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#THE **BIG** PERSPECTIVE

— Tailored exclusively for NRIs —

1

Global

- US growth
- Fed policy
- Dollar view

2

India macro

- Inflation
- India growth
- RBI view

3

Markets

- G-sec
- USDINR

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Global outlook

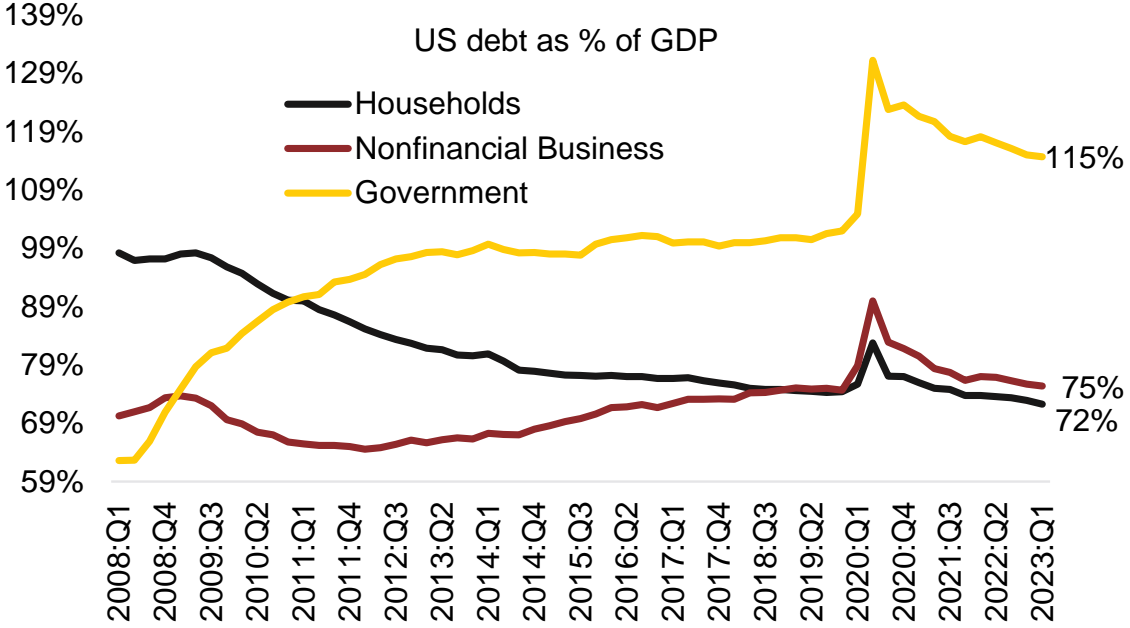
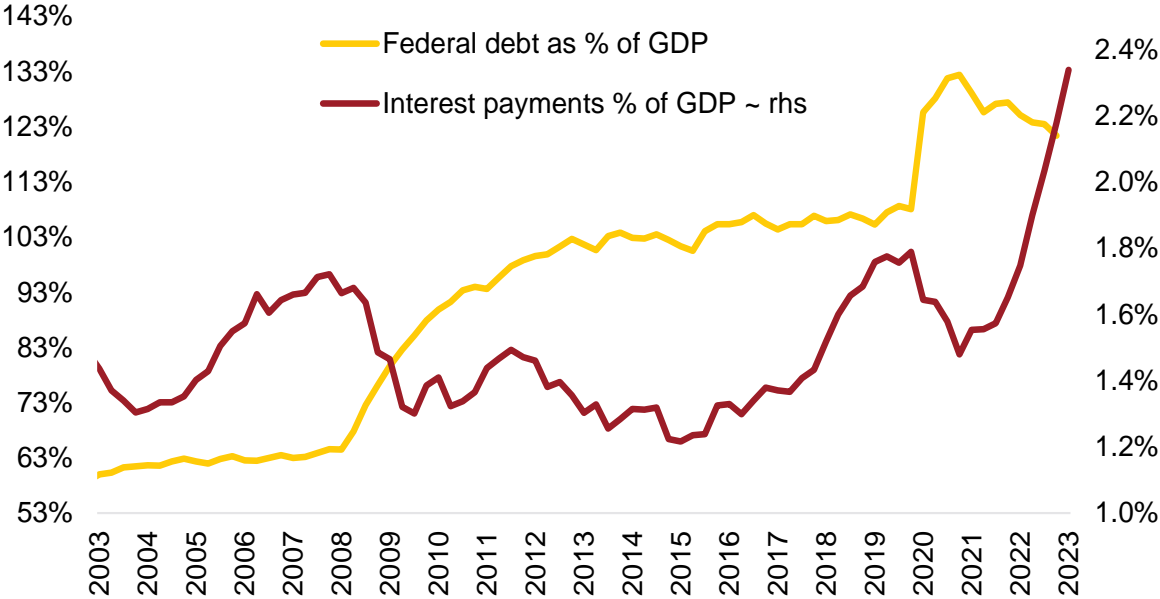
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US: Government debt has risen and HH debt to GDP reduced

