MONTHLY MACRO REVIEW

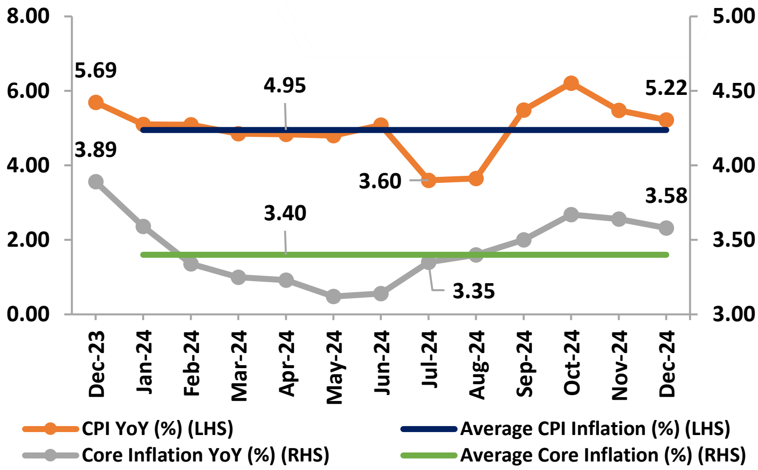
January 2025

BONANZA WEALTH

CPI INFLATION

India's consumer price index (CPI) inflation eased to 5.2% (provisional) in Dec-24 from 5.5% (final) in Nov-24, primarily due to a slowdown in food inflation. Vegetable inflation dropped to 26.6% in December from 29.4% in November thanks to fresh harvests. Deflation in spices (-7.4% YoY) and a fall in inflation of pulses (3.8% YoY) and sugar (0.31% YoY) further contributed to the decrease in food inflation. However, edible oil inflation increased to 14.6% YoY. Although headline CPI has been above the Reserve Bank of India's (RBI) medium-term target of 4% for 51 consecutive months, it was lower than the RBI's forecast of 5.6% for October-December.

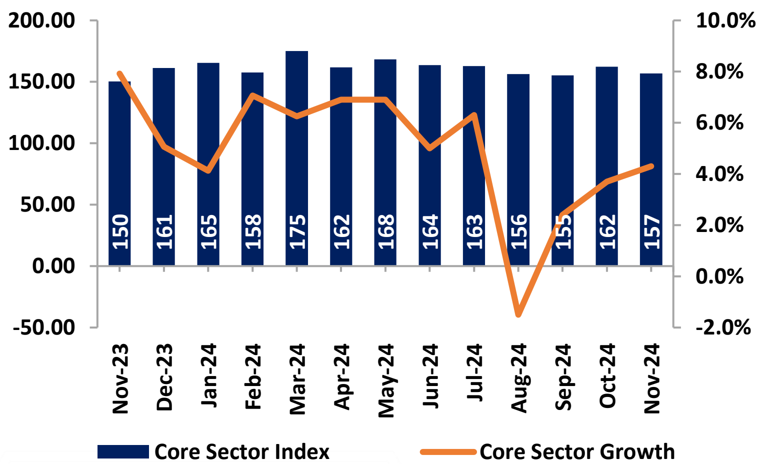
Core inflation also fell to 3.58% from 3.65% in Nov-24. The lower-than-expected rise in retail prices is positive news for policymakers. The expected moderation in inflation in the coming months will allow the Monetary Policy Committee (MPC) to consider a policy rate cut amid slowing growth. Headline inflation is anticipated to fall below 5% by Q4FY25, driven by a moderation in food inflation. This would create an opportunity for the MPC to consider a 25bps reduction in policy rates in the February meeting.



