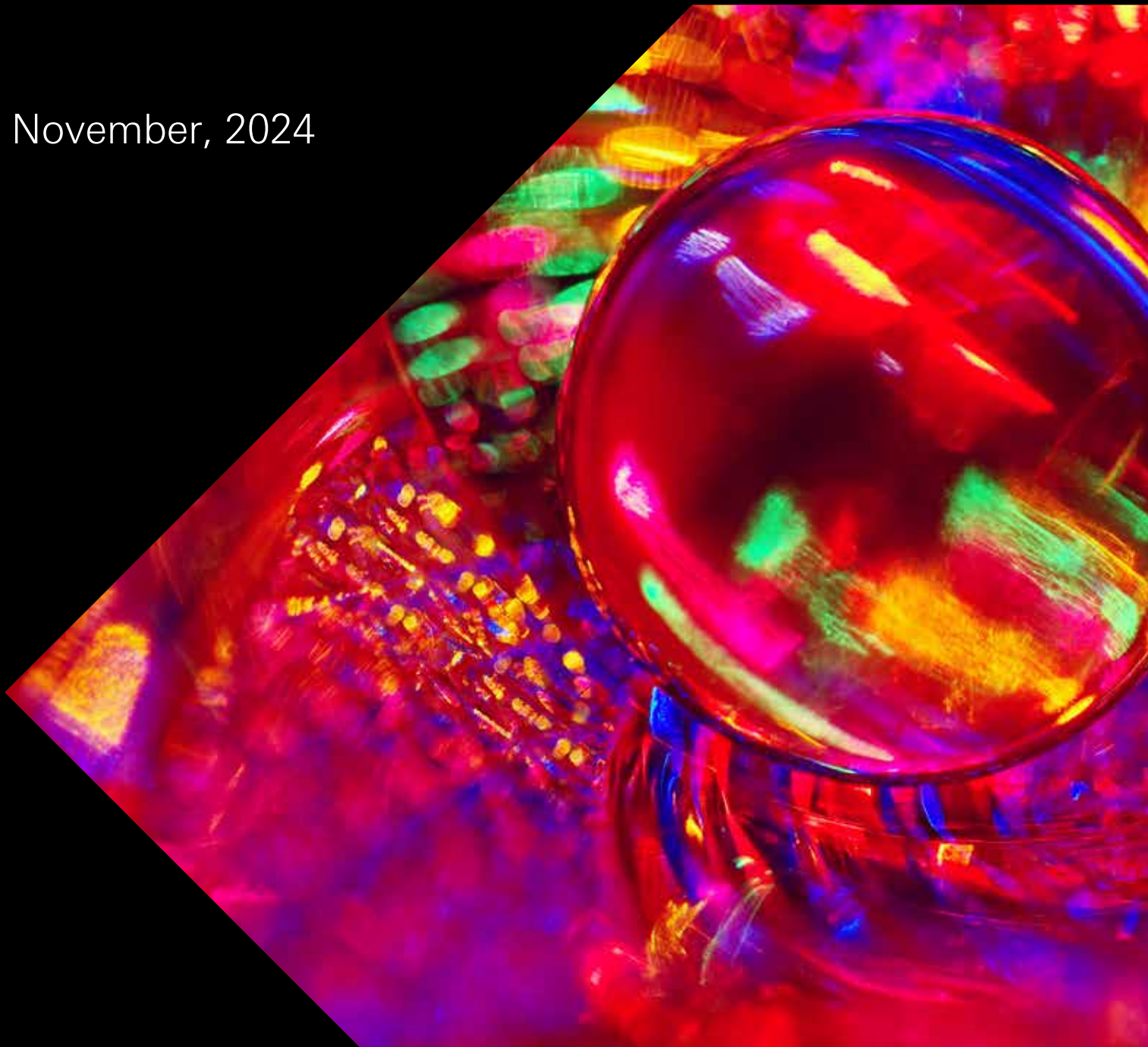


Equity Market Review

November, 2024



- ◆ Equity indices were broadly flat in November 2024. BSE Sensex rose 0.6% while NSE Nifty was down 0.3%.
- ◆ Broader markets also ended slightly positive with the BSE Small Cap Index up 0.5% and the NSE Mid Cap Index up 0.2% for the month.
- ◆ IT was the best performing sector in the month of November. Banks, Realty and Capital Goods delivered positive returns and outperformed the Nifty. Power was the worst performing sector in November followed by the Metal sector. Oil & Gas, FMCG and Autos - all declined and underperformed the Nifty index.



Domestic Indices	Last Close	1 Month (Change)	CYTD 24 (Change)
BSE Sensex TR	1,23,744	0.6%	11.8%
Nifty 50 TR	35,879	-0.3%	12.4%
BSE 200 TR	14,209	0.1%	16.7%
BSE 500 TR	45,482	0.1%	17.6%
NSE Midcap TR	26,436	0.2%	23.1%
BSE Smallcap TR	68,303	0.5%	30.1%
NSE Large & Midcap 250 TR	20,322	0.1%	19.3%
BSE India Infrastructure Index TR	896	-2.2%	34.8%
MSCI India USD	1,054	-0.5%	14.4%
MSCI India INR	2,889	0.0%	16.2%
INR - USD	84.5	0.5%	1.5%
Crude Oil	73	-0.3%	-5.3%

