

Market Summary



Key Domestic Market Highlights

- Domestic equity markets fell initially during the month under review after the Reserve Bank of India led Monetary Policy Committee (MPC) raised key policy repo rate by 35 bps and downgraded the growth projections of the Indian economy for the current fiscal to 6.8% from the earlier projection of 7% in its monetary policy review.
- Market fell further following heavy selling in IT, tech and energy stocks after a major domestic IT company warned that revenue growth in FY23 might be at the lower end of earlier guidance as spending on IT services may come down due to muted demand and a slowdown in global growth.
- Domestic equities continued to remain under pressure after major central banks across the globe advocated for continued rise in interest rates to put a check on inflation which continued to remain at elevated levels. The U.S. Federal Reserve, Bank of England and the European Central Bank slowed the pace of rate hikes but warned markets of a long running campaign of interest rate hikes to contain inflation. Market participants worried that high inflation and rising interest rates may push the global economy into a recession.
- Market sentiments were further dampened as China continued to grapple with soaring COVID-19 infections which renewed worries of lockdowns, restrictions in economic activity and slowdown in global growth. Back home, the Indian government also stepped up its vigil saying that the battle against COVID-19 pandemic is not over yet.



Key Global Market Highlights

- U.S. equity markets fell during the month under review after the U.S. Federal Reserve in its much-anticipated monetary policy review raised its benchmark interest rate to the highest level in 15 years and indicated more rate hikes moving ahead to tame inflation. The announcement stoked concerns of recession and slowdown in global growth.
- U.S. Treasury prices fell on concerns that the U.S. Federal Reserve will continue to tighten its monetary policy at an aggressive pace to put a check on U.S. inflation which continued to remain at elevated levels.
- European equity markets fell after the U.S. Federal Reserve, the Bank of England, the European Central Bank, and the Swiss National Bank, all raised their interest rates and signaled further policy tightening in the coming months to tame inflation. The Bank of Japan's surprise policy shift and lingering worries about the COVID-19 situation in China also contributed to the downside.
- Asian equity markets mostly fell following negative cues from U.S. and European equity markets. Markets were spooked as key central banks across the globe raised interest rates and advocated for more rate hikes in the coming months which triggered fears of a recession. The rapid expansion of Covid infections in China and worries about the possibility of new variants emerging also weighed on the market sentiment.

Category-wise Fixed Income Returns

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	CYTD
10 Y GILT 11.11%	UST 9.43%	10 Y GILT 15.28%	LT 8.93%	10 Y GILT 14.24%	UST 6.86%	10 Y GILT 8.00%	LT 12.20%	LT 13.46%	LT 4.22%	UST 5.29%
ST 10.68%	LIQ 9.34%	LT 14.04%	UST 8.59%	LT 13.09%	LIQ 6.57%	UST 7.96%	10 Y GILT 11.34%	10 Y GILT 13.20%	ST 4.07%	LIQ 5.23%
LT 10.18%	ST 8.03%	ST 10.47%	ST 8.55%	ST 9.28%	ST 6.35%	LIQ 7.25%	ST 9.15%	ST 10.13%	UST 3.93%	ST 3.75%
UST 10.06%	LT 5.11%	UST 9.52%	LIQ 8.30%	UST 8.04%	LT 5.55%	ST 6.65%	UST 7.84%	UST 5.58%	LIQ 3.56%	LT 2.71%
LIQ 9.42%	10 Y GILT 2.65%	LIQ 9.23%	10 Y GILT 8.17%	LIQ 7.45%	10 Y GILT 3.52%	LT 6.04%	LIQ 6.74%	LIQ 4.43%	10 Y GILT 3.13%	10 Y GILT 2.34%

LIQ Liquid Returns represented by ICRA Liquid Index
 ST Short Term Returns represented by Nifty Short Duration Debt Index
 LT Long Term Returns represented by ICRA Composite Bond Fund Index
 UST Low Duration Returns represented by NIFTY Ultra Short Duration Debt Index
 10 Y Gilt 10 Year G-sec Returns represented by ICRA Composite Gilt Index

