

Global Navigator

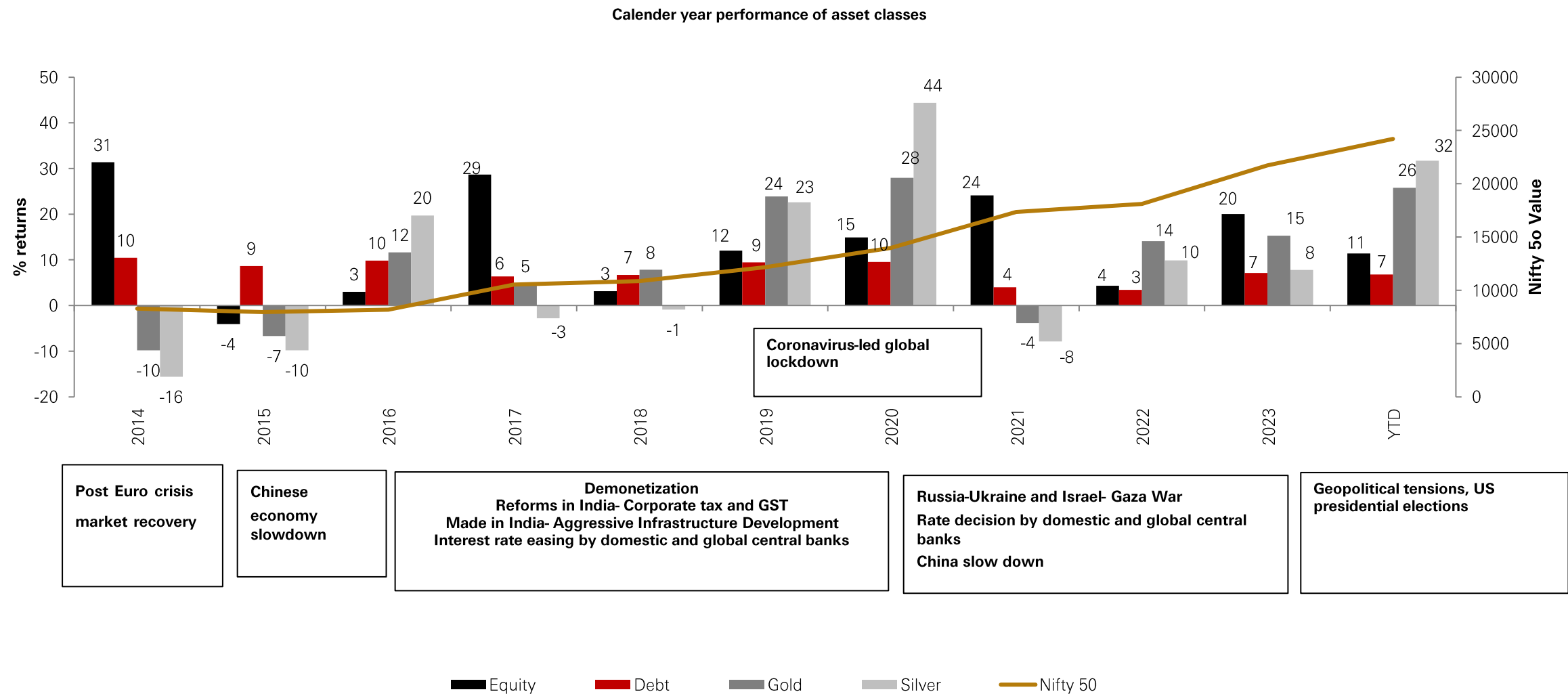
November 2024



This document is not a product recommendation

History of asset classes through major events

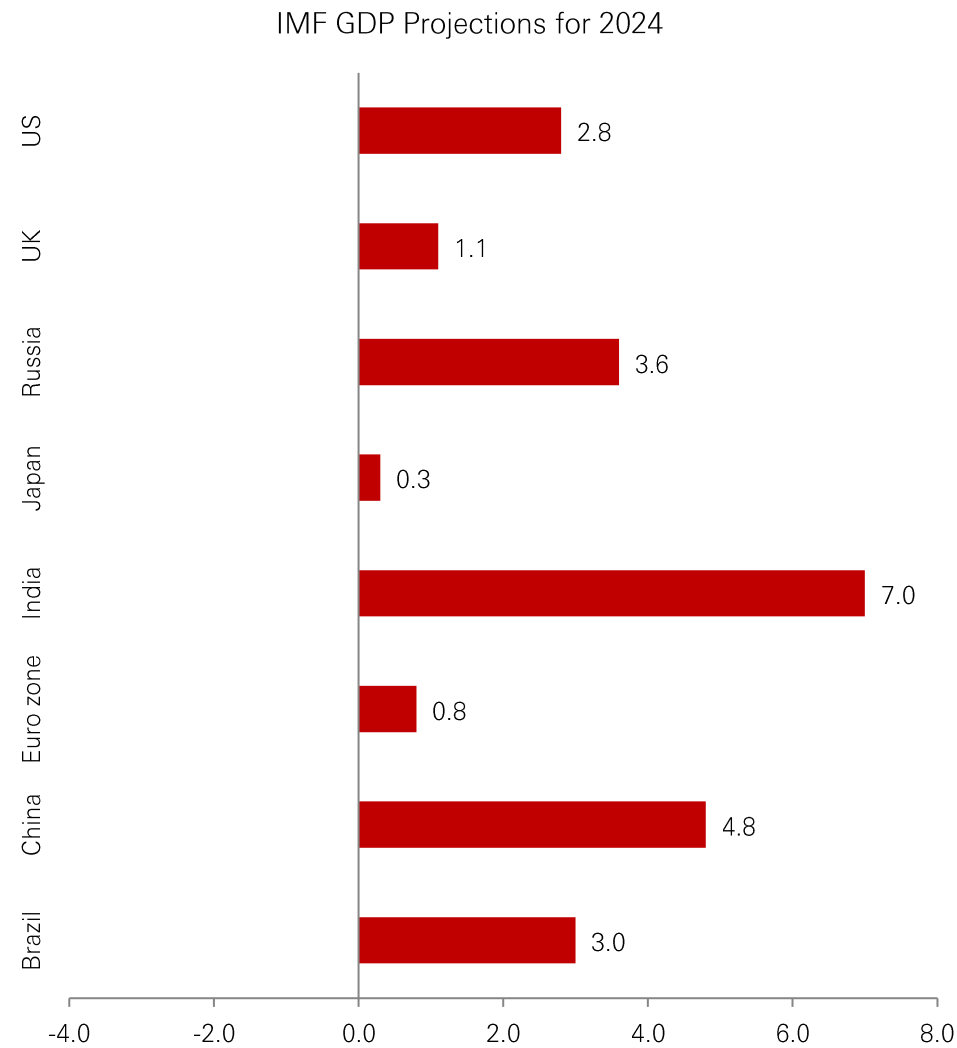
Calendar year performance of asset classes



