

# MONTHLY OUTLOOK

**JULY 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

Global manufacturing PMI experienced a growth setback at the start of the second half of 2024, with July-2024 seeing output expand at the weakest rate in the last seven-months. Euro area remained the main source of weakness – The currency bloc's output has fallen for sixteen months straight– sharp growth slowdowns in China and the US alongside renewed contraction in Japan also contributed to the slowdown at the global level. Global commodity prices have started reflecting the global demand supply dynamics, irrespective of extension of supply cuts from OPEC+, Brent continues to remain below 80\$/bl as China, the biggest importer of crude oil faces economic uncertainty and weakness. Interest rate differential with US and domestic inflation issues has weighed down on Asian currencies especially China and Japan. With Bank of Japan's recent move to hike its benchmark rate, it has been supportive of its currency. Japan's inflation problem and changing monetary dynamics is expected to trigger some shift in the global flows.

## Domestic Economy

Union budget was the key event in the month of July-2024 which triggered a positive bias for India's fixed income markets. The Union Budget judiciously used the fiscal space created by the RBI dividend, to boost revenue expenditure and further enhanced fiscal consolidation (fiscal deficit target 4.9% of GDP v/s 5.1% in interim budget). The budget was non-inflationary with revenue expenditure (as % of GDP) moderating to 11.4% in FY25 from 11.8% in FY24. The Budget remains supportive to the capex cycle, with capital expenditure maintained at 3.4% of GDP. In line with the budget estimations, the actual run rate for direct tax collection remained robust as on FYTD basis. Indirect tax collections too showed robust growth irrespective of a higher allocation to states. On the growth front, high frequency indicators in July-2024 reflected softer expansion in economic activity. India's manufacturing PMI showed a marginal decline in the pace of expansion in July-2024. The continuous increase in the output price index, driven by input and labour cost pressure, remains a concern.

## Equity Markets

The benchmark indices, Nifty/Sensex, continue to be on a strong uptrend. Despite major events such as the general elections and Union Budget bringing in some negative news flow, the markets have climbed all the walls of worries to scale to new peaks. Globally, Indian markets were among the best-performing markets, along with US Dow Jones (+4.4%) and Australia (+4.2%). Hang Seng and Shanghai Composite declined 2.1% and 1% respectively amid the weakness in the economy. For the month of July 2024, Nifty 100 Index was up by 4.1%. Mid-cap and small-cap indices were up 4.9% and 4.9% in the month, respectively. Sector-wise, IT, oil & gas, FMCG were up by 13%, 11% and 10%. Banks, metals and realty indices ended with a minor loss of around 1% each. FPIs bought USD 3.7 bn of Indian equities in the secondary market, whereas DIIs bought USD 2.8 bn.

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



# Outlook

## Fixed Income Markets Outlook

- Global growth has started showing signs of elevated interest rate scenario, with US economy showing signs of normalization and China growth still finding it difficult to find stability.
- Global yields have started pricing in changing monetary policy dynamics with China's 10-year benchmark yield softening to its lowest.
- India's position continues to show robust growth and stable yield currency movement.
- Recent announcement in FY25 Union budget saw positive pulses for India's fixed income market with government thrust on qualitative expenditure along with confidence on fiscal consolidation.
- Net borrowing numbers decline by ~17,000 crores and we expect some more downside to the same.
- The fiscal deficit at 4.9% and next year's fiscal deficit vision of 4.5% by the government instills faith in government's seriousness towards debt management and its outlook on sovereign ratings.
- In last one month yield curve steepened due to comfortable liquidity situation and robust inflows from FPI which is evident from the graph
- We expect the current yield curve to see an intercept shift across the curve with tailwinds from JP morgan index inclusion.

## Equity Markets Outlook

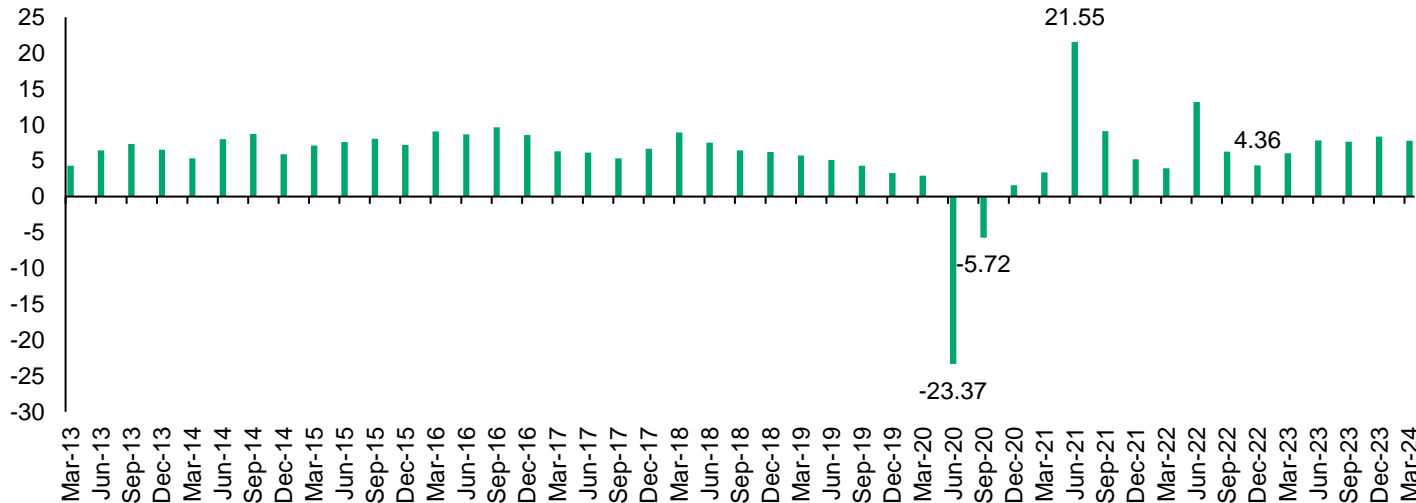
- Nifty 50 index is trading at 25x on 12 M trailing basis Q1FY25 results.
- While budget is a key event, and markets tend to be volatile during budget day, the focus does shift to fundamentals later. In terms of earnings announced- IT sector has done better than expected. Auto & 2 Wheeler companies reported healthy double-digit growth and improvement in margins as well. Cement topline growth is muted led by lower realisation which led to drag in margins.
- Given macroeconomic stability, political continuity, deleveraged corporate balance sheets and continued focus on government capex, India has shown remarkable progress in current year.
- Even as consumption demand remains sluggish, efforts to boost employment and tax changes in the new tax regime should gradually aid private consumption.

