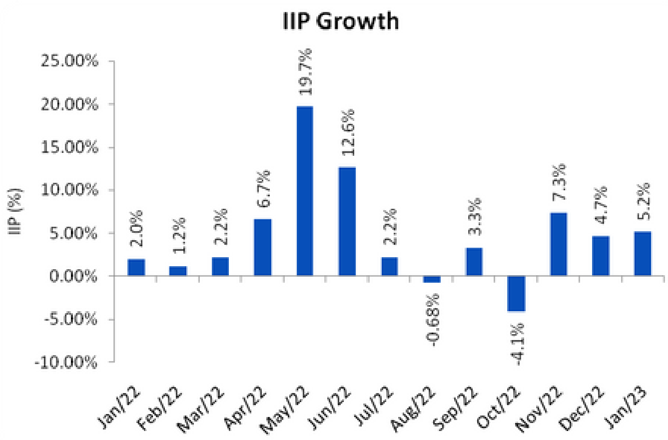
MONTHLY MACRO REVIEW

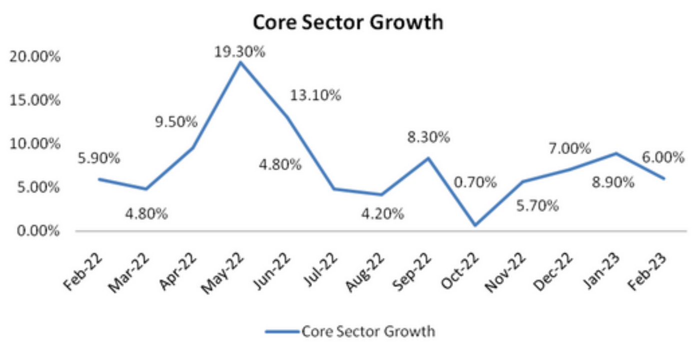
APRIL 2023

BONANZA WEALTH

IIP GROWTH

The headline industrial growth came in at 5.2% Y-o-Y beating the estimates marginally for Jan'23. It was higher than the 4.7% Y-o-Y growth seen in Dec'22 driven by robust growth in Mining and Electricity. Mining/ Electricity/ Manufacturing grew at 8.8% / 12.7% / 3.7 % respectively Y-o-Y. Although, the headline number for manufacturing registered a growth, the output for 10 of 23 sub-sectors had declined, with 5 of those declining more than 10%. Capital Goods sector resumed its outperformance with an 11% rise, followed by Primary Goods sector grew by 9.6%, Infrastructure/ Construction grew by 8.1% and Consumer non-durables goods grew by 6.2%. This healthy performance was dampened by the weakness in the Intermediate Goods sector which expanded marginally by 0.1% Y-o-Y and Consumer Durables sector contracted by 7.5% Y-o-Y. However, there are signs of recovery in the consumer durables sector that registered a minor expansion in the activity M-o-M & the pace of contraction has abated by 351 bps.



