

June 2024 Newsletter



Presented By:
Moneyvesta Capital

Moneyvesta Capital Services

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1) Global Macros

1.1) GDP

Quarterly GDP (YoY growth)		
U.S.A	3.4% (Q4 2023)	1.3% (Q1 2024)
China	5.2% (Q4 2023)	5.3% (Q1 2024)
Japan	0.0% (Q4 2023)	-2% (Q1 2024)
India	8.6% (Q3 2023)	7.8% (Q4 2023)
U.K.	-0.2% (Q4 2023)	0.2% (Q1 2024)

Source: HSBC Mutual Fund.

Global economic activity moderated due to slower growth in both the US and China.

Real gross domestic product (GDP) of U.S.A. increased at an annual rate of 1.3% in the first quarter of 2024, according to the "second" estimate released by the Bureau of Economic Analysis. The increase in real GDP primarily reflected increases in consumer spending, residential fixed investment, non residential fixed investment, and state and local government spending that were partly offset by a decrease in private inventory investment.

China's economic activity presented a mixed picture, with improvements in international trade along with industrial production & profits, but ongoing challenges in the real estate sector remains. Chinese authorities are implementing measures to support the real estate sector, including setting up a lending facility to reduce housing inventory.

India's GDP growth was recorded at 7.8% year-over-year in Q4FY24, significantly exceeding consensus expectations (~7%). This growth was driven by continued investment growth, spurred by government infrastructure spending, and strong real estate activity. The World Bank revised India's FY25 growth forecast upward to 6.6% from 6.4% projected in January, on the back of strong public investment accompanied by private capex and rise in private consumption.

1.2) Inflation

Inflation (YoY)	March-2024	April-2024
U.S.A	3.5%	3.4%
China	0.1%	0.3%
Japan	2.7%	2.5%
India	4.85%	4.83%
U.K.	3.2%	2.3%

Source: HSBC Mutual Fund

The U.S.A Consumer Price Index rose 3.3% in May on an annual basis, raising expectations of early interest rate cuts and delivering a boost to the stock market. Market is expecting one rate cut of 0.25% this year.

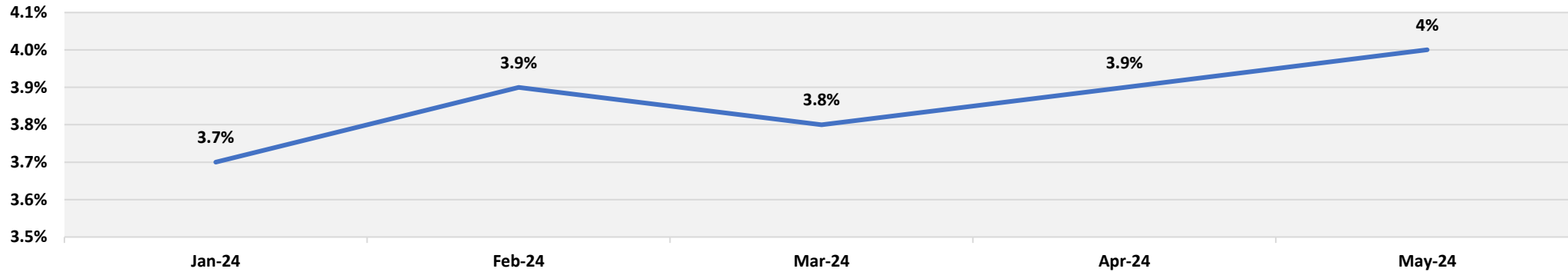
India's retail inflation, measured by the Consumer Price Index (CPI), eased to 4.75% in May from 4.83% in April 2024, according to the latest Ministry of Statistics and Programme Implementation data. The CPI last hit the lowest at 4.25% in May 2023. The wholesale Price Index (WPI), which calculates the overall prices of goods before selling them at retail prices, rose to 1.26% in April from 0.53% in March this year.

ECB jumps ahead of Fed, cuts interest rate by 25 bps for first time since 2019. The ECB cut its benchmark rate to 3.75% from a record high of 4%

1.3) U.S.A Economy

The Bureau of Labor Statistics (BLS) reported that the U.S. economy added 2,72,000 jobs in May 2024. The unemployment rate ticked up from 3.9% to 4%. Number of unemployed people, at 6.6 million, changed little in May. A year earlier, the jobless rate was 3.7%, and the number of unemployed people was 6.1 million.

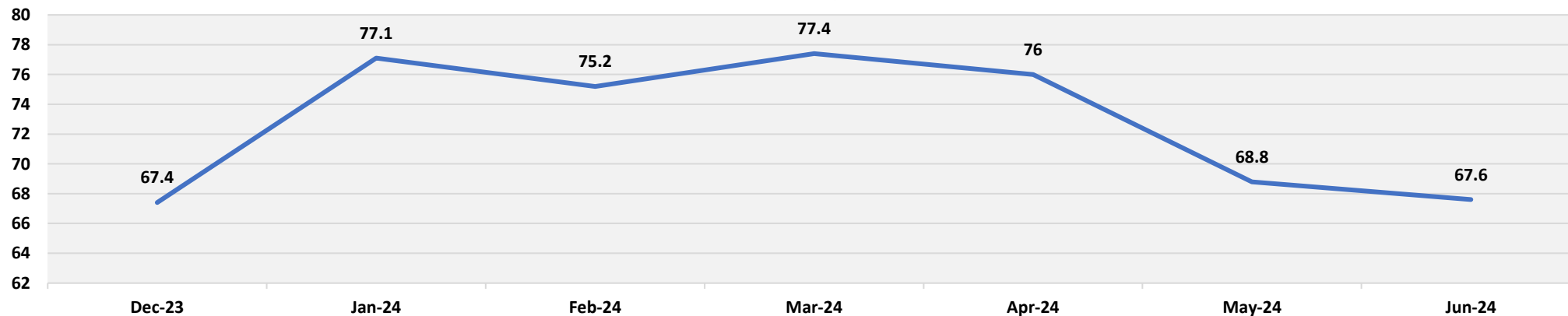
U.S.A Unemployment rate



Source: Bureau of Labor Statistics

Index of consumer expectations: Index of consumer expectations rose 10.6% YoY and fell 1.7% MoM.

Index of Consumer Expectations



Source: University of Michigan

2) Indian Macros

Particulars	Oct-23	Nov-23	Dec-23	Jan -24	Feb-24	Mar-24	Apr-24	May-24
2.1) GST Collection (Lakh Cr.)	1.72	1.67	1.64	1.72	1.68	1.78	2.1	1.72
GST Collection (YoY growth)	13.4%	15.1%	10.3%	11.7%	12.5%	11.5%	12.4%	10%
2.2) Manufacturing & Services								
Power (YoY growth)	20.9%	6.1%	1.6%	6.1%	4.7%	9.1%	10.5%	15.3%
Manufacturing PMI Index	55.5	56	54.9	56.5	56.9	59.1	58.8	57.5%
Services PMI Index	58.4	56.9	59	61.8	60.6	61.2	60.8	60.2%
2.3) Vehicle								
Two-Wheeler (YoY growth)	-12.6%	21.5%	27.5%	15.4%	13.6%	5.7%	33.1%	2.4%
Passenger Vehicle (YoY growth)	-2%	19.7%	2.1%	16%	14.8%	-4.3%	15.7%	-0.2%
Light Commercial Vehicle (YoY growth)	2.4%	-9.1%	-4.4%	-4%	-1.4%	-7.8%	-2%	1.4%
Medium & Heavy CV (YoY growth)	17.9%	-2%	-0.4%	2.3%	-3.4%	-15.7%	-5.6%	-3.9%
Tractors (YoY growth)	3.5%	-22.3%	1.4%	23.9%	12.8%	-1.8%	2.5%	-1%
2.4) Digital Spending (UPI+IMPS)	34.4%	38.3%	35.3%	35.5%	40.6%	33.5%	32.6%	31.6%
2.5) Unemployment %	9.4%	8.9%	8.7%	7.4%	8.1%	7.4%	8.1%	7%

Source: HDFC mutual fund

2.1) GST Collection: The Centre collected Rs 1.73 lakh crore towards the goods and services tax (GST) in May, around 10% higher on an annual basis, data showed on Saturday. The collection has eased from the record high of Rs 2.1 lakh crore collected in April. The 10% growth in GST revenue collection was on the back of a 15.3% increase in domestic transactions and 4.3% contraction in imports. Net GST revenue for May stood at Rs 1.44 lakh crore after accounting for refunds, a 6.9% growth on a yearly basis.

2.2) Manufacturing PMI and Services PMI: Both the manufacturing and services Purchasing Managers' Index (PMIs) indicate a steady growth momentum.

2.3) Vehicle Registration: Retail registrations for both two-wheelers (2W) and four-wheelers (4W) slowed down significantly after strong growth in April 2024. The third edition flagship electric vehicle incentive scheme FAME (Faster Adoption and Manufacturing of Electric Vehicles) with an outlay of about Rs 10,000 crore is likely to be rolled out within the first 100 days of the government coming in power again.

2.4) Digital Spending: In May 2024, digital spending in India through Unified Payments Interface (UPI) and Immediate Payment Service (IMPS) experienced a notable increase of 31.6%. This significant rise highlights the continuing shift towards digital transactions in the country, reflecting changing consumer behavior, advancements in financial technology.

2.5) Unemployment: Unemployment rate fell 7% in the month of may, which was it lowest recorded since September 2022.

YoY %	March-2024	April-2024	Change in Bps
CPI	4.85	4.83	-0.02
Food & Beverages	7.74	7.87	0.13
Fuel & Light	-3.35	-4.24	-0.89
Housing	2.71	2.68	-0.03
Transportation & Communication	1.52	1.09	-0.43
Core CPI	3.93	3.97	0.04

Source: PIB

2.6) Inflation: In April 2024, India's inflation rate, as measured by the Consumer Price Index (CPI), eased to 4.83% on an annual basis. This marked a slight decrease from the previous month's rate of 4.85% in March 2024. The inflation rate for rural areas stood at 5.43%, while urban areas experienced a rate of 4.11%. Among the top five groups, the year-on-year inflation on groups 'Clothing & Footwear', 'Housing' and 'Fuel & light' has decreased since last month. Retail inflation in the food and beverages basket also rose to 7.87% in April month from 7.74% in March. In April, while vegetables became slightly cheaper with CPI inflation at 27.8% compared to 28.34% in March, fruits, cereals, meat and fish become more expensive. With a heat wave across many parts of the country, analysts expect food prices to remain high in the coming months, which can push up headline CPI inflation.

The wholesale Price Index (WPI), which calculates the overall prices of goods before selling them at retail prices, rose to 1.26% in April from 0.53% in March this year.

Central Government Finances	FY 2023 (in Rs. billion)	FY 2024 (in Rs. billion)	% Change (YoY)		April-2023 (in Rs. billion)	April-2024 (in Rs. billion)	% Change (YoY)
Gross Tax Revenue	30,538	34,648	13.5%		2,181	2,550	16.9%
Direct Tax	16,341	19,220	17.6%		1,206	1,351	12.1%
Indirect Tax	14,197	15,428	8.7%		975	1,199	22.9%
Share of States	9,564	11,383	19%		592	700	18.2%
Net Tax Revenue	20,974	23,265	10.9%		1,589	1,850	16.4%
Non Tax Revenue	2,862	4,019	40.4%		110	273	149.1%
Total Revenue Receipts	23,835	27,284	14.5%		1,699	2,123	25%
Total Capital Receipts	722	605	-16.2%		6	10	62.1%
Total Receipts	24,557	27,889	13.6%		1,705	2,133	25.1%
Total Revenue Expenditures	34,525	34,940	1.2%		2,256	3,242	43.7%
Total Capital Expenditures	7,363	9,485	28.8%		785	992	26.5%
Total Expenditures	41,888	44,425	6.1%		3,041	4,235	39.3%
Gross Fiscal Deficit	17,331	16,537	-4.6%		1,336	2,101	57.3%
Fiscal Deficit as % of GDP	6.4%	5.6%			0.5%	0.7%	

Source: CMIE.

2.7) Central Government Finances

Fiscal Deficit: FY24 fiscal deficit narrowed to 5.6%. This improvement was driven by better-than-expected revenue collection from income taxes and customs duties. Non-tax revenues also exceeded expectations, primarily due to higher interest and dividend income.

