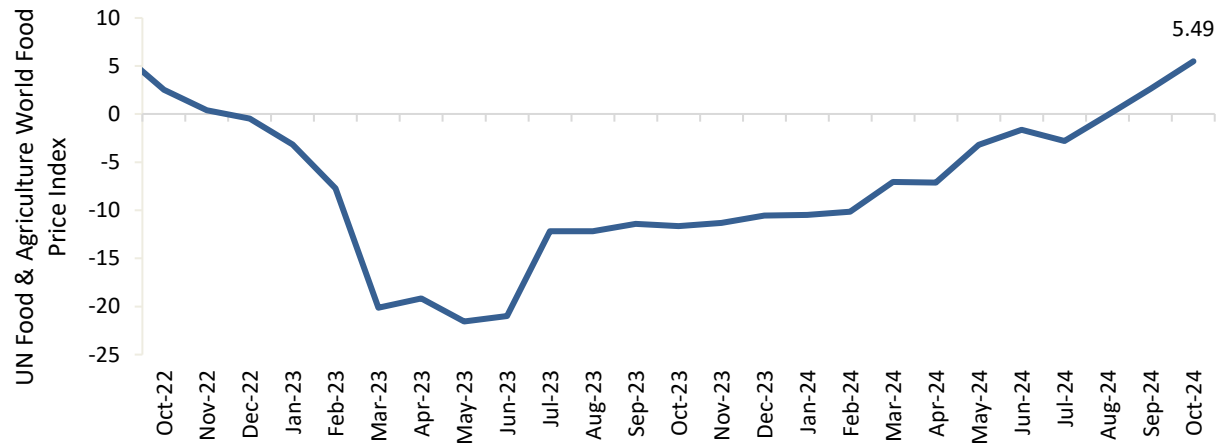
## Global Commodities - Industrial commodities and Crude prices moderate, food turning sticky

Global commodities remain range bound, could keep manufacturing inflation under check... Weak global impulses keeping industrial metal prices steady



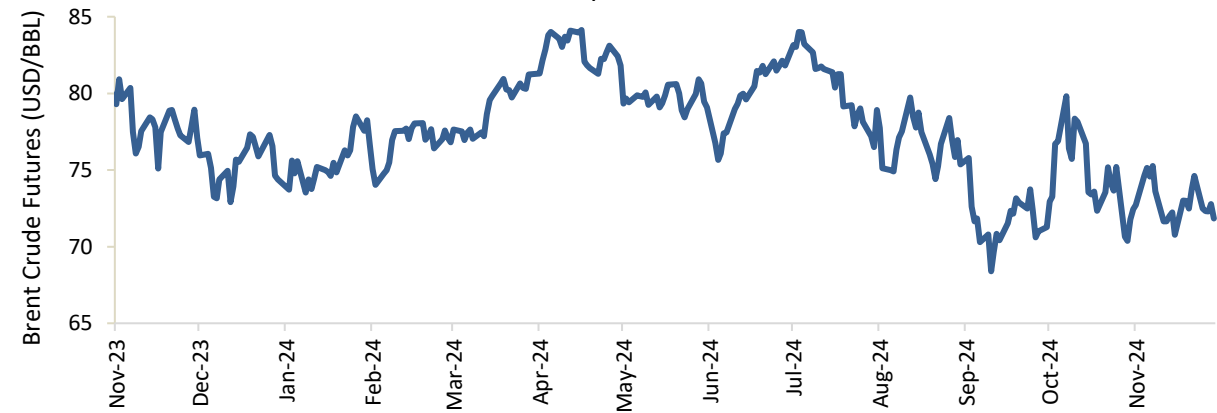
Source: Bloomberg

UN Food Price Index moved up because of lower base



Source: Bloomberg

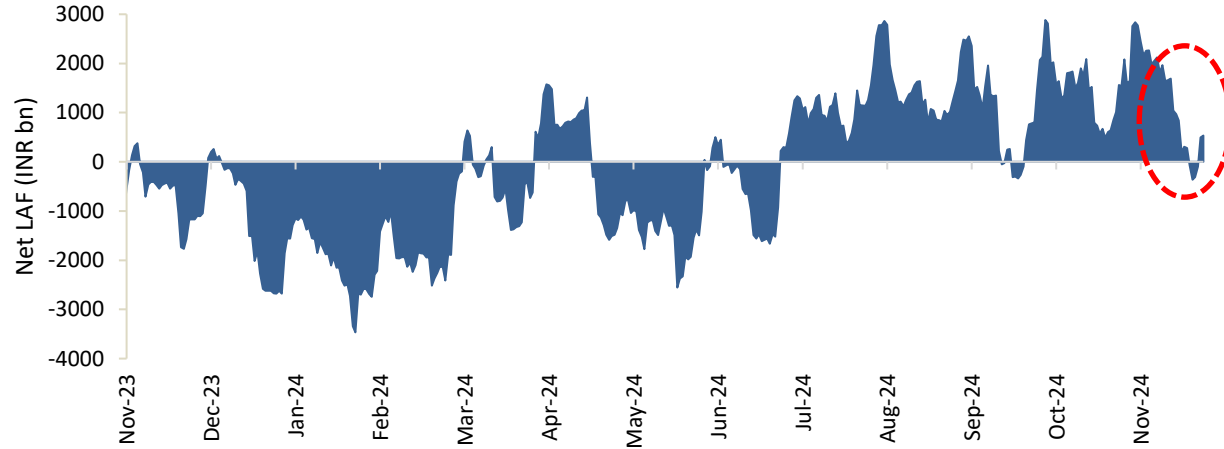
Higher supplies and non escalation of tensions in the Middle East keep Crude prices low



