

Market Outlook

May 2024

The logo for Union Mutual Fund features the word "Union" in a large, bold, teal, italicized sans-serif font. A small orange arrow curves upwards and to the right, starting from the left side of the letter "U" and ending above the letter "n". Below "Union" is the phrase "Mutual Fund" in a smaller, bold, black, italicized sans-serif font.

Union
Mutual Fund

Backdrop

Global Equity Market Performance

Global Indices	1M Returns (%) - USD Terms	1M Returns (%) - Local Currency Terms	12M Returns (%) - USD Terms	12M Returns (%) - Local Currency Terms
MSCI World Index	-3.9	-3.9	16.6	16.6
MSCI Emerging Markets Index	0.3	0.3	7.1	7.1
MSCI EM Asia Index	0.9	0.9	7.5	7.5
MSCI EM BRIC USD	3.7	3.7	4.5	4.5
MSCI India Index	2.2	2.4	32.9	35.8
Dow Jones Industrial Average	-5.0	-5.0	10.9	10.9
NASDAQ Composite Index	-4.4	-4.4	28.1	28.1
Nikkei 225	-8.6	-4.9	15.0	33.1
CAC 40	-3.7	-2.7	3.2	6.6
FTSE 100 Index	1.5	2.4	2.9	3.5
Deutsche Boerse AG German Stock Index DAX	-4.1	-3.0	9.0	12.6
Ibovespa Brasil Sao Paulo Stock Exchange Index	-5.1	-1.7	16.3	20.6
Shanghai Shenzhen CSI 300 Index	1.6	1.9	-14.6	-10.5
Hang Seng Index	7.5	7.4	-10.4	-10.7
NSE Nifty 50 Index	1.1	1.2	22.5	25.1
NIFTY Midcap 100	5.7	5.8	56.7	60.0
NIFTY Smallcap 100	11.3	11.4	72.2	75.9

Source: Bloomberg; Data as on April 30, 2024

Past performance may or may not be sustained in future.
The Above-mentioned returns should not be construed as any indication of future returns.

Indian Equity Market Performance

Index	MoM (%)	YoY (%)
NSE Nifty 50	1.2	25.1
Auto	3.9	68.4
Bankex	4.6	14.3
Capital Goods	3.4	71.5
Consumer Durables	5.6	43.8
Finance	4.9	20.6
FMCG	1.5	13.8
Healthcare	1.0	53.7
Industrials	7.5	80.7
IT	-4.3	24.0
Metal	10.8	55.2
Oil & Gas	4.8	58.6
Realty	7.5	114.7
Telecom	8.4	68.9
Utilities	8.8	100.8

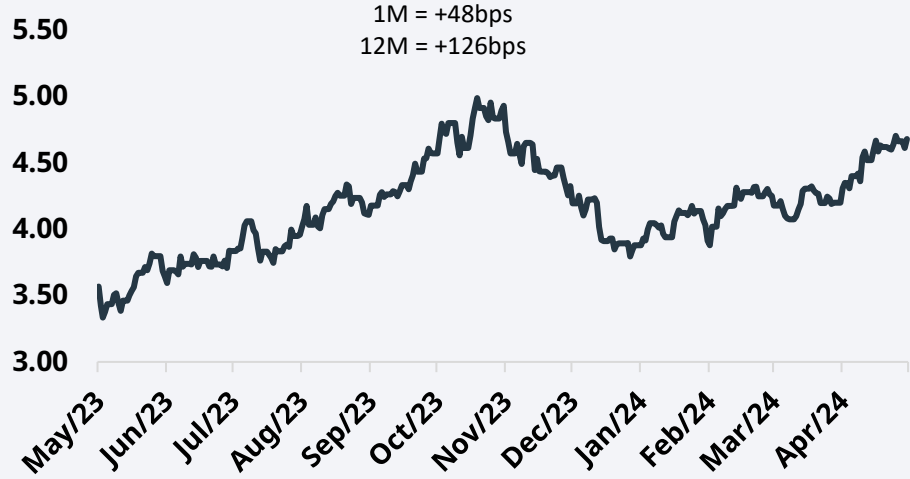
Note: BSE Sectoral Indices; As of April 2024

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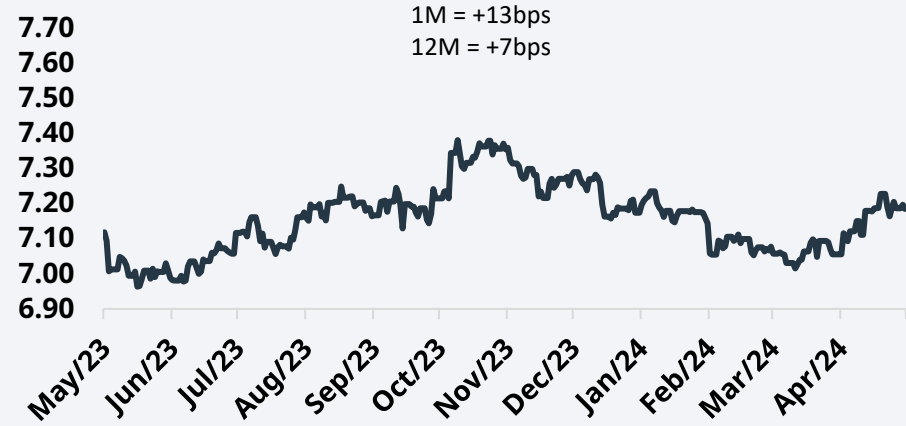
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Key Trends

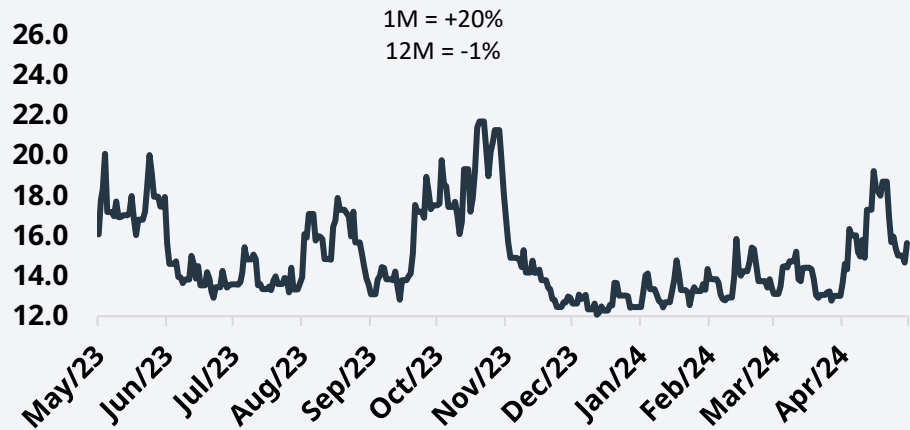
US Generic Govt 10 Yr



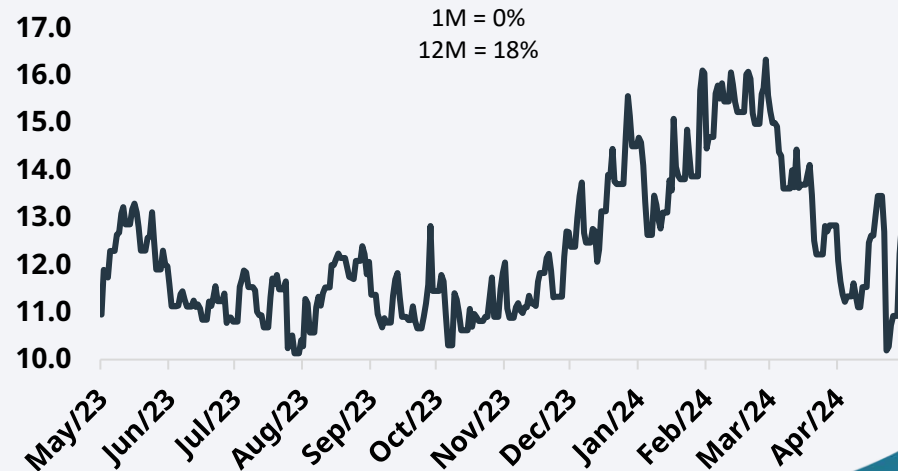
India Govt Bond Generic Bid Yield 10 Year



Chicago Board Options Exchange Volatility Index

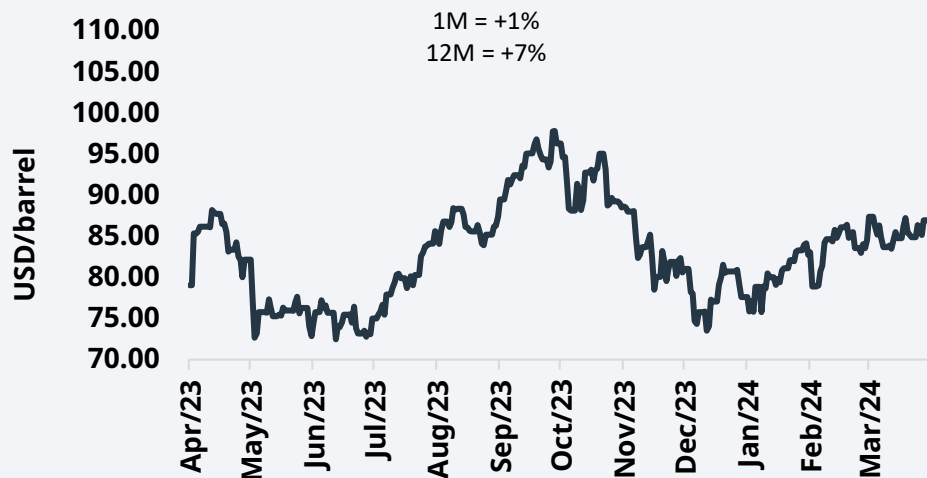


India NSE Volatility Index.



