

MONTHLY REPORT



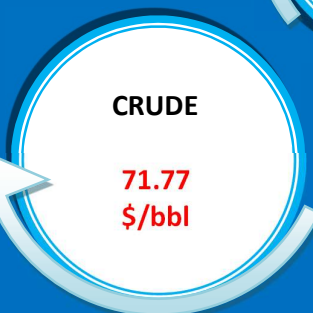
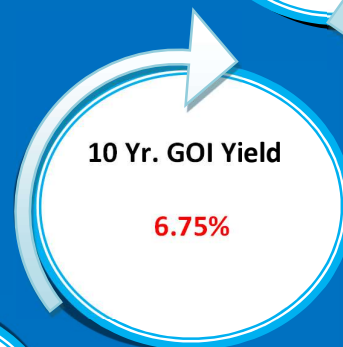
www.way2wealth.com



mfdesk@way2wealth.com

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Indicators	Sep-24	Aug-24	Jul-24	Jun-24	May-24	Apr-24	Mar-24	Feb-24	Jan-24	Dec-23	Nov-23	Oct-23	Sep-23	Aug-23	Jul-23
Sensex	2.35%	0.76%	3.43%	6.86%	-0.70%	1.13%	1.59%	1.00%	-0.68%	7.84%	4.87%	-2.97%	1.54%	-2.55%	2.80%
Nifty	2.28%	1.14%	3.92%	6.57%	-0.33%	1.24%	1.57%	1.20%	-0.03%	7.94%	5.52%	-2.84%	2.00%	-2.53%	2.94%
Nifty Midcap 100 Index	1.50%	0.50%	5.84%	7.80%	1.65%	5.81%	-0.54%	-0.50%	5.17%	7.63%	10.37%	-4.10%	3.63%	3.70%	5.50%
Nifty SmallCap 250 Index	1.30%	1.24%	4.89%	9.50%	-1.31%	10.49%	-4.24%	-0.70%	7.28%	5.96%	10.22%	-1.69%	2.51%	5.07%	7.69%
S&P 500 Index	2.00%	2.28%	1.13%	3.47%	4.80%	-4.16%	3.10%	5.20%	1.59%	4.42%	8.92%	-2.20%	-4.87%	-1.77%	3.11%
Nifty 50 EPS TTM (Rs)	1018	1016	991	989	990	926	937	955	936	852	852	844	856	856	823
Nifty 50 Price/Earnings (PE Ratio)	25.2	24.7	25.03	24	23	24	23	23	23	25	23	22	23	22	24
Nifty Midcap 100 (PE Ratio)	41	40	40	37	34	33	30	27	35	35	32	29	31	28	27
India Economic Indicator															
Bank Credit Growth (YoY%)	13.35%	13.48%	13.87%	19.16%	19.54%	19.03%	20.18%	20.79%	20.25%	20.14%	20.64%	19.68%	19.82%	19.67%	20.22%
Bank Deposit Growth (YoY%)	11.18%	10.88%	11.28%	12.58%	13.28%	13.31%	13.48%	13.68%	13.07%	14.05%	13.63%	13.43%	13.64%	13.49%	13.21%
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	6.50	6.50
G-sec 10 year Yield (%)	6.75	6.86	6.93	7.01	6.98	7.19	7.06	7.08	7.14	7.17	7.28	7.36	7.22	7.16	7.18
Corp Bond 10 Yr AAA Yield (%)	7.31	7.45	7.48	7.55	7.57	7.58	7.52	7.63	7.68	7.76	7.84	7.78	7.70	7.62	7.68
Corp Bond 10 Yr AA Yield (%)	8.04	8.12	8.12	8.25	8.22	8.23	8.16	8.25	8.34	8.39	8.45	8.43	8.32	8.27	8.36
Corp Bond 10 Yr A Yield (%)	9.75	9.88	9.95	10.02	9.99	10.15	10.05	10.05	10.13	10.19	10.30	10.34	10.21	10.12	10.16
Corp Bond 5 Yr AAA Yield (%)	7.50	7.62	7.56	7.74	7.65	7.69	7.61	7.69	7.78	7.79	7.83	7.76	7.71	7.63	7.70
Corp Bond 1 Yr AAA Yield (%)	7.69	7.76	7.65	7.74	7.72	7.80	7.76	7.88	7.89	7.91	7.79	7.69	7.58	7.68	7.43
CD 1 Yr (%)	7.76	7.63	7.57	7.62	7.62	7.54	7.62	7.79	7.84	7.72	7.82	7.83	7.40	7.44	7.35
Commodity & Currency															
Gold Price (USD)	2,635	2,503	2,448	2,327	2,327	2,286	2,230	2,044	2,040	2,063	2,036	1,984	1,849	1,940	1,965
Gold (Rs/10gm)	75,051	71,679	69,046	71,563	72,127	71,529	66,987	62,010	62,591	62,939	62,440	61,080	57,594	59,262	59,283
Crude(\$)	71.77	78.80	80.72	86.41	81.62	87.86	87.48	83.62	81.71	77.04	82.83	87.41	95.31	86.86	85.56
INR/1 USD	83.80	83.87	83.73	83.39	83.47	83.44	83.40	82.91	83.04	83.21	83.40	83.26	83.04	82.79	82.25
INR/1 EURO	93.77	92.95	90.65	89.30	90.53	89.50	89.87	89.98	89.88	91.94	91.10	88.83	88.15	90.03	90.74
Flows															
FII-Equity (Rs. cr)	49,793	11,678	27,957	25,940	-25,260	-9,175	2,355	4,000	-26,111	58,498	19,178	-22,113	-18,894	14,295	33,994
FII-Debt (Rs. cr)	19,225	16,421	21,863	19,673	15,109	-15,941	4,723	19,693	21,063	19,759	13,970	6,321	1,628	7,645	3,113
MF-Equity (Rs. cr)	32,264	31,685	20,601	28,226	48,099	32,824	-1,066	14,295	23,011	23,628	17,987	16,916	20,506	14,489	7,707
MF-Debt (Rs. cr)	-36,890	52,470	-6,612	-4,800	-61,291	14,529	-5,229	-46,298	-21,642	-14,110	-27,283	-6,682	-6,809	-21,706	3,071

