

# MONTHLY

# MARKET

O U T L O O K

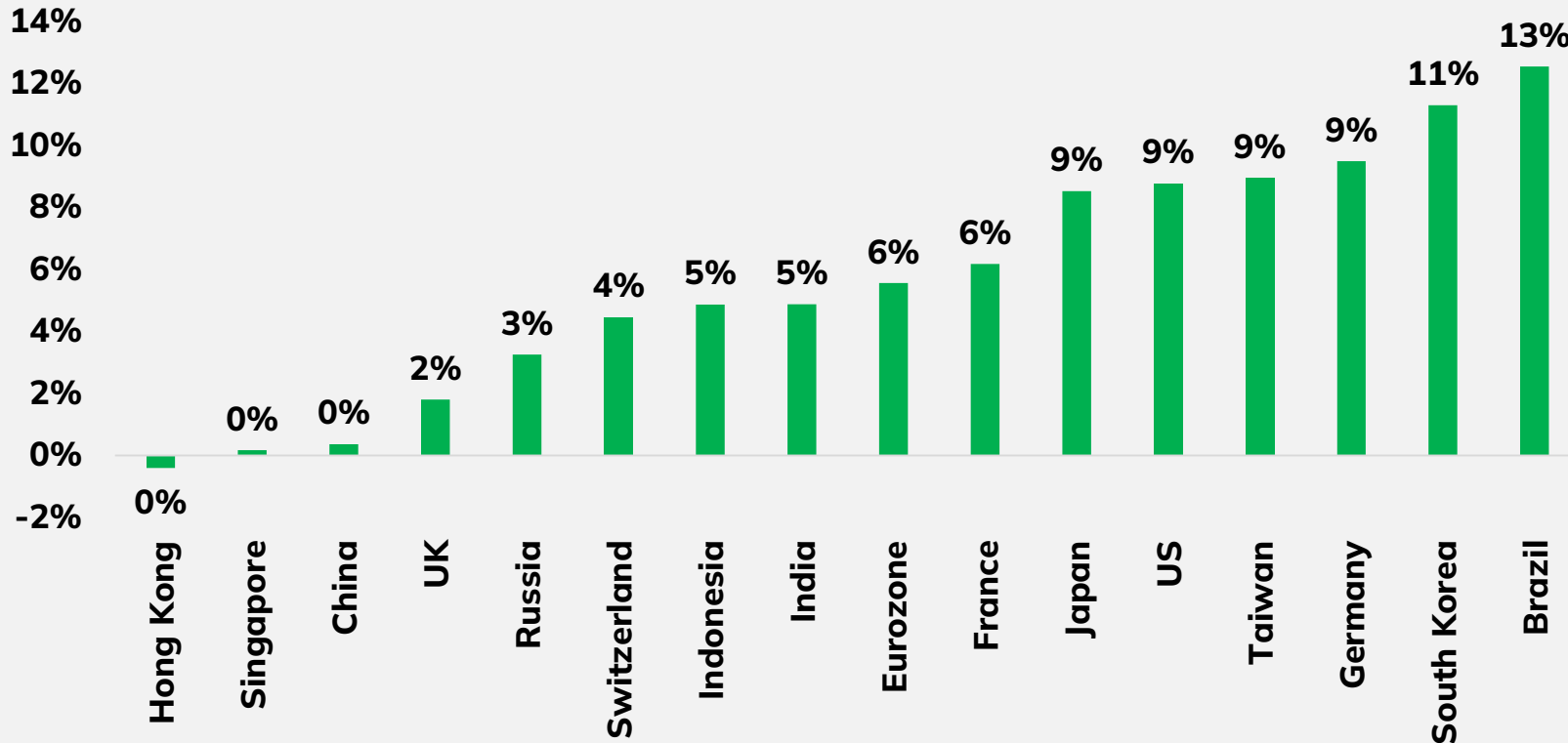


**DECEMBER 2023**



# Global Indices Performance

### Absolute Returns -November 2023



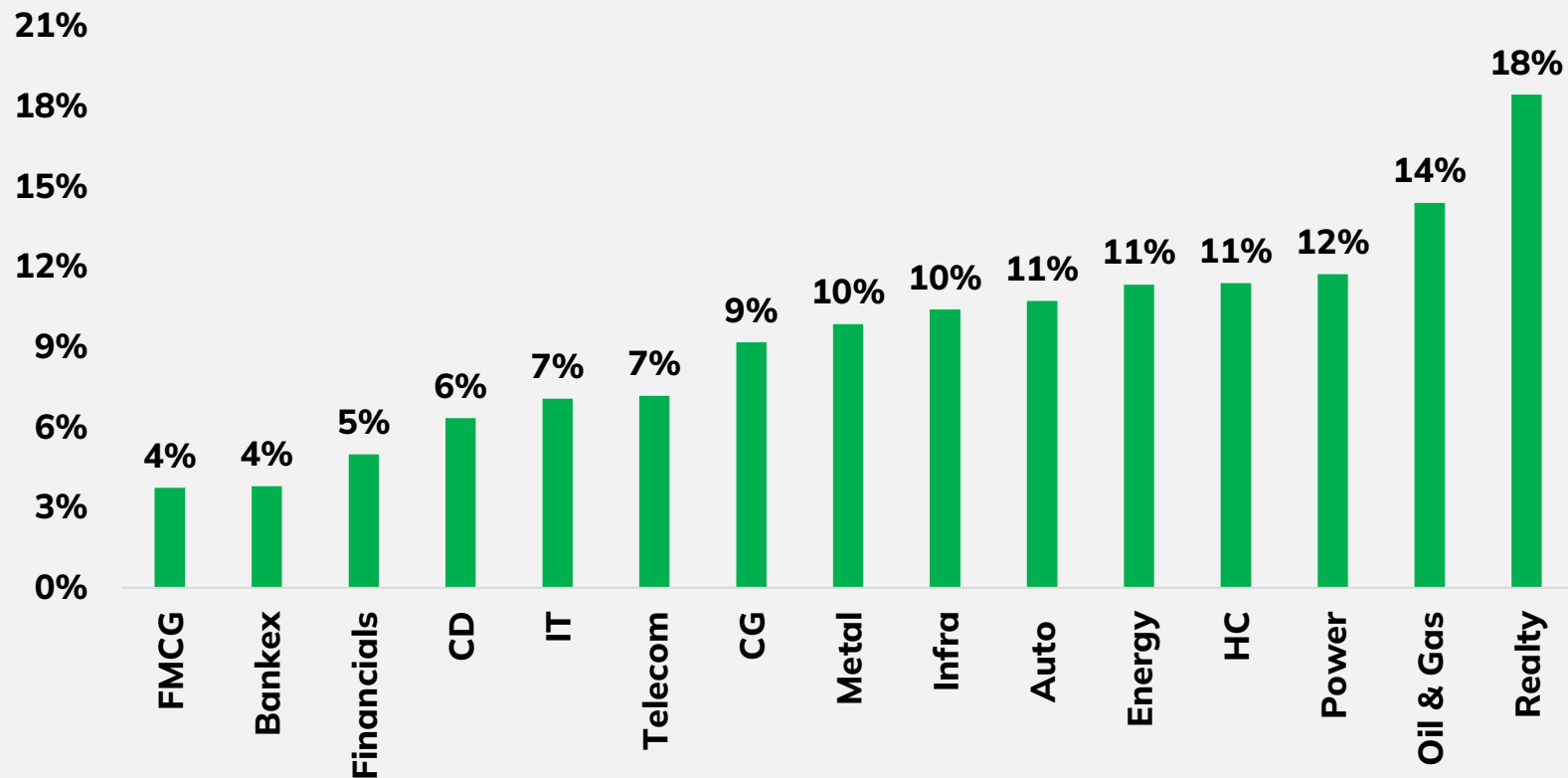
- Global indices rose in November after falling for 3 consecutive months. Brazil led the race as inflationary and fiscal pressures seem to be receding
- India too remained in positive territory following its global peers
- China remained a key laggard as weak domestic macros affected investor sentiments

Germany - DAX Index; China - SSE Composite Index; France - CAC 40 Index; Japan - Nikkei; Eurozone - Euronext 100; Hong Kong - HangSeng; US - Dow Jones; Singapore - Strait Times; Russia - RTS Index; Indonesia - Jakarta Composite Index; U.K. - FTSE; South Korea - Kospi; Brazil - Ibovespa Sao Paulo Index; Indonesia - Jakarta Composite Index; Switzerland - Swiss Market Index; Taiwan - Taiwan Stock Exchange Corporation; India - S&P BSE Sensex; Data Source: MFI. Returns are absolute returns for the index calculated between Oct 31, 2023 to Nov 30, 2023. PMI: Purchasing Manager Index, US: United States. Past performance may or may not sustain in future. MFI Explorer is a tool provided by ICRA Online Ltd. For their standard disclaimer please visit <http://www.icraonline.com/legal/standard-disclaimer.html>. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



# India – Sectoral Indices Performance

### Absolute Returns - November 23



- On sectoral fronts, all the indices gained tracking positive global cues with Realty sector stealing the show
- Real estate Sector performed well following a huge surge in sales & property registrations
- FMCG and Banks & Financials witnessed modest gains relatively

All indices are of S&P BSE and carry the prefix of S&P BSE; Abbreviated CD - S&P BSE Consumer Durables; CG - S&P BSE Capital Goods; FMCG - S&P BSE Fast Moving Consumer Goods; HC - S&P BSE Health Care; Infra. - S&P BSE India Infrastructure; IT - S&P BSE Information Technology, Govt: Government, RBI: Reserve Bank of India. Data Source: MFI, BSE ; Returns are absolute returns for the TRI variant of the index (except Infrastructure Index) calculated between October 31,2023 to November 30,2023. Past performance may or may not sustain in future. The sector(s)/stock(s) mentioned in this slide do not constitute any recommendation and ICICI Prudential Mutual Fund may or may not have any future position in this sector(s)/stock(s). MFI Explorer is a tool provided by ICRA Online Ltd. For their standard disclaimer please visit <http://www.icraonline.com/legal/standard-disclaimer.html>. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.

# India: The ‘Goldilocks’ story continues

*(For the long term)*

# Goldilocks: Still in the game!

Tracking weak global cues and softening domestic macro indicators have put questions on **'Goldilocks'** story of Indian Economy. Goldilocks is a state of Economy wherein the country experiences period of **'High Growth'** & **'Low Inflation'**

Currently, domestic growth continues to hold its ground as demonstrated by strong GDP prints & slightly moderating but strong macros. We believe that in the near-term volatility may persist as rural growth continues to lag urban growth, deficient rainfall may impact inflation & demand, global slowdown may affect exports etc. and may contribute to external sector risks. Such uncertainties create a backfill for future growth momentum. The way forward for strong momentum of growth remains uncertain in the near term.

**Hence, near-term 'Goldilocks' picture looks hazy**

However, with strong capex momentum, sustained government revenues, decent corporate profitability, indigenization, favorable demographics & strong bank balance-sheets, **the long term picture looks bright and clear**

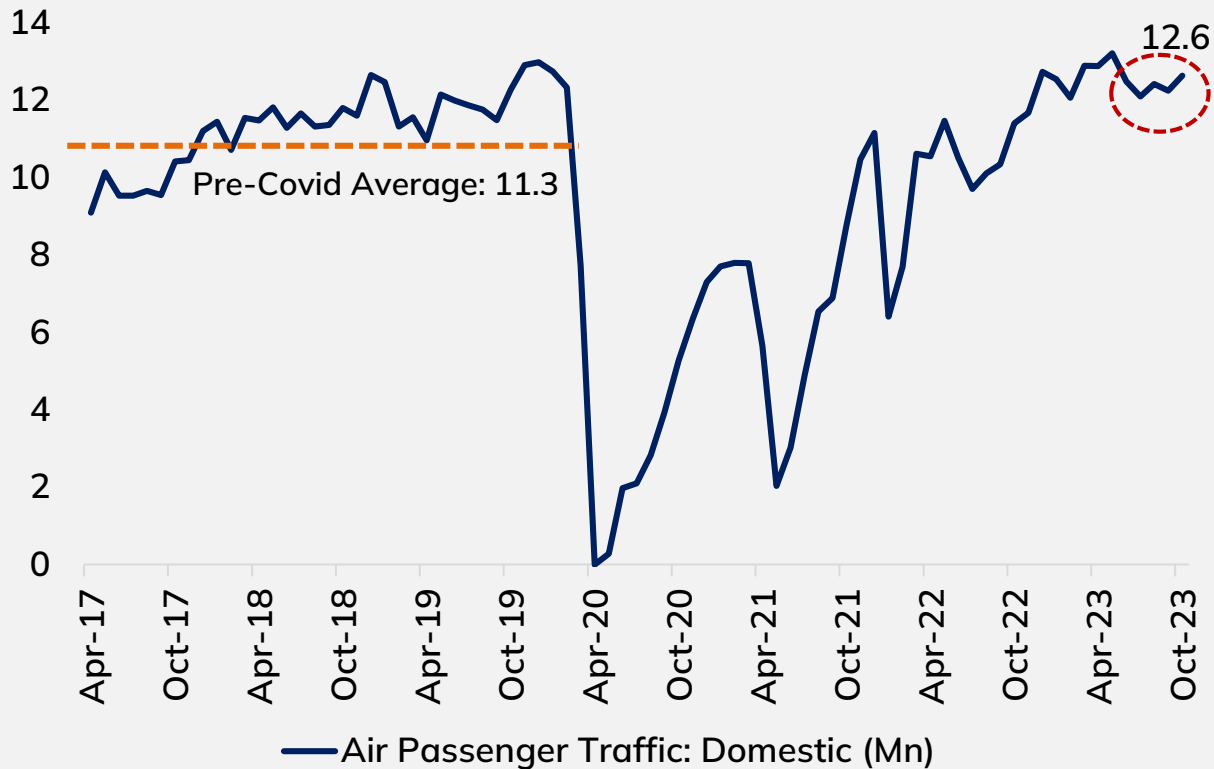


# Near Term Picture – Rural Growth playing a catch down

Urban demand remains resilient. However, with rural growth indicators hovering below Pre-Covid averages, Rural recovery remains elusive

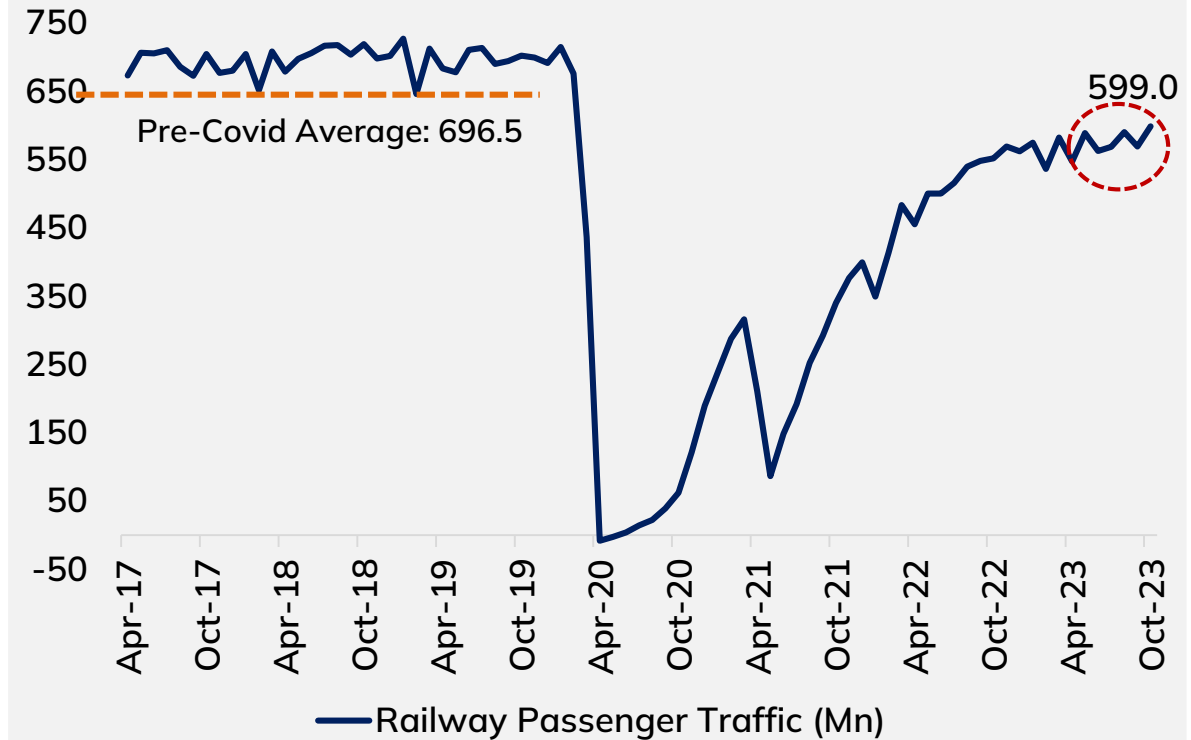
## Urban Growth Indicator

Air Passenger Traffic: Domestic (Mn)



## Rural Growth Indicator

Railway Passenger Traffic (Mn)



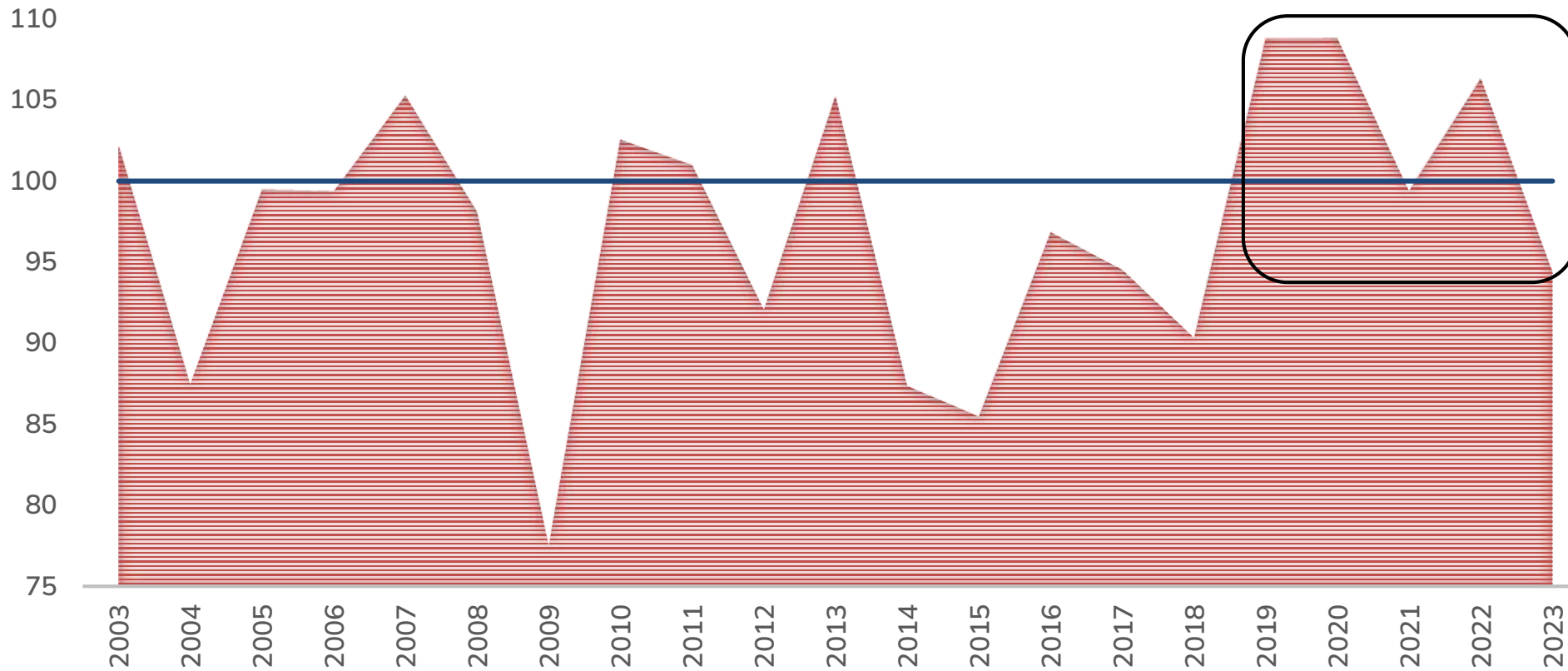
Data as Oct 31, 2023. Source – Aventus Spark Capital. Mn: Million, Covid refers to Coronavirus Disease 2019. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



# Near Term Picture – Deficient Monsoon

India reports higher rainfall deficit (*approx. 6%*) in 2023 against IMD estimates of 4%

## MONSOON RAINS TRENDING BELOW LONG PERIOD AVERAGE



Deficient Rains may impact rural demand, keep inflation on the higher end & compel government to curb export of commodities

