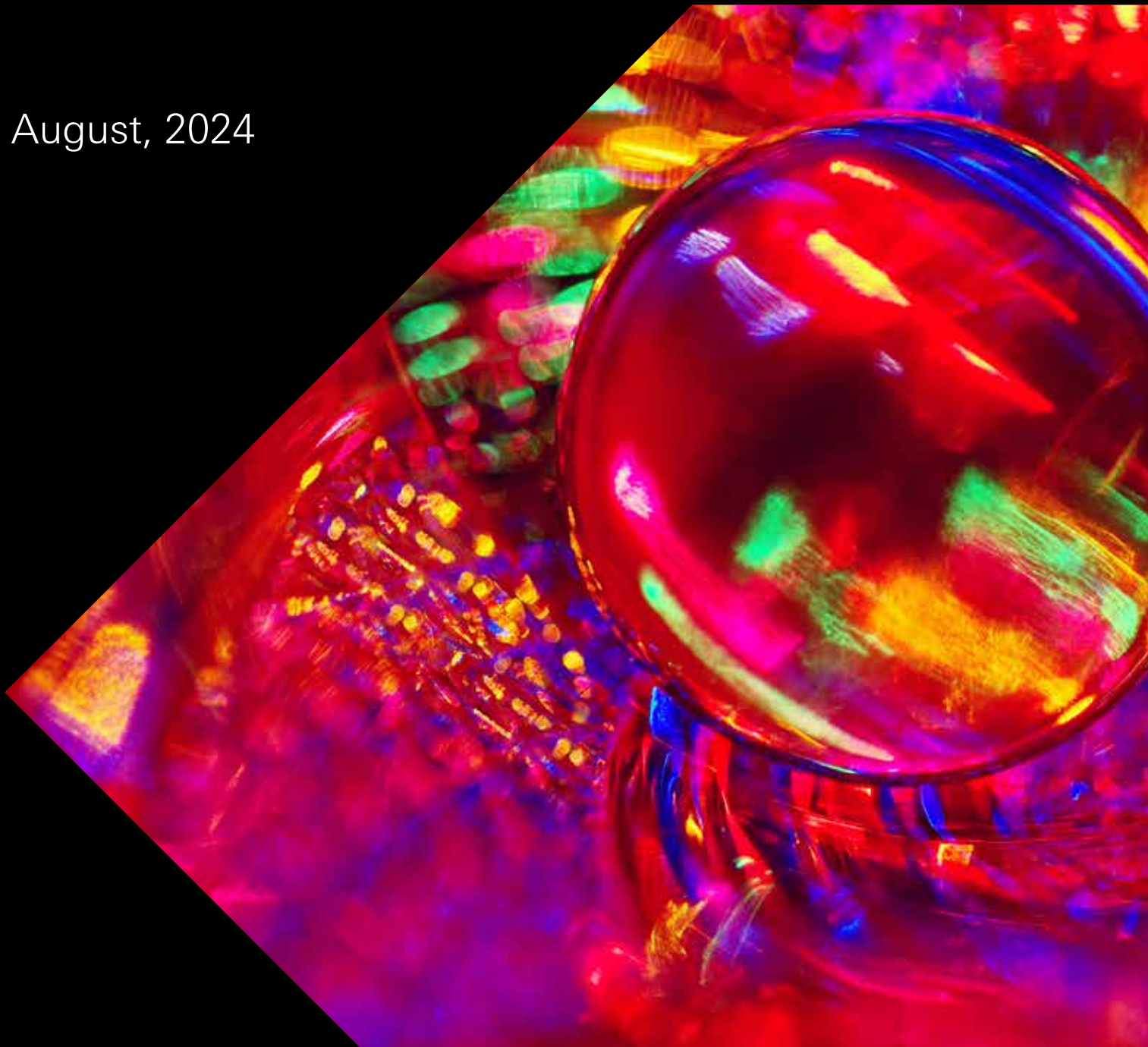


Equity Market Review

August, 2024



- ◆ Indian equity indices maintained their upward trend in August 2024. BSE Sensex and NSE Nifty moved up 1.0%/1.4%, respectively for the month.
- ◆ Broader market also remained positive with the BSE Small Cap index up 1.4% and the NSE Mid Cap index rising 0.4% during the month.
- ◆ Healthcare was the top performing sector in August followed by IT. FMCG and Oil & Gas also delivered positive returns while Banks, Metals, Auto, Power, Capital Goods and Real Estate delivered negative returns for the month.



