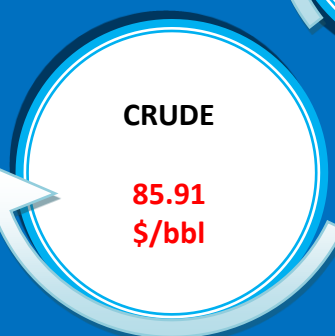
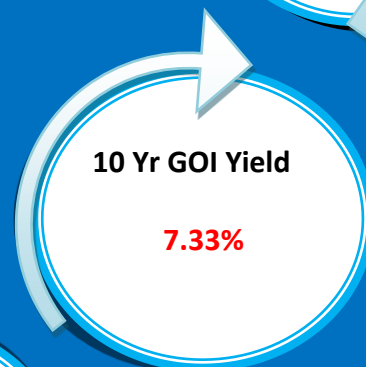
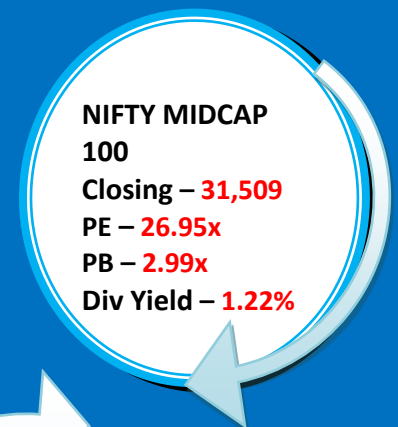
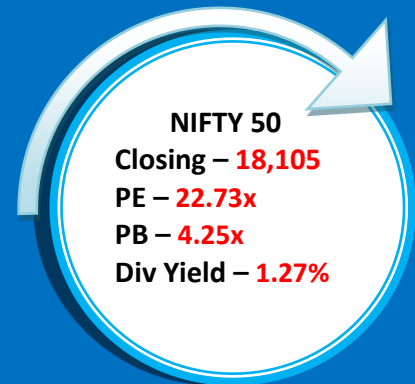


MONTHLY REPORT

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- ✓ Debt Market Review and Outlook
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- ✓ Equity Funds Category Snapshot
- ✓ Gold Review and Outlook