Source: Bloomberg, W2W Research

Summary:-

- As of 30th September 2024, Nifty 50 was trading at a PE of 25.2x and Nifty Midcap 100 was trading at a PE of 41x.
- India’s CPI Inflation in August’24 fell to 3.65 % vs. 3.54 % in July’24 and core inflation at 3.4%. India’s WPI inflation increased by 2.04% in August’24 accelerating from 3.36 % in July’24.
- Bank credit as of 30th September’24 shrinks marginally to 13.35 % YoY as compared to August’24 which had 13.48 % YoY growth. However, bank deposits increased to 11.18% YoY.
- GST collection was 1.73 lac cr as compared to Rs. 1.75 lac cr in August.
- India’s manufacturing PMI slipped to 56.5 in September’24 from 57.5 in August’24. India's services PMI inched up marginally to 57.7 in September, compared to 60.9 in last month.

Debt Market Review

- US 10-year yield fell by 13 bps to 3.78% in Sep'24 from 3.91% in Aug'24 driven by a rate cut by the US Fed following weak employment data and moderating inflation in the US.
- 10-year G-sec yield moved in the narrow range of 6.85%-6.88% during the first ten days and thereafter rallied over a range of 6.72%-6.83% (Aug 2024: 6.85%-6.92%), 10 yr G-sec closed the month lower at 6.75% (Aug 2024: 6.86%).
- On the domestic front, taking inflows into account debt, hybrid, and debt-VRR the FII investments were Rs.19,225. However, DII turned net sellers with a withdrawal of Rs.36,890 crore in September as there is a consensus now that the Fed will start cutting rates from this month onwards, pushing the US yields down. Also, the Indian market is extremely resilient and has strong momentum, which is beneficial to foreign investors.
- For the 10th consecutive time, the RBI-MPC decided to keep the policy repo rate unchanged at 6.50%. RBI changes the stance of monetary policy to 'neutral' from the withdrawal of accommodation.
- India's inflation came at 3.65% in August 2024, increased by 0.11 basis points compared to the previous month's 3.54%. However, It remains in the RBI's tolerant range between 2-6%.
- IIP growth in July firmed up to 4.8% compared to an upwardly revised June reading of 4.7%. Manufacturing and electricity led the growth while mining remained weak. Record high gold imports led to a surge in August's goods trade deficit to US\$29.7 bn from US\$23.6 bn in July.

