

Global Navigator

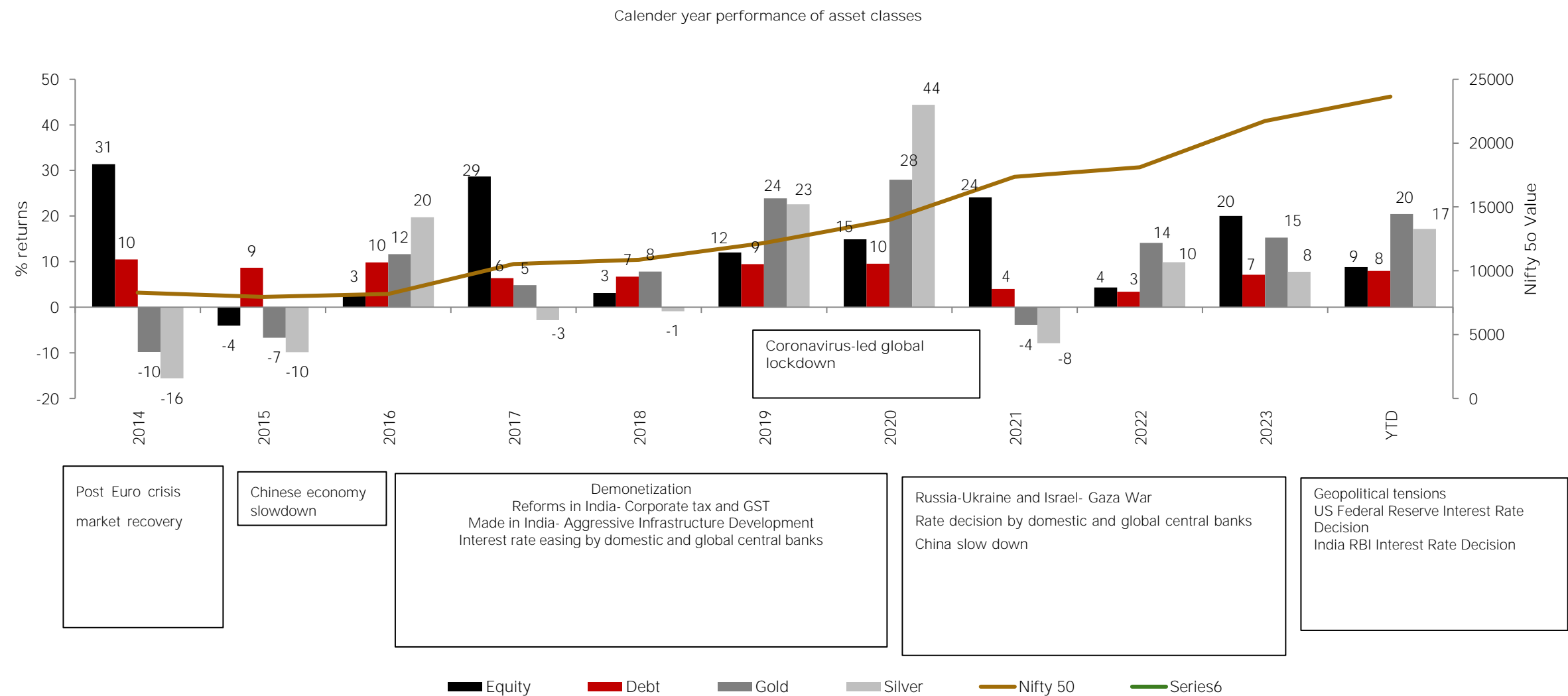
January 2025



HSBC Mutual Fund

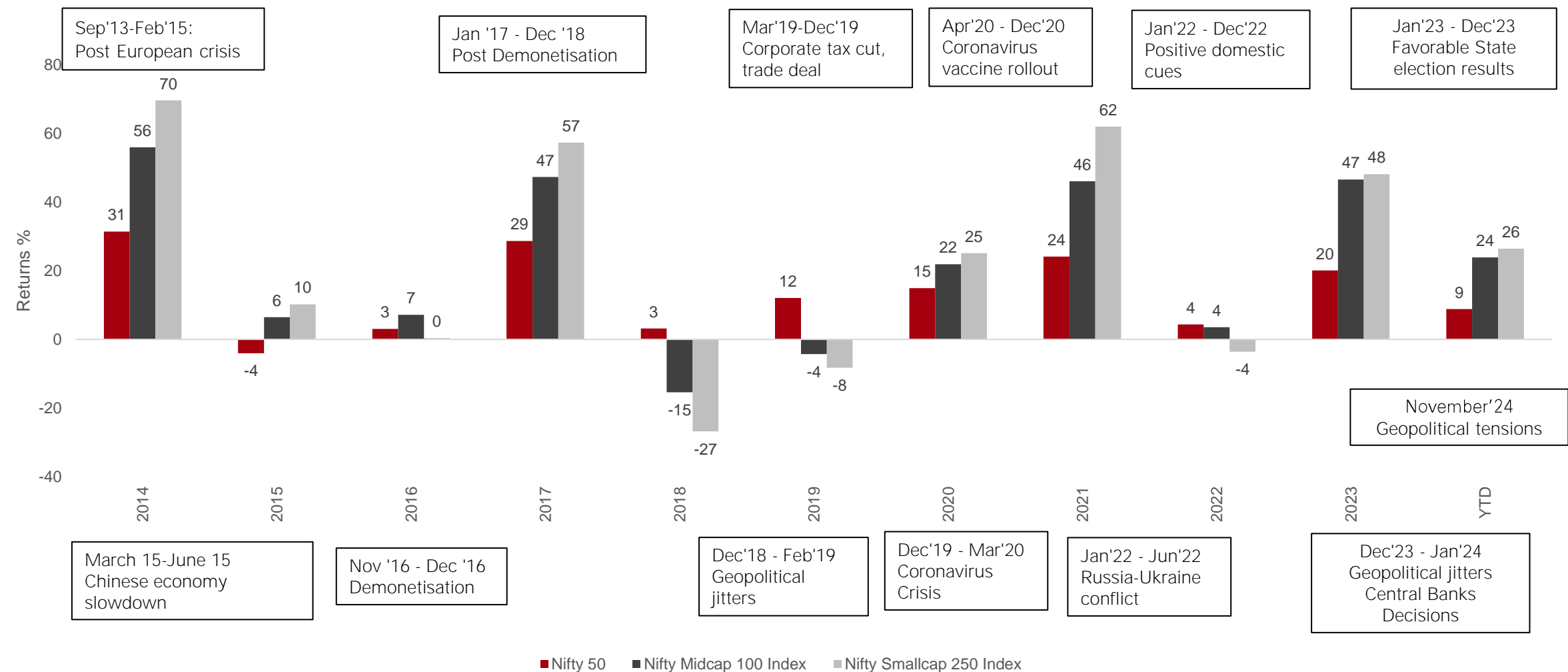
History of asset classes through major events

Calendar year performance of asset classes



History of Equity markets through major events

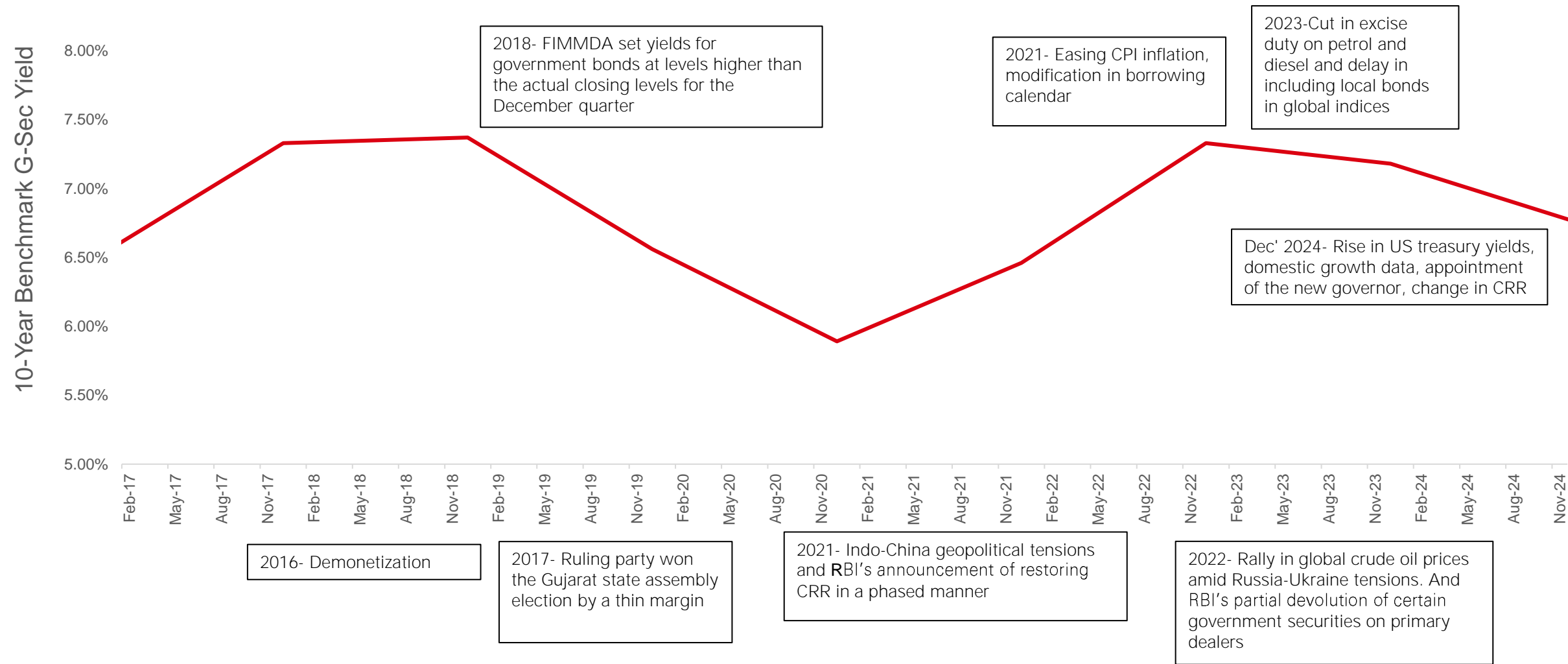
Performance of major equity indices



Source: NSE, CRISIL, Data as on 31 December 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.

