

Macros and Markets

May 2024

- Resilient global growth and a re-acceleration in inflation in the US in Q1 has led markets to reprice the number of cuts needed this year. World GDP growth was projected at 3.2% for this year by the IMF with the US expected to grow at 2.7% (a large 0.6% upward revision from the prior projection). Unemployment rates have remained low even as vacancy-to-unemployment ratios have fallen suggesting cooling but still strong labour markets.
- We believe that inflation will cool off from the strong Q1 pace in the US as residual seasonality effects reverse and catch-up for past increases is almost complete in important categories like shelter and car insurance. House prices are still growing at 6-7% YoY as supply of homes remain low.
- The sensitivity of the US economy to higher interest rates has fallen as both households and corporates have de-levered and sitting on fixed-rate mortgages while enjoying higher interest rates on bank deposits and money market funds. US Government interest payments have risen meaningfully as the stock of debt gets re-priced at current level of rates.
- Growth in Europe has also rebounded this year with Italy, Spain and the periphery leading the charge. Germany and France growth has been relatively weaker. Inflation has fallen significantly but sequential services inflation remains elevated.
- In China, exports continue to remain robust. Export prices are falling - supporting lower inflation elsewhere. However, this remains the case globally and cheaper export prices are not a China-specific phenomenon. Tourism volume and spending both well above pre-COVID levels but some down-trading is visible.

- India high frequency data continues to show strong growth momentum. Indian PMIs (both services and manufacturing) are running near series high with manufacturing PMI strongest in peer Asian region, auto sales turning better, and IIP growth resilient. Bank credit growth, cement output, steel output electricity production all suggest a decent growth momentum. However, growth is still K-shaped in nature especially if we look into consumption indicators.
- Market consensus of FY25 growth has moved from 6.2% at the start of the year to our year beginning forecast of 6.5% now. IMF has revised up India's growth forecast to 6.8% from 6.5% earlier, which is strong given that its despite the strong base of previous year. Global growth forecast for 2024 has also been revised marginally upward to 3.2% and US growth has been revised notably up to 2.7% from 2.1% earlier. RBI also remains bullish on Indian growth at 7% growth which we think is achievable if global backdrop and monsoon remains favourable. IMD has forecasted monsoon to be 106% of normal for this year which is welcome news for the economy, both from growth and inflation point of view.
- Inflation data for March declined to 4.85% with core inflation declining to another record low at 3.25%. With the sticky core inflation making new lows every month, we expect food inflation to correct and move towards core inflation if weather remains favourable. The number gives strength to market's view of inflation coming down in FY25 and will open up space for monetary easing, given the upside risks coming from food inflation was cited by RBI as an important factor they are watching.
- INR has continued to remain stable despite depreciating pressure in some Asian currencies and resurgent dollar.

- Headline Inflation continues to remain well contained while core inflation came in at 3.3% last month which was the lowest in the current series. We expect inflation to remain well-contained in India and closer to RBI estimate of 4.5% for FY 25. Headline inflation is likely to print in the range of 4.70% - 4.80% for April 24 while core inflation should print around 3.2% - 3.3%. Markets would like to take further cues from US inflation to steer rates from hereon.
- Overall growth indicators continue to remain strong for India. Bank credit continued its growth momentum, printing a strong 16.3% YoY in March (Adjusted for HDFC merger). For the fiscal year 2023-24, this amounts to a firming in credit growth to 15.7% from 14.3% YoY in 2022-23. At the same time, nominal GDP growth has slowed from 14.2% in 2022-23 to 9.1%, which points toward credit deepening. Credit to nominal GDP ratio, which, at 1.7, is the highest in 15 years.
- The presence of La Niña is strengthening as El Niño's grip on weather patterns continues to wane, according to an April update from climate researchers at the National Oceanic and Atmospheric Administration(NOAA). There's also a 60% chance La Niña will develop by June–August and even higher by fall time. India is likely to receive “above normal” rainfall this monsoon per IMD. The country as a whole is expected to get 106% of the long period average (LPA) rainfall, this is the first time in a decade that the IMD has predicted “above normal” rainfall at the first stage itself, nearly 45 days ahead of the beginning of the four-month monsoon season. This augurs well for food prices which are a dominant part of our CPI basket.
- Lower supply of government papers in FY25 amidst large expected FPI inflows on bond inclusion and state budgets for FY25 suggest budgeted state fiscal deficit declining marginally to 3.2% of GDP in FY25 from 3.5% of GDP in FY24 which will further support the demand supply dynamics for gilt bonds. Crude prices have also turned
- We expect MPC to cut rates not before H2 FY 25.
- We believe that investors should continue to add duration to their portfolios and take benefit of any intermittent sell-offs through short-term funds (Short-term fund, corporate bond fund, and Banking & PSU fund). Investors who are looking to dial in more aggressive duration in their portfolio are recommended to invest in our Aditya Birla Sun Life Long-Duration or Aditya Birla Sun Life Government Securities Fund or Aditya Birla Sun Life CRISIL IBX GILT August 2033 Index Fund (10 year GILT Debt Index Fund). Ultra short-term investors should look to invest in money market, ultrashort-term funds & low duration funds.

Global Macro

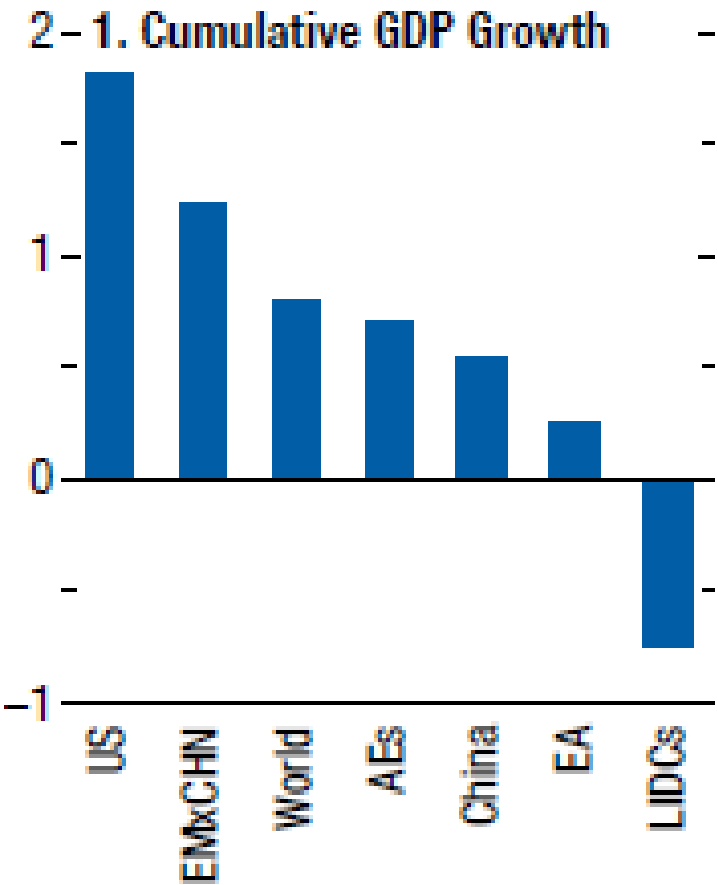
2024 World GDP growth projected at 3.2%; US projected at a strong 2.7%

	2023	Projections		Difference from January 2024 WEO <i>Update</i> ¹	
		2024	2025	2024	2025
World Output	3.2	3.2	3.2	0.1	0.0
Advanced Economies	1.6	1.7	1.8	0.2	0.0
United States	2.5	2.7	1.9	0.6	0.2
Euro Area	0.4	0.8	1.5	-0.1	-0.2
Germany	-0.3	0.2	1.3	-0.3	-0.3
France	0.9	0.7	1.4	-0.3	-0.3
Italy	0.9	0.7	0.7	0.0	-0.4
Spain	2.5	1.9	2.1	0.4	0.0
Japan	1.9	0.9	1.0	0.0	0.2
United Kingdom	0.1	0.5	1.5	-0.1	-0.1
Canada	1.1	1.2	2.3	-0.2	0.0
Other Advanced Economies ²	1.8	2.0	2.4	-0.1	-0.1
Emerging Market and Developing Economies	4.3	4.2	4.2	0.1	0.0
Emerging and Developing Asia	5.6	5.2	4.9	0.0	0.1
China	5.2	4.6	4.1	0.0	0.0
India ³	7.8	6.8	6.5	0.3	0.0

Source: IMF WEO

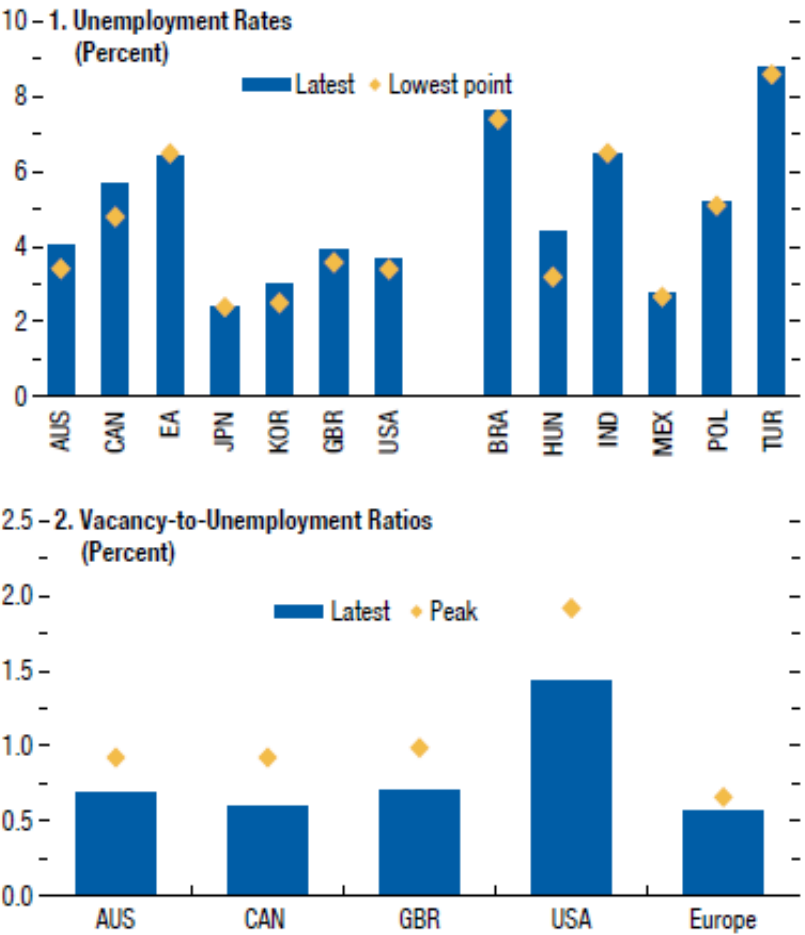
US has led the global growth surprise; Labour markets cooling but unemployment still low

Figure 1.2. Performance in 2022–23 Compared with Projections at Time of Cost-of-Living Crisis
(Percent deviation from October 2022 WEO projection,



Source: IMF WEO

Figure 1.7. Labor Markets Cooling



Investors have priced out a recession; Rate cuts yet to begin in earnest in DMs

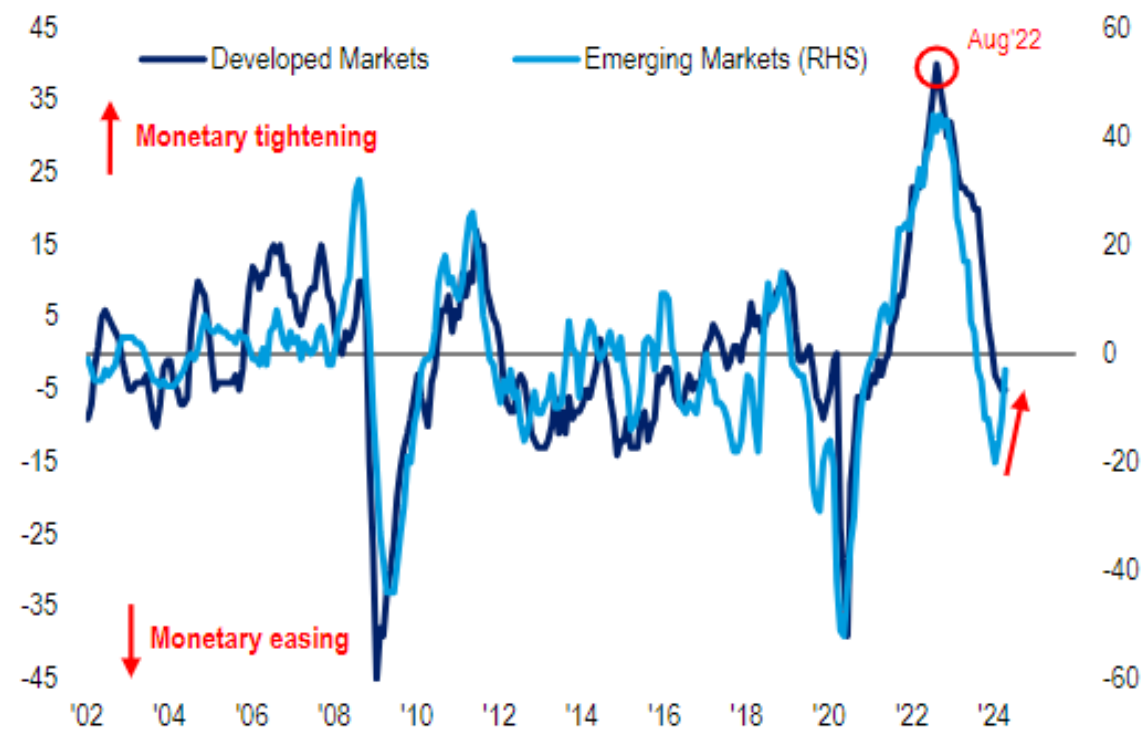
Chart 5: 78% of FMS investors say recession "unlikely" next 12 months

% of FMS investors saying recession is unlikely in the next 12 months



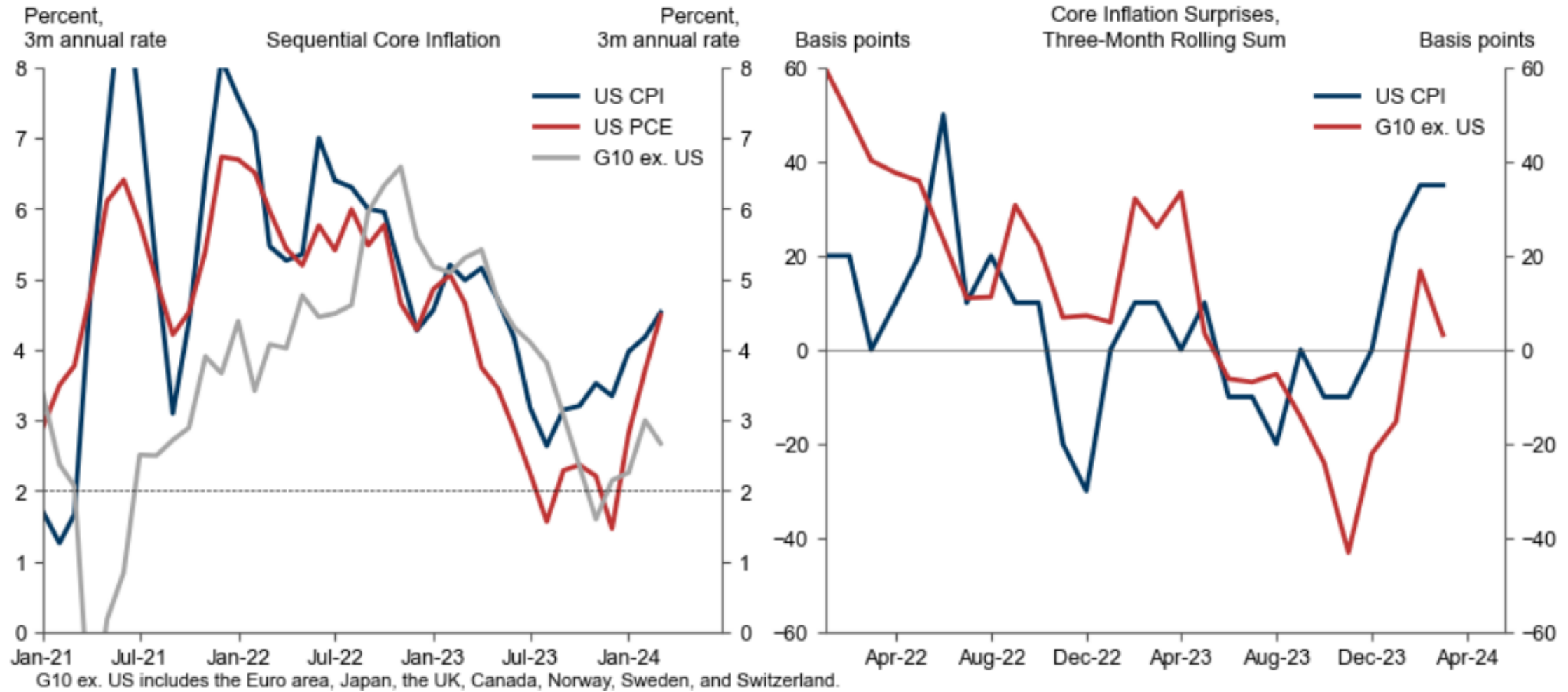
Chart 11: EM rate cutting cycle has slowed materially in '24

