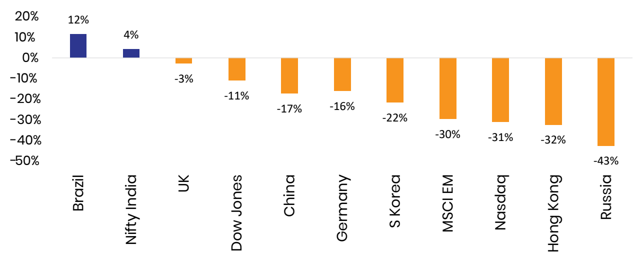
Market Outlook

November 2022

Market Update

Indian equities ended the month of October with decent gains, along with the rebound witnessed in global equity markets. US Dow Jones Index gained a whopping 14% in October, while the gains in tech-heavy Nasdaq was down 2.1%. NIFTY50 was up 5.4% for the month, thereby turning positive for YTD'CY22. The broader markets ended marginally positive with S&P BSE Midcap and S&P BSE 250 SmallCap being up 2.0% & 1.8% respectively. The rally was seen across the sectors led by the rate sensitive sectors like Banks, PSU's and Autos. Almost all sectoral indices closed higher than the previous month. FIIs turned net buyers in last 15 days of the month. Strong domestic inflows continued with domestic institutions buying ~USD 1.1 bn in the month of October.

Countrywise Performance -2022 YTD

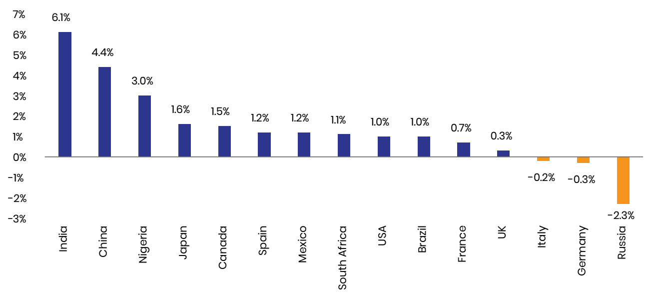


Source: Bloomberg, Kotak | Note: Data as on October 31, 2022

Macro Update

In its latest World Economic Outlook, IMF lowered India's economic growth forecast to 6.8% vs its earlier July 2022 estimate of 7.4%. Reasons being impact of external headwinds and weaker than expected 2Q growth. However, India continues to be the fastest growing large economy in the world. India's CPI inflation accelerated to a 5 month high of 7.30% in September due to surging food prices, staying well above the RBI's upper tolerance band for ninth month. India's WPI inflation fell to an 18-month low in September to 10.7%. Bank credit rose sharply by 17.9% YoY to INR 128.6 tn owing to the festive and quarter-end demand.

IMF Growth Forecast: FY2023



Source: IMF | Note: Data as on October 31, 2022

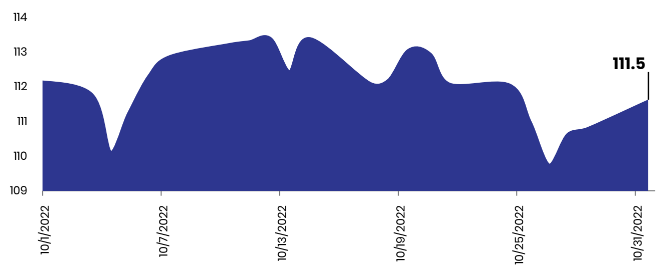
The gross GST revenue collected in the month of October 2022 was at INR 1.52 lakh Crs(~USD 18 bn), the second highest monthly collection ever, driven by festive demand, higher rates, and better tax compliance. The net tax revenue rose to INR 10.12 lakh Crs (~USD 112 bn), while non-tax revenue was INR 1.58 lakh Crs(~USD 19 bn). UPI(digital payment)transactions rose by 7.7% in October 2022 to 730 Crs from 678 Crs in the month of September 2022.

Brent crude was up around 5.5% to around USD 94/bbl. INR was short of 30 paisa to 83 per dollar and closed at 82.7

US 10-year yields have corrected by ~ 20 bps from the top to 4.15 levels, with slight correction in USD Index.

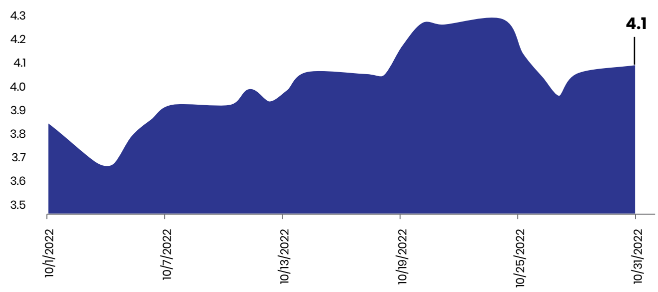
Softening Dollar Index & US Treasury Yield after their peak during the month

