

# MONTHLY UPDATE

## AUGUST 2024



# Market Outlook

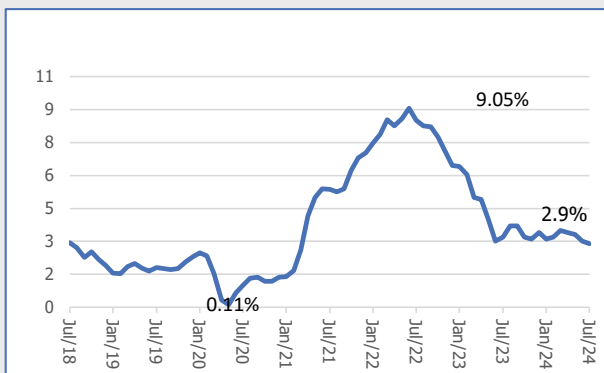
## HDFC Life – Monthly Update ( September 2024 )



### Global Macro Review

#### US CPI (%)

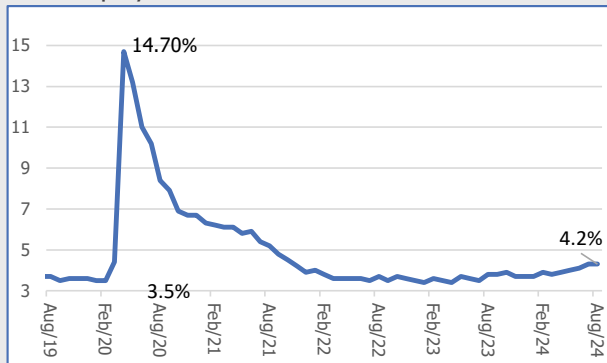
US CPI (%)



- US CPI inflation inched lower to 2.9% YoY in July vs 3.0% in June as reinforcing the trend of gradual easing of inflation. However core inflation picked up at the margin from 0.1% MoM in June to 0.2% in July, though, it continued to drift lower on a YoY basis from 3.3% to 3.2%.

#### US Unemployment Rate (%)

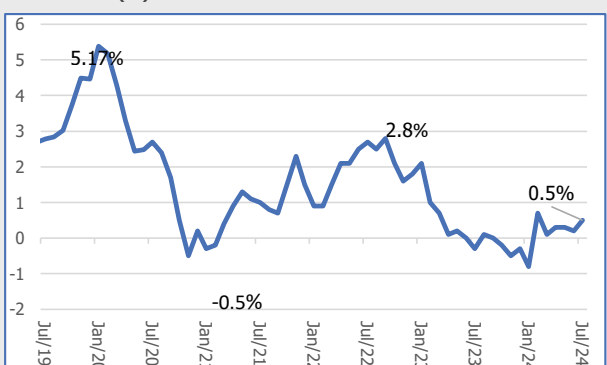
US Unemployment Rate (%)



- The US unemployment rate declined to 4.2% in August vs 4.3% in July. The unemployment has steadily climbed from the level of 3.8% recorded in March 2024.
- US Non Farm Payrolls, added close to 142k jobs in July against market expectations of 165k, with substantial revision to the previous two months data.

#### China CPI (%)

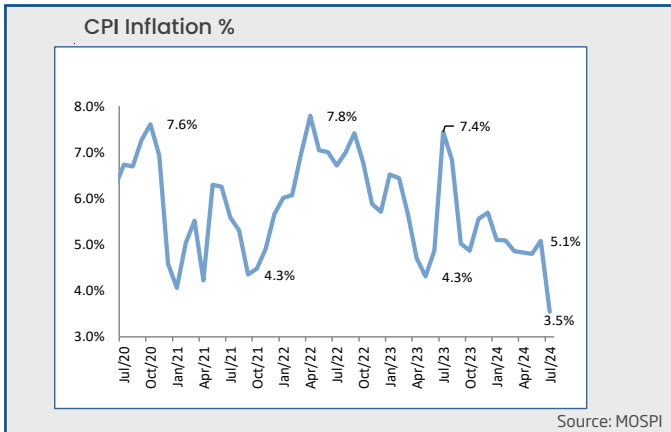
China CPI (%)



- Chinese CPI rose by 0.5% yoy in July vs 0.2% in June, higher than market expectation of 0.3%, largely driven by food prices which was impacted due weather related disruption. However the latest high frequency indicators like retail sales, industrial production, fixed asset investments, credit and trade continue to show market slowdown raising the concerns on deceleration in growth. Markets expect PBoC to keep policy accommodative.

