

2023 Overview, Macros &

# OUTLOOK

2024

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The year  
**gone by**

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# Asset Class Trends 2023

% change

EQUITY INDICES	CY 2021	CY 2022	2023 (YTD)
<b>GLOBAL</b>			
MSCI WORLD	20.1%	-19.5%	22.0%
S&P 500 - USA	26.9%	-19.4%	24.5%
Euro 50	21.0%	-11.7%	19.4%
MSCI EM	-4.6%	-22.4%	5.6%
HANG SENG (Hong Kong)	-14.1%	-15.5%	-16.0%
BOVESPA Brazil	-11.9%	4.7%	22.3%
NIKKEI Japan	4.9%	-9.4%	29.1%
KOSPI INDEX	3.6%	-24.9%	18.7%
<b>INDIA</b>			
NSE Nifty 50 India	24.1%	4.3%	19.6%
S&P BSE SENSEX	22.0%	4.4%	18.4%
S&P BSE MIDCAP	39.2%	1.4%	43.3%
S&P BSE SMALLCAP	62.8%	-1.8%	46.2%

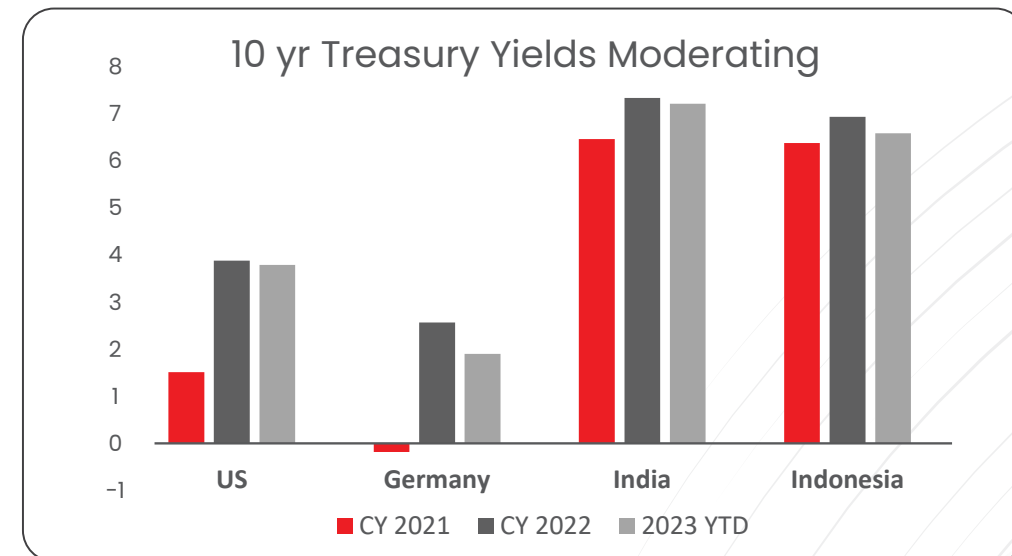
YTD data till Dec 27 2023

Note: Market scenarios are not the reliable indicators for current or future performance.  
 The same should not be construed as investment advice or as any research report/research recommendation  
**Past performance may or may not be sustained in future**

Source: Bloomberg, NIMF Research

% change

COMMODITY/CURRENCY	CY 2021	CY 2022	2023 (YTD)
LMEX LONDON METALS INDEX	32%	-12%	-5%
BRENT CRUDE	50%	11%	-7%
GOLD (USD Prices)	-4%	0%	8%
DOLLAR INDEX SPOT	6%	8%	-2%
USDINR	2%	11%	1%



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## Global Macro Trends for the Year – 2023

1

Inflation Moderating  
Across Geographies

2

From Higher for Longer  
to Lower Interest Rates

3

Weak USD, Commodity  
Prices Bottoming Out

4

Risk on Rally in Asset  
Classes – Equity Outperforms

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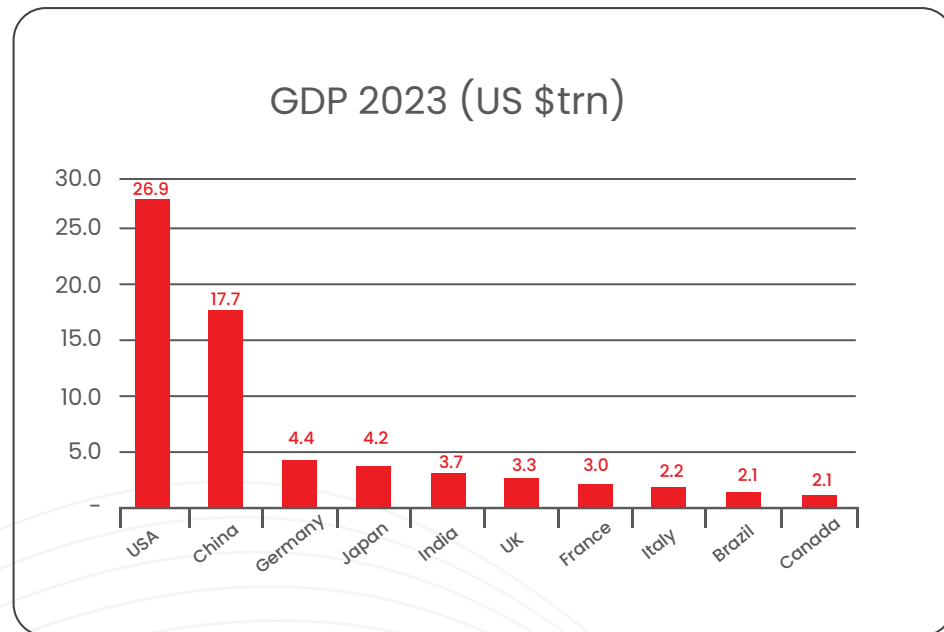
# India Economy Macro Trends & Overview

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# India Size Shifts – A Top 5 Economy Now

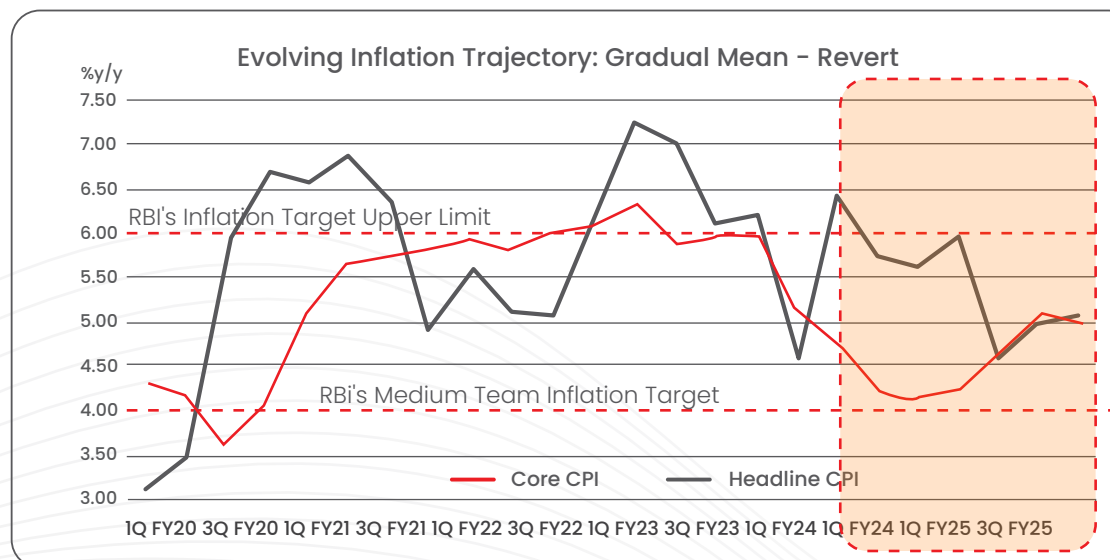
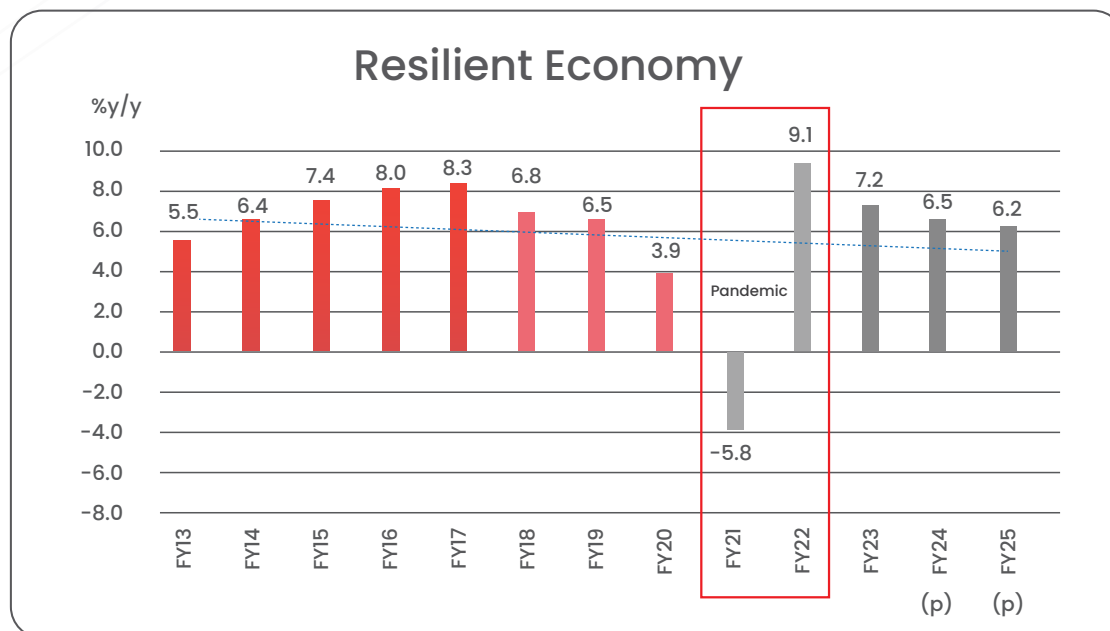
- India breaking into top 5 economies in the World. Likely to be in top 3 in next 5 years.
- From \$3.7 tn in 2023, Indian economy is likely to reach \$5.9 tn by 2028 (IMF), with growth averaging 6.3% from 2023–2028.
- India’s economy continues to be one of the faster growing major economy.