Domestic Indices	Last Close	1 Month (Change)	CYTD 24 (Change)
BSE Sensex TR	127497	1.0%	15.2%
Nifty 50 TR	37462	1.4%	17.3%
BSE 200 TR	14889	1.1%	22.3%
BSE 500 TR	47595	1.0%	23.0%
NSE Midcap TR	27695	0.4%	28.9%
BSE Smallcap TR	69207	1.4%	31.9%
NSE Large & Midcap 250 TR	21283	0.8%	25.0%
BSE India Infrastructure Index TR	1035	-1.8%	55.8%
MSCI India USD	1124	0.9%	22.0%
MSCI India INR	3059	1.1%	23.0%
INR - USD	83.9	0.2%	0.8%
Crude Oil	79	-2.4%	2.3%

Indices	30-Aug 2024	31-July 2024	% Change 1 Month	% Change 1 Year	% Change YTD
BSE Auto	59,041	60,185	-1.90	66.25	39.81
BSE BANKEX	58,312	58,866	-0.94	18.11	7.23
BSE Capital Goods	73,169	75,640	-3.27	61.82	31.50
BSE Consumer durables	63,590	60,929	4.37	42.69	27.18
BSE FMCG	23,022	22,507	2.29	24.68	12.48
BSE Healthcare	43,177	40,519	6.56	54.79	36.86
BSE IT	43,487	41,707	4.27	37.93	20.76
BSE Metal	32,456	32,771	-0.96	48.76	20.25
BSE Oil & Gas	32,978	32,563	1.27	78.78	43.25
BSE Power	8,232	8,442	-2.49	89.15	41.47
BSE PSU	21,977	22,814	-3.67	92.17	41.26
BSE Realty Index	8,234	8,540	-3.59	84.27	33.08

Source: NSE, BSE, Data as on 30, August 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns.

Note-The details provided above is as per the information available in public domain at this moment and subject to change. Please consult your financial advisor for any investment decisions

Global Market Update

MSCI World index also moved up a solid 2.5% in August. It was driven by a 2.3% gain in the US (S&P 500) while MSCI Europe gained 3.7% and MSCI Japan gained 0.5%. MSCI EM was up 1.4% with 0.9% gain in MSCI China. Crude oil price declined 2.4% (MoM) in August.

International Indices (in USD)	Last Close	1 Month (Change)	CYTD 24 (Change)
MSCI World	3,661	2.5%	15.5%
Dow Jones	41,563	1.8%	10.3%
S&P 500	5,648	2.3%	18.4%
MSCI EM	1,100	1.4%	7.4%
MSCI Europe	2,219	3.7%	9.8%
MSCI UK	1,312	2.5%	11.5%
MSCI Japan	4,139	0.5%	11.9%
MSCI China	57	0.9%	2.1%
MSCI Brazil	1,504	5.5%	-16.4%

Macro Economic Data

- ◆ FII remained net buyers of Indian equities in August with inflow of US\$1.4 bn. DII's invested US\$5.75 bn with MFs investing US\$4.1 bn while Insurance were net buyers with an inflow of US\$1.65 bn during the month.
- ◆ India's GDP growth for Q1FY25 remained strong at 6.7% (YoY) but was slower than 7.8% (YoY) for Q4FY24. The growth has been supported by higher investment and consumption growth while government spending was slow partly impacted by the general elections during the quarter.
- ◆ Nominal GDP growth in Q1FY25 was 9.7% (YoY) in Q1FY25 similar to 9.9% (YoY) in Q4FY24.
- ◆ CPI fell to 3.5% (YoY) in July from 5.1% (YoY) in June driven by a supportive base effect. Core-core inflation (i.e. core inflation ex petrol and diesel) remained low at 3.5% (YoY) in July slightly above 3.3% (YoY) in June.
- ◆ Industrial production growth (IIP) dropped to 4.2% in June from 6.2% (YoY) in May.
- ◆ Gross GST revenue collection for the month of August stood at Rs 1.75 tn, up 10% (YoY).

