

MONTHLY OUTLOOK

MAY 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

- The immediate impact from Hamas Israel war and subsequent tensions in the middle east somewhat faded in May-2024. The same was reflective in commodity prices and volatility index.
- Brent prices softened back to ~82\$/bl in May-24. Gold prices continue to remain elevated around \$2350 but have softened from its peak of ~\$2430.
- The softening in commodity prices is expected to be reflected in subsequent inflation numbers, especially for countries which have witnessed elevated inflation numbers led by increase in energy basket.
- The shocks to inflation have somewhere stalled the dissent to inflation and was visible in the commentary of the May-24 US FOMC. The policy language depicted less confidence on inflation falling to its target level.
- On the contrary, one key policy move was the reduction of Quantitative tightening (QT) by \$35 bn to \$60 bn per month. This can be read as a dovish move by FED so as to minimize financial spillovers.

Domestic Economy

- High frequency indicators in May-2024 saw a mixed picture. Early indicators for April and May-2024 reflect some moderation in economic activity.
- On the production front, Industrial production growth rose slightly to 5.0% y/y in Apr-24 from 4.9% y/y in Mar-24.
- Sector-wise data showed big drag coming in from mining, even as both manufacturing and electricity saw modest improvement.
- Credit growth is seeing some signs of plateauing. Non-food credit growth slowed to 15.2% y/y in April-24 vs. 16.3% y/y in March-24.
- Irrespective of some moderation, major indicators continued the momentum in the economic activity.
- India's Flash Composite PMI number rose from a final reading of 61.5 in April-24 to 61.7 in May-24 indicating the third-strongest upturn in private sector output since July 2010. Although the manufacturing industry continued to lead growth of both sales and output, it was the service economy that was responsible for the latest acceleration in overall economic expansion.
- GST collection for the month of May-2024 (for the economic activity of Apr-2024) clocked in Rs. 1.73 Lakh Crore a slight decrease from Rs 2.1 Lakh Crore in April 2024.

Equity Markets

- For the month of May 2024, Nifty 50 Index was up 0.2%. Midcap was up by 2.2% whereas small cap down by 1.4 %.
- The Nifty Index ended flat amid increased volatility as market started pricing adverse outcome from Lok Sabha elections 2024, geopolitical tensions and significant Foreign Portfolio Investment outflows.
- Sectoral indices closed mixed. Capital goods, Power and Metals were the major gainers. IT, healthcare and oil & gas were the major losers.
- Foreign Portfolio Investors sold USD 3.8 bn of Indian equities in the secondary market, whereas Domestic Institutional Investors bought USD 6.4 billion.

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



Outlook

Fixed Income Markets Outlook

- Global economic activity remains divergent across economies. The divergence is led by still struggling manufacturing activity and drag in consumption demand.
- Amidst this heightened global scenario, India's fundamentals remain strong.
- Domestic inflation has softened to a 11-month low, with growth indicators remaining in an expansionary zone.
- On the fixed Income side, RBI's higher than expected dividend transfer of Rs. 2.1 lac crore has changed the overall fiscal narrative. This gives meaningful room to choose between additional capex for growth and fiscal consolidation.
- The Key driver of the higher RBI dividend is the provision of Rs. 42.8K crore for FY24 in comparison to Rs 1.3 lac crore in FY23. Which is 67% decrease compared to last year.
- Given the current global dynamics, the bigger trigger for India's yield is expected to come from improving government bond supply demand dynamics post the JP Morgan India Bond inclusion.
- We expect India yields to soften from current levels and any uptick to be an opportunity to invest.

Equity Markets Outlook

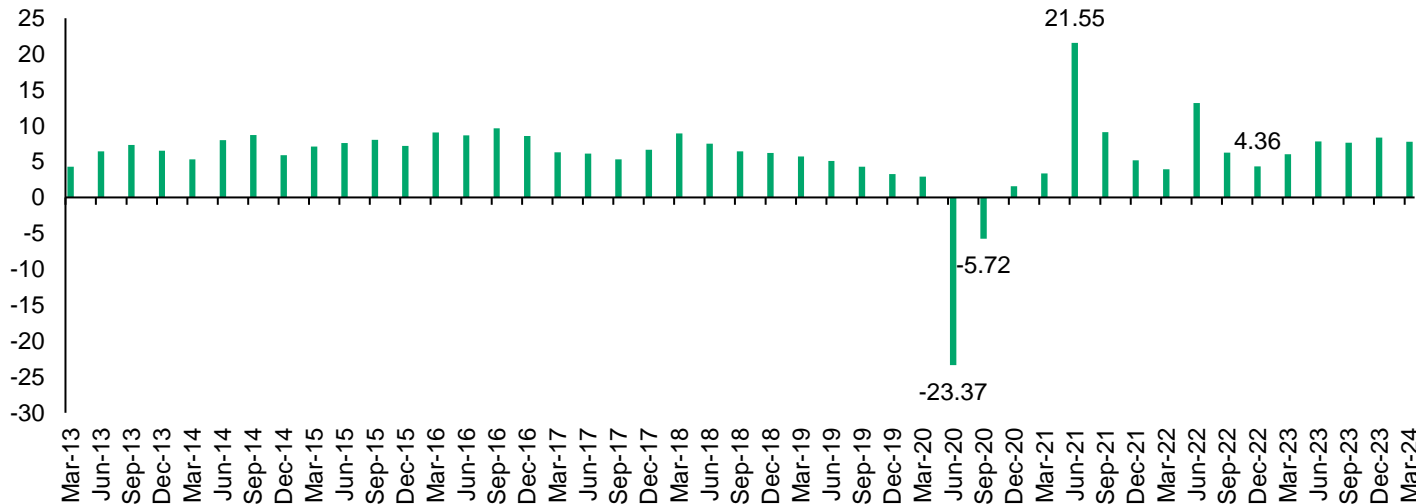
- Nifty 50 Index was up 0.2%. Midcap was up by 2.2% whereas small cap down by 1.4 %.
- S&P Global Ratings revised its outlook for the Indian economy to positive from stable.
- Taiwan (+3.8%), US S&P 500 (+3.4%) and Germany DAX (+3.2%) were the major gainers, whereas equity markets in Russia (-5%), the Philippines (-4%) and Indonesia (-3.6%) declined the most for the month.
- Global cyclicals (Metals and Oil & Gas) dragged down overall profitability.
- India is currently experiencing a mini-Goldilocks moment due to solid macroeconomic conditions, healthy corporate earnings, peaking interest rates, moderate inflation, and ongoing policy momentum.

