

Macro-Economic Update and Key Events

Event Update

MPC raised key policy repo rate by 35 bps

The Monetary Policy Committee (MPC) in its bi-monthly monetary policy review raised key policy repo rate by 35 bps to 6.25% with immediate effect. This was the fifth consecutive rate hike by the MPC in this fiscal. Five out of six members voted to increase the policy repo rate by 35 bps. With this rate hike, the repo rate has been raised by 225 bps since May 2022. The MPC also remained focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth. Four out of six members voted in favour of the same.

Consumer inflation touched eleven-month low

Consumer Price Index based inflation slowed for the second consecutive month and touched eleven-month low to 5.88% in Nov 2022 from 6.77% in the previous month but accelerated from 4.91% in Nov 2021. Retail inflation fell below the upper tolerance level of the Reserve Bank of India's retail inflation target of 6% for the first time in eleven months.

IIP contracted at the steepest pace since Aug 2020

The growth of Index of Industrial Production (IIP) contracted 4.0% YoY in Oct 2022 compared with a growth of 3.47% in the previous month and 4.2% rise in the same period of the previous year. IIP contracted at the steepest pace since Aug 2020. The manufacturing sector output also declined 5.6% in Oct 2022 from a growth of 3.3% in the same period of the previous year.

Wholesale inflation slowed touched 21-month low

India's Wholesale price index-based inflation (WPI) slowed considerably and touched 21-month low to 5.85% YoY in Nov 2022 from 8.39% rise in Oct 2022. The growth of WPI Food index eased to 2.17% in Nov 2022 from 6.48% in Oct 2022 and 8.02% in Sep 2022.

India's Manufacturing PMI rose to 57.8 in Dec 2022

According to S&P Global, India's Manufacturing Purchasing Managers' Index rose to 57.8 in Dec 2022 from 55.7 in Nov 2022. The manufacturing sector in India finished 2022 on a strong note as new orders and output growth surged and business conditions improved at the strongest rate in more than two years.

India Services PMI rose to 58.5 in Dec 2022

S&P Global India Services Purchasing Managers' Index rose to 58.5 in Dec 2022 from 56.4 in Nov 2022. The service sector improved as services firms witnessed a quicker upturn in new business that boosted output growth. The overall S&P Global India Composite PMI Output Index rose to 59.4 in Dec 2022 from 56.7 in Nov 2022.

Trade deficit expanded to \$23.89 billion in Nov 2022

India's trade deficit expanded to \$23.89 billion in Nov 2022 from \$21.23 billion a year ago period due to faster rise in imports than exports. Merchandise exports rose 0.60% YoY to \$31.99 billion while imports rose 5.37% to \$55.88 billion in Nov 2022. The merchandise trade deficit for Apr-Nov 2022 was estimated at \$198.35 billion as against \$115.39 billion in Apr-Nov 2021.

Current account recorded a deficit of 4.4% of GDP

India's current account balance recorded a deficit of US\$ 36.4 billion (4.4% of GDP) in Q2 of FY23 as against deficit of US\$ 18.2 billion (2.2% of GDP) in Q1 of FY23 and a deficit of US\$ 9.7 billion (1.3% of GDP) in Q2 of FY22. The increase in deficit came due to widening of the merchandise trade deficit to US\$ 83.5 billion in Q2 of FY23 from US\$ 63.0 billion in Q1 of FY23 and an increase in net outgo under investment income.

Key Indicator	Frequency	Period	Current	Previous
CPI	Monthly	Nov-22	5.88%	6.77%
WPI	Monthly	Nov-22	5.85%	8.39%
IIP	Monthly	Oct-22	-4.00%	3.10%
GDP	Quarterly	Sep-22	6.30%	13.50%
Credit Growth	Fortnightly	Dec-22	17.40%	17.50%
Deposit Growth	Fortnightly	Dec-22	9.40%	9.90%
Export Growth (YoY)	Monthly	Nov-22	6.49%	-16.47%
Import Growth (YoY)	Monthly	Nov-22	5.55%	2.38%
Trade Balance (Billion)	Monthly	Nov-22	-\$23.89	-\$26.91

Source: RBI, MOSPI CPI- Consumer Price Index, WPI- Wholesale Price Index IIP- Index of Industrial Production, GDP- Gross Domestic Product, Trade deficit- in Billion, All above indicators are in percentage change on Y-o-Y (Year-on-Year) basis, except Trade Deficit. For Credit and Deposit growth, previous means last fortnight of the previous month. Latest available data as on 31-Dec-2022.

