Weekly Equity Market Updates for week ended December 20, 2024

Domestic Equity Market Update

- Indian equities ended the week on a negative note, with the large cap-oriented BSE Sensex ending lower by 4.98% & and Nifty 50 ending lower by 4.77% WoW respectively. The BSE Midcap index ended lower by 3.24% and the BSE Small cap index ended lower by 3.17%.
- On the BSE sectoral front, Healthcare was the top performer while Power, Metal and Capital Goods underperformed the most.
- Domestic equity markets ended the week on a negative note as the US Federal Reserve's hawkish tone on interest rate cuts in 2025 dampened the market sentiment.

Global Market Updates

- US equity markets ended on a negative note during the week after the US Federal Reserve made its anticipated announcement regarding a reduction in interest rates by a quarter point on 18th December, 2024; however, it has projected a lower number of rate cuts for the upcoming year than previously estimated.
- European equity markets ended on a negative note as investors were concerned over slowing economic growth and a potential trade war.
- Brent crude price fell from USD 74.39 per barrel to USD 72.94 on concerns about the outlook for oil demand, especially from the world's second-largest economy, China. However, losses were restricted after the Energy Information Administration data showed that modest decrease in U.S. crude oil inventories in the week ended 13th Dec, 2024.

Macro Data & Domestic News Released During the Week

- According to Micro Finance Industry Network (MFIN), NBFCs clocked the highest growth rate in the micro-finance business at 27.6% YoY as of Q2 FY25 followed by banks at 10.6% YoY. The growth for NBFCs-MFI, which are dedicated to the business, came in at 9.2% YoY while that of small finance declined by 5.6% YoY.
- According to data by Prime Database, fundraising through Qualified Institutional Placements (QIPs) reached an all-time high in 2024, surpassing the Rs 1 trillion mark for the first time ever in a calendar year as Indian companies raised Rs 1.21 trillion through QIPs till November 2024.
- As per data from S&P Global, HSBC's Flash India Composite Purchasing Managers' Index (PMI) rose to 60.7 in December 2024, matching August 2024's reading, after dropping to 58.6 in November 2024.
- According to ICRA, the Indian IT service sector will log growth in the range of 4-6% YoY in FY25, slightly better than the low-single digit growth of 3.8% YoY for FY24.
- As per data from the Apparel Exports Promotion Council (AEPC), India's readymade garment exports rose 11.4% YoY to USD 9.85 bn during April-November of FY25 despite global uncertainties.
- According to Union New & Renewable Energy Minister, Pralhad Joshi, India added almost 15 GW of renewable energy capacity between April-November of FY25, nearly double the 7.54 GW added during April-November of FY24.
- According to India Ratings and Research, India's economy is expected to grow at 6.6% YoY in FY26, compared with the downward revised projection of 6.4% YoY for FY25.
- According to CRISIL Ratings, the Assets Under Management (AUM) of infrastructure investment trusts (InvITs) in the road sector are poised to surge by 68% to Rs 3.2 trillion by March 2026.

Outlook

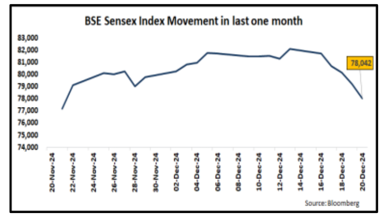
Going forward, Indian equity market is likely to be driven by incoming macro data points, policy action by the government, FPI/DII flows, monetary policy moves from the RBI and announcement of policy changes by the Incoming US Administration. While elevated inflation didn't allow the RBI to cut policy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

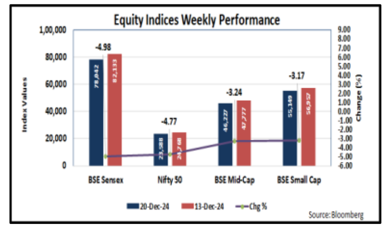
In US, Trump's return to the White House is expected to be positive for corporations and the US economy, although there are some concerns about the effect planned tariff increases will have its trading partners including India. The equity markets globally, indlcuding India, did not take the statements by the US Fed chairman, who 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.

