

MONTHLY OUTLOOK

MARCH 2024



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

- As we bid adieu to FY24, the expectations for FY25 have started to line up. Central bankers have been the star performers in managing the risks to inflation and growth.
- FED's Economic projections showcase three rate cuts this year, like the quarterly forecasts in December 2023. Contrary to rate cuts, US GDP growth is seen higher in 2024, Whereas PCE inflation forecasts were kept unchanged for 2024.
- Japan went through the biggest shift in monetary policy regime in March-2024. Bank of Japan(BoJ) raised its short-term interest rate to around 0%-0.1% from -0.1% in March 2024. It is the first interest rate hike since 2007.
- Global commodity prices have not seen any broad-based pickup, but some individual commodities picked up in March-2024.
- Global yields following the fluctuating data points swung both ways.

Domestic Economy

- India's economic activity has remained on track, with some stress visibility in rural economy. High frequency indicators have remained in the expansionary zone.
- India's manufacturing Purchasing Managers Index, climbed to a 16-year high of 59.1 in March 2024, from 56.9 in February 2024 on the back of the strongest increases in output and new orders.
- With passenger vehicle and two-wheeler sales remained robust but tractor sales continue to emit weakness. Sequentially tractor sales contracted by 18% m/m in Feb-2024.
- On tax front, GST collections in Mar-2024 clocked in Rs. 1.78 lac crore, growing by 11.7% y/y in Mar-2024. Centre's fiscal deficit reached 86.5% of the revised estimates.
- Some monetarily tightening was seen in system liquidity conditions amid outflows from GST collections and some spillovers from advance tax collections, offsetting inflows from government spending.

Equity Markets

- FY24 ended on a strong note with Nifty 50 Index (Nifty) registering 29% returns for the year. Mid-cap. and small-cap Indices were up 60% and 70%, respectively.
- Consequently, March 2024 saw higher volatility, with index retracing by 3-4% on intra month basis.
- The mid-cap (-0.5%) and small-cap (-4.4%) indices underperformed the Nifty Index; Sector-wise, capital goods, auto and metals were up 6.1%, 5% and 5% respectively, whereas IT (-7.2%) got impacted by not so encouraging news from global IT service company.
- Realty was down by 1.2% on profit taking. While FMCG continued to underperform with a decline of 0.7% in month of March 2024.
- While Nifty has rallied, valuations at 19.5x FY25E is fair. Remain optimistic on Indian equities.

Source: PIB, RBI, Bloomberg, BOJ, FOMC, BOE, ECB, MOSPI, JM Financials, Kotak Institutional Equities. Data as on 31st March 2024



Outlook

Fixed Income Markets Outlook

- Recent pickup in economic activity in the US have moved the consensus expectations of a March-24 rate cut and is in line with our expectations of any rate cut to materialize in second half of 2024.
- On the domestic front, we saw core inflation further cooling down to 3.35% y/y in Feb-2024, a positive for RBI on inflation management. Growth indicators remained robust in March-2024.
- Domestic rates have moderated further in March-24, driven by a dovish Fed policy and lower-than-expected market borrowing.
- The demand-supply dynamic in FY25 is likely to be favourable for g-secs with demand supported by India's inclusion into JP Morgan EM bond index and strong investor demand.
- Liquidity conditions have improved in March-24, in line with our expectations.
- While RBI is expected to follow FED and domestic liquidity conditions remain favorable, we have already started seeing India's benchmark yields softening closer to 7.05%.

Equity Markets Outlook

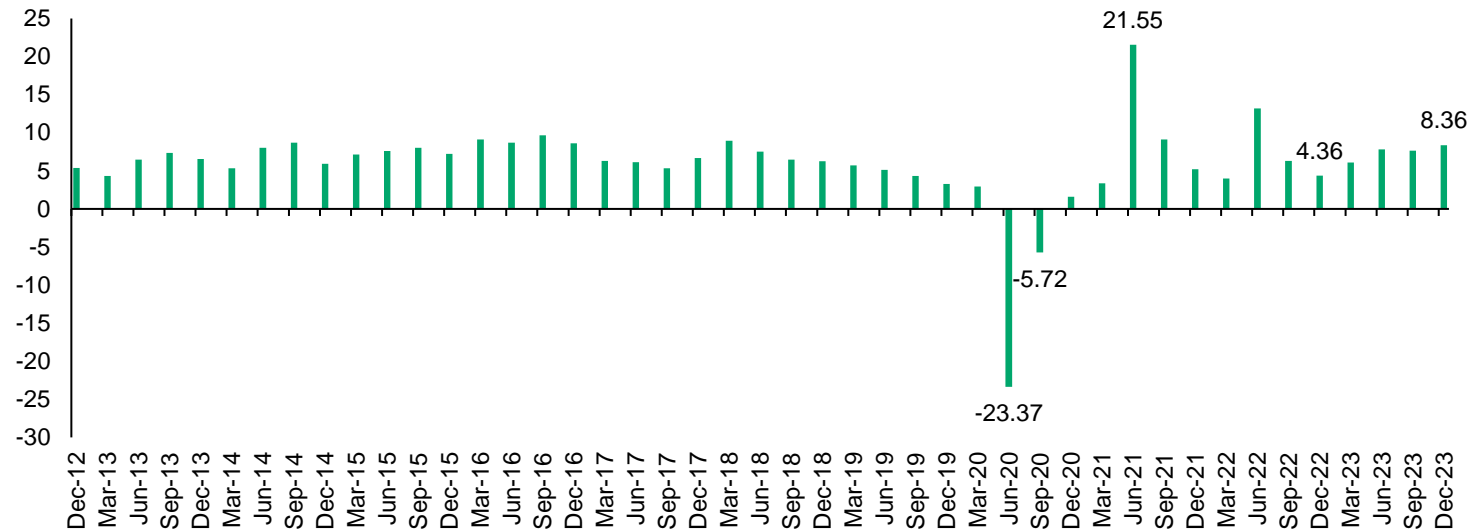
- For the month of March 2024, Nifty Index recorded a gain of 1.6%. Midcap and small cap Indices recorded a decline and underperformed large caps.
- Nifty outperformed both emerging markets especially China, where Hang Seng Index declined by 19% during FY24.
- For fiscal year ending March 2024 Nifty earnings is likely to expand by 21%. Trajectory likely to remain strong during FY25 as well.
- China's manufacturing activity expanded for the first time in six months in March 2024.
- The Purchasing Managers Index rose to 50.8 in March 2024 from 49.1 in February 2024.
- Japan's jobless rate in February 2024 rose to 2.6% from 2.4% in the previous month.
- BOJ ended its negative interest rate regime and raised policy rates to 0- 0.1%.
- The British economy contracted by 0.2% YoY in Q4FY23.

