

Market Outlook

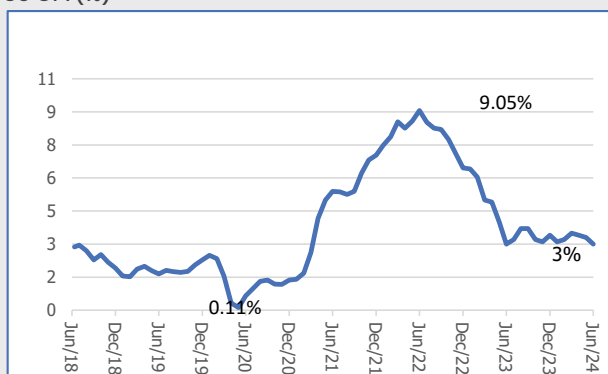
HDFC Life – Monthly Update (August 2024)



Global Macro Review

US CPI (%)

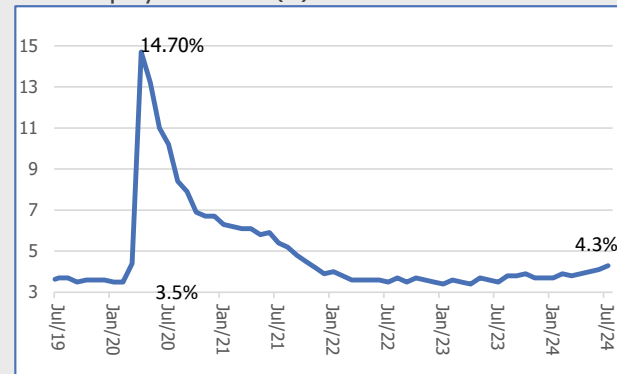
US CPI (%)



- US CPI inflation inched lower to 3.0% YoY in June vs 3.3% in May, lower than market expectations. Inflation softened across the board, with a drop in sequential reading at -0.1%, which was the first decline since the onset of pandemic.

US Unemployment Rate (%)

US Unemployment Rate (%)

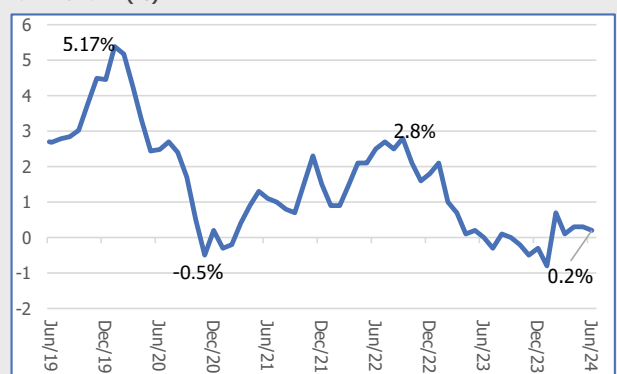


- The US unemployment rate inched higher to 4.3% in July vs 4.1% in June, a marked deterioration from market expectations. Both private sector and public sector hiring slowed sharply on a sequential basis.

- US Non Farm Payrolls, added close to 114k jobs in July against market expectation of 175k. Labour force participation increased from 62.6% to 62.7% in July. Overall, the data release was quite weak, raising expectations that the FOMC will commence easing in September.

China CPI (%)

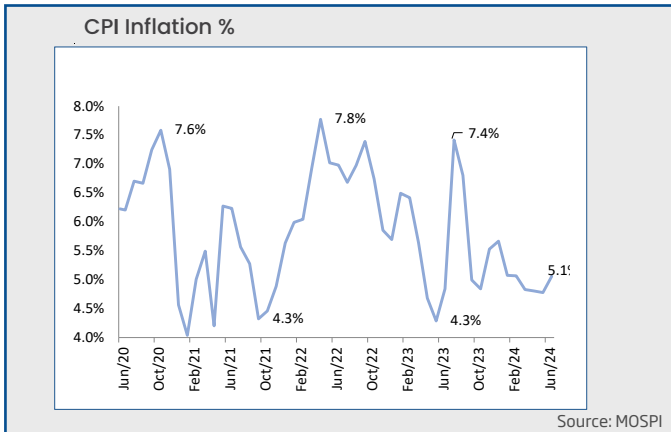
China CPI (%)



