

Global Navigator

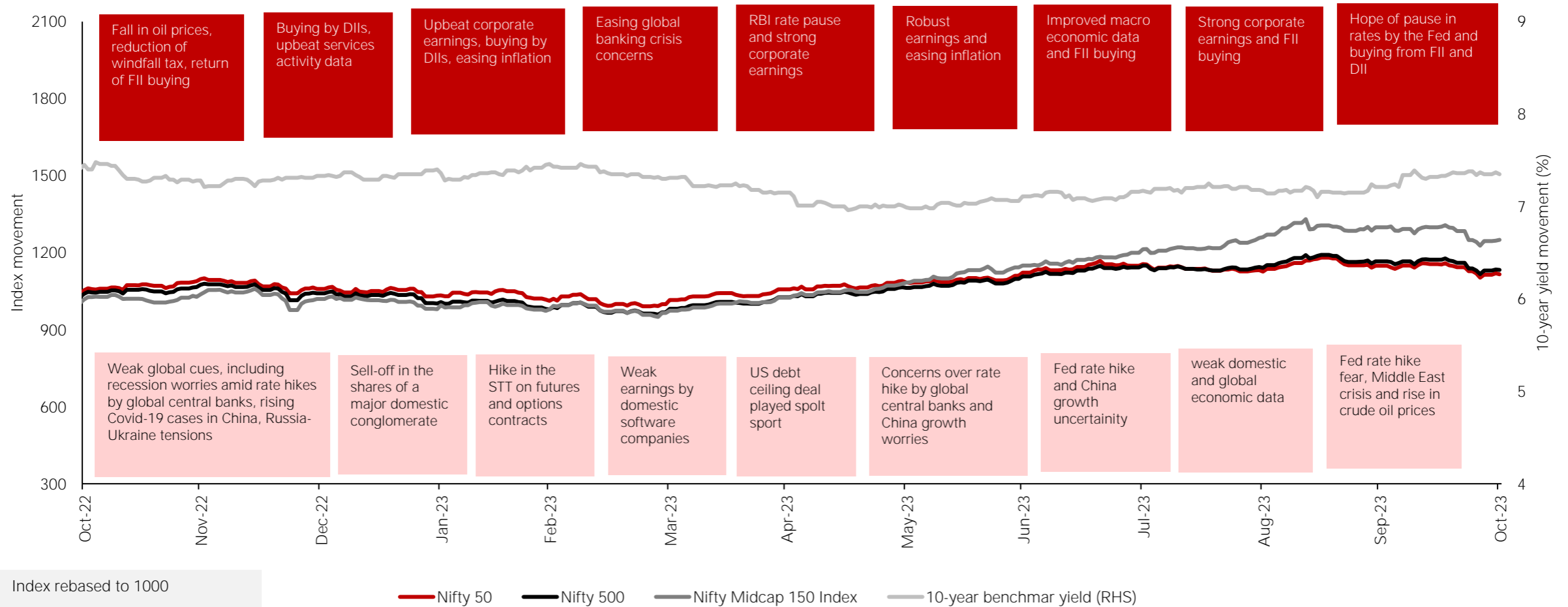
November 2023



HSBC Mutual Fund

Looking back – Events and India Markets

Nifty 50 fell due to Fed rate fear and Middle East crisis



Source: CRISIL, Data as on 31 October 2023

Key events and performance of the Indian market (Nifty 50 and Nifty 500 rebased to 1000) in October 2022 – 31 October 2023

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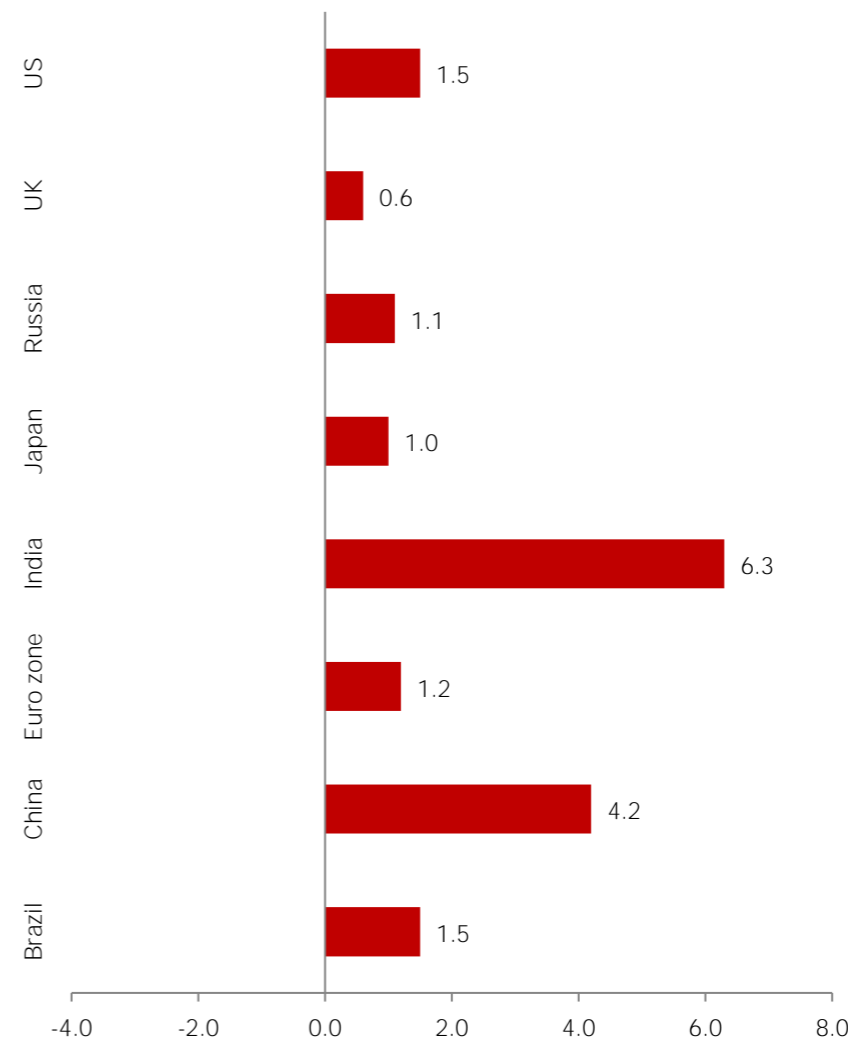
Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may have been discussed in this report and should understand that the views regarding future prospects may or may not be realised.

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

	GDP		Inflation		Industrial Growth	
	Current	Previous	Current	Previous	Current	Previous
US	4.9% Q3 2023	2.1% Q2 2023	3.7% Sep'23	3.7% Aug'23	0.1% Sep'23	0.1% Aug'23
Eurozone	0.1% Q3 2023	0.5% Q2 2023	4.3% Sep'23	5.2% Aug'23	-5.1% Aug'23	-2.2% Jul'23
UK	0.6% Q2 2023	0.5% Q1 2023	6.7% Sep'23	6.7% Aug'23	1.3% Aug'23	1.0% Jul'23
China	4.9% Q3 2023	6.3% Q2 2023	0.0% Sep'23	0.1% Aug'23	4.5% Sep'23	4.5% Aug'23
Japan	4.8% Q2 2023	3.2% Q1 2023	3.0% Sep'23	3.2% Aug'23	-4.6% Aug'23	-4.4% Aug'23
India	7.8% Q2 2023	6.1% Q1 2023	5.02% Sep'23	6.83% Aug'23	10.3% Aug'23	5.7% Jul'23

Major Global Central Bank	Latest Key Interest rate
US Federal Reserve	5.25-5.5%
Bank of England	5.25%
European Central Bank	4.50%
Bank of Japan	-0.10%
India	6.50%

IMF GDP Projections for 2024

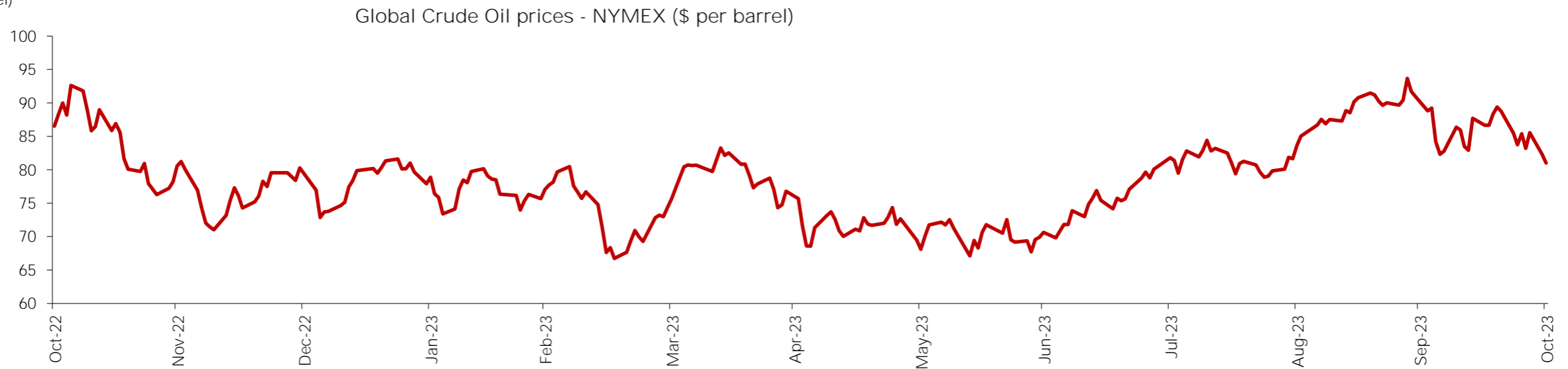


Global economic outlook likely to improve slightly next year

International crude oil declined in October

- Crude oil prices on the New York Mercantile Exchange (NYMEX) closed \$81.02 per barrels on October 31, down ~11% from \$90.97 per barrel on September 29.
- Oil prices slide due to the following reasons: a) Saudi Arabia eased supply because of the Middle East tensions, announcing it is working on stabilising the market, b) US data showed weak demand for gasoline, c) US oil supply recorded unexpected growth, d) on hopes that the US and Venezuela could soon reach a deal easing sanctions on Venezuelan crude exports and e) on hopes of easing geopolitical worries in the Middle East without affecting supply from rest of the region.
- However, uncertainty on supply growth due to ongoing geopolitical turmoil in the Middle East cut short further fall in oil prices.

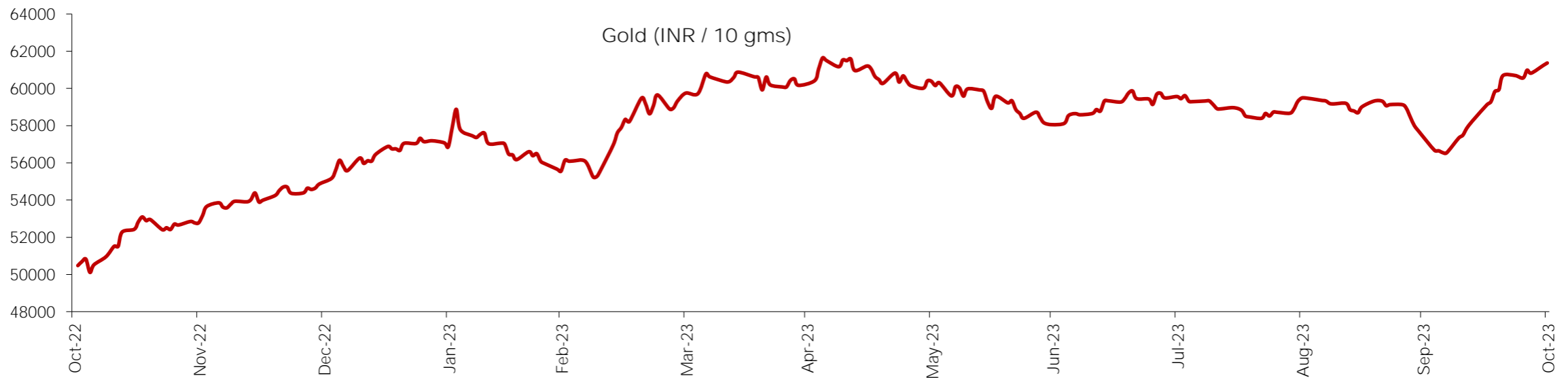
(\$ Per Barrel)



