

Market Summary



Key Domestic Market Highlights

- Indian equity market ended the month in the negative territory, weighed down by global and domestic inflationary pressure, coupled with rate hike stance adopted by central banks of major economies. Meanwhile, instances of encouraging quarterly earning numbers, positive cues from Asian bourses and bargain hunting seen in the second half of the month provided underlying support to the bourses.
- Bourses commenced the month on a negative note with Reserve Bank of India (RBI) joining global central banks in raising interest rates as it hiked the key repo rate by 40 bps. The move had severely dented investors' confidence as borrowing costs are set to rise for producers and consumers alike.
- Weak global cues also dragged bourses with Bank of England hiking interest rates to a 13-year high of 1% and warning of looming risks of a recession. Meanwhile, Fed's announcement of its widely expected decision to raise interest rates by 50 basis points generated mixed reaction. While investors found some relief after Fed Chief indicated that the central bank does not plan to raise interest rates as aggressively as some had feared, a section of the market participants remained worried over probable foreign fund outflow from domestic market as a result of this decision.
- Back home, inflationary concerns loomed large after domestic retail inflation rose to 7.79% in Apr. This is the fourth consecutive month that the CPI data has breached the RBI's upper margin of 6%.



Key Global Market Highlights

- U.S. equity markets fell during the month under review amid substantial volatility. Market participants remained concerned over high inflation and that aggressive monetary policy tightening by the U.S. Federal Reserve may push the U.S. economy towards recession.
- U.S. Treasury prices rose as fears of a global economic slowdown spooked market participants which boosted the safe-haven appeal of the U.S. Treasuries.
- European markets closed on a mixed note during the month under review. Market sentiment got support after the British Finance Minister announced a slew of measures to tackle the country's cost-of-living crisis. Gains were extended following upbeat economic data from the Euro Zone with the U.K. unemployment falling to its lowest since 1974 in the first quarter of 2022, Euro Zone GDP growing in the same period and German business sentiment improving in May 2022. However, gains were capped as market participants assessed the outlook for inflation and interest rates.
- Asian markets largely closed on a positive note during the month under review. Market participants remained optimistic after the People's Bank of China cut the five-year loan prime rate to give a boost to the country's moribund housing market and its struggling economy. Sentiments were further boosted after the government of China announced a slew of measures covering fiscal, financial, investment and industrial policies to revive its pandemic-ravaged economy.

Category-wise Fixed Income Returns

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	CYTD
10 Y Gilt 10.61%	LD 9.05%	LT 14.31%	LD 8.94%	10 Y Gilt 14.93%	LD 6.80%	LD 7.69%	LT 10.72%	LT 12.25%	ST 4.38%	LIQ 3.86%
LD 10.20%	LIQ 9.03%	10 Y Gilt 14.14%	ST 8.66%	LT 12.91%	LIQ 6.66%	LIQ 7.58%	10 Y Gilt 10.46%	ST 10.39%	LD 4.23%	LD 3.16%
LT 9.34%	ST 8.27%	ST 10.47%	LT 8.63%	ST 9.82%	ST 6.05%	ST 6.65%	ST 9.53%	10 Y Gilt 9.23%	LIQ 3.60%	ST 0.14%
ST 9.10%	LT 3.79%	LD 9.87%	LIQ 8.23%	LD 9.02%	LT 4.71%	10 Y Gilt 6.03%	LD 8.60%	LD 7.45%	LT 3.44%	LT -4.42%
LIQ 8.50%	10 Y Gilt -0.68%	LIQ 9.21%	10 Y Gilt 7.39%	LIQ 7.48%	10 Y Gilt -0.05%	LT 5.91%	LIQ 6.86%	LIQ 4.60%	10 Y Gilt 1.35%	10 Y Gilt -9.44%

