

# MONTHLY OUTLOOK

**FEBRUARY 2024**



***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.



# Key Highlights

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## Global Economy

- February 2024 is a perfect example of how offsetting and upsetting a month can be.
- Reversing the gains of January 2024, in terms of decline in crude prices, softening of US yields and now added uncertainty to the global monetary policy dynamics.
- Starting from hotter inflation numbers in US and better than expected payroll numbers, the dilemma of growth and inflation dynamics started to kick in.
- Expectations of march rate cuts were off the table, bringing in revisions on quantum of rate cuts this year.
- February 2024 is a clear example of the last mile challenge, with a slowdown in the disinflationary process, a typical for the last phase of monetary tightening.
- Service inflation remains the key driver of inflation in advanced economies, whereas commodity prices have remained stable, with some upticks in brent prices.

## Domestic Economy

- India's GDP growth for FY24 remained robust relative to other economies and continues to clock in a number closer to 8%, looking at the Q1, Q2 and Q3 growth rate.
- With a surprising 8.4% y/y growth in Q3 FY24, the number is not reflecting any incremental strength in the economic activity, rather it's a one off coming from higher net tax collections.
- Estimates for FY24 has seen revisions to a 7.6% y/y growth but estimates for FY25 have not seen any significant changes.
- High frequency growth indicators continue to reflect a stronger growth trajectory.
- India's manufacturing sector approached the end of the current fiscal year with a further pick-up in growth in Feb-2024.
- Rising from 56.5 in January to 56.9 in February 2024, India PMI index reflected the manufacturing activity to be supported by both Domestic and external demand.

## Equity Markets

- Indian markets ended February on a higher note. The Nifty 50 Index was up 1.2%.
- The Nifty 500 companies delivered strong performance and reported an earnings growth of 25% year on year in 3QFY24.
- The earnings growth was led by the healthy earnings performance of the BFSI and Auto sectors, which reported 22% and 59% year on year earnings growth, respectively.
- O&G reported healthy 40% year on year earnings growth fuelled by OMC's soaring profitability due to strong marketing margins.
- The Nifty 500 aggregate sales/EBITDA/adj. Profit after tax grew 5%/15%/25% year on year during the quarter.

Source: PIB, RBI, Bloomberg, BOJ, FOMC, BOE, ECB, MOSPI. JM Financials, Kotak Institutional Equities. Data as on 29<sup>th</sup> February 2024

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# Outlook

## Fixed Income Markets Outlook

- Domestic rates have moderated further in February 2023, driven by fiscal prudence and strong FPI flows.
- Global commodity prices have also well behaved in January and February and have not caused any serious concern for inflation.
- Recent pickup in economic activity in the US have moved the consensus expectations of march rate cuts off the table and is in line with our expectations of any rate cut to materialize in second half of 2024.
- Expectations on quantum of rate cuts have also seen revisions.
- On the domestic front, we saw core inflation further cooling down to 3.6% y/y in Jan-2024, a positive for RBI on inflation management.
- Growth indicators has witnessed a strong pickup in Jan-2024, rubbing off any seasonal drag in Dec-2023.
- Liquidity conditions improved by end of Feb-2024 and is expected to improve further led by sizeable govt balances.
- Everything said and done, the sentiment still plays out a downside for Indian bond yields, with expectations of rate cuts and the bond index inclusion driven flows and any uptick in yields to be an opportunity to buy.

## Equity Markets Outlook

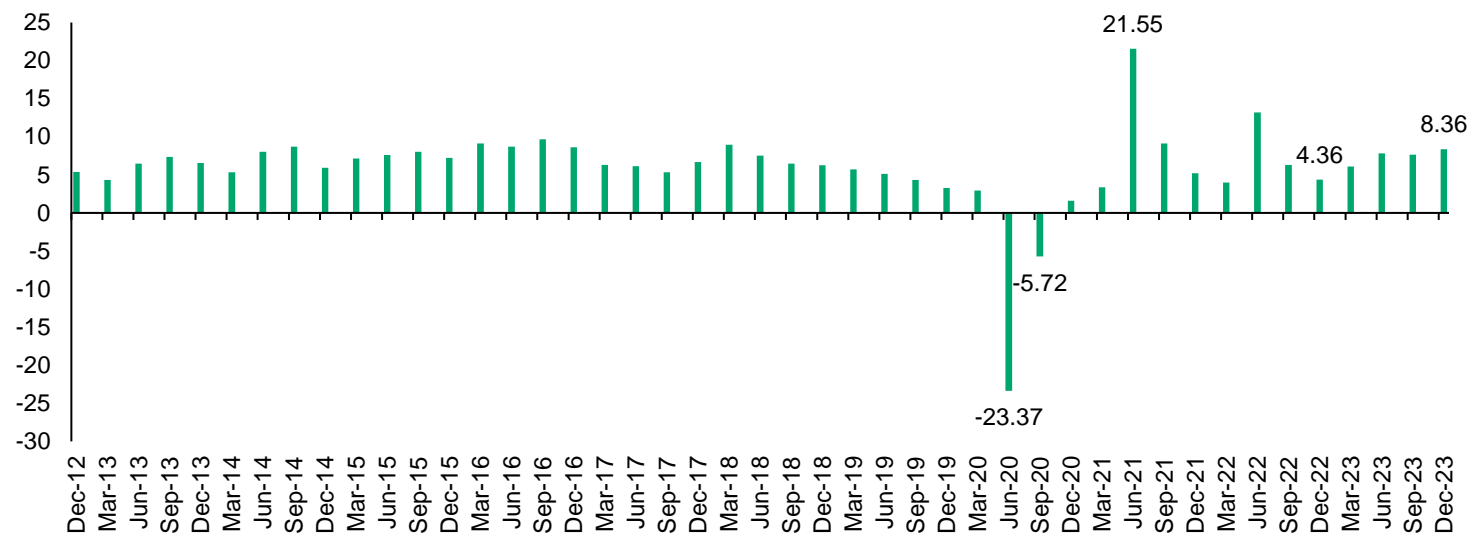
- All sectoral indices ended positively, except for FMCG, which was down 2.2%. Oil & gas (+6.7%), auto (+6.4%) and realty (+6.3%) were the top gainers.
- The mid-cap (-0.5%) and small-cap. (-0.3%) indices underperformed the Nifty Index.
- Most of the global markets ended positive.
- Shanghai (+8.1%), Japan (+7.9%) and Hong Kong (+6.6%) were the major gainers; US SPX and Nasdaq soared to a record high and were up 5.2% and 6.1% in February; the latest rally was propelled by investor optimism about artificial intelligence.
- Nifty 50 Index is up 2.8% on a Year-to-date basis. While markets have rallied, it has underperformed developed markets over the last one year and on Year-to-date basis.
- With index trading at 10-year averages, valuations remain in fair zone. Macro events such as elections in India & US, Monsoons and conflicts in middle east and global growth likely to weigh on market sentiments.
- Remain cautiously optimistic on markets.

