

Macro-Economic Update and Key Events

Event Update

The RBI maintained policy repo rate at 6.50%

The Monetary Policy Committee (MPC) in its third bi-monthly monetary policy review of FY25 kept key policy repo rate unchanged at 6.50% with immediate effect for the ninth 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.

Manufacturing PMI eased to 58.1 in Jul 2024

The Manufacturing Purchasing Managers' Index edged down slightly to 58.1 in Jul 2024 compared to 58.3 in Jun 2024. The latest reading indicated strong growth in Jul 2024, driven by solid demand, despite facing cost pressures. New orders and output experienced significant growth, with exports rising at the second-highest rate in 13 years.

Services PMI fell marginally to 60.3 in Jul 2024

India's Services Purchasing Managers' Index (PMI) fell marginally to 60.3 in Jul 2024 as compared to 60.5 in Jun 2024. The services sector remained strong in Jul 2024 due to robust demand, resulting in significant job creation, despite elevated cost pressures leading to the highest selling-price inflation in seven years. Composite PMI was down fractionally to 60.7 from 60.9 in the same period.

IIP growth increased to 5.9% YoY in May 2024

Industrial production growth in India (IIP) increased to 5.9% YoY in May 2024, as compared to 5.0% rise in Apr 2024. Production in the manufacturing industry increased by 4.6%, mining by 6.6% and electricity by 13.7% in May 2024.

CPI-based inflation rose to 5.08% YoY in Jun 2024

The consumer price index-based inflation rose to 5.08% YoY in Jun 2024 compared to 4.80% in May 2024. The number remained within the RBI's upper tolerance level for the tenth consecutive month. Consumer food price inflation accelerated to 9.36% YoY in Jun 2024 from 8.69% in May 2024.

WPI-based inflation surged to 3.36% YoY in Jun 2024

India's wholesale price index (WPI) based inflation surged to 16-month high of 3.36% YoY in Jun 2024 as compared to 2.61% in May 2024. The positive rate of inflation in Jun 2024 was primarily due to an increase in prices of food articles, manufacture of food products, crude petroleum & natural gas, mineral oils, other manufacturing etc.

Fiscal deficit stood at 8.1% of BE till Jun of FY25

Government data showed that India's fiscal deficit for the period from Apr to Jun of FY25 stood at Rs. 1.36 lakh crore or 8.1% of Budget Estimates (BE) of the current fiscal. India's fiscal deficit was at 25.3% of the BE in the corresponding period of the previous fiscal year. Total expenditure stood at Rs. 9.70 lakh crore or 20.4% of the BE as compared to 23.3% of the BE in the corresponding period of the previous fiscal year.

Key Indicator	Frequency	Period	Latest	Previous
CPI	Monthly	Jun-24	5.08%	4.80%
WPI	Monthly	Jun-24	3.36%	2.61%
IIP	Monthly	May-24	5.90%	5.00%
GDP	Quarterly	Mar-24	7.80%	8.40%
Credit Growth	Month End [^]	Jul-24	14.00%	17.40%
Deposit Growth	Month End [^]	Jul-24	11.30%	11.10%
Export Growth (YoY)	Monthly	Jun-24	2.56%	9.10%
Import Growth (YoY)	Monthly	Jun-24	4.99%	7.71%
Trade Balance (Billion)	Monthly	Jun-24	-\$20.98	-\$23.78

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-Jul-2024.

Institutional Flows (Equity)

Net Flow (INR Crore)	Latest Month	Previous Month	Year to Date
FII Flows	32,365	26,565	35,565
DII Flows	23,486	28,633	259,613
MF Flows	25,089	28,226	215,777

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

Exchange Rate Movement

Exchange Rate	Jul-24	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
₹/ Dollar	83.74	83.45	83.52	83.08	82.25
₹/ Euro	90.62	89.25	89.34	89.88	90.58
₹/ Pound	107.55	105.46	104.64	105.31	105.76
₹/ 100 Yen	54.78	51.86	53.25	56.20	58.06

Source: Refinitiv

Performance of Various Commodities

Commodities	Jul-24	Returns			
		1 Month	3 Month	6 Month	1 Year
Crude Brent (\$/Barrel)	82.78	-6.73%	-7.37%	-3.26%	-3.09%
Gold (\$/Oz)	2,448.10	5.26%	7.11%	20.17%	24.64%
Gold (₹./10 gm)	69,046	-3.52%	-3.80%	10.31%	16.47%
Silver (\$/Oz)	29.04	-0.30%	10.50%	26.73%	17.24%
Silver (₹./Kg)	82,817	-5.72%	3.41%	15.85%	12.68%

