

Macro-Economic Update and Key Events

Event Update

The RBI kept key policy repo rate unchanged at 6.50%

The Monetary Policy Committee (MPC) in its second bi-monthly monetary policy review of FY25 kept key policy repo rate unchanged at 6.50% with immediate effect for the eighth consecutive time. The standing deposit facility (SDF) rate also remained unchanged at 6.25%. Four out of six members voted to keep the policy repo rate unchanged. The MPC also remained focused on withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth.

GDP witnessed a growth of 7.8% in Q4 FY24

Government data showed that Gross Domestic Product (GDP) of the Indian economy at constant (2011-12) prices witnessed a growth of 7.8% in the fourth quarter of FY24. In the Jan-Mar quarter of last year, the GDP growth rate was 6.2%. On the sectoral front, the growth of the manufacturing sector soared to 8.9% in Q4 of FY24 from 0.9% in same quarter of previous fiscal year. However, Agriculture, Livestock, Forestry & Fishing slowed to 0.6% in Q4 of FY24 compared to 7.6% growth in Q4 of FY23.

Manufacturing PMI eased slightly to 57.5 in May 2024

The Manufacturing Purchasing Managers' Index (PMI) eased slightly to 57.5 in May 2024 compared to 58.8 in Apr 2024. This signalled a slower but still substantial improvement in the country's manufacturing sector, amid a softer rise in new orders and output.

Services PMI eased slightly to 60.2 in May 2024

India's Services Purchasing Managers' Index (PMI) eased slightly to 60.2 in May 2024 as compared to 60.8 in Apr 2024 mainly due to weaker domestic demand. Composite PMI also eased to 60.5 from 61.5 in the same period amid the ongoing heatwave expected to have taken a toll on both the PMI nos.

Industrial production slowed to 4.9% YoY in Mar 2024

Industrial production growth in India (IIP) slowed to 4.9% YoY in Mar 2024, as compared to 5.6% rise in Feb 2024. Production in the manufacturing industry increased by 5.2%, mining by 1.2% and electricity by 8.6% in Mar 2024.

CPI inflation eased slightly to 4.83% YoY in Apr 2024

The consumer price index (CPI)-based inflation eased slightly to 11-month low of 4.83% YoY in Apr 2024 compared to 4.85% in Mar 2024. The number remained within the RBI's upper tolerance level for the eighth consecutive month. Consumer food price inflation grew to 8.70% in Apr 2024 from 8.52% in Mar 2024.

Merchandise trade deficit widened YoY in Apr 2024

India's merchandise trade deficit widened to \$19.10 billion in Apr 2024 from \$14.44 billion in Apr 2023. Exports edged up 1.07% to \$34.99 billion in Apr 2024 from \$34.62 billion of the same month of previous year and imports soared by 10.25% to \$54.09 billion from \$49.06 billion during the same period.

Key Indicator	Frequency	Period	Latest	Previous
CPI	Monthly	Apr-24	4.83%	4.85%
WPI	Monthly	Apr-24	1.26%	0.53%
IIP	Monthly	Mar-24	4.90%	5.60%
GDP	Quarterly	Mar-24	7.80%	8.40%
Credit Growth	Month End [^]	May-24	19.50%	19.00%
Deposit Growth	Month End [^]	May-24	13.30%	13.30%
Export Growth (YoY)	Monthly	Apr-24	1.07%	-0.67%
Import Growth (YoY)	Monthly	Apr-24	10.25%	-5.98%
Trade Balance (Billion)	Monthly	Apr-24	-\$19.10	-\$15.60

Source: RBI, Refinitiv, MOSPI CPI- Consumer Price Index, WPI- Wholesale Price Index IIP- Index of Industrial Production, GDP- Gross Domestic Product, Trade deficit- in Billion, All above indicators are in percentage change on Y-o-Y (Year-on-Year) basis, except Trade Deficit. [^]RBI releases credit and deposit growth data on fortnightly basis. For Credit and Deposit growth, previous means last fortnight of the previous month. Latest available data as on 31-May-2024.

Institutional Flows (Equity)

Net Flow (INR Crore)	Latest Month	Previous Month	Year to Date
FII Flows	-25,586	-8,671	-23,364
DII Flows	55,733	44,186	207,494
MF Flows	48,099	32,824	162,462

Source: CDSL, NSE & SEBI; As on 31-May-2024.

