

Global Navigator

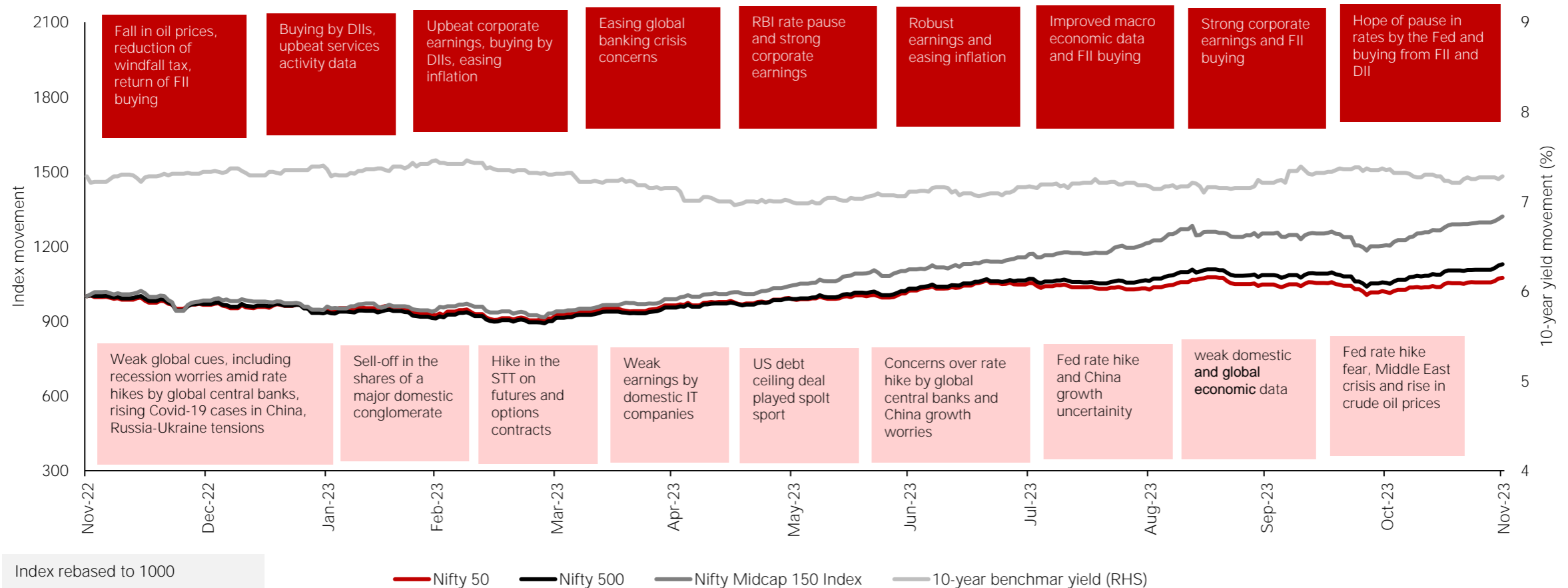
December 2023



HSBC Mutual Fund

Looking back – Events and India Markets

Nifty 50 rose on halt in rate hike stance by the global central banks



Source: CRISIL, Data as on 30 November 2023

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

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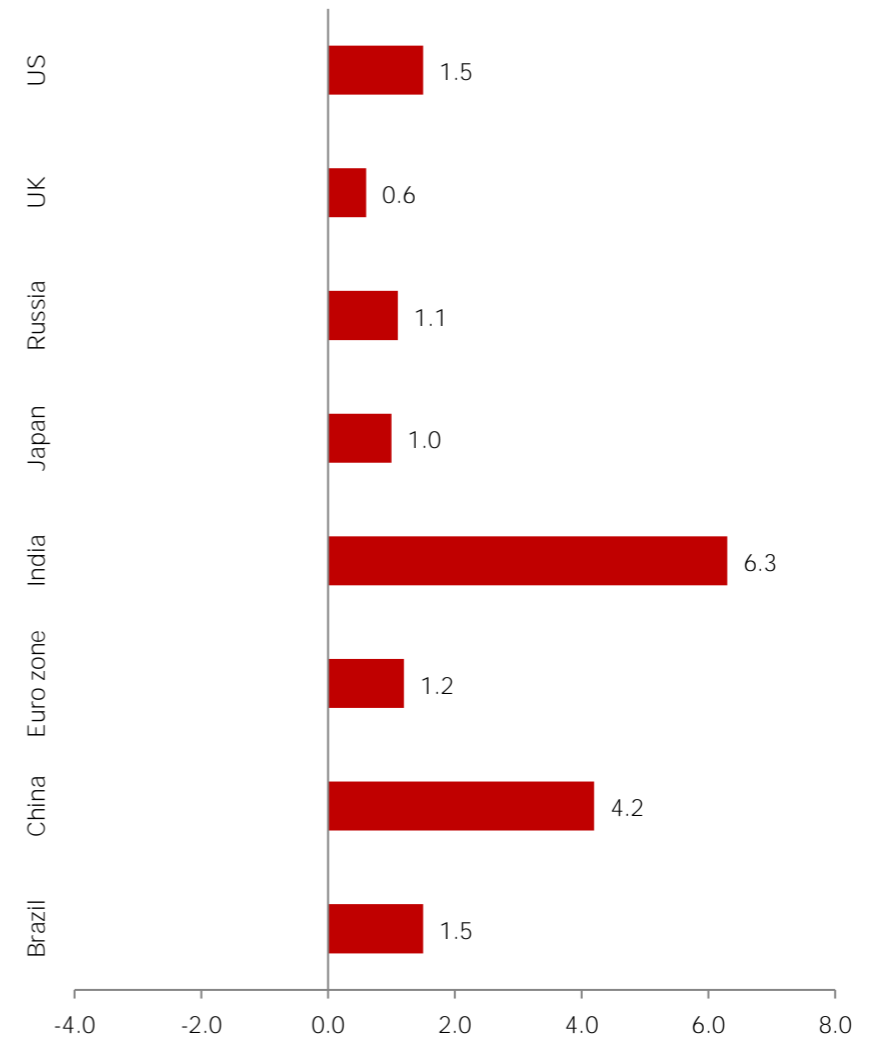
Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may have been discussed in this report and should understand that the views regarding future prospects may or may not be realised.

Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice. RBI – Reserve Bank of India, FII- Foreign Institutional Investors, DII- Domestic Institutional Investors, US- United States, Fed- Federal Reserve, STT- Security Transaction Tax

	GDP		Inflation		Industrial Growth	
	Current	Previous	Current	Previous	Current	Previous
US	5.2% Q3 2023	2.1% Q2 2023	3.2% Oct'23	3.7% Sep'23	-0.7% Oct'23	-0.2% Sep'23
Eurozone	0.1% Q3 2023	0.5% Q2 2023	2.4% Nov'23	2.9% Oct'23	-6.9% Sep'23	-5.1% Aug'23
UK	0.6% Q3 2023	0.6% Q2 2023	4.6% Oct'23	6.7% Sep'23	1.5% Sep'23	1.5% Aug'23
China	4.9% Q3 2023	6.3% Q2 2023	-0.2% Sep'23	0.0% Sep'23	4.6% Oct'23	4.5% Sep'23
Japan	-2.1% Q3 2023	4.5% Q2 2023	3.3% Oct'23	3.0% Sep'23	0.9% Sep'23	-4.6% Aug'23
India	7.6% Q3 2023	7.8% Q2 2023	4.87% Oct'23	5.02% Sep'23	5.8% Sep'23	10.3% Aug'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%

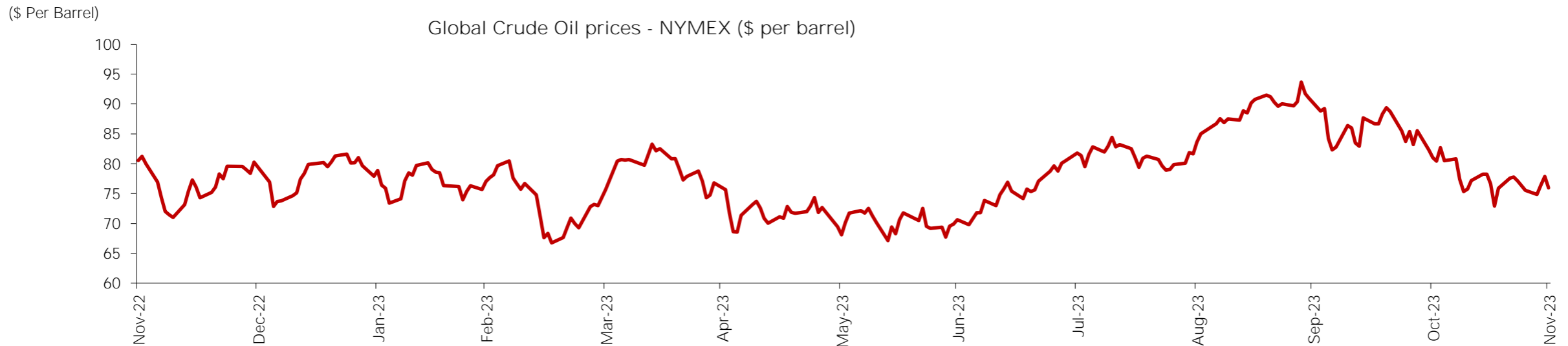
IMF GDP Projections for 2024



Global economic outlook likely to improve slightly next year

International crude oil declined in November

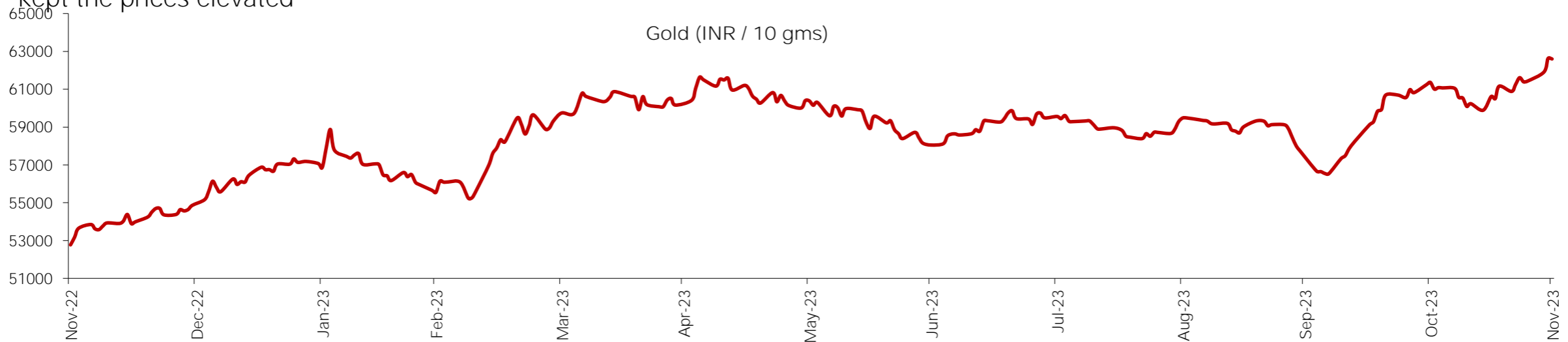
- Crude oil prices on the New York Mercantile Exchange (NYMEX) closed \$75.96 per barrels on November 30, 2023 down 6.25% from \$81.02 per barrels on October 31.
- Oil prices declined majorly after a) after OPEC+ oil producers unexpectedly delay the production decision b) weak data from the US and China fueled demand worries and c) on easing supply worries from Middle East and as US jobs data spurred hopes that Fed could be done with hiking rates.
- Further fall in oil prices were cut short after Saudi Arabia and Russia reaffirmed extra voluntary oil supply cuts until the end of the year. Oil price also rise on demand hopes after the Fed chair Jerome Powell indicating possible future interest rate increases. Short covering and short positions and after US sanctions on some Russian oil shippers also lent support.