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

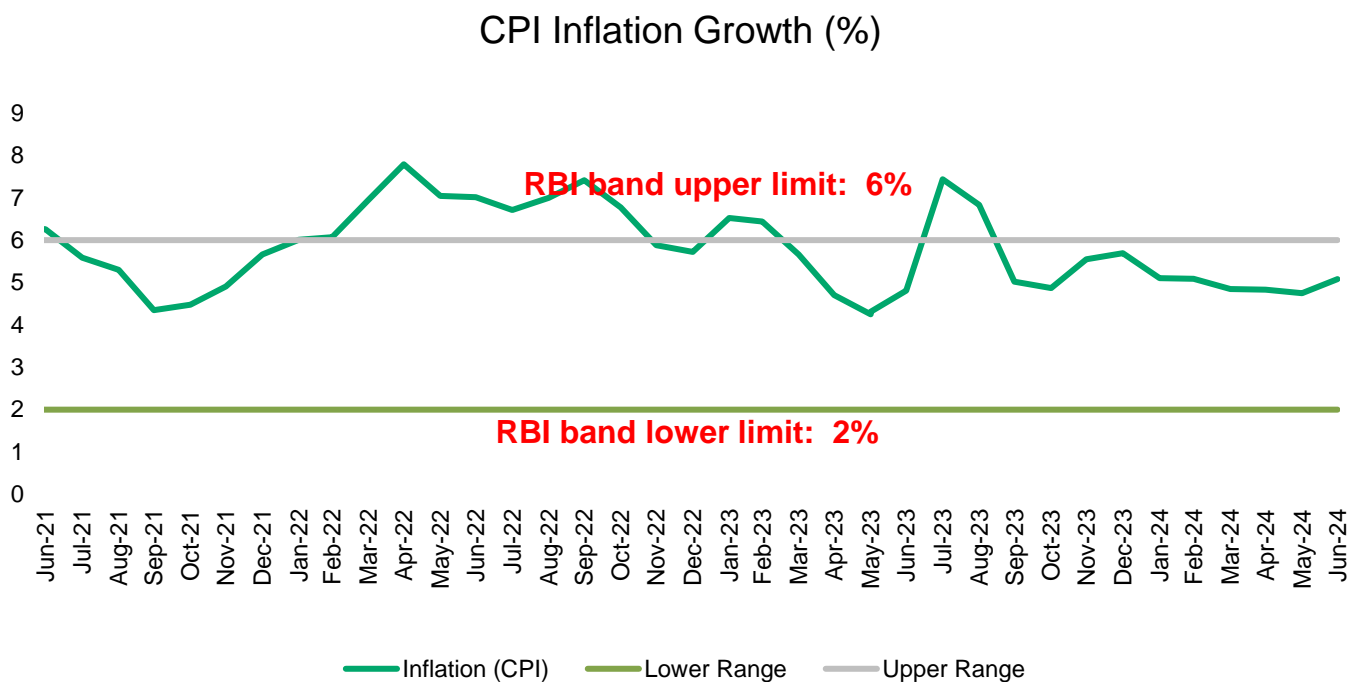
## What it means for investors?

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

- India's Gross Domestic Product (GDP) growth stood at 7.8% in 4QFY24 continued to surprise on the upside which was mainly on the back of higher net indirect tax collections as there was lower subsidy payout in the quarter similar to 3QFY24.
- GDP growth in FY24 stood at 8.2% higher than RBI's estimates.

Source: Bloomberg, The Mint. Latest quarter Data as on 31<sup>st</sup> March 2024. Latest available Data

# 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.

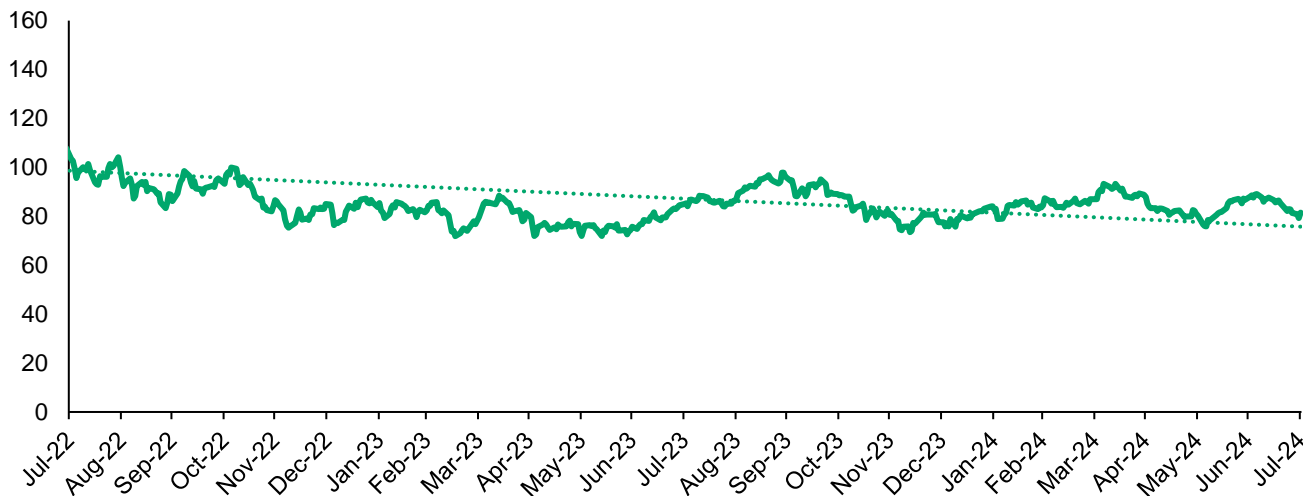
India's Consumer Price Index (CPI) for June 2024 was recorded at **5.08%**. Here are two key points:

