

MONTHLY OUTLOOK

JANUARY 2023



Together for more

The word 'more' does not imply more returns or assurance of scheme performance. It refers to the additional value provided by the joint venture, as compared to Baroda AMC and BNP Paribas AMC individually.



Equity Markets Outlook

- Nifty 50 Index corrected by 2.4%, underperforming both emerging market index and developed markets. US Dow Jones index was up 2.8%, China was up 10% during the month.
- US economy expanded at rate of 2.9% and was better than market expectation of 2.6% growth.
- IIP growth stood at 7.1% in Nov'22 from 4.2% decline in Oct'22. Besides a favorable base, growth was led by increase in mining, manufacturing, and electricity production.
- While macro is holding up, we saw mixed performance in the quarterly performance from corporates in December 2022.
 - Banking and Auto sector earnings were higher than expected.
 - The IT sector was in line with expectations, but order booking was strong.
 - Retail and discretionary sector earnings numbers were lower than expectations.
- Union Budget 2023
 - Balanced with focus on investment, lowering tax burden for salaried class and fiscal prudence.
 - Focus on capex (up 37% at Rs. 10 Lakh Cr) with a large emphasis on railway capex (up 51% at Rs. 2.4 Lakh Cr.)
 - Focus for transition to green energy is a long term positive.
 - On the negatives, the key negative was on insurance sector where certain tax breaks were disallowed while oil subsidy allocation was lower than expected.
- Nominal growth was pegged at 10.5% with real GDP at 6.5%. Tax collections have been budgeted to grow at 10%. Divestment proceeds were pegged at Rs. 610 Bn. Gross market borrowing was placed at Rs. 15.43 Lakh Cr with Net Market Borrowing at Rs. 11.8 Lakh Cr.

Source: Union Budget Speech FY23-24, Kotak & Equirus. Data as on 31st January 2023.

Fixed Income Markets Outlook

- Global Scenario

- US Fed has hiked the rate by 25 bps, taking the fed funds rate to 4.50 - 4.75%.
- The US 10-year Yield fell by 13 bps to 3.39% and the policy rate eased to 4.1%.
- The Bank of England (BoE) on 2nd Feb hiked interest rates by 50 basis points, taking rates to 4%. UK inflation for December 2022 came at 10.5%, while Euro Zone CPI came at 8.50%, down from 9.2% in November 2022.

- Domestic Scenario

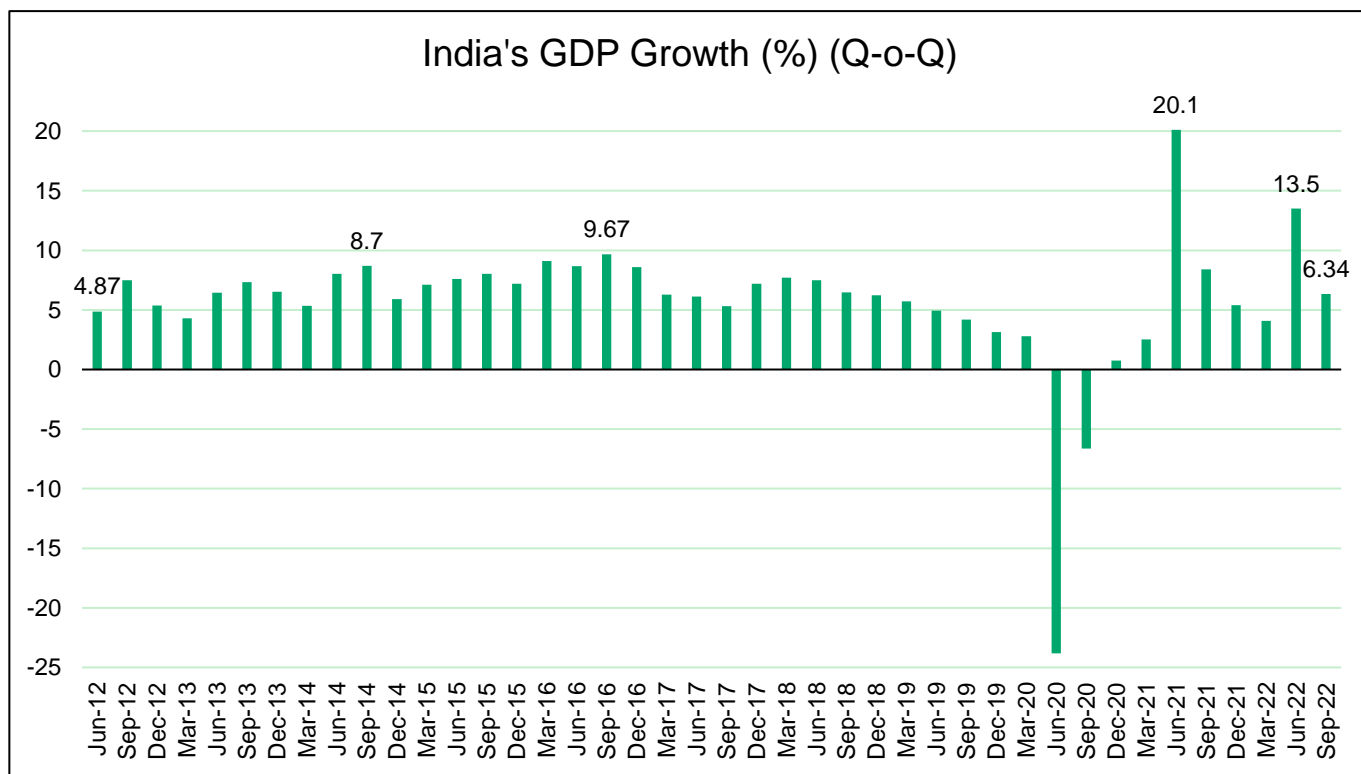
- December inflation reading was lower at 5.72% in line with expectations, driven by decline in the prices of fruits & vegetables, mineral oils, crude, petroleum, and natural gas.
- The current CPI is within RBI's tolerance band of 2% to 6%. However, Core inflation remain sticky above 6%.
- Liquidity remained tight towards the end of month due to higher GST collection and low government spending. It is expected to be neutral to tight going ahead on the account of building up of government cash balances.
- On budget announcement, benchmark yield rose to 7.40% levels on increased capital outlay fearing higher borrowing numbers, however, post announcement of borrowing numbers which were on expected lines, levels recovered to 7.24% at closing.
- Fiscal Deficit was reduced to 5.9% for FY24 from 6.4% for FY23, making commitment of 4.5% by FY26.
- Though small savings collection is lower this year, the Finance Minister has assumed almost an equivalent number of INR 4.70 trillion for FY 24.

