

MONTHLY OUTLOOK

OCTOBER 2022



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.

Equity Markets Outlook

- Nifty 50 Index rallied by 5.4% during the month of October. Nifty Mid-cap 150 and Nifty Small Cap lagged with an increase of 2.5% and 2.6%. Barring FMCG and Media, all other sectors turned positive.
- Inflation remained a key area of discussion globally - US September inflation increased by 0.4% m-o-m, while yearly rate was 8.2%, compared to 8.3% in August. Food, energy, transport, and rental contributed the most to higher inflation levels.
- The European Central Bank (ECB) raised rates by 75 bps changing the terms of its ultra-cheap loans to commercial banks in a bid to shrink its bloated balance sheet and fight inflation.
- India's industrial production contracted by 0.8% YoY in August, below expectations, and 2.1% m-o-m, driven mainly by a slowdown in manufacturing. Retail food inflation increased to 8.4%, while core inflation rose to 6.1%, according to the Reserve Bank of India (RBI).
- FPIs were net sellers for the month while domestic institutions bought equities to the tune of USD 1.3bn. Autos reported significant beat with EBITDA far exceeding revenues, financials and IT are other sectors where margin were better than expected. Whereas cement, speciality chemicals, pharma, real estate reported miss in numbers.
- India has outperformed most global peers both in INR and USD terms. Nifty EPS growth is likely to be at CAGR of 15% over FY22-25E. Valuations at 19x FY24 in line with 10-year averages and fair.

Sources: • Equirus and Goldman Sachs. Data as on 31st October 2022

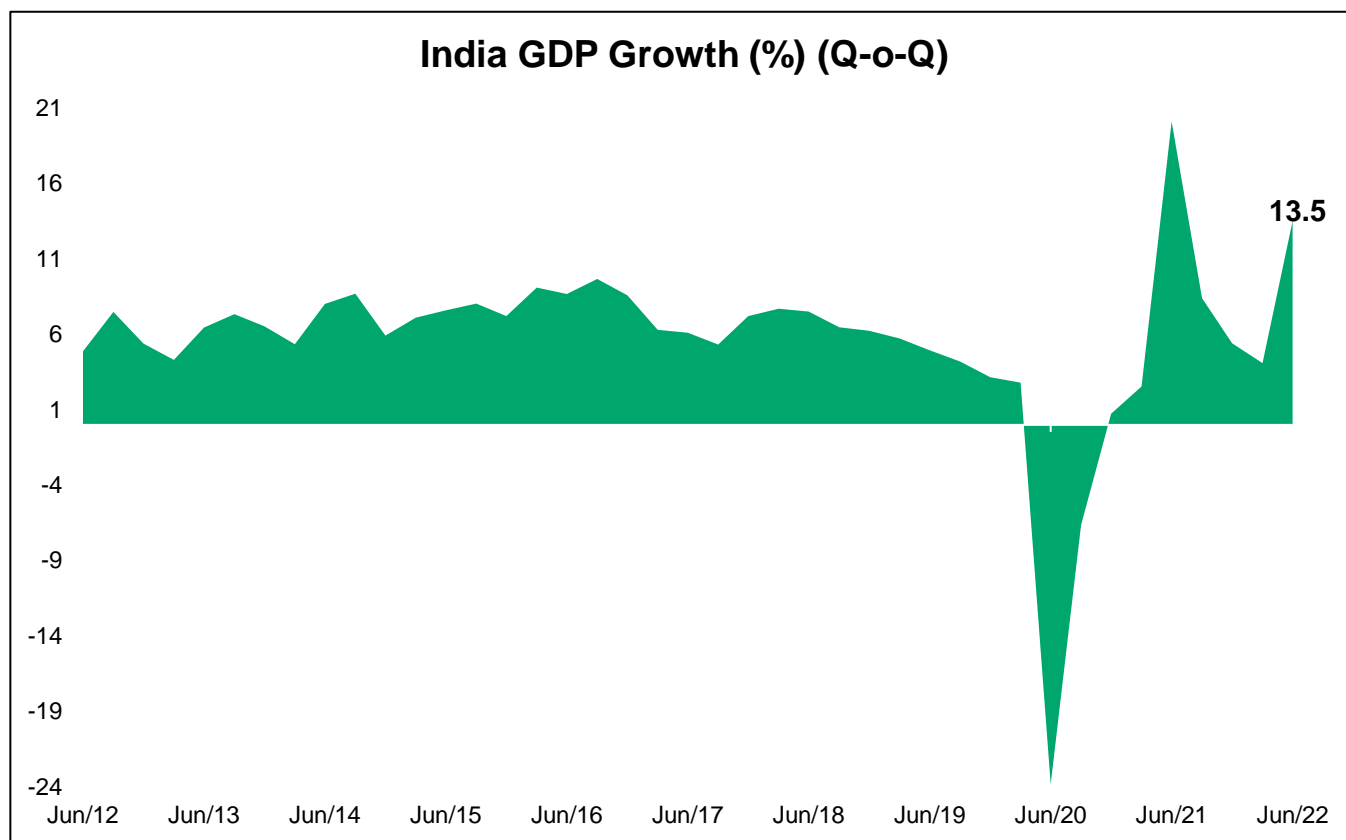
Fixed Income Markets Outlook

- Inflation came at 7.41% for the month of October which was higher than the earlier month of 7.00%. Going forward, we expect oil prices to drive the inflation. We need to keep a keen eye towards agri prices which seem to be volatile owing to irregular rains and global warming impact sowing.
- The European Central Bank (ECB) has raised interest rates by 75 bps with a commitment to fight inflation and do more if needed. The September inflation for the 19-member nation bloc was 9.90% as against their target of 2.0%, up from 9.85% in August.
- The RBI is expected to cautiously tread its path for next couple of months with a watchful eye and nimble decision making towards the sensitivity towards OIL prices which has largely been the thorn in the flesh worsening current account deficit as well as its indirect impact on currency and FX reserves.
- We expect RBI to hike by 35 bps in December policy, which may take the rates to 6.25% from 5.90%. The liquidity could remain tight owing to good credit demand as well. Further, RBI is expected to remain data dependent.
- The 10 year is expected to trade in the range of 7.45%-7.60% in the near term owing to:
 1. Global bond inclusion being delayed
 2. Demand exhaustion due to heavy supply (81.50% of 2H borrowing is 7 year and beyond)
- However, we find that the negative news has already been factored in the yield curve, providing a good risk return trade-off to the investors.

