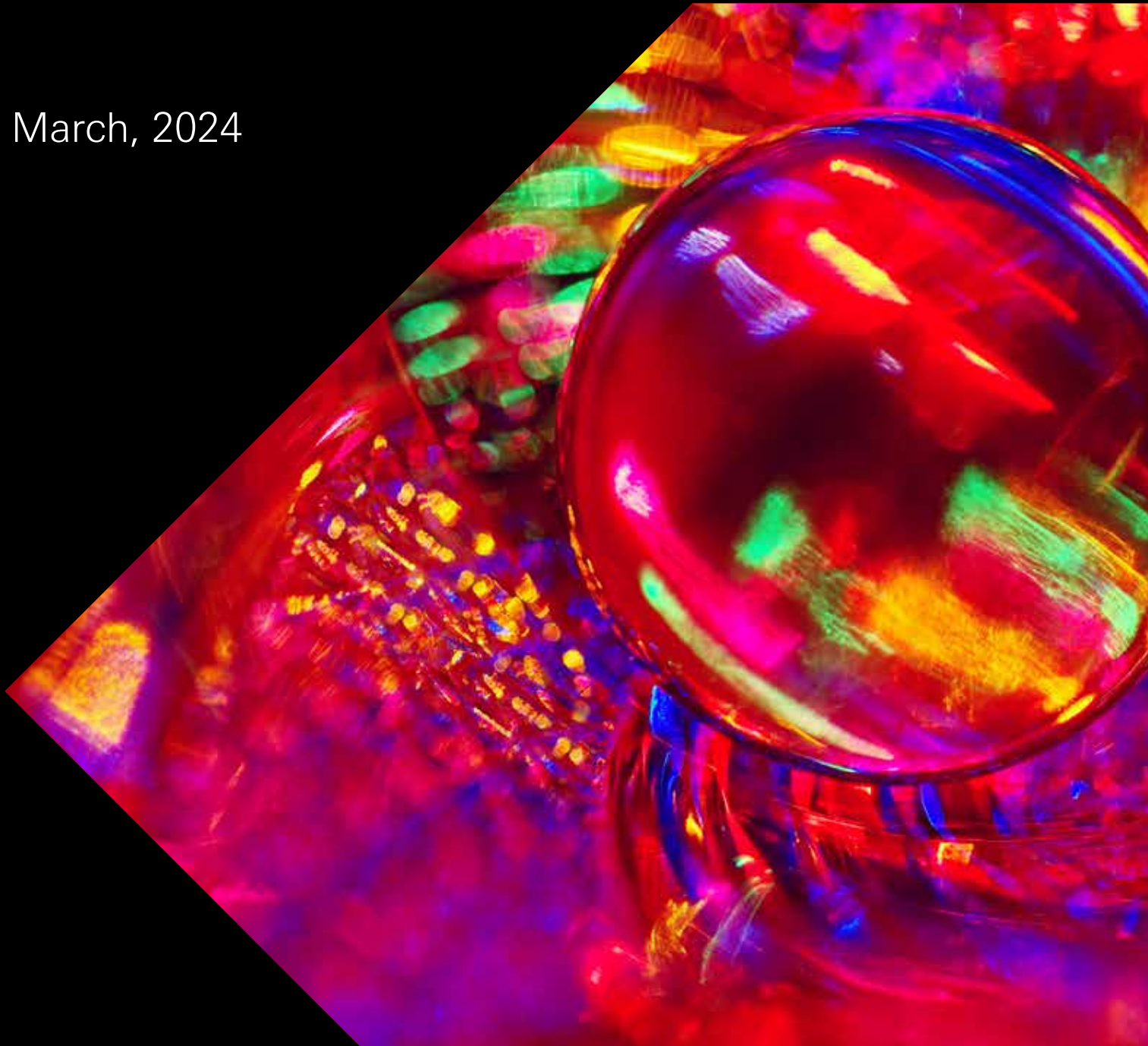


Equity Market Review

March, 2024



- ◆ Major Indian equity indices continued their upward trend in March 2024 as FIIs and DIIs both invested heavily into the market. S&P BSE Sensex and NSE Nifty both gained 1.6% for the month.
- ◆ However, the broader market saw a correction with BSE Small Cap index down 4.5% in March while BSE Midcap index was flat for the month.
- ◆ Capital Goods, Autos and Metals were the best performing sectors in March. Banks and Power also outperformed Nifty while FMCG, Healthcare and Realty gave minor negative returns. IT sector however saw a deeper correction.