Source: MFI Explorer

Equity Market Round Up

Equity Market Commentary

- Domestic equity markets fell after the Reserve Bank of India led Monetary Policy Committee (MPC) raised key policy repo rate by 35 bps and downgraded the growth projections of the Indian economy for the current fiscal. This was the fifth consecutive rate hike since May 2022. Market fell further following heavy selling in IT, tech and energy stocks after a major domestic IT company warned that revenue growth in FY23 might be at the lower end of earlier guidance as spending on IT services may come down due to muted demand and a slowdown in global growth.
- Domestic equities continued to remain under pressure after major central banks across the globe advocated for continued rise in interest rates to put a check on inflation which continued to remain at elevated levels. Market sentiments were further dampened as China continued to grapple with soaring COVID-19 infections which renewed worries of lockdowns, restrictions in economic activity and slowdown in global growth.
- U.S. equity markets fell after the U.S. Federal Reserve in its much-anticipated monetary policy review raised its benchmark interest rate to the highest level in 15 years and indicated more rate hikes moving ahead to tame inflation. The announcement stoked concerns of recession and slowdown in global growth. Market sentiment continued to be subdued on lingering concerns that higher interest rates may push the global economy into recession.
- European equity markets fell after the U.S. Federal Reserve, the Bank of England, the European Central Bank, and the Swiss National Bank, all raised their interest rates and signaled further policy tightening in the coming months to tame inflation. The Bank of Japan's surprise policy shift and lingering worries about the COVID-19 situation in China also contributed to the downside. The Bank of Japan tweaked its yield curve control strategy. While it kept broad policy settings unchanged, Bank of Japan decided to allow the 10-year bond yield to move 50 bps either side of its 0% target, wider than the previous 25 bps band. However, bargain hunting restricted further losses.
- Asian equity markets mostly fell following negative cues from U.S. and European equity markets. Markets were spooked as key central banks across the globe raised interest rates and advocated for more rate hikes in the coming months which triggered fears of a recession. The rapid expansion of Covid infections in China and worries about the possibility of new variants emerging also weighed on the market sentiment.

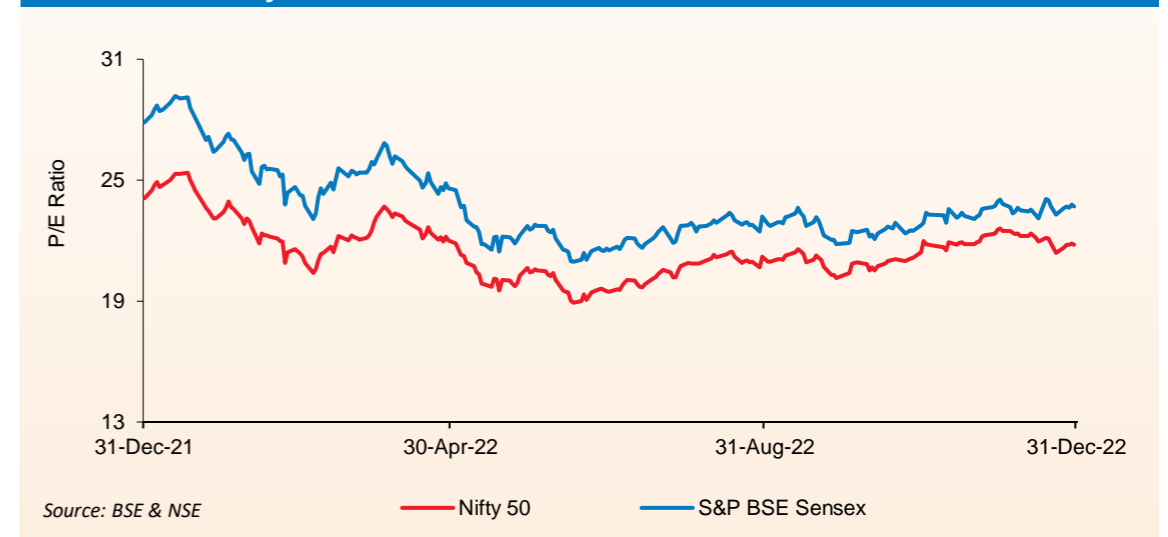
Broad Indices	30-Dec-22	% Change (MoM)	% Change (YoY)
S&P BSE Sensex	60,840.74	-3.58	4.45
Nifty 50	18,105.30	-3.48	4.34
S&P BSE 500	24,605.78	-3.15	3.35
Nifty 500	15,448.85	-3.12	3.03
S&P BSE Mid Cap	25,314.50	-2.45	1.38
Nifty Mid Cap 100	31,509.10	-1.65	3.51

