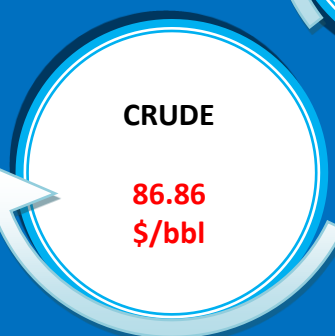
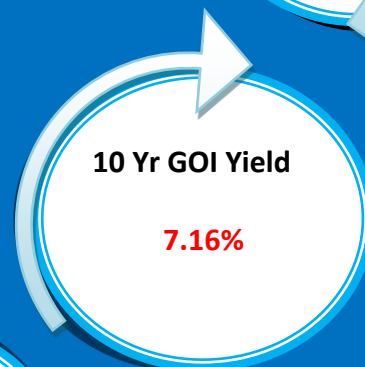
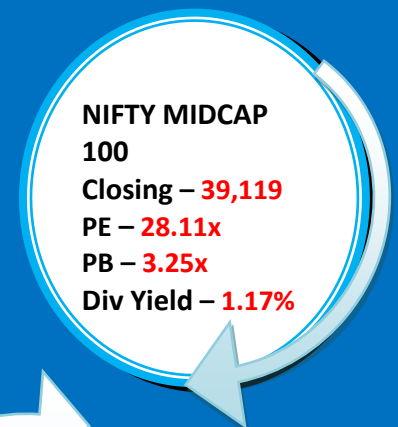
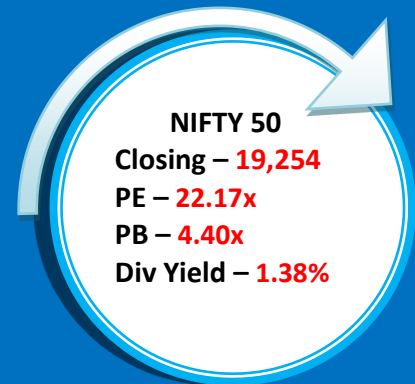


# MONTHLY REPORT

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- ✓ Macro Economic – Key Indicator
- ✓ Debt Market Review and Outlook
- ✓ Debt Funds Category Snapshot
- ✓ Equity Market Review and Outlook
- ✓ Equity Funds Category Snapshot
- ✓ Gold Review and Outlook



