Monthly Market Update

March 2023

UTI Mutual Fund
Haq, ek behtar zindagi ka.

Macro-Economic Update and Key Events

Event Update

GDP growth slowed in Dec quarter of 2022

India's gross domestic product (GDP) grew 4.4% YoY for the quarter ended Dec 2022 as compared to a growth of 5.2% in the same period of the previous year. Gross Value Added (GVA) increased 4.6% YoY during the reported period, slower than 4.7% during Dec quarter of 2021. Sector wise under Gross Value Added (GVA), manufacturing sector recorded a negative growth of 1.1% while mining sector rose 3.7%, much slower than 1.3% and 5.4% rise, respectively in the year ago period. Agriculture and construction sector growth accelerated to 3.7% and 8.4% from 2.3% and 0.2%, respectively while public administration, defence and other services, which represent government expenditure, growth slowed to 2.0% from 10.6% in the same period of the previous year.

MPC raised key policy repo rate by 25 bps to 6.50%

The Monetary Policy Committee (MPC) in its bi-monthly monetary policy review raised key policy repo rate by 25 bps to 6.50% with immediate effect. This was the sixth consecutive rate hike by the MPC in this fiscal. The MPC also remained focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

IIP growth accelerated to 4.3% YoY in Dec 2022

The growth of Index of Industrial Production (IIP) growth accelerated to 4.3% YoY in Dec 2022 compared with rise of 1% in the same period of the previous year but slower than 7.3% in the previous month. For the period from Apr to Dec of FY23, IIP growth slowed considerably to 5.4% from 15.3% in the same period of the previous fiscal.

Consumer inflation accelerated in Jan 2023

Consumer Price Index based inflation (CPI) accelerated in Jan 2023 after touching twelve-month low in the previous month. CPI grew 6.52% YoY in Jan 2023 from 5.72% in Dec 2022 and 6.01% in Jan 2022. The Consumer Food Price Index increased at a faster pace to 5.94% in Jan 2023 as compared to 4.19% rise in Dec 2022 and 5.43% in the same month of the previous year.

Manufacturing PMI fell to a four-month low in Feb 2023

According to S&P Global, India's Manufacturing Purchasing Managers' Index fell to a four-month low of 55.3 in Feb 2023 from 55.4 in Jan 2023. Input costs in the manufacturing sector rose further and new orders from abroad went up marginally.

Services PMI reached a 12-year peak in Feb 2023

S&P Global India services Purchasing Managers' Index (PMI) reached a 12-year peak of 59.4 in Feb 2023 from 57.2 in Jan 2023. The rise in service activity demonstrated robust demand and easing price pressures despite only modest job growth in the nation.

WPI inflation slowed to 4.73% YoY in Jan 2023

Wholesale price index-based inflation (WPI) slowed to 4.73% YoY in Jan 2023 from 4.95% rise in Dec 2022. However, the growth of WPI Food index rose to 2.95% in Jan 2023 from 0.65% rise in Dec 2022 and 2.52% in Nov 2022.

Core sector growth accelerated to 7.8% in Jan 2023

Core sector growth accelerated to 7.8% in Jan 2023 from 4.0% rise in the same month last year and 7% increase in the previous month. All sectors witnessed growth except crude oil sector that contracted 1.1%. Refinery products, electricity, steel and coal rose 4.5%, 12.0%, 6.2% and 13.4%, higher than 3.7%, 0.9%, 3.8% and 8.2% rise, respectively.

Key Indicator	Frequency	Period	Current	Previous
CPI	Monthly	Jan-23	6.52%	5.72%
WPI	Monthly	Jan-23	4.73%	4.95%
IIP	Monthly	Dec-23	4.30%	7.30%
GDP	Quarterly	Dec-23	4.40%	6.30%
Credit Growth	Fortnightly	Feb-23	16.10%	16.30%
Deposit Growth	Fortnightly	Feb-23	10.20%	10.50%
Export Growth (YoY)	Monthly	Jan-23	-4.61%	-8.81%
Import Growth (YoY)	Monthly	Jan-23	-2.45%	-2.08%
Trade Balance (Billion)	Monthly	Jan-23	-$17.75	-$23.76

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 28-Feb-2023.