Oil prices fell on persistent demand concerns

Gold rallied in November

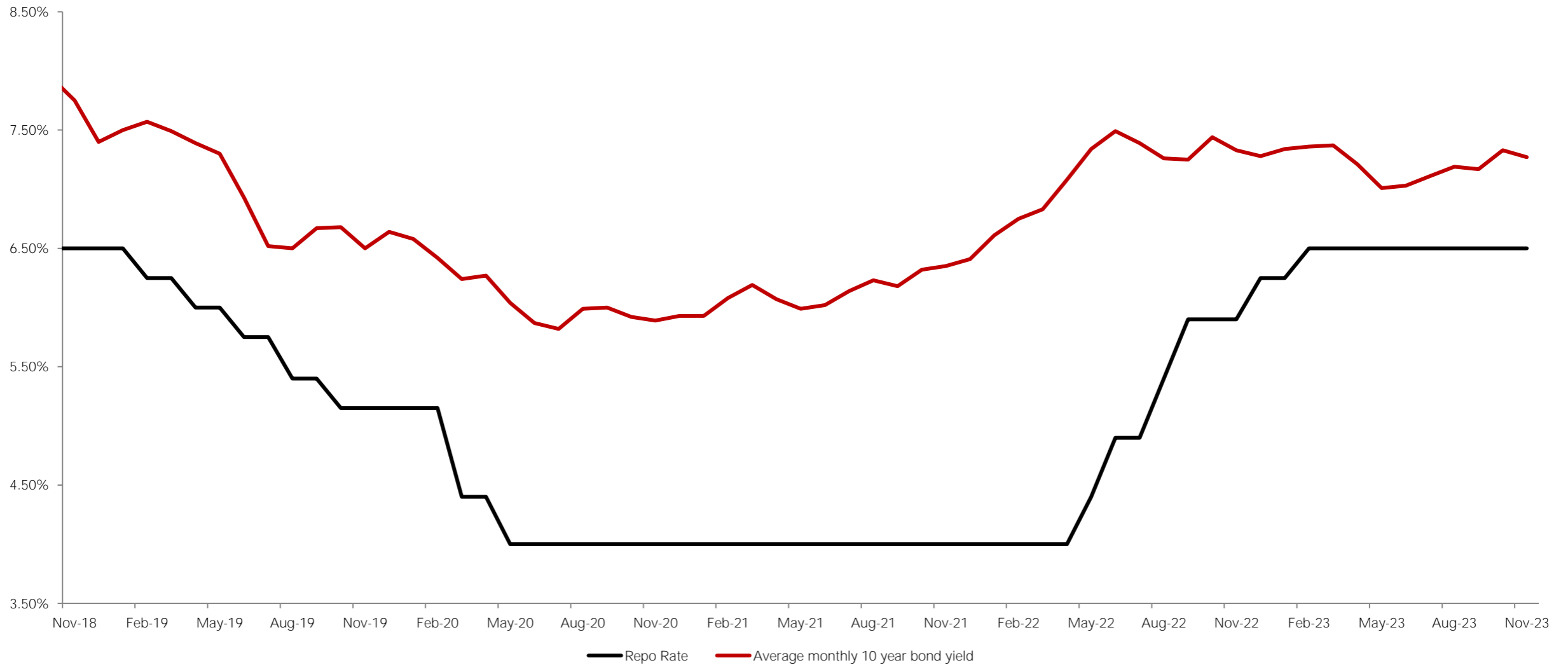
- Gold prices ended at Rs 62,607 per 10 gram on November 30, up 2.02% from at Rs 61,370 per 10 gram on October 31, as per the India Bullion and Jewellers Association .
- Prices ended higher mirroring similar trends in the global yellow metal prices on expectations that the Fed may soon end its rate hiking stance.
- These sentiments were strengthened after the US Federal Open Market Committee (FOMC) minutes suggested that the Fed may end its rate hike cycle and dovish comments by Fed officials.
- More gains were added after dollar index declined in the month. Additionally, strong domestic demand owing to festivities also kept the prices elevated



Gold prices rose on expectations that the Fed may soon end its rate hiking stance

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

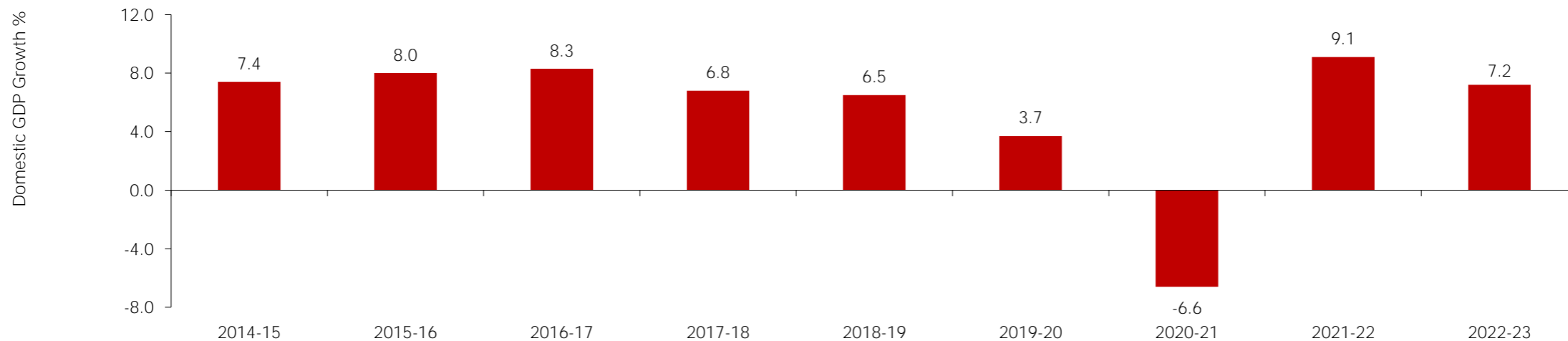
RBI Repo Rate held at 6.50%



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

Indian economy grows 7.6% in second quarter; outlook remains positive

- The Indian economy recorded a 7.6% on-year growth in its gross domestic product (GDP) during the second quarter of this fiscal. Though slightly slower than the 7.8% growth clocked in the first quarter, it was considerably higher than the Reserve Bank of India's (RBI) projection of 6.5% growth.
- The higher-than-expected GDP growth is likely to prompt an upward revision in the growth forecast for the upcoming quarters and the year as a whole. V Anantha Nageswaran, Chief Economic Adviser (CEA), the Ministry of Finance, said the prevailing tax buoyancy is a sign that the country might be understating its GDP growth.
- Meanwhile, S&P Global Ratings revised its India's growth forecast for this fiscal upward to 6.4% — in line with the RBI's estimate of 6.5% — from its earlier projection of 6%.



Headline inflation eases to four-month low in October

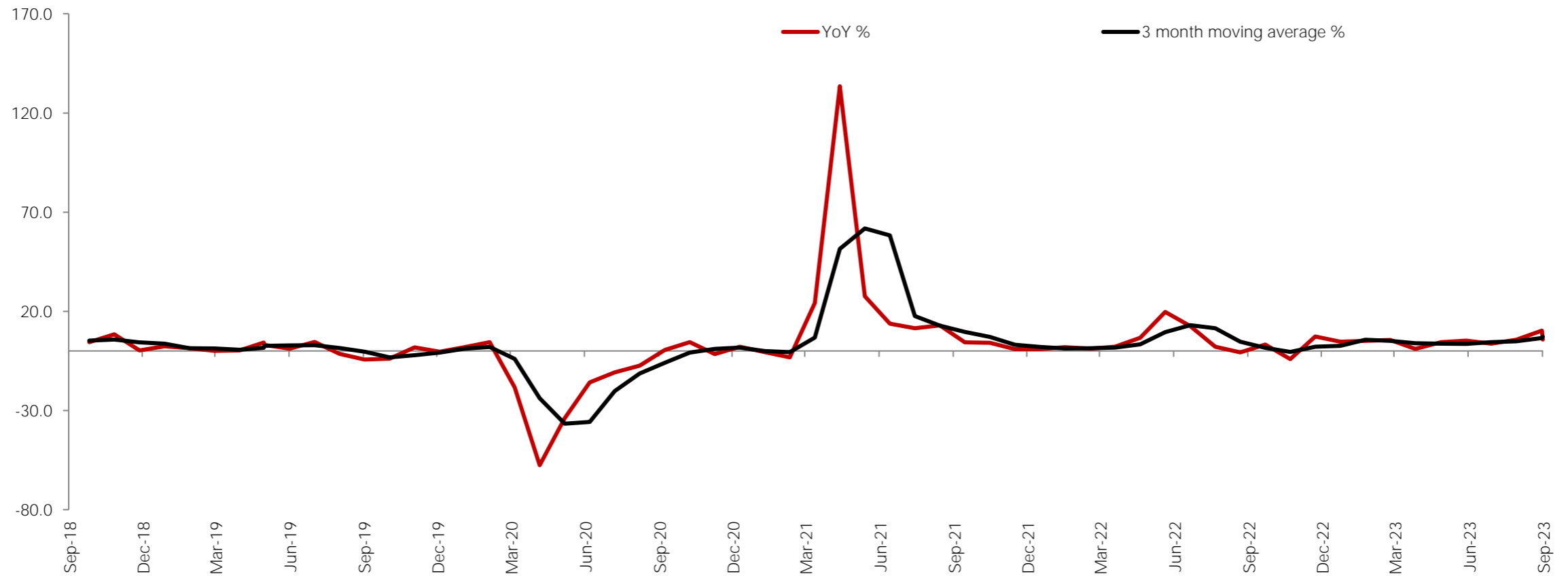
- In October, India's consumer price inflation eased to a four-month low of 4.87%, largely driven by non-food items, with vegetable prices also easing.
- Meanwhile, India's wholesale inflation came in at negative 0.52% in October, thereby remaining in the deflationary zone for the seventh successive month.

Indicators	Current	Previous
Monthly CPI Inflation	4.87% (October 2023)	5.02% (September 2023)
Industrial Growth	5.8% (September-23)	10.3% (August-23)
Exports	\$244.89 bn (Apr-Oct FY24)	\$263.33 bn (Apr-Oct FY23)
Imports	\$391.96 bn (Apr-Oct FY24)	\$430.47 bn (Apr-Oct FY23)
Trade Balance	\$-57.64 bn (Apr-Oct FY24)	\$-89.86 bn (Apr-Oct FY23)
Gross Tax Collections	INR 1567722 cr (Apr-Oct FY24)	INR 1349882 cr (Apr-Oct FY23)

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

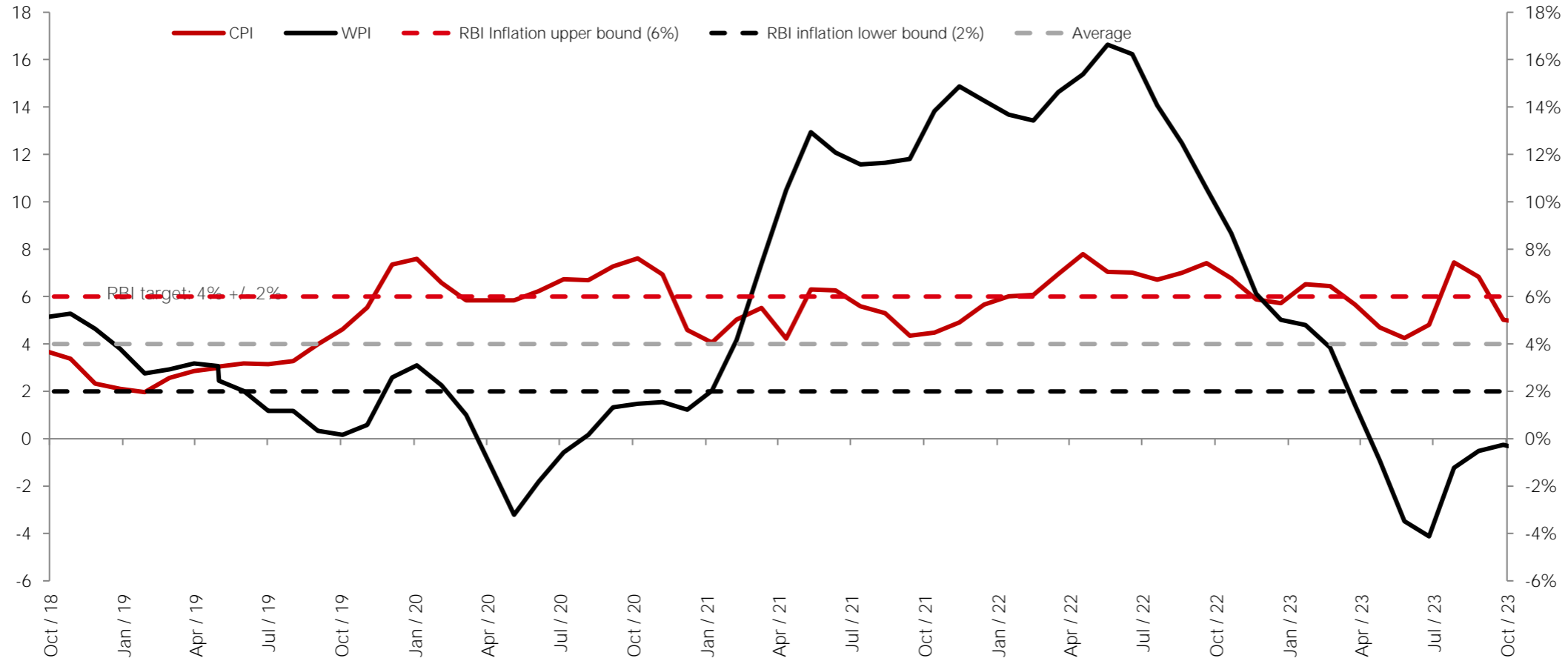
After hitting a 14-month high of 10.3% on-year growth in August, industrial production, measured by the Index of Industrial Production (IIP), slowed down to a 5.8% in September.