History of Debt Markets through major events

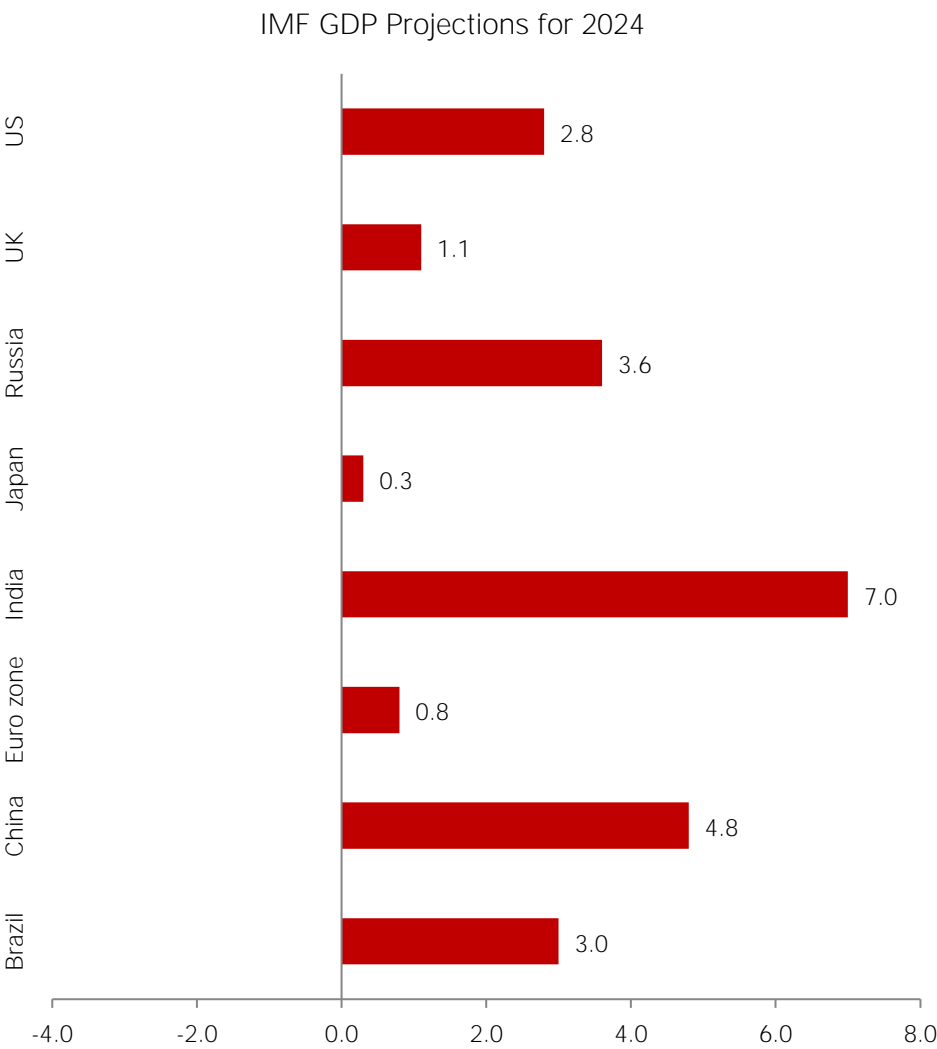
10-year G-Sec yield movement through major events



Source: NSE, CRISIL, Data as on 31 December 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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	GDP		Inflation		Industrial Growth	
	Current	Previous	Current	Previous	Current	Previous
US	3.1% Q3 2024	3.0% Q2 2024	2.7% Nov'24	2.6% Oct'24	-0.9% Nov'24	-0.5% Oct'24
Eurozone	0.9% Q3 2024	0.5% Q2 2024	2.2% Nov'24	2.0% Oct'24	-1.20% Oct'24	-2.20% Sep'24
UK	0.9% Q3 2024	0.9% Q2 2024	2.6% Nov'24	2.3% Oct'24	-0.7% Oct'24	-1.8% Sep'24
China	4.6% Q3 2024	4.7% Q2 2024	0.2% Nov'24	0.3% Oct'24	5.4% Nov'24	5.3% Oct'24
Japan	1.2% Q3 2024	2.2% Q2 2024	2.9% Nov'24	2.3% Oct'24	1.40% Oct'24	-2.60% Sep'24
India	5.4% Q2 FY25	6.7% Q1 FY25	5.48% Nov'24	6.21% Oct'24	3.5% Oct'24	3.1% Sep'24

Major Global Central Bank	Latest Key Interest rate
US Federal Reserve	4.25-4.55%
Bank of England	4.75%
European Central Bank	3.15%
Bank of Japan	0.25%
India	6.50%



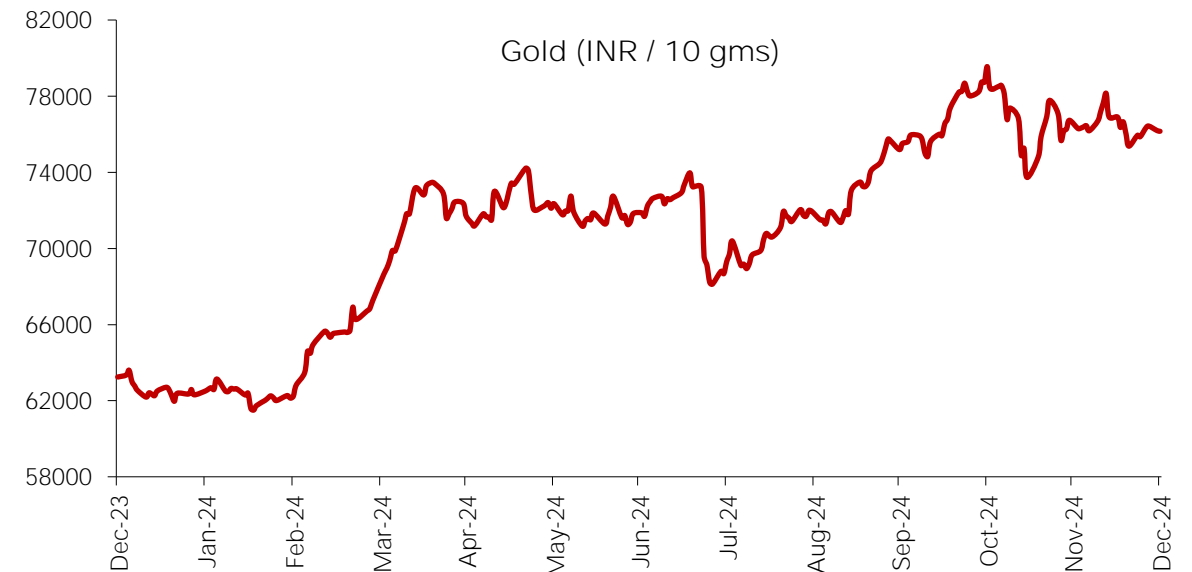
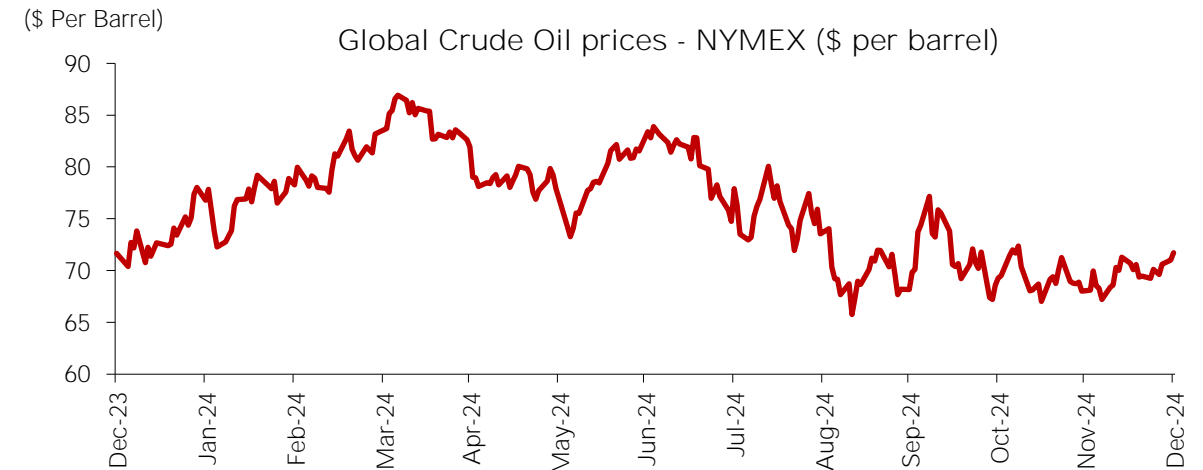
Source: CRISIL, Bloomberg, Respective Central Banks, IMF. Data as on 31 December 2024

International crude oil rose in December

- Crude oil prices on the New York Mercantile Exchange closed at \$71.72 per barrel on December 31, 2024, up 5.5% from \$68 per barrel on November 29, 2024, due to supply concerns amid heightened geopolitical tensions and expectations of OPEC+ extending supply cuts.
- Also, the Eurozone imposed new sanctions on Russia, tightening global supply. Expectations that China's central bank would loosen its monetary policy gave some hopes to oil demand.

Gold declined in December

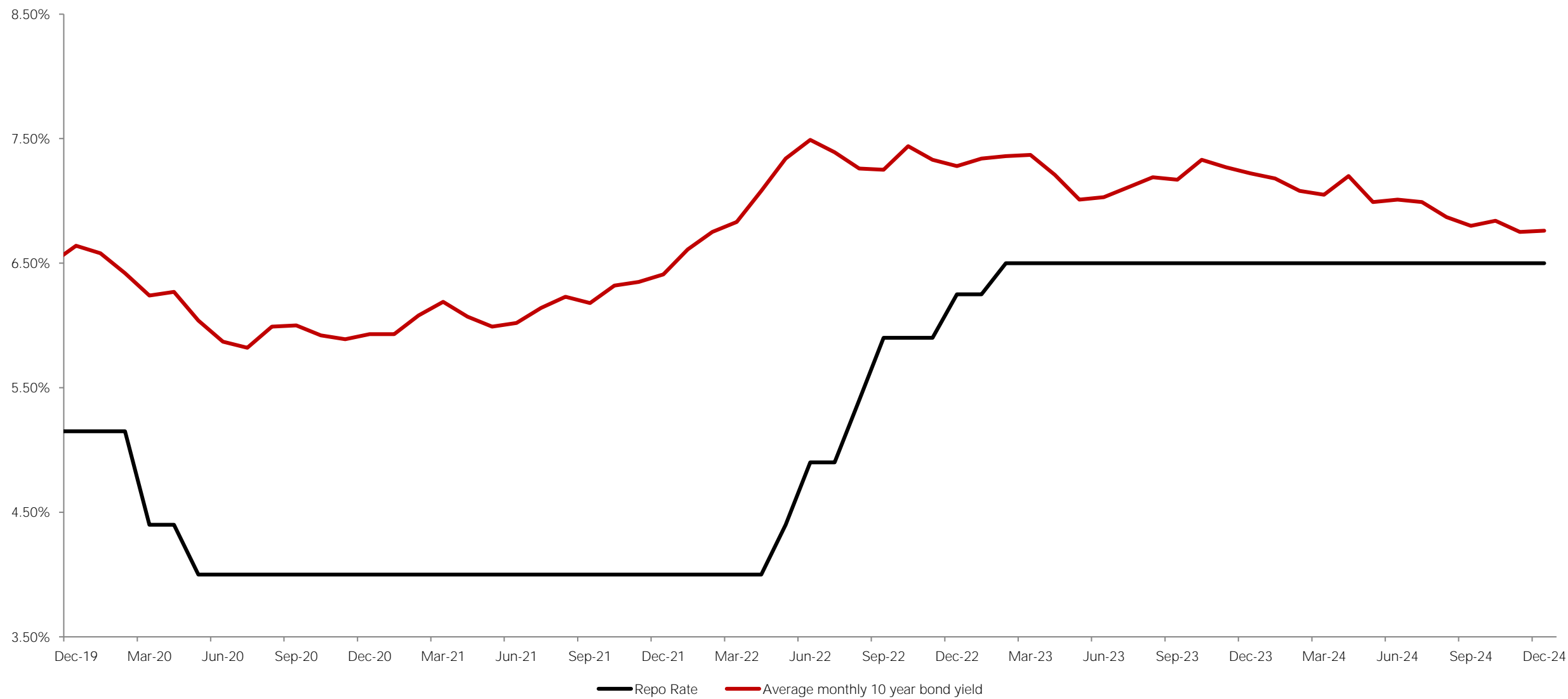
- Gold prices closed at Rs 76,162 per 10 gram on December 31, down 0.34% from Rs 76,740 per 10 gram on November 29, according to the India Bullion and Jewellers Association Ltd.
- Prices of the yellow metal began the month on a higher note on strong demand in the domestic market and amid geopolitical uncertainty.
- However, the gains were short lived, as the US dollar index strengthened after the US Fed projected a slower pace of rate cuts in 2025.



