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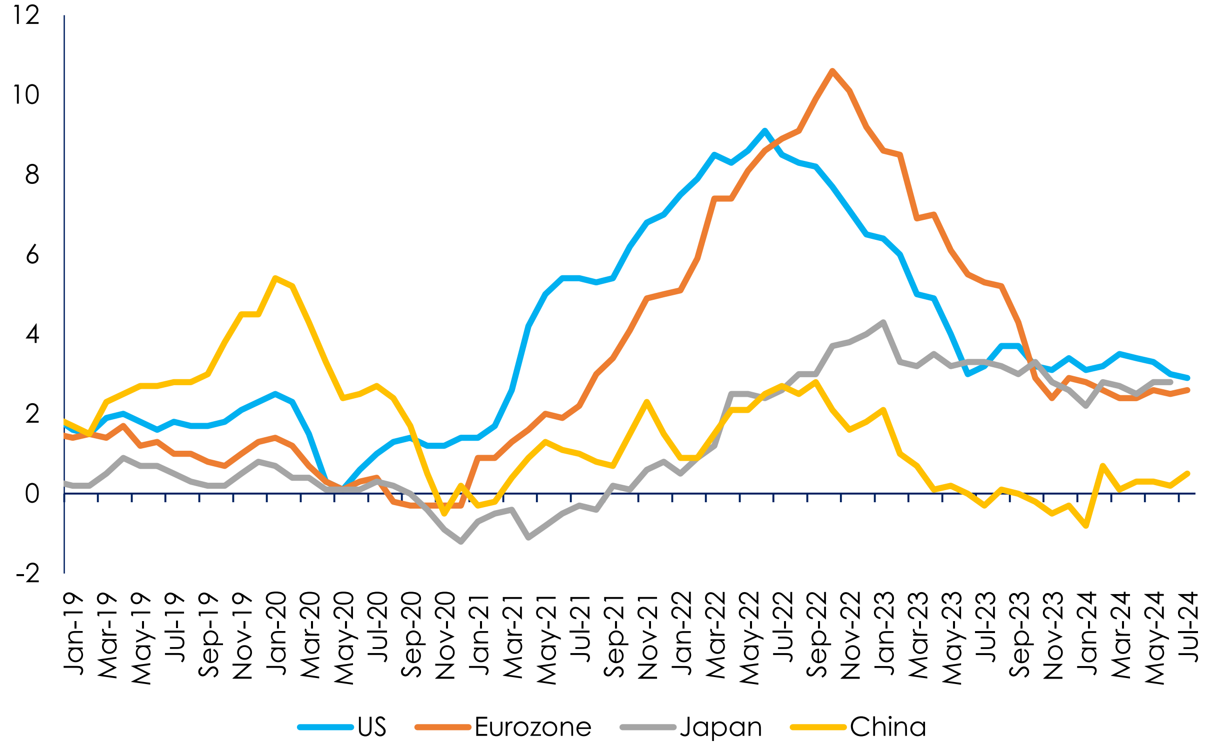
Macro Chart Book

August 2024

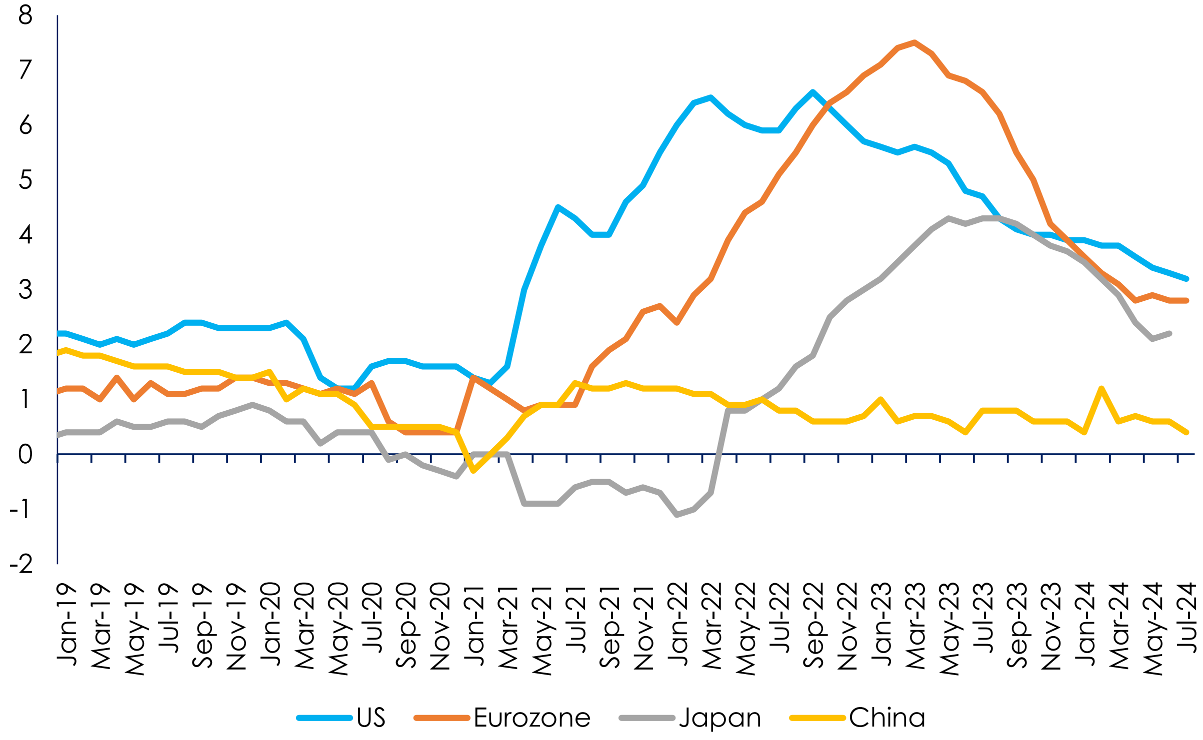
GLOBAL ECONOMY

Global Inflation Softening

Inflation in Key Global Economies YoY%



Key Global Economies- Core CPI YoY%



- In the US, the disinflation progress seems to be back on track after witnessing slower softening during the start of the current calendar year.
- Eurozone also is witnessing a declining trend in CPI. In a major policy move, the European Central Bank in June 2024 decided to cut policy interest rate by 25 bps after keeping rates stable since October 2023.
- In Japan, the CPI inflation has considerably moderated from the peak, however recent wage hikes in the country keeps the inflation above the target of 2.0%
- On the other hand, inflation in China remains low amid subdued domestic demand.

Source: Bloomberg, JMF MF Research | Data as on August 15, 2024

Global Real Policy Rates Show Scope of Rate Cuts

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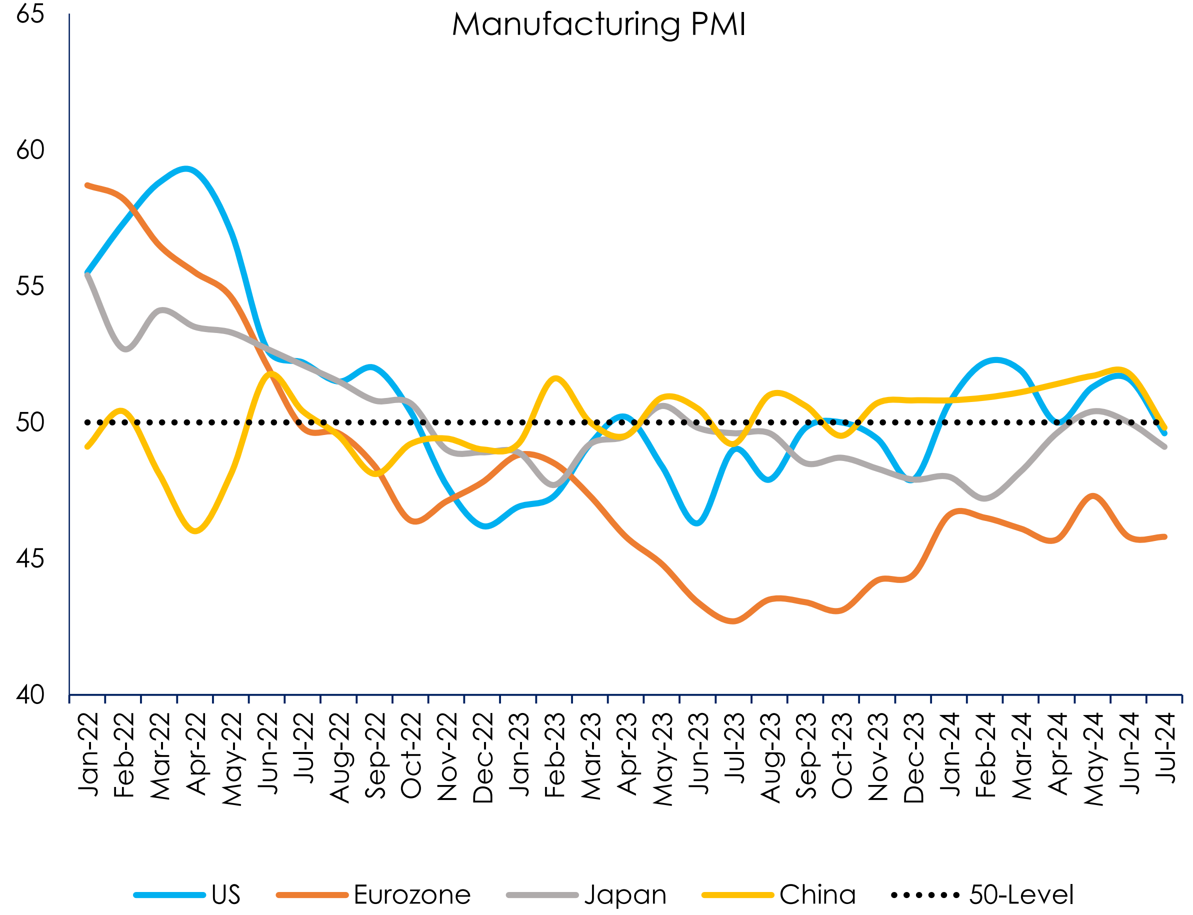
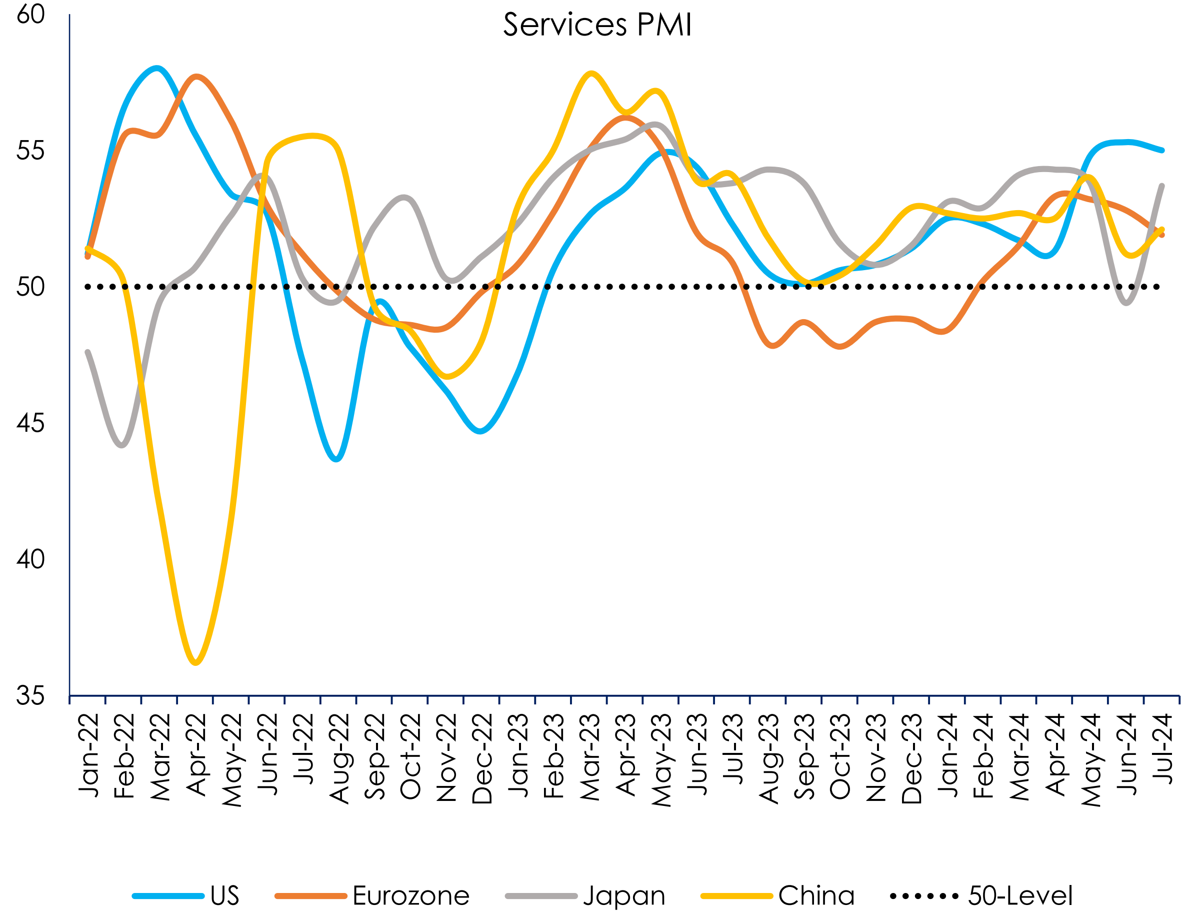
Real Policy Rates for Key Economies					
	Current	**3 months ago**	**6 months ago**	**1 year ago**	**Comments**
US	2.6	2.1	2.4	2.3	Real policy rate in the US has been closer to or higher than 2.0% level for an year now. Higher real policy rate for an extended period could dampen growth.
Eurozone	1.7	2.1	1.7	-1.1	Eurozone in a major policy move decided to reduce policy interest rate by 25 bps after keeping rates stable since October 2023. With this decision, real policy interest rate in Eurozone has moderated below 2.0% level.
Japan	-2.6	-2.4	-2.3	-3.4	Japan, in March 2024 ended the negative interest rate policy to bring policy rate range to 0-0.1%. Further in July 2024, Japan increased interest rate to 0.25%
China	2.9	3.2	4.3	3.9	China has been witnessing extremely lower inflation and even deflation in some months due to depressed domestic demand. People's Bank of China has been supporting growth through easy monetary policy, either by reducing rates or by infusing liquidity into the system.
India	3.0	1.7	1.4	-0.9	India currently has a tight monetary policy. In India, inflation has not seen a unilateral downtrend like US and Eurozone as domestic food inflation remains volatile. Further, growth in India remains resilient, giving RBI the needed space to analyze the evolving growth-inflation dynamics.

Source: Bloomberg, JMF MF Research | Data as on August 15, 2024 | Real policy rate: Policy rate-Inflation rate | Yellow: Cautious, Green: Dovish

Global Growth Indicators Show a Mixed Picture





- Latest readings of Manufacturing Purchasing Manager's Index (PMI) indicate that the growth moderated across four key global economies, with sub-50 readings.
- In services, PMI numbers show that all the economies observed decent growth.

Source: Bloomberg, JMF MF Research | Data as on August 15, 2024

All the Four Key Economies Observe Increase in Money Supply

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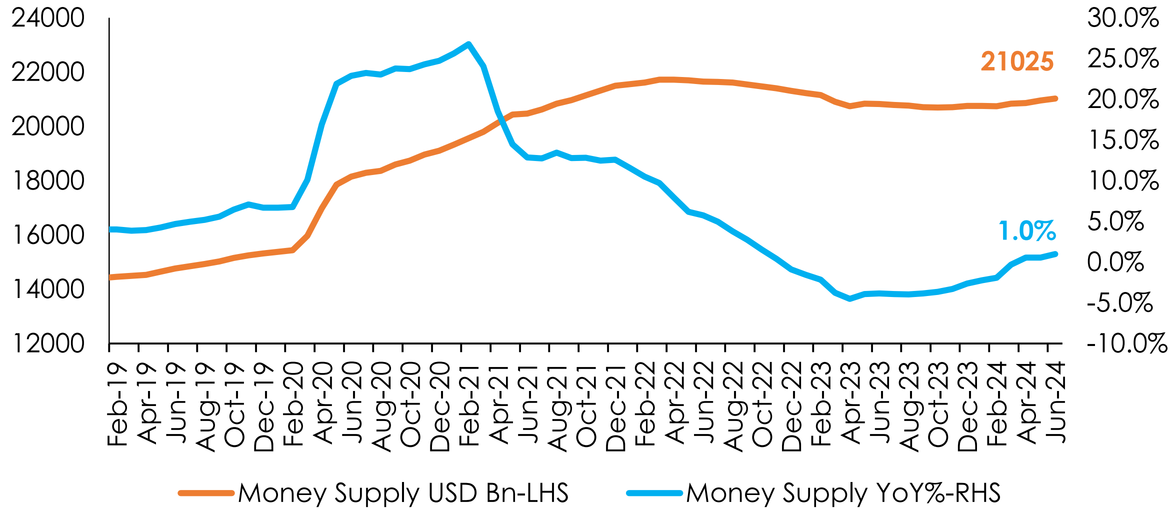
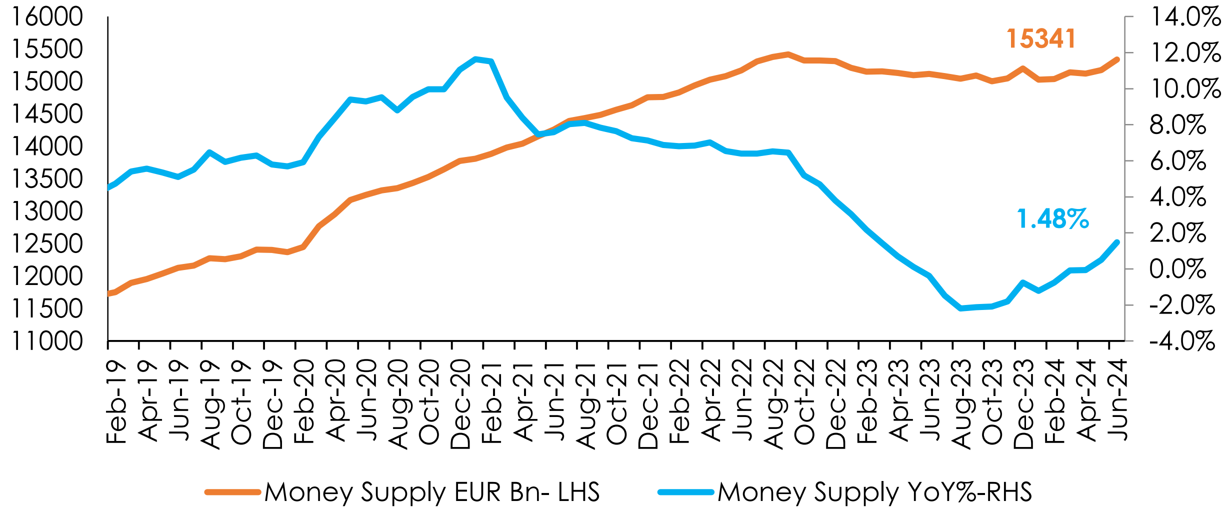
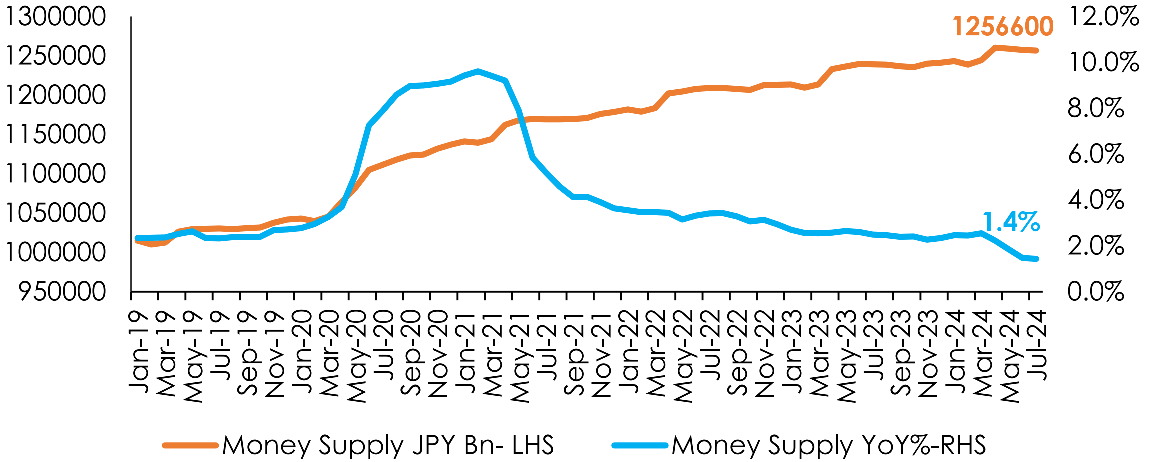
United States- Money supply increased for the third consecutive month