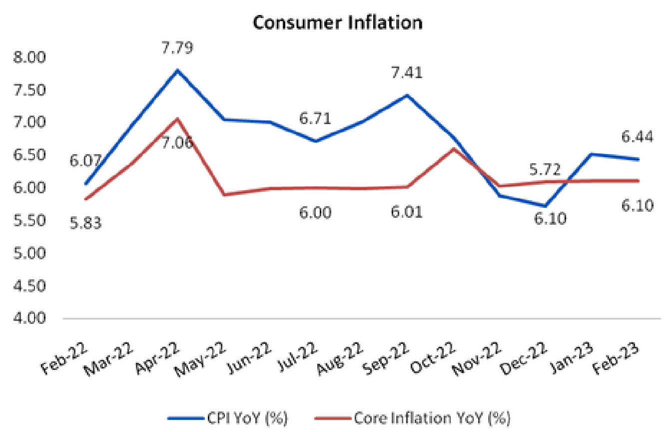


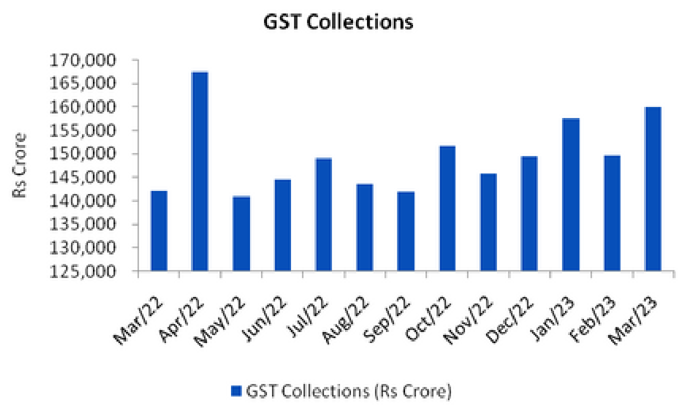
CORE SECTOR

The output of India's eight core infrastructure sectors rose by 6% in Feb'23 compared to 5.9% in the same month last year. Production of coal rose by 8.5%, fertilizers by 22.2%, electricity by 7.6%, steel by 6.9%, cement by 7.3%, natural gas by 3.2%, and refinery products by 3.3%. Crude oil was the only laggard whose output declined by 4.9%. The growth rate of the core sectors stood at 7.8% in April-Feb this fiscal year as against 11.1% during the same period last fiscal year. Fertilizers output increased by double digits as a result of favourable fertilizer policies and attempts to decrease fertilizer imports. The steel and cement industries expanded as a result of robust infrastructure and housing demand. Electricity has grown rapidly because power consumption is already at an all-time high and thermal power plants are now backed by sufficient coal inventories.

INFLATION

The CPI fell marginally in Feb'23 to 6.44% from a three-month high of 6.52% in Jan'23, owing to easing in food prices internationally and the government's efforts to increase wheat subsidies. However, inflation exceeded the Reserve Bank of India's (RBI) upper tolerance threshold of 6% for the second month in a row. Despite the steep drop in vegetable prices by 11.6% in Feb'23, food inflation remained elevated near 6%. Core CPI inflation was also unchanged from the previous two months, owing mostly to increases in the prices of health care, household goods and services, and housing. Contraction in headline inflation is difficult as long as core inflation stays elevated. As per the initial reports, the upcoming monsoon is projected to deliver below-average rainfall due to El Nino effects, which would adversely impact crop production, driving food prices higher. Given these circumstances, inflation would ease slower than what was expected.