Indicators	Dec-22	Nov-22	Oct-22	Sep-22	Aug-22	Jul-22	Jun-22	May-22	Apr-22	Mar-22	Feb-22	Jan-22	Dec-21
Sensex	-3.58%	3.87%	5.78%	-3.54%	3.42%	8.58%	-4.58%	-2.62%	-2.57%	4.13%	-3.05%	-0.41%	2.08%
Nifty	-3.48%	4.14%	5.37%	-3.74%	3.50%	8.73%	-4.85%	-3.03%	-2.07%	3.99%	-3.15%	-0.08%	2.18%
Nifty Midcap	-1.65%	1.93%	2.49%	-2.58%	6.23%	12.03%	-6.49%	-5.33%	0.63%	5.20%	-6.77%	-0.55%	2.67%
Nifty SmallCap 250 Index	-1.76%	2.98%	1.88%	-0.94%	5.63%	8.68%	-6.74%	-8.64%	0.55%	6.23%	-9.43%	-0.27%	5.40%
S&P 500 Index	-5.90%	5.38%	7.99%	-9.34%	-3.49%	9.11%	-8.39%	0.01%	-8.80%	3.58%	-3.14%	-5.26%	4.36%
Nifty 50 EPS TTM (Rs)	796.54	795.93	800.71	791.13	799.81	795.07	772.36	771.79	754.43	730.82	745.08	726.33	686.80
Nifty 50 Price/Earnings (PE Ratio)	22.73	23.57	22.50	21.61	22.20	21.58	20.43	21.49	22.67	23.90	22.54	23.87	25.27
Nifty Midcap 100 (PE Ratio)	26.95	30.49	27.97	27.69	25.90	23.22	21.66	23.06	22.24	28.16	29.62	31.73	29.64
India Economic Indicator													
Bank Credit Growth (%)	16.27%	16.00%	16.68%	15.27%	14.16%	12.89%	12.06%	11.19%	10.08%	8.50%	7.86%	8.04%	7.25%
Bank Deposit Growth (%)	9.37%	9.61%	9.49%	9.21%	8.86%	8.35%	8.31%	10.08%	9.84%	8.84%	9.11%	9.28%	9.56%
Debt Market Indicator													
RBI Repo Rate (%)	6.25	5.90	5.90	5.90	5.40	4.90	4.90	4.40	4.00	4.00	4.00	4.00	4.00
G-sec 10 year Yield (%)	7.33	7.28	7.45	7.40	7.19	7.32	7.45	7.42	7.14	6.84	6.77	6.68	6.45
1 Year Tbill (%)	6.72	6.85	6.81	6.70	6.20	6.46	6.20	6.01	5.11	4.67	4.71	4.44	4.37
Corp Bond 10 Yr AAA Yield (%)	7.72	7.71	7.77	7.78	7.55	7.68	7.78	7.84	7.31	7.17	7.18	7.22	7.00
Corp Bond 10 Yr AA Yield (%)	8.52	8.56	8.58	8.48	8.28	8.40	8.50	8.59	8.04	7.95	7.97	7.97	7.79
Corp Bond 10 Yr A Yield (%)	10.33	10.28	10.44	10.41	10.16	10.31	10.50	10.43	10.13	9.84	9.75	9.66	9.43
Corp Bond 5 Yr AAA Yield (%)	7.69	7.60	7.75	7.55	7.44	7.39	7.54	7.55	6.86	6.43	6.57	6.35	6.22
Corp Bond 1 Yr AAA Yield (%)	7.61	7.53	7.48	7.33	6.69	6.45	6.64	6.76	5.16	4.95	4.94	5.02	4.74
CD 1 Yr (%)	7.59	7.43	7.64	7.06	7.01	6.91	6.53	6.29	5.30	4.71	4.90	4.83	4.56
Commodity & Currency													
Gold Price (USD)	1824	1769	1634	1661	1724	1766	1807	1837	1897	1937	1909	1797	1829
Gold (Rs/10gm)	54556	52574	50187	50074	50986	51301	50699	50861	51847	51317	50479	47706	47899
Crude(\$)	85.91	85.43	94.83	87.96	99.31	110.01	114.81	122.84	109.34	107.91	100.99	91.21	77.78
INR/1 USD	82.74	81.43	82.79	81.35	79.46	79.27	78.97	77.64	76.43	75.79	75.34	74.62	74.34
INR/1 EURO	88.15	84.36	82.35	79.72	79.72	80.89	82.36	83.25	80.86	84.20	84.23	83.40	84.21
Flows													
FII-Equity (Rs.cr)	-1354	38235	8431	-13406	53994	6720	-49469	-37663	-29146	-28312	-37689	-35975	-13150
FII-Debt (Rs.cr)	-1892	718	-3029	1491	4283	-2318	-2005	-5378	-3980	-5111	-3458	4847	-12149
MF-Equity (Rs.cr)	14692	4402	6318	18602	-1642	6920	22051	29435	22371	22220	28436	16488	21923
MF-Debt (Rs.cr)	2567	-598	-9324	-20385	4642	5300	-8681	-12739	6825	-4771	5416	1307	1585

Source: Bloomberg, W2W Research

Summary:-

- As of 30th December 2022, Nifty 50 was trading at a PE of 22.73x and Nifty Midcap 100 was trading at a PE of 26.95x.
- CPI inflation eased to 5.88% in November 2022 from 6.77% in October. WPI inflation declined to 5.85% in November 2022 from 8.39% in the prior month, pointing to lowest figure since February 2021. India Core CPI was reported at 6.04% in Nov 2022.
- Credit growth rose by 16.27% YoY as of 16-Dec-2022. Aggregate deposit growth stood at 9.37% YoY.
- The GST collection for the month of December 2022 stood at Rs 1.49 lakh crore, up 15.2% Year-on-Year. The monthly GST revenues were above Rs. 1.4 lakh crore mark for tenth straight months in a row.
- Manufacturing PMI climbed to 57.8 in December 2022 from 55.7 in the prior month, pointing to the highest reading since October 2020. India Services PMI increased to 58.5 in December 2022 from 56.4 in November.

Debt Market Review

- 2023 is starting at a point where markets are factoring in an impending recession and inflation having peaked but central banks are guiding for continued hawkish stance with “higher for longer” rates outlook.
- In markets like US, where inflation still remains much higher than target and the US Fed continues to provide hawkish guidance, long term rates have refused to inch higher with successive rate hikes and now the near-term rates are also just tracking the revised policy rate. 10 year US Treasury rate ended the month of December up 16 bps at 3.88% from 3.72% in previous month.
- The RBI MPC statement was similarly perceived as hawkish even as the rate hike was scaled down to 35bps increment as expected. References to elevated core inflation, the midpoint target of 4% as well as the still surplus system liquidity clearly points to the near-term policy preferences within the Flexible Inflation Targeting regime.
- Even as the wider external cues remained negative, with uptick in global yields, domestic rates were more sanguine in Dec 22 even as there was some retracement post the policy. 10 year India GSec yield ended the month of December up 5 bps at 7.33% from 7.28% in previous month.
- Signs of inflation easing were seen, especially amongst emerging market economies. The US CPI inflation eased markedly to 7.1% in November 2022 from 7.7% in October. India Consumer Price Index (CPI), moderated to 5.9% in November from 6.8% in October.
- FII turned net sellers in the Debt market to the tune of Rs 1,892 Cr in December 22 compared to buying of Rs 718 Cr in the previous month. MF institutions turned net buyers in Debt market to the tune of Rs 2,567 Cr compared to selling of Rs 598 Cr in the previous month.

