FEC SPIT
FINANCE AND ECONOMICS CLUB

7th November 2024

# OCTOBER MONTHLY REPORT 2024-25

# INDEX

# KEY INDICES

## 1. Nifty 50

### Overview

- Opening - 25788
- Closing - 24205
- Monthly High - 25907
- Monthly Low – 24073
- Net Percentage Change: -6%

| Symbol | Security Name | Industry | Close Price | Index Mcap (Rs. Crores) | Weightage (%) |
|---|---|---|---|---|---|
| JSWSTEEL | JSW Steel Ltd. | Metals & Mining | 963.65 | 92294 | 0.85 |
| KOTAKBANK | Kotak Mahindra Bank Ltd. | Financial Services | 1731.10 | 253834 | 2.34 |
| LT | Larsen & Toubro Ltd. | Construction | 3622.30 | 425825 | 3.92 |
| M&M | Mahindra & Mahindra Ltd. | Automobile and Auto Components | 2728.55 | 242780 | 2.24 |
| MARUTI | Maruti Suzuki India Ltd. | Automobile and Auto Components | 11076.45 | 145569 | 1.34 |
| NTPC | NTPC Ltd. | Power | 408.15 | 193010 | 1.78 |
| NESTLEIND | Nestle India Ltd. | Fast Moving Consumer Goods | 2262.95 | 80954 | 0.75 |
| ONGC | Oil & Natural Gas Corporation Ltd. | Oil, Gas & Consumable Fuels | 266.15 | 103107 | 0.95 |
| POWERGRID | Power Grid Corporation of India Ltd. | Power | 320.80 | 145127 | 1.34 |
| RELIANCE | Reliance Industries Ltd. | Oil, Gas & Consumable Fuels | 1332.05 | 902131 | 8.31 |
| SBILIFE | SBI Life Insurance Company Ltd. | Financial Services | 1622.15 | 72455 | 0.67 |
| SHRIRAMFIN | Shriram Finance Ltd. | Financial Services | 3138.90 | 87604 | 0.81 |
| SBIN | State Bank of India | Financial Services | 820.20 | 315120 | 2.90 |
| SUNPHARMA | Sun Pharmaceutical Industries Ltd. | Healthcare | 1848.90 | 199313 | 1.84 |
| TCS | Tata Consultancy Services Ltd. | Information Technology | 3968.45 | 405045 | 3.73 |
| TATACONSUM | Tata Consumer Products Ltd. | Fast Moving Consumer Goods | 1002.55 | 65124 | 0.60 |
| TATAMOTORS | Tata Motors Ltd. | Automobile and Auto Components | 834.05 | 176781 | 1.63 |
| TATASTEEL | Tata Steel Ltd. | Metals & Mining | 148.56 | 122941 | 1.13 |
| TECHM | Tech Mahindra Ltd. | Information Technology | 1608.65 | 101936 | 0.94 |
| TITAN | Titan Company Ltd. | Consumer Durables | 3267.05 | 134990 | 1.24 |
| TRENT | Trent Ltd. | Consumer Services | 7128.35 | 158144 | 1.46 |
| ULTRACEMCO | UltraTech Cement Ltd. | Construction Materials | 11065.65 | 126124 | 1.16 |
| WIPRO | Wipro Ltd. | Information Technology | 551.80 | 77908 | 0.72 |

# Reasons for Movement

## A. Domestic Factors

- **Corporate Earnings Season**

The Nifty is down 6% in the month of October, which will mark the worst month that the index has had in the last four-and-a-half years. The last instance of such a fall on the index was in March 2020, when the index declined by 23%. This is also the first time since the month of May that the Nifty will report negative returns for a month.

- **RBI Policy Decisions**

The RBI Governor Shaktikanta Das announced the first monetary policy of FY25.

Here are the key highlights of RBI April policy:

Policy Measures:

1)Repo rate kept unchanged at 6.5%

2)Policy stance of 'withdrawal of accommodation' maintained

Non-policy measures:

1)Scheme for trading of sovereign green bonds at IFSC to be announced introduction of a mobile app to access RBI's Retail Direct Scheme for participation in GSec market.

2)Draft circular for LCR framework for banks to be issued shortly

- **Economic Data Releases (Inflation, GDP Growth)**

India's consumer price index inflation rose to 5.49 percent in September 2024. The corresponding inflation rate for rural and urban is 5.87 percent and 5.05 percent, respectively.

The Gross Domestic Product (GDP) in India expanded **1.30 percent** in the second quarter of 2024 over the previous quarter

## B. Global Factors

- **US Federal Reserve Policy**

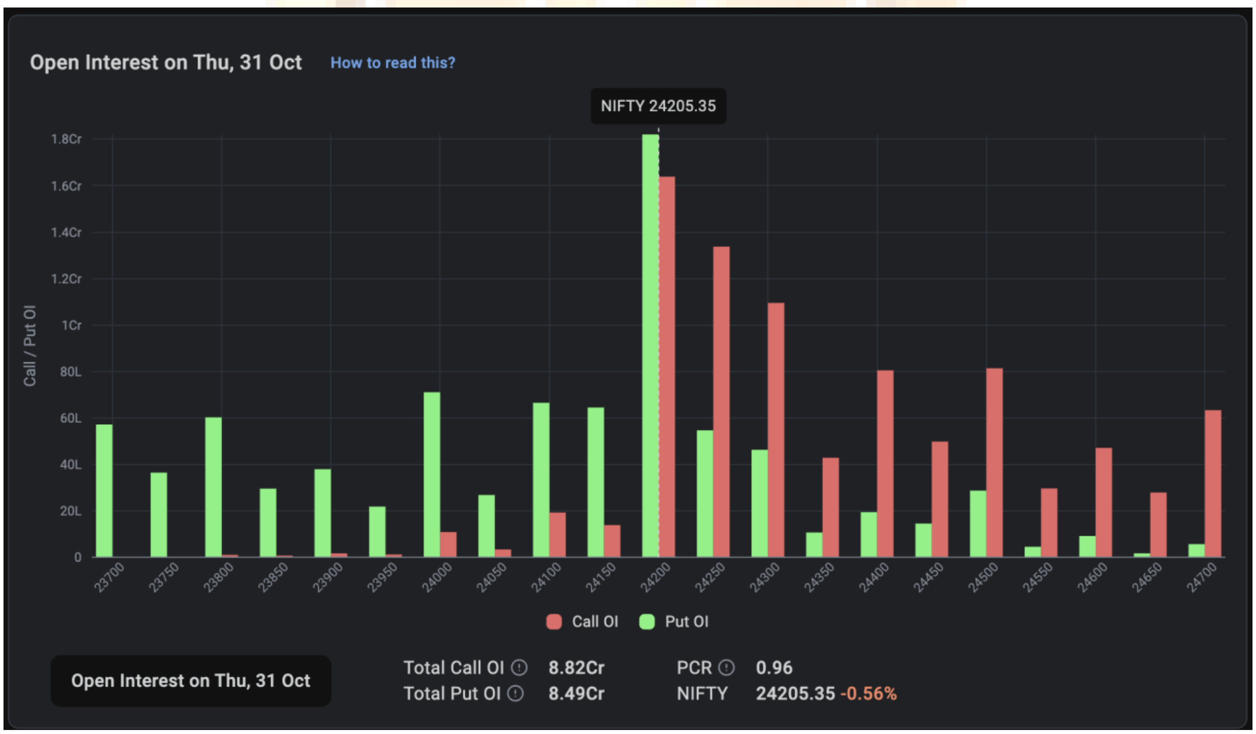
The Federal Reserve cut its benchmark interest rate by half a percentage point and signaled more reductions would follow, launching its first easing cycle since the onset of the pandemic. The US central bank's first cut in more than four years leaves the federal funds rate at a range of 4.75 per cent to 5 per cent.

