NOVEMBER 2024

MONTHLY REPORT

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CONTENTS

NIFTY 50
Closing-24131.10
PE – 22.21
PB – 3.6x
Div Yield – 1.27%

NIFTY MIDCAP 100
Closing –56392.65
PE – 37.3
PB – 5.09x
Div Yield – 0.81%

10 Yr. GOI Yield
6.75%

CRUDE
72.94 $/bbl

USD/INR
84.49

GOLD
2,643 $/Oz

Data as on November 30, 2024
Source: Bloomberg

Indicators	Nov-24	Oct-24	Sep-24	Aug-24	Jul-24	Jun-24	May-24	Apr-24	Mar-24	Feb-24	Jan-24	Dec-23	Nov-23
Sensex	0.52%	-5.80%	2.35%	0.76%	3.43%	6.86%	-0.70%	1.13%	1.59%	1.00%	-0.68%	7.84%	4.87%
Nifty	-0.31%	-6.20%	2.28%	1.14%	3.92%	6.57%	-0.33%	1.24%	1.57%	1.20%	-0.03%	7.94%	5.52%
Nifty Midcap 100 Index	0.50%	-6.70%	1.50%	0.50%	5.84%	7.80%	1.65%	5.81%	-0.54%	-0.50%	5.17%	7.63%	10.37%
Nifty SmallCap 250 Index	-0.20%	-3.60%	1.30%	1.24%	4.89%	9.50%	-1.31%	10.49%	-4.24%	-0.70%	7.28%	5.96%	10.22%
S&P 500 Index	4.70%	-1.00%	2.00%	2.28%	1.13%	3.47%	4.80%	-4.16%	3.10%	5.20%	1.59%	4.42%	8.92%
Nifty 50 EPS TTM (Rs)	1069	1021	1018	1016	991	989	990	926	937	955	936	852	852
Nifty 50 Price/Earnings (PE Ratio)	22.5	23.6	25.2	24.7	25.03	24	23	24	23	23	23	25	23
Nifty Midcap 100 (PE Ratio)	37	37	41	40	40	37	34	33	30	27	35	35	32
India Economic Indicator													
Bank Credit Growth (YoY%)	11.15%	12.13%	13.35%	13.48%	13.87%	19.16%	19.54%	19.03%	20.18%	20.79%	20.25%	20.14%	20.64%
Bank Deposit Growth (YoY%)	11.21%	12.33%	11.18%	10.88%	11.28%	12.58%	13.28%	13.31%	13.48%	13.68%	13.07%	14.05%	13.63%
Debt Market Indicator													
RBI Repo Rate (%)	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
G-sec 10 year Yield (%)	6.75	6.85	6.75	6.86	6.93	7.01	6.98	7.19	7.06	7.08	7.14	7.17	7.28
Corp Bond 10 Yr AAA Yield (%)	7.40	7.34	7.31	7.45	7.48	7.55	7.57	7.58	7.52	7.63	7.68	7.76	7.84
Corp Bond 10 Yr AA Yield (%)	8.09	8.03	8.04	8.12	8.12	8.25	8.22	8.23	8.16	8.25	8.34	8.39	8.45
Corp Bond 10 Yr A Yield (%)	9.79	9.78	9.75	9.88	9.95	10.02	9.99	10.15	10.05	10.05	10.13	10.19	10.30
Corp Bond 5 Yr AAA Yield (%)	7.36	7.52	7.50	7.62	7.56	7.74	7.65	7.69	7.61	7.69	7.78	7.79	7.83
Corp Bond 1 Yr AAA Yield (%)	7.63	7.63	7.69	7.76	7.65	7.74	7.72	7.80	7.76	7.88	7.89	7.91	7.79
CD 1 Yr (%)	7.55	7.46	7.76	7.63	7.57	7.62	7.62	7.54	7.62	7.79	7.84	7.72	7.82
Commodity & Currency													
Gold Price (USD)	2,643	2,744	2,635	2,503	2,448	2,327	2,327	2,286	2,230	2,044	2,040	2,063	2,036
Gold (Rs/10gm)	76,400	79,181	75,051	71,679	69,046	71,563	72,127	71,529	66,987	62,010	62,591	62,939	62,440
Crude($)	72.94	73.16	71.77	78.80	80.72	86.41	81.62	87.86	87.48	83.62	81.71	77.04	82.83
INR/1 USD	84.49	84.08	83.80	83.87	83.73	83.39	83.47	83.44	83.40	82.91	83.04	83.21	83.40
INR/1 EURO	89.22	91.39	93.77	92.95	90.65	89.30	90.53	89.50	89.87	89.98	89.88	91.94	91.10
Flows													
FII-Equity (Rs.cr)	-22,602	-91,934	49,793	11,678	27,957	25,940	-25,260	-9,175	2,355	4,000	-26,111	58,498	19,178
FII-Debt (Rs.cr)	-968	-5,978	19,225	16,421	21,863	19,673	15,109	-15,941	4,723	19,693	21,063	19,759	13,970
MF-Equity (Rs.cr)	35,633	32,561	32,264	31,685	20,601	28,226	48,099	32,824	-1,066	14,295	23,011	23,628	17,987
MF-Debt (Rs.cr)	-32,395	-36,396	-36,890	52,470	-6,612	-4,800	-61,291	14,529	-5,229	-46,298	-21,642	-14,110	-27,283