US Dollar Index



Source: Bloomberg

US 10 Yr Treasury



Source: Bloomberg

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 month lag

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

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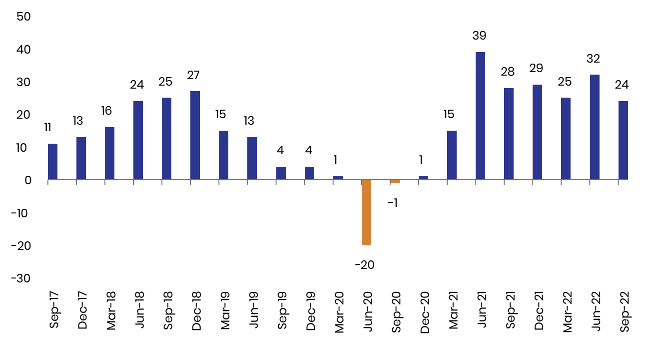
Q2FY23 Result Update

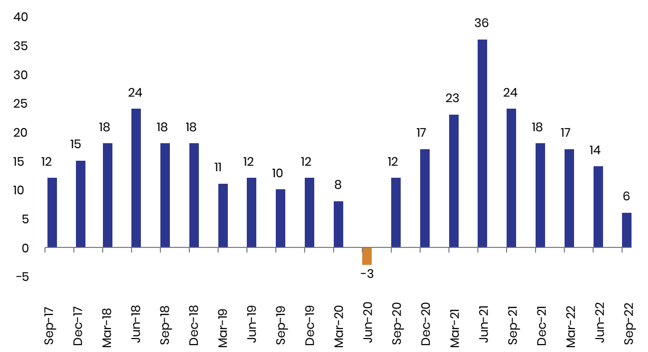
The 2QFY23 corporate earnings so far has reported good profit growth with the exception of cement and commodity sector. Growth is being led by BFSI and Autos with IT reporting single-digit earnings growth. Volatile commodity prices along with inflation / Energy cost weighed on the margins across sectors. There was a degrowth in overall profit growth for NIFTY500 companies. However, decent profit growth was reported of ex-commodity companies basis.

NIFTY50 sales up 24% for 2QFY23 (YoY%)



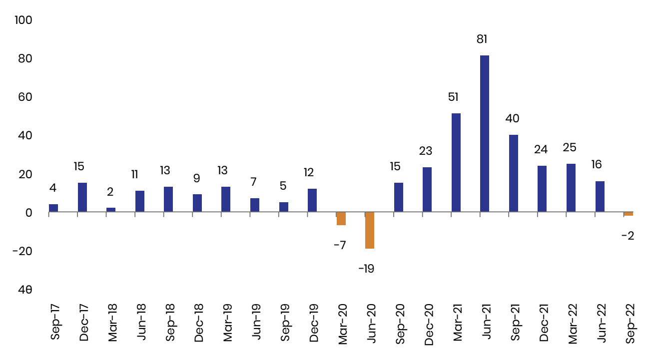
Source: MOSL | Note: Data as on October 31, 2022

NIFTY50 EBITDA up 6% for 2QFY23 (YoY%)



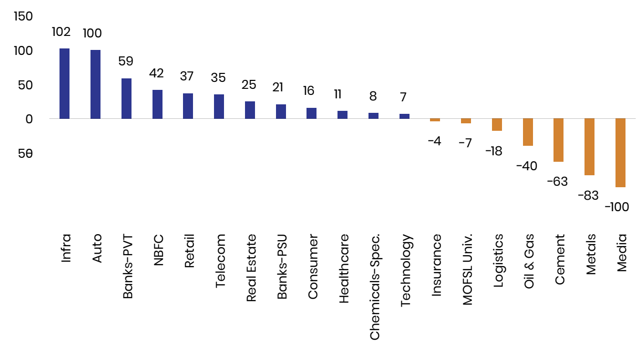
Source: MOSL | Note: Data as on October 31, 2022

NIFTY50 PAT down 2% for 2QFY23 (YoY%)



Source: MOSL | Note: Data as on October 31, 2022

Sectoral PAT growth for 2QFY23 (YoY %)



Source: MOSL | Note: Data as on October 31, 2022

Outlook

Indian economy and markets have shown remarkable resilience and "de-coupling" in this global uncertainty. Indian economy continues to do well and is expected to grow 6.5% to 7% for the next two years. Corporate profitability also is trending well and earnings are expected to grow in mid-teens for the next two years. Domestic demand is trending up well, with the onset of the festive and wedding season and should provide an additional tailwind for consumer and economy facing companies. Global markets and scenario also seems to be stabilising. There is also an increasing realisation that emerging market funds might not be the best way of participating in the growth of Indian economy and we are seeing early signs of smart India country specific allocations coming in. This is reflected with positive foreign flows being witnessed regularly, lending additional strength to Indian equities.

However, volatility should be expected regularly as the world still is grappling with multiple macro-economic issues as well as geo-political concerns. A balanced approach in investing is highly recommended, with focus on profit growth and valuations.

Disclaimers

November 2022

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https://www.nseindia.com/products-services/aif-benchmark-report

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Portfolio Management Services:
You may refer the Disclosure Document available at
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