THE MONTH GONE BY

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

During early 17th century, Tulips fascinated the Europeans, becoming a symbol of prestige and wealth – With increasing demand for these vibrant flowers, farmers cultivated tulips of varied colours. Even families with lower income began buying Tulips with the hope of reaping profits through resale. The desire for tulip bulbs soon outpaced the supply, driving prices to unwarranted heights.

However, the tables turned in early 1637 as contracts were not honoured, unnerving most investors – In reaction, the Tulip market collapsed and the flowers lost their monetary value, sweeping away fortunes.

The 'Fear of Missing Out' (FOMO) on the opportunity of making quick wealth compelled individuals to follow the herd blindly and participate into a speculative bubble. How can FOMO affect rational decision making?

FOMO driven by Greed

"Crypto has tested new highs, did you invest?" such questions could be terrifying. The pain of feeling left out influences investors to purchase assets without evaluating if it is in line with their risk appetite.

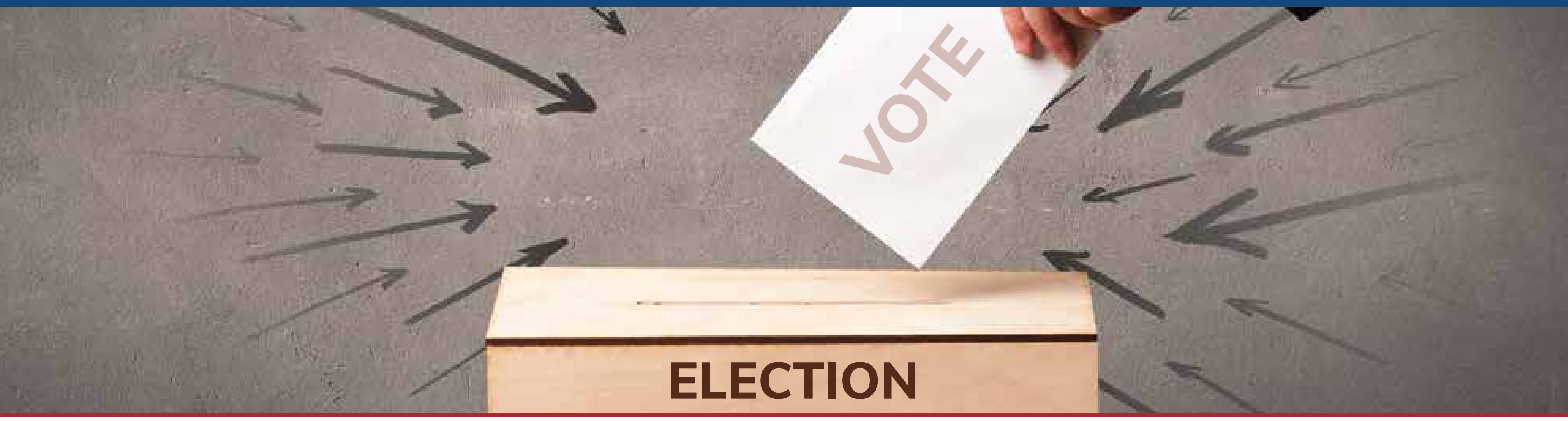
FOMO driven by Fear

"Markets have corrected, what if my portfolio falls further?" Foreign Portfolio Investors (FPIs) withdrawing significantly from the Indian markets could compel investors to follow the herd as emotions take charge.

While we ponder about the course ahead, it is important to connect the dots with key market events of November 2024.

Red Sweep in the U.S. stole the limelight

ICICI PRUDENTIAL MUTUAL FUND

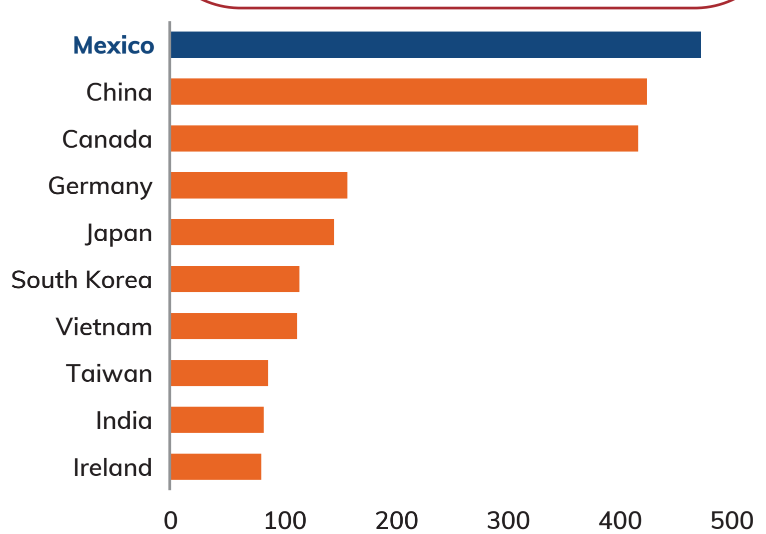


Curtains came down on the U.S. presidential elections as **the Republican party secured its position in the White House with a decisive victory.** The political comeback **sparked discussions about tariff proposals, unresolved trade tensions, rising public debt levels and the impact on inflation.**

Trade Tariffs centered around 'America First' policies: The proposal to impose a 60% tariff on Chinese goods and a 10-20% tariff on imports from other countries could be a double edged sword – While manufacturing in the U.S. would get impetus, companies that rely heavily on global trade would have to incur higher costs on foreign goods, which may be passed on to consumers in the form of increased prices of the finished goods.

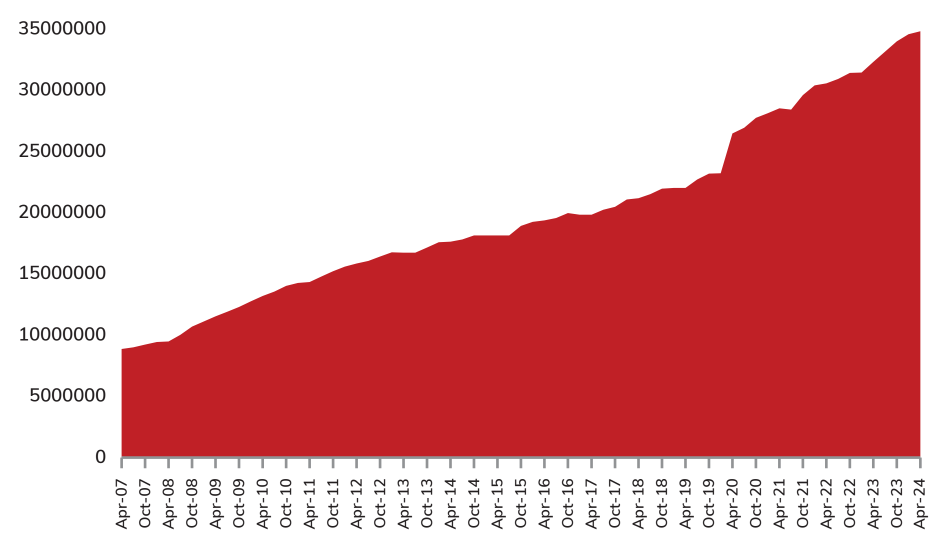
Elevated National Debt Levels: Tax cut proposals and increased spending on sectors, such as infrastructure and defense, would add to the already high debt levels.

TOP TEN TRADING PARTNERS OF THE U.S. IN 2023 BY IMPORT VALUE (US $, BILLION)



Source: International Trade Administration. 2023 Annual Data. U.S.: United States

FEDERAL DEBT: TOTAL PUBLIC DEBT (US $, MILLION)



Source: U.S. Department of the Treasury. Fiscal Service, Q2 2024 data as on April 2024.

Inflationary Pressures: An uptick in government spending and tax cuts could push prices up. U.S. inflation rose to 2.6% on an annual basis in October 2024, hovering above the Federal Reserve's target of 2%.

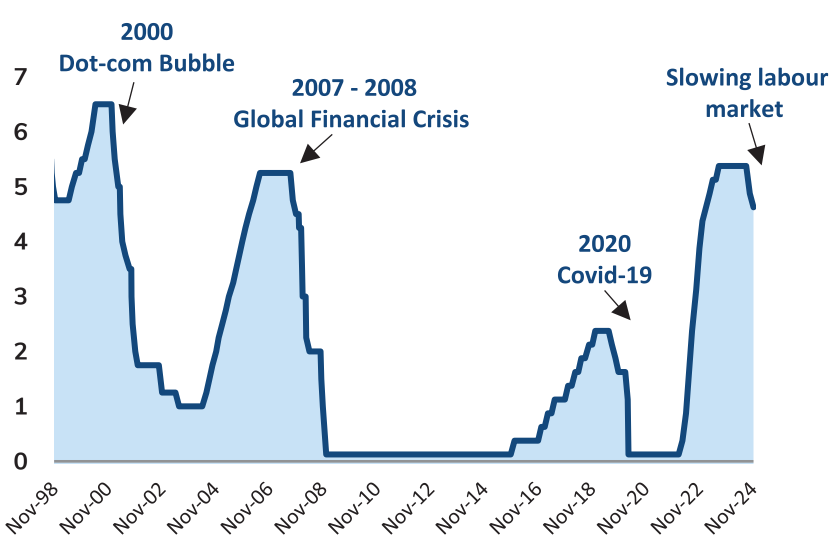
The U.S. Federal Reserve lowered interest rates for the second time in 2024.

In November 2024, the U.S. Federal Reserve reduced interest rates by 25 basis points to a target range of 4.50%-4.75%. The rate cut would further **encourage consumer spending, which would boost economic growth and stimulate the job market.**

a) Balance economic growth while keeping inflation under control: The U.S. economy expanded at a 2.8% annualized pace in the third quarter, powered by steady business investment and strong consumer spending.

