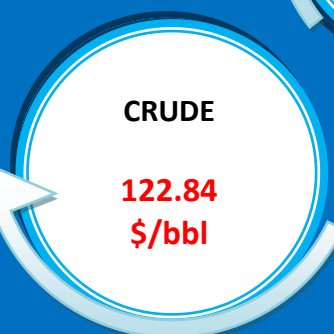
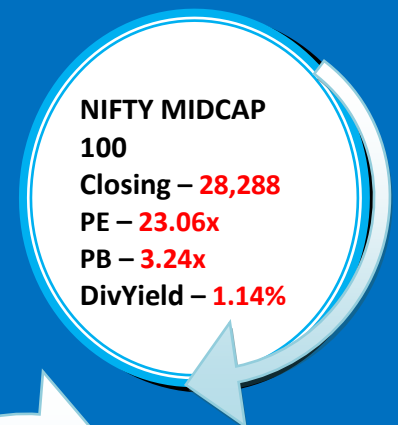
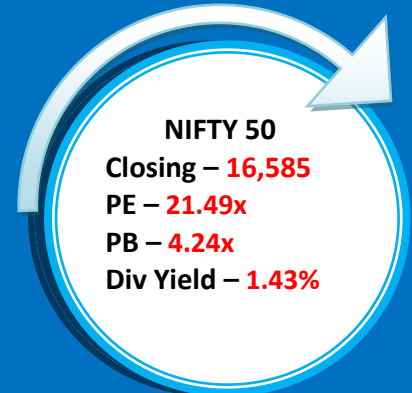


# MONTHLY REPORT

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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 May 31, 2022  
Source: Bloomberg