3-month cumulative policy rate hikes minus cuts: DMs vs EMs



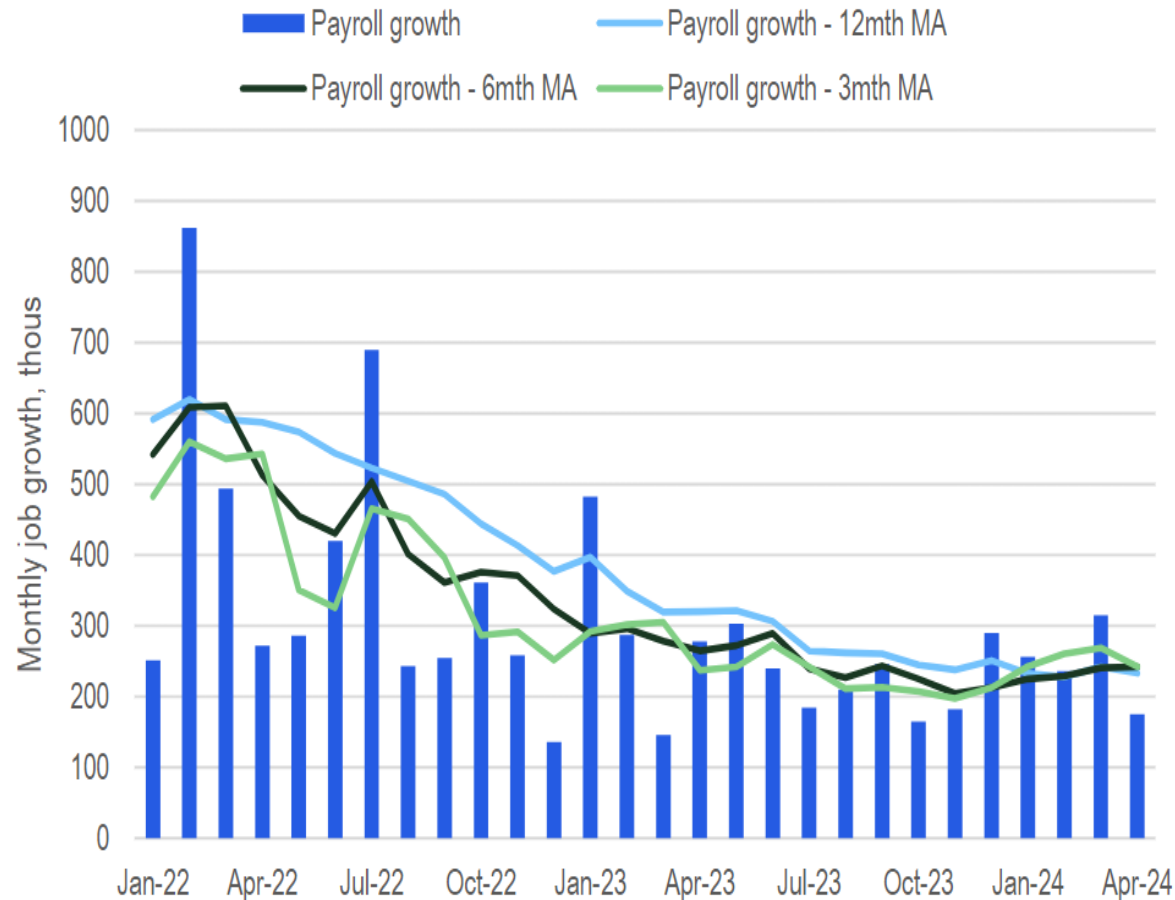
Source: BofA

US Inflation has re-accelerated in Q1; Other DMs see a more muted rise



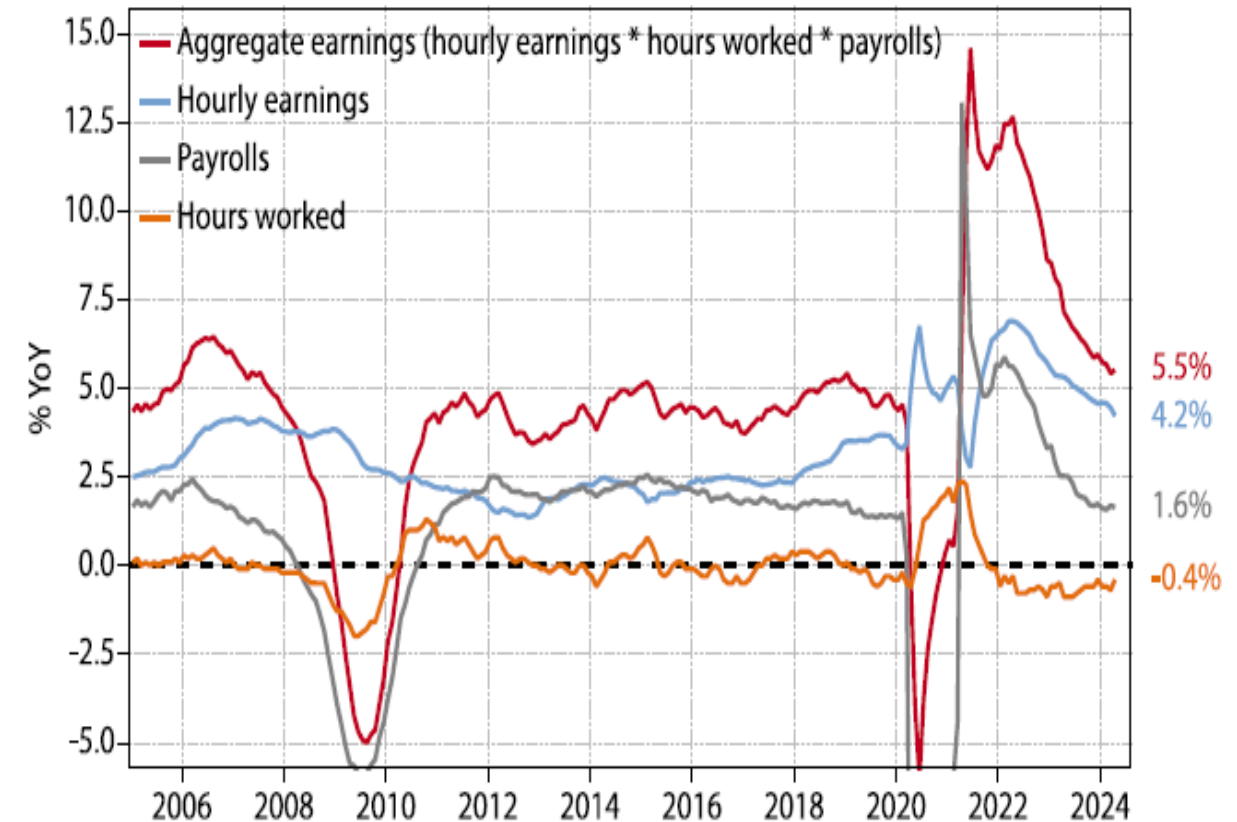
Source: Goldman Sachs

Labour markets in the US remain strong; Income growth robust

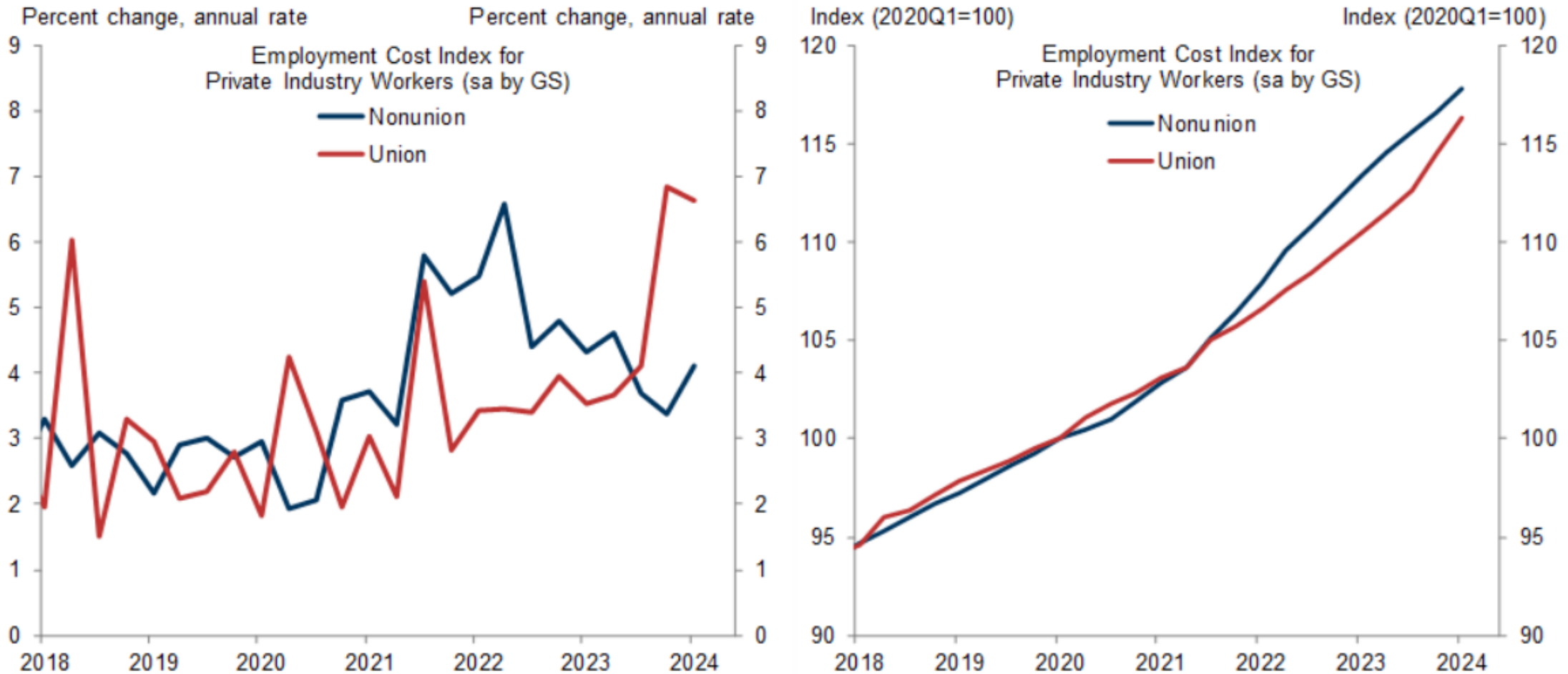


Source: Citi, Gavekal Research

Aggregate earnings growth is strong enough to support consumption



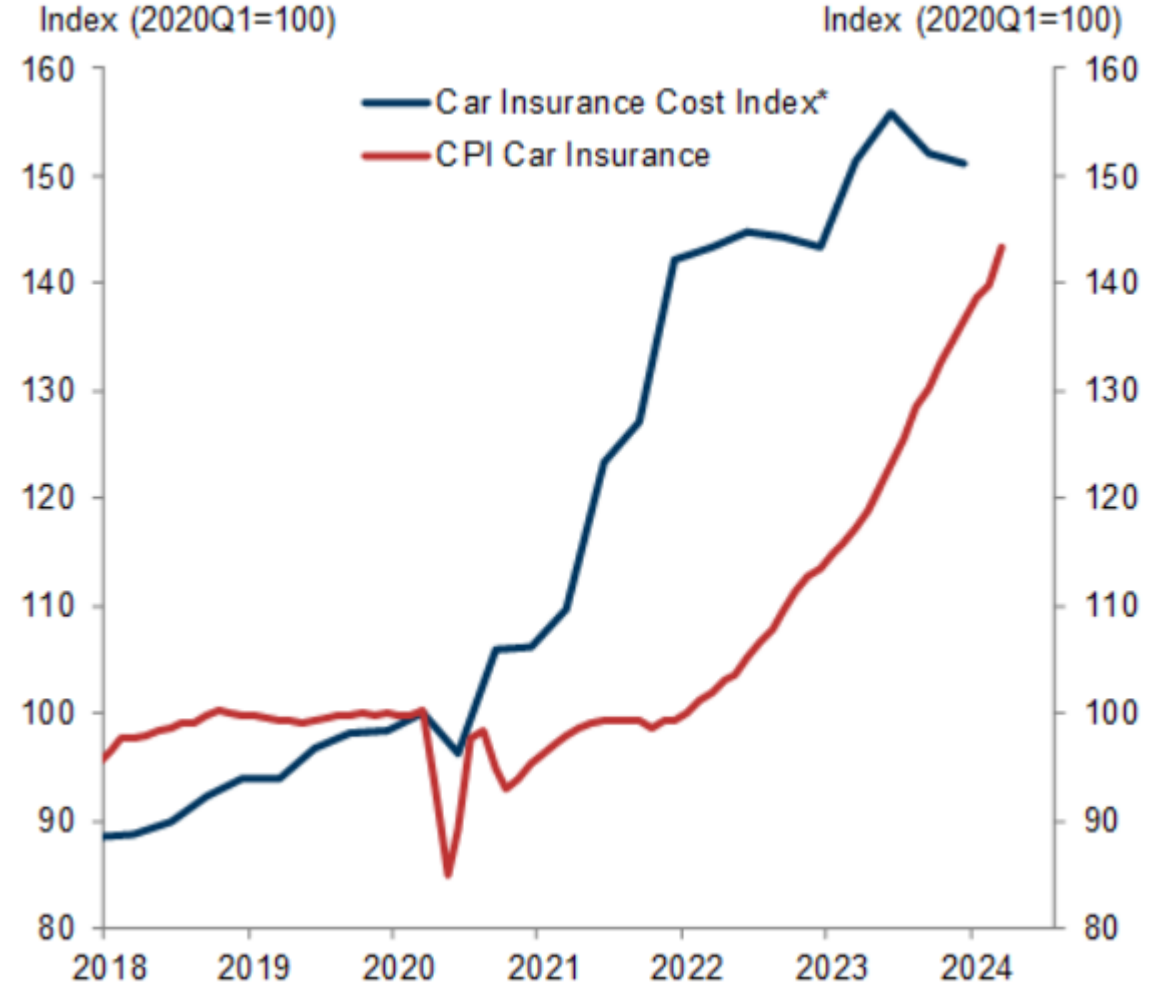
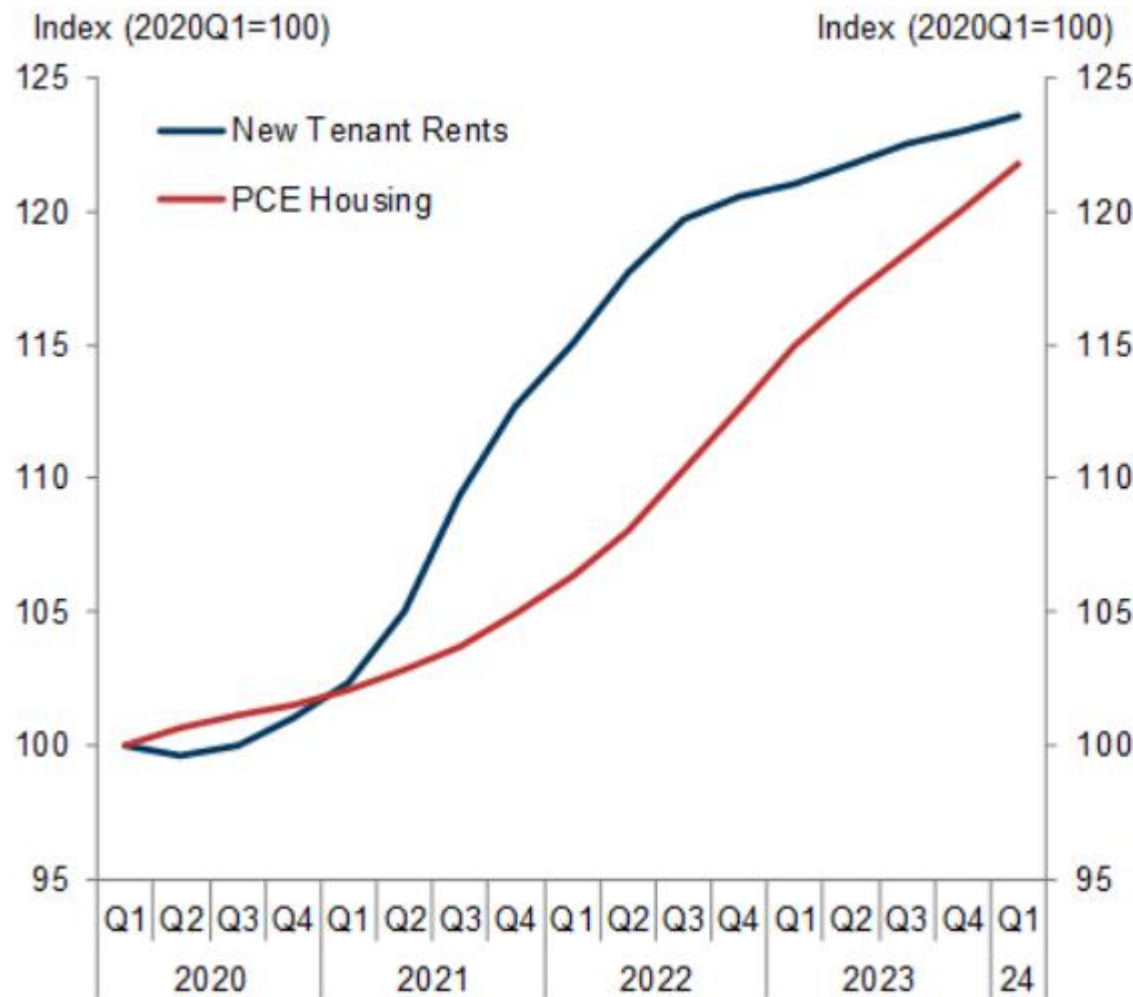
US Wage growth also re-accelerated in Q1 partially on catch-up effects



Source: Goldman Sachs

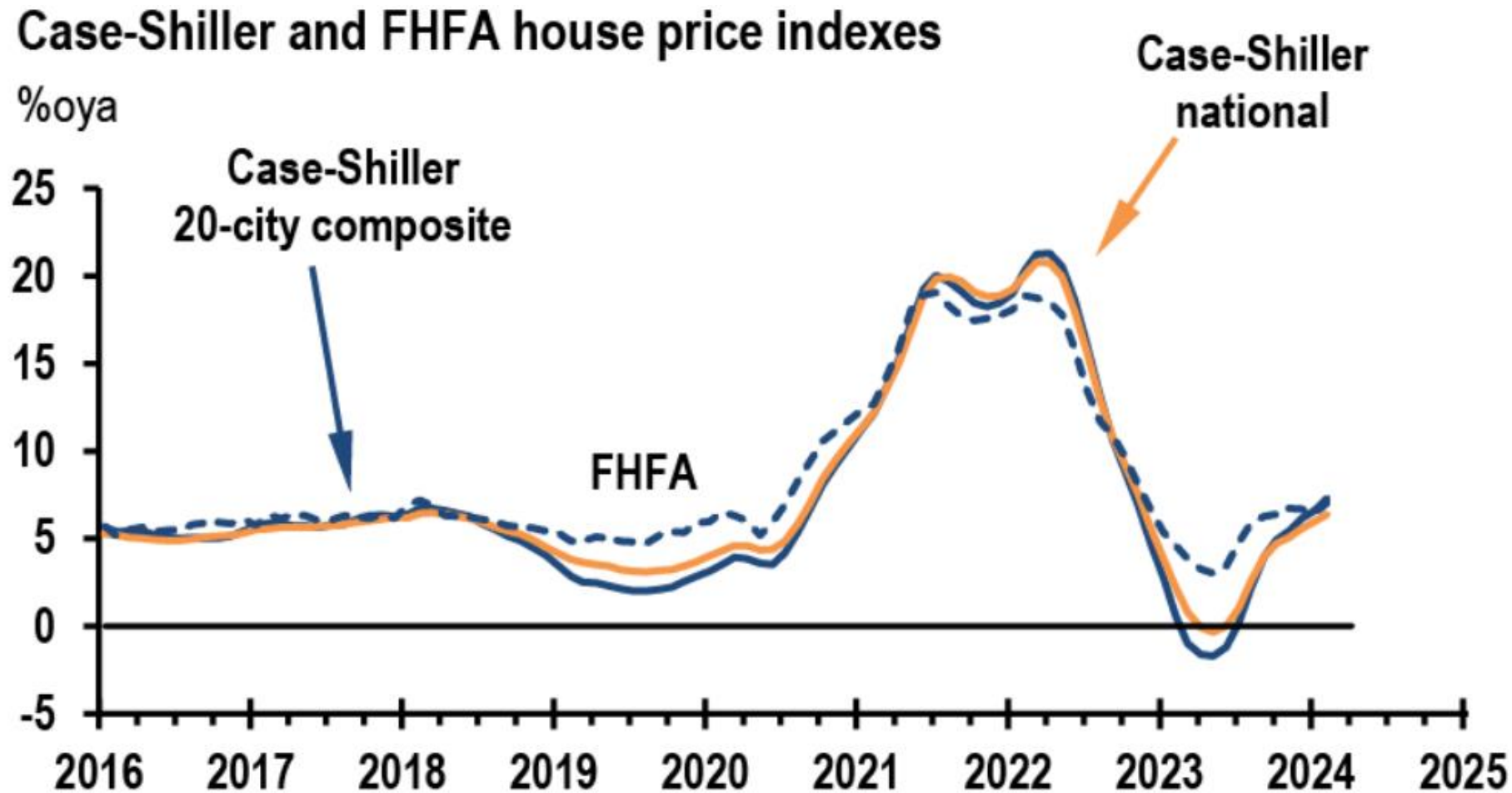
Catch-up in some important inflation categories is almost done

ASSET MANAGEMENT



Source: Goldman Sachs

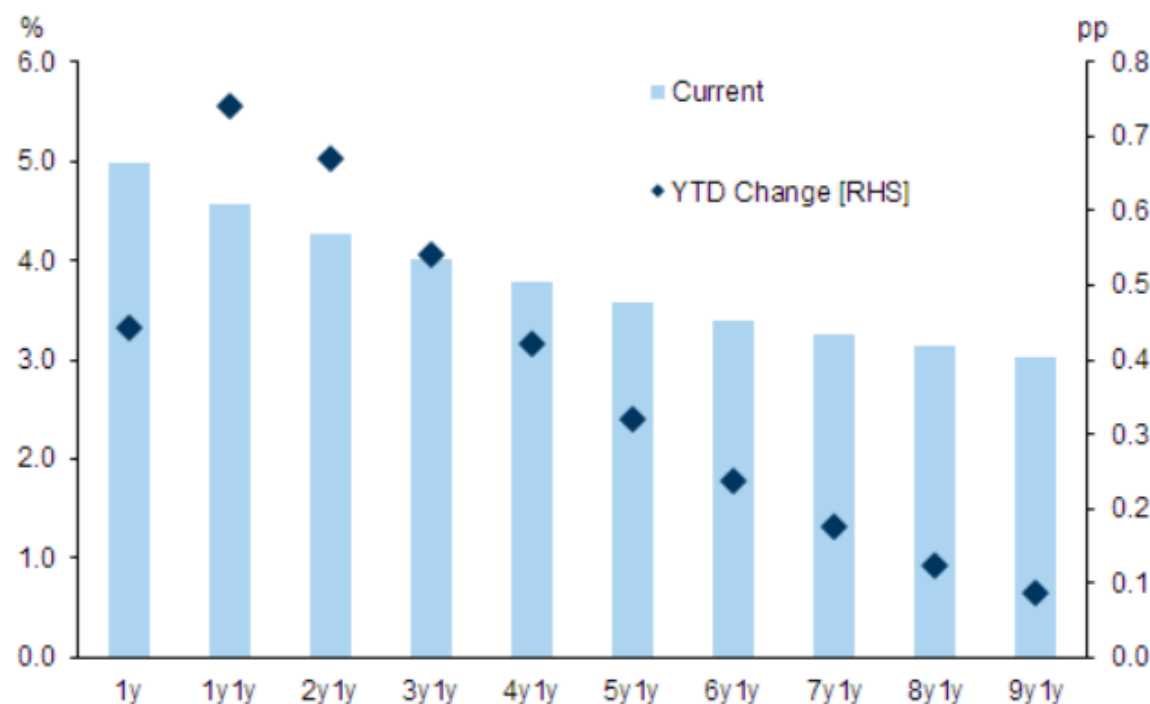
Home prices still growing at 6-7% YoY



Source: JP Morgan

Neutral short rate has been repriced higher in the US as the economy stays resilient

Term structure of forwards in the expectations component of 10y yields

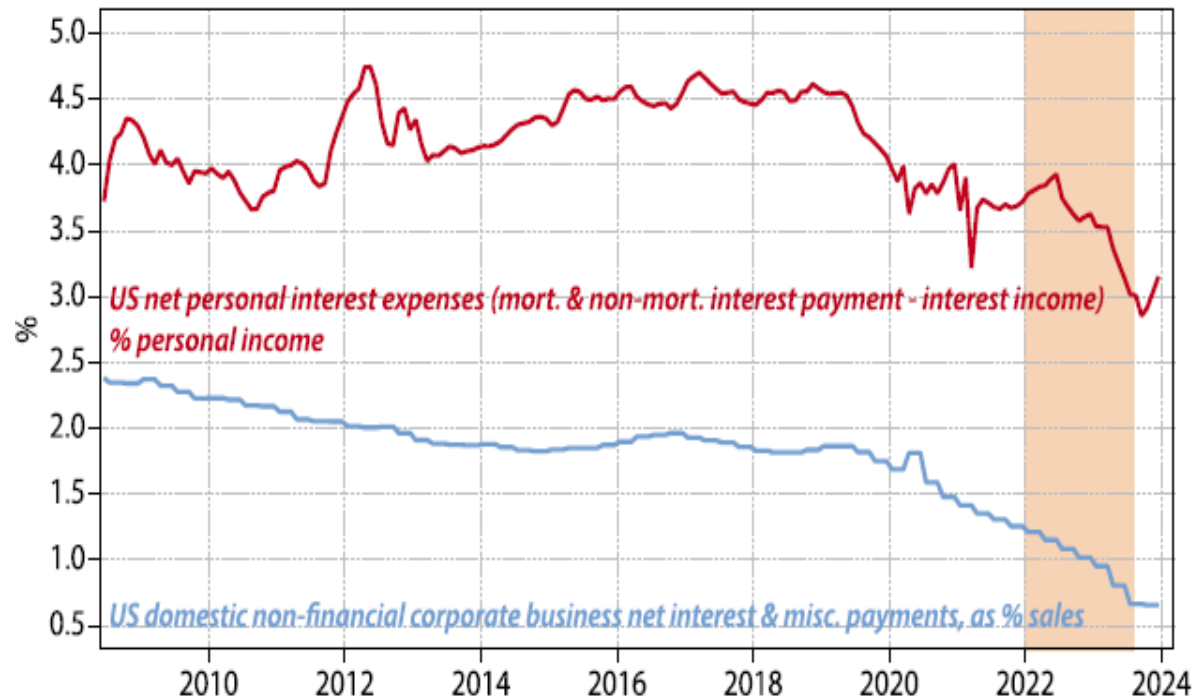


Source: Goldman Sachs

Rising interest burden most acute on Government balance sheets

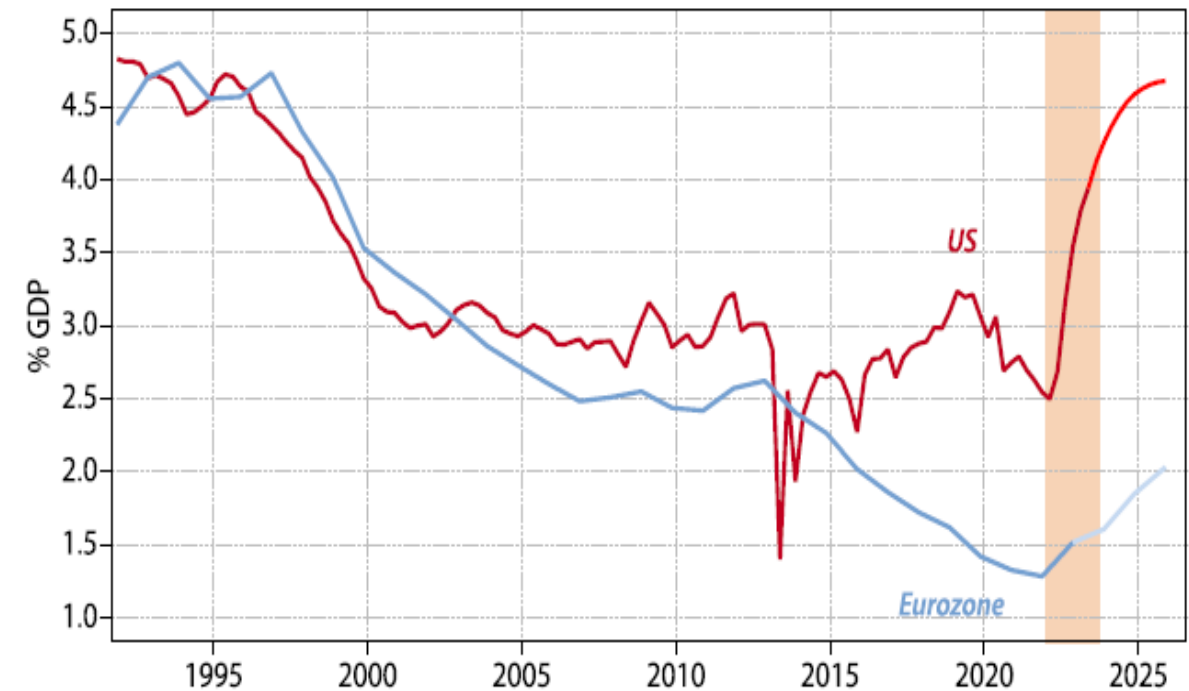
US companies and households have both seen net interest expenses fall