Demand concerns weighed on oil prices

Gold rallied in October

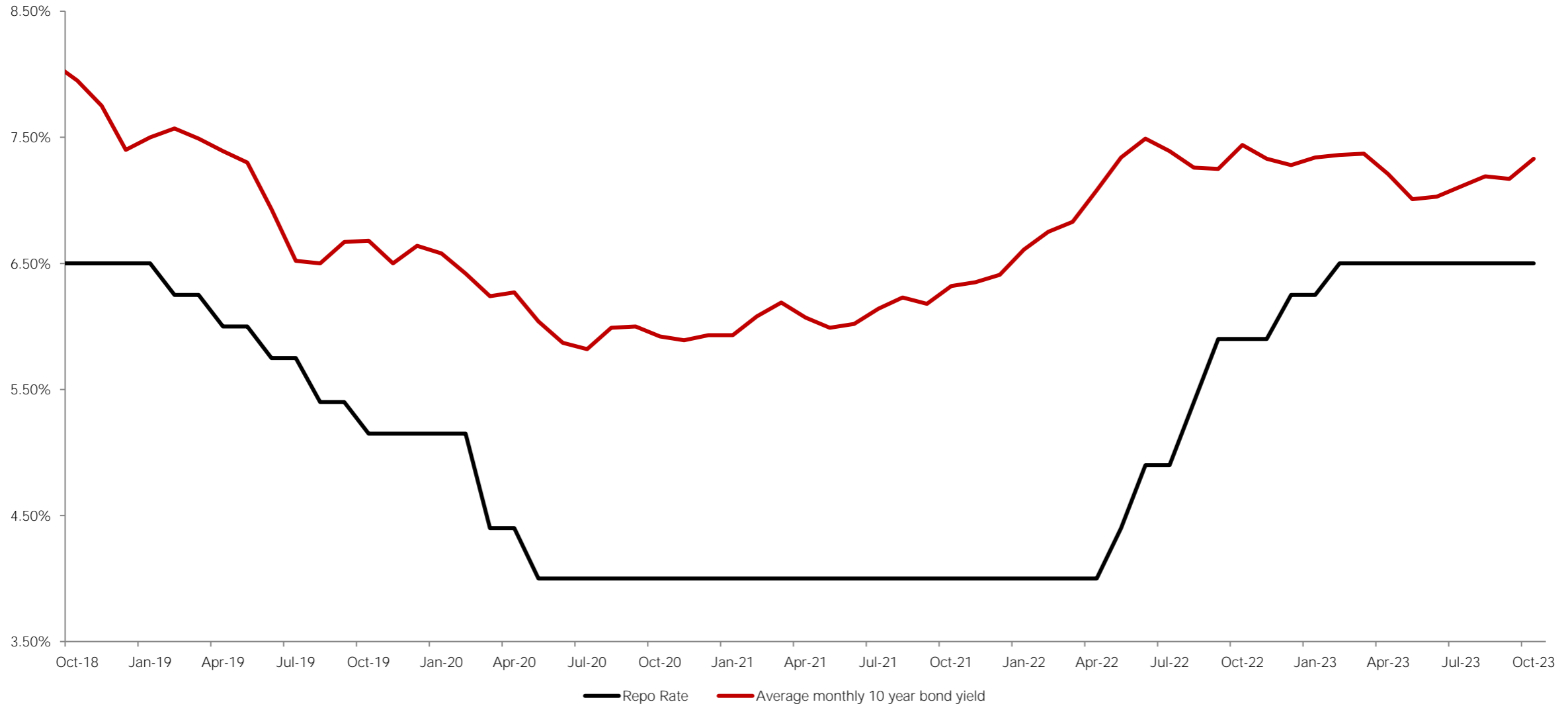
- Gold prices ended at Rs 61,370 per 10 gram on October 31, up 6.33% from Rs 57,719 per 10 gram on August 31, as per the India Bullion and Jewellers Association.
- Prices ended higher mirroring similar trends in global yellow metal prices due to safe haven appeal amid escalating Middle East crisis.
- More gains were added on expectations that the US interest rates have peaked and caution ahead of monetary policy decisions by key global central banks.
- Back home, festivities kept the bullion shining with increasing demand from stockists and retail consumers.



Gold prices rose on safe haven appeal

Source: CRISIL, IBJA. Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

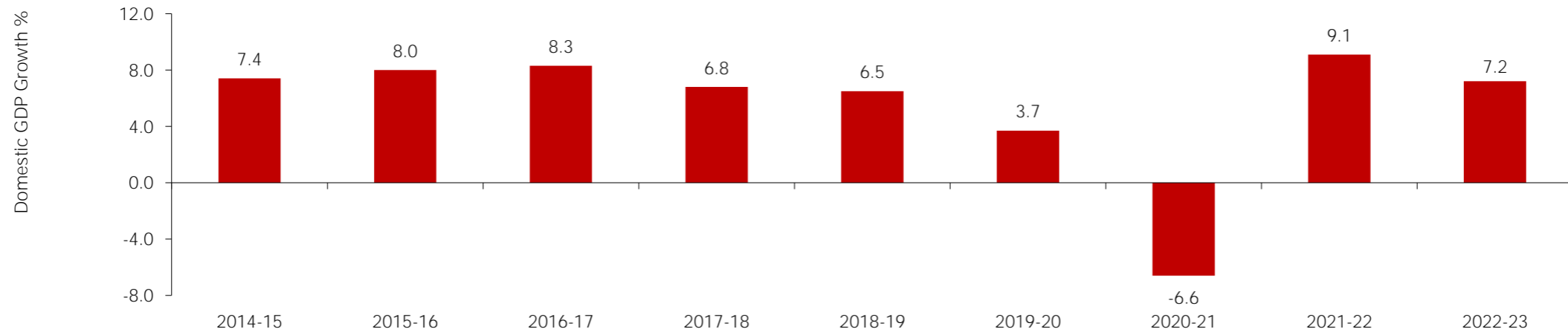
RBI Repo Rate held at 6.50%



Source: RBI, CRISIL Research, Data as on 31 October 2023
Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

Outlook on the Indian economy remains positive

- The International Monetary Fund (IMF) expressed its confidence in the Indians economy's resilience amid geopolitical issues. The agency raised its GDP growth forecast for India during fiscal 2024 to 6.3% from 6.1%.
- Meanwhile, the Reserve Bank of India (RBI), in its October bulletin, said the domestic economy is gaining momentum amid global uncertainty, with easing inflation and a less volatile rupee. The central bank pointed out that the moderation in India's retail inflation from its peak in July continues to boost macroeconomic fundamentals, leading to a strengthening of the economy's fundamentals against a backdrop of a global slowdown.
- The latest report released by S&P Global Marketing Intelligence pegs India's GDP growth forecast for fiscal 2024 between 6.2% and 6.3%, thereby making it the fastest-growing major economy for the fiscal year.



Source – CRISIL, Mospi, Data as on 31 October 2023

Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice. GDP – Gross Domestic Product

Retail inflation eases to a three-month low of 5.02% in September

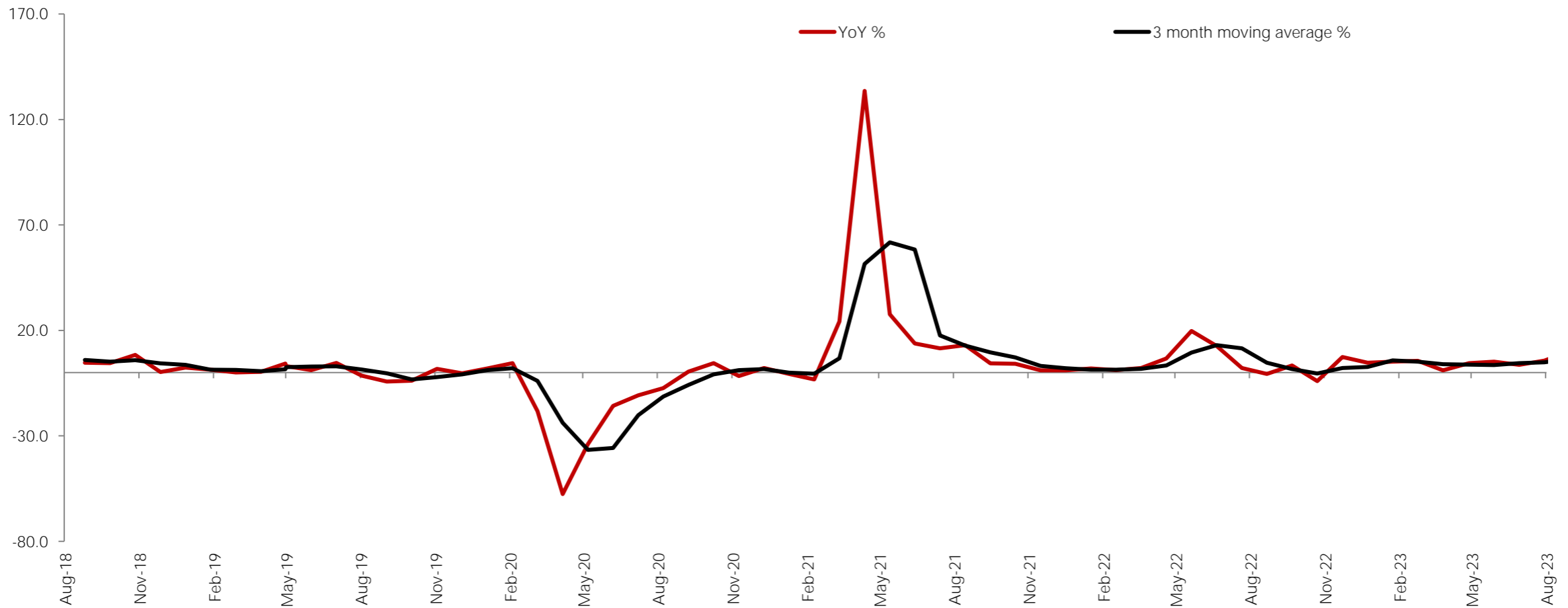
- In September 2023, India's consumer price index (CPI)-based inflation eased to a three-month low of 5.02%. The moderation came after a 15-month high of 7.44% in July and 6.83% in August.
- India's wholesale price index (WPI)-based inflation reflected a contraction for the sixth straight month in September. It contracted by 0.26% on-year during the month, compared with a 0.52% contraction in August.

Indicators	Current	Previous
Monthly CPI Inflation	5.02% (September 2023)	6.83% (August 2023)
Industrial Growth	10.3% (August-23)	5.7% (July-23)
Exports	\$211.40 bn (Apr-Sep FY24)	\$231.73 bn (Apr-Sep FY23)
Imports	\$326.98 bn (Apr-Sep FY24)	\$372.56 bn (Apr-Sep FY23)
Trade Balance	-\$39.91 bn (Apr-Sep FY24)	-\$75.34 bn (Apr-Sep FY23)
Gross Tax Collections	INR 1397112 cr (Apr-Sep FY24)	INR 1169561 cr (Apr-Sep FY23)

Source – Ministry of Commerce, Comptroller General of Accounts, CRISIL, Data as on 31 October 2023
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Index of Industrial Production - IIP

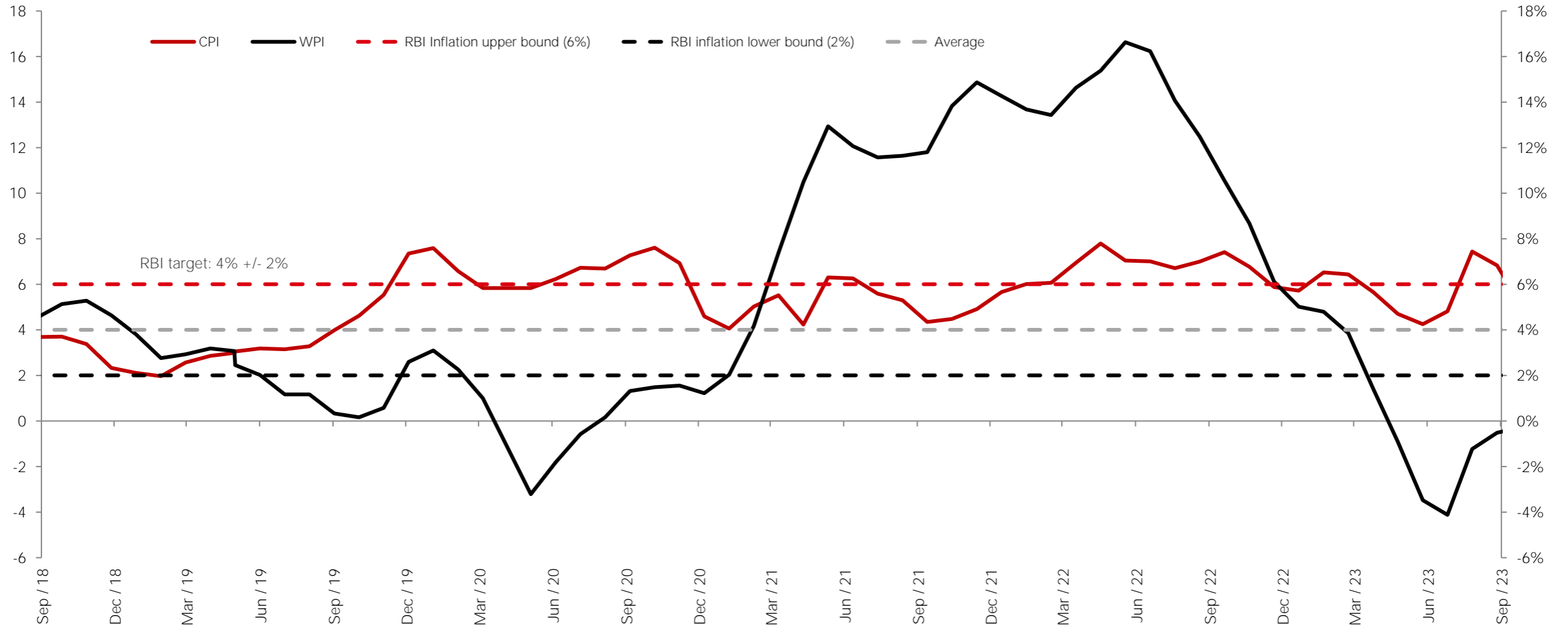
India's industrial output, measured in terms of the Index of Industrial Production, jumped to a 14-month high of 10.3% in August 2023 from 5.7% on-year during July 2023.



