

# State of the Market & Outlook

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October 2024

The logo for Union Mutual Fund features the word "Union" in a large, bold, teal sans-serif font. A small orange arrow curves upwards and to the right, starting from the left side of the letter "U" and ending above the letter "n". Below "Union", the words "Mutual Fund" are written in a smaller, bold, black sans-serif font.

**Union**  
**Mutual Fund**

***Backdrop***

# Global Equity Market Performance

Global Indices	1M Returns (%) - USD Terms	1M Returns (%) - Local Currency Terms	12M Returns (%) - USD Terms	12M Returns (%) - Local Currency Terms
MSCI World Index	1.7	1.7	30.5	30.5
MSCI Emerging Markets Index	6.4	6.4	22.9	22.9
MSCI EM Asia Index	7.8	7.8	27.1	27.1
MSCI EM BRIC USD	12.2	12.2	23.2	23.2
<b>MSCI India Index</b>	<b>2.2</b>	<b>2.0</b>	<b>39.3</b>	<b>40.4</b>
Dow Jones Industrial Average	1.8	1.8	26.3	26.3
NASDAQ Composite Index	2.7	2.7	37.6	37.6
Nikkei 225	0.2	-1.9	24.3	19.0
CAC 40	1.0	0.1	12.8	7.0
FTSE 100 Index	0.5	-1.7	18.9	8.3
Deutsche Boerse AG German Stock Index DAX	3.1	2.2	32.4	25.6
Ibovespa Brasil Sao Paulo Stock Exchange Index	0.7	-3.1	4.1	13.1
Shanghai Shenzhen CSI 300 Index	22.2	21.0	13.2	8.9
Hang Seng Index	17.9	17.5	19.6	18.7
<b>NSE Nifty 50 Index</b>	<b>2.4</b>	<b>2.3</b>	<b>30.4</b>	<b>31.4</b>
<b>NIFTY Midcap 100</b>	<b>1.6</b>	<b>1.5</b>	<b>47.2</b>	<b>48.4</b>
<b>NIFTY Smallcap 100</b>	<b>-0.5</b>	<b>-0.7</b>	<b>49.2</b>	<b>50.4</b>

Source: Bloomberg, Data as of September 2024.

Past performance may or may not be sustained in future.  
The Above-mentioned returns should not be construed as any indication of future returns.

# Indian Equity Market Performance

Index	MoM (%)	YoY (%)
<b>NSE Nifty 50</b>	<b>2.3</b>	<b>31.4</b>
Auto	3.4	66.7
Bankex	3.0	19.7
Capital Goods	-0.1	53.2
Consumer Durables	6.4	49.2
Financial Services	3.0	23.7
FMCG	3.3	27.3
Healthcare	2.5	55.2
Industrials	-0.4	56.0
IT	-2.6	32.1
Metal	6.6	49.1
Oil & Gas	-3.5	67.3
Realty	4.4	86.6
Telecom	-5.3	48.9
Utilities	5.6	81.7

*Note: BSE Sectoral Indices, Data as of September 2024.*

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# Key Trends

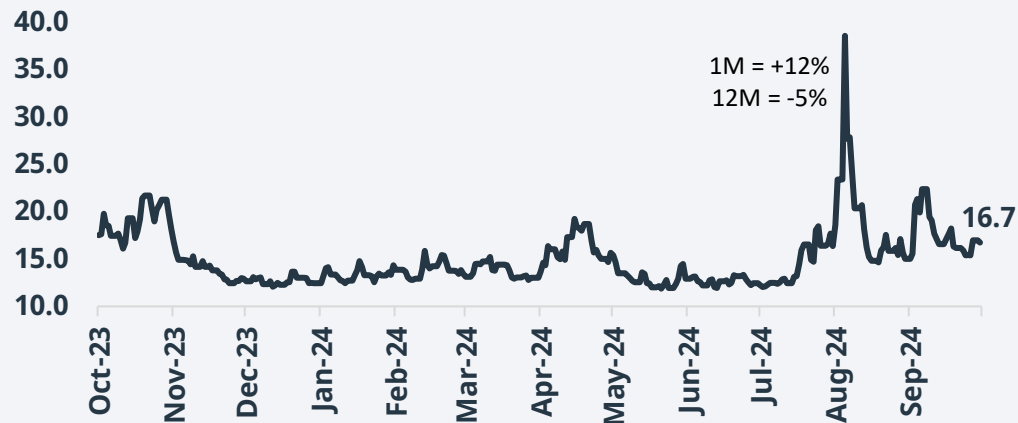
### US Generic Govt 10 Yr



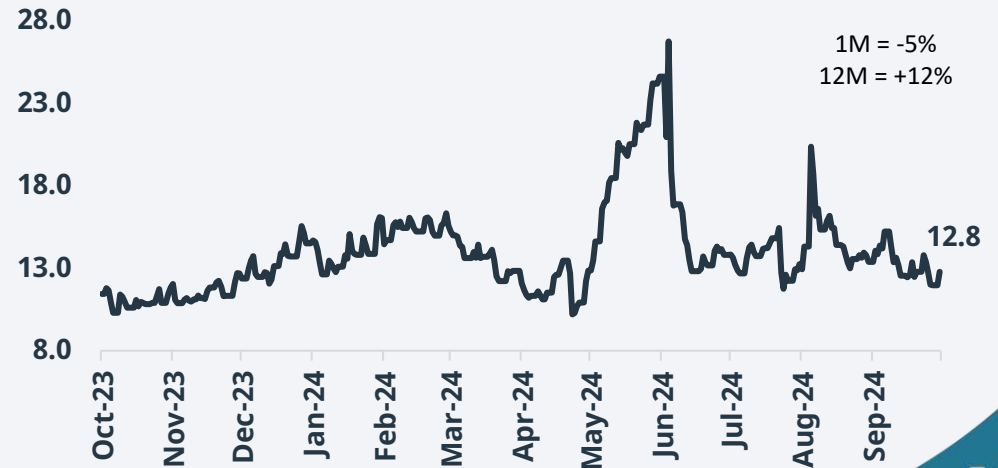
### India Govt Bond Generic Bid Yield 10 Year



### Chicago Board Options Exchange Volatility Index



### India NSE Volatility Index.



# Key Trends

Crude Oil Dated Brent FOB NWE



FTSE/CoreCommodity CRB Excess Return Index



GOLD SPOT \$/OZ

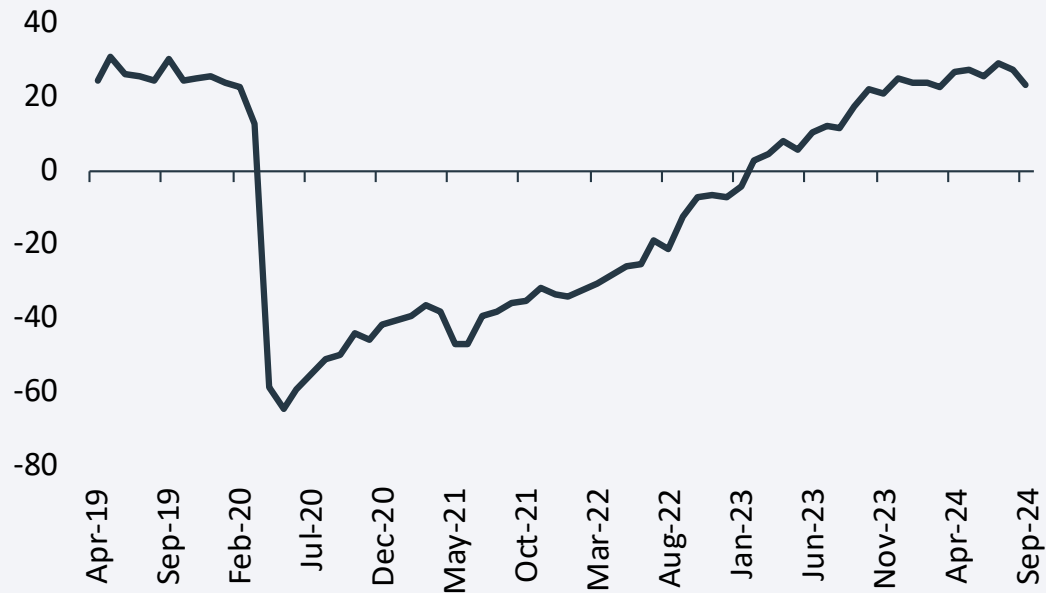


DOLLAR INDEX SPOT

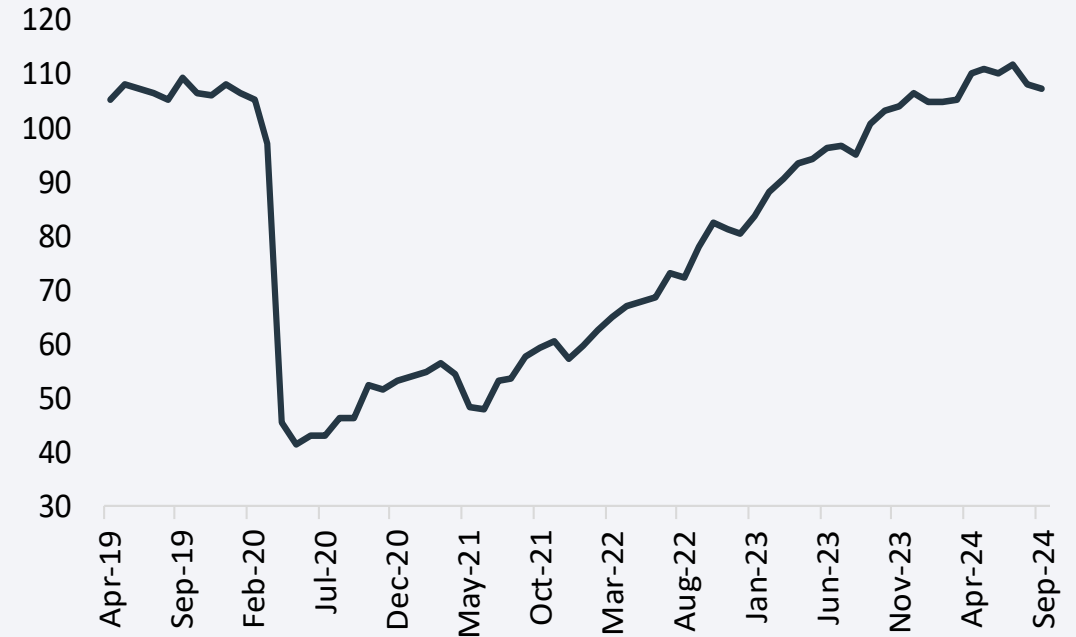


# Indian Business Expectations & Consumer Sentiment

**Financial And Business Conditions In Country In Next 12 Months**



**Index consumer sentiments**



Consumer Sentiment Indices (Base Sep-Dec 2015 = 100)

Business Conditions - 'Net response' is the difference between the percentage of respondents reporting optimism and those reporting pessimisms. It ranges between -100 and 100. Any value greater than zero indicates expansion/ optimism and values less than zero indicate contraction/ pessimism.

