Nippon india Mutual Fund

Wealth sets you free

EQUITY

Market Outlook

November 2024

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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 fell by (-6.2%) in October 2024, after five consecutive months of growth. Among major global indices, the S&P500 (-1.0%), the Euro 50 (+3.5%), and the Morgan Stanley Capital International (MSCI) World (-2.0%) ended the month, October 2024 with negative returns, while the Japanese NIKKEI (+3.1%) bucked the trend on a sequential basis, ending the October 2024 month in green. Performance was largely negative 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 sequential returns of (-4.4%), (-3.9%), and (-3.5%), respectively.

The London Metals Exchange (LME) Metals Index fell by (-3.2%) in October 2024, driven by weak global demand and limited supplies. Despite the tensions in the Middle East, The West Texas Intermediate (WTI) and Brent Crude moved up marginally MoM, by (+1.6%) and (+1.9%), respectively, as the demand remained cautious for the oil prices.

The Dollar index appreciated by (+3.2%) through October 2024, with the US Dollar (USD) losing vis-à-vis Emerging Market (EM) currencies (-3.1%) and appreciating marginally against the Indian Rupee (INR) on the spot market (+0.3%). India 10Y G-Sec yields rose by (+10 bps), while US 10Y G-Sec yields rose by (+50 bps), and the German Bund yield rose by (+27 bps), with rates settling at 6.84%, 4.28% and 2.39% respectively, as the results of the United States (US) Federal elections looms in November 2024.

Domestic Macro & Markets

The BSE SENSEX (-5.8%) fell in October 2024, in line with the NSE NIFTY index. The BSE Mid-cap index underperformed the BSE Sensex, recording falls of (-6.9%), while the BSE Small-Cap index outperformed, falling by 3.8% over the month. Sector-wise, Healthcare, Information Technology (IT) and Teck indices were the top 3 performers over the month, clocking (-0.7%), (-2.3%), and (-4.6%), respectively. 13 of BSE's 13 major sectoral indices ended the month, October 2024 in red.

Net Foreign Institutional Investors (FII) flows into equities were negative for October 2024 (-$ 11.2 Bn, following $ 6.9 Bn in September 2024). The Domestic Institutional Investors (DIIs) remained net buyers of Indian equities (+$12.76 Bn, from +$3.8 Bn last month, September 2024). In Calendar Year (CY2024), Net Foreign Institutional Flows (FII) Flows stood at (+$0.6 Bn, while net Domestic Institutional Investors (DII) investments in the cash markets stood at (+$53.6 Bn), outpacing the 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 October 2024 rose month on month to 57.4 (vs 56.5 in September 2024), remaining in expansion zone (>50) for the 39th straight month. The slowdown was driven by an acceleration in exports and sales, but with rising input prices.

Goods and Services Tax (GST) Collection:

Second Highest gross collections of INR 1.87 Tn (+9% YoY) in October 2024 concluded the thirty second consecutive month of collections over the INR 1.4 Tn mark, following previous record collections of INR 2.1 Tn in April 2024. Rising compliance, higher output prices, festive season demand, rising collections from imports and domestic transaction volume uptick has driven elevated tax collections.

Core Sector Production:

The index of eight core sector industries grew by (+2%) YoY in September 2024, against a 9.5% growth in September 2023, as an unfavourable base effect came into play. 5 out of eight constituent segments grew YoY, driven by refinery production (+5.8% YoY).

Industrial Production:

Factory output growth as measured by Drepo – the Index of Industrial Production (IIP) decelerated MoM to (-0.1%) in August 2024, vs a growth of (+4.7%) YoY in July 2024, driven by positive, and YoY de-growths in 2 of 3 major sectors- Mining and Electricity.

Credit growth:

Scheduled Commercial Bank Credit growth reached (+11.52%) YoY as of 18th October 2024 against a YoY growth of (+19.98% as observed on 20th October 2023, as a strong base effect came to play post the merger of Housing Development Finance Corporation (HDFC and HDFC Bank). Bank deposit growth outpaced credit growth after many quarters as loan to deposit ratio normalised.

Inflation:

September 2024 Consumer Price Index (CPI) inflation rate accelerated MoM to (+5.49%), up from (+3.65%) in July 2024. Food inflation came in at a faster pace, at (+9.24%). The Wholesale Price Index (WPI) inflation accelerated sequentially in September 2024, with the print at (+1.84%), (+53 bps) up from August 2024.

Trade Deficit:

Indian Merchandise Exports rose by (+0.49%) YoY to $34.58 Bn in September 2024, while Imports rose by (+1.6%) YoY to $55.36 Bn. Merchandise trade deficit widened by (-3.49%) YoY to $20.8 Bn.

Market View

- October 2024 was a negative month for the Indian stock market, driven by relatively negative flows from foreign institutional investors (FIIs) post the China stimulus, global back drop of geopolitical uncertainty and weaker earnings in the near term along with the first season of Q2 results which has been below market expectations.

- All the sectoral indices ended the month October 2024 in red, sectors with weaker results have seen major sell off by Foreign Portfolio Investors (FPIs).

- Most of the quick indicators are seeing a slowdown, there is some slowdown in discretionary spending and the core inflation has gone up, vehicle sales has gone down tremendously.