Source: Bloomberg, Budget Document, and Internal Research. Data as on 31st January 2023.

Together for more

MACRO ECONOMIC INDICATORS

India's GDP on the recovery path



Why this indicator matters?

GDP measures the health of the economy and determines the current economic phase.

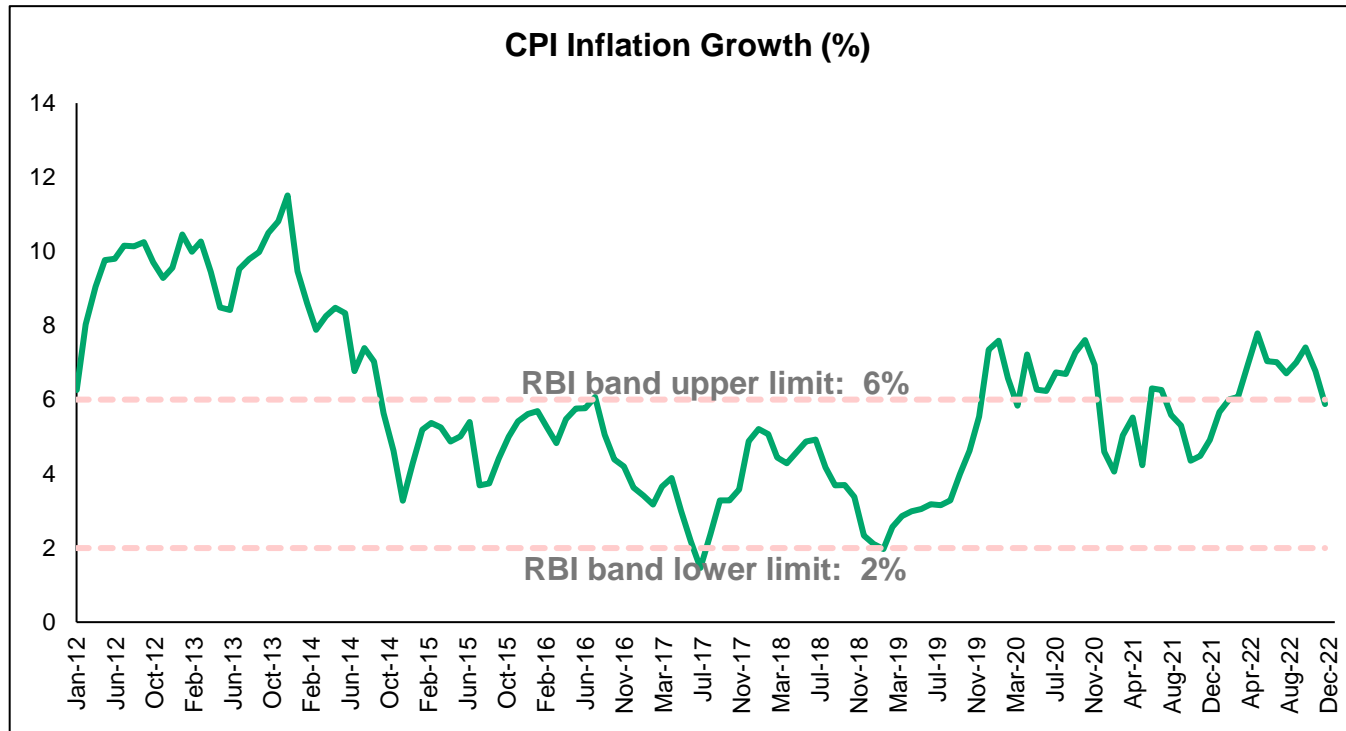
What it means for investors?

The GDP growth rates are an important determinant of equity market growth and returns.

- At \$3.14 trillion, the Indian GDP has surpassed that of the UK, to remain the fifth largest economy.
- Economic Survey states that the India's nominal GDP is expected to be \$3.5 Trillion by end-March.
- IMF has projected India to be the fastest growing major economy in FY24, retaining the forecast to be 6.1% in 2023-24.

Source: Bloomberg. Data as on 30th September 2022

Consumer Price Index Inflation



Why this indicator matters?

CPI measures the prices of a basket of goods & services.

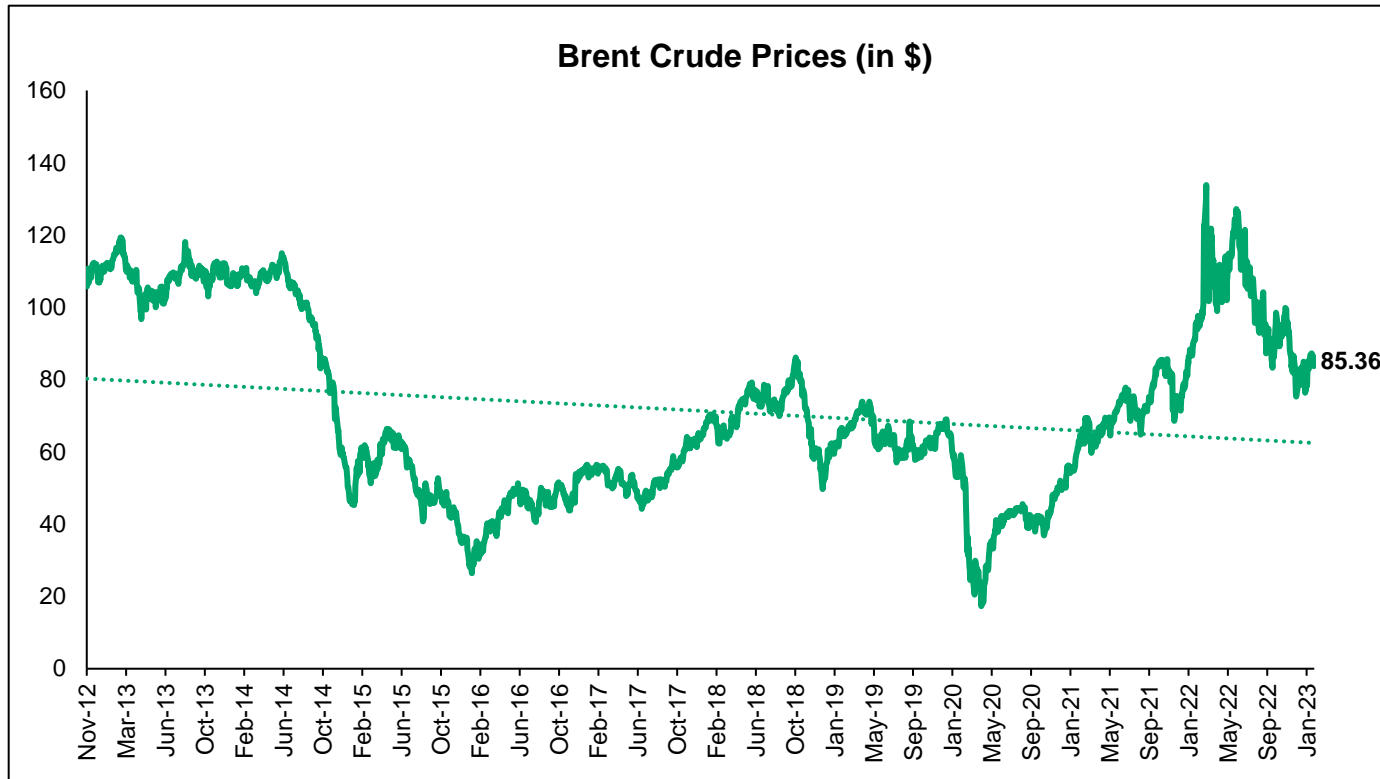
What it means for investors?

