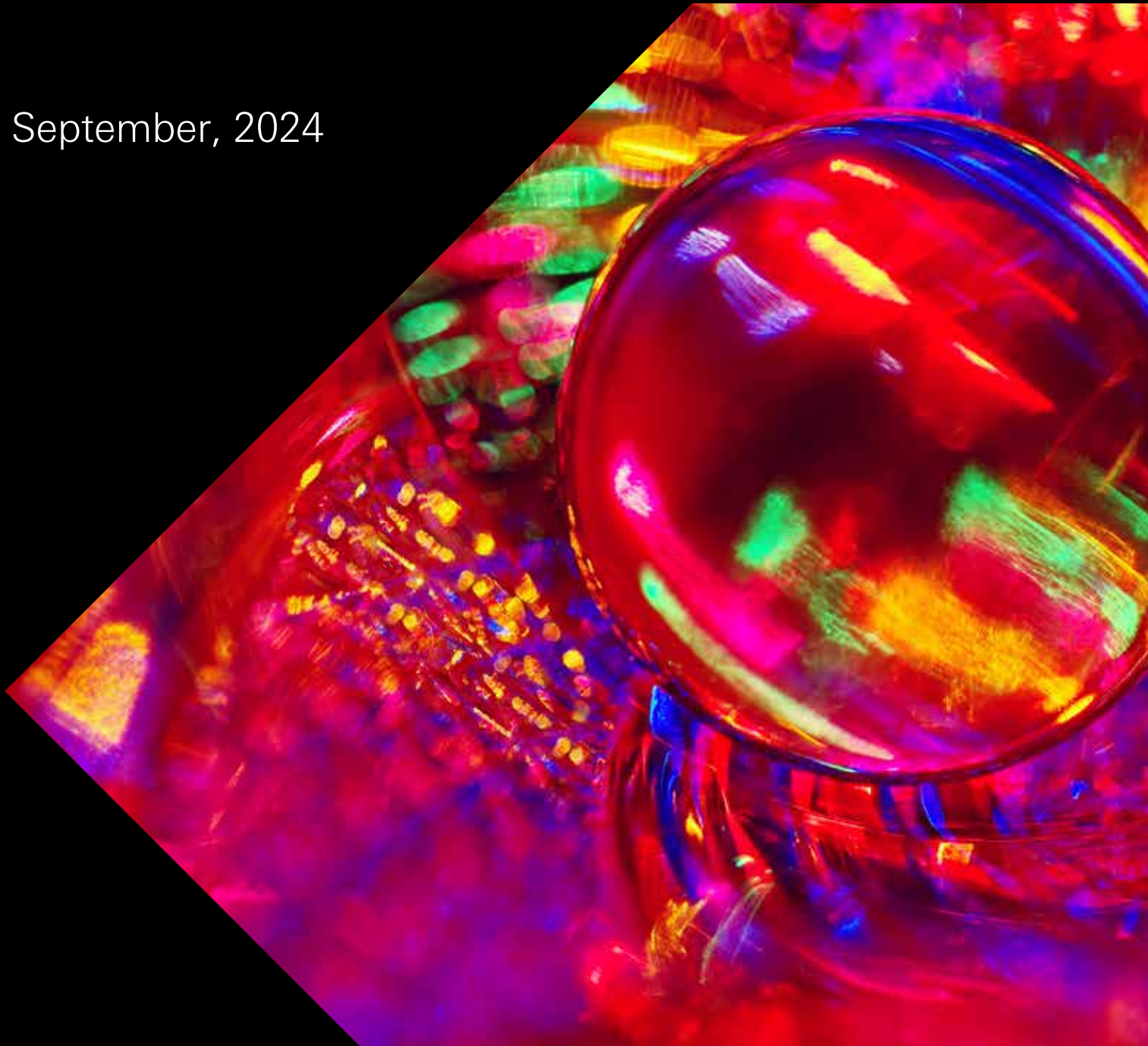


Equity Market Review

September, 2024



- ◆ Indian equity indices saw another good up move in September 2024. BSE Sensex and NSE Nifty both moved up 2.3%.
- ◆ Broader market also remained strong with the BSE Small Cap index up 2.1% and the NSE Mid Cap index rising 1.8% during the month.

Metals were the top performing sector in September followed by Power. Realty, Autos, FMCG, Banks and Healthcare also outperformed the NSE Nifty index. Capital Goods, IT and Oil & Gas delivered negative returns for the month.