Indices	29-Nov 2024	31-Oct 2024	% Change 1 Month	% Change 1 Year	% Change YTD
BSE Auto	52,898	53,540	-1.20	32.07	25.26
BSE BANKEX	59,298	58,664	1.08	17.91	9.05
BSE Capital Goods	70,700	69,106	2.31	41.43	27.06
BSE Consumer durables	62,469	60,656	2.99	32.57	24.94
BSE FMCG	21,213	21,663	-2.08	10.73	3.64
BSE Healthcare	436,66	43,915	-0.57	43.76	38.40
BSE IT	42,783	40,428	5.83	28.76	18.81
BSE Metal	30,537	31,280	-2.38	25.98	13.14
BSE Oil & Gas	26,813	27,458	-2.35	30.47	16.47
BSE Power	7,490	7,829	-4.34	52.20	28.72
BSE PSU	19,896	19,894	0.01	47.50	27.88
BSE Realty Index	7,960	7,809	1.93	40.71	28.66

Global Market Update

MSCI World index saw a sharp up move of 4.5% in November driven by the election of Donald Trump as the next President of the USA. US (S&P 500) rose 5.7% while MSCI Europe saw a decline of 1.8% and MSCI Japan was up 0.6%. MSCI EM was down 3.7% led by a 4.5% drop in MSCI China. Crude oil price was flat in November.

International Indices (in USD)	Last Close	1 Month (Change)	CYTD 24 (Change)
MSCI World	3,810	4.5%	20.2%
Dow Jones	44,911	7.5%	19.2%
S&P 500	6,032	5.7%	26.5%
MSCI EM	1,079	-3.7%	5.4%
MSCI Europe	2,054	-1.8%	1.7%
MSCI UK	1,253	1.0%	6.4%
MSCI Japan	3,949	0.6%	6.8%
MSCI China	63	-4.5%	13.3%
MSCI Brazil	1,305	-7.2%	-27.5%

Macro Economic Data

- ◆ FII's continued to withdraw money from Indian equities with an outflow of US\$2.2 bn in November. DII's more than offset the same with MFs investing US\$3.8 bn while insurance invested US\$1.5 bn during the month.
- ◆ Real GDP for Q2FY25 (September quarter) grew only 5.4% (YoY) significantly below economist expectations. Slowdown was driven by weaker industry growth while consumption and services held up.
- ◆ CPI surged to 6.2% (YoY) in October from 5.5% (YoY) in September due to much higher food price inflation. Core-core inflation (i.e. core inflation ex petrol and diesel) also increased to 4.0% in October from 3.8% (YoY) in September.
- ◆ Industrial production growth (IIP) grew 3.1% in September vs -0.1% (YoY) in August.
- ◆ Gross GST revenue collection was Rs 1.82 tn in November 2024, up 8.5% (YoY).

Valuations

While consensus Nifty EPS estimates for CY24/25 have largely maintained in Nov. Nifty therefore now trades on 20x 1 year forward PE inline with its 5-year average and only 10% above its 10-year average. Valuations in Mid Cap and Small Cap space are more elevated.

Macro View

In our view, global macro environment remains challenging with heightened geo-political and economic uncertainties. US Fed rate cut and Chinese government stimulus measures should be positive for the global economy. For India, GDP growth has faltered in Q2FY25 at 5.4% (YoY), under the impact of slowdown in government spending due to elections in H1FY25 and lower economic activity due to heavier rains in August and September. Urban consumption demand has also cooled off. However, we expect government spending to accelerate in H2FY25 to help support growth. Strong monsoon and higher food prices should be supportive for rural consumption in FY25.

Outlook

In the near term, there is a certain level of slowdown in India's growth momentum, however we believe longer term outlook remains strong. We expect India's investment cycle to be on a medium-term uptrend supported by rising government investment in infrastructure and recovery in real estate cycle. We also expect 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, in our view several of these positives are getting discounted by the high valuations currently prevailing in the equity market. While we

Outlook (contd)

remain constructive on Indian equities supported by the more robust medium term growth outlook we would caution against high return expectations.

Key Drivers For Future

On the headwinds, we have

Moderating global growth due to higher interest rates is likely to weigh on demand going forward.

Global commodity prices: Decline in crude oil and fertilizers has been a positive for India from inflation, fiscal deficit and corporate margins perspective in FY24. However, any significant increase may be a headwind.

Other factors/risks: High fiscal deficit and weak monsoon.

We see the following positives for the Indian market:

Government infrastructure spending: Strong government thrust on infrastructure spending is clearly supporting the economy and has been one of the big positive contributors to FY24 GDP growth.

Recovery in real estate cycle: Real Estate remains another strong medium term growth driver having weathered the impact of higher interest rates. Demand trends in top metro cities remain strong and inventory levels have declined.

Recovery in private capex: Industry capacity utilization based on RBI survey data is at a reasonably high level and indicates potential for increase in private capex going forward. Also, continued expansion of the Production Linked Incentive (PLI) scheme is likely to further increase private investments in targeted sectors. We also expect higher private capex in renewable energy.

Note: Returns mentioned in the report are the Total Return or TR variants of the respective domestic indices. USD return for global indices. Views provided above are based on information in public domain and subject to change. Investors are requested to consult their financial advisor for any investment decisions.

Source: Bloomberg, MOSL & HSBC MF estimates as on November 2024 end or as latest available

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HSBC Mutual Fund, 9-11th Floor, NESCO - IT Park Bldg. 3, Nesco Complex, Western Express Highway, Goregaon East, Mumbai 400063. Maharashtra.

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