

## Market Summary



### Key Domestic Market Highlights

- Domestic equities fell after a major global credit rating agency downgraded the credit rating of the U.S. economy which led to an all-round sell off in the global equity market and rattled the investor risk sentiment. Sentiments were further dampened after the Reserve Bank of India in its monetary policy expressed concerns about the evolving inflation situation within the country. The outcome led to worries that the key policy repo rate may remain elevated for a prolonged period and any possibility of a rate cut may be delayed.
- Losses were extended after domestic retail inflation print for Jul 2023 overshot market expectations by a huge margin. The data led to worries of further monetary policy tightening by the Reserve Bank of India in the coming months. Domestic equities also remained under pressure after minutes of the U.S. Federal Reserve's policy meeting held in Jul 2023 showed that most U.S. Federal Reserve officials remained wary of significant upside risks to inflation, which raised concerns of further tightening of monetary policy.
- Domestic equity markets continued with its downward trend after minutes of the Reserve Bank of India's monetary policy review held in Aug 2023 flagged near term inflation risks.
- Market volatility ahead of expiry day on Aug 31 for futures & options further kept the overall market sentiment muted. However, further losses were restricted towards the end of the month after policymakers in China announced a slew of measures to boost the growth prospects of China's economy.



### Key Global Market Highlights

- U.S. equity markets fell after a major global credit rating agency downgraded the credit rating of the U.S. economy by one notch to 'AA+' from 'AAA'. Concerns over China's economy also weighed on the market sentiment. However, further losses were restricted following a slew of weak U.S. economic data which eased concerns of continued interest rate hikes by the U.S. Federal Reserve.
- U.S. Treasury prices fell after minutes from the U.S. Federal Reserve's July meeting showed that U.S. Federal Reserve officials were divided over the need for more interest rate hikes, though "most" policymakers continued to prioritize the battle against inflation.
- European equity markets fell after Bank of England raised interest rates by 25 bps to a new 15-year high to clamp down on inflation. The sell off was exacerbated on worries over U.S. economy after a major global credit rating agency downgraded U.S. government's credit rating from AAA to AA+, citing fiscal deterioration and repeated debt ceiling standoffs.
- Asian equity markets fell following weak global manufacturing activity data for Jul 2023 which included China, Japan, South Korea, Taiwan and Vietnam that raised fresh concerns about Asia's fragile economic recovery. Lingering worries about the Chinese economy after a prominent Chinese property developer filed for bankruptcy in New York also weighed on the market sentiment.

## 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%	10 Y GILT 5.62%
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 5.14%
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 5.12%
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%	ST 4.88%
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 4.80%

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 uncertainty over the interest rate outlook in U.S. hurt market sentiment. Concerns over slowdown in China's economy added to the losses. Markets also remained under pressure after the Reserve Bank of India expressing concerns about the evolving inflation situation within the country which led to worries that the key policy repo rate may remain elevated for a prolonged period and any possibility of a rate cut may be delayed. However, further losses were restricted after policymakers in China announced a slew of measures to boost the growth prospects of China's economy.
- On the BSE Sectoral front, S&P BSE Oil & Gas fell the most by 5.03% followed by S&P BSE Bankex and S&P BSE FMCG which came down 4.01% and 2.75% respectively. The oil and gas sector fell after the Indian government hiked windfall profit tax levied on crude oil, diesel and Aviation Turbine Fuel (ATF) effective from Aug 15, 2023. The banking sector also came under pressure after Reserve Bank of India decided to impose an incremental Cash Reserve Ratio with effect from the fortnight beginning Aug 12, 2023. The FMCG sector witnessed losses on concerns that domestic inflationary pressures may go up. However, signs of moderation in U.S. inflation and hopes that demand environment for discretionary spending will progressively get better boosted the IT sector.
- U.S. equity markets fell after a major global credit rating agency downgraded the credit rating of the U.S. economy by one notch to 'AA+' from 'AAA'. Concerns over China's economy also weighed on the market sentiment. However, further losses were restricted towards the end of the month after a prominent U.S. chipmaker reported upbeat earning numbers for the quarter ended Jun 2023 which exceeded expectations. Gains were extended following a slew of weak U.S. economic data which eased concerns of continued interest rate hikes by the U.S. Federal Reserve.
- European equity markets fell after Bank of England raised interest rates by 25 bps to a new 15-year high to clamp down on inflation. Sentiments were also hit after China's exports and imports fell in Jul 2023 which fueled concerns of a slowdown in global growth.
- Asian equity markets fell following weak global manufacturing activity data for Jul 2023 which included China, Japan, South Korea, Taiwan and Vietnam that raised fresh concerns about Asia's fragile economic recovery. Lingering worries about the Chinese economy after a prominent Chinese property developer filed for bankruptcy in New York also weighed on the market sentiment. Sentiments were hit further after a major global credit rating agency warned that it may reconsider China's A+ sovereign credit score due to its growing economic woes. However, Asian equity markets received some support towards the end of the month after policymakers in China announced a slew of measures to improve the growth prospects of China's economy.

