MONTHLY UPDATE
OCTOBER 2024

23 YEARS
Protecting India with Pride

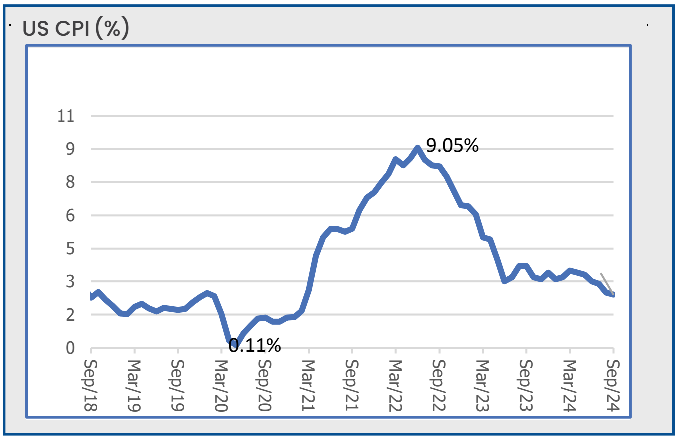
HDFC Life
Sar utha ke jiyo!

Market Outlook

HDFC Life – Monthly Update (November 2024)

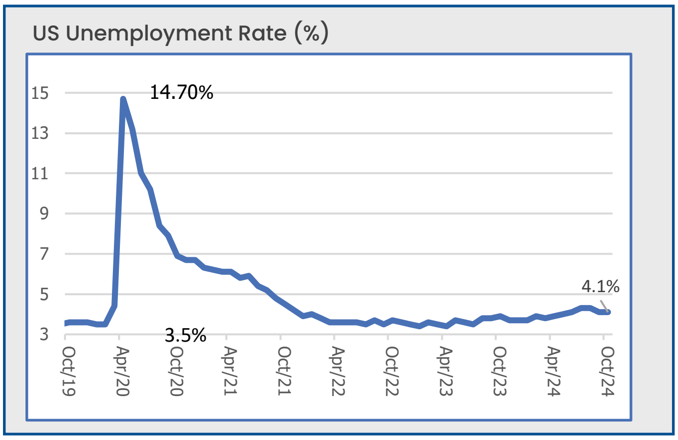
Global Macro Review

US CPI (%)



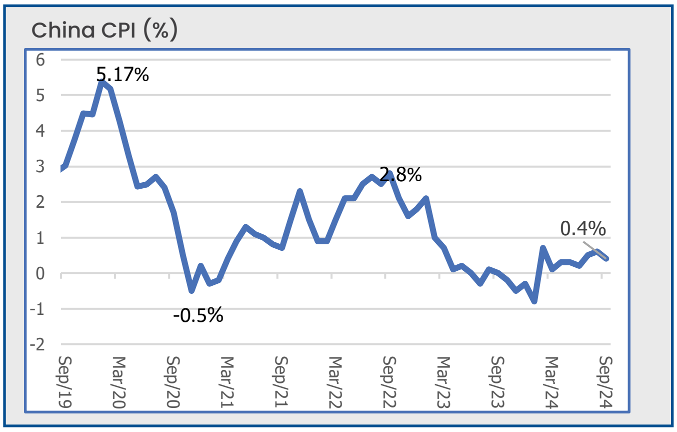
- US CPI inflation inched lower to 2.4% YoY in Sep. vs 2.5% in Aug largely in line with market expecatation. The reading was the lowest since February 2021. On sequential basis, CPI inflation remained steady at 0.2% MoM, unchanged from previous month. For the US Fed, the prospect of steady disinflation and re-balancing of the labour market will likely allow it to cut rates by 25bps in November meeting

US Unemployment Rate (%)



- The US unemployment rate remained unchanged at 4.1% whereas the participation rate edged lower to 62.6% in October from 62.7%. Nevertheless, the stability in the unemployment rate reduces concerns about the risk of a sharp slowdown or an imminent recession taking place.
- US Non Farm Payrolls, rose by only 12K (expectations: 110K-140K) in October that reflected disruptions due to strikes and hurricanes as it was the weakest reading since December 2020. Payrolls growth for August-September were revised down by 112K indicating that hiring was slowing.

