



Nippon **india** Mutual Fund

Wealth sets you free

EQUITY

Market Outlook

October 2024



Good gets *better*

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

Macro and Equity Market Outlook

GLOBAL MACRO & MARKETS

India's NSE NIFTY index rose by 2.3% in September 2024. Among major global indices, the S&P500 (+2.0%), the Euro 50 (+0.9%), and the Morgan Stanley Capital International (MSCI) World (+1.7%) ended the month, September 2024 with positive returns, while the Japanese NIKKEI (-1.9%) ended the month, September 2024 in red on a sequential basis. Performance was largely mixed among Emerging Market (EM) indices, with the Morgan Stanley Capital International Emerging Markets (MSCI EM), the Hang Seng (Hong Kong), the BOVESPA Brazil (BVSP) recording returns of (+6.4%), (+17.5%), and (-3.1%), respectively.

The London Metals Exchange (LME) Metals Index rose by (+6.1%) in September 2024, driven by a rally in non-ferrous metals. The West Texas Intermediate (WTI) and Brent Crude fell MoM in September 2024, by (-7.3%) and (-8.3%), respectively, as markets remained expectant of strong recovery in China following stimulus measures declared by the Chinese policymakers, amidst the unravelling of supply cuts by The Organization of the Petroleum Exporting Countries (OPEC+) members starting from December 2023, and rising tensions in the Middle East.

The Dollar index depreciated by (-0.9%) through September 2024, with the US Dollar (USD) gaining vis-à-vis Emerging Market (EM) currencies (+0.8%) and remaining flat against the Indian Rupee (INR) on the spot market (-0.1%). India 10Y G-Sec yields fell by (-11 bps), while US 10Y G-Sec yield fell by (-12 bps), and the German Bund yield fell by (-18 bps), with rates settling at 6.75%, 3.78% and 2.12% respectively, as the United States Federal System (US Fed) started its rate cut cycle over the month in September 2024.

Domestic Macro & Markets

The BSE SENSEX (+2.3%) rose in September 2024, in line with the NSE NIFTY index. BSE Mid-cap and BSE Small Cap indices underperformed the BSE Sensex, recording growths of (+0.6%) and (+2.0%), respectively. Sector-wise, Metals, Consumer Durables and Power were the top 3 performers over the month in September 2024, clocking (+6.6%), (+6.4%), and (+5.1%), respectively. 8 out of BSE Sensex's 13 sectoral indices ended the month September 2024 in green.

Net Foreign Institutional Investors (FII) flows into equities were positive for September 2024 (+\$ 5.54 Bn, following \$ 1.39 Bn in August 2024). The Domestic Institutional Investors (DIIs) remained net buyers of Indian equities (+\$0.37 Bn, from +\$3.8 Bn last month in August 2024). In Calendar Year (CY2024), Net Foreign Institutional Investors (FII) Flows stood at +\$10.6 Bn, while net Domestic Institutional Investors (DII) investments in the cash markets stood at (+\$37.41) Bn, outpacing Foreign Institutional Investors (FII) investments.



India's high frequency data update:

Record levels of Goods and Services Tax (GST) collections, stable retail inflation, deflated input inflation, rising core sector outputs, and elevated credit growth augurs well for the Indian economy.

Purchasing Managers' Index Manufacturing PMI:

India's Manufacturing Purchasing Managers' Index (PMI) in September 2024 fell to an eighth-month low of 56.5 (vs 57.5 in August 2024), remaining in expansion zone (>50) for the 38th straight month. The slowdown was driven by a decelerating output index, and an 18-month low in new export orders. Output prices declined to a five-month low.

Goods and Services Tax (GST) Collection:

Gross collections of INR 1.73 Tn (+6.5% YoY) in September 2024 concluded the thirty first consecutive month of collections over the INR 1.4 Tn mark, following previous record collections of INR 2.1 Tn in April 2024. Net Goods and Services tax (GST) collections growth of (+3.9%) came in at a 40-month low, with seven states seeing declines in collections owing to a strong base effect. Rising compliance, higher output prices, rising collections from imports and domestic transaction volume uptick has driven elevated tax collections.

Core Sector Production:

The index of eight core sector industries de-grew by (+1.8%) YoY in August 2024, against a (+13.4%) growth in August 2023, as an unfavourable base effect came into play. The growth rate is down from (6.1%) in July 2024. 2 out of eight constituent segments grew YoY, driven by Steel production (+4.5% YoY).

