

# MONTHLY UPDATE

## APRIL 2023



# Market Outlook

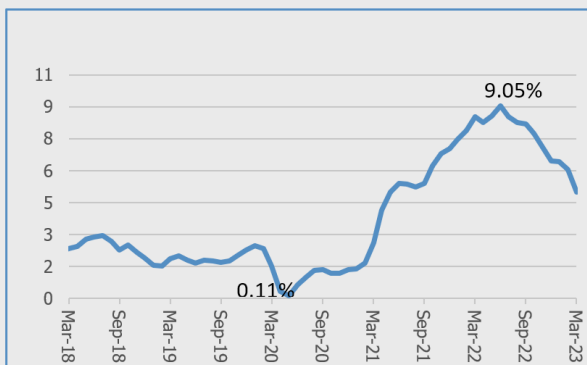
HDFC Life - Monthly Update ( May 2023 )



## Global Macro Review

### US CPI (%)

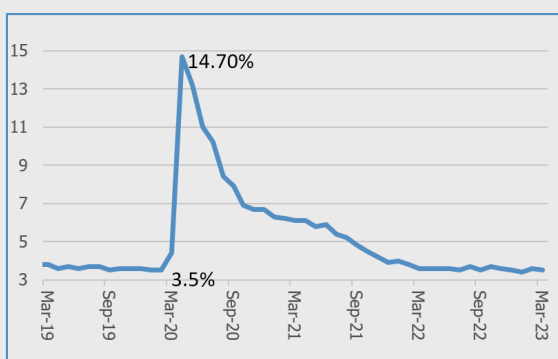
US CPI (%)



- US CPI for Mar'23 came in sharply lower at 5% YoY basis, 100bps lower than the February print, partly reflecting base-effects from last year as also due to fall in Crude price. Core CPI continues to remain flat at 5.6% YOY basis, though there are some signs of moderation within core group category like shelter and rent, which indicates that the momentum of core inflation is moderating and is likely to come down going ahead.

### US Unemployment Rate (%)

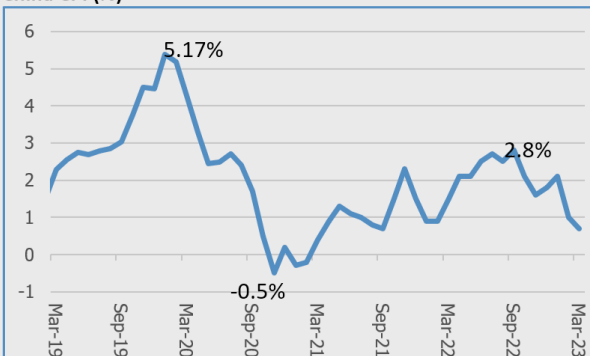
US Unemployment Rate (%)



- The minutes of the US FOMC meeting indicated increased concerns on banking system stability. The committee members' projections also showed the peak fed rates at 5.12%, indicating that the Fed is likely to pause after the 25bps hike in the first week of May.
- The US labour market continued to remain strong in April, with unemployment rate at 3.4% vs 3.5% in the previous month.
- Non Farm Payroll additions in April came in line with expectations at 253k, higher than consensus estimates of 185k.

### China CPI (%)

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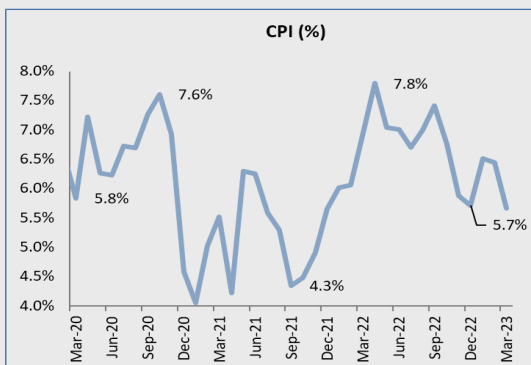


- Chinese CPI came in at 0.7% YoY for the month of Mar'23 Vs 1.0% in the previous month reflecting demand conditions are not as strong as was expected after reopening of the economy. PPI index of Mar'23 which came at -2.5% YoY vs -1.4% YoY in Feb, whereas manufacturing PMI also contracted below 50 in March reflecting growth issues.