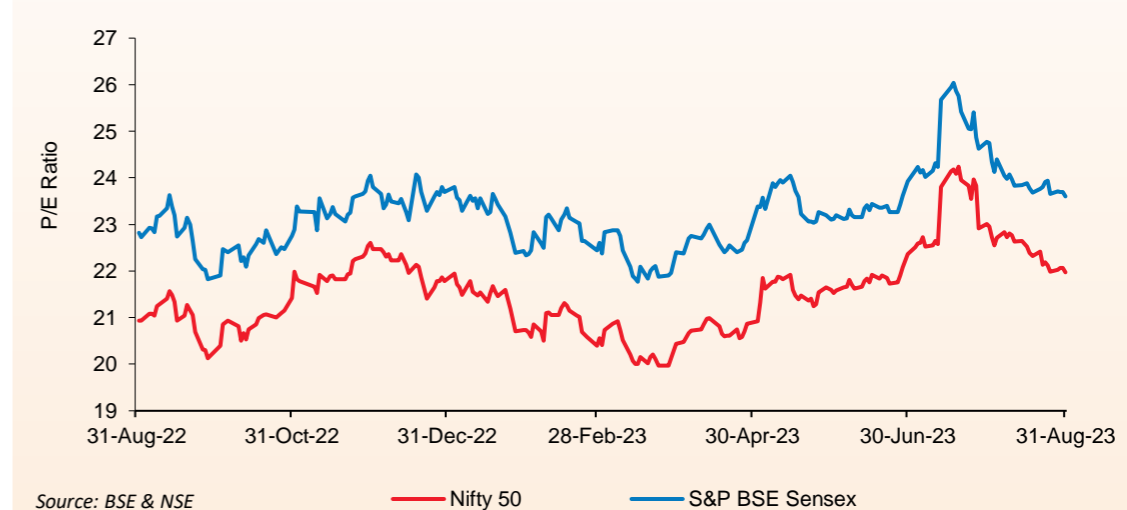
Broad Indices	31-Aug-23	% Change (MoM)	% Change (YoY)
S&P BSE Sensex	64,831.41	-2.55	8.87
Nifty 50	19,253.80	-2.53	8.39
S&P BSE 500	26,848.76	-0.81	9.84
Nifty 500	16,924.30	-0.79	10.41
S&P BSE Mid Cap	31,200.60	2.57	22.73
Nifty Mid Cap 100	39,118.65	3.70	24.18