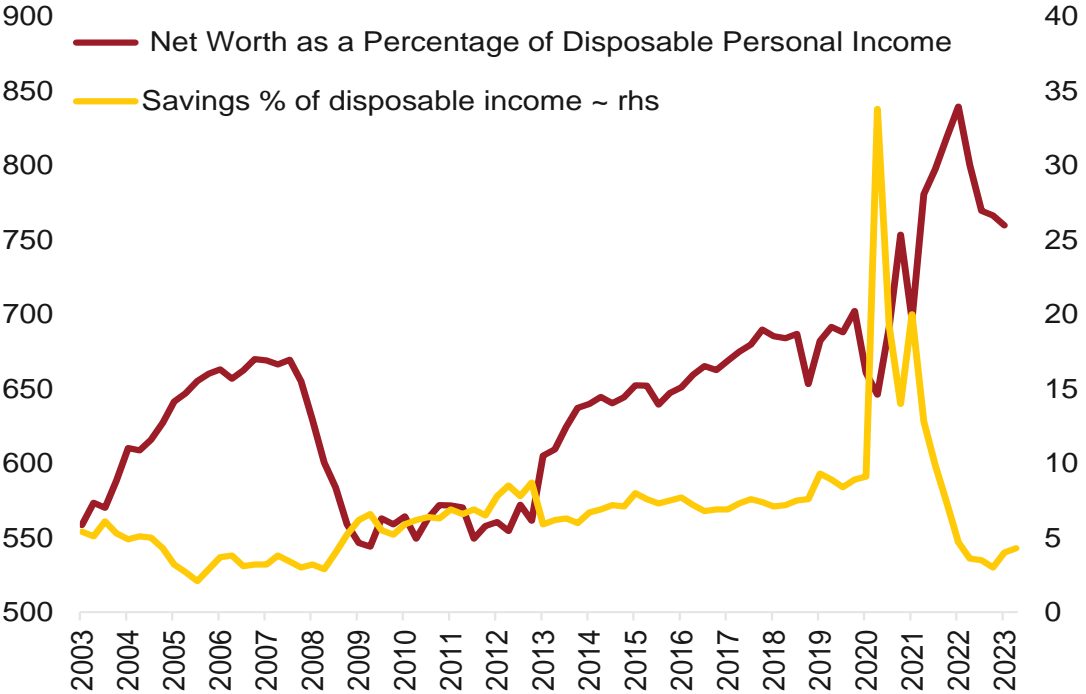
Low risk to consumer debt



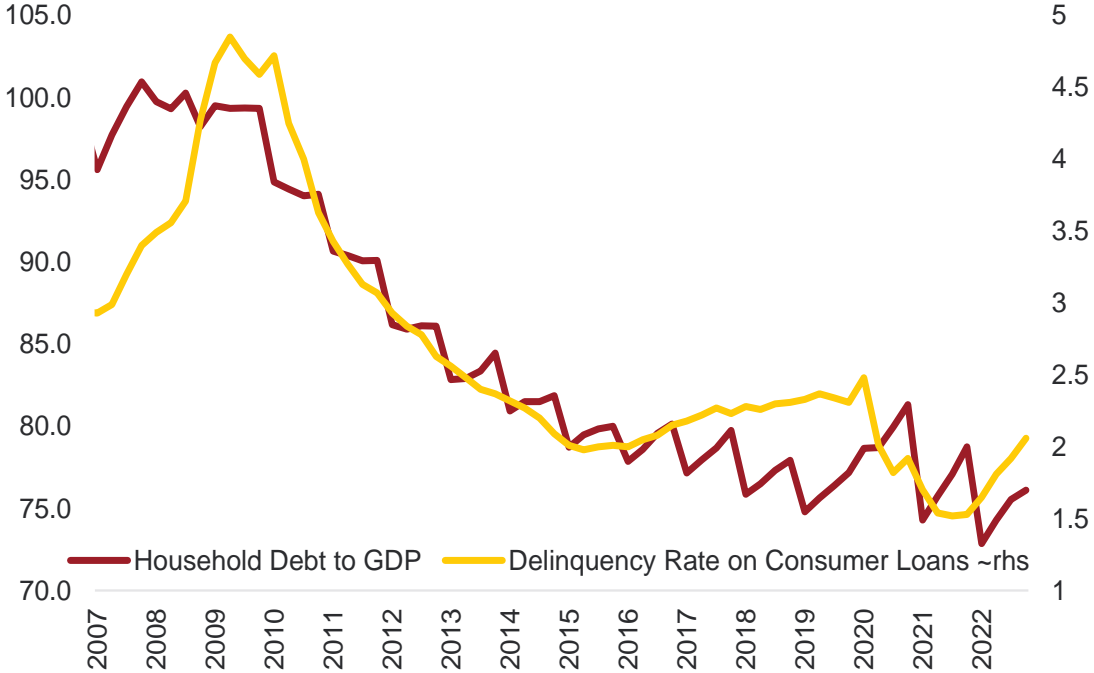
- Private sector debt has reduced

US: Growth stronger than expected

Consumption supported by wealth effect



- Wealth effect remains supportive of US household's consumption demand



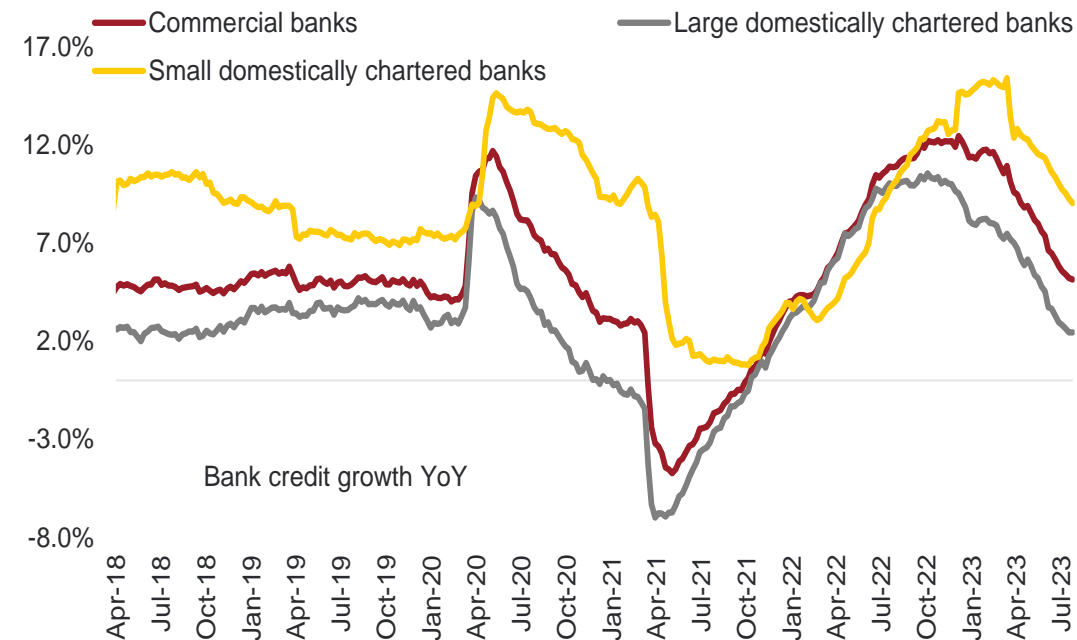
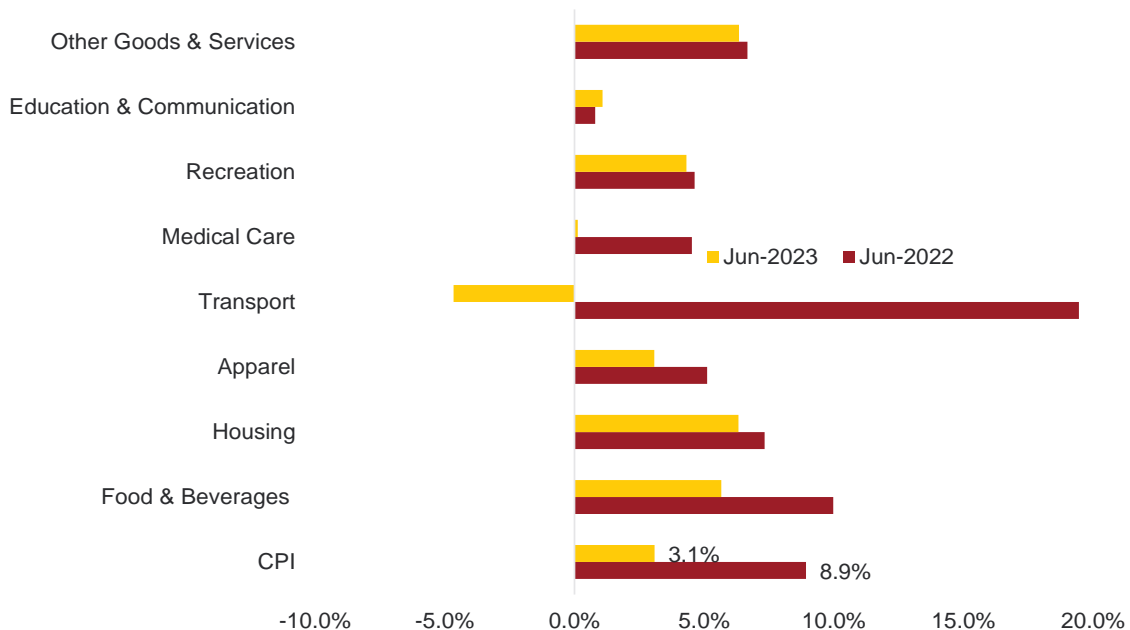
- Household debt to GDP ratio remains low

Source: CEIC, IDFC FIRST Bank Economics Research.

US: Inflation pressures easing but still significantly above target

On pause till December 2023

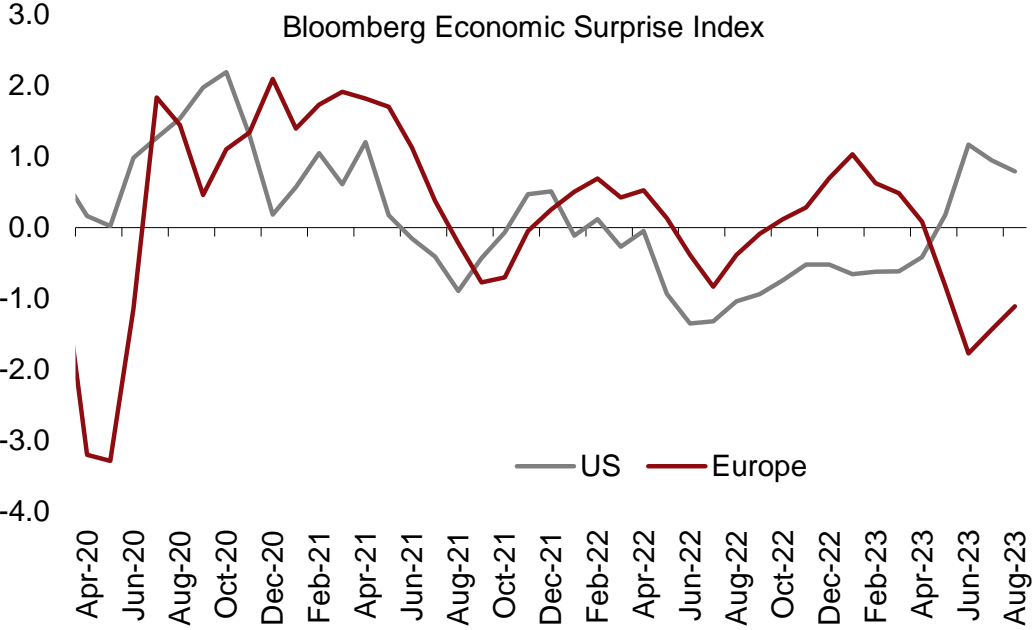
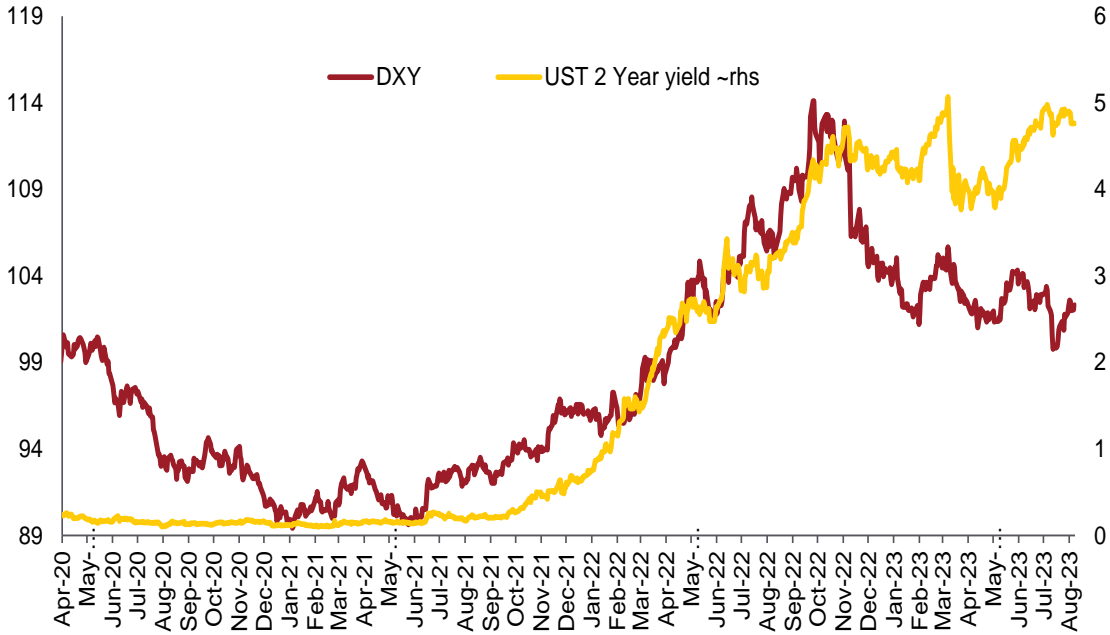
US CPI inflation YoY