Source: Bloomberg, W2W Research

Summary:-

- As of 30th November 2024, Nifty 50 was trading at a PE of 22.21x and Nifty Midcap 100 was trading at a PE of 37.30x.
- India's CPI inflation in October 2024 rose to 6.21%, compared to 5.49% in September 2024. Meanwhile, India's WPI inflation increased to 1.84% in October 2024, up from 1.31% in September 2024.
- Bank credit as of November 30, 2024, has shrunk marginally to 11.15% year-over-year, compared to a growth of 12.13% year-over-year in October 2024. However, the growth of bank deposits has decreased to 11.21% year-over-year.
- GST collection was 1.82 lac cr as compared to Rs. 1.87 lac cr in october.
- India's Manufacturing PMI decreased to 56.5 in November 2024, down from 57.5 in October 2024. Meanwhile, India's Services PMI also declined marginally to 58.4 in November, compared to 59.2 in the previous month.

Debt Market Review

- US 10-year bond yields surged to 4.29% in November 2024, up from 4.28% in October 2024, driven by increasing uncertainty surrounding geopolitical tensions and the ongoing U.S. presidential elections, which have continued to put pressure on U.S. bonds and pushed yields higher.
- The RBI has maintained the repo rate at 6.5% and revised GDP growth for FY25 down to 6.6%. CPI inflation is now projected at 4.8%, with the current rate at 6.21%. The 10-year government bond yield is around 6.79%, and the RBI has cut the Cash Reserve Ratio by 50 basis points to enhance liquidity.
- In the month of October 2024, inflation surprised on the upside, with the headline Consumer Price Index (CPI) reaching a 14-month high of 6.21%. This increase was largely driven by a rise in food inflation, particularly due to higher prices for vegetables and edible oils. Additionally, the core CPI edged up to 3.7%. Given that the last two readings have exceeded market expectations, inflation for FY2025 is likely to remain above the Reserve Bank of India's (RBI) estimate of 4.5%.
- Trade deficit widened to USD 27.14 bn (from USD 20.78 last month) due to higher oil and gold imports
- In the month of November 2024, Foreign Institutional Investors (FIIs) sold ₹938 crores in the Indian debt market, while Domestic Institutional Investors (DIIs) were net sellers at ₹32,395 crores. This combined selling reflects a cautious sentiment from both groups amid ongoing market uncertainties.
- In the month of November 2024, the banking system's liquidity surplus reached Rs 1 trillion, driven by increased government spending. However, analysts warn that this surplus may soon shift to a deficit due to expected tax outflows, impacting the debt market and influencing interest rates.