Source: BSE & NSE

Sector Indices	31-Aug-23	% Change (MoM)	% Change (YoY)
S&P BSE Auto	35,513.33	-1.40	17.02
S&P BSE Bankex	49,371.95	-4.01	8.97
S&P BSE CD	44,564.97	4.24	4.33
S&P BSE CG	45,215.72	2.66	40.18
S&P BSE FMCG	18,464.75	-2.75	15.69
S&P BSE HC	27,894.79	0.57	21.15
S&P BSE IT	31,528.24	4.13	9.01
S&P BSE Metal	21,817.72	-1.64	13.79
S&P BSE Oil & Gas	18,446.17	-5.03	-9.06
S&P BSE Power Index	4,351.96	-0.63	-16.71
S&P BSE PSU	11,436.56	-2.50	25.76
S&P BSE Realty	4,468.16	-1.50	21.00
S&P BSE Teck	14,046.61	2.72	5.94

Source: BSE

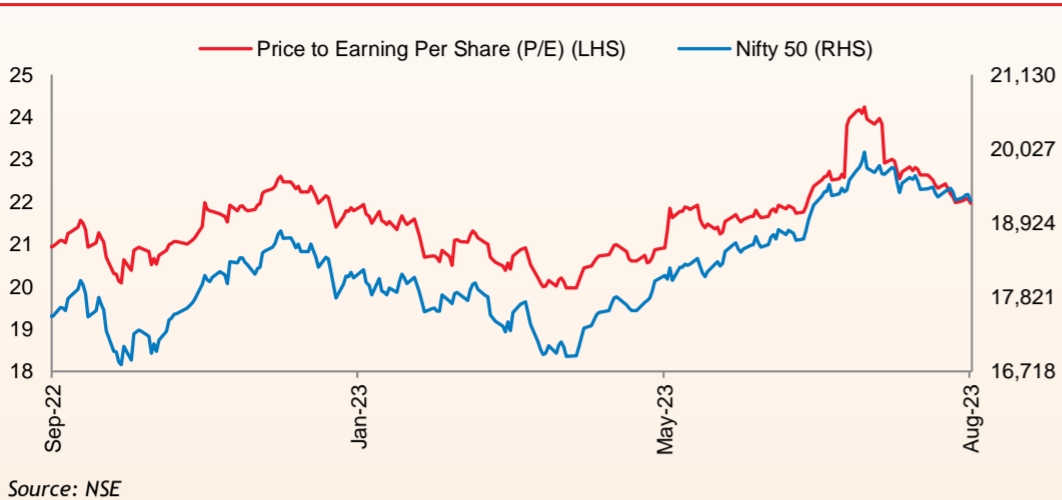
### Movement of Nifty 50 and S&P BSE Sensex P/E



Country/Region	31-Aug-23	% Change (MoM)	% Change (YoY)
Nasdaq 100 (U.S.)	15,501.07	-1.62	26.31
FTSE 100 (U.K.)	7,439.13	-3.38	2.13
DAX (Germany)	15,947.08	-3.04	24.25
Nikkei 225 (Japan)	32,619.34	-1.67	16.12
SSEC (China)	3,119.88	-5.20	-2.57