Institutional Flows (Equity)

Net Flow (INR Crore)	Current Month	Previous Month	Year to Date
FII Flows	-5,294	-28,852	-34,146
DII Flows	19,239	33,941	53,180
MF Flows	12,825	22,933	35,758

Source:CDSL & SEBI; As on 28-Feb-2023

Institutional Flows (Debt)

Net Flow (INR Crore)	Current Month	Previous Month	Year to Date
FII Flows	2,436	3,531	5,967
MF Flows	-12,868	-9,032	-21,901

Source:CDSL & SEBI; As on 28-Feb-2023

Exchange Rate Movement

Exchange Rate	Feb-23	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
₹/ Euro	87.55	88.66	84.79	79.62	84.26
₹/ Pound	99.60	100.96	98.69	94.34	100.92
₹/ 100 Yen	60.68	62.77	59.13	58.37	65.34
₹/ Dollar	82.68	81.54	81.75	79.91	75.49

Source: Refinitiv

Performance of Various Commodities

Commodities	Feb-23	Returns			
		1 Week	1 Month	6 Month	1 Year
Crude Brent ($/Barrel)	83.56	1.33%	0.26%	-17.37%	-19.55%
Gold ($/Oz)	1,827.15	-0.39%	-5.22%	6.81%	-4.23%
Gold (₹./10 gm)	55,320.00	-1.52%	-2.47%	8.29%	9.59%
Silver ($/Oz)	20.91	-4.19%	-11.76%	16.37%	-14.36%
Silver (₹/Kg)	62,761.00	-4.24%	-7.13%	15.87%	-3.54%

Source: Refinitiv

Key Events Calendar

Event	Date	Current	Previous
China Inflation Rate YoY (Jan)	09-Feb	2.10%	1.80%
U.S. Consumer Price Index (YoY)(Jan)	14-Feb	6.40%	6.50%
U.S. Gross Domestic Product Annualized(Q4) P	23-Feb	2.70%	2.90%
Japan Consumer Price Index (YoY)(Jan)	24-Feb	4.30%	4.00%
U.S. Core PCE Price Index YY Jan 2023	24-Feb	4.70%	4.40%

Source: Refinitiv

Indian Debt Market Update

Key Policy Rates (%)

	Feb-23	3 Months Ago	6 Months Ago	Year Ago	2 Years Ago
Repo	6.50	5.90	5.40	4.00	4.00
Reverse Repo	3.35	3.35	3.35	3.35	3.35
Bank Rate	6.75	6.15	5.65	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	6.25	5.65	5.15	NA	NA

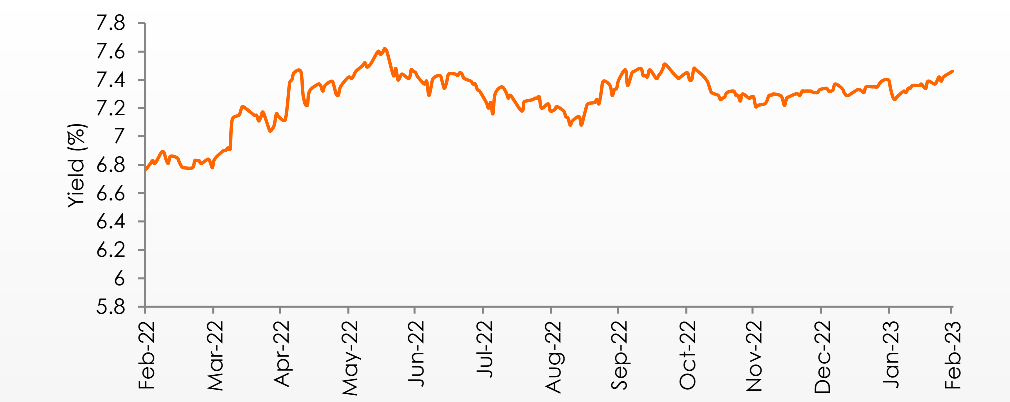
Source: RBI

Money Market Rates (%)

	Feb-23	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
Call	6.65	6.44	6.09	5.15	3.28
TREP	6.60	6.43	5.97	5.28	3.23
FBIL 1 Month Term Mibor	6.99	6.75	6.46	5.57	4.05
91 Days T-Bills	6.89	6.47	6.37	5.57	3.70
3 Month CP	7.62	7.30	6.87	5.94	4.25
6 Month CP	7.77	7.70	7.40	6.35	4.75

