HDFC Bank Research

# Weekly Equity Market Updates for week ended December 27, 2024

## Domestic Equity Market Update

- Indian equities ended the week on a mixed note, with the large cap-oriented BSE Sensex ending higher by 0.84% & and Nifty 50 ending higher by 0.96% WoW respectively. The BSE Midcap index ended higher by 0.21% and the BSE Small cap index ended lower by 0.18%.
- On the BSE sectoral front, Auto was the top performer while, Metal, Power and Telecom underperformed the most.
- Domestic equity markets ended the week on a mixed note on back of positive global cues and subdued US inflation data. However, gains were restricted on concerns over persistent selling by the foreign institutional investors in domestic equity markets along with rupee's fall to record levels against the US dollar.

## Global Market Updates

- US equity markets ended on a positive note during the week due to softer-than-expected November inflation report and heavy buying in technology stocks.
- European equity markets ended on a positive note due to short covering and gains in healthcare sector. The markets weakened, especially the Germany DAX, as investors were concerned about potential tariff conflicts.
- Brent crude rose from USD 72.94 per barrel to USD 74.17 following the ongoing conflict between Russia and Ukraine, and expectations of increased demand from China following the recent stimulus measures contributed.

## Macro Data & Domestic News Released During the Week

- As per Government data, India's finished steel imports from China rose 22.8% YoY and reached 1.96 mn metric tonnes, an all-time high, during April-November 2024.
- The current account deficit (CAD), the difference between total imports and exports, reached $11.2 billion or 1.2% of GDP in July-September quarter of this year, compared with a revised deficit of $11.3 billion or 1.3% of GDP in the same quarter a year ago, the Reserve Bank of India (RBI) said in a release.
- As per data from CRISIL Research, the Indian pharmaceutical sector is projected to expand 8-10% YoY in this FY25, after growing by 10% YoY in FY24 and is expected to grow by another 9-11% in FY26.
- As per the Kantar FMCG Pulse report, India’s FMCG sector reported growth of just 4.3% YoY in the August-October (ASO) quarter of FY25, compared to 6.4% YoY growth in the ASO quarter of FY24.
- According to CRISIL ratings, India's data centre capacity is set to more than double to 2-2.3 GW by FY27, led by increasing digitalization, and access to mobile data traffic.
- As per data from the Ministry of Commerce and Industry, electronics exports from India have reached USD 22.5 bn in value during the period April-November 2024.
- According to CRISIL ratings, branded hotels in India are likely to see double-digit revenue growth of 13-14% in FY25, and 11-12% in FY26, on the back of a surge in demand.
- As per the Central Electricity Authority, India added almost 4 gigawatts of coal-fired capacity in 2024, about the same as in 2023.

## Outlook

Going forward, Indian equity market is likely to be driven by incoming macro data points, upcoming union budget, FPI/DII flows, monetary policy moves from the RBI, Q3FY25 results and announcement of policy changes by the Incoming US Administration. Despite the 50 bps cut by the RBI to infuse durable liquidity in the system, the system liquidity continued to remain in deficit, resulting in weaker credit growth. Improvement in the liquidity condition remains a key to improved growth conditions in the economy.

In US, Market participants are keenly awaiting the policy that Trump pursues to drive growth in the US. It 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.

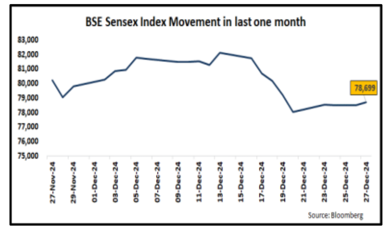
In India, earnings momentum in the economy saw deceleration along with weak GDP growth. Even the high frequency data points in India are suggesting a gradual deceleration of momentum. Data like the Tax collection, Government spending, Exchange rate etc are showing incremental moderation. However, the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

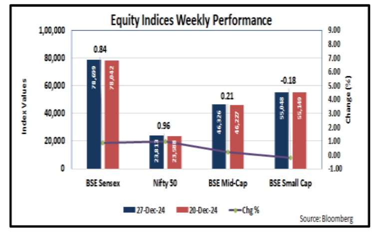
**While the inflow into the equity markets have been substantial from the domestic investors, FPI outflows have remain a cause of concern. Rising dollar index seems to be one of the reasons for such outflows. As the rally in the Dollar index subsides, the FPI outflows are expected to subside. Also, the 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.**

