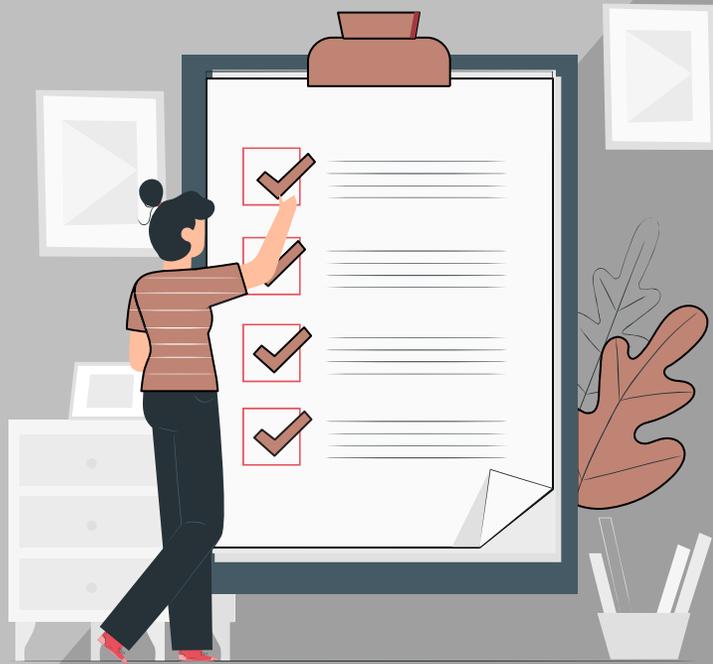


Tata Capital Wealth

Market Outlook - May 2024



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Macro Indicators

	Current		Month Ago	Quarter Ago	Half Year Ago	Year Ago
Economic Indicators:						
PMI Manufacturing	58.8 (Apr-24)	↑	59.1 (Mar-24)	56.5 (Jan-24)	55.5 (Oct-23)	57.2 (Apr-23)
PMI Services	60.8 (Apr-24)	↓	61.2 (Mar-24)	61.8 (Jan-24)	58.4 (Oct-23)	62.0 (Apr-23)
Consumer Price Index (CPI)	4.8% (Mar-24)	↓	5.1% (Feb-24)	5.7% (Dec-23)	5.0% (Sep-23)	5.7% (Mar-23)
Wholesale Price Index (WPI)	0.5% (Mar-24)	↓	0.2% (Feb-24)	0.9% (Dec-23)	-0.1% (Sep-23)	1.4% (Mar-23)
Industrial Production (IIP)	4.9% (Mar-24)	↑	5.7% (Feb-24)	4.2% (Dec-23)	6.4% (Sep-23)	1.9% (Mar-23)
GDP	8.4% (Dec-23)	↑	NA	8.1% (Sep-23)	8.2% (Jun-23)	4.3% (Dec-22)
Trade Deficit (\$ bn)	15.6 (Mar-24)	↓	18.7 (Feb-24)	18.1 (Dec-23)	20.1 (Sep-23)	19.0 (Mar-23)
Commodity Market:						
Brent Crude (\$/barrel)	87.9 (30-Apr-24)	↑	87.5 (28-Mar-24)	81.7 (31-Jan-24)	87.4 (31-Oct-23)	79.5 (28-Apr-23)
Gold (\$/oz)	2,303.0 (30-Apr-24)	↑	2,254.8 (29-Mar-24)	2,067.4 (31-Jan-24)	1,994.3 (31-Oct-23)	1,991.0 (28-Apr-23)
Silver (\$/oz)	26.6 (30-Apr-24)	↑	25.1 (29-Mar-24)	23.2 (31-Jan-24)	22.9 (31-Oct-23)	25.2 (28-Apr-23)
Currency Market:						
USD/INR	83.5 (30-Apr-24)	↑	83.3 (29-Mar-24)	83.1 (31-Jan-24)	83.3 (31-Oct-23)	81.7 (28-Apr-23)

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

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

Equity Market - Review



Equity Market Roundup - Key Takeaways

Performance: The S&P BSE Sensex & Nifty gained 1% each in Apr'24. April saw the market steady after the volatility in March. The mid/small cap segment outperformed the large caps. Globally, the emerging markets had a recovery led primarily by Hong Kong and China.

Macro Update:

- During the month, domestic equity markets witnessed healthy gains and reached a fresh high as negative sentiments underpinned by **better-than-expected** quarterly earning updates from some of the index heavy-weights.
- India's CPI inflation for Mar'24 fell to a 5-month low at 4.85% vs 5.09% in Feb'24. IIP fell to 4.9% in Mar'24, lower than 5.7% in Feb'24.
- The GST collection crossed the INR 2 trillion mark for the first time, reflecting robust economic growth and administrative efficiency.
- FIIs recorded net outflows of ~INR 36,000 crs during the month. While, DIIs continued to see net inflows, amounting to INR 44,000 crs.

Outlook:

- After a sharp correction in March, mid and small caps rebounded sharply in April. Despite near term FII selling, Indian markets have held up well as domestic funds and investors have taken opportunity of every correction in markets to build long-term positions.
- Global geo-political scenario, Iran-Israel-Hamas war & Russia-Ukraine war are various factors to be closely watched. Moreover, inflation has been sticky in the US keeping global bond yields high, which is a headwind for equities.
- Looking forward the key to near term performance of Indian equities is election outcome in early June. Markets are expected to be volatile as we approach closer to the event.
- Therefore, **investors are suggested not to time the markets and focus on the medium to long term potential of the equity markets.** Looking at the sharp rally in the equity markets, investors need to be cautious and invest in staggered manner and follow asset allocation as per their risk profile. Investors may look at Large cap oriented funds along with Multi Asset, Balanced Advantage and Balanced Hybrid categories as these categories shall assist to manage the near term risks.

Indian Equity Market Dashboard - April 2024

Index Name	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	1.03	3.93	16.88	23.25	15.68	16.52	15.13	24.96	3.73	1.12
Nifty 50	1.13	4.19	18.77	26.29	16.24	16.92	15.30	22.00	3.96	1.16
Nifty 100	2.05	6.43	23.43	31.98	17.07	17.85	15.84	22.70	4.10	1.11
Nifty 200	2.53	6.17	24.58	35.78	19.03	19.39	17.03	23.97	4.15	1.05
Nifty 500	3.33	6.18	25.29	38.92	20.31	20.52	18.02	24.73	4.21	1.02
Nifty Midcap 150	5.77	5.79	30.03	58.72	30.71	28.41	25.65	35.49	4.85	0.71
Nifty Smallcap 250	9.54	5.23	31.97	69.05	30.09	30.66	25.49	28.98	4.07	0.84
Nifty Microcap 250	9.63	2.34	29.82	87.01	41.07	43.87	32.71	32.41	3.15	0.57
Sectoral Indices										
Nifty Metal	10.11	15.15	42.36	58.29	21.85	25.73	26.30			
Nifty PSU Bank	7.76	21.27	54.13	83.08	68.39	56.36	20.79			
Nifty Realty	7.33	13.69	61.45	118.38	48.48	46.91	30.88			
Nifty Auto	4.50	16.98	41.32	71.09	43.54	33.84	23.29			
Nifty Bank	4.38	7.39	15.29	15.09	17.91	15.40	11.19			
Nifty Financial Services	3.69	6.62	13.86	15.01	15.59	12.84	12.41			
Nifty Energy	3.14	10.40	52.03	71.89	20.12	33.11	22.18			
Nifty Oil & Gas	3.07	10.57	56.00	58.55	21.16	25.35	19.67			
Nifty Infrastructure	2.61	9.31	41.15	60.99	30.34	29.76	24.21			
Nifty India Consumption	2.49	8.25	25.29	39.48	22.34	22.55	18.00			
Nifty Services Sector	2.15	4.15	17.40	21.45	12.02	13.06	13.05			
Nifty FMCG	0.50	-0.97	6.73	14.66	21.08	19.37	14.26			
Nifty Pharma	-0.12	5.99	29.52	51.12	19.62	12.94	15.97			
Nifty Healthcare	-0.64	5.04	29.66	50.02	20.15	14.85	18.51			
Nifty IT	-4.42	-9.37	9.00	21.72	4.43	11.02	17.02			