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

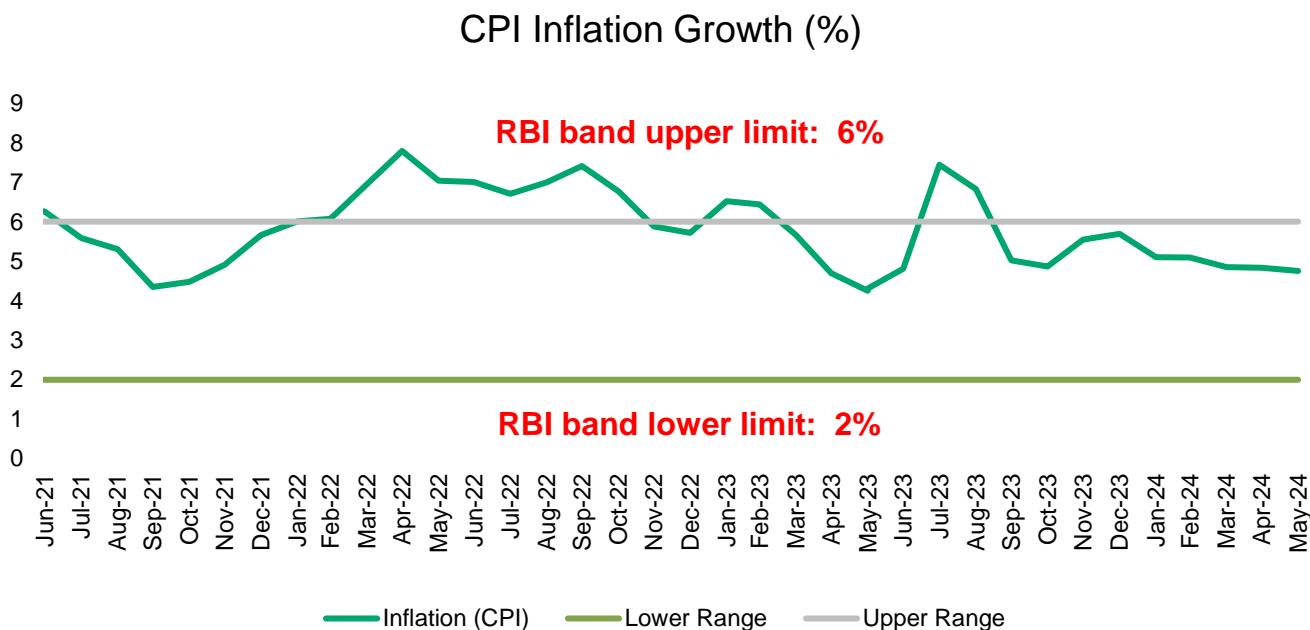
What it means for investors?

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 31st March 2024.

Consumer Price Index Inflation



Why this indicator matters?

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

What it means for investors?