CPI inflation, colloquially, indicates the rate of price rise in the consumption basket of consumers. It can have significant impact on investors' savings and investment value.

- December inflation (5.72%) falls within the RBI tolerance range of 2 - 6%.
- According to International Monetary Fund (IMF), Inflation in India is expected to be 5% in the next fiscal year 2023-24 and then drop further to 4% in 2024.
- The projected disinflation partly on the assumption of declining international fuel and non-fuel commodity prices due to weaker global demand.

Source: Bloomberg, The Economic Times. Latest Available Data as of 30th December, 2022

Crude Oil Prices



Why this indicator matters?

A rise or fall in crude oil prices affects the prices of various commodities.

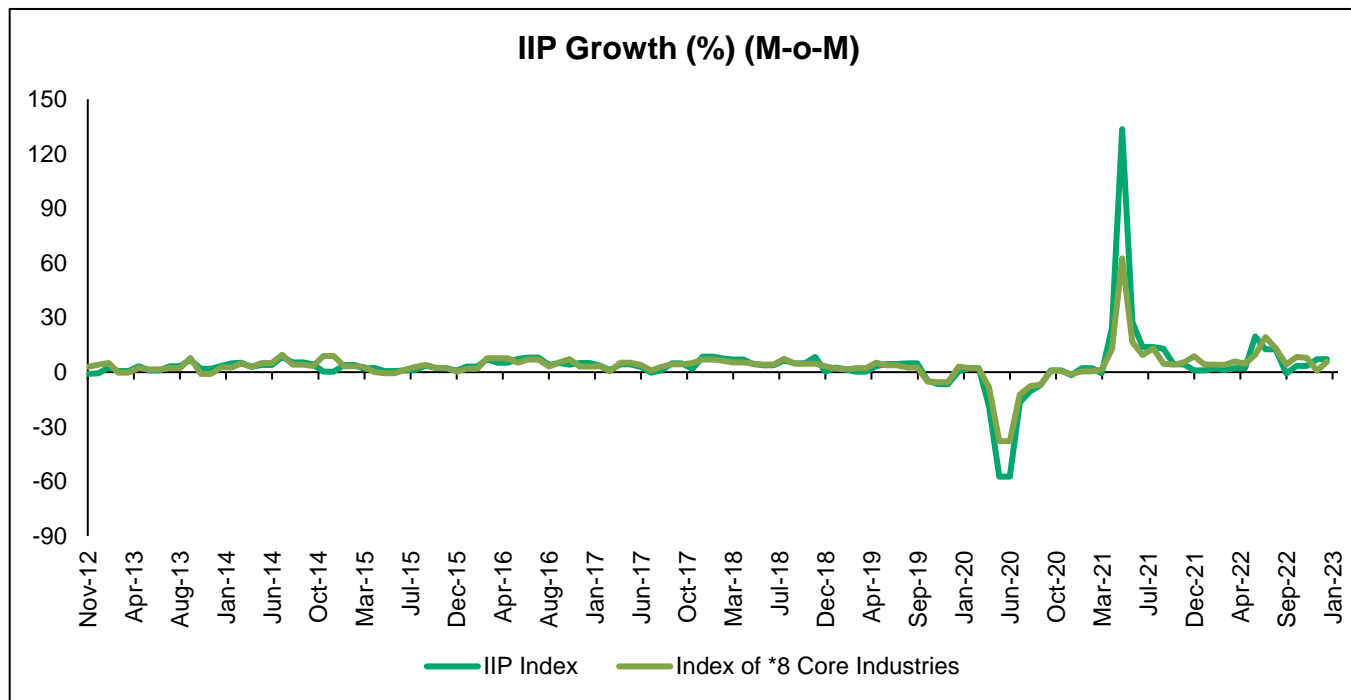
What it means for investors?

Oil prices may have an impact on economy's current account deficit. Oil also impacts the input prices of commodities, impacting profitability of companies.

- Tad increase in crude oil prices could be due to the expectation that the U.S. Federal Reserves could hike interest rates, which could slow the global economy and weaken oil demand. Tensions in the Middle East following a drone attack in Iran, which could disrupt crude flow.
- However, China has pledged to promote a consumption recovery which could fuel demand.

Source: Bloomberg, The Economic Times. Data as of 31st January 2023.

Index of Industrial Production (IIP)



- January industrial production (IIP) increased by 2.5% YoY with a favorable base.
- Besides a favorable base, growth was led by increase in mining, manufacturing, and electricity production.

Why this indicator matters?

IIP indicates changes in production levels of manufacturing and service industries.

