

# Global Navigator

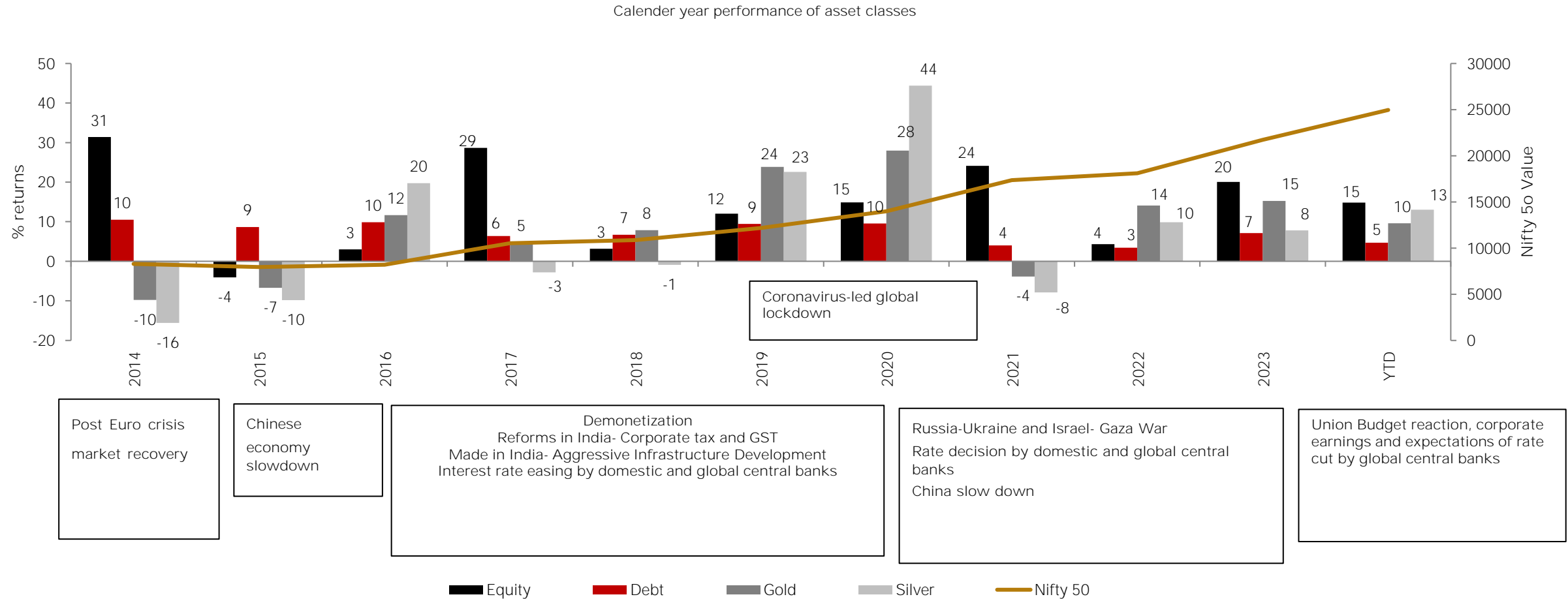
August 2024



**HSBC** Mutual Fund

# History of asset classes through major events

## Calendar year performance of asset classes



Post Euro crisis market recovery

Chinese economy slowdown

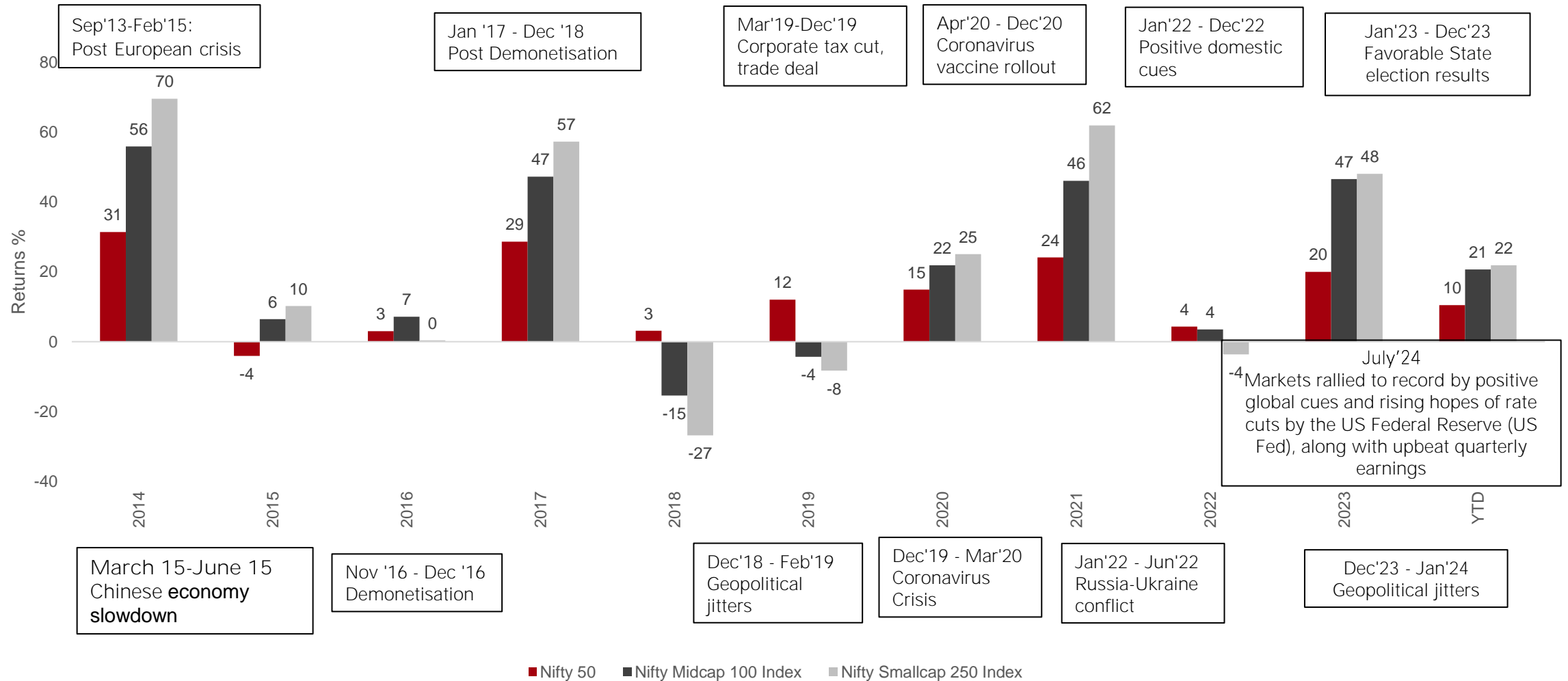
Demonetization  
Reforms in India- Corporate tax and GST  
Made in India- Aggressive Infrastructure Development  
Interest rate easing by domestic and global central banks

Russia-Ukraine and Israel- Gaza War  
Rate decision by domestic and global central banks  
China slow down

Union Budget reaction, corporate earnings and expectations of rate cut by global central banks

# History of Equity markets through major events

## Performance of major equity indices

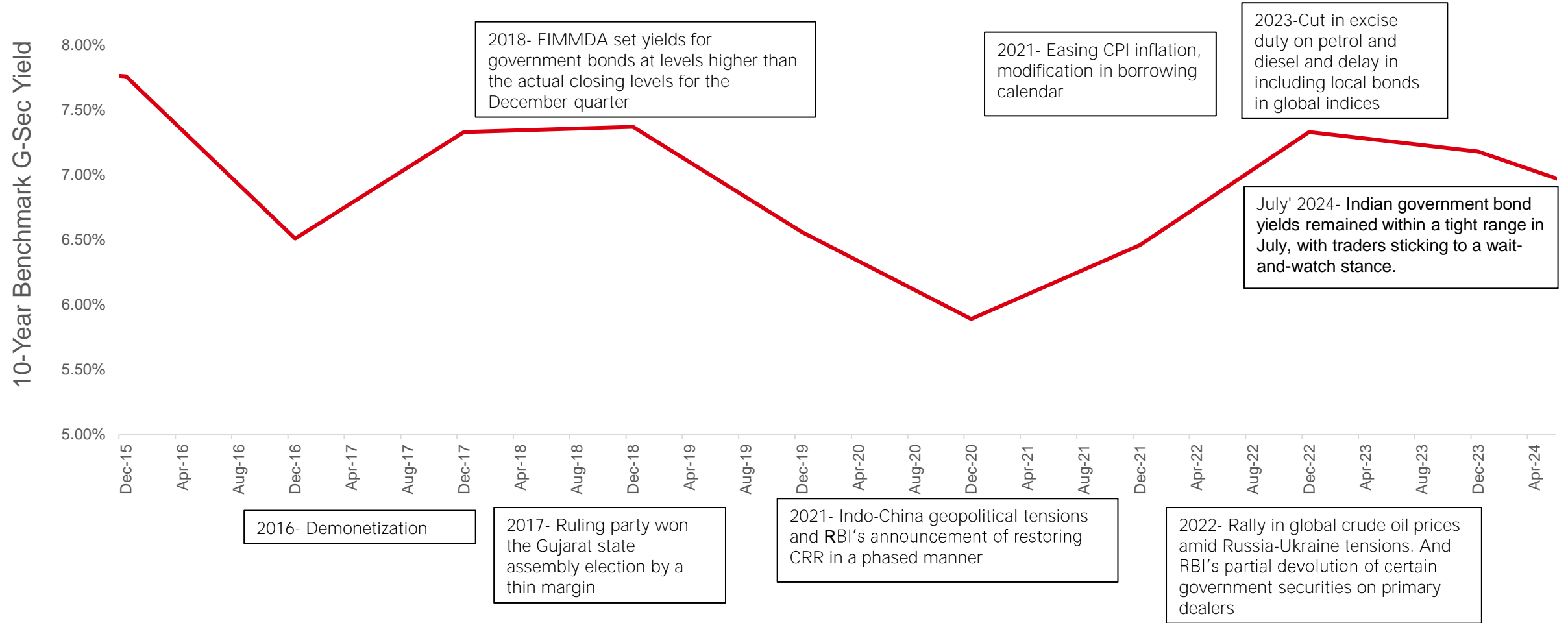


Source: NSE, CRISIL, Data as on 31 July 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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# History of Debt Markets through major events

