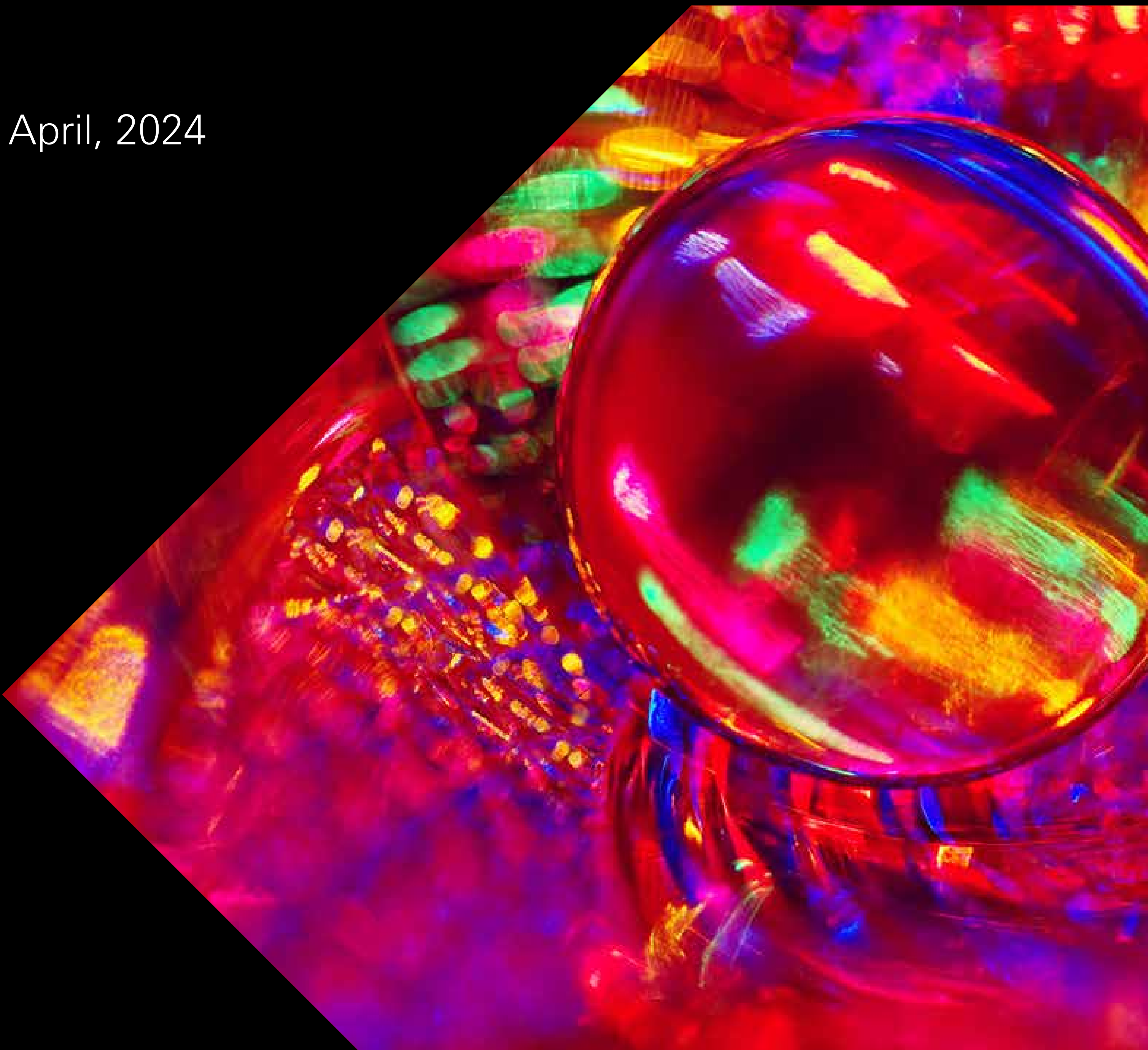
HSBC Mutual Fund

Equity Market Review

April, 2024



HSBC Mutual Fund

- Indian equity indices continued their upward trend in April 2024 supported by strong DII inflow offsetting FII outflow. S&P BSE Sensex and NSE Nifty gained 1.1%/1.2%, respectively for the month.
- The broader market moved up even more sharply. BSE Mid Cap index rose 7.2% while the BSE Small Cap index bounced back with a 9.6% gain, more than making up for the 5.5% decline over the past two months.
- Metals remained the best performing sector in April followed by Power and Realty. Oil & Gas, Banks, Auto and Power outperformed the Nifty while FMCG and Healthcare were in line. IT sector however delivered negative returns for the second consecutive month on the back of weak outlook from companies.