CORE SECTOR

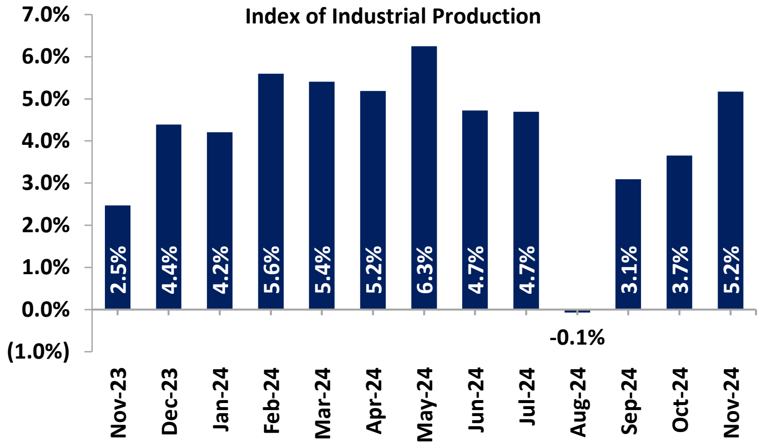
The Index of Eight Core Industries (ICI) grew to four-month high of 4.3% (provisional) in Nov-24 as against 3.7% (revised) increase in Oct-24. The growth was led by rise in output in six out of eight core constituents. The eight core sector accounts for over 40% of the Index of Industrial Production (IIP). The final output for the month of Aug-24 is revised to contraction of 1.5%. Notable expansion in output growth were seen in Coal by 7.5%, Refinery products by 2.9%, Fertilizer by 2.0%, Steel by 4.8%, Cement by 13.0%, and Electricity by 3.8%.

While the contraction in output were seen in Crude oil by (-2.1%) and Natural Gas by (-1.9%). Notably, cement production saw a significant 13% YoY increase, the highest in FY25. This growth, partially attributed to a low base effect from the previous year, also suggests a rebound in economic activities, particularly construction and manufacturing, following a subdued Q2FY25. Despite this positive trend, the overall growth momentum has slowed down compared to the FY24. While the outlook for the Q3FY25 appears positive, sustained and broad-based revival across all sectors is still anticipated.



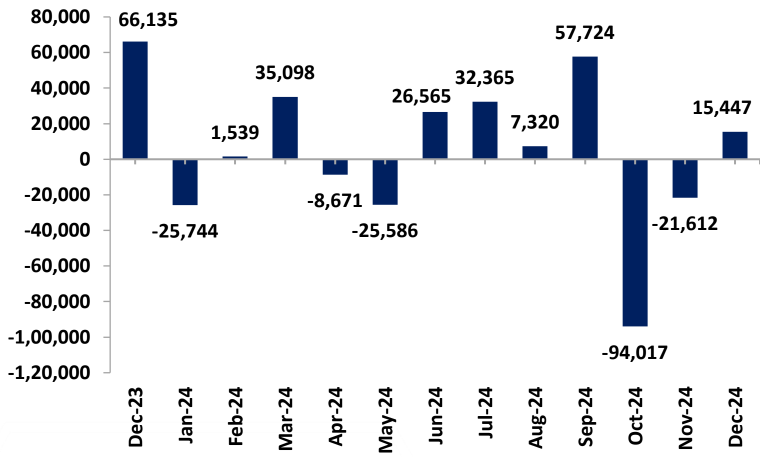
IIP GROWTH

In Nov-24, India's Industrial Production (IIP) growth surged to a six-month high of 5.2% YoY in Nov-24, driven by robust festive demand and a resurgence in the manufacturing sector. The sustained improvement in industrial activity is a positive following the temporary blip in Aug-24. This positive development signals a potential economic recovery following a subdued Q2FY25. Notably, all three major industries—manufacturing, mining, and electricity—registered accelerated growth in Nov-24. Manufacturing output climbed to an eight-month high of 5.8% in Nov-24 compared to 4.4% in Oct-24. Out of the 23 categories within the manufacturing sector, eighteen saw a YoY uptick in output. Basic metals accounting for 12.8% weight grew by 7.6%, output of textiles and wearing apparel logged a growth of 3.8% and 7.9%, respectively. The mining and electricity output recorded a growth of 1.9% and 4.4%, respectively, marking an improvement for the third consecutive month. Within use-based classification, all categories recorded growth: Primary Goods (2.5%), Capital Goods (3.1%), Intermediate Goods (4.6%), Infrastructure goods (4.8%), Consumer durables (5.7%), and Consumer non-durables (2.6%). The performance of IIP depends on consumption and investment. We anticipate a recovery in consumption due to a projected decrease in food inflation.