Source: Refinitiv, MCX

Monthly Market Update

August 2024



Indian Debt Market Update

Key Policy Rates (%)

	Jul-24	3 Months Ago	6 Months Ago	Year Ago	2 Years Ago
Repo	6.50	6.50	6.50	6.50	4.90
Reverse Repo	3.35	3.35	3.35	3.35	3.35
Bank Rate	6.75	6.75	6.75	6.75	5.15
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	4.65

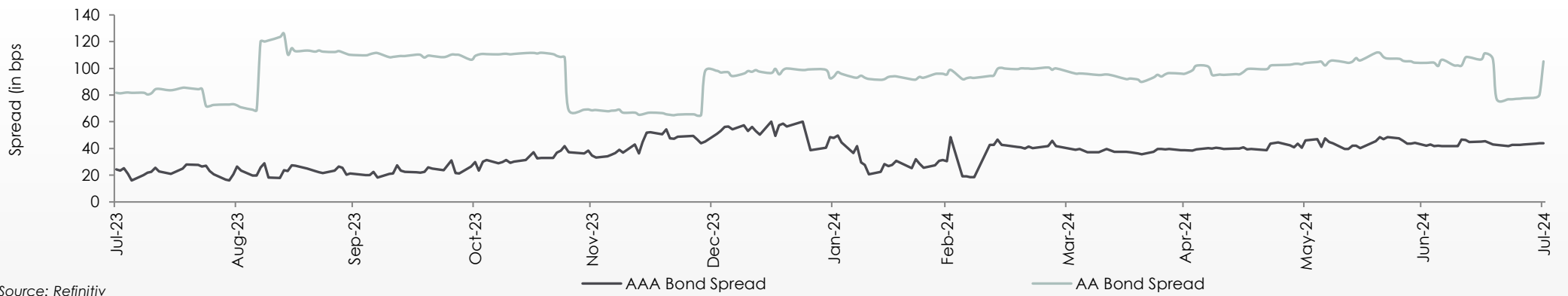
Source: RBI

Money Market Rates (%)

	Jul-24	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
TREP (Overnight Rate)	6.41	6.72	6.63	6.70	6.37
91 Days T-Bills	6.65	6.79	6.98	7.02	6.71
3 Month CD	7.16	7.12	7.28	7.82	7.04
3 Month CP	7.20	7.21	7.34	7.90	7.02
6 Month CP	7.48	7.45	7.56	7.90	7.30
364 Days T-Bills	6.79	6.94	7.06	7.13	6.88

Source: Refinitiv

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



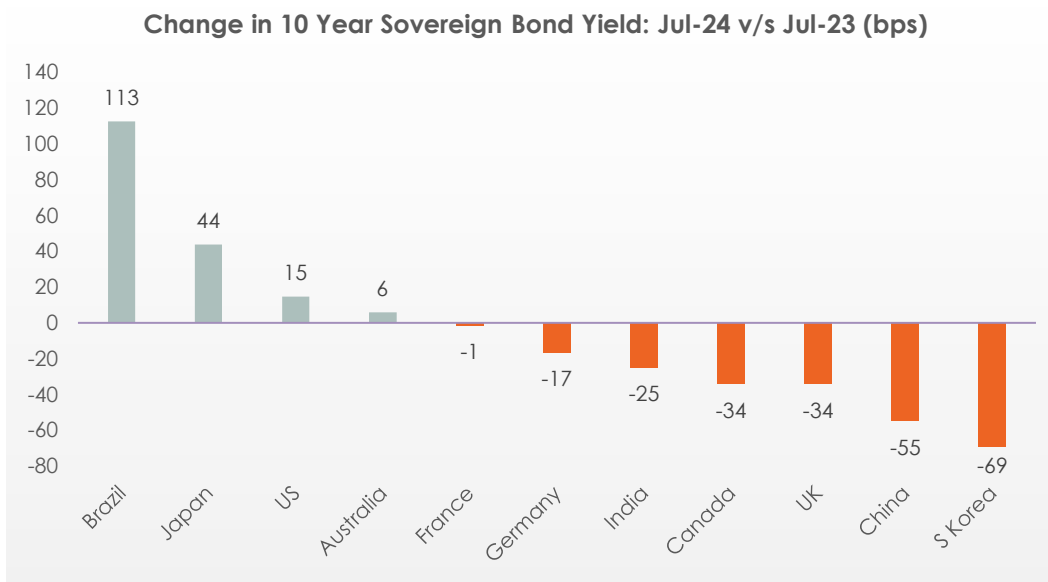
Source: Refinitiv

Bond yields slipped in tandem with a drop in U.S. Treasury yields on expectations of rate cuts by the U.S. Fed. Sentiments remained upbeat as the Union Budget 2024 did not present any negative triggers, with an announcement of lower-than-expected gross borrowing for FY25.