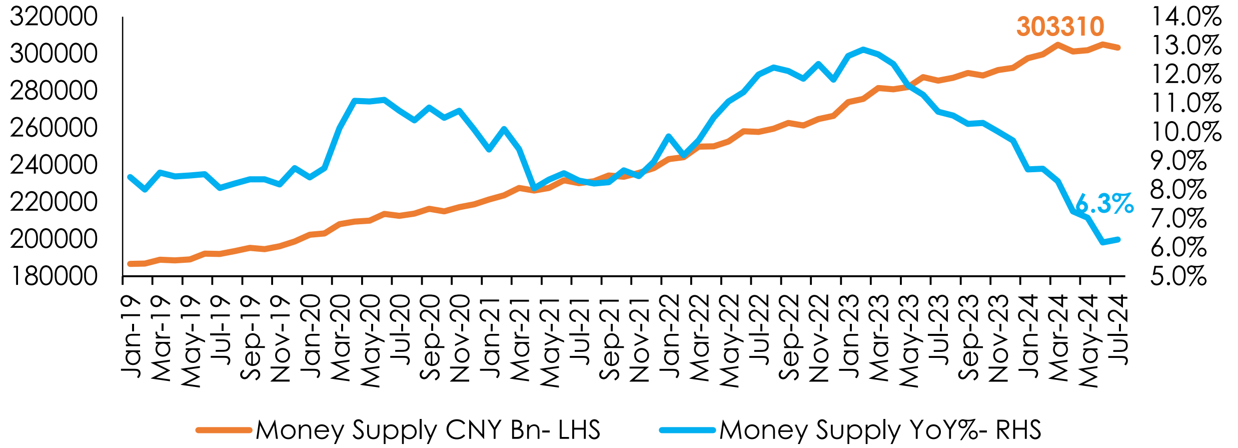
Eurozone- Money supply increased for the second consecutive month



Japan: Money supply continues to expand, albeit at a slower pace



China: Money supply continues to expand, albeit at a slower pace



Source: Bloomberg, JMF MF Research | Data as on August 15, 2024

US FED's Balance Sheet Continues to Shrink, Albeit at a Slower Pace

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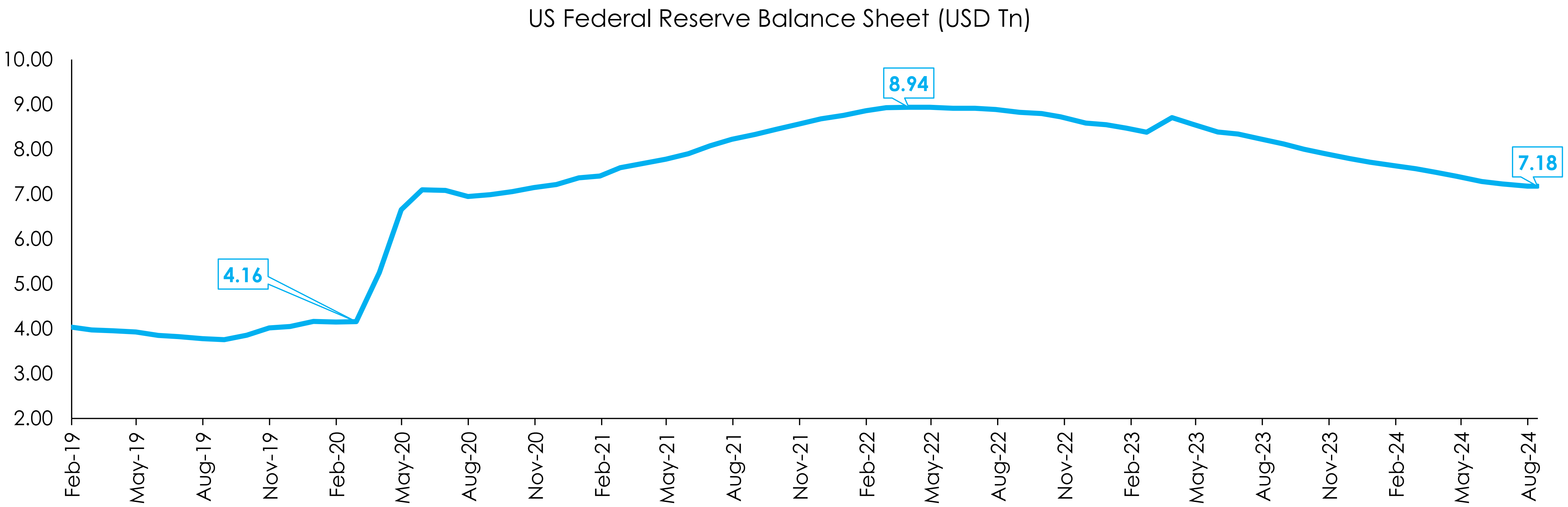
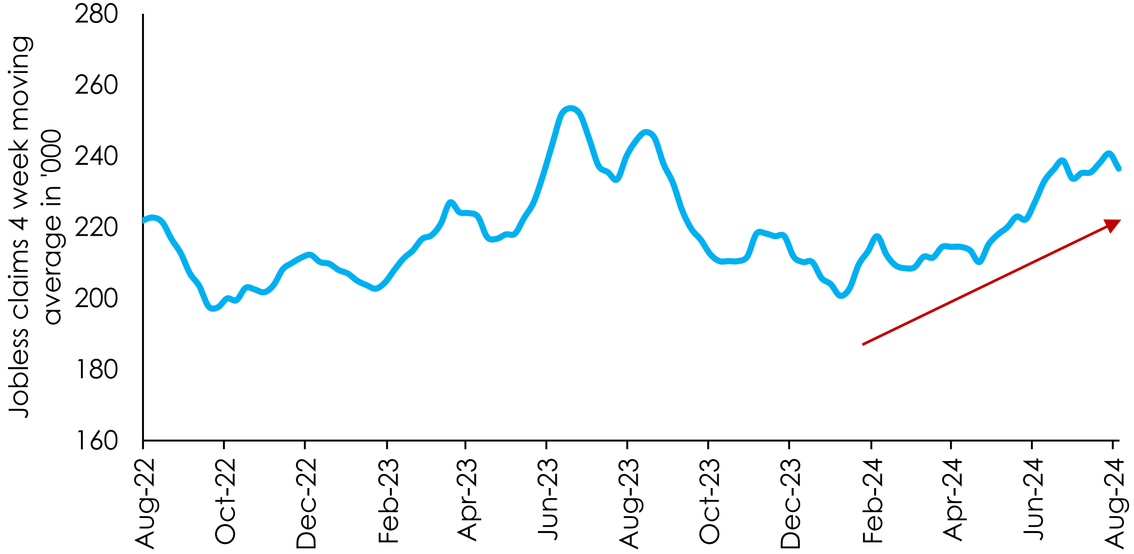


- In tandem with the contractionary monetary policy, the US Federal Reserve has been actively running down its balance sheet, thereby draining excess liquidity from the system.
- US Federal Reserve (FED) balance sheet has shrunk by ~USD 1.8 Tn from the peak witnessed in April 2022, compared to an increase of USD 4.8 Tn during January 2020-April 2022.
- The US Federal Reserve in May 2024 policy decided to reduce the redemption cap for treasury securities from USD 60 billion to USD 25 billion, while keeping the redemption cap for agency debt/agency mortgage-backed securities unchanged at USD 35 billion.

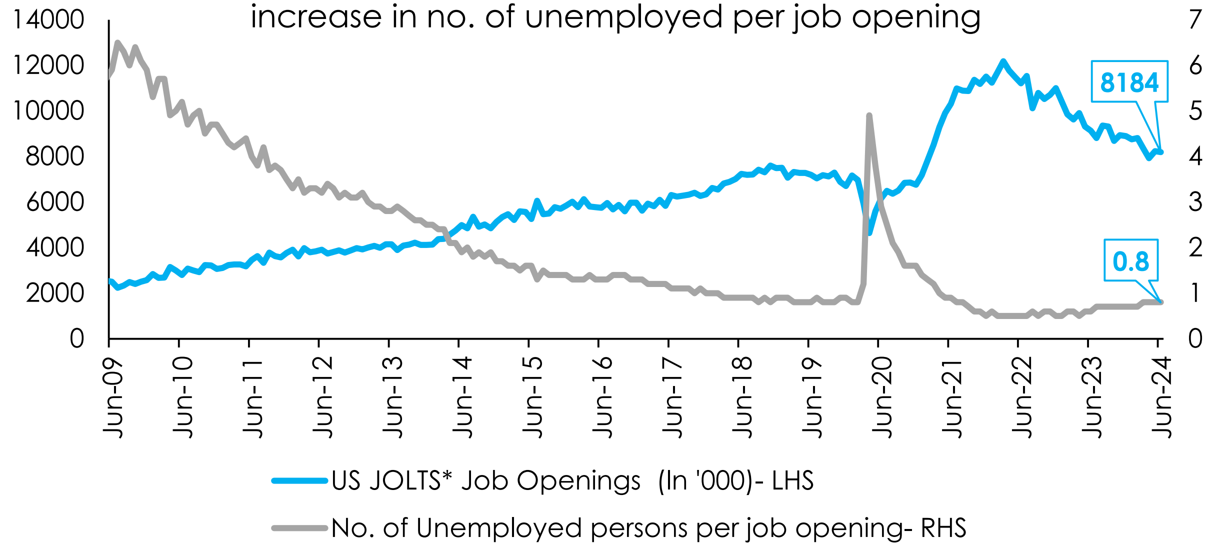
Source: FRED, JMF MF Research | Data as on August 15, 2024

Labour Market Showing Signs of Moderation

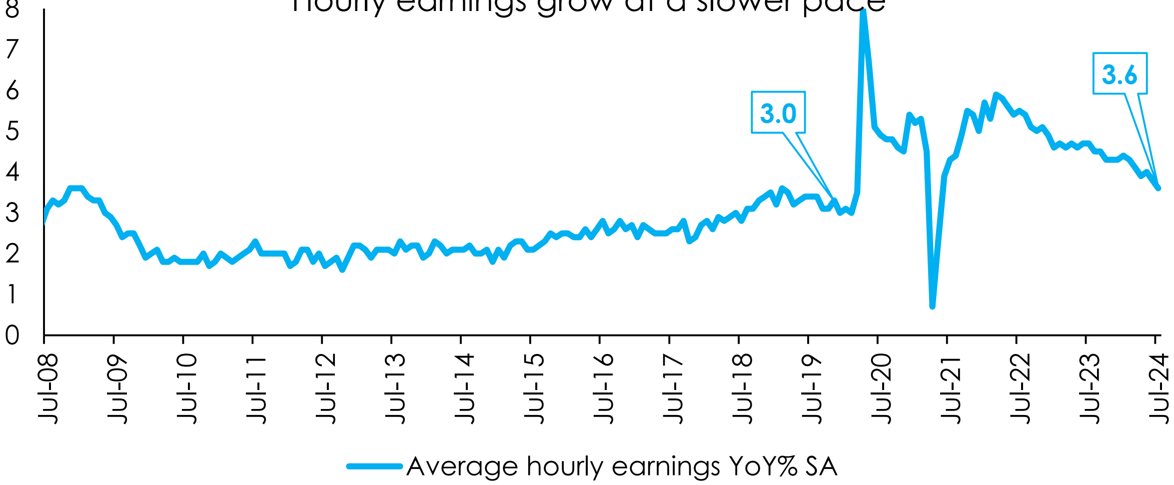
Jobless Claims continue to move up



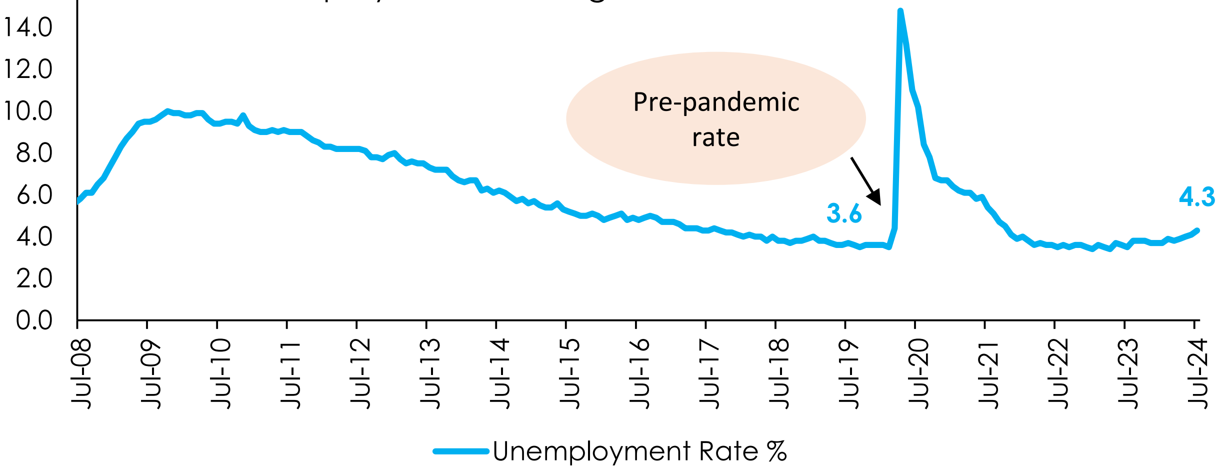
US JOLTS Job openings continue to moderate along with an increase in no. of unemployed per job opening



Hourly earnings grow at a slower pace

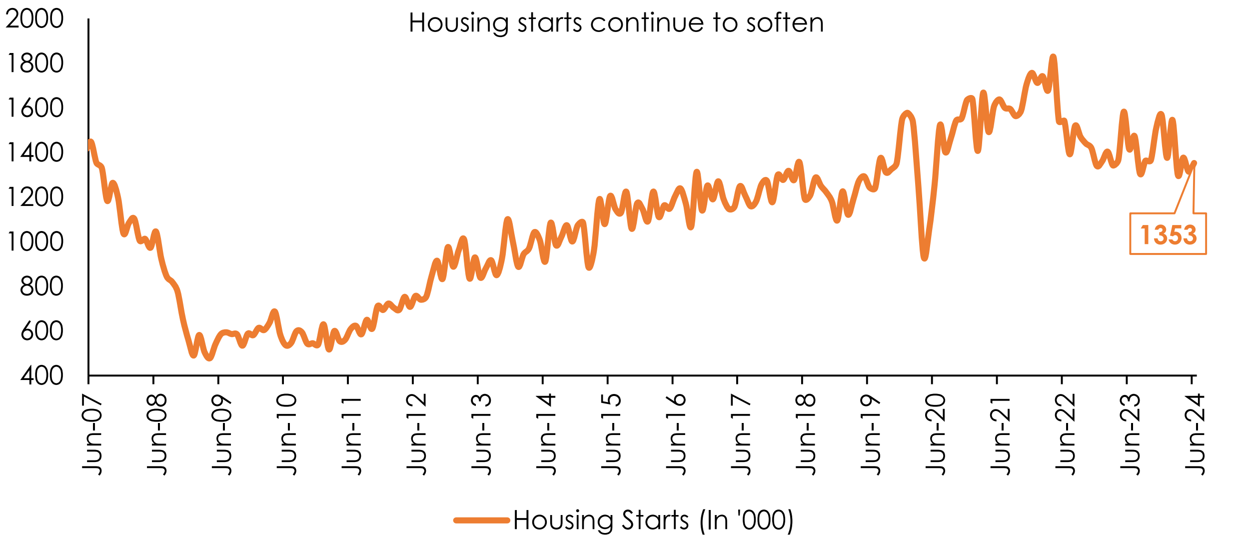


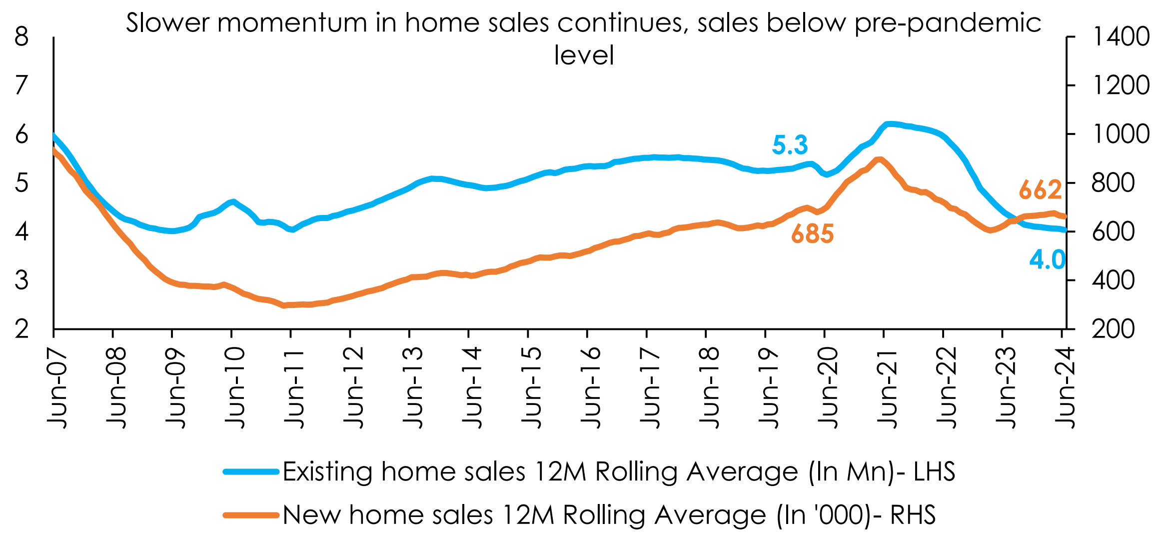
Unemployment Rate highest since October 2021

