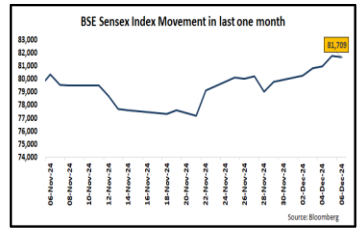
HDFC Bank Research

Weekly Equity Market Updates for week ended December 06, 2024

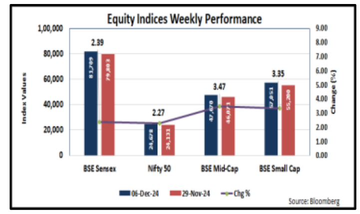
Domestic Equity Market Update

- Indian equities ended the week on a positive note, with the large cap-oriented BSE Sensex ending higher by 2.39% & and Nifty 50 ending higher by 2.27% WoW respectively. The BSE Midcap index ended higher by 3.47% and the BSE Small cap index ended higher by 3.35%.
- On the BSE sectoral front, Realty was the top performer while FMCG underperformed the most.
- Domestic equity markets ended the week on positive note driven by expectations of increased government spending, potential policy support from the RBI and favourable global cues. A positive turnaround from foreign institutional investors to domestic equity markets during the week also boosted the sentiment.



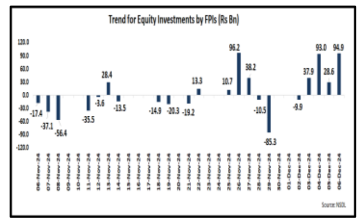
Global Market Updates

- US equity markets ended on a mixed note during the week owing to a rally in technology stocks and hawkish comments from Federal Reserve (Fed) Chair Jerome Powell. Dow Jones closed lower as investors awaited further jobs data and Fed policy.
- European equity markets mostly rose despite political uncertainty in France, and lingering concerns about geopolitical tensions. Furthermore, the market rose as mining, energy, and technology stocks have experienced an increase following the announcement of new US restrictions on technology exports to China, which were less stringent than previously suggested.
- Brent crude price fell from USD 72.94 per barrel to USD 71.20 on concerns about excess supply. Further, prices fell on concerns regarding the prospects for oil demand originating from China. Losses were increased on concerns that the US Federal Reserve will not cut interest rates again at its December 2024 meeting.



Macro Data & Domestic News Released During the Week

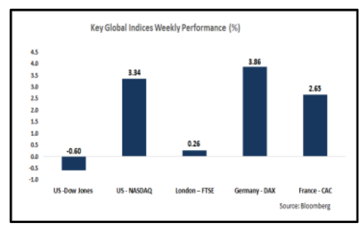
- As per Government data, Gross GST revenue grew 8.5% YoY to over Rs 1.82 trillion in November 2024 as compared to Rs 1.68 trillion in November 2023.
- According to CGA data, Central Government's capex contracted 8.4% YoY in October 2024 while revenue expenditure, excluding interest payments, rose 41.9% YoY.
- As per the data by the Ministry of Commerce and Industry, growth in the output of eight key infrastructure industries, known as the core sector, further recovered to 3.1% YoY in October.
- According to S&P Global, the HSBC final India Manufacturing Purchasing Managers' Index's (PMI) slipped to a 11-month low of 56.5 in November from 57.5 in October 2024.
- As per S&P Global data, the HSBC India Services PMI figure was 58.4 in November 2024, almost unchanged from 58.5 in October but lower than a preliminary estimate of 59.2.
- As per Government data, India's power consumption rose 5.14% YoY to 125.44 bn units (BU) in November 2024.
- As per the Naukri JobSpeak Index, white-collar hiring activity reported a modest 2% YoY growth in November 2024.
- RBI's MPC decided to keep the policy repo rate unchanged, at 6.5%, and maintained a "neutral" stance. However, it reduced the CRR by 50 bps to 4% to boost liquidity in the system.
- According to CARE Ratings, the money raised by NBFCs from Mutual Funds (MF) rose by almost 47 % YoY to Rs 2.33 trillion in October 2024.
- According to data from the Ministry of Finance, transactions processed through UPI on RuPay credit cards doubled during April-October of FY25, amounting to Rs 638.26 bn being processed.