# *Outlook*



# Key Positives & Risk

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## POSITIVES

- ✓ Strong underlying growth of the Indian economy and corporate sector
- ✓ Robust balance sheets of corporates & banks
- ✓ Solid relative macro-economic fundamentals
- ✓ Prospects of broadening capital investment
- ✓ High sustainable potential growth rate
- ✓ Resilient domestic flows
- ✓ Green shoots in rural consumption

## RISKS

- x Volatile geopolitics + US elections- risk off?
- x Compulsions of coalition politics?
- x Competitive welfarism
- x Adverse results in upcoming state elections
- x High valuations with pockets of euphoria
- x Excessive supply of equity in a short time frame
- x Impact on foreign flows from jump in China equities

**Largecap likely to remain attractive from the risk-reward perspective compared to mid and smallcaps.**

# Key Sectoral Positioning

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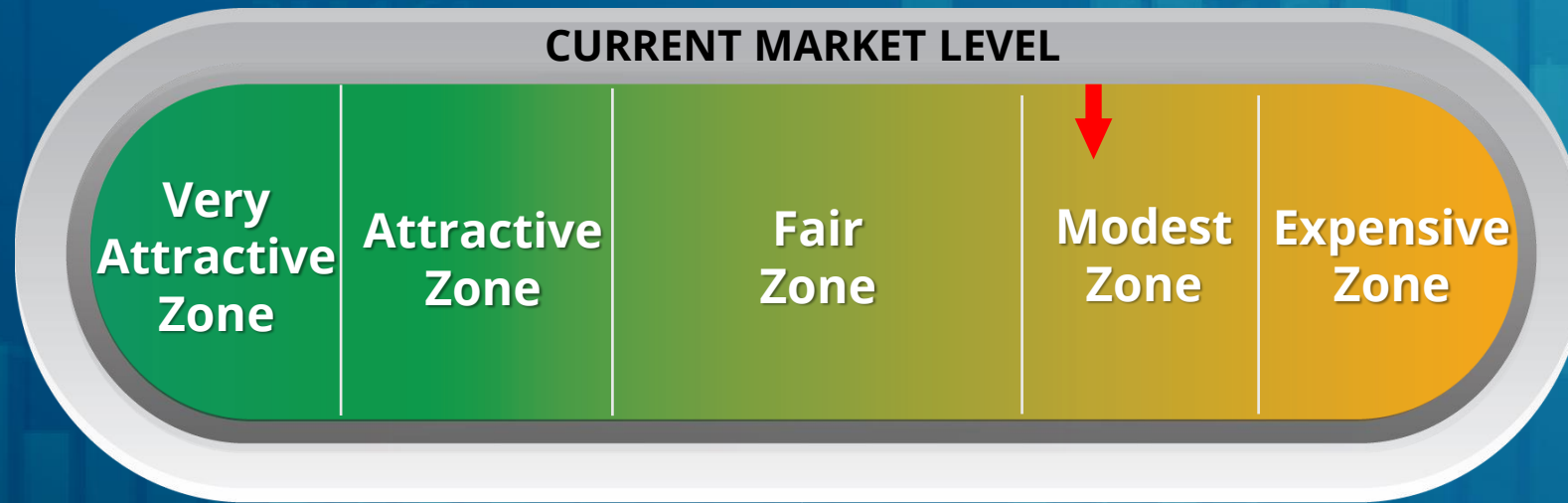
## OVERWEIGHT

- ❑ **Consumer Discretionary:** Favorable base and healthy demand from the festive season bodes well for the sector.
- ❑ **Healthcare:** Positive industry development in US & margin tailwinds provide attractive risk-reward
- ❑ **Telecom:** Recent Average Revenue Per User increases may lead to higher accruals in profitability and cashflows.

## UNDERWEIGHT

- ❑ **Financials:** Limited triggers with best of the cycle credit costs, ROEs behind us.
- ❑ **Utilities:** Risk reward looks unfavorable with price run-up in recent times.
- ❑ **Consumer Staples:** No meaningful improvement visible in the overall demand for staples.