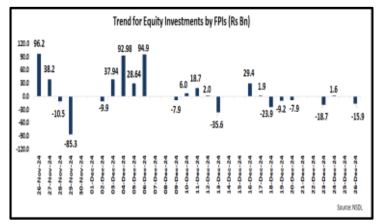
**The market participants expect that the government spending is likely to be quite strong in the last quarter of the fiscal year and that could see improvement across economic parameters as we move forward. This along with a strong marriage season could support corporate earnings in Q3 and Q4 FY25. 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.**

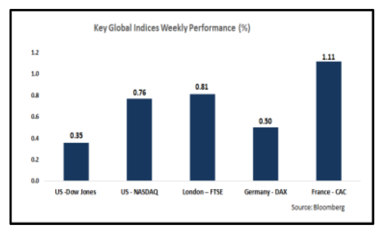
In the long term, improving domestic macro conditions, favourable demographics, rising per capital income and Strong consumption demand could keep driving the Indian corporate earnings higher and support the equity markets, thus making Indian markets a “buy on dips” play currently.

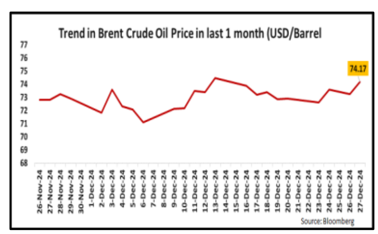
**Fresh Investment deployment strategy could be 50% lumpsum and rest 50% to be staggered over the next 5-6 months. Mutual Fund investors can look to focus on categories like Diversified equity, Equity Hybrid and Multi-asset funds. Aggressive investors may also look at Business Cycle Funds for allocation.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

