

## Macro-Economic Update and Key Events

### Event Update

#### MPC raised repo rate by 50 bps to 5.40%

The Monetary Policy Committee (MPC) in its bi-monthly monetary policy review raised key policy repo rate by 50 bps to 5.40%. All the members of the MPC unanimously voted to raise the key policy repo rate. With this rate hike, the repo rate is now back to pre-pandemic levels and stand at the highest level since Aug 2019. Thus, MPC has so far raised the repo rate by 140 bps in this fiscal. This is the third consecutive rate hike by the Committee since it embarked on a policy tightening spree from May this year. It also decided to remain focused on withdrawal of accommodation to ensure that retail inflation remains within the target going forward, while supporting growth.

#### Consumer inflation eased to 7.01% in Jun 2022

India's consumer price index-based inflation (CPI) eased to 7.01% in Jun 2022 as against 7.04% in May 2022. The CPI continued to remain above the upper limit of Reserve Bank of India's tolerance band for the sixth consecutive month. Consumer Food Price Index (CFPI) also eased to 7.75% in Jun as compared to 7.97% in May.

#### Industrial output grew 19.6% YoY in May 2022

India's Index of industrial output (IIP) grew 19.6% YoY in May 2022 as against 6.7% rise in Apr 2022 and 27.6% in May 2021. The electricity sector, manufacturing sector and mining sector grew 23.5%, 20.6% and 10.9%, respectively, in Jun. According to use-based classification, consumer durable goods segment witnessed maximum growth of 58.5% and capital goods expanded 54% in May.

#### Wholesale inflation rose 15.18% YoY in Jun 2022

India's Wholesale price index-based inflation (WPI) rose 15.18% YoY in Jun 2022 as against 15.88% in May 2022. WPI based rate of inflation in the same period of the previous year stood at 12.07%. The growth of WPI Food index stood at 12.41% in Jun 2022 as against 10.89% in May 2022 and 9.13% in Apr 2022.

#### Trade deficit widened to \$26.18 billion in Jun 2022

India's merchandise exports rose 23.52% to \$40.13 billion in Jun 2022. Similarly, imports grew 57.55% to \$66.31 billion in Jun 2022. Thus, trade deficit widened to \$26.18 billion in Jun 2022 as against trade deficit of \$9.60 billion in Jun 2021. The trade deficit during the first three months of this fiscal widened to USD 70.80 billion from USD 31.42 billion in the year-ago period.

#### India's Manufacturing PMI rose in Jul 2022

According to S&P Global, India's Manufacturing Purchasing Managers' Index rose to 56.4 in Jul 2022 from 53.9 in Jun 2022. The manufacturing sector in India expanded at its highest rate in eight months in Jul as a result of strong increases in output and new orders as demand increased as a result of decreasing pricing pressure.

#### India's Services PMI fell in Jul 2022

S&P Global India's Services Purchasing Managers' Index fell to 55.5 in Jul 2022 from 59.2 in Jun 2022. India's services sector experienced a decline as the most recent uptick in company activity was constrained by inflationary pressures and sluggish sales growth. The composite index fell to 56.6 in Jul from 58.2 in Jun.

#### Core output grew 12.7% in Jun 2022

Government data showed that the combined index of eight core industries grew 12.7% in Jun 2022 as compared to a growth of 19.3% in May 2022 and a growth of 9.4% in Jun 2021. All sectors witnessed growth except crude oil sector which contracted 1.7% in Jun 2022. The maximum growth was in the coal sector which witnessed a growth of 31.1% followed by cement sector and electricity sector which witnessed a growth of 19.4% and 15.5%, respectively.

Key Indicator	Frequency	Period	Current	Previous
CPI	Monthly	Jun-22	7.01%	7.04%
WPI	Monthly	Jun-22	15.18%	15.88%
IIP	Monthly	May-22	19.60%	6.70%
GDP	Quarterly	Mar-22	4.10%	5.40%
Credit Growth	Fortnightly	Jul-22	14.00%	14.40%
Deposit Growth	Fortnightly	Jul-22	8.40%	9.80%
Export Growth (YoY)	Monthly	Jun-22	23.52%	20.67%
Import Growth (YoY)	Monthly	Jun-22	57.55%	63.99%
Trade Balance (Billion)	Monthly	Jun-22	-\$26.18	-\$24.28

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-Jul-2022.

