What happened in markets during November 2023?

Performance of our PMS fund till date

It's a bit early for a Santa rally but sentiment did take a turn in November, after a painful October. November was a stellar week for both Equity & Bonds globally. For example, the S&P 500's performance during the month of November (up 8.9%) was among the top 20 monthly performances, going back to 1950. Similarly, the fall in yield of the US 10 year (60 bps) was the highest since 2011

Emerging Markets	
MSCI Korea	15.4%
MSCI Mexico	14.7%
MSCI Brazil	13.0%
MSCI Taiwan	12.9%
MSCI South Africa	7.7%
MSCI India	6.6%
MSCI Saudi Arabia	4.5%
MSCI China	2.5%
MSCI Hongkong	0%

Developed Markets	
MSCI Germany	13.0%
MSC Canada	9.9%
MSCI France	9.2%
MSCI USA	9.2%
MSCI Australia	8.7%
MSCI Switzerland	8.5%
MSCI Japan	8.3%
MSCI UK	5.7%

Performance during November, as seen above, amongst Emerging Markets, India's performance was in the bottom half for November, most developed markets barring UK have outperformed India.
India has become a safe haven for investors. Interestingly, EM ex-China funds are being launched which is more of a longer-term asset growth story. FII flows have been weak despite India being the favorite of global investors and there is additional risk of rotation into China given valuation levels.

India Macro

India's Real GDP growth at 7.6% YoY surprised on the upside, driven by resilient investment growth. Investments remained robust with 11% YoY; Government expenditure also supported with 12% growth. Fiscal deficit YTD is below budgeted normal. But we are falling short of divestment targets during a time when PSU stocks are in momentum.

Inflation!

Eurozone inflation fell from 2.9% in October to 2.4% in November, better than the consensus forecast of 2.7%. For its part, core inflation declined from 4.2% to 3.6%. The data will reinforce the markets' pricing of rate cuts in 2024, something that the ECB has been pushing back on. Also, in the US, MoM rise in PCE of 0.16% should comfort Fed on inflation.

Outlook

Fixed Income: Going into 2024, we remain constructive on EMs. Further reduction of US term premia as inflation volatility goes back to pre-2022 levels and a weak US Dollar will continue to be a key driver for better inflows into duration positions in the Emerging market credit space that will benefit the asset class.
Equities: We are more constructive on large caps as compared to mid-caps and small caps, although both can continue to do well if flows are strong. Elections in 5 states had kept markets on tenterhooks. The exit polls are not definitive, nor are state results a proxy for national results. Policy continuity will be viewed as a growth stimulus in the medium term and can add another leg of rally to the markets.
Rich valuations are held against Indian equities. India is the best growth story in the world. So higher PE multiple is justified. No wonder, when we rank major countries, India stands tall (No.1) on PEG basis. Remember that markets tend to calm down in the year-end holidays.

Performance of our funds since inception: