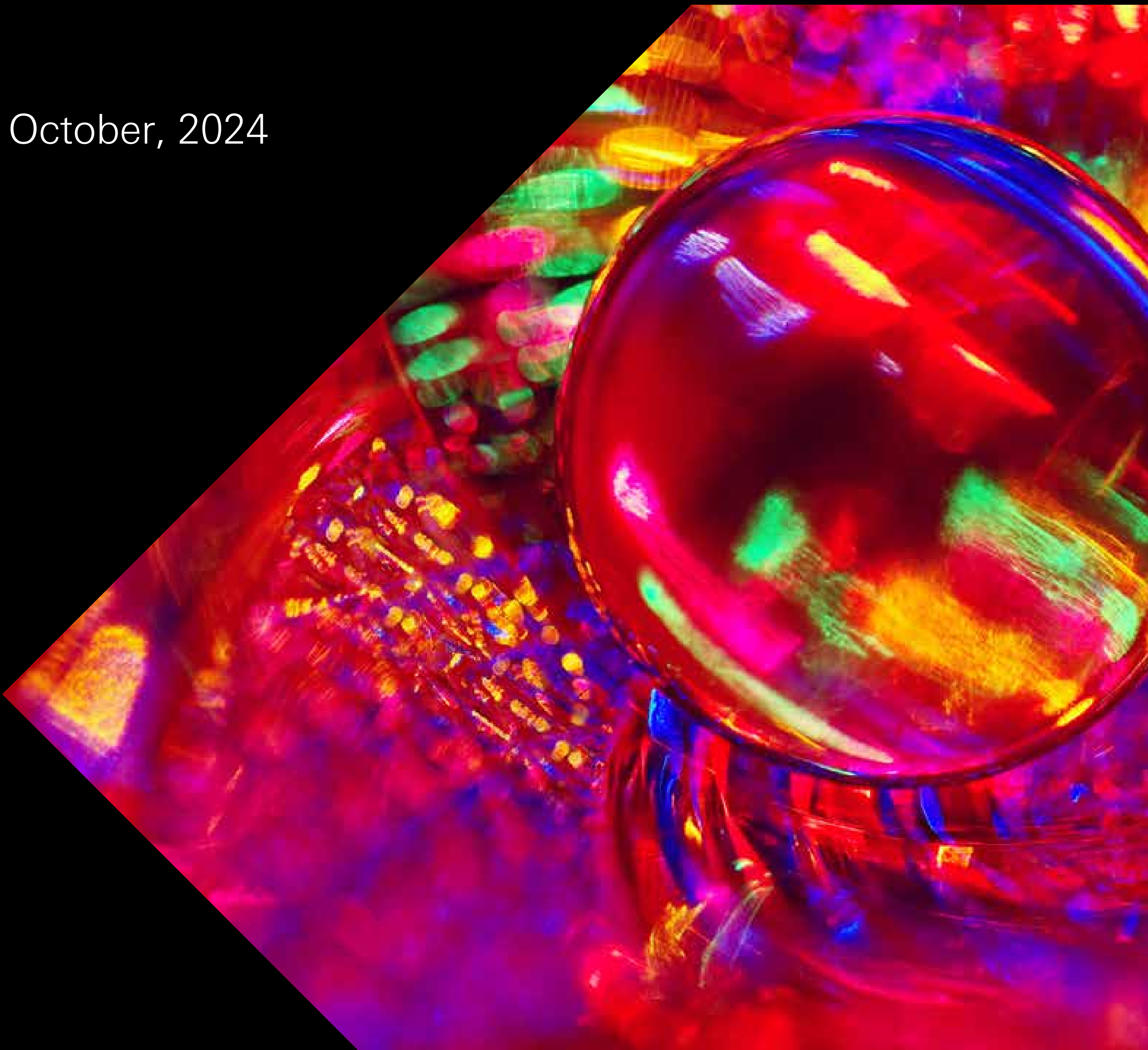
Equity Market Review

October, 2024



- Nifty saw its first down month since October 2023. BSE Sensex and NSE Nifty both corrected sharply by 5.7%/6.1%, respectively.
- Broader market also saw a sharp correction with the BSE Small Cap Index down 3.8% and the NSE Mid Cap Index down 6.4% during the month.
- Oil & Gas was the worst performing sector in October followed by Autos. Metals, Power, Realty and FMCG all saw sharp correction and underperformed the Nifty. Capital Goods and IT were inline with the NSE Nifty. Banks and Healthcare outperformed but still delivered negative returns for the month.