Source: BSE & NSE

Sector Indices	30-Dec-22	% Change (MoM)	% Change (YoY)
S&P BSE Auto	28,923.14	-4.78	16.59
S&P BSE Bankex	48,906.28	-0.90	21.09
S&P BSE CD	39,722.17	-4.28	-11.30
S&P BSE CG	33,342.22	-1.49	16.02
S&P BSE FMCG	16,075.30	-2.73	16.67
S&P BSE HC	23,033.66	-3.81	-12.14
S&P BSE IT	28,671.86	-6.03	-24.30
S&P BSE Metal	20,855.59	2.95	8.39
S&P BSE Oil & Gas	20,409.11	-0.97	16.62
S&P BSE Power Index	4,381.29	-6.76	25.92
S&P BSE PSU	10,017.86	-0.03	23.12
S&P BSE Realty	3,446.85	-3.90	-10.29
S&P BSE Teck	13,413.34	-6.09	-19.32

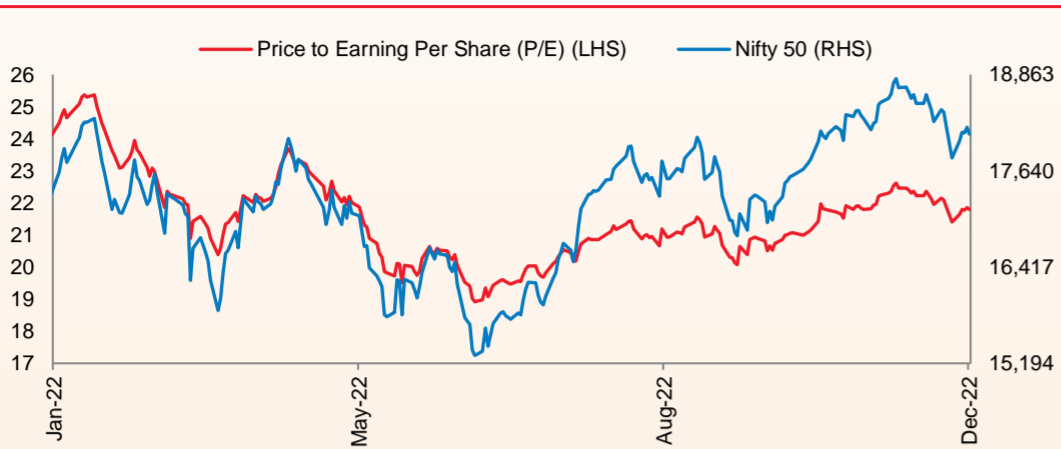
Source: BSE

Movement of Nifty 50 and S&P BSE Sensex P/E



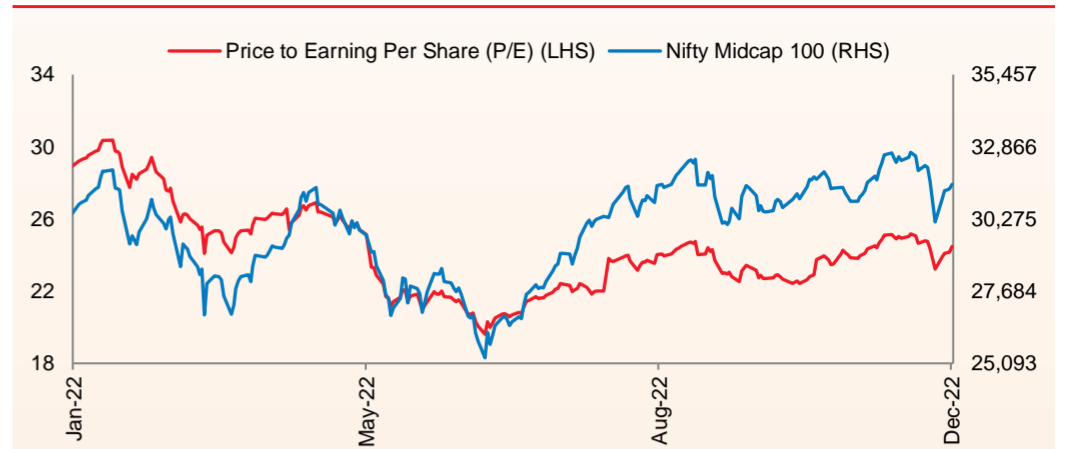
Country/Region	30-Dec-22	% Change (MoM)	% Change (YoY)
Nasdaq 100 (U.S.)	10,939.76	-9.06	-33.04
FTSE 100 (U.K.)	7,451.74	-1.60	0.91
DAX (Germany)	13,923.59	-3.29	-12.35
Nikkei 225 (Japan)	26,094.50	-6.70	-9.37
SSEC (China)	3,089.26	-1.97	-15.16