Indicators	May-22	Apr-22	Mar-22	Feb-22	Jan-22	Dec-21	Nov-21	Oct-21	Sep-21	Aug-21	Jul-21	Jun-21	May-21
Sensex	-2.62%	-2.57%	4.13%	-3.05%	-0.41%	2.08%	-3.78%	0.31%	2.73%	9.44%	0.20%	1.05%	6.47%
Nifty	-3.03%	-2.07%	3.99%	-3.15%	-0.08%	2.18%	-3.90%	0.30%	2.84%	8.69%	0.26%	0.89%	6.50%
Nifty Midcap	-5.33%	0.63%	5.20%	-6.77%	-0.55%	2.67%	-2.69%	0.28%	6.92%	2.16%	3.13%	4.64%	6.53%
Nifty SmallCap 250 Index	-8.64%	0.55%	6.23%	-9.43%	-0.27%	5.40%	-0.43%	0.13%	5.76%	-3.03%	8.03%	5.59%	10.09%
S&P 500 Index	0.01%	-8.80%	3.58%	-3.14%	-5.26%	4.36%	-0.83%	6.91%	-4.76%	2.90%	2.27%	2.22%	0.55%
Nifty 50 EPS TTM (Rs)	771.79	754.43	730.82	745.08	726.33	686.80	686.58	654.76	619.87	618.90	584.17	525.49	509.05
Nifty 50 Price/Earnings (PE Ratio)	21.49	22.67	23.90	22.54	23.87	25.27	24.74	26.99	28.42	27.68	26.98	29.92	30.61
Nifty Midcap 100 (PE Ratio)	23.06	22.24	28.16	29.62	31.73	29.64	29.28	29.69	28.51	22.04	22.60	21.99	21.26
<b>India Economic Indicator</b>													
Bank Credit Growth (%)	11.19%	10.08%	8.50%	7.86%	8.04%	7.25%	6.97%	6.84%	6.72%	6.55%	6.45%	5.83%	6.02%
Bank Deposit Growth (%)	10.08%	9.84%	8.84%	9.11%	9.28%	9.56%	9.80%	9.93%	9.31%	10.58%	10.65%	10.32%	9.87%
<b>Debt Market Indicator</b>													
RBI Repo Rate (%)	4.40	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
G-sec 10 year Yield (%)	7.42	7.14	6.84	6.77	6.68	6.45	6.33	6.39	6.22	6.22	6.20	6.05	6.02
1 Year Tbill (%)	6.01	5.11	4.67	4.71	4.44	4.37	4.26	4.11	4.03	3.76	3.72	3.87	3.77
Corp Bond 10 Yr AAA Yield (%)	7.84	7.31	7.17	7.18	7.22	7.00	6.94	7.00	6.86	6.95	6.75	6.90	6.90
Corp Bond 10 Yr AA Yield (%)	8.59	8.04	7.95	7.97	7.97	7.79	7.73	7.82	7.70	7.74	7.52	7.65	7.64
Corp Bond 10 Yr A Yield (%)	10.43	10.13	9.84	9.75	9.66	9.43	9.29	9.39	9.18	9.22	9.17	9.32	9.24
Corp Bond 5 Yr AAA Yield (%)	7.55	6.86	6.43	6.57	6.35	6.22	6.07	6.14	5.98	5.98	6.11	5.97	5.94
Corp Bond 1 Yr AAA Yield (%)	6.76	5.16	4.95	4.94	5.02	4.74	4.78	4.40	4.21	4.16	4.13	4.30	4.15
CD 1 Yr (%)	6.29	5.30	4.71	4.90	4.83	4.56	4.39	4.31	4.04	4.22	4.02	4.16	4.15
<b>Commodity &amp; Currency</b>													
Gold Price (USD)	1837	1897	1937	1909	1797	1829	1775	1783	1757	1814	1814	1770	1907
Gold (Rs/10gm)	50861	51847	51317	50479	47706	47899	48031	47794	45624	47106	48250	46504	48933
Crude(\$)	122.84	109.34	107.91	100.99	91.21	77.78	70.57	84.38	78.52	72.99	76.33	75.13	69.32
INR/1 USD	77.64	76.43	75.79	75.34	74.62	74.34	75.17	74.88	74.24	73.01	74.42	74.33	72.62
INR/1 EURO	83.25	80.86	84.20	84.23	83.40	84.21	85.41	87.28	86.10	86.33	88.54	88.39	88.50
<b>Flows</b>													
FII-Equity (Rs.cr)	-37663	-29146	-28312	-37689	-35975	-13150	-5710	-17034	8348	7454	-12746	10932	5360
FII-Debt (Rs.cr)	-5378	-3980	-5111	-3458	4847	-12149	1151	-1102	10949	13637	-643	-4317	-1336
MF-Equity (Rs.cr)	29435	22371	22220	28436	16488	21923	24121	5866	6960	11546	13917	6437	105
MF-Debt (Rs.cr)	-12739	6825	-4771	5416	1307	1585	13463	1865	8365	21094	12331	6449	3332

Source: Bloomberg, W2W Research

**Summary:-**

- As of 31st May 2022, Nifty 50 was trading at a PE of 21.49x and Nifty Midcap 100 was trading at a PE of 23.06x.
- CPI inflation edged up to 7.79% in April 2022 (highest since May 2014) from 6.95% in March 2022. Core inflation was reported at 6.97% in April 2022. WPI inflation rose to 15.08% in Apr 2022 from 14.55% in Mar 2022, marking highest reading since December 1998.
- Credit growth rose by 11.19% YoY as of 06-May 2022. Aggregate deposit growth stood at 10.08% YoY.
- The gross GST collection for May 2022 stood at nearly Rs 1.41 lakh crore. It was the fourth time that the monthly GST collection crossed Rs 1.40 lakh crore mark since the inception of GST. It was 44% higher than the GST revenues in the same month last year. This bodes well for the fiscal going ahead.
- Manufacturing PMI was little-changed to 54.6 in May 2022 from 54.7 in April. India Services PMI increased to 58.9 in May 2022, the highest since April 2011, from 57.9 in April 2022.