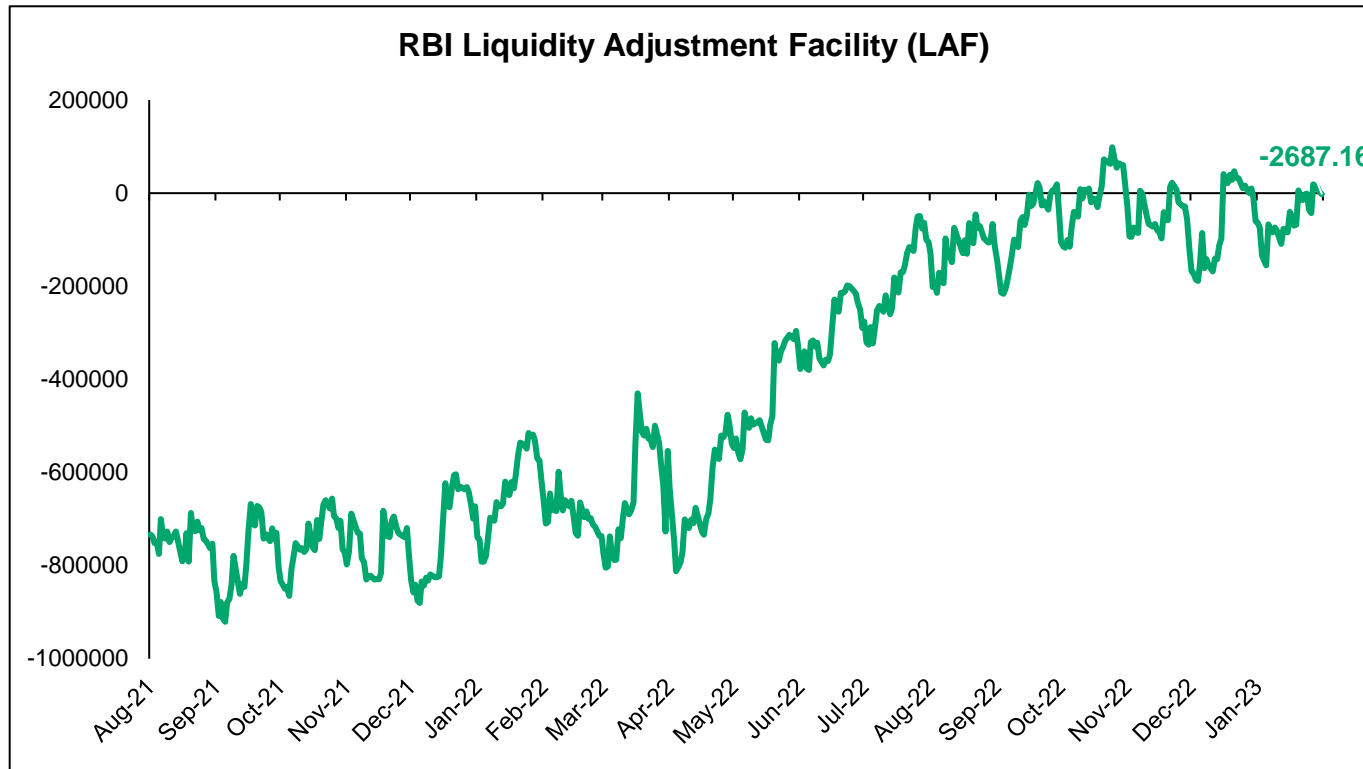
What it means for investors?

IIP is considered a lead indicator when it comes to corporate earnings as higher IIP tends to translate into higher earnings and revenues.

Source: Bloomberg. Data as on 31st January 2023.

*8 core Industries are Natural Gas, Coal, Refinery Products, Crude Oil, Cement, Electricity, Steel, and Fertilizers.

RBI liquidity status



Source: Bloomberg. Data as on 31ST January 2023

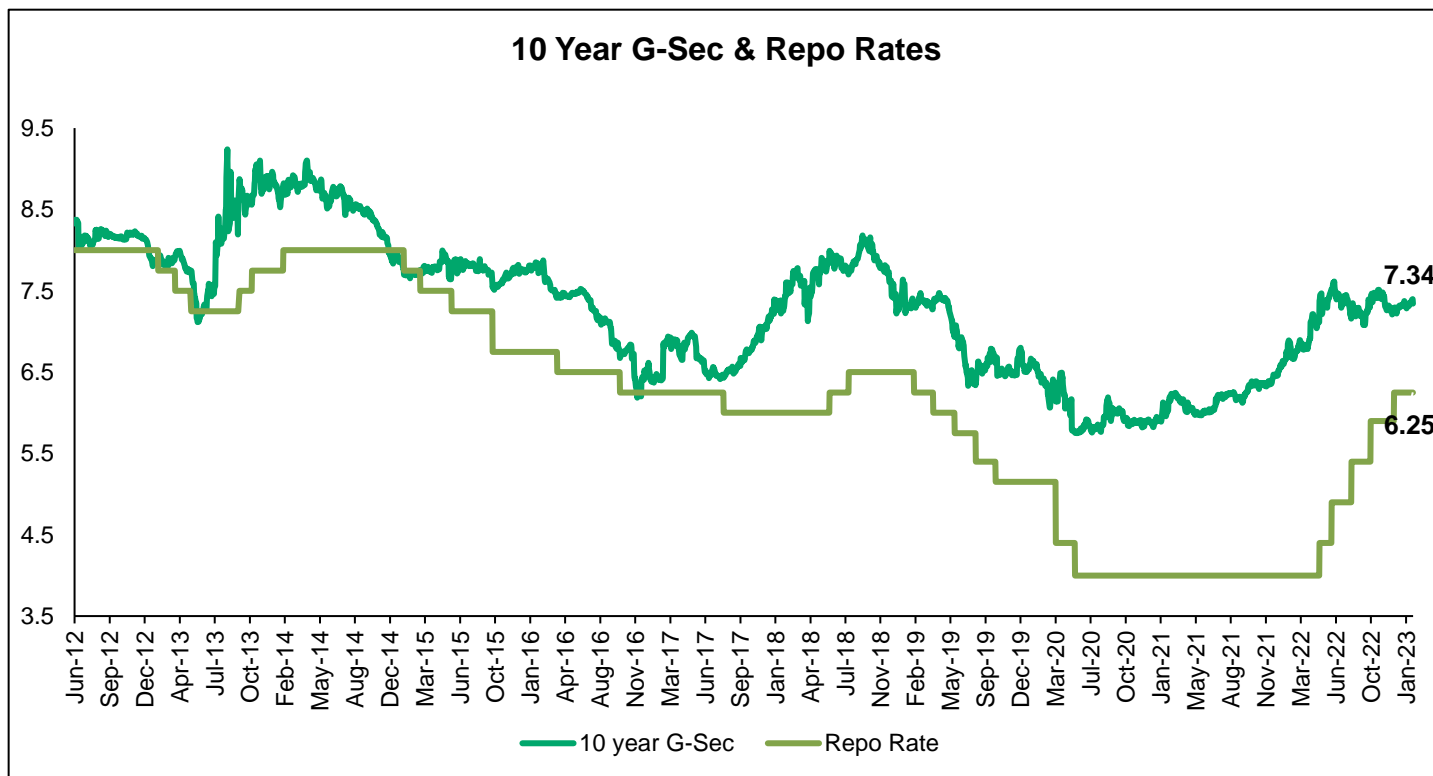
Why this indicator matters?