- Chinese CPI rose by 0.2% yoy in June vs. 0.3% in May reflecting slower demand. The GDP print of Q2 2024 came at 4.7% much below market expectation of 5% largely due to softer private consumption, while investment continues to remain weak as property market downturn continues to put pressure on the demand side. The PBOC reduced rates in response to softer growth and could ease policy rates further, although further monetary easing is unlikely to work given the weakness in the property sector.

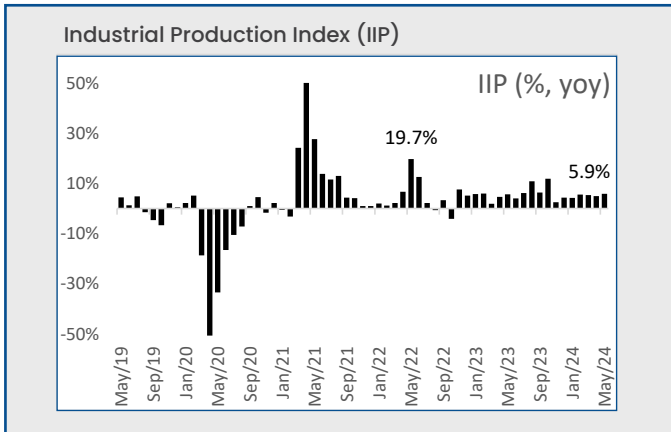
India Macro Review

CPI Inflation %



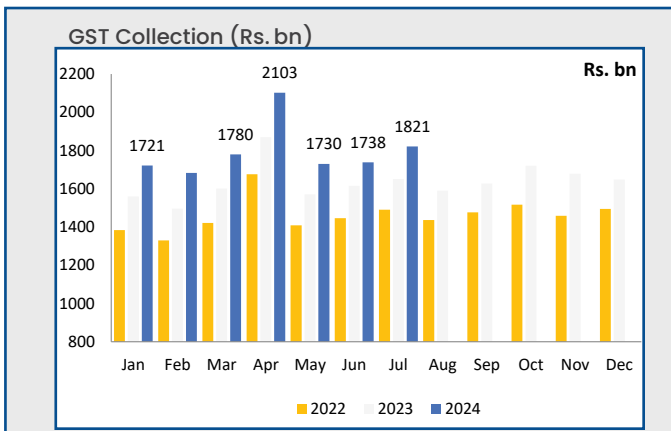
- Inflation (CPI) for Jun'24 stood at 5.1% as food CPI, which constitutes 45.9% of the index, stayed elevated at 8.4%. Within food, inflation for Vegetables, Pulses, and Cereals remain elevated.
- Fuel inflation which constitutes 6.8% of CPI, contracted by 3.7% in Jun'24.

Industrial Production Index (IIP)



- Industrial Production (IIP) growth for May'24 came at 5.9% as Manufacturing output surged 4.6% in May'24 and Electricity output was up 13.7% in May'24. Also, Mining output increased by 6.6% in May'24.
- The increase in the Industrial production index reflects increasing momentum in production activities. However, monthly IIP numbers can be volatile and difficult to draw a trend from the same.

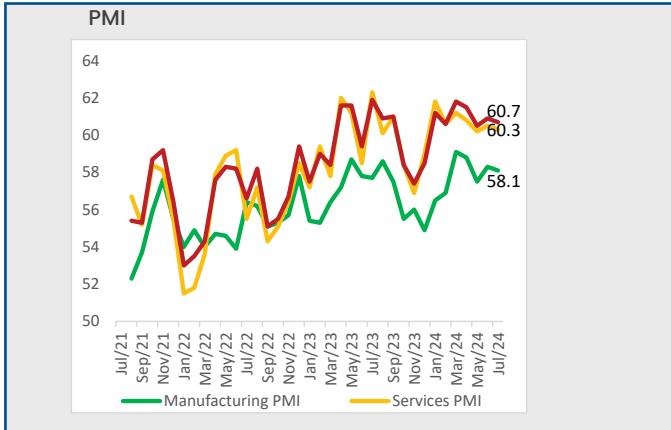
GST Collection (Rs. bn)



- GST revenues for the month of Jul'24 came to Rs. 1,821bn showing a 10.3% YoY increase vs. Rs. 1,651bn in Jul'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 very high buoyancy.