Source: CRISIL, MOSPI, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

Inflation target and trend

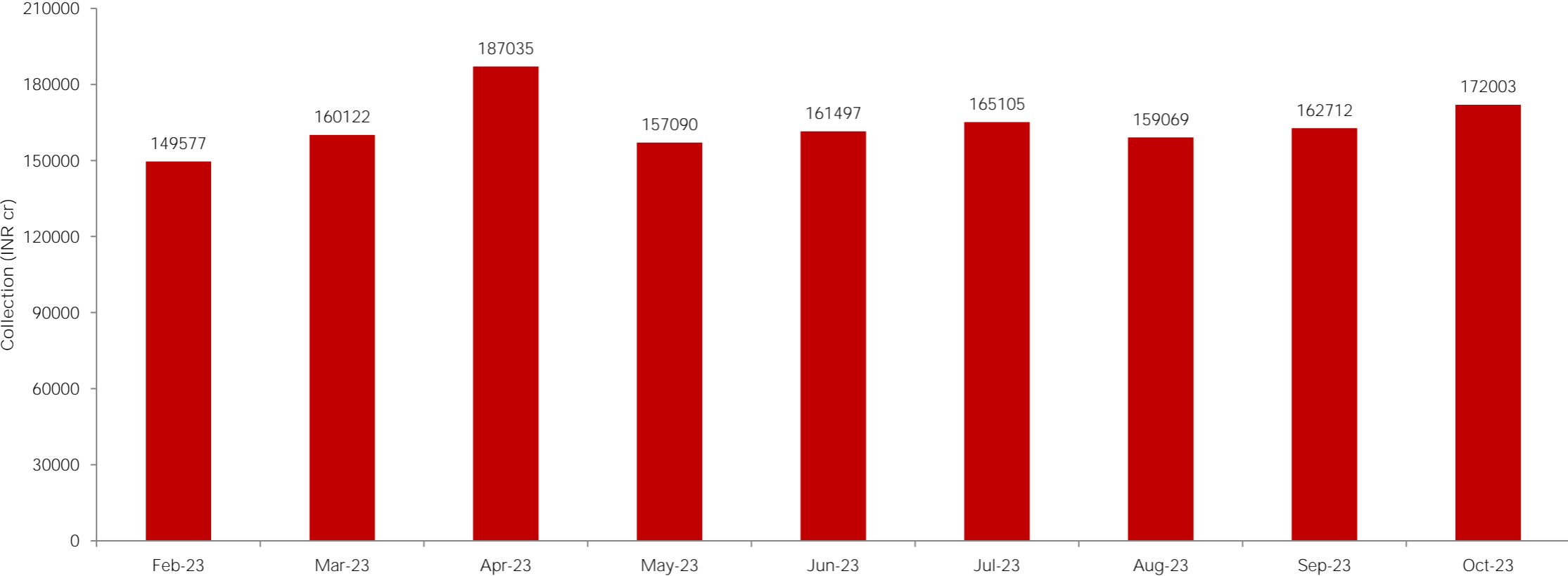
CPI inflation near the RBI's max target range



Source: CRISIL, MOSPI, RBI, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

GST collection rose to INR 1.72 lakh crore in October

The government collected INR 1.72 lakh crore goods and services tax (GST) for the month of October, registering growth of 13% from a year earlier.



Source: CRISIL, Ministry of Finance, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice. GST – Goods and Services Tax

Indian equity indices fell in Oct '23

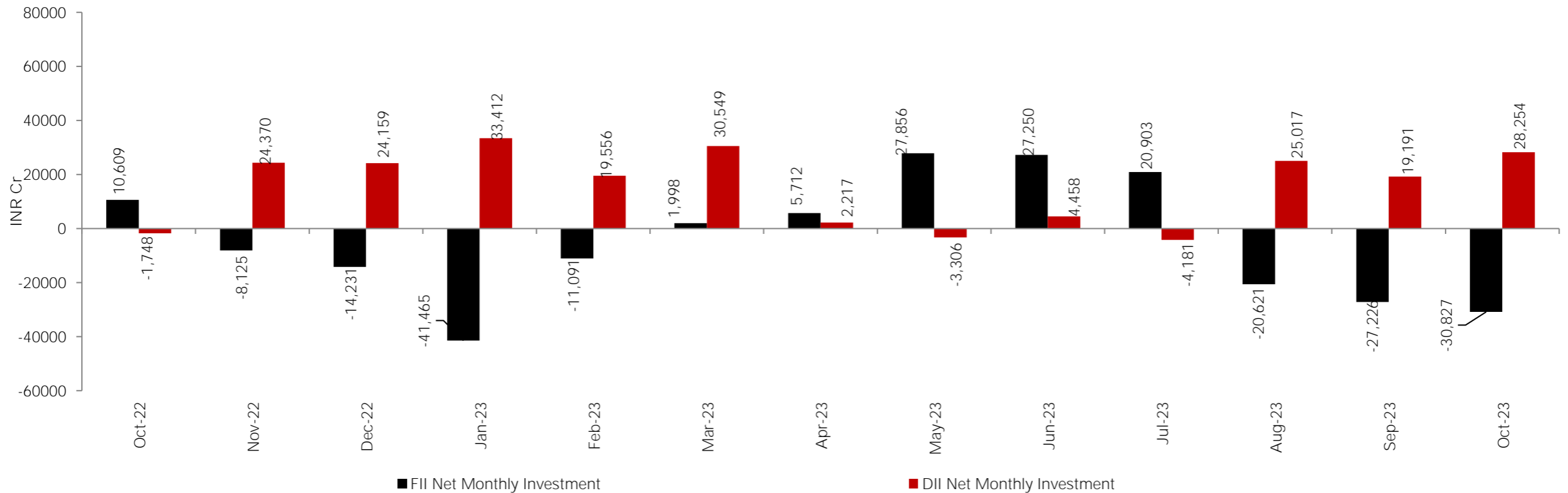
- Indian benchmark equity indices logged their worst monthly losses in 2023 in October, on sustained foreign fund outflows, amid escalating tensions in the Middle East, rising US bond yields, a surge in oil prices, and concerns on interest rates hikes by Fed. S&P BSE Sensex and Nifty 50 declined 2.9% and 2.8% on-month, respectively
- Foreign portfolio investors continued to remain in sell-side for the second straight month.
- Markets also reacted negatively after major domestic software service providers delivered lower-than-expected corporate earnings
- During the start of the month, some gains were seen in rate-sensitive sectors such as auto, financial services, and real estate, after the Reserve Bank India (RBI) kept key interest rates unchanged and growth forecasts steady
- More gains were added after the International Monetary Fund raised India's fiscal 2024 GDP growth projections from 6.1% to 6.3%, amid stronger-than-expected consumption, which helped the markets make early gains
- Towards the end of the month, however, the release of better-than-expected second quarter results and a perception of strength in the financial sector helped the indices somewhat recover
- An initial dovish stance on interest rates by Fed officials also led to some early market gains during the first half of the month, which were eventually trimmed on higher-than-expected US inflation data
- Domestic institutional investors (DIIs) continued to buy equities for the second consecutive month, which also supported market sentiment

Fed rate hike concerns and Middle East crisis weighed on the markets

Source –CRISIL, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice. GDP – Gross Domestic Product

Most of S&P BSE sectoral indices ended lower in Oct '23

- All key S&P BSE sectoral indices, barring the S&P BSE Realty, lost value during the month, with the S&P BSE Telecommunication (6% contraction), S&P BSE Power (5% contraction), and S&P BSE Healthcare (4% contraction) indices being the biggest losers.
- Stocks forming part of the telecommunication and power sectoral indices shed value due to heavy offloading by investors in utility and energy stocks amid escalating tensions in the Middle East and surging crude oil prices.
- On the other hand, the healthcare index shed value due to lower-than-expected Q2 numbers and estimations of a modest financial performance at a broad level during the September 2023 quarter.



Source: CRISIL, NSDL, NSE, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

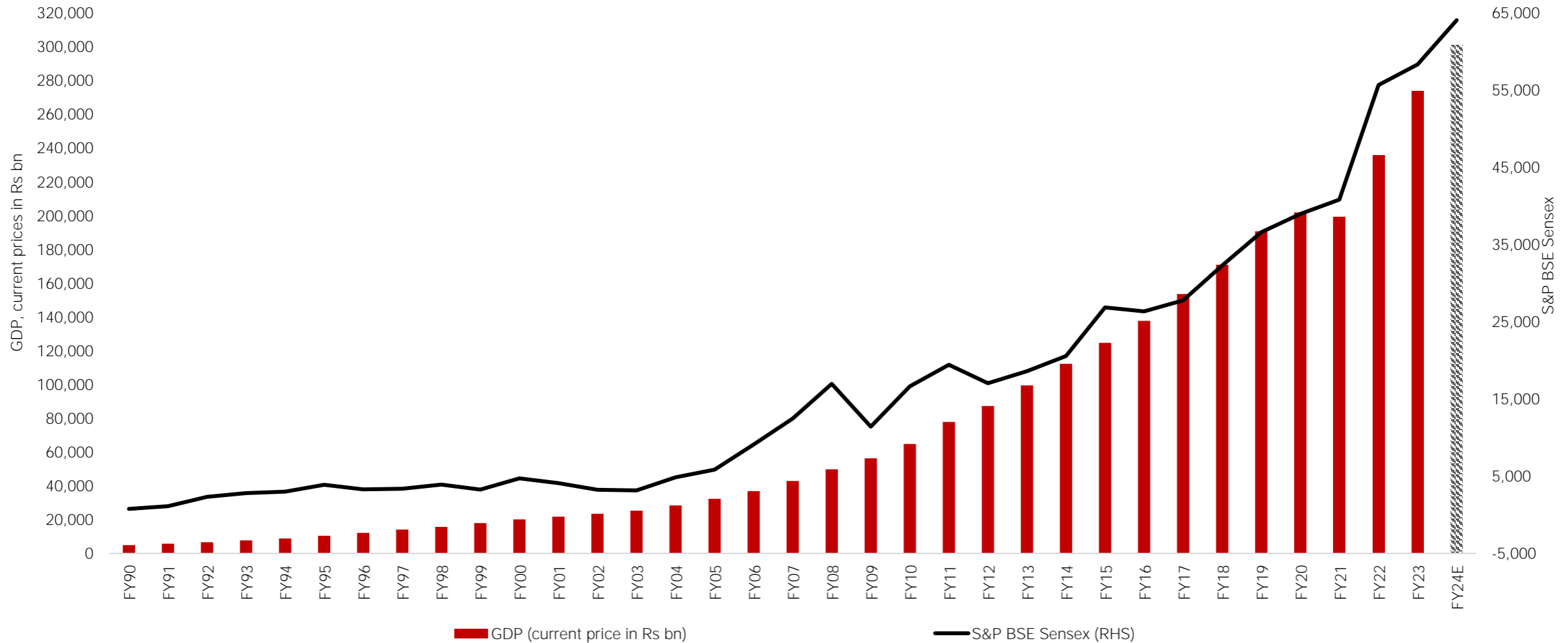
Equity Market Review

Indices	31-Oct-2023	29-Sep-2023	% Change 1 Month	% Change 1 Year	% Change YTD
Nifty 50	19080	19638	-2.84	5.93	5.38
S&P BSE Sensex	63875	65828	-2.97	5.15	4.99
S&P BSE Auto	36172	36629	-1.25	17.75	25.06
S&P BSE BANKEX	48448	50175	-3.44	2.21	-0.94
S&P BSE Capital Goods	45784	47729	-4.07	37.63	37.32
S&P BSE Consumer durables	44308	45360	-2.32	3.84	11.54
S&P BSE FMCG	18518	18679	-0.86	14.80	15.20
S&P BSE Healthcare	27272	28498	-4.30	13.99	18.40
S&P BSE IT	31060	32065	-3.13	7.36	8.33
S&P BSE Metal	22239	23206	-4.17	16.89	6.63
S&P BSE MidCap	31245	32341	-3.39	23.21	23.43
S&P BSE Oil & Gas	18233	19026	-4.17	-6.44	-10.66
S&P BSE Power	4431	4660	-4.90	-8.95	1.14
S&P BSE PSU	12234	12647	-3.26	28.65	22.12
S&P BSE Realty Index	4777	4606	3.70	36.76	38.58
S&P BSE SmallCap	36919	37562	-1.71	28.11	27.63

