HDFC Bank Research

Weekly Equity Market Updates for week ended December 13, 2024

Domestic Equity Market Update

- Indian equities ended the week on a mixed note, with the large cap-oriented BSE Sensex ending higher by 0.52% & and Nifty 50 ending higher by 0.37% WoW respectively. The BSE Midcap index ended higher by 0.22% and the BSE Small cap index ended lower by 0.16%.
- On the BSE sectoral front, IT was the top performer while FMCG, Healthcare and Oil & Gas underperformed the most.
- Domestic equity markets ended the week mostly on a positive note led by heavyweight information technology stocks following an in-line US CPI data of November 2024 which cemented expectations of another interest rate cut from the Federal Reserve in December 2024 monetary policy meeting.
- **Global Market Updates**
- US equity markets ended on a mixed note during the week after producer prices in the US rose more than anticipated in November. However, losses were limited following the US consumer inflation for November 2024 that came in line with estimates, which boosted confidence that the US Fed will cut rates by another 25-bps next week.
- European equity markets ended on a mixed note as investors were analysing the European Central Bank's choice to reduce interest rates by 25 basis points and are considering the likelihood of an additional reduction in the first quarter of 2025.
- Brent crude price rose from USD 72.14 per barrel to USD 74.39 amid hopes that demand from China will increase. Furthermore, prices increase on possible sanctions on Russia by the European Union.

Macro Data & Domestic News Released During the Week

- According to the Railway Ministry data, freight loading on Indian Railways continued to show sluggish growth in November 2024, with the national transporter handling 130 mn tonnes (mt) of goods, marking a 1.36% YoY increase. Coal, which makes up half of the railway's freight volume, saw a 3.4% YoY growth, reaching 65.5 mt.
- According to S&P Global Ratings, India's GDP is set to grow at 6.8% YoY in FY25 on the back of strong urban consumption, steady services sector growth, and ongoing investment in infrastructure. For FY26 and FY27, the previous GDP growth estimates were pegged downwards by 20 bps at 6.7% YoY and 6.8% YoY, respectively.
- As per AMFI data, Equity mutual funds witnessed an inflow of Rs 359.43 bn in November 2024 down from Rs 418.87 bn in October 2024, marking a drop of 14% MoM. November 2024 marked the 45th consecutive month of net inflows into equity-oriented funds. The mutual fund industry's Net AUM rose to Rs 68.08 trillion in November 2024 from Rs 67.25 trillion in October 2024.
- The Asian Development Bank (ADB) has lowered its India growth forecast for FY25 to 6.5% YoY from its earlier estimates of 7% YoY. ADB also revised its growth forecast for FY26 to 7% YoY from 7.2% YoY earlier, citing India's slower than expected growth in private capex and housing demand.
- According to Union Minister Jitendra Singh, India's atomic power capacity has almost doubled in the past decade from 4,780 megawatts in 2014 to 8,081 megawatts in 2024.
- According to RBI data, credit growth slowed to 10.64% YoY in the fortnight ending November 29, 2024, growing almost in tandem with deposits, which posted a growth of 10.72% YoY during the same period.

Outlook

Going forward, Indian equity market is likely to be driven by incoming macro data points, policy action by the government, FPI/DII flows, monetary policy moves from the RBI and announcement of policy changes by the Incoming US Administration. While elevated inflation didn't allow the RBI to cut policy rates in December, it has cut the CRR by 50 bps to infuse durable liquidity in the system.

In US, Trump's return to the White House is expected to be positive for corporations and the US economy, although there are some concerns about the effect planned tariff increases will have its trading partners including India. Citing the strength of the US economy, the US Fed chairman said that Fed can take a careful approach to future monetary policy decisions suggesting the central bank may not be as aggressive on its rate-cutting campaign going forward.

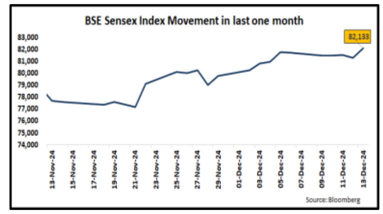
In India, earnings momentum in the economy saw deceleration along with weak GDP growth. Even the high frequency data points in India are suggesting a gradual deceleration of momentum. Data like the Tax collection, Government spending, Exchange rate etc are showing incremental moderation. The emerging issue in India seems to be the weakening urban demand and muted Government capex spend.

