

# Market Outlook

April 2024

## Market Update

Equity markets globally continued the positive momentum in March 2024, with most ending the month with strong gains. Taiwan (+7.0%), Germany (+4.6%) and UK (+4.2%) were the major gainers, while Malaysia, Brazil, Philippines, and Indonesia were among the few that ended up losers. Indian markets saw a roller coaster ride with Nifty hitting all-time highs in the first couple of weeks of March, followed by a sharp corrective phase lasting for ten days and then recovering again to end of the month with small gains of 1.6%. Broader markets bore the brunt of the correction, with quite a few stocks correcting sharply as views of exuberance in small caps started to cause nervousness. However, there was a rebound towards the end of the month, with the S&P BSE Midcap & S&P BSE SmallCap250 down by a modest -0.6% and -3.8% respectively. Sector-wise, capital goods, auto and metals were the top performers with gains of 6.1%, 5% and 5% respectively, whereas IT, realty and FMCG declined 7.2%, 1.2% and 0.7% respectively in March.

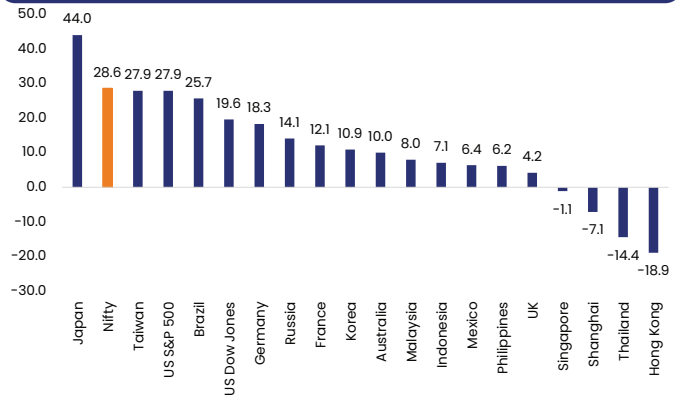
Globally the US Federal Open Market Committee (FOMC) officials reiterated that there was no rush to cut rates early. However, market indicators are saying that global monetary tightening cycle has effectively ended, and that developed market central banks will soon sound dovish as growth is holding up leading to a scenario of a soft landing. Foreign Institutional Investors (FIIs) recorded net inflows of USD 4.2 billion during the month. On the other hand, Domestic Institutional Investors (DIIs) continued to see net inflows, amounting to USD 6.7 billion.

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



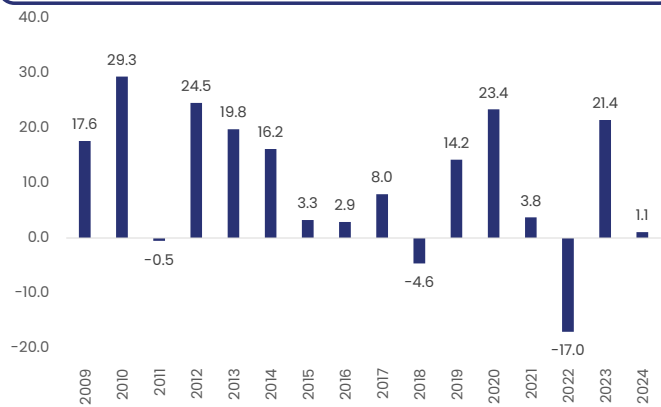
Source: Bloomberg, Kotak Institutional Equities (Data as on March 31, 2024 in Local Currency)

### Global and regional indices 1 Year performance (%) FY24



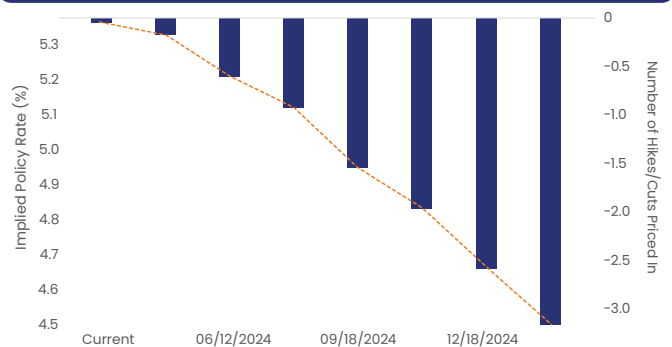
Source: Bloomberg, Kotak Institutional Equities (Data as on March 31, 2024 in Local Currency)

### FII Inflows



Source: Bloomberg, Kotak Institutional Equities (Data as on Mar 31, 2024 in USD)