LAF helps RBI manage inflation by increasing or decreasing money supply in the economy.

LAF aims to bring stability to the economy by helping banks borrow money from RBI through repo or loan money to RBI through reverse repo.

- The net LAF is inching towards the positive territory, indicating an easing of liquidity in the banking system.
- The surplus liquidity has been decreasing, likely due to RBI's intervention and pick-up in credit growth.

Interest Rates



Source: Bloomberg. Data as on 31st January 2023.

- 10 Year G-sec Yield are up by almost 66 bps during the year.
- The current repo rate at 6.25% is at 48 month high.
- The spread between G-sec and Repo stands at 109 bps.

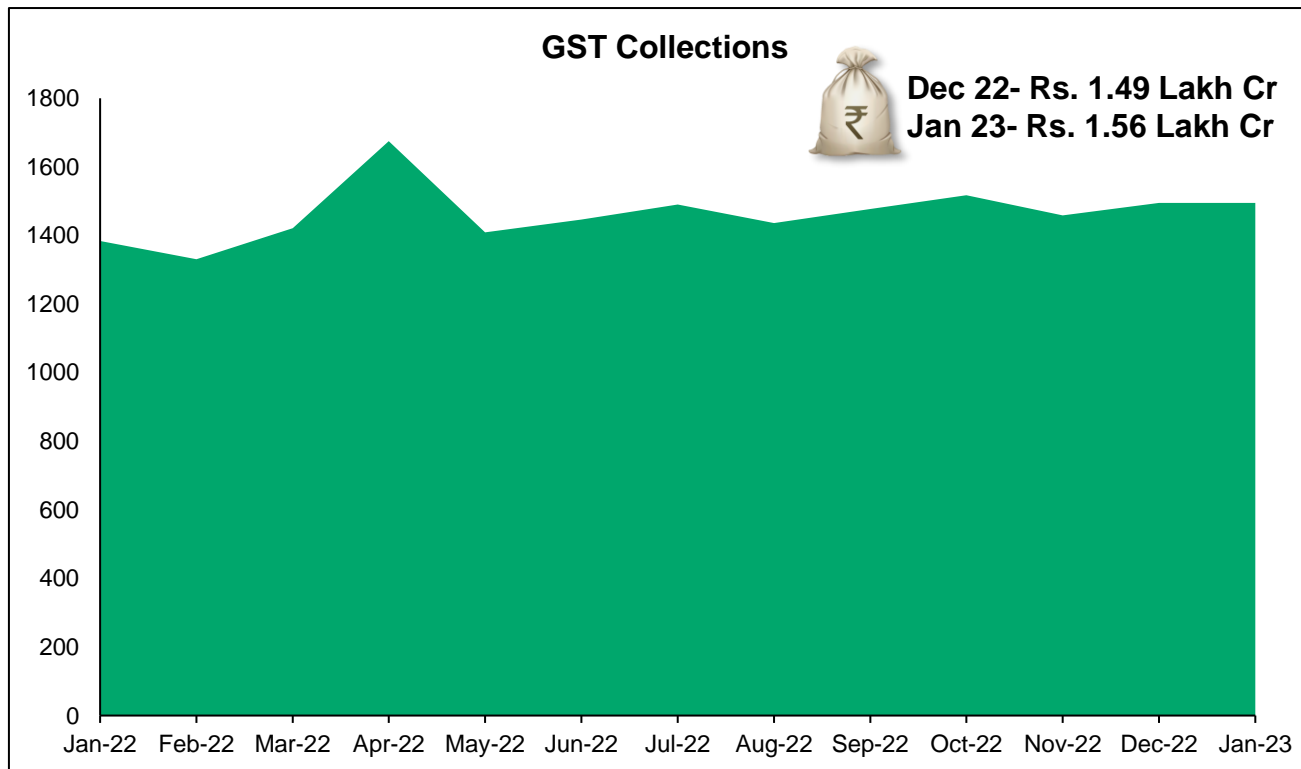
Why this indicator matters?

10-year G-secs are long term government securities whose interest rates are determined by the RBI.

What it means for investors?

The 10-year G-sec rate is considered the benchmark for setting interest rates across tenors and instruments.

Monthly GST Collections



Why this indicator matters?

GST is one of the major sources of revenue for the government.

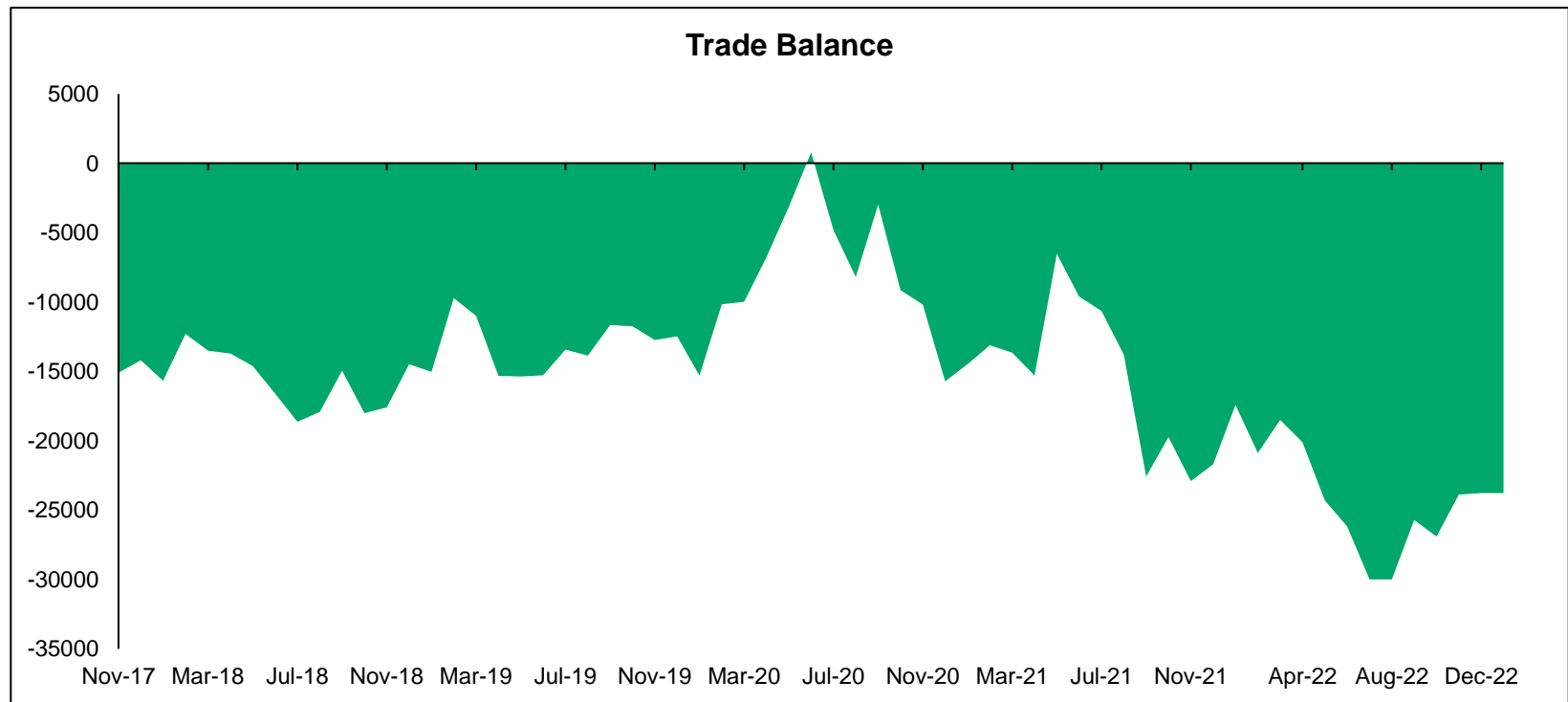
What it means for investors?

