MONTHLY MACRO REVIEW

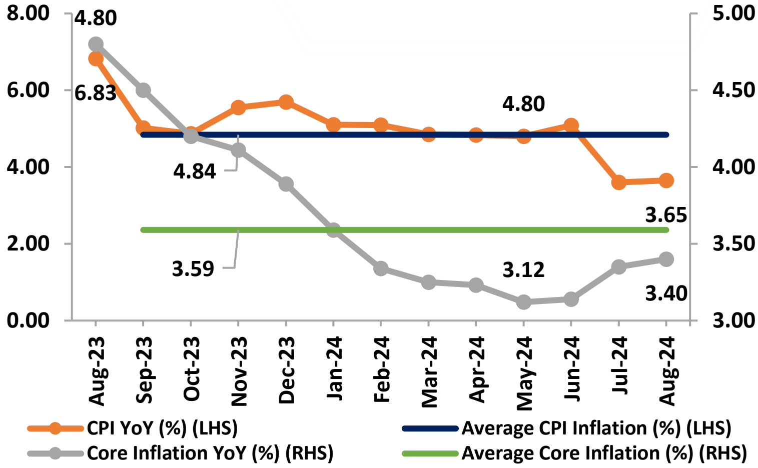
September 2024

BONANZA WEALTH

CPI INFLATION

In Aug-24, India's Consumer Price Index (CPI) inflation rose marginally to 3.65% (Provisional) up from 3.60% (Final) in Jul-24, largely on account of uptick in food inflation. The inflation in food basket saw an uptick to 5.3% in Aug-24 from 5.1% a month earlier led by pulses (13.6%), vegetables (10.7%) and cereals (7.3%). In Aug-24, the deflation in oil and fat category narrowed to 0.9% from 1.1% the previous month. While deflation in spice category deepened to 4.4% in August from 1.4% in July. Headline inflation stayed below RBI's target range thanks to a favourable base.

The Core CPI, a non-volatile component of the CPI, largely remained steady at 3.4%. In the coming months, we anticipate unfavourable base effects in September before an early festive season. Despite healthy growth momentum, core inflation remains subdued. Though food inflation outlook has improved, lingering risks remain. Uneven monsoon distribution has caused deficits in key agrarian areas. Early Kharif harvest from mid-September may partially alleviate upward price pressures. External risks from geopolitical uncertainties should be monitored closely.

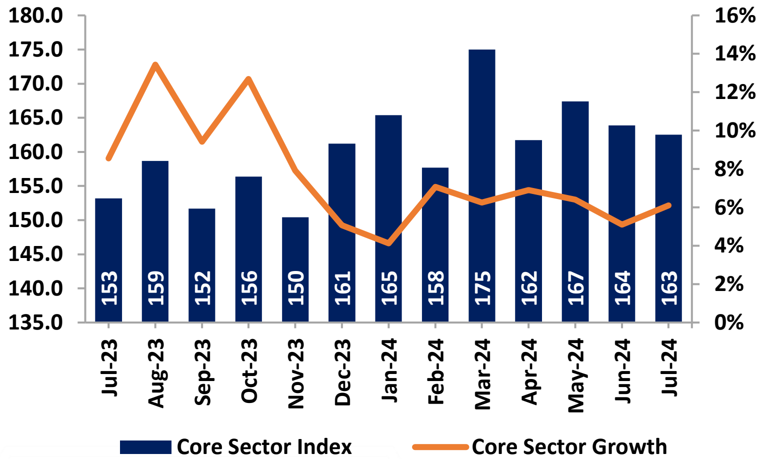


CORE SECTOR

The Index of Eight Core Industries (ICI) sector growth picks up in Jul-24 to 6.1% growth (Provisional) as against 5.1% growth (Revised, earlier 4%) in Jun-24. The final growth rate of ICI for Apr-24 was 6.9% (earlier 6.7%). The first four months of FY25 recorded 6.1% growth (Provisional) as against 6.6% during same period in last year.