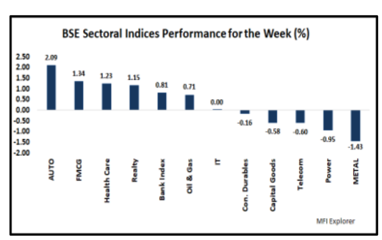


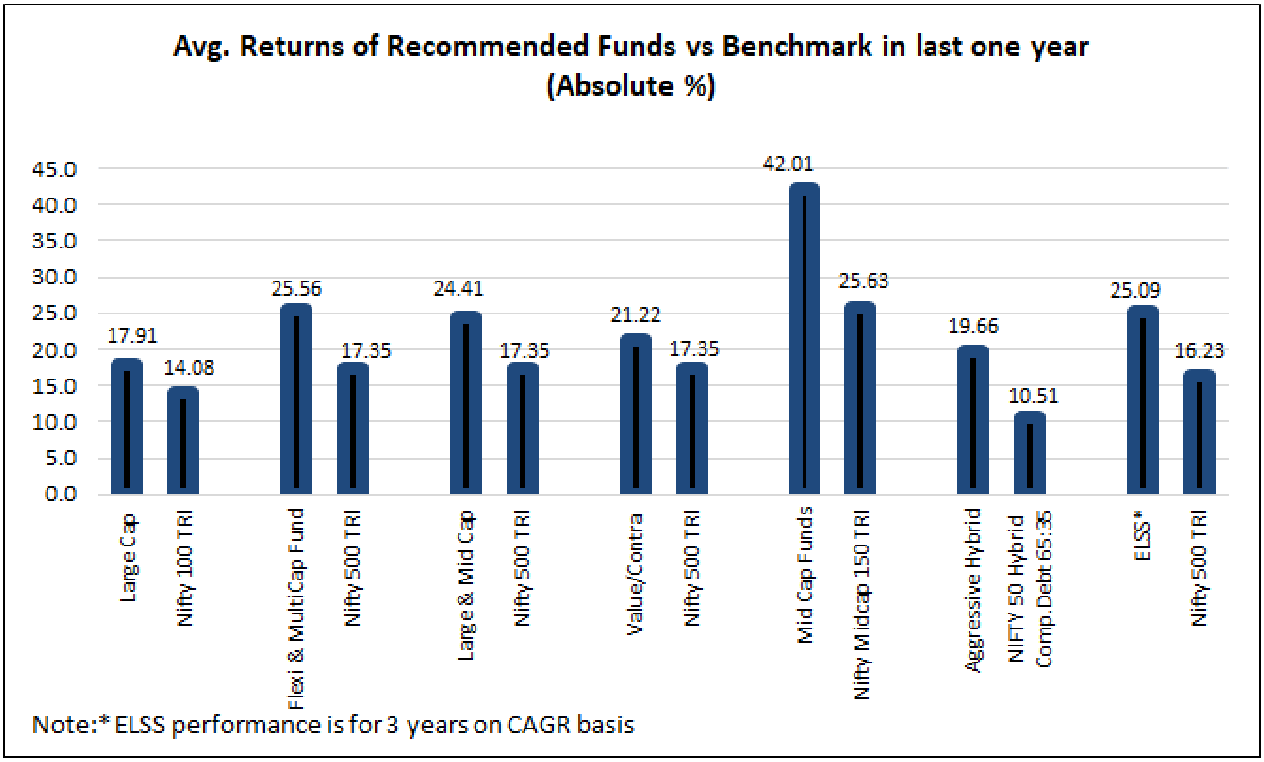






| Returns Absolute % | | | Returns Compounded Annualised % | | | |
|---|---|---|---|---|---|---|
| **Category Average of Recommended Funds** | **1 Month** | **6 Months** | **1 Year** | **2 Years** | **3 Years** | **5 Years** |
| Large Cap Funds | -1.50 | 0.07 | 17.91 | 22.69 | 18.30 | 17.97 |
| Flexi & MultiCap Fund | -0.73 | 2.62 | 25.56 | 29.86 | 24.13 | 22.98 |
| Large & Mid Cap Funds | -0.55 | 1.35 | 24.41 | 28.35 | 21.99 | 22.52 |
| Mid Cap Funds | 2.63 | 11.88 | 42.01 | 42.59 | 31.87 | 30.84 |
| Small Cap Funds | 0.22 | 4.17 | 27.73 | 36.45 | 25.78 | 31.96 |
| Value/Contra Funds | -1.36 | 0.01 | 21.22 | 27.99 | 22.94 | 25.65 |
| Focused Funds | -1.39 | 0.78 | 23.70 | 25.46 | 20.89 | 22.26 |
| Aggressive Hybrid Funds | -0.31 | 3.15 | 19.66 | 21.72 | 17.22 | 17.73 |
| Dynamic Asset Allocation Funds | -0.32 | 2.27 | 15.00 | 18.42 | 15.31 | 16.17 |
| Equity Linked Saving Schemes | 0.73 | 6.09 | 33.44 | 34.58 | 25.09 | 23.04 |
| Infrastructure Oriented Funds | -1.37 | -1.27 | 27.89 | 34.04 | 26.81 | 28.63 |
| **Nifty 50 Index TRI** | **-1.90** | **-0.50** | **11.23** | **15.86** | **13.01** | **15.54** |
| **Nifty 500 TRI** | **-1.08** | **0.00** | **17.35** | **21.74** | **16.23** | **18.96** |
| **Nifty Infrastructure TRI** | **-2.37** | **-6.29** | **18.00** | **27.82** | **21.40** | **22.62** |

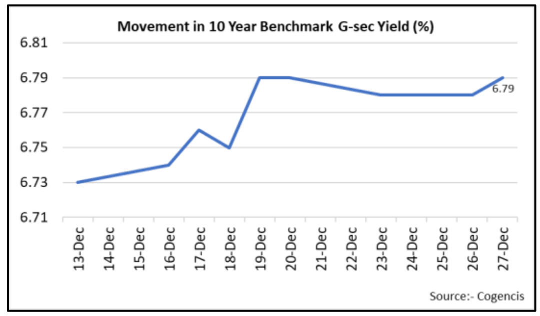
Note: Data as on December 27, 2024. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms.
Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to https://icraanalytics.com/home/disclaimer)