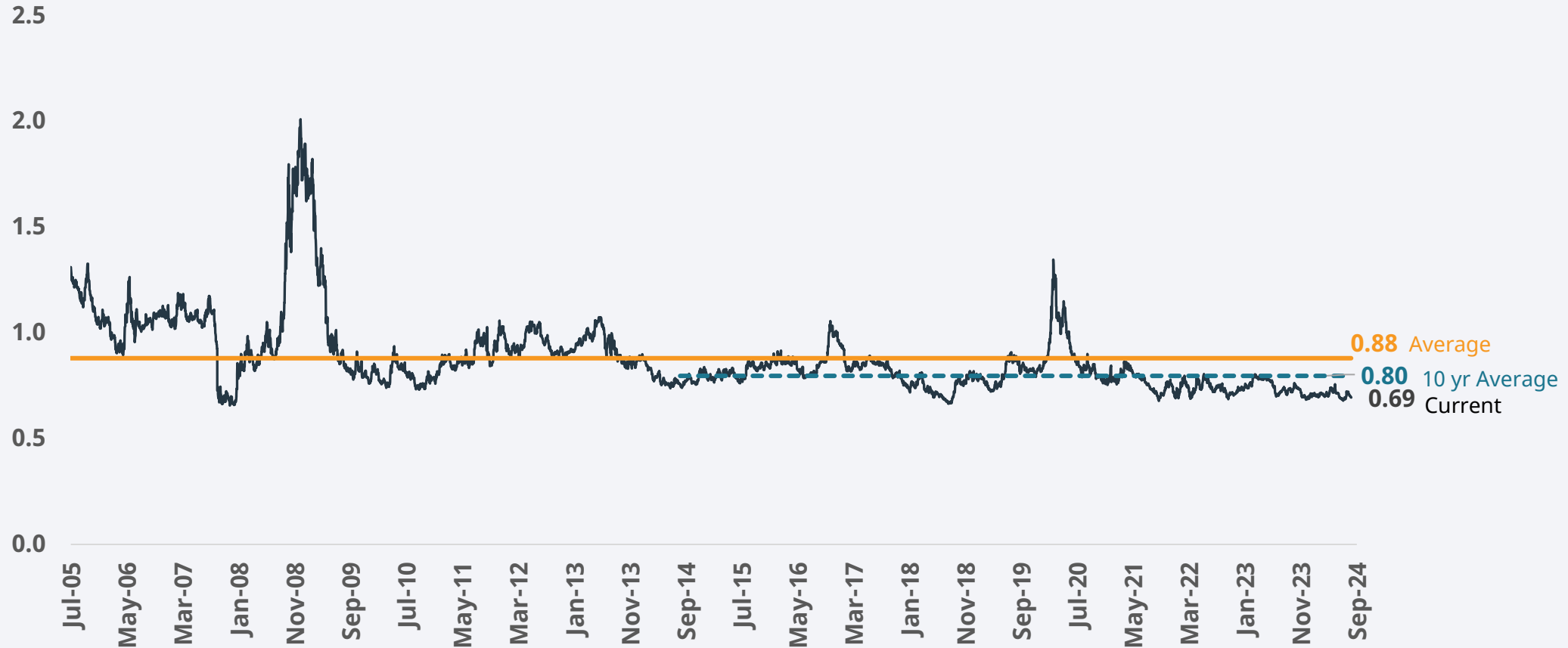
# The Fair Value Spectrum



Source: Union AMC Internal Research, Bloomberg; Data as on September 30, 2024

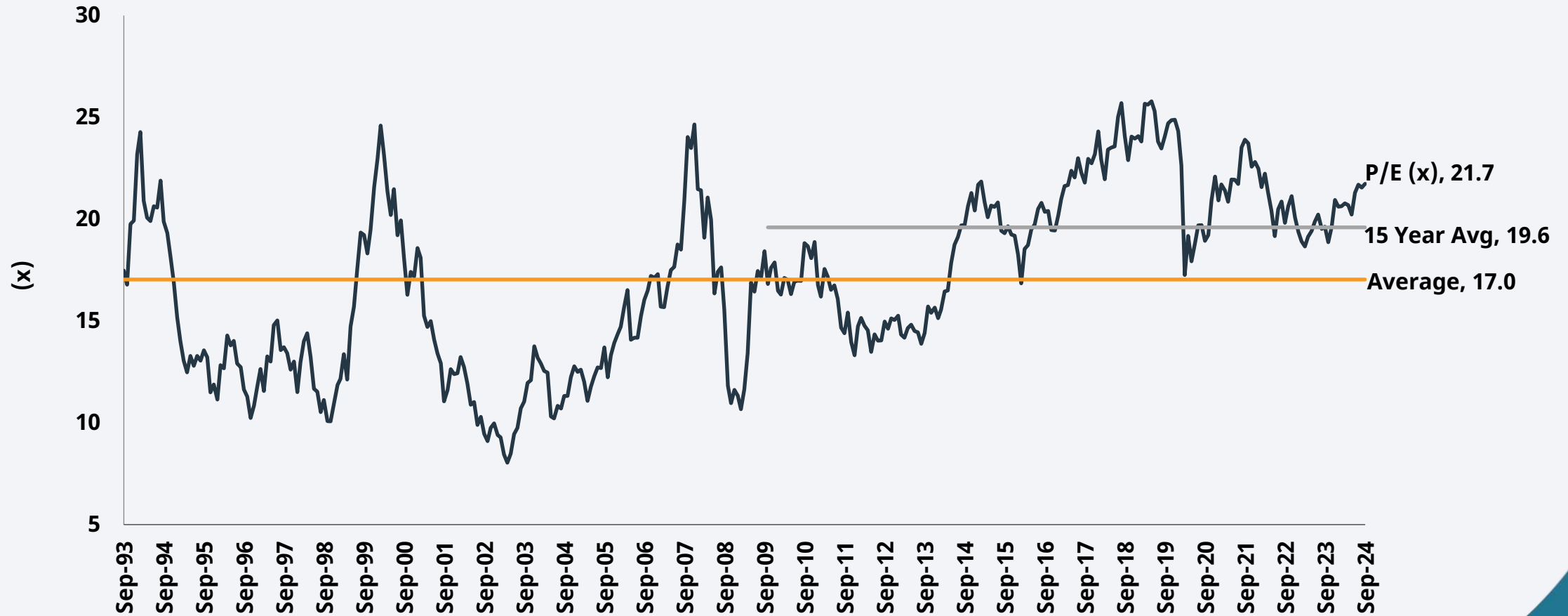
Disclaimer: Past performance may or may not be sustained in future. The Fair Value Spectrum only depicts our Fund House view on the current equity market environment, and should not be construed as any indication of guaranteed returns or future returns. This information alone is not sufficient and should not be used for the development or implementation of an investment strategy. While utmost care has been exercised while preparing the data, the Sponsors/ Asset Management Company/ Trustee Company/ their associates/ any person connected with it, do not warrant the completeness or accuracy of the information and disclaim all liabilities, losses and damages arising out of the use of this information. The recipients of this material should rely on their investigations and take their own professional advice.

# Earnings Yield of Nifty 50 vs 10 Year Gov Bond Yield



Source: Bloomberg; The chart represents the Earnings Yield of Nifty 50 divided by 10 Year Gov Bond Yield

# SENSEX P/E - 1 Year Forward

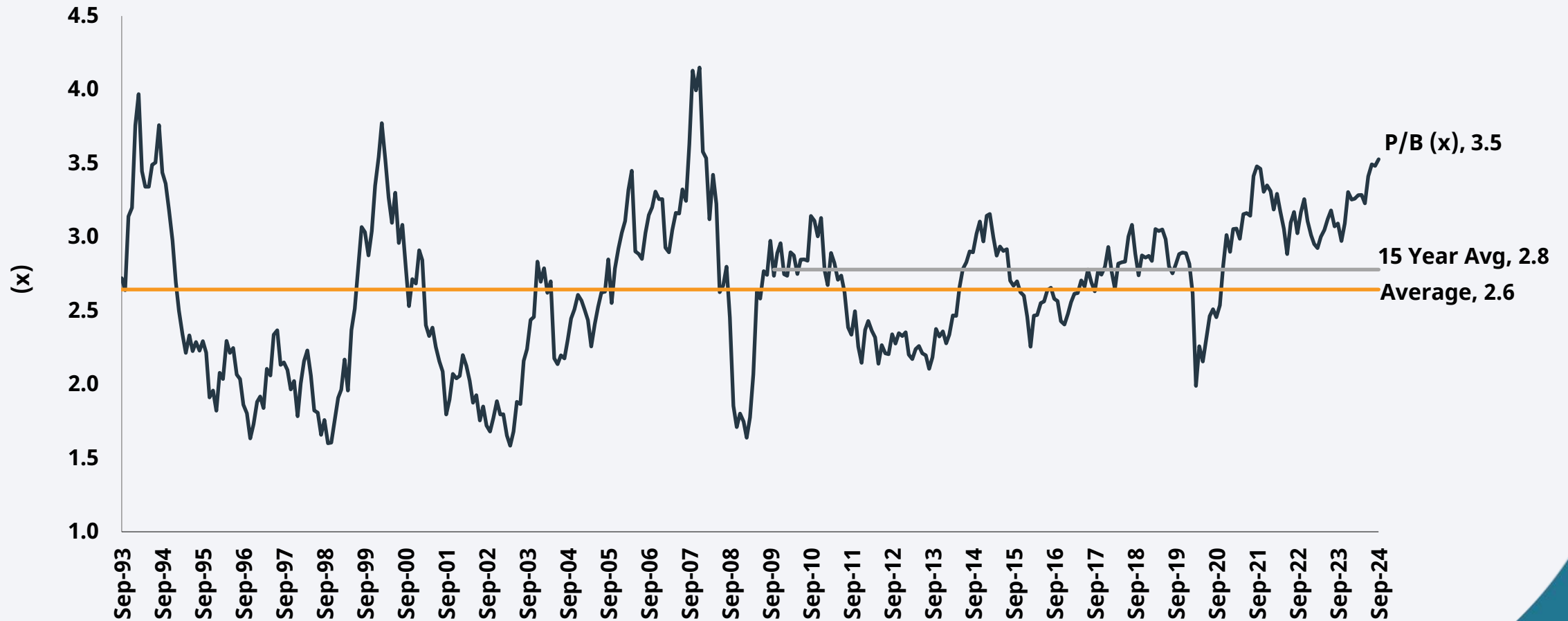


Source: Motilal Oswal Financial Services Limited

**Past performance may or may not be sustained in future.**

The Above-mentioned returns should not be construed as any indication of future returns.

# SENSEX P/B - 1 Year Forward

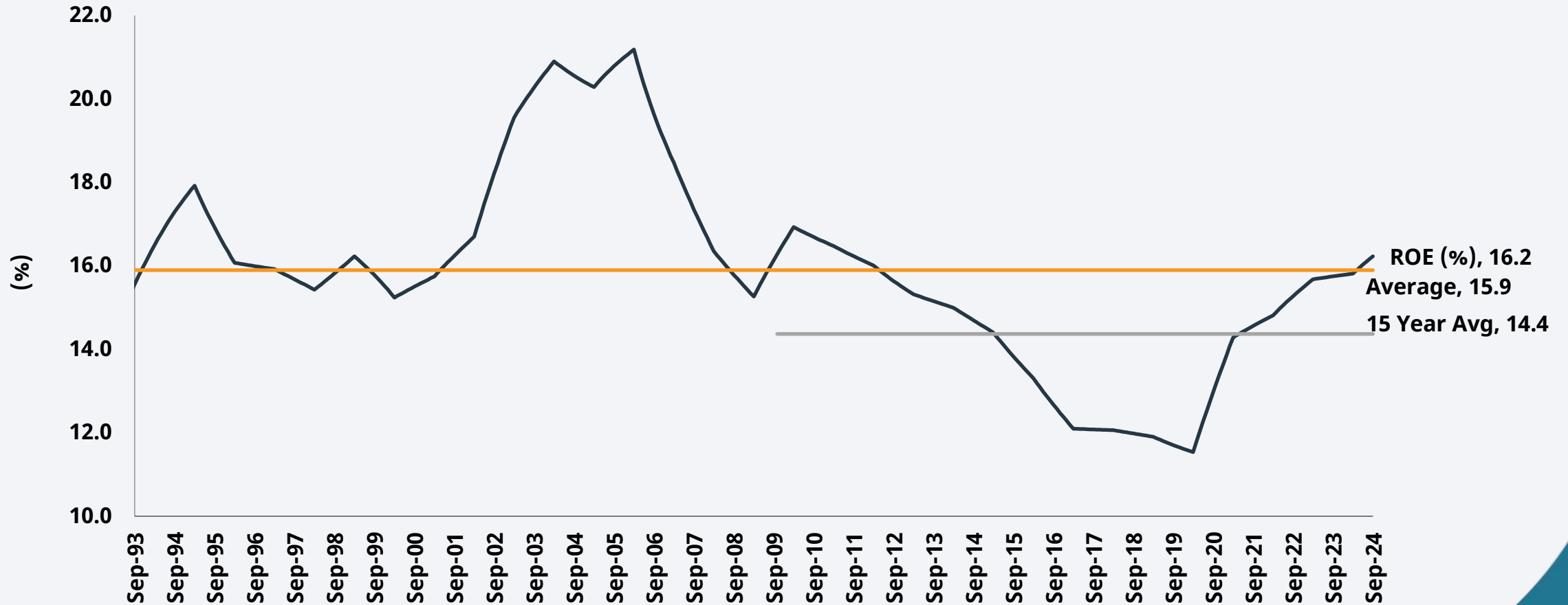


Source: Motilal Oswal Financial Services Limited

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The Above-mentioned returns should not be construed as any indication of future returns.