- 1. Increase in Food Inflation:** The CPI rise to 5.08% was largely driven by an increase in food inflation, which surged to 9.55% in June from 8.69% in May. This marked a significant rise from the 4.55% food inflation seen in June 2023.
- 2. Rural vs. Urban Inflation:** Rural inflation in June 2024 stood at 5.67%, higher than urban inflation, which was 4.39%. This disparity highlights the varied impact of inflationary pressures across different regions in India

Source: Forbes Advisors, PIB. Data as of 30<sup>th</sup> June 2024. Latest available Data

# 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?

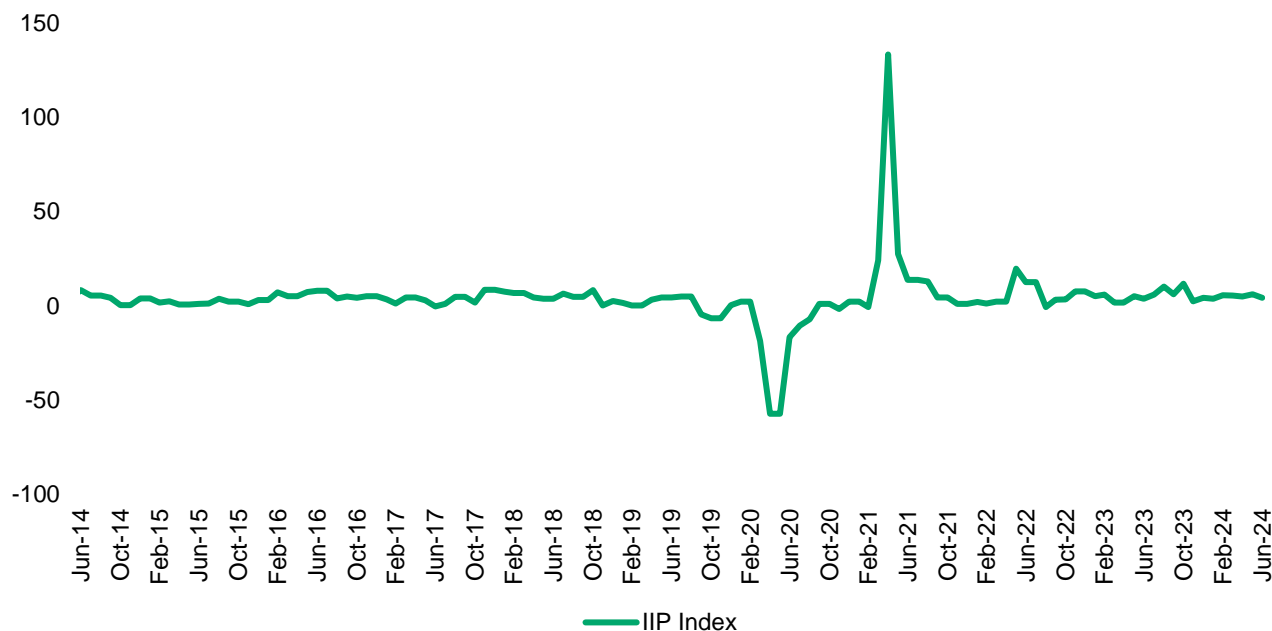
Oil prices may have an impact on economy's current account deficit. Oil also impacts the input prices of commodities, impacting profitability of companies.

In July 2024, the Brent crude oil price in India experienced notable fluctuations. On average, Brent crude traded around **\$80 per barrel** during the month, a decline of more than \$6 from early July levels. This decrease was influenced by a combination of weak global economic data and risk-off sentiment in financial markets, which outweighed geopolitical tensions and other factors supporting prices

Source: Bloomberg. Data as of 31<sup>st</sup> July 2024. Latest available Data

# Index of Industrial Production (IIP)

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



- In June 2024, India's Index of Industrial Production (IIP) grew by 4.2% compared to the same month in 2023.
- This increase was driven primarily by the Mining sector, which saw a significant growth of 10.3% year-on-year.
- The Manufacturing and Electricity sectors also contributed, growing by 2.6% and 8.6%, respectively.

