

# MONTHLY OUTLOOK

MARCH 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

- March witnessed heightened activity in equity markets across developed and emerging markets. The **Nifty Index** was up by **0.3%** in March with large caps outperforming both midcap and small cap.
- Global markets fared better than India. **Hong Kong (+3.1%), US S&P500 (+3.5%) and France (+0.8%) up** while **Brazil down by (-3.5%)**.
- **US FED** raised rates by **25 bps** in its recent FED meeting raising the target rate to **4.75 - 5%**. FED expects GDP to grow at 0.4% in CY2023 and at 1.2% for CY2024, indicating a slowdown in growth through the year.
- Inflation continues to be sticky across markets.
  - CPI print released in India, which came in at 6.4%, sequentially rising by 20 bps. We did see some softness in food prices but for cereals and milk prices. Key to watch here could be risk from El Nino.
  - CPI in USA eased marginally to 6% from 6.4%, though month on month it grew by 40 bps. We have seen some softness in food and energy, however rentals which is large component of US inflation, remained high during the month as well.
- Low commodity, including lower crude prices, bodes well for India's external sector. On the domestic side, a moderation in imports has kept trade deficit in check.
- In India, the finance bill was passed with some amendments. Key was the removal of indexation benefit and long-term capital gain taxation benefits for debt funds. This may help banks garner more deposits at the expense of debt funds.
- Domestic demand outlook is mixed impacted by rising interest rates. Outlook by corporates is sober for FY24F barring those in infrastructure, service industry and housing sectors. Industry activity indicators, such as PMI manufacturing, IIP, and core sector data, are improving.
- Consensus earnings today factors in around 20% EPS growth for FY24, which could be difficult to come by given current macro headwinds and lag impact of tighter monetary policy. Recent checks indicate weak consumer demand. Inflation could remain sticky and interest rates higher for longer.

Source: Kotak Securities. Data as on 31<sup>st</sup> March 2023



# Fixed Income Markets Outlook

- **Global Scenario**

- Headline inflation in US softened to 6% y/y in Feb-2023 from 6.4% in Jan-2023.
- Major economies have started seeing headline inflation cooling off largely led by decline in good prices. Core Inflation continues to remain elevated driven by service prices, which continue to remain elevated.
- Yields across major economies have softened in March-2023, led by concerns regarding financial stability in US and the way ahead.

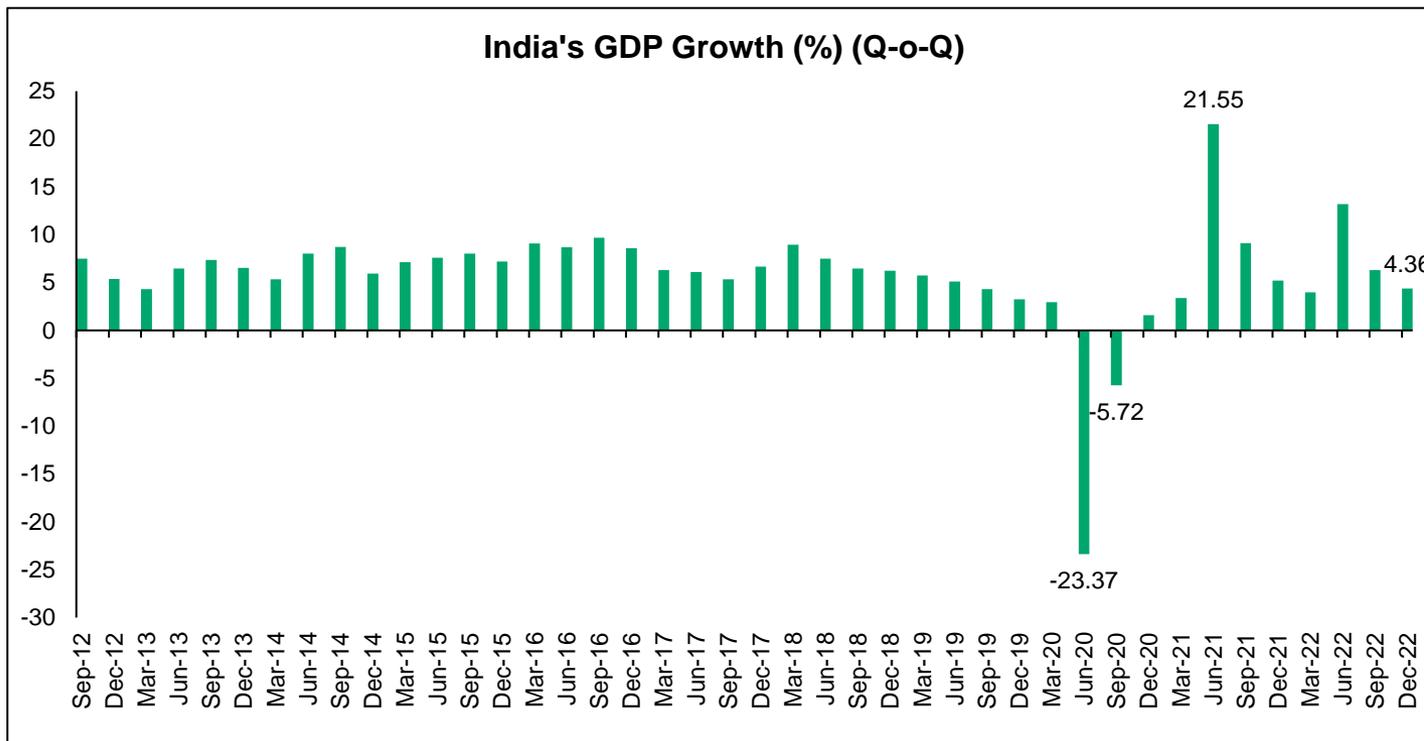
- **Domestic Scenario**

- Domestic high frequency indicators have remained stable. PMI Manufacturing index, a proxy indicator for health of manufacturing sector expanded further in March-2023 signaling better improvement in operating conditions in 2023 so far.
- On the consumer front, unemployment rate saw slight uptick in March-23. Urban unemployment increased to 8.5% in Mar-23 from 7.9% in Feb-23. Rural Unemployment increased to 7.47% in Mar-23 up from 7.2% in Feb-23.
- Centre's fiscal deficit touched 82.8% in Feb-23, keeping it well in line with the revised estimates. GST collection for March-2023 touched 1.6 lakh crore.
- Inflation came at 6.44% y/y in Feb-23, slightly lower than 6.52% y/y seen in Jan-23. Sequentially inflation picked up by 0.17% m/m in Feb-23, slower than Jan-23 momentum.
- Core Inflation (ex food fuel) continued to remain elevated and above the 6% levels driven by housing inflation, pick up in gold prices and input cost pressures. Core inflation came at 6.05% y/y in Feb-23, with a sequential uptick of 0.49% m/m in Feb-23.
- Spill overs from hawkish global monetary policy dynamics, expectations of a higher and elevated inflation and tighter liquidity conditions led to a sharper increase in the short-term rates thus flattening-out the yield curve in March-23.

