March 2023

MONTHLY REPORT

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NIFTY 50
Closing – 17,304
PE – 20.97x
PB – 4.05x
Div Yield – 1.44%

NIFTY MIDCAP 100
Closing – 30,117
PE – 24.24x
PB – 2.85x
Div Yield – 1.32%

10 Yr GOI Yield
7.43%

CRUDE
83.89 $/bbl

USD/INR
82.67

GOLD
1,827 $/Oz

Data as on February 28, 2023
Source: Bloomberg

Indicators	Feb-23	Jan-23	Dec-22	Nov-22	Oct-22	Sep-22	Aug-22	Jul-22	Jun-22	May-22	Apr-22	Mar-22	Feb-22
Sensex	-0.99%	-2.12%	-3.58%	3.87%	5.78%	-3.54%	3.42%	8.58%	-4.58%	-2.62%	-2.57%	4.13%	-3.05%
Nifty	-2.03%	-2.45%	-3.48%	4.14%	5.37%	-3.74%	3.50%	8.73%	-4.85%	-3.03%	-2.07%	3.99%	-3.15%
Nifty Midcap	-1.82%	-2.64%	-1.65%	1.93%	2.49%	-2.58%	6.23%	12.03%	-6.49%	-5.33%	0.63%	5.20%	-6.77%
Nifty SmallCap 250 Index	-3.64%	-2.32%	-1.76%	2.98%	1.88%	-0.94%	5.63%	8.68%	-6.74%	-8.64%	0.55%	6.23%	-9.43%
S&P 500 Index	-2.61%	6.18%	-5.90%	5.38%	7.99%	-9.34%	-3.49%	9.11%	-8.39%	0.01%	-8.80%	3.58%	-3.14%
Nifty 50 EPS TTM (Rs)	829.10	943.57	796.54	795.93	800.71	791.13	799.81	795.07	772.36	771.79	754.43	730.82	745.08
Nifty 50 Price/Earnings (PE Ratio)	20.97	23.33	22.73	23.57	22.50	21.61	22.20	21.58	20.43	21.49	22.67	23.90	22.54
Nifty Midcap 100 (PE Ratio)	24.24	33.80	26.95	30.49	27.97	27.69	25.90	23.22	21.66	23.06	22.24	28.16	29.62
India Economic Indicator													
Bank Credit Growth (%)	16.22%	15.53%	16.27%	16.00%	16.68%	15.27%	14.16%	12.89%	12.06%	11.19%	10.08%	8.50%	7.86%
Bank Deposit Growth (%)	10.20%	10.58%	9.37%	9.61%	9.49%	9.21%	8.86%	8.35%	8.31%	10.08%	9.84%	8.84%	9.11%
Debt Market Indicator													
RBI Repo Rate (%)	6.50	6.25	6.25	5.90	5.90	5.90	5.40	4.90	4.90	4.40	4.00	4.00	4.00
G-sec 10 year Yield (%)	7.43	7.34	7.33	7.28	7.45	7.40	7.19	7.32	7.45	7.42	7.14	6.84	6.77
1 Year Tbill (%)	7.30	6.92	6.72	6.85	6.81	6.70	6.20	6.46	6.20	6.01	5.11	4.67	4.71
Corp Bond 10 Yr AAA Yield (%)	7.87	7.78	7.72	7.71	7.77	7.78	7.55	7.68	7.78	7.84	7.31	7.17	7.18
Corp Bond 10 Yr AA Yield (%)	8.71	8.57	8.52	8.56	8.58	8.48	8.28	8.40	8.50	8.59	8.04	7.95	7.97
Corp Bond 10 Yr A Yield (%)	10.42	10.34	10.33	10.28	10.44	10.41	10.16	10.31	10.50	10.43	10.13	9.84	9.75
Corp Bond 5 Yr AAA Yield (%)	7.90	7.75	7.69	7.60	7.75	7.55	7.44	7.39	7.54	7.55	6.86	6.43	6.57
Corp Bond 1 Yr AAA Yield (%)	7.35	7.77	7.61	7.53	7.48	7.33	6.69	6.45	6.64	6.76	5.16	4.95	4.94
CD 1 Yr (%)	7.87	7.68	7.59	7.43	7.64	7.06	7.01	6.91	6.53	6.29	5.30	4.71	4.90
Commodity & Currency													
Gold Price (USD)	1827	1928	1824	1769	1634	1661	1724	1766	1807	1837	1897	1937	1909
Gold (Rs/10gm)	55320	56719	54556	52574	50187	50074	50986	51301	50699	50861	51847	51317	50479
Crude($)	83.89	84.49	85.91	85.43	94.83	87.96	99.31	110.01	114.81	122.84	109.34	107.91	100.99
INR/1 USD	82.67	81.92	82.74	81.43	82.79	81.35	79.46	79.27	78.97	77.64	76.43	75.79	75.34
INR/1 EURO	87.67	88.73	88.15	84.36	82.35	79.72	79.72	80.89	82.36	83.25	80.86	84.20	84.23
Flows													
FII-Equity (Rs.cr)	-5279	-29950	-1354	38235	8431	-13406	53994	6720	-49469	-37663	-29146	-28312	-37689
FII-Debt (Rs.cr)	750	5090	-1892	718	-3029	1491	4283	-2318	-2005	-5378	-3980	-5111	-3458
MF-Equity (Rs.cr)	12825	21353	14692	4402	6318	18602	-1642	6920	22051	29435	22371	22220	28436
MF-Debt (Rs.cr)	-643	-8600	2567	-598	-9324	-20385	4642	5300	-8681	-12739	6825	-4771	5416

