

MONTHLY UPDATE

MARCH 2023



Market Outlook

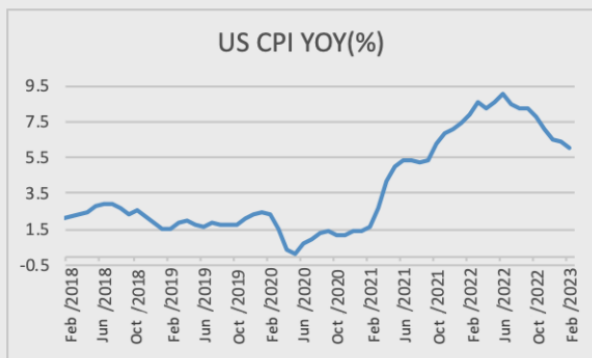
HDFC Life - Monthly Update (April 2023)



Global Macro Review

US CPI (%)

US CPI (%)



- US CPI for Feb'23 came in lower at 6% YoY, and 40bps lower than the January print, partly reflecting base-effects from last year and also due to fall in crude price.
- However, Fed continued with its 25 bp rate hike as FOMC would like to see more evidence of labour market rebalancing and wage inflation meaningfully cooling.

US Unemployment Rate (%)

US Unemployment Rate (%)



- US labour market continued to remain strong although there are now evidence of job shedding in several sectors showing that hiring could slow going forward.
- Non farm payroll surprised on the upside in February (311K in Feb'23 vs expectations of 205K), although on a sequential basis it moderated.

China CPI (%)

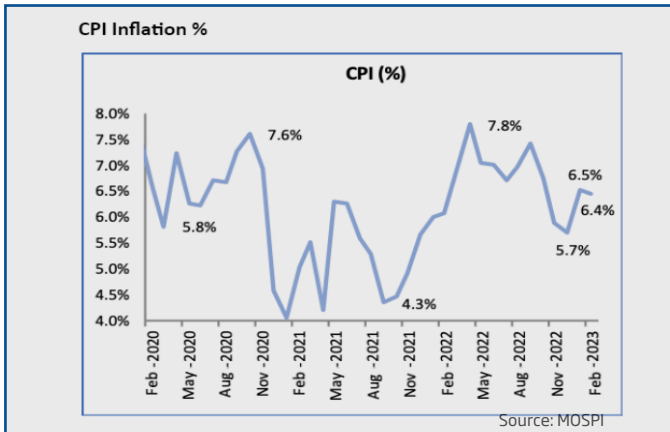
China CPI (%)



- Chinese CPI came in at 1.0% for the month of Feb'23 Vs 2.1% in the previous month.
- The sharp fall is due to impact of crude and commodity price fall which was also reflected in PPI index of Feb'23 which came at -1.4% YoY.

