

Macro-Economic Update and Key Events

Event Update

Consumer inflation touched its highest level in five months

Consumer Price Index based inflation accelerated to 7.41% in Sep 2022 from 7.00% in the previous month and 4.35% in Sep 2021. Inflation reached its highest level in five months during the latest period. Retail inflation thus stayed above the upper tolerance level of the Reserve Bank of India's retail inflation target of 6% for the ninth consecutive month. The Consumer Food Price Index also rose at a faster pace to 8.60% in Sep 2022 from 7.62% in the previous month and 0.68% in the same month of the previous year.

IIP witnessed its first contraction since Feb 2021

The Index of Industrial Production (IIP) contracted 0.8% in Aug 2022 compared with a growth of 2.2% in the previous month and 13.0% rise in the same period of the previous year. IIP witnessed its first contraction since Feb 2021. For the period from Apr to Aug of FY23, IIP growth slowed to 7.7% from a growth of 29.0% in the same period of the previous fiscal. The manufacturing sector output saw negative growth of 0.7% in Aug 2022 from a growth of 11.1% in the same period of the previous year. In Apr to Aug of FY23, the growth in manufacturing sector output slowed considerably to 7.9% as compared to a growth of 31.6% in the same period of the previous fiscal.

Wholesale inflation eased to 10.70% YoY in Sep 2022

Wholesale price index-based inflation (WPI) eased to 10.70% YoY in Sep 2022 from 12.41% rise in Aug 2022 and 11.80% increase in the same period of the previous year. The growth of WPI Food index eased to 8.08% in Sep 2022 from 9.93% in Aug 2022 and 9.28% in Jul 2022.

Trade deficit expanded to \$25.71 billion in Sep 2022

India's exports and imports rose 4.82% and 8.66% to \$35.45 billion and \$61.16 billion, respectively in Sep 2022. The trade deficit rose to \$25.71 billion in Sep 2022 from \$22.47 billion in Sep 2021. During Apr to Sep 2022, exports rose 16.96% to \$231.88 billion, imports rose 38.55% to \$380.34 billion. During Apr -Sep 2022, trade deficit widened to \$148.46 billion as against \$76.25 billion in the same period last year.

India Manufacturing PMI rose in Oct 2022

According to S&P Global, India's Manufacturing Purchasing Managers' Index rose to 55.3 in Oct 2022 from 55.1 in Sep 2022. India's manufacturing sector rose as demand and output remained strong, spurring firms to increase hiring at the quickest rate in over three years.

India Services PMI rose Oct 2022

S&P Global India Services Purchasing Managers' Index rose to 55.1 in Oct 2022 from 54.3 in Sep 2022. In spite of significant inflationary pressures, India's services industry expanded in Oct 2022, supported by strong domestic demand, which resulted in the second-fastest hiring rate in more than three years. The overall S&P Global India Composite PMI Output Index rose to 55.5 in Oct 2022 from 55.1 in Sep 2022.

Core output grew 7.9% in Sep 2022

The combined index of eight core industries grew 7.9% in Sep 2022 as against 4.1% rise in Aug 2022 and 5.4% in the year ago period. Coal, refinery products, fertilizers, steel, cement and electricity rose 12%, 6.6%, 11.8%, 6.7%, 12.1% and 11%, respectively in Sep 2022. Crude oil and natural gas contracted 2.3% and 1.7%, respectively in Sep 2022. Core output during Apr-Sep of FY23 rose 9.6% slower than 16.9% a year ago.

Key Indicator	Frequency	Period	Current	Previous
CPI	Monthly	Sep-22	7.41%	7.00%
WPI	Monthly	Sep-22	10.70%	12.41%
IIP	Monthly	Aug-22	-0.80%	2.40%
GDP	Quarterly	Jun-22	13.50%	4.10%
Credit Growth	Fortnightly	Oct-22	17.90%	17.90%
Deposit Growth	Fortnightly	Oct-22	9.50%	9.60%
Export Growth (YoY)	Monthly	Sep-22	4.82%	1.92%
Import Growth (YoY)	Monthly	Sep-22	8.66%	31.45%
Trade Balance (Billion)	Monthly	Sep-22	-\$25.71	-\$27.98

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-Oct-2022.

