SAMVAAD

Monthly Newsletter

July 2024

mahindra Manulife MUTUAL FUND

MOMENT OF THE MONTH

- **Sports - T20World Cup:** Indian team won the trophy beating South Africa in a nail-biting finish. The victory led to an ex-captain comparing Indian cricket team with stocks "breakout after consolidation in a range, after resistance for years there is a multi year breakout and it reaches new highs"!!
- **Markets New High:** Nifty, Mid & Small-cap indices rallies to newer highs in June. NIFTY 24K in 2024!!
- **The new government formation took place** a near replica of the previous government in almost all key ministries. The budget to be the next relevant point for markets.
- **RBI as well as US Fed maintained status quo** at their policy meets. RBI had a split verdict with 2 members pushing for rate cuts while 4 members opting for no action.
- **GST:** Gross GST Collections for June 2024 came at ₹1.73 lakh crore, 10% growth Year-Over-Year (y-o-y), driven by increased revenues from domestic transactions.

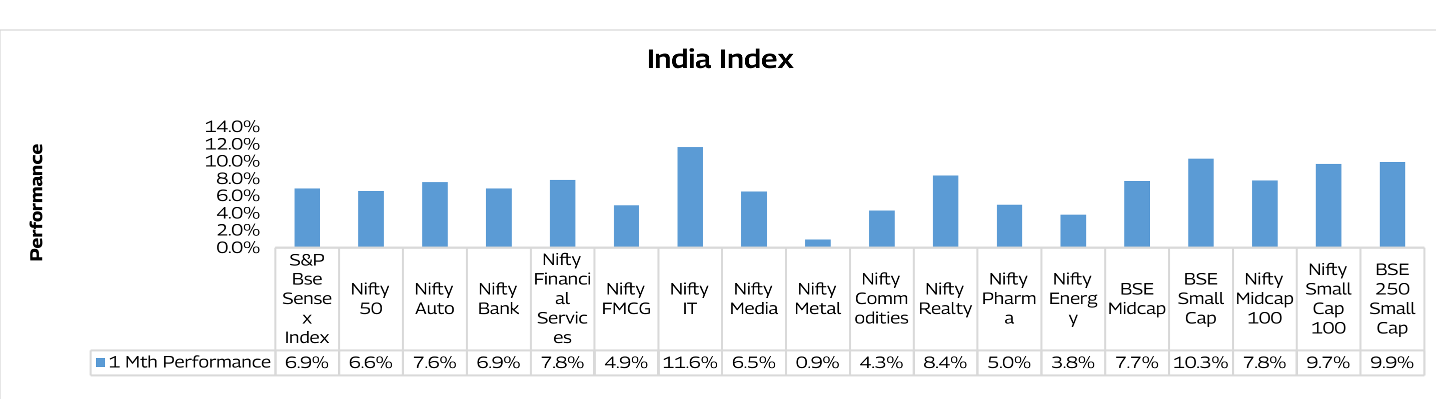
Source: Bloomberg/Internal Research

WHO MOVED MARKETS

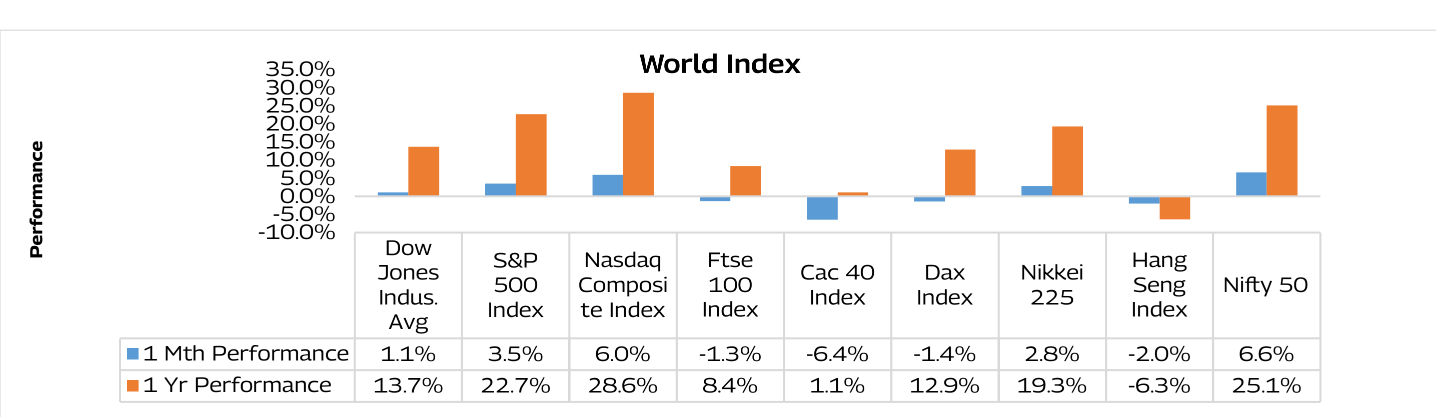
- FPIs, turned big buyers for the month, net flows 3.2 bn$.
- Promoters and Private Equity funds continue to be big sellers, offsetting the retail inflows.