## India Macro Review

### CPI Inflation %

CPI Inflation %

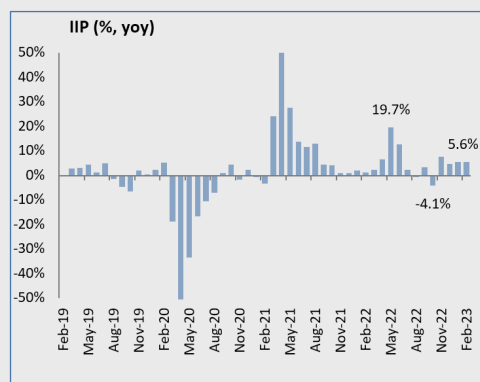


- India CPI Inflation for Mar'23 stood at 5.7% vs 6.4% in Feb'23 as food inflation moderated to 5.1% in Mar'23 from 6.3% in Feb'23.
- Fuel inflation eased by 100bps to 8.9% in Mar'23 vs. 9.9% in Feb'23.

### Industrial Production Index (IIP)

Industrial Production Index (IIP)

Source: MOSPI

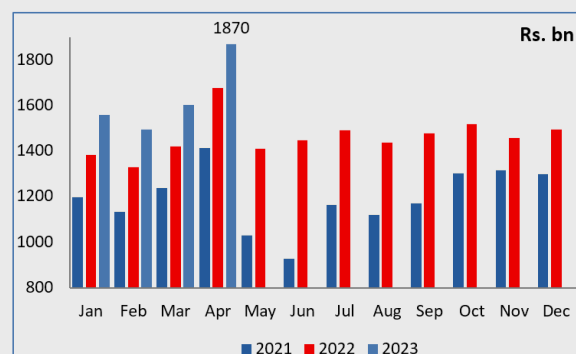


- Industrial Production (IIP) growth for Feb'23 came at 5.6% vs. 5.5% growth during Jan'23 as Manufacturing and Electricity output grew by 5.3% yoy and 8.2% yoy respectively. However, Manufacturing output moderated to 4.6% yoy in Feb'23 vs. 8.8% in Jan'23.

### GST Collection (Rs. bn)

GST Collection (Rs. bn)

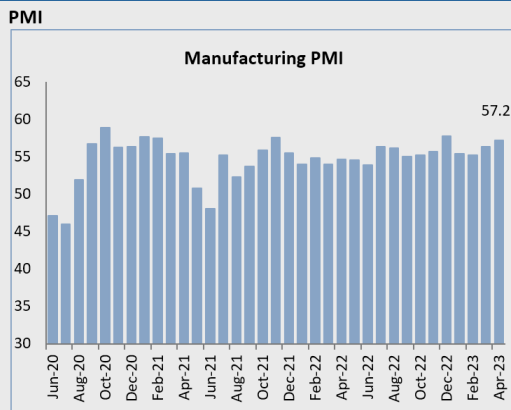
Source: MOSPI



- GST revenues for the month of Apr'23 came at Rs. 1,870bn showing a 11.6% YoY as CSGT (15.9%), SGST (13.4%) and IGTS (8.8%) increased sharply.
- Avg. monthly GST collections have increased to Rs. 1.5 lakh crore in FY23 vs. Rs. 1.2 lakh crore in FY22 and Rs. 1 lakh crore in FY20 continuing to display very high buoyancy.