- **Global Economic and Geopolitical Events**

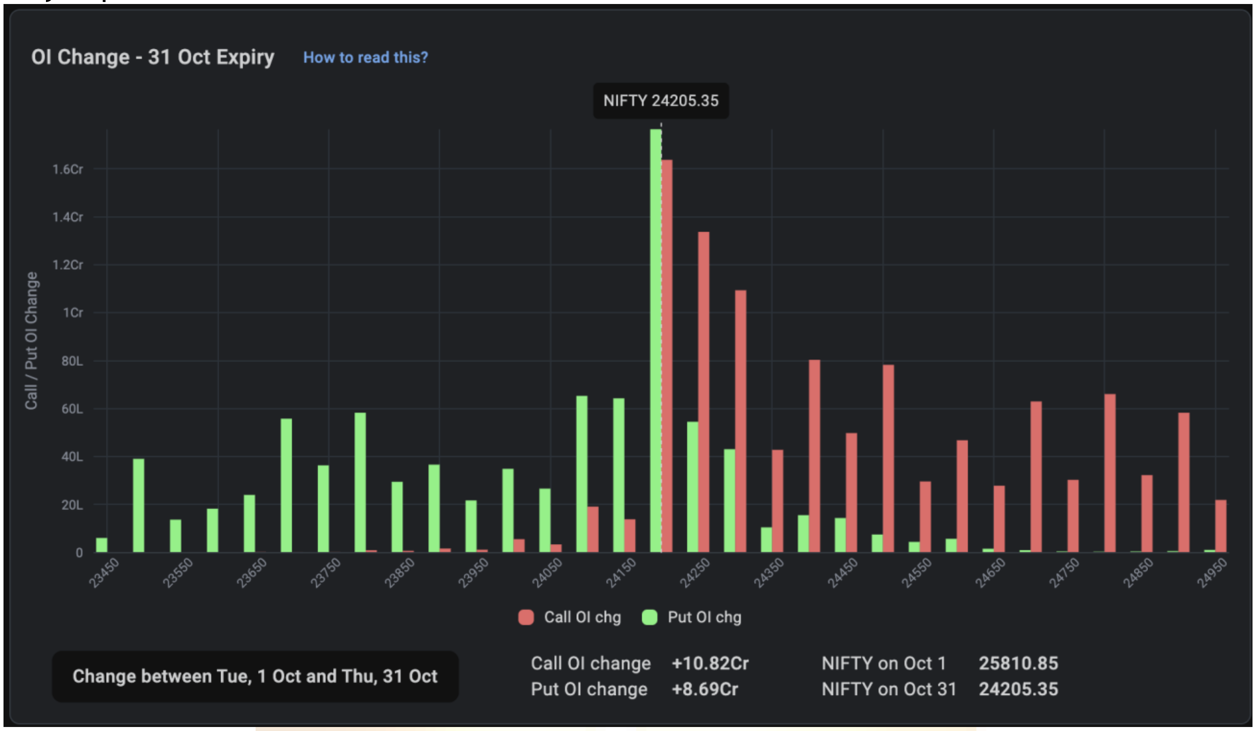
USA Elections

The ongoing contested USA elections will be a factor which affected the fall of NIFTY 50 during the past month.Much has been written about the risks to the rest of the world if former U.S. President Donald Trump wins the election on Nov. 5. Less has been discussed of the risks associated with his defeat.

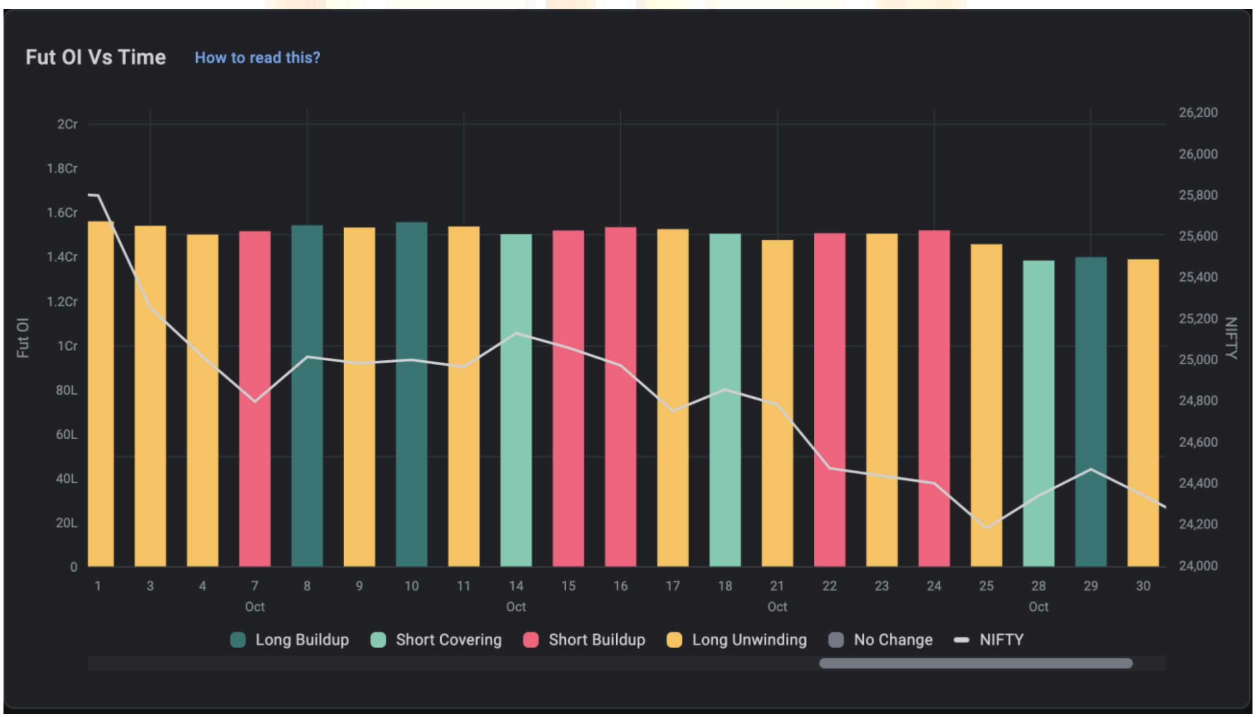
## Open Interest and Derivatives Data:




**Open Interest**




## OI Change




## Fut OI vs Time

# 2. SENSEX

## Overview

- Opening - 79820.33
- Closing -79389.06
- Monthly High - 83393.14
- Monthly Low -79322.83
- Net Percentage Change - -0.54%

## Reasons for Movement

# A) Domestic Factors

- **Banking Sector Earnings**

October saw several major banks reporting their quarterly earnings. Positive results, particularly from leading banks like HDFC Bank and ICICI Bank, reflected strong credit growth and asset quality. This bolstered investor confidence in the banking sector, contributing to upward movements in the SENSEX as financial stocks gained traction.

