So the TWID is now in a new format. The content will remain the same, but we have added a panel on the right which gives you a quick glance of how domestic and global markets have performed during the week gone by. And that means we must wait for the markets to close for the weekend and so the newsletter will now arrive in your inbox on Saturday morning. We hope you find this structure more useful.

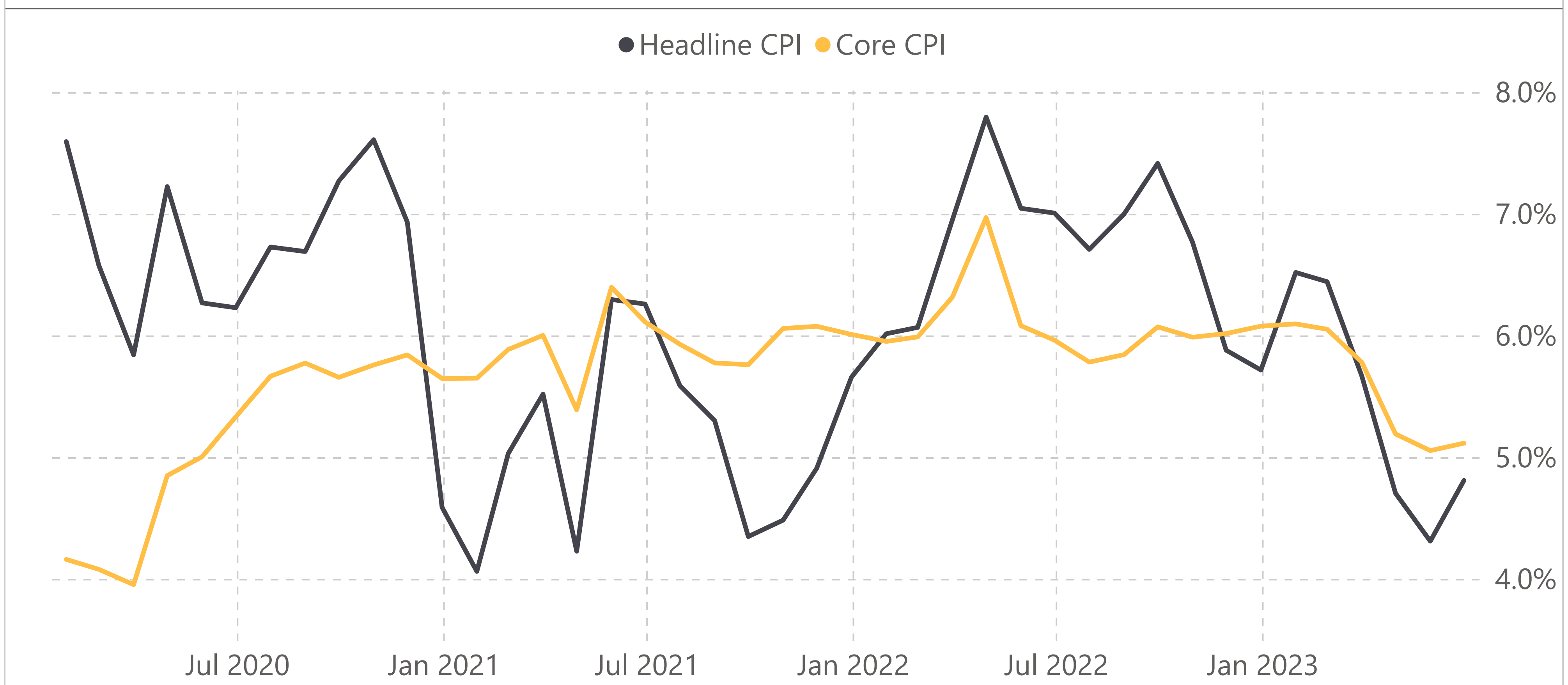
In this edition we will discuss:

- CPI Inflation
- Mutual fund inflows
- June foreign trade
- Credit growth
- Kharif sowing progress

As expected, headline CPI reversed it's declining trajectory rising 50bps to 4.8% in June. Food inflation reversed its declining trend, but the uptick was due to just Vegetables and Pulses. Core inflation is on a downward trajectory averaging just over 5% in the last three months, after having averaged ~6% in the preceding 2 years. And while it was flat in June, it would have ticked down to below 5% but for the increase in retail fuel prices which added almost 30bps to the reported core CPI.