Source: PIB, RBI, Bloomberg, BOJ, FOMC, BOE, ECB, MOSPI. JM Financials, Kotak Institutional Equities. Data as on 31st March 2024

MACRO ECONOMIC INDICATORS

India GDP Growth Q3 FY24 – Resistance and Recovery

India's GDP Growth (%) (YoY)



Why this indicator matters?

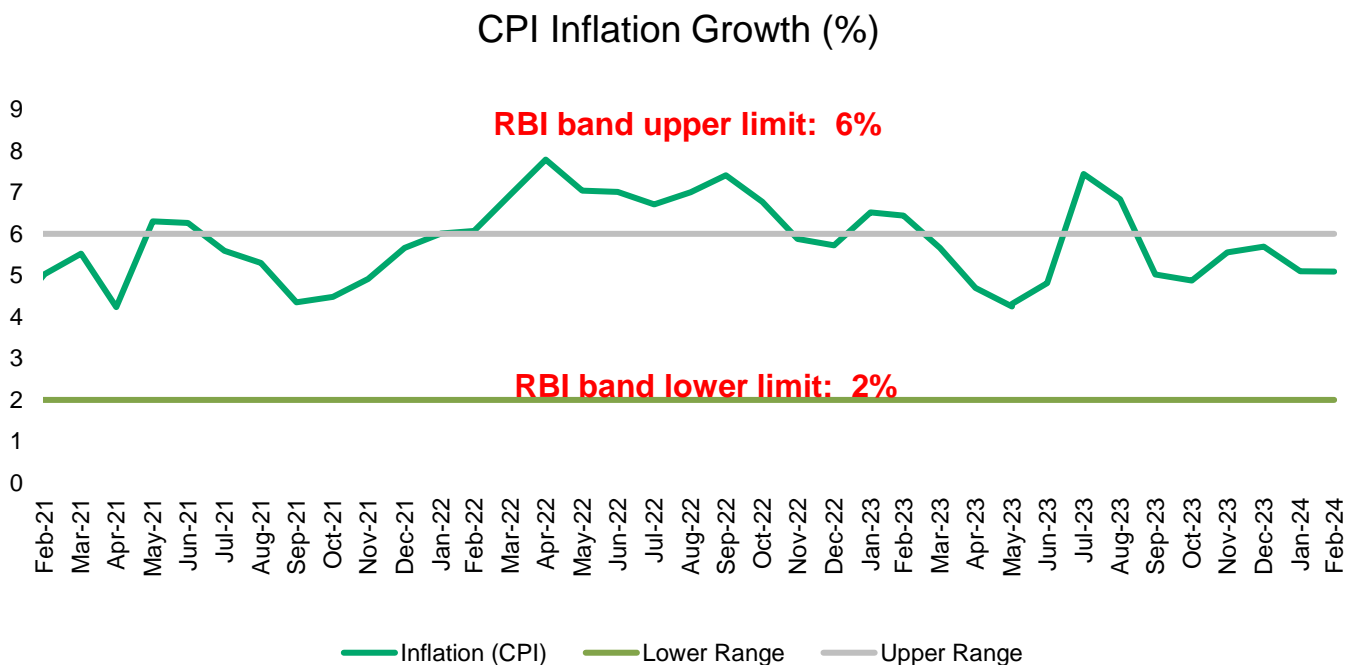
GDP measures the health of the economy and determines the current economic phase.

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 31st December 2023.

Consumer Price Index Inflation



Why this indicator matters?

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

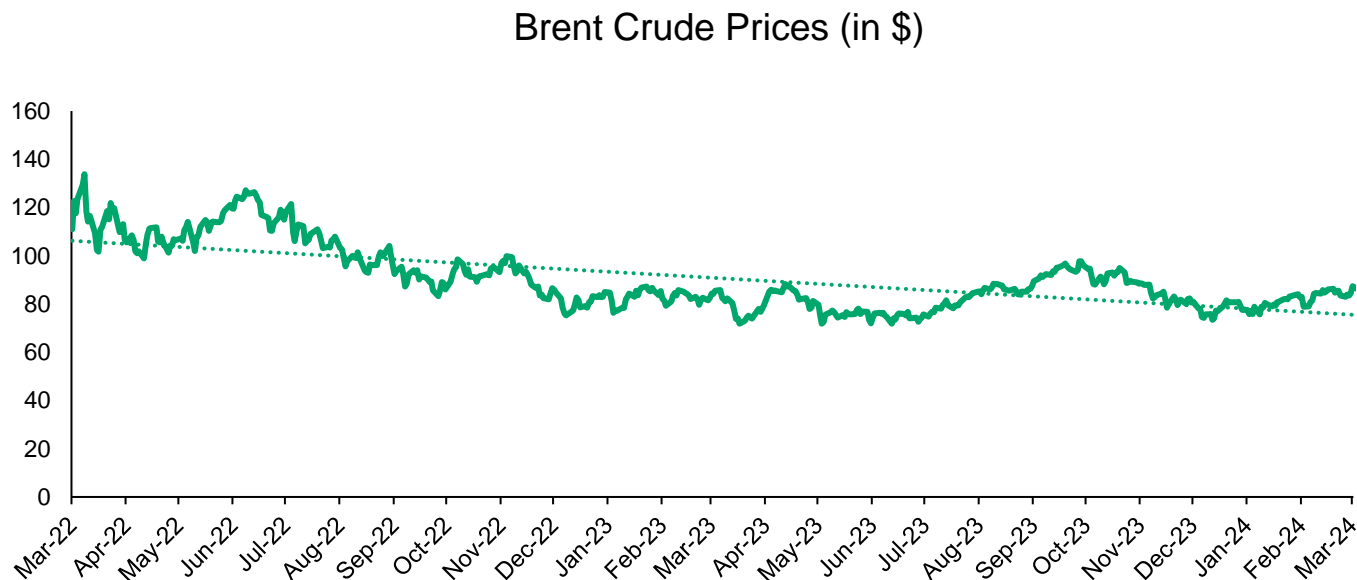
What it means for investors?

