Monthly Market Update

January 2024

MERISIS WEALTH

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 fifth bi-monthly monetary policy review of FY24 kept key policy repo rate unchanged at 6.50% with immediate effect for the fifth consecutive time. The standing deposit facility (SDF) rate also remains unchanged at 6.25%.

Manufacturing PMI slipped to 54.9 in Dec 2023

The Manufacturing Purchasing Managers' Index slipped to 18 months low to 54.9 in Dec 2023 compared to 56.0 in Nov 2023 mainly due to weaker rise in new orders and output. However, input costs rose at the second-slowest rate in nearly three-and-a-half years.

Services PMI rose to 3-month high to 59.0 in Dec 2023

India's Services Purchasing Managers' Index (PMI) rose to 3-month high to 59.0 in Dec 2023 as compared to 56.9 in Nov 2023. The increase was caused by a combination of slower growth in input costs and an uptick in business activity. Composite PMI also rose to 58.5 from 57.4 in the same period.

CPI-based inflation went up to 5.55% in Nov 2023 YoY

The consumer price index-based inflation went up to 5.55% in Nov 2023 YoY compared to 4.87% in Oct 2023, due to an acceleration in the prices of vegetables, pulses and spices. However, the retail inflation remained below the central bank's upper tolerance level for consecutive three months. The consumer food price index climbed to 8.70% in Nov 2023 from 6.61% in Oct 2023.

Industrial production increased by 11.7% in Oct 2023

Industrial production in India (IIP) increased by 11.7% YoY in Oct 2023, as compared to 6.2% rise in Sep 2023. Production in the manufacturing industry increased by 10.4%, mining by 13.1% and in electricity by 20.4%.

Merchandise trade deficit narrowed in Nov 2023

India's merchandise trade deficit narrowed to $20.58 billion in Nov 2023 from $22.06 billion in Nov 2022. Exports decreased by 2.8% to $33.90 billion in Nov 2023 from $34.89 billion of the same month of previous year and imports also fell by 4.3% to $54.48 billion from $56.95 billion during the same period.

Current account deficit narrowed in Q2 FY24

India's current account deficit (CAD) narrowed to US$ 8.3 billion (1.0% of GDP) in Q2 FY24 from US$ 30.9 billion (3.8% of GDP) in Q2 FY23 and it was also lower than US$ 9.2 billion (1.1% of GDP) in the preceding quarter. The improvement is attributed to a reduced merchandise trade deficit, which contracted to US$ 61.0 billion from US$ 78.3 billion in the same quarter of the previous year.

Fiscal deficit stood at 50.7% of BE till Nov of FY24

Government data showed that India's fiscal deficit for the period from Apr to Nov of FY24 stood at Rs. 9.07 lakh crore or 50.7% of budget estimates (BE) of the current fiscal. India's fiscal deficit stood at 58.9% of the budget estimate in the corresponding period of the previous fiscal year. Total expenditure stood at Rs. 26.52 lakh crore or 58.9% of the budget estimate as compared to 61.9% of the budget estimate in the corresponding period of the previous fiscal year.

The Eight Core Industries increased by 7.8% in Nov 2023

According to the government data, the combined Index of Eight Core Industries increased by 7.8% in Nov 2023 as compared to 5.7% in Nov 2022. The production of all Eight Core Industries recorded positive growth in Nov 2023 over the corresponding month of last year except crude oil and cement. Refinery products witnessed the maximum growth at 12.4% in Nov 2023 followed by coal with 10.9% growth.

Key Indicator	Frequency	Period	Latest	Previous
CPI	Monthly	Nov-23	5.55%	4.87%
WPI	Monthly	Nov-23	0.26%	-0.52%
IIP	Monthly	Oct-23	11.70%	6.20%
GDP	Quarterly	Sep-23	7.60%	7.80%
Credit Growth	Month End^	Dec-23	20.20%	20.80%
Deposit Growth	Month End^	Dec-23	14.00%	13.40%
Export Growth (YoY)	Monthly	Nov-23	-2.84%	6.23%
Import Growth (YoY)	Monthly	Nov-23	-4.34%	12.29%
Trade Balance (Billion)	Monthly	Nov-23	-$20.58	-$31.46

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-Dec-2023.