Source: Bloomberg & Internal Research. Data as on 31st October 2022.

MACRO ECONOMIC INDICATORS

India's GDP on the recovery path



Why this indicator matters?

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

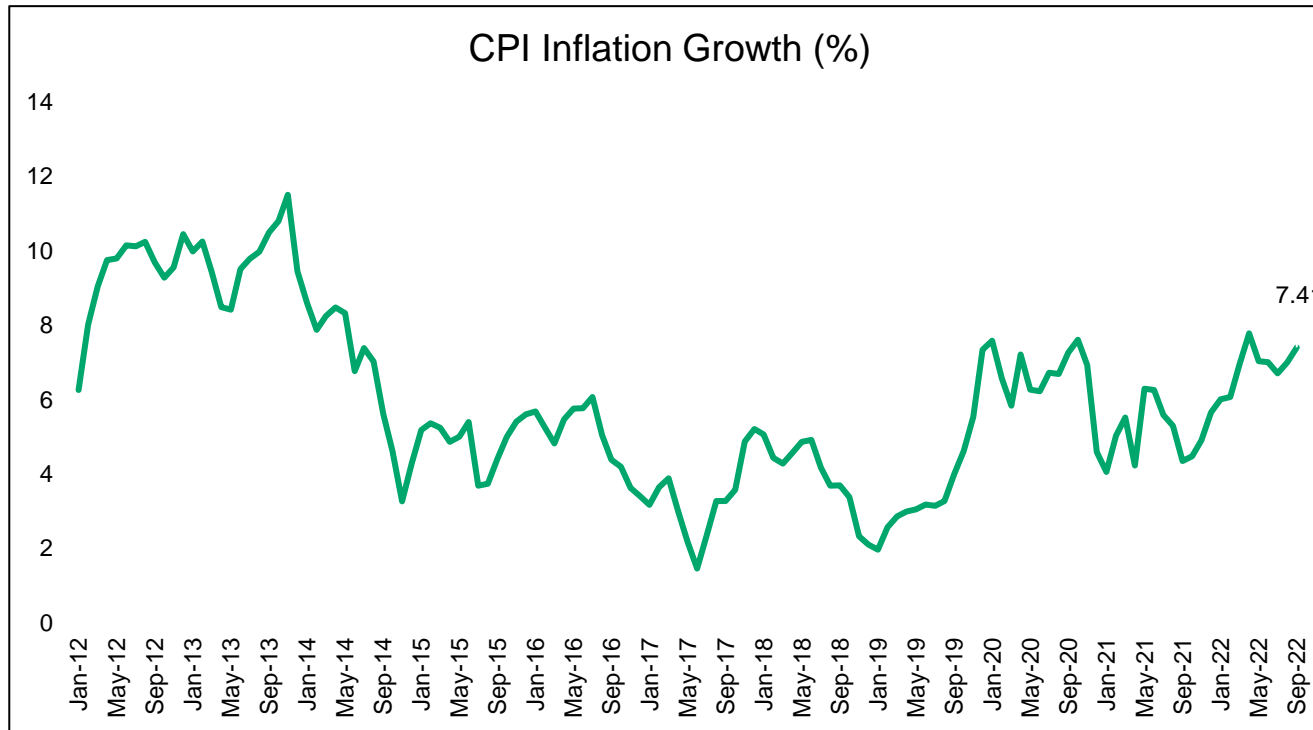
What it means for investors?

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

- At \$3.17 trillion, the Indian GDP has surpassed that of the UK, to become the fifth largest economy.
- RBI cut the Real GDP forecast for FY23 to 7% (7.2% earlier) whereas world bank has slashed the India's GDP forecast to 6.5% from 6.5% earlier, on account of deteriorating global conditions.

Source: Bloomberg. Data as on 30th June 2022

Consumer Price Index Inflation



- Headline Consumer Price Inflation for September increased to 7.4% YoY from 7.0% a month earlier. The hike was driven mainly higher food prices.
- MPC kept inflation forecast unchanged at 6.7% for FY23.

Why this indicator matters?

