May 2023

MONTHLY REPORT

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CONTENTS

NIFTY 50
Closing – 18,065
PE – 21.95x
PB – 4.23x
Div Yield – 1.38%

NIFTY MIDCAP 100
Closing – 31,795
PE – 23.79x
PB – 2.83x
Div Yield – 1.32%

10 Yr GOI Yield
7.12%

CRUDE
79.54 $/bbl

USD/INR
81.83

GOLD
1,990 $/Oz

Data as on April 28, 2023
Source: Bloomberg

Indicators	Apr-23	Mar-23	Feb-23	Jan-23	Dec-22	Nov-22	Oct-22	Sep-22	Aug-22	Jul-22	Jun-22	May-22	Apr-22
Sensex	3.60%	0.05%	-0.99%	-2.12%	-3.58%	3.87%	5.78%	-3.54%	3.42%	8.58%	-4.58%	-2.62%	-2.57%
Nifty	4.06%	0.32%	-2.03%	-2.45%	-3.48%	4.14%	5.37%	-3.74%	3.50%	8.73%	-4.85%	-3.03%	-2.07%
Nifty Midcap 100 Index	5.86%	-0.27%	-1.82%	-2.64%	-1.65%	1.93%	2.49%	-2.58%	6.23%	12.03%	-6.49%	-5.33%	0.63%
Nifty SmallCap 250 Index	6.88%	-1.53%	-3.64%	-2.32%	-1.76%	2.98%	1.88%	-0.94%	5.63%	8.68%	-6.74%	-8.64%	0.55%
S&P 500 Index	1.46%	3.51%	-2.61%	6.18%	-5.90%	5.38%	7.99%	-9.34%	-3.49%	9.11%	-8.39%	0.01%	-8.80%
Nifty 50 EPS TTM (Rs)	827.25	829.69	829.10	943.57	796.54	795.93	800.71	791.13	799.81	795.07	772.36	771.79	754.43
Nifty 50 Price/Earnings (PE Ratio)	21.95	21.04	20.97	23.33	22.73	23.57	22.50	21.61	22.20	21.58	20.43	21.49	22.67
Nifty Midcap 100 (PE Ratio)	23.79	22.05	24.24	33.80	26.95	30.49	27.97	27.69	25.90	23.22	21.66	23.06	22.24
India Economic Indicator													
Bank Credit Growth (%)	15.92%	15.01%	16.22%	15.53%	16.27%	16.00%	16.68%	15.27%	14.16%	12.89%	12.06%	11.19%	10.08%
Bank Deposit Growth (%)	10.15%	9.59%	10.20%	10.58%	9.37%	9.61%	9.49%	9.21%	8.86%	8.35%	8.31%	10.08%	9.84%
Debt Market Indicator													
RBI Repo Rate (%)	6.50	6.50	6.50	6.25	6.25	5.90	5.90	5.90	5.40	4.90	4.90	4.40	4.00
G-sec 10 year Yield (%)	7.12	7.31	7.43	7.34	7.33	7.28	7.45	7.40	7.19	7.32	7.45	7.42	7.14
1 Year Tbill (%)	6.90	7.14	7.30	6.92	6.72	6.85	6.81	6.70	6.20	6.46	6.20	6.01	5.11
Corp Bond 10 Yr AAA Yield (%)	7.65	7.81	7.87	7.78	7.72	7.71	7.77	7.78	7.55	7.68	7.78	7.84	7.31
Corp Bond 10 Yr AA Yield (%)	8.34	8.58	8.71	8.57	8.52	8.56	8.58	8.48	8.28	8.40	8.50	8.59	8.04
Corp Bond 10 Yr A Yield (%)	10.10	10.30	10.42	10.34	10.33	10.28	10.44	10.41	10.16	10.31	10.50	10.43	10.13
Corp Bond 5 Yr AAA Yield (%)	7.57	7.85	7.90	7.75	7.69	7.60	7.75	7.55	7.44	7.39	7.54	7.55	6.86
Corp Bond 1 Yr AAA Yield (%)	7.61	7.73	7.35	7.77	7.61	7.53	7.48	7.33	6.69	6.45	6.64	6.76	5.16
CD 1 Yr (%)	7.46	7.61	7.87	7.68	7.59	7.43	7.64	7.06	7.01	6.91	6.53	6.29	5.30
Commodity & Currency													
Gold Price (USD)	1,990	1,969	1,827	1,928	1,824	1,769	1,634	1,661	1,724	1,766	1,807	1,837	1,897
Gold (Rs/10gm)	59,897	59,560	55,320	56,719	54,556	52,574	50,187	50,074	50,986	51,301	50,699	50,861	51,847
Crude($)	79.54	79.77	83.89	84.49	85.91	85.43	94.83	87.96	99.31	110.01	114.81	122.84	109.34
INR/1 USD	81.83	82.18	82.67	81.92	82.74	81.43	82.79	81.35	79.46	79.27	78.97	77.64	76.43
INR/1 EURO	89.91	89.47	87.67	88.73	88.15	84.36	82.35	79.72	79.72	80.89	82.36	83.25	80.86
Flows													
FII-Equity (Rs.cr)	15,733	14,944	-5,279	-29,950	-1,354	38,235	8,431	-13,406	53,994	6,720	-49,469	-37,663	-29,146
FII-Debt (Rs.cr)	475	-2,439	750	5,090	-1,892	718	-3,029	1,491	4,283	-2,318	-2,005	-5,378	-3,980
MF-Equity (Rs.cr)	-5,131	20,764	12,825	21,353	14,692	4,402	6,318	18,602	-1,642	6,920	22,051	29,435	22,371
MF-Debt (Rs.cr)	10,604	1,197	-643	-8,600	2,567	-598	-9,324	-20,385	4,642	5,300	-8,681	-12,739	6,825