Source: Bloomberg, OECD, and Internal Research. Data as on 31<sup>ST</sup> March 2023.

# 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.

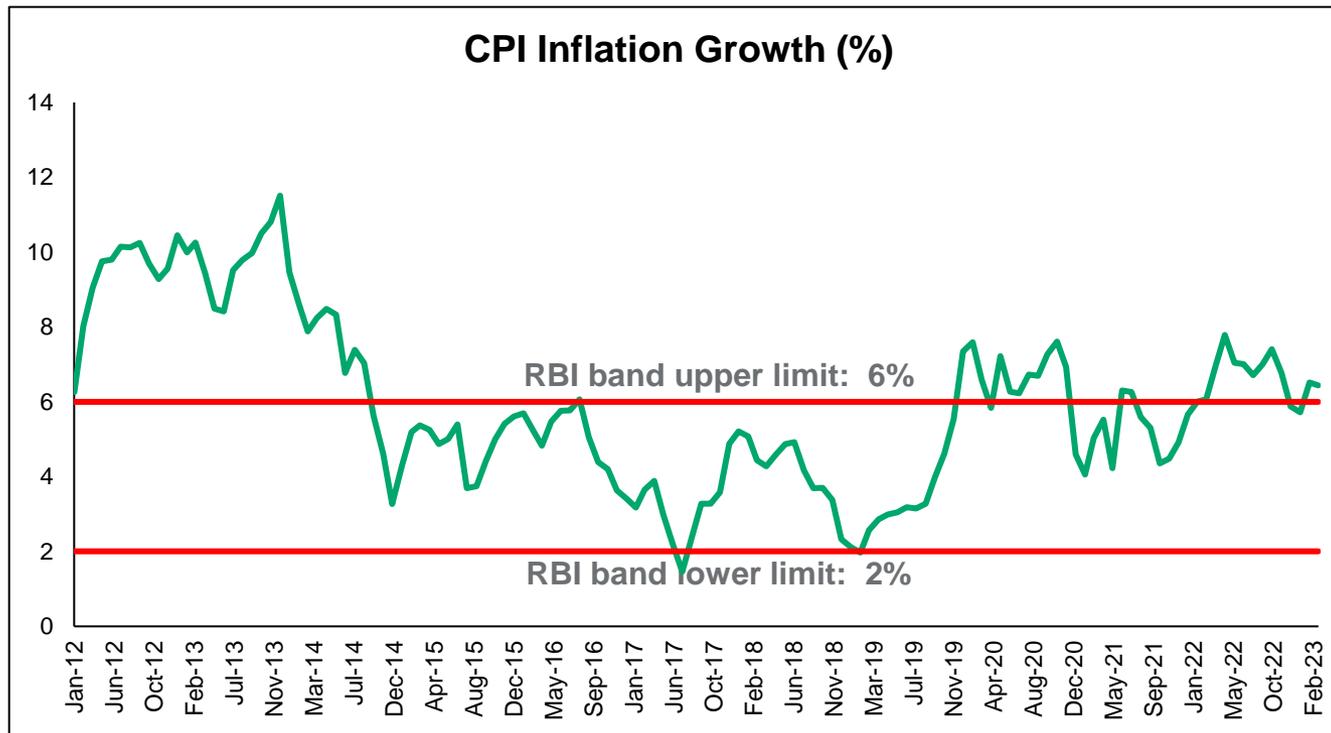
## What it means for investors?

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

- **World Bank** Report has revised its FY23/24 GDP forecast to be **6.3%** from 6.6% (December'22). Growth is expected to be constrained by slower consumption and rising borrowing costs.
- **RBI** has projected GDP Growth for FY2023-24 at **6.5%** from its earlier estimate at 6.4%
- **Asian Development Bank** also expects India's economic growth to moderate to **6.4%** per cent due to tight monetary conditions and elevated oil prices, as compared to 6.8 per cent expansion for the financial year ended March 2023.

Source: Bloomberg, The Mint. Data as on 31<sup>st</sup> 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.

- Inflation came at **6.44%** y/y in Feb-23, slightly lower than **6.52%** y/y seen in Jan-23.
- Food & Beverage inflation remained flat at 6.26% y/y in Feb-23 vs. 6.19% y/y in Jan-23, led by slower uptick in cereal prices and continued moderation in vegetable and edible oil prices.
- Core Inflation (ex food fuel) continued to remain elevated and above the 6% levels driven by housing inflation, pick up in gold prices and input cost pressures.
- Core inflation came at 6.05% y/y in Feb-23, with a sequential uptick of 0.49% m/m in Feb-23.

Source: Bloomberg, The Economic Times. Latest Available Data as of 28<sup>TH</sup> February 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.

