HDFC Bank Research

# Weekly Equity Market Updates for week ended November 1, 2024

**Domestic Equity Market Update**

- Indian equities ended the week on a positive note, with the large cap-oriented BSE Sensex and Nifty 50 ending higher by 0.41% & 0.49% WoW respectively. The BSE Midcap index ended higher by 1.83% and the BSE Small cap index ended higher by 6.28%.
- On the BSE sectoral front, Healthcare was the top performer. IT, Consumer Durables and Oil & Gas underperformed the most.
- Domestic equity markets ended the week on a positive note as concerns regarding tensions in the Middle East subsided. A notable drop in global crude oil prices on international markets has positively influenced market sentiment. Furthermore, gains were extended on Muhurat trading session of Samvat 2081 due to buying across the sectors. However, persistent selling by foreign portfolio investors in domestic equity markets restricted the gains.

**Global Market Updates**

- US equity markets ended on a negative note during the week amid a negative reaction to earnings news from major tech giants. Further, the market fell as a slightly faster than expected increase in US core prices for the month of September 2024 may have contributed to growing apprehensions that the US Federal Reserve will reduce interest rates at a slower pace than desired.
- European equity markets fell as investors were responding to a variety of economic indicators from the region, the UK budget, and updates on corporate earnings, while also paying close attention to US economic data and monitoring geopolitical developments.
- Brent crude price fell from USD 76.05 per barrel to USD 74.13 amid concerns that crude supplies will far exceed near term demand. Further, prices fell as concerns about supply disruptions faded after Israel avoided hitting Iranian oil facilities in the last week and targeted only military and industrial targets.

**Macro Data & Domestic News Released During the Week**

- The New Delhi-based think tank National Institute of Public Finance and Policy (NIPFP), revised downwards its FY25 GDP growth forecast for India to 6.9-7.1% YoY. Its earlier estimate of 7.1-7.4 % YoY was given during the April 2024 review.
- The RBI has stuck to its forecast that India's economy will expand 7.2% YoY in FY25 despite recent evidence showing activity is starting to taper off.
- As per the Monthly Economic Survey for September 2024, volume sales of FMCG show a continued improvement in rural demand, supported by rising three-wheeler and tractor sales. In contrast, urban demand has slowed, with urban FMCG sales growth dropping from 10.1% YoY in Q1 FY24 to 2.8% YoY in Q1 FY25.
- According to provisional data from the commerce ministry, the index of the eight core industries rose by 2% YoY in September 2024 after contracting by 1.6% YoY in August 2024.
- According to Colliers India, India's real estate sector witnessed a record surge in initial public offerings (IPOs), with 123 IPOs listed till October 20, 2024 already surpassing the total for CY 2023, signaling economic optimism and ample market liquidity.
- As per rating agency ICRA, robust prices and resilient domestic demand will drive the performance of domestic base metal companies in FY25. International base metal prices rose by 12-14% in 7M FY2025 compared to the same period last year.
- **From Nifty 200 universe, 123 companies have announced their Q2FY25 earnings thus far. At an aggregate level, Sales, EBITDA and PAT have grown by 7.14%, -12.39% and -4.35% YoY, respectively. Excluding Financials, Sales, EBITDA and PAT have grown by 4.35%, -15.85% and -16.01% YoY respectively.**

**Outlook**

Going forward, Indian equity market is likely to be driven by incoming macro data points, earnings commentary, FPI/DII flows, and direction in which globally interest rate moves. In US, the Fed is still widely expected to lower rates by a quarter point in next meeting, however concerns remain surrounding the pace of rate cuts as recent inflation data. The outcome of the US presidential election is likely to be in focus which can further determine the market movement in the US.

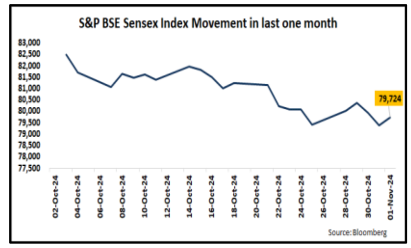
While, India continues to remain the fastest growing major economy, earnings momentum in the economy seems to be decelerating. In India, the macro-economic conditions continue to remains strong, with the high frequency data like the PMI, Tax collection and forex reserves remaining strong. However, the emerging issue in India seems to be the weakening urban demand. The performance of the companies in the ongoing festive season is likely to drive their stock price movement in the third quarter. The earnings season continues on a weak note, with many companies delivering numbers below expectations and this has led to volatility in the markets.