- **RBI Policy Decisions**

The Reserve Bank of India (RBI) maintained its monetary policy stance, keeping interest rates steady in light of moderate inflation and stable growth indicators. This decision reassured investors about continued economic support, leading to increased buying interest in equities, particularly in sectors sensitive to interest rates, such as real estate and consumer goods.

- **Economic Data Releases**

Key economic indicators, including inflation rates and GDP growth estimates, showed positive trends. For instance, if inflation remained within target levels, it would reduce concerns about potential rate hikes. Strong GDP growth data reinforced optimism about economic recovery, contributing to a bullish sentiment in the market and supporting the SENSEX.

# B) Global Factors

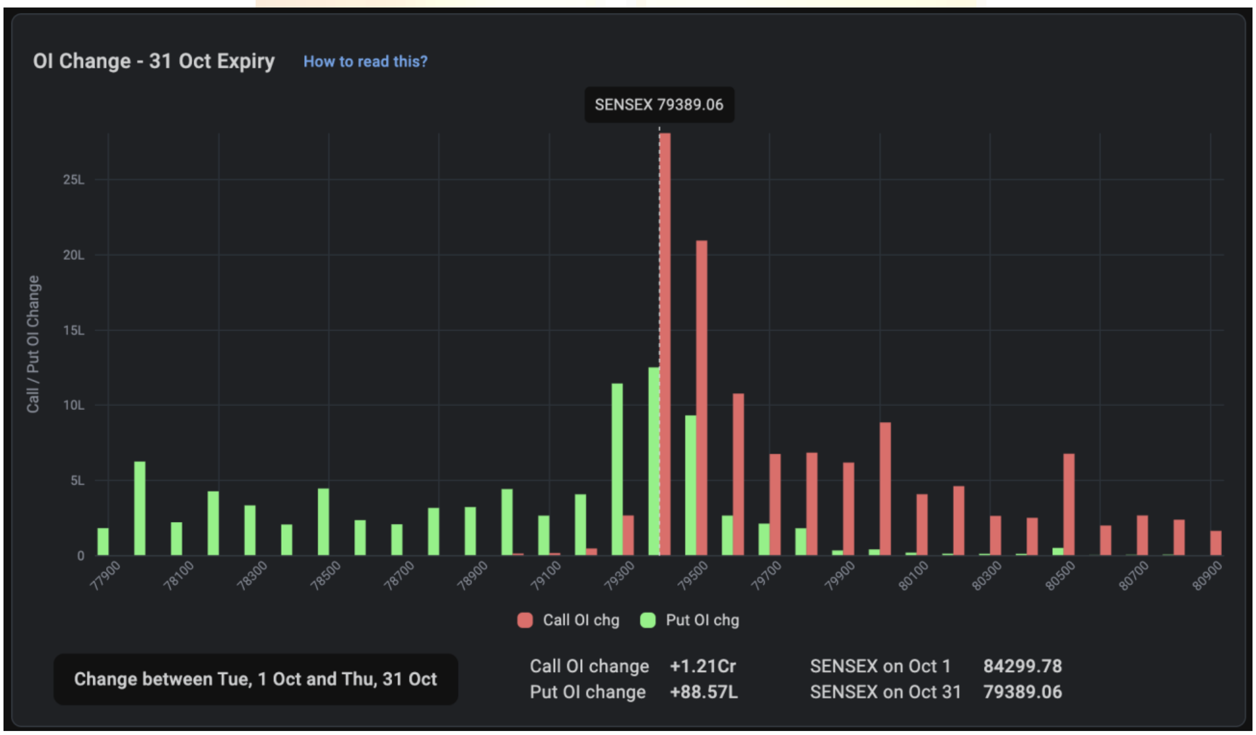
- ## US Federal Reserve Policy

In October, the Federal Reserve signaled a cautious approach towards interest rates, indicating no immediate hikes. This dovish stance led to improved sentiment in global markets, including India, as investors anticipated continued liquidity. As a result, foreign investment flows into Indian equities increased, positively impacting the SENSEX.

- ## Global Banking Sector Trends and Geopolitical Events

While there were concerns about geopolitical tensions in regions like the Middle East, overall global market stability helped maintain investor confidence. As other global markets remained stable, Indian investors were encouraged to invest, contributing to a rise in the SENSEX. However, any spikes in oil prices due to geopolitical tensions were closely monitored, as they could impact inflation and growth in the domestic economy.

## Open Interest and Derivatives Data:




**OI Change**

# 3. Bank NIFTY

## Overview

- Opening - 52844
- Closing - 51475
- Monthly High - 53235
- Monthly Low - 50194
- Net Percentage Change: - 2.85%

| Symbol | Security Name | Industry | Close Price | Index Mcap (Rs. Crores) | Weightage (%) |
|---|---|---|---|---|---|
| AUBANK | AU Small Finance Bank Ltd. | Financial Services | 612.45 | 70962 | 2.08 |
| AXISBANK | Axis Bank Ltd. | Financial Services | 1159.55 | 305620 | 8.95 |
| BANKBARODA | Bank of Baroda | Financial Services | 250.96 | 96793 | 2.83 |
| CANBK | Canara Bank | Financial Services | 102.65 | 71553 | 2.09 |
| FEDERALBNK | Federal Bank Ltd. | Financial Services | 203.91 | 103247 | 3.02 |
| HDFCBANK | HDFC Bank Ltd. | Financial Services | 1735.70 | 980667 | 28.71 |
| ICICIBANK | ICICI Bank Ltd. | Financial Services | 1292.25 | 841911 | 24.65 |
| IDFCFIRSTB | IDFC First Bank Ltd. | Financial Services | 65.93 | 89809 | 2.63 |
| INDUSINDBK | IndusInd Bank Ltd. | Financial Services | 1055.60 | 144357 | 4.23 |
| KOTAKBANK | Kotak Mahindra Bank Ltd. | Financial Services | 1731.10 | 304848 | 8.93 |
| PNB | Punjab National Bank | Financial Services | 97.90 | 60010 | 1.76 |
| SBIN | State Bank of India | Financial Services | 820.20 | 345651 | 10.12 |

### Reasons for Movement

## A. Domestic Factors

- **Banking Sector Earnings**

India's banking sector reached a historic milestone with a net profit surpassing Rs 3 lakh crore in FY24. The combined profit of listed public and private sector banks surged by 39%, totaling Rs 3.1 lakh crore compared to Rs 2.2 lakh crore in FY23. This amount roughly equals the cumulative quarterly profits of all listed companies in the initial three quarters of the fiscal year.

