

# Global Navigator

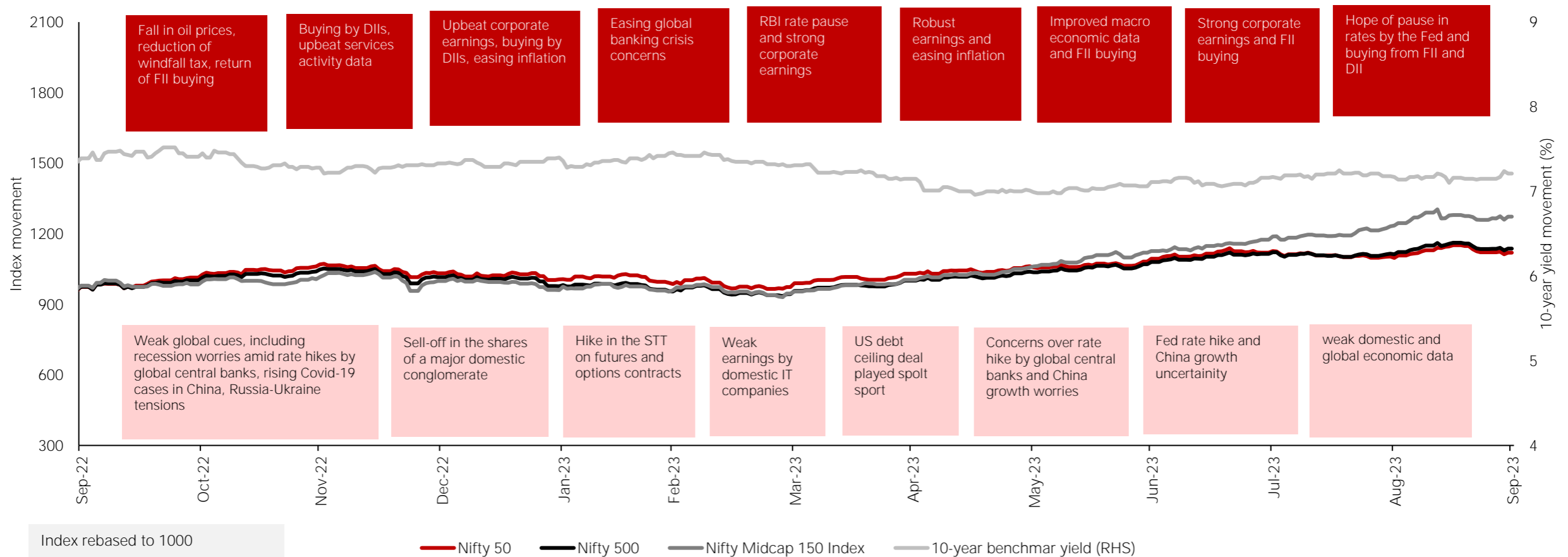
October 2023



**HSBC** Mutual Fund

# Looking back – Events and India Markets

Nifty 50 rose as investors showed confidence in domestic growth following upbeat macroeconomic data



Source: CRISIL, Data as on 30 September 2023

Key events and performance of the Indian market (Nifty 50 and Nifty 500 rebased to 1000) in September 2022 – 30 September 2023

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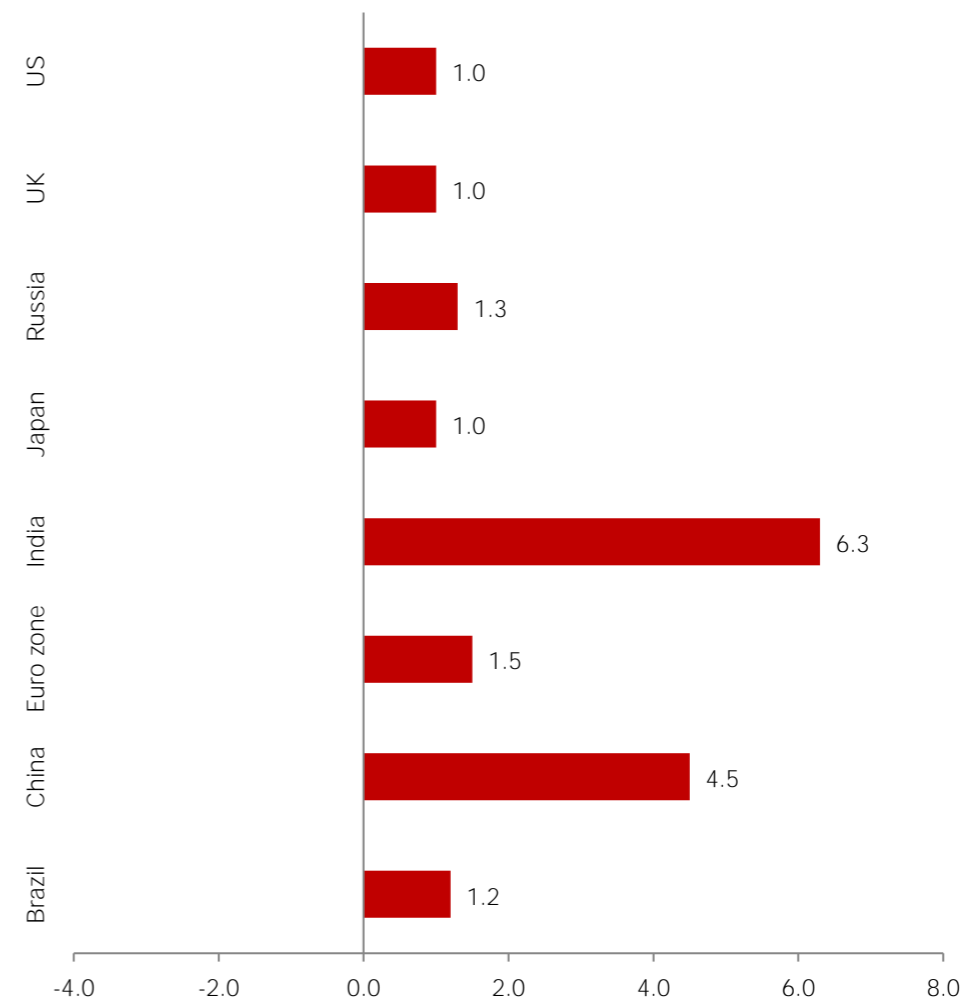
Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may have been discussed in this report and should understand that the views regarding future prospects may or may not be realised.

Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

	GDP		Inflation		Industrial Growth	
	Current	Previous	Current	Previous	Current	Previous
US	2.1% Q2 2023	2.2% Q1 2023	3.7% Aug'23	3.2% Jul'23	0.2% Aug'23	0.0% Jul'23
Eurozone	0.5% Q2 2023	1.1% Q1 2023	4.3% Aug'23	5.2% Jul'23	-2.2% Jul'23	-1.1% Jun'23
UK	0.6% Q2 2023	0.5% Q1 2023	6.7% Aug'23	6.8% Jul'23	0.4% Jul'23	0.7% Jun'23
China	6.3% Q2 2023	4.5% Q1 2023	0.1% Aug'23	-0.3% Jul'23	4.5% Aug'23	3.7% Jul'23
Japan	4.8% Q2 2023	3.2% Q1 2023	3.2% Aug'23	3.3% Jul'23	-3.8% Aug'23	-2.30% Jul'23
India	7.8% Q2 2023	6.1% Q1 2023	6.83% Aug'23	7.44% Jul'23	5.7% Jul'23	3.7% Jun'23

Major Global Central Bank	Latest Key Interest rate
US Federal Reserve	5.25-5.5%
Bank of England	5.25%
European Central Bank	4.50%
Bank of Japan	-0.10%
India	6.50%

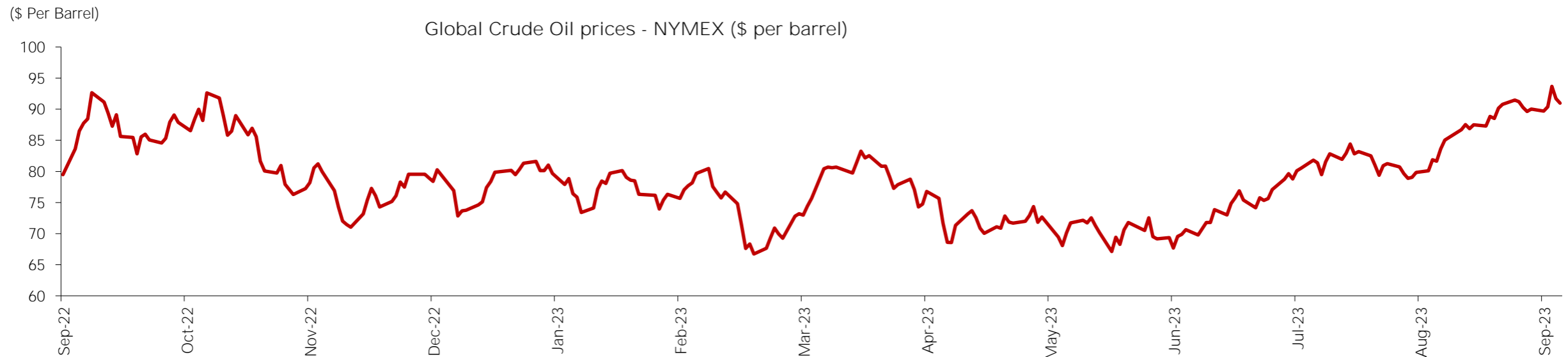
IMF GDP Projections for 2024



Global economic outlook likely to improve slightly next year

## International crude oil climbed in September

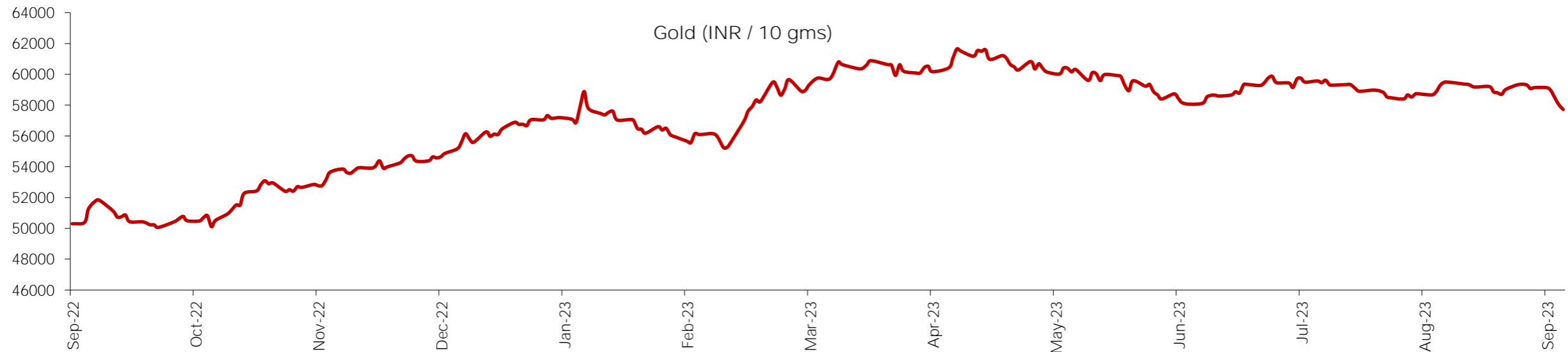
- Crude oil prices on the New York Mercantile Exchange (NYMEX) closed at \$90.97 per barrel on September 29, up 8.78% from \$83.63 per barrel on August 31.
- Oil prices remained elevated during the month with extended voluntary supply cuts by Saudi Arabia and Russia up to the year-end spurring concern over potential shortage during peak winter demand. Supply woes following Russia's fuel export ban and anticipation of a further fall in United States (US) crude oil supply also aided the rally.
- However, further price gains were curtailed with mixed economic data from China raising apprehensions over demand growth.
- The oil price fell further after the US Federal Reserve kept the policy rate unchanged