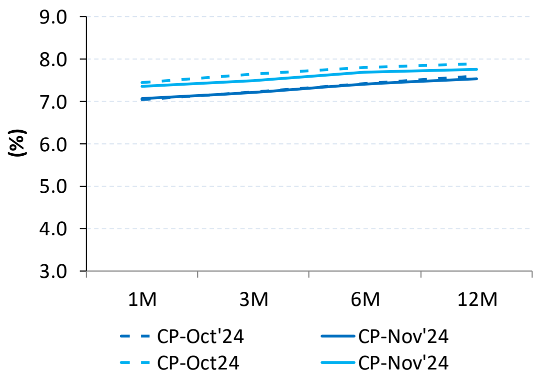
Debt Market Outlook

- From December 2024, the Indian debt market is expected to adopt a cautious stance, as November's inflation is anticipated to be below 5.4%, driven by a decline in vegetable prices, favourable base effects, and lower food inflation. However, the RBI has raised its FY25 inflation estimate to 4.8%, which could influence future monetary policy decisions
- The 10-year US Treasury bond yields would be subdued as the Fed cuts its interest rates by 25bps in its monetary policy meeting and projects that long-term interest rates will decline over the next few years
- The European debt market may experience volatility as the ECB is expected to cut rates by 25 basis points despite rising inflation. This could lower yields on European bonds, reflecting concerns over economic growth. While the rate cut may temporarily support bond prices, investors must evaluate the ECB's challenge of balancing inflation and growth, leading to mixed market signals.
- The debt market outlook is influenced by the Bank of England's recent 25 basis points rate cut, lowering the interest rate from 5% to 4.75% in the context of rising inflation. This environment is likely to lead to declining bond yields, potentially falling to around 4% or lower if further rate cuts occur in December or beyond, prompting investors to adjust their strategies accordingly.
- The RBI has reduced the Cash Reserve Ratio by 50 basis points to 4%, adding about INR 1.16 lakh crore to the banking system and boosting liquidity in the Indian debt market. This will help banks lend more and increase demand for fixed-income securities. However, inflation should be monitored, as it could impact the debt market's stability.
- Starting from the December, the Reserve Bank of India (RBI) is set to utilize Open Market Operations (OMO) to manage liquidity after cutting the Cash Reserve Ratio (CRR) to 4%, injecting 1.16 lakh crore. With the repo rate at 6.5% and inflation expected at 4.8% for FY25, OMOs will be vital for stabilizing the bond market amid volatility in 10-year G-sec yields and a revised growth forecast of 6.6% for FY25.

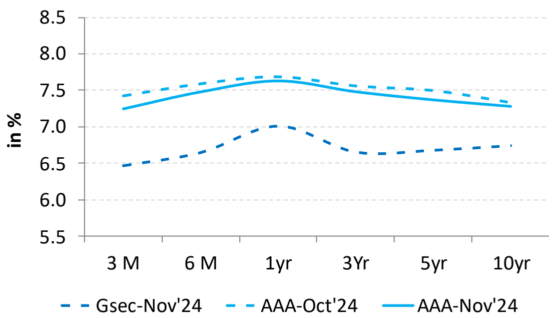
Investment Strategy

- We are at the peak of the interest rate cycle, given this view investors can add duration to their portfolio based on risk appetite through allocation in Gilt, Target Maturity Funds, and Medium to Long Duration Funds category. The bullish view on bonds isn't predicated on an early or deep rate cut cycle, but rather on the ongoing transformation in India's underlying macro-economic dynamics in the context of greater foreign participation given the bond index inclusion.
- Investors should continue to plug, in our view, through appropriate duration selection on incremental fixed-income investments.
- Click here to refer to our special report to support our view on long bonds.
- Investors can consider investing in the recommended Money Market, Ultra Short Duration, Low Duration, Short Term, or Medium Duration funds as per the investment horizon and risk appetite and should consider the reinvestment risk as the biggest risk at the end of the maturity period.