## Debt Market Review

- In the run up to the June monetary policy, market yields across the curve rose sharply with the benchmark 10 year crossing the psychological 7.5% mark for the first time since 2019.
- 3, 5 and 10 year G sec yields increased by 71 bps (to 6.93%), 45 bps (to 7.13%) and 28 bps (to 7.42%) respectively in May 22 vs. Apr 22.
- RBI in its June policy hiked repo rate by 50 bps to 4.9% as was widely expected by the market. Notably the RBI raised its inflation forecast to 6.7% for the year citing significant external market headwinds.
- 10 Year US Treasury yield fell 10 bps to 2.84% in May 22 from 2.93% in Apr 22.
- In the US, the FOMC increased the target range for the federal funds rate by 50bps on 4th May, after the 25bps increase in March, and decided to commence the Fed's balance sheet reduction.
- China, while continuing with its Zero-Covid Strategy, announced policy support measures primarily focusing on infrastructure investment. It also cut its 5-year Loan Prime Rate (LPR) by 15bps in May after the cut to minimum mortgage rates by 20bps.
- India's real GDP in FY22 grew 8.7% y/y, lower than the previous estimate of 8.9%, after 3.7% in FY20 and -6.6% in FY21.
- CPI inflation was 7.8% y/y in April, up from 7% in March, as sequential momentum in both food prices and core inflation were strong. Core inflation, at 7% y/y in April, has remained sticky with an average of 6% in FY22.
- FII remained net sellers in the Debt market to the tune of Rs. 5,378 Cr in May 22 compared to selling of Rs 3,980 Cr in the previous month. MF institutions turned net sellers in Debt market to the tune of Rs 12,739 Cr compared to buying of Rs. 6,825 Cr in the previous month.

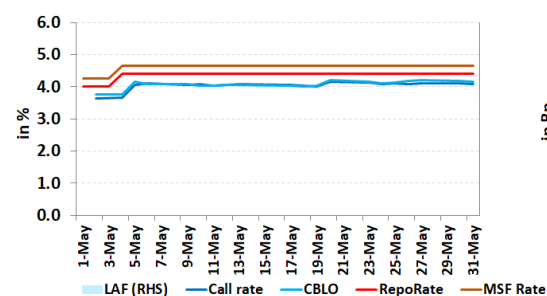
## Debt Market Outlook

- The after effects of the war on commodities and its impact on the economy have made the central banks to change the priority from growth to inflation. Global situation of rates is extremely fragile. Central Banks worldwide fear stagflation. The Fed has stepped up the peddle with 50 bps rate hike and is expected to continue the same. Given the backdrop, the flattening of yield curve is expected to gain momentum.
- The RBI's June policy may serve to calm some of the outlier fears of rapid monetary policy tightening in the cycle that had taken hold post the interim rate hike. However this may still be contingent on global commodity prices, especially oil, beginning to calm down. This is because, quite prudently, the Governor has repeatedly emphasized the need to be proactive and flexible and to be not bound by conventions.
- It is expected that RBI will get to a level of neutral relatively soon; the current cycle will still peak below 6% on the effective overnight rate. The broad-basing of domestic recovery basis concurrent indicators seems evident and the state of balance sheets argues for greater resilience. However, this argues eventually for better relative growth for India in a slowing world. RBI's forecasted inflation trajectory as well as the general inflation characterisation further reaffirms the view on peak policy rates in this cycle.
- For the bond market, the Governor has reaffirmed support at the appropriate time without committing to anything immediately.