# SENSEX ROE (%) - 1 Year Forward



Source: Motilal Oswal Financial Services Limited

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# Breakup of Returns – Nifty 50

	Nifty	% change	EPS 1yr Rolling Forward	% change	P/E 1yr Rolling Forward	% change
Now	25,811		1,201		21.5	
1m ago	25,236	2%	1,203	0%	21.0	2%
3m ago	24,011	7%	1,173	2%	20.5	5%
6m ago	22,327	16%	1,122	7%	19.9	8%
1yr ago	19,638	31%	1,038	16%	18.9	14%
3yr ago	17,618	47%	794	51%	22.2	-3%
5yr ago	11,474	125%	631	90%	18.2	18%

**The above table shows the breakup of Historical Nifty Returns in EPS change and Valuation change**

Source: Bloomberg Data as of September 2024

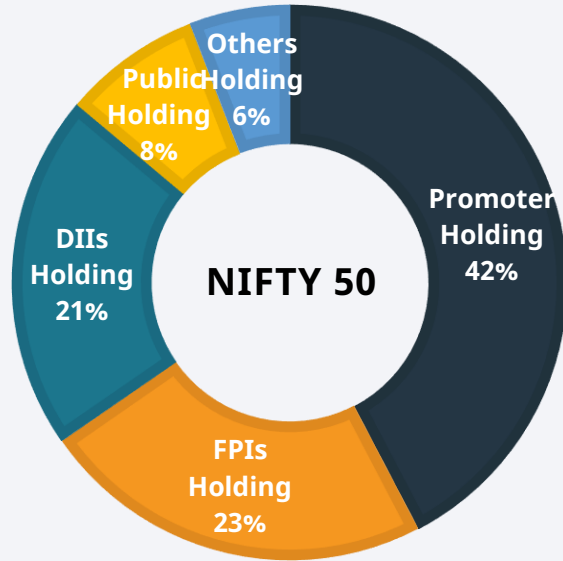
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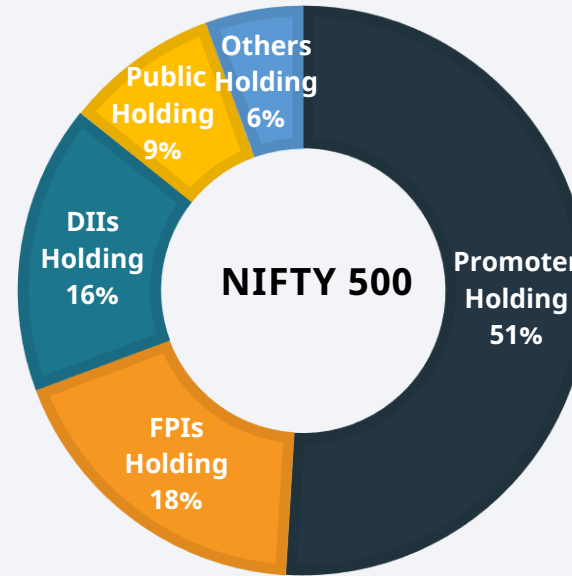
# ***Demand & Supply of Equities***

# Who Owns Corporate India?

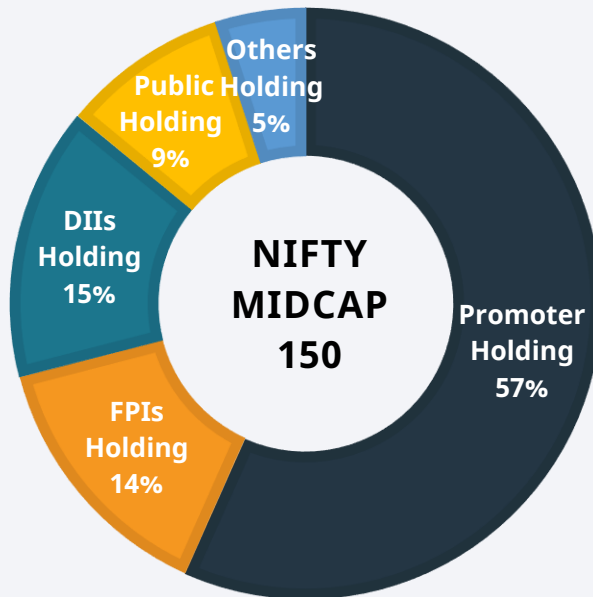
**Market Capitalisation: USD 2.3 trillion**



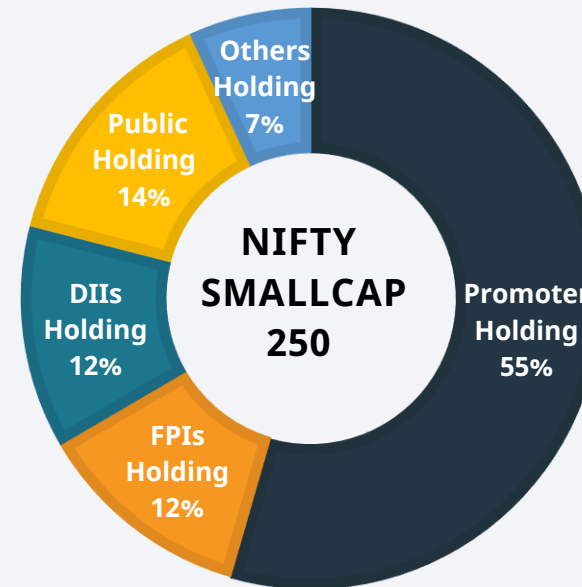
**Market Capitalisation: USD 4.7 trillion**



**Market Capitalisation: USD 1.0 trillion**

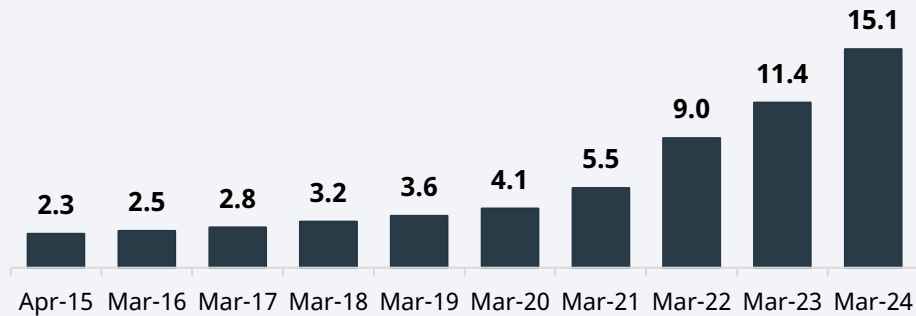


**Market Capitalisation: USD 0.5 trillion**

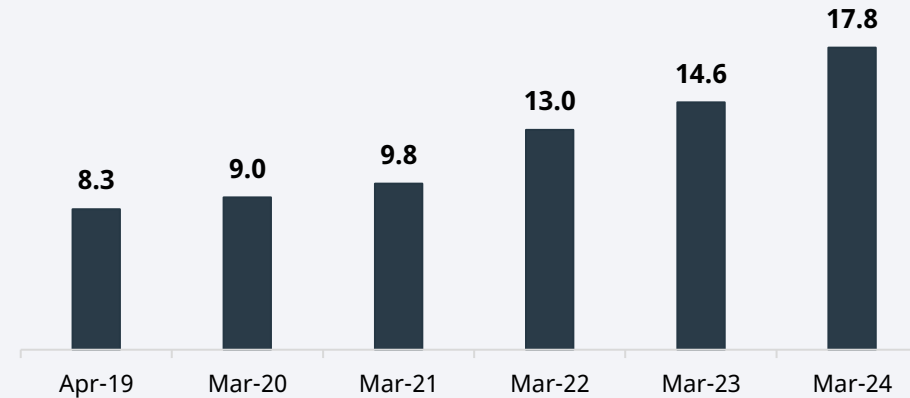


# Growing Saliency of Domestic Investors

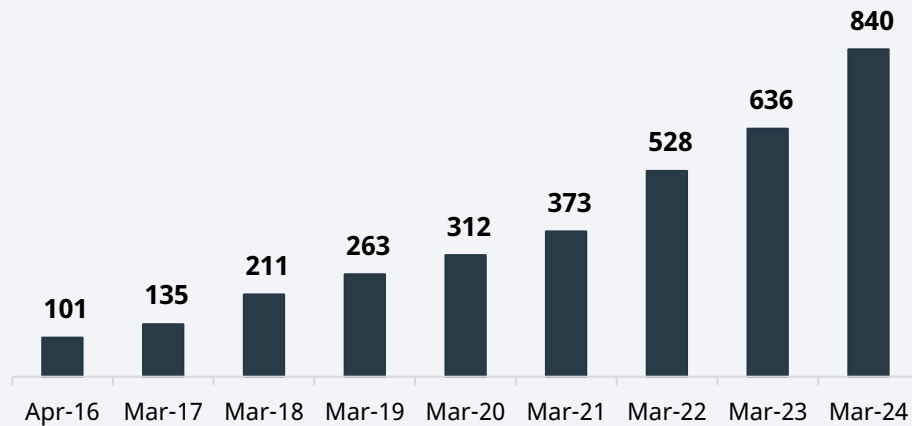
### Number of Investors Accounts - Demat Accounts (in Crs)



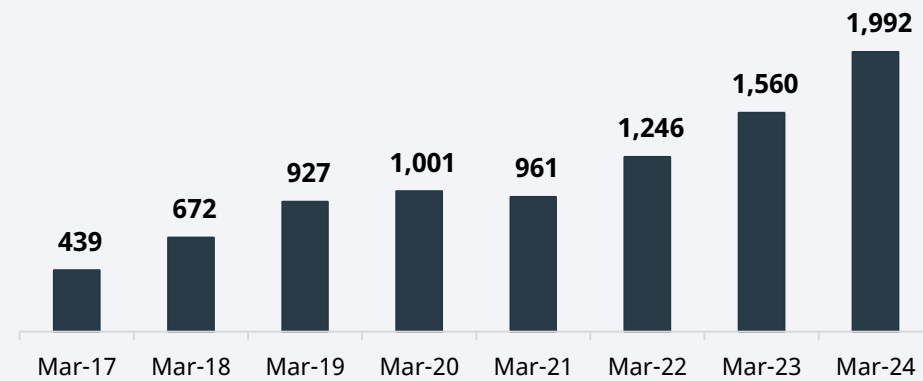
### MF - No. of Folios (in Crs)