Source: Bloomberg, W2W Research

Summary:-

- As of 28th April 2023, Nifty 50 was trading at a PE of 21.95x and Nifty Midcap 100 was trading at a PE of 23.79x.
- CPI inflation eased to 5.66% in March 2023, the lowest since December 2021 from 6.44% in February. WPI inflation declined for the 10th consecutive month to 1.34% in March 2023, the lowest since October 2020, compared to 3.85% in the prior month.
- Credit growth rose by 15.92% YoY as of 21-Apr-2023. Aggregate deposit growth stood at 10.15% YoY.
- The gross GST revenue collected in the month of April 2023 stood at Rs 1,87,035 crore. The revenue for the month of April 2023 was 12% higher than the GST revenue collected in the same month last year. Gross GST collection in April 2023 made an all-time high & was Rs 19,495 crore more than the next highest collection of Rs. 1,67,540 crore in April 2022.
- Manufacturing PMI increased to a 4-month high of 57.2 in April 2023 from 56.4 in the previous month. India Services PMI increased to 62.0 in April 2023 from 57.8 in the previous month, pointing to the strongest expansion in the sector since June 2010.

Debt Market Review

- After aggressively front-loading in every single meeting of FY23 (total 250 bps in current rate hike cycle), the RBI left the key policy rates unchanged in April-23 meeting.
- Fixed income yields eased across the curve on the RBI's surprise pause in early April meeting, strong investor demand and rise in financial concerns towards end of month. G-sec yields declined with 10-year G-sec easing from 7.31% at the start of the month to 7.20 levels post RBI meeting and eased further to 7.10 levels in the last week - driven by global financial stability concerns. It closed the month at 7.12%.
- 1 year Indian G Sec yield fell by 24 bps to 6.90% in April 2023 from 7.14% in previous month; 3 year G Sec yield fell by 12 bps to 6.97% from 7.09% in previous month and 5 year G Sec yield fell by 17 bps to 7.00% from 7.17% in previous month.
- After raising rates sharply since March 2022, US Fed hiked the policy rate by 25 bps to 5.25% (total hike in cycle: 500 bps). From being aggressive, Fed Governor indicated that further rate action will be data dependent.
- US 10 Yr Treasury bond yield started the month at 3.43% and ended flat at 3.44%. The inverted US yield curve may be pointing to an imminent downshift, but the reading from consumption, jobs, and the housing sector point to an economy still on steady foot.
- After remaining elevated at average ~6.5% in Jan-Feb 2023, headline CPI eased to 5.66% YoY in March aided by favourable base effect and broad-based lower sequential momentum.
- FII turned net buyers in the Debt market to the tune of Rs 475 Cr in April 23 compared to selling of Rs 2,439 Cr in the previous month. MF institutions remained net buyers in Debt market to the tune of Rs 10,604 Cr compared to buying of Rs. 1,197 Cr in the previous month.

