

Macro-Economic Update and Key Events

Event Update

The RBI maintained policy repo rate at 6.50%

The Monetary Policy Committee (MPC) of the RBI in its third bi-monthly monetary policy review of FY25 kept key policy repo rate unchanged at 6.50% with immediate effect for the ninth consecutive time. The standing deposit facility (SDF) rate also remained unchanged at 6.25%. Four out of six members voted to keep the policy repo rate unchanged. The MPC also remained focused on withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth.

GDP of the Indian economy grew 6.7% YoY in Q1FY25

Government data showed that Gross Domestic Product (GDP) of the Indian economy at constant (2011-12) prices witnessed a growth of 6.7% YoY in the first quarter of FY25. In the Apr-Jun quarter of last year, the GDP growth rate was 8.2%. On the sectoral front, the growth of Manufacturing sector accelerated to 7.0% in Q1 of FY25 from 5.0% in same quarter of previous fiscal year. However, growth of Agriculture, Livestock, Forestry & Fishing slowed to 2.0% in Q1 of FY25 compared to 3.7% growth in Q1 of FY24.

Manufacturing PMI fell slightly to 57.5 in Aug 2024

The Manufacturing Purchasing Managers' Index edged down slightly to 57.5 in Aug 2024 compared to 58.1 in Jul 2024. The latest reading indicated growth decreased to its lowest point in three months in Aug 2024 due to a notable decline in demand. Despite falling, the index beat its average and held above the 50-mark that separates growth from contraction, where it has been since Jul 2021.

Services PMI rose to 5-month high to 60.9 in Aug 2024

India's Services Purchasing Managers' Index (PMI) rose to 5-month high to 60.9 in Aug 2024 as compared to 60.3 in Jul 2024. The services sector activity surged in Aug 2024 due to resilient demand and easing inflationary pressures. Composite PMI remained unchanged to 60.7 in the same period.

IIP growth eased to 4.2% YoY in Jun 2024

Industrial production growth in India (IIP) eased to 4.2% YoY in Jun 2024, as compared to 6.2% rise in May 2024. Production in the manufacturing industry increased by 2.6%, mining by 10.3% and electricity by 8.6% in Jun 2024.

CPI-based inflation fell sharply to 3.54% YoY in Jul 2024

The consumer price index-based inflation fell sharply to 3.54% YoY in Jul 2024 compared to 5.08% in Jun 2024. The inflation rate has edged below the Reserve Bank of India's medium-term target of 4% for the first time since Aug 2019, nearly five years. Consumer food price inflation slowed to 5.42% YoY in Jul 2024 from 9.36% in Jun 2024.

WPI-based inflation eased to 2.04% YoY in Jul 2024

India's wholesale price index (WPI) based inflation eased to 3-month low of 2.04% YoY in Jul 2024 as compared to a 16-month high of 3.36% in Jun 2024. The positive rate of inflation in Jul 2024 was primarily due to an increase in prices of food articles, manufacture of food products, crude petroleum & natural gas, mineral oils, other manufacturing etc.

Fiscal deficit stood at 17.2% of BE till Jul of FY25

Government data showed that India's fiscal deficit for the period from Apr to Jul of FY25 stood at ~USD 33.03 billion or 17.2% of Budget Estimates (BE) of the current fiscal. India's fiscal deficit was at 33.9% of the BE in the corresponding period of the previous fiscal year. Total expenditure stood at ~USD 155.00 billion or 27.0% of the BE as compared to 30.7% of the BE in the corresponding period of the previous fiscal year.

Key Indicator	Frequency	Period	Current	Previous
CPI	Monthly	Jul-24	3.54%	5.08%
WPI	Monthly	Jul-24	2.04%	3.36%
IIP	Monthly	Jun-24	4.20%	6.20%
GDP	Quarterly	Jun-24	6.70%	7.80%
Credit Growth	Fortnightly	Aug-24	13.60%	13.70%
Deposit Growth	Fortnightly	Aug-24	10.90%	10.60%
Export Growth (YoY)	Monthly	Jul-24	-1.48%	2.56%
Import Growth (YoY)	Monthly	Jul-24	7.46%	4.99%
Trade Balance (Billion)	Monthly	Jul-24	-\$23.50	-\$20.98

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-Aug-2024.