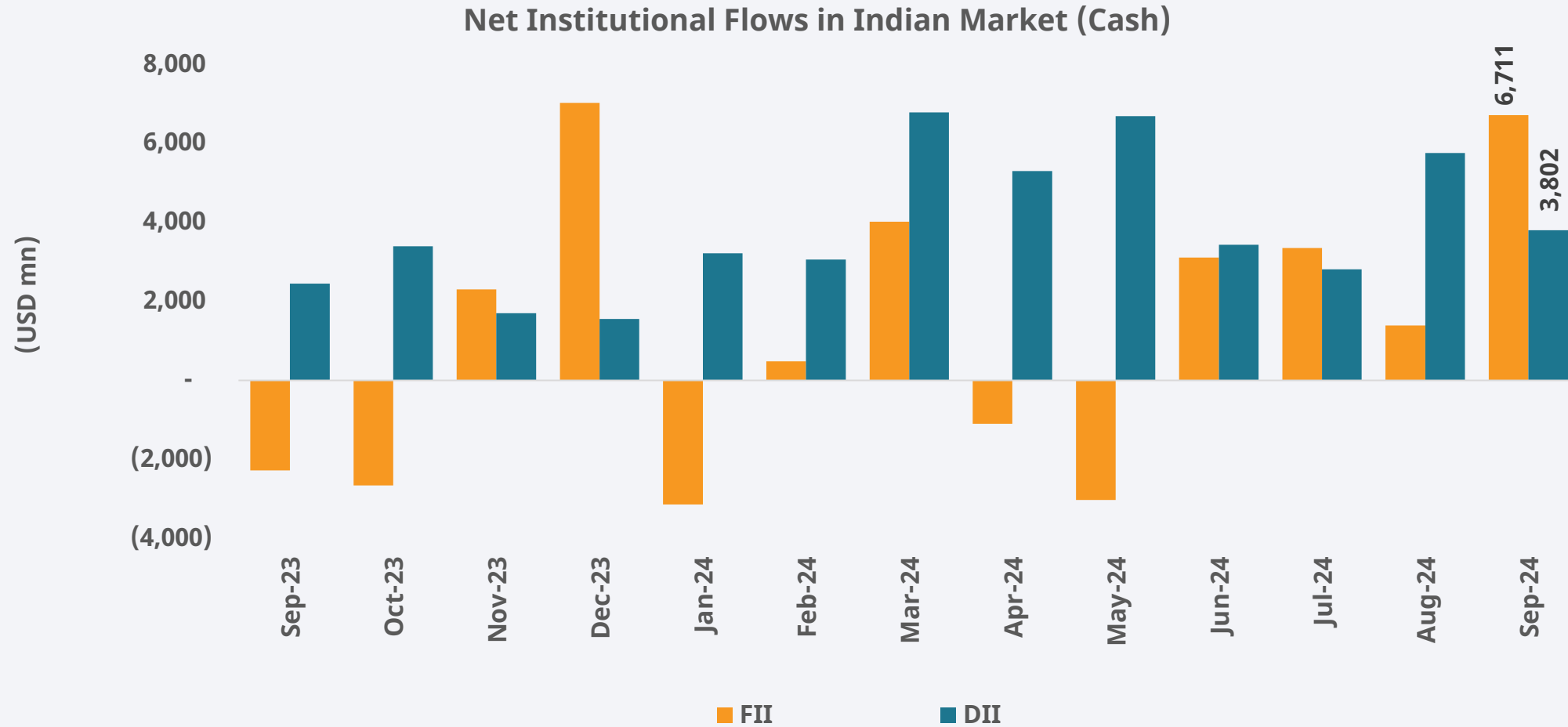
### No. of SIP Accounts in Lakhs



### Annual - SIP Contribution (Rs. bn)

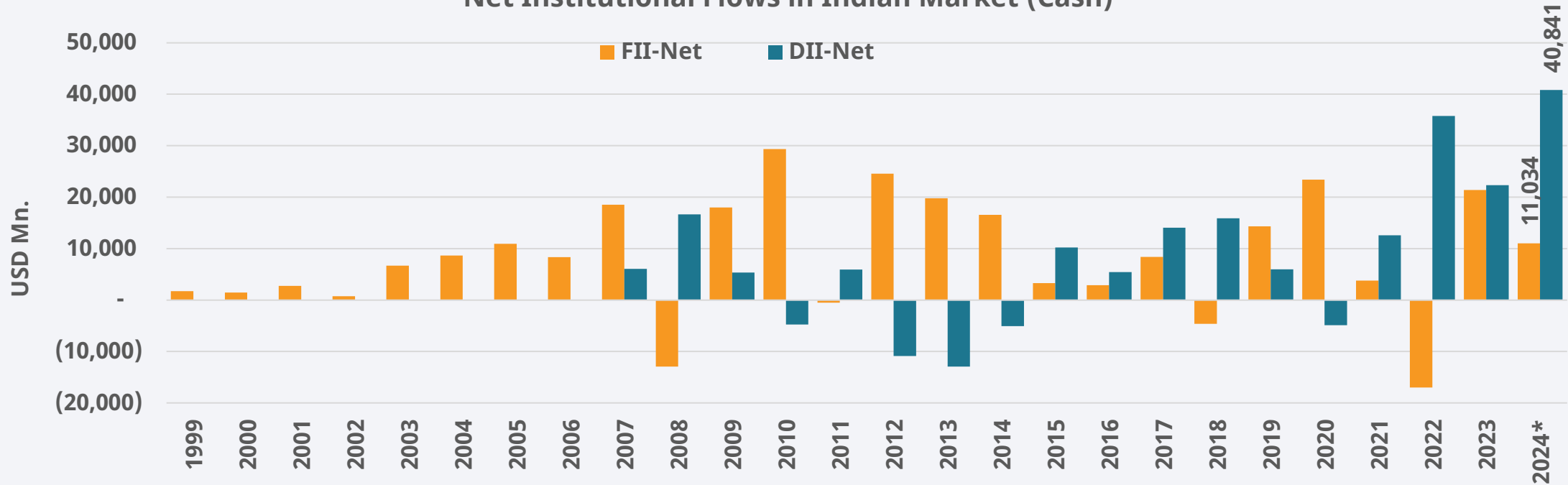


# Demand: Monthly Institutional Flows Data



# Demand: Annual Institutional Flows Data

## Net Institutional Flows in Indian Market (Cash)



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>FII % of Mkt cap**</b>	NA	0.8%	2.1%	0.6%	4.2%	3.3%	2.7%	1.4%	1.8%	-1.2%	2.0%	2.1%	0.0%
<b>DII % of Mkt cap**</b>	NA	NA	NA	NA	NA	NA	NA	NA	0.6%	1.6%	0.6%	-0.3%	0.4%
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
<b>FII % of Mkt cap**</b>	2.1%	1.8%	1.2%	0.2%	0.2%	0.4%	-0.2%	0.7%	1.2%	0.1%	-0.5%	0.6%	0.3%
<b>DII % of Mkt cap**</b>	-0.9%	-1.2%	-0.4%	0.7%	0.4%	0.7%	0.7%	0.3%	-0.2%	0.4%	1.1%	0.6%	1.1%

\*\* Calendar Year Average and annualised for 2024  
 Source: NSDL, BSE, NSE, Bloomberg; \* upto 30-Sep-2024.

# New Supply

Issue Size (\$ bn)	IPOs	India Promoter/VC/PE Sell downs*	QIPs	SME IPOs	Total
2005	1.6				<b>1.6</b>
2006	4.4		0.9		<b>5.3</b>
2007	8.3		5.7		<b>13.9</b>
2008	3.9		0.8		<b>4.7</b>
2009	4.0		7.6		<b>11.6</b>
2010	8.2		6.0		<b>14.2</b>
2011	1.3		0.7		<b>2.0</b>
2012	1.3	0.0	0.9	0.02	<b>2.2</b>
2013	0.2	0.8	1.4	0.06	<b>2.5</b>
2014	0.2	2.8	5.2	0.04	<b>8.2</b>
2015	2.1	5.7	3.8	0.04	<b>11.6</b>
2016	3.9	2.6	0.7	0.08	<b>7.3</b>
2017	10.3	13.0	9.4	0.26	<b>33.0</b>
2018	4.5	5.5	2.4	0.33	<b>12.8</b>
2019	1.8	10.7	5.0	0.09	<b>17.5</b>
2020	3.6	15.9	11.4	0.02	<b>30.8</b>
2021	16.0	15.1	5.7	0.10	<b>36.8</b>
2022	7.6	9.9	1.5	0.24	<b>19.2</b>
2023	6.0	20.2	6.5	0.57	<b>33.3</b>
2024**	4.4	13.2	6.5		<b>24.1</b>

Source: IIFL Alternative Research, Prime database. \* Deals worth USD 30mn and more included, data is an indicative but not exhaustive set. Issue Size (\$ bn). \*\*Data till July 31, 2024.