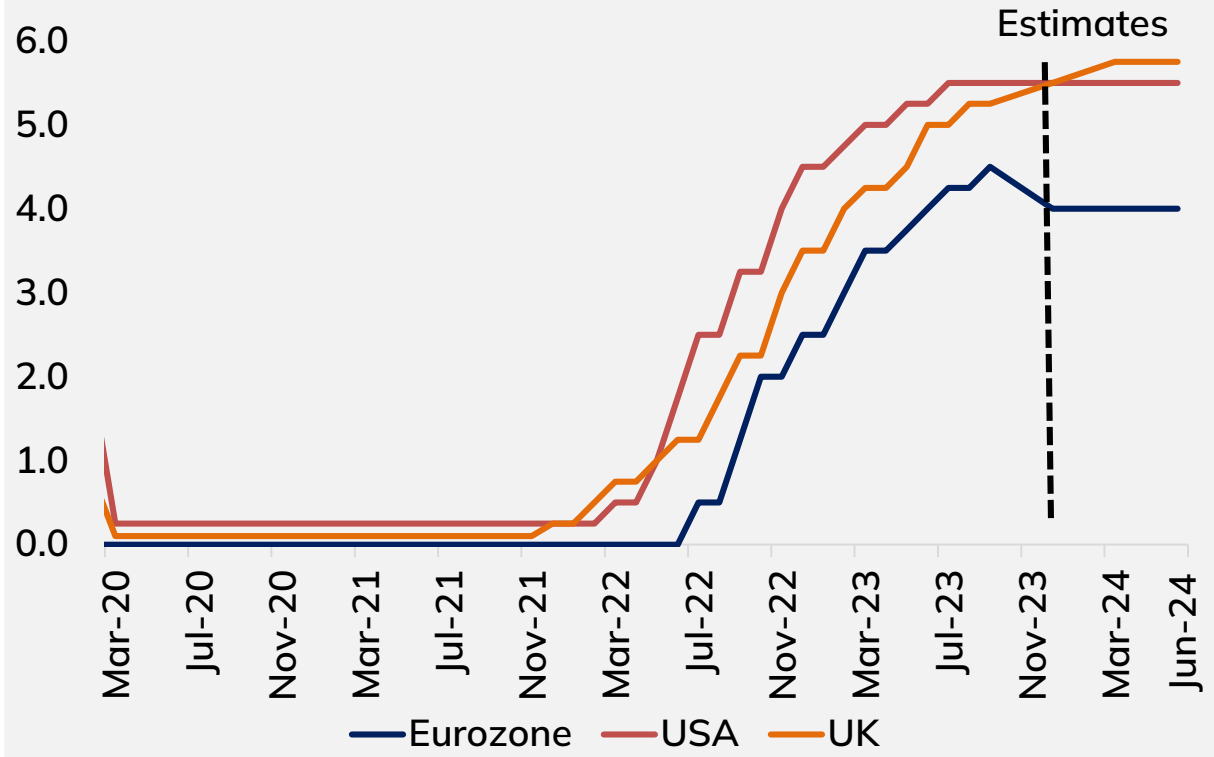


# Near Term Picture – Higher for Longer Interest rates

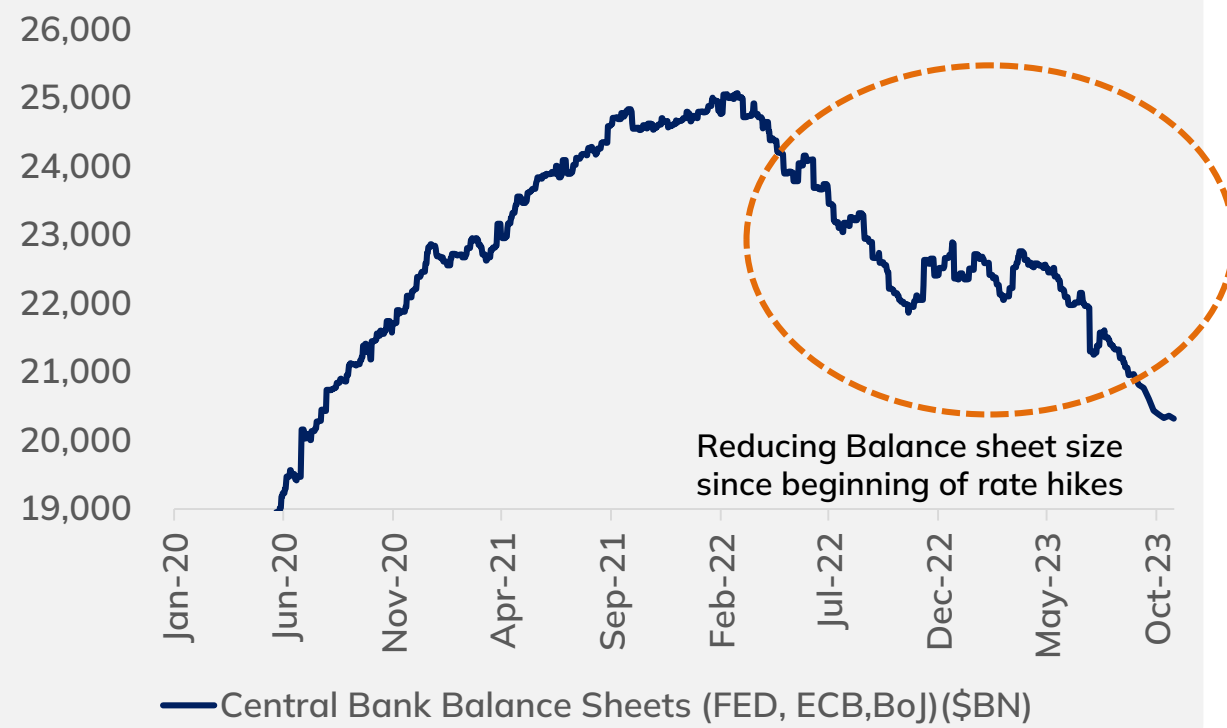


Expectations of high Interest Rates + shrinking Central Bank Balance sheets likely to decelerate global growth engine

### Global Central Bank Policy Rates (%)



### Central Bank Balance Sheets (FED, ECB,BoJ)(\$BN)



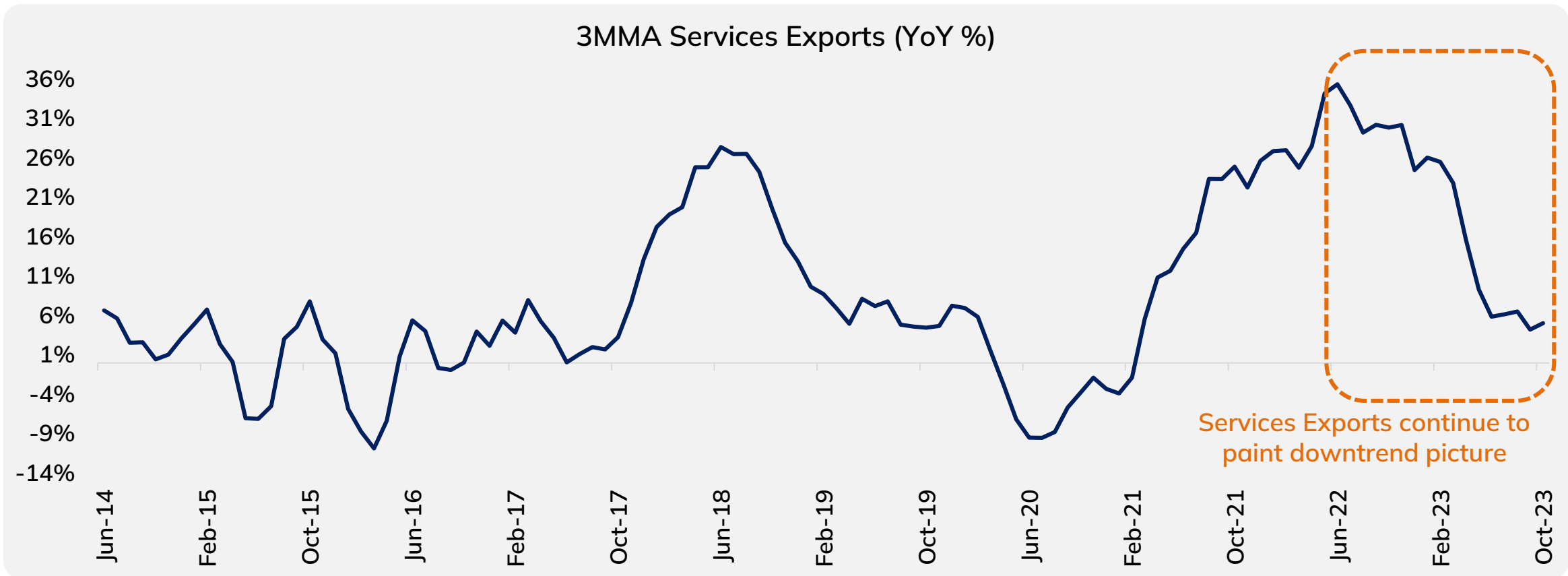
Data as Oct 25, 2023. Data Source: ICICI Securities, JP Morgan, Equirus Research & FRED (<https://fred.stlouisfed.org/series/WALCL>) . Fed: Federal Reserve System of US, ECB: European Central Bank, BoJ: Bank of Japan, USA: United States of America, UK: United Kingdom. \$; US Dollar, Bn: Billion. Estimates refer to JP Morgan Estimates. Past performance may or may not sustain in future. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.





# Near Term Picture – Moderating Service Exports

**Downtrend of services export may continue in the near-term as Global slowdown is likely to have a bearing on India's Services exports**



Data as on Oct 31,2023 is considered. Source – Equirus Research, MMA: Month Moving Average. Past performance may or may not sustain in future. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.

# Zooming out a little...

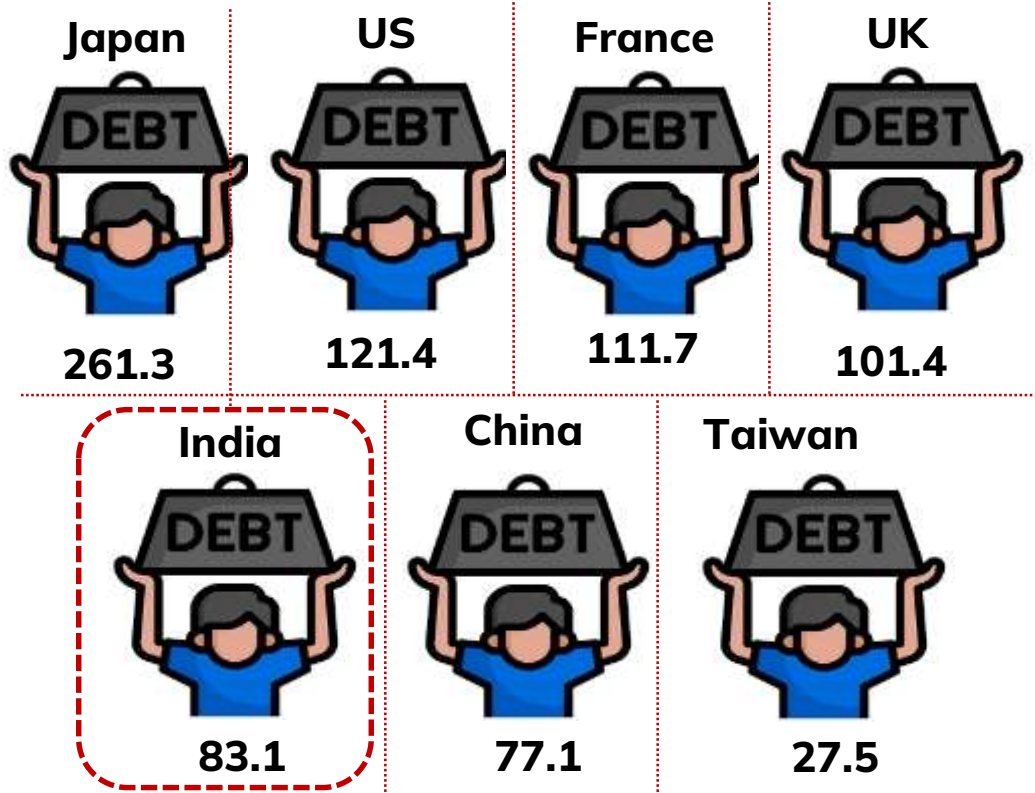


# Long term picture – Indian Govt. sustains its firepower

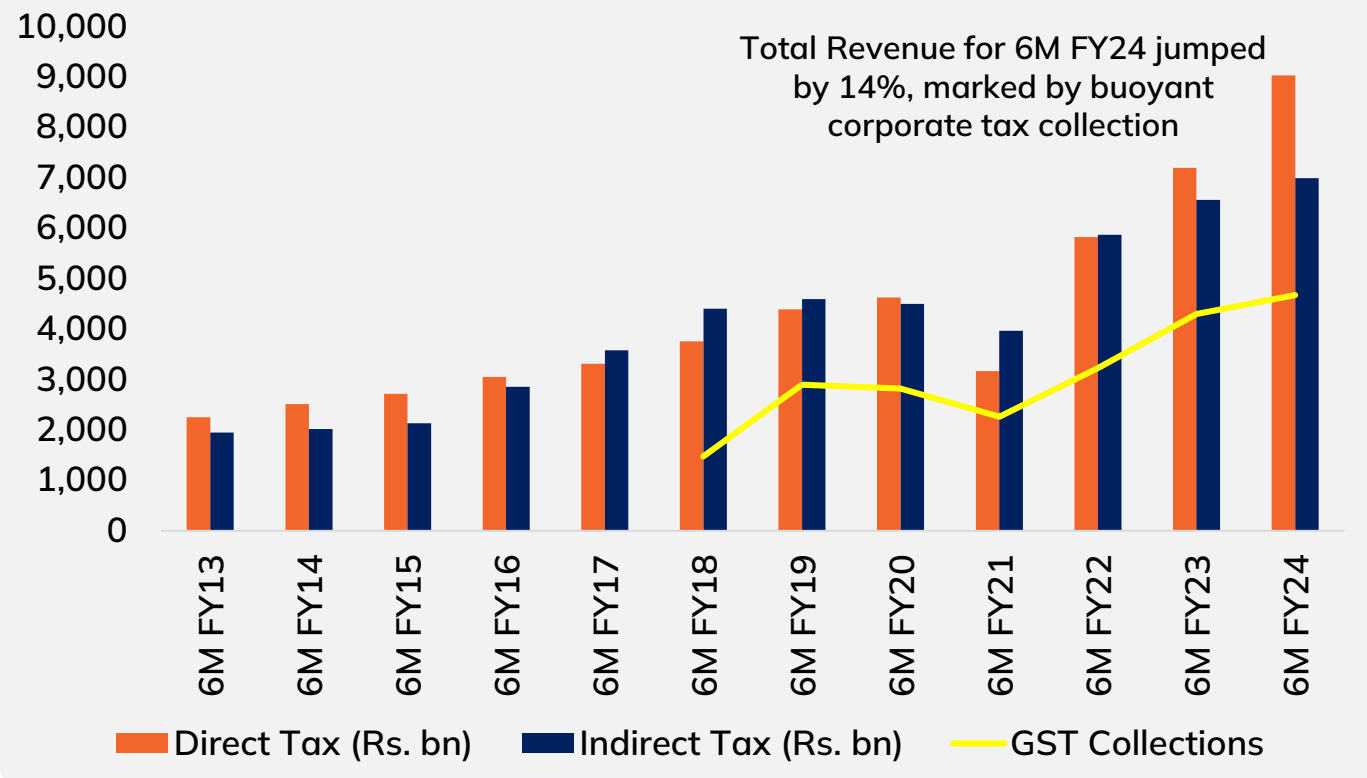
**India stands relatively less scathed to high global interest rates**

**Buoyant Tax collection likely to help the Govt. keep its fiscal deficit in check**

## Govt. Debt to GDP (%)



## Central Govt. Revenues (INR Bn)



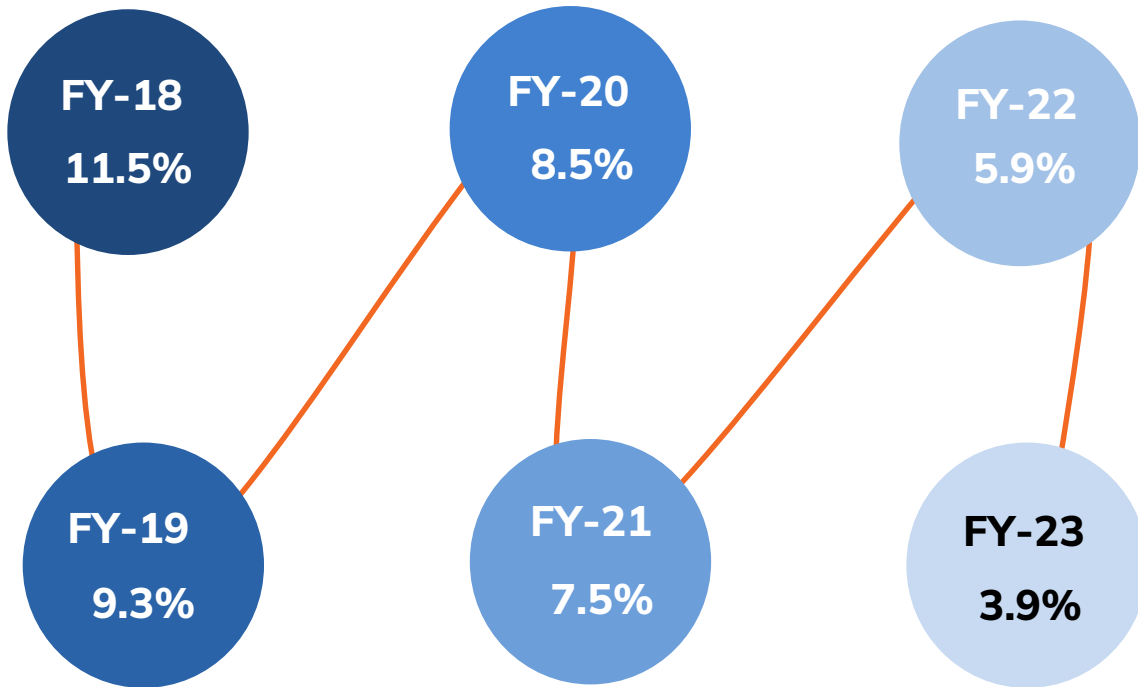
For Govt. Debt to GDP: Data as on March 31,2022 is considered. For Central Govt. Tax Revenues: Data as on Sep 30,2023 is considered. Source: IMF & Aventus Spark Capital. GDP: Gross Domestic Product, FY: Financial Year, M: Months, Bn: Billion, Govt.: Government. GST: Goods & Services Tax. Past performance may or may not sustain in future. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



# Long Term Picture – Banking Health

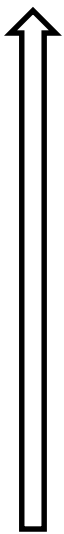
Indian banks remain relatively stable amidst Global banking Crisis due to  
i) Improved management of Non Performing Loans and ii) Constantly rising Net Interest Margins

## Gross Non Performing Loans (%)



## Net interest Margins (%)

Years	Bank's Net Interest Margins (%)
FY-22	3.3
FY-21	3.3
FY-20	3.2
FY-19	3.1
FY-18	2.8



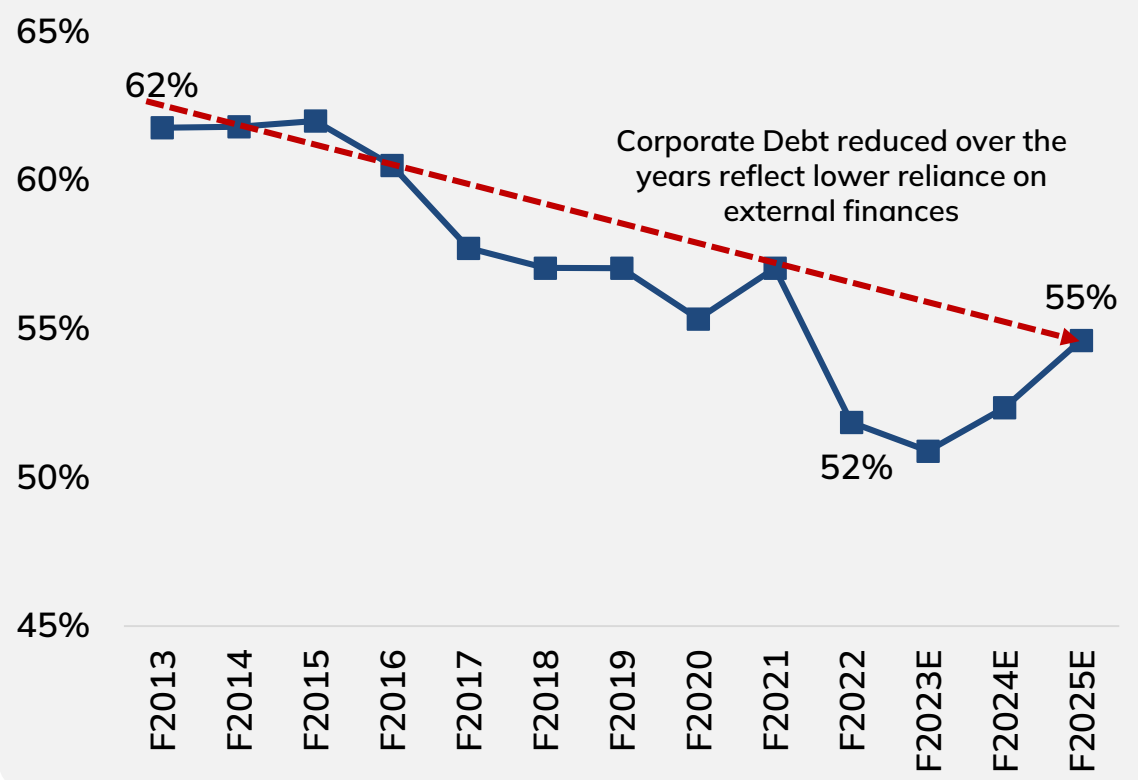


# Long term picture – Corporate Profitability

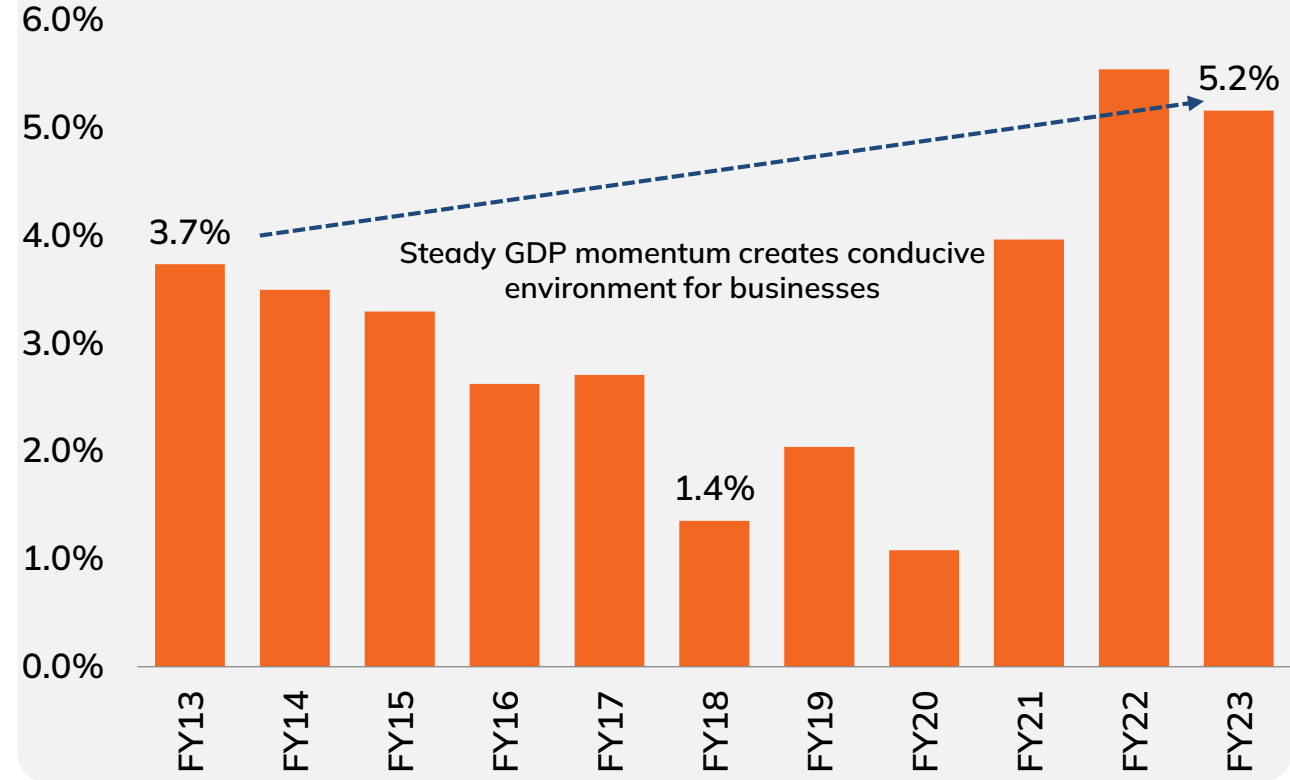


India's Economic growth has bolstered Corporate Profits and reduced corporate's reliance on large finances