Source: PIB, RBI, Bloomberg, BOJ, FOMC, BOE, ECB, MOSPI. JM Financials, Kotak Institutional Equities. Data as on 29<sup>th</sup> February 2024

# MACRO ECONOMIC INDICATORS

# India's GDP on the recovery path

India's GDP Growth (%) (YoY)



## Why this indicator matters?

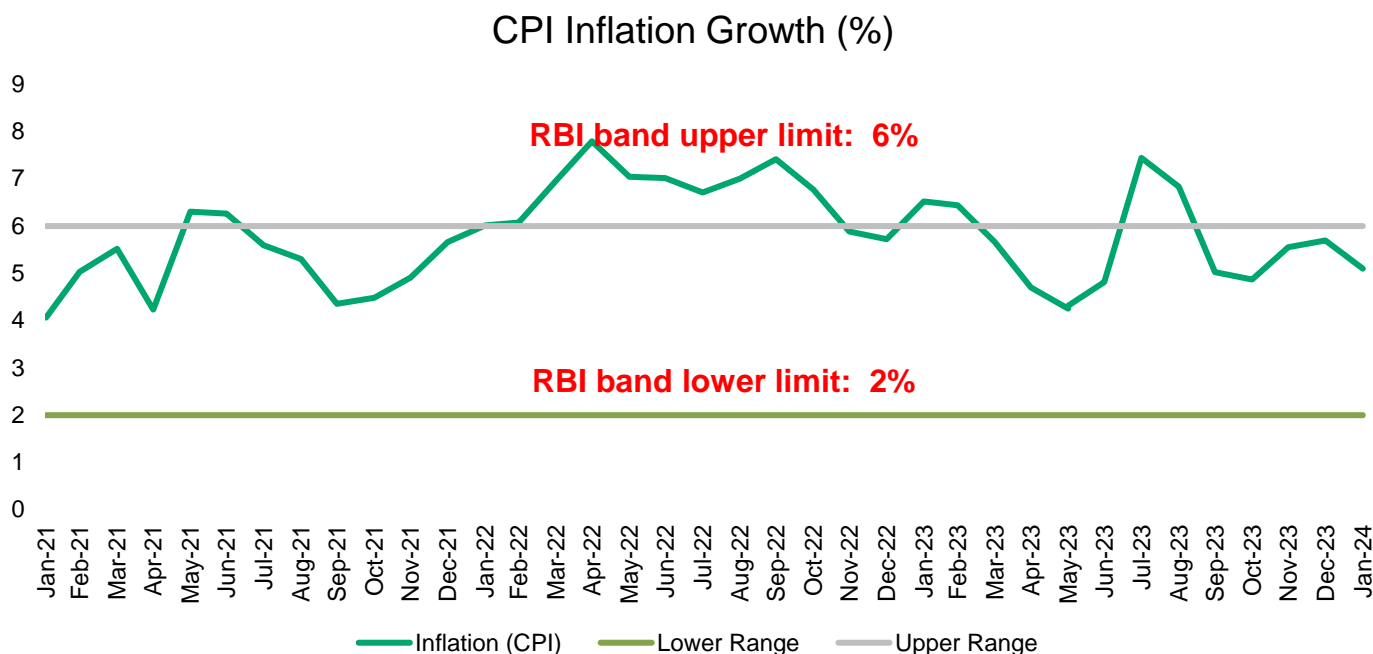
GDP measures the health of the economy and determines the current economic phase.

## What it means for investors?

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

- India's GDP growth for FY24 remained robust relative to other economies and continues to clock in a number closer to 8%, looking at the Q1, Q2 and Q3 growth rate.
- With a surprising 8.4% y/y growth in Q3 FY24, the number is not reflecting any incremental strength in the economic activity, rather it's a one off coming from higher net tax collections.
- Estimates for FY24 has seen revisions to a 7.6% y/y growth but estimates for FY25 have not seen any significant changes.
- Source: Bloomberg, The Mint. Latest quarter Data as on 31<sup>st</sup> December 2023.

