


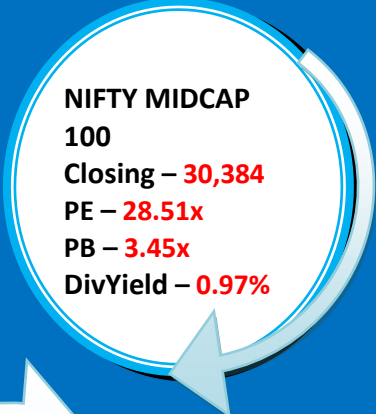
MONTHLY REPORT

CONTENTS

- ✓ 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



NIFTY 50
Closing – **17,618**
PE – **26.98x**
PB – **4.41x**
Div Yield – **1.17%**



**NIFTY MIDCAP
100**
Closing – **30,384**
PE – **28.51x**
PB – **3.45x**
DivYield – **0.97%**



10 Yr GOI Yield
6.22%



CRUDE

78.52
\$/bbn



USD/INR

74.24



GOLD
1,757
\$/Oz

Data as on September 30, 2021
Source: Bloomberg

Indicators	Sep-21	Aug-21	Jul-21	Jun-21	May-21	Apr-21	Mar-21	Feb-21	Jan-21	Dec-20	Nov-20	Oct-20	Sep-20
Sensex	2.73%	9.44%	0.20%	1.05%	6.47%	-1.47%	4.55%	7.24%	-2.26%	8.15%	10.59%	5.13%	-3.55%
Nifty	2.84%	8.69%	0.26%	0.89%	6.50%	-0.41%	5.89%	7.99%	-1.72%	7.81%	10.57%	4.52%	-3.43%
Nifty Midcap	6.92%	2.16%	3.13%	4.64%	6.53%	2.12%	14.36%	12.41%	0.92%	5.21%	15.65%	0.44%	-2.22%
Nifty SmallCap 250 Index	5.76%	-3.03%	8.03%	5.59%	10.09%	4.58%	15.36%	13.75%	1.87%	8.18%	11.70%	0.25%	-1.20%
S&P 500 Index	-4.76%	2.90%	2.27%	2.22%	0.55%	5.24%	6.36%	5.09%	-0.57%	2.58%	11.23%	-1.93%	-4.13%
Nifty 50 EPS TTM (Rs)	619.87	618.90	584.17	525.49	509.05	444.80	412.33	420.30	422.68	401.77	401.78	406.89	387.96
Nifty 50 Price/Earnings (PE Ratio)	28.42	27.68	26.98	29.92	30.61	32.89	35.63	35.65	32.26	34.80	32.28	28.83	28.99
Nifty Midcap 100 (PE Ratio)	28.51	22.04	22.60	21.99	21.26	19.19	29.22	41.95	40.65	40.55	40.76	33.95	33.02
India Economic Indicator													
Bank Credit Growth (%)	6.72%	6.55%	6.45%	5.83%	6.02%	5.32%	4.11%	5.92%	6.35%	6.06%	5.82%	5.09%	5.12%
Bank Deposit Growth (%)	9.31%	10.58%	10.65%	10.32%	9.87%	10.94%	10.20%	10.87%	11.42%	11.33%	10.90%	10.13%	10.51%
Debt Market Indicator													
RBI Repo Rate (%)	4.00	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 (%)	6.22	6.22	6.20	6.05	6.02	6.03	6.17	6.23	5.91	5.87	5.91	5.86	6.06
1 Year Tbill (%)	4.03	3.76	3.72	3.87	3.77	3.76	3.75	4.04	4.19	3.37	3.33	3.44	3.71
Corp Bond 10 Yr AAA Yield (%)	6.86	6.95	6.75	6.90	6.90	6.72	7.19	7.24	6.66	6.59	6.51	6.58	6.81
Corp Bond 10 Yr AA Yield (%)	7.70	7.74	7.52	7.65	7.64	7.49	7.90	7.94	7.36	7.35	7.31	7.37	7.58
Corp Bond 10 Yr A Yield (%)	9.18	9.22	9.17	9.32	9.24	9.21	9.30	9.29	8.91	8.84	8.78	8.83	9.02
Corp Bond 5 Yr AAA Yield (%)	5.98	5.98	6.11	5.97	5.94	5.86	6.28	6.34	5.70	5.52	5.55	5.62	6.00
Corp Bond 1 Yr AAA Yield (%)	4.21	4.16	4.13	4.30	4.15	4.26	4.15	4.41	4.22	3.92	3.89	3.93	4.40
CD 1 Yr (%)	4.04	4.22	4.02	4.16	4.15	3.90	4.38	4.25	3.97	3.78	3.57	3.74	4.00
Commodity & Currency													
Gold Price (USD)	1757	1814	1814	1770	1907	1769	1708	1734	1848	1894	1788	1877	1881
Gold (Rs/10gm)	45624	47106	48250	46504	48933	47569	43994	46425	49205	49774	48778	50656	49550
Crude(\$)	78.52	72.99	76.33	75.13	69.32	67.25	63.54	66.13	55.88	51.34	48.18	39.12	42.43
INR/1 USD	74.24	73.01	74.42	74.33	72.62	74.09	73.11	73.47	72.95	73.31	74.04	73.87	73.79
INR/1 EURO	86.10	86.33	88.54	88.39	88.50	89.60	85.78	89.10	88.40	89.91	88.28	86.82	85.86
Flows													
FII-Equity (Rs.cr)	8348	7454	-12746	10932	5360	-111163	16959	21959	14512	53499	70896	18400	-5689
FII-Debt (Rs.cr)	10949	13637	-643	-4317	-1336	-2672	-3984	-7158	-3661	5635	-2888	3296	3009
MF-Equity (Rs.cr)	6960	11546	13917	6437	105	5926	2476	-16306	-12980	-35251	-30730	-14344	-3982
MF-Debt (Rs.cr)	8365	21094	12331	6449	3332	21216	14068	8161	11832	26295	20349	30995	16009