Source – CRISIL, NYMEX. Data as on 31 December 2024

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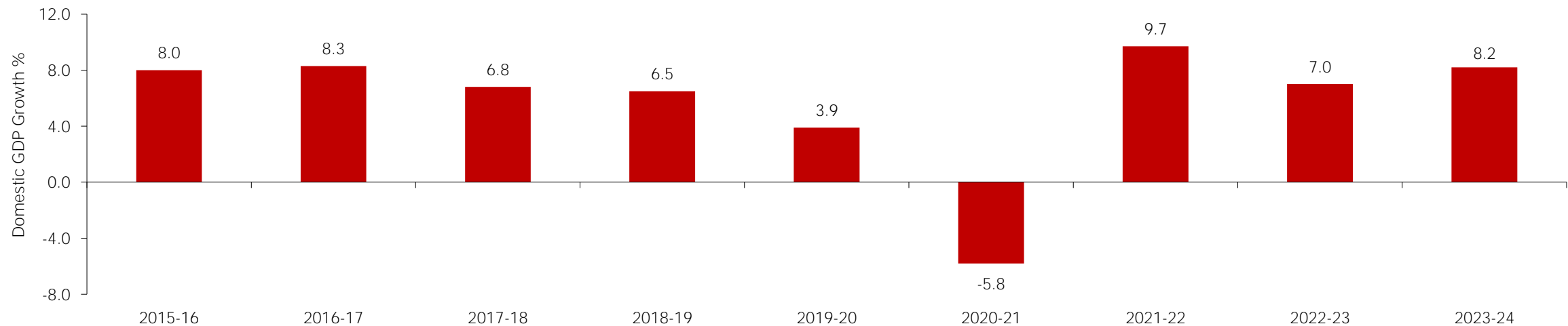
RBI Repo Rate held at 6.50%



Source: RBI, CRISIL Research, Data as on 31 December 2024
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Q2 GDP print a 'temporary blip', says FM; outlook remains positive

- India's weaker-than-expected gross domestic product (GDP) growth rate of 5.4% in Q2FY25, its lowest in seven quarters, whetted concerns over a potential systemic slowdown.
- Those jitters, in turn, prompted the Asian Development Bank (ADB) to lower its economic growth forecast for the fiscal to 6.5% in December, from its earlier projection of a 7% expansion.
- Finance Minister, however, dismissed the slowdown as a "temporary blip" and attributed it to the focus on elections in the first quarter and the absence of activity on capital and public expenditure. She exuded confidence about the economy seeing healthy growth in quarters to come. In its monthly review, the Finance Ministry stated that the economy is set to grow at 6.5% in FY25.



Source – CRISIL, Mospi, Data as on 31 December 2024

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Retail inflation climbs to a 14-month high of 5.4% in November

- After hitting a 14-month high of 6.2% in October 2024, India's retail inflation eased to 5.48% in November. This was on the back of easing food prices, with food inflation softening to 9% in November from 10.9% in October. Lower vegetable prices amid a bumper summer crop harvest, and stabilised edible oil costs, were among the key factors driving the moderation in food inflation.

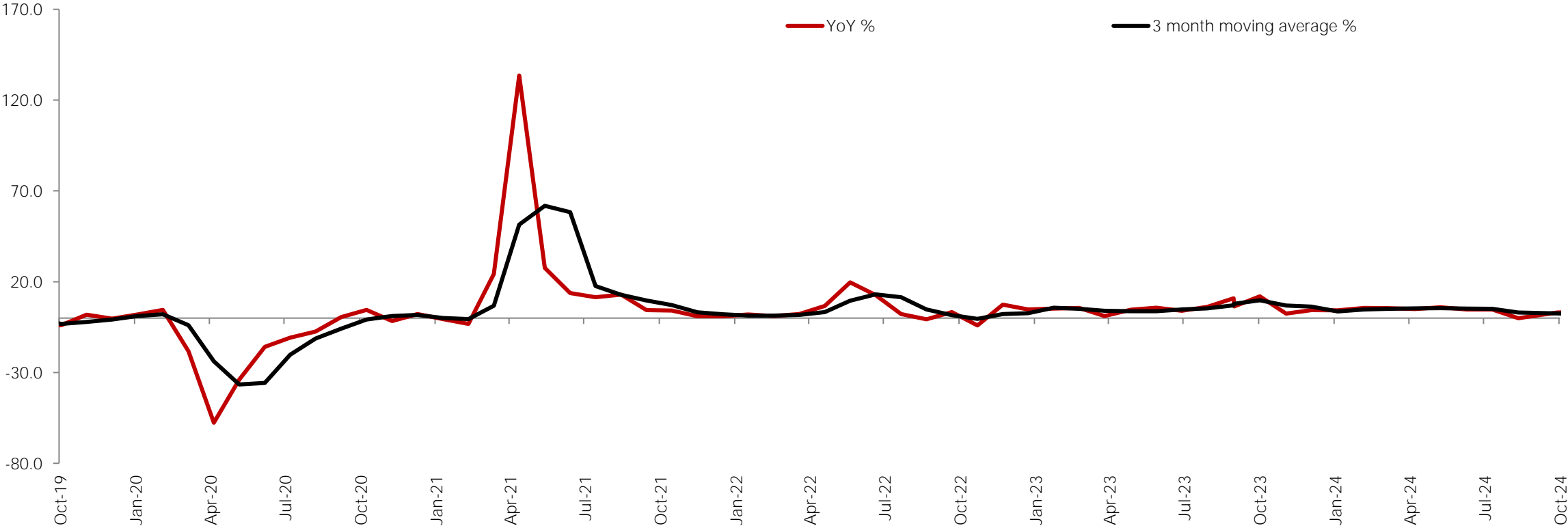
Indicators	Current	Previous
Monthly CPI Inflation	5.48% (Nov-24)	6.21% (Oct-24)
Industrial Growth	3.5% (Oct-24)	3.1% (Sep-24)
Exports	\$284.31 bn (Apr-Nov 24)	\$278.26 bn (Apr-Nov 23)
Imports	\$486.73 bn (Apr-Nov 24)	\$449.24 bn (Apr-Nov 23)
Trade Balance	\$-82.95 bn (Apr-Nov 24)	\$-66.91 bn (Apr-Nov 23)
Gross Tax Collections	INR 2260975 cr (Apr-Nov FY25)	INR 2042027 cr (Apr-Nov FY24)

Source – Ministry of Commerce, Comptroller General of Accounts, CRISIL, Data as on 31 December 2024
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Index of Industrial Production - IIP

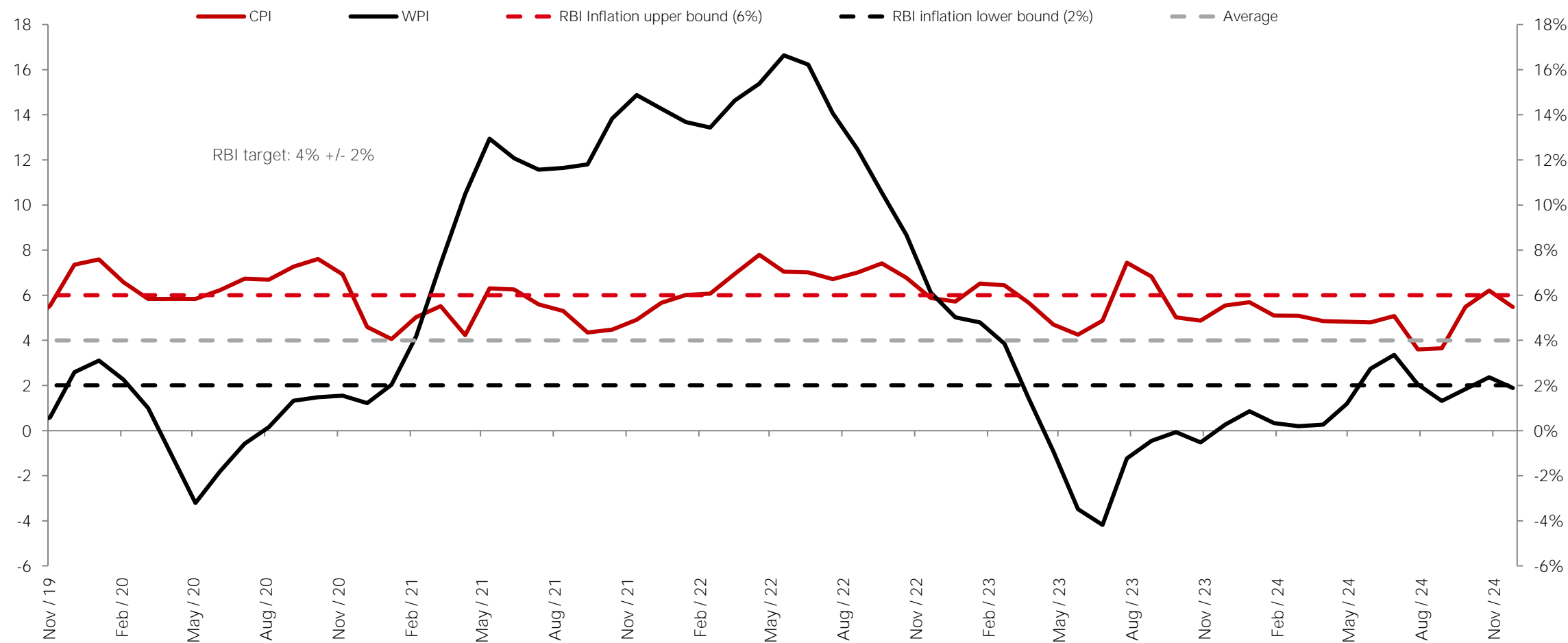
- The latest quick estimates released by the Ministry of Statistics and Programme Implementation show India's industrial output, measured by the Index of Industrial Production (IIP), grew 3.5% on-year in October 2024. This growth was broad-based, with 18 out of 23 industry groups reflecting growth as compared to the corresponding month a year ago.



Source: CRISIL, MOSPI, Data as on 31 December 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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Inflation target and trend

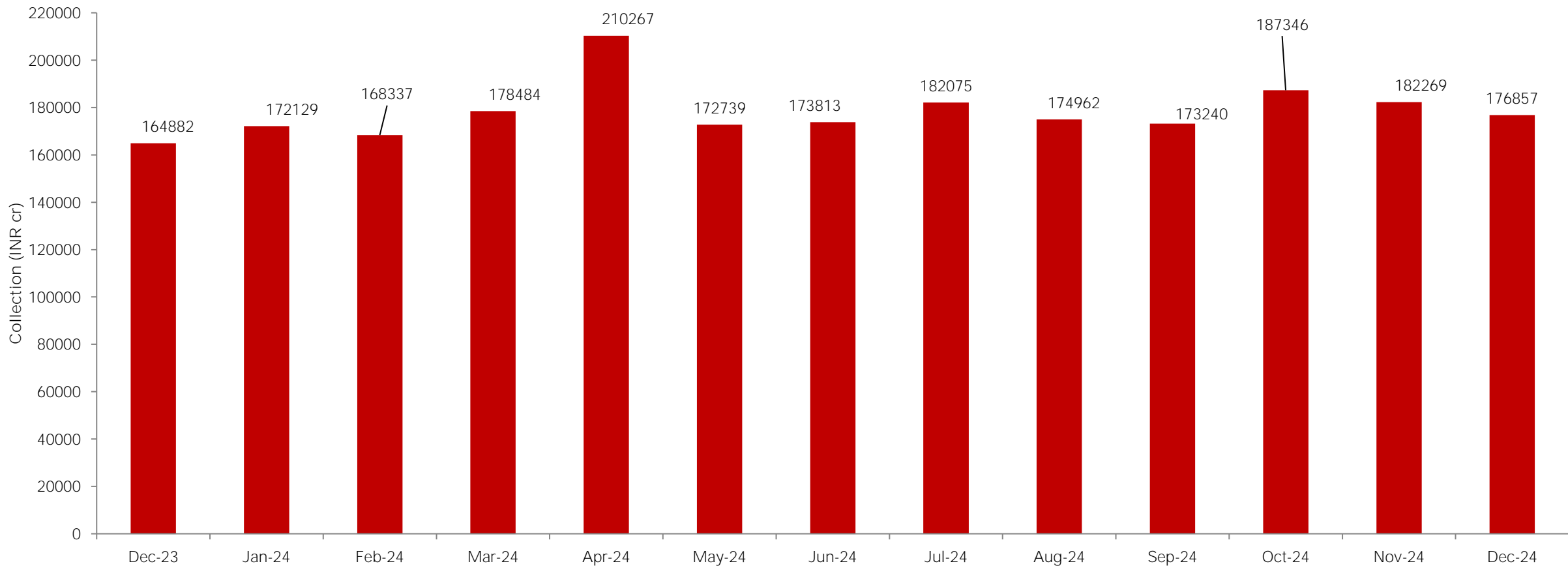
CPI inflation below the RBI's max target range