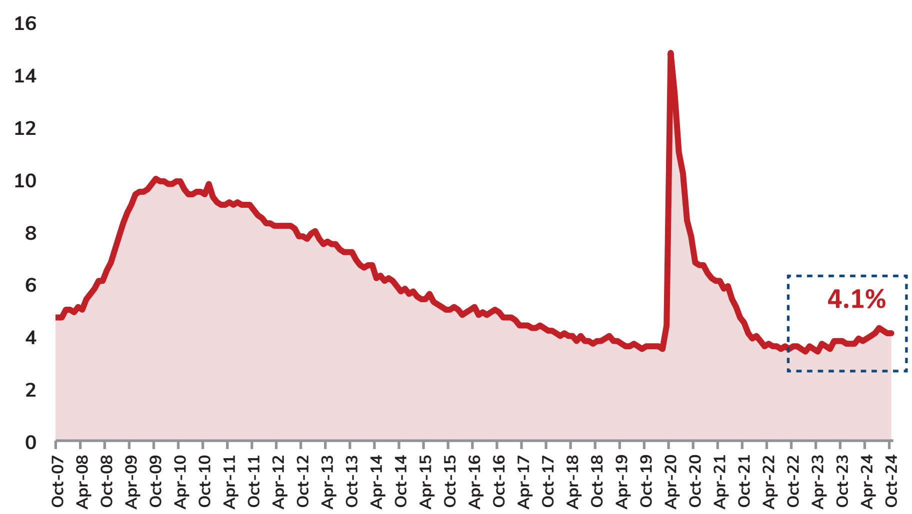
b) Support a slowing job market: The U.S. unemployment rate of 4.1% in October 2024 is still higher than 3.7% recorded during the beginning of the year.

U.S. FEDERAL FUNDS TARGET RATE (%)



Source: Data as on November 08, 2024. Reuters, Federal Reserve. The Federal Funds target rate chart reflects the midpoint of the Federal Reserve's target range. U.S.: United States

U.S. UNEMPLOYMENT RATE (%)



Source: Data as on October 2024. U.S. Bureau of Labor Statistics.

As the pilot of a plane gets closer to the runway, there is a need to slow down and make careful adjustments, rather than landing too quickly. **Similarly, the Federal Reserve is not in a hurry to lower interest rates quickly as communicated earlier in a National Association for Business Economics conference. The central bank would evaluate macroeconomic data before making further policy decisions.**

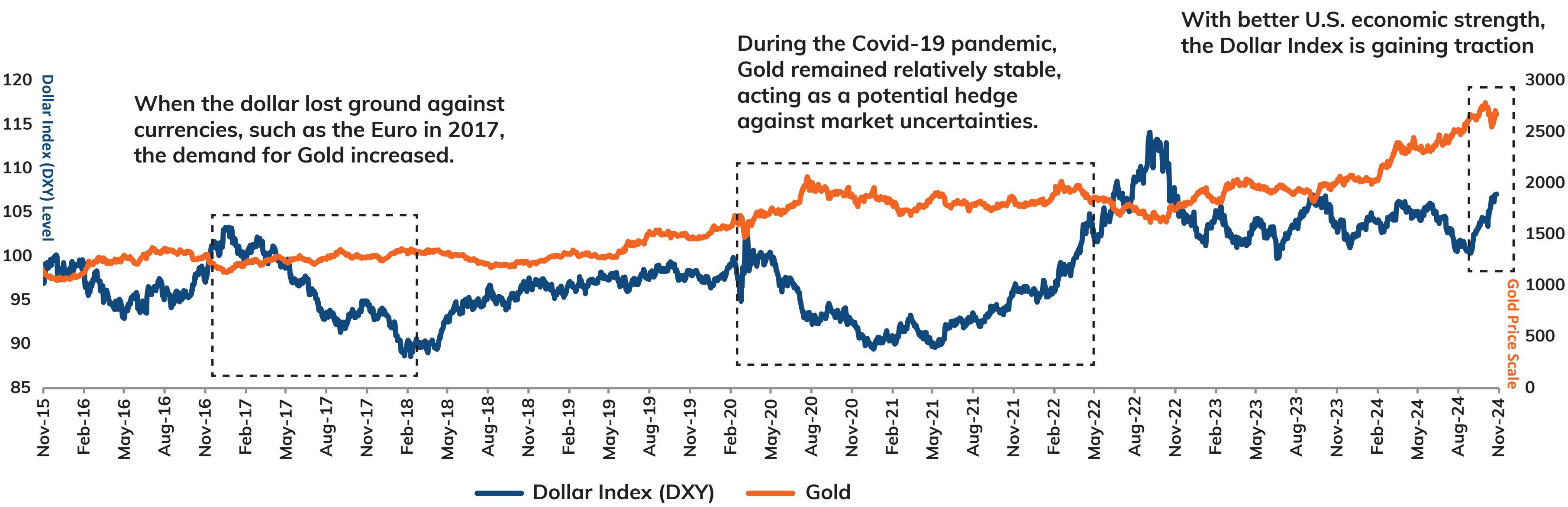
Is Gold gradually losing its allure?

Gold tumbled around 8% from the high of $2,783/ounce on October 30, 2024 to 2,548/ounce on November 14, 2024. The knee-jerk reaction was due to a **continued strength in the U.S. Dollar and a rise in the U.S. yields followed by the U.S. elections.**

The U.S. Dollar Index (DXY), a measure of the value of the U.S. dollar relative to a basket of foreign currencies, **surged to its highest level since June 2024, testing the 107 mark in November 2024.**

What is the impact on the yellow metal? When the U.S. Dollar Index rises, it denotes that the dollar is strengthening compared to other currencies in the basket. **This makes Gold expensive for investors** as they would have to exchange more domestic currency to buy the same amount of the yellow metal. **As a result, a rising U.S. Dollar Index could exert pressure on gold prices.**

GOLD PRICES (LBMA, $/OUNCE) AND DOLLAR INDEX LEVEL



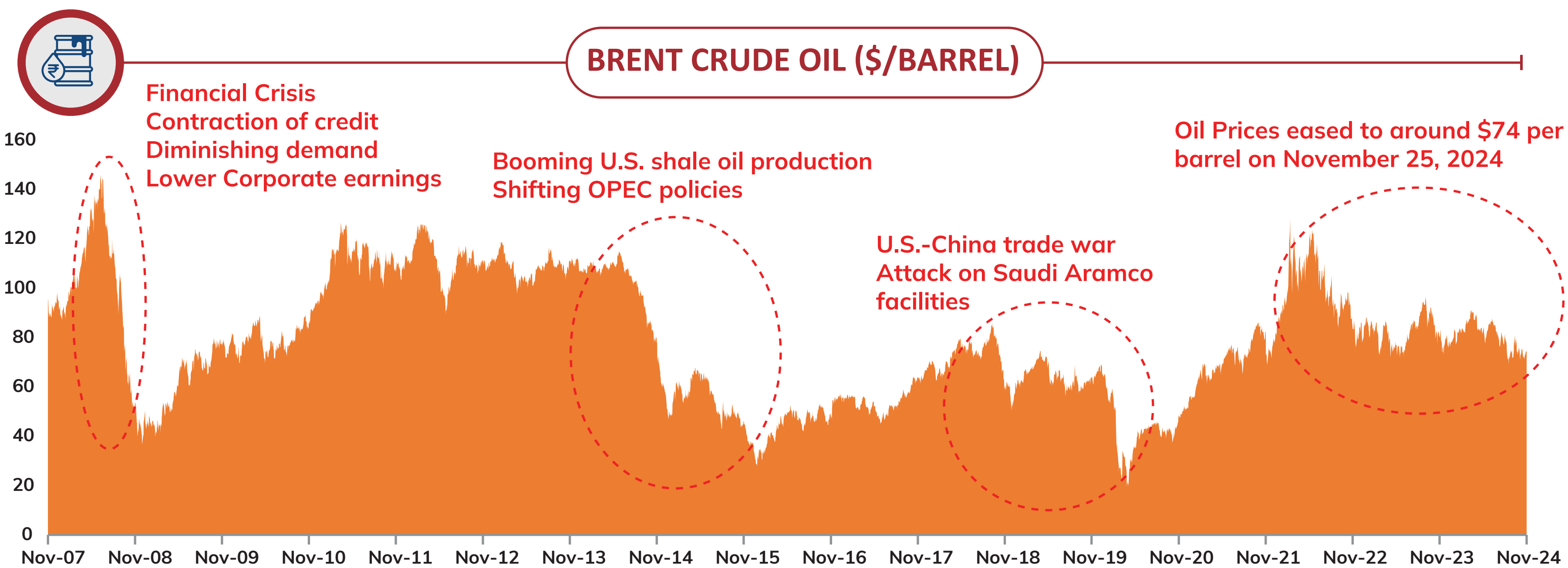
Source: LBMA: London Bullion Market Association and Refinitiv. Data as on November 25, 2024. The gold price in India was around ₹77,081/10 gm on November 25, 2024.

Anxiety looms around a supply-demand imbalance in the Oil Market

ICICI PRUDENTIAL MUTUAL FUND

The OPEC (Organization of the Petroleum Exporting Countries) postponed its December 2024 production increase by a month to stabilize the oil market.

- **Weakening demand from China:** a) Slowing investments and deflationary pressures continue to nag. b) With battery-powered electric vehicles gaining market share, the demand for traditional fuel used in road transport could decline further.
- **Geopolitical unrest:** Ukraine fired longer-range missiles at the Russian territory in November 2024. Escalating conflicts between these key oil producing nations could disrupt global oil supply.
- **U.S. crude oil inventories rose by 4.75 million barrels for the week ended November 15, 2024 (Source: American Petroleum Institute).**
- **Libyan crude oil production revived, contributing to global oil supply:** Libya's oilfields and export terminals resumed operations in October 2024 as the dispute around central bank leadership got resolved.



Source: Refinitiv. Data as on November 25, 2024. OPEC: Organization of the Petroleum Exporting Countries

Since India relies heavily on imports for over 80% of its crude oil requirements, a spike in oil prices could exert pressure on the import bill.

