It was strong beginning to the calendar year. The Nifty touched an almost lifetime high and domestic interest rates maintained a softer bias. With the Prana Pratistha ceremony at Ayodhya and a possible fillip to the domestic tourism, the Indian capital Market continued to " Lord " over and attract attention across the globe.

EQUITY MARKET OUTLOOK

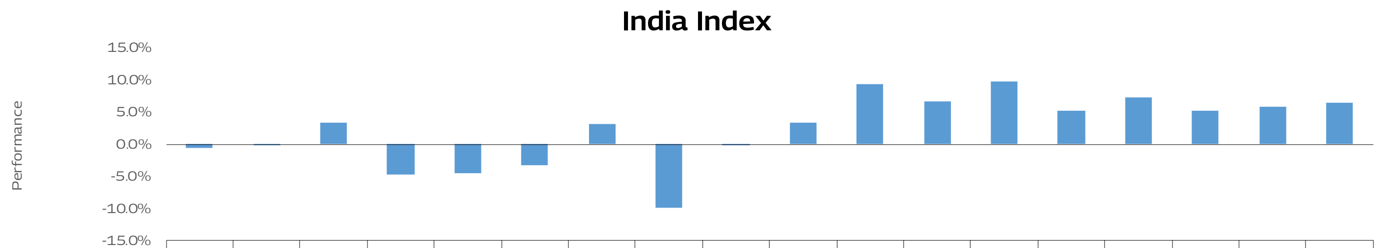
- **Nifty reached an iconic new high of 22,124** intramonth but ended flat.
  Source: NSE, Data as on January, 2024
- **Fiscal deficit** for the April to -December 2023 stood at 9.82 lakh crore rupees, or equivalent to 55% of annual estimates, government data showed today. Total receipts stood at 20.72 lakh crore rupees, while overall expenditure in April to December was at 30.54 lakh crore rupees. They were 76.3% and 67.8% of this fiscal year's budget target.
  Source: RBI, Data as on January, 2024
- **Monetary Policy Moves:** The US Federal Reserve (Fed) maintained fed rate in range of range of 5.25% to 5.5% at its January 2024 meeting. Fed also did not give any guidance for the rate cut in March 2024 rate cut that was widely expected.
  Source: US Federal Reserve (Fed), January 2024
- Results season for December 2023 Quarter is mixed with more results meeting expectations. One area of concern emerging can be the need for volume growth in consumer facing sectors. Hopefully, the spend during the election season could generate purchasing power among rural and urban areas, more so in low-income segment.
  Source; RBI, January 31, 2024

WHO MOVED MARKETS

- Foreign Portfolio Investors (FPIs), turned net sellers for the month. FPI's sold approx. 4bn$ in cash market in January. Domestic Institutional Investors (DIIs) tried to match the sell flows with a cash buy of 3bn$.
- Small cap & Midcap indices continued to outperform Nifty.
- Sectorally, Nifty PSE, Realty & Energy were the best performing indices for the month with 9-10% rally. Public sector companies continue to witness buying interest with strong returns across companies.
- Big casualty for the month has been HDFC Bank having lost nearly 15%, leading the bank index down by nearly 5% during the month. The FPI selling could have been led by Banking sector and HDFC Bank. FPI's remain high overweight stance on Banking and HDFC Bank remains top portfolio weight for FPIs at over 80 bn$ (as on December 31, 2023) in India when seen on aggregate.