The government expects fiscal deficit to be 5.1% of the gross domestic product (GDP) for the financial year 2024-2025 (FY25), Finance Minister Nirmala Sitharaman said in her Budget 2024 speech on Thursday, February 1. The finance minister announced in her Budget Speech to reduce the fiscal deficit below 4.5% by 2025-26.

April month: The fiscal deficit (as % of GDP) in April 2024 (first month of FY25) was higher than April last year. Rise in spending growth outpaced the revenue growth.

RBI Dividend: RBI dividend of INR 2.1 trillion (~0.7% of GDP) can provide the government with some flexibility to increase spending.

Debt and Interest payment: The internal debt of the Indian government is 163 lakh crore and the external debt is 5 lakh crore, which makes total debt of 168.72 lakh crore. Government borrowing has surged to ₹15.43 lakh crore in FY 2023-24. Out of the total revenue expenditure, ₹10.6 lakh crore was for interest payments.

Subsidies: In FY 2024, Out of total revenue expenditure of 34.9 lakh crore government paid 4.13 lakh crore for major subsidies.

Capital Expenditure: On the capital expenditure front, government outlay stood at ₹9.5 lakh crore in FY2024. This was higher than the ₹7.3 lakh crore incurred in the same period a year ago. The government's capex-led growth strategy has been a and helped the country maintain the status of the fastest-growing large economy in the world.

Foreign Trade	Mar-24 (USD Billion)	Apr-24 (USD Billion)	Change % (USD Billion)
Net Oil Imports	11.8	9.8	-16.8%
Net Gold Imports	2.2	2.7	19.8%
Net Non Oil Non Gold Imports	1.5	6.6	237.5%
Trade Deficit	15.6	19.1	22.5%

Source: Ministry of Commerce.

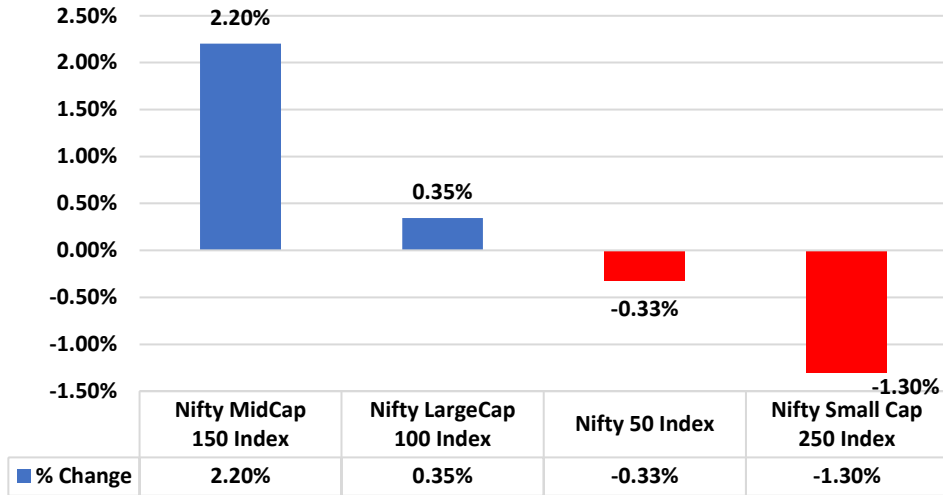
Net Gold Imports includes gold, silver, and pearls precious & semiprecious stones adjusted for gems and jewellery exports.

2.8) Foreign Trade: Trade deficit rose in April 2024 by 22.5% month-on-month basis. The widening was mainly due to a higher non-oil, non-gold (NONG) deficit. NONG exports fell due to declines in engineering goods, chemicals, electronics, and textiles. This was partly offset by lower imports of machinery items, project goods, electronics, and transport equipment. Gold imports increased due to rising gold prices, which was partially offset by a decrease in net oil imports.

Trade deficit is likely to remain in similar range in the coming quarters as the oil prices remain range bound. Rise in commodity prices in recent months poses a risk of deficit widening.

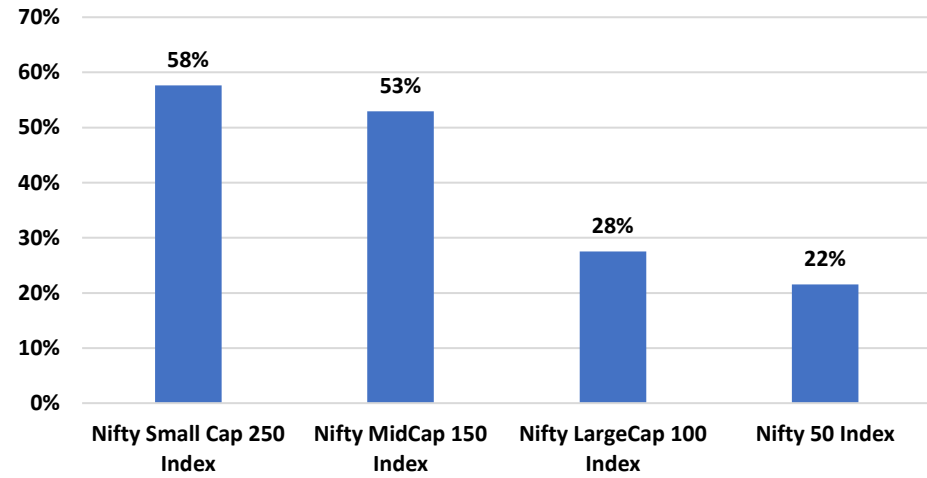
3) Equity Markets

May % Change

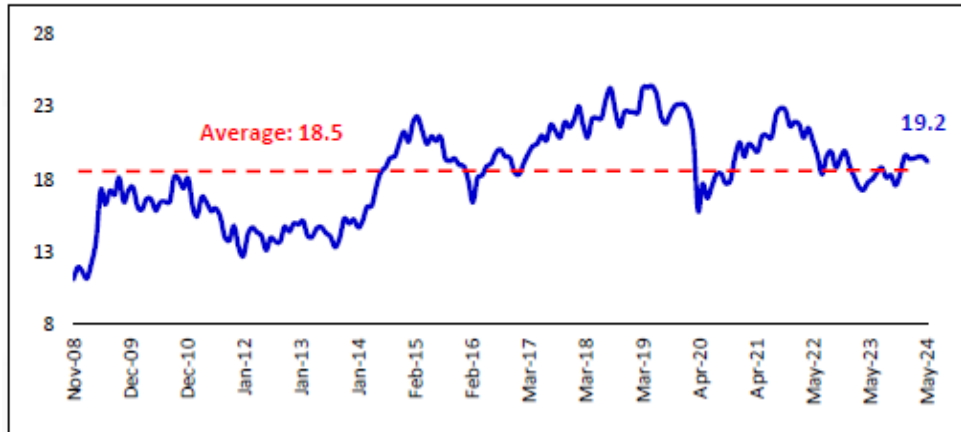


Source: Moneyvesta

YoY % Change



NIFTY P/E (x) - 1 Year Forward

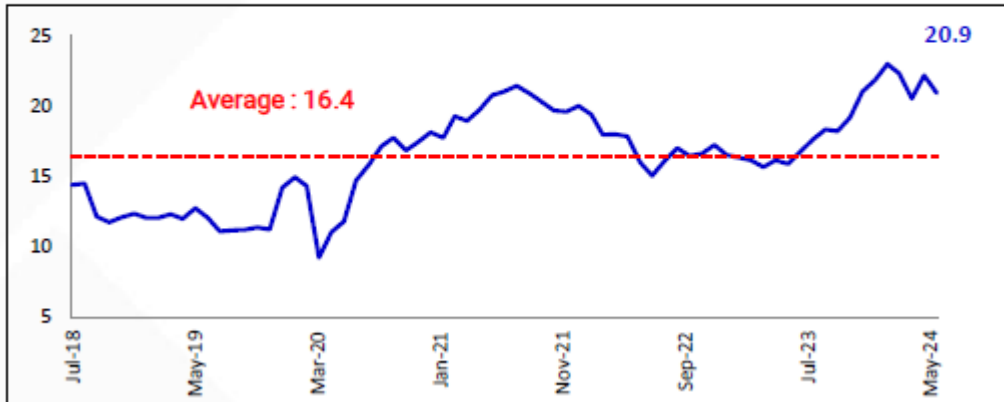


NIFTY Midcap 150 P/E (x) - 1 Year Forward



Source: Kotak Mutual Fund, Motilal Oswal, Bloomberg.

NIFTY Smallcap 250 P/E (x) - 1 Year Forward



Source: Kotak Mutual Fund, Motilal Oswal, Bloomberg.

Valuation	
Largecap	4% premium to historical average
Midcap	29% premium to historical average
Smallcap	27% premium to historical average

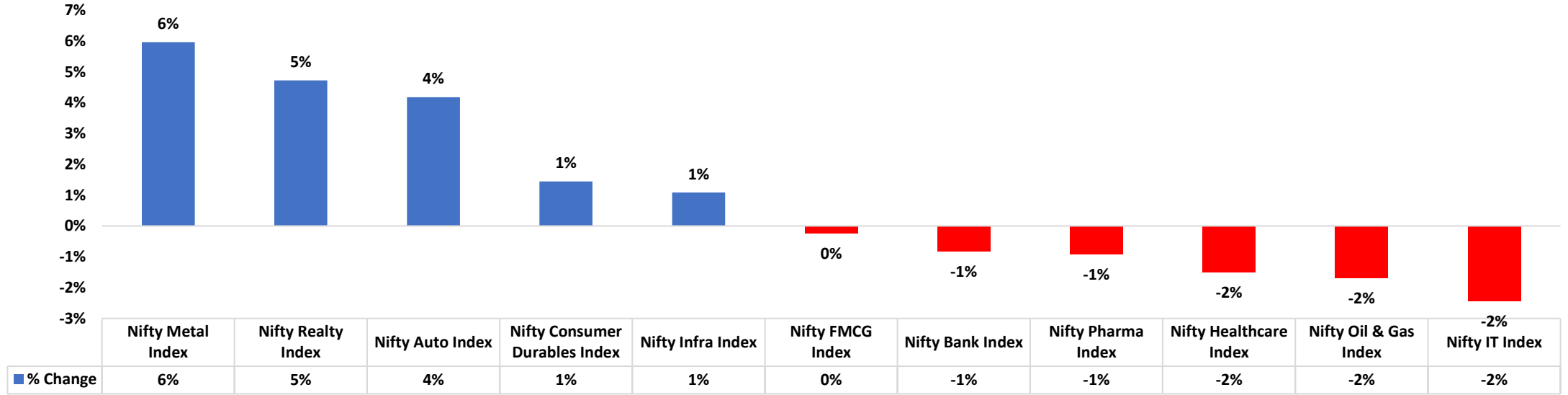
3.1) Market Capitalization based Indices

- In May 2024, market capitalization-based indices in India experienced volatility due to election uncertainty.
- Despite this, the Nifty Large Cap Index managed a modest rise of 0.35%, while the Nifty Mid Cap Index saw a more substantial increase of 2.2%. Conversely, the Nifty Small Cap Index declined by 1.3% during the month.