The Tantrum of the Bond Market influenced by domestic and global factors

ICICI PRUDENTIAL MUTUAL FUND

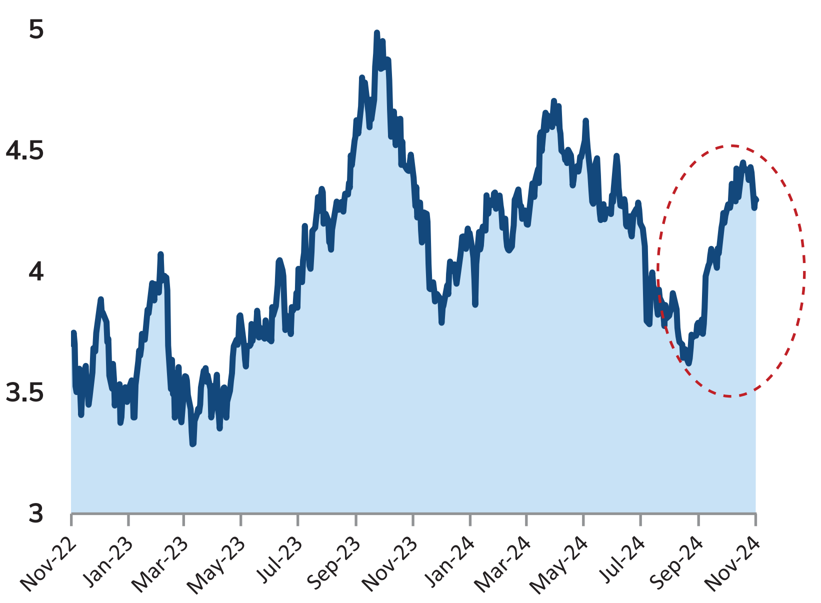
The U.S. 10-Year Treasury yields rose from 3.72% on September 20, 2024 to 4.30% on November 27, 2024 even though the U.S. Federal Reserve cut interest rates.

Which factors lifted the yields?

Firstly, as the U.S. elections moved to a clear outcome, **markets started factoring higher budget deficits with an increase in government spending and potential tax cuts.**

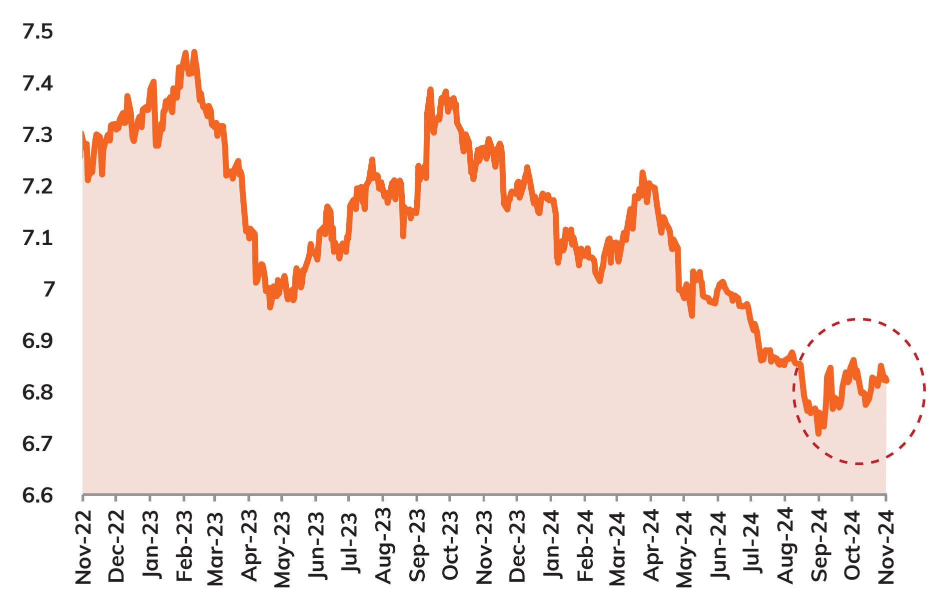
Secondly, stronger U.S. economic data coupled with the dollar appreciating from its recent low in September, contributed to the rise in yields. The U.S. retail sales rose in October 2024, largely driven by sales of auto, electronics and appliances. Additionally, the S&P Global Flash U.S. PMI Composite Output Index progressed to 55.3 in November 2024, indicating the fastest expansion of business activity since April 2022.

U.S. 10-YEAR TREASURY (%)



Source: Reuters, Data as on November 27, 2024.

INDIA 10-YEAR G-SEC (%)



Source: Reuters, Data as on November 27, 2024.

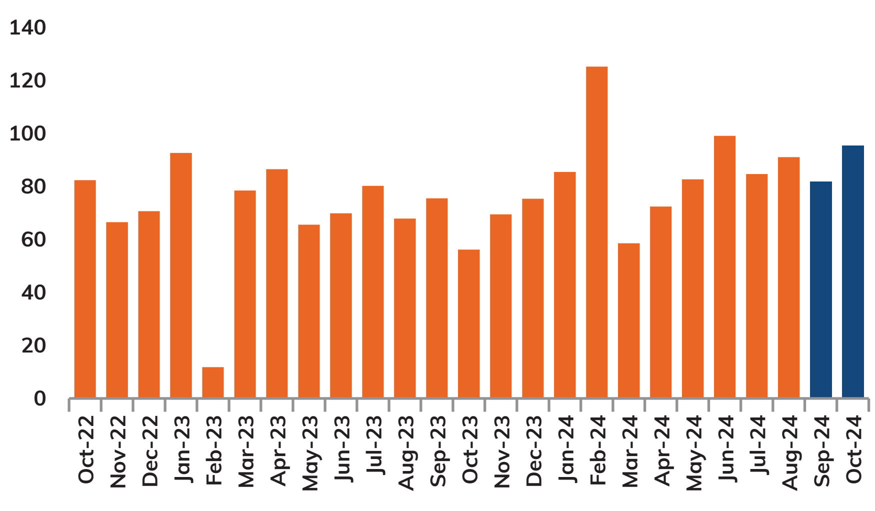
Will China's Trade Surplus prevail as exports continue to be in a bright spot?

ICICI PRUDENTIAL MUTUAL FUND

China is relying more on its exports in the wake of tepid domestic demand that the central bank is striving to mend by injecting stimulus measures into the economy. **China's exports rose by 12.7% year-on-year to $309.06 billion in October 2024,** the highest since March 2023, supported by **festive season** and price discounts provided. (Source: Customs Administration data).

China's trade surplus grew to $95.27 billion in October 2024, up from $81.71 billion recorded in September 2024.

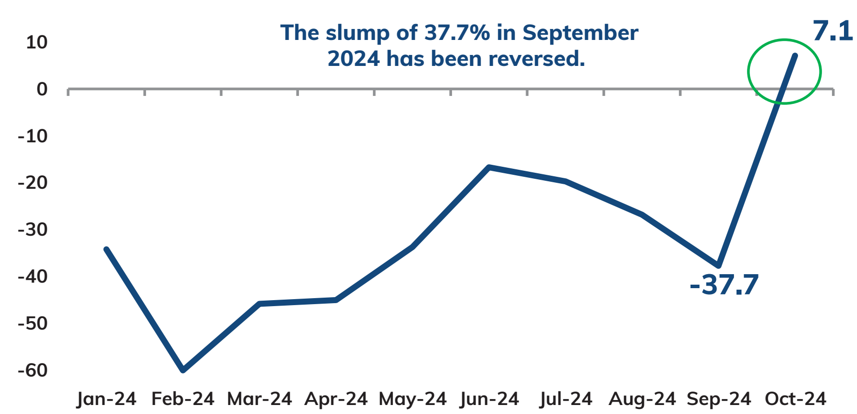
TRADE SURPLUS OF CHINA (US $, BILLION)



Source: General Administration of Customs

Residential sales by China's top 100 developers rose 7.1% in October 2024 from a year earlier to 435.5 billion yuan with the support of the stimulus measures, such as lower mortgage rates.

RESIDENTIAL SALES OF CHINA'S 100 BIGGEST PROPERTY DEVELOPERS (YEAR-ON-YEAR % CHANGE)



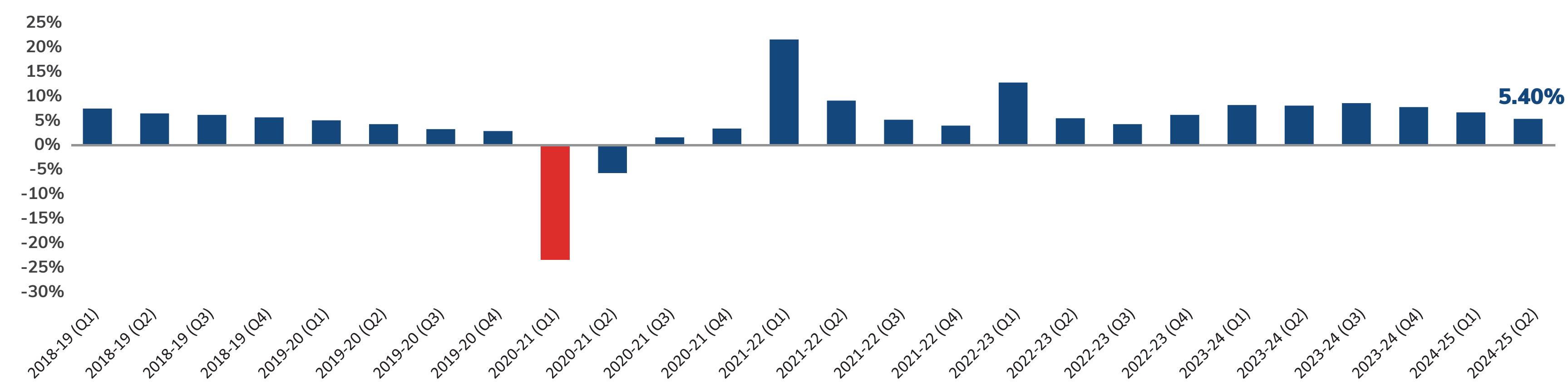
Source: Financial Times, South China Morning Post

China revealed a 10 trillion yuan ($1.4 trillion) debt package in November 2024, designed to ease the financial strain faced by the local governments and stabilize the country's dwindling economic growth. Authorities have raised the amount of debt the local governments will be permitted to raise through special bonds by 6 trillion yuan ($836 billion) over the next three years. (Source: Reuters)

India's Q2 Gross Domestic Product (GDP) growth for FY25 shrinks to 5.4%

Real GDP growth rate of India slowed to 5.4% in the second quarter of FY25 as compared to the 6.7% growth posted in Q1FY25. The GDP growth slowed down amid muted urban demand, reduced government spending and sluggish growth in the manufacturing sector.