Supply woes kept oil prices elevated

## Gold fell marginally in September

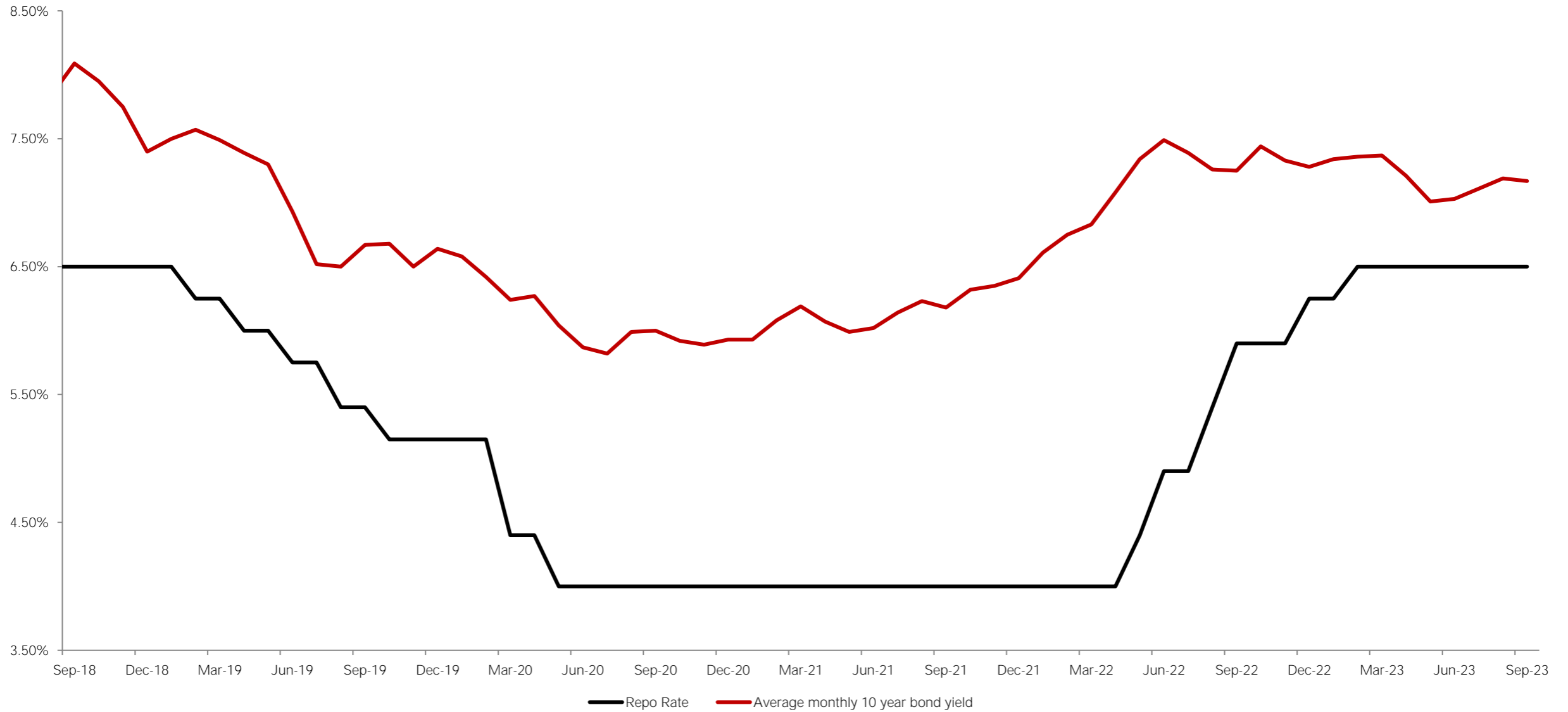
- Gold prices closed at Rs 57,719 per 10 gram on September 29, down 2.97% from Rs 59,485 on August 31, as per the India Bullion and Jewellers Association.
- Prices edged lower tracking a similar trend in global gold prices on a strong dollar index and rising US treasury yields, which dented the yellow metal's safe-haven appeal.
- Investors were worried global central banks would keep rates higher for a longer period, which supported US treasury yields and the dollar index. A slew of strong economic data from the US raised fears over the rate, strengthening the sentiment.



Gold prices declined tracking weak global cues

Source: CRISIL, IBJA. Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

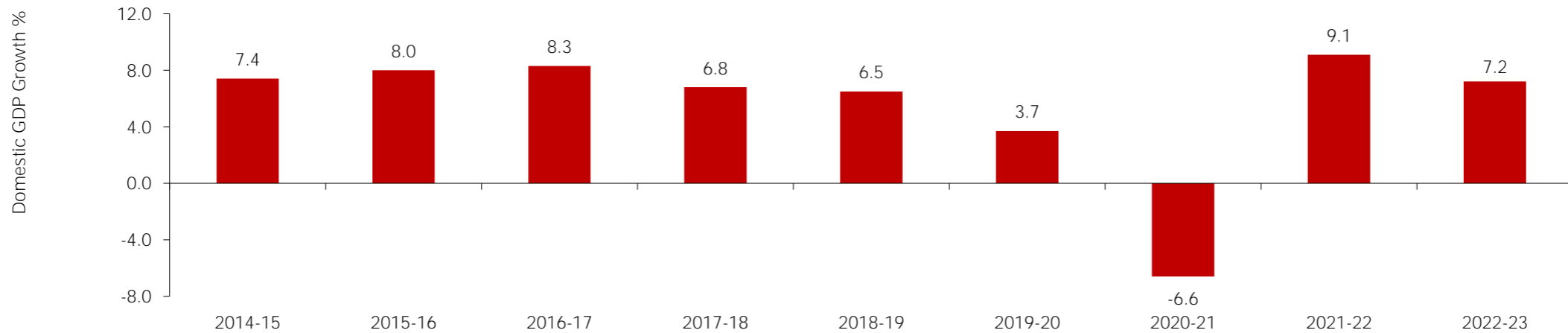
# RBI Repo Rate held at 6.50%



Source: RBI, CRISIL Research, Data as on 30 September 2023  
Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

Domestic economic outlook remains largely positive

- Persistent and intensifying global headwinds seem to have no significant impact on the Indian economy, with major global and domestic institutions expressing confidence in the economy's resilience amid a challenging global environment.
- In its latest economic outlook, the Organisation for Economic Co-operation and Development (OECD) raised its fiscal 2024 growth forecast for the Indian economy from the earlier 6% to 6.3%..
- Likewise, global rating agency Moody's raised India's growth projection for calendar year 2023 from 5.5% to 6.7%, citing strong services sector growth and a surge in capex
- Meanwhile, the Ministry of Finance, in its August edition of Monthly Economic Review, exuded confidence that India will achieve 6.5% growth in fiscal 2024.



Source – CRISIL, Mospi, Data as on 30 September 2023  
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Retail inflation moderates to 6.83% in August after hitting a 15-month high in July

- India's Consumer Price Index (CPI)-based inflation eased to 6.83% in August, after hitting a 15-month high of 7.44% in July.
- India's Wholesale Price Index (WPI)-based inflation remained in negative territory for the fifth consecutive month in August. Data released by the Department for Promotion of Industry and Internal Trade (DPIIT) showed that it contracted 0.52% on-year during the month, after having contracted 1.36% in July.

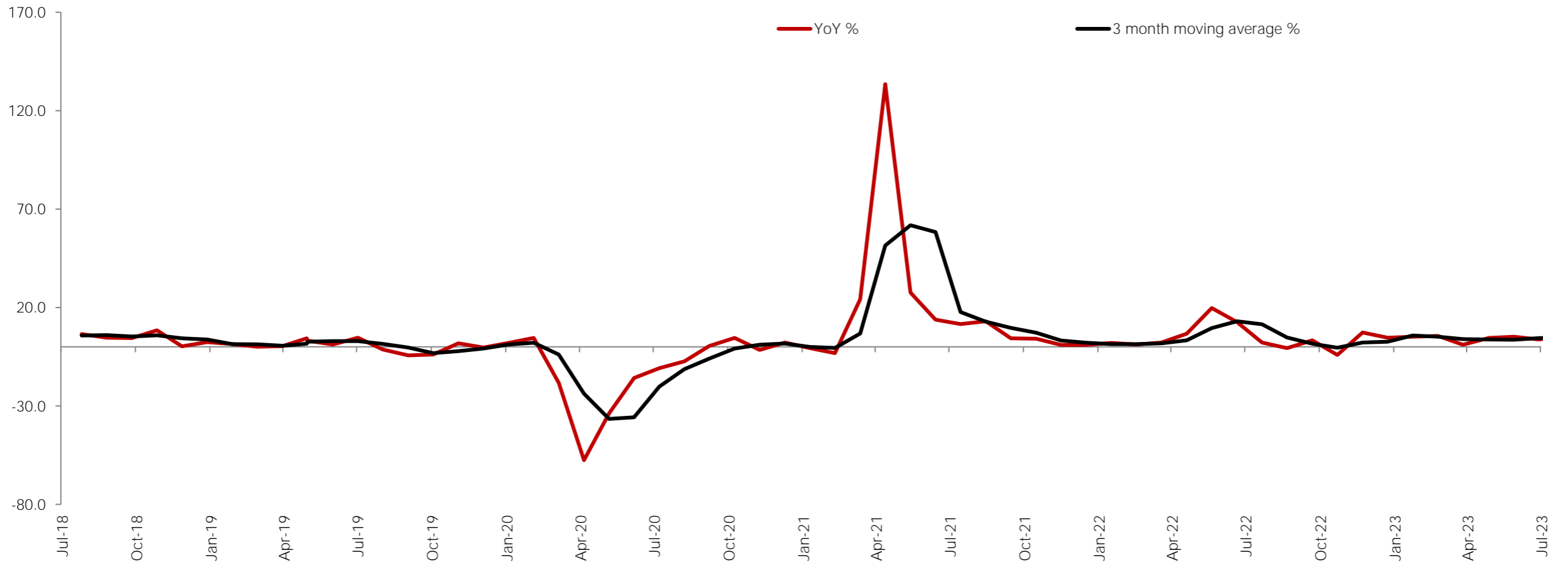
Indicators	Current	Previous
Monthly CPI Inflation	6.83% (August 2023)	7.44% (July 2023)
Industrial Growth	5.7% (July-23)	3.7% (June-23)
Exports	\$172.65 bn (Apr-Aug FY24)	\$196.33 bn (Apr-Aug FY23)
Imports	\$271.83 bn (Apr-Aug FY24)	\$309.19 bn (Apr-Aug FY23)
Trade Balance	-\$37.49 bn (Apr-Aug FY24)	-\$60.31 bn (Apr-Aug FY23)
Gross Tax Collections	INR 11,89,180 cr (Apr-Aug FY24)	INR 10,20,589 cr (Apr-Aug FY23)

Source – Ministry of Commerce, Comptroller General of Accounts, CRISIL, Data as on 30 September 2023  
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# Index of Industrial Production - IIP

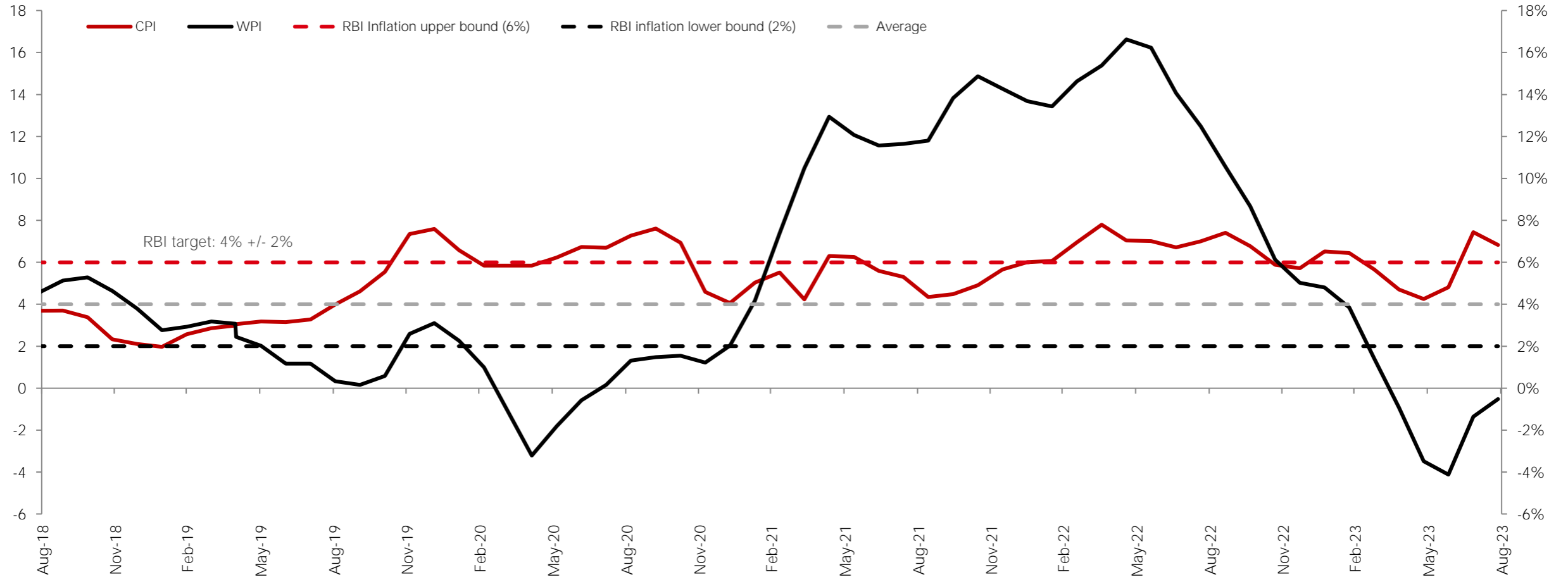
India's industrial output, measured in terms of the Index of Industrial Production, rose 5.7% on-year during July 2023 from a 3.7% on-year increase in June.



