THE MONTH GONE BY

An insightful roundup of relevant stories in the recent month backed by interesting data points

The 2024 Lok Sabha election was similar to a suspense movie with a breathtaking climax.

The incumbent government fell short of majority, casting waves of uncertainty. As news of a coalition rule surfaced, the BSE Sensex plummeted over 5% on June 04, 2024 and Foreign Portfolio Investors offloaded stocks worth ₹12,436 crore.*

However, the tide turned as equity markets revived the next day, surprising those who thought it would be on a losing streak.

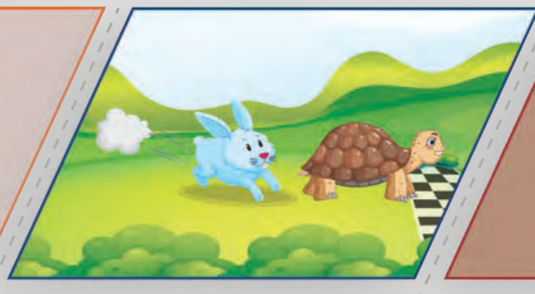
*BSE, NSDL, Data as on June 04, 2024: Lok Sabha election result date

What are the key learnings?

THIS TOO SHALL PASS:

Nothing is permanent, not even market corrections.

Do not panic; it could be just another speed breaker.



SLOW AND STEADY WINS THE RACE:

Remember the hare and the tortoise fable?

While the hare took a break, the tortoise kept moving and won the race.

Similarly, the key is to invest regularly for the long term.

DON'T PUT ALL YOUR EGGS IN ONE BASKET:

No one can predict the markets with certainty.

Diversification across different asset classes could help spread the overall portfolio risk.

THE POWER OF FLEXIBILITY:

Navigate market volatility with mutual fund schemes that have the flexibility to invest across asset classes and sectors.

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

*BSE, NSDL, Data as on June 04, 2024: Lok Sabha election result date

Equity Markets Reclaimed New Highs, Pulling off a Blockbuster Comeback

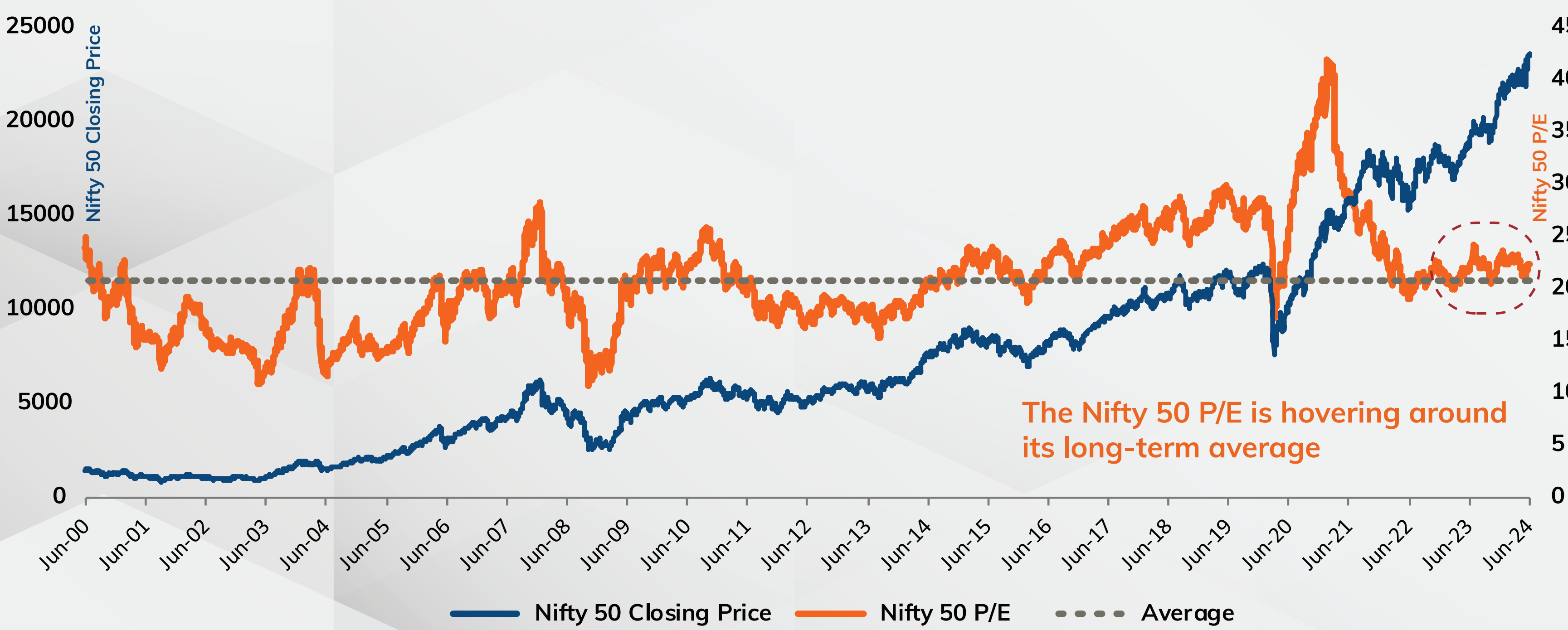
ICICI PRUDENTIAL MUTUAL FUND

Markets rebounded as concerns over political stability waned and investors regained confidence in the continuity of government reforms.

Market sentiment improved further as the **Reserve Bank of India (RBI) raised India's growth projection for FY25 to 7.2% from 7.0% earlier on account of rising private consumption and revival of demand in rural areas. Foreign Portfolio Investors (FPIs) turned net buyers in June 2024,** purchasing Indian equities worth ₹14,828 crore.*

The Nifty 50 clocked a record high of around 23,754 as on June 25 2024, while the BSE Sensex traded around 78,164.

