

MONTHLY OUTLOOK

MAY 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 **2%** during the month. The breadth was positive with **small cap and midcap indices outperforming large cap** names.
- Global equity markets grappled with volatility as discussions around US debt ceiling weighed on market sentiments. Consequently, **Indian Equity market outperformed** most of the developed market; **US (-3%), Germany (-2%), Great Britain (-5%) and Hong Kong (-7%)**.
- A resilient Q4 performance by Indian corporates, strong FPI flows and tailwinds from lower inflation ahead led to positive sentiments during the month.
- **Headline CPI inflation** for April **declined to an 18-month low of 4.7% YoY** from 5.7% YoY in March, driven by a high base last year.
- **US CPI inflation for April stood at 4.9%** led by decline in energy prices and food prices.
- The **global inflation outlook has improved** in recent months, because of monetary tightening across major developed markets, **although core inflation has stayed high**. The progress on inflation has allowed the US Fed to pause its rate hike cycle, but bond markets are pricing in cuts after a brief pause.
- **India's 4QFY23 GDP growth recorded a stronger-than-expected 6.1% QoQ**. Growth in construction and financial services were the key surprises. 4QFY23 (Mar-2023) real GDP growth came in at 6.1% QoQ pushing the full year **FY23 real GDP growth to 7.2%**, versus the earlier estimate of 7%.
- Amid a challenging global macro backdrop, India Inc.'s profitability remained healthy in 4QFY23.
- Overall, Nifty is up 2.4% on year-to-date basis, underperforming global peers. With likely benefits from lower raw material costs, double digit earnings growth is likely. Key risks emanate from El- Nino led deficient rainfall and spike in crude and other energy prices.

Source: Motilal Oswal Securities, Bloomberg, Kotak Securities. Data as on 31st May 2023



Fixed Income Markets Outlook

- **Global Economy -**

Short term fixes to the brewing issues in the US banking system have settled an uneasy calmness in the global financial system. Advanced economies are still bearing the brunt of ultra loose fiscal policies implemented during the pandemic. One such recent episode is the **US debt ceiling crisis**, for now the looming crisis from breaching the debt ceiling has been avoided with the suspension of the same. Global growth is expected to see a drag led by advanced economies and a weaker recovery in China.

- **Domestic Economy -**

Amidst a completely uncertain global growth scenario India growth outlook is poised to be a stable one. India Q4 FY23 **GDP growth stood at 6.1% y/y** higher than market expectations of 5% growth rate. The positive surprise was supported by lower drag from net exports on GDP and pickup in gross fixed capital formation a proxy for investments. Exports increased by 11.9% y/y (8.3% q/q) In Q4 FY23, whereas imports increased by 4.9% y/y (-1.4% q/q), thus overall drag on the GDP remained lower than last year same quarter.

Outlook –

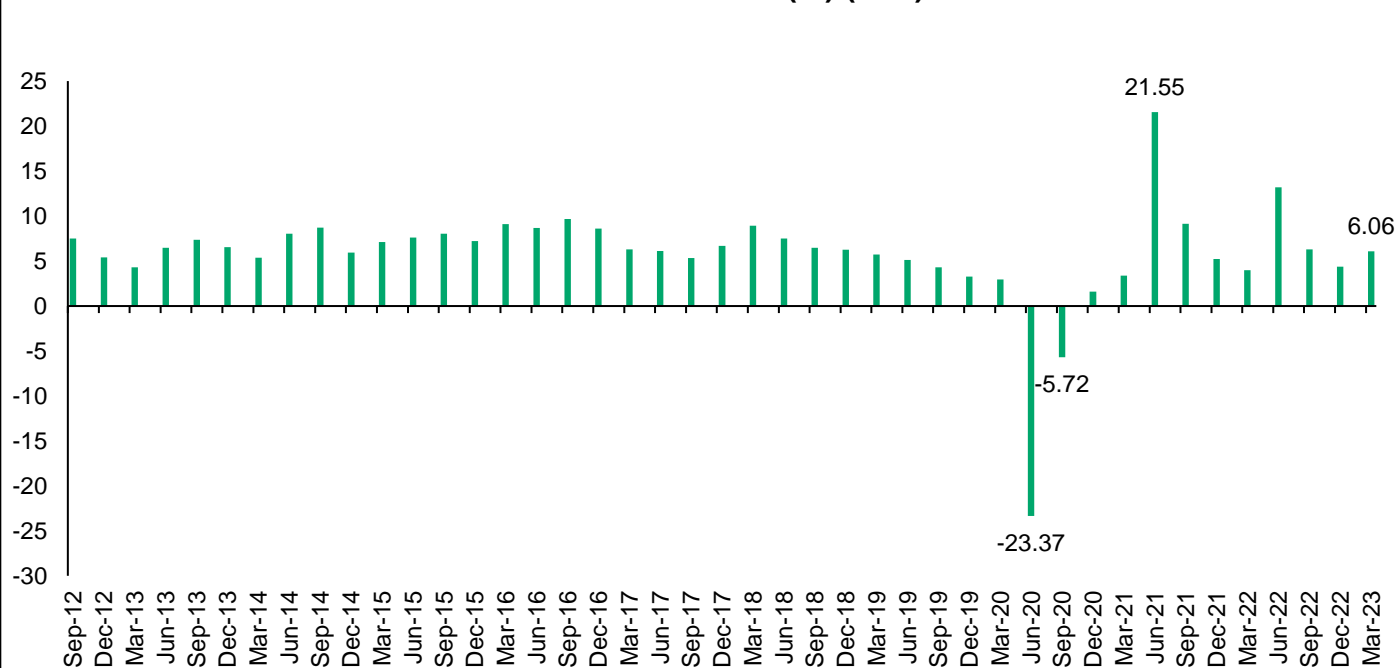
1. Looking ahead, FY24 is expected to be the year approaching normalcy, with inflation having peaked and growth showing signs of resilience.
2. With the current macroeconomic scenario, where we expect the banking system liquidity to remain comfortable and with repo rate at 6.50%, with a high possibility of long pause; we expect the yield curve to bull steepen.
3. We expect less possibility of rate cuts in current year FY24 keeping in mind India's growth resilience and sticky core inflation.