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 for Feb-2024 came at 5.09% y/y. Sequentially headline inflation increased by 0.16% m/m in Feb-2024, with higher food inflation being offset by moderation in core inflation.
- Core inflation stood at 3.34% y/y in Feb-2024 vs 3.6% in Jan-2024. Sequentially core inflation increased by 0.25% m/m in Feb-2024.

Source: Forbes Advisors, PIB. Data as of 29th February 2024

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?

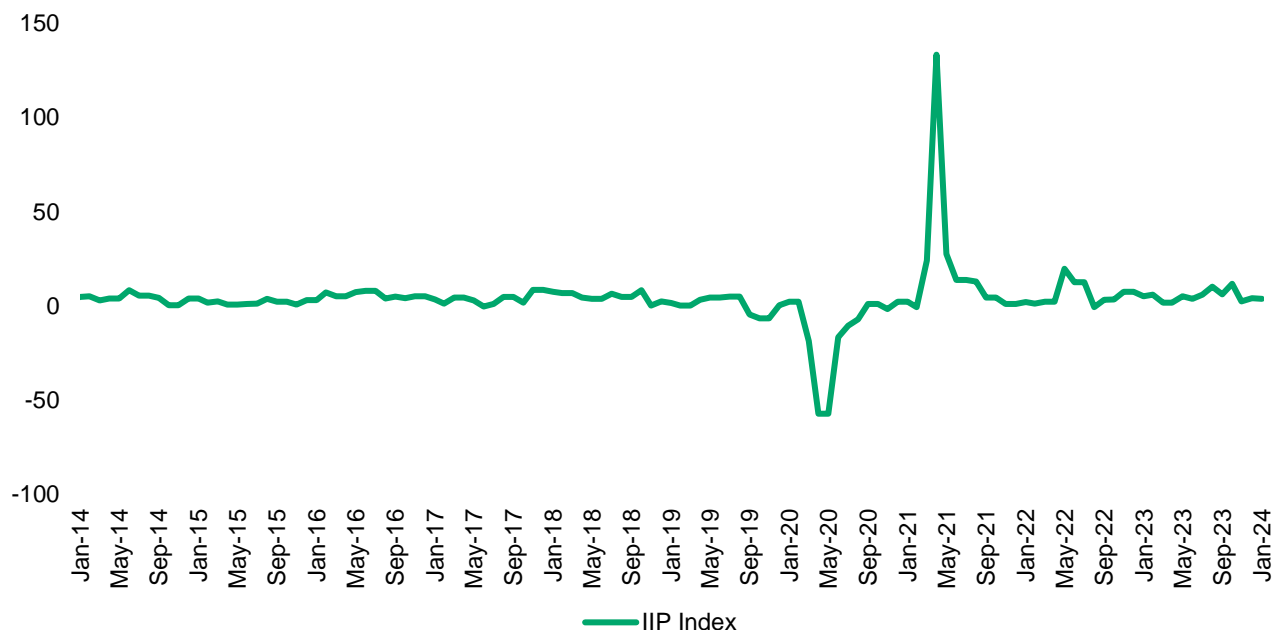
Oil prices may have an impact on economy's current account deficit. Oil also impacts the input prices of commodities, impacting profitability of companies.

- Brent prices jumped to ~89\$/bl backed by uncertainty on demand and supply.
- OPEC + in its latest meeting, further stressed upon being aligning the OPEC members with the projected cuts till June-2024.

Source: Bloomberg. Data as of 31st March 2024.

Index of Industrial Production (IIP)

IIP Growth (%) (Y-o-Y)



- Industrial output, measured by the index of industrial production (IIP), rose by 3.8% on a year-on-year basis in January 2024.
- The growth was lower than the 4.3% growth registered in the preceding month.
- Cumulative IIP during April 2023- January 2024 rose by 5.9%, as compared to 5.6% growth recorded during the same period a year ago.

Source: Bloomberg. Data as on 31st January 2024

Why this indicator matters?