Exchange Rate Movement

Exchange Rate	May-24	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
₹/ Dollar	83.30	83.52	82.92	83.35	82.68
₹/ Euro	90.12	89.34	89.86	91.48	88.36
₹/ Pound	105.93	104.64	105.03	105.87	102.38
₹/ 100 Yen	53.08	53.25	55.36	56.68	59.30

Source: Refinitiv

Performance of Various Commodities

Commodities	May-24	Returns			
		1 Month	3 Month	6 Month	1 Year
Crude Brent (\$/Barrel)	80.55	-9.87%	-6.58%	-5.45%	10.81%
Gold (\$/Oz)	2,326.97	1.81%	13.89%	14.30%	18.58%
Gold (₹./10 gm)	72,127	0.49%	16.16%	15.51%	19.95%
Silver (\$/Oz)	30.38	15.58%	34.00%	20.30%	29.38%
Silver (₹./Kg)	92,323	15.28%	32.85%	21.59%	30.20%

Source: Refinitiv, MCX

Monthly Market Update

June 2024



Indian Debt Market Update

Key Policy Rates (%)

	May-24	3 Months Ago	6 Months Ago	Year Ago	2 Years Ago
Repo	6.50	6.50	6.50	6.50	4.40
Reverse Repo	3.35	3.35	3.35	3.35	3.35
Bank Rate	6.75	6.75	6.75	6.75	4.65
CRR	4.50	4.50	4.50	4.50	4.50
SLR	18.00	18.00	18.00	18.00	18.00
SDF	6.25	6.25	6.25	6.25	4.15

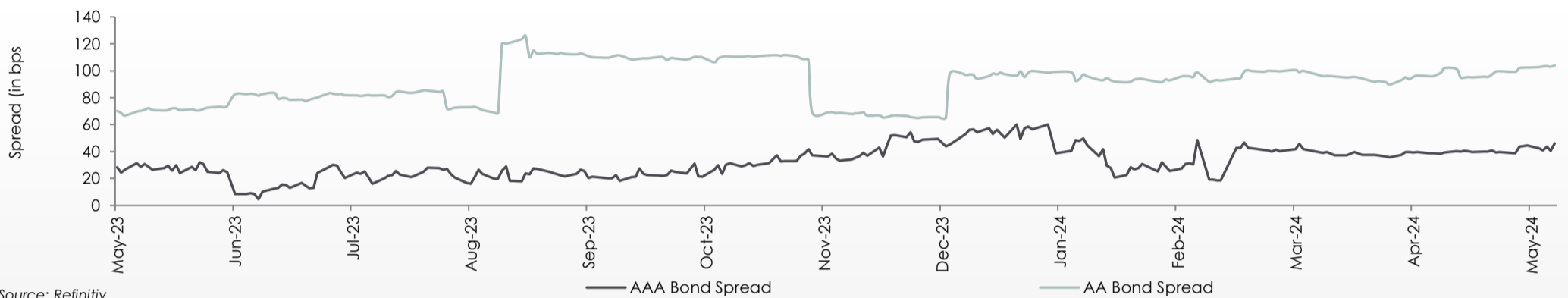
Source: RBI

Money Market Rates (%)

	May-24	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
TREP (Overnight Rate)	6.67	6.63	6.68	6.76	6.24
91 Days T-Bills	6.89	6.98	6.86	6.97	6.76
3 Month CD	7.26	7.28	7.72	7.39	6.94
3 Month CP	7.18	7.34	7.76	7.42	7.00
6 Month CP	7.50	7.56	7.90	7.62	7.25
364 Days T-Bills	7.02	7.06	7.11	7.12	6.89