NIFTY 50 CLOSING PRICE AND NIFTY 50 P/E RATIO



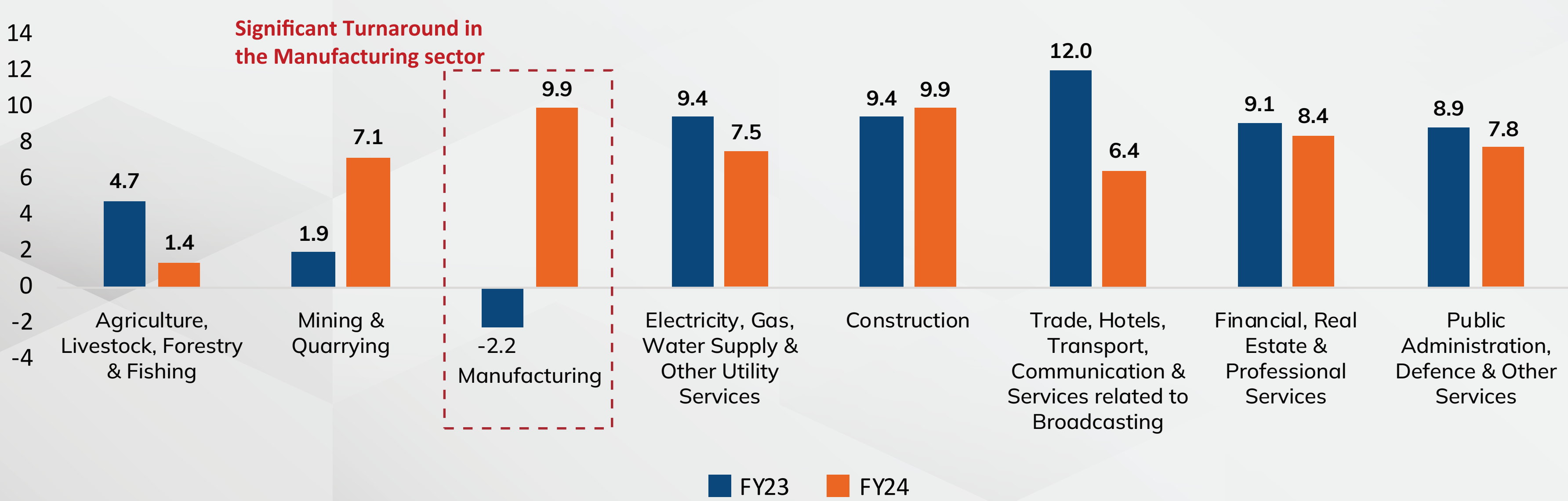
Source: NSE, BSE, NSDL, P/E: Price-to-Earnings, Data as on June 25, 2024. *FPI data is up to June 25, 2024. Past performance may or may not sustain in future

India's Robust GDP Growth – A Trailer of Things to Come?

India has retained its crown as the fastest growing economy in the world for a reason – **The real Gross Domestic Product (GDP) expanded at 8.2% in FY24,** supported by a growth of 7.8% in the fourth quarter.

The manufacturing sector witnessed a significant turnaround as it registered a growth of 9.9% in FY24 against a contraction of 2.2% in FY23. While manufacturing, mining and construction stole the limelight, **agriculture sector growth decelerated on account of a patchy monsoon.**

SECTOR-WISE GROWTH RATES (%) OF REAL GROSS VALUE ADDED (GVA)



Source: MOSPI, Data of Q4FY24. FY23 Data is First Revised Estimates. FY24 Data is Provisional Estimates

India's growth momentum could continue with an increase in government expenditure, revival in rural consumption, gradual rise in private investment and an uptick in exports.

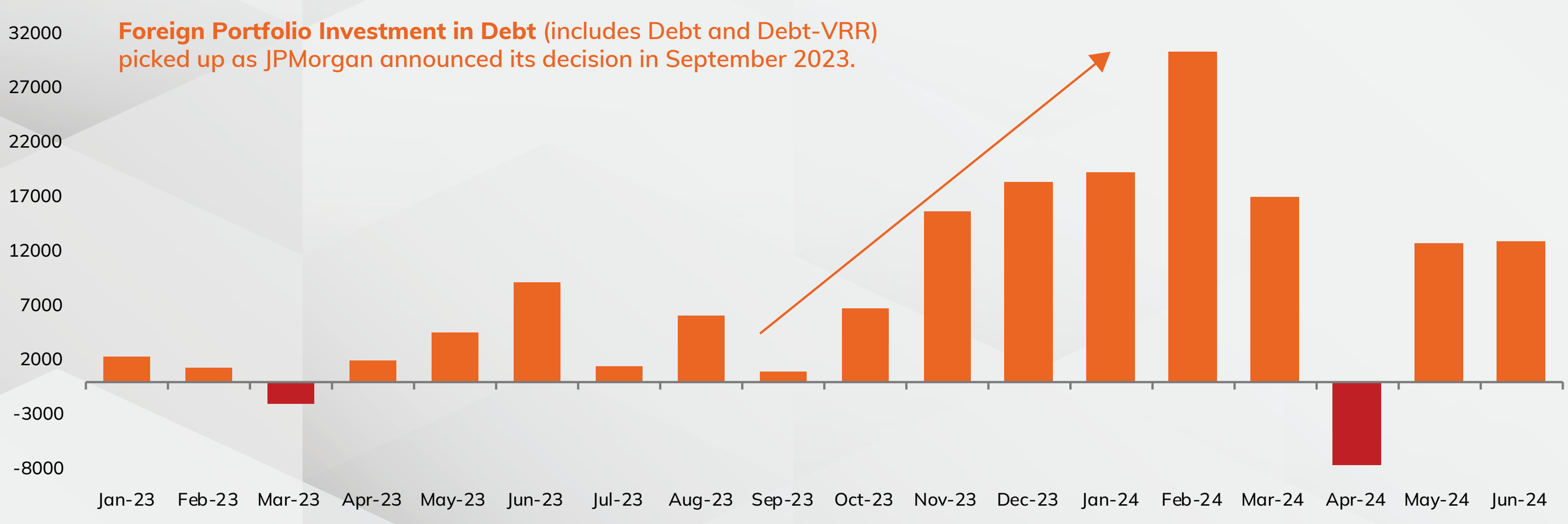
India Paves its Way to ‘Bond’ with the JP Morgan Bond Index

India has added another feather in its cap as **JPMorgan Chase & Co includes Indian government bonds in its Government Bond Index-Emerging Markets (GBI-EM)** from June 28, 2024. **Indian government bonds will gain a maximum weight of 10% in the emerging market index,** which will be phased over ten months till March 31, 2025.

Why is this historic move positive for the Indian economy?

1) **Opens doors to foreign flows into India** as investors include Indian government securities in their global portfolios.
2) As foreign investors buy Indian bonds, **the demand for rupee could increase,** strengthening its value.
3) Substantial foreign capital flows would **deepen bond market liquidity** and make it **easier for India to finance its current account deficit.**

FOREIGN PORTFOLIO INVESTMENT IN DEBT (₹ CRORE)