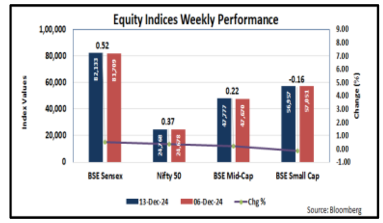
On the back of weaker than expected Q2FY25 result season, stocks across markets cap have seen correction and cuts in their future earnings estimates. While the inflow into the equity markets have been substantial from the domestic investors, FPI outflows have remain a cause of concern. Also, the supply of fresh equity in the form of FPO, IPO and dilution by the promoters have also been substantial liquidity guzzlers. In terms of valuations, Midcap indices continue to enjoy higher multiples compared to Smallcap indices, which in turn have higher multiple compared to Largecap indices.

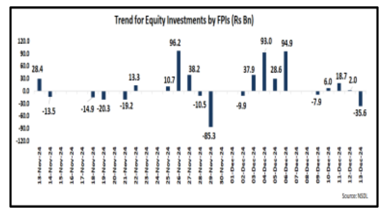
The market expects that the government spending is likely to be quite strong in the last 4 months of the fiscal year and that could see improvement across economic parameters as we move forward. This along with a strong marriage season could support corporate earnings in Q3 and Q4 FY25. In case this pans out, the equity markets are likely to see consolidation with an upward bias, given that the current valuations are not very cheap to begin with. However, the market may not take further earnings disappointments lightly and could see sharper correction (especially in small and midcap category) if such scenario pans out.

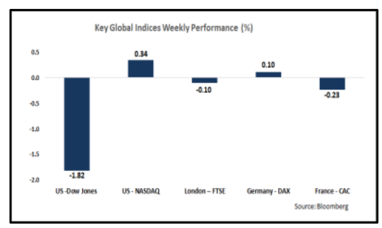
In the long term, improving domestic macro conditions, favourable demographics, rising per capital income and Strong consumption demand could keep driving the Indian corporate earnings higher and support the equity markets, thus making Indian markets a "buy on dips" play currently.

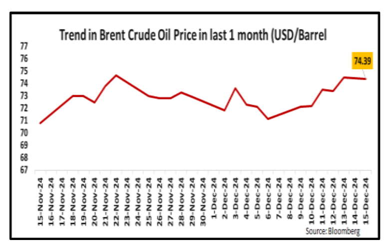
Post the recent correction, fresh Investment deployment strategy could be 50% lumpsum and rest 50% to be staggered over the next 5-6 months. Mutual Fund investors can look to focus on categories like Diversified equity, Equity Hybrid and Multi-asset funds. Aggressive investors may also look at Business Cycle Funds for allocation. All allocations should be done in line with the risk profile and product suitability of the investor.

