

MONTHLY OUTLOOK

JUNE 2023



Baroda
BNP PARIBAS
MUTUAL FUND



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** (Nifty) rallied by **3.5%** during the month. The breadth was positive with **small cap index at 5% and midcap indices at 6.9% outperforming large cap** names. On a sectoral basis, interest rate sensitives such as *Real Estate, Autos and Capital Goods* outperformed the most whereas the *IT sector* underperformed.
- The outperformance in last 3 months can be attributed **to improving domestic macro, stable global factors and pause by Fed** after 500 bps hiking cycle. Lower than expected recovery in Chinese economy post the scrapping of zero covid policy, which led the FII flows to India, aided the performance of Indian equity market.
- **FIIs turned net buyers in the month of May and June to the tune of around \$10 billion cumulatively.** We witnessed last big buying in November'22 of around \$4 billion.
- Global equity markets grappled with volatility as discussions around the US debt ceiling weighed on market sentiments.
- US CPI and US Fed policy were the major focus for equity markets globally. CPI in the US has been largely trending down and was in line with forecasts broadly.
- From India's standpoint, the big improvement was on Brent crude which slipped nearly 8%. This has led to an **improved current account deficit and better near-term CPI prints.**
- **CPI inflation** trended **lower at 4.3%** mainly driven by food items, led by oils and vegetables where inflation fell by 16% and 8.8% respectively.
- **CAD narrowed to USD 1.3 Billion** (0.2% of the GDP) in Q4 2022-23 **from USD 16.8 Billion** in the previous quarter, taking the FY23 CAD to \$67 Billion or 2% of the GDP, up from 1.2% in 2021-22. It was supported by narrowing trade deficit and robust net services exports, along with remittances and transfers.
- With crude and most commodity prices correcting, margin pressure could ease for Indian corporates, aiding profit growth. Monsoon has just kicked in with delay and El-Nino risks are hovering which could pose some risks to inflation and recovery. However, we remain optimistic on markets.

Source: Morgan Stanley Bloomberg. Data as on 30th June 2023.



Fixed Income Markets Outlook

- **Global Economy -**

Global growth indicators have shown a sustained momentum in the second quarter of 2023, delaying the anticipation of a slowdown post the spillovers from global monetary tightening, prolonged geopolitical conflict etc. Global Composite PMI index rose to an 18-month high in May 2023, led by a robust service sector across economies, whereas global manufacturing activity remained subdued, with countries like Germany already facing recessionary headwinds. The momentum is still very fragile and uneven across economies.

On one side US has seen a sustained movement in the growth indicators, building a case for prolonged hawkish pause, on the contrary, China's PBOC delivered an accommodative monetary policy citing weak recovery conditions in China. Delay in China's economic recovery remained a key deflationary factor, keeping global commodity prices under check.

- **Domestic Economy -**

India is witnessing a comfortable growth and inflation trajectory. High frequency indicators continued to expand in June 2023. The manufacturing PMI index came at 57.8 highlighting robust manufacturing activity. GST collections for the month of June came at Rs. 1.61 trillion, increasing by 12% y/y.

June being the beginning for the monsoon season and Kharif activity, saw a delayed start earlier, recent data shows that the monsoon has rapidly enveloped over 80% of the country.

Headline inflation moderated to 4.3% y/y in May 2023 from 4.7% in April 2023. Core (ex-food fuel) inflation cooled to 5.02% y/y in May-2023 vs 5.19% y/y in April-2023. The pace of core inflation slowed in May-2023 led by marginal increase in gold prices and softer transfer in input prices.

Liquidity conditions improved subsequently with the return of currency to the banking system — from both the withdrawal of 2,000 banknotes from circulation, and an accelerated pace of Government spending before the onset of the monsoon season.

Outlook –

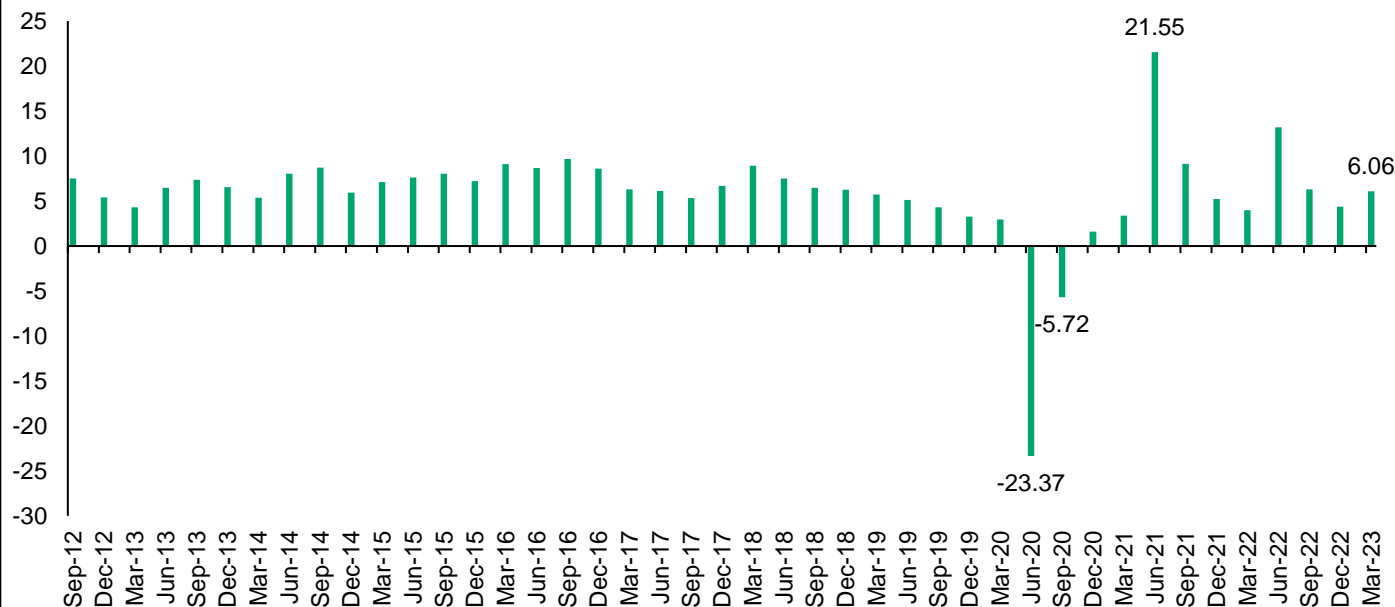
1. With the current macroeconomic scenario, where we expect the banking system liquidity to remain neutral and with repo rate at 6.50%, with a high possibility of a long pause, we expect the yield curve to steepen.
2. We expect less possibility of rate cuts in current year FY24 keeping in mind India's growth resilience and sticky core inflation and the global macro dynamics.