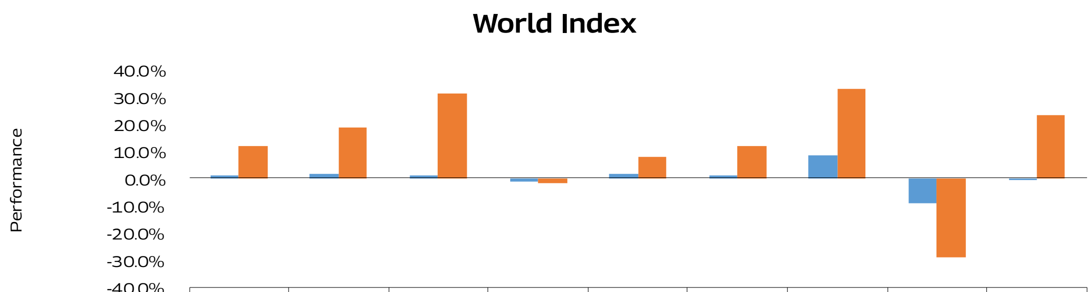
Source; RBI, January 31, 2024

MOVERS & SHAKERS



	S&P Bse Sensex Index	Nifty 50	Nifty Auto	Nifty Bank	Nifty Financial Services	Nifty FMCG	Nifty IT	Nifty Media	Nifty Metal	Nifty Commodities	Nifty Realty	Nifty Pharma	Nifty Energy	BSE Midcap	BSE Small Cap	Nifty Midcap 100	Nifty Small Cap 100	BSE 250 Small Cap
1 Mth Performance	-0.7%	0.0%	3.3%	-4.8%	-4.6%	-3.4%	3.2%	-9.9%	-0.1%	3.3%	9.3%	6.6%	9.8%	5.3%	7.1%	5.2%	5.8%	6.5%

Source: Bloomberg; Data as on January 31, 2024; Performance - Absolute returns



	Dow Jones Indus. Avg	S&P 500 Index	Nasdaq Composite Index	Ftse 100 Index	Cac 40 Index	Dax Index	Nikkei 225	Hang Seng Index	Nifty 50
1 Mth Performance	1.2%	1.6%	1.0%	-1.3%	1.5%	0.9%	8.4%	-9.2%	0.0%
1 Yr Performance	11.9%	18.9%	30.9%	-1.8%	8.1%	11.7%	32.8%	-29.1%	23.0%

Source: Bloomberg; Data as on January 31, 2024; Performance - Absolute returns

PERFORMANCE SNAPSHOT OF SECTORAL INDICES - QUARTER ON QUARTER

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Jan-24
Nifty 50	-29.3	19.8	9.2	24.3	5.1	7	12.1	-1.5	0.6	-9.6	8.3	5.9	-4.1	10.5	2.3	10.7	0
Nifty Midcap 100	-31.6	25.6	15.5	22.7	13.7	13.8	12.7	0.2	-2.5	-10.9	15.9	2.7	-4.7	19	13.4	13.9	5.2
Nifty Small Cap 100	-38.4	28.4	26.2	21.7	14.5	20	11.9	3.7	-7.6	-19.1	11.8	3.1	-7.6	20.5	17.6	18.8	5.8

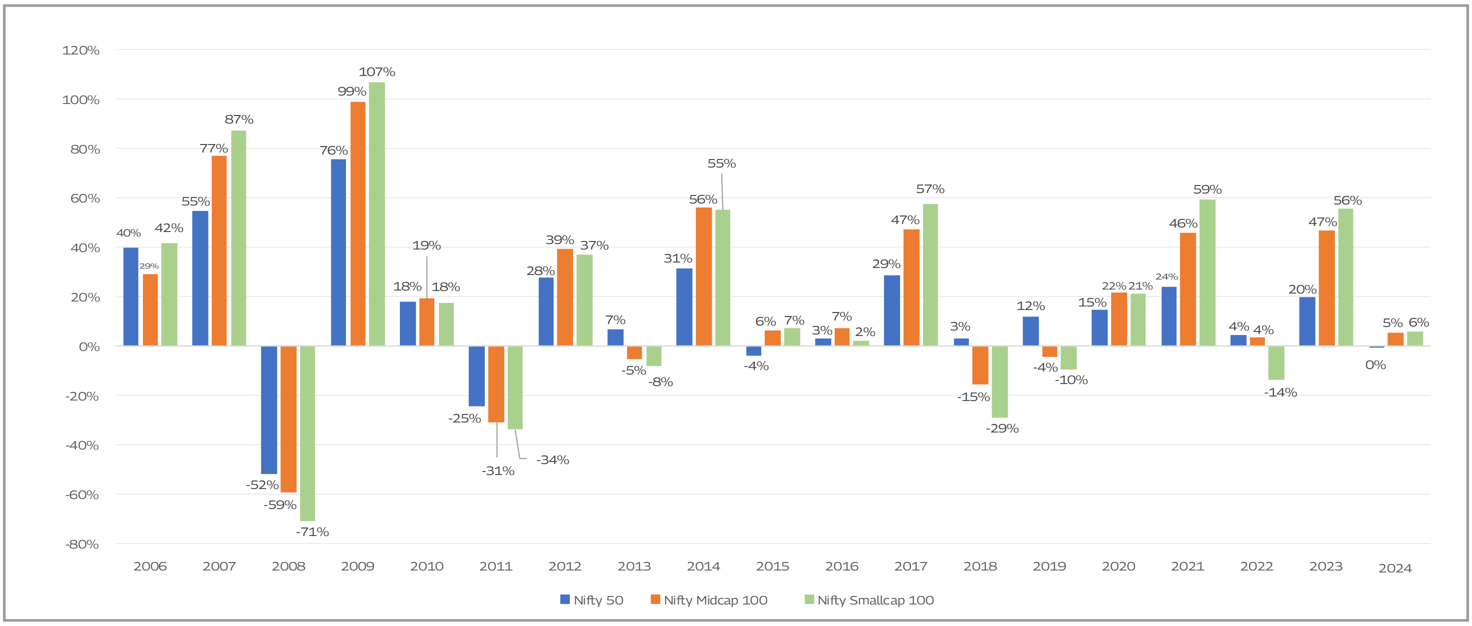
Note - *Yellow highlighted cells represent highest returns amongst the 3 indices provided above, for the respective quarter end periods.*