### Corporate Debt (% of GDP)



### Corporate Profit to GDP (%)

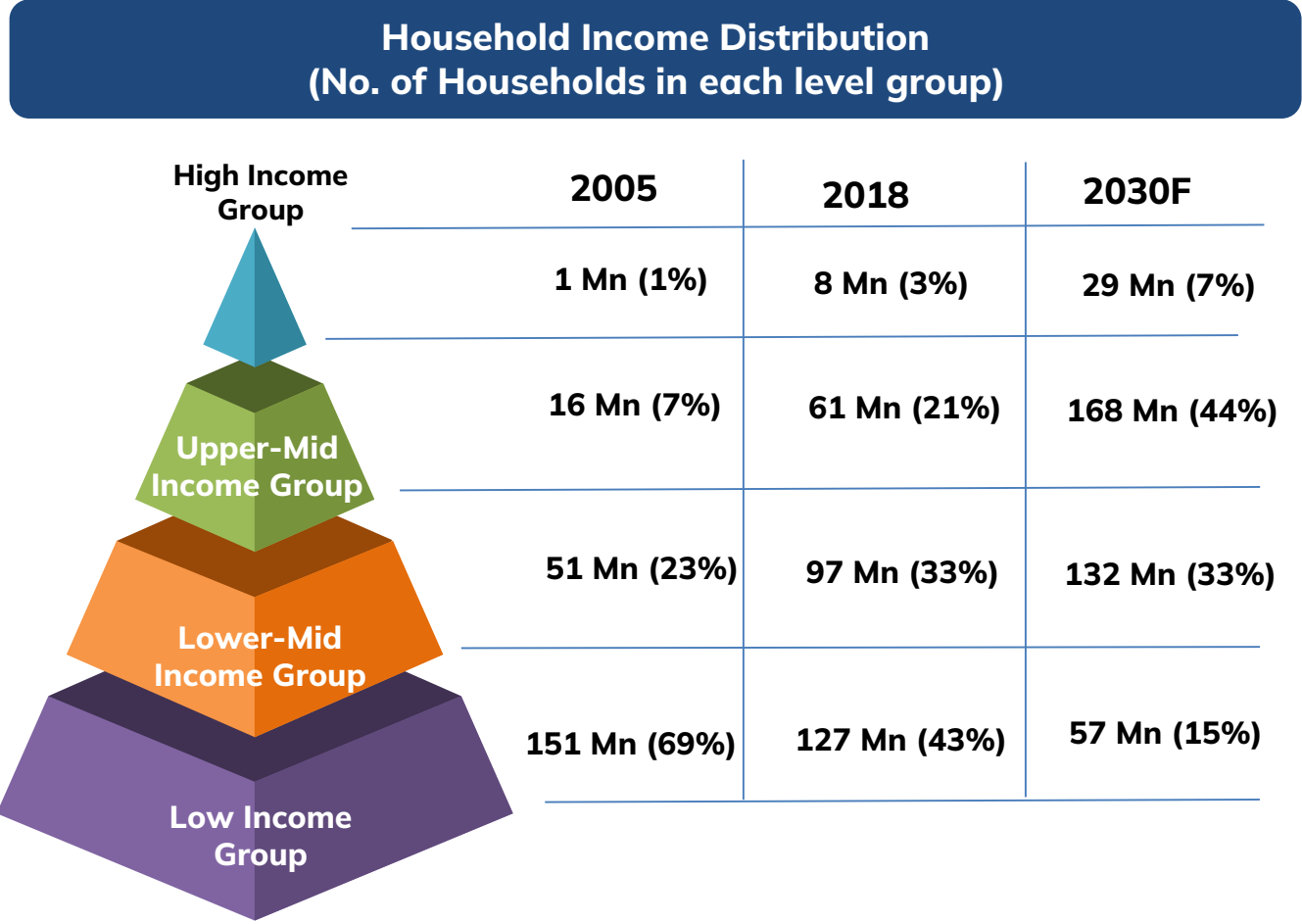
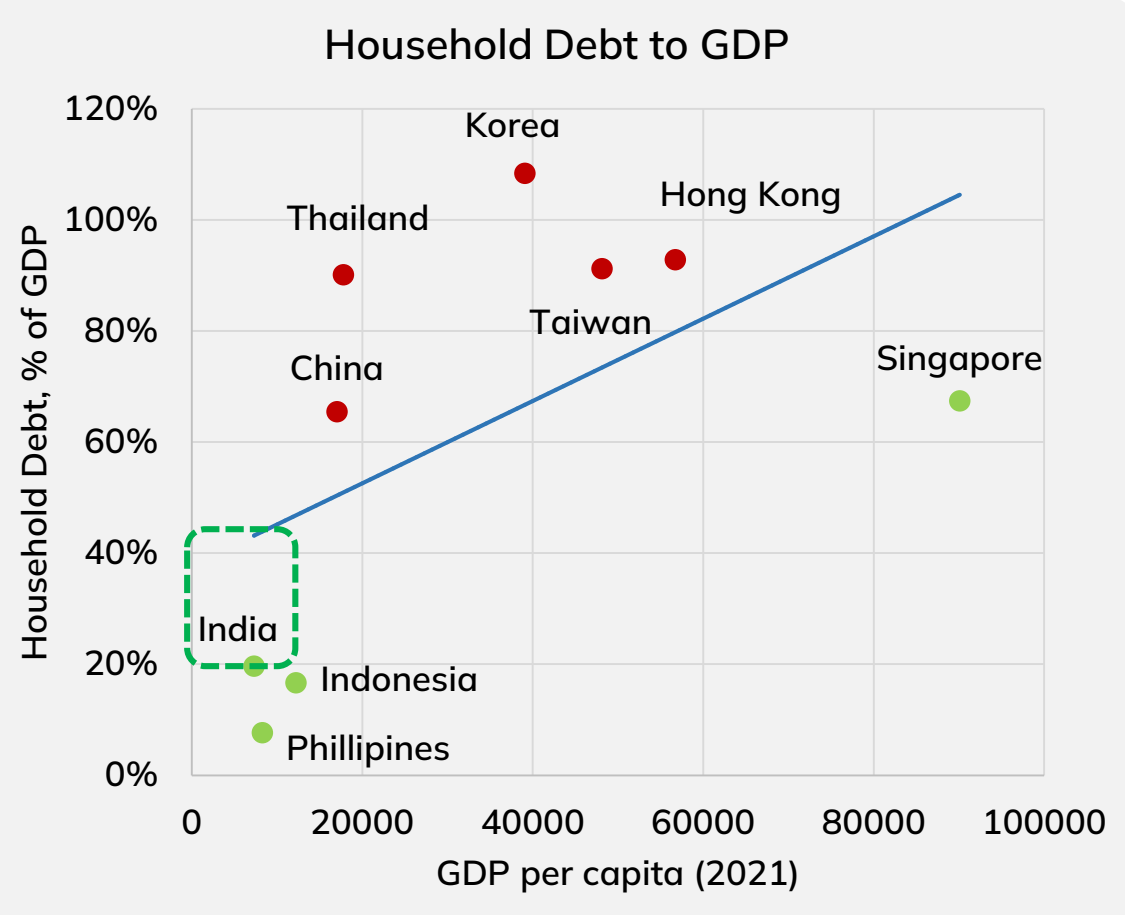


Data Source: Morgan Stanley and Aventus Spark. F: Financial Year. FY: Financial Year. E: Estimates. Past performance may or may not sustain in future. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



# Long term picture – Household Demand

**Lower Household Debt and changing Income Distribution Dynamics create conducive environment for blooming consumer demand**



Data Source: Morgan Stanley and Macquarie Research. GDP: Gross Domestic Product, F: Forecasts, Mn: Million, For High Income Group, Annual income per household is >30L, for Upper Mid: Annual income above 6 L but below 30L, For Lower Mid, Annual income below 6L and above 3L and for Lower Income, Annual Income lower than 3L is considered. L: Lakhs. Past performance may or may not sustain in future. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



# Long Term Picture – India's PMI remains brightest

**India is consistently outperforming major economies in terms of manufacturing activity**

	India	US	Eurozone	UK	China	Japan
Oct-22	55.3	50.4	46.4	46.2	49.2	50.7
Nov-22	55.7	47.7	47.1	46.5	49.4	49.0
Dec-22	57.8	46.2	47.8	45.3	49.0	48.9
Jan-23	55.4	46.9	48.8	47.0	49.2	48.5
Feb-23	55.3	47.3	48.5	49.3	51.6	47.7
Mar-23	56.4	49.2	47.3	47.9	50.0	49.2
Apr-23	57.2	50.2	45.8	47.8	49.5	49.5
May-23	58.7	48.4	44.8	47.1	50.9	50.6
Jun-23	57.8	46.3	43.4	46.5	50.5	49.8
Jul-23	57.7	49	42.7	45.3	49.2	49.6
Aug-23	58.6	47.9	43.5	43	51.0	49.6
Sep-23	57.5	49.8	43.4	43.3	50.6	48.5
Oct-23	55.5	50.0	43.1	44.8	49.5	48.7

Source – Axis Capital and Equirus Research. PMI – Purchasing Managers Index, US – United States, UK – United Kingdom. PMI >50 indicates expansion and <50 indicates contraction. Readings above 50 are shown in green color and below 50 are shown in red color. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.

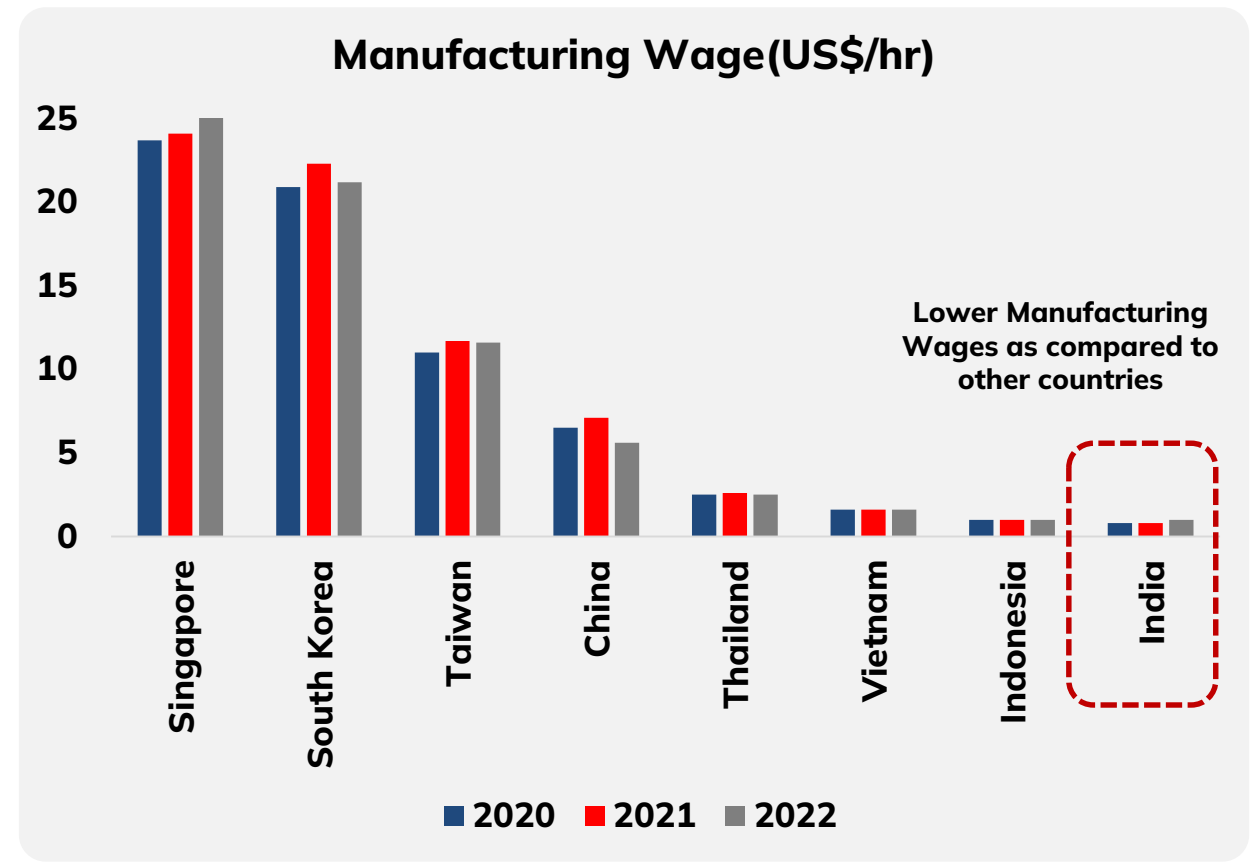


# Long term picture – Favorable Demographics

Confluence of having younger population mix and lower wage rates braces for higher manufacturing growth in India

Median Age of Population(2020, Years)

40.4	38.4	31.5	30.9
Thailand	China	Turkey	World
39.6	33.5	29.7	28.4
Russia	Brazil	Indonesia	India
		29.2	27.6
		Mexico	South Africa



Data is shown on calendar year basis. Data Source: Macquarie Equity Research and Morgan Stanley. Past performance may or may not sustain in future. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.





# Long term picture – Going from strength to strength



India's overall gross savings rate remains competitive with major emerging economies  
Effective mobilization of savings in an economy roots for higher growth

## Gross Domestic Savings (% of GDP)



China: 44.3



Indonesia: 31.0



Thailand: 29.1



India: 28.8



Russia: 27.7



Philippines: 25.6



Malaysia: 24.8



Mexico: 24.3



Brazil: 15.0



South Africa: 14.6

# Valuations Update



# Market goes through Phases...

## Burst Phase

- Lehman Crisis 2008
- Dot com burst – 2001

## Good Time to Invest

- Equity Markets in 2013-16
- Equity Markets in 2009-11
- Debt Accrual Schemes in 2019
- Equity Markets in 2020

## Boom Phase

- Equity Markets in 2011 & 2017
- Equity Markets currently

## Bubble Phase

- Real Estate in 2013
- e-Commerce in 2014
- Bitcoin in 2017
- Equity in 2007 & 2000

## Boring Phase

- Equity Markets in 2012

**We are here!**





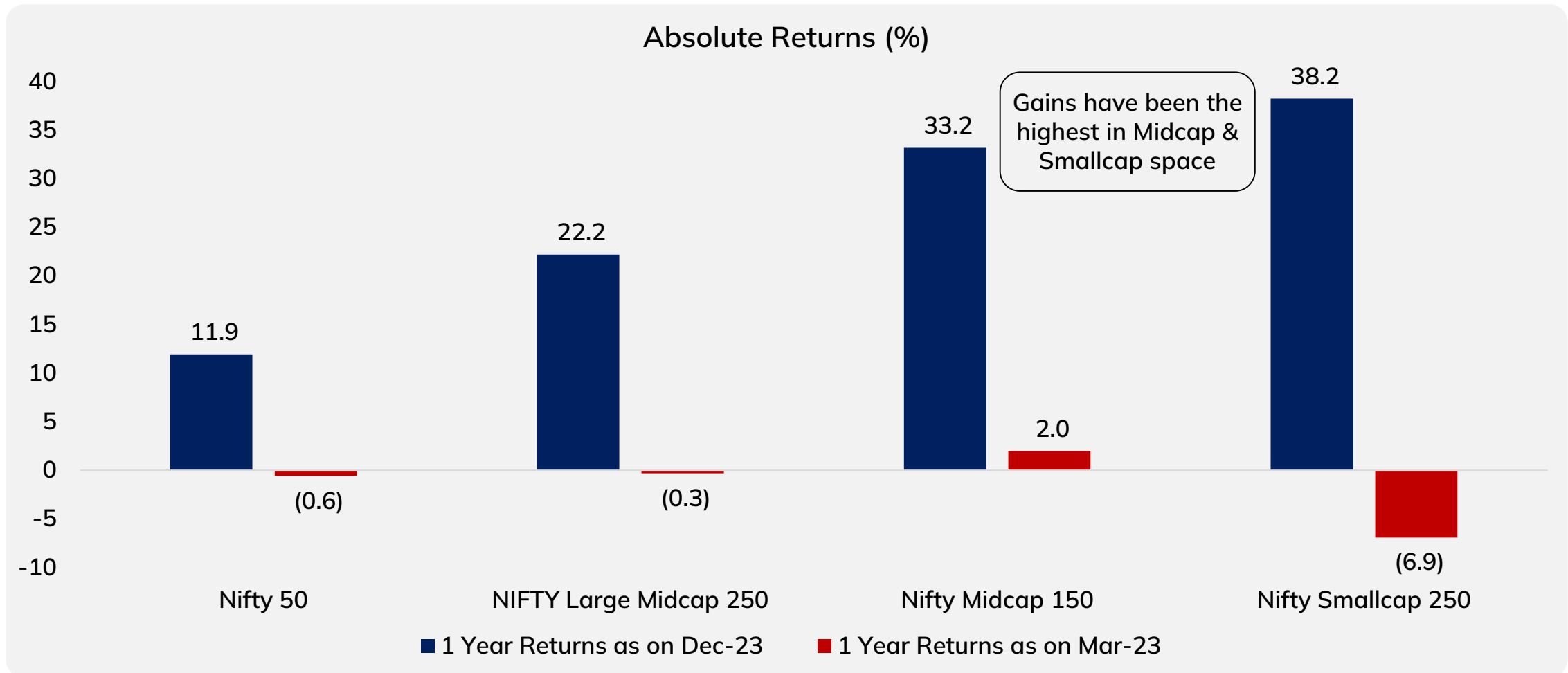
# Why are we in a Boom Phase?