Key Trends

Crude Oil Dated Brent FOB NWE



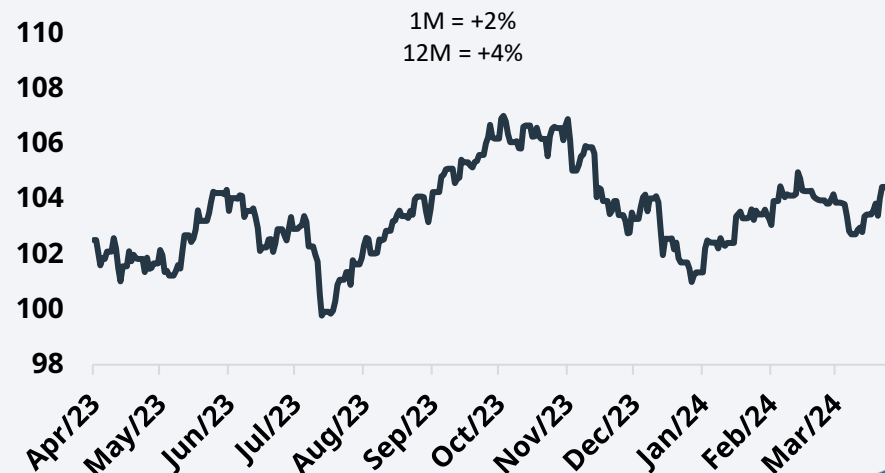
FTSE/CoreCommodity CRB Excess Return Index



GOLD SPOT \$/OZ

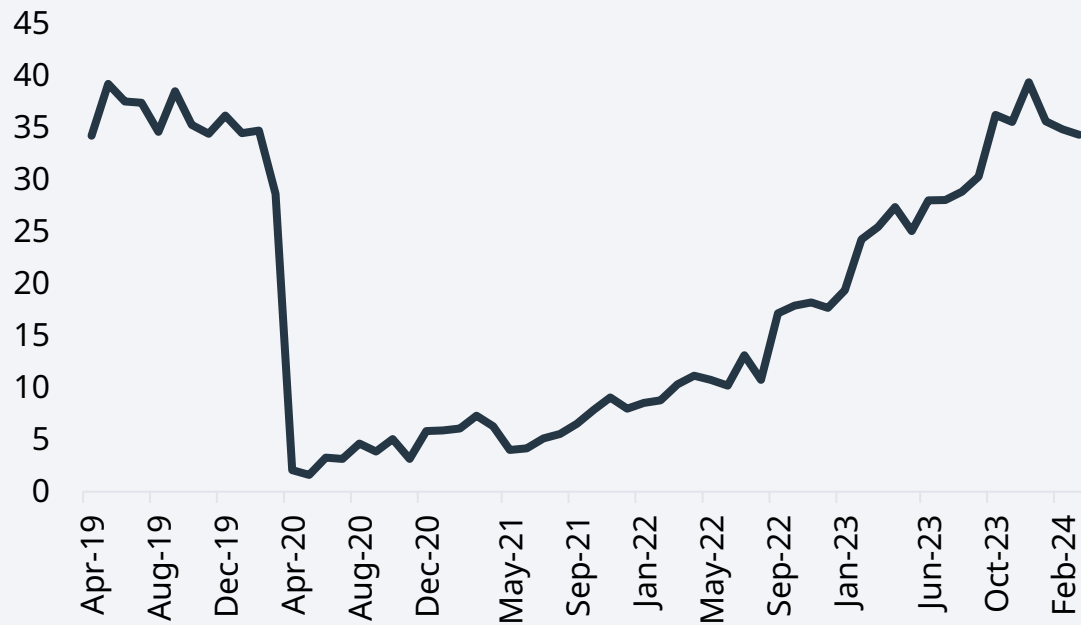


DOLLAR INDEX SPOT

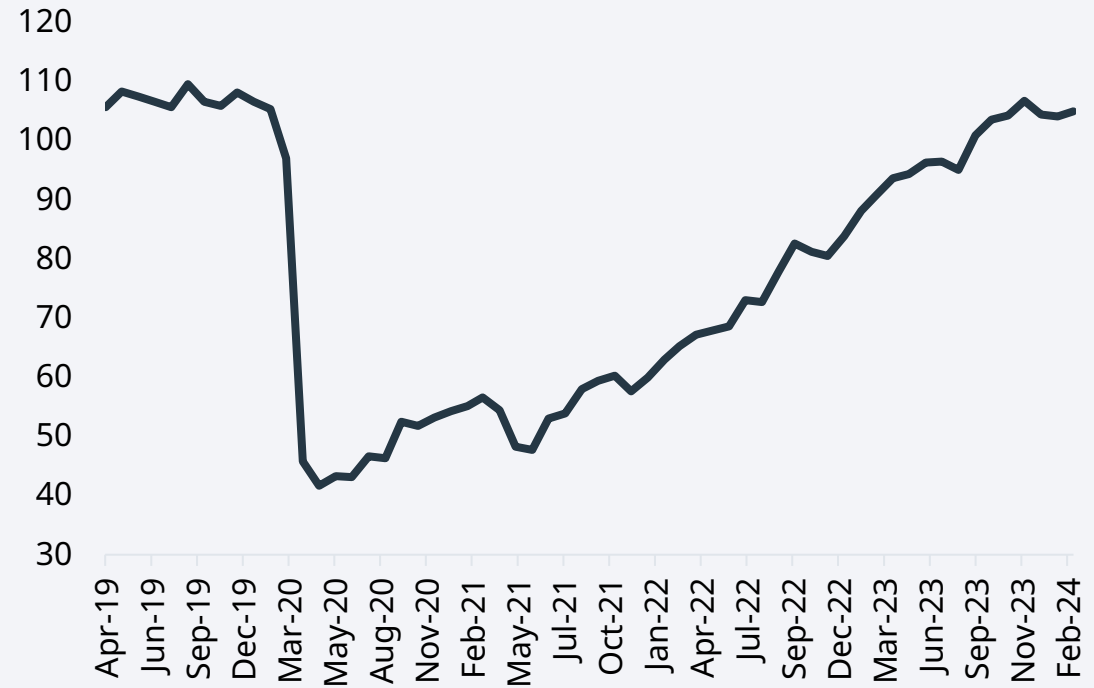


Indian Business Expectations & Consumer Sentiment

Financial And Business Conditions In Country In Next 12 Months



Index Consumer Sentiments



Business Conditions - 'Net response' is the difference between the percentage of respondents reporting optimism and those reporting pessimisms. It ranges between -100 and 100. Any value greater than zero indicates expansion/ optimism and values less than zero indicate contraction/ pessimism.

Consumer Sentiment Indices (Base Sep-Dec 2015 = 100)

Outlook

Key Positives & Risk

POSITIVES

- ✓ Strong relative growth of the Indian economy and corporate sector
- ✓ Solid relative macro-economic fundamentals
- ✓ Prospects of broadening capital investment
- ✓ High sustainable potential growth rate
- ✓ Resilient domestic flows

RISKS

- x Volatile geopolitics
- x What if there is no policy continuity? Low probability, high impact event
- x Relative weakness in consumption
- x High valuations with pockets of euphoria
- x Excessive supply of equity

Largecaps remain attractive from the risk-reward perspective compared to mid and smallcaps.