Institutional Flows (Equity)

Net Flow (INR Crore)	Current Month	Previous Month	Year to Date
FII Flows	-8	-7,624	-168,797
DII Flows	9,197	14,120	258,406
MF Flows	6,318	17,961	167,030

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

Institutional Flows (Debt)

Net Flow (INR Crore)	Current Month	Previous Month	Year to Date
FII Flows	-3,532	4,012	-12,601
MF Flows	-9,324	-20,385	-31,633

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

Exchange Rate Movement

Exchange Rate	Oct-22	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
₹/ Euro	81.92	80.11	81.17	80.58	87.26
₹/ Pound	95.54	90.77	96.90	95.71	103.11
₹/ 100 Yen	55.74	56.44	59.73	58.66	65.86
₹/ Dollar	82.39	81.55	79.42	76.42	74.79

Source: Refinitiv

Performance of Various Commodities

Commodities	Oct-22	Returns			
		1 Week	1 Month	6 Month	1 Year
Crude Brent (\$/Barrel)	94.13	2.05%	0.79%	-12.25%	12.81%
Gold (\$/Oz)	1,633.12	-0.94%	-1.60%	-13.88%	-8.40%
Gold (₹./10 gm)	50,187.00	0.74%	0.23%	-3.20%	5.01%
Silver (\$/Oz)	19.14	-0.62%	0.74%	-15.83%	-19.75%
Silver (₹./Kg)	56,992.00	3.11%	1.62%	-11.96%	-11.35%

Source: Refinitiv

Key Events Calendar

Event	Date	Current	Previous
Euro Zone ECB Refinancing Rate Oct 2022	27-Oct	2.00%	1.25%
Japan JP BOJ Rate Decision	28-Oct	-0.10%	-0.10%
U.S. Fed Funds Target Rate	03-Nov	3.88%	3.13%
U.K. BOE Bank Rate Nov 2022	03-Nov	3.00%	2.25%
U.S. Non-Farm Payrolls Oct 2022	04-Nov	261K	315K

Source: Refinitiv

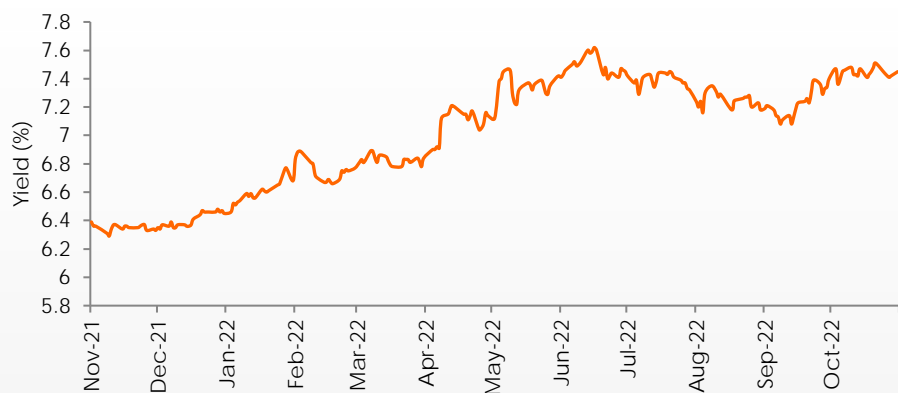
Indian Debt Market Update

Key Policy Rates (%)

	Oct-22	3 Months Ago	6 Months Ago	Year Ago	2 Years Ago
Repo	5.90	4.90	4.00	4.00	4.00
Reverse Repo	3.35	3.35	3.35	3.35	3.35
Bank Rate	6.15	5.15	4.25	4.25	4.25
CRR	4.50	4.50	4.00	4.00	3.00
SLR	18.00	18.00	18.00	18.00	18.00
SDF	5.65	4.65	3.75	NA	NA

Source: RBI

10 Year Benchmark Bond



Source: Refinitiv

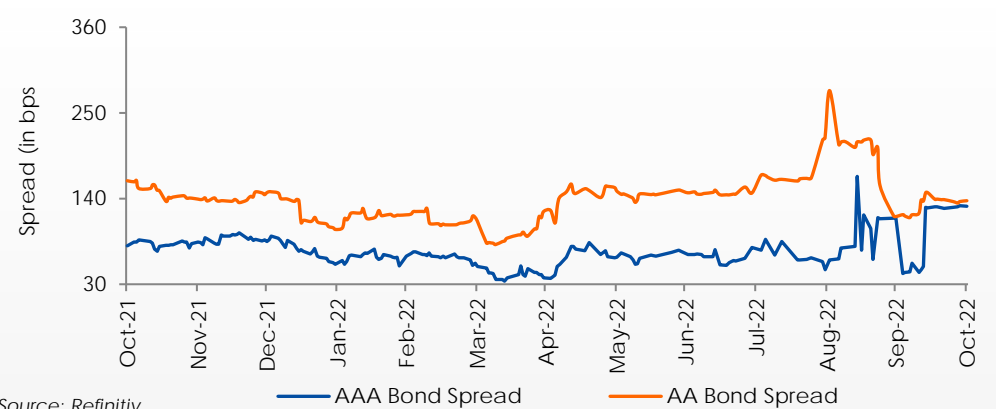
Bond yields rose after moving in a narrow range during the month tracking rise in the U.S. treasury yields. Yields increased further after state development loans auction saw higher-than-expected cut-off yields and weekly government auction, added to the debt supply.