FII FLOWS

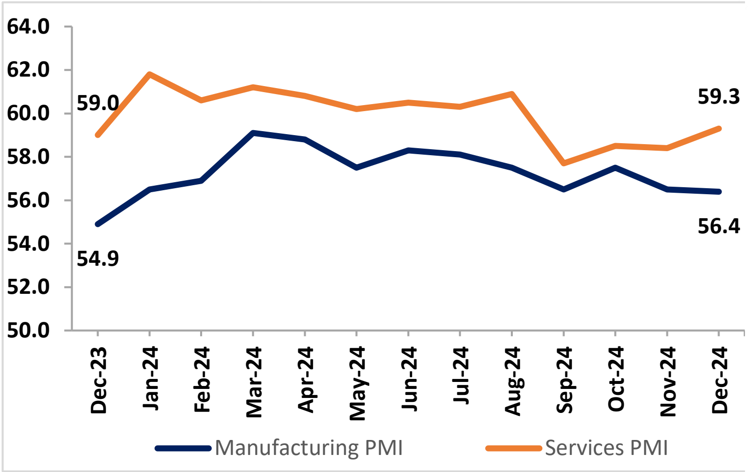
In Dec-24, FIIs were net buyers of Indian equities investing Rs. 15,447 crore, a significant turnaround from the selling trend observed in the previous two months. For the entire CY24, FPIs were net sellers in secondary market equities to the tune of Rs. 1,21,210 crore but invested Rs. 1,21,637 crore in IPOs, resulting in net buying of Rs. 427 crore. Debt saw net inflows of Rs. 1,65,343 crore, bringing the total FPI infusion for CY24 to Rs. 1,65,770 crore. Despite the December buying, FPIs remained cautious about the Indian market due to several factors. These include high valuations, the RBI's decision to hold rates steady while the Fed cut rates, and concerns about government capex growth. However, experts suggest that FPI's focus has shifted towards primary market investments, with significant participation in IPOs and QIPs, offsetting their secondary market selling. Sector-wise, in Dec-24, major inflows were seen in Information Technology, Realty, and Healthcare while major outflows were seen in Oil & Gas, Automobile and Auto Components, and FMCG. Analysts believe that the upcoming Union Budget may introduce a new narrative that could influence FPI perceptions and possibly attract more investments in the coming months.



PMI INDICATORS

The Indian manufacturing sector experienced its weakest growth rate of 2024 in Dec-24, with the HSBC India Manufacturing Purchasing Managers' Index (PMI) reaching a 12-month low of 56.4. Although still above the long-run average of 54.1, indicating robust growth, this figure fell below the initial estimate of 57.4. Slower increases in output, new orders, and stock purchases contributed to the weaker improvement, while cost pressures receded to a moderate level. However, charge inflation remained historically high.

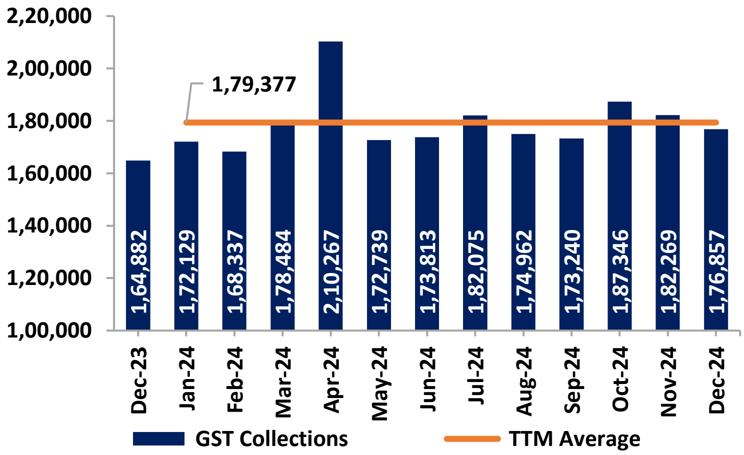
In contrast, the service sector saw accelerated growth, with the HSBC India Services Business Activity Index rising to 59.3 in Dec-24, the highest in four months. This expansion was fuelled by strong demand, leading to increased new business inflows, output growth, and job creation. The HSBC India Composite Output Index, reflecting the combined performance of both sectors, rose to 59.2, signalling the strongest increase in four months. This acceleration was primarily driven by the services sector, offsetting the softening growth in factory production. While input cost inflation eased across both sectors in December, selling prices continued to rise.