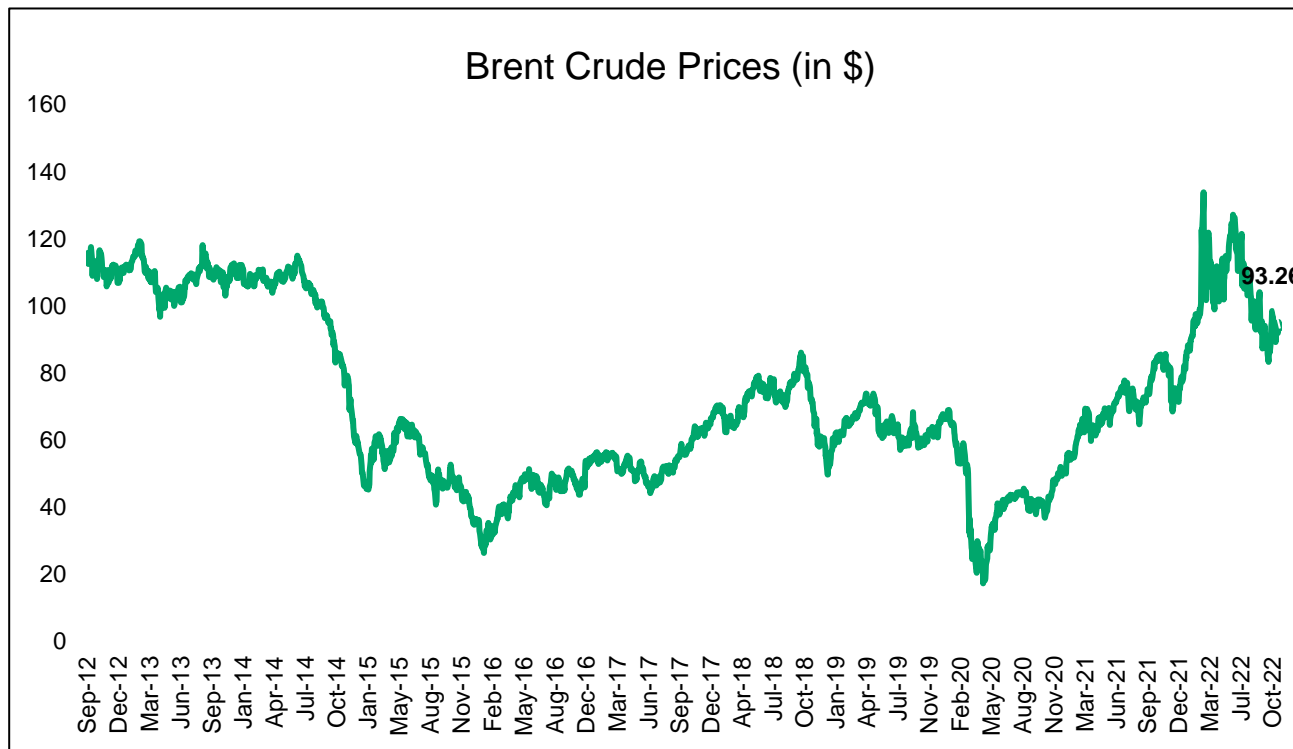
CPI measures the prices of a basket of goods & services.

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.

Source: Bloomberg. Data as of 30th September 2022

Crude Oil Prices



- Crude oil prices increased by 8% for the month of October 2022.
- Oil prices rose mainly after the US oil inventories showed a drop, suggesting buoyancy in demand despite steep interest rate hikes.

Why this indicator matters?

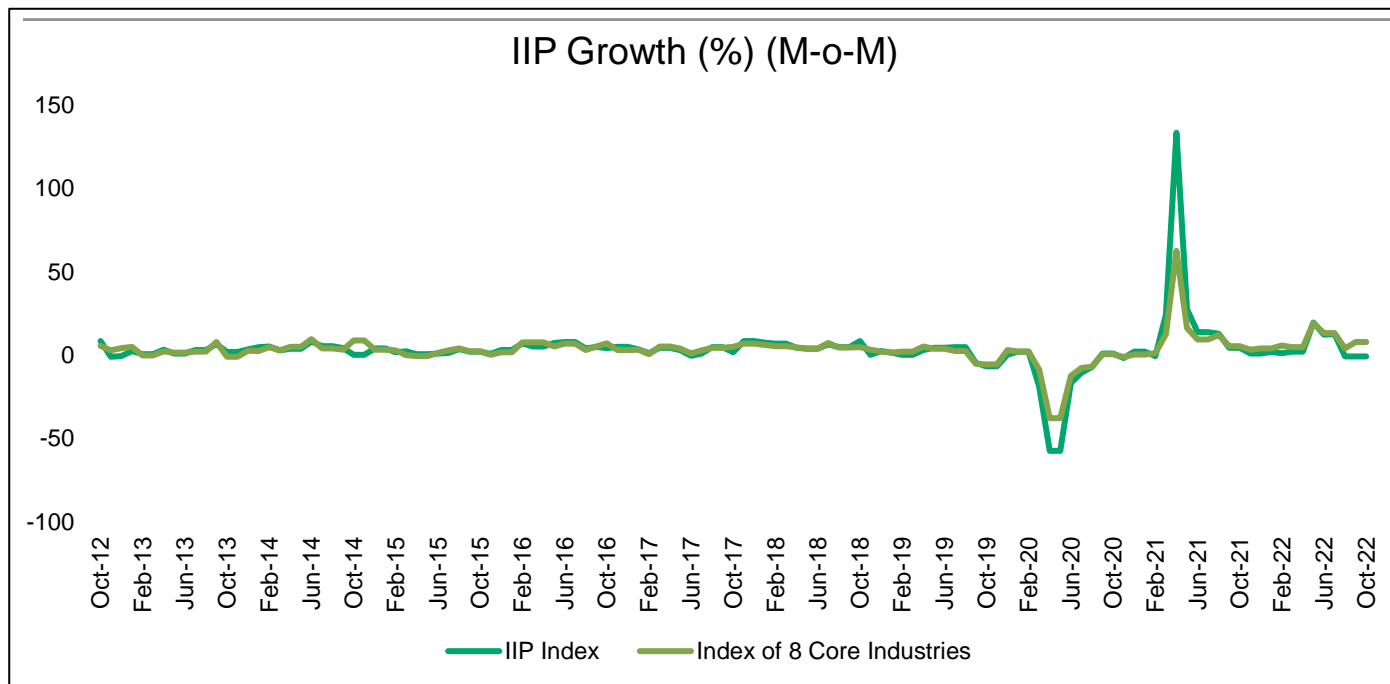
A rise or fall in crude oil prices affects the prices of various commodities.

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.

Source: Bloomberg. Data as of 31st October 2022

Index of Industrial Production (IIP)



Why this indicator matters?

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

What it means for investors?