Indicators	Current Status	Fit for Boom Phase
Market Returns	High	✓
Market Valuations	Rising	✓
Sentiments	Positive	✓
Earnings Growth	High	✓
Production Growth	High	✓



# Boom Phase: Markets yielding higher returns

## Markets have rebounded at a faster pace in last 6 months



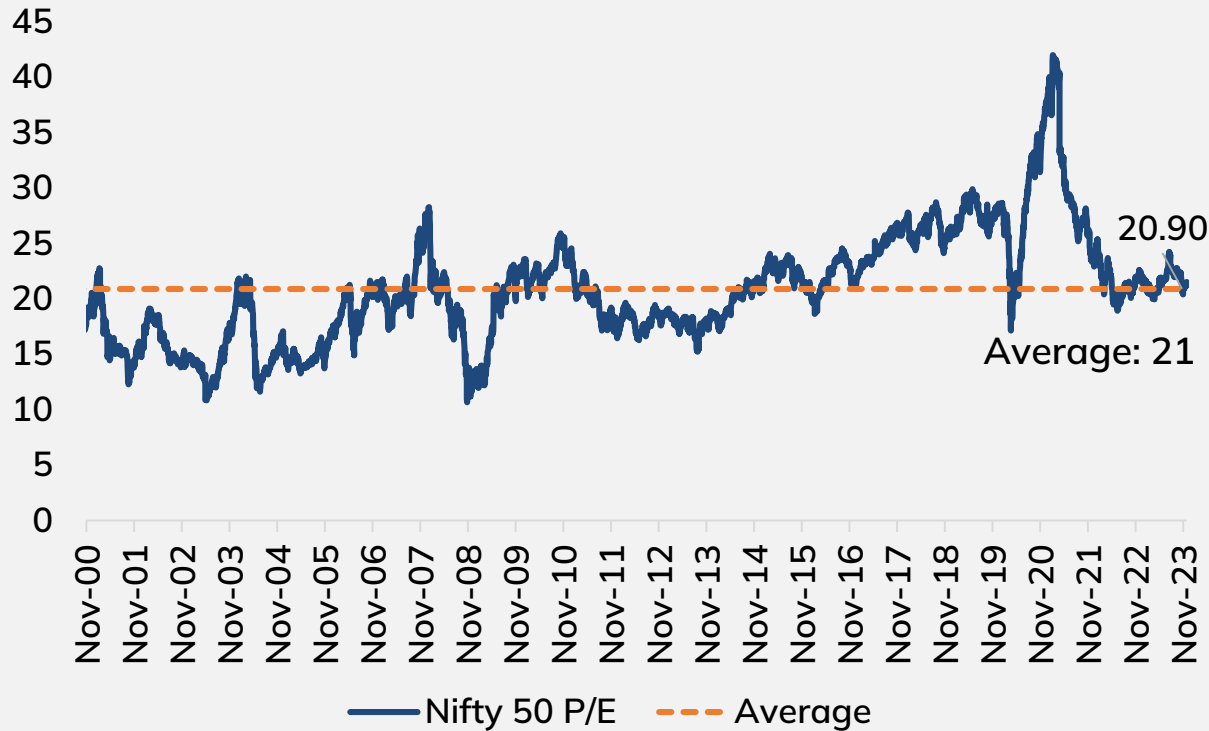
Source : MFIE. Data as on December 06, 2023. Past performance may or may not sustain in future. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



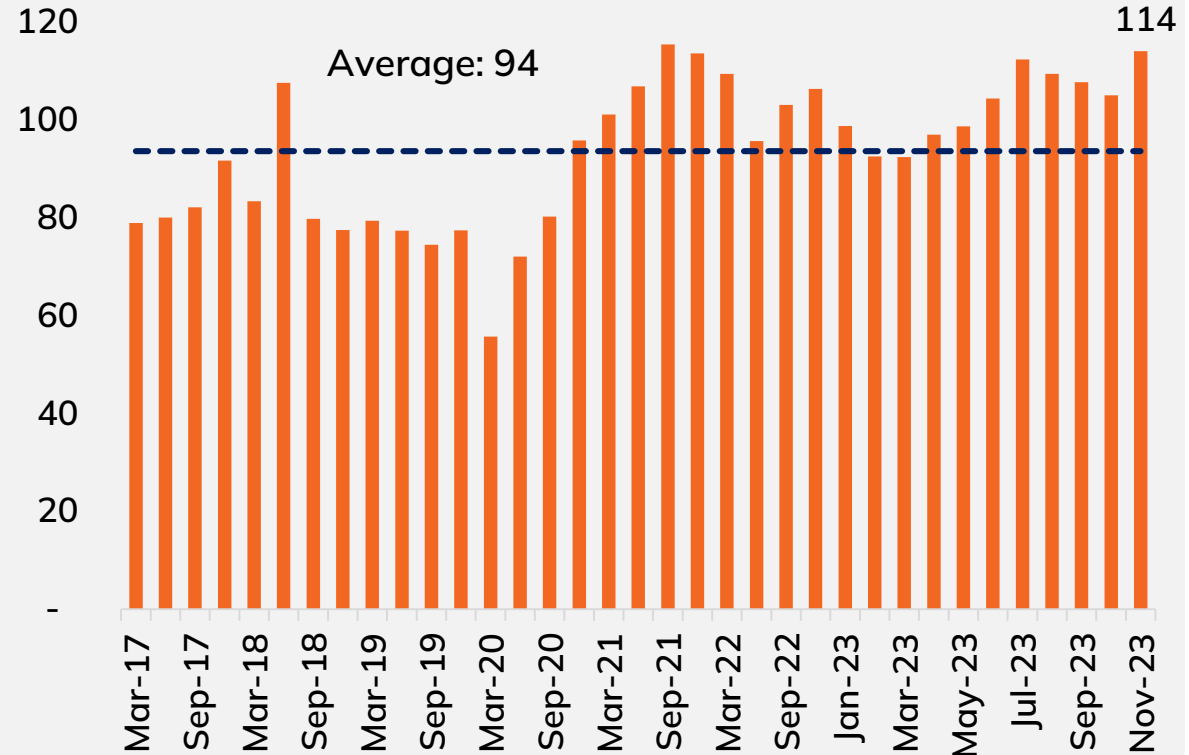
# Boom Phase: Valuations on the higher end

With market indices nearing to new record, valuations remain on the higher end

### Nifty 50 P/E (x)



### Indian Market Cap to GDP (%)



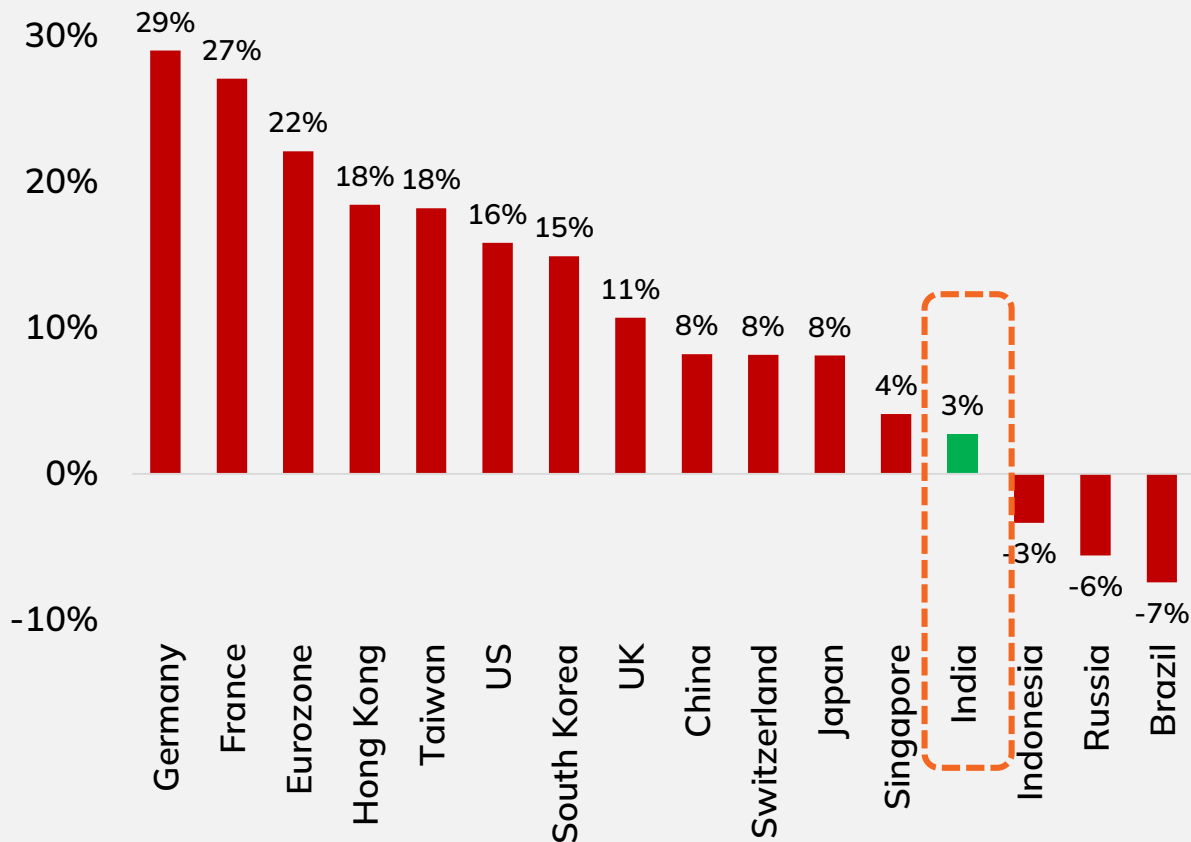
Source : NSE and Nuvama Research. Data as on November 30, 2023. Past performance may or may not sustain in future. P/E – Price to Earning, GDP: Gross Domestic Product. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



# Boom Phase: Valuations on the higher end

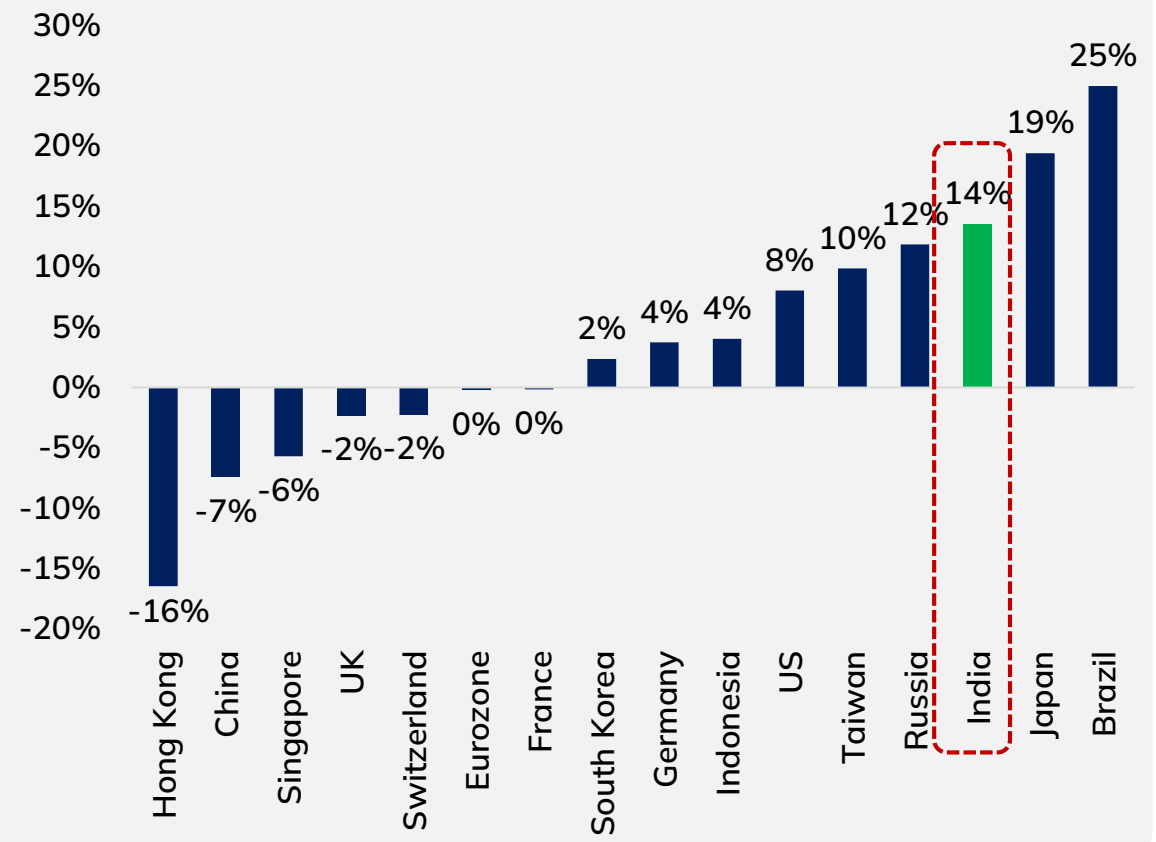
## India's valuations cooled off between Sep-22 & Mar-23

Absolute Returns (Sep 30, 2022-Mar 31, 2023)



## However, valuations are again on the rise...

Absolute Returns (Mar 31, 2023 - Nov 30, 2023)



Source : MFIE. Past performance may or may not sustain in future. For indices considered for each country, please refer to slide 2 disclaimers. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



# Boom Phase: Valuations on the higher end

## Share of Market Cap – (as a % of Total Market Cap)

Period	Large Cap	Mid Cap	Small Cap	Sum of Mid & Smallcap
2005	83	11.3	5.6	16.9
2006	81.9	11.5	6.7	18.2
2007	77.7	13.2	9.1	22.3
2008	82.7	10.9	6.4	17.3
2009	79.8	12.3	7.9	20.2
2010	78	12.5	9.4	21.9
2011	79.8	12.1	8.1	20.2
2012	77.9	13.4	8.7	22.1
2013	80.3	12.4	7.2	19.6
2014	76.8	14.1	9.1	23.2
2015	73.8	15.2	11	26.2
2016	72.9	15.3	11.8	27.1
2017	68.1	17.3	14.6	31.9
2018	72	16.3	11.7	28
Dec-19	74.9	15.6	9.5	25.1
Dec-20	74.2	15.5	10.2	25.7
Dec-21	68.7	16.8	14.5	31.3
Dec-22	69.2	16.1	14.7	30.8
Jun-23	67.5	16.9	15.6	32.5
Aug-23	64.7	17.7	17.6	35.3
Sep-23	65	17.7	17.3	35
Oct-23	64.5	17.7	17.7	35.4
Nov-23	64	18	18.1	36

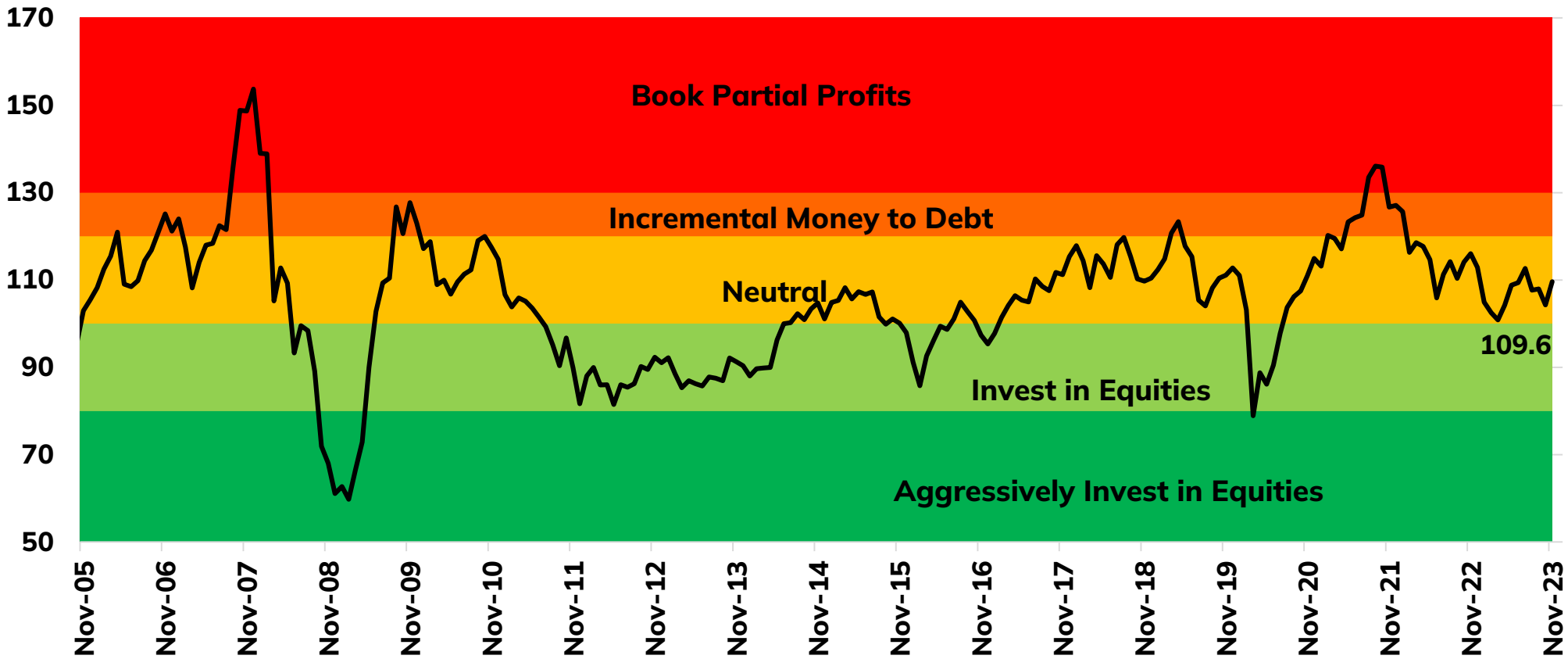
Source: NSE. Data as on Nov 30,2023. Past performance may or may not sustain in future. Red indicates high valuations, Amber indicates neutral valuations and Green indicates attractive valuations. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.





# Equity Valuation Index

Our Equity Valuations Index suggests that valuations continue to remain in the neutral zone

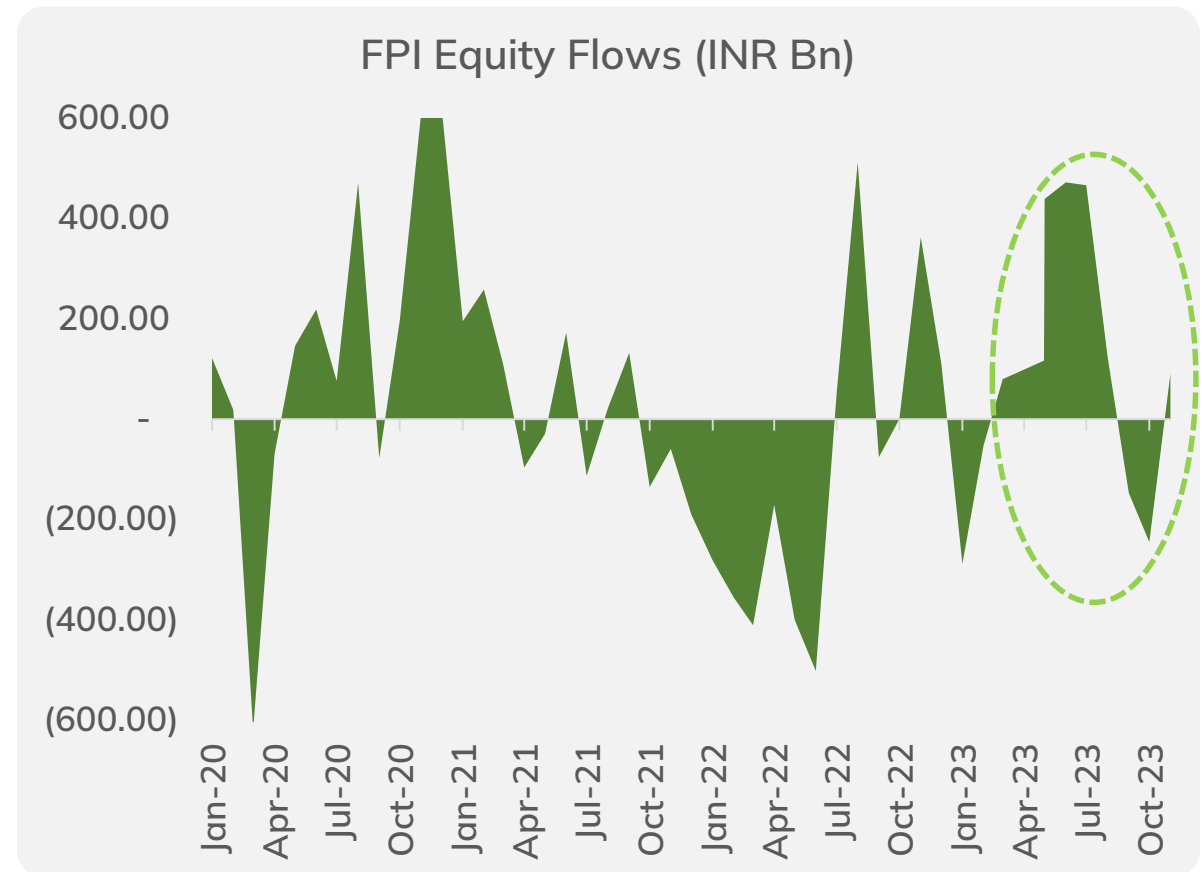
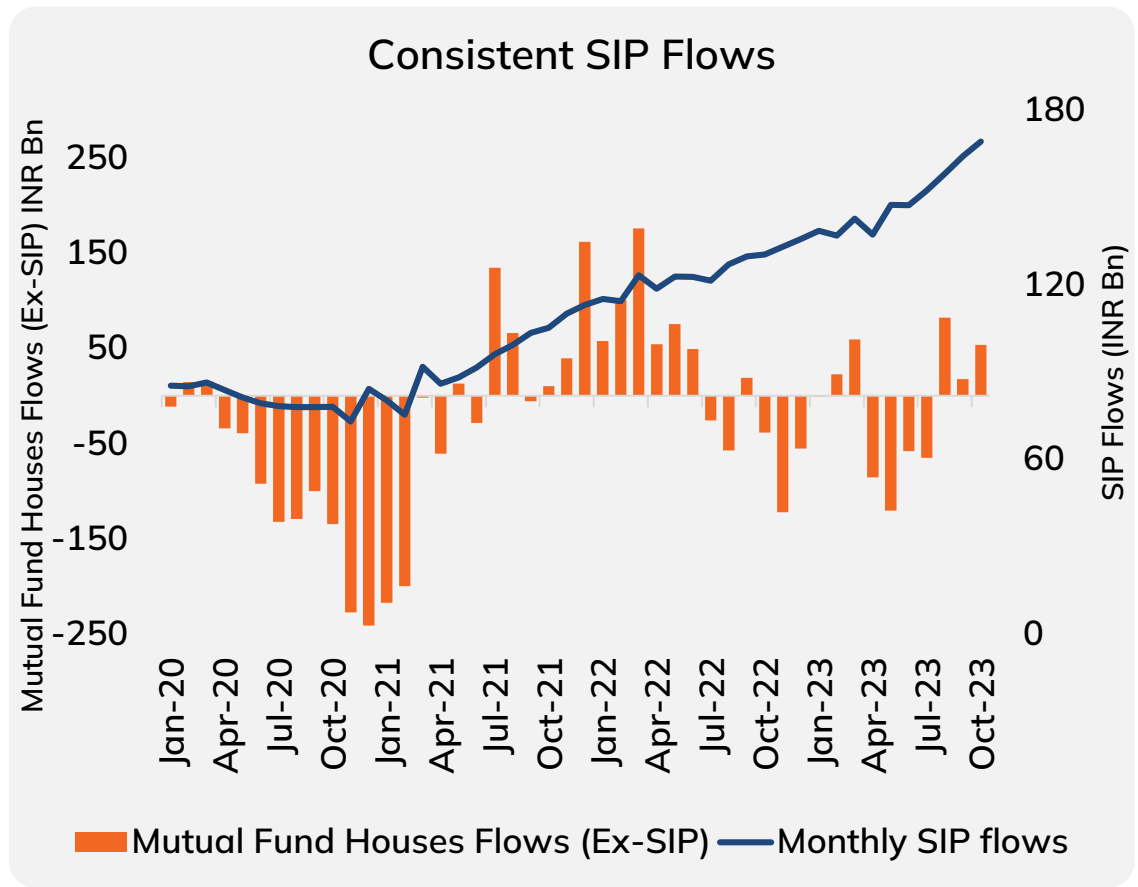


Equity Valuation index is calculated by assigning equal weights to Price-to-Earnings (PE), Price-to-Book (PB), G-Sec\*PE and Market Cap to GDP ratio and any other factor which the AMC may add/delete from time to time.. G-Sec – Government Securities. GDP – Gross Domestic Product, Data as on November 30, 2023 has been considered. Equity Valuation Index (EVI) is a proprietary model of ICICI Prudential AMC Ltd. (the AMC) used for assessing overall equity market valuations. The AMC may also use this model for other facilities/features offered by the AMC. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



# Boom Phase: Investor Sentiments – Positive to Neutral

**Consistent SIP flows are driving the buying spree for Mutual Fund Houses  
Sentiments boosted after FPI reversed their selling strategy in India**