Equity Market Flow

Equity Flow (₹ Cr.)	1-Mth	CYTD	1 Yr.
FII	-35,692	-84,218	-55,698
DII	44,186	1,52,621	2,48,686

Source: Moneycontrol

Global Equity Market Dashboard - April 2024

Country	Index Name	Absolute(%)				CAGR (%)		
		1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
Global Market Indices								
Hong Kong	HangSeng	6.71	14.71	3.80	-10.63	-8.20	-14.79	-9.76
Malaysia	KLSE	2.44	4.16	9.28	11.21	-0.77	-0.54	-0.82
UK	FTSE	2.19	6.73	11.23	3.45	3.89	5.32	1.88
China	SSE Composite	1.96	11.34	2.85	-6.52	0.94	-3.42	0.17
Singapore	Strait Times	1.94	4.43	7.33	0.67	-0.96	0.76	-0.64
India	Nifty 50	1.13	4.05	18.48	24.92	14.92	15.59	13.97
Taiwan	Taiwan Capitalization Weighted Stock	0.47	14.01	27.47	30.66	10.84	5.10	13.20
Indonesia	Jakarta Composite	-0.68	0.36	7.14	4.57	0.04	6.45	2.30
Pan - Europe	Euronext 100	-1.35	5.56	16.92	9.44	9.83	6.96	6.70
Brazil	Ibovespa Sao Paulo	-1.55	-1.43	11.30	20.41	8.02	1.93	5.49
South Korea	Kospi	-1.86	7.81	18.18	7.55	-0.06	-5.08	4.08
France	CAC 40	-2.45	4.29	15.96	6.53	10.52	8.39	7.40
Germany	DAX	-2.75	6.08	21.08	12.52	12.75	5.81	7.75
Switzerland	Swiss Market	-3.64	-0.64	8.37	-1.53	-3.63	0.72	2.88
U.S.	Russell 1000	-3.94	3.79	20.27	20.79	10.02	5.37	11.05
U.S.	Nasdaq 100	-4.05	1.77	21.03	31.40	16.43	7.95	17.50
Japan	Nikkei	-6.46	4.75	23.45	31.53	18.89	9.63	11.24

Data as on 30th April 2024. Performance shown is for Price Return Index. Source: ICRA MFI Explorer

(<http://www.icraanalytics.com/legal/standard-disclaimer.html>)

Global Equity Market Performance across Calendar years

2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	YTD (%)
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 4.33	U.S.-Nasdaq 43.42	Japan 14.77
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. 0.91	Japan 28.24	Germany 7.05
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 24.10	Japan -9.37	U.S.- S&P 500 24.23	France 5.86
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 -9.50	Germany 20.31	U.S.- S&P 500 5.57
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 -12.35	India 20.03	U.K. 5.31
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 -15.13	South Korea 18.73	China 4.37
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	Hong Kong -15.46	France 16.52	U.S.-Nasdaq 4.31
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	U.S.- S&P 500 -19.44	U.K. 3.78	Hong Kong 4.20
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	South Korea -24.89	China -3.70	India 4.02
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 -33.10	Hong Kong -13.82	South Korea 1.39

Index used for each of the Equity Markets: China – SSE Composite, France – CAC, Germany - DAX, Hong Kong – Hang Seng, India - Nifty 50, U.K. – FTSE 100, South Korea – Kospi, Japan – Nikkei 225

YTD Performance as on 30th April 2024. Source: MorningStar Direct

For Client Circulation. The content does not construe to be any investment, legal or taxation advice

Asset Class Performance

2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	YTD (%)
Intl 30.44	Small Cap 69.57	Small Cap 10.20	G-Sec 14.24	Small Cap 57.43	G-Sec 8.00	Intl 28.89	Gold 27.88	Small Cap 61.94	Gold 13.94	Small Cap 48.23	Gold 13.81
Real Estate 10.06	Mid Cap 60.26	Real Estate 9.75	Bonds 13.09	Mid Cap 54.49	Gold 7.87	Gold 23.79	Small Cap 25.02	Mid Cap 46.81	Cash 5.23	Mid Cap 43.80	Small Cap 12.56
Cash 9.34	Large Cap 31.39	Bonds 8.93	Gold 11.35	Large Cap 28.72	Cash 7.25	Bonds 12.20	Mid Cap 24.13	Intl 24.76	Large Cap 4.34	Intl 24.58	Mid Cap 10.46
Large Cap 6.76	Real Estate 16.90	Mid Cap 8.41	Intl 9.70	Intl 19.39	Bonds 6.04	Large Cap 12.02	Intl 18.81	Large Cap 24.12	Mid Cap 2.97	Large Cap 20.08	Intl 5.06
Bonds 5.11	G-Sec 15.28	Cash 8.30	Real Estate 8.34	Real Estate 7.20	Real Estate 5.13	G-Sec 11.34	Large Cap 14.86	Bonds 4.22	Bonds 2.71	Gold 15.41	Large Cap 3.95
G-Sec 2.65	Bonds 14.04	G-Sec 8.17	Cash 7.45	Cash 6.57	Large Cap 3.13	Cash 6.74	Bonds 13.46	Cash 3.56	G-Sec 2.34	G-Sec 7.68	Bonds 2.71
Mid Cap -3.01	Intl 11.07	Intl -1.09	Mid Cap 5.41	Bonds 5.55	Intl -6.55	Real Estate 2.99	G-Sec 13.20	G-Sec 3.13	Real Estate 1.43	Cash 7.35	G-Sec 2.63
Gold -4.50	Cash 9.23	Large Cap -4.06	Large Cap 3.01	Gold 5.12	Mid Cap -13.26	Mid Cap -0.28	Cash 4.43	Real Estate 3.12	Small Cap -3.66	Bonds 7.21	Cash 2.56
Small Cap -8.14	Gold -7.91	Gold -6.65	Small Cap 0.36	G-Sec 3.52	Small Cap -26.65	Small Cap -8.27	Real Estate 2.19	Gold -4.21	Intl -20.47	Real Estate 3.81	Real Estate NA

Index used for each of the Asset Class: Gold: Domestic Prices of Gold, Real Estate: House Price Index (Data updated upto Sep 2023), Intl: Russell 1000 Index, G-Sec: ICRA Composite Gilt Index, Bonds: ICRA Composite Bond Fund Index, Cash: ICRA liquid 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