Source: CRISIL, MOSPI, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

# Inflation target and trend

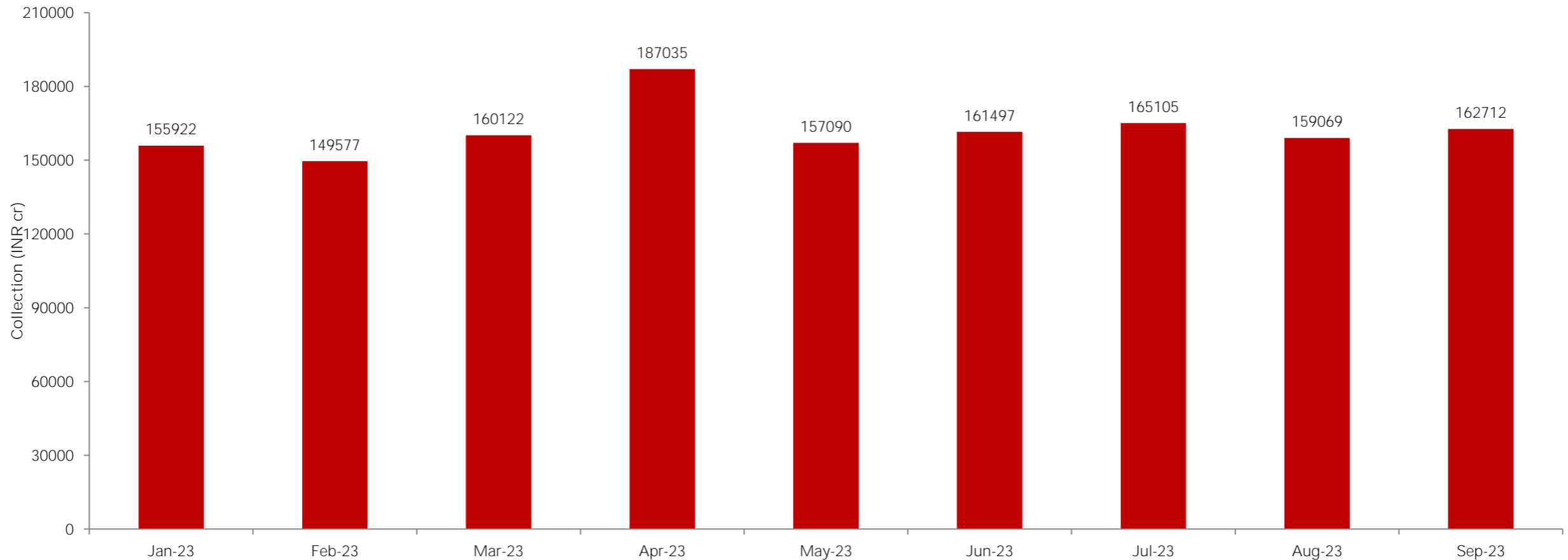
CPI inflation near the RBI's max target range



Source: CRISIL, MOSPI, RBI, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

# GST collection rose to INR 1.62 lakh crore in September

The government collected INR 1.63 lakh crore goods and services tax (GST) for the month of September, registering growth of 10.2% from a year earlier.



Source: CRISIL, Ministry of Finance, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.  
GST – Goods and Services Tax

## Indian equity indices rose in Sep '23

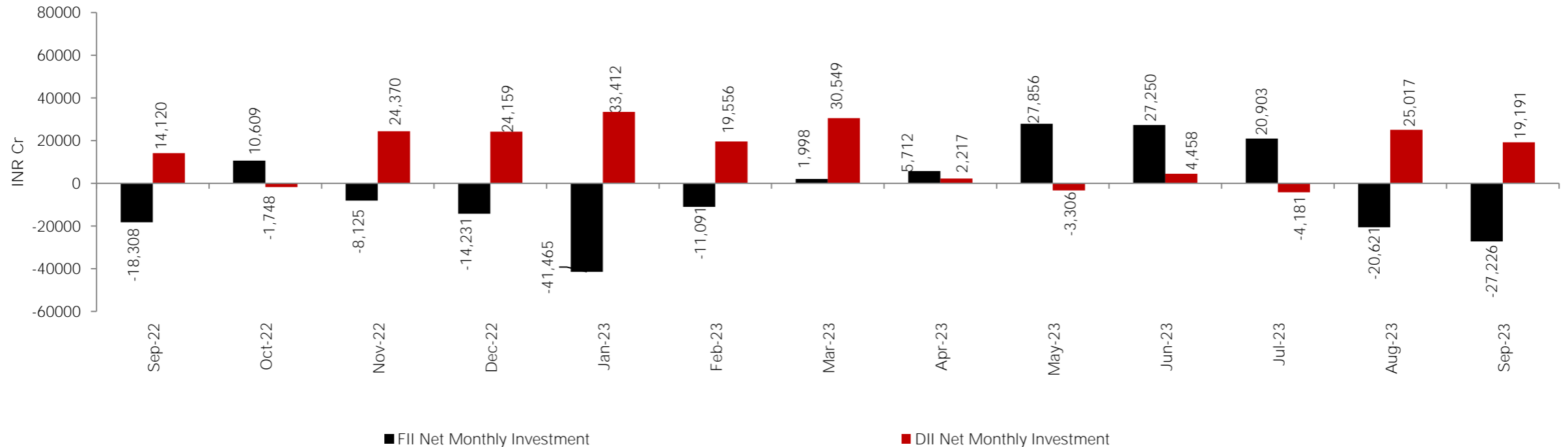
- Indian benchmark equity indices closed higher in September as investors showed confidence in domestic growth following upbeat macroeconomic data. S&P BSE Sensex and Nifty 50 gained 1.5% and 2% on-month, respectively, in September. For the July-September quarter, S&P BSE Sensex and Nifty 50 gained 1.7% and 2.3% on-quarter, respectively.
- Domestic markets made early gains during the first week September 2023 after the latest official data revealed that the economy had grown at its quickest pace since the second quarter of last fiscal. India's GDP grew 7.8% on-year in the first quarter of this fiscal, which was faster than growth of 6.1% in the preceding quarter and better than most of its regional peers.
- The markets also reacted positively to positive news on other domestic macroeconomic indicators, including strong domestic manufacturing and Goods and Services Tax (GST) collection data.
- More gains were added on optimism over the G20 Summit and better-than-expected domestic retail inflation data.
- Domestic institutional investors (DIIs) continued to buy equities for the second consecutive month, which also supported market sentiment.
- Eventually, the Federal Reserve's (US Fed) signalling of rate hikes in the future at its policy meet dented investor sentiment.
- The markets also reacted negatively to a statement by one of India's leading private lenders that its recently completed merger would affect some its key financial ratios.
- More losses were seen after foreign portfolio investors (FPIs) snapped their six-month buying streak..

Improving macroeconomic data supported Indian equity

Source –CRISIL, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

## Most of S&P BSE sectoral indices ended higher in Sep '23

- All key S&P BSE sectoral indices gained during the month, with stocks forming part of the S&P BSE Utilities, S&P BSE Telecommunication, and S&P BSE PSU (~9% each) indices being the biggest gainers.
- The gains in utilities stocks can be attributed to substantial investments in certain power stocks and the bagging of several key power sector projects during the month.
- Telecom stocks benefited from expectations of improved cash flows due to a moderation in capital expenditures and tariff hikes.
- Meanwhile, the strong gains in the PSU index can be attributed to 52-week highs reported by certain key PSU stocks during the course of the month amid strong market sentiment and robust performance by these companies



Source: CRISIL, NSDL, NSE, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

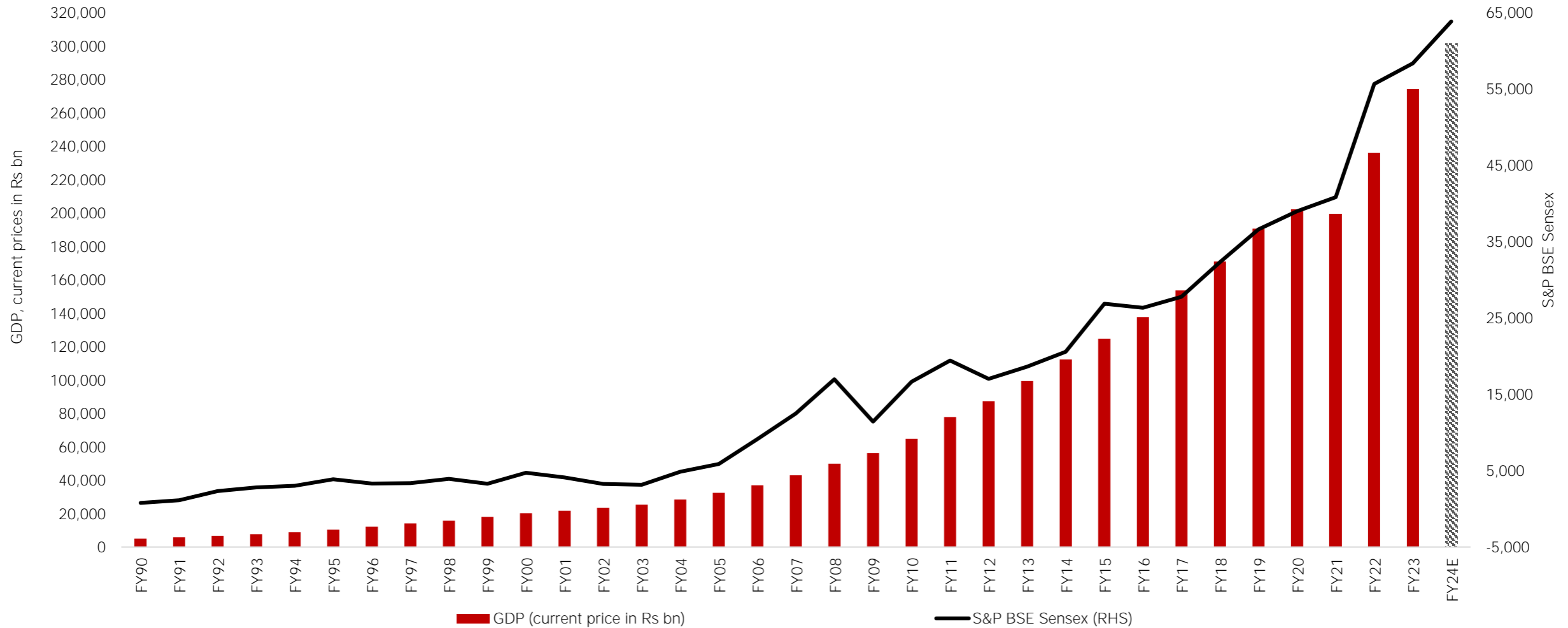
# Equity Market Review

Indices	29-Sep-2023	31-Aug-2023	% Change 1 Month	% Change 1 Year	% Change YTD
Nifty 50	19638	19254	2.00	14.88	8.47
S&P BSE Sensex	65828	64831	1.54	14.63	8.20
S&P BSE Auto	36629	35513	3.14	25.54	26.64
S&P BSE BANKEX	50175	49372	1.63	13.57	2.59
S&P BSE Capital Goods	47729	45216	5.56	52.89	43.15
S&P BSE Consumer durables	45360	44565	1.78	6.76	14.19
S&P BSE FMCG	18679	18465	1.16	15.45	16.20
S&P BSE Healthcare	28498	27895	2.16	22.09	23.72
S&P BSE IT	32065	31528	1.70	16.65	11.84
S&P BSE Metal	23206	21818	6.36	28.82	11.27
S&P BSE MidCap	32341	31201	3.65	30.12	27.76
S&P BSE Oil & Gas	19026	18446	3.14	2.51	-6.78
S&P BSE Power	4660	4352	7.07	-1.88	6.35
S&P BSE PSU	12647	11437	10.58	44.19	26.24
S&P BSE Realty Index	4606	4468	3.08	36.40	33.63
S&P BSE SmallCap	37562	37144	1.13	32.02	29.85