Orange: 2022-23 US deficit expansion period



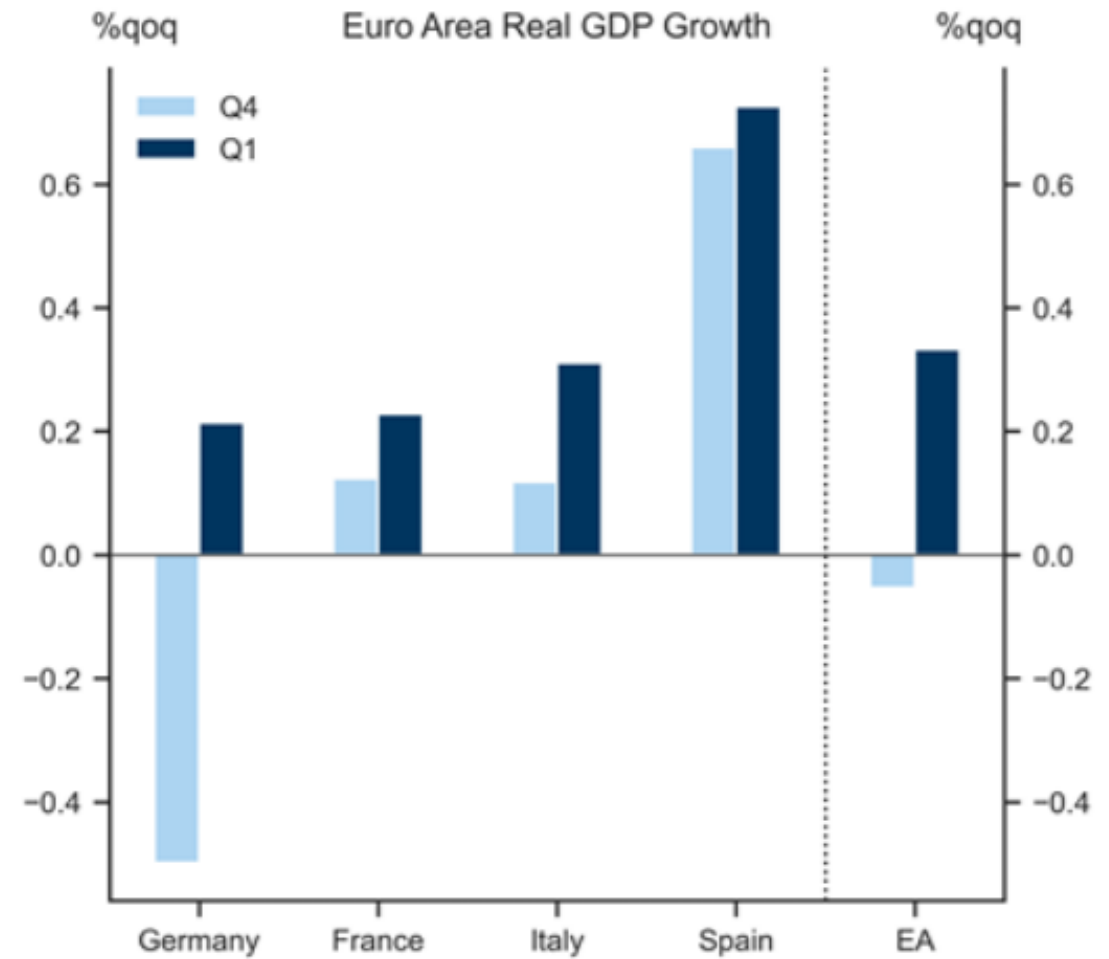
The US government's interest expense is rising especially quickly

General government net interest payment % GDP; orange: 2022-23 US deficit expansion period



Source: Gavekal Research

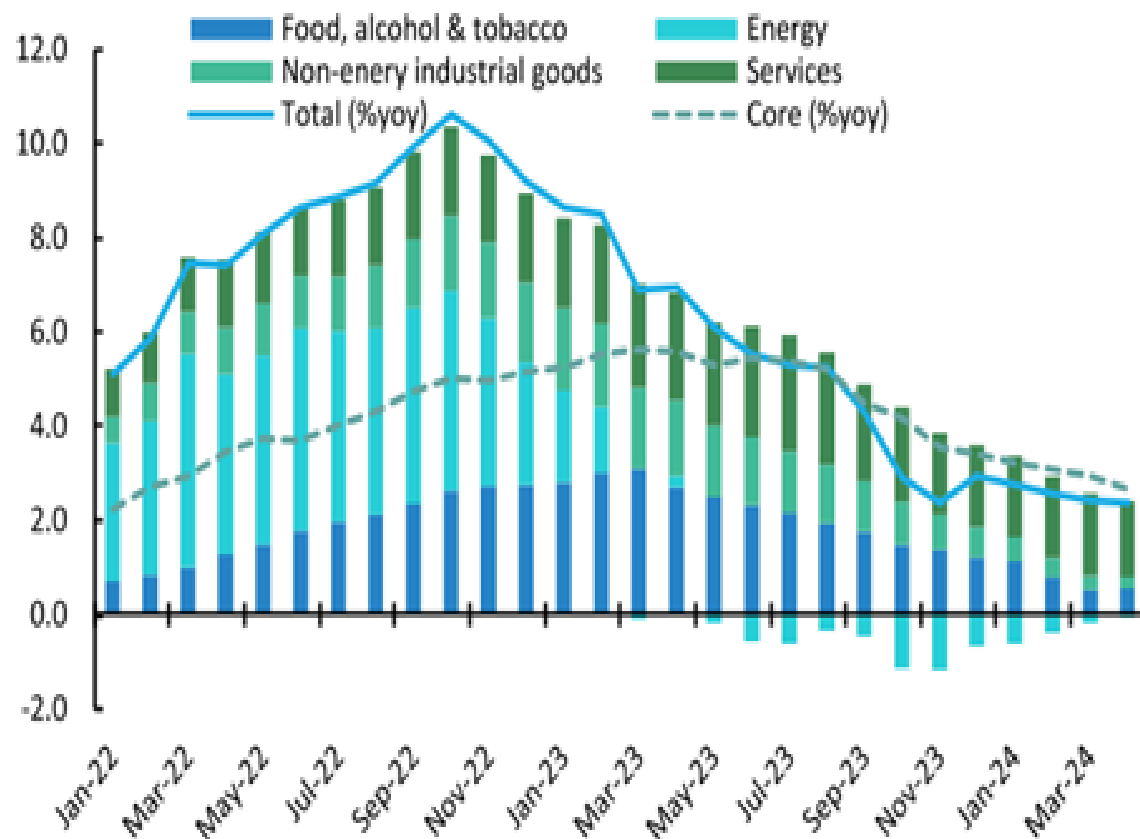
Euro Area growth has so far surprised to the upside this year with PMIs also strong



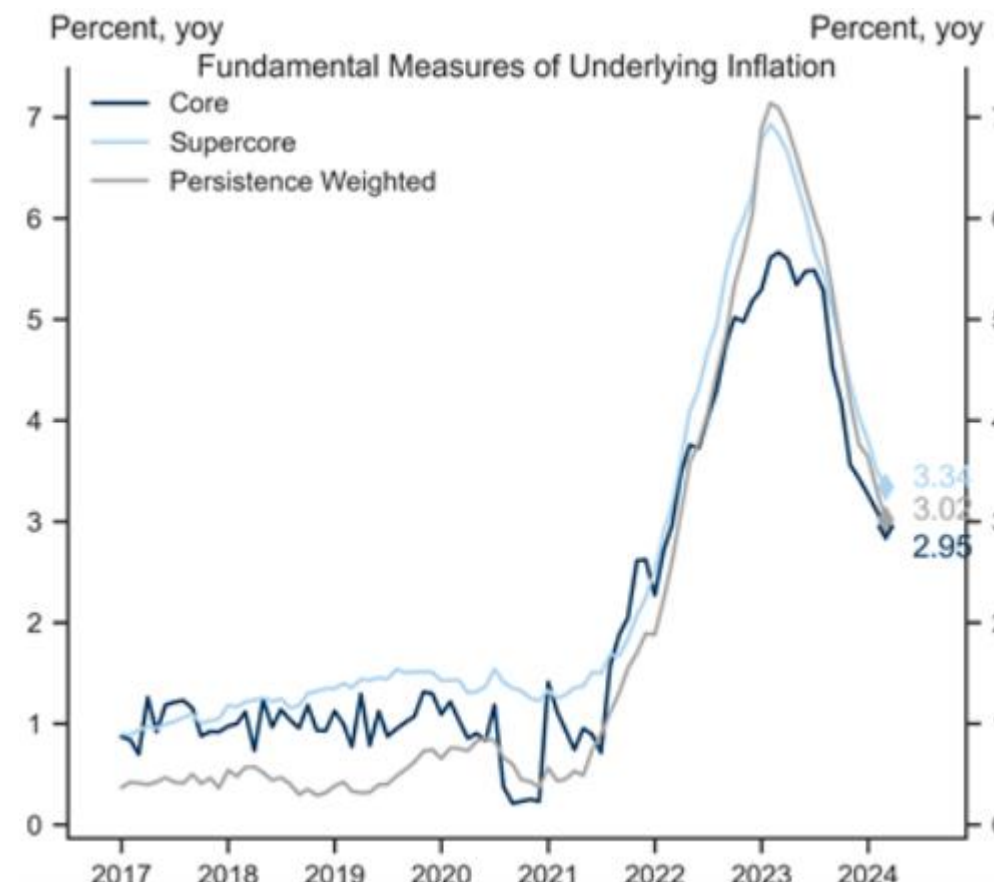
Source: Goldman Sachs

Euro area inflation has been falling but services inflation has been relatively sticky

Chart 1 - Euro Are HICP contributions



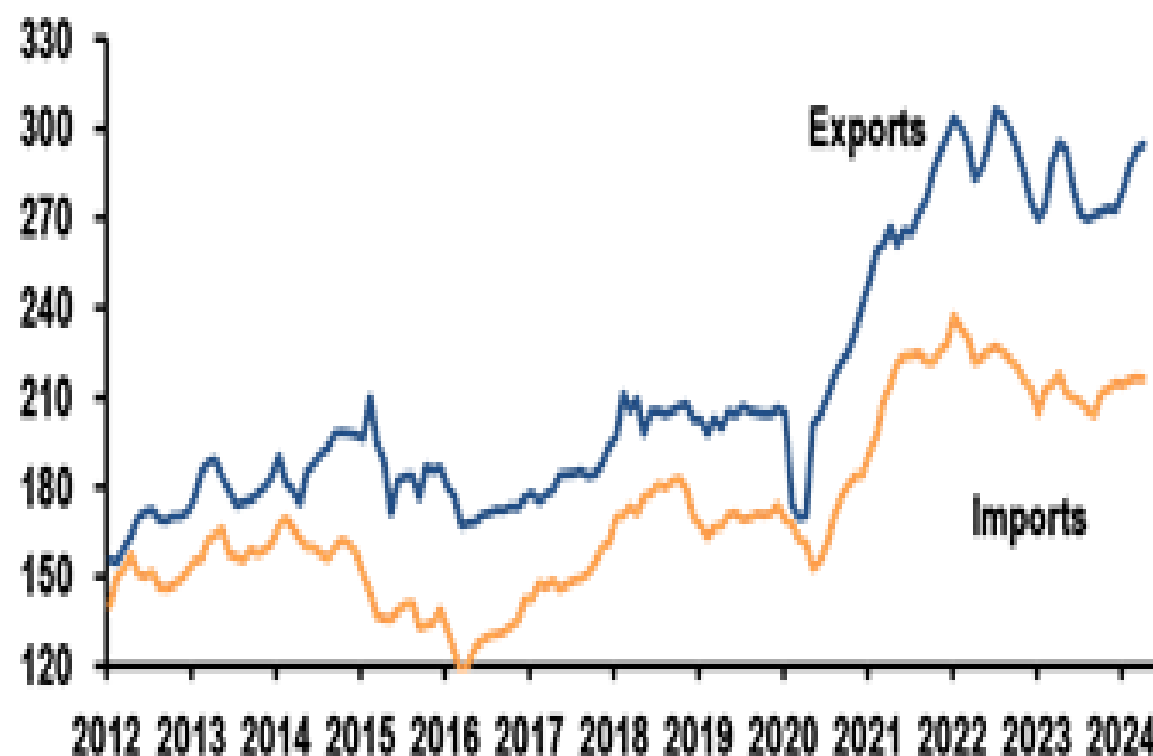
Source: Jefferies, Goldman Sachs



Chinese exports have remained robust; lower export prices not unique to China

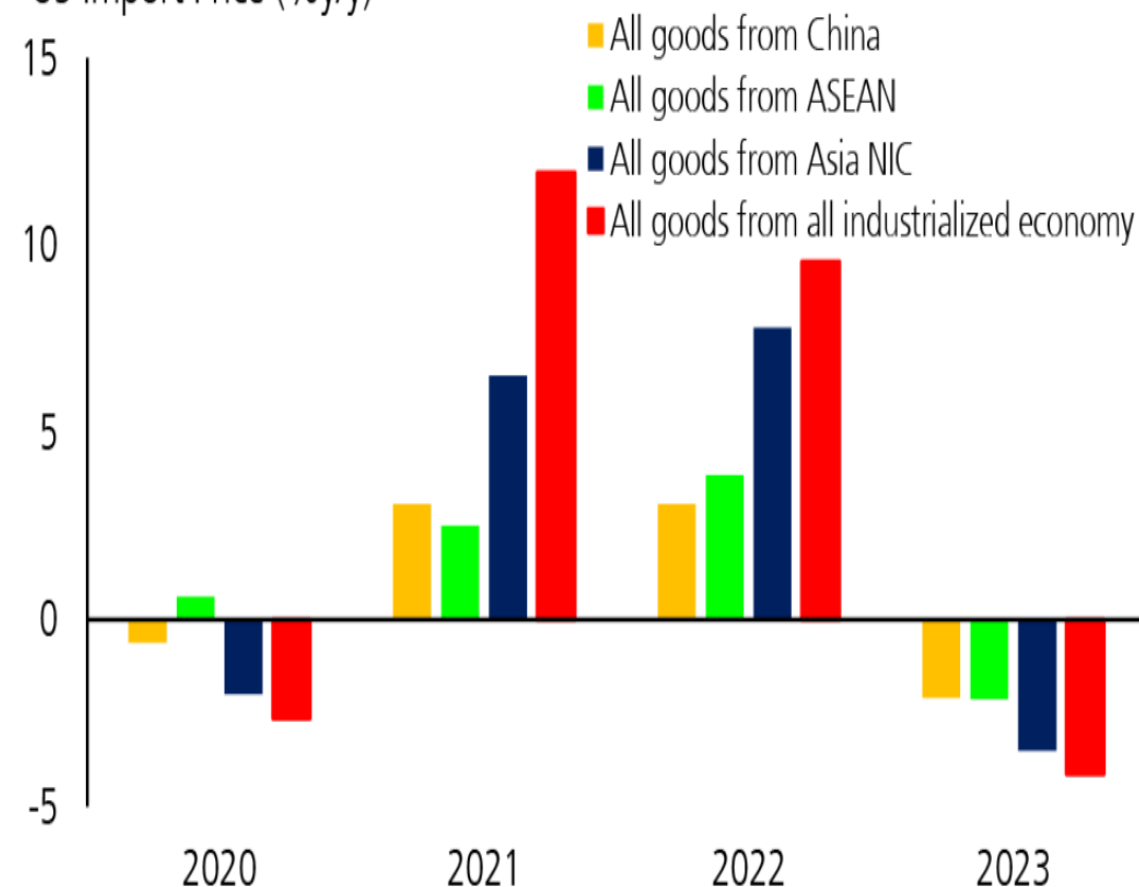
China: merchandise exports and imports

US\$ billion, sa, 3mma

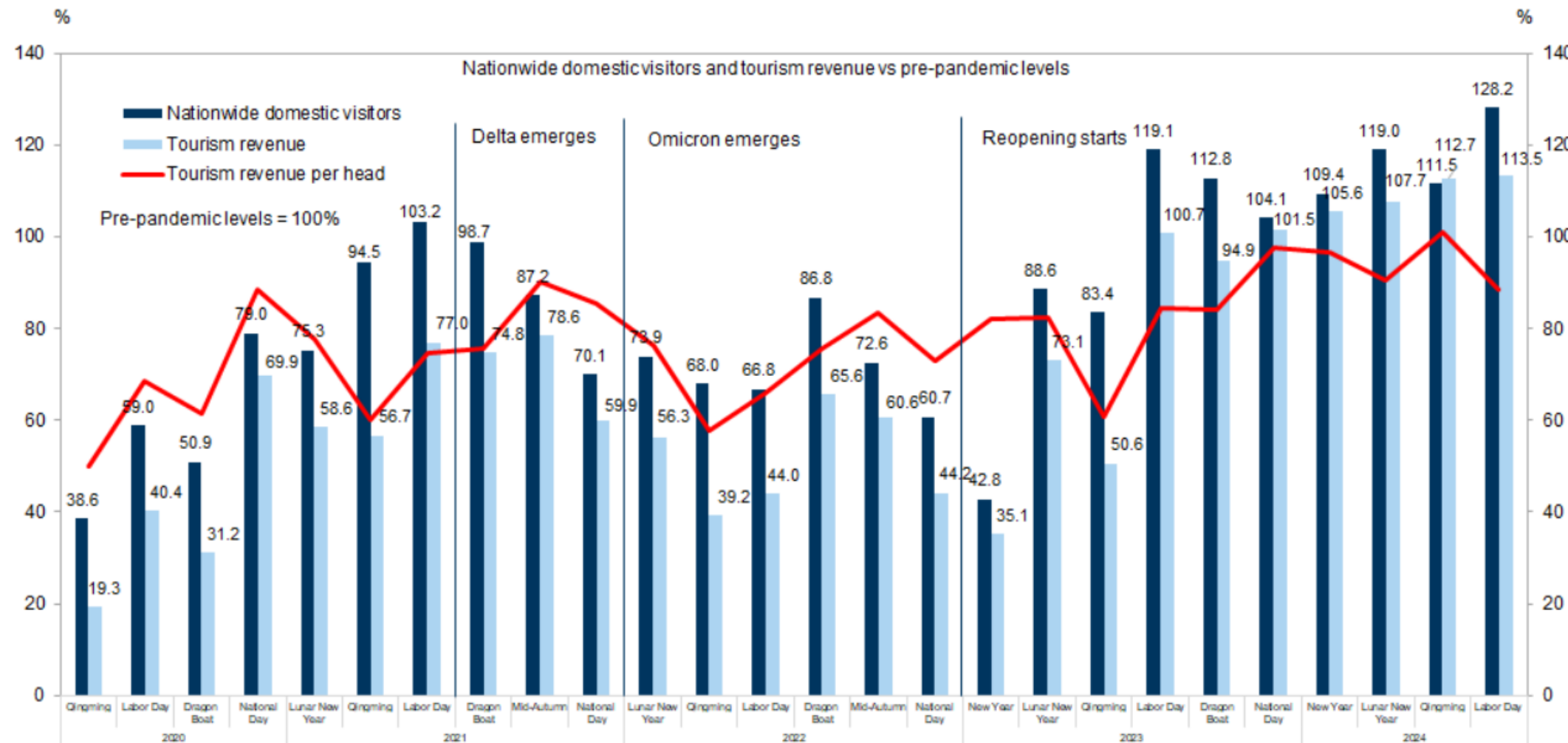


Source: JP Morgan, UBS

China's 2023 export price decline is not unique US Import Price (%y/y)



Holiday spending continues to grow in China



Source: Goldman Sachs

India Macro

High frequency indicators show healthy growth momentum

% y-y unless specified	04-2024	03-2024	02-2024	01-2024	12-2023	11-2023	10-2023	09-2023	08-2023	07-2023	06-2023	05-2023	04-2023	03-2023	02-2023	01-2023
PMI mfg (Index)	58.8	59.1	56.9	56.5	54.9	56	55.5	57.5	58.6	57.7	57.8	58.7	57.2	56.4	55.3	55.4
PMI ser (Index)	60.8	61.2	60.6	61.8	59	56.9	58.4	61	60.1	62.3	58.5	61.2	62	57.8	59.4	57.2
PMI Comp (Index)	61.5	61.8	60.6	61.2	58.5	57.4	58.4	61	60.9	61.9	59.4	61.6	61.6	58.4	59	57.5
PV sales		26.0	27.0	31.9	21.7	21.0	33.9	17.7	27.7	19.2	2.0	13.5	31.7	4.5	11.0	17.2
2W sales		15.3	34.6	26.2	16.0	31.3	20.2	0.8	0.6	-7.2	1.7	17.4	16.5	9.0	8.8	5.0
3W sales		4.3	8.3	9.5	30.6	30.8	42.1	47.0	68.8	78.9	98.6	70.4	104.8	69.4	86.3	103.0
IIP			5.7	4.1	4.2	2.5	11.9	6.4	10.9	6.2	4.0	5.7	4.6	1.9	6.0	5.8
Infra Index		5.2	7.1	4.1	5.0	7.9	12.7	9.4	13.4	8.5	8.4	5.2	4.6	4.2	7.4	9.7
Coal		8.7	11.6	10.2	10.8	10.9	18.4	16.0	17.9	14.9	9.8	7.2	9.1	11.7	9.0	13.6
Steel		5.5	9.1	8.7	8.3	9.8	13.6	14.8	16.3	14.9	21.3	12.0	16.6	12.1	12.4	14.3
Cement		10.6	9.1	5.7	3.8	-4.8	17.0	4.7	19.7	6.9	9.9	15.9	12.4	-0.2	7.4	4.7
Exports		-0.7	11.8	4.3	0.8	-3.2	5.8	-2.8	3.5	-10.0	-18.8	-10.4	-12.8	-5.9	-0.4	1.6
Imports		-6.0	12.2	1.0	-4.8	-4.3	9.6	-14.0	0.7	-16.1	-16.8	-6.0	-15.5	-3.4	-4.1	0.5
Trade Balance (USD bn)		-17.7	13.0	-5.9	-14.2	-6.0	14.1	-28.3	-3.5	-25.3	-13.1	1.8	-21.4	2.4	-11.6	-1.8
Exports: NONG		9.1	17.2	2.5	5.4	-2.8	11.7	1.8	3.2	-5.7	-10.7	-4.0	-9.2	-0.4	-5.6	-7.0
Imports: NONG		-3.6	5.2	-2.3	-0.2	-0.9	5.0	-12.2	1.2	-7.5	-14.5	1.7	-12.5	-2.2	-0.5	-1.1
Trade balance: NONG (USD bn)		-15.6	-18.7	-16.0	-19.9	-20.7	-30.0	-20.1	-24.0	-19.0	-19.2	-22.5	-14.4	-19.0	-16.6	-17.0
Services Exports		-1.4	3.5	10.8	1.4	4.4	10.9	-2.7	8.4	8.1	3.5	7.7	7.4	13.0	28.6	29.5
Services Imports		-2.1	1.8	0.1	-1.2	-11.1	-0.4	-10.3	-0.8	-2.2	-3.4	2.0	-3.1	10.5	15.4	12.0
Services: Trade balance		-0.4	5.5	22.8	4.1	25.0	23.7	6.9	20.7	22.3	13.2	16.4	22.2	16.2	49.2	57.0
M3	10.9	11.1	10.9	11.0	11.0	11.2	10.8	10.9	10.8	10.6	13.4	10.1	9.5	9.0	9.5	9.8
Bank deposits	13.1	13.3	12.9	13.0	13.0	13.9	12.9	12.1	13.0	12.7	15.2	11.2	9.0	9.3	9.9	10.3
Bank credit	18.7	19.8	20.2	19.9	19.6	20.7	20.0	17.3	19.4	19.3	17.8	15.1	15.3	14.8	15.4	16.2
FDI (USD bn)			1.5	6.3	1.3	1.8	5.3	1.9	0.7	0.4	2.0	1.5	3.9	2.4	2.9	4.1
Tourist arrivals					7.8	16.8	19.8	17.5	22.6	13.6	18.4	34.3	47.0	122.3	240.1	302.0
Freigh originating			10.1	6.4	6.4	4.3	8.5	6.7	6.4	1.5	-1.9	1.9	3.5	3.8	3.6	3.8
Passenger airport		6.5	8.1	7.2	9.9	10.7	11.9	19.4	23.2	25.8	20.5	19.0	25.5	26.9	64.4	101.0
Cargo airport		17.3	22.7	15.5	10.8	6.6	13.1	-0.3	6.9	-1.2	-0.8	-0.3	0.0	-0.9	0.4	-4.1
Electricity		9.7	9.3	5.9	0.8	6.2	23.5	11.8	17.8	12.1	5.4	0.7	-1.7	-2.2	8.2	13.7
Diesel		3.1	6.2	3.4	-2.3	-3.1	9.3	3.8	5.2	3.8	3.0	12.8	8.6	1.2	7.6	12.8
Petrol		6.9	8.9	9.6	0.2	9.4	4.8	8.2	2.9	6.2	6.2	11.0	2.9	6.9	8.9	14.3
Petroleum overall		-0.6	5.9	8.1	2.5	-2.2	4.8	7.9	8.0	3.1	5.2	12.6	1.4	8.7	6.6	4.3
GST collection	12.4	11.2	12.5	10.4	10.3	15.1	13.4	10.2	10.8	10.8	11.7	11.5	11.6	12.7	12.4	12.7