### Estimated US Fed- Implied Overnight Rate & Number of Hikes/Cuts



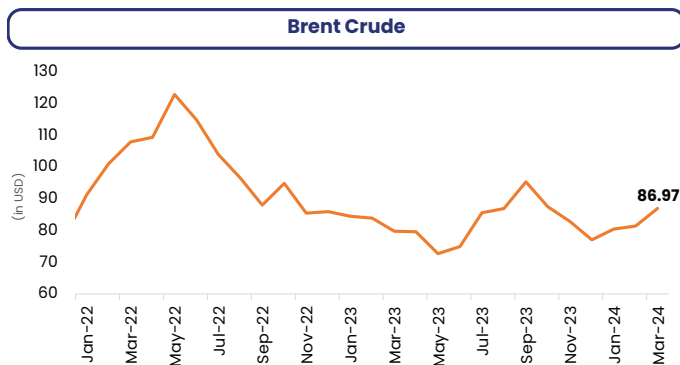
Source: Bloomberg

FY period: April-Mar, CPI: Consumer Price Index, WPI: Wholesale Price Index FI: Foreign Institutional Investors, GST: Goods & Services Tax, DI: Domestic Institutional Investors Fed: US Federal Reserve, IIP: Index of Industrial Production, GOI: Government of India, FDI: Foreign Direct Investment, YTD: Year To Date, CY: Calendar Year, FOMC: Federal Open Market Committee. Inflation numbers released with 1 month lag, Core Sector number released with 1 month lag, IIP number released with 2 months lag.

## Macro Update

On the domestic macro front, India's CPI inflation for February'24 month was flattish at 5.09% YoY vs. 5.10% YoY in January'24, but food inflation measured by the Consumer Food Price Index, which accounts for nearly half of the overall consumer price basket, rose to 8.66% in February 2024. WPI inflation in February'24 was marginally low at 0.2% vs. 0.3% in January'24. IIP grew by 3.8% in January'24 vs. 3.8% in December'23 indicating the steady pace of growth for the Indian economy.

India's merchandise trade deficit widened to USD 18.71 billion in February'24 from USD 17.50 billion in January'24, largely due to imports outstripped exports in value terms against the backdrop of the Red Sea conflict. GST collections rose 11.5% YoY to INR 1.78 lakh crore in March'24. GST collection for FY24 saw an increase of 11.7% at INR 20.14 lakh crore. The INR for the month was stable and closed at ~83.38. India 10-year G-sec yield ended the month at 7.05%. Brent crude price rose to USD 86.97 per barrel in the month of March'24.



Source: Bloomberg

## Market Outlook

Indian equity markets, on a monthly basis, looked pretty stable in March. However, huge swings were witnessed during the month. The mid and small caps corrected very sharply intra-month amidst views floating of over-valuation and exuberance. There was definitely a case for corrections, particularly in stocks that had moved far ahead of fundamentals and the fall was more pronounced in this category of stocks. Typical financial year phenomenon also added to the fall. Towards the end of the month though stocks recovered as expected. Strong economic indicators lent comfort to the markets, aided also by optimism on a consecutive 3rd term for the ruling Modi-government. Strength in global equity markets also helped.

April will see results season setting in, wherein we are expecting corporate India to continue reporting healthy earnings. Globally things have stabilized with both inflation and interest rates having clearly peaked. In the near term the recent spike in crude prices needs to be closely monitored.

Our view continues to be optimistic as we head into a new financial year. However, we would advise investors to have reasonable return expectations and refrain from chasing momentum in the quest to make quick high returns. We reiterate that this is a time to overcome greed and ensure the quality of the portfolio is not compromised.

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#### **Compliance Officer details under AIF:**

Mr. Biharilal Deora, Tel: 022-68846600  
For Queries/Grievances -  
Email – [complianceteam@abakkusinvest.com](mailto:complianceteam@abakkusinvest.com)

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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>

#### **Principal Officer and Compliance Officer Details under PMS:**

Principal Officer: Mr. Aman Chowhan, Tel: 022-68846600  
Compliance Officer: Mr. Biharilal Deora, Tel: 022-68846600

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#### **Principal Officer and Compliance Officer Details under IA:**

Principal Officer: Mr. Biharilal Deora, Tel: 022-68846600  
Compliance Officer: Mr. Lijo Varghese, Tel: 022-68846600

#### **Contact Us:**

Website: [www.abakkusinvest.com](http://www.abakkusinvest.com)  
Email: [info@abakkusinvest.com](mailto:info@abakkusinvest.com)  
Tel: 022-68846600

#### **Corporate and Registered Address:**

Abakkus Corporate Center, 6th Floor, Param House, Shanti Nagar, Near Grand Hyatt, Off Santacruz Chembur Link Road, Santacruz East, Mumbai – 400055.  
LLPIN: AAM-2364;