Equity Market Round Up



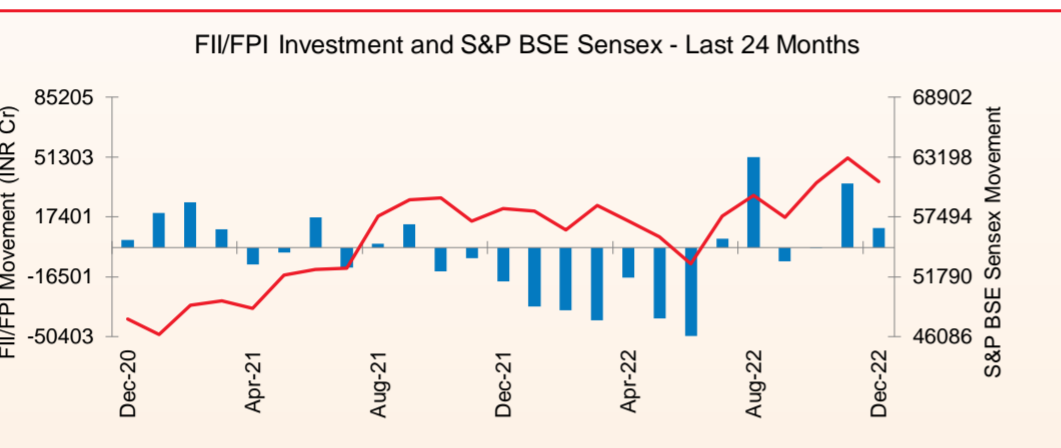
Source: NSE

During the month, S&P BSE Sensex and Nifty 50 fell 3.58% and 3.48% to close at 60,840.74 and 18,105.30 respectively.



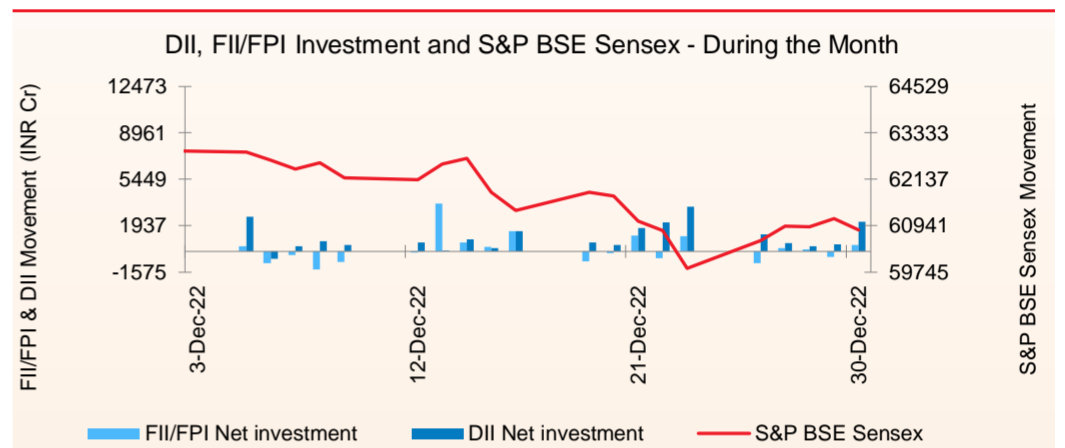
Source: NSE

During the month, Nifty Midcap 100 and Nifty Small cap 100 fell 1.65% and 2.45% to close at 31,509.10 and 9,731.30 respectively.



Source: MFI Explorer

Foreign portfolio investors (FPIs) were net buyer of domestic stocks worth Rs. 11,118.99 crore in Dec 2022 compared with net buy of Rs. 36,238.66 crore in Nov 2022.



Source: MFI Explorer

Domestic mutual funds remained net buyer in the equity segment to the tune of Rs. 14,692.330 crore in Dec 2022.