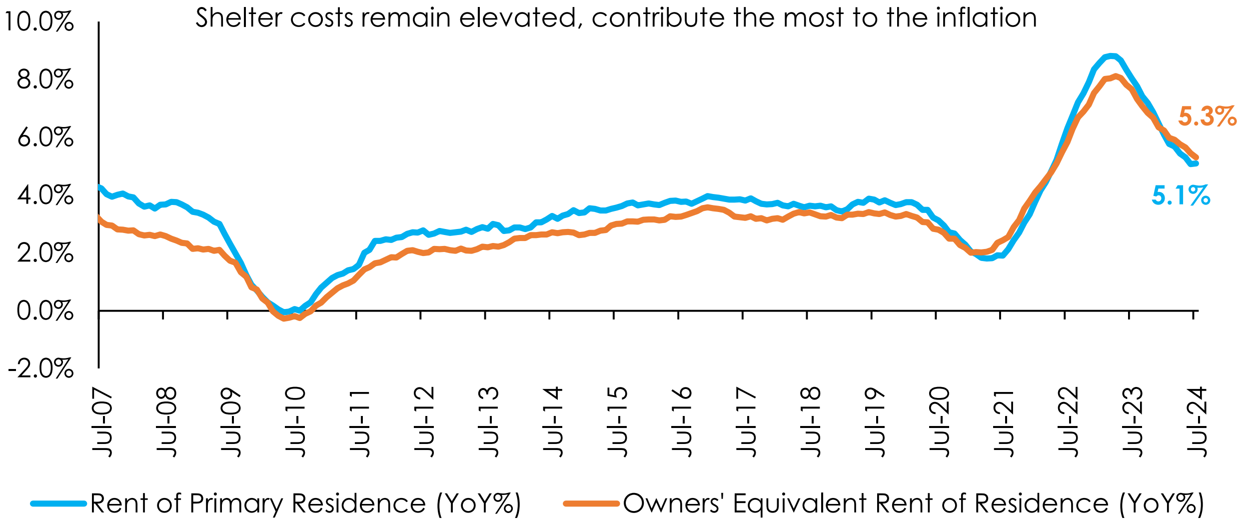


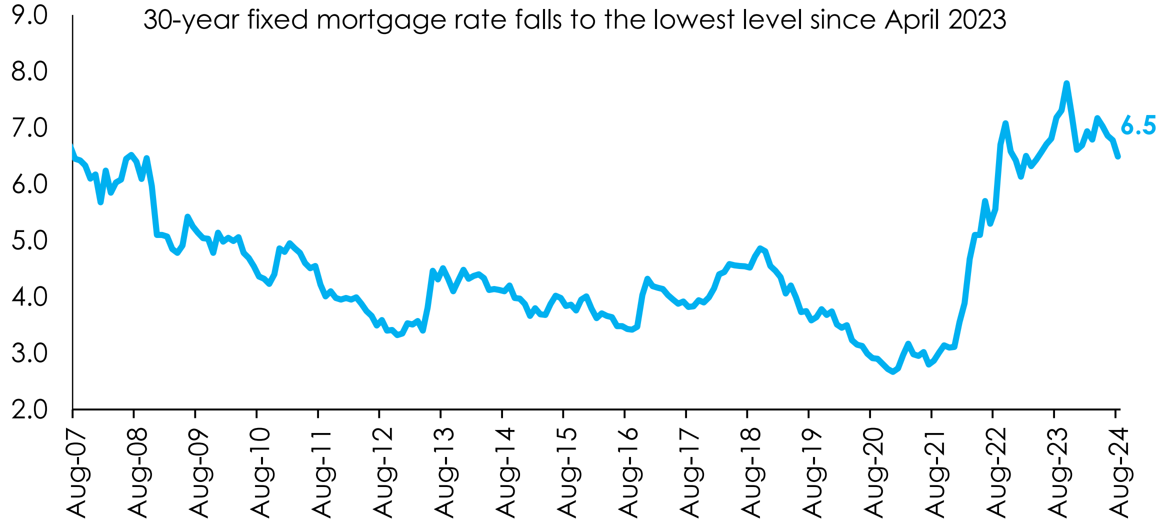
Source: Bloomberg, JMF MF Research | Data as on August 15, 2024 | JOLTS* - Job Openings and Labor Turnover Survey | '000 – Figures in Thousand | SA- Seasonally Adjusted

US Housing Markets Continue to Slowdown









Source: Bloomberg, FRED, JMF MF Research | Data as on August 15, 2024 | '000 – Figures in Thousand | Pre-pandemic level taken as December 2019

US Households' Budgets In Strain

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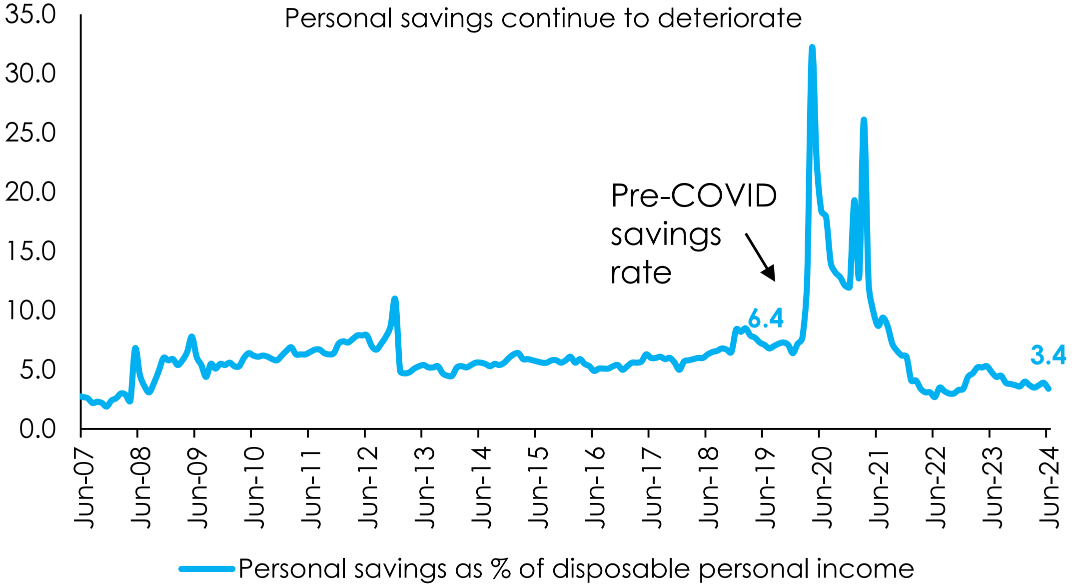
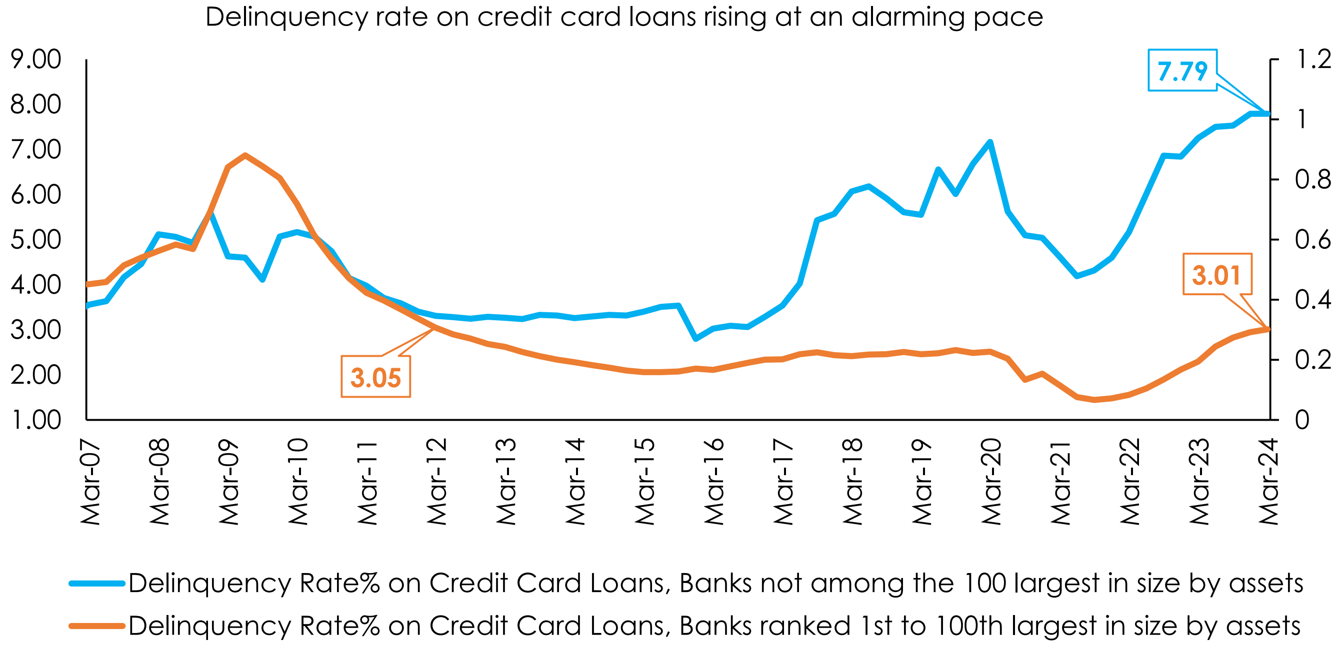
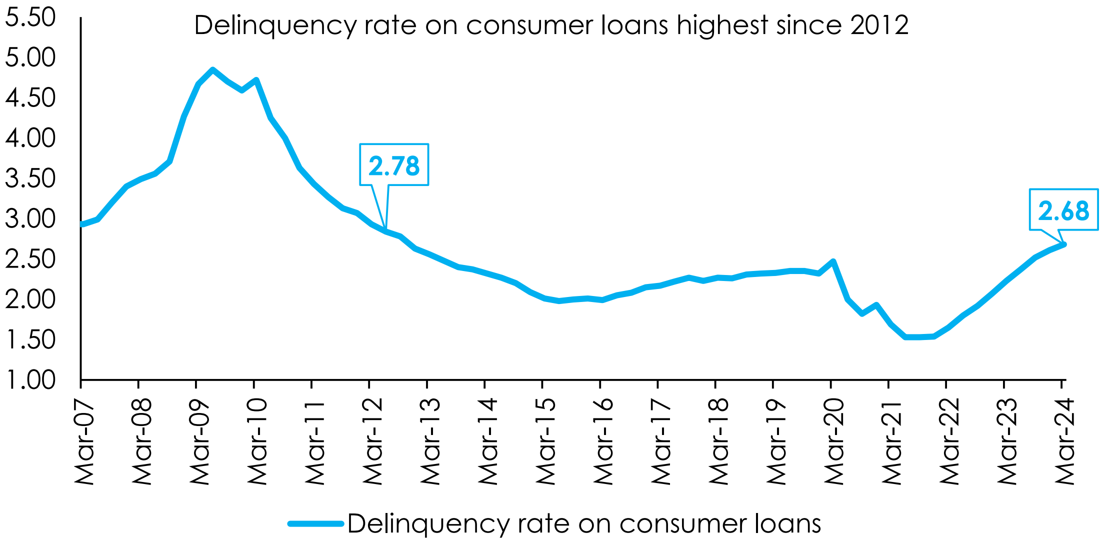


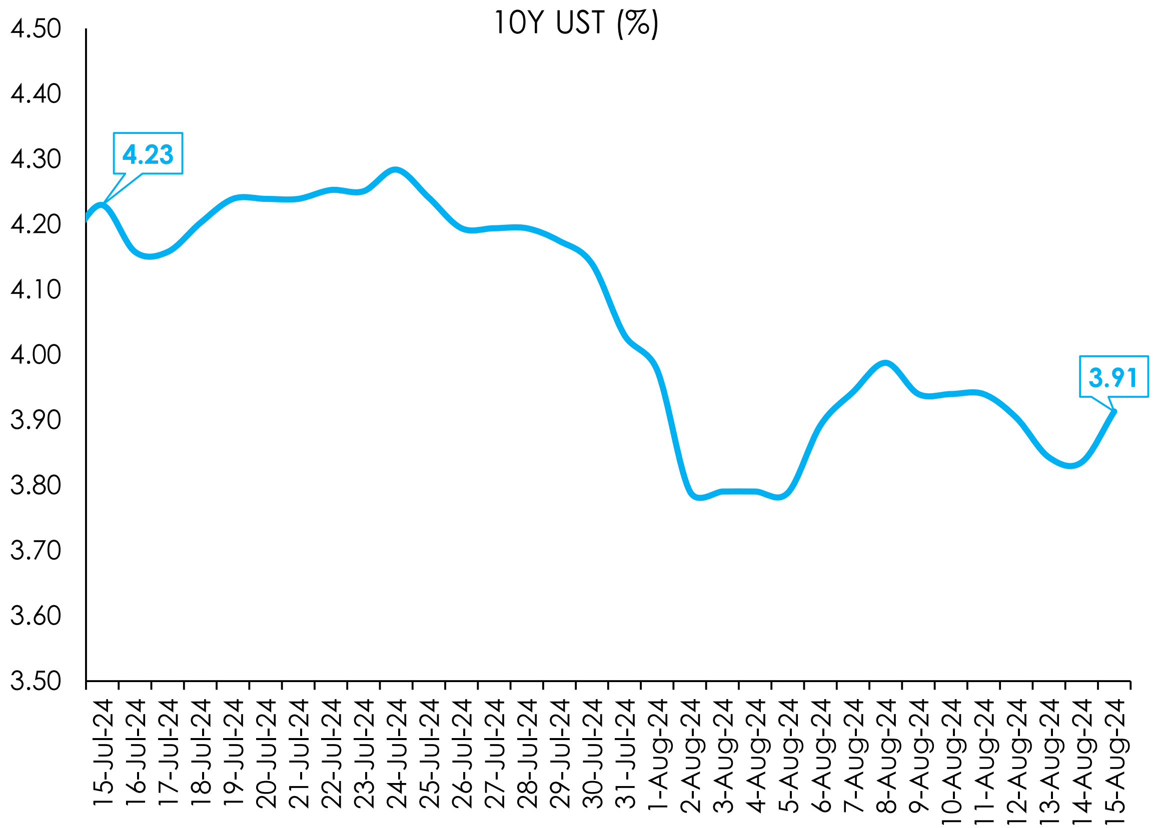


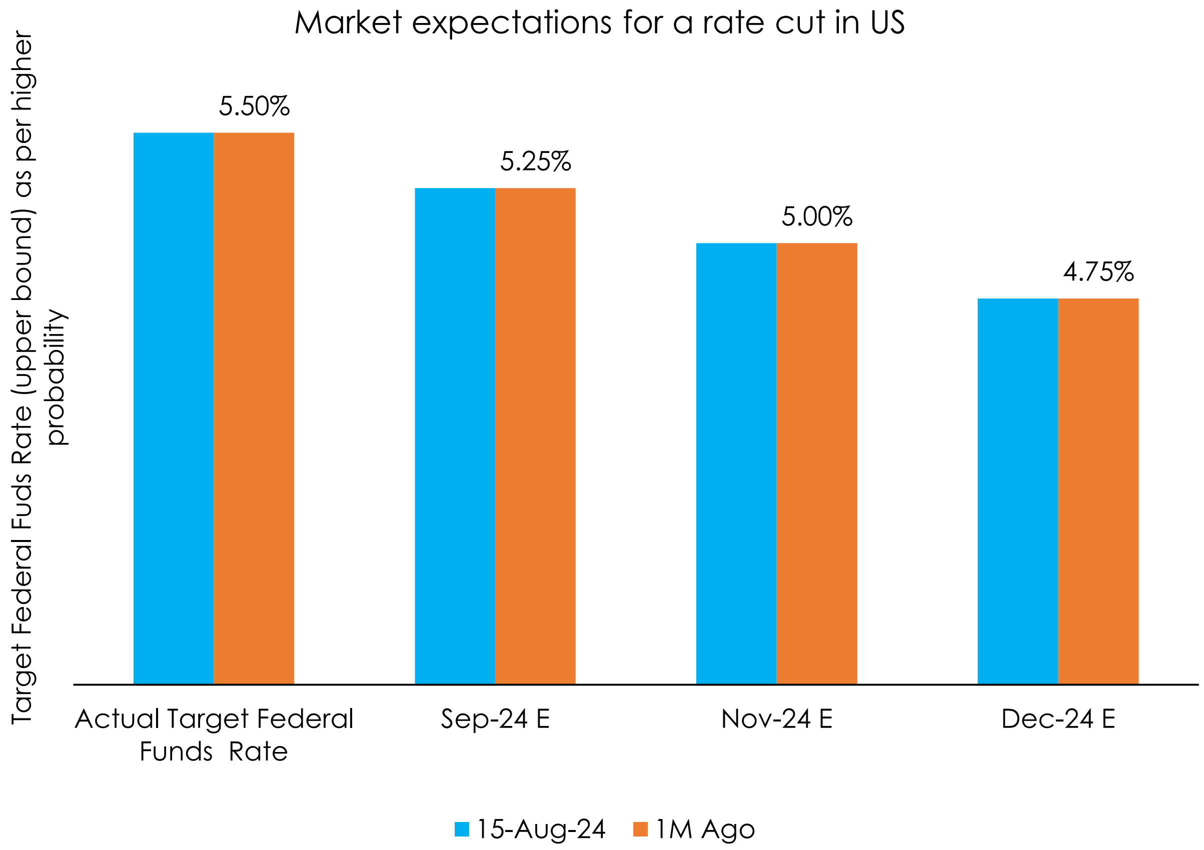


- Elevated levels of interest rates in the US for the past two years in the fight to curb inflation have put a strain on US household's budgets.
- Personal savings rate which peaked during the pandemic, has seen a dramatic decline since then and is considerably lower than the pre-pandemic levels now.
- In addition, rising delinquency rates on credit card and consumer loans suggest stress for households.