- **RBI Policy Decisions**

Policy measures

1)GDP growth forecast for FY25 at 7%. The quarterly projections are - Q1 at 7.1%; Q2 at 6.9%; Q3 at 7% and Q4 at 7%.

2)CPI inflation forecast for FY25 at 4.5%. Here are detailed inflation forecast: Q1 at 4.9%; Q2 at 3.8%; Q3 at 4.6% and Q4 at 4.5%

Non policy measures

1)Dealing in rupee interest rate derivate products for all small finance banks

2)Enabling UPI for Cash Deposit Facility

3)UPI access for Prepaid Payment Instruments (PPIs) through third-party applications. Distribution of CBDCs through Non-bank Payment System Operators.

- **Economic Data Releases (Inflation, Credit Growth)**

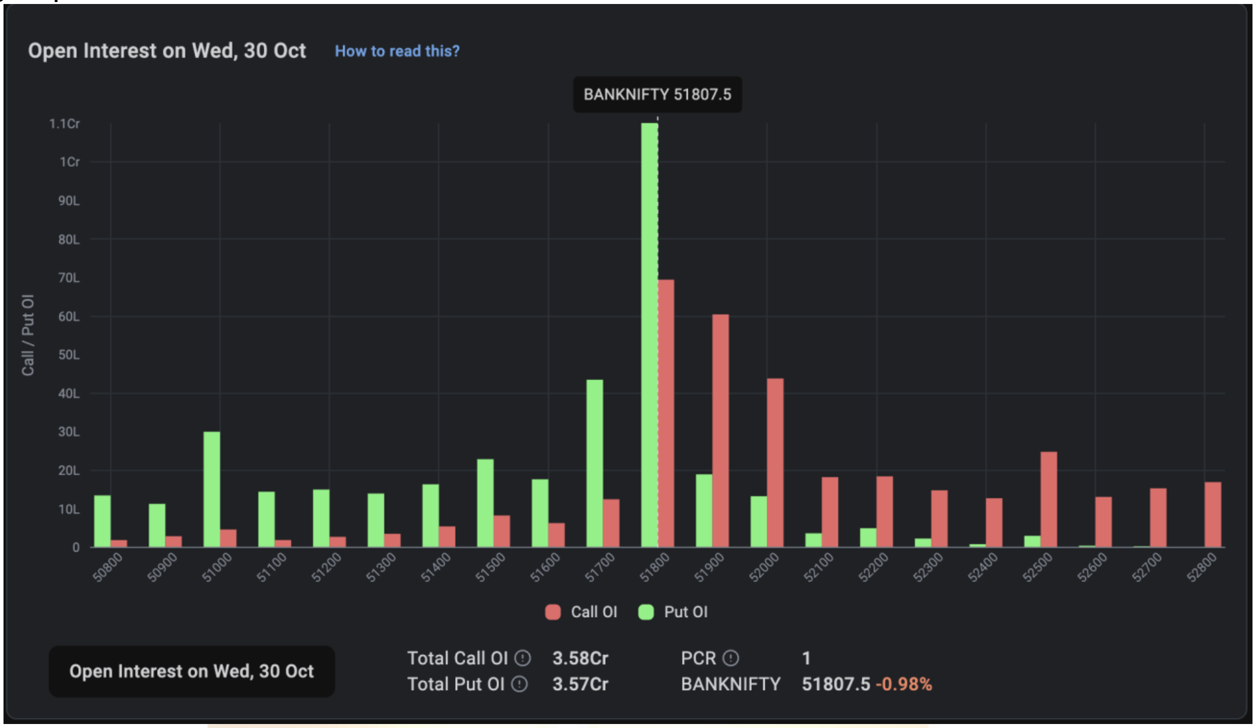
Credit offtake increased by 7.3% compared to December 2023 and sequentially increased by 0.5% for the fortnight ended September 20, 2024. In absolute terms, over the last 9 months, credit offtake expanded by Rs. 10.9 lakh crore to reach Rs. 171.3 lakh crore as of September 20, 2024.

## B. Global Factors

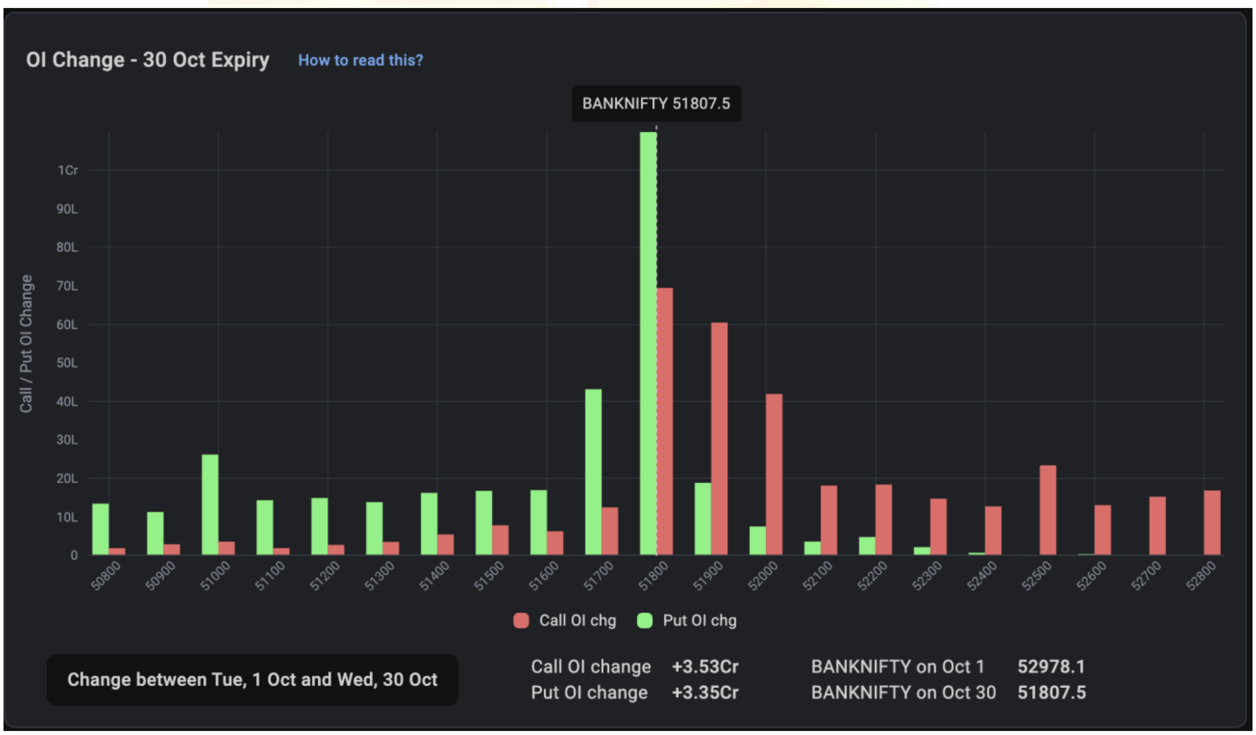
- **Global Banking Sector Trends and Geopolitical Events**

The past two years have been the best for banking since before the global financial crisis (GFC) of 2007–09, with healthy profitability, capital, and liquidity. But even though banking is the single largest profit-generating sector in the world, the market is skeptical of long-term value creation and ranks banking dead last among sectors on price-to-book multiples.