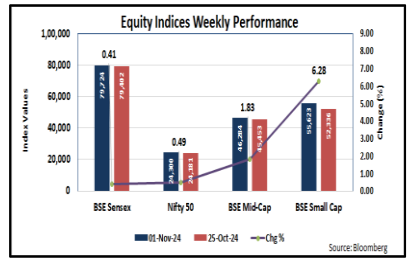
**While the equity market valuations have moved up substantially in the last two years across many sectors and marketcap segments (especially midcap and Smallcap), future earnings in key marketcap segments are witnessing downgrades, which is not good news. FPI selling has also led to pressure on Indian equities leading to volatility and remains a key monitorable. While the inflow into the equity markets have been substantial from the domestic investors, the supply of fresh equity in the form of FPO, IPO and dilution by the promoters have also been substantial.**

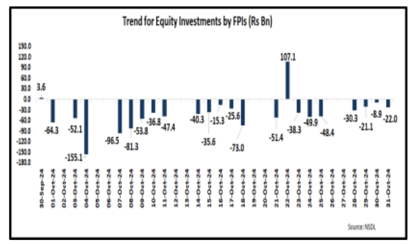
**In such conditions, the tolerance for any bad news in form of Geo political flareups, US election outcome, Domestic election uncertainty (with 2 key states going for polls), large supply of equities and earnings downgrades, has been low and has led to signs of correction in the Indian equity markets.**

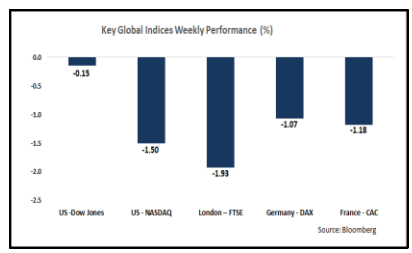
In the long term, improving domestic macro conditions, favourable demographics, rising per capital income and Strong consumption demand could keep driving the Indian corporate earnings higher and support the equity markets, thus making Indian markets a "buy on dips" play currently.

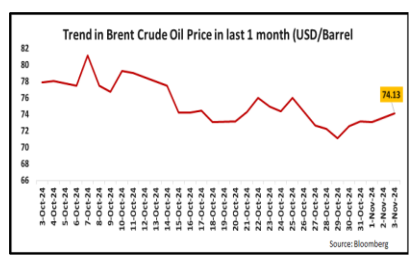
**Fresh Investment deployment strategy could be 40% lumpsum and rest 60% to be staggered over the next 5-6 months. Mutual Fund investors can look to focus on categories like Largecap, Focussed, Equity Hybrid and Multi-asset funds. Aggressive investors may also look at Business Cycle Funds for allocation. All allocations should be done in line with the risk profile and product suitability of the investor.**