Data as on August 31, 2023  
Source: Bloomberg

Indicators	Aug-23	Jul-23	Jun-23	May-23	Apr-23	Mar-23	Feb-23	Jan-23	Dec-22	Nov-22	Oct-22	Sep-22	Aug-22
Sensex	-2.55%	2.80%	3.35%	2.47%	3.60%	0.05%	-0.99%	-2.12%	-3.58%	3.87%	5.78%	-3.54%	3.42%
Nifty	-2.53%	2.94%	3.53%	2.60%	4.06%	0.32%	-2.03%	-2.45%	-3.48%	4.14%	5.37%	-3.74%	3.50%
Nifty Midcap 100 Index	3.70%	5.50%	5.90%	6.19%	5.86%	-0.27%	-1.82%	-2.64%	-1.65%	1.93%	2.49%	-2.58%	6.23%
Nifty SmallCap 250 Index	5.07%	7.69%	6.36%	5.54%	6.88%	-1.53%	-3.64%	-2.32%	-1.76%	2.98%	1.88%	-0.94%	5.63%
S&P 500 Index	-1.77%	3.11%	6.47%	0.25%	1.46%	3.51%	-2.61%	6.18%	-5.90%	5.38%	7.99%	-9.34%	-3.49%
Nifty 50 EPS TTM (Rs)	855.76	822.83	823.68	825.18	827.25	829.69	829.10	943.57	796.54	795.93	800.71	791.13	799.81
Nifty 50 Price/Earnings (PE Ratio)	22.17	23.74	23.03	22.25	21.95	21.04	20.97	23.33	22.73	23.57	22.50	21.61	22.20
Nifty Midcap 100 (PE Ratio)	28.11	27.15	25.72	22.24	23.79	22.05	24.24	33.80	26.95	30.49	27.97	27.69	25.90
<b>India Economic Indicator</b>													
Bank Credit Growth (%)	19.67%	20.22%	15.43%	15.52%	15.92%	15.01%	16.22%	15.53%	16.27%	16.00%	16.68%	15.27%	14.16%
Bank Deposit Growth (%)	13.49%	13.21%	12.06%	10.86%	10.15%	9.59%	10.20%	10.58%	9.37%	9.61%	9.49%	9.21%	8.86%
<b>Debt Market Indicator</b>													
RBI Repo Rate (%)	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.25	6.25	5.90	5.90	5.90	5.40
G-sec 10 year Yield (%)	7.16	7.18	7.12	6.99	7.12	7.31	7.43	7.34	7.33	7.28	7.45	7.40	7.19
1 Year Tbill (%)	7.08	7.02	6.99	6.81	6.90	7.14	7.30	6.92	6.72	6.85	6.81	6.70	6.20
Corp Bond 10 Yr AAA Yield (%)	7.62	7.68	7.63	7.56	7.65	7.81	7.87	7.78	7.72	7.71	7.77	7.78	7.55
Corp Bond 10 Yr AA Yield (%)	8.27	8.36	8.30	8.27	8.34	8.58	8.71	8.57	8.52	8.56	8.58	8.48	8.28
Corp Bond 10 Yr A Yield (%)	10.12	10.16	10.08	10.03	10.10	10.30	10.42	10.34	10.33	10.28	10.44	10.41	10.16
Corp Bond 5 Yr AAA Yield (%)	7.63	7.70	7.67	7.51	7.57	7.85	7.90	7.75	7.69	7.60	7.75	7.55	7.44
Corp Bond 1 Yr AAA Yield (%)	7.68	7.43	7.43	7.47	7.61	7.73	7.35	7.77	7.61	7.53	7.48	7.33	6.69
CD 1 Yr (%)	7.44	7.35	7.30	7.34	7.46	7.61	7.87	7.68	7.59	7.43	7.64	7.06	7.01
<b>Commodity &amp; Currency</b>													
Gold Price (USD)	1,940	1,965	1,919	1,963	1,990	1,969	1,827	1,928	1,824	1,769	1,634	1,661	1,724
Gold (Rs/10gm)	59,262	59,283	57,810	60,133	59,897	59,560	55,320	56,719	54,556	52,574	50,187	50,074	50,986
Crude(\$)	86.86	85.56	74.90	72.66	79.54	79.77	83.89	84.49	85.91	85.43	94.83	87.96	99.31
INR/1 USD	82.79	82.25	82.04	82.73	81.83	82.18	82.67	81.92	82.74	81.43	82.79	81.35	79.46
INR/1 EURO	90.03	90.74	88.99	88.31	89.91	89.47	87.67	88.73	88.15	84.36	82.35	79.72	79.72
<b>Flows</b>													
FII-Equity (Rs.cr)	14,295	33,994	55,161	41,207	15,733	14,944	-5,279	-29,950	-1,354	38,235	8,431	-13,406	53,994
FII-Debt (Rs.cr)	7,645	3,113	10,153	3,455	475	-2,439	750	5,090	-1,892	718	-3,029	1,491	4,283
MF-Equity (Rs.cr)	14,489	7,707	5,664	2,447	-5,131	20,764	12,825	21,353	14,692	4,402	6,318	18,602	-1,642
MF-Debt (Rs.cr)	-21,706	3,071	8,625	-4,806	10,604	1,197	-643	-8,600	2,567	-598	-9,324	-20,385	4,642

Source: Bloomberg, W2W Research

## Summary:-

- As of 31<sup>st</sup> August 2023, Nifty 50 was trading at a PE of 22.17x and Nifty Midcap 100 was trading at a PE of 28.11x.
- CPI inflation jumped to 7.44% in July 2023, the highest since April 2022, compared to an upwardly revised 4.87% in June. India's WPI inflation dropped by 1.36% YoY in July 2023, following a 4.12% fall in the prior month. It was the 4<sup>th</sup> month of deflation.
- Bank credit as on 11th Aug was at 19.7% YoY as compared to July's 20.2% YoY. Bank deposit growth stood at 13.5% YoY in Aug 2023.
- GST collection stood at ₹1.59 lakh crore in Aug 2023. It was the sixth month in a row that the monthly GST collection stood above the Rs 1.5-lakh-crore mark. The revenue for the month of August 2023 was 11% higher than the GST revenues in the same month last year.
- Manufacturing PMI rose to a 3-month high of 58.6 in August 2023 from 57.7 in July. Services PMI dropped to 60.1 in August 2023 from an over 13-year high of 62.3 in the previous month.