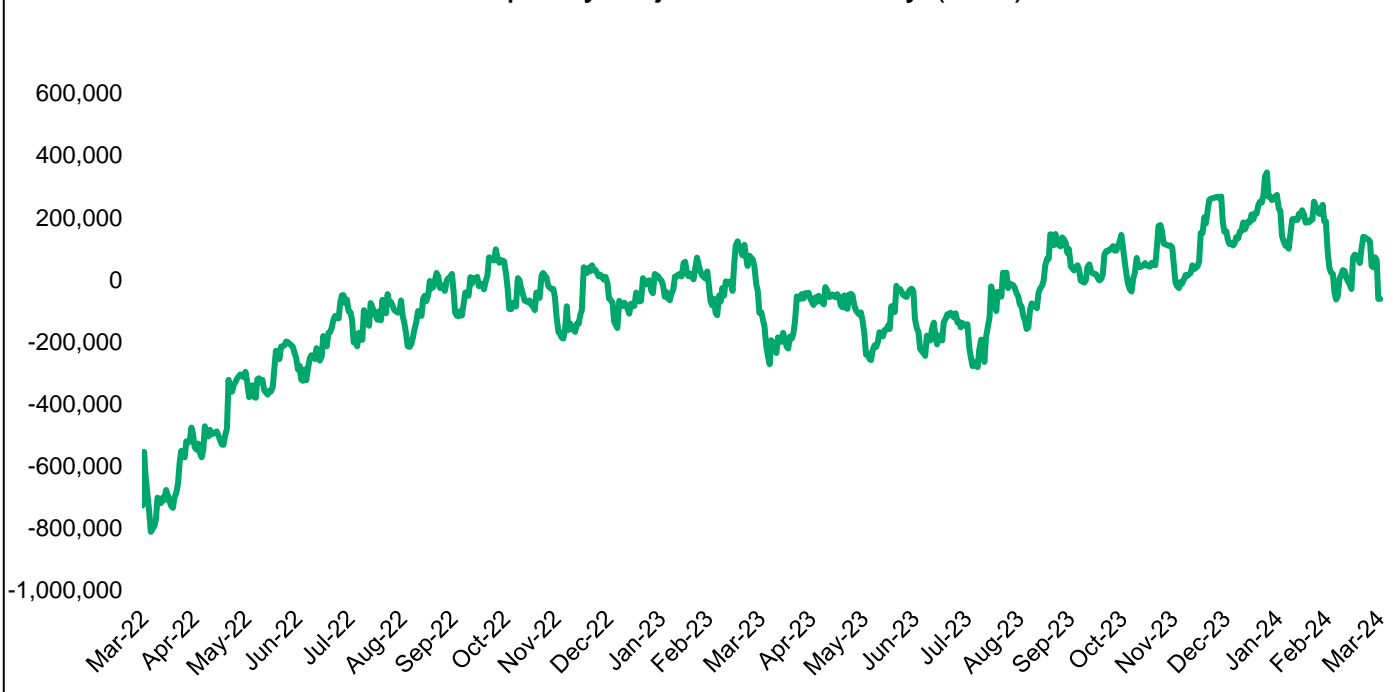
IIP indicates changes in production levels of manufacturing and service industries.

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.

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.

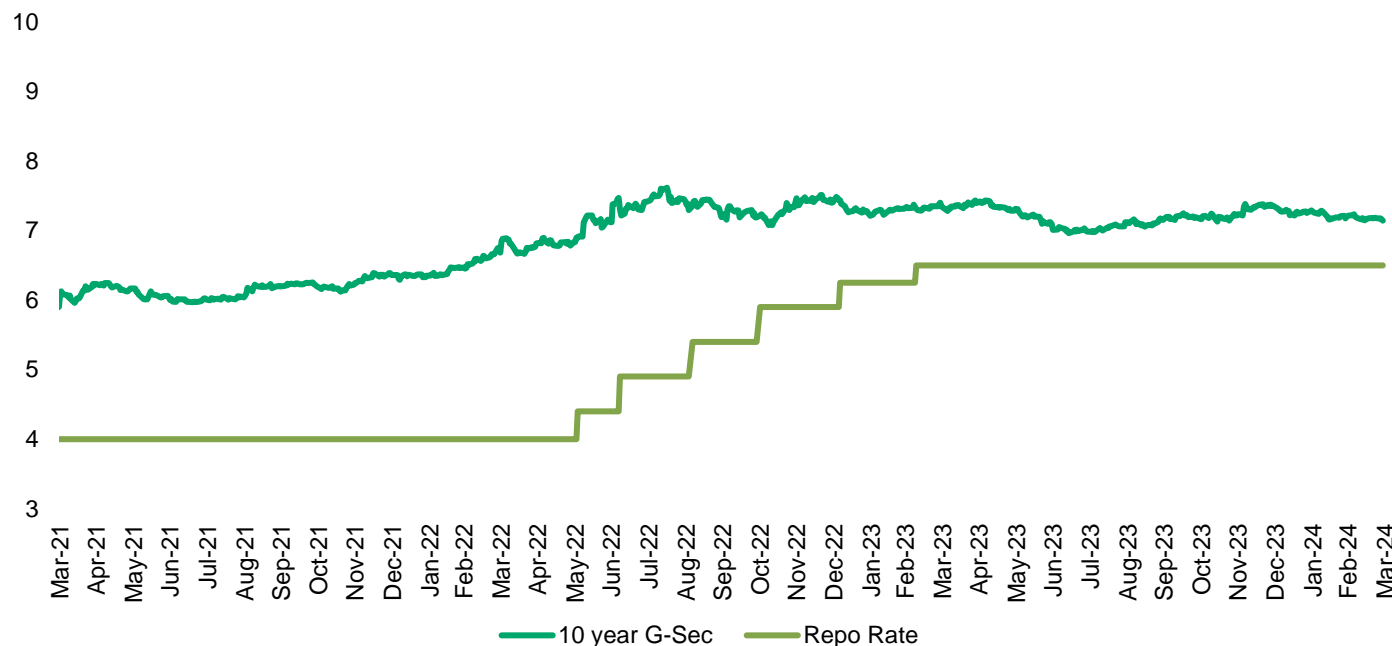
LAF aims to bring stability to the economy by helping banks borrow money from RBI through repo or loan money to RBI through reverse repo.

- Increase in government spending in March-2024 led to substantial decline in liquidity deficit. Overnight rates also softened around 6.5% in March-2024.
- Some monetarily tightening was seen in system liquidity conditions amid outflows from GST collections and some spillovers from advance tax collections, offsetting inflows from government spending.