Outlook

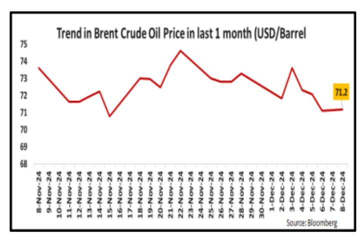
Going forward, Indian equity market is likely to be driven by incoming macro data points, policy action by the government, FPI/DII flows, monetary policy moves from the RBI and announcement of policy changes by the Incoming US Administration. While elevated inflation didn't allow the RBI to cut policy 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.



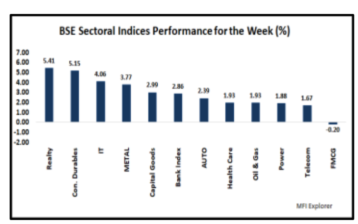
In India, earnings momentum in the economy saw deceleration along with weak GDP growth. Even the high frequency data points in India are suggesting a gradual deceleration of momentum. Data like the Tax collection, Government spending, Exchange rate etc are showing incremental moderation. The emerging 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.

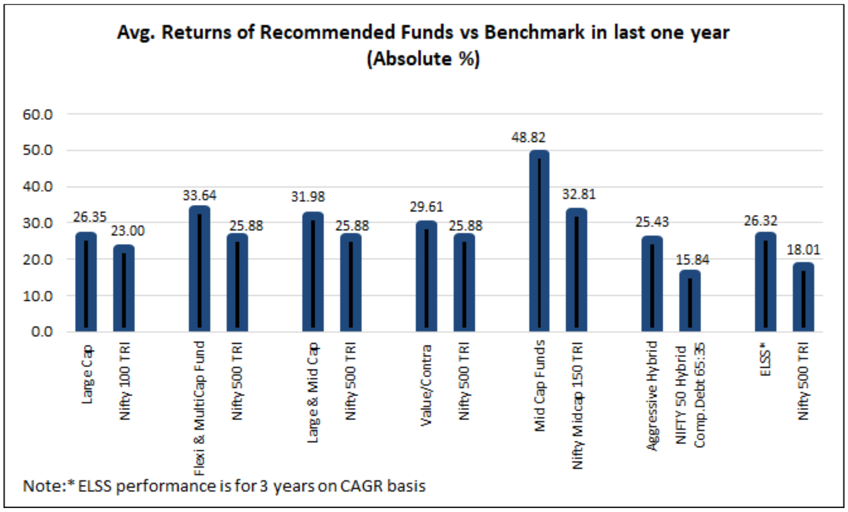


The market expects that the government spending is likely to be quite strong in the last 4 months of the fiscal year and that could see improvement across economic parameters as we move forward. This along with a strong marriage season could support corporate earnings in Q3 and Q4 FY25. In case this 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	1.21	9.10	26.35	23.28	20.01	19.49
Flexi & MultiCap Fund	1.90	11.93	33.64	30.03	25.58	24.32
Large & Mid Cap Funds	1.07	10.15	31.98	28.75	23.51	23.85
Mid Cap Funds	3.58	21.42	48.82	40.54	32.84	31.64
Small Cap Funds	0.99	15.82	34.57	36.09	27.96	33.15
Value/Contra Funds	0.67	9.51	29.61	28.69	24.85	27.00
Focused Funds	1.40	9.99	31.76	25.91	22.55	23.38
Aggressive Hybrid Funds	1.22	10.56	25.43	22.00	18.31	18.77
Dynamic Asset Allocation Funds	1.15	7.23	19.70	18.81	16.15	17.05
Equity Linked Saving Schemes	1.83	15.33	40.94	34.27	26.32	24.13
Infrastructure Oriented Funds	0.90	9.02	37.93	35.00	28.38	30.34
Nifty 50 Index TRI	**0.82**	**8.75**	**19.20**	**16.32**	**14.76**	**16.99**
Nifty 500 TRI	**1.26**	**9.65**	**25.88**	**22.08**	**18.01**	**20.45**
Nifty Infrastructure TRI	**0.94**	**5.13**	**29.44**	**28.95**	**23.34**	**24.04**

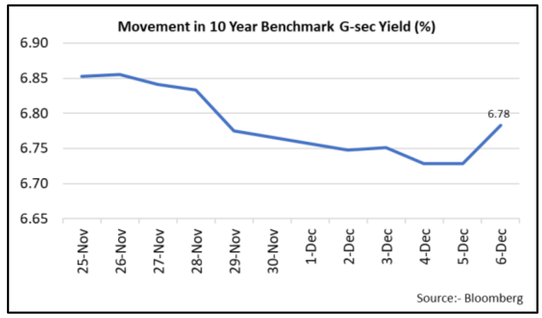
Note: Data as on December 06, 2024. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms.
Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to https://icraanalytics.com/home/disclaimer)