Key Sectoral Positioning

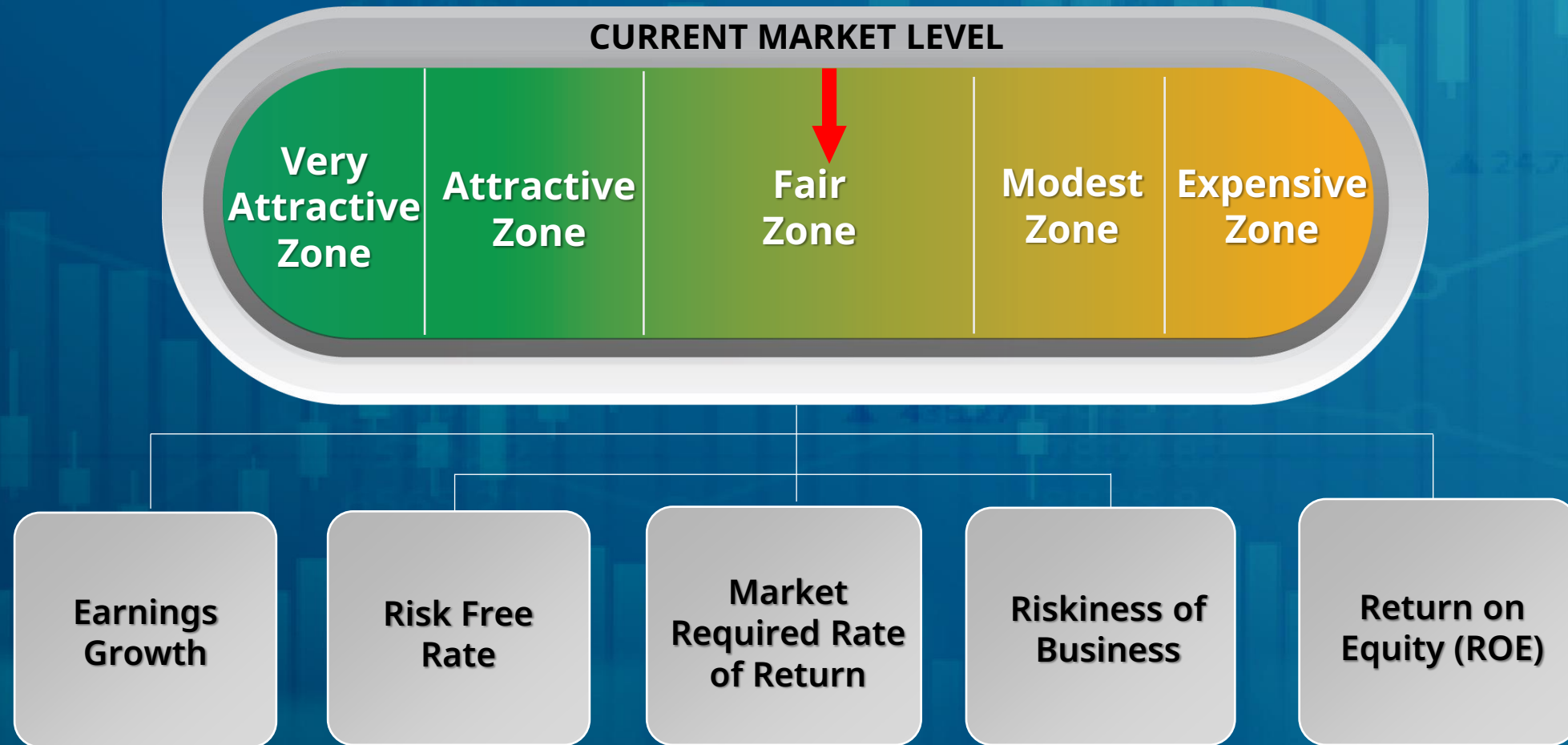
OVERWEIGHT

- **Auto & Auto Ancillary:** Volumes are in uptrend backed by PLI and exports. Interest rate reduction to help.
- **Capital Goods/Industrials:** Significant under-investing in the past in select sub-segment has exacerbated demand-supply balance. Broad capex revival to help demand ahead.
- **Financials (ex-Private banks):** PSU banks are showing signs of revival. NBFCs, Capital market companies are secular theme from medium term perspective as penetration of products increases.
- **Real Estate:** High inventories issue of the past is resolved. Industry is reporting significant revival in pre-sales momentum.

UNDERWEIGHT

- ❑ **Consumer Staples:** Muted volume growth, increased competitive intensity
- ❑ **Information Technology:** Demand revival still not visible in the foreseeable future

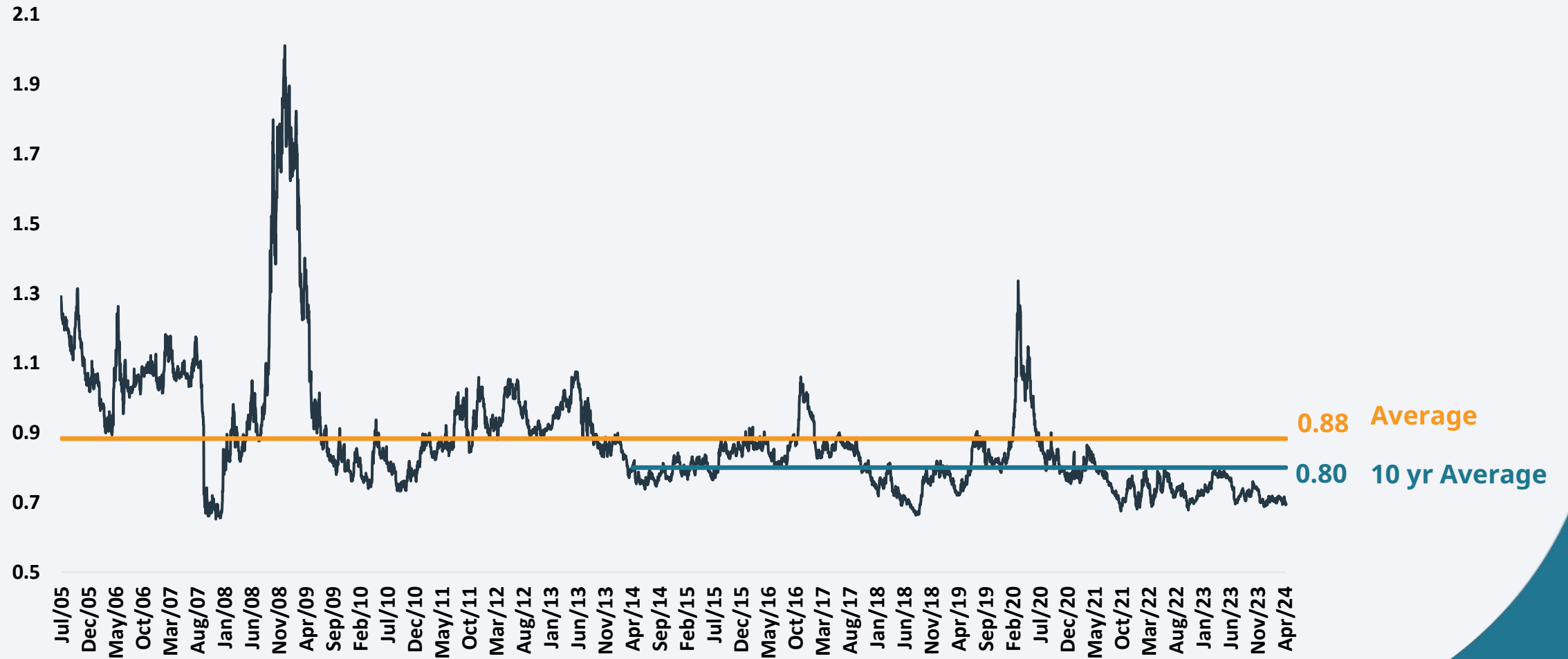
The Fair Value Spectrum



Source: Union AMC Internal Research, Bloomberg; Data as on April 30, 2024

Disclaimer: Past performance may or may not be sustained in future. The Fair Value Spectrum only depicts our Fund House view on the current equity market environment, and should not be construed as any indication of guaranteed returns or future returns. This information alone is not sufficient and should not be used for the development or implementation of an investment strategy. While utmost care has been exercised while preparing the data, the Sponsors/ Asset Management Company/ Trustee Company/ their associates/ any person connected with it, do not warrant the completeness or accuracy of the information and disclaim all liabilities, losses and damages arising out of the use of this information. The recipients of this material should rely on their investigations and take their own professional advice.

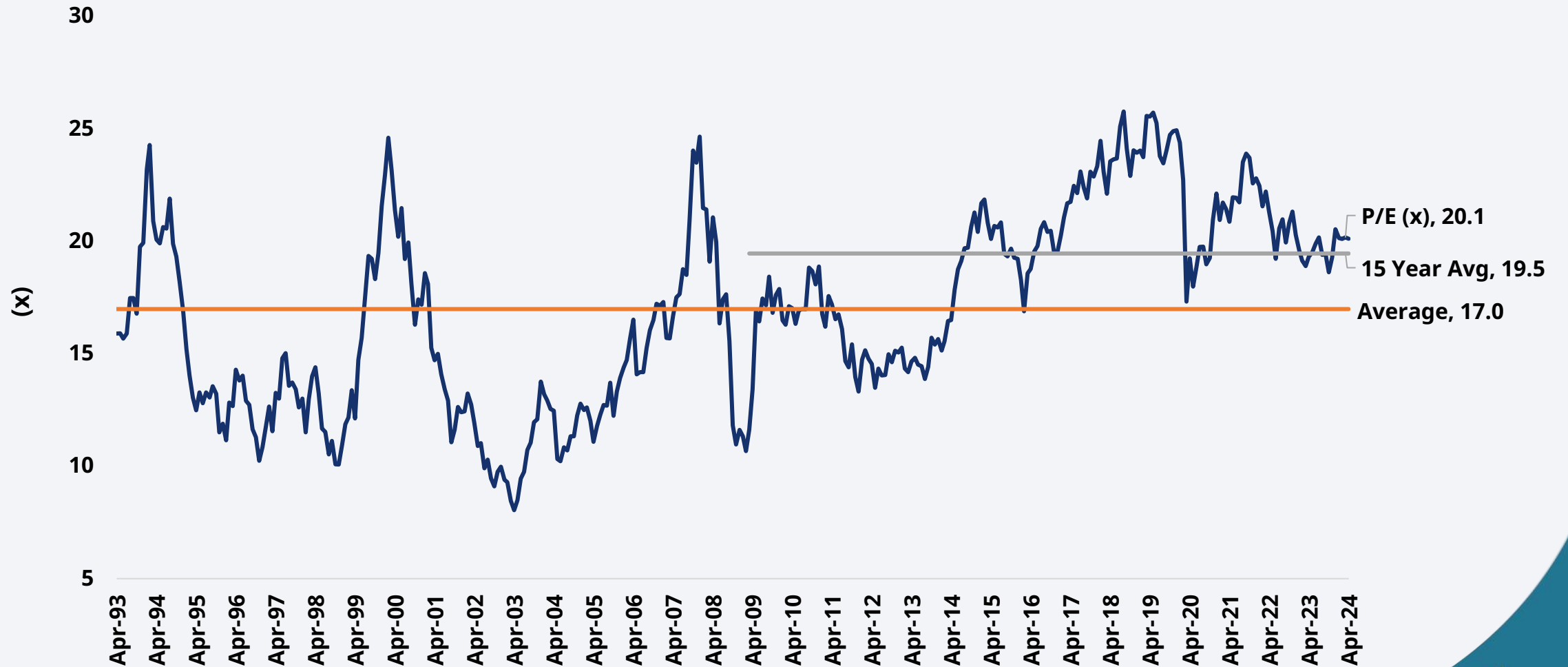
Earnings Yield of Nifty 50 vs 10 Year Gov Bond Yield



Source: Bloomberg; The chart represents the Earnings Yield of Nifty 50 divided by 10 Year Gov Bond Yield



