

Market Summary



Key Domestic Market Highlights

- Domestic equity markets rose initially during the month under review as market participants gave thumbs up to the Union Budget 2023. The government in the Union Budget increased its outlay on capital expenditure, significantly raised its spending on infrastructure, announced income tax sops for particularly younger taxpayers and at the same time adhered to the fiscal consolidation roadmap which boosted market sentiments. No change in capital gains structure as feared by the market was also a big relief.
- However, the trend reversed as persisting concerns over higher interest rates weighed on the markets. A slew of upbeat economic data from the U.S. reinforced perception among market participants that the U.S. economy was stronger than expected which led to worries over continued interest rate hikes by the U.S. Federal Reserve. The minutes of the U.S. Federal Reserve monetary policy review held from Jan 31 to Feb 1 revealed that some U.S. Federal Reserve officials advocated for larger rate hikes which added to the losses.
- Worries over geopolitical tension between U.S. and China also dented market sentiments. Higher global crude oil prices also contributed to the market downside. Continued selling by foreign institutional investors, volatility on account of monthly options expiry, rising U.S. Treasury yields, strengthening of the dollar index and weakening of the rupee too acted as headwinds for the markets.



Key Global Market Highlights

- U.S. equity markets fell on worries that the U.S. Federal Reserve may raise interest rates higher than currently anticipated and keep interest rates at an elevated level for an extended period of time.
- U.S. Treasury prices fell on worries that the U.S. Federal Reserve may keep interest rates at an elevated level for an extended period of time. Rate hike concerns arose following a slew of upbeat U.S. economic data and the release of the minutes of the U.S. Federal Reserve monetary policy review held from Jan 31 to Feb 1.
- European equity markets rose as the outcome of the monetary policy reviews by the European Central Bank and Bank of England boosted market sentiments. The Bank of England softened its stance on future tightening while the stance adopted by the European Central Bank was in line with market expectations. Market sentiments were further boosted after inflation in U.K. slowed for the third consecutive month in Jan 2023.
- Asian equity markets closed the month on a mixed note. Markets remained under pressure on rate hike jitters and worries of a slowdown in global growth. Concerns over geopolitical tensions between U.S. and China also added to the losses after the U.S. President made a surprise visit to Ukraine's capital Kyiv and China's top diplomat called for a negotiated settlement to the Ukraine war. However, hopes of more stimulus measures from China provided support to markets.

Category-wise Fixed Income Returns

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	CYTD
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%	UST 1.11%
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%	LIQ 1.08%
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%	ST 0.79%
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%	10 Y GILT 0.69%
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%	LT 0.56%

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 during the month under review as persisting concerns over higher interest rates weighed on the markets. Market participants worried that the U.S. Federal Reserve may raise interest rates higher than currently anticipated and keep interest rates at elevated levels for an extended period of time. Worries over geopolitical tension between U.S. and China also dented market sentiments. Continued selling by foreign institutional investors, volatility on account of monthly options expiry, strengthening dollar index and a weaker rupee against the greenback also acted as headwinds for the markets.
- On the BSE sectoral front, all the indices closed in red barring &P BSE FMCG and S&P BSE CG that rose 0.33% and 0.17% respectively. Both the sectors benefitted on hopes of a revival in consumption demand as the government is taking a series of initiatives to ensure that rural consumption is back on track. S&P BSE Power Index fell the most by 15.62% followed by S&P BSE Metal and S&P BSE Oil & Gas that came down 10.24% and 8.68% respectively. Most of the sectors remained under pressure due to concerns over slowdown in the economy led by high inflation and high interest rates.
- U.S. equity markets fell on worries that the U.S. Federal Reserve may raise interest rates higher than currently anticipated and keep interest rates at an elevated level for an extended period of time. Rate hike concerns arose following a slew of upbeat U.S. economic data and the release of the minutes of the U.S. Federal Reserve monetary policy review held from Jan 31 to Feb 1. Markets fell further after data showed an unexpected acceleration in the annual rate of growth by core consumer prices in U.S. for Jan 2023.
- European equity markets rose as the outcome of the monetary policy reviews by the European Central Bank and Bank of England boosted market sentiments. The Bank of England softened its stance on future tightening while the stance adopted by the European Central Bank was in line with market expectations. Market sentiments were further boosted after inflation in U.K. slowed for the third consecutive month in Jan 2023. However, gains were capped after Germany's economy shrank more than estimated in the fourth quarter of 2022. Renewed fears over geopolitical tensions between U.S. and China and worries over the U.S. interest rate outlook added to the losses.
- Asian equity markets closed the month on a mixed note. Markets remained under pressure on rate hike jitters and worries of a slowdown in global growth. Worries over geopolitical tensions between U.S. and China also added to the losses. However, hopes of more stimulus measures from China provided support to markets. Japanese markets benefitted after the incoming Bank of Japan governor backed the current easy policy.