10-year G-Sec yield movement through major events

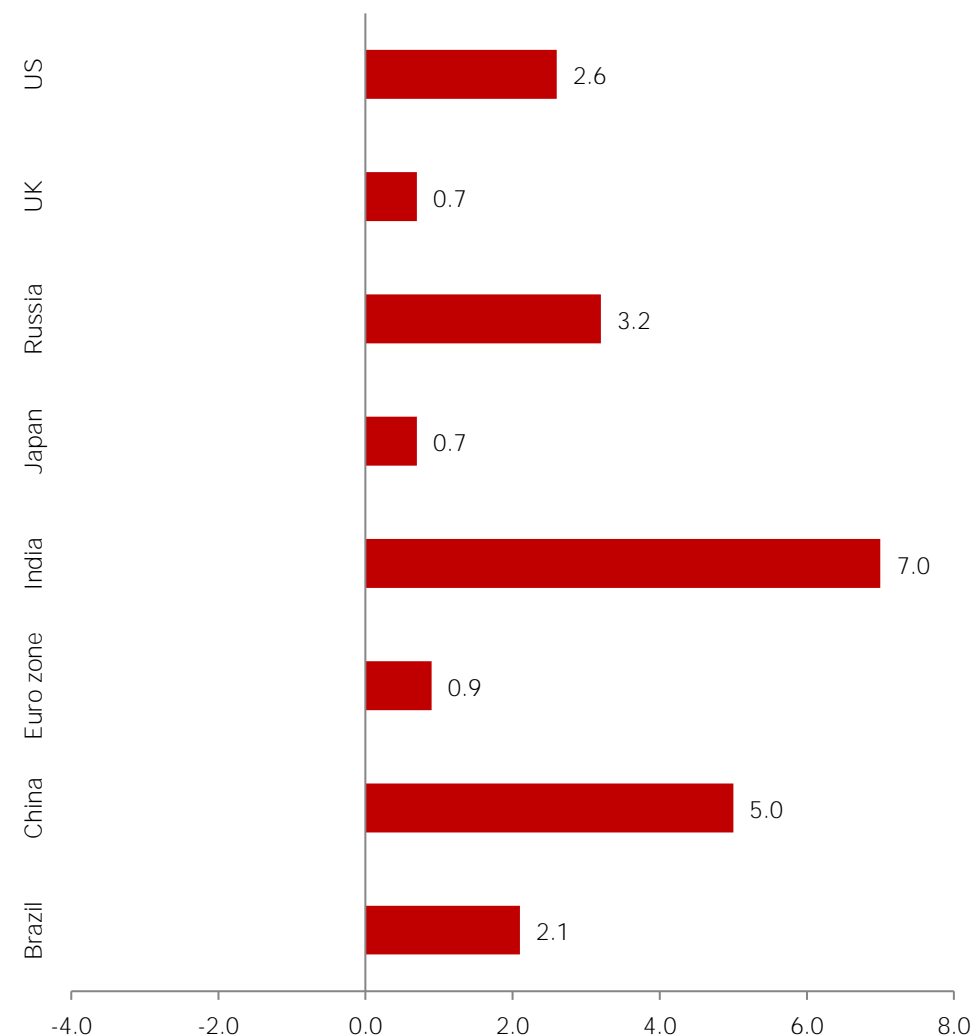




	GDP		Inflation		Industrial Growth	
	Current	Previous	Current	Previous	Current	Previous
US	2.8% Q2 2024	1.4% Q1 2024	3.0% Jun'24	3.3% May'24	1.6% Jun'24	0.3% May'24
Eurozone	0.6% Q2 2024	0.5% Q1 2024	2.6% Jul'24	2.5% June'24	-2.9% May'24	-3.1% Apr'24
UK	0.3% Q1 2024	-0.2% Q4 2023	2.0% Jun'24	2.0% May'24	-0.4% May'24	-0.7% Apr'24
China	4.7% Q2 2024	5.3% Q1 2024	0.2% Jun'24	0.3% May'24	5.3% Jun'24	5.6% May'24
Japan	-2.9% Q1 2024	0.1% Q4 2023	2.8% Jun'24	2.8% May'24	-7.30% Jun'24	1.1% May'24
India	8.6% Q1 2024	7.8% Q4 2023	5.08% Jun'24	4.80% May'24	5.9% May'24	5.0% Apr'24

Major Global Central Bank	Latest Key Interest rate
US Federal Reserve	5.25-5.5%
Bank of England	5.25%
European Central Bank	4.25%
Bank of Japan	0.25%
India	6.50%

IMF GDP Projections for 2024



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

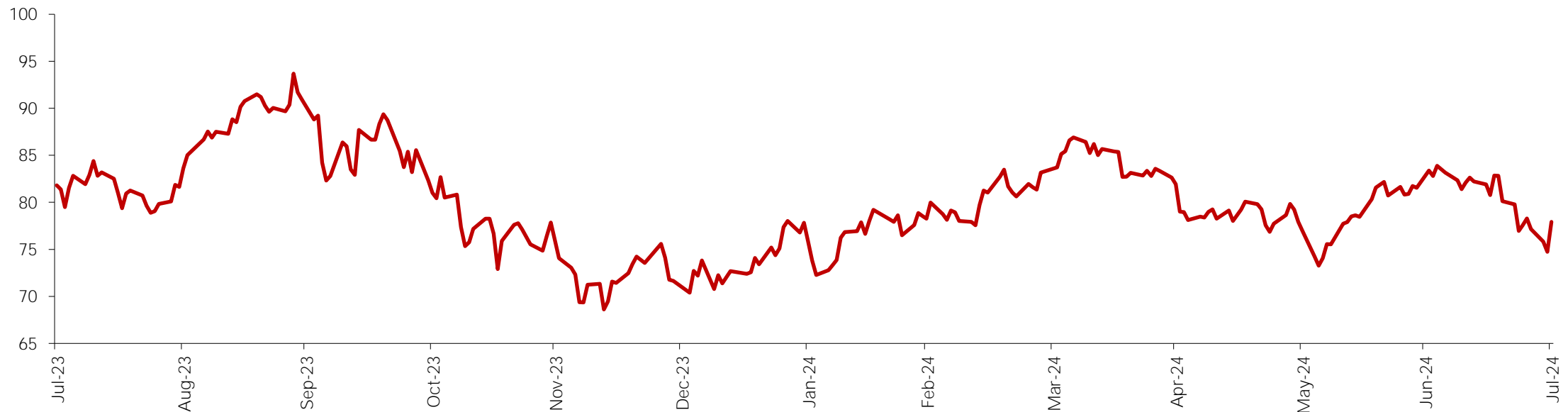
Past performance may or may not be sustained in future and is not a guarantee of any future returns., GDP – Gross Domestic Product, IMF – International Monetary Fund  
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## International crude oil fell in July

- Crude oil prices on the New York Mercantile Exchange (NYMEX) closed at \$77.91 per barrel on July 31, 2024, down 4.45% from \$81.54 per barrel on June 30, 2024.
- Oil prices declined as Hurricane Beryl had lesser than expected impact on oil producing refineries in the US. It fell further after a weak US consumer sentiment data weighed against the mounting expectations of a rate cut by the Federal Reserve (Fed). Persistent demand worries from China, reports of higher supply from OPEC+ and a strong dollar also kept the prices under pressure.

(\$ Per Barrel)

Global Crude Oil prices - NYMEX (\$ per barrel)



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

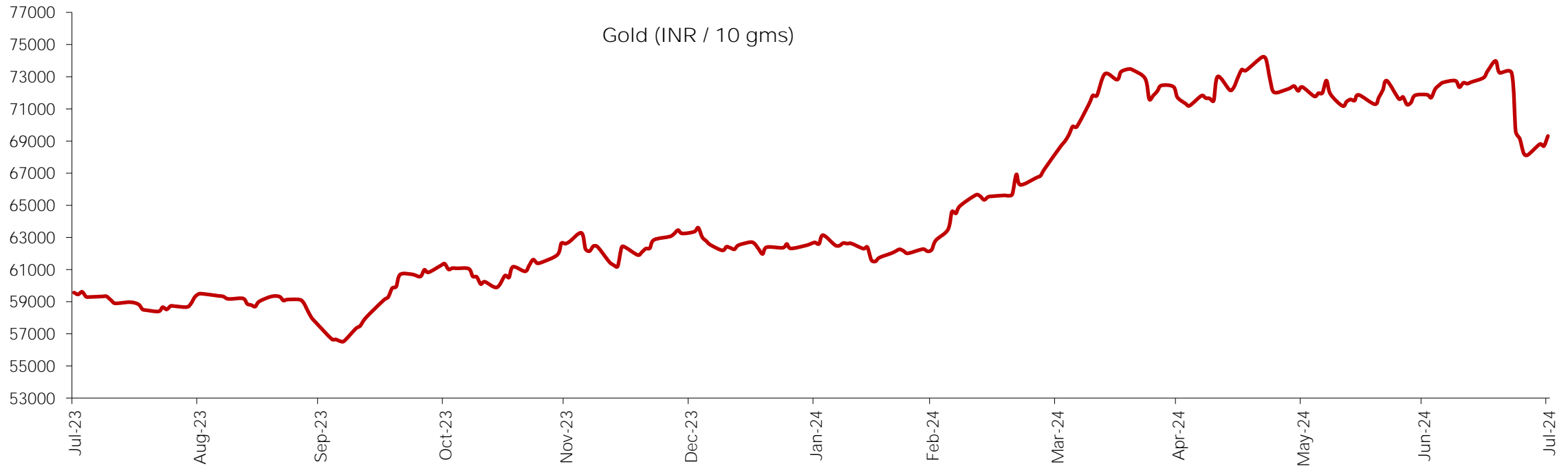
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# Commodity Market Review

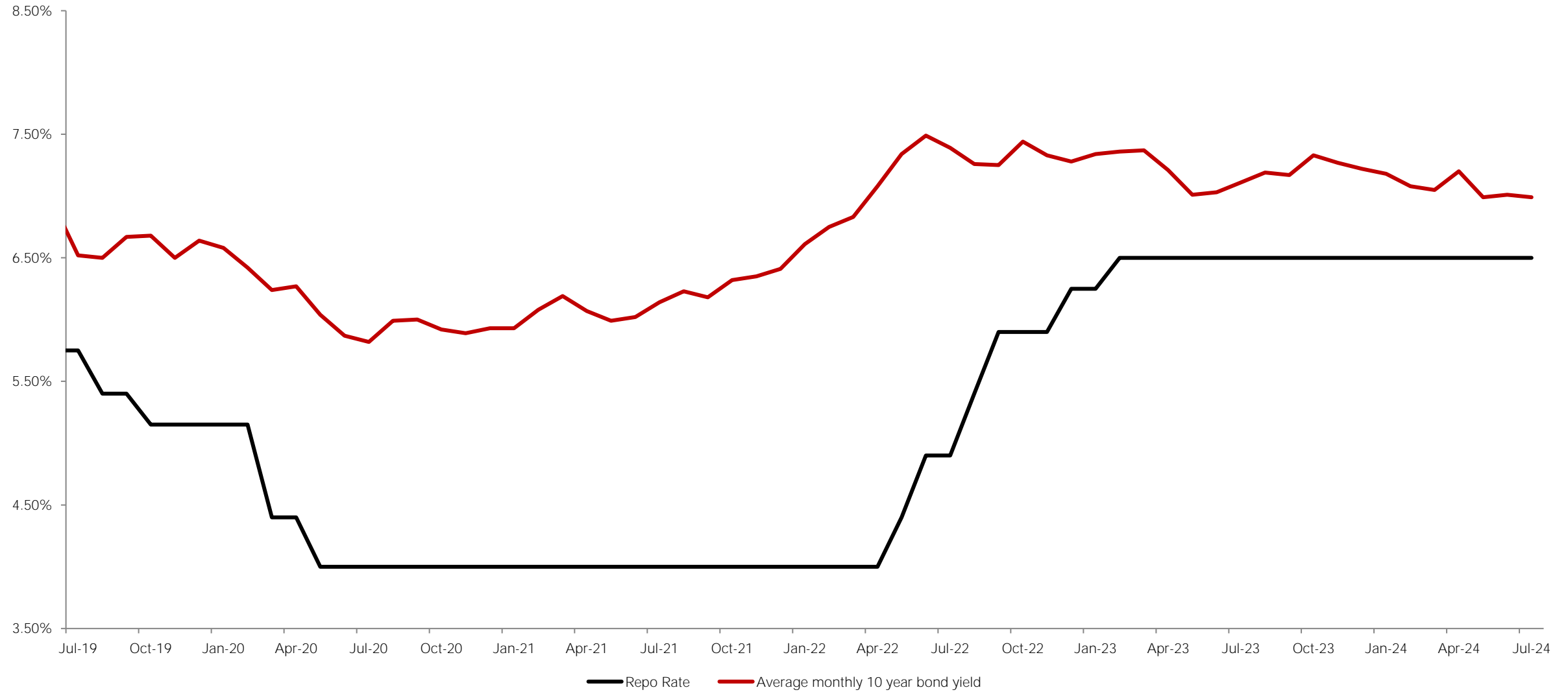
## Gold fell in July

- Gold prices ended at Rs 69,309 per 10 grams on July 31, down 3.52% from Rs 71,835 per 10 grams on June 28, according to the India Bullion and Jewellers Association Ltd.
- Prices declined mainly after the government announced a cut in basic custom duty on gold and silver in the Union Budget.
- During the month, investors traded in caution ahead of key data release from the US to gauge the Fed's policy stance, which kept the prices under check.



Source: CRISIL, IBJA. Data as on 31 July 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.