SENSEX P/E - 1 Year Forward

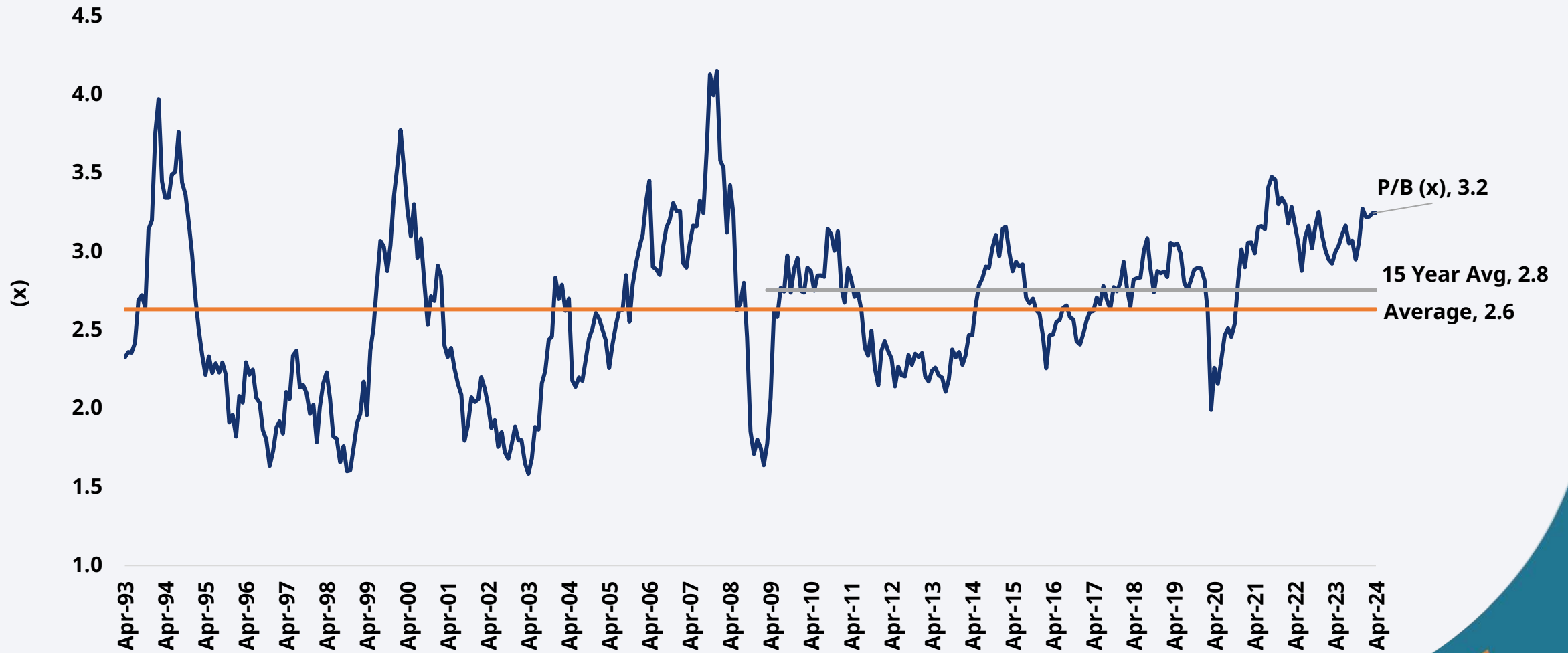


Source: Motilal Oswal Financial Services Limited

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SENSEX P/B – 1 Year Forward

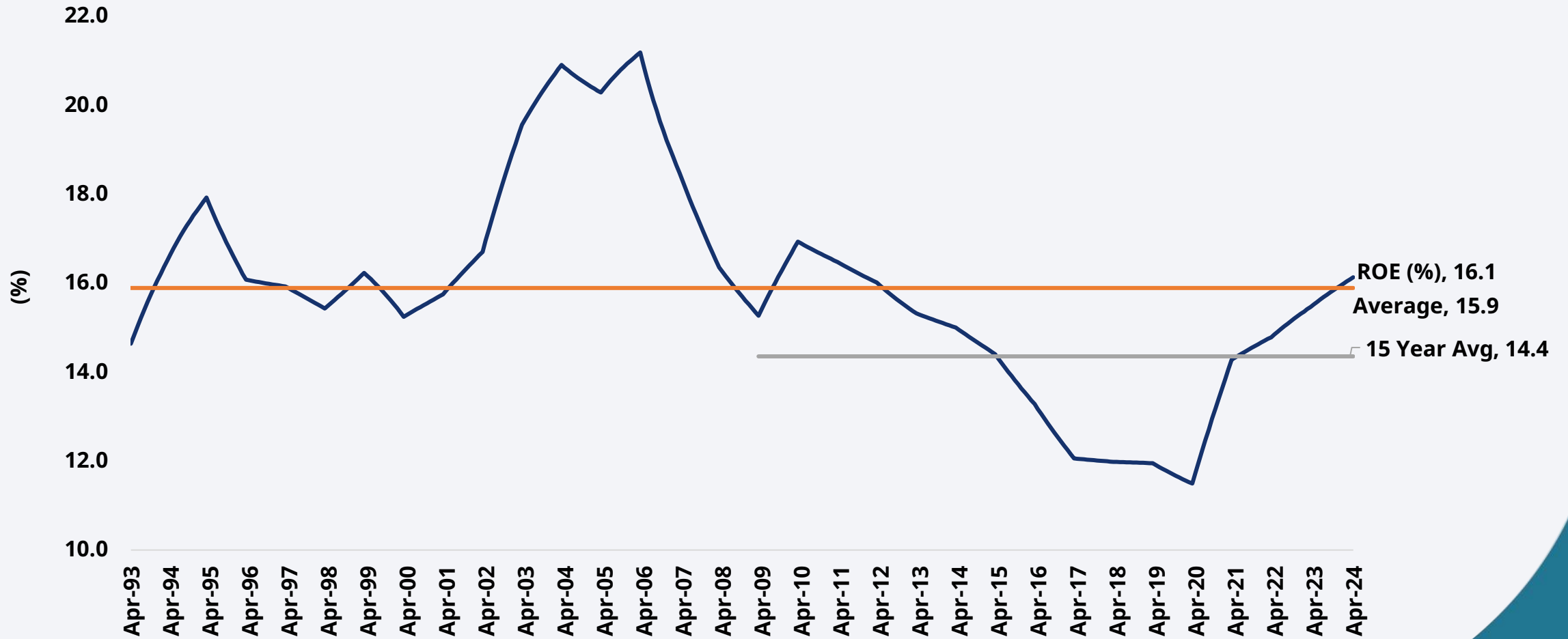


Source: Motilal Oswal Financial Services Limited

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SENSEX ROE (%) – 1 Year Forward



Source: Motilal Oswal Financial Services Limited

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Breakup of Returns – Nifty 50

	Nifty	% change	EPS 1yr Rolling Forward	% change	P/E 1yr Rolling Forward	% change
Now	22,605		1,131		20.0	
1m ago	22,327	1%	1,124	1%	19.9	1%
3m ago	21,522	5%	1,093	3%	19.7	1%
6m ago	19,141	18%	1,058	7%	18.1	10%
1yr ago	18,065	25%	994	14%	18.2	10%
3yr ago	14,631	54%	740	53%	19.8	1%
5yr ago	11,748	92%	629	80%	18.7	7%

The above table shows the breakup of Historical Nifty Returns in EPS change and Valuation change

Source: Bloomberg; Data till 30th Apr 2024

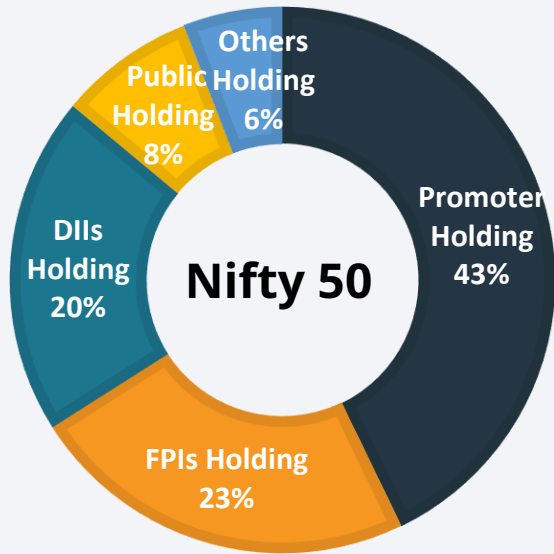
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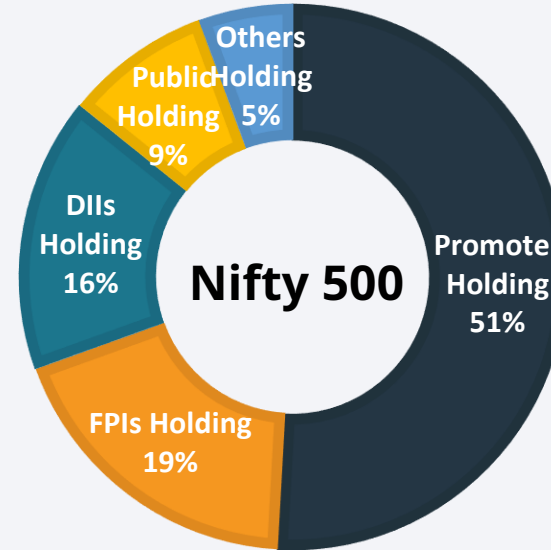
Demand & Supply of Equities

Who Owns Corporate India?