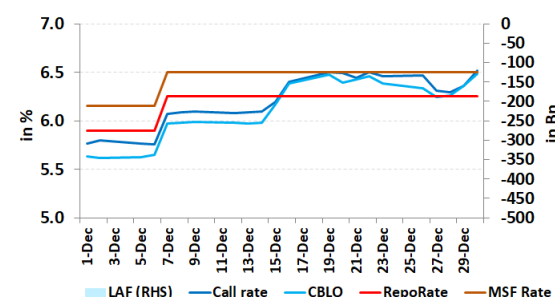
Debt Market Outlook

- As central banks get comfortable with the trajectory of inflation, they will pause raising rates and eventually begin cutting rates. While there have been many calls on a Fed pivot, it is wise to remember that having been burnt by inflation, central banks are going to be very conservative in turning policy around. This is going to apply to the RBI as it does to developed country central banks.
- A continuing risk for Indian bonds is the fiscal trajectory. The budget is expected to bring about some consolidation. Even as most central banks incrementally dial down the pace of tightening, the guidance from financial market perspective continues to be hawkish.
- Considering the evolving dynamics, monetary policy making in India clearly has reached a stage where subjective assessments would come into play, unlike the case a year back when all indicators pointed to a shift in the stance towards tightening aggressively.
- After a material shift in both the policy rates and more importantly liquidity dynamics over the last 7 months, the argument towards assessing lag effects of earlier actions is compelling. This alongside the forward-looking estimates on growth and inflation would warrant a pause in the near term.
- At the same time, the focus on the midpoint of the inflation target, alongside likely spill over volatility from external developments would necessitate that policy stance continues to focus on withdrawal of accommodation.

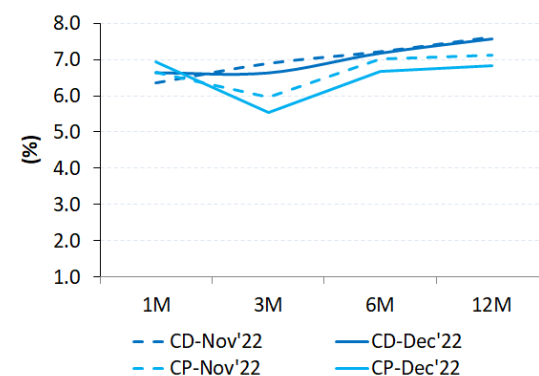
Investment Strategy

- 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 Category.