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

Inflation target and trend

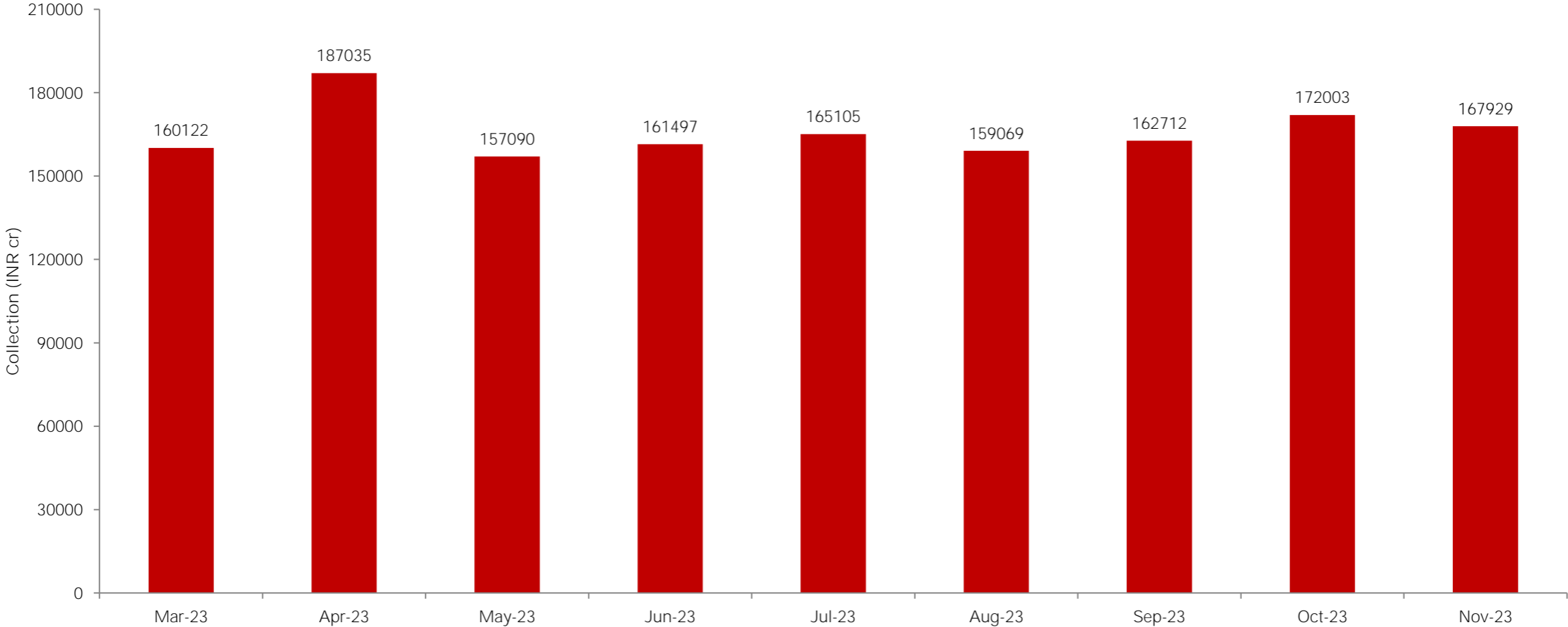
CPI inflation near the RBI's max target range



Source: CRISIL, MOSPI, RBI, Data as on 30 November 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 1.67 lakh crore in November

The government collected INR 1.67 lakh crore goods and services tax (GST) for the month of November, registering growth of 15% from a year earlier.



Source: CRISIL, Ministry of Finance, Data as on 30 November 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 November '23

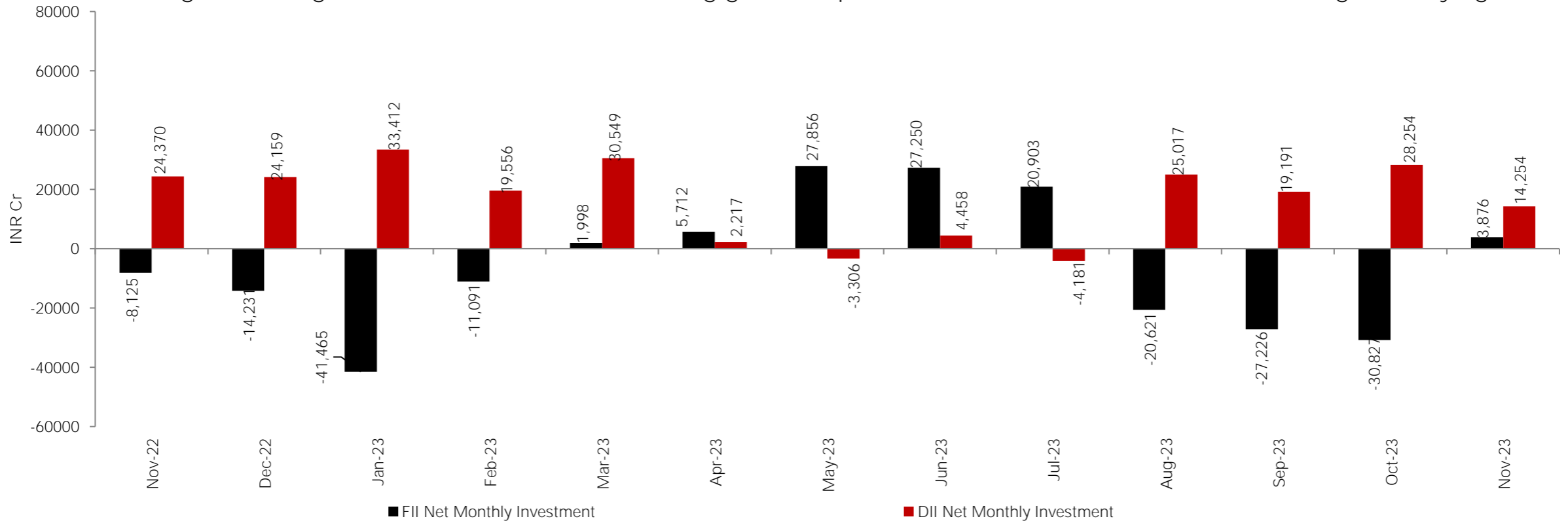
- Indian benchmark equity indices snapped two months of losses in November on easing inflationary pressure hope of halt in rate hike stance by the global central banks and upbeat corporate earnings by domestic companies. S&P BSE Sensex and Nifty 50 advanced 4.87% and 5.52% on-month, respectively
- Softer-than-expected inflation in the domestic and US markets also boosted investor sentiment in the month.
- Market gained further after the Fed maintained the interest rates hinting that the tightening of monetary policy could end soon. The Fed kept its interest rates unchanged between 5.25% and 5.5% for second straight month.
- Investors also tracked the ongoing rally in US stock, driven by easing concerns about interest rate hikes, cues of cooling inflation and job growth and a better-than-expected third-quarter earnings season.
- Investor sentiment was also supported by easing concerns about rate hikes and the overall monetary policy tightening in the US, with Fed Governor Christopher Waller eventually flagging the possibility of a rate cut in the months ahead. Another official, Chicago Fed President Austan Goolsbee said that the central bank has significant progress in controlling inflation strengthening sentiments further.
- Markets witnessed broad-based buying across sectors, following strong earnings update by major domestic companies.
- Nonetheless, some gains were trimmed by weak Chinese trade data. China's trade surplus in October narrowed sharply to \$56.53 bn as compared with \$77.71 bn surplus in September.
- Some of the early gains during the month were restricted by initial hawkish remarks by the US Fed Chair Jerome Powell. The central bank chief said that Fed policymakers are "are not confident" that interest rates are high enough yet to finish the battle with inflation and won't hesitate to tighten the policy further if appropriate.

Markets rose on easing inflation pressure and upbeat earnings report of domestic companies

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

All of S&P BSE sectoral indices ended higher in Nov '23

- The gain was broad-based with all key S&P BSE sectoral indices gaining value in the month.
- Among the sectoral indices, the S&P BSE Realty (18% gain), S&P BSE Oil and Gas (13% gain) and S&P BSE Healthcare (11% gain) were the top gainers.
- Domestic realty indices hit near 15-year highs with realty stocks witnessing a broad-based rally following strong sales and perceptions of a robust economic recovery.
- While oil and gas stocks gained value on the back of easing global oil prices, healthcare stocks benefited from fag-end buying.



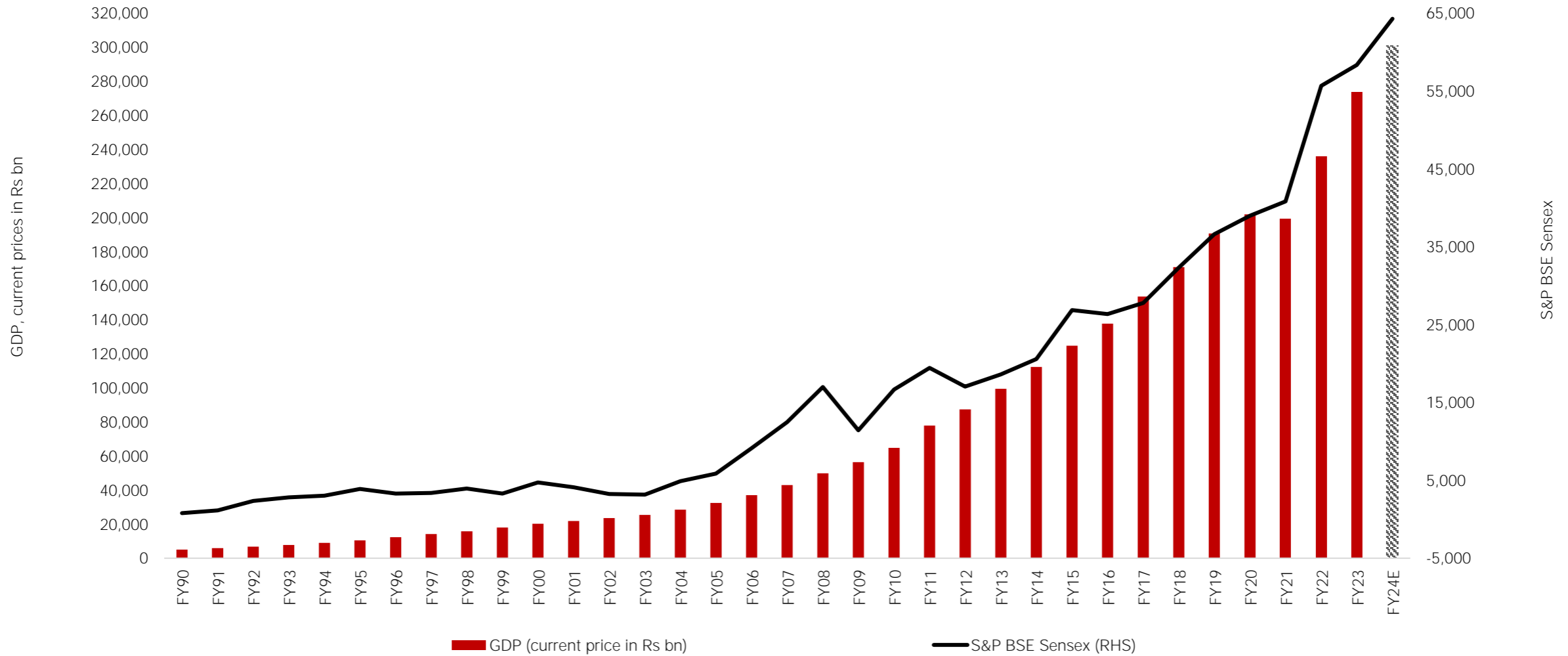
Equity Market Review

Indices	30-Nov-2023	31-Oct-2023	% Change 1 Month	% Change 1 Year	% Change YTD
Nifty 50	20133	19080	5.52	7.33	11.20
S&P BSE Sensex	66988	63875	4.87	6.16	10.10
S&P BSE Auto	40053	36172	10.73	31.86	38.48
S&P BSE BANKEX	50293	48448	3.81	1.91	2.83
S&P BSE Capital Goods	49990	45784	9.18	47.70	49.93
S&P BSE Consumer durables	47120	44308	6.35	13.55	18.62
S&P BSE FMCG	19157	18518	3.45	15.93	19.17
S&P BSE Healthcare	30375	27272	11.38	26.85	31.87
S&P BSE IT	33227	31060	6.98	8.90	15.89
S&P BSE Metal	24240	22239	9.00	19.66	16.23
S&P BSE MidCap	34256	31245	9.64	32.00	35.32
S&P BSE Oil & Gas	20551	18233	12.71	-0.29	0.70
S&P BSE Power	4921	4431	11.04	4.72	12.32
S&P BSE PSU	13489	12234	10.26	34.60	34.65
S&P BSE Realty Index	5657	4777	18.43	57.71	64.11
S&P BSE SmallCap	40372	36919	9.35	36.76	39.56

