



Nippon **india** Mutual Fund

Wealth sets you free

EQUITY

Market Outlook

April 2024



Good gets *better*

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Macro and Equity Market Outlook

GLOBAL MACRO & MARKETS

India's NSE NIFTY index ended the month on a strong note, up +1.6% MoM, in March 2024. The S&P500 (+3.1%), the Euro 50 (+4.2%), the Morgan Stanley Capital International (MSCI) World (+3.0%), and the Japanese NIKKEI (+3.1%) rounded a third consecutive positive month for major global indices. Among Emerging Market (EM) indices, the Morgan Stanley Capital International (MSCI) Emerging Markets, the HANG SENG (Hong Kong), The Moscow Exchange (MOEX) Russia ended March 2024 in green, with returns of +2.2%, +0.2% and +2.3% respectively. The BOVESPA (BVSP) Brazil ended the month with the return of -0.7%.

The London Metals Exchange (LME) Index rose (+3.2%) in March 2024, as China's Manufacturing Purchasing Managers' Index (PMI) rose from contraction to expansion zone suggesting a modest improvement in manufacturing sector output at the end of 1QCY24. The West Texas Intermediate (WTI) and Brent Crude rose for the second month in a row, by +6.3% and +4.2% respectively as global oil markets remained volatile based on the sustenance of The Organization of the Petroleum Exporting Countries (OPEC+) production caps, United States (US) supply compensation and the situation in the Red Sea.

The Dollar index strengthened by +0.3% through March 2024, with the Dollar depreciating by -0.4% vis-à-vis Emerging Market currencies and appreciating by +0.6% against the Indian Rupee on the spot market. India 10Y G-Sec yields fell by -2.2 bps, while US 10Y G-Sec yield fell by 5 bps, and the German Bund yield fell by 11.3 bps, with rates settling at 7.06%, 4.20% and 2.29% respectively.

Domestic Macro & Markets

The S&P BSE SENSEX (+1.6%) rose in March 2024. BSE Mid-cap and Small-cap indices underperformed the S&P BSE Sensex, with performances of -0.01% and -4.54% respectively. Sector-wise, Capital Goods, Auto, and Metals were the top 3 performers over the month, clocking +6.1%, +5.0%, and +5.0%, respectively. 6 of BSE's 13 sectoral indices ended the month in green.

Net Foreign Institutional Investors (FII) flows into equities were positive for March 2024 (+\$3.7 Bn, following +0.4 Bn in February 2024). The Domestic Institutional Investors (DIIs) remained net buyers of Indian equities (+\$6.78 Bn, from +\$3.06 Bn last month). In CY2024, Net Foreign Institutional Investors (FII) Flows stood at +\$1.08 Bn, while net Domestic Institutional Investors (DII) investments in the cash markets stood at +\$13.06 Bn, outpacing Foreign Institutional Investors (FII) investments.



India's high frequency data update:

Elevated levels of Goods and Services Tax (GST) collections, festive season demand uptick, stable retail inflation, deflated input inflation, rising core sector outputs, and elevated credit growth may augur well for the Indian economy.

Manufacturing PMI:

India manufacturing Purchasing Managers' Index (PMI) increased to a 16-year high of 59.1 in March 2024 from 56.9 in February 2024 owing to an increase in output and new orders- the index is driven by an increase in inflow from both domestic and export markets indicating continuing robust demand trends. The input price index increased to a five-month high while the output price index declined to a 13-month low.

Goods and Services Tax (GST) Collection:

Gross collections of INR 1.78 Tn (+11.5% YoY, second highest ever recorded) in March 2024 concluded the twenty fifth consecutive month of collections over the INR 1.4 Tn mark, following record collections of INR 1.87 Tn in April 2023. Rising compliance, increased formalization of the economy, domestic transaction volume uptick, and improved administrative efficiency have driven high tax collection buoyancy.

Core sector production:

The index of eight core sector industries grew YoY by +6.7% in February 2024, against a +4.1% jump in January 2024 (Revised upwards from +3.7%), at the fastest pace in three months. Seven of the eight constituent sectors recorded positive YoY growths, with Fertilizers recording a YoY degrowth.

Credit growth:

Scheduled Commercial Bank Credit growth reached 20.41% YoY as of 8th March 2024 against a YoY growth of 15.68% as observed on 10th March 2023.

Inflation:

February's Consumer Price Index (CPI) inflation rate reached a 4-month low of 5.09%, decelerating from 5.1% in January 2024. Food inflation accelerated, coming in at 8.66%. Wholesale Price Index (WPI) inflation eased from January 2024, with the February 2024 print at 0.20%, 7 bps down from January 2024. WPI inflation printed positive for the fourth month in a row.

Trade Deficit:

Indian Merchandise Exports rose by +11.9% YoY to \$41.4 Bn in February 2024, while Imports rose by +12.2% YoY to \$60.11 Bn. Merchandise trade deficit widened by +12.91% to \$18.91 Bn as imports grew faster than exports.

Market View

- Indian economy continues to remain robust supported by demographic tailwinds, policy and structural reforms. Key lead indicators like tax collections, industrial activity, power demand continues to be buoyant.
- Moderating inflation, pick up in the private sector capex are also positive drivers.
- India is emerging to be destination of choice for global investors given the favorable macros, expectations of policy continuity etc. and we may see increased inflows.
- While the larger construct looks positive in India, valuations continue to remain elevated at a broad level with some exceptions like Large Banks, select utilities, commodities etc.
- We believe Large Cap oriented strategies across Large Cap and Flexi/Multi Cap categories appear to be better placed on a risk-reward basis while Asset allocation products can help to manage the downside risks.
- Asset allocation in line with investment goals and risk appetite is important for better risk – return optimization. Herein asset allocation funds can help in lowering volatility and provide better balance to the overall portfolio mix.

Events to watch out for in April 2024

Q4FY24 Earnings Season:

The Q4FY24 earnings season kicks off in April 2024, with the backdrop of a better-than-expected earnings season in the previous quarter. The Indian economy remains resilient, with core inflation cooling and a healthy growth projection. Export and demand recoveries may play a large part in producing possibly greater than expected earnings.

General Election Developments:

Voting for Indian General Elections starts on April 19th, 2024 which will run over six weeks in seven phases. Policy continuation and support makes the elections a key monitorable for markets.

Commodity Prices:

Gold reached an all time high in late March 2024, up nearly 10% in 2024, propped up by Central bank buying and rate cut expectations. US dollar weakness and falling yields have also led to firming up of commodity prices. Oil Markets also remain propped up near five-month highs as supply shortages loom based on The Organization of the Petroleum Exporting Countries (OPEC+) production cuts, while China and US demand outlook remained strong. Commodity markets remain a key monitorable for global markets.

Reserve Bank of India (RBI) Policy and Money Policy Committee (MPC) decision:

RBI's first MPC meet for FY25 is scheduled to be held between 3-5th April 2024. The RBI is expected to hold its stance of "withdrawal of accommodation" by keeping policy rates constant at 6.5%, while aligning with US Federal Open Market Committee (FOMC) policy of a dovish policy based on economic data. The Federal Reserve kept its policy rate unchanged for the fifth consecutive meet in March 2024, at 5.25-5.5%. The Fed also hinted at 3 rate cuts to be made over the course of the year 2024.

Monthly Performance for Key Indices:

| INDEX | 2021 | 2022 | 2023 | Jan-24 | Feb-24 | Mar-24 |
|--------------------------|--------|--------|--------|--------|--------|--------|
| MSCI WORLD | 20.1% | -19.5% | 21.8% | 1.1% | 4.1% | 3.0% |
| S&P 500 (US Markets) | 26.9% | -19.4% | 24.2% | 1.6% | 5.2% | 3.1% |
| Euro 50 | 21.0% | -11.7% | 19.2% | 2.8% | 4.9% | 4.2% |
| MSCI EM | -4.6% | -22.4% | 7.0% | -4.7% | 4.6% | 2.2% |
| HANG SENG | -14.1% | -15.5% | -13.8% | -9.2% | 6.6% | 0.2% |
| Nifty 50 India | 24.1% | 4.3% | 20.0% | 0.0% | 1.2% | 1.6% |
| LMEX LONDON METALS INDEX | 31.8% | -11.5% | -5.6% | -0.8% | -1.0% | 3.2% |
| BRENT | 50.2% | 10.5% | -10.3% | 6.1% | 2.3% | 4.6% |
| DOLLAR INDEX SPOT | 6.4% | 8.2% | -2.1% | 1.9% | 0.9% | 0.3% |
| BSE SENSEX | 22.0% | 4.4% | 18.7% | -0.7% | 1.0% | 1.6% |
| BSE MIDCAP | 39.2% | 1.4% | 45.5% | 5.3% | 1.5% | -0.1% |
| BSE SMALLCAP | 62.8% | -1.8% | 47.5% | 7.1% | -1.1% | -4.6% |
| USDINR | 1.7% | 11.3% | 0.6% | -0.2% | -0.2% | 0.6% |