LIQ	Liquid Returns represented by Crisil Liquid Fund Index
ST	Short Term Returns represented by Crisil Short Term Bond Fund Index
LT	Long Term Returns represented by Crisil Composite Bond Fund Index
LD	Low Duration Returns represented by Crisil Low Duration Index
10 Y Gilt	10 Year G-sec Returns represented by Crisil 10 year Gilt Index

Source: MFI Explorer

Equity Market Round Up

Equity Market Commentary

- Indian equity market ended the month in the negative territory, weighed down by global and domestic inflationary pressure, coupled with rate hike stance adopted by central banks of major economies. Meanwhile, instances of encouraging quarterly earning numbers, positive cues from Asian bourses and bargain hunting seen in the second half of the month provided underlying support to the bourses.
- U.S. equity markets mostly remained subdued during the month under review amid substantial volatility. Market participants remained concerned over high inflation and that aggressive monetary policy tightening by the U.S. Federal Reserve may push the U.S. economy towards recession. Persisting worries over the global economic outlook amid the ongoing unrest between Russia and Ukraine also weighed on the market sentiment. Downbeat U.S. economic data too contributed to the downside as initial jobless claims unexpectedly increased in the week ended May 14, existing home sales fell in Apr 2022 and Philadelphia-area manufacturing activity showed a significant slowdown in May 2022. However, further losses were restricted after data showed that the annual rate of core consumer price growth in U.S. slowed in Apr 2022 from Mar 2022 which made market participants optimistic that the U.S. Federal Reserve might slow down the pace of monetary policy tightening in the second half of the year.
- European markets closed on a mixed note during the month under review. Market sentiment got support after the British Finance Minister announced a slew of measures to tackle the country's cost-of-living crisis. The British Finance Minister also introduced a "windfall tax" on the profits of oil and gas companies. Market sentiments were also boosted following upbeat economic data from the Euro Zone with the U.K. unemployment falling to its lowest since 1974 in the first quarter of 2022, Euro Zone GDP growing in the same period and German business sentiment improving in May 2022. However, gains were capped as market participants assessed the outlook for inflation and interest rates. Uncertainty over the ongoing war between Russia and Ukraine and COVID-19 lockdowns in China also weighed on the market sentiment.
- Asian markets largely closed on a positive note during the month under review. Market participants remained optimistic after the People's Bank of China cut the five-year loan prime rate to give a boost to the country's moribund housing market and its struggling economy. Sentiments were further boosted after the government of China announced a slew of measures covering fiscal, financial, investment and industrial policies to revive its pandemic-ravaged economy. Market participants also remained hopeful of a turnaround in the Chinese economy amid signs of easing COVID-19 curbs in Beijing and Shanghai. However, concerns over the global economic outlook due to rising inflation and higher interest rates weighed on the market sentiment to some extent.

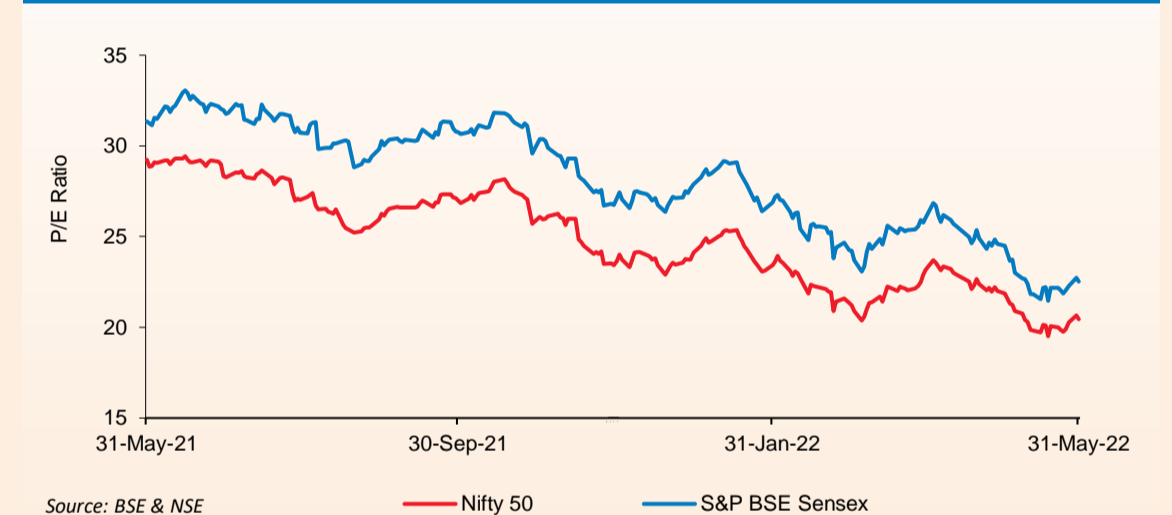
Broad Indices	31-May-22	% Change (MoM)	% Change (YoY)
S&P BSE Sensex	55,566.41	-2.62	6.99
Nifty 50	16,584.55	-3.03	6.43
S&P BSE 500	22,497.64	-4.48	6.85
Nifty 500	14,119.60	-4.49	6.75
S&P BSE Mid Cap	23,143.82	-5.22	6.37
Nifty Mid Cap 100	28,288.35	-5.33	9.75