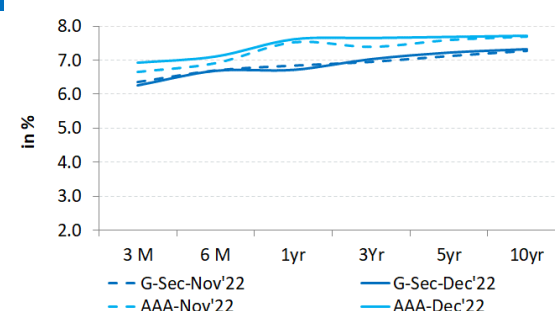
LAF and Money Market Rate Movement



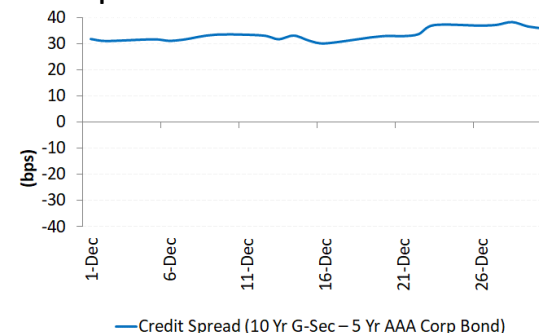
CD Rate Movement



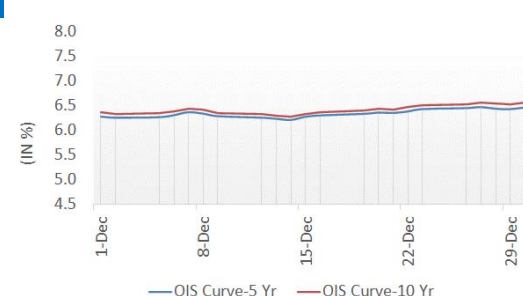
G-Sec and AAA Corp Bond Yield Movement



Credit Spread



OIS Curve



Source: Bloomberg, W2W Research

Equity Market Review

- 2022 has been a volatile year, one event followed by another with many repercussions, leading to global economic slowdown. The broad themes of 2022—inflation, rising interest rates, Russia-Ukraine War, slowing corporate profits and surge in Covid infections—continued to dominate investor fears in December 2022.
- For the month, Nifty 50 plunged by 3.5% on account of lingering recession fears and sharp rise in the Covid cases in many countries. Bank of Japan too took markets by surprise this month as it raised interest rate by 25bps to 0.5%. This elevated the growing recessionary fear among investors. The Nifty Midcap 100 (-1.7%) and Nifty Smallcap 250 (-1.8%) both ended the month in red.
- The S&P 500 ended 2022 with its worst calendar year performance since 2008. The benchmark index fell by 5.9% in December 2022, closing 2022 down almost 20%. Investor concerns about rising interest rates, slowing economic growth and persistently high inflation triggered sustained bouts of selling.
- The cautious mood spilled over into Asian markets, except for Hong Kong due to the reopening theme. The Hang Seng Index rose 6.4% in December. Despite an increasing number of Covid infections in China weighing on the near-term growth prospects, investors were optimistic about the eventual recovery in consumption and corporate investment.
- FII again turned into net sellers in December 2022 after being buyers for past 2 months. FIIs sold equities worth Rs 1,354 Cr during December 2022 (November 2022: Net buyer of Rs 38,235 Cr). DIIs continued their buying trend and bought equity worth Rs 14,692 Cr in December 2022.

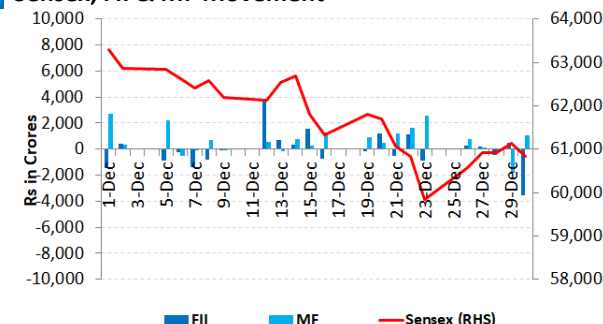
Equity Market Outlook

- An ongoing economic slowdown seems inevitable. The lagged impact of tightening will also mean growth sacrifice for the global economy. A sharp deceleration in global money supply growth and a sharply inverted yield curve in the US point to potential growth headwinds. Concerns from China continue to emanate and it is premature to take a call on how the Covid situation will play out there.
- While India's fundamentals are in much better shape, directionally global growth challenges will likely feed their way into weak exports and investment activity and hence lead to a slowdown in Indian economy as well. Therefore, growth concerns outweighing inflation challenges should be a dominant theme in 2023.
- That said, once global headwinds fade, India will potentially post a strong rebound. In 2023, we expect growth trends to remain decent. Controlled inflation, policy reforms (PLI, China+1), impact of marquee legislation (GST, RERA, IBC, PLI) with stable foreign exchange reserves will aid India's growth story. Resilient domestic & improving FII flows along with a weaker USD will also provide support. India's macroeconomic stability and relatively resilient EPS growth justify India's premium valuations.
- 2023 can still be a volatile year for equities, at least in the first half. For India, 2023 could be a year of adjustment, where growth slows down but at the same time becomes more balanced setting stage for a more sustainable recovery on the other side. Beyond the near-term headwinds, India is poised for a multi-year uptrend in economic growth and earnings driven by manufacturing and investment revival.

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 increase allocation in our recommended Balanced Advantage Fund and Multi-asset Allocation funds. Whereas investors with longer horizon can invest in staggered manner in our recommended Flexi-cap, Dividend Yield Fund, Large cap, Mid cap and Small cap funds.
- We also recommend investors to allocate 10 to 15% of the equity allocation in recommended theme - Banking & Financial Services Funds with an investment horizon of 2 to 3 years. (Click to refer our special note on [Banking & Financial](#)).

