

# MONTHLY OUTLOOK

**JANUARY 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

---

## Global Economy

- With inflation cooling down in west and Asian countries, high real yields have become a cost for investments in the economy.
- US economy has been hotter than expected, but the consensus believes in a soft-landing scenario.
- While the US rates are on hold, so do the other western economies like UK and Eurozone.
- China has been following an expansionary policy regime with liquidity boost to the struggling economy.
- Although disruptions in the Red Sea and the Israel Hamas situation continued, commodity prices declined, led by decline in brent prices

## Domestic Economy

- The key event which moved India's 10-year benchmark yield from ~7.17% to 7.05% was the Interim Budget 2024-25.
- Budget 2024 has been a positive surprise, with government continuing its path to fiscal consolidation with its roadmap of taking the fiscal deficit to below 4.5% by FY26.
- Irrespective of FY25 being an election year, fiscal deficit has been capped at 5.1% of the GDP.
- Which implies a consolidation of 70bps from 5.8% in FY24 revised estimates and 80bps from FY24 budget estimate of 5.9%.
- With an estimated GDP growth of 10.5%, tax growth of 11.5%, headline capex growth of 17%, this budget sets the tone of balanced growth with fiscal consolidation.

## Equity Markets

- After two consecutive months of gains, the Nifty 50 closed almost flat in January.
- The Nifty-50 index's valuation is just above the 10-year mean level, which provides comfort vs. mid-/small-cap indices.
- The large inflow in domestic mid-/small-cap mutual fund schemes helped to extend the liquidity-led rally while the Earning Per Share upgrade in the Nifty-200 index has been marginally better than that of Nifty-50 Earning Per Share.
- Nifty 50 Index has rallied over the last one year and hence some consolidation seems likely.

Source: PIB, RBI, Bloomberg, BOJ, FOMC, BOE, ECB, MOSPI. JM Financials, Kotak Institutional Equities. Data as on 31<sup>st</sup> January 2024

---



# Outlook

## Fixed Income Markets Outlook

- Domestic rates have moderated in January, driven by expectations of pivot in 2024 and a prudent interim budget.
- Global commodity prices have also well behaved in January 2024 and have not caused any serious concern for inflation.
- On the domestic front, growth indicators expanded in January 2024, with rural indicators witnessing a drag.
- Liquidity conditions have remained tight, and lot depends on government's spending in the last quarter of FY24.
- Liquidity conditions is going to be a key watch in the near term, also the language by RBI on managing liquidity.
- Considering a prudent fiscal environment along with favourable global and domestic factors, we expect RBI eventually to soften its stance on liquidity and rates.
- We advise investors to increase duration as per their risk profile in the portfolios to benefit from above expected interest rate view.

## Equity Markets Outlook

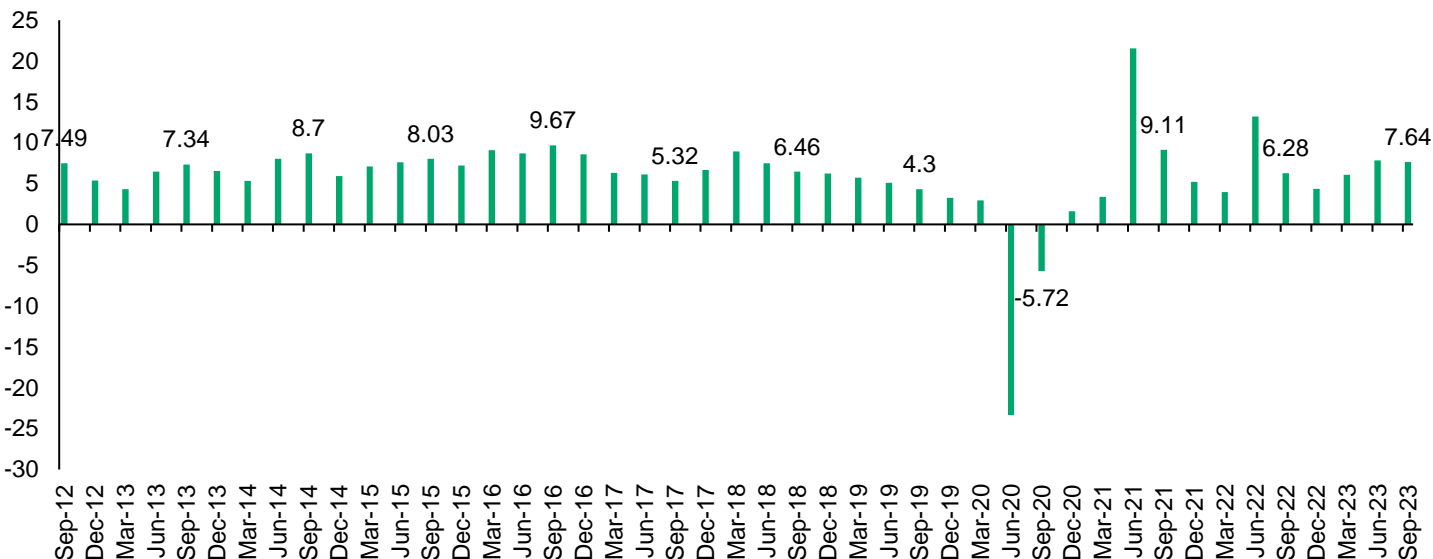
- The market movement in the month was influenced by the 3Q result season, US FOMC meeting, interim budget, and escalating tensions in the Middle East.
- Global markets performance was a mixed bag.
- Japan (+8%), Malaysia (+4%) and Russia (+4%) were the major gainers, while Hong Kong (-9%), Shanghai (-6%) and South Korea (-6%) were the major losers.
- At the beginning of the month, the US Federal Reserve meeting minutes indicated that interest rates will remain elevated for longer.
- The European Central Bank (ECB), in line with expectations, maintained status quo on its three key policy rates which are refinancing operations, marginal lending facility & deposit facility.