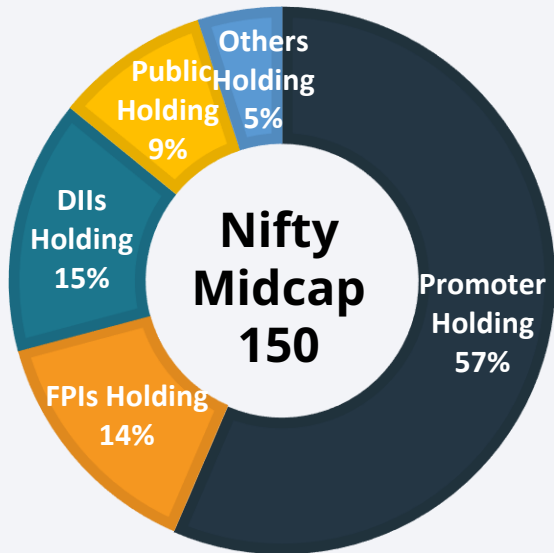
Market Capitalisation: USD 2.1 trillion



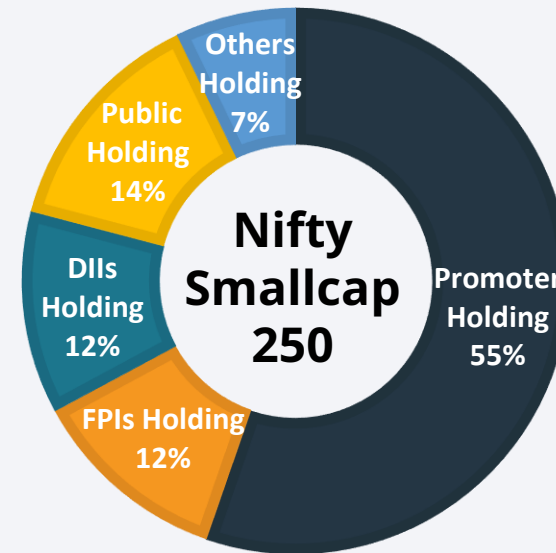
Market Capitalisation: USD 4.2 trillion



Market Capitalisation: USD 0.8 trillion

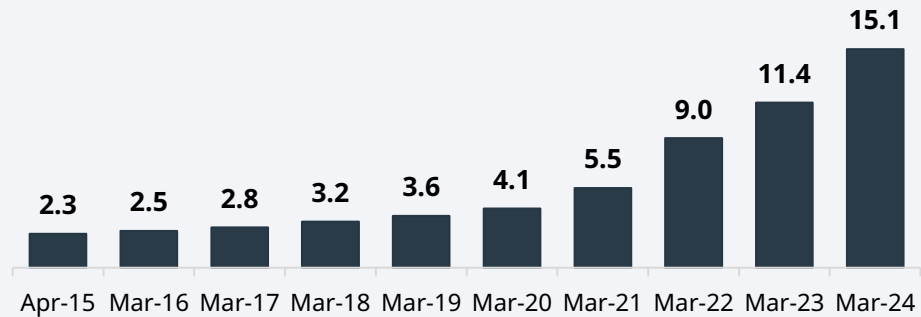


Market Capitalisation: USD 0.4 trillion

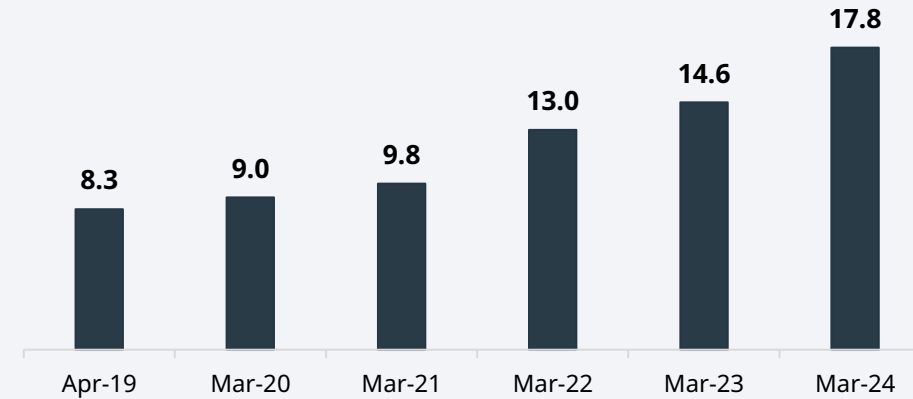


Growing Salience of Domestic Investors

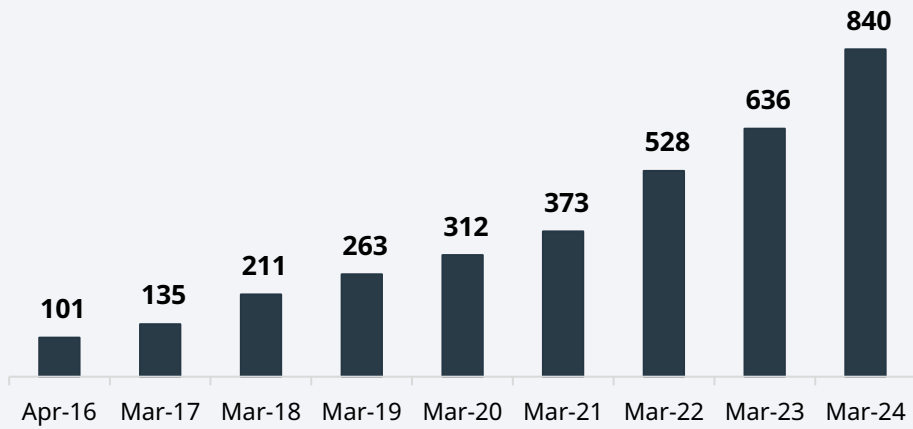
Number of Investors Accounts - Demat Accounts (in Crs)



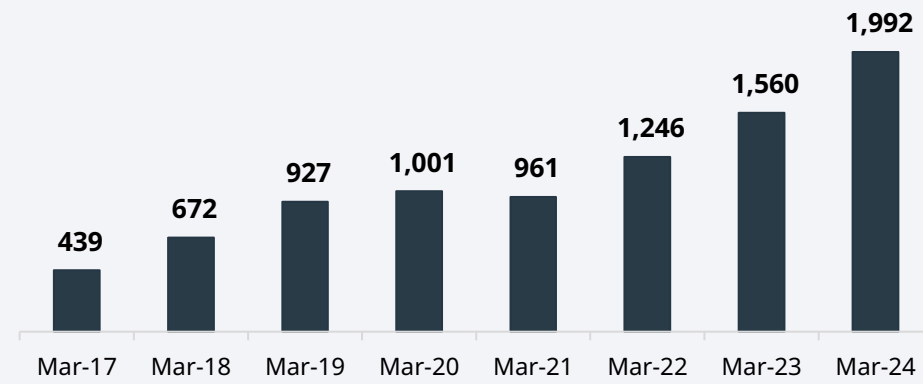
MF - No. of Folios (in Crs)



No. of SIP Accounts in Lakhs

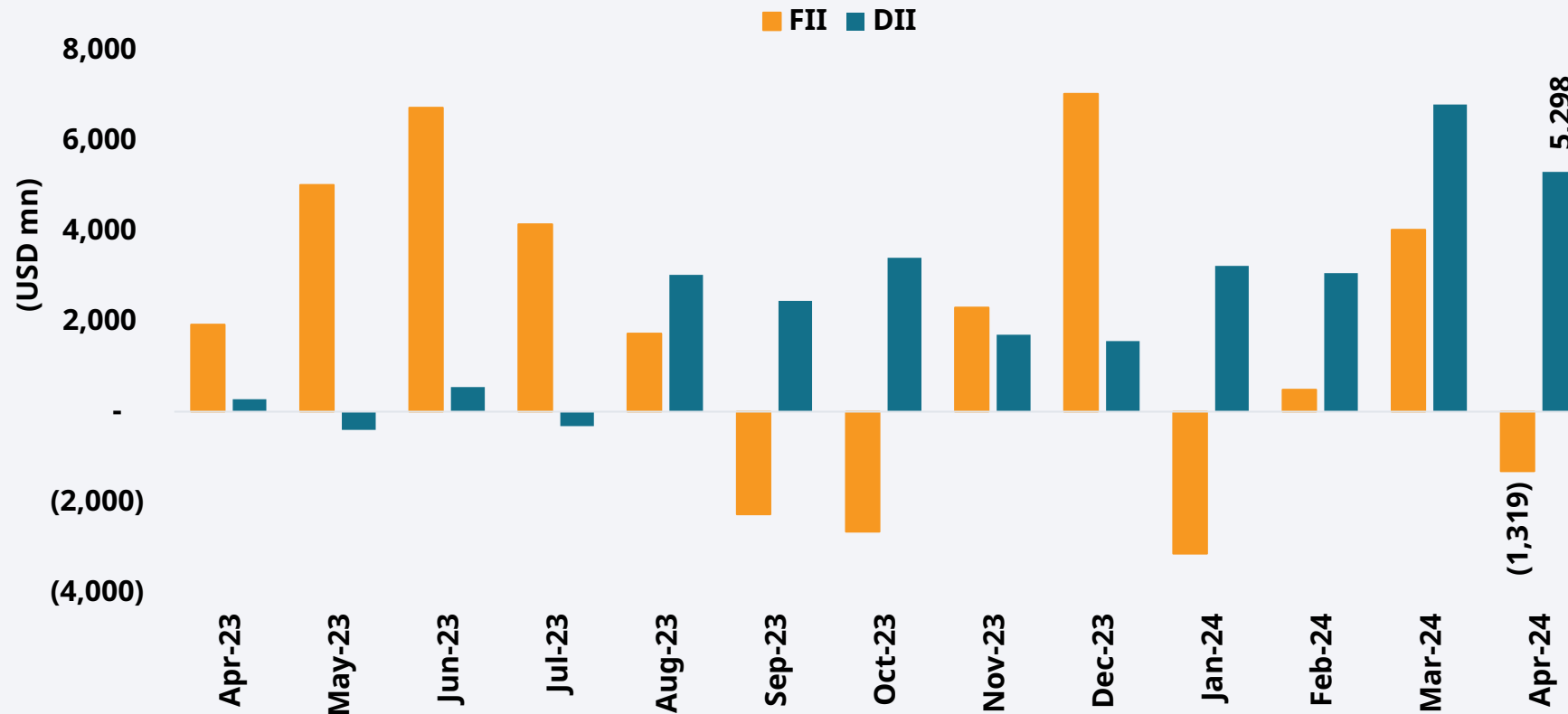


Annual - SIP Contribution (Rs. bn)