Source: CRISIL, MOSPI, RBI, Data as on 31 December 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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GST collection INR 1.76 lakh crore in December

As per reports, the government collected INR 1.76 lakh crore goods and services tax (GST) for the month of December



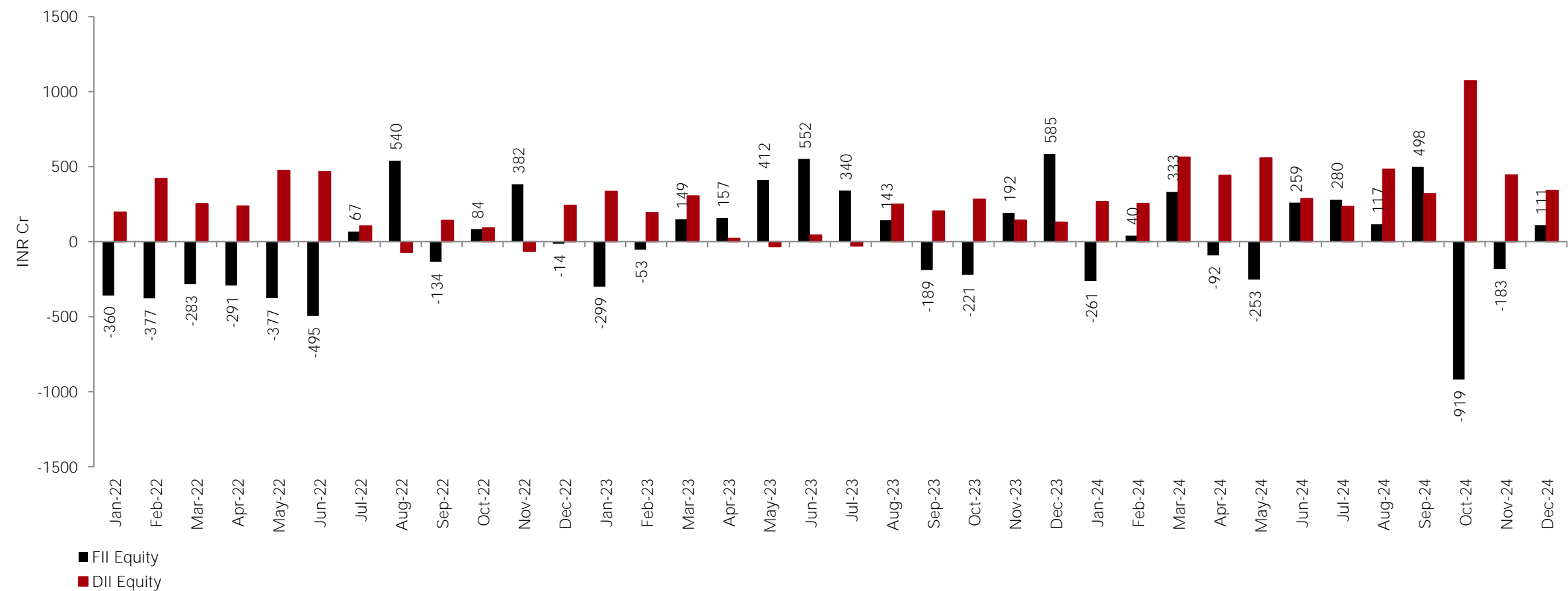
Source- CRISIL, [gst.gov.in](https://www.gst.gov.in), Data as on 31 December 2024 , Past performance may or may not be sustained in future and is not a guarantee of any future returns. GST – Goods and Services Tax
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Indian equity indices fell in December'24

- Foreign fund outflows, rising bond yields and a strong dollar index exerted considerable pressure on the Indian stock market in December. The BSE Sensex shed 2.1% value vis-a-vis November-end to close December at 78,139. Likewise, the Nifty 50 lost 2.0% of its value to close the month at 23,645.
- Initially, investors were cautious ahead of the US Federal Open Market Committee (FOMC) meeting on December 17-18. The sentiment got dampened as the US Fed signalled a slower pace of interest rate cuts for 2025. The hawkish stance triggered a global sell-off, which significantly impacted the Indian bourses as well. Additionally, the combined effect of a rising dollar index and high bond yields in the US weakened the near-term market construct and prompted FIIs to sell on rallies. Foreign fund flows are also likely to have been influenced by spreads between India and US bond yields narrowing to their lowest levels in nearly two decades following a surge in US bond yields amid the Fed's hawkish stance.
- Back home, the weak economic indicators — GDP growth for the second quarter of the current fiscal slowing down to 5.4%, the Indian rupee hitting new all-time lows (breaching the 85 per dollar mark) and trade deficit hitting record high — also dampened investor sentiment during the month.
- On the other hand, the bourses saw some gains on account of positive global cues, bolstered by subdued US inflation data. The benchmark indices also saw some gains during the first half of the month driven by expectations of increased government spending, potential policy support from the Reserve Bank of India (RBI) and softer-than-expected domestic inflation data.
- The domestic market was supported by continued domestic institutional investor (DII) buying. They bought Rs 34,195 crore worth of equities during the month, compared with Rs 44,484 crore in November. Foreign institutional investors (FIIs) turned net buyers in the Indian stock markets. They bought equities worth Rs 15,446 crore in December, compared with Rs 21,612 crore in November.

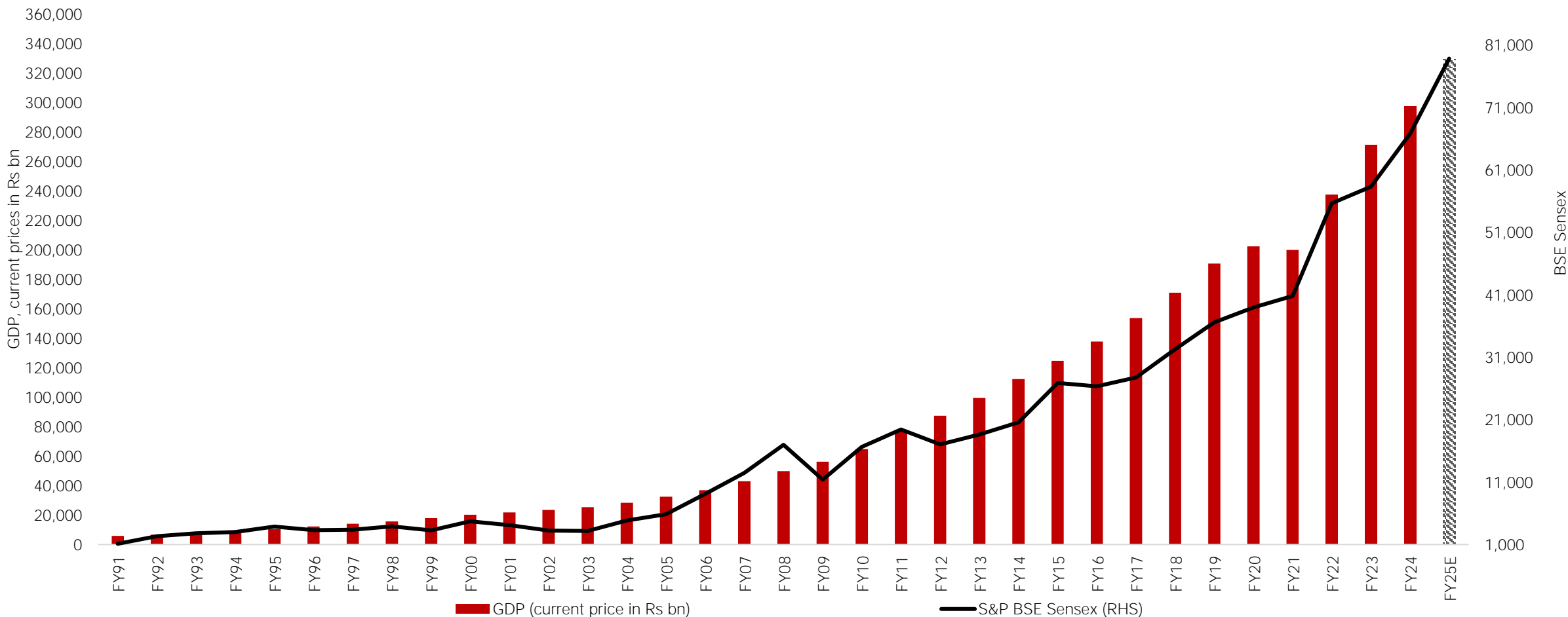
BSE sectoral indices ended lower in December '24

- All the key sectoral indices, barring six, saw a monthly fall on-month.
- The biggest losers during the month were the BSE Power Index and the BSE Metal Index (7.0% and 5.4% fall in value each, respectively), both of which saw massive offloading by FIIs.



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 2025 is shown shaded in this graph is for illustration purposes only and is not guaranteed, Data as on 31 December 2024, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice GDP – Gross Domestic Product. 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.

Sectoral performance long term trends

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

Sectoral indices	% Change										
	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24*	10-year CAGR*
Nifty 50 TRI	-3.01	4.39	30.27	4.64	13.48	16.14	25.59	5.69	21.30	10.09	12.41
BSE SENSEX TRI	-3.68	3.47	29.56	7.23	15.66	17.16	23.23	5.80	20.33	9.49	12.40
BSE Auto TRI	0.08	10.38	33.31	-21.33	-9.94	14.27	20.59	17.83	47.71	23.40	11.92
BSE BANKEX TRI	-9.03	8.39	39.98	5.65	21.12	-2.12	12.97	21.91	12.12	7.15	11.07
BSE CG TRI	-7.77	-2.38	41.42	-0.49	-8.79	12.52	54.75	17.17	68.15	22.53	17.11
BSE CD TRI	24.79	-5.83	102.87	-8.32	21.53	22.19	47.73	-10.93	26.40	29.31	21.43
BSE FMCG TRI	2.80	4.77	33.26	12.11	-2.14	13.19	11.70	19.08	29.65	3.25	12.23
BSE Healthcare TRI	15.62	-12.43	1.10	-5.38	-2.80	62.61	21.54	-11.50	37.97	44.30	12.60
BSE IT TRI	6.65	-6.14	13.29	27.26	11.84	60.05	58.45	-22.70	28.28	22.21	17.35
BSE Metal TRI	-28.85	43.19	52.82	-16.20	-10.16	18.43	72.68	15.70	35.50	10.24	15.26
BSE Oil & Gas TRI	-1.22	30.38	37.81	-12.40	10.59	-0.55	31.72	20.45	17.30	16.50	13.99
BSE Power TRI	-5.26	2.99	22.03	-14.30	-0.64	11.38	73.68	28.51	36.45	21.28	15.34
BSE PSU TRI	-14.87	16.89	22.69	-18.69	-1.12	-12.80	47.95	28.30	61.48	24.34	12.54
BSE Realty TRI	-12.82	-5.27	107.24	-30.69	27.58	9.20	55.40	-9.97	80.16	33.45	18.70