CPI Inflation (YoY%)

Source: CSO

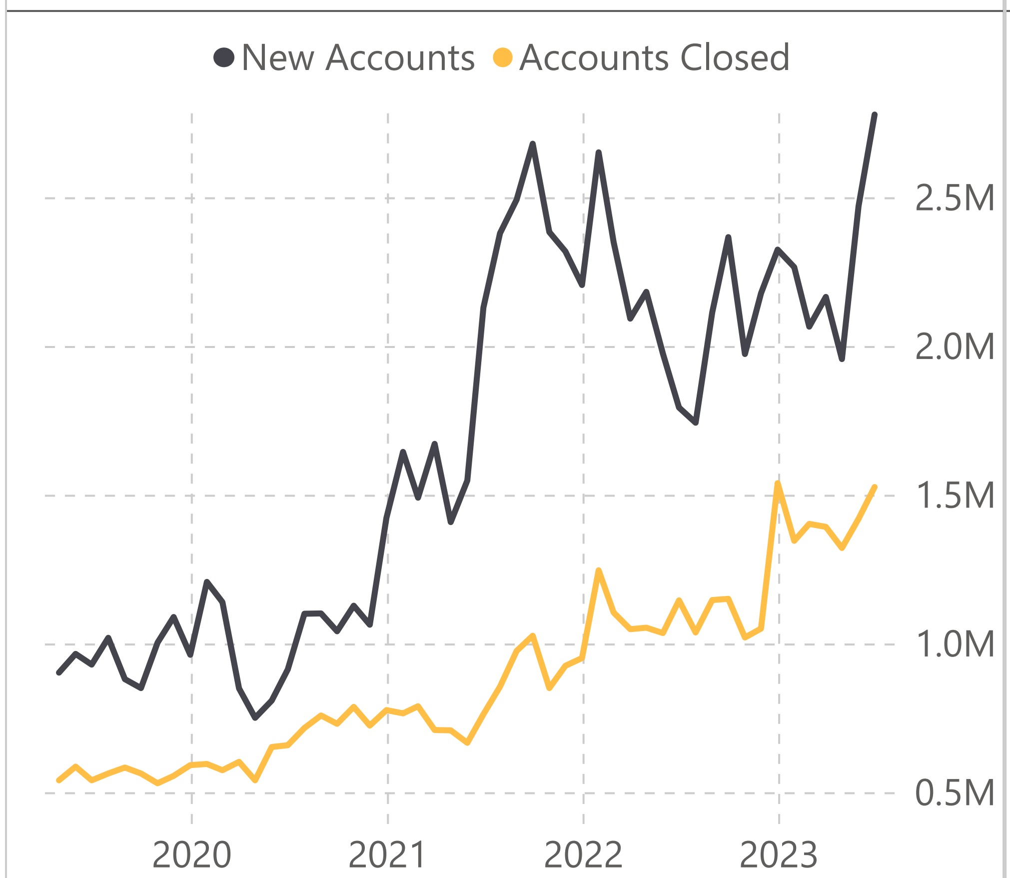


From a longer-term perspective, it is worth noting that the CPI inflation has averaged below 5% for the June quarter. This is the lowest quarterly average inflation since the September quarter of 2019 when it had averaged 3.5%. However, a large part of this moderation is due to the base effect. As the chart below shows, the 2-year inflation trajectory remains closely aligned to 6%. This does raise some interesting questions but for now, we will continue to live in a YoY world.

The domestic liquidity story continues to remain strong. Domestic equity mutual funds saw net inflows of ₹82bn in June. This is the 28th consecutive month of inflows. Cumulatively over the past three months equity funds have seen inflows of ~US$2bn. Hybrid funds have also seen inflows for 3 consecutive months. There is some worry in the industry about the increase in SIP closure rates – in June just over 1.5 million SIPs were closed, the second highest on record (the highest being in Dec 2022).