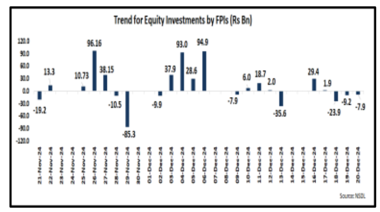
In India, earnings momentum in the economy saw deceleration along with weak GDP growth. Even the high frequency data points in India are suggesting a gradual deceleration of momentum. Data like the Tax collection, Government spending, Exchange rate etc are showing incremental moderation. The emerging 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. Rising dollar index seems to be one of the reasons for such outflows. As the rally in the Dollar index subsides, the FPI outflows are expected to subside. 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 participants expect 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. 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.**

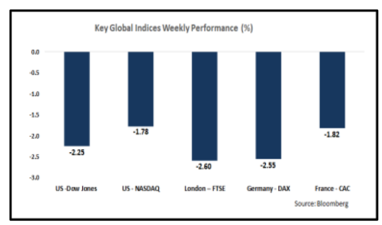
In the long term, improving domestic macro conditions, favourable demographics, rising per capital income and Strong consumption demand could keep driving the Indian corporate earnings higher and support the equity markets, thus making Indian markets a "buy on dips" play currently.

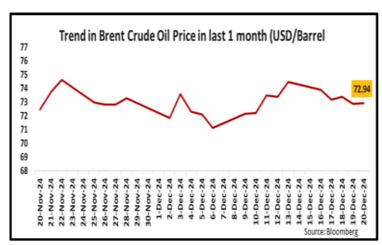
Post the recent correction, fresh Investment deployment strategy could be 50% lumpsum and rest 50% to be staggered over the next 5-6 months. Mutual Fund investors can look to focus on categories like Diversified equity, Equity Hybrid and Multi-asset funds. Aggressive investors may also look at Business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