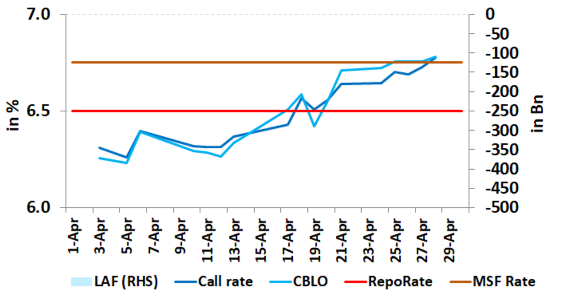
Debt Market Outlook

- In India, macro situation is better. We now expect RBI MPC to go for a long pause and watch the evolving inflation dynamics. With RBI projecting inflation to be at 5.2% for FY2024, it remains above their 4% medium term policy target, giving them little room for easing action.
- Global rate scenario has turned benign in wake of banking stress and contagion risk. If global inflation continues to moderate, as expected, rate easing may start earlier than expected, possibly by end of 2023.
- While Fed has clearly indicated data-dependency nature of future policy actions, dovish comments in post policy press conference suggest rates have probably peaked out in United States.
- The RBI is mindful of the large government borrowing programme this year. With this in mind, the RBI also indicated that it would be agile in liquidity management.
- The current curve continues to remain flat with everything in corporate bonds beyond 1 year up to 15 years available @7.0 -7.25% range. Falling CPI, weaker growth and strong investor demand would keep yields under check despite high GSec supply next year.
- Market movements may depend on global cues, supply- demand of local bonds in the market, oil price movements and inflation trajectory. 10Y G-SEC may trade in 6.90-7.15% range.

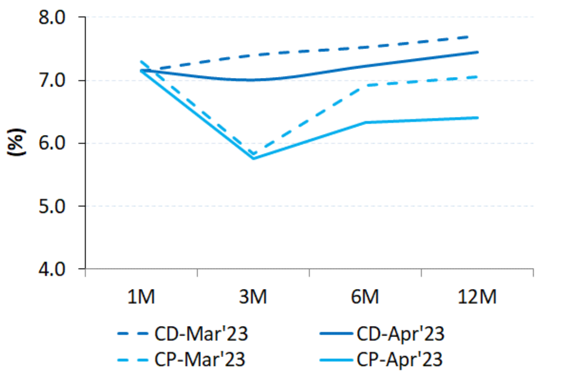
Investment Strategy

- 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.