Money Market Rates (%)

	Oct-22	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
Call	6.21	5.98	5.00	3.33	3.26
TREP	6.13	5.94	5.00	3.76	3.30
FBIL 1 Month Term Mibor	6.41	6.20	5.21	4.14	3.65
91 Days T-Bills	6.42	6.04	5.56	4.04	3.52
3 Month CP	7.03	6.45	6.10	4.25	4.20
6 Month CP	7.40	6.95	6.55	4.80	4.40

Source: Refinitiv

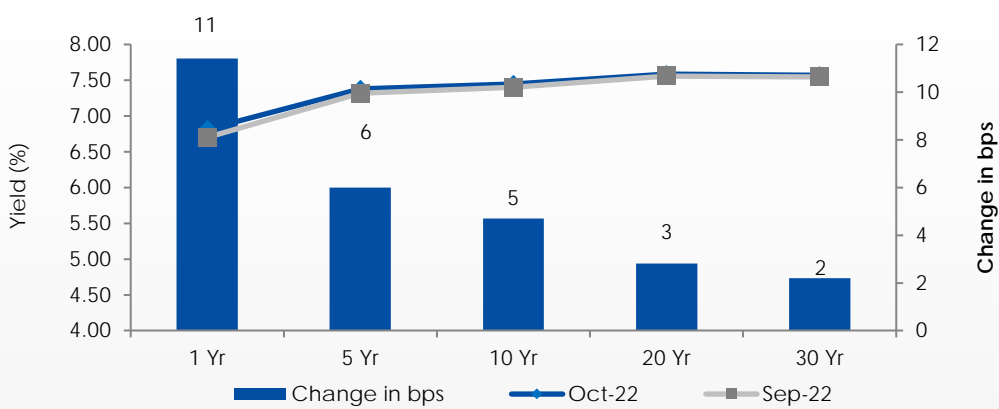
10 Year Corporate Bond Spread (for AAA & AA bonds)



Source: Refinitiv

Yield on corporate bonds went up in the range of 7 to 122 bps across the curve, leaving 2 to 4 year papers that fell in the range of 21, 29 & 14 bps, respectively.

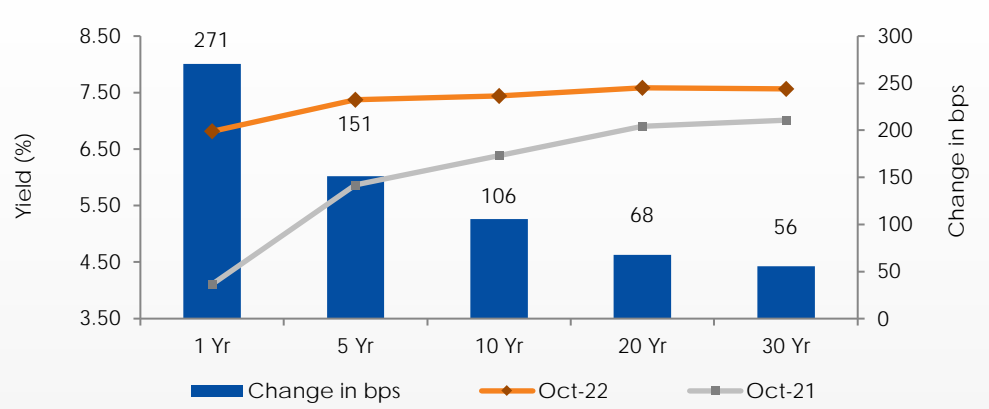
India Yield Curve Shift (Month-on-Month)



Source: Refinitiv

Yield on gilt securities rose in the range of 2 to 15 bps across the maturities, barring 2 & 12 year papers that fell 8 & 1 bps, respectively. Difference in spread between corporate bond and gilt securities expanded by up to 119 bps across the segments, except 2, 3 & 4 year papers that contracted 13, 43 & 21 bps, respectively.