Source: BSE & NSE

Sector Indices	31-May-22	% Change (MoM)	% Change (YoY)
S&P BSE Auto	26,453.69	4.93	12.37
S&P BSE Bankex	40,907.30	-1.51	1.39
S&P BSE CD	37,998.73	-10.94	13.81
S&P BSE CG	27,144.60	-0.83	20.65
S&P BSE FMCG	14,166.70	0.60	7.89
S&P BSE HC	22,466.60	-7.70	-8.43
S&P BSE IT	30,128.59	-5.82	9.22
S&P BSE Metal	18,100.16	-16.41	-4.12
S&P BSE Oil & Gas	18,606.99	-4.57	12.96
S&P BSE Power Index	4,226.34	-11.50	50.06
S&P BSE PSU	8,483.05	-4.13	11.53
S&P BSE Realty	3,278.26	-7.10	22.32
S&P BSE Teck	13,629.40	-4.95	11.15

Source: BSE

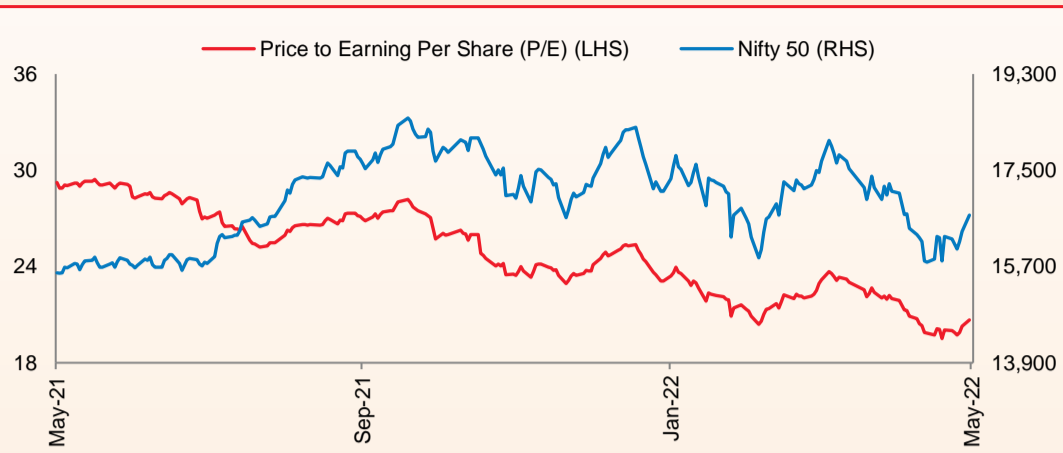
Movement of Nifty 50 and S&P BSE Sensex P/E