The eight core industries contribute 40.27% to the IIP. Notable increase in output growth were seen in Coal Production by 6.8%, Refinery products by 6.6%, Fertilizer by 5.3%, Steel by 7.2%, Cement by 5.5% and Electricity by 7.0%. While the decline in output were seen in Crude oil by 2.9% and Natural Gas by 1.3%.

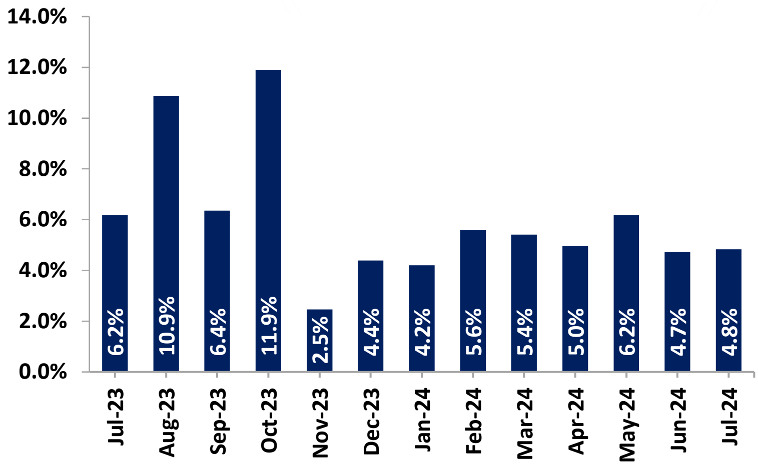
Compared to Jul-23, six sectors recorded a decline in growth output. Post election, there has been a pick-up in infrastructure activity on the government side, resulting in growth of steel and cement. Growth in fertilisers sector indicates that companies are building stocks for both kharif and rabi seasons. Higher refinery products growth can be attributed to higher industrial activity as well as exports.



IIP GROWTH

The India's Industrial Production (IIP) accelerated to 4.8% (Provisional) in Jul-24, up from 4.7% (Final) in Jun-24. The IIP print for Jun-24 has been revised upwards to 4.7% from 4.2%. On a sectoral basis, mining (3.7%), manufacturing (4.6%) and electricity (7.9%) experienced growth while growth in the electricity and mining sectors moderated, manufacturing sector growth remained healthy. Out of the 23 categories within the manufacturing sector, seventeen saw a YoY uptick in output. Basic metals accounting for 12.8 % weight grew by 6.4% YoY, output of wearing apparel rose by 7.3% while output of leather and related products recorded a growth of 6.9%, reversing from a contraction in the previous month.

Within use-based classification, almost all categories recorded growth: Primary Goods (5.9%), Capital Goods (12.0%), Intermediate Goods (6.8%), Infrastructure goods (4.9%), Consumer durables (8.2%) while consumer non-durables contracted by 4.4%. The improved kharif sowing due to a good monsoon is expected to boost private consumption demand. However, uneven monsoon distribution persists. Encouragingly, the Q1 GDP data shows increased private consumption expenditure compared to the previous year. Sustained growth in consumption and private capex is crucial for industrial activity.

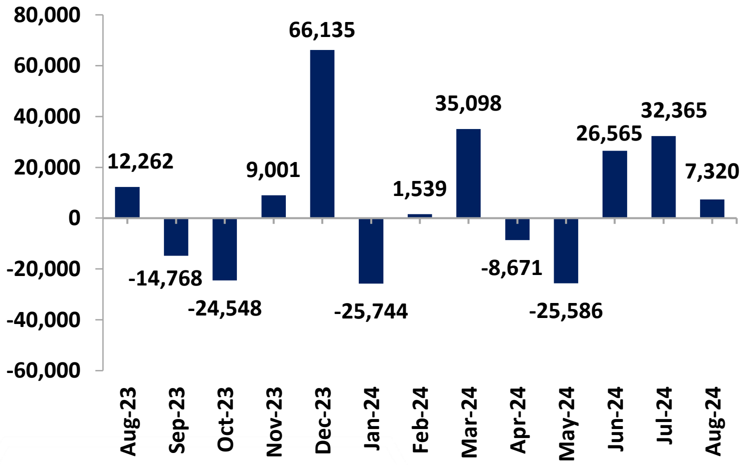


FII FLOWS

In Aug-24, Foreign Portfolio Investors (FPIs) remained net buyers for third consecutive month in Indian equities, but inflows fell steeply in August, largely led by domestic and global factors. FPIs infused Rs. 7,320 crores in Indian equities market in Aug-24. For FY25, FPI investments in equity stands at Rs. 31,992 crores in the country.