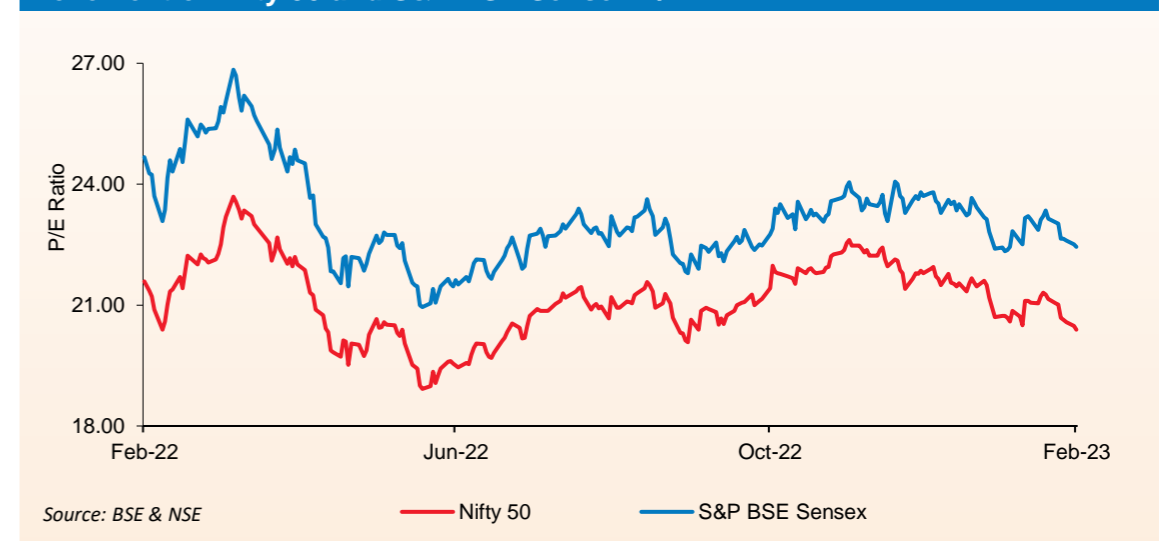
Broad Indices	28-Feb-23	% Change (MoM)	% Change (YoY)
S&P BSE Sensex	58,962.12	-0.99	4.83
Nifty 50	17,303.95	-2.03	3.04
S&P BSE 500	23,084.79	-2.92	1.51
Nifty 500	14,518.75	-2.79	1.47
S&P BSE Mid Cap	24,157.96	-1.97	3.44
Nifty Mid Cap 100	30,117.30	-1.82	6.71