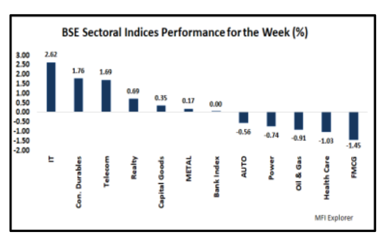


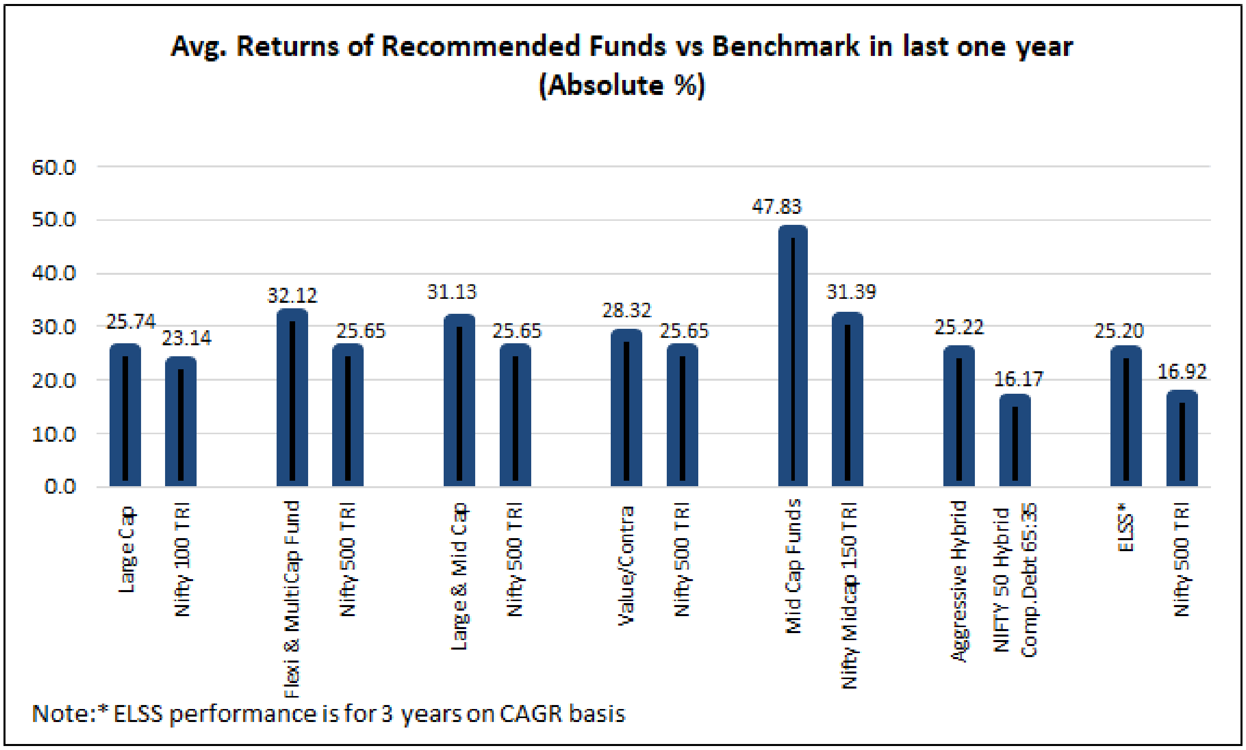












Returns Absolute %			Returns Compounded Annualised %			
Category Average of Recommended Funds	**1 Month**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
Large Cap Funds	5.26	6.11	25.74	23.25	18.87	19.16
Flexi & MultiCap Fund	5.90	8.08	32.12	29.82	24.17	24.02
Large & Mid Cap Funds	6.08	6.40	31.13	28.61	22.16	23.62
Mid Cap Funds	9.88	17.84	47.83	41.30	31.66	31.70
Small Cap Funds	8.48	9.43	33.63	36.04	26.56	33.17
Value/Contra Funds	4.68	5.49	28.32	28.30	23.33	26.73
Focused Funds	5.07	6.85	30.40	25.79	21.32	23.15
Aggressive Hybrid Funds	4.71	7.91	25.22	22.15	17.43	18.58
Dynamic Asset Allocation Funds	3.18	5.18	19.03	18.60	15.61	16.83
Equity Linked Saving Schemes	7.69	11.27	40.51	34.20	25.20	23.94
Infrastructure Oriented Funds	6.01	4.55	36.42	34.62	27.22	29.97
Nifty 50 Index TRI	**5.16**	**6.43**	**19.70**	**16.64**	**13.89**	**16.75**
Nifty 500 TRI	**6.62**	**6.32**	**25.65**	**22.27**	**16.92**	**20.22**
Nifty Infrastructure TRI	**6.27**	**0.29**	**28.51**	**29.10**	**22.31**	**23.87**

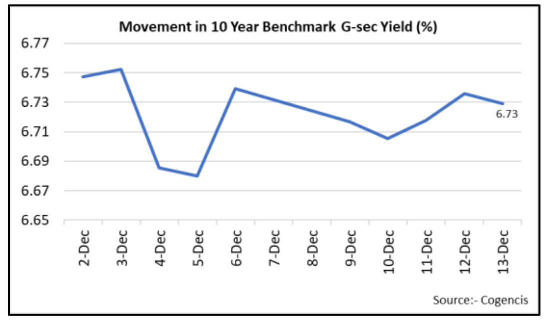
Note: Data as on December 13, 2024. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms.
Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to https://icraanalytics.com/home/disclaimer)