- Core services inflation to take time to decline as labour market remains strong

- Slowdown in bank credit growth to reduce the need for Fed hawkishness

Post the rate hiking cycle, growth differentials to drive currencies



- Markets are pricing-in Fed remaining on pause till 2023-end; rate cut expectations pushed out to 2024
- Commentary from Fed members remains hawkish
- Once the rate hiking cycle ends globally, dollar is likely to get support from relative strength of the US economy which outweighs other DMs

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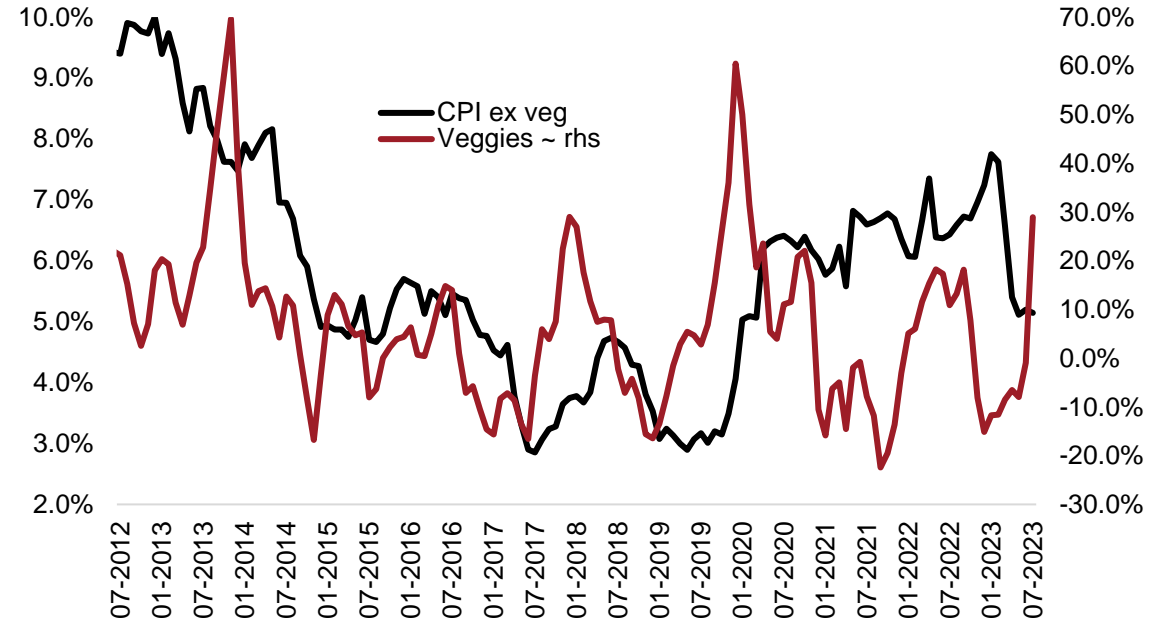
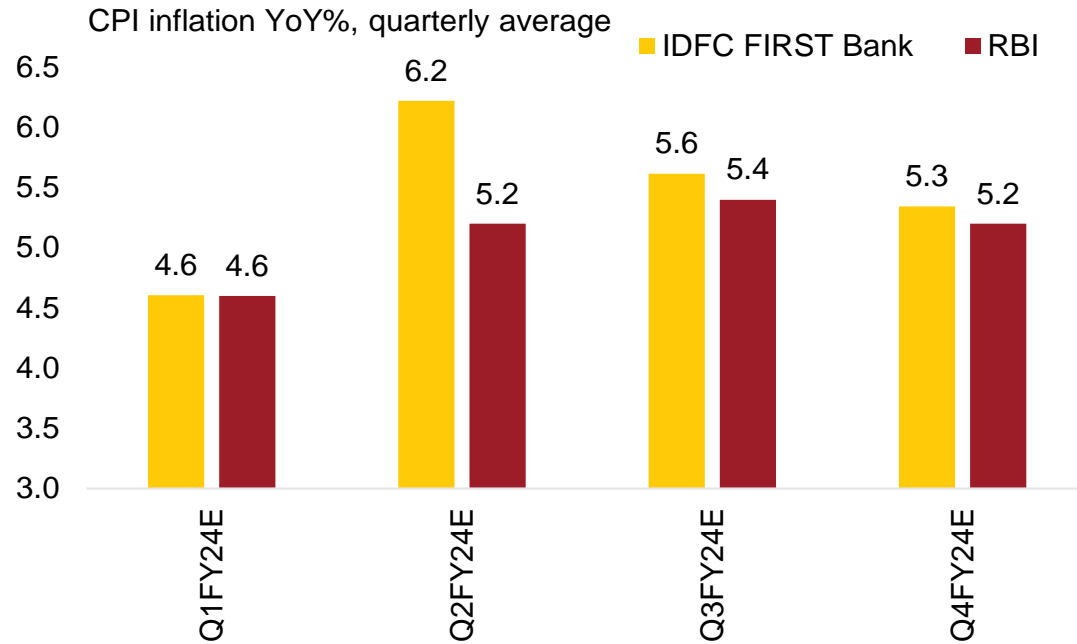
India outlook



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RBI: Terminal repo rate expected at 6.50%