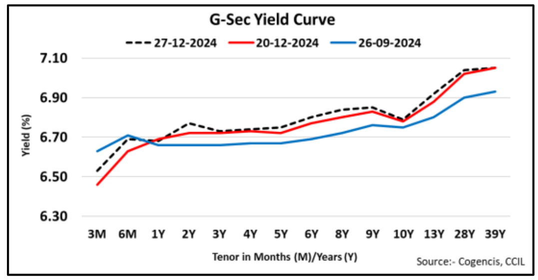
# Overview - Fixed Income Markets & Mutual Funds as on 27 December 2024

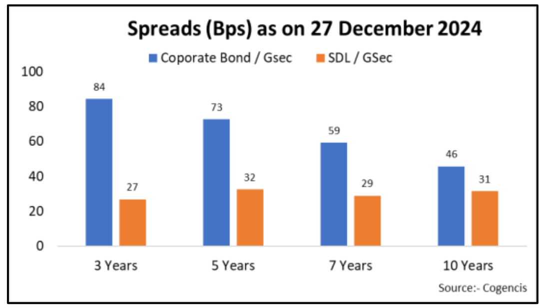
- Domestic G-Sec prices closed the week ended 27th December 2024 on a neutral note wherein the yield on the 10-year benchmark, the 6.79% G-Sec 2034 bond, closed flat at 6.73%, the same as on 20th December 2024.
- In case of AAA rated corporate bonds, yields in the less than one-year segment rose in the range of 0 bps to 13 bps on a WoW basis. In case of the greater than one-year segment, yields were mixed in the range of (-)1 bp to 3 bps on a WoW basis.
- **Movement in G-sec yields :-**
  - Indian G-sec yields initially fell after the minutes of the RBI's latest meeting indicated a possibility of a rate cut in February 2025. However, gains were offset tracking a sharp fall in the domestic currency w.r.t. the USD that weighed on overall investor appetite.
  - The total G-sec supply for the week stood at Rs 626 bn (SDLs + G-secs). In this, the G-secs' auction was to the tune of Rs 320 bn and the maturities were in the range of 7-30 years. The SDLs' auction was to the tune of Rs 306 bn and the maturities were in the range of 4-30 years. For the 10-year SDL, the average cut off yield came in flat at 7.15%, as against 7.10% in the previous week. The G-secs' auction was for the following: New GS 2031, 6.92% GS 2039 and 7.09% GS 2054.
  - 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 2,080 bn during the week as against a daily average deficit of ~Rs 1,489 bn during the previous week.
- **Macro Data released during the week :-**
  - As per RBI data, India's Current Account Deficit (CAD) marginally narrowed to USD 11.2 bn or 1.2% of GDP during Q2 FY25 from USD 11.3 bn or 1.3% of GDP during Q2 FY24.
  - As per MoSPI data, the number of new subscribers to the Employees' Provident Fund (EPF) scheme was at its lowest at 0.75 mn in October 2024. On the other hand, new subscribers to the National Pension Scheme (NPS) increased by 12% MoM to 64,977 in October 2024 from 58,018 in September 2024.
  - According to RBI data, Net Foreign Direct Investment (FDI) into the country has slowed considerably to USD 2.1 bn during April-October 2024 from USD 7.7 bn April-October 2023, majorly due to the rise in repatriation and net outward FDI.
  - As per the RBI, India's foreign exchange reserves fell by USD 8.48 bn to USD 644.39 bn as of December 20, 2024. Foreign currency assets (FCAs) fell by USD 6.01 bn to USD 556.56 bn.
- **Other macro-economic news :-**
  - According to the Finance Ministry, the government will continue its focus on improving quality spending, strengthening the social security net and bring down the fiscal deficit to 4.5% of GDP in FY26.
  - According to IRDAI data, India's non-life insurance sector saw a 12.76% YoY growth in direct premiums which reached Rs 2.9 trillion in FY24. The aggregate profit of the sector came in at Rs 101.19 bn in FY24 against a net loss of Rs 25.66 bn in FY23.
  - According to IRDAI data, New Business Premium (NBP) in life insurance's micro-insurance segment, which targets low-income groups, rose 23.5% YoY to Rs 108.60 bn in FY24 from Rs 87.93 bn during FY23. Private life insurers drove the segment with over Rs 107.08 bn of NBP earned during FY24.
- **Global Updates :-**
  - According to the US Commerce Department, the US Personal Consumption Expenditures (PCE) price index inched up by 0.1% MoM and 2.4% YoY in November 2024. Economists had expected prices to increase by 0.2% MoM and 2.5% YoY in November 2024.
  - According to the US Conference Board, the US Consumer Confidence Index tumbled to 104.7 in December 2024 from an upwardly revised 112.8 in November 2024. Economists had expected the consumer confidence index to rise to 113.0 in December 2024 from the 111.7 originally reported for November 2024.
  - The People's Bank of China maintained its one-year Loan Prime Rate (LPR) at 3.10%. Similarly, the five-year LPR, the benchmark for mortgage rates, was retained at 3.60%. The bank had cut its both LPRs by 25 basis points each in October 2024 and has kept its rates unchanged since then.
- **Outlook :-**