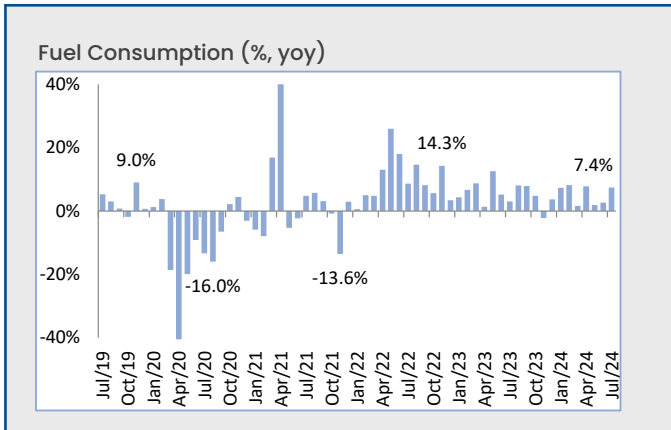
India Macro Review

PMI



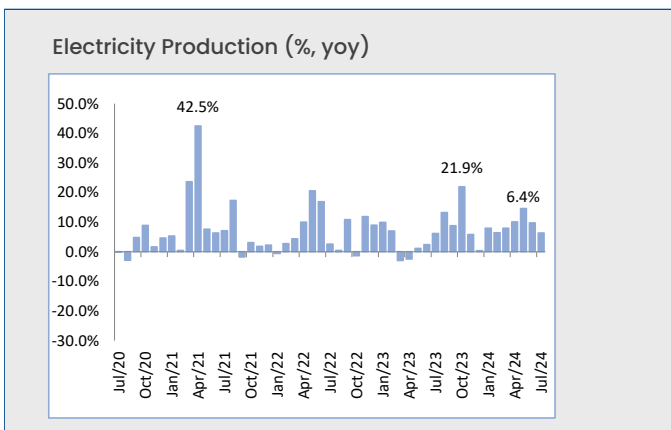
■ PMI (manufacturing) eased to 58.1 in Jul'24 from 58.3 in Jun'24. However, PMI continuing in expansion zone (≥ 50) indicates the continued strength in orders pipeline and production, despite a slowdown seen in the exports.

Fuel consumption YoY Growth %



■ Fuel consumption marginally increased by 7.4% yoy in Jul'24 vs. 2.7% up in Jun'24. Within fuel category, Consumption for diesel surged by 4.5% yoy in Jul'24 and petrol consumption increased by 10.5% yoy in Jul'24.

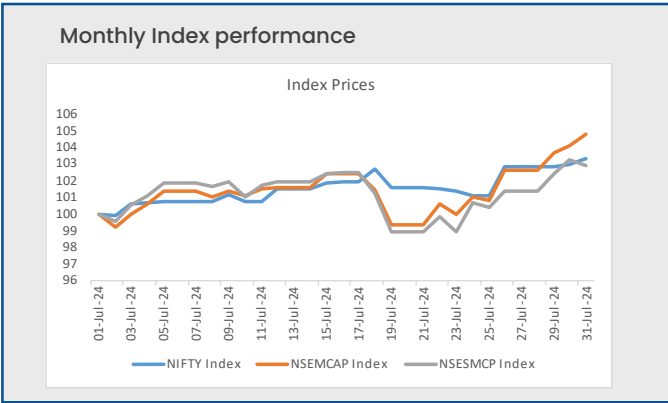
Electricity Production YoY Growth %



■ Electricity production was up 6.4% YoY in Jul'24 vs. 9.7% YoY in Jun'24.