## Why this indicator matters?

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

## What it means for investors?

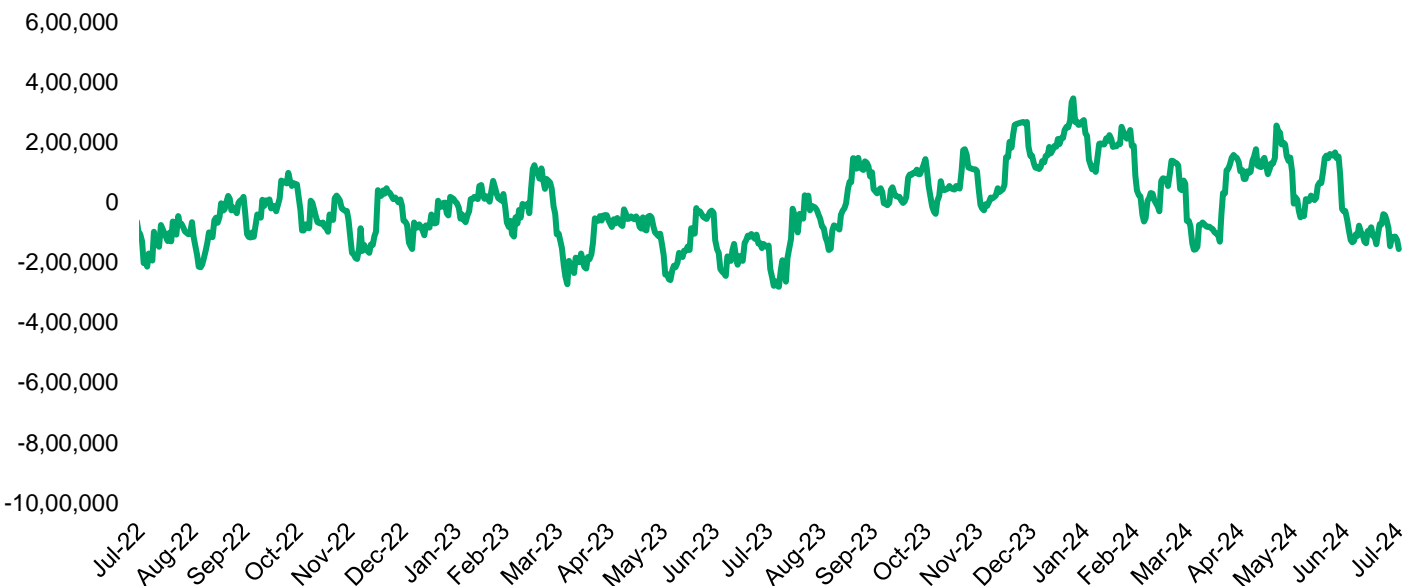
IIP is considered a lead indicator when it comes to corporate earnings as higher IIP tends to translate into higher earnings and revenues.

Source: Bloomberg. Data as on 30<sup>th</sup> June 2024. Latest available Data



# 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.

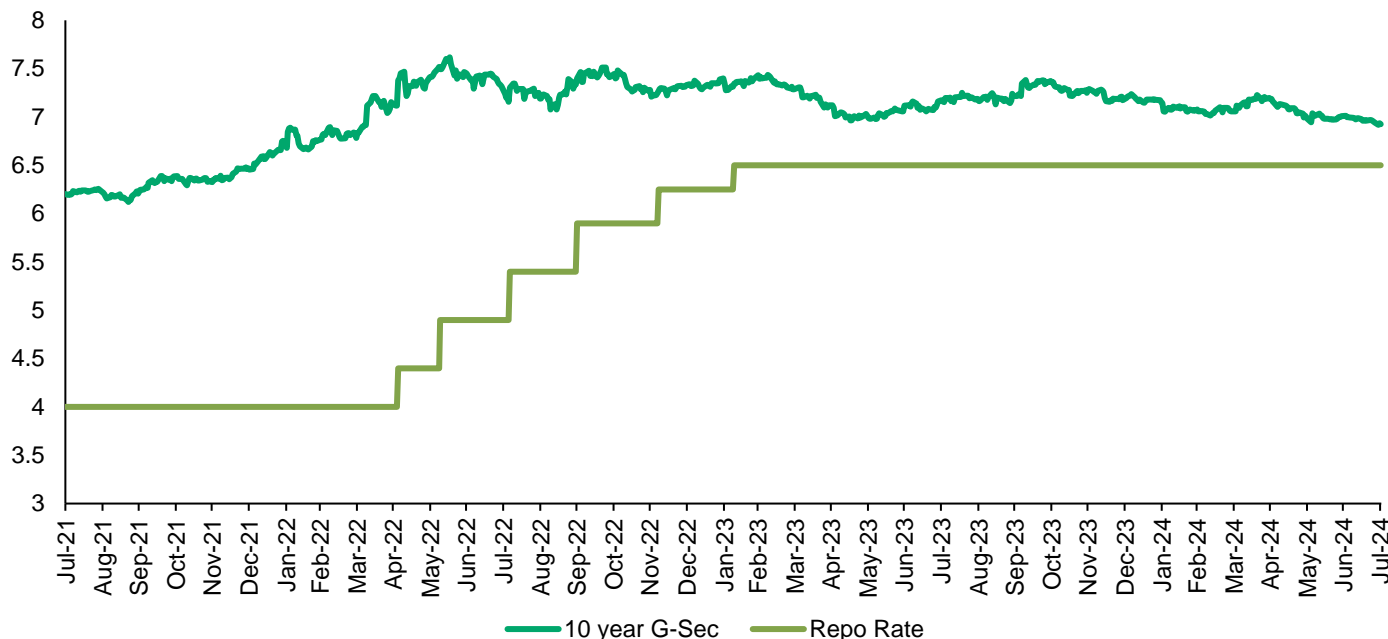
LAF aims to bring stability to the economy by helping banks borrow money from RBI through repo or loan money to RBI through reverse repo.

- System liquidity conditions remained comfortable and in surplus zone in July-2024. Barring the GST-led outflow days, most of July has witnessed the overnight rates trading below the Repo rate, even as the RBI continues to conduct Variable Reverse Repo Rate (VRRRs).
- Liquidity conditions are expected to improve further led by month-end government spending.
- This quarter, we expect continued government spending, minimal currency leakage and FX intervention to keep liquidity conditions very comfortably in surplus zone, thereby providing room for further easing in the money market rates.