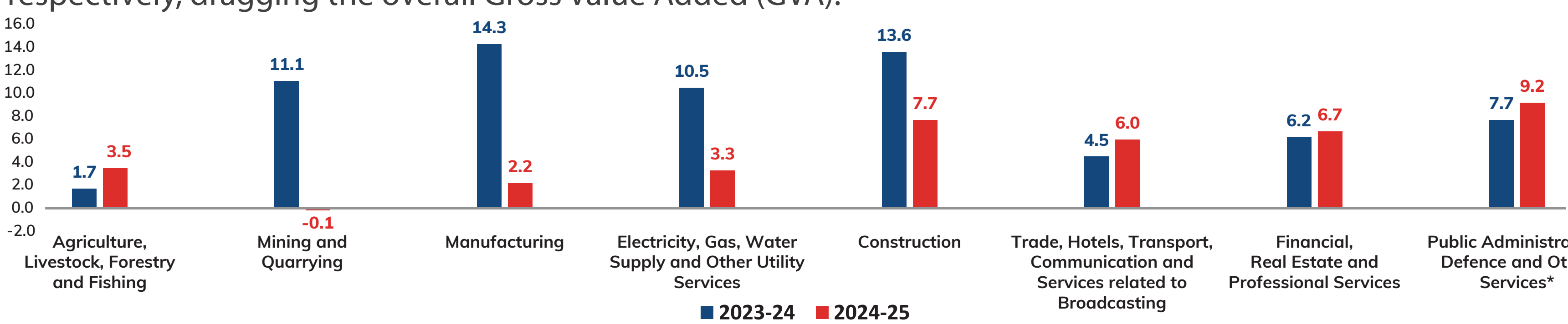
REAL GDP GROWTH RATE OF INDIA (%)



Source: Ministry of Statistics and Programme Implementation, Q1: Quarter 1, Q2: Quarter 2, Q3: Quarter 3, Q4: Quarter 4. GDP: Gross Domestic Product

SECTOR-WISE GROWTH RATES (%) OF REAL GVA FOR Q2 OF FY24 AND FY25

While the Agriculture and Allied sector has rebounded with a growth rate of 3.5% in Q2FY25, Manufacturing and Mining & Quarrying sectors reported a tepid growth of 2.2% and -0.1% respectively, dragging the overall Gross Value Added (GVA).



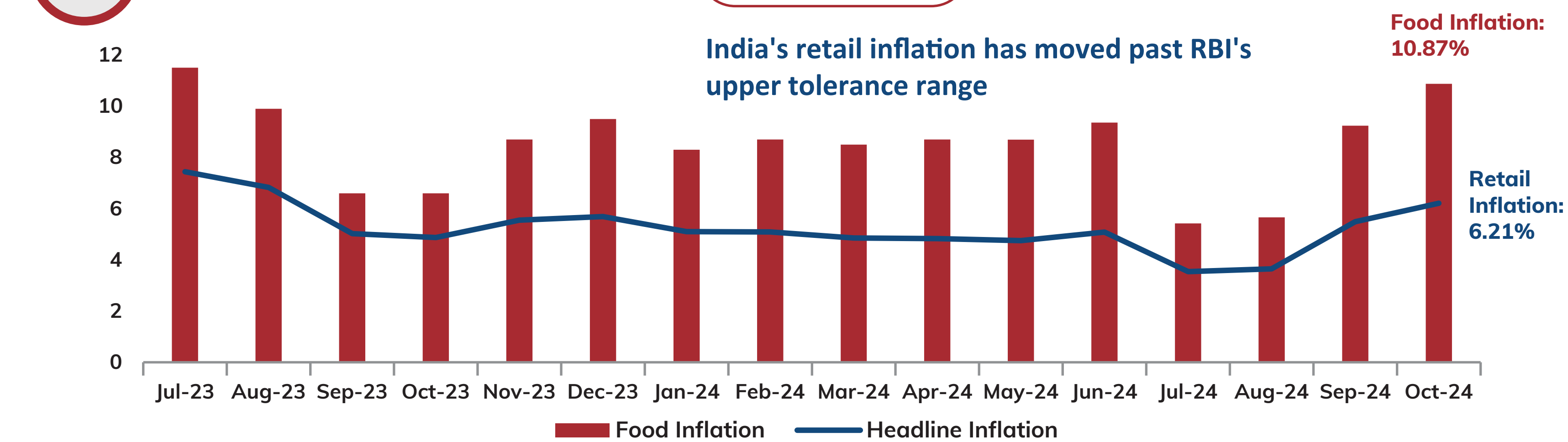
Source: Ministry of Statistics and Programme Implementation. *Public Administration, Defence & Other Services category includes the Other Services sector i.e. Education, Health, Recreation, and other personal services.

India's Retail Inflation rose above the RBI's upper tolerance band - Who is the main culprit?

ICICI PRUDENTIAL MUTUAL FUND

Expectations of an interest rate cut by the Reserve Bank of India (RBI) in the near term began to fade as **India's Retail Inflation, based on the Consumer Price Index (CPI), accelerated to a 14-month high of 6.21% in October 2024, primarily driven by a surge in food prices.**

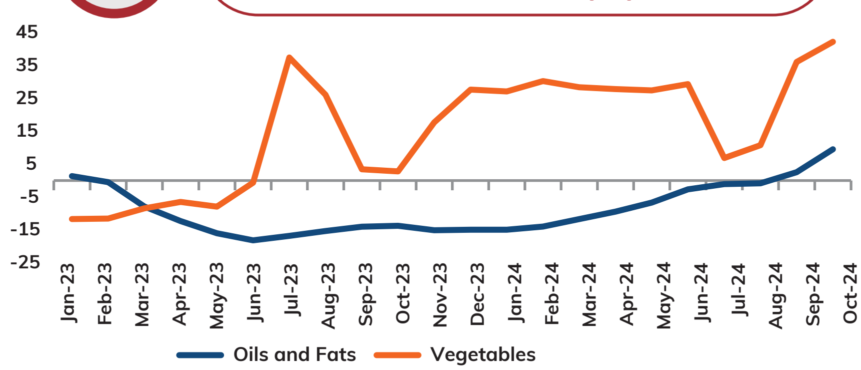
INFLATION (%)



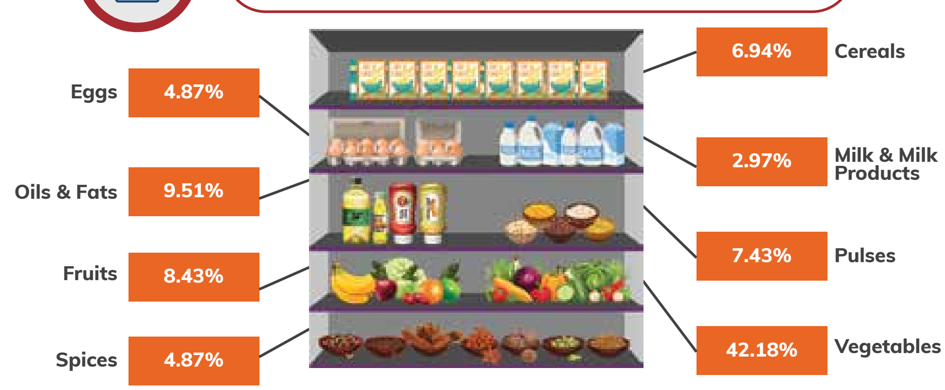
Source: CMIE: Centre for Monitoring Indian Economy, Data as on October 2024. RBI: Reserve Bank of India

Vegetable prices rose to a staggering 42.18% in October 2024, a significant rise from 36% recorded in the previous month. Unseasonal rains impacted crop yields, resulting in supply constraints. **Oil & Fats rose to 9.51%, owing to the recent hike in customs duty on edible oils to support farmers.**

VEGETABLE AND OILS & FATS INFLATION (%)



INFLATION OF KEY FOOD ITEMS (%)



Source: CMIE: Centre for Monitoring Indian Economy, Data as on October 2024. RBI: Reserve Bank of India, Year-on Year %.

Rural consumption continues to grow faster than that of urban regions – Is Inflation biting into urban consumption?

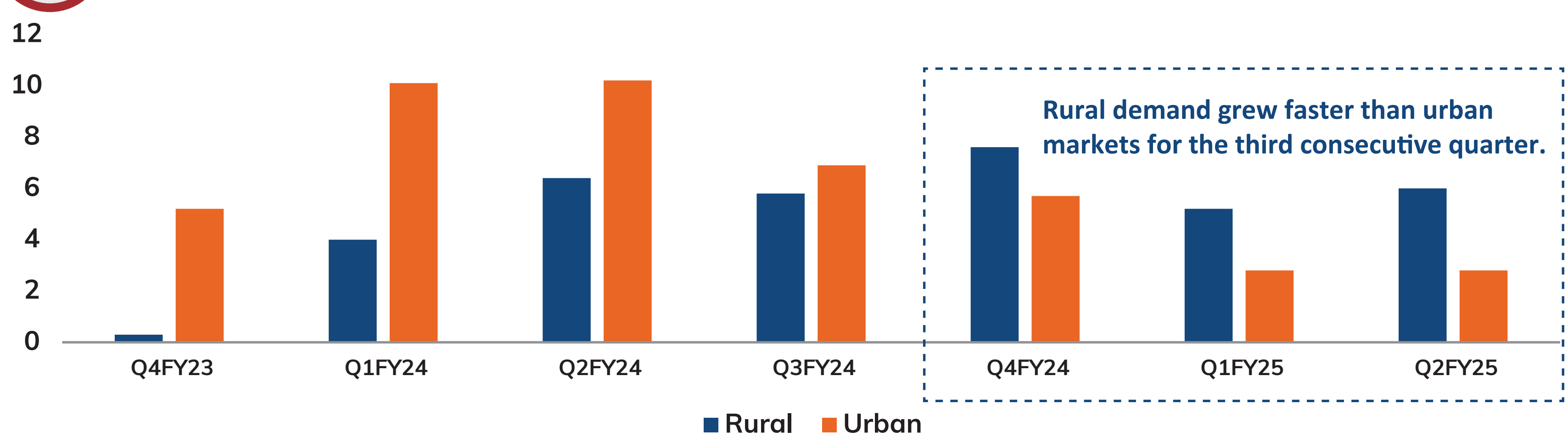
ICICI PRUDENTIAL MUTUAL FUND

India's Fast-Moving Consumer Goods (FMCG) industry grew 5.7% in value terms during the July-September 2024 quarter, compared to 4.0% in the previous quarter, indicating steady volume growth. The uptick is largely attributed to staple categories such as edible oils, packaged atta and spices.