Source: Refinitiv

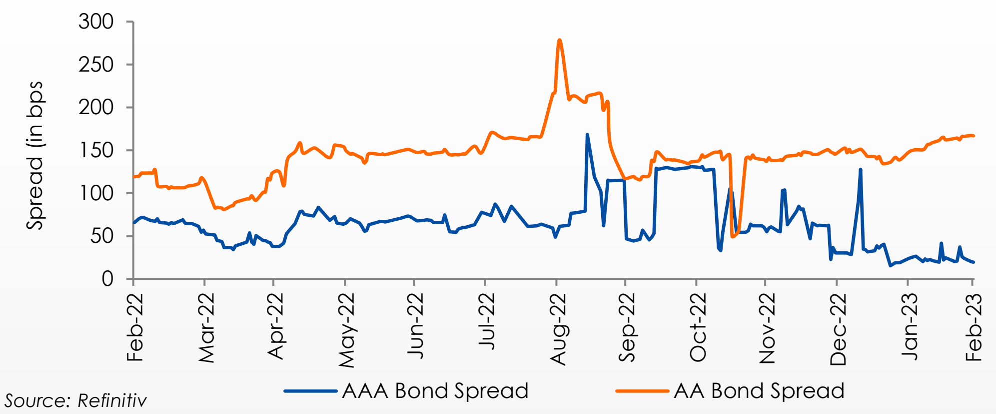
10 Year Benchmark Bond



Source: Refinitiv

Bond yields rose tracking rise in the U.S. Treasury yields on upbeat U.S. data that raised fears of another rate hike by the U.S. Fed. Yields also rose after the MPC kept the door open for further rate hikes as it was of the view that core inflation remained at elevated levels.

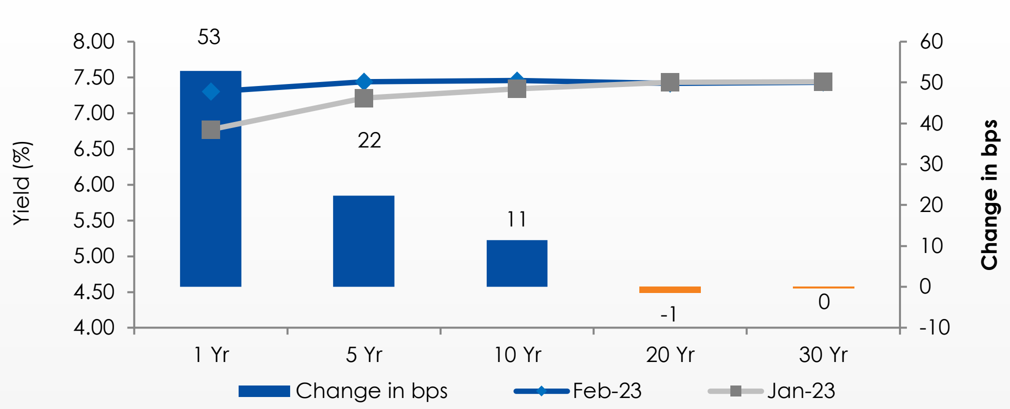
10 Year Corporate Bond Spread (for AAA & AA bonds)



Source: Refinitiv

Yield on corporate bonds rose in the range of 4 to 16 bps across the curve. Yield rose the most on 15 year paper and the least on 7 & 8 year papers.

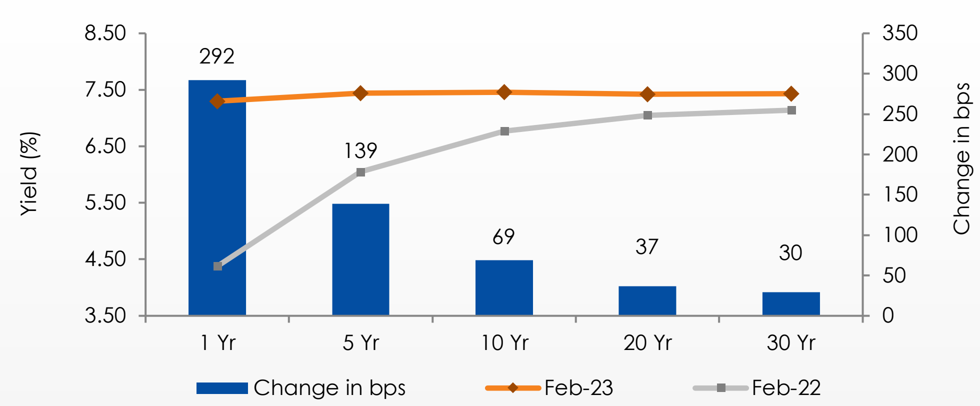
India Yield Curve Shift (Month-on-Month)