Source: Bloomberg, RBI, PIB, MOSPI and Internal Research. Data as on 30th June 2023.

MACRO ECONOMIC INDICATORS

India's GDP on the recovery path

India's GDP Growth (%) (YoY)



Why this indicator matters?

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

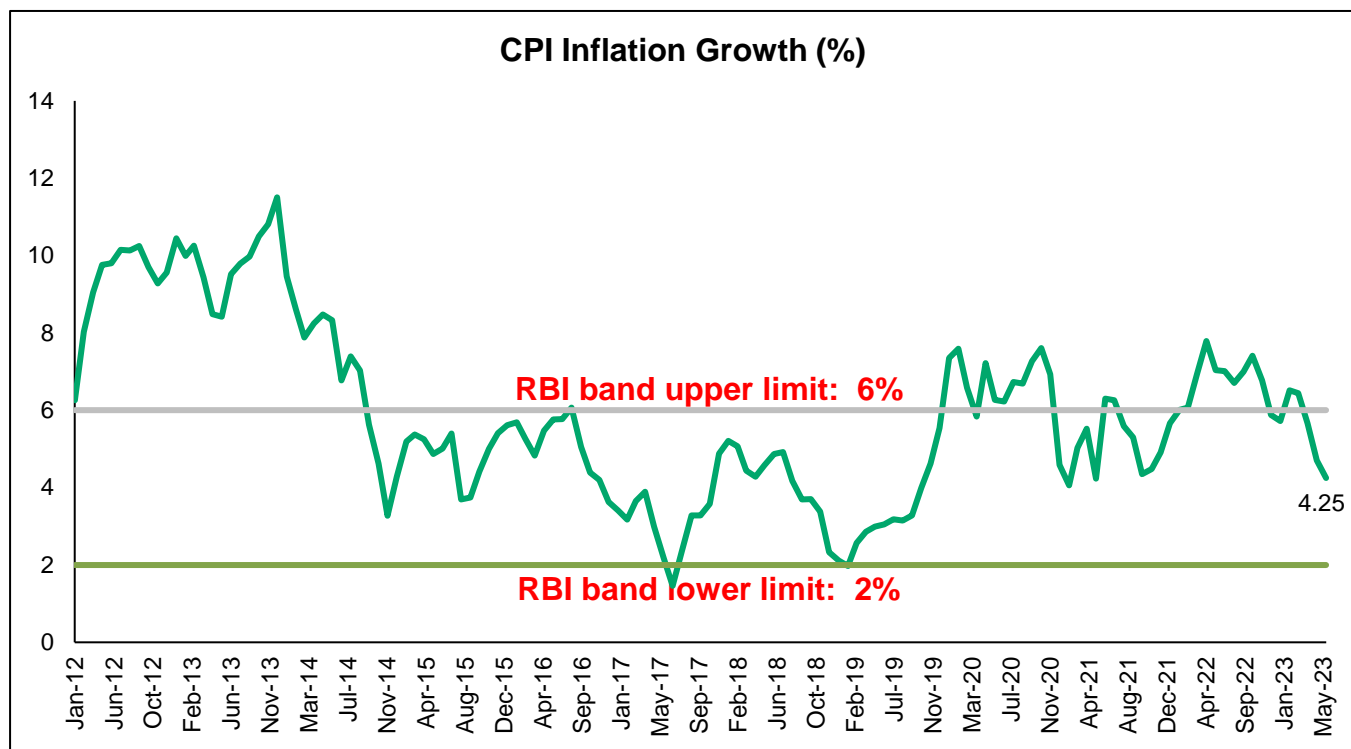
What it means for investors?

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

- India's 4QFY23 GDP growth recorded a stronger-than-expected 6.1% y-o-y. Growth in construction and financial services were the key surprises.
- 4QFY23 (Mar-2023) real GDP growth came in at 6.1% y-o-y, pushing the full year FY23 real GDP growth to 7.2%, versus the earlier estimate of 7%.

Source: Bloomberg, The Mint. Data as on 31st March 2023.

Consumer Price Index Inflation



Why this indicator matters?

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

What it means for investors?

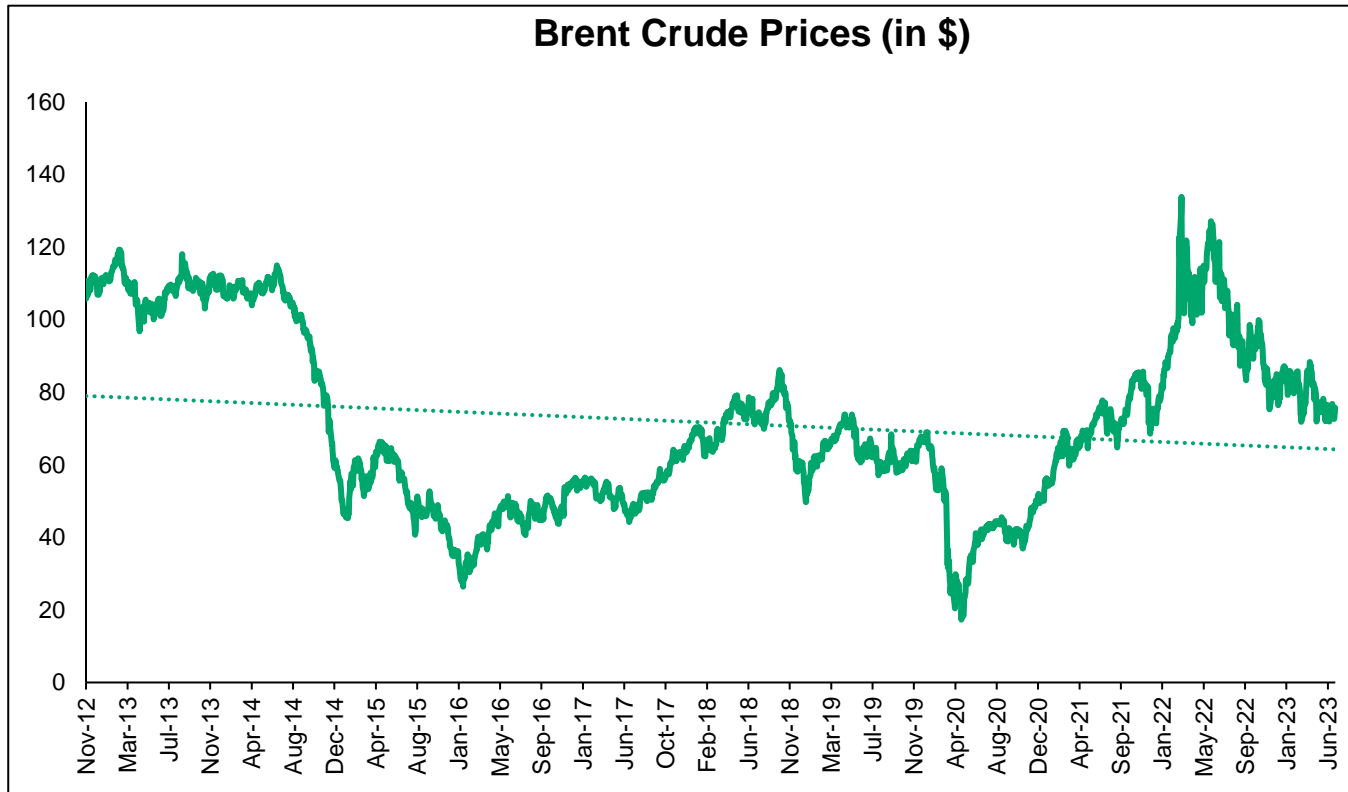
CPI inflation, colloquially, indicates the rate of price rise in the consumption basket of consumers. It can have significant impact on investors' savings and investment value.