# Supply & Institutional Demand

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(\$ bn)	Institutional Demand (FII & DII)	New Supply
2012	14	2
2013	7	2
2014	11	8
2015	13	12
2016	8	7
2017	22	33
2018	11	13
2019	20	18
2020	18	31
2021	16	37
2022	19	19
2023	44	33
2024 (upto Jul 2024)	35	24
2024 (upto Sep 2024)	52	NA



# *Long Term Historical Market Trends*

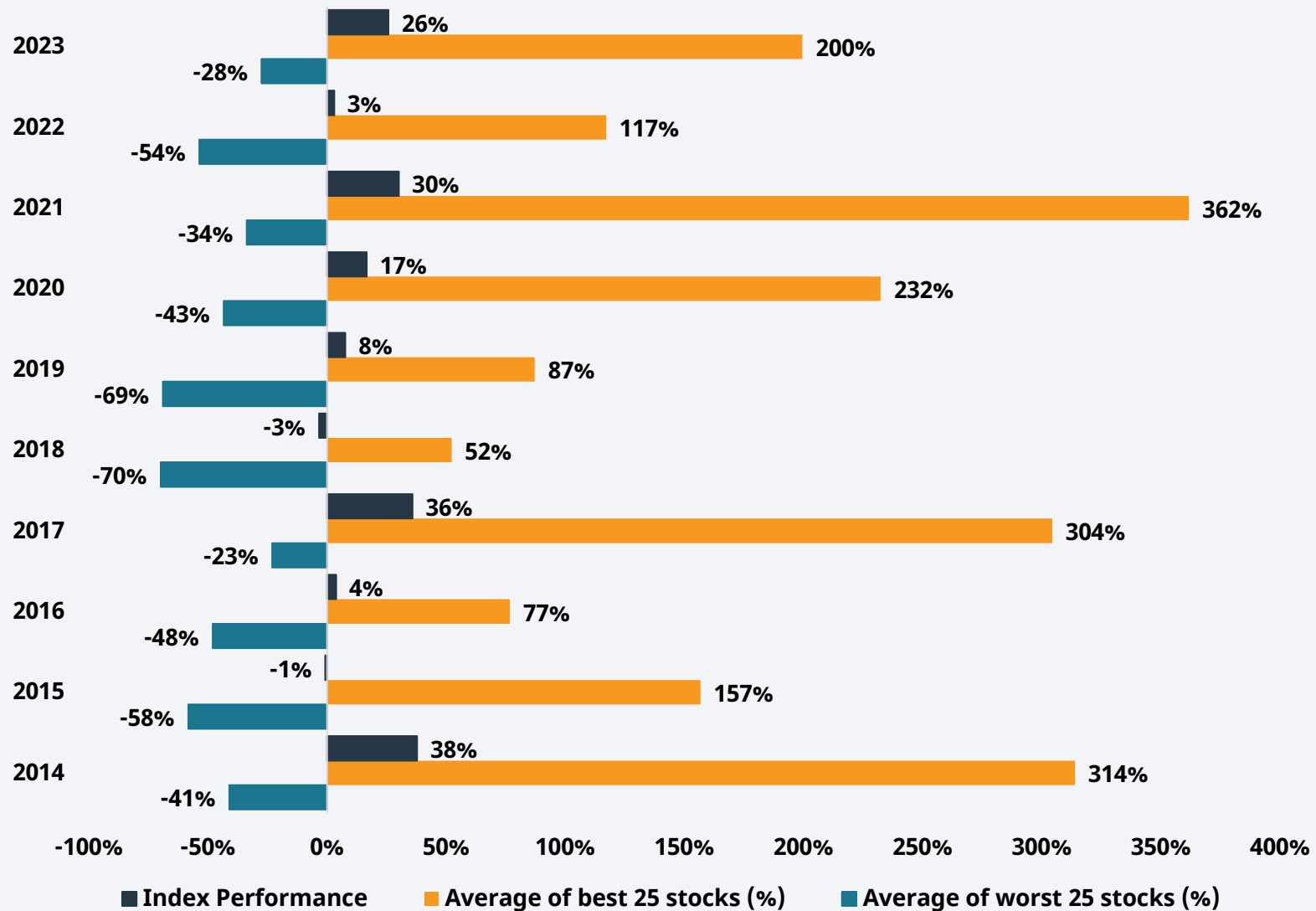


# Evolution Of Sensex

1986 (January)	1996 (March)	2006 (March)	2016 (March)	2024 (March)
ACC	ACC	ACC	Adani Ports & Special Economic Zone	Asian Paints
Ballarpur Industries	Aditya Birla Nuvo	Ambuja Cements	Asian Paints	Axis Bank
Bharat Forge	Ballarpur Industries	Bajaj Holdings & Investment (Bajaj Auto)	Axis Bank	Bajaj Finance
Bombay Dyeing	Bharat Forge	BHEL	Bajaj Auto	Bajaj Finserv
Ceat	Bombay Dyeing	Bharti Airtel	Bharti Airtel	Bharti Airtel
Century Textiles	Ceat	Cipla	BHEL	HCL Technologies
Grasim Industries	Century Textiles	Dr Reddy's Laboratories	Cipla	HDFC Bank
Great Eastern Shipping	Cummins India	Grasim Industries	Coal India	<b>Hindustan Unilever</b>
GSK	Futura Polyesters	HDFC Bank	Dr Reddy's Laboratories	ICICI Bank
Guj. State Fertilizers	Glaxosmithkline	Hero MotoCorp	GAIL India	IndusInd Bank
Hindustan Aluminium	Grasim Industries	Hindalco Industries	HDFC	Infosys
<b>Hindustan Lever</b>	Great Eastern Shipping	<b>Hindustan Unilever</b>	HDFC Bank	<b>ITC</b>
Hindustan Motors	Gujarat State Fertilizers & Chem	HDFC	Hero MotoCorp	JSW Steel
Indian Hotels Co	Hindalco Industries	ICICI Bank	<b>Hindustan Unilever</b>	Kotak Mahindra Bank
Indian Organics	Hindustan Motors	Infosys	ICICI Bank	<b>Larsen &amp; Toubro</b>
Indian Rayon	<b>Hindustan Unilever</b>	<b>ITC</b>	Infosys	Mahindra & Mahindra
<b>ITC</b>	Indian Hotels Co	<b>Larsen &amp; Toubro</b>	<b>ITC</b>	Maruti Suzuki India
Kirloskar Cummins	<b>ITC</b>	Maruti Suzuki India	<b>Larsen &amp; Toubro</b>	Nestle India
<b>Larsen &amp; Toubro</b>	<b>Larsen &amp; Toubro</b>	NTPC	Lupin	NTPC
Mahindra & Mahindra	Mahindra & Mahindra	ONGC	Mahindra & Mahindra	Power Grid Corp of India
Mukand Iron	Mukand	Ranbaxy Laboratories	Maruti Suzuki India	<b>Reliance Industries</b>
Nestle	Nestle India	<b>Reliance Industries</b>	NTPC	State Bank of India
Peico Electronics	Philips Electroics India	Reliance Infrastructure	ONGC	Sun Pharmaceutical Industries
Premier Auto	Premier	Satyam Computer Services	<b>Reliance Industries</b>	Tata Consultancy Services
<b>Reliance Industries</b>	<b>Reliance Industries</b>	State Bank of India	State Bank of India	<b>Tata Motors</b>
Siemens	Siemens	Tata Consultancy Services	Sun Pharmaceutical Industries	<b>Tata Steel</b>
<b>Tata Motors</b>	<b>Tata Motors</b>	<b>Tata Motors</b>	<b>Tata Motors</b>	Tech Mahindra
Tata Power	Tata Power	Tata Power	<b>Tata Steel</b>	Titan
<b>Tata Steel</b>	<b>Tata Steel</b>	<b>Tata Steel</b>	Tata Consultancy Services	UltraTech Cement
Voltas	Voltas	Wipro	Wipro	Wipro

Source: Bloomberg, BSE, SEBI, MOSL, Business Insider. The above data represents constituents of the Sensex Index over a period of time. The above mentioned data is for information purpose only and should not be considered as recommendation to buy, sell or hold any securities mentioned above. Union Mutual Fund may or may not have any future position in the stocks and it does not classify as any recommendation.