% y/y	2022	2023	2024	2025	2026	2027	2028	Average 2023–2028
World	3.5	3.0	2.9	3.2	3.2	3.1	3.1	3.1
<b>Advanced Economies</b>								
US	2.1	2.1	1.5	1.8	2.1	2.1	2.1	1.9
Euro Area	3.6	0.7	1.5	2.1	2.0	1.8	1.7	1.6
Germany	1.8	-0.5	0.9	2.0	1.9	1.3	0.9	1.1
Japan	1.0	2.0	1.0	0.7	0.5	0.4	0.4	0.8
UK	4.1	0.5	0.6	2.0	2.1	1.8	1.5	1.4
<b>Emerging Economies</b>								
China	3.0	5.0	4.2	4.1	4.1	3.7	3.4	4.1
India	7.2	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Russia	-2.1	2.2	1.1	1.0	1.0	1.0	1.0	1.2
Brazil	2.9	3.1	1.5	1.9	1.9	2.0	2.0	2.1



# Growth/Inflation Outlook : Improving



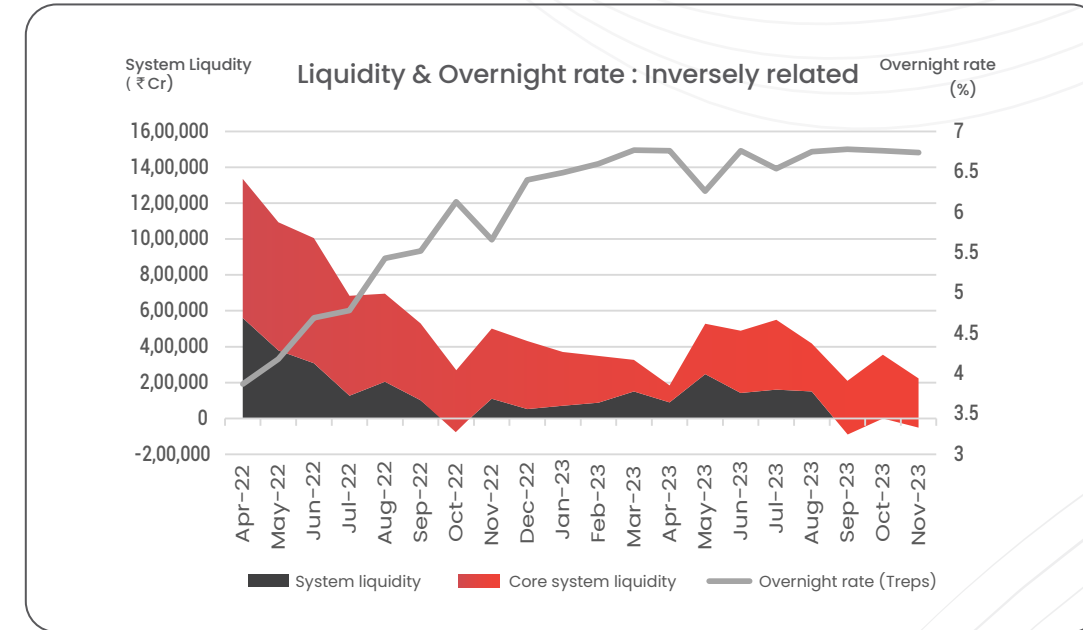
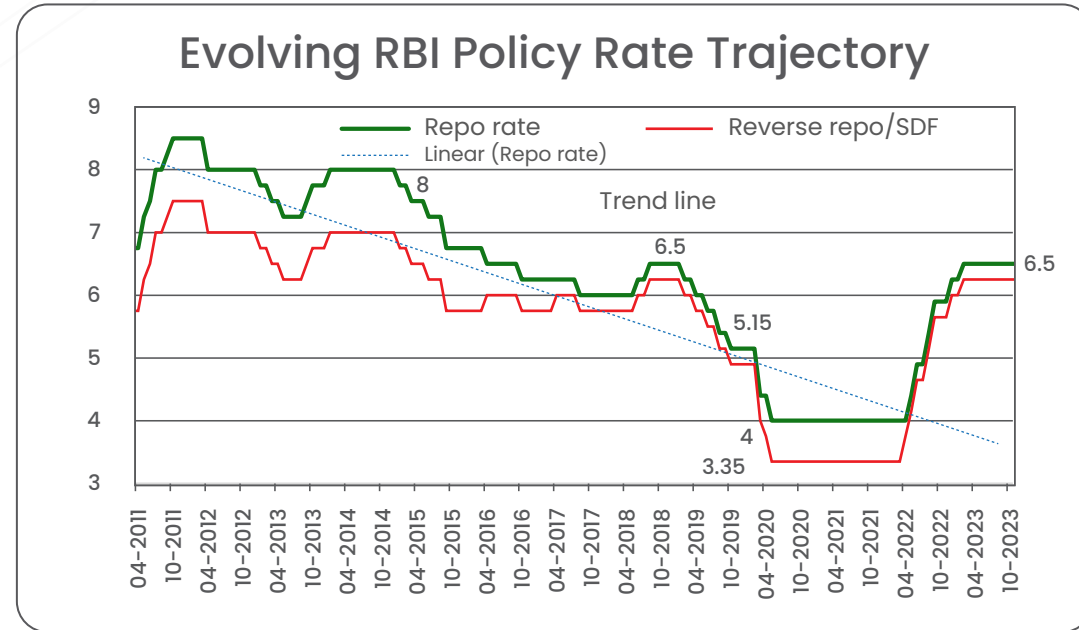
## Growth :

- **FY24 (P): India likely to emerge Fastest Growing Economy for third consecutive year.**
  - Driven by cyclical (demand) and structural factors (reforms).
  - Aided by robust govt capex and resilient consumption.
- **FY25 (P) Resilient Growth.**  
Limited impact likely from global spillovers & tight monetary policy.
- **Risk to View :**  
Geo-political conflicts, global recession and loss of momentum.

- **FY24 inflation eased to 5.4%-5.5% range (FY23 : 6.7% y/y) - with core likely ~4.5%.**
- **FY25 (P) inflation expected to moderate further to 5% mark**
  - Base effect (food), normal monsoon, growth moderation, fiscal consolidation and positive real rates.
- **Risk to View :** Volatile food prices, high crude and commodity prices.



# Current Monetary Policy : From Rate hike to Liquidity Management



- **Current Cycle Effective rate hike :**  
315 bps FY24 (till Dec 2023)
- **RBI's line of Action (Action & expectations)**
  - Long Pause to continue. (started in April 2023)
  - High Forex Intervention & Tight Liquidity Management
    - Substitute for policy rate hike
  - OMOs (Open Market Operations) optionality remains open.

- **FY25 : RBI's action likely to be impacted by :**
  - Resilient growth and gradual decline in inflation.
  - Expect rate action in 2H (in line with US Fed action).