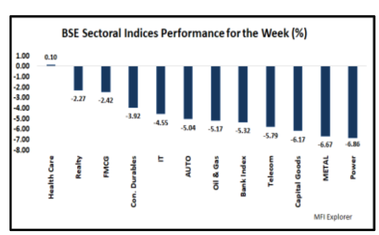


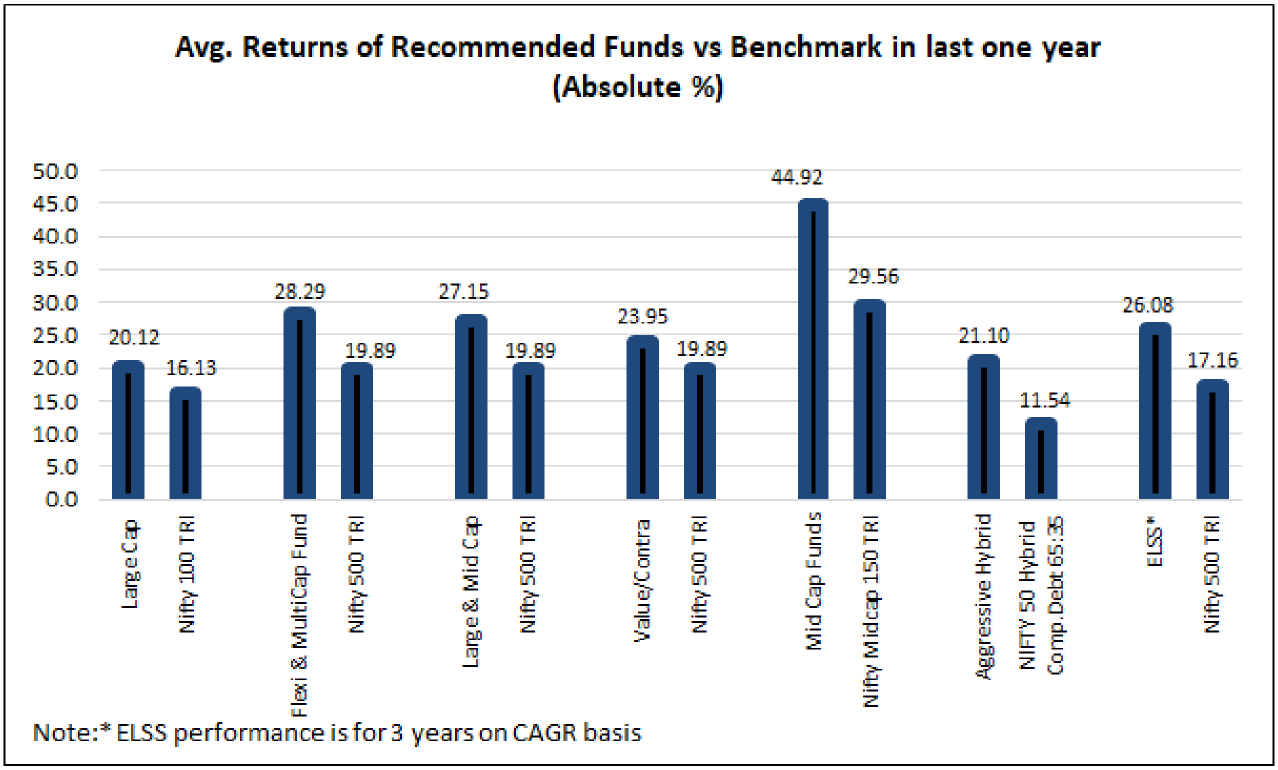












Returns Absolute %			Returns Compounded Annualised %			
Category Average of Recommended Funds	**1 Month**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
Large Cap Funds	0.94	1.20	20.12	21.48	19.11	17.86
Flexi & MultiCap Fund	2.00	3.19	28.29	28.37	25.12	22.90
Large & Mid Cap Funds	1.96	1.43	27.15	26.93	22.92	22.53
Mid Cap Funds	4.64	11.37	44.92	39.98	33.03	31.03
Small Cap Funds	4.35	4.88	31.82	34.86	27.69	32.37
Value/Contra Funds	0.77	0.38	23.95	26.60	23.91	25.61
Focused Funds	0.86	1.82	25.71	24.19	21.82	22.13
Aggressive Hybrid Funds	1.28	3.88	21.10	20.78	17.77	17.68
Dynamic Asset Allocation Funds	0.88	2.61	16.58	17.69	15.69	16.10
Equity Linked Saving Schemes	2.99	5.96	36.11	32.90	26.08	22.97
Infrastructure Oriented Funds	1.28	-0.03	32.02	32.36	27.59	28.78
Nifty 50 Index TRI	**0.29**	**0.57**	**12.80**	**14.52**	**13.72**	**15.27**
Nifty 500 TRI	**1.44**	**0.49**	**19.89**	**20.20**	**17.16**	**18.83**
Nifty Infrastructure TRI	**0.85**	**-4.90**	**21.54**	**25.95**	**22.34**	**22.32**

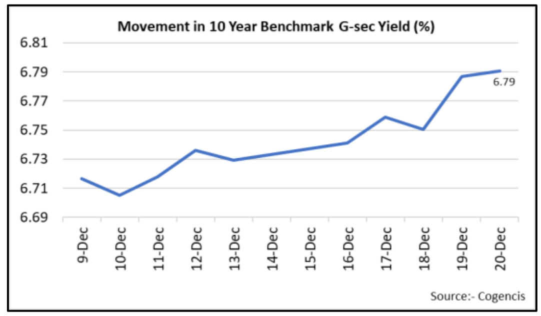
Note: Data as on December 20, 2024. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms.
Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to https://icraanalytics.com/home/disclaimer)

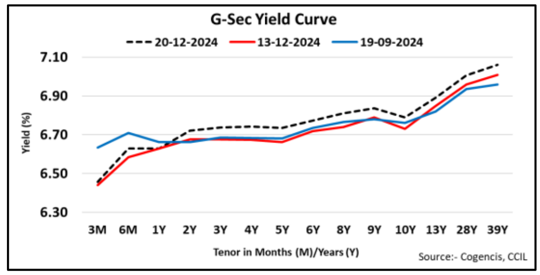
Overview - Fixed Income Markets & Mutual Funds as on 20 December 2024