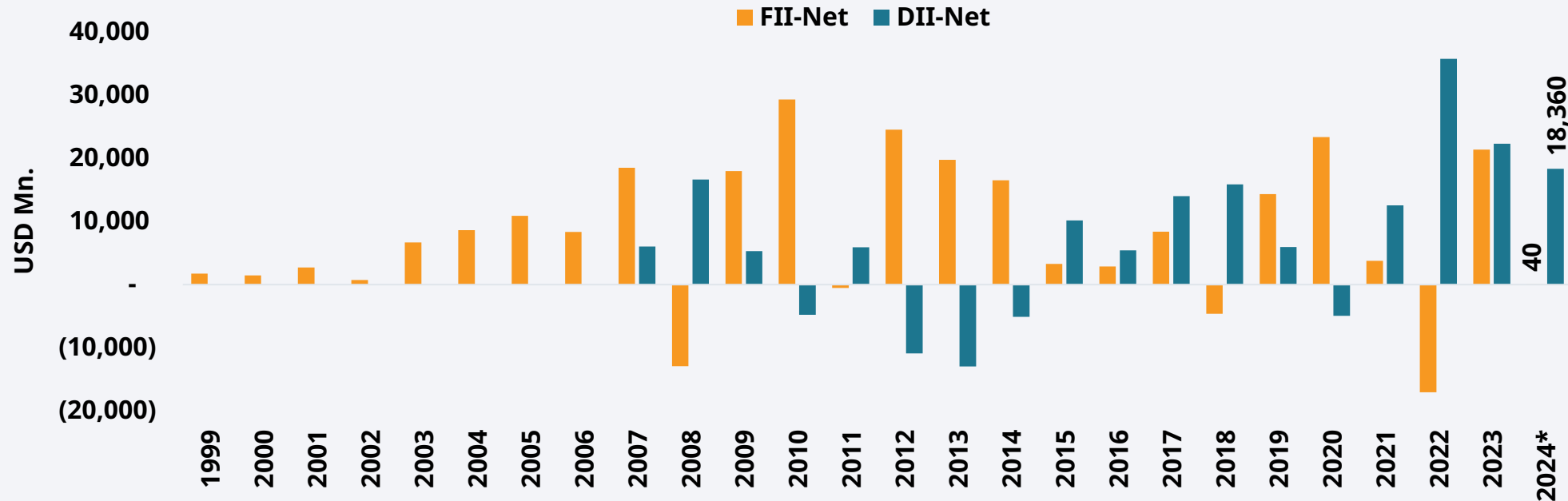
Demand: Monthly Institutional Flows Data

Net Institutional Flows in Indian Market (Cash)



Demand: Annual Institutional Flows Data

Net Institutional Flows in Indian Market (Cash)



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
FII % of Mkt cap**	NA	0.8%	2.1%	0.6%	4.2%	3.3%	2.7%	1.4%	1.8%	-1.2%	2.0%	2.1%	0.0%
DII % of Mkt cap**	NA	NA	NA	NA	NA	NA	NA	NA	0.6%	1.6%	0.6%	-0.3%	0.4%
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
FII % of Mkt cap**	2.1%	1.8%	1.2%	0.2%	0.2%	0.4%	-0.2%	0.7%	1.2%	0.1%	-0.5%	0.6%	0.0%
DII % of Mkt cap**	-0.9%	-1.2%	-0.4%	0.7%	0.4%	0.7%	0.7%	0.3%	-0.2%	0.4%	1.1%	0.6%	1.2%

** Calendar Year Average and annualised for 2024

Source: NSDL, BSE, NSE, Bloomberg; * upto April 30, 2024.

New Supply

Year	IPOs	India Promoter/VC/PE Sell downs*	QIPs	SME IPOs	Total
2005	1.6				1.6
2006	4.4		0.9		5.3
2007	8.3		5.7		13.9
2008	3.9		0.8		4.7
2009	4.0		7.6		11.6
2010	8.2		6.0		14.2
2011	1.3		0.7		2.0
2012	1.3	0.0	0.9	0.02	2.2
2013	0.2	0.8	1.4	0.06	2.5
2014	0.2	2.8	5.2	0.04	8.2
2015	2.1	5.7	3.8	0.04	11.6
2016	3.9	2.6	0.7	0.08	7.3
2017	10.3	13.0	9.4	0.26	33.0
2018	4.5	5.5	2.4	0.33	12.8
2019	1.8	10.7	5.0	0.09	17.5
2020	3.6	15.9	11.4	0.02	30.8
2021	16.0	15.1	5.7	0.10	36.8
2022	7.6	9.9	1.5	0.24	19.2
2023	6.0	20.2	6.5	0.57	33.3
2024**	1.7	13.2	2.9		17.7

Source: IIFL Alternative Research, Prime database. * Deals worth USD 30mn and more included, data is an indicative but not exhaustive set. Issue Size (\$ bn). **Data till March 31, 2024.

Supply & Institutional Demand

(\$ bn)	Institutional Demand (FII & DII)	New Supply
2012	14	2
2013	7	2
2014	11	8
2015	13	12
2016	8	7
2017	22	33
2018	11	13
2019	20	18
2020	18	31
2021	16	37
2022	19	19
2023	44	33
2024**	18	18

Source: NSDL, Bloomberg, IIFL Alternative Research, Prime database.