Source: Bloomberg, RBI, PIB, MOSPI and Internal Research. Data as on 31st May 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.

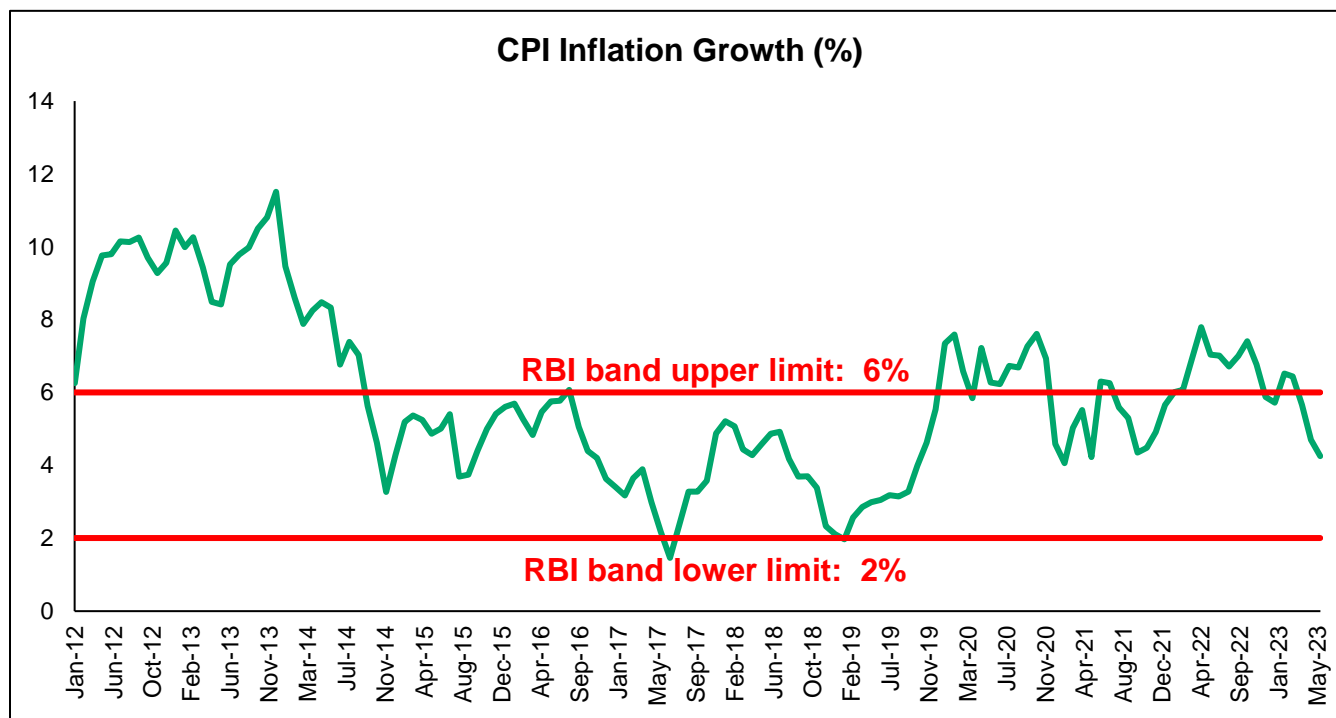
What it means for investors?

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.

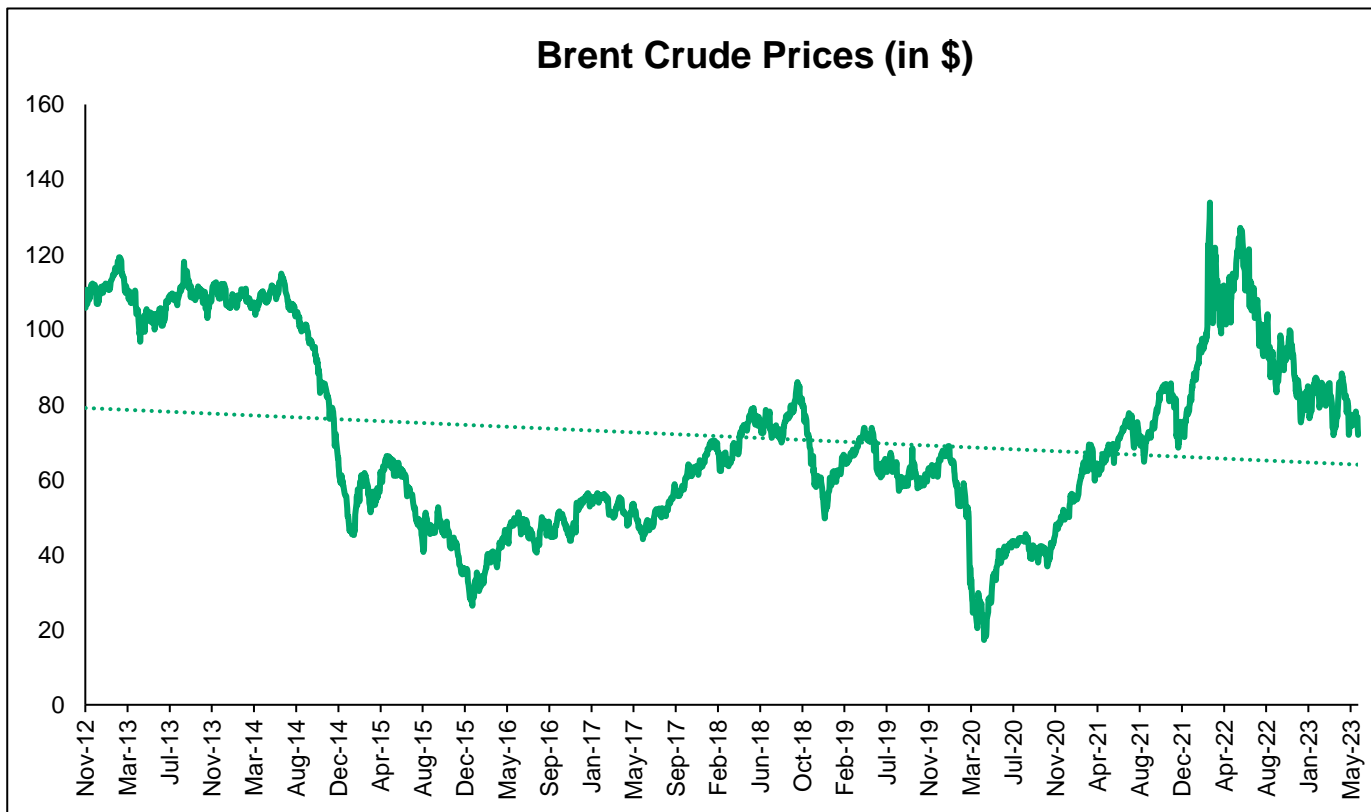
What it means for investors?