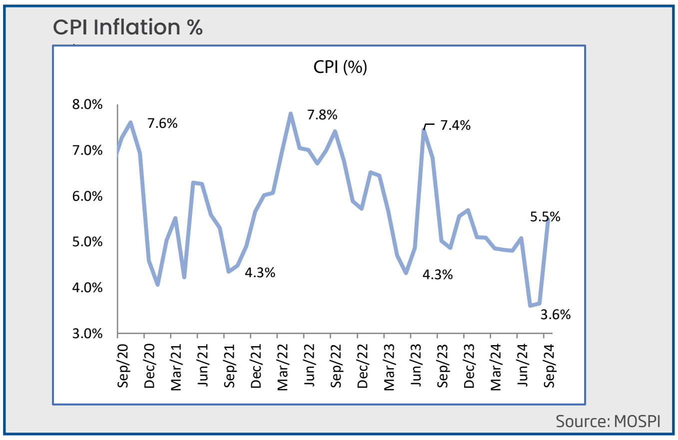
China CPI (%)



- Chinese CPI rose by 0.4% yoy in September vs 0.6% in Aug. The fall in inflation was due to lower crude price and lower food prices. The ongoing structural slowdown taking place in the Chinese economy was confirmed in 3Q2024. The economy slowed from 4.7% YoY in 2Q2024 to 4.6% in 3Q2024. Fiscal policy measures delivered are aimed at safe-guarding the economy. These measures are unlikely to provide an income boost and reflate the economy given limited direct support to boost consumption or housing.

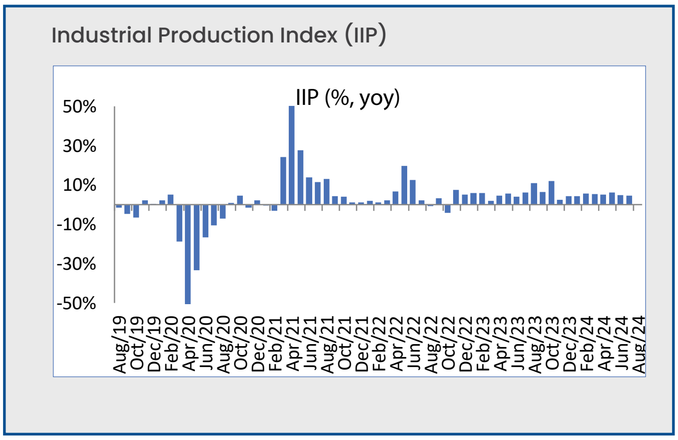
India Macro Review

CPI Inflation %



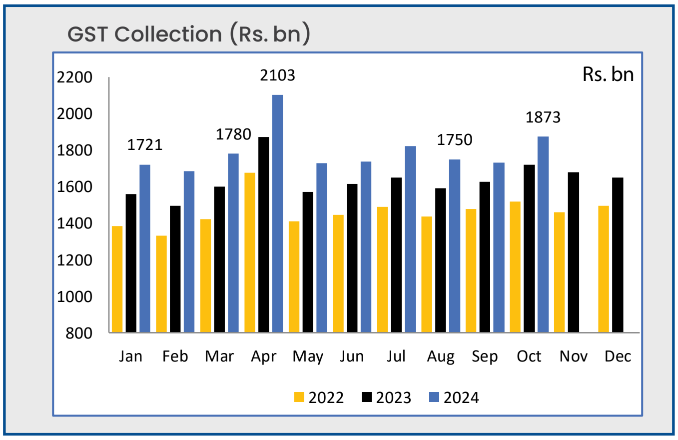
- Inflation (CPI) for Sep'24 increased to 5.5% vs. 3.6% in Sep'24 as food CPI, which constitutes 45.9% of the index, rose to 8.4% in Sep'24 vs. 5.3% in Aug'24.
- Core CPI exlcuding food and fuel which constitutes 54% of CPI, was up to 3.7% in Sep'24 vs. 3.4% in Aug'24.

Industrial Production Index (IIP)



- Industrial Production (IIP) growth for Aug'24 was flat vs. 4.7% growth in Jul'24 as manufacturing output was only marginally up 1% in Aug'24 vs. 4.4% in Jul'24. However, Electricity and Mining output contracted (-3.7%) and (-4.3%) in Aug'24.

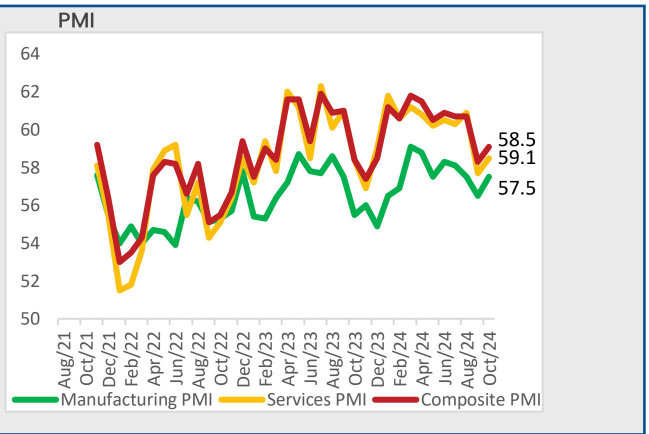
GST Collection (Rs. bn)



- GST revenues for the month of Oct'24 came to Rs. 1,873bn showing a 9% YoY increase vs. Rs. 1,720bn in Oct'23.
- Avg. monthly GST collections have increased to Rs. 1.8 lakh crore in 7M FY25 vs. Rs. 1.7lakh crore in 7M FY24 and Rs. 1.5lakh crore in 7M FY23 continuing to display high buoyancy.