# RBI Repo Rate held at 6.50%



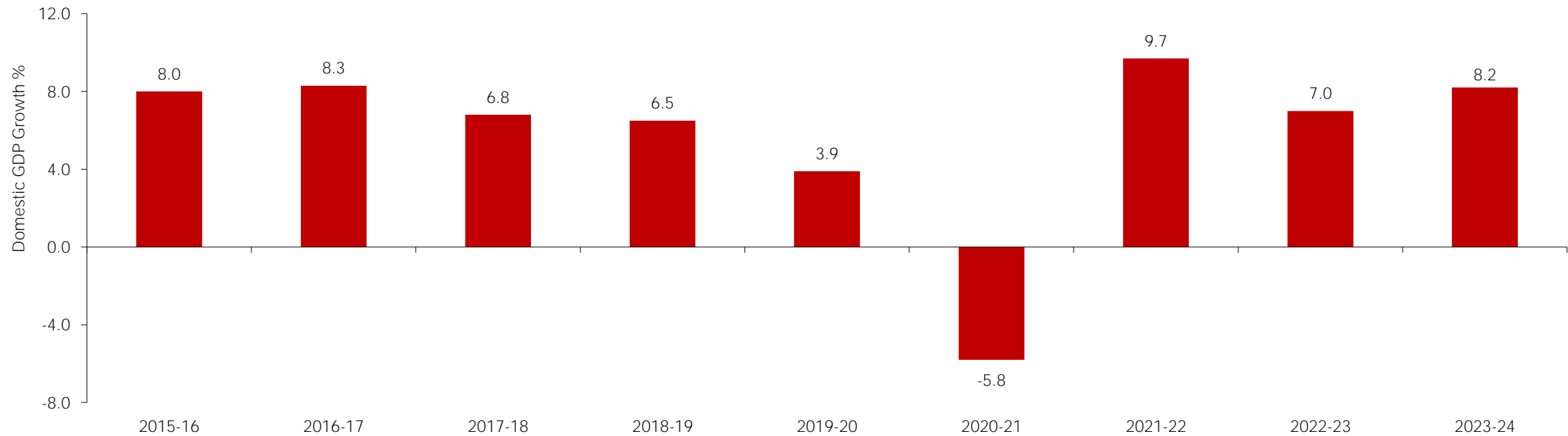
Source: RBI, CRISIL Research, Data as on 31 July 2024  
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# Indian Economic Environment

GDP growth outlook remains positive; Economic Survey projects 6.5-7% growth

- The Economic Survey of India 2023-24 pegs real gross domestic product (GDP) growth between 6.5% and 7% for fiscal 2025 in line with the Asian Development Bank's (ADB's) forecast of 7%. Likewise, the International Monetary Fund (IMF) also upgraded its GDP projection for India to 7% from its earlier forecast of 6.8% in April.
- The government defended the Budget by spelling out its plan to support economic growth through increased annual spending of Rs 48.2 trillion. Interestingly, it lowered the gross borrowing estimate for the year to Rs 14.01 trillion compared with fiscal 2024, citing that lower borrowings would leave more money in the banking system for companies to borrow for their investments, helping spur growth and create more jobs



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

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Retail inflation rose to four-month low of 5.08% in June 2024

- India's consumer price index (CPI)-based inflation came in at 5.08% in June 2024. While this was only marginally higher than the preceding month (4.80% in May 2024), it was the highest in four months and reflected a significant increase as compared to a year ago (4.8% in June 2023).
- Meanwhile, India's wholesale price index-based (WPI) inflation rose to a four-month high of 3.36% in June.

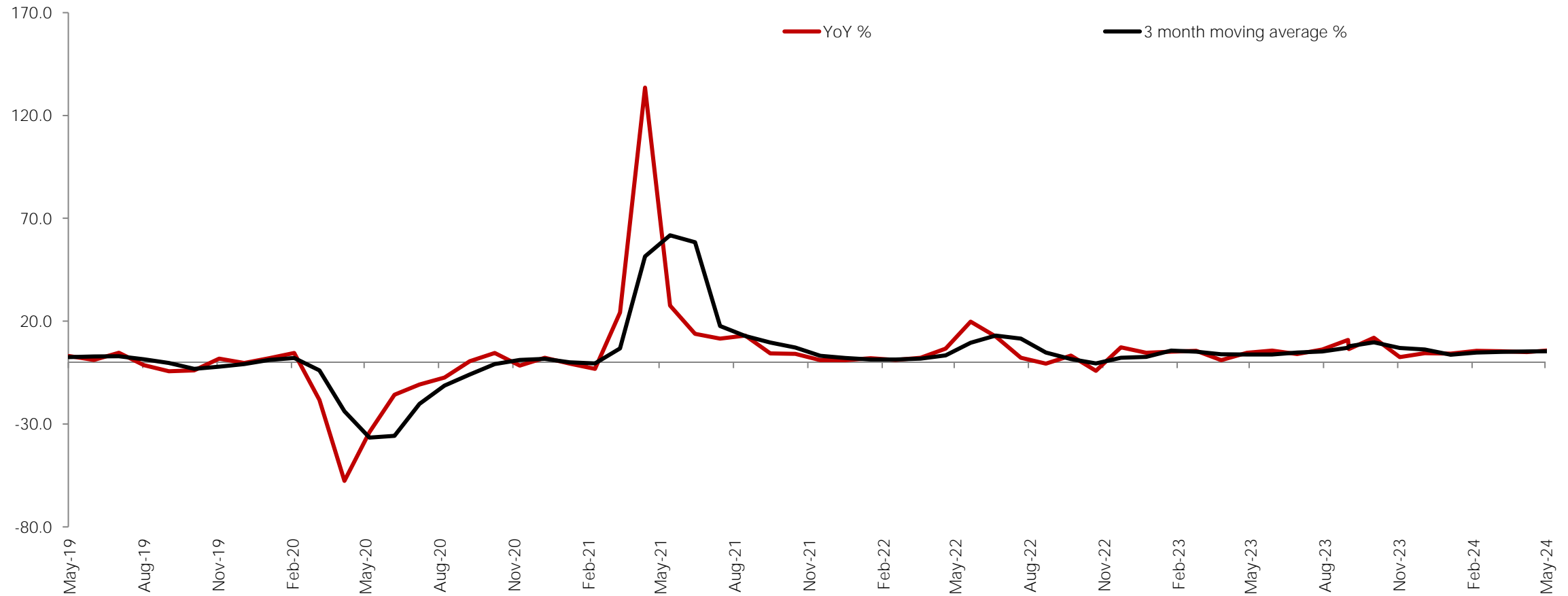
Indicators	Current	Previous
Monthly CPI Inflation	5.08% (June-24)	4.80% (May-24)
Industrial Growth	5.9% (May-24)	5.0% (April-24)
Exports	\$109.96 bn (Apr-Jun 24)	\$103.89 bn (Apr-Jun 23)
Imports	\$172.23 bn (Apr-Jun 24)	\$160.05 bn (Apr-Jun 23)
Trade Balance	\$-22.56bn (Apr-Jun 24)	\$--21.03 bn (Apr-Jun 23)
Gross Tax Collections	INR 830797 cr (Apr-Jun FY25)	INR 671883 cr (Apr-Jun FY24)

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

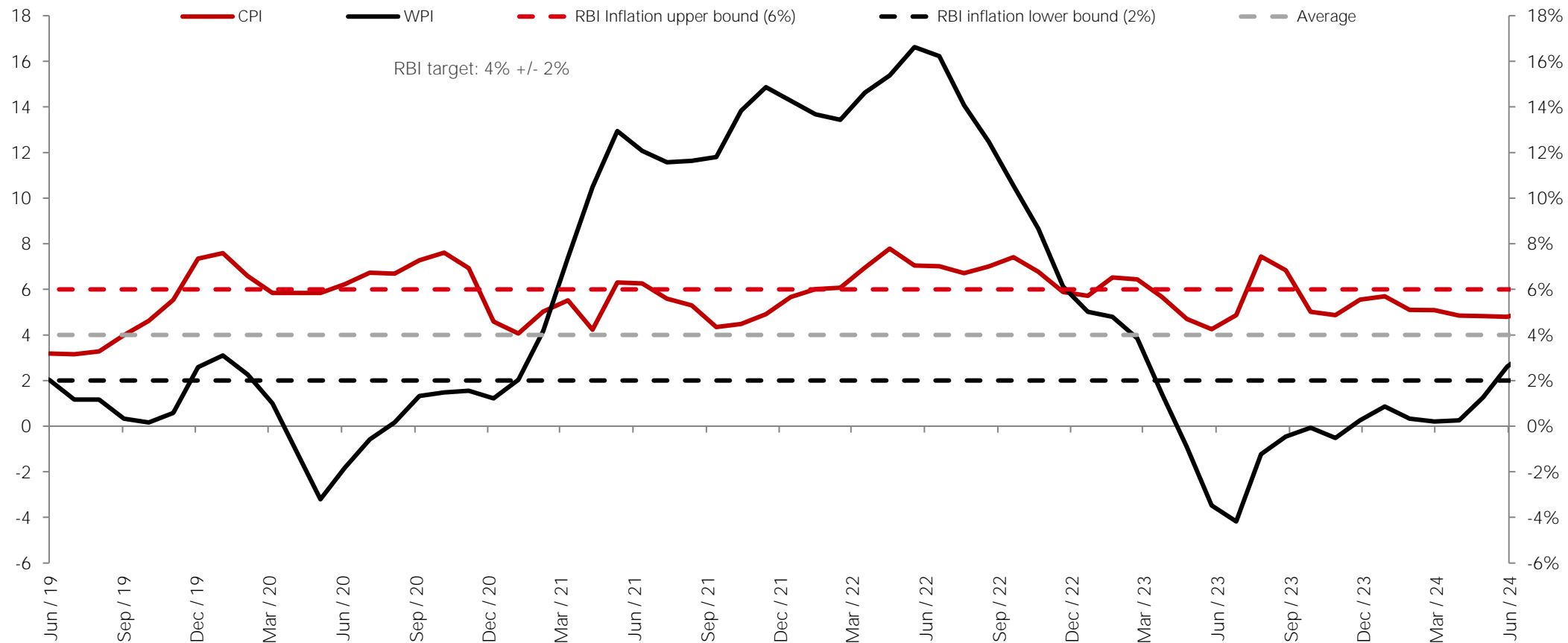
- India's industrial output, as measured by the Index of Industrial Production, rose to 5.9% in May 2024.



Source: CRISIL, MOSPI, Data as on 31 July 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.

# Inflation target and trend

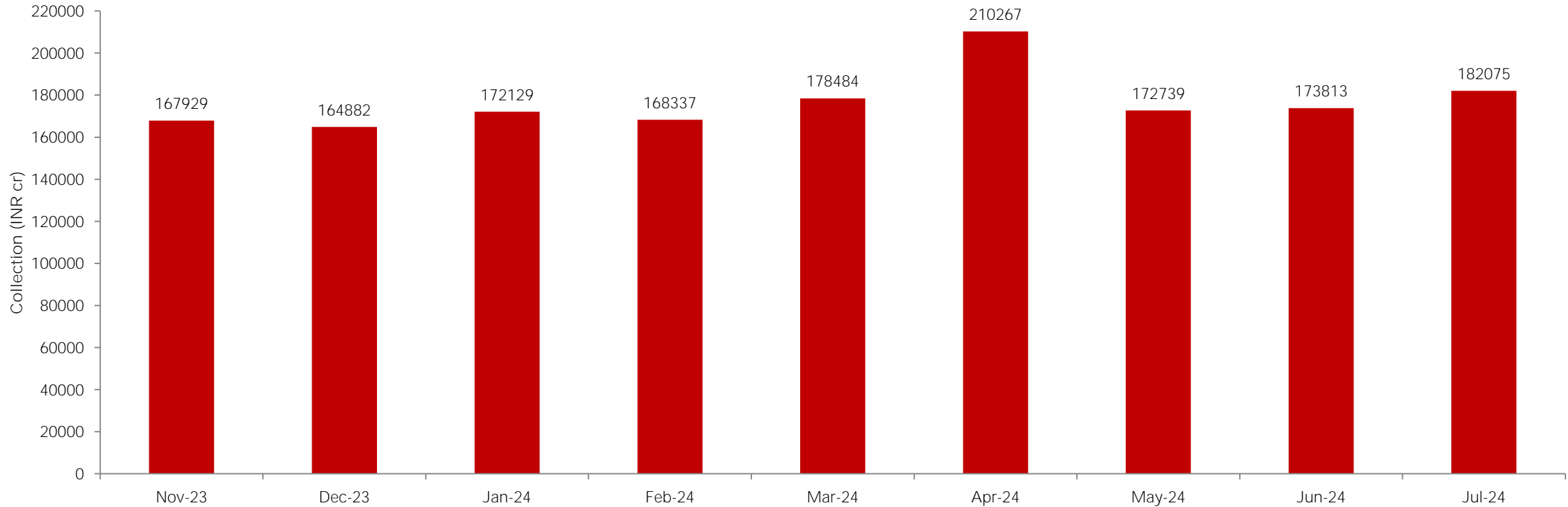
CPI inflation below the RBI's max target range



Source: CRISIL, MOSPI, RBI, Data as on 31 July 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.