YTD Performance as on 30th April 2024. Source: ICRA MFI Explorer & RBI - DBIE

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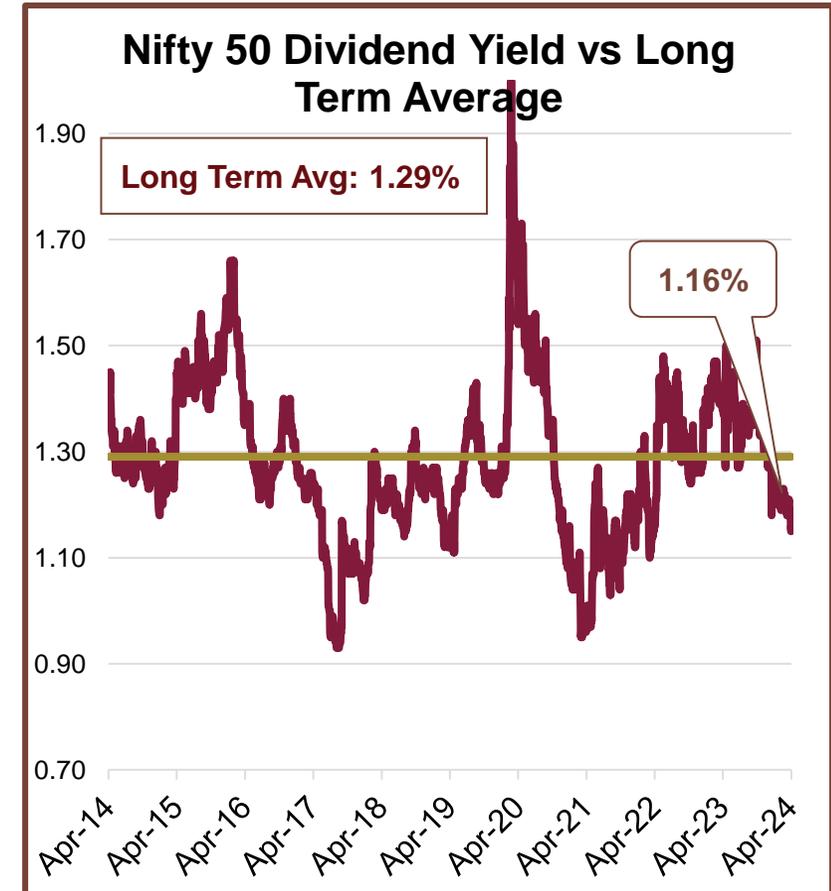
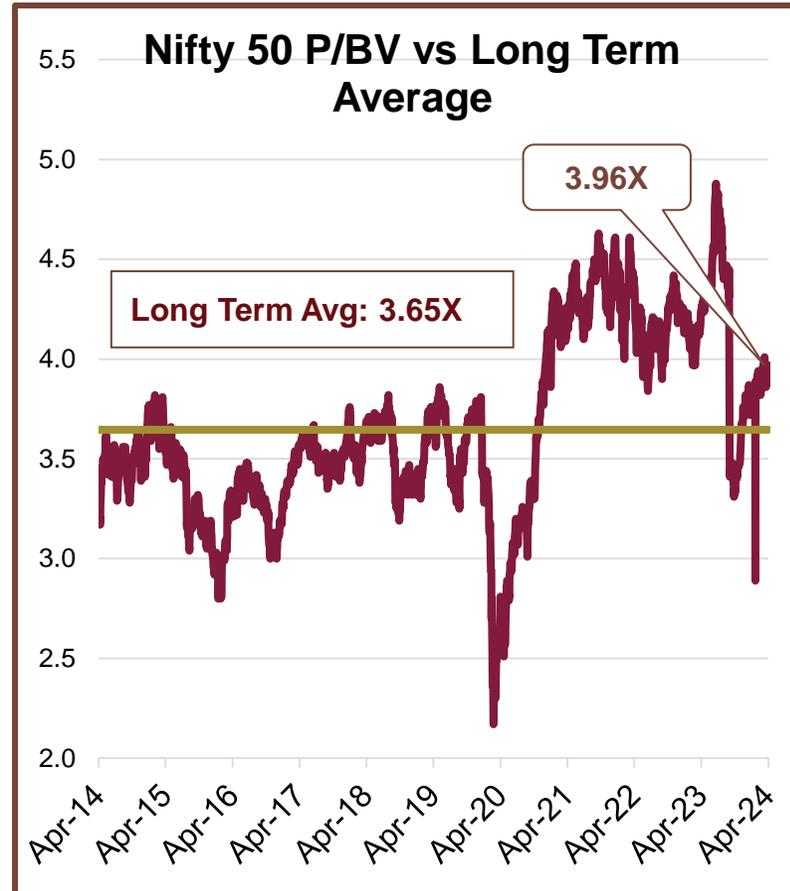
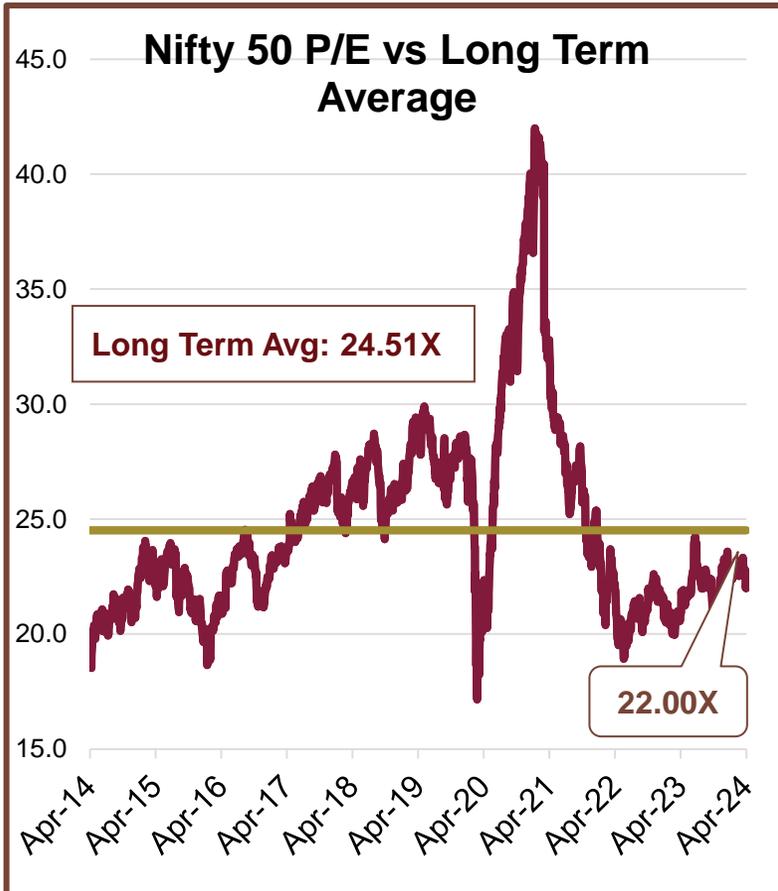
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Valuations on the Trailing P/E, P/BV & Div. Yield Metrics

Nifty 12-month trailing P/E of 22X is lower than its historical long-term average of 24.51X