India Yield Curve Shift (Year-on-Year)



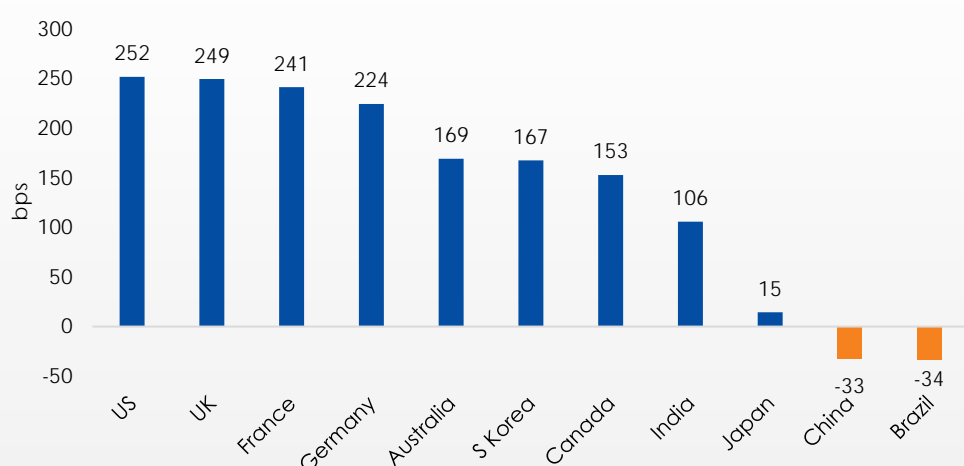
Source: Refinitiv

Year on year, yield on gilt securities rose in the range of 58 to 278 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 144 to 296 bps across the curve. Yield went up the most on 1-year paper and the least on 6 & 7-year papers.

Global Debt Market Update

US saw the highest rise in yields while least increase was in Japan

Change in 10 Year Sovereign Bond Yield: Oct-22 v/s Oct-21 (bps)



Source: Refinitiv

Yield of 10 Year Government Bonds (%)

	Sep-22	Oct-22	Range:Oct-2022	Real Yields: Oct-22
Brazil	12.0	11.9	12.17 - 11.69	4.7
India	7.4	7.4	7.51 - 7.36	0.0
China	2.8	2.7	2.79 - 2.65	-0.2
S Korea	4.1	4.3	4.66 - 4.01	-1.4
France	2.7	2.7	2.99 - 2.46	-2.9
Japan	0.3	0.3	0.26 - 0.24	-3.3
Australia	4.0	3.8	4.23 - 3.67	-3.5
Canada	3.2	3.3	3.68 - 3.13	-3.7
US	3.8	4.1	4.23 - 3.62	-4.1
UK	4.1	3.5	4.47 - 3.41	-6.6
Germany	2.1	2.2	2.44 - 1.88	-7.9

Source: Refinitiv

Indian Equity Market Update



Domestic equity markets rose as companies across multiple sectors reported upbeat earnings for the Sep quarter of 2022. Hopes that domestic inflationary pressures would ease gradually also added to the gains. Market participants also remained hopeful that U.S. Federal Reserve and other major central banks across the globe would consider slowing down the pace of rate hikes in the coming months given the worries of a global economic slowdown and recession.