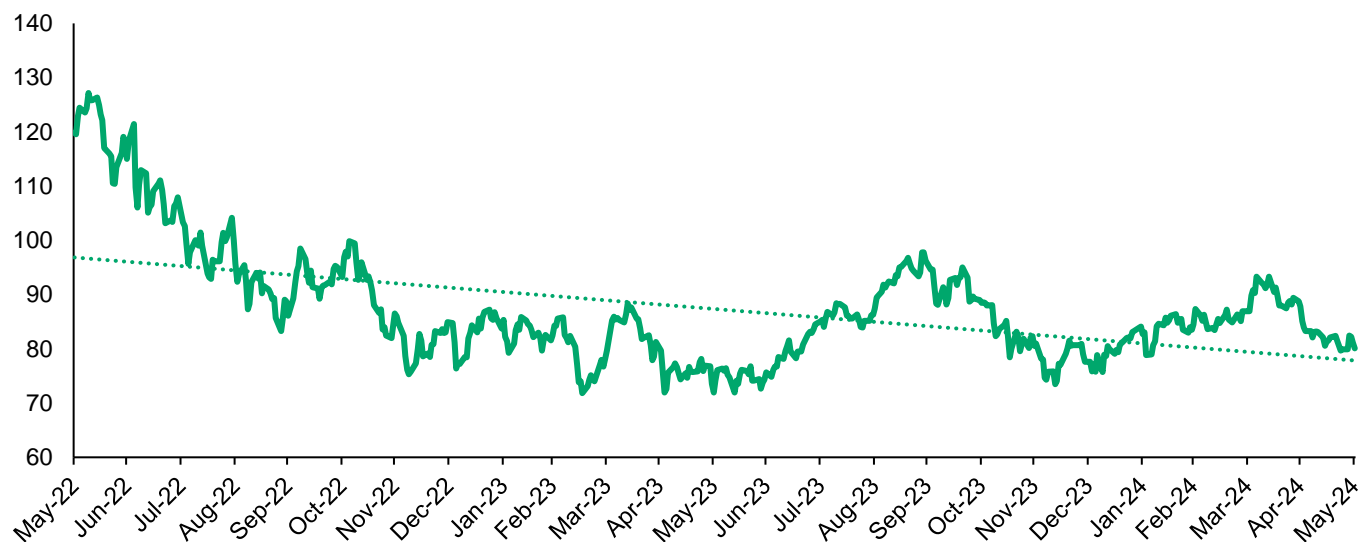
CPI inflation, colloquially, indicates the rate of price rise in the consumption basket of consumers. It can have significant impact on investors' savings and investment value.

- Consumer Price Index inflation eased to 4.75% in May'24 against 4.83% in April'24
- Decline in inflation was fuelled by favourable base and softer core inflation.

Source: Forbes Advisors, PIB. Data as of 31st May 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.

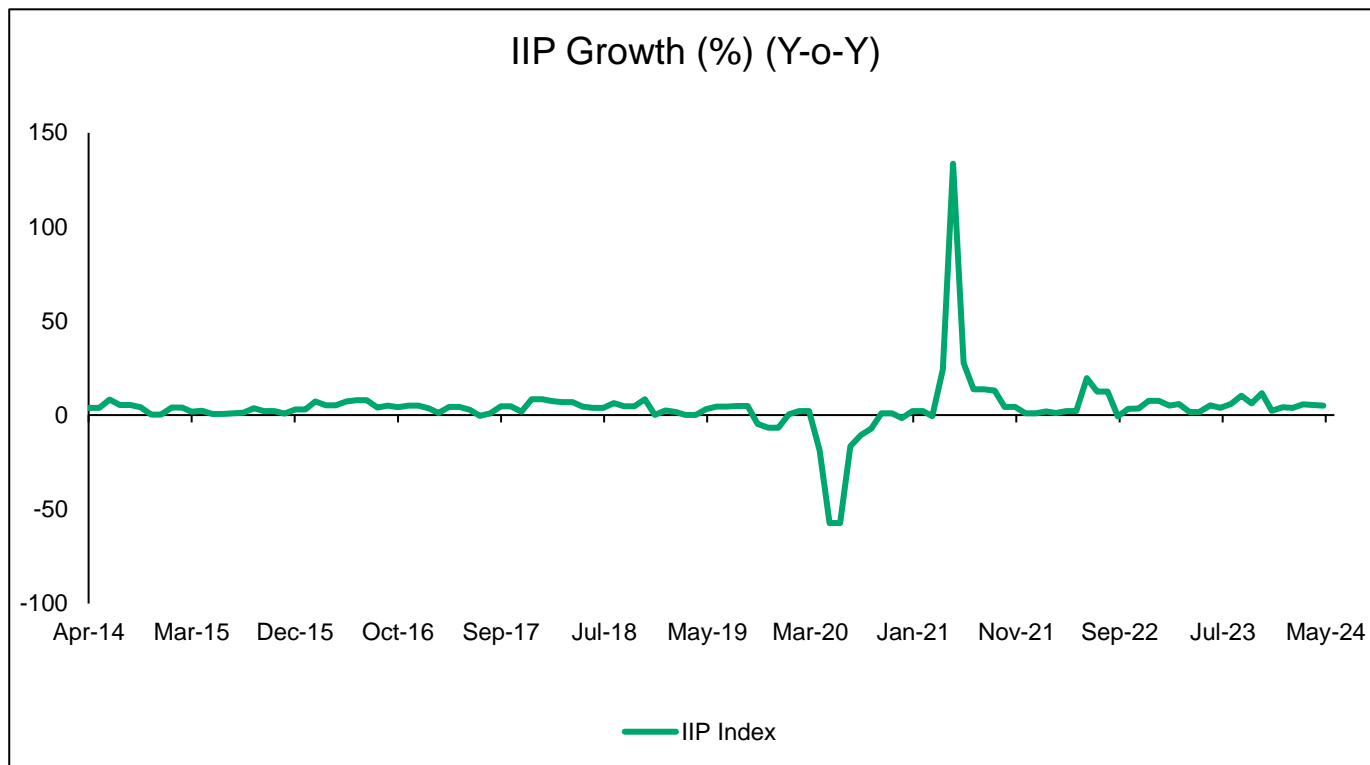
What it means for investors?