Source: BSE & NSE

Sector Indices	28-Feb-23	% Change (MoM)	% Change (YoY)
S&P BSE Auto	29,225.99	-4.03	18.73
S&P BSE Bankex	45,608.78	-1.02	9.54
S&P BSE CD	37,460.43	-0.72	-13.08
S&P BSE CG	33,862.70	0.17	22.43
S&P BSE FMCG	16,162.14	0.33	24.25
S&P BSE HC	21,600.41	-3.96	-7.52
S&P BSE IT	29,404.44	-0.85	-12.23
S&P BSE Metal	18,986.49	-10.24	-8.65
S&P BSE Oil & Gas	16,915.04	-8.68	-2.31
S&P BSE Power Index	3,296.34	-15.62	-14.48
S&P BSE PSU	9,366.01	-3.95	11.78
S&P BSE Realty	3,152.06	-3.89	-9.06
S&P BSE Teck	13,345.51	-2.24	-10.45

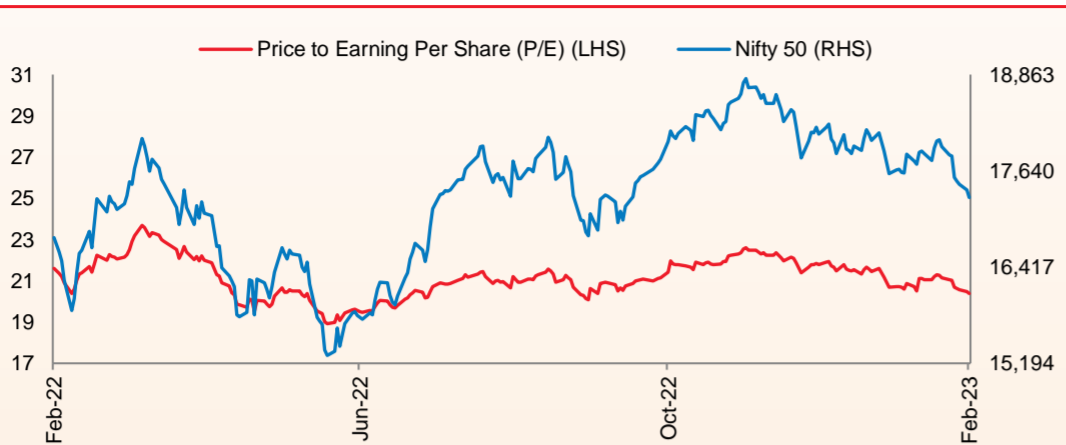
Source: BSE

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



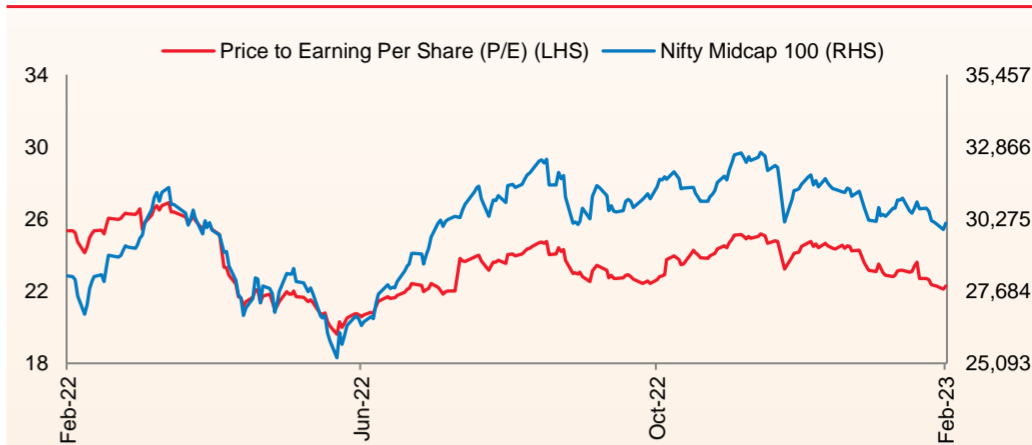
Country/Region	28-Feb-23	% Change (MoM)	% Change (YoY)
Nasdaq 100 (U.S.)	12,042.12	-0.49	-15.42
FTSE 100 (U.K.)	7,876.28	1.35	5.60
DAX (Germany)	15,365.14	1.57	6.25
Nikkei 225 (Japan)	27,445.56	0.43	3.46
SSEC (China)	3,279.61	0.74	-5.28