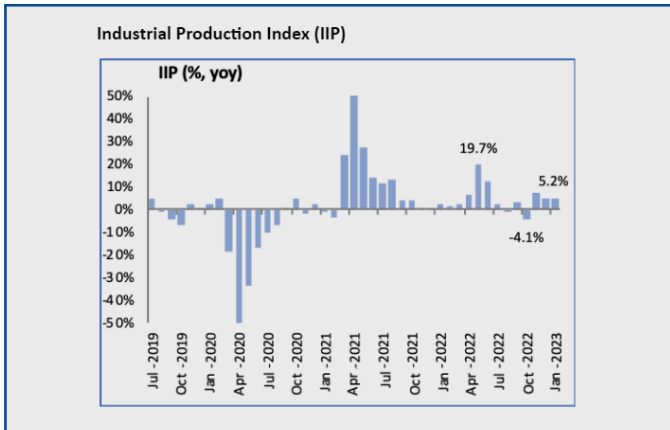
India Macro Review

CPI Inflation %



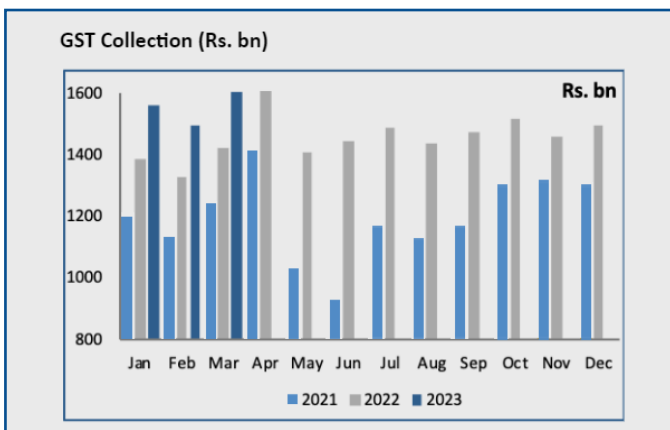
- Inflation (CPI) for Feb'23 stood at 6.4% vs 6.5% in Jan'23 as food CPI and core CPI which constitutes the 45.9% and 44.9% respectively continues to remain above the RBI upper threshold of 6%.
- Fuel inflation which constitutes 6.8% of the CPI basket remains elevated and surged by 9.9% in Feb'23 vs. 10.8% in Jan'23.

Industrial Production Index (IIP)



- Industrial Production (IIP) growth for Jan'23 came at 5.2% vs. 4.7% growth during Dec'22 as Mining and Electricity output grew by 8.8% yoy and 12.7% yoy respectively. However, Manufacturing output sharply increased by 3.7% yoy in Jan'23.

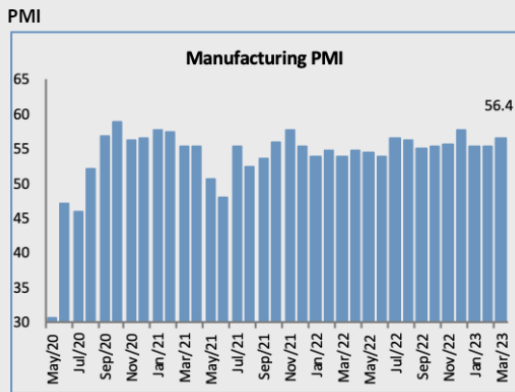
GST Collection (Rs. bn)



- GST revenues for the month of Mar'23 came at Rs. 1,601bn showing a 12.7% YoY as CSGT (14.4%), SGST (15.2%) and IGTS (11.3%) 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.

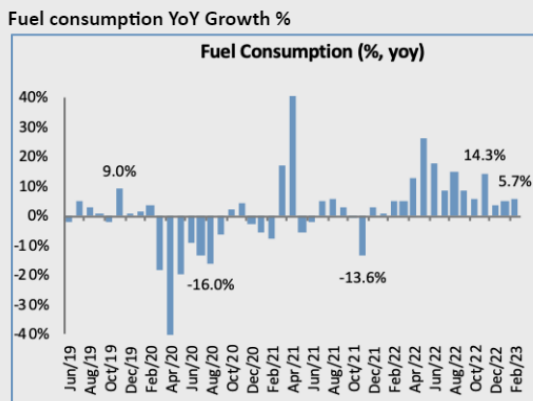
India Macro Review

PMI



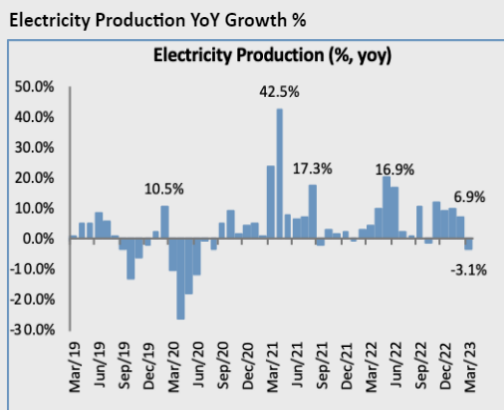
- PMI at 56.4 in Mar'23 increased from 55.3 in Feb'23 on continued strength in orders pipeline, production and despite a slowdown being seen in the exports.

Fuel consumption YoY Growth %



- Fuel consumption growth at 5.7% in Feb'23 vs. 5.1% growth in Jan'23. Within fuel category, Consumption for petrol and diesel grew 8.9% and 7.5% respectively .
- In CY22, fuel consumption witnessed positive growth every month due to increase in demand of personal vehicles.

