

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 fourth bi-monthly monetary policy review of FY25 kept key policy repo rate unchanged at 6.50% with immediate effect for the tenth consecutive time. The standing deposit facility (SDF) rate also remained unchanged at 6.25%. Five out of six members voted to keep the policy repo rate unchanged. The MPC decided to change the monetary policy stance from withdrawal of accommodation to neutral and remain unambiguously focused on a durable alignment of inflation with the target, while supporting growth. All the members voted in favour of the same.

Current account deficit widened marginally in Q1 FY25

India's current account deficit (CAD) widened marginally to US\$ 9.7 billion (1.1% of GDP) in Q1 FY25 from US\$ 8.9 billion (1.0% of GDP) in Q1 FY24 and against a surplus of US\$ 4.6 billion (0.5% of GDP) in Q4 FY24. The widening of CAD on a YoY basis was primarily due to a rise in merchandise trade deficit to US\$ 65.1 billion in Q1 FY25 from US\$ 56.7 billion in Q1 FY24.

Manufacturing PMI fell slightly to 56.5 in Sep 2024

The Manufacturing Purchasing Managers' Index edged down slightly to 56.5 in Sep 2024 compared to 57.5 in Aug 2024. The latest reading indicated growth decreased to 8 months low in Sep 2024.

Services PMI fell to 10-month low to 57.7 in Sep 2024

India's Services Purchasing Managers' Index (PMI) fell to 10-month low to 57.7 in Sep 2024 as compared to 60.9 in Aug 2024. Despite the slowdown, the sector remains in expansion territory. Composite PMI fell to 58.3 from 60.7 in the same period.

IIP growth increased to 4.8% YoY in Jul 2024

Industrial production growth in India (IIP) increased to 4.8% YoY in Jul 2024, as compared to 4.7% in Jun 2024. Production in the manufacturing industry increased by 4.6%, mining by 3.7% and electricity by 7.9% in Jul 2024.

CPI-based inflation rose slightly to 3.65% YoY in Aug 2024

The consumer price index-based inflation increased marginally to 3.65% YoY in Aug 2024 compared to 3.60% in Jul 2024. The inflation rate remained below the RBI's medium-term target of 4% for the second time since Aug 2019. Consumer food price inflation rose to 5.66% YoY in Aug 2024 from 5.42% in Jul 2024.

Fiscal deficit stood at 27% of BE till Aug of FY25

Government data showed that India's fiscal deficit for the period from Apr to Aug of FY25 stood at Rs. 4.35 lakh crore or 27% of the Budget Estimates (BE) of the current fiscal. India's fiscal deficit was at 36% of the BE in the corresponding period of the previous fiscal year. Total expenditure stood at Rs. 16.5 lakh crore or 34.3% of the BE as compared to 37.1% of the BE in the corresponding period of the previous fiscal year.

Key Indicator	Frequency	Period	Latest	Previous
CPI	Monthly	Aug-24	3.65%	3.60%
WPI	Monthly	Aug-24	1.31%	2.04%
IIP	Monthly	Jul-24	4.80%	4.70%
GDP	Quarterly	Jun-24	6.70%	7.80%
Credit Growth	Month End [^]	Sep-24	13.00%	13.60%
Deposit Growth	Month End [^]	Sep-24	11.50%	10.80%
Export Growth (YoY)	Monthly	Aug-24	-9.33%	-1.48%
Import Growth (YoY)	Monthly	Aug-24	3.31%	7.46%
Trade Balance (Billion)	Monthly	Aug-24	-\$29.65	-\$23.50

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 30-Sep-2024.

Institutional Flows (Equity)

Net Flow (INR Crore)	Latest Month	Previous Month	Year to Date
FII Flows	57,724	7,320	100,609
DII Flows	30,857	50,175	340,645
MF Flows	32,264	31,685	279,726

Source: CDSL, NSE & SEBI; As on 30-Sep-2024.