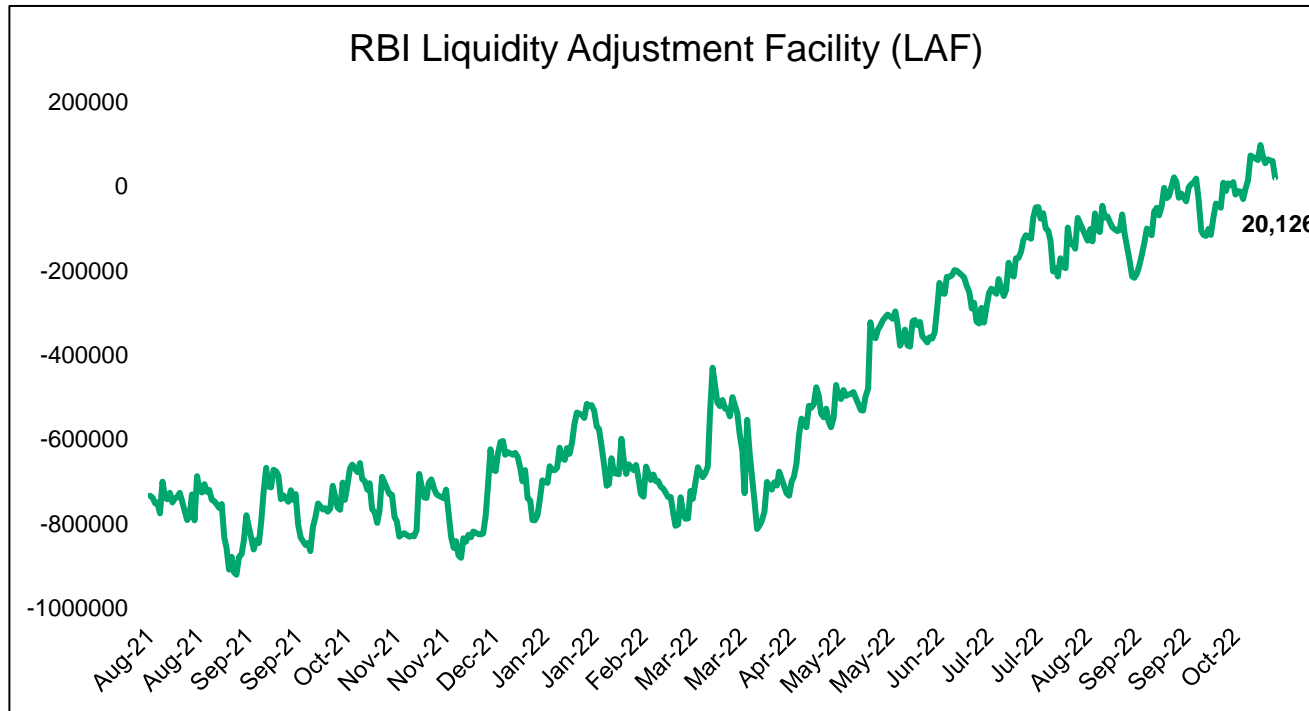
IIP is considered a lead indicator when it comes to corporate earnings as higher IIP tends to translate into higher earnings and revenues.

- August industrial production (IIP) contracted by 0.8% YoY (vs +2.2% YoY in July), below expectations.
- In terms of use-based IIP components, consumer durable, non-durable and capital goods production contracted by 2.8%, 5.6% and 5.0% m-o-m respectively, while infrastructure goods saw a sequential increase in production.

Source: Bloomberg. Data as on 31st October 2022

*8 core Industries are Natural Gas, Coal, Refinery Products, Crude Oil, Cement, Electricity, Steel, and Fertilizers.

RBI liquidity status



- The net LAF moved from negative territory last month to a positive territory indicating a tightening of liquidity in the banking system.
- The surplus liquidity has been decreasing, likely due to RBI's intervention and pick-up in credit growth.

Why this indicator matters?

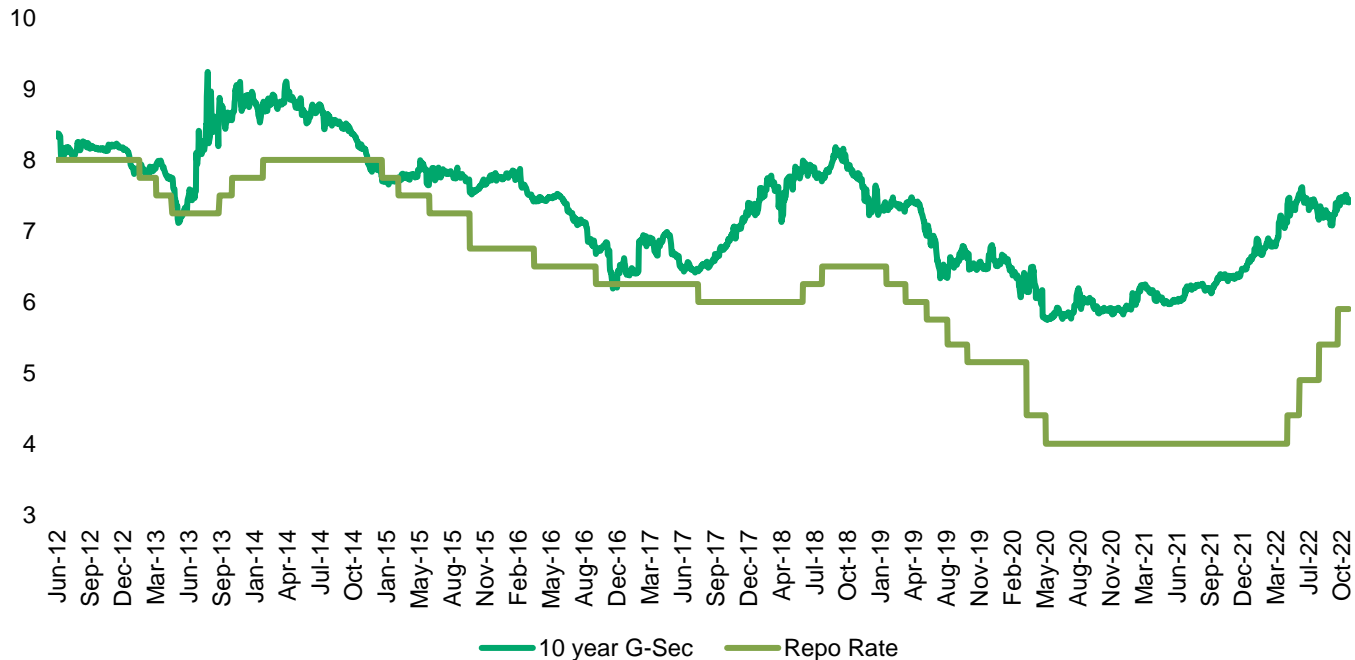
LAF helps RBI manage inflation by increasing or decreasing money supply in the economy.