Source: Bloomberg, W2W Research

Summary:-

- As of 30th September 21, Nifty 50 was trading at a PE of 26.98x and Nifty Midcap 100 was trading at a PE of 28.51x.
- CPI inflation eased to 5.30% year-on-year in August 2021, from 5.59% in the previous month. Core inflation also declined to 5.77% YoY. WPI inflation edged up to 11.39 percent in August of 2021, from 11.16 percent in the previous month
- Credit growth rose to 6.72% YoY as of 10-September. Aggregate deposit growth stood at 9.31% YoY.
- GST collections remained above Rs. 1 Lakh crore in the month of September at Rs. 1.17 Lakh crore, 23% higher than the collection in the year-ago period.
- Manufacturing PMI stood at 53.7 (from 52.3) in September indicating a stronger expansion in overall business conditions across the sector. India Services PMI declined to 55.2 in September of 2021 from August's 18-month high of 56.7 pointing to the second straight month of expansion in the sector, amid the easing of COVID-19 restrictions.

Debt Market Review

- During the month bond markets saw the yields moving down on account of positive sentiments with news of inclusion of domestic debt in global indices, demand from FPIs and surplus liquidity situation. However later, yields moved up tracking the rise in US bond yields and rising crude oil prices.
- The 10-year benchmark (GSec 2031) saw yield move down and then move up again to close the month almost flat at 6.22%.
- The 10 year US treasury yield rose to 1.52% from 1.30% in previous month. Treasury yields rose on growing possibility that the U.S. Federal Reserve will start tapering its asset purchase program by the end of this year and raise interest rates sooner than expected.
- Global markets remained under pressure likely as September Federal Open Market Committee (FOMC) turned out to be more hawkish than street expectations which led to a rally in yields.
- Consumer Price Index (CPI) inflation was 5.3% YoY in August, after 5.6% in July and, down from 6.3% in both May and June.
- RBI's MPC in October kept all key benchmark rates unchanged and the stance remained "accommodative". More importantly the overall tone of the policy remained dovish with a focus on growth and ensuring that the growth improvement is more long term and sustainable in nature.
- In the meeting, 14-day variable rate reverse repo (VRRR) stepped up further by INR 2trn to a total of INR 6trn to be done in a gradual manner. GSAP program discontinued for this quarter (Oct-Dec'21) and use of OT and OMOs will be done as needed.
- FII remained net buyers in the Debt market to the tune of Rs. 10,949 Cr in September 21 compared to buying of Rs 13,637 Cr in the previous month. MF institutions also remained net buyers in Debt market to the tune of Rs 8,365 Cr compared to buying of Rs. 21,094 Cr in the previous month.