Indian growth best in Asia

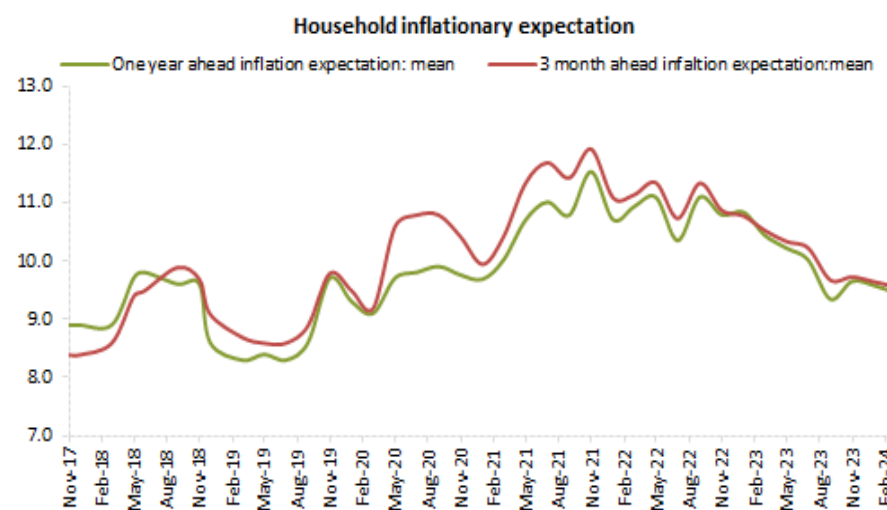
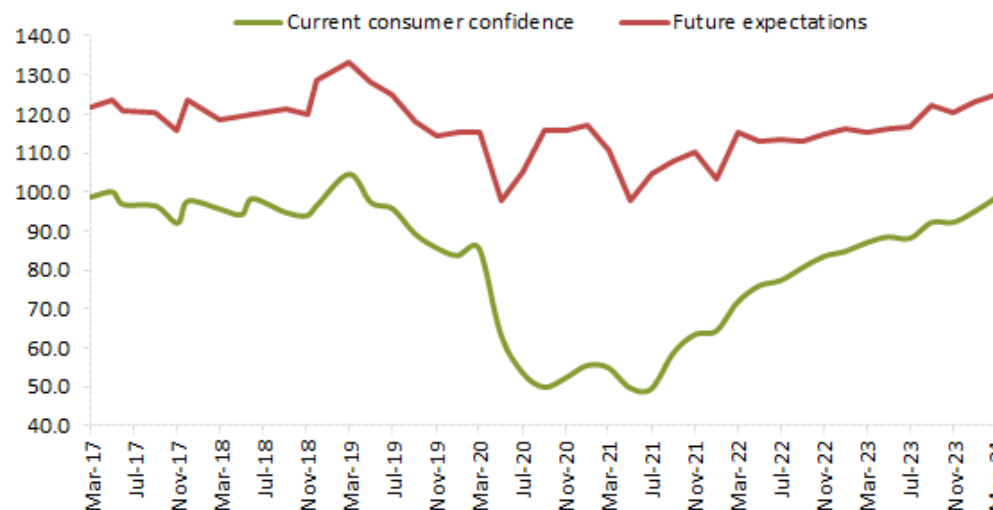
ASSET MANAGEMENT

Asian Manufacturing PMI										
	China	India	Indonesia	Korea	Malaysia	Philippines	Singapore	Taiwan	Thailand	Vietnam
Apr-24	51.4	58.8	52.9	49.4	49.0	52.2	50.5	50.2	48.6	50.3
Mar-24	51.1	59.1	54.2	49.8	48.4	50.9	50.7	49.3	49.1	49.9
Feb-24	50.9	56.9	52.7	50.7	49.5	51.0	50.6	48.6	45.3	50.4
Jan-24	50.8	56.5	52.9	51.2	49.0	50.9	50.7	48.8	46.7	50.3
Dec-23	50.8	54.9	52.2	49.9	47.9	51.5	50.5	47.1	45.1	48.9
Nov-23	50.7	56.0	51.7	50.0	47.9	52.7	50.3	48.3	47.6	47.3
Oct-23	49.5	55.5	51.5	49.8	46.8	52.4	50.2	47.6	47.5	49.6
Sep-23	50.6	57.5	52.3	49.9	46.8	50.6	50.1	46.4	47.8	49.7
Aug-23	51.0	58.6	53.9	48.9	47.8	49.7	49.9	44.3	48.9	50.5
Jul-23	49.2	57.7	53.3	49.4	47.8	51.9	49.8	44.1	50.7	48.7
Jun-23	50.5	57.8	52.5	47.8	47.7	50.9	49.7	44.8	53.2	46.2
May-23	50.9	58.7	50.3	48.4	47.8	52.2	49.5	44.3	58.2	45.3
Apr-23	49.5	57.2	52.7	48.1	48.8	51.4	49.7	47.1	60.4	46.7
Mar-23	50.0	56.4	51.9	47.6	48.8	52.5	49.9	48.6	53.1	47.7
Feb-23	51.6	55.3	51.2	48.5	48.4	52.7	50.0	49.0	54.8	51.2
Jan-23	49.2	55.4	51.3	48.5	46.5	53.5	49.8	44.3	54.5	47.4
Dec-22	49.0	57.8	50.9	48.2	47.8	53.1	49.7	44.6	52.5	46.4
Nov-22	49.4	55.7	50.3	49.0	47.9	52.7	49.8	41.6	51.1	47.4
Oct-22	49.2	55.3	51.8	48.2	48.7	52.6	49.7	41.5	51.6	50.6
Sep-22	48.1	55.1	53.7	47.3	49.1	52.9	49.9	42.2	55.7	52.5
Aug-22	49.5	56.2	51.7	47.6	50.3	51.2	50.0	42.7	53.7	52.7
Jul-22	50.4	56.4	51.3	49.8	50.6	50.8	50.1	44.6	52.4	51.2
Jun-22	51.7	53.9	50.2	51.3	50.4	53.8	50.3	49.8	50.7	54.0
May-22	48.1	54.6	50.8	51.8	50.1	54.1	50.4	50.0	51.9	54.7
Apr-22	46.0	54.7	51.9	52.1	51.6	54.3	50.3	51.7	51.9	51.7
Mar-22	48.1	54.0	51.3	51.2	49.6	53.2	50.1	54.1	51.8	51.7

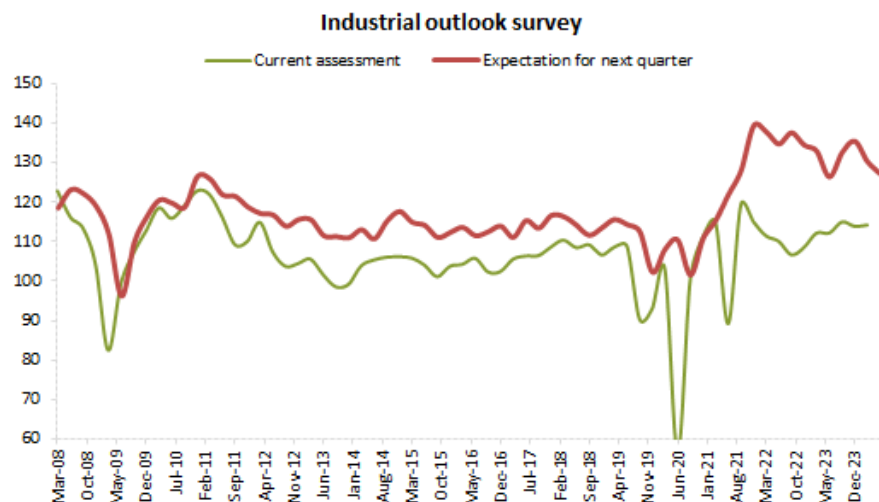
Growth (% y-y)	Infra index (% y-y)	Coal	Crude	Natural gas	Petroleum refinery	Fertilizers	Steel	Cement	Electricity
03-2024	5.2	8.7	2.0	6.3	-0.3	-1.3	5.5	10.6	8.0
02-2024	7.1	11.6	7.9	11.3	2.6	-9.5	9.1	9.1	7.5
01-2024	4.1	10.2	0.7	5.5	-4.3	-0.6	8.7	5.7	5.7
12-2023	5.0	10.8	-1.0	6.6	4.0	5.8	8.3	3.8	1.2
11-2023	7.9	10.9	-0.4	7.6	12.4	3.4	9.8	-4.8	5.7
10-2023	12.7	18.4	1.3	9.9	4.2	5.3	13.6	17.0	20.3
09-2023	9.4	16.0	-0.4	6.6	5.5	4.2	14.8	4.7	9.9
08-2023	13.4	17.9	2.1	9.9	9.5	1.8	16.3	19.7	15.3
07-2023	8.5	14.9	2.1	8.9	3.6	3.3	14.9	6.9	8.0
06-2023	8.4	9.8	-0.6	3.5	4.6	3.4	21.3	9.9	4.2
05-2023	5.2	7.2	-1.9	-0.3	2.8	9.7	12.0	15.9	0.8
04-2023	4.6	9.1	-3.5	-2.9	-1.5	23.5	16.6	12.4	-1.1
03-2023	4.2	11.7	-2.8	2.7	1.5	9.7	12.1	-0.2	-1.6
02-2023	7.4	9.0	-4.9	3.1	3.3	22.2	12.4	7.4	8.2
01-2023	9.7	13.6	-1.1	5.2	4.5	17.9	14.3	4.7	12.7
12-2022	8.3	12.3	-1.2	2.6	3.7	7.3	12.3	9.5	10.4

India PMIs have been very strong and leading Asian PMIs by a large margin. Infrastructure sector indicators are also running at a decent growth momentum

Consumer confidence improves, inflation expectation decline



RBI surveys post a good picture with rising consumer confidence and declining inflation indicators.



Real indicators for FY24

Data Title	Unit	YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2021-22	2022-23	2023-24	2021-22	2022-23	2023-24
Agriculture								
Fertiliser Sales	Mn Tonnes	Apr-Mar	53.8	62.7	62.9	-6.8	16.5	0.3
Domestic Tractor Sales	Lakh	Apr-Mar	8.4	9.5	8.7	-6.4	13.1	-8.4
Rabi Sowing	Mn Hectare	2-Feb	69.8	70.9	70.9	1.1	1.6	0.0
Kharif Production	Mn Tonnes	2nd AE	153.5	153.4	154.2	3.8	-0.1	0.5
Reservoir Level	Bn Cu. Metres	11-Apr	68.6	66.9	58.3	10.8	-2.5	-12.9
Wheat Procurement (RMS)	LMT	NA	433.4	187.9	262	11.2	-56.6	39.4
Rice Procurement (KMS)	LMT	30-Sep-23	575.9	569.5	-	-4.4	-1.1	-
Rainfall	Millimetres	June-Sep	874.5	925	820		5.8	-11.4
Credit to Agriculture	₹ Lakh crore	Feb	14.4	16.6	20.4	10.3	15.3	22.9
Industry								
IIP	Index	Apr-Feb	130	137.3	145.4	12.5	5.6	5.9
8-Core Industries	Index	Apr-Feb	134.1	145	156.2	11.0	8.3	7.7
Domestic Auto sales	Lakh	Apr-Mar	164.4	196.6	228.7	-7.7	19.6	16.3
PMI Manufacturing	Index	Apr-Mar	54	55.6	57.2	7.5	3.0	2.9
Power consumption	Billion kWh	Apr-Mar	1374.4	1504.3	1622.6	8.1	9.5	7.9
Natural gas production	Bn Cu. Metres	Apr-Feb	31.1	31.5	33.3	19.8	1.1	5.7
Cement production	Index	Apr-Feb	153.1	168.1	183.4	22.3	9.8	9.1
Steel consumption	Mn Tonnes	Apr-Mar	105.8	118.5	133.9	11.5	11.9	13.0

Real indicators for FY24



ASSET MANAGEMENT

Data Title	Unit	YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2021-22	2022-23	2023-24	2021-22	2022-23	2023-24
Inflation								
CPI-C	Index	Apr-Mar	163.8	174.7	184.1	5.5	6.7	5.4
WPI	Index	Apr-Mar	139.4	152.5	151.5	13.0	9.4	-0.7
CFPI	Index	Apr-Mar	163.7	174.6	187.6	3.8	6.6	7.5
CPI-Core	Index	Apr-Mar	162.9	172.8	180.3	6.0	6.1	4.3
Services								
Average Daily ETC Collection	₹ Crore	Apr-Mar	104	148.5	176.2	64.2	42.2	18.9
Domestic Air Passenger Traffic	Lakh	Apr-Mar	1669.3	2958.6	3057.9	58.6	77.2	3.7
Port Cargo Traffic	Million tonnes	Apr-Mar	719.4	744.7	712.4	7.3	3.5	-4.3
Rail Freight Traffic	Million tonnes	Apr-Feb	1278.8	1367.5	1434	16.0	6.9	4.9
PMI Services	Index	Apr-Mar	52.3	57.3	60.3	25.5	9.5	5.2
Fuel Consumption	Million tonnes	Apr-Mar	201.7	223.0	233.3	3.8	10.6	4.6
UPI (Volume)	Crore	Apr-Mar	4698.4	8273.4	13116.5	110.4	76.1	58.5
E-Way Bill Volume	Crore	Apr-Mar	77.4	95.8	111.2	25.5	23.8	16.1
Fiscal Indicators								
Gross tax revenue (Central Govt)	₹ Lakh crore	Apr-Feb	22.7	25.5	28.9	35.9	12.3	13.3
Revenue Expenditure	₹ Lakh crore	Apr-Feb	26.6	29.0	29.4	10.4	9.0	1.4
Capital Expenditure	₹ Lakh crore	Apr-Feb	4.8	5.9	8.1	17.1	22.9	37.3
Fiscal Deficit	₹ Lakh crore	Apr-Feb	13.2	14.5	15.0	-5.7	9.8	3.4
Revenue Deficit	₹ Lakh crore	Apr-Feb	8.7	9.2	7.3	-16.6	5.7	-20.7
Primary Deficit	₹ Lakh crore	Apr-Feb	6.4	6.5	6.2	-24.7	1.6	-4.6
GST Collection	₹ Lakh crore	Apr-Mar	14.9	18.1	20.2	30.8	21.7	11.6

Real indicators for FY24

ASSET MANAGEMENT

Data Title	Unit	YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2021-22	2022-23	2023-24	2021-22	2022-23	2023-24
External Sector								
Merchandise exports	USD Billion	Apr-Mar	422.0	451.0	437.1	44.6	6.9	-3.1
Non-oil exports	USD Billion	Apr-Mar	354.5	353.6	352.9	33.3	-0.3	-0.2
Merchandise imports	USD Billion	Apr-Mar	613.0	714.6	677.5	55.4	16.6	-5.2
Non-oil non-gold/silver imports	USD Billion	Apr-Mar	401.8	464.9	446.7	45.4	15.7	-3.9
Net FDI	USD Billion	Apr-Feb	51.1	39.6	27.1	-3.4	-22.5	-31.6
Exchange Rate	INR/USD	Apr-Mar	74.5	80.4	82.8	0.4	7.9	3.0
Foreign Exchange Reserves	USD Billion	12th April	603.7	586.4	643.2	3.7	-2.9	9.7
Import Cover	Months	Mar	12.1	10	11.4	.		
Monetary and Financial								
Total Bank Credit	₹ Lakh crore	5th Apr	119.7	138.5	166	9.9	15.7	19.9
Non-Food Credit	₹ Lakh crore	5th Apr	119.3	138.3	165.8	10.1	15.9	19.9
10-Year Bond Yields	Per cent	Apr-Mar	6.3	7.3	7.2	0.3	1.0	-0.2
Repo Rate	Per cent	23rd Apr	4	6.5	6.5	0.0	2.5	0.0
Currency in Circulation	₹ Lakh crore	12th Apr	31.8	34.4	35.7	10.3	8.2	3.8
M0	₹ Lakh crore	12th Apr	39.6	44.1	46.9	10.6	11.4	6.3
Employment								
Net payroll additions under EPFO	Lakh	Apr-Feb	107.0	125.1	132.8	62.5	16.9	6.2
Number of person demanded employment under MGNREGA	Crore	Apr-Mar	40.2	33.1	33.2	-10.0	-17.5	0.3
Urban Unemployment Rate	Per cent	Oct-Dec	8.7	7.2	6.5	-1.6	-1.5	-0.7
Subscriber Additions: NPS	Lakh	Apr-Dec	5.7	5.6	6.6	42.6	-1.6	17.1

Most indicators point to decent growth momentum

Chart IIL.1: Economic Activity and GDP Growth Nowcast

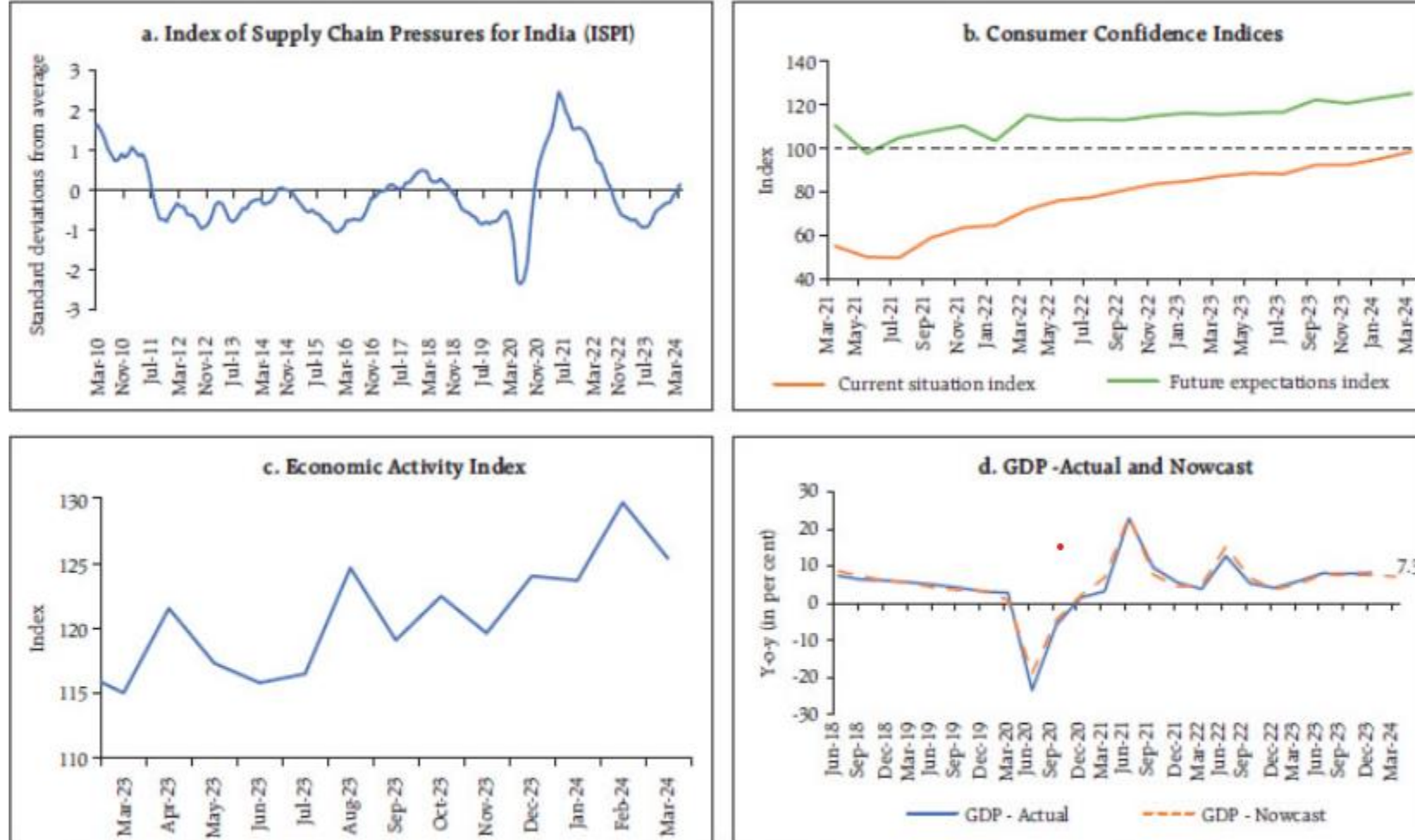
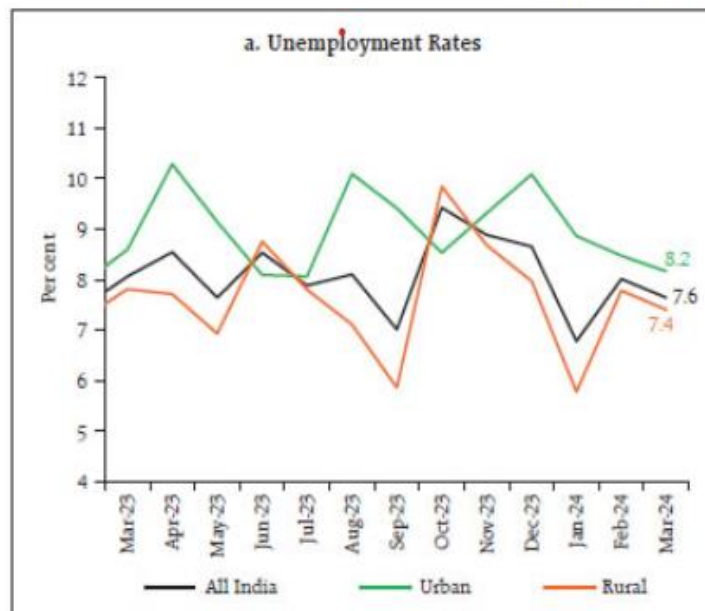
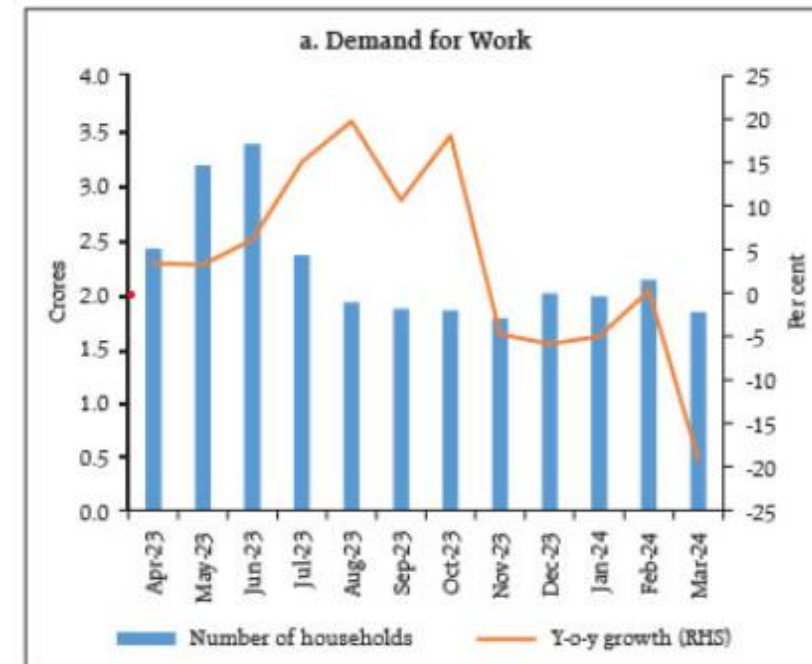
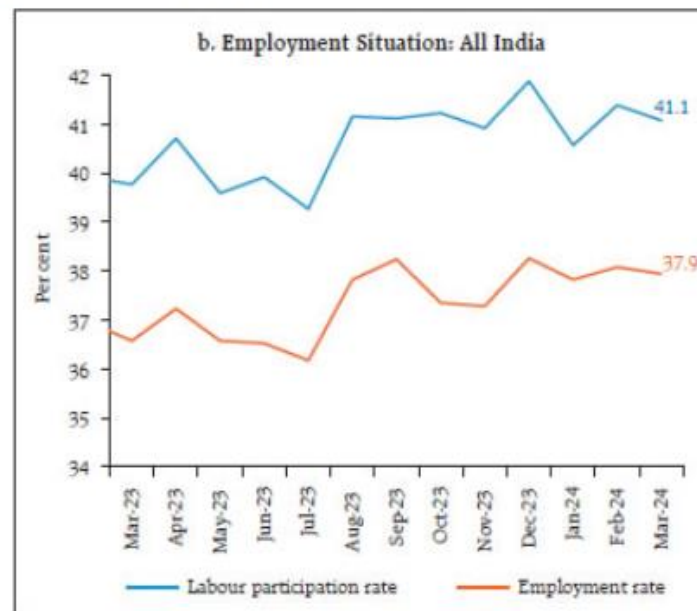