# GST collection INR 1.82 lakh crore in July

As per reports, the government collected INR 1.82 lakh crore goods and services tax (GST) for the month of July



Source- \* media report, CRISIL, Ministry of Finance, Data as on 31 July 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 rose in July '24

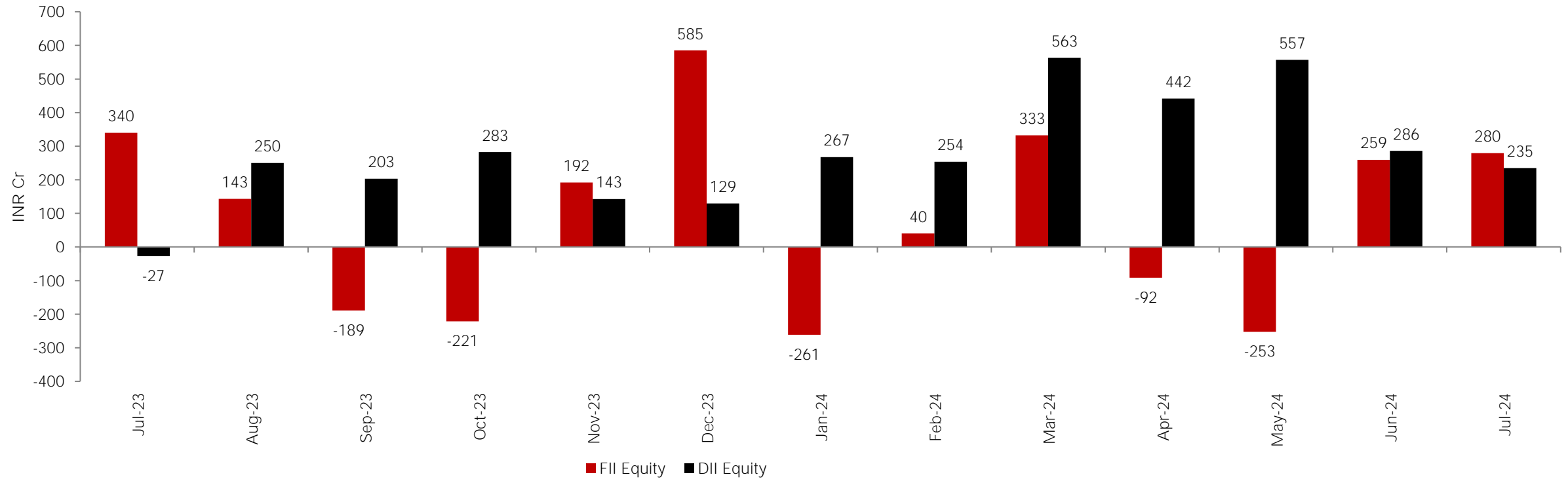
- India's equity markets extended their gains for the second month in a row in July 2024 and ended at record highs. Benchmarks BSE Sensex and Nifty 50 rallied 3.4% and 3.9% on-month, respectively. India's equity markets scaled all-time highs multiple times, with BSE Sensex and Nifty 50 breaching the 81,000-mark and 25,000-mark, respectively, for the first time.
- The gains were driven by positive global cues and rising hopes of rate cuts by the US Federal Reserve (US Fed), along with upbeat quarterly earnings, increased participation from domestic institutions, and strong gains in mid- and small-cap indices.
- Hopes of rate cuts by the US Fed were bolstered by positive cues, including data showing easing inflation and better-than-expected growth in the US.
- The annual inflation rate in the US fell for a third straight month to 3% in June 2024, the lowest since June 2023, compared with 3.3% in May. The US economy expanded at an annualised 2.8% in the second quarter of 2024 against 1.4% in the first quarter.
- The Indian markets also made substantial gains because of upbeat quarterly earnings by several blue-chip stocks, including a major domestic software services provider.
- More gains were seen after the UP government waived registration tax on hybrid cars, giving a leg-up to the auto sector.
- The markets were supported by continued buying by domestic institutional investors (DIIs) and foreign institutional investors (FIIs) in July. DIIs bought Rs 24,936.77 crore worth of Indian equities, compared with Rs 28,633.15 crore in June. FIIs bought Indian equities worth Rs 32,365 crore, compared with the sale of Rs 26,565 crore.
- However, the hike in capital gains tax and securities transaction tax in the Union Budget resulted in an intense selloff.
- Some losses were also seen because of intermittent profit booking.

Source –CRISIL, Data as on 31 July 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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## BSE sectoral indices mostly ended higher in July '24

- The market gains were broad-based in July, with all key sectoral indices, barring three, witnessing a monthly rise as compared to June-end.
- The biggest gainer was the BSE IT index, which rose 12.9%, with several IT stocks experiencing strong demand and hitting new all-time highs on the back of positive factors such as a healthy quarterly performance, expectations of a rate cut by the US Fed and improving demand conditions in the US.



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

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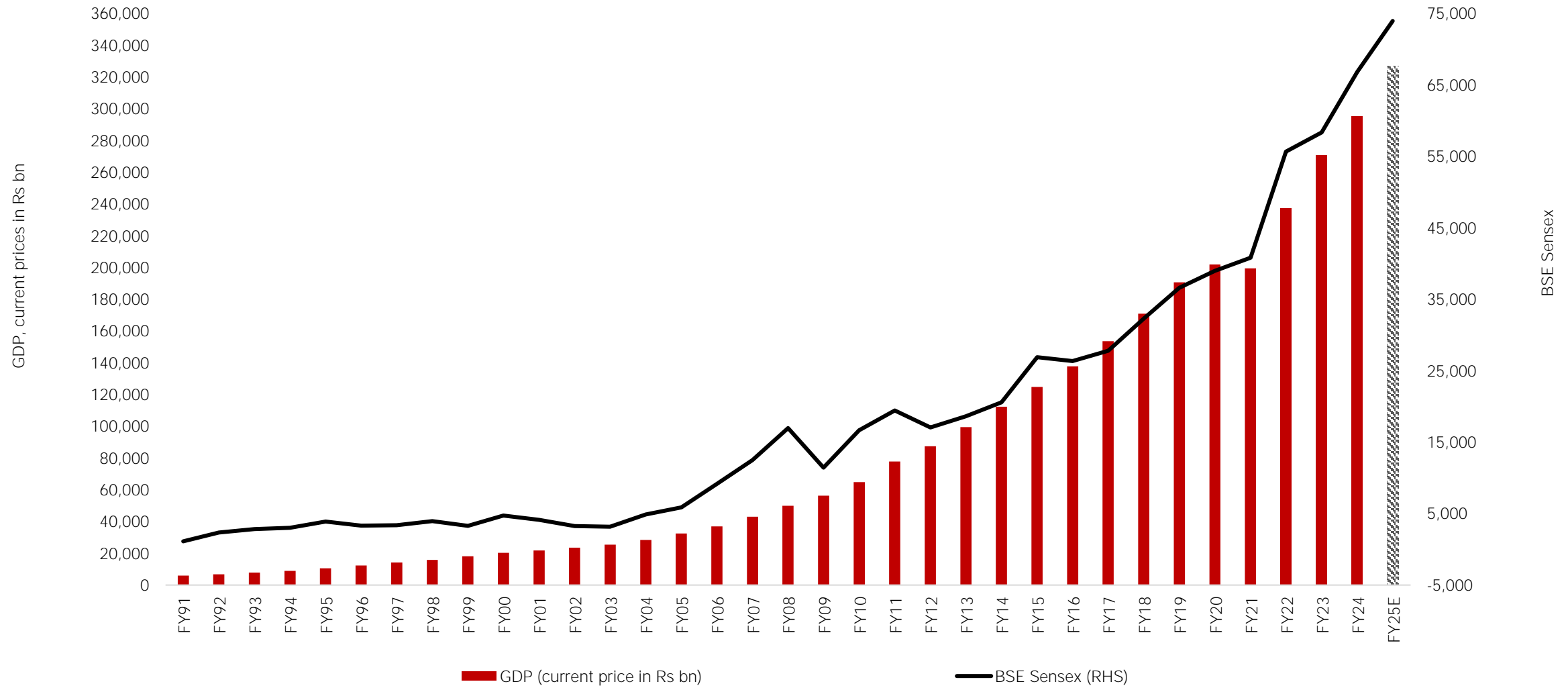
# Equity Market Review

Indices	31-July-2024	28-June-2024	% Change 1 Month	% Change 1 Year	% Change YTD
Nifty 50	24951	24011	3.92	26.31	14.82
BSE Sensex	81741	79033	3.43	22.87	13.15
BSE Auto	60185	57293	5.05	67.10	42.52
BSE BANKEX	58866	59641	-1.30	14.45	8.25
BSE Capital Goods	75640	72324	4.58	71.73	35.94
BSE Consumer durables	60929	58827	3.57	42.52	21.86
BSE FMCG	22507	20550	9.53	18.54	9.96
BSE Healthcare	40519	37110	9.19	46.09	28.43
BSE IT	41707	36951	12.87	37.75	15.82
BSE Metal	32771	33051	-0.85	47.75	21.42
BSE MidCap	48634	46158	5.36	59.88	32.02
BSE Oil & Gas	32563	29473	10.48	67.64	41.45
BSE Power	8442	7955	6.13	92.75	45.09
BSE PSU	22814	21204	7.59	94.49	46.64
BSE Realty Index	8540	8635	-1.10	88.27	38.04
BSE SmallCap	55332	52130	6.14	58.08	29.66

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# 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 31 July 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

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

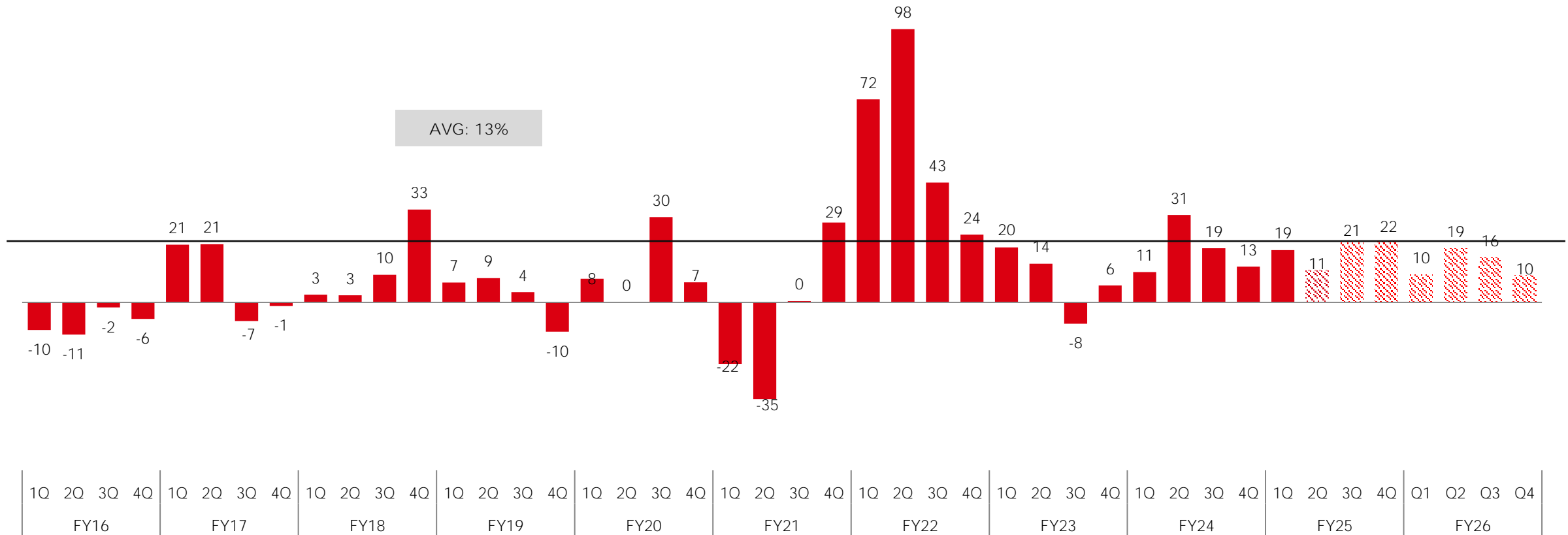
Sectoral indices	% Change										10-year CAGR*
	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24*	
Nifty 50	-4.06	3.01	28.65	3.15	12.02	14.90	24.12	4.33	11.20	14.82	12.43
BSE Sensex	-5.03	1.95	27.91	5.91	14.38	15.75	21.99	4.44	10.10	13.15	12.17
BSE Auto	-0.60	9.39	32.06	-22.12	-11.27	12.59	15.27	16.54	38.48	42.52	14.52
BSE BANKEX	-9.92	7.35	39.08	5.27	20.72	-2.14	13.63	21.03	2.83	8.25	12.90
BSE CG	-8.51	-3.28	40.03	-1.63	-9.97	10.63	43.47	15.97	49.93	35.94	17.82
BSE CD	24.02	-6.34	101.92	-8.79	20.86	21.52	41.81	-11.27	18.62	21.86	21.67
BSE FMCG	1.36	3.29	31.54	10.60	-3.58	10.55	8.57	-10.93	19.17	9.96	12.11
BSE Healthcare	15.06	-12.88	0.49	-5.92	-3.55	61.45	17.62	16.62	31.87	28.43	12.61
BSE IT	4.51	-8.00	10.83	24.93	9.84	56.68	41.79	-12.10	15.89	15.82	15.64
BSE Metal	-31.20	36.65	47.78	-20.75	-11.92	11.23	57.06	-24.24	16.23	21.42	9.62
BSE Oil & Gas	-3.43	27.17	34.00	-15.57	7.25	-4.44	24.22	8.36	0.70	41.45	11.71
BSE Power	-6.44	1.53	19.83	-16.06	-3.65	7.05	67.62	16.57	12.32	45.09	14.73
BSE PSU	-17.18	12.88	19.27	-21.11	-3.88	-16.88	41.01	25.84	34.65	46.64	11.02
BSE Realty	-13.55	-5.98	106.36	-31.07	26.85	8.66	53.34	-10.26	64.11	38.04	16.25