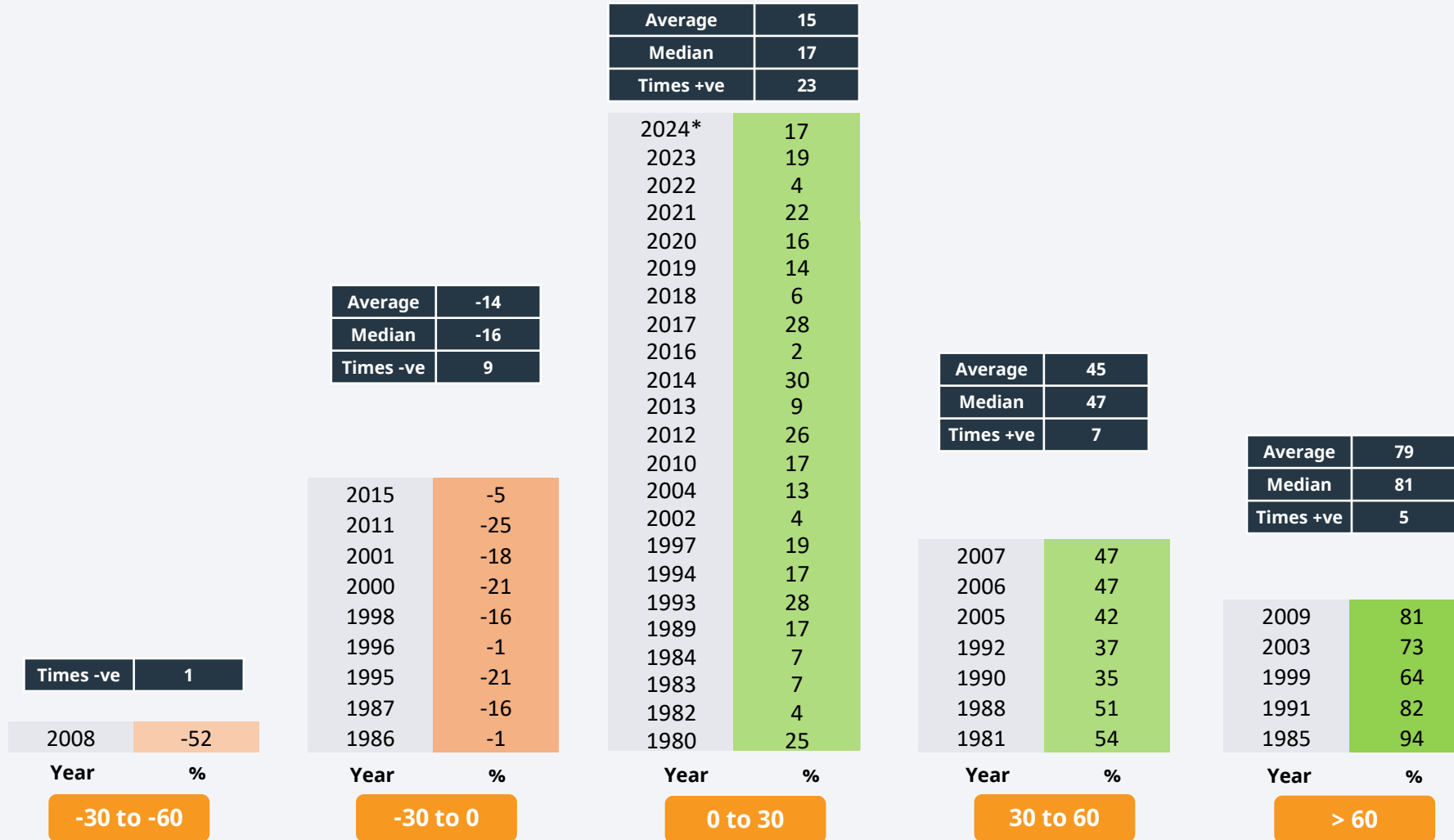
# Dispersion of Stocks Returns



Source: Bloomberg; Respective calendar year-end constituents of NSE500 considered

# Return Distribution - Sensex

Historically, Indian Equities (represented by Sensex) have delivered positive returns in 34/44 years.

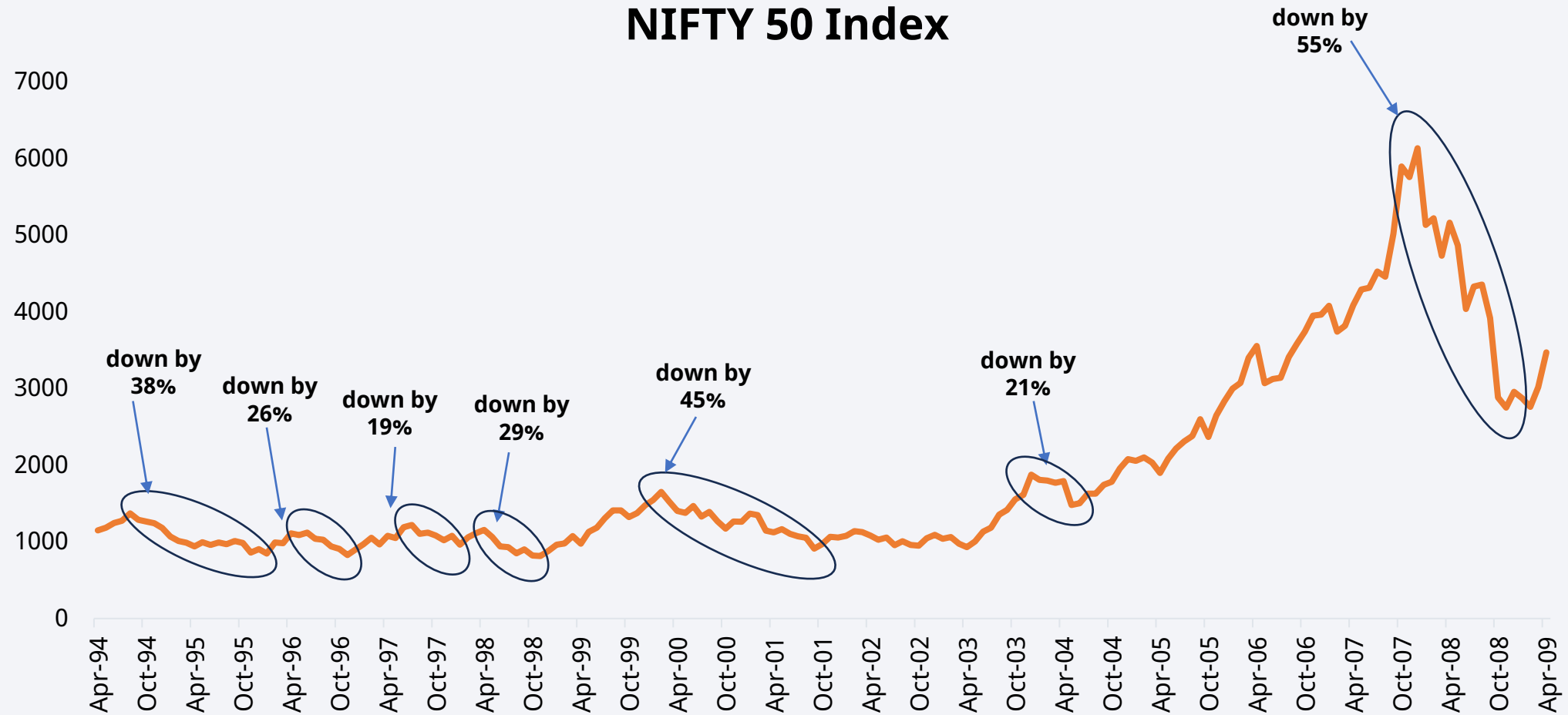


Source: Bloomberg, Internal Research; \*Data till September 30, 2024.

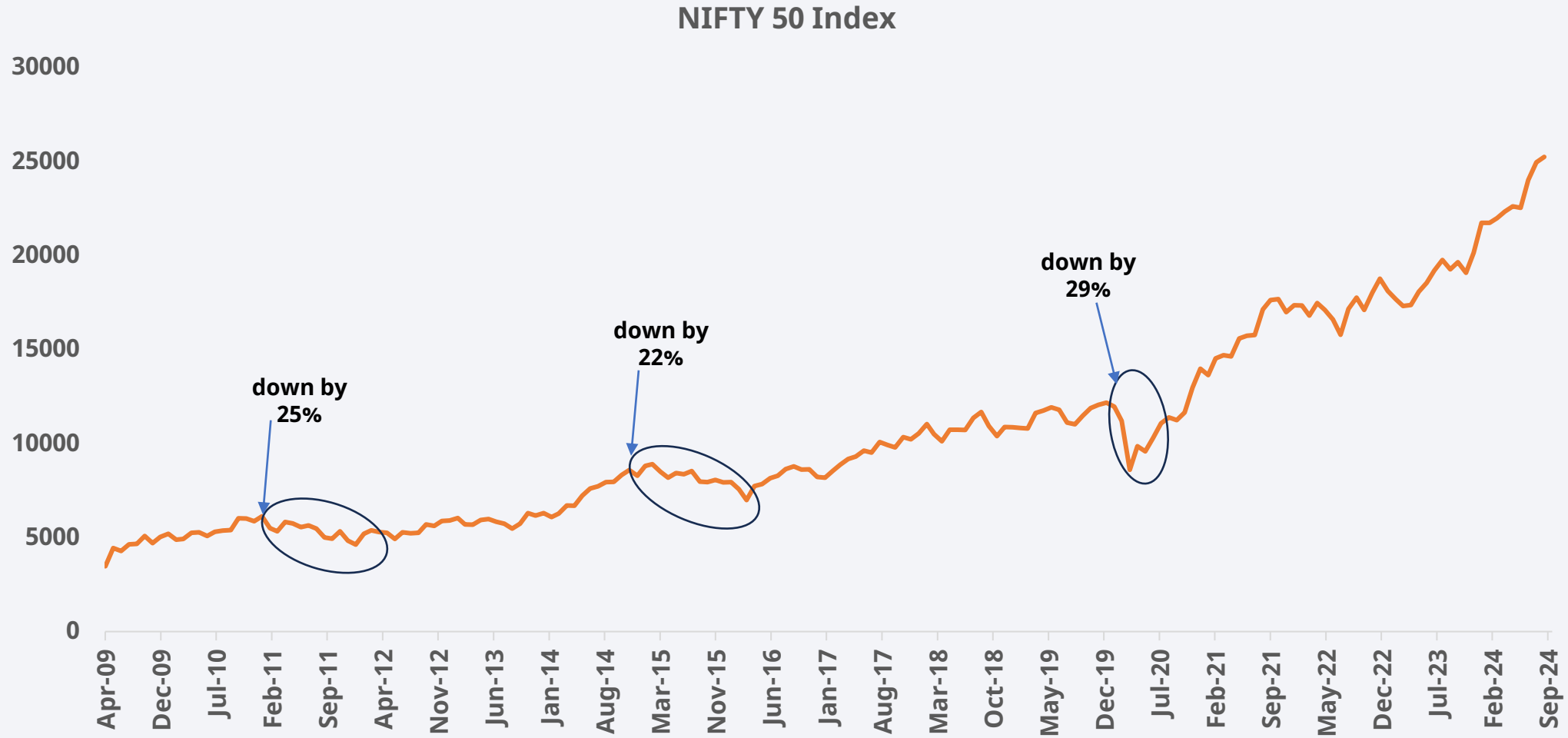
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# Drawdown of NIFTY 50 Index (1994 - 2009)