# India 4D Growth Drivers

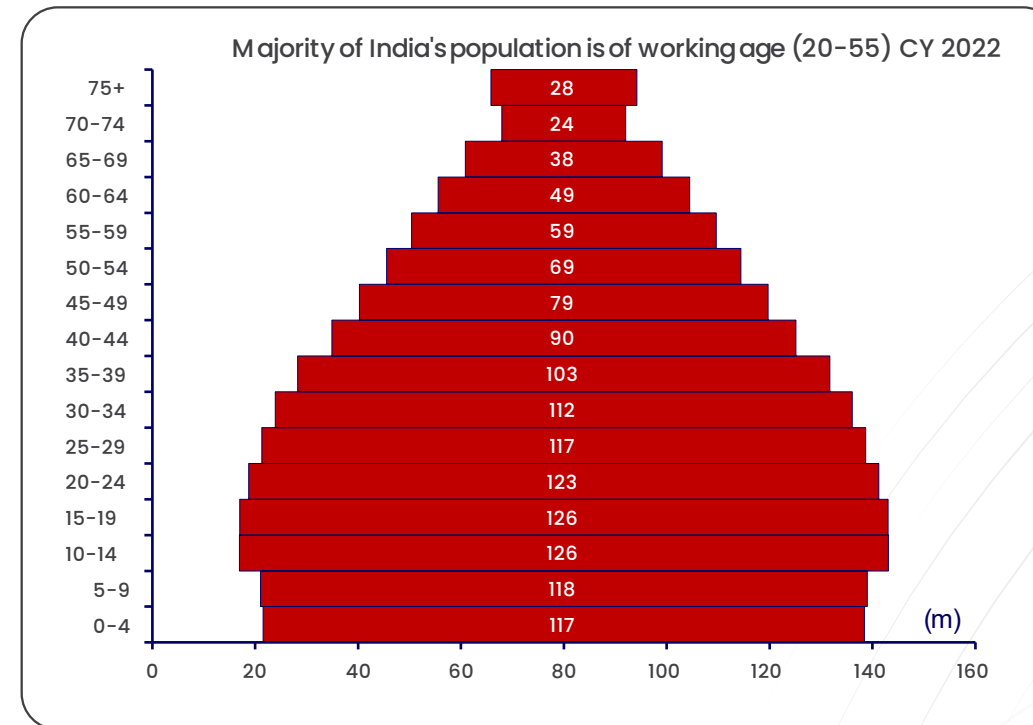
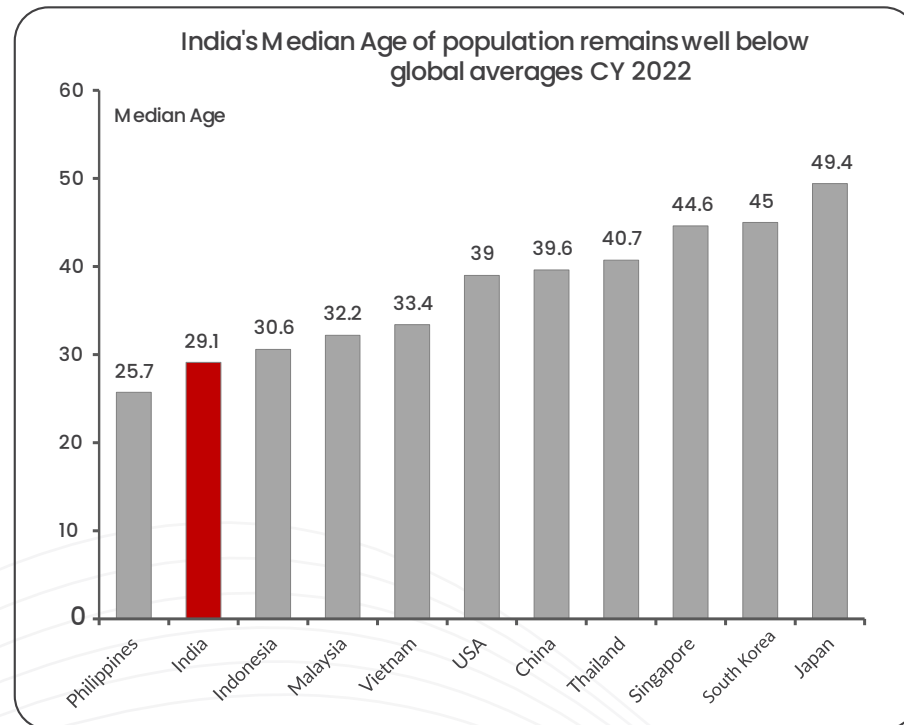


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# Demographic Benefits

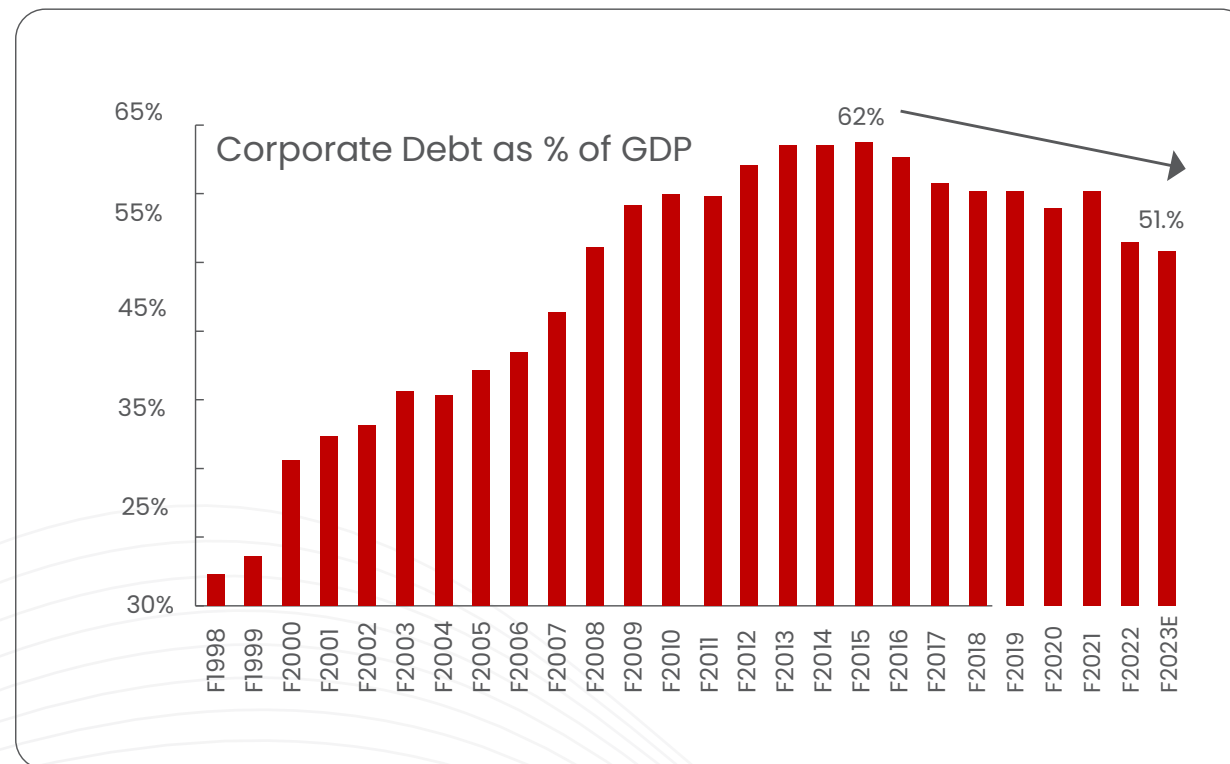
- With nearly 1.4 billion people, India accounts for over 18% of global population.
- Working population group is 694 Mn (ages 20-55), making it the second largest labour force in the world, only after China's.
- Median age below 30 years makes India one of the youngest population in the world.





# Deleveraging – Low Corporate Debt

- Total corporate sector debt in India very low around 51-52% of GDP. India's debt has remained constant since GFC of 2008, at nearly half of global levels.
- India's household debt is particularly low and as % of GDP it is less than 20% of GDP.
- Favorable demographics and low debt are key ingredients for a prolonged period of virtuous cycle of consumption, incomes, savings and investments.