Source: NSE, BSE, Data as on 30 November 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

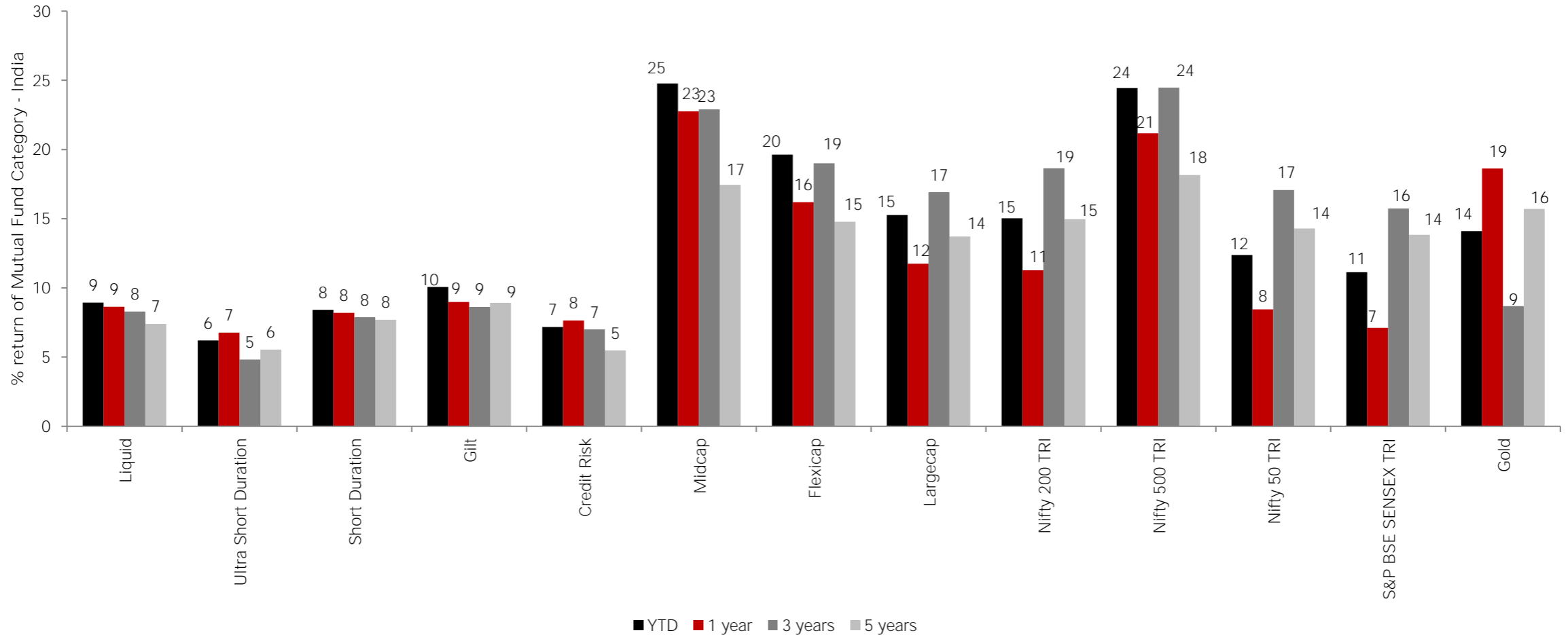
GDP - The Indian economy is expected to carry the momentum of last year's GDP growth into the current fiscal year as well



Source: CRISIL, Bloomberg, 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 November 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice GDP – Gross Domestic Product.

Equities remain best asset class

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



Source: Crisil, Data as on 30 November 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

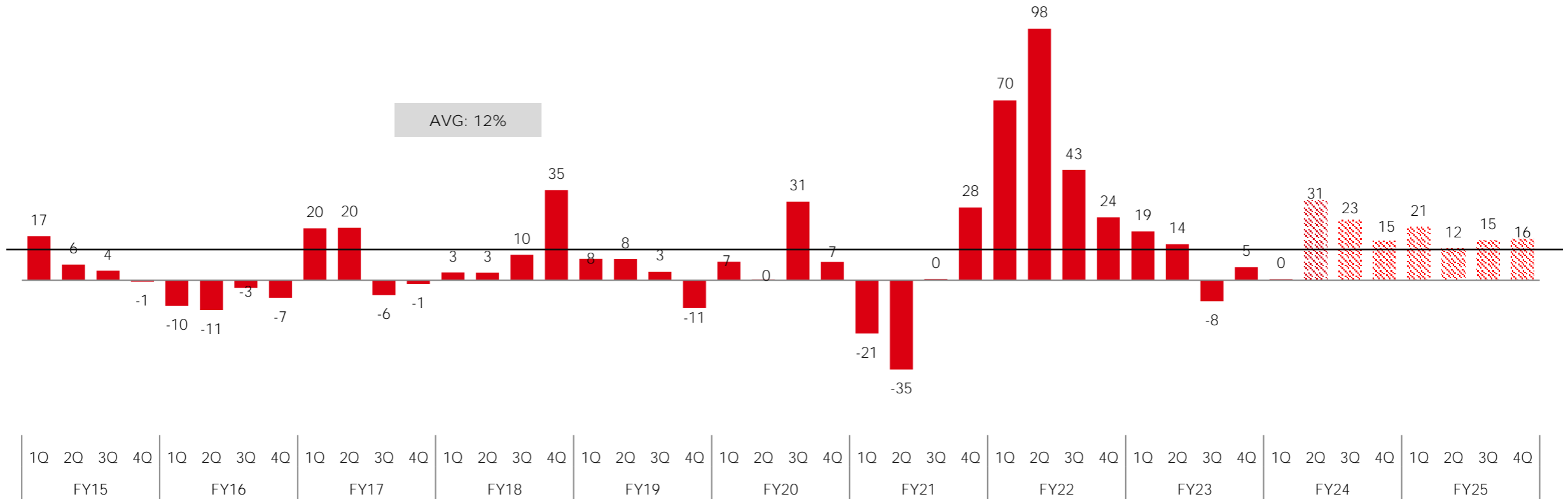
Sectoral returns – Sectoral indices post positive performance over the 10-year period

Sectoral indices	% Change										
	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23*	10-year CAGR*
Nifty 50	31.39	-4.06	3.01	28.65	3.15	12.02	14.90	24.12	4.33	11.20	12.53
S&P BSE Sensex	29.89	-5.03	1.95	27.91	5.91	14.38	15.75	21.99	4.44	10.10	12.40
S&P BSE Auto	51.98	-0.60	9.39	32.06	-22.12	-11.27	12.59	15.27	16.54	38.48	12.50
S&P BSE BANKEX	65.04	-9.92	7.35	39.08	5.27	20.72	-2.14	13.63	21.03	2.83	14.71
S&P BSE CG	50.45	-8.51	-3.28	40.03	-1.63	-9.97	10.63	43.47	15.97	49.93	17.66
S&P BSE CD	66.18	24.02	-6.34	101.92	-8.79	20.86	21.52	41.81	-11.27	18.62	23.40
S&P BSE FMCG	18.27	1.36	3.29	31.54	10.60	-3.58	10.55	8.57	-10.93	19.17	11.30
S&P BSE Healthcare	47.43	15.06	-12.88	0.49	-5.92	-3.55	61.45	17.62	16.62	31.87	12.31
S&P BSE IT	16.54	4.51	-8.00	10.83	24.93	9.84	56.68	41.79	-12.10	15.89	14.71
S&P BSE Metal	7.91	-31.20	36.65	47.78	-20.75	-11.92	11.23	57.06	-24.24	16.23	9.91
S&P BSE Oil & Gas	12.01	-3.43	27.17	34.00	-15.57	7.25	-4.44	24.22	8.36	0.70	9.03
S&P BSE Power	23.03	-6.44	1.53	19.83	-16.06	-3.65	7.05	67.62	16.57	12.32	11.66
S&P BSE PSU	39.21	-17.18	12.88	19.27	-21.11	-3.88	-16.88	41.01	25.84	34.65	8.78
S&P BSE Realty	8.49	-13.55	-5.98	106.36	-31.07	26.85	8.66	53.34	-10.26	64.11	15.34

Source: CRISIL, BSE, Figures in red indicate negative returns in that period. *10-year CAGR, Data as on 30 November 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)

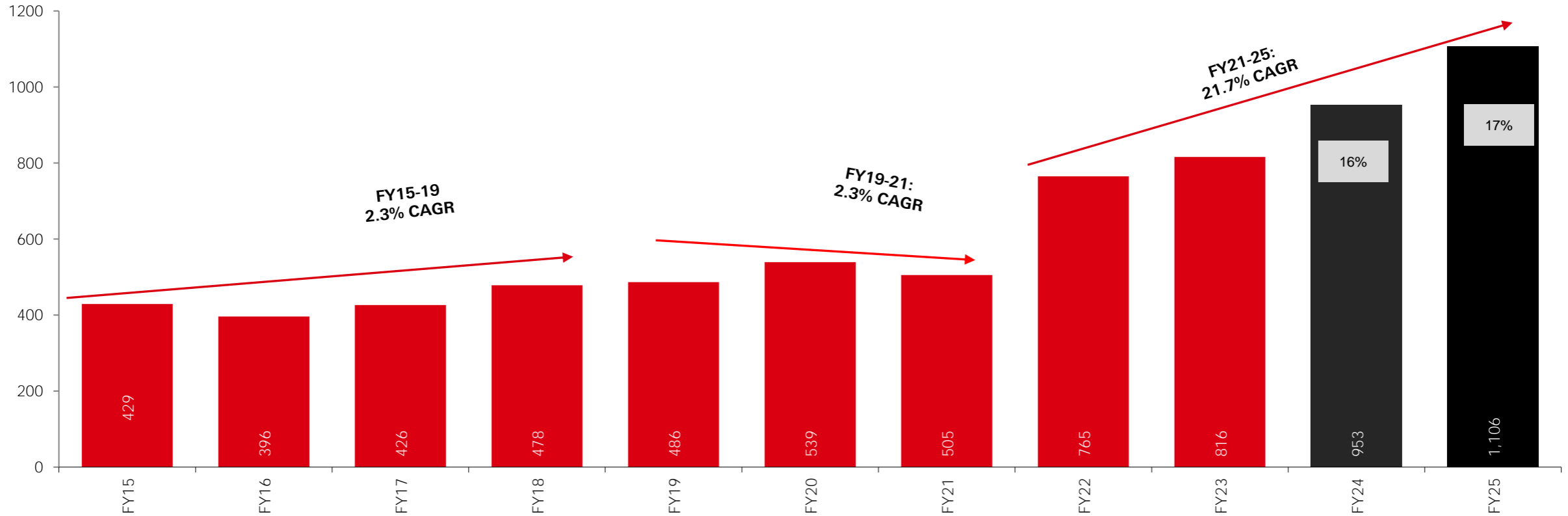
Estimates – shaded portion of FY25

^Average figure mentioned is from FY15 to FY22

Source: CRISIL, Bloomberg, Data as on 30 November 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)