Source: Refinitiv

Yield on gilt securities rose by up to 55 bps across the maturities, barring 19 year that fell 2 bps while 30 year paper was steady. Yield rose the most on 1 year and the least on 15 year. Difference in spread between corporate bond and gilt securities contracted in the range of 5 to 46 bps across the segments, except 15 year that expanded 15 bps.

India Yield Curve Shift (Year-on-Year)

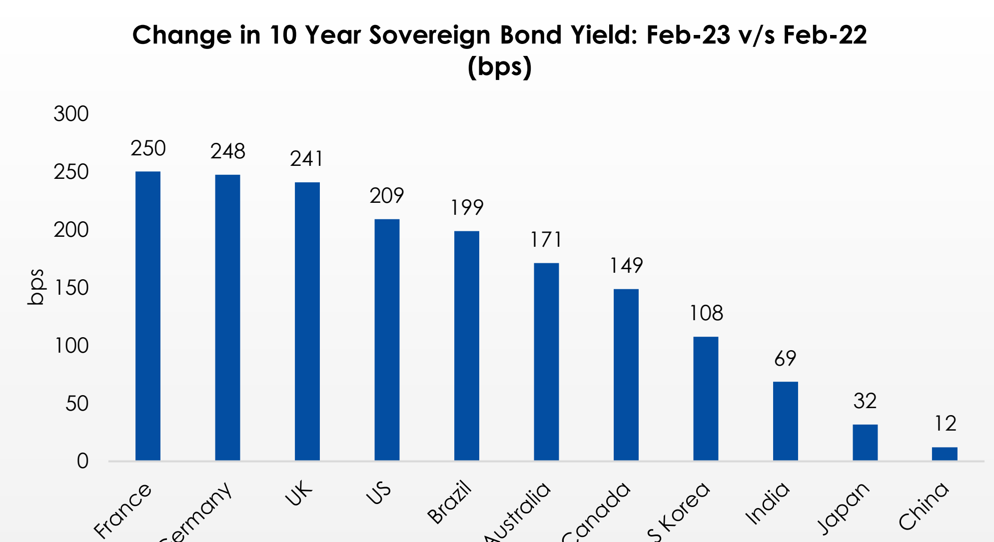


Source: Refinitiv

Year on year, yield on gilt securities rose in the range of 31 to 301 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 16 to 296 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 Japan



Source: Refinitiv

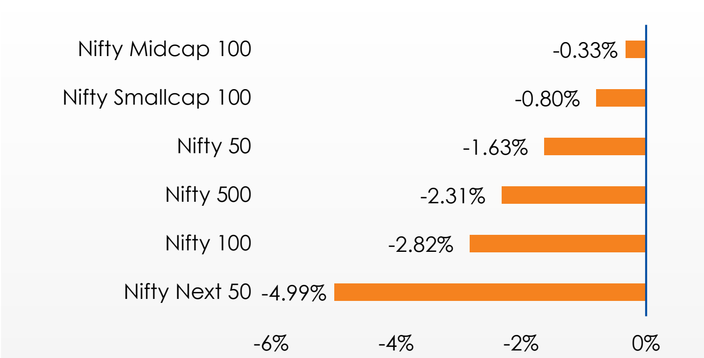
Yield of 10 Year Government Bonds (%)