- Headline inflation moderated to 4.3% y/y in May 2023 from 4.7% in April 2023. The fall in headline inflation was driven by a favorable base. Sequentially headline CPI increased by 0.5% m/m in May-2023.
- Inflation softened further in May-2023 led by favorable base effects. Recent pickup in food prices will keep the sequential pace of inflation high in June-2023.

Source: Bloomberg, Internal Research. Data as of 31st May 2023.

Crude Oil Prices

Brent Crude Prices (in \$)



Why this indicator matters?

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

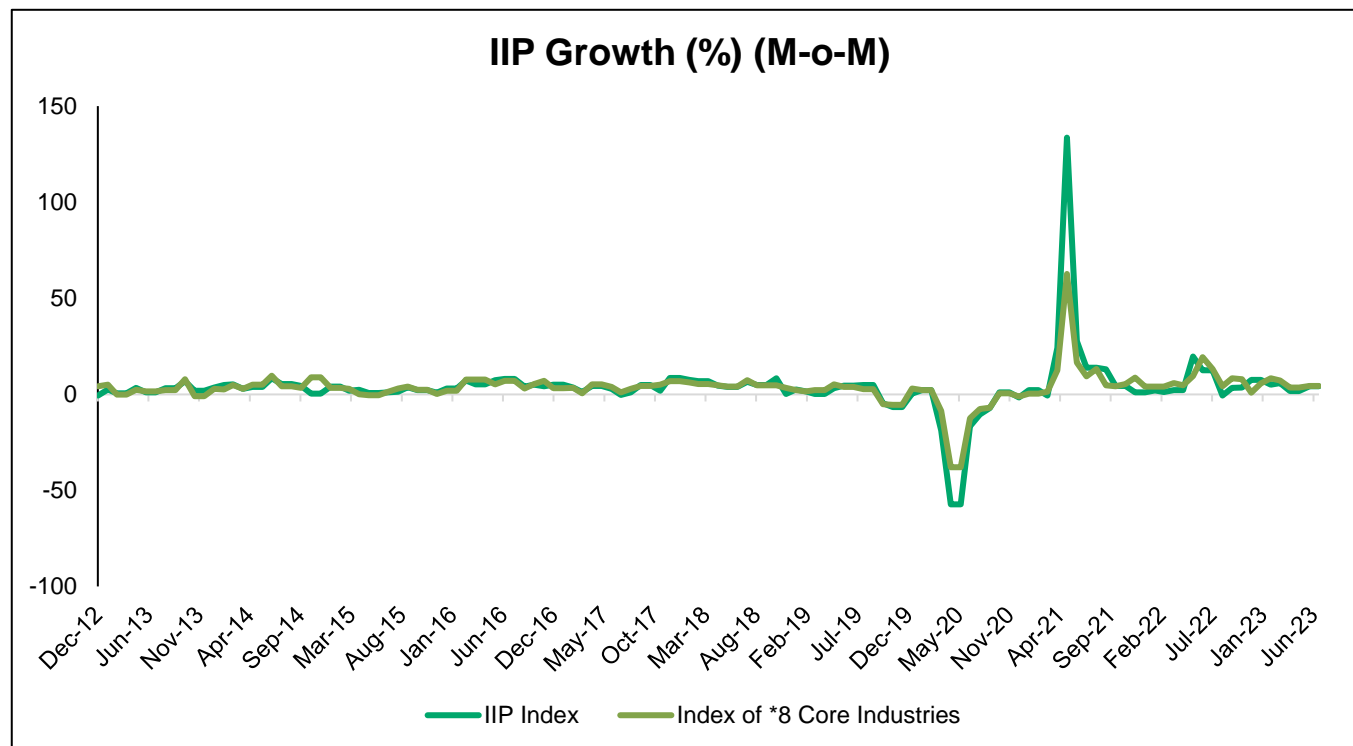
What it means for investors?

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

- On June 30, 2023, the Brent crude oil price stood at **\$75.68 per barrel, an increase of 5.1% from May 2023**— which is one of the most important benchmarks used as a reference for oil and gasoline prices.

Source: Bloomberg, The Economic Times. Data as of 30th June 2023.

Index of Industrial Production (IIP)



- IIP growth came in higher than expectations and surprised positively. The jump in growth was led by manufacturing sector.
- Output of India's 8 core industries fell by 78% in June'23 from June'22.

Why this indicator matters?

