

Macro-Economic Update and Key Events

Event Update

GDP growth 7.8% in the first quarter of FY24

Gross Domestic Product (GDP) of the Indian economy at Constant (2011-12) prices witnessed a growth of 7.8% in the first quarter of FY24. In the Apr-Jun quarter last year, the GDP growth rate was 13.1%. On the sectoral front, the growth of the manufacturing sector slowed to 4.7% in Q1 of FY24 from 6.1% in same quarter of previous fiscal year. However, growth of Agriculture, Forestry & Fishing improved to 3.5% in Q1 of FY24 from 2.4% in Q1 of FY23. Also, growth of Financial, Real Estate & Professional Services accelerated to 12.2% in Q1 of FY24 from 8.5% in Q1 of FY23.

Eight core sectors grew by 8% YoY in Jul 2023

Output of India's eight core sectors grew by 8% YoY in Jul 2023 after hitting a five-month high of 8.3% in Jun 2023. All the sectors witnessed positive growth on yearly basis. Coal witnessed maximum growth of 14.9% in Jul followed by steel with 13.5% growth.

India Manufacturing PMI increased to 58.6 in Aug 2023

According to a private survey, S&P Global India Manufacturing Purchasing Managers' Index (PMI) increased to 58.6 in Aug from 57.7 in Jul, marking its highest level since May 2023. While strong growth in new orders and output propelled India's industrial growth at its quickest rate in three months in August, job creation fell to a four-month low.

India's Services PMI fell to 60.1 in Aug 2023

According to a study by a global private agency, the growth of India's services Purchasing Managers' Index (PMI) fell to 60.1 in Aug 2023 from 62.3 in Jul 2023. S&P Global India Composite PMI Output Index also cooled to 60.9 in Aug from 61.9 in Jul. In spite of increased inflationary pressures, the overall environment is still favorable, as seen by the business survey, which revealed record-breaking export levels due to strong international demand.

Industrial Production rose 3.7% in Jun 2023

India's Index of Industrial Production (IIP) growth rose 3.7% in Jun 2023 as against rise of 12.6% in Jun 2022. Manufacturing output rose 3.1% YoY in Jun 2023. Mining output rose 7.6% and electricity output rose 4.2%. As per use-based classification, infrastructure/construction goods grew 11.3% in the reported month.

Consumer inflation accelerated to 7.44% in Jul 2023

Consumer price index-based inflation accelerated to 7.44% in Jul 2023 from 4.87% in Jun 2023 due to sudden rise in the prices of vegetables. The consumer food price index (CFPI) surged to 11.51% from 4.55% in Jun 2023. Inflation breached the upper limit of the RBI's tolerance band of 6% after staying within for four consecutive months.

Wholesale prices contracted 1.36% in Jul 2023

The wholesale price index (WPI)-based inflation rate in India contracted 1.36% in Jul 2023, much slower than 4.12% fall in Jun 2023 and 3.61% contraction in May 2023. The rate of inflation based on WPI Food Index surged 7.75% in Jul from contraction of 1.24% in Jun 2023.

Fiscal deficit stood at 33.9% of budget estimates

India's fiscal deficit for the period from Apr to Jul of FY24 stood at Rs. 6.06 lakh crore or 33.9% of budget estimates of the current fiscal. India's fiscal deficit stood at 20.5% of the budget estimate in the corresponding period of the previous fiscal year. Total expenditure stood at Rs. 13.81 lakh crore or 30.7% of the budget estimate as compared to 28.6% of the budget estimate in the corresponding period of the previous fiscal year.

Key Indicator	Frequency	Period	Current	Previous
CPI	Monthly	Jul-23	7.44%	4.87%
WPI	Monthly	Jul-23	-1.36%	-4.12%
IIP	Monthly	Jun-23	3.70%	5.20%
GDP	Quarterly	Jun-23	7.80%	6.10%
Credit Growth	Fortnightly	Aug-23	19.80%	19.70%
Deposit Growth	Fortnightly	Aug-23	13.20%	13.50%
Export Growth (YoY)	Monthly	Jul-23	-15.88%	-17.48%
Import Growth (YoY)	Monthly	Jul-23	-17.01%	-22.00%
Trade Balance (Billion)	Monthly	Jul-23	-\$20.67	-\$20.13

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-Aug-2023.