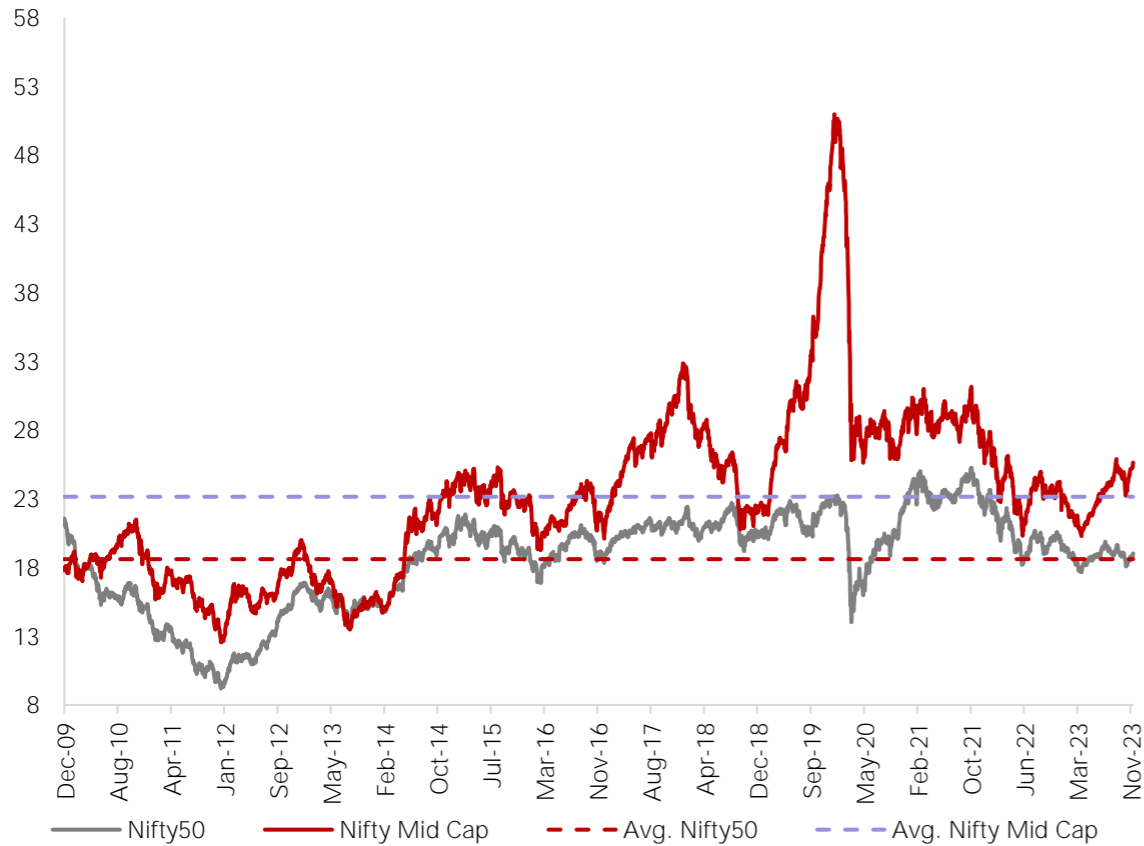


Note: Trailing 12M EPS (Earnings Per Share)
Black shaded columns are estimates of FY24 and FY25

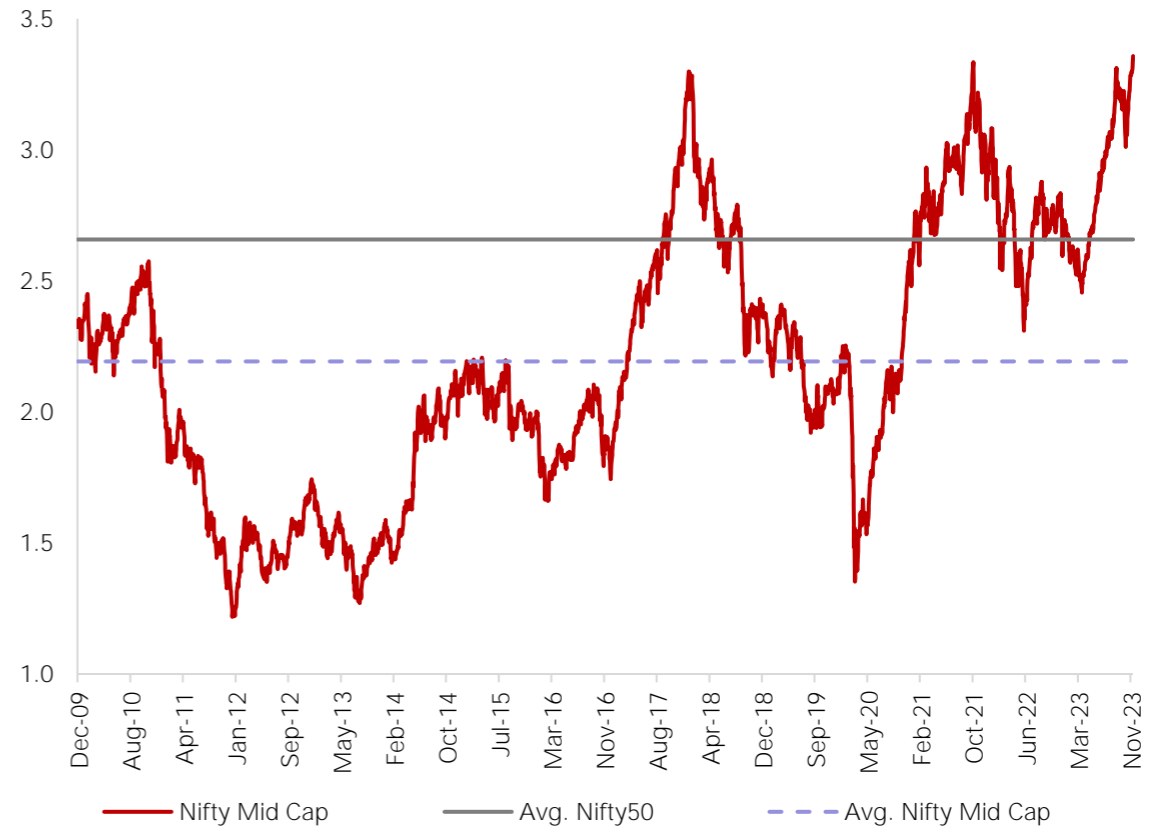
Source: CRISIL, Bloomberg, Data as on 30 November 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

Market valuations – Nifty 50 and Nifty Midcap 100

Large and Mid Cap - Price to Earnings (PE)



Large and Mid Cap - Price to Book (PB)

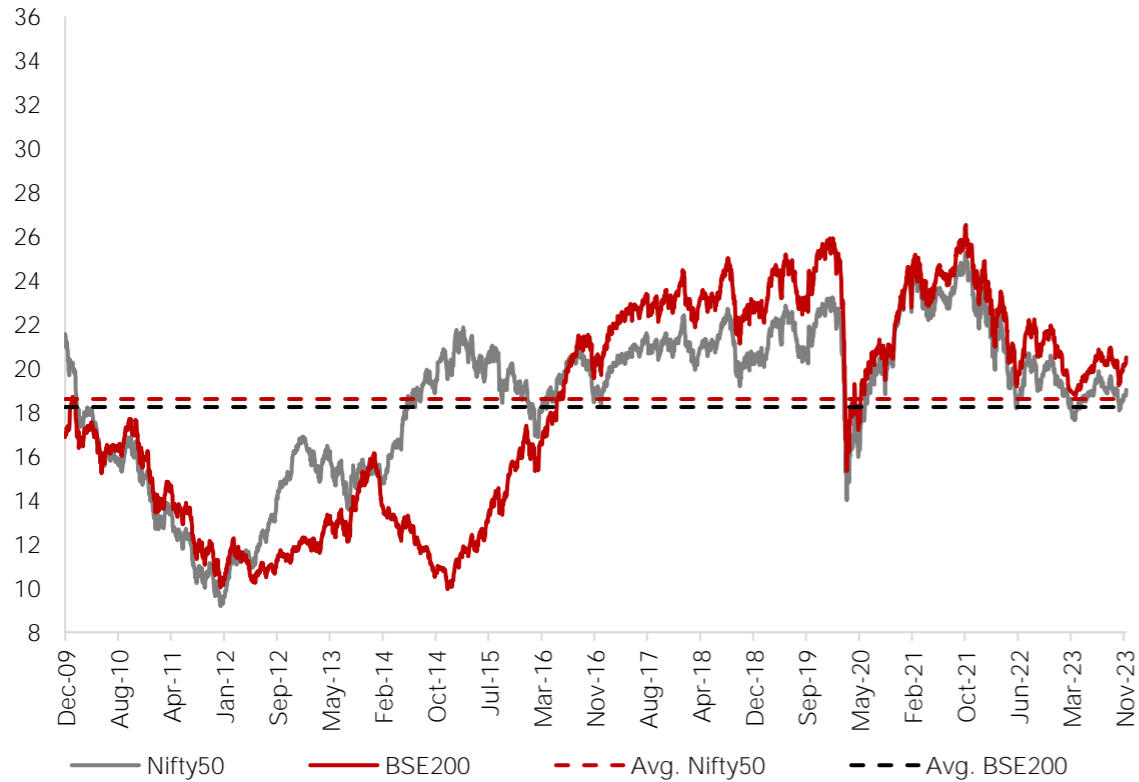


Source: CRISIL, Bloomberg

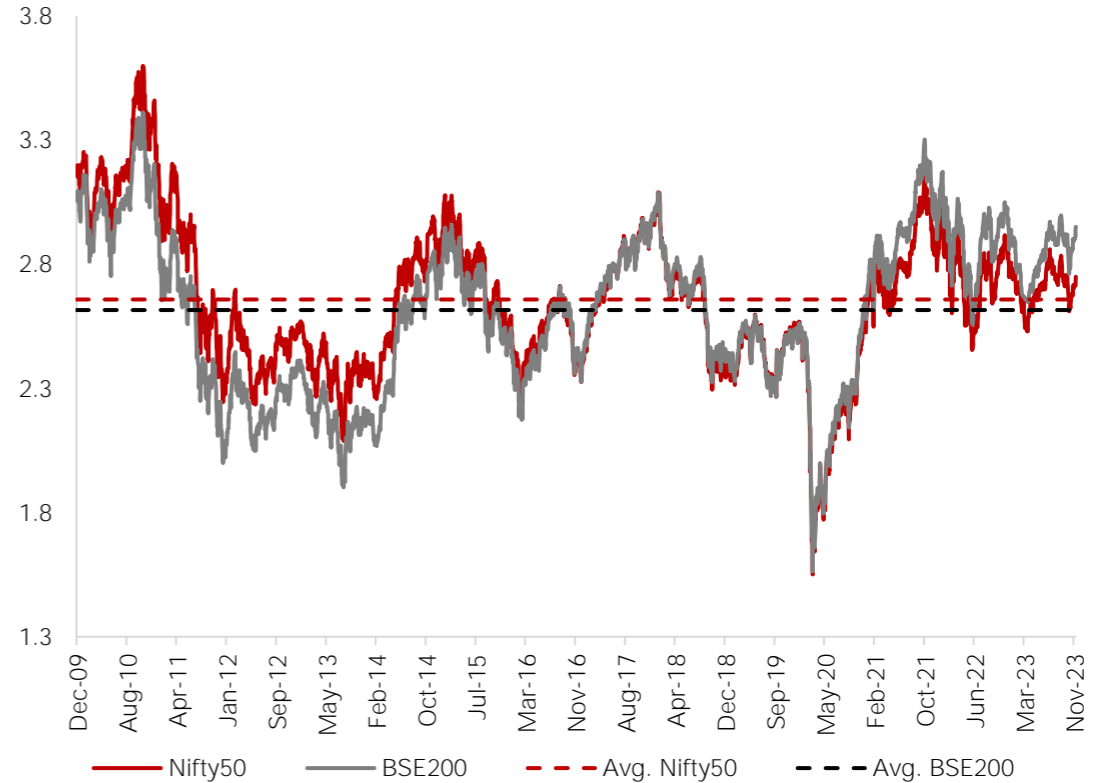
Data as on 30 November 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