Institutional Flows (Equity)

Net Flow (INR Crore)	Latest Month	Previous Month	Year to Date
FII Flows	66,135	9,001	171,107
DII Flows	12,942	14,158	184,300
MF Flows	23,628	18,024	171,258

Source:CDSL, NSE & SEBI; As on 31-Dec-2023

Exchange Rate Movement

Exchange Rate	Dec-23	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
₹/ Dollar	83.12	83.35	83.06	82.04	82.79
₹/ Euro	92.00	91.48	87.94	89.13	88.15
₹/ Pound	106.11	105.87	101.67	103.51	99.74
₹/ 100 Yen	58.82	56.68	55.81	56.77	62.45

Source: Refinitiv

Performance of Various Commodities

Commodities	Dec-23	Returns			
		1 Month	3 Month	6 Month	1 Year
Crude Brent ($/Barrel)	80.29	-3.05%	-5.75%	7.54%	-3.64%
Gold ($/Oz)	2,062.59	0.47%	1.32%	7.45%	13.06%
Gold (₹./10 gm)	62,939	0.58%	0.80%	8.87%	15.37%
Silver ($/Oz)	23.76	-1.69%	-5.90%	4.43%	-0.86%
Silver (₹./Kg)	73,019	-2.34%	-3.84%	6.93%	7.73%

Source: Refinitiv, MCX

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Indian Debt Market Update

Key Policy Rates (%)

	Dec-23	3 Months Ago	6 Months Ago	Year Ago	2 Years Ago
Repo	6.50	6.50	6.50	6.25	4.00
Reverse Repo	3.35	3.35	3.35	3.35	3.35
Bank Rate	6.75	6.75	6.75	6.50	4.25
CRR	4.50	4.50	4.50	4.50	4.00
SLR	18.00	18.00	18.00	18.00	18.00
SDF	6.25	6.25	6.25	6.00	NA

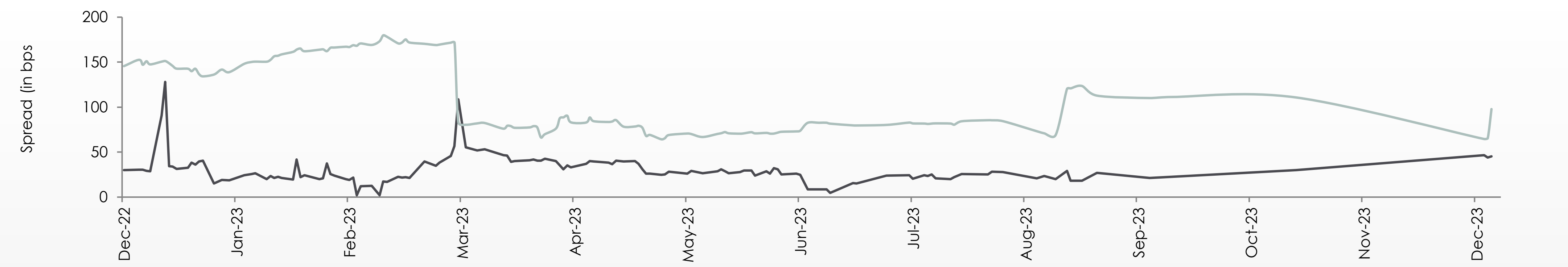
Source: RBI

Money Market Rates (%)

	Dec-23	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
TREP (Overnight Rate)	6.77	6.76	6.80	6.75	6.49
91 Days T-Bills	7.00	6.97	6.80	6.71	6.26
3 Month CD	7.33	7.36	7.08	6.90	6.75
3 Month CP	7.45	7.40	7.04	6.97	6.81
6 Month CP	7.72	7.62	7.29	7.29	7.35
364 Days T-Bills	7.08	7.14	6.78	6.84	6.86