Source: BSE & NSE

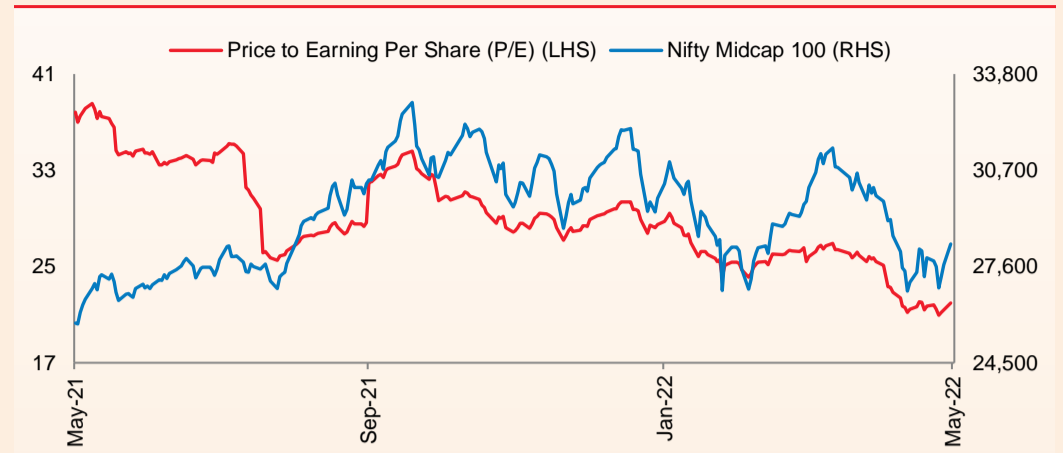
Country/Region	31-May-22	% Change (MoM)	% Change (YoY)
Nasdaq 100 (U.S.)	12,642.10	-1.65	-7.63
FTSE 100 (U.K.)	7,607.66	0.84	8.33
DAX (Germany)	14,388.35	2.06	-6.70
Nikkei 225 (Japan)	27,279.80	1.61	-5.48
SSEC (China)	3,186.43	4.57	-11.87

Equity Market Round Up



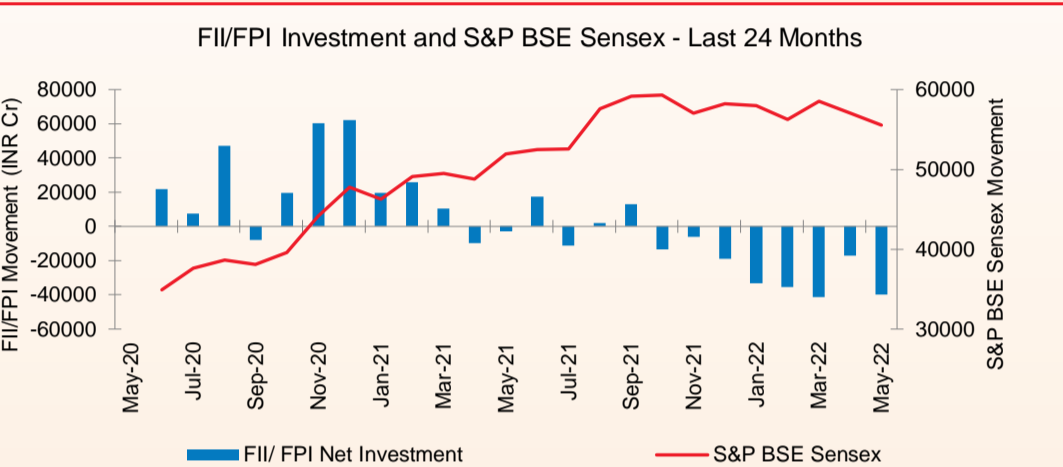
Source: NSE

During the month, S&P BSE Sensex and Nifty 50 slipped 2.62% and 3.03% to close at 55,566.41 and 16,584.55, respectively.