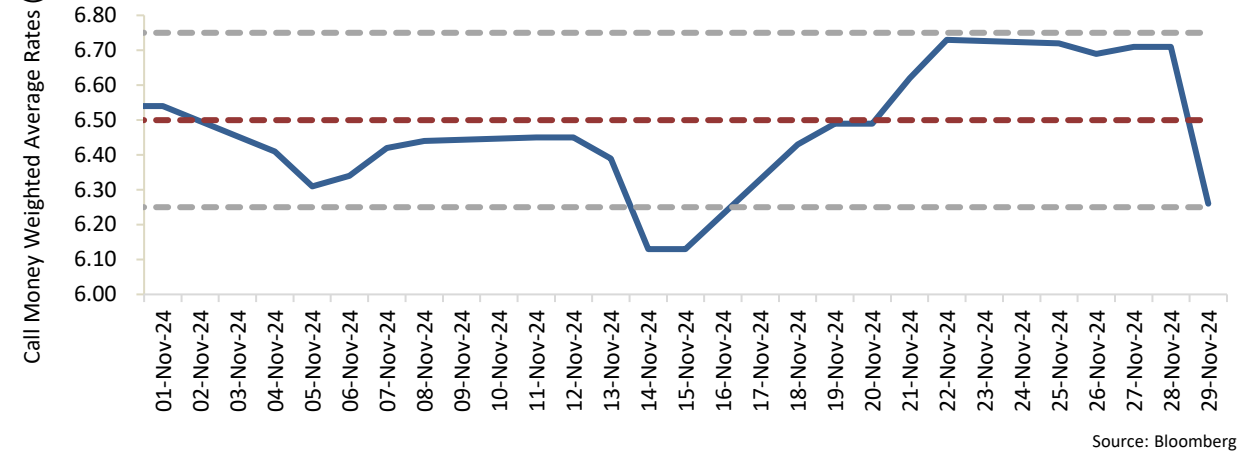
Source: Bloomberg

## Liquidity remained in surplus for the month, but RBI's reported forex intervention resulted in a brief liquidity deficit

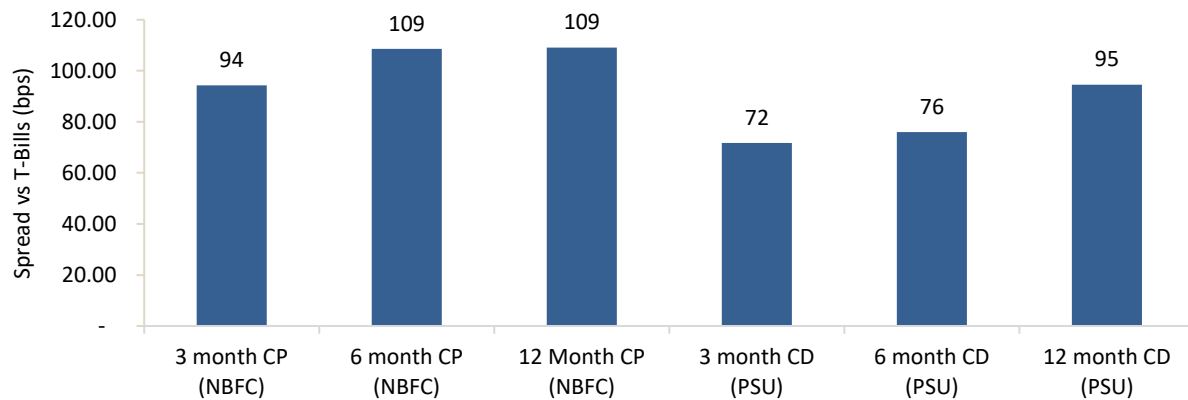
Liquidity surplus declines due to RBI's forex intervention to support the INR



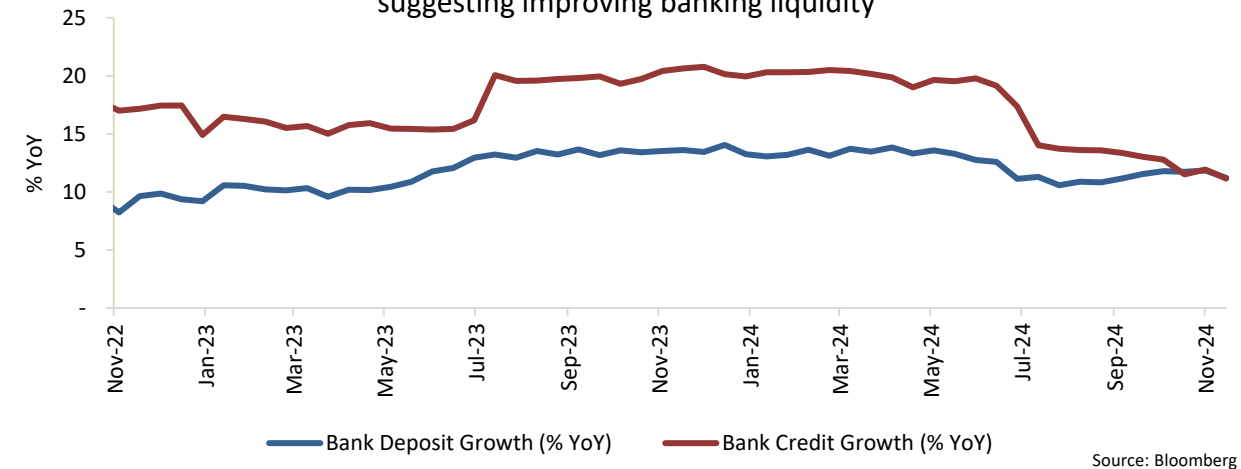
Overnight Rate remained below the Repo Rate, rising briefly above the Repo rate due to tightness in liquidity