Source: Refinitiv

10 Year Corporate Bond Spread (for AAA & AA bonds)



Source: Refinitiv

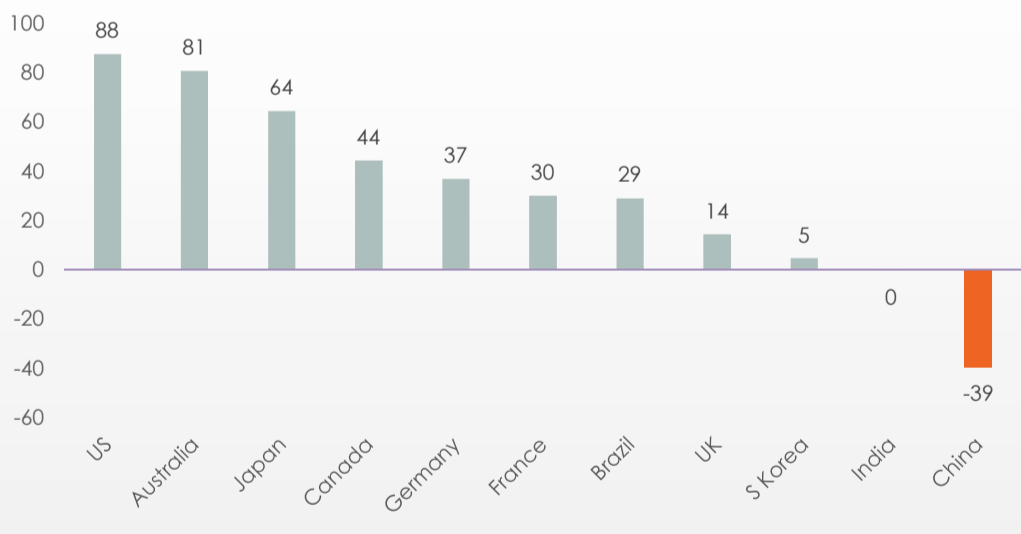
Bond yields fell in tandem with the U.S. Treasury yields after the U.S. Federal Reserve maintained interest rates as expected but sounded less hawkish than anticipated. Gains were extended after the RBI approved a record surplus transfer to the central government for FY24.

Yield on corporate bonds went down in the range of 11 to 16 bps across the curve. Yield fell the most on 1 & 6 to 8 year papers and the least on 15 year paper.

Global Debt Market Update

U.S. saw the highest rise in yields while China witnessed the highest fall

Change in 10 Year Sovereign Bond Yield: May-24 v/s May-23 (bps)



Yield of 10 Year Government Bonds (%)

	Apr-2024	May-2024	Inflation: May-2024	Real Yields: May-24
Brazil	11.8	11.8	3.7	8.2
India	7.2	7.0	4.8	2.2
UK	4.4	4.3	2.3	2.0
China	2.3	2.3	0.3	2.0
US	4.7	4.5	3.4	1.1
France	3.1	3.1	2.2	0.9
Canada	3.8	3.6	2.7	0.9
S Korea	3.7	3.6	2.7	0.9
Australia	4.4	4.4	3.6	0.8
Germany	2.6	2.6	2.2	0.4
Japan	0.9	1.1	2.2	-1.1

Source: Refinitiv

Asset Class Monthly Performance

Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Global Equity 6.59%	Crude Oil 14.41%	Crude Oil 2.97%	Crude Oil 10.12%	Gold 7.27%	Global Equity 10.7%	Domestic Equity 7.94%	Crude Oil 6.58%	Global Equity 6.12%	Silver 10.17%	Silver 5.23%	Silver 15.58%
Domestic Equity 3.53%	Silver 8.87%	Bond Index 0.56%	Domestic Equity 2%	Silver 3.34%	Silver 10.26%	Global Equity 5.52%	Global Equity 1.02%	Domestic Equity 1.18%	Gold 9.26%	Crude Oil 4.5%	Global Equity 6.88%
Crude Oil 2.71%	Global Equity 4.05%	Gold -1.24%	Bond Index 0.47%	Bond Index 0.36%	Domestic Equity 5.52%	Gold 1.32%	Bond Index 0.64%	Crude Oil 0.76%	Global Equity 1.79%	Gold 2.38%	Gold 1.81%
Bond Index 0.38%	Domestic Equity 2.94%	Silver -1.35%	Gold -4.71%	Global Equity -2.78%	Gold 2.68%	Bond Index 0.71%	Domestic Equity -0.03%	Bond Index 0.66%	Domestic Equity 1.57%	Domestic Equity 1.24%	Bond Index 0.81%
Gold -2.18%	Gold 2.32%	Global Equity -2.17%	Global Equity -5.81%	Domestic Equity -2.84%	Bond Index 0.59%	Crude Oil -5.75%	Gold -1.23%	Gold 0.3%	Bond Index 0.61%	Bond Index 0.39%	Domestic Equity -0.33%
Silver -3.09%	Bond Index 0.6%	Domestic Equity -2.53%	Silver -9.31%	Crude Oil -4.61%	Crude Oil -7.79%	Silver -5.9%	Silver -3.55%	Silver -1.08%	Crude Oil -0.81%	Global Equity -4.41%	Crude Oil -9.87%

In May 2024, silver rose the most followed by global equity and gold, while crude oil fell the most among the asset classes. The global equity market rose following the lower-than-anticipated increase in U.S. consumer prices in April 2024, which raised the optimism of rate cuts by the U.S. Federal Reserve later this year.