Institutional Flows (Equity)

Net Flow (INR Crore)	Current Month	Previous Month	Year to Date
FII Flows	12,262	46,618	135,287
DII Flows	25,017	-2,698	109,417
MF Flows	14,489	7,707	81,447

Source:CDSL & SEBI; As on 31-Aug-2023; MF data as on 23-Aug-2023

Institutional Flows (Debt)

Net Flow (INR Crore)	Current Month	Previous Month	Year to Date
FII Flows	7,733	3,726	28,181
MF Flows	-21,706	3,071	-25,267

Source:CDSL & SEBI; As on 31-Aug-2023; MF data as on 23-Aug-2023

Exchange Rate Movement

Exchange Rate	Aug-23	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
₹/ Euro	90.22	90.58	88.36	87.55	79.71
₹/ Pound	105.09	105.76	102.38	99.60	93.35
₹/ 100 Yen	56.63	58.06	59.30	60.68	57.54
₹/ Dollar	82.68	82.25	82.68	82.68	79.72

Source: Refinitiv

Performance of Various Commodities

Commodities	Aug-23	Returns			
		1 Week	1 Month	6 Month	1 Year
Crude Brent (\$/Barrel)	87.96	3.85%	2.97%	5.27%	-13.02%
Gold (\$/Oz)	1,939.74	1.16%	-1.24%	6.16%	13.39%
Gold (₹./10 gm)	59,262.00	1.26%	-0.04%	7.13%	16.00%
Silver (\$/Oz)	24.44	1.24%	-1.35%	16.84%	35.98%
Silver (₹./Kg)	74,454.00	1.34%	1.30%	18.63%	37.46%

Source: Refinitiv

Key Events Calendar

Event	Date	Current	Previous
India GDP Quarterly YY - Q1 2023	31-Aug	7.8%	6.1%
U.S. ISM Manufacturing PMI Aug 2023	01-Sep	47.6	46.4
U.S. Non-Farm Payrolls Aug 2023	01-Sep	187K	187K
Japan GDP Rev QQ Annualised Q2 2023	07-Sep	4.80%	6%
Euro Zone GDP Revised YY Q2 2023	07-Sep	0.50%	0.60%

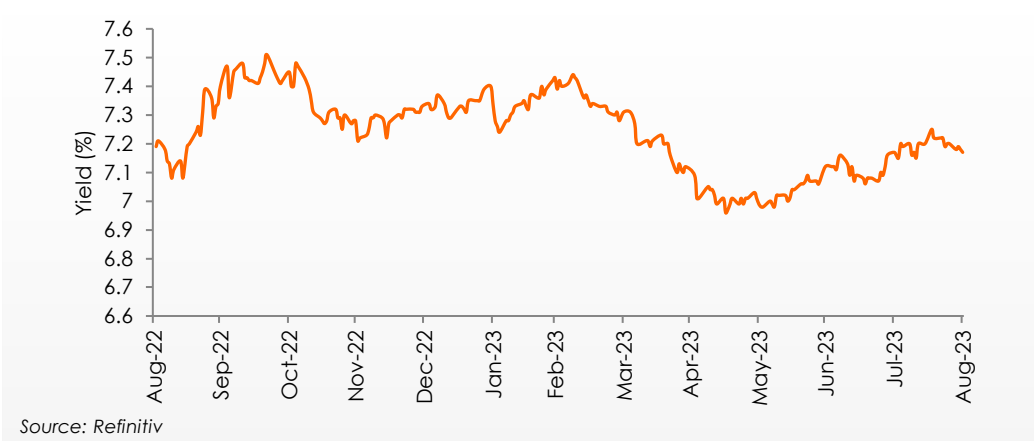
Source: Refinitiv

Indian Debt Market Update

Key Policy Rates (%)	Aug-23	3 Months Ago	6 Months Ago	Year Ago	2 Years Ago
Repo	6.50	6.50	6.50	5.40	4.00
Reverse Repo	3.35	3.35	3.35	3.35	3.35
Bank Rate	6.75	6.75	6.75	5.65	4.25
CRR	4.50	4.50	4.50	4.50	4.00
SLR	18.00	18.00	18.00	18.00	18.00
SDF	6.25	6.25	6.25	5.15	NA