Spreads between short term T-Bills and CDs/CPs remain elevated, providing opportunity for Money Market Funds / Low Duration Funds

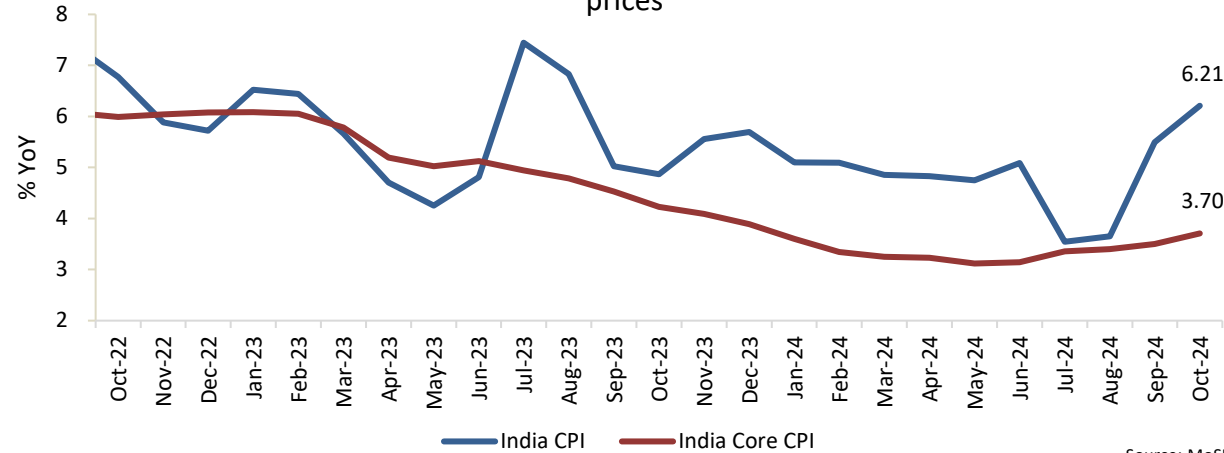


Banks' deposit growth remains steady while credit growth moderates, suggesting improving banking liquidity

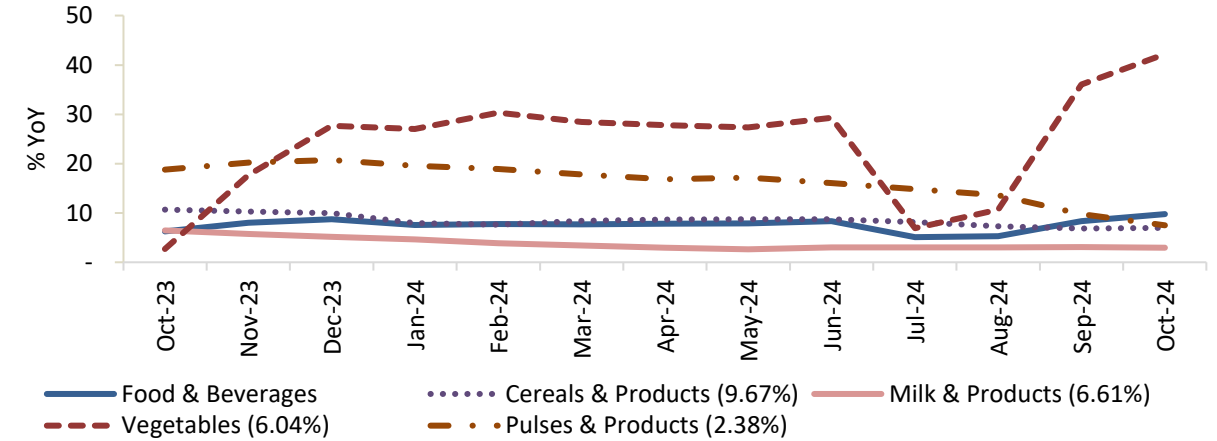


## Base effect and higher vegetable prices kept CPI inflation elevated... food inflation likely to come off in winter

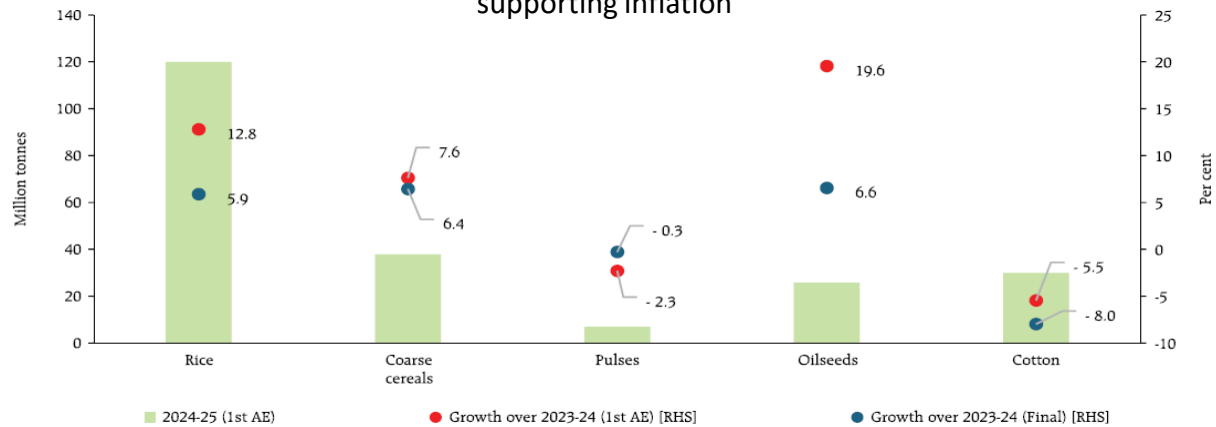
CPI inflation comes in higher on the back of base effect and higher food prices



