

Market Commentary

PIONEER WEALTH MANAGEMENT

Rate volatility reached fresh 2022 highs in October as inflation persisted and central banks passed through significant monetary policy tightening. The rate-making FOMC hiked its benchmark rate by three-quarters of a percentage point following a two-day meeting. The latest hike moved the Fed's target funds rate range to between 3.75% and 4% — the highest since 2008. On the brighter side, the central bank hinted on dialling back the pace of its increases as soon as mid-December meet.

While most other markets sold off in the earlier part of this year, actually till last month the Indian Markets held up very well. However as other markets saw a good rally in October we participated well on the upside. The Nifty gained 5.4% and Midcaps underperformed with a 2.3% gain. At the end of this month, Nifty is up around 4% for the year which is a huge boost given that most other global markets are down 15-25%.

On the macro front, inflationary concerns have not subsided and as such most central banks are on course to raise rates further atleast over the next three to six months. The base case after that is likely to be a period of prolonged hold at higher levels till inflation falls back into the comfort zone. India to that extent is better placed as our inflation issues are relatively lesser as compared to the Western Economies.

The results season started this month and as expected results from most technology companies have turned soft which also reflected in their underperformance. Banking sector held up the markets with huge outperformance in both the stock markets and results as they have been well-capitalized with lower NPA numbers.

GDP growth estimates for FY23 stands at 7%. Inflation projection remained unchanged for the FY23 at 6.7%. As far as debt markets are concerned, yield on the 10-year benchmark paper (7.26% GS 2032) increased slightly by 1bps to close at 7.44% compared with the previous close of 7.43%. India's forex reserves jump to \$531.081 billion in the week ending October 28, 2022, making it the biggest weekly gain in more than a year.

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The country's wholesale inflation eased to 8.39% in October from 10.70% in September. The wholesale inflation has dropped below the double-digit mark for the first time since March 2021 when it was at 7.89 per cent. Decline in the rate of inflation in October, 2022 is primarily contributed by fall in the price of mineral oils, basic metals, fabricated metal products, except machinery and equipment; textiles; other non-metallic mineral products; minerals etc. India Consumer Price Index (CPI) i.e. retail inflation eased to a three-month low of 6.77% in the month of October

The food articles segment eased to 8.33% in October whereas in the previous month, this was 11.03%. The month-on-month easing attributed to the easing in prices of vegetables, potatoes, onions, fruits and milk. The fuel and power segment eased to 23.17% last month from 32.61% in September.

The S&P Global India Composite PMI increased to 55.5 in October 2022 from September's six-month low of 55.1, outpacing its long-run average, with a stronger rise in the service economy more than offset a slowdown among goods producers. New order growth was at a two-month high, as factory orders expanded faster than sales at service providers. Meantime, input cost inflation accelerated from September's 22-month low, amid faster increases in both the manufacturing and service sectors.

India's foreign exchange reserves came in at \$531.08 billion for the week ending 28th October 2022, rising by \$6.56 billion making it the highest gain since September 2021. The rupee closed at 82.28 levels as on 30th October 2022. For the month of October, net FIIs purchased Rs. 1948.51 crores worth of equities, whereas the net DIIs sold Rs. 844.20 crores.