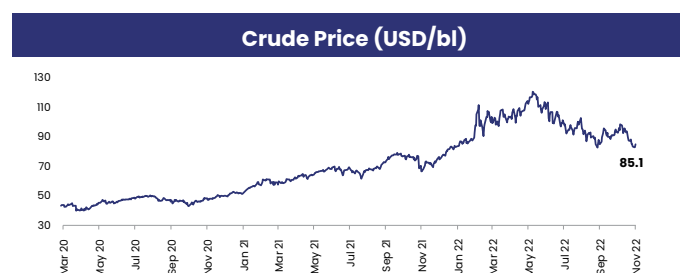


Market Update

The recent positive trend in Indian equity markets continued during the month of November. NIFTY50 ended the month up 4.1% at near all-time highs, while broader markets slightly underperformed with S&P BSE Midcap and S&P BSE 250 SmallCap up 2.3% & 3.1% respectively. Global markets staged a sharp comeback and rallied sharply during the month, driven by lower-than-expected US CPI inflation that fuelled hopes that the Federal Reserve could tone down its aggressive pace of interest rate hikes. Dovish remarks in the US Federal Reserve meeting minutes and falling crude/commodity prices also helped. Flows were strong with FPI's buying ~USD 4.4 bn of Indian equities while DIIs flows were marginally negative at ~USD 0.8 bn.

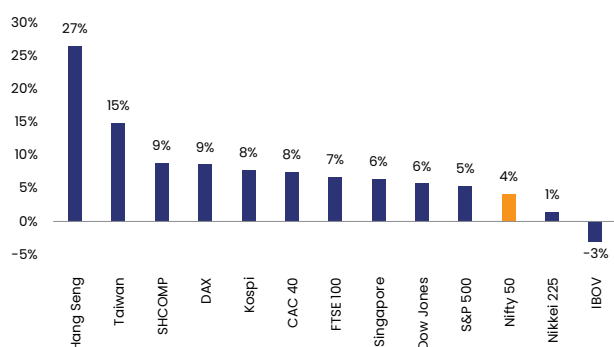
News of China relaxing its strict Covid policy and reopening, also had a positive impact on global equity markets in general and Chinese markets in particular, with the Hong Kong Hang seng Index surging by 27% for the month.

The gross GST revenue collected in the month of November'22 was at INR 1.46 lakh crore. This is the ninth month in a row that the revenues have remained above the Rs 1.40 lakh crore mark. Brent crude was down ~10% to around USD 85/bbl. INR was stable, hovering around 82 per dollar and closed at 81.4.



Source: Bloomberg

1M Performance (%)



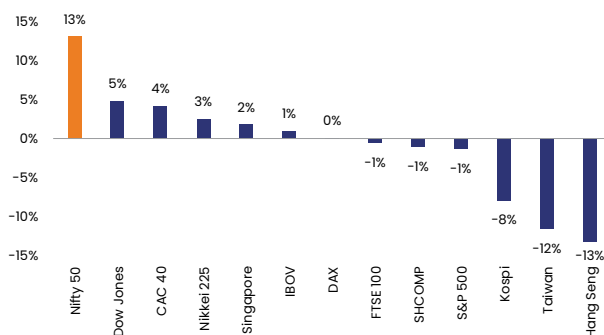
Source: Bloomberg, Kotak | Note: Data as on November 30, 2022

Outlook

From an earnings perspective, Q2FY23 corporate earnings were largely in line with expectations driven by continued strong performance of Financials and lesser-than-estimated losses in OMC's. Earnings growth for Nifty rose 9% YoY fuelled by BFSI. Excluding BFSI, profit fell 3% YoY. The aggregate performance was marred by a sharp drag from global commodities such as Metals and O&G, which posted a 67% and 29% YoY earnings decline, respectively.

With festive demand and wedding season outlook being strong, we expect H2FY23 to be strong from demand growth perspective. At the same time, margins should start to improve in coming quarters due to softer commodity prices and operating leverage.

6M Performance (%)



Source: Bloomberg, Kotak | Note: Data as on November 30, 2022

Going into year end, Global markets have broadly stabilised with foreign flows returning in India. We expect relative strength of markets to continue. Baring near term volatility owing to global events, we feel medium to long-term outlook is quite positive for India. Over the coming 6 months inflation globally will ease and this too bodes well for equity markets. Weak crude prices should also be positive for the Indian economy and also lead to stability in Indian Rupee.

The headline indices are at all-time highs, with valuations being reasonably priced. However, broader markets to some extent, have underperformed. We expect that over the course of next few months, with stability in terms of news-flow, investor interest should return to this segment as well. There is some over exuberance being witnessed in pockets of the market, with short term sharp movements being witnessed, driven by retail investor activity. We would advise staying away from story-based investing and would continue to focus on companies with existing profits, visible profit growth and where fundamentals justify the valuations.

On the economy front, October'22 CPI inflation fell to 6.8% from 7.4% in September'22, led by rising food prices. WPI inflation too continued to drop with October'22 print at 8.4% vs 10.7% in September'22. September'22 IIP registered growth of 3.1% y-o-y versus negative 0.7% in August'22. 2QFY23 real GDP grew by 6.3%.

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, 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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