Equity Market Round Up



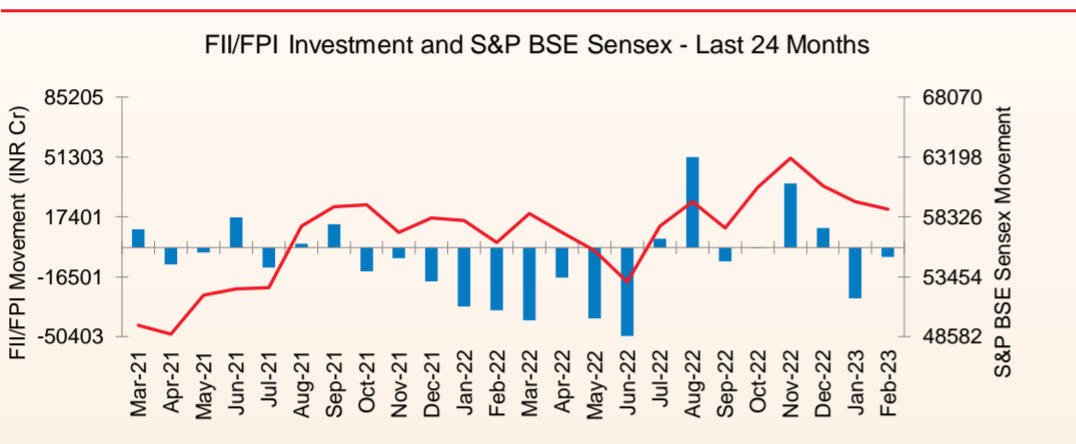
Source: NSE

During the month, S&P BSE Sensex and Nifty 50 fell 0.99% and 2.03% to close at 58,962.12 and 17,303.95 respectively.



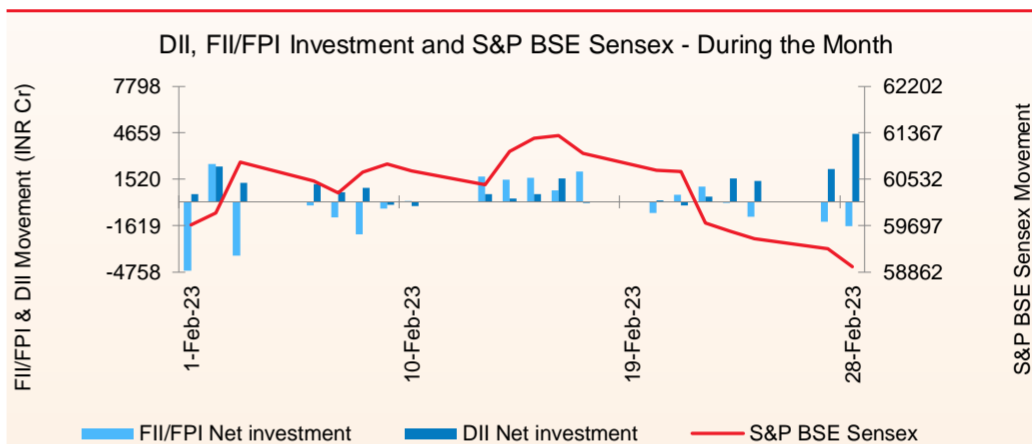
Source: NSE

During the month, Nifty Midcap 100 and Nifty Small cap 100 fell 1.82% and 3.64% to close at 30,117.3 and 9,155.6 respectively.



Source: MFI Explorer

Foreign portfolio investors (FPIs) were net seller of domestic stocks worth Rs. 5294.31 crore in Feb 2023 compared with net sell of Rs. 28,852.02 crore in Jan 2023.