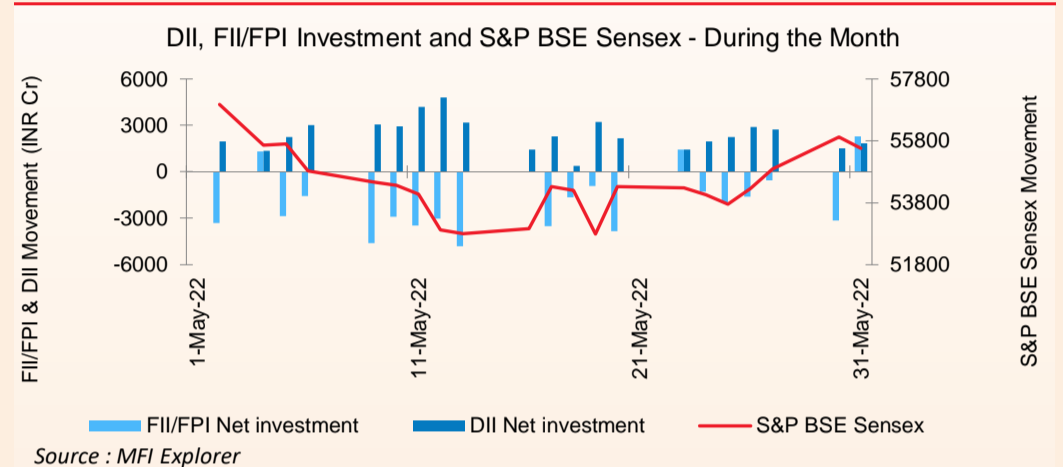
Source: NSE

During the month, Nifty Midcap 100 and Nifty Small cap 100 fell 5.33% and 10.22% to close at 28,288.35 and 9,208.50, respectively.



Source: MFI Explorer

Foreign portfolio investors (FPIs) were net seller of domestic stocks worth Rs. 39,993.22 crore compared with net sale of Rs. 17,143.75 crore in Apr 2022.



Source: MFI Explorer

Domestic mutual funds remained net buyers in the equity segment to the tune of Rs. 35,745.44 crore in May 2022 (updated till May 30).

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%	Auto 5.94%
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%	FMCG 3.02%
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%	PSU Bank 1.79%
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%	Metal -3.42%
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%	Largecap -4.83%
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%	Finance -4.93%
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%	Media -7.49%
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%	Midcap -8.03%
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%	Pharma -11.38%
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%	Smallcap -11.86%
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%	Realty -14.96%
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 -23.31%

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

Financa 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 Market Commentary

- Bond yields surged after the Monetary Policy Committee (MPC) unexpectedly raised the key policy repo rate for the first time in four years. The MPC hiked the key policy repo rate by 40 bps. Yields rose further after consumer inflation in Apr 2022 reached a near 8-year high, which increased probability of aggressive rate hikes ahead. Yields rose as higher global crude oil prices put further pressure on the India's inflation outlook. Fresh supply of sovereign debt through weekly debt auction also weighed on the market sentiment.
- Yield on the 10-year benchmark bond surged 28 bps to close at 7.42% compared with the previous months' close of 7.14%. During the month, benchmark paper rose again to its highest level in three years.
- Yield on gilt securities surged in the range of 23 to 127 bps across the maturities. Yield rose the most on 1 year paper and the least on 19 year paper. Yield on corporate bonds went up in the range of 20 to 100 bps across the curve. Yield rose the most on 1 year paper and the least on 15 year paper. Difference in spread between corporate bond and gilt securities expanded in the range of 13 to 61 bps across the segments, except 1, 2 & 15 year papers that contracted 27, 21 & 13 bps, respectively. Spread rose the most on 6 year paper and the least on 3 year paper.