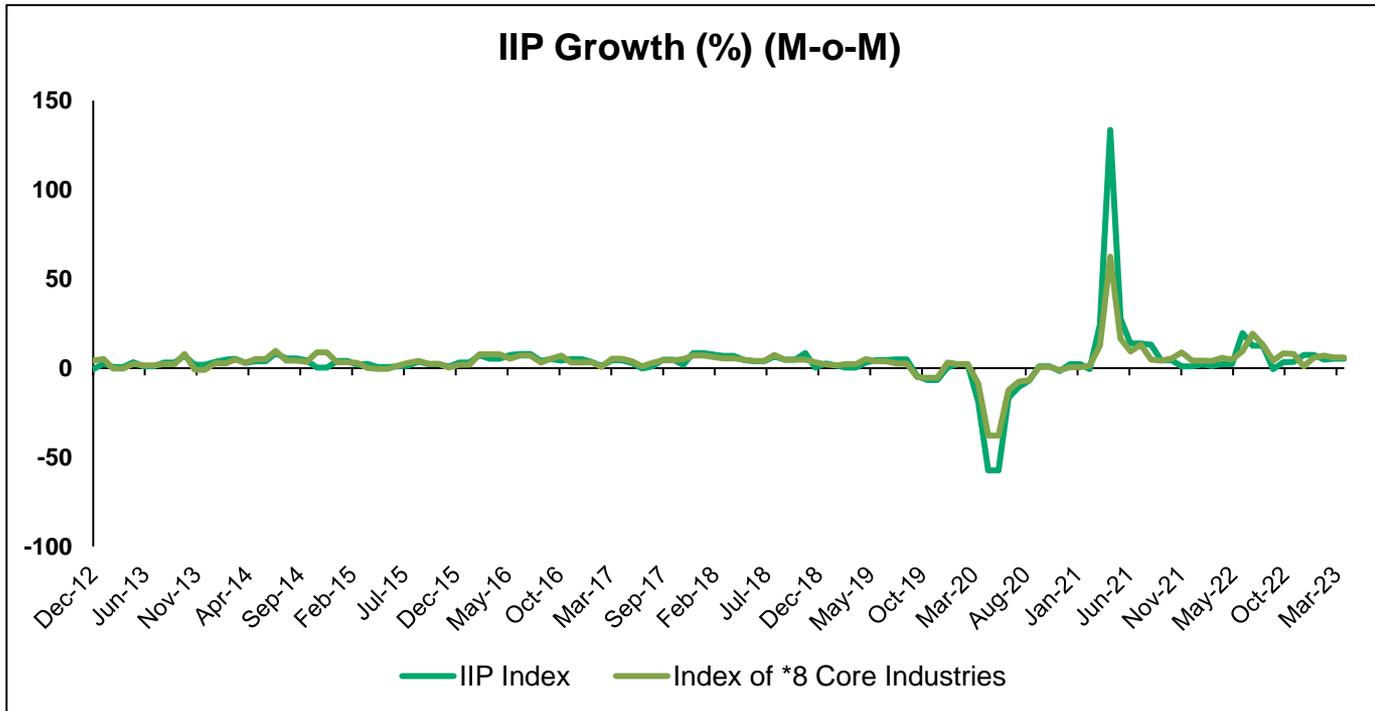
## What it means for investors?

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 March 31, 2023, the Brent crude oil price stood at **\$79.69 per barrel** – which is one of the most important benchmarks used as a reference for oil and gasoline prices.
- In March 2022, oil prices soared to highs (not seen since 2008) as a result of Russia-Ukraine war. The decrease noted since August reflects market uncertainty over a looming global recession.

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

# Index of Industrial Production (IIP)



- March industrial production (**IIP**) increased by **1.3%** 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?

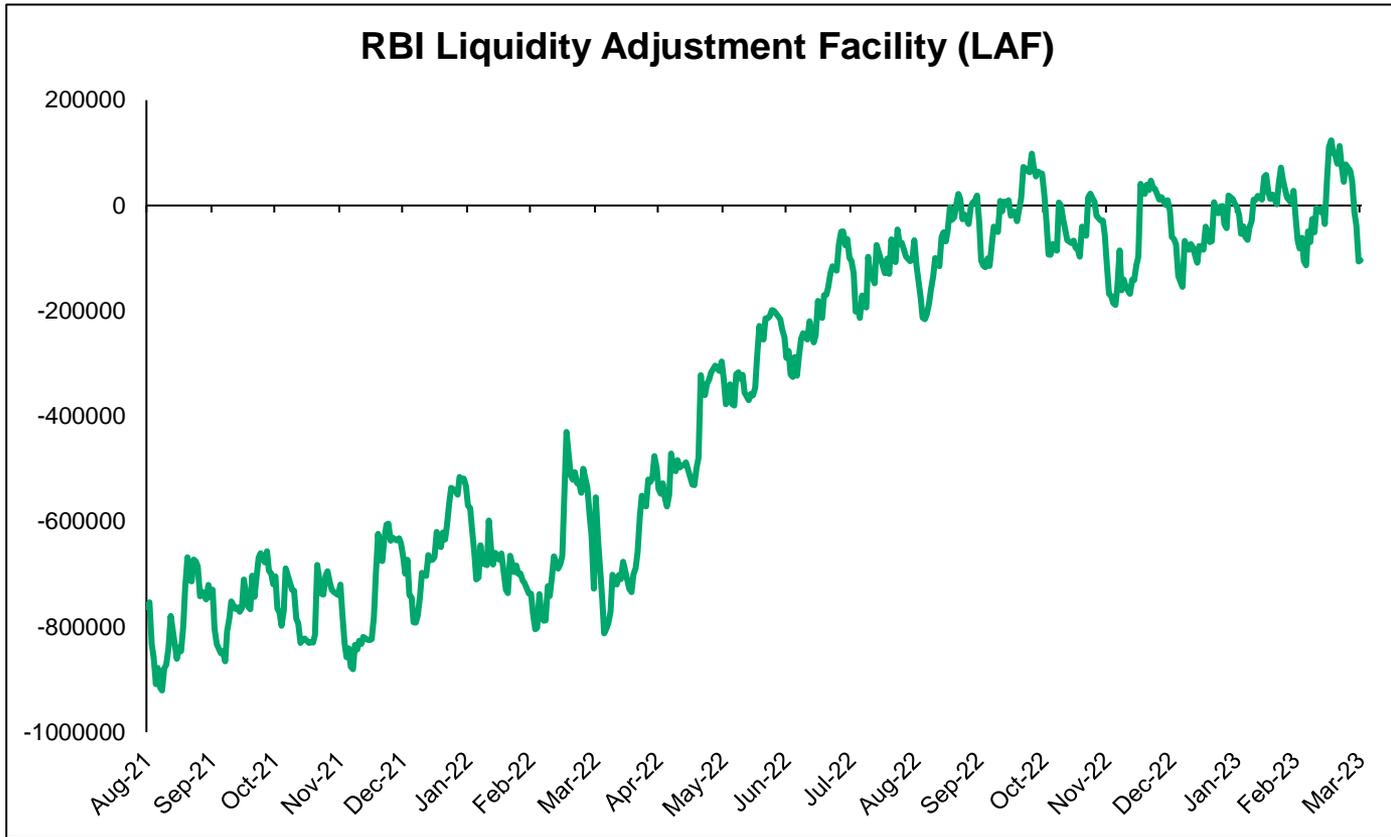
IIP is considered a lead indicator when it comes to corporate earnings as higher IIP tends to translate into higher earnings and revenues.