Source: MFI Explorer

Domestic mutual funds remained net buyer in the equity segment to the tune of Rs. 12,824.670 crore in Feb 2023.

Returns of Major NSE Indices

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	CYTD
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%	IT 3.64%
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%	FMCG 1.74%
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%	Auto 0.95%
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 -3.99%
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%	Finance -5.22%
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%	Smallcap -5.88%
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%	Largecap -6.43%
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 -6.75%
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%	Realty -8.94%
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%	Media -14.42%
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%	PSU Bank -15.29%
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%	Metal -21.63%

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 market started the second month of 2023 on a positive note after the government's borrowing target announced in the Union Budget for the next financial year came better than market expectations. However, soon mood turned negative and yields rose mainly tracking rise in the U.S. Treasury yields on upbeat U.S. economic data that raised fears of another rate hike by the U.S. Federal Reserve (Fed). Yields also rose after the Monetary Policy Committee (MPC) raised key policy repo rates by 25 bps in its monetary policy review and kept the door open for further rate hikes as it was of the view that core inflation remained at elevated levels. Losses increased as scheduled government bond auctions during the month increased supply in the market and one auction also saw devolvement on primary dealers.
- Yield on the 10-year benchmark bond rose 12 bps to close at 7.46% compared with the previous months' close of 7.34%. Benchmark paper yield saw its largest monthly rise in Feb 2023 in the last five months.
- Yield on gilt securities rose by up to 55 bps across the maturities, barring 19 year paper that fell 2 bps while 30 year paper was steady. Yield on corporate bonds rose in the range of 4 to 16 bps across the curve. Difference in spread between corporate bond and gilt securities contracted in the range of 5 to 46 bps across the segments, except 15 year paper that expanded 15 bps.