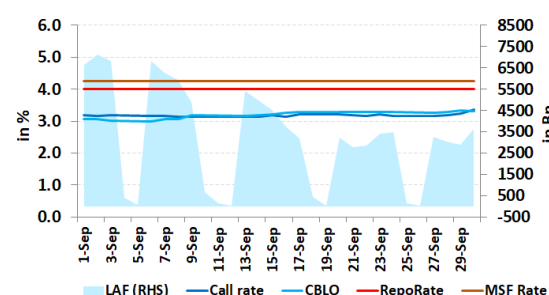
Debt Market Outlook

- Inflation momentum is broken for now. FY22 average inflation is expected to be around 5.5%, as against RBI's projection of 5.7%.
- With 14 day VRRR and possibly even 28 day VRRR amount reaching INR 6 trn, we expect volatility to increase in money market segment and the 6 M-2 Yr yield curve to flatten.
- With G SAP being discontinued, we are back to need based RBI action, a soft indication that tolerance for higher yield may be back.
- US Treasury yields and crude oil prices are likely to be the key watch points for bond markets going forward.
- Government fiscal deficit should remain contained on improving tax collections and lower spending. Along with expectations of Global Bond index inclusion which should see increased FPI demand for government bonds.
- Short term view on yields remains positive as they continue to find support from policy makers. Liquidity withdrawal through VRRR and Operation Twist by RBI may lead the curve to flatten. Bulk of flattening is expected between 1 and 5 years and various combinations therein.

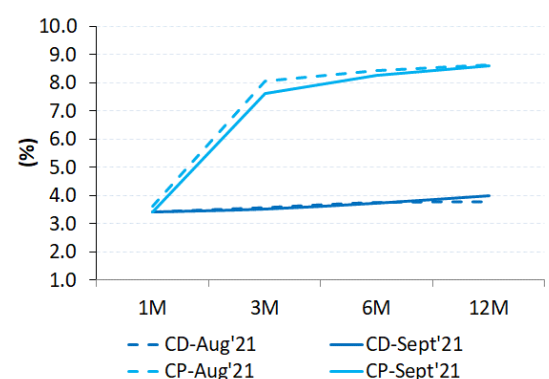
Investment Strategy

- Investors can consider investing in recommended Low Duration, Short Term, Banking & PSU or Corporate Bond funds as per the investment horizon and risk appetite.
- With interest rates expected to remain volatile due to RBI normalizing liquidity, we recommend investors to have an allocation in our recommended Floating Rate Funds with an investment horizon of 6 months to 1 year as these funds endeavour to seek protection from interest rate volatility by investing more than 65% assets in floating rate instruments.