Institutional Flows (Equity)

Net Flow (INR Crore)	Current Month	Previous Month	Year to Date
FII Flows	11,119	36,239	-121,439
DII Flows	24,159	21,290	279,695
MF Flows	14,692	1,688	183,411

Source:CDSL & SEBI; As on 30-Dec-2022

Institutional Flows (Debt)

Net Flow (INR Crore)	Current Month	Previous Month	Year to Date
FII Flows	-1,673	-1,637	-15,911
MF Flows	2,567	-1,571	-30,637

Source:CDSL & SEBI; As on 30-Dec-2022

Exchange Rate Movement

Exchange Rate	Dec-22	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
₹/ Euro	88.15	84.45	80.11	82.58	84.05
₹/ Pound	99.74	97.75	90.77	95.96	100.30
₹/ 100 Yen	62.45	58.95	56.44	57.96	64.54
₹/ Dollar	82.79	81.60	81.55	78.94	74.30

Source: Refinitiv

Performance of Various Commodities

Commodities	Dec-22	Returns			
		1 Week	1 Month	6 Month	1 Year
Crude Brent (\$/Barrel)	83.32	-0.84%	-4.32%	-33.25%	6.02%
Gold (\$/Oz)	1,824.40	1.47%	3.16%	0.97%	-0.22%
Gold (₹./10 gm)	54,556.00	0.79%	3.77%	7.61%	13.90%
Silver (\$/Oz)	23.97	1.12%	7.98%	18.37%	3.00%
Silver (Rs./Kg)	67,780.00	0.77%	9.74%	15.09%	9.74%

Source: Refinitiv

Key Events Calendar

Event	Date	Current	Previous
U.S. Consumer Price Index (YoY)(Nov)	13-Dec	7.10%	7.70%
U.S. Federal Reserve Interest Rate Decision	15-Dec	4.50%	4.00%
Bank of England Interest Rate Decision	15-Dec	3.50%	3.00%
European Central Bank Interest Rate Decision	15-Dec	2.50%	2.00%
U.S. Gross Domestic Product Annualized (Q3)	22-Dec	3.20%	2.90%

Source: Refinitiv

Indian Debt Market Update

Key Policy Rates (%)	Dec-22	3 Months Ago	6 Months Ago	Year Ago	2 Years Ago
Repo	6.25	5.90	4.90	4.00	4.00
Reverse Repo	3.35	3.35	3.35	3.35	3.35
Bank Rate	6.50	6.15	5.15	4.25	4.25
CRR	4.50	4.50	4.50	4.00	3.00
SLR	18.00	18.00	18.00	18.00	18.00
SDF	6.00	5.65	4.65	NA	NA

Source: RBI

10 Year Benchmark Bond



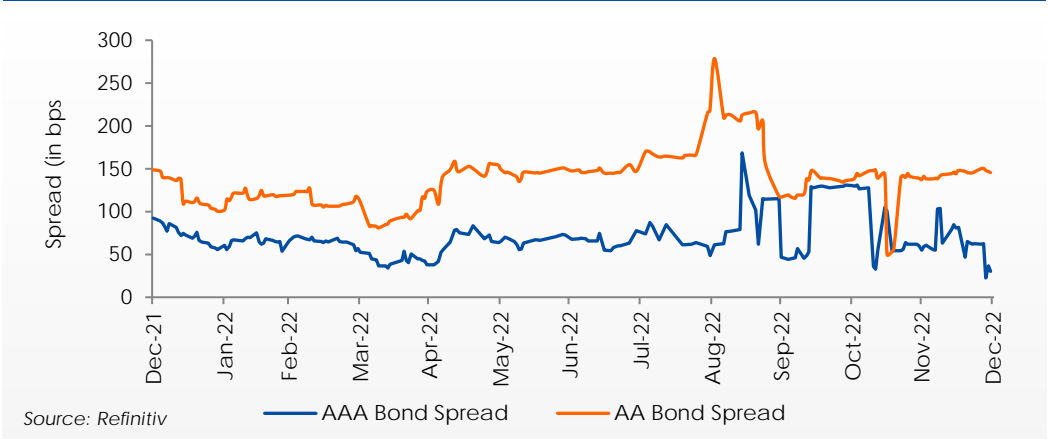
Source: Refinitiv

Bond yields rose marginally during the month after the MPC raised key policy repo rate by 35 bps and highlighted concerns over domestic inflationary pressures. The U.S. Fed raised interest rates and added that rate hikes in U.S. would continue for a longer period.

