

MONTHLY UPDATE

APRIL 2024



Sar utha ke jiyo!

Market Outlook

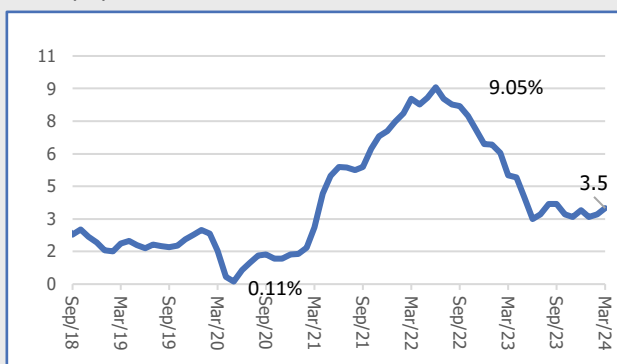
HDFC Life - Monthly Update (May 2024)



Global Macro Review

US CPI (%)

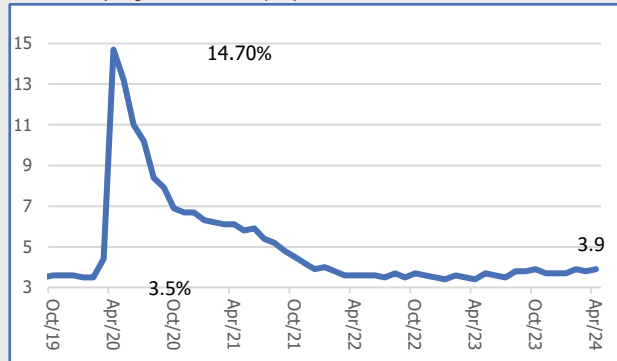
US CPI (%)



■ US CPI came in at 3.5% YoY (expectations: 3.4%) in March vs 3.2% YoY in the past month. On a sequential basis, it remained elevated at 0.4% unchanged from the previous month. The upside came largely due to strong momentum in the services sector. The stronger than expected CPI along with strong labour market print could delay the start of the rate easing cycle.

US Unemployment Rate (%)

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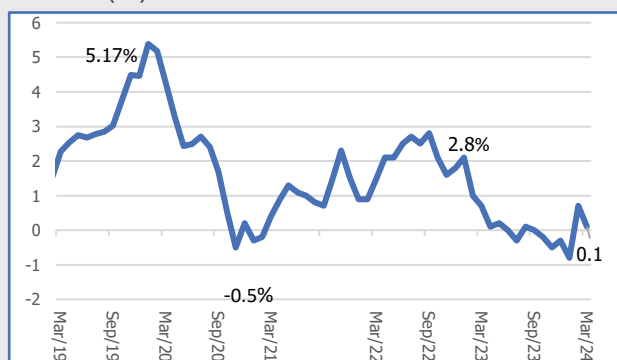


■ The US unemployment rate inched higher to 3.9% while participation rate remained unchanged at 62.7%. Strong evidence of labour market rebalancing is visible as hourly earnings moderated from 0.3% MoM to 0.2% in April.

■ US Non Farm Payrolls, surprised to the downside at 175k which was much lower than 240k expected by the market. Additionally, the payrolls figures for the previous two months were revised lower by 22K (+12K for March and -34K for February). On a sequential basis, hiring slowed in the private sector as well as in the government sector. Even on a sector-wise front, hiring slowed down in both goods and services sectors, though the latter shed more jobs.

China CPI (%)

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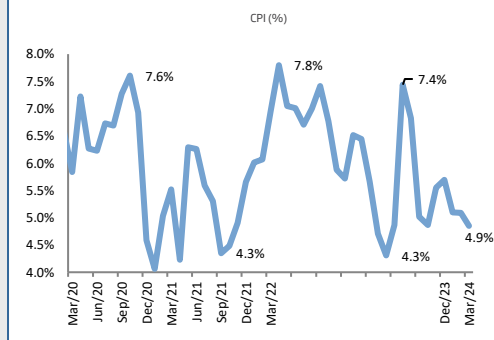


■ Chinese CPI rose by 0.1% yoy in March vs 0.7% in Feb. The slowdown came as the effects of lunar holiday waned, this reflects the continued slowdown due to slump in property sector despite the monetary easing undertaken by the authorities.