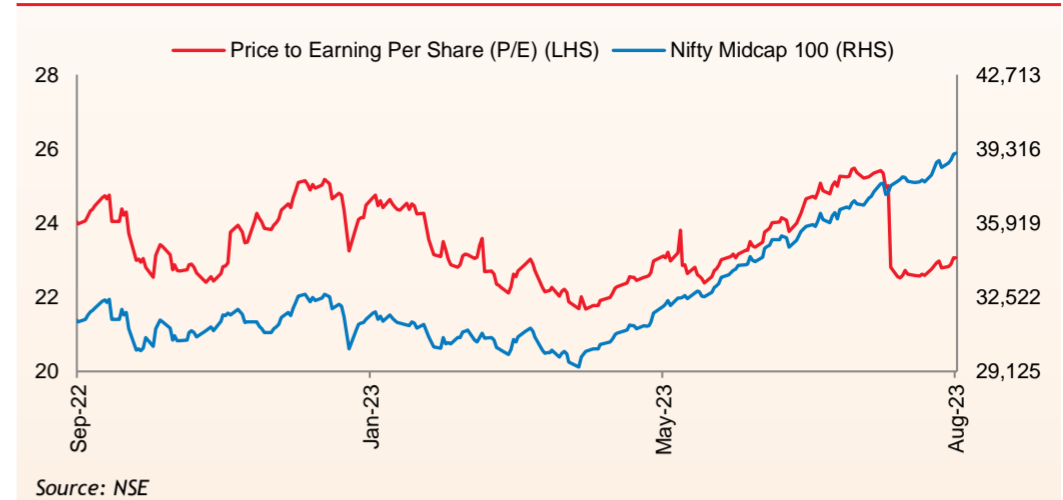
<sup>[1]</sup>Data as on 23 Aug, 2023

# Equity Market Round Up



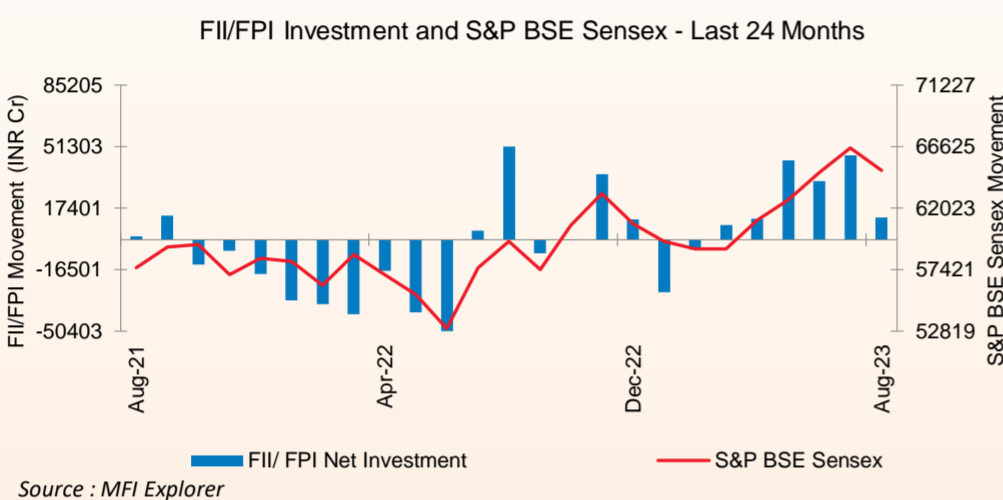
Source: NSE

During the month, S&P BSE Sensex and Nifty 50 fell 2.55% and 2.53% respectively to close at 64,831.41 and 19,253.8 respectively.



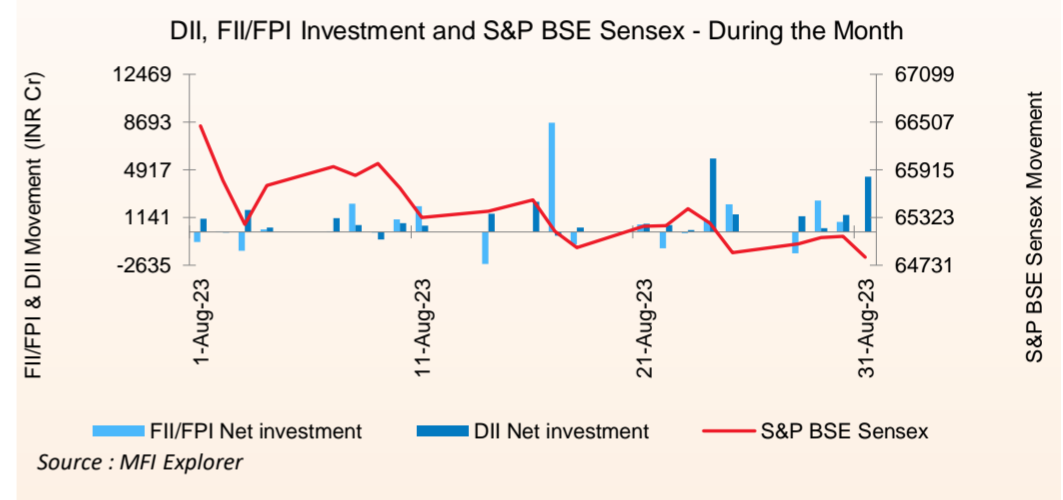
Source: NSE

During the month, Nifty Midcap 100 and Nifty Small cap 100 rose 3.70% and 4.62% respectively to close at 39,118.65 and 12,243.65 respectively.