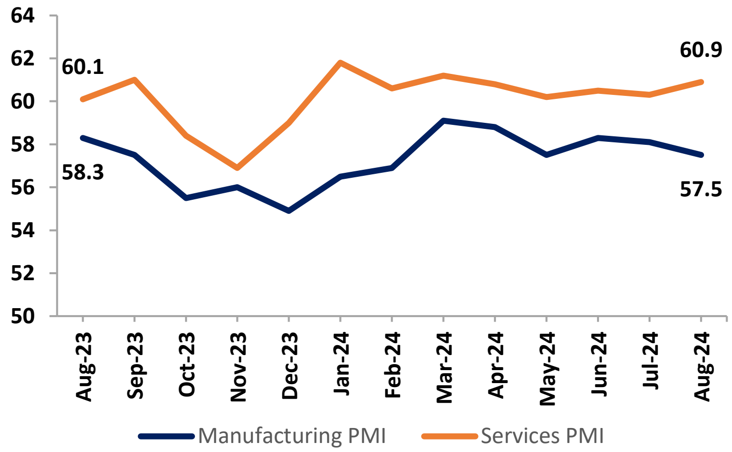
The month of August started weak on account of weak US labour data and rising unemployment rate in US. However, the sentiments changed in latter part of month as Fed clearly hinted of its first rate cut in its Sep-24 Fed policy minutes. Also, tensions persist in the Middle East and West Asia, with escalating conflict between Iran and Israel. Additionally, the situation in Russia is intensifying following Ukraine's incursion into Russian territory.

FPIs infused Rs. 17,960 crores in Indian debt market. Sector-wise, in Aug-24, major inflows were seen in Healthcare, Consumer Durables, and Consumer Services, while major outflows were seen in Financial Services, Metals and Mining and Automobile & Auto Components.



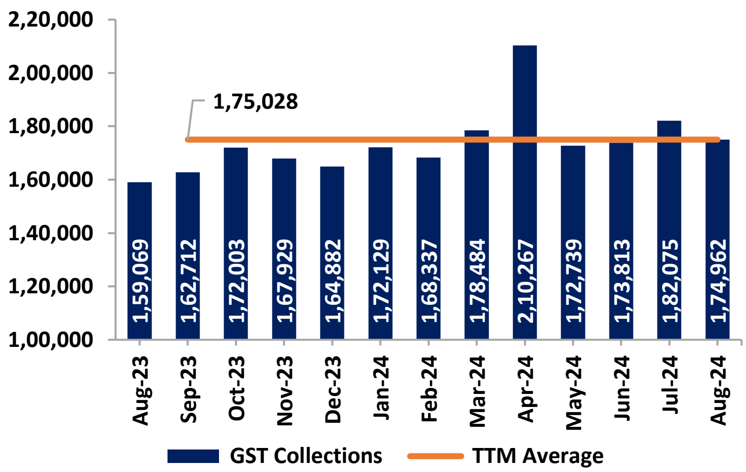
PMI INDICATORS

India's manufacturing and services PMI data for Aug-24 showed contrasting trends within the economy. HSBC India Manufacturing sector PMI slows down to 57.5 in Aug-24 from 58.1 in Jul-24. The decline was caused by relatively softer growth in new business & production due to competitive pressures and change in preferences. Given these challenges, manufacturers reported a significant slowing of input price inflation, which moderated to its lowest level in five months. This was enough to let the firms continue with their purchasing activity as they were building safety stocks.