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 prices softened to ~82\$/bl in May-24.

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

Index of Industrial Production (IIP)



- The India's Industrial Production(IIP) for April 2024 came at 5% which was 4.6% the same month last year.
- Key contributors were primary goods, construction goods, and consumer durables.

Why this indicator matters?

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

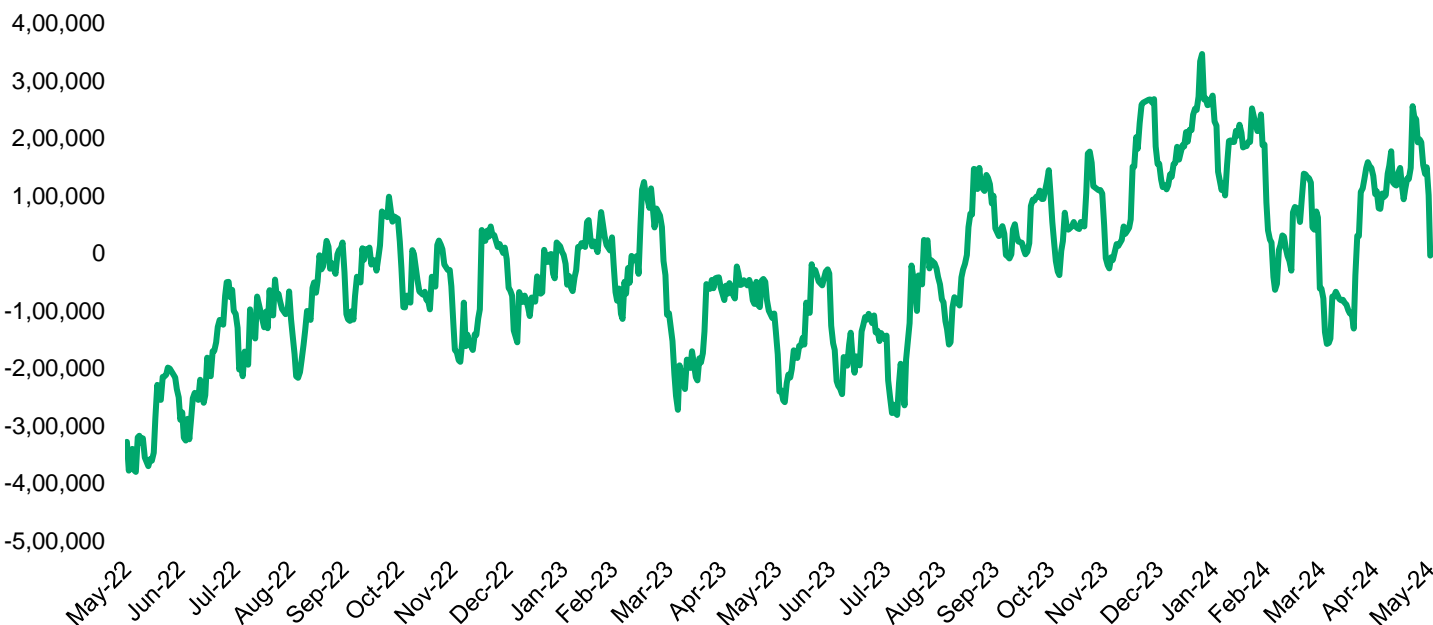
What it means for investors?

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

Source: Bloomberg. Data as on 31st May 2024

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.

