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FUND MANAGERS COMMUNICATIONS

Strong Domestic macro data like inflation cooling to 24 month low at 4.25% from 6.4% in Feb, Industrial production edges higher to 4.2% vs 1.7% in previous month, Robust GDP growth at 6.1% & an FY23 growth rate at 7.2% brought more stable outlook for Indian economy FPI are coming back strongly with big bang as they poured almost 55K cr in Indian Equities in past two months which helped benchmark indices to pass the stress test of previous high, making new life time high after long consolidation for almost 20 months. Nifty ended June series with 3.53% gain. Among sectorial indices Bank nifty gained 1.4% Nifty Auto & Metal closed with healthy gain of 6.68% & 5.42%. Nifty Mid and Small cap 100 index closed with 5.9% & 6.60% gains respectively.

Fund Flow: FII bought big to the tune of **Rs +27250cr** in the month of June 2023 on the other side DII bought shares worth **Rs +4458.23 cr**.



Global Market: As central banks continue their campaigns to slow inflation, both the U.S. and Europe are likely to avoid recessions. Inflation in the euro

area has been on its way down after peaking at an annualized rate of 10.6% in October 2022, with prices for energy, goods and food receding. The combination of declining inflation and rising wages means workers should start to see their purchasing power increase later this year and into 2024. This provides more positive backdrop for private consumption, which accounts for around 50% of GDP in the euro area. The strength and significance of China's recovery has been closely watched. Analyst expects world's 2nd largest economy to post growth of 5.7% in 2023 & 4.9% in 2024.



Central Banks: BoE is expected to hike rates at least 2 more times after delivering a surprise 50bps hike in Jun'23.

ECB officials have also maintained that underlying inflationary trends are showing that the Central Bank will have to keep hiking rates this year and cuts can only begin in late CY24. US Fed paused in Jun'23 for the first time in 15-months. Fed Chair Powell has hinted at 2 more rate hikes this year, however, in view of recent economic print market participants are expecting Fed to pause after hiking for the final time in Jul'23. RBI is constantly watching the inflation print and has recently maintained unchanged monetary policy and sets inflation target at 4% for FY 24.

Consumer price Inflation (CPI): Inflation continued to ease, falling to 4.25% in May-23 lowest in past 25 months helped by base effects. Inflation risk has moderated considerably due to lower crude oil and commodity prices as well as the abating of supply chain disruptions. RBI has projected retail inflation at 5.1% for 2023-24 (April-March) with April-June at 4.6%, July-Sept at 5.2%, Oct-Dec at 5.4% & Jan-March at 5.2%.

GST Collection: GST revenues crossed Rs1.6 lakh cr for 4th straight mth; could get boost from drive against indirect tax evasion. GST revenue collected in the mth of June 161,497Cr, 2023. The revenues for the month of June 2023 are 12% higher than the GST revenues in the same month last year. The total revenue of Centre and the States in the month of June 2023 after regular settlement is ₹67,237 cr for CGST and ₹68,561 cr.

PMI: India's June PMI revealed a reading of 57.8 in June, a slight decrease from May's figure of 58.7. Notably PMI has remained above 50 mark for consecutive 2 years, "June's PMI results again showed robust demand for Indian-made products, both in the domestic and international markets."

S&P Global India Services PMI Business Activity Index fell from 61.2 in May to 58.5 in June. Despite falling from May, the latest figure was consistent with a sharp pace of growth. Services sector growth eased to a 3-month low in June but service providers continued to signal positive demand trends, which resulted in a stronger increase in new business volumes and further job creation.

Trade Deficit: Merchandise trade deficit increased to USD22.1Bn in May23 VS USD15.1Bn in April23. The May-23 trade deficit (USD22.1bn) was driven by a sharp sequential rise in imports, with exports increasing marginally. This trend was reflected in core imports as well as exports, indicating resilient domestic demand amid weakening global demand. On a sequential basis, exports (0.7%) rose far slower than imports (14.5%), Oil exports declined 8.3% MoM (-29.9% YoY) owing to higher domestic demand and lower crude oil prices during the month.

Monthly Auto Sales Data: In Jun'23, 2W volume growth came in low single digits y/y, due to lower Heromoto corp volumes (high base from stocks built last year), although retail sales have been a healthy 7%, despite the cyclone in the western region. PV volumes have grown only slightly 2% due to component shortages. However demand seems to come strong with festive season starting in next couple month. CV volumes exceeded expectations though growing only slightly 2% despite early buying. Delayed sowing has tapered tractor volumes to slight growth on a low base.



Outlook: Strong Momentum to continue in market as Fears of Recession globally has faded and Policy makers now planning for

bringing growth back on track as pause in Interest rate in US is first signal. Healthy macro domestic numbers provide stability

and confidence to FII. Cooling inflation benefit of fall in both hard and soft commodity and fuel cost over last 6 months will now help corporate margins to improve in Q1 and provide cushion to earnings and thereby making valuation look attractive. Indian Equity valuation reasonable based on forward multiple. We believe the current market momentum to continue with equity valuation to be reasonable backed by improvement in corporate earnings going forward and interest rates peaking out. The only risk to the view, further escalation in geopolitical issues and any disturbance related to political environment with respect to election due next year.



Regards,

Mayur Shah

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