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

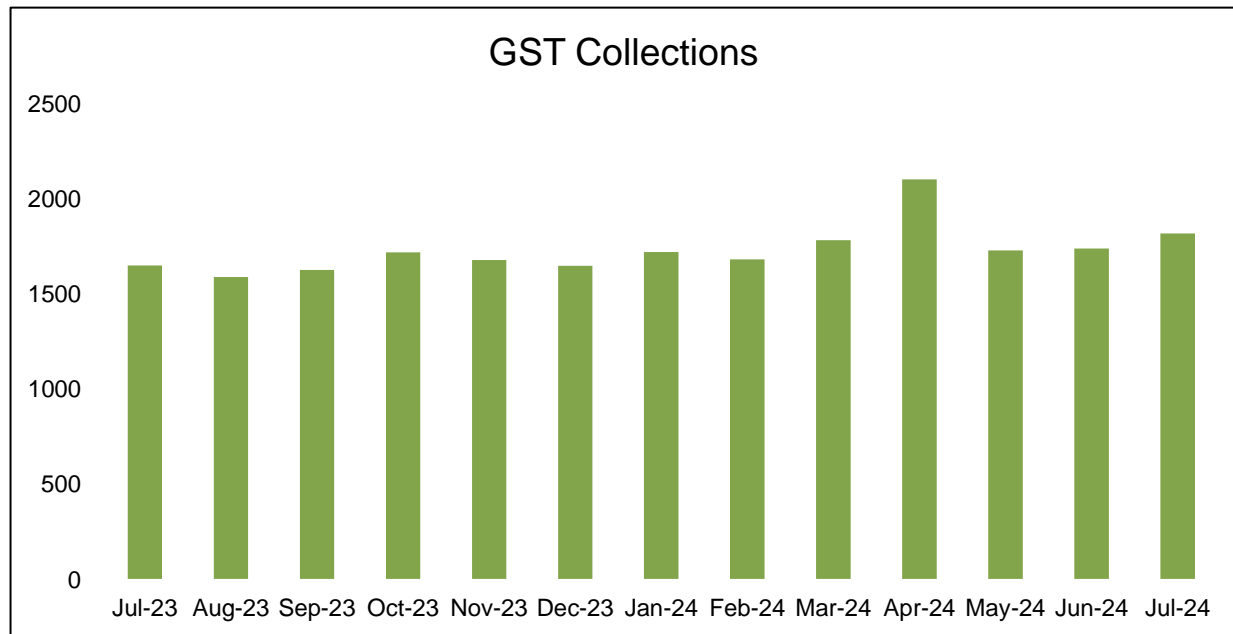
## What it means for investors?

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

- In July 2024, the 10-year Government Securities (G-Sec) yield in India was around 7.1% to 7.2%, and the Reserve Bank of India's (RBI) repo rate stood at 6.50%.
- The 10-year G-Sec yield remained stable, reflecting market expectations of the RBI maintaining its monetary policy stance.
- The repo rate at 6.50% indicated the RBI's focus on controlling inflation while supporting economic growth.

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

# Monthly GST Collections



## Why this indicator matters?

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

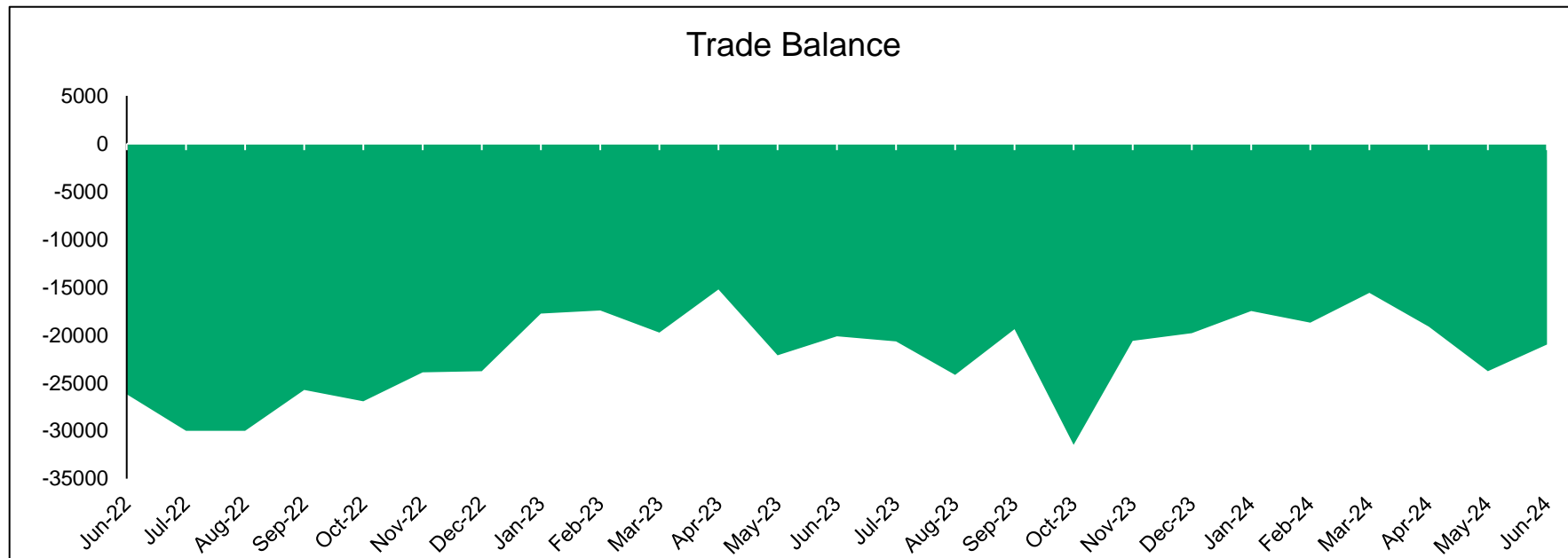
## What it means for investors?