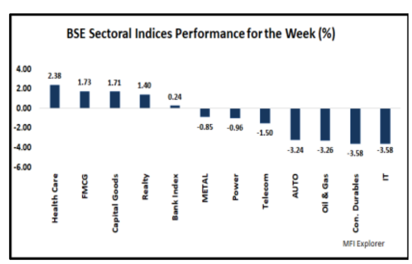


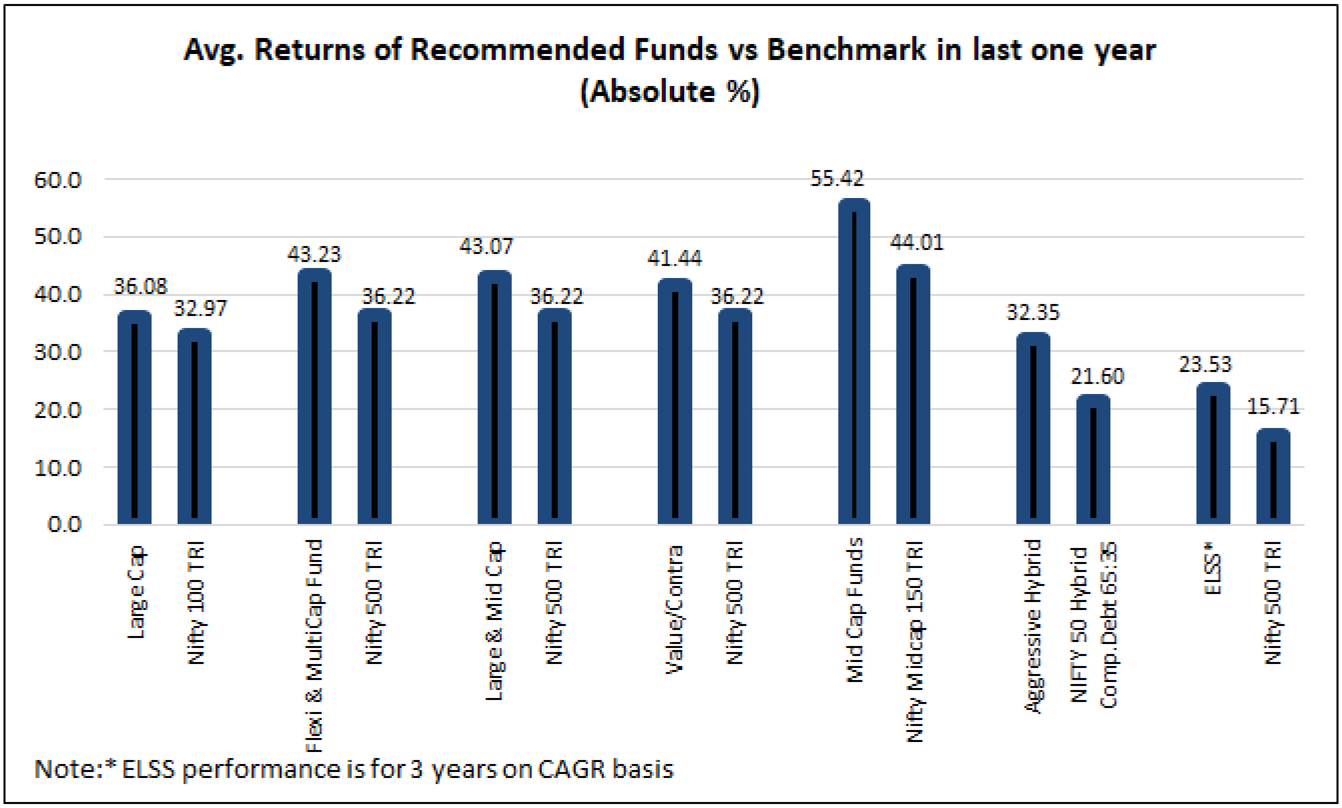





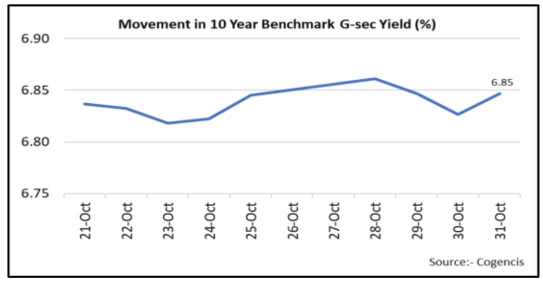

| Returns Absolute % | | | Returns Compounded Annualised % | | | |
|---|---|---|---|---|---|---|
| **Category Average of Recommended Funds** | **1 Month** | **6 Months** | **1 Year** | **2 Years** | **3 Years** | **5 Years** |
| Large Cap Funds | -5.88 | 7.97 | 36.08 | 23.67 | 17.40 | 18.76 |
| Flexi & MultiCap Fund | -4.97 | 11.40 | 43.23 | 29.57 | 22.83 | 23.41 |
| Large & Mid Cap Funds | -6.24 | 10.36 | 43.07 | 28.80 | 20.83 | 23.17 |
| Mid Cap Funds | -4.17 | 19.14 | 55.42 | 38.17 | 30.12 | 29.98 |
| Small Cap Funds | -2.41 | 15.56 | 45.52 | 37.15 | 27.30 | 32.14 |
| Value/Contra Funds | -5.14 | 9.89 | 41.44 | 29.85 | 22.69 | 26.26 |
| Focused Funds | -5.98 | 10.32 | 41.94 | 26.36 | 19.86 | 22.41 |
| Aggressive Hybrid Funds | -3.97 | 10.36 | 32.35 | 22.14 | 16.58 | 18.29 |
| Dynamic Asset Allocation Funds | -2.54 | 6.59 | 25.77 | 18.83 | 14.79 | 16.43 |
| Equity Linked Saving Schemes | -4.63 | 13.90 | 52.92 | 34.02 | 23.53 | 22.96 |
| Infrastructure Oriented Funds | -5.11 | 9.77 | 52.69 | 35.91 | 26.59 | 28.91 |
| **Nifty 50 Index TRI** | **-6.12** | **8.10** | **28.30** | **17.19** | **12.35** | **16.61** |
| **Nifty 500 TRI** | **-6.35** | **8.82** | **36.22** | **22.36** | **15.71** | **19.75** |
| **Nifty Infrastructure TRI** | **-7.81** | **3.42** | **45.83** | **30.72** | **21.71** | **23.09** |