### Debt Market Review

- Indian bond yields were steady as market participants waited for any major domestic triggers and tracking range bound movement in the U.S. Treasury yields. During the first week of the month, yields rose following continuous surge in the U.S. Treasury yields, decline in the domestic currency and weekly government debt auction added to supply woes.
- Also concerns that rise in domestic inflationary pressures may force the Reserve Bank of India led Monetary Policy Committee to delay its rate cuts dampened sentiments. The RBI held its benchmark policy repo at 6.5% for the third consecutive meeting in August 2023.
- India 10Y G-Sec yield fell marginally by 1 bps to close the month at 7.16%. While 5 year G Sec yield remained flat at 7.16% and 3 year G Sec rose by 3 bps to 7.15%.
- The Fed last month raised its benchmark rate to a target range of 5.25% to 5.5%, a 22-year high. US 10Y G-Sec yield rose by 15 bps to 4.11% vs. previous month of 3.96%.
- July's CPI inflation rate breached RBI's comfort zone and reached 7.44% in July 2023, from 4.87% in June 2023, at a 15-month high. Acceleration in the CPI rate was attributed to food basket inflation, which came in at 11.51% in July 2023, compared to the 4.55% rise in June 2023.
- The sharp rise in headline CPI for the month of July 23 and its likely near-term persistence had been accompanied with an increase in overall system liquidity led by capital flows over the fiscal year so far. In this context, it was not surprising that the RBI chose to continue with its stance of withdrawal of liquidity.
- FII remained net buyers in the Debt market to the tune of Rs 7,645 Cr in August 23 compared to buying of Rs 3,113 Cr in the previous month. MF institutions turned net sellers in Debt market to the tune of Rs 21,706 Cr compared to buying of Rs. 3,071 Cr in the previous month.

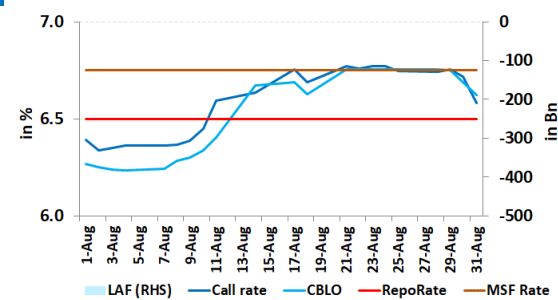
### Debt Market Outlook

- Policy interest rates in most key developed markets seem to have peaked, even as the lag effects work their way through, and the effect of fiscal largesse continue to support economic activity.
- Higher interest rates have weighed on the global growth prospect. While the inflation may have peaked out globally, Central Banks remain vigilant of the elevated inflation levels and rates are expected to be higher for longer with policy action being data dependent.
- Q1FY25 projection of CPI by the RBI remains at 5.20% which broadly indicates the steady state range of CPI as well as the long road ahead to align consumer inflation closer to the target. Given that headline CPI continues to remain the nominal anchor for monetary policy, persistence of CPI at and above the upper end of the policy target remains a key risk factor.
- Higher crude oil prices and whether they will persist will be of particular interest to the market. In the near term 10 year Gsec is likely to be in a range of 7.00%-7.25%. Spread of corporate bond with Gsec is at 30 bps and likely to remain between 30-40 bps.
- In the near term, market will await cues from FOMC decision in September'23 and pricing on the direction of interest rate trajectory. Domestically, progress of monsoon and CPI inflation data will provide further triggers.