Domestic Indices	Last Close	1 Month (Change)	CYTD 24 (Change)
S&P BSE Sensex TR	1,12,994	1.6%	2.1%
Nifty 50 TR	32,867	1.6%	2.9%
S&P BSE 200 TR	12,778	1.5%	5.0%
S&P BSE 500 TR	40,424	0.9%	4.5%
S&P BSE Midcap TR	49,397	0.0%	7.0%
S&P BSE Smallcap TR	53,149	-4.5%	1.3%
NSE Large & Midcap 250 TR	17,792	0.7%	4.5%
S&P BSE India Infrastructure Index TR	799	0.6%	20.3%
MSCI India USD	976	0.8%	5.9%
MSCI India INR	2,641	1.4%	6.2%
INR - USD	83.4	0.6%	0.2%
Crude Oil	87	4.6%	13.6%

Indices	28-Mar 2024	29-Feb 2023	% Change 1 Month	% Change 1 Year	% Change YTD
S&P BSE Auto	49,142	46,819	4.96	73.97	16.37
S&P BSE BANKEX	53,515	52,457	2.02	16.26	-1.59
S&P BSE Capital Goods	60,943	57,415	6.15	77.32	9.52
S&P BSE Consumer durables	52,277	51,224	2.05	38.93	4.55
S&P BSE FMCG	19,318	19,448	-0.67	17.17	-5.62
S&P BSE Healthcare	35,053	35,079	-0.08	60.18	11.11
S&P BSE IT	35,645	38,412	-7.2	25.16	-1.02
S&P BSE Metal	28,196	26,865	4.95	46.97	4.47
S&P BSE Oil & Gas	27,644	27,665	-0.07	59.03	20.08
S&P BSE Power	6,702	6,590	1.7	85.86	15.18
S&P BSE PSU	18,275	18,327	-0.29	92.42	17.46
S&P BSE Realty Index	7,108	7,195	-1.21	129.19	14.89

Source: NSE, BSE, Data as on 28 March 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.

Global Market Update

- ◆ MSCI World index gained another 3% in March. It was driven by a strong 3% gain in the US (S&P 500) while MSCI Europe gained 3.3% and MSCI Japan gained 2.3%. MSCI EM gained 2.2% despite only a 0.9% gain in MSCI China. Crude oil prices gained 5% in March.

International Indices (in USD)	Last Close	1 Month (Change)	CYTD 24 (Change)
MSCI World	3,438	3.0%	8.5%
Dow Jones	39,807	2.1%	5.6%
S&P 500	5,254	3.1%	10.2%
MSCI EM	1,043	2.2%	1.9%
MSCI Europe	2,113	3.3%	4.6%
MSCI UK	1,199	3.8%	1.9%
MSCI Japan	4,074	2.3%	10.2%
MSCI China	54	0.9%	-2.2%
MSCI Brazil	1,646	-2.5%	-8.5%

- ◆ FIIs were strong net buyers of Indian equities in March with an inflow of US\$4bn while DIIs invested a highest ever US\$6.8 bn during the month. Domestic MFs invested US\$5.4 bn and the remaining was contributed by domestic insurance.