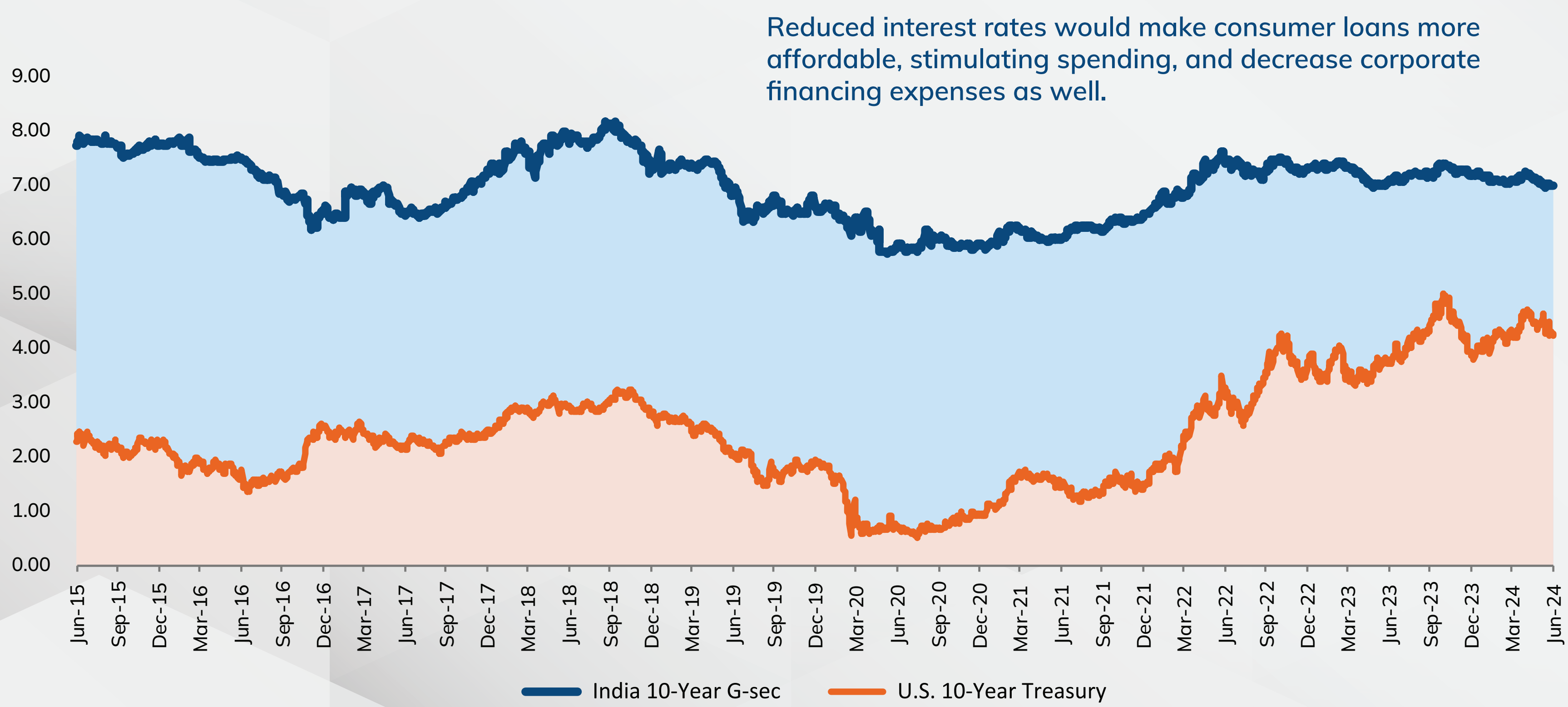
Source: NSDL, June 2024 data is up to June 25, 2024, Debt component includes investments under debt and the voluntary retention route.
VRR: Voluntary retention route.

Unfolding the Yield Trajectory

The Indian 10-year G-sec yields softened to around 6.98% on June 25, 2024 due to a various factors, such as crude oil prices eased, dividend transfer by the RBI to the government for FY24 and positive sentiment on inclusion of Indian government securities in JPMorgan global bond index in June 2024. Further, India's sovereign rating outlook upgrade by S&P Global Ratings to 'positive' from 'stable' is a positive development for the economy.

The U.S. 10-Year Treasury yields also exhibited volatility in June 2024, one of the reasons being the U.S. producer price index for final demand dropped in May 2024.

10-YEAR GOVERNMENT BOND YIELDS (%)



Source: CRISIL Research, Data as on June 25, 2024, G-Sec: Government Securities

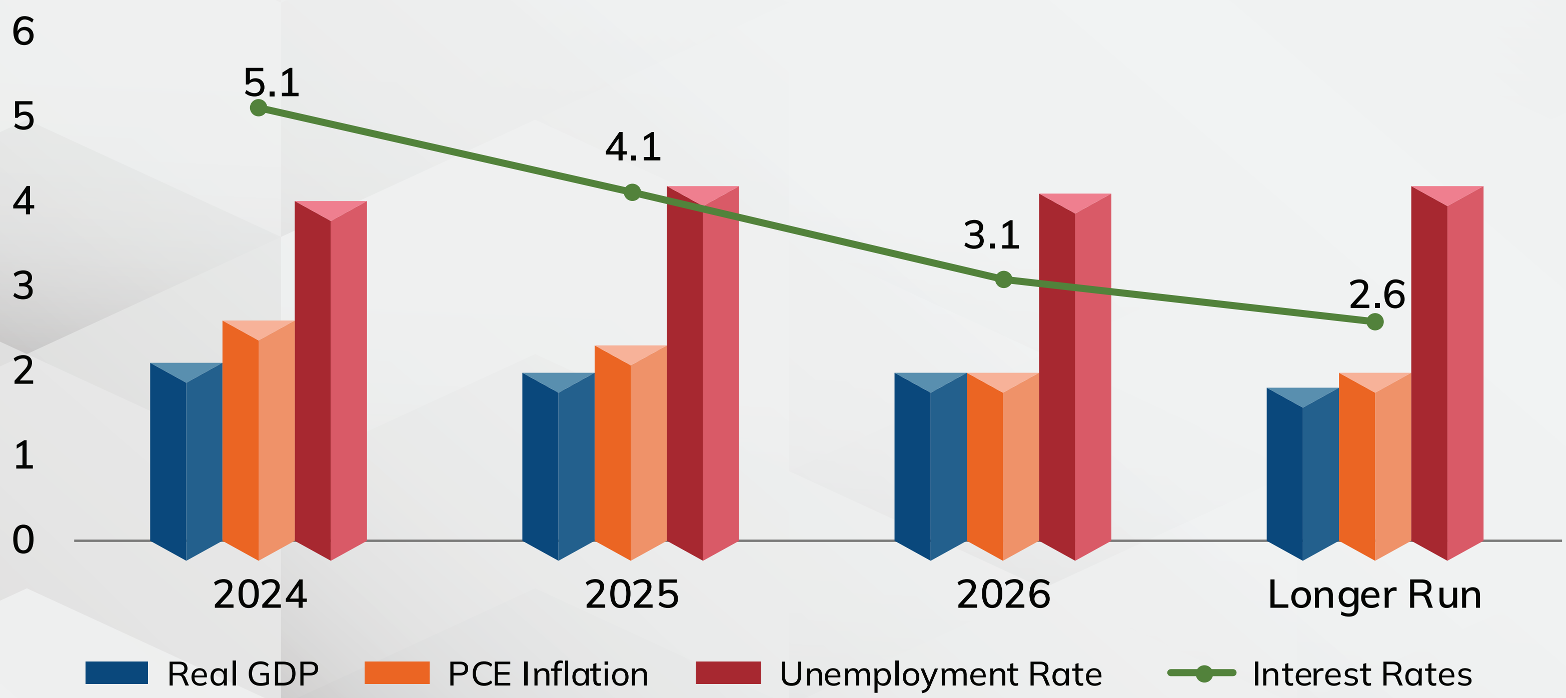
The U.S. Federal Reserve's Revelation in the June 2024 meeting