Exchange Rate Movement

Exchange Rate	Sep-24	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
₹/ Dollar	83.79	83.87	83.45	83.37	83.06
₹/ Euro	93.53	92.91	89.25	90.22	87.94
₹/ Pound	112.16	110.50	105.46	105.29	101.67
₹/ 100 Yen	59.11	57.86	51.86	55.09	55.81

Source: Refinitiv

Performance of Various Commodities

Commodities	Sep-24	Returns			
		1 Month	3 Month	6 Month	1 Year
Crude Brent (\$/Barrel)	72.99	-11.46%	-17.76%	-14.65%	-24.64%
Gold (\$/Oz)	2,634.49	5.25%	13.28%	18.01%	42.54%
Gold (₹./10 gm)	75,051	4.70%	4.87%	12.04%	30.31%
Silver (\$/Oz)	31.15	7.99%	6.94%	24.73%	40.57%
Silver (₹./Kg)	89,537	5.45%	1.93%	20.95%	25.32%

Source: Refinitiv, MCX

Monthly Market Update

October 2024



Indian Debt Market Update

Key Policy Rates (%)

	Sep-24	3 Months Ago	6 Months Ago	Year Ago	2 Years Ago
Repo	6.50	6.50	6.50	6.50	5.90
Reverse Repo	3.35	3.35	3.35	3.35	3.35
Bank Rate	6.75	6.75	6.75	6.75	6.15
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	5.65

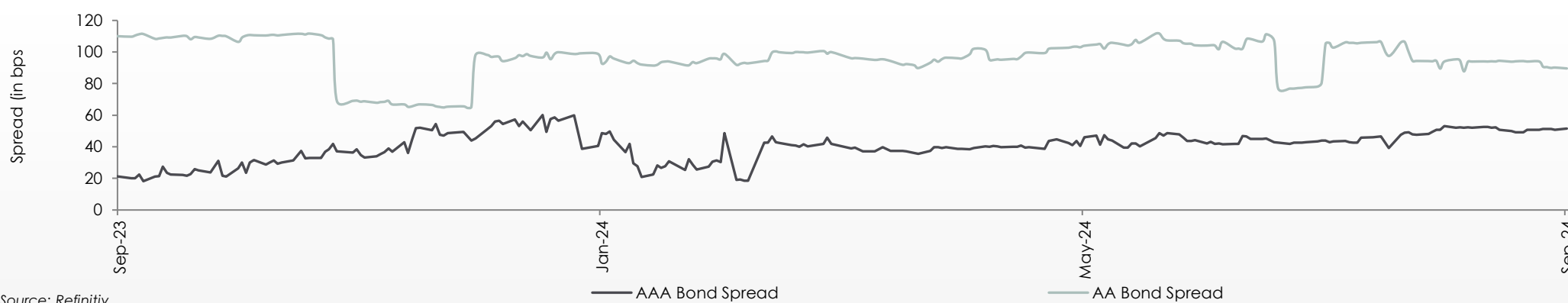
Source: RBI

Money Market Rates (%)

	Sep-24	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
TREP (Overnight Rate)	6.64	6.60	6.72	6.99	6.80
91 Days T-Bills	6.40	6.66	6.79	6.90	6.80
3 Month CD	7.30	7.23	7.12	7.77	7.01
3 Month CP	7.28	7.24	7.21	7.70	7.04
6 Month CP	7.47	7.56	7.45	7.77	7.29
364 Days T-Bills	6.55	6.75	6.94	7.00	7.01