Chart III.4: Labour Market Conditions



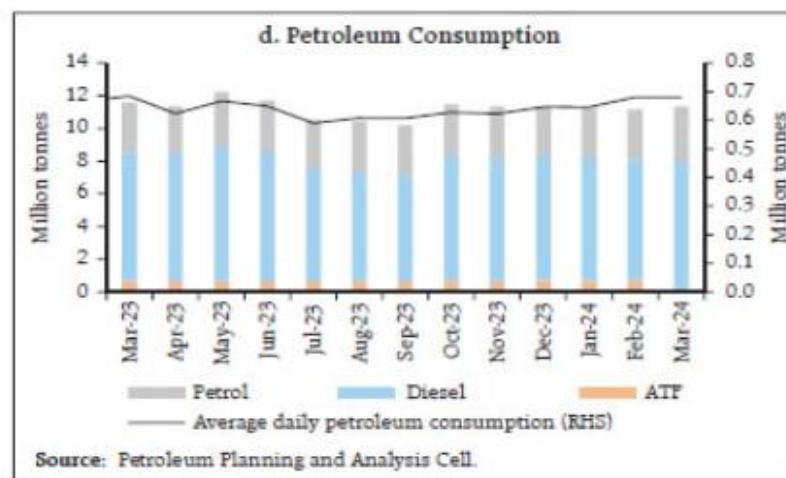
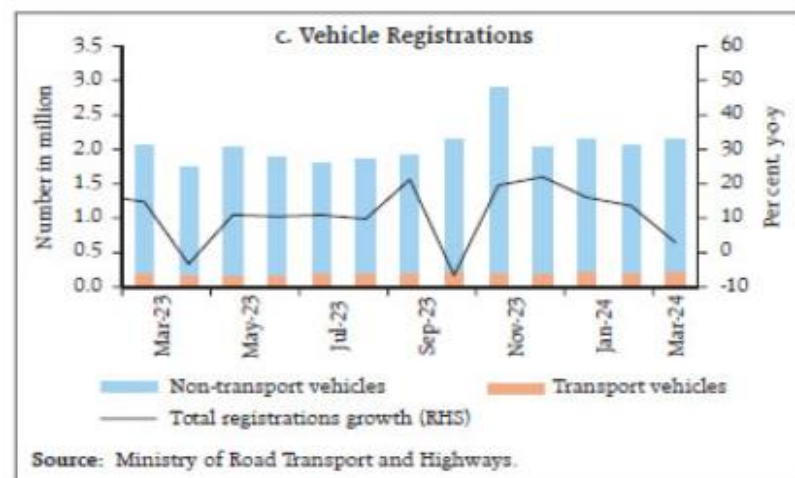
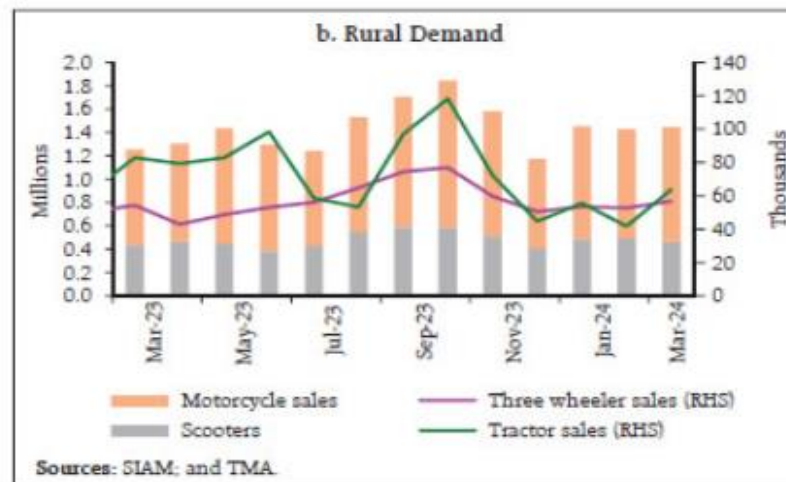
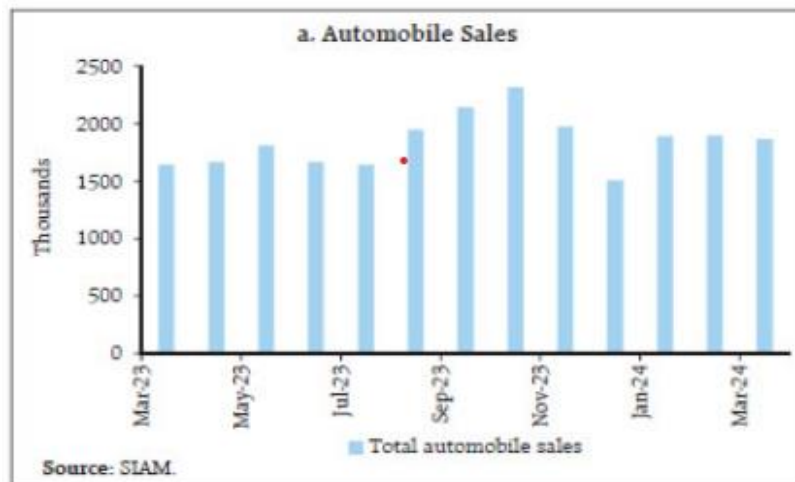
Source: CMIE.



Labour market indicators have been improving as per CMIE data. Also MGNREGS work demanded is declining.

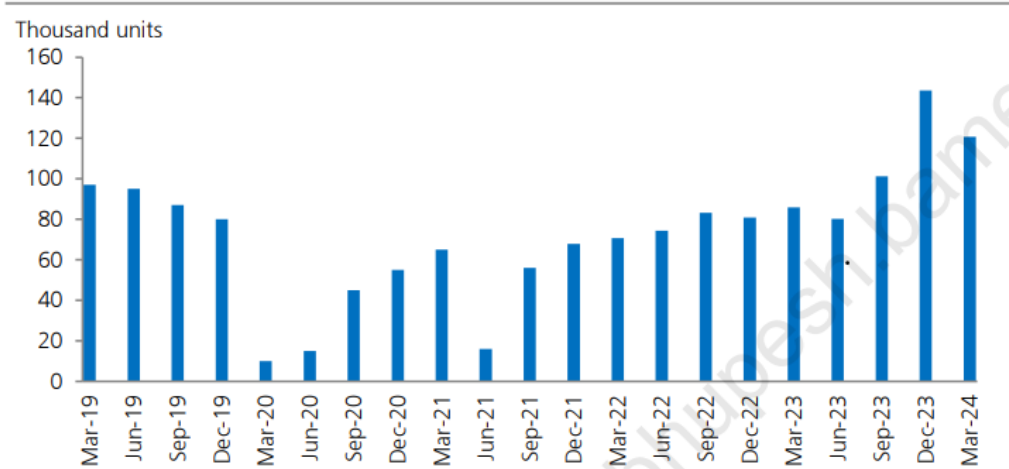
Automobile sector indicators show some moderation

Chart III.3: Automobile Sector Indicators

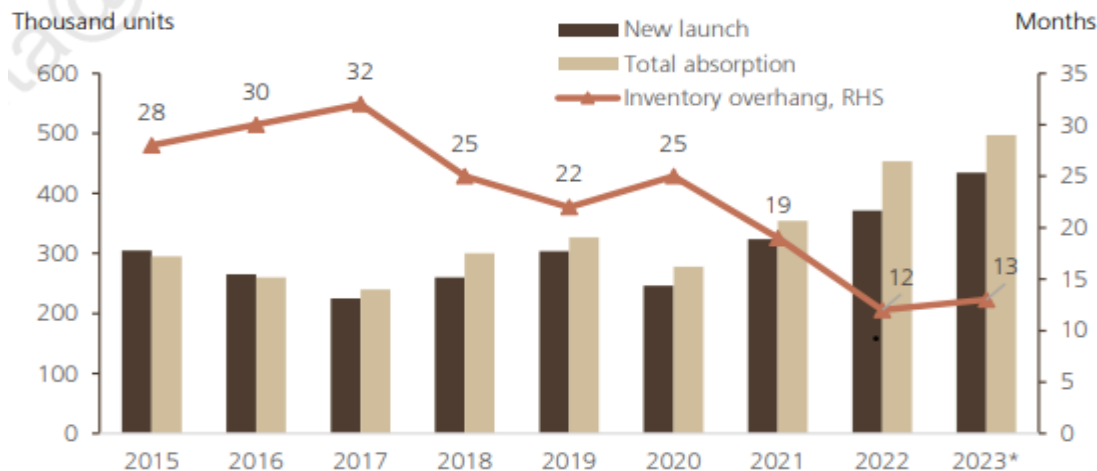


Housing sector remains strong but its K Shaped

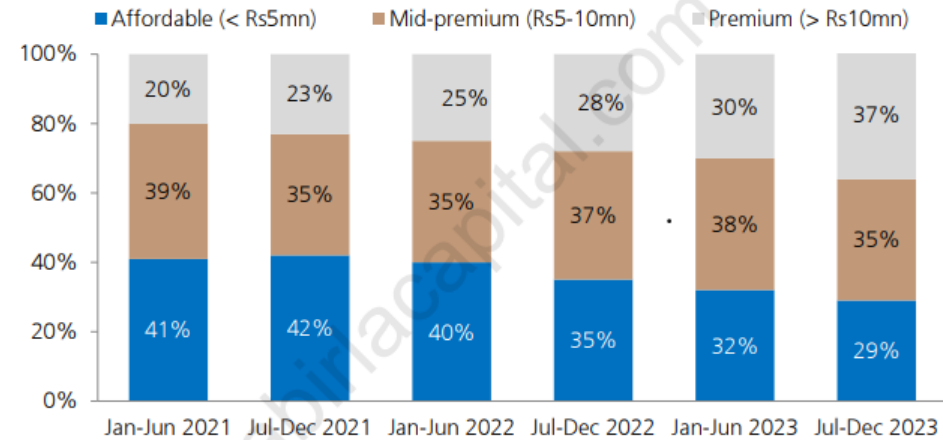
Residential housing sales across eight major cities



Residential housing supply-demand dynamics

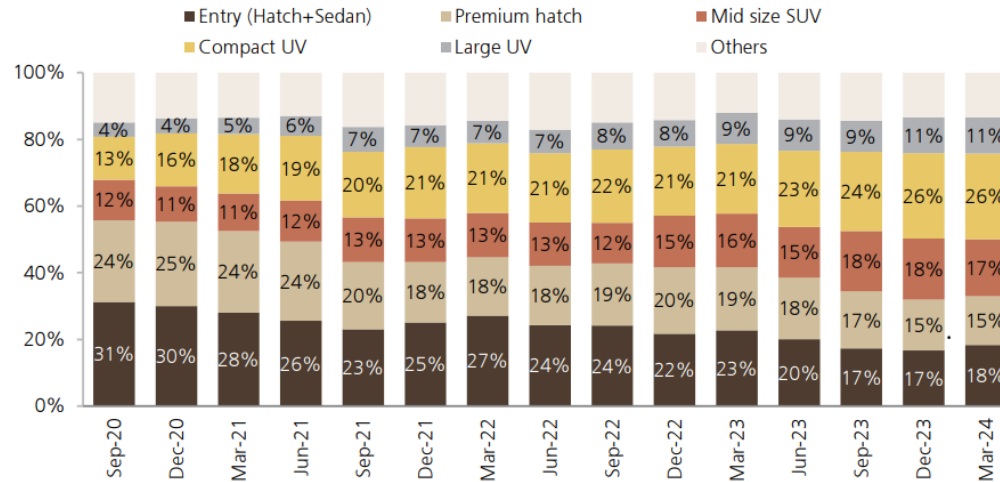


Residential housing sales: share of affordable housing slowed; premium segment share picked up

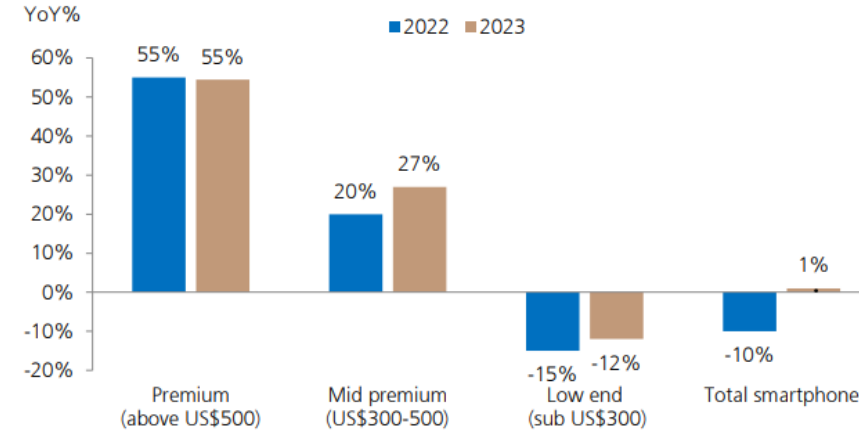


K-Shaped economic trend

Passenger vehicle sales: the share of premium variants (mid size SUV & large UV sales) has gone up sharply

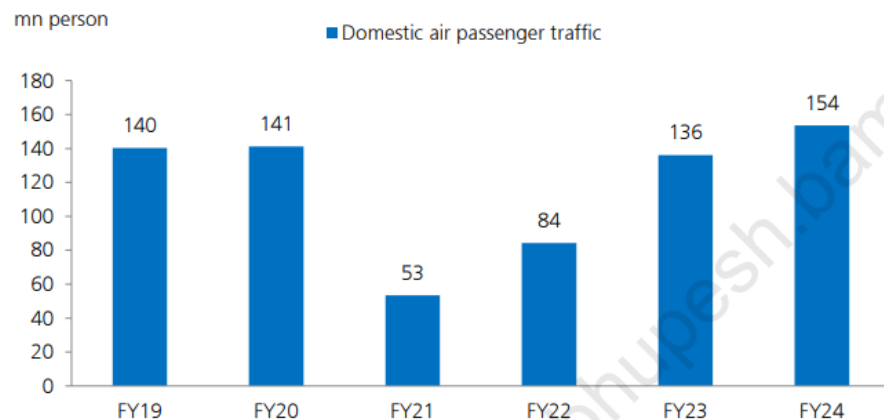


Smartphone sales: double digit premium category sales growth; low-end segment saw a contraction in sales

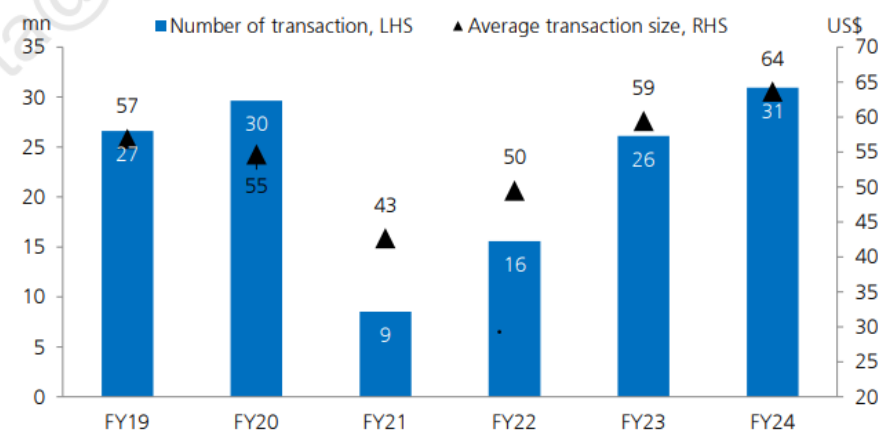


Source: International Data Corporation (IDC), UBS

Domestic air passenger traffic touched an all-time high

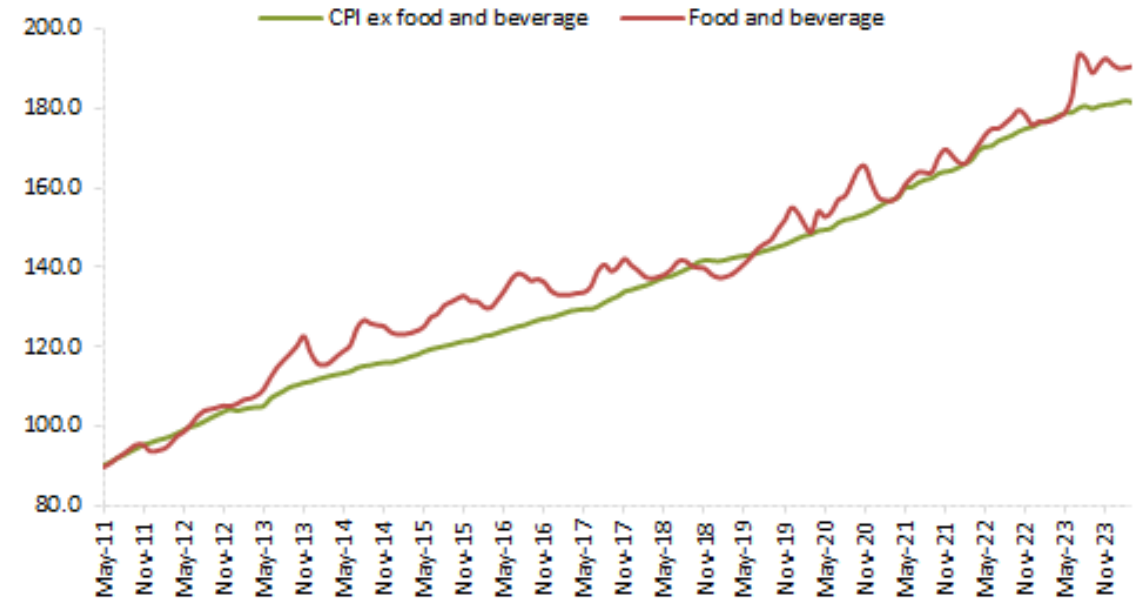
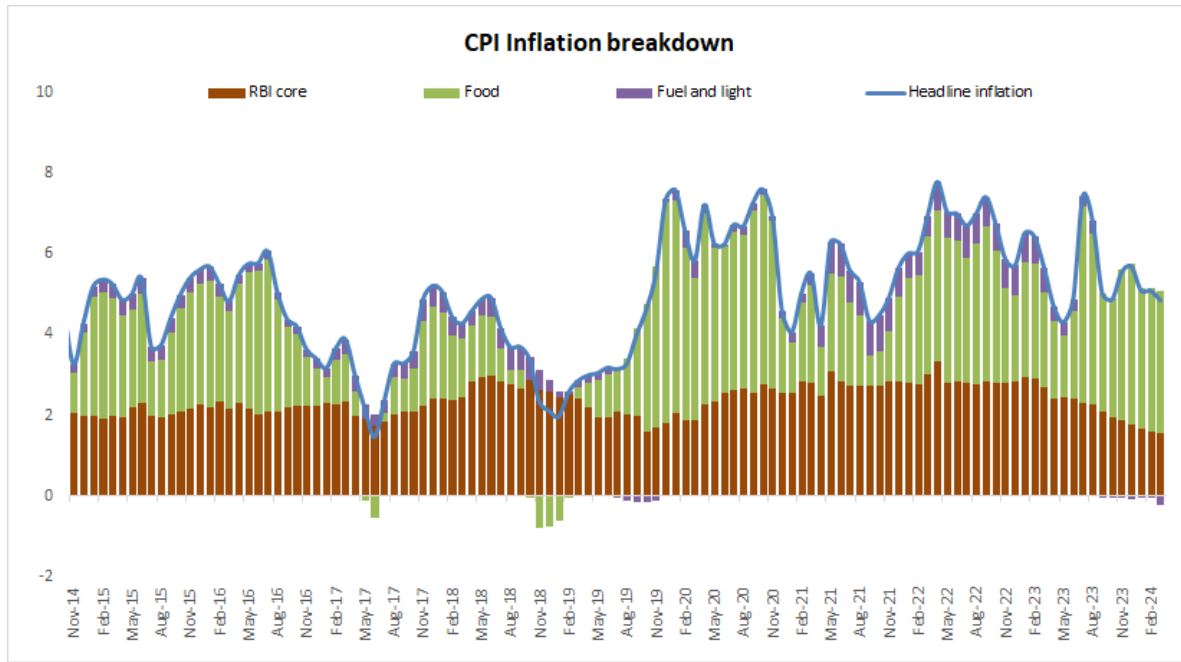


Hotel bookings on 'MakeMyTrip*' increased despite increase in prices



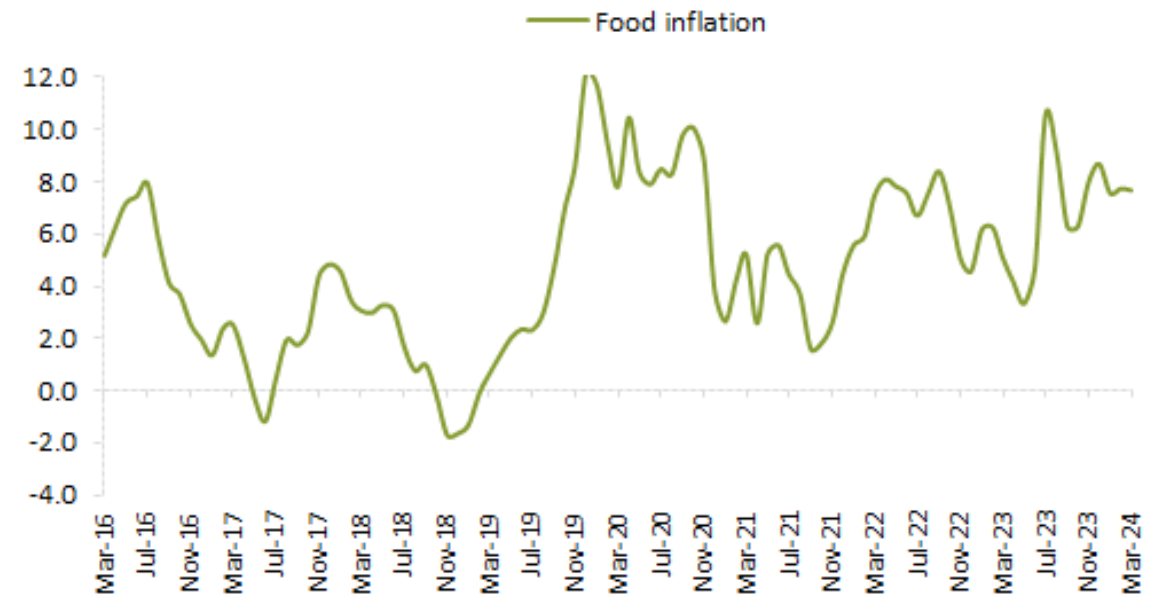
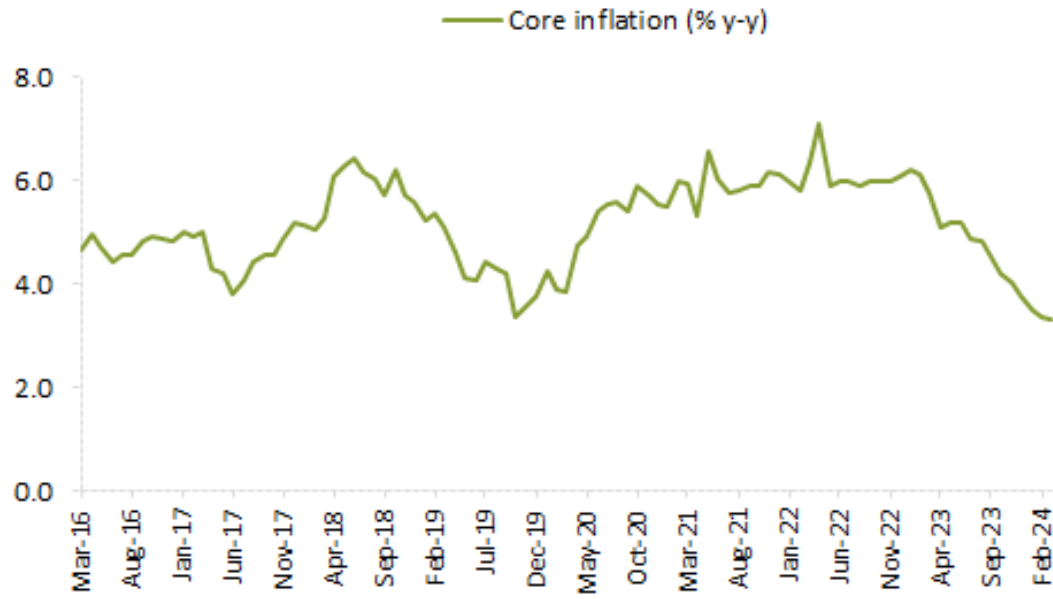
Variety of economic indicators suggest K shaped recovery with affluent segment doing well. The same can be seen from type of passenger cars sold, smartphones sold, rising passenger traffic and rising hotel spending despite higher prices.

Declining core inflation is quite positive



With core inflation coming low, we expect food inflation to also fall to the food inflation trajectory as has been the trend in the past. Hence, we are quite positive on overall inflation even as believe that core inflation may have bottomed out.