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

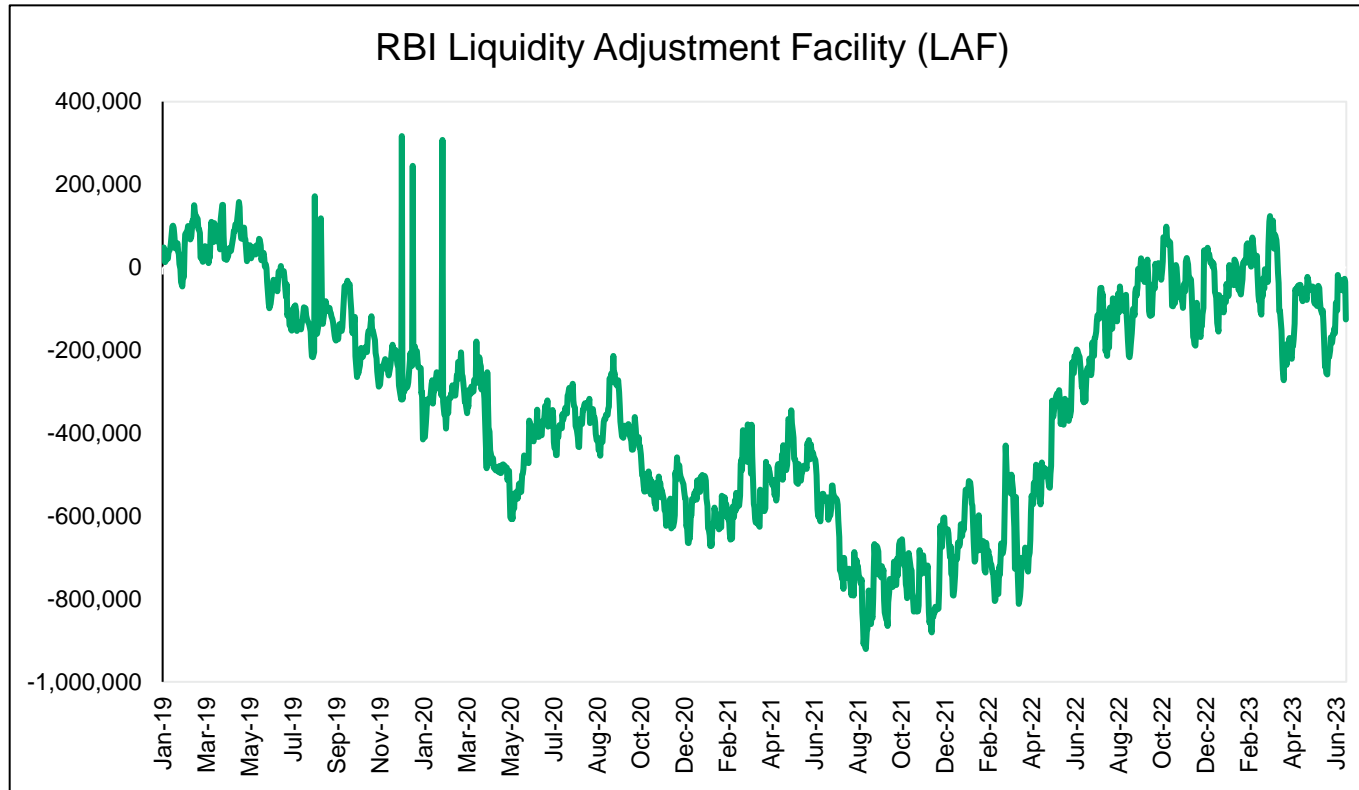
What it means for investors?

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 30th June 2023.

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

RBI liquidity status



Why this indicator matters?

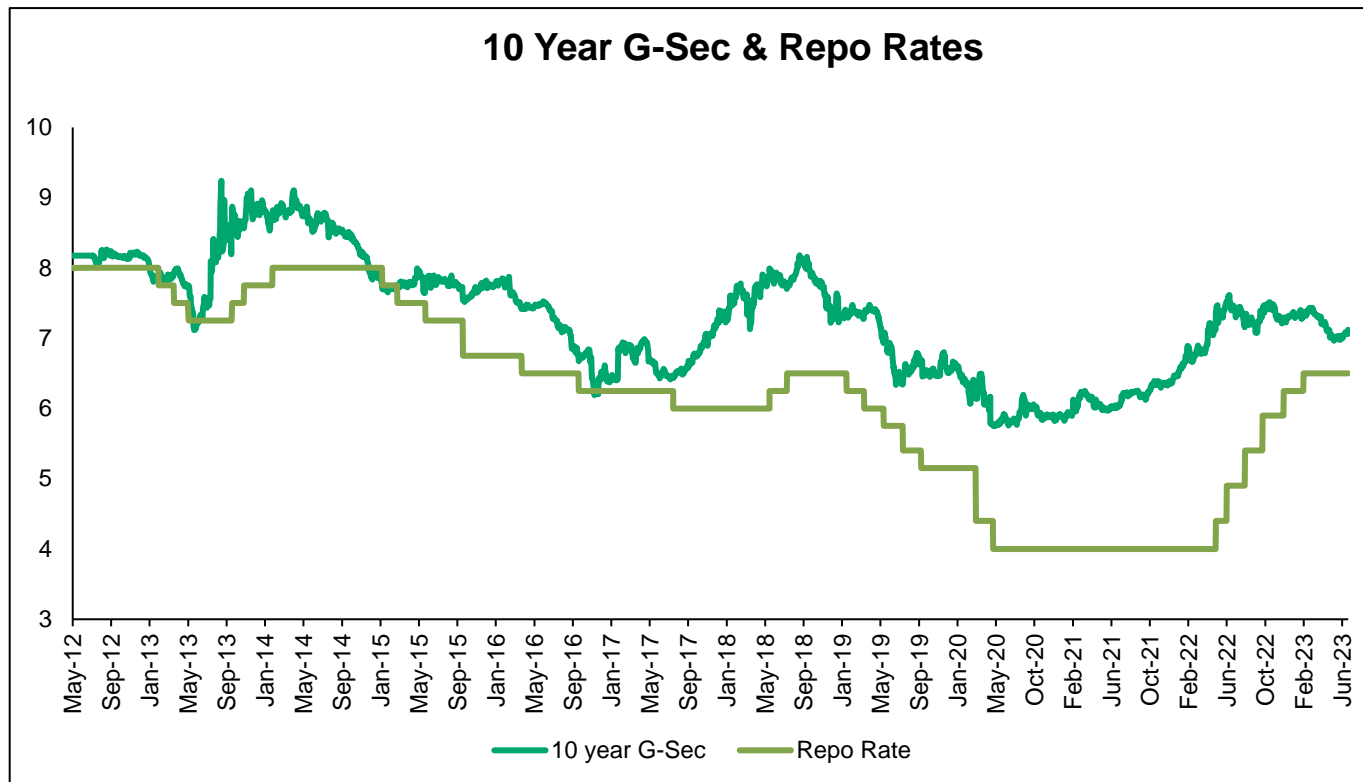
LAF helps RBI manage inflation by increasing or decreasing money supply in the economy.

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.

- Liquidity conditions improved subsequently with the return of currency to the banking system — from both the withdrawal of 2,000 banknotes from circulation, and an accelerated pace of Government spending before the onset of the monsoon season.

Source: Bloomberg, Money Control. Data as on 30th June 2023.

Interest Rates



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.

- RBI in April 2023 Policy decided to keep the repo rate unchanged at 6.50% backed by the concerns on domestic outlook from global spill overs.
- Indian g-sec yields harden in June-2023. The 10-year benchmark yield rose to ~7.10% by end of June led by stronger US data, building expectations for more rate hikes or a prolonged hawkish pause.
- The spread between G-sec and Repo stands at 49 bps.