Source: PIB, RBI, Bloomberg, BOJ, FOMC, BOE, ECB, MOSPI. JM Financials, Kotak Institutional Equities. Data as on 31<sup>st</sup> January 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.

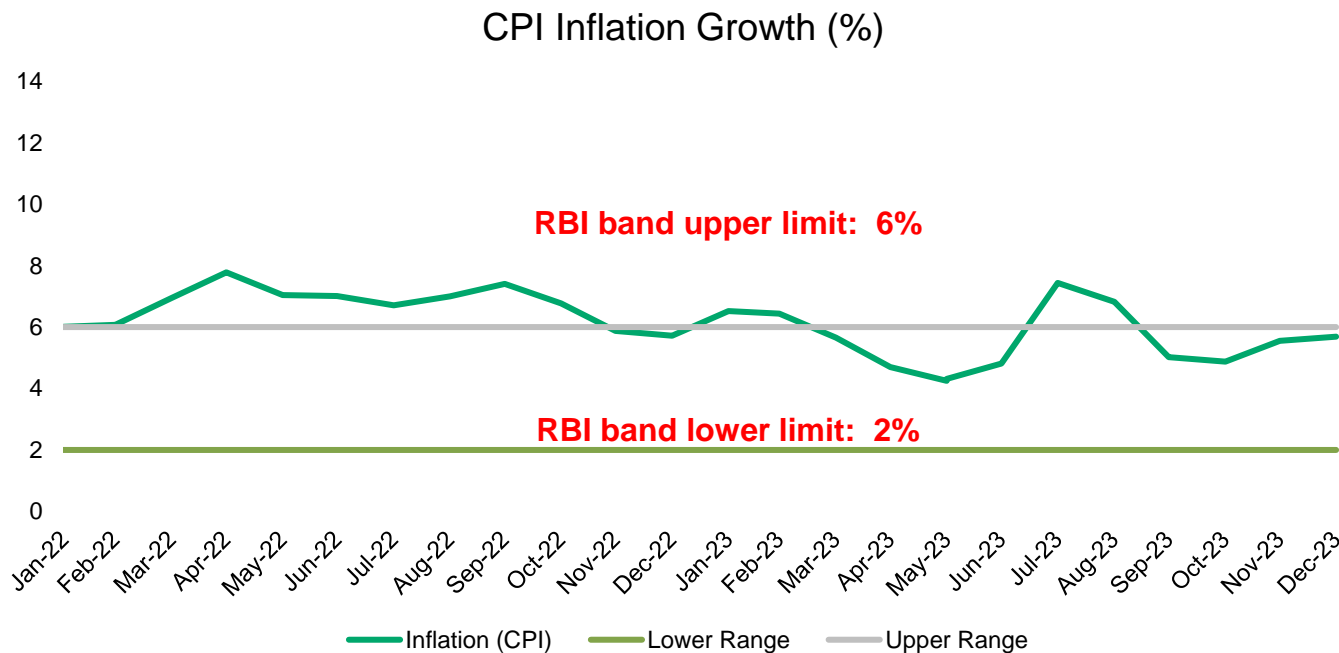
## What it means for investors?

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

- Real GDP growth for Q2 FY24 was at 7.6% y/y.
- GDP growth was supported by government consumption expenditure (12.4% y/y) and capex (Gross Fixed Capital formation 11% y/y) in Q2FY24

Source: Bloomberg, The Mint. Latest quarter Data as on 30th September 2023.

# Consumer Price Index Inflation



## Why this indicator matters?

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

## What it means for investors?

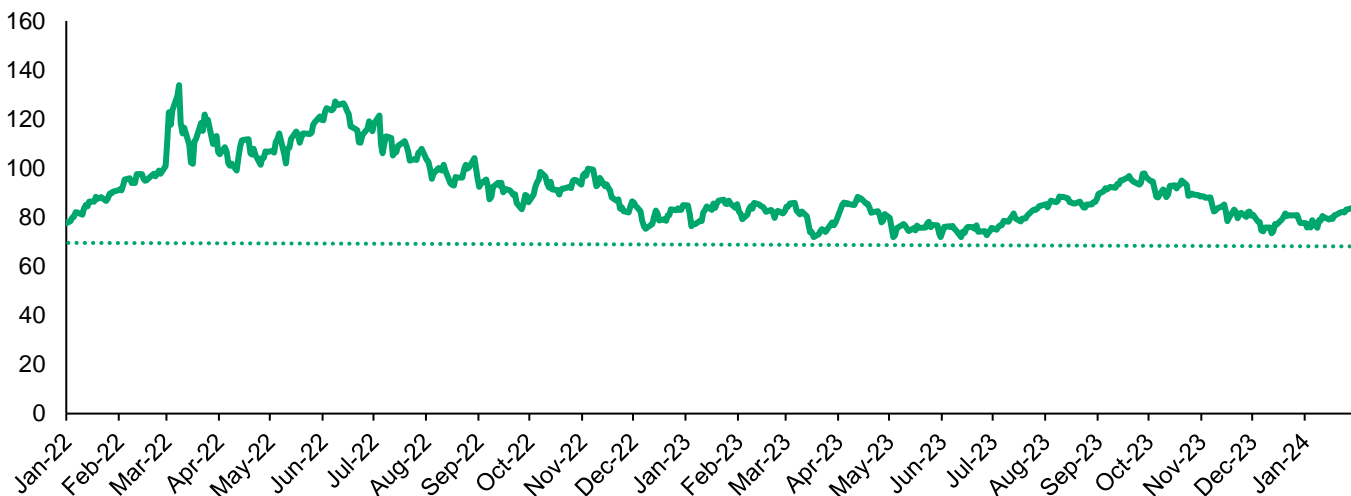
CPI inflation, colloquially, indicates the rate of price rise in the consumption basket of consumers. It can have significant impact on investors' savings and investment value.