# Deregulation

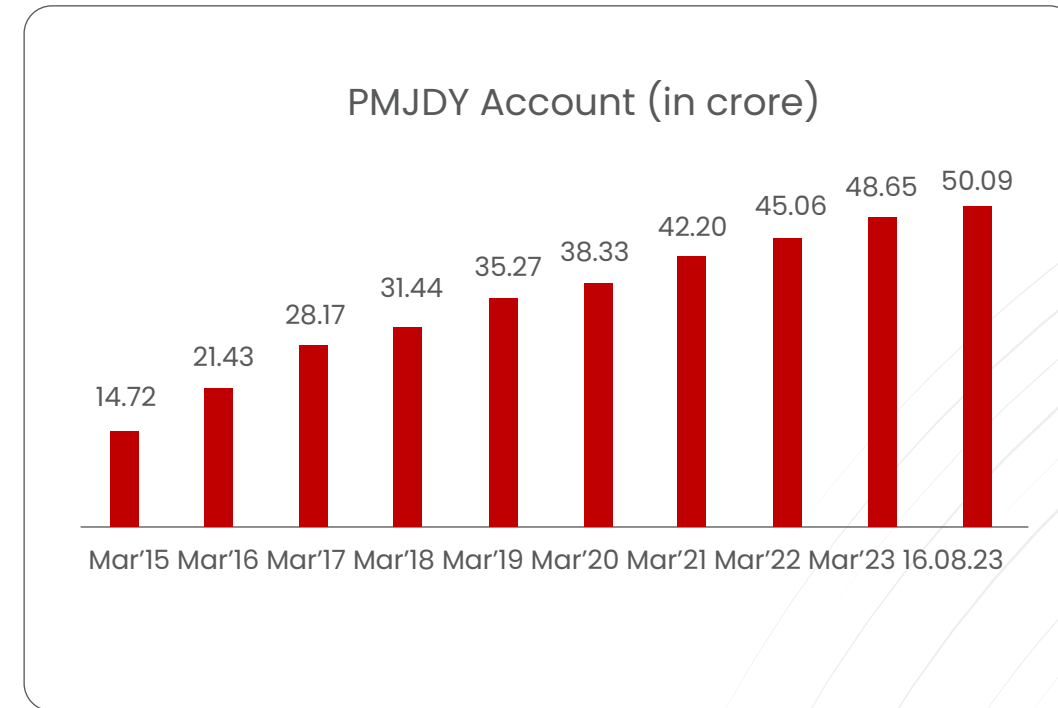
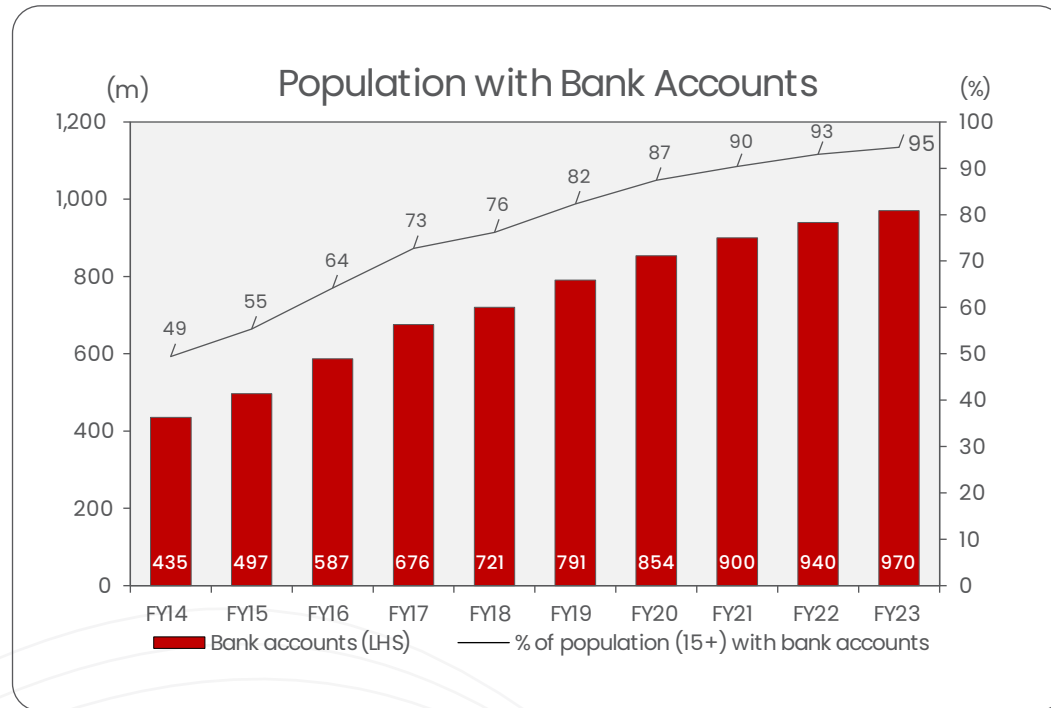
Name of reform	Launched Year	Aim
Jan-Dhan Aadhaar	2015	Linking aadhaar with mobile and bank account to transfer welfare beneficiaries and prevent leaks.
Unified Payment systems (UPI)	2016	Real-time seamless transfer of funds that helps transfer funds through mobile phone apps. This facility has reduced working capital burden for most MSMEs.
Real Estate Regulation Act (RERA)	2016	To reduce project delays and fraud and protect home buyers.
Goods and Service Tax (GST)	2017	Improved tax buoyancy and logistics
Production-Linked incentive scheme (PLI)	2020	Scale up domestic manufacturing capability, import substitution and employment generation.
National infrastructure pipeline (NIP)	2020	US\$1.4trn capex plan to build highways, renewable capacity amongst others.
Ayushman Bharat scheme	2020	Health insurance scheme to provide insurance cover to poor families.
Open network for digital commerce (ONDC)	2022	An initiative aiming at promoting open networks for all aspects of exchange of goods and services over digital or electronic networks to drive inclusivity and access for consumers.
Energy transition	2022	Government has pushed for net zero by 2070 by investing in renewable energy such as hydro and PSS battery.

- Various supply side and taxation reforms have been undertaken over last 8-9 years which would support medium term growth.
- Sustained levels of elevated GST collections suggest improving compliance, rising consumption demand and favorable economic outlook.
- Ease of doing business rank (World Bank) has improved from 142 in 2014 to 63 in 2022 given various positive Government measures.



# Digital India

- The India Stack is unique; it forms the bedrock of fast-paced fintech evolution. The first two layers, identity layer (Aadhaar) and payment layer (UPI), have aided the rapid financial inclusion and digitization of payments.
- India has added ~500mn Jan Dhan accounts leading to banking penetration at over 90%.





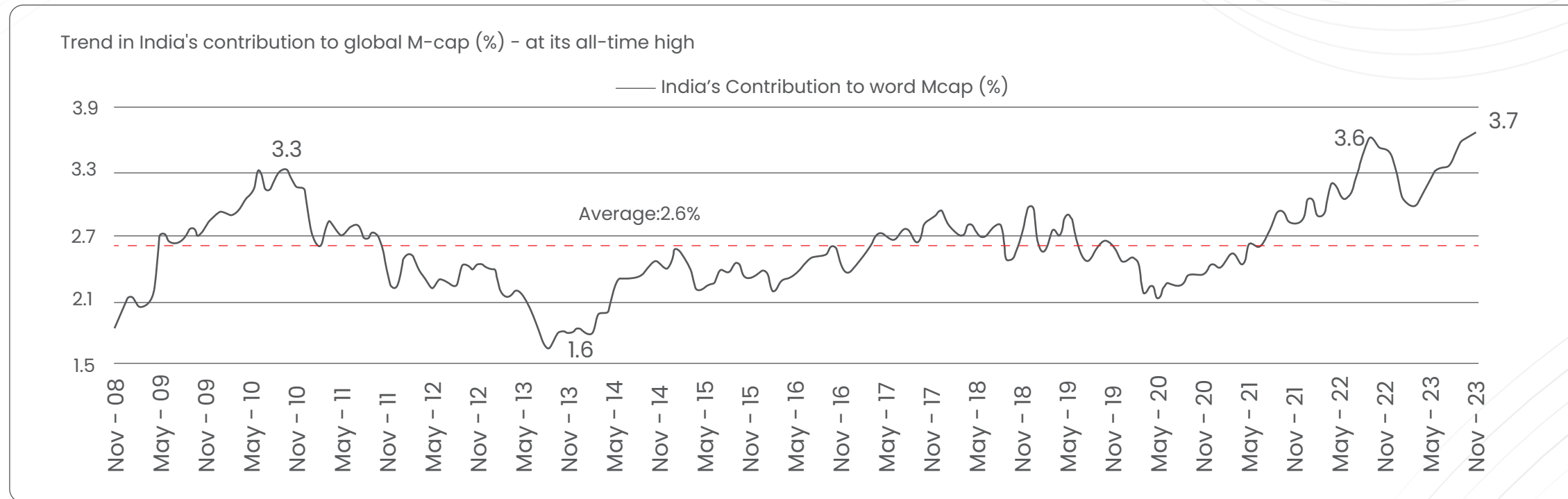
# Indian Equity Market An Overview

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# Indian Equities – Amongst Top 5 Equity Market

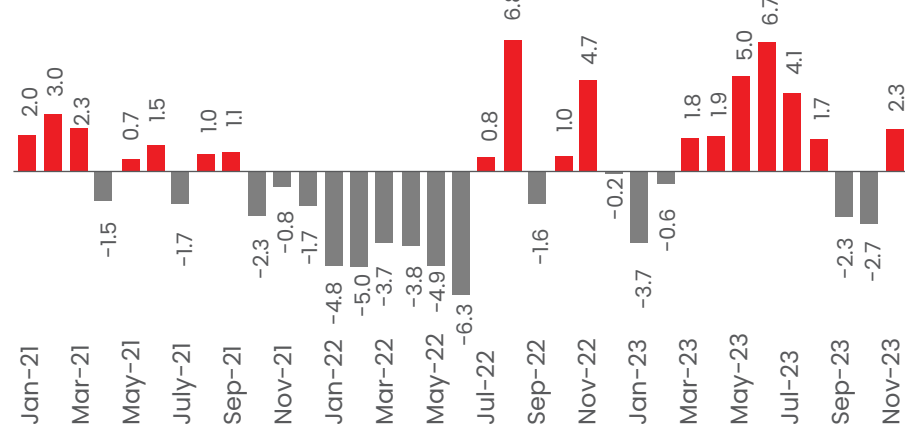


- India Equity Market has recently reached \$4tn size and is amongst top 5 Global markets.
- India accounts for ~3.7% of global market capitalisation.
- Large Caps (Top 100 companies by listed market caps) make up over 60% of listed market caps.