# Consumer Price Index Inflation



## Why this indicator matters?

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

## What it means for investors?

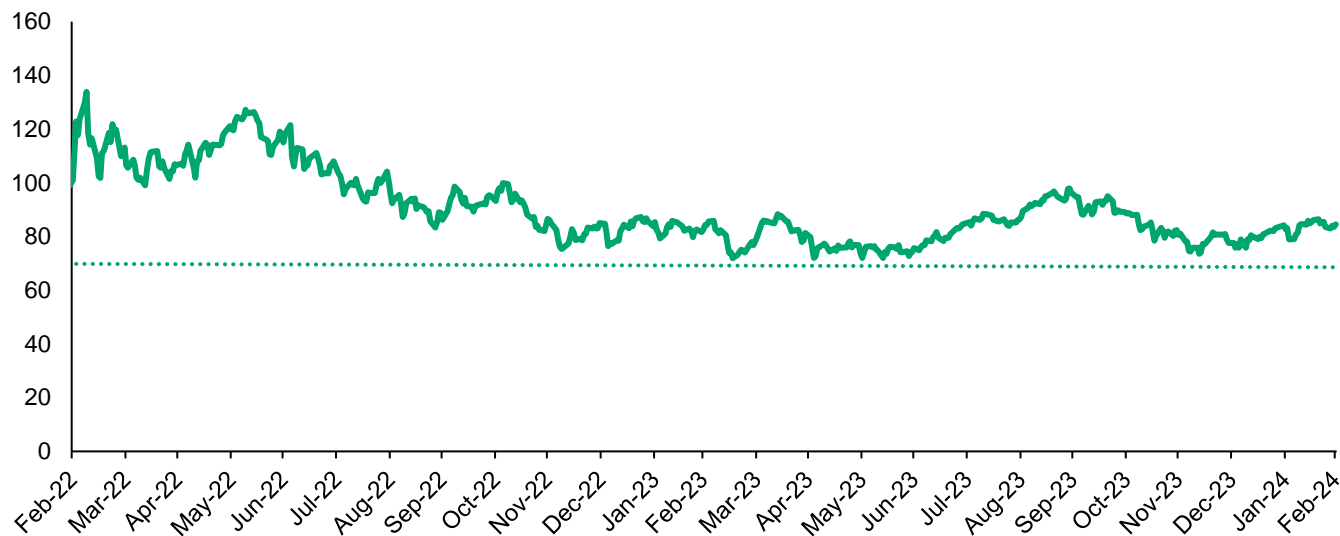
CPI inflation, colloquially, indicates the rate of price rise in the consumption basket of consumers. It can have significant impact on investors' savings and investment value.

- CPI inflation moderated to 5.1% in January 2024 from 5.69% in December 2023. The surprise on the upside was driven by less than expected decline in food prices.
- Core inflation stood at 3.6% y/y in Jan-2024, lower than 3.9% y/y in Dec-2023. Sequentially core inflation increased by 0.25% m/m.

Source: Forbes Advisors, PIB. Data as of 31<sup>st</sup> January 2024

# 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.

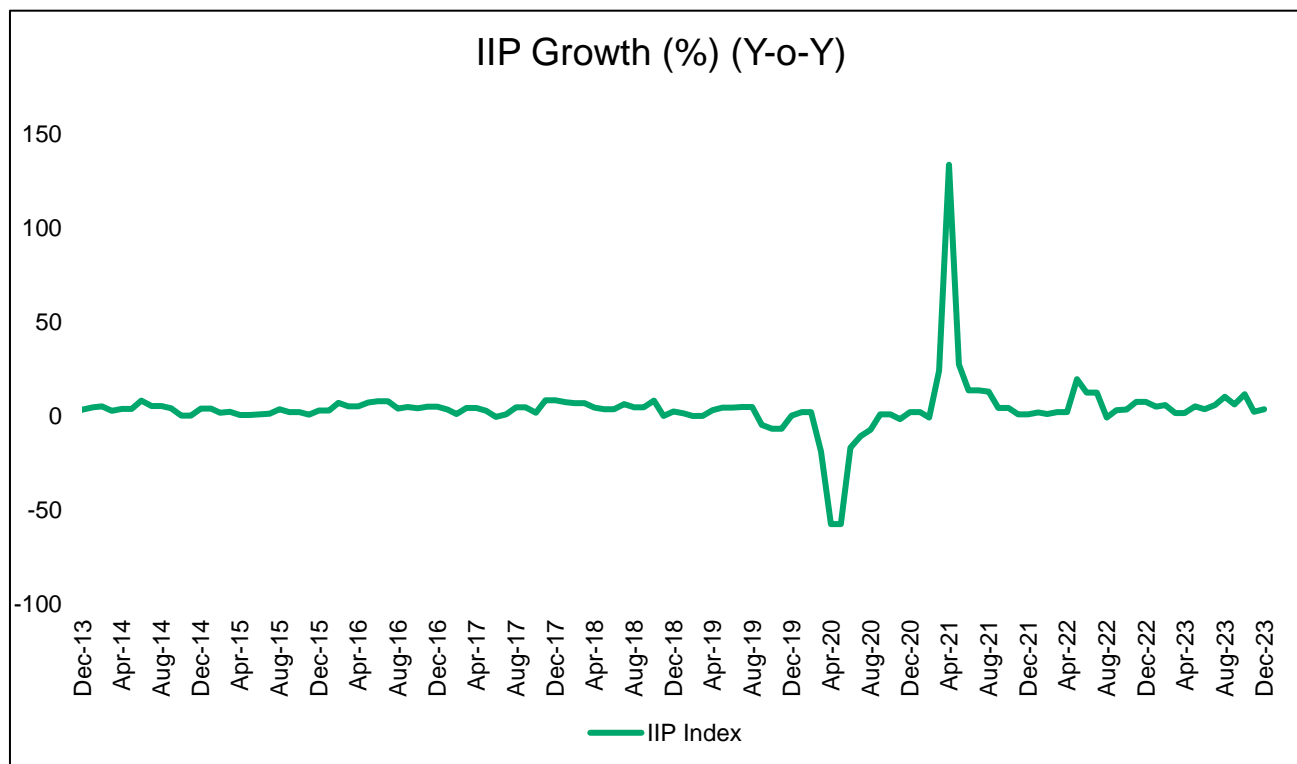
## What it means for investors?

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

- Brent crude oil price hovered around ~83\$/bl.
- OPEC+ announced the extension of production cut, extending the cut till June -2024.
- Brent prices remained closer to 83\$/bl as the information was already priced in.

Source: Bloomberg. Data as of 29<sup>th</sup> February 2024.