Source: NSE, BSE, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

Equity mirrors economic growth in the long term

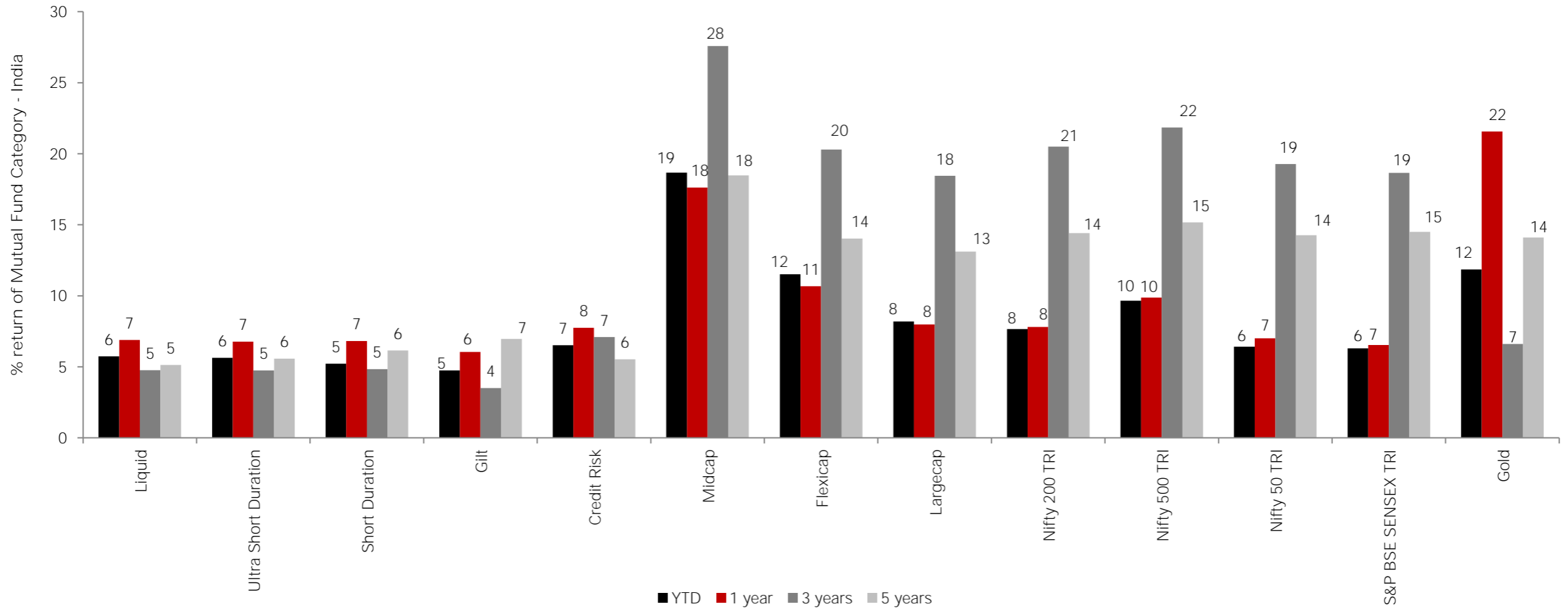
GDP - The Indian economy is expected to carry the momentum of last year's GDP growth into the current fiscal year as well



Source: CRISIL, Bloomberg, BSE, IMF, The GDP projection for fiscal year 2024 is shown shaded in this graph is for illustration purposes only and is not guaranteed, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice GDP – Gross Domestic Product.

Equities remain best asset class

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



Source: Crisil, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

YTD, 1 year returns are absolute, 3 and 5 years annualised CAGR returns, Average performance of 22 Liquid, 18 Ultra Short Duration, 19 Short Duration, 16 Gilt, 11 Credit risk, 23 Mid cap, 23 Flexi cap and 27 Large cap funds of CRISIL ranked schemes from the respective fund categories, Gold returns are based on spot rates from India Bullion and Jewellers Association (IBJA)

Sectoral performance long term trends

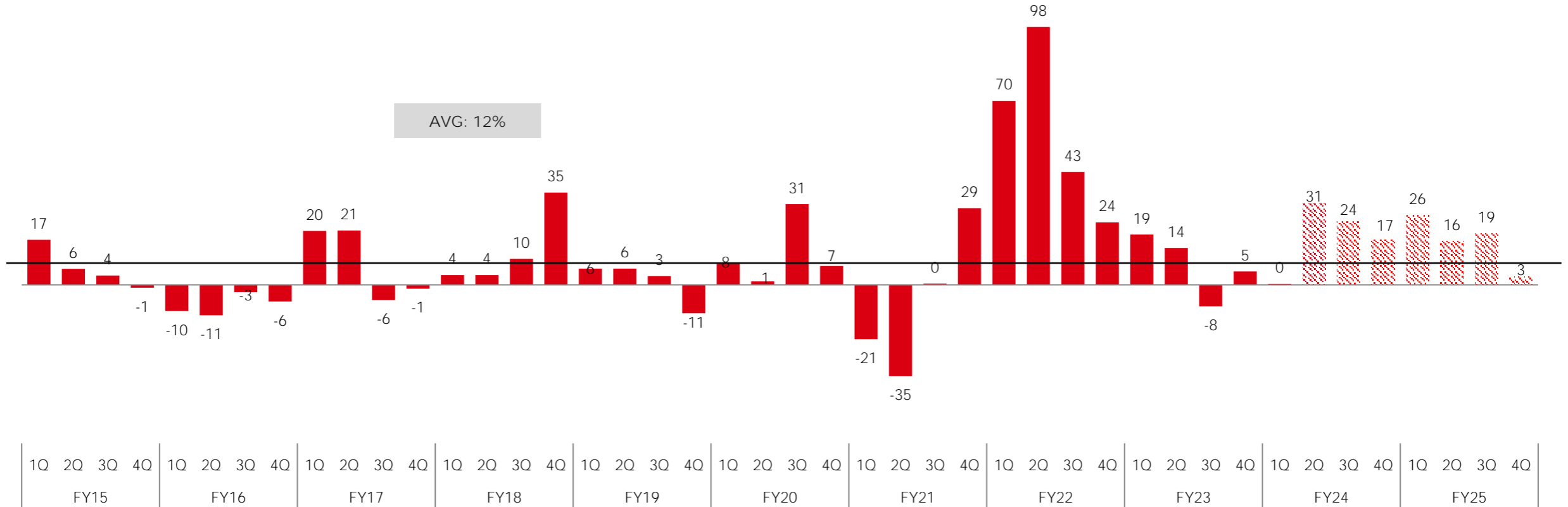
Sectoral returns – Sectoral indices post positive performance over the 10-year period

Sectoral indices	% Change										10-year CAGR*
	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23*	
Nifty 50	31.39	-4.06	3.01	28.65	3.15	12.02	14.90	24.12	4.33	5.38	11.71
S&P BSE Sensex	29.89	-5.03	1.95	27.91	5.91	14.38	15.75	21.99	4.44	4.99	11.67
S&P BSE Auto	51.98	-0.60	9.39	32.06	-22.12	-11.27	12.59	15.27	16.54	25.06	11.59
S&P BSE BANKEX	65.04	-9.92	7.35	39.08	5.27	20.72	-2.14	13.63	21.03	-0.94	13.98
S&P BSE CG	50.45	-8.51	-3.28	40.03	-1.63	-9.97	10.63	43.47	15.97	37.32	17.46
S&P BSE CD	66.18	24.02	-6.34	101.92	-8.79	20.86	21.52	41.81	-11.27	11.54	21.51
S&P BSE FMCG	18.27	1.36	3.29	31.54	10.60	-3.58	10.55	8.57	-10.93	15.20	10.51
S&P BSE Healthcare	47.43	15.06	-12.88	0.49	-5.92	-3.55	61.45	17.62	16.62	18.40	10.99
S&P BSE IT	16.54	4.51	-8.00	10.83	24.93	9.84	56.68	41.79	-12.10	8.33	13.86
S&P BSE Metal	7.91	-31.20	36.65	47.78	-20.75	-11.92	11.23	57.06	-24.24	6.63	9.25
S&P BSE Oil & Gas	12.01	-3.43	27.17	34.00	-15.57	7.25	-4.44	24.22	8.36	-10.66	7.39
S&P BSE Power	23.03	-6.44	1.53	19.83	-16.06	-3.65	7.05	67.62	16.57	1.14	10.69
S&P BSE PSU	39.21	-17.18	12.88	19.27	-21.11	-3.88	-16.88	41.01	25.84	22.12	7.74
S&P BSE Realty	8.49	-13.55	-5.98	106.36	-31.07	26.85	8.66	53.34	-10.26	38.58	13.52

Source: CRISIL, BSE, Figures in red indicate negative returns in that period. *10-year CAGR, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

Earnings growth – quarterly trend

Nifty 50 earnings retreated Q2 FY22 onwards



Nifty 50 EPS Growth (Y-o-Y)

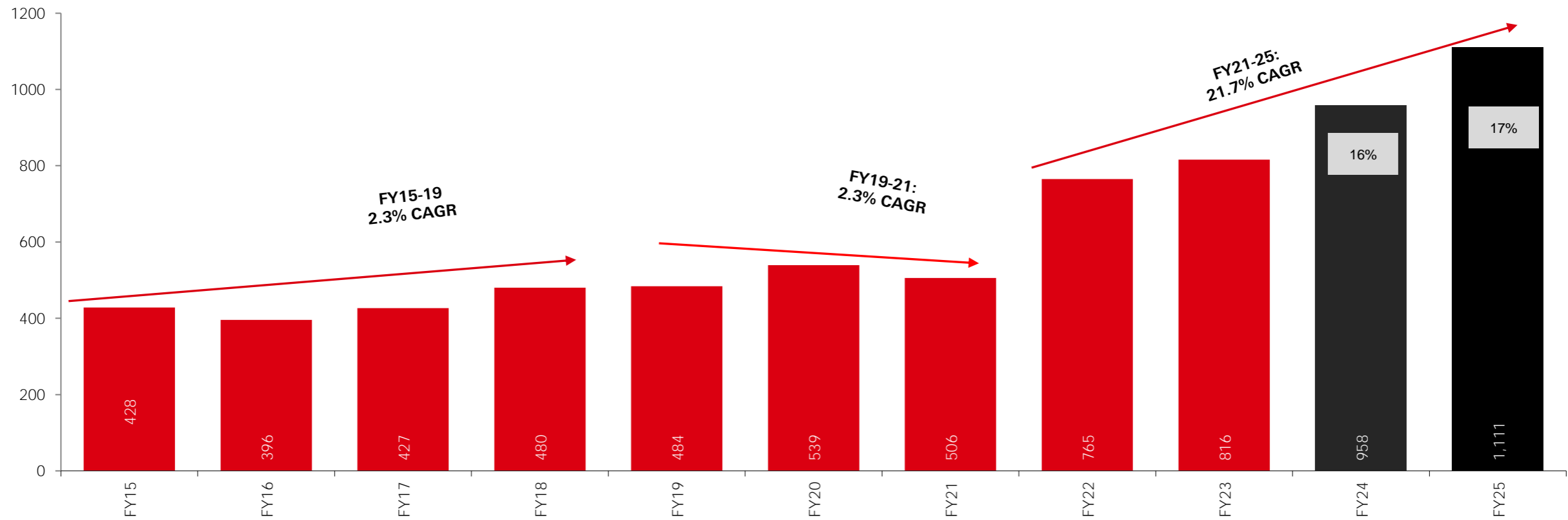
Estimates – shaded portion of FY25

^Average figure mentioned is from FY15 to FY25

Source: CRISIL, Bloomberg, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

Earnings trend

India - Equity earnings (Nifty 50 EPS)

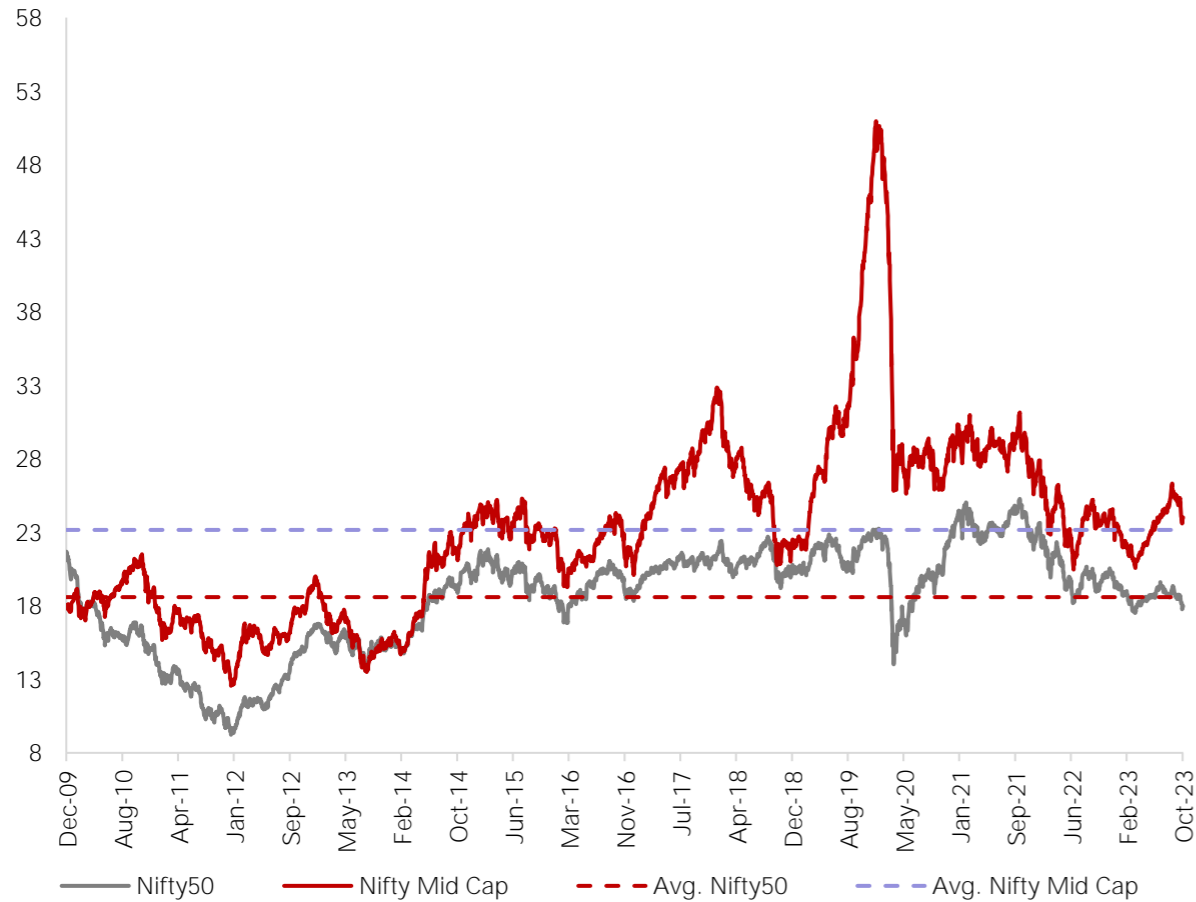


Note: Trailing 12M EPS (Earnings Per Share)
Black shaded columns are estimates of FY24 and FY25