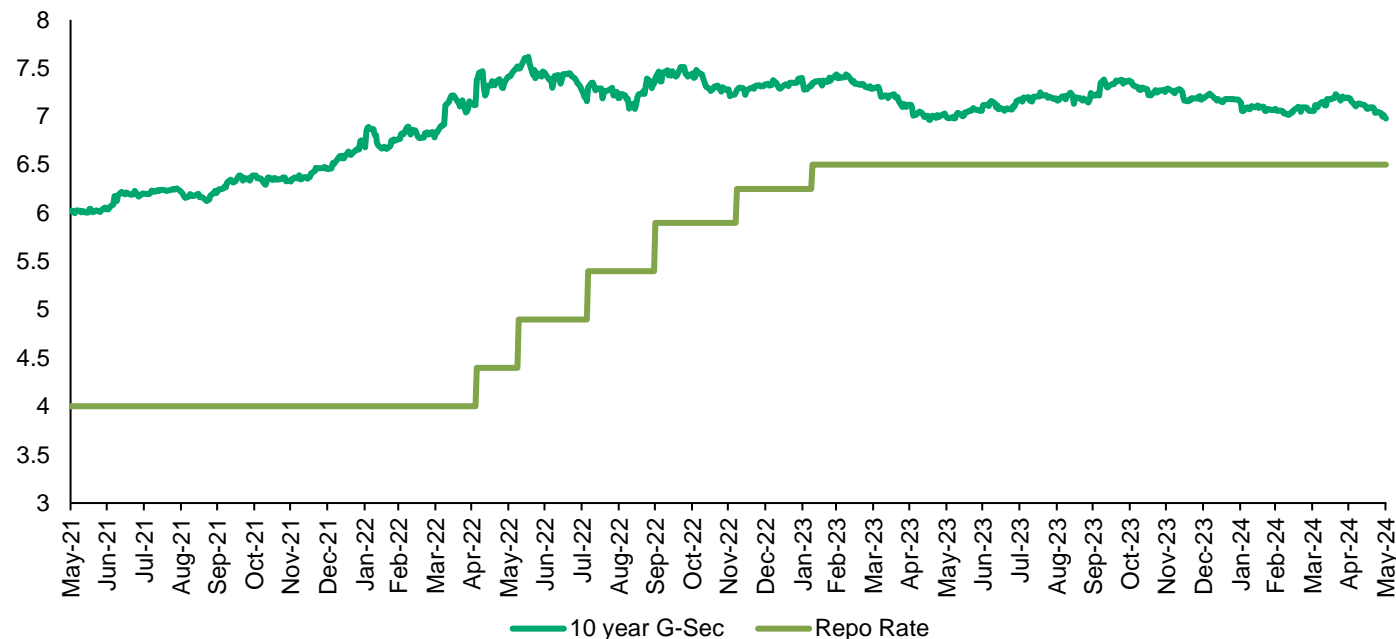
LAF aims to bring stability to the economy by helping banks borrow money from RBI through repo or loan money to RBI through reverse repo.

- System liquidity tightened in May-2024 led by muted government spending. Consequently, the average overnight money market rates surged.
- Going forward, government spending is expected to garner strength post elections, we expect the current leakage from banking system liquidity to reflect back from currency in circulation to banking system.

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

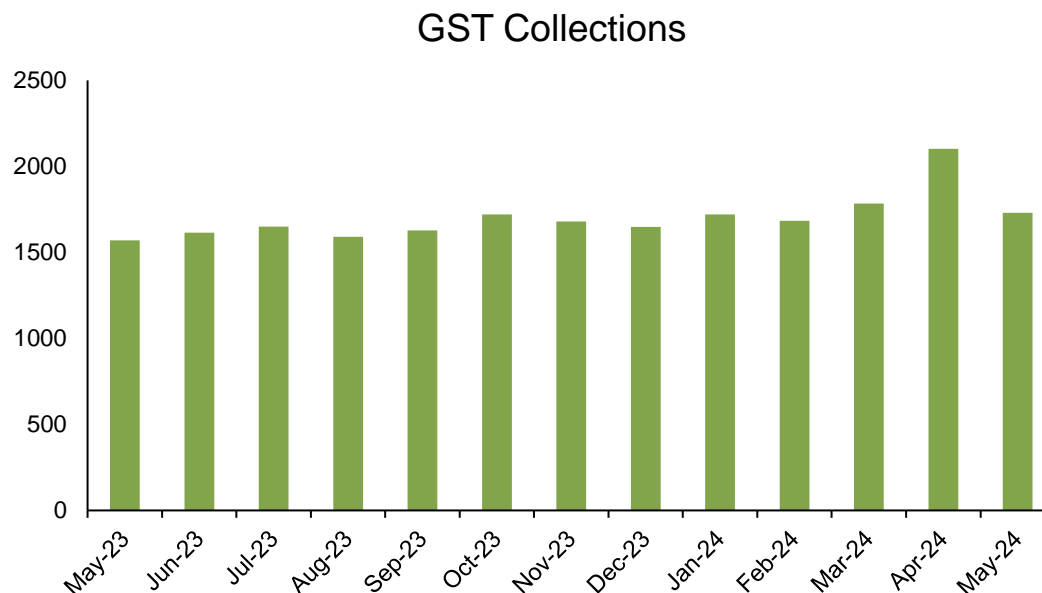
What it means for investors?

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

- In May 2024, the yield on India's 10-year government securities was around 7.03% driven by political uncertainty from the general elections and the Reserve Bank of India's pause in rate hikes amidst concerns about future inflation and global economy conditions.

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

Monthly GST Collections



Why this indicator matters?