In the June 2024 meeting, the U.S. Federal Reserve Board decided to **maintain the key benchmark interest rate at the current range of 5.25% - 5.50%.**

U.S. inflation cooled from a peak of 9.1% in June 2022 to 3.3% in May 2024*, but remains above the central bank's inflation target. The Federal Open Market Committee (FOMC) remains focused on bringing inflation back to its long-term target of 2% and achieving maximum employment.

The surprise element was rate cut forecast for the year - The Federal Reserve anticipates only one rate cut in 2024, down from the three projected in March.

HIGHLIGHT OF ECONOMIC PROJECTIONS (%) - JUNE 2024



Source: US Fed (www.federalreserve.gov). * CPI (Consumer Price Index) data considered. U.S.: United States. Data as on June 13, 2024 is considered. PCE: Personal Consumption Expenditures Price Index.

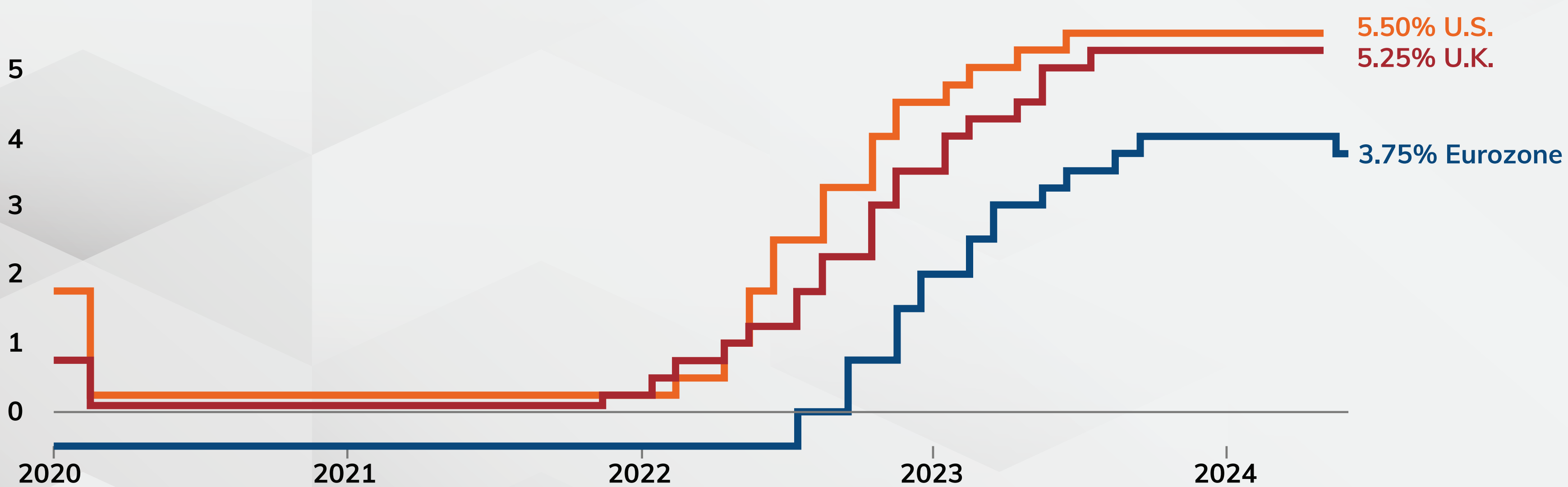
European Central Bank cut interest rates for the first time in five years

The European Central Bank (ECB) cut its key interest rate to 3.75% in June 2024 from 4% for the first time since 2019.

Inflation has been a persistent challenge for Europe as the **economy combats a surge in energy prices and supply chain disruptions after Russia invaded Ukraine** with missile strikes in February 2022.

The central bank envisions headline inflation to average 2.5% in 2024 and 2.2% in 2025. The future interest rate decision would be based on an evaluation of the inflation outlook, the economic and financial data coupled with the strength of monetary policy transmission within the Eurozone.

CENTRAL BANK INTEREST RATE (%)



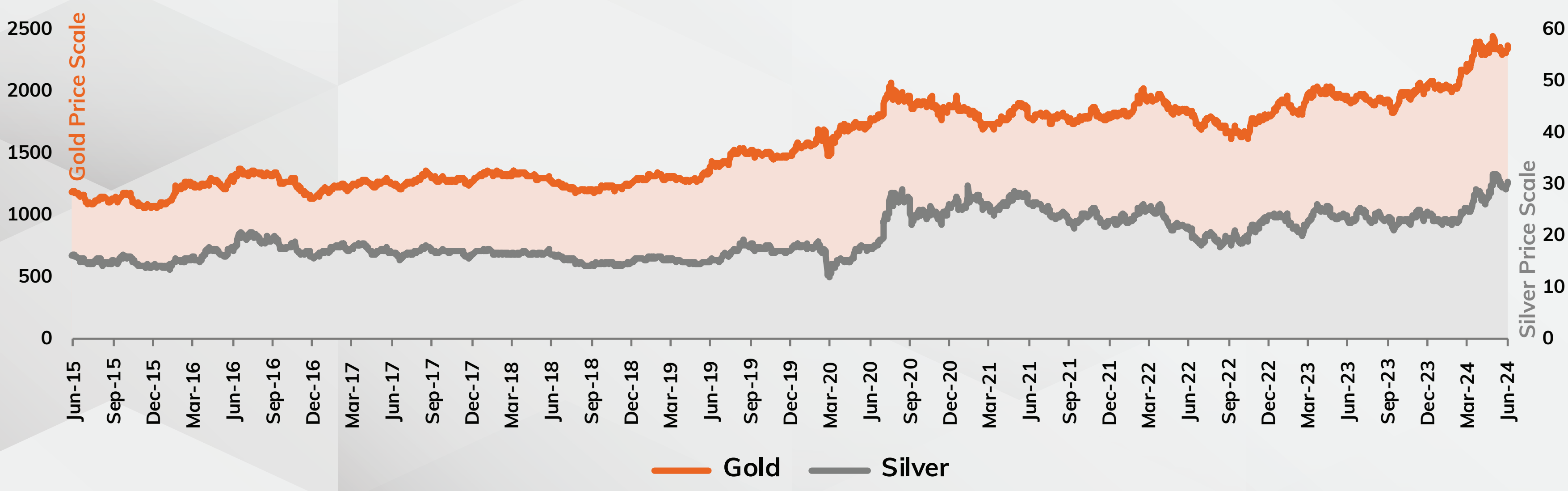
Source: LSEG, Data as of June 25, 2024

Gold takes a breath after testing new highs

After testing a high of around $2,444/ounce in May 2024, Gold prices pulled back to around $2,330/ounce in the first half of June 2024 due to two key reasons. Firstly, **China, one of the largest Gold consumers, paused its massive gold buying spree.** Secondly, a **stronger-than-expected U.S. jobs market** clouded minds of investors about the interest rate cut potential during the year.

