

Yearly Market Flash - 2023

January 02, 2023

Indian markets outperform global peers; Nifty PSU Bank index up 65%

The highlight of 2022 for Indian equity markets was its resilience and its superior performance vis-à-vis its global peers. Investors witnessed roller coaster ride over the past 12 months amid soaring inflation and interest rate hikes by major central banks, including the RBI and US Federal Reserve. From NSE Nifty50 hitting a 52-week low of 15,183 to touching a new life high of 18,888, investors saw it all in 2022.

However, qualms about major central banks, including the Federal Reserve, extending their aggressive monetary policy and the resurgence of Covid fears amid rising cases in China have made the Indian equity benchmarks give up some of their gains. The S&P BSE Sensex and Nifty50 gained over 4% in the year gone by. The year 2022 is the seventh consecutive year of the benchmark indices posting gains.

PARAMETERS	Dec 30, 2022	Dec 31, 2021	Change
S&P BSE Sensex	60,841	58,254	4.44%
Nifty50	18,105	17,354	4.32%
Nifty Midcap 100	31,509	30,443	3.50%
Nifty Smallcap 100	9,731	11,289	-13.80%

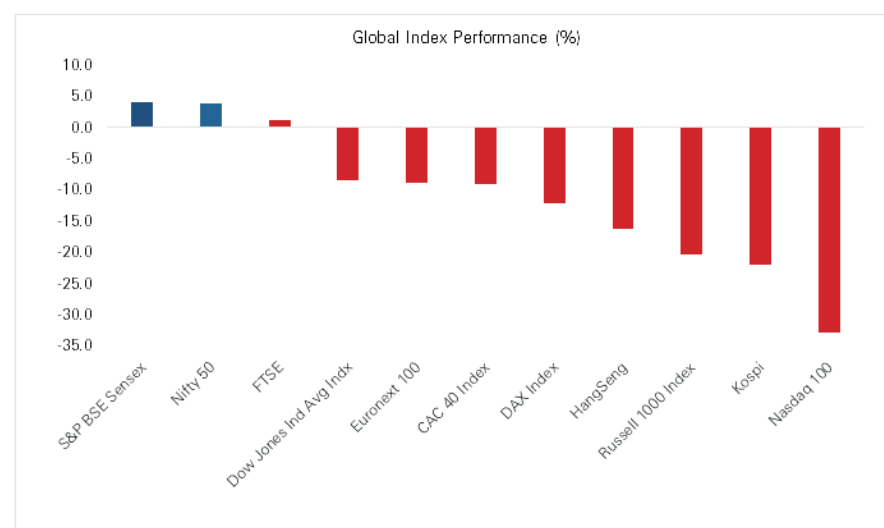
Source: MFI Explorer; Data as of Dec 30, 2022 | Past performance may or may not be sustained in future

The relatively better prospects of the Indian economy and robust flows from domestic investors helped Indian equities to remain relatively unharmed and the benchmark indices to hit new highs.

Indian markets continue to outperform global peers

Despite several headwinds on both global and domestic levels, Indian markets turned out to be one of the top performers across the globe. Global equities witnessed a volatile phase through 2022 with Russia-Ukraine tension, disruption in commodity prices and lockdowns in China.

Compared to Indian markets, global markets such as Nasdaq down by 33%, Hang Seng corrected by 16%, and FTSE was up by a mere 1%.