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 CPI inflation for April declined to an 18-month low of 4.7% YoY from 5.7% YoY in March, driven by a high base last year.
- Food inflation dropped to 4.2% YoY from 5.1% YoY in March, mainly driven by lower edible oils, fruits, and cereals inflation due to a high base last year.

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

Crude Oil Prices



Why this indicator matters?

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

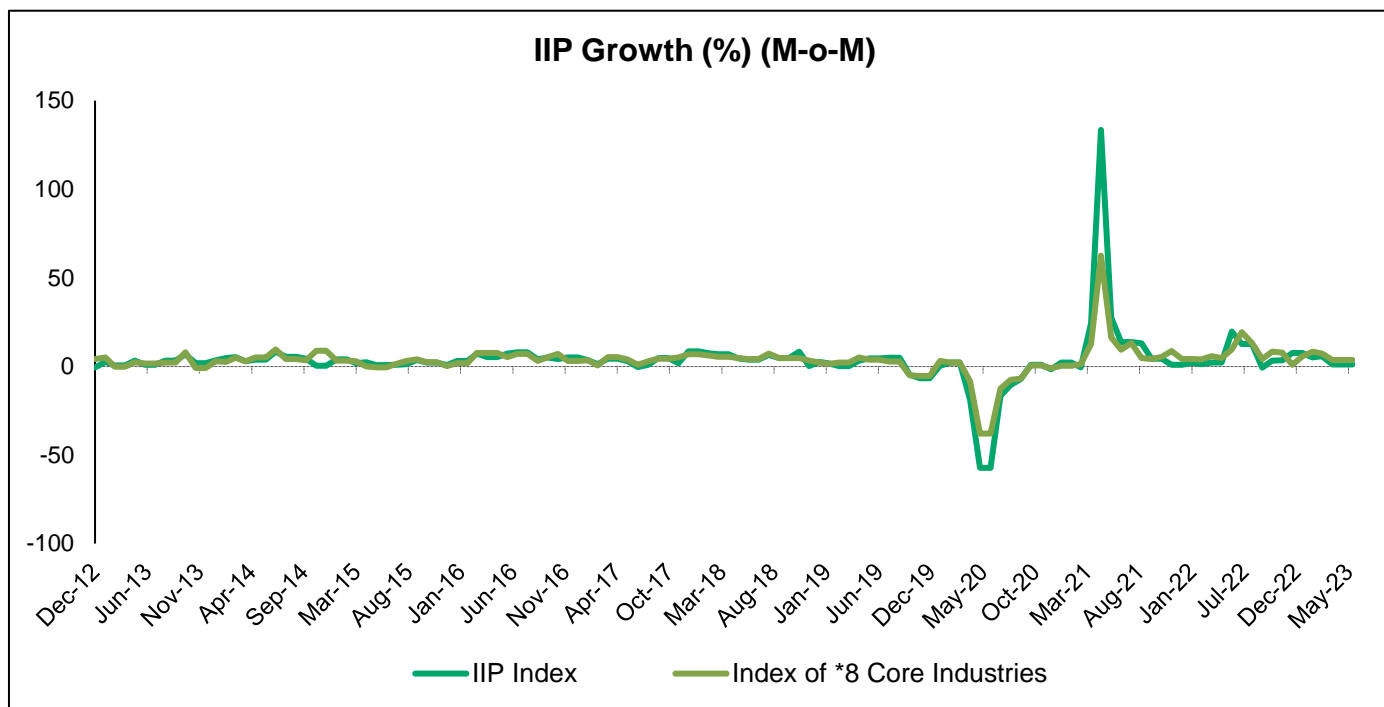
What it means for investors?

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

- On May 31, 2023, the Brent crude oil price stood at **\$71.98 per barrel, a decline of 11.5% from April 2023**— which is one of the most important benchmarks used as a reference for oil and gasoline prices.
- Crude oil prices eased as worries that sluggish global economic growth could reduce energy demand.

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

Index of Industrial Production (IIP)



- Growth in IIP for May 2023 was led by increase in mining, manufacturing, and electricity production.
- Output of India's 8 core industries fell by 0.63% in May'23 from May'22.

Why this indicator matters?