#### Institutional Flows (Equity)

Net Flow (INR Crore)	Current Month	Previous Month	Year to Date
FII Flows	4,989	-45,214	-212,370
DII Flows	10,546	57,145	242,513
MF Flows	6,920	28,970	147,644

Source: CDSL & SEBI: As on 31-Jul-2022

#### Institutional Flows (Debt)

Net Flow (INR Crore)	Current Month	Previous Month	Year to Date
FII Flows	-2,056	-3,470	-16,925
MF Flows	5,300	-3,381	-6,946

Source: CDSL & SEBI: As on 31-Jul-2022

#### Exchange Rate Movement

Exchange Rate	Jul-22	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
₹/ Euro	81.17	82.58	80.58	83.70	88.39
₹/ Pound	96.90	95.96	95.71	100.63	103.73
₹/ 100 Yen	59.73	57.96	58.66	64.92	67.89
₹/ Dollar	79.42	78.94	76.42	74.97	74.39

Source: Refinitiv

#### Performance of Various Commodities

Commodities	Jul-22	Returns			
		1 Week	1 Month	6 Month	1 Year
Crude Brent (\$/Barrel)	117.15	2.65%	-6.15%	24.59%	51.43%
Gold (\$/Oz)	1,765.22	2.25%	-2.31%	-1.74%	-2.67%
Gold (₹/10 gm)	51,301.00	1.38%	1.19%	7.54%	6.32%
Silver (\$/Oz)	20.32	9.31%	0.36%	-9.42%	-20.19%
Silver (₹/Kg)	57,485.00	4.82%	-2.39%	-5.66%	-15.49%

Source: Refinitiv

#### Key Events Calendar

Event	Date	Current	Previous
Euro Zone ECB Refinancing Rate Jul 2022	21-Jul	0.50%	0.00%
Japan Bank of Japan Rate Decision	21-Jul	-0.10%	-0.10%
U.S. Fed Funds Target Rate 28 Jul	27-Jul	2.375%	1.625%
Euro Zone Economic Sentiment Jul 2022	28-Jul	99	104
China NBS Manufacturing PMI Jul 2022	31-Jul	49.0	50.2

Source: Refinitiv

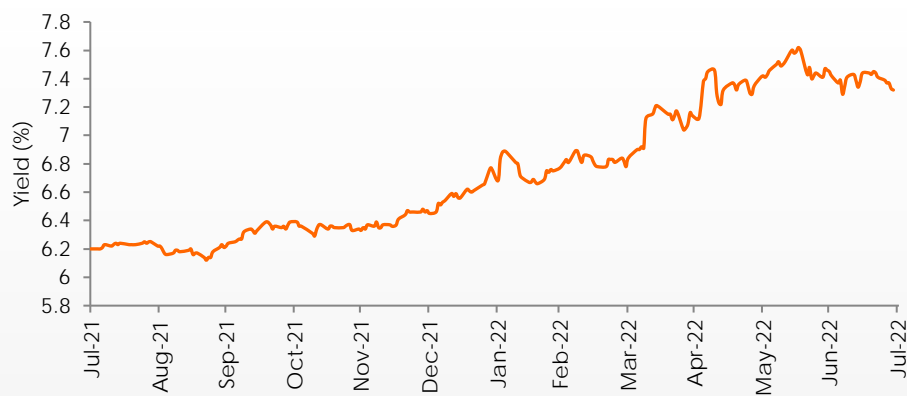
## Indian Debt Market Update

### Key Policy Rates (%)

	Jul-22	3 Months Ago	6 Months Ago	Year Ago	2 Years Ago
Repo	4.90	4.00	4.00	4.00	4.00
Reverse Repo	3.35	3.35	3.35	3.35	3.35
Bank Rate	5.15	4.25	4.25	4.25	4.25
CRR	4.50	4.00	4.00	4.00	3.00
SLR	18.00	18.00	18.00	18.00	18.00
SDF	4.65	3.75	NA	NA	NA