Source: RBI

10 Year Benchmark Bond



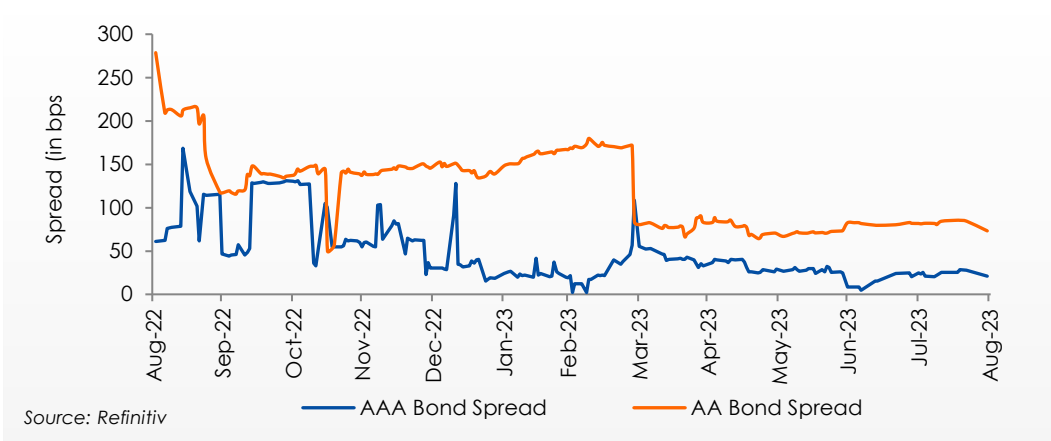
Source: Refinitiv

Bond yields were almost unchanged following movement in the U.S. Treasury yields during the month of August 2023. Market sentiments were boosted after Reserve Bank of India (RBI) was not as hawkish on monetary policy as anticipated.

Money Market Rates (%)	Aug-23	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
Call	6.58	6.52	6.33	6.65	5.21
TREP	6.62	6.37	6.24	6.60	5.43
FBIL 1 Month Term Mibor	7.07	7.02	7.01	6.99	5.59
91 Days T-Bills	6.77	6.71	6.76	6.89	5.63
3 Month CP	7.02	7.02	7.00	7.62	5.95
6 Month CP	7.31	7.30	7.25	7.77	6.35

Source: Refinitiv

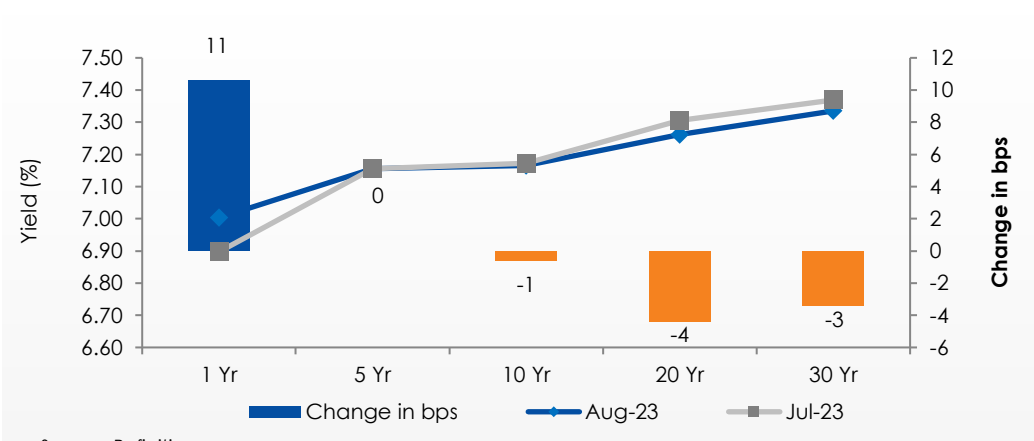
10 Year Corporate Bond Spread (for AAA & AA bonds)



Source: Refinitiv

Yield on corporate bonds rose by up to 19 bps across the curve, barring 6-to-8-year papers that fell 2 bps each while 5- & 9-year papers were steady.