Returns of Major NSE Indices

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	CYTD
Media 58.27%	IT 57.97%	Smallcap 69.57%	Media 10.30%	Metal 45.20%	Realty 110.22%	IT 23.64%	Realty 28.49%	Pharma 60.43%	Metal 69.66%	PSU Bank 70.92%
Realty 52.36%	Pharma 26.51%	PSU Bank 67.07%	Smallcap 10.20%	Auto 10.75%	Smallcap 57.47%	FMCG 13.57%	Finance 25.65%	IT 54.75%	Smallcap 61.94%	Metal 21.83%
Finance 51.61%	FMCG 12.18%	Midcap 60.26%	Pharma 9.26%	Midcap 5.41%	Midcap 54.53%	Finance 10.54%	Largecap 10.42%	Smallcap 25.02%	IT 59.58%	FMCG 17.59%
FMCG 48.21%	Auto 9.41%	Finance 57.34%	Midcap 8.41%	Finance 4.93%	Metal 48.71%	Largecap 1.13%	IT 8.39%	Midcap 24.31%	Realty 54.26%	Auto 15.36%
Midcap 43.99%	Largecap 6.46%	Auto 56.69%	FMCG 0.33%	PSU Bank 4.11%	Finance 41.56%	Pharma -7.77%	Midcap -0.28%	Metal 16.14%	Midcap 46.81%	Finance 9.55%
Auto 42.20%	Media 1.50%	Pharma 43.42%	IT -0.03%	Largecap 3.60%	Media 32.80%	Midcap -13.26%	FMCG -1.29%	Largecap 14.82%	PSU Bank 44.37%	Largecap 3.64%
PSU Bank 40.37%	Midcap -3.01%	Largecap 33.17%	Auto -0.32%	FMCG 2.78%	Auto 31.47%	PSU Bank -16.47%	Smallcap -8.27%	FMCG 13.42%	Media 34.56%	Midcap 2.97%
Smallcap 37.94%	Finance -7.32%	Media 33.02%	Largecap -2.41%	Smallcap 0.36%	Largecap 31.15%	Metal -19.84%	Pharma -9.34%	Auto 11.43%	Largecap 25.04%	Smallcap -3.66%
Pharma 31.68%	Smallcap -8.14%	FMCG 18.22%	Finance -5.41%	Media -0.85%	FMCG 29.47%	Auto -22.99%	Auto -10.69%	Realty 5.11%	Auto 18.96%	Media -10.25%
Largecap 30.41%	Metal -14.26%	IT 17.84%	Realty -15.02%	Realty -4.20%	PSU Bank 24.17%	Media -25.80%	Metal -11.20%	Finance 4.46%	Finance 13.96%	Realty -10.84%
Metal 17.57%	PSU Bank -30.44%	Realty 10.02%	Metal -31.35%	IT -7.25%	IT 12.21%	Smallcap -26.68%	PSU Bank -18.25%	Media -8.55%	Pharma 10.12%	Pharma -11.46%
IT -1.85%	Realty -34.38%	Metal 7.02%	PSU Bank -32.91%	Pharma -14.18%	Pharma -6.32%	Realty -32.87%	Media -29.72%	PSU Bank -30.50%	FMCG 9.96%	IT -26.11%

- IT returns represented by NIFTY IT
- Metal returns represented by NIFTY Metal
- Realty returns represented by NIFTY Realty
- Auto returns represented by NIFTY Auto
- Pharma returns represented by NIFTY Pharma
- Media returns represented by NIFTY Media

- Finance returns represented by NIFTY Finance
- FMCG returns represented by NIFTY FMCG
- PSU Bank returns represented by NIFTY PSU Bank
- Largecap returns represented by Nifty 100
- Midcap returns represented by Nifty Midcap 150
- Smallcap returns represented by Nifty Small cap 250

Fixed Income Market Round Up

Fixed Income Market Commentary

- Bond yields rose marginally after a range bound movement during the month. Yields rose after the Monetary Policy Committee (MPC) in its monetary policy review raised key policy repo rate by 35 bps and highlighted concerns over domestic inflationary pressures. Losses increased after the U.S. Federal Reserve increased interest rates in its monetary policy review and added that interest rate hikes in U.S. would continue for a longer period. However, losses were limited after India's consumer price index-based inflation came below the Reserve Bank of India's upper tolerance level of 6% in Nov 2022 for the first time in eleven months.
- Yield on the 10-year benchmark bond rose 5 bps to close at 7.33% compared with the previous months' close of 7.28%. The benchmark paper yield rose 87 bps during 2022 year, which was the second consecutive increase and the biggest calendar year rise since 2009.
- Yield on gilt securities rose by up to 10 bps across the maturities, barring 1 year that fell 1 bps while 11 & 19 year papers were unchanged. Yield on corporate bonds fell in the range of 3 to 21 bps across the curve, leaving 2 & 3 year papers that rose 6 & 2 bps, respectively. Difference in spread between corporate bond and gilt securities contracted by up to 31 bps across the segments. Spread contracted the most on 15 year paper and the least on 1 year paper.