Institutional Flows (Equity)

Net Flow (USD bil)	Current Month	Previous Month	Year to Date
FII Flows	0.87	3.86	5.11
DII Flows	5.98	2.80	36.94
MF Flows	3.78	2.99	29.51

Source: CDSL & SEBI; As on 31-Aug-2024

Institutional Flows (Debt)

Net Flow (USD bil)	Current Month	Previous Month	Year to Date
FII Flows	2.14	2.67	12.99
MF Flows	-6.26	-1.26	-25.90

Source: CDSL & SEBI; As on 31-Aug-2024

Exchange Rate Movement

Exchange Rate	Aug-24	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
₹/ Euro	92.91	90.62	90.12	89.86	90.22
₹/ Pound	110.50	107.55	105.93	105.03	105.09
₹/ 100 Yen	57.86	54.78	53.08	55.36	56.63
₹/ Dollar	83.87	83.74	83.30	82.92	82.68

Source: Refinitiv

Performance of Various Commodities

Commodities	Aug-24	Returns			
		1 Week	1 Month	6 Month	1 Year
Crude Brent(\$/Barrel)	82.44	-0.10%	-0.41%	-4.38%	-6.28%
Gold (\$/Oz)	2,503.03	-0.36%	2.24%	22.50%	29.04%
Gold (₹./10 gm)	71,679.00	0.82%	3.81%	15.43%	20.95%
Silver (\$/Oz)	28.84	-3.26%	-0.67%	27.25%	18.05%
Silver (₹./Kg)	84,910.00	0.81%	2.53%	22.18%	14.04%

Source: Refinitiv

Key Events Calendar

Event	Date	Current	Previous
Japan CPI, Overall Tokyo Aug 2024	29-Aug	2.60%	2.20%
U.S. PCE Price Index YoY Jul 2024	30-Aug	2.50%	2.50%
Euro Zone Unemployment Rate Jul 2024	30-Aug	6.40%	6.50%
China Caixin Mfg PMI Final Aug 2024	2-Sep	50.40	49.80
U.S. Markit Mfg PMI Final Aug 2024	3-Sep	47.90	48.00

Source: Refinitiv

Indian Debt Market Update

Key Policy Rates (%)

	Aug-24	3 Months Ago	6 Months Ago	Year Ago	2 Years Ago
Repo	6.50	6.50	6.50	6.50	5.40
Reverse Repo	3.35	3.35	3.35	3.35	3.35
Bank Rate	6.75	6.75	6.75	6.75	5.65
CRR	4.50	4.50	4.50	4.50	4.50
SLR	18.00	18.00	18.00	18.00	18.00
SDF	6.25	6.25	6.25	6.25	5.15

Source: RBI

10 Year Benchmark Bond



Source: Refinitiv

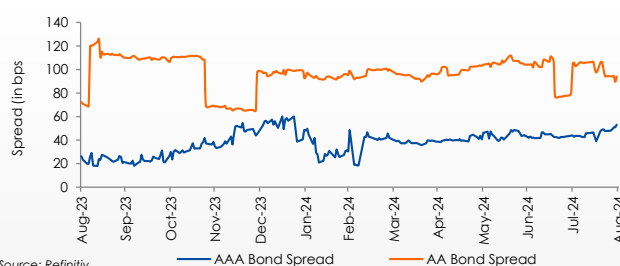
Bond yields fell following a drop in U.S. Treasury yields after the U.S. Fed hinted that its rate-easing cycle could start in Sep 2024. Yields fell further following a slump in U.S. manufacturing data in Jul 2024 which ignited concerns that the U.S. Fed may be behind the curve with rate cuts.