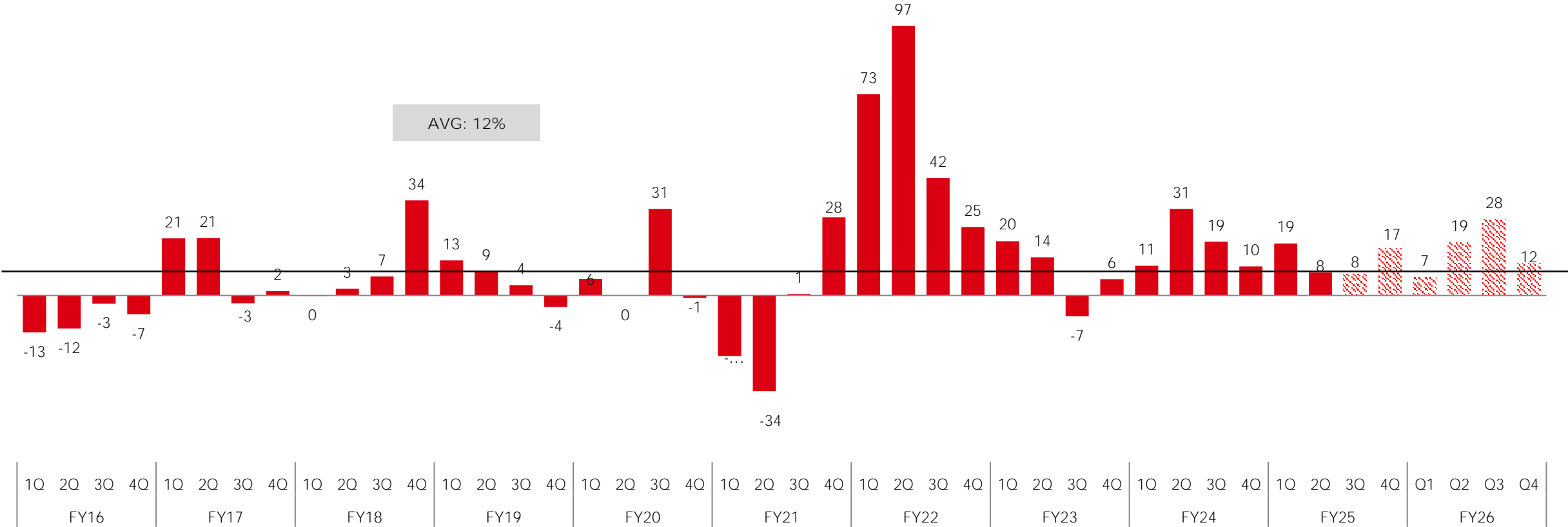
Source: CRISIL, BSE, Figures in red indicate negative returns in that period. All indices are TRI , *10-year CAGR, Data as on 31 December 2024,

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Earnings growth – quarterly trend

Nifty 50 earnings retreated Q2 FY22 onwards



Nifty 50 EPS Growth (Y-o-Y)

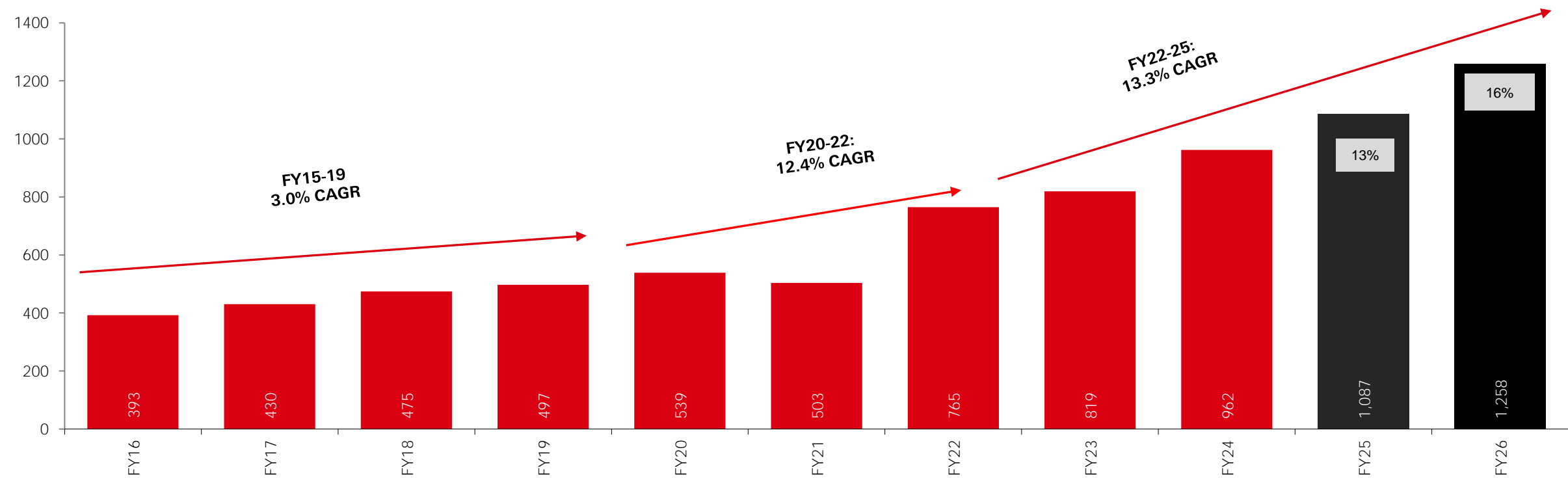
Estimates – shaded portion of FY25 and FY26

Source: CRISIL, Bloomberg, Data as on 31 December 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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Earnings trend

India - Equity earnings (Nifty 50 EPS)

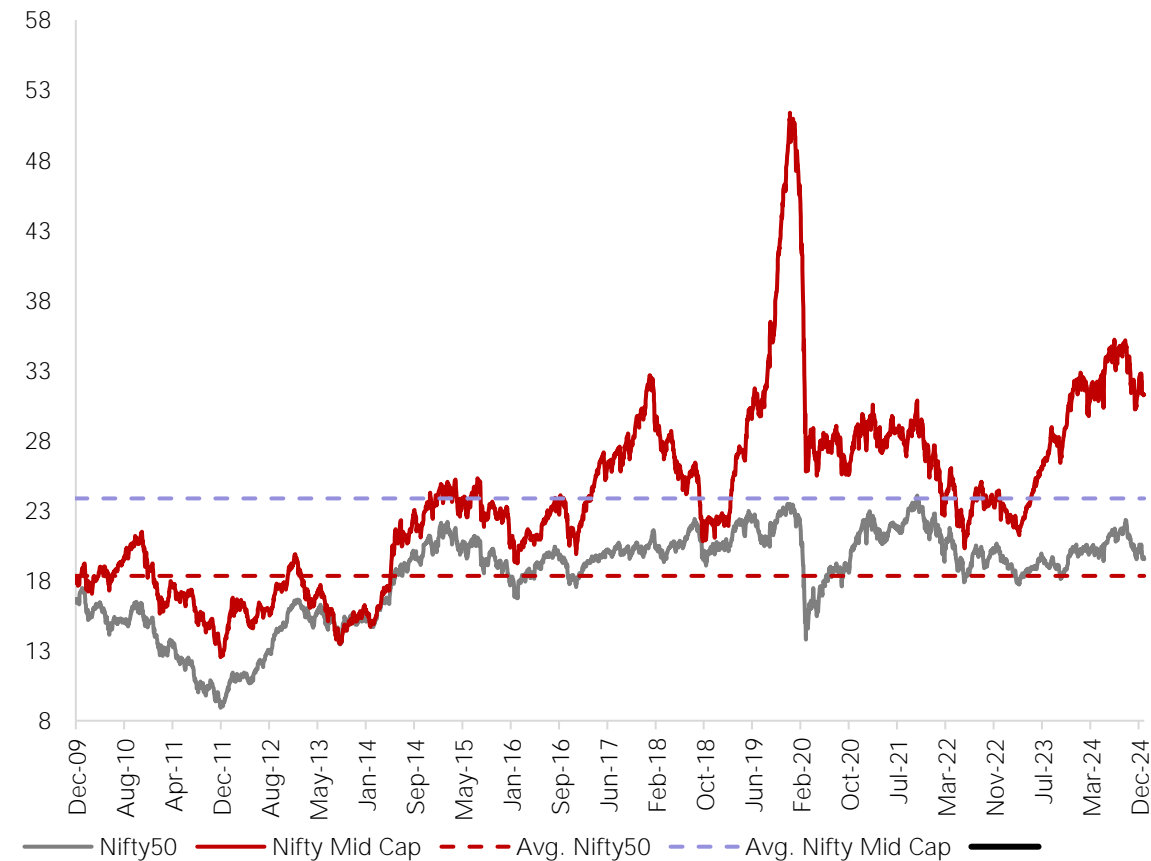


Note: Trailing 12M EPS (Earnings Per Share)
Black shaded columns are estimates of FY25 and FY26
Data for FY 26 is for only three quarters

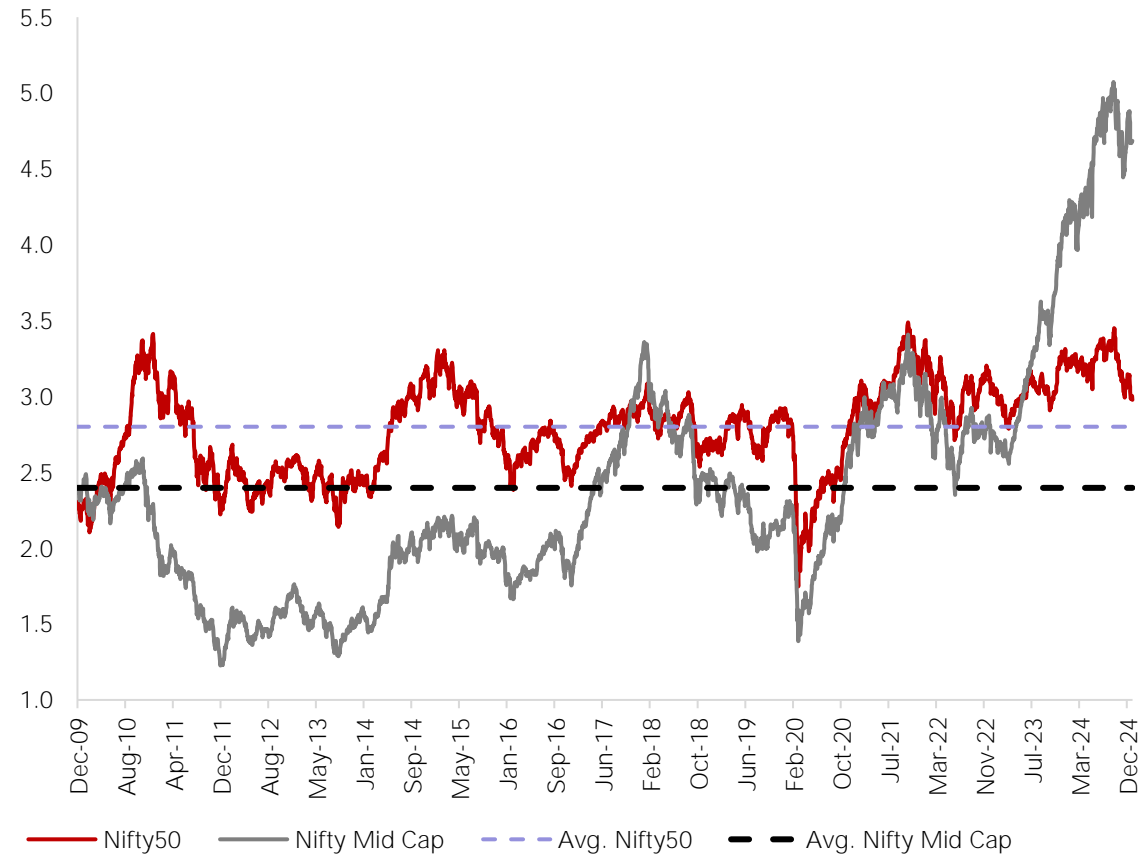
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Market valuations – Nifty 50 and Nifty Midcap 100

Large and Mid Cap - Price to Earnings (PE)



Large and Mid Cap - Price to Book (PB)