Market valuations – Nifty 50 and S&P BSE 200

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



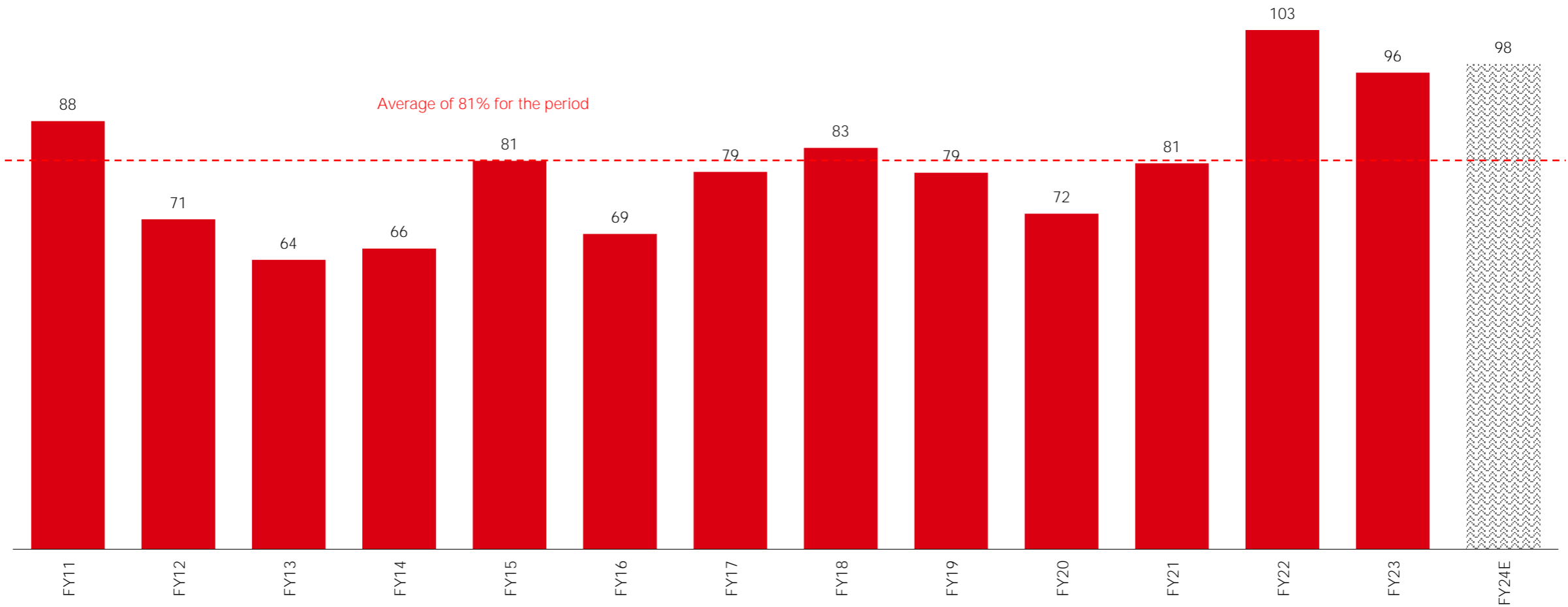
Large and S&P BSE 200 - Price to Book (PB)



Source: CRISIL, Bloomberg, BSE, Data as on 30 November 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 (%)

Market cap as a % of GDP

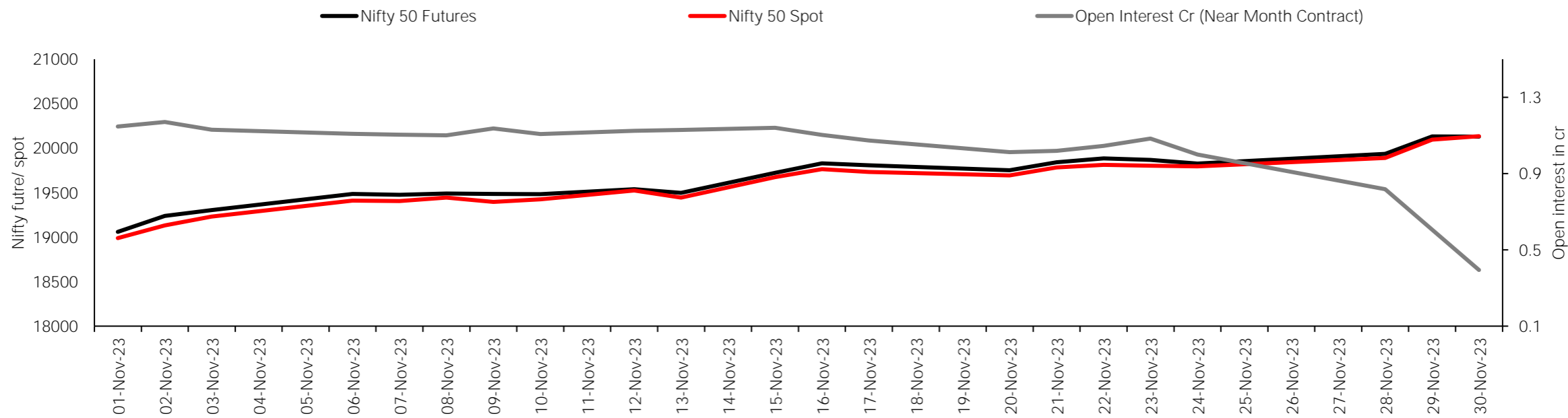


Shaded area are Estimates (E) – FY24
Source: CRISIL, MOSPI, Bloomberg, CRISIL estimates;
Data as on 30 November 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice. GDP- Gross Domestic Product

- In November, Indian equity indices bounced back strongly along with a sharp global risk-on rally.
- Correction in US bond yields and containment of the Middle East conflict boosted global equity markets in November.
- Crude oil price softened 5% in Nov after an 8% decline in October.
- Foreign Institutional Investors (FIIs) turned net buyers of \$2.3 bn in Indian equities for November after cumulative selling of \$5 bn over September & October.
- Domestic Institutional Investors (DIIs) were also buyers of \$1.7 bn where strong equity mutual fund flows of \$2.1 bn was partially reduced by \$0.41 bn of insurance outflows.
- Q2FY24 GDP growth surprised positively at 7.6% (YoY) (vs. 7.8% in Q1), led by a stronger pickup in fixed investment and government consumption and stronger manufacturing and construction output growth.
- Nifty FY24/25 consensus earnings have seen a 0%/-2% change over the last 1 month. As a result, Nifty continues to trade on 19.8x 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. However, in a higher interest rate environment, market returns may lag earnings growth due to moderation in valuation multiples.
- For India, growth has continued to remain strong with GDP growth of 7.6% in Q2FY24 following 7.8% in Q1FY24 driven by strong government spending and pickup in investments, manufacturing and construction.
- Lagged impact of sharp interest rate increase cycle could result in negative growth surprises for the global economy going forward. However, India's GDP growth has continued to surprise positively indicating that the domestic economy remains more resilient despite global pressures.
- While we expect a 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.

Nifty futures

- The Nifty 50 near-month future contract of November ended lower on the rollover day (November 30) versus spot.
- The new near-month contract (December 28) ended ~137.45 points higher on November 30.
- The rollover of the new near-month contract (December) was 68% on the expiry day compared to 79% in the previous expiry.
- Volatility of the Nifty 50 index, as measured by India VIX moved in a narrow range during the month, rising to 12.69 on November 30 (rollover date) from 11.73 on October 26, and ended the month at 12.69.
- Nifty futures saw trading volume of around Rs 2.45 lakh crore, arising out of 24.87 lakh contracts, with an open interest of around 26.73 crore during the month



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

Nifty options

- On November 30, Nifty 20,500 call option witnessed the highest open interest of around 169 lakh, while Nifty 20,150 call contract garnered the maximum number of contracts of 319.30 lakh.
- Nifty 20,000 put option witnessed the highest open interest of 219.40 lakh on November 30 and the Nifty 20,050 put contract garnered the maximum number of contracts of 272.89 lakh.

NSE F&O turnover

- Turnover on the NSE's derivative segment rose 3% in the month led by selloff in index options and stock futures and stocks. The average put-call ratio was 0.91 in November lower than 0.94 in October.

Instrument	Monthly turnover summary (Figures in INR crore)		
	30-Nov	31-Oct	Change %
Index futures	477,592.68	504,265.16	-5%
Stock futures	1,927,121.34	1,894,017.55	2%
Index options	645,234,054.49	628,819,364.32	3%
Stock options	6,967,743.43	6,519,156.41	7%
Total	654,606,511.94	637,736,803.44	3%

Source – CRISIL, NSE. Data as on 30 November 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 November 30, FIIs' open interest was Rs 4.15 lakh crore (~53 lakh contracts). The details of FII derivatives trades for November 1 to 30 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	944458	76717	901891	72313	0.20	0.21	0.19	0.19
Index Options	468319615	35891482	473291405	36255000	97.49	97.59	97.58	97.68
Stock Futures	6422904	464657	6127962	443505	1.34	1.26	1.26	1.19
Stock Options	4709879	344701	4724157	345847	0.98	0.94	0.97	0.93
Total	480396856	36777557	485045415	37116664	100.00	100.00	100.00	100.00

Source – CRISIL, NSDL. Data as on 30 November 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 slightly above RBI repo rate in November

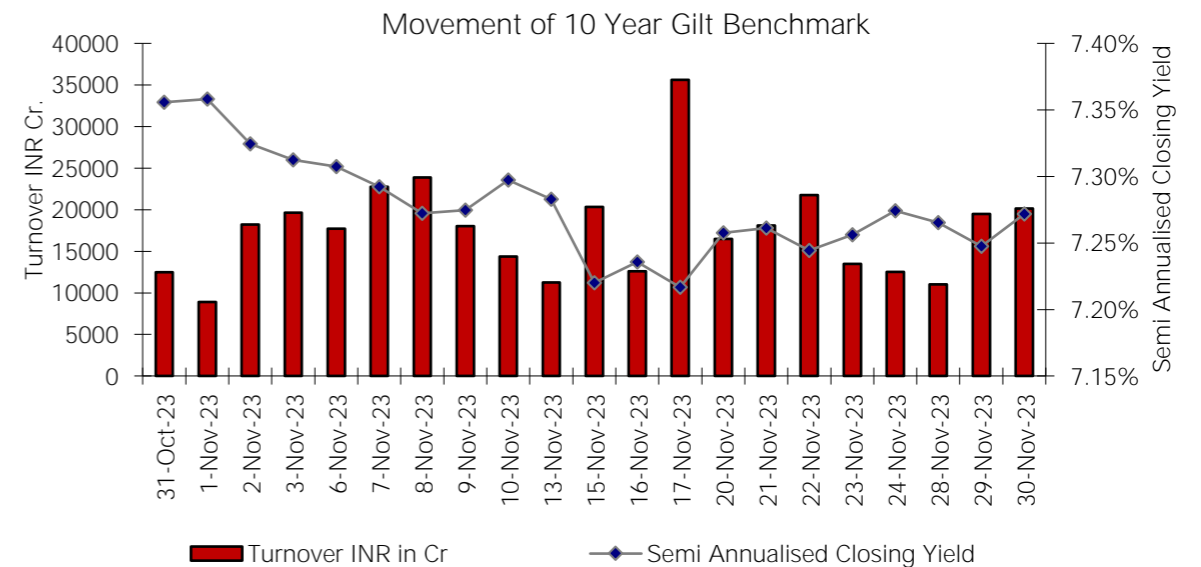
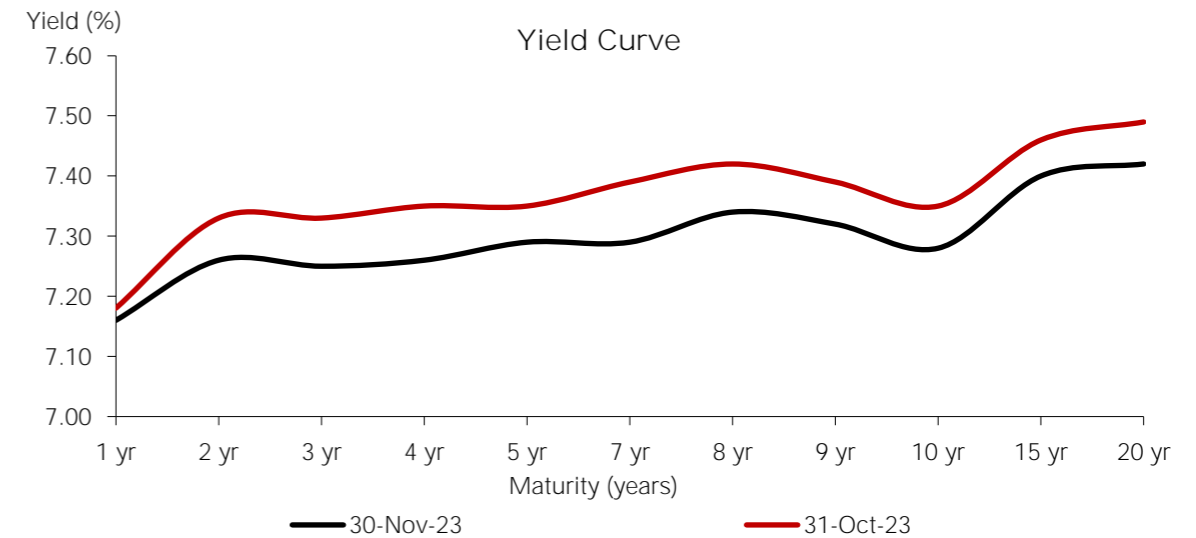
- In November 2023, interbank call money rates averaged at 6.56%, which is slightly higher than the RBI's repo rate of 6.50%.
- This can be attributed to a widening banking liquidity deficit in the month due to high GST outflows. This widened India's banking liquidity deficit to Rs 1.74 lakh crore on November 21, its highest in five years