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Jan-24
Nifty Auto	-42.6	42	17.7	16.3	7.3	7.5	0	3.2	-3.5	10.9	8.5	-0.7	-2.9	23.7	6.8	15	3.3
Nifty Bank	-40.5	11.6	0.4	45.7	6.5	4.4	7.6	-5.2	2.5	-8.1	15.6	11.3	-5.5	10.2	-0.4	8.3	-4.8
Nifty Fin Services	-36	13.4	0.6	43.2	3.3	4.6	11.3	-5.3	-1.1	-9.8	13.1	8.4	-4.9	11.1	-1.2	8.5	-4.6
Nifty FMCG	-9.3	10	-0.7	14.5	2.2	3.3	12	-7	-3.4	3.8	17.9	-0.5	3.9	13.7	-1.1	10.4	-3.4
Nifty IT	-18.5	15.6	35.2	21.6	6.6	12.8	20.1	10.5	-6.2	-23.3	-3.1	6.1	0.3	3	7.5	11.7	3.2
Nifty Media	-42.3	29.2	15.2	6.5	-6.3	16.3	19	3.8	7.2	-20.3	8.7	-3.4	-14.7	2.6	30.1	5.3	-9.9
Nifty Metal	-43.4	25.6	12.6	45.1	22.2	31.1	7.6	-1.6	16.3	-27.4	23.8	16.6	-18.2	12.9	10.1	16.6	-0.1
Nifty Commodities	-33.1	24.6	8.8	22.2	17.7	14.9	10.9	-2.1	7.4	-16.2	10.8	6.9	-6.6	8.6	7.5	18.9	3.3
Nifty Realty	-41.2	15.5	4.6	48.1	6.5	2.9	49.4	-5.8	-4.3	-16.9	10	1.8	-10.3	34.2	10.7	36	9.3
Nifty Pharma	-10.7	39.1	17.9	9.7	-5	16.6	1.1	-1.7	-4.5	-10.5	6.7	-2.9	-4.6	14.6	12	9.1	6.6
Nifty Energy	-30.1	29.4	4.4	12.6	7.5	9	15.3	-1	14.1	-2.8	1.9	1.1	-11.8	8.2	10.6	22.5	9.8

Note - *Cells highlighted in green color represents top 2 performers and the pink highlighted cells represent bottom 2 performers amongst the indices covered above for the respective quarter end periods.*

Source: *Bloomberg. Returns have been calculated on Absolute basis for respective quarter end periods beginning Mar 2020 until January 2024. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Company Private Limited/Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns.* ***Past performance may or may not be sustained in future.***

MARKET CAPITALIZATION - PERFORMANCE SNAPSHOT



Data Source: ICRA. Data period: 1st January 2006 till 31st January 2024. Returns are absolute returns (1 year) calculated as of the last business day of every calendrer year end. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Private Limited/Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns. ***Past performance may or may not be sustained in future.***

FIXED INCOME OUTLOOK

BOND AND MONEY MARKET

We present a matrix detailing some movement in some key market (Domestic and global) and key event:

Parameters	31-Jan-2024	31-Dec-2023	31-Jan-2023
RBI Repo Rate %	6.5	6.5	6.25
5Y AAA PSU %	7.72	7.73	7.69
1 year CD %	7.84	7.72	7.68
10Y Gsec %	7.14	7.17	7.34
CPI (%)	5.69	5.55	5.72
IIP (YoY) %	2.4	11.74	7.11
US 10Y %	3.91	3.88	3.61
Dollar Rupee	83.04	83.21	81.92

Source: Bloomberg; Data as on January 31, 2024

FIXED INCOME IN A GLANCE

It was a benign January for the domestic bond markets. The benchmark 10 year gilt yields moved down by around 4 basis points (bps) to close at 7.14%. However with the budget announcing a fiscal deficit number of 5.1% to the GDP and a marginal lower net borrowing , the benchmark 10 year softened further to touch around 7.05% .Domestic liquidity remained largely in a negative zone with overnight rates close to the Repo rates. Retail CPI inflation was printed at 5.69% and Food Inflation was printed at high of 9.53 % . A stable and slowing core inflation provided comfort to the domestic bond markets.