Money Market Rates (%)	Dec-22	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
Call	6.52	5.82	5.98	4.75	3.38
TREP	6.49	5.66	5.94	4.69	3.45
FBIL 1 Month Term Mibor	6.84	6.46	6.20	5.04	3.96
91 Days T-Bills	6.26	6.37	6.04	5.11	3.59
3 Month CP	6.75	6.87	6.45	5.55	4.00
6 Month CP	7.35	7.38	6.95	6.25	4.45

Source: Refinitiv

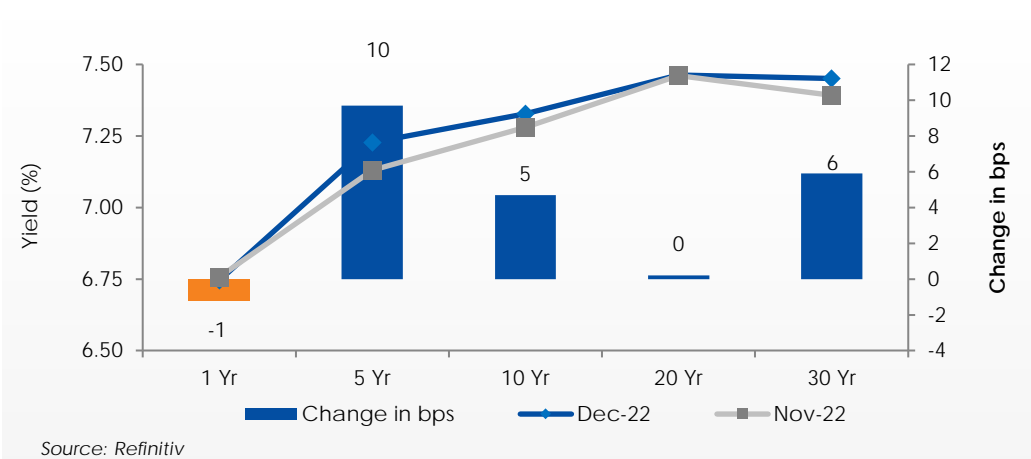
10 Year Corporate Bond Spread (for AAA & AA bonds)



Source: Refinitiv

Yield on corporate bonds fell in the range of 3 to 21 bps across the curve, leaving 2 & 3 year papers that rose 6 & 2 bps, respectively. Yield fell the most on 15 year paper and the least on 1 year paper.

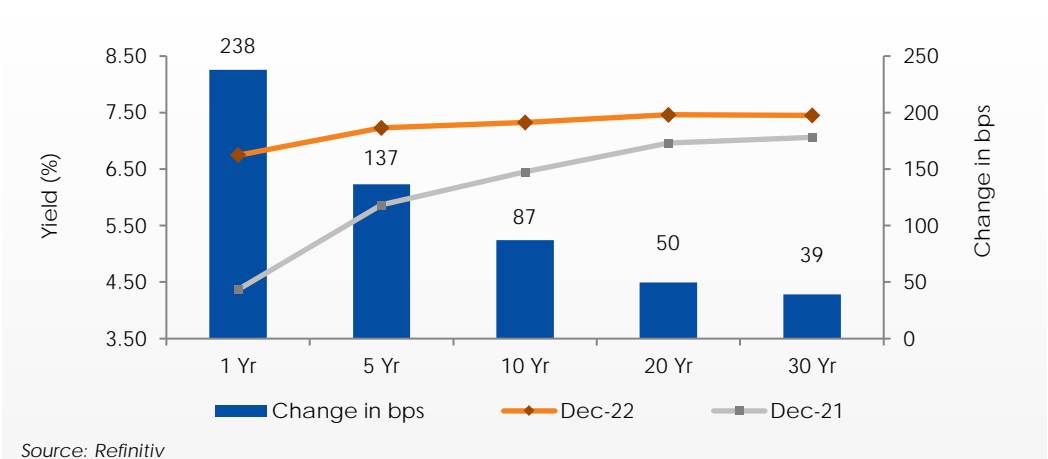
India Yield Curve Shift (Month-on-Month)