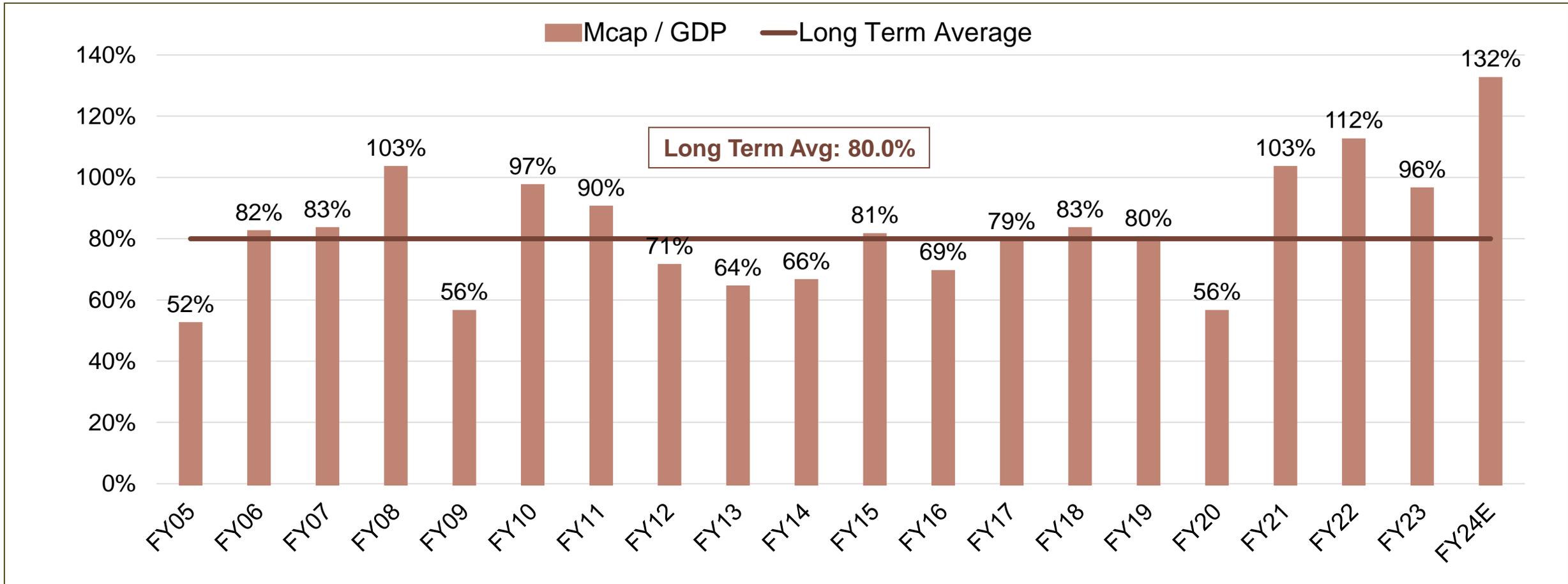
At 3.96X, the Nifty Trailing P/B is higher than the historical long-term average of 3.65X

At 1.16%, the Nifty Trailing Dividend Yield is marginally lower than its historical long-term average of 1.29%



Valuations on a Market Capitalisation / GDP perspective

On Market Capitalization to GDP parameter (FY24E 132%), India is trading above the long-term average of 80%

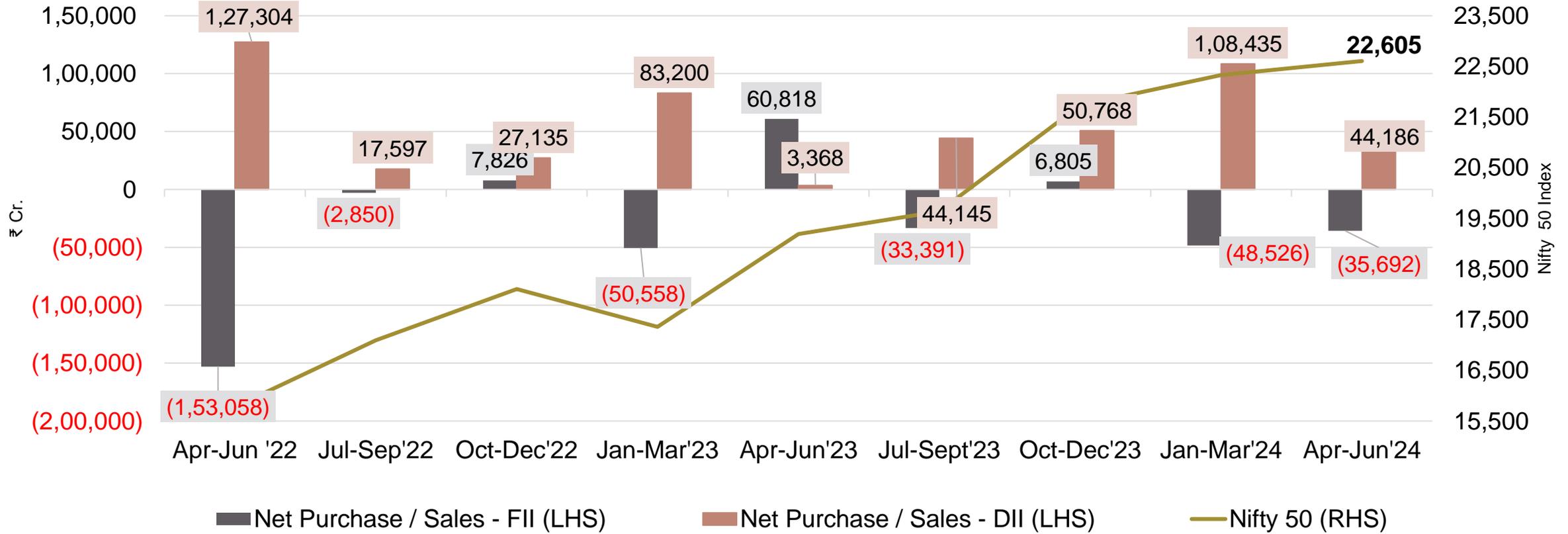


Source: Kotak AMC, Monthly Market Outlook, May '24

Quarterly FII & DII Flow into Equity

- For the month of April, FIIs were net sellers of equities to the extent of ~₹35,700 cr.
- While DIIs were the net buyers of Indian equities for the month of April to the tune of ~₹44,000 cr respectively.

Quarterly Net FII & DII Flow (Cash) in ₹ Cr. V/S Nifty 50



* Data Updated upto 30th April 2024

Equity MF Category Average Performance - April 2024

- For April month, performance of almost all the equity categories were in green with **Small Cap, Mid Cap and Large & Multi Cap outperforming the most**. Among the sectoral funds, Infrastructure and Energy outperformed the rest with Technology falling in the negative zone.
- On a 1-year CAGR basis, all the equity and sectoral/thematic categories delivered positive double-digit returns. **Mid Cap category has emerged as the top performer** followed by Small Cap, Contra, & Value categories. In case of sectoral/thematic categories, **Infrastructure followed by the Healthcare category were the top performers at the given timeframe**.
- On a 3-year CAGR basis, Small Cap was the top performer. Among the sectoral category, **Healthcare generated lowest returns** as compared to other categories while the highest return was delivered by **Infrastructure sector**.
- With respect to the 5-year CAGR returns, all categories delivered returns above 15% with Small Cap, Mid Cap, Contra, Multi Cap delivering the highest return. Among the sectoral funds, Infrastructure, Technology and Healthcare were the top gainers.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Large Cap	2.45	6.71	23.06	34.15	18.56	17.48	15.33
Large & Mid Cap	4.19	7.41	26.37	43.76	22.68	22.03	19.18
Multi Cap	5.16	6.91	26.47	47.87	25.28	24.69	21.75
Flexi Cap	3.89	6.53	23.84	39.99	20.14	19.55	17.34
Mid Cap	5.80	7.61	27.19	52.60	25.85	24.91	22.86
Small Cap	6.70	4.63	23.07	52.04	26.01	28.47	26.41
Focused	3.56	6.86	23.68	38.68	19.81	19.19	16.94
ELSS	3.40	6.39	23.36	39.76	20.77	19.75	17.50
Contra	5.31	8.28	30.88	48.89	27.81	26.16	21.79
Dividend Yield	4.26	6.84	28.50	46.40	25.33	25.39	20.51
Value	4.21	6.62	28.62	48.58	26.18	23.63	19.26
Sectoral / Thematic							
Consumption	3.89	6.39	20.10	38.29	21.98	21.89	18.55
Infrastructure	7.65	12.12	40.56	68.08	37.32	34.91	25.27
Financial Services	4.45	4.54	17.70	28.26	20.67	16.83	12.93
FMCG	0.64	-0.43	3.81	12.20	15.89	18.75	13.48
Healthcare	0.99	5.62	27.20	52.11	21.07	16.04	22.83
Technology	-1.11	-1.44	17.84	36.50	11.43	16.47	22.23
Others	4.46	8.23	29.33	48.23	25.22	22.82	20.04