India Macro Review

CPI Inflation %

CPI Inflation %

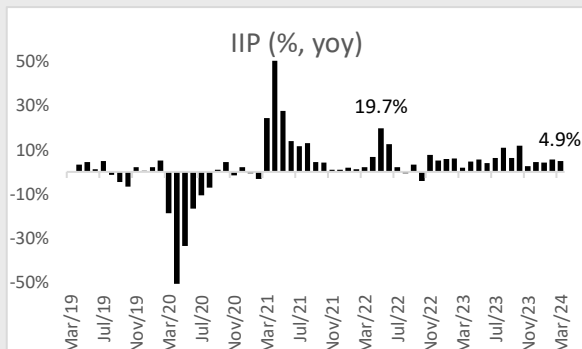


Source: MOSPI

- Inflation (CPI) for Mar'24 stood at 4.9% as food CPI, which constitutes 45.9% of the index, stayed elevated at 7.7%. Within food, inflation for Vegetables, Pulses and Spices remain elevated in double digits.
- Fuel inflation which constitutes 6.8% of CPI, contracted by 3.24% in Mar'24 vs. 0.8% fall in Feb'24.

Industrial Production Index (IIP)

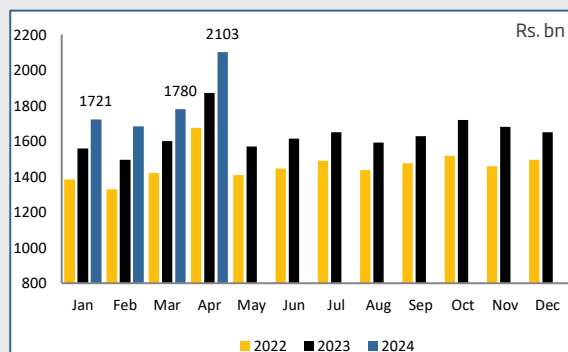
Industrial Production Index (IIP)



- Industrial Production (IIP) growth for Mar'24 came at 4.9% as Manufacturing output surged 5.2% in Mar'24 and Electricity Output was up 8.6% in Mar'24. However, Mining output marginally increased by 1.2% in Mar'24.
- The increase in the Industrial production index reflects increasing momentum in production activities. However, monthly IIP numbers are volatile and it is difficult to draw a trend from the same.

GST Collection (Rs. bn)

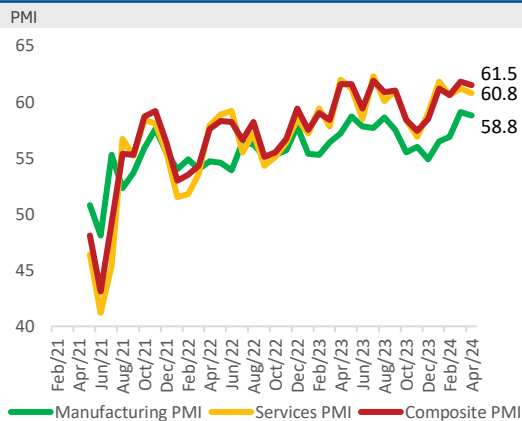
GST Collection (Rs. bn)



- GST revenues for the month of Apr'24 came to an all-time high of Rs. 2,103bn showing a 12.4% YoY increase over Rs. 1,870bn in Mar'23.
- Avg. monthly GST collections have increased to Rs. 1.7 lakh crore in FY24 vs. Rs. 1.5 lakh crore in FY23 and Rs. 1.2 lakh crore in FY22 continuing to display very high buoyancy.

India Macro Review

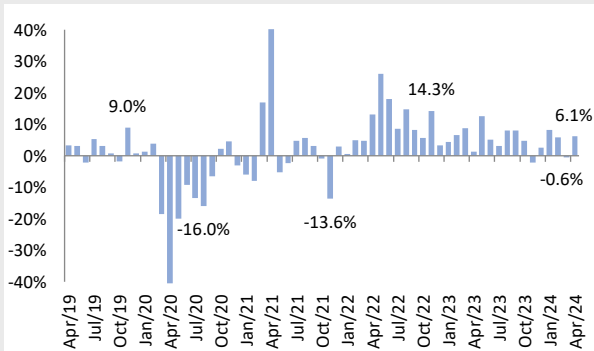
PMI



- PMI(manufacturing) eased to 58.8 in Apr'24 from 59.1 in Mar'24. However, PMI continuing in the expansion zone (≥ 50) indicates continued strength in orders pipeline and production, despite a slowdown seen in the exports.