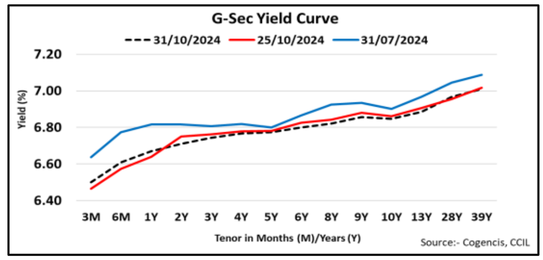
Note: Data as on November 1, 2024. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms.
Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to https://icraanalytics.com/home/disclaimer)

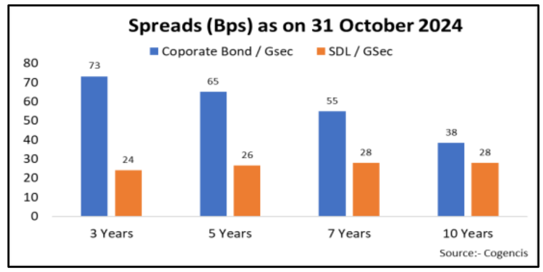
# Overview - Fixed Income Markets & Mutual Funds as on 1 November 2024

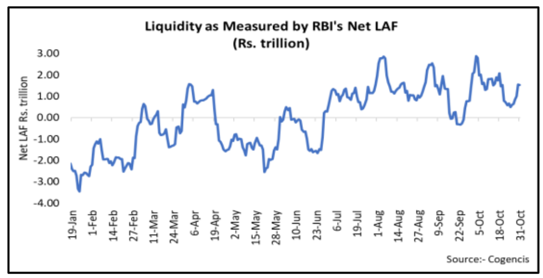
- Domestic G-Sec prices closed the week ended 1st November 2024 on a neutral note wherein the yield on the 10-year benchmark, the 7.10% G-Sec 2034 bond, closed flat at 6.85% as against 6.85% on 25th October 2024.
- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-)12 bps to 3 bps on a WoW basis. In case of greater than one-year segment, yields fell up to 5 bps on a WoW basis.
- **Movement in G-sec yields :-**
  - Indian G-sec yields remained steady over the week as the increase in domestic bond yields following a rise in US Treasury yields was offset by the active participation of value investors.
  - The total G-sec supply for the week stood at Rs 250.50 bn (SDLs + G-secs). There was no G-sec auction in the week ended 1st November 2024. The SDLs' auction was to the tune of Rs 250.50 bn and the maturities were in the range of 5-30 years. For the 10-year SDL, the average cut off yield came in at 7.14%, as against 7.12% in the previous week.
  - 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 1.24 trillion during the week as against a daily average surplus of ~Rs 654 bn during the previous week.
- **Macro Data released during the week :-**
  - India's fiscal deficit for H1 FY25 stood at Rs 4.75 trillion, or 29.4% of annual estimates. The fiscal deficit contracted from 39.3% reported in the comparable year-earlier period. Net tax receipts for H1 FY25 were Rs 12.65 trillion, or 49% of the annual target, compared with Rs 11.6 trillion for the same period last year.
  - The RBI has stuck to its forecast that India's economy will expand 7.2% YoY in FY25 despite recent evidence showing economic activity is starting to taper off.
  - As per the RBI, India's foreign exchange reserves dropped by USD 3.46 bn to USD 684.8 bn as of October 25, 2024. Foreign currency assets (FCAs) dipped by USD 4.48 bn to USD 593.75 bn.
- **Other macro-economic news :-**
  - The RBI Governor said that the inflation trajectory is likely to sequentially moderate from the Q4 FY25, while cautioning against risks to it by worsening geopolitical conflicts and unexpected weather events.
  - The RBI added another 102 metric tonnes to the domestically held gold in the April-September 2024 period. The overall quantity of the precious metal stored in local safes stood at 510.46 metric tonnes as of September 30, 2024, which was up from over 408 metric tonnes as on March 31, 2024.
  - As per the World Gold Council (WGC), India's gold demand in 2024 is likely to fall to its lowest in four years as a rally in prices to a record high is seen denting purchases during the peak festival season in Q3 FY25.
  - As per EY India, the share of Brics+ grouping in global merchandise exports can overtake the G7 bloc by 2026.
- **Global Updates :-**
  - As per the US Commerce Department, US Gross Domestic Product rose by 2.8% YoY in Q3 CY24 after surging by 3.0% YoY in Q2 CY24. Economists had expected another 3.0% YoY jump.
  - As per the US labor department, job openings in US fell to 7.44 mn in September 2024 from a downwardly revised 7.86 mn in August 2024. Economists had expected job openings to edge down to 7.99 mn.
  - As per Eurostat, economic growth of Eurozone improved to 0.9% YoY from 0.6 % YoY in the second quarter. The pace also exceeded economists' forecast of 0.8% YoY.
  - China's central bank left the rate on medium-term lending facility unchanged after lowering the rate by 30 bps last month. The People's Bank of China maintained the medium-term lending facility rate at 2.0%.
- **Outlook :-**