Source: MFI Explorer; Data as of Dec 26, 2022 | Past performance may or may not be sustained in future

Sectoral Performance

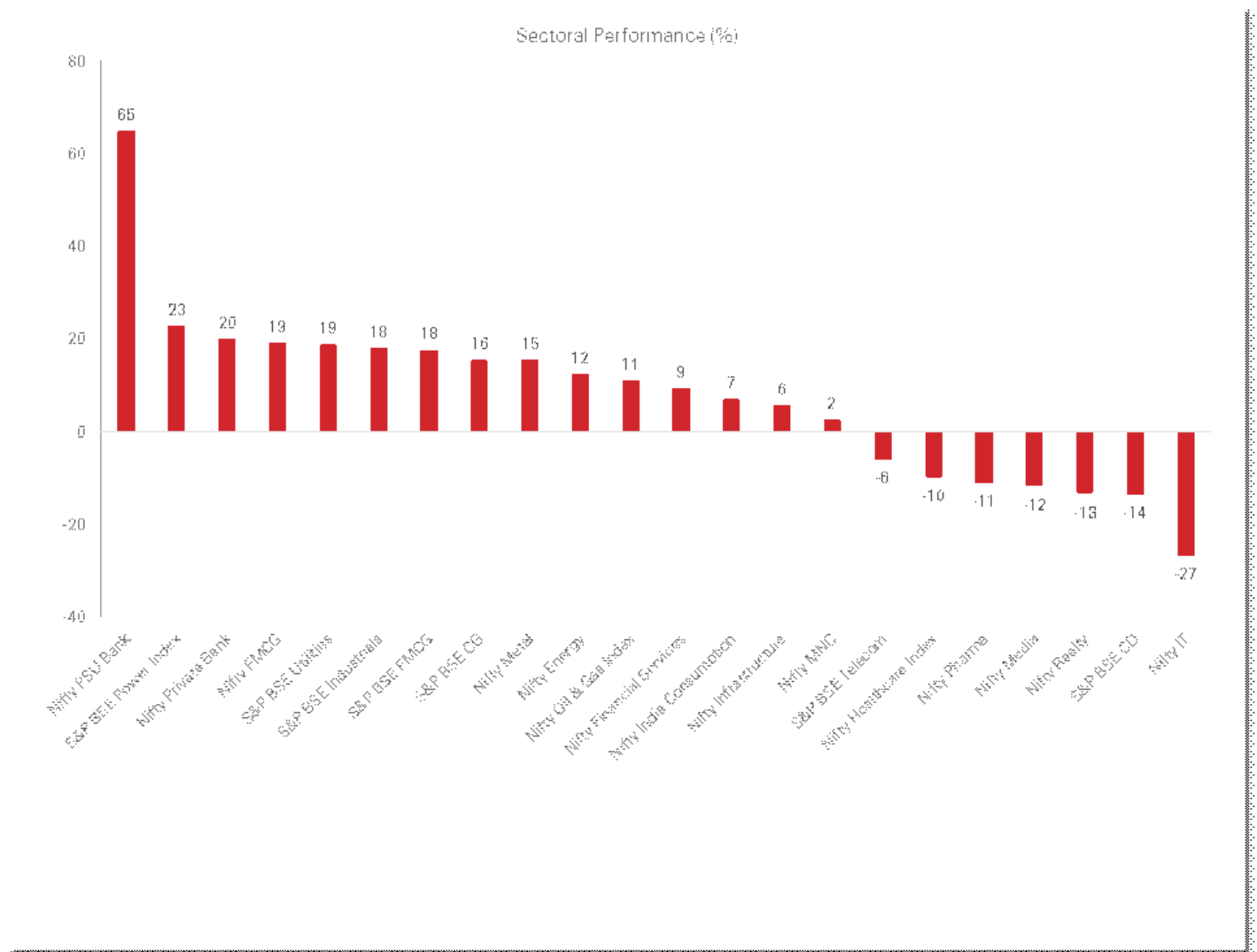
Among sectoral indices, leading the charge were the PSU bank, FMCG and metal indices, with substantial contributions from several other key sectors.

The PSU Bank index emerged as the top sectoral winner, recording gains of nearly 65% till date. It's not just the PSU banks index that has rallied in the banking universe – the Nifty Private Banks index, and the broader Nifty Bank index have both seen a surge.

After an unprecedented rally in 2020 and 2021, the IT and pharma indices have emerged as the top losers in 2022 so far.