Yield on corporate bonds went down in the range of 8 to 17 bps across the curve. Yield fell the most for 1 year paper and least for 15 year paper.

Global Debt Market Update

Brazil saw the highest rise in yields while S Korea fell the most



Yield of 10 Year Government Bonds (%)

	Jun-2024	Jul-2024	Inflation: Jul-2024	Real Yields: Jul-24
Brazil	12.3	12.0	4.2	7.8
UK	4.2	4.0	2.0	2.0
China	2.2	2.1	0.2	1.9
India	7.0	6.9	5.08	1.8
US	4.3	4.1	3	1.1
France	3.3	3.0	2.2	0.8
S Korea	3.3	3.1	2.6	0.5
Canada	3.5	3.2	2.7	0.5
Australia	4.3	4.1	3.8	0.3
Germany	2.5	2.3	2.2	0.1
Japan	1.1	1.0	2.2	-1.2

Source: Refinitiv

Asset Class Monthly Performance

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
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%	Crude Oil 10.18%	Gold 5.26%
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%	Domestic Equity 6.57%	Domestic Equity 3.92%
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%	Global Equity 5.96%	Bond Index 0.78%
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%	Bond Index 0.52%	Silver -0.3%
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%	Gold -0.05%	Global Equity -0.75%
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%	Silver -4.11%	Crude Oil -6.73%

In July 2024, a mixed trend were witnessed among the asset classes, with gold followed by domestic equity rose the most, while crude oil followed by global equity fell the most. Gold prices rose after the release of data by the Labor Department indicating a decrease in U.S. consumer prices in Jun 2024, this leads to higher anticipation for interest rate cuts by the U.S. Federal Reserve.

Source: NSE, Refinitiv; Data as on 31-Jul-2024; Bond Index data as on 31-Jul-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.

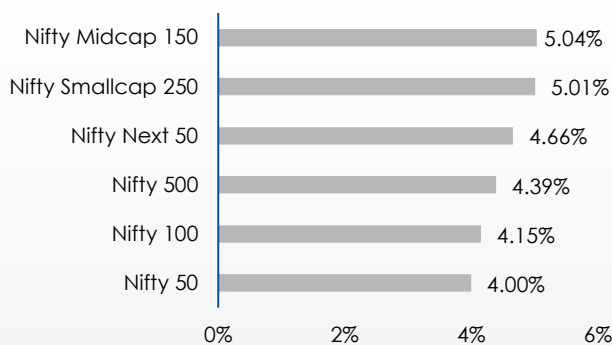
Monthly Market Update

August 2024

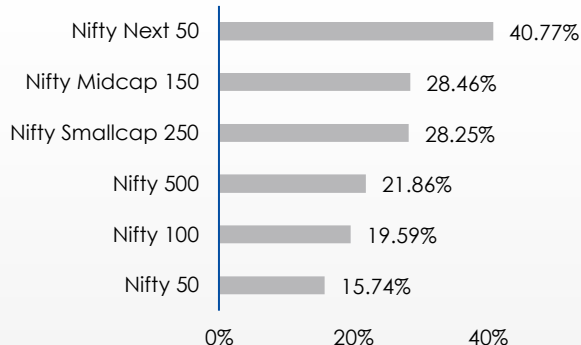


Indian Equity Market Update

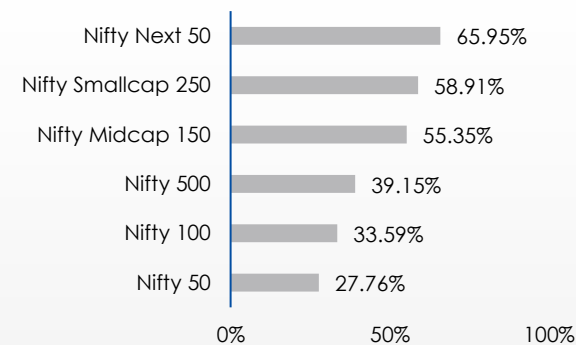
1 Month



CYTD



1 Year



Domestic equity markets rose during the month amid reinstated expectations that the U.S. Federal Reserve would start interest rate cuts in Sep 2024 following the dovish commentary from the U.S. Federal Reserve Chairperson. However, gains were restricted as investors reacted to the Union Budget announcements, particularly the changes in capital gains tax.