The HSBC India Services PMI, however, jumped to 60.9, with its best expansion since March, indicating growth in new business and resilience in demand. The index has maintained above the neutral level of 50 for thirty-seven consecutive months, owing to productivity increases and favourable demand trends in industries such as finance and insurance. Employment in the services sector also increased steadily, but at a slightly slower rate.

Overall, given the headwinds in manufacturing, the pick-up in the services sector gave good momentum, adding favourably to India's economic outlook against the background of dampened business confidence owing to competitive pressures.



GST COLLECTIONS

The gross GST collections for Aug-24 rose by 10% YoY to Rs. 1,74,962 crores, reflecting higher domestic consumption. The growth was broad-based across all categories Central GST (CGST), State GST (SGST), Integrated GST (IGST), and cess. According to government data, gross GST revenue from domestic transaction grew by 9.2% to Rs. 1,24,986 crores, whereas import of goods was up by 12.1% to Rs. 49,976 crores.

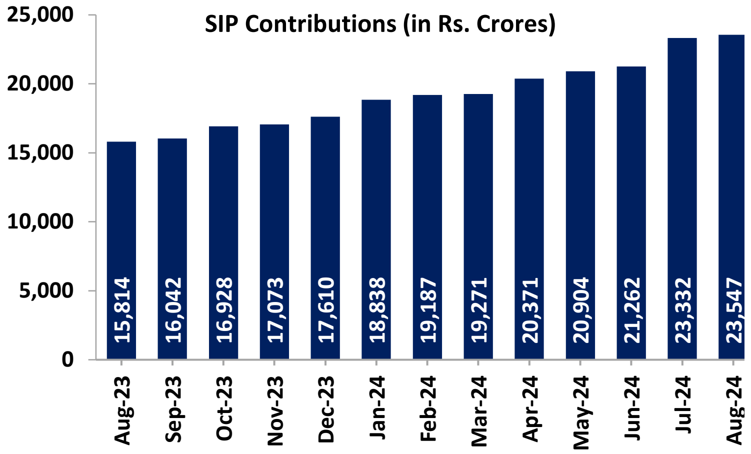
Following adjustments for refunds, the net GST revenue for Aug-24 totalled at Rs. 1,50,501 crores, reflecting a growth of 6.5% compared to the same period last year. CGST comprised Rs. 30,862 crores, SGST comprised Rs. 38,411 crores, IGST comprised Rs. 93,621 crores, and Cess comprised Rs. 12,068 crores.

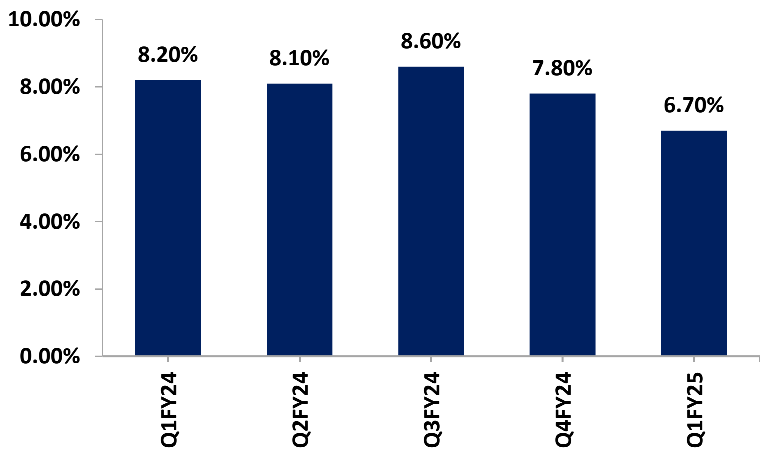
Maharashtra led in GST collection for Aug-24, amassing Rs. 26,367 crores, followed by Karnataka at Rs. 12,344 crores and Gujarat at Rs. 10,344 crores. The cumulative GST collection for FY25 has been 10.1% higher at Rs. 9,13,855 crores, compared to Rs. 8,29,796 crore collected in the same period last year.