- CPI inflation increased to 5.69% in Dec-2023 from 5.5% in Nov-2023 largely led by unfavorable base. Base inflation in Dec-2023 itself stood at 6%.
- Sequentially food and beverage inflation declined by 0.7% m/m in Dec-2023, vs 0.9% m/m increase in Nov-2023.

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

# 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.

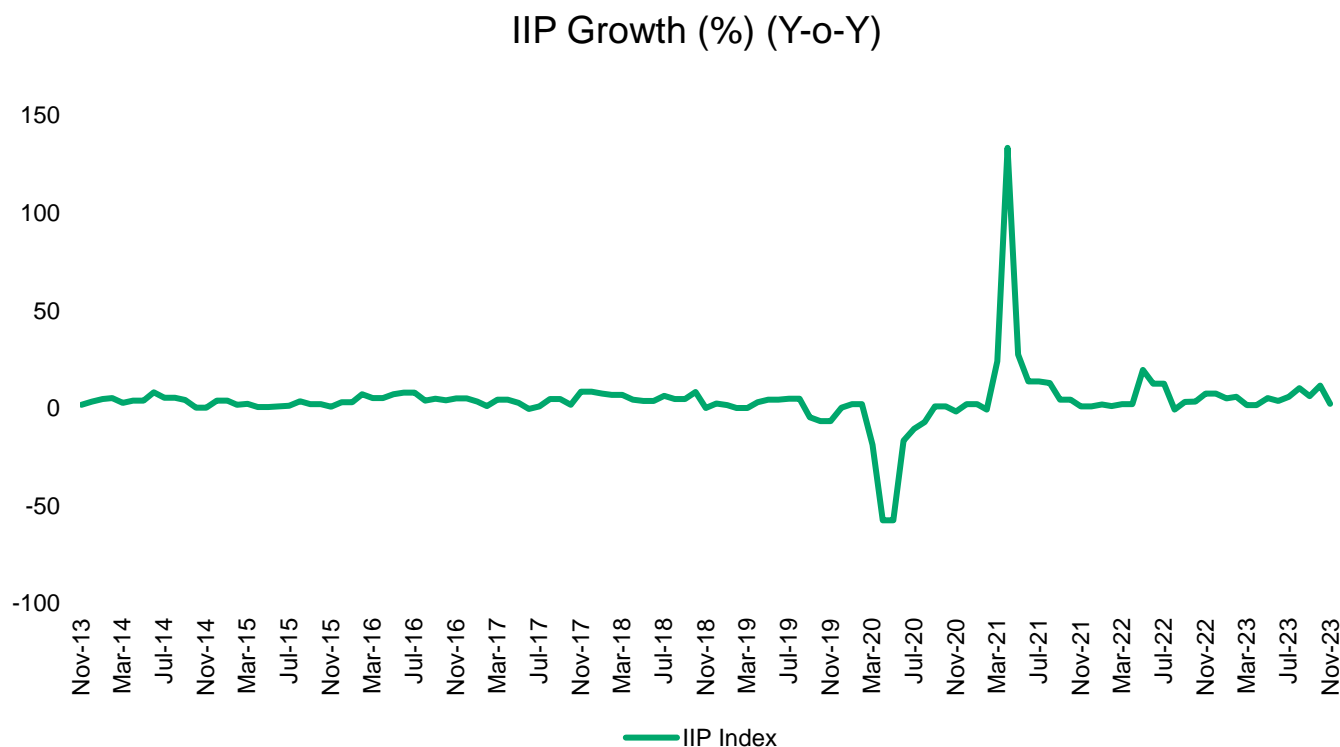
## What it means for investors?

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- stood at 82.03 U.S. dollars per barrel.
- Disruptions in the Red Sea and the Israel Hamas situation continued, brent prices declined.
- Decline in brent prices was supported by easing war conditions in the middle east. But they still remain prone to geopolitical shocks.

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

# Index of Industrial Production (IIP)



- Industrial production in India grew by 2.4% in November 2023 on an annual basis, down from 11.7% recorded in October 2023.
- During April-November 2023-24, the IIP growth works out to be 6.4%, up from 5.6% in corresponding period a year ago.