Domestic Indices	Last Close	1 Month (Change)	CYTD 24 (Change)
BSE Sensex TR	1,23,049	-5.7%	11.2%
Nifty 50 TR	35,971	-6.1%	12.6%
BSE 200 TR	14,193	-6.7%	16.6%
BSE 500 TR	45,456	-6.4%	17.5%
NSE Midcap TR	26,382	-6.4%	22.8%
BSE Smallcap TR	67,995	-3.8%	29.6%
NSE Large & Midcap 250 TR	20,297	-6.6%	19.2%
BSE India Infrastructure Index TR	916	-8.7%	37.8%
MSCI India USD	1,060	-7.7%	15.0%
MSCI India INR	2,890	-7.4%	16.2%
INR - USD	84.1	0.3%	1.0%
Crude Oil	73	1.9%	-5.0%

Indices	31-Oct 2024	30-Sep 2024	% Change 1 Month	% Change 1 Year	% Change YTD
BSE Auto	53,540	61,051	-12.30	48.01	26.78
BSE BANKEX	58,664	60,038	-2.29	21.09	7.88
BSE Capital Goods	69,106	73,107	-5.47	50.94	24.19
BSE Consumer durables	60,656	67,662	-10.35	36.90	21.31
BSE FMCG	21,663	23,788	-8.93	16.98	5.84
BSE Healthcare	43,915	44,236	-0.72	61.03	39.20
BSE IT	40,428	42,370	-4.58	30.16	12.27
BSE Metal	31,280	34,609	-9.62	40.66	15.89
BSE MidCap	45,967	49,352	-6.86	47.12	24.78
BSE Oil & Gas	27,458	31,835	-13.75	50.59	19.27
BSE Power	7,829	8,652	-9.51	76.67	34.55
BSE PSU	19,894	21,402	-7.05	62.61	27.87
BSE Realty Index	7,809	8,593	-9.12	63.48	26.21
BSE SmallCap	54,983	57,131	-3.76	48.93	28.84

Source: NSE, BSE, Data as on 31, October 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.

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Global Market Update

MSCI World index also corrected 2% in October. It was driven by a 1% decline in the US (S&P 500) while MSCI Europe saw a sharp decline of 6% and MSCI Japan lost 3.9%. MSCI EM was also down 4.4% led by a 6% drop in MSCI China. Crude oil price rose 2% MoM in October.

International Indices (in USD)	Last Close	1 Month (Change)	CYTD 24 (Change)
MSCI World	3,647	-2.0%	15.1%
Dow Jones	41,763	-1.3%	10.8%
S&P 500	5,705	-1.0%	19.6%
MSCI EM	1,120	-4.4%	9.4%
MSCI Europe	2,093	-6.0%	3.6%
MSCI UK	1,241	-5.6%	5.4%
MSCI Japan	3,924	-3.9%	6.1%
MSCI China	66	-6.0%	18.6%
MSCI Brazil	1,406	-5.6%	-21.9%

Macro Economic Data

- Indian equities saw the biggest single month of FII outflow at US$10.9 bn in October more than reversing the high inflow of US$5.9 bn in September. DII's more than offset the same with MFs investing US$10.9 bn deploying a significant amount of their cash holding while insurance invested US$1.9 bn during the month.
- CPI surged to 5.5% YoY in September from 3.7% YoY in August due to much higher food price inflation. Core-core inflation (i.e. core inflation ex petrol and diesel) also increased to 3.8% YoY in September from 3.5% YoY in August.
- Industrial production growth (IIP) dropped to -0.1% YoY in August from 4.7% YoY in July.
- Gross GST revenue collection was Rs 1.87 tn in October 2024, up only 8.9% YoY.
- Other key developments during the month – RBI maintained the repo rate at 6.5% in its October policy meeting. RBI maintain its FY25 GDP growth forecast of 7.2% YoY.

Valuations

While consensus earnings estimates have been revised down sharply by 8% for FY25/26 in October as the ongoing Q2FY25 result season has generally been below expectations. However, the index also suffered a sharp correction during the month, Nifty therefore now trades on 21.8x 1-year forward PE more than 20% above its 10-year average and 10% 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 should be positive for the global economy. For India, while GDP growth remained strong in Q1FY25 at 6.7% YoY, the impact of slowdown in government spending due to elections in H1FY25 and lower economic activity due to heavier rains in August and September has led to a more visible slowdown in Q2FY25. Consumer demand has also been weaker than expected. Most companies have pointed to slowdown in urban demand while rural demand is showing an improving trend. Strong monsoon and higher food prices should be supportive for rural consumption in FY25. We expect government spending to accelerate in H2FY25 to help support growth.

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Outlook

In the near term, there is a certain level of slowdown in India's growth momentum, however we believe longer term outlook remains strong. We expect India's investment cycle to be on a medium term uptrend supported by rising government investment in infrastructure and recovery in real estate cycle. We also expect higher private investments in renewable energy and related supply chain, localization of higher-end technology components, and India becoming a more meaningful part of global supply chains to support faster growth. However, in our view several of these positives are getting discounted by the high valuations currently prevailing in the equity market. While we 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 October 2024 end or as latest available

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