Source: RBI

### 10 Year Benchmark Bond



Source: Refinitiv

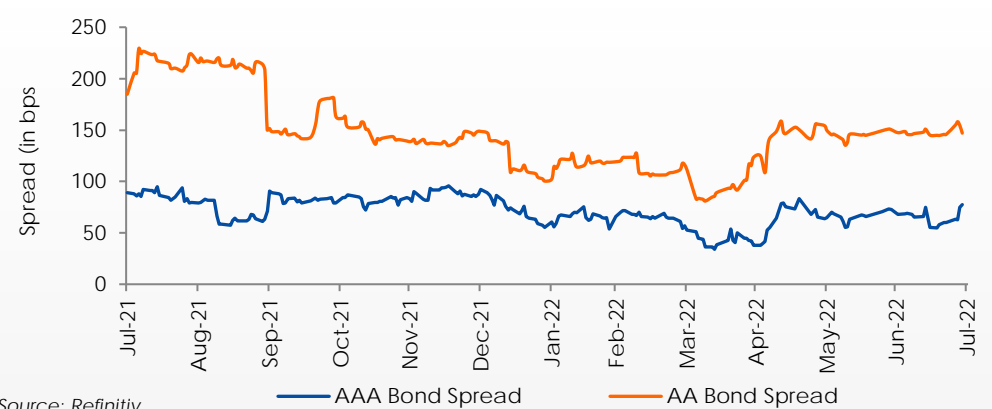
Bond yields fell tracking plunge in global crude oil prices amid concerns over a slowdown in global growth. Yields declined further following easing of consumer inflation for Jun 2022 along with gains in the Indian rupee.

### Money Market Rates (%)

	Jul-22	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
Call	5.00	4.75	3.33	3.22	3.26
TREP	5.00	4.69	3.76	3.17	3.20
FBIL 1 Month Term Mibor	5.21	5.04	4.14	4.03	3.65
91 Days T-Bills	5.56	5.11	4.04	3.71	3.37
3 Month CP	6.10	5.55	4.25	4.15	3.70
6 Month CP	6.55	6.25	4.80	4.65	3.95

Source: Refinitiv

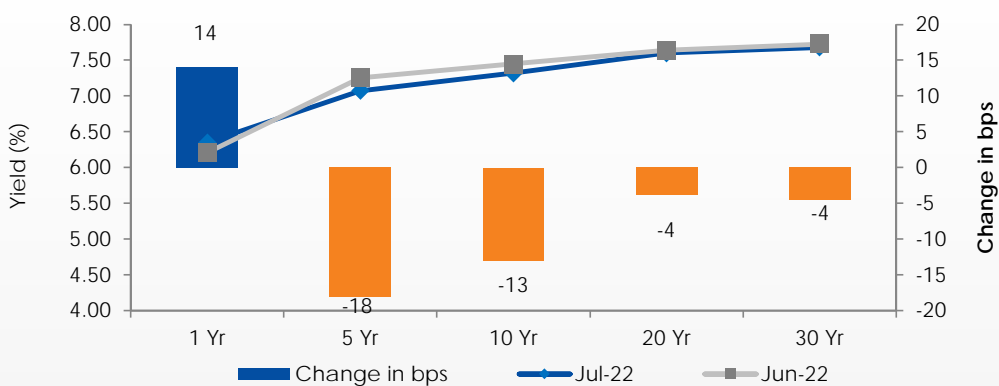
### 10 Year Corporate Bond Spread (for AAA & AA bonds)



Source: Refinitiv

Yield on corporate bonds fell in the range of 7 to 18 bps across the curve, except on 1 to 3 & 15 year papers that rose 3, 9 or 14 bps. Yield fell the most on 6 year paper.

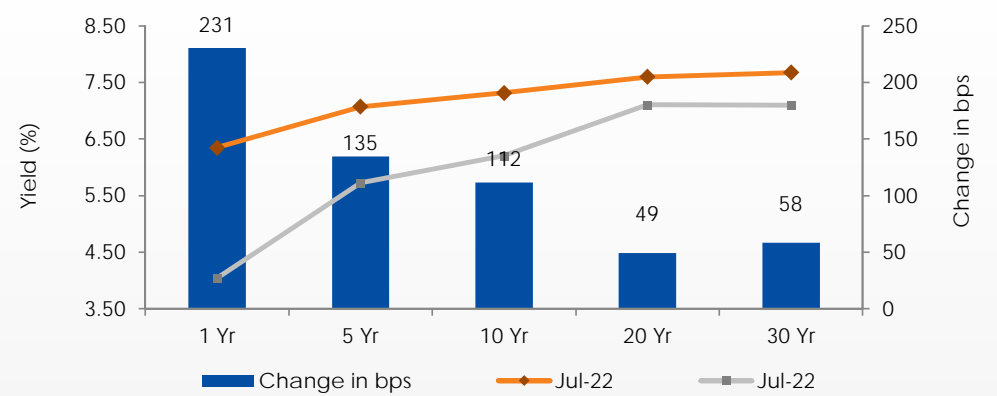
### India Yield Curve Shift (Month-on-Month)