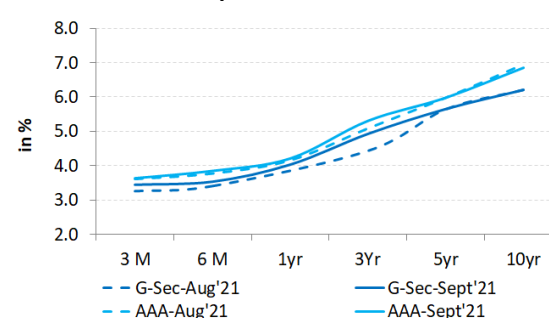
LAF and Money Market Rate Movement



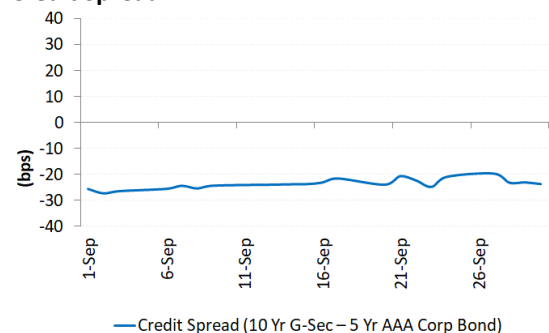
CD Rate Movement



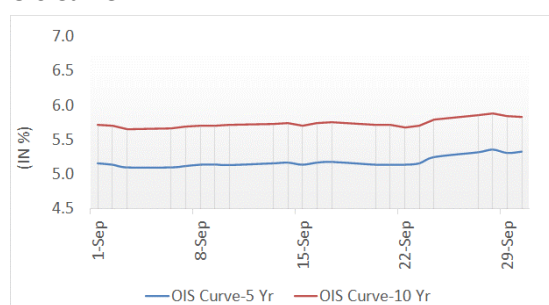
G-Sec and AAA Corp Bond Yield Movement



Credit Spread



OIS Curve



Source: Bloomberg, W2W Research

Equity Market Review

- Indian equities continued the strong run up both on an absolute basis and relative to global peers in September 2021. S&P BSE Sensex marked another milestone of 60,000 in September on the back of supportive domestic and global factors.
- September 2021 closed with gains of 3.17% in the broad-based indices Nifty 50. However, steeper rally was seen in Mid and Small cap space where Nifty Midcap 100 and Nifty Small Cap 250 raced up 6.13% and 5.54% respectively. MSCI World Index slid by 3.72%. Chinese equities struggled thereby dragging emerging market equities index down by 4.38%.
- For the month of September 2021, among the sectoral performances, the top gainer was Realty index with 33% returns. Realty companies, across geographies reported a spike in housing off take. Consumer durables was another sector that gained 10.70% in Sep-21. PSU banks gained 9.5% returns on hopes of more banks coming out of PCA framework.
- In India second wave of infection has receded as rapidly as it spread. Improved vaccination and more pragmatic approach by governments resulted in shallower impact to economic activity.
- India Manufacturing PMI increased to 53.7 in September 2021 from 52.3 a month earlier, indicating a stronger expansion in overall business conditions across the sector. India Services PMI declined to 55.2 in September 2021 from August's 18-month high of 56.7.
- The U.S. economic rebound has been dented owing to supply chain disruptions, the prevalence of the corona virus delta variant and inflationary pressures.
- The Caixin China General Manufacturing PMI rose to 50.0 in September 2021 from 49.2 in the prior month. China's realty sector debt woes continued to weigh on the investor's sentiments.
- FII continued buying in Equity market amounting to Rs. 8,348 Cr in September 2021 compared to buying of Rs 7,454 Cr in the previous month. MF institutions remained net buyers in Equity market to the tune of Rs 6,960 Cr compared to buying of Rs 11,546 Cr in the previous month.

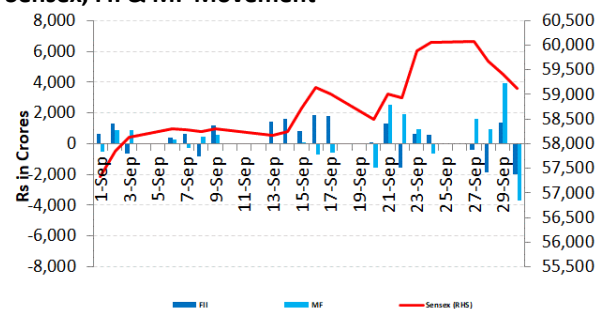
Equity Market Outlook

- Amidst fears of a global contagion triggered by a probable default by debt-ridden Chinese behemoth, Evergrande, and the overhang of the Fed's tapering stance as well as interest rate timelines, investor sentiments swayed by episodes of pessimism and optimism.
- Positively for India's near-term outlook, the vaccination programme has been significantly ramped up which can help unleash pent-up services demand.
- High frequency data indicates a continuous economic recovery. Merchandise exports, railway freight, Manufacturing PMI, government gross receipts, daily e-way bill generation, GST collections are looking strong.
- We believe that in a record low rate and high liquidity environment, economic recovery along with revival of corporate earnings growth bodes well for equity as an asset class. Upcoming corporate earnings calendar will also have a bearing going ahead.
- Moreover, the comeback of the FIIs inflows after a spree of outflows and the support garnered at every dip also hints at the continuation of this optimism in Indian indices.