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

Source: Bloomberg Data as on 31st October 2022

Interest Rates

10 Year G-Sec & Repo Rates



- 10 Year G-sec Yield are up by almost 99 bps in the CYTD period.
- The current repo rate at 5.90% makes it higher than the rate in pre-pandemic 2019.
- The spread between G-sec and Repo is around 154 bps.

Why this indicator matters?

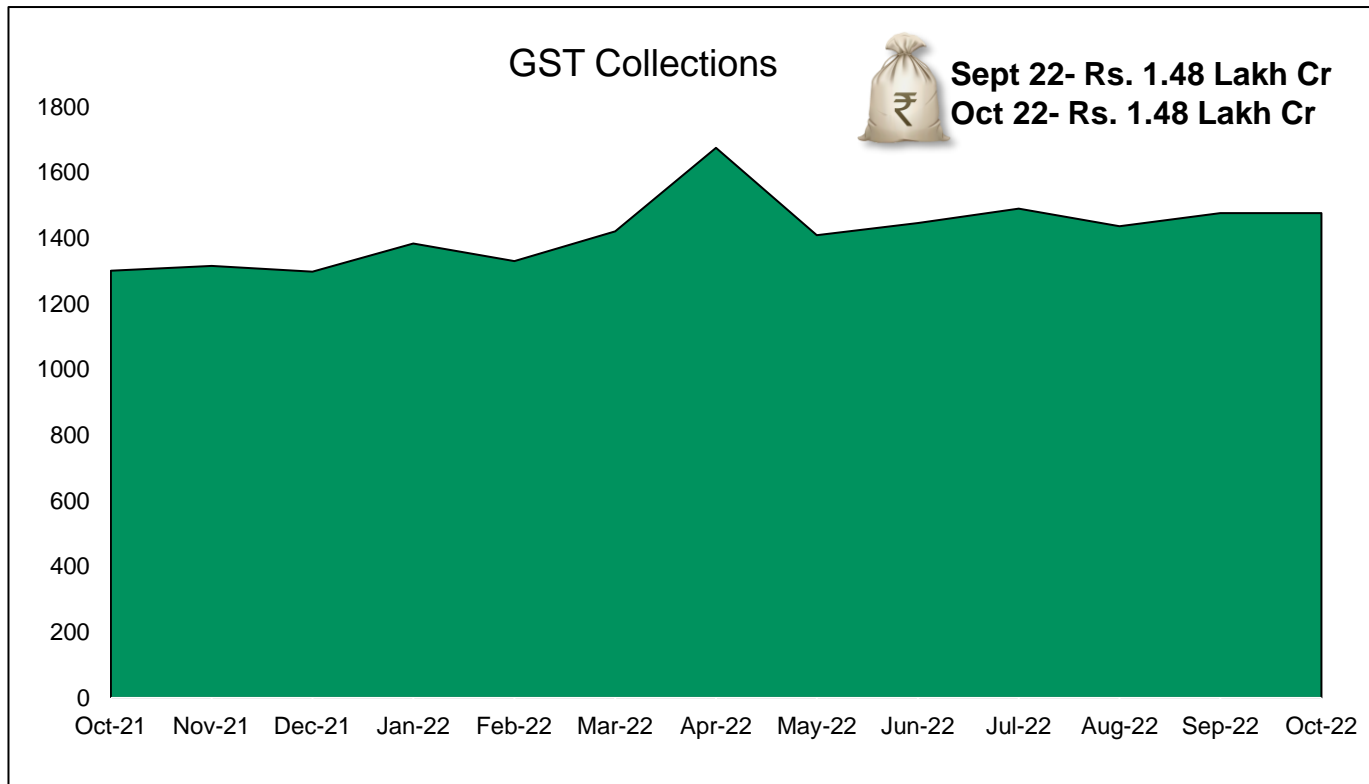
10-year G-secs are long term government securities whose interest rates are determined by the RBI.

What it means for investors?

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

Source: Bloomberg Data as on 31st October 2022

Monthly GST Collections



Why this indicator matters?