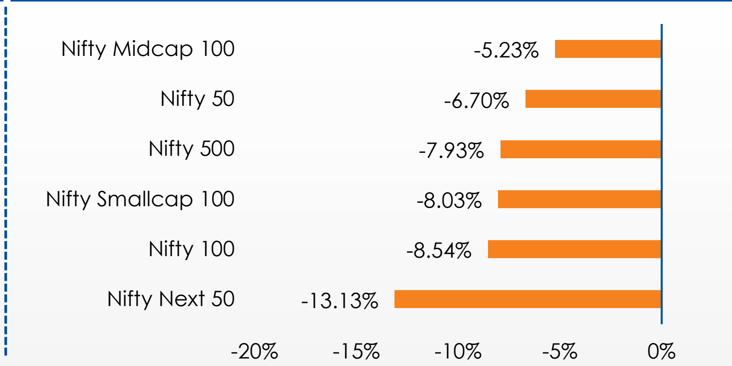
	Jan-23	Feb-23	Range:Feb-2023	Real Yields: Feb-23
Brazil	13.1	13.3	13.54 - 13.02	7.5
India	**7.4**	**7.5**	**7.46 - 7.26**	**0.9**
China	2.9	2.9	2.94 - 2.89	0.8
S Korea	3.3	3.8	3.75 - 3.15	-1.4
US	3.5	3.9	3.95 - 3.40	-2.5
Canada	2.9	3.3	3.44 - 2.84	-2.6
France	2.8	3.1	3.12 - 2.51	-2.9
Japan	0.5	0.5	0.51 - 0.48	-2.9
Australia	3.6	3.9	3.9 - 3.39	-3.9
Germany	2.3	2.6	2.63 - 2.07	-6.1
UK	3.3	3.8	3.82 - 3.01	-6.3

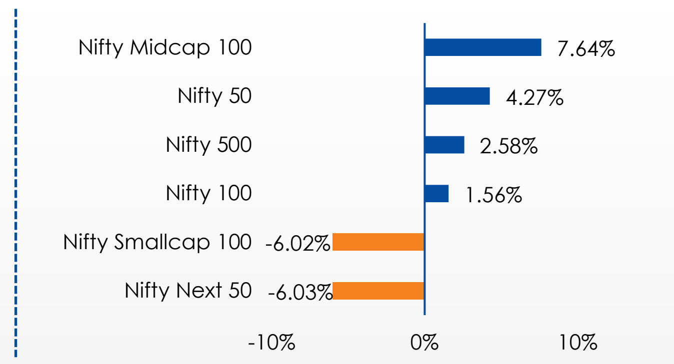
Source: Refinitiv

Indian Equity Market Update

1 Month | **3 Months** | **1 Year**







Domestic equity markets fell as persisting concerns over higher interest rates weighed on the markets. Market participants worried that the U.S. Fed may raise interest rates higher than currently anticipated and keep interest rates at elevated levels for an extended period of time. Continued selling by foreign institutional investors & strengthening dollar index.

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

Rolling Returns – Monthly Performance

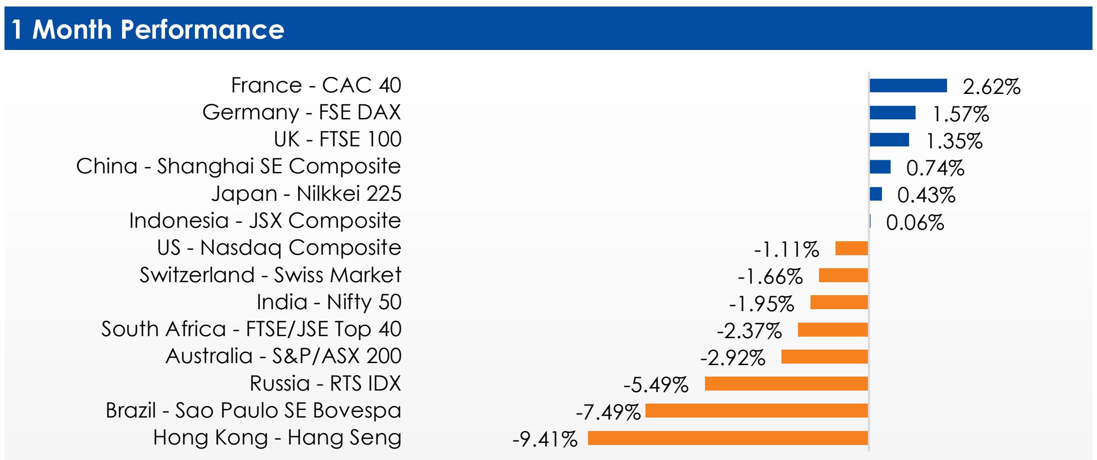
Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Nifty Media 18.49%	Nifty Energy 10.74%	Nifty Auto 4.59%	Nifty Auto 1.34%	Nifty Metal 18.41%	Nifty Energy 8.88%	Nifty Pharma 2.17%	Nifty IT 6.97%	Nifty Metal 11.33%	Nifty Metal 2.43%	Nifty Auto 5.65%	Nifty FMCG 1.65%
Nifty 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 IT 4.08%	Nifty IT -0.24%
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 FMCG 0.65%	Nifty Financial Services -0.58%
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 Pharma -1.88%	Nifty Infra -0.86%
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 Infra -3.63%	Nifty Bank -0.95%
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 Metal -3.77%	Nifty Auto -4.39%
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 Financial Services -4.66%	Nifty Realty -4.45%
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 Media -4.69%	Nifty Pharma -4.68%
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 Realty -4.69%	Nifty Energy -8.57%
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 Bank -5.42%	Nifty Media -10.13%
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%	Nifty Energy -8.34%	Nifty Metal -18.54%