Recovery in GST is considered a good proxy for the revival of state finances and GDP.

- January GST collections showed an increase of 4% Y-o-Y;
- Jan'23 marked the second largest GST collection

Source: Bloomberg. Data as of 31st January 2023.

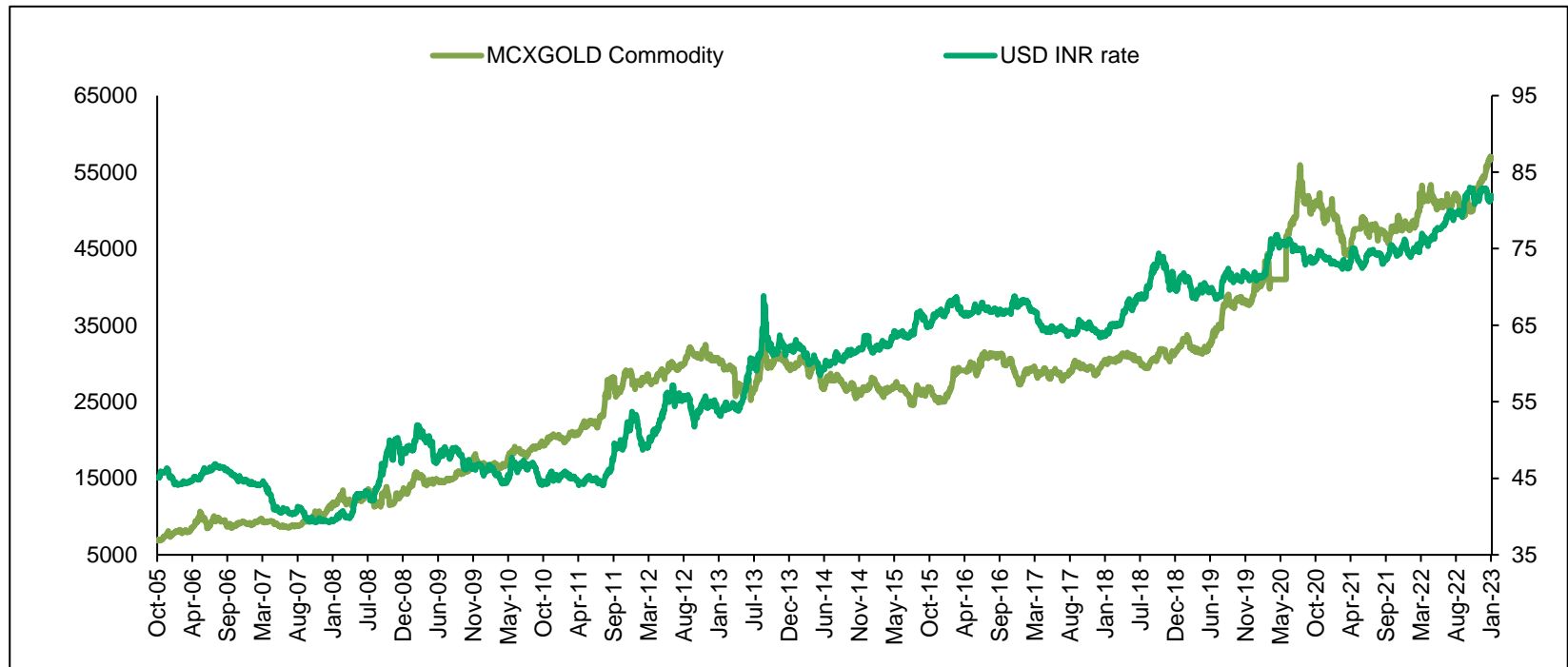
Balance of Trade



- The trade deficit contracted in the month of December to \$24 Billion.
- The Economic Survey tabled in Parliament stated that the growth in India's exports is likely to remain flat in the next financial year if the global growth does not pick up in 2023. However, the Survey predicted that India's trade deficit could stay under control despite slow exports.