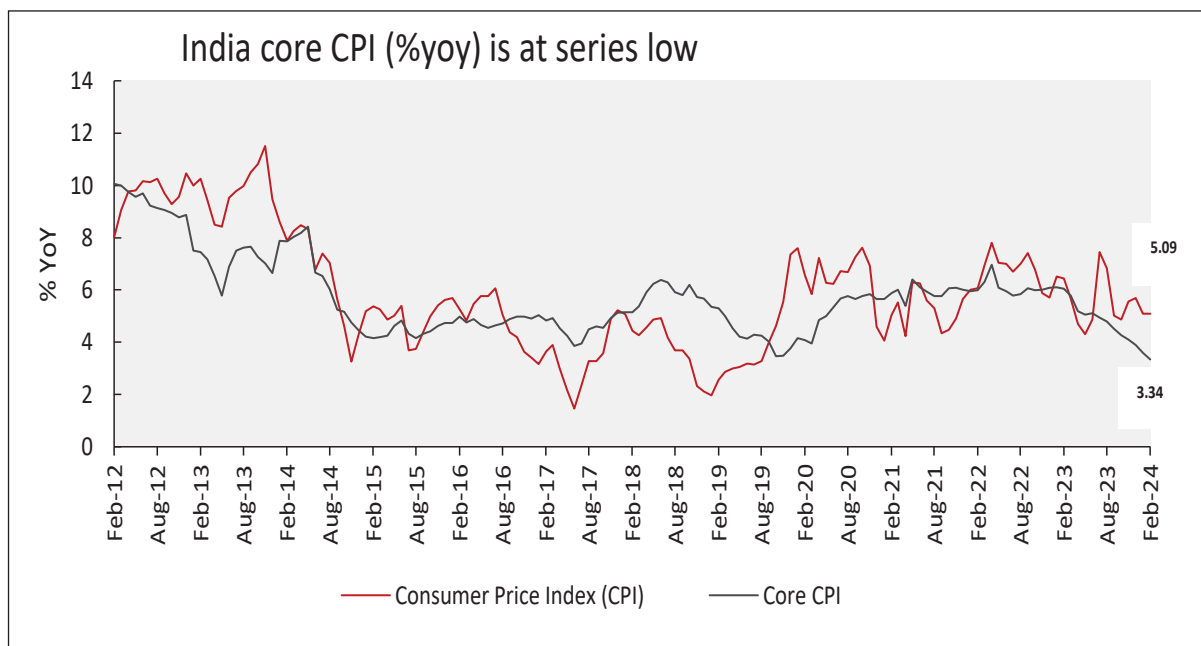
Source: Bloomberg .*Calendar year returns.

Note: Market scenarios are not reliable indicators for current or future performance. The same should not be construed as investment advice or as any research report/research recommendation.

Past performance may or may not be sustained in future.

Chart of the month :

India's core CPI rate (ex. Food and Beverages and Fuel and Light) fell to lowest recorded levels in February 2024, while CPI inflation rates cooled closer to RBI's tolerance band of 4–6%. Continued weakness in commodity prices, lagged impact of prior rate hikes and waning pricing power of select producers are contributing to subdued core inflation print. The downtrend in core inflation with muted wholesale prices may keep the upside risks to inflation risks at bay for majority of FY25.



Source:

NIMF Research, CEIC

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