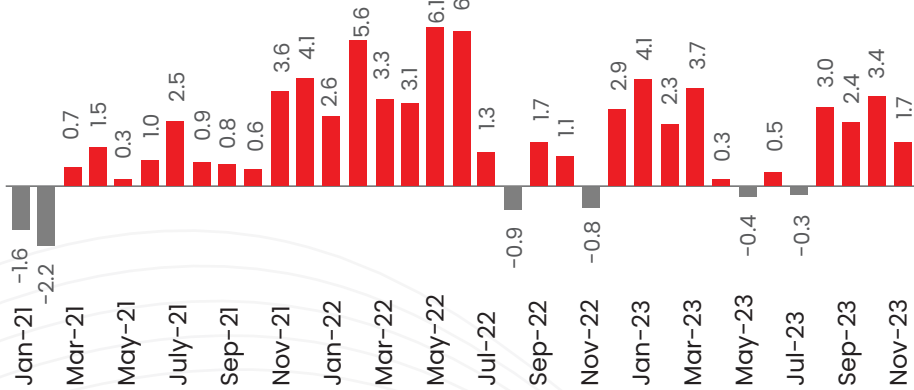


# Indian Equities – Robust Foreign & Domestic Flows

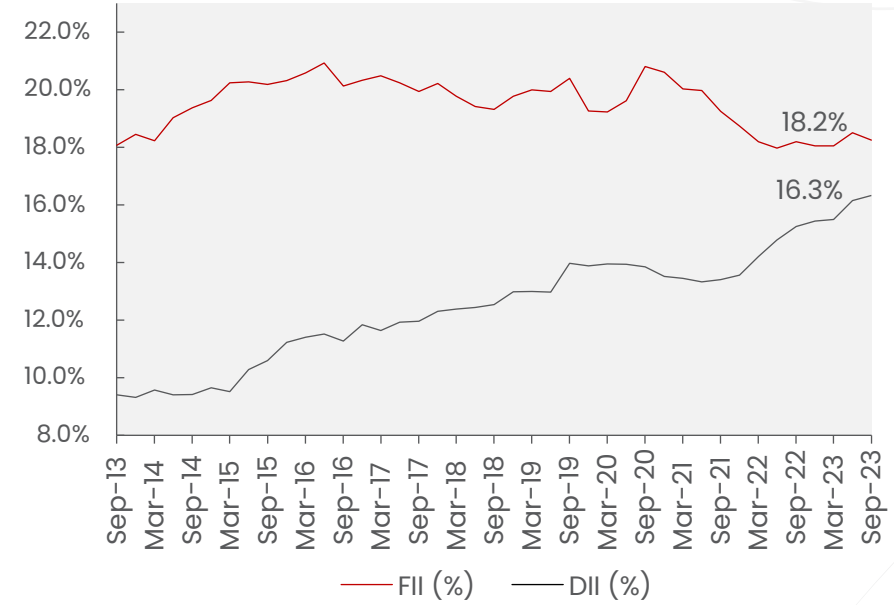
FIIS (USDb)



DIIS (USDb)



BSE 500 FII Ownership has remained stable, while DII ownership has trended upwards



Foreign Institutional Investors turned net buyers in 7 out of 11 months in CY 2023 after a strong sell off in 2022.

Domestic Institutional Investors flows remained resilient across the year.

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# Key Long Term Trends- Themes

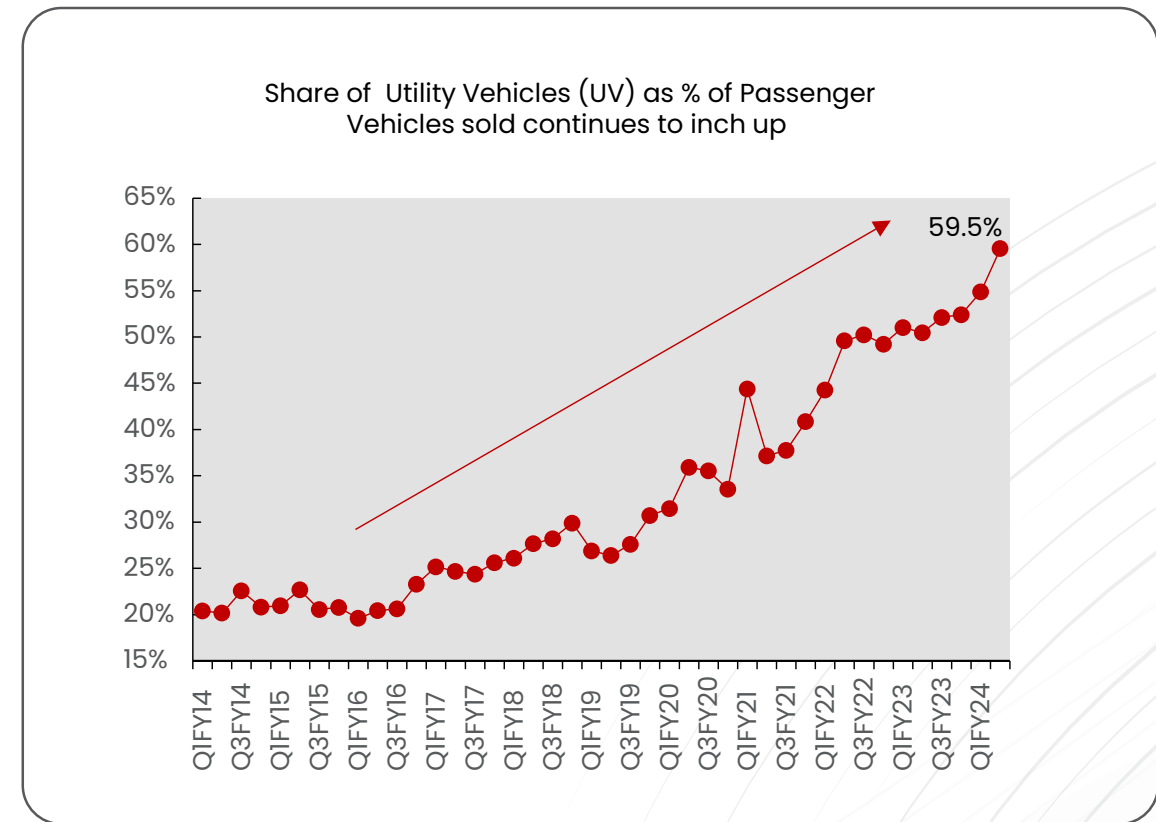
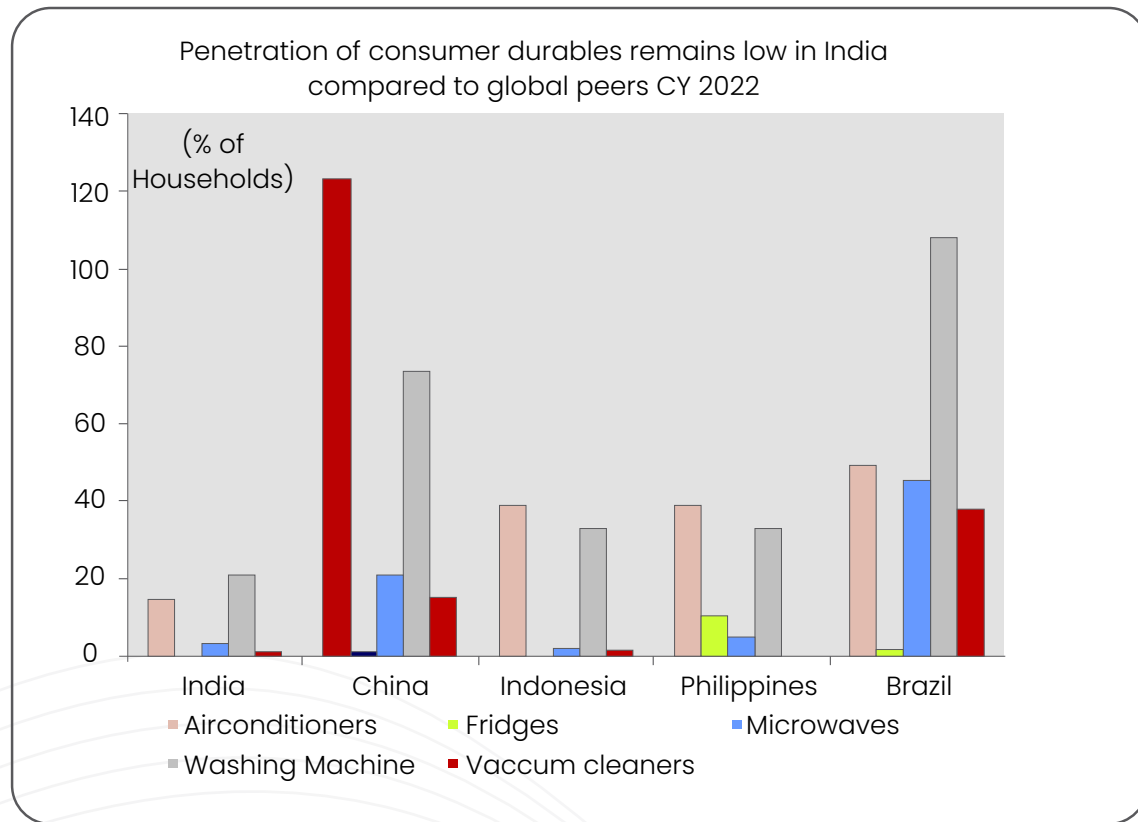
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# Premiumisation

- With the rise in per capita income and urbanisation, Indian consumers are now looking for more and more aspirational goods and services.
- Consumer discretionary sectors of all sorts like retail, leisure, mobility, hospitality, travel have promising long-term tailwinds



The sectors mentioned are not a recommendation to buy/sell in the said sectors and the outlook is subject to change based on market conditions & views.