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

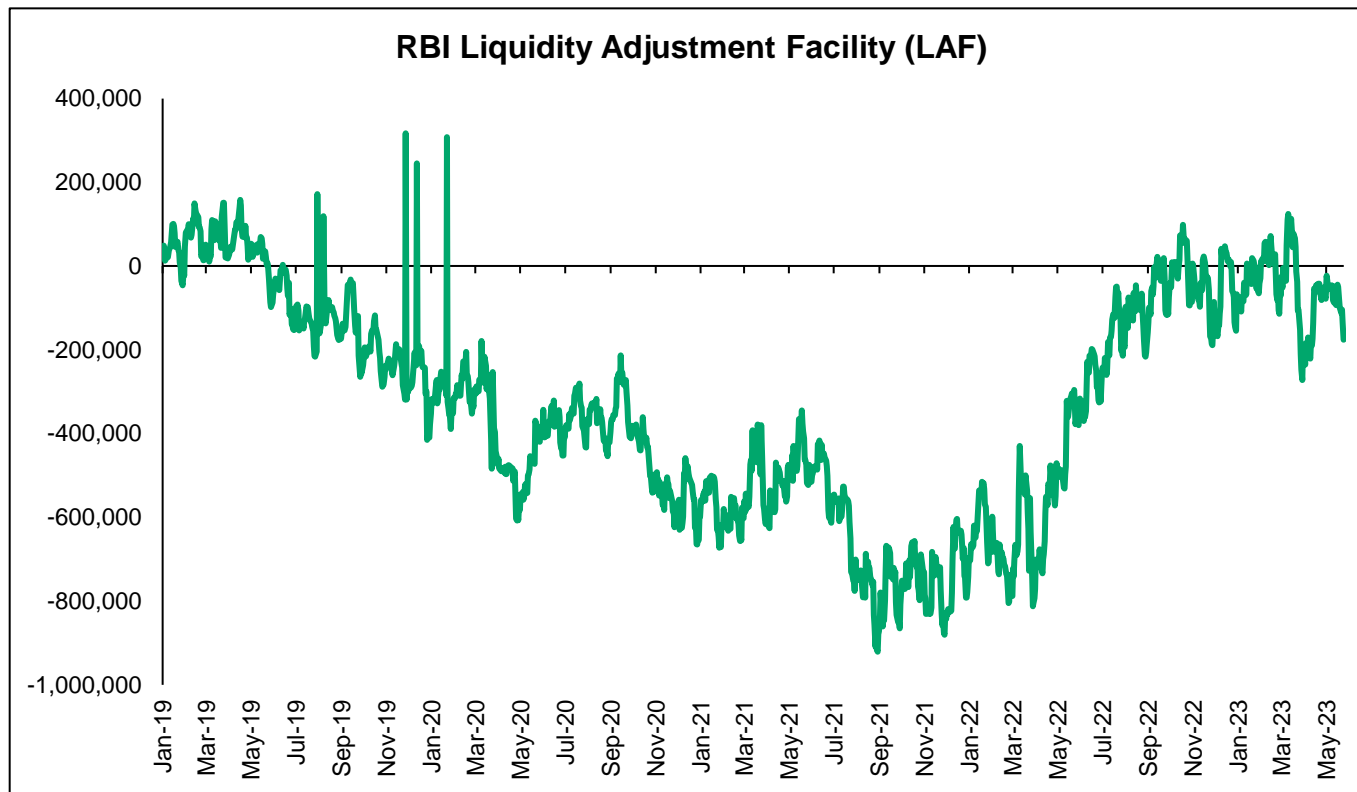
What it means for investors?

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 31st May 2023.

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

RBI liquidity status



Why this indicator matters?

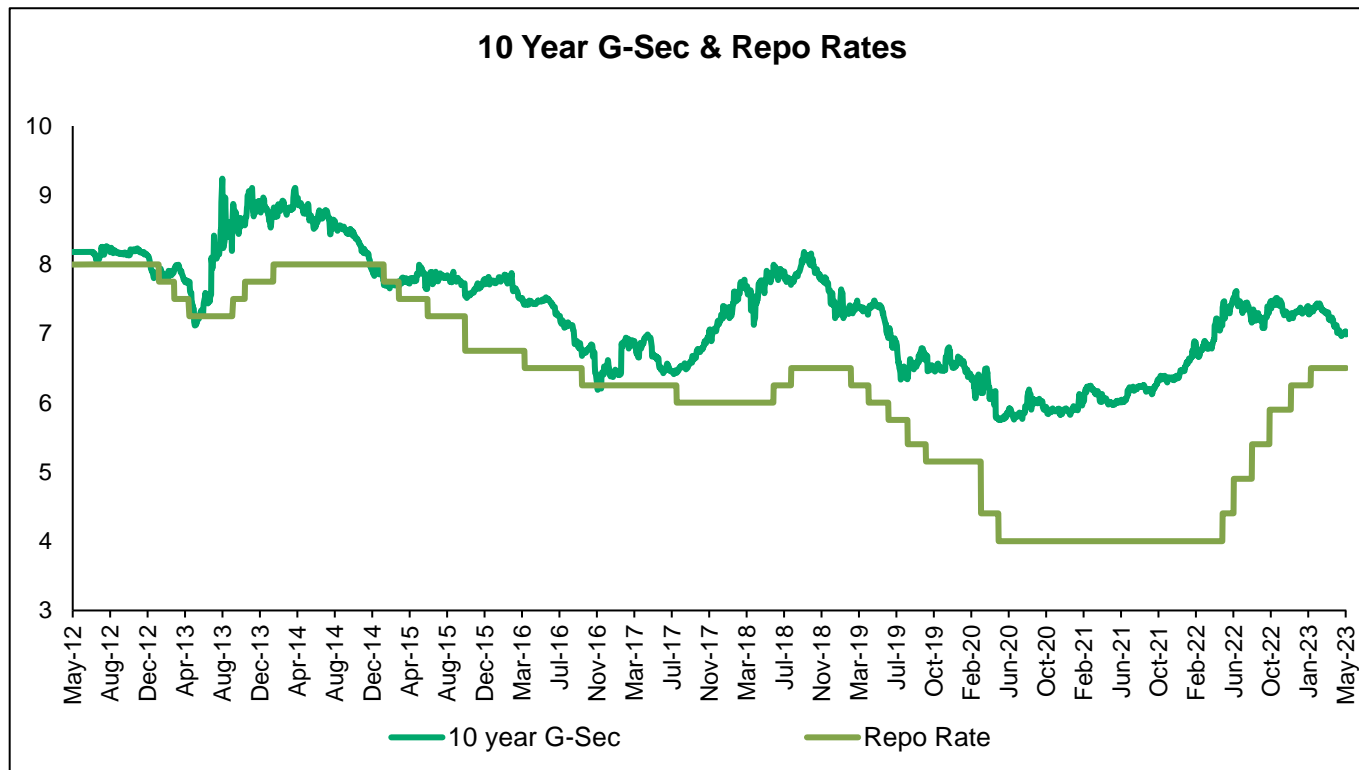
LAF helps RBI manage inflation by increasing or decreasing money supply in the economy.

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.

- The liquidity in the banking system improved after the withdrawal of Rs 2,000 notes from circulation and was further aided by government month-end spending.
- Currently, the liquidity in the banking system is estimated to be in surplus of around Rs 1.76 lakh crore by month end, rising from Rs 80,614.45 crore on May 25.
- Going forward, the liquidity in the banking system is expected to tighten due to various lined-up outflows such as advance tax payments, excise tax and Goods and Services Tax (GST).

Source: Bloomberg, Money Control. Data as on 31st May 2023.

Interest Rates



Why this indicator matters?

