The summer Olympics in Paris will take place in 2024. The Olympic motto, Citius, Altius, Fortius - Communiter, which translates to Faster, Higher, Stronger - Together, captures the spirit of the Olympics. Beyond the intrinsic beauty of Olympic athletics, the expression resonates with India's economy and prosperity. With the nation's third-quarter GDP growth of 8.40%, which surprised the street, it gladly reminds us of Faster, Higher, Stronger - Together!

EQUITY MARKET OUTLOOK

MOMENT OF THE MONTH:

- **Growth Momentum:** GDP data for Q3FY24 surprised on the upside at 8.4%, with Gross Value Added (GVA) growth in-line with expectations at 6.5%. NSO's FY2024 GDP growth projection was revised up to 7.6% and GVA growth at 6.9%. This re-iterates the growth path visibility for Indian economy as the drivers remain broadly consistent. FY24 is likely to be led by in line with current trends. GDP growth is likely to be led by investment growth as Capex cycle gathers pace in India. One challenge for FY24 is low nominal GDP growth. GVA growth was led by broad-based resilience in services, while agriculture and industry slowed down.
- While the Capex story is expected to drive GDP growth in FY25 also, growth story would need some support from consumption as well as global demand. We expect the Central elections to support consumption demand as parties push spends over elections that are likely in next 3 months. Global demand outlook has its own challenges as recovery is not as strong in developed economies.
- GST collections were strong at Rs. 1.68 lakh crore, 12.5% growth YoY. The total GST for 11 months of FY24 is up 11.7% over similar period previous year. Direct taxes collection too has been strong with 24% growth, led by personal tax at 27% growth and corporate tax at 20% growth.
- **Monetary Policy Moves**: RBI kept policy rate unchanged at 6.5% at the policy meet during the month.
- Results season for Dec-23 quarter has been mixed with more results meeting expectations and no significant changes to expectations for FY25.

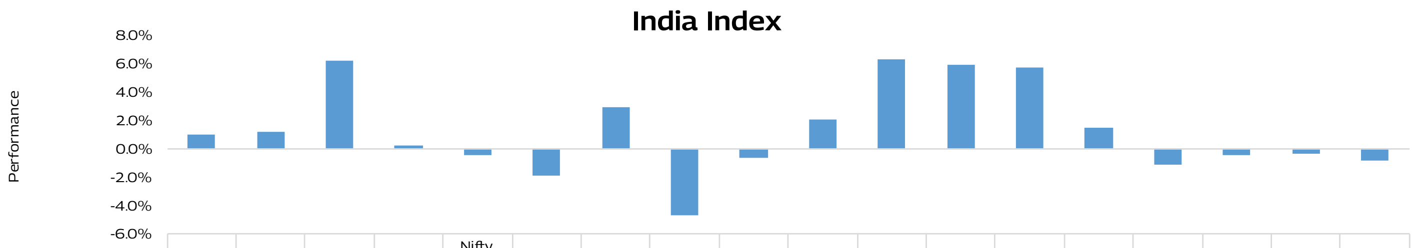
Source: *RBI, Date February 29, 2024*

WHO MOVED MARKETS

- Foreign Portfolio Investors (FPIs), turned net buyers for the month, led by MSCI Index changes led buying. Domestic Institutional Investors (DIIs) remain net buyers with mutual funds continuing to see investor flows.
- Large cap indices gained around 1% for the month while Smallcap & Midcap indices were marginally down.
- Nifty Realty, Pharma, Energy, Auto & IT were the best performing indices for the month with 5-6% rally.