Valuations:

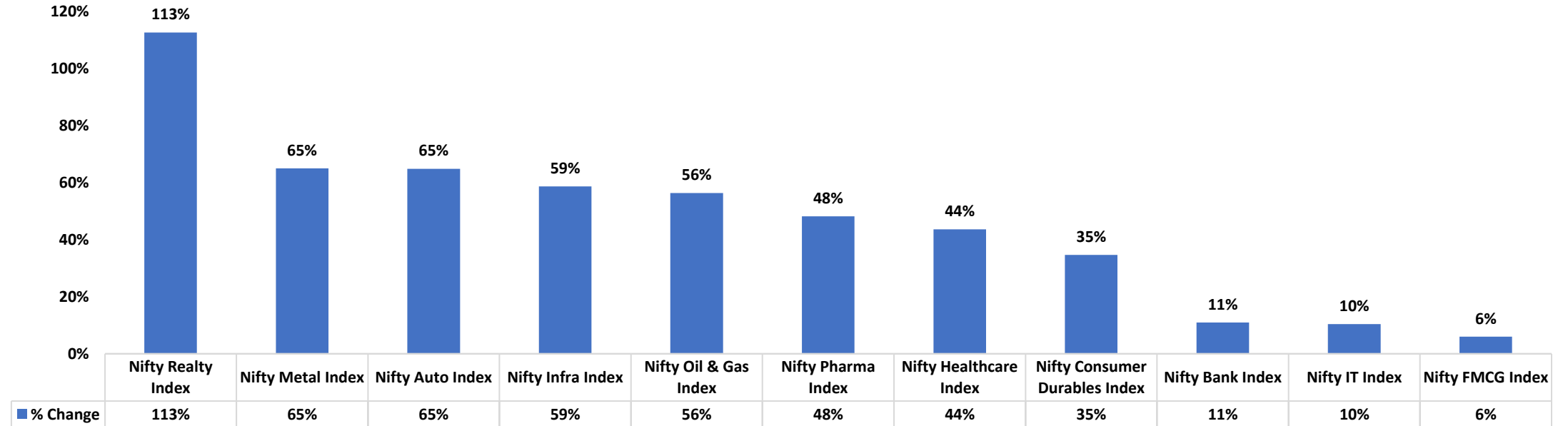
- The Nifty 50 Index in April traded at a 1-year forward P/E ratio of 19.2, compared to its long-term average of 18.5. This indicates that the index is trading at a 4% premium to its historical average.
- In May, the Nifty Mid Cap and Nifty Small Cap Index were trading at a substantial 29% and 27% premium compared to their historical averages respectively. This elevated valuation reflects strong investor enthusiasm for mid-cap and small-cap stocks. However, the significant premium also underscores mid-cap and small-cap investments' increased risk and volatility, as these stocks are more sensitive to market fluctuations and economic changes.

Sector based Indices MoM % Change- April



Source: Moneyvesta

YoY % Change



Source: Moneyvesta

3.2) Sectoral Indices

Sectoral Indices Valuation vs. Long-Term Average

Sectoral Indices	31-May-2024	Long Term Average	Discount/Premium
Electric Utilities	18.3	10.8	70.4%
PSU Banks	1.5	1.1	37.8%
Metals	13.8	10	37.3%
Oil & Gas	14.3	12.1	17.9%
Pharma	27.4	23.8	15.2%
IT Services	23	20.4	13.1%
Consumer Discretionary	59.2	52.7	12.4%
Auto	21.2	19.4	9.2%
Consumer staples	38	35.1	8.3%
Private Banks	2.3	2.6	-10.3%

Source: HDFC Mutual Fund.

3.2.1) Metal Industry

Nifty Metal Index: In April 2024, the Nifty Metal Index emerged as the top-performing sectoral index in the Indian stock market.

- The reason behind this rally is China's manufacturing activity expanded for the first time in six months in March
- The improved demand outlook for commodities lifted metal prices after sentiment was boosted by the data
- The official purchasing managers' index (PMI) of China rose to 50.8 in March from 49.1 in February

Steel:

- The growth in the Indian steel sector has been driven by the domestic availability of raw materials such as iron ore and cost-effective labor.
- From January to December 2022, India was the **2nd largest producer of Crude Steel** in the world [Provisional, Source: World Steel Association].
- Finished steel production of 121.29 MT in FY23. India's finished steel production is estimated to grow 4-7% to 123-127 MT in FY24. (Source: IBEF)

Aluminum:

- Aluminum producers Hindalco and NALCO shares rose 15% and 21%, respectively in April month, as global aluminum prices surged on fresh sanctions by the U.S. and UK on Russian metals.

Commodity	31 May 2024 Price USD	May % Change	FYTD25 % Change
Steel (per tonne)	535	0.9%	4.9%
Aluminium (per tonne)	2,607	0.9%	13.6%
Copper (per tonne)	9,985	0.1%	14.4%
Zinc (per tonne)	2,995	2.4%	25.2%
Lead (per tonne)	2,246	2.8%	14.3%

Source: HDFC Mutual Fund.

3.2.II) Auto Industry

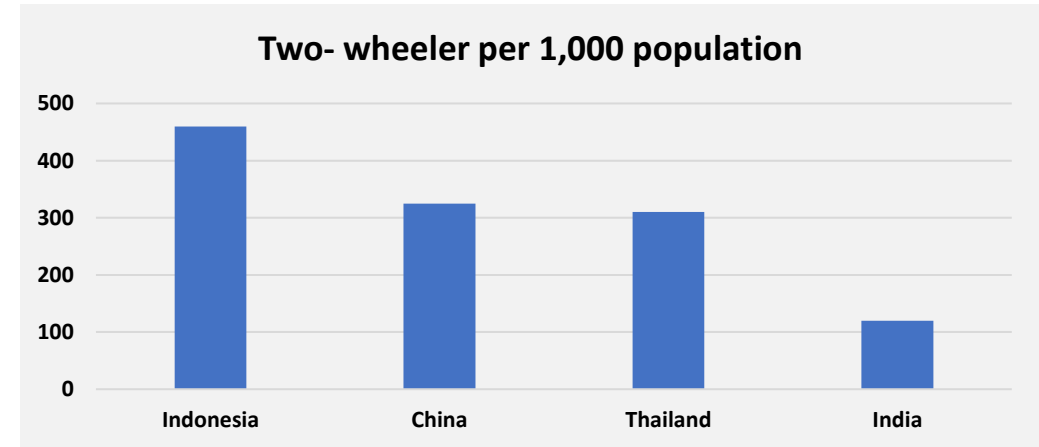
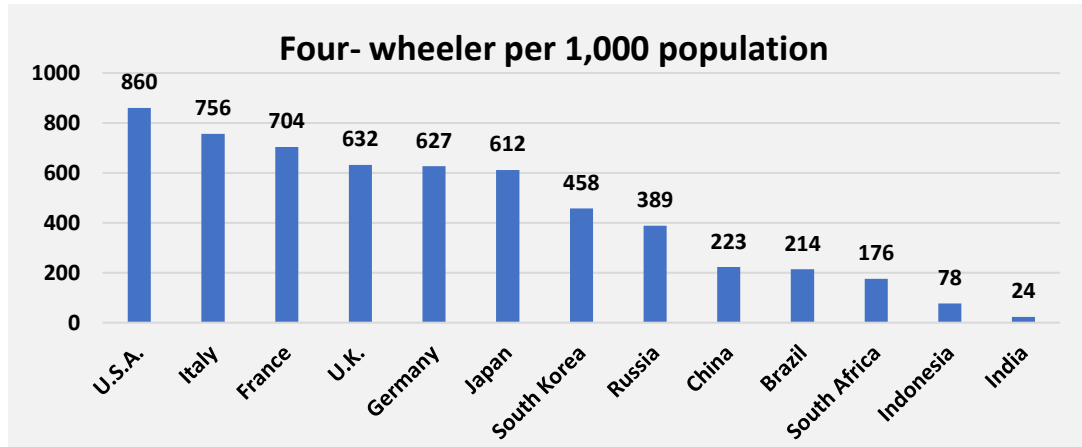
Nifty Auto Index: The Nifty Auto index has experienced a strong bull run since March 28, 2023, when it closed at 11,918. Over the past 13 months, it has surged by 89%, reflecting significant growth in Two-wheeler and passenger vehicle sales growth and investor confidence in the auto sector. India's two-wheeler segment experienced 9% growth in FY24, fuelled by enhanced model availability, and new model launches.

Tailwinds

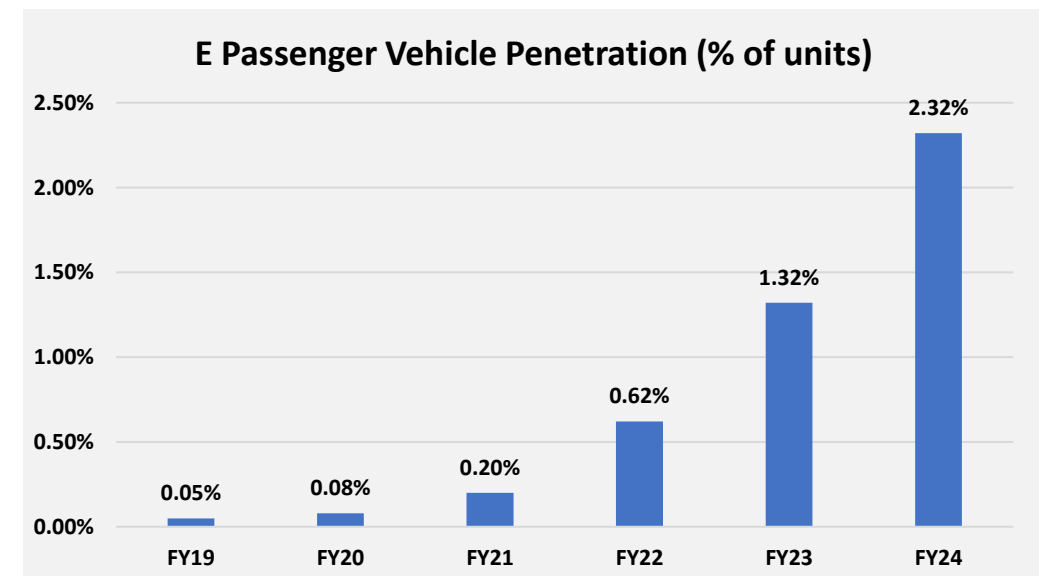
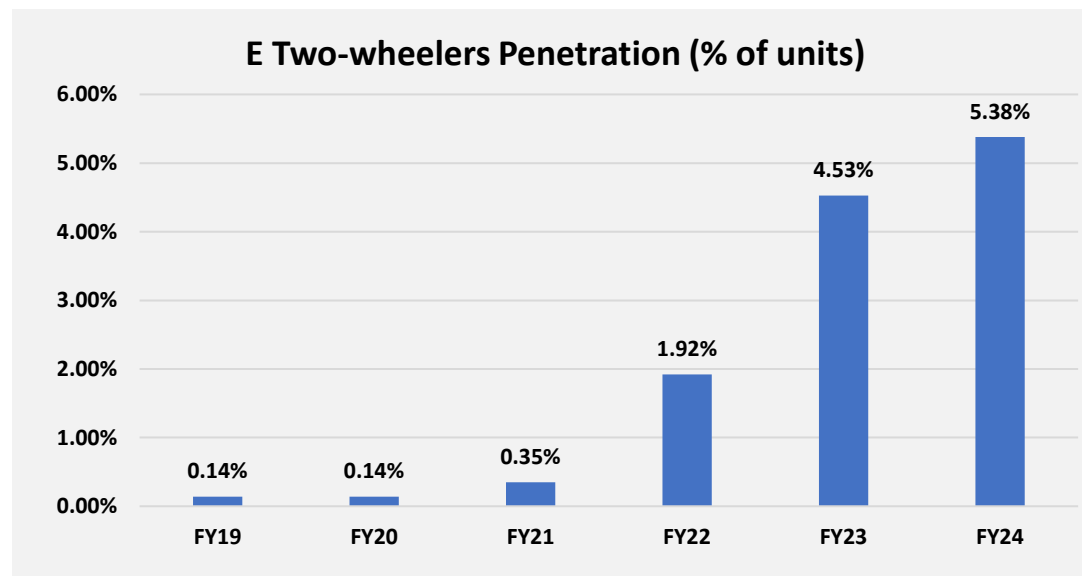
- The share of SUVs in total revenue is increasing significantly. This trend reflects a growing desire among consumers to own higher-end vehicles, driving premiumization-led value growth in the market.
- Government support in the form of incentives provided both at the manufacturer and customer levels through FAME subsidies, has been instrumental in driving the market. INR 10,000 crores FAME II subsidies till FY24
- EV GST rate at 5% vs 28% for ICE
- Over the last decade, average vehicle price growth has been lower than the rise in per capita income allowing for better affordability today. The future potential of upgradation by consumers is very much possible.
- Aggressive launch of new products by existing players spanning multiple price points and powertrains.

• **Low Penetration:**

i) **Two-wheelers and four-wheelers penetration:** Penetration of 2W and 4W in India per 1000 people is still significantly low as compared to other economies thereby offering huge headroom for growth in the future.



ii) **Electric Vehicles Penetration**



3.2.III) Realty Industry:

Total housing sales in FY24 reached 4,92,900 across the top 7 cities, a 30% increase from the previous year. Average residential property prices across the top 7 cities have seen a significant jump in the last one year – ranging between 10-32% in Q1 2024 when compared to Q1 2023, mainly due to an increase in the prices of construction raw materials and overall rise in demand.