## Why this indicator matters?

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

## What it means for investors?

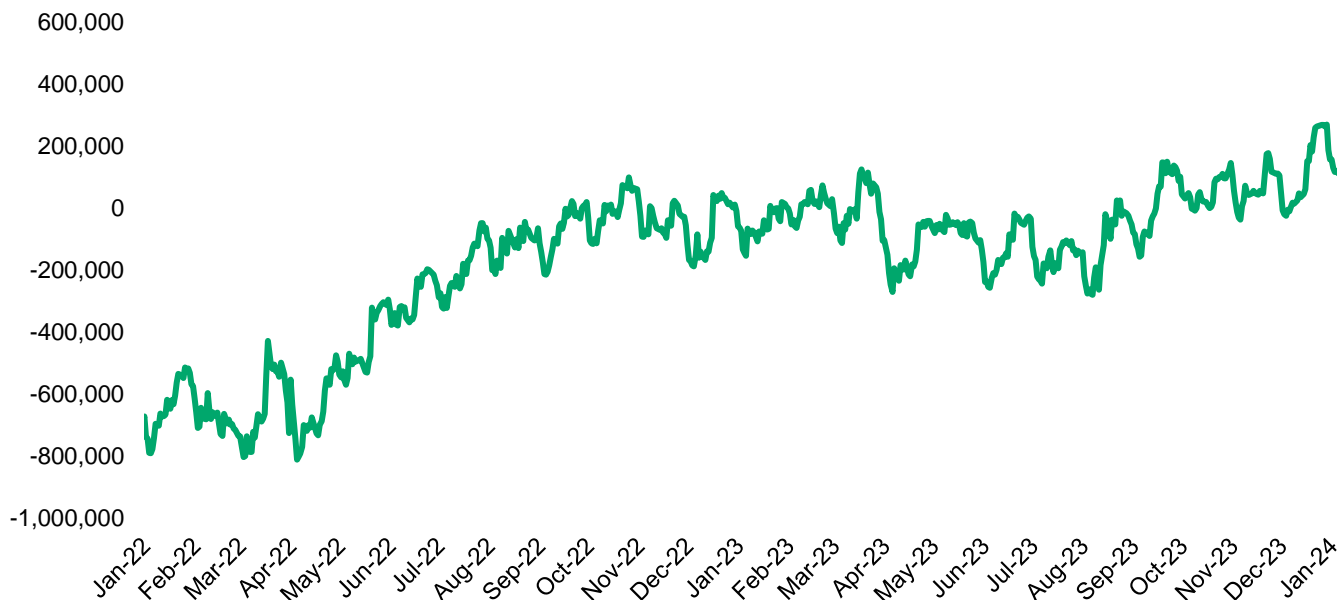
IIP is considered a lead indicator when it comes to corporate earnings as higher IIP tends to translate into higher earnings and revenues.

Source: Bloomberg. Data as on 30<sup>th</sup> November 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.

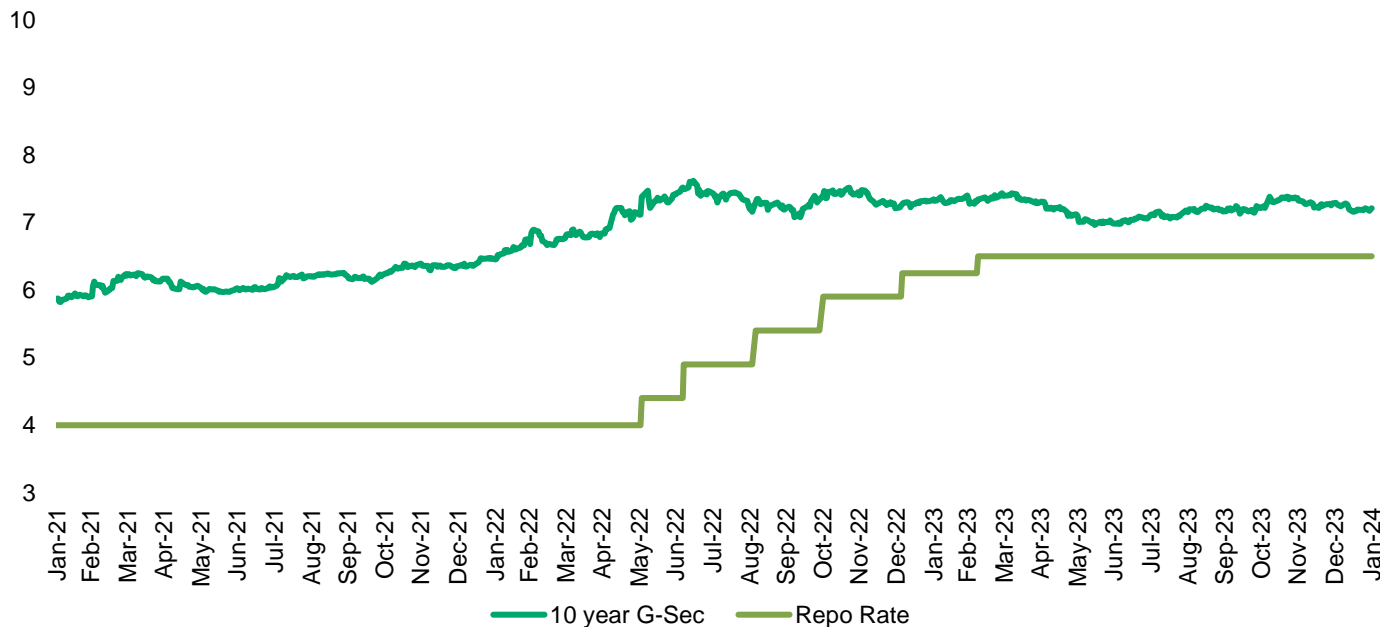
LAF aims to bring stability to the economy by helping banks borrow money from RBI through repo or loan money to RBI through reverse repo.