In a world of escalating geopolitical turmoil, the demand for Gold is on the rise as it acts as a safe-haven asset. **One of the bigger stories is that the Reserve Bank of India (RBI) recently moved around 100 metric tonnes of its Gold from the United Kingdom to its vaults in India.** As stated by the central bank, this strategic move to relocate some of its gold reserves was due to an increase in gold purchases and adequate domestic storage capacity. (Source: The Times of India Report, Reuters).

GOLD AND SILVER PRICES (LBMA, $/OUNCE)



Source: LBMA: London Bullion Market Association, Data as on June 25, 2024. The gold price in India was around ₹71,739/10 gm as on June 25, 2024.

Major oil-producing countries spell out their strategy

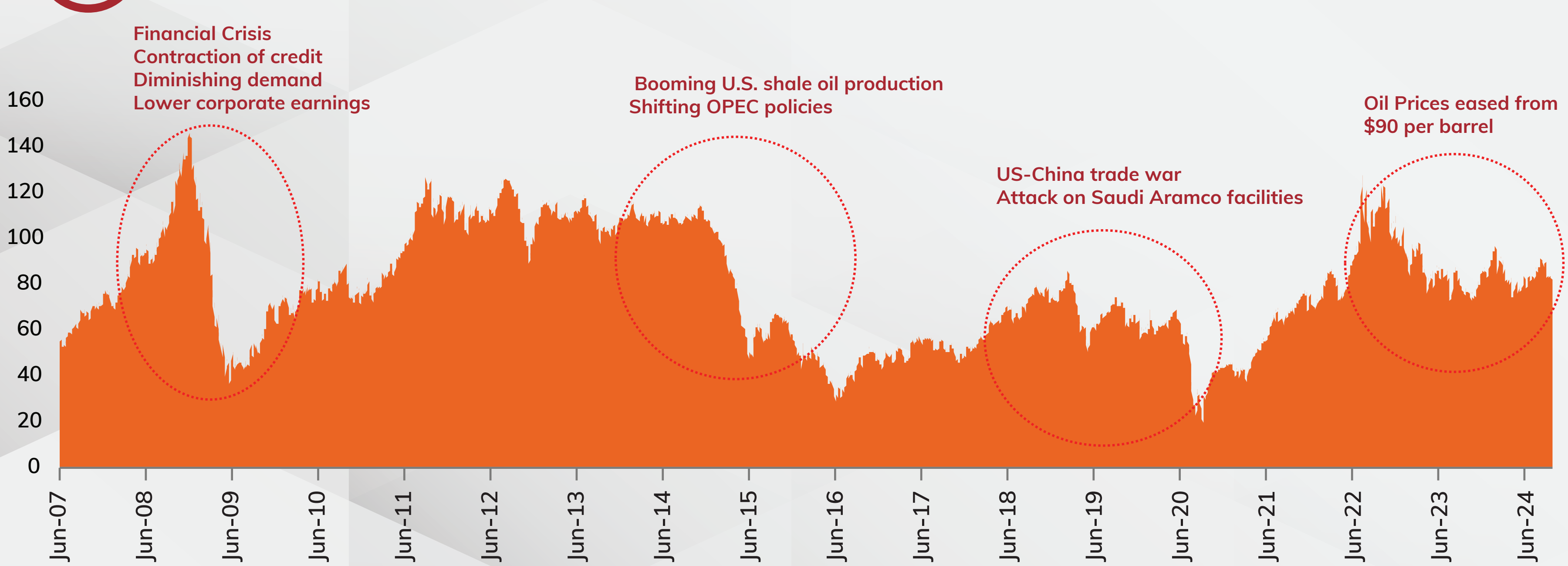
When the key officials of Organization of the Petroleum Exporting Countries (OPEC) met in June 2024, they had several challenges before them:

1) **Oil demand growth has been sluggish,** especially from China, one of the largest crude oil consumers in the world
2) **Interest rates** continue to be elevated
3) **U.S. oil production** has been on the rise

With an aim to stabilize the market, **OPEC decided to extend most of its oil production cuts in 2025.**

Brent crude oil prices traded around $85.01 per barrel on June 25, 2024. Prices could be erratic due to the recent geopolitical flare-up, where Ukraine drone attacked Russian Oil Refineries, threatening global oil supply.

BRENT CRUDE OIL ($/BARREL)