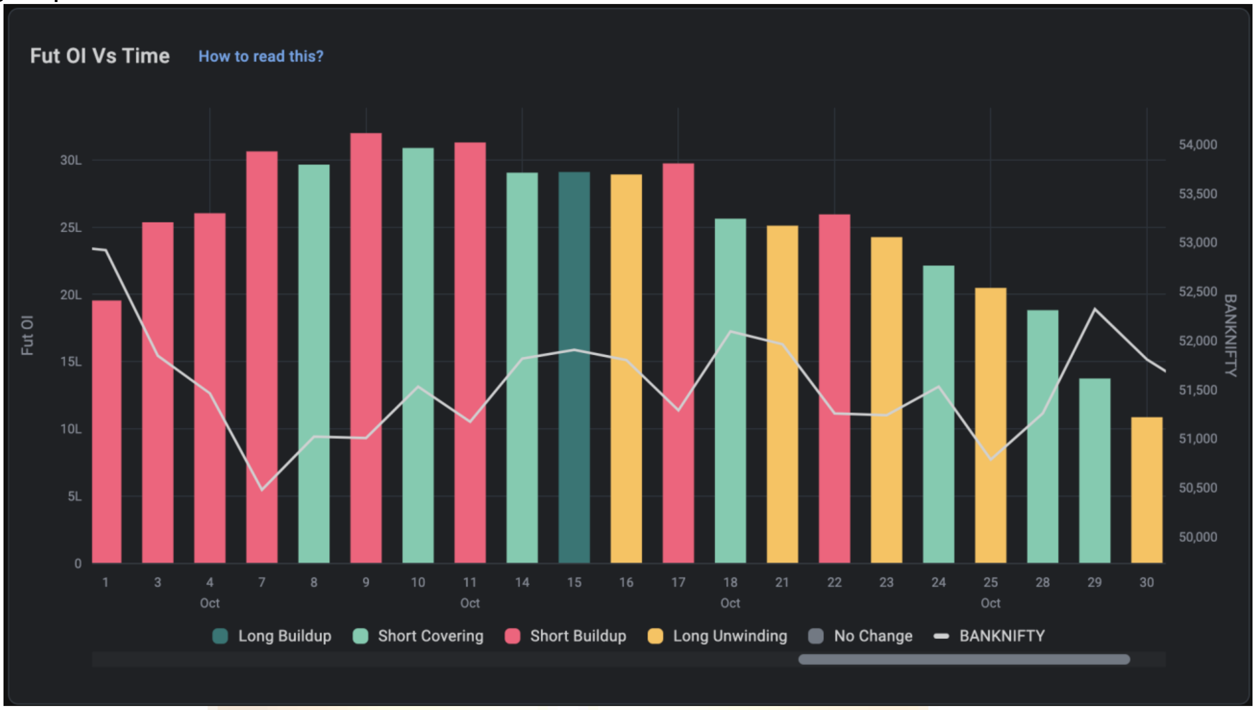
**Open Interest and Derivatives Data:**




Open Interest




OI Change




Fut OI vs Time

# TOP GAINERS AND LOSERS OF OCTOBER 2024

# 1. Sensex:

**Top Gainers:** Maruti Suzuki India (up 1.92%), IndusInd Bank (up 1.81%), Larsen & Toubro (up 0.77%), ITC (up 0.72%), Ultratech Cement (up 0.71%)

**Top Losers:**_Infosys (down 2.01%), ICICI Bank (down 1.52%), Kotak Mahindra Bank (down 1.32%), Mahindra & Mahindra (down 1.28%), State Bank of India (down 1.23%)

# 2. Nifty:

**Top Gainers:** Adani Enterprises (up 4.24%), Tata Consumer (up 3.09%), Hero MotoCorp (up 2.55%), Britannia Industries (up 2.03%), Maruti Suzuki India (up 1.91%)

**Top Losers:** Cipla (down 4.01%), Shriram Finance (down 2.45%), Trent (down 2.13%), HDFC Life Insurance Company (down 2.07%), Infosys (down 2.0)

# 3. BSE:

**Top Gainers:** Redington India (up 9.63%), Poly Medicure (up 8.67%), Indian Railway Finance Corporation (up 8.40%), Easy Trip Planners (up 8.33%), Radico Khaitan (up 7.74%)

**Top Losers:** Honeywell Automation India (down 7.78%), Multi Commodity Exchange of India (down 6.35%), Dixon Technologies (India) (down 4.97%), Godrej Agrovet (down 4.41%), Voltas (down 4.18%)

# 4. NSE:

**Top Gainers:** Redington India (up 9.69%), Godavari Power and Ispat (up 8.91%), Poly Medi cure (up 8.59%), Easy Trip Planners (up 8.58%), Indian Railway Finance Corporation (up 8.37%)

**Top Losers:** Honeywell Automation India (down 7.71%), Multi Commodity Exchange of India (down 6.37%), Dixon Technologies (India) (down 5.11%), Chennai Petroleum Corporation (down 5.10%), Voltas (down 4.11%).

# COMMODITY

# 1. Gold

## Price Movement:

- Opening -₹76,270
- Closing -₹81,690
- Monthly High - ₹85,951
- Monthly Low -₹77,035
- Net Percentage Change- + 7.10.%

## Reasons for Movement:

The recent rise in gold prices can be attributed to the safe-haven demand triggered by the ongoing conflict in the Middle East, particularly the tension between Israel and Iran making it a major factor driving the current rise in gold prices making investors nervous, pushing them to seek safer investments.

This rise in gold prices occurred despite the typically inverse relationship between gold and the **U.S. dollar**, which has hit a two-month high. The dollar's strength usually makes gold more expensive for foreign investors, but the demand for gold remains resilient, driven by **safe haven buying** and **fears of economic instability**.

The impact of inflation and the value of the dollar can be seen in the price action of gold after the COVID-19 pandemic. As inflation soared in 2022, the price of gold actually declined throughout much of the year, partly owing to the strength of the dollar against other world currencies. However, after hitting a low of less than $1,630 per ounce in September and October 2022, the price of gold began to recover, hitting new all-time highs and continuing to rise into 2024.

In addition, with the boom in artificial intelligence, year over year demand for gold has increased by 11% directly proving the fact that with the increasing demand of consumer goods the cost of gold will rise and this can be noted as one of the reason behind the surge of gold prices.

### Correlation Between Gold Prices Internationally and Domestically Factors

The price of gold in the U.S. is having an impact on gold prices in India. The gold market is interconnected globally, and prices are influenced by a variety of factors, including international supply and demand dynamics, currency exchange rates, and investor sentiment.

**International prices**: The price of gold is determined on international commodity exchanges, such as the COMEX in the U.S. Changes in the international price of gold, especially if they are significant, can directly impact gold prices in India.

**Currency exchange rates:** Gold is priced in U.S. dollars on the global market. When the U.S. dollar strengthens against the Indian rupee, it can make gold more expensive for Indian buyers, leading to lower demand and potentially lower gold prices in India.