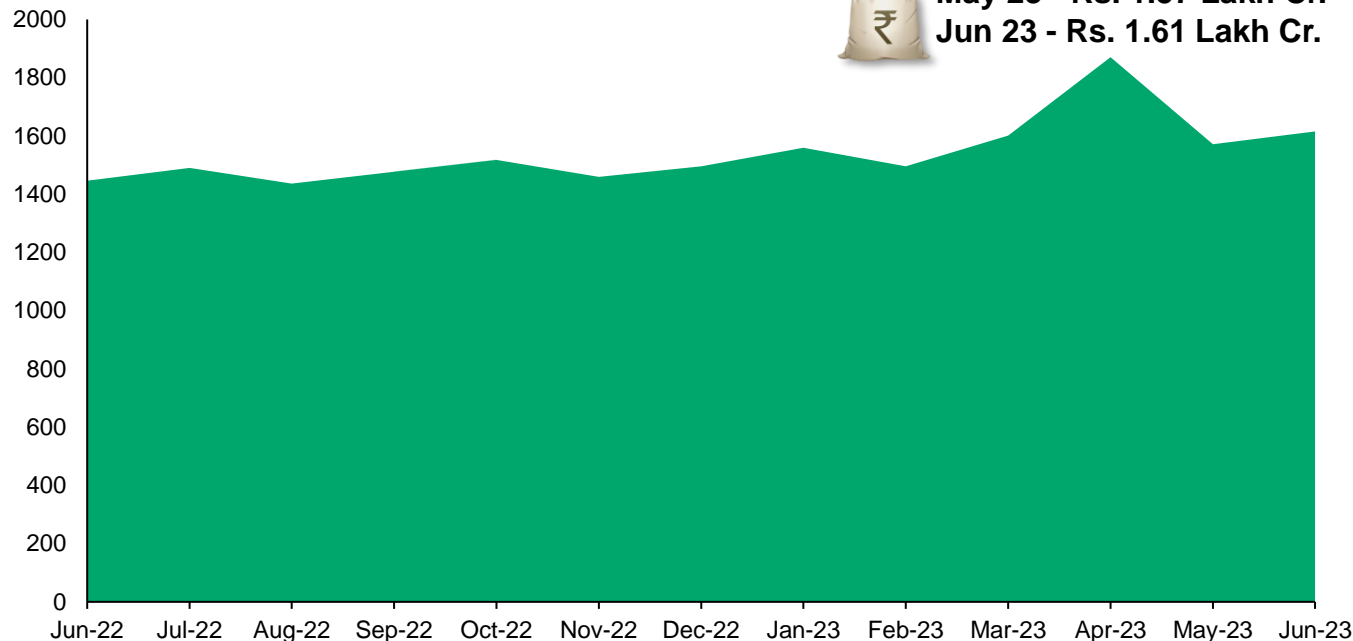
Source: Bloomberg. Data as on 30th June 2023.

Monthly GST Collections

GST Collections



May 23 - Rs. 1.57 Lakh Cr.
Jun 23 - Rs. 1.61 Lakh Cr.



Why this indicator matters?

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

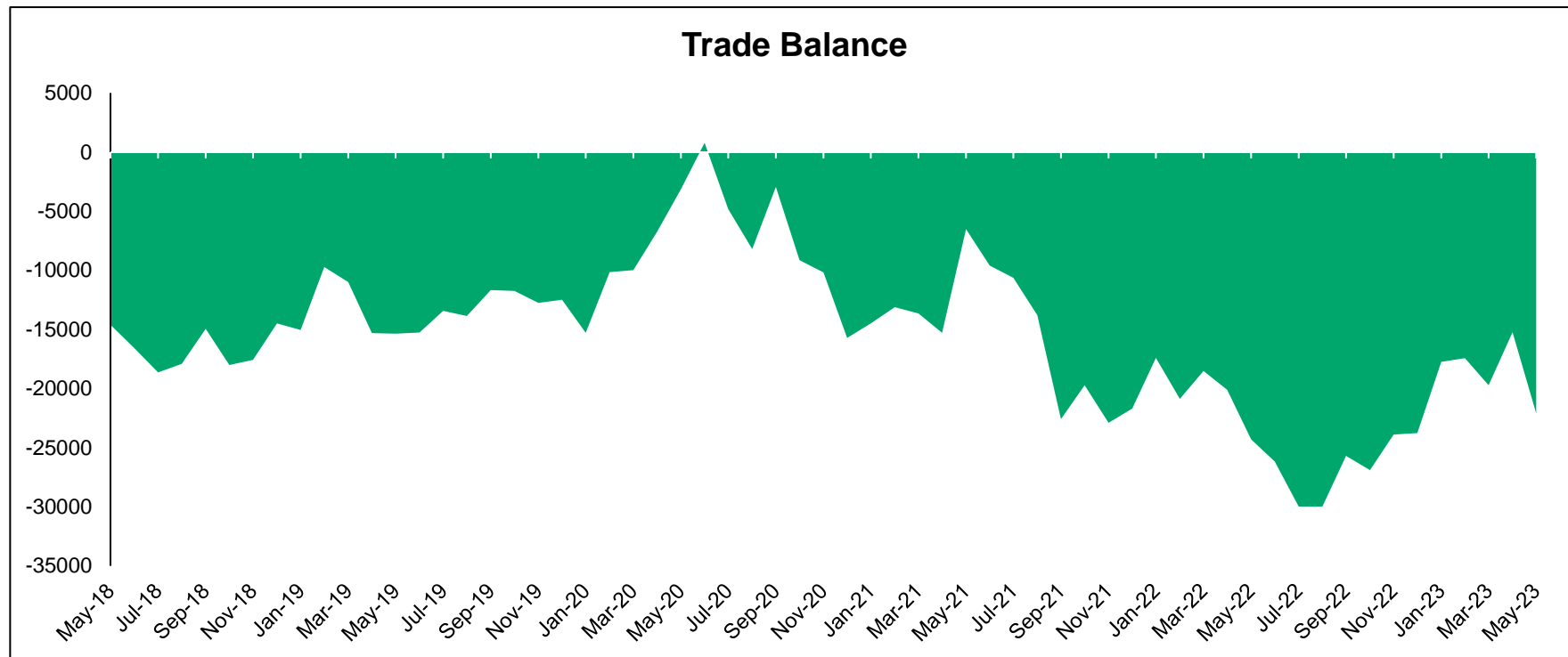
What it means for investors?