Source: Refinitiv

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



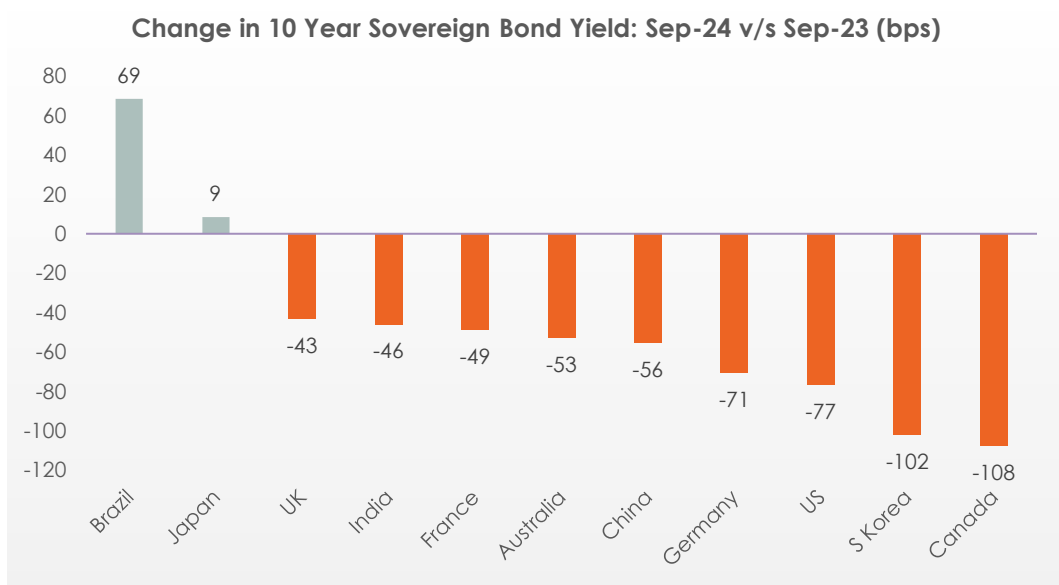
Source: Refinitiv

Bond yields surged during the month as market participants were surprised by the RBI's announcement that it would be conducting open market sale of bonds through auctions.

Yield on corporate bonds decreased in the range of 2 to 16 bps across the curve.

Global Debt Market Update

Brazil saw the highest rise in yields while Canada fell the most



Yield of 10 Year Government Bonds (%)

	Aug-2024	Sep-2024	Inflation: Sep-2024	Real Yields: Sep-24
Brazil	12.2	12.4	4.2	8.2
India	6.9	6.8	3.7	3.1
UK	4.0	4.0	2.2	1.8
China	2.2	2.2	0.6	1.6
S Korea	3.1	3.0	1.6	1.4
US	3.9	3.8	2.5	1.3
France	3.0	2.9	1.8	1.1
Canada	3.2	3.0	2	1.0
Germany	2.3	2.1	1.9	0.2
Australia	4.0	4.0	3.8	0.2
Japan	0.9	0.9	2.2	-1.3

Source: Refinitiv

Asset Class Monthly Performance

Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
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%	Gold 2.24%	Silver 7.99%
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%	Domestic Equity 1.14%	Gold 5.25%
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%	Global Equity 0.65%	Global Equity 2.68%
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%	Bond Index 0.64%	Domestic Equity 2.28%
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%	Crude Oil -0.41%	Bond Index 0.73%
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%	Silver -0.67%	Crude Oil -11.46%

In September 2024, most of the asset classes rose except crude oil, with silver followed by gold and global equity rose the most. Gold prices rose following the U.S. Federal Reserve's 50-bps rate cut on 18th Sep, 2024. Further, prices rose amid expectations of more interest rate cuts from the U.S. Federal Reserve in coming months.

Source: NSE, Refinitiv; Data as on 30-Sep-2024; Bond Index data as on 30-Sep-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.