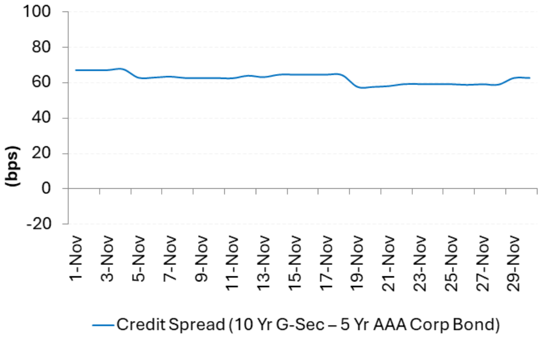
CD Rate Movement



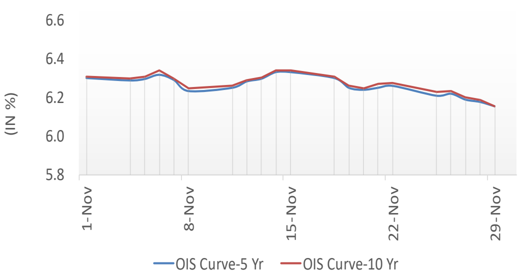
G-Sec and AAA Corp Bond Yield Movement



Credit Spread



OIS Curve

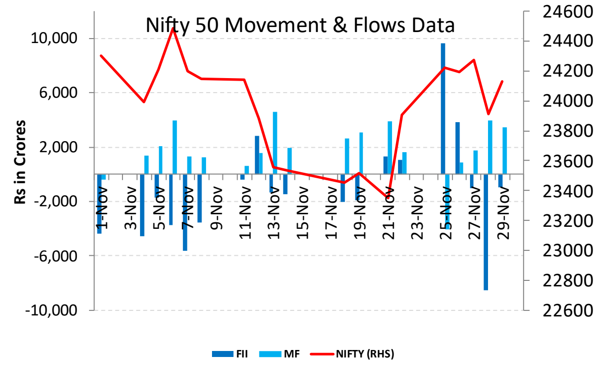


Source: Bloomberg, W2W Research

Equity Market Review

- In the month of November 2024, the U.S. stock market experienced significant gains, marking it as the best month of the year. The Dow Jones Industrial Average rose by 7.5%, while the Nasdaq increased by 6.2%. This rally was largely fuelled by the positive market sentiment following Donald Trump's presidential victory, which led to optimism regarding potential tax cuts and deregulation.
- Indian stock market saw a slight decline, with the Nifty 50 down 0.31% for the month, reflecting ongoing challenges despite some support from domestic institutional investors. The Reserve Bank of India (RBI) maintained interest rates for the 11th consecutive time, citing persistent sticky food inflation and a revised GDP growth forecast of 6.6%. The RBI's cautious stance aims to balance inflation control with the need to support economic recovery amid fluctuating global conditions.
- The Nikkei experienced a decline of 2.22%, reflecting concerns over Japan's slowing economic growth and rising inflation. In contrast, the Shanghai Composite gained 1.42%, supported by government stimulus measures designed to enhance domestic
- Following the Bank of England's decision to cut the bank rate by 25 basis points to 4.75%, the FTSE experienced gains of 2.38%. This rate cut aimed to stimulate the economy amid rising inflation concerns. Market reactions were mixed, reflecting broader economic uncertainties.
- Foreign institutional investors (FIIs) sold Indian equities worth ₹22,602.1 crore due to weak Q2 earnings and high market valuations. This was compounded by geopolitical tensions and a shift towards more attractive markets like China. However, domestic institutional investors (DIIs) bought equities worth ₹35,632 crore, helping to stabilize the market amidst the outflows. The contrasting actions of FIIs and DIIs led to increased market volatility.