Source: Bloomberg. Data as on 31<sup>st</sup> March 2023.

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

# RBI liquidity status

RBI Liquidity Adjustment Facility (LAF)



## Why this indicator matters?

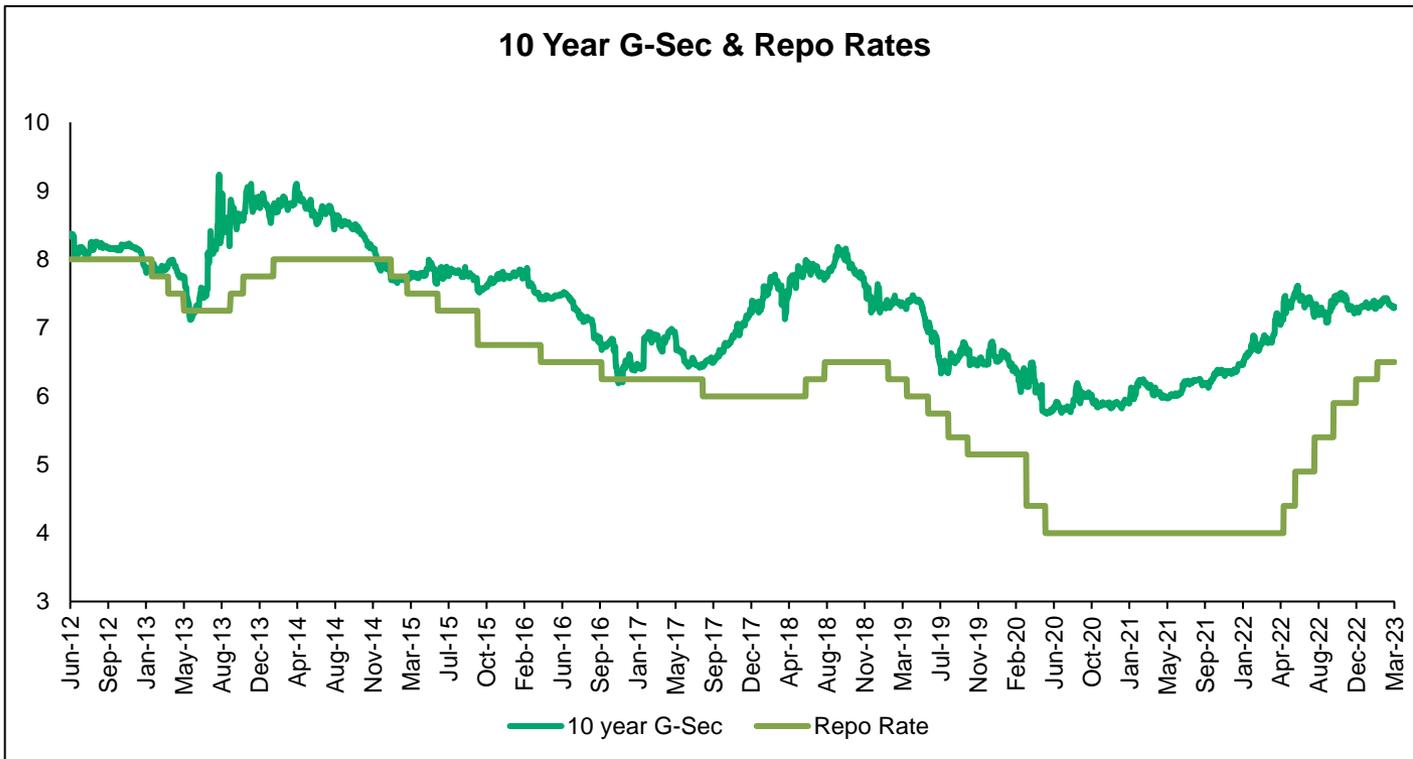
LAF helps RBI manage inflation by increasing or decreasing money supply in the economy.

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 seems comfortable for time being and may see tightening from mid-April onwards after GST due date.

Source: Bloomberg. Data as on 31<sup>st</sup> March 2023.