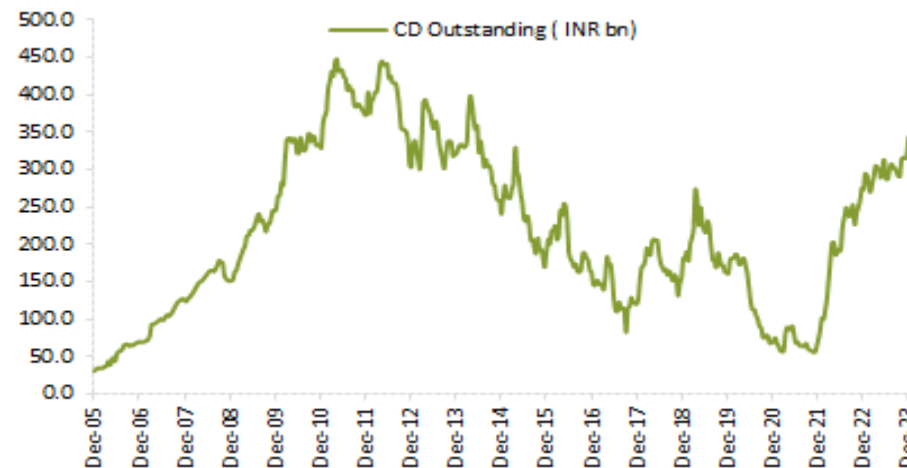
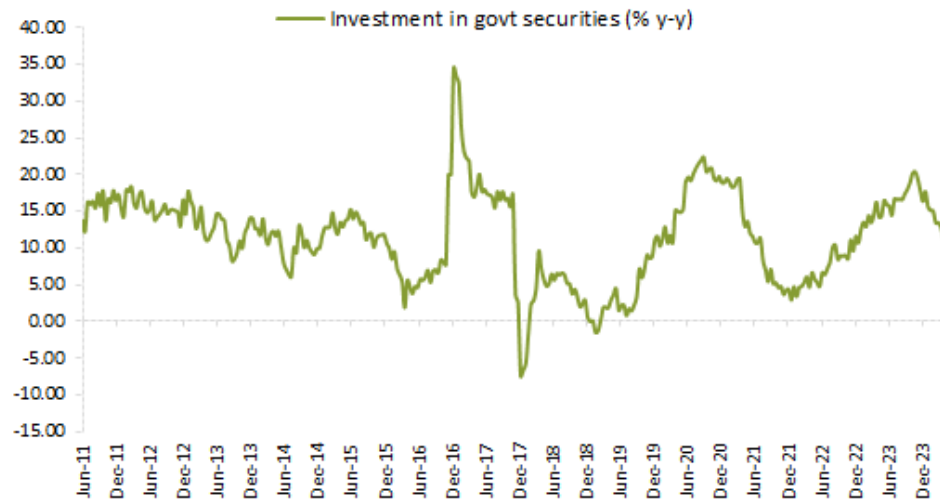
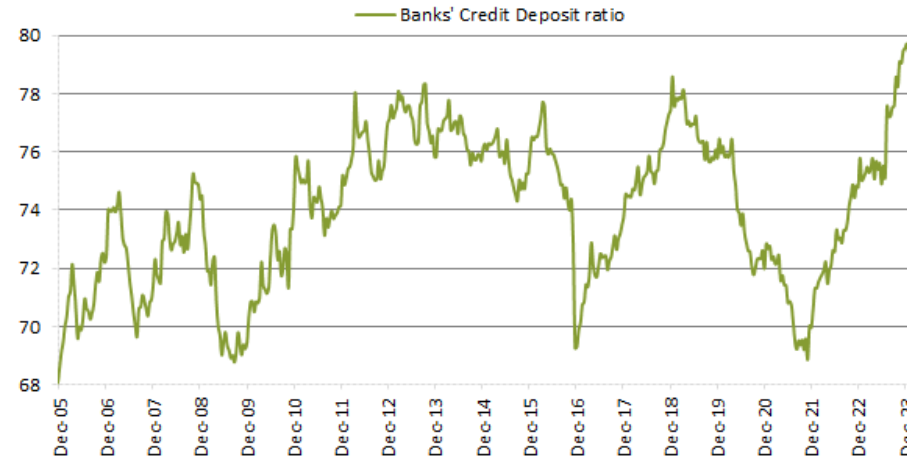
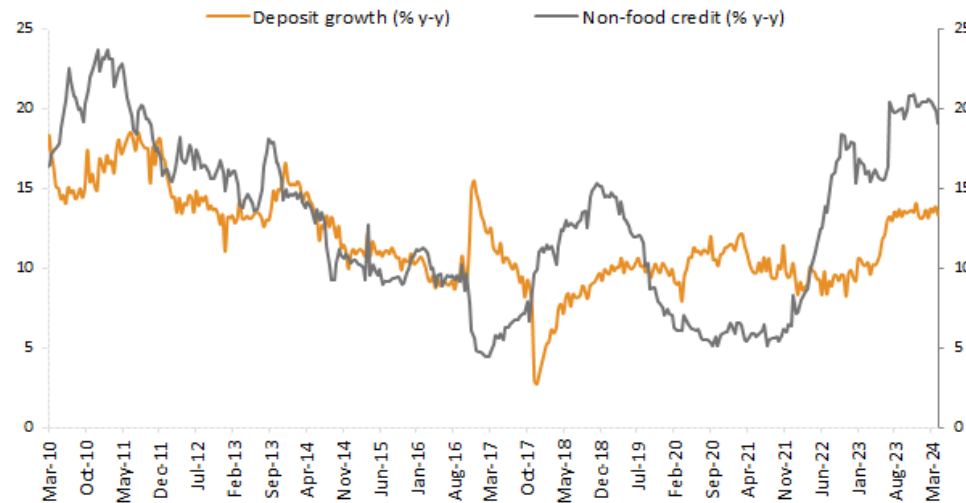
Core inflation at record lows



Strong growth in bank credit takes CDR to highs

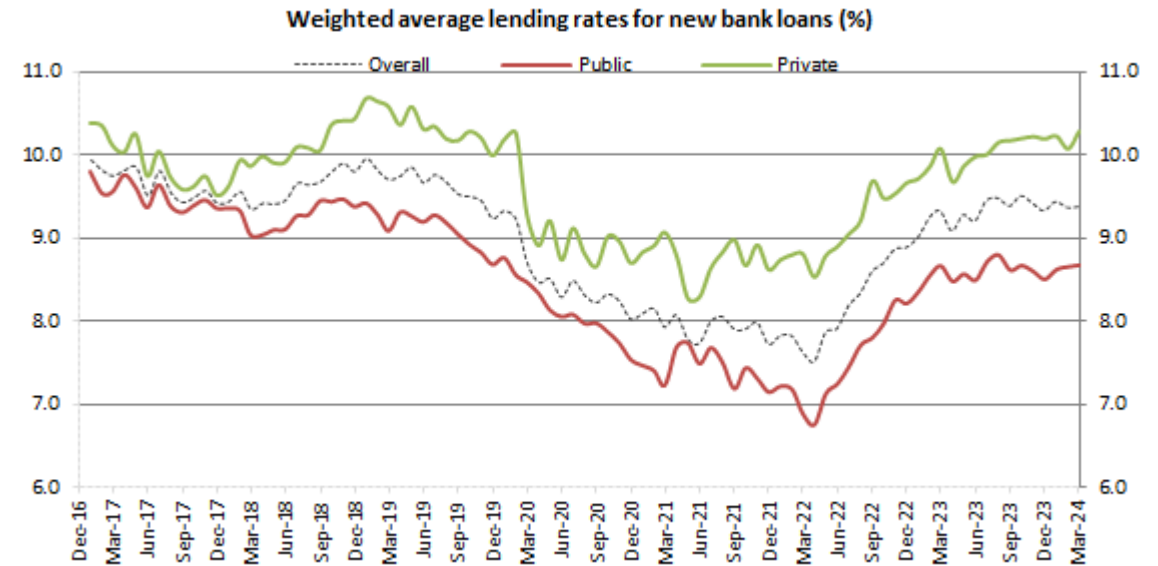
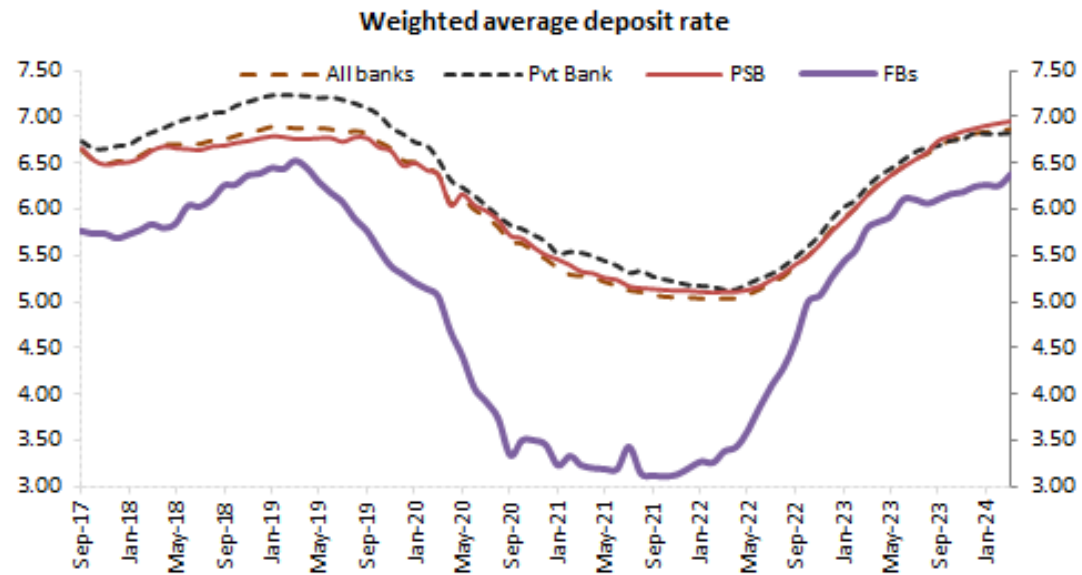
ASSET MANAGEMENT

Credit deposit ratio at record high levels will be a headwind to credit disbursement by banks in FY25. Banks have been increasing CD issuances and have also somewhat reduced pace of Gsec purchase to fund higher credit.



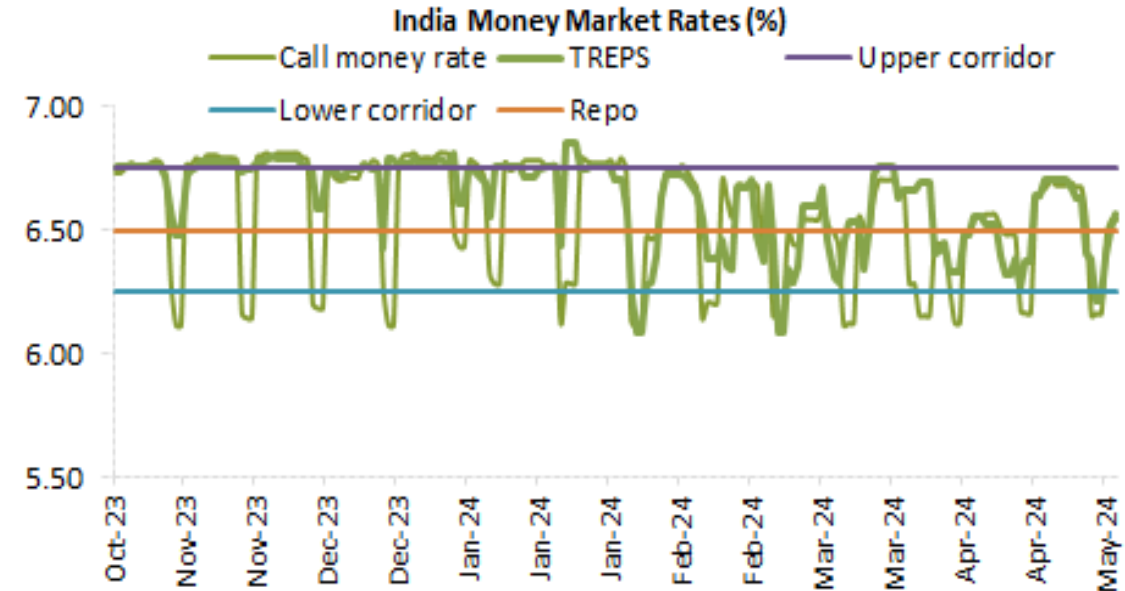
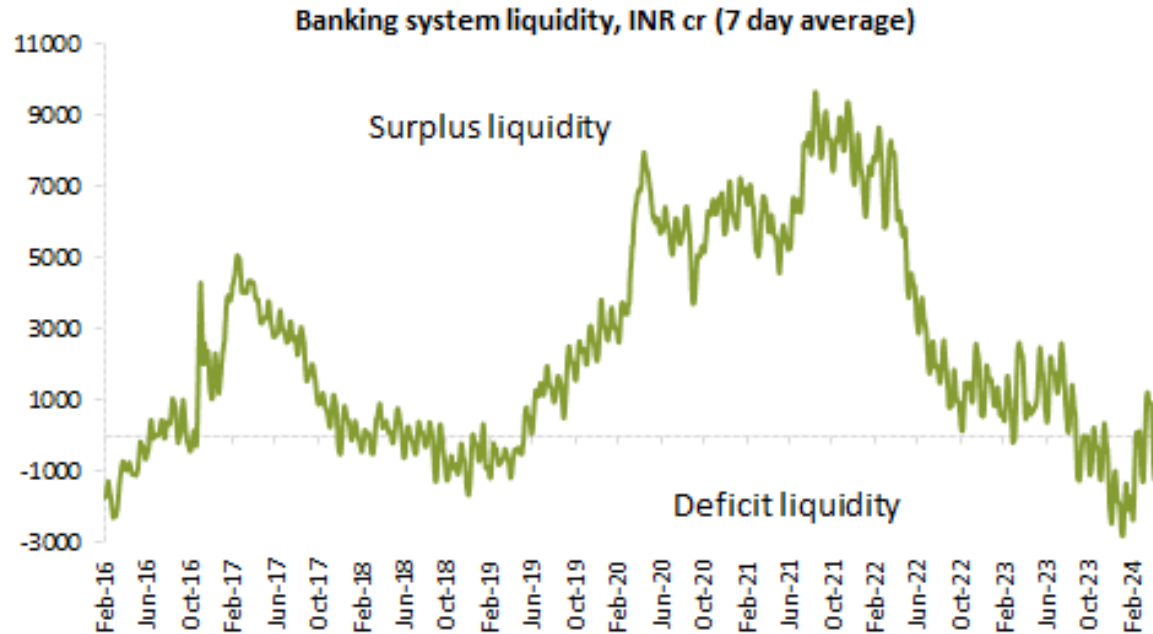
...pushing up bank deposit rates

MUTUAL FUNDS



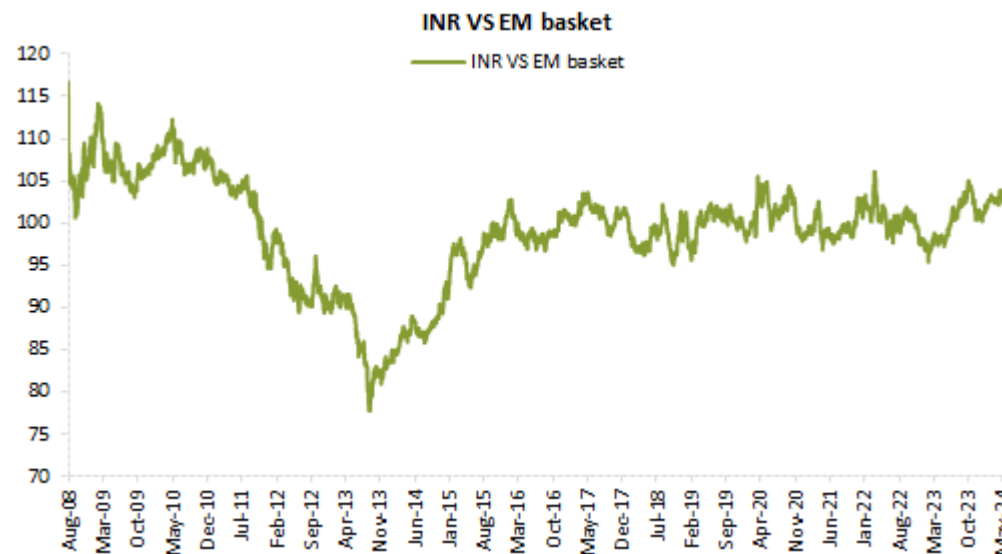
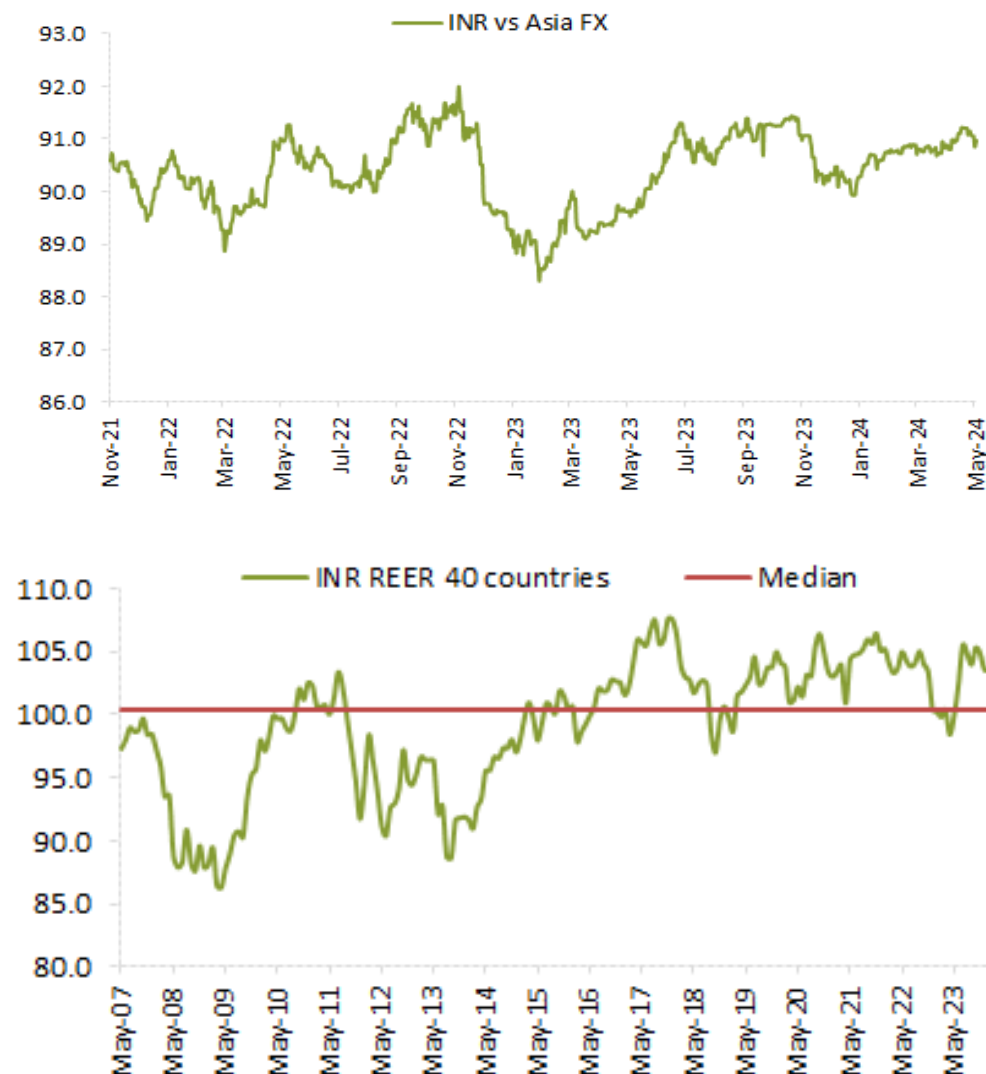
Banking deposit rates continue to move up even as loan rates have flatlined.

Improving liquidity brings down overnight rates



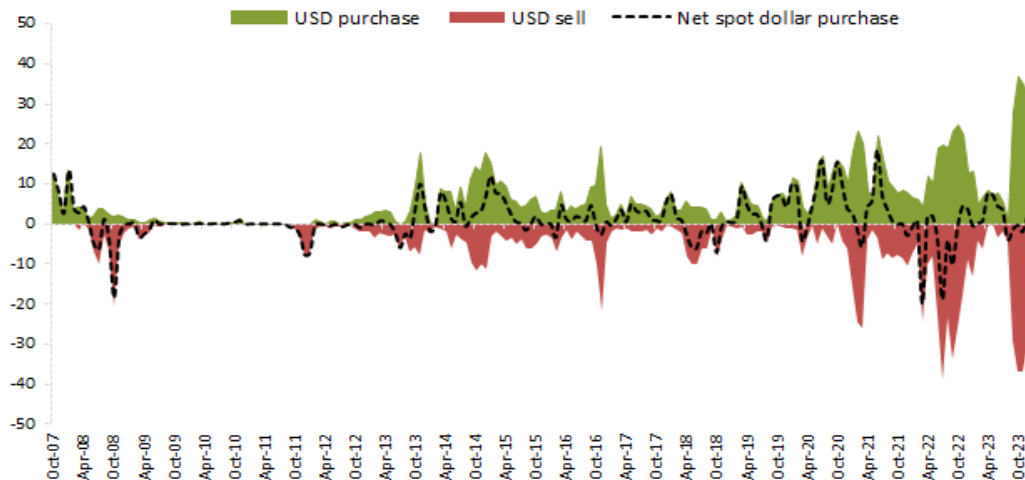
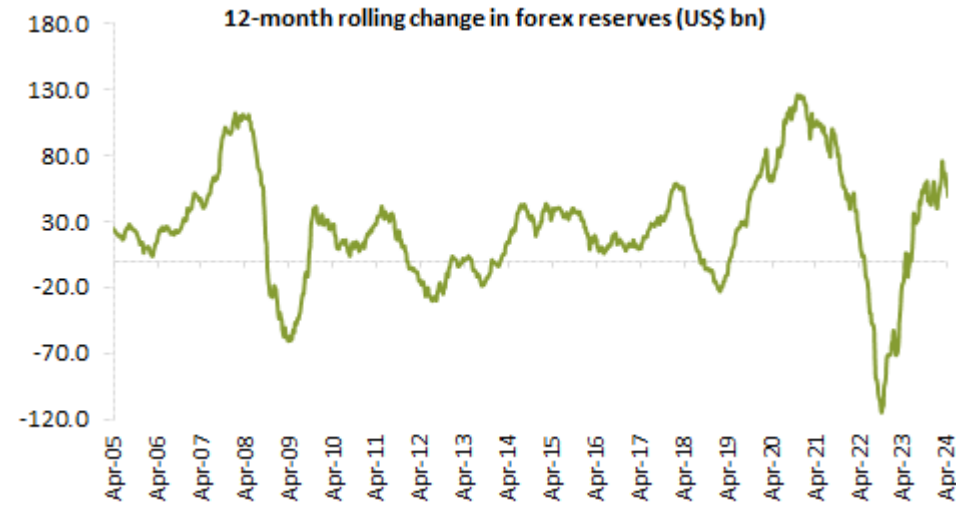
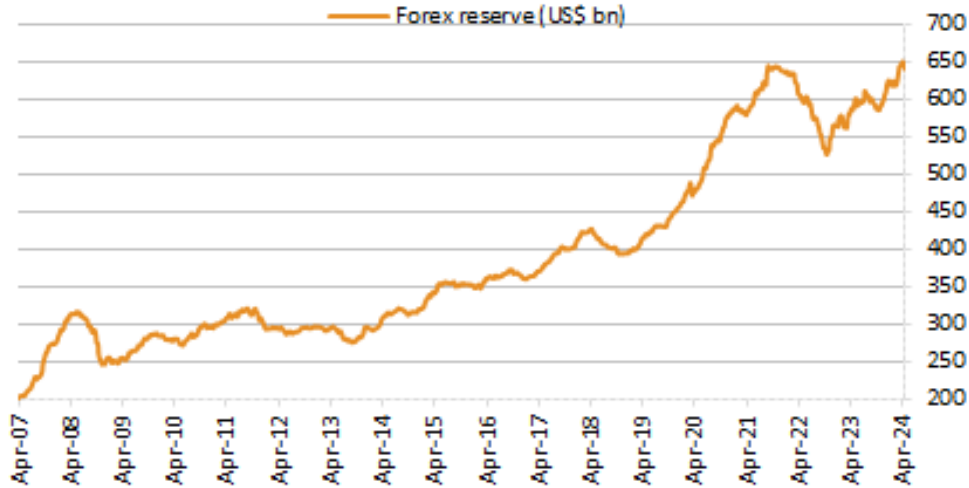
Banking system liquidity has improved sharply driven by higher government expenditure reducing government cash balances as well as RBI fx purchases. This has brought down overnight rates and has done effective easing in money market rates. Also growth in currency in circulation is running low probably owing to higher formalization of the economy.