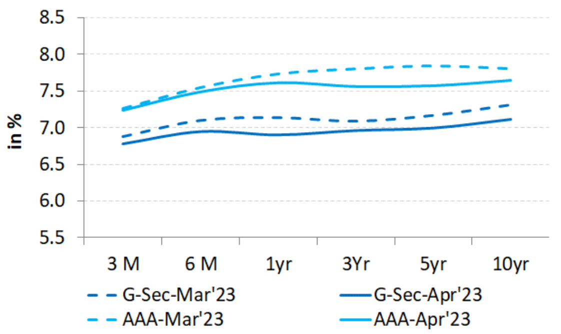
LAF and Money Market Rate Movement



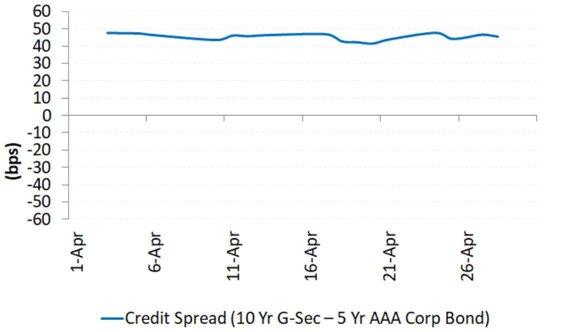
CD Rate Movement



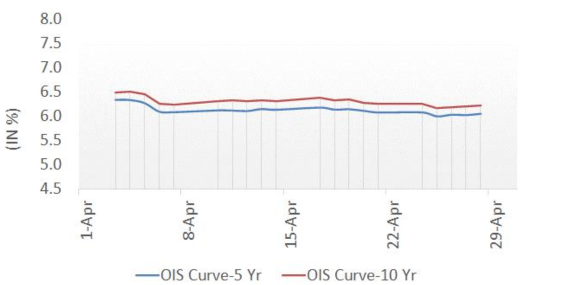
G-Sec and AAA Corp Bond Yield Movement



Credit Spread



OIS Curve

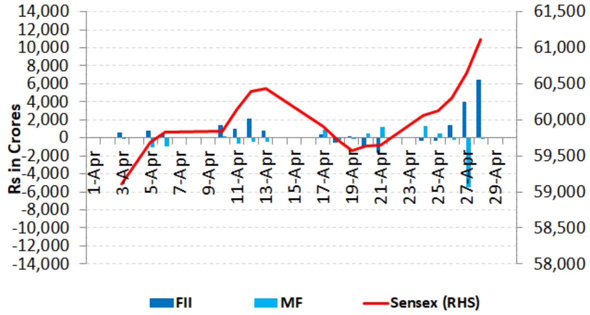


Source: Bloomberg, W2W Research

Equity Market Review

- After facing banking distress in March, contagion risks eased in April, providing some relief to the markets. During the month, economic data presented mixed picture, with global growth showing resilience despite higher rates. However, concerns over First Republic Bank re-emerged towards month-end, but they were short-lived as JP Morgan acquired the bank in a government-led deal. Geopolitical developments – conflict in Sudan and Chinese military exercises near Taiwan –had marginal impact on market.
- In April 23, the Nifty 50 surged by 4.1%, as a result of the increase in FII flows and the abatement of macro concerns. Strong corporate earnings also contributed to the positive market sentiment. Additionally, the RBI's decision to pause rate hikes provided further impetus to the market. NIFTY Midcap 100 & NIFTY Smallcap 250 outperformed their large cap peers, up 5.9% & 6.9% respectively.
- US stocks gained for second consecutive month with S&P 500 rallying 1.5% in April 23. The US economy expanded by 1.1% (Q1CY23) but remained below consensus expectations (2.1%). Labour market tightness persisted. Political developments were in focus: Biden formally announced his 2024 re-election bid and the US debt ceiling also garnered attention.
- China's reopening-driven rebound became evident in April 2023. Q1CY23 GDP growth came at 4.5%YoY, better than estimates of 4%. However, China's Hang Seng index plunged 2.5% due to concerns over geopolitical tensions and lack of clarity on government's plans to support growth.
- FIIs bought equities worth Rs 15,733 Cr in April 2023 (March 2023: Net buyer of Rs 14,944 Cr). DIIs reversed their buying trend and sold equities worth Rs 5,131 Cr in April 2023 (March 2023: Net buyer of Rs 20,764 Cr).

Sensex, FII & MF Movement



Indices Performance

Index	28-Apr-23	31-Mar-23	Change	% Chg
India				
Sensex	61,112	58,992	2120.9	3.6%
Nifty 50	18,065	17,360	705.3	4.1%
US				
Dow Jones	34,098	33,274	824.0	2.5%
Nasdaq	12,227	12,222	4.7	0.0%
EC				
FTSE 100	7,871	7,632	238.8	3.1%
Asia				
Nikkei 225	28,856	28,041	815.0	2.9%
Hang Seng	19,895	20,400	-505.5	-2.5%
Shanghai Comp	3,323	3,273	50.4	1.5%
Bovespa	104,432	101,882	2549.4	2.5%
RTS	1,034	997	37.2	3.7%
Other				
MSCI WORLD	2,836	2,791	44.5	1.6%
MSCI EM	977	990	-13.2	-1.3%
MSCI EM Asia	524	537	-13.0	-2.4%

Sector Performance

Sector Index	28-Apr-23	31-Mar-23	Change	% Chg
BSE Auto	30,326	28,247	2078.6	7.4%
Bankex	48,982	46,032	2949.9	6.4%
BSE CD	38,374	37,629	745.6	2.0%
BSE CG	36,739	34,370	2369.2	6.9%
BSE FMCG	17,239	16,487	751.7	4.6%
BSE HC	23,034	21,884	1150.4	5.3%
BSE IT	27,503	28,479	-975.5	-3.4%
BSE Metal	20,135	19,185	949.8	5.0%
BSE Oil	18,271	17,383	887.9	5.1%
BSE Power	3,744	3,606	138.1	3.8%
BSE PSU	10,185	9,497	687.4	7.2%
BSE Real	3,560	3,102	458.5	14.8%
BSE TEC	12,538	12,978	-440.0	-3.4%