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

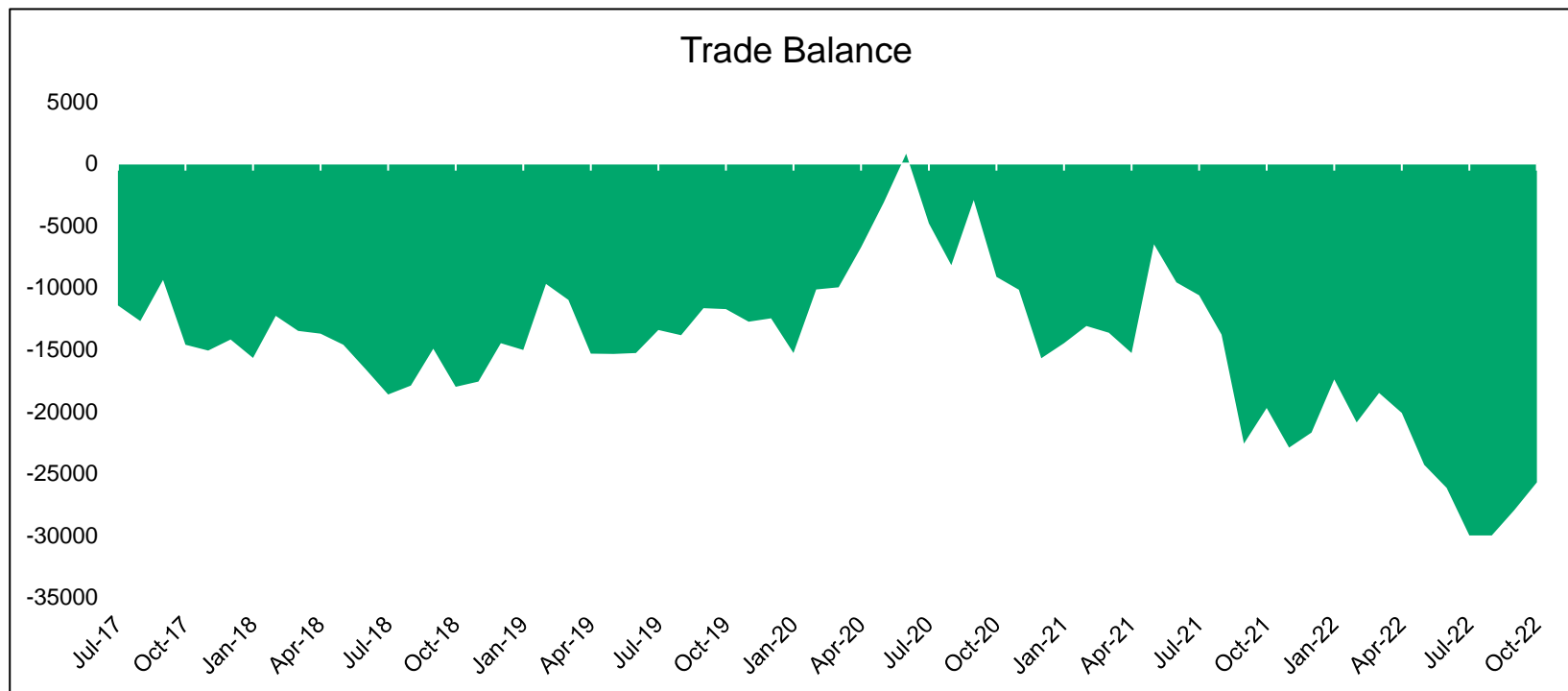
What it means for investors?

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

- GST collections remained healthy with more than 1.4 crores of collection for the 8th straight month.
- Collections are up by more than 13.5% in October 2022 on 1 year basis.

Source: Bloomberg. Data as of 31st October 2022

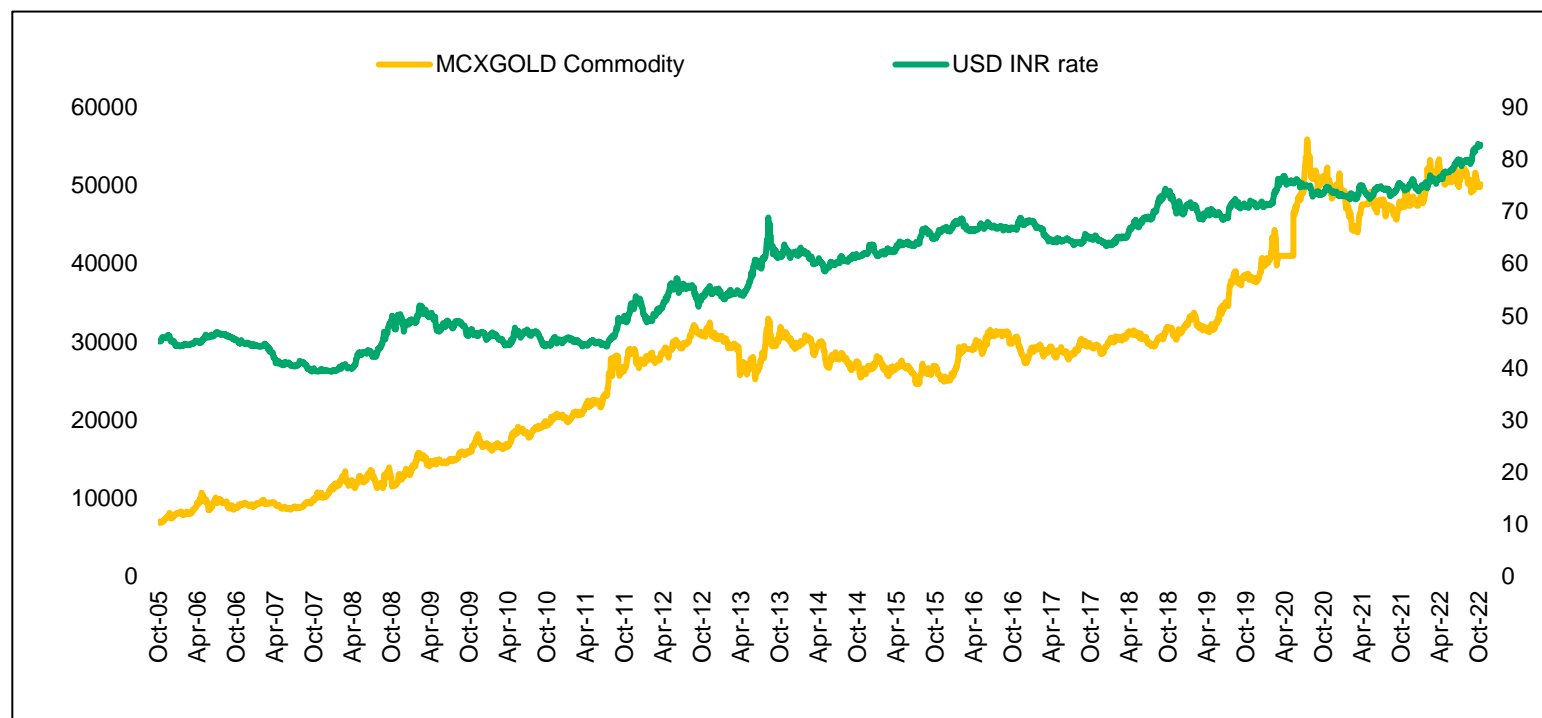
Balance of Trade



- The trade deficit widened in the month of October to \$25.8 Billion
- Exports dipped by 5.4% while imports increased by 11.56%
- Export dipped in shipments of sectors like petroleum products, gems and jewellery, and leather. Imports increased due to increase in imports of crude oil, gold, coal, machinery, transport equipments and iron steel.
- Dip in exports likely due to demand slowdown and high inflation globally.