FY24 CPI inflation ~5.4% v/s 6.7% in FY23

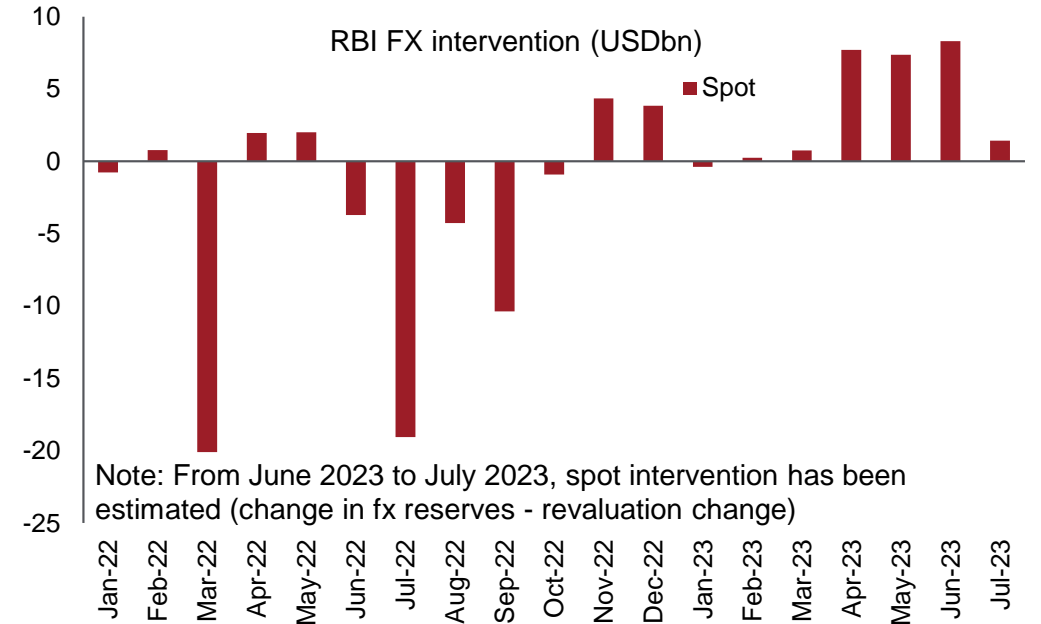
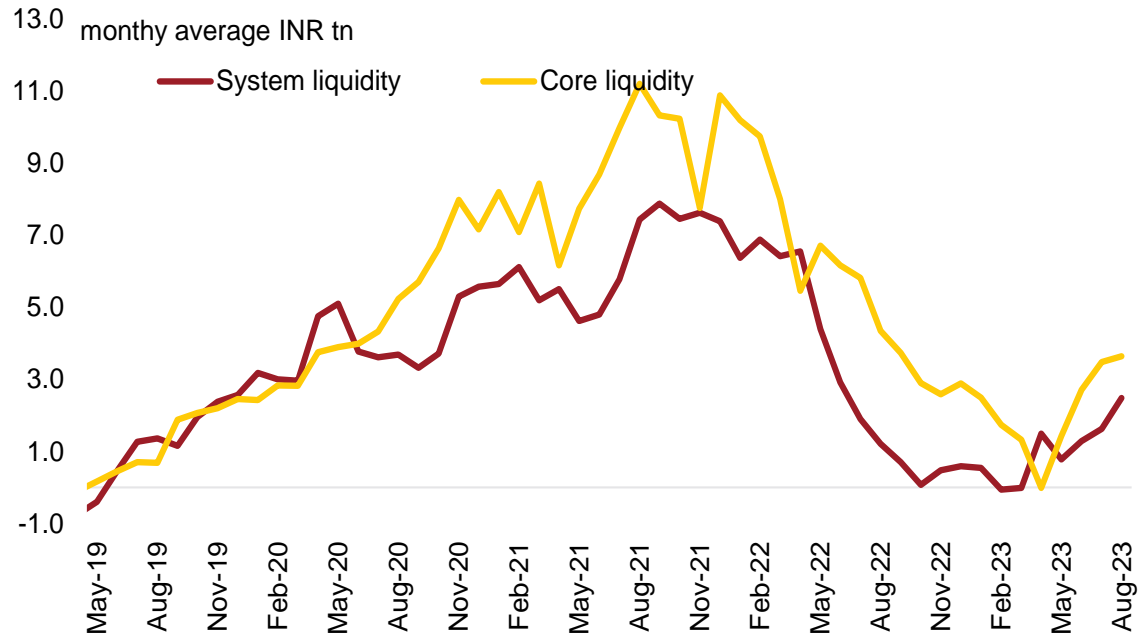


On pause till at least December 2023

- As inflation remains above target in FY24 and growth conditions remain strong
- Stance change not expected anytime soon with liquidity remaining comfortable till Q3FY24

RBI: Liquidity in focus

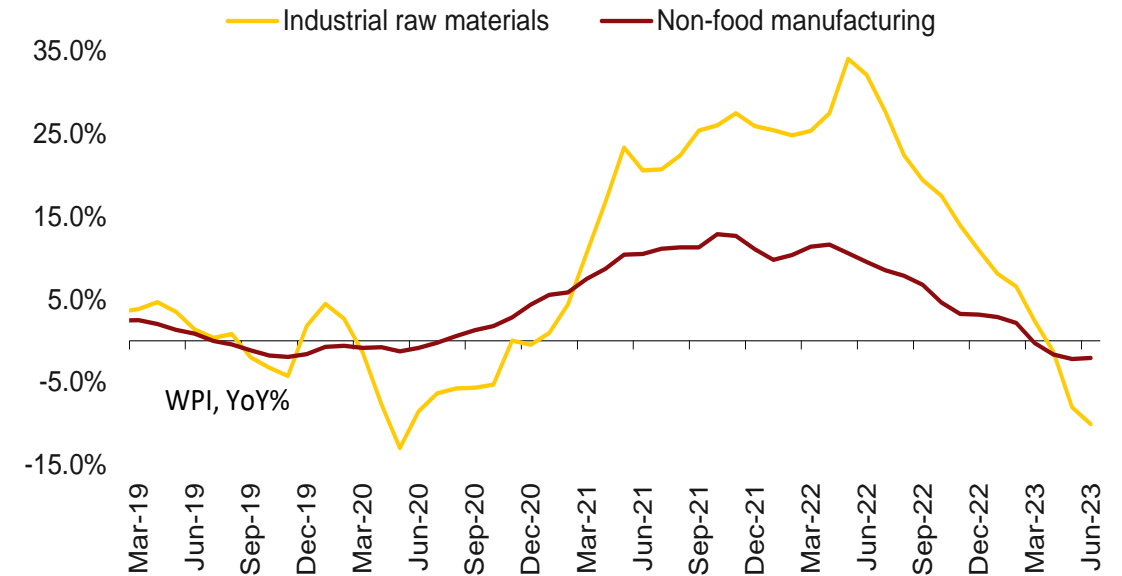
Surge led by RBI's FX intervention



- RBI has absorbed FPI inflows in Q1FY24, which has resulted in INR liquidity injection
- Liquidity conditions are likely to stay comfortable till Q3 FY24 even after assuming no further support from BoP and rise in currency leakage
- RBI's Liquidity management focus on keeping overnight rates near repo rate

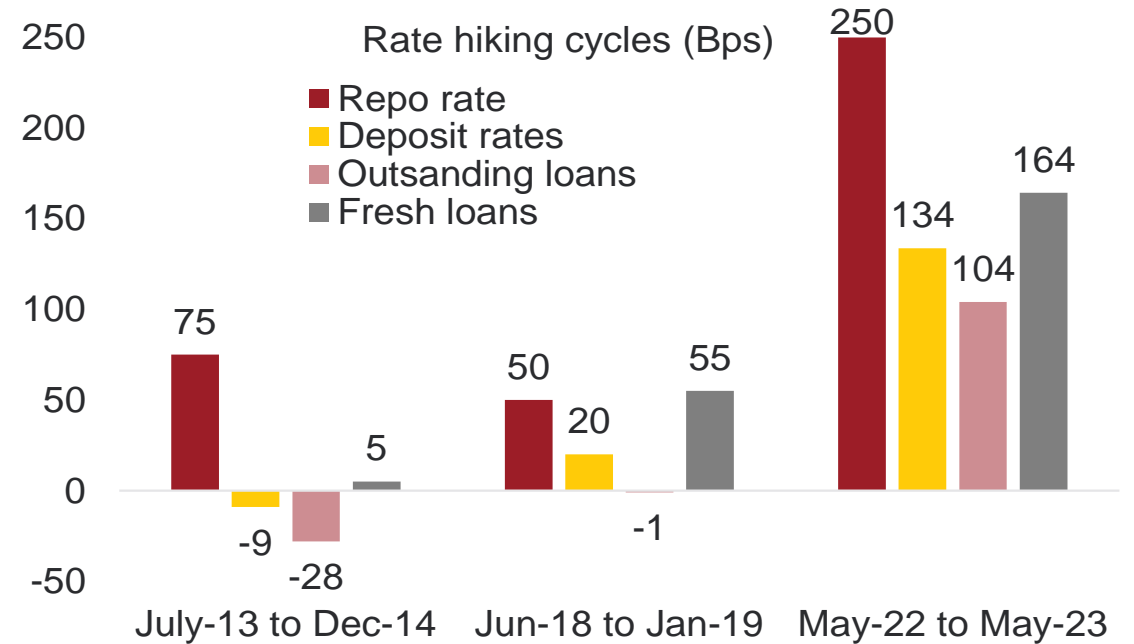
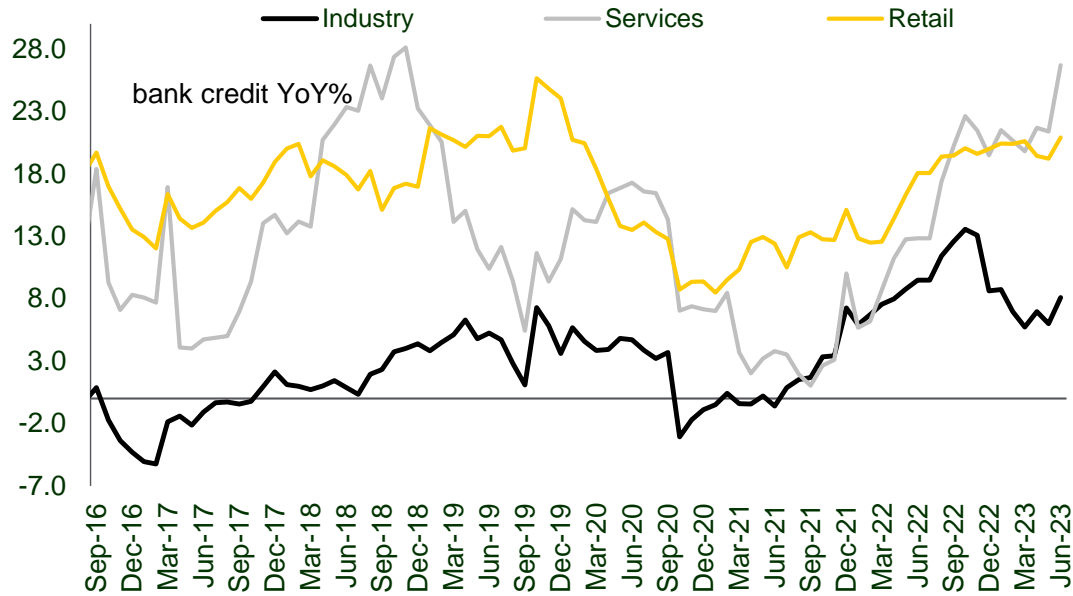
Improvement in company profitability as input costs reduce