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

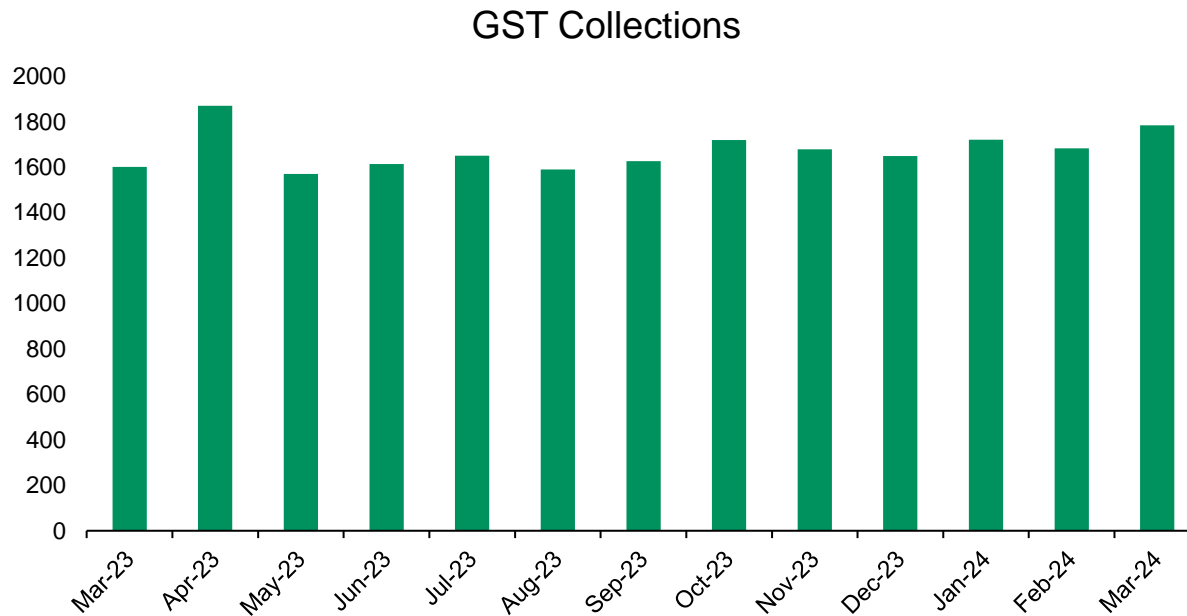
What it means for investors?

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

- India 10 year gsec rate softened to ~7.05% in Mar-2024, led by lower than expected borrowing number for FY25.
- Historically g-sec issuance tends to be more concentrated in 1st half, averaging at ~60% of full year issuance. The change in issuance pattern is a positive for bond yields.
- The demand-supply dynamic in FY25 is likely to be favourable for g-secs with demand supported by India's inclusion into JP Morgan EM bond index and strong investor demand.

Source: Bloomberg. Data as on 31st March 2024.

Monthly GST Collections



Why this indicator matters?

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

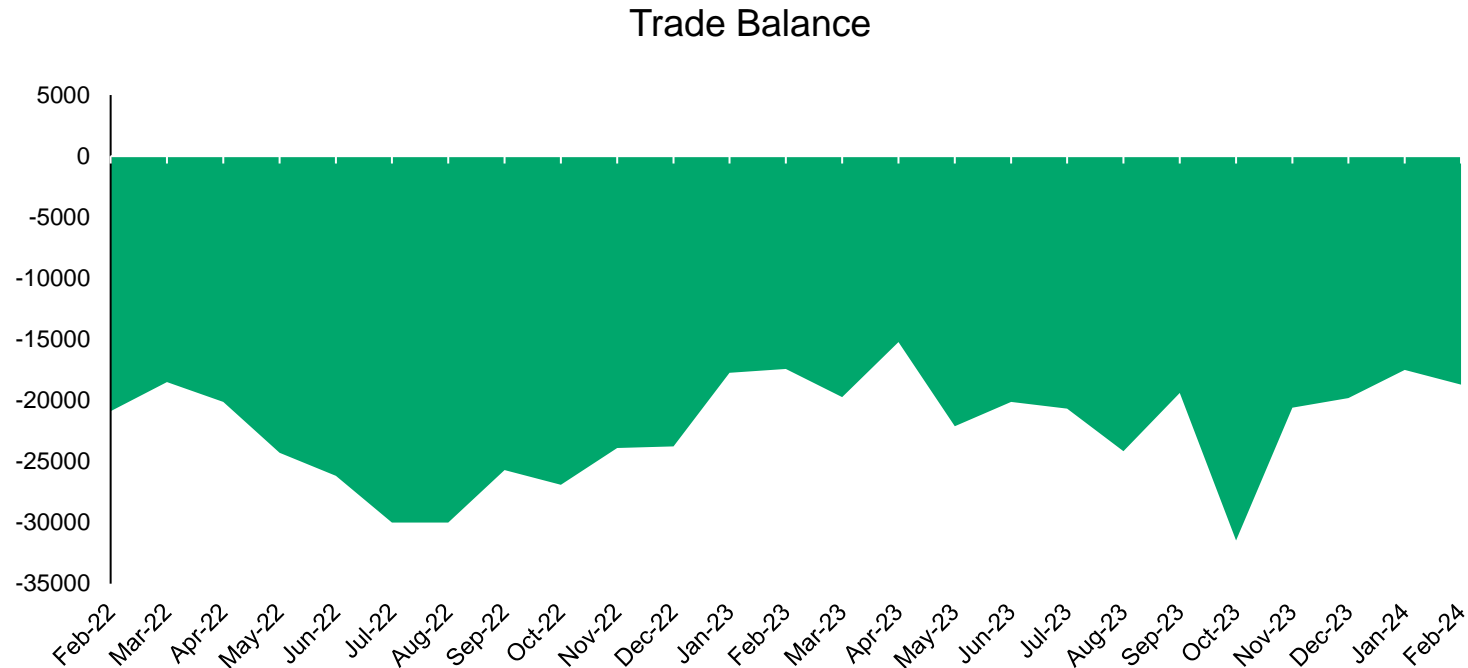
What it means for investors?

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

- Gross Good and Services Tax (GST) revenue for March 2024 witnessed the second highest collection ever at ₹1.78 lakh crore, with a 11.5% year-on-year growth.
- This surge was driven by a significant rise in GST collection from domestic transactions at 17.6%.

Source: Bloomberg. Data as of 31st March 2024.