MUTUAL FUND FLOWS

In Aug-24, the net inflows into the overall mutual fund witnessed a significant decline, dropping by 43% to Rs. 1,08,123 crores against Rs. 1,89,044 crores in Jul-24. The primary factor behind this decline in the mutual funds industry was a significant 62% drop in inflows into debt mutual funds. Open-ended equity mutual funds inflows rose to 3.03% to Rs. 38,239 crores in Aug-24 as against Rs. 37,113 crores in Jul-24. Inflows into open-ended equity funds have remained in the positive zone for the 42nd month in a row. Net AUM of the mutual fund industry rose to hit Rs. 66,70,305.14 crore in Aug-24.

Large-cap fund saw a staggering 293% jump in inflows to Rs. 2,637 crores, whereas mid-cap observed 86% increases in inflows to Rs. 3,055 crores and small-cap saw an 52% growth to Rs. 3,209 crores. On the other hand, multi-cap funds saw a sharp decline by 65% to Rs. 2,475 crores. The investment via systematic investment plans (SIPs) climbed to Rs. 23,547 crores in Aug-24 from Rs. 23,332 crores in Jul-24. The number of new SIPs registered in Aug-24 stood at 63,93,602. The SIP AUM was highest ever at Rs. 13.39 lakh crore in Aug-24 compared to Rs. 13.09 lakh crore in Jul-24.