Growth YoY%	Mar-23		Jun-23	
	Net Sales	PAT	Net Sales	PAT
Listed companies				
Agriculture	18.2%	76.8%	6.5%	28.0%
Mining and Quarrying	-0.2%	-55.5%	-2.3%	-44.7%
Manufacturing	15.8%	36.7%	16.3%	23.5%
Electricity, Gas, Water Supply and Other Utility Services	4.6%	38.0%	-2.4%	34.5%
Construction	12.5%	-4.0%	12.3%	24.2%
Services	23.6%	17.9%	4.2%	78.8%
Trade, Hotels, Transport, Communication and Services Related to Broadcasting	16.5%	9.5%	18.4%	67.0%
Real Estate and Professional Services	21.9%	-820.6%	11.0%	10.1%
Financial	28.3%	21.3%	31.7%	63.0%
Energy	6.9%	22.6%	-9.5%	254.4%
Total	14.0%	10.3%	5.2%	48.2%



- Sector-wise growth led by services with pick-up in ‘trade, hotels and transportation’ and ‘real estate and financial services’
- Manufacturing sector growth supported by reduction in input cost pressures
- In Q1FY24 company profitability likely to get further support from fall in input cost pressures and output prices remaining stable due to strong domestic demand

Credit growth remains strong across sectors

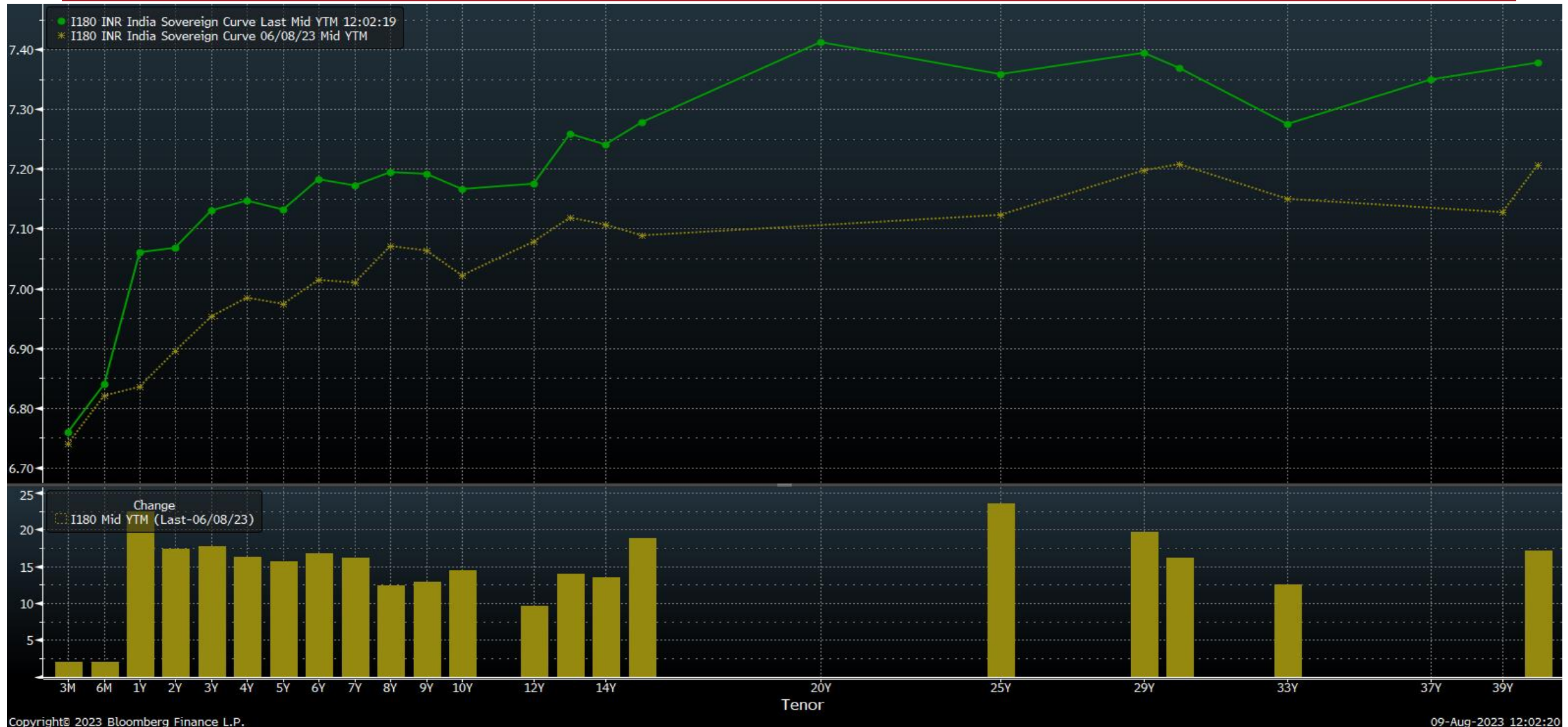


	Share of floating rate loans (%)		
	Public Sector Banks	Private Sector Banks	All SCBs
Agriculture	91.9	40.9	79.4
Industry	83.3	80.5	82.3
Services	77.3	75.3	76.3
Personal loans	70.5	51.7	60.2
Housing loans	92.9	98	94.8
Total advances	79.5	61.7	72
Number of banks	8	6	14

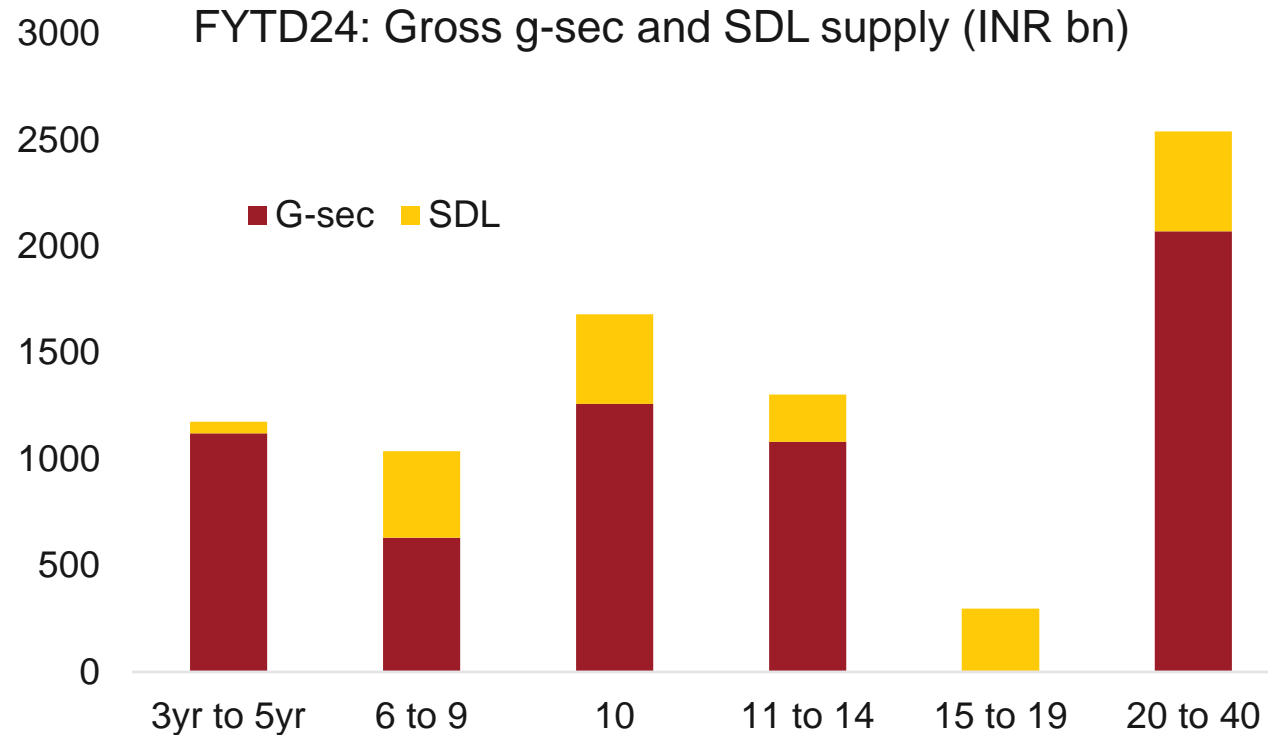
- A large part of the transmission of the rate hikes has already taken place
- Credit growth remains strong across sectors despite better transmission