While both urban and rural markets displayed sequential recovery in consumer demand, here is an interesting fact – **Rural demand grew twice as fast as urban demand during the quarter. Rural growth increased to 6.0% in the September 2024 quarter, surpassing urban consumption growth of 2.8%.**

Better labour conditions, improving wages and conducive government policies have supported rural demand. On the other hand, most FMCG companies flagged **subdued consumer sentiment in urban markets due to high food inflation.**

FMCG VOLUME GROWTH IN RURAL AND URBAN MARKETS (%)



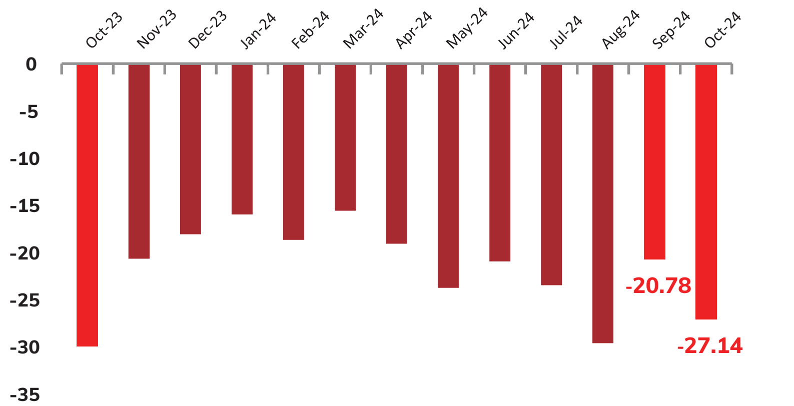
Source: NielsenIQ, FMCG: Fast Moving Consumer Goods. The sector(s) /stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s). The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme.

Small and medium FMCG companies have rebounded after experiencing a decline in some quarters. FMCG businesses are hopeful that **the ongoing festive season would encourage consumer spending, facilitating higher sales across a wide range of product categories.**

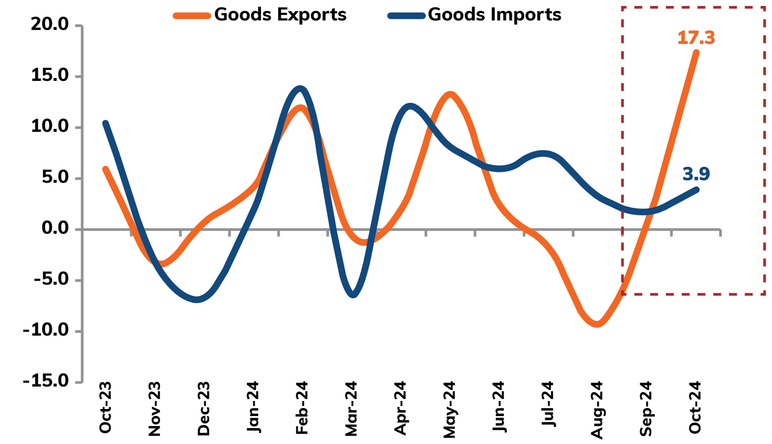
India's Merchandise Trade Deficit widens as Imports dominate

India's foreign trade is grappling with sluggish demand from key markets, prolonged geopolitical conflicts impacting supply chains and wavering commodity prices. **Merchandise trade deficit widened to $27.14 billion in October 2024, up from $20.78 billion in September 2024.**

INDIA'S MERCHANDISE TRADE BALANCE ($, BILLION)



MERCHANDISE EXPORTS AND IMPORTS (YEAR-ON-YEAR %)



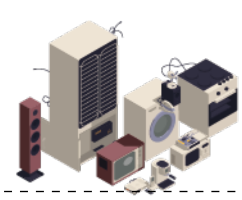
Merchandise Trade Exports

Merchandise Exports staged a strong comeback, growing 17.3% year-on-year in October 2024 to $39.20 billion, its fastest growth in 28 months. **Increased demand for Indian goods ahead of Christmas, propelled exports.**

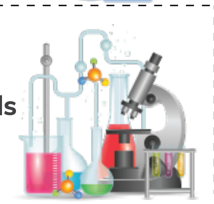
Examples of India's Export Drivers:

Engineering Goods

Electronic Goods



Chemicals



Rice

Readymade garments

Merchandise Trade Imports

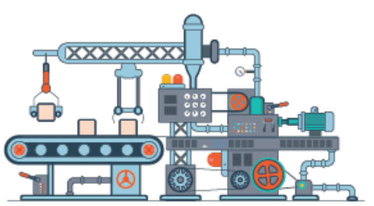
Merchandise Imports climbed to $66.34 billion in October 2024, recording a 3.9% year-on-year growth. **A surge in the volume of crude oil imports and an uptick in gold imports contributed to the trade deficit.**

Examples of India's Import Drivers:

Crude Oil and Petroleum Products

Gold

Machinery – Electrical and Non Electrical



Source: Ministry of Commerce and Industry, CEIC, CRISIL

The Indian Rupee is trapped in a crossfire

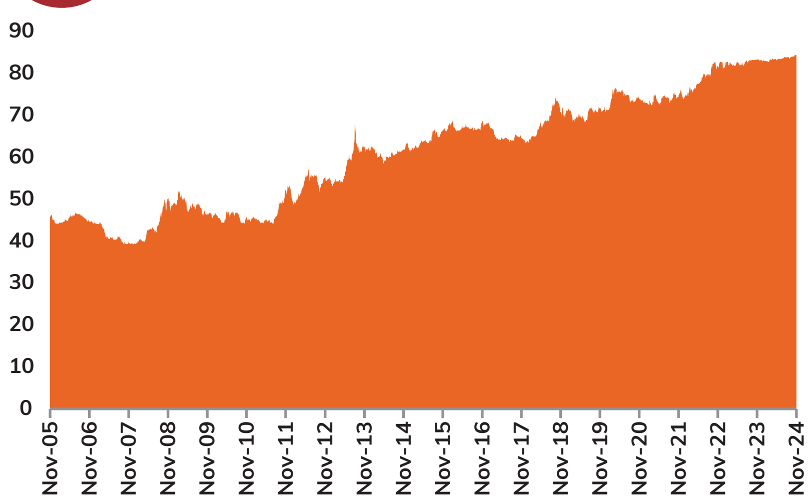
ICICI PRUDENTIAL MUTUAL FUND

The rupee plummeted to yet another low of around 84.45 in November 2024 against the dollar, concerning businesses servicing external loans, parents preparing for their child's education abroad and individuals planning an overseas trip.

Which factors weighed on the rupee?

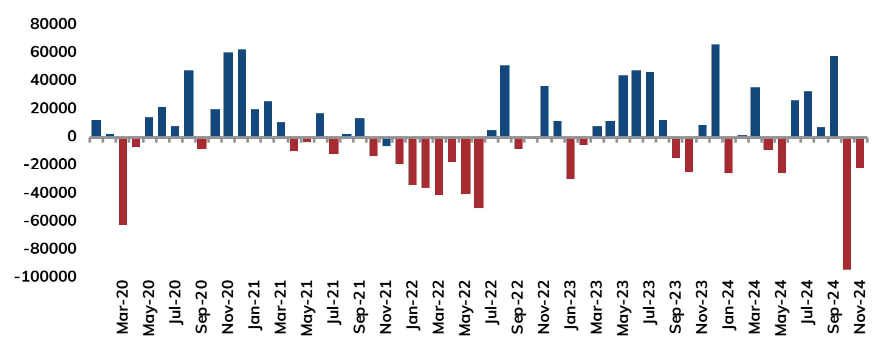
Foreign Portfolio Investors (FPIs) sold ₹21,612 crore of Indian equities in November 2024.* A sluggish Q2FY25 corporate earnings growth and high market valuations triggered relentless FPI selling since October 2024. Global geopolitical instability added another layer of uncertainty to the market. **When foreign investors offload Indian equities, they convert rupees into dollars to invest in other economies, which weakens the value of the rupee.**

USD/INR



Source: Refinitiv

MONTHLY FPI NET INVESTMENTS (₹, CRORE)



Source: National Securities Depository Limited (NSDL). *November 2024 data is up to November 29, 2024. U.S.: United States of America. FPI: Foreign Portfolio Investors

India's widening trade deficit, owing to higher crude oil and gold imports, increased the demand for dollar from importers. The grip of the rupee could loosen further with a surge in oil prices, straining the trade bill.

Investors are pricing in policies of the elected U.S. president that may revolve around U.S. tariffs on imports and potential fiscal stimulus through tax cuts. Robust U.S. economic growth and higher yields could make investments lucrative, strengthening the dollar.

What spoiled the party for India's Foreign Exchange Reserves?

ICICI PRUDENTIAL MUTUAL FUND

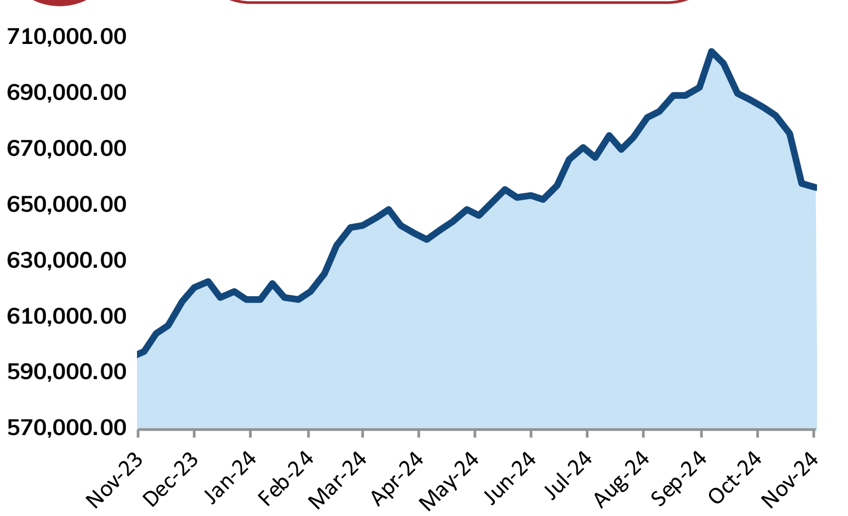
After climbing to a high of $704.89 billion for the week ended September 27, 2024, India's foreign exchange reserves **declined to a five-month low of $656.58 billion for the week ended November 22, 2024. What could be the reasons?**

The rupee is reeling under the pressure of persistent Foreign Portfolio Investor (FPI) outflows amid slow earnings growth, relatively high valuations and heightened geopolitical tensions in the Middle East.