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

- June GST collections showed an increase of 11.7% Y-o-Y.
- GST collection for June 2023 touched 1.61 lakh crore, slight increase from 1.57 Lakh Crore collected in May 2023.

Source: Bloomberg. Data as of 30th June, 2023.

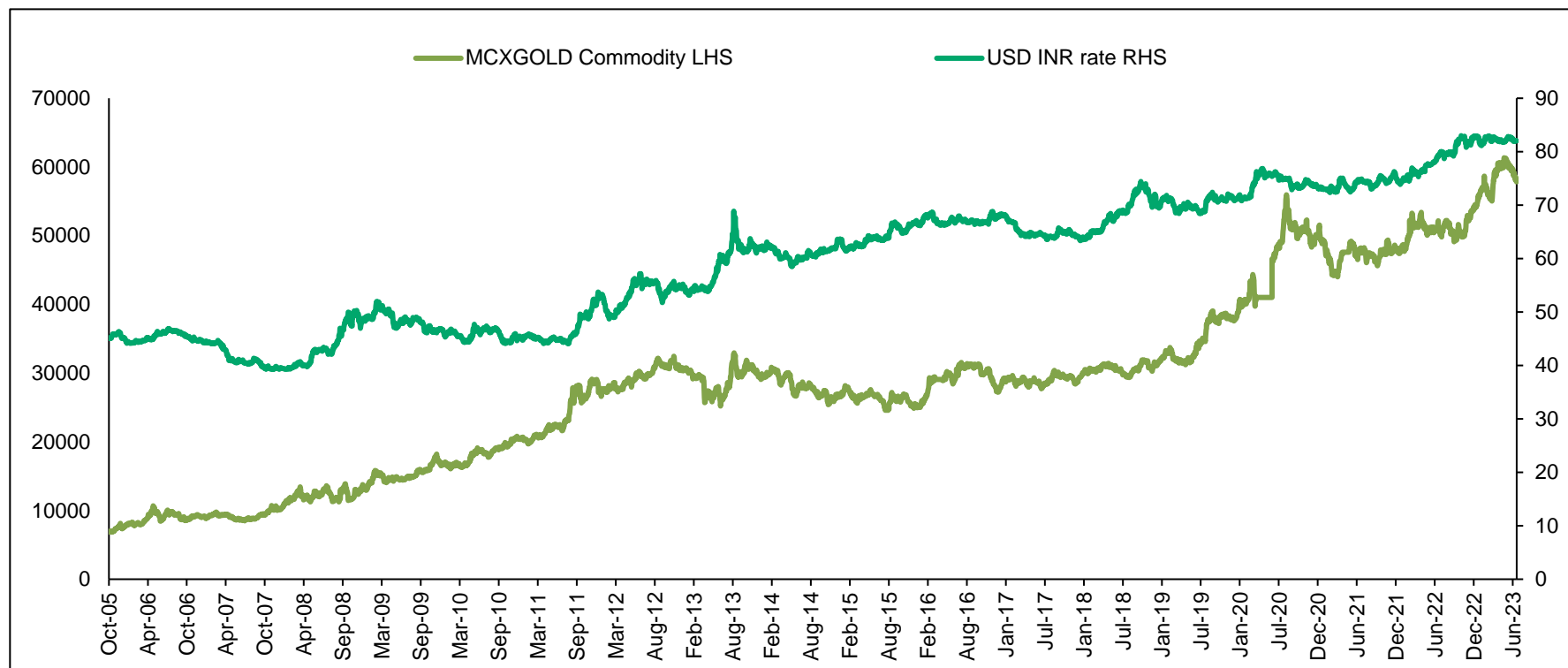
Balance of Trade



- India's trade deficit decreased to USD 22.12 billion in May 2023, down from USD 24.3 billion in the same month last year.

Source: Bloomberg. Latest Available Data as of 31st May, 2023.

USD-INR Movement & Gold prices

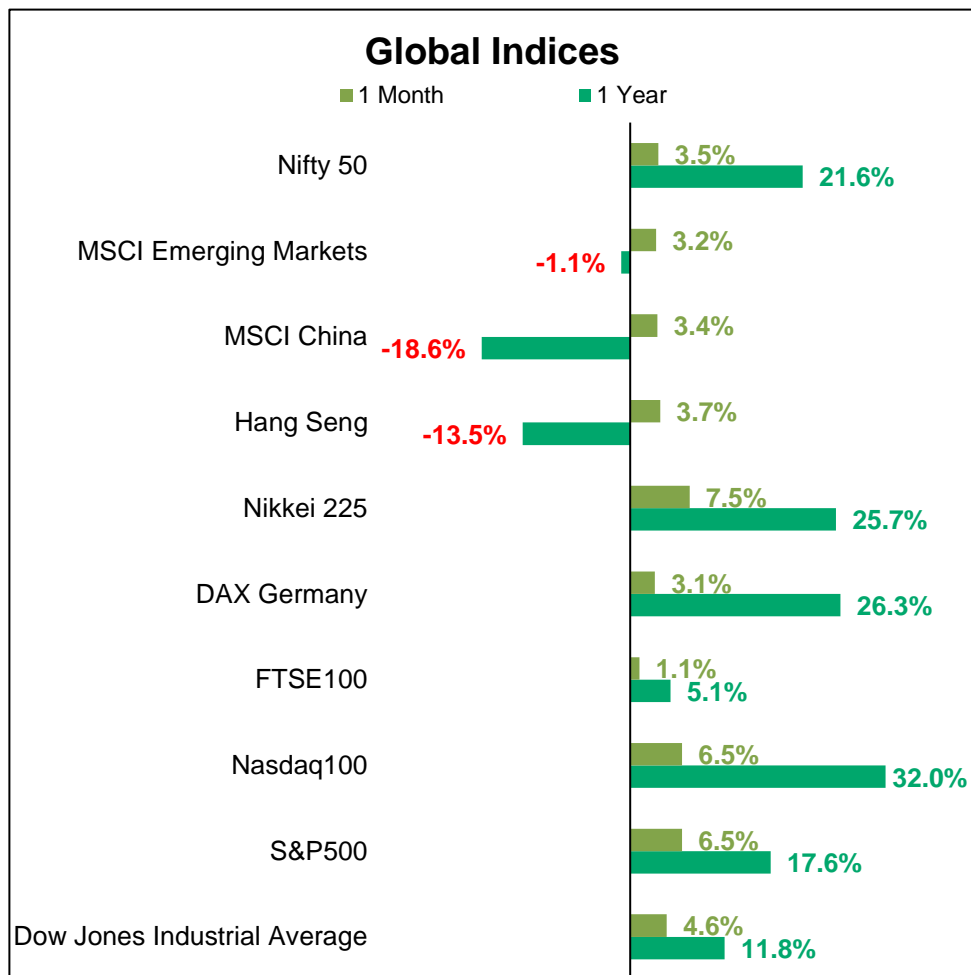


- Rupee closed on 82.04 on the last day of June 2023, rising 3.9% from June 2022.
- Economic Survey 2022-23 said the domestic unit may remain under pressure on account of plateauing of exports and subsequent widening of the current account deficit.