Source: Bloomberg, FRED, JMF MF Research | Data as on August 15, 2024

US Fed Could Possibly Start Rate Cuts by September 2024

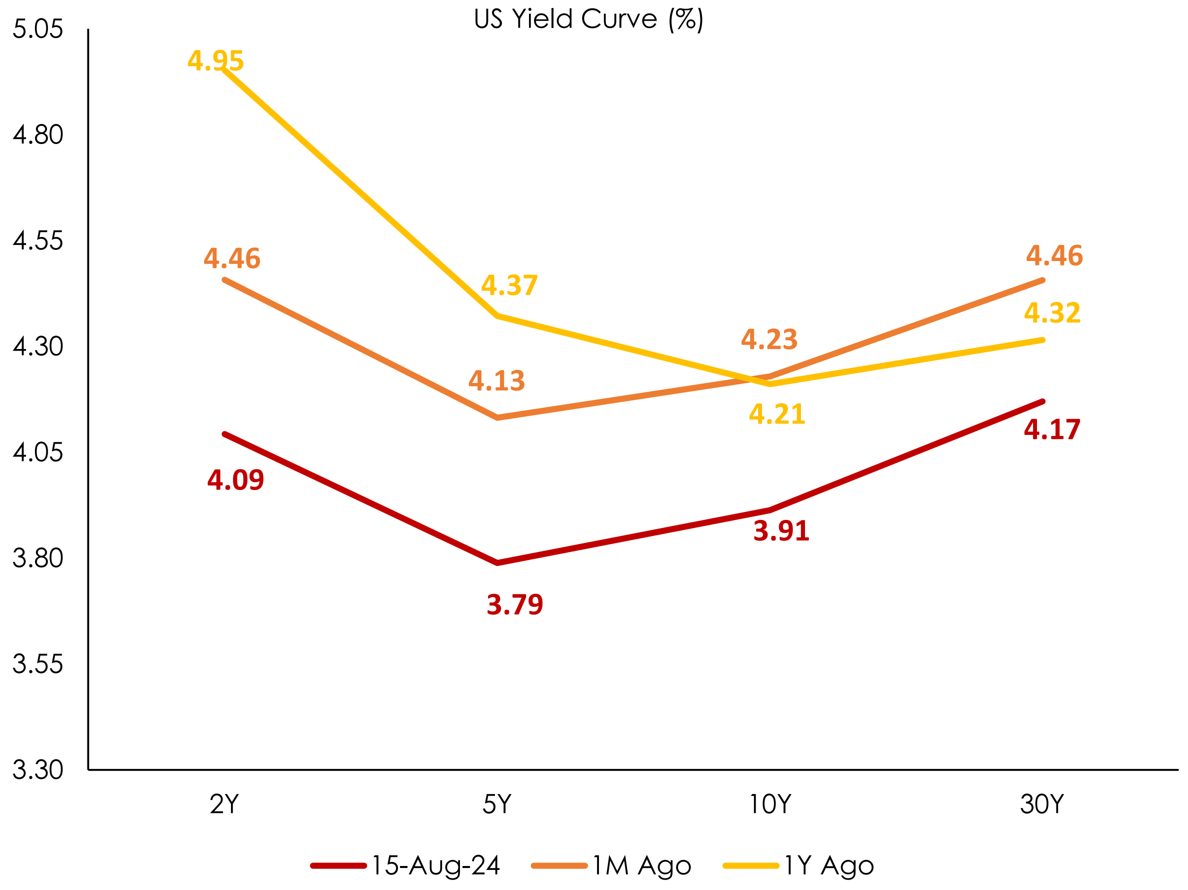


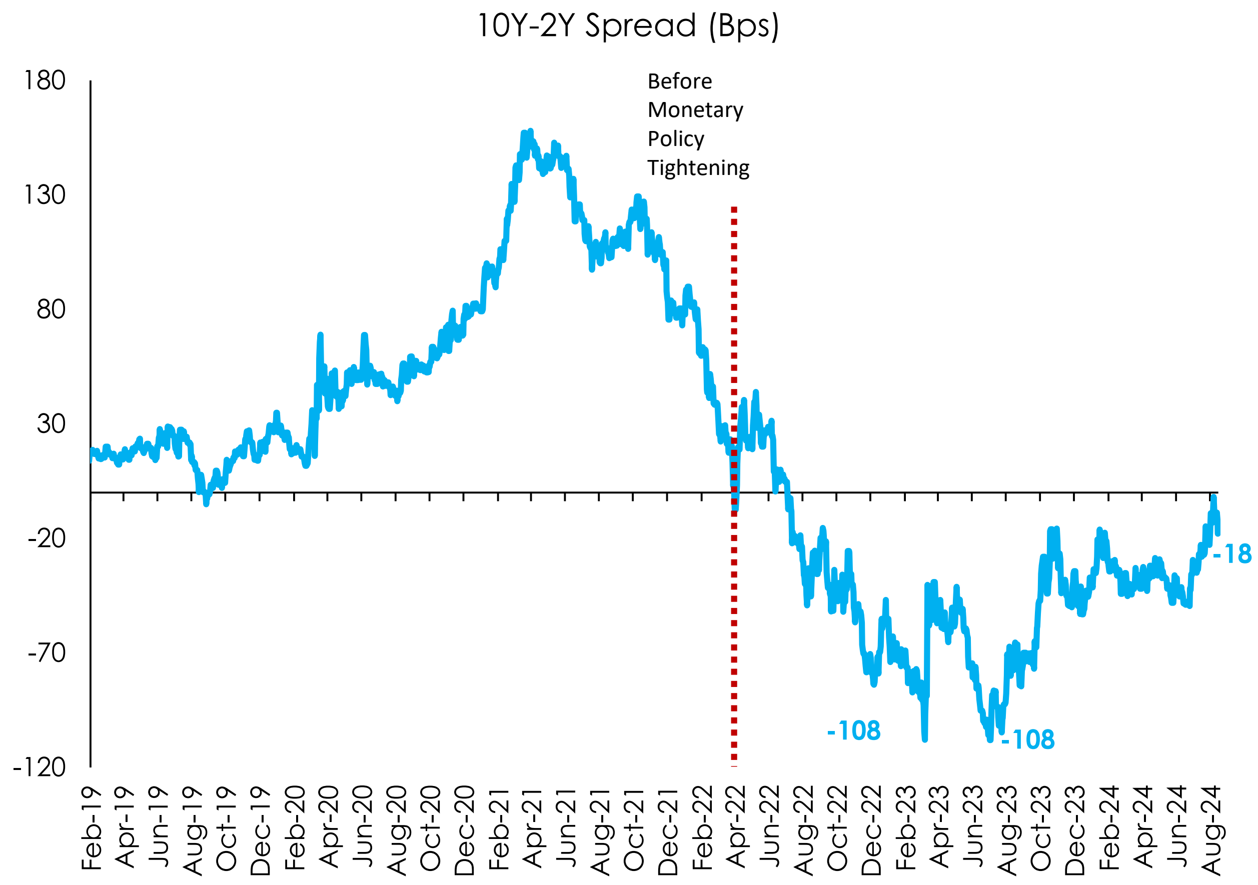


- The recent data for labor market and retail inflation suggested that the US economy is increasingly moving towards a rate cut scenario.
- In the last address of US Federal Reserve's Chairman, Jerome Powell to the Senate Banking Committee, he highlighted the probable risks of keeping the interest rates higher for an extended period and that he is watchful about the signs of weakness in the labour market as well as the broader economy.
- The markets remain optimistic about three rate cuts of 25 bps each in 2024 (September 2024, November 2024 & December 2024).

Source: CME Group, Bloomberg, JMF MF Research | Data as on August 15, 2024 | E: Market Estimate for Target Federal Funds Rate

US Yield Curve Movement-Markets Ahead of the Fed





- In August 2024, the US yields softened across the curve, as CPI inflation and labour market data for July 2024 indicated a continued possibility of rate cut cycle beginning in the near future.
- The spread between US 10Y-2Y still remains negative, though the spread increased to -18bps in August 2024 from -23bps in July 2024.

Source: Bloomberg, JMF MF Research | Data as on August 15, 2024

INDIAN ECONOMY

8-Core Sector & IIP Broadly Indicate Continued Strength

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Eight Core Sectors YoY%

Weights		30-Jun-23	31-Jul-23	31-Aug-23	30-Sep-23	31-Oct-23	30-Nov-23	31-Dec-23	31-Jan-24	29-Feb-24	31-Mar-24	30-Apr-24	31-May-24	30-Jun-24
100.00	**Core industries**	8.3	8.6	13.4	9.5	12.7	7.9	5.1	4.2	7.1	6.3	6.7	6.4	4.0
10.3	*Coal*	9.7	15.0	17.9	16.0	18.4	10.9	10.8	10.6	11.6	8.7	7.5	10.2	14.8
9.0	*Crude oil*	-0.7	2.1	2.2	-0.4	1.3	-0.4	-1.0	0.6	7.9	2.1	1.7	-1.1	-2.6
6.9	*Natural gas*	3.5	8.8	10.0	6.5	10.0	7.5	6.7	5.5	11.2	6.3	8.6	7.5	3.3
28.0	*Refinery products*	4.5	3.5	9.6	5.5	4.3	12.4	4.1	-4.3	2.6	1.6	3.9	0.5	-1.5
2.6	*Fertilizers*	3.5	3.3	1.8	4.2	5.3	3.3	5.9	-0.6	-9.5	-1.3	-0.8	-1.7	2.5
17.9	*Steel*	21.3	14.9	16.4	14.8	13.6	9.7	8.3	9.2	9.4	7.5	8.8	6.8	2.7
5.4	*Cement*	9.9	6.9	19.7	4.7	17.0	-4.8	3.8	4.1	7.8	10.6	-0.5	-0.6	1.9
19.9	*Electricity*	4.2	8.0	15.3	9.9	20.4	5.8	1.2	5.7	7.6	8.6	10.2	13.7	7.7

Index of Industrial Production-IIP YoY%

Weights		30-Jun-23	31-Jul-23	31-Aug-23	30-Sep-23	31-Oct-23	30-Nov-23	31-Dec-23	31-Jan-24	29-Feb-24	31-Mar-24	30-Apr-24	31-May-24	30-Jun-24
	IIP Index	4.05	6.18	10.87	6.35	11.89	2.47	4.39	4.21	5.6	5.47	4.98	6.18	4.24
100.0	**Sector-Based**													
14.4	*Mining*	7.56	10.68	12.35	11.5	13.14	7.01	5.2	6.02	8.13	1.3	6.77	6.56	10.3
77.6	*Manufacturing*	3.51	5.26	9.98	5.13	10.58	1.31	4.62	3.64	4.94	5.9	3.89	4.96	2.61
8.0	*Electricity*	4.22	7.99	15.26	9.87	20.38	5.76	1.23	5.63	7.59	8.62	10.24	13.74	8.58
100.0	**Used based**													
34.1	*Primary Goods*	5.31	7.67	12.36	8.02	11.36	8.45	4.76	2.94	5.93	3.03	7.03	7.34	6.34
8.2	*Capital Goods*	2.87	5.15	13.05	8.37	21.67	-1.11	3.7	3.24	1.72	6.99	2.71	2.92	2.42
17.2	*Intermediate Goods*	5.18	3.22	7.37	6.13	9.53	3.42	3.7	5.27	8.61	6.15	3.22	3.89	3.11
12.3	*Construction*	13.33	12.56	15.71	10.13	12.61	1.55	5.5	5.48	8.33	7.43	8.01	6.29	4.39
12.8	*Consumer Durables*	-6.78	-3.62	6.02	0.97	15.93	-4.83	5.24	11.58	12.56	9.53	9.99	12.63	8.65
15.3	*Consumer Non-Durables*	0.55	8.33	9.93	2.66	9.29	-3.38	3.04	0.3	-3.17	5.22	-2.46	2.54	-1.43

Source: CMIE, JMF MF Research | Data as on August 15, 2024 | IIP: Index of Industrial Production

Purchasing Manager's Index Continues to Expand

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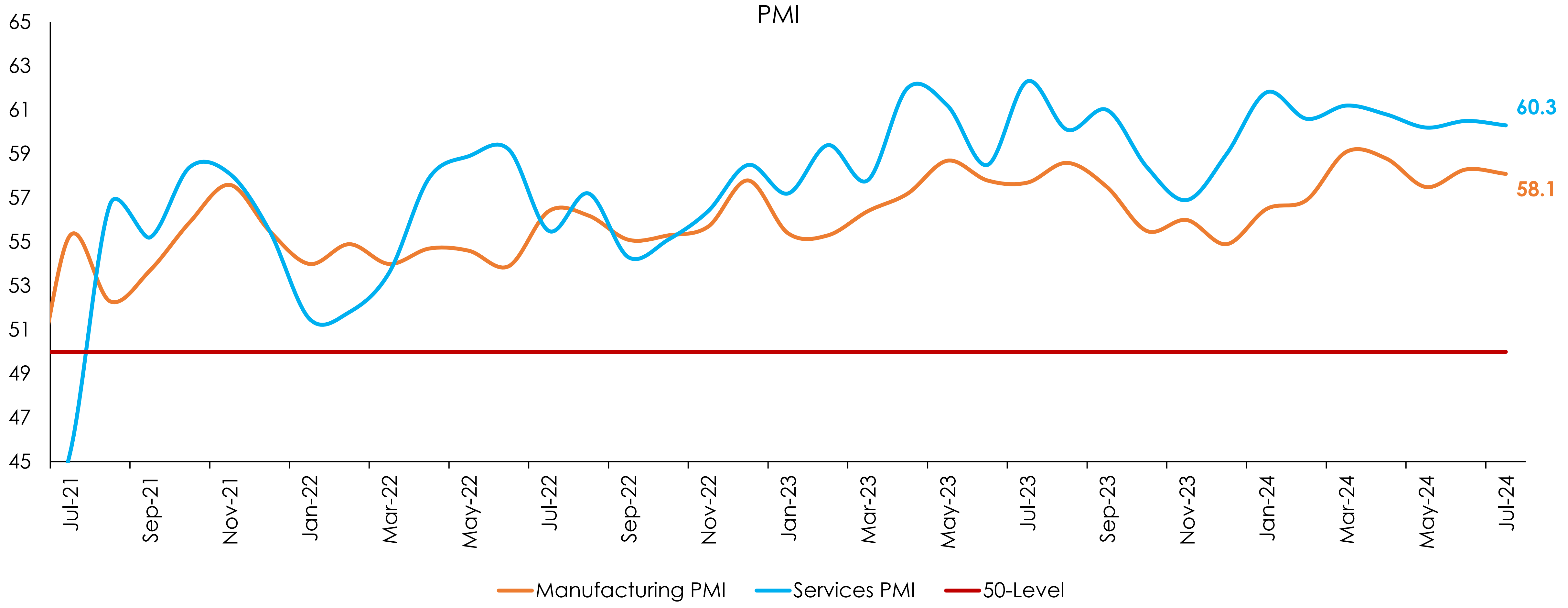

- Purchasing Manager's Index (PMI) is an economic indicator derived from the monthly survey of the private sector companies.
- In India, PMI has been consistently above the 50-level in both manufacturing and services sectors, indicating strong growth momentum.

Source: CMIE, JMF MF Research | Data as on August 15, 2024

Government's Capex Push Lagged in Q1 FY'25

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	Absolute (Rs. Crore)							YoY%					As % of BE
	FYTD 20	FYTD 21	FYTD 22	FYTD 23	FYTD 24	FYTD 25	FY25 BE	FYTD 21	FYTD 22	FYTD 23	FYTD 24	FYTD 25	FYTD 25
Total Capex	**63000**	**88273**	**111496**	**175064**	**278480**	**181051**	**1111111**	**40.1**	**26.3**	**57.0**	**59.1**	**-35.0**	**16.3**
Atomic Energy	2229	1306	1444	1442	3483	2996	13861	**-41.4**	**10.6**	**-0.2**	**141.5**	**-14.0**	**21.6**
Telecommunications	419	39	455	636	26985	525	84496	**-90.6**	**1057.4**	**39.9**	**4143.4**	**-98.1**	**0.6**
Defence Services	29769	25464	20662	24800	17844	12850	172000	**-14.5**	**-18.9**	**20.0**	**-28.0**	**-28.0**	**7.5**
Transfers To State And UT Governments	1443	1654	1786	2468	29952	18365	162409	**14.6**	**8.0**	**38.2**	**1113.5**	**-38.7**	**11.3**
Road Transport And Highways	507	17201	46894	80716	99645	60170	272241	**3295.7**	**172.6**	**72.1**	**23.5**	**-39.6**	**22.1**
Housing And Urban Affairs	4342	1932	6125	3096	5227	6457	28628	**-55.5**	**217.1**	**-49.5**	**68.9**	**23.5**	**22.6**
Railways	16177	20294	25598	46167	78670	66677	252000	**25.5**	**26.1**	**80.4**	**70.4**	**-15.2**	**26.5**

- Capex by the Central Government so far (Q1 FY'25) has been lackluster, 35% lower than the capex done in the corresponding period of the previous financial year. The decline could be possibly due to the then ongoing Lok Sabha Elections.
- All the key sectors (accounting for ~90% of the capex announced in the budget), except housing and urban affairs noted year-on-year contraction in Q1 FY'25. Under the PM Awas Yojana (Ministry of Housing and Urban Affairs), the Government endeavors to build 3 crore houses in rural and urban areas.