Source: CRISIL, BSE, Figures in red indicate negative returns in that period. \*10-year CAGR, Data as on 31 July 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 growth – quarterly trend

Nifty 50 earnings retreated Q2 FY22 onwards



## Nifty 50 EPS Growth (Y-o-Y)

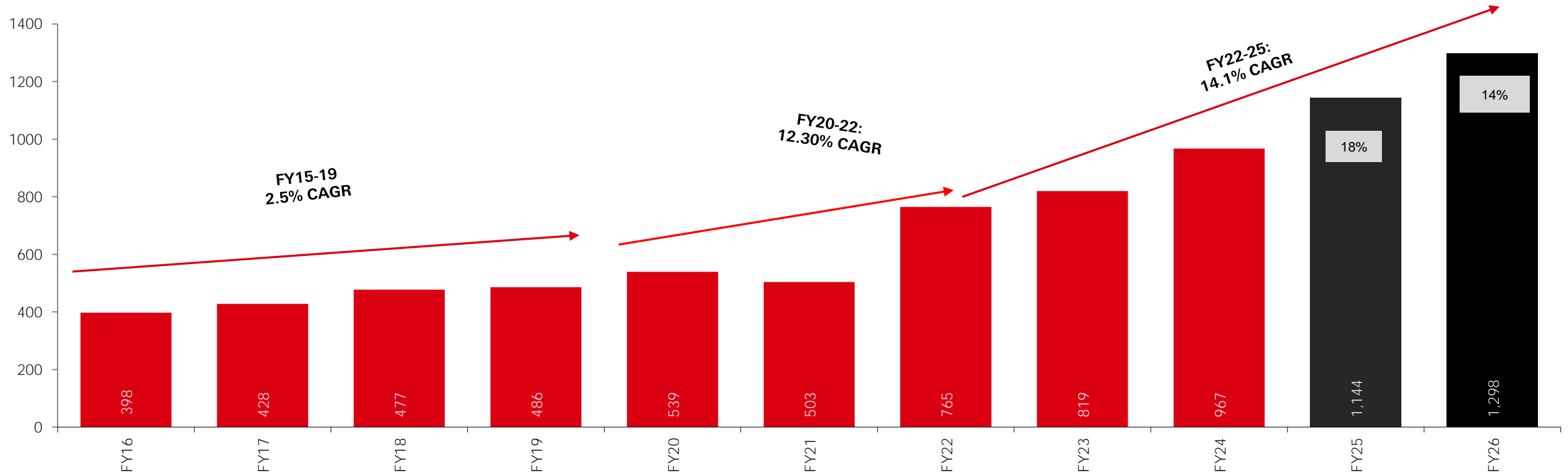
Estimates – shaded portion of FY25 and FY26

Source: CRISIL, Bloomberg, Data as on 31 July 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)



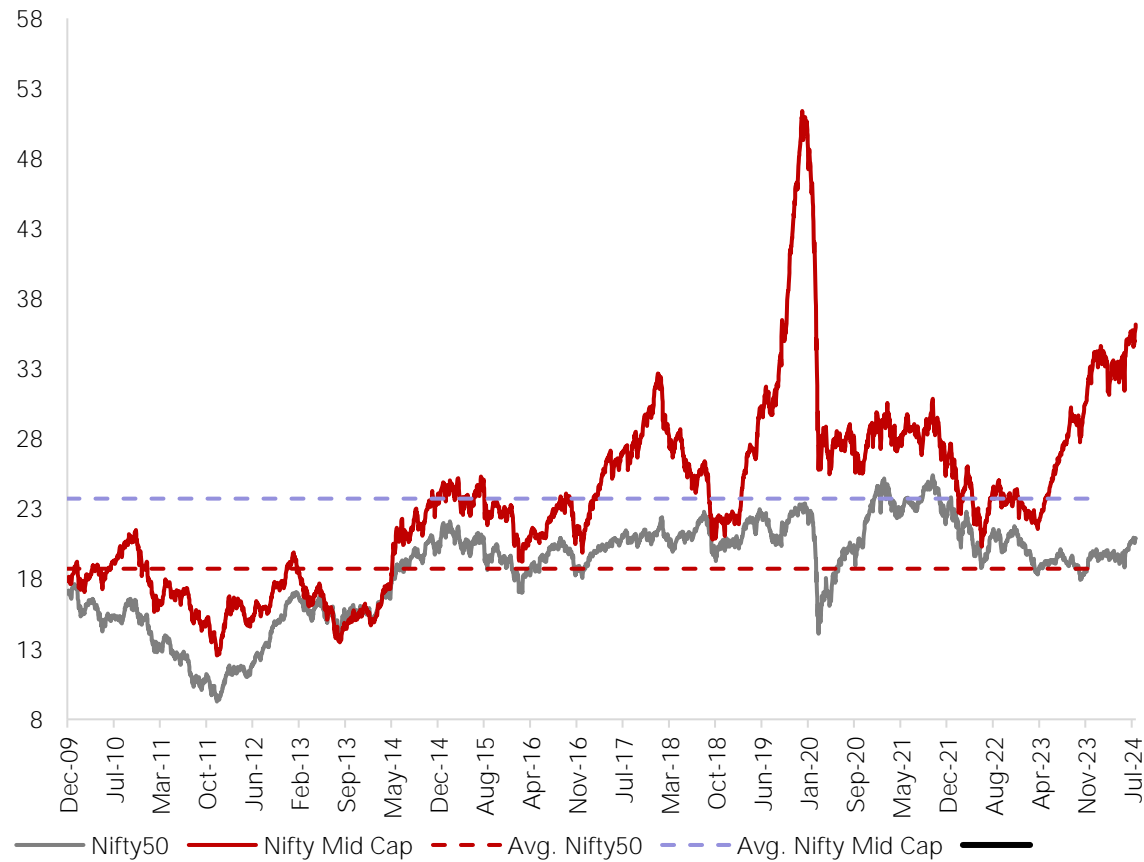
Note: Trailing 12M EPS (Earnings Per Share)  
Black shaded columns are estimates of FY25 and FY26  
Data for FY 26 is for only three quarters

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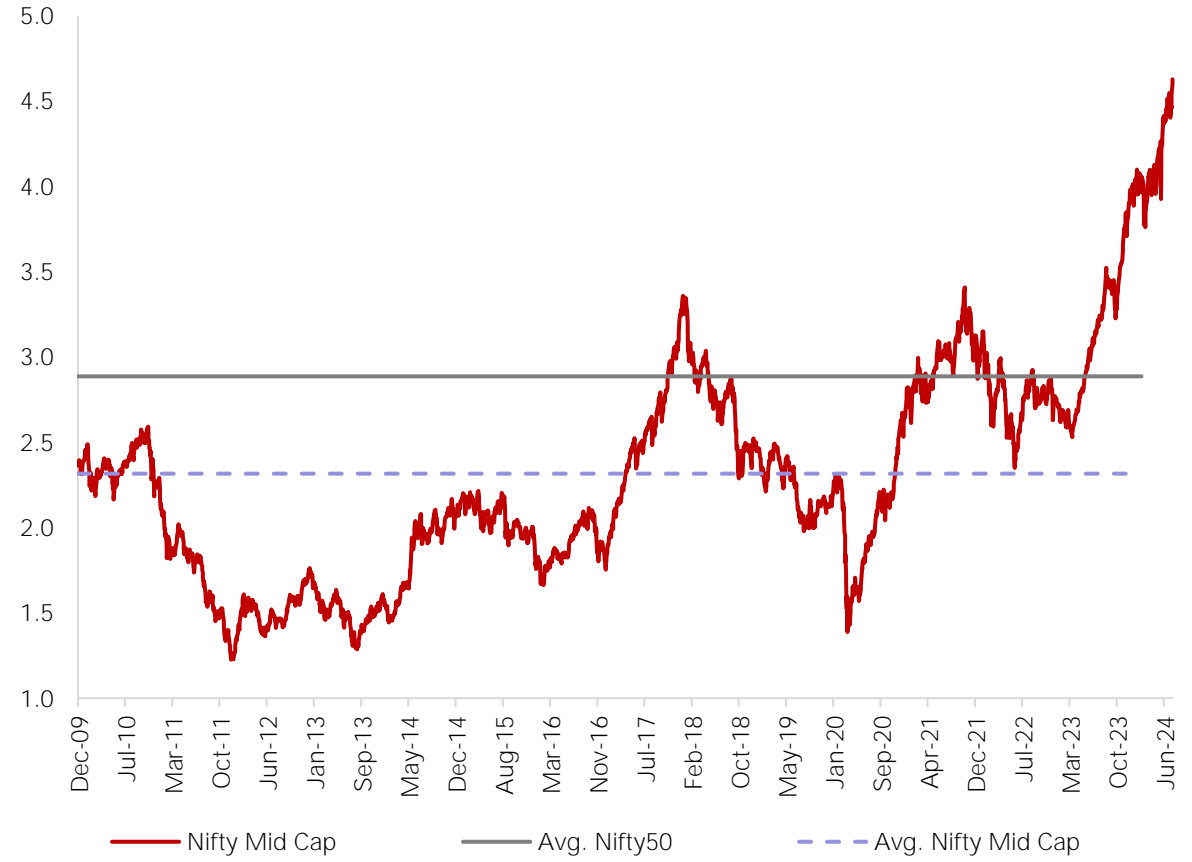


# Market valuations – Nifty 50 and Nifty Midcap 100

Large and Mid Cap - Price to Earnings (PE)



Large and Mid Cap - Price to Book (PB)