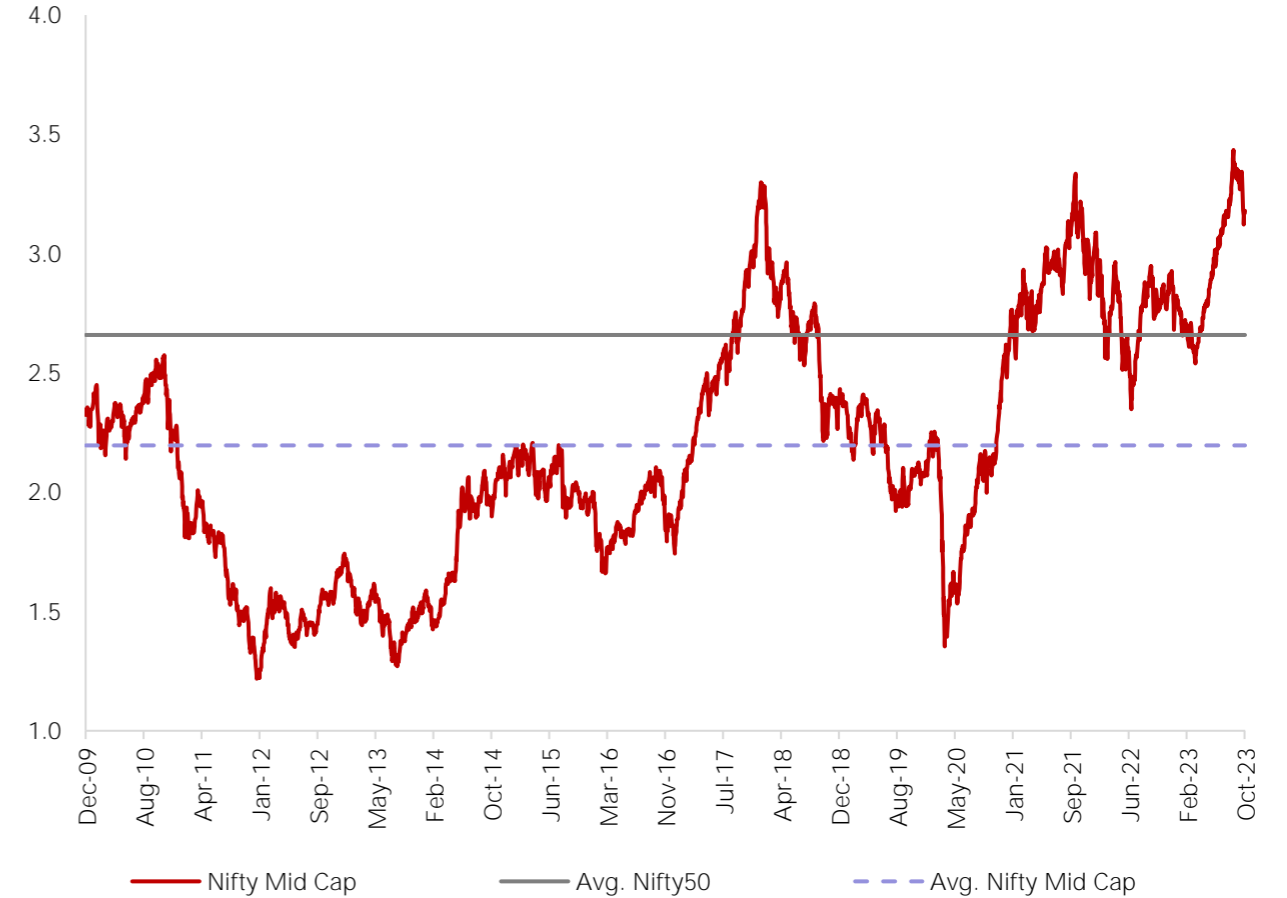
Source: CRISIL, Bloomberg, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

Market valuations – Nifty 50 and Nifty Midcap 100

Large and Mid Cap - Price to Earnings (PE)



Large and Mid Cap - Price to Book (PB)

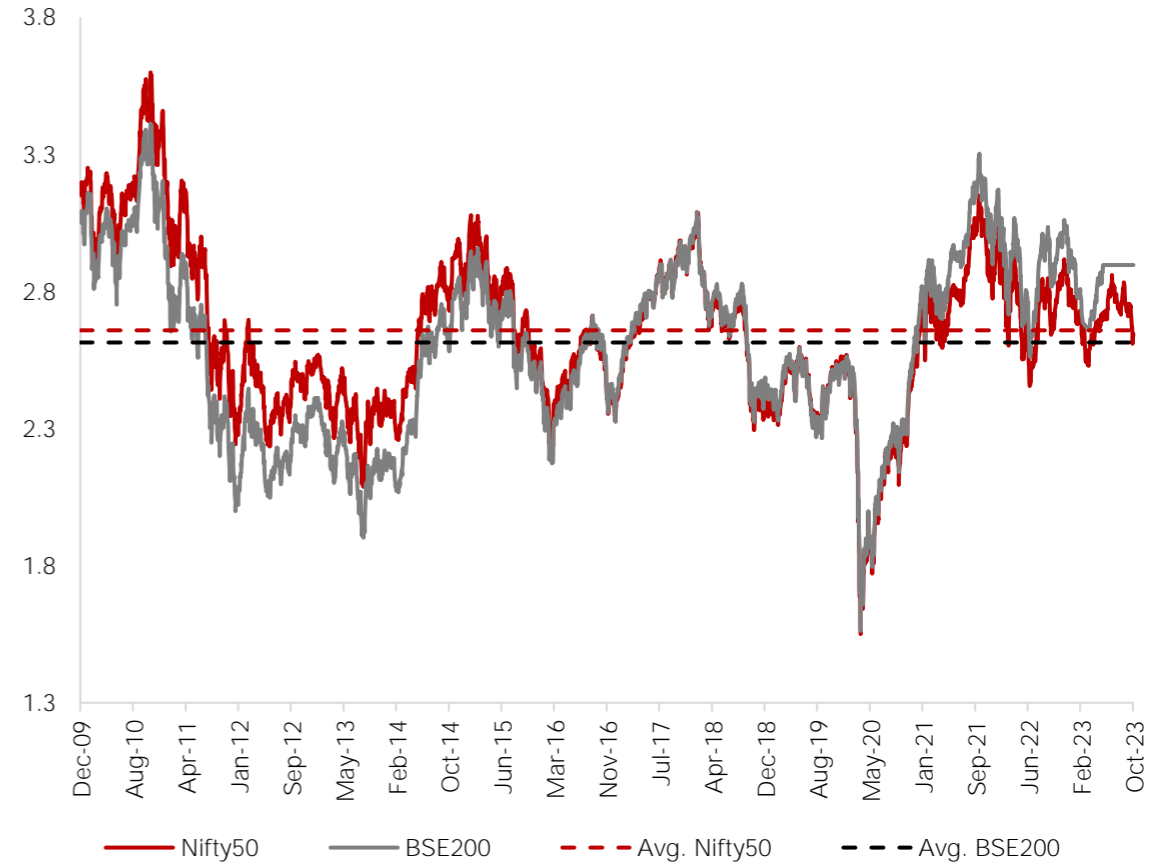
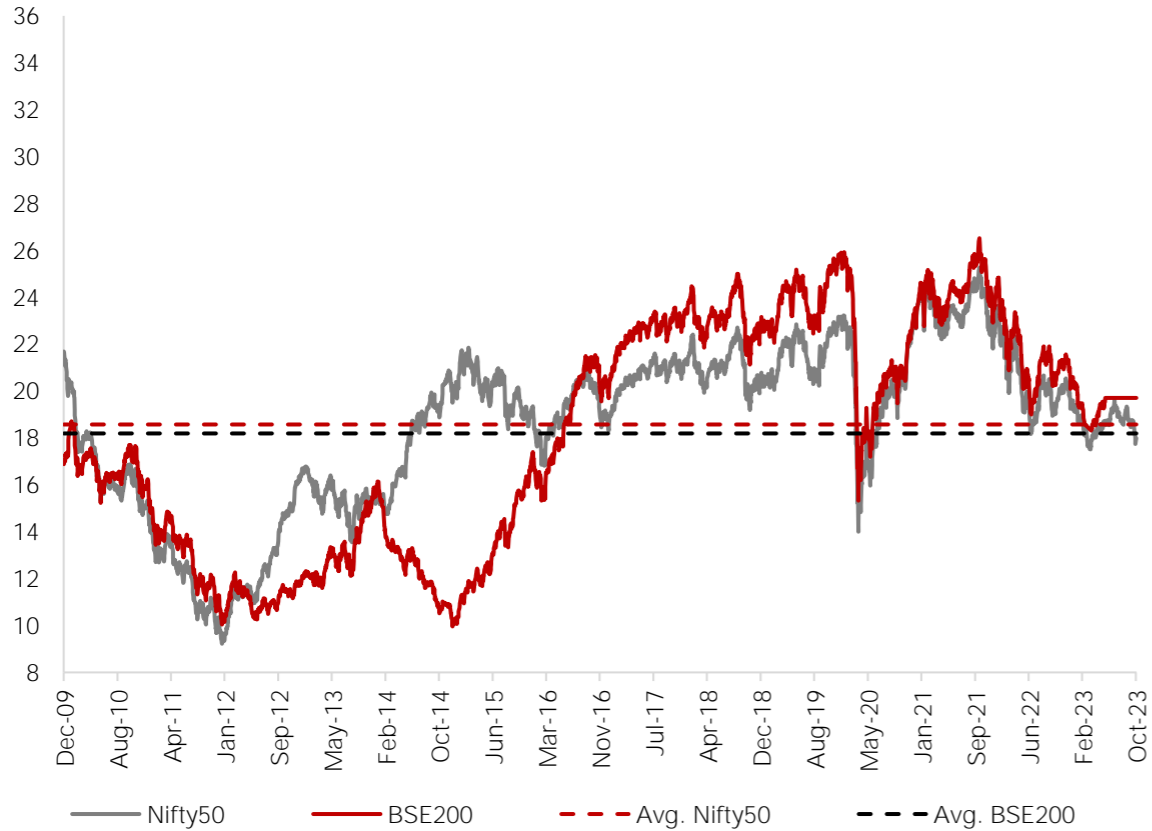


Source: CRISIL, Bloomberg

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Market valuations – Nifty 50 and S&P BSE 200