- RBI has been attempting to ease frictional liquidity tightness through Variable rate repo (VRR) since mid-December.
- Post RBI's announcement of Variable rate reverse repo VRRR, the overnight money market rates have eased sharply from upper end of the corridor (6.77%) to currently near 6.66%.
- Considering a prudent fiscal environment along with favourable global and domestic factors, we expect RBI eventually to soften its stance on liquidity and rates.

Source: Bloomberg, Money Control. Data as on 31<sup>st</sup> January 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.

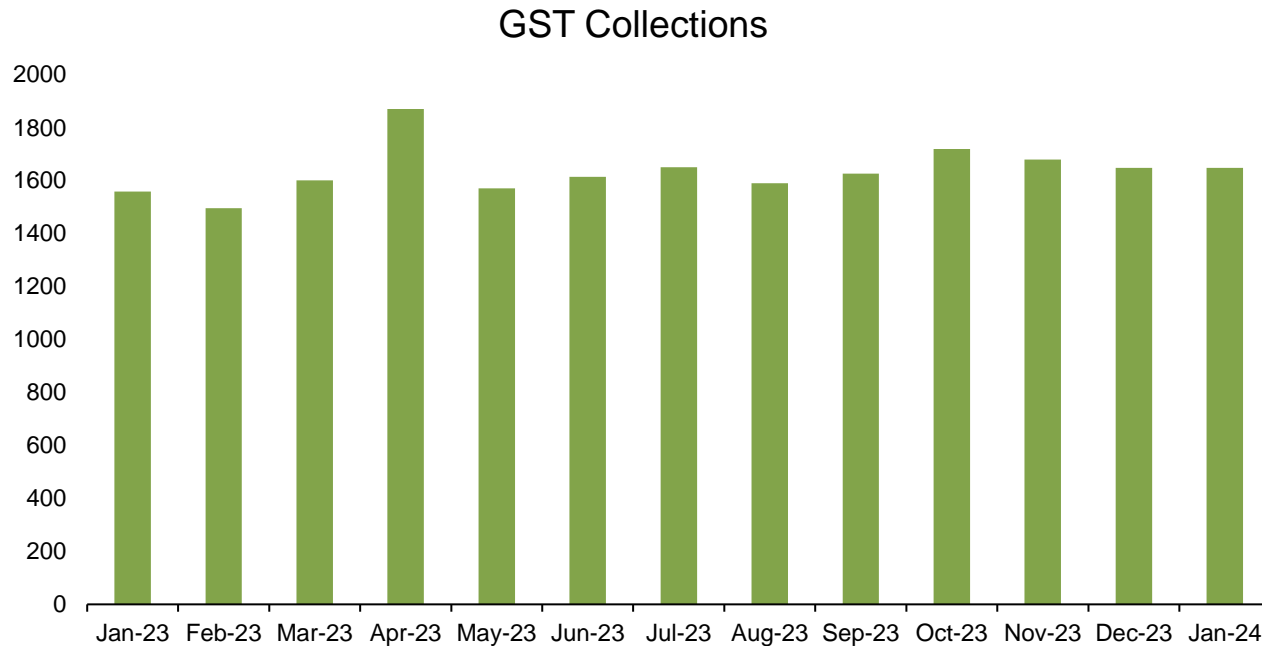
### What it means for investors?

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

- India's 10-year benchmark yield softened from ~7.17% in Dec-2023 to 7.14% in Jan-2024. The softening was led by a dovish expectations on rates post the FED December policy, which signalled rate cuts in 2024.

Source: Bloomberg. Data as on 31<sup>st</sup> January 2024.