GST COLLECTIONS

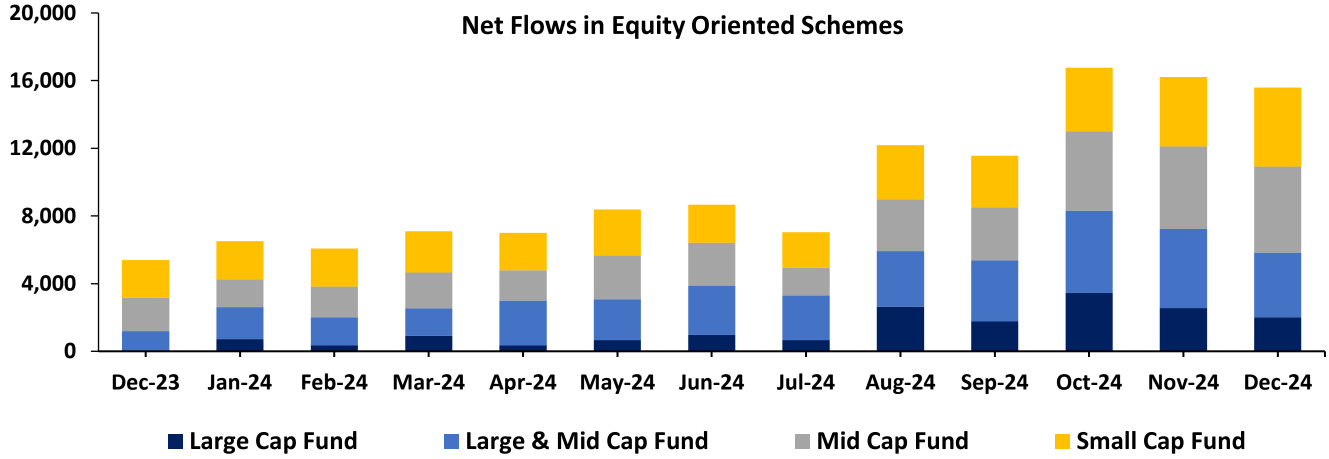
India's gross Goods and Services Tax (GST) revenue collection for Dec-24 reached Rs. 1,76,857 crore, a 7.3% YoY increase. This figure, however, represents a 2.97% decline from Nov-24 and a three-month low. According to government data, gross GST revenue from domestic transaction grew by 9.4% YoY to Rs. 1,32,589 crores, whereas import of goods was up by 3.9% YoY to Rs. 44,268 crores. Following adjustments for refunds, the net GST revenue for Dec-24 totalled at Rs. 1,54,366 crores, reflecting a growth of 3.3% YoY. YTD gross collections now stand at Rs. 16,33,567 crores, a 9.1% YoY. CGST comprised Rs. 32,836 crores, SGST comprised Rs. 40,499 crores, IGST comprised Rs. 91,221 crores, and Cess comprised Rs. 12,301 crores.

Maharashtra led the states in GST collections, contributing Rs. 29,260 crore, a significant 9% YoY increase. Followed by Karnataka and Tamil Nadu, with collections of Rs. 12,526 crore and Rs. 10,956 crore, respectively. While the overall GST revenue growth indicates a positive economic trajectory, concerns persist about the moderation in urban consumption demand. Policymakers may explore measures to boost consumption in the upcoming budget, including the rationalisation of GST rates.