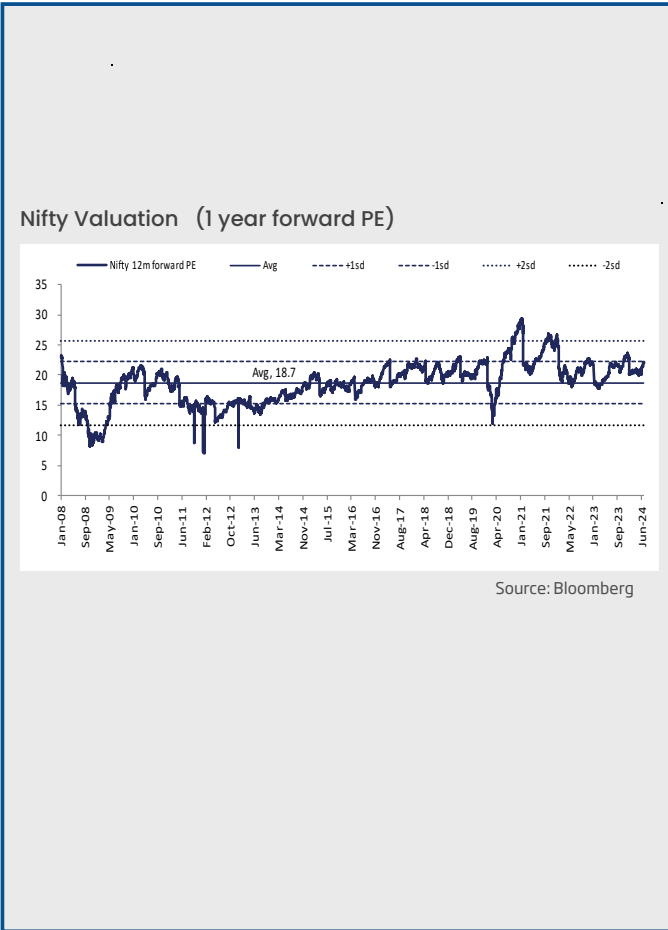
Equity Outlook and Positioning

Monthly Index performance



- Equity markets were positive in Jul'24 with midcap indices outperforming largecaps and smallcaps. Nifty 50 closed with a return of 3.4% while CNX Midcap Index gave a return of 4.8% and Small Cap at 2.9%.
- Outperforming sectors included IT, Oil & gas, FMCG, Pharma, Power & Auto. On the other hand, the underperforming sectors included Banks, Real estate, Metals & Consumer Durables

Nifty Valuation (1 year forward PE)

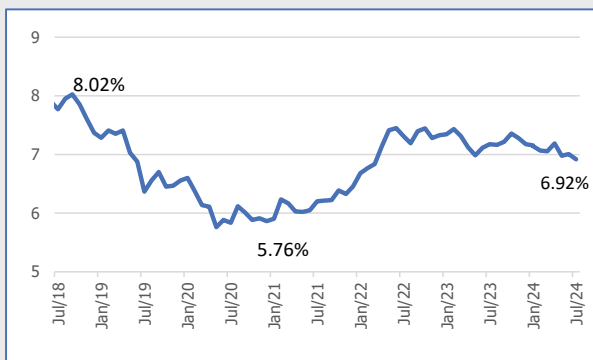


- Q1FY25 result season has been quite unexciting with more sectors witnessing headwinds now versus earlier. Consumer Staples have shown improving volume growth trends though revenue growth has been tepid. Consumer Retail and QSR companies have seen significant deceleration while Building material companies have also seen subdued volume growth. Auto sector has been an exception with good volume performance. Financials are still seeing compression in NIMs though at a slower pace but asset quality, while still stable, has started showing some deterioration.
- Valuations at 19.9x FY26 P/E are higher than long term averages, calling for some caution in the short term. However, the long term growth and earnings outlook remains favourable