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

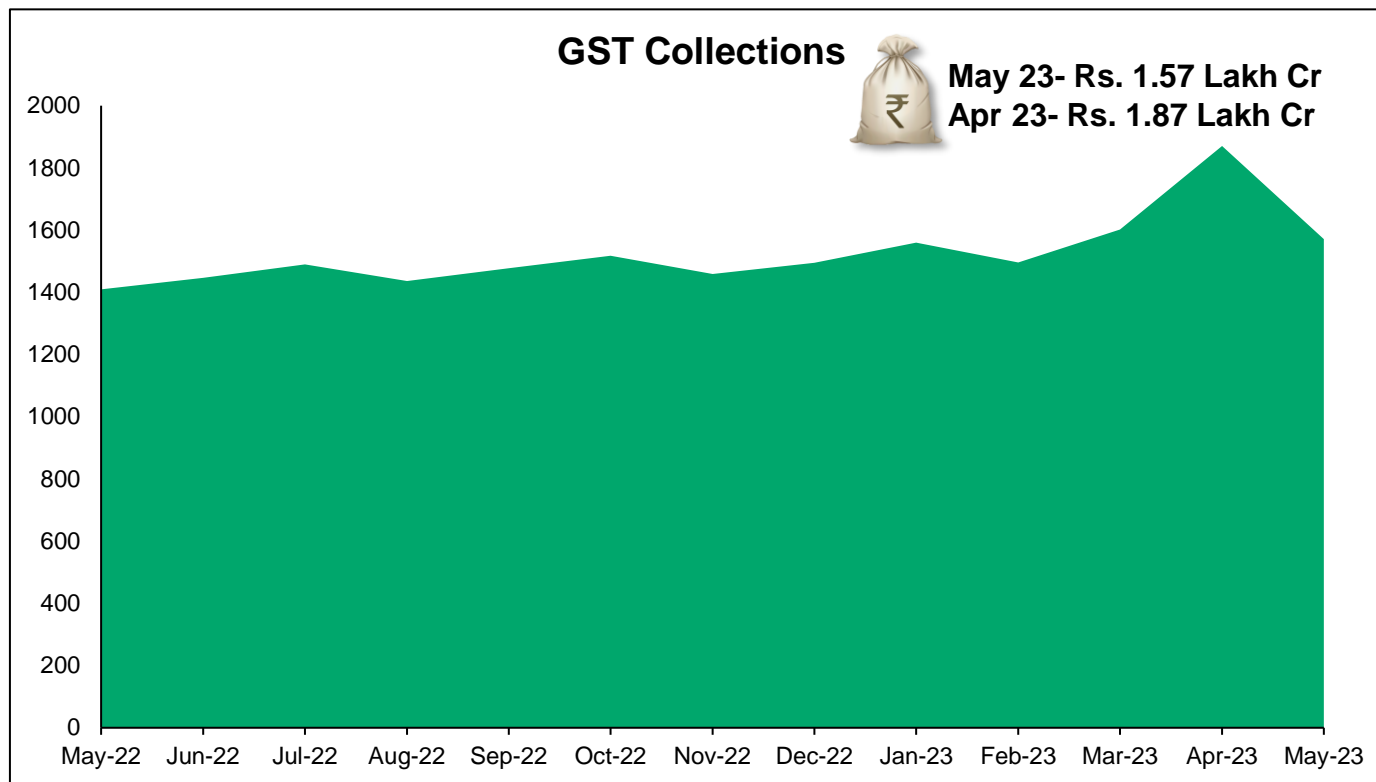
What it means for investors?

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.
- Since the policy, G-sec has been in a downtrend, falling from 7.2% to as little as 6.9%
- The spread between G-sec and Repo stands at 49 bps.

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

Monthly GST Collections



Why this indicator matters?

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

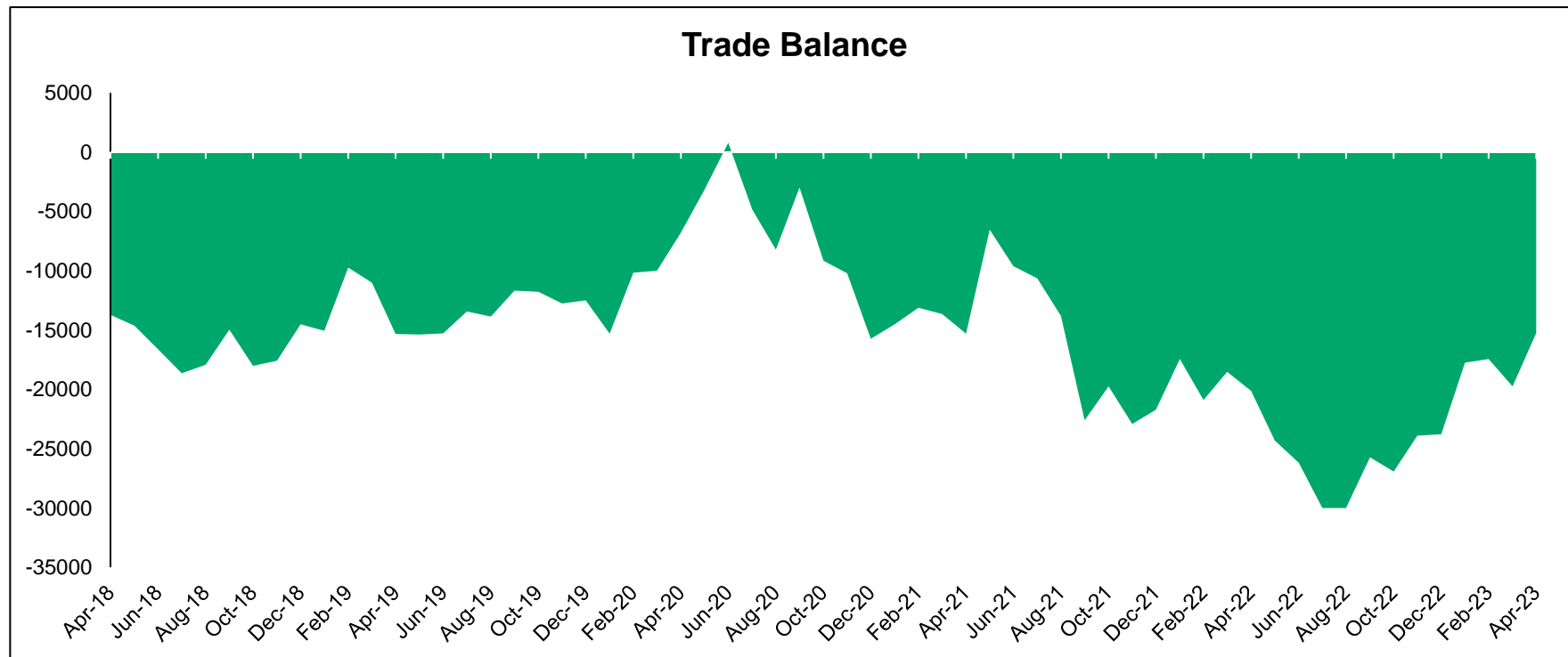
What it means for investors?