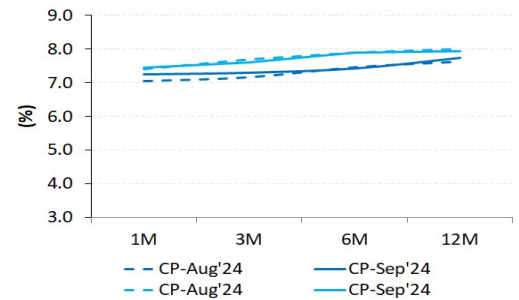
Debt Market Outlook

- In October month, US non-farm payroll data, Brent oil, and stances of the Fed in various forums will be watched. 10-year gsec closed at 6.75% on September 30th, 2024, falling by 12 bps during the month. In the near term, the 10-year yield is likely to be in the range between 6.65%- 6.85%.
- Indian bonds are likely to be supported by easing global yield bias and global growth moderation expectations. However, any escalation in geo-political uncertainty might keep financial markets volatile.
- India's inflation number in October is likely to rise to 4% due to festive spending. RBI may continue to watch out for inflation volatility. In the RBI-MPC, the RBI governor expects the moderation in Consumer Price Index (CPI) inflation to be 4.5% and has projected a real GDP growth of 7.2% for the fiscal year 2024-25.
- The central government announced the Government securities borrowing calendar for the second half of the fiscal year at the end of September. The calendar was along the expected lines with G Sec gross borrowings of Rs.6.61 trillion in 2HFY25 according to budget estimates.
- In September, factors like global monetary policy decisions, geo-political situations, commodity prices, demand-supply scenarios in the bond market, and domestic growth-inflation dynamics will be crucial for the Debt market.
- Tactical allocation to long duration through G-secs can be considered to benefit from the expected decline in yields (support from expected interest rate cuts and favorable demand-supply dynamics).

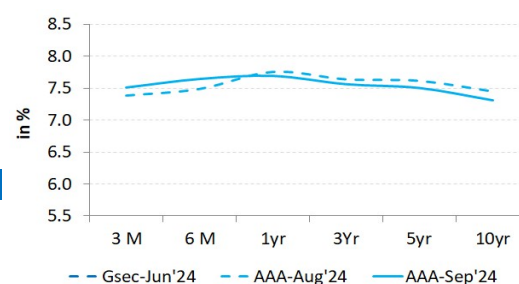
Investment Strategy

- 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 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