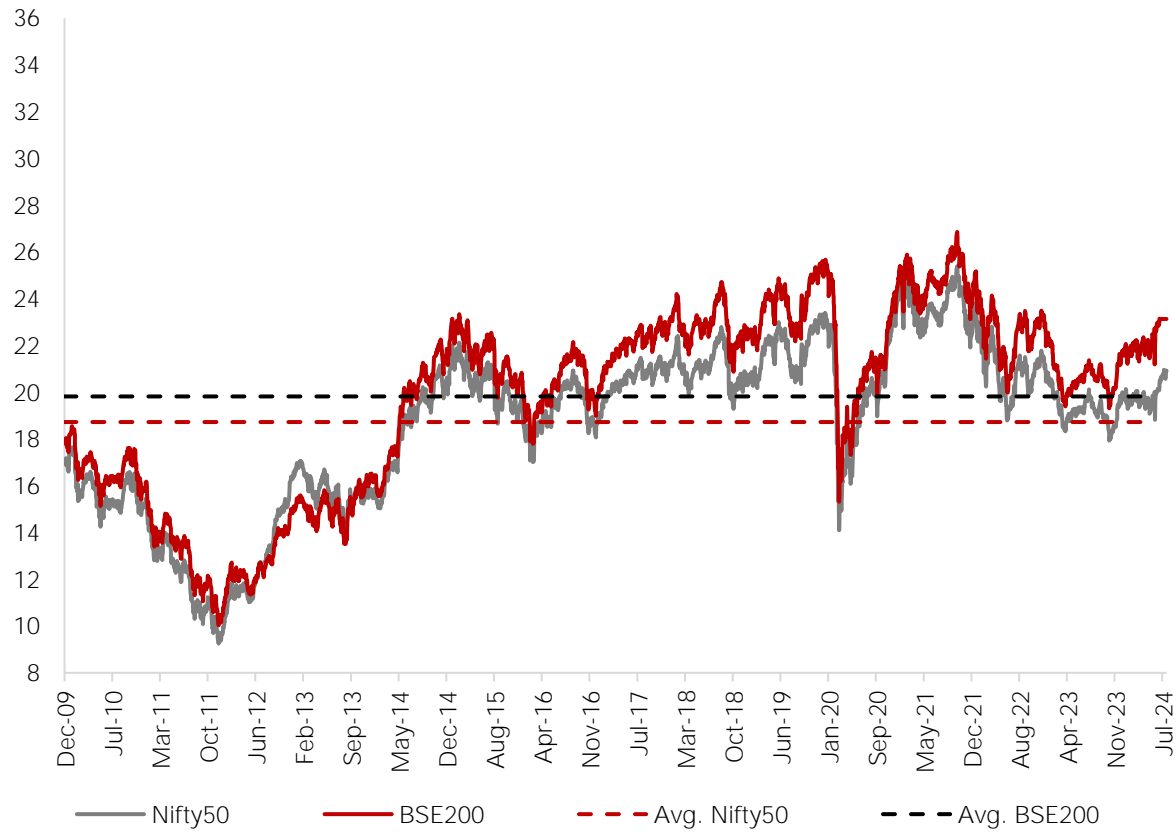
Source: CRISIL, Bloomberg

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

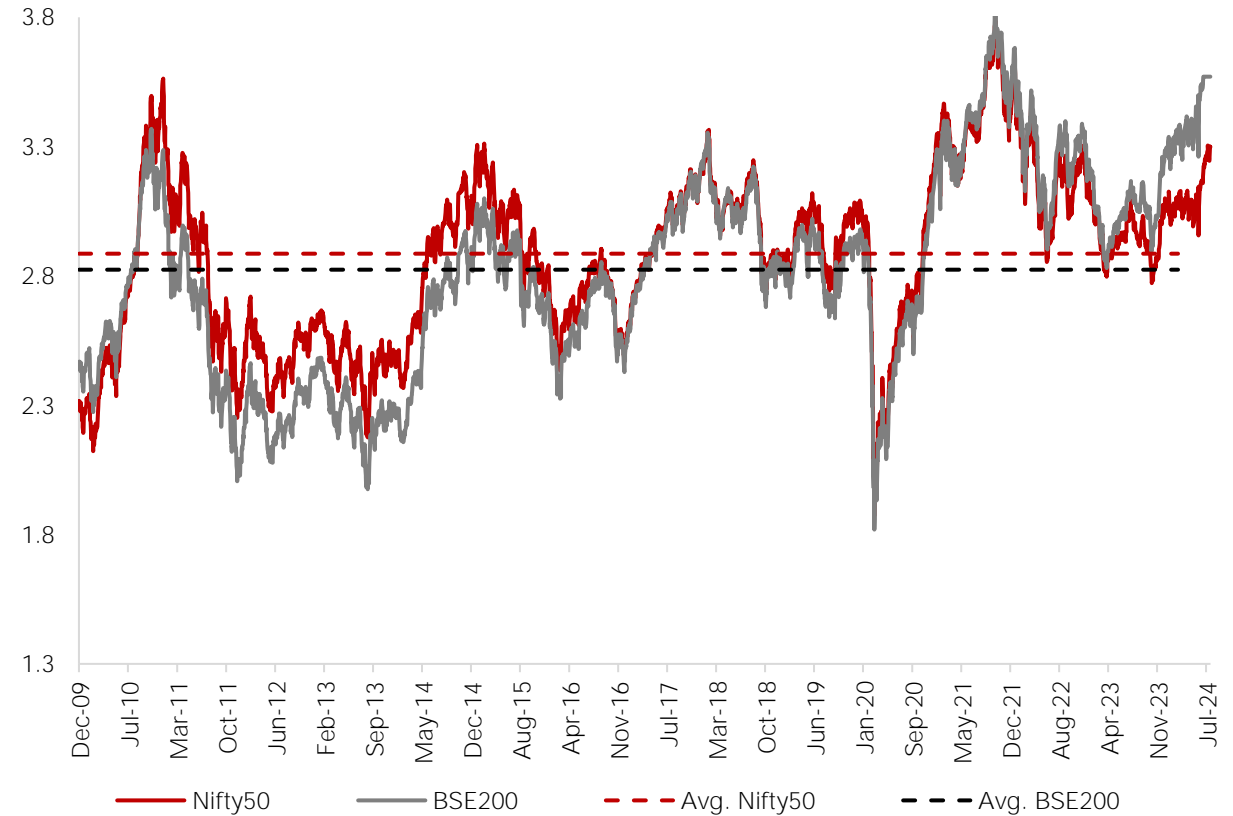
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# Market valuations – Nifty 50 and BSE 200

### Large and BSE 200 - Price to Earnings (PE)



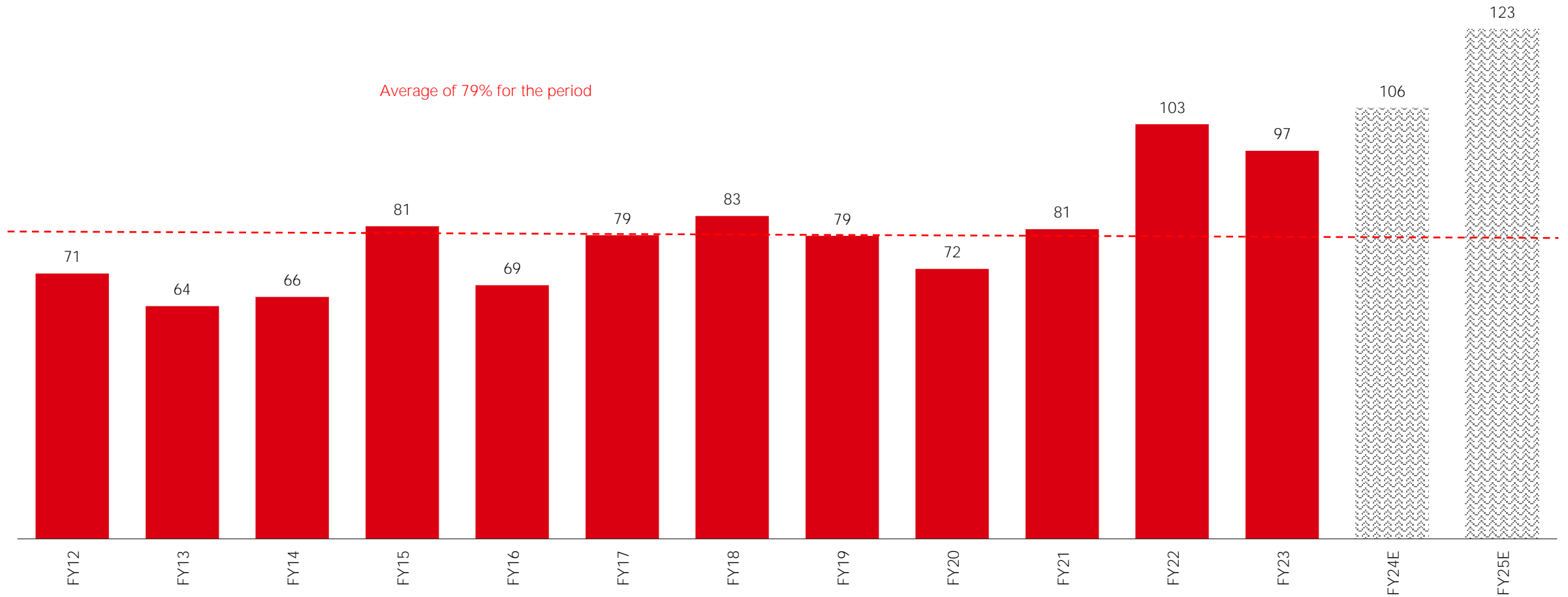
### Large and BSE 200 - Price to Book (PB)



Source: CRISIL, Bloomberg, BSE, Data as on 31 July 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



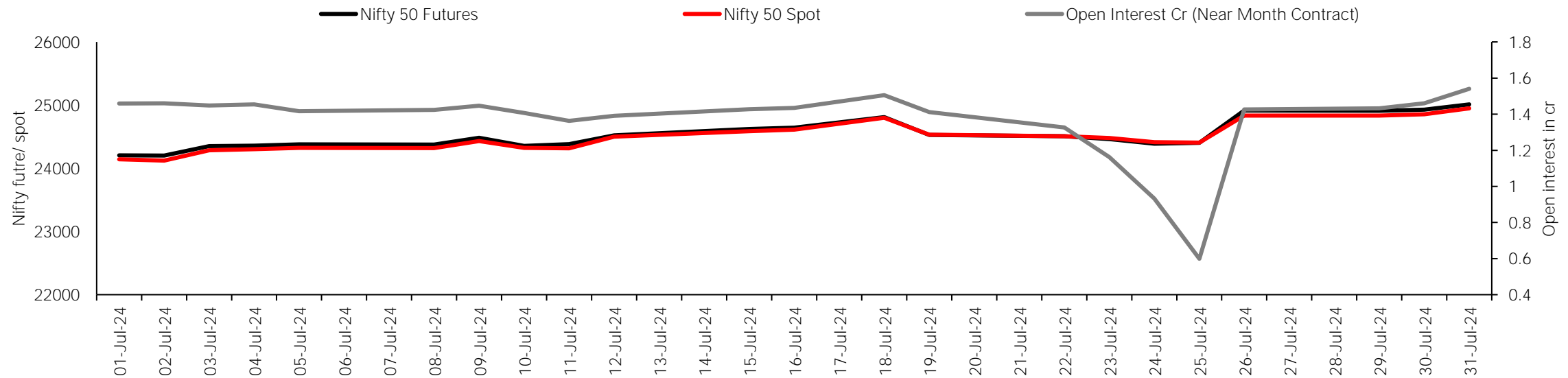
Shaded area are Estimates (E) – FY24, FY25  
Source: CRISIL, MOSPI, Bloomberg, CRISIL estimates;

Data as on 31 July 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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- Indian equity indices continued their strong upward trajectory in July 2024. BSE Sensex and NSE Nifty moved up 3.5%/4.0%, respectively for the month.
- Broader market saw an even stronger up-move with the BSE Small Cap Index rising 6.3% and the NSE Mid Cap Index rising 5% during the month.
- FIIs remained net buyers of Indian equities in July with an inflow of US\$3.3 bn. DII's invested US\$2.8 bn with MFs investing US\$2.2 bn while Insurance invested US\$0.6 bn during the month.
- While consensus earnings estimate for FY25/26 saw modest upgrades in July, sharp up move in equity indices has driven index valuations higher.
- Nifty now trades on 21.8x 1 year forward PE 20% above its 10-year average and 12% above its 5-year average. Valuations in Mid Cap and Small Cap space are much more elevated.
- The global macro environment remains challenging with heightened geo-political and economic uncertainties. US bond yields are now softening driven by concerns of a US slowdown.
- For India, growth has continued to remain strong with GDP growth of 7.8% in Q4FY24 driven by strong government spending on infrastructure and pickup in manufacturing and construction.
- The government has maintained policy continuity in the Union Budget. Infra thrust of the government along with a reduction in fiscal deficit should be supportive for domestic growth and capex cycle.
- The outlook for monsoons' is also positive and therefore supportive for rural demand and overall consumption growth in the economy in FY25.
- India's growth momentum and outlook remain strong. Increased government focus on employment generation and skill development is likely to lead to further policy support for manufacturing.
- We expect India's investment cycle to be on a medium-term uptrend supported by rising government investment in infrastructure and recovery in the real estate cycle.

