Investor Insights & Outlook

NOVEMBER 2024

03 Dec 2024

Market Update

Nifty	24457
Sensex	80846
10Y G-Sec	6.82%
USD INR	84.67
Gold	77930 (Rs/10gm)
Brent	72.53 ($/bbl)
Repo Rate	6.50%
Reverse Repo	3.35%

Product Recommendations

Equity

ICICI Pru Bluechip Fund
Kotak Bluechip Fund
Parag Parikh Flexi Cap Fund
ICICI Pru Banking & Financial Services Fund
Tata Banking & Fin. Ser. Fund
ICICI Pru Multi Asset Fund

Debt

ICICI Pru Money Market Fund
ICICI Pru Equity Savings Fund
Kotak Gilt Fund
Kotak Dynamic Bond Fund
HDFC Ltd Fixed Deposit
Bajaj Finance Fixed Deposit

Contact

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KEY HIGHLIGHTS & MARKET DEVELOPMENTS

EQUITY

- November 2024 was marked by significant volatility in all markets: equity, debt, currency & precious metals as the wars escalated and Trump emerged winner.
- In early November, the benchmark indices, Nifty 50 and BSE Sensex, declined by approximately 4% from their late October levels but recovered towards the end of the month.
- This downturn was attributed to foreign investor withdrawals, subdued corporate earnings, and global economic uncertainties.
- Mid-November, key benchmark indices witnessed a strong recovery followed by the positive outcome for BJP led Mahayuti in Maharashtra Assembly elections.

DEBT

- The 10-year benchmark 6.79% GS 2034 bond settled at 6.75%, down from 6.84% in November 2024. Bond prices rose after an intermittent fall in U.S. Treasury yields.
- A further decline in bond yields was observed after government data revealed weaker-than-expected domestic economic growth, sparking speculation that the RBI might cut rates sooner than anticipated.
- Moody's projects India's economy to grow robustly at 7.2% in 2024, fuelled by strong consumer spending and investment, followed by growth of 6.6% in 2025 and 6.5% in 2026.
- The Ministry of Finance brought central public sector enterprises (CPSEs) classified as non-banking financial companies (NBFCs) under the minimum annual dividend payout norm of 30% of profit after tax (PAT) or 4% of net worth, whichever is higher.

MARKET OUTLOOK

EQUITY

One of the most contentious elections in recent history, with Trump's return to the US presidency, is likely to have significant implications for global markets. While it is premature to ascertain the precise impact, the earnings outlook and valuations continue to hold critical importance for India. Historically, the long-term performance of Indian equities has been driven more by domestic factors than global factors.

Recently, Indian equity markets have experienced considerable volatility, largely driven by substantial selling pressure from FIIs despite increased participation from DIIs. Nonetheless, India's structural growth drivers remain robust over the long term.

Key domestic developments, such as the Maharashtra assembly elections on November 20, also added to the volatility. Additionally, the economic growth data remain closely monitored by investors.

Overall, despite ongoing fluctuations, the Indian stock market has demonstrated remarkable resilience and adaptability in navigating both domestic and global economic developments. We believe that the recent correction has cleared some froth in the markets and reiterate our view to adopt a cautious and diversified approach with buy on dips strategy. Large cap and Banking funds remain attractive opportunities.

DEBT

Indian 10-year bond yields remained range-bound, closing the month at 6.75%, lower than 6.84% in the previous month. Indian bonds experienced upward pressure during the month, tracking movements in U.S. bond yields, along with the impact of a depreciating Rupee and a drop in banking system liquidity post September 2024.

The rise in yields was also influenced by inflation figures, which have consistently exceeded 5% over the past two months. However, since September 2024, Indian bond yield increase has been relatively muted compared to the U.S., where bond yields surged by almost 60 basis points.

Food inflation continued its upward trend, primarily driven by rising vegetable prices. Despite this, core inflation remained stable below 4%. For FY25, the inflation outlook is projected at 4%, supported by a forward-looking monetary policy stance. With projected inflation at 4% and the repo rate at 6.50%, the real interest rate stands at a positive 250 basis points, strengthening the case for a potential rate cut by the Reserve Bank of India (RBI). Additionally, if GDP growth remains subdued in the coming quarters, it could further nudge the RBI toward considering rate reductions.

Given this backdrop, for investors with a higher risk tolerance and a long-term investment horizon, we recommend considering long-duration funds. Conservative investors, on the other hand, may focus on accrual assets such as money market funds and AAA-rated fixed deposits.