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

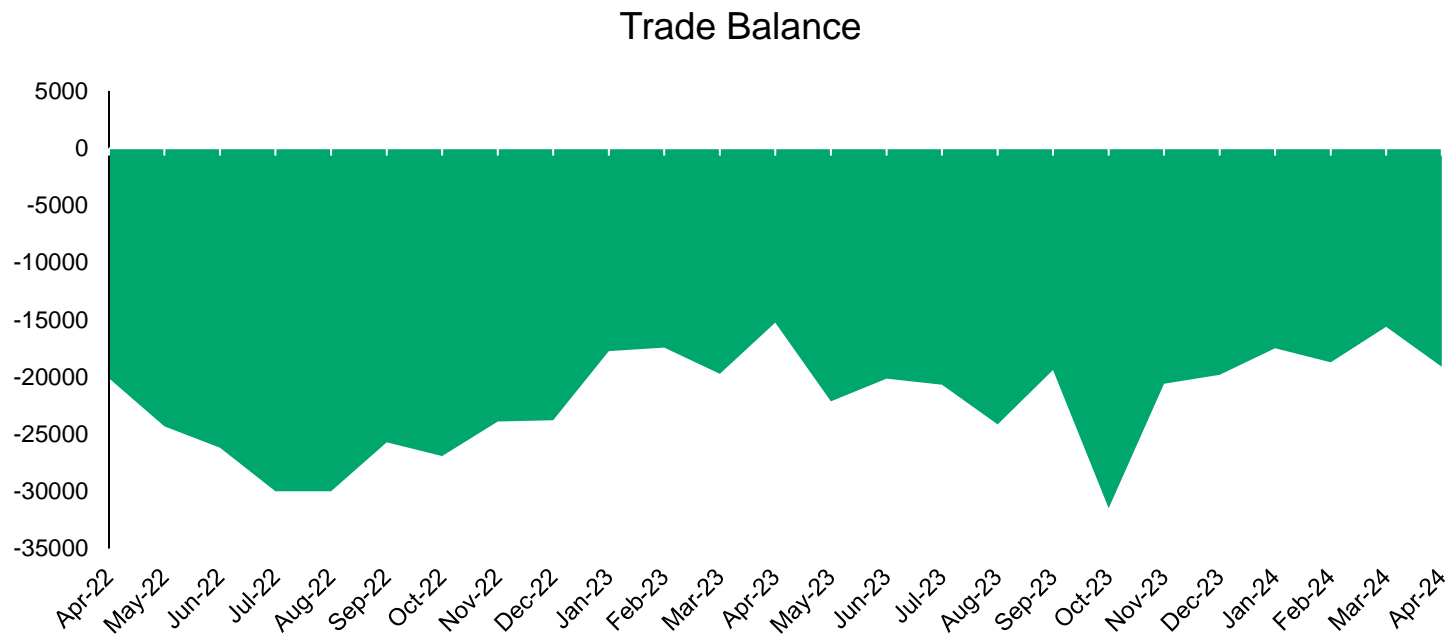
What it means for investors?

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

- GST collection for the month of May-2024 (for the economic activity of Apr-2024) clocked in Rs. 1.73 Lakh Crore a slight decrease from Rs 2.1 Lakh Crore in April-24.
- The decrease in GST collection in May 2024 compared to April 2024 was primarily due to a high base effect from April, which saw record-high collections
- Additionally, a decline in imports and seasonally lower economic activity contributed to the drop in monthly GST revenues