India Macro Review

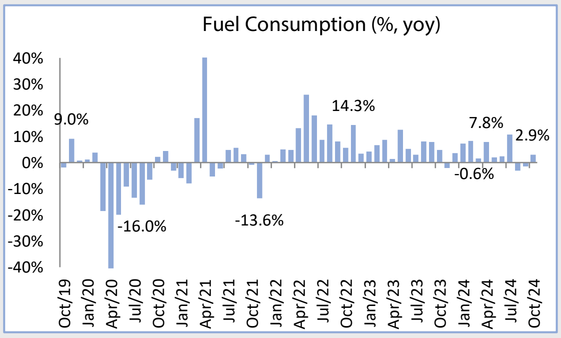
PMI



- PMI (manufacturing) increased to 57.5 in Oct’24 from 56.5 in Sep’24. Notably, PMI continuing in expansion zone (>=50) indicate the continued strength in orders pipeline and production, despite a slowdown seen in the exports.

Fuel consumption YoY Growth %

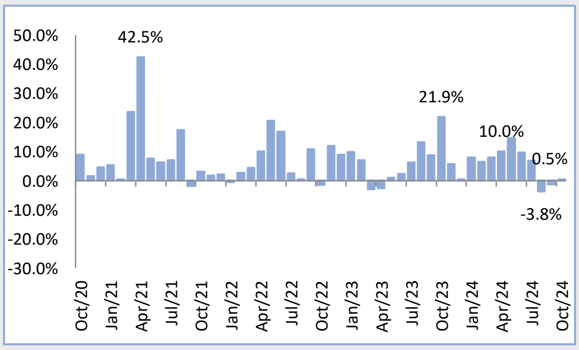
Fuel Consumption (%, yoy)



- Fuel consumption marginally up 2.9% yoy in Oct’24 vs. 1.5% contraction in Sep’24. With in fuel category, petrol consumpton increased by 8.7% yoy in Oct’24. However, Consumption for diesel was flat in Sep’24

Electricity Production YoY Growth %

Electricity Production (%, yoy)



- Electricity production was marginally up 0.5% YoY in Oct’24 vs. 1.3% contraction YoY in Oct’24.
- High base from last year had lead to muted growth in electricity production in Oct’24

Equity Outlook and Positioning

Monthly Index performance

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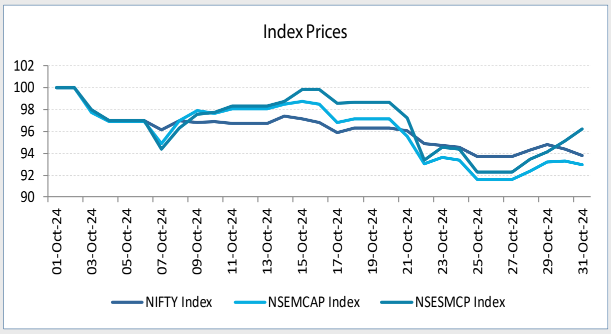

- Equity markets were negative in Oct'24 with small cap indices outperforming midcaps and large caps. Nifty 50 closed the month down 6% while CNX Midcap Index fell 7% and Small Cap down 4%
- Outperforming sectors include Pharma, Banking, IT and Capital goods. On the other hand, the underperforming sectors included Oil & gas, Auto, Consumer durables, Metals, Power, Real estate and FMCG.

Nifty Valuation (1 year forward PE)

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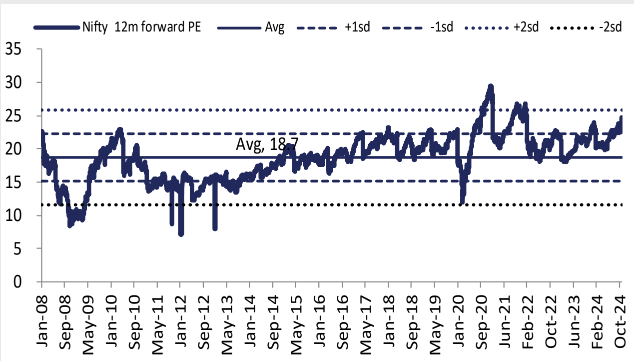
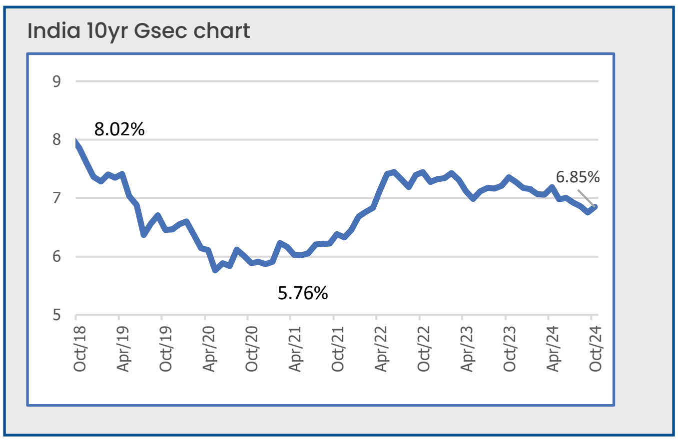