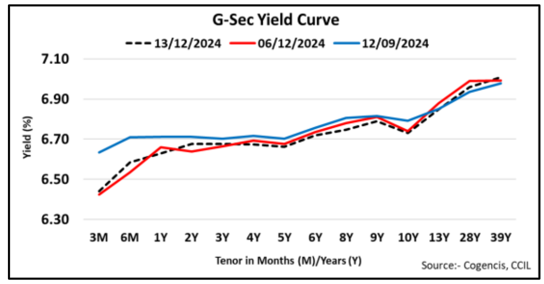
Overview - Fixed Income Markets & Mutual Funds as on 13 December 2024

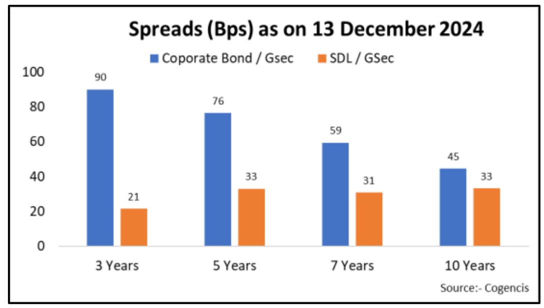
- Domestic G-Sec prices closed the week ended 13th December 2024 on a positive note wherein the yield on the 10-year benchmark, the 6.79% G-Sec 2034 bond, closed lower by 1 bp at 6.73% as against 6.74% on 6th December 2024.
- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-)5 bps to 11 bps on a WoW basis. In case of the greater than one-year segment, yields were mixed in the range of (-)1 bp to 2 bps on a WoW basis.
- **Movement in G-sec yields :-**
  - Indian G-sec yields fell after the US jobs data for November 2024 reaffirmed the expectations of a rate cut by the US Federal Reserve in December 2024. Gains were extended following the lower-than-expected cut off yields at the weekly debt sale. However, gains were limited due to elevated US Treasury yields.
  - The total G-sec supply for the week stood at Rs 484 bn (SDLs + G-secs). In this, the G-secs' auction was to the tune of Rs 370 bn and the maturities were in the range of 10-50 years. For the 10-year G-sec, the cut off yield came in at 6.75%. The SDLs' auction was to the tune of Rs 114 bn and the maturities were in the range of 9-22 years. For the 10-year SDL, the average cut off yield came in flat at 7.10%, as against 7.10% in the previous week. The G-secs' auction was for the following: 6.79% GS 2034, New GOI SGrB 2054, and 7.09% GS 2074.
  - Banking system liquidity deteriorated during the week, wherein liquidity, as measured by the RBI's net Liquidity Adjustment Facility (LAF), stood at a daily average surplus of ~Rs 387 bn during the week as against a daily average surplus of ~Rs 718 bn during the previous week.
- **Macro Data released during the week :-**
  - According to NSO data, India's retail inflation rate, based on the Consumer Price Index (CPI), came in at 5.48% YoY in November 2024, down from 6.21% YoY in October 2024. Food inflation rate moderated to 9% YoY in November 2024, from a 15-month high of 10.87% YoY in October 2024.
  - FDI inflows into India crossed the USD 1 trillion milestone in the April 2000 - September 2024 period. The cumulative amount of FDI stood at USD 1,033.40 bn during the period.
  - According to RBI data, credit growth slowed to 10.64% YoY in the fortnight ending November 29, 2024, growing almost in tandem with deposits, which posted a growth of 10.72% YoY during the same period.
  - As per the RBI, India's foreign exchange reserves fell by USD 3.23 bn to USD 654.86 bn as of December 6, 2024. Foreign currency assets (FCAs) fell by USD 3.22 bn to USD 565.62 bn.
- **Other macro-economic news :-**
  - As per Labour Ministry Data, the All-India Consumer Price Index for Agricultural Labourers (CPI-AL) eased to 5.96% YoY and for Rural Labourers (CPI-RL) to 6% YoY respectively, in October 2024.
  - As per data from the Ministry of Agriculture, sowing of rabi crops has increased by 1.50% YoY as on December 9, 2024, as farmers have increased area under wheat and chana.
  - As per RBI data, India's outward FDI commitments, which comprise equity, loans and guarantees, almost halved to USD 2.28 bn in November 2024, from USD 4.17 bn in November 2023.
  - According to data from the Finance Ministry, Gross NPAs of Public Sector Banks (PSBs) have declined to a decade low of 3.12% at the end of September 2024 from a peak of 14.98% in March 2018.
- **Global Updates :-**
  - As per US Labor Department data, the US Consumer Price Index climbed by 0.3% MoM in November 2024 after rising by 0.2% MoM in October 2024, in line with expectations. Core consumer prices in November 2024 jumped by 3.3% YoY, unchanged from October 2024.
  - Non-farm payroll employment in the US rose by 227,000 jobs in November 2024 after rising by an upwardly revised 36,000 jobs in October 2024. Economists had expected employment to jump by 200,000 jobs.
  - The European Central Bank (ECB) lowered its key interest rate, the deposit rate, by 25 basis points to 3%. The main refinancing rate was reduced to 3.15% and the marginal lending facility rate to 3.40%.
  - According to China's National Bureau of Statistics, consumer prices in China were down 0.6% MoM in November 2024. That missed expectations for a decline of 0.4% MoM following the 0.3% MoM drop in October 2024. Inflation was up just 0.2% YoY, falling shy of forecasts for an increase of 0.5% YoY.
- **Outlook :-**

