ICICI PRUDENTIAL MUTUAL FUND

THE MONTH GONE BY

AN INSIGHTFUL ROUNDUP OF RELEVANT STORIES IN THE RECENT MONTH.

Picture this: You are stuck in traffic surrounded by varied car drivers – There's an impatient driver honking constantly like he has been trapped in a prison. Then, there's another trying to shift lanes in an attempt to move faster. On the other hand, you see a driver listening to music and waiting patiently for the roads to clear.

Similarly, investors react differently to changing market conditions – Some may panic and take a U-turn from their investments, baffled investors constantly change lanes by making alterations to their portfolios and those focused on their goals, remain patient.

Market volatility is inevitable. While we ponder, 'What's next?', it is important to connect the dots with key market events.

BSE Sensex crossed the 75,000 milestone on April 09, 2024, hitting the ball out of the park

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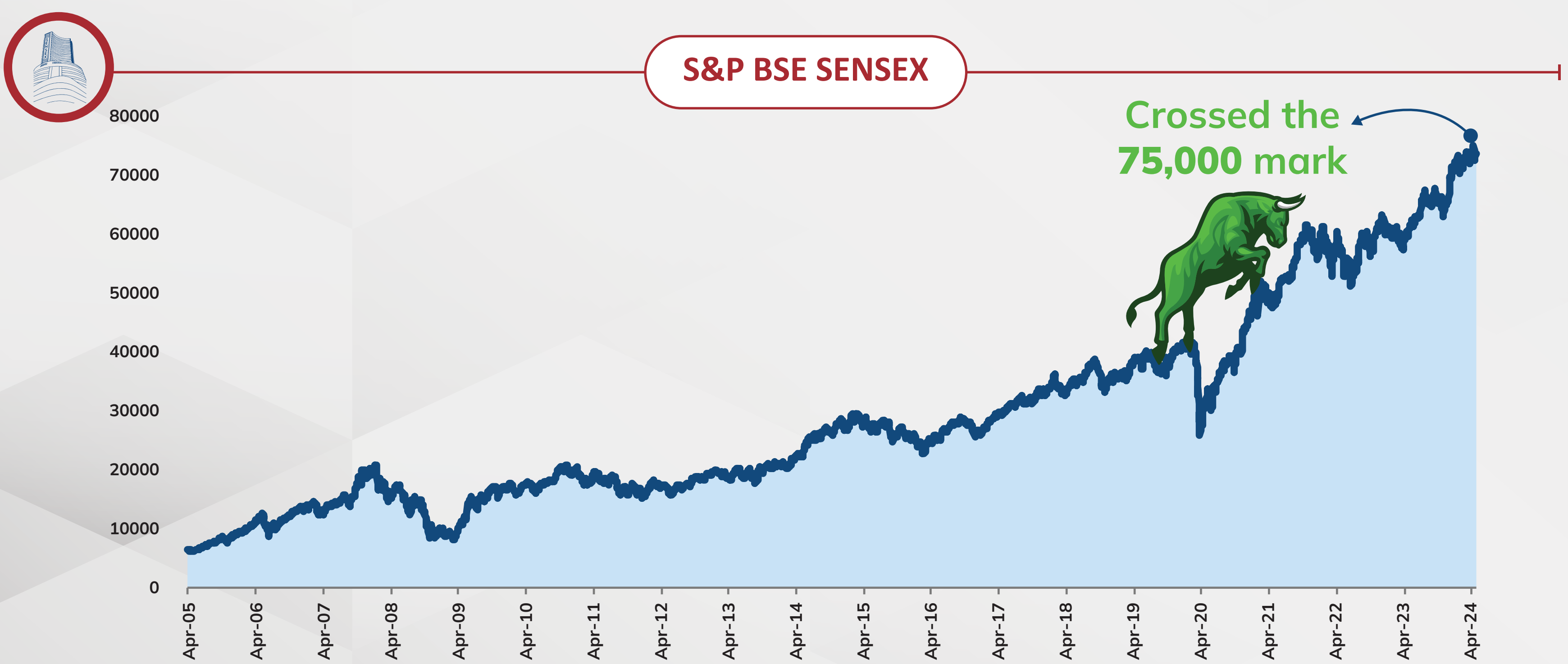
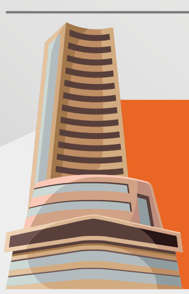
Looks like the **Sensex** is preparing for the Olympics as it **hit a record high of 75,000 in April 2024**, making investors cheer like Indians when the Indian cricket team wins a match. Moreover, **the combined market capitalization of all BSE-listed companies exceeded ₹400 lakh crore** for the first time, driven by strong domestic flows.

Some of the catalysts could be robust Indian macroeconomic fundamentals and the higher probability of the incumbent government coming back to power. While the Sensex achieved a new milestone, Gold also surged to test new highs.