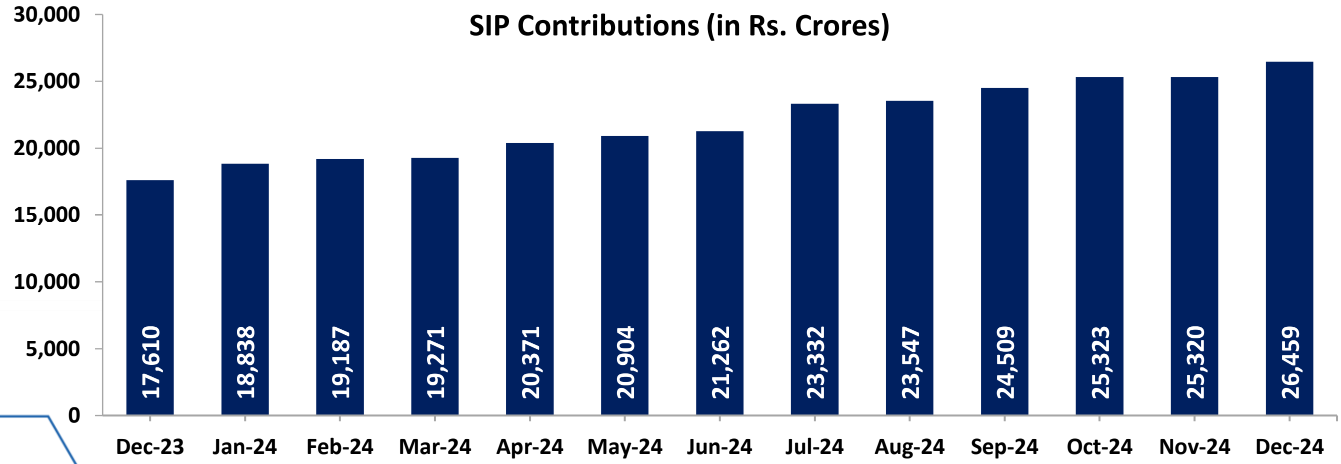


MUTUAL FUND FLOWS

The mutual funds industry recorded an outflow in Dec-24 worth Rs. 80,355 crore against net inflow of Rs. 60,295 crore in Nov-24. Open-ended equity mutual funds in India witnessed a 14.5% surge in inflows, reaching Rs. 41,156 crore in Dec-24 as against Rs. 35,943 crore in Nov-24. This marks the 46th consecutive month of positive inflows for these funds. Despite market volatility during December, with both the Sensex and Nifty witnessed declines of over 2%, investor confidence in equity-oriented schemes remained strong. Net assets under management (AUM) of the mutual fund industry fell to hit Rs. 66.93 lakh crore in Dec-24. In the equity fund sector, large-cap and multi-cap funds experienced a MoM decline of 21.1% and 15.2%, bringing their totals to Rs. 2,011 crore and Rs. 3,076 crore, respectively. While mid-cap and small-cap funds grew by 4.3% and 13.5% MoM, respectively. Sectoral/Thematic Funds category seeing a doubling of inflows MoM to Rs. 15,332 crore. This was largely driven by 12 NFOs which mobilised Rs. 11,337 crore in December. While equity funds thrived, the debt fund segment experienced net outflows of Rs. 1,27,153 crore in Dec-24, primarily due to significant outflows from liquid, money market, and overnight funds.



Systematic Investment Plan (SIP) inflows reached a record high of Rs. 26,459 crores for the month, reflecting a 50.3% YoY increase compared to Dec-23. The number of new SIPs registered in Dec-24 stood at 54,27,201. SIP Accounts reached its highest-ever level, 10.32 crore, surpassing the 10.23 crore accounts in Nov-24. The SIP AUM stood at Rs. 13.63 lakh crore in Dec-24 compared to 13.54 lakh crore in Nov-24.



Name	Designation
Jainam Doshi	Research Analyst

JAINAM BIMAL DOSHI

Digitally signed by JAINAM BIMAL DOSHI
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M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate. Walbhat Road, Goregaon (E), Mumbai – 400063 Web site: https://www.bonanzaonline.com
Research Analyst Regn No. INH100001666
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