Tailwinds for industry:

- Rising Urbanization
- Rising per capita income
- Benefit from the continued premiumization and formalization of the sector
- Introduction of the RERA act leads to separate escrow accounts that need to be maintained for each project where a minimum of 70% of the money from buyers will have to be deposited and proceeds can only be used for construction of the project and cost-borne towards the land, potential refunds with interest and Buyers’ redressal mechanism including compensation in case of builders delaying possession

Headwinds for industry:

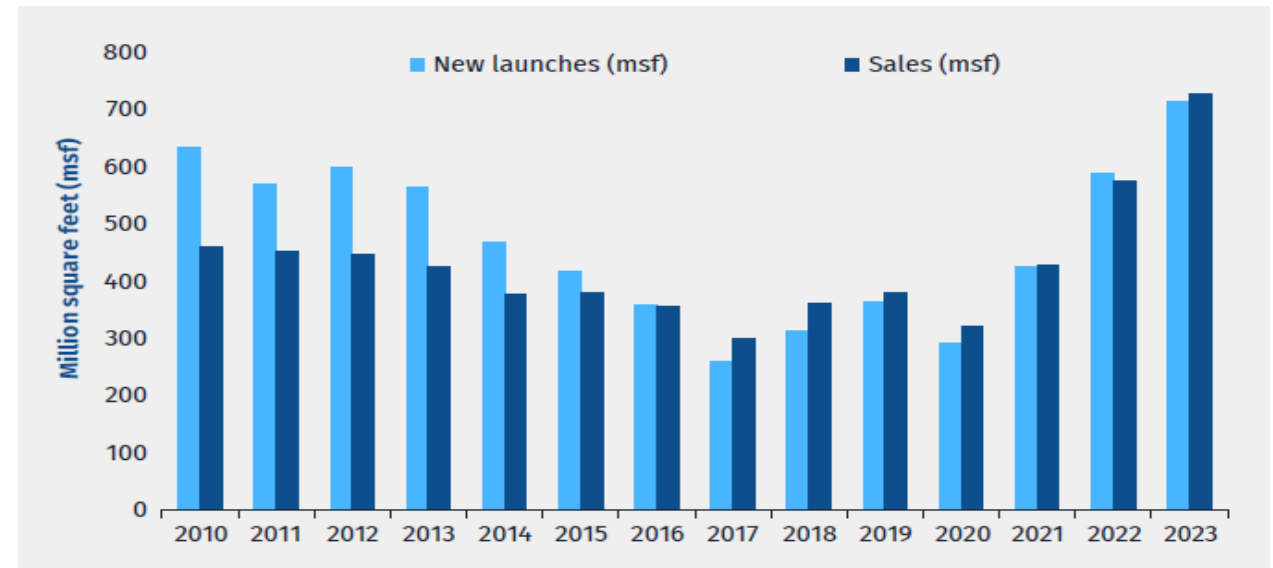
- The Real Estate sector is cyclical in nature.

A) Residential Property

Three main indicators for residential property:

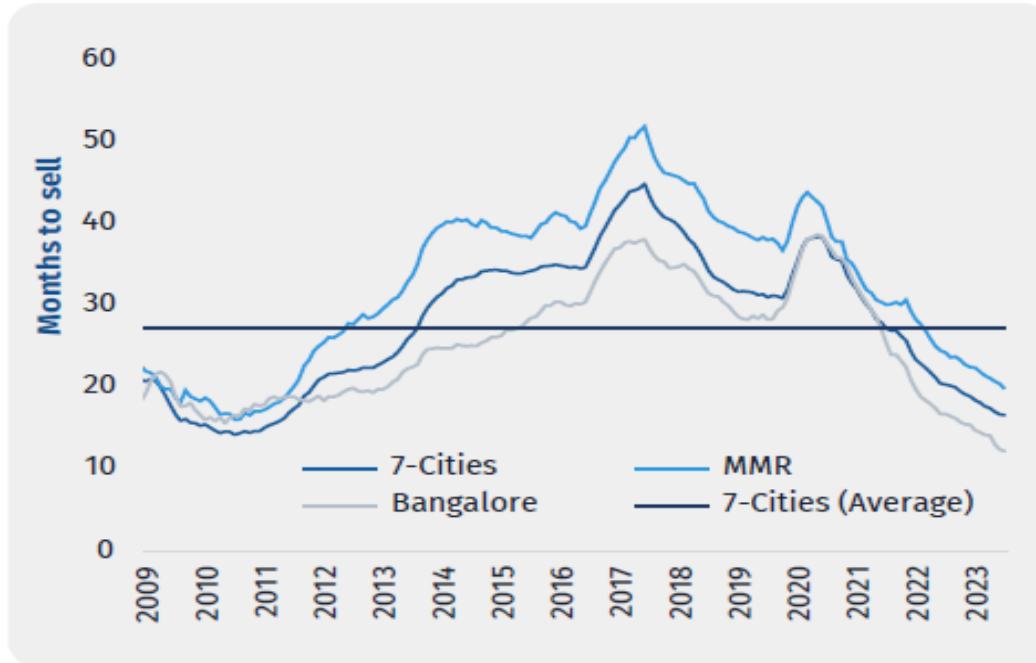
- New launches & Sales
- Inventory levels
- Price change

All three main indicators suggest that the realty sector made its bottom in 2017.



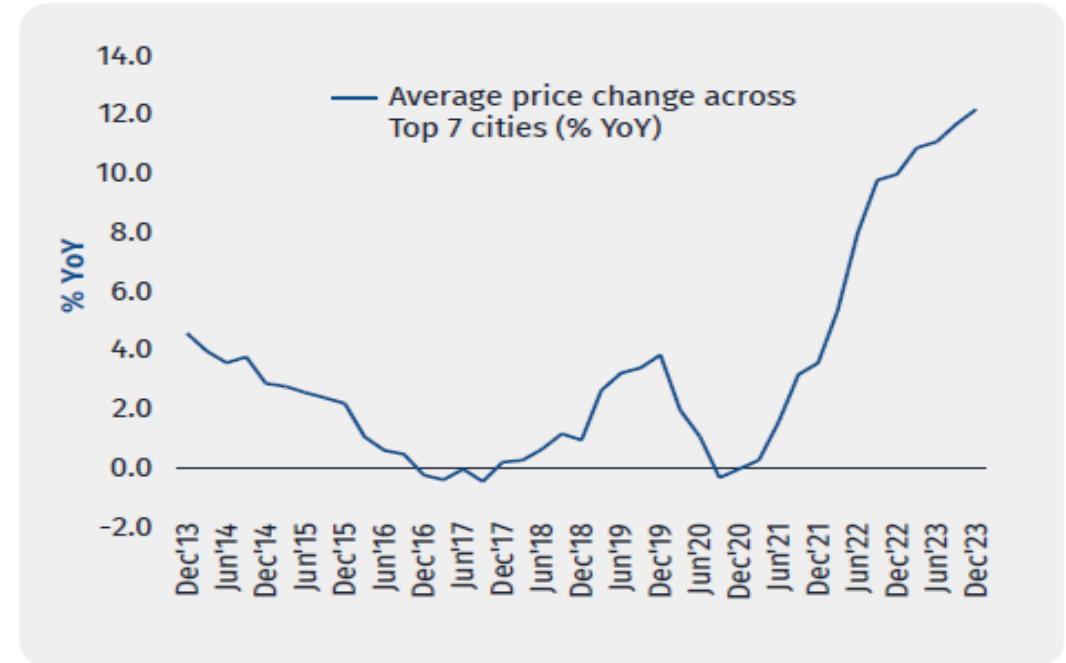
A) Residential Property

Inventory levels have been declining across cities



Source: Jefferies

House prices are recovering after low growth over 2013-21



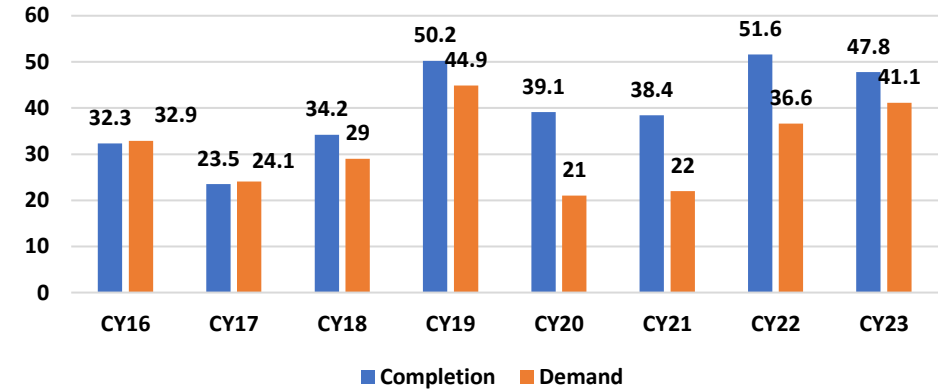
Source: Jefferies

- **Inventory levels declining:** Since 2016, there has been a notable decline in inventory levels, indicating faster sales and reduced unsold stock. This decline is consistent across all regions, reflecting a healthier demand-supply balance in the market.
- **House prices recovering:** house prices have been recovering significantly since 2021. This sharp increase suggests a resurgence in the real estate market, likely driven by various factors such as economic recovery, increased demand, and possibly supportive government policies.

B) Office Space

- After a decline in absorption during the peak of the COVID-19 pandemic (CY20) due to the work-from-home policy of offices, there has been a significant recovery.
- By CY23, both supply and demand have rebounded, with demand almost matching supply.

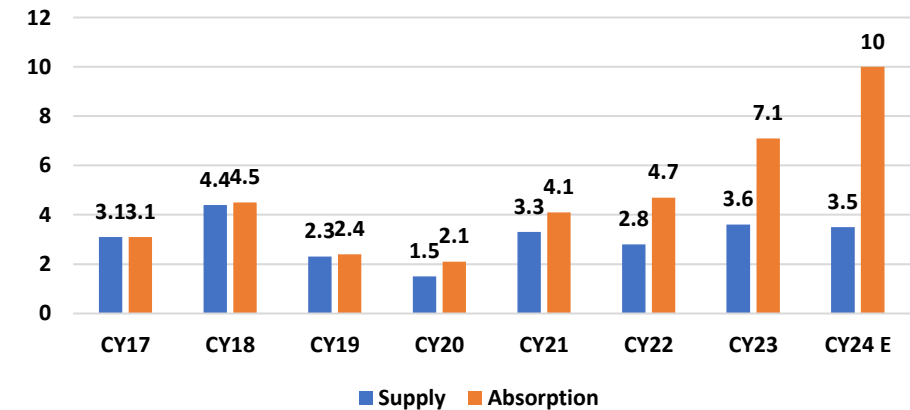
Office Space completion & demand(msf)



C) Retail Space

- Demand (absorption) has consistently been outpacing supply in recent years, particularly notable in CY22 and CY23, where demand nearly doubled supply.
- The forecast for CY24 further accentuates this trend, with demand projected to be nearly three times the supply. This indicates a robust consumer market and a strong preference for high-quality retail spaces, driving growth in this segment.

Grade-A mall supply and absorption(msf)



3.2.IV) Infrastructure Industry

The India Infrastructure Sector Market size is estimated at USD 204.06 billion in 2024, and is expected to reach USD 322.27 billion by 2029, growing at a CAGR of 9.57% during the forecast period 2024-2029 (Source: Modorintelligence). India's aspirations to attain developed nation status by 2047. In FY2023, the budgetary allocation for infrastructure-related ministries stood at approximately INR 3.7 lakh crore. This figure saw a notable increase, reaching INR 5 lakh crore in FY24.

A) Railways

- **Dedicated freight corridors:** The average speed of goods transportation was 25kmph, but it increased to 70 kmph after a dedicated freight corridor.
- **Vande Bharat:** Ambitious target of operating 4,500 Vande Bharat trains by 2047.
- **Capex:** INR 2.6 lakh crores budget allocation for FY2025 for railways.

B) Roads

- The average daily distance covered by a truck increased to 250 km in FY23 from 190 km in FY 2015
- 17 times growth in capex on roads in the last 15 years.

C) Water supply and Sanitation

- The government allocated 1 trillion for FY2025 for water supply and sanitation capex.