Source : MFI Explorer

Foreign portfolio investors (FPIs) were net buyer of domestic stocks worth Rs. 12,262.28 crore in Aug 2023 compared with net buy of Rs. 46,617.76 crore in Jul 2023.



Source : MFI Explorer

Domestic mutual funds remained net buyer in the equity segment to the tune of Rs. 14,488.52 crore in Aug 2023 (till Aug 23, 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%	Realty 29.32%
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%	Smallcap 25.84%
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 24.25%
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 23.63%
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%	Pharma 19.83%
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%	FMCG 15.67%
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%	Media 15.11%
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%	IT 8.89%
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 5.18%
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%	PSU Bank 3.44%
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%	Finance 3.25%
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 -0.95%

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 were almost unchanged following movement in the U.S. Treasury yields during the month of August 2023. The U.S. treasury yields rose mostly in the first half but losses were restricted in the second half of the reported month. Meanwhile, the U.S. Federal Reserve Chairman speech at Jackson hole Symposium indicated hawkish stance. Market sentiments were boosted after Reserve Bank of India (RBI) was not as hawkish on monetary policy as anticipated. However, gains were neutralized as the weekly government bond auction added to overall supply in the secondary market.
- Yield on the 10-year benchmark bond (7.26% GS 2033) closed at 7.17%, similar to the previous months' close.
- Yield on gilt securities fell by up to 5 bps across the maturities, barring 1 to 3- & 11-year papers that rose by up to 11 bps while 4-, 5- & 7-year papers were steady. Yield on corporate bonds rose by up to 19 bps across the curve, barring 6-to-8-year papers that fell 2 bps each while 5- & 9-year papers were steady. Difference in spread between corporate bond and gilt securities expanded in the range of 2 to 13 bps across the segments, except 6- & 7-year papers that contracted by up to 2 bps while 5-year paper was steady.