Source: NSE, BSE, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

# Equity mirrors economic growth in the long term

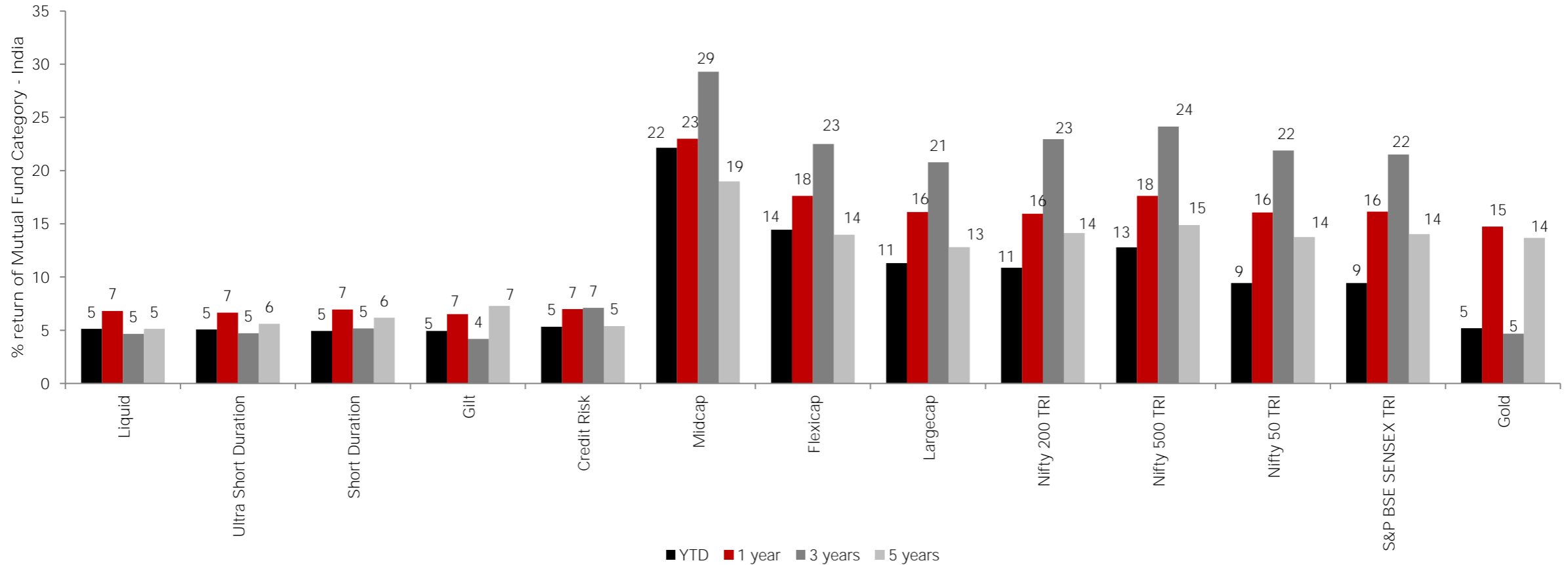
GDP - The Indian economy is expected to carry the momentum of last year's GDP growth into the current fiscal year as well



Source: CRISIL, BSE, IMF, The GDP projection for fiscal year 2024 is shown shaded in this graph is for illustration purposes only and is not guaranteed, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

# Equities remain best asset class

Fund Category returns – Equity oriented funds posted strong performance in the long term



Source: Crisil, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

YTD, 1 year returns are absolute, 3 and 5 years annualised CAGR returns, Average performance of 22 Liquid, 18 Ultra Short Duration, 19 Short Duration, 16 Gilt, 11 Credit risk, 23 Mid cap, 23 Flexi cap and 27 Large cap funds of CRISIL ranked schemes from the respective fund categories, Gold returns are based on spot rates from India Bullion and Jewellers Association (IBJA)



# Sectoral performance long term trends

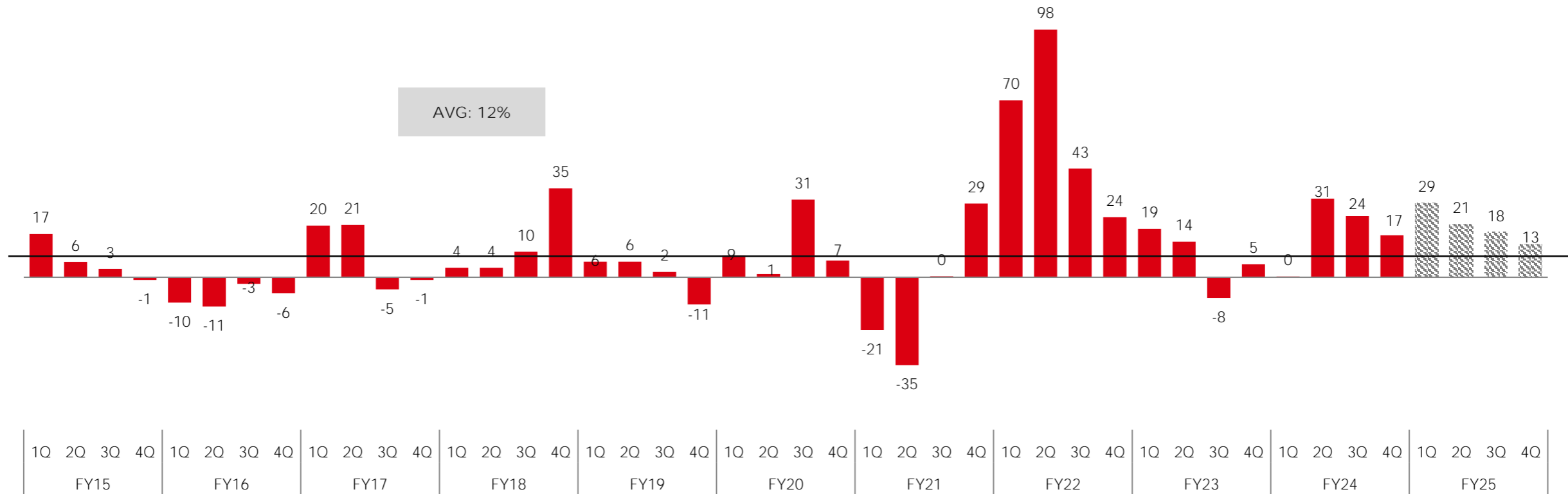
Sectoral returns – Sectoral indices post positive performance over the 10-year period

Sectoral indices	% Change										10-year CAGR*
	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23*	
Nifty 50	31.39	-4.06	3.01	28.65	3.15	12.02	14.90	24.12	4.33	8.47	13.09
S&P BSE Sensex	29.89	-5.03	1.95	27.91	5.91	14.38	15.75	21.99	4.44	8.20	13.00
S&P BSE Auto	51.98	-0.60	9.39	32.06	-22.12	-11.27	12.59	15.27	16.54	26.64	12.78
S&P BSE BANKEX	65.04	-9.92	7.35	39.08	5.27	20.72	-2.14	13.63	21.03	2.59	16.42
S&P BSE CG	50.45	-8.51	-3.28	40.03	-1.63	-9.97	10.63	43.47	15.97	43.15	20.00
S&P BSE CD	66.18	24.02	-6.34	101.92	-8.79	20.86	21.52	41.81	-11.27	14.19	22.89
S&P BSE FMCG	18.27	1.36	3.29	31.54	10.60	-3.58	10.55	8.57	-10.93	16.20	10.57
S&P BSE Healthcare	47.43	15.06	-12.88	0.49	-5.92	-3.55	61.45	17.62	16.62	23.72	11.65
S&P BSE IT	16.54	4.51	-8.00	10.83	24.93	9.84	56.68	41.79	-12.10	11.84	15.12
S&P BSE Metal	7.91	-31.20	36.65	47.78	-20.75	-11.92	11.23	57.06	-24.24	11.27	10.73
S&P BSE Oil & Gas	12.01	-3.43	27.17	34.00	-15.57	7.25	-4.44	24.22	8.36	-6.78	8.76
S&P BSE Power	23.03	-6.44	1.53	19.83	-16.06	-3.65	7.05	67.62	16.57	6.35	11.83
S&P BSE PSU	39.21	-17.18	12.88	19.27	-21.11	-3.88	-16.88	41.01	25.84	26.24	8.79
S&P BSE Realty	8.49	-13.55	-5.98	106.36	-31.07	26.85	8.66	53.34	-10.26	33.63	14.68

Source: CRISIL, BSE, Figures in red indicate negative returns in that period. \*10-year CAGR, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

# Earnings growth – quarterly trend

Nifty 50 earnings retreated Q2 FY22 onwards



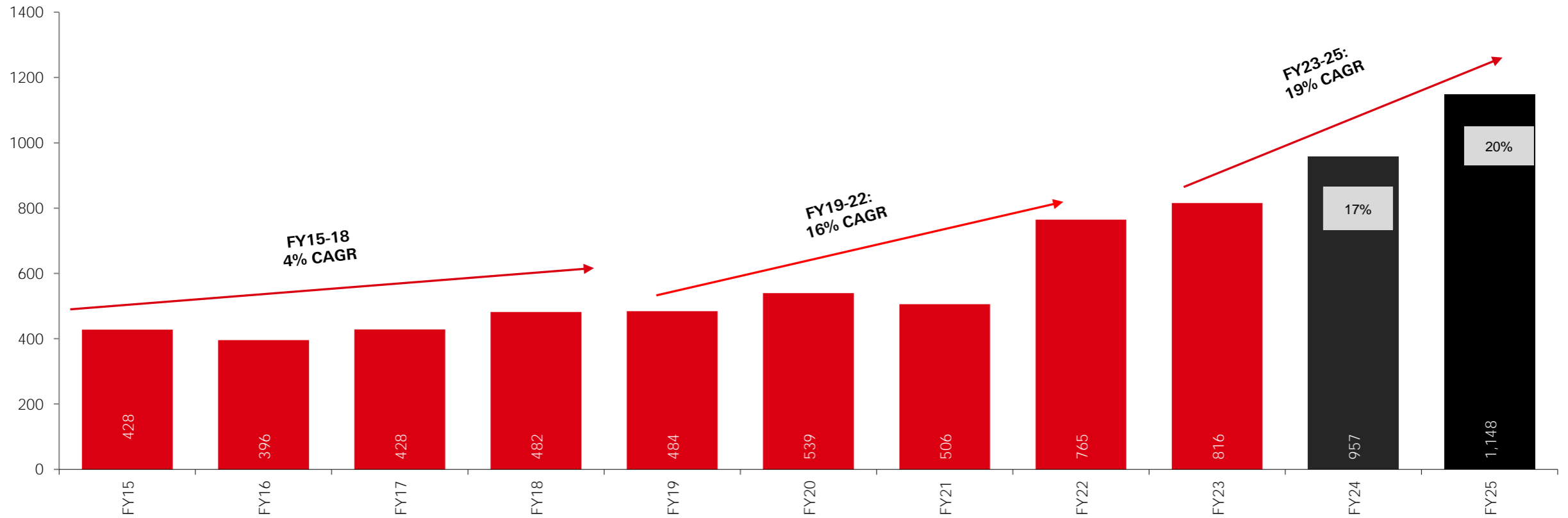
Nifty 50 EPS Growth (Y-o-Y)

Estimates – shaded portion of FY25  
 ^Average figure mentioned is from FY15 to FY25

Source: CRISIL, Bloomberg, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

# Earnings trend

India - Equity earnings (Nifty 50 EPS)

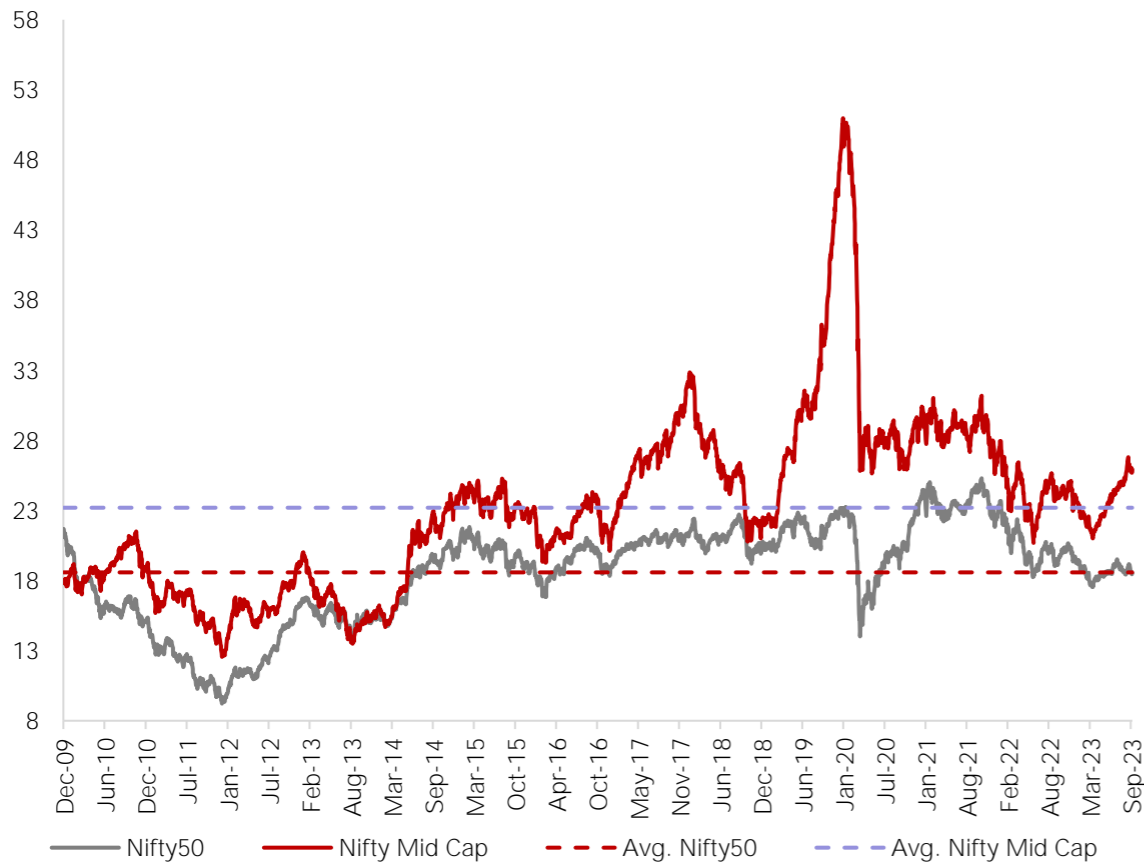


Note: Trailing 12M EPS (Earnings Per Share)  
Black shaded columns are estimates of FY24 and FY25