Foreign Currency Assets (FCAs), a major component of the reserves, slid to $566.79 billion as strengthening of the dollar resulted in weakening of other foreign currencies that are part of India's reserves basket.

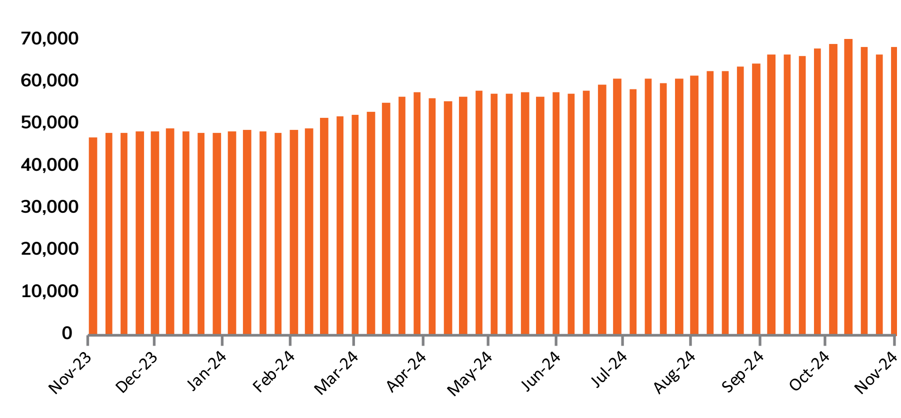
On the other hand, Gold reserves increased to $67.57 billion during the week ended November 22, 2024. In the preceding week, reserves were impacted by a drop in the prices of Gold as U.S. Treasury yields and a stronger dollar index took centre stage.

TOTAL FOREIGN EXCHANGE RESERVES ($, MILLION)



Source: CMIE Reserve Bank of India (RBI). Data for the week ended November 22, 2024

GOLD RESERVES ($, MILLION)



Source: CMIE Reserve Bank of India (RBI). Data for the week ended November 22, 2024

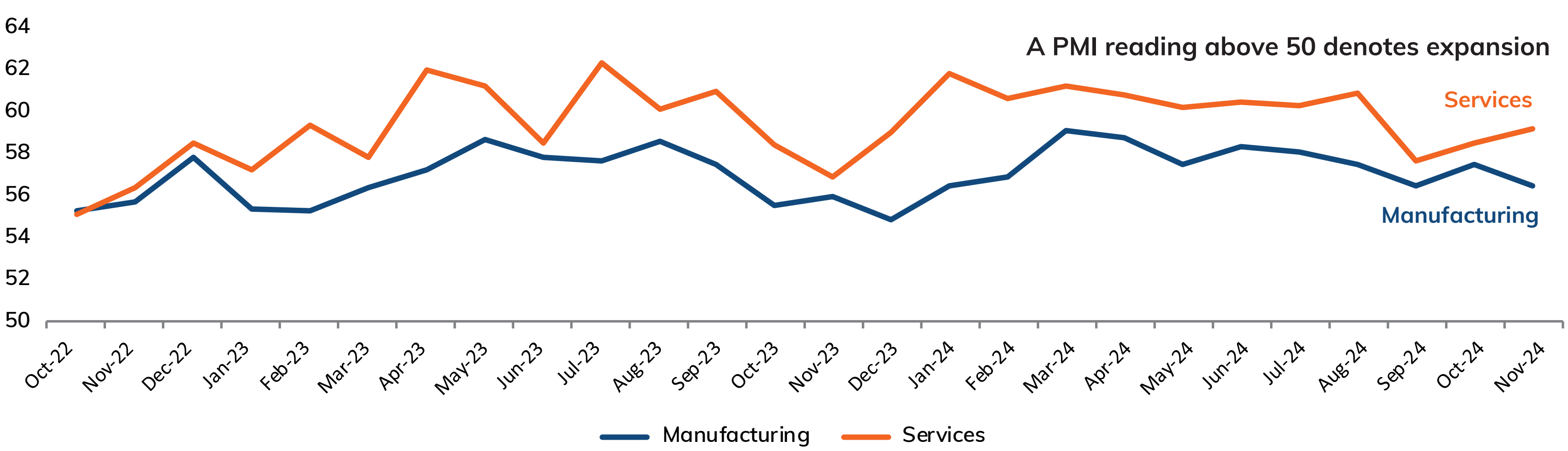
A healthy level of foreign exchange reserves acts as a buffer against global financial turbulence, which could be directed to defend the domestic currency in times of volatility.

Business Activity of India gained momentum in November 2024

The HSBC Flash India Services PMI Business Activity Index rose to 59.2 in November 2024, up from 58.5 in October 2024. Surging new business gains and export sales boosted output growth across India's private sector economy. Improving business conditions pushed services sector employment to the highest level ever recorded by this indicator since December 2005.

A key catalyst for a significant turnaround in India's manufacturing sector is the Production Linked Incentive (PLI) scheme that aims to strengthen domestic manufacturing capabilities and promote import substitution. **The HSBC Flash India Manufacturing PMI stood at 56.5 in November 2024.** Manufacturing firms registered a rise in aggregate new orders with slightly stronger increase in international sales than their services counterparts during the month.

INDIA'S PURCHASING MANAGERS' INDEX (PMI)



Source: The HSBC Flash India PMI® is compiled by S&P Global from responses to questionnaires sent to survey panels of around 400 manufacturers and 400 service providers. Manufacturing variables: Output, new orders, new export orders, backlogs of work, stocks of finished goods, employment, quantity of purchases, suppliers' delivery times, stocks of purchases, input prices, output prices, future output. Services variables: Business activity, new business, new export business, outstanding business, employment, input prices, prices charged, future activity.

While business activity was encouraging during the month, **intensifying price pressures for raw materials used by manufacturers as well as higher food costs and wage bills in the services sector continue to pose challenges.**

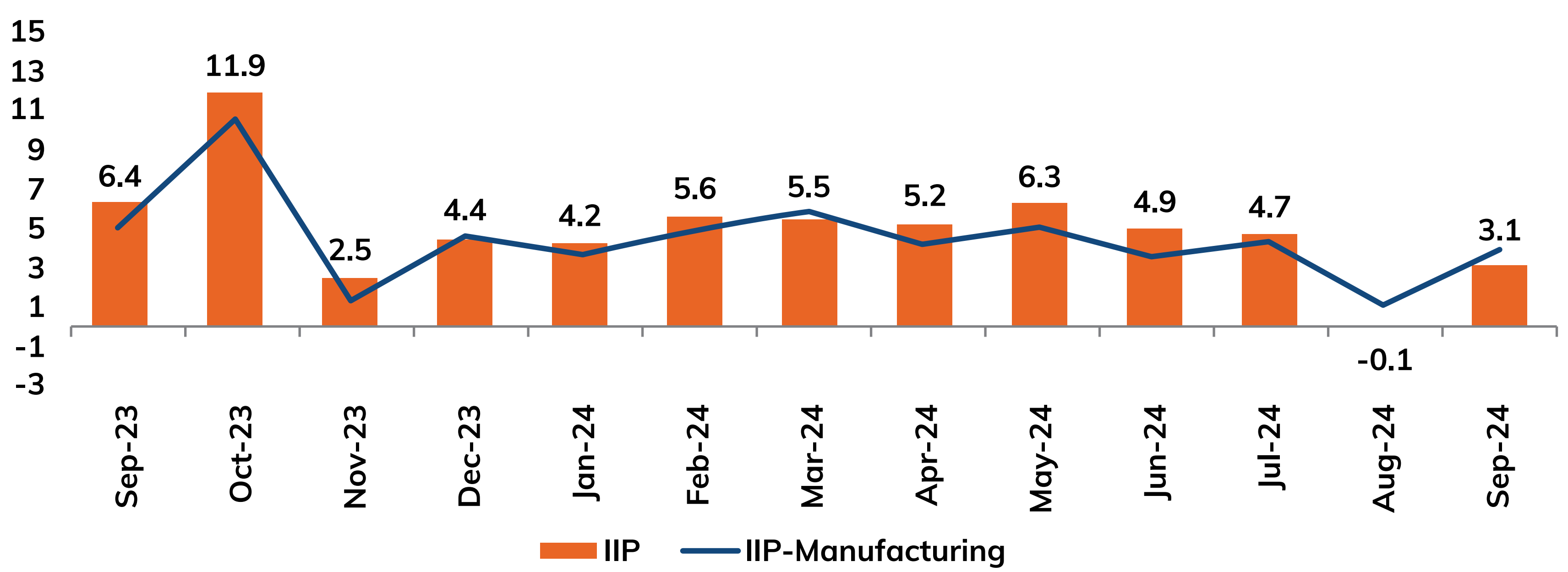
Index of Industrial Production revived from the negative territory.

ICICI PRUDENTIAL MUTUAL FUND

India's factory output, measured by the Index of Industrial Production (IIP), grew 3.1% year-on-year in September 2024, supported by an **uptick in manufacturing sector activity.**

Manufacturing sector output growth stood at 3.9% in September 2024 compared to 1.1% in August 2024, driven by an acceleration in output of capital intensive sectors, such as transport equipment and electrical machinery. **Additionally, mining and electricity output** recorded a marginal growth of 0.2% and 0.5%, **recouping from the contraction phase.**

INDEX OF INDUSTRIAL PRODUCTION (%)



Source: Ministry of Statistics and Programme Implementation (MOSPI), Latest year-on-year % data as on September 2024. IIP: Index of Industrial Production

The course of industrial output would be shaped by a number of factors: **Consumer spending could increase** during festive and wedding season. **Additionally, government spending on infrastructure projects could boost industrial activity** by increasing demand for construction materials. **Good agricultural output would support rural income, translating into better demand.**

India's core sector output displays recovery

The eight core industries, consisting of coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity are a key indicator of industrial performance.

India's core sector growth improved to 3.1% in October 2024, compared to a 2% rise in September 2024, driven by positive growth of Coal, Refinery Products, Steel, Cement, Electricity and Fertilizers. However, a high base effect coupled with weaker performance of sectors, such as natural gas and crude oil weighed on the overall performance.