Movement of 10-Year Benchmark Bond Rate



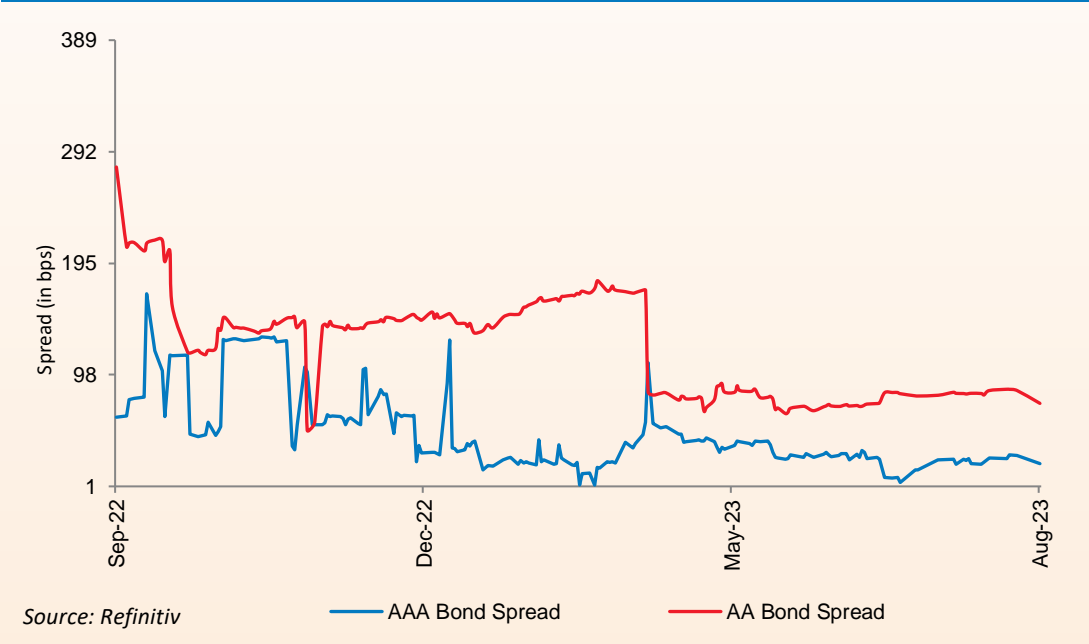
Source: Refinitiv

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

Date	Period	Spread	
		AAA	AA
31-Aug-23	1 Yr	67	91
	3 Yr	68	76
	5 Yr	30	75
31-Jul-23	1 Yr	59	100
	3 Yr	64	81
	5 Yr	30	75