In Feb 2023, all sectors witnessed a fall except FMCG with metal showing the steepest fall while IT saw the slowest decline. Media sector has been one of the worst performer among bottom 5 sectors in the last six out of seven consecutive months.

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

Global Equity Market Update

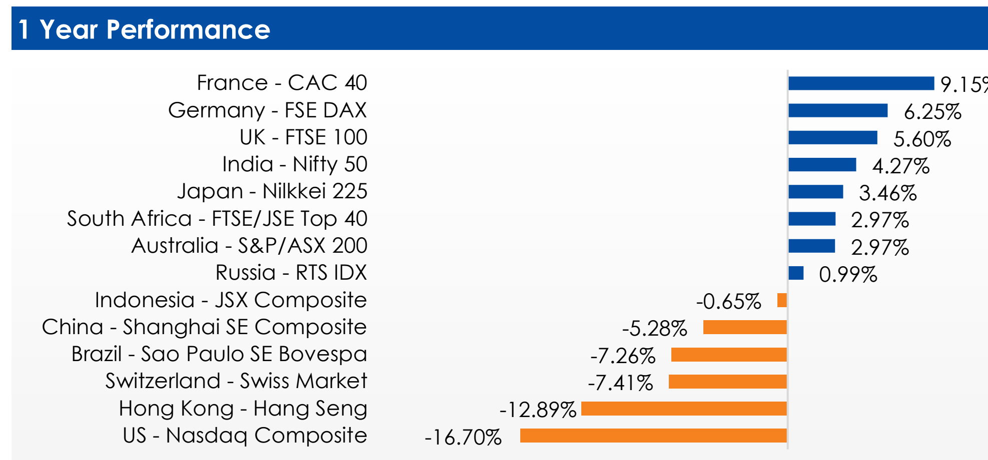
1 Month Performance



Source: Refinitiv

Global markets remained mixed in Feb 2023, with Hong Kong showed highest fall while France witnessed the steepest gains.

1 Year Performance



Source: Refinitiv

In the last one year, France, Germany and U.K. saw the steepest rise while the fastest fall was in U.S., Hong Kong and Switzerland.

News Summary & Knowledge Corner

News Summary

1. Domestic

- Sebi announced governance standards for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) on the lines of listed companies.
- Sebi has given final permission NSE to set up a Social Stock Exchange (SSE) as a separate segment on its platform. SSE segment will give social entrepreneurs new ways to finance charitable endeavours, give them prominence, and promote transparency in how funds are raised and used by social enterprises.
- Sebi proposed a regulatory framework of ESG (environmental, social, and governance) disclosures by listed companies, ESG ratings in the securities market, and ESG investing by mutual funds.
- Reserve Bank of India proposed to permit lending and borrowing of government securities. The objective of the move is to give a boost to the existing market for 'special repos'.
- According to Securities and Exchange Board of India (SEBI), issuers of green debt securities need to appoint a third-party reviewer or certifier. The third-party reviewer or certifier will be responsible for the post-issue management of proceeds.
- The government opened the door for IFSC units to issue participatory notes or offshore derivative products to foreign investors in the Union Budget in order to increase economic activity in the global financial hub GIFT IFSC.
- SEBI has given approval to registered stock market entities to undertake e-KYC verification services. The objective of the move is to reduce and prevent financial crimes and money laundering.