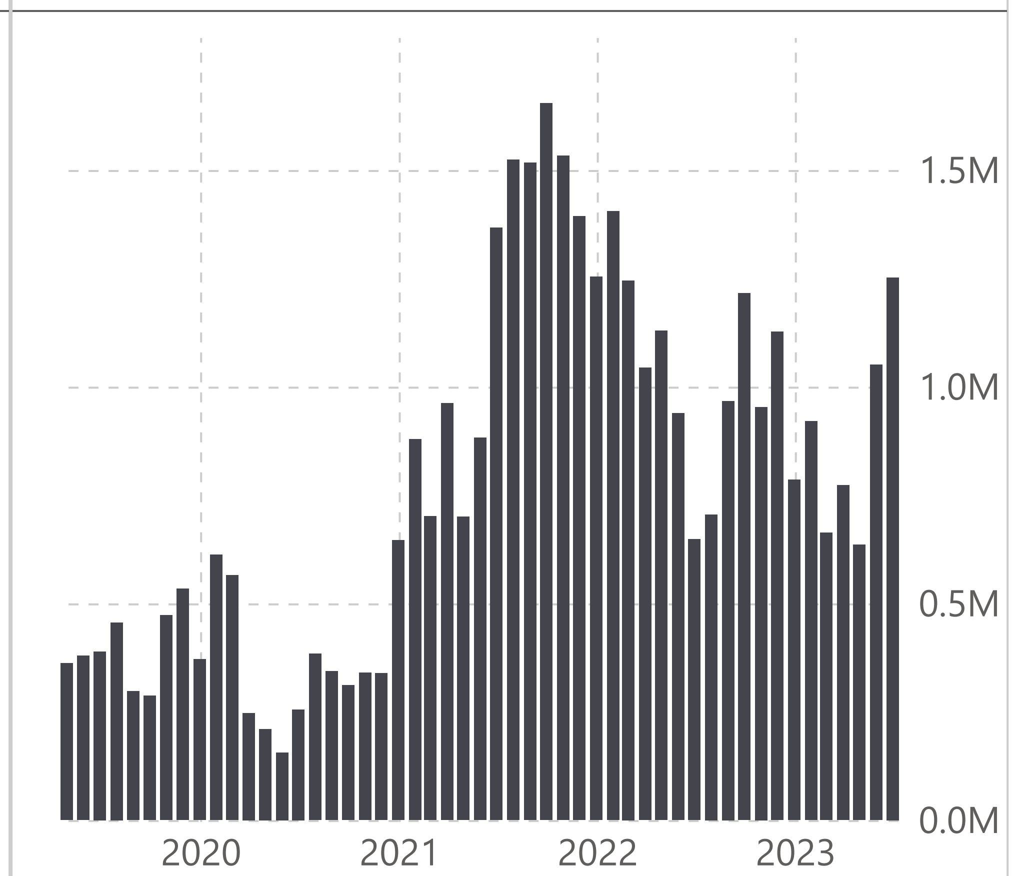
SIP accounts opened and closed

Source: AMFI



Net new SIP accounts opened

Source: AMFI



Markets this Week

Indian Equities (by Size)

Index	1W Chg (%)	YTD Chg (%)
Nifty Smallcap 100	1.8	16.4
Nifty Midcap 100	1.3	15.9
Nifty 500	1.2	8.5
Nifty 50	1.2	8.1
Sensex	1.2	8.6
Nifty Largemidcap 250	1.2	10.7
Nifty Next 50	0.5	4.9

Indian Equities (Sector)

Index	1W Chg (%)	YTD Chg (%)
IT	4.7	8.1
Metals	3.0	-3.8
Media	1.7	-3.2
Realty	1.6	25.0
Pharma	1.3	10.7
Nifty 500	1.2	8.5
FMCG	1.0	21.0
Infrastructure	0.8	11.2
Auto	0.5	23.5
Private Banks	0.2	4.8
Energy	0.0	-2.1
Financial Services	-0.2	5.6
Banks	-0.2	4.3
Consumer Durables	-0.5	7.4
PSU Banks	-1.5	1.7