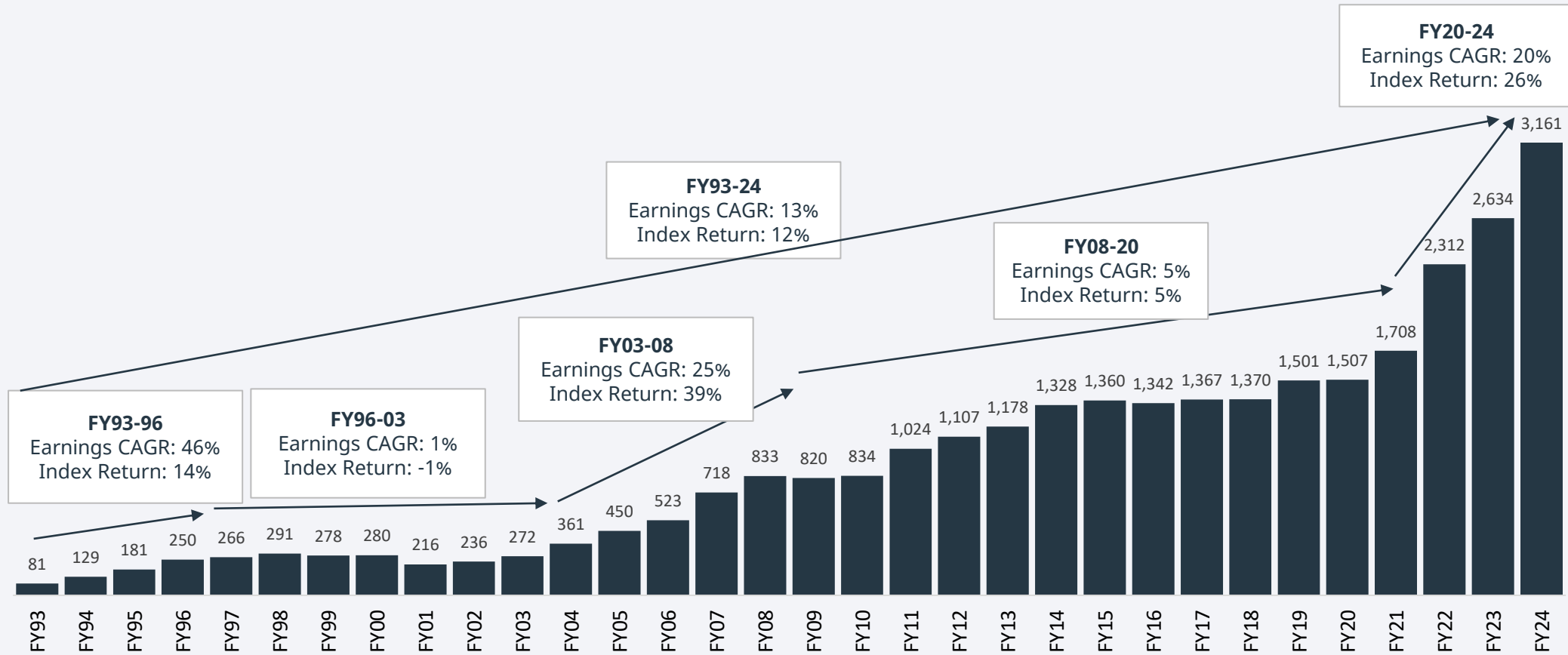


# Drawdown of NIFTY 50 Index (2009 - 2024)



Source: NSE; Period 2009 to 2024 (upto September 2024).

# S&P BSE Sensex EPS Trend



Source: Motilal Oswal Financial Services Limited, Internal Research

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# Indian Equity Market Performance- Rolling

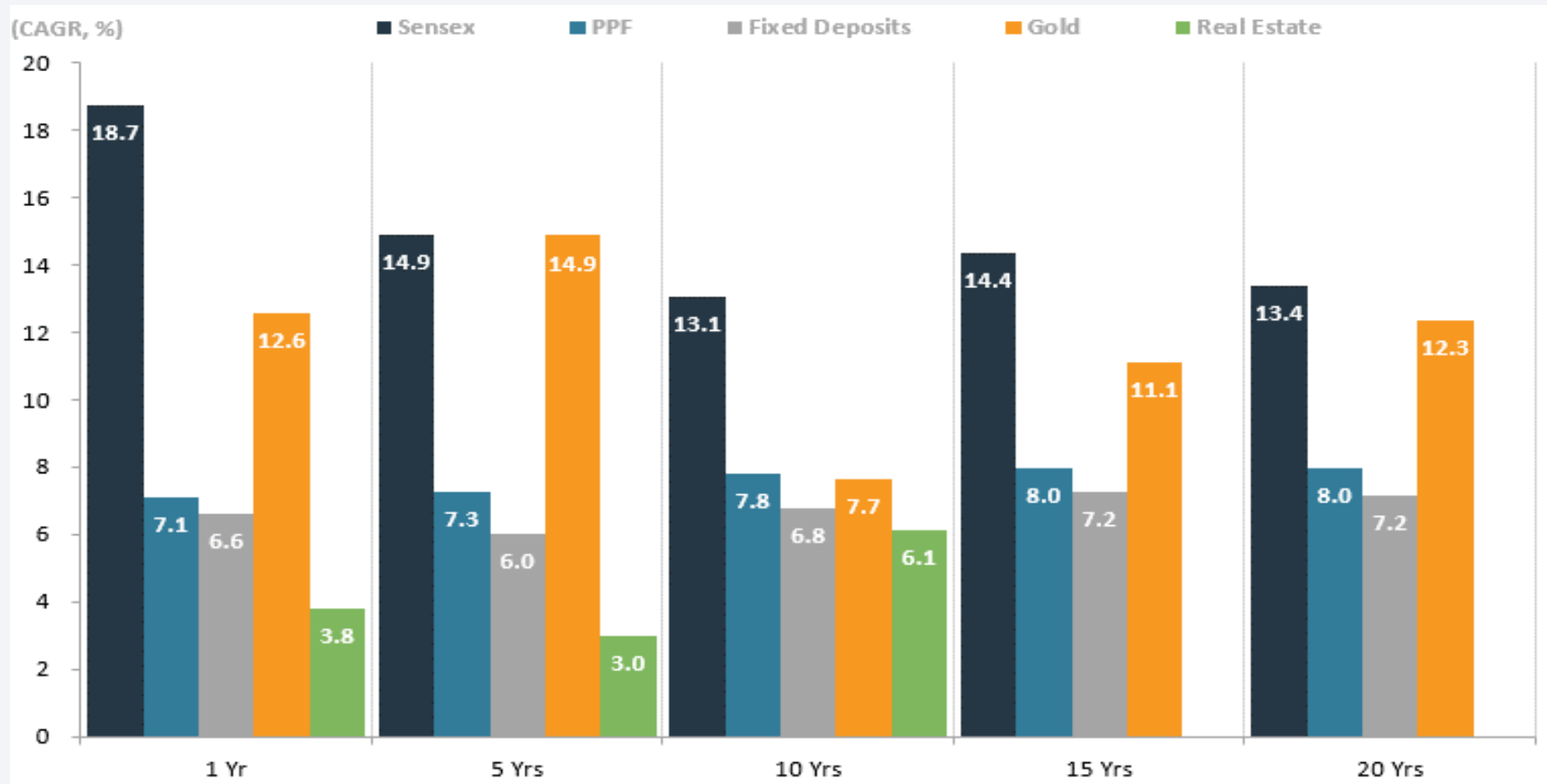
## Sensex data since inception

Period	Minimum Returns	Average Returns	Standard Deviation	+ve Returns	-ve Returns	Return to Risk Ratio (Average Returns/Standard Deviation)
1 Year Rolling	-56.1%	18.6%	32.2%	73.3%	26.7%	0.58
3 Year Rolling	-18.5%	15.6%	15.6%	89.0%	11.0%	1.01
5 Year Rolling	-7.9%	15.2%	11.8%	92.8%	7.2%	1.29
7 Year Rolling	-7.6%	15.0%	9.1%	94.7%	5.3%	1.64
10 Year Rolling	-2.8%	14.9%	7.2%	99.2%	0.8%	2.08

**Longer the investment is held, lesser the probability of negative returns.**

Source: Union AMC Internal Research & Bloomberg; Daily rolling returns are calculated for the period 03-04-1979 to 30-09-2024 by the CAGR approach. Example: For 1 Year Return, the first data point will be CAGR between 01-04-1979 to 01-04-1980, similarly the next data point would be CAGR between 02-04-1979 to 02-04-1980. The last data point would be CAGR between 30-09-2023 to 30-09-2024. Returns are calculated in a similar manner for other time frames (3, 5, 7, and 10 Years). The Index used is BSE Sensex. **Past Performance may or may not be sustained in the future.** Index performance does not signify the performance of any schemes of Union Mutual Fund.

# What Returns Did Different Asset Classes Give In The Last 20 Years?



Source: CEIC, Bloomberg, IIFL Research; Data as of December 31, 2023

Fixed Deposits = Source: RBI (*top 5 major banks*) and Maturity is 1year deposit.

\*Note: The House Price Index as released by RBI on a quarterly basis is used for real estate prices. The data is available from 2010 onwards and the latest available data is for Dec 2023.

Note: Bank Fixed deposits upto Rs. 5 lakhs are being insured by Deposit Insurance and Credit Guarantee Corporation (DICGC).

Past performance may or may not be sustained in future.

The Above-mentioned returns should not be construed as any indication of future returns and it is only for illustration purpose, should not be compared with Union Mutual Funds Scheme performance.



# Disclaimers & Statutory Details

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**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**

**THANK YOU**