Domestic Indices	Last Close	1 Month (Change)	CYTD 24 (Change)
S&P BSE Sensex TR	1,14,269	1.1%	3.3%
Nifty 50 TR	33,276	1.2%	4.2%
S&P BSE 200 TR	13,119	2.7%	7.8%
S&P BSE 500 TR	41,814	3.4%	8.1%
S&P BSE Midcap TR	52,932	7.2%	14.7%
S&P BSE Smallcap TR	58,262	9.6%	11.0%
NSE Large & Midcap 250 TR	18,558	4.3%	9.0%
S&P BSE India Infrastructure Index TR	856	7.0%	28.8%
MSCI India USD	999	2.3%	8.4%
MSCI India INR	2,703	2.4%	8.6%
INR - USD	83.4	0.0%	0.3%
Crude Oil	88	0.4%	14.0%

Indices	30-Apr 2024	28-Mar 2023	% Change 1 Month	% Change 1 Year	% Change YTD
S&P BSE Auto	51,066	49,142	3.92	68.39	20.93
S&P BSE BANKEX	55,998	53,515	4.64	14.32	2.98
S&P BSE Capital Goods	63,025	60,943	3.42	71.55	13.27
S&P BSE Consumer durables	55,198	52,277	5.59	43.84	10.4
S&P BSE FMCG	19,612	19,318	1.52	13.77	-4.18
S&P BSE Healthcare	35,406	35,053	1.01	53.71	12.22
S&P BSE IT	34,095	35,645	-4.35	23.97	-5.32
S&P BSE Metal	31,251	28,196	10.83	55.21	15.78
S&P BSE Oil & Gas	28,981	27,644	4.83	58.61	25.89
S&P BSE Power	7,220	6,702	7.73	92.85	24.09
S&P BSE PSU	20,098	18,275	9.98	97.33	29.18
S&P BSE Realty Index	7,643	7,108	7.52	114.7	23.54

Source: NSE, BSE, Data as on 30 April 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.

HSBC Mutual Fund

Global Market Update

- The MSCI World index saw a sharp correction in April dropping by 3.9%. It was driven by a 4.2% drop in the US (S&P 500) while MSCI Europe declined 2.4% and MSCI Japan lost 4.9%. MSCI EM was up 0.3% supported by a 6.5% gain in MSCI China. Crude oil price ended flat in April (MoM).

International Indices (in USD)	Last Close	1 Month (Change)	CYTD 24 (Change)
MSCI World	3,305	-3.9%	4.3%
Dow Jones	37,816	-5.0%	0.3%
S&P 500	5,036	-4.2%	5.6%
MSCI EM	1,046	0.3%	2.2%
MSCI Europe	2,062	-2.4%	2.1%
MSCI UK	1,219	1.6%	3.6%
MSCI Japan	3,875	-4.9%	4.8%
MSCI China	58	6.5%	4.1%
MSCI Brazil	1,567	-4.8%	-12.9%

- FIIs were net sellers of Indian equities in April with an outflow of US$1.1 bn. This was more than offset by DIIs with domestic MFs investing US$3.9 bn while Insurance invested US$1.4 bn during the month.

Year	FII Equity	FII Debt	Dom MF Equity	Insurance Equity	DII Equity	Dom MF Debt
CY13	20.0	-8.0	-3.7	-9.3	-13.0	83.6
CY14	16.2	26.3	3.9	-8.8	-4.9	101.7
CY15	3.3	7.6	11.2	-1.0	10.2	68.2
CY16	2.9	-6.5	7.1	-1.9	5.3	49.3
CY17	7.7	22.9	18.4	-4.3	14.0	58.5
CY18	-4.6	-6.7	17.7	-1.8	15.9	48.5
CY19	14.2	3.5	7.4	-1.4	6.0	75.8
CY20	23.4	-13.9	-7.3	2.3	-5.0	30.3
CY21	3.8	-1.5	10.7	1.4	12.1	17.5
CY22	-17.0	-2.0	23.9	8.2	32.2	-3.8
CY23	21.4	8.4	21.0	1.3	22.3	-11.6
CY24YTD	0.2	5.0	13.8	4.8	18.6	-12.7

- CPI was at 4.9% (YoY) in March down from 5.1% (YoY) in February while core-core inflation (i.e. core inflation ex petrol and diesel) remained at 3.5% (YoY) same level as in February.
- Industrial production growth (IIP) stood at 5.7% (YoY) in February up from 4.1% (YoY) in January.
- Gross GST revenue collection in the month of March stood at Rs 2.1 tn, up 12% (YoY).
- Other key developments during the month include – IMF raised India's GDP growth forecast by 30 bps to 6.8% for FY24. It projects a 6.5% GDP growth for FY25.

Valuations

Nifty FY25 consensus earnings estimate saw a small decline while FY26 saw a 2% upgrade. Nifty now trades on 20.6x 1 year forward PE more than 10% above its 10-year average and similar to its 5-year average. Valuations in Mid Cap and Small Cap space are much more elevated.

HSBC Mutual Fund

Macro View

In our view, the global macro environment remains challenging with heightened geo-political and economic uncertainties. US bond yields remain high putting pressure on interest rates and currencies globally. For India, growth has continued to remain strong with GDP growth of 8.4% in Q3FY24 driven by strong government spending on infrastructure and pickup in manufacturing and construction. The 2024 interim budget has re-affirmed government's focus on infrastructure. At the same time reduction in fiscal deficit should also help in easing of domestic interest rates. However, after last year's patchy monsoon, a good monsoon will be an important factor for rural demand and overall consumption growth in the economy in FY25.

Outlook

India starts 2024 on a strong footing with positive growth momentum. We expect India's investment cycle to be on a medium term uptrend supported by rising government investment in infrastructure and recovery in real estate cycle. We also expect higher private investments in renewable energy and related supply chain, localization of higher-end technology components, and India becoming a more meaningful part of global supply chains. Finally, we expect improvement in consumption as the impact of high inflation fades and real incomes start to grow again. 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 H1FY24 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 April 2024 end or as latest available

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

GST - 27AABCH0007N1ZS | Website: www.assetmanagement.hsbc.co.in