## Nifty futures

- The Nifty 50 near-month future contract of July fell marginally on the rollover day (July 25) versus spot.
- The new near-month contract (August 29) ended 49.30 points higher on July 25.
- The rollover of the new near-month contract (August) was 66% up on the expiry day compared to 70% 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 11.76 on July 25 compared to 14.15 on June 27 (rollover date) and ended the month at 12.88.
- Nifty futures saw trading volume of around Rs 4.4 lakh crore, arising out of 71.88 lakh contracts, with an open interest of around 36.35 crore during the month



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## Nifty options

- On July 31, Nifty 25,500 call option witnessed the highest open interest of around 138 lakh, while Nifty 25,000 call contract garnered the maximum number of contracts of around 68 lakhs.
- Nifty 24,000 put option witnessed the highest open interest of around 179 lakh on July 31 and the Nifty 24,900 put contract garnered the maximum number of contracts of around 63 lakh.

## NSE F&O turnover

- Turnover on the NSE's derivative segment came in positive in the month. The average put-call ratio was at 0.91 in July higher than 0.89 in June.

Instrument	Monthly turnover summary (Figures in INR crore)		
	28-June	31-May	Change %
Index futures	825,104.39	983,344.45	-16%
Stock futures	3,831,730.12	3,662,528.41	5%
Index options	821,487,304.73	722,615,027.63	14%
Stock options	11,927,530.95	11,176,801.08	7%
Total	838,071,670.19	738,437,701.57	13%

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# Futures & Options (F&O) Review

FII segment

On Jul 31, FIIs' open interest was Rs 7.07 lakh crore (~100 lakh contracts). The details of FII derivatives trades for Jul 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	1739834	114742	1803588	120608	0.22	0.20	0.23	0.21
Index Options	768033734	55598002	766120483	55473938	96.51	96.23	96.48	96.21
Stock Futures	12849495	1005822	12797656	1002440	1.61	1.74	1.61	1.74
Stock Options	13223131	1055462	13315569	1063612	1.66	1.83	1.68	1.84
Total	795846194	57774028	794037296	57660599	100.00	100.00	100.00	100.00

Source – CRISIL, NSDL. Data as on 31 Jul 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.

## Average inter-bank call money rates above RBI repo rate in July

- The Indian banking system had surplus liquidity for the entire month of July 2024, with the surplus peaking at a three-month high of Rs 1.45 lakh crore on July 26. This was because of increased central spending after the polls, and the redemption of government securities worth around Rs 60,000 crore during the month. This led to lower overnight borrowing rates, with the interbank weighted average call rate (WACR), which hovered around 6.6% in May and June 2024, averaging close to the RBI's repo rate of 6.50% in July (6.52%).%

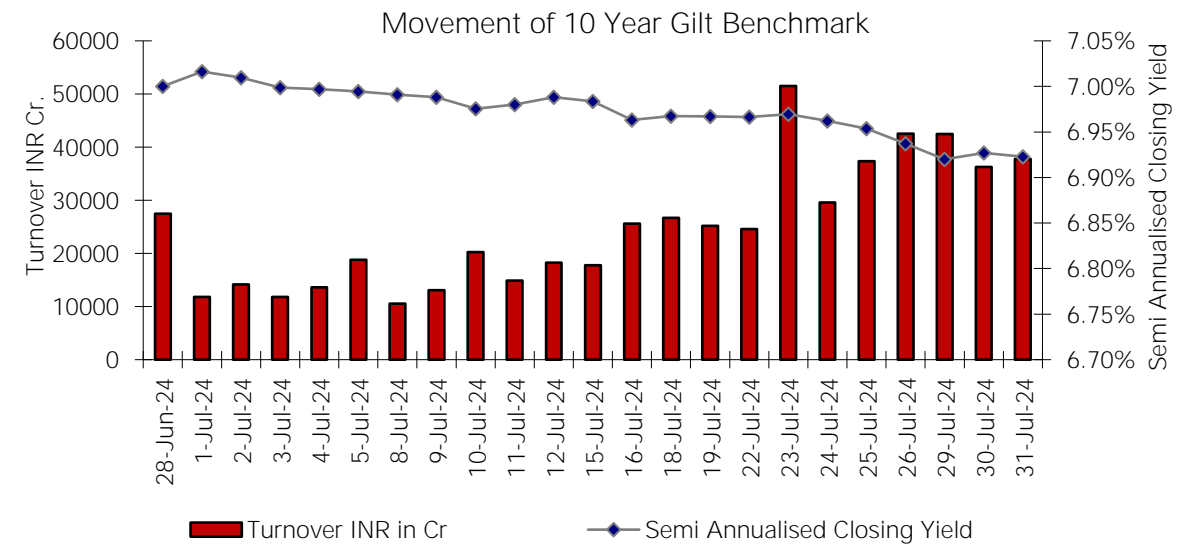
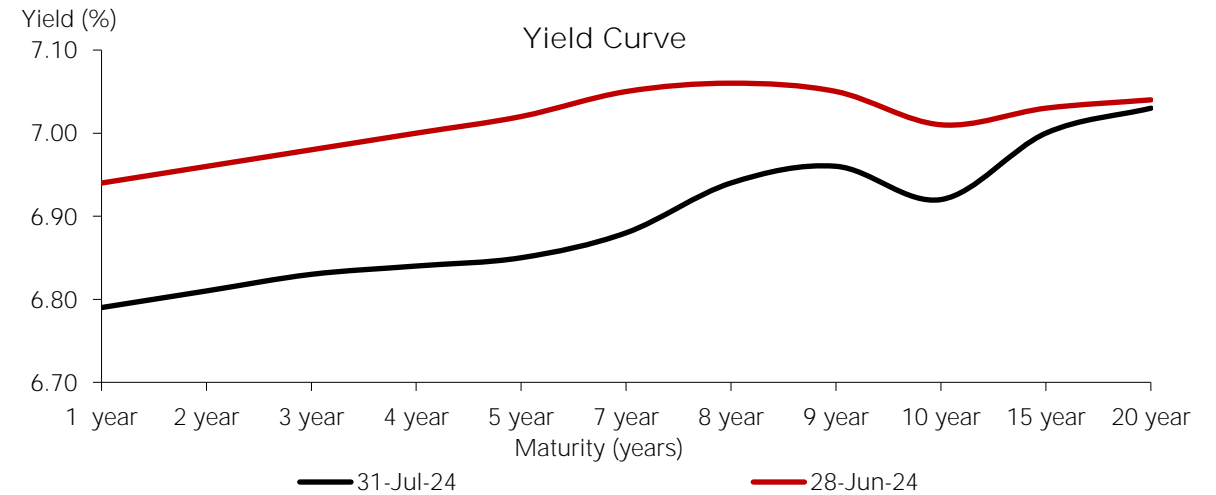
## Bond prices ended rose in July

- Indian government bond yields remained within a tight range in July, with traders sticking to a wait-and-watch stance. The benchmark yield remained in a narrow range of 6.93-6.99%, with the presentation of the Union Budget failing to spur any large action. The yield on the 10-year benchmark 7.10% 2034 bonds briefly tested a two-year low of 6.90% towards the month-end, before settling at 6.93% on July 31, as compared with 7.01% on June 28.
- Bond prices were supported by an intermittent fall in US Treasury yields as weak economic data raised growth concerns, and the latest jobs and inflation numbers boosted hopes of the US Fed cutting rates as early as September.
- Closer home, bond prices also rose after Finance Minister Nirmala Sitharaman announced a reduction in gross borrowing for the current financial year in her Union Budget speech.
- Yields were also kept under pressure by increased demand for government bonds from local banks, following the release of draft guidelines by the RBI to bolster the liquidity resilience of lenders. The implementation of these guidelines is expected to boost demand for government securities.
- However, a further rise in bond prices was kept in check by a cautious stance by investors and profit booking toward the month-end ahead of the US Fed's interest rate decision.

Source: CRISIL, Data as on 31 July 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-July-24	28-June-24
Call Rate	6.50%	6.25%
3-mth CP rate	7.65%	7.80%
5 yr Corp Bond	7.52%	7.55%
10 Yr Gilt	6.92%	7.01%
Repo	6.50%	6.50%
SDF	6.25%	6.25%
CRR	4.50%	4.50%
1-Month CD	6.90%	7.15%
3-mth CD rate	7.19%	7.15%
6-Month CD	7.43%	7.43%



Source: CRISIL Fixed Income database

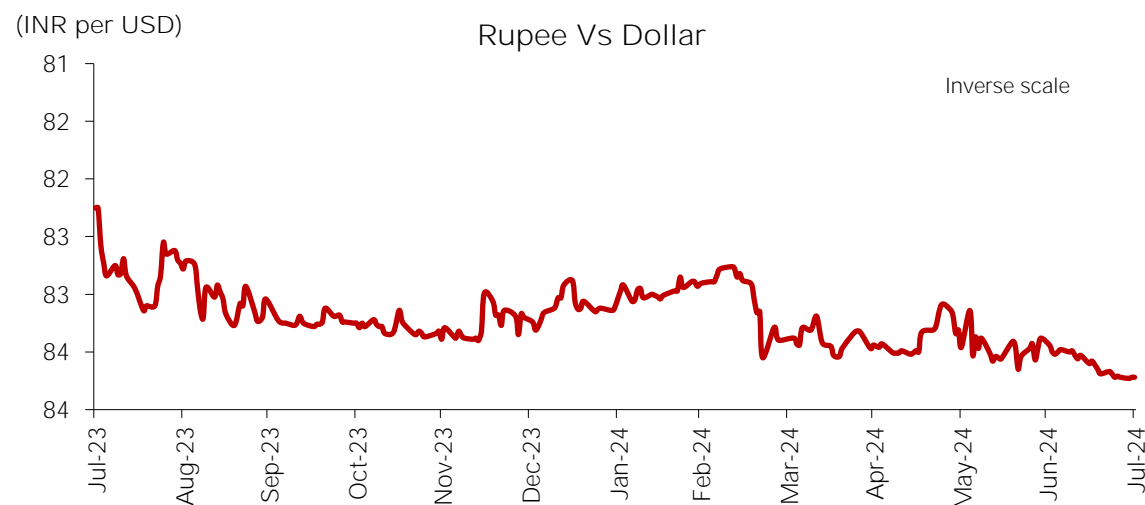
Data as on 31 July 2024, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice  
 Note-The details provided above is as per the information available in public domain at this moment and subject to change. Please consult your financial advisor for any investment decisions.

- July remained an eventful month, both globally and for domestic markets, with key events and data points setting the tone for the evolution of the interest rate trajectory over the next few months.
- In US, markets are now increasingly pricing in possibility of a 50 bps rate cut in the September, and a cumulative easing of 125-150 bps by January 2025.
- On the domestic front, the Union Budget was announced on July 23, 2024. One key theme that emerged from the Budget was the focus on job creation and employment over the next five years.
- The budget surprised positively on the Fiscal Deficit number which came in at 4.9% (vs. market expectations of 5.0% and interim budget estimates of 5.1%) with a target to bring Fiscal Deficit to below 4.5% by FY2026.
- The other key event was the draft changes to the Liquidity Coverage Ratio (LCR) norms for Banks which the RBI came out on July 25, 2024.
- The key impact of the proposed changes are: (a) LCR could get impacted by 10%-20% depending on the retail-to-wholesale deposit mix of each bank, (b) Increased pressure on deposit generation, (c) Lower NIMs for Banks or slowdown in growth to conserve NIMs, and (d) Increase in demand for HQLA assets, primarily G-Sec, SDLs and eligible corporate bonds.
- IF HQLA (High Quality Liquid Assets) requirement increases which is likely here, we believe that there will be an uptick in incremental demand for G-Sec going forward.
- We continue to have a positive outlook on interest rates, based on various favorable factors: (a) Global markets turning positive (b) Record RBI dividend to the Government (c) Reduced Fiscal deficit number of 4.9% (d) Favorable G-Sec supply demand dynamics (e) Incremental G-Sec purchase by Banks to increase HQLA assets (f) FPI index related inflows (g) Soft core inflation along with expectations of a better than normal monsoon, and finally (h) Soft signals by Government and RBI on liquidity
- Maturity segments likely to benefit –Expected improvement in liquidity over the next 6-12 months (Upto 3 years), Implementation of revised draft LCR norms (3-7 year segment), FPI inflows following the index inclusions (7-14 years), Expected rate cuts by the RBI (Across the segments)

## Indian rupee ended lower in July

- The Indian rupee recorded a substantial month-on-month fall against the US dollar in July 2024, closing at Rs 83.72 per dollar, down 0.4% compared to June-end.
- Strong demand for the greenback from local corporates, importers and state-run banks, volatile crude oil prices, foreign fund outflows and weakness in its Asian peers also weighed down the domestic unit.
- Some losses were seen after the Union Budget proposed a hike in tax rates on long- and short-term capital gains.
- Further losses were capped by positive trends in the domestic equity market and timely interventions by the RBI. An intermittent fall in global crude oil prices and some dollar sales by state-run banks also helped to trim losses.