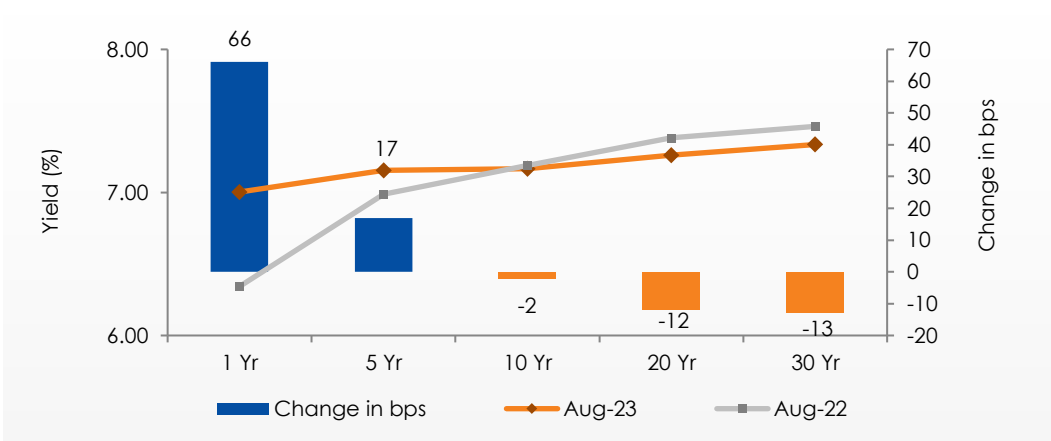
India Yield Curve Shift (Month-on-Month)



Source: Refinitiv

Yield on gilt securities fell by up to 5 bps across the maturities, barring 1 to 3- & 11-year papers that rose by up to 11 bps while 4-, 5- & 7-year were steady. Difference in spread between corporate bond and gilt securities expanded in the range of 2 to 13 bps across the segments, except 6- & 7-year papers that contracted by up to 2 bps while 5-year was steady.

India Yield Curve Shift (Year-on-Year)

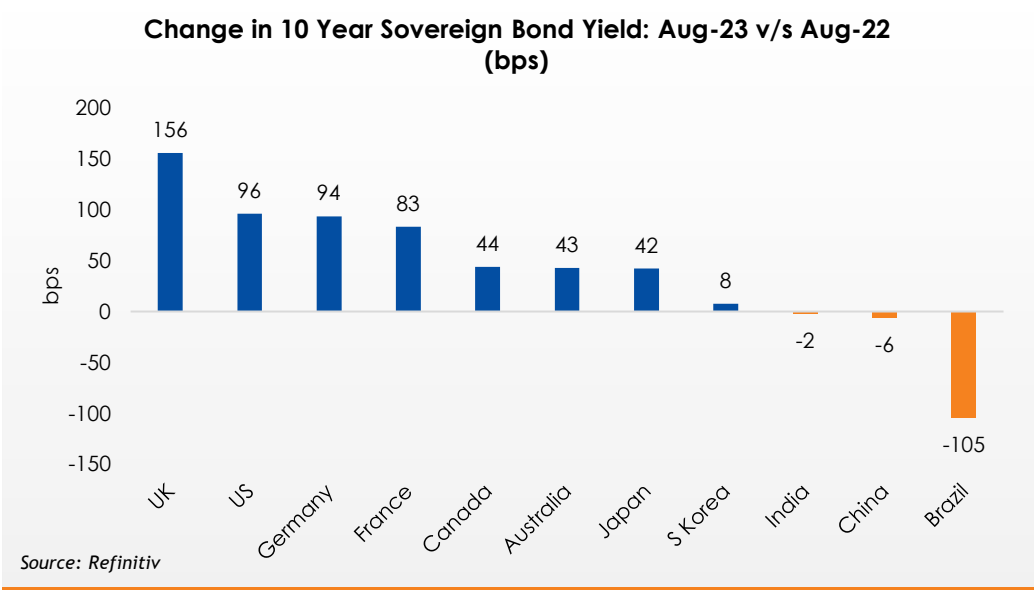


Source: Refinitiv

Year on year, yield on gilt securities fell by up to 5 bps across the maturities, barring 1 to 3- & 11-year papers that increased by up to 11 bps. Yield on corporate bonds rose by up to 19 bps across the curve, except 6 to 8 year papers that rose 2 bps each while 5 & 9 year papers were steady.