Bond prices ended lower in November

- Government securities (G-secs) ended higher in November with the yield on the new 10-year benchmark 7.18% 2033 bond ending at 7.28% on November 30, 2023 as compared with 7.36% on October 31
- Bond prices made early gains due to a sharp pullback in US Treasury yields after the Fed kept rates unchanged for the second month in a row. This led to expectations of peaked interest rates
- Uncertainty over the timing of the open market sale of bonds by the RBI also kept yields under pressure
- Intermittent falls in global oil prices also supported bond prices
- During the second half of the month, bond prices were supported by softer-than-expected US inflation data and hawkish comments by the Fed, which led to increasing anticipation of rate cuts in the first half of 2024
- However, yield witnessed some gains mid-month following hawkish remarks from the US Fed Chair Jerome Powell indicating that the central bank may not be done hiking interest rates
- Meanwhile, reports suggested that investors await a decision on the inclusion of Indian bonds in the Bloomberg Global Aggregate after JPMorgan added the notes to its emerging market index in September

Debt Market Review

Debt Market Indicators	30-November-23	31-October-23
Call Rate	6.65%	6.60%
3-mth CP rate	7.31%	7.70%
5 yr Corp Bond	7.71%	7.72%
10 Yr Gilt	7.28%	7.35%
Repo	6.50%	6.50%
SDF	6.25%	6.25%
CRR	4.50%	4.50%
1-mth CDs	7.10%	7.06%
3-mth CDs	7.31%	7.33%
6-mth CDs	7.58%	7.50%



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

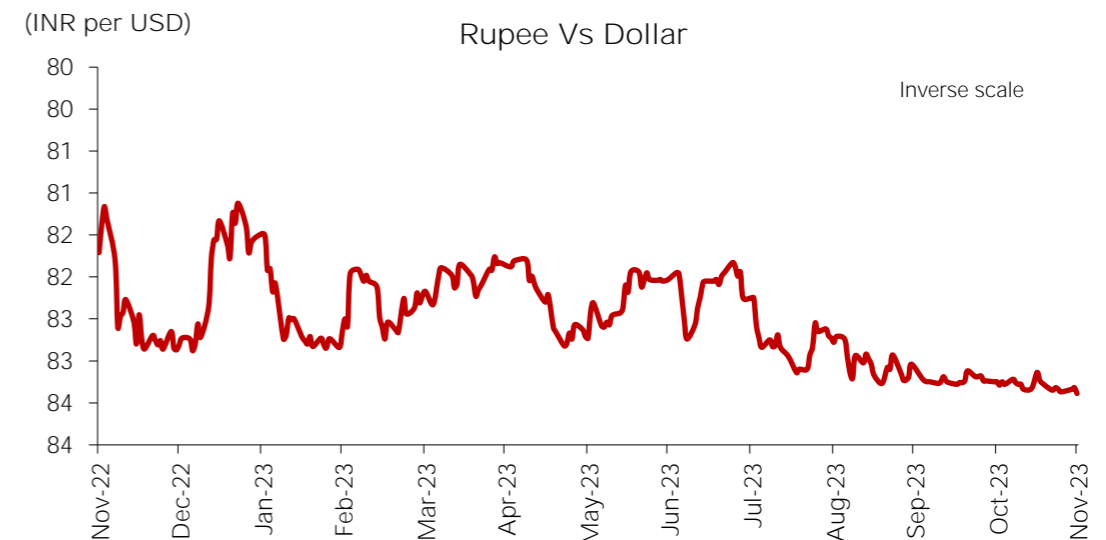
Source: CRISIL Fixed Income database

- With the Federal Open Market Committee (FOMC) maintaining status quo on rates in its meeting in early November and relatively dovish commentary accompanying the FOMC meeting, the US Treasury yields were on a downward trend in the month of November.
- On the domestic front, Q2 FY 2024 GDP growth came in higher than expectations at 7.6%, led by strong growth in investments at 11.0% while consumption growth remained weak. GVA growth was at 7.4% with strong growth in the industrial sector at 13.2%. Nominal GDP growth was at 9.1% in Q2 FY2024.
- CPI inflation for the month came in along expected lines at 4.87%, with a rise in prices of pulses and vegetable keeping food inflation elevated. Core inflation inched further lower to 4.2%. GST collections for the month of November continued to stay robust at INR 1.68 Lakh Crs (up 15% YoY).
- With moderating inflation in the US, and payroll data also exhibiting some weakness, the market is currently not anticipating any further rate hikes in the near term. With the higher for longer theme fading a bit, the scope of rate cuts by the Federal Reserve in 2024 now appears to have increased.
- With the Government sticking to their borrowing program in conjunction with a low net supply for second half of this financial year, the demand supply equation for G-Sec remains favorable in the near term.
- While markets still await any announcement of possible index inclusion in the Bloomberg bond index, FPI inflows have started coming in post the JP Morgan GBI-EM index inclusion announcement, with almost INR 20,000 Crs of net inflows since the announcement in September.
- Globally, rates could remain volatile going forward. Domestically, the RBI policy on 8th December remains the key event in the near term which could provide further cues in terms of the tone of the policy and any announcements pertaining to liquidity and OMOs.
- Any correction can provide an opportunity to add duration and provide a good entry point. Corporate bond and SDL spreads have also widened due to the increase in supply and might provide an opportunity to lock in attractive spreads going forward. In our view, the risk–reward has turned in favor of careful deployment into certain areas which offer the best risk adjusted returns.

Indian rupee declined in November

- The Indian rupee ended November 2023 with a close at an all-time low of Rs 83.39 per US dollar, compared with Rs 83.25 per dollar on October 31. The fall in the local currency came despite a rally in key Asian counterparts amid lower US bond yields and a weaker dollar.
- However, the rupee consistently drifted lower through the course of the month, due to strong and persistent demand for dollars from importers.
- Some losses were also seen on foreign-fund outflows and an intermittent rise in global crude oil prices.
- Nevertheless, a generally positive trend in the domestic equity markets, foreign-fund inflows, intermittent declines in the dollar index and falling crude prices contained further losses.

Rupee Movement V/s Global Currencies				
	30-Nov-23	31-Oct-23	Change	% Change
USD	83.39	83.25	-0.14	-0.17
GBP	105.64	101.35	-4.29	-4.23
EURO	91.17	88.56	-2.61	-2.95
100 YEN	56.64	55.36	-1.28	-2.31



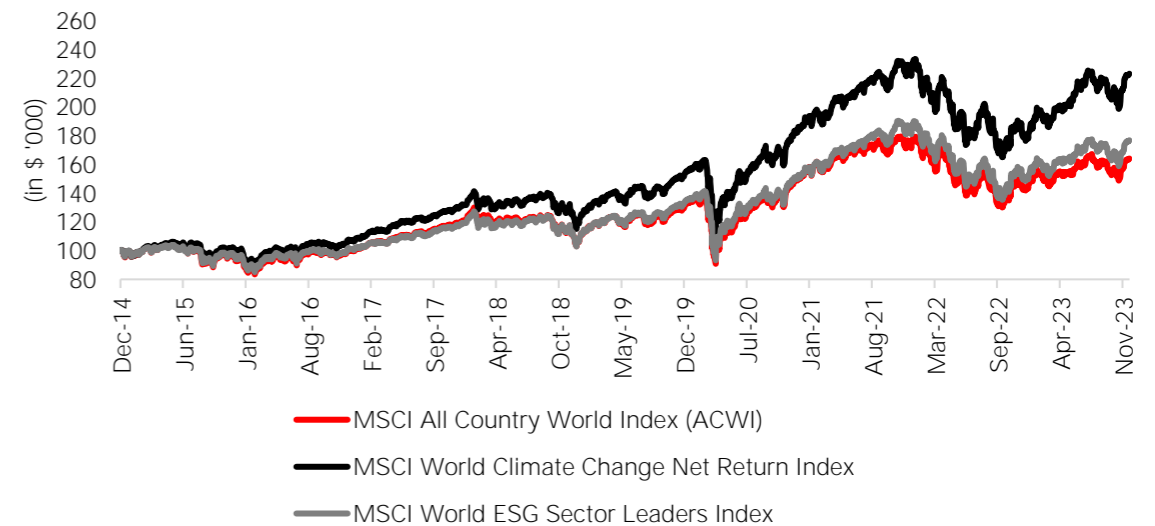
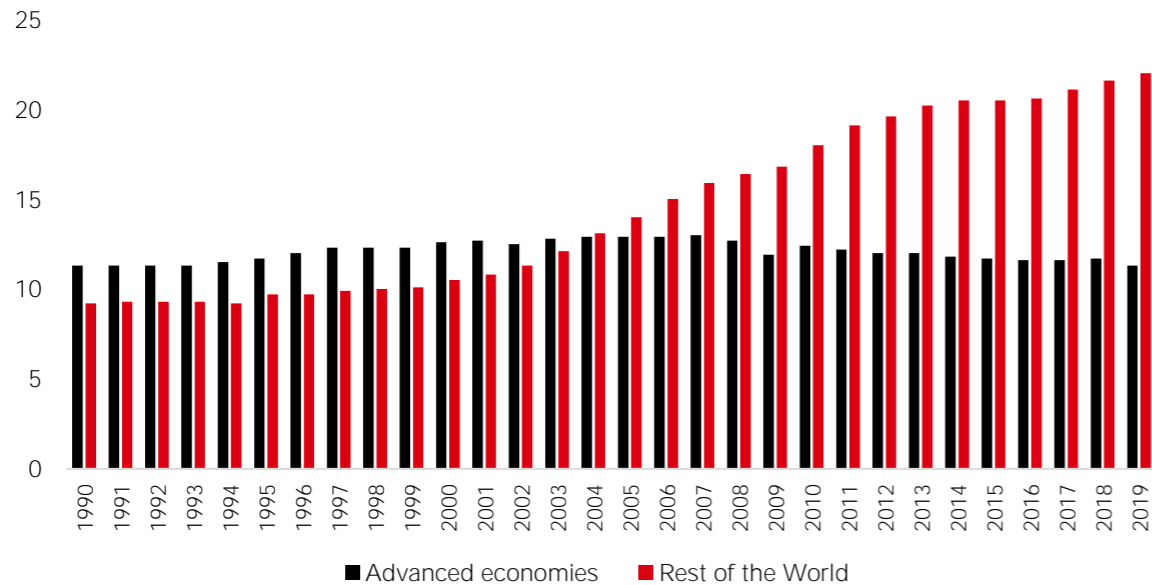
Rising crude oil prices and US treasury yield weighed on the rupee

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

Climate Change and ESG

- 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 \$223140 and \$176967, respectively as on November 30, 2023, as against growth of \$164218 in MSCI All Country World Index (ACWI) during the same period.