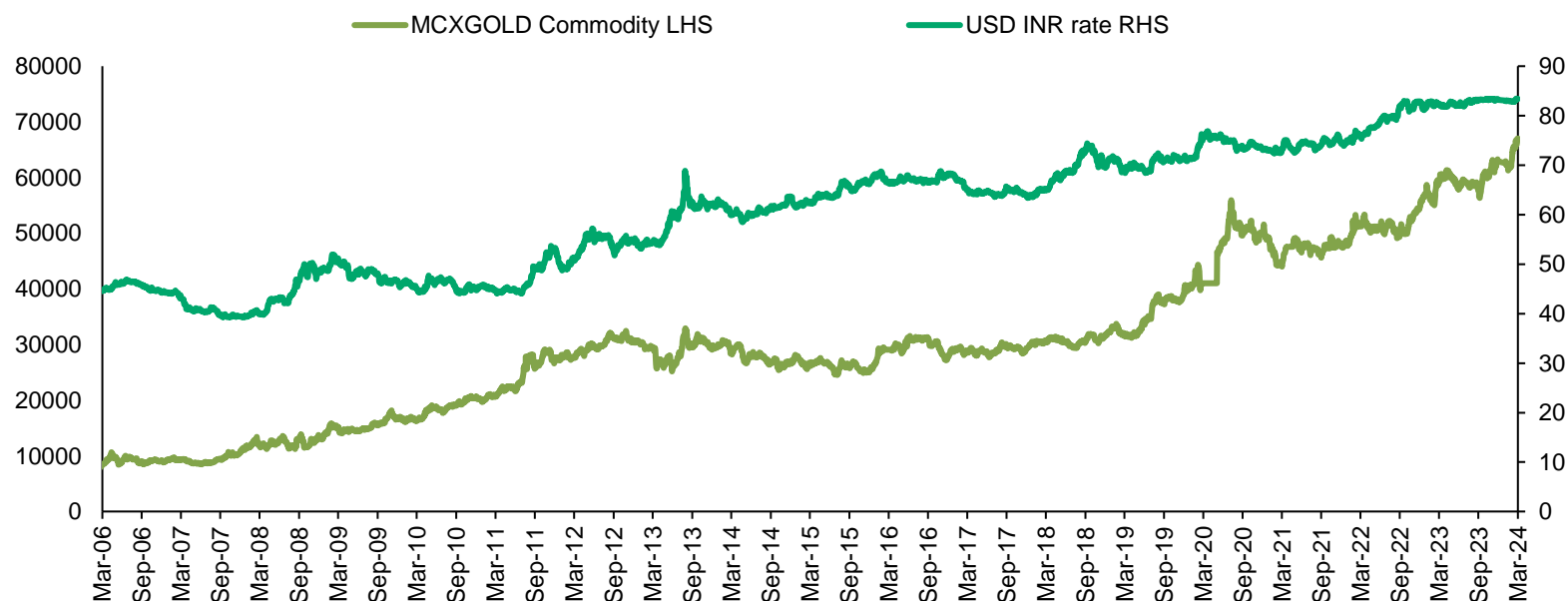
Balance of Trade



- India's trade deficit has increased to USD 18.70 billion in February 2024, from USD 17.43 billion in the same month of the previous year.
- The rise in trade deficit was supported by increase in gold imports.

Source: Bloomberg. Latest Available Data as of 29th February 2024.

USD-INR Movement & Gold Prices

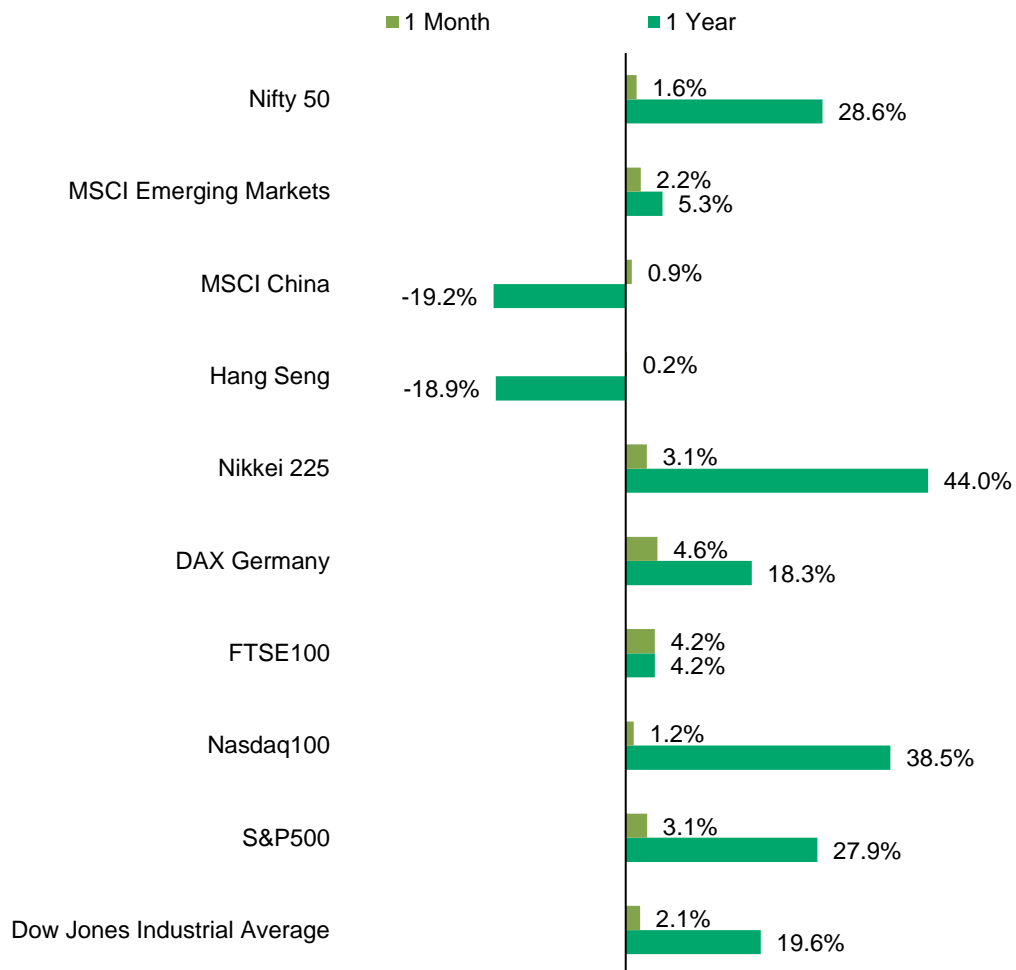


- Unlike February's volatility, March witnessed a mix of appreciating and depreciating trends, influenced by a combination of global and domestic events.
- The USD-INR exchange rate fluctuated between 83.60 and 82.75 with an average of 83.06 in March 2024.