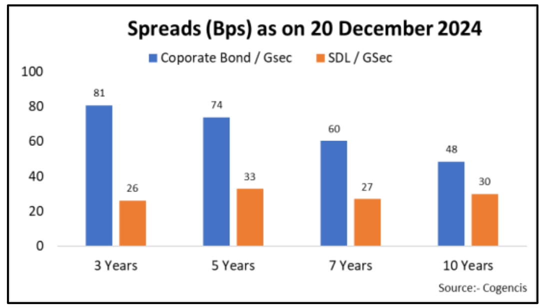
- Domestic G-Sec prices closed the week ended 20th December 2024 on a negative note wherein the yield on the 10-year benchmark, the 6.79% G-Sec 2034 bond, closed higher by 6 bps at 6.79% as against 6.73% on 13th December 2024.
- In case of AAA rated corporate bonds, yields in the less than one-year segment rose in the range of 5 bps to 12 bps on a WoW basis. In case of the greater than one-year segment, yields rose by 6 bps on a WoW basis, across ternors.
- **Movement in G-sec yields :-**
  - Indian G-sec rose following a spike in U.S. Treasury yields. Losses were extended after the U.S. Federal Reserve reduced the interest rate by 25 bps in its Dec 2024 policy meeting, however, flagged a slower pace of policy easing in 2025, pointing to stable labor market and sticky inflation.
  - The total G-sec supply for the week stood at Rs 498 bn (SDLs + G-secs). In this, the G-secs' auction was to the tune of Rs 290 bn and the maturities were in the range of 5-40 years. The SDLs' auction was to the tune of Rs 208 bn and the maturities were in the range of 4-30 years. For the 10-year SDL, the average cut off yield came in higher at 7.12%, as against 7.10% in the previous week. The G-secs' auction was for the following: New GS 2029 and 7.34% GS 2064.
  - 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 deficit of ~Rs 1,489 bn during the week as against a daily average surplus of ~Rs 387 bn during the previous week.
- **Macro Data released during the week :-**
  - According to data from the Ministry of Commerce and Industry, India's Wholesale Price Index (WPI) eased to a three-month low of 1.89% YoY in November 2024, as prices of food items, especially vegetables fell. WPI was 2.36% YoY in October 2024 and stood at 0.39% YoY in November 2023.
  - According to CBDT data, Net Direct Tax collections grew 16.45% YoY to Rs 15.82 trillion between April 1 and December 17 of FY25. Of this, non-corporate tax grew 22.5% YoY to Rs 7.97 trillion and Corporate tax collection grew at a slower pace of 8.6% YoY to Rs 7.4 trillion.
  - As per data released by the Commerce Department, India's trade deficit reached a record high of USD 37.8 bn in November 2024, amid a surge in merchandise imports, mainly driven by a 4.3X jump in inbound shipments of gold. Imports increased by 27% YoY, almost touching USD 70 bn.
  - As per the RBI, India's foreign exchange reserves fell by USD 1,98 bn to USD 652.87 bn as of December 13, 2024. Foreign currency assets (FCAs) fell by USD 3.04 bn to USD 562.58 bn.
- **Other macro-economic news :-**
  - According to data by the World Bank, India was the topmost recipient of remittances in 2024 with an estimated inflow of USD 129 bn, growing 5.8% YoY.
  - According to the Minister of State for Finance, Pankaj Chaudhary, the percentage of population filing Income Tax Returns rose to 6.68%, with over 8.09 crore income tax returns filed in FY24.
  - Advance direct tax receipts rose by 16.8% YoY in Q3 FY25, reflecting some moderation in tax payments. However, the pace of collections still exceeded the Budget estimates of gross (pre-devolution) direct tax receipts growth, which is 12.4% YoY.
- **Global Updates :-**
  - The US Federal Reserve lowered interest rates by 25 bps, in support of its dual goals of maximum employment and inflation at the rate of 2% over the longer run. Fed decided to lower the target range for the Federal Funds Rate by 25 basis points to 4.25-4.50%.
  - As per data from the US Commerce Department, US' Gross Domestic Product (GDP) growth beat expectations and shot up by 3.1% YoY in Q3 CY24, reflecting an upward revision from the 2.8% YoY previously reported and 3% YoY growth reported in Q2 CY24.
  - According to data from China's National Bureau of Statistics, China's industrial production expanded 5.4% YoY in November 2024, slightly faster than the 5.3% YoY increase in October 2024.
- **Outlook :-**

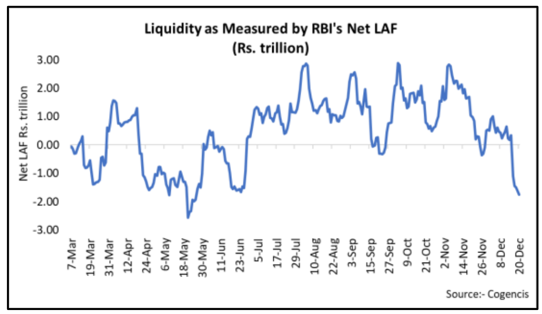
The liquidity turned sharply into deficit owing the to advance tax and GST payouts and RBI forex management. It is expected to improve as the effect of the CRR cuts fully flows into the system and with a rise in government spending. However, the market participants still expect the RBI to inject further durable liquidity in the system in due course, if the liquidity conditions do not improve. 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. 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 and can have implication on the timing of the policy rate cuts. 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.