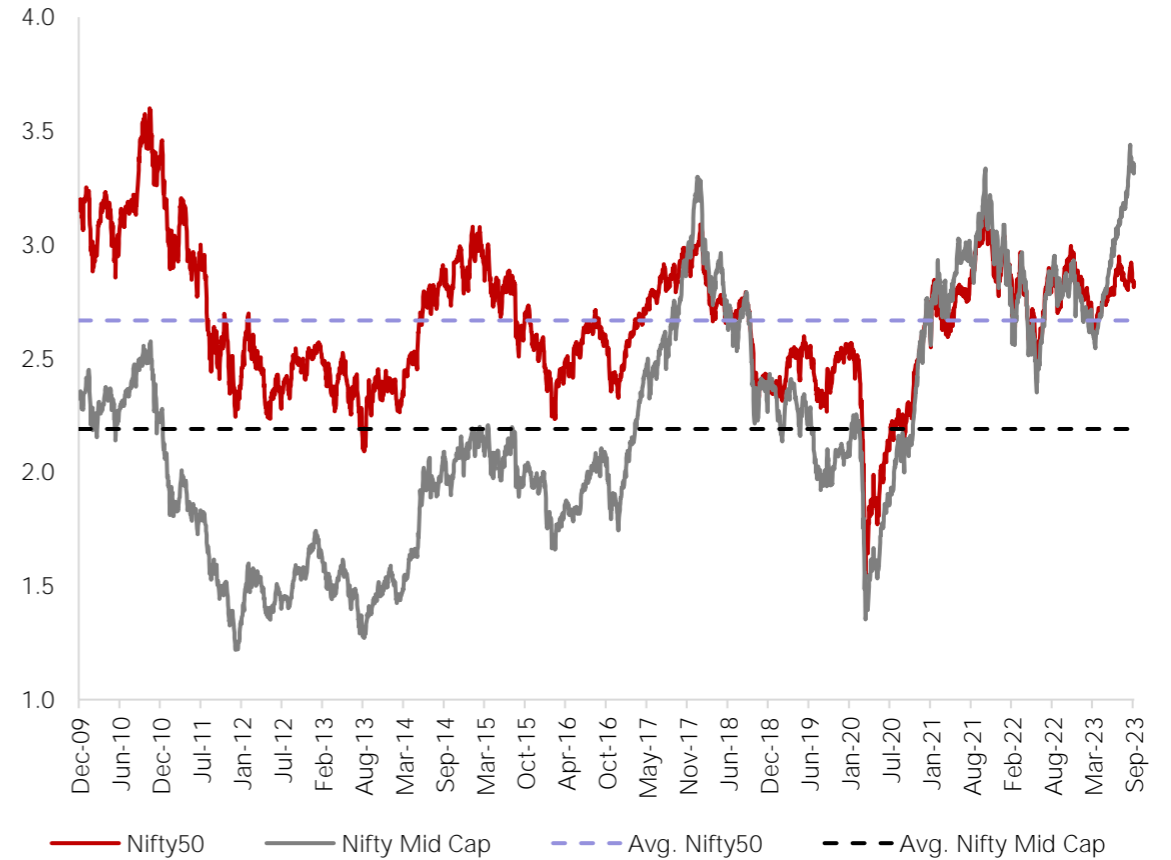
Source: CRISIL, Bloomberg, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

# Market valuations – Nifty 50 and Nifty Midcap 100

Large and Mid Cap - Price to Earnings (PE)



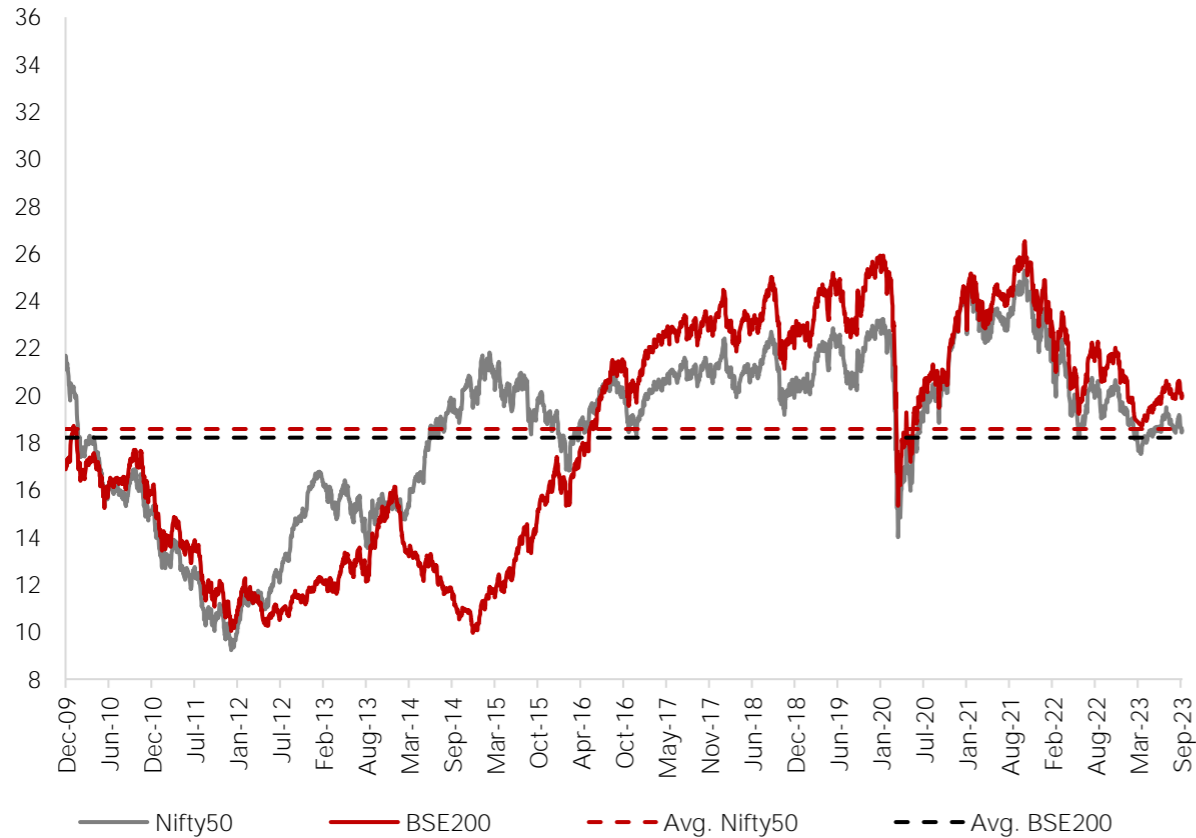
Large and Mid Cap - Price to Book (PB)



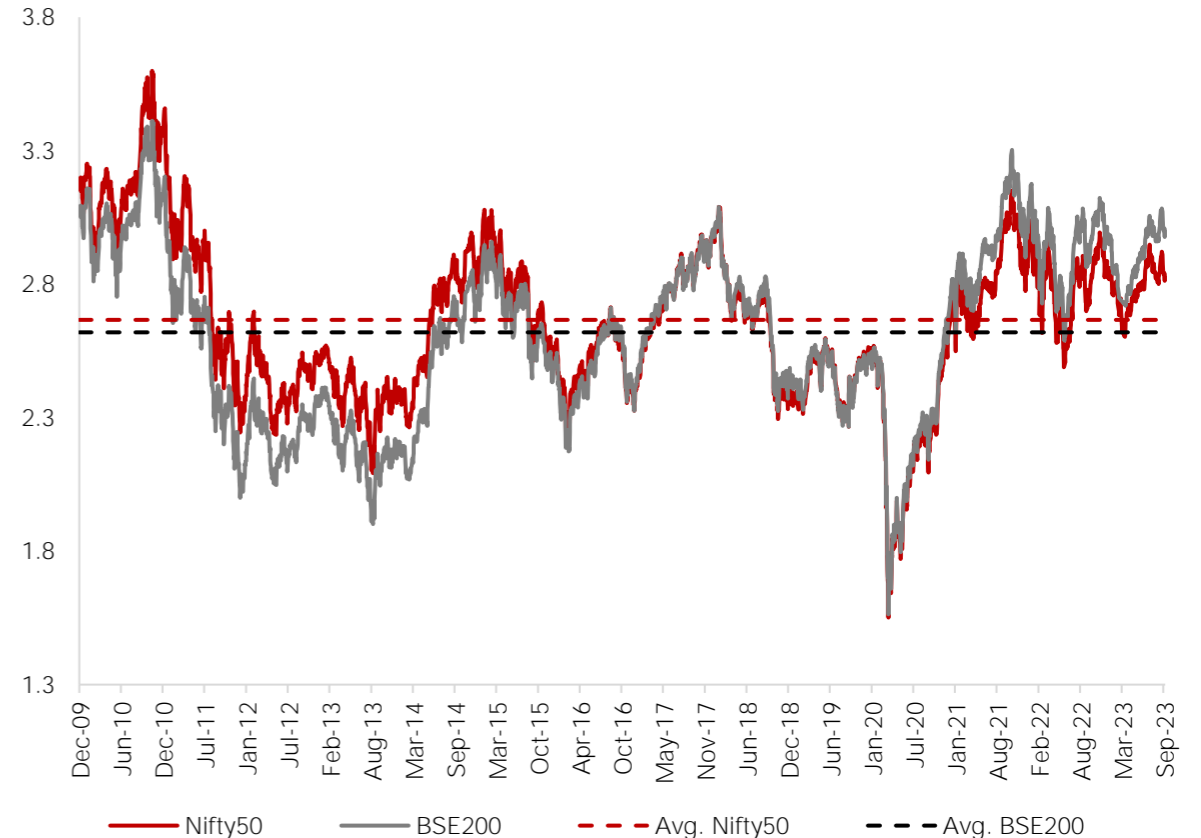
Source: CRISIL, Bloomberg  
 Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