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

Rolling Returns – Monthly Performance

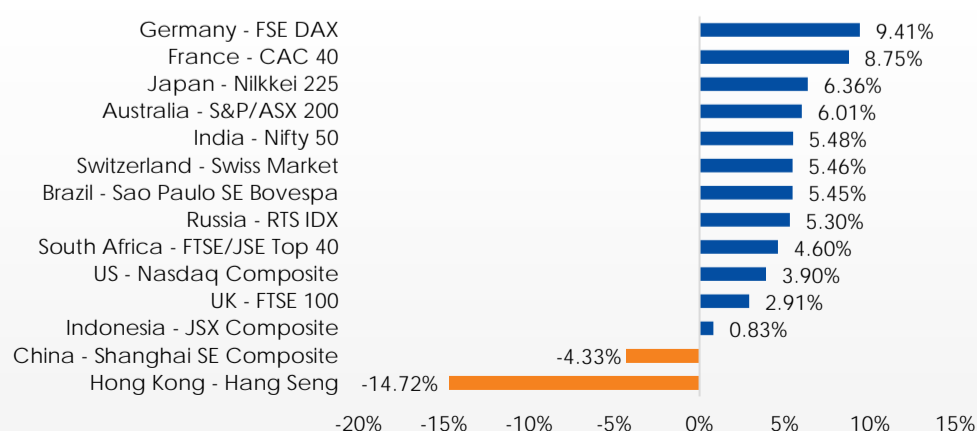
Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
Nifty IT 1.95%	Nifty IT 10.44%	Nifty Energy 10.39%	Nifty Metal 8.21%	Nifty Media 18.49%	Nifty Energy 10.74%	Nifty Auto 4.59%	Nifty Auto 1.34%	Nifty Metal 18.41%	Nifty Energy 8.88%	Nifty Pharma 2.17%	Nifty IT 6.97%
Nifty 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 Metal 8.35%	Nifty FMCG 1.34%	Nifty Bank 6.93%
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 Bank 5.66%	Nifty Media 0.07%	Nifty Financial Services 5.90%
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 Auto 5.57%	Nifty Bank -2.29%	Nifty Infra 5.58%
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 Infra 5.38%	Nifty Metal -2.73%	Nifty Auto 5.37%
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 Financial Services 4.70%	Nifty Infra -3.29%	Nifty Energy 4.27%
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 FMCG 3.16%	Nifty Auto -3.92%	Nifty Realty 3.46%
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 Realty 2.93%	Nifty Financial Services -3.99%	Nifty Metal 2.22%
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 Pharma -0.30%	Nifty IT -5.02%	Nifty Pharma 1.85%
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 -0.36%	Nifty Realty -8.42%	Nifty Media -0.03%
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%	Nifty IT -2.54%	Nifty Energy -8.98%	Nifty FMCG -0.17%

In Oct 2022, all the above sectors rose except FMCG and media with IT and bank showed the steepest rise while slowest increase was witnessed on pharma and metal. Banking sector has been one of the best performer among top 5 sectors in the last four consecutive months.

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

Global Equity Market Update

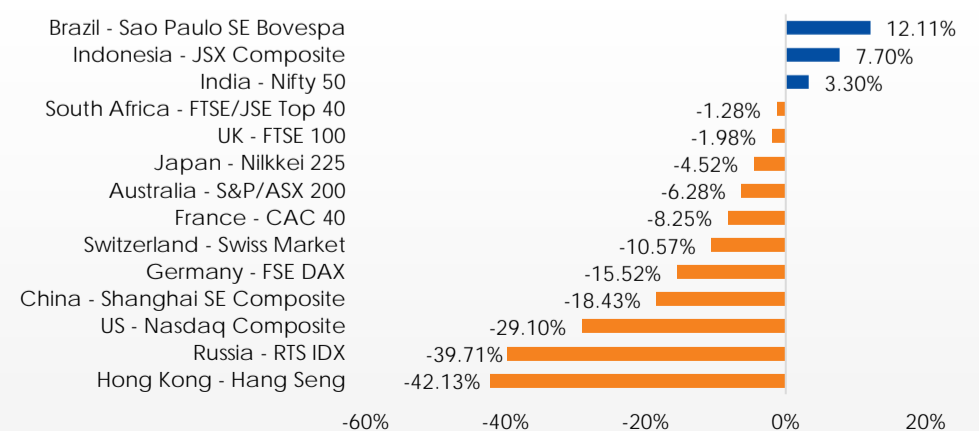
1 Month Performance



Source: Refinitiv

Global markets rose strongly in Oct 2022, barring Hong Kong and China with Germany showed highest gains while Indonesia witnessed the slowest rise.

1 Year Performance



Source: Refinitiv

In the last one year, Hong Kong, Russia and the US saw the steepest fall while the slowest decline was in South Africa, U.K. and Japan.

News Summary & Knowledge Corner

News Summary

1. Domestic

- According to the Securities and Exchange Board of India (SEBI), registered stock brokers can put bids on the request for quote (RFQ) debt trading platform on behalf of their clients from Jan 01, 2023.
- According to SEBI, block mechanism facility pertaining to demat accounts will not be applicable for clients having arrangements with custodians for clearing and settling trades. Presently the facility is optional for investors.
- SEBI lowered the face value of debt securities and non-convertible redeemable preference shares issued on a private placement basis from the previous Rs. 10 lakh to Rs. 1 lakh in order to increase liquidity in the corporate bond market.
- SEBI amended the book building process for private placement of debt to address the issue of 'fastest finger first'. SEBI has also enabled introduction of the idea of 'anchor investor' as an alternative, in order to enable issuers to analyse the demand and gain assurance from particular prospective investors towards subscription.
- Reserve Bank of India (RBI) has increased the minimum capital requirement for asset reconstruction companies (ARC) and broadened the scope of their activities by enabling them to participate as resolution applicants under bankruptcy law, reversing its earlier stance.
- RBI has stated that banks will be required to set aside more capital against credit facilities granted to borrowers if credit rating organisations do not disclose the name of the bank or banks from which the loan is obtained when publishing the credit rating.
- RBI tightened regulations for companies with unhedged foreign currency exposures that banks have loaned to in terms of raising capital and provisioning requirements. Companies that have not hedged their currency risk against offshore payables may suffer losses because of fluctuating exchange rates. As a result, their ability to repay bank debts will be hampered.