Source: Economic Survey 2022-23, Bloomberg. Data as of 31st March 2024.

EQUITY AND GLOBAL INDICES

Global Indices

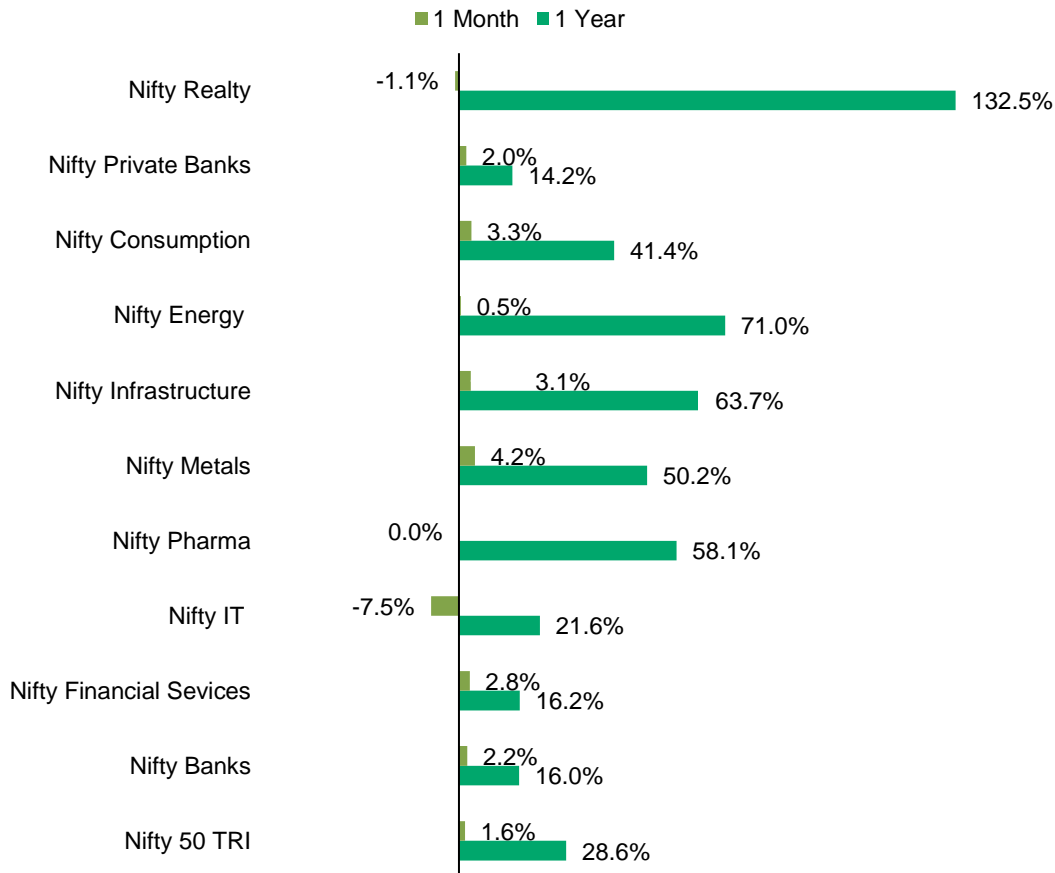


- The Nifty 50 Index was up 1.6%.
- Nifty outperformed both emerging markets especially China.
- Hang Seng Index declined by 19% during FY24.
- The British economy contracted by 0.2% YoY in Q4FY23.

Source: Bloomberg; Schroders. Data as of 31st March 2024.
Past Performance may or may not be sustained in future.