Movement of 10-Year Benchmark Bond Rate

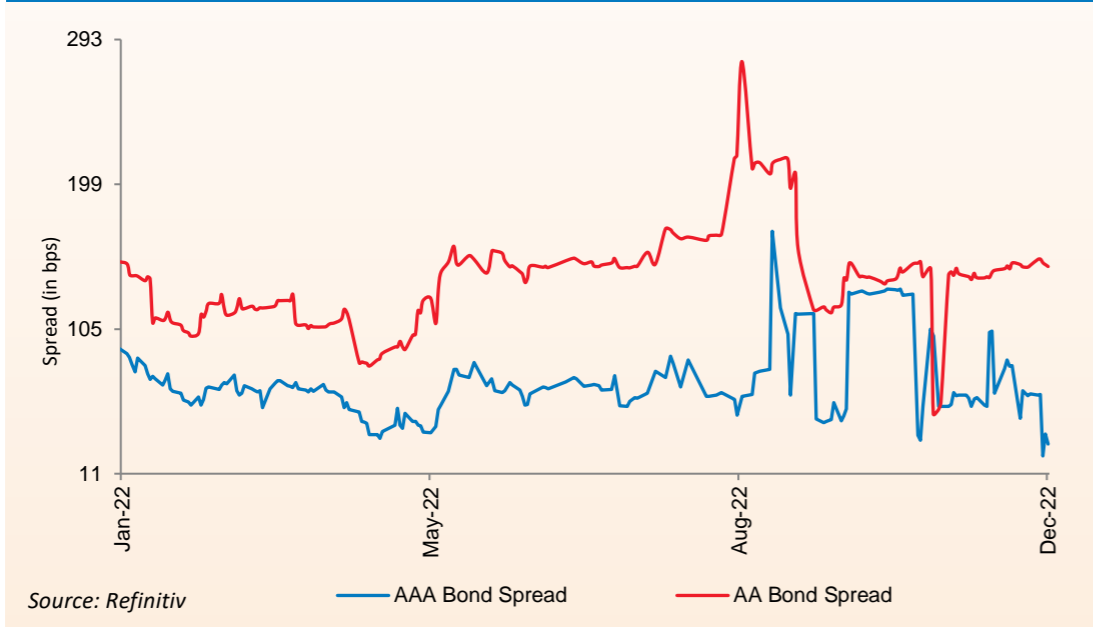


10 Year Corporate Bond Spread (for AAA & AA bonds)

Date	Period	Spread	
		AAA	AA
30-Dec-22	1 Yr	71	123
	3 Yr	40	115
	5 Yr	42	102
30-Nov-22	1 Yr	72	86
	3 Yr	47	88
	5 Yr	59	115