Global Equities

Index	1W Chg (%)	YTD Chg (%)
Hong Kong: Hang Seng	5.7	-1.9
Turkey: BIST 100	4.1	16.9
S. Korea: Kospi Composite	4.0	17.5
South Africa: JSE	3.9	6.4
Philippines: PSEi	3.9	0.9
Taiwan: TWSE	3.7	22.3
France: CAC 40	3.7	13.9
Singapore: STI	3.5	-0.1
Germany: DAX	3.2	15.7
EU: Stoxx 600	2.9	8.5
Malaysia: FTSE Bursa Malaysia Klci	2.5	-5.6
UK: FTSE 100	2.4	-0.2
US: S&P 500	2.4	17.3
Indonesia: JSK Composite	2.1	0.3
Thailand: SET	1.8	-9.0
China: Shanghai Composite	1.3	4.8
Nifty 500	1.2	8.5
Japan: Nikkei 225	0.0	24.1
Mexico: IPC	-0.2	11.0
Brazil: Bovespa	-1.0	7.3

However as the bottom chart on the previous page shows, there has been a big increase in new SIP account openings. June saw 2.8 million new SIP accounts being created, the highest since April 2019 (when AMFI started releasing data). So, on a net basis, 1.3 million new SIP accounts were created in June which was the highest since January last year. Not that bad, eh?

Merchandise exports declined 22% in June. This is the sharpest decline in this cycle. Part of this is simply the base effect – last year in June exports had increased 30% YoY. For the quarter exports declined by 15% YoY with Petroleum products, Chemicals and Gems & Jewellery being the key drivers. Notably, electronic goods continue to see strong growth in exports – for the quarter they grew almost 50% YoY. At the current run rate, Electronics goods exports will touch US$30bn for the full year and will account for 7-8% of total exports.

Growth in Merchandise Trade (YoY%, USD terms)