Equity- Nifty 50, Debt- CRISIL short duration debt index
Gold and silver returns are based on spot rates from India Bullion and Jewellers Association (IBJA) and MCX
Source: NSE, CRISIL, Data as on 31 October 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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	GDP		Inflation		Industrial Growth	
	Current	Previous	Current	Previous	Current	Previous
US	2.8% Q3 2024	3.0% Q2 2024	2.4% Sep'24	2.5% Aug'24	0.6% Sep'24	0.2% Aug'24
Eurozone	0.9% Q3 2024	0.6% Q2 2024	1.7% Sep'24	2.2% Aug'24	0.10% Aug'24	-2.1% Jul'24
UK	1.0% Q3 2024	0.9% Q2 2024	1.7% Sep'24	2.2% Aug'24	-1.6% Aug'24	-2.2% Jul'24
China	4.6% Q3 2024	4.7% Q2 2024	0.4% Sep'24	0.6% Aug'24	5.4% Sep'24	4.5% Aug'24
Japan	2.9% Q2 2024	-2.3% Q1 2024	2.5% Sep'24	3.0% Aug'24	2.80% Sep'24	-4.90% Aug'24
India	6.7% Q1 FY25	7.8% Q4 FY24	5.49% Sep'24	3.65% Aug'24	-0.1% Aug'24	4.7% Jul'24

Major Global Central Bank	Latest Key Interest rate
US Federal Reserve	4.75-5.0%
Bank of England	5.00%
European Central Bank	3.40%
Bank of Japan	0.25%
India	6.50%



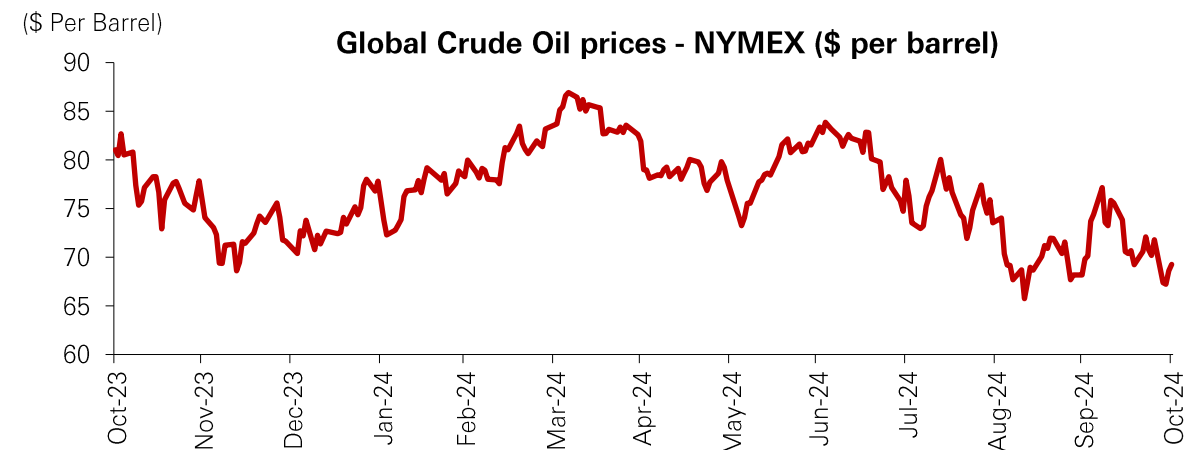
Source: CRISIL, Bloomberg, Respective Central Banks, IMF. Data as on 31 October 2024

Past performance may or may not be sustained in future and is not a guarantee of any future returns., GDP – Gross Domestic Product, IMF – International Monetary Fund

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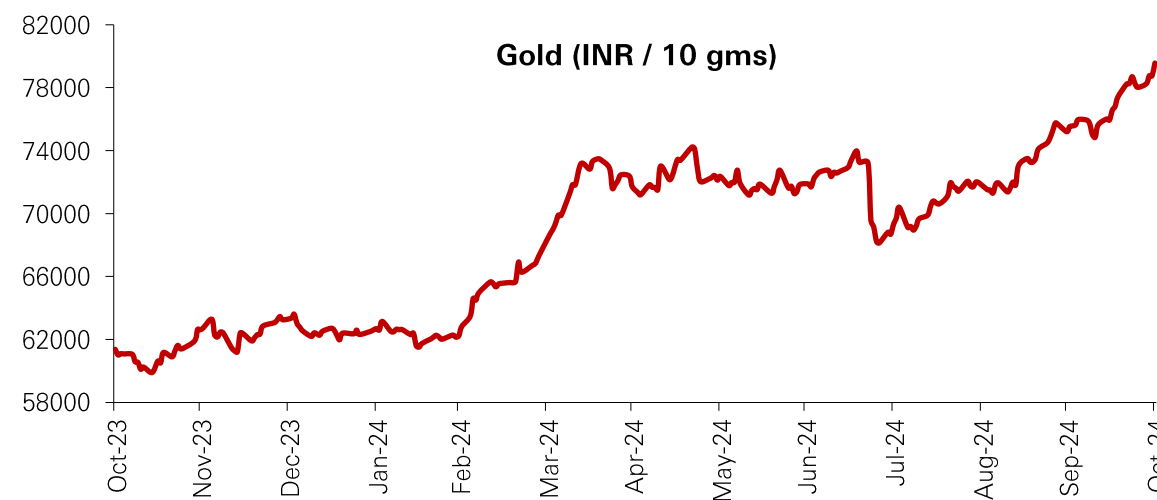
International crude oil rose in October

- Crude oil prices on the New York Mercantile Exchange closed at \$69.26 per barrel on October 31, which was 1.6% higher vs \$68.17 per barrel on September 30, 2024.
- The rise in crude oil prices was on account of escalating geopolitical issues that triggered supply concerns.
- Supporting the rise was an agreement by the Organization of the Petroleum Exporting Countries and allies (OPEC+) to delay by a month a reduction in output planned for December.