Source: Euromonitor, CLSA Research, SIAM (Society of Indian Automobile Manufacturers)

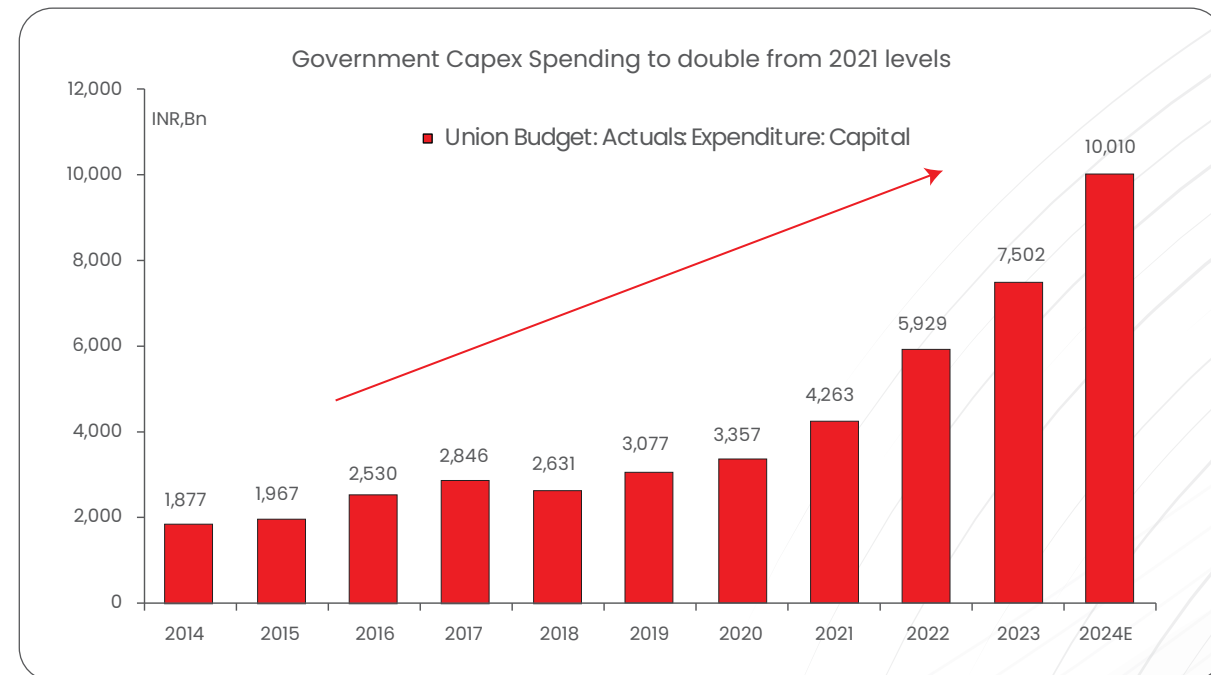
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# Infrastructure & Manufacturing

- Indian government targets to spend ~\$1.5 tn on infrastructure over five years guided by National Infrastructure Pipeline (NIP) and Gati Shakti Program
- Manufacturing share in India's GDP is targeted to increase to 25% of GDP by 2030. There have been various taxation incentives both in the form direct taxes (Corporate taxes, PLI benefits) and indirect taxes available to local manufacturers.
- Realignment of global supply chain (China +1 and Europe +1), skillsets in engineering and digital and favorable Geo-Political can support manufacturing growth in the coming decade.

Government of India Budgeted PLI Outlay			
Sector	No of companies/applicants approved	Potential/actual employment generation	Scheme outlay (Rs. bn)
Semiconductor	3	1,35,000	760
Automobile and component	75	7,50,000	519
Electronics Manufacturing	32	28,636	400
Renewable energy	18	7,19,500	240
Pharmaceuticals	55	1,00,000	219
Medical devices	21	6,411	184
Telecom	42	44,000	122
Food processing	60	2,50,000	109
Textile	61	2,40,134	107
IT hardware	14	1,44,000	73
Metal and mining	30	70,000	63
White goods	42	44,000	63
Total	453	2,531,681	2,859



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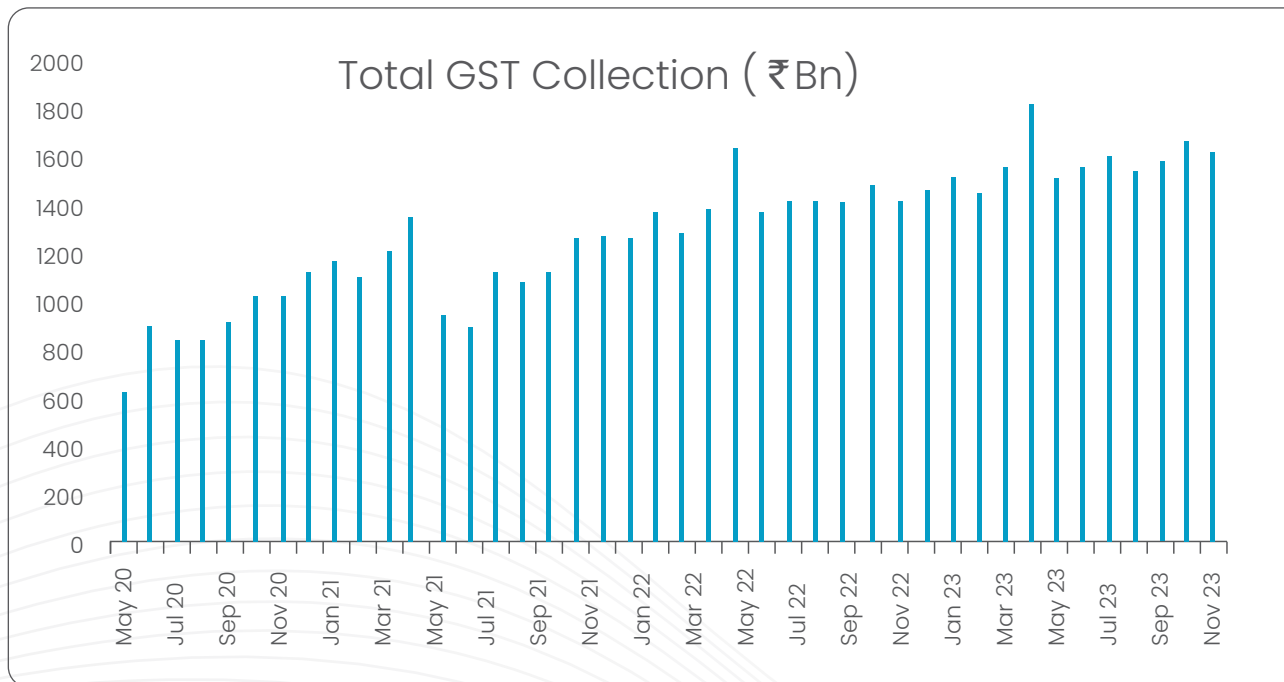
Source: Government, as of November 2023

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# Financialisation of Savings

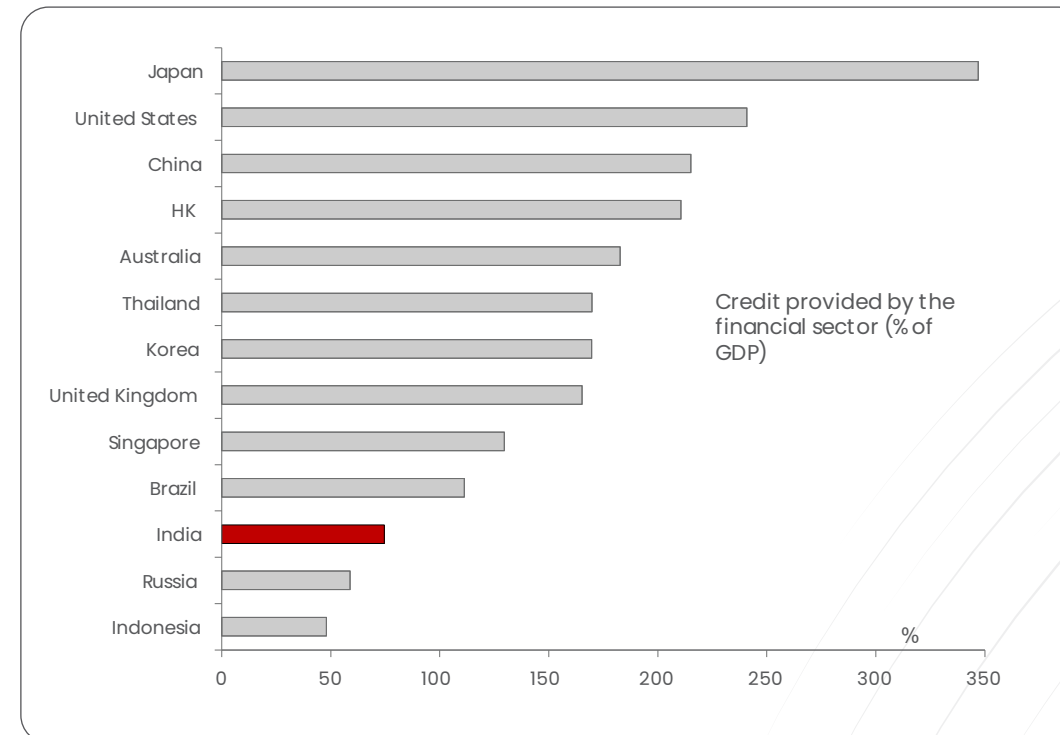
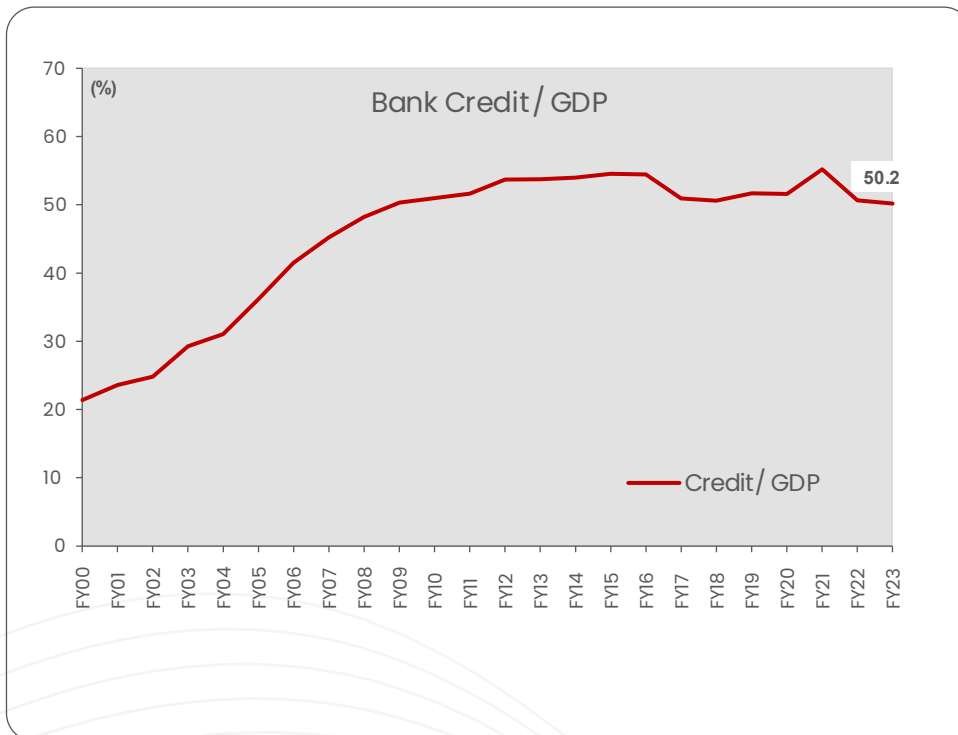
- Formalisation of economy, rising per capita income, digital infrastructure and increased awareness is leading to financialization of household savings.
- India has seen very sharp increase in new bank accounts, brokerage accounts and mutual fund folios.
- Domestic savings flows in equities give the sense of a rising equity cult in the economy which bodes well for the resilience of Indian equity market.
- India has made significant progress in formalization of economy thanks to reforms like GST and other digital reforms. GST collections continue to rise, with the November print coming in at INR 1.7 Tn.

