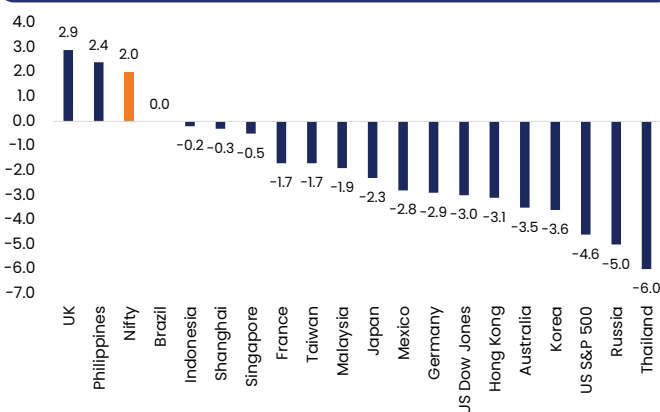


## Market Update

Indian equity markets were among the handful that stood out and ended September 2023 on a positive note. Globally markets were weak following a hawkish commentary by US FED at the Federal Open Market Committee (FOMC) meeting. The FED left the rate unchanged but guided that more hikes would be needed to manage inflation. This led to US 10-year yields spiking and crossing 4.5%. India G-sec yield remained stable and was flat at 7.2% during the month, led by expectations of rate pause longer than earlier estimate. NIFTY50 was up 2.0% for the month, while broader markets S&P BSE Midcap and S&P BSE 250 SmallCap were up by 3.65% and 1.93% respectively. Sector-wise, PSU (+11%), power (+7%) and metals (+6%) gained the most and none of the sectors closed in the negative. After 6 months of inflows, Foreign Portfolio Investors (FPIs) reported net outflows of approximately USD 1.8 billion in September, while Domestic Institutional Investors (DIIs) saw net inflows totaling about USD 2.4 billion.

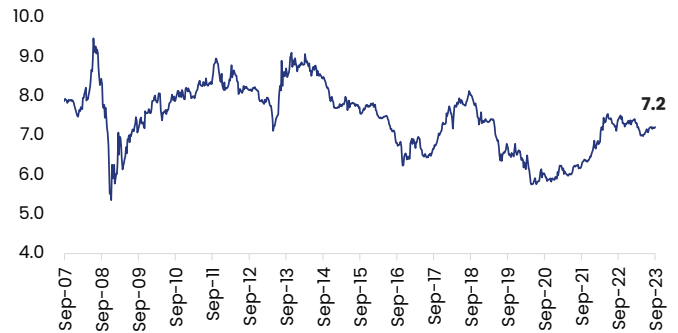
Despite global challenges, JPMorgan made an announcement that it would include Indian Government Bonds in its emerging market debt family of indices. This move can lead to estimated inflows to the tune of US\$32bn across indices over a period, in addition to additional inflows from active investors. This announcement could also drive expectations of inclusion by other index managers. This move is very positive for India as the expected inflows will likely reduce the upside risk for both India bond yields and currency.

### Global and regional indices 1 Month performance (%)



Source: Bloomberg, Kotak Institutional Equities (Data as on September 29, 2023 in Local Currency)

### India 10 Year G-sec



Source: Bloomberg

### US 10 Year G-Sec



Source: Bloomberg

## Macro Update

On the domestic macro front, CPI inflation dropped to 6.8% YoY in August'23 vs 7.4% in July'23. The drop in CPI was mainly due to a reversal in vegetable prices.

WPI inflation remained in the deflationary zone for the fifth month in a row at -0.52% in August'23 vs -1.36% in July'23, led by fall in prices of mineral oils, basic metals, chemical & chemical products, textiles and food.

India's PMI growth eased to 57.5 in September'23 vs 58.6 in August'23.

IIP growth in July'23 stood at 5.7% vs 3.7% in June'23.

GST collection rose 10.2% YoY to 1.63 lakh cr in September'23. GST collections have been more than INR 1.6 lakh cr for the 7th time since inception of GST.

INR was stable and closed at ~83.2\*.

Globally crude oil prices have also moved up sharply, hovering around USD ~92/bbl in September'23 and needs to be closely monitored.

\*September 30, 2023. FY period: April-Mar, CPI: Consumer Price Index, WPI: Wholesale Price Index, FII: Foreign Institutional Investors, GST: Goods & Services Tax, DII: Domestic Institutional Investors, Fed: US Federal Reserve, IIP: Index of Industrial Production, GSec: Government of India Dated Securities, GOI: Government of India, FDI: Foreign Direct Investment, CAD: Current Account Deficit, YTD: Year To Date, CY: Calendar Year, WTI: West Texas Intermediate, UPI: Unified Payments Interface. Inflation numbers released with 1 month lag, Core Sector number released with 1 month lag, IIP number released with 2 months lag.

## Market Outlook

A strong domestic macro and an equally worrying global scenario has led the markets to a classic dichotomy situation. Data points coming from the Indian economy continues to be strong. Monsoons started to pick up after a week in August and grew stronger in September before closing of the monsoon season with almost normal range of rainfall. Initial feedback of demand from the ensuing festive and wedding season is quite strong and corporate earnings outlook for Q2FY24 is also positive. However, multi-year high rate yields in US and sticky inflation with weak global economic outlook presents a complete opposite view. The rise in crude prices and the Israel issue (post September) are also some additional challenges.

In our pervious newsletter we had mentioned that after a stellar move in April 2023, a breather in the Indian markets

was very much needed. Though Indian markets have been remarkably resilient in the face of global challenges, some volatility has been seen in recent times and we do expect this to continue for some more time. The recent global events and the ensuing earnings season will drive the market movement in the current month. Momentum should abate a bit and that will also give opportunities for longer term investors to gradually build their portfolios.

At Abakkus, we have been maintaining our stance of not getting carried away with the momentum and focus on fundamentals and adhere to our MEETS framework. This stance has worked well for us, with consistent performance across our strategies and time periods. In the event of any volatility in the markets we will be using the opportunity to judiciously deploy capital.

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Abakkus is also the Investment Manager to Abakkus Growth Fund, a SEBI registered Category III AIF vide SEBI Reg. No.: IN/AIF3/18-19/0550 dated June 05, 2018, India-Ahead Venture Trust, a SEBI registered Category I AIF vide SEBI Reg. No.: IN/AIF1/21-22/0976 dated January 25, 2022 and India-Ahead Private Equity Trust, a SEBI registered Category II AIF vide SEBI Reg. No.: IN/AIF2/21-22/0980 dated January 27, 2022, under SEBI (Alternative Investment Fund) Regulations, 2012 as amended from time to time and the Circulars and Guidelines issued there under from time to time collectively referred as the SEBI Registered Intermediary.

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#### **Portfolio Management Services:**

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As per SEBI circular SEBI/HO/IMD/IMD-PoD-2/P/CIR/2022/172 dated December 16, 2022, the comparison of the relative performance of the investment approach with other portfolio managers is available at <https://www.apmiindia.org/apmi/IACompare.htm?action=iacomaprepape>

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