Fuel consumption YoY Growth %

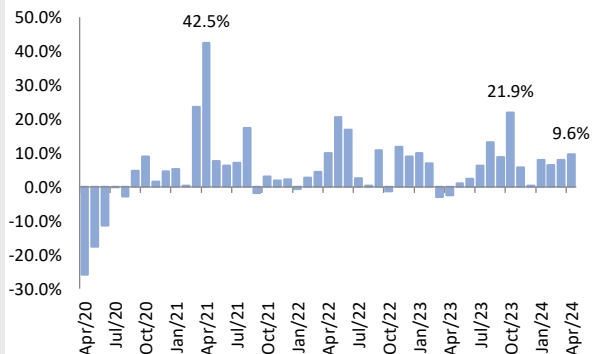
Fuel consumption YoY Growth %



- Fuel consumption surged by 6.1% in Apr'24 vs. 0.6% decline in Feb'24. Within the fuel category, Consumption for diesel surged by 1.4% yoy in Apr'24 and petrol consumption increased by 14% yoy in Apr'24. However, Diesel and petrol consumption decelerated sequentially.

Electricity Production YoY Growth %

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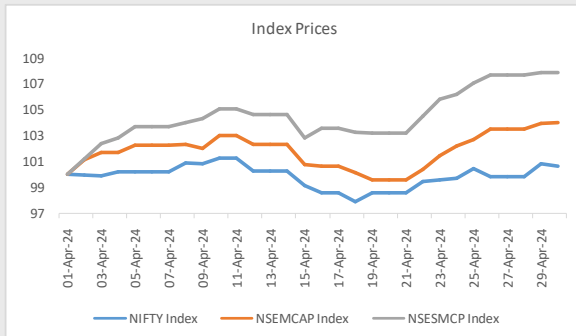


- Electricity production was up 9.6% YoY in Apr'24 vs. 8% YoY in Mar'24.
- A strong start to the summer season specially in South India has been driving strong electricity demand.

Equity Outlook and Positioning

Monthly Index performance

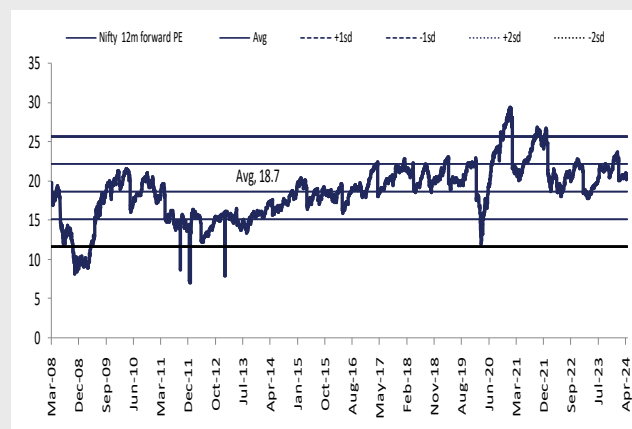
Monthly Index performance



- Equity markets were positive in Apr'24 with midcaps and smallcaps outperforming large caps. Nifty 50 closed the month higher by 1% MoM while CNX Midcap Index gave a positive return of 4% and Small Cap at 8%.
- Outperforming sectors included Metals, Real Estate, Power, Consumer Durables, Banking, Oil & Gas, Auto and Capital Goods. On the other hand, the underperforming sectors included IT, Consumer Staples and Pharma.

Nifty Valuation (1 year forward PE)

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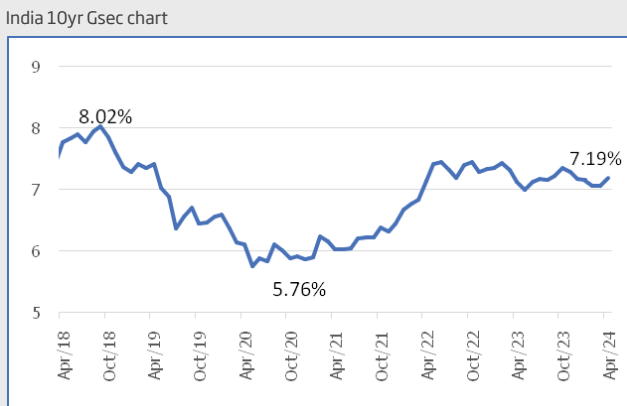