Gold remained up in October

- Gold prices ended at Rs 79,557 per 10 gram on October 31 up 5.8% from Rs 75,197 on September 30, 2024, according to the India Bullion and Jewellers Association
- Gold prices remained high during the month on account of safe haven demand following escalating geopolitical tensions. Dovish comments by US Federal Reserve officials also kept prices elevated
- The yellow metal also rose due to uncertainty surrounding the US presidential elections



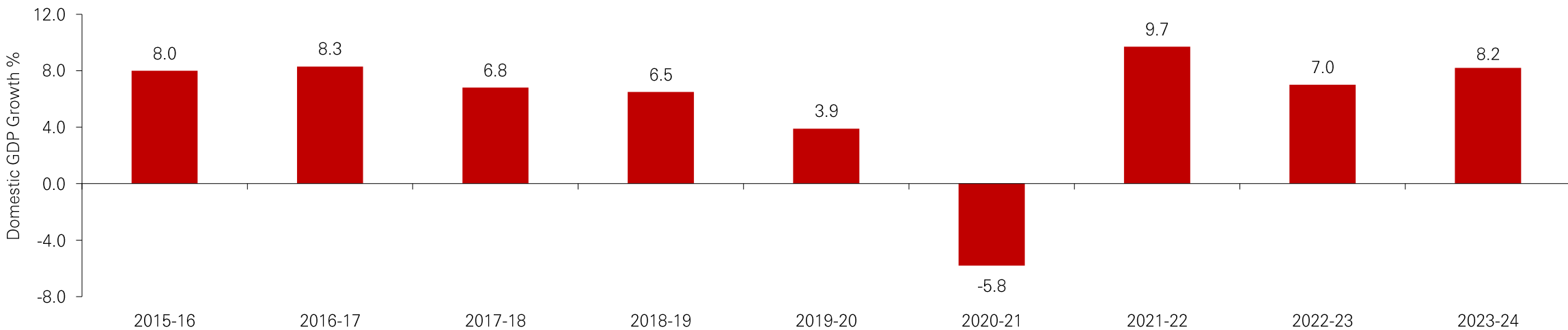
Source – CRISIL, NYMEX. Data as on 31 October 2024

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Indian economy expected to remain resilient amidst global uncertainties and geopolitical risks

- The Indian economy seems poised to maintain a positive growth momentum, despite the prevailing global geopolitical uncertainties. While cautioning against potential risks, such as geopolitical and trade policy uncertainties, the government's latest monthly economic review projects a growth rate of 6.5% to 7% for fiscal 2025.
- The Reserve Bank of India (RBI) forecasts a 7.2% expansion in India's real gross domestic growth for the current fiscal and 7.3% for the first quarter of fiscal 2026, with overall risks considered evenly balanced. The growth is expected to be supported by robust domestic engines and private investment, which is showing resilience despite geopolitical uncertainties.
- India's growth story is also attracting international recognition, with the World Bank revising its growth forecast for the Indian economy to 7% for fiscal 2025, aided by a rebound in agricultural output and increased private consumption. Some speculation that the RBI may follow suit at its monetary policy meeting in October.



Source – CRISIL, Mospi, Data as on 31 October 2024

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Retail inflation ticks up to 5.49% in September

- After falling to a near five-year low of 3.65% in August, India’s retail inflation came in at a higher 5.49% on an annual basis in September.
- Meanwhile, India’s wholesale inflation eased to 1.84% in September from 1.31% in August (on an annual basis).

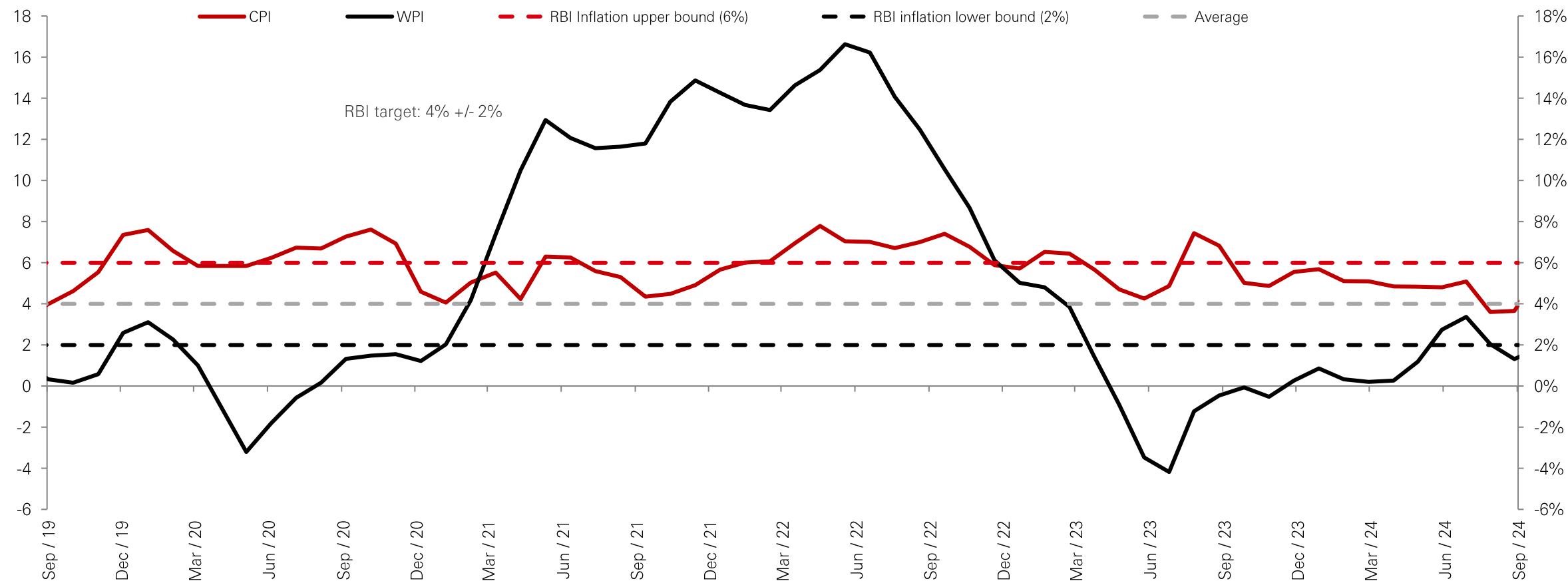
Indicators	Current	Previous
Monthly CPI Inflation	5.49% (Sep-24)	3.65% (Aug-24)
Industrial Growth	-0.1% (Aug-24)	4.7% (Jul-24)
Exports	\$213.22 bn (Apr-Sep 24)	\$211.08 bn (Apr-Sep 23)
Imports	\$350.66 bn (Apr-Sep 24)	\$330.32 bn (Apr-Sep 23)
Trade Balance	\$-54.83 bn (Apr-Sep 24)	\$-44.18 bn (Apr-Sep 23)
Gross Tax Collections	INR 1813842 cr (Apr-Sep FY25)	INR 1619271 cr (Apr-Sep FY24)

Source – Ministry of Commerce, Comptroller General of Accounts, CRISIL, Data as on 31 October 2024
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Inflation target and trend