# Interest Rates



## Why this indicator matters?

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

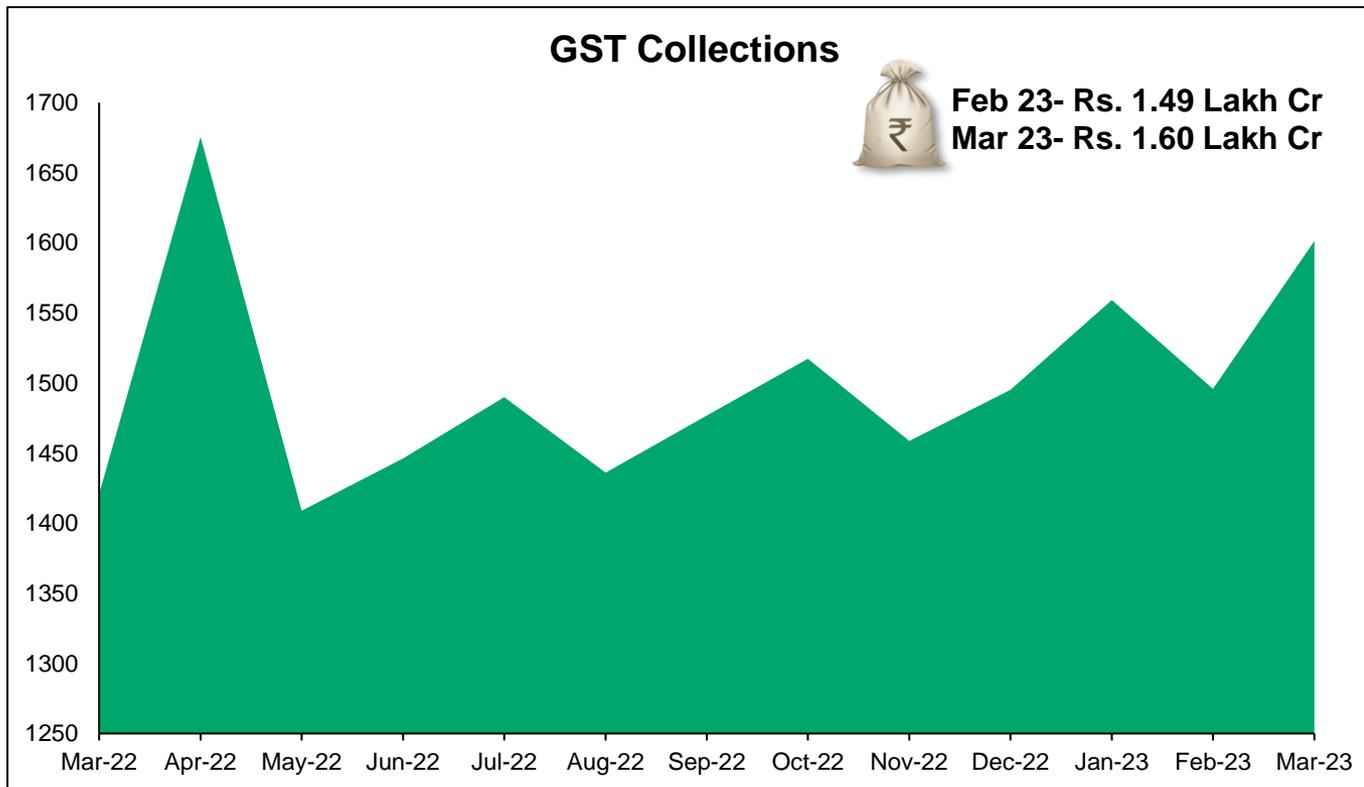
## What it means for investors?

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.
- 10 Year G-sec Yield are up by almost 47 bps during the year.
- The spread between G-sec and Repo stands at 81 bps.

Source: Bloomberg. Data as on 31 March, 2023.

# Monthly GST Collections



## Why this indicator matters?

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

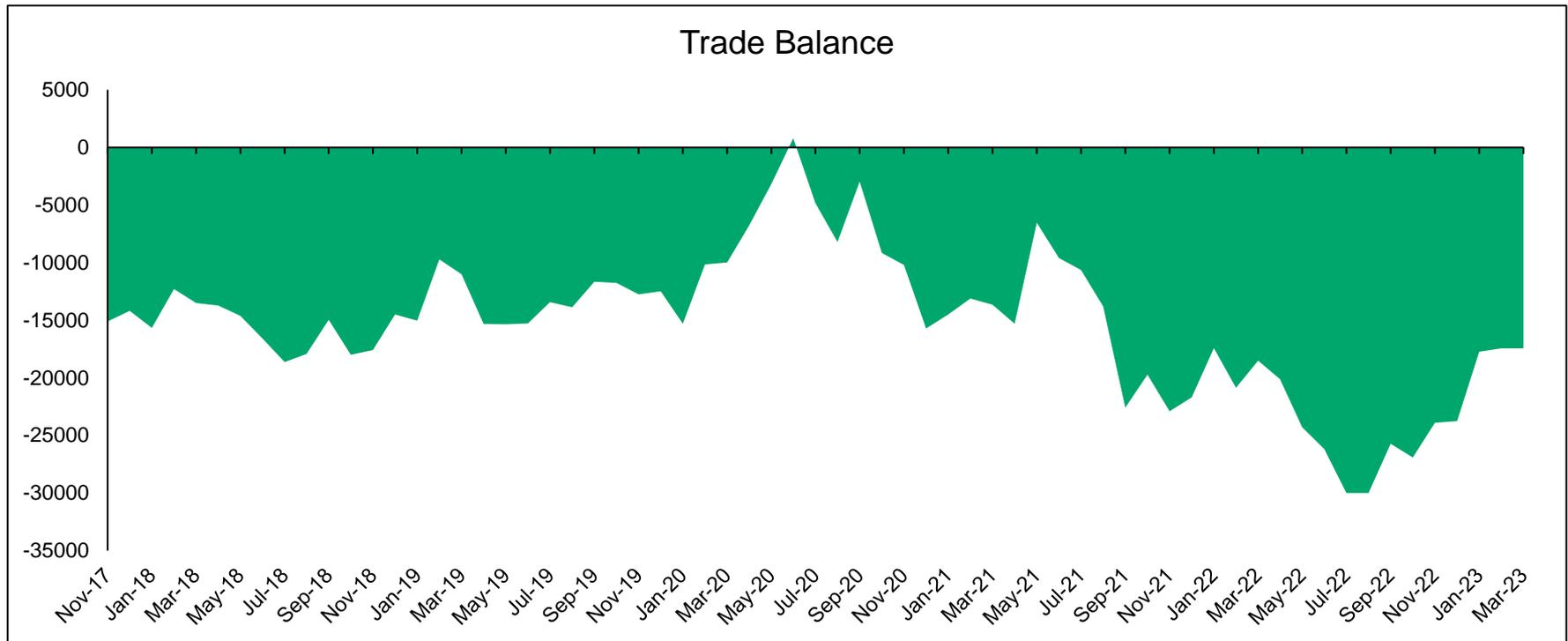
## What it means for investors?

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

- March GST collections showed an increase of 13% Y-o-Y.
- GST collection for Mar-23 touched 1.6 lakh crore, second highest collection till date. Robust GST revenues have been supportive of govt's fiscal deficit target.

Source: Bloomberg. Data as of 31<sup>st</sup> March 2023.