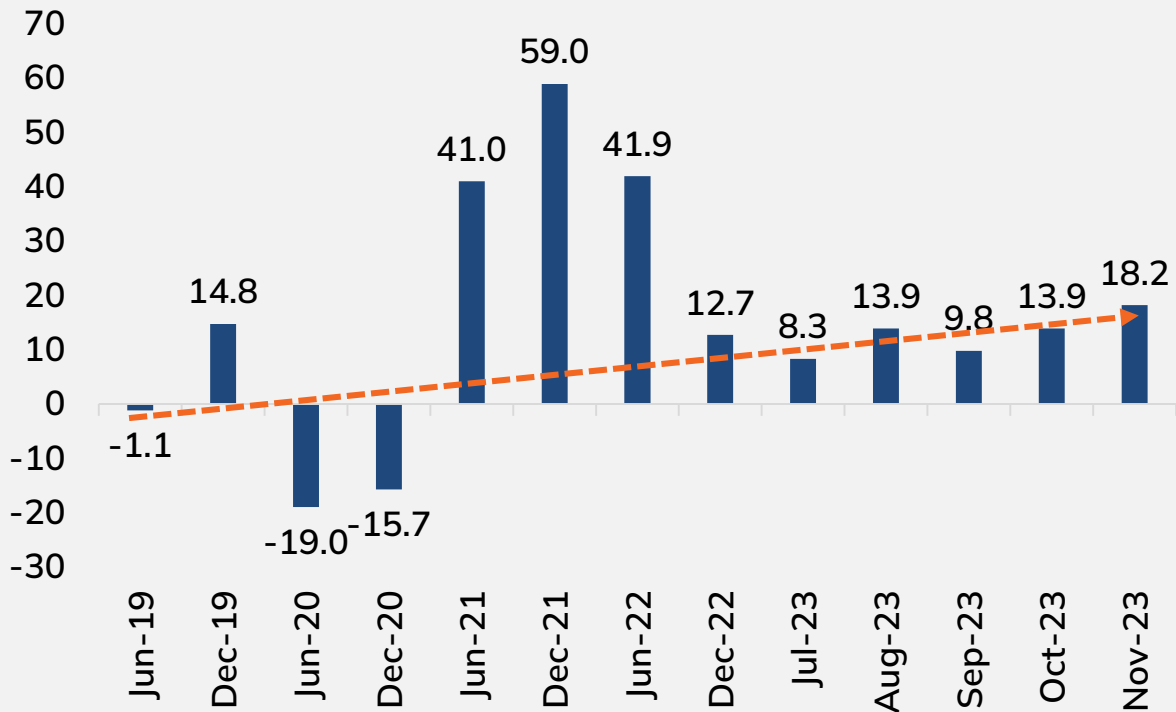
Data as on Oct 31, 2023 for Mutual Fund Flows. Data as on October 31, 2023 for FPI Equity Flows. Data Source: Morgan Stanley Research and NSDL. SIP: Systematic Investment Plan. FPI; Foreign Portfolio Investors. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



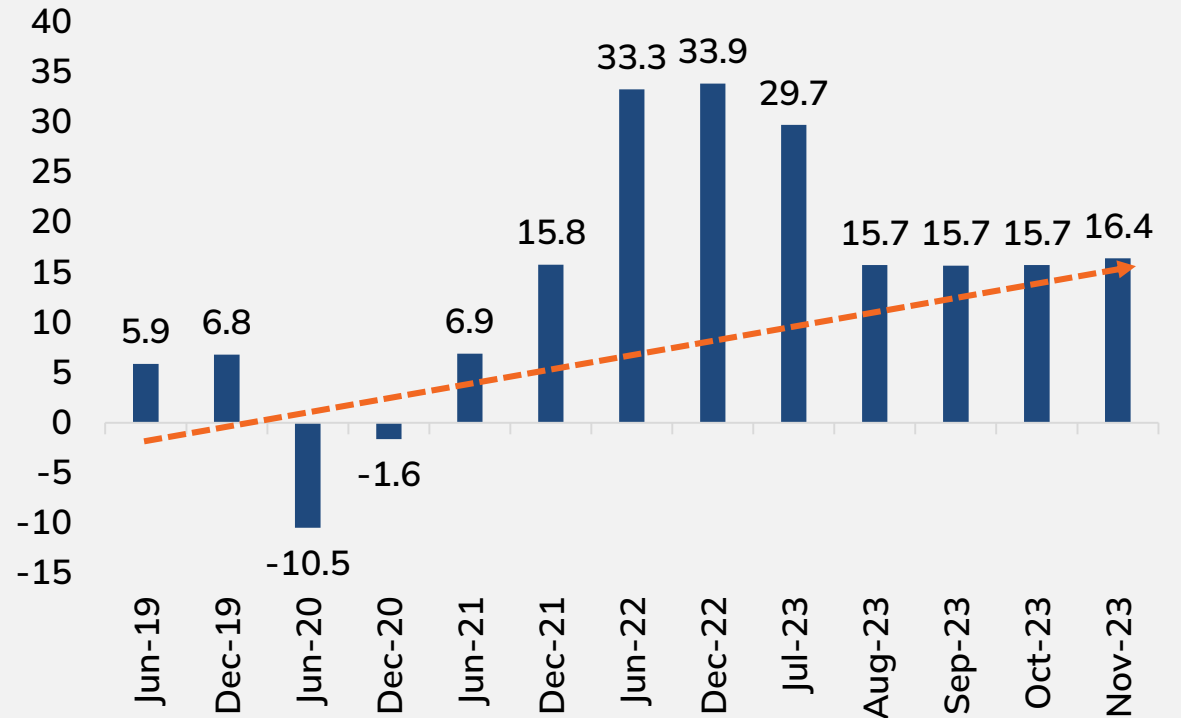
# Boom Phase: Earnings Trajectory Climbing Up

## Corporate Earnings continue to gain traction at levels ahead of Pre-covid results

### 1 Yr Earnings Growth (Y-o-Y %)



### 2 Yrs Earnings Growth (Y-o-Y %)



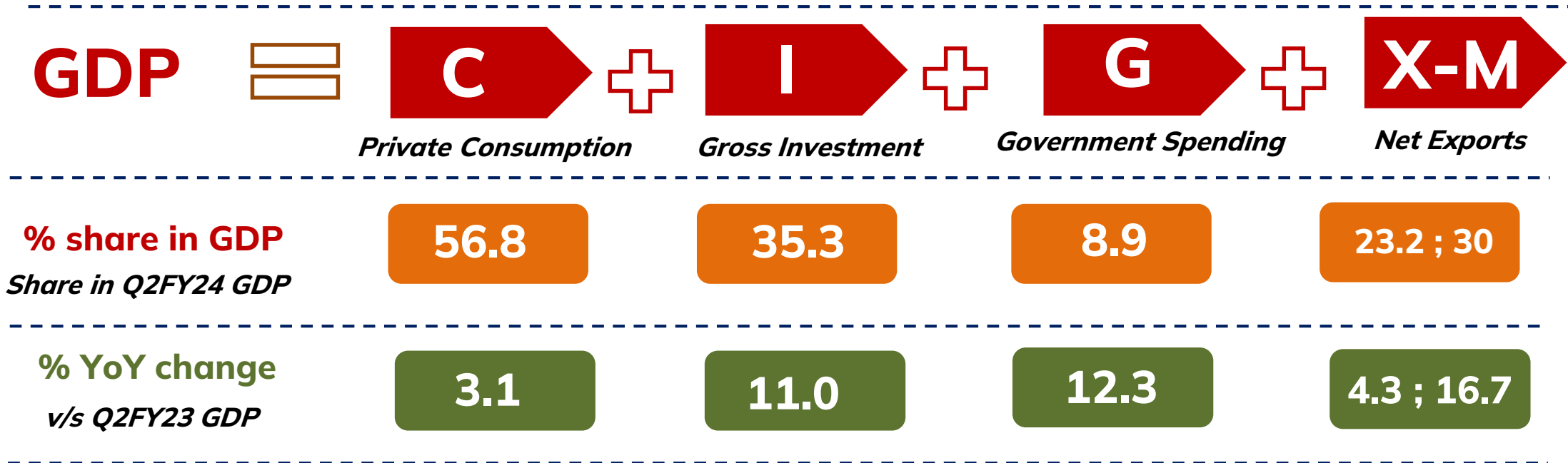
## GDP gaining momentum bodes well for corporate earnings growth

Data as on November 30, 2023. Data Source: Crisil Research and NSE, Earnings for Nifty 50 Companies have been considered. Returns for 1 year are calculated on absolute basis and more than 1 year are calculated on CAGR basis. Covid- Coronavirus Disease 2019. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



# Deep scan of GDP components

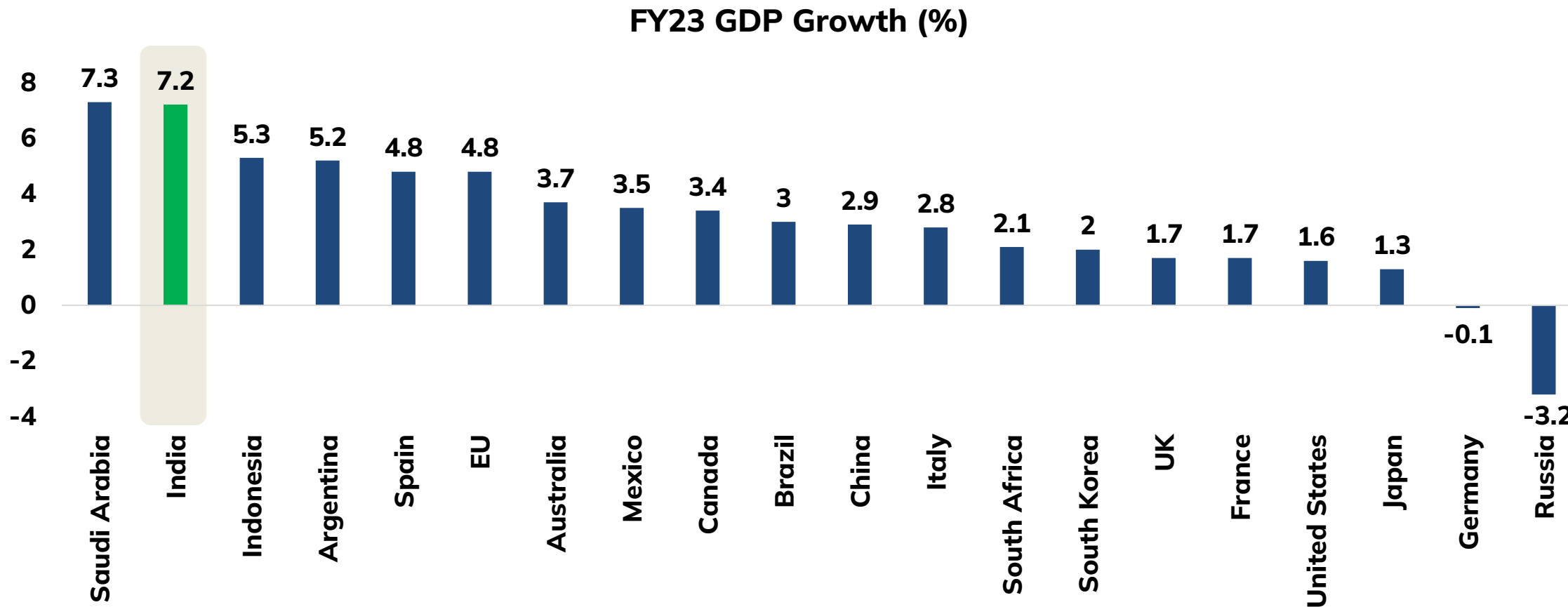
India's GDP pegged growth of 7.6% in Q2FY24 marking an uptick across all its components





# Boom Phase: India's GDP shining bright

Indian Economy is emerging as one of the fastest growing economy amongst the G20 Nations



Data Source: ICICI Securities. GDP: Gross Domestic Product, UK: United Kingdom, YoY: Year on Year and EU: European Union. Percentages shown above have been calculated on Year on Year basis. The G20 or Group of 20 is an intergovernmental forum comprising 19 countries and the European Union. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



# Summary & Outlook

- With changing global macro dynamics, near term vision of 'Goldilocks' for Indian Economy is hazy but a clear vision can be seen in the long term
- With sound fundamentals and multiple structural reforms underway, the economy is at the cusp of further up-cycle in the long run
- Favorable demographics and demand too bodes well for the economy
- Long term structural story remains intact albeit with near term volatility owing to global growth-inflation dynamics and evolving geo-political factors and uncertainties
- Post March-23, Indian equity market valuations have become richer with upbeat sentiments on growth and profitability
- We believe that markets are in a boom phase and prefer large caps given the recent outperformance of mid and small cap stocks
- We recommend investing in diversified equity schemes having flexibility to move across market caps/ sectors /themes coupled with Hybrid schemes that allocate across different asset classes with an aim to navigate volatility

# Fixed Income Outlook





# The Month Gone By



Global bond yields cooled off rapidly in Nov 2023 after a record rise in the earlier month. Various factors such as softer inflation print, rising unemployment figures and steady economic growth in the US built up hopes of rate cuts by the US Fed in the near future.



Domestic bond yields cooled alongside global bond yields, albeit not falling as much as its advanced peers. This may be likely due to tighter liquidity conditions coupled with incoming supply of bonds.



Recently announced Q2:FY2023-24 gross domestic product estimates beat market expectations, rising 7.6% on-year for the quarter ended Sep 30, 2023. This was higher than the RBI's projections of 6.5%.



Europe remains the poster child for the worsening global economic climate, but Canada is also entering a downturn, and growth in China has stalled. Growth in the US has been surprisingly persistent in 2023, but it is increasingly subdued.

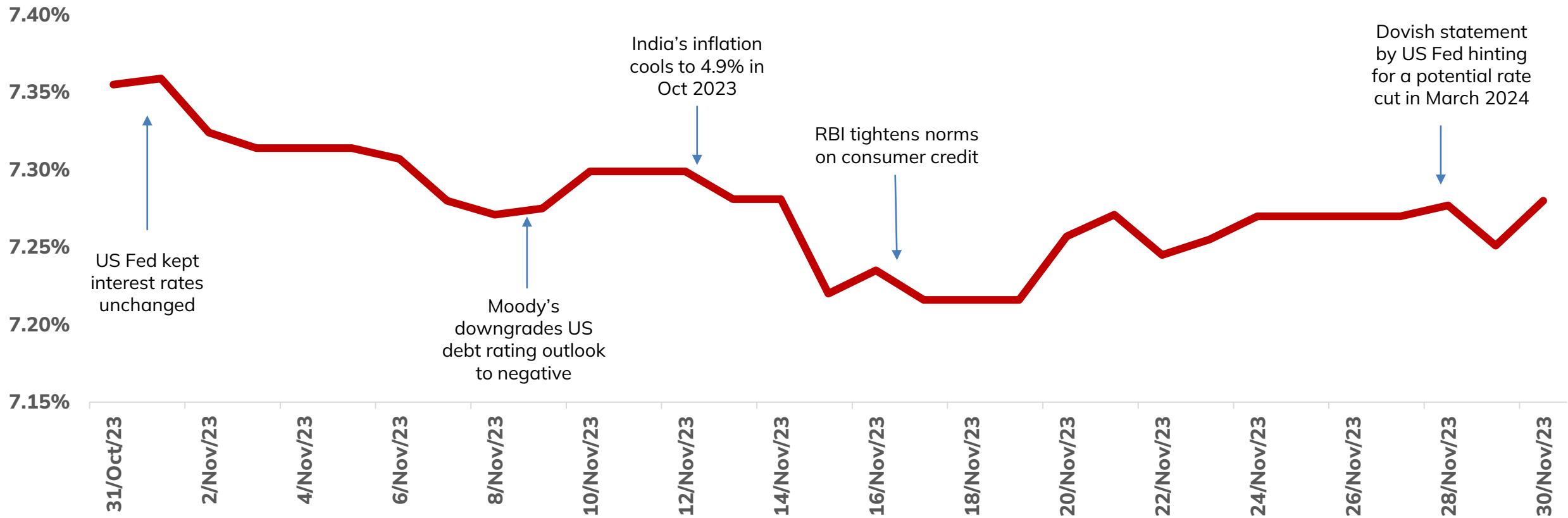




# The Month Gone By – Yield Movement

The benchmark 10-year bond yield cooled down to 7.28% on Nov 30, 2023, down 8 bps from Oct 31, 2023. Factors such as positive global cues and softer inflation print stoked rally in bonds.

### India Benchmark 10-year G-Sec Yield



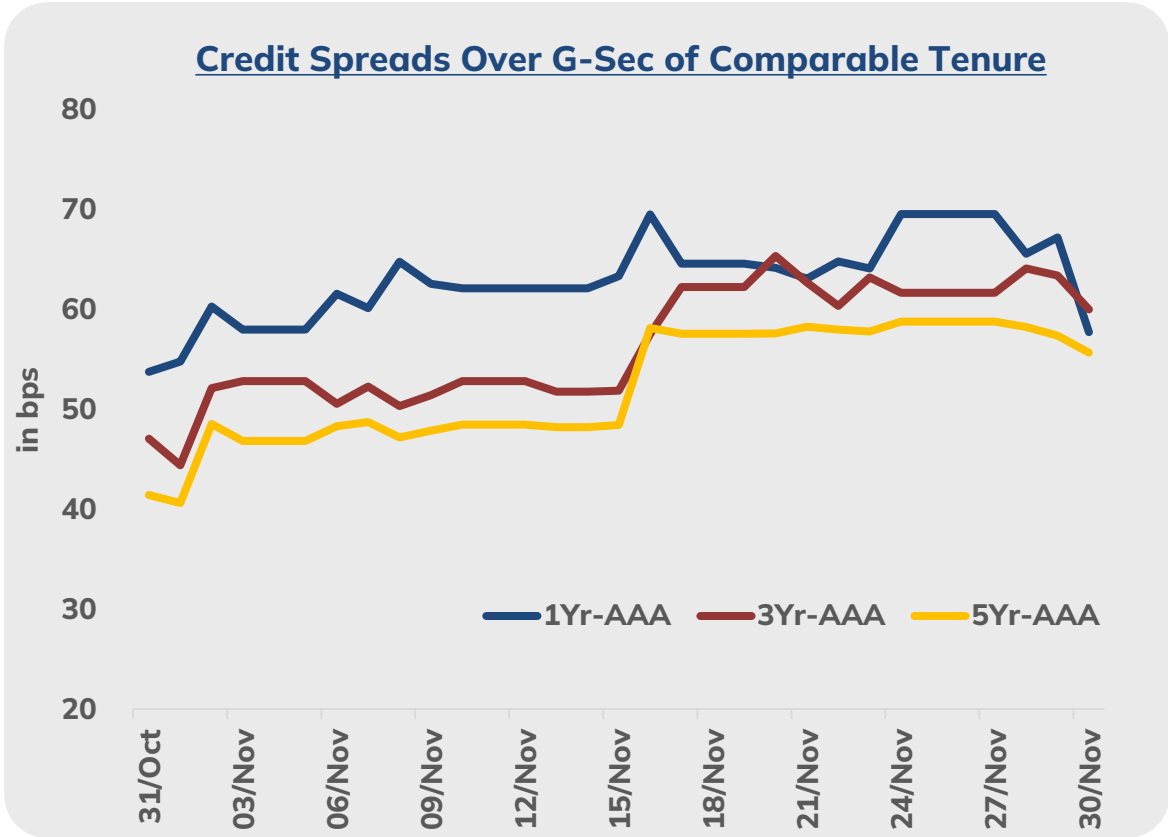
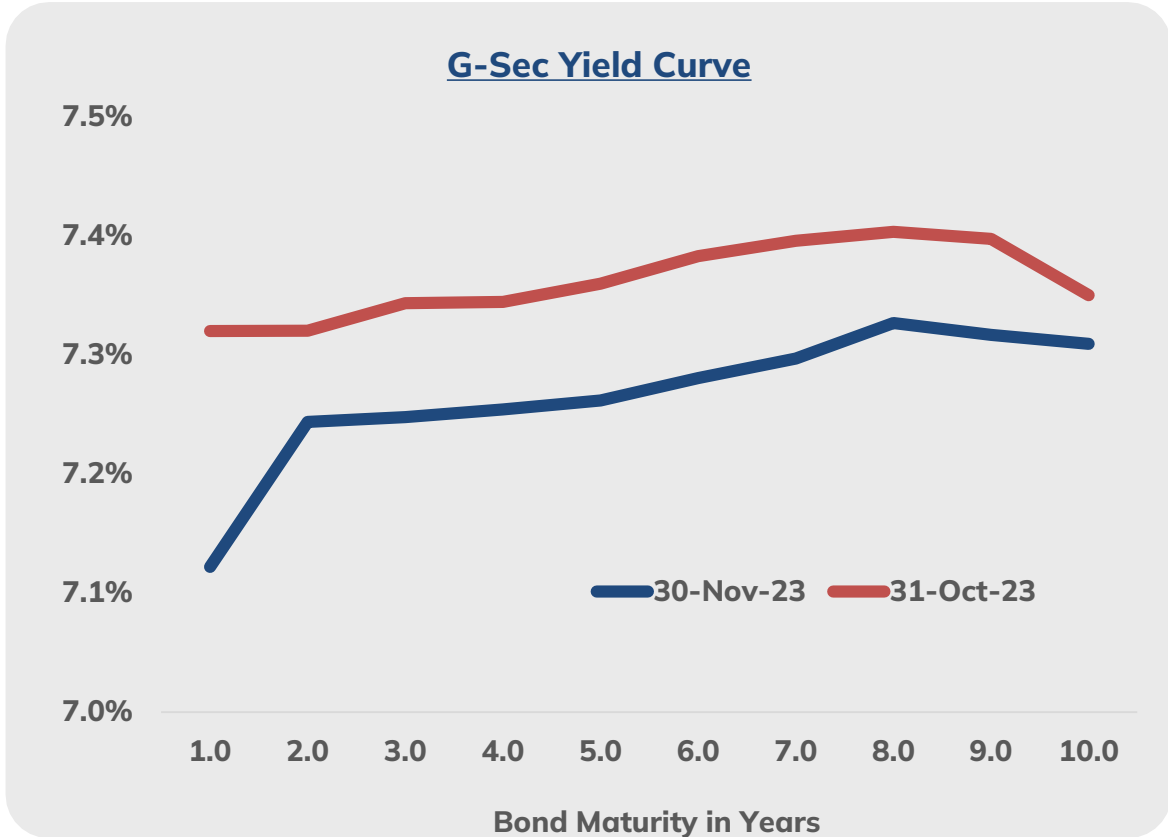
Data as on Nov 30, 2023. Source – RBI. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



# Yield Curve and Credit Spreads

Rise in bond yields was visible across the yield curve. The short-end was affected by tighter liquidity conditions.