# Monthly GST Collections



## Why this indicator matters?

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

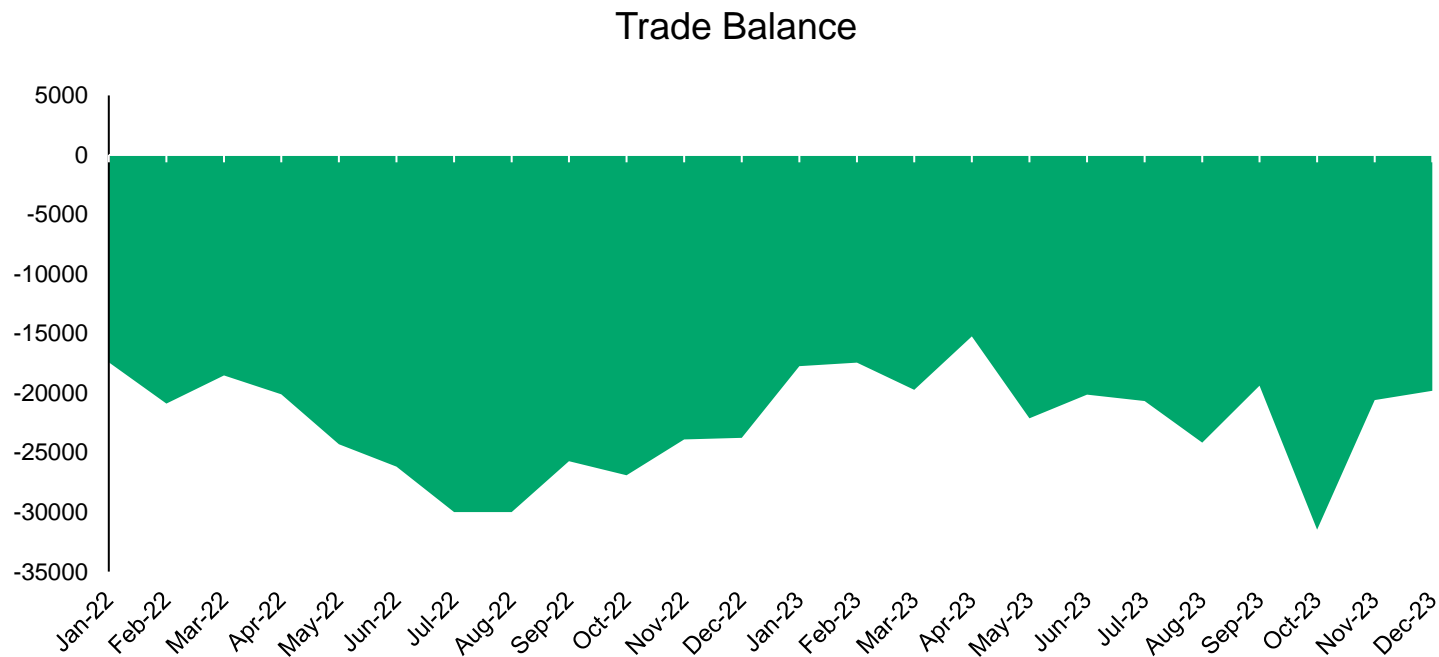
## What it means for investors?

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

- GST revenue collected in the month of January 2024 is at Rs. 1.72 trillion.
- GST revenue were higher by 10.4% year-on-year basis.

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

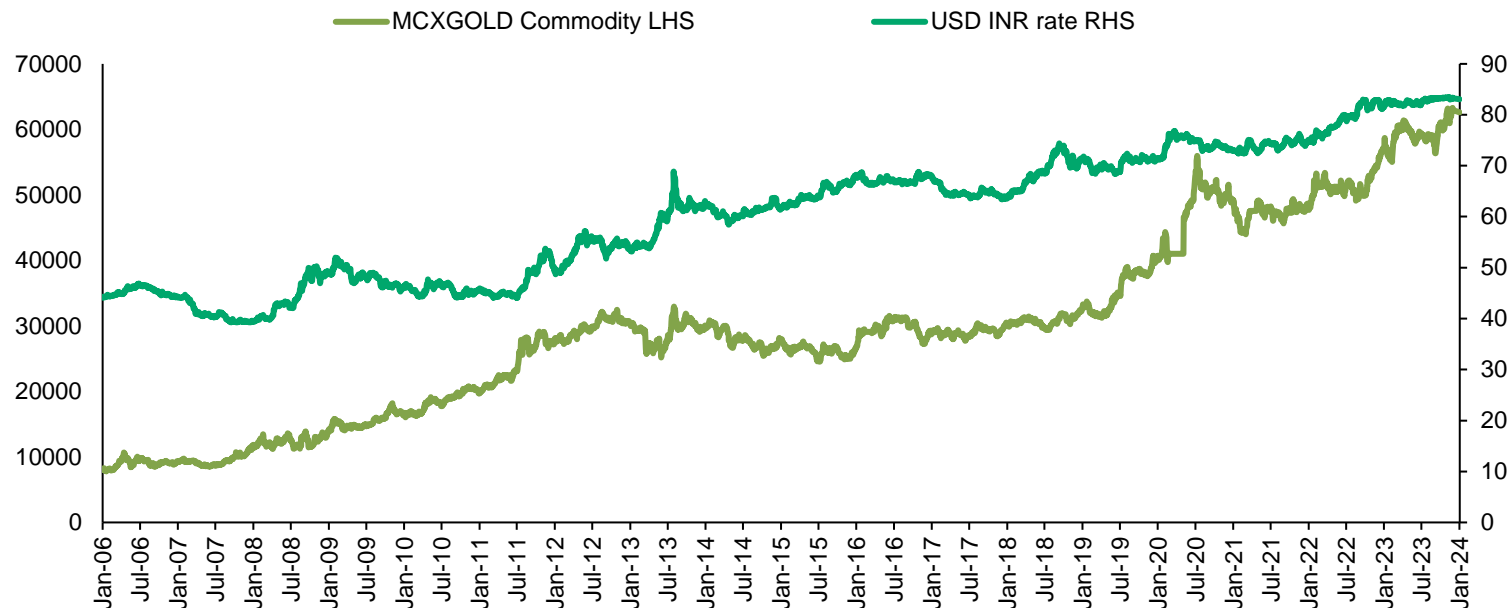
# Balance of Trade



- India's trade deficit decreased to USD 19.80 billion in December 2023, from USD 23.76 billion in the same month of the previous year.

Source: Bloomberg. Latest Available Data as of 31<sup>st</sup> December 2023.