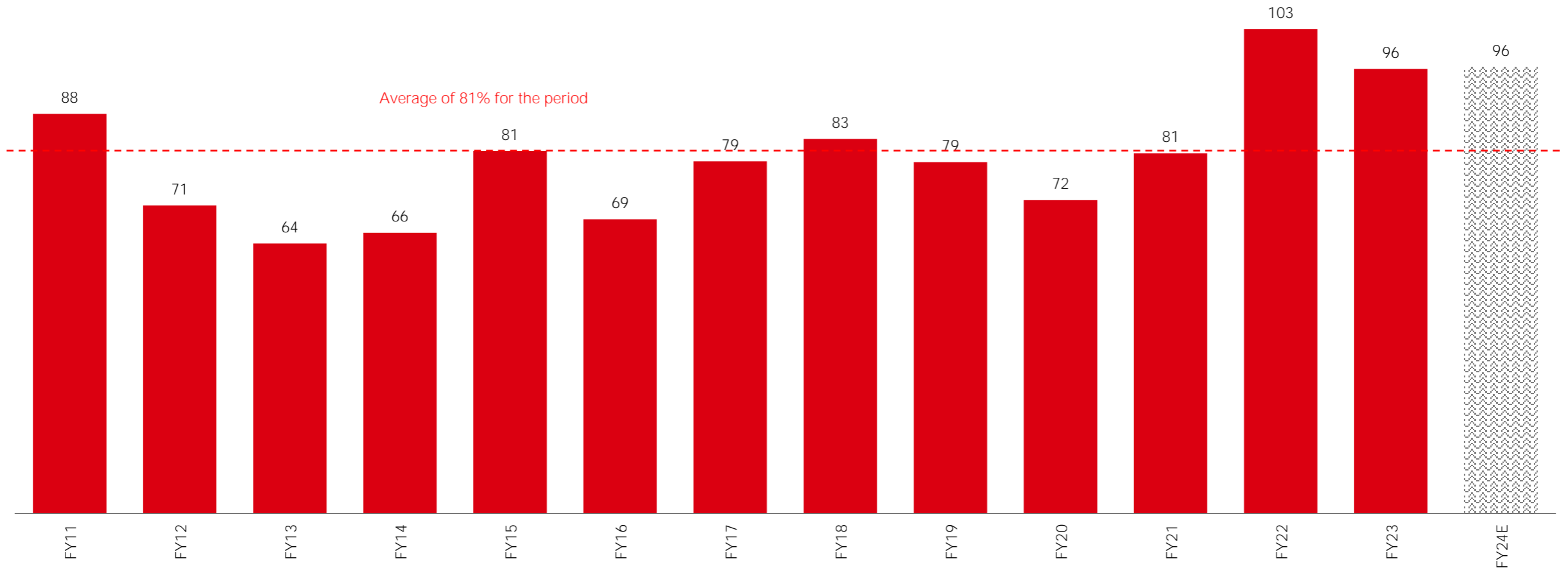
Large and S&P BSE 200 - Price to Earnings (PE)



Source: CRISIL, Bloomberg, BSE, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

India Market cap to GDP (%)

Market cap as a % of GDP



Shaded area are Estimates (E) – FY24

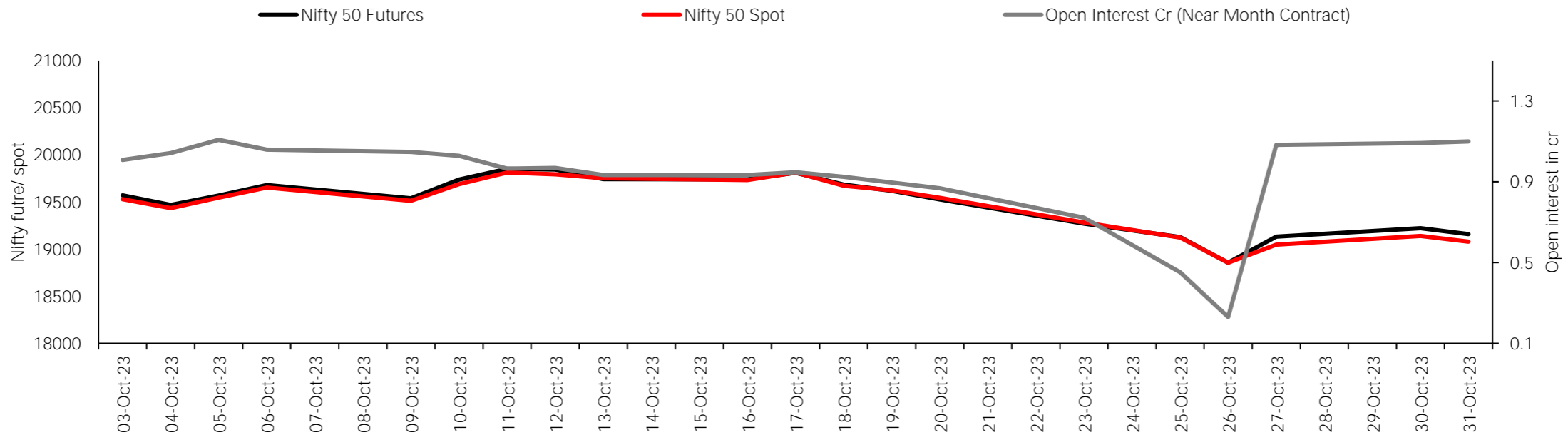
Source: CRISIL, MOSPI, Bloomberg, CRISIL estimates;

Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice. GDP- Gross Domestic Product

- In October, Indian equity indices joined the continuing correction in other major global equity indices. S&P BSE Sensex and NSE Nifty indices declined 2.9%/2.7%, respectively during the month.
- Global market update: Rising US bond yields and new geopolitical conflicts weighed on global equity markets.
- Crude oil price however softened 8% in Oct after a 10% up move in September.
- FIIs remain net sellers in Indian equities for the second consecutive month with an outflow of US\$2.7 bn in October. However, DIIs more than offset the FII outflow with an inflow of US\$3.4 bn equally split between equity mutual funds and Insurance.
- Nifty FY24/25 consensus earnings have seen a +1%/-1% change over the last 1 month. As a result, Nifty continues to trade on 19.0x 1-year forward PE. On a 10-year basis, Nifty is still trading ~10% above its historic average valuation but in-line with its 5-year average.
- However, in a higher interest rate environment, market returns may lag earnings growth due to moderation in valuation multiples.
- Global macro environment remains challenging with heightened global geo-political and economic uncertainties.
- For India, growth has been strong in Q1FY24 at 7.8% (YoY) driven by strong government spending and resilient private consumption.
- The strong infrastructure thrust of the government is visible in order flow and demand for various industries and should support the domestic economy.
- FY24Q1 GDP growth has surprised positively indicating that the domestic economy remains more resilient despite global pressures.
- While we expect a downside to the consensus earnings growth forecast, we remain positively biased towards domestic cyclicals and constructive on Indian equities longer term supported by the more robust medium term growth outlook with government focus on infrastructure and support to manufacturing.

Nifty futures

- The Nifty 50 near-month future contract of October ended lower on the rollover day (November 30) versus spot.
- The new near-month contract (November 30) ended ~115.35 points higher on October 26.
- The rollover of the new near-month contract (October) was 79% 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, falling to 11.73 on October 26 (rollover date) from 12.82 on September 28, and ended the month at 11.83.
- Nifty futures saw trading volume of around Rs 3 lakh crore, arising out of 28.58 lakh contracts, with an open interest of around 23.23 crore during the month



Source – NSE, CRISIL, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

Nifty options

- On October 31, Nifty 19,200 call option witnessed the highest open interest of around 52 lakh, while Nifty 19,200 call contract garnered the maximum number of contracts of 48 lakh.
- Nifty 19,000 put option witnessed the highest open interest of 199.04 lakh on October 31 and the Nifty 19,100 put contract garnered the maximum number of contracts of 49 lakh.

NSE F&O turnover

- Turnover on the NSE's derivative segment fell 4% in the month led by selloff in index futures and options. The average put-call ratio was 0.94 in October, slightly higher than 0.93 in September.

Instrument	Monthly turnover summary (Figures in INR crore)		
	31-Oct	29-Sep	Change %
Index futures	504,265.16	550,449.93	-8%
Stock futures	1,894,017.55	2,039,494.41	-7%
Index options	628,819,364.32	652,680,844.10	-4%
Stock options	6,519,156.41	7,378,926.67	-12%
Total	637,736,803.44	662,649,715.11	-4%

Source – CRISIL, NSE. Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

Futures & Options (F&O) Review

FII segment

On October 31, FIIs' open interest was Rs 5.4 lakh crore (~71 lakh contracts). The details of FII derivatives trades for October 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	953154	76490	1022920	82507	0.23	0.24	0.25	0.26
Index Options	399333369	30402946	403605472	30698490	97.06	96.95	97.06	96.95
Stock Futures	6021936	468080	6057379	469494	1.46	1.49	1.46	1.48
Stock Options	5129502	412091	5141514	413343	1.25	1.31	1.24	1.31
Total	411437961	31359607	415827285	31663833	100.00	100.00	100.00	100.00

Source – CRISIL, NSDL. Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

Average inter-bank call money rates were slightly above RBI repo rate in October

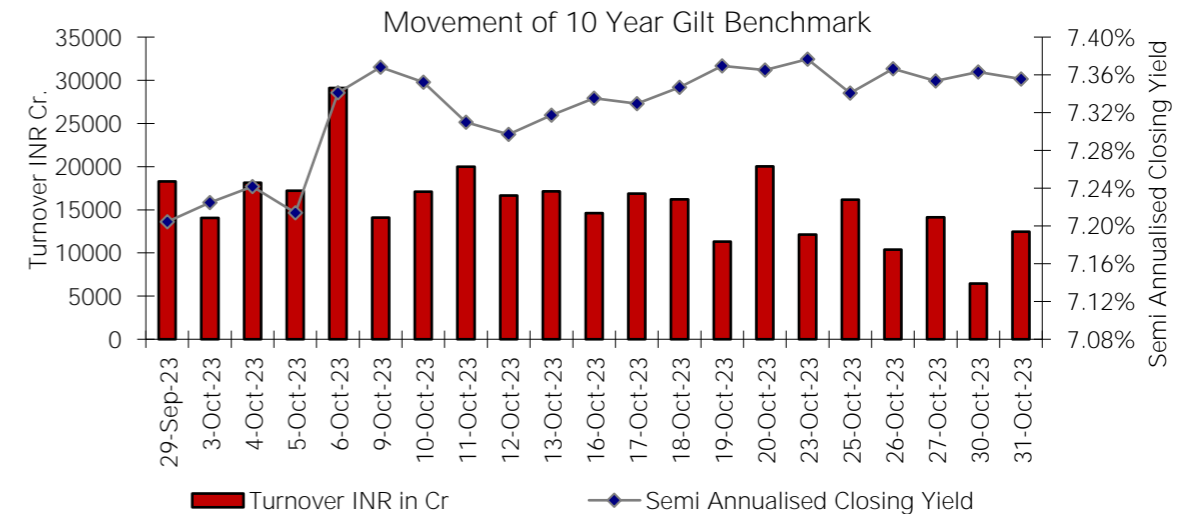
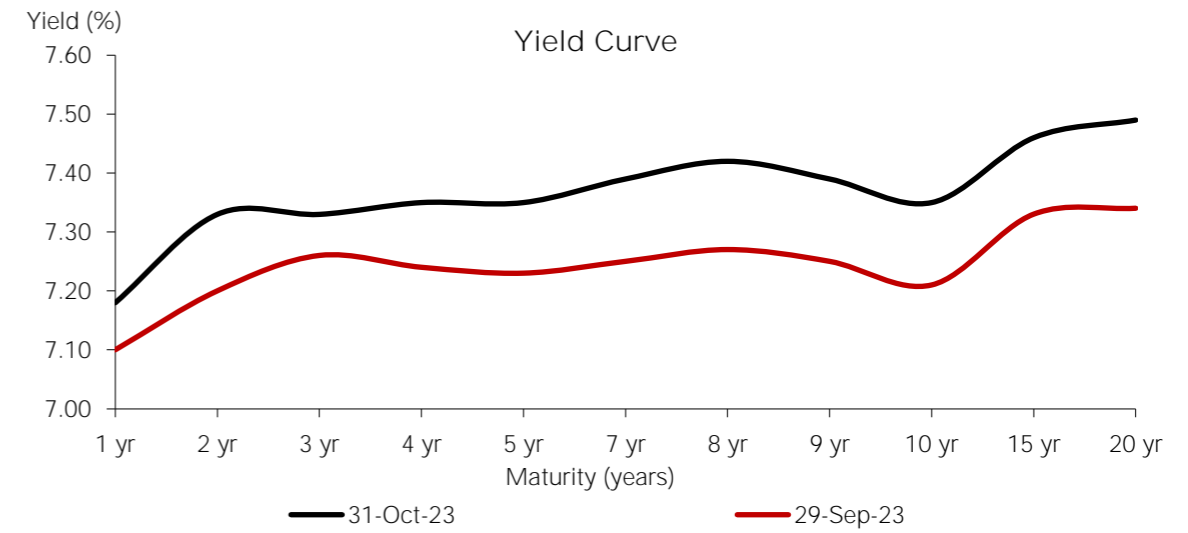
- The interbank call money rate averaged at 6.51% in October month which is slightly higher than RBI's repo rate of 6.50%, due to a sizeable deficit in banking system liquidity through the month, which can be attributed to the impact of the implementation of the incremental cash reserve ratio (I-CRR) in August and tax outflows

Bond prices ended lower in October

- Government bond yields rose in October, with that on the new 10-year benchmark 7.18% 2033 bond coming in at 7.36% on October 31, 2023, as against 7.21% on September 29, 2023.
- Yields remained high for a significant part of the month, tracking intermittent spikes in US Treasury yields due to expectations that Fed will keep interest rates high for longer, US inflation data cues, a strong dollar index, and upbeat private jobs data.
- A plunge in bond prices was also witnessed in the first half of the month after RBI surprised markets with its intention to conduct an open market sale of bonds via auctions
- Intermittent spikes in global crude oil prices amid escalating geopolitical tensions in the Middle East also supported yields.
- However, bond prices were stable due to dovish comments from Fed officials.
- Anticipation that the RBI may delay an open market sale of bonds following a persistent liquidity deficit in India's banking system also kept yields under pressure.
- Towards the end of the month, bond prices were supported by the release of a weaker-than-expected US Personal Consumption Expenditure (PCE) price index and disposable income data that supported expectations of interest rates being closer to their peak.
- Investor responses to worries about the RBI's first open market sale of bonds also helped support bond prices during month-end.