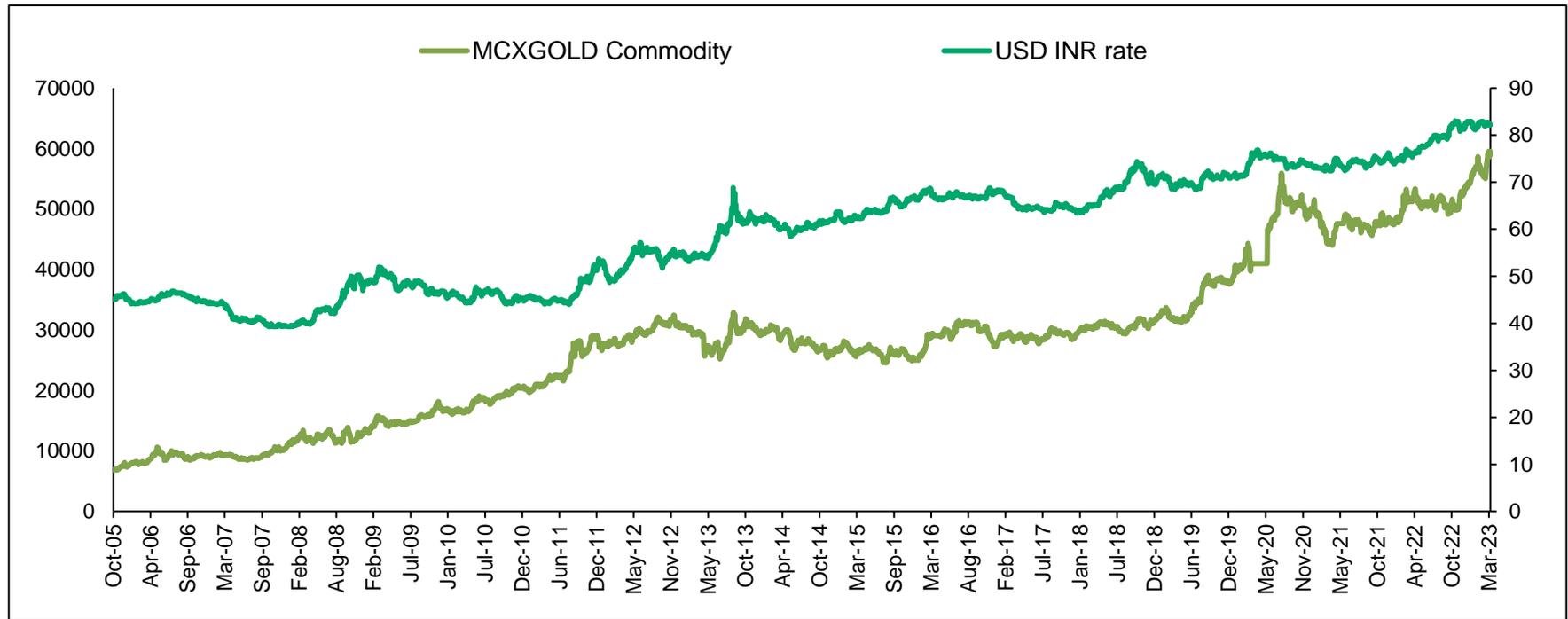
# Balance of Trade



- India's trade deficit widened to USD 17.43 billion in February 2023, up from USD 17.42 billion in the same month last year.
- Low commodity, including lower crude prices, bodes well for India's external sector. On the domestic side, a moderation in imports has kept trade deficit in check.

Source: Bloomberg. Data as of 31<sup>st</sup> March 2023.

# USD-INR Movement & Gold prices

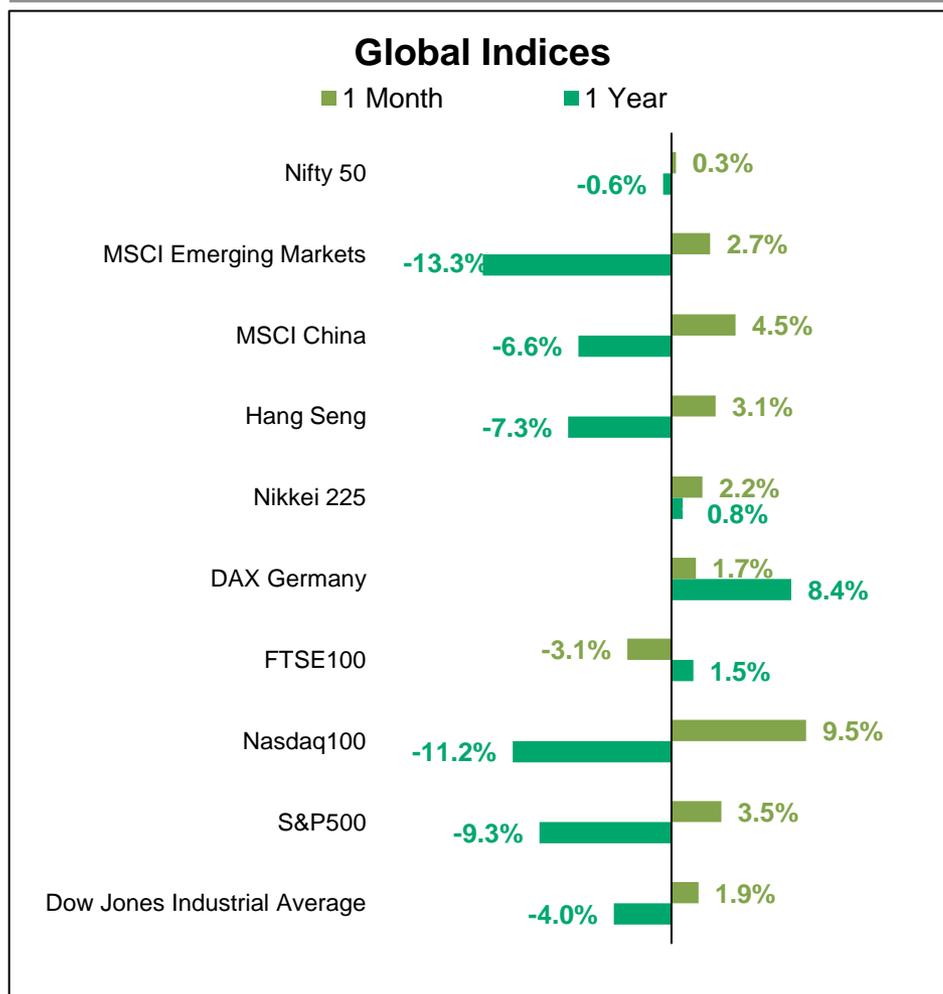


- Rupee closed on 82.18 on the last day of Mar'23, rising 8.4% from Mar'22.
- Economic Survey 2022-23 said the domestic unit may remain under pressure on account of plateauing of exports and subsequent widening of the current account deficit.
- Gold also spiked on account of increase in international gold prices.