# 2. Silver

## Price Movement:

- Opening -₹90,000
- Closing -₹1,00,032
- Monthly High - ₹1,00,081
- Monthly Low -₹94,000
- Net Percentage Change- +11%

## Reasons for Movement:

Silver prices have been of a significant upward trajectory in recent sessions, fuelled by global factors like interest cuts by the European Central Bank and uncertainty surrounding the upcoming US elections
So far silver has surged 11% in October making it the largest monthly gain since May,2024. With the festive season around the corner, the demand for silver also jumps as it holds a cultural and religious significance being considered auspicious and is often bought during festivals such as Diwali and Dhanteras. Moreover, silver is a popular choice for gifting during festivals, and it is also seen as an affordable investment option
Industrial demand is another crucial factor affecting silver prices. Unlike gold, silver has extensive industrial applications, particularly in electronics, solar panels, and medical devices. As emerging technologies continue to evolve, the demand for silver in these sectors is expected to grow, potentially supporting higher prices.

# 3. Crude Oil

## Price Movement:

- Opening - $68.41
- Closing - $69.26
- Monthly High - $78.46
- Monthly Low - $66.33
- N et Percentage Change - +1.25%

## Reasons for Movement:

**1. Geopolitical Tension:** Escalating conflicts in the Middle East, particularly involving key oil-producing nations, raised concerns over supply disruptions, pushing prices higher. Production Cuts: OPEC+ maintained its production cuts to support prices, which limited supply and contributed to higher market prices.
2. **Demand Dynamics:** A seasonal uptick in demand for heating oil in northern states due to the onset of winter contributed to increased local consumption.
**3. Economic Indicators:** - India's economic recovery post-COVID-19, alongside increased industrial activity, led to higher crude oil demand.
**4. Exchange Rate Fluctuations:** The depreciation of the Indian rupee against the US dollar impacted import costs, further influencing domestic fuel prices.
**Domestic Impact:**
**1. Fuel Prices:** The rise in crude oil prices translated to higher retail fuel prices across India, prompting discussions on subsidies and taxation.

**2. Inflation Concerns:** The increase in oil prices contributed to inflationary pressures, affecting transportation and logistics costs.

# COMMODITY PRICE MOVEMENT

## Gold

Gold is a key asset in India, both as an investment and a cultural staple. Several factors influence its price:

**Wedding Season**: With around 48 lakh weddings anticipated, demand for gold will likely surge as families invest in jewelry for ceremonies. This seasonal buying often drives gold prices higher, especially if consumer sentiment is positive. Weddings typically create a significant spike in demand, which can correlate with increased spending in related sectors, potentially boosting stock indices.

**Festival Season**: Festivals like Diwali and Akshaya Tritiya see a tradition of gold buying, further increasing demand. When consumers purchase gold for rituals, gifts, or celebrations, prices tend to rise, reinforcing gold's status as a safe investment during festive periods.

**Geopolitical Uncertainty**: The ongoing conflicts and tensions in the Middle East can lead to economic uncertainty, prompting investors to flock to gold as a safe haven. Increased geopolitical risks often lead to rising gold prices as investors seek to protect their wealth, creating an inverse correlation with stock indices during periods of turmoil.

## Silver

Silver shares some similarities with gold but also has unique influences:

**Cultural Significance**: Like gold, silver is commonly purchased during the wedding and festival seasons. Its affordability makes it a popular choice for gifts and jewelry, contributing to increased demand during these peak times.
**Industrial Demand**: Beyond its use as a precious metal, silver has significant industrial applications, particularly in electronics and renewable energy sectors (e.g., solar panels). Economic growth can drive industrial demand, influencing silver

prices. However, if geopolitical tensions disrupt global supply chains, this can also create volatility in silver markets.

# Crude Oil

Crude oil prices are influenced by a complex web of factors, including:

**Geopolitical Factors**: Conflicts in oil-rich regions of the Middle East can lead to supply disruptions and price volatility. Increased military actions or sanctions can drive oil prices up, impacting inflation and overall economic stability in countries like India. As oil prices rise, they can create downward pressure on stock indices due to higher transportation and production costs across various sectors.

**Economic Activity**: The festival and wedding seasons typically lead to increased economic activity, including transportation and logistics. This heightened demand for oil can exert upward pressure on crude prices, especially if supply is constrained. Higher oil prices can lead to increased costs for consumers and businesses, affecting discretionary spending and, consequently, stock market performance.

**Inflation**: Rising crude oil prices can contribute to inflationary pressures. If oil becomes more expensive, transportation and production costs increase, which can lead to higher prices for goods and services. This can reduce disposable income and consumer spending, creating a ripple effect on the stock market.

# The Bigger Picture

**Gold and Silver**: Both precious metals see heightened demand during the wedding and festival seasons, pushing prices up. The anticipated 48 lakh weddings will significantly impact gold and silver demand, potentially benefiting related sectors in the stock market. Additionally, geopolitical uncertainty, especially in the Middle East, tends to increase demand for these metals as safe havens during times of crisis.

**Crude Oil**: While crude oil prices are less directly influenced by cultural factors, they are significantly affected by geopolitical tensions, particularly in oil-rich regions. Increased economic activity during festive and wedding seasons can drive up demand for oil, impacting prices. Rising oil prices can lead to inflation, which may negatively influence stock market performance.
Understanding these dynamics allows investors to better navigate the complexities of the market, particularly during times of significant consumer spending and

geopolitical uncertainty. By keeping an eye on these factors, investors can make more informed decisions in response to changing market conditions.

# FII AND DII NET CASH FLOW

The last 30 days have seen significant outflows in FII equity and FII debt, totaling -91,933.7 and -4,696.4 respectively. While FII derivatives saw an outflow of -14,801.4, the overall FII total experienced a loss of -111,431.5.

In contrast, MF equity saw a positive inflow of 91,433, indicating strong investor confidence. MF debt, on the other hand, experienced a negative outflow of -24,773. MF derivatives saw a large negative flow of -47,348.3, yet the total MF flows saw a net positive inflow of 19,311.7.