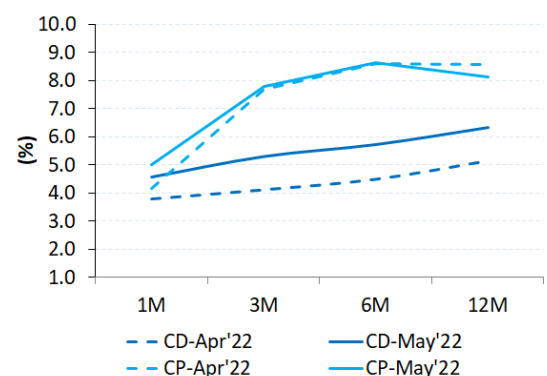
## Investment Strategy

- 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 debt allocations, bar-belling may remain the best way to navigate these times. Thus intermediate maturity points can be clubbed with near cash funds to arrive at an appropriate average maturity. For longer horizons or more aggressive portfolios, one can just have a plain long position in intermediate maturity bucket of 4 – 6 years through Gilt Fund Category.

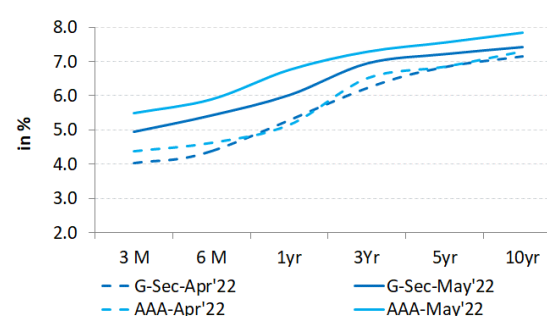
## LAF and Money Market Rate Movement



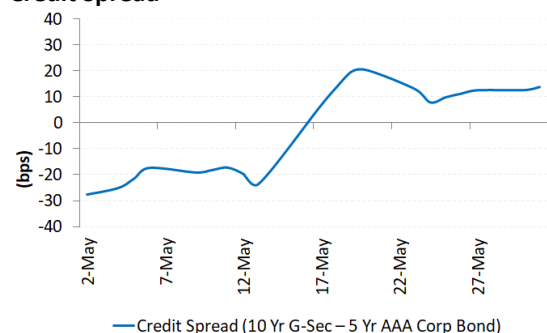
## CD Rate Movement



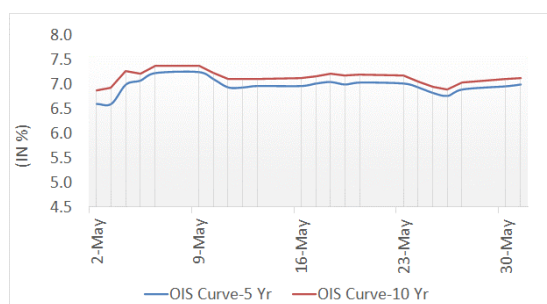
## G-Sec and AAA Corp Bond Yield Movement



## Credit Spread



## OIS Curve



Source: Bloomberg, W2W Research

## Equity Market Review

- Equity markets concluded the month in the red, weighed down by global and domestic inflationary pressure; coupled with rate hike stance adopted by central banks of major economies, weakened sentiment on the back of surging crude price and vigorous FII selling.
- The Nifty 50 and the Sensex both recovered from their intra-month lows, but ended the month with losses of 3% and 2.6%, respectively. Broader market performance was significantly weaker with the Nifty Midcap 150 and the Nifty Small cap 250 indices falling 5.2% and 8.6% respectively for the month. Developed market equities dropped 0.2%, while emerging market equities remained unchanged at 0.1%.
- Among sectors, only Auto (4.9%) & FMCG (0.6%) outperformed whereas Metals (-16.4%), Power (-11.5%) and Consumer durables (-10.9%) delivered sharpest negative returns.
- Despite the fact that major US indices hit new 52-week lows during the month, the US stock market ended May largely unchanged from where it began. The volatility that characterized April spilled over into the first three weeks of May, before rising to complete the month near to unaltered. On May 20, the S&P 500, Dow, and Nasdaq all made new lows. To wrap the month, the S&P 500 index surged nearly 6% from the low made on May 20.
- COVID-19 induced lockdowns slowed consumer and manufacturing activity in China in April, resulting in dismal economic data. However, the drop in COVID-19 cases and the reopening of Shanghai in late May saw manufacturing and services PMI strengthen sequentially, resulting in a positive return (4.6%) for Chinese equities in May. Further, policy easing was also hinted in order to support China's economic growth in the coming quarters.
- FIIs continued to remain net sellers of Indian equities in May 2022 (-Rs 37,663 Cr, following - Rs 29,146 Cr in April). This marked 8th consecutive month of net equity outflows for FIIs. DIIs recorded inflows of Rs 29,435 Cr in May 2022, maintaining the buying trend observed since March 2021.