Source: Refinitiv

Yield on gilt securities rose by up to 10 bps across the maturities, barring 1 year that fell 1 bps while 11 & 19 year papers were unchanged. Yield rose the most on 2, 4, 5 & 15 year papers. Difference in spread between corporate bond and gilt securities contracted by up to 31 bps across the segments.

India Yield Curve Shift (Year-on-Year)

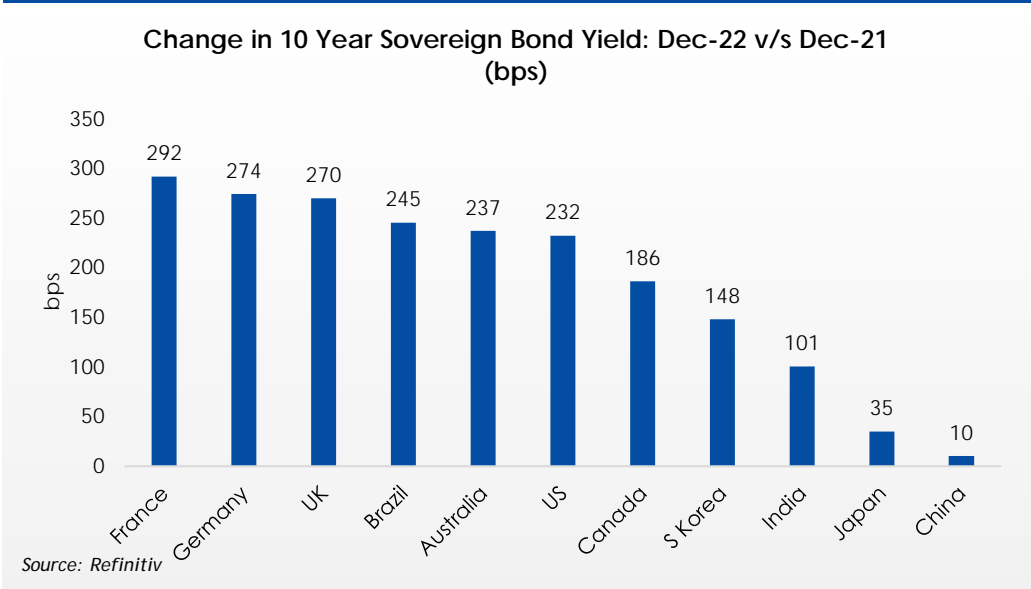


Source: Refinitiv

Year on year, yield on gilt securities rose in the range of 40 to 244 bps across the maturities. Yield rose the most on 1 year paper and the least on 30-year paper. Yield on corporate bonds increased in the range of 33 to 273 bps across the curve. Yield went up the most on 1-year paper and the least on 15-year paper.