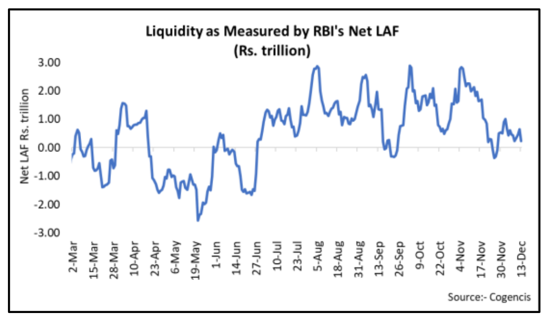
The liquidity remained in surplus during the week, but the quantum of surplus declined. In consonance with its stance on Neutral liquidity, the RBI announced a CRR cut of 50 bps to inject durable liquidity in the system. The CPI inflation for November 2024 eased slightly to 5.48% YoY, below market expectations of 5.53% YoY. While the CPI inflation remains above the RBI's target of 4% YoY, the food inflation is expected to cool down further during the winter months, which can cause headline inflation to gradually trend downwards and could give room to the MPC for policy rate cuts by February 2025. However, issues on the external front in terms of rising trade deficit and weakening currency remain a key challenge for the RBI to negotiate with in the medium term. In the US, the Federal Reserve is guiding to slowing the pace of policy rate cuts in the light of improving growth and employment data. While inflation trajectory in the US remains on a downward path and Manufacturing continues to remain weak, the policy measures announced by the incoming Trump Administration would be a key factor that would drive the policy rates there.

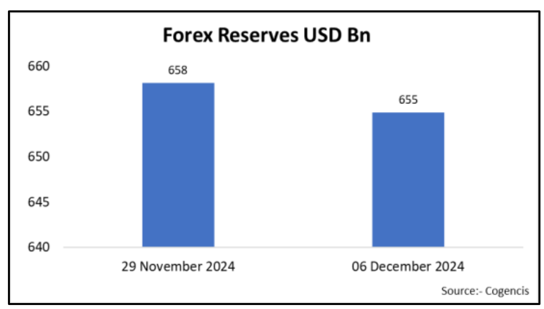
Domestically, tactical opportunities for duration strategy are playing out, with the growth decelerating and expectation of policy rate cuts rising. With the fiscal deficit expected to remain firmly under control, the supply-demand dynamics are likely to support lower yields at the longer end. Additionally, as liquidity conditions ease further due to the change in stance, it is likely to compress the corporate bond yields at the shorter end in the medium term. **With this backdrop, the inverted corporate bond yield curve may normalize, making the case for corporate bonds at the 1-4-years segment of the curve. Hence, investors can look at Corporate Bond Funds for a horizon of 15 months and above. For a horizon of 24 months and above, investors can look at Dynamic Bond Funds. For a horizon of 3 months and above, investors can consider Arbitrage Funds or Money Market Funds. Whereas for a horizon of up to 3 months, investors can consider Overnight Funds and Liquid Funds. Investors can also look at Multi-asset allocation funds for a horizon of 36 months and above. Investors should invest in line with their risk profile and product suitability.**