- 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 and in large pockets of the market.

- 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 November 2024:

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 onwards, have led to volatile oil prices. Oil market developments remain a key monitorable for global and Indian markets alike.

Other things to watch out for:

The United States (US) Election related development, Festive season demand, The Reserve Bank of India (RBI's) policy stance, Indian Earnings Season all remain key events for markets to watch out for.

Monthly Performance for Key Indices:

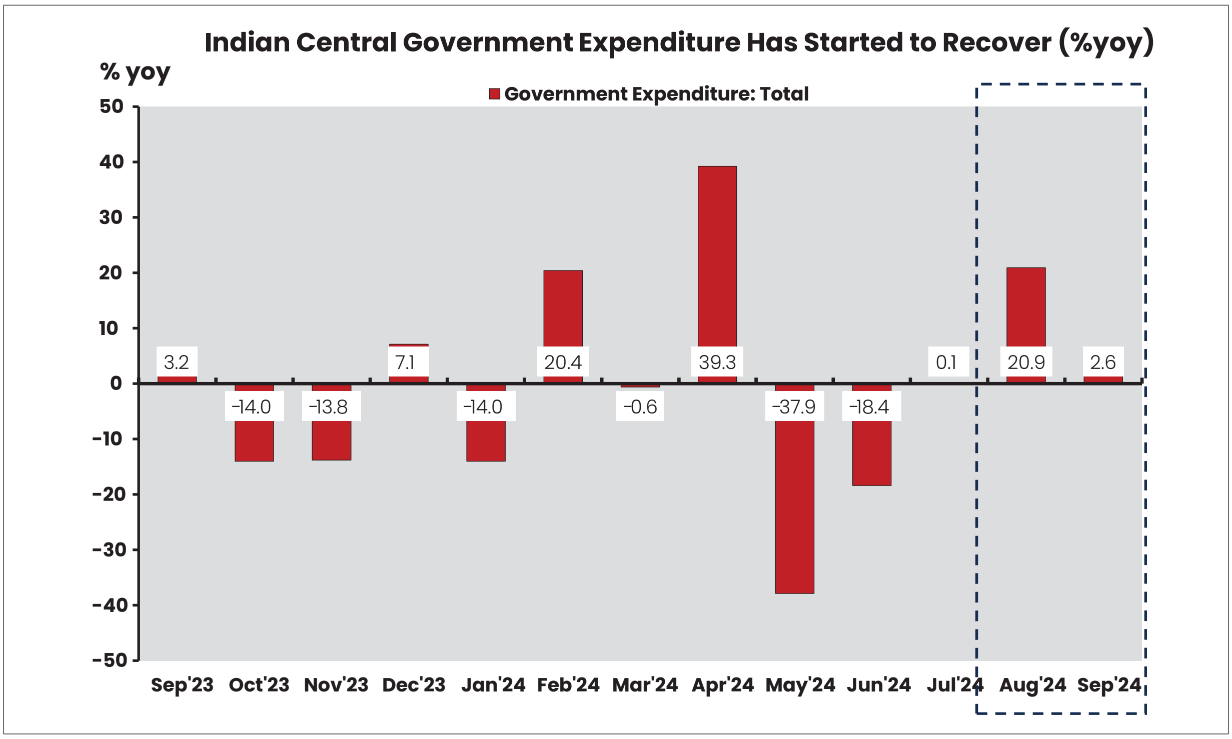
INDEX	2021	2022	2023	Aug-24	Sep-24	Oct-24
MSCI WORLD	20.1%	-19.5%	21.8%	2.5%	1.7%	-2.0%
S&P 500 (US Markets)	26.9%	-19.4%	24.2%	2.3%	2.0%	-1.0%
Euro 50	21.0%	-11.7%	19.2%	1.7%	0.9%	-3.5%
MSCI EM	-4.6%	-22.4%	7.0%	1.4%	6.4%	-4.4%
HANG SENG	-14.1%	-15.5%	-13.8%	3.7%	17.5%	-3.9%
Nifty 50 India	24.1%	4.3%	20.0%	1.1%	2.3%	-6.2%
LMEX LONDON METALS INDEX	31.8%	-11.5%	-5.6%	2.8%	6.1%	-3.2%
BRENT	50.2%	10.5%	-10.3%	-2.4%	-8.9%	1.9%
DOLLAR INDEX SPOT	6.4%	8.2%	-2.1%	-2.3%	-0.9%	3.2%
BSE SENSEX	22.0%	4.4%	18.7%	0.8%	2.3%	-5.8%
BSE MIDCAP	47.4%	2.5%	40.8%	0.3%	1.8%	-7.2%
BSE SMALLCAP	62.8%	-1.8%	47.5%	1.2%	2.0%	-3.8%
USDINR	1.7%	11.3%	0.6%	0.2%	-0.1%	0.3%

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:

Overall Central Government expenditure increased by (+2.6%) YoY, mainly driven by rural spending. In 1H of FY25, the Government has spent around INR 4.1tn (-15.4% FYTD YoY) with the run-rate at 37.4% of Budget Estimates (BE), the lowest in a decade. However, green shoots of Government Capex seen in September 2024 data.



Source:
NIMF Research, RBI (Monthly Data), CEIC