Source: Bloomberg. Data as of 31st October, 2022

USD-INR Movement & Gold prices

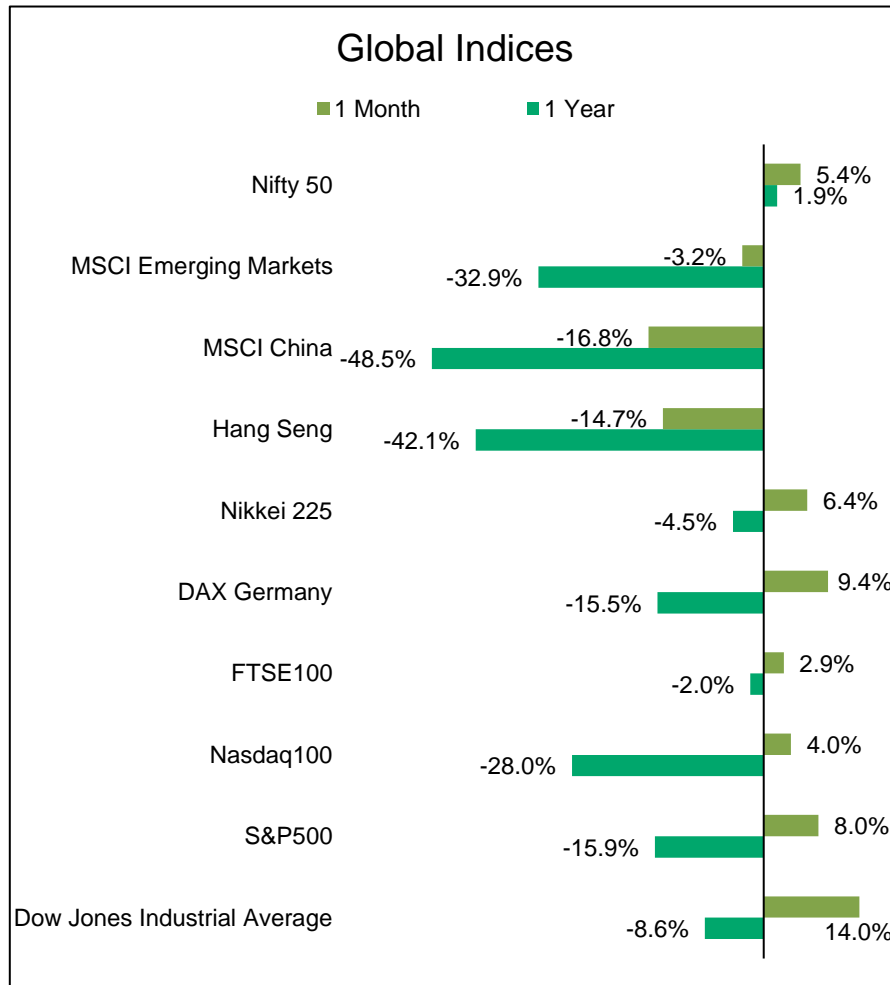


- Rupee closed on 82.78 on the last day of Oct'22, with a fall of 11.36% from Dec'21.
- The factors that contributed the most to Rupee's downfall were the rise in crude oil prices; aggressive rate hikes by the US Federal Reserve in order to bring down inflation to 2%; and strong jobs data.