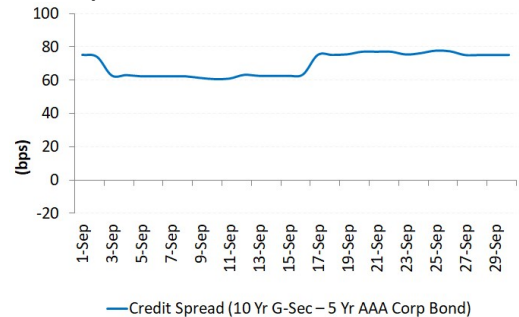
CD Rate Movement



G-Sec and AAA Corp Bond Yield Movement



Credit Spread



OIS Curve



Source: Bloomberg, W2W Research

Equity Market Review

- In September, the Indian Equity Market was in strong momentum and has rallied 16% during the last six months driven by strong domestic flows. The benchmark Nifty 50 ended September with around 2% monthly gains and surged to over 26,000 points during the month. Investor sentiment was buoyed by an aggressive interest rate cut by the US Federal Reserve. Moreover, softer commodity prices, especially oil, robust domestic liquidity, and favorable monsoon conditions supported the market's rise to record-high levels.
- The sectors like Metal, Consumer Durables, Power, and Realty were overall gainers, while Telecom, Oil & Gas, and PSU Bank were negative in September month.
- China's central bank unveiled its biggest stimulus since the pandemic to pull the economy out of its deflationary back towards the government's growth target. The broader-than-expected package offering more funding and interest rate cuts marks the latest attempt by policymakers to restore confidence in the world's second-largest economy after a slew of disappointing data raised concerns of a prolonged structural slowdown. This dampened India's overall financial market sentiment as the FII investors shifted towards the Chinese market.
- Brent crude prices remained volatile, as ongoing geopolitical tensions in the Middle East raised the crude oil prices, which is restricting gains in the domestic markets.
- The FII's turned net buyers from net sellers in September. The FIIs bought Indian equities worth Rs 49,796 cr in September. DIIs continued to remain net buyers for a consecutive 9th month this year, with purchases worth Rs 32,264 cr in September 2024.
- India's Gross Goods and Services Tax (GST) collections slide to a 40-month low of 6.5% in September, with revenues at ₹1,73,240 crore, about 1% lower than the tally in August.
- Japanese stocks were also supported by the expectation that Ms Sanae Takaichi, an expansionist, would win the Liberal Democratic Party (LDP) leadership election. However, Mr Ishiba had won the run-off against Ms Takaichi. This caused a significant fall in the market the following day. As a result, the quarterly return of TOPIX Total Return was -4.4% in local currency terms.
- The change in RBI's stance to neutral was as expected, but the commentary does not point to a rate cut in the near term that kept the market volatile. Interest rate-sensitive stocks in the auto, real estate, and banking sectors surged after the Reserve Bank of India shifted its monetary policy stance to 'neutral,' a decision that could pave the way for potential rate cuts in future policies.

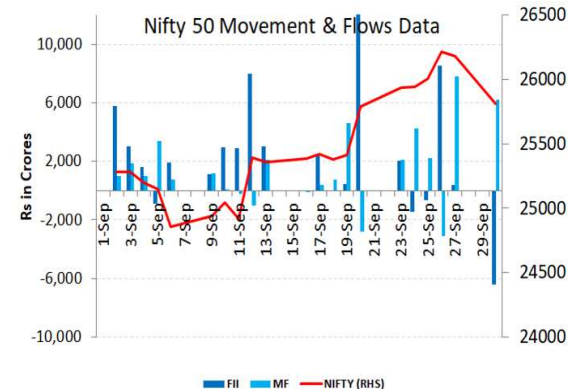
Equity Market Outlook

- Indian market may remain buoyed holding to their bullish trend, as the normal monsoons have raised hopes of demand revival in the festival season. However, the rising volatility due to an escalating geopolitical situation may limit the gains. Overall, investors are advised to maintain a cautious approach.
- The headline CPI print for September is likely to come slightly up due to festive spending but it may remain substantially lower than RBI expectations which may support the domestic markets.
- However, Investors may remain cautious ahead of key U.S. labor market numbers outcomes and rising crude oil prices, as any escalations in the geo-political tensions may drive the crude oil prices higher, and considering India, the world's second-largest crude oil importer, could further stoke inflationary pressures and also impact India's import bill due to higher crude oil prices.
- The European Central Bank has already lowered rates twice this year and they may cut the 3.5% deposit rate again on Oct. 17 which is almost priced in by financial markets, indicating investors expect the bank to accelerate the pace of policy easing given a weak economy and an unexpectedly quick slowdown in price growth.
- Even though the GST collection in September was lower than the previous month, the revenue growth will pick up from October month with the onset of the festive season.
- It is expected that the US elections will have minimal effect on the bilateral ties between the US and India, some sectors like defense, trade, and tariffs which were imposed by Trump in his previous tenure and continued by Biden, could witness a changing dynamic, depending on who wins, and this will impact on overall market sentiments.

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).

Nifty, FII & MF Movement



Indices Performance

Index	30-Sep-24	30-Aug-24	Change	% Chg
India				
Sensex	84,300	82,366	1934.0	2.3%
Nifty 50	25,811	25,236	574.9	2.3%
US				
Dow Jones	42,330	41,563	767.1	1.8%
Nasdaq	18,189	17,714	475.5	2.7%
EC				
FTSE 100	8,237	8,377	-139.7	-1.7%
Asia				
Nikkei 225	37,920	38,648	-728.2	-1.9%
Hang Seng	21,134	17,989	3144.6	17.5%
Shanghai Comp	3,336	2,842	494.3	17.4%
Bovespa	1,31,816	1,34,185	-2368.8	-1.8%
RTS	1,126	1,175	-49.0	-4.2%
Other				
MSCI WORLD	3,723	3,661	61.8	1.7%
MSCI EM	1,171	1,100	70.9	6.4%
MSCI EM Asia	648	601	46.9	7.8%