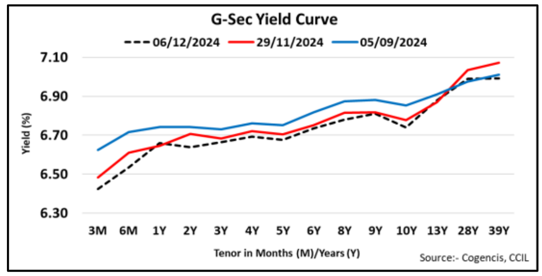
Overview - Fixed Income Markets & Mutual Funds as on 06 December 2024

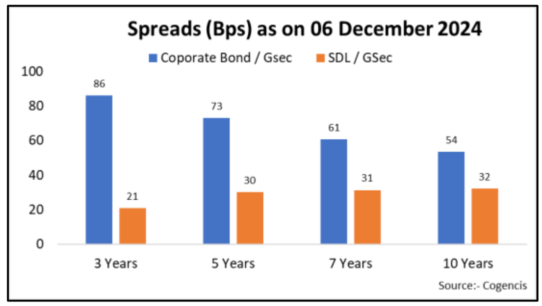
- Domestic G-Sec prices closed the week ended 6th December 2024 on a negative note wherein the yield on the 10-year benchmark, the 7.10% G-Sec 2034 bond, closed higher by 1 bp at 6.78% as against 6.77% on 29th November 2024.
- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-)11 bps to 2 bps on a WoW basis. In case of greater than one-year segment, yields were mixed in the range of (-)1 bp to 10 bps on a WoW basis
- **Movement in G-sec yields :-**
  - Indian G-sec yields initially fell on expectations of monetary easing by the RBI following the weaker-than-expected domestic economic growth data of Q2 FY25. However, gains were erased after the RBI maintained the repo rate at 6.50% in Dec 2024 monetary policy meeting.
  - The total G-sec supply for the week stood at Rs 558.37 bn (SDLs + G-secs). In this, the G-secs' auction was to the tune of Rs 300 bn and the maturities were in the range of 3-30 years. The SDLs' auction was to the tune of Rs 258.37 bn and the maturities were in the range of 4-21 years. For the 10-year SDL, the average cut off yield came in at 7.10%, as against 7.16% in the previous week. The G-secs' auction was for the following: New GS 2027, 6.92% GS 2039, and 7.09% GS 2054.
  - Banking system liquidity improved during the week, wherein liquidity, as measured by the RBI's net Liquidity Adjustment Facility (LAF), stood at a daily average surplus of ~Rs 718 bn during the week as against a daily average deficit of ~Rs 68 bn during the previous week.
- **Macro Data released during the week :-**
  - RBI's MPC decided to keep the policy repo rate unchanged at 6.5%, and maintained a "neutral" stance. However, it reduced the CRR by 50 bps to 4% to boost liquidity in the system. The GDP growth projection for FY25 was revised downwards to 6.6% YoY and the inflation projection was raised to 4.8% YoY.
  - According to NSO data, India's GDP growth for Q2 FY25 dropped to a seven-quarter low of 5.4% YoY, a sharp fall from 8.1% YoY growth in Q2 FY24 and 6.7% YoY growth in Q1 FY25.
  - As per data from Controller General of Accounts (CGA), direct tax collection rose 11.1% YoY to over Rs 11 trillion during April-October 2024. Personal income tax was up 16.8% YoY during the period.
  - As per the RBI, India's foreign exchange reserves rose by USD 1.51 bn to USD 658.09 bn as of November 29, 2024. Foreign currency assets (FCAs) fell by USD 2.06 bn to USD 568.85 bn.
- **Other macro-economic news :-**
  - Gross GST revenue grew 8.5% YoY to over Rs 1.82 trillion in November 2024, compared to Rs 1.68 trillion in November 2023. After adjusting refunds, the net GST collection increased by 11% YoY to Rs 1.63 trillion.
  - According to CGA data, Central Government's capex contracted 8.4% YoY in October 2024 while revenue expenditure, excluding interest payments, rose 41.9% YoY.
  - According to DPIIT data, FDI in India rose by 45% YoY to USD 29.79 bn in H1 FY25 on healthy inflows in services, computer, telecom and pharma sectors.
  - As per the World Bank International Debt Report, India's total external debt increased by USD 31 bn to USD 646.79 bn in 2023. Interest payment increased from USD 15.08 bn in 2022 to USD 22.54 bn in 2023.
- **Global Updates :-**
  - As per data by the US Commerce Department, the US trade deficit narrowed to USD 73.8 bn in October 2024 from a revised USD 83.8 bn in September 2024. Economists had expected the trade deficit to decrease to USD 75.0 bn in October 2024.
  - According to the ISM, the US Manufacturing PMI rose to 48.4 in November 2024 from 46.5 in October 2024, while the US Services PMI fell to 52.1 in November 2024 from 56.0 in October 2024.
  - As per Eurostat data, the Euro area Harmonized Index of Consumer Prices (HICP) rose 2.3% YoY, following a 2.0% YoY increase in October 2024, in line with economists' expectations. Core inflation was steady at 2.7% YoY.
  - China's Manufacturing PMI came in at 51.5 in November 2024, higher than the 50.3 score in October 2024. Meanwhile, the Services PMI score came was 51.5 in November 2024, down from 52.0 in October 2024.
- **Outlook :-**