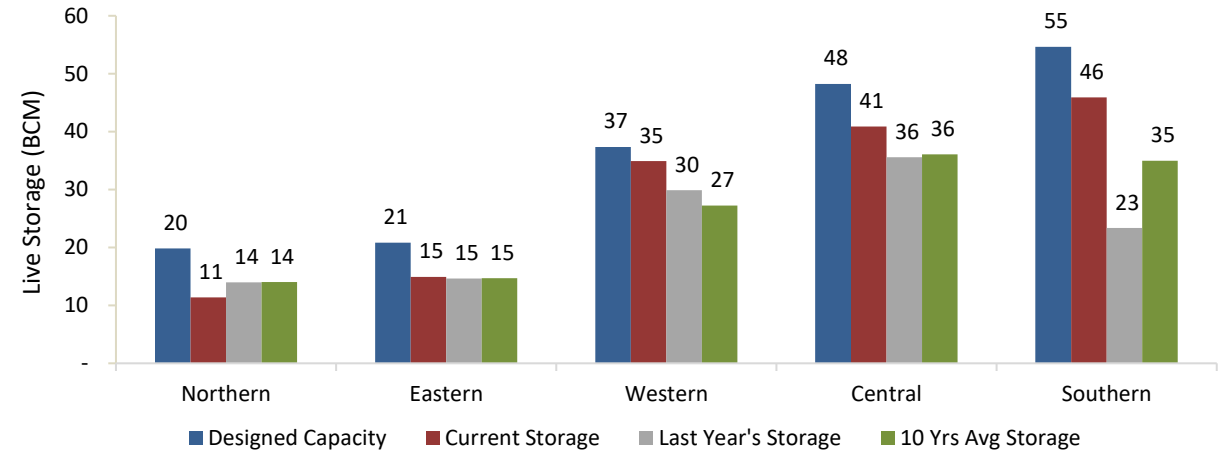
High vegetable prices keeps food inflation elevated



Strong Kharif output is likely to weigh down on food prices going forward, supporting inflation