Global Debt Market Update

U.K. saw the highest rise in yields while steepest fall was in Brazil



Source: Refinitiv

Yield of 10 Year Government Bonds (%)

	Jul-23	Aug-23	Range:Aug-2023	Real Yields: Aug-23
Brazil	10.9	11.1	11.39 - 10.73	7.1
China	2.7	2.6	2.7 - 2.54	2.5
US	4.0	4.1	4.34 - 4.01	0.9
S Korea	3.8	3.8	3.99 - 3.72	0.4
Canada	3.5	3.6	3.82 - 3.5	0.3
India	7.2	7.2	7.25 - 7.15	-0.3
France	3.0	3.0	3.25 - 2.98	-1.3
Australia	4.1	4.0	4.29 - 3.99	-2.0
Japan	0.6	0.7	0.68 - 0.56	-2.3
UK	4.3	4.4	4.75 - 4.36	-2.4
Germany	2.5	2.5	2.71 - 2.44	-3.6

Source: Refinitiv

Indian Equity Market Update



Domestic equity markets fell as uncertainty over the interest rate outlook in U.S. hurt market sentiment. Concerns over slowdown in China's economy added to the losses. Markets also remained under pressure after the Reserve Bank of India expressing concerns about the evolving inflation situation within the country which led to worries that the key policy repo rate may remain elevated for a prolonged period and any possibility of a rate cut may be delayed.

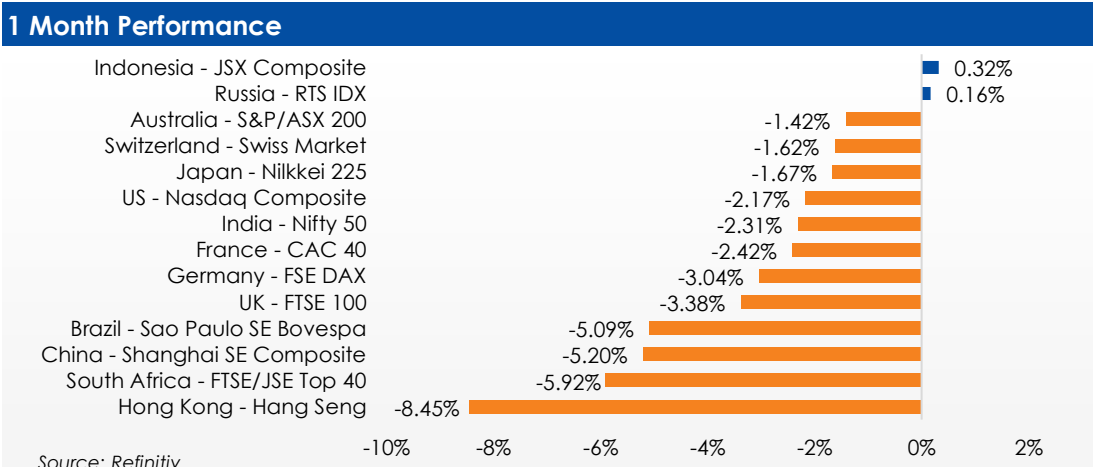
Source: NSE; Returns are on the basis of TRI index

Rolling Returns – Monthly Performance											
Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
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 Energy 5.22%	Nifty Realty 14.90%	Nifty Auto 7.66%	Nifty Realty 8.65%	Nifty Media 18.22%	Nifty Media 11.34%
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 Metal 4.38%	Nifty Auto 7.72%	Nifty Realty 7.57%	Nifty Pharma 8.61%	Nifty Pharma 9.32%	Nifty IT 4.14%
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 Pharma 2.30%	Nifty Bank 6.46%	Nifty FMCG 6.85%	Nifty Auto 6.69%	Nifty Realty 9.25%	Nifty Pharma 0.80%
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 FMCG 2.17%	Nifty Financial Services 6.11%	Nifty IT 5.83%	Nifty Metal 5.42%	Nifty Metal 8.94%	Nifty Auto 0.02%
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 Infra 1.48%	Nifty Metal 5.50%	Nifty Bank 2.58%	Nifty Infra 5.13%	Nifty Energy 8.73%	Nifty Metal -1.35%
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 Bank 0.84%	Nifty Infra 5.21%	Nifty Media 2.39%	Nifty Energy 3.49%	Nifty Infra 6.66%	Nifty Realty -1.47%
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 Financial Services 0.39%	Nifty Pharma 4.97%	Nifty Financial Services 2.13%	Nifty Financial Services 3.20%	Nifty Auto 4.14%	Nifty Infra -2.32%
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 Media -0.22%	Nifty FMCG 4.31%	Nifty Infra 1.93%	Nifty FMCG 2.44%	Nifty Bank 2.03%	Nifty FMCG -2.92%
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 Realty -1.49%	Nifty Energy 4.03%	Nifty Metal 1.56%	Nifty Bank 1.50%	Nifty IT 1.47%	Nifty Bank -3.42%
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 IT -3.25%	Nifty Media 0.87%	Nifty Energy 0.59%	Nifty IT 1.35%	Nifty Financial Services 1.43%	Nifty Financial Services -3.47%
Nifty Energy -8.98%	Nifty FMCG -0.17%	Nifty Auto -1.11%	Nifty Media -5.88%	Nifty Energy -8.34%	Nifty Metal -18.54%	Nifty Auto -3.83%	Nifty IT -3.30%	Nifty Pharma 0.52%	Nifty Media -0.69%	Nifty FMCG 0.86%	Nifty Energy -3.71%