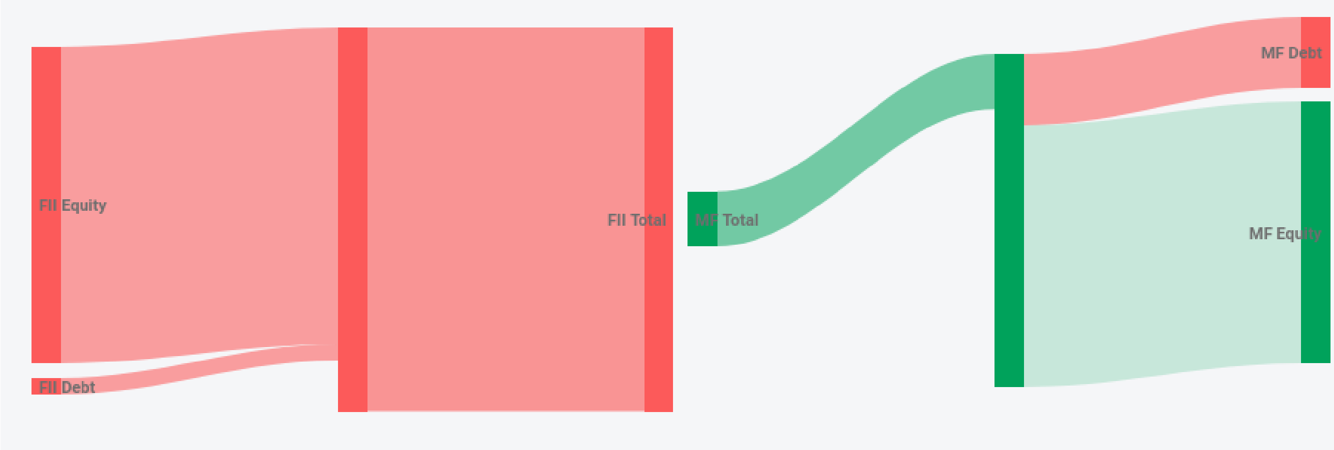
**Detailed Breakdown:**

| Category | Last 30 Days |
|---|---|
| FII Equity | -91,933.7 |
| FII Debt | -4,696.4 |
| FII Derivatives | -14,801.4 |
| FII Total | -111,431.5 |
| MF Total | 19,311.7 |
| MF Derivatives | -47,348.3 |
| MF Debt | -24,773 |
| MF Equity | 91,433 |

**Conclusion:**

The overall market trends suggest a strong investor sentiment towards domestic equities, as evident from the positive MF equity flow. However, the significant FII outflows across various categories indicate a possible shift in investment strategy or a perception of market volatility.

| DATE | FII EQUITY | FII DEBT | FII DERIVATIVES | FII TOTAL | MF TOTAL | MF DERIVATIVES | MF DEBT | MF EQUITY |
|---|---|---|---|---|---|---|---|---|
| Last 30 Days | -91,933.7 | -4,696.4 | -14,801.4 | -111,431.5 | 19,311.7 | -47,348.3 | -24,773 | 91,433 |



# HOT POLITICAL NEWS CONCERNING THE MARKETS

## Comprehensive Analysis of Trump's Re-election Impact on Global Markets

## Key Market Reactions and Economic Implications

1. **Indian and U.S. Markets**:
    - Indian markets rallied post-Trump victory (Sensex +1.13%, Nifty 50 +1.12%).
    - U.S. indices saw significant gains (Dow Jones +3.57%, S&P 500 +2.53%, Nasdaq +2.95%).
    - This initial optimism reflects expectations of business-friendly policies but may be short-lived as policy details emerge.
2. **Global Trade Dynamics:**
    - Anticipated revival of "America First" policies and potential trade wars.
    - Possible 10% universal tariff and 60% tariff on Chinese imports.
    - Concerns over disruptions to global supply chains and inflationary pressures.
    - Potential renegotiation of trade agreements, impacting countries like India that currently enjoy trade surpluses with the U.S.
    - Risk of retaliatory measures from trading partners, potentially leading to a global economic slowdown.
3. **Sector-Specific Impacts:**
    - Technology: Potential benefits from deregulation and cryptocurrency support. Trump's promise to make the U.S. a "bitcoin superpower" could lead to significant growth in the crypto sector.
    - Energy: Push for domestic oil production, possibly destabilizing global markets. This could lead to lower oil prices globally but may conflict with climate change mitigation efforts.
    - Housing: Concerns over affordability due to labor shortages and immigration policies. Potential for increased construction costs and reduced housing supply.
    - Pharmaceuticals: Indian generic drug manufacturers may face challenges if Trump pursues policies to favor U.S. drug companies.
4. **Financial Markets and Currency:**
    - U.S. dollar strengthened, potentially increasing borrowing costs for emerging markets.

- U.S. Treasury yields surged to multi-month highs.

- Potential for increased volatility in forex markets, especially for currencies of major U.S. trading partners.
- Gold prices may see fluctuations as investors seek safe-haven assets amidst economic uncertainty.

5. **Immigration and Visa Policies:**
   - Possible tightening of H1B and L1 visa programs, impacting India's IT sector.
   - Potential for broader immigration restrictions, affecting labor markets in sectors like agriculture and construction.
   - This could lead to wage inflation in the U.S. and skills shortages in certain industries.

## Economic Outlook and Challenges

- **Inflation and Fiscal Policy:**
  - Trump's proposed tax cuts and tariffs could increase inflationary pressures and fiscal deficits.
  - The Federal Reserve may need to maintain higher interest rates to combat inflation, potentially slowing economic growth.
  - Increased government spending coupled with tax cuts could lead to a significant increase in the U.S. national debt.
- **Global Cooperation:**
  - Potential decrease in multilateralism, affecting international trade agreements and climate accords.
  - Possible withdrawal or reduced participation in international organizations like the WTO, UN, and NATO.
  - This could lead to a more fragmented global economic order and increased geopolitical tensions.

- **Emerging Markets:**
  - Countries like India may face challenges in exports and investment due to protectionist policies.
  - Potential for capital flight from emerging markets to the U.S., attracted by higher interest rates and a stronger dollar.
  - Opportunities may arise for some countries to fill the void left by reduced U.S.-China trade

- **Corporate Strategies:**
  - Multinational corporations may need to reassess their global supply chains and investment strategies.
  - Increased focus on domestic U.S. production could benefit some U.S. manufacturers but raise costs for consumers.

- Tech companies may face less regulatory scrutiny in the U.S. but could encounter challenges in international markets.

## Conclusion

Trump's re-election presents a complex scenario for global markets, characterized by potential short-term gains in select sectors but long-term uncertainties. The actual impact will depend on policy implementation and global responses. Investors and policymakers must prepare for increased volatility, adapting strategies to navigate potential trade conflicts, currency fluctuations, and shifts in global economic dynamics.

# GLOBAL MARKETS

## Asia-Pacific Updates

- Despite varying conditions across regions, the global economy has maintained momentum through the **first half of 2024**, with overall growth still projected at **2.7%**.
- Composite PMIs remain positive, though manufacturing PMIs contracted further in September across the major economies, dipping to 48.8 globally. This decline below 50 signals slowing activity in the manufacturing sector.
- **Economic growth in the U.S. remains strong**, bolstered by solid **goods and retail sales**. However, a **dip in consumer confidence** and recent developments in select financing indicators might point to **moderating consumption**.
- In **Europe**, **manufacturing** activity remains subdued, with projected GDP growth for 2024 at **0.8%**. Growth continues to be led by the **services sector**, and that in **southern Europe**.
- **Chinese economic momentum has softened**, but **GDP growth** is still expected to reach **4.8%** for the year. Exports continue to be a key growth driver, while **domestic demand remains weak**, exacerbated by a **stagnant housing sector**. **Recent fiscal and monetary policies** are expected to **support the growth** in China.
- On **September 27th**, tariffs introduced in May by the Biden administration officially took effect, **impacting goods from China to the U.S.** across various sectors, including raw materials, intermediate inputs, and consumer products.