Source: Bloomberg, W2W Research

Summary:-

- As of 28th February 2023, Nifty 50 was trading at a PE of 20.97x and Nifty Midcap 100 was trading at a PE of 24.24x.
- CPI inflation accelerated to 6.52% in January 2023 from 5.72% in December. WPI inflation declined to 4.73% in January 2023 from 4.95% in the previous month, pointing to lowest figure since February 2021.
- Credit growth rose by 16.22% YoY as of 10-Feb-2023. Aggregate deposit growth stood at 10.20% YoY.
- The gross GST revenue collected in the month of February 2023 was Rs. 1,49,577 crores. The revenues for the month of February 2023 were 12% higher than the GST revenues in the same month last year.
- Manufacturing PMI edged down to a four-month low of 55.3 in February 2023 from 55.4 in January 2023. India Services PMI increased to a 12-year high of 59.4 in February 2023 from 57.2 in the previous month.

Debt Market Review

- A deficit liquidity position, surge in borrowing requirements and global risks have pushed bond yields materially higher last month. The yield curve flattened with the short end of the yield curve rising more than the longer end.
- The 10yr benchmark yield rose by 9 bps to 7.43% from 7.34% at the start of the month. The 1yr T-bill yield rose to 7.30% from 6.92%, rising by over 38 bps during the month. The GDP print for Q3FY23 came in at 4.4% which was slightly lower than consensus.
- January CPI inflation surprised sharply on the upside at 6.52% from 5.72% in December, mainly due to a sequential rise in cereal prices. Wholesale Price Index (WPI) was at 4.73% in Jan-23 (year on year-YoY basis) while it was 4.95% in Dec-22 (YoY basis). The upside surprise on CPI Inflation led the bond markets to price in another 25bps rate hike by MPC in the April policy.
- Lingering inflation and fears of higher interest rates lifted the 10Y US treasury (UST) yield above 4%, marking a fresh acceleration for a historic bond market rout. Even as the 10Y UST yield climbed, the 2Y treasury yield which is sensitive to US Fed rate expectations raced higher even faster at Feb-23 end (to around 4.9%).
- Globally, the yield curve remains inverted as yields rose across the US and Europe, with inflation coming in higher than expected and growth numbers better than expected.
- FII remained net buyers in the Debt market to the tune of Rs 750 Cr in February 22 compared to buying of Rs 5,090 Cr in the previous month. MF institutions remained net sellers in Debt market to the tune of Rs 643 Cr compared to selling of Rs. 8,600 Cr in the previous month.