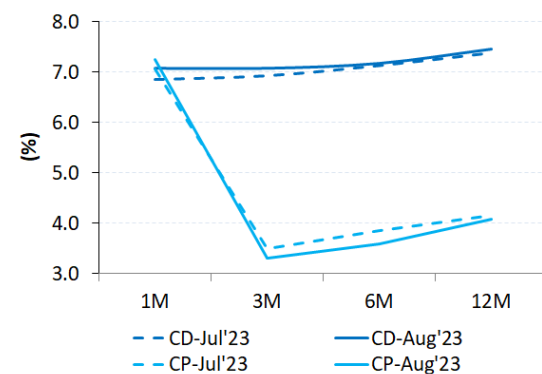
### Investment Strategy

- Investors can consider investing in recommended Money Market, Ultra Short Duration, Low Duration, Short Term, or Medium Duration funds as per the investment horizon and risk appetite.
- For longer investment horizons or more aggressive risk appetite, one can just have a plain long position in intermediate maturity bucket of 3 – 5 years through Gilt Fund & Target Maturity Funds Category.

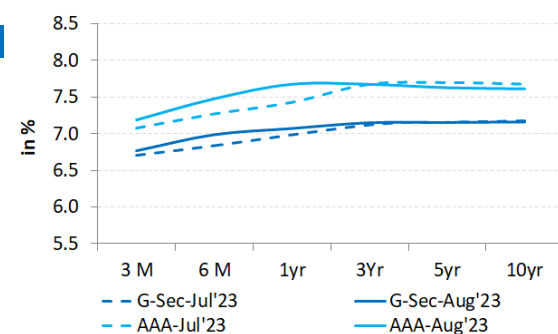
### LAF and Money Market Rate Movement



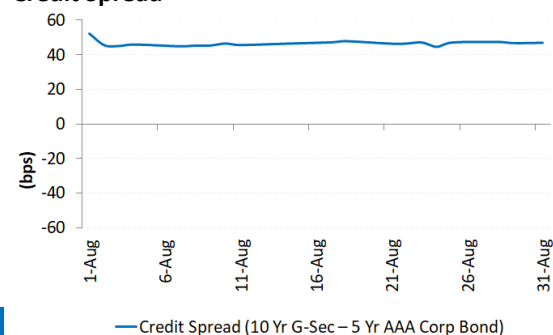
### CD Rate Movement



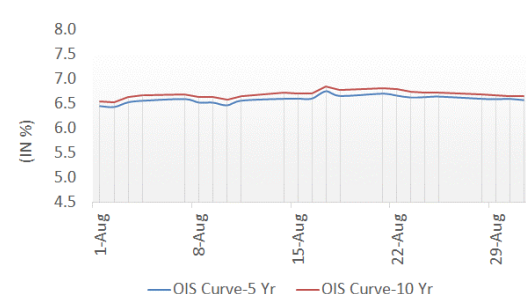
### G-Sec and AAA Corp Bond Yield Movement



### Credit Spread



### OIS Curve



Source: Bloomberg, W2W Research

## Equity Market Review

- In August 2023, global equity markets faced significant challenges driven by escalating bond yields and a notably hawkish stance from the Federal Reserve.
- The Nifty 50 index experienced a modest 2.5% decline, primarily due to significant downward pressure from the banking sector. However, the IT sector offered some stability, cushioning the overall impact. Broader markets, however, continued to perform well with Nifty Midcap 100 and Nifty Smallcap 250 rising 3.70% and 5.07% respectively. Notably, India's equities market diverged from other Asian emerging markets, as foreign investors withdrew capital elsewhere but maintained interest in India, drawn by robust corporate earnings and its appeal as an alternative to China.
- Meanwhile, in the US, August saw an initial decline in indices, which later rebounded somewhat. The month began with a significant event as Fitch downgraded the US government's credit rating from AAA to AA+ due to apprehensions about mounting debt, deficit trends, and political discord. Despite this downgrade, economic indicators in the US, particularly in the labour market, remained robust. However, yields rose in the latter half of the month due to better-than-expected economic data and strong bond issuance, causing equity markets to decline. Overall, it was a challenging month for US indices, with the S&P 500 (-1.8%), Nasdaq (-2.2%), and Dow (-2.4%) all recording losses.
- The Shanghai Composite Index faced a substantial 5.2% drop in August. This decline followed the exodus of foreign flows and was exacerbated by a government report indicating a persistent manufacturing activity slump and concerns surrounding developer Country Garden Holdings' financial stability. To address these challenges, the People's Bank of China (PBoC) took proactive measures, including two interest rate cuts in August. Despite Beijing's efforts to bolster financial markets, such as reducing the stamp duty on stock trading, the index was unable to escape the prevailing downturn.
- FIIs continued their bullish stance, investing Rs. 14,295 crores, for the 6th consecutive month in Aug 2023. DIIs remained net buyers as well, purchasing equities worth Rs. 14,489 crores in Aug 2023.