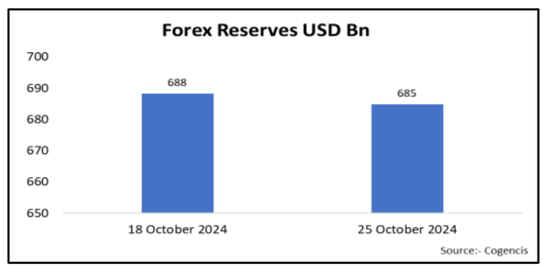
The liquidity conditions are likely to remain in surplus in the future as the RBI changed its stance. Going forward, the RBI is likely to remain nimble in liquidity management operations to ensure that overnight rates evolve in an orderly manner. The CPI inflation for September 2024 jumped to a 9-month high of 5.49% YoY, higher than market expectations of 5.1% YoY. With base effect wearing off, and food prices remaining elevated, the CPI inflation is likely to remain above the RBI's target of 4% YoY in the near term. Additionally, the evolving geopolitical tensions in the Middle East may weigh on global crude oil prices. Going forward, the RBI's decision will be influenced by the GDP growth data for Q2 FY25 along with the inflation trajectory as it tries to balance growth-inflation dynamics. The RBI's monetary policy may also be guided by the monetary policies of developed countries such as US and EU. In the US, market will be looking forward to the commentary by Fed members for cues regarding Fed rate cuts along with the outcome of the US Presidential elections. In China, the central bank cut its benchmark loan prime rate as part of its stimulus efforts to boost the economy. The commodity prices rose sharply post the stimulus announcement in China, and have been cooling off post that in the second half of October. Domestically, with expected policy rate cut in India and developed countries, favourable demand-supply dynamics of Indian G-Secs, and strong FPI flows into the bond market, and recent rise in the bond yields; tactical opportunities for duration strategy have emerged. Additionally, with the change in the RBI's stance to neutral, liquidity conditions have eased. Thus, the shorter end of the yield curve may fall more than the longer end, likely leading to a steepening of the curve. **With this backdrop, the Corporate Bond spreads at the shorter end may shrink, making the case for corporate bonds at the 2-4-years segment of the curve. Hence, investors can look at Corporate Bond Funds and Short duration 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.**