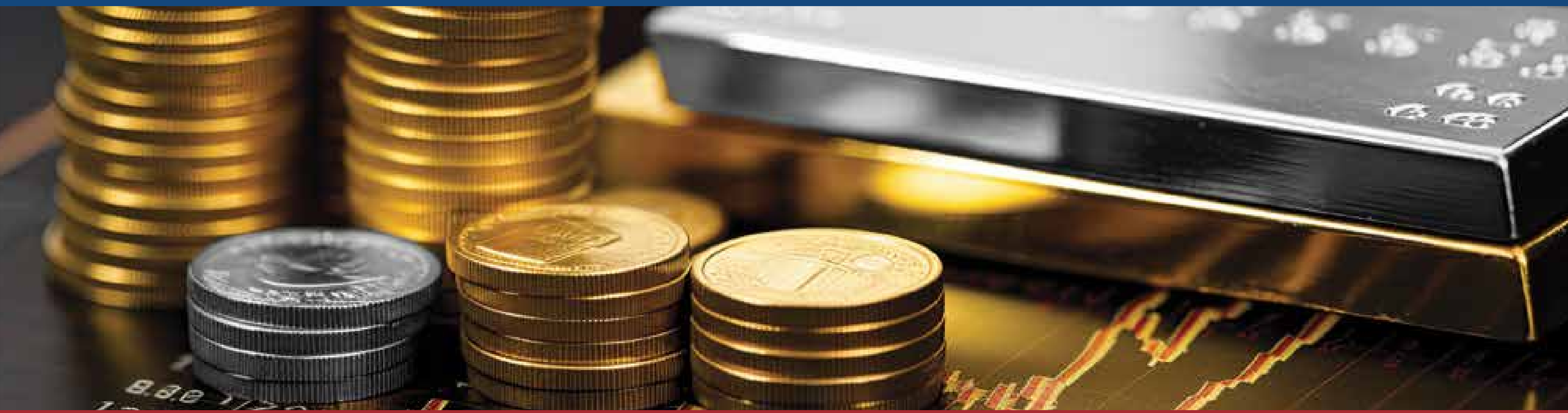


BSE MARKET CAPITALIZATION

2007	2014	2021	2023	2024
₹50 lakh crore	₹100 lakh crore	₹200 lakh crore	₹300 lakh crore	₹400 lakh crore

Source: BSE. Data as on April 25, 2024. Past performance may or may not sustain in the future. ₹400 lakh crore market cap is as of April 08, 2024

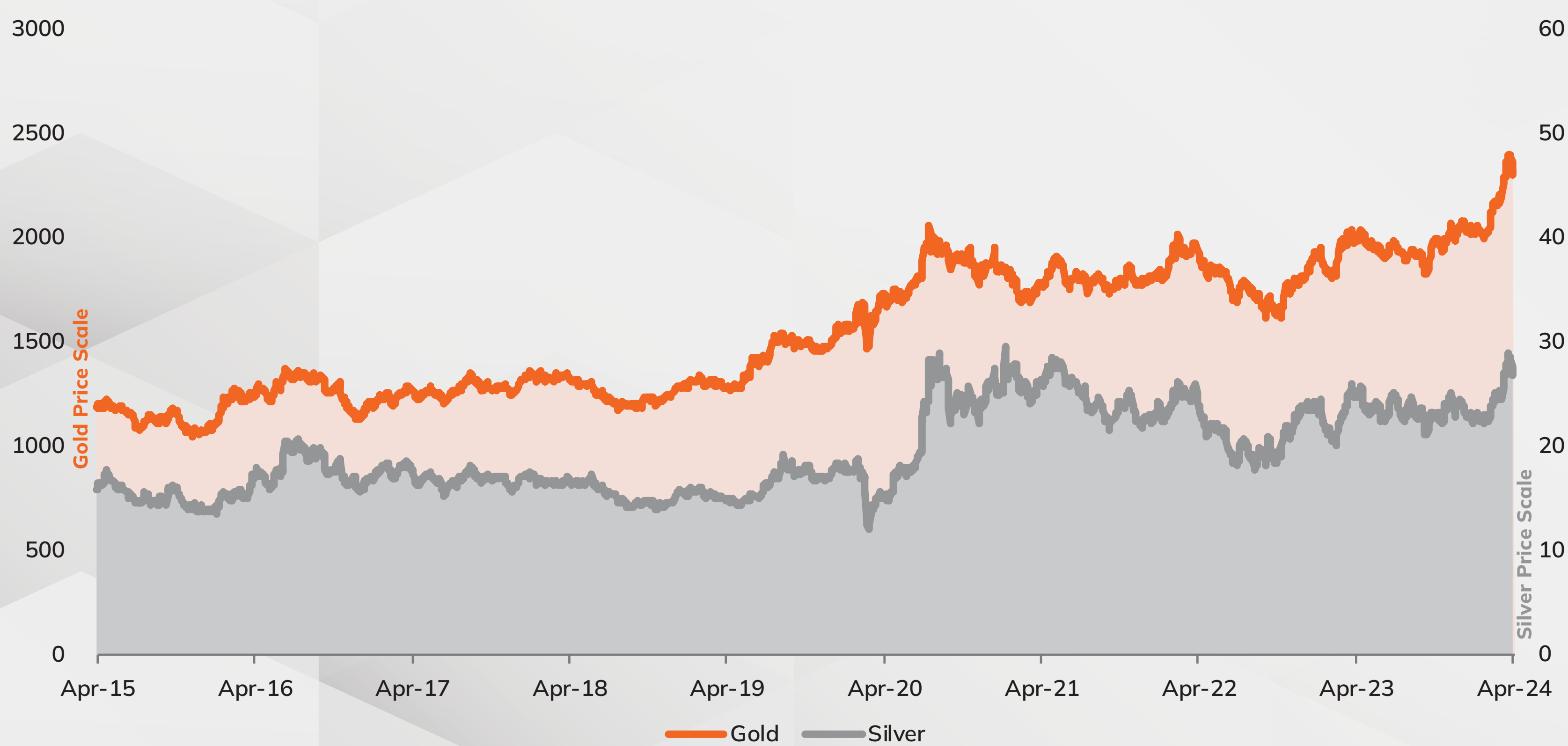
Gold and Silver prices shine to unchartered heights



India's love affair with gold persists – the yellow metal is not only a symbol of prosperity but can also act as a potential hedge against market uncertainties. Within commodities, silver is also used as a store of value and has great footprints in the industrial arena.