Domestic Indices	Last Close	1 Month (Change)	CYTD 24 (Change)
BSE Sensex TR	1,30,491	2.3%	17.9%
Nifty 50 TR	38,315	2.3%	20.0%
BSE 200 TR	15,209	2.1%	24.9%
BSE 500 TR	48,589	2.1%	25.6%
NSE Midcap TR	28,192	1.8%	31.3%
BSE Smallcap TR	70,646	2.1%	34.6%
NSE Large & Midcap 250 TR	21,725	2.1%	27.6%
BSE India Infrastructure Index TR	1,003	-3.1%	50.9%
MSCI India USD	1,148	2.1%	24.6%
MSCI India INR	3,121	2.0%	25.5%
INR - USD	83.8	-0.1%	0.7%
Crude Oil	72	-8.9%	-6.8%

Indices	30-Sep 2024	30-Aug 2024	% Change 1 Month	% Change 1 Year	% Change YTD
Nifty 50	25,811	25,236	2.28	31.43	18.77
BSE Sensex	84,300	82,366	2.35	28.06	16.69
BSE Auto	61,051	59,041	3.40	66.67	44.57
BSE BANKEX	60,038	58,312	2.96	19.66	10.41
BSE Capital Goods	73,107	73,169	-0.09	53.17	31.38
BSE Consumer durables	67,662	63,590	6.40	49.17	35.32
BSE FMCG	23,788	23,022	3.32	27.35	16.22
BSE Healthcare	44,236	43,177	2.45	55.23	40.21
BSE IT	42,370	43,487	-2.57	32.14	17.66
BSE Metal	34,609	32,456	6.63	49.13	28.22
BSE MidCap	49,352	49,065	0.58	52.60	33.97
BSE Oil & Gas	31,835	32,978	-3.47	67.33	38.29
BSE Power	8,652	8,232	5.11	85.68	48.69
BSE PSU	21,402	21,977	-2.61	69.23	37.56
BSE Realty Index	8,593	8,234	4.36	86.56	38.88
BSE SmallCap	57,131	56,022	1.98	52.10	33.88

Source: NSE, BSE, Data as on 30, September 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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.

Global Market Update

MSCI World index also moved up another 1.7% in September. It was driven by a 2.0% gain in the US (S&P 500) while MSCI Europe was flattish at 0.3% and MSCI Japan lost 1.3%. MSCI EM was up 6.4% supported by a whopping 23.6% gain in MSCI China. Crude oil price declined 9% MoM in September.

International Indices (in USD)	Last Close	1 Month (Change)	CYTD 24 (Change)
MSCI World	3,723	1.7%	17.5%
Dow Jones	42,330	1.8%	12.3%
S&P 500	5,762	2.0%	20.8%
MSCI EM	1,171	6.4%	14.4%
MSCI Europe	2,226	0.3%	10.2%
MSCI UK	1,314	0.1%	11.7%
MSCI Japan	4,083	-1.3%	10.4%
MSCI China	70	23.6%	26.1%
MSCI Brazil	1,489	-1.0%	-17.3%

Macro Economic Data

- ◆ FII flows into Indian equities surged with an inflow of US\$5.9 bn in September vs US\$1.4 bn in August. DIIs invested a steady US\$3.8 bn with MFs investing US\$3.9 bn during the month.
- ◆ S&P retained India's FY25 GDP growth forecast of 6.8%.
- ◆ CPI increased to 3.7% in August from 3.5% (YoY) in July due to higher food price inflation. Core-core inflation (i.e. core inflation ex petrol and diesel) remained low at 3.5% (YoY) in August similar to 3.6% (YoY) in July.
- ◆ Industrial production growth (IIP) remains flattish at 4.8% (YoY) in July versus 4.7% in June.
- ◆ Gross GST revenue collection slowed to Rs 1.73 tn in September 2024, up only 6.5% (YoY).
- ◆ Other key developments during the month – US Federal reserve cut rate by 50 bps and highlighted potential for another 50 bps rate by end of CY24. Chinese government announced several stimulus measures to boost economic growth.

Valuations

While consensus earnings estimate for FY25/26 were revised down slightly in Sep. Nifty therefore now trades on 22.4x 1 year forward PE more than 20% above its 10-year average and 15% above its 5-year average. Valuations in Mid Cap and Small Cap space are much 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 could be positive for the global economy. For India, growth has remained strong with GDP growth of 6.7% (YoY) in Q1FY25 despite slowdown in government spending due to elections. The government has maintained policy continuity in the Union Budget. Infra thrust of the government along with reduction in fiscal deficit could be supportive for domestic growth and capex cycle. Strong monsoon augurs well for rural demand and overall consumption growth in the economy in FY25.

Outlook

India's growth momentum and outlook remains strong. Increased government focus on employment generation and skill development is likely to lead to further policy support for manufacturing. We expect India's investment cycle to be on a medium term uptrend supported by rising government

Outlook (contd)

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 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 would 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 September 2024 end or as latest available

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