Source: Morningstar Direct

Debt Market - Review



Debt Market Roundup - Key Takeaways

- The **India 10-Year GSec yield for April closed at 7.20% as against 7.06% at the end of March.** Markets continued to be volatile in the month of April due to various factors ranging from **geopolitical risks emerging out of the Israel-Iran-Gaza war, Ukraine-Russia war and the delay of rate cuts by the US coupled with high inflation.**
- While **domestic cues were a respite for the market with the inflation being in line with market expectations and the RBI maintaining its status quo regarding both its policy rate and stance.**

Outlook:

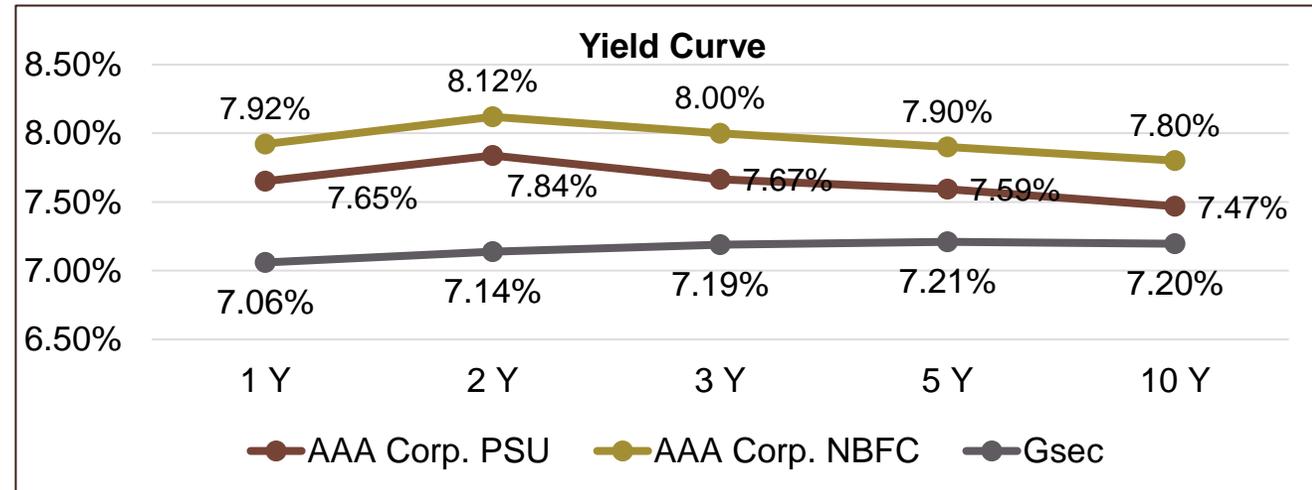
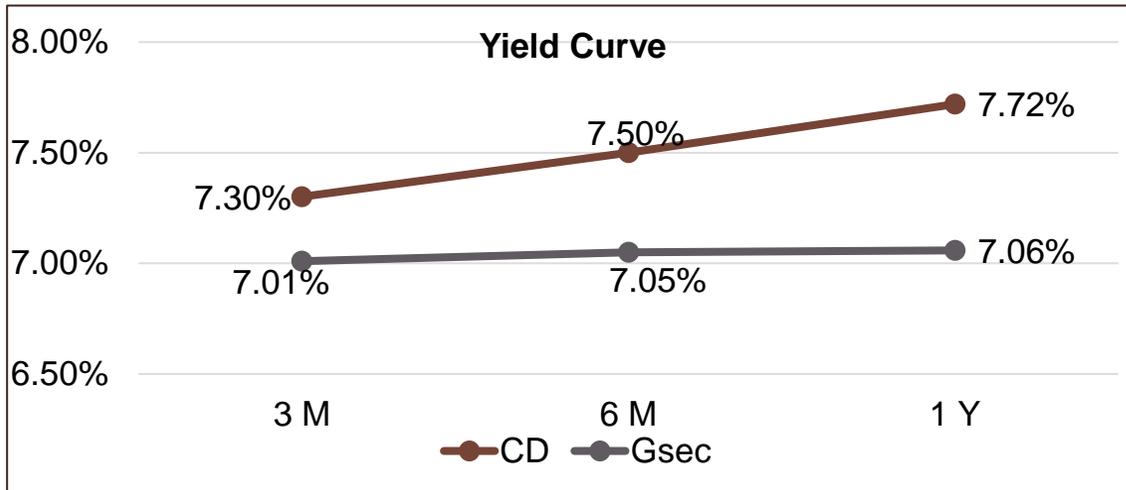
- The **Mar'24 CPI retail inflation eased to 4.85% compared to 5.09% in Feb'24 while India's IIP slowed to 4.9% in Mar'24. Domestic Manufacturing Purchasing Managers Index (PMI) slipped to 58.8 in Apr'24 as against 59.1 for Mar'24.** Even though the current inflation rate is comfortably within the RBI's upper tolerance band of 2% - 6%, it remains above the central bank's target of 4% and as per experts it is expected that the central bank may not start cutting rates in the first half of the financial year 2025 (FY25).
- **GST collections touched a record-high mark, reaching ₹2.10 lakh crore in Apr'24 from ₹1.78 lakh crore in Mar'24.**
- Other factors which markets will track - index inclusion inflows, US Fed stance, upcoming election results and geopolitical conflicts affecting crude demand.
- **For Core portfolio (60-70% of the entire debt portfolio), investors may consider Short Duration funds, Banking & PSU, Corporate Bond and Target Maturity funds (matching with the average maturity of the funds and investment horizon).** 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.
- **For Satellite portfolio (30-40% of the entire debt portfolio), investors may consider mutual fund categories such Medium to Long duration, Gilt and Dynamic Bond Funds as they can generate capital gains when interest rates cuts by central banks happen in future.**

Debt Dashboard

	Latest (30 Apr'24)	One Month Ago (28 Mar'24)	One Quarter Ago (31 Jan'24)	Half Year Ago (31 Oct'23)	One Year Ago (28 Apr'23)	MoM Change (bps)
Interest Rates						
Repo rate	6.50%	6.50%	6.50%	6.50%	6.50%	0
SLR	18.00%	18.00%	18.00%	18.00%	18.00%	0
CD Rates						
3 month	7.30%	7.75%	7.87%	7.27%	7.11%	-45
6 month	7.50%	7.70%	7.85%	7.49%	7.34%	-20
1 Year	7.72%	7.65%	7.90%	7.73%	7.46%	7
T-Bill/G-sec						
91 Days	6.96%	6.98%	7.03%	6.89%	6.81%	-2
364 Days	7.06%	7.08%	7.13%	7.16%	6.98%	-2
India 10 Year G-Sec Yield	7.20%	7.06%	7.14%	7.35%	7.12%	14
AAA Corp. Bonds (PSU)						
1 Year	7.65%	7.70%	8.00%	7.64%	7.56%	-5
3 Year	7.67%	7.55%	7.69%	7.76%	7.46%	12
5 Year	7.59%	7.49%	7.71%	7.72%	7.49%	10
AAA Corp. Bonds (NBFC)						
1 Year	7.92%	7.92%	8.00%	7.77%	7.70%	0
3 Year	8.00%	7.86%	7.94%	7.92%	7.74%	14
5 Year	7.90%	7.85%	7.93%	7.91%	7.80%	5
US Markets						
10 Year US Treasury Yield	4.68%	4.21%	3.92%	4.93%	3.43%	48
Currency & Commodity						
USD/ INR	83.45	83.35	83.10	83.26	81.75	↑
Crude Brent (\$/Barrel)	87.86	87.48	81.71	87.41	79.54	↑

- 10-year U.S. Treasury yield rose to 4.68% as the Fed signaling lack of progress on inflation in the latest policy meet (May'24).
- India 10-year GSec yields moved up over the month.
- The movement in G-sec was immune to adverse development in U.S. treasury yields.
- Corporate bond yields of PSU's remained mixed while NBFC's remained flat.
- Brent crude prices edged up on concerns about a tighter global supply due to the rising conflict in the Middle East and between Russia and Ukraine.
- For the past seven policy meets, the MPC kept the policy rates stagnant with no rate cut in near-term and future being data-dependent.