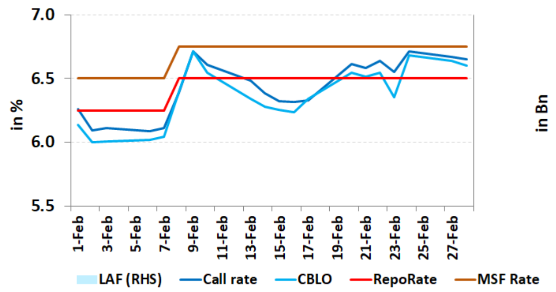
Debt Market Outlook

- Market yields have risen sharply over the last month. The current curve remains very flat with everything in corporate bond beyond 1 year up to 15 years is available @7.5-7.65% range. We expect the curve to remain flat for most part of 2023.
- We believe both inflation and rates are peaking and inflation should now soften gradually in line with lower commodity prices.
- While there is a higher probability of RBI hiking the policy repo rate by 25 bps to 6.75%, inflation is not as serious an issue in India as it is in the developed economies as inflation is expected to gradually trend lower below 6% in the next two quarters, thus remaining within the RBI's inflation targeting band.
- The biggest driver of fixed income markets over the last year has been the steady, upward recalibration of expectations for the terminal level of the US Fed's policy rate. The latest round of inflation data surprised on the upside, and contained trends that point to higher for longer policy. As inflation pressures persist through much of the U.S. economy. FOMC members have reiterated their commitment to raise rates until inflation is under control.
- We expect Indian 10Y G-Sec to trade in range of 7.30-7.50%.

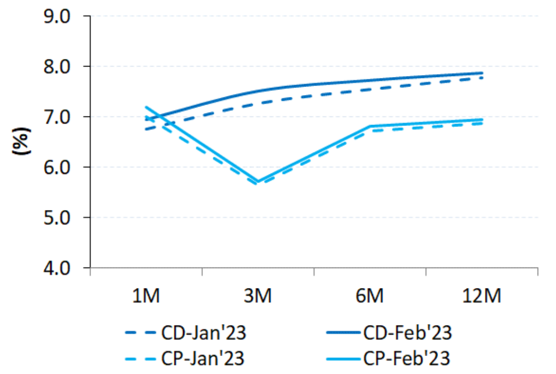
Investment Strategy

- 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.

