

Market Commentary

PIONEER WEALTH MANAGEMENT

In November 2022, the S&P BSE SENSEX recorded a 3.9% increase in total return, while the S&P BSE Midcap Index and S&P BSE Small cap Index each advanced by 2.5%. The market rally was fueled by factors such as easing inflation, a decline in crude prices, and indications of moderate rate hikes by the Federal Reserve.

During the month, most sectoral indices experienced gains. Metals rallied on expectations of China opening up, while the IT index was boosted by the Federal Reserve's indication of moderate rate hikes. Amendments in gas pipeline tariff regulations had a positive impact on the Oil & Gas index. PSU Banks performed well due to credit growth, improving margins, and favorable asset quality. Auto, Consumer Durables, and Power indices were the laggards, facing challenges such as lower-than-expected volumes, margin disappointments, intense competition, and increased fuel costs.

In the US, the Federal Funds rate was increased by 75 basis points in November 2022. The Federal Reserve hinted at a slower pace of rate hikes, considering the lag effect of previous large rate hikes. In global markets, the S&P 500 and Dow Jones Industrial Average recorded gains, while Chinese markets saw sharp gains supported by a relaxation in COVID-19 policies. FPIs turned buyers in Indian equities, expecting a slowdown in future rate hikes. Loan growth remained healthy, supported by retail and working capital demand, and industrial credit showed signs of revival.

Market valuations were slightly above long-term averages, but healthy earnings growth was expected to support the markets in the medium term. Consumer spending remained strong, and the Indian economy was unlikely to experience a significant slowdown due to its dependence on domestic consumption. Loan growth, industrial utilization trends, tax collections, and the recent decline in crude prices were positive factors for India's inflation and economic stability. Key watchpoints in the near term included central bank interest rate actions, geopolitical situations, oil price trajectory, private capex revival, and rural demand recovery.