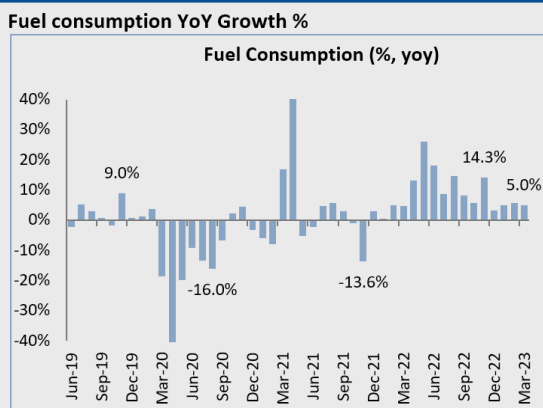
# India Macro Review

## PMI



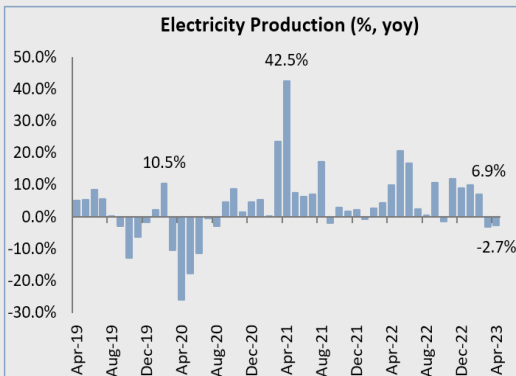
- India Manufacturing PMI rose up to 57.2 in Apr'23 from 56.4 in Mar'23 on continued strength in orders pipeline, production and despite the slowdown being seen in the exports.
- Services PMI index hit 62.0 in Apr'23, versus 57.8 in the previous month, as the services demand continued to remain strong.

## Fuel consumption YoY Growth %



- Domestic Fuel consumption growth stood at 5% in Mar'23 vs. 5.7% growth in Jan'23. With in fuel category, Consumption for petrol and diesel grew 6.8% and 1.2% respectively.
- In CY22, fuel consumption witnessed positive growth every month due to increase in demand of personal vehicles.

## Electricity Production YoY Growth %

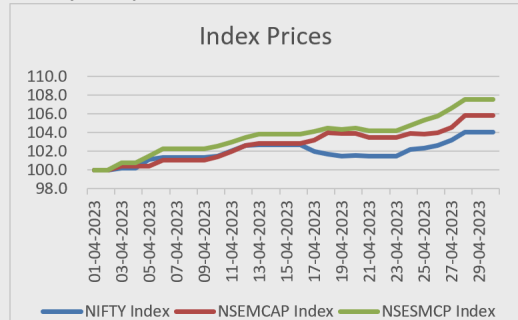


- Electricity production declined by 2.7% YoY in Apr'23 vs. 3% YoY in Mar'23. The fall in electricity production is due to decline in electricity generation from different fuel sources.
- The previous year saw weak production on account of coal shortages and resultant weak generation at both domestic and imported coal power plants.

## Equity Outlook and Positioning

### Monthly Index performance

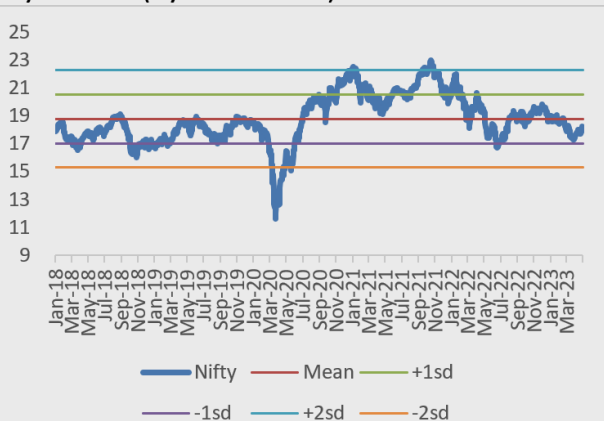
Monthly Index performance



- Equity markets posted a positive month in Apr'23 with small cap indices outperforming midcaps and large caps. Nifty 50 closed the month with a return of 4% while CNX Midcap Index gave a return of 6% and Small Cap at 8%.
- Outperforming sectors included Real estate, Auto, Cap goods, Banking and Healthcare. IT was the biggest underperformer with IT index correcting by 3.4%. Other underperforming sectors included Power and Consumer Durables

### Nifty Valuation (1 year forward PE)

Nifty Valuation (1 year forward PE)