# Oil Markets in October 2024

- World oil demand is on track to expand by just shy of **900 kb/d(Kilo barrels per day)** in **2024** and **close to 1 mb/d in 2025**, marking a sharp slowdown on the roughly 2 mb/d seen over the 2022-2023 post-pandemic period. China underpins the deceleration in growth, accounting for around 20% of global gains both this year and next year, compared to almost 70% in 2023.
- Global oil supply plunged by **640 kb/d in September to 102.8 mb/d**, with **Libya's political quagmire disrupting the country's oil production and exports**, and as **field maintenance work in Kazakhstan and Norway lowered output**. Non-OPEC+ supply growth of around **1.5 mb/d** this year and next is led by the Americas, accounting for **80%** of gains.
- Refining margins slumped further in September as gasoline, jet and diesel cracks deteriorated while crude prices improved on a relatively tighter market. As a result, global crude run estimates are further reduced by 180 kb/d to 82.8 mb/d for 2024 and by 210 kb/d to 83.4 mb/d in 2025, representing annual gains of 540 kb/d and 610 kb/d, respectively.
- Observed global oil inventories declined by 22.3 mb in August, led by a 16.5 mb draw in crude oil stocks. OECD industry stocks fell counter-seasonally by 13.4 mb to 2 811 mb, 102.7 mb below the five-year average. Preliminary data suggest oil stocks fell further in September. Relatively robust refining activity and OPEC+ supply cuts have underpinned a 135 mb draw in crude stocks since May, while product stocks built by 35 mb over the same period.
- **Brent crude futures rallied $8/bbl in early October**, with markets on tenterhooks about **Israel's response to Iran's missile attack**. The unwinding of ultra-bearish investor exchange positioning contributed to the price rebound. Prices had slumped to multi-year lows in September, driven by the prospect of an amply supplied market in 2025. At the time of writing, Brent was trading at around **$78/bbl**.

# Decline in Nifty (Surge in Chinese Stock Market)

Foreign investors sold **₹58,711 crore** worth of Indian stocks between October 1-11, marking the **second-largest outflow since March 2020**.

**Reasons for Selling:**

- **Rally in Chinese Stocks**: China's stock market has surged due to recent economic stimulus measures, making it attractive for investors.
- **Middle East Tensions**: Rising tensions, especially concerns about oil supply, are adding to uncertainty.
- **Expensive Indian Stocks**: Indian stocks are seen as relatively expensive, so investors may be cashing out to explore cheaper options elsewhere, like China.

However, temporary market rise in China does not mean Investors' trust as P/E ratios of China's stocks stand at **13.62** compared to India's **29.06**.

FIIs are likely to stay with India's BSE and NSE for long term investments.

# BOND RATES GLOBALLY

Central banks worldwide have assumed a **dovish monetary policy stance** during October 2024, that is, **little or no rate cut** was executed on the interest rates with an eye on the fight between inflation control and growth in the economy.
For instance, the **US Federal Reserve** also maintained a relatively cautious stance that influenced US Treasury yields and, hence, impacted the global bond market. That **reduced the global government bond index by 3.7%** in view of uncertainties surrounding the outlook on cuts in rates and because a strong U.S. dollar kept hammering into the bond markets of international scale.

During the month, announcements about the UK's budget revealed higher spending plans for 2025, forcing the **UK Gilts downward** and making the bond, with **a return of -2.8%**, one of the **worst underperformers of the month**.
Within the corporate bonds arena, the **global investment-grade bond declined by 2.7%**. European high-yield bonds fared relatively better with expectations of cuts by the ECB boding well for a broader universe of fixed income.
Emerging market debt succumbed to the rise of the dollar, leaving returns for the year thus far at **6.1%**.

The rate-cutting cycles historically have given positive gains to government bonds. Therefore, it would bode well for investors in the bond market that it can repeat this time too.
The bond market saw yield increases primarily due to **expectations of stronger economic growth, rather than inflation concerns.** According to **Rob Haworth from U.S. Bank Asset Management**, the rising yields reflect confidence in economic resilience. While the 10-year Treasury yield hit **4.70%** in April, it **declined slightly in September to around 3.81%**, demonstrating **fluctuations influenced by economic indicators and investor sentiment.**

Although bonds saw gains in **September** with the **Bloomberg U.S. Aggregate Bond Index** nearly reaching **+5% year-to-date**, October saw a downturn, with the index's gains reduced to under **2%**. The bond market has posted five consecutive months of growth but remains affected by **energy price volatility, particularly in oil and natural gas**. Rising energy costs have exerted pressure on energy-dependent sectors and countries, impacting **bond yields and demand**.

**Geopolitical uncertainties**, including the Eastern Europe conflict and policy shifts in Asia, further contributed to investor caution, **favoring safer government bonds**. **Corporate and high-yield bond yields**, however, **rose moderately** due to credit concerns. The flat or inverted yield curve signaled a careful market outlook, as investors watched for potential economic downturns and future rate adjustments.

This landscape underscores the bond market’s sensitivity to both global growth prospects and sector-specific pressures.

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | YTD | Oct ’24 |
|---|---|---|---|---|---|---|---|---|---|---|
| Italy 4.8% | UK 10.7% | Global 7.5% | Spain 2.5% | Italy 10.6% | Global 9.7% | Japan -0.2% | Japan -5.4% | Italy 9.3% | Italy 3.8% | Japan -0.6% |
| Spain 1.7% | Spain 4.1% | US 2.3% | Germany 1.9% | Spain 8.3% | UK 8.9% | US -2.3% | US -12.5% | Spain 6.9% | Spain 2.3% | Spain -0.7% |
| Japan 1.2% | Germany 3.4% | UK 2.0% | Japan 1.0% | UK 7.1% | US 8.0% | Germany -2.9% | Global -16.8% | Germany 5.7% | US 1.4% | Italy -0.9% |
| US 0.8% | Japan 3.2% | Spain 1.1% | US 0.9% | US 6.9% | Italy 7.9% | Italy -3.0% | Italy -17.2% | Global 4.3% | Germany 0.5% | Germany -1.1% |
| UK 0.5% | Global 1.7% | Italy 0.8% | UK 0.5% | Global 5.6% | Spain 4.3% | Spain -3.0% | Germany -17.4% | US 4.1% | Global -1.0% | US -2.4% |
| Germany 0.4% | US 1.0% | Japan 0.2% | Global -0.7% | Germany 3.1% | Germany 3.0% | UK -5.3% | Spain -17.5% | UK 3.6% | Japan -2.3% | UK -2.8% |
| Global -3.7% | Italy 0.8% | Germany -1.0% | Italy -1.3% | Japan 1.7% | Japan -0.8% | Global -5.8% | UK -25.1% | Japan 0.5% | UK -3.3% | Global -3.7% |

Source: Bloomberg, LSEG Datastream, J.P. Morgan Asset Management. All indices are Bloomberg benchmark government indices. Total returns are shown in local currency, except for global, which is in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 October 2024.

## Best performing corporation bonds in India:

- HDFC corporate bond fund
- Aditya Birla Sun life Corporate Bond fund
- ICICI prudential corporate bond fund
- Sundaram Corporate Bond fund

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