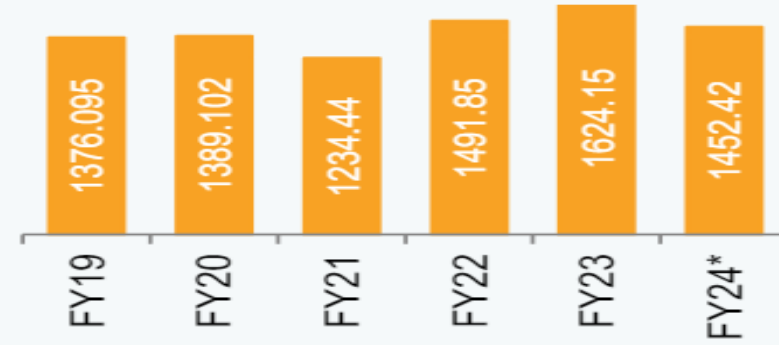
D) Electricity

- India is the third-largest producer and consumer of electricity worldwide.
- The Indian national electric grid has an installed capacity of 429.96 GW as of 31 March 2024. (Source: IBEF)

Tailwinds for the electricity sector:

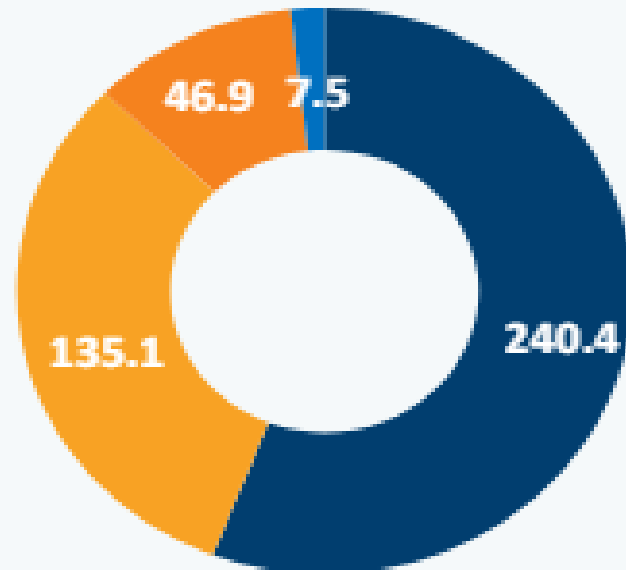
- **Higher investments:** As per the National Infrastructure Pipeline 2019-25, energy sector projects accounted for the highest share (24%) out of the total expected capital expenditure of Rs. 111 lakh crore (US\$ 1.4 trillion).
- **Smart grid:** Smart grids are electricity networks that make use of emerging technologies to sense and respond to change. This means they can continually adjust supply to match demand and keep themselves operational while supplying everything with power.
- **Focus on renewable sources**

Electricity Generation in India^ (in BU)



Note: GW – Gigawatt, BU- Billion Unit, ^-including renewable sources
*Until January 2024

Installed Capacity for Different Sources of Power – As of January 31, 2024 (GW)



- Thermal
- RES
- Hydro
- Nuclear

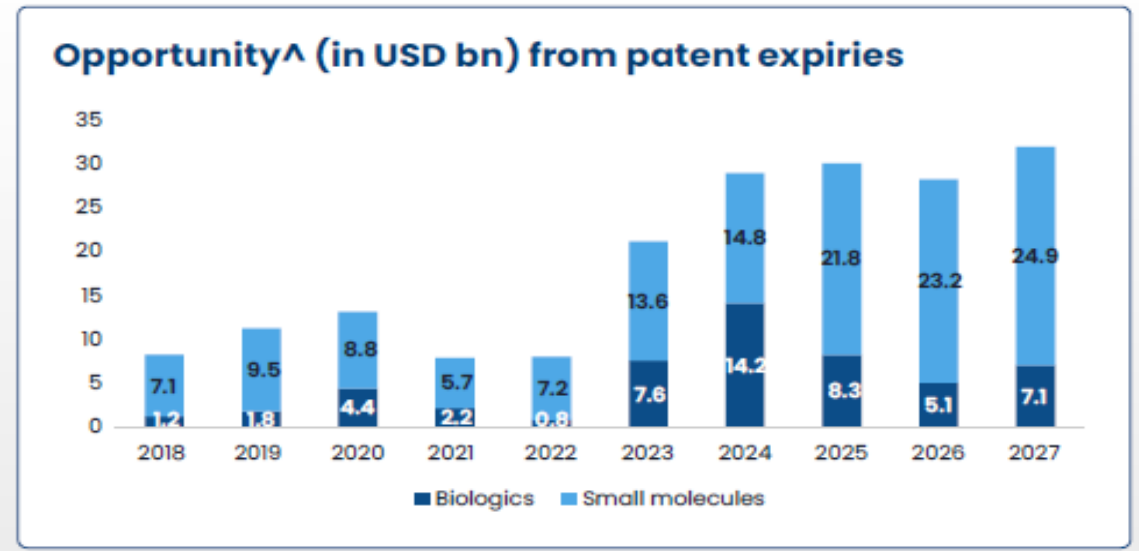
3.2.V) Pharma Industry:

India is a major exporter of Pharmaceuticals, with over 200+ countries served by Indian pharma exports. India supplies over 50% of Africa’s requirement for generics, ~40% of generic demand in the US, and ~25% of all medicine in the UK. The Indian pharmaceutical industry ranks third globally in pharmaceutical production by volume and 13th largest by value and is known for its generic medicines and low-cost vaccines.

Tailwinds

- **Domestic spending:**
 - The increasing elderly population and rising life expectancy are pivotal demographic trends that significantly impact the pharmaceutical industry.
 - As the population ages, the demand for healthcare services and medications tailored to chronic and age-related conditions surges.
 - India’s healthcare spending to GDP ratio is amongst the lowest. An increase in penetration will create an opportunity for the pharma sector.
- **Exports opportunity:**
 - India has export opportunities in generics, biosimilars, and CDMO.
 - ~USD 98 bn worth of small molecules will go off-patent in the next 5 years vs ~USD 38 bn in the preceding 5 years.

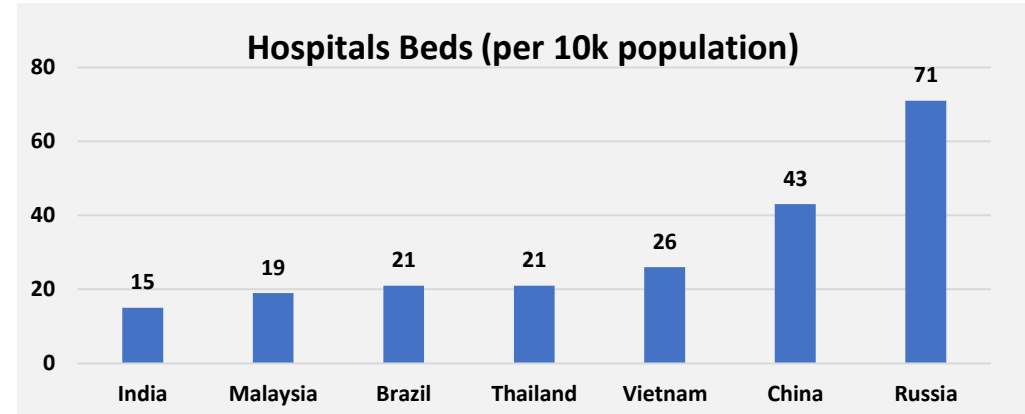
USFDA approved facilities	
U.S.A	33%
India	26%
China	9%
Italy	4%
Germany	4%
Others	24%



3.2.VI) Healthcare Industry:

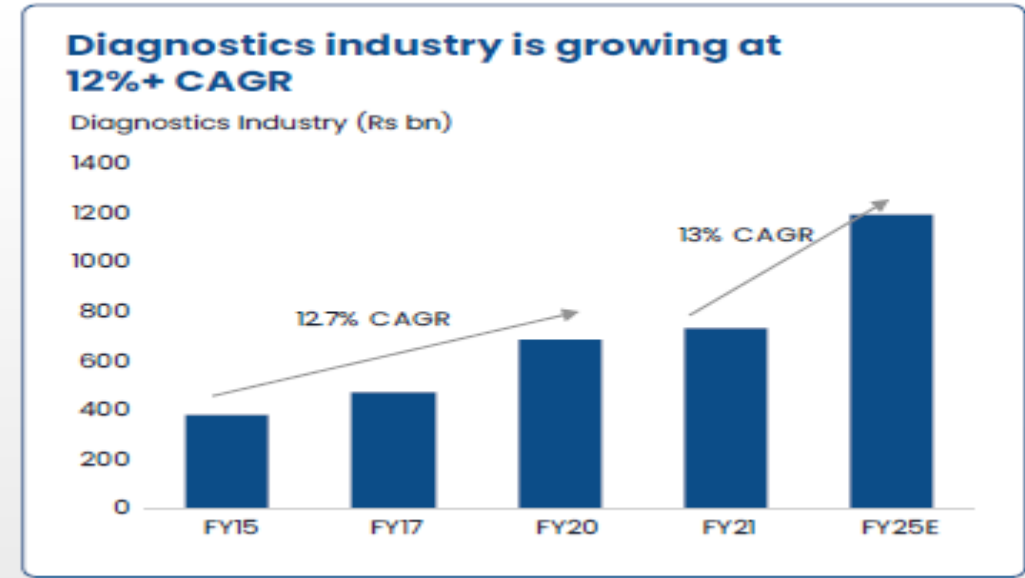
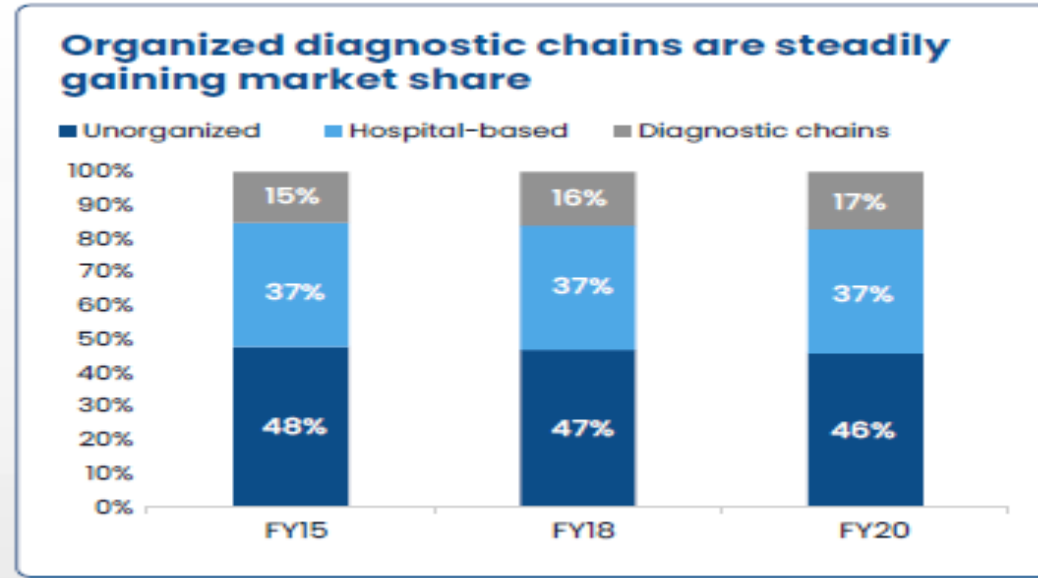
A) Hospitals

- India's hospital beds per 10,000 of the population are the lowest compared to other emerging markets, with significant underpenetration.
- The hospitals segment is growing at 10-12% CAGR and has a Total Addressable Market (TAM) of ₹5.6tn as of FY23
- The hospital market in India is expected to grow at 10-12% CAGR.