CPI inflation below the RBI's max target range



Source: CRISIL, MOSPI, RBI, Data as on 31 October 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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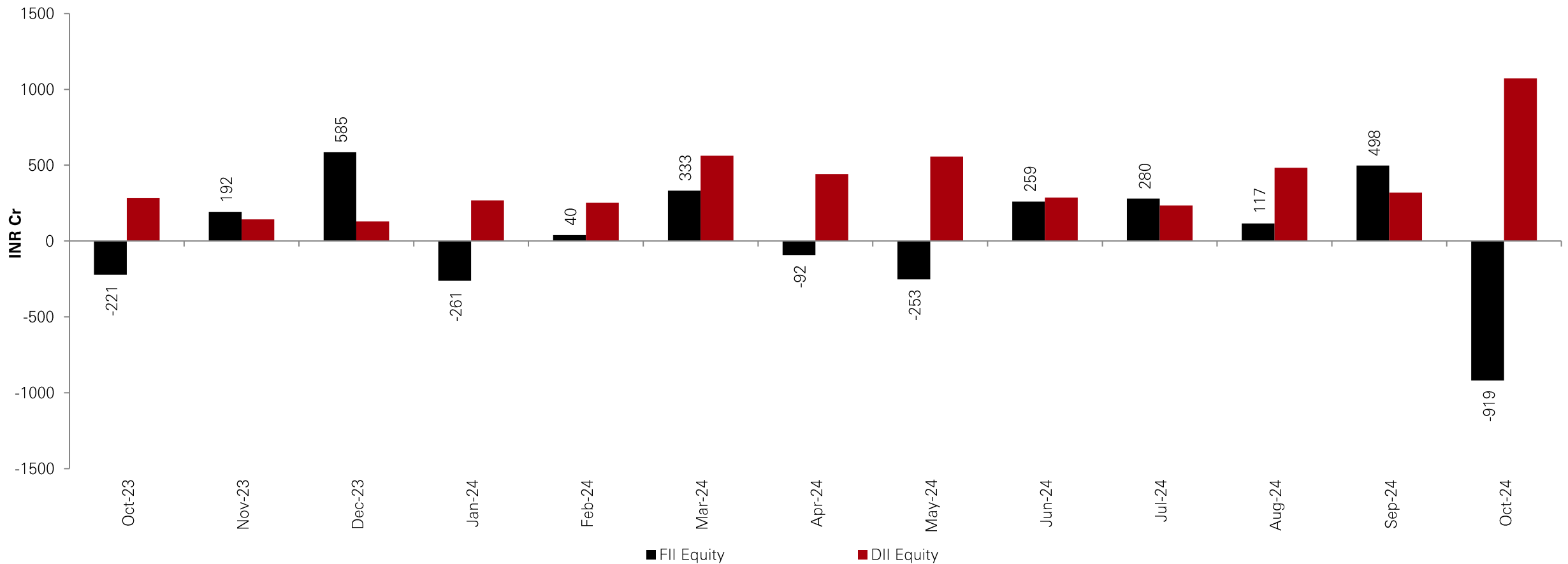
Indian equity indices fell in October'24

- Indian equities snapped a four-month winning streak in October 2024, logging their first monthly loss since May 2024. Heavy selling by foreign portfolio investors (FPIs), generally weak market sentiment, escalating geopolitical uncertainty, US presidential elections (November 05), and weak second-quarter earnings led to a sharp correction in the markets. The benchmark BSE Sensex and Nifty 50 indices fell 5.83% and 6.22% on-month, respectively.
- Escalation of geopolitical uncertainty at the beginning of the month led to sharp losses, leading fears about higher oil prices and stoking investor pessimism.
- Closer home, the RBI (October 09) decided to leave interest rates unchanged but changed its stance to neutral. This led to uncertainty surrounding rate cuts. Concerns about delay in rate cuts grew stronger, after the RBI revised its inflation projection higher for the third quarter and as inflation data for September 2024 came in at a nine-month high. Further, the upward revision in the third-quarter fiscal 2025 inflation estimates led to expectations about inflation remaining sticky for longer term than previously expected. All these led to profit booking in the bond market.
- Lacklustre second-quarter corporate earnings and softer-than-expected guidance by some companies weighed down on investor sentiment through the course of the month.
- Further losses were seen as foreign institutional investors (FIIs) sold equities worth Rs 94,017 crore in October so far, compared with Rs 57,724 crore in September. FPIs turned net sellers in October 2024, responding to aggressive Chinese fiscal stimulus measures and attractive valuations of Chinese stocks. A perception of elevated valuations in the Indian market also influenced the selling streak.
- Some losses were also seen after the Securities and Exchange Board of India (SEBI) tightened the norms for equity derivatives (futures and options) trading and raised the entry barrier, thereby making it more expensive for retail investors.

Source –CRISIL, Data as on 31 October 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns. GDP – Gross Domestic Product
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BSE sectoral indices ended lower in October '24

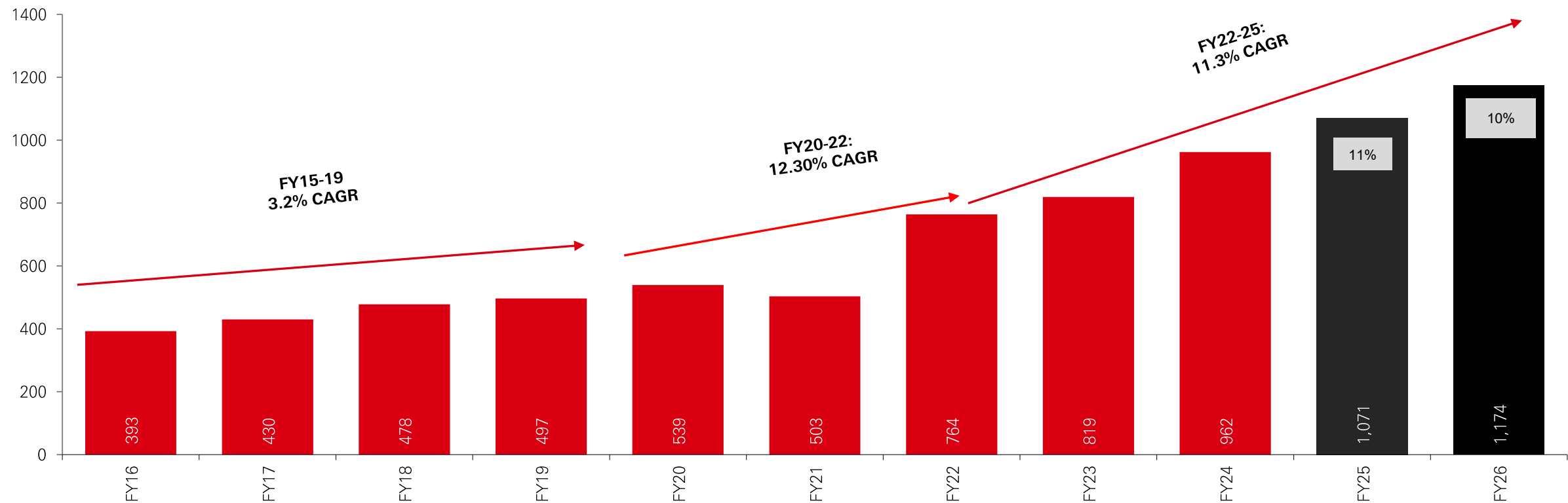
- The decline in equities during the month was broad-based, with all key sectoral indices shedding value compared with the preceding month.
- The biggest losers for the month were the BSE Oil & Gas (13.8% fall), BSE Auto (12.3%) and BSE Consumer durables (10.4%) indices.