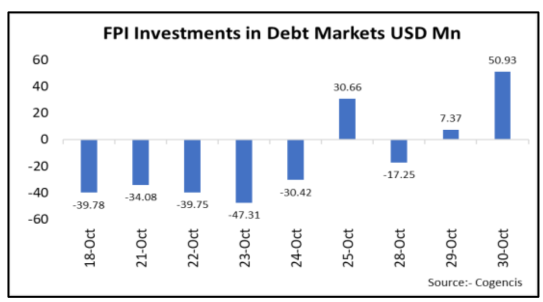


## Category Average Returns as on 1 November 2024

| Annualised Returns * | 1 Day | 1 Week | 1 Month | 2 Month | 3 Months | 6 Months | 9 Months | 1 Year | 2 Year | 3 Year |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight Funds | 6.07 | 6.30 | 6.22 | 6.29 | 6.30 | 6.41 | 6.50 | 6.63 | 6.54 | 5.75 |
| Liquid Funds | 6.84 | 6.73 | 6.83 | 6.95 | 6.90 | 7.01 | 7.23 | 7.27 | 7.05 | 6.11 |
| Floater Funds | 1.86 | 4.61 | 6.63 | 8.02 | 8.24 | 8.70 | 8.53 | 8.31 | 7.74 | 6.23 |
| Low Duration Funds | 7.98 | 7.11 | 7.60 | 7.58 | 7.30 | 7.38 | 7.52 | 7.40 | 7.11 | 5.89 |
| Money Market Funds | 8.89 | 6.93 | 7.02 | 7.26 | 7.06 | 7.16 | 7.43 | 7.37 | 7.20 | 6.12 |
| Ultra Short Duration Funds | 8.45 | 6.99 | 6.98 | 7.05 | 6.85 | 6.89 | 7.15 | 7.07 | 6.86 | 5.81 |
| Banking And PSU Funds | 2.00 | 4.99 | 5.67 | 7.95 | 8.11 | 8.57 | 8.08 | 8.08 | 7.29 | 5.75 |
| Corporate Bond Funds | 0.70 | 4.57 | 5.63 | 8.26 | 8.43 | 8.83 | 8.29 | 8.24 | 7.44 | 5.74 |
| Medium Duration Funds | -5.29 | 4.14 | 5.41 | 8.48 | 8.68 | 9.20 | 8.36 | 8.59 | 7.52 | 6.06 |
| Short Duration Funds | -0.41 | 4.70 | 5.34 | 7.65 | 7.76 | 8.34 | 7.79 | 7.94 | 7.30 | 5.91 |
| Medium To Long Duration Funds | -19.37 | 0.27 | 0.06 | 7.12 | 8.27 | 10.03 | 8.61 | 9.28 | 7.63 | 5.54 |
| Long Duration Funds | -36.29 | -4.61 | -3.30 | 8.15 | 9.98 | 13.06 | 11.00 | 12.48 | 9.38 | 6.40 |
| Dynamic Bond Funds | -26.54 | -1.02 | -0.68 | 7.66 | 8.82 | 10.53 | 9.02 | 9.56 | 7.78 | 5.89 |
| Credit Risk Funds | 1.64 | 8.46 | 8.71 | 8.78 | 8.88 | 8.76 | 8.29 | 8.23 | 7.97 | 8.96 |
| Gilt Funds / Gilt Funds with 10 year constant duration | -30.45 | -2.90 | -2.30 | 7.33 | 8.86 | 11.03 | 9.30 | 10.21 | 8.23 | 5.80 |
| Conservative Hybrid Funds | -18.72 | 0.73 | -10.96 | 1.28 | 4.60 | 11.59 | 11.28 | 14.02 | 10.53 | 8.21 |
| Index Funds | 5.45 | 2.73 | 4.64 | 7.51 | 8.09 | 9.35 | 8.50 | 9.06 | 7.87 | 5.47 |
| Arbitrage Funds | 3.35 | 5.93 | 7.11 | 6.44 | 6.55 | 6.84 | 7.09 | 7.23 | 7.09 | 5.85 |

* 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 | 0.46 | 8.73 | 10.39 | 9.85 | 8.07 | 5.76 |
| Dynamic Bond Fund | -2.24 | 9.95 | 11.63 | 10.32 | 8.36 | 6.09 |
| Gilt Funds & Gilt Funds with 10 year constant duration | -4.47 | 9.45 | 12.35 | 11.28 | 8.80 | 6.36 |
| Short Duration / Medium Duration | 5.72 | 8.08 | 8.70 | 8.33 | 7.46 | 5.83 |
| Banking and PSU Funds | 5.26 | 8.72 | 9.08 | 8.46 | 7.50 | 5.93 |
| Corporate Bond Funds | 5.89 | 8.92 | 9.31 | 8.74 | 7.85 | 6.26 |
| Ultra Short Duration Funds /Low Duration / Floater Funds | 7.45 | 7.45 | 7.48 | 7.55 | 7.29 | 6.19 |
| Money Market Funds | 7.26 | 7.33 | 7.45 | 7.71 | 7.56 | 6.47 |
| Liquid Funds & Overnight Funds | 6.91 | 6.98 | 7.08 | 7.36 | 7.13 | 6.17 |
| Arbitrage Funds | 7.57 | 6.85 | 7.15 | 7.59 | 7.44 | 6.23 |

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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