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

- May GST collections showed an increase of 11.5% Y-o-Y.
- GST collection for May 2023 touched 1.50 lakh crore, a significant decrease from 1.87 Lakh Crore collected in April 2023.
- Robust tax collection and higher than expected RBI dividend kept central government's fiscal deficit at 6.4% in FY23.

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

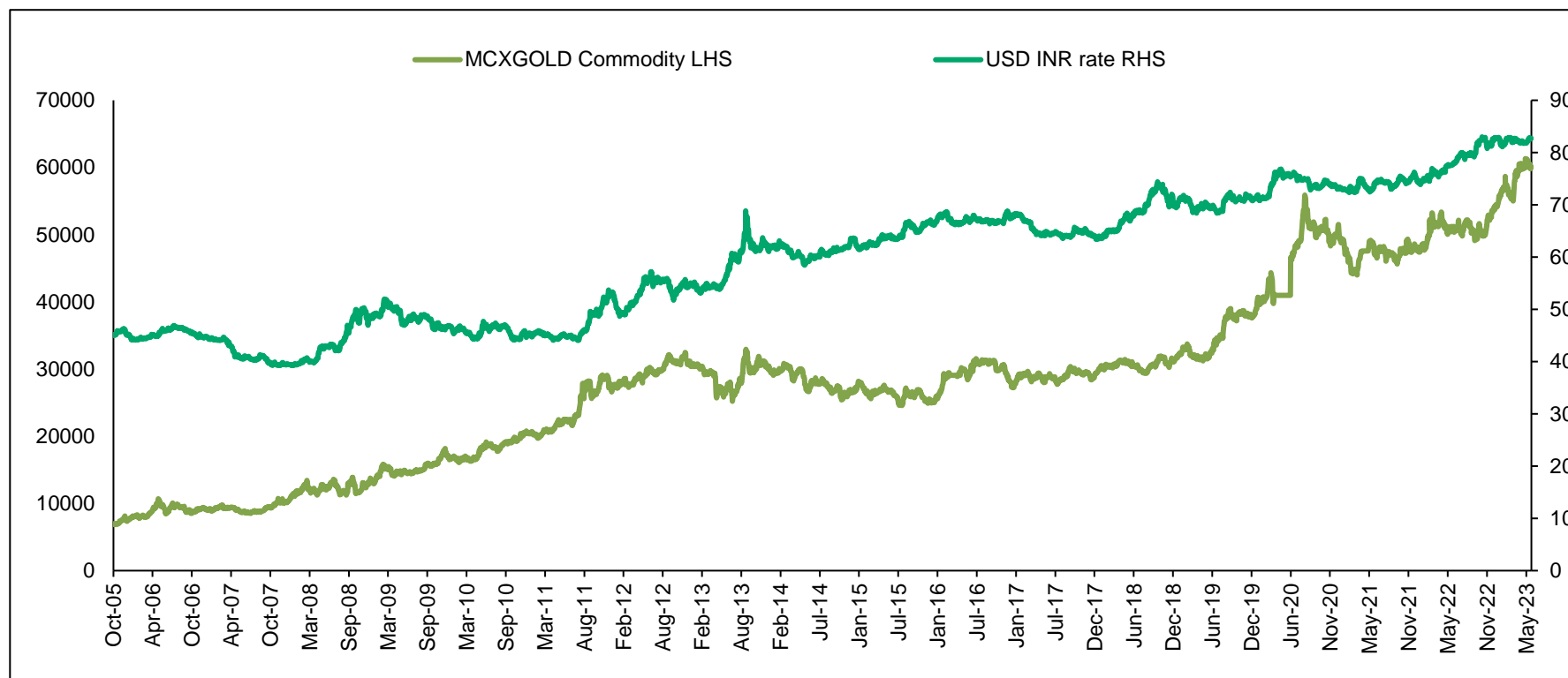
Balance of Trade



- India's trade deficit decreased to USD 15.23 billion in April 2023, down from USD 20.1 billion in the same month last year.
- Exports increased by 11.9% y/y (8.3% q/q) In Q4 FY23, whereas imports increased by 4.9% y/y (-1.4% q/q), thus overall drag on the GDP remained lower than last year same quarter.

Source: Bloomberg. Latest Available Data as of 28 April, 2023.