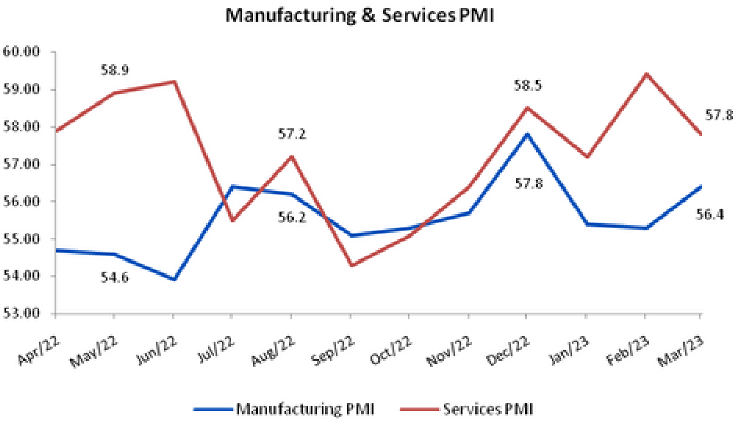


GST COLLECTION

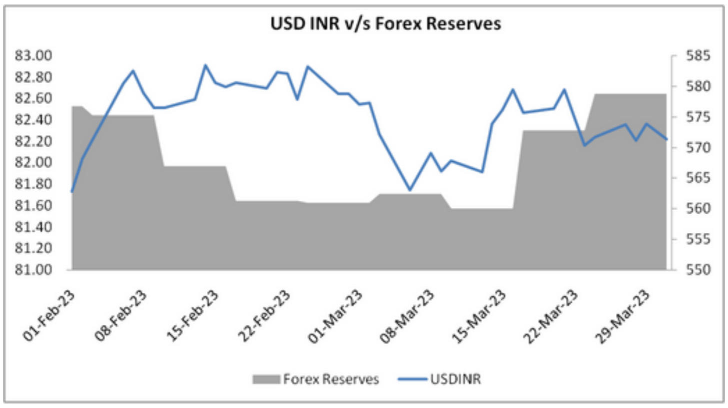
During FY23 the GST collection efficiency had massively improved as the government has tightened the compliance norms which ensured that taxpayers are depositing their GST dues and filing the GST returns on time. During Mar'23, the Total GST collections stood at Rs. 1,60,122 crs which was 12.69% Y-o-Y and 7.05% M-o-M. This is the second highest collection in month since inception. Rs. 46,463 crs of the total was contributed by GST on Imports, which was 8.35% Y-o-Y and 19.14% M-o-M. The average monthly GST collection for FY23 computes to Rs. 1,50,163 crs, which is 21.48% higher compared with same period in FY22. The effects of the tight regulations were visible in the GST Return filings which reached an all time high of 93.2% (83.1% in Mar'22) for GSTR-1 and 91.4% (84.7% in Mar'22) for GSTR-3B.

PMI INDICATORS

The Composite Purchasing Managers Indicator (C-PMI), for Mar-23 came in at 58.4, which constituted of Manufacturing PMI (M-PMI) at 56.4 (M-o-M) and Services PMI (S-PMI) at 57.8 (M-o-M). The M-PMI has been nearly flat in H2FY23, which a small spike in activity during Dec-22. This indicates that there has been no meaningful rise demand of manufactured goods in the economy. Despite the lackluster performance in H2FY23, the Average M-PMI for FY23 has marginally improved to 55.57 from 53.97 in FY22. The Services sector however has been firing on all cylinders especially in H2FY23, the Average S-PMI for FY23 stands at 57.28 indicating a growth of 4.97% over FY22. This outperformance compensated for the M-PMI underperformance and drove the C-PMI upwards. The Average C-PMI for FY23 is 57.54 up from 53.47 of FY22.



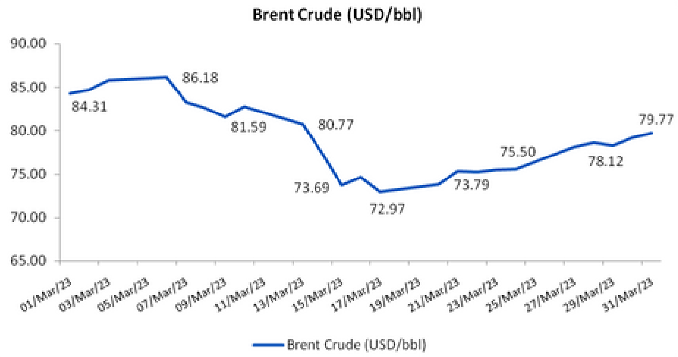
RUPEE MOVEMENT



In the month of Mar'23, the rupee appreciated by 0.40% against the USD. The Rupee, began the month at 82.55 / USD, ended at 82.22 / USD despite RBI has added around $18 billion to the forex reserve in Mar'23. In Mar'23, the rupee touched low of 81.74 due to pullback in US treasury yields and strong foreign flows. But, Rupee could not sustain this level due to banking turmoil in US and US inflation raised worries for Fed hike. Fed hiked rate by 25 bps in march and has kept its doors open for further hike. Overall for the month, FII remained net buyers with investment of Rs. 5,899 crore. Because of favourable trade patterns, India's CAD imbalance is expected to be lower that will benefit rupee.