2. International

- The European Central Bank raised key interest rates by 75 bps in its monetary policy review. The main refinancing rate was raised to 2.00% from 1.25%. The deposit facility rate was raised to 1.50% from 0.75%. The European Central Bank indicated more rate hikes in the coming months as inflation is expected to stay high for an extended period.
- The Bank of Japan maintained its key monetary policy stimulus and continued to provide interest rate guidance despite the dropping yen. The bank also decided to continue to purchase a necessary amount of Japanese government bonds without setting an upper limit so that 10-year JGB yields will remain at around zero percent.
- The International Monetary Fund has cut its worldwide growth forecast for 2023 and warned that the global economy will suffer further next year. The global lender reduced its growth forecast for 2023 to 2.7% from 3.3%, while keeping the expectation for 2022 at 3.2% after a 6% increase in 2021.
- The People's Bank of China retained its one-year and five-year loan prime rate at 3.65% and 4.30%, respectively. The PBoC had conducted one-year MLF to inject CNY 500 billion into the financial system.
- Real gross domestic product of the U.S. economy grew 2.6% in the third quarter of 2022 following a 0.6% drop in the second quarter and a 1.6% decline in the first quarter of 2022.
- Eurozone gross domestic product rose 0.2% sequentially in the third quarter of 2022 as against 0.8% expansion seen in the second quarter.

Knowledge Corner

Importance of Investing in Children's Mutual Funds for Education

Planning for child's career is often one of the significant financial goals for any parents. With high emotional value attached to this goal, every parent intends to plan the best for their child's education. Planning towards the education of children may generally be classified as medium to long-term financial goal depending upon when one starts investing. Here is how one may adopt a systematic approach towards this financial goal:

Quantifying the Goal

It is said, "If you don't know where you're going, any road will take you there". Put another way, "If you don't have goals, any strategy shall help you succeed at reaching your non-goals". As such, it's important to quantify the goal and set the destination of investment journey. While quantifying the required corpus amount, one should analyse their child's interests and preferences and consider different career options for them to choose. Further, one must consider a reasonable sum towards education planning if such a goal is being conceived during the early years of the child's life.

Choosing the right mutual fund scheme

Once the goal has been quantified, one should prepare a roadmap towards achieving such a goal. While mutual funds offer a wide range of investment options to the investors, to suit different risk profiles, investment horizon, and financial goals, one may consider investing in Children's Funds, which are specially designed towards planning for child goals. These are specific solution-oriented mutual fund schemes carry a lock-in period until the child attains majority, subject to a maximum lock-in period of 5 years. Such a lock-in period allows the parents to resist the temptation to redeem the investments at an early stage.

The investments must also match the required investment horizon. While an equity oriented fund may be highly desirable for long-term financial goals, if the desired goal is fast approaching it may not be advisable to invest in equities as they are volatile over the short-term. Lastly, one may adopt systematic approach to invest in the right mutual fund scheme for their children which is a disciplined approach to investing and easier on pockets.

Regular Investing through SIP

Systematic Investment Plan (SIP) is a process for a disciplined investment of a certain amount on a pre-decided date in a specific mutual fund scheme, over a period of time. An SIP may be registered to make regular investments to achieve financial goals in a time-bound manner. SIP helps eliminate the timing bias from the investing journey and focus on the ultimate financial goals.

Finally, one must regularly review the financial goal, as the assumptions taken at the time of formulating the financial plan may have changed over the period. Such changes may happen in the education costs, prevailing inflation, changes in the child's preferences, etc.

Finally, one should review investment performance regularly and suitably adjust their financial goal to let the investments stay relevant. This ensures that any shortfall in any manner, may be rectified well within time, and the goals may be achieved in a time-bound manner.

Effective planning towards a child's career and education can help you to celebrate the most significant occasion of your child's life without any financial constraints.

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