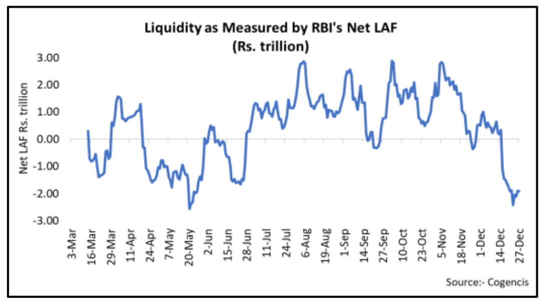
The liquidity continued to remain in deficit owing the to advance tax and GST payouts and RBI forex management. It is expected to improve as the effect of the CRR cuts fully flows into the system and with a rise in government spending in January 2025. However, the market participants still expect the RBI to inject further durable liquidity in the system in due course. 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.

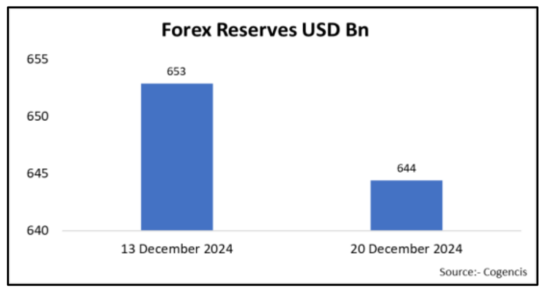
Domestically, tactical opportunity has again emerged for duration strategy, due to the recent uptick in the yields. With the growth decelerating, inflation moderating and expectation of policy rate cuts on the rise, only the timing of the same seems to have been pushed forward. Additionally, as liquidity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