Sector Performance

Sector Index	30-Sep-24	30-Aug-24	Change	% Chg
BSE Auto	61,051	59,041	2009.8	3.4%
Bankex	60,038	58,312	1726.6	3.0%
BSE CD	10,949	10,528	421.6	4.0%
BSE CG	73,107	73,169	-62.4	-0.1%
BSE FMCG	23,788	23,022	765.4	3.3%
BSE HC	44,236	43,177	1058.3	2.5%
BSE IT	42,370	43,487	-1116.9	-2.6%
BSE Metal	34,609	32,456	2152.8	6.6%
BSE Oil	31,835	32,978	-1142.8	-3.5%
BSE Power	8,652	8,232	420.3	5.1%
BSE PSU	21,402	21,977	-574.7	-2.6%
BSE Real	8,593	8,234	359.1	4.4%
BSE TEC	19,689	19,963	-274.6	-1.4%

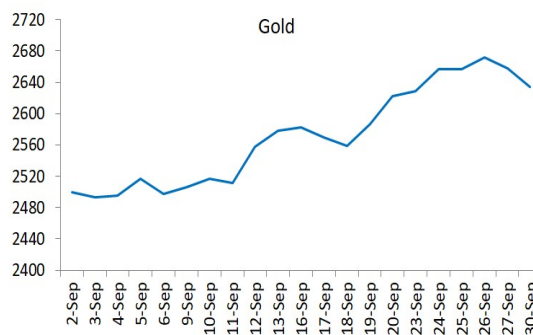
Review

- Gold rates in India surged to ₹75,051.00 from its previous month's level at ₹71,679.00 per 10 grams amid widespread inflation in July, geopolitical risks, robust gold purchases by central banks, and market uncertainty. The rate cut by the Fed and ongoing geopolitical uncertainty in the Middle East kept the gold prices elevated.
- Brent Oil prices dropped significantly in September, falling from US\$ 78.80/barrel to 71.77/ barrel due to sluggish global oil demand in recent months, which has fuelled a sharp sell-off in oil markets. Even the geopolitical issues in the Middle East are unable to support the crude oil prices.
- In September, the USD/INR rate increased marginally, from 83.87 to 83.96, mainly due to firmness in the dollar index amid a rise in the geopolitical tension weighed on the Rupee appreciation. The dollar index is at 102.86 level. Meanwhile, India's foreign exchange reserves have crossed a new milestone of US\$ 700 billion and surged to US\$704 billion as India's external sector remains resilient.

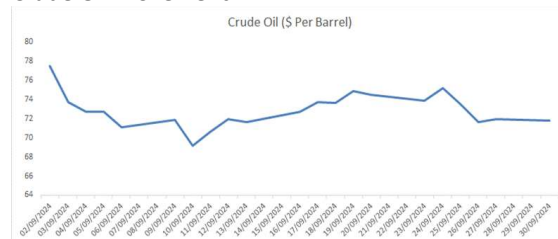
Outlook

- Gold prices will follow the key upcoming data, particularly the Fed's meeting minutes and US CPI data in October. Domestically, Gold prices will be driven by the latest Navratri festival, and demand is likely to continue in the upcoming Diwali season as well which will start at the end of October month. Gold is near its all-time high levels, at present, 24K of 10 grams of gold is available at Rs.77,440. With inflation concerns and global uncertainties on the rise, gold's role as a safe haven investment is particularly strong now. Overall, a bullish outlook is expected for gold, with a potential downside from current levels.
- Brent Crude Oil prices are expected to remain volatile, as concerns over global demand growth outweighed the short-term uncertainty of potentially disruptive escalation between Israel and Iran in the Middle East. Overall, a neutral to slightly bullish outlook is expected for Brent Crude Oil, with a potential downside from current levels. Any surprises arising due to geopolitical risk which flares up oil & commodities prices and puts a break to the disinflation process can lead to a near-term uptick in Gold.
- The USD/INR exchange rate is expected to remain stable, with a slight bias towards the downtrend. The Indian rupee may gain strength due to foreign fund inflows. Also, the lower Brent oil prices may support the Indian rupee. However, any geopolitical uncertainty may cap the Rupee appreciation. Currently, the USD/INR is stable at 83.96 level. Overall, a neutral outlook is expected for USD/INR, with a potential downside from current levels.

International Gold Movement



Crude Oil Movement



USD/INR Movement



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