Credit spreads compressed in the shorter-end of the curve due to greater rise in G-Sec yields of comparable tenure.

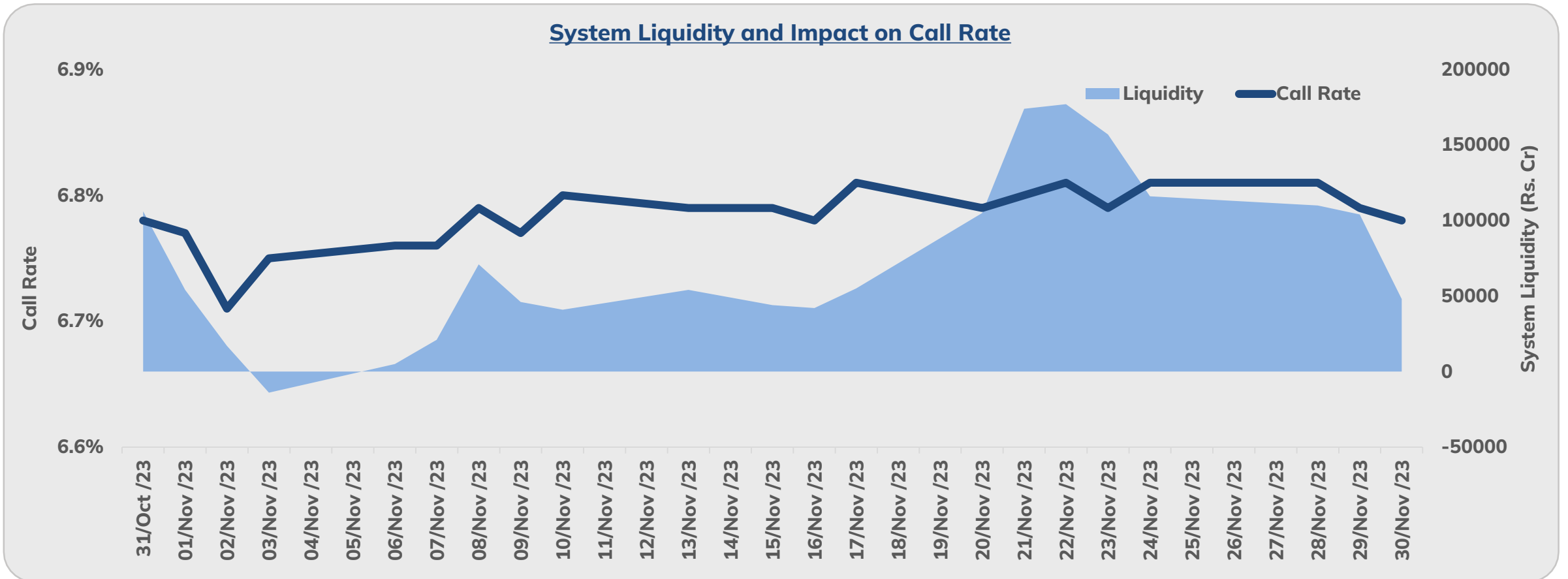


Data as on Nov 30, 2023. Source – RBI; CCIL, Refinitiv. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



# Overnight Interest Rates Touch the Ceiling

System Liquidity remained in deficit for major part of Nov 2023. Cash-deficit banks tapped the RBI's marginal standing facility (MSF) window to borrow cash overnight at the penal rate of 6.75%, which, in turn, pushed up overnight yields to the same level.



Data as on Nov 30, 2023. Source – RBI. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.

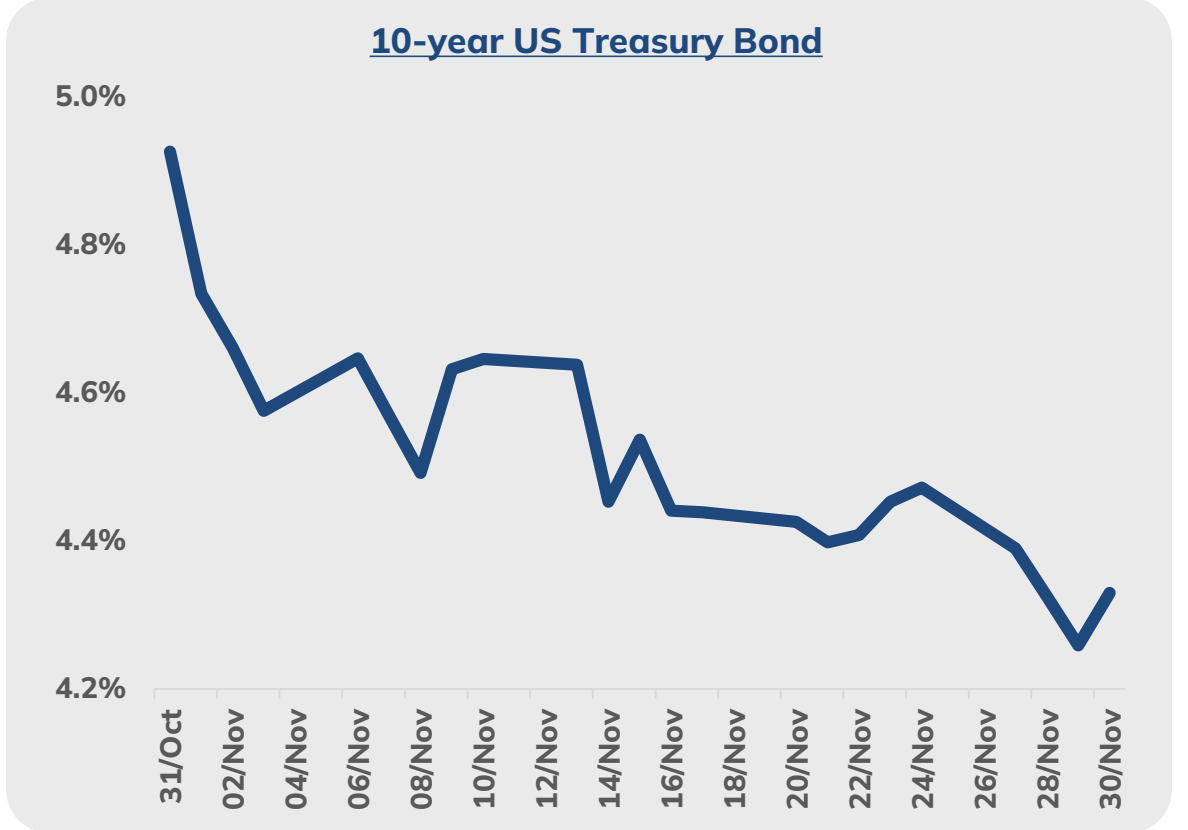
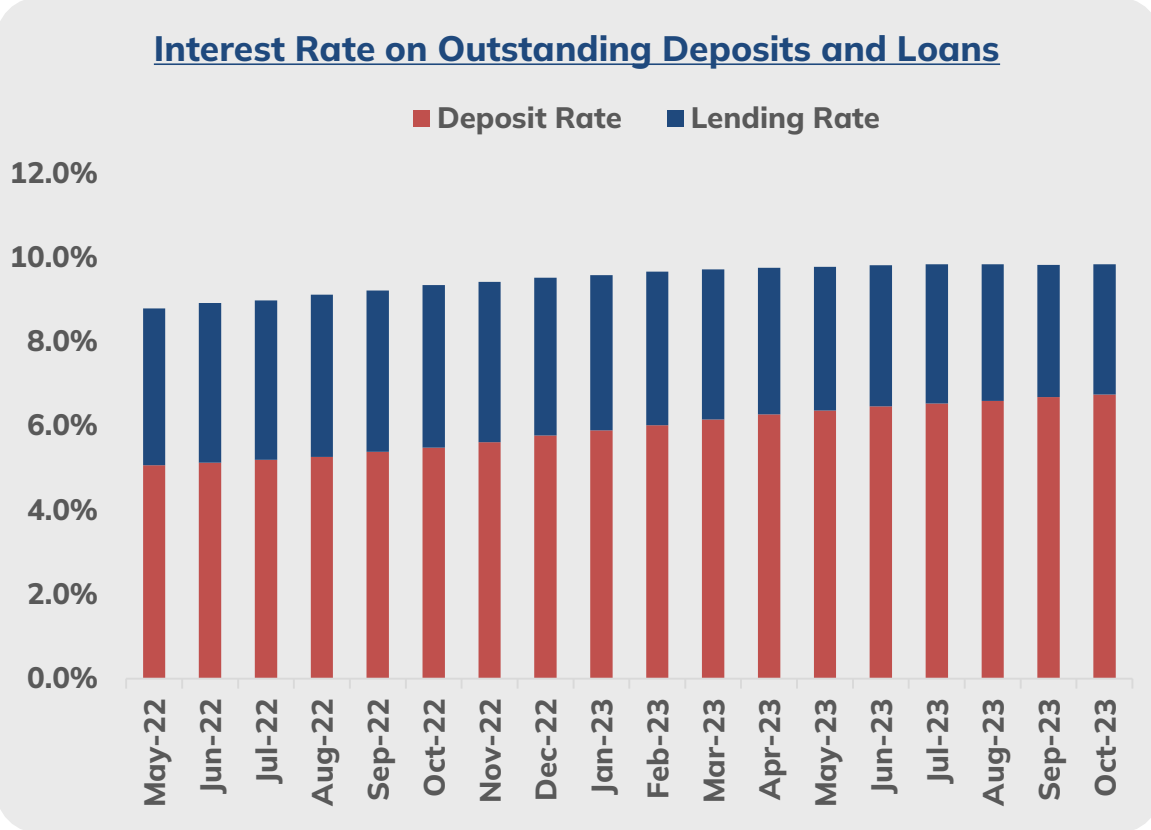


# Key Highlights



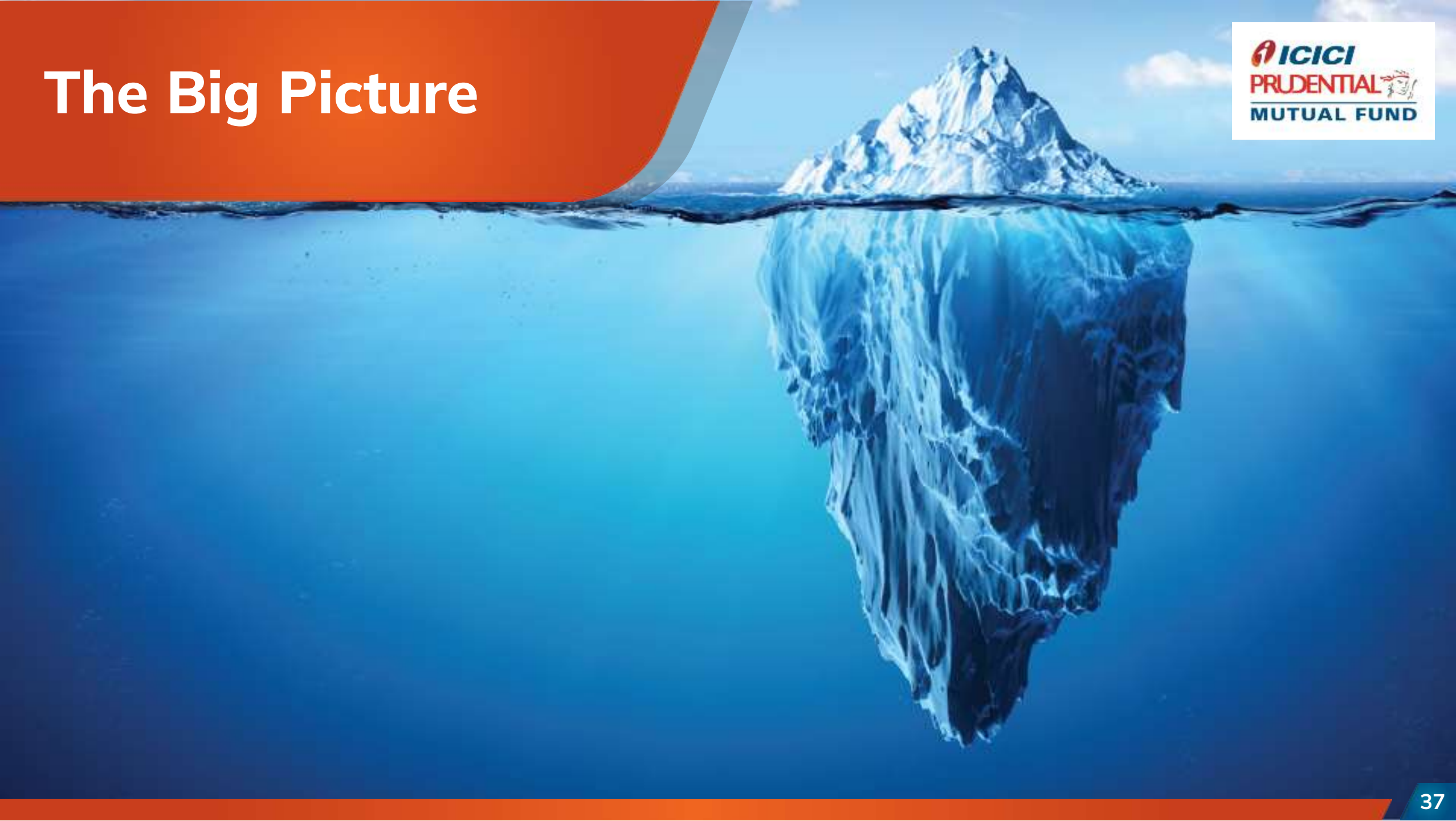
The gap between lending and deposit rates has narrowed owing to rush to chase deposits amid tight liquidity conditions

The 10-year US Treasury bond yield cooled rapidly amid favorable macro developments



Data as on Nov 30, 2023. Source – Investing.com; RBI’s Lending and Deposit Rates of Scheduled Commercial Banks - November 2023. Data lags by 1 month. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.

# The Big Picture





# The Big Picture



On the currency front, the Indian Rupee fell 0.2% to settle at Rs 83.39 on Nov 30, compared with Rs 83.25 on Oct 31, 2023, despite weaker dollar index, hinting at possible RBI intervention in currency markets to mop-up dollars. The RBI's foreign exchange reserves ballooned to \$597.9 billion as on Nov 24, 2023, up from \$590.8 billion on Nov 3, 2023.



Fiscal data, which comes with a 1 month lag, showed fiscal deficit reaching 45% of Budget Estimates up till Oct 31, 2023. Deficit was at 45.6% in the corresponding period of the previous year.



Bank credit growth reported a jump of 16.2% on-year as on Nov 17, 2023, excluding the balance sheet impact from the HDFC twin merger. Deposits grew 12.9% on-year in the same period.



Following a synchronized rise in policy rates, growth is now unsynchronized across major economies. The US is outperforming whereas in Europe activity is flat. The common macro thread comprises strong labor markets and spending on services, fiscal tailwinds and lingering core price pressures. Inflation has likely peaked as have policy rates, but central banks are on guard against declaring victory too early. (S&P Global)

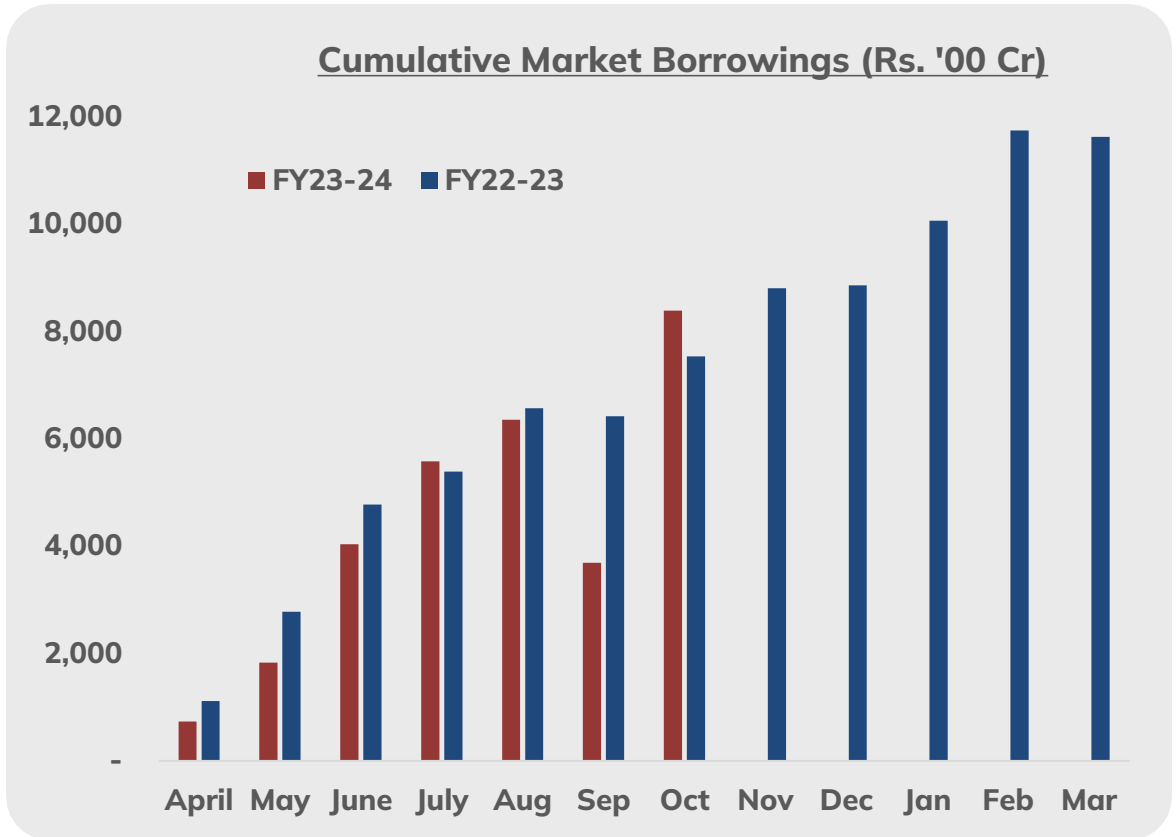
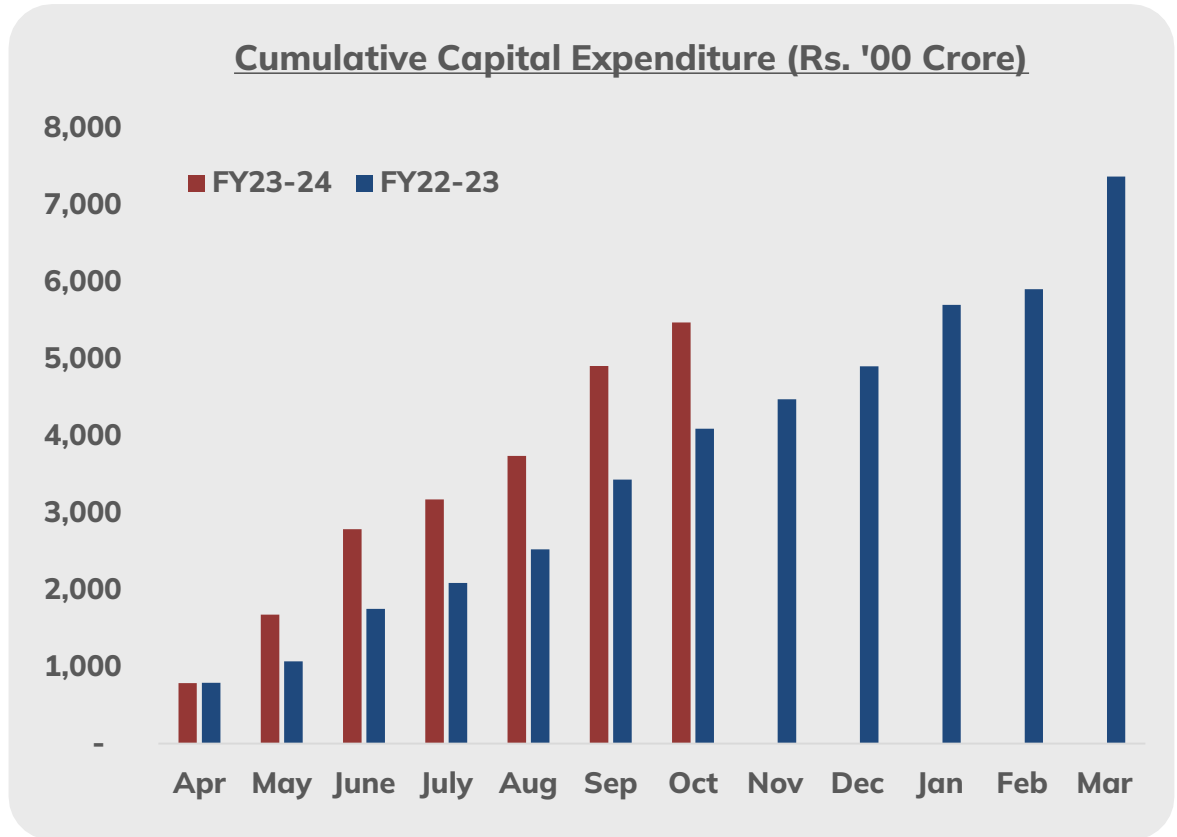


# Fiscal – Capex Boom



Capital expenditure spending reached ₹5.5 lakh crore in Apr-Oct 2023, 54.7% of budget estimates.

Cumulative market borrowings rebounded in Oct 2023 vis-à-vis previous year on higher bond supply.



Fiscal data lags by 1 month. Data shown is as on Oct 31, 2023. Source: cga.nic.in. FY – financial year. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.