Movement of 10-Year Benchmark Bond Rate

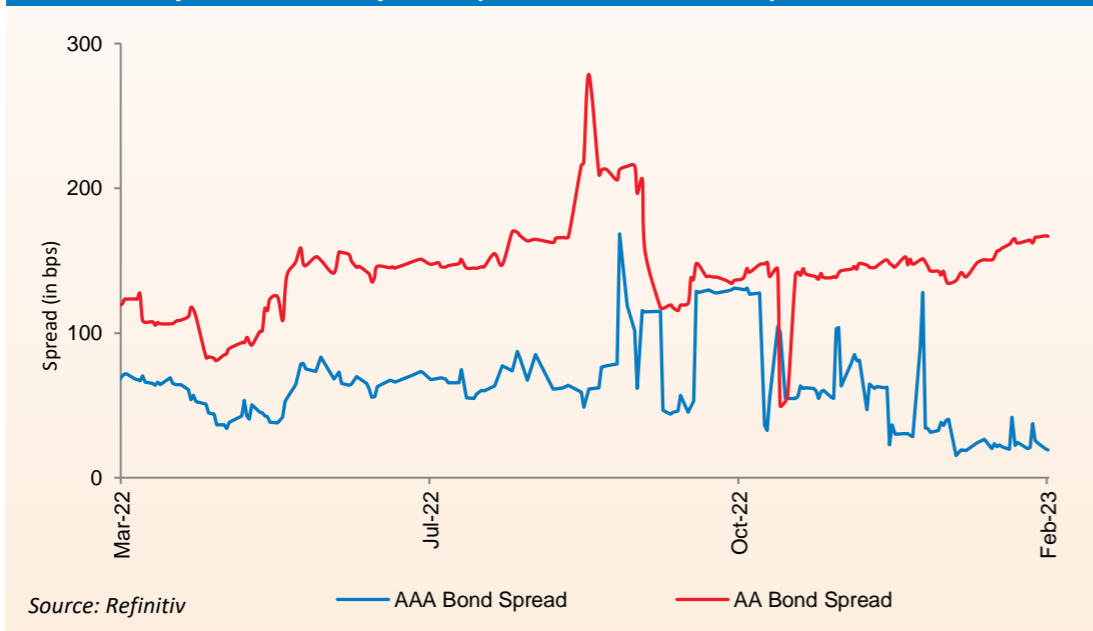


10 Year Corporate Bond Spread (for AAA & AA bonds)

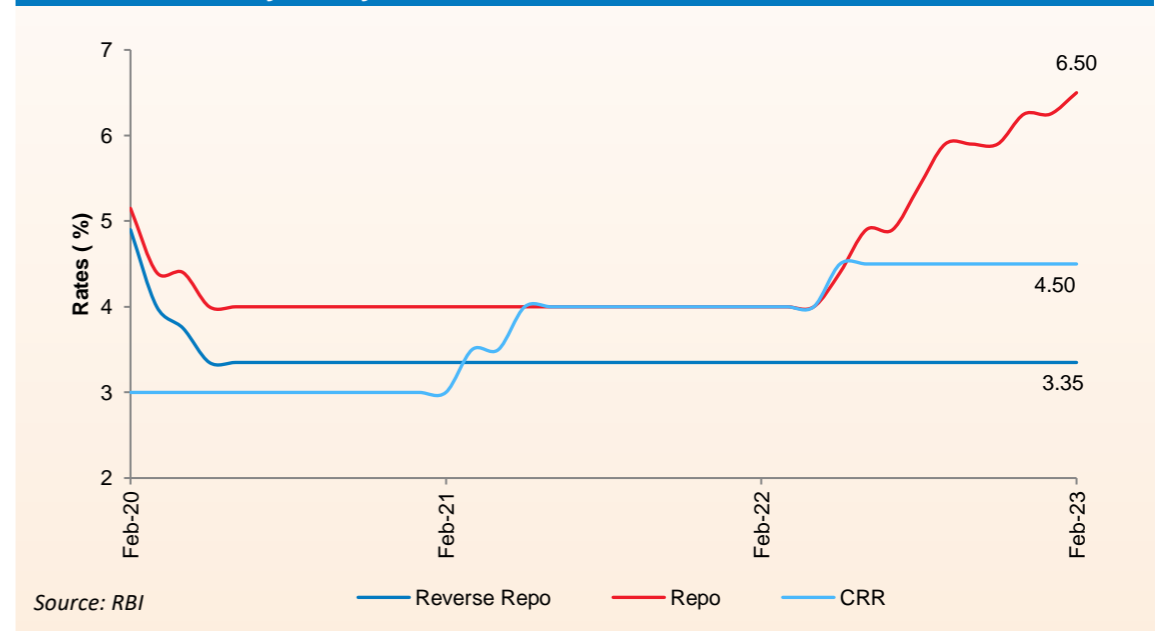
Date	Period	Spread	
		AAA	AA
28-Feb-23	1 Yr	43	94
	3 Yr	32	107
	5 Yr	29	99
31-Jan-23	1 Yr	89	108
	3 Yr	44	117
	5 Yr	43	103