Source: NSE, Refinitiv; Data as on 31-May-2024; Bond Index data as on 31-May-2024. Domestic equity market-Nifty 50 TRI, Global Equity market-Nasdaq composite, Bond Index-Nifty Corporate Bond Index. Gold, Silver and Crude Oil prices are in U.S. dollar. While Gold and Silver prices are measured in per ounce, Crude oil is on the basis of per barrel.

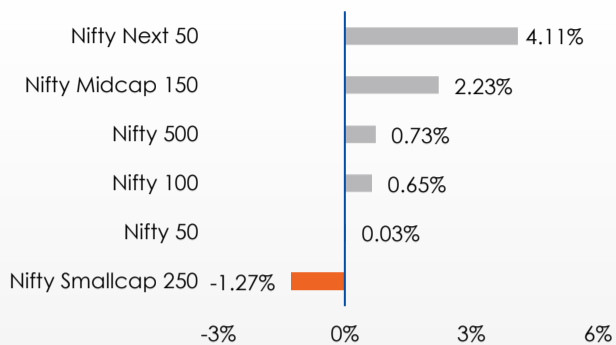
Monthly Market Update

June 2024

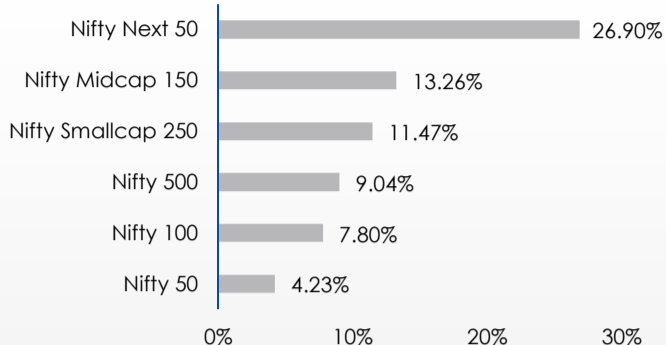


Indian Equity Market Update

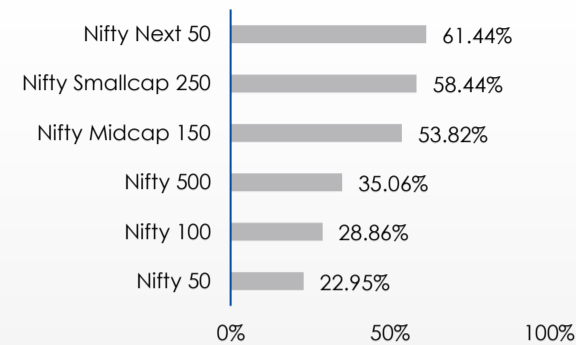
1 Month



CYTD



1 Year



Domestic equity markets fell during the month under review after the U.S. Fed kept interest rates steady for a sixth consecutive time. Losses were extended due to concerns of global geopolitical tensions as Gaza ceasefire talks ended without a deal after the Israeli military ramped up its attacks in Rafah, southern Gaza. Volatility in the market too weighed on the sentiment as the same is expected to continue in the market before the outcome of the general elections.