Gold extended its rally to test a record high of around $2394.80 in April 2024 and Silver tested around $29.03. The increasing demand for gold can be attributed to **the rising demand from central banks worldwide in the quest of a safe haven,** the escalating crisis in the Middle East and the US interest rate cut expectations. The gold price in India was around ₹73,302/10 gm as on April 16, 2024.

GOLD AND SILVER PRICES (LBMA, $)



Source: Refinitiv, LBMA: London Bullion Market Association, Data as on April 25, 2024

Oil on the boil amidst flared-up turmoil in the Middle East

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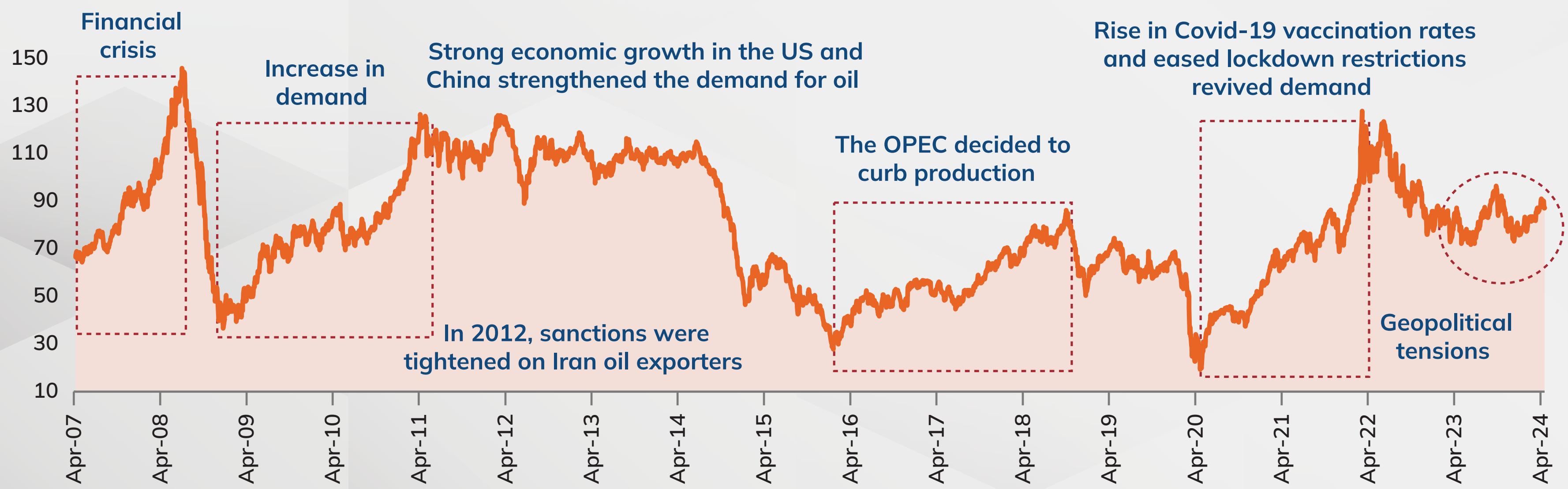
While we rejoiced the Indian stock market feat, fresh geopolitical tensions induced by **the Iran-Israel war pushed global crude prices above $90 per barrel. The war could further disrupt global oil supply chains** as Iran, the third largest producer in the Organization of the Petroleum Exporting Countries (OPEC), produces about 3 million barrels of oil per day (Source: Reuters).

There is no escaping the geopolitical temperature that soars higher than the summer heat wave! **Any surge in crude oil prices could be detrimental** as India meets over 80% of its oil requirements through imports.

BRENT CRUDE OIL (IN $/BARREL)



Source: Refinitiv. Data as on April 25, 2024.