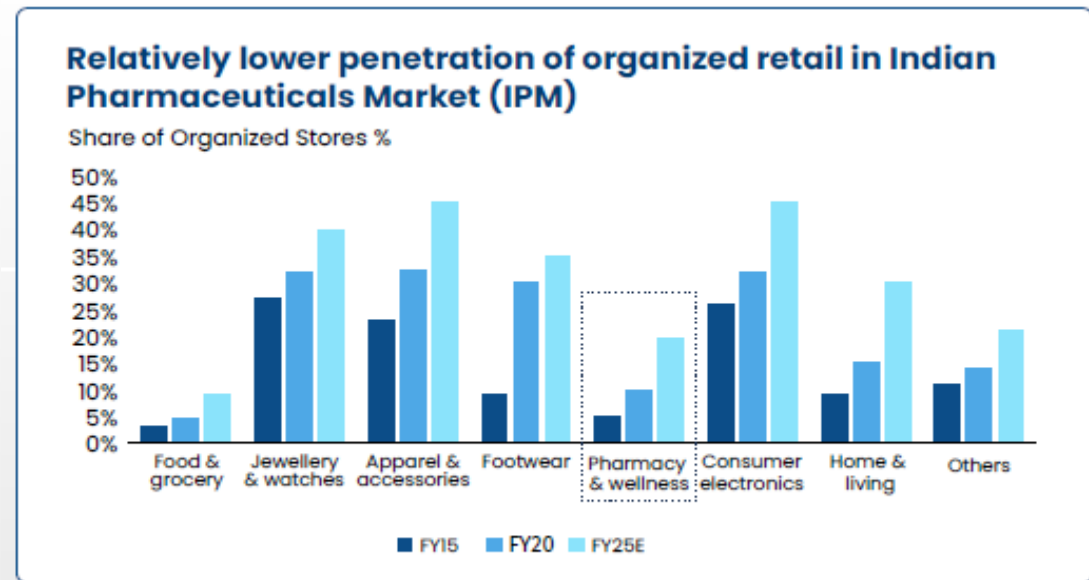
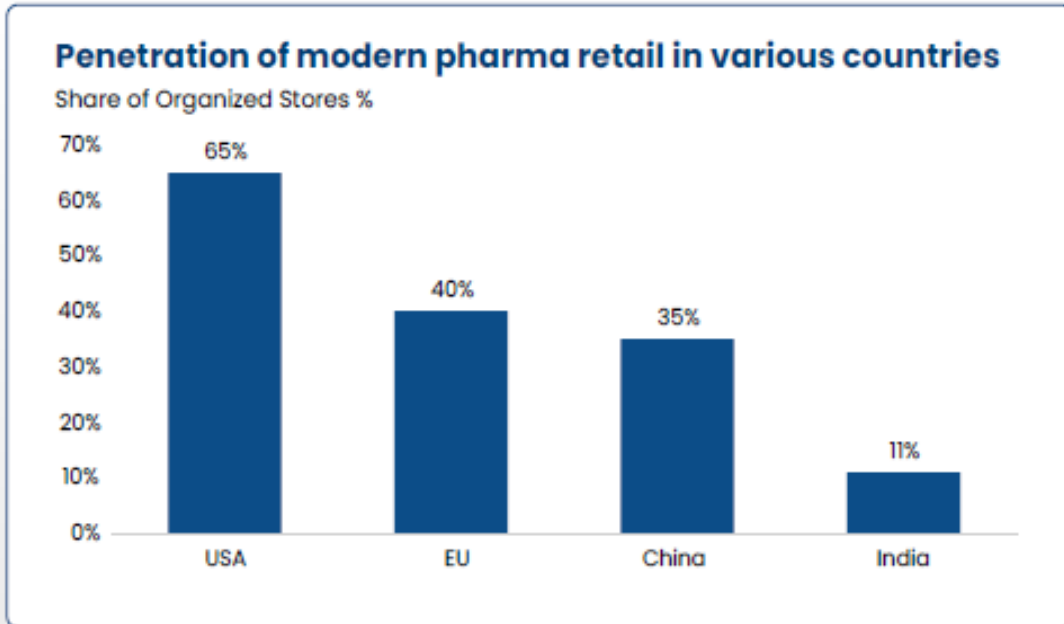
B) Diagnostic:

- Around 150-200K labs in the country, the diagnostics industry in India is highly fragmented.



C) Retail Pharmacy

- The Indian Pharma sector has one of the lowest penetration of organized retail across all sectors.
- Unorganized small players still dominate the market with ~90% share. Organized players command a 40-60% market share in other countries like China, USA, EU.
- Moving from fragmented structure to consolidated structure.



Source: Investec

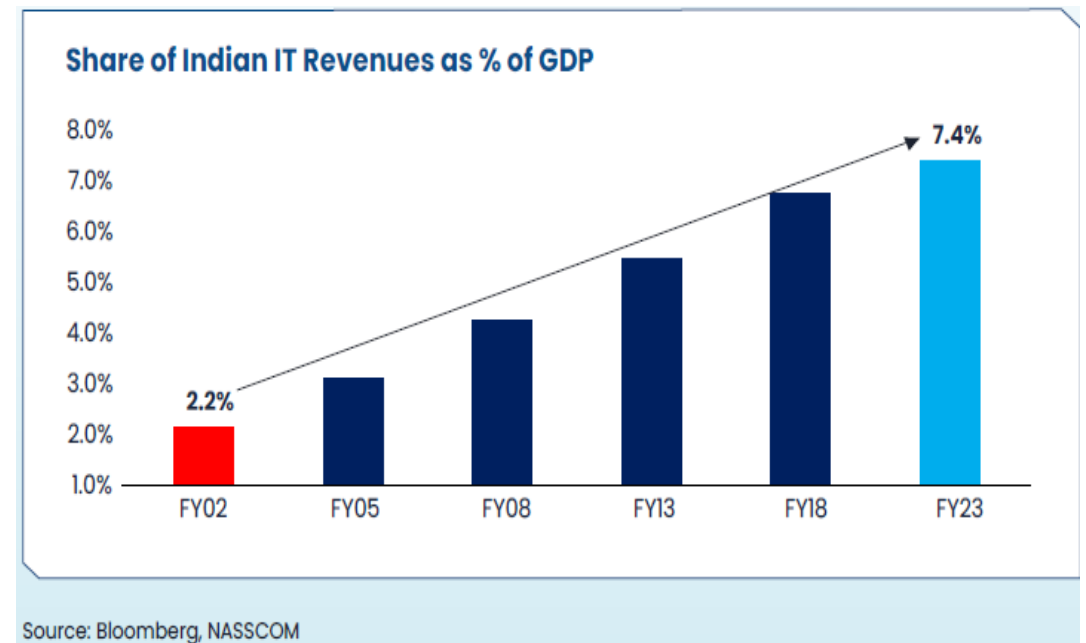
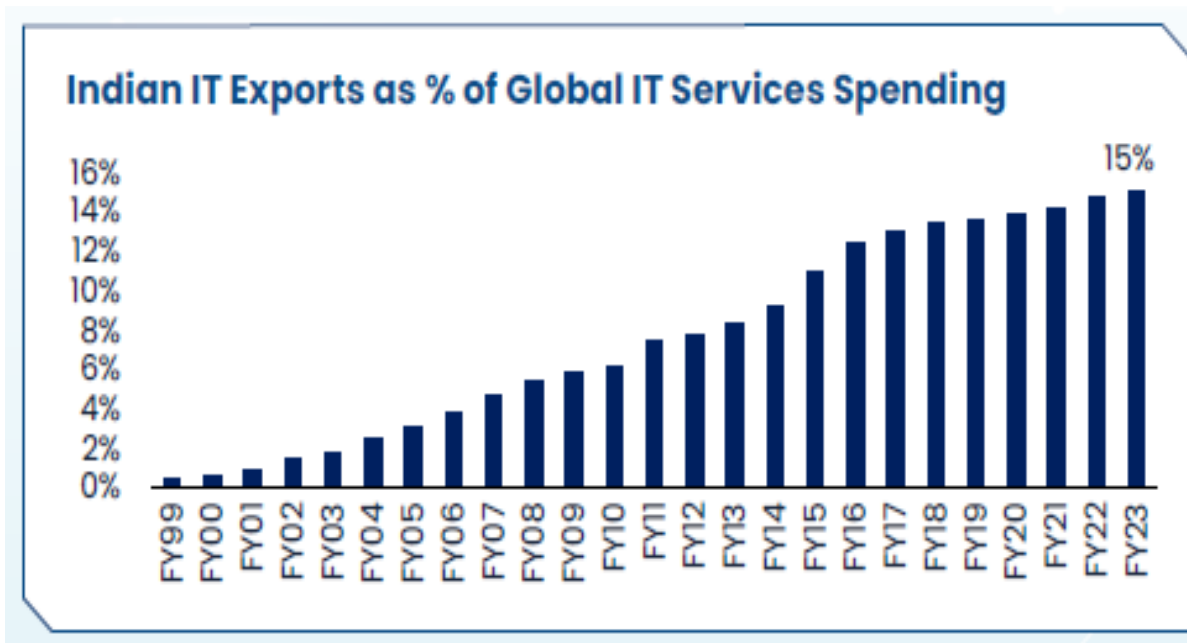
3.2.VII) Technology Industry

Nifty IT Index: In April 2024, the Nifty IT Index stood out as the worst-performing sectoral index in the Indian stock market. The industry has been accepting tougher contract terms to win large deals as they compete for fewer orders and also grappling with clients renegotiating, delaying or cancelling contracts, resulting in a sharp slowdown in the industry's growth from the pandemic-fuelled boom a few years back.

Industry Revenue: India's technology industry revenue (including hardware) is estimated to reach **\$254 Bn** (3.8% y-o-y growth) in FY2024, an addition of over \$9 Bn over last year. Exports are poised to touch the \$200 Bn mark growing at 3.3% y-o-y, and the Domestic technology sector is expected to cross \$54 Bn, growing at 5.9% y-o-y.

Tailwinds

- AI remains a key priority for over 95% of organizations over the next 6-12 months.
- Nasscom Annual Enterprise & Tech Services CXO Survey 2024 indicates stronger growth momentum for CY2024 with under-stressed sectors of BFSI, telecom, media and entertainment, and hi-tech leading digital spending.



3.2.VIII) Oil and Gas Industry

Nifty Oil & Gas Index: India's oil consumption increased by 3.7 million tonnes (4.8%) in the first four months of 2024 compared with the same period in 2023, according to data from the government's Petroleum Planning and Analysis Cell. Crude oil prices stabilized in April against a backdrop of easing tensions between Israel and Iran.

India's Energy Demand is expected to grow at 2.7% by 2050 as compared to World's 0.6%.

A) India's Energy Mix in 2022

Coal-55.1%

Crude Oil -27.6%

Renewables-5.9%

Natural Gas-5.7%

Hydroelectricity-4.5%

Nuclear Energy-1.2%

B) Different divisions

• Exploration and Production:

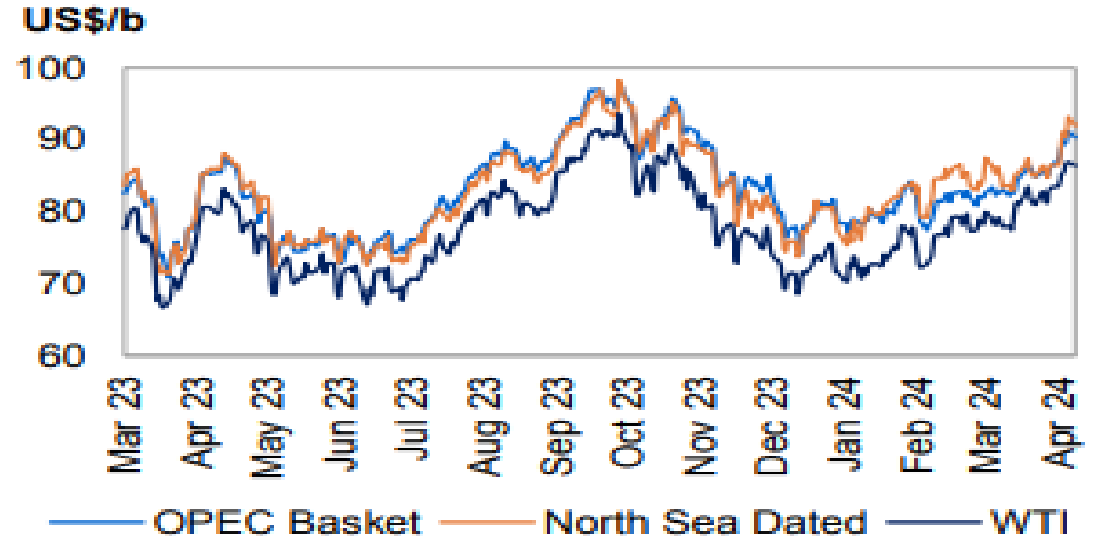
- In February 2022, the government of India announced to double its exploration area of oil and gas to 0.5 million sq. km. by 2025 and to 1 million sq. km. by 2030 to increase domestic output.
- One of the major factors that has led to the requirement of high refining capacity is the increasing number of fields in the country, especially in the Krishna-Godavari Basin and Barmer Region of Rajasthan State. The high natural gas production from these fields has led to an expansion in the capacity of refineries and petrochemical complexes in the country.