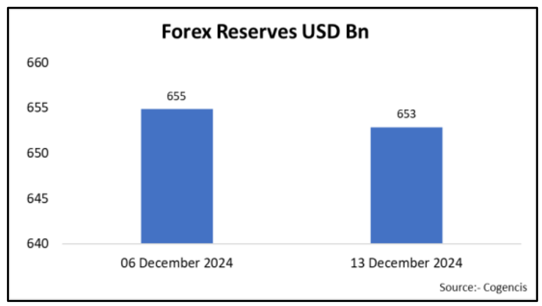
Domestically, tactical opportunity has again emerged for duration strategy, due to the recent uptick in the yields. With the growth decelerating, inflation moderating and expectation of policy rate cuts on the rise, only the timing of the same seems to have been pushed forward. Additionally, as liquidity 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.**

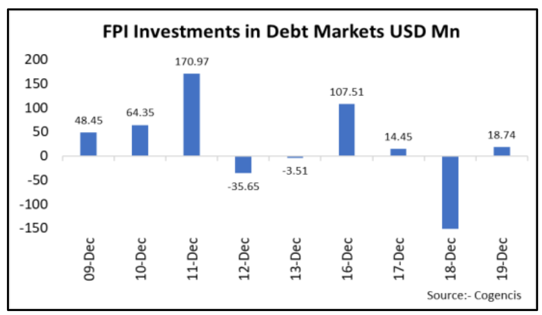












Category Average Returns as on 20 December 2024

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	6.53	6.49	6.46	6.37	6.36	6.41	6.51	6.60	6.59	5.90
Liquid Funds	6.40	6.73	6.59	6.72	6.87	6.94	7.13	7.26	7.08	6.26
Floater Funds	-7.54	2.13	5.75	6.11	6.80	8.01	8.17	8.19	7.70	6.44
Low Duration Funds	1.77	4.91	5.89	6.29	6.90	7.15	7.28	7.35	7.09	6.05
Money Market Funds	6.90	6.37	6.41	6.63	7.00	7.07	7.23	7.37	7.21	6.27
Ultra Short Duration Funds	5.55	6.09	6.15	6.41	6.76	6.80	6.97	7.08	6.86	5.96
Banking And PSU Funds	-7.54	-1.07	5.75	5.51	6.12	7.73	7.57	7.75	7.14	5.83
Corporate Bond Funds	-6.54	-2.08	6.03	5.79	6.40	8.03	7.87	7.95	7.31	5.84
Medium Duration Funds	-6.33	-3.53	6.66	5.62	6.28	8.07	7.94	8.00	7.29	6.15
Short Duration Funds	-1.83	-0.32	6.19	6.19	6.50	7.78	7.66	7.64	7.07	6.08
Medium To Long Duration Funds	-10.32	-10.59	6.42	4.51	4.10	7.51	7.86	8.12	7.26	5.61
Long Duration Funds	-50.36	-27.44	5.82	2.28	2.29	7.34	8.78	10.33	8.67	6.16
Dynamic Bond Funds	-23.41	-16.27	6.21	3.79	3.74	7.47	7.95	8.42	7.45	5.90
Credit Risk Funds	-18.74	-1.64	5.97	5.83	6.68	7.81	7.80	7.88	7.82	9.04
Gilt Funds / Gilt Funds with 10 year constant duration	-21.80	-20.34	6.79	3.68	3.25	7.58	8.26	8.75	7.85	5.84
Conservative Hybrid Funds	-137.51	-48.80	8.66	-0.89	-1.50	7.05	10.98	10.76	10.26	8.73
Index Funds	0.71	-0.61	7.04	5.74	6.20	8.13	8.19	8.24	7.61	5.41
Arbitrage Funds	42.96	10.17	5.73	7.30	6.48	6.65	7.08	7.37	7.23	6.04

* 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	6.91	4.60	8.03	8.61	7.76	5.84
Dynamic Bond Fund	5.33	2.84	7.40	8.91	7.98	6.07
Gilt Funds & Gilt Funds with 10 year constant duration	6.10	2.06	7.00	9.39	8.27	6.27
Short Duration / Medium Duration	6.54	6.51	7.92	7.91	7.33	5.96
Banking and PSU Funds	5.96	6.13	7.99	8.07	7.39	6.01
Corporate Bond Funds	6.32	6.65	8.42	8.41	7.73	6.37
Ultra Short Duration Funds /Low Duration / Floater Funds	6.18	7.06	7.32	7.53	7.28	6.28
Money Market Funds	6.63	7.26	7.34	7.70	7.56	6.62
Liquid Funds & Overnight Funds	6.59	6.92	7.01	7.34	7.16	6.33
Arbitrage Funds	6.21	6.90	6.96	7.72	7.57	6.42

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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