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

- In July 2024, India's GST (Goods and Services Tax) collection stood at approximately ₹1.65 lakh crore.
- This marks a 10.8% year-on-year increase in revenue compared to July 2023.
- The GST revenue in July 2024 is the fifth consecutive month that collections have crossed the ₹1.6 lakh crore mark.

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

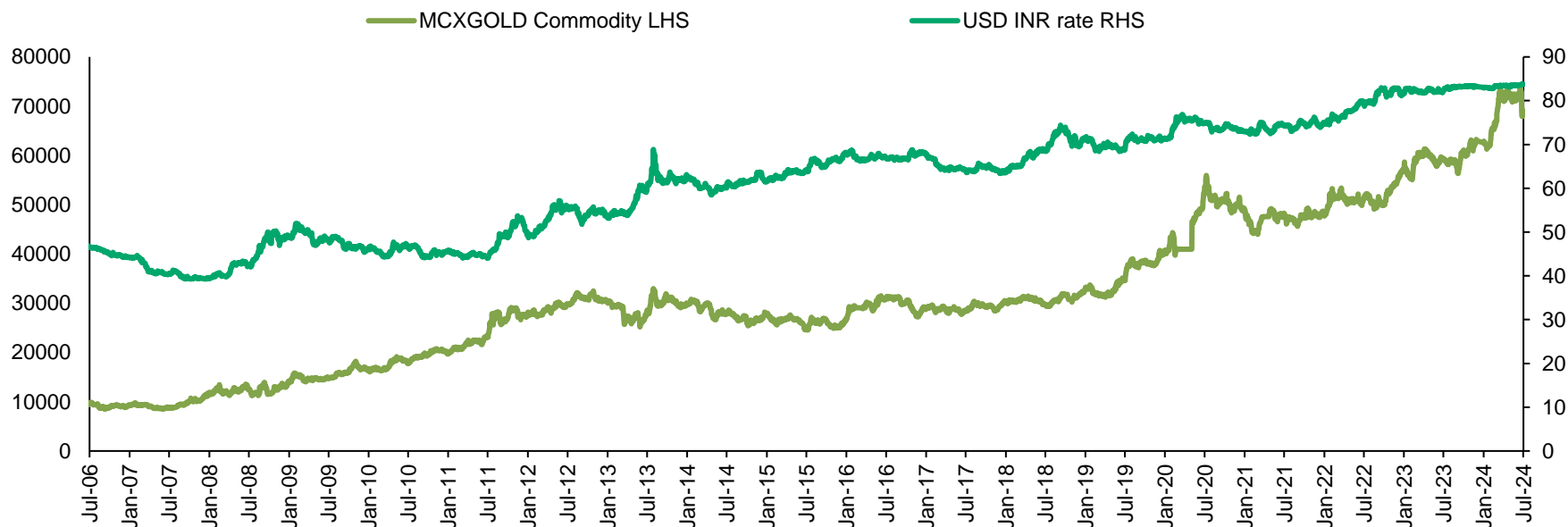
# Balance of Trade



- In June 2024, India's balance of trade experienced a trade deficit of approximately \$20.98 billion. This was a slight improvement from the previous month, which saw a deficit of \$23.8 billion, but it was higher compared to June 2023's deficit of \$19.19 billion.
- Export Growth: India's goods exports rose by 2.6% to \$35.2 billion, driven by sectors such as engineering goods, electronics, coffee, and pharmaceuticals.
- Import Increase: Merchandise imports grew by 4.9% to \$56.18 billion, contributing to the trade deficit

Source: Bloomberg. Latest Available Data as of 30<sup>th</sup> June 2024.