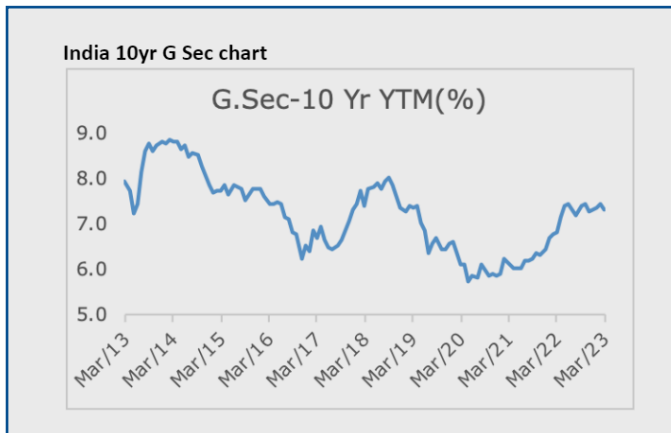
Electricity Production YoY Growth %



- Electricity production declined by 3.1% YoY in Mar'23 vs. 6.9% YoY in Feb'23. The fall in electricity production may be due to rainfall in north region and slowdown in manufacturing activities.
- The previous year saw weak production on account of coal shortages and resultant weak generation at both domestic and imported coal power plants.

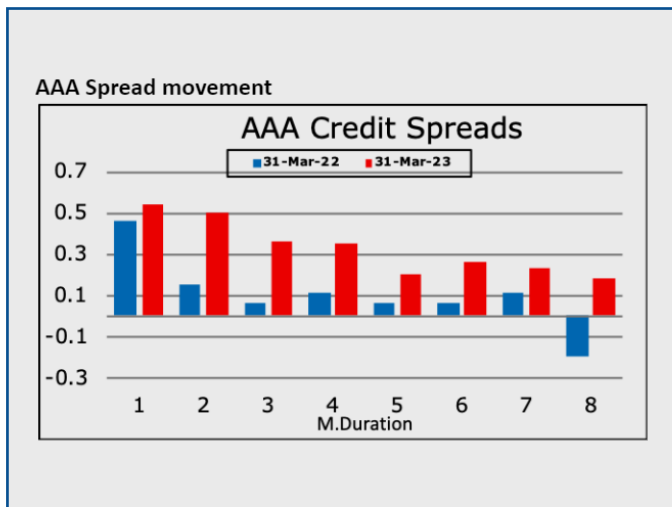
Debt Outlook and Positioning

India 10yr Gsec chart



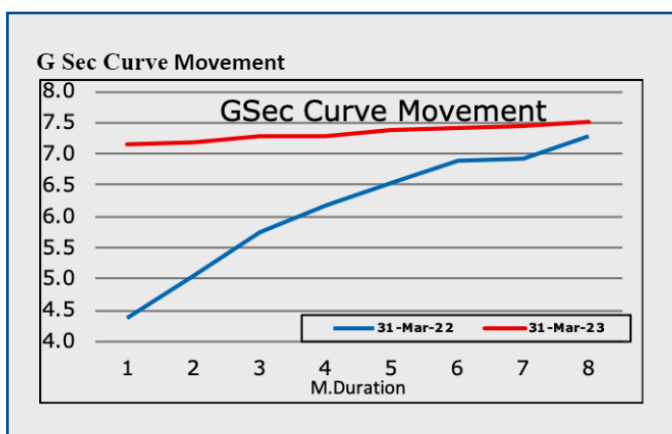
- India 10 yr Gsec yield fell sharply over the month from 7.43% at end of Feb to close at 7.28% in Mar'23.
- The fall in yields was visible across the globe driven by news of fall of 2 US based regional banks and secondly, the takeover of Credit Suisse by UBS, which led to risk off rally globally.
- However domestically, there is still large uncertainties on inflation due to escalating weather threats on agricultural production.

AAA Curve movement



- In the April Monetary policy, RBI surprised the markets as the Repo rate was kept unchanged at 6.50%, though the Governor stressed that this was a 'pause and not a pivot'. The policy stance was maintained at "withdrawal of accommodation", and growth outlook for FY24 was pegged at 6.5%, slightly higher than the earlier forecasts of 6.4%
- With the DM banking stress over the last month, expectations from central banks have undergone a significant change. After sharp rate hikes over the last 12 months, the Fed indicated that it near the end of the rate hiking cycle.

G Sec Curve Movement



- With the rate cycle at or around its peak, domestic bond markets are likely to be weighed down by a large supply of bonds in FY24, and markets are expected to stay under pressure in the coming months amid lack of any OMO purchase announcements by RBI.
- As the bond supply is concentrated towards the longer end of the curve with 14yr and above constituting 50% of the entire bond supply in H1, we are likely to see curve steepening going ahead into the year.



Sar utha ke jiyo!

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