

9-Nov-23

Dear Investors,

Hope all is great at your end. Our performance for the month of October is as follows (Exhibit 1).

Exhibit 1: Performance as on 31-Oct-2023

	1M	3M	6M	AUM (INR Cr)
MoneyGrow Flexicap	-2.65%	-1.85%	11.14%	50.27
MoneyGrow Bespoke	-3.7%	-0.78%	14.96%	29.56
MoneyGrow NDPMS	-2.38%	-1.37%	12.88%	1.32
BSE 500 TRI	-2.86%	-1.42%	10.89%	
Total AUM				81.15

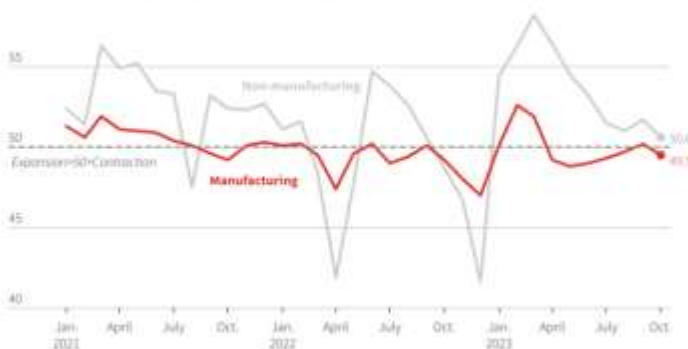
Markets had been under pressure in Oct largely because of the following global issues:

- US Bond Yields: 10-year US bond yields increased from 4.575% (30-Sep-23) to 5%+ during the month. There was a scare that they may continue to go up and may cause a meltdown in global equities. However, post the recent US Federal Reserve FOMC meeting, it appears that further rate increases by US Fed are unlikely and hence the bond yields have corrected sharply. Currently, the 10-year yields are now back to 4.5% levels. This is a big sigh of relief.
- Middle East: On 7-Oct-23, Middle East geopolitical crisis erupted with the war between Israel and Hamas. So far, the impact of this is more a humanitarian crisis as opposed to an economic crisis. Crude has also been moving within a narrow range as Israel is not a crude producing nation. Any escalation of this involving any of the crude producing nations can be catastrophic. We remain very watchful of this risk.
- China continues to remain an area of concern as weak global economy and property crisis threaten growth. Most of the companies that compete with China continue to get impacted e.g. chemical companies or commodity companies (Exhibit 2).

Exhibit 2: China PMI

China factory activity shrinks in October

China's manufacturing activity unexpectedly contracted in October, an official factory survey showed, underlining the challenge facing policymakers trying to engineer a durable economic recovery.



Source: ISEI Database | Reuters, Oct. 31, 2023

- FPIs were net-sellers in Sep-23 and Oct-23 (Exhibit 3). As and when there is some relief on the above crisis, they may again turn buyers and that can help Indian markets to rally.

Exhibit 3: FPI flows in India

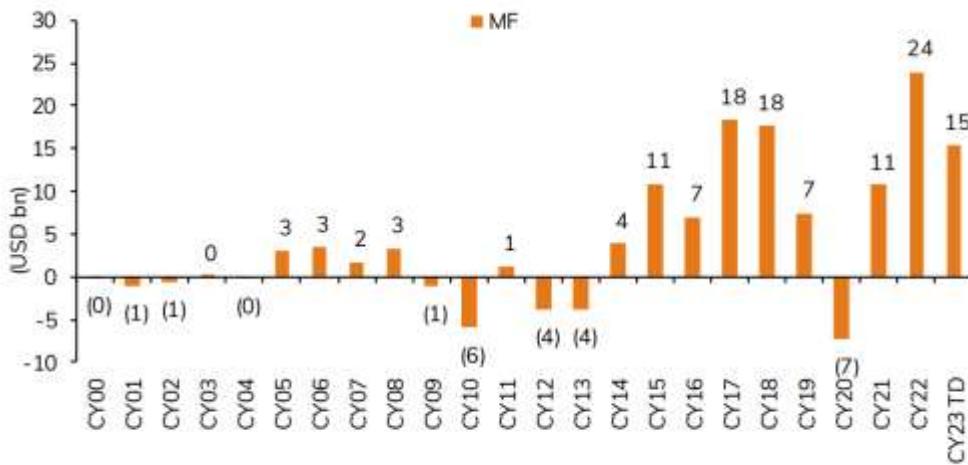


Source: Bloomberg, I-Sec research

On the domestic front, economy remains sanguine and some of the important points to note are:

- Domestic Macro: Inflation was fairly contained, and RBI chose to keep repo rates unchanged to 6.5%.
- Tax: Gross tax revenues for Centre in 1HFY24 are 16% higher, driven by direct tax growth at 25%. GST collections are also robust and fiscal deficit is in check at 39% of FY24 budget estimate in H1FY24.
- Capex indicators: Government capex growth till Sep-23 in FY24 is up 46% YoY with states beginning to contribute strongly.
- Flows into domestic MFs remain very healthy and are supportive of the market (Exhibit 4).

Exhibit 4: Mutual Fund flows into equities



Source: Bloomberg, I-Sec research

Earnings Season so far:

- Q2FY24 earnings season has been robust, with profit growth largely driven by margin expansion. Exhibit 4 summarises the results.

Exhibit 4: Q2FY24 earnings

Free float (INR bn)	No*	Sales			EBITDA			PAT (ex-financials)			PAT (incl-financials)		
		Q2FY24	YoY	QoQ	Q2FY24	YoY	QoQ	Q2FY24	YoY	QoQ	Q2FY24	YoY	QoQ
Nifty	37	5,109	5%	3%	828	18%	-5%	441	32%	1%	822	33%	7%
Nifty Next 50	25	820	-11%	-6%	111	152%	1%	69	220%	3%	110	105%	10%
Nifty Midcap 100	49	473	2%	4%	79	18%	6%	26	20%	7%	88	43%	8%
Nifty Smallcap 100	50	234	10%	3%	34	71%	8%	18	128%	19%	40	65%	14%
NSE200	111	6,402	2%	2%	1,018	25%	-4%	535	42%	2%	1,021	39%	7%
NSE200 (ex-HDFC bank)	110	6,402	2%	2%	1,018	25%	-4%	535	42%	2%	863	37%	3%

Source: Bloomberg, Capitaline, I-Sec research

Note: No* represents number of results considered within respective indices.

Conclusion

- On the global side, as discussed above, key risk remains the Middle Eastern crisis. While there have been several jingoistic noises, but fortunately there is no direct involvement of any crude producing nation in the war. We hope this tension subsides.
- On the domestic side, state election results are due on 3-Dec-2023. These can have some effect on market sentiment. The opinion poll results show a tight race and market is not pricing in a BJP defeat. Also, even if BJP were to do poorly in state elections, one can't conclude much about the national elections.
- Given the above background, we remain bullish and would advise investors to use the current correction and any volatility around state election results to add to their equity allocations.

Wishing you and your family a very Happy Diwali and a prosperous New Year!!

Warm regards,

Manish Gupta & entire MoneyGrow team

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