In August 2023, majority of the sectors witnessed losses with Energy showing the steepest fall while metal saw the slowest decline. Media sector continue to be one of the top performer for second consecutive month.

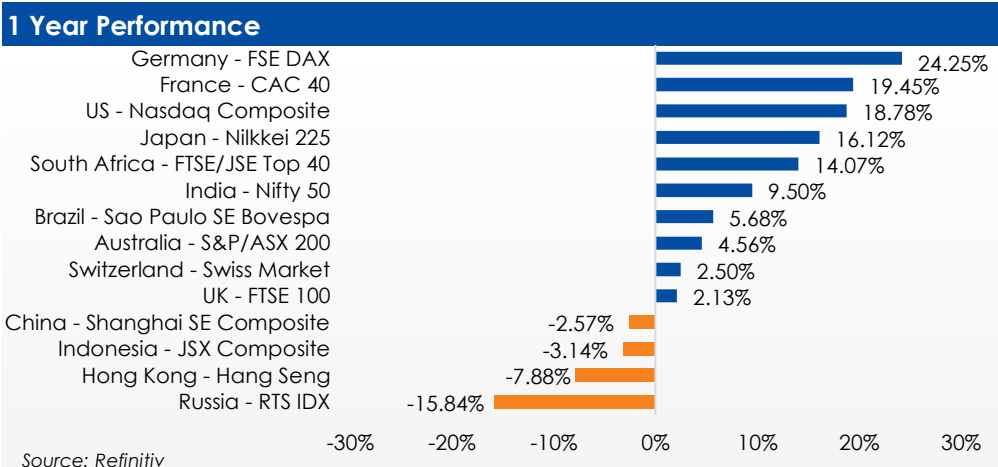
Source: NSE; Returns are on the basis of TRI index

Global Equity Market Update



Source: Refinitiv

Global markets fell in August 2023 except Indonesia & Russia, with Hong Kong showed steepest fall while Australia witnessed the slowest decline.



Source: Refinitiv

In the last one year, Germany, France and U.S. were the top performers while the worst performers are Russia, Hong Kong and Indonesia.

News Summary & Knowledge Corner

News Summary

1. Domestic

- Capital market regulator Securities and Exchange Board of India (SEBI) released a proposal on gathering and defining use cases for Financial Information Users (FIUs) in the Account Aggregator framework for the securities markets. This aims to strengthen the security measures built into the Account Aggregator (AA) structure to prevent the exploitation of financial information in scams and mis-selling.
- SEBI has permitted Offer For Sale (OFS) for units of privately listed Infrastructure Investment Trusts (InvITs) through a stock exchange mechanism. InvITs were launched in India to give investors the chance to become involved in infrastructure projects with a variety of risks through pooling arrangements.
- The Reserve Bank of India (RBI) has proposed to introduce an innovative payment method known as "Conversational Payments" on UPI, which will allow users to communicate with an AI-powered system to start and finish transactions in a protected setting.
- The RBI proposed implementing Near Field Communication (NFC) technology on UPI-Lite to facilitate offline transactions. This functionality will not only make retail digital payments possible in areas with poor or nonexistent internet and telecom connectivity, but it will also guarantee speed and low transaction decline rates.
- SEBI said that tighter disclosure standards for FPIs would go into effect on Nov 1. According to these regulations, foreign funds that have more than 50% of their equity interests in a single Indian corporate group or that have an equity AUM of more than Rs. 25,000 crore in the Indian market must disclose specific information about their beneficial owners.
- The Union Housing and Urban Affairs Ministry announced that the 'PM-eBus Sewa' program, which would offer 10,000 electric buses to 169 cities utilizing a PPP model, will be implemented during the next five to six months. The estimated cost of the program, which will run till 2037, is Rs. 57,613 crore, of which Rs. 20,000 crore will come from the central government and the rest from the state governments.