Global Debt Market Update

France saw the highest rise in yields while least increase was in China



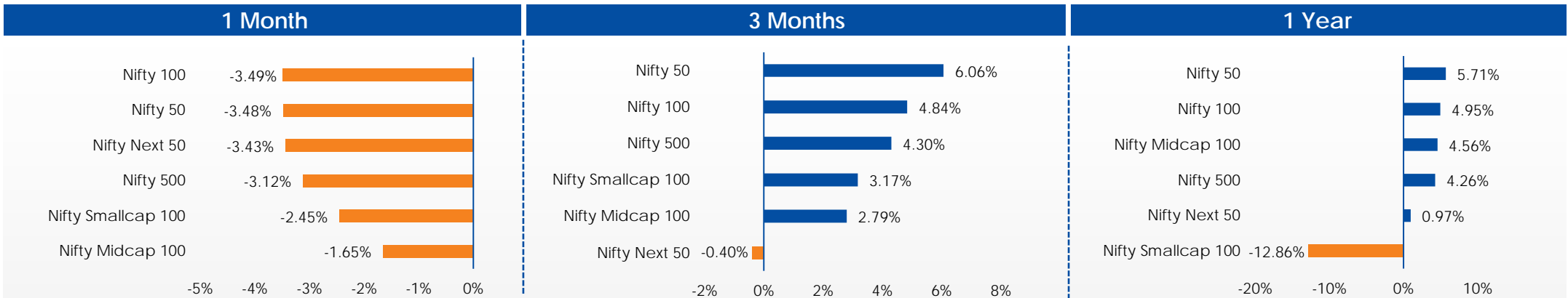
Source: Refinitiv

Yield of 10 Year Government Bonds (%)

	Nov-22	Dec-22	Range:Dec-2022	Real Yields: Dec-22
Brazil	12.8	12.8	13.69 - 12.57	6.9
India	7.3	7.3	7.33 - 7.21	1.4
China	2.9	2.9	2.95 - 2.87	1.3
S Korea	3.7	3.7	3.74 - 3.36	-1.3
France	2.4	3.1	3.11 - 2.24	-3.1
Australia	3.5	4.0	4.05 - 3.29	-3.3
US	3.7	3.8	3.89 - 3.41	-3.3
Japan	0.3	0.4	0.48 - 0.25	-3.4
Canada	2.9	3.3	3.29 - 2.76	-3.5
UK	3.2	3.7	3.67 - 3.05	-7.0
Germany	1.9	2.6	2.56 - 1.79	-7.4

Source: Refinitiv

Indian Equity Market Update



Domestic equity markets went down during the month under review. Losses were widespread as the mid cap segment and the small cap segment also closed the month in red. Domestic equities continued to remain under pressure after major central banks across the globe advocated for continued rise in interest rates to put a check on inflation which continued to remain at elevated levels.