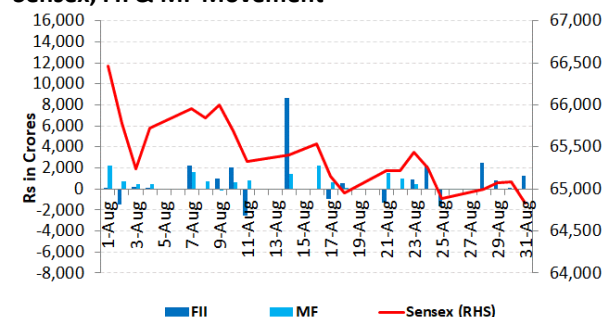
## Equity Market Outlook

- China's challenges will inevitably cast a shadow on the global economy in the upcoming months, given its substantial contribution to the global growth. Simultaneously, although inflationary pressures are subsiding, risks persist, prompting central banks to likely maintain their cautious monetary policies.
- In India, the recently concluded earnings season revealed ongoing sluggishness in revenue growth, despite relief from lower raw material costs, which bolstered margins and profits. The persisting headwinds in the global economic landscape may continue to restrain revenue growth in the near term. Within this context, the trajectory of profit margins assumes paramount importance, with a keen eye on the recent uptick in commodity prices.
- The Indian market may undergo a period of consolidation as lofty valuations limit the upside potential. Nevertheless, several factors, including a reasonably positive macroeconomic outlook, expectations of recovery in profitability & volumes, and a robust medium-term narrative about India, should provide essential support to the markets.
- Inflation is unlikely to abate swiftly, potentially delaying rate cuts by the RBI. The global risk appetite will be of paramount importance to monitor, as it will influence capital flows and may trigger profit-booking by local investors. A short-term correction could realign valuations, rendering equities more appealing. However, India retains a sturdy position and boasts one of the most compelling structural growth stories on the global stage.

## Investment Strategy

- India's long term growth story remains intact since it is better placed in terms of fundamentals. We recommend our aggressive-moderate investors with shorter horizon to invest in our recommended Multi-Asset Allocation, Balanced Advantage and Aggressive Hybrid Funds. Investors with longer horizon can invest in staggered manner in our recommended diversified Multi cap, Flexi cap, Mid cap, and Small cap funds.

## Sensex, FII & MF Movement



## Indices Performance

Index	31-Aug-23	31-Jul-23	Change	% Chg
<b>India</b>				
Sensex	64,831	66,528	-1696.3	-2.5%
Nifty 50	19,254	19,754	-500.0	-2.5%
<b>US</b>				
Dow Jones	34,722	35,560	-837.6	-2.4%
Nasdaq	14,035	14,346	-311.1	-2.2%
<b>EC</b>				
FTSE 100	7,439	7,699	-260.3	-3.4%
<b>Asia</b>				
Nikkei 225	32,619	33,172	-552.9	-1.7%
Hang Seng	18,382	20,079	-1696.9	-8.5%
Shanghai Comp	3,120	3,291	-171.2	-5.2%
Bovespa	115,742	121,943	-6201.2	-5.1%
RTS	1,059	1,057	1.7	0.2%
<b>Other</b>				
MSCI WORLD	2,986	3,064	-78.3	-2.6%
MSCI EM	980	1,047	-66.6	-6.4%
MSCI EM Asia	524	559	-35.2	-6.3%