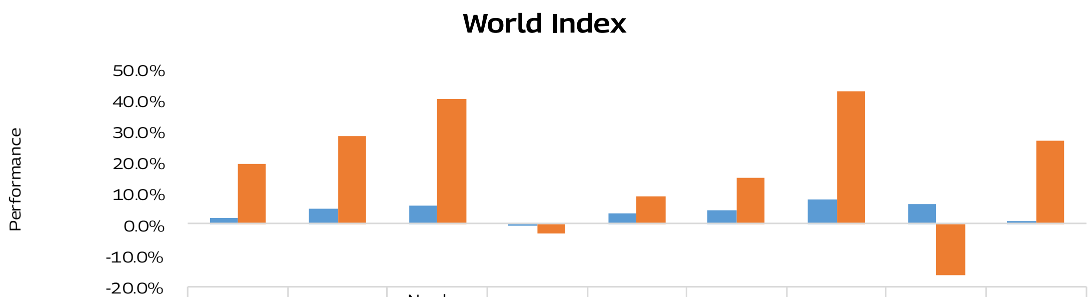
Source: *RBI, Date February 29, 2024*

MOVERS & SHAKERS



	S&P Bse Sensex Index	Nifty 50	Nifty Auto	Nifty Bank	Nifty Financial Services	Nifty FMCG	Nifty IT	Nifty Media	Nifty Metal	Nifty Commodities	Nifty Realty	Nifty Pharma	Nifty Energy	BSE Midcap	BSE Small Cap	Nifty Midcap 100	Nifty Small Cap 100	BSE 250 Small Cap
1 Mth Performance	1.0%	1.2%	6.2%	0.3%	-0.4%	-1.9%	3.0%	-4.7%	-0.6%	2.1%	6.3%	5.9%	5.7%	1.5%	-1.1%	-0.5%	-0.3%	-0.9%

Source: *Bloomberg; Data as on February 29, 2024; Performance - Absolute returns*



	Dow Jones Indus. Avg	S&P 500 Index	Nasdaq Composite Index	Ftse 100 Index	Cac 40 Index	Dax Index	Nikkei 225	Hang Seng Index	Nifty 50
1 Mth Performance	2.2%	5.2%	6.1%	0.0%	3.5%	4.6%	7.9%	6.6%	1.2%
1 Yr Performance	19.4%	28.4%	40.5%	-3.1%	9.1%	15.1%	42.7%	-16.5%	27.0%

Source: *Bloomberg; Data as on February 29, 2024; Performance - Absolute returns*

PERFORMANCE SNAPSHOT OF SECTORAL INDICES - QUARTER ON QUARTER

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Feb-24
Nifty 50	-29.3	19.8	9.2	24.3	5.1	7	12.1	-1.5	0.6	-9.6	8.3	5.9	-4.1	10.5	2.3	10.7	1.2
Nifty Midcap 100	-31.6	25.6	15.5	22.7	13.7	13.8	12.7	0.2	-2.5	-10.9	15.9	2.7	-4.7	19	13.4	13.9	4.7
Nifty Small Cap 100	-38.4	28.4	26.2	21.7	14.5	20	11.9	3.7	-7.6	-19.1	11.8	3.1	-7.6	20.5	17.6	18.8	5.5

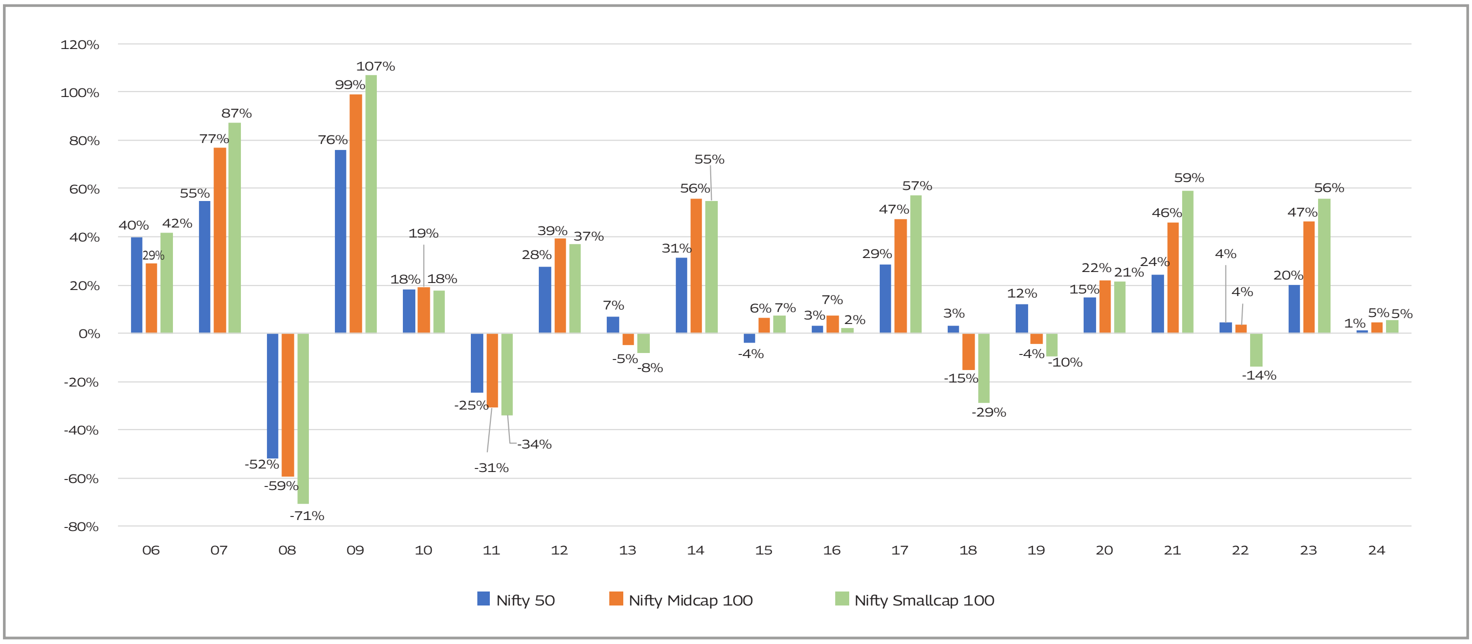
Note - *Yellow highlighted cells represent highest returns amongst the 3 indices provided above, for the respective quarter end periods.*
Source: *Bloomberg, Data as on 29th Feb 2024*