Source: Refinitiv

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



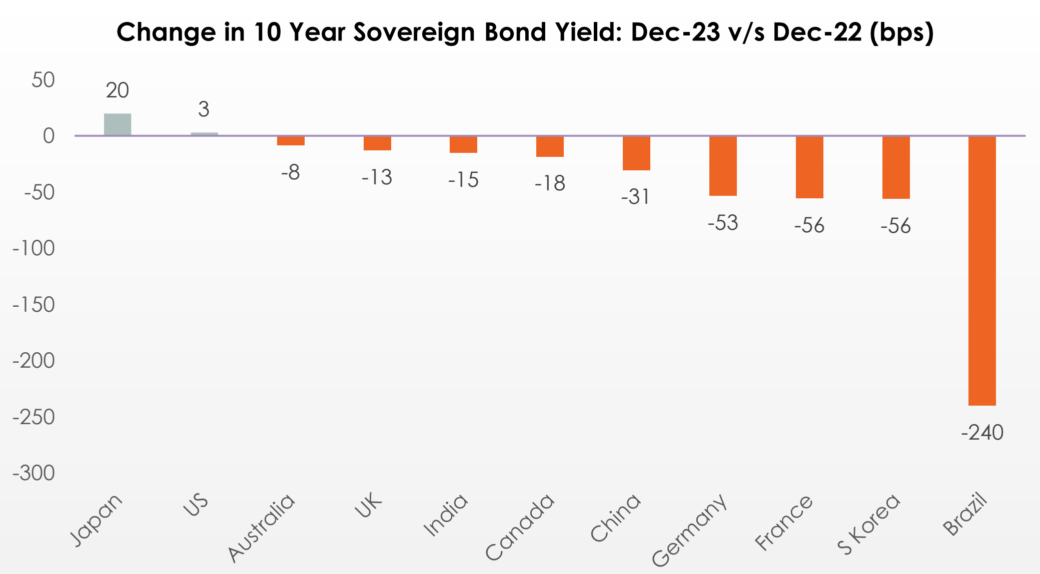
Source: Refinitiv

Bond yields fell during the month majorly tracking decline in the U.S. Treasury yields as U.S. Federal Reserve posted a dovish commentary and projected three rate cuts in 2024. Gains were extended following the reports that the government might cut prices of petrol and diesel.

Yield on corporate bonds fell in the range of 4 to 22 bps across the curve, barring 15 year paper that increased by 12 bps, while 10 year paper was unchanged. Yield fell the most on 4 year paper and the least on 9 year paper.

Global Debt Market Update

Japan saw the highest rise in yields while steepest fall was in Brazil



Yield of 10 Year Government Bonds (%)

	Nov-23	Dec-23	Inflation: Dec-2023	Real Yields: Dec-23
Brazil	10.9	10.4	4.7	5.7
China	2.7	2.6	-0.5	3.1
India	7.3	7.2	5.6	1.6
US	4.4	3.9	3.1	0.8
Canada	3.5	3.1	3.1	0.0
S Korea	3.7	3.2	3.2	0.0
UK	4.2	3.5	3.9	-0.4
France	3.0	2.6	3.5	-0.9
Germany	2.4	2.0	3.2	-1.2
Australia	4.4	4.0	5.4	-1.4
Japan	0.7	0.6	2.4	-1.8