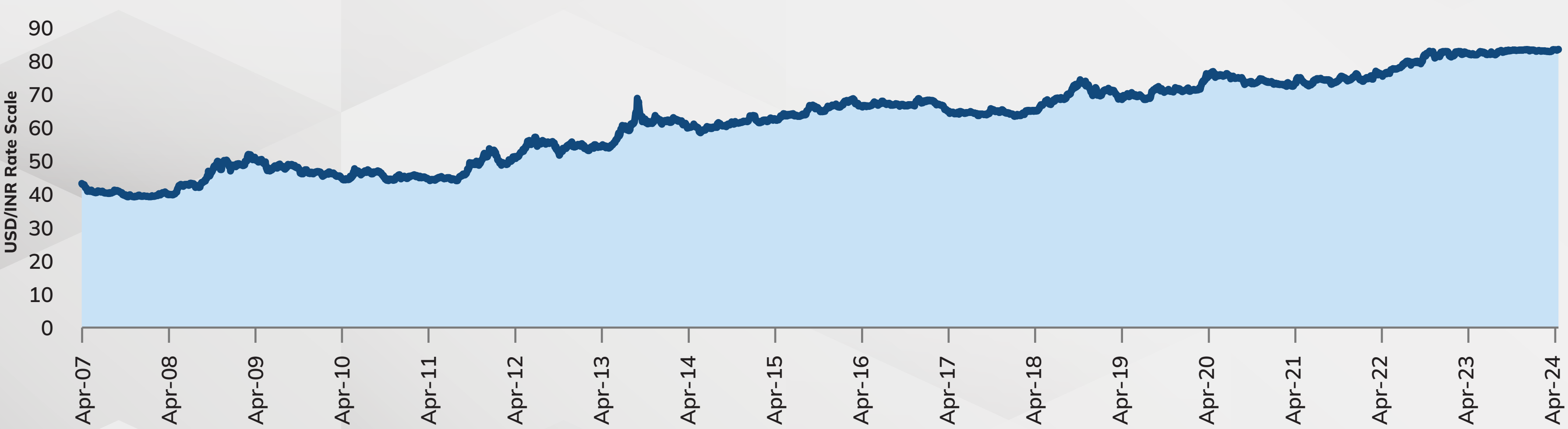
Rupee on a slippery slope as it plunges to all-time lows

The Indian rupee fell to an all-time low of around 83.54 against the US Dollar as simmering geopolitical tensions, hardening US Treasury yields and rising global crude oil prices impacted its value.

The weakening rupee seems to be under more pressure than a cooker on a gas stove – giving anxiety to parents preparing for their child's education abroad, travelers planning an overseas trip and businesses servicing external loans.

India's current account balance recorded a deficit of US$ 10.5 billion (1.2% of GDP) in Q3:2023-24 (Data Source: RBI). If the downward trajectory of the rupee continues, it would make imports more expensive, putting a strain on India's balance of payments.

USD/INR



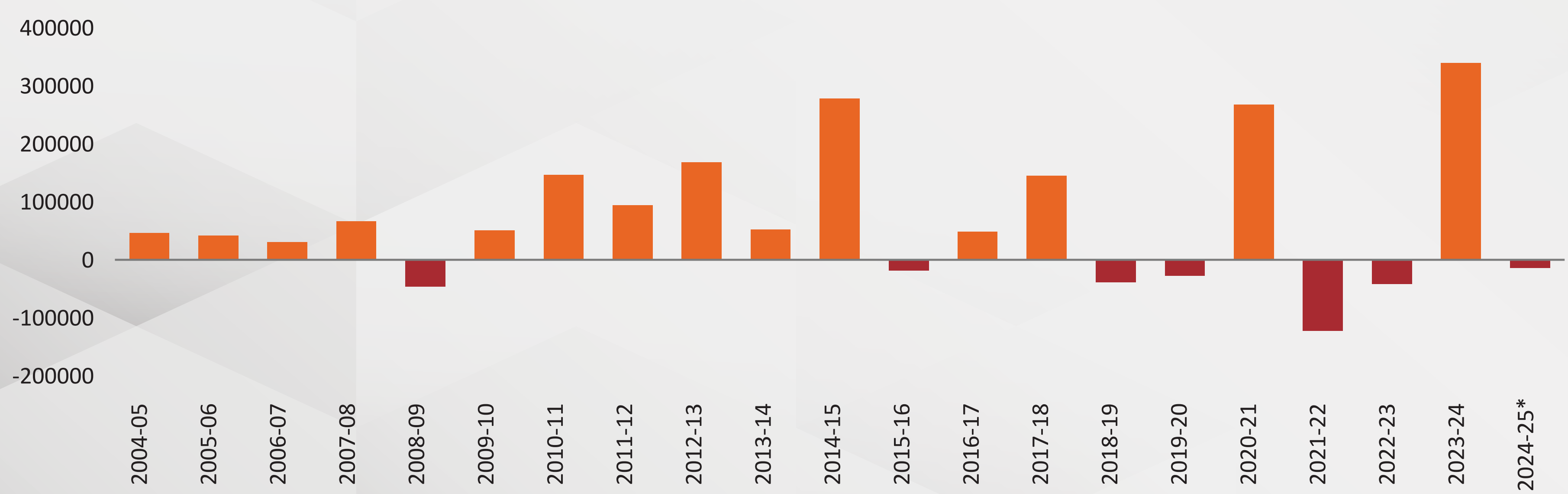
Source: Refinitiv, Data as on April 25, 2024.

Foreign Portfolio Investors – Net Buyers or Net Sellers?

Foreign portfolio investors (FPIs) offloaded ₹16,259 crore in the current fiscal year till April 30, 2024. Indian equity outflows of around ₹8,671 crore were recorded and the debt outflows were around ₹7,588 crore.

Foreign portfolio investors (FPIs) turned net sellers due to the rising US bond yields, concerns related to the depreciating rupee and the news floating around India's tax treaty with Mauritius, which could impose higher scrutiny on investments made in India via the island country.

FPI - NET INVESTMENTS, FINANCIAL YEAR DATA (₹ CRORE)



Source: NSDL, *Financial year data, Data up to April 30, 2024. Debt includes investments under the voluntary retention and hybrid instruments.