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Feb-24
Nifty Auto	-42.6	42	17.7	16.3	7.3	7.5	0	3.2	-3.5	10.9	8.5	-0.7	-2.9	23.7	6.8	15	9.6
Nifty Bank	-40.5	11.6	0.4	45.7	6.5	4.4	7.6	-5.2	2.5	-8.1	15.6	11.3	-5.5	10.2	-0.4	8.3	-4.5
Nifty Fin Services	-36	13.4	0.6	43.2	3.3	4.6	11.3	-5.3	-1.1	-9.8	13.1	8.4	-4.9	11.1	-1.2	8.5	-5
Nifty FMCG	-9.3	10	-0.7	14.5	2.2	3.3	12	-7	-3.4	3.8	17.9	-0.5	3.9	13.7	-1.1	10.4	-5.2
Nifty IT	-18.5	15.6	35.2	21.6	6.6	12.8	20.1	10.5	-6.2	-23.3	-3.1	6.1	0.3	3	7.5	11.7	6.2
Nifty Media	-42.3	29.2	15.2	6.5	-6.3	16.3	19	3.8	7.2	-20.3	8.7	-3.4	-14.7	2.6	30.1	5.3	-14.2
Nifty Metal	-43.4	25.6	12.6	45.1	22.2	31.1	7.6	-1.6	16.3	-27.4	23.8	16.6	-18.2	12.9	10.1	16.6	-0.7
Nifty Commodities	-33.1	24.6	8.8	22.2	17.7	14.9	10.9	-2.1	7.4	-16.2	10.8	6.9	-6.6	8.6	7.5	18.9	5.5
Nifty Realty	-41.2	15.5	4.6	48.1	6.5	2.9	49.4	-5.8	-4.3	-16.9	10	1.8	-10.3	34.2	10.7	36	16.3
Nifty Pharma	-10.7	39.1	17.9	9.7	-5	16.6	1.1	-1.7	-4.5	-10.5	6.7	-2.9	-4.6	14.6	12	9.1	12.9
Nifty Energy	-30.1	29.4	4.4	12.6	7.5	9	15.3	-1	14.1	-2.8	1.9	1.1	-11.8	8.2	10.6	22.5	16

Note - *Cells highlighted in green colour represents top 2 performers, and the pink highlighted cells represent bottom 2 performers amongst the indices covered above for the respective quarter end periods.*

Source: *Bloomberg. Returns have been calculated on Absolute basis for respective quarter end periods beginning Mar 2020 until February 2024. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Company Private Limited/Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns.* ***Past performance may or may not be sustained in future.***

MARKET CAPITALIZATION - PERFORMANCE SNAPSHOT



Source: ICRA. Data period: 1st January 2006 till 29th February 2024. Returns are absolute returns (1 year) calculated as of the last business day of every calendrer year end. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Private Limited/Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns. ***Past performance may or may not be sustained in future.***

FIXED INCOME OUTLOOK

BOND AND MONEY MARKET

We present a matrix detailing some movement in some key market (Domestic and global) and key event:

Parameters	29-Feb-2024	31-Jan-2024	31-Jan-2023
RBI Repo Rate %	6.5	6.5	6.5
5Y AAA PSU %	7.63	7.72	7.6
1 year CD %	7.79	7.84	7.87
10Y Gsec %	7.08	7.14	7.43
CPI (%)	5.1	5.69	6.52
IIP (YoY) %	3.84	2.4	4.25
US 10Y %	4.25	3.91	3.92
Dollar Rupee	82.91	83.04	82.67