Money Market Rates (%)

	Aug-24	1 Month Ago	3 Months Ago	6 Months Ago	Year Ago
Call	6.71	6.49	6.69	6.67	6.58
TREP	6.60	6.41	6.67	6.68	6.62
FBIL 1 Month Term Mibor	7.10	7.09	7.08	7.16	7.07
91 Days T-Bills	6.66	6.65	6.89	6.86	6.77
3 Month CP	7.24	7.20	7.18	7.76	7.02
6 Month CP	7.56	7.48	7.50	7.90	7.31

Source: Refinitiv

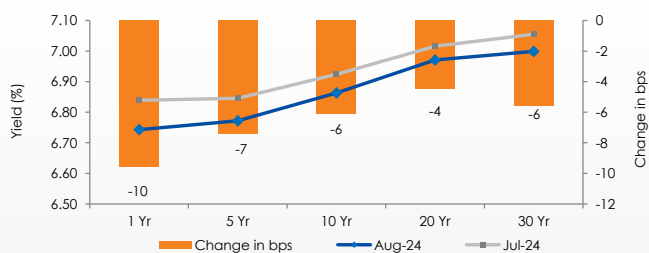
10 Year Corporate Bond Spread (for AAA & AA bonds)



Source: Refinitiv

Yield on corporate bonds fell up to 4 bps across the curve, barring 1, 9, 10 & 15 year papers that increased up to 10 bps.

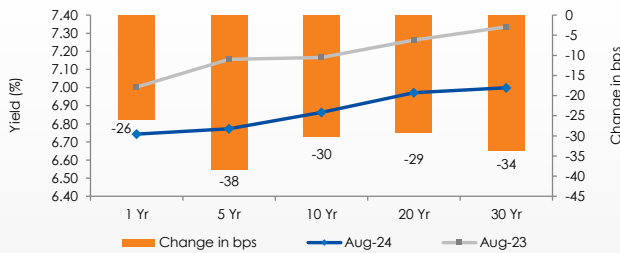
India Yield Curve Shift (Month-on-Month)



Source: Refinitiv

Yield on gilt securities fell in the range of 6 to 10 bps across the maturities. Difference in spread between corporate bond and gilt securities expanded between 3 to 19 bps across the segments.

India Yield Curve Shift (Year-on-Year)



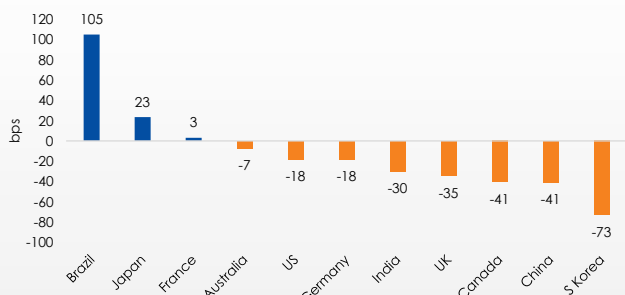
Source: Refinitiv

Year on year, yields on gilt fell between 27 to 42 bps across the maturities. Yield on corporate bonds fell up to 64 bps across the curve.

Global Debt Market Update

Brazil saw the highest rise in yields while S Korea fell the most

Change in 10 Year Sovereign Bond Yield: Aug-24 v/s Aug-23 (bps)



Source: Refinitiv

Yield of 10 Year Government Bonds (%)

	Jul-24	Aug-24	Range:Aug-2024	Real Yields: Aug-24
Brazil	12.0	12.2	12.19 - 11.39	7.7
India	6.9	6.9	6.92 - 6.85	3.3
UK	4.0	4.0	4.02 - 3.83	1.8
China	2.1	2.2	2.2 - 2.12	1.7
S Korea	3.1	3.1	3.09 - 2.86	1.1
US	4.1	3.9	4 - 3.78	1.0
France	3.0	3.0	3.01 - 2.91	0.7
Canada	3.2	3.2	3.18 - 3	0.7
Australia	4.1	4.0	4.08 - 3.87	0.2
Germany	2.3	2.3	2.29 - 2.16	0.0
Japan	1.0	0.9	1.04 - 0.78	-1.7