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

# EQUITY AND GLOBAL INDICES

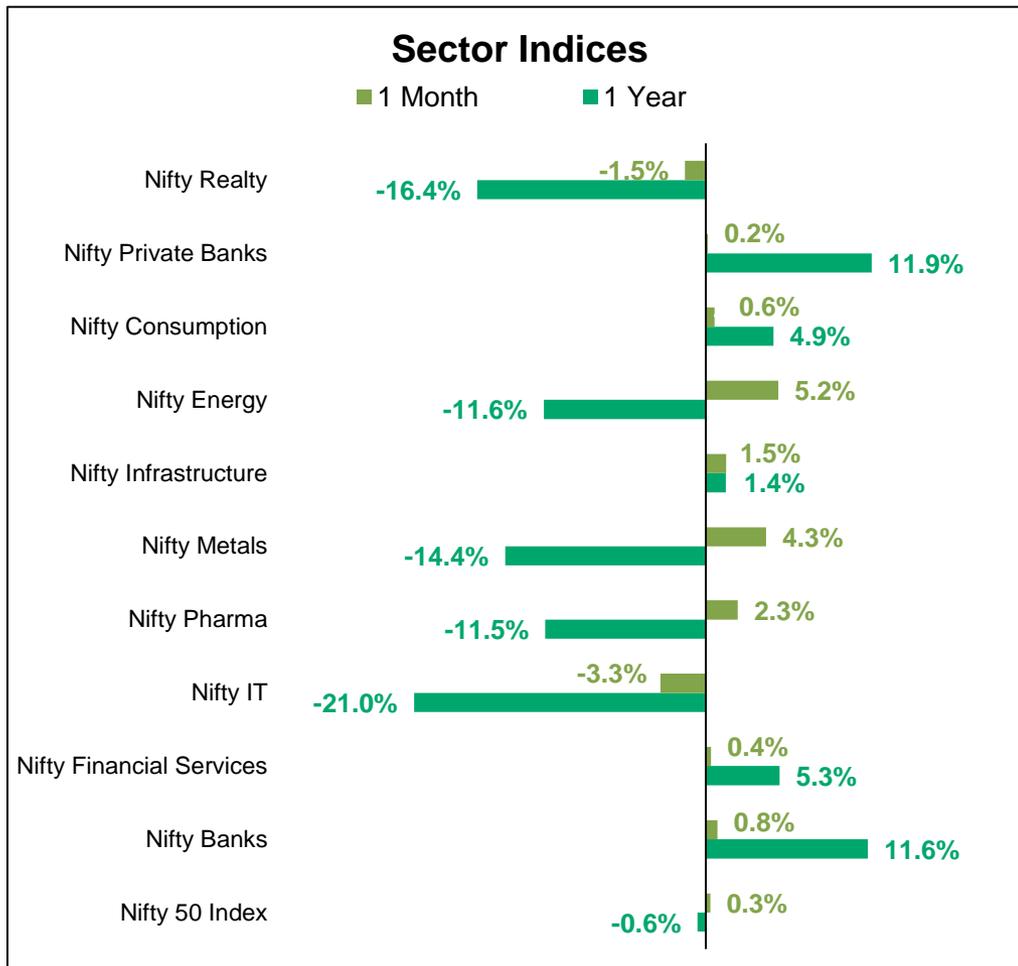
# Global Indices



- In March'23, every index ended in green except **FTSE100** for the month.
- Month of March witnessed heightened activity in equity markets across developed and emerging markets.
- Markets held up well. The Nifty Index was up by 0.3% in the month of March.
- Global markets fared better than India. Hong Kong (+3.1%), US S&P500 (+3.5%), and France (+0.8%) up, while Brazil down by (-3.5%).