Source: Bloomberg, The Economic Times. Data as of 31st January, 2022

USD-INR Movement & Gold prices

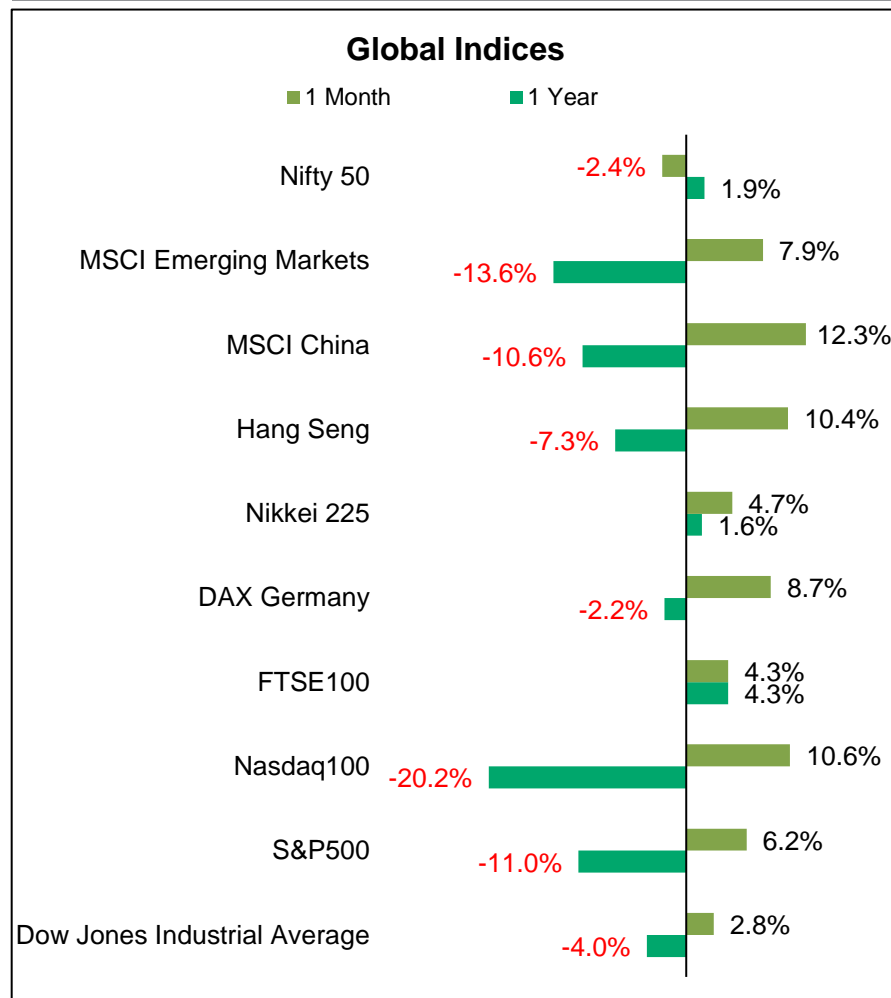


- Rupee closed on 81.92 on the last day of Jan'23, rising 10% from Jan'22.
- Economic Survey 2022-23 said the domestic unit may remain under pressure on account of plateauing of exports and subsequent widening of the current account deficit.
- Gold also spiked on account of increase in international gold prices.

Source: Economic Survey 2022-23, Bloomberg. Data as of 31st January, 2023

EQUITY AND GLOBAL INDICES

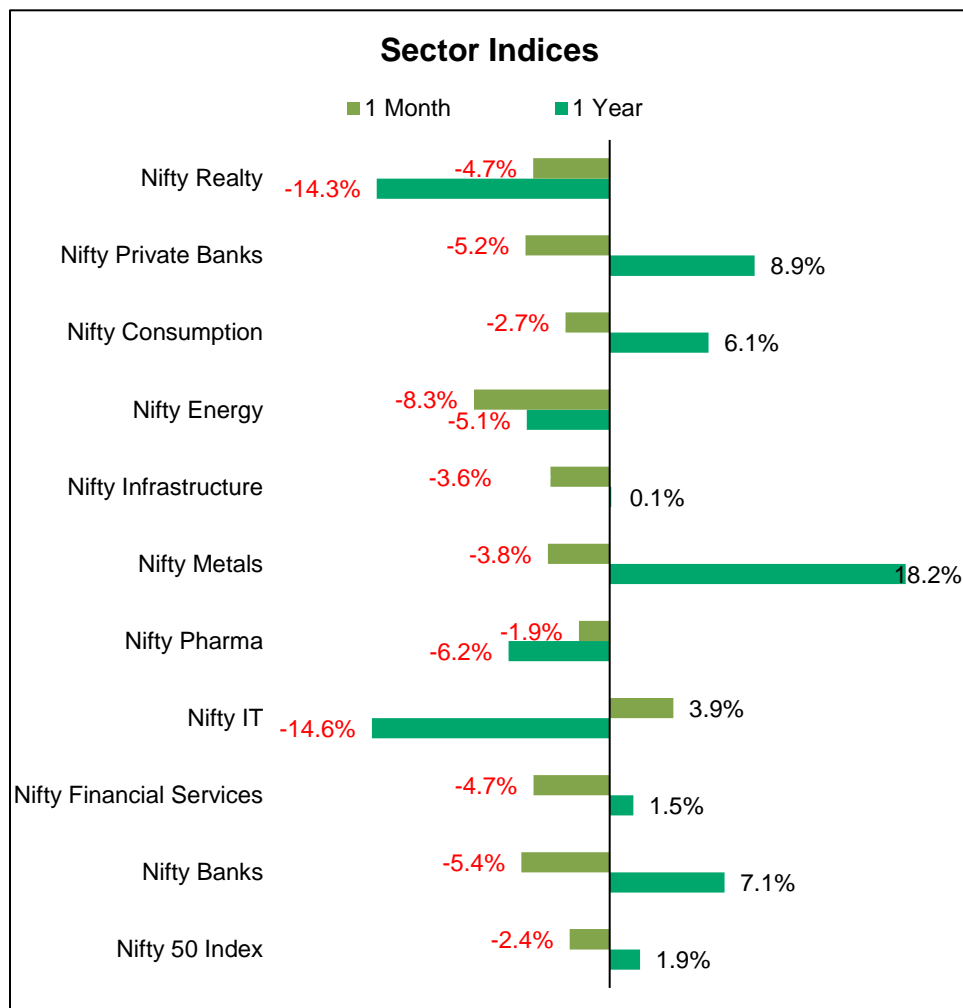
Global Indices



Source: Bloomberg; Schroders. Data as of 31st January 2023.
Past Performance may or may not be sustained in future.

- In January'23, **MSCI China, Nasdaq 100 and Hang Seng** were top performers and **Nifty 50** was the only one ending in red for the month.
- Nifty 50 Index was down by (-) 2.4% for the month, underperforming in the emerging markets. Compared to global peers, India's Nifty performance on a yearly basis was slightly better than the global indices.
- The continuing Russia-Ukraine conflict and its impact on Europe, future rate hike trajectory from key central banks (FOMC, ECB etc) and pressure from FIIs (foreign institutional investors) and shifting to other emerging markets given their attractiveness and revamp in economic growth post the end to China's covid zero tolerably policy could be the key risks for markets near term.

Equity Indices



- All sector indexes ended the month in negative except **Nifty IT**.
- **Nifty IT (3.9%)** was the only Index to end in green during the month.
- The bottom performer were **Nifty Energy (-8.3%)**, **Nifty Banks (-5.4%)** and **Nifty Private Banks (-5.2%)** for the month.
- On 1 year basis, **Metals**, **Private Banks** and **Banks** were highest gainers while **IT**, **Realty** and **Pharma** were laggards.