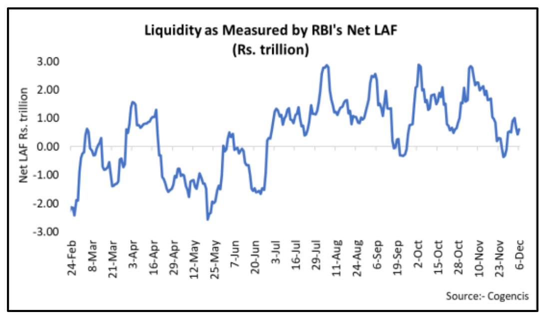
The liquidity remained in surplus during the week. In consonance with its stance on Neutral liquidity, the RBI announced a CRR cut of 50 bps to inject durable liquidity in the system. The CPI inflation for October 2024 climbed to a 14-month high of 6.21% YoY, higher than market expectations of 5.81% YoY. While the CPI inflation remains above the RBI's target of 4% YoY, the food inflation is expected to cool down with the onset of winter, 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.

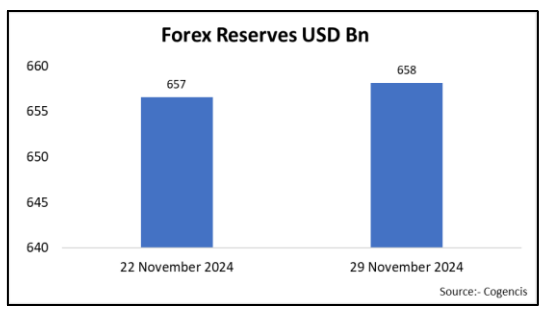
Domestically, tactical opportunities for duration strategy are playing out, with the growth decelerating and expectation of policy rate cuts rising. With the fiscal deficit expected to remain firmly under control, the supply-demand dynamics are likely to support lower yields at the longer end. Additionally, 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.**