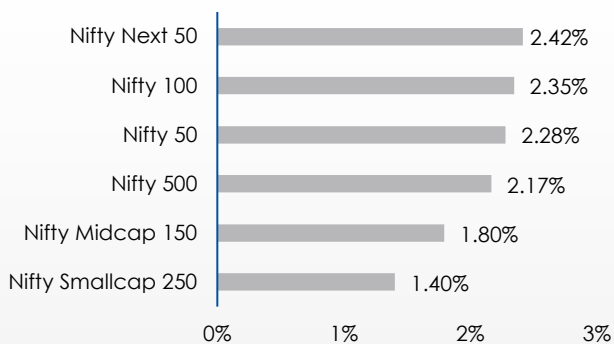
Monthly Market Update

October 2024

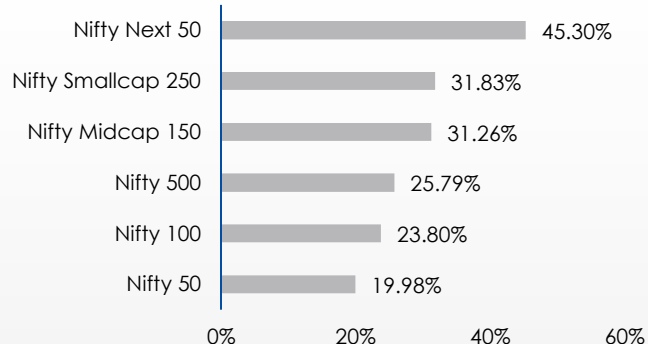


Indian Equity Market Update

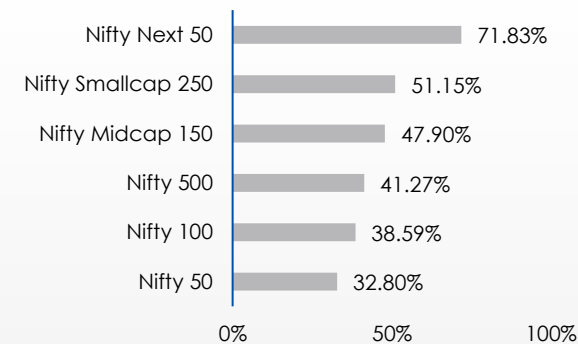
1 Month



CYTD



1 Year



Domestic equity markets rose as investors reacted positively to the U.S. Fed's decision to cut interest rate by 50 bps, signalling further easing in coming months to keep the labour market from slowing too much. Gains were further extended following a sharp drop in global crude oil prices after reports emerged that the OPEC member Saudi Arabia was prepared to pump more oil to regain market share.

Source: NSE; Returns are on the basis of TRI index as on Sep 30, 2024; CYTD- Calendar Year to Date as on Sep 30, 2024

Sector Monthly Performance

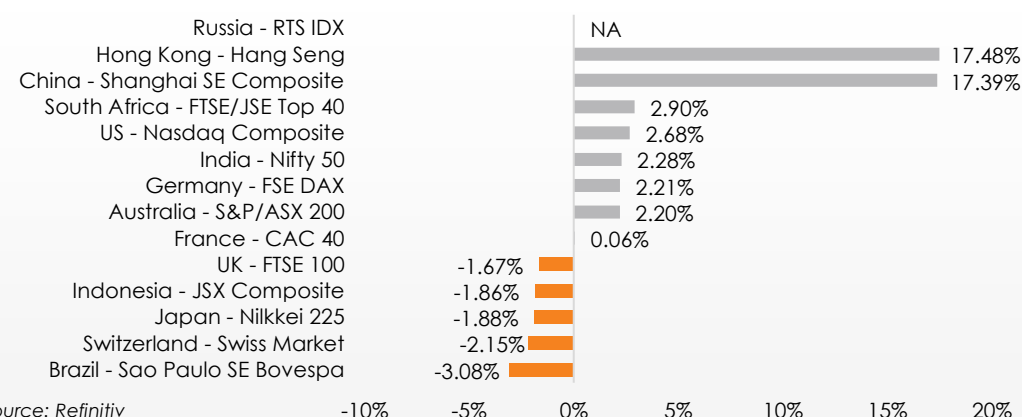
Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Nifty Realty 4.75%	Nifty Realty 18.36%	Nifty Energy 14.25%	Nifty Energy 9.80%	Nifty Realty 6.36%	Nifty Auto 4.95%	Nifty Metal 11.13%	Nifty Metal 5.97%	Nifty IT 11.72%	Nifty IT 13.14%	Nifty Pharma 6.80%	Nifty Metal 8.54%
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 IT 4.76%	Nifty Realty 4.34%
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 FMCG 1.67%	Nifty FMCG 3.93%
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 Financial Services 1.18%	Nifty Financial Services 3.56%
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 Bank -0.17%	Nifty Auto 3.26%
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 Energy -0.27%	Nifty Bank 3.17%
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 Infra -0.51%	Nifty Media 1.61%
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 Metal -1.66%	Nifty Infra 1.58%
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 Auto -1.67%	Nifty Energy 0.59%
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 Media -2.00%	Nifty Pharma 0.28%
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%	Nifty Realty -3.63%	Nifty IT -1.97%

In September 2024, Metal sector remained the top performing sector followed by Realty and FMCG. Metal sector rallied after the People's Bank of China cut the reserve requirement ratio for banks by 50 bps and lowered key interest rate in an effort to support the country's faltering economy.