Source: Refinitiv

Monthly Market Update

September 2024



Indian Equity Market Update



Domestic equity markets fell initially on concerns over a potential economic slowdown in the U.S. Losses were extended due to Yen carry trade issue following the Bank of Japan's (BoJ) decision to raise its interest rate from 0.10% to 0.25%. However, the trend reversed after the BoJ's Deputy Governor reassured that the central bank would not raise interest rates during a period of financial instability. Gains were extended following the dovish comments from the Chair of the U.S. Fed.

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

Rolling Returns – Monthly Performance

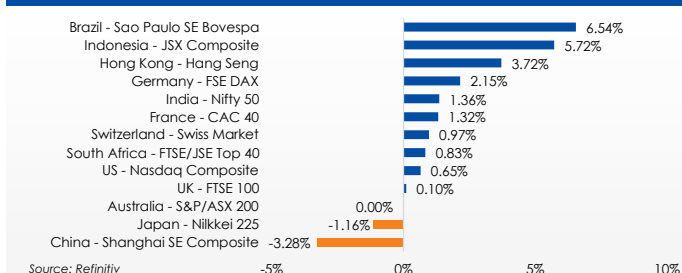
Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Nifty Energy 6.22%	Nifty Realty 4.75%	Nifty Realty 18.36%	Nifty Energy 14.25%	Nifty Energy 9.80%	Nifty Realty 6.36%	Nifty Auto 4.95%	Nifty Metal 11.13%	Nifty Metal 5.97%	Nifty IT 11.72%	Nifty IT 13.14%	Nifty Pharma 6.80%
Nifty Infra 4.98%	Nifty FMCG -0.66%	Nifty Pharma 10.62%	Nifty Metal 13.72%	Nifty Realty 9.34%	Nifty Energy 6.22%	Nifty Metal 4.23%	Nifty Realty 8.06%	Nifty Realty 4.75%	Nifty Realty 8.38%	Nifty Pharma 10.61%	Nifty IT 4.76%
Nifty Auto 3.28%	Nifty Auto -1.65%	Nifty Auto 10.28%	Nifty Infra 10.90%	Nifty Infra 7.62%	Nifty Auto 6.20%	Nifty Infra 3.10%	Nifty Media 5.46%	Nifty Auto 4.18%	Nifty Financial Services 7.91%	Nifty FMCG 9.45%	Nifty FMCG 1.67%
Nifty Realty 3.16%	Nifty Energy -1.96%	Nifty Energy 9.77%	Nifty Realty 9.73%	Nifty Pharma 6.58%	Nifty Pharma 6.16%	Nifty Financial Services 2.88%	Nifty Auto 4.95%	Nifty Infra 1.08%	Nifty Auto 7.81%	Nifty Media 7.90%	Nifty Financial Services 1.18%
Nifty Metal 2.77%	Nifty Infra -2.36%	Nifty Metal 8.78%	Nifty IT 9.00%	Nifty IT 3.46%	Nifty Infra 3.07%	Nifty Bank 2.18%	Nifty Bank 4.82%	Nifty Financial Services 0.00%	Nifty Bank 6.95%	Nifty Auto 6.13%	Nifty Bank -0.17%
Nifty Pharma 2.17%	Nifty Media -3.05%	Nifty Infra 8.20%	Nifty Bank 8.57%	Nifty Auto 3.27%	Nifty IT 2.97%	Nifty Energy 0.47%	Nifty Financial Services 4.06%	Nifty FMCG -0.12%	Nifty Media 6.52%	Nifty Energy 5.53%	Nifty Energy -0.27%
Nifty IT 1.99%	Nifty Financial Services -3.06%	Nifty IT 6.66%	Nifty FMCG 7.50%	Nifty Metal -0.06%	Nifty Bank 0.27%	Nifty Pharma -0.03%	Nifty Energy 3.45%	Nifty Energy -0.28%	Nifty FMCG 5.69%	Nifty Infra 4.07%	Nifty Infra -0.51%
Nifty Bank 1.35%	Nifty IT -3.26%	Nifty Media 4.54%	Nifty Financial Services 7.14%	Nifty FMCG -3.36%	Nifty Financial Services -0.41%	Nifty FMCG -0.09%	Nifty Infra 2.87%	Nifty Bank -0.29%	Nifty Infra 5.51%	Nifty Financial Services 0.00%	Nifty Metal -1.66%
Nifty Financial Services 1.09%	Nifty Bank -3.90%	Nifty Financial Services 4.48%	Nifty Auto 6.08%	Nifty Financial Services -4.61%	Nifty Metal -0.58%	Nifty Realty -1.08%	Nifty FMCG 0.55%	Nifty Pharma -0.90%	Nifty Pharma 4.98%	Nifty Realty -0.84%	Nifty Auto -1.67%
Nifty FMCG 1.00%	Nifty Pharma -4.79%	Nifty Bank 3.82%	Nifty Media 3.99%	Nifty Bank -4.75%	Nifty FMCG -1.42%	Nifty IT -7.48%	Nifty Pharma -0.13%	Nifty Media -1.18%	Nifty Energy 3.81%	Nifty Bank -1.49%	Nifty Media -2.00%
Nifty Media -1.09%	Nifty Metal -5.65%	Nifty FMCG 3.75%	Nifty Pharma 3.65%	Nifty Media -9.93%	Nifty Media -4.58%	Nifty Media -12.40%	Nifty IT -4.86%	Nifty IT -1.61%	Nifty Metal 0.95%	Nifty Metal -2.25%	Nifty Realty -3.63%