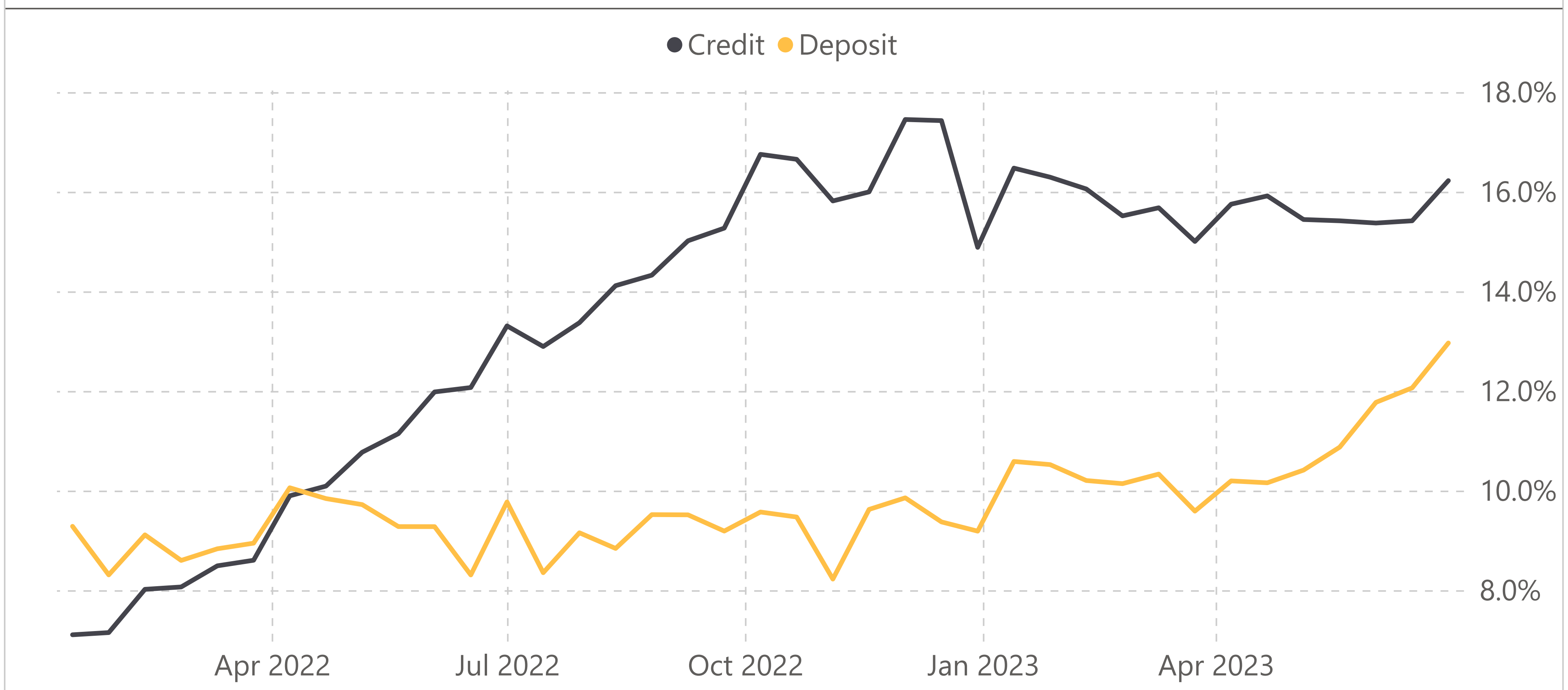
Source: DGCIS

Imports also declined by 17% YoY in June, also the sharpest decline of this cycle. A large part of this decline is simply due to lower coal and oil imports. Approximately 2/3rds of the decline in imports during the June quarter was just due to these two categories. And the decline in both of them largely reflects the sharply lower international prices.

Credit growth ticked up to 16.2% YoY as of the last fortnight of June (~80bps higher than the previous fortnight), the highest since January. Deposit growth also ticked up to 13% YoY and was the highest since January 2017! Both numbers are probably distorted due to the quarter-end balance-sheet dressing phenomenon since the latest fortnight ended on Friday the 30th of June which also coincides with the quarter end. So most likely this uptick in the credit growth is a red herring. The uptick in deposit growth is also partially due to the demon 2.0 in addition to quarter end phenomenon.

Scheduled Commercial Banks' Credit - Deposit growth (YoY%)

Source: RBI



The Kharif acreage pattern is getting a bit worrying. As of mid-July, while overall Kharif acreage is down only 2% YoY, acreage of Pulses is down 13%, Rice by 6% and Cotton by 12%. And this has been offset by a 16% increase in acreage of Coarse cereals and 5% in the case of Sugarcane. Of biggest worry though is Pulses. In a normal year, around half of Pulses sowing is over by around mid-July and thus a significant uptick will be required in the second half of the season for Pulses sowing to come close to last year's.