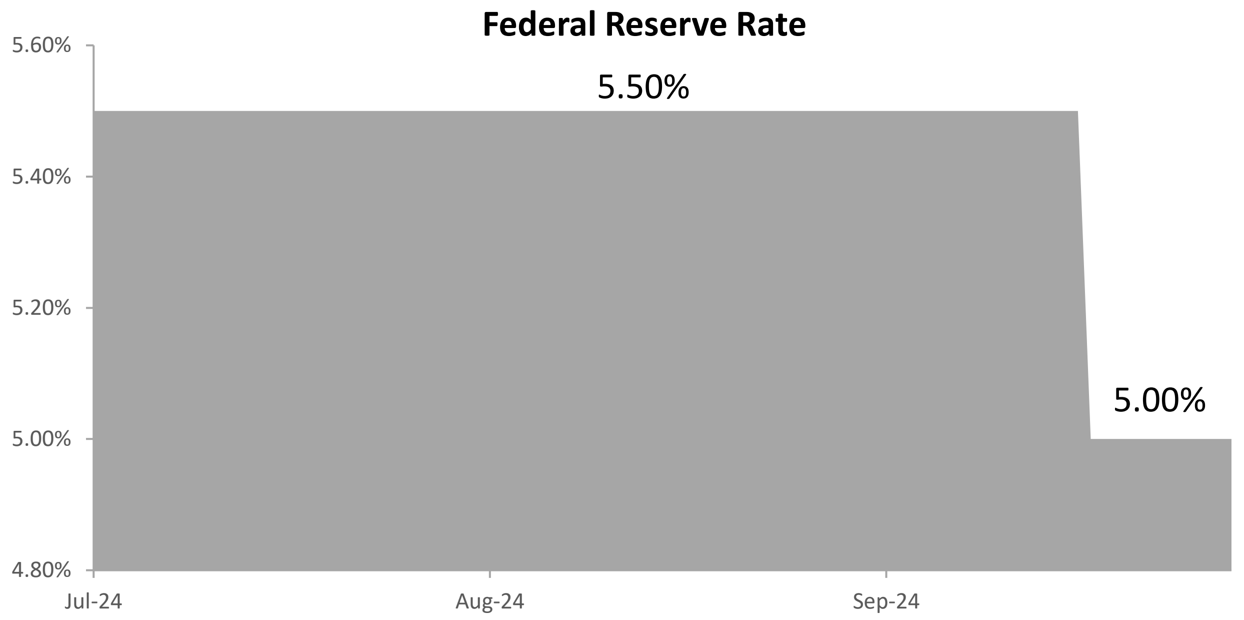
GDP GROWTH

India’s real GDP (Gross Domestic Product) growth for the Q1FY25 slipped to five-quarter low to 6.7% compared to 8.2% in Q1FY24, slowdown in GDP growth could be attributed to soft government spending and stalling consumption. India’s GDP print for Q1FY25 was well below the RBI expectation of 7.1% growth and 7.8% growth recorded in previous quarter. Also, for the first time in a year, growth in the real GVA (Gross Value Added) outperformed GDP growth, with a 6.8% uptick in the Q1FY25. The growth in GVA was largely driven by manufacturing sector, which saw a GVA increase of 7.0% in Q1FY25 compared to 5.0% in same period last year. Electricity, gas, water supply and other utility services GVA also grew by 10.4% from 3.2%. The construction segment GVA grew by 10.5% from 8.6% a year ago.

A slowdown was anticipated in Q1 FY25 growth due to a high base effect, adverse weather conditions, and restrictions on government activities caused by the election code of conduct during the quarter. Economists predict a potential cut in the central bank's policy rate due to easing retail inflation, which could boost household consumption and support private investments.

FOMC Meeting

In the September FOMC meeting, the Federal Reserve reduced its benchmark interest rate by 50 basis points, easing its monetary policy for the first time in four years. This decision was made in response to progress on the Fed's dual mandate and is expected to provide support for economic growth and help stabilize the slowing labour market. The federal funds rate was lowered to a range of 4.75% to 5%, following more than a year of being held at its highest level in two decades. The FOMC also noted that the economy continues to expand at a solid pace. Fed chair Jerome Powell highlighted that inflation is nearing the 2% target range and the labour market is less tight compared to pre-pandemic levels in 2019. Projections shared after the two-day meeting indicated that 10 out of 19 officials, favored lowering rates by at least an additional half-point over the next two remaining 2024 meetings.



The Fed revised its inflation outlook downward to 2.3% and lowered its projection for core inflation to 2.6%, while acknowledging that inflation remains somewhat elevated. The Committee reiterated its commitment to achieving maximum employment and 2% inflation over the longer term, expressing confidence in its ability to reach these objectives. The unemployment rate projection for this year has been adjusted to 4.4%. Fed chair Jerome Powell emphasized the Fed's flexible approach to future decisions, stating that recent cuts do not set a new pace and that the Fed will continue to monitor fresh data.

make money. not mistakes.

Name	Designation
Anubhav Sangal	Sr. Research Analyst

ANUBHAV SANGAL

Digitally signed by ANUBHAV SANGAL
Date: 2024.09.26 16:41:58 +05'30'

Disclosure: M/s. Bonanza Portfolio Ltd here by declares that views expressed in this report accurately reflect viewpoint with subject to companies/securities. M/s. Bonanza Portfolio Ltd has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. The Analysts engaged in preparation of this Report or his/her relative: - (a) do not have any financial interests in the subject company mentioned in this Report; (b) do not own 1% or more of the equity securities of the subject company mentioned in the report as of the last day of the month preceding the publication of the research report; (c) do not have any material conflict of interest at the time of publication of the Report. The Analysts engaged in preparation of this Report:- (a) have not received any compensation from the subject company in the past twelve months; (b) have not managed or co-managed public offering of securities for the subject company in the past twelve months; (c)have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) has not received any compensation or other benefits from the subject company or third party in connection with the Report; (f) has not served as an officer, director or employee of the subject company; (g) is not engaged in market making activity for the subject company.
M/s. Bonanza Portfolio Ltd is a registered Research Analyst under the regulation of SEBI, the year 2014. The Regn No. INH100001666 and research analyst engaged in preparing reports is qualified as per the regulation's provision.

M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate. Walbhat Road, Goregaon (E), Mumbai – 400063 Web site: https://www.bonanzaonline.com
Research Analyst Regn No. INH100001666
SEBI Regn. No.: INZ000212137
BSE /NSE/MCX: |CASH| DERIVATIVE| CURRENCY DERIVATIVE | COMMODITY SEGMENT|
| CDSL: | 120 33500 | NSDL: | IN 301477 || PMS: INP 000000985 | AMFI: ARN -0186