Sensex, FII & MF Movement



Indices Performance

Index	30-Dec-22	30-Nov-22	Change	% Chg
India				
Sensex	60,841	63,100	-2258.9	-3.6%
Nifty 50	18,105	18,758	-653.0	-3.5%
US				
Dow Jones	33,147	34,590	-1442.5	-4.2%
Nasdaq	10,466	11,468	-1001.5	-8.7%
EC				
FTSE 100	7,452	7,573	-121.3	-1.6%
Asia				
Nikkei 225	26,095	27,969	-1874.5	-6.7%
Hang Seng	19,781	18,597	1184.2	6.4%
Shanghai Comp	3,089	3,151	-62.1	-2.0%
Bovespa	109,735	112,486	-2751.4	-2.4%
RTS	971	1,125	-154.5	-13.7%
Other				
MSCI WORLD	2,603	2,721	-118.2	-4.3%
MSCI EM	956	972	-15.9	-1.6%
MSCI EM Asia	514	519	-5.4	-1.0%

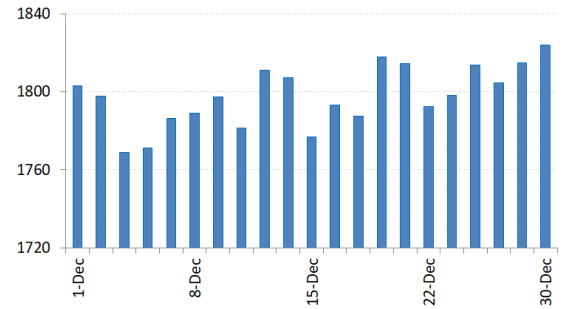
Sector Performance

Sector Index	30-Dec-22	30-Nov-22	Change	% Chg
BSE Auto	28,923	30,375	-1452.3	-4.8%
Bankex	48,906	49,348	-441.9	-0.9%
BSE CD	39,722	41,498	-1775.9	-4.3%
BSE CG	33,342	33,846	-504.0	-1.5%
BSE FMCG	16,075	16,526	-450.4	-2.7%
BSE HC	23,034	23,946	-912.0	-3.8%
BSE IT	28,672	30,511	-1839.2	-6.0%
BSE Metal	20,856	20,258	597.9	3.0%
BSE Oil	20,409	20,610	-200.9	-1.0%
BSE Power	4,381	4,699	-317.7	-6.8%
BSE PSU	10,018	10,021	-3.2	0.0%
BSE Real	3,447	3,587	-139.9	-3.9%
BSE TEC	13,413	14,284	-870.3	-6.1%

Review

- Gold rose 3.77% to 54,556 in December 22 from 52,574 in previous month. Gold demand was impacted by wedding season and regular purchases. Additionally, a fall in dollar index and the narrative of a potential Fed pivot contributed to Gold's positive return in December.
- Brent oil rose 0.56% in December 22 from 85.43 to 85.91 dollars. Oil remained flat as energy market is still trying to balance between the potential pickup in demand from China due to its economic reopening, and the recession risk in the U.S. and Europe in the New Year.
- Rupee depreciated by 1.61% in December 22 from 81.4 to 82.7. Rupee depreciation is mainly attributable to appreciation in the U.S. currency on safe haven appeal amid fears of inflation and FII outflows.

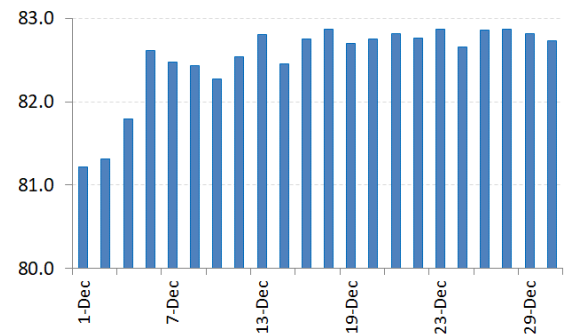
International Gold Movement



Outlook

- Given a fall in long-term inflation expectations and growing recession likelihood, it appears interest rates are close to the peak. This along with prospect of a weak dollar will support gold. Long term outlook for gold remains intact and positive.
- Entering 2023, the consensus view is that global oil market would remain tight but balanced. This is expected on lines of resumption of energy demand in spite of lowered global growth projections.
- Indian Rupee is expected to trade on a negative bias against the US Dollar as deteriorating global risk sentiments may put downside pressure on rupee. Weak global markets may lead safe haven flows towards USD. However, fall in crude oil prices & improving FII Inflows may prevent sharp downside in 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.

USD/INR Movement



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