Source: Bloomberg. Data as of 31st October, 2022

EQUITY AND SECTOR INDICES

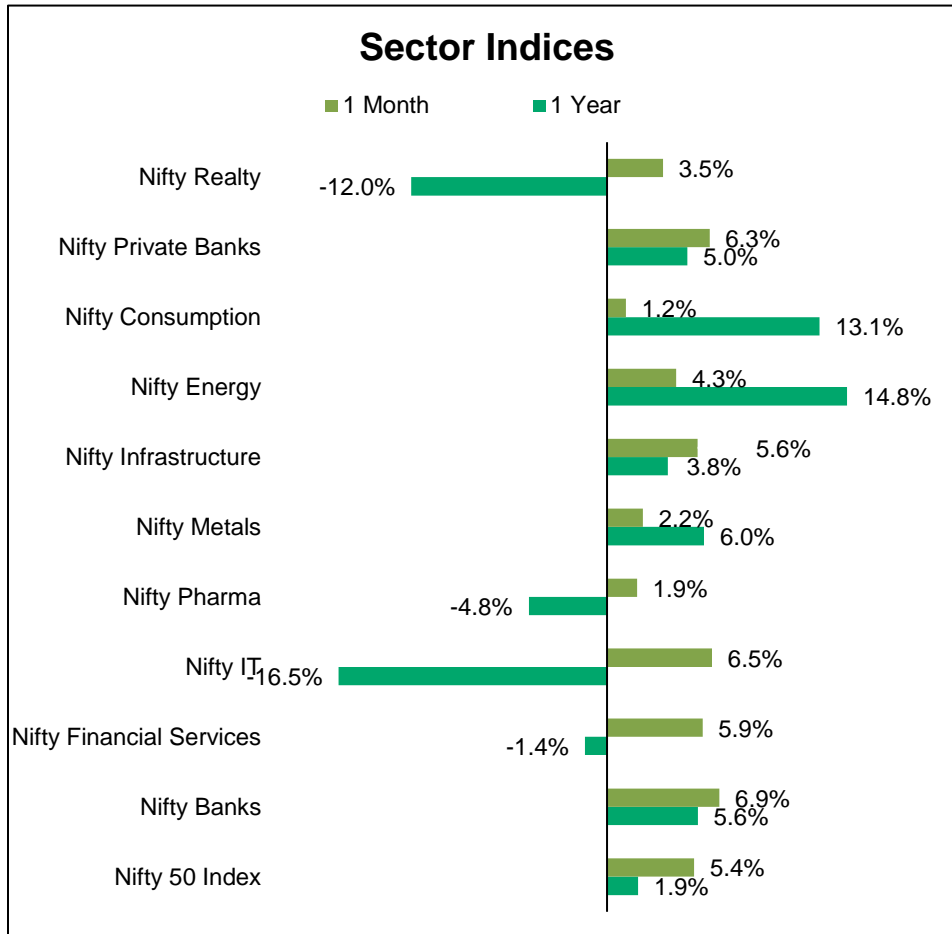
Global Indices



- In October'22, Dow Jones, DAX Germany and S&P 500 were top performers, while Asian indices closed in red.
- Asian indices suffered due to trade curbs by the US and service disruptions over COVID lockdowns. On m-o-m basis Nikkei ended in green, following the robust gains on the wall street.
- UK markets rose on account of positive sentiments on the appointment of the new **PM**. Also, the stocks in the Eurozone region showed positive performance, adding to the gains in the broad-based indices.
- In US, the stock market soared as three quarters of companies having delivered better-than-expected results

Source: Bloomberg; Schroders. Data as of 31st October 2022.
Past Performance may or may not be sustained in future.

Equity Indices



- All sector indexes ended the month on a positive note.
- Top performing sectors for the month was Banks. While Consumption and Pharma ended the month on a flat note.
- On 1 year basis, Energy, Consumption and Metals were highest gainers while IT, Realty and Pharma were laggards.

Source: Bloomberg. Data as of 31st October 2022
 Past Performance may or may not be sustained in future.

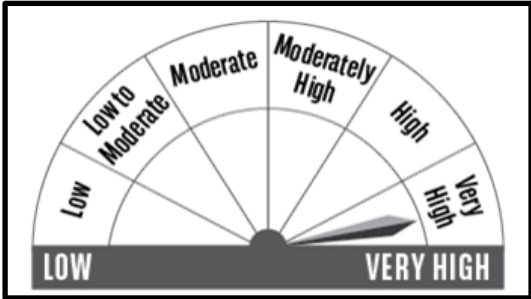
Sector Positioning of Equity Portfolios

GICS Sectors	Baroda BNP Paribas Large Cap Fund	Baroda BNP Paribas Large & Mid Cap Fund	Baroda BNP Paribas Flexi Cap Fund	Baroda BNP Paribas Multi Cap Fund	Baroda BNP Paribas Mid Cap Fund	Baroda BNP Paribas Focused Fund	Baroda BNP Paribas India Consumption Fund	Baroda BNP Paribas Banking & Financial Services Fund	Baroda BNP Paribas Business Cycle Fund	Baroda BNP Paribas ELSS Fund
Consumer Discretionary	6.71%	14.61%	10.57%	17.04%	17.66%	11.10%	30.27%	0.00%	7.76%	14.78%
Consumer Staples	7.95%	7.29%	11.96%	2.52%	9.01%	7.30%	33.99%	0.00%	10.44%	6.23%
Energy	8.44%	4.84%	7.51%	4.09%	2.03%	5.25%	0.00%	0.00%	10.64%	4.26%
Financials	35.21%	26.34%	29.10%	21.07%	19.68%	34.40%	10.66%	93.80%	34.39%	31.87%
Health Care	3.22%	5.75%	1.54%	10.92%	6.36%	8.89%	0.00%	1.36%	7.72%	6.12%
Industrials	9.26%	9.88%	11.74%	12.42%	15.77%	11.79%	5.12%	0.00%	6.71%	11.93%
Information Technology	12.68%	7.75%	8.07%	9.85%	3.90%	6.86%	0.00%	1.94%	9.44%	9.72%
Materials	4.20%	7.40%	4.32%	7.07%	8.22%	4.63%	6.88%	0.00%	4.75%	3.45%
Real Estate	0.00%	2.88%	4.19%	3.92%	2.50%	0.00%	0.00%	0.00%	1.41%	3.26%
Communication Services	2.90%	3.76%	3.36%	5.75%	1.47%	0.00%	9.48%	0.00%	3.46%	5.40%
Utilities	1.93%	6.15%	4.55%	1.12%	6.57%	3.86%	0.00%	0.00%	1.50%	0.00%
Cash/Debt/ Derivatives	7.49%	3.33%	3.08%	4.24%	6.82%	5.93%	3.61%	2.91%	1.78%	2.97%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Top 5 sectors with largest holdings. Excluding cash/debt/derivatives										

Source: Internal. Data as of 31st October 2022. 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) This product is suitable for investors who are seeking*: - Wealth Creation in long term. - 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) This product is suitable for investors who are seeking*: - Capital appreciation over long term. - 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) This product is suitable for investors who are seeking*: - Wealth Creation in long term. - Investments in companies in mid capitalization segment.</p>
<p>Baroda BNP Paribas Multi Cap Fund (An open-ended equity scheme investing across large cap, midcap and small cap stocks) This product is suitable for investors who are seeking*: -Capital appreciation over long term. - Investments predominantly in equity and equity related instruments.</p>	<p>Baroda BNP Paribas ELSS Fund (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*: -Wealth Creation in long term. -Investments in diversified and actively managed portfolio of equity and equity related securities across market capitalisation along with income tax rebate</p>	<p>Baroda BNP Paribas Business Cycle Fund (An open-ended equity scheme following the Business Cycles theme) This product is suitable for investors who are seeking*: -Long term wealth creation. -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)] This product is suitable for investors who are seeking*: - Wealth Creation in long term. - 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) This product is suitable for investors who are seeking*: -Capital appreciation over long term. - Investment predominantly in equity and equity related securities of companies engaged in the Banking & Financial Services Sector.</p>	
<p>Baroda BNP Paribas India Consumption Fund (An open-ended equity scheme following consumption theme) This product is suitable for investors who are seeking*: -Wealth creation in long term. -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>		

*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 30th September 2022*

Disclaimers

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully. It should not be construed as an investment advice.



THANK YOU