Source: NSDL/Internal Research

MOVERS & SHAKERS



Source: Bloomberg; Data as on June 30, 2024; Performance - Absolute returns



Source: Bloomberg; Data as on June 30, 2024; Performance - Absolute returns

PERFORMANCE SNAPSHOT OF SECTORAL INDICES - QOQ

	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	Mar-24	Jun-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	2.7	7.5
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	4.1	15.9
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	0.8	20

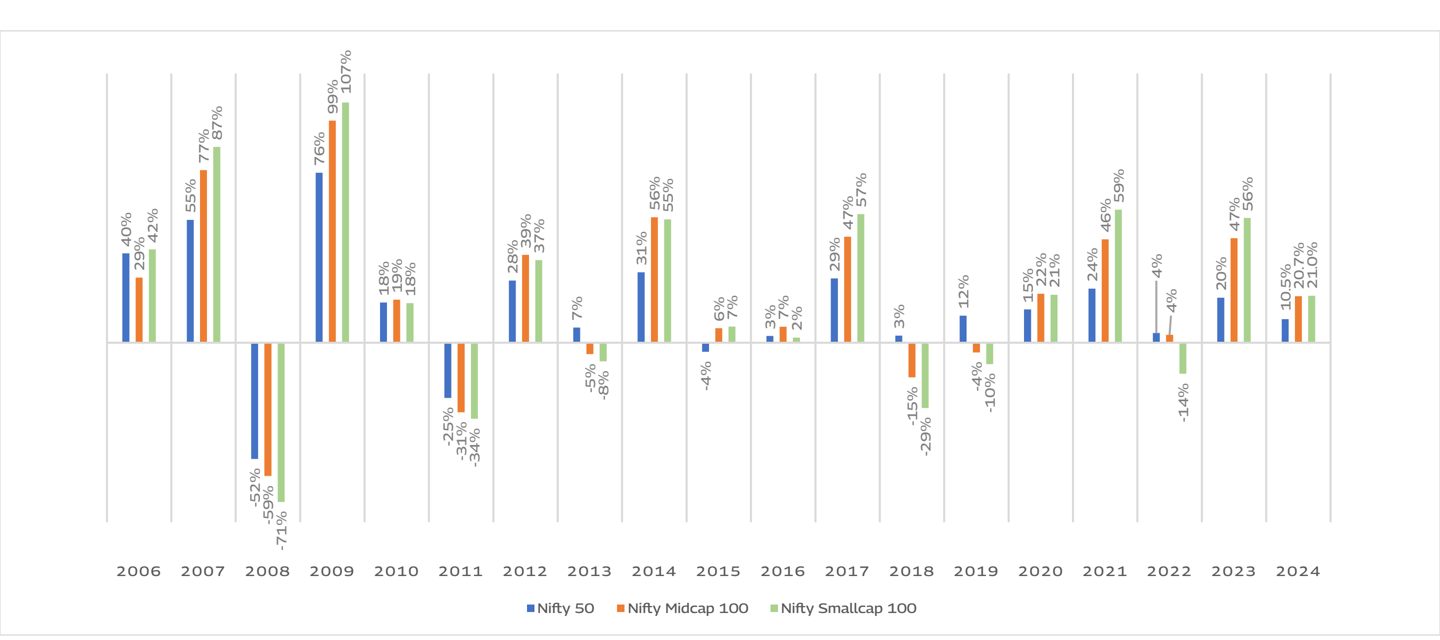
Note - Yellow highlighted cells represent highest returns amongst the 3 indices provided above, for the respective quarter end periods.
Source: Bloomberg Data as on June 30, 2024

	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	Mar-24	Jun-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	15	17.7
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	-2.4	11.1
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	-2.3	11.6
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	-5.3	5.2
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	-1.7	3.6
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	-24.8	10.9
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	3.5	18.9
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	8	11.2
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	15	22.7
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	12.9	3.9
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	16.6	7.1