10-yr g-sec expected to rise to 7.25%

by September

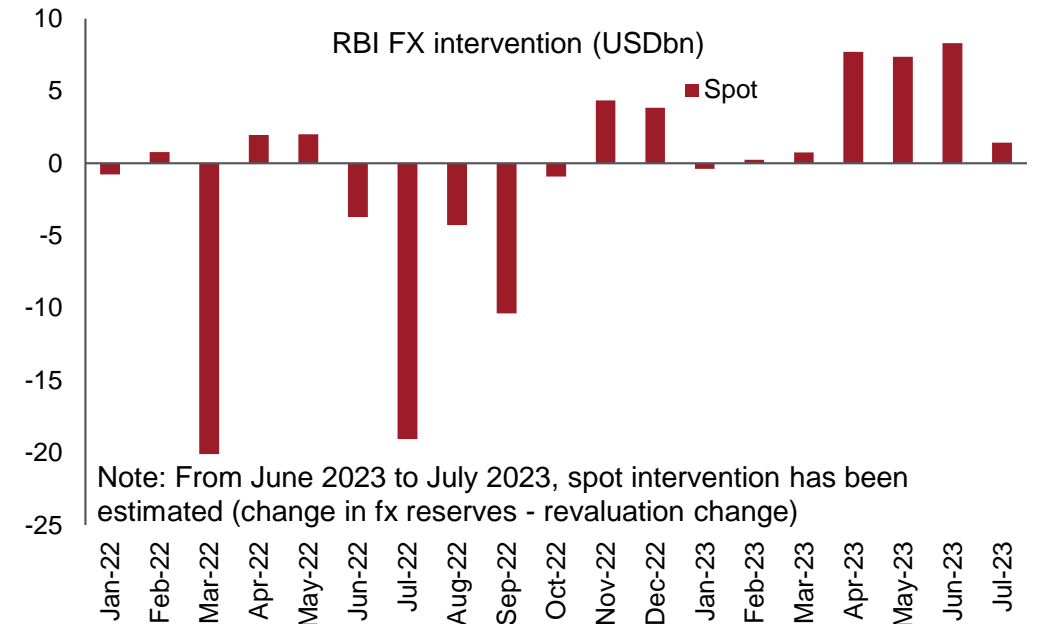
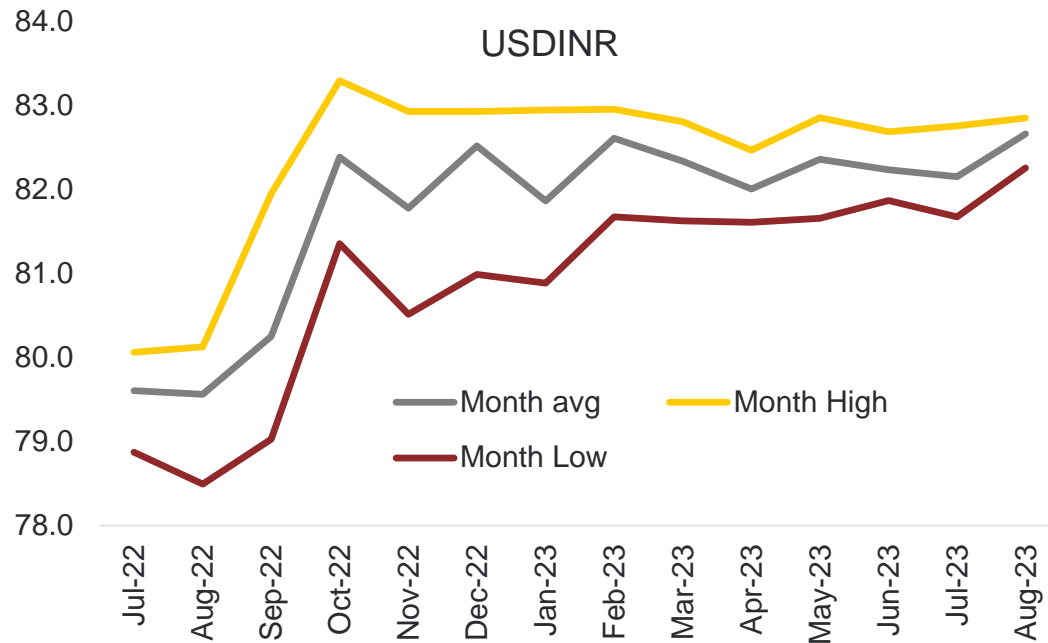


G-sec 10-yr yield to rise to 7.25% by September 2023



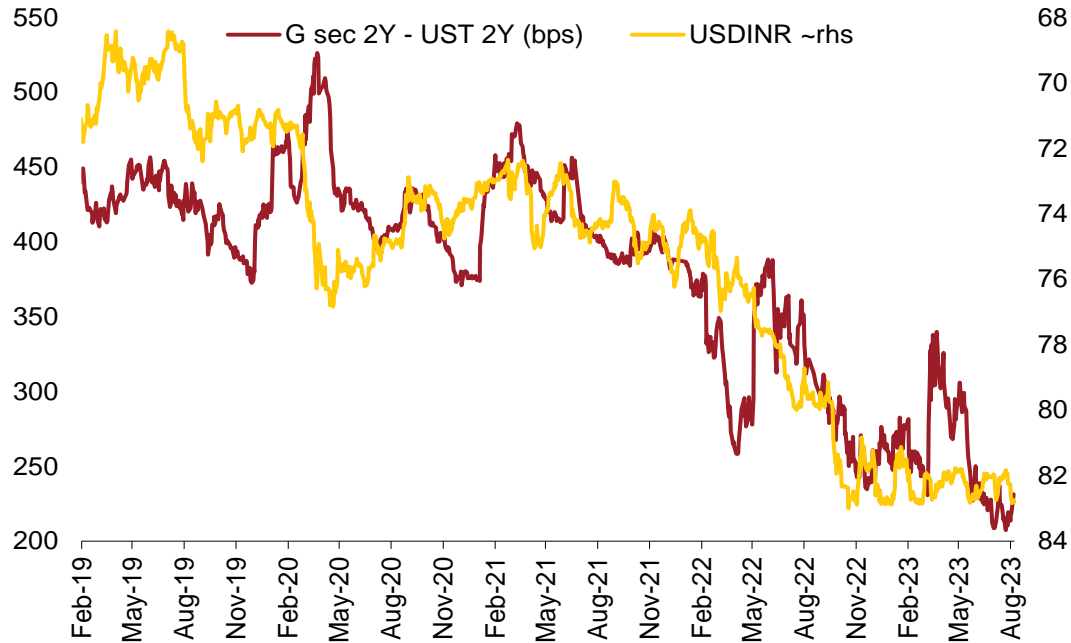
- In FY24, there has been a rise in gross duration supply from Centre and state governments
- The upward pressure on ultra-long bond yields remains contained with buying from long-only investors (insurance and PFs)
- We expect 10-yr g-sec yield to rise to 7.25% by September, as net supply of g-sec continues to rise. SDL supply which tends to be duration heavy, is expected to be higher in FY24 as states will not get support from GST compensation cess.