2. International

- The US Federal Reserve slowed its pace of interest rate hikes, suggesting that inflation has eased somewhat but still remains elevated. The US central bank raise its target range by 25 bps to 4.50%-4.75%.
- The European Central Bank increased its benchmark interest rates by 50 basis points and made it clear that it intends to do so again in March 2023 when it will review the trajectory of its policy rates.
- The Bank of England increased its benchmark rate in response to stronger-than-anticipated wage pressures and concerns about underlying inflation's potential for higher persistence. BoE anticipates this year's inflation to decline fast and a considerably smaller recession than anticipated in November.
- The People's Bank of China retained its one-year loan prime rate, at 3.65%, despite the economy struggling to gain traction. Likewise, the five-year LPR, the benchmark for mortgage rates, was kept unchanged at 4.30%.
- China's Consumer inflation accelerated to 2.1% YoY in Jan 2023 from 1.8% in Dec 2022 on rise in demand during the Lunar New Year holiday and the easing of Covid restrictions.
- U.S. non-farm payroll employment surged by 517,000 jobs in Jan 2023 after rising by an upwardly revised 260,000 jobs (223,000 jobs originally reported) in Dec 2022. U.S. unemployment rate eased to 3.4% in Jan 2023 from 3.5% in the previous month.

Knowledge Corner

How to use long duration funds for achieving long-term goals?

Long Duration Funds are open-ended debt schemes investing in debt instruments such that the Macaulay duration of the portfolio is greater than 7 years. Long duration funds invest in a mix of instruments including government and corporate bonds of a longer maturity. These schemes are more volatile in comparison to short-term debt funds that focus on coupon income. However, long duration funds can provide a relatively stable source of income, compounding and potential capital appreciation over a longer investment horizon.

Achieving Long-term Financial Goals

Long duration funds are exposed to high degree of interest rate risk in comparison to medium and short-duration funds. When the interest rates go down, the price of bonds increases and the value of a bond with a longer duration would rise more than a bond with a shorter duration. Therefore, investors investing in long duration funds tend to benefit not only from higher coupon, but may also gain from market valuation in a falling interest rates scenario. However, timing the entry/ exit is not everyone's cup of tea. Therefore, it is always advisable to align the investment strategy with the financial goals.

An ideal approach for long-term investors to mitigate interest rate volatility is through Systematic Investment Plan (SIP), as it's likely to capture some of the shorter-term volatility as well as help provide a stable investment in long duration funds over the medium to long-term. These funds are generally focused on investing in top quality debt instruments comprising of sovereign or high rated debt instruments which are not exposed to credit risk. Further, fund managers tend to manage risk with limited duration play as the mandate requires the portfolio's Macaulay duration to be greater than 7 years at all point in time and also potential of generating better returns than traditional investment options with similar investment horizons. Basis the portfolio construction approach followed under long duration funds, investors may consider investing in long duration funds and aim to achieve their long-term financial goals, including child's education, child's marriage, planning for a bigger house, retirement planning, etc.

Long Duration Funds are also tax efficient for the units held for 36 months or more, as it provides indexation benefit on long term capital gains. If one holds units for 3 years or less, the gains made are subject to Short-Term Capital Gains Tax and are taxed as per their income slab. If one holds the units for more than 3 years, the gains are subject to Long-Term Capital Gains Tax which is taxed at 20% and one would get the benefit of indexation (available to debt funds). Indexation accounts for the effect of inflation in the acquisition purchase cost i.e. the purchase price is increased to adjust for inflation (using an index provided by the Government) before calculating the capital gain.

Note: The tax provisions, as mentioned in the article, are for illustrative purposes only, and are updated as per the Union Budget 2023 passed by the Parliament. The tax rates for capital gains will be as per the tax laws applicable on the date of redemption/ sale and not on the date of investment.

Who should Invest in Long Duration Mutual Funds?

- These funds are suitable for investors who have the appetite for bearing short-term volatility and are looking to invest for medium to long-term in a debt portfolio.
- Investors aiming to diversify their retirement portfolio or looking to do their long term financial planning.

Long duration funds are ideal for the diversification of one's overall portfolio and offering stability. They have the potential of generating reasonable income, hence an appropriate option for investors looking to build their core debt portfolio and achieve their long-term financial goals.