# USD-INR Movement & Gold Prices

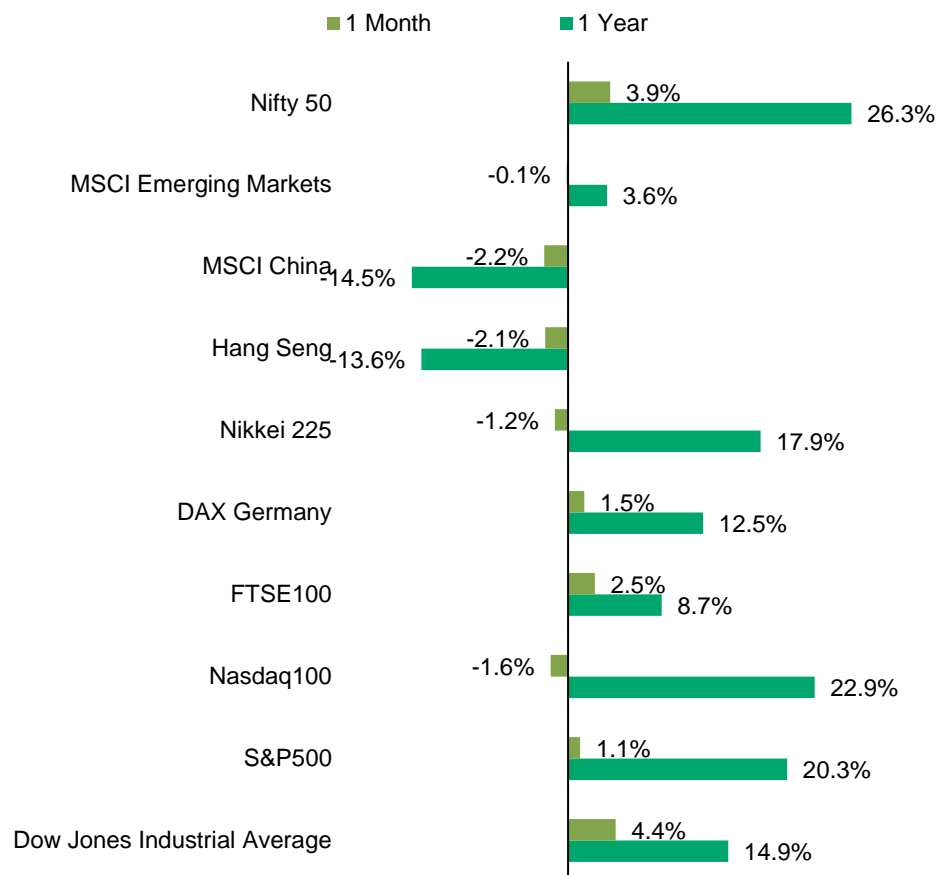


- In July 2024, the USD to INR exchange rate fluctuated around ₹82.5 to ₹83 per USD, and the gold price in India was on an average ₹74,000 per 10 grams.
- The INR slightly depreciated against the USD in July 2024 due to global economic uncertainties and rising crude oil prices.
- Gold prices remained elevated in July 2024, reflecting investor demand for safe-haven assets amid inflation concerns and global market volatility.

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

# EQUITY AND GLOBAL INDICES

# Global Indices

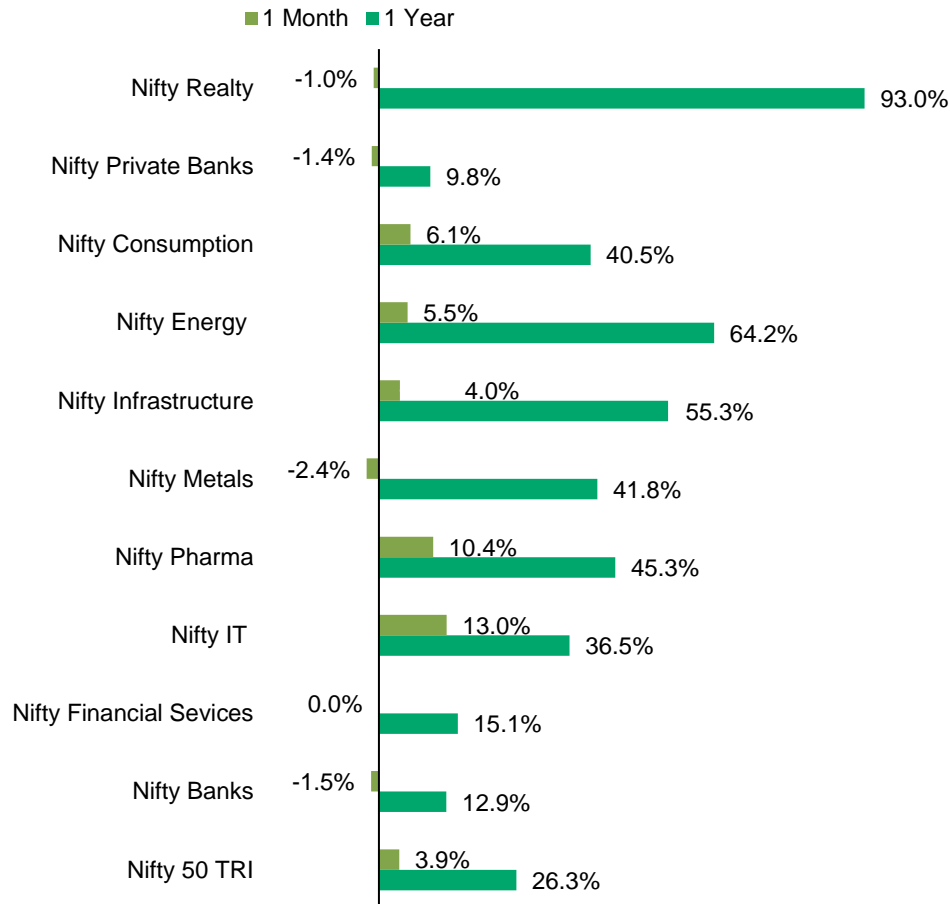


- For the month of July 2024, Nifty 50 Index was up by 3.9%.
- Globally, Indian markets were among the best-performing markets, along with US Dow Jones (+4.4%)
- Hang Seng declined by 2.1% and Nikkie 225 by 1.2%
- The bottom gainers were S&P 500 & DAX Germany which had a marginal gain of (+1.1%) & (+1.5%) respectively.

Source: Bloomberg; Schroders. Data as of 31<sup>st</sup> July 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 IT (13.0%)**
- 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 31<sup>st</sup> July 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> July 2024

Past Performance may or may not be sustained in future.