Source: Refinitiv

Yield on gilt securities fell in the range of 4 to 27 bps across the maturities, barring 1 year paper that rose 14 bps. Yield fell the most on 11 year paper. Difference in spread between corporate bond and gilt securities expanded in the range of 3 to 25 bps across the segments, except 1, 6 & 7 year papers that contracted 5, 12 & 4 bps, respectively.

### India Yield Curve Shift (Year-on-Year)



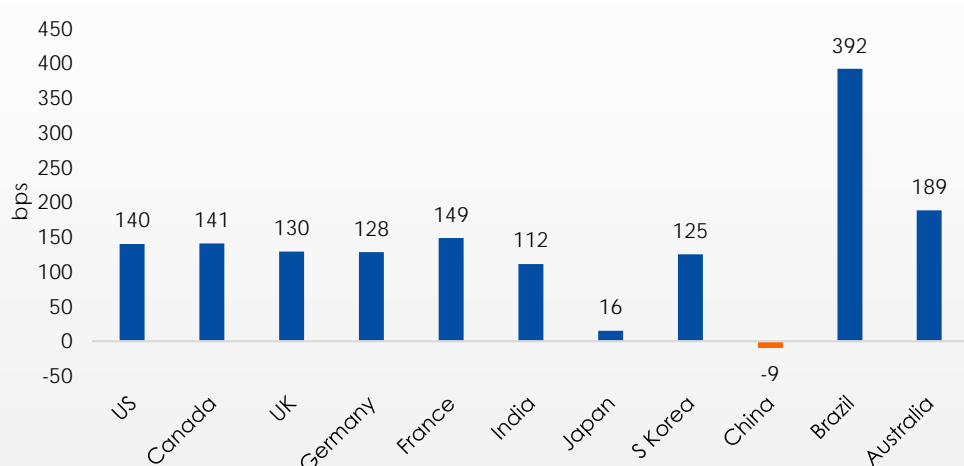
Source: Refinitiv

Year on year, yield on gilt securities rose in the range of 51 to 237 bps across the maturities. Yield rose the most on 1 year paper and the least on 19-year paper. Yield on corporate bonds increased in the range of 94 to 211 bps across the curve. Yield went up the most on 1-year paper and the least on 15-year paper.

## Global Debt Market Update

### Brazil saw the highest rise in yields while least increase was in Japan

Change in 10 Year Sovereign Bond Yield: Jul 2022 v/s Jul 2021 (bps)