# Index of Industrial Production (IIP)



- December Index of Industrial Production growth increased by 3.8% from 2.4% in November, led by manufacturing activity.
- The 3QFY24 GDP growth was 8.4% (2QFY24: 8.1%) led by strong pickup in manufacturing and services.

## Why this indicator matters?

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

## What it means for investors?

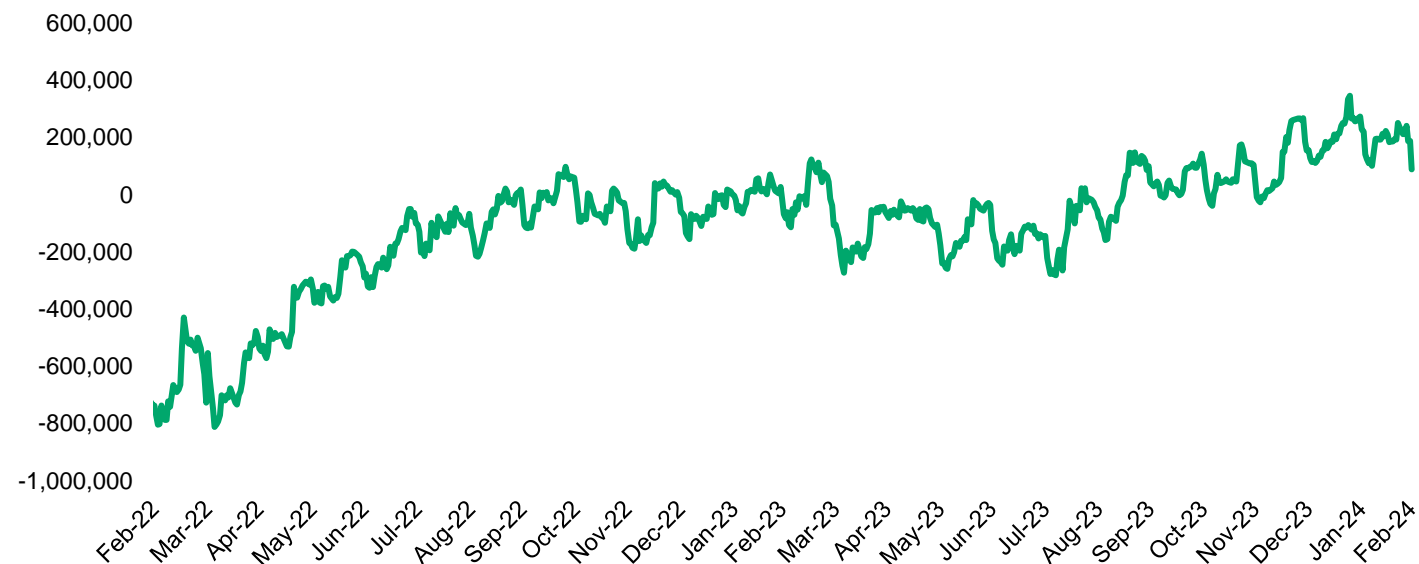
IIP is considered a lead indicator when it comes to corporate earnings as higher IIP tends to translate into higher earnings and revenues.

Source: Bloomberg. Data as on 29<sup>th</sup> December 2023



# 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.

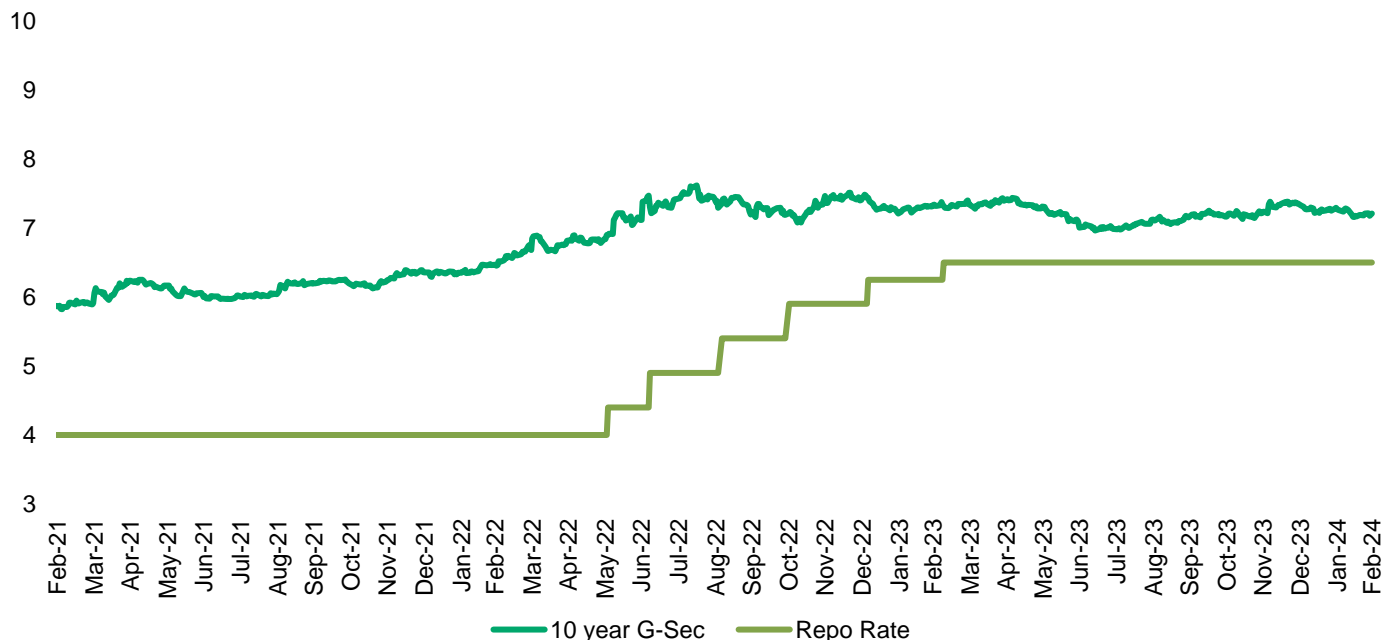
LAF aims to bring stability to the economy by helping banks borrow money from RBI through repo or loan money to RBI through reverse repo.