Source: Economic Survey 2022-23, Bloomberg. Data as of 30th June, 2023

EQUITY AND GLOBAL INDICES

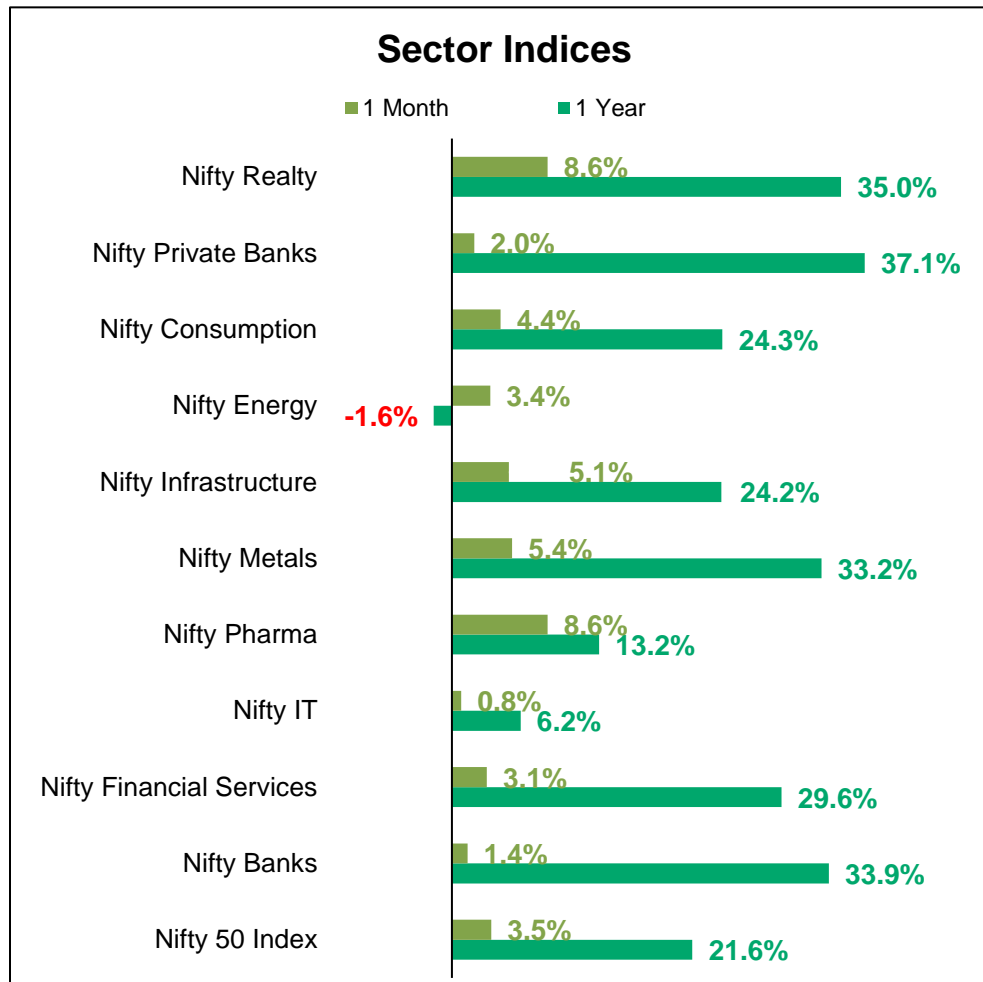
Global Indices



Source: Bloomberg; Schroders. Data as of 30th June 2023.
Past Performance may or may not be sustained in future.

- Nifty 50 Index (Nifty) rallied by 3.5% during the month. The breadth was positive with small cap index at 5% and midcap index at 6.9% outperforming large cap names. On a sectoral basis, interest rate sensitives outperformed the most.
- Global equity markets grappled with volatility as discussions around US debt ceiling weighed on market sentiments.
- Global markets were up ~6% through the month of June (MSCI world ~5.9%) on the relief rally post the extension of the US debt ceiling. Nikkei (+ 7.5%) and Bovespa (Brazil +9%) were relative outperformers while Korea, China and in general emerging markets were relative laggards. Indian markets were also marginally below the MSCI world with the Nifty up 3.6% (similar for the USD denominated MSCI India as currency was broadly stable during the month).