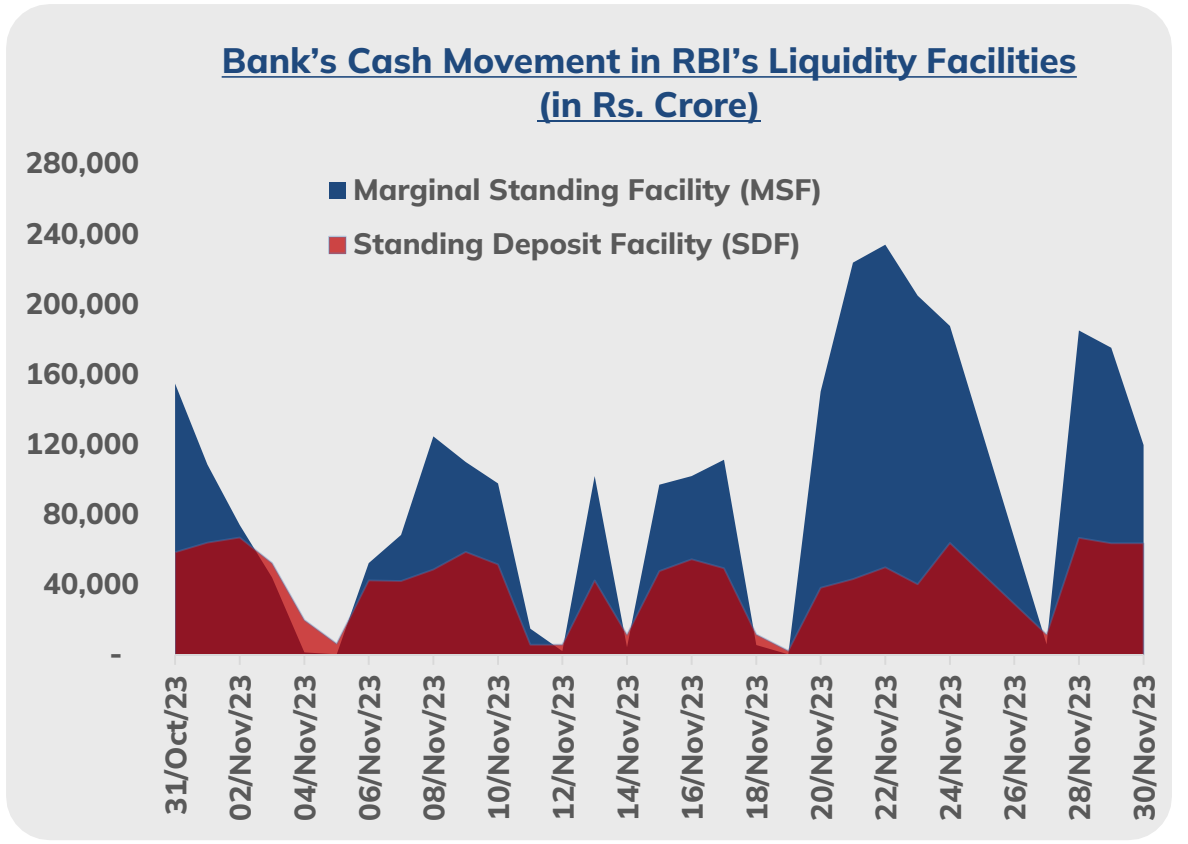
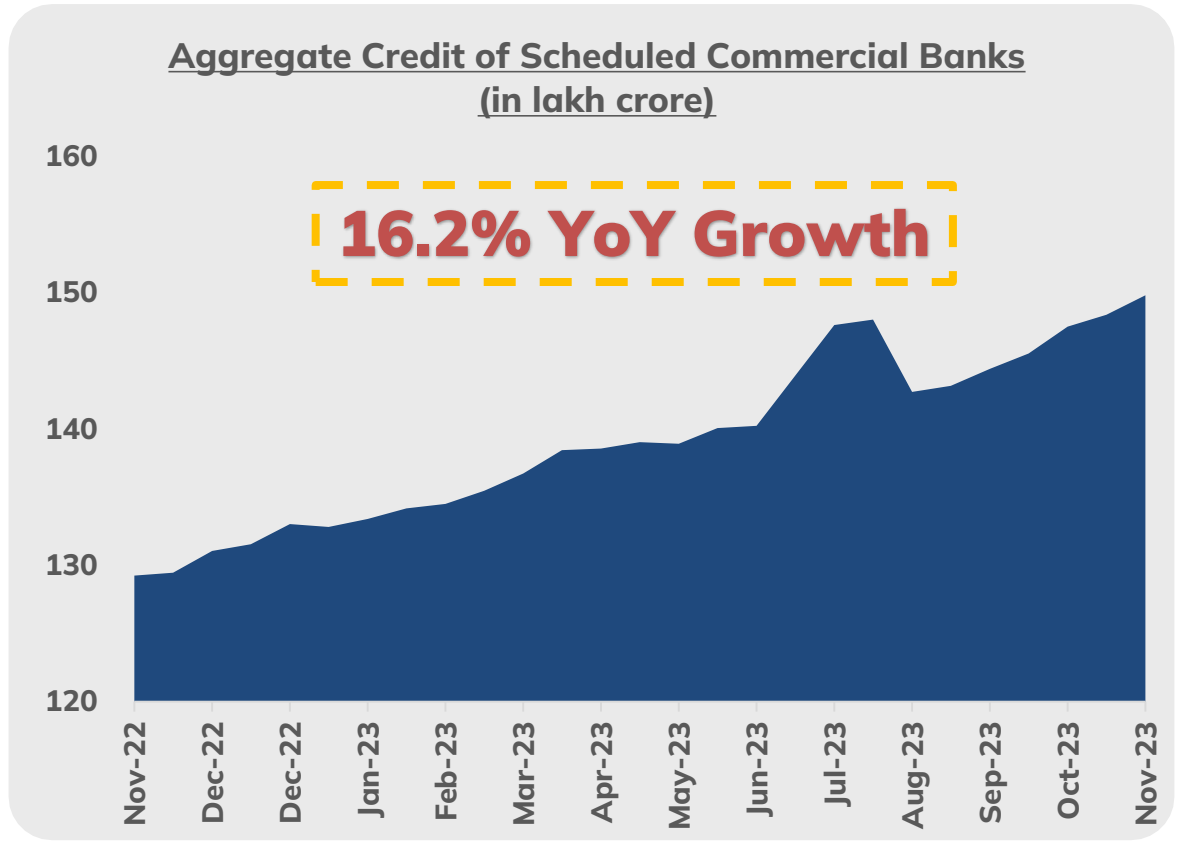


# Monetary – Credit Growth & Tight Liquidity Worries



Bank credit growth has outpaced deposit growth on a sustained basis, as economic growth continues its momentum

Liquidity conditions remained tight and even worsened with MSF borrowings crossing ₹2 lakh crore on Nov 21, 2023.



# - Up Till Oct 22, 2023. Data as on Nov 30, 2023. Source: rbi.org.in. OMO – Open Market Operations. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



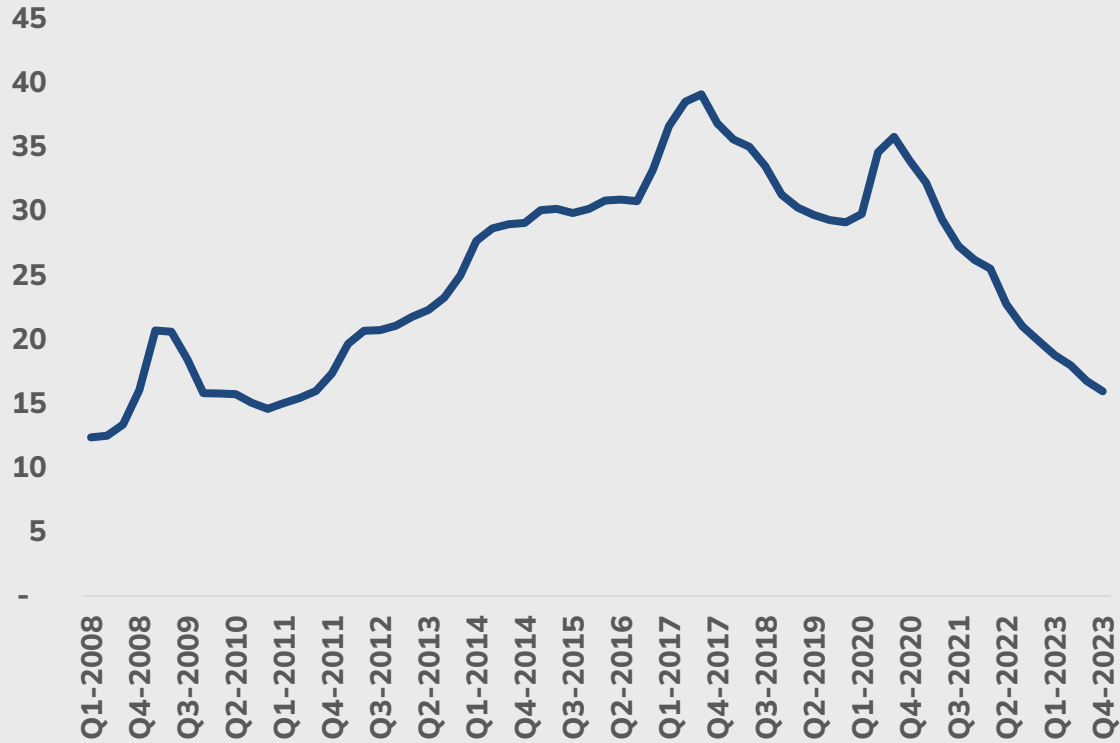


# Economic – Expansion Mode On

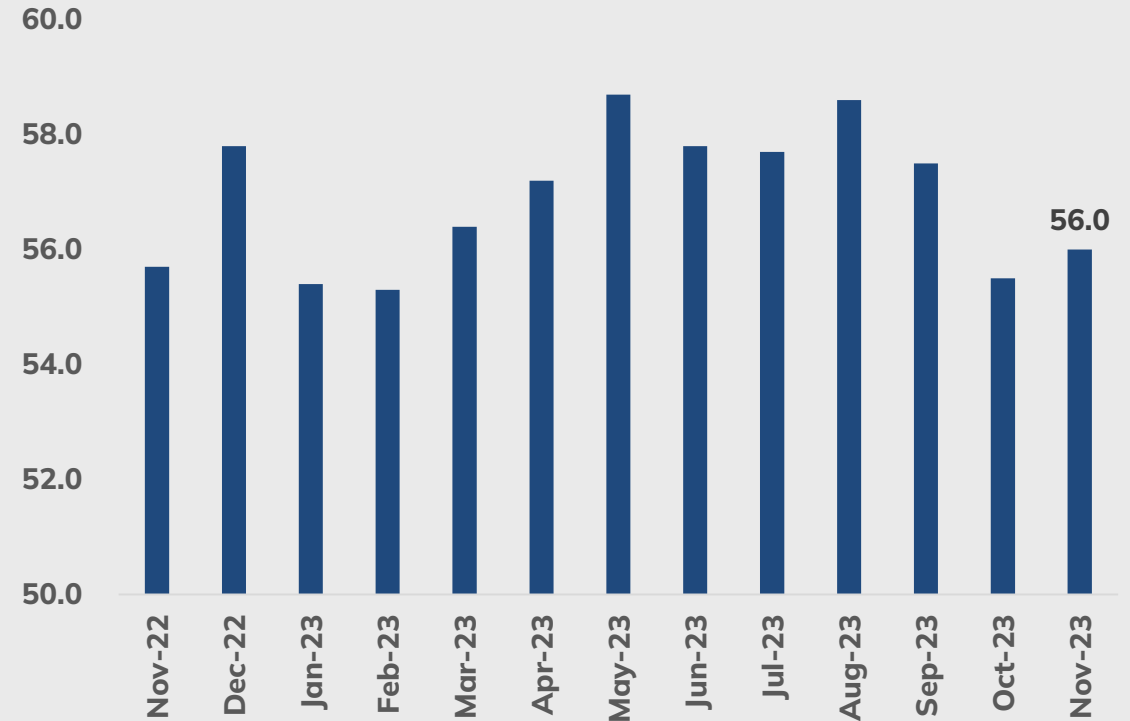
Time taken for clearing residential real estate listings has reduced, close to where it used to be in 2009-11.

India's purchasing manager index continued to trail above 50, indicating expansion mode and increase in factory activity.

### Inventory Overhang in months



### Manufacturing Purchasing Managers' Index



Data as on Nov 30, 2023. Source – CEIC. S&P Global. The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.

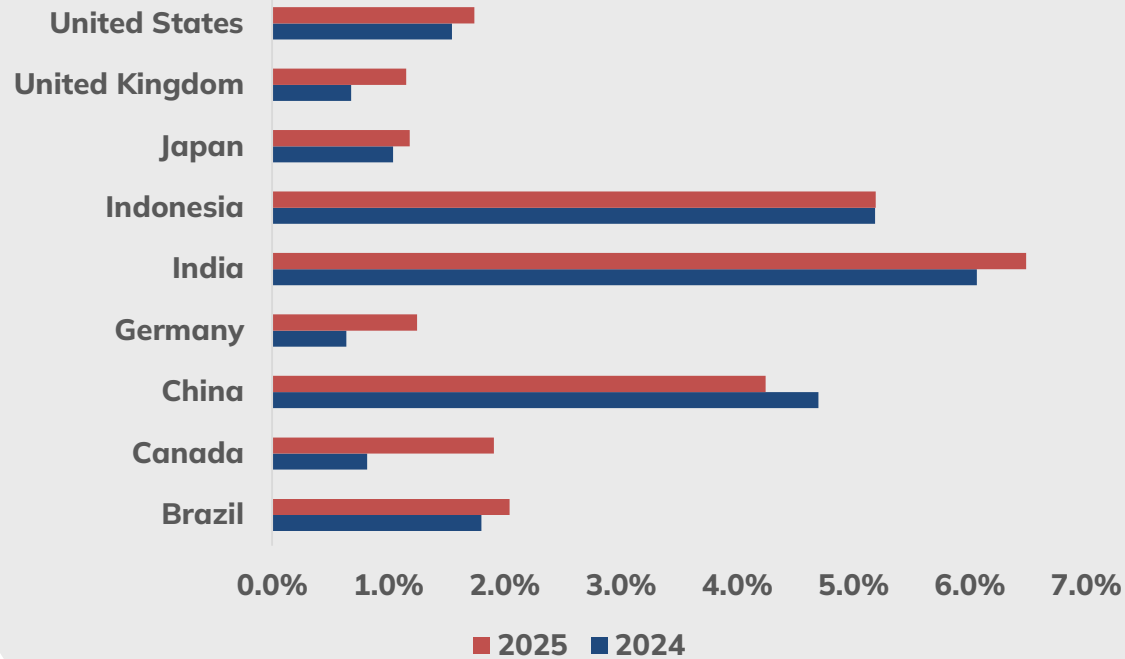


# Global – India Stands Out

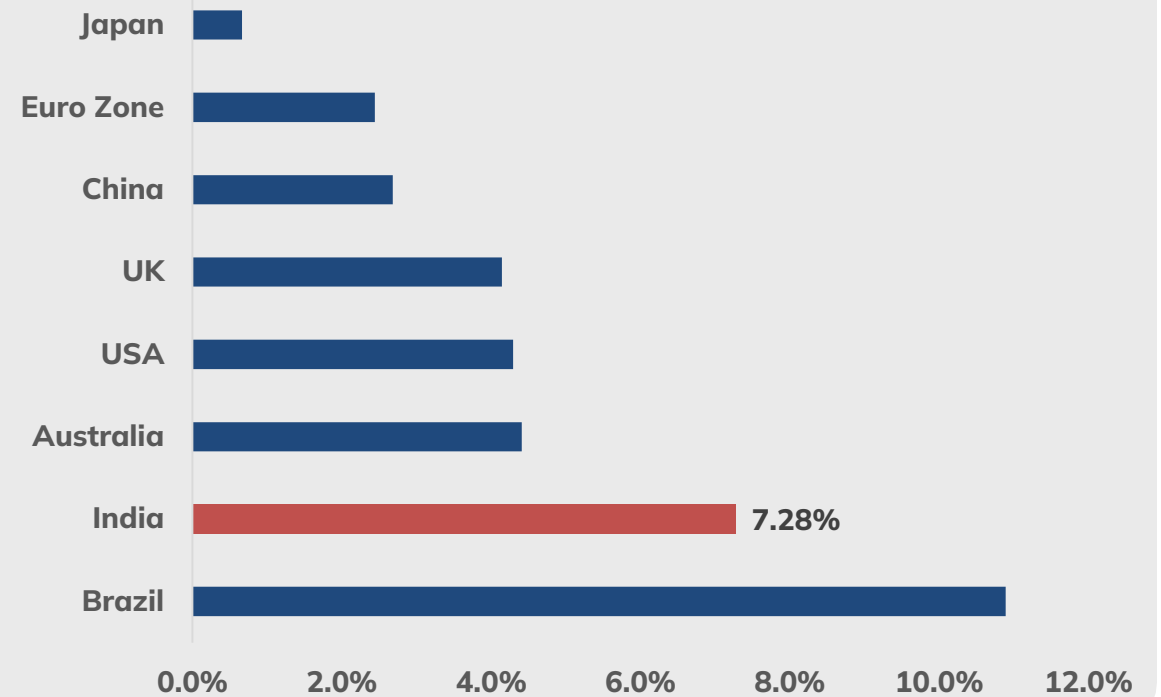
OECD projects India to grow at 6.3% on-year in 2023; among the highest globally.

India saw higher inflows in bond markets vis-à-vis equity markets as yields look attractive at a global scale

**OECD's GDP Growth Forecasts (Nov '23; YoY)**



**10-year Govt. Bond Yield**



Data as on Nov 30, 2023. Source – OECD - Organisation for Economic Co-operation and Development; RBI. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



# Our Assessment

The **'FMEG'** Framework shows a consolidated view of the factors affecting debt markets





# Outlook on Fixed Income



We believe that monetary policy will continue to remain neutral, with a relatively low chance of major shift in policy stance.



Economic indicators have shown steady growth, and hence, monetary policy can maintain a hands-off approach for the time being.



Over the past one year, the yield curve has flattened from its steep levels. This is in sync with the change in phase of the economic growth cycle, moving from recovery and into expansion phase.



We believe the expansion cycle could go on for long, unless growth-inflation dynamics shift considerably. Like-wise, interest rates could also remain elevated and range-bound during the expansion phase.



We suggest limiting duration up to 3 years; taking tactical calls on long-duration and focusing on accrual assets.



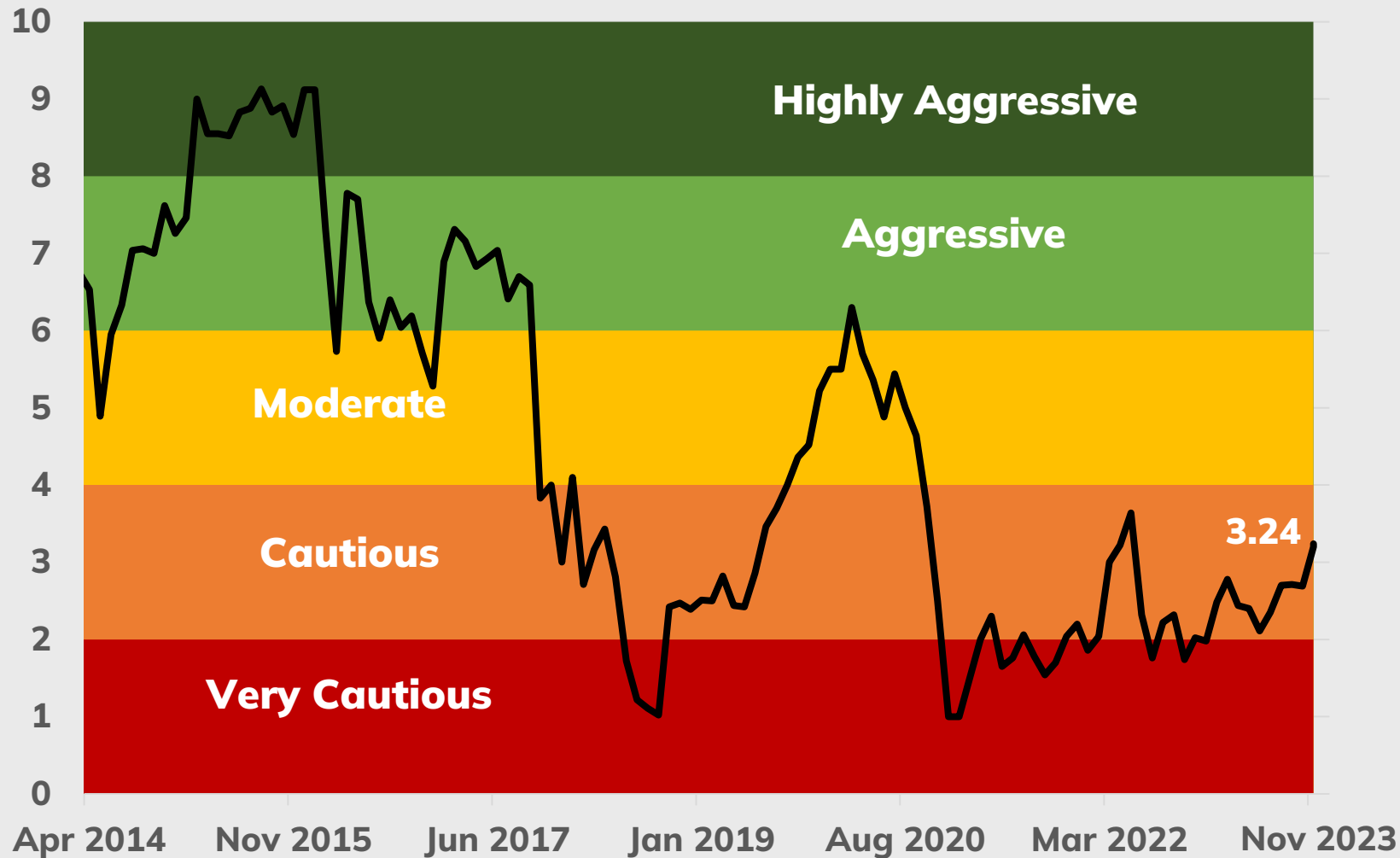
# Why We Think We Are in Expansion Phase

Indicator	Value	Signals
GDP Forecast for FY24	6.5%	Among the fastest globally
Inflation Forecast for FY24	5.4%	Within tolerable range
Capacity Utilization (Q2FY23-24)	74%	At Long Term Average
Credit Growth (Nov 2023)	>15% YoY	Above Recovery Levels
G-Sec Yield Curve Change (Mar 31, 2022 to Nov 30, 2023)	+284 bps (1Y); +46 bps (10Y)	Moving from Steep to Flattish

This shows that we are indeed in the **Middle of the Expansion Phase** and  
As Growth remains strong there is a **Low Probability of Rate Cuts**



# Fixed-Income Approach: Focus on Accruals



Due to rise in bond yields, our model suggests adding some duration.