RBI intervention is limiting volatility in USDINR



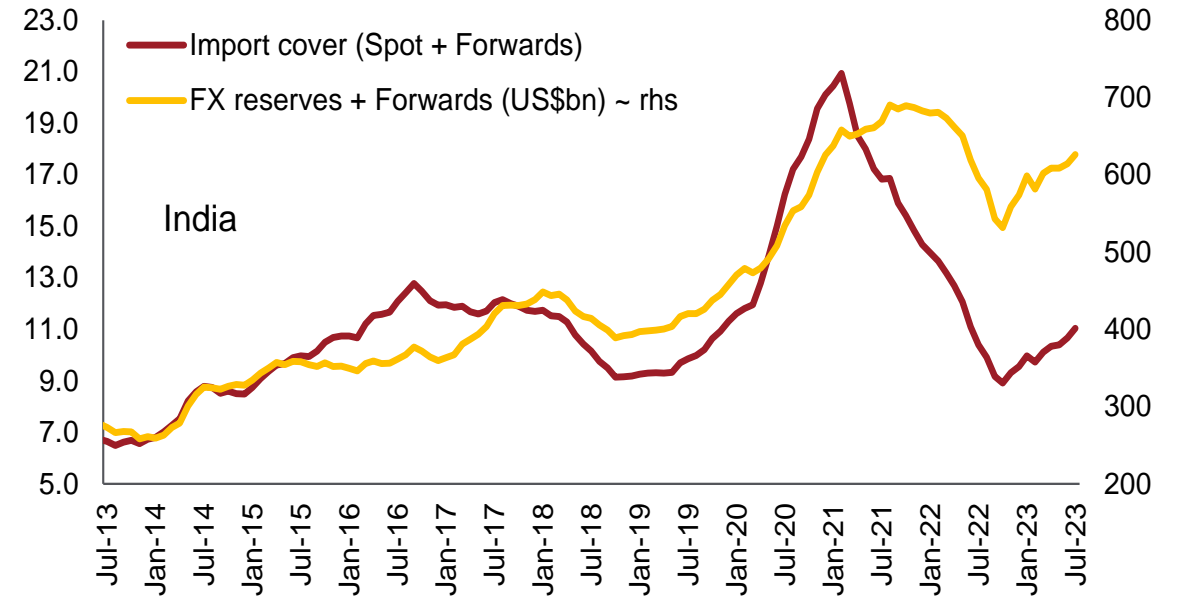
- Interest rate differentials between India and US at historical lows
- INR supported by pick-up in FPI inflows and narrow CAD
- RBI intervention to limit volatility in USDINR

Till Dec 2023: USDINR expected to remain between 82-83.25



Depreciation pressures led by:

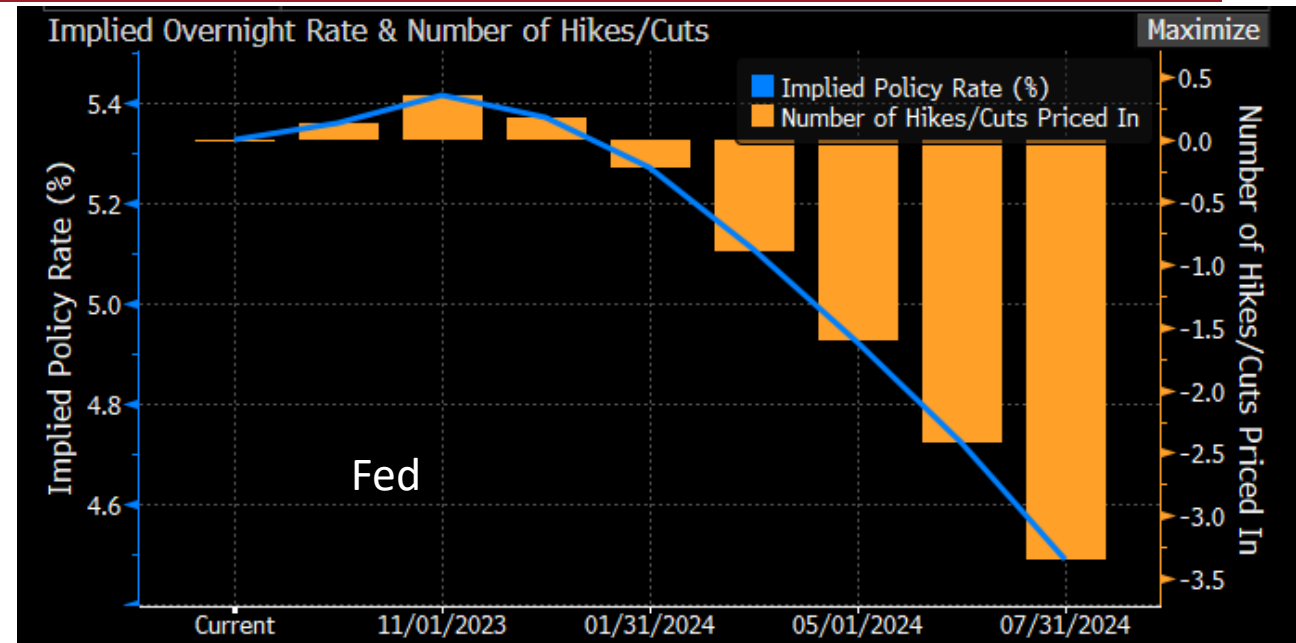
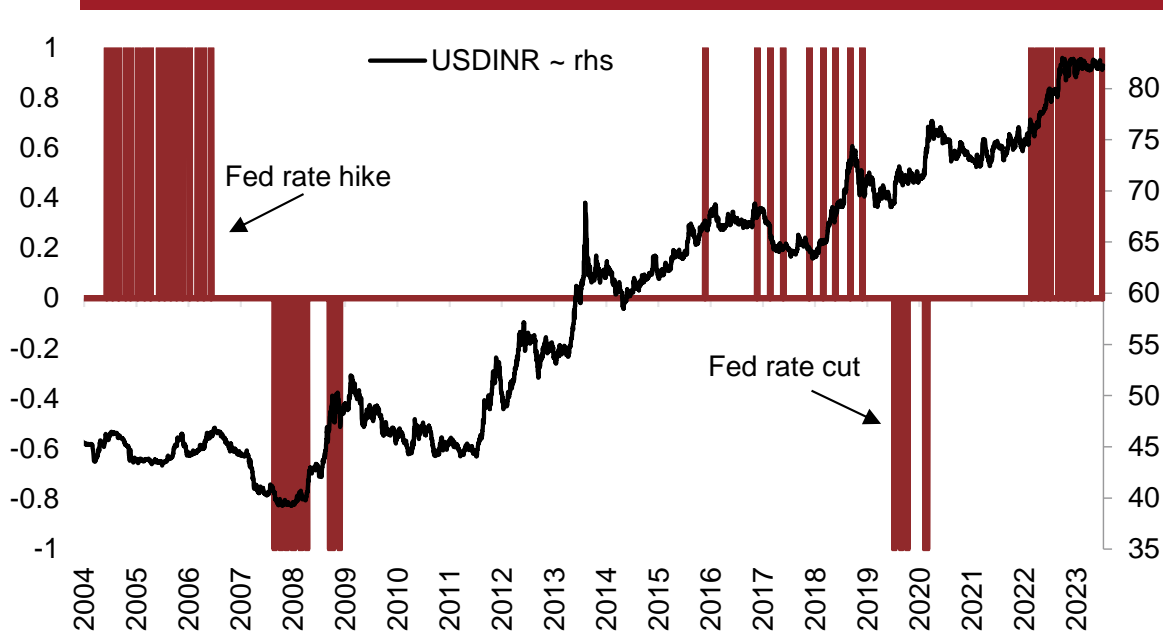
- Interest rate differential between India and US
- Fed likely to stay higher for longer
- Upward pressure on crude oil prices



Support to INR:

- India's better growth and macro stability indicators
- FX reserves are adequate to support RBI intervention