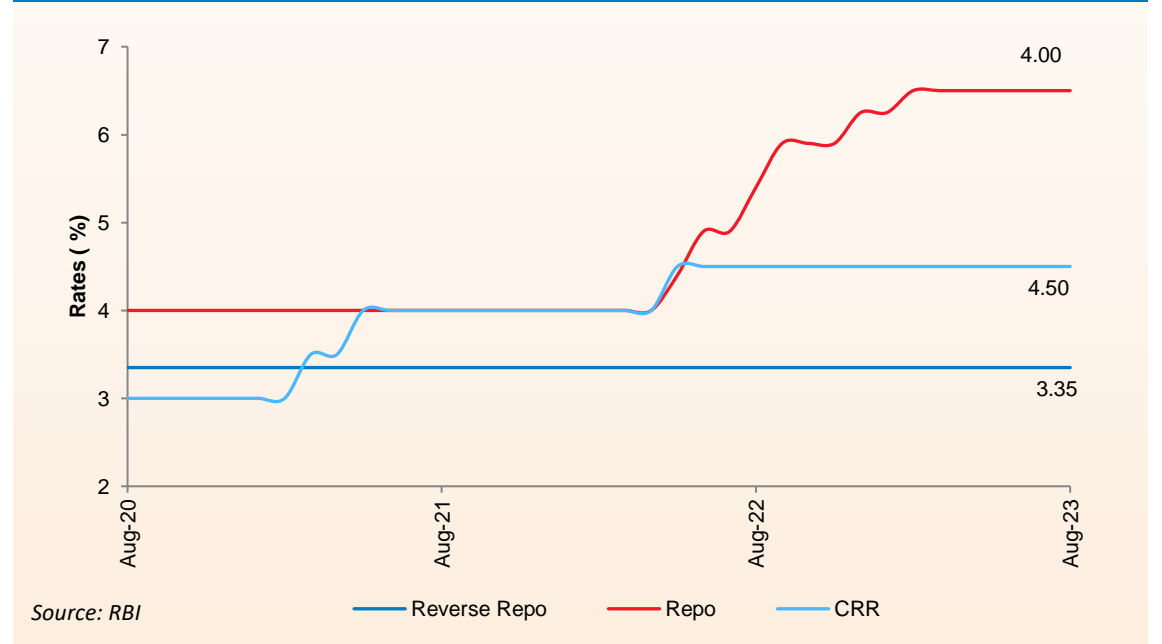
Source: Refinitiv

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



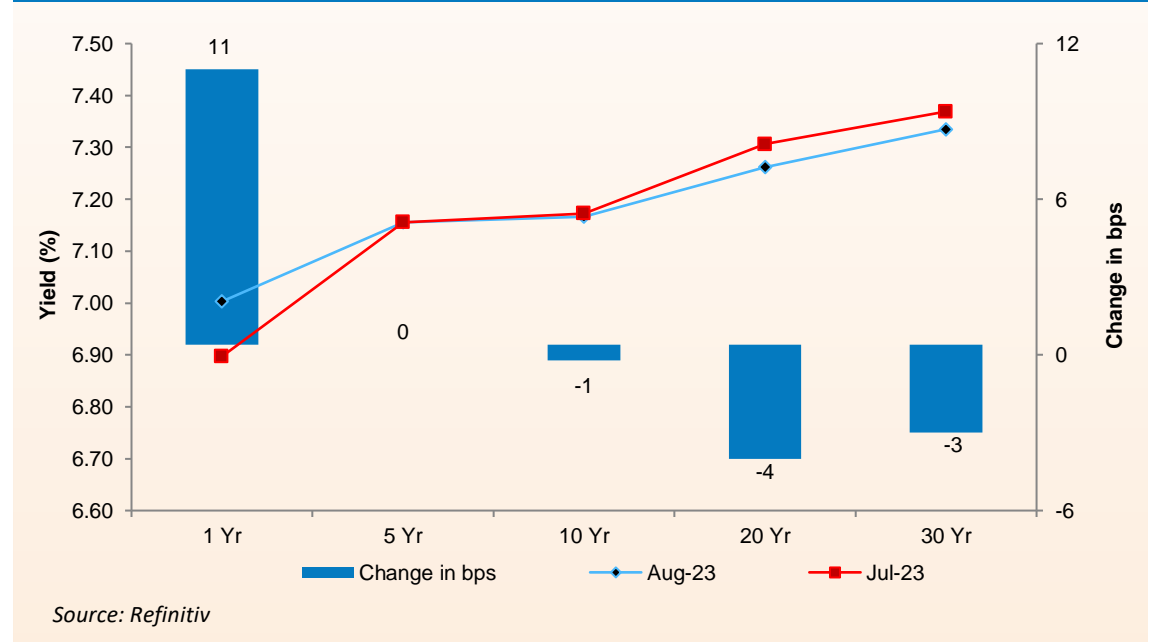
Source: Refinitiv

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 GDP has reached a robust growth rate of 7.8% in Q1FY24

- Government data showed that Gross Domestic Product (GDP) of the Indian economy at Constant (2011-12) prices witnessed a growth of 7.8% in the first quarter of FY24. In the Apr-Jun quarter last year, the GDP growth rate was 13.1%. On the sectoral front, the growth of the manufacturing sector slowed to 4.7% in Q1 of FY24 from 6.1% in same quarter of previous fiscal year. However, growth of Agriculture, Forestry & Fishing improved to 3.5% in Q1 of FY24 from 2.4% in Q1 of FY23. Also, growth of Financial, Real Estate & Professional Services accelerated to 12.2% in Q1 of FY24 from 8.5% in Q1 of FY23.

### IIP growth rose 3.7% in Jun 2023

- India's Index of Industrial Production (IIP) growth rose 3.7% in Jun 2023 as against rise of 12.6% in Jun 2022. Manufacturing output rose 3.1% YoY in Jun 2023. Mining output rose 7.6% and electricity output rose 4.2%. As per use-based classification, infrastructure/construction goods grew 11.3% in the reported month.

### CPI index-based inflation accelerated to 7.44% in Jul 2023

- Consumer price index-based inflation accelerated to 7.44% in Jul 2023 from 4.87% in Jun 2023 due to sudden rise in the prices of vegetables. The consumer food price index (CFPI) surged to 11.51% from 4.55% in Jun 2023. Inflation breached the upper limit of the RBI's tolerance band of 6% after staying within for four consecutive months.

### India's trade deficit contracted to \$20.67 billion in Jul 2023

- According to a data released by government, India's merchandise trade deficit contracted to \$20.67 billion in Jul 2023 from \$25.43 in Jul 2022. Merchandise imports fell 17.01% YoY to \$52.92 billion in Jul 2023 while merchandise exports declined 15.88% to \$32.25 billion.