• Refinery Division:

- The pipeline is the most economical way of transporting natural gas, crude oil, and petroleum products over a long distance due to increasing investments in upcoming pipelines in the country. The midstream segment is expected to contribute a decent share of the Indian oil and gas market in the coming years.

• Marketing Division

- **Crude oil pipelines network:** As of March 2022, the country had around 10,419 km of crude oil pipelines (onshore: 9,825 km and offshore: 594 km)
- **Natural gas pipeline network:** As of March 2022, the country had around 17,389 km of natural gas pipelines (onshore: 17,365 km and offshore: 24 km)
- **Refined products pipelines network:** As of March 2022, the country had around 14,729 km of refined products pipelines, being operated by IOCL, BORL, Cairn India, OIL, HMEL, and ONGC.



Sources: Argus, OPEC and Platts.

3.2.IX) FMCG Industry:

- The fast-moving consumer goods (FMCG) sector is the 4th largest sector in the Indian economy with Household and personal care products making up 50% of the industry's sales, healthcare claims 31-32%, and food & beverage products accounting for the remaining 18-19%, which makes it evident that these sectors play a pivotal role in shaping the nation's economic landscape.
- In the January- March 2024 quarter, rural markets surpassed urban consumption for packaged consumer goods for the first time in five quarters, with rural growth at 7.6% while urban demand declined by 5.7%. Overall FMCG sector value grew by 6.6% driven by consumption, with flat price growth at 0.1%.

BCG Report on FMCG

- From 2007 to 2023, while India's GDP grew at an average rate of 5.9%, FMCG volume growth was **only 3.4%**. A more significant slowdown was observed between 2017 and 2023, where FMCG volume growth declined from 3.5% to 2.9%, impacted by various disruptive events like the implementation of GST, demonetization, and the COVID-19 pandemic.
- Affluent households (earning an income of over Rs 10 lakh per annum) that account for 16% of all households in India spend 32% on FMCG products. The same household class accounts for 90% of spending on leisure and cars, BCG said.

3.2.X) Consumer Durables

The consumer durables industry consists of air conditioners, refrigerators, washing machines dryers, dishwashers, LED Lights, personal care, kitchen appliances etc. Forecasts by the India Meteorological Department (IMD) indicate above-normal maximum temperatures from April to June, coupled with heightened heatwave days in various regions across the country can lead to a significant surge in demand of consumer durables.

The consumer durable industry has reached **\$13.6 Bn** in FY21. Out of this, the largest market share comprises of Air Conditioners, Refrigerators, and LED products.

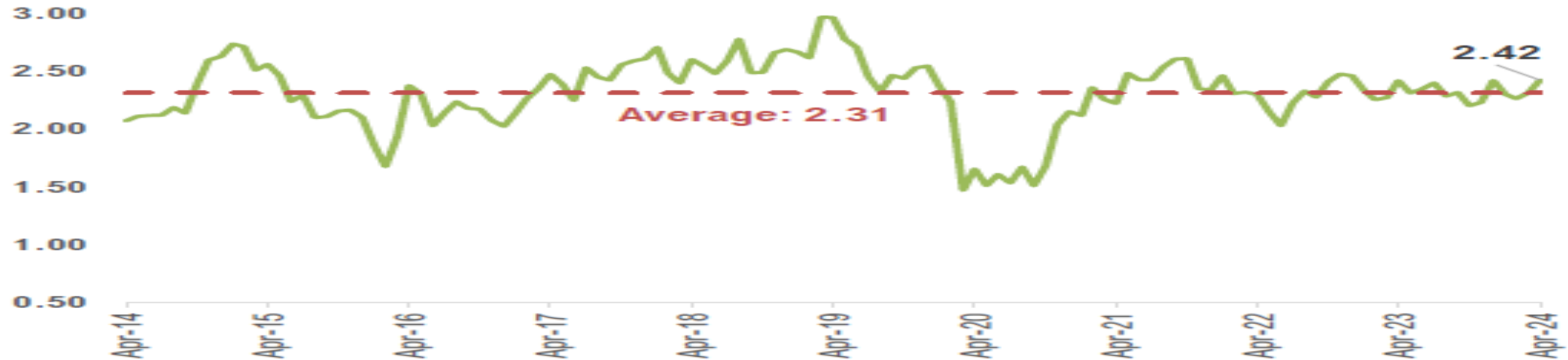
- a) Air Conditioner Market in India to increase to \$9.8 Bn by FY26 from **\$3.8 Bn** in FY21 at a CAGR of 20.8%
- b) Refrigerator Market in India to increase to \$6.7 Bn by FY26 from **\$3.8 Bn** in FY21 at a CAGR of 9.5%
- c) LED Lights Market in India to increase to \$8.1 Bn by FY26 from **~ \$3.6 Bn** in FY21 at a CAGR of 18.64%
- d) Personal Care Appliances (Dryers, Trimmers, and Straighteners) Market in India to increase to **~\$1.4 Bn** by FY26 from \$435 Mn in FY21 at a CAGR of 21%
- e) Dishwasher Market in India to increase to \$93.5 Mn by FY26 from **\$45.6 Mn** in FY21 at a CAGR of 10.8%

(Source: <https://www.investindia.gov.in/sector/consumer-goods/consumer-durables>)

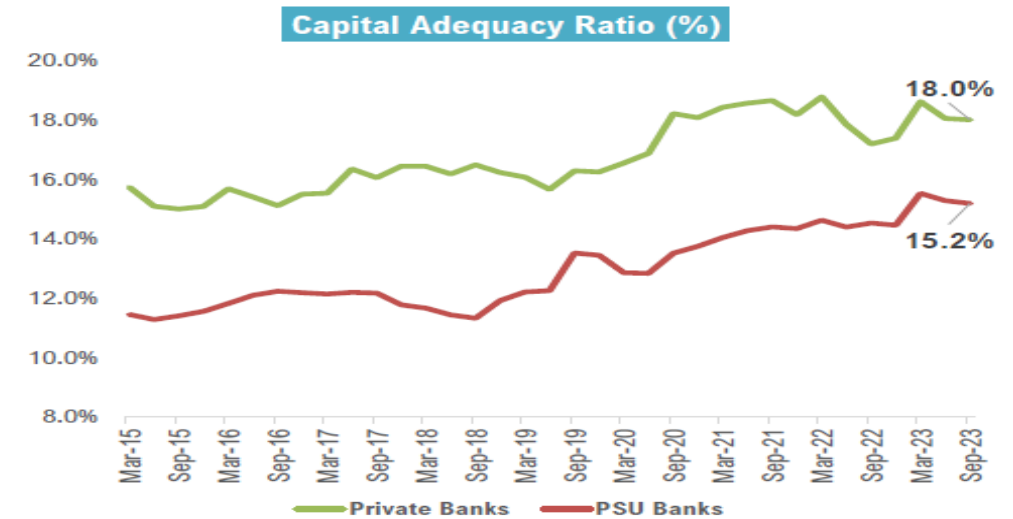
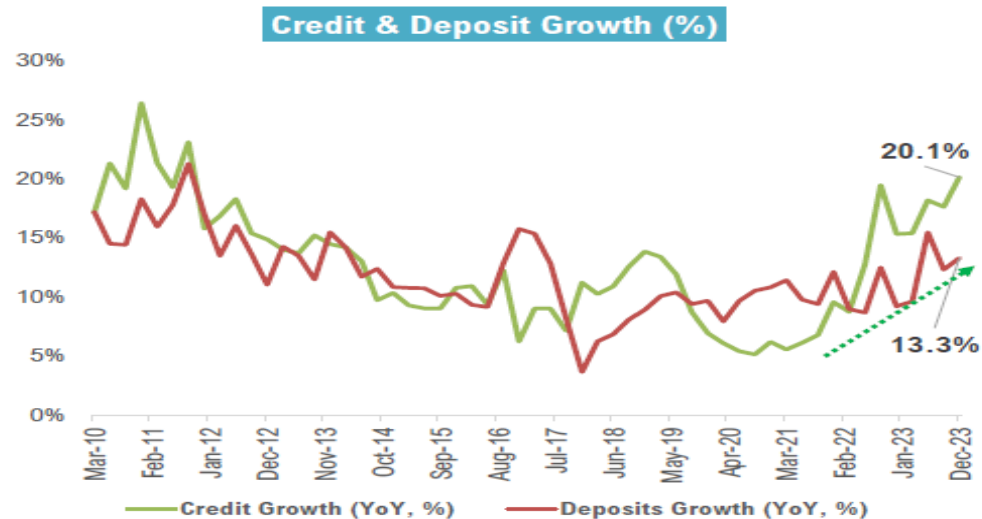
3.2.XI) Banking Industry

Nifty Bank Index: On December 30, 2019, the Nifty Bank index closed at 32,355. Over the period of four years and four months, it achieved a modest gain of 53%. Considering this relatively steady growth now presents a favorable opportunity to accumulate fundamentally strong banking stocks.

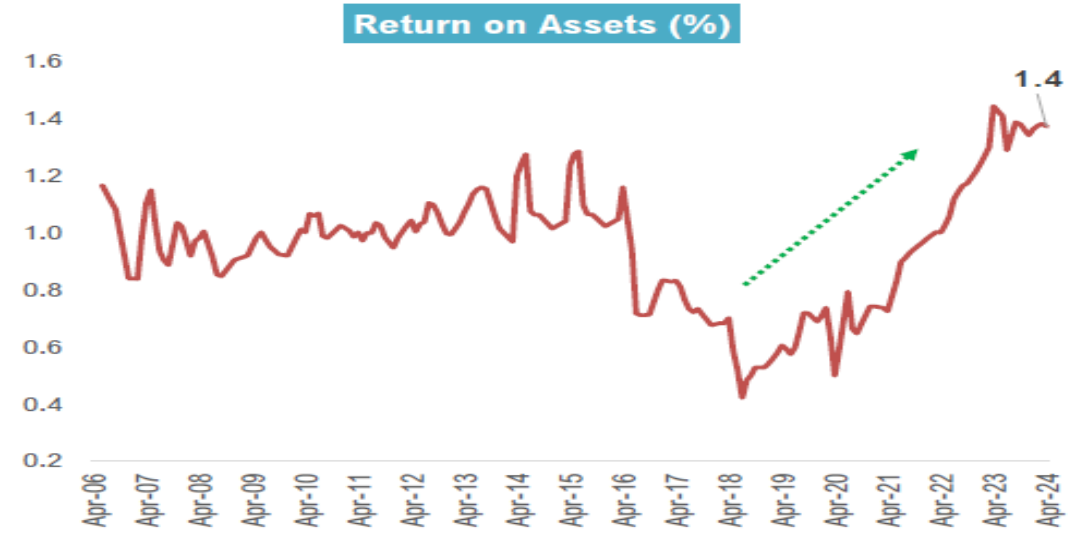
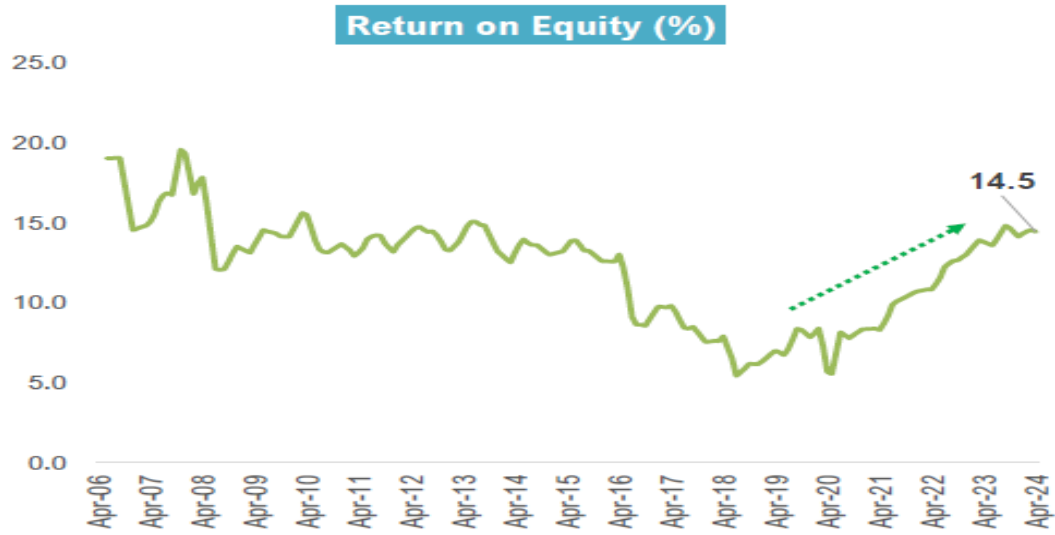
A) Nifty Bank Index- Price-to-Book Ratio