Source: NSE; Returns are on the basis of TRI index

Rolling Returns – Monthly Performance

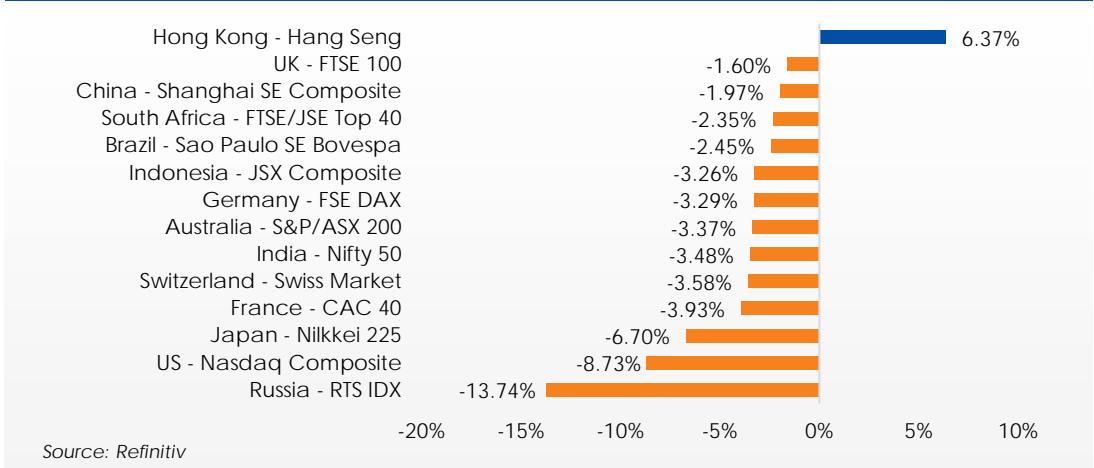
Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Nifty Energy 10.39%	Nifty Metal 8.21%	Nifty Media 18.49%	Nifty Energy 10.74%	Nifty Auto 4.59%	Nifty Auto 1.34%	Nifty Metal 18.41%	Nifty Energy 8.88%	Nifty Pharma 2.17%	Nifty IT 6.97%	Nifty Metal 11.33%	Nifty Metal 2.43%
Nifty Bank 7.03%	Nifty Pharma -1.68%	Nifty Metal 9.41%	Nifty FMCG 5.32%	Nifty FMCG 2.07%	Nifty Energy -2.03%	Nifty Realty 17.12%	Nifty Metal 8.35%	Nifty FMCG 1.34%	Nifty Bank 6.93%	Nifty IT 5.96%	Nifty Bank -0.57%
Nifty Auto 7.01%	Nifty FMCG -1.93%	Nifty IT 7.30%	Nifty Auto 4.98%	Nifty Financial Services -0.40%	Nifty FMCG -2.35%	Nifty FMCG 12.83%	Nifty Bank 5.66%	Nifty Media 0.07%	Nifty Financial Services 5.90%	Nifty Bank 4.66%	Nifty Financial Services -1.95%
Nifty Financial Services 2.92%	Nifty Energy -2.20%	Nifty Energy 6.80%	Nifty Infra 2.21%	Nifty Bank -1.18%	Nifty Pharma -3.47%	Nifty Financial Services 12.74%	Nifty Auto 5.57%	Nifty Bank -2.29%	Nifty Infra 5.58%	Nifty Financial Services 4.43%	Nifty FMCG -3.00%
Nifty Infra 2.16%	Nifty IT -2.80%	Nifty Realty 6.22%	Nifty Bank -0.78%	Nifty Media -4.52%	Nifty Infra -5.26%	Nifty Bank 12.22%	Nifty Infra 5.38%	Nifty Metal -2.73%	Nifty Auto 5.37%	Nifty Infra 4.07%	Nifty Infra -3.59%
Nifty Media 0.80%	Nifty Bank -4.66%	Nifty Pharma 5.08%	Nifty Pharma -0.89%	Nifty Infra -4.89%	Nifty Bank -5.75%	Nifty Media 9.56%	Nifty Financial Services 4.70%	Nifty Infra -3.29%	Nifty Energy 4.27%	Nifty FMCG 3.00%	Nifty Realty -4.07%
Nifty Realty -0.80%	Nifty Infra -4.74%	Nifty Infra 4.67%	Nifty Metal -1.50%	Nifty IT -5.68%	Nifty Financial Services -6.04%	Nifty Auto 7.58%	Nifty FMCG 3.16%	Nifty Auto -3.92%	Nifty Realty 3.46%	Nifty Media 2.72%	Nifty Pharma -4.16%
Nifty Metal -0.88%	Nifty Financial Services -5.00%	Nifty FMCG 2.17%	Nifty Financial Services -2.97%	Nifty Pharma -6.37%	Nifty IT -6.15%	Nifty Infra 6.11%	Nifty Realty 2.93%	Nifty Financial Services -3.99%	Nifty Metal 2.22%	Nifty Realty 2.61%	Nifty Auto -4.69%
Nifty FMCG -2.96%	Nifty Auto -7.36%	Nifty Financial Services 1.26%	Nifty Realty -4.27%	Nifty Realty -7.22%	Nifty Realty -6.42%	Nifty IT 5.32%	Nifty Pharma -0.30%	Nifty IT -5.02%	Nifty Pharma 1.85%	Nifty Energy 2.55%	Nifty Energy -5.43%
Nifty Pharma -7.33%	Nifty Realty -9.13%	Nifty Bank 0.46%	Nifty Media -9.66%	Nifty Energy -10.33%	Nifty Media -7.55%	Nifty Pharma 5.21%	Nifty Media -0.36%	Nifty Realty -8.42%	Nifty Media -0.03%	Nifty Pharma -0.49%	Nifty IT -5.82%
Nifty IT -9.89%	Nifty Media -10.00%	Nifty Auto -2.46%	Nifty IT -12.74%	Nifty Metal -15.72%	Nifty Metal -11.57%	Nifty Energy 3.62%	Nifty IT -2.54%	Nifty Energy -8.98%	Nifty FMCG -0.17%	Nifty Auto -1.11%	Nifty Media -5.88%

In Dec 2022, all the above sectors fell except metal with media and IT showed the steepest fall while slowest decline was witnessed on banks and financial services. Banking sector has been one of the best performer among top 5 sectors in the last six consecutive months.