Source: Refinitiv

Asset Class Monthly Performance

Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Global Equity 10.68%	Bond Index 0.36%	Silver 15.11%	Domestic Equity 4.10%	Global Equity 5.80%	Global Equity 6.59%	Crude Oil 14.41%	Crude Oil 2.97%	Crud Oil 10.12%	Gold 7.27%	Global Equity 10.70%	Domestic Equity 7.94%
Gold 5.67%	Crude Oil 0.26%	Gold 7.70%	Silver 4.00%	Domestic Equity 2.87%	Domestic Equity 3.70%	Silver 8.87%	Bond Index 0.56%	Domestic Equity 2.00%	Silver 3.34%	Silver 10.26%	Global Equity 5.52%
Bond Index 0.34%	Global Equity -1.11%	Global Equity 6.69%	Crude Oil 3.96%	Bond Index 0.77%	Crude Oil 2.71%	Global Equity 4.05%	Gold -1.24%	Bond Index 0.47%	Bond Index 0.36%	Domestic Equity 5.60%	Gold 1.32%
Crude Oil -0.02%	Domestic Equity -1.95%	Bond Index 0.76%	Bond Index 1.11%	Gold -1.37%	Bond Index 0.38%	Domestic Equity 3.03%	Silver -1.35%	Gold -4.71%	Domestic Equity -2.74%	Gold 2.68%	Bond Index 0.71%
Silver -1.11%	Gold -5.22%	Domestic Equity 0.32%	Gold 1.11%	Silver -6.23%	Gold -2.18%	Gold 2.32%	Global Equity -2.17%	Global Equity -5.81%	Global Equity -2.78%	Bond Index 0.59%	Crude Oil -5.75%
Domestic Equity -2.43%	Silver -11.76%	Crude Oil -4.87%	Global Equity 0.04%	Crude Oil -12.04%	Silver -3.09%	Bond Index 0.60%	Domestic Equity -2.31%	Silver -9.31%	Crude Oil -4.61%	Crude Oil -7.79%	Silver -5.90%

In December 2023, equity asset class was the best performer while silver underperformed the most compared with other asset classes. Brent Crude oil prices fell as investors started to worry about the unexpectedly high increase in gasoline stocks in the U.S.

Source: NSE, Refinitiv; Data as on Dec 29, 2023; 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.

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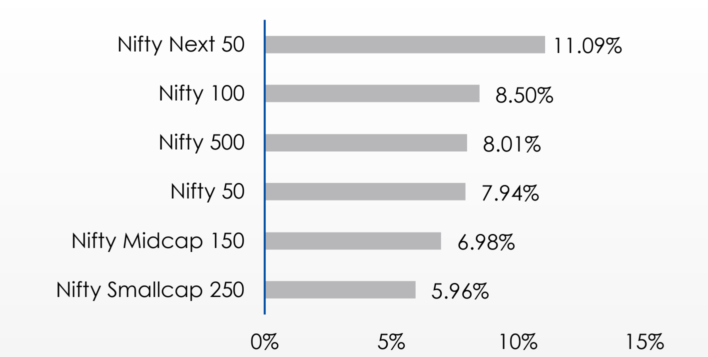
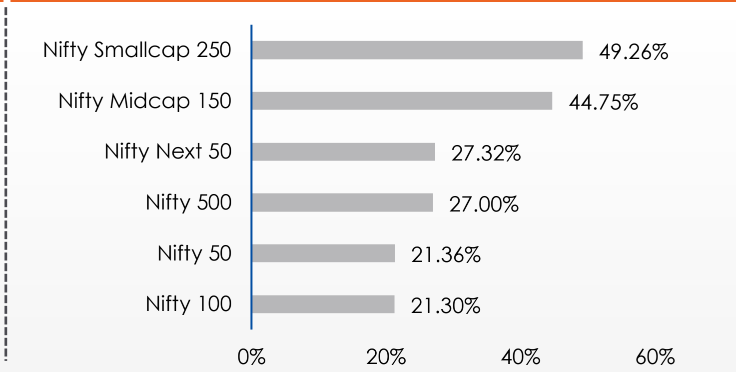
MERISIS WEALTH

Indian Equity Market Update

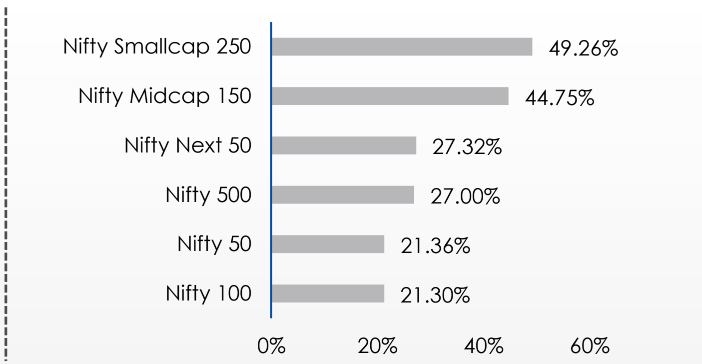
1 Month



CYTD



1 Year



Domestic equity markets rose during the month due to across-the-board buying by market participants, driven by expectation of robust domestic economic growth. The weakening of the dollar index and decline in U.S Treasury yields also reinforced optimism among market participants of foreign fund inflow into the domestic capital markets. The likelihood of global interest rate reductions, which is expected to commence in the first half of 2024, further contributed to the gains.