Yield Curve and Policy Rates & Reserve Ratios

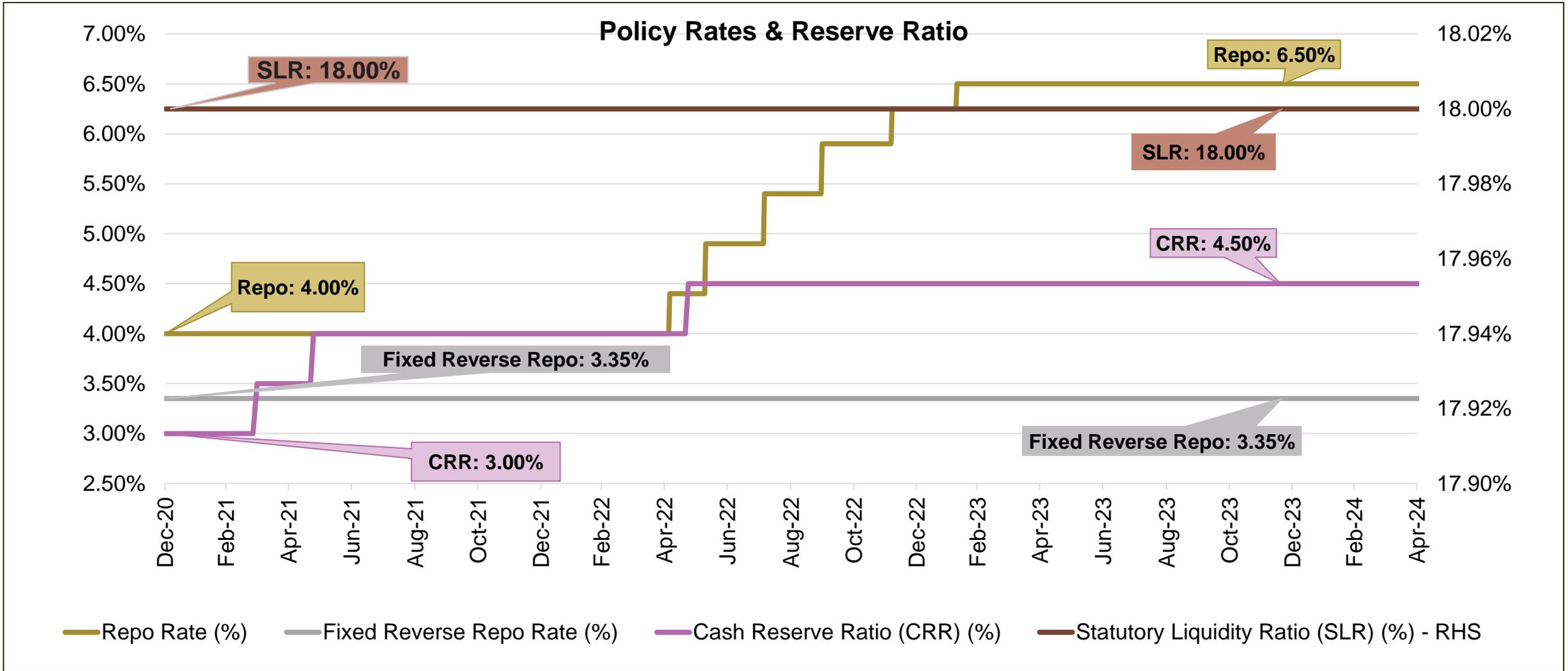


Data as on 30 April '24; Source: Bandhan AMC, Investing.com

Policy Rates / Reserve Ratio	Current
CRR	4.50%
SLR	18.00%
SDF	6.25%
Repo Rate	6.50%
MSF	6.75%
Bank rate	6.75%
Fixed Reverse Repo Rate	3.35%

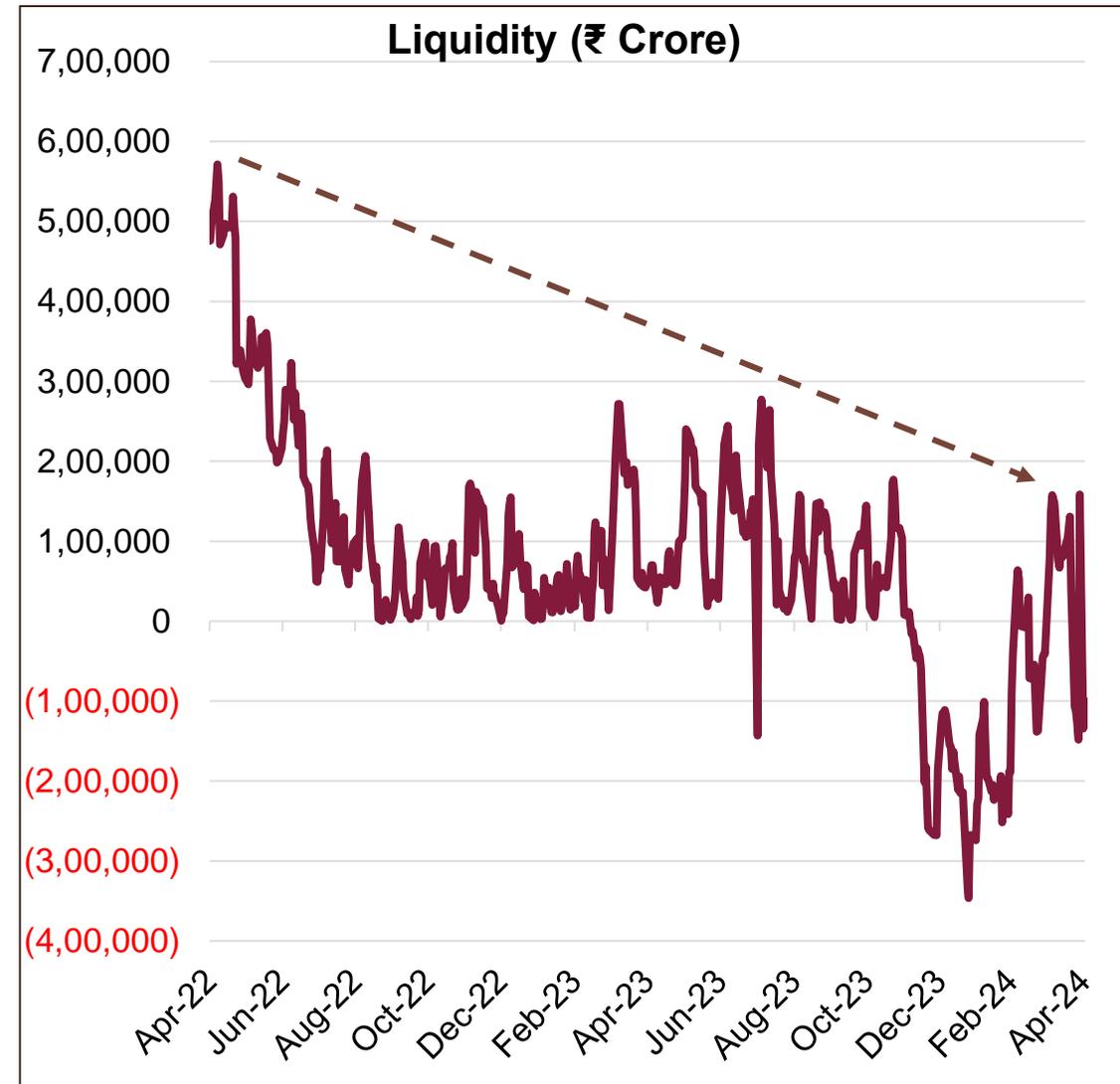
- In May '22, an unscheduled MPC meeting prompted an interest rate hike, leading to a **pronounced steepness in the short end of the yield curve.**
- **The 10 Year minus 3 Months GSec spread** was at 25 bps in Apr'23 whereas at the end of Apr'24 it has reduced to 19 bps.
- **Yields have remained mixed across categories and maturity profiles** in Apr '24 V/S Mar '24.
- At present, the spread between AAA Corporate Bond (NBFCs) and G-sec is at 25-98 bps as compared to a year ago of 65-85 bps.
- In Apr '24 policy meet, though the RBI did not increase the policy rates, **the RBI said that they will remain nimble and flexible in liquidity management.**