Source: Bloomberg; Data as on February 29, 2024

FIXED INCOME IN A GLANCE

Domestic bond markets remained relatively stable in February. The benchmark 10-year gilt yield fell by approximately 6 basis points (bps) to close at 7.08%. Corporate bonds also declined, with 5-year bonds falling by around 10 basis points. Liquidity, which had been restricted initially, improved significantly, and overnight rates stayed constant around repo rates, decreasing around 25 basis points. Retail CPI inflation was reported at 5.10%, while food inflation remained at a high of 8.30%. Core inflation, which was stable and decreasing, brought confidence to domestic bond markets.

With US GDP and inflation figures remaining robust, US Gilts rose by about 35 basis points over the month to close at 4.25%.

Source: RBI, Date February 29, 2024

WHAT NEXT?

The markets are on a strong trending phase with the PSE index leading from the front agnostic to the sectoral themes. The key themes that we continue to be positive on are Power, Oil & Gas, Energy, Commodities, and Infrastructure creation as India is embarking on the next big capex boom to create fixed assets for the demand requirements for the coming decades.

As a macro trend, monetary policy in US remains key monitorable with new commentary being tracked at Fed meetings that happen every 45 days. We maintain that Fed's action / timing of rate cut is unpredictable, markets remain buoyant with high appetite for risk assets.

With Indian markets trading at premium valuation vis a vis global markets across many sectors/stocks in the near term, we present some thoughts on the likely reasons for the same.

Core Fundamentals like:

1. Economic growth trajectory that makes valuations reasonable over medium term.
2. Positive Demography.
3. Policy reforms supporting growth.
4. Efficiency Gains of Digital Economy & Improving Physical infrastructure.

In addition to above fundamental drivers, some factors that influences demand and supply dynamics in equity markets.

a. Nominal income growth per capita with income inequality favouring top 3-5% of population.

b. Capital controls on investing outside India.

c. Size of unlisted economy that grows income for Indians but not market cap in listed space.

d. promoter holding so less free float.

In a way, limited investible opportunities for higher levels of income exists for now. Going ahead, equity supply may increase as more companies seek to raise money from capital markets to fund capacity creation.

We maintain that Indian economy and markets continue to remain good for long term investors with valuations at times interchanging between Green, Amber & Red for fresh investments. As we know, Asset allocation (equities vs debt vs other asset classes like gold, silver etc) drives a significant portion of potential wealth creation and within the equity allocation, smart choice between Lumpsum (favourable valuation) & SIP (discipline) helps. Post the stupendous rally in Indian markets, we believe SIPs are better for now and its time to focus on asset allocation.

Market mood swings with Fundamentals, Flows & Sentiments are each taking their turn in leadership. Despite a positive fundamental for investing, the choice of investing (no leverage) may always matter in short term trading (high leverage using derivatives). The leveraged participation has its own cascading effect on way up and down.

We need to be cautious about this trend "investing via leveraging". While this phenomenon has been prevalent for some time in Indian markets, the extent of participation and the volatility associated with monthly or weekly expiry of derivative instruments could be detrimental.

Source; RBI, Data as on February 29, 2024

SUMMARISING OUR THOUGHTS

- The RBI's Monetary Policy Committee (MPC) meeting took place in the first week of February. While the MPC maintained all rates and stances same, the policy's tone was balanced. Surprisingly, one external member voted for a 25 basis points decrease. In our opinion, the MPC's attitude may change to neutral as the year progresses. It is doubtful that the MPC may decrease policy rates before the US Fed does.
- The Interim Union budget announced a fiscal deficit of 5.1% of GDP, which was significantly lower than market projections. This generates a positive bias in the domestic debt markets.
- The US interest rate has sparked concern globally. The narrative remains in flux, with uncertainty regarding the inflation trajectory. Despite the low unemployment rate and rising GDP, data on credit card and vehicle loan delinquencies reveal an intriguing paradox. We also believe that the Chinese and European economies may have slow growth, resulting in a reduced global inflation trajectory.
- Our duration-oriented funds have a similar portfolio strategy, with a focus on duration, a bias towards Gilts shifting to credits, and a steepening yield curve.
- While China announced a policy push for economic revival, they don't seem to large enough to push an inflationary pressure on commodity prices
- We also believe that AAA credit spreads have increased and now merit a gradual look into the portfolio.

Source: Bloomberg, Data as on February 29, 2024