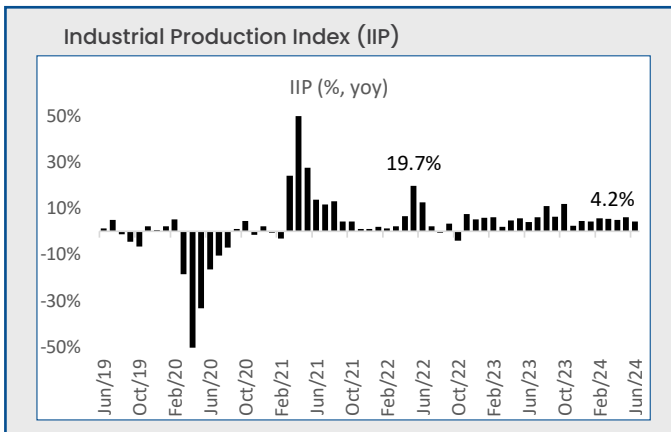
# India Macro Review

## CPI Inflation %



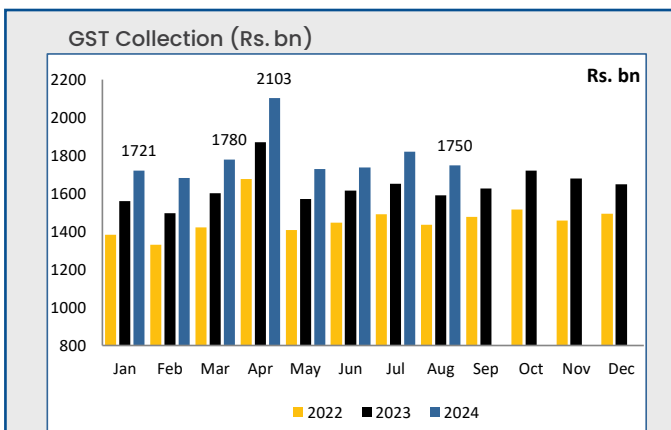
- Inflation (CPI) for Jul'24 eased to 3.5% vs. 5.1% in Jun'24 as food CPI, which constitutes 45.9% of the index, moderated to 5.1% in Jul'24 vs. 8.4% in Jun'24.
- Fuel inflation which constitutes 6.8% of CPI, contracted by 5.5% in Jul'24.

## Industrial Production Index (IIP)



- Industrial Production (IIP) growth for Jun'24 eased to 4.2% vs. 6.2% in May'24 as Manufacturing output moderated to 2.6% in Jun'24 vs. 5% in May'24 and Electricity output slowed down to 8.6% in Jun'24. However, Mining output increased by 10.3% in Jun'24.
- The increase in the Industrial production index reflects increasing momentum in production activities. However, monthly IIP numbers have been volatile and is difficult to draw a trend from the same.

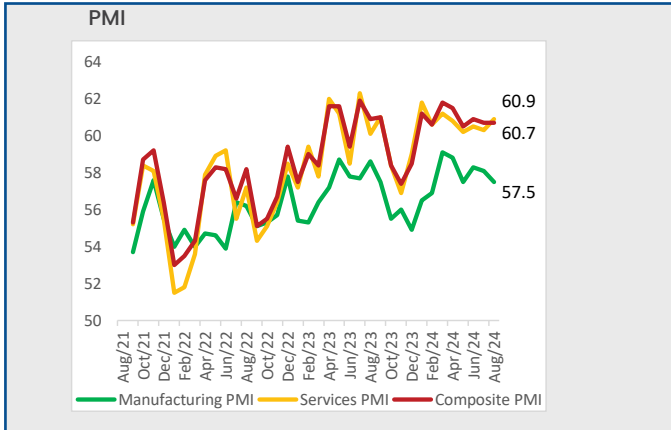
## GST Collection (Rs. bn)



- GST revenues for the month of Aug'24 came to Rs. 1,750 bn showing a 10% YoY increase vs. Rs. 1,590bn in Aug'23.
- Avg. monthly GST collections have increased to Rs. 1.7 lakh crore in FY24 vs. Rs. 1.5 lakh crore in FY23 and Rs. 1.2 lakh crore in FY22 continuing to display strong buoyancy.