- Liquidity deficit declined in Feb-2024, led by higher government spending and likely forex intervention by the RBI.
- However, the average overnight money market rates fell to 6.52% and by end of Feb hovered around ~6.7%, amid continued Variable Rate Repo auctions.
- We expect liquidity conditions will improve led by government spending through rest of FY2024, given the expected run down of high cash balances.

Source: Bloomberg, Money Control. Data as on 29<sup>th</sup> February 2024.

# Interest Rates

10 Year G-Sec & Repo Rates



## Why this indicator matters?

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

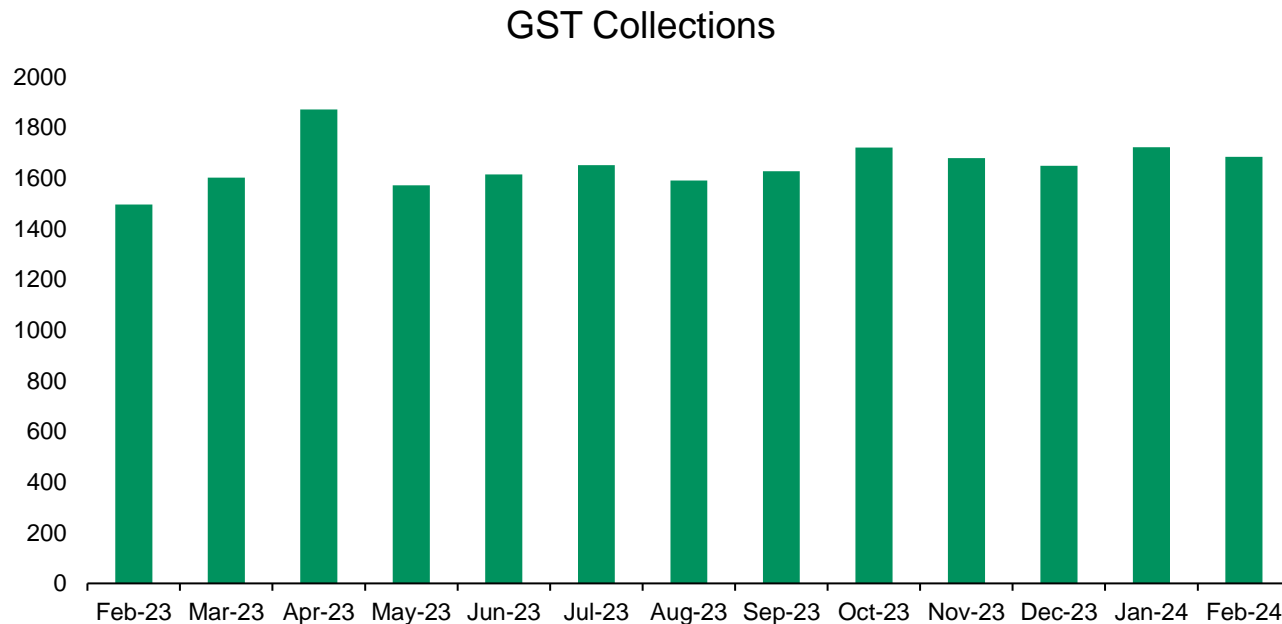
## What it means for investors?

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

- India 10-year yield moderated further to ~ 7.06% in February 2024, driven by fiscal prudence and strong FPI flows.
- Debt market received an average of ~USD 2bn of FPI flows starting Nov-2023.

Source: Bloomberg. Data as on 29<sup>th</sup> February 2024.

# Monthly GST Collections



## Why this indicator matters?

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

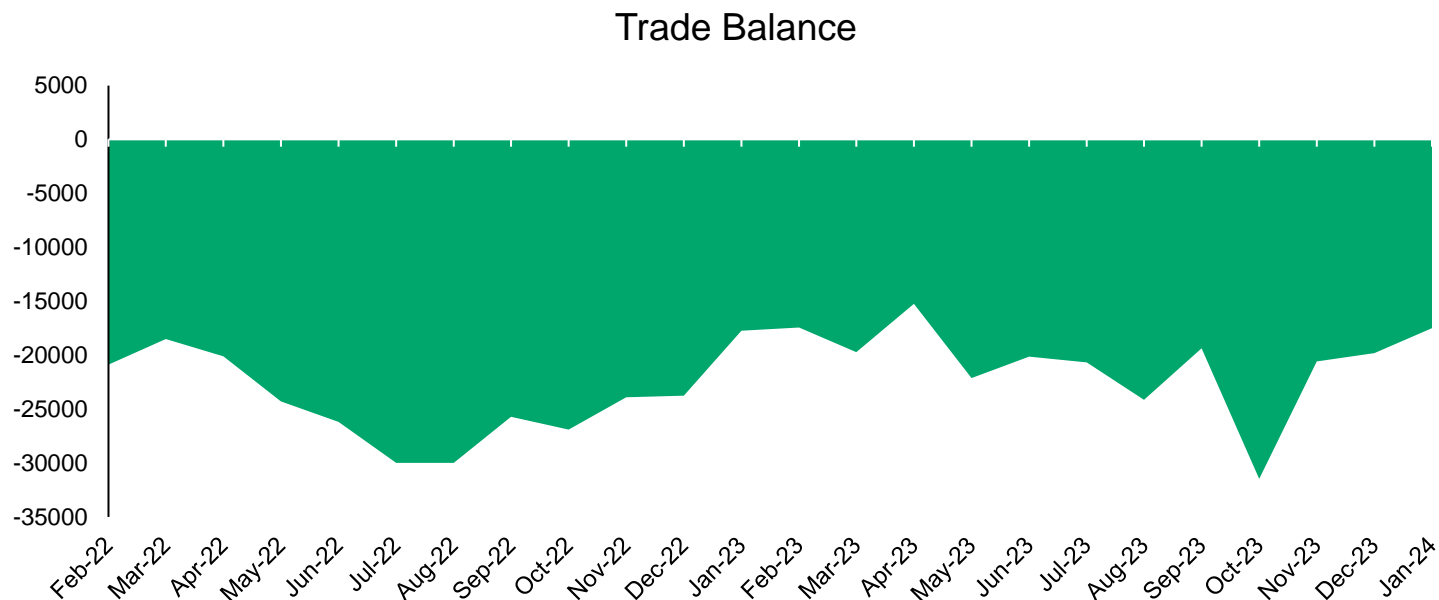
## What it means for investors?