Consumer durables, which was the second-biggest sectoral loser this year, struggled due to a rise in commodity prices resulting in multiple price hikes.

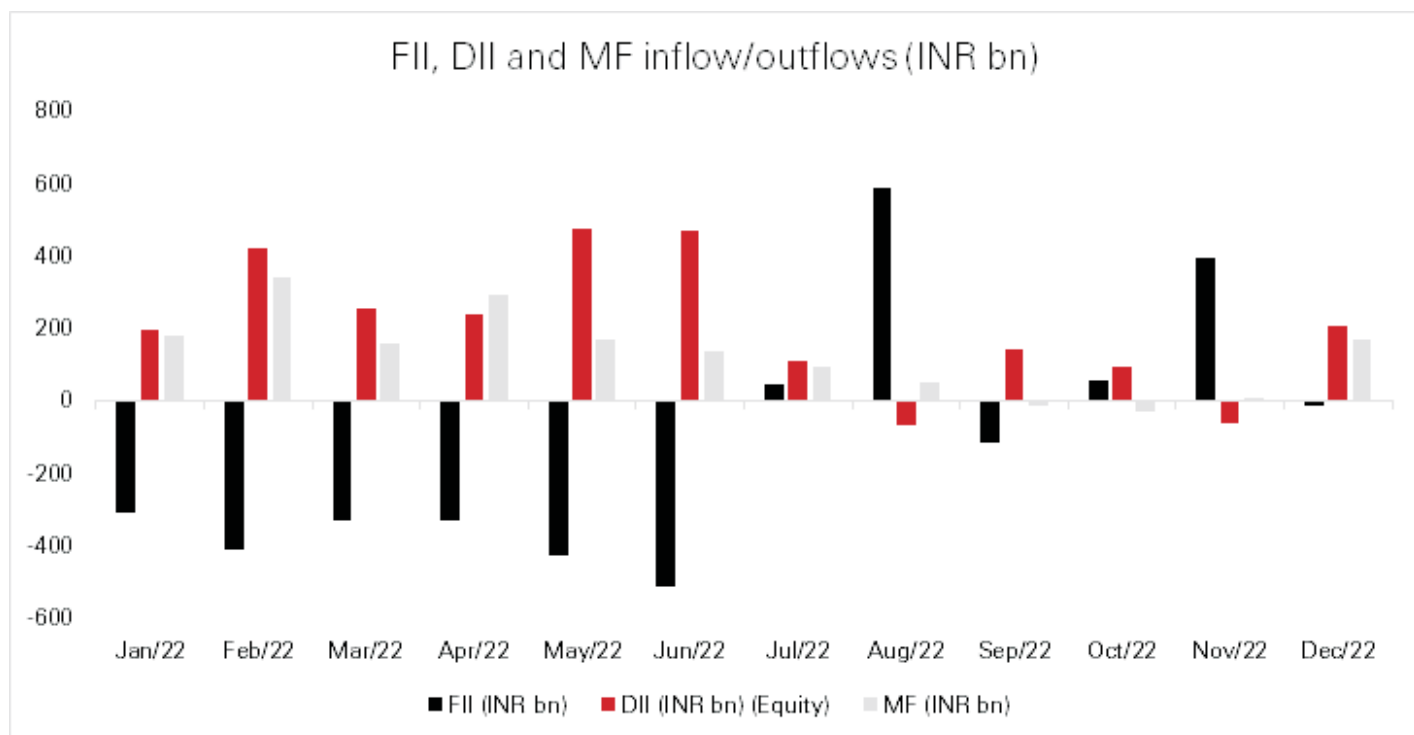
The realty and media sectors also lost their sheen this year as inflation and recessionary concerns spooked investor sentiment.



Source: MFI Explorer; Data as of Dec 26, 2022 | Past performance may or may not be sustained in future

Performance of Foreign Institutional Investors & Domestic Institutional Investors

In the calendar year 2022, FIIs (Foreign Institutional Investors) have been net buyers of Indian equities in 4 months of July, August, October and November. The total FII outflow has been worth around Rs 1.2 lakh crore amid quantitative tightening and rate hikes by the US Fed.