Equity Indices

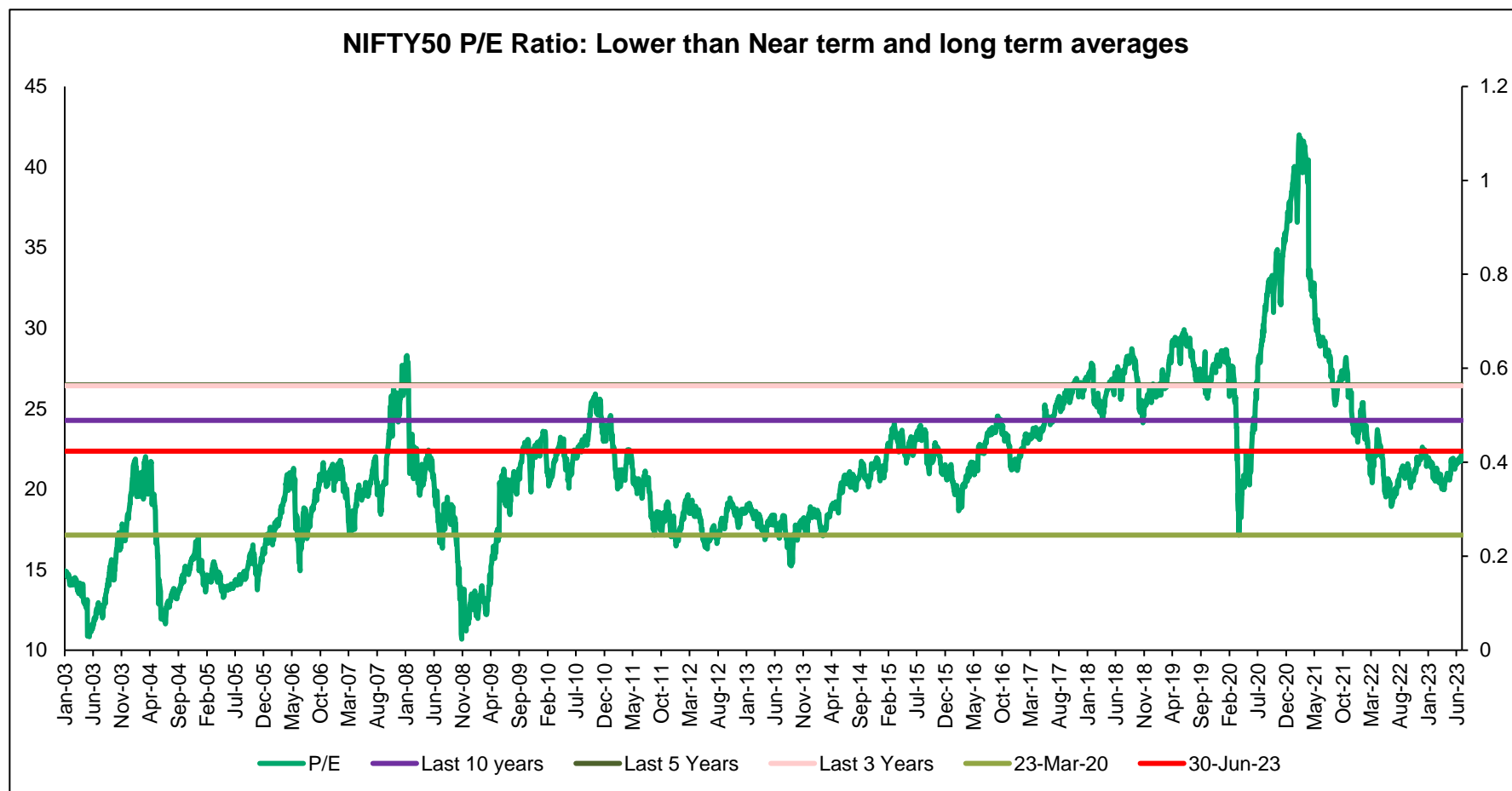


- All sector indexes ended the month in positive.
- The top performer for the month were **Nifty Pharma (8.6%)** and **Nifty Realty (8.6%)**
- On 1 year basis, **Nifty Realty and Nifty Private Banks** were highest gainers while **Nifty Energy** ended in red for the year.

Source: Bloomberg. Data as of 30th June 2023.

Past Performance may or may not be sustained in future.

PE Valuations – Nifty 50



The current p/e valuation for Nifty 50 is lesser than the historic 3, 5 & 10 years average.

Source: NSE India. Data as of 30th June 2023.

Past Performance may or may not be sustained in future.

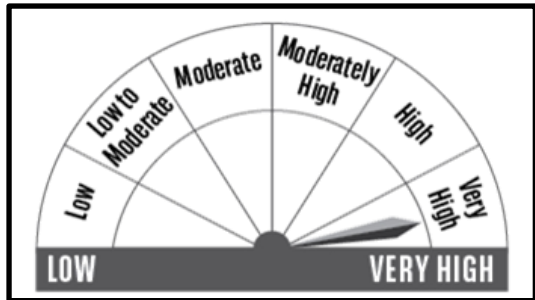
Sector Positioning of Equity Portfolios

GICS Sectors	Baroda BNP Paribas Large Cap Fund	Baroda BNP Paribas Mid Cap Fund	Baroda BNP Paribas Flexi 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 Multi Cap Fund	Baroda BNP Paribas Large & Mid Cap Fund	Baroda BNP Paribas ELSS Fund	Baroda BNP Paribas Value Fund
Consumer Discretionary	11.8%	15.8%	12.5%	18.6%	33.6%	0.0%	9.5%	14.9%	12.2%	10.9%	6.1%
Consumer Staples	9.0%	3.9%	13.0%	6.6%	38.9%	0.0%	13.8%	7.4%	4.2%	6.7%	6.1%
Energy	9.1%	5.3%	7.4%	7.9%	0.0%	0.0%	9.2%	3.9%	5.7%	5.6%	7.8%
Financials	29.5%	20.8%	24.8%	26.3%	9.5%	97.2%	27.0%	17.7%	26.8%	28.5%	23.0%
Health Care	3.8%	8.1%	3.2%	3.9%	0.0%	0.0%	10.3%	9.8%	5.3%	5.4%	4.1%
Industrials	9.6%	17.6%	10.4%	16.8%	2.8%	0.0%	8.4%	12.9%	12.1%	12.2%	2.1%
Information Technology	10.4%	2.6%	8.0%	5.8%	0.0%	0.0%	7.0%	7.9%	7.2%	9.0%	3.1%
Materials	4.7%	11.5%	5.8%	6.4%	4.7%	0.0%	6.2%	12.4%	10.4%	7.8%	2.0%
Real Estate	0.0%	1.3%	3.6%	0.0%	0.0%	0.0%	0.0%	2.9%	3.7%	2.7%	0.0%
Communication Services	2.2%	1.2%	1.7%	0.0%	6.9%	0.0%	1.0%	3.4%	1.4%	3.9%	0.0%
Utilities	3.4%	6.1%	4.6%	3.7%	0.0%	0.0%	3.3%	4.4%	6.9%	3.3%	9.9%
Cash/Debt/Derivatives	6.5%	5.8%	4.8%	4.0%	3.5%	2.8%	4.3%	2.5%	4.0%	4.0%	35.8%
Total	100.0%	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 30th June 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)</p> <p>This product is suitable for investors who are seeking*: - Wealth Creation in long term.</p> <p>- 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)</p> <p>This product is suitable for investors who are seeking*: - Capital appreciation over long term.</p> <p>- 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)</p> <p>This product is suitable for investors who are seeking*: - Wealth Creation in long term.</p> <p>- 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)</p> <p>This product is suitable for investors who are seeking*: -Capital appreciation over long term.</p> <p>- 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)</p> <p>This product is suitable for investors who are seeking*: -Wealth Creation in long term.</p> <p>-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)</p> <p>This product is suitable for investors who are seeking*: -Long term wealth creation.</p> <p>-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)]</p> <p>This product is suitable for investors who are seeking*: - Wealth Creation in long term.</p> <p>- 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)</p> <p>This product is suitable for investors who are seeking*: -Capital appreciation over long term.</p> <p>- 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)</p> <p>This product is suitable for investors who are seeking*: -Wealth creation in long term.</p> <p>-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>	<p>Baroda BNP Paribas Value Fund (An open-ended equity scheme following a value investment strategy)</p> <p>This product is suitable for investors who are seeking*: -Capital appreciation over long term.</p> <p>- Investment predominantly in equity and equity related securities by following a value investment strategy</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 30th June 2023.

Disclaimers

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



THANK YOU