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, Mid cap & Small cap funds with a 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	30-Sep-21	31-Aug-21	Change	% Chg
India				
Sensex	59,126	57,552	1574.0	2.7%
Nifty	17,618	17,132	486.0	2.8%
US				
Dow Jones	33,844	35,361	-1516.8	-4.3%
Nasdaq	14,449	15,259	-810.7	-5.3%
EC				
FTSE 100	7,086	7,120	-33.3	-0.5%
Asia				
Nikkei 225	29,453	28,090	1363.1	4.9%
Hang Seng	24,576	25,879	-1303.4	-5.0%
Shanghai Comp	3,568	3,544	24.2	0.7%
Bovespa	110,979	118,781	-7801.9	-6.6%
RTS	2,359	2,198	161.0	7.3%
Other				
MSCI WORLD	3,007	3,141	-134.8	-4.3%
MSCI EM	1,253	1,309	-55.6	-4.2%
MSCI EM Asia	674	705	-30.4	-4.3%

Sector Performance

Sector Index	30-Sep-21	31-Aug-21	Change	% Chg
BSE Auto	23,866	22,571	1294.5	5.7%
Bankex	42,728	41,470	1258.0	3.0%
BSE CD	41,340	37,361	3979.1	10.7%
BSE CG	25,967	24,974	992.9	4.0%
BSE FMCG	14,862	14,581	281.4	1.9%
BSE HC	26,093	26,570	-477.1	-1.8%
BSE IT	34,419	34,180	238.1	0.7%
BSE Metal	20,182	20,580	-397.7	-1.9%
BSE Oil	18,302	17,084	1217.6	7.1%
BSE Power	3,199	2,921	277.4	9.5%
BSE PSU	8,472	7,737	735.2	9.5%
BSE Real	4,104	3,085	1018.8	33.0%
BSE TEC	15,340	14,952	387.4	2.6%

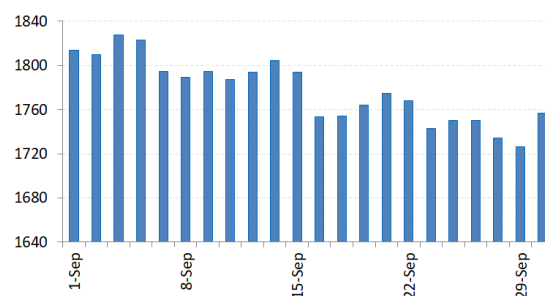
Review

- Gold fell 3.46% to 51,605 in September 21 from 53,454 in previous month, signalling weak demand in international markets.
- Brent oil rose 5.94% in September 21 from 73.5 to 77.8 dollars. Oil prices followed an upward trend in September 2021 owing to supply restraint from major producers and growing demand for fuels as economies tried to recover from the pandemic. The rally was also supported by low US stockpiles.
- Rupee depreciated 1.8% in September 21 from 72.9 to 74.3. The currency remained under pressure as rising crude prices and the strength of the American currency in the overseas market weighed on investor sentiments. Dollar appreciated as the US job market continued to show signs of recovery. Factors supporting USD were, the sequential slowing of global growth and the likelihood of Fed moving gradually towards monetary policy normalization.

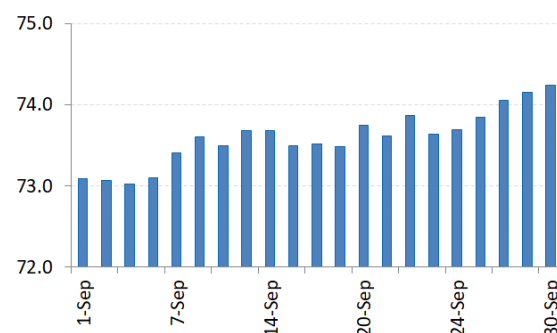
Outlook

- Long term outlook for gold remains intact and positive. Fast approaching festive season in India is expected to fuel gold demand in the domestic market, which is positive for the yellow metal.
- The OPEC+ decided to stick with its initially planned 4 lakh bpd increase in crude output quota for November. Increasing global demand would likely continue to support prices. However, this may be countered by rise in US crude inventories as more production returns after extended shut-ins due to hurricanes.
- Indian Rupee is expected to trade with positive bias on rise in risk appetite in global markets. However, strong Dollar, surge in crude oil prices and rising US bond yields may cap sharp upside.
- 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 & 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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