Source: MFI Explorer; Data as of Nov 30, 2022 | Past performance may or may not be sustained in future

NSE Data shows that DIIs (Domestic Institutional Investors) offloaded stocks worth around Rs 6,300 crore in November 2022 while FIIs pumped in over Rs 22,500 crore last month. So far this year till June, DIIs have been buying at an average of over Rs 35,000 crore per month.

However, the pace of DIIs has slowed down from June onwards. FIIs have net offloaded equities worth over Rs 2.64 lakh crore so far in 2022, while DIIs have net bought shares worth over Rs 2.52 lakh crore.

Mutual Fund crossed 40 lakh crore mark in November

AUM of the mutual fund industry has crossed the Rs 40 lakh crore mark in November up 7% from Rs 37.72 lakh crore in Dec'21. As per the data, the AUM rose to an all-time high of Rs 40.37 lakh crore in 2022 from Rs 37.72 lakh crore at the end of December 2021.

The year 2022 also marked the 10th consecutive yearly rise in the industry AUM after a drop in two preceding years. This year's growth in the industry was supported by inflows in equity schemes.

With the acquisition of L&T Mutual Fund, there are 42 active players in the industry. The net sales for the industry has reduced to Rs 66,952 crore from Rs 1,88,585 crore last year. Equities have continued to see robust inflows with net inflows exceeding Rs 1.5 lakh crore from Rs 80,000 crore last year indicating continued active retail participation in the industry.

On the debt side, there is a clear shift in allocation of funds to the shorter end of the curve with inflows in Liquid/Overnight Funds being Rs 35,000 crore compared to negative net sales of Rs 6,000 crore last year. The changing macro environment & higher commodity prices weighed down on fixed-income funds with net withdrawals (Ex Liquid/Overnight) exceeding Rs 2.5 lakh crore.

Hybrid was another category under pressure, predominantly due to arbitrage funds being out of flavor with the investors. The category saw net withdrawals of Rs 7,000 crore till November.

Industry AUM(Lakh Cr)	Dec-21	Mar-22	Nov-22
Debt	9.5	8.5	7.7
Equity	13.4	13.7	15.7
Hybrid	4.7	4.8	4.9
Liquid/Overnight	4.6	4.5	5.1
Others(ETF, Index)	5.5	6.0	7.0
Total	37.7	37.6	40.4

Source: AMFI, HSBC Mutual Fund; Data as of Nov 30, 2022 | Past performance may or may not be sustained in future

Passive category continues to outperform the broader industry with flows exceeding Rs 1.5 lakh crore this financial year. Retail investors continued to show their perseverance in the markets with monthly SIP contributions now averaging over Rs 13,000 crore per month and active SIP folios crossing the 6 crore mark.

SIP	SIP AUM (Cr)	Sales (Cr)	SIP Folio (Cr)
Fy21	4,27,916	96,080	3.7
FY22	5,76,358	1,24,566	5.3
April - Nov/22	6,83,852	1,00,581	6.1
Sep/22	6,35,286	12,976	5.8
Oct/22	6,64,78	13,041	5.9
Nov/22	6,83,852	13,306	6.1

Source: AMFI, HSBC Mutual Fund; Data as of Nov 30, 2022 | Past performance may or may not be sustained in future

Road Ahead

The markets have scaled new heights in 2022 and the mutual fund industry continues its growth trajectory. Retail investors understand the power of regular and periodic investments into the markets through the mutual fund route and many have seen wealth creation through the SIP (Systematic Investment Plans) mode as they have stayed invested through multiple cycles in the markets.

We hope to see continued expansion of the retail investors segment in the country using mutual funds as one of their preferred instruments of savings and investments so as to aim to meet their financial goals and aspirations.

Source: HSBC Mutual Fund, Bloomberg, MFI Explorer

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