

Market Commentary

PIONEER WEALTH MANAGEMENT

During February 2023, the S&P BSE SENSEX experienced a decline of -0.8% on a total return basis. Similarly, the S&P BSE Midcap Index and S&P BSE Small Cap Index also saw negative returns, with declines of -1.8% and -2.9% respectively. Except for the capital goods sector, all other sectoral indices delivered negative returns. Corporate results reflected a slowdown in consumer spending, particularly in the value segment.

Global markets were influenced by strong economic indicators in the US, raising the possibility of prolonged higher interest rates. This led to a decline in global markets, with the S&P 500 experiencing a 2.4% drop. Due to the global economic slowdown, China stocks were affected by weak domestic demand and subdued exports, causing the MSCI EM to decline by -6.5%.

Domestically, macro indicators showed signs of moderation. GDP growth in Q3-FY23 slowed to 4.4%, partly due to a high base. Weak global demand resulted in a slowdown in exports. Inflation, particularly in food and fuel prices, led to a rise in CPI inflation to 6.5% in January 2023. However, there were early indications of rural recovery and positive factors such as buoyant tax collections, credit demand, government capex, and the potential revival of private capex, suggesting a cyclical economic upturn.

In terms of investment flows, foreign portfolio investors (FPIs) sold equities in the Indian market amounting to USD 647 million, while domestic institutional investors (DIIs) purchased equities worth USD 2.3 billion. These trends align with what was observed in the calendar year 2022, where FPIs recorded a net outflow of USD 16.5 billion, while DIIs recorded a net inflow of USD 35.8 billion.

While India's strong fundamentals provide the potential for reasonable long-term returns, managing risk is crucial for a positive investment experience. Higher risk doesn't always result in superior returns. The fund focuses on three risk management guardrails: a margin of safety by buying stocks below their worth, ensuring liquidity by investing in stocks with sufficient trading volumes, and prioritizing corporate governance to safeguard shareholders' interests.

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Monitoring private capex trends, rural recovery, inflation trajectory, and central bank actions are key near-term considerations for the Indian markets. The overall outlook remains positive on Indian equities with a long-term perspective.