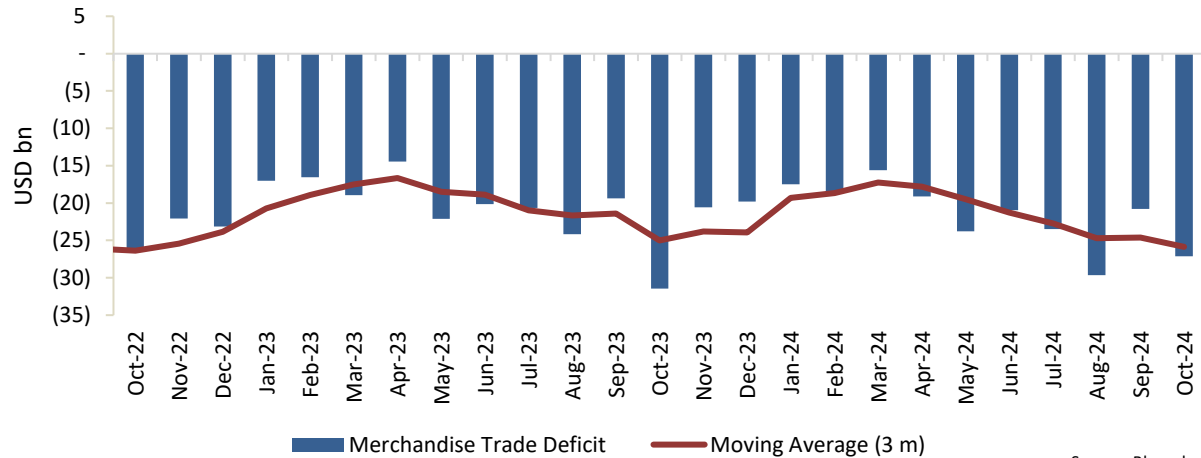


Comfortable reservoir levels bode well for the upcoming Rabi season



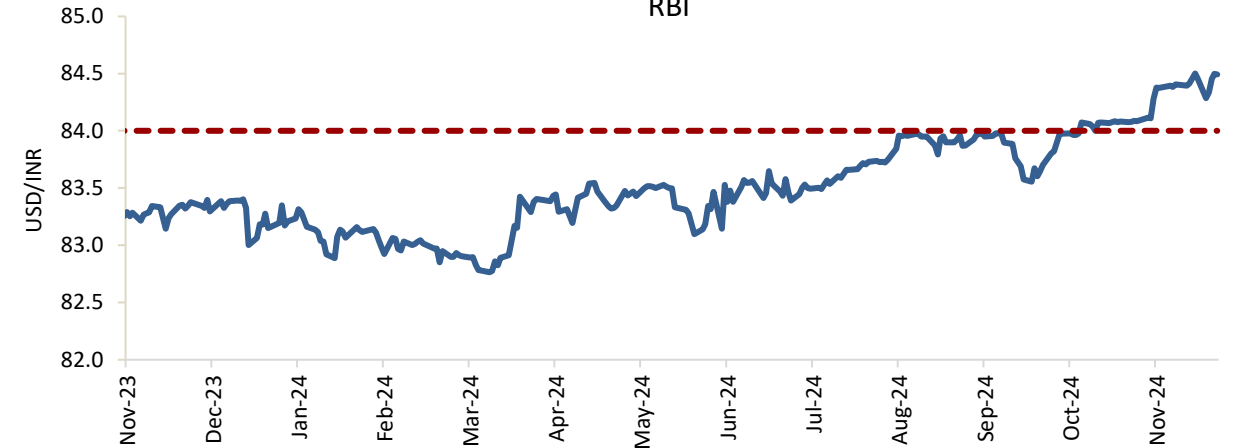
## Weakening currency remains a cause for concern as its implication could be inflationary... Weak external sector performance remains key monitorable