Source: Bloomberg. Data as of 31st January 2023.
Past Performance may or may not be sustained in future.

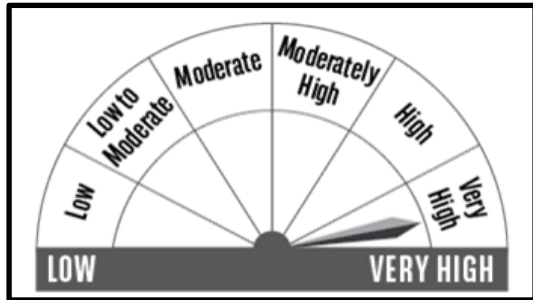
Sector Positioning of Equity Portfolios

GICS Sectors	Baroda BNP Paribas Large Cap Fund	Baroda BNP Paribas Large & Mid Cap Fund	Baroda BNP Paribas Flexi Cap Fund	Baroda BNP Paribas Multi Cap Fund	Baroda BNP Paribas Mid Cap Fund	Baroda BNP Paribas Focused Fund	Baroda BNP Paribas India Consumption Fund	Baroda BNP Paribas Banking & Financial Services Fund	Baroda BNP Paribas Business Cycle Fund	Baroda BNP Paribas ELSS Fund
Consumer Discretionary	8.7%	7.0%	7.1%	11.4%	14.0%	4.6%	30.1%	0.0%	6.5%	9.8%
Consumer Staples	7.3%	3.3%	12.6%	3.6%	4.0%	2.1%	37.6%	0.0%	12.7%	4.8%
Energy	9.1%	5.2%	7.1%	5.1%	3.7%	4.7%	0.0%	0.0%	10.8%	5.2%
Financials	34.0%	30.8%	31.6%	24.9%	24.6%	37.1%	9.9%	97.5%	29.3%	33.7%
Health Care	2.9%	6.2%	1.1%	9.7%	6.9%	0.0%	0.0%	0.0%	9.4%	5.3%
Industrials	8.6%	9.6%	8.9%	11.8%	15.8%	15.9%	2.5%	0.0%	6.6%	12.7%
Information Technology	13.8%	11.8%	11.4%	9.5%	5.4%	8.2%	0.0%	0.0%	12.5%	9.8%
Materials	5.4%	12.2%	5.6%	11.9%	13.1%	12.4%	5.3%	0.0%	4.0%	7.5%
Real Estate	0.0%	3.5%	4.3%	3.5%	2.7%	0.0%	0.0%	0.0%	1.2%	2.7%
Communication Services	2.0%	2.4%	3.5%	3.4%	1.3%	4.3%	9.6%	0.0%	1.5%	3.2%
Utilities	2.3%	5.6%	4.1%	1.9%	4.7%	6.5%	0.0%	0.0%	2.5%	2.8%
Cash/Debt/ Derivatives	5.8%	2.4%	2.7%	3.5%	4.0%	4.3%	5.0%	2.5%	3.0%	2.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Top 5 sectors with largest holdings. Excluding cash/debt/derivatives.										

Source: Internal. Data as of 31st January 2023. Sector classification as per GICS (Global Industry Classification Standard) sectors.

'Past Performance may or may not be sustained in future. The sector(s)/stock(s) mentioned in this document do not constitute any recommendation of the same and Baroda BNP Paribas Mutual Fund may or may not have any future position in these sector(s)/stock(s).

Product Labeling

<p>Baroda BNP Paribas Large Cap Fund (An Open-ended Equity Scheme predominantly investing in large cap stocks) This product is suitable for investors who are seeking*: - Wealth Creation in long term. - Investments in diversified and actively managed portfolio of equity and equity related securities with bias to large cap companies.</p>	<p>Baroda BNP Paribas Large & Mid Cap Fund (An open-ended Equity scheme investing in both large cap and mid cap stocks) This product is suitable for investors who are seeking*: - Capital appreciation over long term. - Investment predominantly in equity and equity related instruments of large and midcap stocks.</p>	<p>Baroda BNP Paribas Mid Cap Fund (An Open-ended Equity Scheme predominantly investing in mid cap stocks) This product is suitable for investors who are seeking*: - Wealth Creation in long term. - Investments in companies in mid capitalization segment.</p>
<p>Baroda BNP Paribas Multi Cap Fund (An open-ended equity scheme investing across large cap, midcap and small cap stocks) This product is suitable for investors who are seeking*: -Capital appreciation over long term. - Investments predominantly in equity and equity related instruments.</p>	<p>Baroda BNP Paribas ELSS Fund (An Open-ended Equity Linked Saving Scheme with a statutory lock in of 3 years and tax benefit) This product is suitable for investors who are seeking*: -Wealth Creation in long term. -Investments in diversified and actively managed portfolio of equity and equity related securities across market capitalization along with income tax rebate</p>	<p>Baroda BNP Paribas Business Cycle Fund (An open-ended equity scheme following the Business Cycles theme) This product is suitable for investors who are seeking*: -Long term wealth creation. -Investment predominantly in equity & equity related securities, including equity derivatives in Indian markets with focus on riding business cycles through dynamic allocation between various sectors & stocks at different stages of business cycles in the economy</p>
<p>Baroda BNP Paribas Focused Fund [An Open-ended Equity Scheme investing in maximum 25 stocks across market capitalization (i.e., multi cap stocks)] This product is suitable for investors who are seeking*: - Wealth Creation in long term. - Investment primarily in equity and equity-related securities of upto 25 companies and the rest in debt securities & money market instruments.</p>	<p>Baroda BNP Paribas Banking and Financial Services Fund (An open-ended equity scheme investing in the Banking and Financial Services sector) This product is suitable for investors who are seeking*: -Capital appreciation over long term. - Investment predominantly in equity and equity related securities of companies engaged in the Banking & Financial Services Sector.</p>	
<p>Baroda BNP Paribas India Consumption Fund (An open-ended equity scheme following consumption theme) This product is suitable for investors who are seeking*: -Wealth creation in long term. -Investment primarily in equity and equity-related securities and the rest in debt securities & money market instruments to generate capital appreciation and provide long-term growth opportunities by investing in companies expected to benefit by providing products and services to the growing consumption needs of Indian consumers.</p>		

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them. Investors understand that their principal will be at VERY HIGH RISK. Data as on 31st January 2023.

Disclaimers

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.



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