A watershed moment for the Indian Mutual Fund Industry as assets surge 35% in FY24

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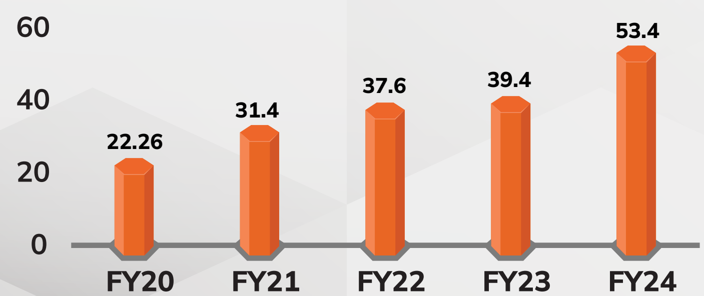
A significant number of investors seem to resonate with AMFI's initiative 'Mutual Funds Sahi Hain' as **the number of mutual fund folios reached an all-time high of 17.78 crore in FY24**, denoting a remarkable increase in the investor base.

Interestingly, the assets of the Indian mutual fund industry stood at ₹53.4 lakh crore as of March 2024, a historic jump of around 35.5% compared to March 2023.

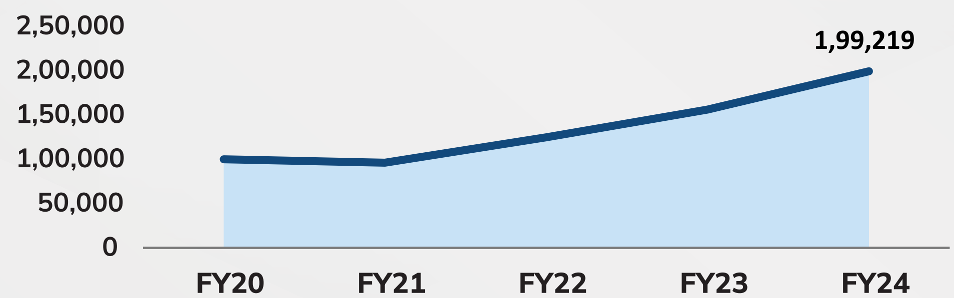
Equity-oriented categories grew 55% in FY2024, reaching assets of ₹23.50 lakh crore, led by strong inflows and mark-to-market gains. **Whereas, debt funds witnessed a moderate growth of around 7%** with assets of ₹12.62 lakh crore.

The net inflows through Systematic Investment Plans (SIP) stood at around ₹2 lakh crore in FY24, portraying the inclination of investors to disciplined investing.

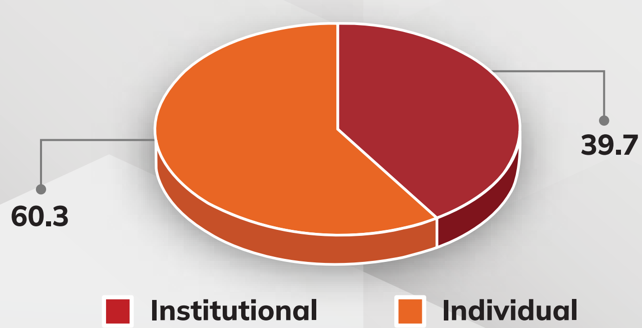
AUM of the Mutual Fund Industry (₹ lakh crore)



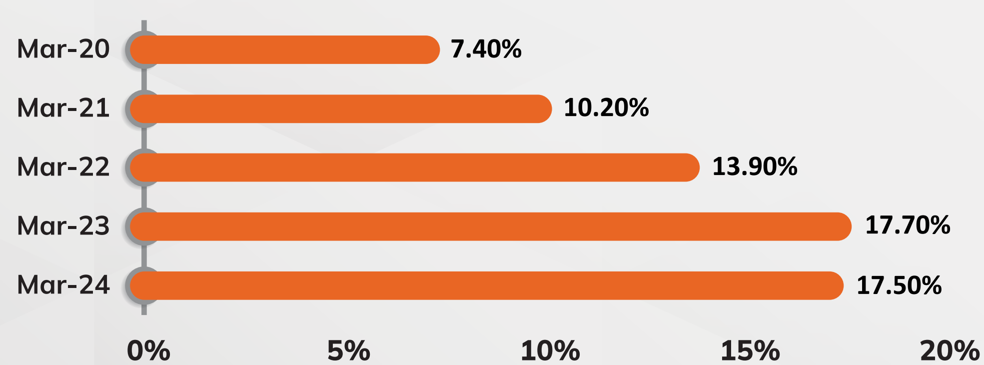
SIP Fiscal Year Net Inflows (₹ crore)



Investor type - AUM share (%)



Share of Passive Funds (% of Industry Assets)



Source: AMFI Annual Mutual Fund Report 2024

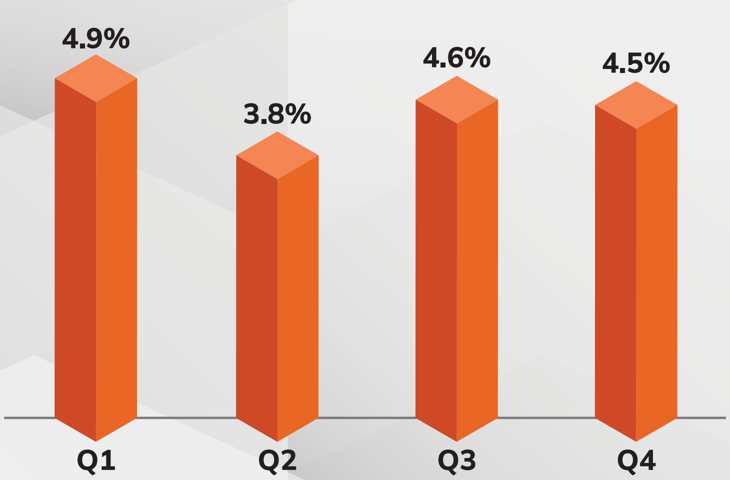
What's on the platter of the RBI's Monetary Policy Committee (MPC)?