# USD-INR Movement & Gold Prices

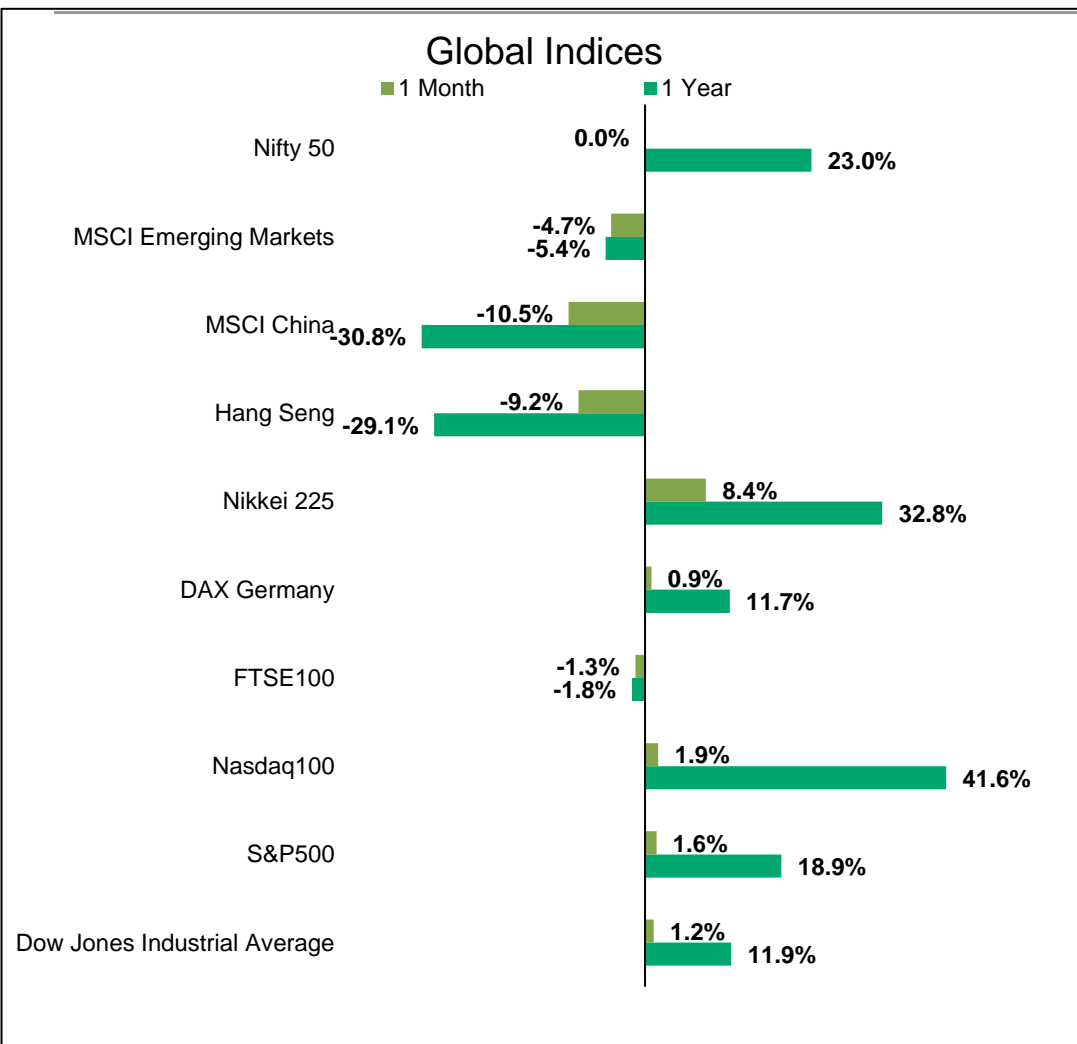


- Post the release of robust US Nonfarm payroll data, US dollar strengthened, accordingly, in line with EM peers, INR is traded with a negative bias and ended around 83 as on January 31<sup>st</sup>, 2024.

Source: Economic Survey 2022-23, Bloomberg. Data as of 31<sup>st</sup> January, 2024