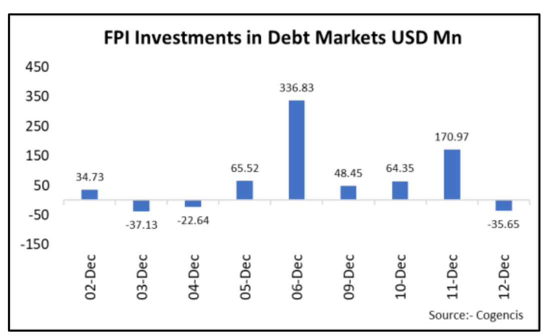












Category Average Returns as on 13 December 2024

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	6.38	6.42	6.39	6.33	6.35	6.41	6.51	6.60	6.59	5.87
Liquid Funds	4.47	6.09	6.59	6.68	6.90	6.94	7.13	7.26	7.07	6.24
Floater Funds	14.38	4.63	6.50	6.44	7.42	8.35	8.20	8.32	7.74	6.42
Low Duration Funds	1.47	4.04	6.26	6.37	7.14	7.24	7.30	7.42	7.09	6.02
Money Market Funds	0.90	4.89	6.47	6.61	7.07	7.10	7.24	7.38	7.20	6.25
Ultra Short Duration Funds	1.95	4.74	6.23	6.39	6.84	6.83	6.98	7.09	6.86	5.93
Banking And PSU Funds	3.61	4.69	7.33	6.07	7.30	8.09	7.64	8.11	7.20	5.83
Corporate Bond Funds	6.22	5.56	7.88	6.46	7.62	8.45	7.97	8.33	7.38	5.85
Medium Duration Funds	14.95	7.28	8.63	7.05	7.51	8.54	8.01	8.53	7.35	6.15
Short Duration Funds	2.59	5.14	7.64	6.67	7.40	8.10	7.69	8.02	7.11	6.07
Medium To Long Duration Funds	32.70	11.83	8.92	5.64	6.11	8.45	7.87	9.03	7.34	5.63
Long Duration Funds	76.62	22.36	9.79	4.81	5.78	9.61	8.95	12.03	8.78	6.14
Dynamic Bond Funds	42.96	14.66	9.58	5.44	6.12	8.74	8.10	9.40	7.64	5.98
Credit Risk Funds	11.12	6.60	7.47	7.78	7.54	8.14	7.91	8.20	7.89	9.05
Gilt Funds / Gilt Funds with 10 year constant duration	56.75	16.97	10.76	5.64	6.07	9.04	8.45	9.93	8.04	5.92
Conservative Hybrid Funds	51.29	9.81	21.34	4.42	4.01	9.77	12.19	12.22	10.63	8.66
Index Funds	6.40	6.93	8.48	6.37	7.20	8.57	8.20	8.87	7.57	5.38
Arbitrage Funds	13.67	6.44	5.70	6.32	6.14	6.47	6.98	7.50	7.27	6.06

* Return figures for all schemes are Annualised for < 1 year and Compounded Annualised for >= 1 year

Recommended Funds' Average Returns (% Annualised Returns)	1 Months	3 Months	6 Months	1 Year	2 Year	3 Year
Medium to Long Duration Funds & Long Duration Funds	9.46	6.66	8.89	9.53	7.82	5.82
Dynamic Bond Fund	9.36	5.90	9.24	10.01	8.23	6.18
Gilt Funds & Gilt Funds with 10 year constant duration	11.07	5.62	9.35	10.91	8.58	6.46
Short Duration / Medium Duration	8.06	7.47	8.28	8.30	7.38	5.96
Banking and PSU Funds	7.55	7.58	8.55	8.48	7.46	6.03
Corporate Bond Funds	8.11	7.98	8.89	8.81	7.81	6.39
Ultra Short Duration Funds /Low Duration / Floater Funds	6.58	7.29	7.42	7.60	7.29	6.26
Money Market Funds	6.69	7.33	7.37	7.72	7.56	6.59
Liquid Funds & Overnight Funds	6.62	6.96	7.02	7.35	7.16	6.31
Arbitrage Funds	6.00	6.45	6.75	7.85	7.61	6.44

Please Note that all the Dividend options factor in the taxation applicable for corporates
Return figures for all schemes are Annualised for < 1 year and Compounded Annualised for >= 1 year
Returns shown in the chart above are for growth options.
Source for entire data stated above is Accord Fintech Pvt Ltd

(Please refer to the disclaimer on the next page)

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