Source: MOSL, Data as on 31 October 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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Earnings trend

India - Equity earnings (Nifty 50 EPS)

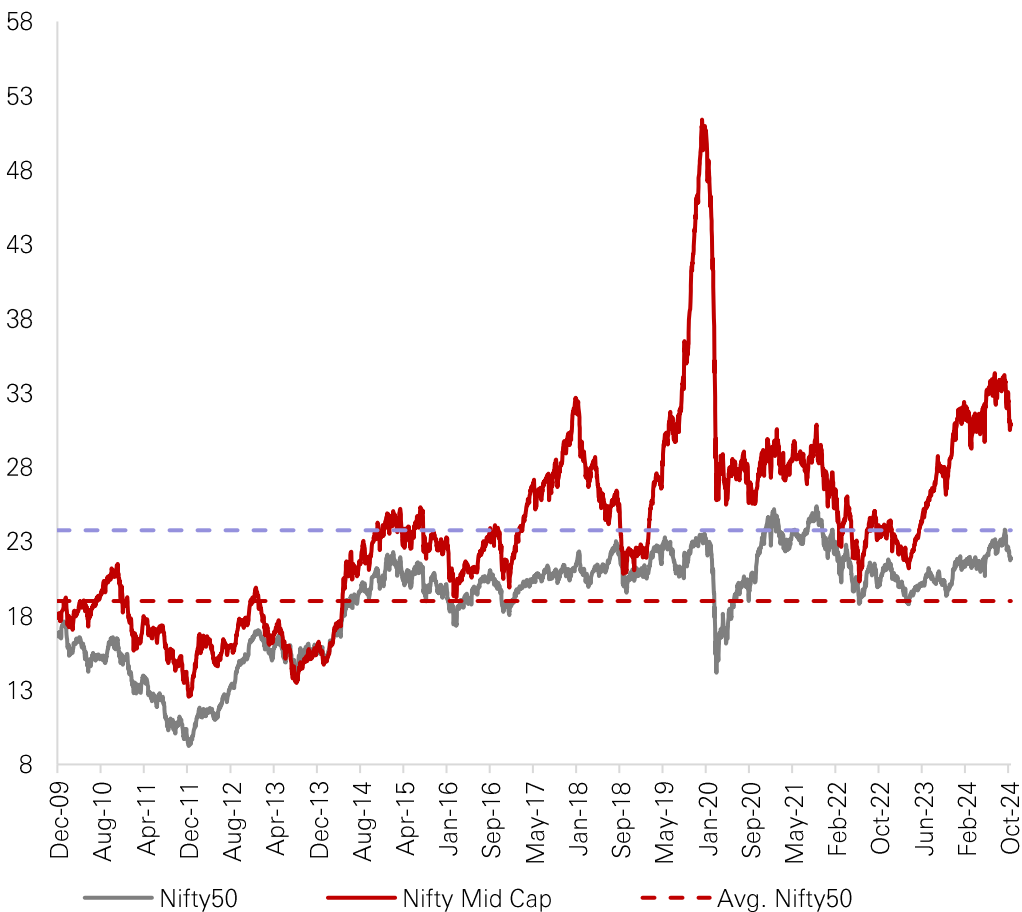


Note: Trailing 12M EPS (Earnings Per Share)
Black shaded columns are estimates of FY25 and FY26
Data for FY 26 is for only three quarters

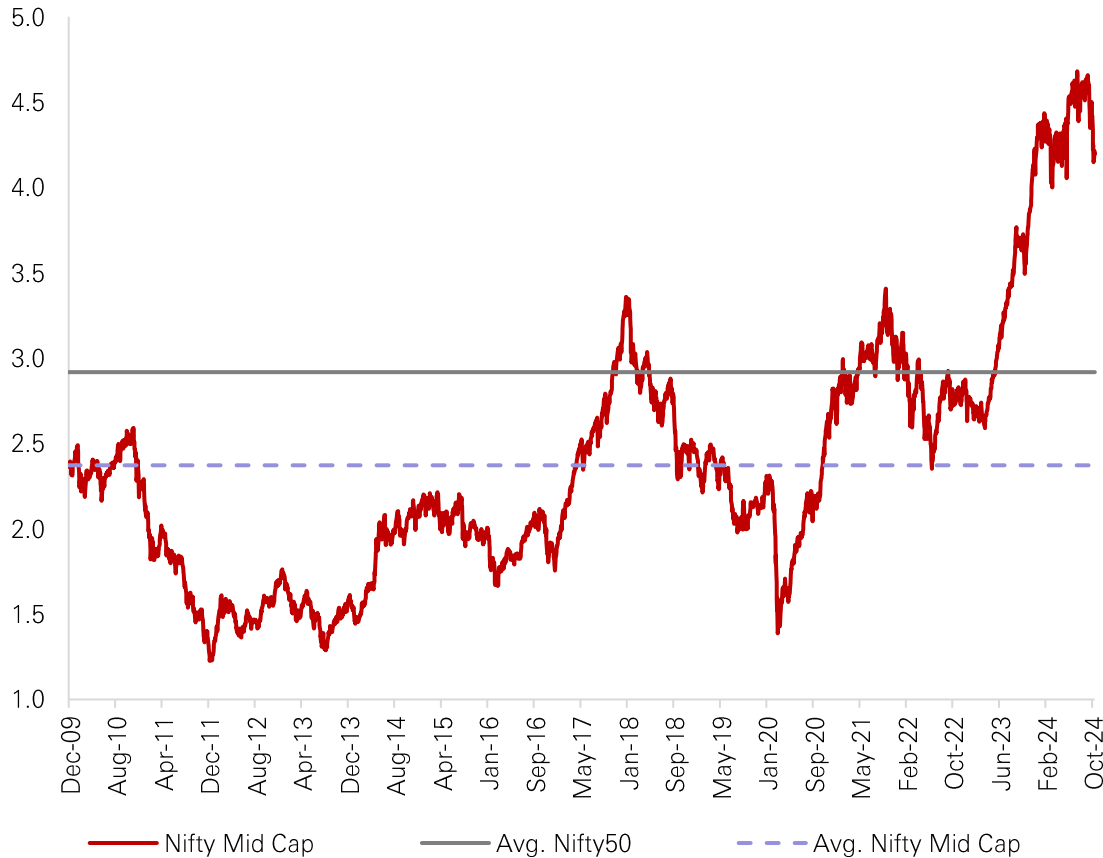
Source: CRISIL, Bloomberg, Data as on 31 October 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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Market valuations – Nifty 50 and Nifty Midcap 100