Source: CMIE, JMF MF Research | Data as on August 15, 2024 | Capex – Capital Expenditure | BE – Budget Estimates | FYTD – Financial Year Till Date

Corporate India’s PAT Moderated in Q1 FY’25, Mixed Results Within Key Sectors

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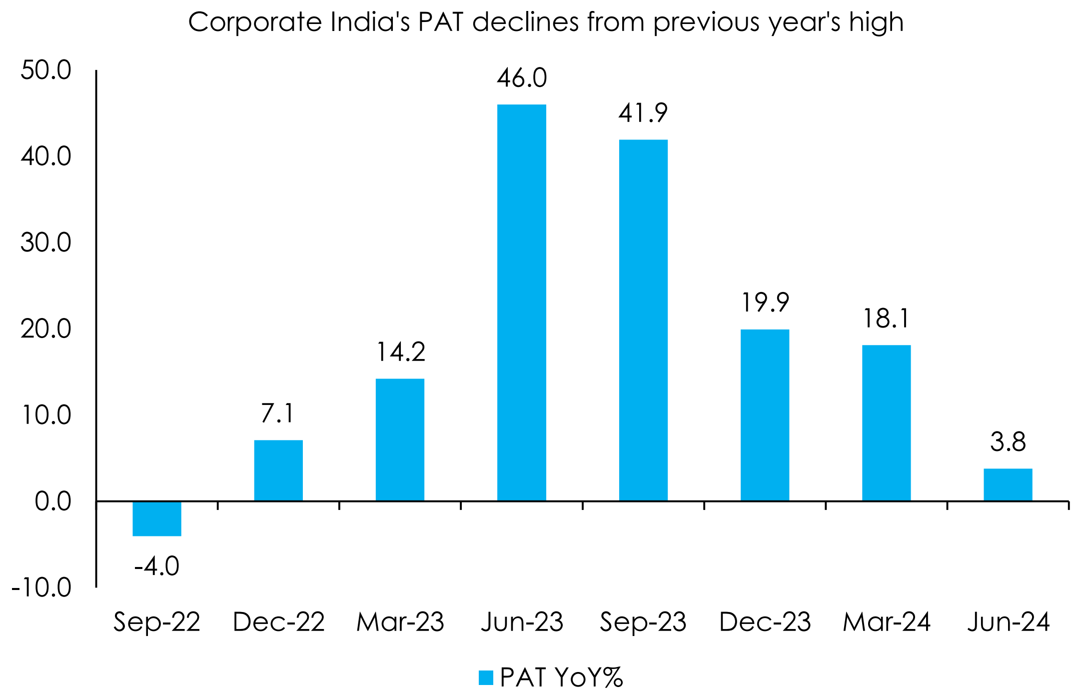

- Corporate India’s profitability moderated during Q1 FY’25, led by quarterly decline (QoQ PAT contracted by 5.3%) along with an adverse base.
- Within 20 key sectors (account for 96% of the aggregate PAT), crude oil, power, chemicals, iron & steel, construction materials and aviation, noted a contraction in PAT during the quarter.

Sector-wise PAT YoY%									
Weight: Jun-24	Sector	Jun-24	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22
26.3	Bank	23.1	42.4	16.6	35.3	65.2	27.9	42.0	52.2
10.6	Finance	19.2	29.8	-4.1	42.0	0.5	26.6	38.2	9.8
9.8	Crude Oil	-48.4	-10.6	35.4	253.4	264.3	12.3	-21.5	-59.1
8.5	IT	8.6	11.0	-0.1	6.2	12.0	5.6	3.9	-15.7
6.9	Automobile & Ancillaries	25.5	76.9	53.5	81.2	303.8	103.5	92.1	117.8
4.7	Power	-20.7	-8.9	6.1	95.1	33.9	8.4	4.3	10.3
4.2	Healthcare	39.6	45.9	35.6	21.1	17.6	223.8	-9.3	23.2
3.9	FMCG	9.8	-15.1	-0.9	7.0	10.2	13.8	22.2	14.5
3.6	Mining	4.9	7.0	18.1	8.3	16.2	8.2	30.3	35.8
3.5	Insurance	9.6	10.2	35.3	-43.7	444.1	366.4	983.8	565.4
3.1	Non - Ferrous Metals	38.2	-1.7	11.7	-57.8	-39.6	-42.1	-45.2	-35.6
1.9	Chemicals	-15.5	-42.1	-50.3	-16.3	-18.1	-5.9	3.9	25.3
1.6	Iron & Steel	-22.8	-28.1	1377.4	50.6	-32.9	-52.5	-97.0	-95.2
1.4	Infrastructure	12.9	31.5	17.9	34.0	25.2	0.6	33.7	29.3
1.3	Logistics	45.7	56.3	50.6	2.8	77.5	31.3	9.1	148.6
1.1	Inds. Gases & Fuels	70.8	187.4	253.6	63.1	-39.1	-73.9	-75.3	-44.2
1.1	Capital Goods	45.8	20.4	25.7	55.8	-36.1	34.5	-5.0	5.7
1.1	Construction Materials	-16.9	64.7	98.1	256.2	16.7	-27.9	-26.0	-75.1
0.8	Realty	79.3	23.8	-0.9	1452.8	-24.4	11.4	72.0	-84.9
0.7	Aviation	-11.7	106.1	110.7	-111.9	-390.4	-154.7	996.1	10.3

Source: ACE Equity, JMF MF Research | Data as on August 15, 2024 | Data pertaining to 473 common companies in BSE 500 | PAT – Profit After Tax

Could Bank Credit Slow From Here On?

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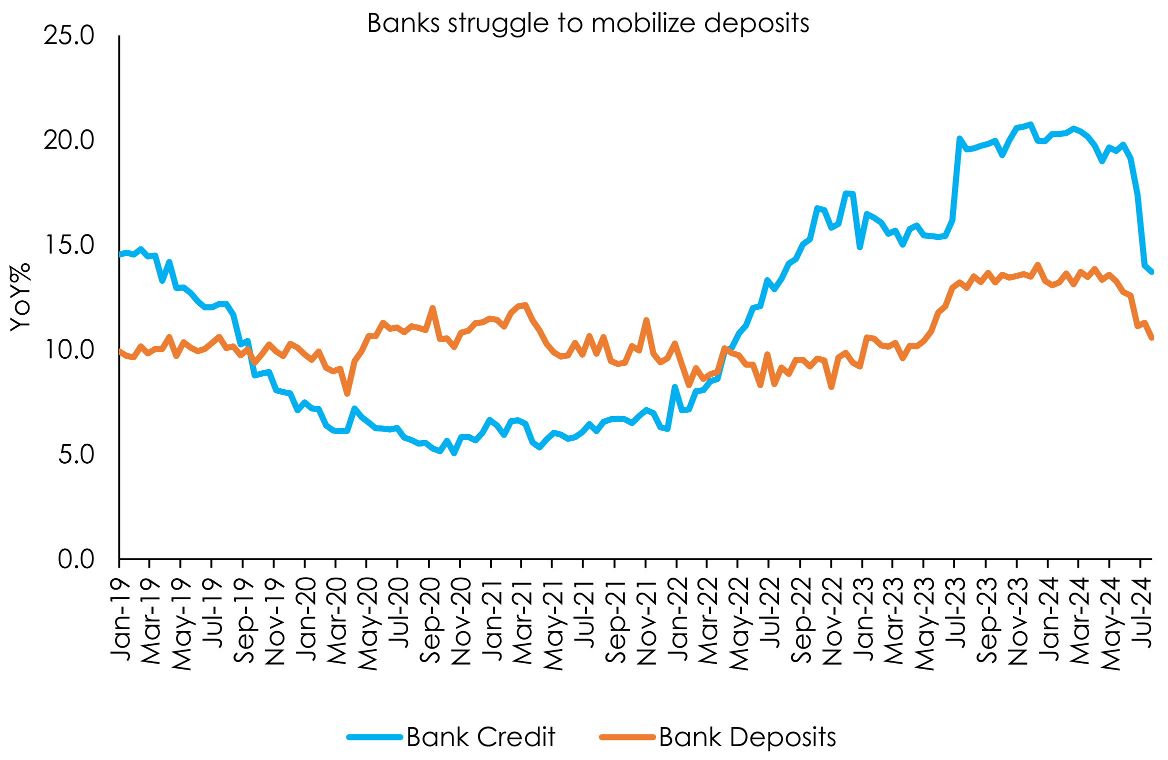
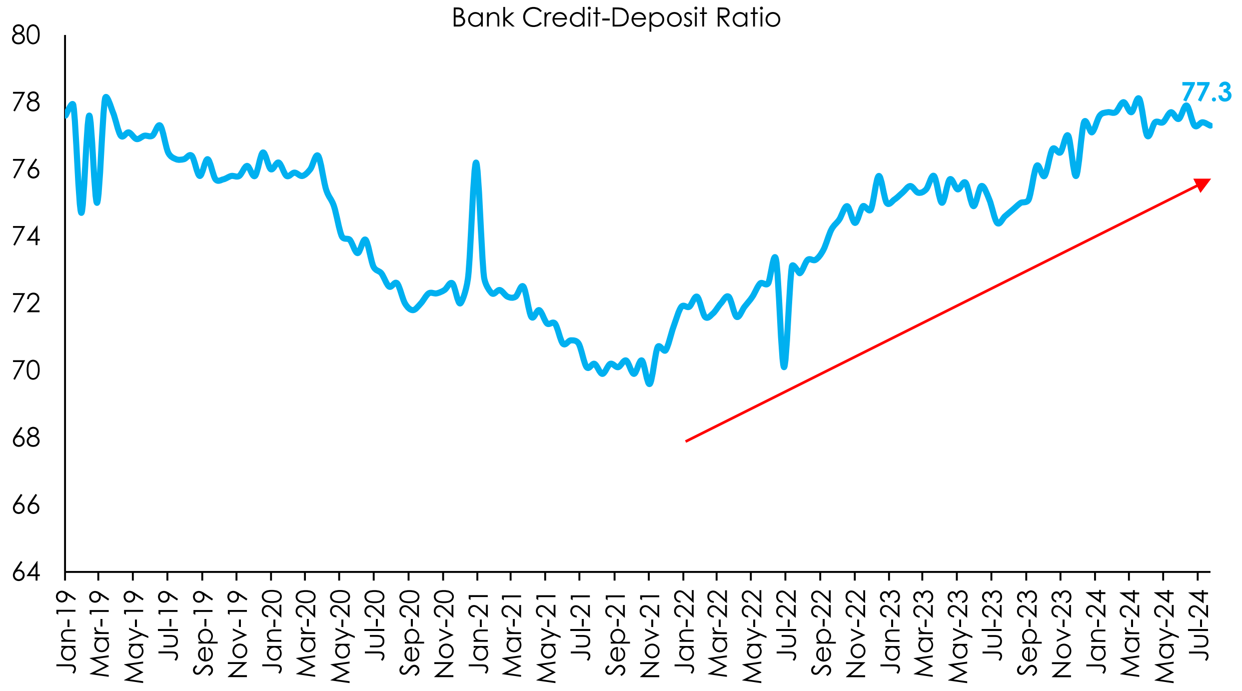
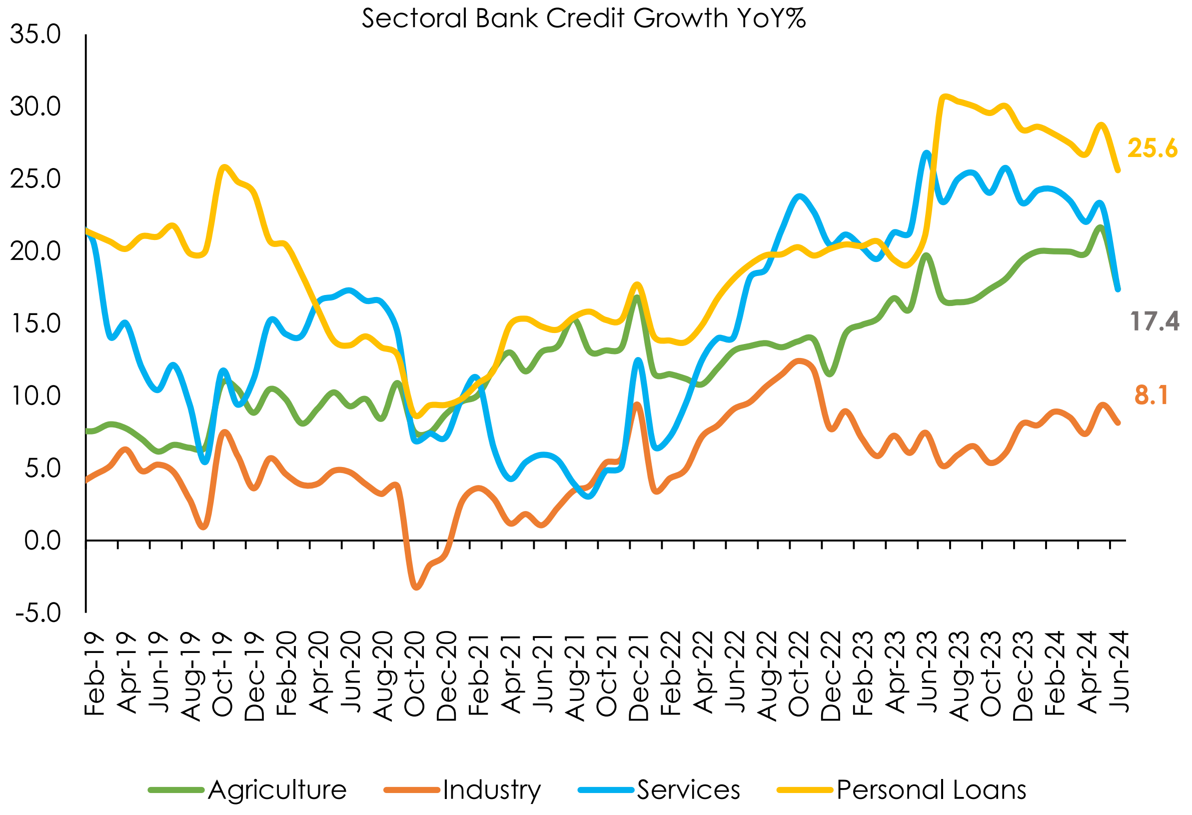


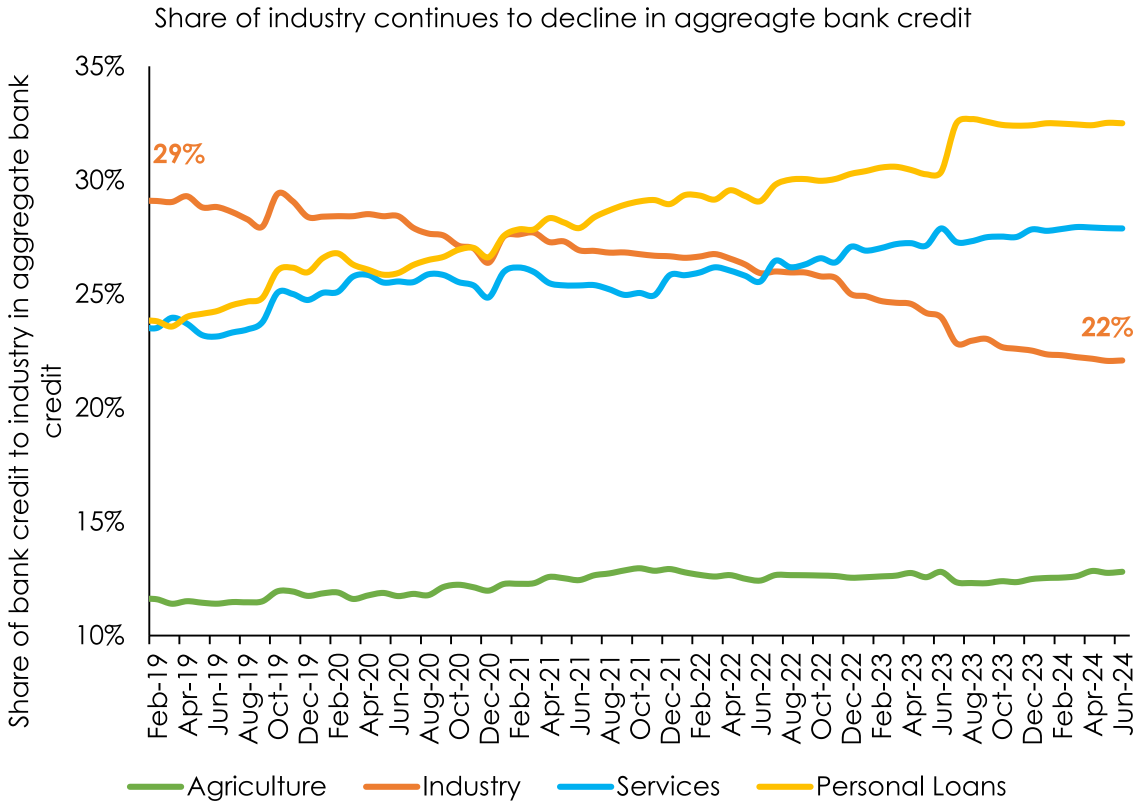


- Banks have been struggling to mobilize deposits, which has led to an increased wedge between credit-deposit growth rates. Also, credit given by banks are more concentrated in unsecured loans segments which offer higher margins.
- The RBI remains concerned with respect to the elevated level of credit-deposit ratio along with the risks associated with the type of loans disbursed by the banks.
- Banks in India remain in a difficult situation right now, with lower deposit mobilization and credit concentration in certain pockets. Going forward, overall bank credit could slow if banks are unable to attract deposits, or bank credit to industry could grow as unsecured loans slow. Either way, bank margins could be impacted.