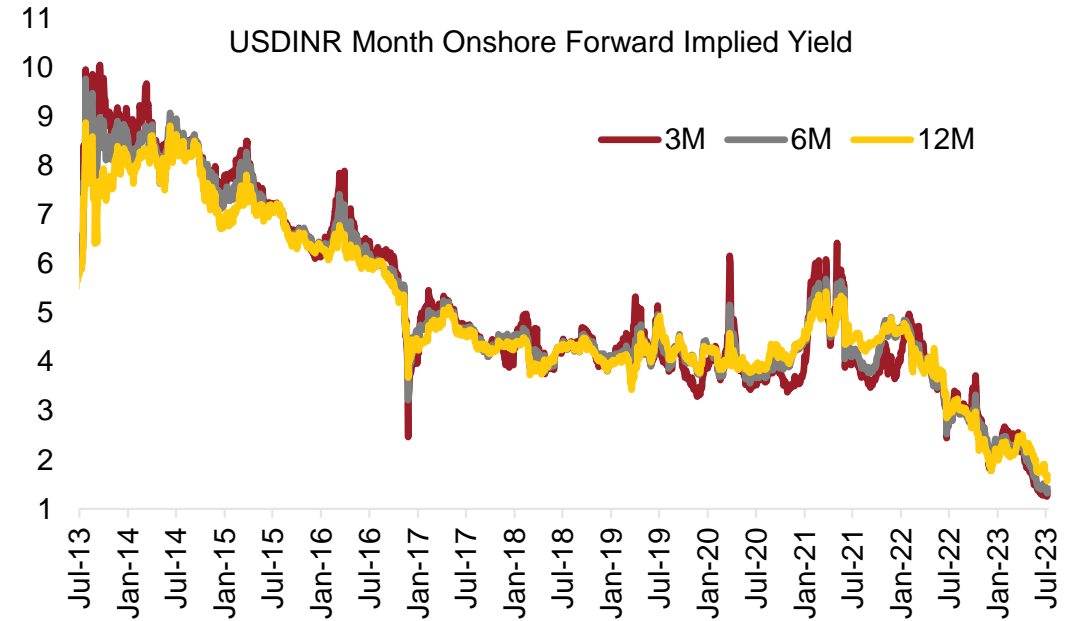
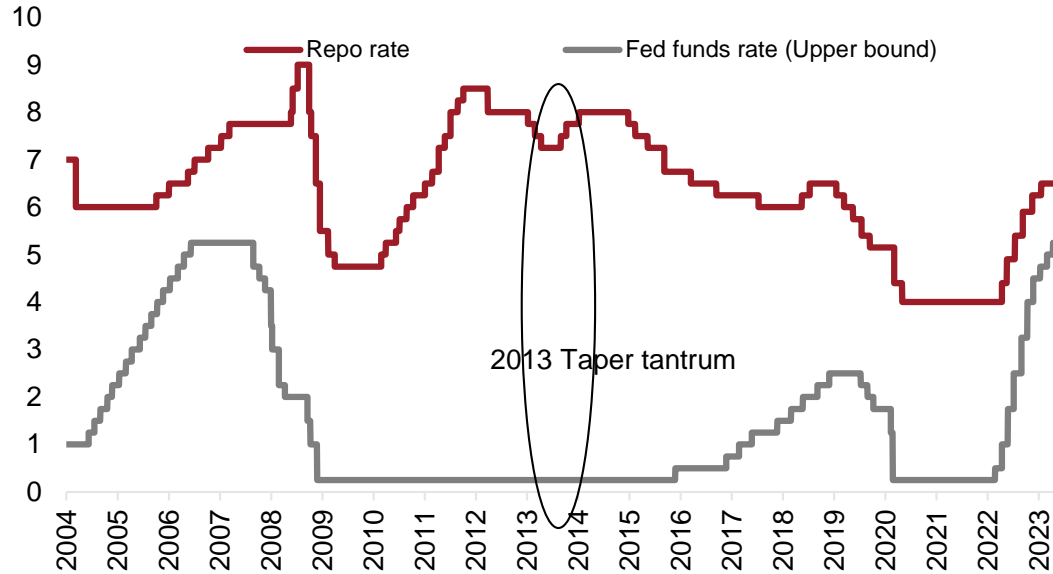
By March 2024– USDINR likely to strength to 81.50



- Fed rate cutting cycle could start next year from March / May 2024, markets are pricing-in 85bps cut till mid-2024
- INR tends to rally on rate cut expectations
- BoP is usually surplus in Q4 of FY

Forward premiums – likely to widen next year

Fed rate cuts next year – start earlier and sharper



- Sharp reduction in forward premiums with Fed hiking interest rates by 500bps since last year and RBI by 250bps
- Forward premiums could reduce further in 2023 if Fed hikes policy rates; RBI expected to stay on pause till December 2023
- In 2024, premiums are likely to rise with Fed expected to lead rate cut cycle

Asia – Bond performance

91) Bonds			92) Spreads			93) Curves			Data Range				
Maturity	10 Year								Low	Range	High	YTD	YTD Chg
Region	RMI	Security		Price	Chg	Yld↑	Chg	Yld					
										◆ Avg	● Now		
1) Philippines		RPG3 3 5/8 33		C					4.522			7.355	
2) Japan		JGB 0.4 06/33		98.462c	+0.053	0.564	-0.6		.160			.639	+16.0
3) Taiwan		TGB1 1/8 06/33		89.202	+0.000	1.174	+0.0						
4) Thailand		THAIGB3.35 33		106.567	-0.013	2.590	+0.1		2.247			2.614	-2.5
5) China		CGB2.67 05/33		100.157	-0.083	2.651	+1.0		2.609			2.919	-17.9
6) Singapore		SIGB 3 3/8 33		103.213c		3.002			2.645			3.415	-5.7
7) South Korea		KTB3 1/4 06/33		96.540	-0.230	3.739	+3.0		3.138			3.867	+20.7
8) Malaysia		MGS 4.642 33		106.850	+0.106	3.826	-1.3		3.633			4.031	-19.0
9) Australia		ACGB 3 11/33		91.681c	+0.162	3.994	-2.0		3.180			4.284	-5.1
10) New Zealand		NZGB 3 1/2 33		90.436c	+0.122	4.743	-1.7		3.895			4.862	+31.1
11) Philippines (US...)		PHILIP5 07/33		101.258	+0.022	4.839	-0.3		4.289			5.172	+49.7
12) Indonesia (USD)		INDON 4.85 33		99.897	+0.037	4.863	-0.5		4.430			5.163	+20.0
13) Indonesia		INDOGB7 02/33		104.941	+0.010	6.301	-0.2		6.134			7.015	-58.8
14) India		IGB7.26 02/33		100.637	-0.023	7.166	+0.3		6.960			7.434	-15.8
15) Pakistan		PAKGB10 1/2 35		76.938	-0.022	14.677	+0.5						

Asia Equity Performance

Index	RMI	2Day	Value	Net Chg	%Chg	Time	Adv/Dcl	%Ytd
Asia/Pacific								
1) BBG APAC L/M			1144.77	-2.50	-0.22%	14:23	127 / 148	+7.15%
2) TOPIX			2282.57 d	-9.16	-0.40%	11:30 c	873 / 1192	+20.66%
3) NIKKEI 225			32204.33 d	-172.96	-0.53%	11:45 c	97 / 125	+23.41%
4) JPX Nikkei 400			20633.82 d	-107.39	-0.52%	11:30 c	181 / 213	+21.09%
5) HANG SENG			19246.03 d	+61.86	+0.32%	13:38 c	56 / 21	-2.71%
6) CSI 300			3967.57 d	-12.16	-0.31%	12:30 c	97 / 189	+2.48%
7) Shanghai Comp			3244.49 d	-16.13	-0.49%	13:59 c	431 / 1595	+5.02%
8) Shenzhen Comp			2038.78 d	-12.25	-0.60%	12:30 c	588 / 2100	+3.20%
9) HS China Ent			6613.23 d	+25.48	+0.39%	13:38 c	39 / 11	-1.37%
10) Taiwan TAIEX			16870.94 d	-6.13	-0.04%	12:00 c	295 / 564	+19.33%
11) KOSPI			2605.12	+31.14	+1.21%	12:02 c	473 / 295	+16.49%
12) KOSDAQ			908.98	+16.64	+1.86%	12:00 c	1114 / 389	+33.81%
13) S&P/ASX 200			7337.96	+26.81	+0.37%	12:20 c	102 / 87	+4.25%
14) Nifty 50			19521.95 d	-48.90	-0.25%	14:08	24 / 26	+7.82%
15) S&P BSE SENSEX 30			65635.88 d	-210.62	-0.32%	14:08	12 / 18	+7.88%
16) FTSE Straits Tim			3313.79 d	+3.92	+0.12%	08/08 c	7 / 14	+1.92%
17) FTSE Malay KLCI			1458.52 d	+7.52	+0.52%	14:08	28 / 2	-2.47%
18) SE THAI			1522.91 d	+4.47	+0.29%	14:08	245 / 191	-8.73%
19) Jakarta Comp			6873.39	+4.57	+0.07%	14:19	214 / 311	+0.33%
20) NZX 50			11838.26 d	-30.49	-0.26%	10:30 c	24 / 17	+3.18%
21) PSEi - Philippine			6530.45	+57.48	+0.89%	12:20 c	22 / 5	-0.55%
22) KSE-100			47929.54 d	+563.57	+1.19%	14:08		+18.58%
23) Ho Chi Minh Stk			1233.99 d	-8.24	-0.66%	13:32 c	165 / 183	+22.53%
24) Colombo All			11634.37 d	-89.85	-0.77%	14:03	88 / 135	+37.04%
25) Laos Comp			1044.64 d	+17.06	+1.66%	13:32 c	2 / 1	+45.64%
26) MSE Top 20			35449.57 d	-56.24	-0.16%	11:36	6 / 8	-5.63%

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