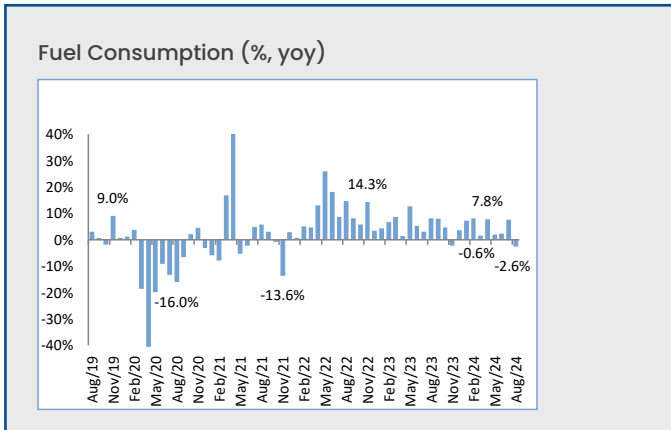
# India Macro Review

## PMI



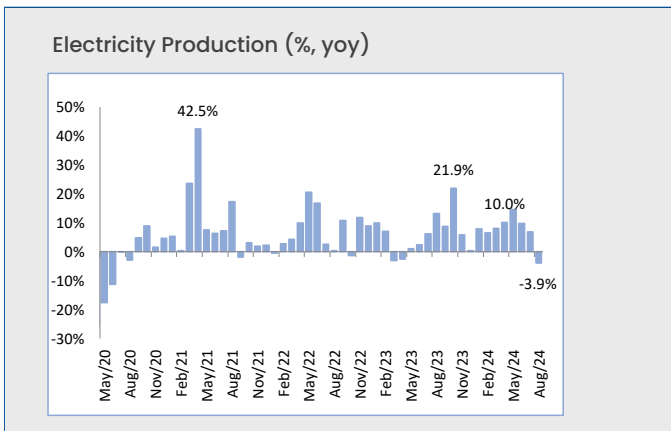
■ PMI (manufacturing) eased to 57.5 in Aug'24 from 58.1 in Jul'24. However, PMI continuing in expansion zone ( $>=50$ ) indicates the continued strength in orders pipeline and production, despite a slowdown seen in the exports.

## Fuel consumption YoY Growth %



■ Fuel consumption marginally declined by 2.6% yoy in Aug'24 vs. the 7.5% gain in Jul'24. Within fuel category, consumption for diesel declined by 2.5% yoy in Aug'24 and petrol consumption increased by 8.6% yoy in Jul'24.

## Electricity Production YoY Growth %



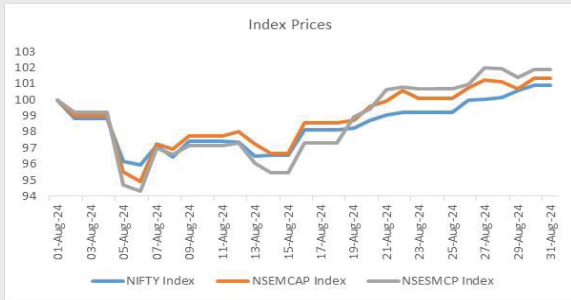
■ Electricity production was down 3.9% YoY in Aug'24 vs. 6.8% gain YoY in Jul'24.

■ Heavy monsoons this year along with a high base of last year has led to the decline in electricity demand.

# Equity Outlook and Positioning

## Monthly Index performance

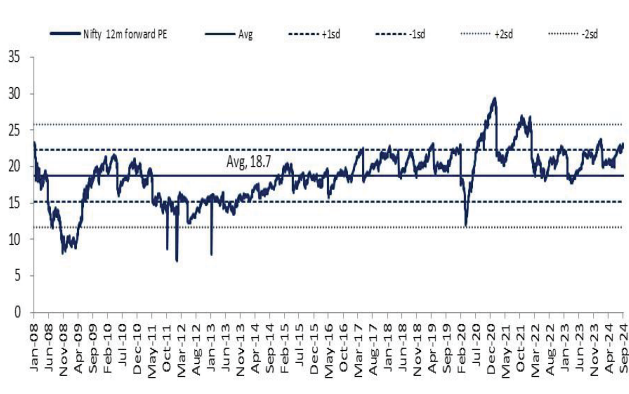
Monthly Index performance



- Equity markets were largely positive in Aug'24 with large and mid-cap indices underperforming small caps. Nifty 50 and CNX Midcap closed the month almost flat with a return of +1% while Small Cap index gained 2%.
- Outperforming sectors included Pharma, Consumer Durables, IT, FMCG and Oil & gas. On the other hand, the underperforming sectors included Capital goods, Real estate, Power, Auto, Banks and Metals