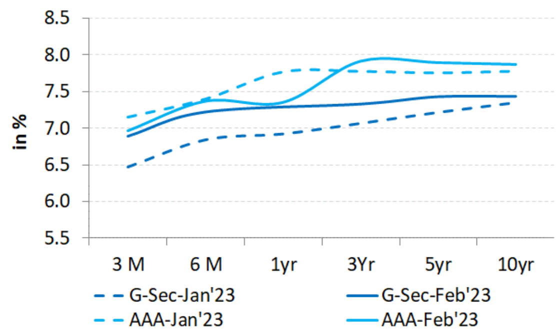
LAF and Money Market Rate Movement



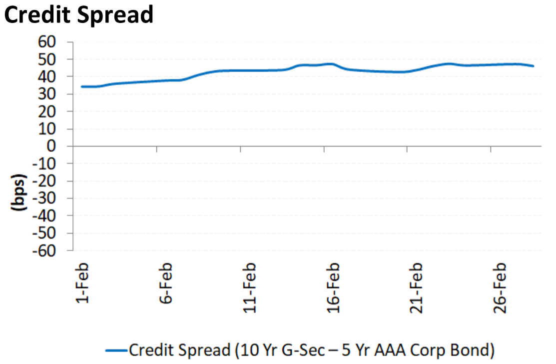
CD Rate Movement



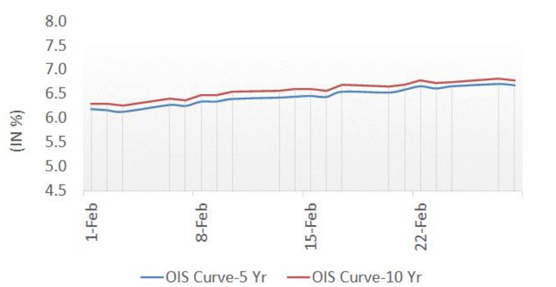
G-Sec and AAA Corp Bond Yield Movement



Credit Spread



OIS Curve

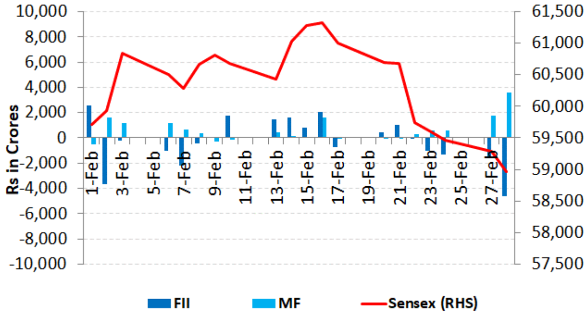


Source: Bloomberg, W2W Research

Equity Market Review

- After a strong start to 2023, February shifted into reverse gear with a softer performance across global markets. Renewed investor concerns over high inflation and high interest rates resulted in broad declines in equities.
- Domestic equity markets climbed at the start of the month as market participants applauded the Union Budget 2023. However, the trend reversed as the market sentiment was hampered by sticky inflation, higher rates, hawkish policy stance by US Fed and domestic factors such as continued rate hikes by RBI, weak quarterly results, consistent FII selling and volatile moves in Indian conglomerate. The Nifty 50 closed February with a 2% loss, its third straight month of decrease. Mid and small caps followed suit, with the NIFTY Midcap 100 and NIFTY Smallcap 100 closing the month down 1.8% and 3.6%, respectively.
- After a strong performance in January, US stocks retreated in February as economic data and comments from US Federal Reserve officials prompted market participants to reconsider the odds that the central bank would hike rates to a higher level than market forecasts and keep them elevated for longer than was initially expected. The Dow finished the month down 4.19%.
- Positive indicators emerged from China's quick recovery from the pandemic, but that failed to translate into equity gains. Hong Kong's Hang Seng Index slumped 9.41% MoM in February, pressured by global prolonged monetary tightening and rising geopolitical tensions with the west.
- FIIs sold equities worth Rs 5,279 Cr in February 2023 (January 2023: Net seller of Rs 29,950 Cr). DIIs, on the other hand, bought equities worth Rs 12,825 Cr in February 2023 (January 2023: Net buyer of Rs 21,353 Cr).

Sensex, FII & MF Movement



Indices Performance

Index	28-Feb-23	31-Jan-23	Change	% Chg
India				
Sensex	58,962	59,550	-587.8	-1.0%
Nifty 50	17,304	17,662	-358.2	-2.0%
US				
Dow Jones	32,657	34,086	-1429.3	-4.2%
Nasdaq	11,456	11,585	-129.0	-1.1%
EC				
FTSE 100	7,876	7,772	104.6	1.3%
Asia				
Nikkei 225	27,446	27,327	118.5	0.4%
Hang Seng	19,786	21,842	-2056.4	-9.4%
Shanghai Comp	3,280	3,256	23.9	0.7%
Bovespa	104,932	113,431	-8498.6	-7.5%
RTS	946	1,001	-55.0	-5.5%
Other				
MSCI WORLD	2,715	2,785	-70.4	-2.5%
MSCI EM	964	1,032	-67.5	-6.5%
MSCI EM Asia	520	558	-38.5	-6.9%