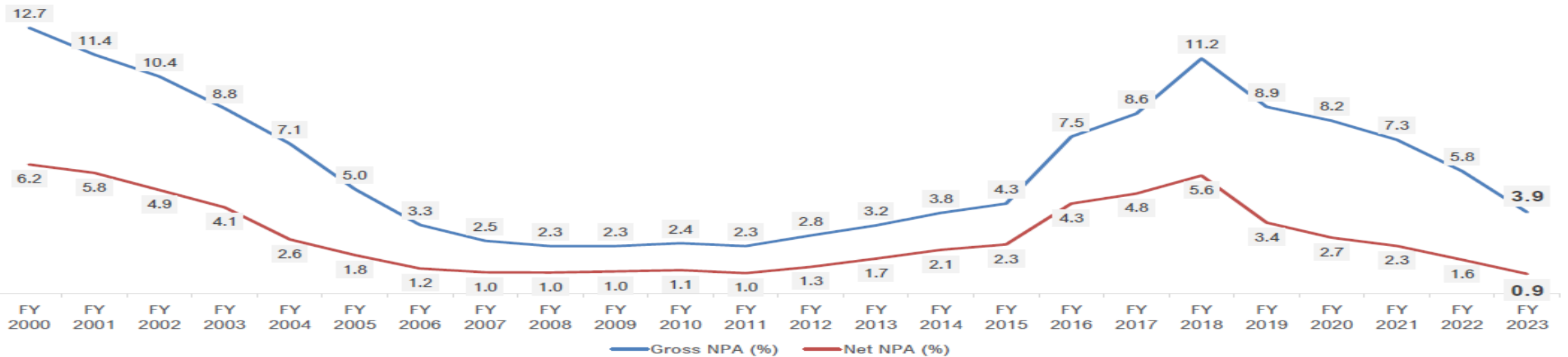
B) Strong Industry Balance sheet



C) Nifty Bank Index- ROE% & ROA%

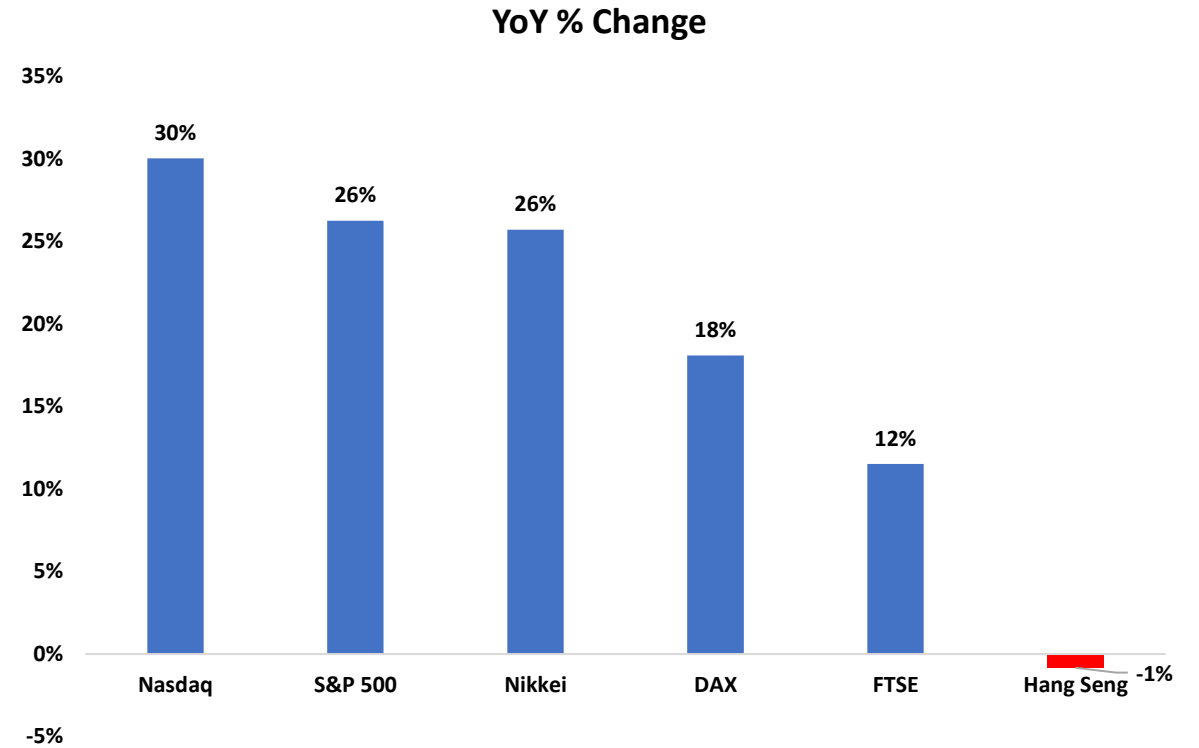
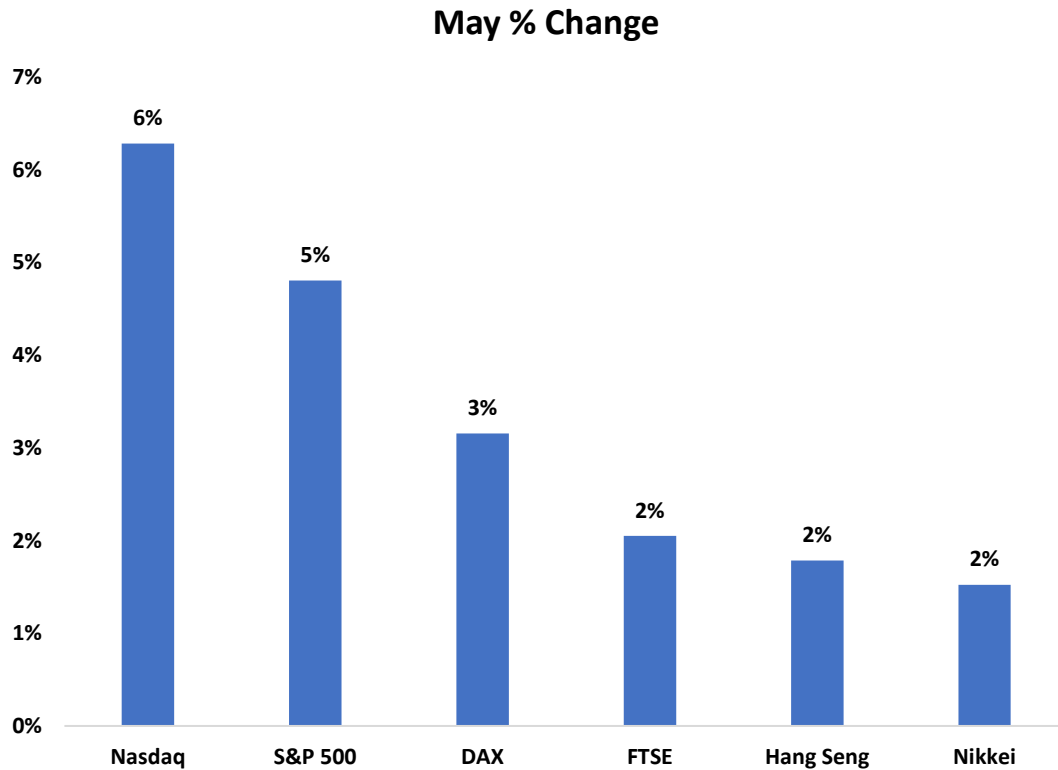


D) Gross NPA (%) & Net NPA (%)



3.3) Foreign Indices

S&P 500: The US S&P 500 outperformed other global markets, supported by better-than-expected corporate earnings.



3.4) FIIs and DIIs: FPIs sold equities worth USD 3 billion in May 2024 and have cumulatively sold equity worth USD 2.8 billion in CYTD24. DIIs bought net equity worth USD 6.7 billion in May 2024 and have cumulatively bought USD 25 billion in CYTD24.

4) Debt Market & Currency Market

Particulars	April-2024	May-2024	Change (bps)
10 Year Benchmark G-Sec Yield (%)	7.16%	6.98%	-18
AAA 10 Year Corporate Bond Yields (%)	7.54%	7.49%	-0.05
Repo Rate	6.5%	6.5%	No change

Source: HDFC Mutual Fund

During the May month, Government securities (Gsec) yields saw a significant easing, with the 10-year benchmark Gsec bond yield ending at 6.98%, marking a decrease of 18 bps from the previous month.

4.1) The key factors and events that influenced the fixed-income markets included

- Rate cut by Canadian and European central Banks.
- The government reiterated its commitment of bringing down the fiscal deficit to less than 4.5% of GDP by FY26. This should keep market borrowings within manageable levels.
- INR 2.1 trillion dividend declared by the RBI. This surplus creates a buffer of 0.4% of GDP, providing 3 options: (a) reduce deficit, (b) increase capital expenditure, or (3) mix of both.

4.2) There are following risks:

- The heat wave affecting several regions of the country is likely to cause regular food price shocks, which can keep the headline Consumer Price Index (CPI) elevated.

4.3) Yields are likely to trade with a downward bias and the long end of the yield curve is likely to outperform over the medium term.

4.4) During the May month RBI infused average net liquidity of INR 1,377 billion.

4.5) The Indian rupee ended May 2024 at Rs 83.46 per United States (US) dollar, largely unchanged from April-end Rs 83.44 per dollar.

4.6) The dollar index ended in May at 104.6, positive trends in the domestic equity markets and foreign fund inflows kept the local currency buoyant for a good part of the month.

5) Commodity Market

Precious Commodity	30 April 2024	31 May 2024	% Change
Gold (INR/10 gms)	71,710	72,356	0.9%
Silver Future-MCX (INR per kg)	80,851	91,570	13.3%

Source: Gold-> India Bullion and Jewellers Association

Gold:

- Gold prices ended at 72,356 per 10 grams on May 31, up 0.90% from Rs 71710 per 10 grams on April 30, as per the India Bullion and Jewellers Association.
- Gold rose in the initial period due to local demand for the auspicious occasion of Akshay Tritiya.
- Strong industrial demand and a supportive macroeconomic environment, with silver outpacing gold in recent months as evidenced by the gold-silver ratio - the number of ounces of silver it takes to buy one ounce of gold - that fell from 90 to 75 over the past three months.

Commodity	31 May 2024 Price USD	May % Change	FYTD25 % Change
Crude Oil-NYMEX (\$ per barrel)	76.99	-6%	-7.5%
Steel (per tonne)	535	0.9%	4.9%
Aluminium (per tonne)	2,607	0.9%	13.6%
Copper (per tonne)	9,985	0.1%	14.4%
Zinc (per tonne)	2,995	2.4%	25.2%
Lead (per tonne)	2,246	2.8%	14.3%

Source: Crude Oil-> NYMEX, Industrial Commodities-> HDFC Mutual Fund.

Crude oil: Crude oil prices on the New York Mercantile Exchange (NYMEX) closed at \$76.99 per barrel on May 31, down 6.03% from \$81.93 per barrel on April 30. Oil prices went lower on demand concerns after the United States Federal Reserve (Fed) said it was awaiting more signs of inflation cooling before it started cutting interest rates. An unexpected rise in gasoline and distillate fuel stockpiles also kept prices under pressure.

Industrial commodity prices: After a sharp rise in industrial commodity prices in April, driven by improvements in China's economic activities, these prices have settled at modest gains in the month of May.

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