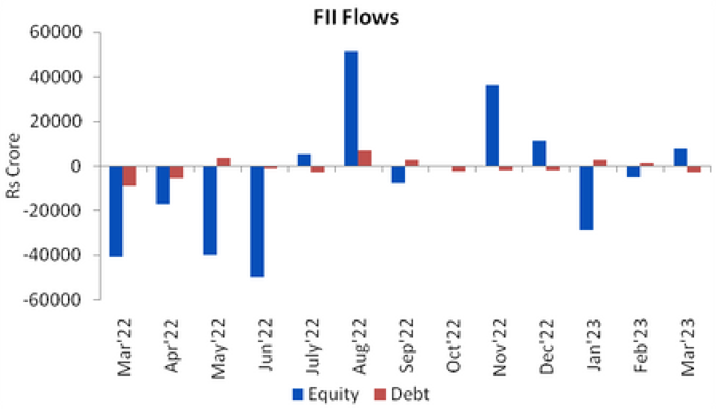
CRUDE OIL

During the Mar'23, Crude Oil witnessed a massive sell-off after the news broke that Silicon Valley Bank (SVB) has collapsed on 10th March. Prices plunged by ~11% in the following 3 session, fearing a repeat of the 2008 Financial crisis, which resulted in a long recession where the crude oil prices fell by >50% from its highs. Prices made a new low of $72.97/barrel when reports of other regional banks failures emerged. Eventually a support was found at this level which was aided by the favorable CPI data, retail sales data. There was little reaction to the interest rate hike and the forward projections. Prices were also boosted by the fact that Saudi energy minister, Prince Abdulaziz bin Salman met with Russian deputy prime minister Alexander Novak in Riyadh to discuss the price stability of Crude Oil. We expect crude oil prices to move higher in the near term due to reduction in oil production by 1.16 million barrels per day by the OPEC+ countries and Kurdistan.



FOREIGN FLOWS

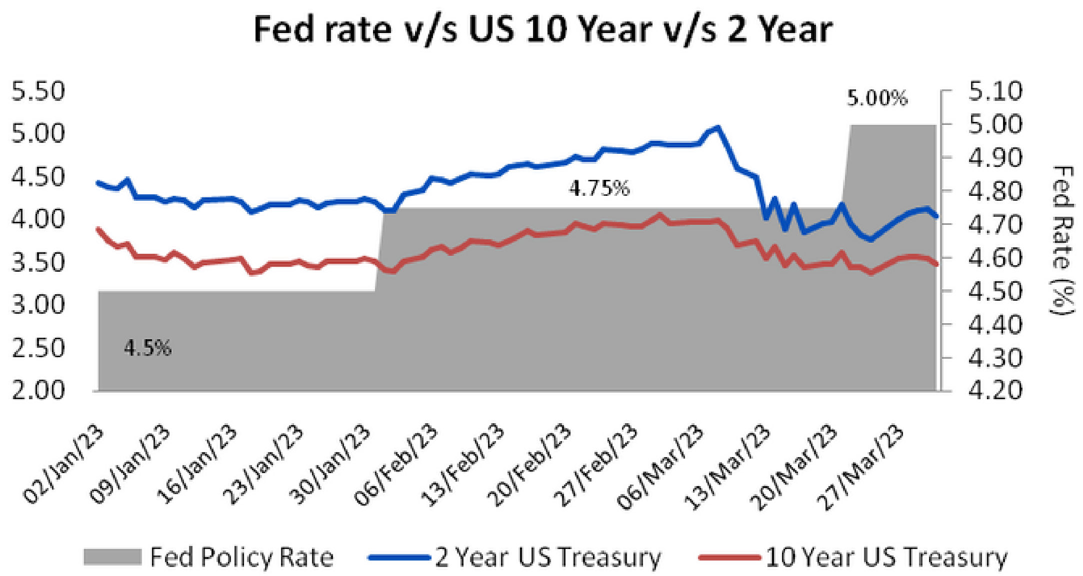
The month of Mar'23 witnessed net FII inflows of Rs 5,899.21 crore. The equity segment received net inflows of Rs 7,935.63 crore, while the debt segment saw net outflows of Rs. 3,231.39 crore. Foreign investors turned net buyers in Mar'23, pouring money into Indian equity markets in the first half of the month. During the first half of the month GQG partners invested Rs. 15,446 crs, in Adani Group stocks. This was primary reason which lead to the FII flows to be positive. Software & services, energy, and healthcare had witnessed major outflows, while major inflows were seen in commercial and professional services, power, automobiles, and components. The current banking crisis in the United States has impacted market sentiment.