INDIA'S CORE SECTOR GROWTH (% CHANGE, YEAR-ON-YEAR)

Source: Ministry of Commerce and Industry

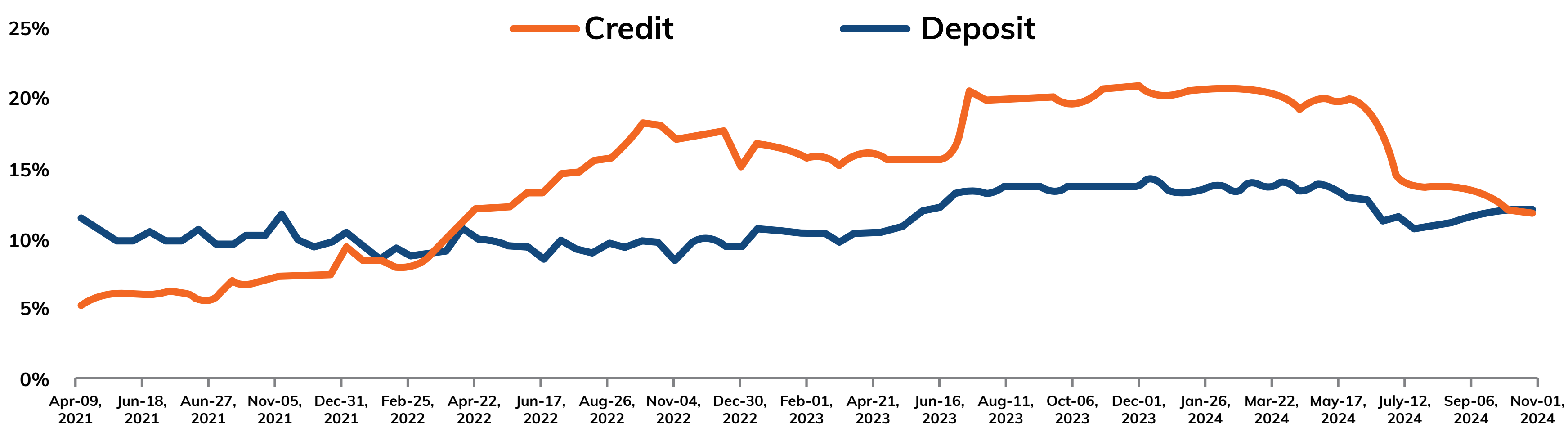
Is India's Bank Deposit Growth at par with Credit Growth?

In the wake of retail customers preferring alternative investment avenues, **the Reserve Bank of India (RBI) governor encouraged banks to mobilize deposits through innovative products and services by leveraging their vast branch network.**

Deposits growth outpaced credit growth for the first time in 30 months – During the fortnight ended October 18, 2024, deposits witnessed a growth of 11.8% while credit increased by 11.7%.

The slowdown of credit offtake as compared to last year can be attributed to commentary on the reduction of a high credit-to-deposit ratio, a higher base effect, Reserve Bank of India (RBI) measures such as higher risk weights and the proposed Liquidity Coverage Ratio (LCR) norms (Source: CareEdge Ratings Research Report).

CREDIT OFFTAKE AND DEPOSIT GROWTH (%)



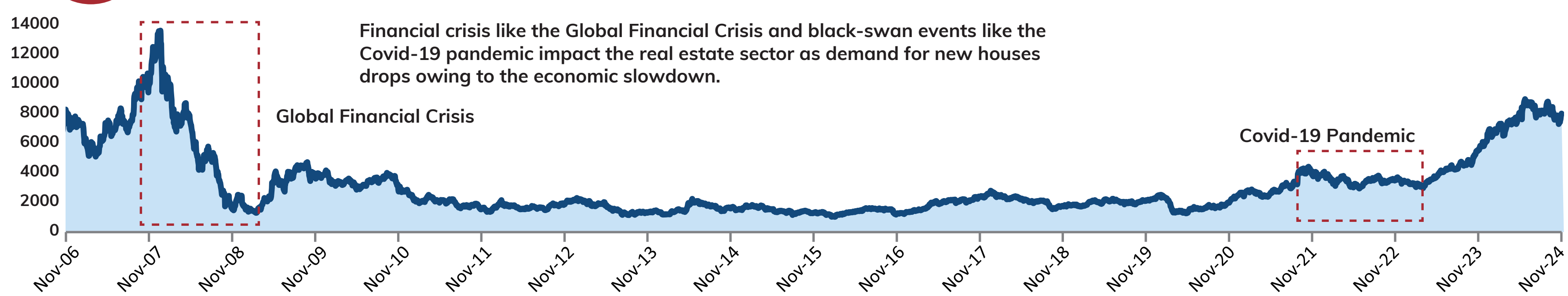
Source: Reserve Bank of India (RBI), CareEdge.

Another development related to the banking sector is that the Microfinance Institutions Network (MFIN) issued guidelines around microlending to address rising bad loans, effective from January 2025: The number of lenders per borrower has been reduced to 3 as against 4 earlier and the maximum indebtedness of a borrower has been capped at ₹2 lakh, including both micro and unsecured retail loans. Moreover, members were asked to stop lending to delinquent customers who have overdue loans for more than 60 days with an outstanding amount exceeding ₹3,000.

India's Real Estate cycle has gained traction

With enforcement of a national lockdown in 2020, the demand for real estate properties declined as consumers prioritized essential items over consumer durables and real estate purchases. **Construction activity came to a standstill, leaving developers with no option but to reschedule their new launches to the time when sentiments improve.**

BSE REALTY INDEX (CLOSING LEVEL)



Source: BSE, Data as on November 25, 2024.

The following parameters strengthen the case for a turnaround of the real estate sector:

01 Premium apartments have been on the rise driven a rise in income levels, urbanization and work-from-home/hybrid models.

02 Inventory levels for residential real estate has declined considerably from 30 months during the pandemic to around 16 levels in Q2FY25, indicating growing demand.

Data Source: PropEquity

03 Supportive Government Policies, such as Real Estate (Regulation and Development) Act, 2016, aim to promote transparency in the Indian real estate sector, which could encourage investments in this sector.

04 The Gross debt-to-collection ratio improved from 1.61 times in FY19 to 0.65 times in FY24.

Automobile Sales gear up in October 2024

ICICI PRUDENTIAL MUTUAL FUND

India's automobile sector faced a rough patch during the pandemic-induced lockdown, impacting production of original equipment manufacturers. **A slowdown in demand, triggered a loss in revenue for businesses. Vehicle sales revived gradually towards the end of 2020** as travel restrictions eased, India's harvest improved and the festive season stimulated demand.

The vehicle retail sales in India witnessed a significant year-on-year growth of 32% to 28,32,944 units in October 2024 with two-wheelers and passenger vehicles registering strong growth.

01 PASSENGER VEHICLE SALES

High consumer demand, competitive discounts and growing interest in new Sport Utility Vehicle (SUV) models underpinned growth.

October 2023
3,64,991 units

32.38%
Growth

October 2024
4,83,159 units

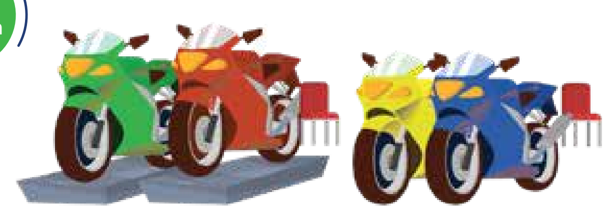
02 TWO-WHEELER SALES

A surge in demand for two-wheelers is fueled by favourable festive discounts, introduction of new models, and higher Minimum Support Prices.

October 2023
15,14,634 units

36.34%
Growth

October 2024
20,65,095 units



02 THREE-WHEELER SALES

Continued demand for agricultural support and mobility augmented the growth of the three-wheeler segment.

October 2023
1,10,221 units

11.45%
Growth

October 2024
1,22,846 units

04 TRACTOR SALES

Favorable monsoon, good Kharif crop production and high reservoir levels would support agriculture. The onset of a harvest period bolsters the demand for tractors.

October 2023
62,507 units

3.08%
Growth

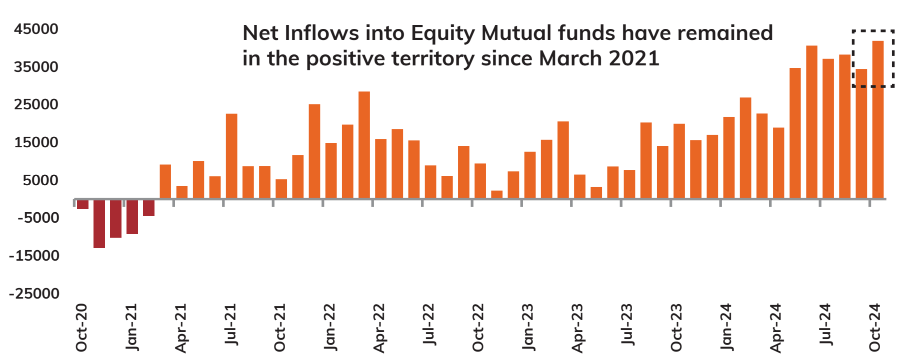
October 2024
64,433 units

Source: Federation of Automobile Dealers Associations (FADA)

Retail Mutual Fund Investors Continue to Buy the Dip?

Despite the market turbulence, Equity mutual funds witnessed record inflows of ₹41,887 crore in October 2024, up from ₹34,419 crore in September 2024, a notable jump of 21.69% on a month-on-month basis. During the month, highest inflows were observed in the Sectoral/ Thematic Funds, followed by Large & Mid Cap Funds and the Multi Cap category.