Movement of 10-Year Benchmark Bond Rate



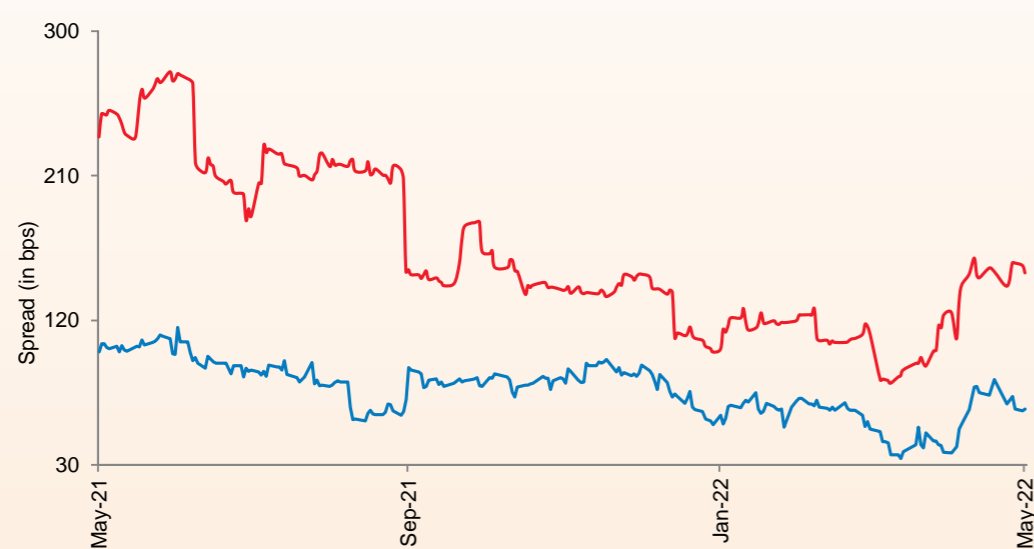
Source: Refinitiv

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

Date	Period	Spread	
		AAA	AA
31-May-22	1 Yr	30	69
	3 Yr	26	43
	5 Yr	83	75
29-Apr-22	1 Yr	57	117
	3 Yr	17	53
	5 Yr	40	82