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

- GST collections in the month of February stood at Rs. 1.68 trillion.
- Recording a yearly revenue growth rate of 12.5% y/y.

Source: Bloomberg. Data as of 29<sup>th</sup> February 2024.

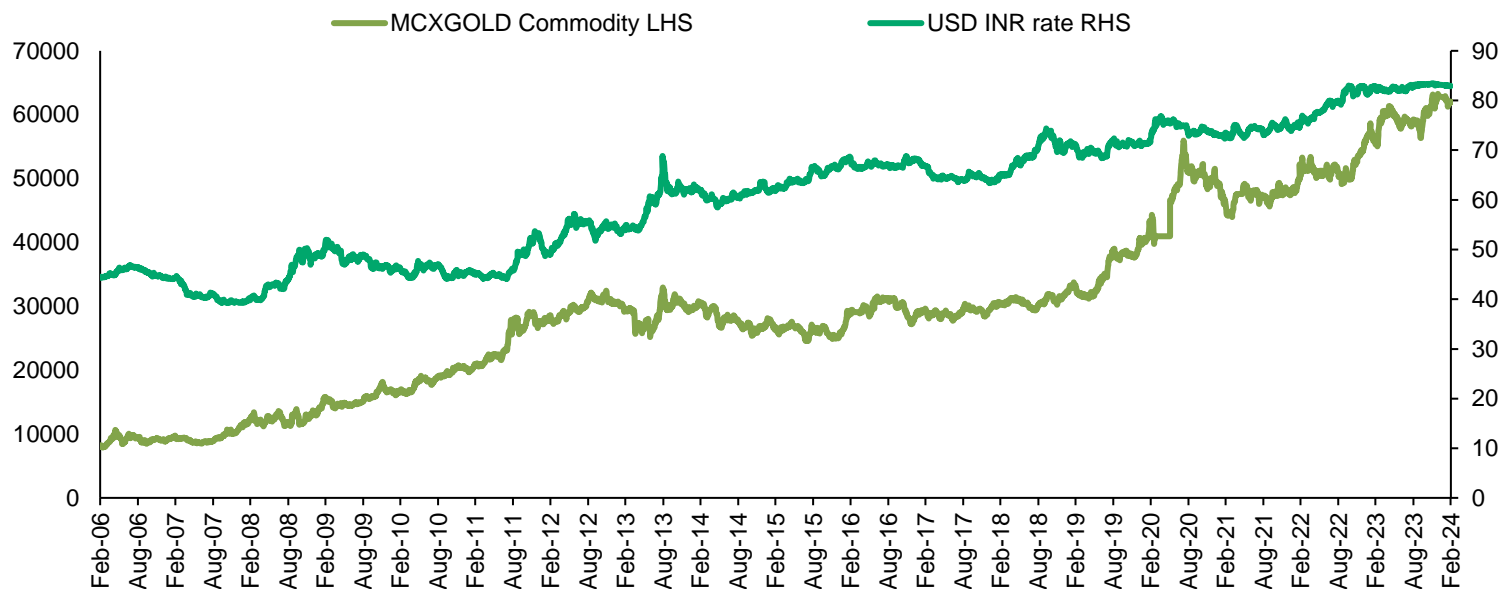
# Balance of Trade



- India's trade deficit has slightly increased to USD 17.49 billion in January 2024, from USD 17.43 billion in the same month of the previous year.

Source: Bloomberg. Latest Available Data as of 31<sup>st</sup> January 2024.

# USD-INR Movement & Gold Prices



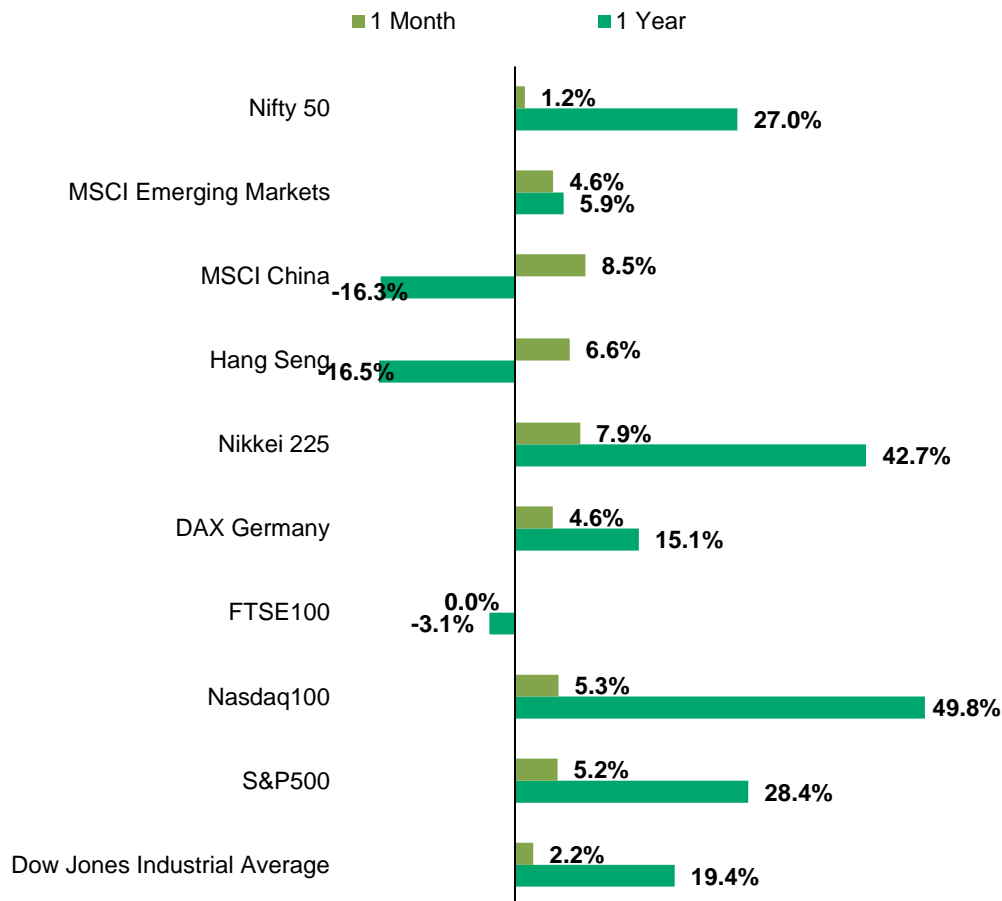
- Crude Oil prices hovering above USD 83 per Barrel also weighed on the domestic currency.
- However positive equity markets provided cushion and capped a steep fall in the rupee.