Source: CMIE, JMF MF Research | Data as on August 15, 2024

Bank Credit to Industry Continues to Lag

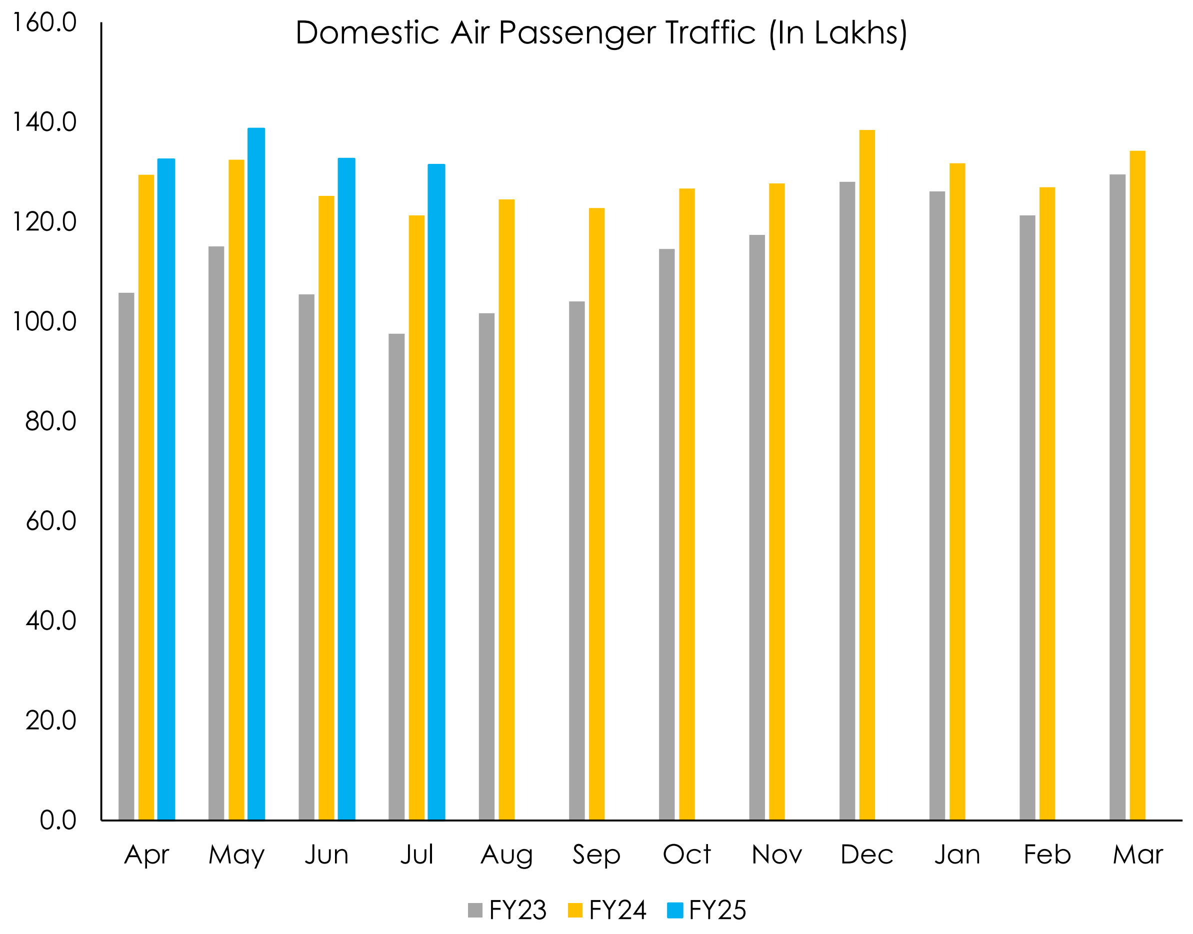


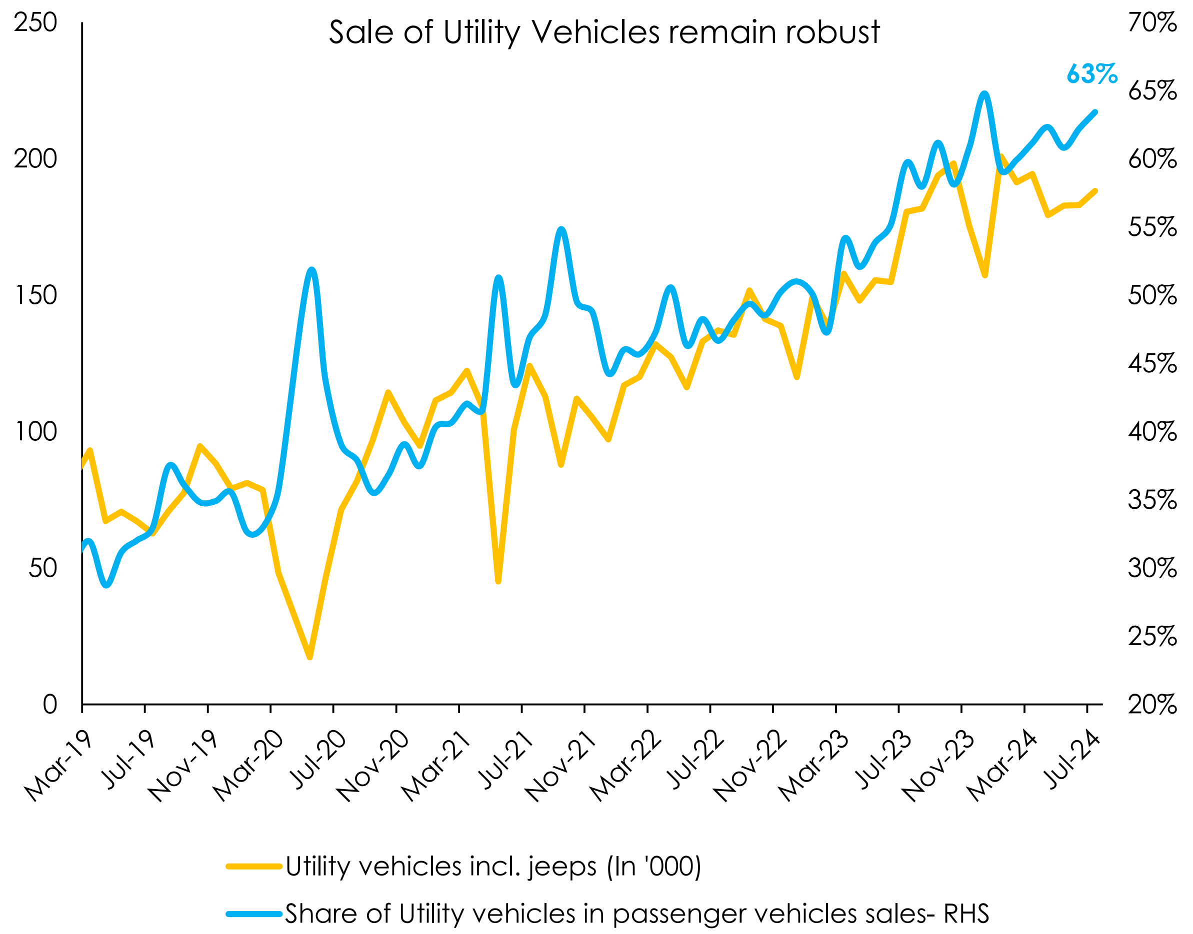


- RBI in November 2023 increased risk weights on unsecured loans and bank credit to NBFCs.
- Following the RBI actions, growth in unsecured loans and bank credit to NBFCs has slowed.
- As personal and services credit demand momentum cools off, there is headroom for credit to industry to grow, which has witnessed a declining share in bank credit.

Source: CMIE, JMF MF Research | Data as on August 15, 2024

Consumers Continue to Splurge on Travel and Premium Vehicles





- Trend in domestic air passenger traffic indicates continued resilience.
- Sales of utility vehicles continue to grow, indicating shift in consumer preference towards premium products.

Source: CMIE, JMF MF Research | Data as on August 15, 2024

Rural Economy Showing Signs of Recovery

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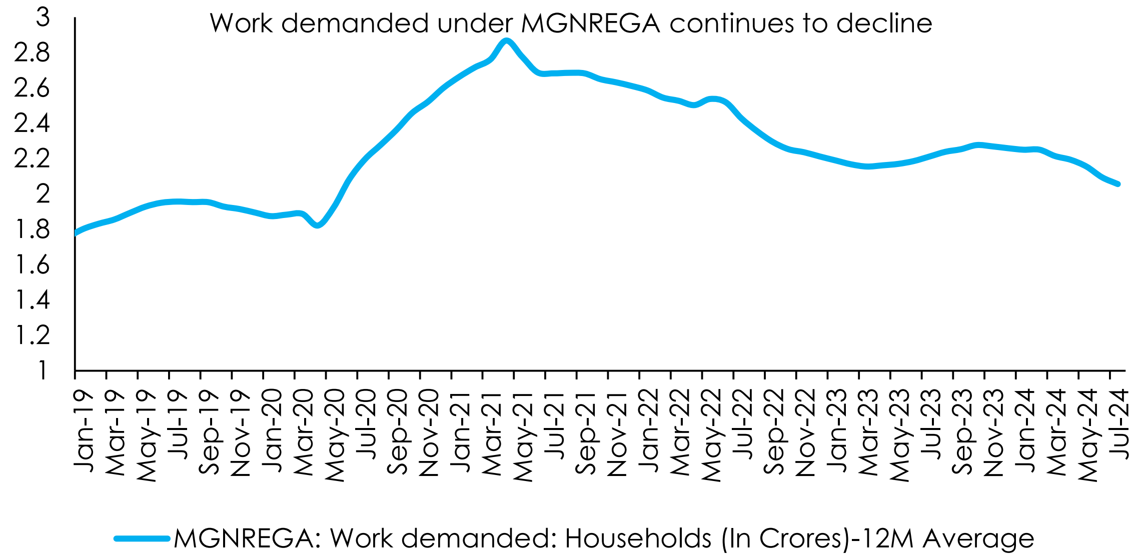
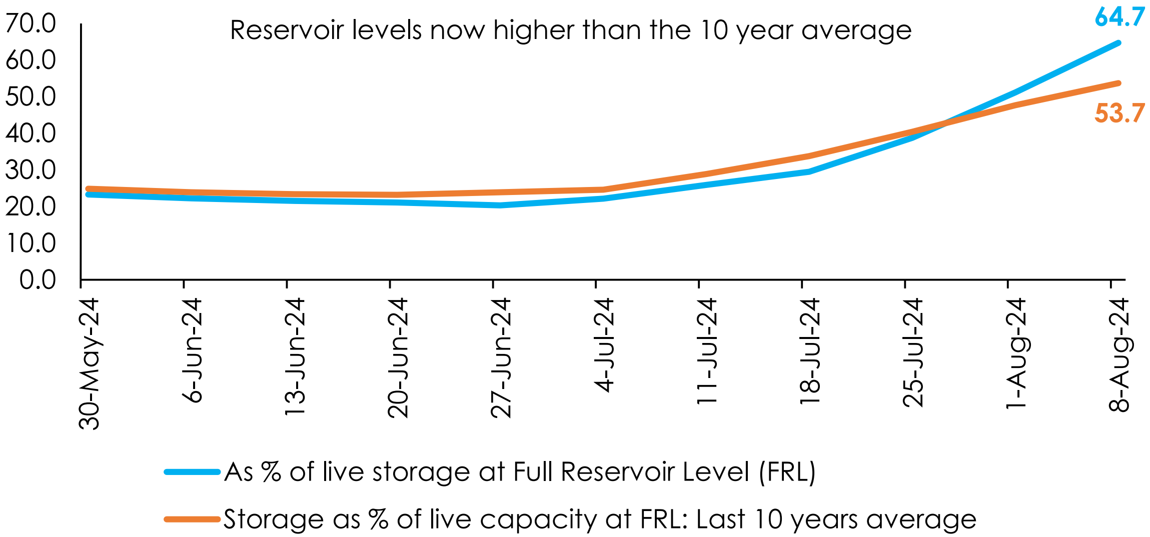
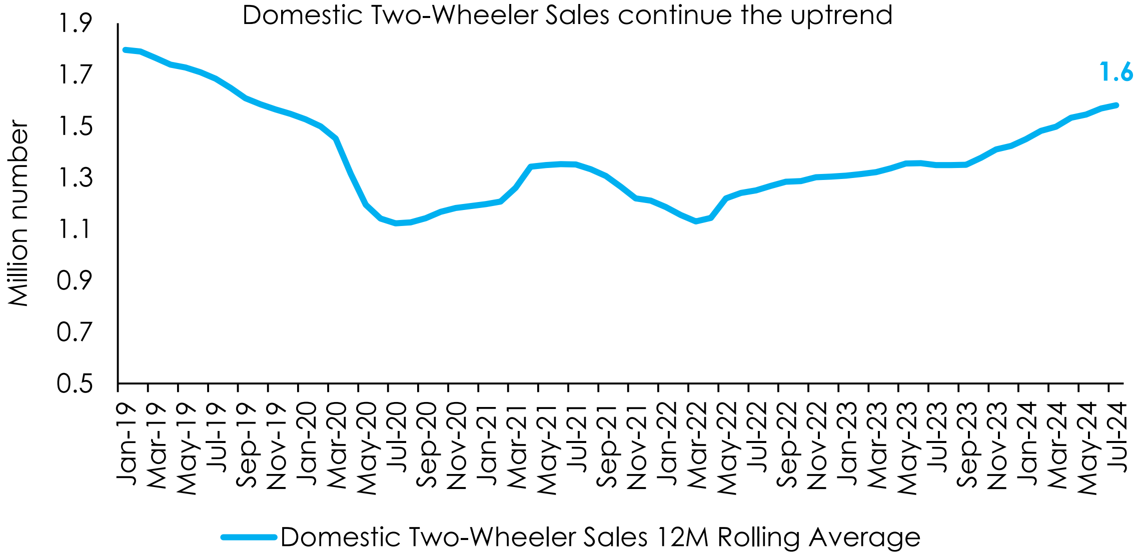


Kharif Sowing Improves in FY'25				
Crops	Actual area sown as % of normal area sown	Actual area sown as % of normal area sown	YoY % change in actual area sown	YoY % change in actual area sown
	2023	2024	2023	2024
Agricultural products	**88.5**	**89.1**	**-0.6**	**1.4**
Foodgrain	83.2	86.6	-0.6	3.8
Cereals	84.2	86.7	1.9	3.1
Rice	79.7	82.6	1.7	4.3
Coarse cereals	94.2	95.7	2.2	1.0
Pulses	78.8	86.3	-10.3	6.7
Sugar cane	116.9	104.2	3.5	1.0
Oilseeds	97.8	96.6	-1.3	0.8
Fibres	88.3	81.9	-1.5	-8.9





Source: CMIE, JMF MF Research | Data as on August 15, 2024 | MGNREGA - Mahatma Gandhi National Rural Employment Guarantee Act

Trade Deficit Widens As Imports Grow Faster Than Exports

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Description (USD Bn)	FYTD20	FYTD21	FYTD22	FYTD23	FYTD24	FYTD25
Trade Balance	**-63.4**	**-15.1**	**-42.1**	**-88.0**	**-75.2**	**-85.6**
India's exports	**107.1**	**75.2**	**131.0**	**159.3**	**138.4**	**144.1**
India's exports of Petroleum & crude products	14.6	6.7	18.7	35.1	25.7	25.9
India's exports of Non-POL	92.5	68.5	112.3	124.2	112.6	118.2
India's imports	**170.5**	**90.4**	**173.1**	**247.3**	**213.6**	**229.7**
India's imports of Petroleum crude & products (POL)	45.1	19.7	43.3	71.7	53.7	65.4
India's imports of Non-POL	125.4	70.7	129.8	175.6	159.9	164.3
India's imports of Gold & silver	14.7	3.2	12.1	15.3	13.4	13.3
India's imports of Gold	13.2	2.5	12.1	12.9	13.2	12.6
India's imports of Silver	1.6	0.7	0.1	2.4	0.2	0.6
India's imports of Non-POL non-gold and silver	110.7	67.5	117.7	160.3	146.5	151.0
Services Exports	72.6	65.8	75.6	100.4	106.8	117.3
Services Imports	45.9	37.9	41.8	59.1	59.2	62.9
Net Services Exports	**26.8**	**27.9**	**33.8**	**41.3**	**47.6**	**54.4**
Trade Balance (Goods+Services)	**-36.6**	**12.8**	**-8.3**	**-46.7**	**-27.6**	**-31.2**

- So far in FY'25, both exports and imports have been higher than the previous year, indicating recovery in foreign trade. Although growth in imports have been higher than growth in exports, leading to a widening of merchandise trade deficit.
- In addition, net services exports have also been strong, with year-on-year growth of 14.3%.

Source: CMIE, JMF MF Research | Data as on August 15, 2024

INR Marginally Weakened, Higher FX Reserves Offer Comfort

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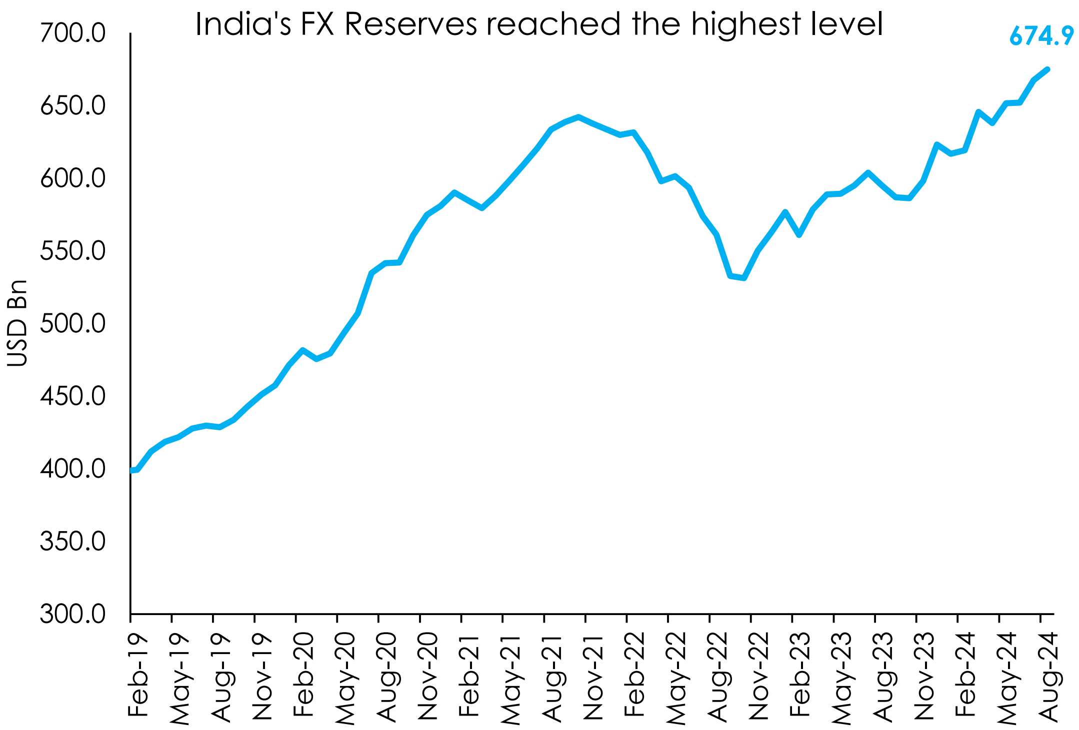
	USD/CNY	USD/INR	USD/JPY	EUR/USD	GBP/USD	DXY	JPY/INR
1M Depreciation (-) /Appreciation (+)	1.15%	-0.41%	5.55%	0.72%	-0.87%	-1.16%	-7.58%
3M Depreciation (-) /Appreciation (+)	0.61%	-0.54%	3.62%	0.81%	1.34%	-1.31%	-5.93%
1Y Depreciation (-) /Appreciation (+)	1.56%	-1.20%	-2.55%	0.61%	1.18%	-0.22%	0.19%
CYTD Depreciation(-) /Appreciation (+)	-1.05%	-0.86%	-5.96%	-0.66%	1.01%	1.62%	3.51%