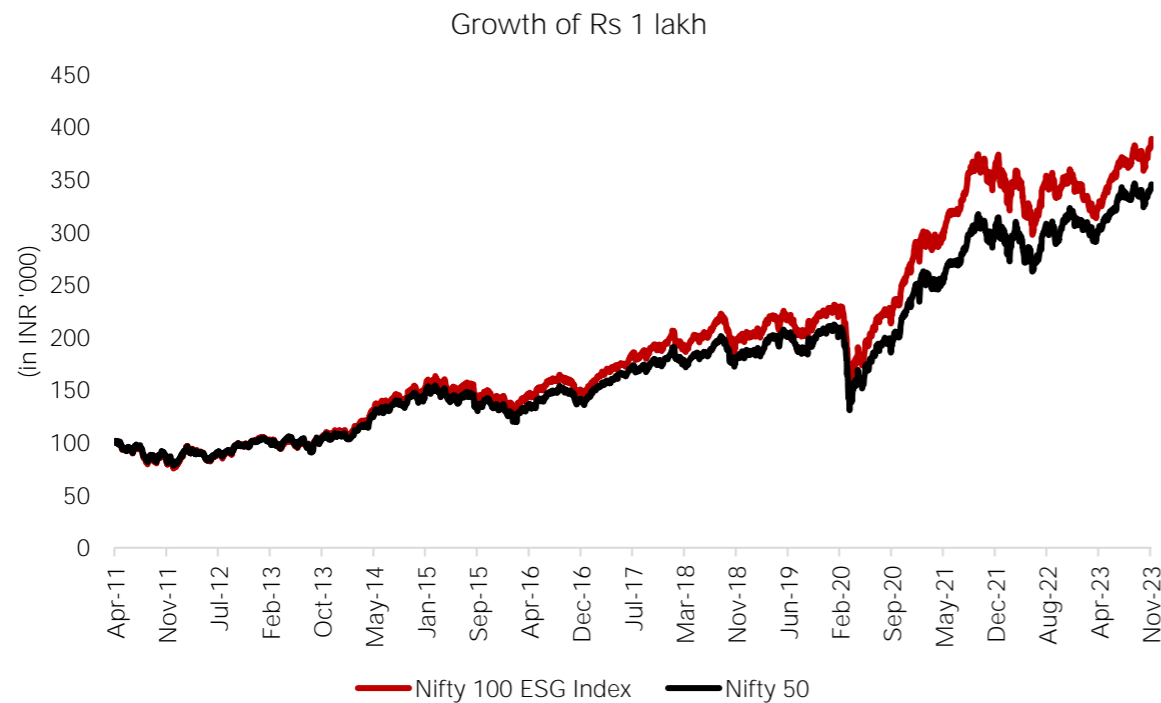
Energy Related CO2 Emissions (in giga tonnes)



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

Data as on 30 November 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 388,000 and INR 345,000, respectively, for the period ended November 30, 2023.



Period	Performance (%)	
	Nifty 100 ESG	Nifty 50
1 year	8.61	7.33
2 years	5.64	8.89
3 years	15.09	15.74
5 years	13.82	13.10
7 years	14.57	13.64

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

Global Economic Update

OECD trims 2023 growth forecast on geopolitical stress and tighter monetary policy

- The Organisation for Economic Co-operation and Development (OECD) trimmed its forecast for global growth this year to 2.9%, from the 3.0% it projected in September, citing near-term risk due to the Israel-Hamas conflict and a larger-than-expected impact of monetary policy tightening.

US grows 5.2% in the third quarter of 2023; mixed views from Fed officials

- The US economy expanded an annualised 5.2% in the third quarter, compared with 2.1% growth in the previous quarter.
- Meanwhile, the Federal Reserve (Fed) governor Christopher Waller said that the US economic growth rate, at an annualised 4.9%, was a "blowout" performance that warrants "a very close eye when we think about policy going forward".

Key economic indicators

- The annual inflation rate slowed to 3.2% in October from 3.7% in September, while core consumer price inflation edged down to 4% from 4.1%.
- Industrial production declined 0.7% on-year in October, following a revised 0.2% contraction in September.

US economy grew 5.2% in Q3

Eurozone grows 0.1% in the third quarter of 2023

- The Eurozone economy grew 0.1% annually in the third quarter of 2023, slower from 0.5% growth in the second quarter.

Key Eurozone economic indicators

- The inflation rate eased to 2.4% on-year in November from 2.9% in October, while the core inflation rate eased to 3.6% from 4.2%.
- Industrial production fell 6.9% on-year in September, from 5.1% contraction in August

UK grows 0.6% in the third quarter

- The United Kingdom's (UK) economy expanded 0.6% on-year in the third quarter of 2023, the same as in the second quarter

Key UK economic indicators

- Annual inflation eased to 4.6% in October from 6.7% in September, while core inflation slowed to 5.7% from 6.1%.
- Industrial production rose 1.5% on-year in September, the same as an upwardly revised 1.5% increase in August.

Eurozone economy grew 0.1% in Q3

PBoC held rates and infuses liquidity

- The People's Bank of China (PBoC) kept its one-year Loan Prime Rate (LPR) at 3.45%, while the five-year LPR was left unchanged at 4.20%.
- The central bank launched a total of 1.45 trillion yuan via a one-year medium-term lending facility (MLF) to the banking system and left the interest rate unchanged at 2.50%.

Key Chinese economic indicators

- Its balance of trade narrowed sharply to \$56.53 billion in October from \$77.71 billion in September. Exports dropped 6.4% on-year, while imports rose 3.0%.
- Industrial production expanded 4.6% on-year in October, after 4.5% gain in September

Japan growth contracts 2.1% in the third quarter

- Japan's economy contracted 2.1% on an annualised basis in the third quarter of 2023, after a downwardly revised 4.5% growth in the second quarter.
- Meanwhile, Bank of Japan Board member Asahi Noguchi said that it was premature to retreat from the ultra-loose monetary policy. He added that Japan has yet to achieve price gains driven by higher wages with the recent rise in inflation driven by cost-push factors

Key Japanese economic indicators

- Its balance of trade turned to deficit of 662.55 billion yen in October, compared with surplus of 72.1 billion in September.
- Inflation rose to 3.3% on-year in October from 3.0% in September, while core inflation rose to 2.9% on-year from 2.8%.

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

US treasury prices rose in November

- US Treasury prices rose sharply in November. Yield on the 10-year Treasury settled at 4.35% on November 30, 2023, compared with 4.88% on October 31, 2023.
- Bond prices rose after the US Treasury Department said it would slow down the pace of increases in its longer-dated debt auctions during the quarter from November 2023 to January 2024. The US government trimmed its borrowing estimate for the October-December quarter to \$776 billion; which is \$76 billion lower than its July forecast .
- However, earlier in the month, yields witnessed some gains following hawkish remarks from Fed Chair Jerome Powell.



Global bond yields			
	30-Nov	31-Oct	Change
US 10-Year (%)	4.35	4.88	-0.52
UK 10-Year (%)	4.21	4.56	-0.35
German 10-Year (%)	2.45	2.81	-0.36
Japan10-Year (%)	0.68	0.93	-0.25

US treasury yield rose on prospects of higher rates for longer

Source: CRISIL, Bloomberg, Data as on 30 November 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
06-December-23	US ADP National Employment, November	113,000
07-December-23	Eurozone GDP, Q3	1.3%
08-December-23	US Non farm payroll, November	150,000
	Japan GDP, Q3	4.5%
	India RBI Interest Rate decision	6.5%
12-December-23	US Inflation Rate, November	3.2%
	India Inflation Rate, November	4.87%
	India Industrial Production, October	5.8%

Source: CRISIL, Data as on 30 November 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.
 US- United States, UK- United Kingdom, GDP- Gross Domestic Product, WPI- Wholesale Price Index

Economic Events Calendar (cont'd)

Date	Indicators	Previous
14-December -23	US Fed rate decision	5.5%
	Eurozone ECB interest rate decision	4.5%
	UK BoE interest rate decision	5.25%
	India WPI Inflation, November	-0.52%
19-December-23	Eurozone inflation rate, November	2.9%
	Japan BoJ Interest Rate Decision	-0.1%
20-December-23	China Loan Prime Rate 1y, December	3.45%
21-December-23	US GDP Growth Rate QoQ, Q3	2.1%
22-December-23	UK GDP Growth Rate, Q3	0.6%

Source: CRISIL, Data as on 30 November 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.
 US- United States, UK- United Kingdom, GDP- Gross Domestic Product, PCE – Personal Consumption Expenditure

Annexure Indian Economic Environment

Other major developments

- India and Bhutan agreed to deepen cross-border linkages through expansion of bilateral cooperation on trade, technology, cross-border connectivity, mutual investments, education and people-to-people connections
- India signed a deal with the Asian Development Bank (ADB) for a \$400 million policy-based loan to support its urban reform agenda involving the creation of quality urban infrastructure, improving service delivery and promoting efficient governance systems
- The ADB also approved a loan package worth \$500 million to improve access to quality and affordable tertiary healthcare and medical education in Maharashtra and another \$170 million loan to modernise water supply services in Kochi
- India and the European Union signed a Memorandum of Understanding on semiconductors, ahead of a meeting of the EU-India Trade and Technology Council
- Global and domestic investors committed investments to the tune of Rs 33,129 crore during the World Food India 2023 exhibition hosted by the Ministry of Food Processing Industries
- In November, the central government authorised the release of tax devolution of Rs 72,961.21 crore to state governments
- The Centre has issued an advisory to major social media companies to identify misinformation, deepfakes and other content that violates rules and remove those within 36 hours after being reported to them
- The Centre extended the last date for submitting the request for qualification for empanelment of third-party coal testing agencies until November 30
- The Ministry of Finance advised banks to appoint nodal officers to tackle cybersecurity issues and asked banks to beef up security measures to prevent cyber fraud
- Prime Minister Narendra Modi released the 15th installment of the Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) scheme worth over Rs 18,000 crore to more than 8 crore farmers. Under the scheme, eligible farmers will receive an instalment of Rs 2,000

Source –CRISIL, Data as on 30 November 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.
RBI- Reserve Bank of India GDP- Gross Domestic Product

Regulatory developments in the month

- The RBI permitted banks to open additional current account for export proceeds in addition to special rupee vostro accounts. The move seeks to provide greater operational flexibility to exporters and to promote more transactions through rupee trade in the aftermath of the Russia-Ukraine conflict and sanctions imposed on Russia
- The RBI issued the final Reserve Bank of India (Information Technology Governance, Risk, Controls and Assurance Practices) Directions 2023, which will come into force from April 1, 2024. The directions include a comprehensive guideline related to IT governance and controls for banks, NBFCs and other regulated entities
- In October, The RBI increased the risk weight on consumer credit exposure of commercial banks and non-banking financial companies (NBFCs) from erstwhile 100% to 125%. While this applies to personal loans, it excludes housing loans, education loans, vehicle loans and loans secured by using gold and gold jewellery as collaterals
- The RBI issued norms to regulate fintechs operating in the cross-border payments space. According to the new guidelines, non-banks that provide payment aggregator-cross border (PA-CB) services have to apply to the RBI for authorisation by April 30, 2024

Key economic indicators released in the month

- After hitting a 14-month high of 10.3% on-year growth in August, industrial production, measured by the Index of Industrial Production (IIP), slowed down to a 5.8% in September. The slowdown was because of a deceleration in manufacturing (4.5% growth in September vs 9.3% in August) and electricity generation (9.9% vs 15.3%). Meanwhile, mining output growth came in at 11.5% vs 12.3%.
- In October, output in the eight core sectors increased 12.1% on-year, faster than the 9.2% increase (revised) recorded in September. The fastest growth was recorded by electricity (20.3%), coal (18.4%), cement (17.1%) and steel (11%).
- As per the latest data released by the Controller General of Accounts (CGA), as of end-October the government's fiscal deficit reached Rs 8.03 lakh crore, about 45% of the target for the entire fiscal (Rs 17.87 lakh crore).
- In October, India's gross GST collections rose 13% on-year to Rs 1.72 lakh crore second only to Rs 1.87 lakh crore mopped up in April.
- India's S&P Global Manufacturing Purchasing Managers' Index (PMI) slipped to an eight-month low of 55.5 in October. Meanwhile, the services PMI dropped to 58.4 from 61.0 in September, the slowest rate of expansion since March, because of inflationary pressures rising from surging food, fuel and staff costs. The overall composite PMI slipped from 61.0 in September to 58.4 in October, thereby resulting in the lowest reading since March.

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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.

GST - 27AABCH0007N1ZS, Email: investor.line@mutualfunds.hsbc.co.in | Website: www.assetmanagement.hsbc.co/in

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