Large and Mid Cap - Price to Earnings (PE)



Large and Mid Cap - Price to Book (PB)



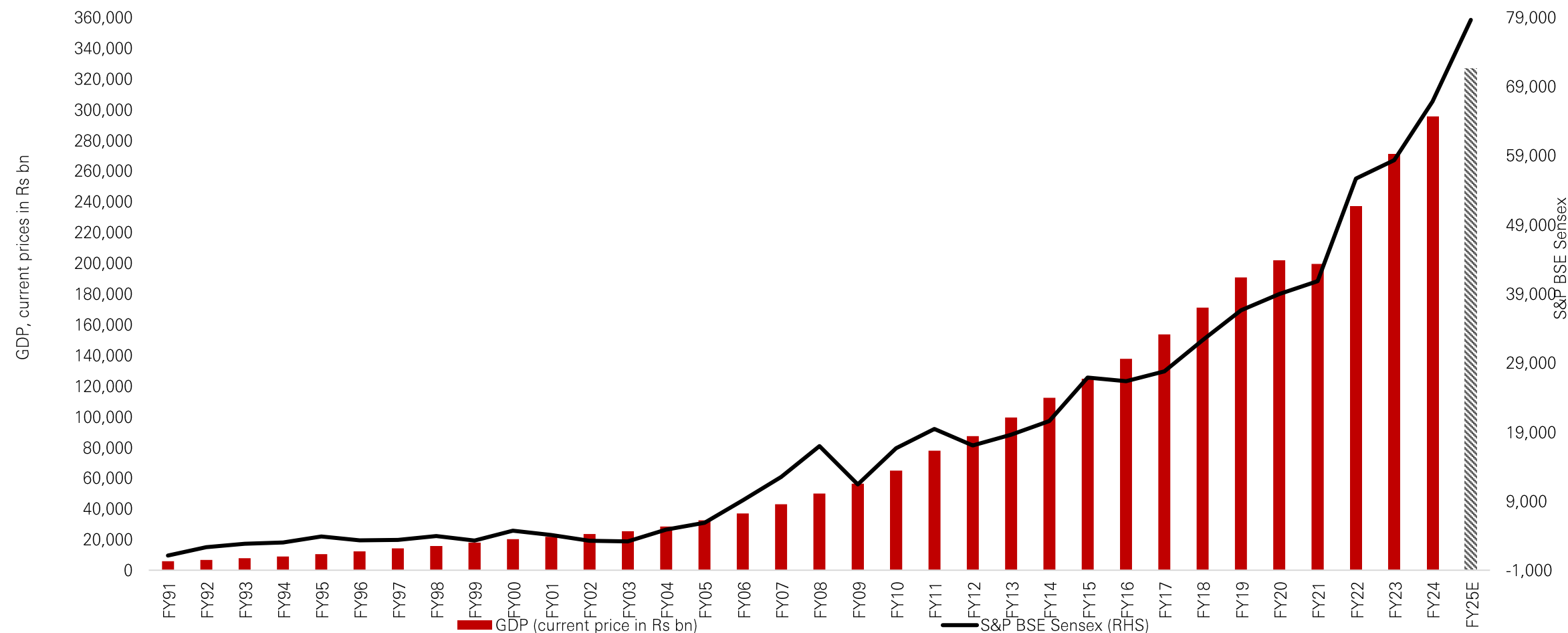
Source: CRISIL, Bloomberg

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Equity mirrors economic growth in the long term

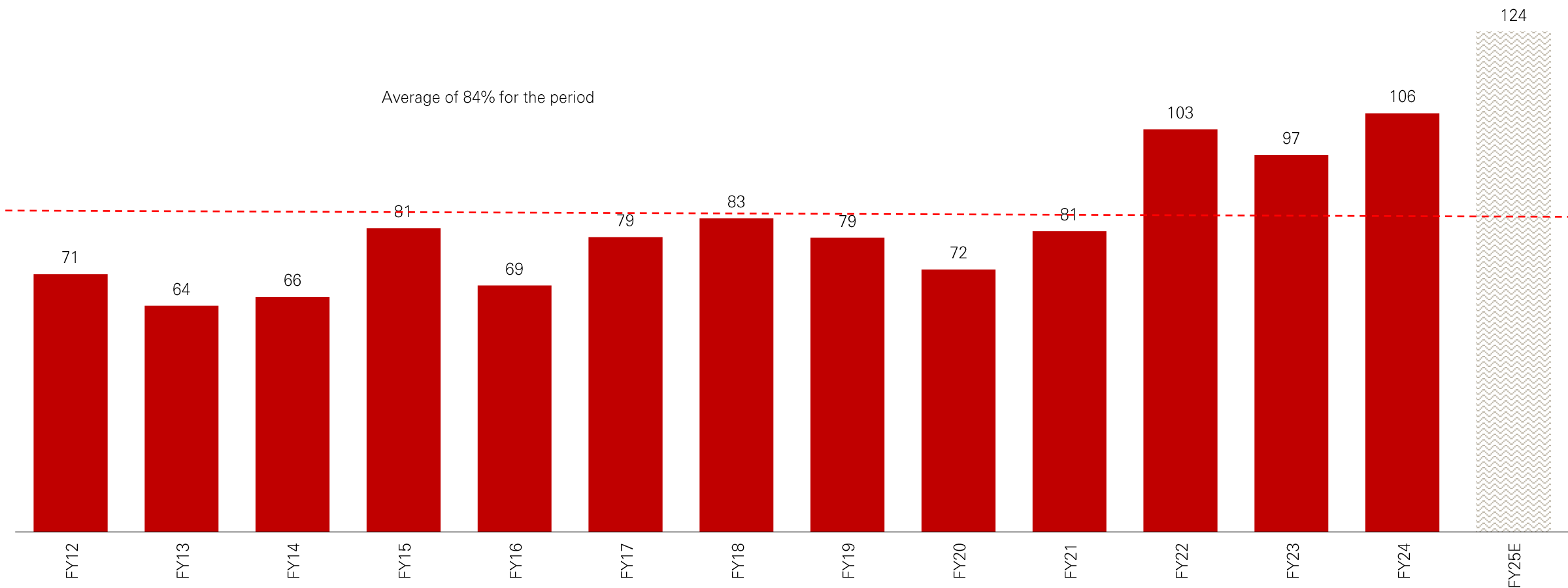
GDP - The Indian economy is expected to carry the momentum of last year’s GDP growth into the current fiscal year as well



Source: CRISIL, Bloomberg, BSE, IMF, The GDP projection for fiscal year 2025 is shown shaded in this graph is for illustration purposes only and is not guaranteed, Data as on 31 October 2024, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice GDP – Gross Domestic Product. Note-The details provided above is as per the information available in public domain at this moment and subject to change. Please consult your financial advisor for any investment decisions.