USD-INR Movement & Gold prices

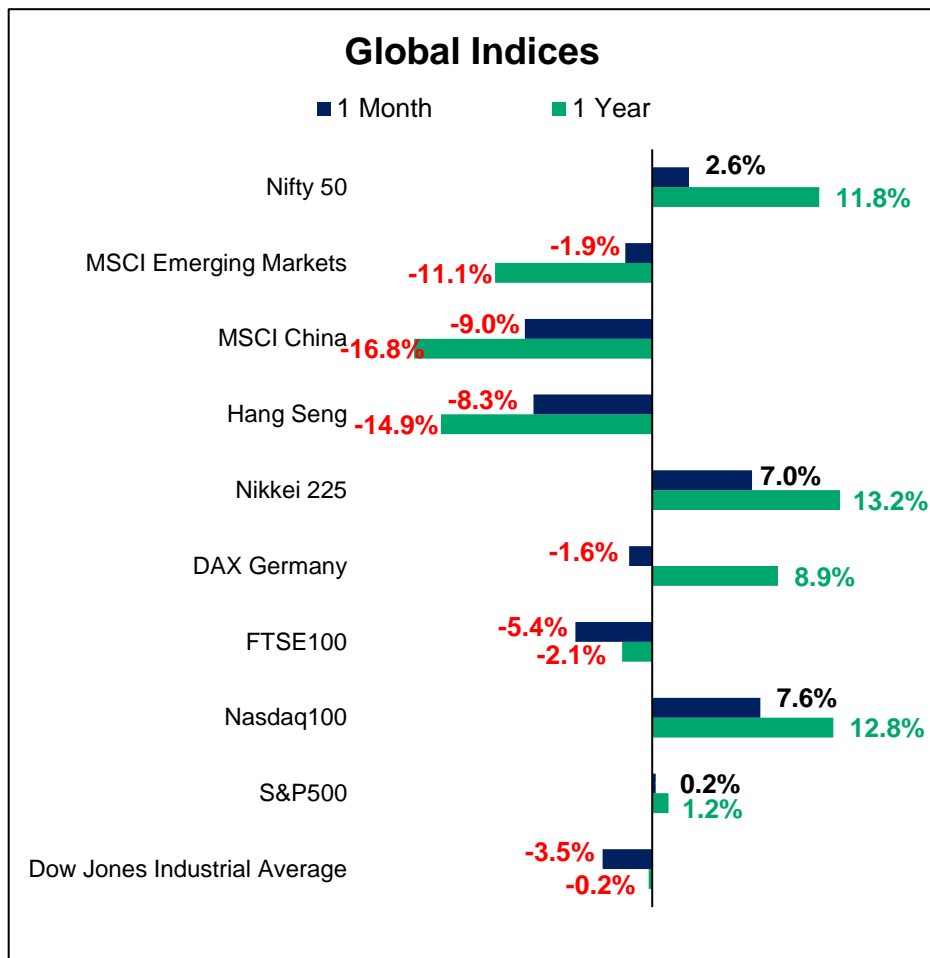


- Rupee closed on 82.72 on the last day of May 2023, rising 6.6% from May 2022.
- Economic Survey 2022-23 said the domestic unit may remain under pressure on account of plateauing of exports and subsequent widening of the current account deficit.
- Gold also spiked on account of increase in international gold prices, reaching 60,133 on the last day of May 2023.

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

EQUITY AND GLOBAL INDICES

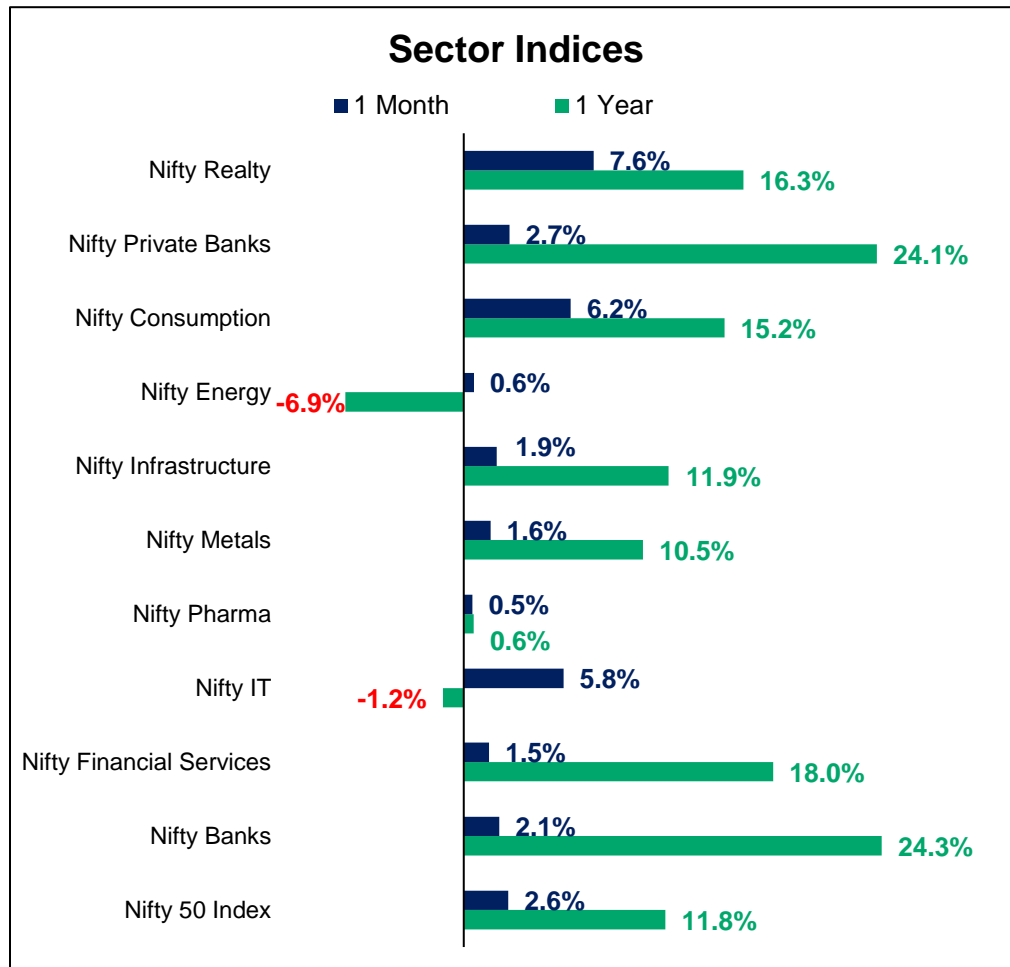
Global Indices



- Nifty 50 Index (Nifty) rallied by 2% during the month. The breadth was positive with small cap and midcap indices outperforming large cap names.
- Global equity markets grappled with volatility as discussions around US debt ceiling weighed on market sentiments.
- Consequently, Indian Equity market outperformed most of the developed market; US (-3%), Germany (-2%), Great Britain (-5%) and Hong Kong (-7%).