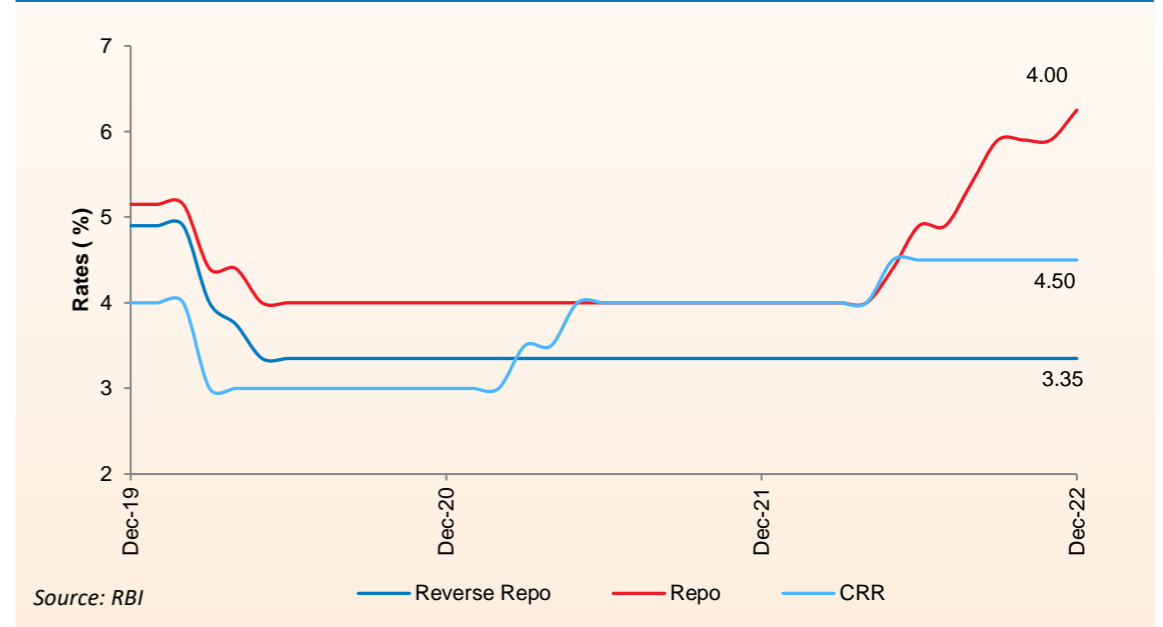
Source: Refinitiv

10 Year Corporate Bond Spread (for AAA & AA bonds)



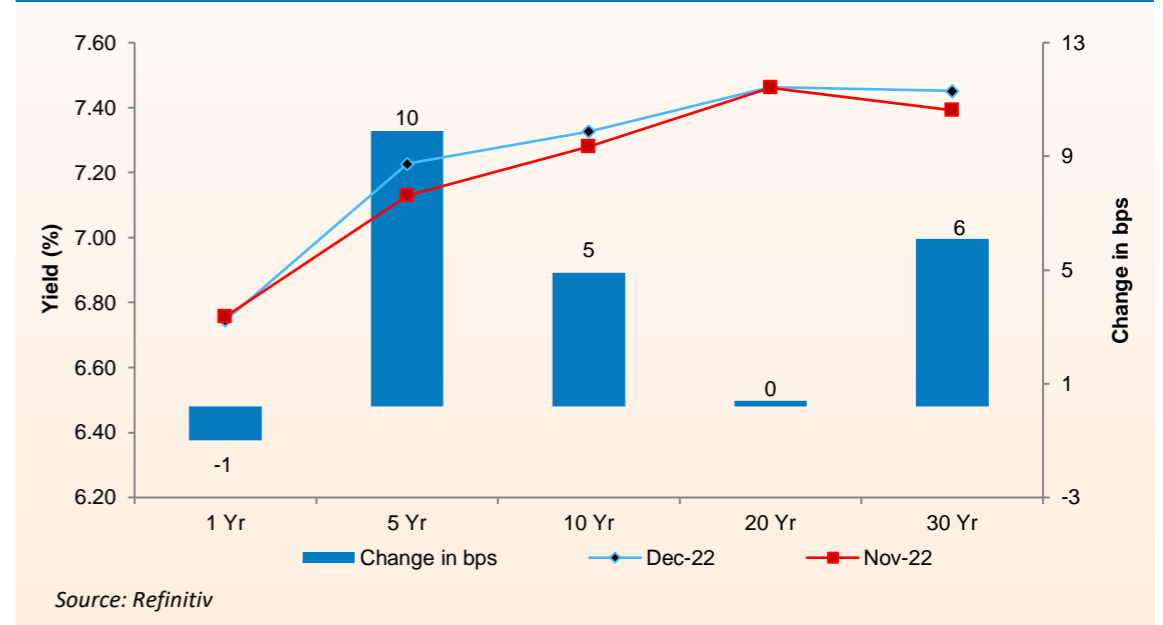
Source: Refinitiv

Movements of Key Policy Rates in India



Source: RBI

India Yield Curve Shift (Month-on-Month)



Source: Refinitiv

Macro-Economic Update and Key Events

Key Events

MPC raised key policy repo rate by 35 bps to 6.25%

- The Monetary Policy Committee (MPC) in its bi-monthly monetary policy review raised key policy repo rate by 35 bps to 6.25% with immediate effect. This was the fifth consecutive rate hike by the MPC in this fiscal. Five out of six members voted to increase the policy repo rate by 35 bps. With this rate hike, the repo rate has been raised by 225 bps since May 2022. The MPC also remained focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth. Four out of six members voted in favour of the same.

Retail inflation slowed to 5.88% in Nov 2022

- Government data showed that Consumer Price Index based inflation slowed for the second consecutive month and touched eleven-month low to 5.88% in Nov 2022 from 6.77% in the previous month but accelerated from 4.91% in Nov 2021. Retail inflation fell below the upper tolerance level of the Reserve Bank of India's retail inflation target of 6% for the first time in eleven months.

IIP contracted 4.0% YoY in Oct 2022

- Government data showed that the growth of Index of Industrial Production (IIP) contracted 4.0% YoY in Oct 2022 compared with a growth of 3.47% in the previous month and 4.2% rise in the same period of the previous year. IIP contracted at the steepest pace since Aug 2020. For the period from Apr to Oct of FY23, IIP growth slowed considerably to 5.3% from a rise of 20.5% in the same period of the previous fiscal. The same period of the previous year. This marked a 17-month low.

India's Manufacturing PMI rose to 57.8 in Dec 2022

- According to S&P Global, India's Manufacturing Purchasing Managers' Index rose to 57.8 in Dec 2022 from 55.7 in Nov 2022. The manufacturing sector in India finished 2022 on a strong note as new orders and output growth surged and business conditions improved at the strongest rate in more than two years.