Note - Cells highlighted in green colour 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 June 2022 until June 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 30th June 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	30-Jun-2024	31-May-2024	30-Jun-2023
RBI Repo Rate %	6.5	6.5	6.5
5Y AAA PSU %	7.64	7.66	7.57
1 year CD %	7.62	7.62	7.3
10Y Gsec %	7.01	6.98	7.12
CPI (%)	4.75	4.83	4.25
IIP (YoY) %	4.98	4.94	4.24
US 10Y %	4.4	4.59	3.83
Dollar Rupee	83.39	83.47	82.04

Source: Bloomberg; Data as on June 30, 2024

THE FIXED INCOME GLANCE

It was a fixed income steady market in June. The MPC met in the first week of June and kept all the rates and its stance unchanged. The GDP growth and the inflation projection for the current financial year also broadly remained unchanged vis a vis last policy with GDP growth penned at 7.20% and average CPI inflation at 4.5%. Interestingly two (out of the three) external members voted for a rate cut and a change in Monetary policy stance. With Indian government securities making their debut in the JP Morgan Bond Index, FPI flows into G-secs continued to remain strong.

The markets held steady through the month after the initial sell off post the election verdict. The benchmark 10 year G-sec remained broadly at 7% through the month . With comfortable liquidity, the money market rates softened by around 10 basis points through the month. Inflation measured by CPI eased marginally to 4.75%. Food inflation remained uncomfortably high at 8.69% contributed to mainly by vegetables (27.33%) and pulses (17.14%) inflation.

Globally, the ECB cut its reference benchmark rate by 25 bps to 4.25% . The US benchmark 10 year was volatile and moved down by around 25 bps through the month to close around 4.25%.

Source: Bloomberg/Internal Research

WHAT NEXT?

Clearly the Union Budget is the 1st milestone for the economic agenda of the new government. Indian financial markets may look for any changes in the taxation on equities as well as any regulatory action on derivatives trading. Re-alignment of capital gains tax across assets (equity, debt, real estate) could be via tax rates &/or timeframes. Derivatives trading has made markets highly liquid and any step that may reduce the trading can impact liquidity.

Earnings wise, consensus estimates for FY25 are for 12-14% growth in NIFTY earnings. Indian corporates have reported good earnings in past 3-4 quarters, led by margin expansion and now the incremental earnings growth needs volume/revenue led growth. The results for Q1FY25 and management commentary would be a good indicator for stock & sector specific moves.

We continue to believe that Indian economy remains a capex cycle led economy, PLI & Atmanirbhar Bharat initiatives. The growth opportunity however looks fairly accepted by the prevalence of higher valuations in certain pockets. The worries for the economy & markets are on government fiscal policies (Budget), inadequate monsoons, currency etc. We believe that in the overall context of a well-diversified economy & markets (sector mix), every worry does create a potential for a different set of stocks/sectors to emerge as winner in market.

SUMMARISING OUR THOUGHTS

With a coalition government at the centre, its time to cast a fresh glance and rethink what the possible future may hold:

- We think the new Government may continue with the Fiscal consolidation path. While the fiscal deficit (absolute borrowing) may remain the same; there remains a risk on the quality of fiscal deficit vis a vis the mix between capital and revenue expenditure
- The MPC now would probably wait for the Budget presented by the new government. In our opinion, the MPC may possibly shift the stance to neutral as we go through the year. It is unlikely that the MPC would move ahead of US Fed in cutting the policy rates.
- What may also be interesting would be to track the FPI flows in GoI security post the induction of India bonds in the JP Morgan Bond Index
- Globally interest rates have looked at askance at the US interest rates. The narrative continues to be in flux with uncertainty surrounding the inflation trajectory. However, despite the low unemployment numbers and an uncomfortable inflation print, the data on credit card and auto loan delinquencies present an interesting dichotomy. We also believe, with China and European economy may possibly show a sluggish growth, thereby creating a lower inflation trajectory globally.
- While China announced a policy push for economy revival, they don't seem to be large enough to put a sustained inflationary pressure on commodity prices.

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.

We also believe that as credit spreads have increased and now merit a gradual look into the portfolio.

Asset allocation (equities vs debt vs other asset classes like gold, silver etc) drives 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 are better for now and it's time to focus on asset allocation.

Source: Bloomberg, Data as on June 30, 2024.

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