FED DECISION:

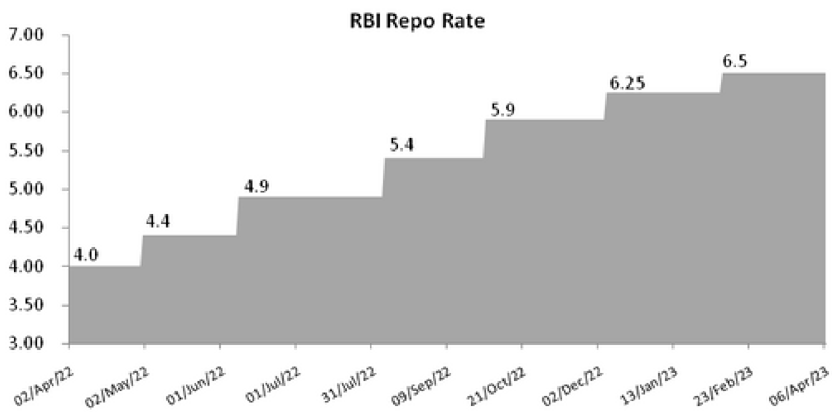
The US Federal Reserve announced a 25 bps hike in the interest rates on March 22, 2023. This brings the funds target rate in the range of 4.75 – 5.00%, which was previously seen during the global financial crisis of the 2007-08. The hike in the rates was in accordance with the expectation of the markets. What is important to note and understand was the stance of the Federal Reserve on Inflation and turmoil in the financial sector. The Federal Reserve Chairman (Mr. Powell), first addressing the issues faced financial sector said the Federal Reserve took the steps necessary to protect the economy and assured the banking system is sound and resilient. Mr. Powell assured that the Federal Reserve will use the required tools to safeguard the financial system.

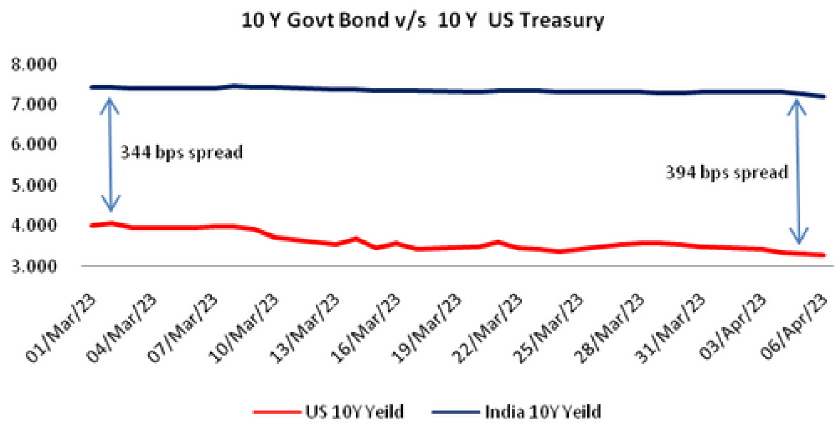
Mr. Powell expressed his concerns that the inflation continues to remain too high and the labor market very tight. However, in light of recent events in the financial sector Mr. Powell said "...we no longer state that we anticipate that ongoing rate increases will be appropriate to quell inflation; instead, we now anticipate that some additional policy firming may be appropriate ..." the hike and the forecast suggest that the Federal Reserve is firmly focused on bringing inflation down to the target 2%.



RBI MONETARY POLICY:

The RBI's Monetary Policy Committee (MPC) has kept repo rate unchanged at 6.5%. Since May, 2022 the RBI made 6 consecutive rate hikes with a total of 250 bps increase. The RBI chose to pause the rate hike cycle in view of the turmoil caused by global banking crisis and the associated contagion risks. However, it has maintained 'withdrawal of accommodation' stance indicating that the RBI has kept its door open for further rate hikes. The RBI marginally raised its GDP growth forecast for FY24 to 6.5% from 6.4% earlier. Also, it moderated the the FY24 inflation forecast marginally from 5.3% to 5.2%., with a change in assumption for crude oil basket revised down to $85 per barrel from $95 per barrel. Post RBI MPC decision, the 10-year benchmark 7.26% 2032 bond yield made a low of 7.19% against its previous close at 7.27%.





Name
Rajesh Sinha

Designation
Sr. Research Analyst

Rajesh Ranjan Sinha

Digitally signed by Rajesh Ranjan Sinha
DN: cn=Rajesh Ranjan Sinha c=IN o=Personal ou=Personal
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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
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