Debt Market Review

Debt Market Indicators	31-October-23	29-September-23
Call Rate	6.60%	6.50%
3-mth CP rate	7.70%	7.41%
5 yr Corp Bond	7.72%	7.63%
10 Yr Gilt	7.35%	7.21%
Repo	6.50%	6.50%
SDF	6.25%	6.25%
CRR	4.50%	4.50%
1-mth CDs	7.06%	7.05%
3-mth CDs	7.33%	7.04%
6-mth CDs	7.50%	7.25%



Source: CRISIL Fixed Income database

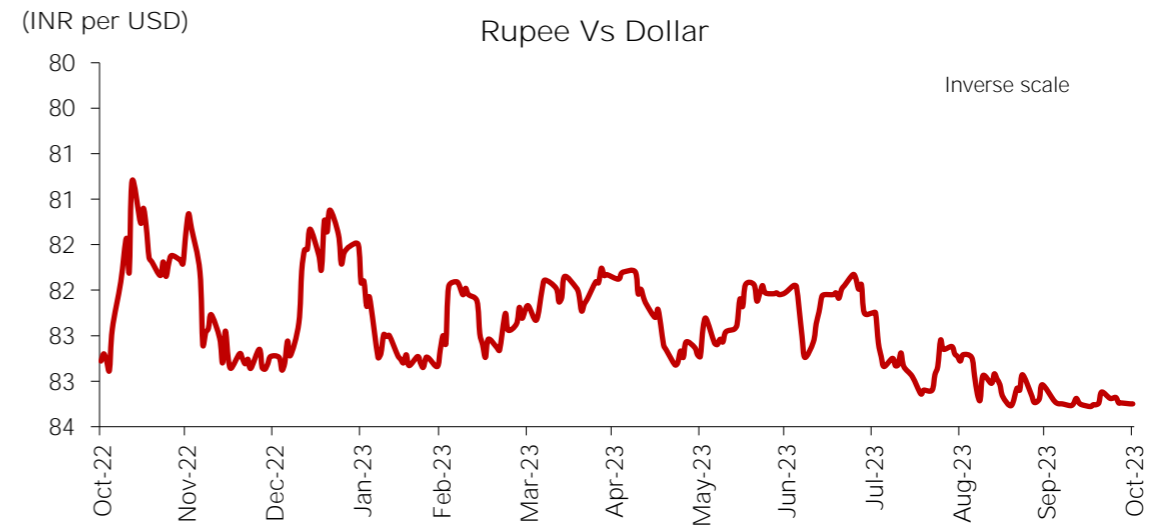
Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice

- Global markets remained volatile during the month of October and the higher for longer theme continued to occupy centerstage.
- Fresh geopolitical tensions emerging in the Middle East also caused volatility in global markets.
- The Fed Chair mentioned in his remarks that the process of getting inflation sustainably down to 2% has a long way to go and the need for a restrictive stance remains in place.
- Domestically, the key event during the month was the RBI policy. While the policy rate and stance were on expected lines, the key surprise was the reference to OMO sales in the governor's statement, which imparted a hawkish tinge to the policy.
- The RBI continued to reiterate that "the inflation target is 4% and not 2% to 6%" and the need to align inflation to this target of 4% on a durable basis.
- Liquidity, after turning positive earlier in the month, post the release of I-CRR, turned negative towards the end of the month.
- On the domestic macro front, the CPI inflation for the month of September came in lower than expected at 5.02% with core inflation moving further lower to 4.5% vs 4.8% in the previous month.
- GST collections for the month of October continued to stay robust at INR 1.72 Lakh Crs. Manufacturing PMI, while staying healthy, dropped marginally to 55.5 vs 57.5 in the previous month. IIP growth for the month of August was strong at 10.3%, partly aided by base effects.
- The inclusion of IGBs in the global bond index has cushioned the impact of the volatility in global markets to some extent. Additionally, with the Government sticking to their borrowing program in conjunction with a low net supply.
- The biggest overhang in the domestic markets continues to be the OMO sales remark by the RBI Governor, which has kept the markets guessing about the quantum and timing of the OMO sales to be conducted.
- Any further correction can provide an opportunity to add duration and provide a good entry point into longer duration bond funds. In our view, the risk-reward has turned in favor of careful deployment into certain areas which may offer risk adjusted returns.

Indian rupee declined in October

- The Indian rupee ended 0.25% lower against the US dollar to end at Rs 83.25 in October. With this, the domestic currency logged its fourth consecutive monthly decline. The domestic currency remained under pressure due to a surge in crude oil prices and rising US treasury yields.
- Some losses were also seen due to factors such as expectations of the US Federal Reserve keeping interest rates higher for a longer period and intermittent rise in the dollar index.
- Weakness in the domestic equity markets also weighed on investor sentiment. Nevertheless, at a broader level, losses in the rupee were contained by intermittent intervention by the Reserve Bank of India.

Rupee Movement V/s Global Currencies				
	31-Oct-23	29-Sep-23	Change	% Change
USD	83.25	83.04	-0.21	-0.25
GBP	101.35	101.83	0.48	0.47
EURO	88.56	88.15	-0.41	-0.46
100 YEN	55.36	55.71	0.35	0.63



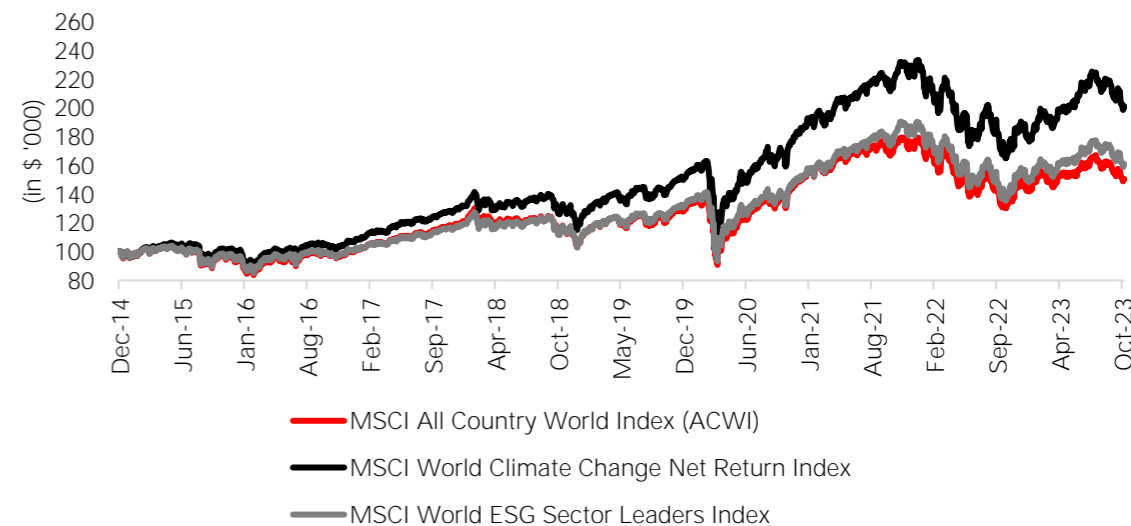
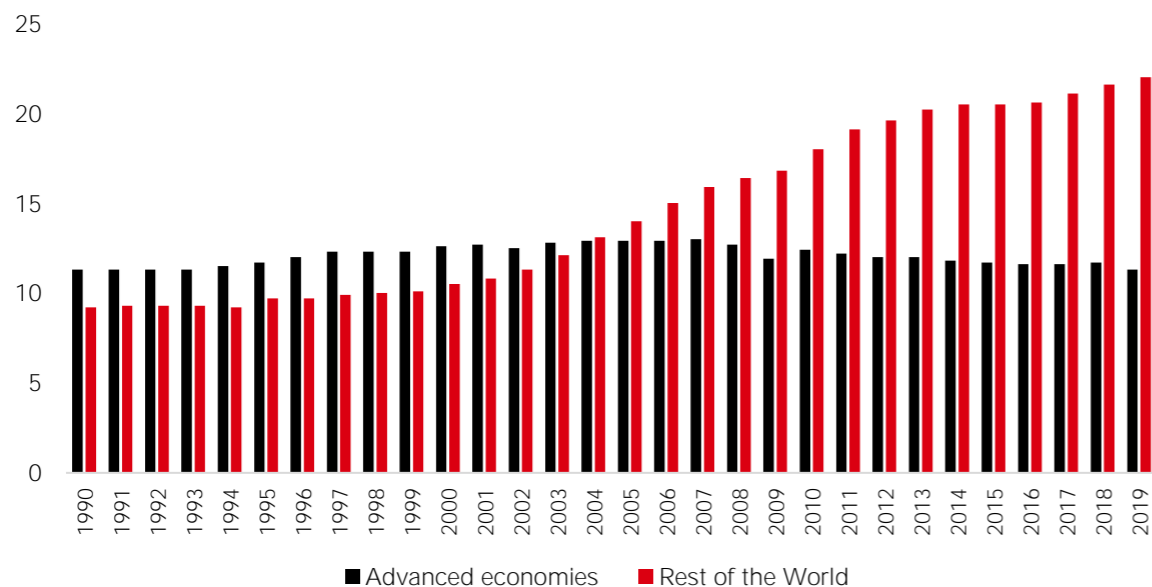
Rising crude oil prices and US treasury yield weighed on the rupee

Source: RBI, CRISIL. Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice. US- United States

Climate Change and ESG

- The issue of climate change (generally measured in terms of carbon dioxide or CO2 emissions) has been in the limelight amid the rising number of climate disasters such as wildfires, floods, droughts, diseases, etc in recent times.
- This has resulted in shifting of focus towards businesses which are sensitive towards tackling these issues or in other words take into consideration the environmental, social and governance (ESG) factors while conducting their business.
- If we consider climate change and ESG themes in terms of performance vis-à-vis general equity for illustrative purposes, a sum of \$100,000 invested in MSCI World Climate Change index and MSCI World ESG Sector Leaders index in December 2014 would have grown to \$201309 and \$160979, respectively as on October 31, 2023, as against growth of \$150565 in MSCI All Country World Index (ACWI) during the same period.

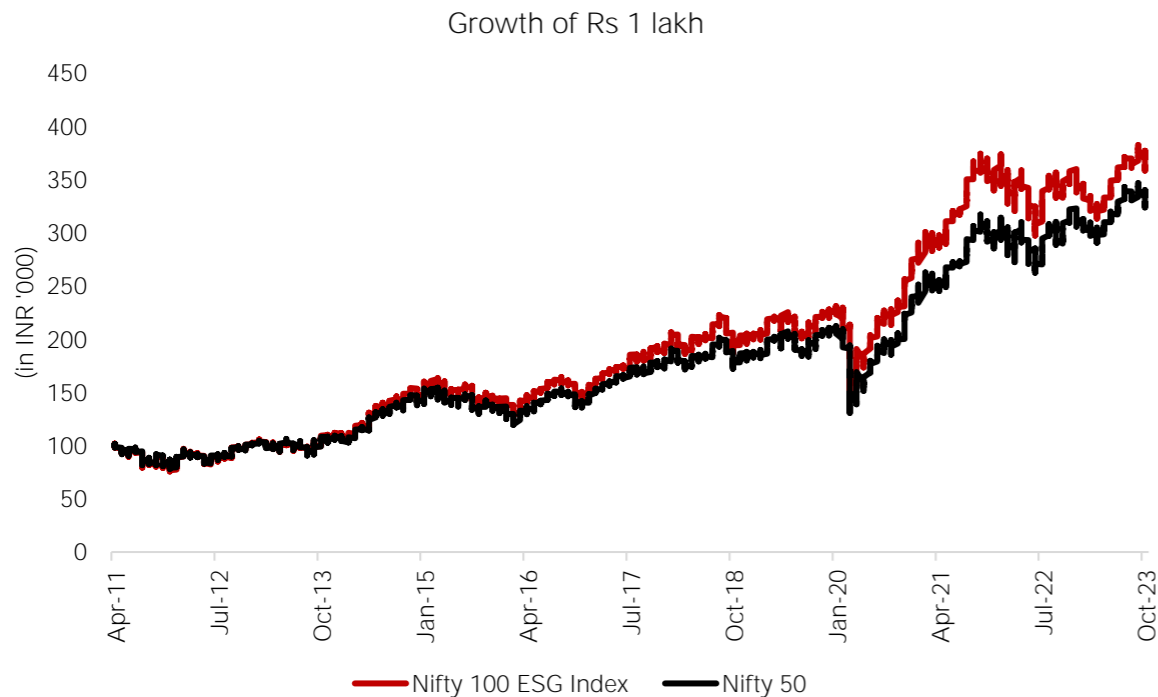
Energy Related CO2 Emissions (in giga tonnes)



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

Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

- In the Indian context, the ESG theme has shown encouraging performance.
- In terms of returns, ESG (represented by Nifty 100 ESG) has outperformed general equity (represented by Nifty 50) across some time periods.
- If long-term growth in ESG scheme is analyzed, if an investor put in INR 100,000 in Nifty 100 ESG and Nifty 50 in April 2011, it would have grown to INR 363,000 and INR 327,000, respectively, for the period ended October 31, 2023.