# Market valuations – Nifty 50 and S&P BSE 200

### Large and S&P BSE 200 - Price to Earnings (PE)

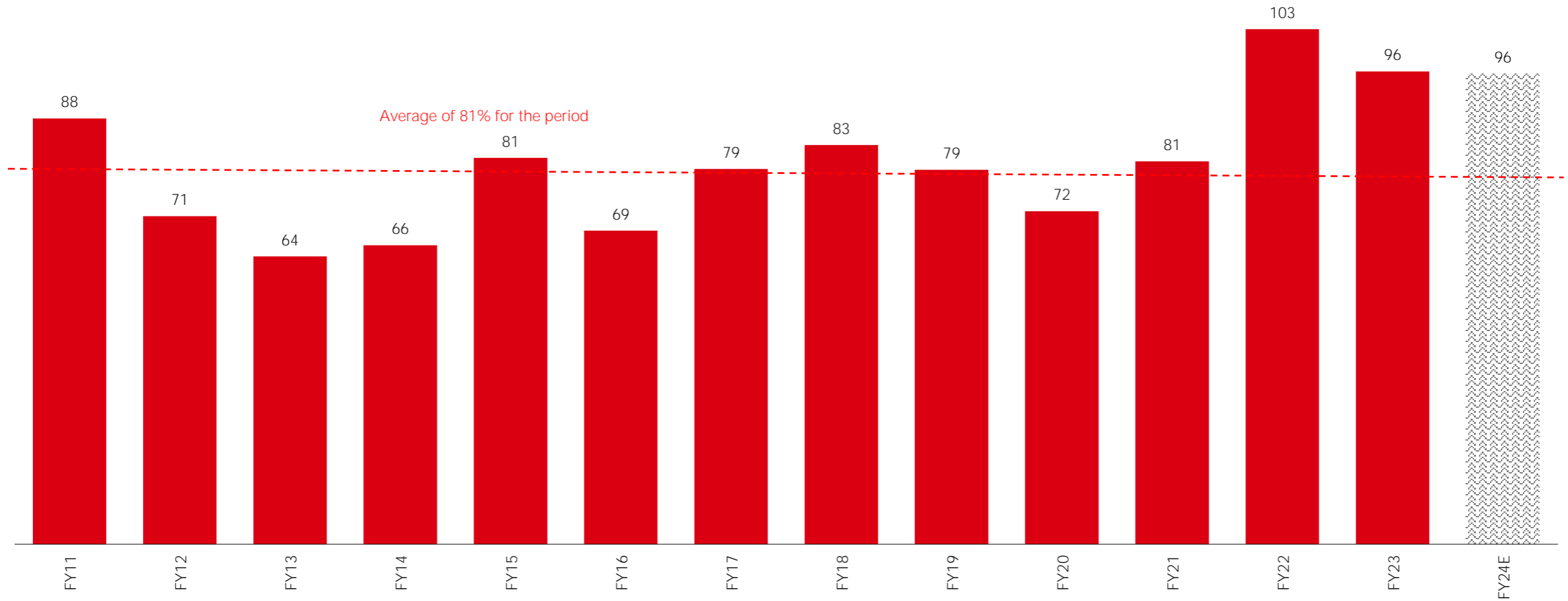


### Large and S&P BSE 200 - Price to Book (PB)



Source: CRISIL, Bloomberg, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

# India Market cap to GDP (%)



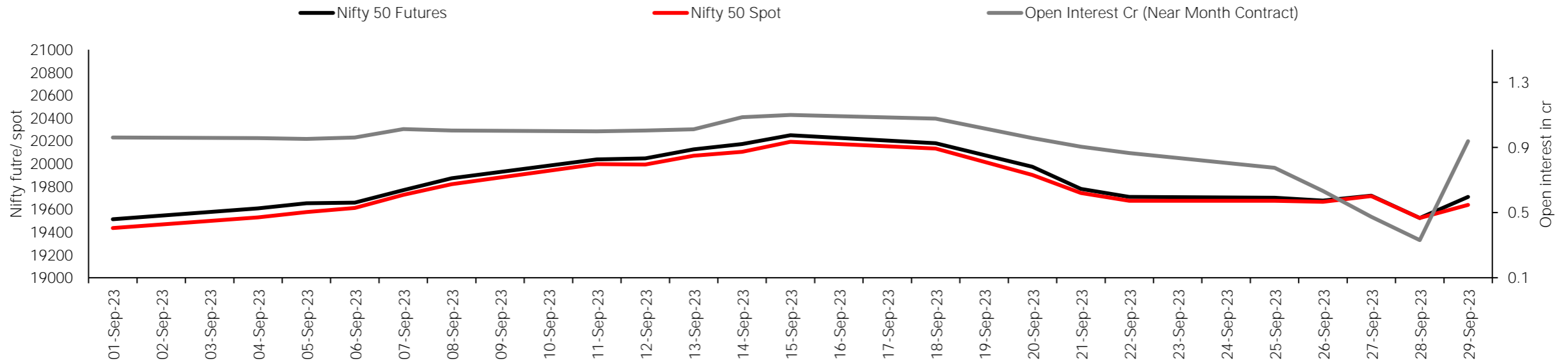
Shaded area are Estimates (E) – FY24  
Source: CRISIL, MOSPI, Bloomberg, CRISIL estimates;  
Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

- FIIs turned sellers in Indian equities after 6 months with an outflow of US\$2.3 bn in September.
- DIIs inflow of US\$2.5 bn slightly more than offset the FII outflow largely driven by equity mutual funds.
- August Consumer Price Index (CPI) softened to 6.8% (YoY) from 7.4% (YoY) in July.
- Gross GST revenue collection in September 2023 stood at Rs 1.63 tn, up 10% (YoY).
- India will be included in the GBI-EM Global index suite which may lead to a US\$20-25 bn of inflow into the Indian bond market.
- Nifty FY24/25 consensus earnings have seen a 3% / 1% downgrade. Nifty continues to trade on 19.5x 1-year forward PE.
- On a 10-year basis, Nifty is still trading ~10% above its historic average valuation but in line with its 5-year average.
- In a higher interest rate environment, market returns may lag earnings growth due to moderation in valuation multiples.
- For India, growth has been strong in Q1FY24 at 7.8% (YoY) driven by strong government spending and resilient private consumption.
- Strong infrastructure thrust of the government as announced in the Union Budget is visible in order flow and demand for various industries and should support the domestic economy.
- Inflationary pressures remain a key factor to watch given the sharp jump in crude prices and an uptick in food inflation.
- The lagged impact of the sharp interest rate increase cycle could result in negative growth surprises for the global economy going forward. However, at the margin things are turning more positive for India, with a low likelihood of further interest rate increases.
- While we expect downside to consensus earnings growth forecast, we remain positively biased towards domestic cyclicals and constructive on Indian equities longer term supported by the more robust medium term growth outlook with government focus on infrastructure and support to manufacturing.
- Recovery in private capex and real estate cycle: 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, the continued expansion of the Production Linked Incentive (PLI) scheme is likely to further increase private investments in targeted sectors.

Source: HSBC Asset Management, India, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

## Nifty futures

- The Nifty 50 near-month future contract of September ended higher on the rollover day (September 28) versus spot.
- The new near-month contract (October 26) ended ~113.55 points higher on September 28.
- The rollover of the new near-month contract (October) was 70% on the expiry day compared to 74% in the previous expiry.
- Volatility of the Nifty 50 index, as measured by India VIX moved in a narrow range during the month, falling to 12.82 on September 28 (rollover date) from 12.06 on August 31, and ended the month at 11.45.
- Nifty futures saw trading volume of around Rs 3 lakh crore, arising out of 28.09 lakh contracts, with an open interest of around 22.85 crore during the month.



Source – NSE, CRISIL, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.



## Nifty options

- On September 29, Nifty 20,000 call option witnessed the highest open interest of around 110 lakh, while Nifty 19,700 call contract garnered the maximum number of contracts of 35 lakh.
- Nifty 19,500 put option witnessed the highest open interest of 136.51 lakh on September 29 and the Nifty 19,600 put contract garnered the maximum number of contracts of 38 lakh.

## NSE F&O turnover

- Turnover on the NSE's derivative segment fell 1% in the month led by selloff in index futures and options. The average put-call ratio was 0.93 in September, lower than 0.96 in August.

Instrument	Monthly turnover summary (Figures in INR crore)		
	29-Sep	31-Aug	Change %
Index futures	550,449.93	610,658.11	-10%
Stock futures	2,039,494.41	1,972,965.60	3%
Index options	652,680,844.10	657,695,491.15	-1%
Stock options	7,378,926.67	7,326,378.91	1%
Total	662649715.1	667605493.8	-1%

Source – CRISIL, NSE. Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

# Futures & Options (F&O) Review

FII segment

On September 29, FIIs' open interest was Rs 4.5 lakh crore (~56 lakh contracts). The details of FII derivatives trades for September 1 to 29 are as follows:

	BUY		SELL		BUY %		SELL %	
	No. of contracts	Amount in INR Cr	No. of contracts	Amount in INR Cr	No. of contracts	Amount in INR Cr	No. of contracts	Amount in INR Cr
Index Futures	898138	73116	974395	79725	0.20	0.21	0.21	0.23
Index Options	439748584	33625136	443317084	33898556	97.29	97.10	97.30	97.12
Stock Futures	5982887	483452	5942945	479356	1.32	1.40	1.30	1.37
Stock Options	5369742	446375	5382713	447610	1.19	1.29	1.18	1.28
Total	451999351	34628079	455617137	34905246	100.00	100.00	100.00	100.00

Source – CRISIL, NSDL. Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

Average inter-bank call money rates were below the repo rate in September

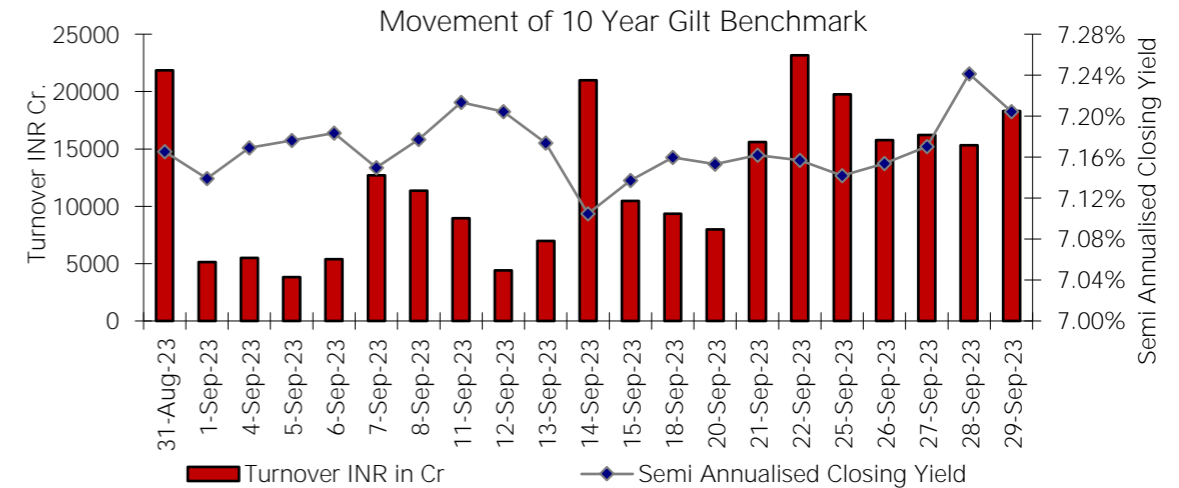
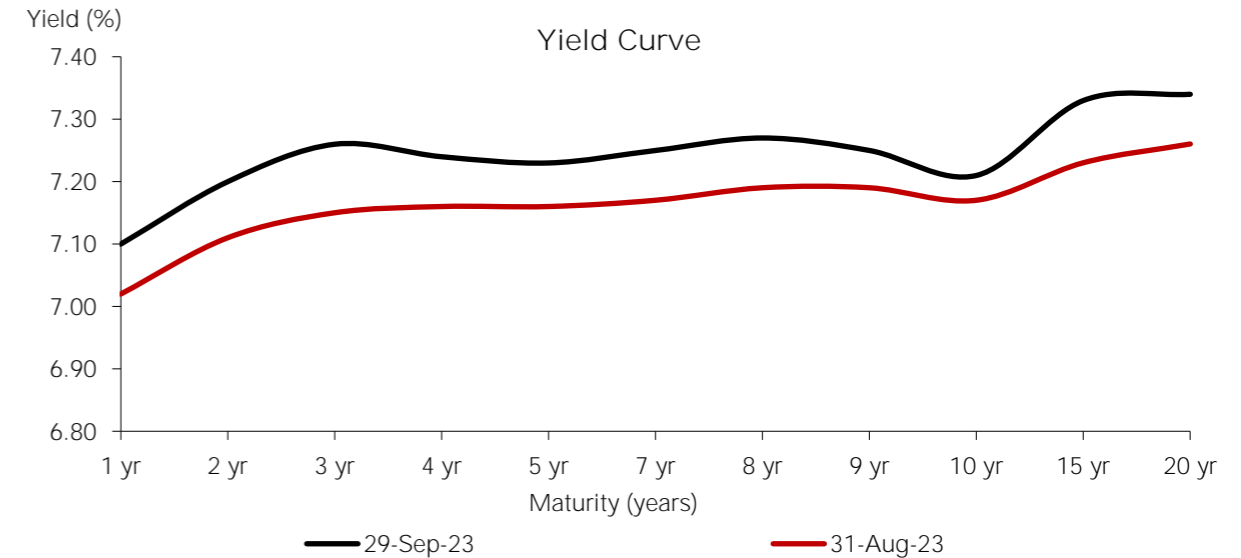
- Average of interbank call money rates remained below the RBI's repo rate of 6.50%, owing to surplus liquidity in the system.
- Notably, the Indian banking system witnessed deficit in liquidity later in the month following the RBI's direction to banks to set aside 10% of their incremental deposits as incremental cash reserve ratio (I-CRR). However, the RBI eventually decided to discontinue the I-CRR by releasing 25% of the I-CRR maintained on September 9, another 25% on September 23 and balance 50% on October 7.
- Outflows related to advance tax payments and preparations for GST collection also caused deficit in liquidity during September.

Bond prices ended lower in September

- Government bond yields ended higher in September. The yield on the new 10-year benchmark 7.18% 2033 bond closed at 7.21% on September 29, compared with 7.13% on August 31.
- Yields rose, mirroring gains in US treasury yields, after the August US non-farm payrolls report showed that the economy added more jobs than expected last month. Rising expectations that the US Fed may keep rates higher for longer also kept bond prices under pressure.
- Rising global oil prices and higher bond supply witnessed in the weekly debt auction also supported yields.
- Bond prices declined further as the government kept its borrowing target for the second half of the fiscal unchanged.
- The finance ministry said that the government would stick to its market borrowing plan of Rs 6.55 lakh crore in the second half (October-March) of this fiscal. It also decided to introduce a 50-year bond for the first time to cater to demand for longer-duration securities.
- Further gains in yields were cut short following reports that the RBI had sought views from private and foreign banks for settling bond trades on the Euroclear platform.
- Bond prices rose further due to concerns over rising inflation and after the RBI revised guidelines on the categorisation of bank investment.
- Yields also declined after JPMorgan announced that India would be a part of its influential GBI-EM index suite starting June 2024.