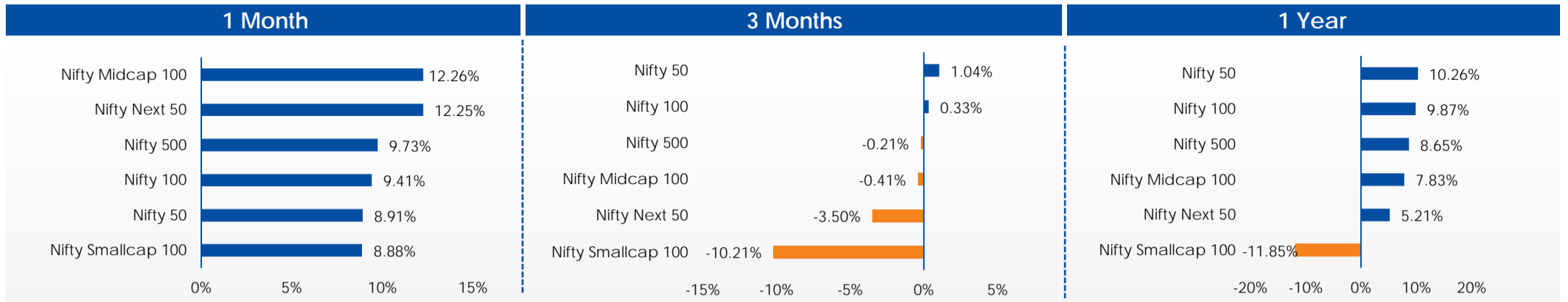
Source: Refinitiv

### Yield of 10 Year Government Bonds (%)

	Jun-22	Jul-22	Range:Jul-2022	Real Yields: Jul-22
Brazil	13.1	13.0	13.72 - 13.04	1.2
India	7.5	7.3	7.58 - 7.29	0.3
China	2.8	2.8	2.86 - 2.76	0.3
Japan	0.2	0.2	0.25 - 0.18	-2.3
Australia	3.7	3.1	3.58 - 3.08	-3.0
S Korea	3.6	3.1	3.5 - 3.13	-3.2
France	2.0	1.4	1.94 - 1.37	-4.6
Canada	3.2	2.6	3.3 - 2.61	-5.5
US	3.0	2.6	3.1 - 2.64	-6.5
Germany	1.4	0.8	1.34 - 0.8	-6.8
UK	2.2	1.9	2.24 - 1.86	-7.5

Source: Refinitiv

## Indian Equity Market Update



Indian equity markets rose as global crude oil prices came down to some extent which gave some respite to market participants regarding the burgeoning import bill of the country. Upbeat domestic corporate earning numbers of some major companies in the IT, FMCG, cement and banking and financial services sector for the quarter ended Jun 2022 further added to the gains.

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

## Rolling Returns – Monthly Performance

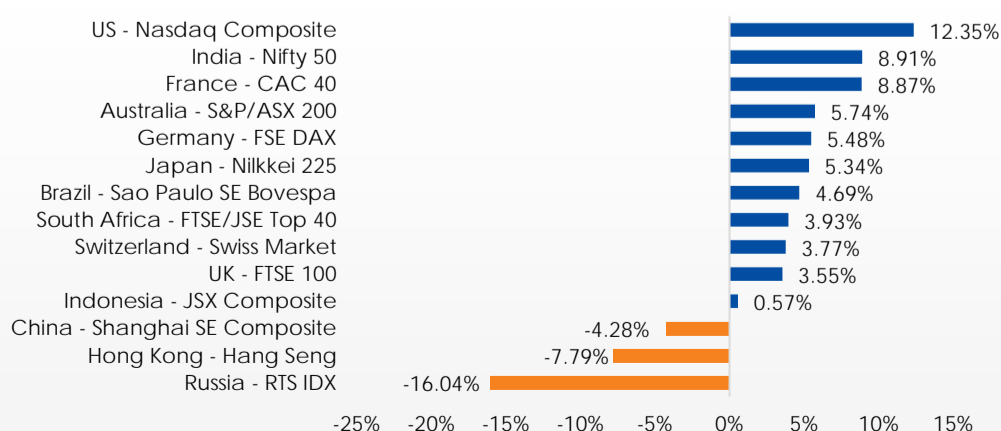
Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
Nifty IT 13.43%	Nifty Media 34.12%	Nifty Auto 6.60%	Nifty IT 1.95%	Nifty IT 10.44%	Nifty Energy 10.39%	Nifty Metal 8.21%	Nifty Media 18.49%	Nifty Energy 10.74%	Nifty Auto 4.59%	Nifty Auto 1.34%	Nifty Metal 18.41%
Nifty Financial Services 9.75%	Nifty Realty 32.90%	Nifty Media 5.04%	Nifty Energy -1.17%	Nifty Metal 6.59%	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 FMCG 9.66%	Nifty Energy 13.32%	Nifty Bank 4.52%	Nifty Infra -1.43%	Nifty Pharma 4.10%	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 Energy 7.24%	Nifty Infra 6.93%	Nifty Financial Services 2.68%	Nifty Pharma -1.53%	Nifty Auto 3.14%	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 Infra 6.37%	Nifty Auto 5.62%	Nifty Energy 1.65%	Nifty FMCG -2.09%	Nifty Media 2.20%	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 Bank 5.36%	Nifty Bank 2.75%	Nifty Infra 0.39%	Nifty Realty -2.22%	Nifty FMCG 0.52%	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 Auto 0.07%	Nifty FMCG 2.27%	Nifty Metal -0.85%	Nifty Media -3.28%	Nifty Infra 0.01%	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 Pharma -0.34%	Nifty IT 1.45%	Nifty IT -1.39%	Nifty Auto -6.12%	Nifty Energy -0.31%	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 Metal -0.86%	Nifty Financial Services 1.30%	Nifty Realty -2.94%	Nifty Metal -6.34%	Nifty Bank -0.60%	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 Realty -2.79%	Nifty Pharma 0.85%	Nifty Pharma -4.06%	Nifty Financial Services -6.67%	Nifty Realty -0.70%	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 -10.67%	Nifty Metal -1.55%	Nifty FMCG -5.25%	Nifty Bank -8.74%	Nifty Financial Services -1.16%	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%