Trade deficit widened sequentially, but narrowed on a yearly basis



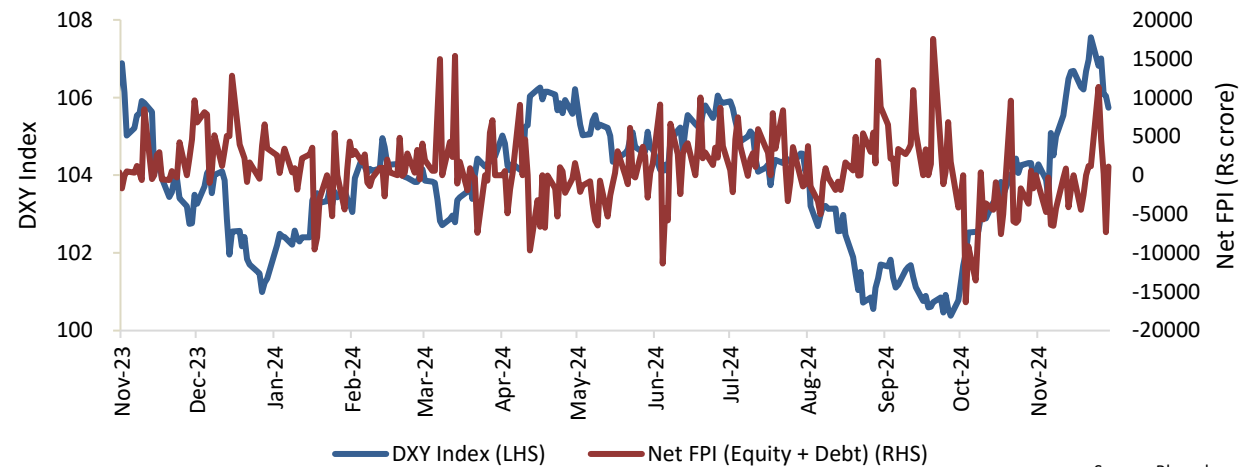
Source: Bloomberg

INR's depreciation has been kept orderly due to timely interventions by the RBI



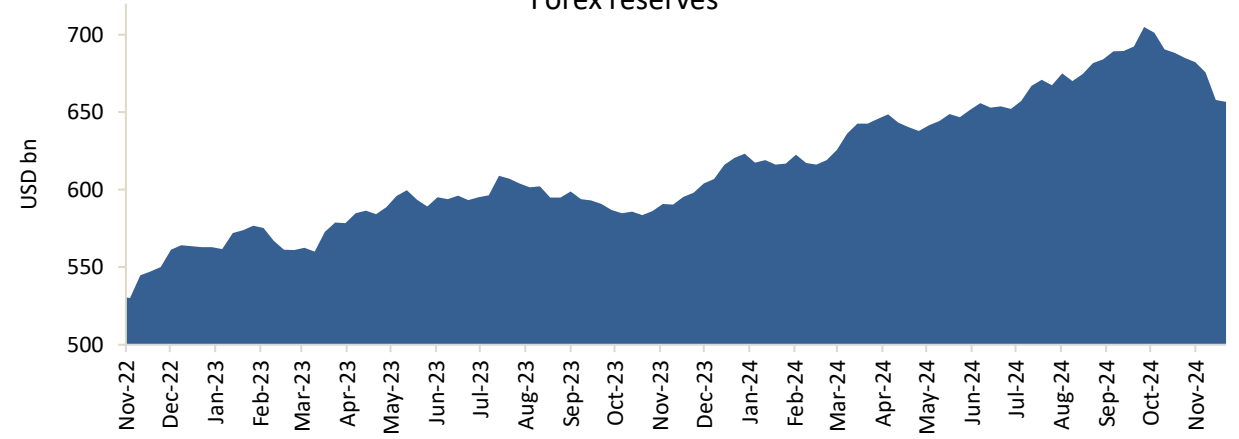
Source: Bloomberg

The rising Dollar Index led to FPI outflows from India



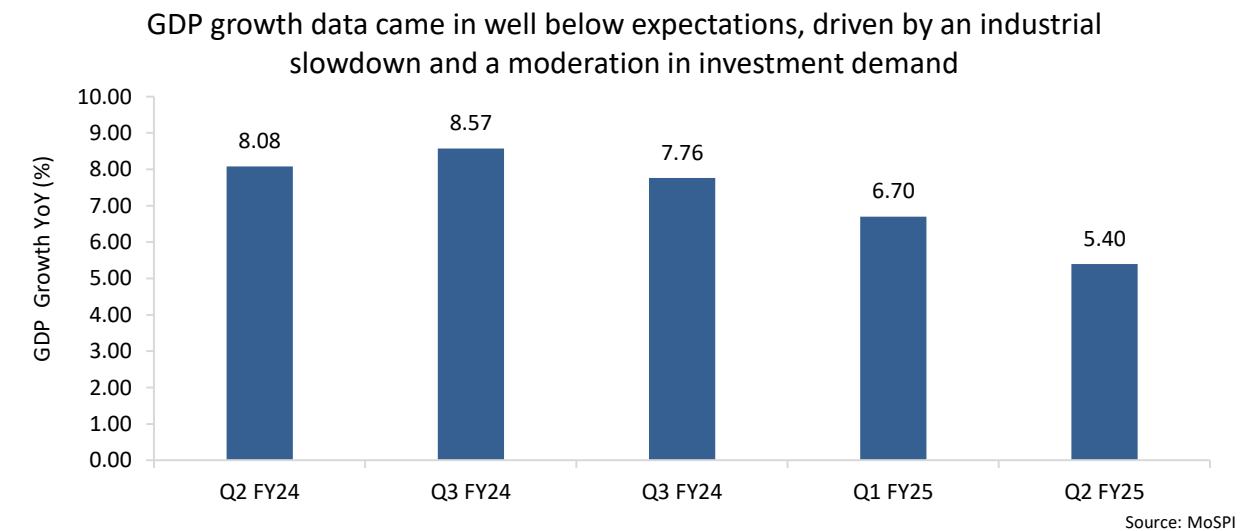
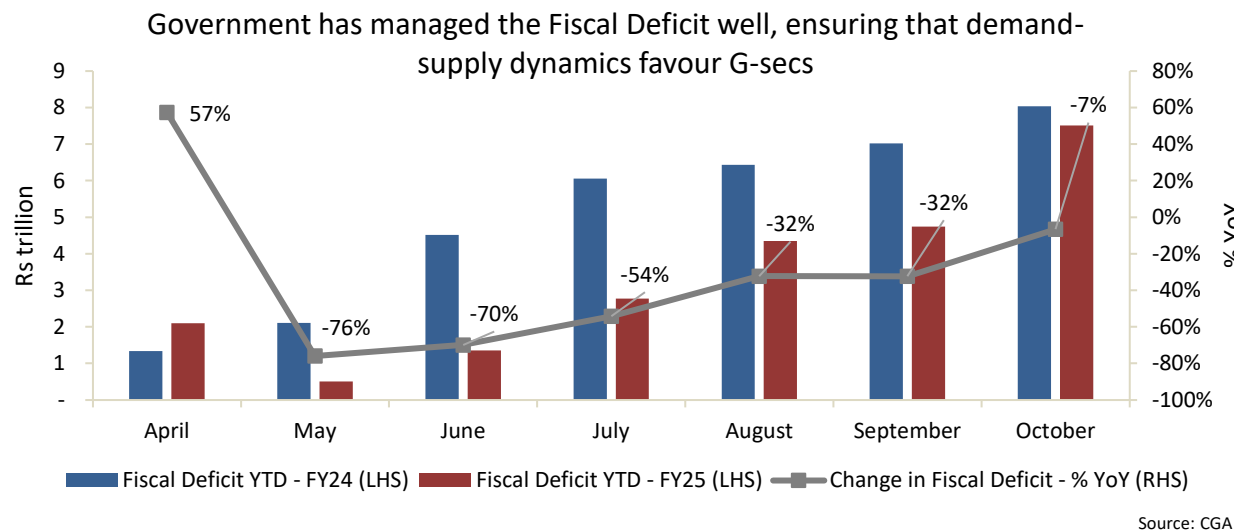
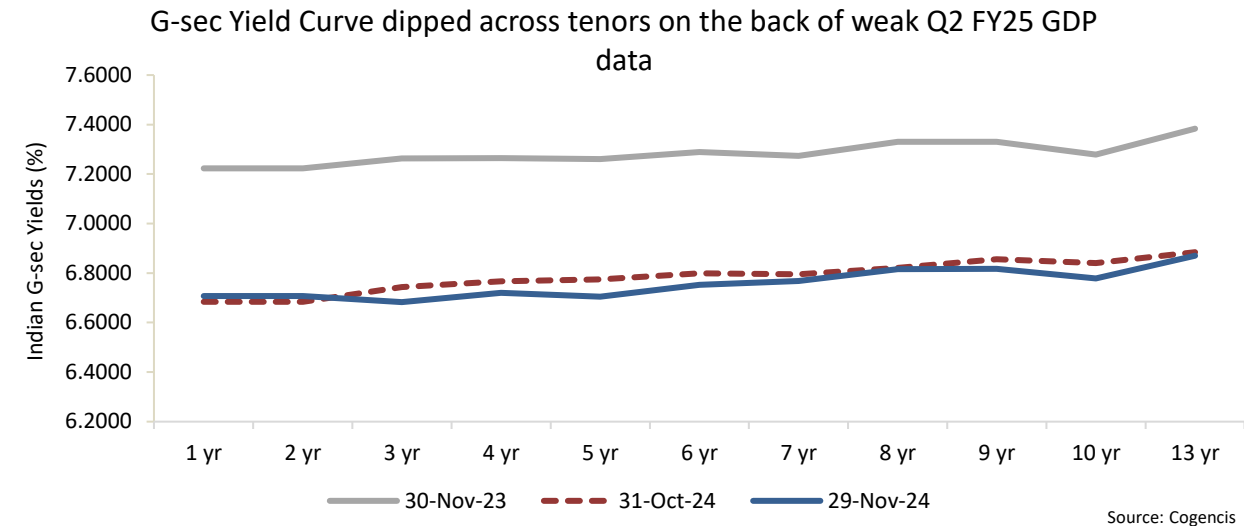
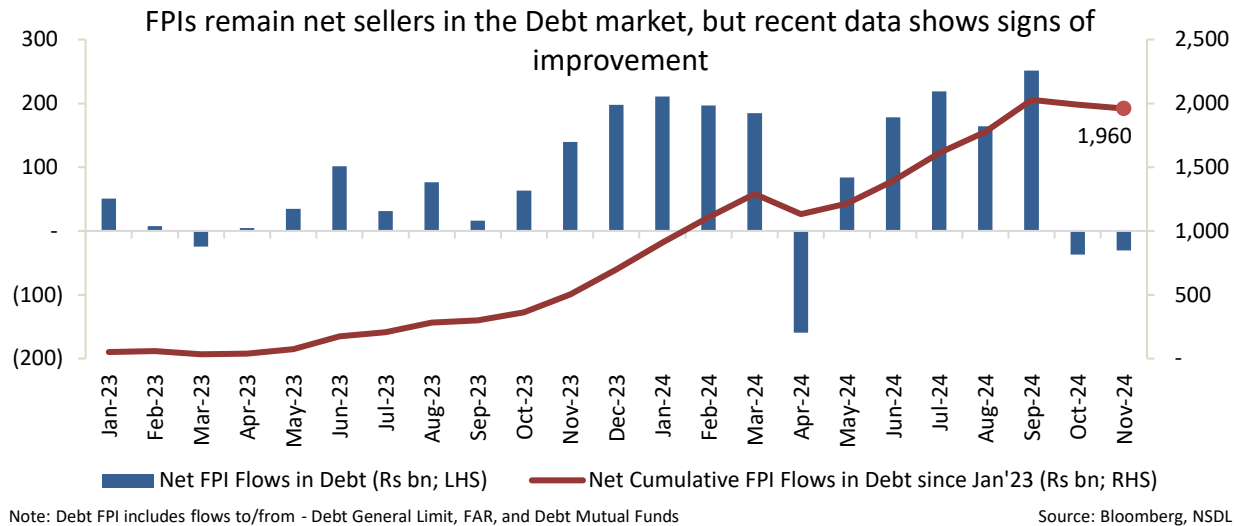
Source: Bloomberg