The Monetary Policy Committee (MPC) **kept the policy repo rate unchanged at 6.50%** in its recent meeting.

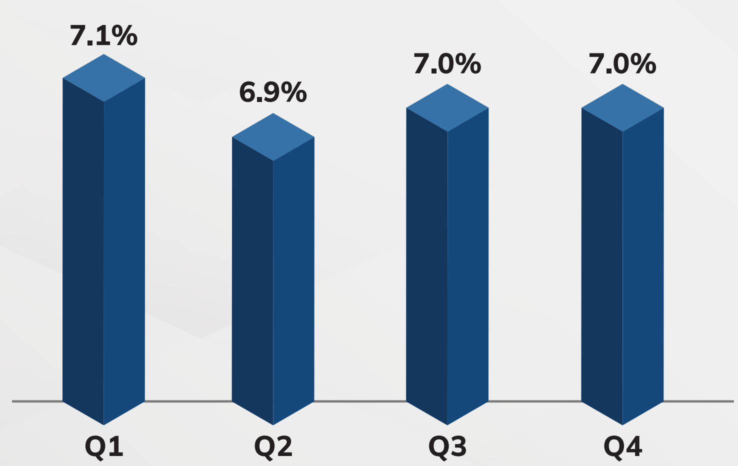
- The RBI Governor remarked, "The Elephant (CPI Inflation) has now gone out for a walk and appears to be returning to the forest (the target of 4%)." While **headline inflation has eased from its December peak, food price uncertainties continue to pose challenges**.
- **India's Q3 FY24 real GDP growth of 8.4%** was driven by strong investment and an improvement in private consumption.
- **The External Balance Sheet is strong,** with a modest current account deficit, buoyant capital flows and rising foreign exchange reserves.

RBI's PROJECTIONS

CPI Inflation projected at 4.5% for FY2024-25



Real GDP projected at 7.0% for FY2024-25



Data Source: RBI Monetary Policy Statement 2024-25 dated April 05, 2024. GDP - Gross Domestic Product. CPI - Consumer Price Inflation: Q-Quarter.

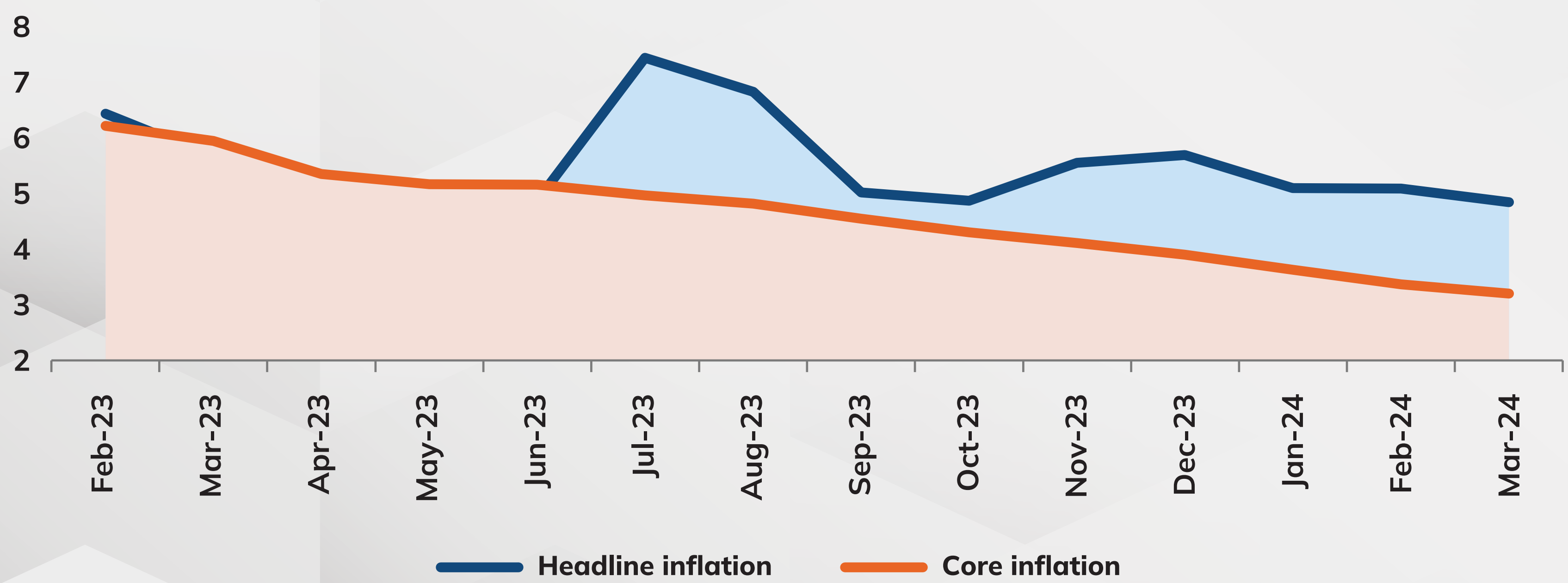
India's Retail Inflation eased in March 2024, providing some relief

The price of Roti, Kapda and Makaan plays on the mind of most households.