Source: NSE; Returns are on the basis of TRI index

Global Equity Market Update

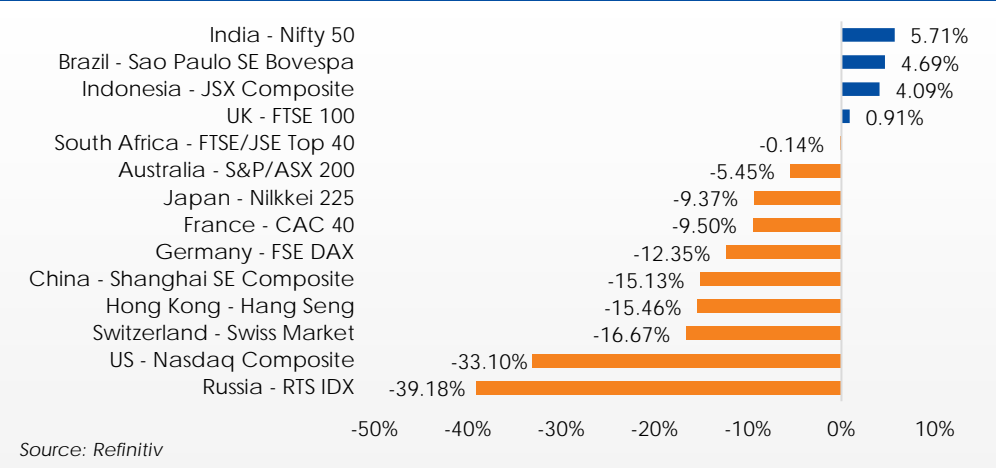
1 Month Performance



Source: Refinitiv

Global markets fell in Dec 2022, barring Hong Kong with Russia showed highest fall while UK witnessed the slowest decline.

1 Year Performance



Source: Refinitiv

In the last one year, Russia, US and Switzerland saw the steepest fall while the fastest rise was in India, Brazil and Indonesia.



News Summary & Knowledge Corner

News Summary

1. Domestic

- Capital market regulator Securities and Exchange Board of India (SEBI) has set caps on the percentage of assets an actively managed fund can park in a single company's debt instruments although the restriction varies depending on each issuer's credit rating.
- SEBI announced that it will shorten the period needed to register FPIs (Foreign Portfolio Investors) to make conducting business easier. The framework for cloud service adoption by SEBI Regulated Entities (REs) was also accepted by the board.
- SEBI has prolonged the prohibition of futures and options trading in seven agricultural commodities, including wheat and moong, for an additional year until Dec 2023 in an effort to control prices.
- SEBI has implemented a revamped framework in order to obtain its prior consent for changes in control of stock brokers, depository participants, and other market intermediaries.
- SEBI has established three different committees in a renewed effort to modernise the capital markets and increase the ease of doing business.
- A regulatory framework for index providers has been released by SEBI to increase responsibility and transparency about administrative benchmark indices.
- IRDAI has made it clear that life insurers may declare NAV on the last day of each quarter, even if it is a non-business day in order to align the reported NAV of a quarter end non-business day with the NAV as per the financials of ULIP funds on that day.
- IRDAI has raised the maximum tie-up restriction for corporate agents, such as banks and insurance marketing firms (IMFs). Instead of the current restriction of three insurers, the insurance regulator has permitted corporate agents to affiliate with a maximum of nine insurers.

2. International

- As widely expected by the market, the U.S. Federal Reserve raise interest rates by 50 bps to a target range of 4.25 to 4.50%. The pace of rate hike slowed after 75 bps rate hikes in the last four consecutive meetings, but still U.S. Fed signaled further rate hikes.
- The European Central Bank raised the key interest rates by 50 bps to 2.50% (main refinancing rate). The central bank predicted a recession for the single currency bloc for the first half of next year and stated that there will need to be significant tightening in the future.
- The Bank of England (BoE) increased its benchmark rate by 50 bps to 3.50%, the highest since Oct 2008. BoE raised interest rate for the ninth consecutive time but the latest hike was slower rate than the 75 bps increase in the previous policy review amid rising concerns that the UK economy is in recession.
- The Bank of Japan kept its key policy rate unchanged at -0.1% and expanded its 10-year Japanese government bond yield target band to around plus and minus 0.5% from around plus and minus 0.25%. The bank will also continue to purchase a necessary amount of Japanese government bonds without setting an upper limit.
- U.S. consumer price index rose 0.1% MoM in Nov 2022, slower than 0.4% rise in the previous month. The annual rate of growth by consumer prices eased to 7.1% in Nov 2022 from 7.7% in Oct 2022.
- According to the Labor Department, U.S. non-farm payroll employment rose to 263,000 jobs in Nov 2022 as compared to upwardly revised 284,000 jobs in Oct 2022. Meanwhile, the Labor Department said the unemployment rate held at 3.7% Nov 2022, unchanged from Oct 2022.