** New supply data till March 2024 and Institutional Demand till April 2024



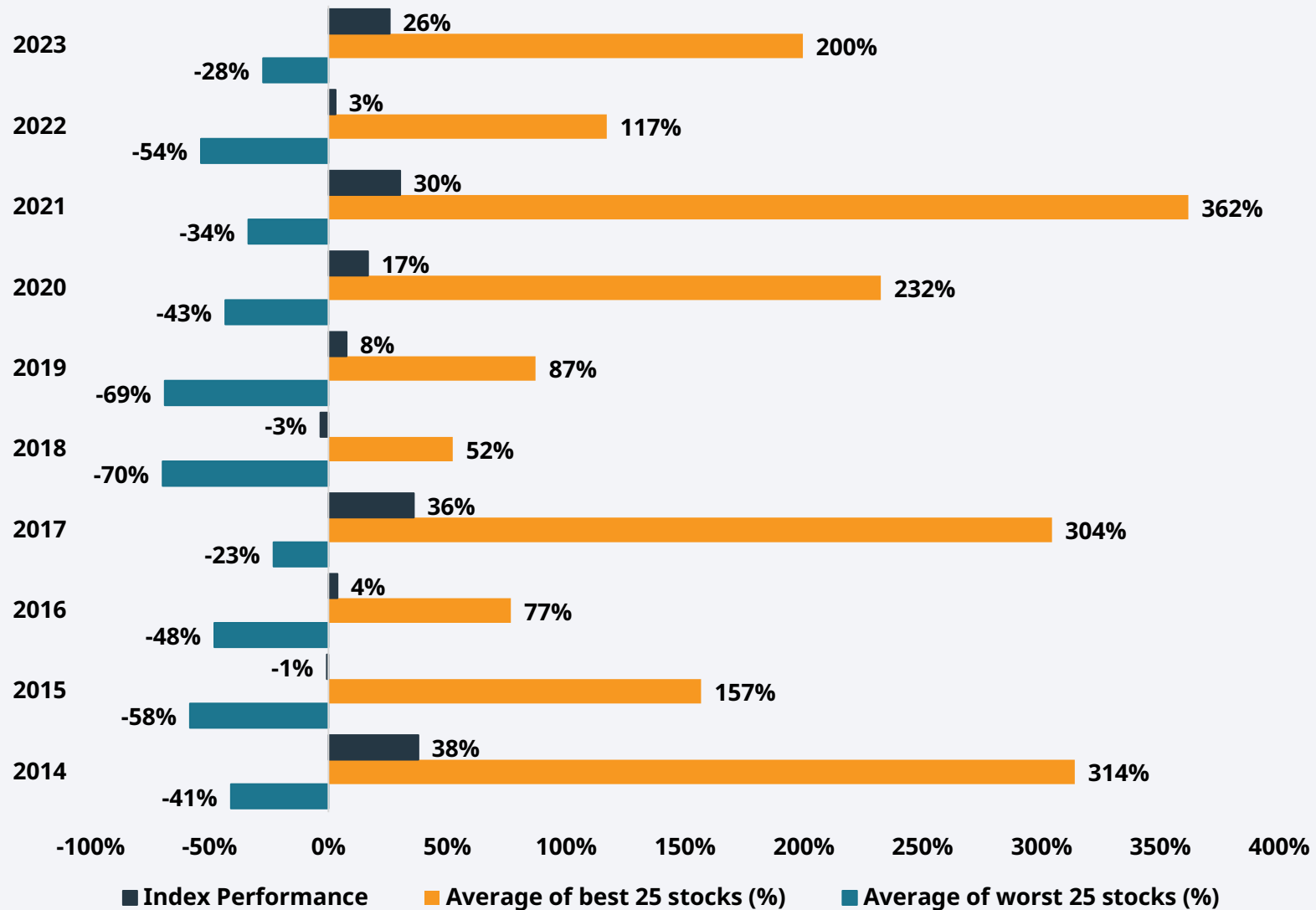
Long Term Historical Market Trends

Evolution Of Sensex

1986 (January)	1996 (March)	2006 (March)	2016 (March)	2024 (March)
ACC	ACC	ACC	Adani Ports & Special Economic Zone	Asian Paints
Ballarpur Industries	Aditya Birla Nuvo	Ambuja Cements	Asian Paints	Axis Bank
Bharat Forge	Ballarpur Industries	Bajaj Holdings & Investment (Bajaj Auto)	Axis Bank	Bajaj Finance
Bombay Dyeing	Bharat Forge	BHEL	Bajaj Auto	Bajaj Finserv
Ceat	Bombay Dyeing	Bharti Airtel	Bharti Airtel	Bharti Airtel
Century Textiles	Ceat	Cipla	BHEL	HCL Technologies
Grasim Industries	Century Textiles	Dr Reddy's Laboratories	Cipla	HDFC Bank
Great Eastern Shipping	Cummins India	Grasim Industries	Coal India	Hindustan Unilever
GSK	Futura Polyesters	HDFC Bank	Dr Reddy's Laboratories	ICICI Bank
Guj. State Fertilizers	Glaxosmithkline	Hero MotoCorp	GAIL India	IndusInd Bank
Hindustan Aluminium	Grasim Industries	Hindalco Industries	HDFC	Infosys
Hindustan Lever	Great Eastern Shipping	Hindustan Unilever	HDFC Bank	ITC
Hindustan Motors	Gujarat State Fertilizers & Chem	HDFC	Hero MotoCorp	JSW Steel
Indian Hotels Co	Hindalco Industries	ICICI Bank	Hindustan Unilever	Kotak Mahindra Bank
Indian Organics	Hindustan Motors	Infosys	ICICI Bank	Larsen & Toubro
Indian Rayon	Hindustan Unilever	ITC	Infosys	Mahindra & Mahindra
ITC	Indian Hotels Co	Larsen & Toubro	ITC	Maruti Suzuki India
Kirloskar Cummins	ITC	Maruti Suzuki India	Larsen & Toubro	Nestle India
Larsen & Toubro	Larsen & Toubro	NTPC	Lupin	NTPC
Mahindra & Mahindra	Mahindra & Mahindra	ONGC	Mahindra & Mahindra	Power Grid Corp of India
Mukand Iron	Mukand	Ranbaxy Laboratories	Maruti Suzuki India	Reliance Industries
Nestle	Nestle India	Reliance Industries	NTPC	State Bank of India
Peico Electronics	Philips Electroics India	Reliance Infrastructure	ONGC	Sun Pharmaceutical Industries
Premier Auto	Premier	Satyam Computer Services	Reliance Industries	Tata Consultancy Services
Reliance Industries	Reliance Industries	State Bank of India	State Bank of India	Tata Motors
Siemens	Siemens	Tata Consultancy Services	Sun Pharmaceutical Industries	Tata Steel
Tata Motors	Tata Motors	Tata Motors	Tata Motors	Tech Mahindra
Tata Power	Tata Power	Tata Power	Tata Steel	Titan
Tata Steel	Tata Steel	Tata Steel	Tata Consultancy Services	UltraTech Cement
Voltas	Voltas	Wipro	Wipro	Wipro

Source: Bloomberg, BSE, SEBI, MOSL, Business Insider. The above data represents constituents of the Sensex Index over a period of time. The above mentioned data is for information purpose only and should not be considered as recommendation to buy, sell or hold any securities mentioned above. Union Mutual Fund may or may not have any future position in the stocks and it does not classify as any recommendation.

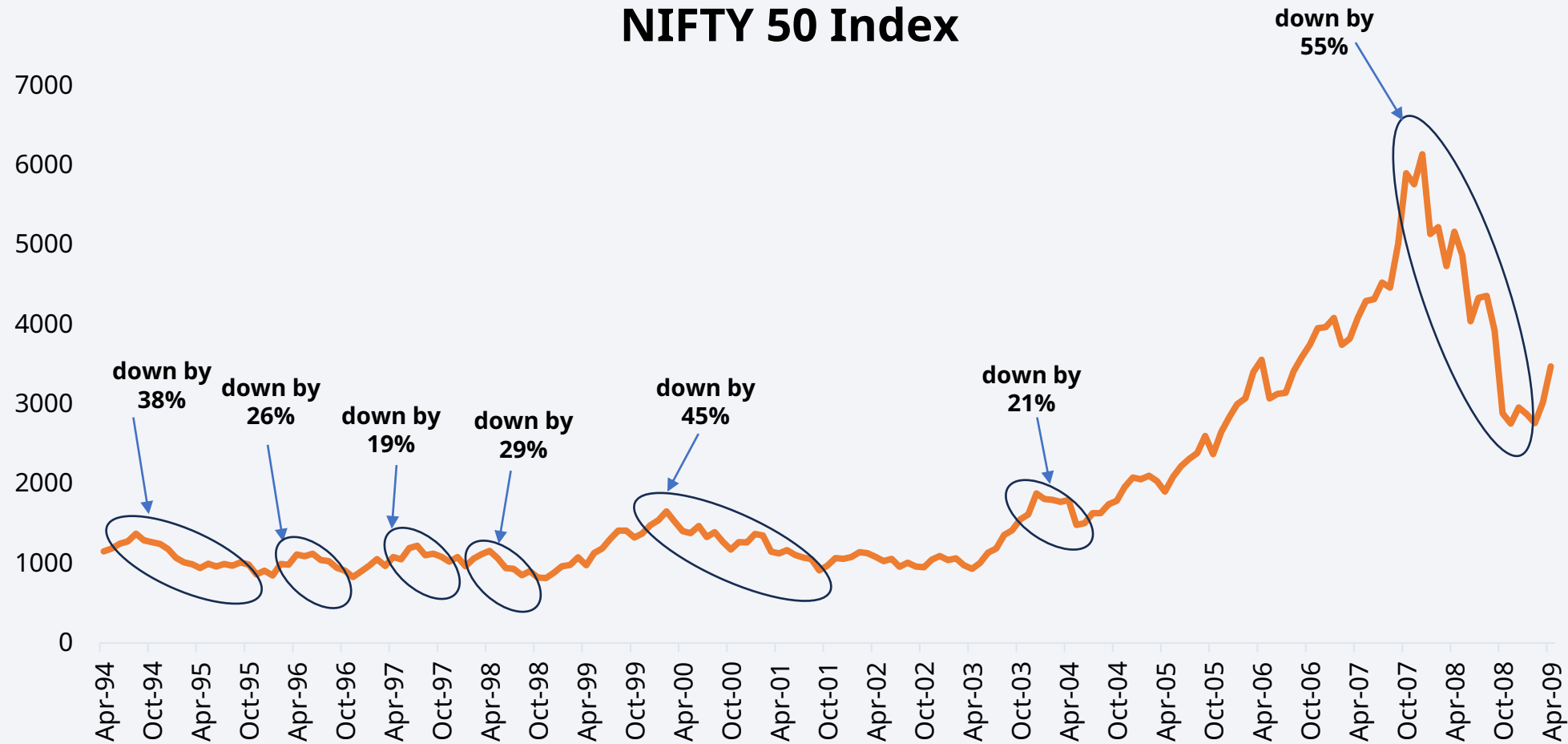
Dispersion of Stocks Returns



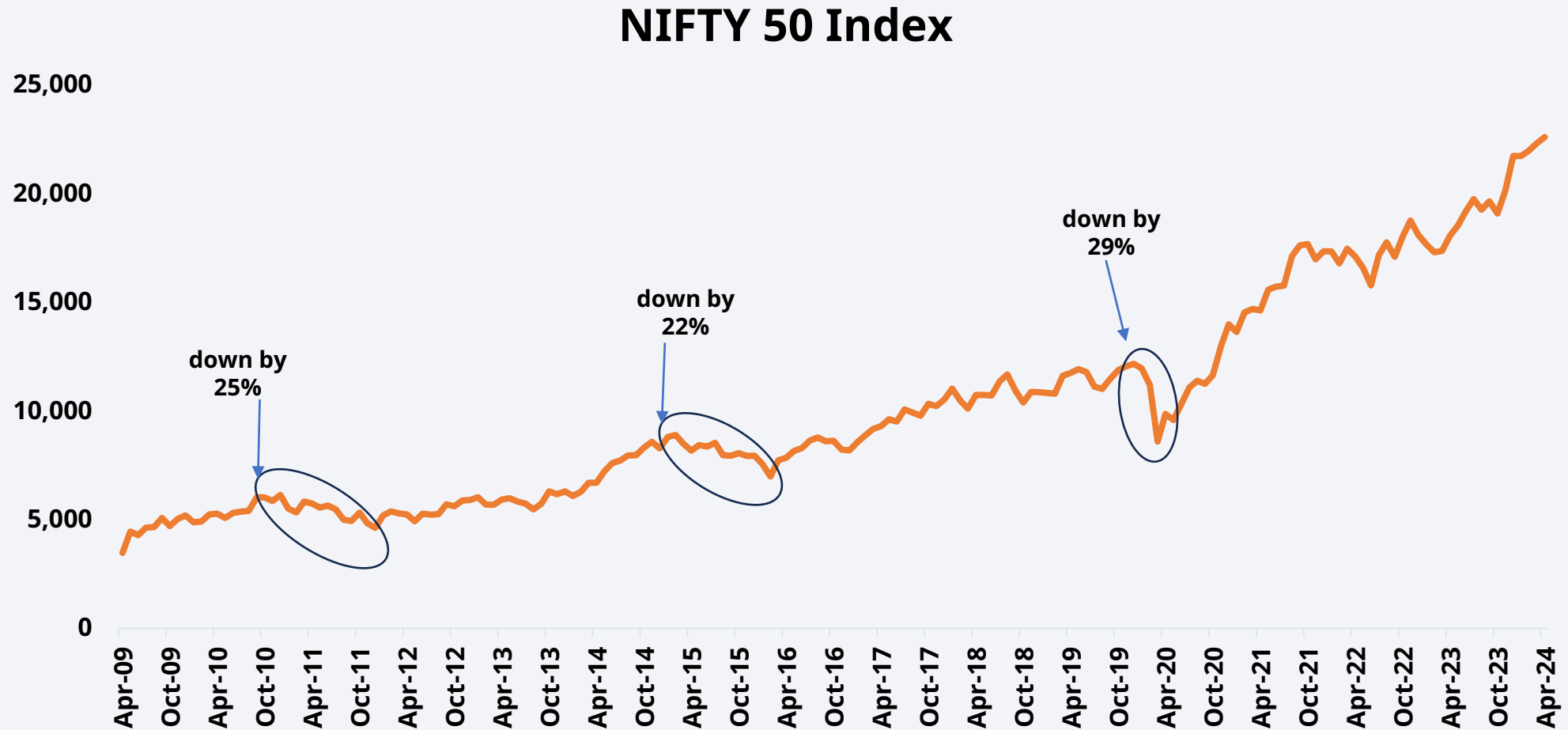
Source: Bloomberg; Respective calendar year-end constituents of NSE500 considered