In August 2024, Pharma sector remained the top performing sector followed by Information Technology and FMCG. Pharma sector witnessed growth due to benign inputs, stable U.S. prices and positive domestic demand, achieving double-digit YoY growth of 12% in revenue and 23% in net profit in Q1FY25.

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

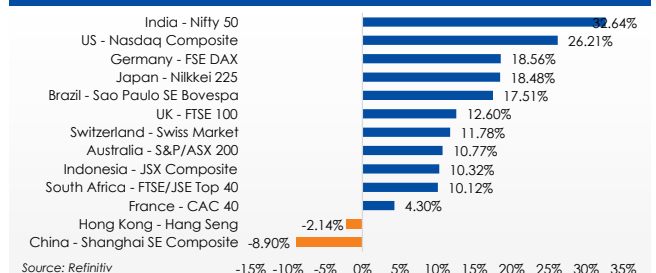
Global Equity Market Update

1 Month Performance



Global markets rose in August 2024 except China, Japan and Australia, with Brazil followed by Indonesia rose the most and U.K. followed by U.S. gaining the least.

1 Year Performance



In the last one year, most of the global markets rose with India gaining the most while France rising the least.

News Summary

News Summary

1. Domestic

- Finance Minister introduced an amendment to the long-term capital gains tax on real estate, which was passed in Lok Sabha. According to the amendment taxpayers can choose between the new 12.5% rate without indexation or the old 20% rate with indexation for properties bought before Jul 23, 2024.
- The RBI has lowered the frequency of reporting credit information of borrowers to credit information companies from the previous monthly intervals to every 15 days in order to give a more up-to-date picture of a borrower's debt status. It is anticipated that this action will help lenders and borrowers alike by enabling better risk assessments and quicker repayment updates.
- According to SEBI norms, asset management companies (AMC) are not allowed to pass scheme expenses to AMC's books to keep the cost of ETFs low in order to make them more competitive. A narrow exception to this law is provided by SEBI norms, where AMCs are permitted to deduct up to 2 bps from their book to cover costs that are high in volume but of very little value. In general, fund houses can charge a maximum of 1% TER on ETFs and FoFs from the scheme account.
- SEBI simplified the valuation norms for perpetual bonds such as Additional Tier-1 Bonds (AT-1 bonds), using the Yield to Call (YTC) method. This decision follows a recommendation from the National Financial Reporting Authority to adopt the YTC approach for AT-1 bonds. Previously, fund houses treated these bonds as having a 100-year maturity for valuation. However, SEBI has stated that the existing valuation method will still apply for other purposes.
- The finance minister has introduced the Unified Pension Scheme (UPS), presenting it as an enhancement to the National Pension Scheme (NPS), while clarifying that it does not signify a reversion to the Old Pension Scheme. The UPS ensures that central government employees who have served for 25 years will receive a monthly pension equal to 50% of their average basic pay.
- The Reserve Bank of India (RBI) has implemented stricter regulations for peer-to-peer (P2P) lenders after several of them were found to be having hundreds of crores of rupees in escrow accounts in violation of guidelines for the platform providers. The revised guidelines clarify the activities that non-banking finance companies (NBFCs) cannot undertake in the P2P business, including the assumption of credit risk. The aim is to curb the irregular practices in the industry.