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

Sector Monthly Performance

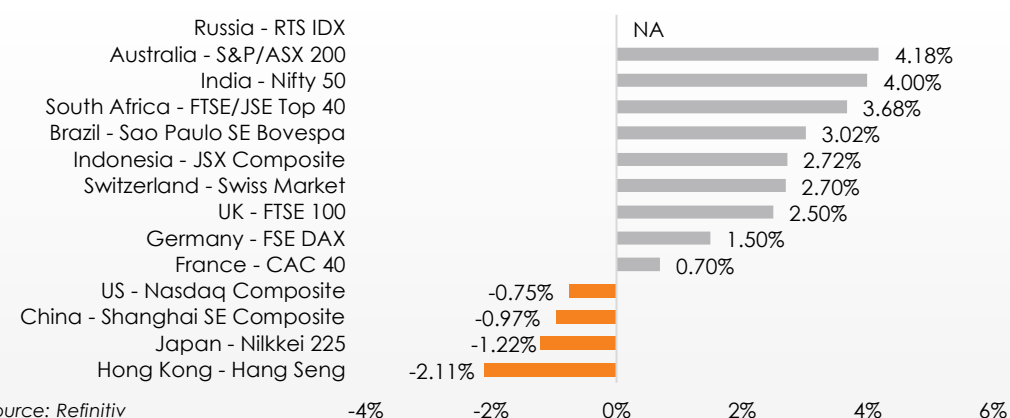
Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Nifty Media 11.34%	Nifty Energy 6.22%	Nifty Realty 4.75%	Nifty Realty 18.36%	Nifty Energy 14.25%	Nifty Energy 9.80%	Nifty Realty 6.36%	Nifty Auto 4.95%	Nifty Metal 11.13%	Nifty Metal 5.97%	Nifty IT 11.72%	Nifty IT 13.14%
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 Realty 8.38%	Nifty Pharma 10.61%
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 Financial Services 7.91%	Nifty FMCG 9.45%
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 Auto 7.81%	Nifty Media 7.90%
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 Bank 6.95%	Nifty Auto 6.13%
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 Media 6.52%	Nifty Energy 5.53%
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 5.69%	Nifty Infra 4.07%
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 Infra 5.51%	Nifty Financial Services 0.00%
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 Pharma 4.98%	Nifty Realty -0.84%
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 Energy 3.81%	Nifty Bank -1.49%
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%	Nifty Metal 0.95%	Nifty Metal -2.25%

In July 2024, information technology (IT) sector remained the top performing sector followed by pharma and FMCG. IT sector rose bolstered by robust Q1FY25 earnings of tech giants that met market expectations, fuelling optimism about a recovery in information technology sector.

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

Global Equity Market Update

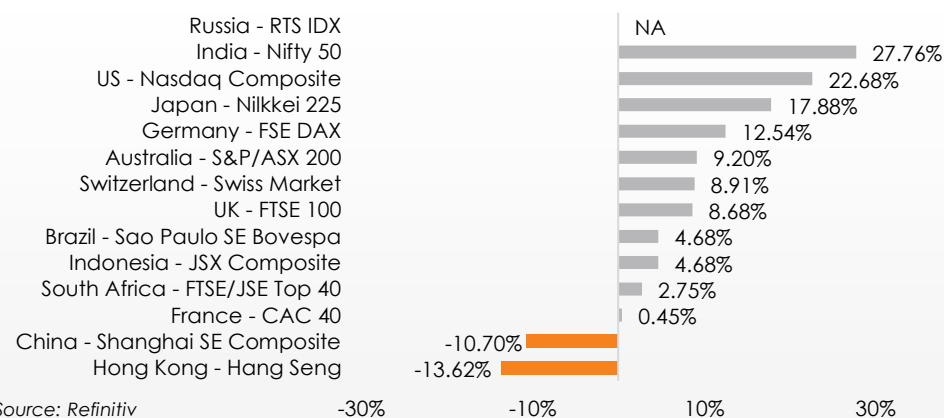
1 Month Performance



Source: Refinitiv

Global markets remained mixed in July 2024 with Australia followed by India showed the highest rise and Hong Kong followed by Japan witnessed highest fall.

1 Year Performance



Source: Refinitiv

In the last one year, most of the global markets rose with India gaining the most while France rising the least.