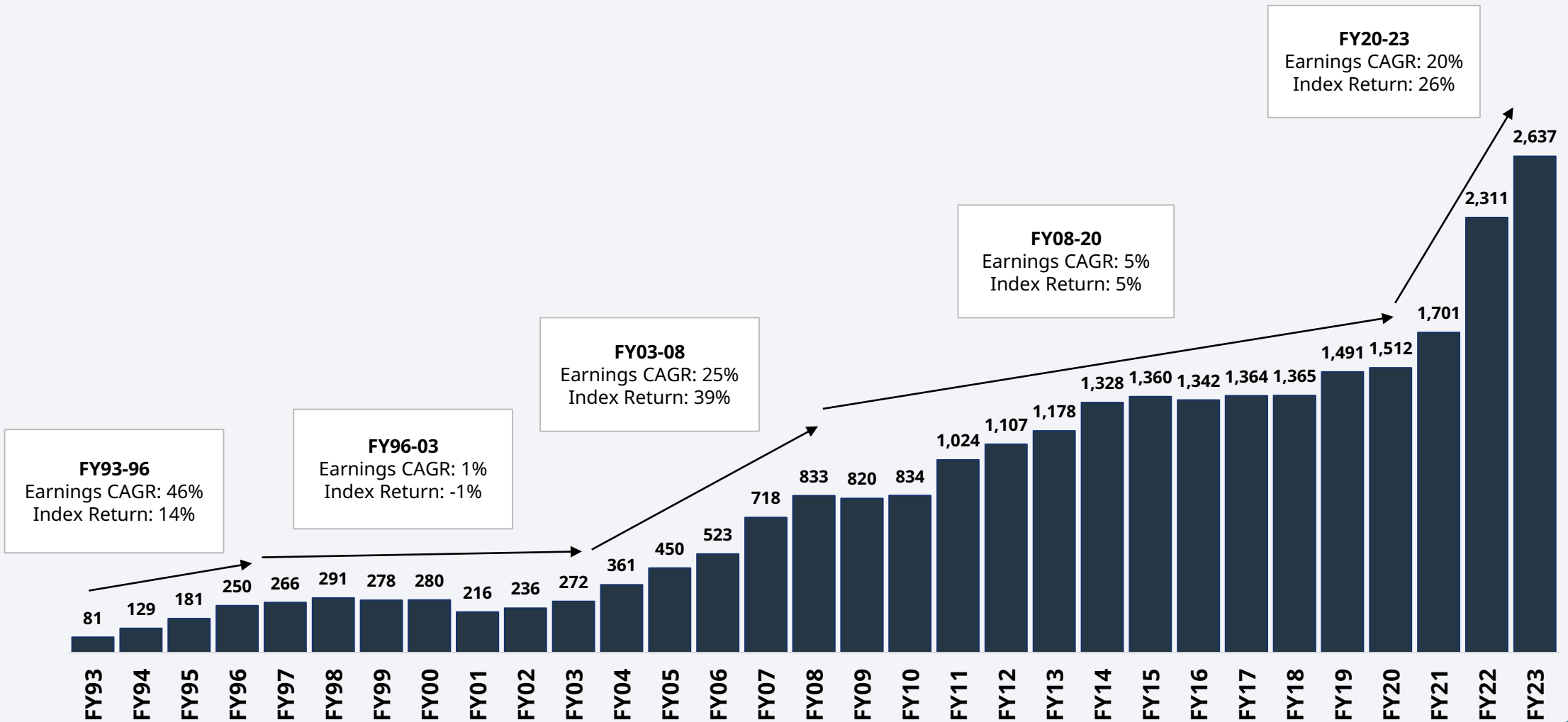
Drawdown of NIFTY 50 Index (1994 - 2009)



Drawdown of NIFTY 50 Index (2009 – 2024)



S&P BSE Sensex EPS Trend



Source: Motilal Oswal Financial Services Limited, Internal Research

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Indian Equity Market Performance- Rolling

Sensex data since inception

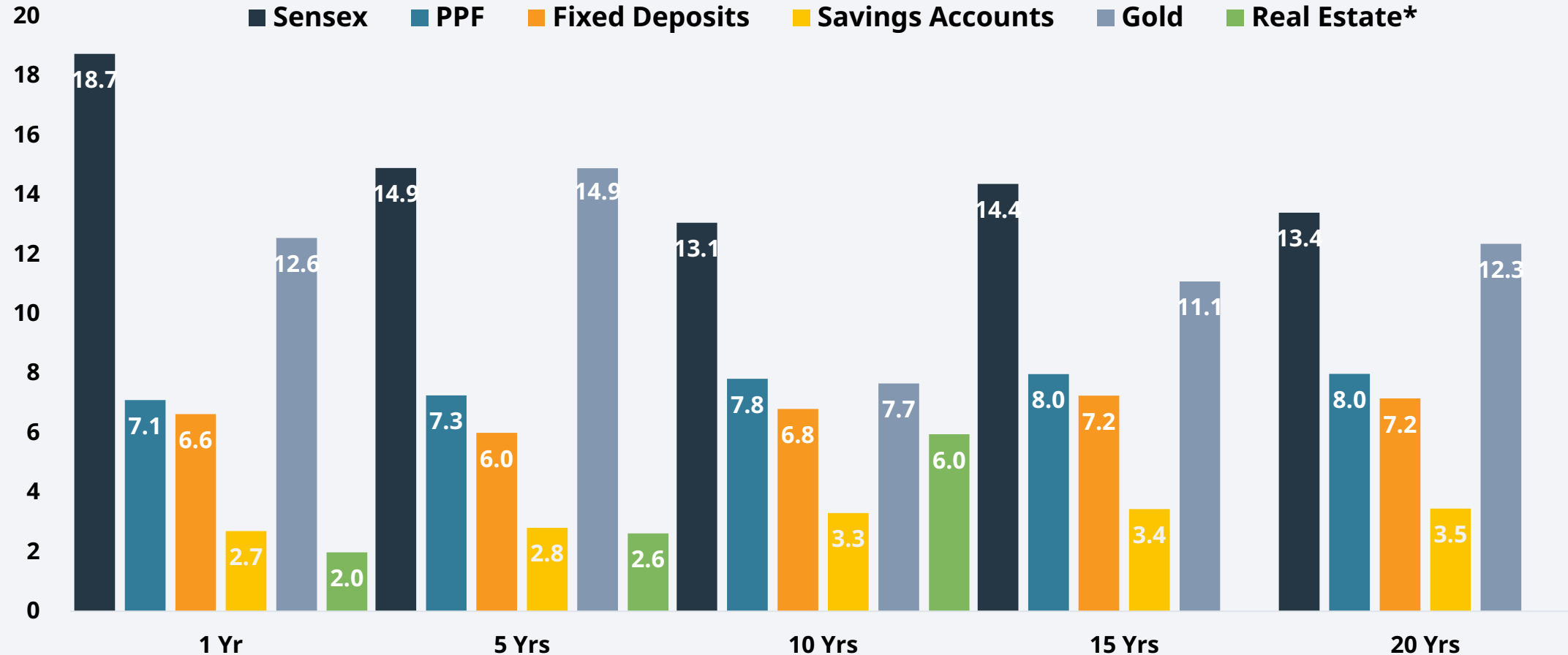
Period	Minimum Returns	Average Returns	Standard Deviation	+ve Returns	-ve Returns	Return to Risk Ratio (Average Returns/Standard Deviation)
1 Year Rolling	-56.1%	18.6%	32.3%	73.1%	26.9%	0.57
3 Year Rolling	-18.5%	15.7%	15.6%	88.9%	11.1%	1.00
5 Year Rolling	-7.9%	15.2%	11.9%	92.7%	7.3%	1.28
7 Year Rolling	-7.6%	15.0%	9.2%	94.7%	5.3%	1.64
10 Year Rolling	-2.8%	14.9%	7.2%	99.1%	0.9%	2.07

Longer the investment is held, lesser the probability of negative returns.

Source: Union AMC Internal Research & Bloomberg; Daily rolling returns are calculated for the period 03-04-1979 to 30-04-2024 by the CAGR approach. Example: For 1 Year Return, the first data point will be CAGR between 01-04-1979 to 01-04-1980, similarly the next data point would be CAGR between 02-04-1979 to 02-04-1980. The last data point would be CAGR between 30-04-2023 to 30-04-2024. Returns are calculated in a similar manner for other time frames (3, 5, 7, and 10 Years). The Index used is S&P BSE Sensex. **Past Performance may or may not be sustained in the future.** Index performance does not signify the performance of any schemes of Union Mutual Fund.

What Returns Did Different Asset Classes Give In The Last 20 Years?

(CAGR, %)



Source: CEIC, Bloomberg, IIFL Research; Data as of December 31, 2023

*Note: The House Price Index as released by RBI on a quarterly basis is used for real estate prices. The data is available from 2010 onwards and the latest available data is for Dec 2023.

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Disclaimers & Statutory Details

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THANK YOU