Rupee remains stable



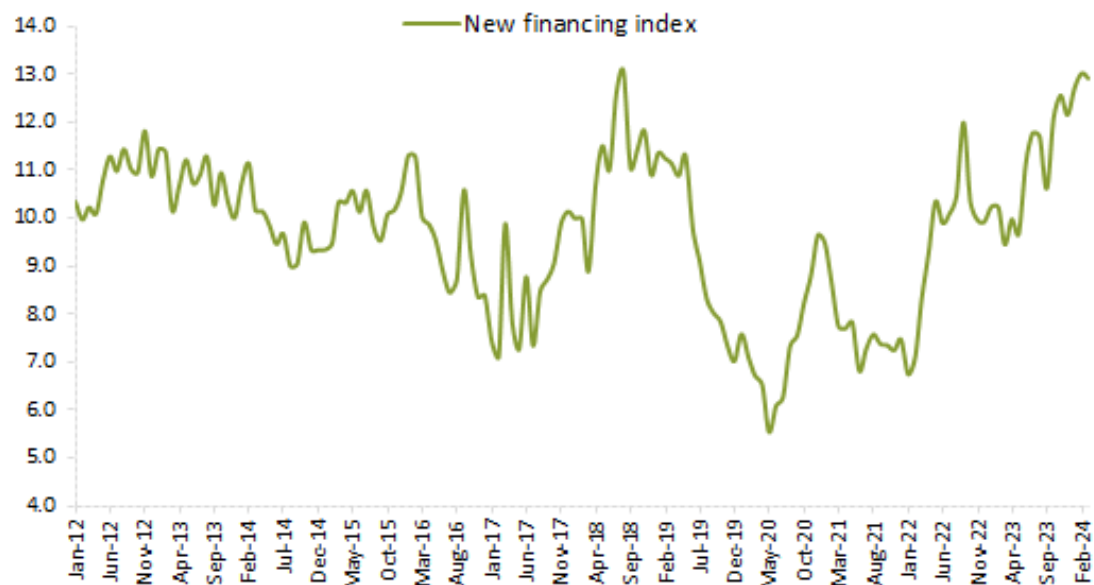
INR continue to remain one of the most stable EM currencies aided by comfortable BoP and RBI interventions.

Forex reserves at record highs should keep INR stable



Comfortable Balance of Payment position and persistent RBI purchases have taken forex reserve to record high levels.

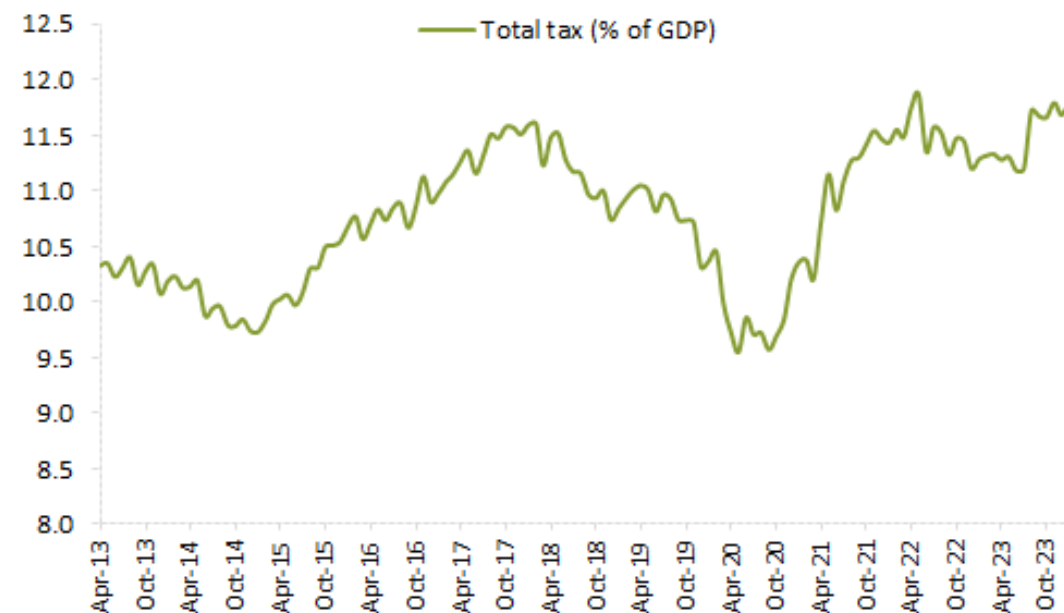
New financing in the economy at strong level



Corporate bond issuance (INR cr)									
	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Apr	84,807	41,079	63,819	66,399	70,064	54,639	32,010	14,366	53,426
May	20,692	59,801	33,389	10,539	43,577	84,573	21,242	18,040	83,905
Jun	36,125	33,576	75,337	23,733	49,072	70,214	42,051	44,869	96,148
Jul	27,920	36,774	49,033	31,952	46,082	47,962	30,081	68,868	50,604
Aug	46,564	71,165	51,552	36,916	40,309	58,419	49,848	44,879	47,381
Sep	26,612	67,952	50,821	31,802	48,629	64,389	92,727	83,088	50,076
Oct	43,931	70,396	44,146	31,894	47,318	62,331	46,845	34,699	33,259
Nov	24,618	38,645	50,855	55,215	48,732	45,545	47,654	76,563	71,357
Dec	30,152	59,587	41,108	84,925	56,158	88,130	73,145	1,36,717	1,08,076
Jan	39,393	45,957	27,703	83,587	69,296	55,624	25,576	65,666	61,181
Feb	33,810	30,151	46,467	39,298	80,058	45,685	49,304	74,753	81,276
Mar	43,450	85,633	64,916	1,14,057	75,409	94,330	77,554	91,959	1,01,067
Apr-Ma	4,58,073	6,40,716	5,99,147	6,10,318	6,74,703	7,71,840	5,88,037	7,54,467	8,37,756

Our new financing index which includes besides bank credit, equity raised, FDI, and non-bank source of credit is at record high levels in the series reflecting strong pick-up in financing activity in the economy.

Tax collections near record highs



GST, INR cr	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	% y-y
April		1,03,459	1,13,865	32,172	1,41,384	1,67,540	1,87,035	2,10,267	12.4
May		94,016	1,00,289	62,151	1,02,709	1,40,885	1,57,090		11.5
June		95,610	99,939	90,917	92,849	1,44,616	1,61,497		11.7
July		96,483	1,02,083	87,422	1,16,393	1,48,995	1,65,105		10.8
August	95,633	93,960	98,202	86,449	1,12,020	1,43,612	1,59,069		10.8
September	94,064	94,442	91,916	95,480	1,17,010	1,47,686	1,62,712		10.2
October	93,333	1,00,710	95,380	1,05,155	1,30,127	1,51,718	1,72,003		13.4
November	83,780	97,637	1,03,492	1,04,963	1,31,526	1,45,867	1,67,929		15.1
December	84,314	94,726	1,03,184	1,15,174	1,29,780	1,49,507	1,64,882		10.3
January	89,825	1,02,503	1,10,828	1,19,847	1,38,394	1,55,922	1,72,129		10.4
February	85,962	97,247	1,05,366	1,13,143	1,33,026	1,49,577	1,68,337		12.5
March	92,167	1,06,577	97,597	1,23,902	1,42,095	1,60,122	1,78,000		11.2

Strong tax collection: both direct and indirect taxes on the back of better compliance and greater formalization of the economy is a structural positive for Indian economy and Indian bond market.

US Vs India Yield

MUTUAL FUNDS

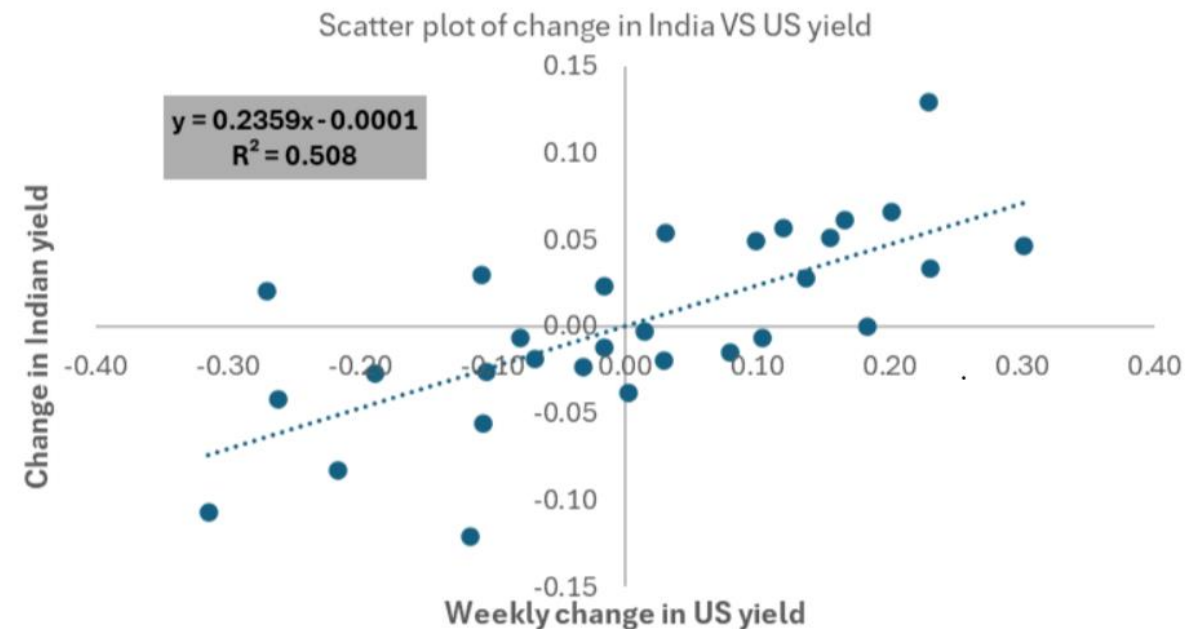
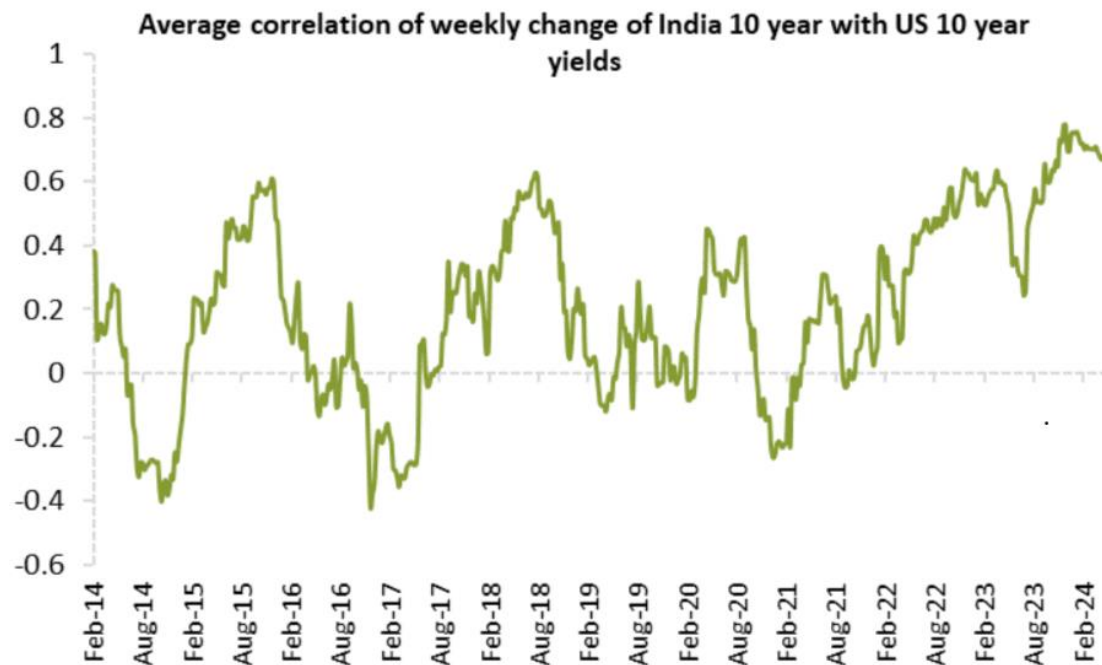


US yields have become the key driver for Indian yields in the last few months. However Indian yields have generally outperformed US yields, especially since the presentation of Union Budget.

Correlation of Indian yield with US at decadal high

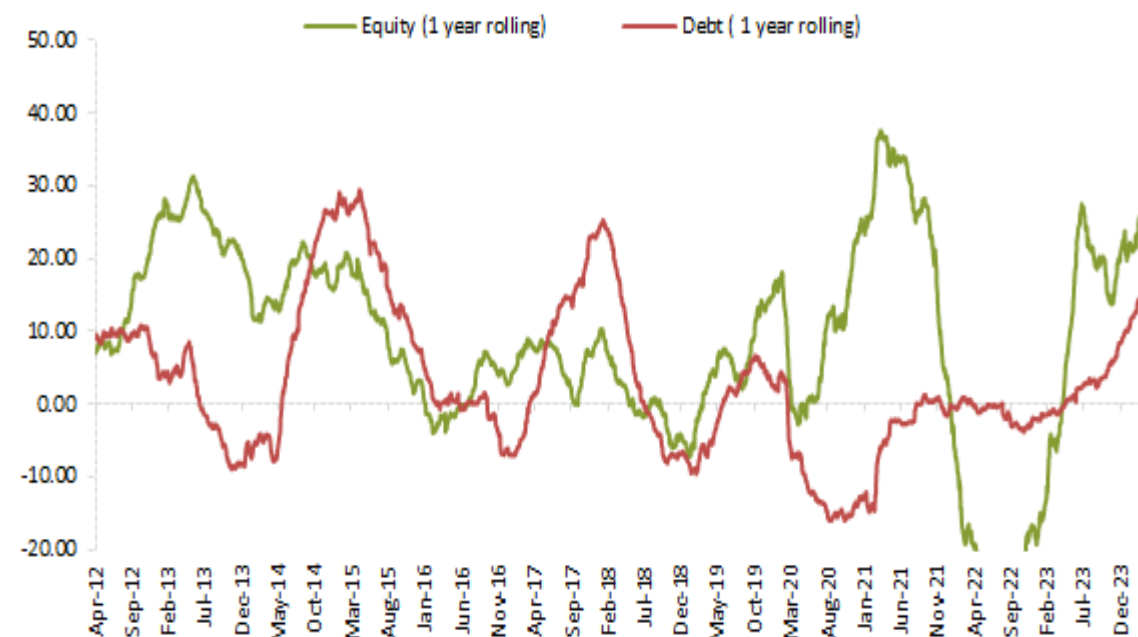
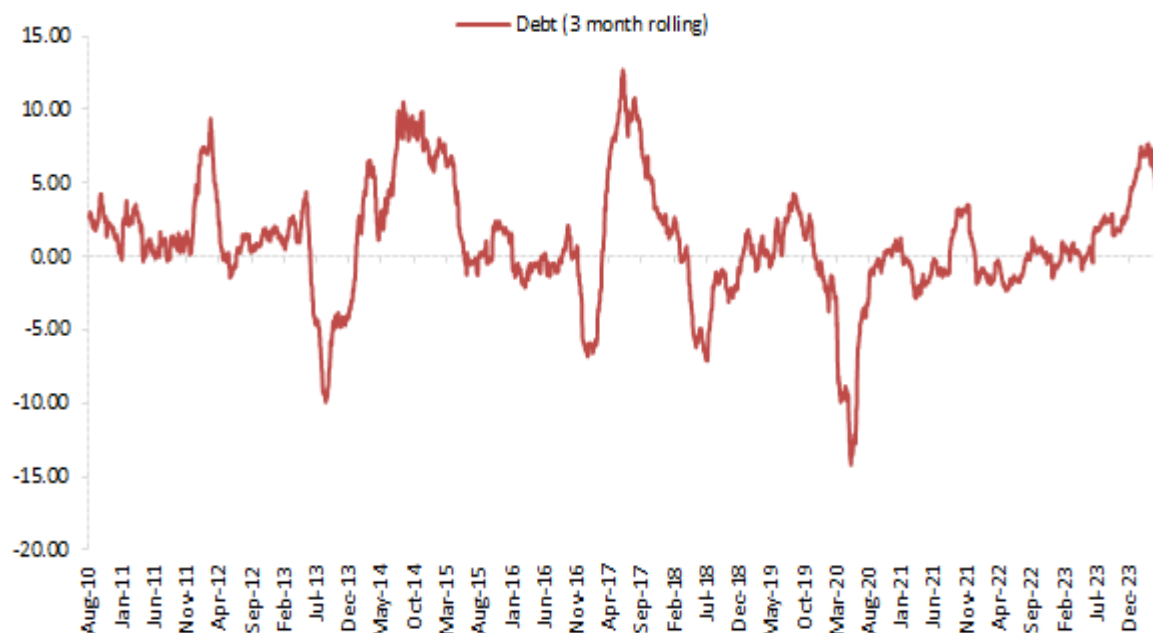


MUTUAL FUNDS



Correlation of Indian yield with US yields have gone up substantially as FPI inflows have risen on the back of announcement of India in JP Morgan bond indices.

Debt flows weakened on rising US yields



Flows into IGBs had gone up substantially since the addition of JP Morgan Bond EM bond indices, but there has been a reversal recently on rising US yields

FII flows into FAR bonds ahead of index inclusion

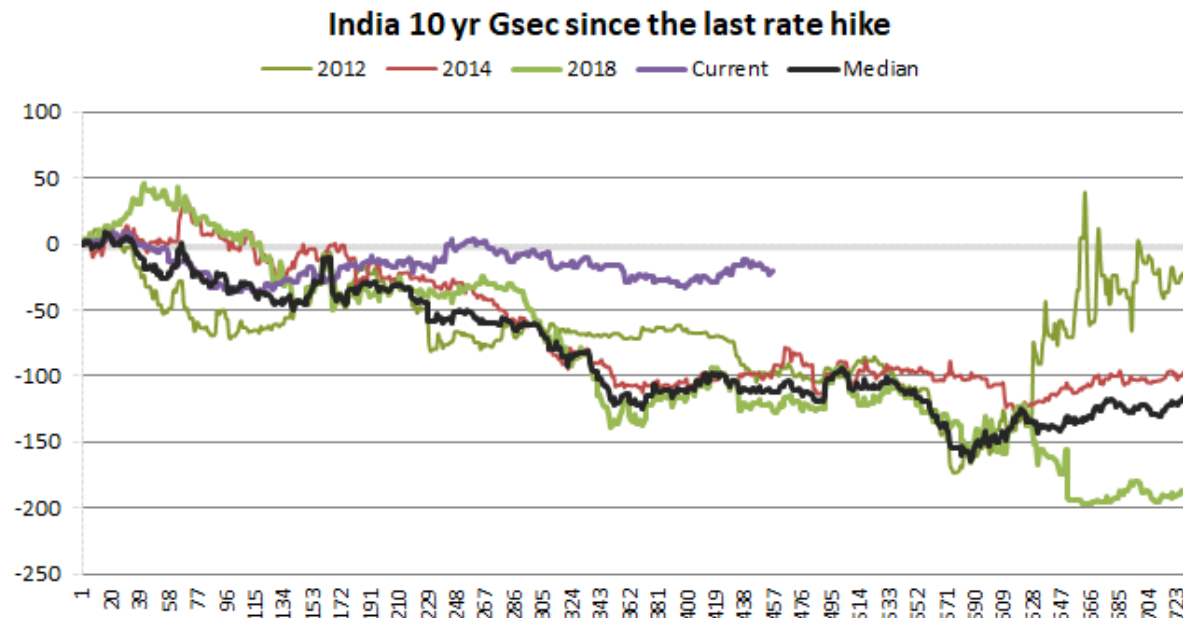


MUTUAL FUNDS

Mat date	Security Description	22-Sep-23	06-May-24	07-May-24	Day Chang	Change from 22Sep
14-08-2033	07.18 GS 2033	1,020	22,731	22,886	154	21,866
24-07-2037	07.18 GS 2037	399	9,840	9,845	5	9,446
10-04-2028	07.06 GS 2028	2,462	10,582	9,972	-610	7,509
23-10-2028	07.37 GS 2028		6,379	6,379	-	6,379
19-06-2053	07.30 GS 2053	231	5,161	5,152	-9	4,921
12-04-2026	05.63 GS 2026	6,577	10,370	10,440	70	3,862
17-01-2032	06.54 GS 2032	2,783	6,338	6,338	-	3,555
20-06-2027	07.38 GS 2027	6,426	10,123	9,873	-250	3,447
15-11-2026	05.74 GS 2026	1,945	5,045	5,034	-11	3,089
13-11-2030	07.32 GS 2030		2,010	1,950	-60	1,950
17-04-2030	07.17 GS 2030	2,146	3,539	3,564	25	1,418
15-06-2025	05.22 GS 2025	6,243	7,387	7,382	-5	1,139
12-07-2031	06.10 GS 2031	4,837	5,957	5,957	-	1,120
23-05-2036	07.54 GS 2036	1,506	2,285	2,285	-	779
08-04-2034	07.10 GS 2034		758	758		758
04-11-2024	06.18 GS 2024	1,778	2,462	2,462	-	684
19-12-2036	07.41 GS 2036	1,942	2,289	2,289	-	348
14-01-2029	07.26 GS 2029	6,354	6,539	6,539	-	186
07-10-2029	06.45 GS 2029	3,773	3,956	3,956	-	182
11-05-2030	05.79 GS 2030	2,403	2,519	2,519	-	116
20-09-2050	07.16 GS 2050	461	560	560	-	99
03-08-2030	05.77 GS 2030	3,520	3,605	3,605	-	85
12-09-2052	07.36 GS 2052	1,999	2,058	2,058	-	58
01-12-2030	05.85 GS 2030	1,312	1,357	1,357	-	45
11-12-2033	07.24 GOI SGRB 2033		44	44	-	44

27-01-2033	07.29 GOI SGRB 2033	249	269	269	-	20
15-06-2049	07.72 GS 2049	126	137	137	-	11
27-01-2028	07.10 GOI SGRB 2028	49	56	56	-	7
13-11-2028	07.25 GOI SGRB 2028		-	-	-	-
23-01-2054	07.37 GOI SGRB 2054		-	-		-
17-12-2050	06.67 GS 2050	2,685	2,677	2,677	-	-7
15-12-2051	06.99 GS 2051	1,002	960	960	-	-42
22-08-2032	07.26 GS 2032	7,986	7,905	7,905	-	-81
06-02-2033	07.26 GS 2033	6,839	6,868	6,743	-125	-96
09-11-2025	05.15 GS 2025	2,188	2,046	1,986	-60	-202
18-04-2029	07.10 GS 2029	8,593	7,213	7,225	13	-1,367
28-01-2024	07.32 GS 2024	4,876			-	-4,876
					Net	-863 65,651

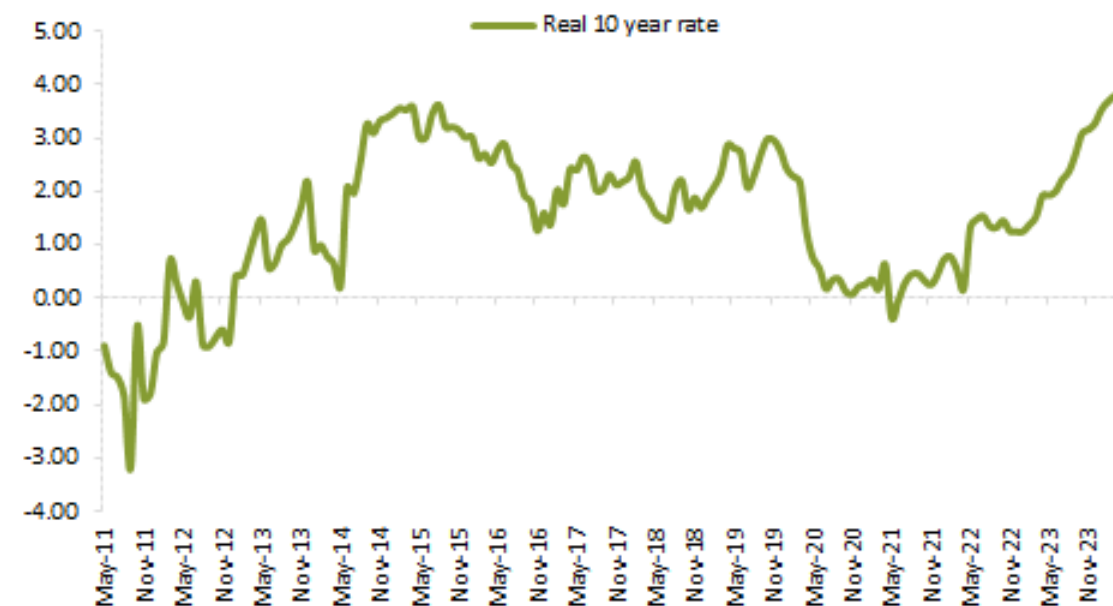
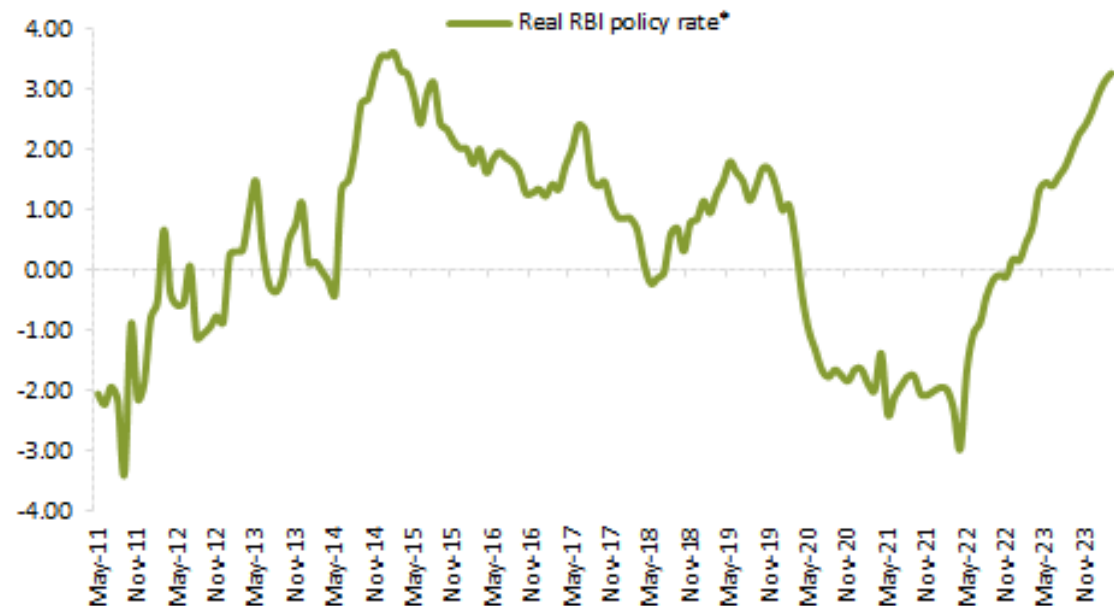
Yields generally decline post the last rate hike



Yields typically falls by about 100bps post the last rate hike by RBI. We thus see scope of substantial fall in Indian bond yields from the current levels.