## Sector Performance

Sector Index	31-Aug-23	31-Jul-23	Change	% Chg
BSE Auto	35,513	36,017	-504.1	-1.4%
Bankex	49,372	51,432	-2060.4	-4.0%
BSE CD	44,565	42,753	1812.5	4.2%
BSE CG	45,216	44,046	1169.8	2.7%
BSE FMCG	18,465	18,986	-521.7	-2.7%
BSE HC	27,895	27,736	158.3	0.6%
BSE IT	31,528	30,277	1251.7	4.1%
BSE Metal	21,818	22,181	-363.0	-1.6%
BSE Oil	18,446	19,424	-978.0	-5.0%
BSE Power	4,352	4,380	-27.8	-0.6%
BSE PSU	11,437	11,730	-293.7	-2.5%
BSE Real	4,468	4,536	-68.0	-1.5%
BSE TEC	14,047	13,675	371.7	2.7%

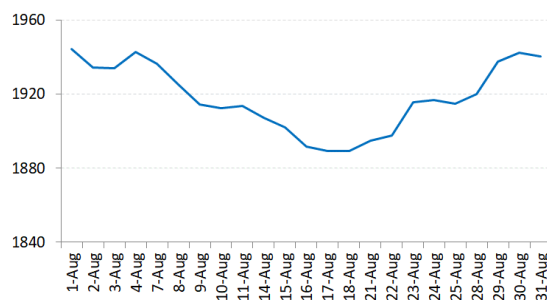
### Review

- Gold fell 0.04% to 59,262 in August 23 from 59,283 in previous month. Gold prices fell after minutes of the U.S. Federal Reserve's policy meeting held in Jul 2023 led to concerns that the U.S. Federal Reserve will keep interest rates at higher levels for an extended period to tackle high U.S. inflation. Upbeat U.S. economic data further dampened the safe haven appeal of the bullion.
- Brent oil rose 1.52% in August 23 from 85.6 to 86.9 dollars. Brent rose as the market's supply remained tight post supply restrictions by OPEC+ (Organization of the Petroleum Exporting Countries plus) in previous months, and reduced demand concerns by China's fiscal and monetary measures to bolster its economy.
- Rupee depreciated by 0.65% in July 23 from 82.3 to 82.8. The Indian rupee ended lower against the US dollar following weakness in other Asian currencies amid safe-haven dollar demand. Rupee depreciated on a positive dollar, a weak tone in domestic equity markets and rising crude oil prices.

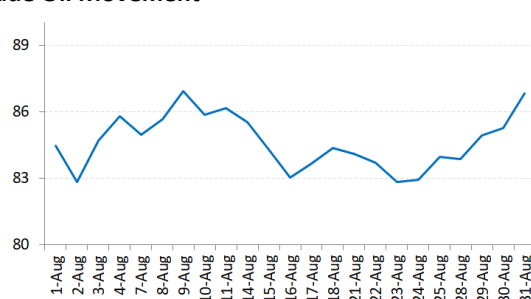
### Outlook

- Following the US Federal Reserve's statement about keeping interest rates elevated for an extended period to address high inflation, the attractiveness of gold diminished. Nevertheless, the long term outlook for gold remains intact and positive.
- Top producers Saudi Arabia and Russia extended supply cuts through September, adding to undersupply concerns. Continued supply restrictions and measures by Chinese government / regulator to revive China's economy will be positive for oil however expectations of China's slowdown will drag down global oil prices.
- Risk aversion in global markets amid rate hike concerns from US and FII outflows may cap sharp upside and pressurise rupee again at higher levels. However, softening of crude oil prices from higher levels may support rupee.
- We recommend investors to invest some part of their portfolio in commodities. As investment interest in commodity have increased over the years due to low correlation compared to traditional asset classes like equity and fixed incomes, it provides for certain degree of portfolio diversification and commodities are regarded as potential hedge against inflation.

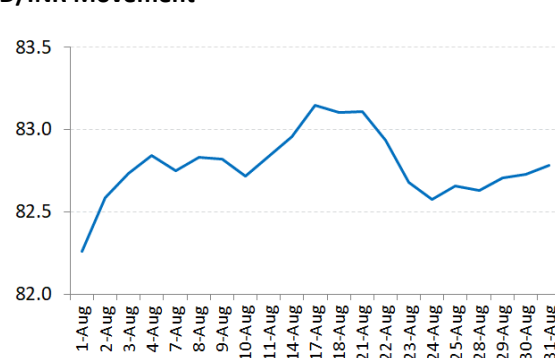
### International Gold Movement



### Crude Oil Movement



### USD/INR Movement



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