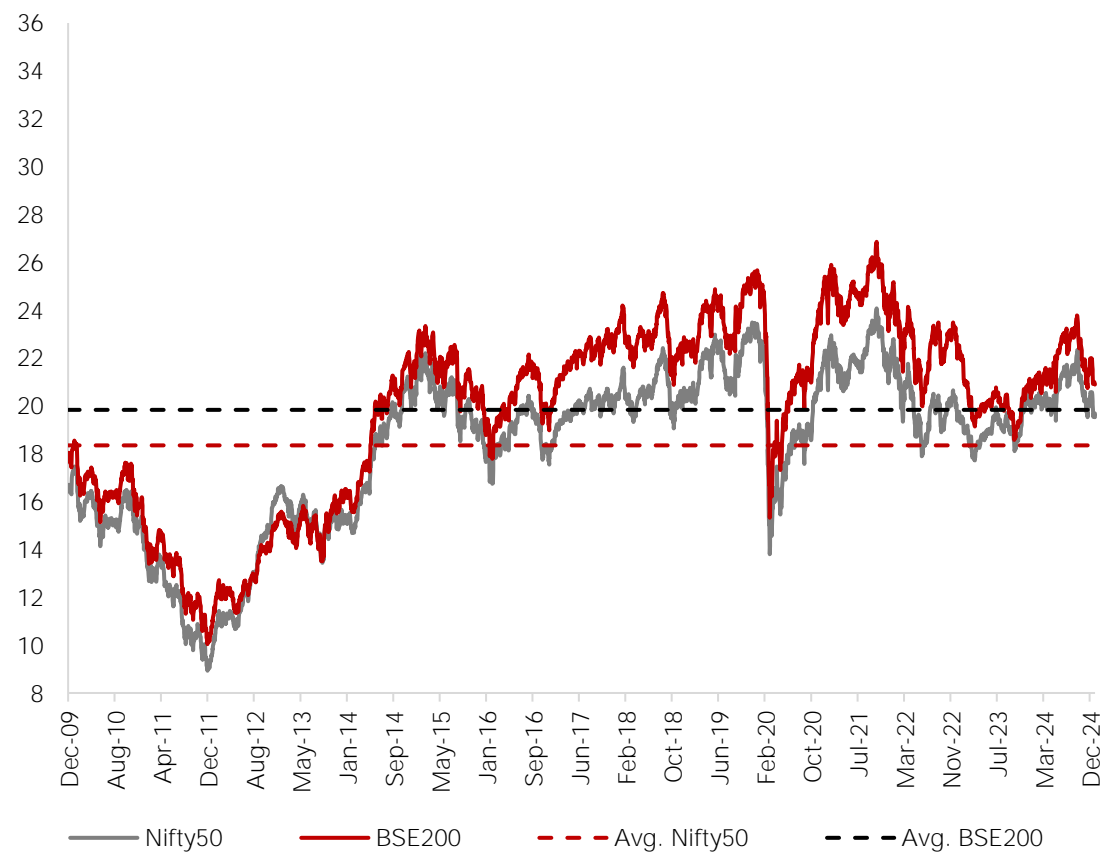


Source: CRISIL, Bloomberg

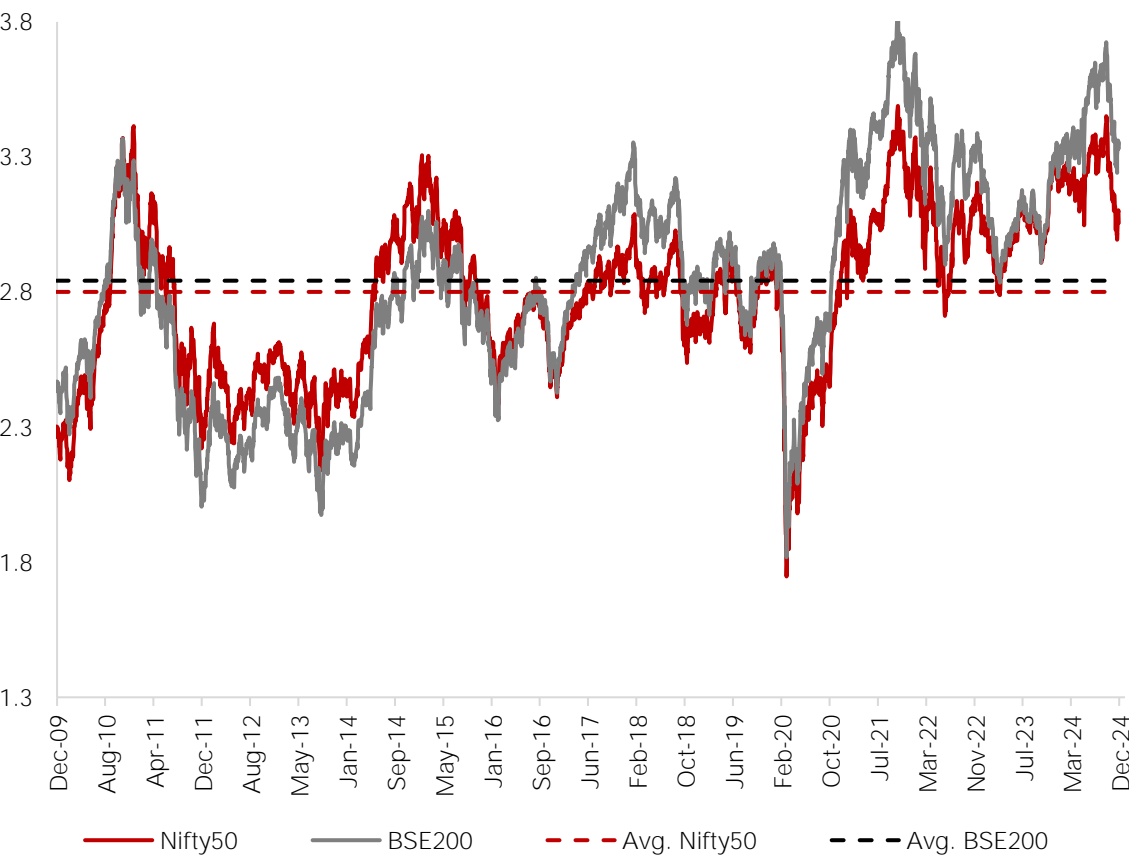
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Large and BSE 200 - Price to Earnings (PE)



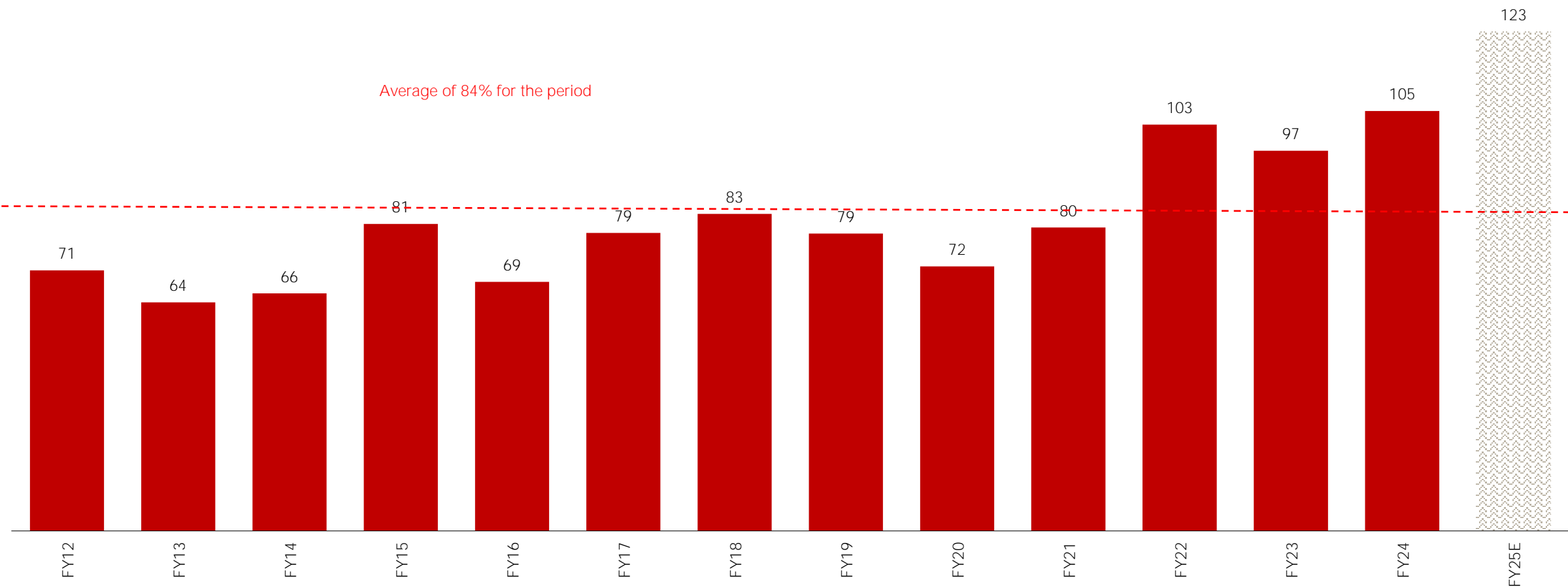
Large and BSE 200 - Price to Book (PB)



Source: CRISIL, Bloomberg, BSE, Data as on 31 December 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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India Market cap to GDP (%)

Market cap as a % of GDP

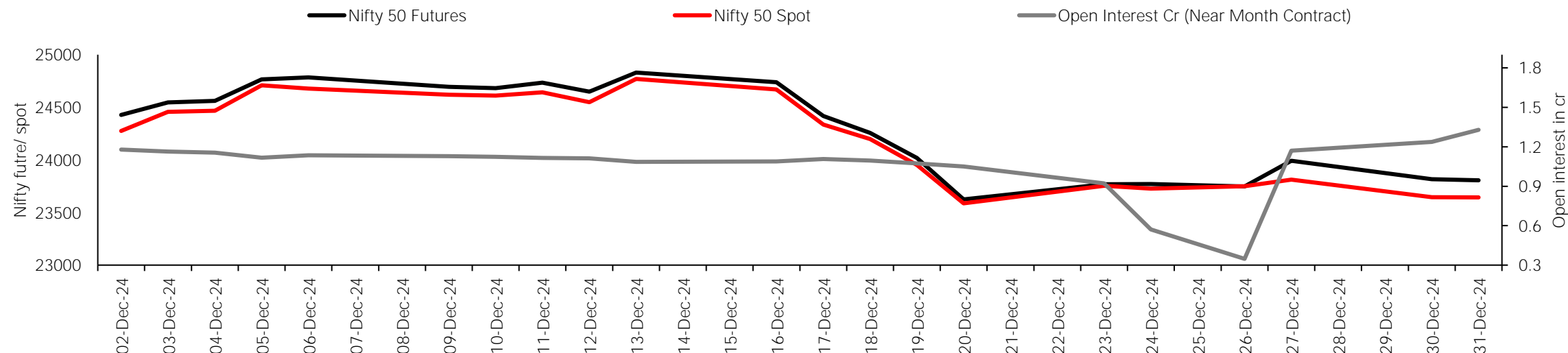


Shaded area are Estimates (E) – FY25
Source: CRISIL, MOSPI, Bloomberg, CRISIL estimates;
Data as on 31 December 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns. GDP- Gross Domestic Product
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- MSCI World index saw a 2.7% correction in December following the sharp up move of 4.5% in November. US (S&P 500) and MSCI Europe both declined 2.5%.
- Back in India Equity indices saw a correction in December 2024. BSE Sensex and NSE Nifty declined by 2% for the month.
- Healthcare was the best performing sector for the month followed by Realty. Both delivering positive returns while IT was flattish. Auto and FMCG were in-line with the Nifty. Banks, Oil & Gas and Capital Goods underperformed the Nifty. Power followed by Metals remained the two worst performing sectors for the second consecutive month.
- FIIs invested US\$1.3 bn in Indian equities in December. For CY24, FIIs saw an outflow of US\$0.8bn. DII's invested US\$4 bn during the month with MFs investing US\$1.7bn while insurance invested US\$2.3bn.
- RBI has reduced the full year GDP growth forecast for FY25 to 6.6% from 7.2% previously. Industrial production growth (IIP) grew 3.5%yoy in Oct vs 3.1% in September. Gross GST revenue collection was Rs 1.77 tn in Dec'24, up 7.3% (YoY).
- Nifty consensus EPS estimates for CY24/25 have largely been maintained in Dec while the Index has corrected by 2%. Nifty therefore now trades on 19.5x 1 year forward PE in-line with its 5-year average and only 7% above its 10-year average. Valuations in Mid Cap and Small Cap space however remain more elevated.
- Global macro environment remains challenging with heightened geo-political and economic uncertainties. US Fed rate cuts and Chinese government stimulus measures should be positive for the global economy.
- 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.
- Nifty valuations are now in-line with its 5/10-year average. We remain constructive on Indian equities supported by the more robust medium term growth outlook.