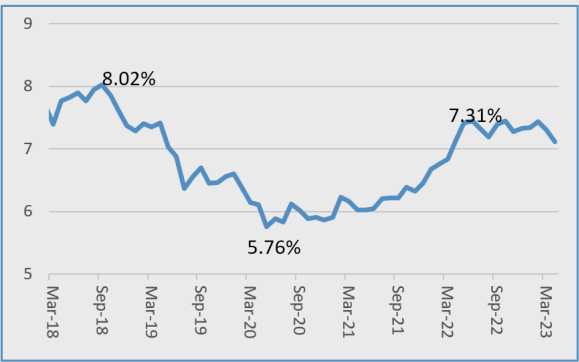
Source: Bloomberg

- In the ongoing Q4FY23 result season, while there hasn't been a material cut in overall Nifty earnings, the trends at a sectoral level have been mixed. Financials continued with their good performance on most fronts including growth, net interest margins and asset quality. In the run up to the earning season, there were some concerns on margins driven by expectation of cost of deposits catching up. However, most companies have still been able to show some improvement in margins. IT companies had a weak quarter with most companies reporting subdued revenue and order book performance. The commentary from most players also turned more cautious clouding the near term outlook. Auto and Staples have reported a sequential improvement in margins, aided both by price hikes kicking in and moderation in commodity prices.
- The earnings growth remains strong. A stable macroeconomic environment, strong corporate earnings growth and consistent domestic inflows in the markets have contributed to this superior performance. However, risk and uncertainties persist in form of concerns of a deceleration in global growth, and uncertainty over monsoon. Valuations are quite full at 20x FY24e making us cautious in the short term. However, we would be optimistic from a medium to long term point of view as we expect a cyclical recovery in the economy and earnings after several years of sub-par growth.

## Debt Outlook and Positioning

### India 10yr Gsec chart

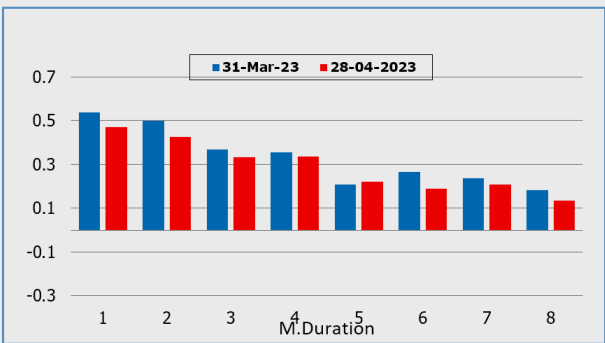
India 10yr G Sec chart



- India 10 yr Gsec yield fell sharply over the month from close of 7.31% in March, to close at 7.12% in April'23.
- The fall in yields was seen across the curve due to a pause in rates by RBI in April policy. The fall in yields were further accounted due fall in headline and core CPI in March.

### AAA Curve movement

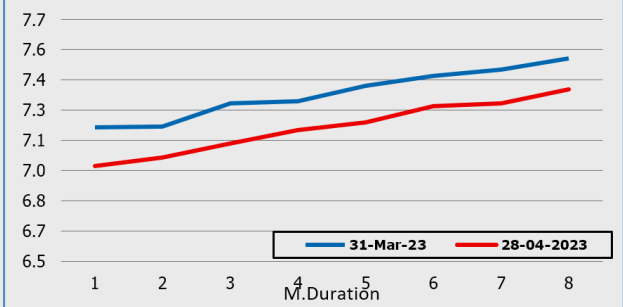
AAA Spread movement



- The recent rally in the Indian bond markets triggered by sudden surge in demand for bonds by investors across the curve has led to a sharp fall in yields. With constant weekly supply in government auction, appetite is expected to gradually wane, keeping a check on the fall in bond yields. However pent up demand from mutual funds, insurance companies and large pension funds is likely to keep yields from rising immediately.

### G Sec Curve Movement

G Sec Curve Movement



- With risks evenly balanced, bond markets are likely to be in a tight range unless surprised by large deviations in inflation / growth.



Sar utha ke jiyo!

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