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

# Equity Indices

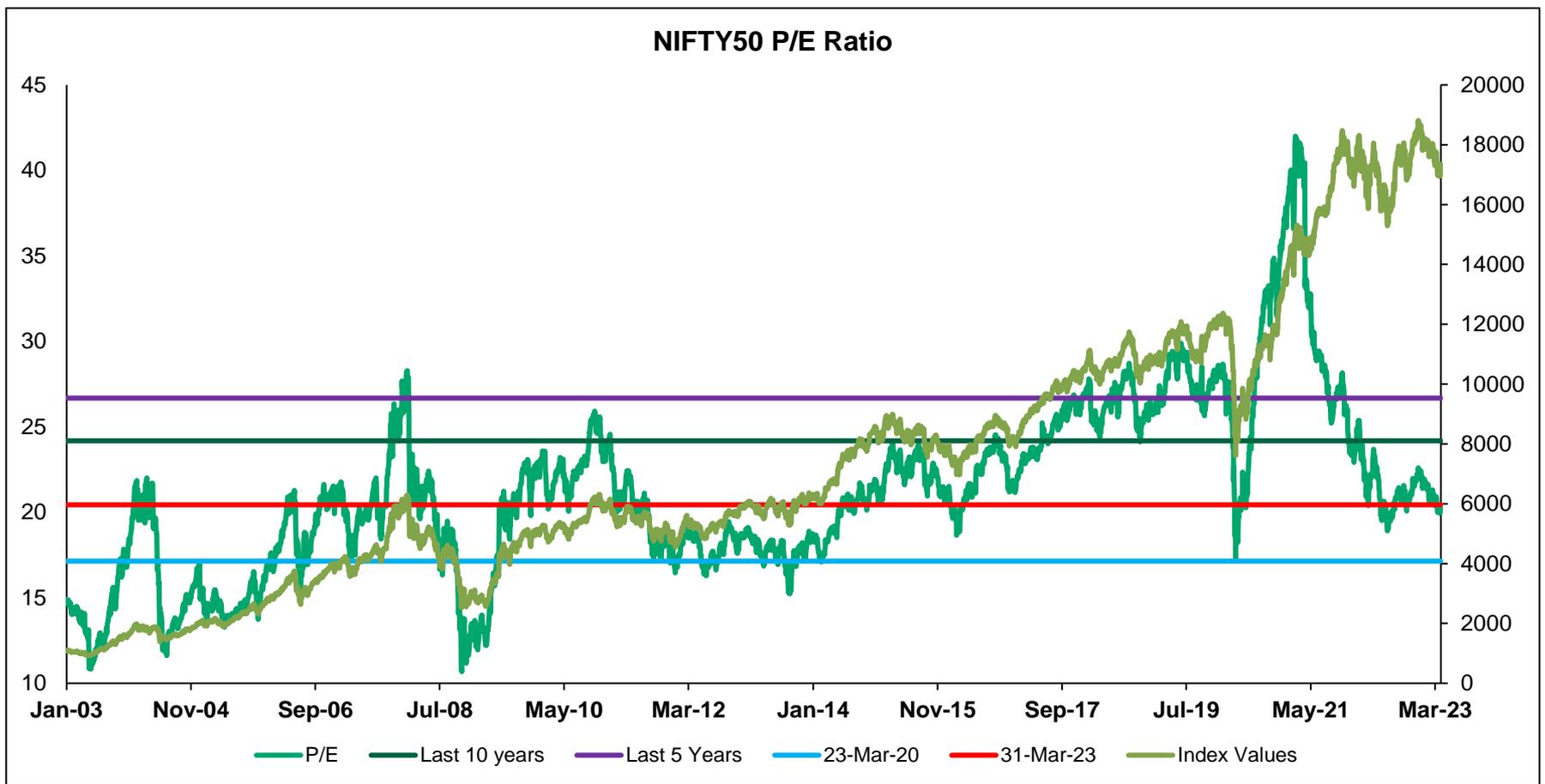


- All sector indexes ended the month in positive except **Nifty Realty** and **Nifty IT**.
- The bottom performer for the month were **Nifty IT (-3.3%)**, and **Nifty Realty (-1.5%)**
- On 1 year basis, Nifty **Banks** and **Nifty Private Banks** were highest gainers while Nifty **IT**, **Nifty Realty** and **Nifty Metals** were laggards.

Source: Bloomberg. Data as of 31 March 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 5 & 10 years average.**

Source: NSE India. Data as of 31 March 2023.

Past Performance may or may not be sustained in future.

# Sector Positioning of Equity Portfolios

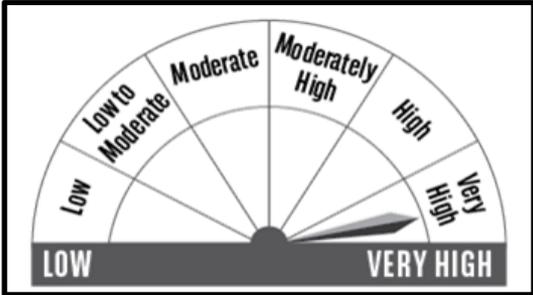
GICS Sectors	BBNPP Large Cap Fund	BBNPP Large & Mid Cap Fund	BBNPP Flexi Cap Fund	BBNPP Multi Cap Fund	BBNPP Mid Cap Fund	BBNPP Focused Fund	BBNPP India Consumption Fund	BBNPP Banking & Financial Services Fund	BBNPP Business Cycle Fund	BBNPP ELSS Fund
Consumer Discretionary	9.5%	10.8%	9.9%	11.0%	15.3%	7.0%	29.2%	0.0%	7.5%	11.6%
Consumer Staples	8.6%	4.9%	12.0%	5.9%	3.0%	6.9%	39.5%	0.0%	13.1%	6.6%
Energy	9.1%	5.5%	8.6%	4.0%	5.7%	6.1%	0.0%	0.0%	11.0%	5.7%
Financials	31.8%	23.1%	24.4%	19.8%	21.3%	28.1%	9.1%	95.0%	24.1%	29.5%
Health Care	3.7%	6.7%	3.0%	11.2%	6.6%	2.7%	0.0%	0.0%	9.0%	4.3%
Industrials	9.0%	9.8%	10.7%	12.6%	17.2%	16.5%	2.4%	0.0%	8.1%	11.6%
Information Technology	13.7%	9.9%	10.8%	7.6%	3.4%	8.7%	0.0%	0.0%	9.8%	10.1%
Materials	4.9%	12.2%	4.9%	13.8%	12.0%	12.1%	4.4%	0.0%	7.2%	8.4%
Real Estate	0.0%	3.7%	3.1%	2.7%	1.0%	0.0%	0.0%	0.0%	0.0%	2.7%
Communication Services	2.0%	2.4%	3.4%	2.9%	1.2%	4.9%	9.2%	0.0%	1.6%	3.1%
Utilities	3.3%	6.3%	3.9%	4.1%	5.6%	3.2%	0.0%	0.0%	2.5%	3.8%
Cash/Debt/ Derivatives	4.6%	4.7%	5.4%	4.6%	7.6%	3.8%	6.0%	5.0%	6.1%	2.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Top 5 sectors with largest holdings. Excluding cash/debt/derivatives.

Source: Internal. Data as of 31<sup>st</sup> March 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><b>Baroda BNP Paribas Large Cap Fund</b> (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><b>Baroda BNP Paribas Large &amp; Mid Cap Fund</b> (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><b>Baroda BNP Paribas Mid Cap Fund</b> (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><b>Baroda BNP Paribas Multi Cap Fund</b> (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><b>Baroda BNP Paribas ELSS Fund</b> (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><b>Baroda BNP Paribas Business Cycle Fund</b> (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 &amp; equity related securities, including equity derivatives in Indian markets with focus on riding business cycles through dynamic allocation between various sectors &amp; stocks at different stages of business cycles in the economy</p>
<p><b>Baroda BNP Paribas Focused Fund</b> [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 &amp; money market instruments.</p>	<p><b>Baroda BNP Paribas Banking and Financial Services Fund</b> (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 &amp; Financial Services Sector.</p>	
<p><b>Baroda BNP Paribas India Consumption Fund</b> (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 &amp; 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 31 March 2023.*

# Disclaimers

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

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**THANK YOU**