SEPTEMBER 2024

MONTHLY REPORT

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CONTENTS

NIFTY 50
Closing-25235.90
PE – 24.7
PB – 4.26x
Div Yield – 1.21%

NIFTY MIDCAP 100
Closing –59286.65
PE – 39.5
PB – 5.2x
Div Yield – 0.84%

10 Yr. GOI Yield
6.86%

CRUDE
78.80 $/bbl

USD/INR
83.87

GOLD
2,503 $/Oz

Data as on August 30, 2024
Source: Bloomberg

Indicators	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
Sensex	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%
Nifty	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%
Nifty Midcap 100 Index	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%
Nifty SmallCap 250 Index	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%
S&P 500 Index	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%
Nifty 50 EPS TTM (Rs)	1016	991	989	990	926	937	955	936	852	852	844	856	856
Nifty 50 Price/Earnings (PE Ratio)	24.7	25.03	24	23	24	23	23	23	25	23	22	23	22
Nifty Midcap 100 (PE Ratio)	39.5	40.42	37	34	33	30	27	35	35	32	29	31	28
India Economic Indicator													
Bank Credit Growth (YoY%)	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%
Bank Deposit Growth (YoY%)	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%
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 (%)	6.86	6.93	7.01	6.98	7.19	7.06	7.08	7.14	7.17	7.28	7.36	7.22	7.16
Corp Bond 10 Yr AAA Yield (%)	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
Corp Bond 10 Yr AA Yield (%)	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
Corp Bond 10 Yr A Yield (%)	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
Corp Bond 5 Yr AAA Yield (%)	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
Corp Bond 1 Yr AAA Yield (%)	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
CD 1 Yr (%)	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
Commodity & Currency													
Gold Price (USD)	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
Gold (Rs/10gm)	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
Crude($)	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
INR/1 USD	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
INR/1 EURO	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
Flows													
FII-Equity (Rs.cr)	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
FII-Debt (Rs.cr)	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
MF-Equity (Rs.cr)	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
MF-Debt (Rs.cr)	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

Source: Bloomberg, W2W Research

Summary:-

- As of 31st August 2024, Nifty 50 was trading at a PE of 24.7x and Nifty Midcap 100 was trading at a PE of 39.5x.
- India’s CPI Inflation in July’24 fell to 3.54 % vs. 5.08 % in June’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 on 30th Aug’24 shrinks marginally to 13.48 % YoY as compared to July’24 which had 13.87 % YoY growth. Bank deposit also shrunk at 10.88% YoY.
- GST collection was 1.75 lac cr as compared to Rs. 1.82 lac cr in July.
- India’s manufacturing PMI slipped to 57.9 in Aug’24 from 58.1 in July’24. India's services PMI inched up marginally to 60.4 in Aug, compared to 60.3 in last month.

Debt Market Review

- Global growth softened driven by some moderation witnessed in the US while economic activity in Europe and China remained subdued. US labour market eased with Non-Farm Payroll (NFP) below expectations and unemployment rate inching up to 4.3%, a near 3 years high. As a result, the market started pricing in aggressive rate cuts which weighed on the US bond yields and it dropped to 3.62%.
- China's growth moderated to 4.7% in Q2CY24, below market expectations. European sovereign bonds benefited from the positive backdrop for bonds but to a lesser extent.
- Japanese government bonds rallied as demand increased from domestic investors following the unwinding of the carry trade at the beginning of August. Bank of Japan indicated that it will continue to raise rates to achieve its inflation goal.
- The Indian bond market remained relatively stable in August month. The 10-year government bond yield decreased by 6.86%, and the 10-year AAA bond yield decreased to 7.45%.
- The RBI MPC continued with its status quo stance by keeping the repo rates unchanged at 6.5% with a cautious tone. RBI has kept its inflation projection unchanged at 4.5% for FY 2024-25. The impact of the policy on the markets was muted.
- India macro data was positive for bond markets, especially in the July CPI print which came at 3.54% due to favorable base effects and core inflation continued to remain low at 3.4%.
- In August, Foreign Institutional Investors (FIIs) invested ₹16,421 crores in the Indian debt market, while Domestic Institutional Investors (DIIs) withdrew ₹52,470 crores, indicating a growing global confidence in India's economic growth story.