Overall, however, our stance remains **CAUTIOUS** towards duration.

This means **ACCRUALS + Limited Duration** seems suitable in the current scenario.

Data as on Nov 30, 2023. Debt Valuation Index considers WPI, CPI, Sensex returns, Gold returns and Real estate returns over G-Sec yield, Current Account Balance, Fiscal Balance, Credit Growth and Crude Oil Movement for calculation. RBI – Reserve Bank of India. Debt Valuation Index is a proprietary model of ICICI Prudential AMC Ltd. (the AMC) used for assessing overall debt valuations. The AMC may also use this model for other facilities/features offered by the AMC and any other factor which the AMC may add/delete from time to time. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.

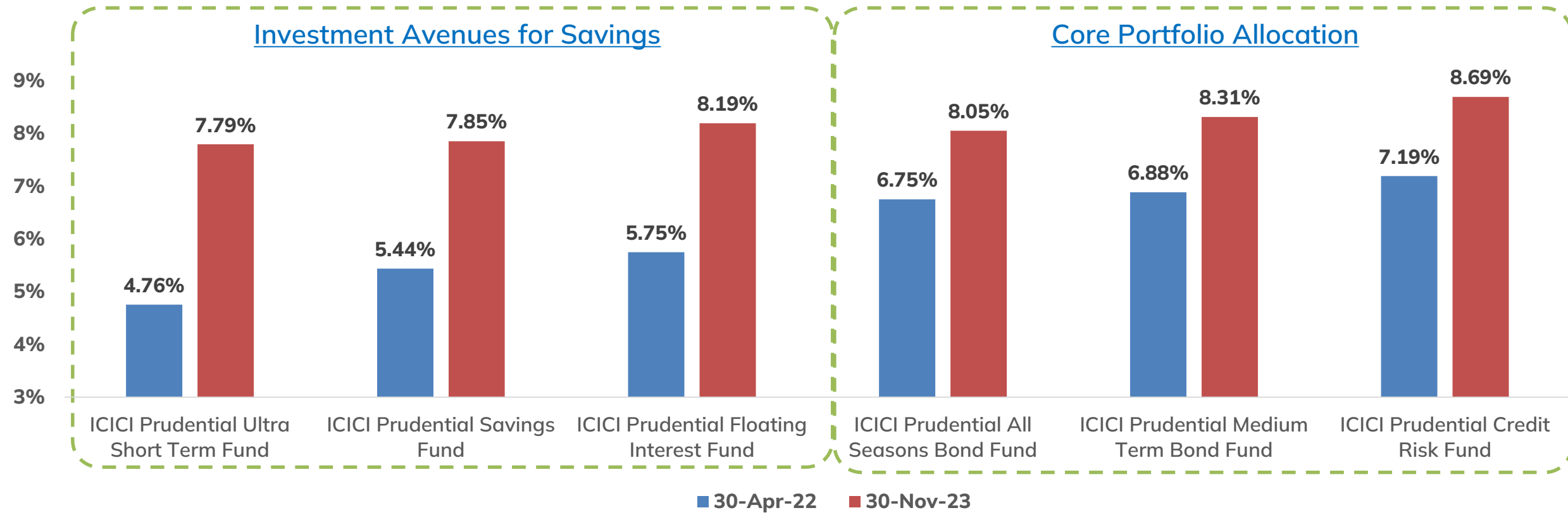


# Our Choice for Accruals + Limited Duration



YTM's of most of the debt mutual fund categories have improved, making the risk-reward attractive

### Change in YTM of Accrual Focused Debt Schemes of ICICI Prudential Mutual Fund



IPRU – ICICI Prudential. The Yield to Maturity (YTM) mentioned is based on scheme portfolio dated Nov 30, 2023. YTM is the rate of return of a bond if held until maturity. This should not be considered as an indication of the returns that maybe generated by the scheme. The securities bought by the scheme may or may not be held till their respective maturities. Past performance may or may not be sustained in future. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



# Our Current Portfolio Positioning – Limited Duration



Scheme	Average Maturity	Macaulay Duration	Modified Duration
ICICI Prudential Liquid Fund	0.11 Years	0.10 Years	0.10 Years
ICICI Prudential Money Market Fund	0.33 Years	0.32 Years	0.30 Years
ICICI Prudential Ultra Short Term Fund	0.40 Years	0.39 Years	0.36 Years
ICICI Prudential Savings Fund	2.43 Years	0.93 Years	0.87 Years
ICICI Prudential Floating Interest Fund	6.96 Years	1.27 Years	1.2 Years
ICICI Prudential Corporate Bond Fund	3.66 Years	1.98 Years	1.86 Years
ICICI Prudential Credit Risk Fund	3.55 Years	2.27 Years	2.15 Years
ICICI Prudential Banking & PSU Debt Fund	4.52 Years	2.47 Years	2.34 Years
ICICI Prudential Short Term Fund	4.64 Years	2.36 Years	2.25 Years
ICICI Prudential Medium Term Bond Fund	5.02 Years	3.37 Years	3.22 Years
ICICI Prudential All Seasons Bond Fund	5.54 Years	3.32 Years	3.18 Years

Data as on Nov 30, 2023. The Macaulay duration is the weighted average term to maturity of the cash flows from a bond. The weight of each cash flow is determined by dividing the present value of the cash flow by the price. Modified Duration is the price sensitivity and the percentage change in price for a unit change in yield. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.





# Our Current Portfolio Positioning – Focus on Accruals



Scheme	AAA & Equivalent Exposure	AA & Equivalent and Below Exposure	YTM
ICICI Prudential Credit Risk Fund	11.6%	61.9%	8.69%
ICICI Prudential Medium Term Bond Fund	14.6%	42.0%	8.31%
ICICI Prudential Floating Interest Fund	22.6%	9.2%	8.19%
ICICI Prudential All Seasons Bond Fund	10.6%	25.0%	8.05%
ICICI Prudential Short Term Fund	38.0%	12.8%	7.99%
ICICI Prudential Corporate Bond Fund	72.3%	-	7.99%
ICICI Prudential Banking & PSU Debt Fund	70.2%	-	7.88%
ICICI Prudential Savings Fund	68.7%	3.7%	7.85%
ICICI Prudential Ultra Short Term Fund	70.6%	15.3%	7.79%
ICICI Prudential Money Market Fund	83.4%	-	7.56%
ICICI Prudential Liquid Fund	83.7%	0.1%	7.33%

Data as on Nov 30, 2023. The Yield to Maturity (YTM) mentioned is based on scheme portfolios dated Nov 30, 2023. YTM is the rate of return anticipated on a bond if held until maturity. This should not be considered as an indication of the returns that maybe generated by the scheme. The securities bought by the scheme may or may not be held till their respective maturities. Past performance may or may not be sustained in future, \*Includes TREPS & Net Current Assets, ^ Includes Treasury Bills. The information contained herein is solely for private circulation for reading/understanding of registered Mutual Fund Advisors/ Distributors and should not be circulated to investors/prospective investors.



## To Summarize...

**Fixed income space continues to remain attractive**

**Short to moderate duration schemes are preferred as we are in an interest-rate-pause cycle**

**Dynamic duration scheme remains our top recommendation**



**Focus on accruals in the current scenario of high interest rates**

**Global central banks action may keep the market volatile**

**Term spreads remain modest and hence portfolio duration should be limited**

# Investment Approach and Scheme Recommendations



# Investment Playbook for 2023 – An era of Multiple Asset Classes

Category	Outlook	Our View	Scheme Recommendations
Equity	●	Valuations moderated but remains in NEUTRAL zone. Long term 'POSITIVE'	IPRU Business Cycle Fund, IPRU Flexicap Fund , IPRU Value Discovery Fund
Asset Allocation/ Hybrid	●	Volatility expected to persist	IPRU Balanced Advantage Fund, IPRU Multi-Asset Fund, IPRU Equity & Debt Fund
Fixed Income	●	High yields making the space attractive	IPRU Ultra Short Term Fund, IPRU Short Term Fund, IPRU Credit Risk Fund, IPRU All Seasons Bond Fund

● Neutral

● Positive

# Disclaimers, Risk-o-Meters & PRC Matrix





# Riskometers

ICICI Prudential Business Cycle Fund (An open ended equity scheme following business cycles based investing theme) is suitable for investors who are seeking\*:

- Long term wealth creation
- An equity scheme that invests in Indian markets with focus on riding business cycles through dynamic allocation between various sectors and stocks at different stages of business cycles

\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them

ICICI Prudential Flexicap Fund (An open ended dynamic equity scheme investing across large cap, mid cap & small cap stocks) is suitable for investors who are seeking\*:

- Long term wealth creation
- An open ended dynamic equity scheme investing across large cap, mid cap and small cap stocks

\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them

ICICI Prudential Multi-Asset Fund (An open ended scheme investing in Equity, Debt and Exchange Traded Commodity Derivatives/units of Gold ETFs/units of Silver ETFs/units of REITs & InvITs/ Preference shares) is suitable for investors who are seeking\*:

- Long Term Wealth Creation
- An open ended scheme investing across asset classes

\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them



Investors understand that their principal will be at **Very High** risk



Investors understand that their principal will be at **Very High** risk



Investors understand that their principal will be at **Very High** risk



# Riskometers

ICICI Prudential Value Discovery Fund (An open ended equity scheme following a value investment strategy.)is suitable for investors who are seeking\*:

- Long term wealth creation
- An open ended equity scheme following a value investment strategy

\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them

ICICI Prudential Balanced Advantage Fund (An open ended dynamic asset allocation fund) is suitable for investors who are seeking\*:

- Long term capital appreciation/income
- Investing in equity and equity related securities and debt instruments

\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them

ICICI Prudential Equity & Debt Fund (An open ended hybrid scheme investing predominantly in equity and equity related instruments) is suitable for investors who are seeking\*:

- Long term wealth creation solution
- A balanced fund aiming for long term capital appreciation and current income by investing in equity as well as fixed income securities

\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them



Investors understand that their principal will be at **Very High** risk



Investors understand that their principal will be at **High** risk



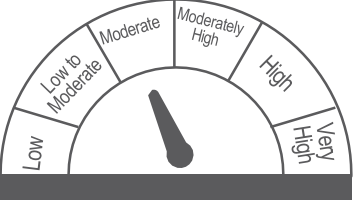
Investors understand that their principal will be at **Very High** risk



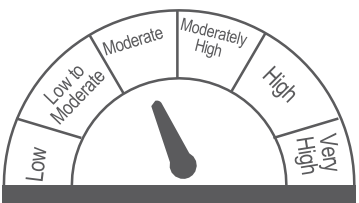
# Riskometers

Please note that the Risk-o-meter(s) specified will be evaluated and updated on a monthly basis. The below riskometers are as on Nov 30, 2023. Please refer to <https://www.icicipruamc.com/news-and-updates/all-news> for more details.

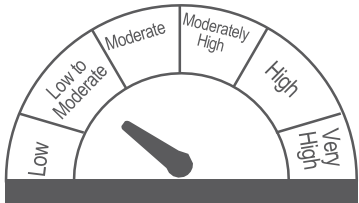
**ICICI Prudential Liquid Fund**  
(An open ended liquid scheme. A relatively low interest rate risk and moderate credit risk.)

 <p>Investors understand that their principal will be at Moderate Risk</p>	<p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <li>• Short term savings solution</li> <li>• A liquid fund that aims to provide reasonable returns commensurate with low risk and providing a high level of liquidity</li> </ul>
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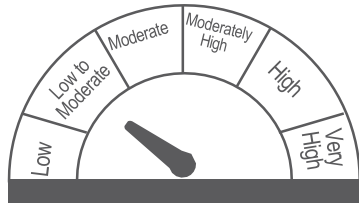
**ICICI Prudential Banking & PSU Debt Fund**  
(An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal bonds. A relatively high interest rate risk and moderate credit risk.)

 <p>Investors understand that their principal will be at Moderate Risk</p>	<p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <li>• Short term savings</li> <li>• An open ended debt scheme predominantly investing in debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds</li> </ul>
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**ICICI Prudential Money Market Fund**  
(An open ended debt scheme investing in money market instruments. A relatively low interest rate risk and relatively low credit risk.)

 <p>Investors understand that their principal will be at Low To Moderate Risk</p>	<p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <li>• Short term savings</li> <li>• A money market scheme that seeks to provide reasonable returns, commensurate with low risk and providing a high level of liquidity</li> </ul>
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**ICICI Prudential Savings Fund**  
(An open ended low duration debt scheme investing in instruments such that the Macaulay Duration of the portfolio is between 6 months and 12 months. A relatively high interest rate risk and moderate credit risk.)

 <p>Investors understand that their principal will be at Low To Moderate Risk</p>	<p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <li>• Short term savings</li> <li>• An open ended low duration scheme that aims to maximize income by investing in debt and money market instruments while maintaining optimum balance of yield, safety and liquidity.</li> </ul>
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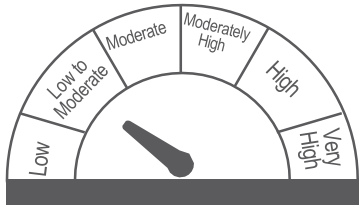


# Riskometers

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## ICICI Prudential Floating Interest Fund

(An open ended debt scheme predominantly investing in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/derivatives). A relatively high interest rate risk and moderate credit risk.)



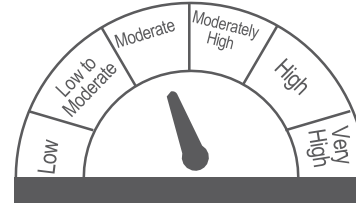
Investors understand that their principal will be at Low To Moderate Risk

This product is suitable for investors who are seeking\*:

- Short term savings
- An open ended debt scheme predominantly investing in floating rate instruments.

## ICICI Prudential All Seasons Bond Fund

(An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and moderate credit risk.)



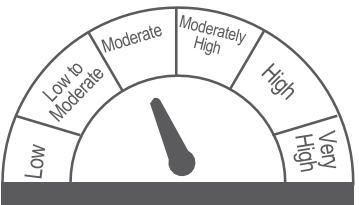
Investors understand that their principal will be at Moderate Risk

This product is suitable for investors who are seeking\*:

- All duration savings
- A debt scheme that invests in debt and money market instruments with a view to maximize income while maintaining optimum balance of yield, safety and liquidity.

## ICICI Prudential Ultra Short Term Fund

(An open ended scheme investing in instruments such that the Macaulay duration of the portfolio between 3 months and 6 months. A moderate interest rate risk and moderate credit risk.)



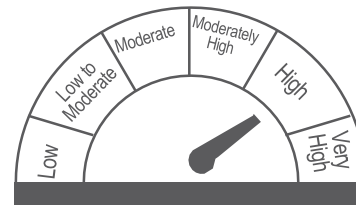
Investors understand that their principal will be at Moderate Risk

This product is suitable for investors who are seeking\*:

- Short term regular income
- An open ended ultra-short debt scheme investing in a range of debt and money market instruments.

## ICICI Prudential Credit Risk Fund

(An open ended debt scheme predominantly investing in AA and below rated corporate bonds. A relatively high interest rate risk and relatively high credit risk.)



Investors understand that their principal will be at High Risk

This product is suitable for investors who are seeking\*:

- Medium term savings
- A debt scheme that aims to generate income through investing in AA and below rated corporate bonds while maintaining the optimum balance of yield, safety and liquidity.

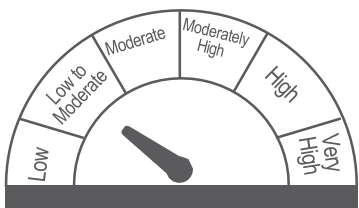


# Riskometers

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## ICICI Prudential Corporate Bond Fund

(An open ended debt scheme predominantly investing in AA+ or above rated corporate bonds. A relatively high interest rate risk and moderate credit risk.)



Investors understand that their principal will be at Low to Moderate Risk

This product is suitable for investors who are seeking\*:

- Short term savings
- An open ended debt scheme predominantly investing in highest rate corporate bonds.

## ICICI Prudential Short Term Fund

(An open ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 Year and 3 Years. A relatively high interest rate risk and moderate credit risk.)



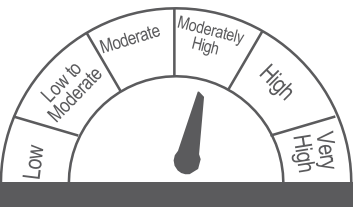
Investors understand that their principal will be at Moderate Risk

This product is suitable for investors who are seeking\*:

- Short term income generation and capital appreciation solution
- A debt fund that aims to generate income by investing in a range of debt and money market instruments of various maturities.

## ICICI Prudential Medium Term Bond Fund

(An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 Years and 4 Years. The Macaulay duration of the portfolio is 1 Year to 4 years under anticipated adverse situation. A relatively high interest rate risk and moderate credit risk)



Investors understand that their principal will be at Moderately High Risk

This product is suitable for investors who are seeking\*:

- Medium term savings
- A debt scheme that invests in debt and money market instruments with a view to maximize income while maintaining optimum balance of yield, safety and liquidity



# YTM Disclaimer

Scheme Name	ICICI Prudential Money Market Fund	ICICI Prudential Savings Fund	ICICI Prudential Floating Interest Fund	ICICI Prudential Banking & PSU Debt Fund	ICICI Prudential Corporate Bond Fund	ICICI Prudential All Seasons Bond Fund
<b>Description</b>	An open ended debt scheme investing in money market instruments. A relatively low interest rate risk and moderate credit risk	An open ended low duration debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 6 months and 12 months. A relatively high interest rate risk and moderate credit risk.	An open ended debt scheme predominantly investing in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/derivatives). A relatively high interest rate risk and moderate credit risk	An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal bonds. A relatively high interest rate risk and moderate credit risk.	An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds. A relatively high interest rate risk and moderate credit risk.	An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and moderate credit risk.
<b>Annualised Portfolio YTM*</b>	7.56%	7.85%	8.19%	7.88%	7.99%	8.05%
<b>Macaulay Duration</b>	117.51 Days	0.93 Years	1.27 Years	2.47 Years	1.98 Years	3.32 Years
<b>Residual Maturity</b>	118.80 Days	2.43 Years	6.96 Years	4.52 Years	3.66 Years	5.54 Years

As per AMFI Best Practices Guidelines Circular No. AMFI/ 35P/ MEM-COR/ 72 / 2022-23 dated December 31, 2022 on Standard format for disclosure Portfolio YTM for Debt Schemes, Yield of the instrument is disclosed on annualized basis as provided by Valuation agencies. \*in case of semi annual YTM, it will be annualized.

The Yield to Maturity (YTM) mentioned is based on scheme portfolio dated Nov 30, 2023. YTM is the rate of return of a bond if held until maturity. This should not be considered as an indication of the returns that maybe generated by the scheme. The securities bought by the scheme may or may not be held till their respective maturities.



# YTM Disclaimer

Scheme Name	ICICI Prudential Short Term Fund	ICICI Prudential Liquid Fund	ICICI Prudential Credit Risk Fund	ICICI Prudential Medium Term Bond Fund	ICICI Prudential Ultra Short Term Fund
<b>Description</b>	An open ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 Year and 3 Years. A relatively high interest rate risk and moderate credit risk.	An open ended liquid scheme. A relatively low interest rate risk and moderate credit risk.	An open ended debt scheme predominantly investing in AA and below rated corporate bonds. A relatively high interest rate risk and relatively high credit risk	An Open Ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 Years and 4 Years The Macaulay duration of the portfolio is 1 Year to 4 years under anticipated adverse situation. A relatively high interest rate risk and moderate credit risk.	An open ended ultra-short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months and 6 months. A moderate interest rate risk and moderate credit risk
<b>Annualised Portfolio YTM*</b>	7.99%	7.33%	8.69%	8.31%	7.79%
<b>Macaulay Duration</b>	2.36 Years	0.10 Years	2.27 Years	3.37 Years	0.39 Years
<b>Residual Maturity</b>	4.64 Years	0.11 Years	3.55 Years	5.02 Years	0.40 Years

As per AMFI Best Practices Guidelines Circular No. AMFI/ 35P/ MEM-COR/ 72 / 2022-23 dated December 31, 2022 on Standard format for disclosure Portfolio YTM for Debt Schemes, Yield of the instrument is disclosed on annualized basis as provided by Valuation agencies. \*in case of semi annual YTM, it will be annualized.

The Yield to Maturity (YTM) mentioned is based on scheme portfolio dated Nov 30, 2023. YTM is the rate of return of a bond if held until maturity. This should not be considered as an indication of the returns that maybe generated by the scheme. The securities bought by the scheme may or may not be held till their respective maturities.



# Potential Risk Class Matrix

The Potential risk class (PRC) matrix based on interest rate risk and credit risk.

## ICICI Prudential Credit Risk Fund

Potential Risk Class			
Credit Risk→	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)			C-III

## ICICI Prudential Ultra Short Term Fund

Potential Risk Class			
Credit Risk→	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)			
Moderate (Class II)		B-II	
Relatively High (Class III)			

## ICICI Prudential Liquid Fund ICICI Prudential Money Market Fund

Potential Risk Class			
Credit Risk→	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)		B-I	
Moderate (Class II)			
Relatively High (Class III)			

## ICICI Prudential Savings Fund, ICICI Prudential Floating Interest Fund, ICICI Prudential Medium Term Bond Fund, ICICI Prudential All Seasons Bond Fund, ICICI Prudential Corporate Bond Fund, ICICI Prudential Banking & PSU Debt Fund, ICICI Prudential Short Term Fund

Potential Risk Class			
Credit Risk→	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)		B-III	



## **Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

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