Equity Indices

Sector Indices



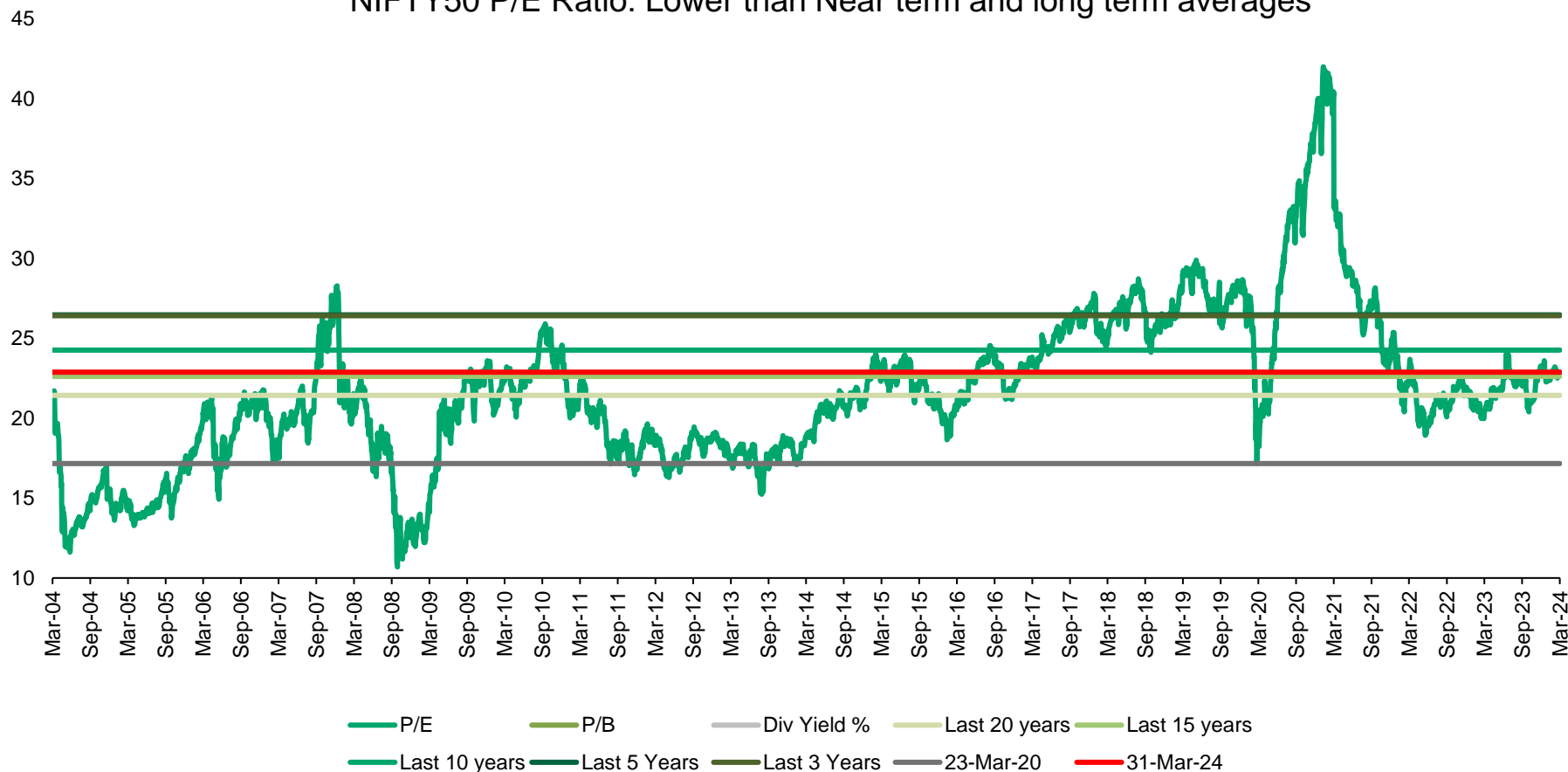
- All sector indexes ended the year in positive.
- The top performer for the month WAS **Nifty Metals (4.2%)**
- On 1 year basis, **Nifty Realty and Nifty Energy** were highest gainers while **Nifty Private Banks and Nifty Banks** have been the laggards for the trailing 12 months

Source: Bloomberg. Data as of 31st March 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 31st March 2024.

Past Performance may or may not be sustained in future.


Sector Positioning of Equity Portfolios

GICS Sectors	BBNPP Large Cap Fund	BBNPP Mid Cap Fund	BBNPP Flexi Cap Fund	BBNPP Focused Fund	BBNPP India Consumption Fund	BBNPP Banking & Financial Services Fund	BBNPP Business Cycle Fund	BBNPP Multi Cap Fund	BBNPP Large & Mid Cap Fund	BBNPP ELSS Fund	BBNPP Value Fund	BBNPP Small Cap Fund	BBNPP Innovation Fund
Consumer Discretionary	14.7%	19.5%	10.9%	22.6%	43.0%	0.0%	15.2%	18.3%	17.2%	17.7%	8.4%	6.5%	21.8%
Consumer Staples	7.8%	5.1%	4.0%	5.1%	34.3%	0.0%	8.2%	4.8%	4.6%	0.5%	2.7%	4.3%	3.7%
Energy	11.1%	1.1%	7.6%	5.9%	0.0%	0.0%	7.2%	5.8%	6.1%	6.4%	15.0%	6.3%	0.0%
Financials	25.2%	20.8%	27.3%	22.5%	3.2%	98.6%	24.5%	24.2%	27.8%	28.4%	25.7%	22.0%	10.2%
Health Care	4.3%	13.2%	5.0%	0.0%	0.0%	0.0%	11.9%	9.0%	6.5%	7.2%	8.6%	8.6%	4.3%
Industrials	11.2%	14.9%	13.8%	17.6%	1.8%	0.0%	12.5%	15.4%	10.6%	15.0%	4.8%	24.2%	16.2%
Information Technology	10.0%	7.8%	8.9%	0.0%	0.0%	0.0%	7.0%	6.7%	8.1%	7.3%	10.4%	5.1%	11.3%
Materials	4.7%	7.1%	7.1%	6.0%	3.1%	0.0%	1.9%	6.4%	2.5%	4.8%	4.5%	7.0%	6.0%
Real Estate	0.0%	2.7%	3.9%	5.8%	2.3%	0.0%	1.5%	3.0%	3.5%	2.8%	0.0%	1.1%	0.0%
Communication Services	2.4%	0.0%	3.5%	0.0%	7.7%	0.0%	2.5%	1.6%	2.3%	3.7%	1.4%	1.3%	9.6%
Utilities	5.2%	4.1%	3.1%	8.9%	0.0%	0.0%	2.9%	2.2%	5.9%	4.7%	15.8%	7.9%	0.0%
Cash/Debt/Derivatives	3.3%	3.7%	4.8%	5.7%	4.6%	1.4%	4.7%	2.7%	4.9%	1.6%	2.8%	5.9%	16.9%
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%	100.0%

Source: Internal. Data as of 31st March 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>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, 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>Baroda BNP Paribas ELSS Tax Saver 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 Flexi Cap Fund (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>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>	<p>Baroda BNP Paribas Innovation Fund (An open-ended equity scheme investing in innovation theme)</p> <p>This product is suitable for investors who are seeking*: • Long term capital appreciation • Investment in equity & equity related securities of the companies that benefit from innovation theme.</p>	<p>Baroda BNP Paribas Small Cap Fund (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 & 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 31st March 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