# Debt Market Review

Debt Market Indicators	29-September-23	31-August-23
Call Rate	6.50%	6.30%
3-mth CP rate	7.41%	7.30%
5 yr Corp Bond	7.63%	7.58%
10 Yr Gilt	7.21%	7.17%
Repo	6.50%	6.50%
SDF	6.25%	6.25%
CRR	4.50%	4.50%
1-mth CDs	7.05%	7.00%
3-mth CDs	7.04%	7.05%
6-mth CDs	7.25%	7.20%



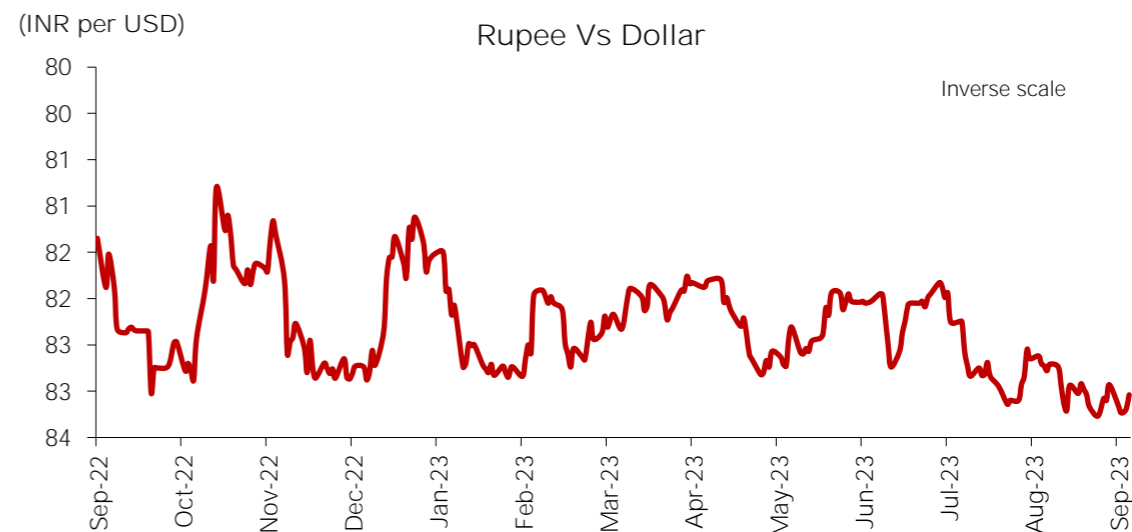
Source: CRISIL Fixed Income database  
 Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice

- Global markets continued to remain volatile during the month, with “higher for longer” rates emerging as the key theme going forward
- The dot-plot guidance on terminal rate was retained at 5.6% for 2023, implying the possibility of one more rate hike in 2023
- The European Central Bank (ECB) raised policy rates by another 25 bps, while providing a dovish guidance indicating that they are likely done with policy tightening
- The MPC (Monetary Policy Committee) unanimously decided to keep the policy Repo Rate unchanged at 6.50%
- The growth forecast for FY2024 has been retained at 6.5%, with quarterly projections remaining unchanged.
- Q1 FY2025 growth is projected at 6.6%. Inflation forecast has also been retained for FY2024 at 5.4%
- The governor mentioned that while remaining nimble, the option of OMO Sales (Open market operation sales) may be resorted to in order to manage liquidity, with timing and quantum of such operations dependent on evolving liquidity conditions.
- On the external front, the governor expressed confidence in meeting external financing requirements, noting India’s relatively lower vulnerability in comparison with emerging market peers as well as strong foreign portfolio flows in recent months.
- Growth and employment indicators in the US continue to indicate an economy far from recession. This has re-ignited fears that inflation may remain stubbornly above the Fed’s target of 2% and higher for longer policy rates may be required by the Fed over the coming 3-4 quarters before the fight against inflation can be declared as over.
- On the other hand, the inclusion of IGBs in global bond index remains the biggest positive for domestic markets. Additionally, with the Government sticking to their borrowing program in conjunction with a low net supply (given substantial G-Sec maturities over the next few months) for second half of this financial year, the demand supply equation for G-Sec remains favorable in the near term.
- Globally, rates could remain volatile going forward. Against this backdrop and given the overhang of potential OMO sales, our bond markets could see further correction with yields moving higher in the immediate term.
- Any further correction can provide an opportunity to add duration and provide a good entry point into longer duration bond funds.

## Indian rupee declined in September

- The Indian rupee weakened against the US dollar by another 0.3% in September caused by factors such as multi-year highs in US Treasury yields, surging crude oil prices, losses in local equities, and sluggish Asian currency markets.
- The rupee also weakened due to dollar buying by oil companies and hedging by importers and rising crude oil prices.
- However, further losses were capped due to several instances of an upbeat trend in domestic equity markets.
- Intermittent reports of intervention by the RBI also supported the domestic unit.

Rupee Movement V/s Global Currencies				
	29-Sep-23	31-Aug-23	Change	% Change
USD	83.04	82.71	-0.26	-0.31
GBP	101.83	104.87	3.22	3.07
EURO	88.15	89.75	1.92	2.13
100 YEN	55.71	56.88	0.98	1.73



Strong dollar index and rising US treasury yield weighed on the rupee

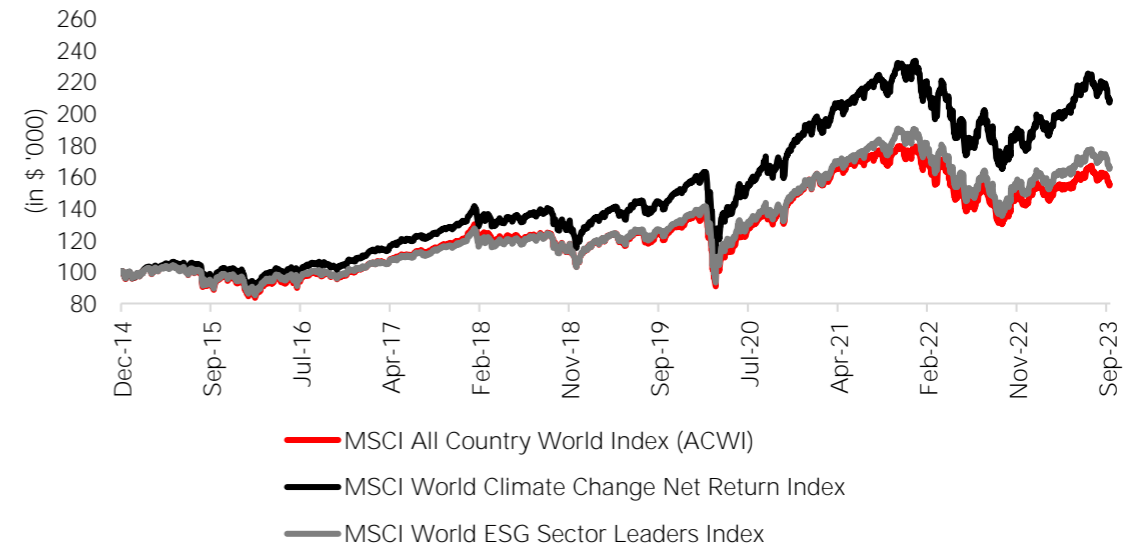
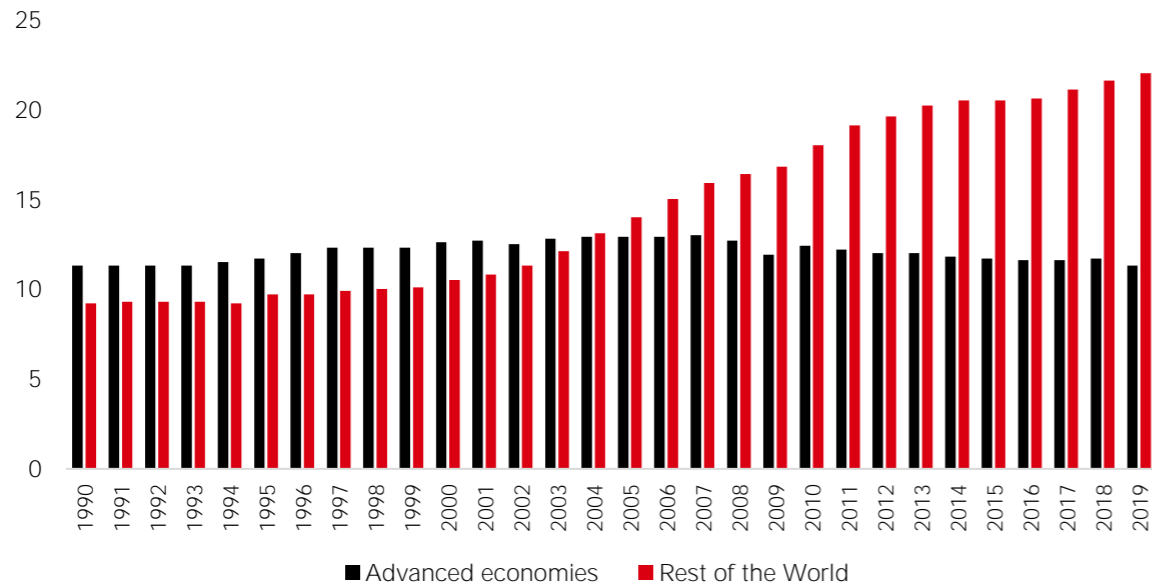
Source: RBI, CRISIL. Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

# Climate Change and ESG

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- The issue of climate change (generally measured in terms of carbon dioxide or CO2 emissions) has been in the limelight amid the rising number of climate disasters such as wildfires, floods, droughts, diseases, etc in recent times.
- This has resulted in shifting of focus towards businesses which are sensitive towards tackling these issues or in other words take into consideration the environmental, social and governance (ESG) factors while conducting their business.
- If we consider climate change and ESG themes in terms of performance vis-à-vis general equity for illustrative purposes, a sum of \$100,000 invested in MSCI World Climate Change index and MSCI World ESG Sector Leaders index in December 2014 would have grown to \$208796 and \$166025, respectively as on September 29, 2023, as against growth of \$155335 in MSCI All Country World Index (ACWI) during the same period.

Energy Related CO2 Emissions (in giga tonnes)

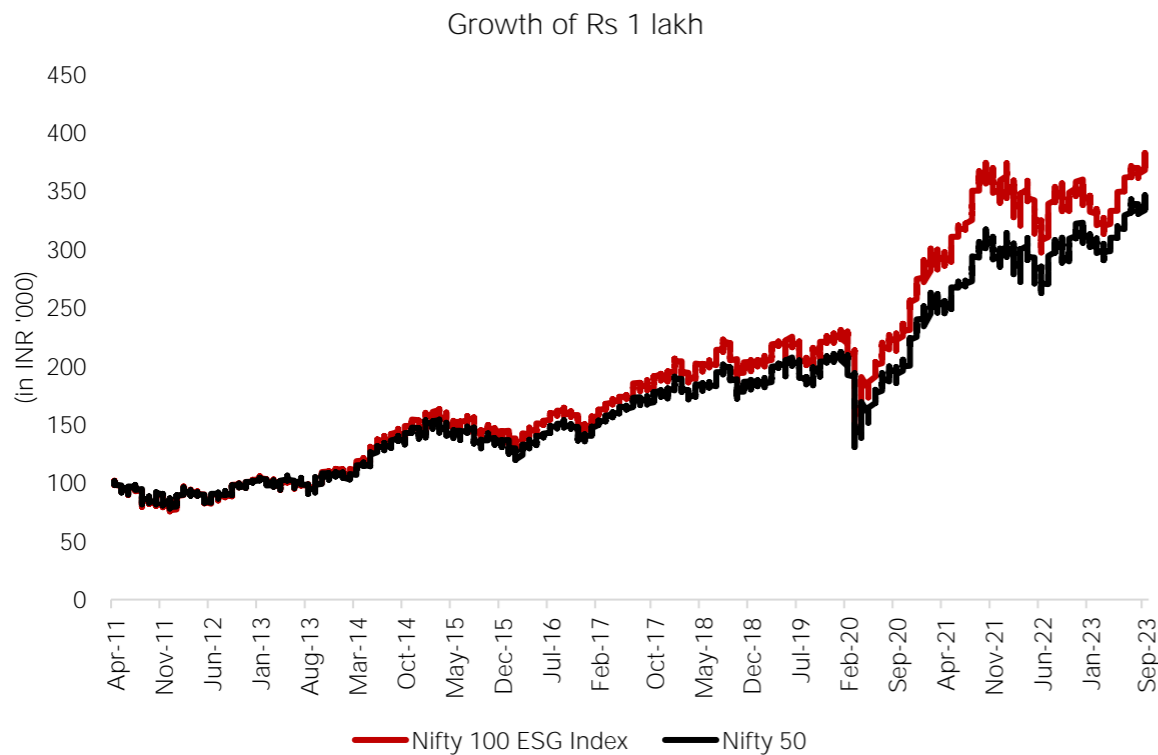


Source: CRISIL, Bloomberg, International Energy Agency (IEA)

Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.