Source: Bloomberg

- -Q2FY25 result season has been quite weak for most sectors, with more sectors witnessing headwinds now versus earlier. Auto sector has been an exception with good volume performance but the base incrementally is getting tough. Financials were a mixed bag with large banks performing quite well but mid-sized and smaller banks witnessing an uptick in slippages because of issues in unsecured, credit card and MFI portfolios. IT companies delivered good performance.
  Despite the correction, Indian markets still trade at a valuation of 19.8x FY26 P/E, which is higher than long term averages. This set up makes us cautious in the short term despite having a positive view from a medium to long-term point of view.

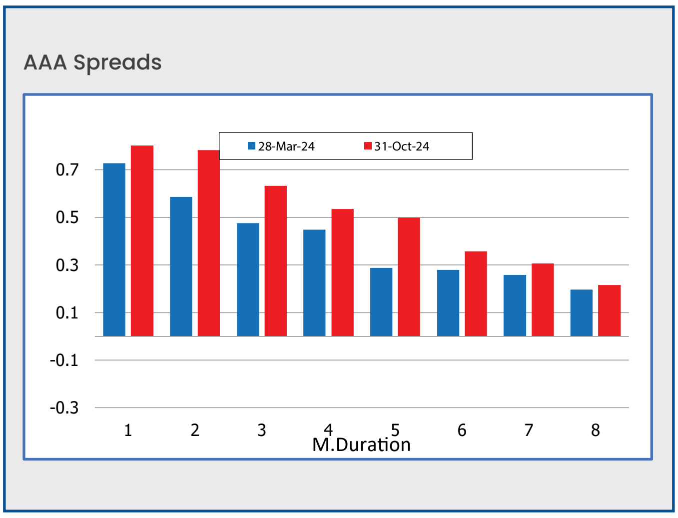
Debt Outlook and Positioning

India 10yr Gsec chart



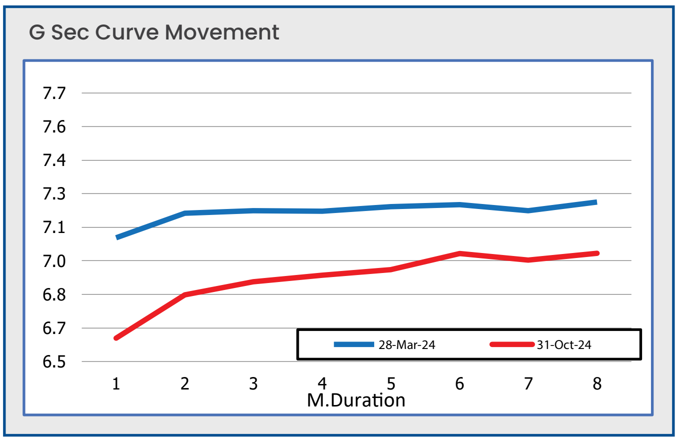
- The 10 yr UST yield rose sharply by almost 50bps for the month. The 10 yr UST closed at 4.28% in October vs 3.78% in September. The sharp rise in yield was due to higher-than-expected September employment data, escalation in geo- political risk and rising odds of a Trump win.
- The US FOMC cut rates by 25bps as expected in its Nov policy, taking fed fund rate to 4.50%-4.75%. The fed acknowledged that labor market had eased and inflation continues to be on down-ward trajectory and hence fed rates would continue on its path of easing towards a neutral stance

AAA Curve movement



- In India, the 10yr benchmark yield rose by 10bps responding to rise in global yields coupled with outflows from FPI in the month of October.
- The MPC meeting in October maintained the repo rate at 6.5% for the 10th consecutive time, However the MPC unanimously agreed to alter its stance to neutral, for the first time since the April 2023 policy meeting. Given the backdrop, there are already initial signs of sluggishness in the economy and RBI may initiate rate cut cycle later in the year.

G Sec Curve Movement



- Although global volatility will continue to impact Indian bond markets in the near term, the favorable demand-supply dynamics is expected to cap any significant rise in the yields. Geo- political risk and any significant policy change by newly elected US president would continue to remain key monitorable over the medium term.

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