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

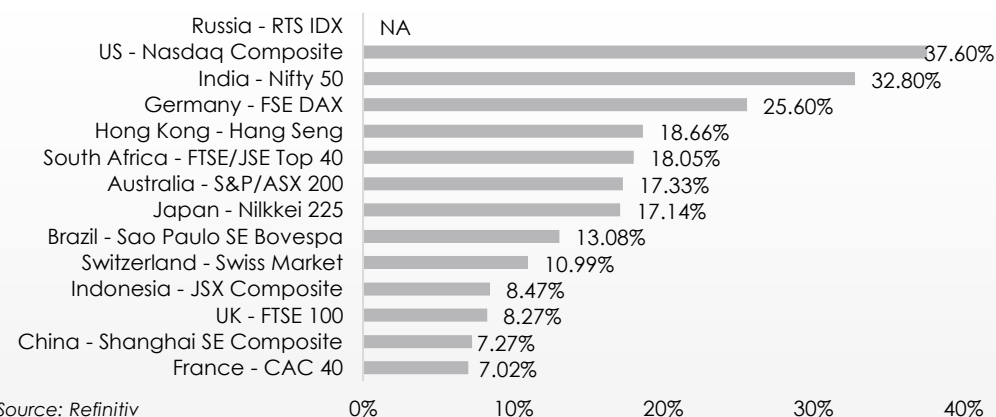
Global Equity Market Update

1 Month Performance



Global markets remained mixed in September 2024, with Hong Kong followed by China rose the most and Brazil followed by Switzerland witnessed the highest fall.

1 Year Performance



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

News Summary & Market Outlook

News Summary

1. Domestic

- The finance minister introduced the NPS Vatsalya scheme after the announcement of the Union Budget 2024-25. The minister will also unveil an online platform for NPS Vatsalya subscriptions, publish a brochure detailing the scheme, and hand out Permanent Retirement Account Number (PRAN) cards to minor subscribers.
- SEBI has granted mutual funds the authorization to purchase and sell a novel financial instrument known as credit default swaps (CDS). Essentially, CDS functions as purchasing insurance by making a modest premium payment in exchange for potential risk exposure in a corporate bond. At present, mutual fund companies are permitted to procure CDS coverage for corporate bonds that are a part of Fixed Maturity Plans with a maturity period of at least one year. With this, the capital market regulator has now allowed debt funds to buy CDS for all schemes and sell CDS with exception of overnight and liquid funds.
- SEBI has announced a new payment platform designed for the collection of fees to ensure that investors only pay fees to Registered Investment Advisors (RIAs) and Research Analysts (RAs). This platform will be known as the Centralized Fee Collection Mechanism (CeFCoM) for RIAs and RAs. A recognized Administration and Supervisory Body (ASB), appointed by the regulator, will oversee the new platform.
- SEBI has published a consultation paper suggesting a color-coded risk-o-meter for mutual fund schemes, following recommendations from the Mutual Fund Advisory Committee (MFAC). The goal is to standardize a uniform disclosure format and simplify the current risk-o-meter system for better understanding. Additionally, SEBI recommends that AMCs inform their unitholders about any changes to the risk-o-meter, providing both the new and old versions via email or SMS.
- RBI is set to launch a 'unified lending interface' to enhance digital payments in lending. This initiative is designed to make it easier for farmers and small businesses to get credit. However, there are concerns about how this might affect household debt, which is already increasing.