Source: Economic Survey 2022-23, Bloomberg. Data as of 29<sup>th</sup> February 2024.

# EQUITY AND GLOBAL INDICES

# Global Indices

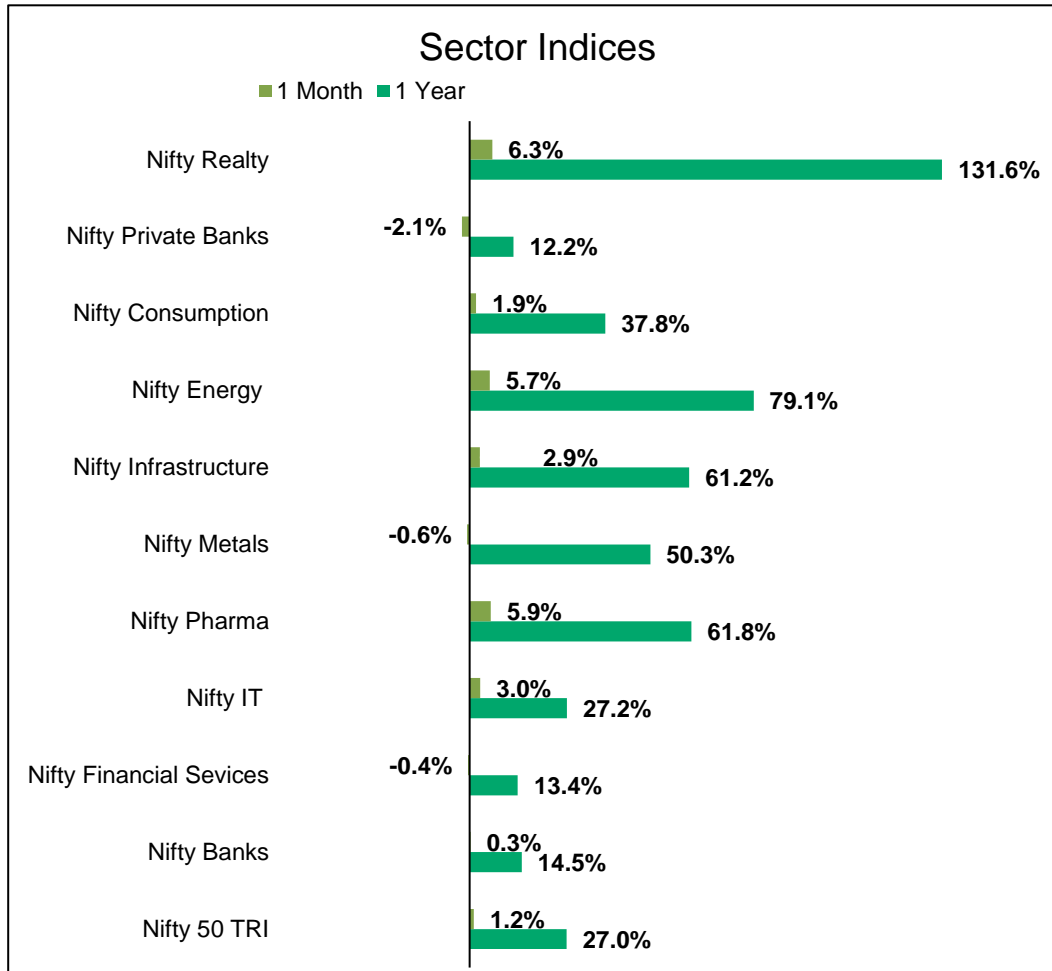
## Global Indices



- The Nifty 50 Index was up 1.2%.
- Most of the global markets ended positive. Shanghai (+8.1%), Japan (+7.9%) and Hong Kong (+6.6%) were the major gainers.
- US SPX and Nasdaq soared to a record high and were up 5.2% and 6.1% in February.
- The latest rally was propelled by investor optimism about artificial intelligence

Source: Bloomberg; Schroders. Data as of 29<sup>th</sup> February 2024.  
Past Performance may or may not be sustained in future.

# Equity Indices



- All sector indexes ended the year in positive.
- The top performer for the month WAS **Nifty Realty (6.3%)**
- On 1 year basis, **Nifty Realty and Nifty Energy** were highest gainers while **Nifty Private Banks and Nifty Financial Services** have been the laggards for the trailing 12 months

Source: Bloomberg. Data as of 29<sup>th</sup> February 2024.  
Past Performance may or may not be sustained in future.