Forex interventions by the RBI and FPI outflows have resulted in a decline in Forex reserves



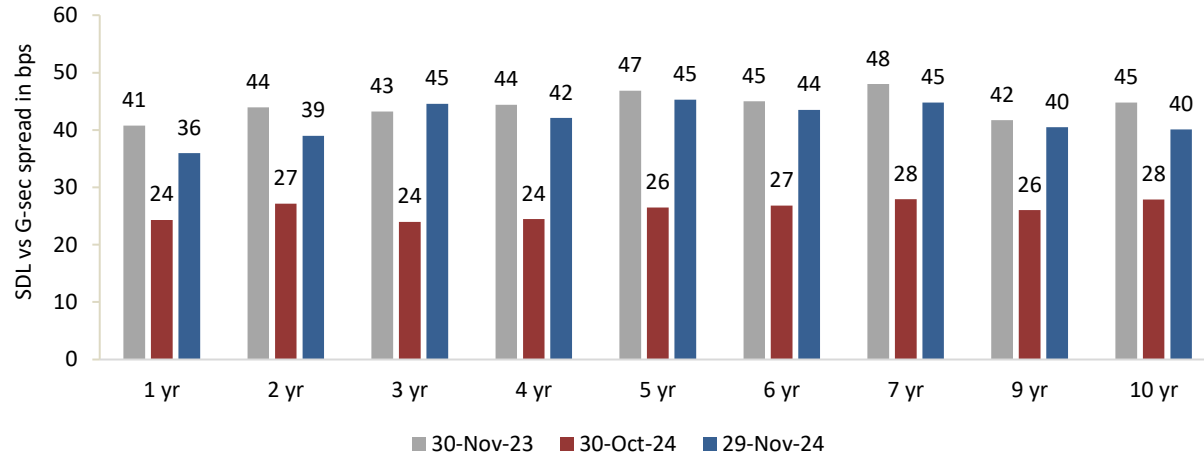
Source: Bloomberg

## Weak GDP and supportive fiscal deficit data led to the decline in G-sec yields... Further dips may drive profit booking from long duration funds



