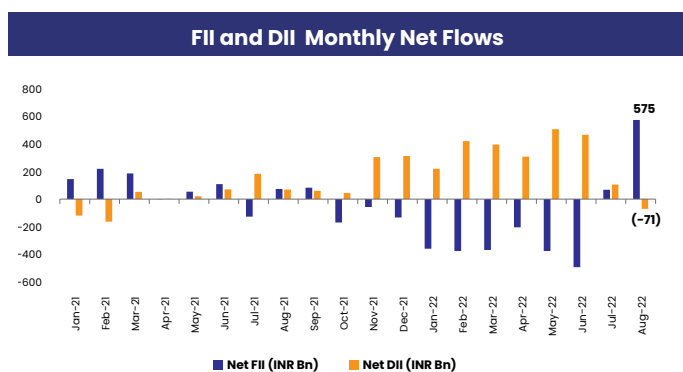


### Market Update

The strength in markets continued in August with markets reporting a second consecutive month of positive returns. Volatility was high as global markets corrected sharply towards the end of the month, led by renewed fears of sharp interest rate hikes and resultant spike in US 10-year Gsec yields. Dollar Index also hit a new high, triggering another bout of risk-off globally. Amidst all this, Indian equities outperformed major global markets. NIFTY50 ended up 3.5% for the month, while S&P BSE Mid-cap and S&P BSE Small-cap 250 indices outperformed large-cap indices. Except IT sector, all the other sectorial indices closed in green with S&P BSE Power, Capital Goods and Consumer Durables indices gained sharply around 15%, 8% and 8% respectively. The strength in the markets was also helped by the resumption of FII inflows. After 10 months, FIIs were net buyers in the month of August'22 to the tune of USD 6.8 bn (16 month high). DII's who were the backbone of liquidity all along, chose to book profit for the first time in last 15 months to the tune of USD 890 mn.



Source: Bloomberg, Axis Capital

### Macro Update

On the macro front local datapoints have been positive. Along expected lines, RBI raised the repo rate by 50 bps to 5.4%. Helped by favourable base, India's GDP rose strongly by 13.5% in June'22 quarter. CPI inflation, eased to a 5-month low 6.7% in the month of July down from 7.0% in June'22. Also, WPI inflation eased to 13.9% in July'22 which had spiked to 15.9% during the month of June'22.

GST Collection rose 28% to INR 1.43 lakh crore in

August'22 and have remained over the INR 1.40 lakh-crore mark for the sixth straight month. Direct tax collection too is showing robust growth, increasing by 40% in the current fiscal year till July vs. the same period last fiscal year. The rise was largely on account of rising personal and corporate taxes (up by 52% and 34% respectively).

Brent Crude prices also like equity markets were volatile but eventually closed at USD 95/bbl. INR remained relatively stable throughout the month, outperforming most global currencies.

### Quarterly Earnings Update-June 2022

Corporate earnings continue to remain strong, Core NIFTY50 companies (ex-financial, TTMT, Telco & OMC) reported strong Revenue/ EBITDA/ PAT growth of 36%/ 25%/ 27% respectively, partly helped by lower base and high inflation. Core NIFTY50 EBITDA margin contracted by ~190 bps YoY to 21.4%, however, marginally better than estimate of 21%. Strong operating earnings growth was reported by Auto, Consumer Discretionary, Oil & Gas (ex OMC) and Utilities, while weakness was seen in OMCs, PSU Bank, Metals, and IT services. (Source: Antique Research)

### Market Outlook

Indian equities have shown remarkable resilience over the last couple of months. This is particularly noteworthy given the continued volatility in global markets. On the economy front, India has stood out with outlook for GDP growth continuing to be over 7% for FY23 in a world where economies are struggling to avert recession. The added opportunities for Indian manufacturing on the back of China+1 move as also increasing competitiveness of Indian companies because of high power costs elsewhere in the world, is adding to the optimism. Domestic demand outlook is

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

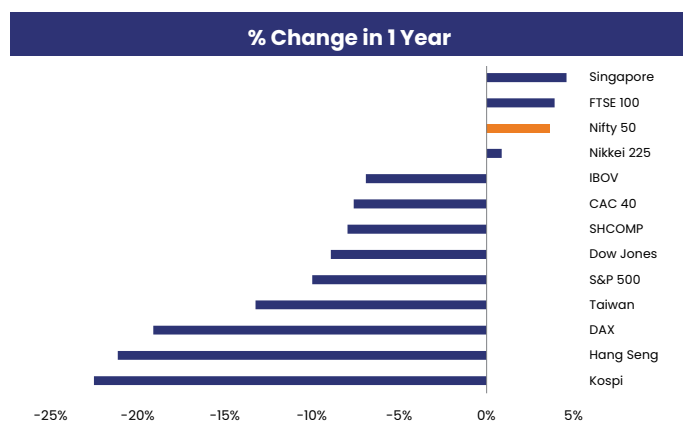
Inflation numbers released with 1 month lag, Core Sector number released with 1 month lag, IIP number released with 2 month lag

Source: NSDL, PTI, ANI, Bloomberg, BSE, NSE, Abakkus Estimates, RBI

very strong led by increasing spending in the ensuing festival and wedding season – the first normal one in three years post Covid related shutdowns. Both rural India – led by record agricultural produce and high agri product prices, and urban India – led by income level increases particularly in the IT services and financial sector; is seeing increased activity and that gives confidence of a strong economic outlook.

From a global investor perspective, Indian equities are coming back in focus, given the resilient economy and currency. A view of moving away from EM funds and China funds into India specific funds is also slowly gaining pace. This flow should act as an added strength for Indian equities.

## Global indices Performance



Source: Bloomberg, updated as on August 31<sup>st</sup>, 2022

Although Indian markets looked relatively better, this very sharp outperformance in the global context has surprised lot of market participants. While we continue to believe that Indian equities will do much better than most global markets, in the absolute near-term select euphoria is being witnessed in the markets. The recent moves have been more allocation related and also momentum based. News flows globally will continue to lead to high volatility and patience and careful discretion should be the strategy going forward.

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