- In the Indian context, the ESG theme has shown encouraging performance.
- In terms of returns, ESG (represented by Nifty 100 ESG) has outperformed general equity (represented by Nifty 50) across some time periods.
- If long-term growth in ESG scheme is analyzed, if an investor put in INR 100,000 in Nifty 100 ESG and Nifty 50 in April 2011, it would have grown to INR 372,000 and INR 337,000, respectively, for the period ended September 29, 2023.



Period	Performance (%)	
	Nifty 100 ESG	Nifty 50
1 year	11.99	16.77
2 years	1.73	5.30
3 years	18.89	20.51
5 years	12.66	12.41
7 years	13.06	12.53

Source: NSE, Bloomberg. Returns above 1 year are compounded annualized. Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

# Global Economic Update

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OECD raised 2023 growth estimates; cuts 2024 forecast on inflation pressure

- The Organization for Economic Cooperation and Development (OECD) raised its 2023 global gross domestic product (GDP) growth forecast to 3.0%, up from 2.7% projected in June. However, it expects growth to slow to 2.7% in 2024 (June estimate 2.9%).
- It sees growth in the most advanced economies being held back by monetary policy tightening to rein in inflation and placing of public finances on a sustainable path.

US grows 2.1% in the second quarter of 2023; OECD raises US growth forecast; Fed holds rates but warns of more hikes

- The US economy grew at an annualised rate of 2.1% in the second quarter of 2023, unchanged from the previous estimate, and compared with an upwardly revised 2.2% growth in the first quarter.
- The OECD sees annual GDP growth in the US at 2.2% this year (vs an earlier forecast of 1.6%). However, it expects growth to slow to about 1.3% in 2024, as tighter financial conditions moderate demand pressures
- The Federal Open Market Committee kept its interest rates steady in a range of 5.25-5.5% at its September policy meet.

Key economic indicators

- Annual inflation rate accelerated for a second straight month to 3.7% in August from 3.2% in July while core consumer price inflation rate fell to 4.3% from 4.7%
- Industrial production increased 0.2% on-year in August, following a revised flat reading in July, while manufacturing production was unchanged at 0.6%.

US economy grew 2.1% in Q2

Eurozone grows 0.5% in the second quarter of 2023; OECD cuts estimates

- The eurozone economy expanded 0.5% on-year in the second quarter of 2023, slightly below 0.6% seen in the previous estimate, and easing from a 1.1% expansion in the previous quarter. Meanwhile,
- OECD sees the region's 2023 growth at 0.6%, lower than the earlier estimate of 0.9%. However, it expects growth to edge up to 1.1% in 2024 as the adverse impact of high inflation on real incomes fades.
- The ECB at its policy meet raised its key interest rate to all-time high levels of 4.50% from 4.25%

Key Eurozone economic indicators

- Inflation rate eased to 4.3% on-year in September compared with 5.2% in August, while core inflation rate eased to 4.5% from 5.3%
- Industrial production declined by 2.2% on year in July, following a downwardly revised 1.1% drop in June

UK grew 0.6% in the second quarter of 2023; BoE pauses rate hike after 14 consecutive increases

- The United Kingdom's (UK) economy expanded 0.6% on-year in the second quarter, following an upwardly revised 0.5% expansion in the previous quarter.
- The Bank of England, at its September meeting, held its policy interest rate at 5.25%, its first pause in policy tightening in nearly two years.

Key UK economic indicators

- Consumer price inflation fell to 6.7% on-year in August compared with 6.8% in June, while annual core inflation rate fell to 6.2% from 6.9%
- Industrial production grew 0.4% on-year in July, easing from a 0.7% rise in June while manufacturing production increased 3% from 3.1%.

Eurozone economy grew 0.5% in the second quarter

OECD (Organization for Economic Cooperation and Development) **cuts China's 2023 and 2024 growth projections; central bank holds rates**

- The OECD expects growth in China to ease to 5.1% in 2023 (vs June's 5.4%) and 4.6% in 2024 (vs June's 5.1%) because of subdued domestic demand and structural stress in the property market.
- The People's Bank of China held rates, with the one-year loan prime rate (LPR) unchanged at a record low of 3.45%. The five-year rate which acts as a reference for mortgages, was kept at 4.2%.

Key Chinese economic indicators

- The country's posted a current account surplus of \$64.7 billion in the second quarter of 2023, vs \$81.5 billion in the previous quarter
- Industrial production rose 4.5% on-year in August vs 3.7% in July

Japan grew 4.8% in second quarter; BoJ continues to hold rates

- Japan's economy grew 4.8% on an annualised basis during the second quarter of 2023, compared with preliminary data of 6.0% expansion vs a downwardly revised 3.2% increase in the prior period.
- The Bank of Japan (BoJ) maintained its key short-term interest rate at -0.1% and that of 10-year bond yields at around 0% in its September meeting

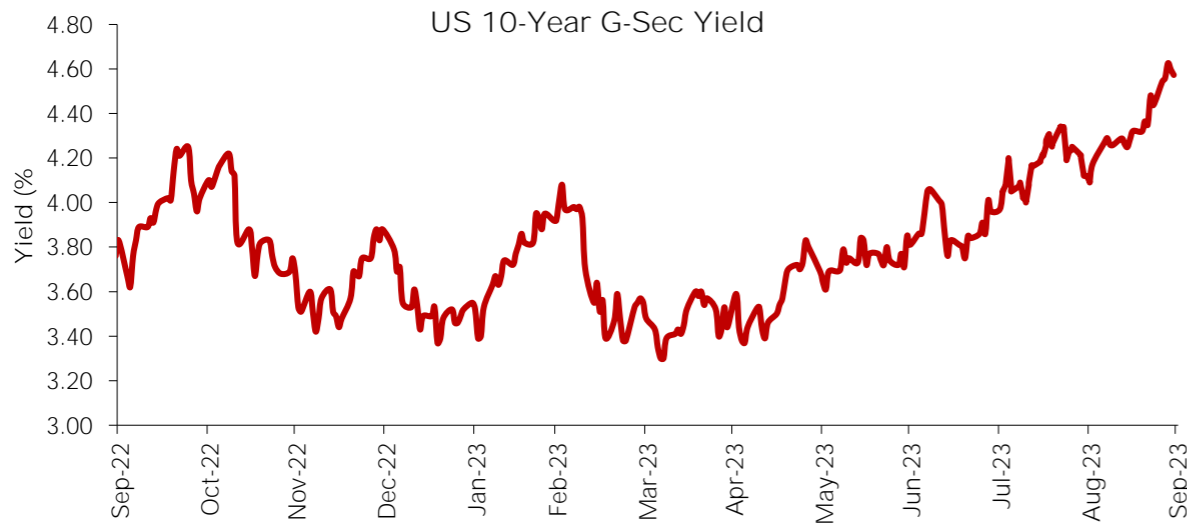
Key Japanese economic indicators

- The country's balance of trade stood at deficit 930.5 billion yen in August, compared to 66.3 billion yen deficit in July
- Industrial production decreased 3.8% in August, from 2.3% decline in July

Source: CRISIL, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

## US treasury prices fell in September

- US Treasury prices declined sharply in September. The yield on the 10-year Treasury bond settled at 4.57% on September 29, 2023, compared with 4.09% on August 31, 2023.
- The yield rose significantly and touched a multi-year high during the month, driven by expectations that the US Federal Reserve (US Fed) may keep interest rates higher for longer. Strong economic data and official comments further supported this market sentiment.
- However, earlier in the month, bond prices witnessed gains after weaker-than-expected economic growth and labour market data dimmed expectations that the Fed will further raise interest rates later this year.



Global bond yields			
	29-Sept	31-Aug	Change
US 10-Year (%)	4.57	4.09	0.48
UK 10-Year (%)	4.45	4.4	0.05
German 10-Year (%)	2.84	2.47	0.37
Japan10-Year (%)	0.77	0.63	0.14

US treasury yield rose on prospects of higher rates

Source: CRISIL, Bloomberg, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

# Economic Events Calendar

Date	Indicators	Previous
05-October-23	India S&P Global Services PMI, September	60.1
06-October-23	RBI Interest Rate Decision	6.50%
	US NFP, September	187,000
12-October-23	UK GDP, August	-0.5%
	India CPI Inflation, September	6.83%
	India Industrial Output, August	5.7%

Source: CRISIL, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

# Economic Events Calendar (cont'd)

Date	Indicators	Previous
13-October-23	China Inflation Rate, September	0.3%
	India WPI Inflation, September	-0.52%
18-September -23	China GDP Growth Rate, Q3	6.3%
	UK Inflation, September	0.30%
20-October-23	China Loan Prime Rate 1Y	3.45%
26-October-23	ECB Interest Rate Decision	4.50%
28-October-23	US GDP Growth Rate QoQ Adv Q3	
29-September-23	Eurozone GDP Growth Rate QoQ Flash Q3	
	BoJ Interest Rate Decision	-0.1%

Source: CRISIL, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.



# Annexure Indian Economic Environment

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## Other major developments

- The ministry also announced the introduction of ultra-long maturity debt, featuring 50-year bonds, to cater to the growing demand from insurance and pension funds.
- The Ministry of Finance and the World Bank agreed to work closely to create a market structure from the corporate social responsibility (CSR) demand side for maximising social impact.
- The Lok Sabha and Rajya Sabha passed the Women's Reservation Bill, Nari Shakti Vandan Adhiniyam, 2023.
- The government launched a GST lucky draw scheme named 'Mera Bill Mera Adhikar' in six states and union territories. The Centre and these six states set aside a corpus of Rs 30 crore for the current fiscal for the reward scheme.
- Prime Minister Narendra Modi launched the Rs 13,000 crore Pradhan Mantri Vishwakarma Yojana scheme, which seeks to enhance the accessibility and quality of products and services offered by traditional artisans and craftsmen.
- The Union Cabinet approved a viability gap funding (VGF) scheme for the development of 4,000 MWh of battery energy storage systems (BESS) by fiscal 2031. The scheme entails an initial outlay of Rs 9,400 crore, including budgetary support of Rs 3,760 crore.
- The Cabinet approved the allocation of Rs 1,165 crore as additional funding to meet the committed liabilities under the Industrial Development Scheme, 2017, for Himachal Pradesh and Uttarakhand.
- The Centre scrapped the mandatory human safety tests for electric vehicle (EV) batteries required to qualify for incentives under various government schemes aimed at promoting EVs. The decision followed the findings of a committee led by a director of the Automotive Research Association of India, which concluded that the testing standards of the Ministry of Road Transport and Highways (MoRTH) were adequate for the present needs of the EV industry.
- The Union Cabinet approved the eCourts Project Phase III as a central sector scheme with a financial outlay of Rs 7,210 crore. Part of the National eGovernance Plan, the project seeks to improve access to justice using technology.

Source –CRISIL, Data as on 30 September 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

## Regulatory developments in the month

- In a statement released during the month, the RBI announced that its frictionless credit initiative had helped slash customer acquisition costs for lenders by 70% and saved borrowers 6% of the loan amount.
- The RBI launched a new tranche of sovereign gold bonds (SGBs). The subscription period for SGB Series II was September 11-15, 2023, and the nominal value of the bond was set at Rs 5,923 per gram.
- The RBI introduced stringent investment norms for commercial banks involving the creation of a new category named fair value through profit and loss (FVTPL), and a held-for-trading (HFT) investment sub-category within FVTPL.
- The RBI released a list of 15 non-banking financial companies (NBFCs) featuring in the upper layer under scale-based regulations for these lenders for fiscal 2024. This was in line with the central bank's announcement of a four-layered regulatory structure for NBFCs in October 2021, to keep a stricter vigil on the shadow banking sector and minimise risks for the overall financial system.
- The RBI directed credit information companies (CICs) to prepare a data quality index for commercial and microfinance segments.

## Key economic indicators released in the month

- As per the latest data released by the Ministry of Statistics and Programme Implementation (MoSPI), India's industrial output measured by the Index of Industrial Production (IIP) rose 5.7% on-year during July 2023. This came on the back of a 3.7% on-year increase in June.
- Meanwhile, the output of the country's eight core sectors increased 12.1% on-year in August 2023, on the back of an 8.4% gain (revised) in July. All core sectors witnessed growth during the month, with cement (18.9% on-year growth), coal (17.9%) and electricity (14.9%) recording the fastest growth among all sectors.
- In August, India's overall trade deficit (merchandise and services) stood at \$11.63 billion, led by a widening of its merchandise trade deficit to a 10-month high of \$24.16 billion.
- India's fiscal deficit touched almost 36% of the full-year target within the first five months of fiscal 2024. The latest data released by the Controller General of Accounts revealed that India's cumulative fiscal deficit in absolute terms stood at Rs 6,420 billion, as opposed to the yearly target of Rs 17,870 billion. However, during the corresponding period in the preceding year (April-August 2022), the fiscal deficit had only crossed 32.6% of the yearly target for fiscal 2023.

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