2. International

- The U.S. Federal Reserve Chair urged more vigilance in the fight against inflation while announcing the possibility of future interest rate rises. The U.S. Fed Chair stated that inflation is still higher than where policymakers feel comfortable, despite noting that progress has been made and warning that the U.S. Fed will proceed cautiously from this point forward.
- According to The People's Bank of China, the Chinese central bank reduced the one-year medium-term lending facility, or MLF, to 2.50% from 2.65%. The bank had lowered the MLF by 10 basis points in Jun 2023.
- According to the Commerce Department, U.S. gross domestic product in the second quarter of 2023 was downwardly revised to 2.1% from the previously reported 2.4%.
- According to the General Administration of Customs, China's exports slid 8.8% on a yearly basis in Aug 2023 but slower than the 14.5% decline in Jul 2023.
- According to Eurostat, eurozone harmonized inflation will remain unchanged at 5.3% in Aug 2023, while the rate was forecast to slow to 5.1%.
- According to Destatis, Germany's gross domestic product posted nil growth in the second quarter of 2023 after a 0.1% fall in the first quarter of 2023 and a 0.4% decline in the fourth quarter of 2022.
- According to the Office for National Statistics, U.K. Consumer price inflation slowed to 6.8% in Jul 2023, as expected, from 7.9% in Jun 2023.
- According to the Cabinet Office, Japan's gross domestic product expanded a seasonally adjusted 1.5% on quarter in the second quarter of 2023.

Knowledge Corner

Cracking the Code Blue: Strategies for Financial Crises

Investors often face financial emergencies, unexpected market crashes, or economic downturns that can send their portfolios into a state of alarm, akin to a "Code Blue" situation in the medical world wherein medical professionals respond swiftly and effectively to save lives during the crisis.

When Covid-19 pandemic hit, most investors went into hysteria seeing their investment values declining sharply. Imagine for a moment that your investments are patients in the intensive care unit, and the financial crisis is the relentless storm that threatens their well-being. This is your 'Investment Code Blue,' and how you respond to this financial emergency can mean the difference between financial survival and catastrophe. You must have strategies in place to navigate and potentially thrive during these challenging times.

Investment Strategies for Code Blue Situations

- Diversification:** A well-diversified portfolio spreading investments across asset classes, such as stocks, bonds, commodities, real estate etc. When one asset class performs poorly, others may provide a cushion.
- Emergency Fund:** Maintaining a portion of the portfolio in liquid and low-risk assets like mutual funds such as liquid, ultra short duration, low duration, money market funds, etc. This reserve can provide stability and liquidity during crises.
- Long Term Perspective:** Investors who panic and sell during a "Code Blue" often lock in losses. A long-term perspective is crucial. Historically, markets have recovered after downturns. Patient investors who stay on the course tend to benefit from eventual rebounds.
- Quality Investments:** Prioritize quality over speculation during financial emergencies. Blue-chip stocks, high rated bonds, and established companies with strong fundamentals tend to be more resilient during downturns.
- Rebalancing:** Regularly rebalancing portfolio by capitalizing on the undervalued assets during crises.

A "Code Blue" in investments is not a matter of if but when. Every investor will likely face a financial crisis during their investment journey. The key is to be prepared with a well-thought-out strategy that can help weather the storm and potentially emerge stronger on the other side. While past performance is no guarantee of future results, history has shown that resilient investors who remain disciplined, diversified, and informed have a better chance of surviving and thriving during even the most challenging financial emergencies.

Upcoming Key Events

Event	Date
Euro Zone ECB Refinancing Rate Sep 2023	14-Sep
China Loan Prime Rate 1Y Sep 2023	20-Sep
U.S. Fed Funds Target Rate	20-Sep
U.K. BOE Bank Rate Sep 2023	21-Sep
Japan BOJ Rate Decision	22-Sep

Source: Refinitiv

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