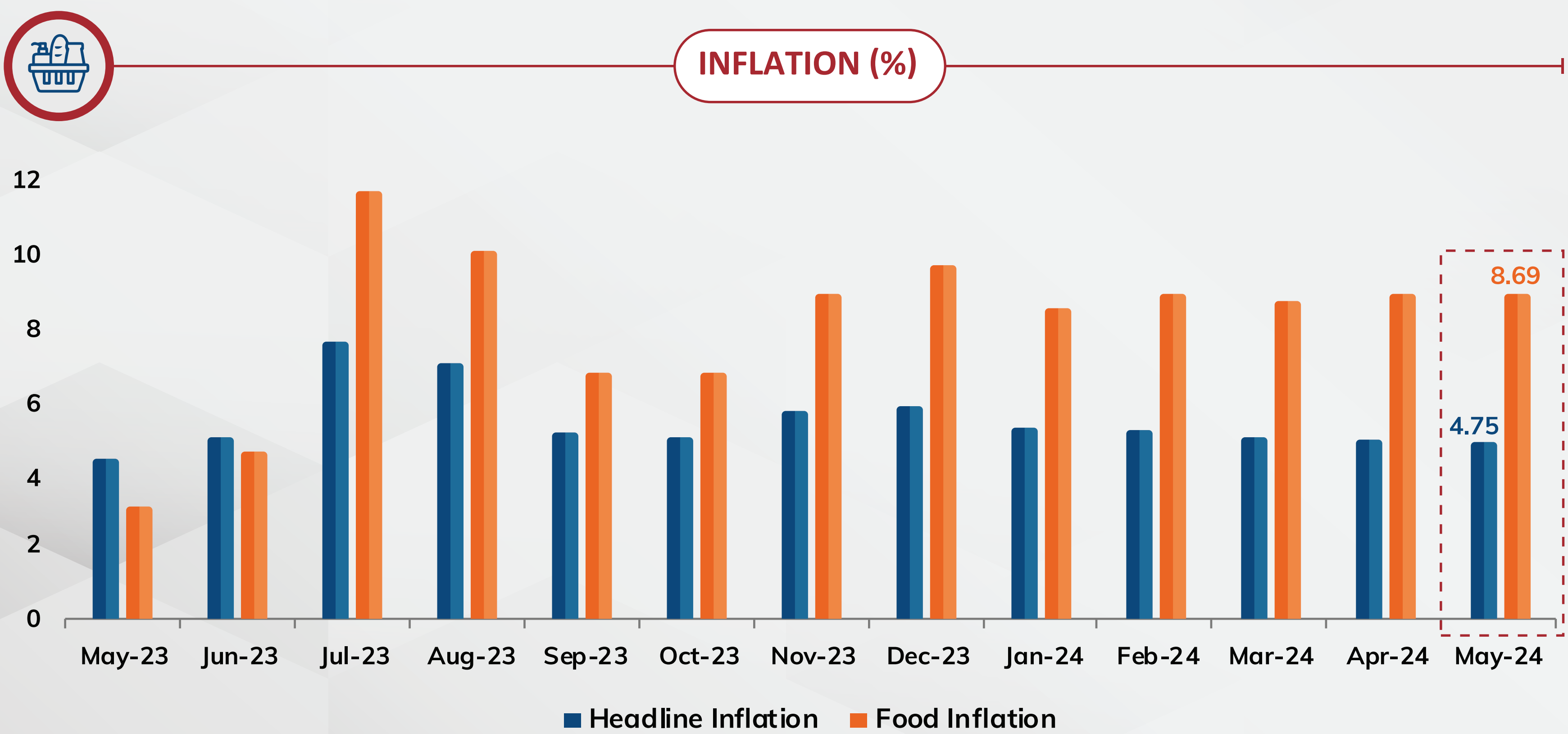


Source: Refinitiv. Data as on June 25, 2024.

Retail Inflation at a 12-month low of 4.75% in May 2024

India has yet another positive news on the economic front as **Retail inflation, based on the Consumer Price Index (CPI), eased to 4.75% in May 2024, testing the lowest in a year.** This can be attributed to **cooling prices of Clothing and Footwear, Housing and the Miscellaneous basket of the inflation index.**

Indian households continue to bear the brunt of Food Inflation, that has accelerated more than 8% year-on-year since November 2023 due an uneven monsoon overhang.



Source: CMIE

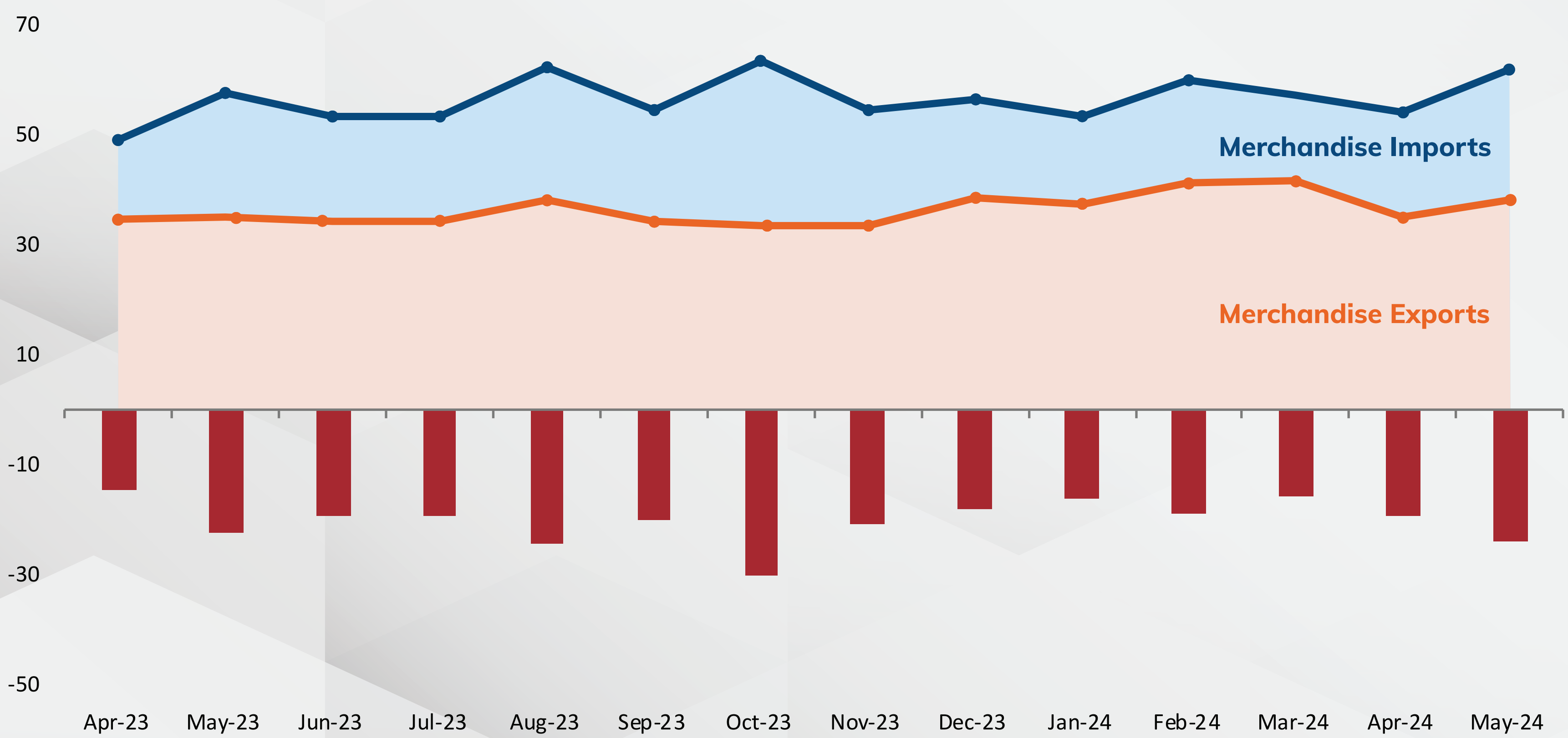
The Monetary Policy Committee (MPC) of the RBI kept the policy repo rate unchanged at 6.50% in the June 2024 meeting with a focus on withdrawal of accommodation to **ensure that inflation remains aligned to the target.**

India's Merchandise Exports Shine despite Global Challenges – How did Trade Deficit shape up?