Source: Refinitiv

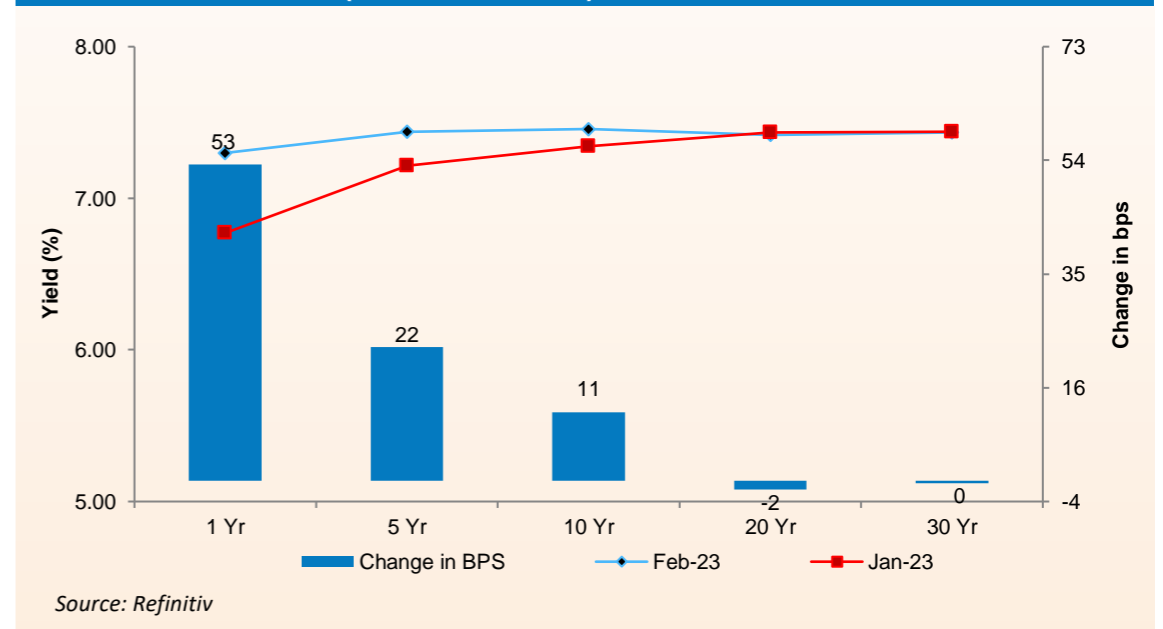
10 Year Corporate Bond Spread (for AAA & AA bonds)



Movements of Key Policy Rates in India



India Yield Curve Shift (Month-on-Month)



Macro-Economic Update and Key Events

Key Events

MPC hikes key policy repo rate by 25 bps to 6.50%

- The Monetary Policy Committee (MPC) in its bi-monthly monetary policy review raised key policy repo rate by 25 bps to 6.50% with immediate effect. This was the sixth consecutive rate hike by the MPC in this fiscal. The MPC also remained focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

India's GDP growth slowed to 4.4% in Q3FY23

- India's gross domestic product (GDP) grew 4.4% YoY for the quarter ended Dec 2022 as compared to a growth of 5.2% in the same period of the previous year. Gross Value Added (GVA) increased 4.6% YoY during the reported period, slower than 4.7% during Dec quarter of 2021. Sector wise under Gross Value Added (GVA), manufacturing sector recorded a negative growth of 1.1% while mining sector rose 3.7%, much slower than 1.3% and 5.4% rise, respectively in the year ago period. Agriculture and construction sector growth accelerated to 3.7% and 8.4% from 2.3% and 0.2%, respectively while public administration, defence and other services, which represent government expenditure, growth slowed to 2.0% from 10.6% in the same period of the previous year.

India's retail inflation accelerated in Jan 2023

- Consumer Price Index based inflation (CPI) accelerated in Jan 2023 after touching twelve-month low in the previous month. CPI grew 6.52% YoY in Jan 2023 from 5.72% in Dec 2022 and 6.01% in Jan 2022. Retail inflation went above the upper tolerance level of the Reserve Bank of India's retail inflation target of 6% after remaining below in the previous two months.

Manufacturing PMI fell to 55.3 in Feb 2023

- According to S&P Global, India's Manufacturing Purchasing Managers' Index fell to a four-month low of 55.3 in Feb 2023 from 55.4 in Jan 2023.