Source: NSE; Returns are on the basis of TRI index as on May 31, 2024; CYTD- Calendar Year to Date as on May 31, 2024

Sector Monthly Performance

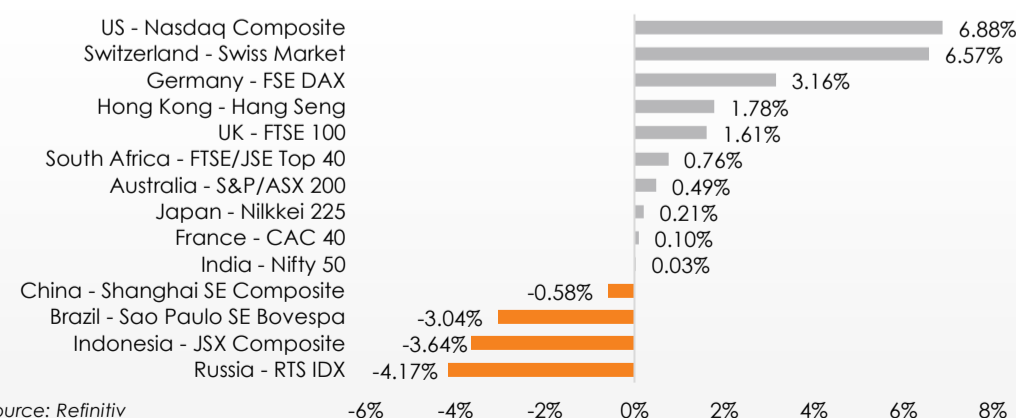
Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Nifty Realty 8.65%	Nifty Media 18.22%	Nifty Media 11.34%	Nifty Energy 6.22%	Nifty Realty 4.75%	Nifty Realty 18.36%	Nifty Energy 14.25%	Nifty Energy 9.80%	Nifty Realty 6.36%	Nifty Auto 4.95%	Nifty Metal 11.13%	Nifty Metal 5.97%
Nifty Pharma 8.61%	Nifty Pharma 9.32%	Nifty IT 4.14%	Nifty Infra 4.98%	Nifty FMCG -0.66%	Nifty Pharma 10.62%	Nifty Metal 13.72%	Nifty Realty 9.34%	Nifty Energy 6.22%	Nifty Metal 4.23%	Nifty Realty 8.06%	Nifty Realty 4.75%
Nifty Auto 6.69%	Nifty Realty 9.25%	Nifty Pharma 0.80%	Nifty Auto 3.28%	Nifty Auto -1.65%	Nifty Auto 10.28%	Nifty Infra 10.90%	Nifty Infra 7.62%	Nifty Auto 6.20%	Nifty Infra 3.10%	Nifty Media 5.46%	Nifty Auto 4.18%
Nifty Metal 5.42%	Nifty Metal 8.94%	Nifty Auto 0.02%	Nifty Realty 3.16%	Nifty Energy -1.96%	Nifty Energy 9.77%	Nifty Realty 9.73%	Nifty Pharma 6.58%	Nifty Pharma 6.16%	Nifty Financial Services 2.88%	Nifty Auto 4.95%	Nifty Infra 1.08%
Nifty Infra 5.13%	Nifty Energy 8.73%	Nifty Metal -1.35%	Nifty Metal 2.77%	Nifty Infra -2.36%	Nifty Metal 8.78%	Nifty IT 9.00%	Nifty IT 3.46%	Nifty Infra 3.07%	Nifty Bank 2.18%	Nifty Bank 4.82%	Nifty Financial Services 0.00%
Nifty Energy 3.49%	Nifty Infra 6.66%	Nifty Realty -1.47%	Nifty Pharma 2.17%	Nifty Media -3.05%	Nifty Infra 8.20%	Nifty Bank 8.57%	Nifty Auto 3.27%	Nifty IT 2.97%	Nifty Energy 0.47%	Nifty Financial Services 4.06%	Nifty FMCG -0.12%
Nifty Financial Services 3.20%	Nifty Auto 4.14%	Nifty Infra -2.32%	Nifty IT 1.99%	Nifty Financial Services -3.06%	Nifty IT 6.66%	Nifty FMCG 7.50%	Nifty Metal -0.06%	Nifty Bank 0.27%	Nifty Pharma -0.03%	Nifty Energy 3.45%	Nifty Energy -0.28%
Nifty FMCG 2.44%	Nifty Bank 2.03%	Nifty FMCG -2.92%	Nifty Bank 1.35%	Nifty IT -3.26%	Nifty Media 4.54%	Nifty Financial Services 7.14%	Nifty FMCG -3.36%	Nifty Financial Services -0.41%	Nifty FMCG -0.09%	Nifty Infra 2.87%	Nifty Bank -0.29%
Nifty Bank 1.50%	Nifty IT 1.47%	Nifty Bank -3.42%	Nifty Financial Services 1.09%	Nifty Bank -3.90%	Nifty Financial Services 4.48%	Nifty Auto 6.08%	Nifty Financial Services -4.61%	Nifty Metal -0.58%	Nifty Realty -1.08%	Nifty FMCG 0.55%	Nifty Pharma -0.90%
Nifty IT 1.35%	Nifty Financial Services 1.43%	Nifty Financial Services -3.47%	Nifty FMCG 1.00%	Nifty Pharma -4.79%	Nifty Bank 3.82%	Nifty Media 3.99%	Nifty Bank -4.75%	Nifty FMCG -1.42%	Nifty IT -7.48%	Nifty Pharma -0.13%	Nifty Media -1.18%
Nifty Media -0.69%	Nifty FMCG 0.86%	Nifty Energy -3.71%	Nifty Media -1.09%	Nifty Metal -5.65%	Nifty FMCG 3.75%	Nifty Pharma 3.65%	Nifty Media -9.93%	Nifty Media -4.58%	Nifty Media -12.40%	Nifty IT -4.86%	Nifty IT -1.61%