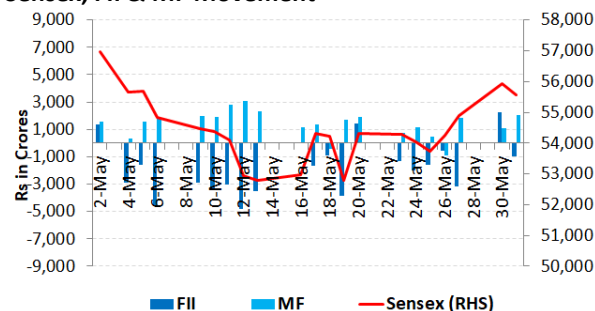
## Equity Market Outlook

- Elevated global oil and commodity prices, as well as the pass-through of higher input costs to consumers, supply chain bottlenecks caused by the Russia-Ukraine war and China's gradual opening up, are all likely to keep inflation at the elevated levels and markets jittery for some time.
- Inflation may be plateauing and market concerns appear to be shifting towards economic growth, particularly as the Central Bankers are committed to keep raising interest rates.
- In the short term, the earnings outlook appears to be ambiguous. Higher input costs could be a drag on profit margins. The persistence of inflation may induce a demand slowdown.
- Even if markets digest earnings and the evolving global scenario, FPI selling trends may continue to drive markets lower in the near term.
- Against this backdrop, near term caution may be advised. Aside from the short-term turbulence, rising agri-commodity prices and a prospect of a normal monsoon are projected to lead to an uptick in rural demand. In the medium term, increased government infrastructure spending, a partial movement of global supply chains away from China to India in certain industries, and policies such as the PLI (Production Linked Incentive) are likely to boost domestic manufacturing growth. As a result, despite near-term headwinds, we continue to be bullish on Indian equities.

## 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 to increase allocation in a staggered manner to our recommended Balanced Advantage Fund, Flexi-cap, Dividend Yield Fund, Large cap, Mid cap and Small cap funds with a medium to long term view.
- We also recommend investors to allocate 10 to 15% of the equity allocation in recommended themes like PSU Equity Funds, Banking & Financial Services Funds with an investment horizon of 2 to 3 years. (Click to refer our special note on [Banking & Financial](#) or [PSU Equity Fund](#)).

## Sensex, FII & MF Movement



## Indices Performance

Index	31-May-22	29-Apr-22	Change	% Chg
<b>India</b>				
Sensex	55,566	57,061	-1494.5	-2.6%
Nifty	16,585	17,103	-518.0	-3.0%
<b>US</b>				
Dow Jones	32,990	32,977	12.9	0.0%
Nasdaq	12,081	12,335	-253.3	-2.1%
<b>EC</b>				
FTSE 100	7,608	7,545	63.1	0.8%
<b>Asia</b>				
Nikkei 225	27,280	26,848	431.9	1.6%
Hang Seng	21,415	21,089	325.8	1.5%
Shanghai Comp	3,186	3,047	139.4	4.6%
Bovespa	111,351	107,876	3474.3	3.2%
RTS	1,208	1,082	126.6	11.7%
<b>Other</b>				
MSCI WORLD	2,791	2,796	-4.6	-0.2%
MSCI EM	1,078	1,076	1.5	0.1%
MSCI EM Asia	577	576	1.3	0.2%