# PE Valuations – Nifty 50

NIFTY50 P/E Ratio: Lower than Near term and long term averages



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

Source: NSE India. Data as of 29<sup>th</sup> February 2024

Past Performance may or may not be sustained in future.

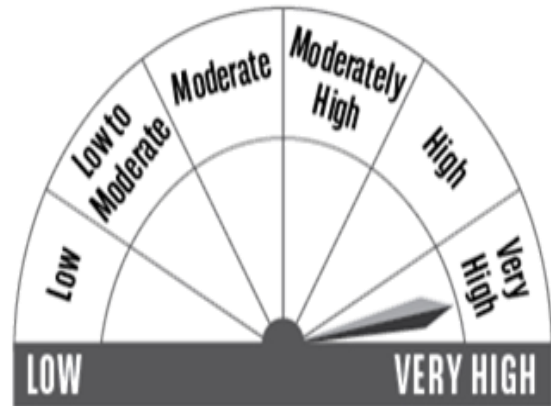
# Sector Positioning of Equity Portfolios

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 Tax Saver Fund	Baroda BNP Paribas Value Fund	Baroda BNP Paribas Small Cap Fund
Consumer Discretionary	15.0%	20.0%	10.4%	21.1%	43.6%	0.0%	14.5%	17.7%	15.5%	14.9%	8.2%	7.3%
Consumer Staples	7.3%	5.0%	4.5%	5.3%	34.6%	0.0%	8.4%	4.4%	3.3%	0.0%	3.5%	4.1%
Energy	11.2%	0.0%	7.4%	5.6%	0.0%	0.0%	7.2%	6.0%	6.0%	6.4%	14.6%	6.2%
Financials	24.8%	19.6%	28.1%	26.6%	3.3%	96.4%	25.5%	25.1%	31.6%	28.5%	25.0%	24.7%
Health Care	4.4%	13.0%	4.3%	0.0%	0.0%	0.0%	12.1%	8.7%	7.1%	7.3%	8.5%	8.5%
Industrials	10.7%	15.3%	13.3%	16.8%	2.0%	0.0%	12.2%	13.8%	9.9%	12.7%	4.6%	23.1%
Information Technology	10.9%	7.6%	10.8%	3.5%	0.0%	0.0%	7.6%	7.3%	6.4%	10.9%	11.1%	5.2%
Materials	5.1%	9.2%	6.6%	5.8%	3.7%	0.0%	2.2%	7.4%	2.4%	4.6%	5.6%	7.5%
Real Estate	0.0%	2.7%	3.9%	4.6%	2.3%	0.0%	1.6%	3.7%	4.2%	2.9%	0.0%	1.1%
Communication Services	2.2%	0.0%	3.6%	3.0%	7.9%	0.0%	2.4%	1.2%	2.2%	3.0%	1.2%	1.4%
Utilities	5.4%	4.1%	3.4%	5.9%	0.0%	0.0%	2.9%	2.4%	6.3%	4.6%	14.7%	7.1%
Cash/Debt/Derivatives	3.1%	3.5%	3.7%	1.8%	2.6%	3.6%	3.4%	2.3%	5.1%	4.3%	3.0%	3.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Internal. Data as of 29<sup>th</sup> February 2024. 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)</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><b>Baroda BNP Paribas Large &amp; Mid Cap Fund</b> (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><b>Baroda BNP Paribas Mid Cap Fund</b> (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><b>Baroda BNP Paribas Multi Cap Fund</b> (An open-ended equity scheme investing across large cap, mid-cap 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><b>Baroda BNP Paribas ELSS Tax Saver Fund</b> (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><b>Baroda BNP Paribas Business Cycle Fund</b> (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 &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)]</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 &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)</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 &amp; Financial Services Sector.</p>	<p><b>Baroda BNP Paribas Flexi Cap Fund</b> (An Open-ended dynamic equity scheme investing across large cap, mid cap, small cap companies)</p> <p>This product is suitable for investors who are seeking*: -Wealth creation in long term.</p> <p>-Investment in equity and equity related securities across market capitalizations</p>	
<p><b>Baroda BNP Paribas India Consumption Fund</b> (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 &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>	<p><b>Baroda BNP Paribas Value Fund</b> (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>	<p><b>Baroda BNP Paribas Small Cap Fund</b> (An open-ended equity scheme predominantly investing in small cap stocks)</p> <p>This product is suitable for investors who are seeking: -Long term capital growth -Investment in equity &amp; equity related securities predominantly in small cap Stocks</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 29<sup>th</sup> February 2024.

# Disclaimers

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In the preparation of the material contained in this document, Baroda BNP Paribas Asset Management India Ltd. (“AMC”) (**formerly BNP Paribas Asset Management India Private Limited**) has used information that is publicly available, including information developed in-house. The AMC, however, does not warrant the accuracy, reasonableness and/or completeness of any information. This document may contain statements/opinions/ recommendations, which contain words, or phrases such as “expect”, “believe” and similar expressions or variations of such expressions that are “forward looking statements”. Actual results may differ materially from those suggested by the forward looking statements due to risk or uncertainties associated with our expectations with respect to, but not limited to, exposure to market risks, general economic and political conditions in India and other countries globally, which have an impact on our investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, etc. The AMC (including its affiliates), Baroda BNP Paribas Mutual Fund (“Mutual Fund”), its sponsor / trustee and any of its officers, directors, personnel and employees, shall not be liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this document in any manner. The recipient alone shall be fully responsible / liable for any decision taken based on this document. All figures and other data given in this document are dated and may or may not be relevant at a future date. Prospective investors are therefore advised to consult their own legal, tax and financial advisors to determine possible tax, legal and other financial implication or consequence of subscribing to the units of the schemes of Baroda BNP Paribas Mutual Fund. All figures and data should not be construed as an investment advice. Past performance may or may not be sustained in the future. Please refer to the Scheme Information Document of the schemes before investing for details of the scheme including investment objective, asset allocation pattern, investment strategy, risk factors and taxation.

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

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**THANK YOU**