

# MARKET OUTLOOK

## Equity market

BSE-30 and Nifty-50 indices consolidated for the month of November 2024 post a sharp correction in the previous month. Mid-cap and Small Cap indices also performed inline with large caps. On the sectoral Capital Goods, IT, Banks, Consumer Durables and Real Estate were the sectors which outperformed the benchmark index.

The month of November 2024 started weak with some recovery at the end of the month. Most conversation is around the extent of recovery likely to be seen in the 2HFY25 post a weak Q2FY25 for corporate earnings. FI selling remained high at US\$2.5bn.

Index Name	As on			Return in %	
	29-Nov-24	31-Oct-24	30-Nov-23	1 Month	1 Year
Nifty 50	24131	24205	20133	-0.3	19.9
S&P BSE Sensex	79803	79389	66988	0.5	19.1
S&P BSE MID CAP	46071	45967	34256	0.2	34.5
S&P BSE SMALL CAP	55200	54983	40372	0.4	36.7
S&P BSE 200	11123	11121	8905	0.0	24.9
S&P BSE AUTO	52898	53540	40053	-1.2	32.1
S&P BSE Bankex	59298	58664	50293	1.1	17.9
S&P BSE Consumer Durable	62469	60656	47120	3.0	32.6
S&P BSE Capital Good	70700	69106	49990	2.3	41.4
S&P BSE FMCG	21213	21663	19157	-2.1	10.7
S&P BSE Health Care	43666	43915	30375	-0.6	43.8
S&P BSE IT	42783	40428	33227	5.8	28.8
S&P BSE METAL	30537	31280	24240	-2.4	26.0
S&P BSE Oil & Gas	26813	27458	20551	-2.3	30.5
S&P BSE Power Index	7490	7829	4921	-4.3	52.2
S&P BSE Realty	7960	7809	5657	1.9	40.7

Index Name	As on			Return in %	
	29-Nov-24	31-Oct-24	30-Nov-23	1 Month	1 Year
Nifty 200	13627	13618	10887	0.1	25.2
Nifty 50	24131	24205	20133	-0.3	19.9
Nifty Auto	23369	23515	17552	-0.6	33.1
Nifty Bank	52056	51475	44482	1.1	17.0
Nifty Commodities	8537	8888	6856	-4.0	24.5
Nifty Energy	37482	39302	29295	-4.6	27.9
Nifty Financial Services	24010	23887	20055	0.5	19.7
Nifty FMCG	57944	59203	53014	-2.1	9.3
Nifty India Consumption	11447	11481	8987	-0.3	27.4
Nifty Infrastructure	8734	8823	6586	-1.0	32.6
Nifty IT	43146	40408	32582	6.8	32.4
Nifty Metal	9034	9327	7017	-3.1	28.7
Nifty Midcap 100	56393	56113	42909	0.5	31.4
Nifty Pharma	22240	22736	16239	-2.2	37.0
Nifty Realty	1020	1000	714	2.1	43.0
Nifty Smallcap 100	18651	18603	14171	0.3	31.6

## The Macro picture

	November 2024	October 2024
WPI	2.36% (October 2024)	1.84% (September 2024)
CPI	6.21% (October 2024)	5.49% (September 2024)
Index of Industrial Production	3.09% (September 2024)	-0.14% (August 2024)
Repo rate	6.50% (as on November 30, 2024)	6.50% (as on October 31, 2024)
Marginal Standing Facility Rate	6.75% (as on November 30, 2024)	6.75% (as on October 31, 2024)

Source: RBI, Bloomberg

**Inflation:** India's Wholesale Price Inflation (WPI) Index came in at 2.36% YoY during the current month as compared to 1.84% for the previous month on account of stable fuel, higher food and lower commodity prices.

Headline CPI inflation for October spiked to 6.21% YoY, primarily due to sequential rise in food inflation (2.6% MoM), particularly in vegetables, with oils & fats, eggs, cereals, and fruits seeing significant momentum. Core inflation also moved higher to 3.8% YoY, mainly due to sustained gold price momentum. November CPI is tracking ~5.4-5.5% with some pullback in food prices so far. Select economists expect core inflation averaging ~3.6% in FY25E and remaining below 4% till end-CY24, FY25 headline inflation is now estimated at ~4.9%, slightly higher than the RBI's forecast of 4.5%.

India's real GDP (at market prices) grew by 5.4% YoY in the September-24 quarter (Q2FY25) and by 6.7% YoY in Q1FY25. FY24 GDP growth stood at 8.2% ahead of the estimated 7.6% for the year. Capital formation growth stood at 5.9% for Q2FY25 and 9% for the full year FY24. Going forward, consensus estimates have been brought down towards a range between growth of 6.0%-6.5% GDP growth for FY25.

### Other macro developments (fiscal deficit and household savings)

India's Q1FY25 current account balance registered a deficit of US\$9.7bn (1.1 of GDP) compared to a surplus of US\$ 6bn (0.6% of GDP) for Q4FY24. The deficit represents higher gold imports which are likely to normalise going ahead.

India's fiscal deficit came much lower than forecasted at 5.6% for FY24 on account of lower revenue expenditure. The government has announced a path to reduce fiscal deficit to 4.9% for FY25 (revised lower from 5.1% earlier) and below 4.5% in FY26.

FY23 net household financial savings rate stood at 5.1% of GDP (7.2% for FY22). The same ratio had moved higher during the pandemic period to 12% in FY21 compared to 7.7% in FY20.

## Market Outlook

Our monthly outlook for previous month ie October 2024 talked of corporate earnings being on the weaker side on the back of government capital expenditure being down by 15% for the 1HFY25 compared to 1HFY24 due to general elections along with strong monsoon and effects of past tight monetary policy.

Q2FY25 GDP growth came to 5.4%, lower than economists estimates of >6%. Media and various economists are highlighting that growth is lower and both the government and the RBI need to boost growth through capex pickup and a dovish monetary policy, specially liquidity. We are of the opinion that government capital expenditure is likely to pick up quite well in the 2HFY25 leading to better economic growth for the full year. Infact, as per latest fiscal deficit data released, the Central government has preponed transfer of US\$9.5bn to state governments in order to make capital available to boost capex. This amount will be adjusted by end of the year. This is a very good move and highlights the intent of the government to balance growth for the year.

We in our portfolios are focused on companies which can grow earnings at a fast pace and most importantly balance sheets/cash flow being on the positive side with less leverage.

Long-term structural drivers like demographic advantage, low household debt, limited penetration across different consumer categories, increased potential for financial savings and urbanization makes India a compelling equity story from medium to long term perspective.

We believe investors would be well advised to invest with medium to long term perspective and systematically increase exposure to Indian equity markets.

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