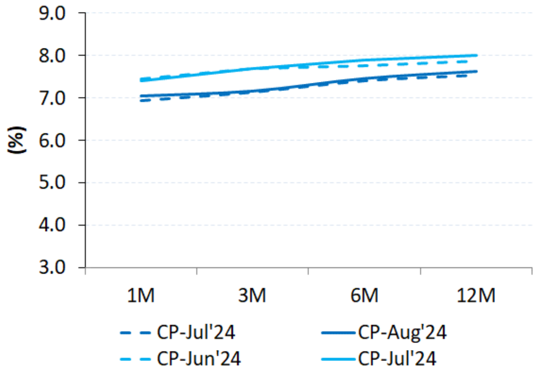
Debt Market Outlook

- US bond markets are likely to continue to trade in a range of 3.60-4.00% as the Fed starts to cut rates from September, but high US fiscal deficits may not allow a massive rally in US yields.
- US FOMC Chairperson Jerome Powell in his Jackson Hole speech indicated that it's “time to adjust the policy” and Fed is likely to tilt towards relatively easier monetary policy as the growth, labour market and inflation moves into better balance. Further, ECB is also expected to cut repo rate again in September 2024 in view of muted inflation.
- The India 10-year GSec Bond Yield is expected to trade lower than 6.85 percent, as the growing demand for long-term bonds by domestic insurers and pension funds, along with foreign investors' index-driven inflows, will bolster the bond market. Furthermore, easing monetary policies in advanced economies and inflows through inclusion in JP Morgan Global Bond Indices should aid a downward move in domestic bond yields as well.
- September is likely to see continued interest from FPIs, the flows would be shaped by a combination of positive economic indicators, global interest rate movements, market valuations, sectoral preferences, and the attractiveness of the debt market
- Market positioning is heavy for both traders and investors, which means everyone is positioned for a rally in bonds. Any surprises arising due to Geopolitical risk may put a break to the disinflation process and can lead to a near-term uptick in yields and volatility in the bond markets.

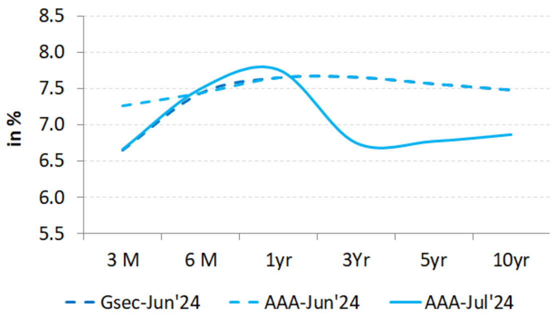
Investment Strategy

- 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 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 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