In May 2024, metal followed by realty & auto witnessed the highest gain, while IT followed by media & pharma witnessed the highest fall. Metal sector rose following China's measures to stabilize its property markets, which boosted metal prices due to growing supply concerns and optimistic long-term demand.

Source: NSE; Returns are on the basis of TRI index; Month wise returns are calculated on absolute basis.

Global Equity Market Update

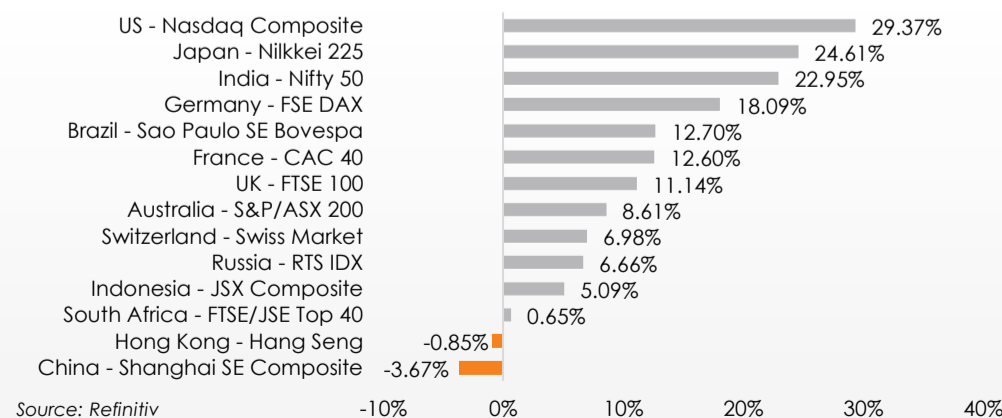
1 Month Performance



Source: Refinitiv

Global markets remained mixed in May 2024 with U.S. followed by Switzerland showed the highest rise and Russia followed by Indonesia witnessed highest fall.

1 Year Performance



Source: Refinitiv

In the last one year, most of the global markets rose with U.S. gaining the most while South Africa rising the least.

News Summary & Market Outlook

News Summary

1. Domestic

- SEBI has eliminated the need to appoint fund managers to manage commodity funds, such as gold and silver ETFs. But the regulator has made it clear that fund houses need to make sure the fund manager they choose to oversee their commodity funds has the necessary training and experience.
- SEBI eliminated the requirement of making nomination compulsory in joint mutual fund folios in order to simplify, ease and reduce cost of compliance, since the surviving holder in a joint folio takes precedence over nominee during the transmission of units, the risk of unclaimed units is low.
- The RBI advised lenders to make larger provisions for infrastructure projects that are still under construction and requested that they maintain close oversight of any emerging stress. During the project's construction phase, the RBI has suggested that banks set aside 5% of the loan amount. This can be lowered to 2.5% once a project is up and running, and to 1% once it begins to bring in enough money to meet the lenders' demands for repayment.
- IRDAI has made some more changes to the existing health insurance regulations to make it more customer friendly. Some of the most significant changes are that policyholders can cancel their health insurance at any time and receive a pro rata refund of premiums, insurers cannot refuse policy renewals based on claims made in previous policy years, a 100% cashless claim settlement system is created, and insurers will be penalized Rs. 5,000 per day if they fail to implement the ombudsman's order within 30 days.
- Rating Agency S&P Global raised its outlook for the Indian economy to positive, stating sound economic fundamentals, robust growth momentum and government spending for its revision. While S&P Global didn't upgrade the country's sovereign credit ratings, which at 'BBB-/A-3' is still the lowest investment grade rating offered by the agency, it said cautious fiscal and monetary policy could lead to improvement in ratings over the next two years