NET INFLOWS IN EQUITY MUTUAL FUNDS (₹, CRORE)



Source: Association of Mutual Funds in India (AMFI)

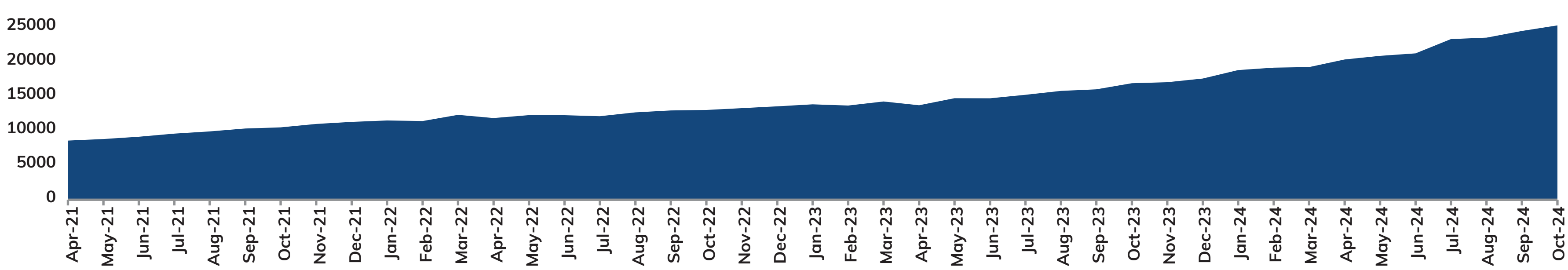
NET INFLOWS/OUTFLOWS (₹, CRORE)

Category	September (₹ crore)	October (₹ crore)
Multi Cap Fund	3,509	3,597
Large Cap Fund	1,769	3,452
Large & Mid Cap Fund	3,598	4,857
Mid Cap Fund	3,130	4,683
Small Cap Fund	3,071	3,772
Dividend Yield Fund	1,530	533
Value Fund/Contra Fund	1,964	2,457
Focused Fund	-273	693
Sectoral/Thematic Funds	13,255	12,279
ELSS	-349	383
Flexi Cap Fund	3,215	5,181
Total	**34,419**	**41,887**

Source: Association of Mutual Funds in India (AMFI) ELSS: Equity Linked Savings Scheme.

Systematic Investment Plan (SIP) contribution through the mutual funds route reached a new high at ₹25,323 crore in October 2024, indicating the inclination of investors to disciplined investing.

SIP CONTRIBUTION (₹, CRORE)



Source: Association of Mutual Funds in India (AMFI). The mutual fund schemes/categories mentioned in this presentation do not constitute any recommendation of the same.

Q2FY25 corporate earnings scorecard is weak

All Listed Firms' Financial Performance

	(INR tn)					% (YoY)				
	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Income	19.2	19.5	20.6	20.2	20.1	1.4	3.5	5.7	7.4	4.4
Expense	17.1	17.5	18.6	18.2	18.1	-3.4	0.1	5.4	8.6	6.2
Raw Materials Costs	11.1	11.7	11.9	11.9	11.9	-5.8	1.7	3.2	10.7	6.5
Gross Margin	42.1	40.3	42.3	41.1	40.9	-	-	-	-	-
Profit Before Tax (PBT)	2.2	2.0	2.1	2.0	1.9	65.3	47.1	9.3	-2.3	-9.7
Profit After Tax (PAT)	1.6	1.5	1.5	1.5	1.4	72.8	54.2	4.8	-1.8	-10.0

Excluding BFSI sector Source: ProwessIQ and ICICI Bank Research

1) **Banks:** The banking sector experienced a subdued quarter amid moderation in margins, slowing loan growth and a rise in provisioning expenses. NIM (Net Interest Margins) declined for several banks due to the ongoing cost pressures amid and intense competition for liabilities.

2) **Consumption:** The consumption sector delivered mixed results as rural demand recovered but that of urban markets faltered due to persistent inflation.

3) **Healthcare:** The profitability of healthcare companies was driven by a steady growth in chronic therapies, increased contribution from products that faced limited competition and the ongoing higher inventory levels for raw materials, ensuring a stable supply chain.

4) **Autos:** Commercial and electric vehicles displayed promising growth, indicating a gradual in consumer preference. While the demand for passenger vehicles was weak, increase in sales of rural-focused vehicle segments, particularly two-wheelers and tractors, supported the sector.

5) **Oil & Gas:** Businesses witnessed a decline in earnings, affected by lower refining margins and LPG (Liquefied Petroleum Gas) under-recoveries.

6) **Technology:** The growth was driven by demand in the Banking and Finance Sector, cloud adoption and digital transformation projects. Some factors that could shape the course of the sector ahead include discretionary spending and policies by the U.S. government related to this sector.

Other Key Developments

The Growing importance of Silver in the Industrial Landscape: Silver is considered an important precious metal for its store of value and extensive usage in the industrial landscape. **India's silver imports surged to 4,554 metric tons in the first half of 2024 compared to 560 tons a year ago, driven by strong demand from the solar panel and electronics makers. (Reuters, Trade ministry data).** The customs duty on silver has been slashed from 15% to 6% as announced in the FY25 Union Budget, making this precious metal more affordable.

Equity Infusion in Food Corporation of India: The Cabinet Committee on Economic Affairs (CCEA) has approved infusion of equity of ₹10,700 crore for working capital in financial year 2024-25 in Food Corporation of India (FCI). The decision is aimed at bolstering the agricultural sector and ensuring the welfare of farmers nationwide (Ministry of Consumer Affairs, Food & Public Distribution).

RBI introduced a framework for reclassification of Foreign Portfolio Investors (FPI) to Foreign Direct Investment (FDI): FPIs can hold a maximum of 10% of an Indian company's total paid-up equity capital. If this exceeds the cap, the FPIs could either consider divesting the surplus shares or reclassifying it as FDI. **The RBI's new framework mandates that this reclassification be completed within five trading days from the date of the transaction that breaches the limit, subject to requisite approvals from the Indian government and the invested company.** This would ensure a systematic transitioning process from FPI to FDI, minimizing regulatory breaches.

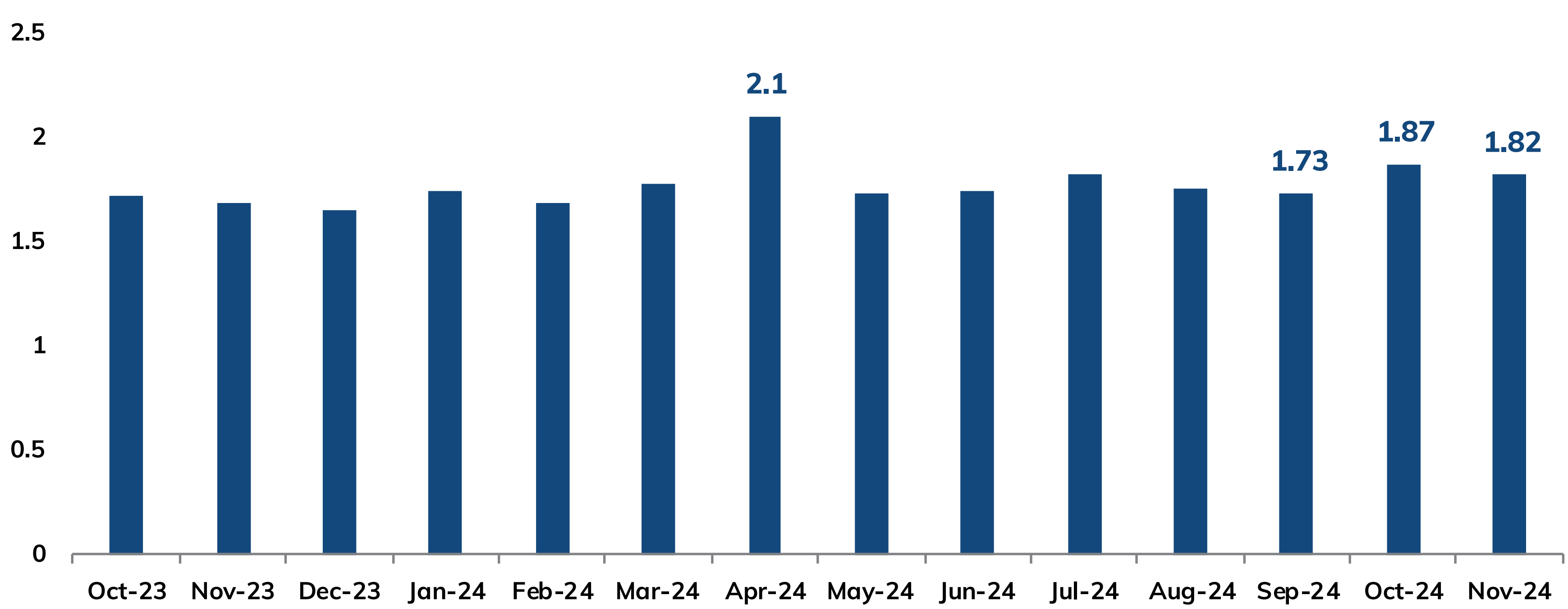
Mutual Funds can invest in foreign funds with exposure to Indian equities: The Securities and Exchange Board of India (SEBI) has permitted mutual funds to invest in overseas mutual funds or unit trusts that invest a portion of their assets in Indian securities. This regulation aims to ease investments in overseas mutual funds, facilitate transparency while investing and enable mutual funds to diversify their overseas investments.

Other Key Developments

India's Fiscal Deficit: **India's fiscal deficit for the April-October 2024 period stood at ₹7.51 lakh crore, 46.5% of the estimate for FY25 (Source: Controller General of Accounts).** This is lower than ₹8.04 lakh crore recorded a year ago owing to lower government capital expenditure amid the elections.

GST Collections: **The Goods and Services Tax (GST) stood at ₹1.82 lakh crore in November 2024,** marginally lower than the ₹1.87 lakh crore reported in October 2024, which was the second highest reported so far since introduction of the new indirect tax regime. The recent festive season could have a positive impact on the goods purchased.

GOODS AND SERVICES TAX COLLECTIONS (₹, LAKH CRORE)



Source: Ministry of Finance

And it is a wrap for the month

November has been an election-packed month – The Dow Jones climbed to a high of 44,903 in November 2024 as investors cheered the Republicans gaining control. Tariffs and fiscal policy are two most critical tools in the hands of the authorities – **the impact on other economies would depend on its relative position in global trade and the nature of partnership with the superpower.**

On the domestic landscape, the incumbent government attained victory in the Maharashtra assembly elections. **The BSE Sensex rebounded to test 79,802 levels towards the end of November, scrambling to re-test the September 2024 high of 85,930. While an uptick manufacturing sector growth, strong rural demand and a jump in exports are positive developments, higher inflation is biting into urban consumption demand coupled with a slowdown in corporates' earnings and capex, which are a cause for concern.**

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Disclaimer

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

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