# EQUITY AND GLOBAL INDICES

# Global Indices



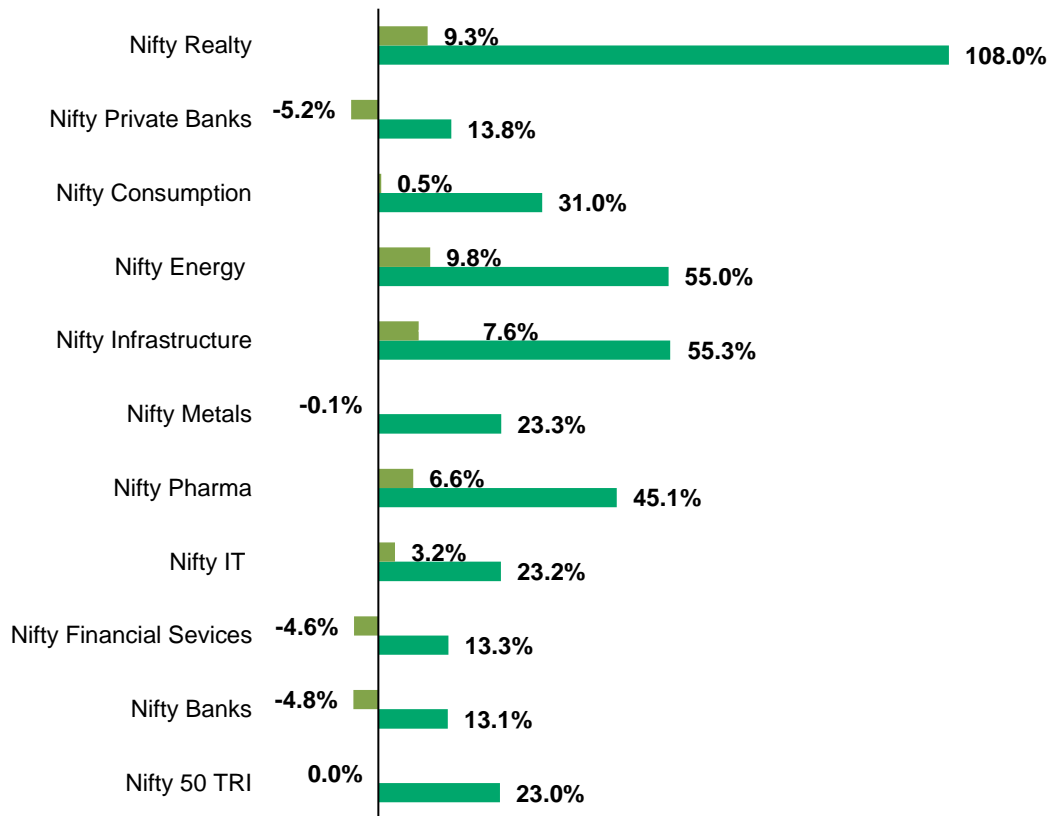
- In January 2024, the Nifty 50 Index closed almost flat.
- Global markets performance was a mixed bag.
- Japan (+8%), Malaysia (+4%) and Russia (+4%) were the major gainers, while Hong Kong (-9%), Shanghai (-6%) and South Korea (-6%) were the major losers.

Source: Bloomberg; Schroders. Data as of 31<sup>st</sup> January 2024.  
Past Performance may or may not be sustained in future.

# Equity Indices

## Sector Indices

■ 1 Month ■ 1 Year



- All sector indexes ended the year in positive.
- The top performer for the month WAS **Nifty Energy (9.8%)**
- On 1 year basis, **Nifty Realty** and **Nifty Infrastructure** were highest gainers while **Nifty Banks** and **Nifty Financial Services** have been the laggards for the trailing 12 months

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

Past Performance may or may not be sustained in future.

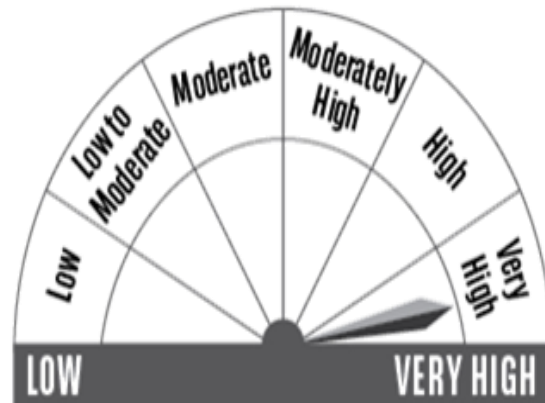
# Sector Positioning of Equity Portfolios

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 and 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	Baroda BNP Paribas Small Cap Fund
Consumer Discretionary	14.2%	19.2%	10.5%	21.9%	43.0%	0.0%	11.8%	15.4%	15.3%	12.7%	9.0%	9.4%
Consumer Staples	7.5%	6.0%	4.7%	5.3%	33.2%	0.0%	8.4%	4.5%	3.2%	1.8%	5.5%	4.4%
Energy	10.9%	0.0%	5.9%	4.5%	0.0%	0.0%	6.4%	6.3%	4.5%	5.2%	12.5%	4.9%
Financials	24.4%	18.2%	29.1%	30.1%	4.3%	92.4%	26.3%	24.4%	32.2%	29.3%	25.6%	23.9%
Health Care	4.7%	12.5%	3.4%	0.0%	0.0%	0.0%	12.5%	8.2%	6.6%	7.1%	8.0%	8.2%
Industrials	11.2%	16.0%	12.6%	14.1%	2.1%	0.0%	13.1%	14.3%	8.6%	12.7%	4.7%	21.1%
Information Technology	10.8%	7.5%	10.8%	3.4%	0.0%	1.1%	7.7%	7.0%	6.6%	8.9%	9.5%	5.3%
Materials	5.4%	11.0%	9.1%	5.1%	4.0%	0.0%	4.2%	7.4%	5.9%	5.7%	5.8%	8.7%
Real Estate	0.0%	2.4%	3.6%	4.4%	2.1%	0.0%	1.4%	3.6%	4.0%	2.8%	0.0%	1.1%
Communication Services	2.4%	0.0%	3.8%	3.4%	8.4%	0.0%	1.5%	2.6%	2.5%	5.2%	1.0%	1.5%
Utilities	5.7%	4.4%	4.2%	5.0%	0.0%	0.0%	3.2%	2.5%	6.8%	3.8%	14.9%	7.2%
Cash/Debt/ Derivatives	2.6%	2.9%	2.4%	2.6%	3.0%	6.5%	3.3%	3.8%	3.8%	4.8%	3.5%	4.2%
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%
Top 5 sectors with largest holdings. Excluding cash/debt/derivatives												

Source: Internal. Data as of 31<sup>st</sup> January 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 31<sup>st</sup> January 2024.

# Disclaimers

---

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.

---

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

---



**THANK YOU**