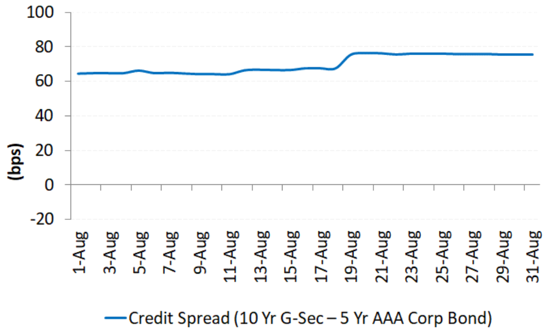
CD Rate Movement



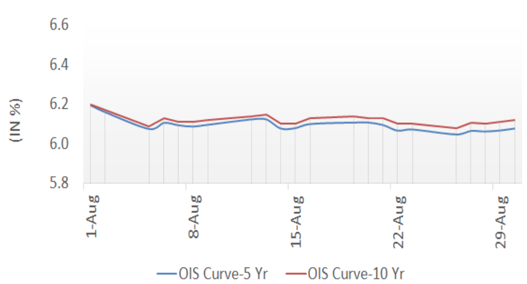
G-Sec and AAA Corp Bond Yield Movement



Credit Spread



OIS Curve



Source: Bloomberg, W2W Research

Equity Market Review

- August was an eventful month for investors. It began with a significant uptick in US unemployment data, which led to fears of a slowdown and increased probability of recession in the US.
- Bank of Japan decided to increase its policy rate by 25 basis points (bps) which led to an abrupt unwinding of carry trade positions.
- However, investors took comfort in a solid Q2 earnings season and the prospect of lower interest rates due to the signs of an economic slowdown. During the Jackson Hole meeting, the Fed chair hinted at the possibility of a rate cut in September.
- Despite the volatility in the global markets, the domestic benchmark remains in the positive territory, as Nifty 50 grew by 1.14% and Sensex by 0.76% in August, supported by robust economic indicators, developing rate-cut scenarios, and strong underlying fundamentals.
- The RBI MPC continued with its status quo stance by keeping the repo rates unchanged at 6.5% with a cautious tone. RBI has kept its inflation projection unchanged at 4.5% for FY 2024-25. The impact of the policy on the markets was muted.
- India's July CPI print which came at 3.54% below the RBI's target, due to favorable base effects and core inflation continued to remain low at 3.4% which supported the Indian markets.
- India's GDP grew at 6.7% in the April-June quarter, which was below its previous release of 7.8% expansion, marking the slowest pace in five quarters, according to data released by the statistics ministry, due to a lack of economic momentum during the general elections, muted government capital expenditure.
- In August, the Indian equity markets saw a withdrawal by Foreign Institutional Investors (FIIs) of ₹ 11,678 crores. However, Domestic Institutional Investors (DIIs) contributed an impressive amount of ₹ 31,685 crores.

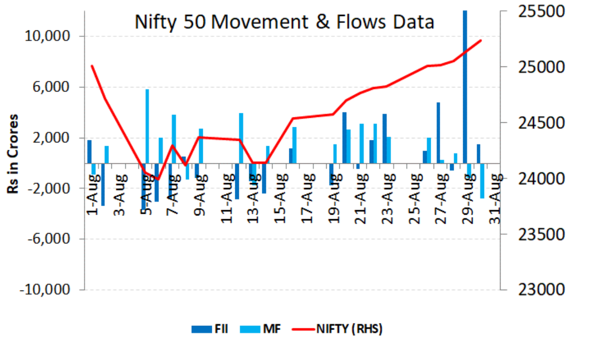
Equity Market Outlook

- Both Nifty and Sensex may remain buoyed holding to their bullish trend, as the normal monsoons have raised hopes of demand revival in the festival season, and the hopes of interest rate cuts later this fiscal year are likely to support the Indian markets. However, the rising volatility due to an escalating geopolitical situation may limit the gains. Overall, investors are advised to maintain a cautious approach.
- Tailwinds from moderating inflation, due to a significant fall in vegetable prices, the headline CPI print for August too is likely to come at 3.5% and the CPI average for Q2 may remain substantially lower than RBI expectations which may support the domestic markets.
- Declining interest rates and soon-to-be easing monetary policy are offsetting the headwind from a slowing rate of economic growth. However, investors may remain cautious ahead of key U.S. labor market numbers outcomes and any escalations in the geopolitical situation.
- Concerns over China's struggling economy, with factory activity contracting for the fourth consecutive month, also weighed on global markets, raising expectations for further stimulus from Beijing.

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, 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 shift 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 our special note Consumption Fund - An overarching theme for years ahead)

Nifty, FII & MF Movement



Indices Performance

Index	30-Aug-24	31-Jul-24	Change	% Chg
India				
Sensex	82,366	81,741	624.4	0.8%
Nifty 50	25,236	24,951	284.8	1.1%
US				
Dow Jones	41,563	40,843	720.3	1.8%
Nasdaq	17,714	17,599	114.2	0.6%
EC				
FTSE 100	8,377	8,368	8.6	0.1%
Asia				
Nikkei 225	38,648	39,102	-454.1	-1.2%
Hang Seng	17,989	17,345	644.5	3.7%
Shanghai Comp	2,842	2,939	-96.5	-3.3%
Bovespa	136,004	134,185	1818.8	1.4%
RTS	1,126	1,175	-49.0	-4.2%
Other				
MSCI WORLD	3,661	3,572	89.7	2.5%
MSCI EM	1,100	1,085	15.2	1.4%
MSCI EM Asia	601	592	8.9	1.5%