Rupee Movement V/s Global Currencies				
	31-Jul-24	28-Jun-24	Change	% Change
USD	83.72	83.38	-0.34	-0.41
GBP	107.44	105.48	-1.96	-1.9
EURO	90.65	89.30	-1.35	-1.5
100 YEN	55.66	51.88	-3.78	-7.3



Rupee ended lower on strong dollar demand from local corporates

Source: RBI, CRISIL. Data as on 31 July 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

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IMF maintains global growth forecast, flags near-term risks

- The International Monetary Fund at its July world economic output report expects the global economy to grow 3.2% in 2024 and 3.3% in 2025, in line with its April forecast.
- The agency maintained its projections in its July outlook, noting that overall, risks to the outlook remain balanced, but some near-term pressures have gained prominence. It said varying pace of economic activity had reduced output disparities among countries.

US economy grows at 2.8% in Q2 2024; Fed stands pat

- The US economy grew at an annualised 2.8% in the second quarter of 2024, up from 1.4% in Q1.
- On the policy front, the Federal Reserve held the federal funds rate at a 23-year high of 5.25-5.50% for the eighth consecutive meeting in July 2024.

Key economic indicators

- ADP data show 122,000 private jobs were added in July, the least in six months, following an upwardly revised 155,000 in June
- Inflation slightly eased to 3% on year in June, compared with 3.3% in May, while core inflation slowed to 3.3% from 3.4%

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

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## Eurozone economy expands; ECB holds rates

- The Eurozone economy expanded 0.6% annually in the second quarter of 2024, compared with an upwardly revised 0.5% growth in Q1.
- The European Central Bank (ECB) kept interest rates unchanged in July. It retained the main refinancing operations rate at 4.25%, the deposit facility rate at 3.75% and the marginal lending rate at 4.5%.

## Key Eurozone economic indicators

- Annual flash inflation rate rose to 2.6% in July compared with 2.5% in June, while the core flash inflation rate remained steady at 2.9%
- Industrial production fell 2.9% on year in May, compared with a downwardly revised 3.1% drop in April

## UK growth expands in May; Labour wins in landslide after 14 years

- The UK economy expanded 1.4% on year in May, the most since June 2023, following an upwardly revised 0.7% growth in April.
- Among key developments, the Keir Starmer-led Labour Party swept the UK election in a landslide victory, returning to power after 14 years.
- The Bank of England lowered interest rates to 5% from 5.25%, the first cut since the start of the COVID-19 pandemic in March 2020.

## Key UK economic indicators

- Annual inflation rate was steady at 2% in June and annual core inflation rate, too, unchanged at 3.5%
- Industrial production increased 0.4% on year in May, compared with a 0.7% decrease in April, while manufacturing activity grew 0.60% in May compared with a 0.4% fall

## China's economic growth slows in Q2; PBoC cuts rates

- China's economy expanded 4.7% in the second quarter of 2024, but the pace of growth slowed from the 5.3% recorded in Q1.
- Meanwhile, the People's Bank of China (PBoC) injected CNY 100 billion through a one-year medium-term lending facility (MLF) at 2.50% on July 15.
- Further, at its monetary policy meeting, the central bank cut key lending rates by 10 basis points, setting the one-year loan prime rate at 3.35% and the five-year rate at 3.85%.
- The PBoC also unexpectedly lowered its one-year medium-term lending facility (MLF) rate to 2.3% from 2.5%.

### Key Chinese economic indicators

- The country's trade surplus surged to \$99.05 bn in June compared with \$82.62 bn in May, with exports advancing 8.6% and imports dropping 2.3%
- Industrial production advanced 5.3% on year in June compared with a 5.6% growth in May

### BOJ hikes rates for second time since 2007

- The Bank of Japan raised interest rates to 0.25% in July, up from previous range of 0-0.1%, with policymakers passing the decision by a 7-2 vote. This was only the second such rate hike by the central bank in 17 years.

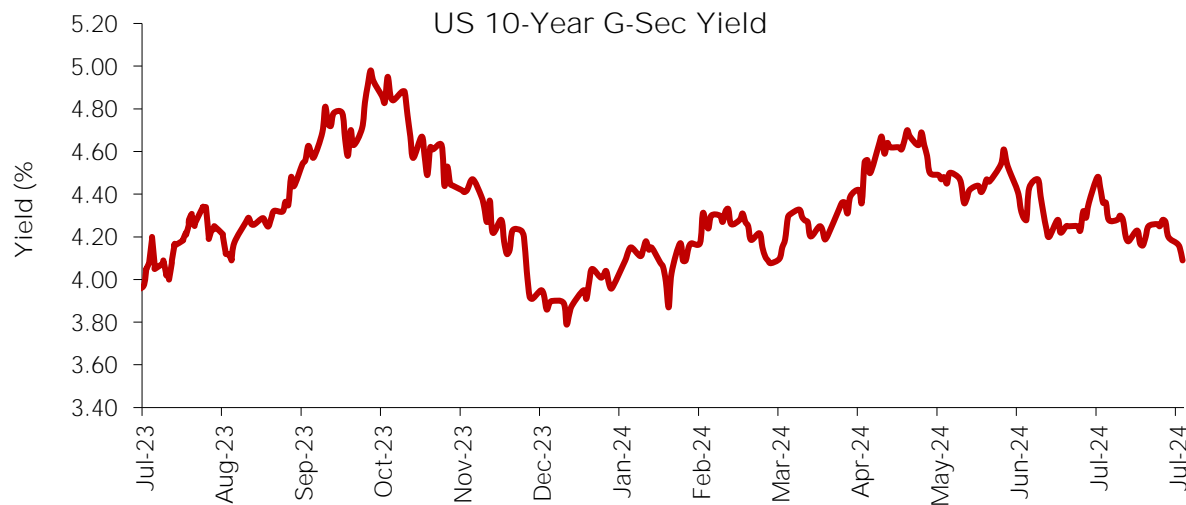
### Key Japanese economic indicators

- The country's trade surplus was JPY 224.04 bn in June 2024 compared with a surplus of JPY 36.52 bn in June 2023
- Annual inflation rate remained unchanged at 2.8% in June compared with May, while core inflation rate was 2.6% compared with 2.5% the previous month

Source: CRISIL, Data as on 31 July 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 rose in July

- US Treasury bond prices saw an increase in July. By July 31, 2024, the yield on the 10-year Treasury decreased to 4.09% from 4.36% on June 28, 2024.
- Bond prices saw an increase following a decrease in the US inflation rate to 3% on-year in June from 3.3% in May, while core inflation eased to 3.3% from 3.4% during the same period.
- It further increased following the Federal Reserve’s decision to maintain the federal funds rate at a 23-year high of 5.25%-5.50% in the eighth consecutive meeting in July 2024.



Global bond yields			
	31-Jul	28-Jun	Change
US 10-Year (%)	4.09	4.36	-0.27
UK 10-Year (%)	3.97	4.18	-0.21
German 10-Year (%)	2.30	2.49	-0.19
Japan 10-Year (%)	1.06	1.03	0.03

Source: CRISIL, Bloomberg, Data as on 28 June 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.

# Economic Events Calendar

Date	Indicators	Previous
05-August-24	India HSBC Composite/Services PMI, July	60.9/60.5
08-August-24	India RBI Interest Rate Decision	6.5%
09-August-24	China Inflation Rate, July	0.2%
12-August-24	India Inflation Rate, July	5.08%
	India Industrial/manufacturing Production, June	5.9%/4.6%
14-August-24	US Inflation, July	3%
	Eurozone GDP Growth Rate, Q2	0.5%
	UK Inflation Rate, July	2%
	India WPI inflation, July	3.36%
15-August-24	UK GDP, June	1.4%
	Japan GDP Growth Rate, Q2	-0.5%
	India Balance of Trade, July	\$-21B

Source: CRISIL, Data as on 31 July 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
20-August-24	Eurozone Inflation Rate, July	2.5%
	China Loan Prime Rate 1Y/5Y, August	3.35% / 3.85%
23-August-24	UK GfK Consumer Confidence, August	-13
	Japan Inflation, July	2.8%
29-August-2024	US GDP Growth Rate, Q2	1.4%
30-August-24	India Government Budget Value, July	506200 INR
	India Infrastructure Output, July	4.0%
	India GDP Growth Rate, Q2	7.8%

Source: CRISIL, Data as on 31 July 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

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## Other major developments

- The Union Minister for Petroleum and Natural Gas announced investment opportunities worth \$100 billion by 2030 in the field of energy exploration and production
- Under the new capital gains tax framework of Union Budget 2024-25, unlisted bonds and debentures, debt mutual funds and market-linked debentures, irrespective of the holding period, will attract taxes at applicable rates
- India and Taiwan signed a mutual recognition agreement (MRA) to facilitate trade in organically produced goods, including tea and medicinal plants
- The Ministry of Civil Aviation announced the implementation of a uniform 5% tax on all imports of aircraft components and engine parts, thereby unifying the tax rate which earlier varied between 5% and 28%
- The Ministry of Statistics and Programme Implementation (MoSPI) announced the establishment of a Data Innovation Lab (DI Lab) for improving national statistics using innovative methods and data sources. It also notified the guidelines to promote collaboration with entrepreneurs, startups, and institutions such as research organisations across the world
- The government eased certain norms for licence holders of the Export Promotion Capital Goods scheme as part of its ease of doing business efforts
- The Directorate General of Civil Aviation issued new safety standards for ground handling service providers at airports to ensure safe operations amid rising air traffic
- The EXIM Bank of India entered into an agreement with Guyana for a \$2.5 million credit line
- The Ministry of Defence signed a memorandum of understanding to establish three state-of-the-art testing facilities in Chennai for the Tamil Nadu Defence Industrial Corridor, one each in unmanned aerial system, electronic warfare and electro-optics domains.
- The Ministry of Housing and Urban Affairs extended the deadline for the Smart Cities Mission till March 2025

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

RBI- Reserve Bank of India GDP- Gross Domestic Product

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## Regulatory developments in the month

- The Reserve Bank of India (RBI) issued draft norms to rationalise regulations covering export and import transactions to promote ease of doing business for small exporters and importers. The norms also sought to provide discretionary powers to authorised dealer banks to empower them to provide quicker and more efficient services to their foreign exchange customers
- The RBI announced tighter norms for cash payout services at banks, making it mandatory for lenders to keep a record of recipients. The new norms will come into effect from November 1, 2024
- The central bank also released draft guidelines aimed at bolstering the liquidity resilience of lenders amid risks involved with the increased usage of technology in banking
- The RBI unveiled a new prompt corrective action (PCA) framework for primary urban cooperative banks (UCBs) that seeks to provide flexibility in designing entity-specific supervisory action plans based on the assessment of risks on a case-by-case basis. The framework's provisions will be effective from April 1, 2025
- The Securities and Exchange Board of India (SEBI) issued new guidelines to streamline operations and enhance the ease of doing business for credit rating agencies. The guidelines will come into effect from August 01, 2024

## Key economic indicators released in the month

- India's industrial output growth rate measured by the index of industrial production (IIP) recovered to a seven-month high in May 2024, surging from 5.0% in April to 5.9% in May driven by double-digit growth in electricity generation (13.7%), consumer durables production (12.3%).
- Growth of the eight core sectors in India, indicated by the combined Index of Eight Core Industries (ICI), slowed down to a 20-month low of 4% on-year in June 2024. Apart from a high-base effect, the deceleration was also caused by an on-year decline in crude oil and refinery product sectors.
- India's fiscal deficit for the quarter ended June 30, 2024 of Rs 1.36 trillion represented about 8.1% of the annual estimate of Rs 16.85 trillion for fiscal 2025 (as per interim budget numbers). In contrast, the fiscal deficit during the corresponding period a year ago was much higher at 25.3% of the budgeted estimate for the year. The deficit narrowed substantially primarily due to subdued government spending amid general elections.

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

RBI- Reserve Bank of India GDP- Gross Domestic Product

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