India's merchandise exports grew 9.1% to $38.13 billion in May 2024, supported by an increase in shipments of engineering goods, petroleum products, electronic goods, drugs and pharmaceuticals and textiles. **The performance is remarkable despite the prevailing Red Sea crisis,** geopolitical conflicts and high interest rates globally.

Though the growth of exports outpaced imports, India's merchandise trade deficit widened to a seven-month high of $23.78 billion in May 2024. The trade deficit trend will depend on a combination of factors – the economic growth rate, the increasing demand, market dynamics and import substitution.

MERCHANDISE TRADE BALANCE, EXPORTS AND IMPORTS ($ BILLION)



Source: CMIE

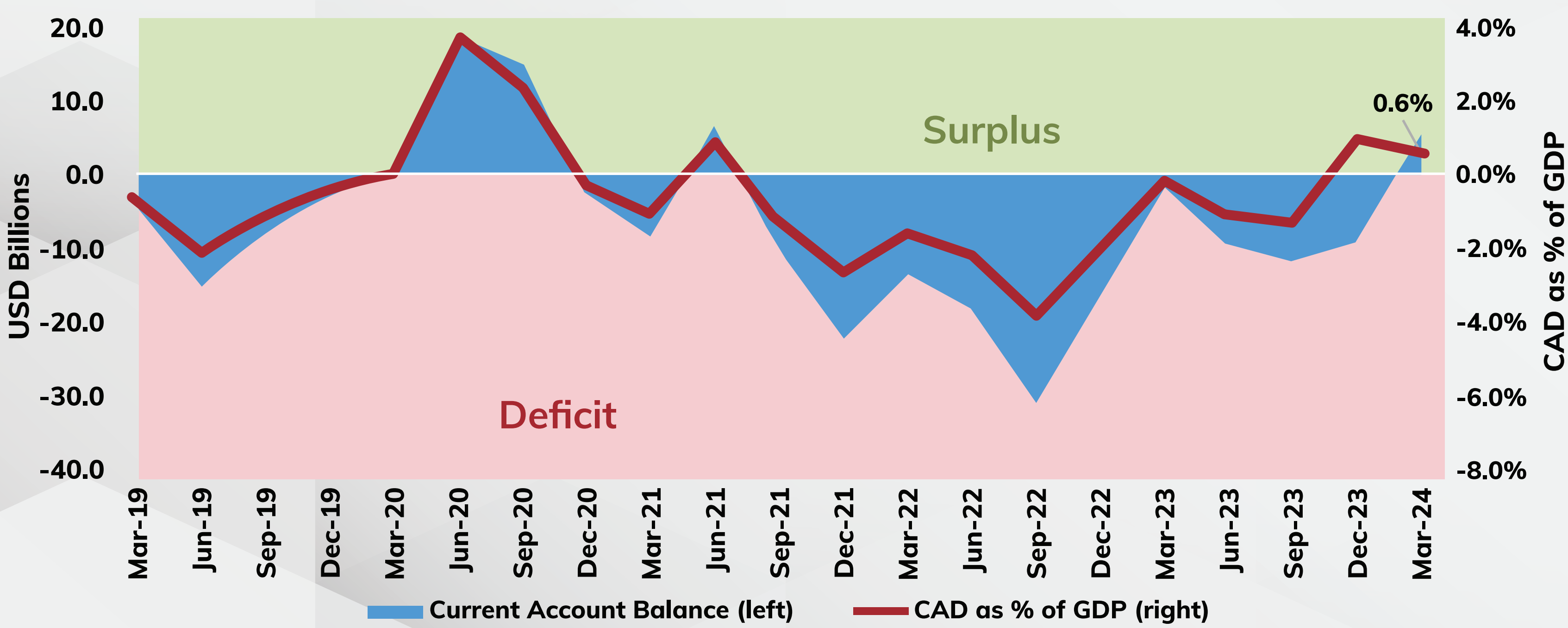
India's Current Account Reports Surplus After 10 Quarters, Stealing the Limelight

ICICI PRUDENTIAL MUTUAL FUND

India's current account surplus stood at $5.7 billion (0.6% of GDP) in the Q4FY24, supported by higher service exports and private transfer receipts.

- **Services exports grew by 4.1% in Q4FY24** (year-on-year), driven by rising software exports, travel and business services.
- **Private transfer receipts,** which mainly represents remittances by Indians employed overseas, **recorded a rise of 11.9% (year-on-year).**
- **On the downside, primary income, reflecting payments of investment income, increased** to $14.8 billion.