- In the recent weeks, global currency environment has changed significantly, largely led by pivotal interest rate changes (interest rate hike cycle) in Japan. On the other hand, the US seems to be on the verge of reducing rates.
- The combination of the two policy events which are essentially in the opposite direction, led to DXY depreciating and JPY appreciating.
- INR during the same period also witnessed some depreciation against both USD and JPY.
- For India, FX reserves reached another high of USD 674.9 on August 02, 2024, offering continued comfort

Source: Bloomberg, NSDL, JMF MF Research | Data as on August 15, 2024 | CNY: Chinese Yuan | INR- Indian Rupee | JPY- Japanese Yen | EUR- Euro | GBP- Pound Sterling | DXY - U.S. Dollar Index | FX – Foreign Exchange

Domestic Retail Inflation is Volatile, Wholesale Prices Move Up Gradually

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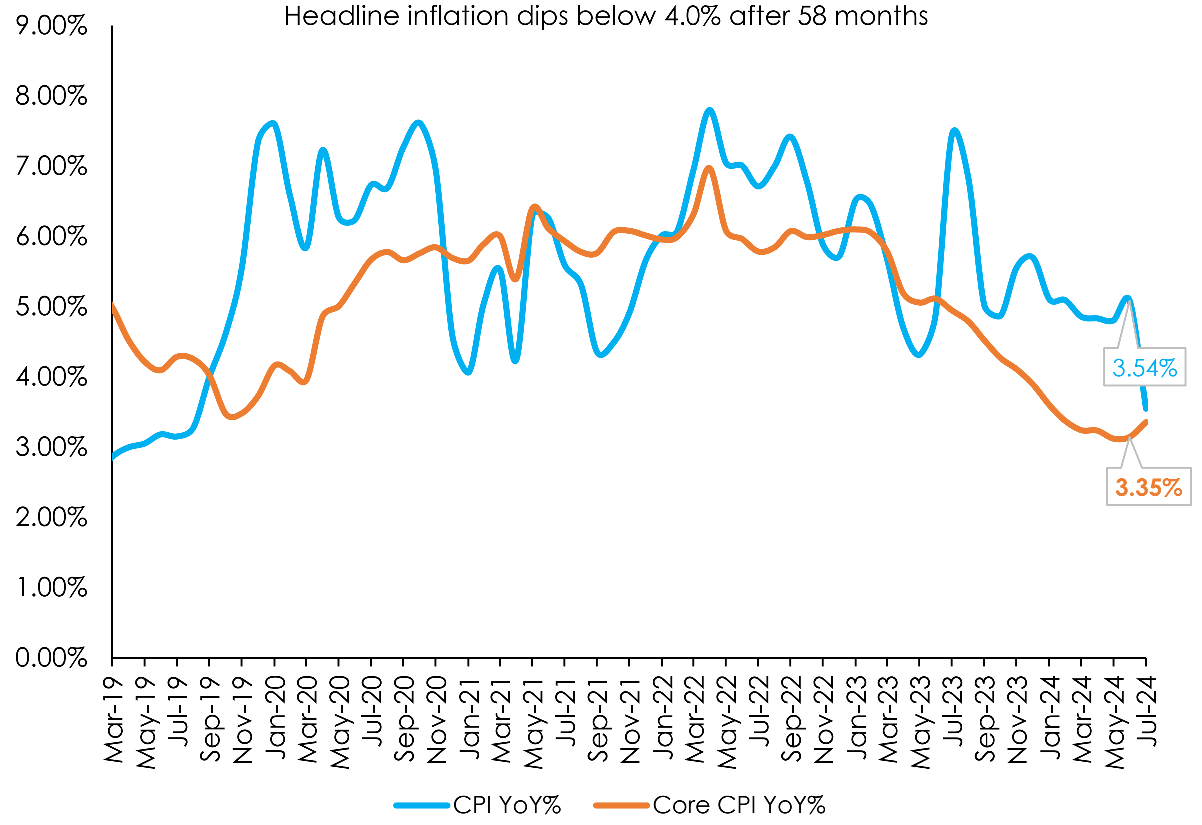

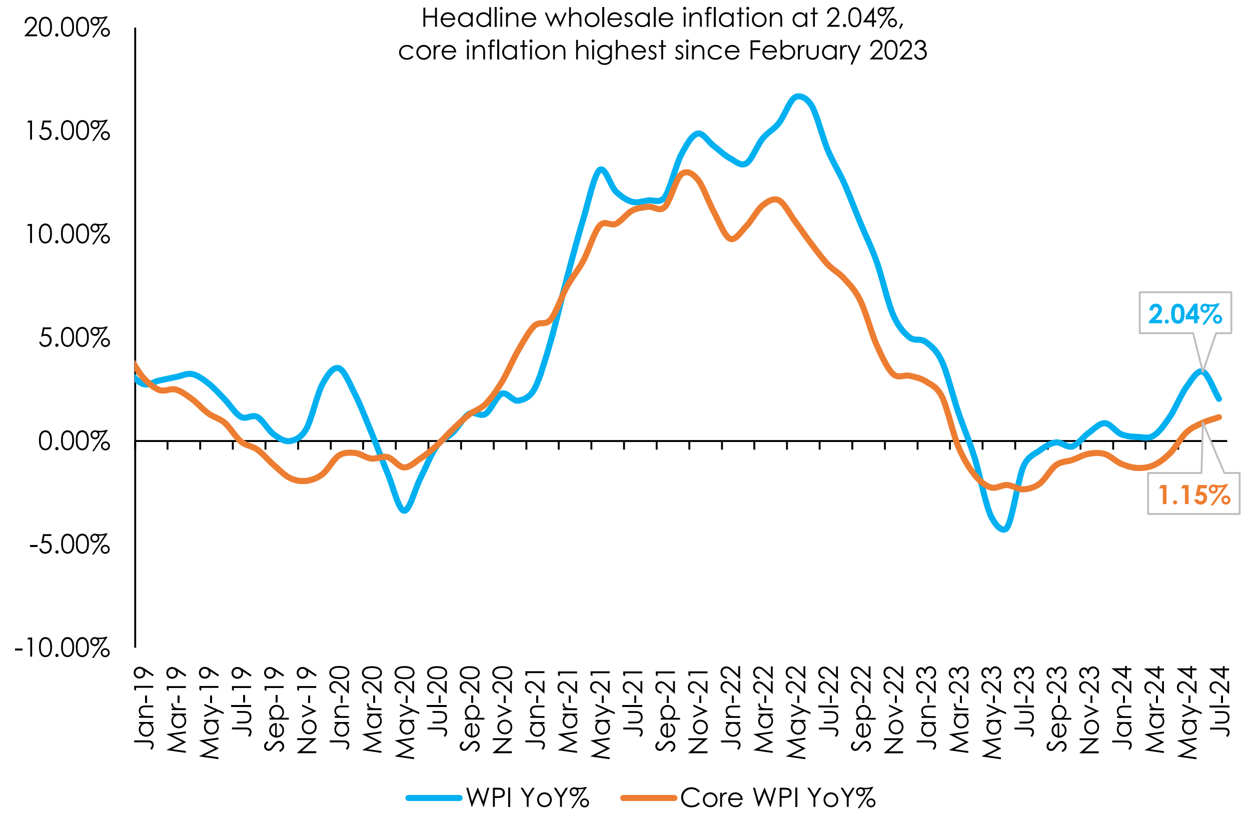

- Domestically, inflationary conditions have been slightly uncertain due to volatility in food items like pulses, vegetables, cereals, etc.
- A sharp fall was witnessed in CPI in July 2024 to 3.54%, due to a strong favourable base effect, although on a sequential basis the CPI index moved up by 1.42%.
- Wholesale inflation was positive for the ninth consecutive month in July 2024, although fell to 2.04% from 3.36% led by favourable base.
- In the coming months, upside risks to inflation persist, especially in the food basket of both CPI and WPI indices amid supply side constraints along with favourable base wearing off.

Source: CMIE, JMF MF Research | Data as on August 15, 2024

Systemic Liquidity Conditions Ease

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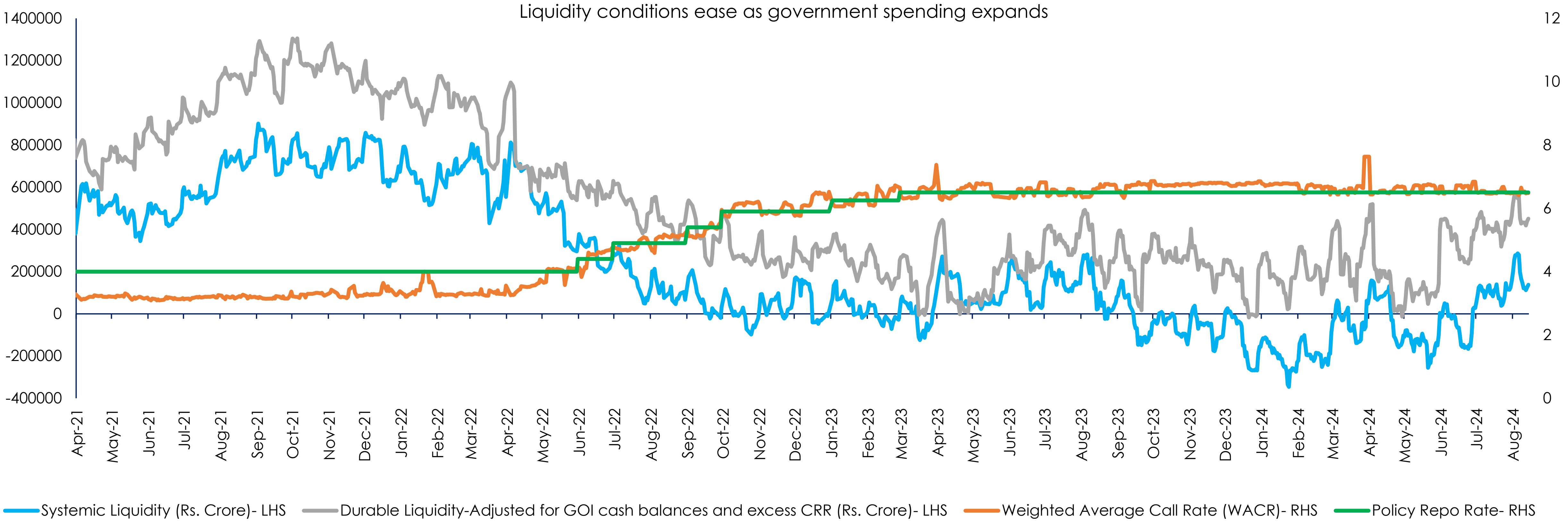
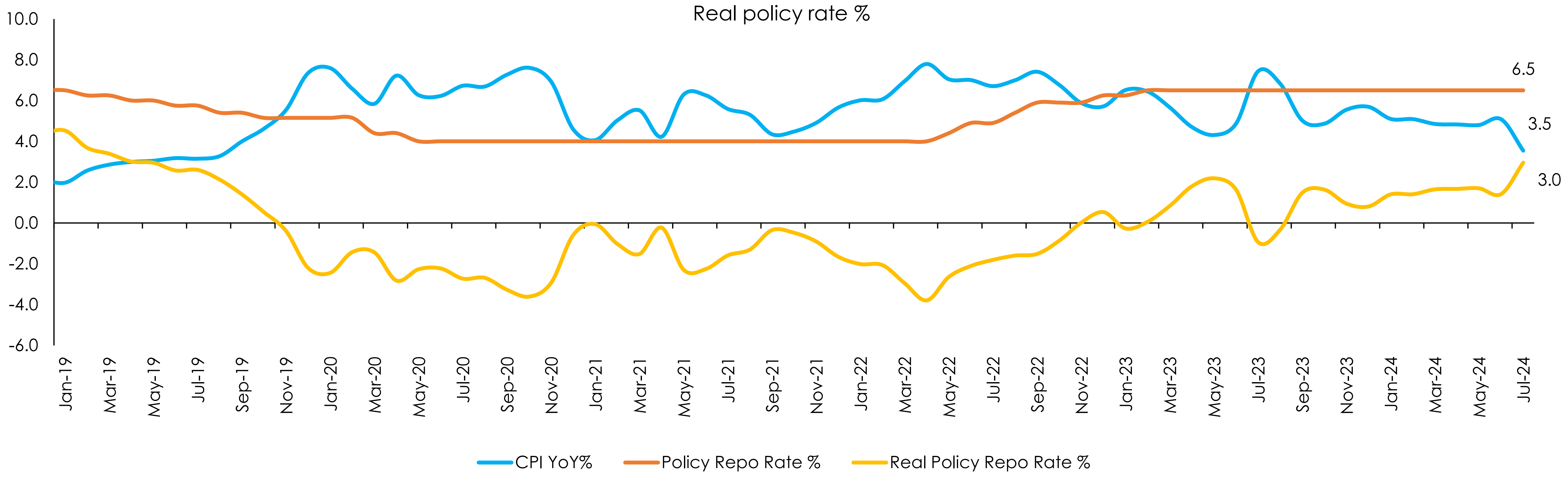


- The liquidity conditions have significantly tightened since the start of the rate hike cycle in 2022.
- Systemic liquidity after being comfortable towards the end of FY'24, tightened due to lower spending by the Government along with outflows related to GST and advance tax.
- However, the liquidity conditions have eased since June 2024 end with improved government spending.
- Adjusted for the government cash balances which are held by the RBI, the liquidity remains in surplus.

Source: RBI, JMF MF Research | Data as on August 15, 2024 | WACR- Weighted Average Call Rate | Durable Liquidity: Systemic Liquidity adjusted for government cash balances kept with RBI. Currently the government has surplus cash balances and so is added in the systemic liquidity to calculate how much liquidity there will be if the government spends through these surplus funds.

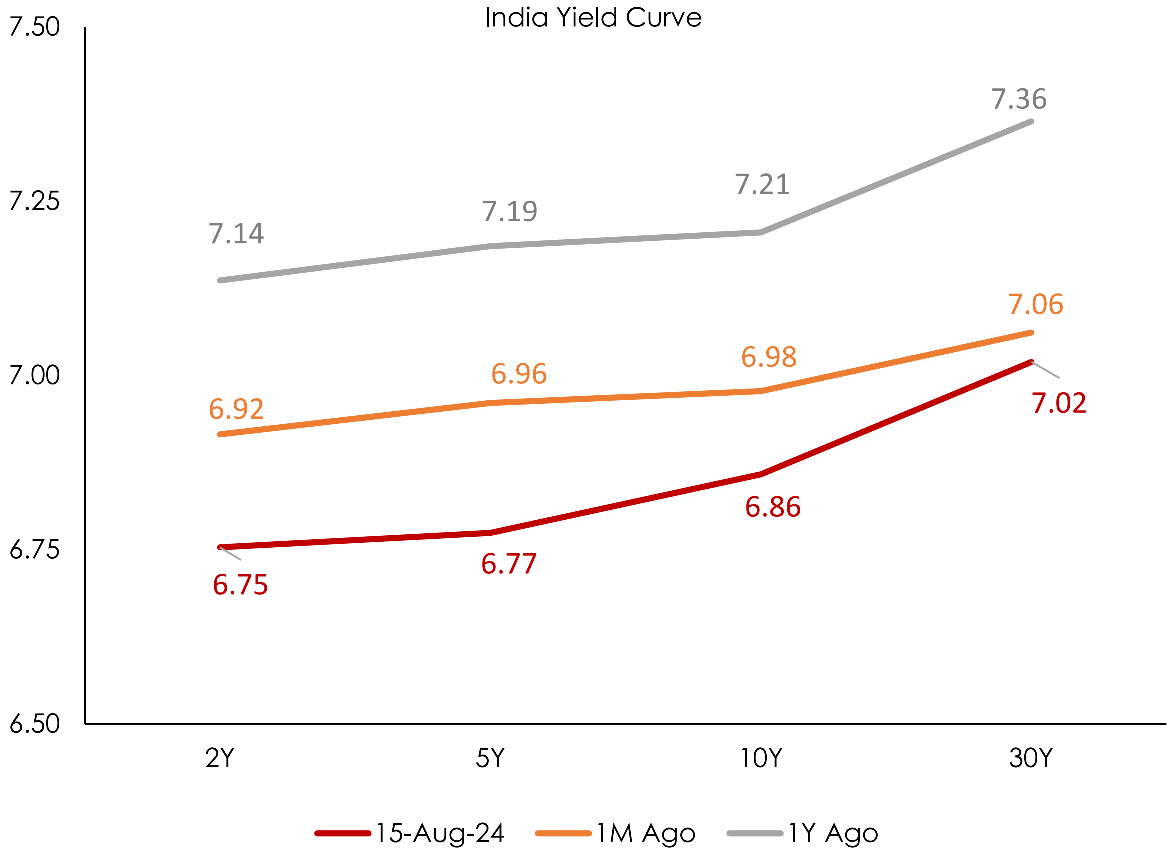
RBI-MPC Remains Concerned About Inflation

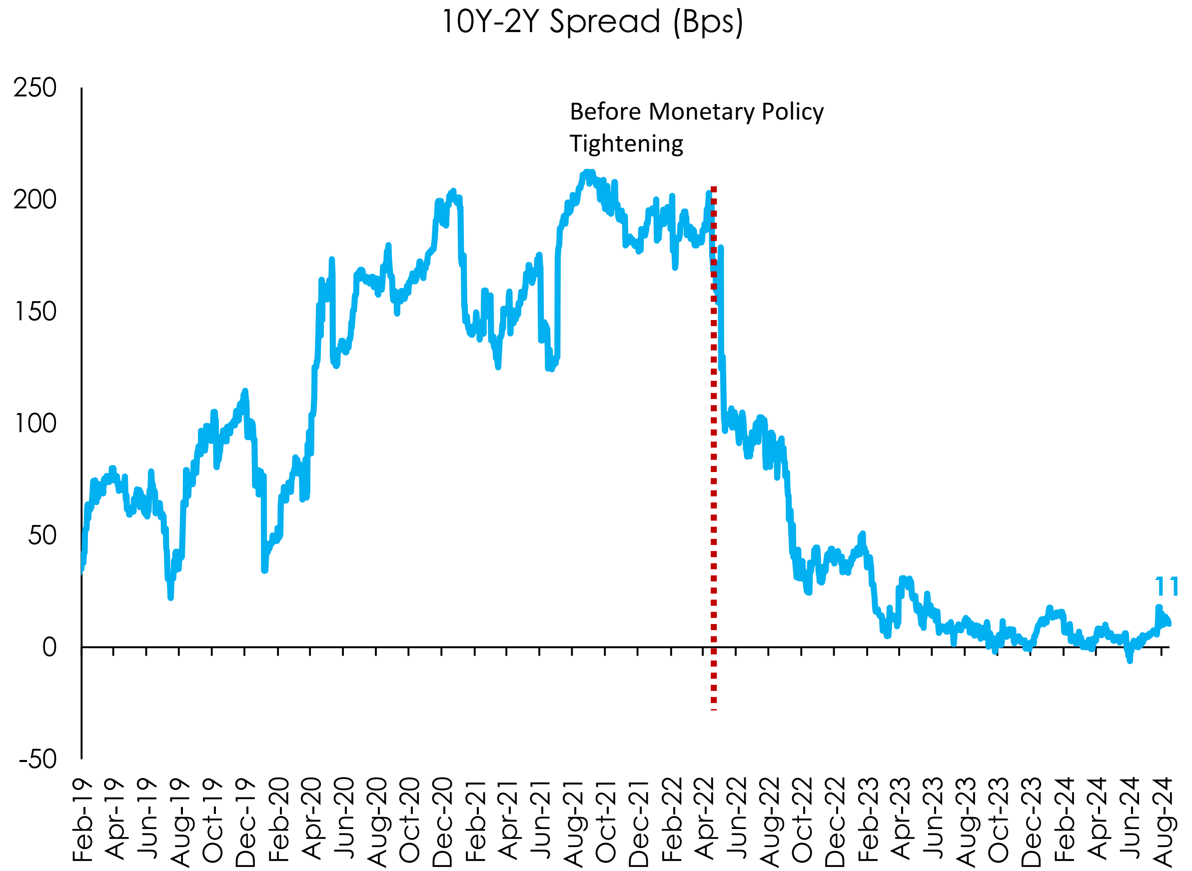


- In August 2024 monetary policy meeting, the Monetary Policy Committee (MPC) kept the policy rate unchanged at 6.50%.
- Domestic inflation has moderated significantly from the peak witnessed in 2022 due to elevated levels of interest rates, tighter liquidity conditions and supply-side measures. However, one-year forward RBI's estimate of the CPI remains higher than the target.
- Going forward, upside risks to domestic inflation remains primarily from the food basket as prices remain volatile.
- RBI remains wary about reducing the policy rate too soon, with a clear focus to bring inflation closer to the target of 4.0% on a durable basis.