Source: NSE; Returns are on the basis of TRI index; CYTD- Calendar Year to Date

Sector Monthly Performance

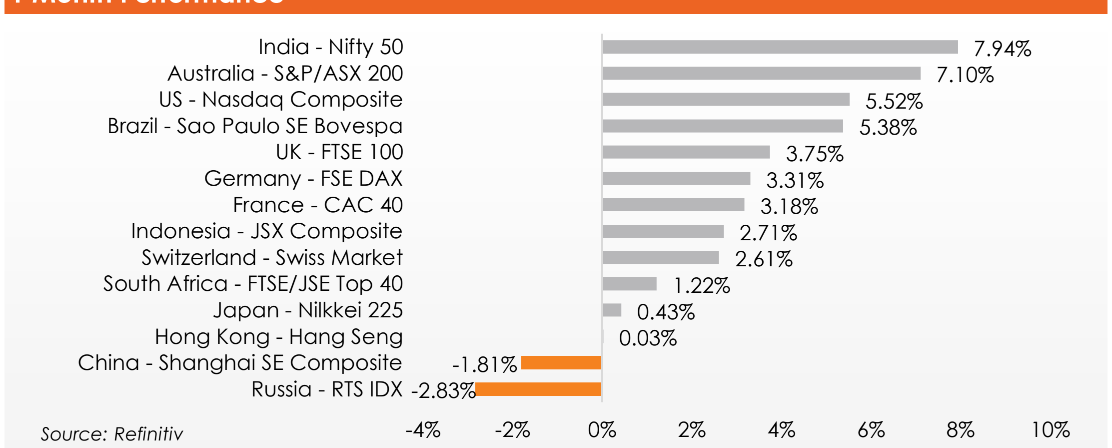
Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Nifty Auto 5.65%	Nifty FMCG 1.65%	Nifty Energy 5.22%	Nifty Realty 14.90%	Nifty Auto 7.66%	Nifty Realty 8.65%	Nifty Media 18.22%	Nifty Media 11.34%	Nifty Energy 6.22%	Nifty Realty 4.75%	Nifty Realty 18.36%	Nifty Energy 14.25%
Nifty IT 4.08%	Nifty IT -0.24%	Nifty Metal 4.38%	Nifty Auto 7.72%	Nifty Realty 7.57%	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 FMCG 0.65%	Nifty Financial Services -0.58%	Nifty Pharma 2.30%	Nifty Bank 6.46%	Nifty FMCG 6.85%	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 Pharma -1.88%	Nifty Infra -0.86%	Nifty FMCG 2.17%	Nifty Financial Services 6.11%	Nifty IT 5.83%	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 Infra -3.63%	Nifty Bank -0.95%	Nifty Infra 1.48%	Nifty Metal 5.50%	Nifty Bank 2.58%	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 Metal -3.77%	Nifty Auto -4.39%	Nifty Bank 0.84%	Nifty Infra 5.21%	Nifty Media 2.39%	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 Financial Services -4.66%	Nifty Realty -4.45%	Nifty Financial Services 0.39%	Nifty Pharma 4.97%	Nifty Financial Services 2.13%	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 Media -4.69%	Nifty Pharma -4.68%	Nifty Media -0.22%	Nifty FMCG 4.31%	Nifty Infra 1.93%	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 Realty -4.69%	Nifty Energy -8.57%	Nifty Realty -1.49%	Nifty Energy 4.03%	Nifty Metal 1.56%	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 Bank -5.42%	Nifty Media -10.13%	Nifty IT -3.25%	Nifty Media 0.87%	Nifty Energy 0.59%	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 Energy -8.34%	Nifty Metal -18.54%	Nifty Auto -3.83%	Nifty IT -3.30%	Nifty Pharma 0.52%	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%

In December 2023, all the sectors rose, among them Energy sector showing the highest rise followed by Metal and Infra. Energy sector rose on hopes of strong operational performance on the back healthy power demand due to improvement in economic activities.