Source: Bloomberg

- The ongoing Q4FY24 result season has seen mixed trends. Consumption-related sectors like Staples, Retail and Building materials have continued to show poor volume and SSSG growth trends. The auto sector has been an exception with a good volume performance, especially in 2-wheelers. Financials delivered better-than-expected performance with margins showing some signs of stabilization and asset quality still holding up. IT companies disappointed on both growth and margins with disappointment being greater in mid caps.
- India's macro-economic setup looks quite favorable with the government continuing on the path of fiscal consolidation, inflation expectations broadly in control, a stable currency, good forex reserves and expectations of an improvement in growth outlook, especially if the western economies were to avoid a deep recession. Nifty's earnings growth CAGR likely to moderate to 11% over FY24-26 because of a high base in earnings of Banking and Capital Goods sectors. Valuations at 18.4x FY26 seem to be already discounting the good news and don't leave much room for a disappointment. However, India is very well poised over the medium term with continued investments in infrastructure building, scale-up in domestic manufacturing, and a long-term theme of premiumization and discretionary consumption pickup driven by rise in per-capita GDP.

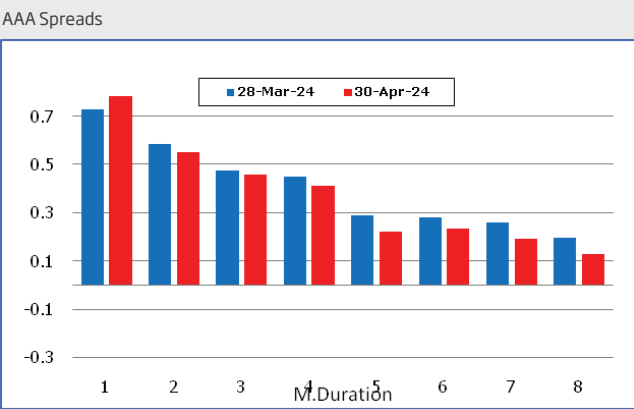
Debt Outlook and Positioning

India 10yr Gsec chart



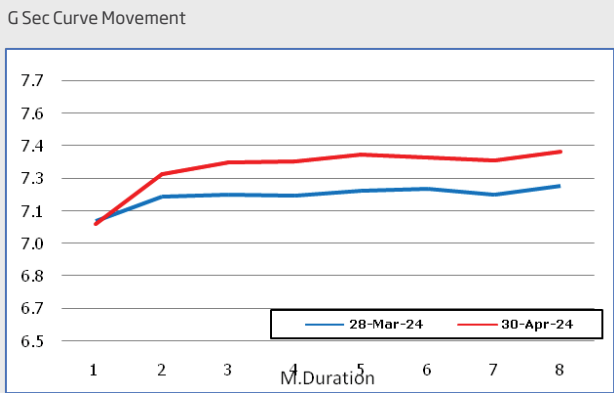
- US bond yields continue to remain volatile on incoming macro data. Yields rose by 48bps in the month and closed at 4.68%.The sharp rise in yield was due aggressive unwinding of rate cut expectation after strong labour data, higher CPI print, higher oil price and rising geo-political concern.
- In India, the 10yr benchmark yield rose by 13bp tracking the rise in US yields. The 10yr Gsec closed at 7.19% vs 7.06% for the month.

AAA Curve movement



- The US FOMC, in it's recently concluded meeting, maintained status quo along expected lines. However,the lack of progress on inflation was cited in the policy statement, though the chair ruled out the prospect of rate hikesemphasizing that the level of restrictiveness was adequate for the central bank to achieve its objectives.
- India CPI eased to 4.85% in March vs 5.09% in Feb. Core inflation continues to move lower at 3.2% YoY. Core is expected to remain muted through June 2024 helped by favorable base effect and muted sequential momentum.

G Sec Curve Movement



- Robust growth numbers, moderation in inflation and improving external balances provides RBI leeway to hold rate for longer.
- Going ahead, US treasuries will continue to be swayed by US labor and inflation data.However, Indian markets are likely to stay supported and yields are likely to soften further over FY25 aided by FPI inflows ahead of the inclusion in the JP Morgan GBI-EM bond index.



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