Nifty futures

- The Nifty 50 near-month future contract of December declined marginally on the rollover day (December 26) versus spot.
- The new near-month contract (January 30) ended 169 points higher on December 26.
- The rollover of the new near-month contract (January 30) was 72% down on the expiry day compared to 73% in the previous expiry.
- Volatility of the Nifty 50 index, as measured by India VIX moved in a narrow range during the month, came in at 14.03 on December 26 compared to 15.20 on November 28 (rollover date) and ended the month at 14.45.
- Nifty futures saw trading volume of around Rs 3.8 lakh crore, arising out of 61 lakh contracts, with an open interest of around 28 crore during the month



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Nifty options

- On December 31, Nifty 23,000 call option witnessed the highest open interest of around 167 lakh, while Nifty 23,600 call contract garnered the maximum number of contracts of around 23 lakhs.
- Nifty 23,000 put option witnessed the highest open interest of around 167 lakh on December 31 and the Nifty 23,500 put contract garnered the maximum number of contracts of around 32 lakh.

NSE F&O turnover

- Turnover on the NSE’s derivative segment came in negative in the month. The average put-call ratio was at 0.92 in December unchanged from November.

Instrument	Monthly turnover summary (Figures in INR crore)		
	31-Dec	30-Nov	Change %
Index futures	633,443.88	634,368.00	0%
Stock futures	2,664,568.67	2,604,339.39	2%
Index options	425,754,313.03	624,485,162.94	-32%
Stock options	10,424,707.20	9,052,598.32	15%
Total	439,477,032.78	636,776,468.65	-31%

Source – CRISIL, NSE. Data as on 31 December 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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FII segment

On December 31, FIIs’ open interest was Rs 8.32 lakh crore (~100 lakh contracts). The details of FII derivatives trades for December 1 to 31 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	1078630	72243	1208013	80474	0.19	0.18	0.21	0.20
Index Options	545266405	37190400	547260137	37246882	94.20	94.23	94.13	94.16
Stock Futures	11378240	749159	11402992	751168	1.97	1.90	1.96	1.90
Stock Options	21126446	1454484	21491583	1477142	3.65	3.69	3.70	3.73
Total	578849721	39466287	581362725	39555666	100.00	100.00	100.00	100.00

Source – CRISIL, NSDL. Data as on 31 December 2024 , Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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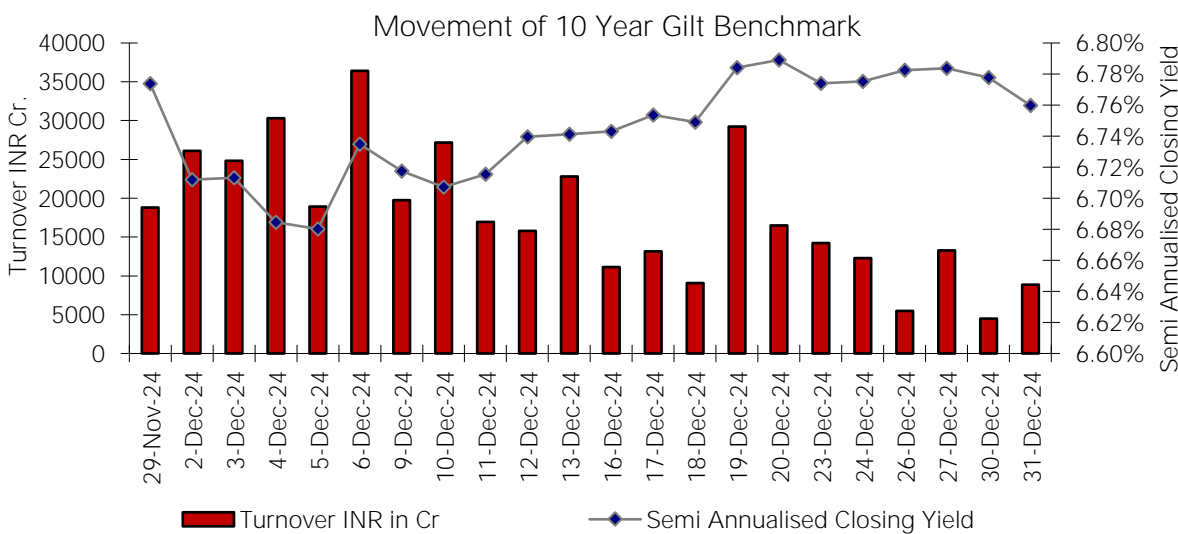
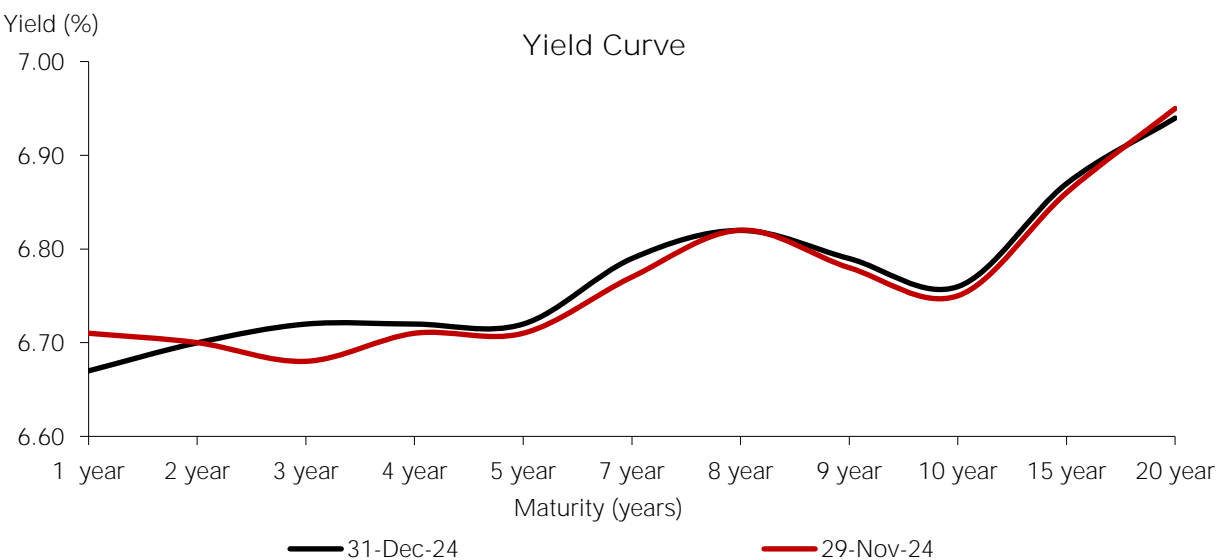
Average inter-bank call money rates averaged higher than RBI repo rate in December

- GST and advance tax payments exerted tremendous pressure on liquidity in the Indian banking system in December. This was further exacerbated by dollar sales by the RBI to curb volatility in the Indian rupee and festival season cash withdrawals.
- Accordingly, the interbank weighted average call rate (WACR) hovered in the 6.60-6.70% range for most part of the month, well above the policy repo rate of 6.50%, averaging at 6.66% until December 31.
- Bond prices ended marginally lower in December
- the change of guard at the RBI gave rise to hopes that a rate cut may happen sooner rather than later. As a result, government bond yields fell below the 6.80% mark at the start of December. The yields consistently moved between 6.71% and 6.75% throughout the first half of the month before averaging just under 6.80% during the latter half. The yield eventually settled at 6.76% on December 31, slightly higher than 6.75% on November 29.
- At the beginning of December, bond prices rose after India's GDP growth came in at 5.4%, the slowest in seven quarters, which spurred hopes of easing by the RBI. The appointment of the new governor at the central bank on December 9 gave further fillip to these expectations.
- Bond prices saw some gains during the first half of the month due to strong demand at weekly bond auctions conducted by the central bank.
- The prices also saw some support after the minutes of the RBI's latest meeting signalled the possibility of an interest rate cut by February.
- However, some gains were cut short after the central bank took measures to boost liquidity, including slashing banks' cash reserve ratio (CRR) for the first time in over four years, while deciding to keep policy rates unchanged amid high inflation.

Source: CRISIL, Data as on 31 December 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns. US- United States RBI- Reserve Bank of India
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Debt Market Review

Debt Market Indicators	31-Dec-24	29-Nov-24
Call Rate	6.00%	6.70%
3-mth CP rate	7.72%	7.50%
5 yr Corp Bond	7.35%	7.26%
10 Yr Gilt	6.76%	6.75%
Repo	6.50%	6.50%
SDF	6.25%	6.25%
CRR	4.00%	4.50%
1-Month CD	7.25%	6.92%
3-mth CD rate	7.48%	7.15%
6-Month CD	7.53%	7.43%

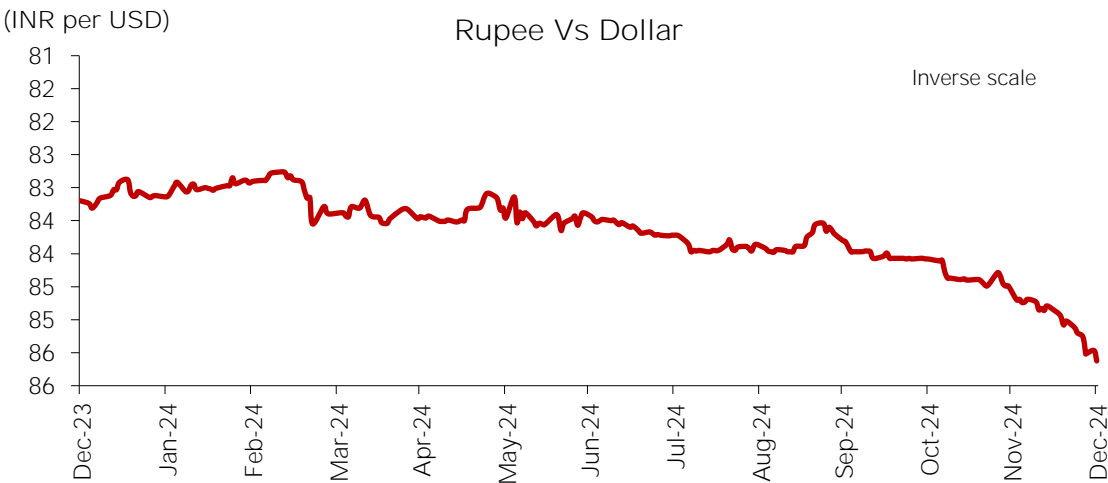


- India's CY24 scorecard shines out compared to the performance of most EMs, with equity markets up YTD by ~13%, INR weaker by just ~1.9% and amongst the top 5 EM performers, 10-year bond yields down ~45 bps and FX reserves still up a net USD ~35 bn.
- Over the past few months, the bands of uncertainty have widened around some factors suggesting that navigating the bond markets in 2025 may be a bit more challenging than in 2024.
- Given the lack of clarity on US 2.0 policies and their impact, US monetary policy backdrop is likely to be more uncertain in 2025. We prefer to start with a neutral stance on its impact on India bond yields. Consensus view on FX seems to be USD strength and EM weakness. The wildcard of course is any potential CNY depreciation / devaluation as a counter to potential US tariffs, which could lead to severe ripples across EM currencies.
- India bond markets are now in the process of inclusion into all 3 relevant EM bond indices viz. JP Morgan GBI-EM, Bloomberg EM LC index and FTSE-EM Government Bond Index. Total index flows should total USD 35-40 bn by March 2026.
- Growth outlook has suddenly dampened after the Q2 print of 5.4%, while inflation risks remain elevated on the back of unrelenting food price shocks. We expect the balance to get better over next few months as inflation retraces back to sub 5% levels, which would free up RBI's ability to respond better to downside growth risks.
- Despite the various uncertainties and imponderables heading into 2025, we remain positive on our outlook on Indian bond markets and expect interest rates to move lower, supporting our long duration bias across portfolios, with the intent to remain nimble in our strategies as the year progresses.