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

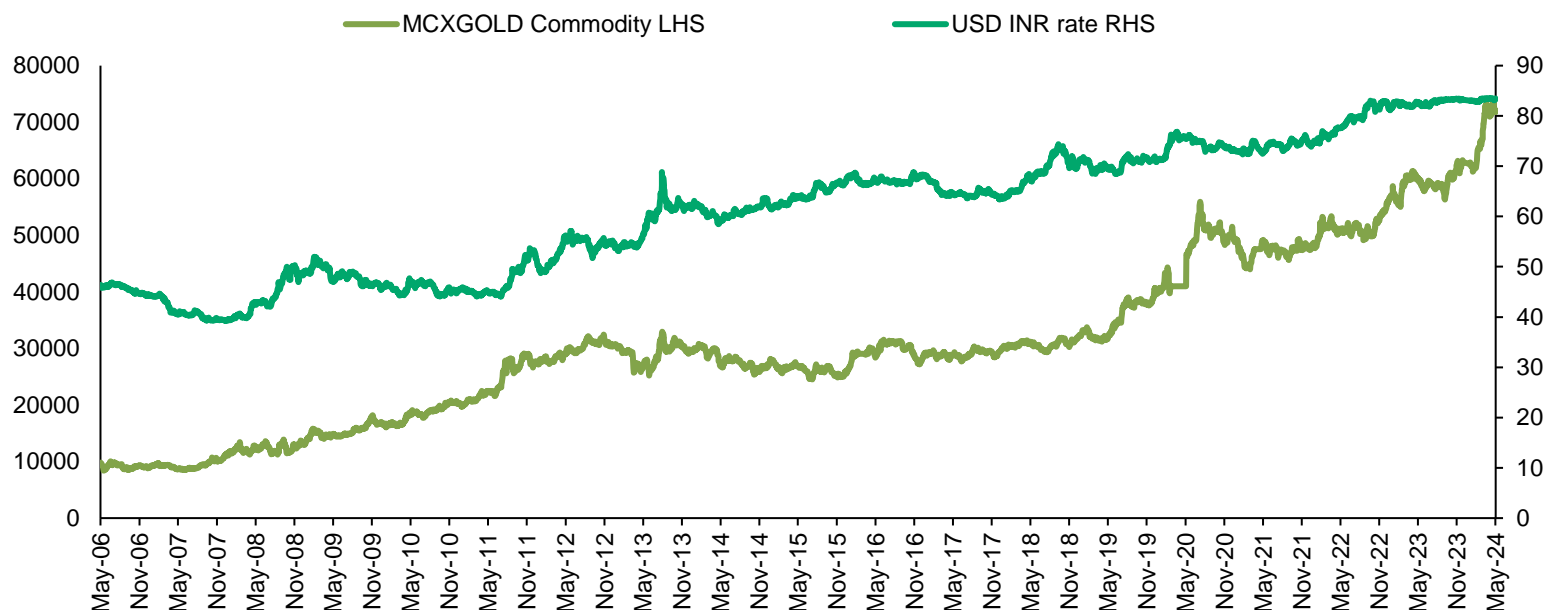
Balance of Trade



- In April 2024, India's trade deficit was \$ 19.1 billion.
- This was an increase from the \$ 15.6 billion deficit in March 2024.
- The widening deficit was due to a significant rise in imports, which reached \$57.28 billion, reflecting a 10.3% year-on-year- increase despite global economic challenges.

Source: Bloomberg. Latest Available Data as of 30th April 2024.

USD-INR Movement & Gold Prices



In May 2024, the USD to INR exchange rate averaged around 83.45.

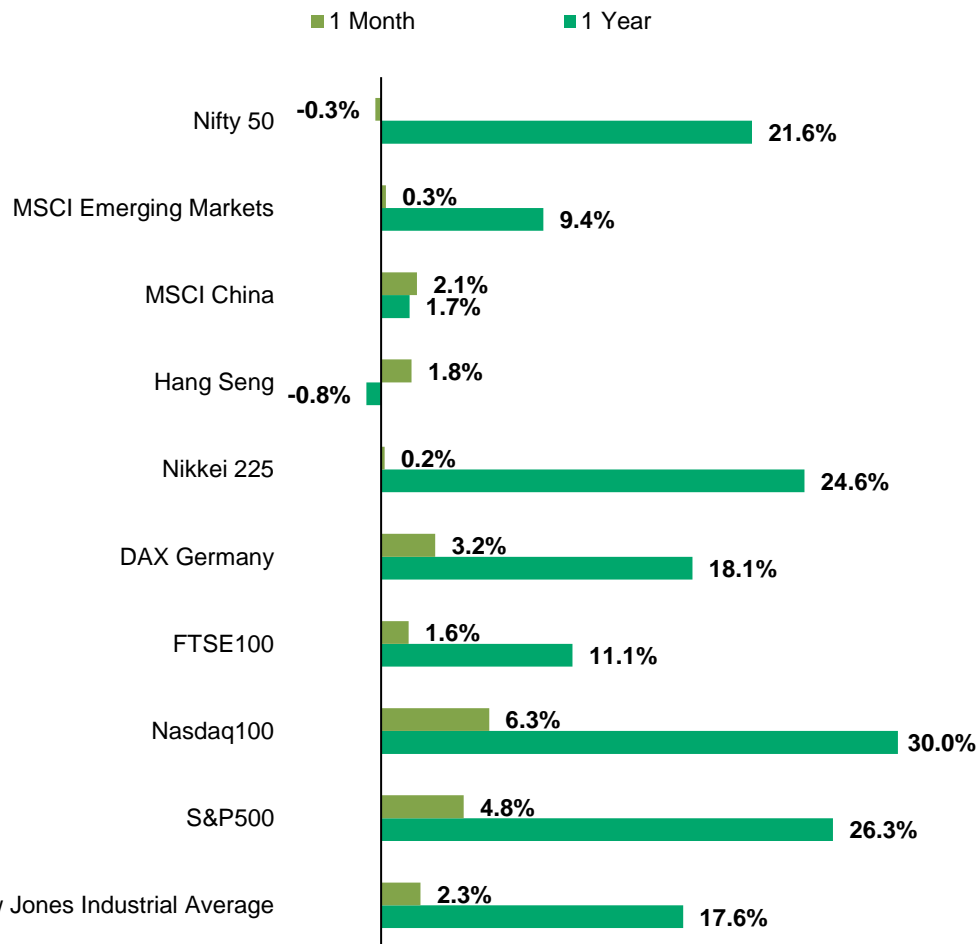
The exchange rate fluctuated between approximately 83.30 and 83.55 INR per USD during the month.

These variations were influenced by factors such as global economic conditions and domestic economic policies.