2. International

- The European Central Bank as anticipated slashed the three main interest rates by 25 basis points in Jun 2024, ending nine months of steady rates following an increase in inflation of more than 2.5% since Sep 2023. The rate for the deposit facility was reduced to 3.75%, the rate for the main refinancing operations to 4.25%, and the rate for marginal lending to 4.5%. However, domestic price pressures remain elevated, indicating continued inflationary challenges.
- According to the Commerce Department, U.S. gross domestic product climbed by 1.3% in the first quarter of 2024 compared to the previously reported 1.6% jump. The downwardly revised increase, which was in line with economists', compares to the 3.4 percent surge in GDP in the fourth quarter of 2023.
- According to the Cabinet Office, Japan's gross domestic product contracted a seasonally adjusted 0.5% on quarter in the first quarter of 2024. GDP was up 0.1% in the fourth quarter of 2023.
- According to Eurostat, eurozone's harmonized index of consumer prices advanced more-than-expected 2.6% in May 2024 on a yearly basis, faster than the 2.4% rise in Apr 2024. Annual inflation was seen at 2.5%.
- According to the Institute for Supply Management, U.S. manufacturing PMI edged down to 48.7 in May 2024 from 49.2 in Apr 2024, with a reading below 50 indicating contraction. Economists had expected the index to inch up to 49.6.
- According to a survey, China's Caixin manufacturing Purchasing Managers' Index rose more-than-expected to 51.7 in May 2024 from 51.4 in the previous month. The reading was seen at 51.6.

Market Outlook

The return of coalition politics is the new normal and taking any hard policy decisions may test the negotiation capabilities for the incoming government, unlike the period between 2019-2024 when BJP won 303 seats on their own. However, this does not undermine the long term India growth story, underpinned by strong corporate balance sheets with sharply improving profitability and high savings rate of Indian households.

We believe that money will incrementally rotate into defensive sectors such as IT, Consumption, Healthcare, Autos, Chemicals and Telecom while investors will have to carefully pick stocks in sectors which have high dependency on government policies such as PSUs, Capital Goods, Power, Railways and Defence. They will need to be cognizant of the 'not cheap' valuations while looking at these sectors.

The first 100 days of the new government will be closely watched event by market participants – Once the portfolios are finalized amongst the key cabinet members of the new government, any statements made by these ministries to the media will provide a more clear direction for stocks in the respective sectors.

There is a high possibility that current social schemes will be expanded under NDA 3.0 with clear budgetary supports to the states of certain key allies.

However, the focus on long term goals such as:

- 1) investments in creating world class infrastructure across roads, airports, ports and railways,
- 2) Manufacturing push via PLI schemes + goal of becoming Atmanirbhar in critical sectors to push job creation
- 3) Focus on energy transition are programs that are decadal in nature and will continue for the next several years.

While FIs continue to be net sellers in the Indian Markets through the course of this year, the supply has been more than compensated by Domestic Institutions as well as Retail Investors. Retail investors deserve a special mention as they have proven themselves to be counter cyclical by nature, by steadily buying into market corrections. Eg. on 4th June when the markets fell 8% intraday, Retail investors pumped in ~\$1bn into the stock markets.

FIs are driven by multiple factors while considering their geographical asset allocation - primary among them are economic stability with a hawk eye on inflation, interest rates and currency dynamics from a top down perspective. Finally, with the global equity markets being their playground, FIs give importance to relative valuations and earnings growth prospects from a bottom up stand point.

While from a top down perspective, India has been ticking all the right boxes with respect to macros and economic stability, the current rich valuations is what is making a lot of foreign institutional investors, particularly India dedicated fund managers, circumspect on future return prospects.

Additionally, emerging market funds, of which India is a part, are spoilt for choices with favourable valuations across multiple markets such as China,

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