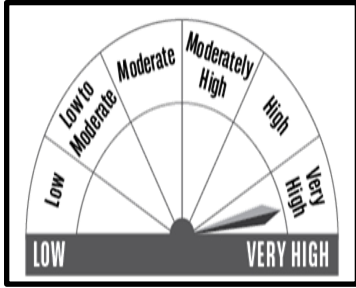
# Sector Positioning of Equity Portfolios

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	BBNPP Manufacturing Fund
Consumer Discretionary	14.0%	19.0%	12.6%	18.3%	38.4%	0.0%	16.0%	12.6%	15.5%	13.4%	8.1%	11.8%	20.4%	22.2%
Consumer Staples	7.9%	3.5%	4.6%	4.0%	37.5%	0.0%	6.9%	7.5%	7.2%	6.4%	6.6%	4.5%	5.2%	1.2%
Energy	11.2%	1.1%	5.2%	3.9%	0.0%	0.0%	6.2%	3.3%	5.0%	4.0%	10.7%	1.3%	2.2%	14.4%
Financials	23.8%	21.2%	25.0%	14.9%	1.5%	99.0%	20.9%	22.3%	22.6%	25.1%	25.1%	21.5%	10.0%	0.0%
Health Care	5.2%	11.3%	7.5%	0.0%	1.0%	0.0%	10.8%	7.7%	9.3%	5.4%	10.4%	5.6%	4.5%	17.3%
Industrials	12.6%	17.7%	12.0%	21.7%	6.6%	0.0%	12.7%	20.3%	11.2%	16.9%	7.4%	27.3%	21.8%	21.7%
Information Technology	9.8%	6.7%	8.6%	4.3%	0.0%	0.0%	10.9%	8.9%	11.3%	9.3%	10.4%	3.1%	15.7%	1.1%
Materials	4.2%	11.2%	7.9%	10.1%	1.1%	0.0%	1.1%	7.4%	3.3%	6.1%	4.3%	12.2%	6.8%	14.7%
Real Estate	0.0%	2.5%	3.3%	5.5%	2.5%	0.0%	1.4%	3.0%	2.0%	2.8%	0.0%	1.2%	0.0%	0.0%
Communication Services	2.4%	2.2%	4.7%	3.0%	9.0%	0.0%	4.7%	3.0%	3.4%	3.7%	1.6%	1.4%	9.3%	0.0%
Utilities	5.3%	0.0%	4.6%	9.9%	0.0%	0.0%	3.1%	2.9%	4.9%	3.7%	12.7%	5.4%	0.0%	3.9%
Cash/Debt/Derivatives	3.7%	3.5%	4.0%	4.5%	2.4%	1.0%	5.3%	1.2%	4.2%	3.1%	2.6%	4.8%	4.0%	3.4%
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%	100.0%

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

<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*: <ul style="list-style-type: none"><li>- Wealth Creation in long term.</li><li>- Investments in diversified and actively managed portfolio of equity and equity related securities with bias to large cap companies.</li></ul>	<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*: <ul style="list-style-type: none"><li>- Capital appreciation over long term.</li></ul> <ul style="list-style-type: none"><li>- Investment predominantly in equity and equity related instruments of large and midcap stocks.</li></ul>		<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*: <ul style="list-style-type: none"><li>- Wealth Creation in long term.</li></ul> <ul style="list-style-type: none"><li>- Investments in companies in mid capitalization segment.</li></ul>	
<b>Baroda BNP Paribas Multi Cap Fund</b> (An open-ended equity scheme investing across large cap, mid-cap and small cap stocks) This product is suitable for investors who are seeking*: <ul style="list-style-type: none"><li>-Capital appreciation over long term.</li><li>- Investments predominantly in equity and equity related instruments.</li></ul>	<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) This product is suitable for investors who are seeking*: <ul style="list-style-type: none"><li>-Wealth Creation in long term.</li></ul> <ul style="list-style-type: none"><li>-Investments in diversified and actively managed portfolio of equity and equity related securities across market capitalization along with income tax rebate</li></ul>		<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*: <ul style="list-style-type: none"><li>-Long term wealth creation.</li></ul> <ul style="list-style-type: none"><li>-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</li></ul>	
<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*: <ul style="list-style-type: none"><li>- Wealth Creation in long term.</li><li>- Investment primarily in equity and equity-related securities of upto 25 companies and the rest in debt securities &amp; money market instruments.</li></ul>	<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*: <ul style="list-style-type: none"><li>-Capital appreciation over long term.</li><li>- Investment predominantly in equity and equity related securities of companies engaged in the Banking &amp; Financial Services Sector.</li></ul>	<b>Baroda BNP Paribas Manufacturing Fund</b> ( An open-ended equity scheme predominantly investing in Manufacturing theme.) This product is suitable for investors who are seeking*: <ul style="list-style-type: none"><li>- Long term capital appreciation.</li><li>- Investing in equity and equity related securities of companies engaged in manufacturing theme</li></ul>	<b>Baroda BNP Paribas Flexi Cap Fund</b> (An Open-ended dynamic equity scheme investing across large cap, mid cap, small cap companies) This product is suitable for investors who are seeking*: <ul style="list-style-type: none"><li>-Wealth creation in long term.</li></ul> <ul style="list-style-type: none"><li>-Investment in equity and equity related securities across market capitalizations</li></ul>	
<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*: <ul style="list-style-type: none"><li>-Wealth creation in long term.</li><li>-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.</li></ul>	<b>Baroda BNP Paribas Value Fund</b> (An open-ended equity scheme following a value investment strategy) This product is suitable for investors who are seeking*: <ul style="list-style-type: none"><li>-Capital appreciation over long term.</li><li>- Investment predominantly in equity and equity related securities by following a value investment strategy</li></ul>	<b>Baroda BNP Paribas Innovation Fund</b> <b>(An open-ended equity scheme investing in innovation theme)</b> This product is suitable for investors who are seeking*: <ul style="list-style-type: none"><li>• Long term capital appreciation •</li><li>Investment in equity &amp; equity related securities of the companies that benefit from innovation theme.</li></ul>	<b>Baroda BNP Paribas Small Cap Fund</b> (An open-ended equity scheme predominantly investing in small cap stocks) This product is suitable for investors who are seeking: <ul style="list-style-type: none"><li>-Long term capital growth</li><li>-Investment in equity &amp; equity related securities predominantly in small cap Stocks</li></ul>	

\*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> July 2024.

# 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**