Key Rates (%)	Current	Month Ago	Year Ago
Reverse Repo	3.35	3.35	3.35
Repo	6.25	5.90	4.00
CRR	4.50	4.50	4.00
SLR	18.00	18.00	18.00
Bank Rate	6.50	6.15	4.25

Source: RBI

Key Indicator	Period	Current Month	Previous Month
CPI - Monthly	Nov-22	5.88%	6.77%
WPI - Monthly	Nov-22	5.85%	8.39%
IIP - Monthly	Oct-22	-4.00%	3.10%
Export (Y-o-Y) - Monthly	Nov-22	6.49%	-16.47%
Import (Y-o-Y) - Monthly	Nov-22	5.55%	2.38%
Trade Deficit - Monthly	Nov-22	23.89	26.91

Source: Refinitiv; CPI- Consumer Price Index, WPI- Wholesale Price Index IIP- Index of Industrial Production, Trade deficit- in \$Billion

Institutional Flows (Equity)			
Net Flow (INR Crore)	Current Month	Previous Month	Year to Date
FII Flows	11,119	36,239	(121,439)
DII Flows	24,159	(2,870)	279,695
MF Flows	13,393	1,688	183,675

Source: CDSL, NSE & SEBI

Institutional Flows (Debt)			
Net Flow (INR Crore)	Current Month	Previous Month	Year to Date
FII Flows	(1,673)	(1,637)	(15,911)
MF Flows	4,965	(1,571)	(29,514)

Source: NSDL & SEBI

Events for January 2023

Events	Date
CPI Inflation YY - Dec 2022	12-Jan-23
Industrial Output YY - Nov 2022	12-Jan-23
Manufacturing Output YY - Nov 2022	12-Jan-23
Trade Deficit YY - Dec 2022	15-Jan-23

Events	Date
WPI Inflation YY - Dec 2022	16-Jan-23
Payroll Reporting in India - Nov 2022	25-Jan-23
Fiscal Deficit - Apr 2022 to Dec 2022	31-Jan-23
Infrastructure Output YY - Dec 2022	31-Jan-23

Commodity and Currency Round up

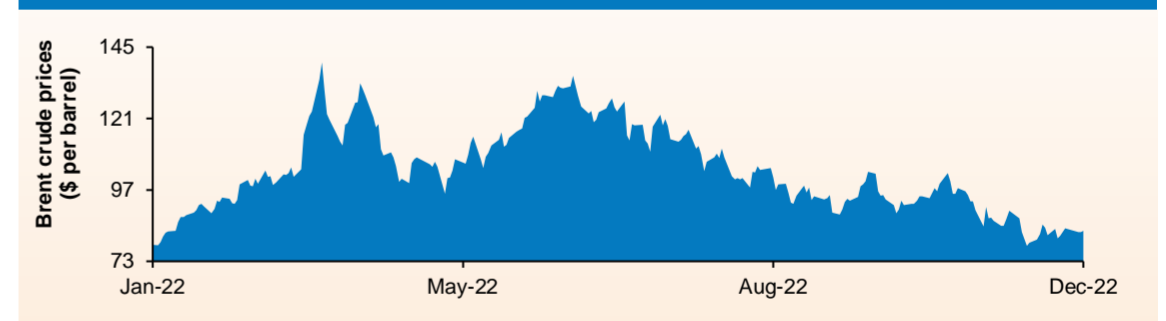
Commodity Market - Brent Crude

- Brent crude oil prices fell on concerns of a recession and slowdown in global growth. Losses were extended as the number of Covid cases in China increased, lowering expectations for a rebound in fuel demand in the second-largest oil consumer in the world.
- However, further losses were restricted after Russian President warned of a cut in oil output in response to a price cap on its crude oil exports. Supply tightness due to a lengthy shutdown of the Keystone pipeline also contributed to the upside.

Currency Market

- The Indian rupee fell against U.S. dollar following greenback demand from oil companies and other importers, losses in domestic equity market and worries over continued interest rate hikes by global central banks to tame inflation.
- However, slowdown in U.S. consumer price inflation in Nov 2022 restricted further losses.

Movement of Brent Crude Price Over 1 Year



Movement of Major Currencies (as on December 30, 2022)

Currency	30-Dec-22	Month Ago	Year Ago
INR/USD	82.79	81.60	74.30
INR/GBP	99.74	97.75	100.30
INR/EUR	88.15	84.45	84.05
INR/100 JPY	62.45	58.95	64.54

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