2. International

- The U.S. Federal Reserve announced its anticipated decision on 18th Sep, 2024 to reduce interest rates for the first time since Mar 2020, implementing a significant cut of half a percentage point. Further, the U.S. Federal Reserve has indicated that its officials are increasingly confident that inflation is progressing steadily towards the 2% target. Consequently, the central bank has reduced the target range for the federal funds rate by 50 basis points, setting it at 4.75% to 5.00%. The U.S. Federal officials anticipate further reductions in interest rates next year, with forecasts suggesting a decrease of an additional full percentage point by the end of 2025.
- The Bank of England announced on 19th Sep, 2024 that it would keep its benchmark interest rate unchanged following a quarter-point reduction implemented last month, while also prolonging its bond reduction strategy for an additional year. The Bank of England's Monetary Policy Committee (MPC) voted 8-1 to maintain the Bank Rate at 5%.
- The European Central Bank reduced its deposit facility rate by 25 basis points on 12th Sep 2024 as expected, as the euro area growth is forecast to slow on weaker demand. The Governing Council, led by the ECB President, lowered the deposit facility rate, which is the new policy rate, to 3.50% from 3.75%. The interest rate on the main refinancing operations has been reduced by 60 basis points to 3.65% from 4.25%.
- The People's Bank of China kept its one-year loan prime rate unchanged at 3.35% on 20th Sep, 2024. Similarly, the five-year LPR, the benchmark for mortgage rates, was retained at 3.85%. The bank had last reduced the LPR in Jul, 2024 by 10 basis points.

Market Outlook

- The overall market breadth has started to cool off rapidly. Amongst a universe of the top 1400 listed companies in India, currently only about 3-4 in every 10 stocks is beating the BSE500, the most broadbased benchmark over the past 30/60/90 days. Just for some perspective, between April 2023 to June 2024, this ratio was closer to 6-7 stocks in every 10 stocks for a similar universe vs BSE500.
- After turning green post the Yen carry trade crisis in August this year, FII's became net buyers in the month of September, pumping in INR 12,612 Crores. However MTD 10th October 2024 has witnessed one of the sharpest net selling by FIIs, having sold stocks worth cumulatively INR 54,000 Crores till now. The current selling is almost matches with the scale seen in May-June 2022 at the bottom of the previous corrective phase in the Indian markets.
- The Israel-Iran-Lebanon Conflict continues to remain very fluid. Overnight volatility will continue to persist over the next few weeks on account of any fresh developments on this front. The escalation has fed into crude oil which has spiked ~9% in the past couple of weeks. Any further escalations from either side will continue to have a bearing on crude oil prices and consequently our markets.
- RBI has kept rates on hold yet again in the October policy meet for the 10th straight instance. However the governor has changed his stance to 'neutral' – this was largely on expected lines. Note that India now enjoys amongst the highest real interest rates globally with the gap between CPI and repo rates widening. Key concerns for the RBI continue to remain food inflation, emerging geopolitical risks in the Middle East and impending US elections and the fall out of the consequent policy by a new US government on countries like China.
- While, equity markets are expected to be volatile in the coming week as well, based on a few technical studies done by market experts, we may be probably closer to an interim bottom in the 24300-24700 zone. If the above doesn't hold, then we have yet another major support near 23900, which is the August 5th lows (JPY crisis).
- China with the recently announced stimulus measures, has witnessed a stupendous rally in late September which has now recently cooled off as market participants watch further stimulus measures that the government might take to spur domestic consumption.
- Environment on the ground in China has undergone a sea change in the past few weeks. Brokers are working around the clock to not only reactivate old dormant accounts but also to meet the frenzy of opening of new trading accounts.
- Remember that Chinese Equity markets have largely done nothing since Covid (as also for a good part of the last 10 years) while all other markets have seen the benefit of post covid surge in trading especially amongst retail participants. This is probably now making its way onshore in China, where with average per Capita income levels 5-6x of India (15-18k USD) and high savings rates (+35%) there is scope for retail investors to propel their local markets up substantially over the coming quarters combined with the fact that several good quality businesses on the tech, healthcare and consumption side are trading at extremely reasonable valuations.
- Incidentally, resurgence in China bodes very well for commodities, especially Metals. Metal stocks have behaved very well in the recent sharp correction in India and it's likely they may lead the next leg of outperformance whenever our markets start recovering.
- Monsoons are drawing to a close and this year it's been a very good year with almost across the board coverage in terms of surplus rainfall. This bodes very well especially for the rural economy and as such discretionary consumption, which has been struggling in India over the past few years, may make a strong comeback over the next 12 months.
- In a major strategy shift, Russia becomes amongst the first countries, to boost its Silver reserves in a major precious Metals strategy shift. Industrial / technological use cases for Silver have never been this good in the history of the precious metal and given that it's the 4 consecutive year of running a deficit, it's a question of when and not if, Silver prices should see a credible rally.

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