## Sector Performance

Sector Index	31-May-22	29-Apr-22	Change	% Chg
BSE Auto	26,454	25,210	1243.5	4.9%
Bankex	40,907	41,534	-626.6	-1.5%
BSE CD	37,999	42,667	-4667.9	-10.9%
BSE CG	27,145	27,371	-226.1	-0.8%
BSE FMCG	14,167	14,082	84.5	0.6%
BSE HC	22,467	24,341	-1874.3	-7.7%
BSE IT	30,129	31,990	-1861.3	-5.8%
BSE Metal	18,100	21,655	-3554.6	-16.4%
BSE Oil	18,607	19,498	-890.8	-4.6%
BSE Power	4,226	4,776	-549.2	-11.5%
BSE PSU	8,483	8,849	-365.5	-4.1%
BSE Real	3,278	3,529	-250.7	-7.1%
BSE TEC	13,629	14,339	-709.6	-4.9%



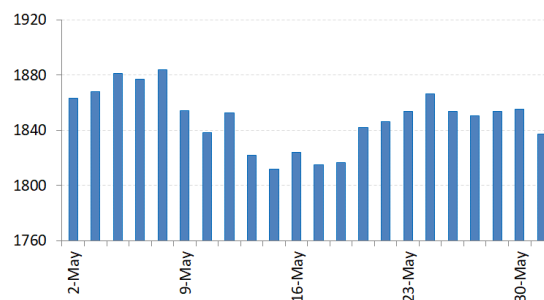
## Review

- Gold fell 1.90% to 50,861 in May 22 from 51,847 in previous month. As US dollar strengthened, gold weakened.
- Brent oil rose 12.35% in May 22 from 109.3 to 122.8 dollars. Crude oil prices increased at the end of May as COVID-19 restrictions began to ease in Shanghai and Beijing and after the EU announced it will reduce crude oil imports from Russia by 90% by the end of the year. These factors contributed additional upward pressure on prices that have been high because of low inventory levels globally and uncertain supply from Russia following its full-scale invasion of Ukraine.
- Rupee depreciated by 1.58% in May 22 from 76.4 to 77.6. Dollar gained on safe haven appeal amid risk aversion in global markets. Rise in US treasury yields and expectations of rate hike also supported the greenback. FII outflows weighed on Rupee at higher levels.

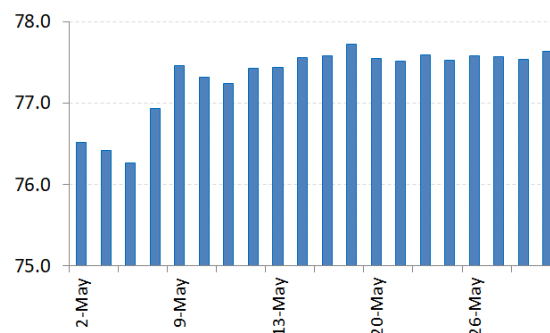
## Outlook

- Aggressive monetary tightening, rising yields and a stronger dollar are key drags for the gold prices. Concerns about global economic growth, fuelled by sustained inflation and heightened geopolitical risks, should protect the gold price up to some extent. Long term outlook for gold remains intact and positive.
- As far as oil is concerned, supply is rising rapidly. For instance, US shale oil production is at 8.8 million barrels per day from 8.4 million barrels per day in February, 2022. The total US oil production stands 11.9 million barrels per day, making US a net exporter from being net importer. The rapidly increasing supply will eventually reflect in oil prices as excessive demand for oil cools. Last week, the Organisation of Petroleum Exporting Countries (OPEC) announced a production increase of 648,000 barrels a day from July, helping offset some decline in Russian supplies.
- Indian Rupee is expected to trade with negative bias on risk aversion in global markets and a strong Dollar. Surge in crude oil prices may also put pressure on Rupee. However, hike in repo rate by RBI may attract some foreign inflows, which may limit the downside and support Rupee at lower levels.
- 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



## USD/INR Movement



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