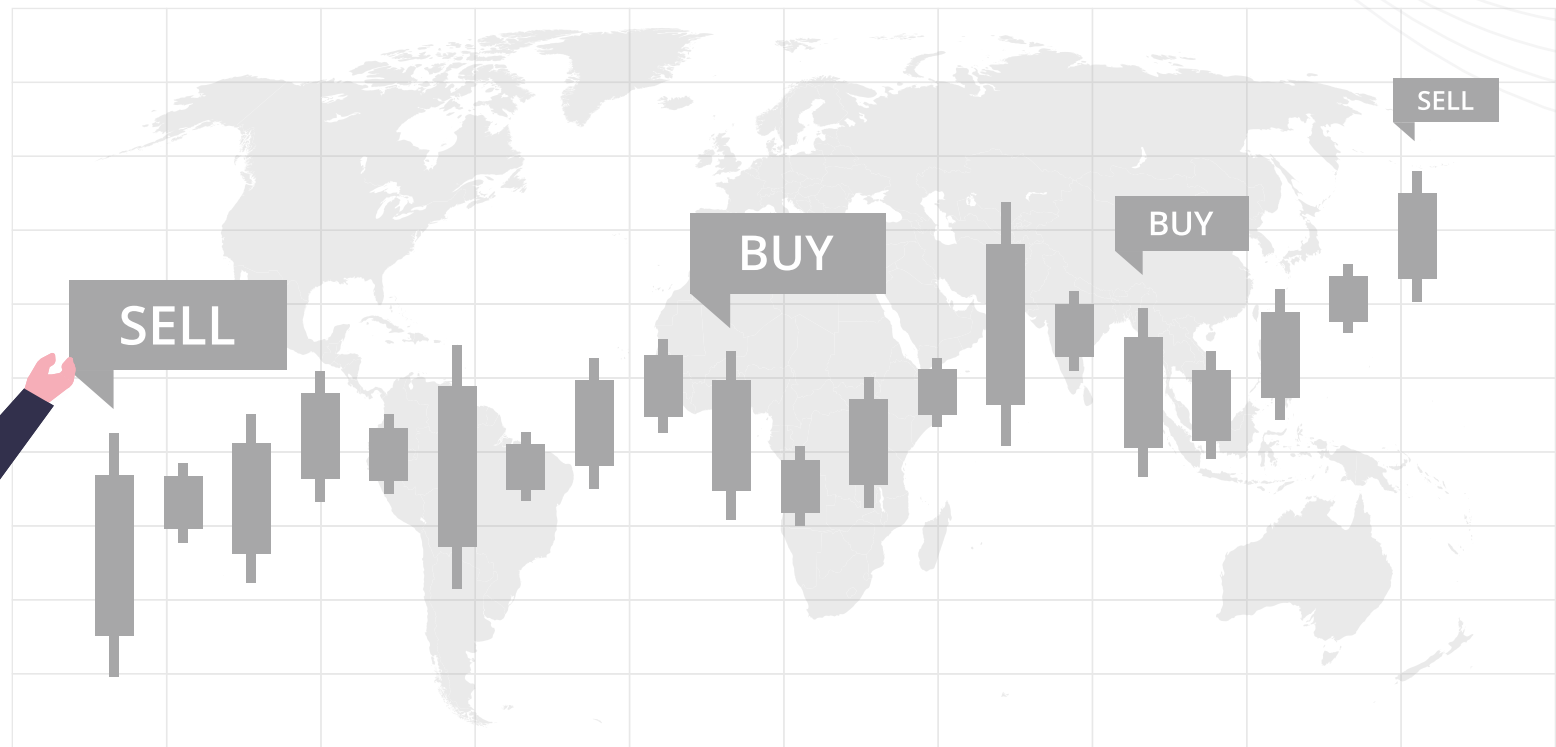
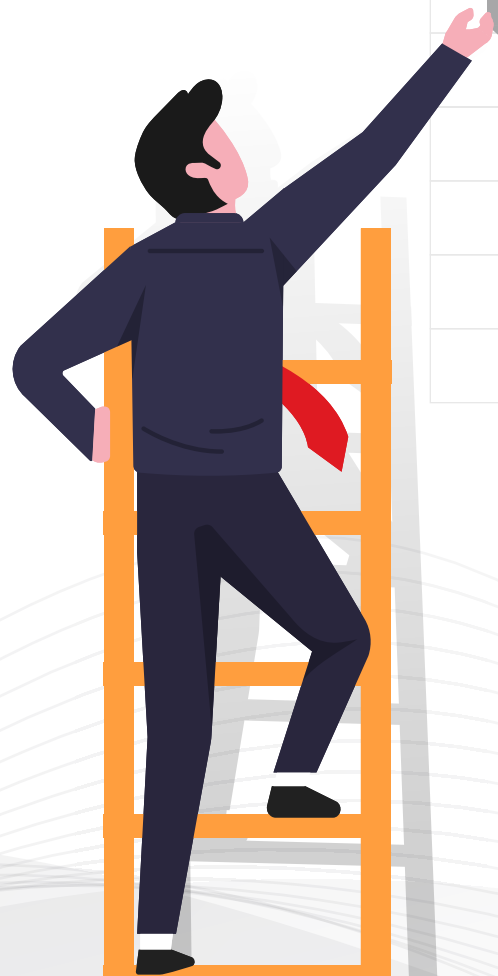




# Private Sector Credit

- India's private sector debt is low and combined debt of Corporates and Households at around 60% of the GDP. India's bank credit to GDP had stagnated around 50% in the previous decade (2011-2020). This is just started to turn around.
- Household leverage leading with rise in mortgage penetration. Corporate sector in particular look set for renewed leverage driven Capex upcycle.





# MARKET Outlook

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# Equity Outlook

## Long Term Drivers

- Revival of Investment Cycle
- Demographic Benefits
- Policy Support
- Formalisation & Financialisation

## Global Risks

- Geo-political Challenges
- Sharper than anticipated weakening of Global Growth

## Fundamental Strength

- Lower Crude Oil prices
- Moderating inflation
- Lower Bond Yields
- Robust Corporate Earnings

## India Risks

- Elevated valuations – low room for disappointments
- Slower pick up in Rural Demand
- Event risk – General election

- Indian can potentially become a 'Market of Choice' for Equity Investors.
- Supportive macros, Low Leverage, Robust corporate earnings are key drivers.
- Overall the medium term outlook remains optimistic but near-term can be impacted by geopolitical shifts, general elections, global growth etc.
- Investors can consider a staggered investment approach based on their risk appetite & asset allocation mandate.