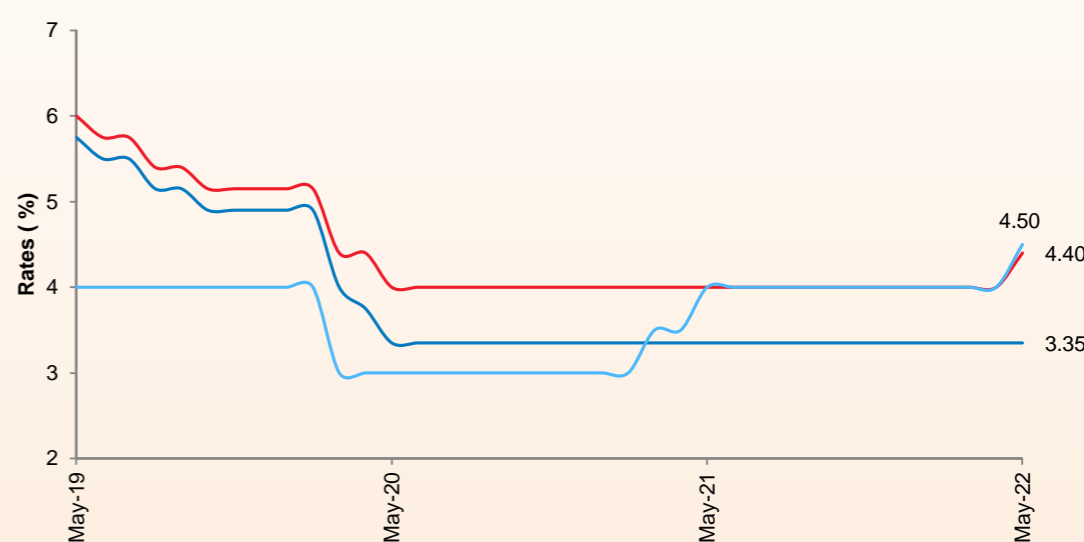
Source: Refinitiv

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



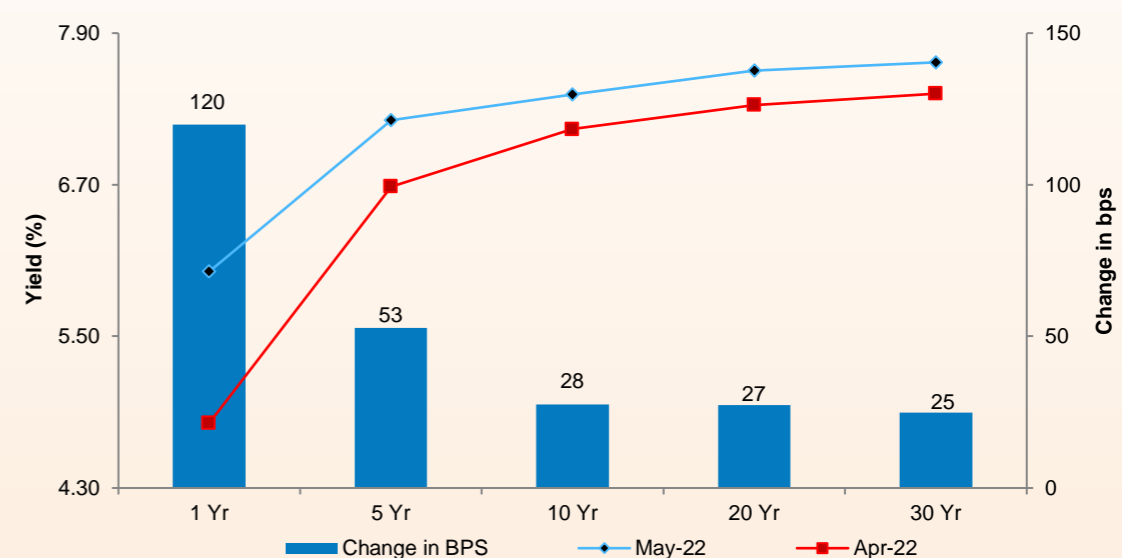
Source: Refinitiv

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

India's GDP grew 4.1% on a yearly basis for the quarter ended Mar 2022

- Government data showed that India's gross domestic product (GDP) at constant (2011-12) prices grew 4.1% on a yearly basis for the quarter ended Mar 31, 2022 as compared to a growth of 5.4% in the previous quarter and a growth of 2.5% in the same period of the previous year. Meanwhile, the overall growth recorded for the FY22 is estimated at 8.7% as against a contraction of 6.6% in FY21. During the Mar 2022 quarter, Gross Value Added (GVA) for agriculture grew at 4.1% while manufacturing contracted 0.2%. Public administration, defence and other services, which represent government expenditure, grew 7.7% during the Mar quarter, boosting overall economic growth. Among other sectors, mining and quarrying and construction grew 6.7% and 2% respectively.

MPC hiked the repo rate by 40 bps to 4.40%

- In a surprise move, the Monetary Policy Committee hiked the repo rate by 40 bps to 4.40% with immediate effect. The cash reserve ratio (CRR) was also increased by 50 basis points to 4.5%, starting May 21, 2022. The current standing deposit facility rate is 4.15%, whereas the marginal standing deposit facility rate and the bank rate are both 4.65%.

India's consumer price index-based inflation (CPI) rose to 7.79% in Apr 2022

- India's consumer price index-based inflation (CPI) rose to 7.79% in Apr 2022 as against 6.95% in Mar 2022. The CPI rose due to rising food and fuel prices. Consumer Food Price Index (CFPI) also rose 8.38% as compared to 7.68% in the previous month. The CPI continued to remain above the upper limit of Reserve Bank of India's tolerance band.