India's retail inflation eased to a five-month low of 4.85% in March 2024, compared to 5.09% in February 2024, primarily driven by **lower food prices**. Food prices, as measured by the Consumer Price Index, **moderated to 8.52% in March 2024**, from 8.66% in February 2024 (when the prices of vegetables and meat were on the rise).

While inflation has softened, **concerns** hover around **the impact of adverse climatic conditions on agricultural production and the aftermath of geopolitical tensions** on the commodity markets.

YEAR-ON-YEAR INFLATION (%)



Source: CMIE, Latest data as on March 2024. Core inflation excludes food, fuel and light category

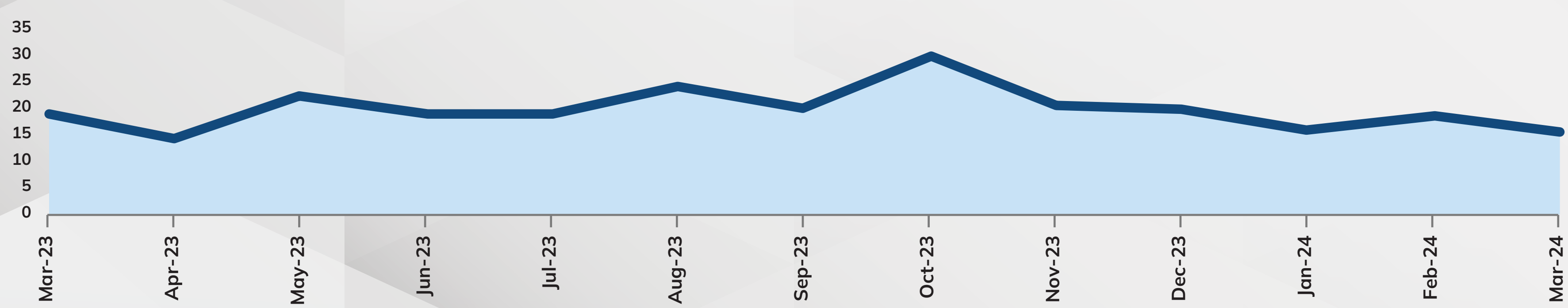
India's trade deficit narrowed to a 11-month low in March 2024, beating odds

India's trade deficit, the gap between exports and imports, narrowed to $15.6 billion in March 2024, down from $18.71 billion in February 2024. **The steep fall in imports was fuelled by lower gold imports** to the tune of $1.5 billion in March 2024, compared to $3.3 billion from a year ago period (Data Source: Refinitiv)

While a drop in the yellow metal import has helped tame the import bill, **the Indian economy continues to be wary of the elevated crude oil prices.**

MERCHANDISE EXPORTS AND IMPORTS (USD BILLION)

TRADE DEFICIT (USD BILLION)



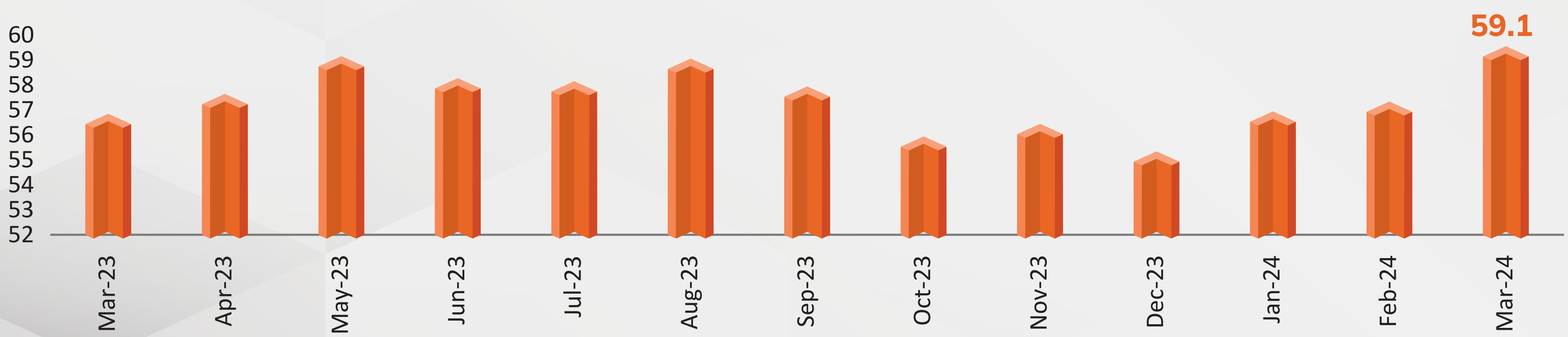
Source: CMIE, Data as of March 2024.

India's Manufacturing PMI at a 16-year high in March 2024

India's manufacturing Purchasing Managers' Index (PMI) improved to 59.10 in March 2024 from 56.90 in February 2024, driven by new orders, an increase in output, an upturn in inventories and higher job creation.

As per the survey, **new export orders**, which increased at the fastest pace since May 2022, **portrayed better sales to Africa, Asia, Europe and the US.**

INDIA'S MANUFACTURING PMI



Source: RBI, Data as on Mar 31, 2024.