Key Rates (%)	Current	Month Ago	Year Ago
Reverse Repo	3.35	3.35	3.35
Repo	6.50	6.25	4.00
CRR	4.50	4.50	4.00
SLR	18.00	18.00	18.00
Bank Rate	6.75	6.50	4.25

Source: RBI

Key Indicator	Period	Current Month	Previous Month
CPI - Monthly	Jan-23	6.52%	5.72%
WPI - Monthly	Jan-23	4.73%	4.95%
IIP - Monthly	Dec-22	4.30%	7.30%
Export (Y-o-Y) - Monthly	Jan-23	-6.59%	-12.20%
Import (Y-o-Y) - Monthly	Jan-23	-3.63%	-3.46%
Trade Deficit - Monthly	Jan-23	17.75	23.76

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	(5,294)	(28,852)	(34,146)
DII Flows	19,239	33,941	53,180
MF Flows	12,825	22,933	35,758

Source: CDSL, NSE & SEBI

Institutional Flows (Debt)			
Net Flow (INR Crore)	Current Month	Previous Month	Year to Date
FII Flows	2,436	3,531	5,967
MF Flows	(12,868)	(9,032)	(21,901)

Source: NSDL & SEBI

Events for March 2023

Events	Date
Industrial Output YY - Jan 2023	10-Mar-23
Manufacturing Output YY - Jan 2023	10-Mar-23
CPI Inflation YY - Feb 2023	13-Mar-23
CPI Food Inflation YY - Feb 2023	13-Mar-23

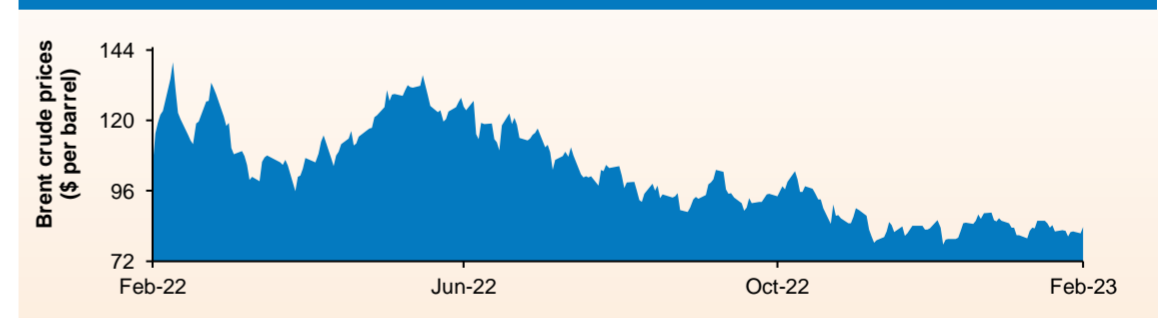
Events	Date
WPI Inflation YY - Feb 2023	14-Mar-23
Payroll Reporting in India - Jan 2023	24-Mar-23
Fiscal Deficit - Apr 2022 to Feb 2023	31-Mar-23
Infrastructure Output YY - Feb 2023	31-Mar-23

Commodity and Currency Round up

Commodity Market - Brent Crude

- Brent crude oil prices inched up after the International Energy Agency and the Organization of the Petroleum Exporting Countries raised their forecasts for global oil demand growth this year, citing expectations for more Chinese demand.
- Prices rose further on prospects of lower Russian exports after Russia announced to cut oil exports from its western ports by up to 25% in Mar 2023. However, most of the gains were neutralized on worries over continued interest rate hikes from the U.S. Federal Reserve.

Movement of Brent Crude Price Over 1 Year



Currency Market

- Rupee fell against U.S. dollar after upbeat U.S. jobs data and service sector activity data for Jan 2023 increased concerns of aggressive interest rate hikes by the U.S. Federal Reserve.
- Rupee fell further following unexpectedly high U.S. inflation raising expectations that the U.S. Fed will continue to raise interest rates to curb inflation. Rupee fell further following losses in domestic equity market.

Movement of Major Currencies (as on February 28, 2023)

Currency	28-Feb-23	Month Ago	Year Ago
INR/USD	82.68	81.74	75.49
INR/GBP	99.60	100.90	100.92
INR/EUR	87.55	88.60	84.26
INR/100 JPY	60.68	62.77	65.34

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