Nifty, FII & MF Movement



Indices Performance

Index	29-Nov-24	31-Oct-24	Change	% Chg
India				
Sensex	79,803	79,389	413.7	0.5%
Nifty 50	24,131	24,205	-74.3	-0.3%
US				
Dow Jones	44,911	41,763	3147.2	7.5%
Nasdaq	19,218	18,095	1123.0	6.2%
EC				
FTSE 100	8,287	8,110	177	0
Asia				
Nikkei 225	38,208	39,081	-873.2	-2.2%
Hang Seng	19,424	20,317	-893.7	-4.4%
Shanghai Cc	3,326	3,280	46.6	1.4%
Bovespa	125,668	134,185	-8517.4	-6.3%
RTS	1,126	1,175	-49.0	-4.2%
Other				
MSCI WORLI	3,810	3,647	163.0	4.5%
MSCI EM	1,079	1,120	-41.0	-3.7%
MSCI EM Asi	596	619	-23.2	-3.7%

Equity Market Outlook

- The Indian equity markets are poised for a positive outlook in December 2024, following the RBI's decision to maintain the repo rate at 6.5% and cut the Cash Reserve Ratio by 50 basis points. This move is expected to inject around 1.2 trillion into the banking system, enhancing liquidity and improving banks' lending capacity. As credit becomes more accessible, investor confidence is likely to rise, particularly in interest-sensitive sectors like banking and real estate. Overall, these developments are set to create a favorable environment for growth in the Indian equity markets.
- In December 2024, the European Central Bank and the US Federal Reserve are likely to cut interest rates by 25 basis points. This move is expected to stabilize markets and boost investor sentiment amid ongoing economic challenges.
- China's economic outlook is cautiously optimistic, with a projected GDP growth target of around 5% driven by anticipated economic stimulus. However, concerns about trade tensions and potential US tariffs may hinder sustainability. The economy shows resilience, particularly in technology and consumer sectors, but challenges in the property market remain a significant risk.
- India's GDP growth slowdown to 5.4% in Q2 2024 raises concerns, but a rebound to 6.7% is anticipated in the second half of the fiscal year. Increased government spending and potential RBI measures, such as a Cash Reserve Ratio cut, could stimulate economic recovery. While challenges remain, these factors may help restore consumer confidence and support overall growth.
- The US equity market is supported by a positive sentiment following the recent elections, with expectations of tax cuts and deregulation boosting investor confidence. Meanwhile, Japan faces political uncertainty, but its equity market shows resilience, with selective opportunities emerging as the economy adjusts to new policies.

Sector Performance

Sector Index	29-Nov-24	31-Oct-24	Change	% Chg
BSE Auto	52,898	53,540	-642.0	-1.2%
Bankex	59,298	58,664	634.5	1.1%
BSE CD	9,869	9,847	22.4	0.2%
BSE CG	70,700	69,106	1594.5	2.3%
BSE FMCG	21,213	21,663	-450.0	-2.1%
BSE HC	43,666	43,915	-249.5	-0.6%
BSE IT	42,783	40,428	2355.2	5.8%
BSE Metal	30,537	31,280	-743.8	-2.4%
BSE Oil	26,813	27,458	-645.0	-2.3%
BSE Power	7,490	7,829	-339.5	-4.3%
BSE PSU	19,896	19,894	1.9	0.0%
BSE Real	7,960	7,809	151.1	1.9%
BSE TEC	19,552	18,633	919.2	4.9%

Investment Strategy

- India's robust fundamentals ensure a promising long-term growth trajectory. For aggressive to moderate investors with a short to medium-term outlook, we suggest diversifying into Multi Asset Allocation and balanced Advantage Funds. Those with a long-term perspective should opt for staggered investments in Multicap, flexi-cap, Midcap, and small-cap funds to Maximize growth potential.
- Looking ahead, the medium-term outlook for India's economy appears optimistic. This optimism is fuelled by policy continuity, benefits from Production-Linked Incentive schemes, opportunities arising from shifts in the global supply chain, enhanced infrastructure investments, the potential of resurgence in private sector capex, and the enduring robustness of consumption. As a part of sectoral allocation, we recommend a staggered allocation to our recommended Consumption fund with a 3–5-year horizon. (Click to refer to our special note Consumption Fund - An overarching theme for years ahead).

