Investor Insights & Outlook

SEPTEMBER 2024

04 Oct 2024

Market Update

Nifty	25015
Sensex	81688
10Y G-Sec	6.82%
USD INR	84.03
Gold	75964 (Rs/10gm)
Brent	77.90 ($/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 Balanced Advantage 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

- In September 2024, the benchmark indices Nifty 50 and Sensex both experienced a 2.30% increase, extending their winning trend and setting new highs.
- Banking and IT showed strong performance whilst Auto sector showed mixed performance.
- Healthcare & FMCG remained stable with positive growth expectations based on rising demand.
- The initial reaction to the US Fed rate cut appeared positive for Indian equities.
- In the last week, the Indian markets have seen a savage correction due to the escalation in West Asia, SEBI's restrictions on Futures and Options, and FII selling following the stimulus announced by the Chinese Government.

DEBT

- The 10-year benchmark 7.26% GS 2033 bond settled at 6.75%, down from 6.86% in September 2024.
- In its September 2024 policy meeting, the U.S. Fed surprised markets with a 50-bps rate cut, higher than expected. The Federal Funds Target Range now stands at 4.75% to 5%. Despite this aggressive cut, Chair Powell stressed that the U.S. economy remains strong and future rate cuts may be more moderate.
- According to RBI data, non-bank lenders in India expanded their deposits by 21% in FY24, outpacing the 13.5% growth reported by banks.
- S&P Global Ratings maintained India's growth forecast at 6.8%, while noting that the RBI may cut interest rates in October.
- In its latest bulletin, the RBI highlighted that food price volatility remains a risk, despite CPI inflation coming in below the Central Bank's target in August.

MARKET OUTLOOK

EQUITY

September witnessed positive inflows, reflecting strong investor confidence but followed by massive selling in early October. Although Nifty reached new highs, the broader market, represented by mid-cap and small-cap stocks, lagged momentum during September. Unfortunately, escalation in the conflict between Israel and Iran has taken a toll on the markets post month-end.

The decision on interest rates during US Federal Reserve meeting influenced global and Indian markets. The geopolitical developments such as Israel-Iran conflict, Russia-Ukraine conflict and impending US presidential elections have created uncertainty in global markets, causing short-term volatility in Indian stock market. The fiscal bazooka undertaken by China to boost markets has seen a flight of capital from India to China.

We believe high valuations were a concern, but upcoming Fed rate cuts should boost domestic liquidity. This increase, along with any market corrections, could lead to sector rotation and a shift towards quality, favouring large caps. The recent drop in Indian equities could be short term and presents good entry points for long-term investors provided the West Asia crisis doesn’t escalate significantly. Additionally, investor focus may shift from the West Asia conflict to the upcoming September quarter earnings season.

Overall, it is prudent to maintain a defensive stance at this time, with buy on dips strategy. Large cap and Banking funds remain attractive opportunities.

DEBT

In September 2024, the 10-year benchmark 7.26% GS 2033 bond settled at 6.75%, reflecting a decline in global yields driven by the U.S. Fed's 50-basis point rate cut, which sparked a rally in bond markets. The Indian debt market is showing signs of a structural bull market, supported by an improving current account balance and a shift toward long-duration assets as interest rates signal a reversal. Falling crude oil prices, easing inflation, and expectations of reduced government borrowing further contribute to a positive outlook for bond yields. Foreign Portfolio Investor (FPI) inflows have also boosted demand for Indian bonds following their inclusion in global indices. While immediate rate cuts from the RBI are unlikely, a dovish stance could drive further gains.

For conservative investors, we suggest focusing on accrual assets such as money market funds and AAA-rated fixed deposits. For those comfortable with higher volatility and a long-term perspective, we recommend considering the long duration funds.