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

Global Equity Market Update

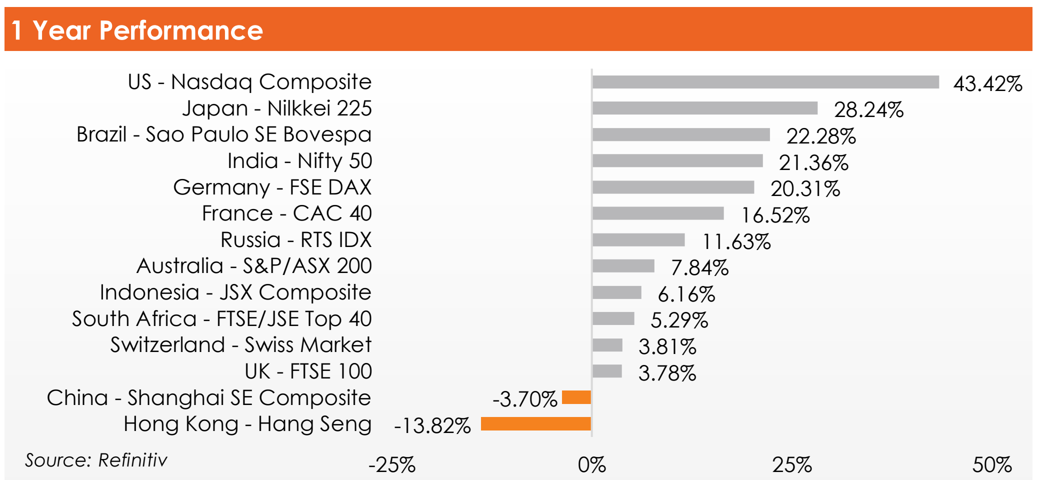
1 Month Performance



Source: Refinitiv

Global markets rose in December 2023 except Russia & China. India showed the highest rise while Hong Kong witnessed the slowest rise.

1 Year Performance



Source: Refinitiv

In the last one year, Global markets rose barring Hong Kong & China, where, U.S., Japan and Brazil were the top performers.

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News Summary & Market Outlook

News Summary

1. Domestic

- The RBI has made the decision to strengthen the connected lending guidelines to stop situations in which individuals in positions of authority who have a direct impact on loan decisions have a close relationship with borrowers. To prevent regulatory gaps, the regulator has also chosen to provide a single, unified framework for connected lending to all regulated businesses.
- The Pension Fund Regulatory and Development Authority had issued a circular where it expanded the options for the National Pension System (NPS) subscribers to select up to three pension fund managers. The facility is available under Active Choice in all asset classes except Alternate asset class or Scheme A.
- The pension fund regulator, PFRDA permitted subscribers of the National Pension System (NPS) to deposit their contributions directly through the Unified Payments Interface (UPI) QR code under the D-Remit process, with an aim to simplify the contribution process, making it more accessible and efficient for NPS subscribers.
- The SEBI has relaxed norms to become accredited investors. According to a circular from SEBI, individuals with annual income of Rs. 2 crore are eligible to become accredited investors. This action creates opportunities for financial service providers to offer personalized investment products for sophisticated clients.
- The RBI has directed banks and NBFCs not to participate in alternate investment funds (AIFs) that hold shares in current or past borrowers. According to the RBI guidelines, lenders must sell their AIF investments within 30 days of making an investment in an existing borrower.
- The SEBI has extended the deadline to provide a nomination for demat account holders and mutual fund folios to Jun 30, 2024 from the earlier cutoff date of Dec 31, 2023.