The US benchmark 10 year gilt drifted upwards to close at 4.04 % as strong US employment numbers and healthy GDP growth numbers had markets rethinking the possibility of an early rate cuts. However, US Fed Governor Powell continued to sooth the frayed the market nerves but alluding to the possibilities of a softer bias through this year.

Source: RBI, Date January 31, 2024

WHAT NEXT?

The markets are on a strong trending phase with the PSE index leading from the front agnostic to the sectoral themes. The key themes that we believe may continue to be positive is Power, Oil & Gas, Energy, Commodities and Infrastructure creation as India is embarking on the next big capex boom to create fixed assets for the demand requirements for the forthcoming decades.

US Fed keeps market on positive momentum with hopes for a rate cut. The macro-economic as well as geo-political environment is quite evenly balanced for a rate cut decision. While Fed's action / timing of rate cut is unpredictable, markets for now are on positive mood with many global markets at all time highs with risk-on being the sentiment for global risk assets.

For 3Q FY 2024, 33 Nifty stocks reported as of date, sales/EBITDA/PAT growth of 6%/15%/21% YoY(Year on Year) . While Profit After TAX(PAT) growth has been good, quite a few companies have reported lower earnings vis a vis estimates. For the wider universe, while sales growth continues to be much lower, PAT growth is coming at 30%+ YoY mostly led by commodity tailwinds.

Results reinforced the dichotomy that persists in the Indian economy for more than a year:

(1) Consumption continues to be weak highlighting the challenges of low-income households

(2) Investment, especially high-end residential real estate continues to be strong, stressing the solid financial condition of the high-income households.

(3) Government Capex continues to be strong but private capex is yet slated to clock big growth.

Valuations remains premium for many sectors/stocks in the near term, partly on higher visibility and partly on euphoria. While premium valuations need not always be bad but it does convey a potential for a low returns in near term as valuations may get normalised through earnings growth.

We maintain that Indian economy and markets may continue to remain good for long term investors with valuations at times interchanging between Green, Amber & Red for fresh investments. As we know, Asset allocation (equities vs debt vs other asset classes like gold, silver etc) aims to drive a significant portion of potential wealth creation and within the equity allocation, smart choice between Lumpsum (favourable valuation) & SIP (discipline) helps. Post the stupendous rally in Indian markets, we believe SIPs may be better for now and its time to focus on asset allocation. Just a perspective, Indian equities have delivered as under:

Market mood swings with Fundamentals, Flows & Sentiments each taking their turn in leadership. Despite a positive fundamental for investing, the choice of investing (no leverage) may matter in short term trading (high leverage using derivatives). The leveraged participation has its own cascading effect on way up and down. Currently the sentiments have created excess risk appetite where use of leverage is very high and that's something which typically runs the risk of an accident despite fundamentals remaining intact.

Source: Bloomberg, Data as on January 31, 2024

SUMMARISING OUR THOUGHTS

- The Interim Union budget had chosen fiscal prudence and had announced a fiscal deficit of 5.1 % of GDP , sharply lower from the market expectations . This may create a positive bias for the domestic debt markets.
- The Monetary Policy Committee (MPC) of RBI will meet in the first week of February. Globally central bankers seem to be in a wait and watch mood. However, we believe that should there be an extended pause by the MPC, it raises the probability of a change in stance by MPC.
- Globally interest rates have looked at askance at the US interest rates. The narrative has is now shifting from "Higher for Longer "to a softening bias . We believe with China and European economy may possibly show a sluggish growth, thereby creating a lower inflation trajectory globally.
- Our portfolio strategy across our duration-oriented funds run in a similar vein a) Relatively heavy on duration (b) Bias towards Gilts which is gradually shifting towards credits (c) A steepening of the Yield curve
- While China announced a policy push for economy revival , they don't seem to be large enough to push an inflationary pressure on commodity prices
- We also believe that while AAA credit spreads have increased and now merit a gradual look into the portfolio.

Source: Bloomberg; Data as on January 31, 2024