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

Equity Indices

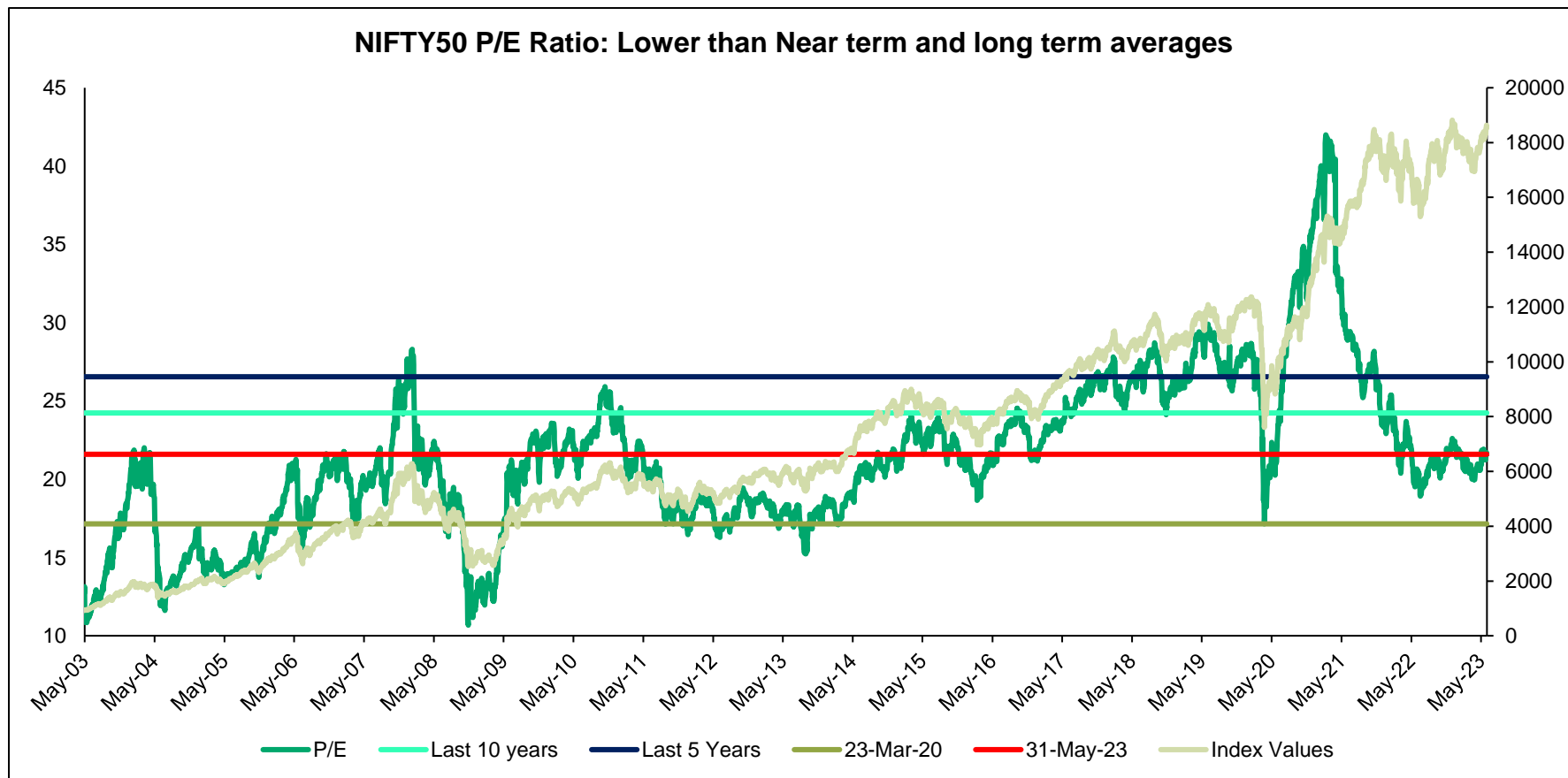


- All sector indexes ended the month in positive.
- The top performer for the month were **Nifty Realty (7.6%)** and **Nifty IT (5.8%)**
- On 1 year basis, **Nifty Banks and Nifty Private Banks** were highest gainers while **Nifty IT and Nifty Energy** were laggards.

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

Past Performance may or may not be sustained in future.

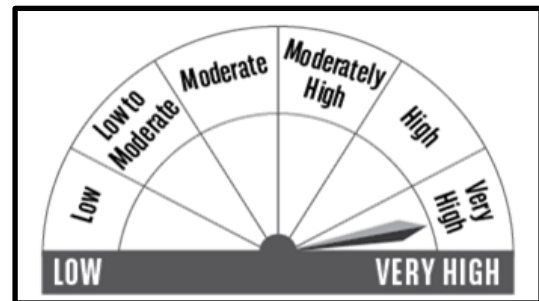
Sector Positioning of Equity Portfolios

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	9.8%	13.8%	10.6%	12.4%	15.1%	8.1%	30.1%	0.0%	7.5%	11.4%
Consumer Staples	8.6%	5.2%	12.6%	6.1%	3.0%	7.2%	38.4%	0.0%	13.6%	6.7%
Energy	9.1%	5.3%	8.2%	4.0%	5.6%	6.9%	0.0%	0.0%	11.5%	5.7%
Financials	32.2%	24.4%	25.8%	20.1%	21.8%	24.7%	9.2%	95.6%	26.0%	29.7%
Health Care	3.6%	6.8%	4.3%	11.0%	6.0%	3.1%	0.0%	0.0%	10.1%	4.3%
Industrials	9.3%	9.1%	10.5%	12.1%	16.9%	16.3%	3.3%	0.0%	7.7%	11.9%
Information Technology	12.5%	8.7%	9.1%	6.9%	3.5%	8.2%	0.0%	0.0%	8.3%	9.4%
Materials	5.4%	11.9%	5.6%	13.8%	13.1%	11.7%	4.4%	0.0%	7.1%	9.4%
Real Estate	0.0%	3.9%	3.3%	2.8%	1.0%	0.0%	0.0%	0.0%	0.0%	2.6%
Communication Services	2.4%	2.4%	3.4%	2.6%	1.1%	4.9%	9.2%	0.0%	1.7%	3.2%
Utilities	3.3%	6.6%	3.9%	3.3%	5.7%	3.2%	0.0%	0.0%	2.8%	2.9%
Cash/Debt/ Derivatives	3.7%	1.9%	2.6%	5.0%	7.2%	5.7%	5.4%	4.4%	3.8%	2.8%
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 May 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 31 May 2023.

Disclaimers

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



THANK YOU