Valuations

While consensus earnings estimate for FY25/26 remained flat in August. Nifty now trades on 21.9x 1-year forward PE 20% above its 10-year average and 12% above its 5-year average. Valuations in Mid Cap and Small Cap space are much more elevated.

Macro View

In our view, global macro environment remains challenging with heightened geo-political and economic uncertainties. US bond yields are now softening driven by concerns of a US slowdown. For India, growth has remained strong with GDP growth of 6.7% (YoY) in Q1FY25 despite slowdown in government spending due to elections. The government has maintained policy continuity in the Union Budget. Infra thrust of the government along with reduction in fiscal deficit should be supportive for domestic growth and capex cycle. Outlook for monsoon is also positive and therefore supportive for rural demand and overall consumption growth in the economy in FY25.

Outlook

India's growth momentum and outlook remain strong. Increased government focus on employment generation and skill development is likely to lead to further policy support for manufacturing. We expect India's investment cycle to be on a medium-term uptrend supported by rising government

Outlook (contd)

investment in infrastructure and recovery in the real estate cycle. We also expect higher private investments in renewable energy and related supply chain, localization of higher-end technology components, and India becoming a more meaningful part of global supply chains to support faster growth. However, in our view several of these positives are getting discounted by the high valuations currently prevailing in the equity market. While we remain constructive on Indian equities supported by the more robust medium term growth outlook we would caution against high return expectations.

Key Drivers For Future

On the headwinds, we have

Moderating global growth due to higher interest rates is likely to weigh on demand going forward.

Global commodity prices: Decline in crude oil and fertilizers has been a positive for India from inflation, fiscal deficit and corporate margins perspective in FY24. However, any significant increase would be a headwind.

Other factors/risks: High fiscal deficit and weak monsoon.

We see the following positives for the Indian market:

Government infrastructure spending: Strong government thrust on infrastructure spending is clearly supporting the economy and has been one of the big positive contributors to FY24 GDP growth.

Recovery in real estate cycle: Real Estate remains another strong medium-term growth driver having weathered the impact of higher interest rates. Demand trends in top metro cities remain strong and inventory levels have declined.

Recovery in private capex: Industry capacity utilization based on RBI survey data is at a reasonably high level and indicates potential for increase in private capex going forward. Also, the continued expansion of the Production Linked Incentive (PLI) scheme is likely to further increase private investments in targeted sectors. We also expect higher private capex in renewable energy.

Note: Returns mentioned in the report are the Total Return or TR variants of the respective domestic indices. USD return for global indices. Views provided above are based on information in public domain and subject to change. Investors are requested to consult their financial advisor for any investment decisions.

Source: Bloomberg, MOSL & HSBC MF estimates as on Aug 2024 end or as latest available

Disclaimer: This document has been prepared by HSBC Asset Management (India) Private Limited (HSBC) for information purposes only and should not be construed as i) an offer or recommendation to buy or sell securities, commodities, currencies or other investments referred to herein; or ii) an offer to sell or a solicitation or an offer for purchase of any of the funds of HSBC Mutual Fund; or iii) an investment research or investment advice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and / or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information / opinion herein. This document is intended only for those who access it from within India and approved for distribution in Indian jurisdiction only. Distribution of this document to anyone (including investors, prospective investors or distributors) who are located outside India or foreign nationals residing in India, is strictly prohibited. Neither this document nor the units of HSBC Mutual Fund have been registered under Securities law/Regulations in any foreign jurisdiction. The distribution of this document in certain jurisdictions may be unlawful or restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions. If any person chooses to access this document from a jurisdiction other than India, then such person do so at his/her own risk and HSBC and its group companies will not be liable for any breach of local law or regulation that such person commits as a result of doing so.

Document intended for distribution in Indian jurisdiction only and not for outside India or to NRIs. HSBC MF will not be liable for any breach if accessed by anyone outside India. For more details, click here / refer website.

© Copyright. HSBC Asset Management (India) Private Limited 2024, ALL RIGHTS RESERVED.

HSBC Mutual Fund, 9-11th Floor, NESCO - IT Park Bldg. 3, Nesco Complex, Western Express Highway, Goregaon East, Mumbai 400063. Maharashtra.

GST - 27AABCH0007N1ZS | Website: www.assetmanagement.hsbc.co.in

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