Key Rates (%)	Current	Month Ago	Year Ago
Reverse Repo	3.35	3.35	3.35
Repo	4.40	4.00	4.00
CRR	4.50	4.00	4.00
SLR	18.00	18.00	18.00
Bank Rate	4.65	4.25	4.25

Source: RBI

Key Indicator	Period	Current Month	Previous Month
CPI - Monthly	Apr-22	7.79%	6.95%
WPI - Monthly	Apr-22	15.08%	14.55%
IIP - Monthly	Mar-22	1.90%	1.50%
Export (Y-o-Y) - Monthly	Apr-22	30.70%	19.76%
Import (Y-o-Y) - Monthly	Apr-22	30.97%	24.21%
Trade Deficit - Monthly	Apr-22	20.11	18.51

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	(39,993)	(17,144)	(167,156)
DII Flows	50,836	30,843	185,368
MF Flows	27,360	21,964	116,213

Source: CDSL, NSE & SEBI

Institutional Flows (Debt)			
Net Flow (INR Crore)	Current Month	Previous Month	Year to Date
FII Flows	(5,506)	(4,439)	(13,455)
MF Flows	(13,326)	7,911	(3,282)

Source: NSDL & SEBI

Events for June 2022

Events	Date
Industrial Output YY - Apr 2022	10-Jun-22
Manufacturing Output YY - Apr 2022	10-Jun-22
CPI Inflation YY - May 2022	13-Jun-22
CPI Food Inflation YY - May 2022	13-Jun-22

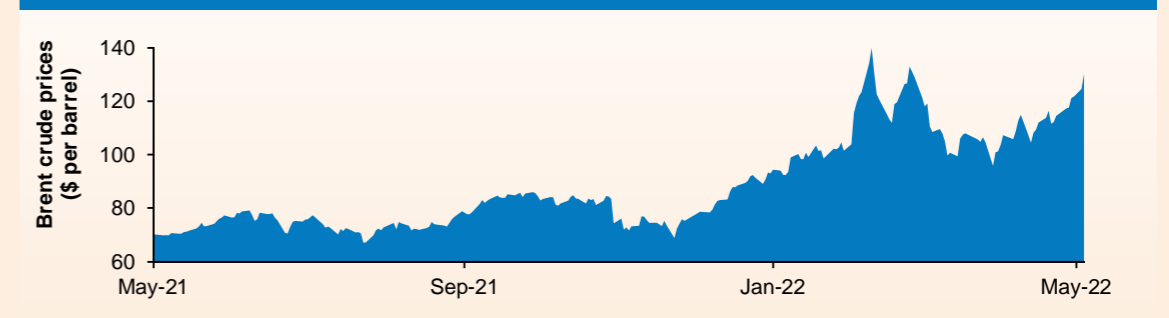
Events	Date
WPI Inflation YY - May 2022	14-Jun-22
Trade Deficit - May 2022	15-Jun-22
Payroll Reporting in India - Apr 2022	24-Jun-22
Infrastructure Output - May 2022	30-Jun-22

Commodity and Currency Round up

Commodity Market - Brent Crude

- Brent Crude prices rose during the month under review supported by a prospect of a tight market due to rising gasoline consumption in the U.S. in summer, coupled with the possibility of a ban on Russian oil by the European Union.
- However, concerns that a slowdown in global growth may impact demand of oil capped the gains.

Movement of Brent Crude Price Over 1 Year



Currency Market

- The Indian rupee fell against the U.S. dollar following losses in the domestic equity market amid concerns over slowing economic growth.
- The Indian rupee weakened further against the greenback on concerns that rising inflation may result in more aggressive monetary policy tightening by global central banks.

Movement of Major Currencies (as on May 31, 2022)

Currency	31-May-22	Month Ago	Year Ago
INR/USD	77.66	76.42	72.52
INR/GBP	97.87	95.71	102.87
INR/EUR	83.41	80.58	88.42
INR/100 JPY	60.73	58.66	66.08

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