Equity Market Outlook

- Global economy is likely to be marked by slower growth, moderating but elevated inflation, peaking policy rates and continuing geo-political risks. Recent bank failures in the US have added to global concerns. Markets will now look for clarity on Central Banks' stance on the direction of interest rates, especially on the back of continuing bank crisis and threat of slowdown in advanced economies.
- While the US Treasury's alarming statements about an imminent default are typically viewed as political posturing, the credit limit is usually raised in the eleventh hour. However, the magnitude of the problem, if left unaddressed, could lead to significant market fluctuations in the coming month.
- India seems to be better placed v/s rest of the world, both from cyclical and structural perspective. The impact of macro factors is expected to be mitigated by positive domestic factors acting as tailwinds including moderating inflation, healthy credit growth, record levels of GST collections and a pause on rate hikes by the RBI. However, unseasonal rains along with EL Nino could have negative impact on rural demand and is a key domestic risk to be monitored over the next few months.
- Indian markets have been flattish for the last 18 months. The recent underperformance v/s global equities have made relative valuations more favourable and in line with the 5-year historical average. There by making India an attractive destination for foreign institutional investments.
- While near-term volatility is expected to persist, we remain bullish on Indian equities, bolstered by a more solid medium-term growth outlook.

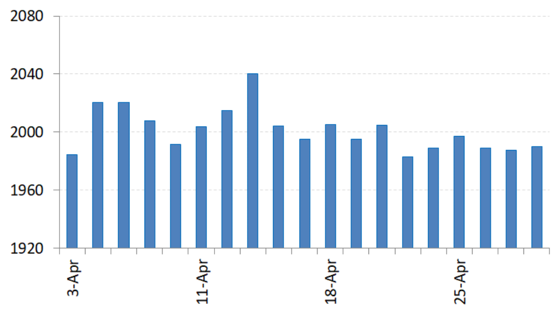
Investment Strategy

- 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 Balanced Advantage and Multi-Asset Allocation funds. Whereas investors with longer horizon can invest in staggered manner in our recommended Multi cap, Flexi cap, Mid cap and Small cap funds.

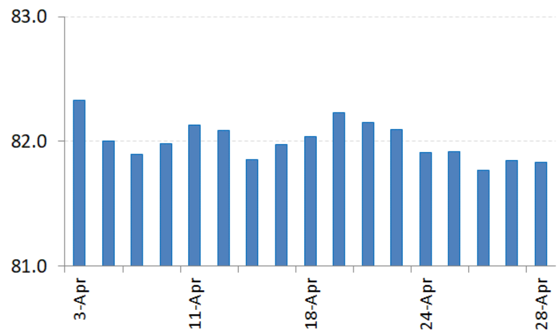
Review

- Gold rose 0.57% to 59,897 in April 23 from 59,560 in previous month. Expectations of a dovish pivot by the US Fed, persistent inflation worries, concerns of a slowdown in global growth momentum, and strong buying by the central banks have buoyed the prices of the metal considered to be a safe haven. Concerns about the contagion from the bank crisis in US and volatility in financial markets further accentuated interest in gold. Weakness in the dollar index further prompted the continuation of a move on the upwards incline.
- Brent oil fell 0.29% in April 23 from 79.8 to 79.5 dollars. At the beginning of April, OPEC and partner countries (OPEC+) announced a cut to crude oil production of 1.2 million barrels per day (b/d) through the end of 2023, which increased crude oil prices on expectations of tightening oil supplies. However, ongoing considerations about weakening global economic conditions, perceived risk around the global banking sector, and persistent inflation outweighed the initial increase in oil prices and dragged down the prices.
- Rupee appreciated by 0.43% in April 23 from 82.2 to 81.8. Rupee continued to appreciate for second month in row, albeit marginally. Weakness in Dollar was evident amidst the macro developments surrounding US market.

International Gold Movement



USD/INR Movement



Outlook

- The appeal of the yellow metal generally endures as long as inflation, recession and geopolitical risks hang over markets. Historically, gold has been negatively correlated with real yields. Therefore, based on its relationship with real yields, gold appears fundamentally expensive and seems to offer limited upside potential from current levels. Long term outlook for gold remains intact and positive.
- OPEC+ has announced production cut. However, there is expectation of consistent global oil inventory builds over the forthcoming period. As global oil production outpaces global oil demand it will putting downward pressure on crude oil prices.
- Easing of USD from the peak and adequate foreign exchange reserves, should take pressure off INR to a large extent. Along with this improving trade deficit and FII inflows will be positive for rupee. Further, softening of crude oil prices may be supportive for the domestic currency as it will reduce import bills.
- 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.

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