2. International

- According to Eurostat, eurozone's consumer price index, or CPI, rose 2.9% YoY following a 2.4% increase in Nov 2023. Core inflation, which excludes prices of energy, food, and alcohol and tobacco, slowed to 3.4% from 3.6%.
- According to S&P Global, eurozone's manufacturing Purchasing Managers' Index rose to 44.4 in Dec 2023 from 44.2 in Nov 2023. The index has remained below the neutral 50.0 mark indicating contraction.
- According to a survey, China's caixin manufacturing Purchasing Managers' Index, or PMI, rose slightly to 50.8 in Dec 2023 from 50.7 in Nov 2023. The factory sector expanded for the fourth time in the last five months. A score above 50.0 indicates expansion.
- The Federal Reserve kept the target range for the federal funds rate at its 22-year high of 5.25%-5.5% for a third consecutive time in December and indicated 75 basis points cuts in 2024. Their stance is reflective of policymakers' dual focus on returning inflation to the 2% target while avoiding excessive monetary tightening. Policymakers emphasized that the extent of any additional policy tightening would consider the cumulative impact of previous interest rate hikes, the time lags associated with how monetary policy influences economic activity and inflation, and developments in both the economy and financial markets.
- According to official data, Japan's consumer prices excluding fresh food rose 2.5% YoY in Nov 2023, slower than the 2.9% rise in Oct 2023.
- According to the Commerce Department, U.S. real gross domestic product jumped by 4.9% in the third quarter of 2023, reflecting a downward revision from the previously reported 5.2% surge.

Market Outlook

India GDP for second quarter expanded by 7.6% after reporting expansion of 7.8% in the first quarter of FY 24. RBI in its latest monetary Policy statement increased its FY 24 GDP projection to 7% from 6.5% earlier. Even if we grow at this rate on a sustained basis, we will become the third largest economy soon but to grow beyond 6.5% we would require higher exports and Investment growth; challenging in the background of slowing global trade and tensed geopolitical environment.

Markets have been buoyant with Nifty again making a new high and crossed the 21K mark. The way new demat accounts are being opened seems to suggest there's a fear of losing out amongst investors and everyone wants to jump on the bandwagon regardless of valuations. Many bigger institutions have been raising India's growth forecasts recently along with recommending increase in India's weightage in global allocations. Recent State election results further cheered the markets as it reinforces expectation of continuation of Central leadership and thus economic policies. However, long domestic equity appears a crowded trade, hence would be careful to mindlessly go long on Equities at this juncture.

Government Bond Market remains range bound in 7.2-7.4 range on 10 year in spite of large fall in UST. Market however remains positioned on expectations of large inflows due to index inclusion in next calendar year. With oil also cooling off, there's no trigger for the market to build any pessimistic scenario though base effect and recent rise in vegetable prices will make next couple of CPI prints higher. So, all in all seems a longer status quo from RBI and range bound Bond market which will wait for a news or data flow to breach the 7.20% barrier to reach 7.10% on 10-year yield. Only risk stems from government announcing many freebies recently which will put pressure on govt finances and delay fall in Fiscal deficit as projected.

The surprise factor has been INR which has remined stable to weak in spite of fall in Dollar Index but could be attributed to year end USD outflows and oil import demand. We are comfortable from a current account perspective given the strength in services and transfers flows which will keep BOP relatively calm. However, traders should not get misled by low vols on INR as it seems RBI is holding it in a narrow range, and thus trade short straddle and strangle with a stop loss as vols are very low.

RBI recently increased risk weightages for Banks and NBFC's exposure to unsecured personal loans and Credit cards. As per S&P these measures will impact tier 1 capital of banks by 60 bps. Borrowing cost for lower rated NBFC's will surely go up by 25-50 bps depending on the credit profile. This loan category has been growing by 26% approx. over the past one year. These loans along with consumer durables represent 9.8% of the total loans in the Banking system as on Sept 22, 2023. NBC's credit on the other hand has increased from 8.60% of GDP in 2013 to 12.3% in 2022 while over 40% of their funding was through Bank borrowing.

With Equity markets and Gold remaining an evergreen Asset class, G-Sec could emerge as an attractive asset class given expectation of fall in interest rates but 3–5 year Corporate Bonds in AA to A- category also look very attractive given the credit strength of NBFC's in MFI, Gold Loans, Vehicle Financing, MSME credit etc. including Small Finance Banks.

However, the entire thesis is known and expected and hence a crowded trade across the asset classes, hence investors need to be cautious on the unknow unknowns and tread the market carefully with lot of research and patience.