## Nifty Valuation (1 year forward PE)

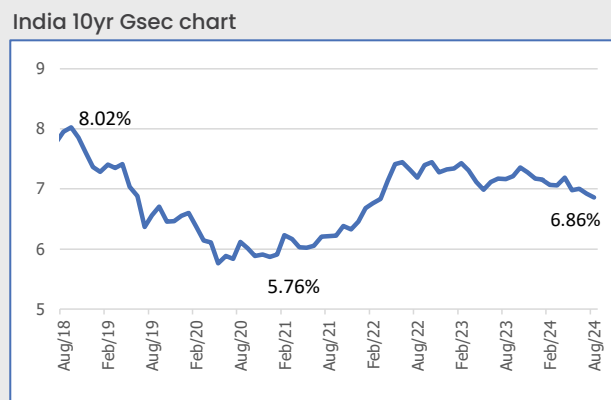
Nifty Valuation (1 year forward PE)



- Domestic inflows continue to remain strong with the SIP inflows growing every month. The FPI inflow, while not large, saw another positive month. This explains the market buoyancy despite the introduction of a capital gains tax and high valuations. On the supply side, we expect to see many more IPOs, QIPs and PE exits along with some promoters sell down. We believe that net flows will be the key driver of the markets in the near term.
- Valuations continue to be rich on an absolute basis. On a relative basis, they also seem to capture the near/medium-term outlook
- From long term perspective, India's macroeconomic position continues to be quite strong, with (1) a strong growth and BoP (currency) outlook and (2) a moderate but improving fiscal and inflation (interest rates) outlook. We expect continued improvement in the affordability equation for low-income households, driven by a combination of (1) a period of relatively stable product prices, after 4-5 years of relentless price increases and (2) a modest increase in household incomes.

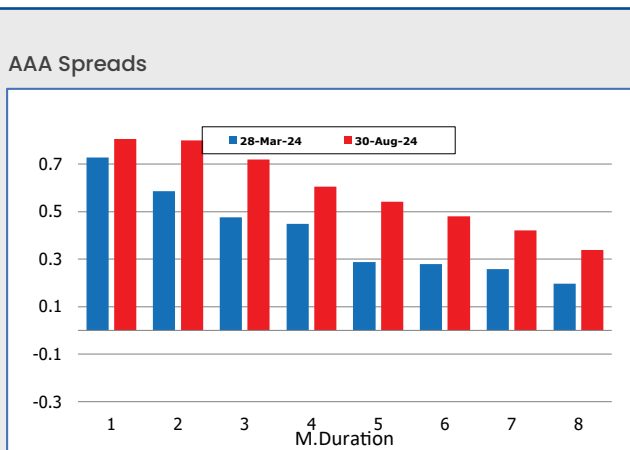
## Debt Outlook and Positioning

### India 10yr Gsec chart



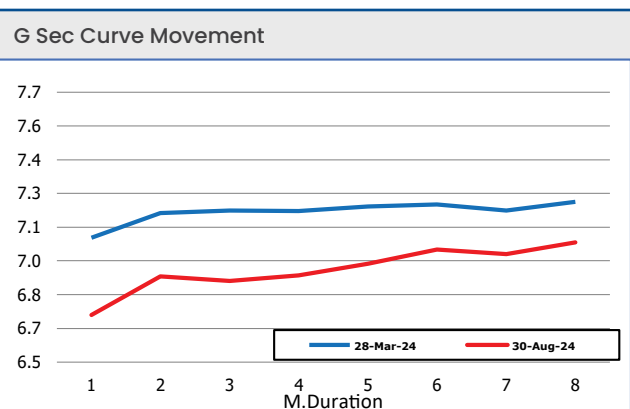
- The 10 yr UST yield eased sharply to an intra-month low of 3.66% due to weak jobs data. However subsequent economic data did not show the same weakness, which led to some retracement in yields. The 10yr UST closed at 3.90% for the month, 13bp lower than previous month close of 4.03%.
- The US FOMC laid the foundation for a rate cut in September after the weak employment data and continued softening in inflation. The markets are divided in their expectations of the quantum of US rate cuts for the year. Expectations are largely divided between 75bps to 125 bps for the remainder of the current calendar year.

### AAA Curve movement



- In India, the 10yr benchmark yield eased 6bp responding to global yield movements and softness in global commodity prices,
- The latest Monetary Policy was announced where the Monetary Policy Committee (MPC) kept rates as well as the stance unchanged. With the pick up in monsoon rains and base effects, food inflation is expected to normalize going ahead. Additionally, global commodities including food and metal prices have fallen meaningfully. Hence, RBI is also expected to start its rate cut cycle during second half of FY25

### G Sec Curve Movement



- With the imminent start of rate cuts in the US, steady improvement in Indian macroeconomic dynamics and favorable demand-supply balance for domestic bonds, Indian bond yields are expected to continue to decline steadily.



Sar utha ke jiyo!

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