India Market cap to GDP (%)

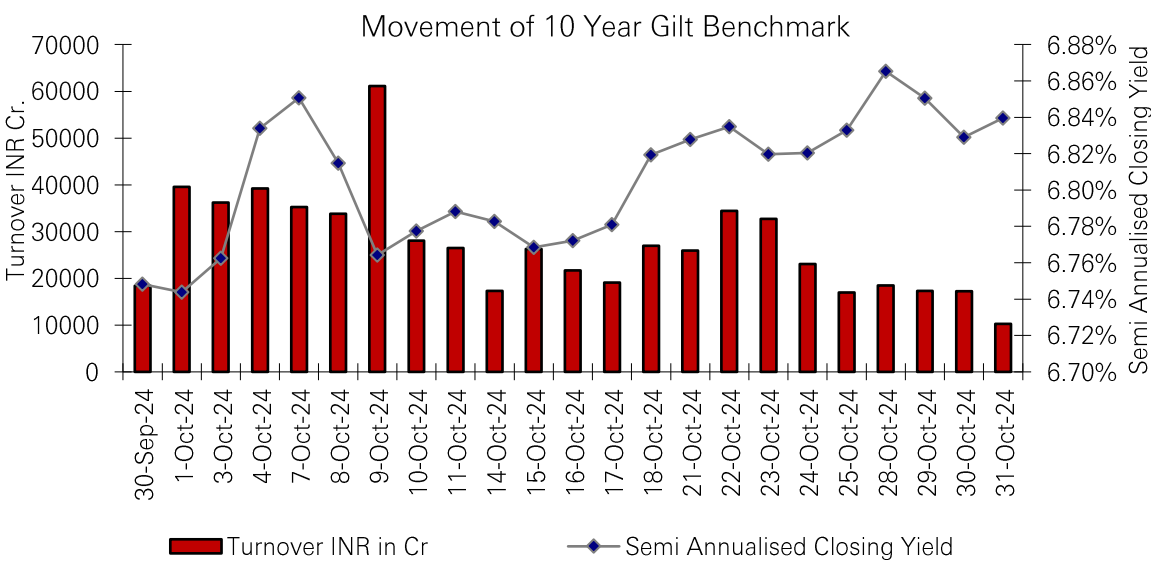
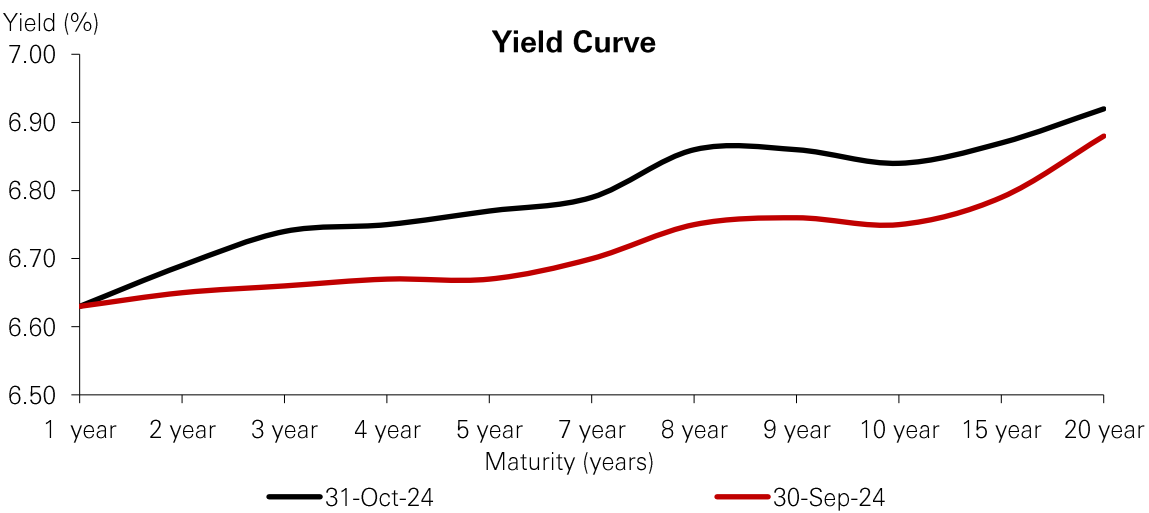
Market cap as a % of GDP



Shaded area are Estimates (E) – FY25
Source: CRISIL, MOSPI, Bloomberg, CRISIL estimates;
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- MSCI World index also corrected 2% in October. It was driven by a 1% decline in the US (S&P 500) while MSCI Europe saw a sharp decline of 6% and MSCI Japan lost 3.9%. MSCI EM was also down 4.4% led by a 6% drop in MSCI China. US Fed rate cut and Chinese government stimulus measures should be positive for the global economy.
- Indian equities saw the biggest single month of FII outflow at US\$10.9 bn in October more than reversing the high inflow of US\$5.9 bn in September. DII's more than offset the same with MFs investing US\$10.9 bn deploying a significant amount of their cash holding.
- CPI surged to 5.5% YoY in September from 3.7% YoY in August due to much higher food price inflation.
- While consensus earnings estimates have been revised down sharply by 8% for FY25/26 in October as the ongoing Q2FY25 result season has generally been below expectations. However, the index also suffered a sharp correction during the month, Nifty therefore now trades on 21.8x 1-year forward PE more than 20% above its 10-year average and 10% above its 5-year average. Valuations in Mid Cap and Small Cap space are much more elevated.
- India's GDP growth remained strong in Q1FY25 at 6.7% YoY, the impact of slowdown in government spending due to elections in H1FY25 and lower economic activity due to heavier rains in August and September has led to a more visible slowdown in Q2FY25.
- Consumer demand has also been weaker than expected. Most companies have pointed to slowdown in urban demand while rural demand is showing an improving trend.
- Government spending is expected to accelerate in H2FY25 to help support growth.
- India's investment cycle to be on a medium-term uptrend supported by rising government investment in infrastructure and recovery in real estate cycle. Higher private investments in renewable energy and related supply chain, localization of higher-end technology components, and India becoming a more meaningful part of global supply chains to support faster growth. However, several of these positives are getting discounted by the high valuations currently prevailing in the equity market.