Equity Market Outlook

- Euphoric January was followed by a sombre February, which witnessed bonds and equities plunging as strong economic data renewed rate-hike expectations. Market concerns have now shifted from recession fears to still stubbornly elevated inflation, prompting increased hawkish prospects for higher interest rates that will likely stay in place for a longer period. Geopolitical tensions are taking time to abate and are only getting complex. Given these tensions, supply chains and global trade has become vulnerable.
- Domestic equity markets focus on the earnings growth and cost of capital (interest rate outlook globally). Both these factors are neutral to negative for India from near term perspective and thus market will continue to consolidate till there's some clear visibility on earnings upgrades or substantial decline in interest rates.
- High inflation, high global interest rates, geo-political issues, persistent FII selling and the El Nino threat (which occurs every 3 -6 years; means the abnormal heating up of surface ocean waters that lead to changes in wind patterns) are some headwinds for the Indian stock markets in the near term.
- Having said this on near term earnings /market context, Indian economy is in a structural upcycle which will come to fore once global macroeconomic challenges recede. High frequency indicators like GST collection, peak power demand, recovery in Air Travel, PV, CV, housing, capital goods and improving capacity utilization are showing healthy signs, and things are expected to improve once broader economic headwinds abate.

Sector Performance

Sector Index	28-Feb-23	31-Jan-23	Change	% Chg
BSE Auto	29,226	30,452	-1226.1	-4.0%
Bankex	45,609	46,080	-471.1	-1.0%
BSE CD	37,460	37,732	-271.8	-0.7%
BSE CG	33,863	33,806	56.5	0.2%
BSE FMCG	16,162	16,108	53.9	0.3%
BSE HC	21,600	22,492	-891.2	-4.0%
BSE IT	29,404	29,655	-251.0	-0.8%
BSE Metal	18,986	21,153	-2166.5	-10.2%
BSE Oil	16,915	18,522	-1607.0	-8.7%
BSE Power	3,296	3,907	-610.2	-15.6%
BSE PSU	9,366	9,751	-384.7	-3.9%
BSE Real	3,152	3,280	-127.5	-3.9%
BSE TEC	13,346	13,652	-306.1	-2.2%

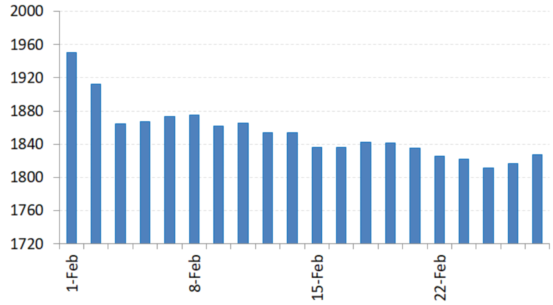
Investment Strategy

- 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).

Review

- Gold fell 2.47% to 55,320 in February 23 from 56,719 in previous month. On account of strong US dollar and hawkish US Federal Reserve amid rising US inflation concerns, gold prices continued to remain under pressure.
- Brent oil fell 0.71% in February 23 from 84.5 to 83.9 dollars. Brent was relatively flat during the month.
- Rupee depreciated by 0.91% in February 23 from 81.9 to 82.7. The rupee weakened against the US dollar on the back of unexpectedly strong US employment data, which stoked fears that the US Federal Reserve would hike rates for longer than anticipated.

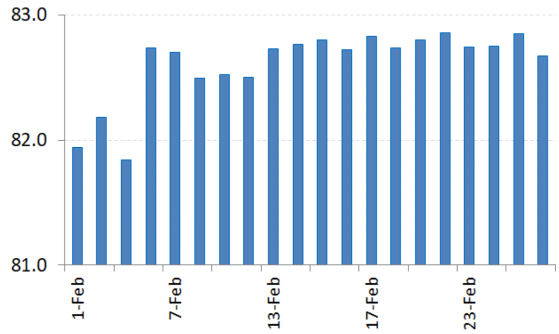
International Gold Movement



Outlook

- Over short-term gold is expected to remain volatile as higher interest rates usually dull gold's appeal because they increase opportunity cost of holding the asset which bears no interest. However, long term outlook for gold remains intact and positive.
- High demand for crude oil from refineries because of elevated refining margins will limit downward pressure on crude oil prices as refiners maintain high levels of crude oil inputs to maximize distillate fuel production. However, increasing global oil inventories will contribute to falling crude oil prices.
- Indian Rupee is expected to trade with a slight negative bias on risk aversion in global markets and renewed selling pressure by FIIs. However, decline in crude oil prices and weak US Dollar may cushion the downside.
- 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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