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## Fixed Income Outlook



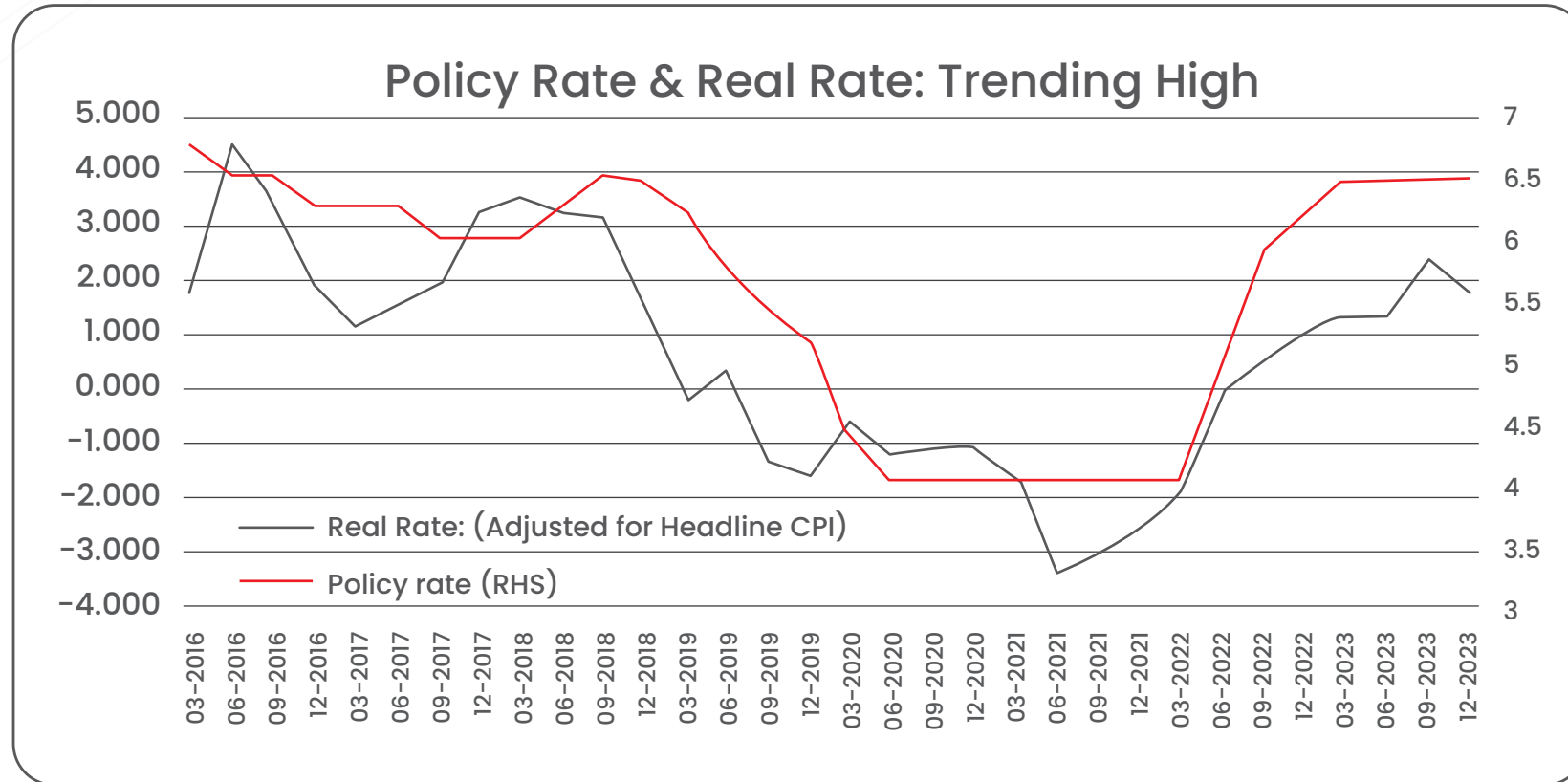
## Indian Fixed Income Market- Key Developments & Outlook

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# Policy rate : Nominal & Real

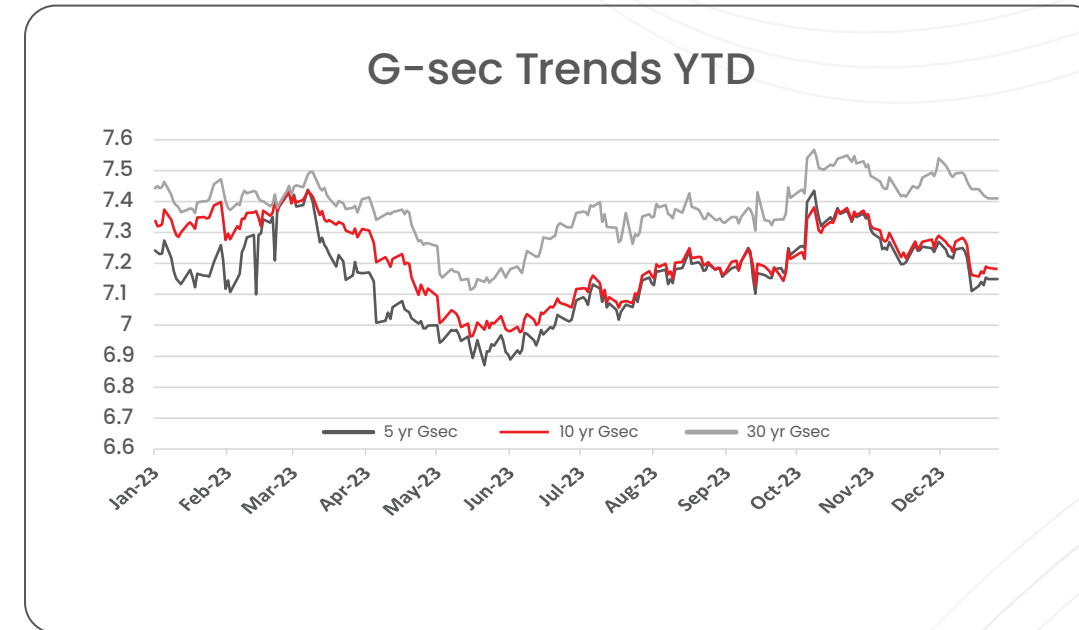
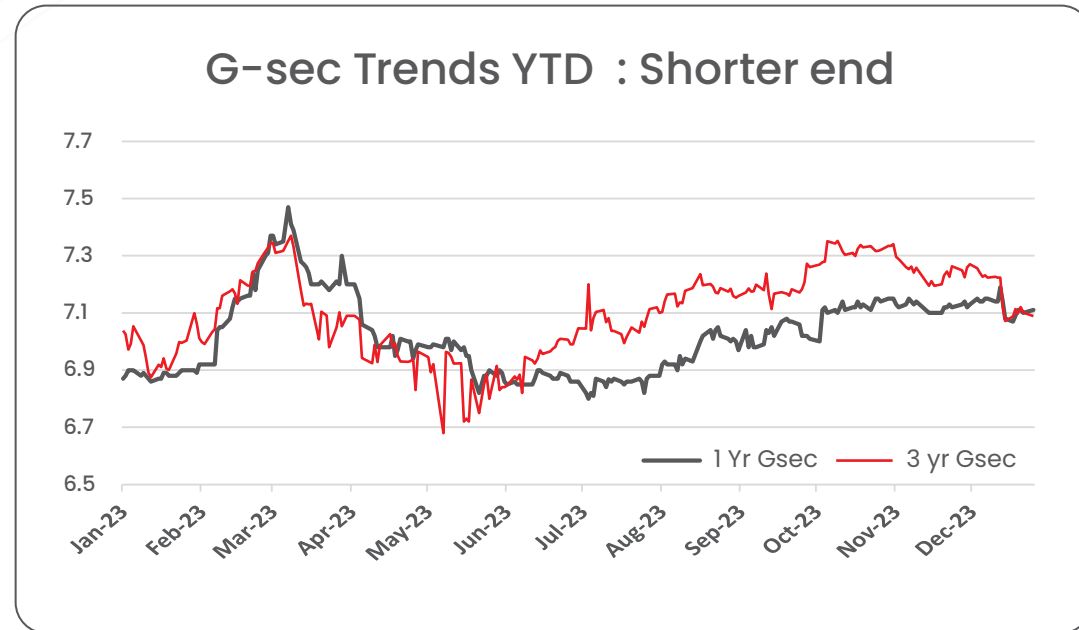


## Case for Attractive carry :

- Policy rate are around peak since adoption of monetary targeting.
- Real rates are higher ~ 1.8% (RBI's natural interest rate estimate of 0.8 -1%)



# Yield Movement – Emerging Trends



- The yield curve has been much flatter in current cycle.
- With expectations of lower rates by mid next year, yield curve has potential to steepen.
- Mark to market gains and steep curve potential to benefit investors.



# Fixed Income Outlook

## Positives

- Global Inflation Momentum Slowing, Peaking Policy.
- Dovish Fed Pivot, Developed Market (DM) yields easing on decline in inflation.
- China slowdown putting a lid on commodity prices.
- Local Inflation pain easing (Mean revert).
- Swap markets are pricing 50-60 bps of easing over 2024.
- Ex Ante Positive Real Rates.
- Bond Inclusion tailwind starting next FY.

## Risks

- Sustainability of low inflation momentum with strong demand conditions needs to be tested.
- Geopolitical uncertainty, too many hot spots.
- Stealth tightening via liquidity management, OMO fears.
- Key headline inflation risk: Volatile food & crude prices.

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# Precious Metals Outlook

## Gold

- Strong Central Bank Buying along with steady physical demand provided support for gold prices in the face of strong dollar and rising interest rates through out most of 2023.
- Central bank buying and physical demand is expected to remain firm in 2024.
- Geopolitical and possible trade conflicts may also renew demand for safe havens like Gold.

## Silver

- Silver continues to play a crucial role in the carbon-free economy, given its applications in solar, electric vehicles (EVs), 5G, and more.
- The ongoing deficit in silver supply and demand for the third consecutive year suggests a potentially better equilibrium prices compared to previous decade.

Note: The views being expressed only constitute opinions and therefore cannot be considered as guidelines, recommendations or as a professional guide for the readers

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Thank you



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