Indian rupee ended lower in December

- The Indian rupee declined a sharp 1.34% on-month against the US dollar in December, clocking its worst monthly performance in two years on account of a rising dollar index and US Treasury yields amid a hawkish stance of the US Federal Reserve and expectations of prospective policy changes by the US President-elect. Concerns over India's slowing economic growth and a widening trade deficit also added pressure on the local currency.
- The local currency also hit new all-time lows during the month, dipping to as low as Rs 85.80 a dollar on December 27. It ended the month at Rs 85.62 to the dollar (vs Rs 84.49 on November 29).

Rupee Movement V/s Global Currencies				
	31-Dec-24	29-Nov-24	Change	% Change
USD	85.62	84.49	1.1332	1.34%
GBP	107.46	107.25	0.2145	0.20%
EURO	89.0852	89.22	-0.1348	-0.15%
100 YEN	54.82	56.27	-1.45	-2.58%



Rupee declined due to massive pullout of funds by FPIs

Source: RBI, CRISIL. Data as on 31 December 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns. US- United States
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Global Economic Update

US economy grows 3.1% in the third quarter of fiscal 2024; FOMC indicates slower rate cuts in 2025

- The US economy grew an annualised 3.1% in the third quarter of fiscal 2024, compared with 2.8% in the second estimate and 3% in the second quarter.
- The US Federal Reserve (Fed) trimmed policy rate by 25bps in December, marking the third consecutive cut this year and bringing borrowing cost to the 4.25%-4.5% range.

Key economic indicators

- The US economy added 227,000 jobs in November 2024, marking a strong recovery from the upwardly revised 36,000 gain in October
- Annual inflation rate rose for a second consecutive month to 2.7% in November, compared with 2.6% in October, while core inflation stood at 3.3%, unchanged from October and September

Eurozone economy grew 0.9% in the third quarter of fiscal 2024; ECB cuts interest rates by 25 bps for the fourth time

- The Eurozone gross domestic product expanded 0.9% on-year in the third quarter of fiscal 2024, compared with a downwardly revised 0.5% rise in the second quarter.
- The European Central Bank (ECB) cut interest rates for the fourth time by 25 bps to 3.15% in December.
- ECB President Christine Lagarde expressed optimism about reaching the 2% inflation target in 2025, stating, they have made significant progress in 2024 and expect 2025 to be the year to achieve their goal as planned.

Key Eurozone economic indicators

- The annual inflation rate increased to 2.2% in November, compared with 2% in October while the annual core inflation rate remained unchanged from October and September at 2.7%
- Industrial production decreased 1.2% in October from 2.2% in September

UK growth expands 1.3% in October; BoE maintains interest rate cuts

- The British economy expanded 1.3% on-year in October, compared to 1% in September.
- The Bank of England held the benchmark bank rate steady at 4.75% in December in line with market expectations, balancing persistent inflationary pressures against slowing economic growth.

Key UK economic indicators

- Annual inflation rate edged up for the second month to 2.6% in November from 2.3% in October, while annual core inflation rate increased to 3.5% in November from 3.3% in October
- Industrial production decreased 0.70% in October, compared with -1.8% in September, while manufacturing production recorded 0% growth, following a 0.7% drop the previous month

PBoC maintains key lending rates; China revises economy's size by 2.7%

- China revised the size of its economy 2.7% on December 26 but said the change would have little impact on growth in fiscal 2025, as policymakers pledged more stimulus to boost expansion in 2025.
- The People's Bank of China (PBoC) maintained its key lending rates for the second straight month in December with the one-year loan prime rate at 3.1% and five-year rate at 3.6%.
- PBoC issued 700 billion yuan in one-year medium-term lending facility loans at 2% and injected an additional CNY 300 billion at the same rate on December 25.

Key Chinese economic indicators

- The trade surplus surged to \$97.44 billion in November from \$69.45 billion in the year-ago period
- Industrial production expanded 5.4% on-year in November, compared with 5.3% in October

Japan's economy expanded 0.3% on-quarter in the third quarter; BoJ maintains its key short-term interest rate at ~0.25%

- Japan's economy expanded 0.3% in the third quarter of fiscal 2024, following a downwardly revised 0.5% increase in the second quarter.
- The Bank of Japan (BoJ) maintained its key short-term interest rate at the highest level of ~0.25% during its December meeting since 2008 and meeting market expectations.
- BOJ Governor Kazuo Ueda signalled that the economy could move closer to sustainably achieving the 2% inflation target fiscal 2025, hinting at a possible interest rate hike.

Key Japanese economic indicators

- The country's trade deficit plunged to JPY 117.62 billion in November from JPY 813.87 in the year-ago period
- The annual inflation rate climbed to 2.9% in November from 2.3% in October, while core inflation rose 2.7% from 2.3%
- Industrial production increased 1.40% in October, compared with a 2.6% fall in September

Source: CRISIL, Data as on 31 December 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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US treasury prices declined in December

- US Treasury prices declined in December, with the benchmark 10-year yield settling at 4.58% on December 31, 2024, compared with 4.18% on November 29, 2024
- Earlier in December, US Treasury prices declined as a slew of economic data releases raised hopes that the US Federal Reserve may cut the policy rate in its upcoming meeting
- Yields gained after the consumer price index data for November met expectations
- Bond prices declined sharply after the US Fed cut its policy rate for the third consecutive time and projected fewer rate cuts for 2025
- The central bank forecast two cuts in the year ahead, down from four previously. The Fed also slightly increased its inflation forecast
- Further, a slew of strong economic data releases, including retail sales and housing price index data also kept the yields elevated
- However, at the beginning of the month, yields declined after the ADP jobs report showed slower-than-expected growth in private payrolls in November.



Global bond yields			
	31-Dec	29-Nov	Change
US 10-Year (%)	4.58	4.18	0.40
UK 10-Year (%)	4.57	4.24	0.32
German 10-Year (%)	2.36	2.09	0.28
Japan10-Year (%)	1.08	1.04	0.04

Source: CRISIL, Bloomberg, Data as on 31 December 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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Economic Events Calendar

Date	Indicators	Previous
06-January-25	India HSBC Composite PMI Final, December	58.6
	India HSBC Services PMI Final, December	58.4
07-January-25	US ISM Services PMI, December	52.1
	US JOLTs Job Openings, November	7.74M
	Eurozone Inflation Rate Flash, December	2.2%
08-January-25	US ADP Employment Change, December	1,46,000
10-January-25	US Non-Farm Payrolls, December	2,27,000
	India Industrial Production, November	3.5%
	India Manufacturing Production, November	4.1%
12-January-25	China Inflation Rate, December	0.2%
13-January-25	India Inflation Rate, December	5.48%
14-January-25	India WPI Inflation YoY, December	2%
15-January-25	UK Inflation Rate, December	2.7%
	India Balance of Trade, December	\$-37.84B

Source: CRISIL, Data as on 31 December 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.

US- United States, UK- United Kingdom, GDP- Gross Domestic Product, WPI- Wholesale Price Index

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Economic Events Calendar (cont'd)

Date	Indicators	Previous
16-January-25	UK GDP, November	1.3%
17-January-25	Eurozone Inflation Rate Final, December	2.2%
	China GDP Growth Rate Q4	0.9%
20-January-25	China Loan Prime Rate 1Y	3.1%
	China Loan Prime Rate 5Y, January	3.6%
24-January-25	Japan Inflation Rate, December	2.9%
	Japan BoJ Interest Rate, December	0.25%
30-January-25	US Fed Interest Rate	4.5%
	US GDP Growth Rate Q4	3.1%
	Eurozone GDP Growth Rate Flash Q4	0.9%
	Eurozone ECB Interest Rate, December	3.15%
31-January-25	India Government Budget Value December	Rs-8465.9B
	India Infrastructure Output YoY December	4.3%

Source: CRISIL, Data as on 31 December 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.

US- United States, UK- United Kingdom, GDP- Gross Domestic Product, PCE – Personal Consumption Expenditure

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Annexure

Indian Economic Environment

Other major developments

- India secured a \$350 million policy-based loan from the ADB as part of the Strengthening Multimodal and Integrated Logistics Ecosystem programme's second subprogramme.
- The ADB announced an investment of \$70 million (approximately Rs 595 crore) in Vastu Housing Finance, aimed at improving access to affordable housing loans for underserved communities in India, including economically weaker sections, low-income groups, and first-time and women borrowers in small towns across India.
- India and the ADB signed a \$500 million loan agreement to support green and sustainable infrastructure projects aligned with the country's climate commitments.
- The World Bank approved the \$800 million Amaravati Integrated Urban Development Program for building Andhra Pradesh's greenfield capital Amaravati.
- The government left interest rates on various small savings schemes, including PPF and NSC, unchanged for a fourth straight quarter for Q4FY25.
- At its 55th meeting, the GST Council decided to extend a concessional GST of 5% on food inputs supplied through the Public Distribution System, which targets the weaker sections of the society.
- The GST Council has exempted Gene Therapy from any levy.
- GST on the sale of used vehicles, excluding some petrol and diesel models, was raised from 12% to 18%.
- Autoclaved Aerated Concrete blocks will now attract a GST of 12% if they contain more than 50% fly ash.
- The GST Council brought corporate sponsorship services under the forward charge mechanism. This could potentially increase costs for such sponsors.
- The GST Council recommended nil levy on transactions of vouchers, since they neither amounted to supply of goods nor supply of services. It has also recommended the simplification of provisions related to vouchers.

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RBI- Reserve Bank of India GDP- Gross Domestic Product

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Regulatory developments in the month

- The RBI directed banks to take necessary steps to urgently reduce the number of inoperative or frozen accounts, and to make the activation process for such accounts smoother and hassle-free.
- The RBI announced its decision to enhance the upper limit for UPI Lite transactions from the erstwhile Rs 500 to Rs 1,000, and the total limit from the current Rs 2,000 to Rs 5,000.
- The central bank has set up an eight-member committee to develop a framework for the responsible and ethical use of artificial intelligence in the financial sector.
- The RBI allowed the interoperability of prepaid payment instruments for UPI transactions through third-party application providers.
- The RBI directed banks which are direct members or sub-members of the Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) systems to offer a beneficiary bank account name look-up facility by April 1, 2025. The facility, which will be made available to customers without any charge, will also be extended to remitters visiting branches to make transactions.

Key economic indicators released in the month

- The latest quick estimates released by the Ministry of Statistics and Programme Implementation show India's industrial output, measured by the Index of Industrial Production (IIP), grew 3.5% on-year in October 2024.
- Meanwhile, India's eight core sectors expanded at a four-month high of 4.3% in November, as against 3.7% in October 2024 (revised).
- In November 2024, India's merchandise trade deficit hit an all-time high of \$37.84 billion. This was steeper than the \$21.31 billion deficit recorded a year earlier.
- India's current account deficit (CAD) in Q2FY25 stood at \$11.2 billion, which represented 1.2% of the GDP. While this marked the second consecutive quarterly deficit after hitting a surplus during the last three months of FY24, a rise in services exports (net receipts of \$44.5 billion during Q2FY25 vs \$39.9 billion during Q2FY24) kept this slightly below the CAD of \$11.3 billion (1.3% of GDP) recorded during the corresponding quarter a year ago.

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RBI- Reserve Bank of India GDP- Gross Domestic Product

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^- Sources- <https://www.rbi.org.in/>

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