Key Rates (%)	Current	Month Ago	Year Ago
Reverse Repo	3.35	3.35	3.35
Repo	6.50	6.50	5.40
CRR	4.50	4.50	4.50
SLR	18.00	18.00	18.00
Bank Rate	6.75	6.75	5.65

Source: RBI

Key Indicator	Period	Current Month	Previous Month
CPI - Monthly	Jul-23	7.44%	4.87%
WPI - Monthly	Jul-23	-1.36%	-4.12%
IIP - Monthly	Jun-23	3.70%	5.20%
Export (Y-o-Y) - Monthly	Jul-23	-11.08%	-17.84%
Import (Y-o-Y) - Monthly	Jul-23	-20.14%	-19.92%
Trade Deficit - Monthly	Jul-23	20.67	20.13

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	12,262	46,618	120,483
DII Flows	25,017	(2,698)	109,417
MF Flows <sup>[1]</sup>	14,489	7,707	81,447

Source: CDSL, NSE & SEBI

Institutional Flows (Debt)			
Net Flow (INR Crore)	Current Month	Previous Month	Year to Date
FII Flows	7,733	3,726	16,352
MF Flows <sup>[1]</sup>	(21,706)	3,071	(25,267)

Source: NSDL & SEBI

## Events for September 2023

Events	Date
Industrial Output YY - Jul 2023	12-Sep-23
Manufacturing Output YY - Jul 2023	12-Sep-23
CPI Inflation YY - Aug 2023	12-Sep-23
CPI Food Inflation YY - Aug 2023	12-Sep-23

Events	Date
Loans and Advances to Central Government	14-Sep-23
Money Supply	14-Sep-23
Infrastructure Output	25-Sep-23
Fiscal deficit (as a % of budget estimates)	29-Sep-23

## Commodity and Currency Round up

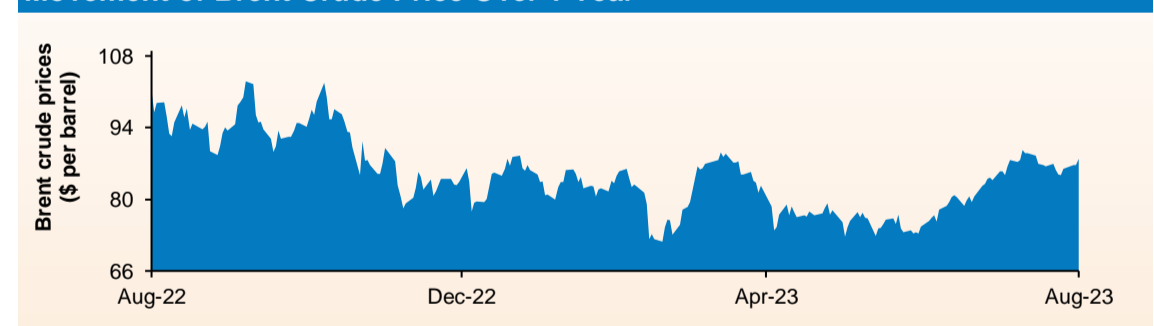
### Commodity Market - Brent Crude

- Brent crude oil prices rose after the Organization of the Petroleum Exporting Countries said it expects global oil demand to rise by 2.44 million bpd this year, unchanged from its previous forecast.
- Further, Prices rose on growing possibility that the OPEC+ group of oil producers would extend output cuts to the end of the year. Data from U.S. Energy Information Administration showed that U.S. crude inventories fell more-than-expected by 10.6 million barrels for the week ended Aug 25 which too boosted oil prices.

### Currency Market

- Rupee fell against the U.S. dollar following greenback demand from importers and equity-related outflows. The currency fell further on weak risk appetite of investors, weakness in the domestic equity market and strong greenback demand overseas.
- However, gains were capped following U.S. dollar inflows into the equity markets and greenback sales by state-run banks.

### Movement of Brent Crude Price Over 1 Year



### Movement of Major Currencies (as on August 31, 2023)

Currency	31-Aug-23	Month Ago	Year Ago
INR/USD	82.68	82.25	79.72
INR/GBP	105.09	105.76	93.35
INR/EUR	90.22	90.58	79.71
INR/100 JPY	56.63	58.06	57.54

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