Policy rate & Reserve Ratio movement since Dec 2020



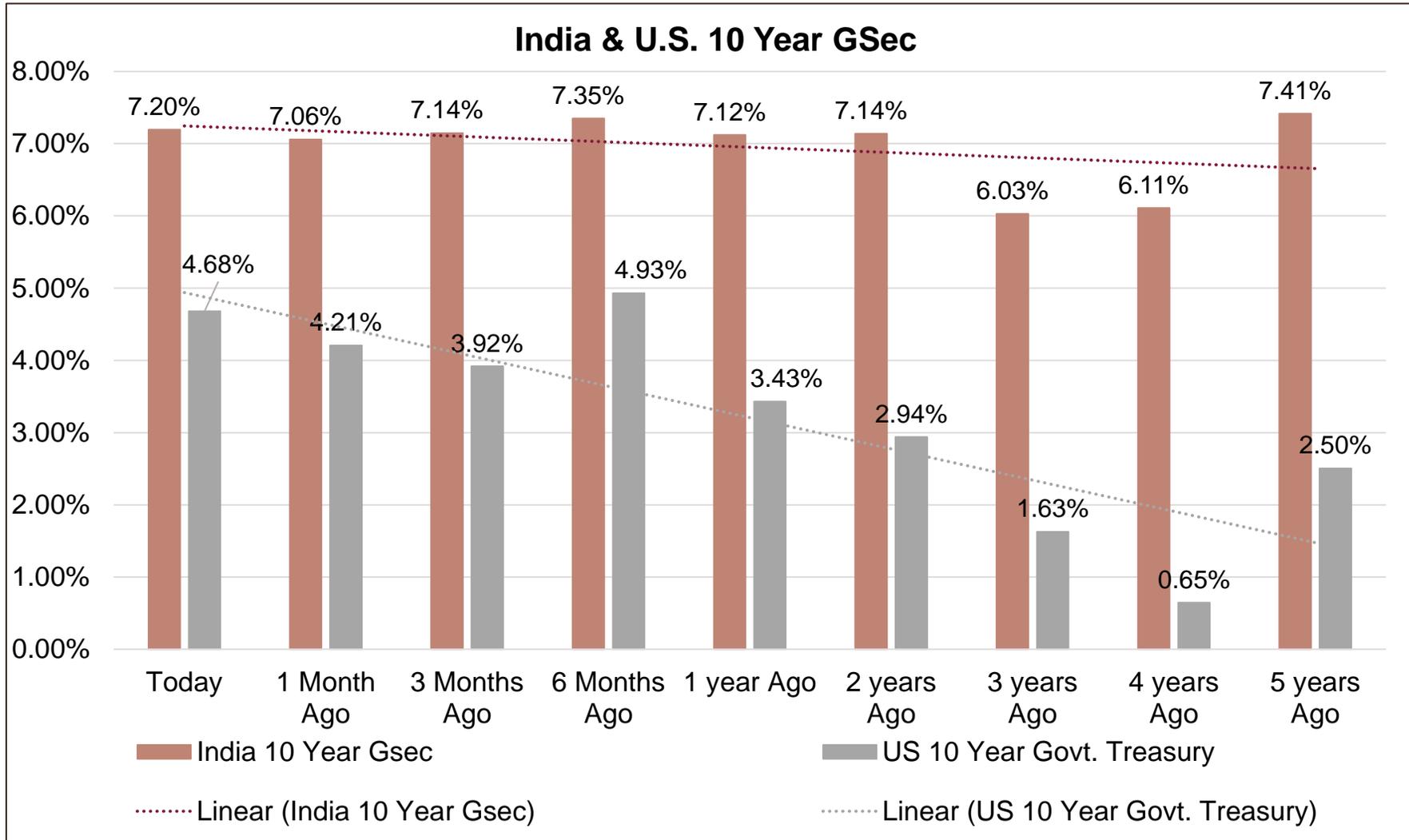
Liquidity in the System

- **The liquidity situation improved in April with system liquidity turning intermittently surplus in the first half of the month.** In these circumstances, the RBI conducted fourteen fine tuning variable rate reverse repo (VRRR) operations during February and early March to absorb intermittent surplus liquidity.
- Anticipating the seasonal tightening of liquidity at end-March, **the Reserve Bank injected liquidity through variable rate repo (VRR) operations – both main and fine-tuning operations.**
- Looking ahead, the Reserve Bank will remain nimble and flexible in its liquidity management through main and fine-tuning operations in both repo and reverse repo.
- **The Indian rupee (INR) has remained largely range-bound as compared to both its emerging market peers and a few advanced economies during 2023-24.** The INR was the most stable among major currencies during this period. As compared to the previous three years, the INR exhibited the lowest volatility in 2023-24.
- The relative stability of the INR reflects India's sound macroeconomic fundamentals, financial stability and improvements in the external position.
- **Liquidity condition could remain marginally tight in May. Average LAF deficit is getting addressed by Variable Repo auctions for now.** In May as currency leakage is muted, BoP dynamics would determine the liquidity conditions.



Source: Bandhan AMC

Yields Movement across India and U.S.



- **U.S. Fed** kept interest rates unchanged for the sixth consecutive meeting held in May '24.
- In case of U.S., **the yields have** risen from 3.4% a year ago to 4.7% at present.
- While for the **Indian markets, the yields have remained flat at 7.1%-7.2%** during the past one year as the RBI kept policy rates unchanged for the past one year.
- In both, the U.S. and India, the yields were at its trough ~3 – 4 years ago when the pandemic struck the world.

MF Category wise - Average Yield, Average Maturity and Modified Duration Movement

- The YTM's have gone up in the past one year in the broad category of Money Market, Accrual and Duration Funds. While for Passives-the yields have gone down.
- With respect to average maturity and modified duration of the funds – especially the Duration & Accrual category, it has largely been on the rise since past 2 years.