Sector Performance

Sector Index	30-Aug-24	31-Jul-24	Change	% Chg
BSE Auto	59,041	60,185	-1144.6	-1.9%
Bankex	58,312	58,866	-554.5	-0.9%
BSE CD	10,528	10,424	103.4	1.0%
BSE CG	73,169	75,640	-2470.8	-3.3%
BSE FMCG	23,022	22,507	514.8	2.3%
BSE HC	43,177	40,519	2658.3	6.6%
BSE IT	43,487	41,707	1779.6	4.3%
BSE Metal	32,456	32,771	-315.2	-1.0%
BSE Oil	32,978	32,563	414.7	1.3%
BSE Power	8,232	8,442	-210.4	-2.5%
BSE PSU	21,977	22,814	-836.8	-3.7%
BSE Real	8,234	8,540	-306.6	-3.6%
BSE TEC	19,963	19,088	875.1	4.6%

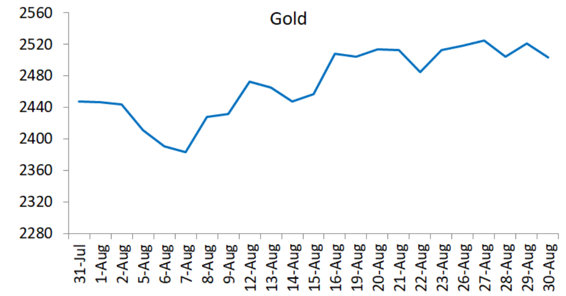
Review

- Gold rates in India rose by approximately 3.81% in August, with MCX prices surging to ₹71,679.00 from its previous month's level at ₹69,046.00 per 10 grams amid widespread inflation in July, geopolitical risks, and robust gold purchases by central banks.
- Brent Oil prices dropped significantly in August, falling from US$80.872/barrel to US$ 78.80/barrel which was mainly due to fears of a US recession that raised the oil demand concerns. Weak US economic data, rising unemployment, and sluggish demand in the biggest oil consumer China also contributed to the decline.
- In August, the USD/INR rate increased marginally, from 83.73 to 83.87, despite the fall in the dollar index. Mainly, the reason is weakness in the Indian rupee, as the foreign fund outflows from the domestic markets and widening trade deficit concerns due to increasing imports and damp global demand amid geopolitical challenges weighed on the Rupee appreciation.

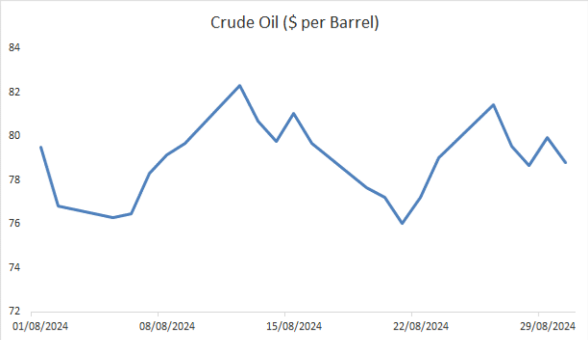
Outlook

- Gold rates in India are expected to rise due to global economic uncertainty as the potential US recession, inflation concerns, and volatility in the dollar may boost gold prices. Domestic demand for gold is also expected to increase ahead of the festive season. Overall, a positive outlook is expected for gold, with a potential upside from current levels.
- Brent Crude Oil prices are expected to remain volatile, due to global economic uncertainty and supply chain disruptions. The supply disruptions in Libya and Iraq are likely to further bolster global oil prices. However, the weaker demand concerns from China may limit these gains. Overall, a neutral to slightly bearish 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 if the Federal Reserve cuts its interest rate in September. Also, the lower Brent oil prices may support the Indian rupee. However, any geopolitical uncertainty may cap the Rupee appreciation. Overall, a neutral outlook is expected for USD/INR, with a potential downside from current levels.

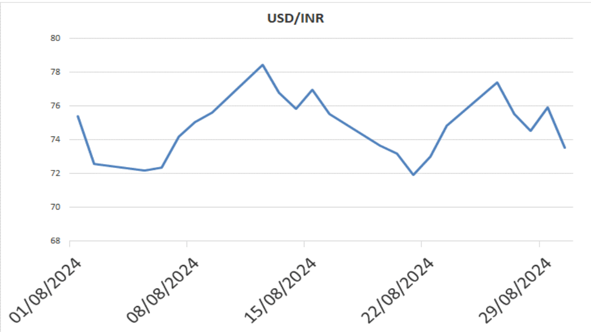
International Gold Movement



Crude Oil Movement



USD/INR Movement



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