Industrial Production:

Factory output growth as measured by the Index of Industrial Production (IIP) accelerated MoM to (+4.8%) in July 2024, vs a growth of (+4.2%) YoY in June 2023, driven by positive, and stable YoY growths in 3 major sectors- Mining, Manufacturing and Electricity.

Credit growth:

Scheduled Commercial Bank Credit growth reached (+13.03%) YoY as of 20th September 2024 against a YoY growth of (+19.96%) as observed on 22nd September 2023, as a strong base effect came to play post the merger of HDFC and HDFC Bank.

Inflation:

August's 2024 Consumer Price Index (CPI) inflation rate accelerated MoM to (+3.65%), up from (+3.60%) in June 2024. Food inflation came in at a faster pace, at (+5.66%). The Wholesale Price Index (WPI) inflation decelerated sequentially in August 2024, with the print at (+1.31%), 73 bps down from July 2024.

Trade Deficit:

Indian Merchandise Exports fell by (-9.33%) YoY to \$34.7 Bn in August 2024, while Imports rose by (+3.3%) YoY to \$64.4 Bn. Merchandise trade deficit widened by (-23.44%) YoY to \$29.7 Bn.

Market View

- September 2024 was a positive month for the Indian stock market, driven by relatively good inflows from both domestic institutional investors (DIIs) and foreign institutional investors (FIIs).
- The weakening of US dollar and rate cuts by US Fed also led to improved FII sentiment.
- Most of the lead indicators remain in positive territory though there is some slowdown in discretionary spending.
- Equity valuations continued to remain elevated compared to historical averages with Mid-Caps trading at significant premium followed by small and large caps. Current valuations estimate the current growth to continue and with low room to absorb any disappointments
- Recovery in International demand conditions and local rural recovery can provide some upside and going forward its estimated that market performance may be largely dependent on earnings growth
- Considering the recent geopolitical events, current market valuations we anticipate higher volatility and accordingly investors can consider large cap oriented strategies like Large/Flexi/Multi Cap appear over the medium term
- Investors seeking better downside protection may consider asset allocation products like Multi Asset Allocation, Dynamic Equity etc
- Long term investors with appropriate risk appetite can consider Mid and Small Cap allocations in staggered manner through the systematic route.

Events to watch out for in October 2024:

The United States (US) Election Related Development:

As the USA gears up for elections in November 2024, the markets remain poised for volatility amidst uncertainty of inflation, conflicts and higher interest rates and a tight election forecast. US election results is likely to set the tone for markets globally on a geopolitical and fiscal basis, and for now remain a cliffhanger.

Oil Prices:

Geopolitical tensions, China's recovery following fiscal stimulus announcements, production cut reversals from The Organization of the Petroleum Exporting Countries (OPEC+) members from December 2023, have led to volatile oil prices. Oil market developments remain a key monitorable for global and Indian markets alike.

China Stimulus:

Chinese policymakers have taken steps to boost liquidity and stimulate consumption demand. Policymakers have signalled countercyclical fiscal measures, improving liquidity, housing market stabilization, providing support to low- and middle-class households and recapitalizing banks. Actions around these issues will be a key monitorable for global equity markets.

2QFY25 Earnings:

Market would be eagerly watching 2QFY25 earnings as well commentary by various company managements for the 2HFY25.

Other things to watch out for:

Festive season demand, The Reserve Bank of India (RBI's) policy stance, Global Earnings Season all remain key events for markets to watch out for.

Monthly Performance for Key Indices:

INDEX	2021*	2022*	2023*	Jul-24	Aug-24	Sep-24
MSCI WORLD	20.1%	-19.5%	21.8%	1.7%	2.5%	1.7%
S&P 500 (US Markets)	26.9%	-19.4%	24.2%	1.1%	2.3%	2.0%
Euro 50	21.0%	-11.7%	19.2%	-0.4%	1.7%	0.9%
MSCI EM	-4.6%	-22.4%	7.0%	-0.1%	1.4%	6.4%
HANG SENG	-14.1%	-15.5%	-13.8%	-2.1%	3.7%	17.5%
Nifty 50 India	24.1%	4.3%	20.0%	3.9%	1.1%	2.3%
LMEX LONDON METALS INDEX	31.8%	-11.5%	-5.6%	-5.8%	2.8%	6.1%
BRENT	50.2%	10.5%	-10.3%	-6.6%	-2.4%	-8.9%
DOLLAR INDEX SPOT	6.4%	8.2%	-2.1%	-1.7%	-2.3%	-0.9%
BSE SENSEX	22.0%	4.4%	18.7%	3.4%	0.8%	2.3%
BSE MIDCAP	47.4%	2.5%	40.8%	5.7%	0.3%	1.8%
BSE SMALLCAP	62.8%	-1.8%	47.5%	6.1%	1.2%	2.0%
USDINR	1.7%	11.3%	0.6%	0.4%	0.2%	-0.1%

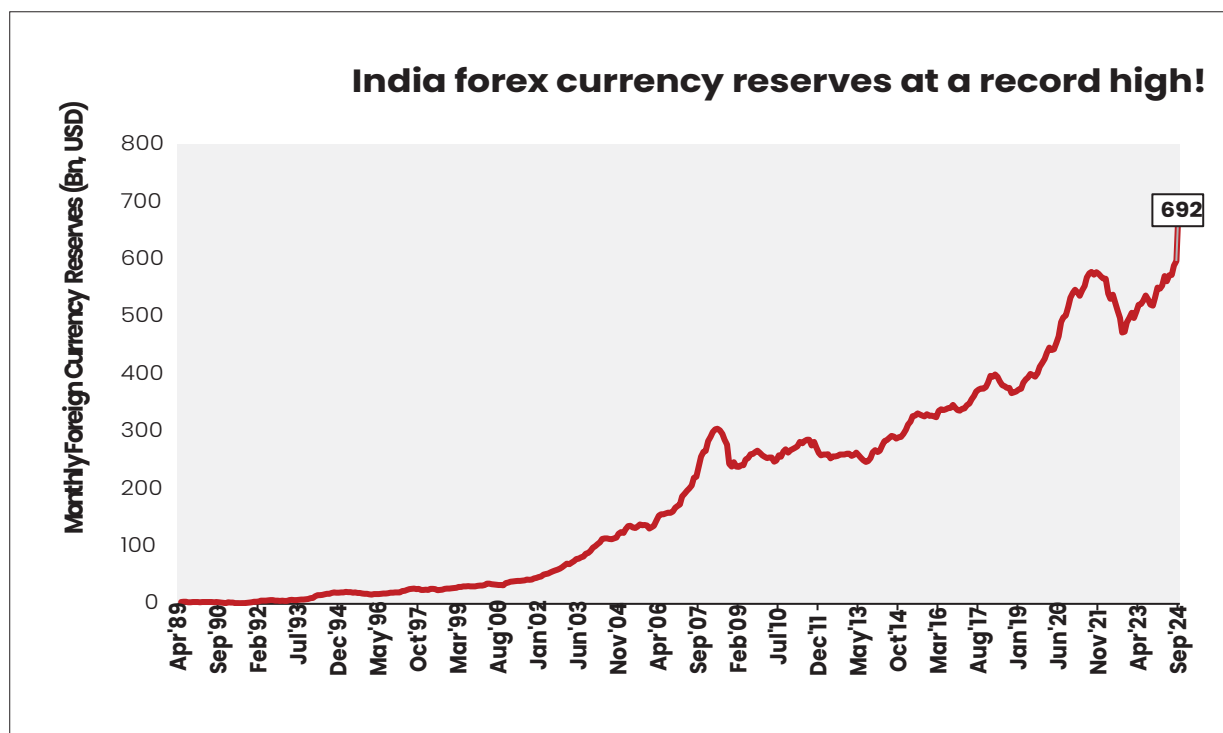
Source: Bloomberg . *Calendar year returns.

Note: Market scenarios are not reliable indicators for current or future performance. The same should not be construed as investment advice or as any research report/research recommendation.

Past performance may or may not be sustained in future.

Chart of the Month:

Amidst Geopolitical tensions and volatile oil markets India's record high Forex (Foreign exchange) reserves of US\$ 692 Bn (As of 27th September, 2024) provide a cushion on the external front. Favourable domestic inflation, strategic liquidity management by the RBI further lend support to the Indian currency.



Source:

NIMF Research, RBI (Monthly Data), CEIC

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