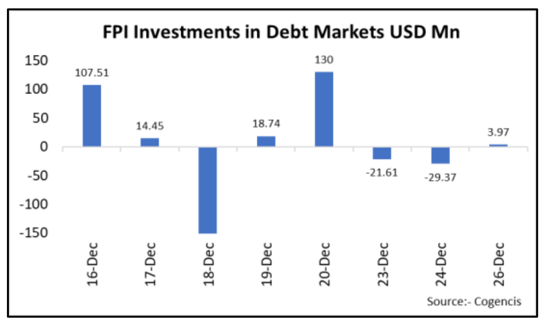


## Category Average Returns as on 27 December 2024

| Annualised Returns * | 1 Day | 1 Week | 1 Month | 2 Month | 3 Months | 6 Months | 9 Months | 1 Year | 2 Year | 3 Year |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight Funds | 6.54 | 6.49 | 6.44 | 6.37 | 6.36 | 6.41 | 6.51 | 6.60 | 6.59 | 5.92 |
| Liquid Funds | 6.82 | 5.80 | 6.42 | 6.63 | 6.77 | 6.92 | 7.12 | 7.24 | 7.07 | 6.28 |
| Floater Funds | 8.14 | 4.00 | 5.92 | 6.00 | 6.36 | 7.93 | 8.06 | 8.12 | 7.69 | 6.47 |
| Low Duration Funds | 10.34 | 5.68 | 6.03 | 6.22 | 6.78 | 7.14 | 7.26 | 7.33 | 7.09 | 6.07 |
| Money Market Funds | 8.76 | 5.45 | 6.19 | 6.54 | 6.87 | 7.05 | 7.23 | 7.35 | 7.19 | 6.29 |
| Ultra Short Duration Funds | 8.35 | 5.36 | 6.01 | 6.31 | 6.65 | 6.78 | 6.96 | 7.05 | 6.85 | 5.98 |
| Banking And PSU Funds | 14.83 | 6.26 | 6.61 | 5.74 | 5.87 | 7.79 | 7.57 | 7.77 | 7.18 | 5.88 |
| Corporate Bond Funds | 9.61 | 5.51 | 6.62 | 5.95 | 6.01 | 8.07 | 7.83 | 7.95 | 7.33 | 5.89 |
| Medium Duration Funds | 1.75 | 4.48 | 6.42 | 5.90 | 5.85 | 8.08 | 7.83 | 8.05 | 7.32 | 6.20 |
| Short Duration Funds | 6.58 | 4.86 | 6.38 | 6.37 | 6.16 | 7.80 | 7.58 | 7.65 | 7.09 | 6.12 |
| Medium To Long Duration Funds | 0.18 | 1.36 | 5.74 | 4.80 | 3.42 | 7.44 | 7.59 | 8.20 | 7.25 | 5.68 |
| Long Duration Funds | 12.74 | -0.53 | 5.19 | 2.48 | 0.75 | 7.03 | 8.41 | 10.65 | 8.83 | 6.33 |
| Dynamic Bond Funds | 6.68 | 1.86 | 5.68 | 4.13 | 2.78 | 7.45 | 7.67 | 8.51 | 7.45 | 5.96 |
| Credit Risk Funds | 8.41 | 7.41 | 6.17 | 6.13 | 6.57 | 7.90 | 7.76 | 7.95 | 7.87 | 9.09 |
| Gilt Funds / Gilt Funds with 10 year constant duration | 4.37 | 0.56 | 5.72 | 4.16 | 2.28 | 7.49 | 7.92 | 8.87 | 7.78 | 5.90 |
| Conservative Hybrid Funds | 11.40 | 8.20 | 1.75 | 4.56 | -2.38 | 6.64 | 10.27 | 10.32 | 10.53 | 8.58 |
| Index Funds | 0.37 | 3.49 | 7.05 | 5.95 | 5.77 | 8.01 | 8.12 | 8.27 | 7.63 | 5.52 |
| Arbitrage Funds | 4.12 | 3.49 | 6.44 | 6.18 | 6.96 | 6.54 | 7.03 | 7.35 | 7.16 | 6.07 |

* 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 | 6.32 | 3.82 | 7.96 | 8.73 | 7.76 | 5.94 |
| Dynamic Bond Fund | 5.42 | 1.63 | 7.42 | 9.04 | 7.98 | 6.11 |
| Gilt Funds & Gilt Funds with 10 year constant duration | 4.35 | 0.57 | 6.77 | 9.54 | 8.22 | 6.30 |
| Short Duration / Medium Duration | 6.62 | 6.06 | 7.91 | 7.92 | 7.34 | 6.01 |
| Banking and PSU Funds | 7.12 | 5.64 | 8.03 | 8.08 | 7.41 | 6.06 |
| Corporate Bond Funds | 6.78 | 6.12 | 8.38 | 8.41 | 7.74 | 6.42 |
| Ultra Short Duration Funds /Low Duration / Floater Funds | 6.31 | 6.95 | 7.34 | 7.52 | 7.28 | 6.30 |
| Money Market Funds | 6.35 | 7.12 | 7.32 | 7.68 | 7.54 | 6.63 |
| Liquid Funds & Overnight Funds | 6.39 | 6.81 | 6.98 | 7.32 | 7.15 | 6.34 |
| Arbitrage Funds | 6.73 | 7.31 | 6.83 | 7.70 | 7.49 | 6.45 |

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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