Year	FII Equity	FII Debt	Dom MF Equity	Insurance Equity	DII Equity	Dom MF Debt
CY13	1125	-512	-211	-530	-741	4849
CY14	974	1592	238	-530	-291	6199
CY15	184	469	722	-54	668	4340
CY16	188	-443	482	-122	360	3312
CY17	509	1481	1188	-279	908	3817
CY18	-342	-465	1207	-114	1094	3322
CY19	1002	241	522	-100	422	5313
CY20	1728	-1034	-545	172	-373	2231
CY21	258	-113	805	106	911	1293
CY22	-1256	-158	1856	639	2495	-307
CY23	1768	699	1741	105	1847	-962
CY24YTD	111	592	824	260	1084	-1145

- ◆ CPI remained at 5.1% (YoY) in February, same level as January while core-core inflation (i.e. core inflation ex petrol and diesel) also continued to ease and declined to 3.5% (YoY) versus 3.7% in January.
- ◆ Industrial production growth (IIP) stood at 3.8% (YoY) in January slightly down from 4.2% (YoY) in December.
- ◆ Gross GST revenue collection in the month of March stood at Rs 1.78 tn, up 12% (YoY).
- ◆ Other key developments during the month include – After a gap of 11 years, a Household Consumption Expenditure Survey (HCES 2023), capturing detailed household consumption patterns was released by the govt. As per the survey, over the last 11 years, real per-capita consumption growth was relatively soft growing at a compound annual growth rate (CAGR) of 3.2% in rural areas and 2.6% in urban areas.

Valuations

Nifty FY25 consensus earnings estimate increased by 2% while FY26 saw a small decline. Nifty now trades on 20.5x 1-year forward PE more than 10% above its 10-year average and similar to its 5-year average. Valuations in midcap and smallcap space are much more elevated.

Macro View

In our view, global macro environment remains challenging with heightened geo-political and economic uncertainties. However, with inflation now under control, US Fed has indicated potential for interest rate cuts going forward. For India, growth has continued to remain strong with GDP growth of 8.4% in Q3FY24 driven by strong government spending on infrastructure and pickup in manufacturing and construction. The 2024 interim budget has re-affirmed government's focus on infrastructure. At the same time reduction in fiscal deficit should also help in easing domestic interest rates. However, after last year's patchy monsoon, a good monsoon will be an important factor for rural demand and overall consumption growth in the economy in FY25.

Outlook

India starts 2024 on a strong footing with positive growth momentum. 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. We also expect higher private investment in renewable energy and related supply chain, localization of higher-end technology components, and India becoming a more meaningful part of global supply chains. Finally, we expect improvement in consumption as the impact of high inflation fades and real incomes start to grow again. However, in our view, several of these positives are getting discounted by the high valuations currently prevailing in the equity market. While we remain constructive on Indian equities supported by the more robust medium term growth outlook we would caution against high return expectations.

Key Drivers For Future

On the headwinds, we have

- ◆ **Moderating global growth** due to higher interest rates is likely to weigh on demand going forward.
- ◆ **Global commodity prices:** Decline in crude oil and fertilizers has been a positive for India from inflation, fiscal deficit and corporate margins perspective in FY24. However, any significant increase would be a headwind.
- ◆ **Other factors/risks:** High fiscal deficit and weak monsoon.

We see the following positives for the Indian market:

- ◆ **Government infrastructure spending:** Strong government thrust on infrastructure spending is clearly supporting the economy and has been one of the big positive contributors to H1FY24 GDP growth.
- ◆ **Recovery in real estate cycle:** Real Estate remains another strong medium term growth driver having weathered the impact of higher interest rates. Demand trends in top metro cities remain strong and inventory levels have declined.
- ◆ **Recovery in private capex:** Industry capacity utilization based on RBI survey data is at a reasonably high level and indicates potential for increase in private capex going forward. Also, continued expansion of the Production Linked Incentive (PLI) scheme is likely to further increase private investments in targeted sectors. We also expect higher private capex in renewable energy.

Note: Returns mentioned in the report are the Total Return or TR variants of the respective domestic indices. USD return for global indices. Views provided above are based on information in public domain and subject to change. Investors are requested to consult their financial advisor for any investment decisions.
Source: Bloomberg, MOSL & HSBC MF estimates as on March 2024 end or as latest available.

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