Real rates near multi year highs



*: Vs core inflation

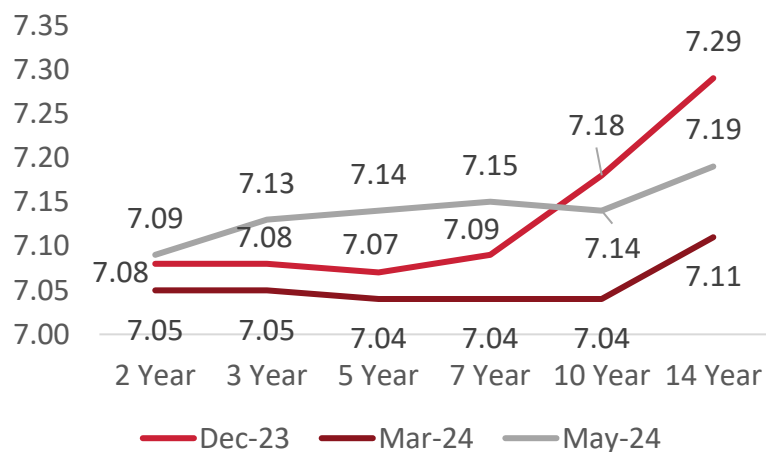
Real rates near multi year highs provide attractive entry opportunity for investors into fixed income assets.

Fixed Income Markets

Sovereign Yield Curve – Levels and Steepness

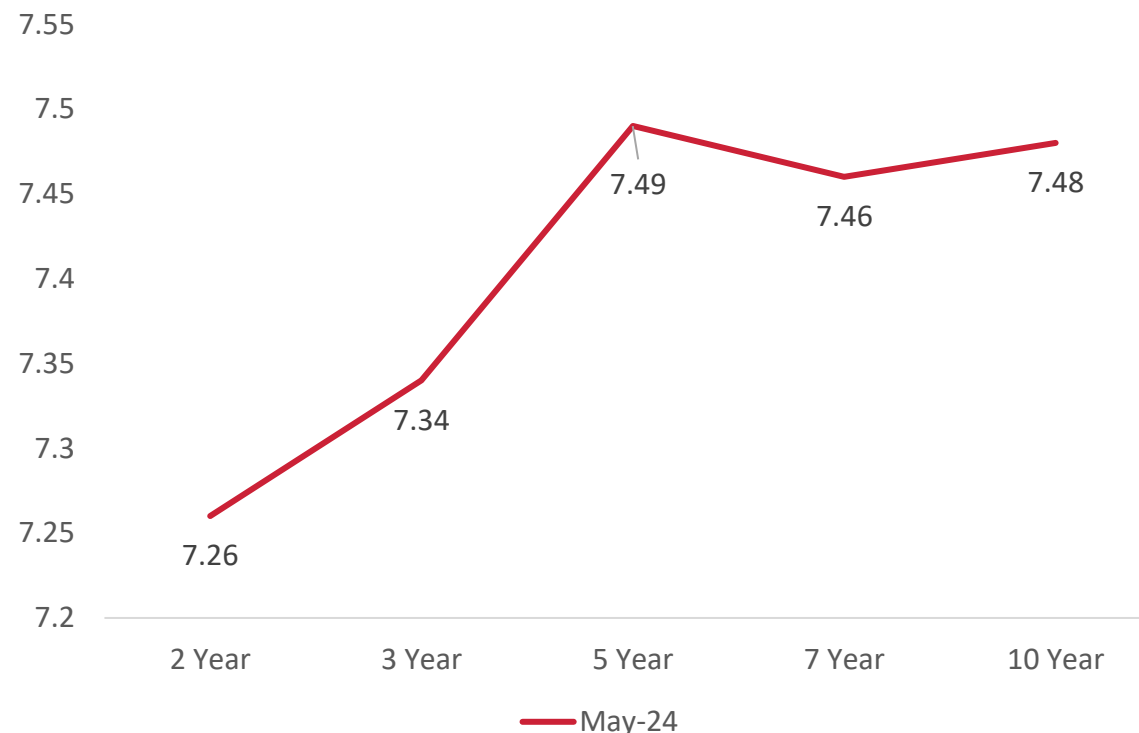
**Central
Govt.**

Sovereign	2Y	3Y	5Y	7Y	10Y	14Y
End CY 2019	5.78	6.36	6.48	6.88	6.55	6.96
End CY 2020	3.87	4.41	5.10	5.73	5.89	6.24
End CY 2021	5.00	5.30	5.87	6.42	6.47	6.91
End CY 2022	6.96	7.14	7.23	7.31	7.33	7.43
End CY 2023	7.08	7.08	7.07	7.09	7.18	7.29
End FY 2024	7.05	7.05	7.04	7.04	7.04	7.11
May 2024	7.09	7.13	7.14	7.15	7.14	7.19



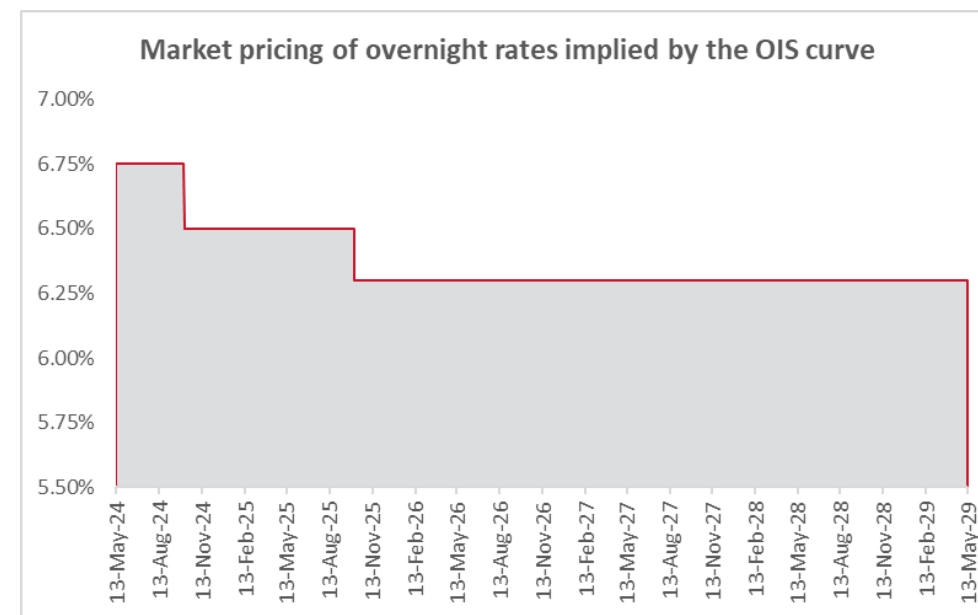
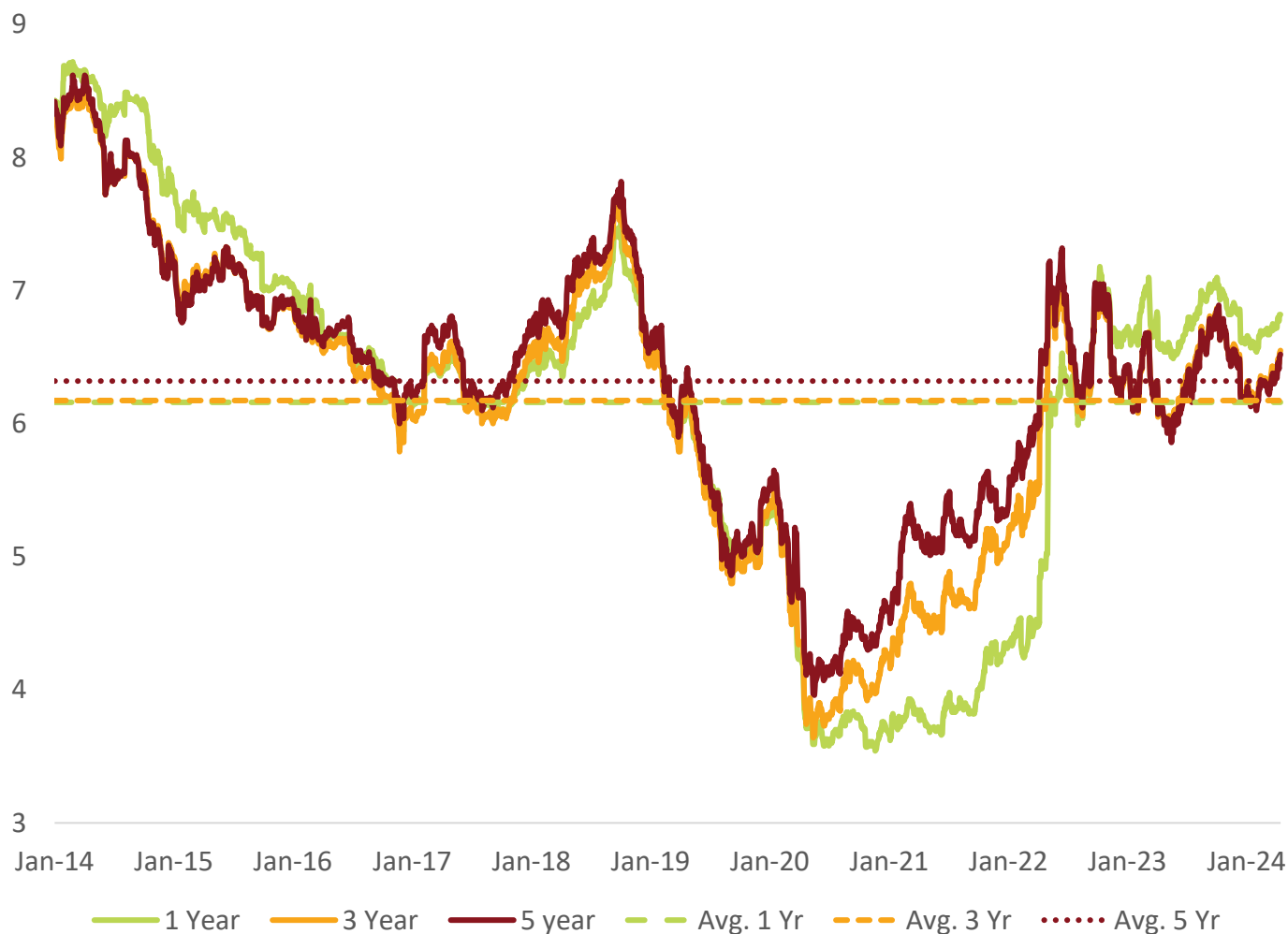
State Govt.

MUTUAL FUNDS



Yields curve has moved higher and flattened as compared to the curve seen at end FY 2024 on back of stronger than expected inflation, employment and retail sales leading to rate cuts being priced out in EM. These levels continue to remain attractive given the pricing out of rate cuts and favorable demand / supply dynamics in India.

OIS Curve Movement



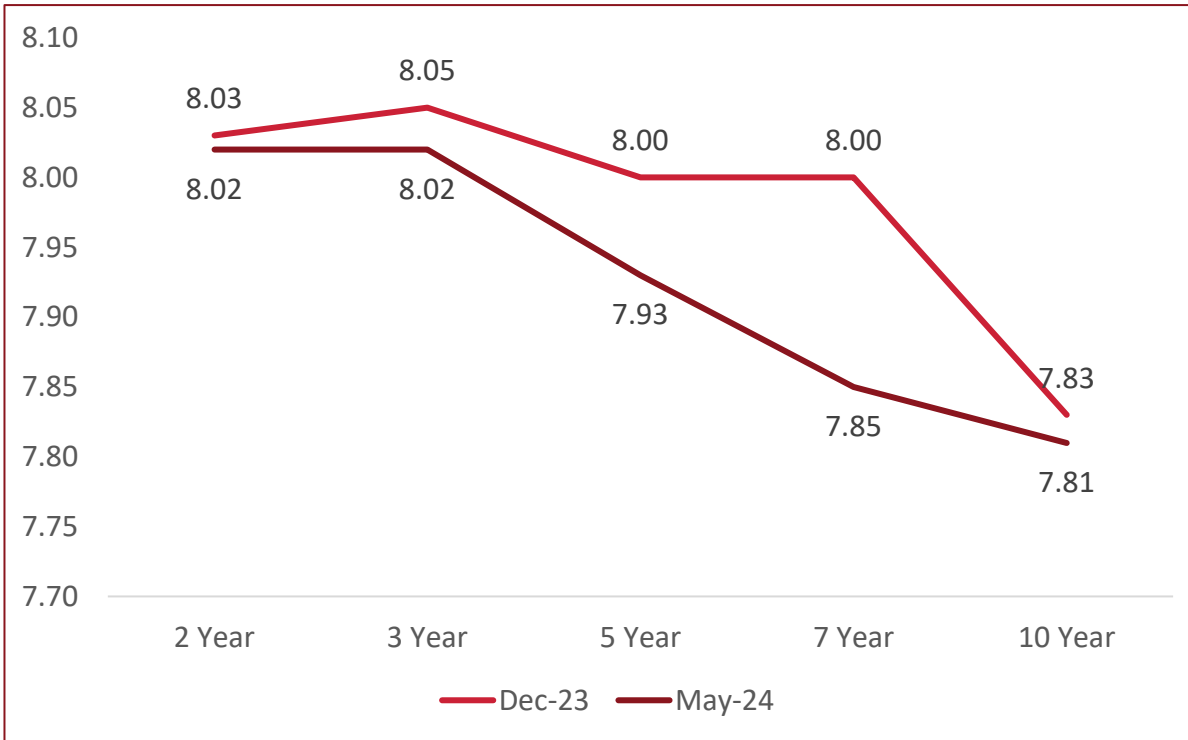
OIS Pricing MIBOR at MSF till Oct'24 and 1 cut in Oct'25.
No cuts priced over the next 12 months

AAA Corporate / PSU Curve

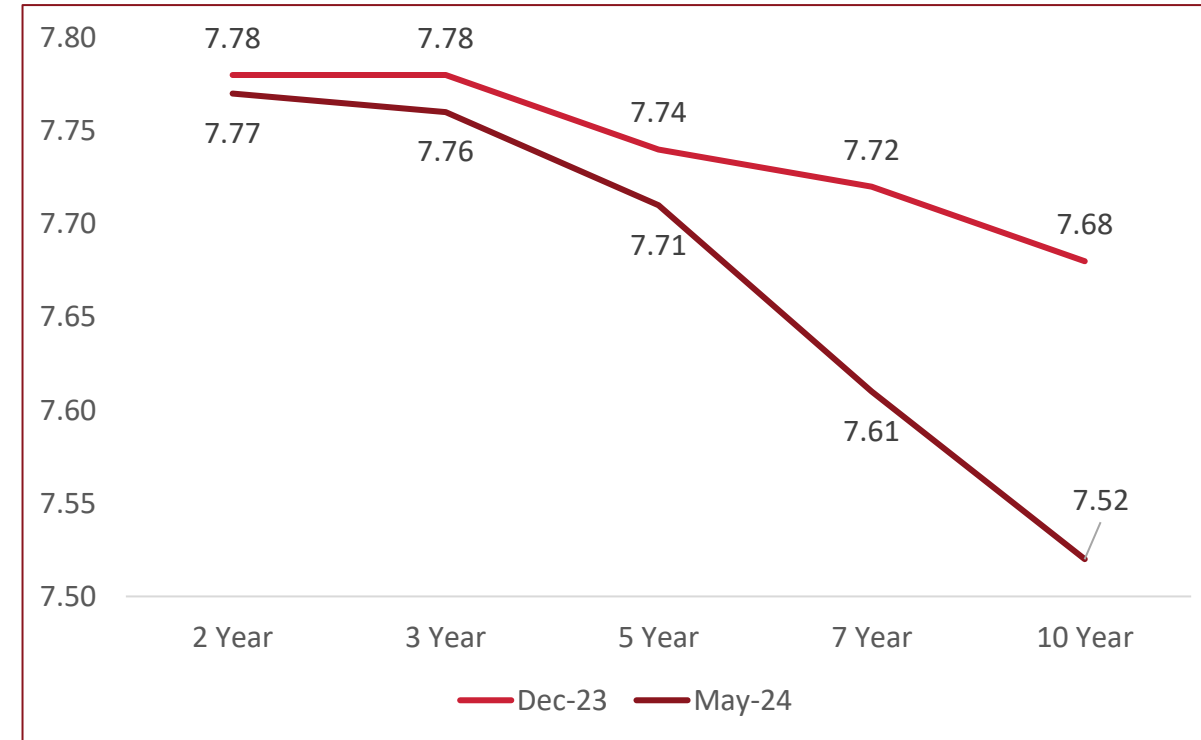


MUTUAL FUNDS

HDFC Ltd.



NABARD



Corporate Bond yield curve is lower v/s Dec 23 levels

Fixed Income Funds Snapshot



MUTUAL FUNDS

Fund Name	Modified Duration (Years)	YTM (%)	Current Asset Class Distribution (As on 30 th April 2024)
Aditya Birla Sun Life Liquid Fund	0.13	7.38	Sovereign and A1+ rated
Aditya Birla Sun Life Money Manager Fund	0.75	7.73	Sovereign and A1+ rated
Aditya Birla Sun Life Savings Fund	0.46	7.88	>90% in Sovereign, AAA and A1+
Aditya Birla Sun Life Low Duration Fund	0.95	7.86	>90% in Sovereign, AAA and A1+
Aditya Birla Sun Life Floating Rate Fund	1.15	7.79	100% Sovereign, AAA and A1+
Aditya Birla Sun Life Short Term Fund	2.84	7.89	>90% in Sovereign, AAA, AA+ and A1+
Aditya Birla Sun Life Corporate Bond Fund	3.78	7.75	>95% in Sovereign, AAA and A1+
Aditya Birla Sun Life Banking & PSU Debt Fund	3.46	7.67	>95% in Sovereign, AAA and A1+
Aditya Birla Sun Life Government Securities Fund	8.84	7.39	100% Sovereign
Aditya Birla Sun Life Income Fund	6.61	7.51	100% Sovereign and AAA
Aditya Birla Sun Life Long Duration Fund	8.43	7.42	100% Sovereign
Aditya Birla Sun Life Dynamic Bond Fund	6.99	7.50	Pre-dominantly AAA, AA+
Aditya Birla Sun Life Credit Risk Fund	2.36	8.37	Credit Risk Fund

Fixed Income Funds Snapshot



Fund Name	YTM (%) (As on 30 th Apr 24)	Current Asset Class Distribution (As on 30 th Apr 24)
Aditya Birla Sun Life CRISIL SDL Plus AAA PSU Apr 2025 60:40 Index Fund	7.45	AAA and Sovereign
Aditya Birla Sun Life Nifty SDL Sep 2025 Index Fund	7.44	Sovereign (G-sec + SDL)
Aditya Birla Sun Life CRISIL IBX GILT April 2026 Index Fund	7.26	Sovereign (G-sec)
Aditya Birla Sun Life CRISIL IBX 60:40 SDL Plus AAA PSU April 2026 Index Fund	7.55	Sovereign (G-Sec + SDL) and AAA PSU
Aditya Birla Sun Life Nifty SDL Plus PSU Bond Sep 2026 60:40 Index Fund	7.60	Sovereign (G-Sec + SDL) and AAA PSU
Aditya Birla Sun Life CRISIL SDL Plus AAA PSU Apr 2027 60:40 Index Fund	7.57	Sovereign (G-Sec + SDL) and AAA PSU
Aditya Birla Sun Life NIFTY SDL Apr 2027 Index Fund	7.51	Sovereign (G-sec + SDL)
Aditya Birla Sun Life NIFTY SDL Sep 2027 Index Fund	7.46	Sovereign (G-sec + SDL)
Aditya Birla Sun Life CRISIL IBX GILT Apr 2028 Index Fund	7.31	Sovereign (G-Sec)
Aditya Birla Sun Life CRISIL IBX 50:50 GILT Plus SDL April 2028 Index Fund	7.45	Sovereign (G-Sec + SDL) and AAA PSU
Aditya Birla Sun Life CRISIL IBX GILT April 2029 Index Fund	7.32	Sovereign (G-sec)
Aditya Birla Sun Life CRISIL IBX SDL June 2032 Index Fund	7.55	Sovereign (G-sec)
Aditya Birla Sun Life CRISIL IBX GILT April 2033 Index Fund	7.30	Sovereign (G-sec)

Fixed Income Funds Recommended Allocation

Investment Horizon	Fund Proposition
1 - 3 Months	Aditya Birla Sun Life Savings Fund and Aditya Birla Sun Life Money Manager Fund
3 Months +	Aditya Birla Sun Life Low Duration Fund and Aditya Birla Sun Life Floating Rate Fund
6 Months+	Aditya Birla Sun Life Banking & PSU Debt Fund, Aditya Birla Sun Life Corporate Bond Fund or Aditya Birla Sun Life Short Term Fund
Tactical Allocation (1 Yr+) Open Ended Fund	Aditya Birla Sun Life Government Securities Fund or Aditya Birla Sun Life Long Duration Fund
Tactical Allocation (1 Yr+) Target Maturity Fund	Aditya Birla Sun Life CRISIL IBX GILT April 2033 Index Fund

Thank You