Period	Performance (%)	
	Nifty 100 ESG	Nifty 50
1 year	4.23	5.93
2 years	0.98	3.90
3 years	16.39	17.88
5 years	13.34	12.93
7 years	12.60	12.00

Source: NSE, Bloomberg. Returns above 1 year are compounded annualized. Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

Global Economic Update

IMF cuts 2024 global growth forecast to 2.9%, maintains 2023 forecast at 3%

- The International Monetary Fund (IMF) has cut its 2024 global real GDP forecast by 0.1 percentage point to 2.9% from its July forecast, but maintained its 2023 estimate at 3.0%.
- In its latest World Economic Outlook (WEO), the agency cited growing regional divergences and little margin for policy error for the slower growth.

US economy grows 4.9% in the third quarter of 2023; IMF raises growth forecast; Fed hold rates

- The United States (US) economy expanded at an annualised 4.9% in the third quarter of 2023 – the most since the last quarter of 2021 – higher than the 2.1% expansion in Q2.
- The IMF raised its US growth projection for this year by 0.3 percentage points to 2.1%, compared with its July update.
- The Federal Open Market Committee kept its interest rates steady in a range of 5.25-5.5% at its November policy meet.

Key economic indicators

- Inflation rate remained steady at 3.7% on year in September, compared with August, while core inflation rate eased to 4.1% from 4.3%.
- Industrial production increased 0.1% on year in September, compared with a downwardly revised 0.1% rise in August.

US economy grew 4.9% in Q3

Eurozone grows 0.1% in the third quarter of 2023; IMF cuts growth forecast; ECB holds rates

- The eurozone economy expanded 0.10% on year in the third quarter of 2023, slower from 0.5% growth in the second quarter of 2023.
- The International Monetary Fund (IMF) lowered its euro area growth forecast for 2023 by 0.2 percentage points to 0.7%. For 2024, growth estimate was lowered by 0.3 percentage points to 1.2%.
- The European Central Bank (ECB) kept interest rates steady at 4.5% during its October meeting.

Key Eurozone economic indicators

- Inflation rate slowed to 4.3% on year in September, down from August's 5.2%, and annual core inflation fell to 4.5% from 5.3%.
- Industrial production decreased 5.10% on year in August, compared with a 2.2% fall in July

UK grew 0.6% in August; IMF raises 2023 growth estimate; BoE holds rates

- The United Kingdom (UK) economy expanded 0.50% on year in August, compared with 0.30% in July.
- IMF growth forecast for the UK was increased slightly to 0.5% for 2023, but lowered by 0.4 percentage points to 0.6% for 2024.
- The Bank of England (BoE) maintained its benchmark interest rate at 5.25% for the second consecutive time during its November meeting

Key UK economic indicators

- Annual inflation rate came at 6.7% in September, unchanged from August. While core inflation rate eased to 6.1% from 6.2%.
- Industrial production increased 1.3% on year in August, up from 1% in July, while manufacturing production slowed 2.80% from 3.1%.

Eurozone economy grew 0.1% in Q3

China's economy grew 4.9% in Q3 2023; IMF cuts growth forecast; PBoC holds rates

- China's economy expanded 4.9% on year in the third quarter of 2023, slowing from 6.3% in Q2.
- The International Monetary Fund (IMF) sees China growing 5% this year (lower by 0.2 percentage point from July's forecast) and 4.2% next year (lower by 0.3 percentage point) amid property sector concerns.
- The People's Bank of China (PBoC) held the lending rates steady at the October fixing; the one-year loan prime rate (LPR) was kept unchanged at a record low of 3.45% and the five-year rate – a reference for mortgages – was maintained at 4.2% for the fourth straight month.

Key Chinese economic indicators

- The country's trade surplus widened to \$77.71 bn in September from \$68.36 bn in August
- Industrial production growth stood at 4.5% on year in September, unchanged from August

IMF raises 2023 growth forecast; BoJ holds rates, tweaks bond-yield control policy again

- IMF has raised its 2023 growth forecast for the country by 0.6 percentage points to 2.0%, while maintaining the 2024 estimate at 1%
- The Bank of Japan (BoJ) kept its key short-term interest rate unchanged at -0.1% and that of 10-year bond yields at around 0% in its October meeting.
- At the same time, the central bank redefined 1.0% as a loose "upper bound" rather than a rigid cap and scrapped a pledge to guard the level

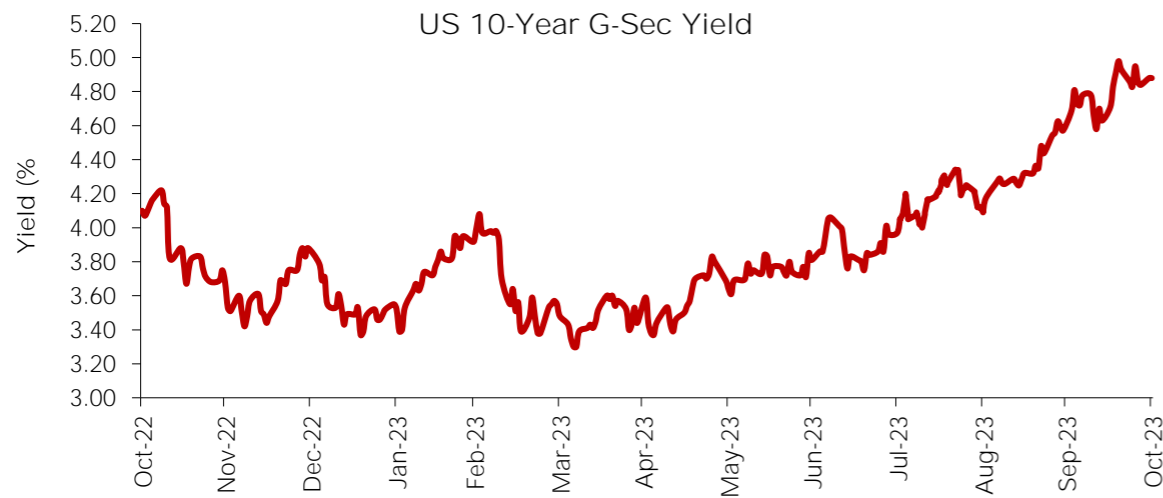
Key Japanese economic indicators

- The country's trade balance shifted to a surplus of 62.44 bn yen in September, compared with deficit of 937.8 bn yen in August
- Industrial production fell 4.6% on year in September, coming after a 4.4% drop in August

Source: CRISIL, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

US treasury prices fell in October

- The United States (US) Treasury prices plunged in October. Yield on the 10-year Treasury bond settled at 4.88% on October 31, 2023, from 4.57% on September 29, 2023.
- The yield continued to rally in October, touching a multi-year high, on the likelihood of the US Federal Reserve (US Fed) keeping rates higher for longer, potentially raising them again as the labour market remains solid and inflation stays above its 2% annual target.
- Upbeat economic data and hawkish comments from US Fed officials further strengthened these expectations and elevated yield.
- However, the geopolitical turmoil in the Middle East, which spurred demand for safe-haven bonds, cut short a further rally in yield.



Global bond yields			
	31-Oct	29-Sept	Change
US 10-Year (%)	4.88	4.57	0.30
UK 10-Year (%)	4.56	4.45	0.11
German 10-Year (%)	2.81	2.84	-0.03
Japan 10-Year (%)	0.93	0.77	0.16

US treasury yield rose on prospects of higher rates for longer

Source: CRISIL, Bloomberg, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

Economic Events Calendar

Date	Indicators	Previous
03-November-23	US Non-Farm Payrolls, October	336000
10-November-23	UK GDP Growth Rate QoQ, Q3	0.2%
	India Industrial Production, September	10.3%
13-November-23	UK GDP, August	0.2%
14-November-23	US Inflation Rate, October	3.7%
	Eurozone GDP Growth Rate QoQ 2nd Est, Q3	0.5%
	India WPI Inflation, October	-0.26%
15-November-23	Japan GDP, Q3	1.2%

Source: CRISIL, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.
 US- United States, UK- United Kingdom, GDP- Gross Domestic Product, WPI- Wholesale Price Index

Economic Events Calendar (cont'd)

Date	Indicators	Previous
20-November-23	China Loan Prime Rate 1Year	3.45%
	China Loan Prime Rate 5Year, November	4.2%
29-November -23	US GDP Growth Rate QoQ second Estimates, Q3	2.1%
30-November-23	US PCE Price Index, October	2.5%
	Eurozone Inflation Rate, November	4.3%
	India GDP Growth Rate, Q3	7.8%
	India Infrastructure Output, October	8.1%
	India Fiscal Deficit, October	39.3%

Source: CRISIL, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.
 US- United States, UK- United Kingdom, GDP- Gross Domestic Product, PCE – Personal Consumption Expenditure

Annexure Indian Economic Environment

Other major developments

- The Appointments Committee of the Union Cabinet appointed 12 general managers as executive directors in various public sector banks.
- The Union Cabinet approved the establishment of an autonomous body, Mera Yuva Bharat (MY Bharat), to serve as a government platform for youth development and youth-led development.
- The Union Cabinet approved the amendment of the Second Schedule of the Mines and Minerals (Development and Regulation) Act, 1957, pertaining to specifying the rate of royalty in respect of three critical and strategic minerals - lithium, niobium, and rare-earth elements (REEs).
- The Department for Promotion of Industry and Internal Trade (DPIIT) has revised the guidelines for the Rs 6,238 crore production-linked incentive scheme (PLI) for white goods; the guidelines make it necessary for beneficiaries to submit a certificate from a registered cost accountant with regard to related-party sales and computation of the arm's-length price.
- Data furnished by the RBI revealed that the household savings rate plummeted to a five-decade low in fiscal 2023 (5.1% of GDP). This was attributed to an income crunch, coupled with a short-term surge in post-pandemic consumption.
- The Asian Development Bank (ADB) has approved a \$181 million loan to build quality infrastructure and services in the peri-urban areas of Ahmedabad, Gujarat.
- The Asian Development Bank (ADB) has approved a \$400 million policy-based loan to India, under ADB's Sustainable Urban Development and Service Delivery Program's Subprogram 2. The loan is aimed at backing urban infrastructure projects, such as those under the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) 2.0.
- The Cabinet approved a productivity linked bonus (PLB) equivalent to 78 days' wages for fiscal 2023, amounting to Rs 1,968.87 crore, for all eligible non-gazetted employees of the Indian Railways.
- The government has granted a non-productivity linked bonus equivalent to 30 days' emoluments for fiscal 2023 to all Central government employees in Group C, as well as all non-gazetted employees in Group B, who are not covered by any productivity-linked bonus.

Source –CRISIL, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.
RBI- Reserve Bank of India GDP- Gross Domestic Product

Regulatory developments in the month

- The Centre notified an amendment to the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, further tightening the record keeping in case of international transactions above Rs 50,000 to prevent terror financing.
- The RBI decided to extend the Prompt Corrective Action (PCA) framework for NBFCs to government NBFCs (Non-banking financial Companies) (except those in base layer) with effect from October 1, 2024, based on the audited financials as on March 31, 2024, or thereafter.
- The RBI announced the establishment of an external working group (WG) on the expected credit loss (ECL) framework for loan-loss provisioning.
- The RBI announced the inclusion of 30 banks in the UDGAM (Unclaimed Deposits - Gateway to Access Information) portal, which allows individuals to search and claim unclaimed deposits across multiple banks in one place. The portal is currently able to cover around 90% of such unclaimed deposits (in value terms) in the Depositor Education and Awareness (DEA) Fund.
- The RBI decided to permit NBFCs in the middle layer and bottom layer to offset their exposures with eligible credit risk transfer instruments; this facility was previously made available only to NBFCs in the upper layer.
- The RBI tightened the customer due diligence (CDD) norms by asking banks and regulated entities to adopt a risk-based approach for periodic updation of KYC. It also made amendments to the Master Direction (MD) on Know Your Customer (KYC).

Key economic indicators released in the month

- Latest data released by the Ministry of Statistics & Programme Implementation (MOSPI) revealed that India's industrial output measured by the index of industrial production (IIP) jumped to a 14-month high of 10.3% in August 2023 from 5.7% on-year during July 2023.
- Meanwhile, the combined index of the country's eight core sectors (provisional) increased by 8.1% on-year during September 2023. This was slower than the 12.5% growth recorded in the preceding month.
- India's overall trade deficit (merchandise and services) narrowed to \$4.92 billion in September 2023, down from \$15.03 billion in September 2022. This was driven by a 15% on-year decline in merchandise imports, from \$63.37 billion in September 2022 to \$53.84 billion in September 2023. Meanwhile, its merchandise exports declined by 2.6% on-year to \$34.47 billion, with 18 out of the 30 key sectors reflecting a fall.
- India's fiscal deficit for the first half of fiscal 2024 (April–September 2023) stood at Rs 7,020 billion, representing 39.3% of the yearly target for the fiscal (Rs 17,870 billion). The fiscal deficit for September 2023 alone came in at Rs 590.3 billion, which was about 25% lower than the year-ago quarter.

Source –CRISIL, Data as on 31 October 2023, Past Performance may or may not be sustained in future. Investors should not consider the same as investment advice.

RBI- Reserve Bank of India GDP- Gross Domestic Product

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