2. International

- The U.S. Federal Reserve Chair appeared to affirm the prevailing expectations that the central bank is ready to initiate a reduction in interest rates during a much-anticipated speech at the Jackson Hole Economic Symposium in Wyoming on 23rd Aug, 2024. Further, the Fed Chair said that inflation is now much closer to the U.S. Fed's objective, with consumer prices rising 2.5% YoY in Jul 2024, and noted progress toward 2% has resumed after a pause earlier this year. Additionally, the U.S. Federal Reserve Chair indicated that the rise in the unemployment rate is primarily due to a significant influx of workers into the labor market and a deceleration from the previously rapid hiring rates, rather than a surge in layoffs.
- According to the Commerce Department, U.S. personal consumption expenditures (PCE) price index rose by 0.2% in Jul 2024 after inching up by 0.1% in Jun 2024. The modest increase matched expectations. The core PCE price index, which excludes food and energy prices, also crept up by 0.2% in Jul 2024.
- According to the Commerce Department, U.S. gross domestic product in the second quarter of 2024 was upwardly revised to 3.0% from the previously reported 2.8%. Economists had expected the pace of GDP growth to be unrevised.
- The Bank of England lowered its benchmark rate for the first time on 1st Aug, 2024 since the onset of the coronavirus pandemic as inflation receded and the underlying growth momentum remained weaker. The Monetary Policy Committee decided to cut the bank rate by a quarter-point to 5% from 5.25%, which was the highest since early 2008. This was the first reduction in U.K. interest rates since March 2020.
- According to Eurostat, eurozone's gross domestic product climbed 0.3% in the three months to Jun 2024, which was like the first quarter growth and matched the estimate published in Jul 2024. YoY, economic growth improved to 0.6%, in line with the previous estimate, from 0.5% in the first quarter of 2024.
- The People's Bank of China left its benchmark lending rates unchanged on 20th Aug, 2024 after cutting the rates unexpectedly by 10 basis points on 22nd Jul, 2024. China's central bank kept its one-year loan prime rate unchanged at 3.35%. Similarly, the five-year LPR, the benchmark for mortgage rates, was retained at 3.85%.

Disclaimers: The information on this document is provided for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices or any representation that any such future movements will not exceed those shown in any illustration. Users of this document should seek advice regarding the appropriateness of investing in any securities, financial instruments or investment strategies referred to on this document and should understand that statements regarding future prospects may not be realized. The recipient of this material is solely responsible for any action taken based on this material. Opinions, projections and estimates are subject to change without notice.

UTI AMC Ltd is not an investment adviser, and is not purporting to provide you with investment, legal or tax advice. UTI AMC Ltd or UTI Mutual Fund (acting through UTI Trustee Company Pvt. Ltd) accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental or consequential loss or damage) from your use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any part thereof or any contents or associated services.

Source: ICRA Analytics Ltd. Readers are requested to click here for ICRA Analytics disclaimer - <https://icraanalytics.com/home/Disclaimer>