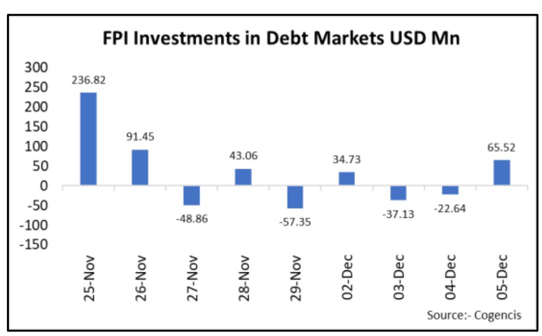












Category Average Returns as on 06 December 2024

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	6.33	6.32	6.33	6.29	6.34	6.40	6.51	6.61	6.58	5.85
Liquid Funds	7.84	6.96	6.75	6.77	6.94	6.97	7.16	7.27	7.07	6.22
Floater Funds	-10.39	10.54	7.42	7.54	7.88	8.57	8.38	8.35	7.73	6.41
Low Duration Funds	7.45	9.33	7.04	7.08	7.39	7.41	7.43	7.45	7.11	6.02
Money Market Funds	8.78	7.96	6.95	6.94	7.23	7.21	7.33	7.41	7.21	6.24
Ultra Short Duration Funds	8.97	7.82	6.71	6.74	6.98	6.93	7.06	7.11	6.87	5.92
Banking And PSU Funds	-27.72	12.20	7.71	7.13	7.76	8.34	7.80	8.11	7.20	5.82
Corporate Bond Funds	-36.81	12.17	8.24	7.44	8.16	8.67	8.09	8.31	7.38	5.84
Medium Duration Funds	-49.60	9.91	8.15	7.73	8.23	8.80	8.07	8.52	7.32	6.14
Short Duration Funds	-26.87	10.91	7.96	7.55	7.98	8.31	7.80	8.02	7.11	6.06
Medium To Long Duration Funds	-93.00	10.30	7.26	6.13	6.89	8.55	7.80	8.88	7.24	5.57
Long Duration Funds	-156.18	16.61	4.42	4.14	6.48	9.64	8.64	11.83	8.53	6.10
Dynamic Bond Funds	-106.51	12.10	6.65	5.64	6.97	8.84	7.94	9.25	7.52	5.91
Credit Risk Funds	-22.27	8.21	6.99	8.19	7.99	8.50	7.99	8.27	7.89	9.04
Gilt Funds / Gilt Funds with 10 year constant duration	-127.04	12.04	7.10	5.79	6.94	9.05	8.23	9.69	7.87	5.82
Conservative Hybrid Funds	-43.92	34.42	8.93	4.55	5.82	11.49	11.02	12.29	10.57	8.85
Index Funds	-22.61	13.95	8.28	6.97	7.69	8.81	8.29	8.87	7.53	5.43
Arbitrage Funds	-28.22	8.04	6.18	6.53	5.97	6.54	7.00	7.33	7.26	5.97

* 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	7.85	7.59	9.07	9.40	7.72	5.75
Dynamic Bond Fund	5.30	6.77	9.41	9.90	8.09	6.08
Gilt Funds & Gilt Funds with 10 year constant duration	5.39	6.37	9.30	10.60	8.36	6.34
Short Duration / Medium Duration	8.29	8.01	8.46	8.29	7.36	5.95
Banking and PSU Funds	7.28	7.96	8.71	8.40	7.43	6.01
Corporate Bond Funds	8.24	8.53	9.07	8.77	7.79	6.37
Ultra Short Duration Funds /Low Duration / Floater Funds	7.24	7.47	7.56	7.63	7.30	6.26
Money Market Funds	7.18	7.50	7.49	7.74	7.57	6.59
Liquid Funds & Overnight Funds	6.79	7.01	7.05	7.36	7.16	6.29
Arbitrage Funds	6.51	6.28	6.84	7.69	7.60	6.36

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)

Disclaimer: This document has been prepared on the basis of publicly available information, internally developed data and other sources believed to be reliable. HDFC Bank Limited ("HDFC Bank") does not warrant its completeness and accuracy. This information is not intended as an offer or solicitation for the purchase or sale of any financial instrument / units of Mutual Fund. Recipients of this information should rely on their own investigations and take their own professional advice. Neither HDFC Bank nor any of its employees shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material. HDFC Bank and its affiliates, officers, directors, key managerial persons and employees, including persons involved in the preparation or issuance of this material may, from time to time, have investments / positions in Mutual Funds / schemes referred in the document. HDFC Bank may at any time solicit or provide commercial banking, credit or other services to the Mutual Funds / AMCs referred to herein.

Accordingly, information may be available to HDFC Bank, which is not reflected in this material, and HDFC Bank may have acted upon or used the information prior to, or immediately following its publication. HDFC Bank neither guarantees nor makes any representations or warranties, express or implied, with respect to the fairness, correctness, accuracy, adequacy, reasonableness, viability for any particular purpose or completeness of the information and views. Further, HDFC Bank disclaims all liability in relation to use of data or information used in this report which is sourced from third parties.

HDFC Bank House, 1 st Floor, C.S. No. 6 \ 242, Senapati Bapat Marg, Lower Parel, Mumbai 400 013. Phone: (91)-22-66527100, ext 7111, Fax: (91)-22-24900983 \ 24900858

HDFC Bank is a AMFI-registered Mutual Fund Distributor & a Corporate agent for Insurance products

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.