Source: Bloomberg, JMF MF Research, RBI | Data as on August 15, 2024

Yield Curve Movement- India

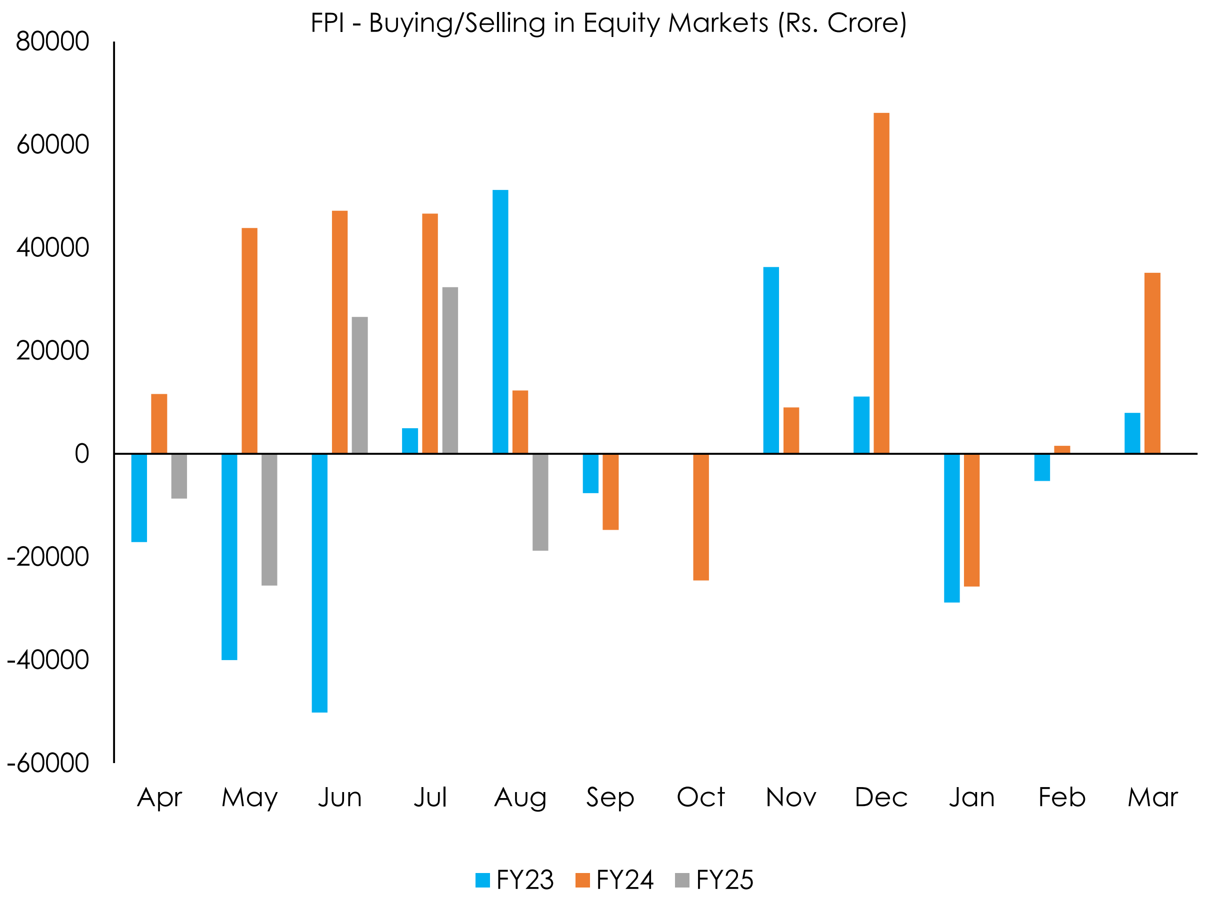


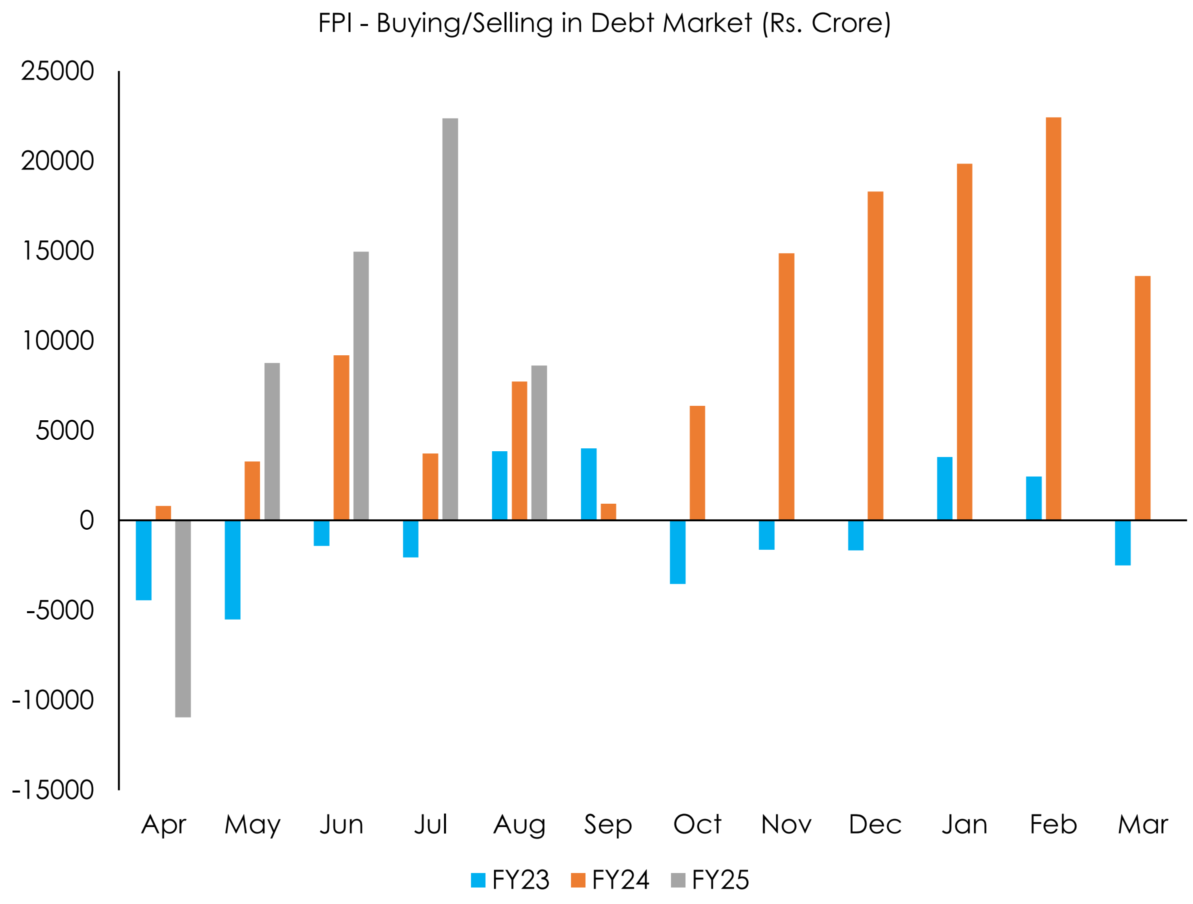


- So far in August 2024, yields across the curve, especially the 2Y and 5Y segments have softened, tracking movement in US treasury yields, comfortable liquidity conditions and favourable domestic demand-supply dynamics.
- 10Y-2Y and 30Y-2Y spreads stood at 11 bps and 27 bps, respectively on August 15, 2024, compared to 6 bps and 15 bps respectively a month ago.

Source: Bloomberg, JMF MF Research | Data as on August 15, 2024

FPI Flows Remain Volatile In Equity Markets, Inflows Remain Strong In Debt Markets

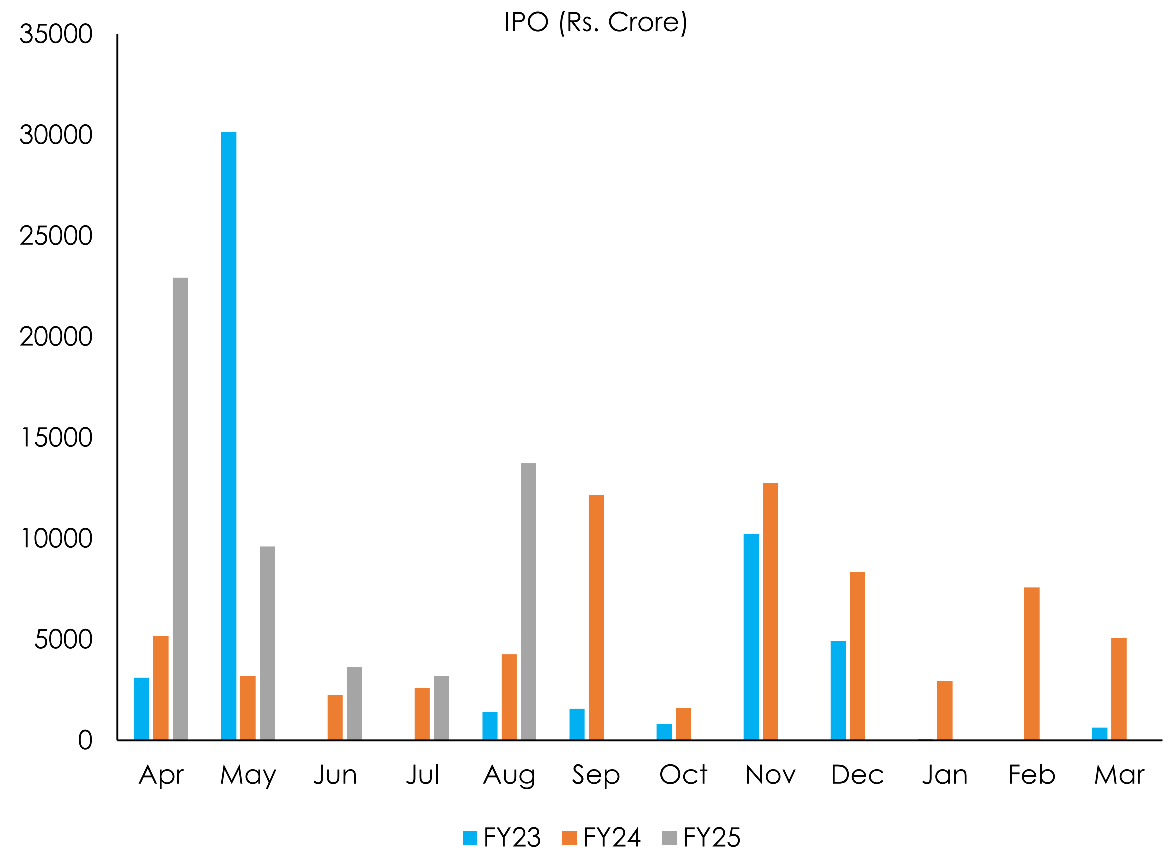


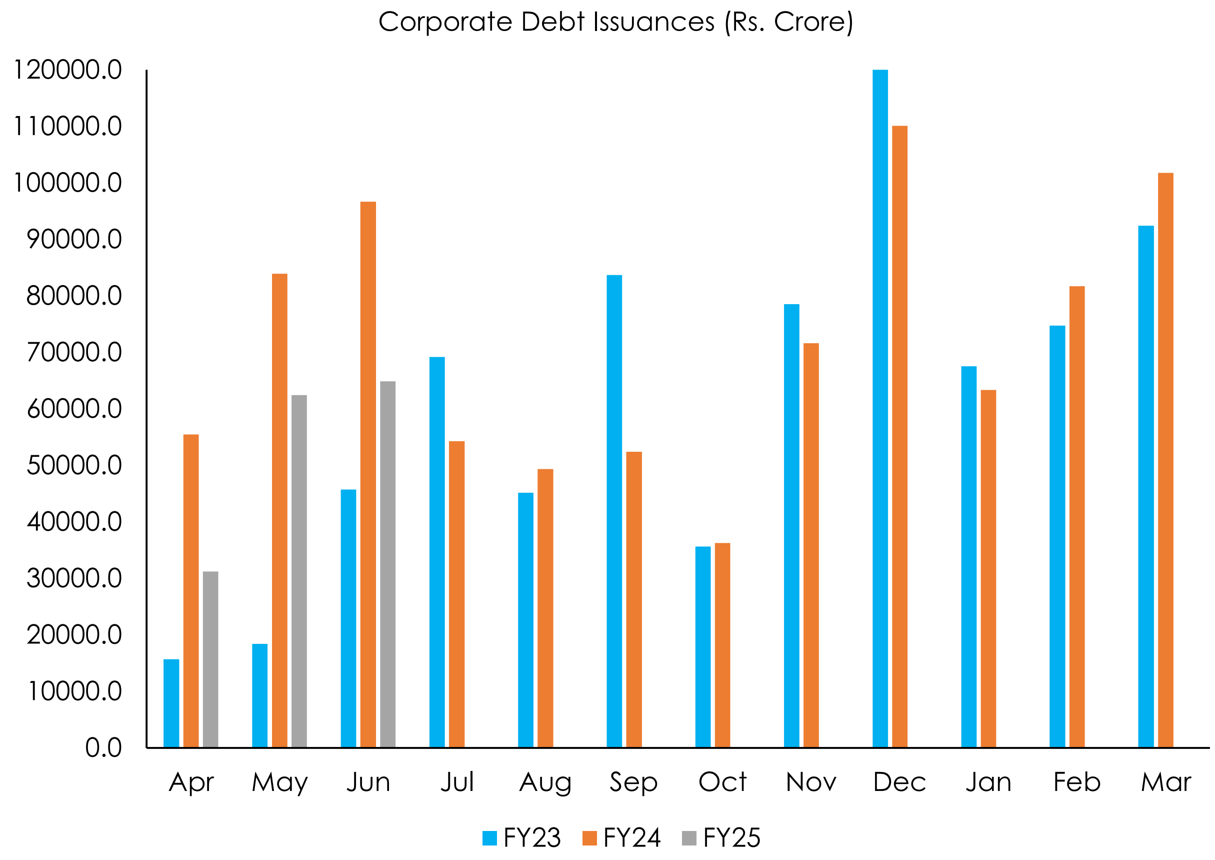


- The global market volatility in the recent weeks has impacted the FPI activity in domestic equity markets.
- Debt markets after seeing outflows in April 2024, have been observing FPI inflows supported by favourable triggers for the domestic bond market.

Source: CMIE, NSDL, JMF MF Research | Data as on August 15, 2024 | FPIs: Foreign Portfolio Investors

IPOs/FPOs Rise, Corporate Debt Issuances Fall





- IPO/FPO momentum continues in FY'25, with companies raising Rs. 53,091 Crore during April-July 2024, 203% higher than April-July 2023.
- Corporate debt issuances during April-June 2024 stood at Rs. 1,58,487 Crore, 33% lower than the corresponding period of the previous year. As private led capex cycle still remains sometime away, corporate debt issuances remain muted, thereby keeping the corporate spreads in check.

Source: ACE Equity, SEBI, JMF MF Research | Data as on August 15, 2024 | IPO: Initial Public Offer | FPO: Follow-on Public Offer

Market Outlook

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- Globally, inflation readings have softened, although upside risks to inflation persist due to geo-political tensions and price volatility in global commodities like gold, copper, Brent oil and silver.
- Rate cuts in the US seems inevitable, with increased possibility that the US Federal Reserve could embark on a rate cut cycle as early as September 2024.
- Eurozone in a major policy move decided to cut policy interest rate by 25 bps, despite inflation being higher than the target of 2.0%. Going forward, further rate cut decisions would be guided by the inflation trajectory and growth scenario.
- China's economy continues to be under stress, however the Central Bank and the Government remain focussed on announcing measures to support growth. Thus, People's Bank of China is expected to maintain easy monetary policy for an extended period.
- Bank of Japan (BoJ) delivered a second rate hike this year, bringing the policy interest rate to 0.25% in July 2024. The major policy turnaround in Japan's economy has impacted the global markets with unwinding of huge amounts of Yen carry trades. Going forward, further rate hikes by the BoJ could be tricky and risky for the global markets.
- India's economy continues to witness strong growth momentum although corporate India witnessed some decline in profits in Q1 FY'25.
- Inflation conditions in India remain uncertain amid higher volatility in the food basket. We expect the RBI to remain vigilant and maintain status quo till the time it is absolutely sure about a sustainable downtrend in CPI towards the target of 4.0%.

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