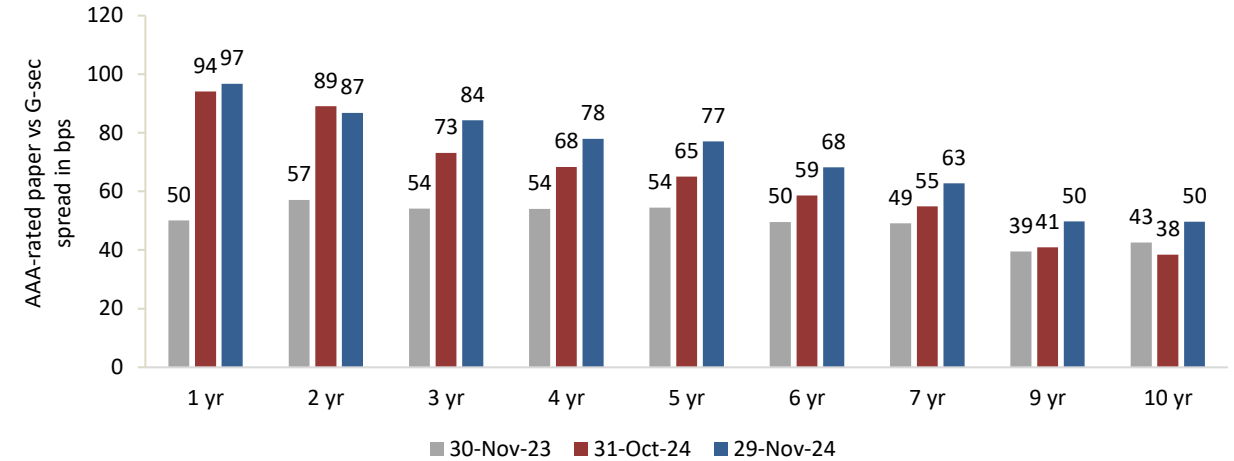
## Deteriorating liquidity conditions has resulted in higher SDL and corporate bond spreads... attractive to add into corporate bond funds

SDL spreads widen due to dip in G-sec yields



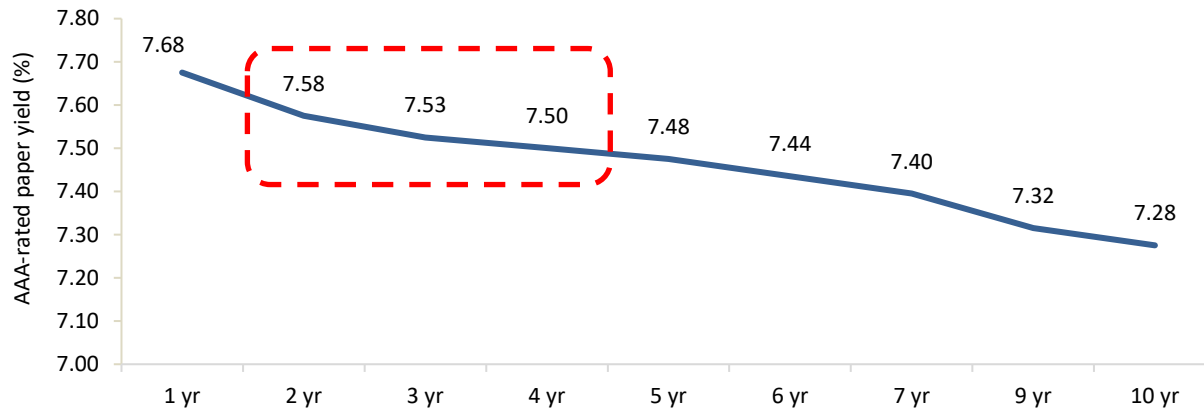
Source: Cogencis

Corporate Bond spreads also widened marginally



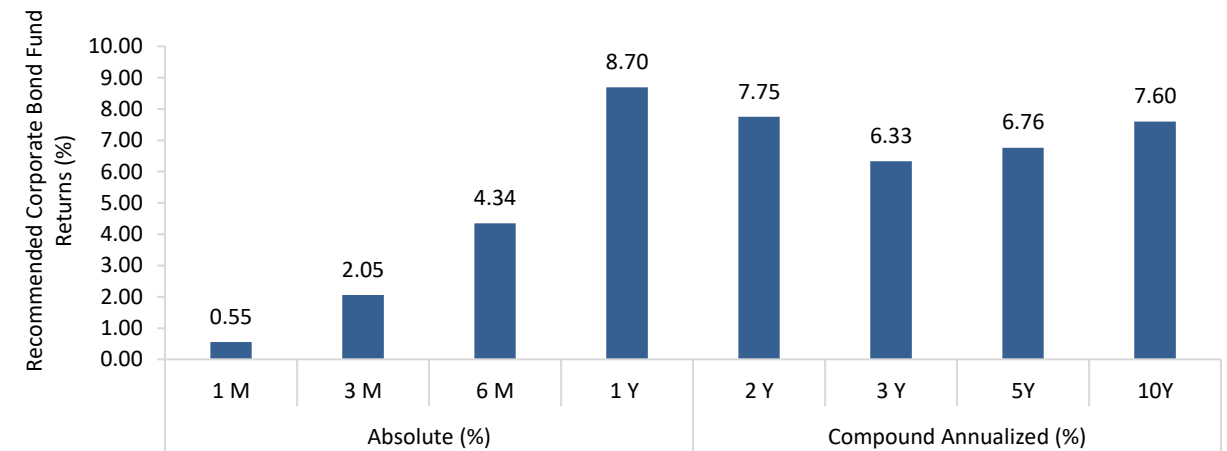
Source: Cogencis

Shorter end of the Corporate bond curve remains attractive from an accrual standpoint, where most of the Corporate bond funds seem to be positioned



Source: Cogencis

Recommended Corporate Bond Funds continue to do well



Source: Ace MF

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