TREND IN INDIA'S CURRENT ACCOUNT BALANCE

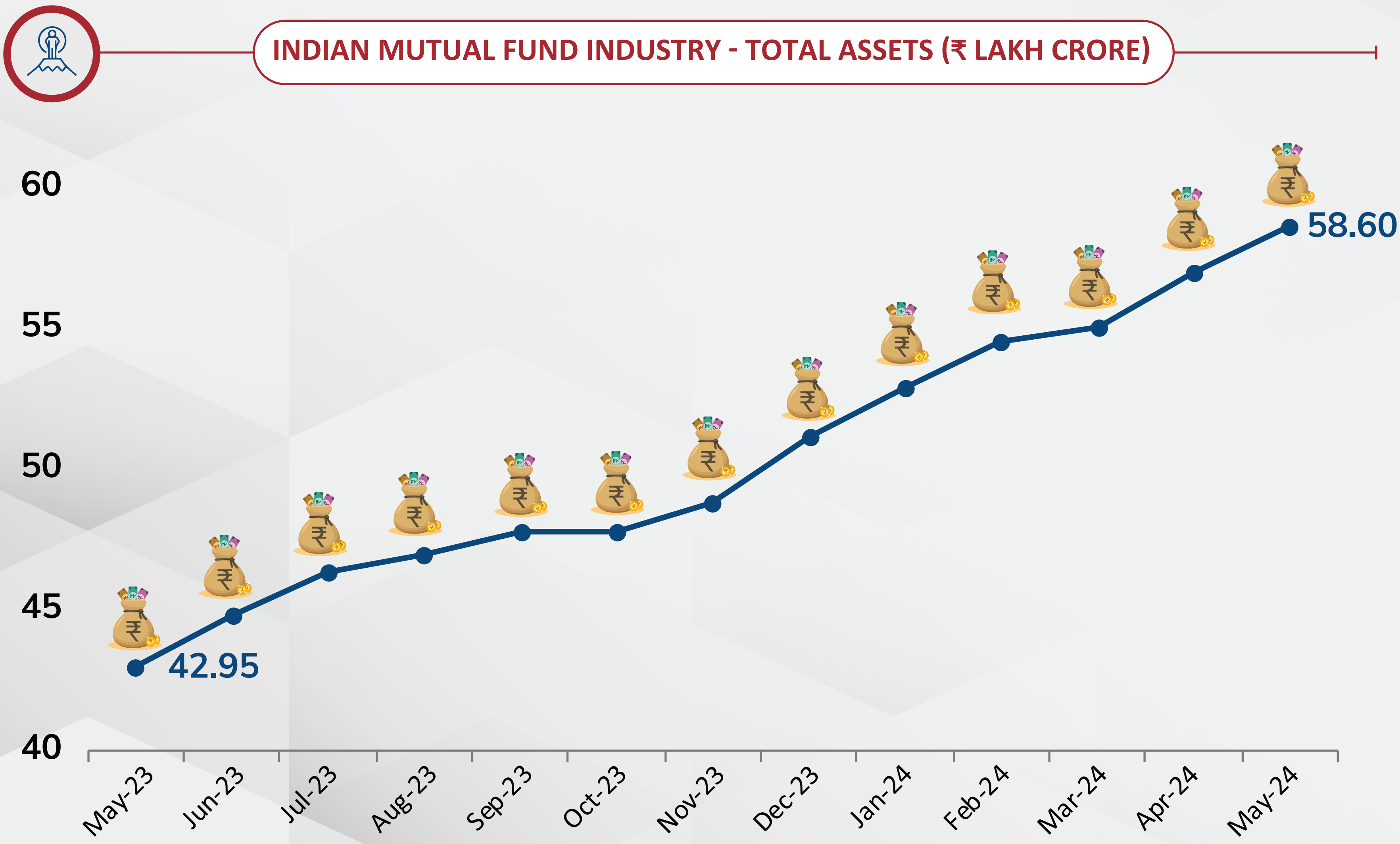


Source: RBI, Data for Q42024: Jan 01, 2024 – Mar 31, 2024 quarter. GDP – Gross Domestic Product. US$ - US Dollar. CAD: Current Account Deficit

The Extraordinary Journey of India's Mutual Fund Industry – Another Milestone Achieved

ICICI PRUDENTIAL MUTUAL FUND

Assets managed by the Indian mutual fund industry increased from ₹42.95 lakh crore in May 2023 to ₹58.60 lakh crore in May 2024, a 36.44% increase in assets, indicating the growing interest of investors in this investment vehicle.



Source: AMFI Industry Report, Past performance may or may not sustain in future

Are you Geared up for India's first Electric Vehicle Index?

The Government of India has been at the forefront of framing policies related to electric vehicles (EV) to promote India as a manufacturing destination and encourage investments in the e-vehicle space.

NSE Indices Limited unveiled the Nifty EV & New Age Automotive Index, which aims to track the performance of businesses within the electric vehicle (EV) ecosystem as well as those involved in the development of new-age automotive vehicles and related technology.

The base date of the index is April 02, 2018, with a base value of 1000. The index will be reconstituted semi-annually and rebalanced on a quarterly basis.

Significant measures announced by the Finance Minister of India in the GST Council scheduled in June 2024

The Finance Minister of India announced a slew of measures during the 53rd GST Council meeting held in June 2024, including Tax amendments, Aadhaar biometric integration, reduction of Goods and Services Tax (GST) on certain products, exemptions in railway services and the ease of doing business.

GST RATE ON ALL MILK CANS

Uniform rate of **12%**

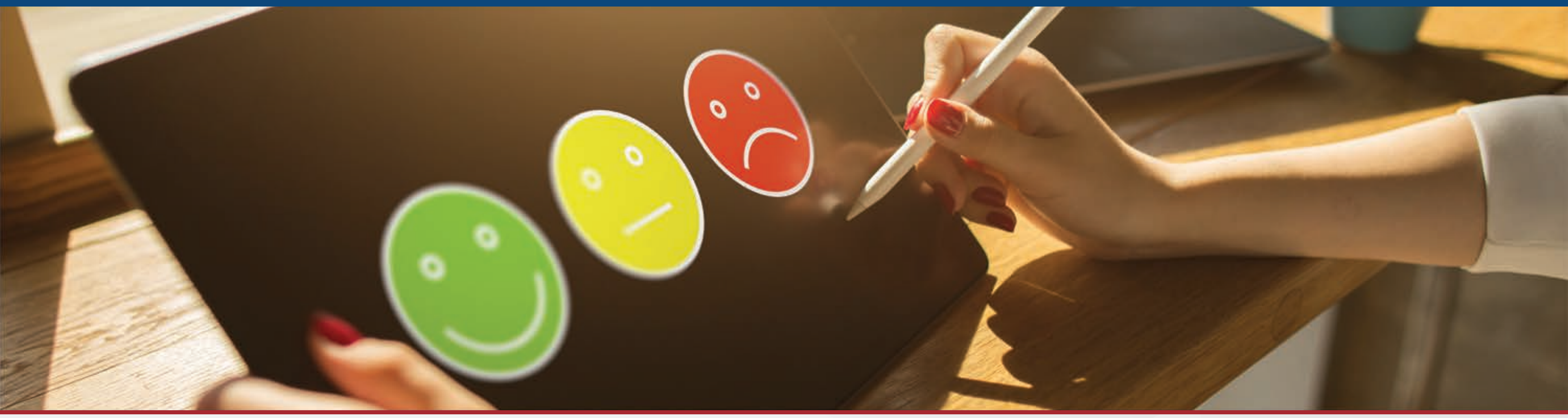
GST RATE ON CARTON BOXES

Reduced from **18%** to **12%**

GRANTED GST EXEMPTION ON PLATFORM TICKETS

Making Railway Services More Feasible

Sector Results – A Quarter where Expectations met actual results



SECTORS WITH STRONG PERFORMANCE

Auto, Industrials, Financials, Cap Goods, Real Estate and Heathcare

SECTORS WITH NEUTRAL PERFORMANCE

IT Sector

SECTORS WITH MUTED PERFORMANCE

Metals, Chemicals & FMCG

Source: Data as on 31st May, 2024. Institutional Research, NIM – Net Interest Margins, OMC – Oil Marketing Companies. B2B: Business to business. B2G: Business to government, B2C: Business to customers, 2W: Two Wheelers, FY: Financial Year, FMCG: Fast Moving Consumer Goods, IT: Information technology, Cap Goods: Capital goods. The performance shown is the past performance of companies/ sectors for Q4 FY 2024, the investors may also refer to other factors before investing. The sector(s) /stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s). The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme.

And it's a wrap for the month

Equity markets have touched new highs in both advanced and emerging market economies.

Despite the drag from a challenging global macroeconomic backdrop, **India continues to portray a resilient macroeconomic environment supported** by robust growth, healthy balance sheets of banks and corporates, improving trade prospects, government's continued thrust on infrastructure spending and optimism in business sentiment. Sustained momentum in manufacturing activities and a revival in rural demand could further boost the growth prospects.

Picture of the month

All pictures used in this document are only for representation purpose

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