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

EQUITY AND GLOBAL INDICES

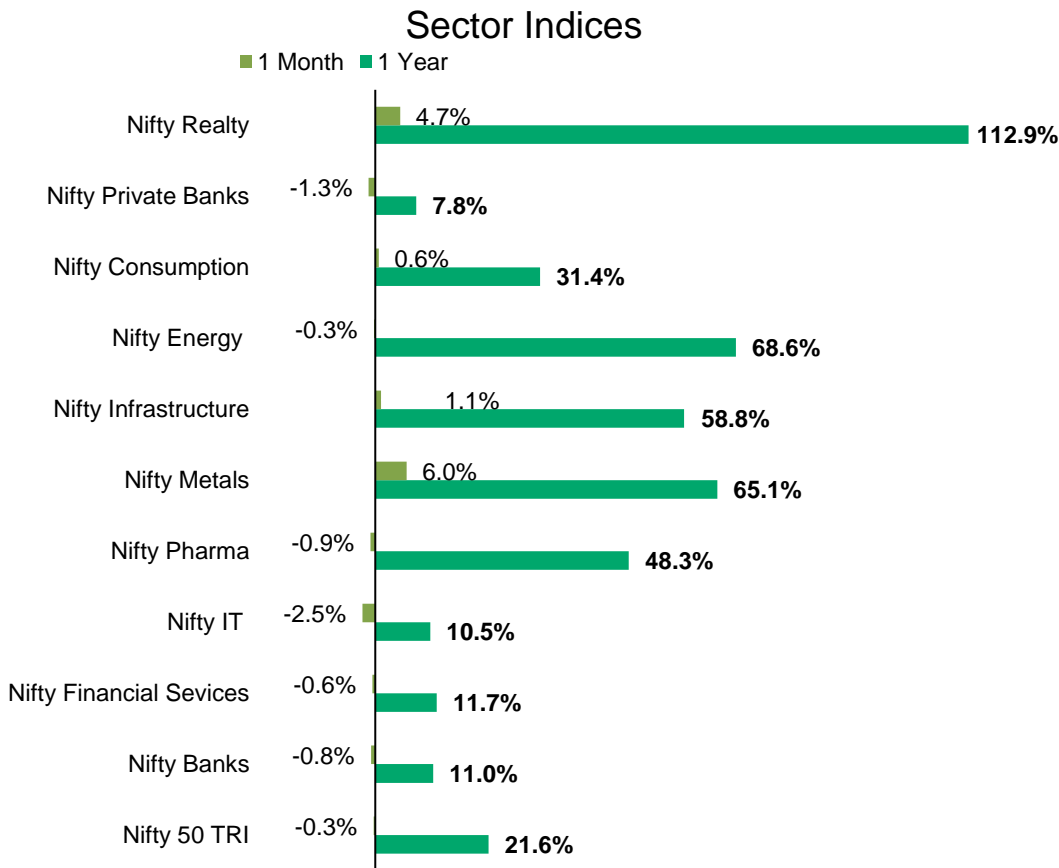
Global Indices



- For the month of May 2024, Nifty 50 Index was down by 0.3%.
- US S&P 500 (+4.8%), Nasdaq100 (+6.3%) and Germany DAX (+3.2%) were the major gainers, whereas equity markets in Nikkei 225 (0.2%), the FTSE 100 (1.6%) and Hangseng (1.8%) were at the bottom.

Source: Bloomberg; Schroders. Data as of 31st May 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 Metals (6.0%)**
- On 1 year basis, **Nifty Realty and Nifty Energy** were highest gainers while **Nifty Private Banks and Nifty IT** have been the laggards for the trailing 12 months

Source: Bloomberg. Data as of 31st May 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 May 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	13.7%	19.2%	10.5%	18.1%	40.1%	0.0%	14.8%	13.5%	15.6%	12.6%	10.4%	7.5%	19.6%
Consumer Staples	7.6%	4.3%	3.8%	4.2%	30.9%	0.0%	6.8%	4.8%	4.4%	3.6%	3.1%	4.5%	4.6%
Energy	10.4%	0.5%	7.6%	4.9%	0.0%	0.0%	6.7%	2.9%	6.1%	5.1%	11.3%	1.1%	2.3%
Financials	25.7%	19.3%	27.0%	19.7%	4.3%	98.9%	24.3%	25.0%	23.8%	29.2%	27.0%	24.5%	11.7%
Health Care	4.2%	12.2%	6.2%	0.0%	0.9%	0.0%	10.8%	8.2%	8.2%	6.7%	9.1%	8.2%	4.4%
Industrials	14.8%	18.5%	14.7%	21.3%	5.9%	0.0%	14.1%	20.3%	16.4%	17.9%	8.9%	30.4%	22.9%
Information Technology	9.3%	5.9%	6.8%	0.0%	0.0%	0.0%	9.3%	6.7%	7.1%	6.6%	8.3%	3.6%	13.4%
Materials	4.0%	9.4%	8.5%	7.9%	1.1%	0.0%	1.0%	7.2%	2.8%	4.6%	5.6%	8.2%	7.1%
Real Estate	0.0%	2.8%	3.9%	6.4%	2.4%	0.0%	1.4%	3.3%	3.9%	3.0%	0.0%	1.4%	0.0%
Communication Services	2.5%	2.3%	3.8%	3.1%	9.2%	0.0%	3.9%	3.2%	2.3%	4.6%	1.6%	1.2%	9.3%
Utilities	5.8%	2.8%	5.0%	10.0%	0.0%	0.0%	3.7%	2.7%	5.8%	4.4%	12.9%	7.1%	0.0%
Cash/Debt/Derivatives	2.0%	2.9%	2.2%	4.4%	5.0%	1.1%	3.1%	2.2%	3.5%	1.6%	1.9%	2.3%	4.6%
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%	100.0%

Source: Internal. Data as of 31st May 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 May 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