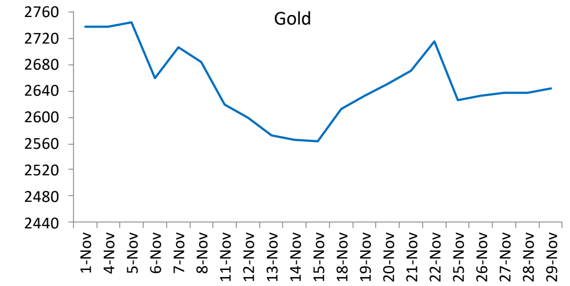
Review

- In the month of November 2024, gold prices in India saw significant volatility, starting at around ₹80,710 per 10 grams and ending the month at approximately ₹74,490. This decline of about 6% was primarily driven by a stronger US dollar and rising interest rates, which dampened demand for gold as a safe-haven asset. This drop was attributed to a stronger US dollar and rising interest rates. Additionally, a positive economic outlook and ongoing rate cuts contributed to the downward pressure on prices.
- Crude oil prices fluctuated, with Brent averaging around $72 per barrel and WTI closing below $69. The market faced pressures from reduced demand, particularly from China, and geopolitical tensions that initially spiked prices but later eased. OPEC+ maintained production cuts, contributing to a cautious outlook as global oil demand growth is projected at 920 kb/d for 2024, significantly lower than previous years.
- The USD/INR exchange rate fluctuated, starting around 83.75 and ending near 84.00. The Indian Rupee faced pressure as foreign institutional investors (FIIs) sold off assets, impacting currency stability. Despite this, the Reserve Bank of India's interventions helped mitigate volatility.

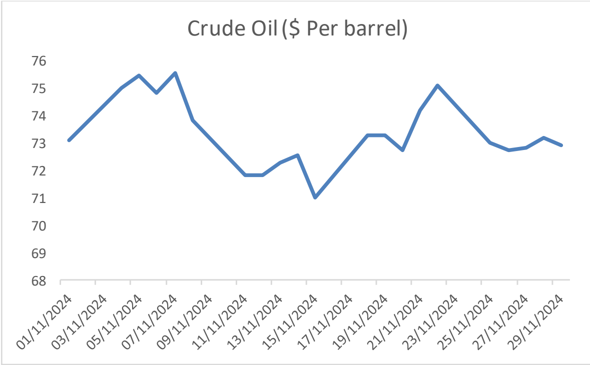
Outlook

- In December 2024, gold prices in India are expected to remain strong, driven by ongoing central bank purchases and declining global interest rates. As central banks, including the Reserve Bank of India, continue to buy gold to diversify their reserves, demand is likely to increase. This, coupled with a global economic environment marked by uncertainty, positions gold as a preferred safe-haven asset, suggesting a bullish outlook for prices in the near term.
- Crude oil prices are expected to hover around $70 per barrel, influenced by a supply surplus and weak demand outlook. Analysts predict limited volatility, with Brent crude averaging around $82 per barrel for the year. Local consumption growth in India may provide some support, but overall market dynamics suggest a stable trading environment.
- USD/INR exchange rate is expected to stabilize, supported by strong foreign inflows and interventions from the Reserve Bank of India. The Indian rupee is likely to show resilience amid global economic uncertainties, with a cautiously optimistic outlook for the coming months.

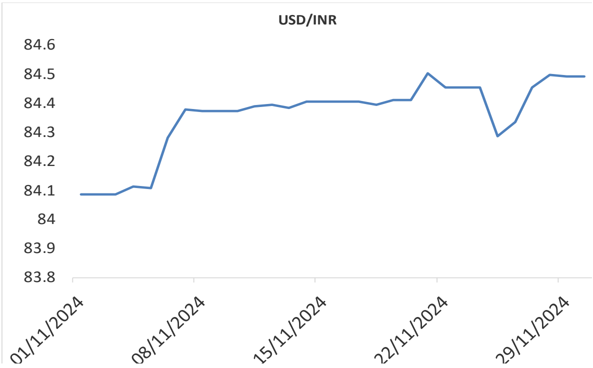
International Gold Movement



Crude Oil Movement



USD/INR Movement



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