In July 2022, all the above sectors surged with metal and realty showed the steepest rise while slowest increase was witnessed on pharma and energy. FMCG sector continues to be in top three performers in the last four months.

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

## Global Equity Market Update

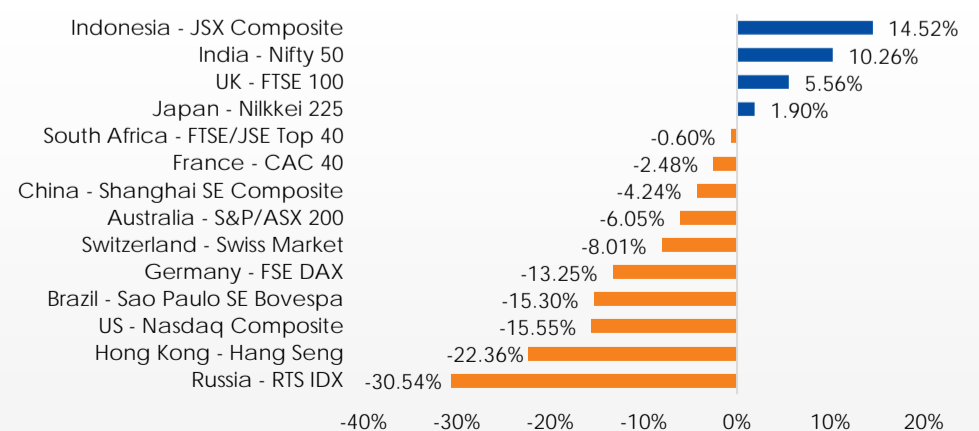
### 1 Month Performance



Source: Refinitiv

Global markets majorly rose in July 2022 with U.S., India and France showed highest gains while Russia Hong Kong and China witnessed steepest fall.

### 1 Year Performance



Source: Refinitiv

In the last one year, Russia, Hong Kong and the US saw the steepest fall. However, Indonesia, India and FTSE saw the steepest rise.

## News Summary & Knowledge Corner

### News Summary

#### 1. Domestic

- The finance minister clarified that food items that are sold loose and not pre-packed or pre-labeled are exempted from GST. These include items such as pulses/daal, wheat, rye, oats, maize, rice, aata/flour, suji/rawa, besan, puffed rice and curd/lassi. The minister also defended the imposition of 5% GST on food articles and said that the decision was unanimous by the GST Council.
- The Securities and Exchange Board of India (Sebi) has recommended bringing under its regulatory purview online bond marketplaces that are offering listed debt securities. Presently, debt securities can be issued through a private placement or a public issuance.
- According to the Consumer Affairs Ministry, no hotels or restaurants can include service charge automatically or by default in the food bill.
- The Reserve Bank of India announced that it has decided to put in place an additional arrangement for invoicing, payment, and settlement of exports / imports in Indian Rupee (INR) to promote growth of global trade with a focus on exports from India and to support the growing interest of the global trading community in INR.
- AMFI has launched a campaign to increase interest in the mutual fund distribution industry. The project, called "Mutual Fund Distributor Karein Shuru?", intends to elevate the standing of MF distribution and make it a successful economic venture.
- RBI announced measures to diversify and increase the sources of forex funding to reduce volatility and dampen global spillovers.
- The government has proposed making it mandatory for light, medium, and heavy duty motor vehicles of various categories to comply with fuel consumption standards as of April 2023 in order to reduce pollution and introduce more fuel-efficient vehicles.