Debt Market Indicators	31-Oct-24	30-Sep-24
Call Rate	6.50%	6.24%
3-mth CP rate	7.50%	7.45%
5 yr Corp Bond	7.32%	7.30%
10 Yr Gilt	6.84%	6.75%
Repo	6.50%	6.50%
SDF	6.25%	6.25%
CRR	4.50%	4.50%
1-Month CD	7.03%	7.10%
3-mth CD rate	7.17%	7.18%
6-Month CD	7.40%	7.32%



Source: CRISIL Fixed Income database

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- The US FOMC minutes for the September policy indicated that the decision to cut rates by 50 bps (instead of 25 bps expected by most Economists) was largely deliberated between the members, and what possibly tilted the FOMC to ease by 50 bps was the weak labour market data.
- The US markets are now pricing in (as of Oct 31, 2024) close to 2 rate cuts in 2024 (similar to dot plot), 3 rate cuts in 2025 and pretty much nothing thereafter (against 4 rate cuts in 2025 and 2 rate cuts in 2026 as per the dot plot). This would result in a terminal rate close to 3.5% (significantly higher than what was getting priced in a month back).
- India's Gross Tax Revenue saw a 12% (YoY) increase at INR 18.1 trn in H1 F20Y25. Direct tax collections grew at 14% y-o-y and Income tax revenue rose at an impressive 25% (YoY).
- Corporate tax growth, however, was subdued at 2% (YoY). This is probably due to slightly weaker corporate results impacting profitability and tax collections. Indirect tax collections were in line with budget targets of 10% (YoY) growth led by robust GST collections. Non-tax revenue saw significant growth due to a bumper RBI transfer of INR 2.1 trn to the Government in May 2024.
- Liquidity remained positive during the month, ending at INR 1.54 trn as of Oct 31, 2024 and is expected to increase further as month end Government spending picks up.
- The RBI MPC decided to look through the near-term inflation volatility while changing the policy stance to neutral, as they expect food prices to cool off from Q4. Although a December cut is getting priced out, the Q2 growth number before the Dec MPC meeting and expected CPI print for Nov, can tilt the MPC either side depending on how the data evolves
- Indian bond markets are much better placed than other emerging market economies to absorb any sudden shocks. Growth inflation dynamics is also flipping as is evident from some of the commentary from MPC members. With inflation expected to ease after some near time spikes and growth increasingly likely to disappoint, we believe there is room to cut rates by 75-100 bps.
- longer end of the curve is likely to remain supported as end investor demand might remain strong. Hence, we believe that any further corrections, can be looked at as an opportunity to cautiously add duration.

Source: HSBC Asset Management, India, Data as on 31 Oct 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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Global Economic Update

US economy grows at 2.8% in Q3 2024; Fed rate decision on November 8th

- The US economy expanded at an annualized 2.8% in the third quarter of 2024, below 3% in the second quarter.
- The latest FOMC minutes revealed that a "substantial majority" of Federal Reserve officials at the September meeting had supported a 50-bps rate cut, aiming to convey that this action was not an indicator of a more pessimistic economic outlook.
- Three policymakers, citing economic resilience and uncertainty, had preferred a 'modest' and 'gradual' approach to further cuts. The Fed's next decision is expected at the policy meeting on 8th November.

Key economic indicators

- The economy added 143,000 workers to their payrolls in September 2024, the most in three months, following an upwardly revised 103,000 in August
- Inflation rate eased to 2.4% in September, compared with 2.5% in August, while core inflation rose marginally to 3.3% from 3.2%

Eurozone economy grew 0.9% in the third quarter; ECB lowered marginal lending facility

- The Eurozone GDP expanded 0.9% on-year in the third quarter of 2024, compared with a 0.6% rise in the previous quarter.
- In October 2024, the European Central Bank lowered its three key interest rates by 25 basis points, in line with expectations and following similar reductions in September and June. The new rates for the deposit facility, main refinancing operations, and marginal lending facility are now 3.25%, 3.40% and 3.65%, respectively.

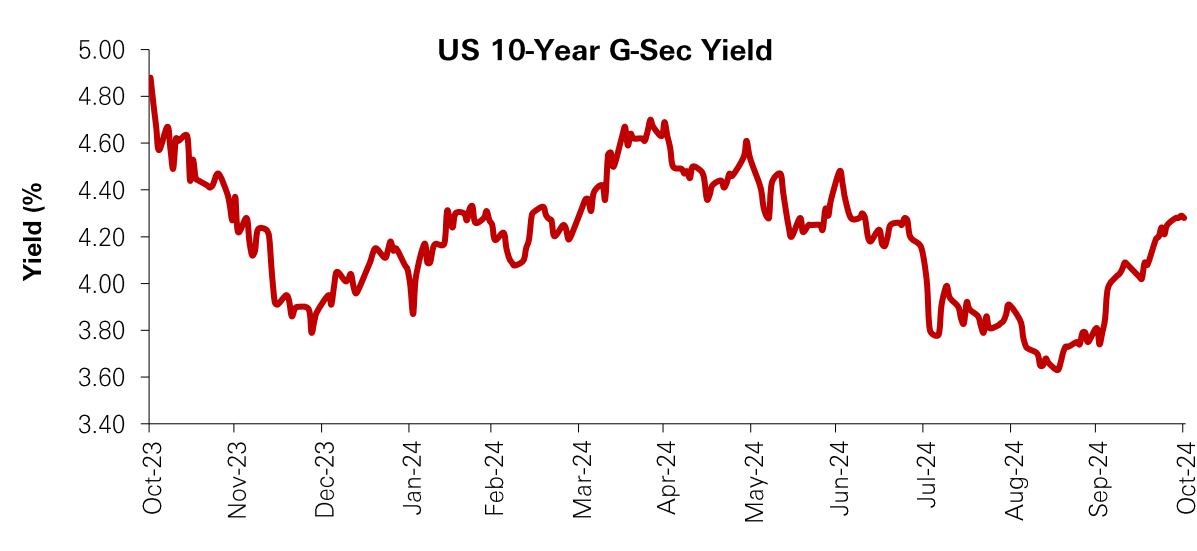
Key Eurozone economic indicators

- The annual inflation rate eased to 1.7% in September, compared with 2.2% in August, while the core inflation rate edged down to 2.7% from 2.8%
- Industrial production increased 0.10% in August from a revised 2.1% fall in July

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US treasury prices declined in October

- The yield on the 10-year US Treasury settled at 4.28% on October 31, 2024, compared with 3.81% on September 30, 2024
- Bond prices declined after the US Federal Reserve Chair Jerome Powell said during a speech at National Association for Business Economics conference, that further rate cuts could lie ahead, but that the central bank was not on a predetermined path
- Bond prices declined further after the US government data showed that the federal budget deficit grew to \$1.833 trillion for fiscal year ended September 30, 2024 – the deficit is the widest outside of the Covid-19 period 2020.



Global bond yields			
	31-Oct	30-Sep	Change
US 10-Year (%)	4.28	3.81	0.47
UK 10-Year (%)	4.45	4.01	0.44
German 10-Year (%)	2.39	2.13	0.26
Japan10-Year (%)	0.94	0.86	0.08

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Expiry: end of Quarter