Debt Outlook and Positioning

India 10yr Gsec chart

India 10yr Gsec chart

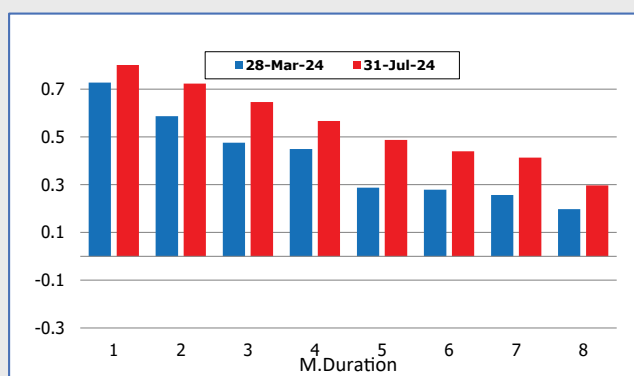


■ The US 10 yr bond yield eased almost 37bp due to soft macro data points from soft PCE inflation to slowdown in job openings, to sharp rise in unemployment. The 10 yr USTreasury bond eased to 4.03% from 4.40% through the month.

■ In India, the 10yr benchmark yield eased 8bp tracking the fall in global bond yields. The lower fiscal deficit forecast in Budget for FY25, led to a rally across the curve with a steepening bias. The 10yr Gsec yield closed at 6.92% for the month.

AAA Curve movement

AAA Spreads

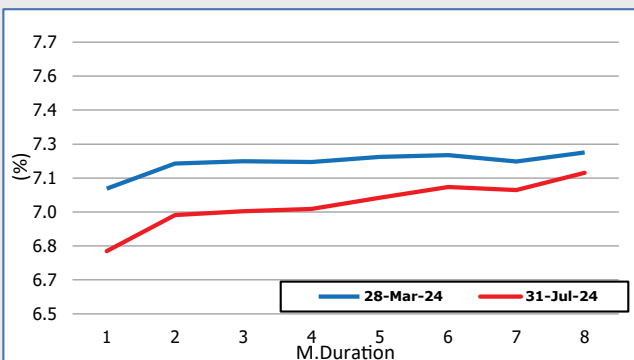


■ The India FY25 Budget announced this month led out the path of faster fiscal consolidation. The fiscal deficit for FY25 contracted to 4.9% of GDP from the 5.1% estimated in the Interim Budget in February. The faster fiscal consolidation, however, has not led to any change in dated borrowing, with a net supply at INR 11.63tn.

■ In US the FOMC maintained status quo on interest rates, along expected lines, though it provided strong hints that the case for a rate cut in September had increased considerably. With labor supply improving, unemployment rising, wage growth moderating, the markets now expect deeper rate cuts from Fed than earlier expectations.

G Sec Curve Movement

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!

HDFC Life Insurance Company Limited ("HDFC Life"). CIN: L65110MH2000PLC128245, IRDAI Reg. No. 101.

Registered Office: 13th Floor, Lodha Excelus, Apollo Mills Compound, N.M. Joshi Marg, Mahalaxmi, Mumbai - 400 011.

Email: service@hdfclife.com, Tel No: 1860-267-9999. Available Mon-Sat from 10 am to 7 pm. (Local charges apply).

DO NOT prefix any country code e.g. +91 or 00, website: www.hdfclife.com

The name /letter 'HDFC' in the name/logo of HDFC Life Insurance Company Limited (HDFC Life) belongs to HDFC Bank Limited and is used by HDFC Life under licence from HDFC Bank Limited."

For more details on risk factors, associated terms and conditions and exclusions please read sales brochure carefully before concluding a sale.

BEWARE OF SPURIOUS PHONE CALLS AND FICTITIOUS/FRAUDULENT OFFERS

IRDAI is not involved in activities like selling insurance policies, announcing bonus or investment of premiums. Public receiving such phone calls are requested to lodge a police complaint