Relaxed FDI norms – Unlocking India's potential in the Space Sector

India is now a step closer to the Government's vision of **'Atmanirbhar Bharat'** thanks to the Finance Ministry's **new Foreign Direct Investment (FDI) limits for satellite activities.**

The revised notification, effective from April 16, is set to **allow 100% FDI in the space sector with specific limits for different activities.** (Source: Ministry of Commerce & Industry).

Amendments to the **foreign direct investment (FDI) policy in the space sector** would enhance the ease of doing business in India and facilitate greater FDI inflows in the **satellite manufacturing and launch vehicles segments.**

Sales of Indian Passenger vehicles zoom in FY24

In FY24, **Indian carmakers reached a new high with sales of 4.23 million passenger vehicles**, registering an 8.74% year-on-year increase (Source: Society of Indian Automobile Manufacturers). While the demand for sports utility vehicles (SUVs) and electric vehicles increased, the sales of hatchbacks declined.

Major passenger vehicle original equipment manufacturers (OEMs) **witnessed relatively higher sales in their rural markets than the urban markets**.

A robust economic growth, increasing infrastructure development and the rising income levels in rural areas could have propelled the overall sales in rural areas.

What prompted the US Fed to reset its clock on interest rate cuts?

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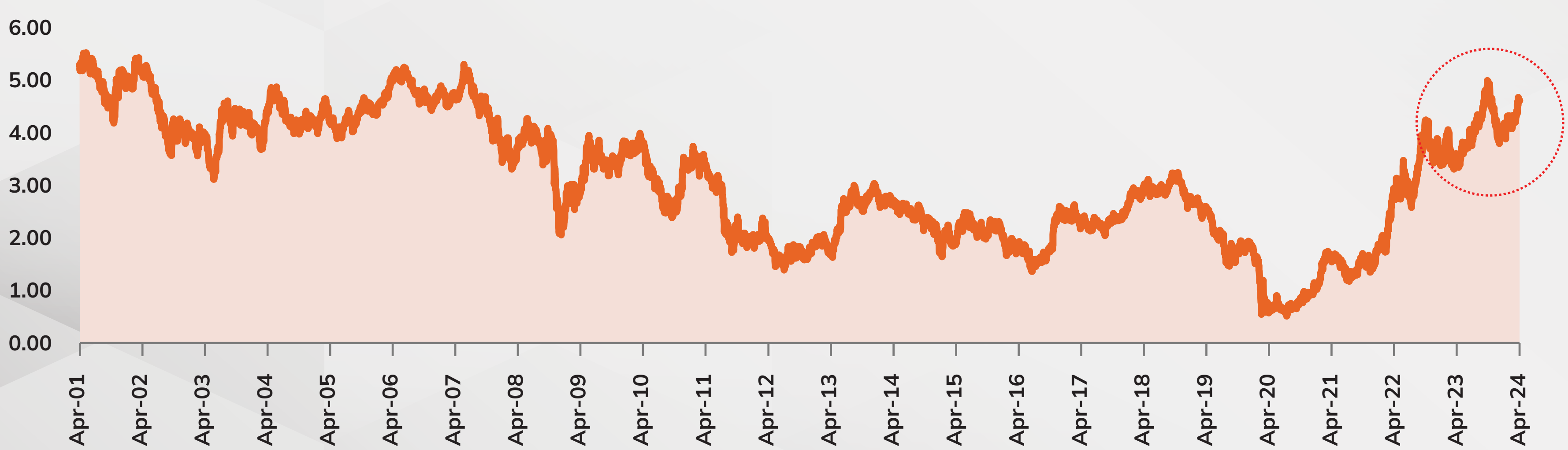
Federal Reserve Chair Jerome Powell conveyed that **the US economy has demonstrated solid growth and continued strength in the labour market; however, inflation has not returned to its goal of 2%** (US Inflation was at 3.5% in March 2024).

The Fed has kept its **benchmark interest rate in the 5.25% - 5.50% range**. US Treasury yields climbed to 4.70% on April 25, 2024 after Powell hinted at keeping rates higher for longer until inflation shows some progress.

US 10-YEAR TREASURY YIELD (%)



Source: Refinitiv, Data as of April 25, 2024.

Update on the Chinese Economy

THE CHINESE ECONOMY SAGA

The Chinese economy grew 5.3% year-on-year in the first quarter of 2024, displaying a stronger than expected start to the year. Rapid growth in the services sector, expansion in manufacturers' output, a revival in external demand and growing market confidence have attributed to the overall growth.

Source: China's National Bureau of Statistics

ZIMBABWE FLASHES 'ZIG' – ITS NEW CURRENCY

In an attempt to establish its own currency, **Zimbabwe introduced the Zimbabwe Gold**. The ZiG, an acronym for the currency, would be anchored by a composite basket of reserves comprising foreign currency and precious metals (mainly gold).

The economy is striving to preserve their domestic currency in a situation where more than 80% of their transactions are being conducted in US Dollars.

And it's a wrap for the month

As we turn over a new leaf, **India continues to be the fastest growing major economy in the world**, supported by a revival in manufacturing activities, a pick-up in the investment cycle, healthy corporate and bank balance sheets and improving international trade, which could further augment external demand.

Economies continue to face **the double whammy of rising commodity prices** and heightened crisis **in the Middle East**. A delay in rate cuts by the US and the amendment to the India-Mauritius tax treaty have added fuel to the fire.

What's in store for May? Stay tuned as we will keep you updated on a host of important events, such as global cues, foreign capital inflow, crude oil prices and other relevant macro events.

Disclaimer

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

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