Category	YTM					Average Maturity					Modified Duration				
	Mar-24	Dec-23	Sep-23	Mar-23	Mar-22	Mar-24	Dec-23	Sep-23	Mar-23	Mar-22	Mar-24	Dec-23	Sep-23	Mar-23	Mar-22
Money Market															
Liquid	7.52	7.40	7.06	7.17	3.91	0.16	0.14	0.14	0.14	0.11	0.15	0.14	0.13	0.13	0.11
Ultra Short Duration	7.74	7.66	7.41	7.52	4.50	0.50	0.43	0.47	0.49	0.46	0.44	0.38	0.43	0.44	0.43
Low Duration	7.85	7.83	7.57	7.70	4.85	1.37	1.23	1.22	1.32	1.32	0.93	0.82	0.83	0.82	0.73
Money Market	7.61	7.50	7.29	7.54	4.50	0.75	0.27	0.39	0.71	0.55	0.72	0.26	0.38	0.68	0.53
Accrual															
Short Duration	7.64	7.68	7.58	7.64	5.20	3.63	3.49	3.12	2.55	1.94	2.67	2.52	2.35	1.99	1.47
Medium Duration	7.89	7.88	7.88	7.76	6.18	5.13	4.95	4.76	4.23	3.55	3.61	3.42	3.32	2.97	2.72
Banking & PSU Debt Fund	7.58	7.64	7.58	7.61	5.38	5.12	4.47	4.22	3.48	2.87	3.19	2.79	2.63	2.30	2.02
Corporate Bond Fund	7.65	7.72	7.64	7.69	5.54	4.83	3.83	3.67	2.94	2.79	3.23	2.69	2.61	2.07	1.98
Floating Rate	8.08	7.93	7.77	8.00	5.34	4.81	4.14	3.81	3.62	3.49	1.55	1.43	1.28	1.11	1.10
Credit Risk	8.35	8.37	8.24	8.17	6.08	2.99	3.04	3.38	2.54	2.19	2.15	1.89	1.83	1.65	1.64
Duration															
Medium To Long Duration	7.38	7.45	7.49	7.50	5.87	10.98	9.62	9.07	6.80	5.32	6.49	6.03	5.84	4.52	3.69
Long Duration Fund	7.26	7.48	7.48	7.52	6.96	22.72	23.01	20.98	17.08	16.98	10.00	9.81	9.52	8.72	8.81
Dynamic Bond	7.37	7.52	7.49	7.55	5.53	11.95	9.00	6.76	5.06	3.74	6.68	5.34	4.33	3.25	2.42
Gilt	7.24	7.40	7.37	7.40	5.09	14.13	12.21	8.53	6.34	3.57	7.48	6.73	5.31	4.19	2.26
Gilt - 10 Year	7.19	7.32	7.34	7.45	6.81	9.84	10.00	9.94	9.57	9.38	6.85	6.78	6.87	6.76	6.70
Passives															
Target Maturity Funds / Index Funds	7.36	7.45	7.49	7.46	6.22	4.32	4.54	4.75	5.38	5.04	3.39	3.54	3.69	4.12	3.85

Debt Category Average Performances – April 2024

- **During the month** under consideration, most of the categories were in green except for the Duration category.
- With respect to **3 months and 6 months trailing returns**, all the categories were in the green **with money market and duration category outperforming in the 3m & 6m period, respectively.**
- **For the full year**, all the categories were positive, with our suggested categories such as Ultra Short Duration, Money Market, Low Duration, Liquid, Short Duration, Banking & PSU Debt Fund & Corporate Bond Fund delivered decent returns.
- **On a 2-year CAGR basis**, all the categories delivered an early single digit growth. In addition to the Credit Risk Funds, our suggested categories - the Ultra Short Duration, Low duration, Money Market, Liquid, Short Duration, Corporate Bonds, and Dynamic Bond 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 digit returns.

Category	Absolute Returns (%)				CAGR (%)		
	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y
Money Market							
Overnight	0.53	1.60	3.31	6.72	6.16	5.17	4.67
Liquid	0.57	1.71	3.39	6.70	6.13	5.12	4.81
Ultra Short Duration	0.59	1.83	3.49	6.87	6.10	5.29	5.43
Low Duration	0.56	1.85	3.55	6.95	6.11	5.30	5.39
Money Market	0.57	1.88	3.62	7.15	6.39	5.44	5.75
Accrual							
Short Duration	0.27	1.58	3.60	6.31	5.80	5.24	5.86
Medium Duration	0.13	1.57	3.79	6.23	6.24	5.77	5.53
Banking & PSU Debt Fund	0.25	1.68	3.64	6.42	5.88	5.00	6.67
Corporate Bond Fund	0.26	1.69	3.65	6.53	5.79	4.98	6.47
Floating Rate	0.52	1.99	3.82	7.52	6.47	5.58	6.43
Credit Risk	0.31	1.74	3.68	7.45	6.58	9.22	5.03
Duration							
Medium To Long Duration	-0.36	1.34	4.05	5.69	5.96	4.72	5.87
Long Duration Fund	-1.13	1.57	5.56	6.53	6.87	4.53	7.12
Dynamic Bond	-0.44	1.39	4.06	6.10	6.00	5.04	6.29
Gilt	-0.53	1.35	4.40	6.21	6.00	4.67	6.71
Gilt - 10 Year	-0.42	1.35	4.53	6.15	6.45	4.23	7.07
Passives							
Target Maturity Funds / Index Funds	0.20	1.61	4.17	6.53	6.05	5.24	--

Source: Morningstar Direct

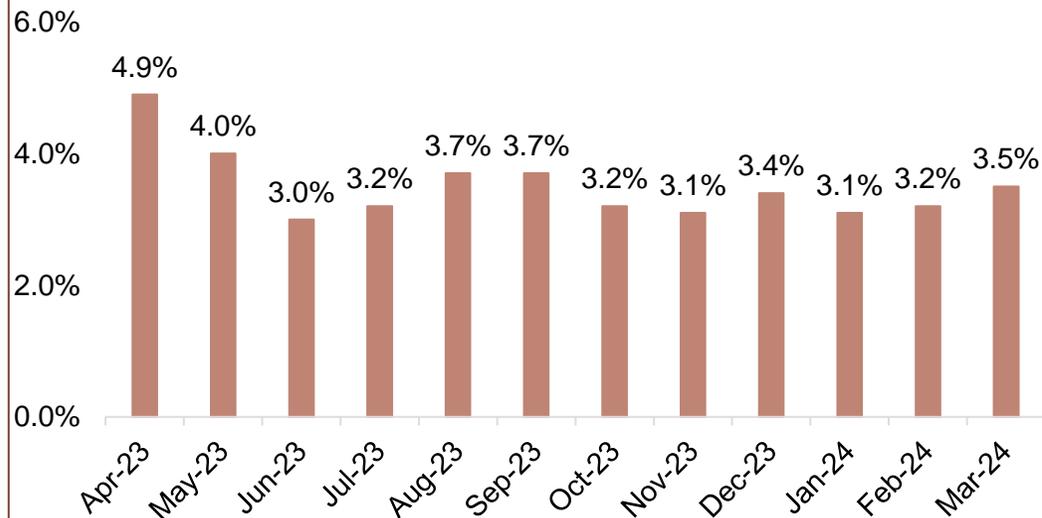
Event Update

U.S. Fed Keeps rates unchanged, flags 'lack of further progress on inflation'

Key Highlights

- The U.S. Federal Reserve (Fed) kept interest rates unchanged at **5.25%-5.50% range in May-24 policy meet.**
- Fed **maintained pause for the sixth consecutive meeting** signaling lack of progress on inflation.
- Fed announced that it will only **cut interest rates when it has greater confidence of inflation moving sustainably to the 2% level.**

U.S. Inflation over the past 1 year



Source: Trading Economics

U.S inflation Peaking:

- ❖ U.S. inflation data had shown a significant decrease till June 2023 to 3.0%. However, **since July 2023, inflation has been above 3%.**
- ❖ **Inflation remains elevated** amid expanding economic activities, strong job gains and a low unemployment rate. Moreover, **there is a risk of a further rise in inflation due to the evolving geopolitical scenarios.**
- ❖ **Monthly Personal Consumption Expenditure (PCE)** which excludes food and energy was steady at 0.3% in March 2024.

To Conclude:

- ❖ **Fed kept the policy rate unchanged,** and the decision was widely expected given the Fed's stated goal of slowing inflation to its long-term target of 2%.
- ❖ **U.S. economic activity has been expanding at a solid pace** while job gains have remained strong and unemployment rate has remained low. **Inflation has eased but remains elevated.**
- ❖ **Restoring price stability is essential** to set the stage for achieving maximum employment and stable prices over the long run.

Thank You!

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