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Knowledge Corner

How ELSS will help you to achieve your long-term financial goals?

Investment in Equity Linked Savings Scheme (ELSS) is one amongst the bouquet of tax-saving options under Section 80C of IT Act, 1961. However, considering the various inherent benefits of ELSS, including lowest lock-in period (3-year), and the potential of wealth creation, it is one of the preferred investment options for availing tax deduction.

Equity as an asset class is potential of delivering relatively higher returns over medium to long period, therefore investors may expect risk-adjusted returns from ELSS. Further, its 3 years of lock-in period allows the fund managers to construct portfolios with high conviction and deliver sound returns over cycles.

Here's a comparison of ELSS with other tax-saving instruments:

Growth of Rs. 1.5 lakh invested each year for last 10 years  
(Rs. 15 lakhs in total) in various tax-saving avenue

		PPF	NSC	FD	ELSS Category Average
Investment to save tax every year on 1 April (since 2013 to 2022)		₹1.50 lakh	₹1.50 lakh	₹1.50 lakh	₹1.50 lakh
CAGR over the last 10 years		8.44%	8.37%	7.33%	17.65% <sup>\$</sup>
Investment Value as of Dec 31, 2022		₹23.59 lakhs	₹23.49 lakhs	₹22.20 lakhs	₹39.19 lakhs
Features					
Tenure		15 Years	5 Years	5 Years	Perpetual with 3 years lock-in
Liquidity		Premature withdrawal allowed*	Not Available	Not Available	Any day post completion of lock-in <sup>##</sup>
Yearly Returns Range**	Lowest	7.10%	6.80%	5.40%	-23.98%
	Highest	8.80%	8.60%	9.00%	71.69%
	Average	7.98%	7.85%	6.83%	17.93%
Risk Profile		Low	Low	Low	Moderate to High
Mode of Contribution		Lump Sum / Monthly <sup>#</sup>	Lump Sum	Lump Sum	Lump Sum / SIP
Taxation on withdrawals		Interest accrued is Tax-free	Interest accrued is Taxable	Interest accrued is Taxable	LTCG taxable @ 10%

Source: For FD rate - Fixed deposit rates of SBI, For NSC & PPF - Ministry of Finance, For ELSS - MFI Explorer

Above comparison of various 80c options are purely for understanding of these investment options and is not an offer to sell or a solicitation to buy/ sell any mutual fund units / securities. The information / data here in alone are not sufficient and should not be used for the development or implementation of an investment strategy. The same should not be construed as investment advice to any party.

Assuming that the said investments (lump sum) are made on 1st April of each year from 2013 to 2022 in each of the tax savings options as mentioned above.

ELSS - Average returns of 25 funds (having full 10 years track record) in the ELSS category (growth option) has been considered for calculation of returns. Past performance may or may not be sustained in future.

<sup>\$</sup> ELSS category returns based on the average returns over the 10 years period, there was high variation in returns among different schemes with highest & lowest CAGR being 20.49% & 11.15% respectively.

\* Premature withdrawal under PPF is available from 7th financial year. However, the full amount can be withdrawn after 15 years.

\*\*Based on the last 10 years return history of respective tax-saving options

<sup>#</sup>Cannot exceed 12 contributions in a financial year.

<sup>##</sup>3 years lock-in for each of the investments made.

Long term capital gains (LTCG) accrued from selling equity shares and equity-oriented mutual funds are exempt from tax up to Rs 1 lakh in a financial year. The gains in excess of Rs 1 lakh are taxed at flat 10%

SIP - Systematic Investment Plan; CAGR - Compound Annual Growth Rate

Data as of December 31, 2022

Thereby, ELSS can be considered as a choice for one's tax planning and for long-term wealth creation over traditional investment avenues.