News Summary & Market Outlook

News Summary

1. Domestic

- According to the circular published by SEBI, the capital market regulator has made email the default mode of communication for the dispatch of Consolidated Account Statement (CAS) for AMCs and their RTAs. Additionally, SEBI said that the investor will receive the CAS each month if there has been transaction in their MF folio or demat account.
- According to a consultation paper published by SEBI, the capital market regulator suggested creating 'hybrid passive funds' or hybrid funds that are managed passively. Fund companies can use this to introduce hybrid index funds or hybrid ETFs. To start with, SEBI proposes three sets of hybrid passive funds, Debt oriented, Balanced and Equity oriented, where equity and debt exposure would be 25:75, 50:50 and 75:25, respectively.
- SEBI has introduced new rules pertaining to investments made through passively managed mutual fund schemes. According to the circular, investments in ETFs and index funds by mutual fund schemes based on widely tracked, non-bespoke indexes may be made in accordance with the weighting of the underlying index's constituents; however, the total amount of investments made in the sponsor's group companies may not exceed 35% of the scheme's net asset value.
- According to a consultation paper issued by SEBI, the capital market regulator has proposed to create a New Asset Class (NAC) that would position between mutual funds and portfolio management services (PMS) which would have more flexibility than a regular mutual fund scheme and lower ticket size than PMS, where the minimum allowed investment would be Rs.10 lakh. Under NAC, fund houses can launch multiple categories of schemes. However, the market regulator gave reference of two types of schemes – Long-short equity fund and inverse ETF/fund.
- Finance Minister has announced a reduction in the long-term capital gains tax on property and gold from 20% to 12.5% in Union Budget 2024, along with the removal of the inflation adjustment benefit.

2. International

- The U.S. Federal Reserve announced its widely expected monetary policy decision to leave interest rates unchanged on 31st Jul, 2024. In light of its objectives of achieving maximum employment and maintaining an inflation rate of 2% in the long term, the Federal Reserve announced its decision to keep the target range for the federal funds rate at 5.25% to 5.50%. The Fed acknowledged "some further progress" toward its inflation objective but reiterated officials need "greater confidence" inflation is moving sustainably toward 2% before cutting rates.
- The European Central Bank left its key interest rates unchanged on 18th Jul, 2024. After lowering them for the first time in five years in the previous session, policymakers head into a summer break ahead of a possible rate reduction in Sep 2024 even as they worry about sticky inflation. In Jun 2024, the European Central Bank cut the main refinancing rate for the first time since 2019 by 25 basis points to 4.25%.
- The Bank of Japan raised its benchmark rate by 15 basis points and also announced its plan to reduce bond purchases at the latest monetary policy meeting on 31st Jul, 2024. The Bank of Japan (BOJ) lifted interest rates for the second time since 2007. The central bank said in a statement it had set an interest rate of 0.25%, up from around zero to 0.1%. The bank is seeking to normalize its outlier ultra-loose policies, which have driven down the value of the yen.
- According to the Commerce Department, U.S. real gross domestic product surged by 2.8% in the second quarter of 2024 after jumping by 1.4% in the first quarter of 2024. Economists had expected GDP to increase by 2.0%.

Market Outlook

- The month of July was an eventful month for the equity markets, with the first annual budget presented on 23rd July followed by the US Federal Reserve meeting on 31st July. The month was also underpinned by Q1FY25 earnings by Corporates.
- The Market reaction to the Budget was largely positive, albeit some tremors around changes in the capital gains structure, particularly with respect to real estate, which has since been partially rolled back by the Finance Ministry.
- Monsoon season has been progressing well with some skewness in distribution across various parts of India, with Northern India facing a deficit upto July end 2024 while peninsular India witnessing a surplus of as much as 19% during the same period. It is largely expected that this year Monsoons will be at a surplus level on an overall basis by the time the season ends in October 2024.
- Q1 FY25 earnings season ended with an overall muted show (on expected lines), continuing the deceleration trend witnessed over the last four quarters. Sectors that marked healthy growth in Q1 FY25 were Auto, Auto ancillaries, Financial Services, Securities / Broking firms, Realty, Mid-cap IT, Consumer Durables. Mixed bags: Banks, Insurance, NBFC, Hotels, Engineering and Capital Goods, Power Generation, Pharmaceuticals & Healthcare, Infrastructure, Textile and Retail. Sectors with weak earnings were IT, Cement, Chemicals, FMCG, Oil Refineries, Wires and Cables, Bearings, Metal and Mining, Logistics, Footwear, Paint, Tyres
- Metals continue to be worst performing sector for the second consecutive month in a row while IT remains the best performing sector during the same period. There is a clear shift in terms of sector rotation into defensives during July 2024.
- Overall market outlook continues to be cautious given the slowdown in corporate earnings coupled with low margin of safety due to high underlying valuations across most sectors. This phenomenon of elevated valuations coupled with strong domestic inflows from retail has led to domestic institutions raising their cash levels to 5.6%, the highest in 2024 so far.

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