#### 2. International

- The U.S. Federal Reserve increase the target range for the federal funds rate by 75 basis points to 2.50% to accomplish both of its long-term objectives of achieving maximum employment and inflation at a rate of 2%.
- European Central Bank (ECB) surprised markets by increasing its benchmark rate up by 50 basis points, bringing its deposit rate to zero..
- The Bank of Japan maintained its negative interest rates and yield targets, as widely expected, and predicted that inflation will exceed the target of 2% before declining in the upcoming fiscal year.
- The People's Bank of China held its benchmark lending rates steady, despite the tightening stance adopted by its global peers. The People's Bank of China kept the five-year and one-year loan prime rate unchanged at 4.45% and 3.70%, respectively.
- According to preliminary flash estimate, eurozone's gross domestic product rose 0.7% QoQ in the second quarter of 2022 following 0.5% expansion in the first quarter of 2021. On a yearly basis, economic growth eased 4% in the second quarter of 2022 from 5.4% in the preceding quarter.
- According to preliminary, Germany's gross domestic product remained flat in the second quarter of 2022 following a revised growth of 0.8% in the preceding quarter.
- U.S. real gross domestic product decreased by 0.9% in the second quarter of 2022 after falling 1.6% in the first quarter of 2022.

### Knowledge Corner

#### Choose to Step-Up your SIP amount and accelerate Wealth Creation

Prudent financial planning involves listing down the financial priorities and then steadily working towards achieving the financial goals in the desired time frame. While you may have already taken your first step towards investing towards a healthy financial future by registering a Systematic Investment Plan (SIP), it is equally important to review the investment periodically. The performance review of the investment portfolio would allow you to align your financial priorities and financial goals. Similarly, with time, the income of an individual may also be expected to increase. While the monthly expenses may also increase proportionately, it is reasonable to assume that income outstrip expenses over time.

#### How to increase the SIP amount?

One way to increase the SIP amount is manually registering an additional SIP with the desired amount. Easiest and most helpful way is to automate the process. All you need to do is register a Step-Up SIP and specify the percentage/ amount of increase at periodical intervals as per your choice.

For example, if you invest ₹ 25,000 every month for 15 years, the portfolio value at the end of the investment period will be Rs. 1 crore (assuming 10% growth rate). However, if the monthly investment amount is increased by 10% annually of initial SIP amount i.e., ₹ 2,500 every year, the portfolio value at the end of the investment period of 15 years will be ₹ 1.53 crores, 53% more than the normal SIP. Even if the SIP amount is increased only by 5% annually i.e., ₹ 1,250 every year, the portfolio value could be more by 26% at ₹ 1.26 crores, keeping all the other assumptions same.

The table below shows the difference a Step-up SIP may make over various time periods:

Monthly SIP Period	Regular SIP		Step-Up SIP	
	(₹ 25,000 / month)		(₹ 25,000 / month + ₹ 2,500 step-up / year)	
	Amount contributed	Investment value at end	Amount contributed	Investment value at end
5 Years	₹ 15 Lakhs	₹ 19.23 Lakhs	₹ 18 Lakhs	₹ 22.78 Lakhs
10 Years	₹ 30 Lakhs	₹ 50.36 Lakhs	₹ 43.50 Lakhs	₹ 69.12 Lakhs
15 Years	₹ 45 Lakhs	₹ 1 Crore	₹ 76.50 Lakhs	₹ 1.53 Crores
20 Years	₹ 60 Lakhs	₹ 1.81 Crores	₹ 1.17 Crores	₹ 2.99 Crores
25 Years	₹ 75 Lakhs	₹ 3.11 Crores	₹ 1.65 Crores	₹ 5.43 Crores

Note: Step-up amount on ₹ 2,500 means that every year the SIP amount will increase by ₹ 2,500. For example – First year ₹ 25,000, Second year ₹ 27,500, Third year ₹ 30,000 and so on...

For above calculation rate of return considered at 10% is for illustrative purpose only and not to be construed as a guarantee for future performance.

As the table above shows, Step-Up SIP may help your portfolio grow exponentially in the long run and allows you to accumulate a higher investment corpus than what you initially planned. You may utilize the higher amount towards additional financial goals, or even upgrading the existing financial goals. For example, if you and buy a luxurious villa against a simple residential flat or a travel foreign destination instead of a short vacation. This additional growth in the investment portfolio may also add to the retirement corpus and allow you to live post-retirement life more comfortably.

With the increase in your disposable income over time choose to step-up your SIP amount, accelerate wealth creation and achieve your financial goals.

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