Markets this Week

Debt markets

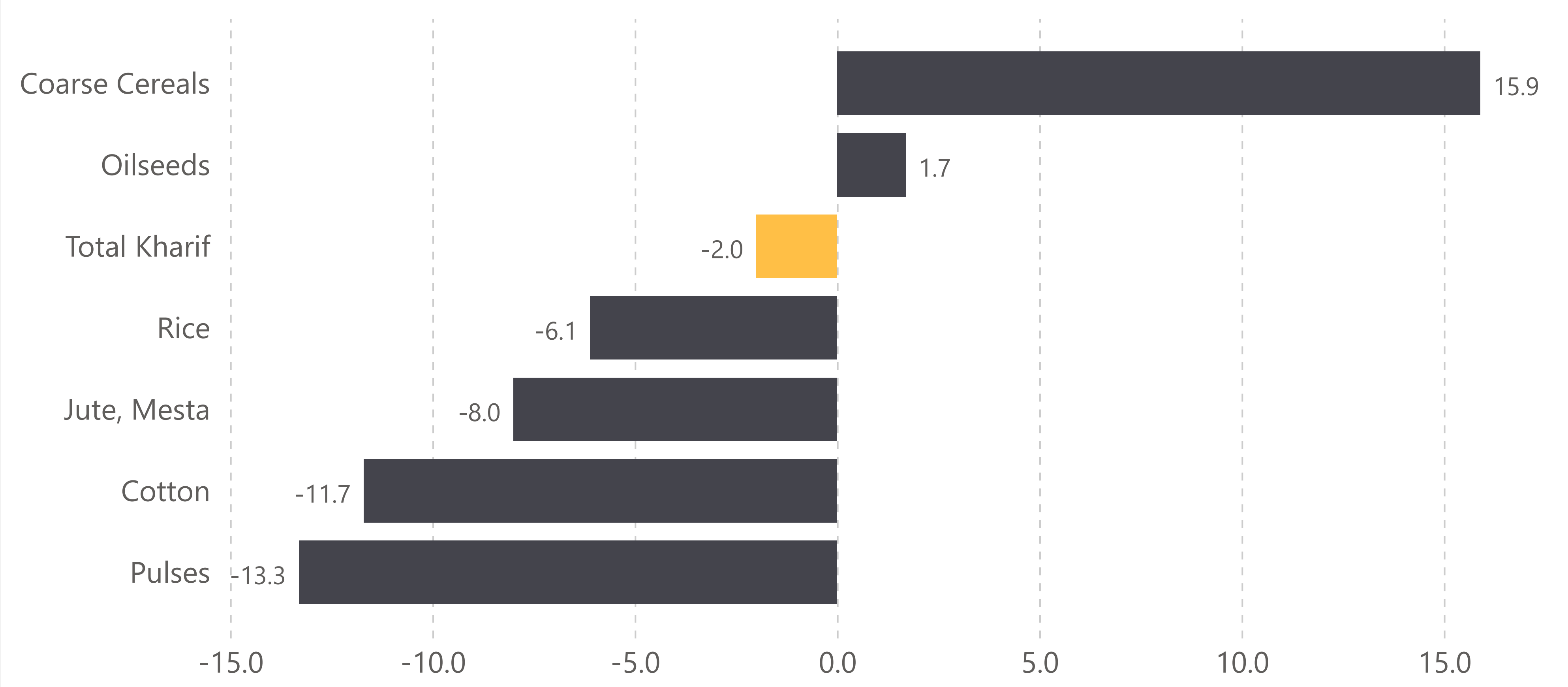
Indicator	Latest	1W Chg (bps)	YTD Chg (bps)
3mth Gsec	6.7	-2	25
10yr Gsec	7.2	-7	-26
Call Rate	6.6	-16	-10
CP Yield	7.0	-21	23
US 10yr	4.1	-23	-5

Currencies this week

Currency	Format	Latest	1W Chg (%)	YTD Chg (%)
Euro	EURUSD	1.1	3.1%	5.2%
British Pound	GBPUSD	1.3	2.7%	9.0%
Turkey Lira	USDTRY	26.2	0.5%	39.9%
India Rupee	USDINR	82.2	-0.6%	-0.6%
Indonesia Rupiah	USDIDR	14,970.0	-1.3%	-3.3%
China Renminbi	USDCNY	7.1	-1.4%	3.4%
Thailand Baht	USDTHB	34.6	-1.7%	0.3%
Philippine Peso	USDPHP	54.5	-1.9%	-2.0%
Mexico Peso	USDMXN	16.9	-2.1%	-13.6%
Singapore Dollar	USDSGD	1.3	-2.3%	-1.5%
Brazil Real	USDBRL	4.8	-2.4%	-9.2%
Korea Won	USDKRW	1,268.2	-2.9%	0.6%
Malaysia Ringgit	USDMYR	4.5	-3.1%	2.7%
Japanese Yen	USDJPY	138.6	-3.3%	5.1%
Swiss Franc	USDCHF	0.9	-4.0%	-6.9%
South Africa Rand	USDZAR	18.0	-5.7%	6.1%

Kharif acreage change (YoY%, as of 15th July)

Source: NFSM



Pulses inflation has already touched 10% as of June and even in a normal year, India is a net importer of Pulses. It's fair to assume that as things stand now, Pulses sowing and thus production during the current Kharif season this year will be lower than that of last year. And last year itself had seen a decline in Kharif pulses output compared to the preceding (2021) year.

That's it for this week. A relatively light week awaits us.

In case you missed...

DataSpot

The relationship between rains and agriculture has evolved over a period of time. Agriculture GDP, in aggregate, has become less sensitive to rainfall in the last 10-20 years. There are a multitude of factors responsible for this. But in this episode of DataSpot, we discuss two such factors.

Fiscal Matters

Capex strength continues: FY23 has started on a strong note for government finances. Aggregate receipts have grown 15% YoY in the first two months and capital expenditure has grown 70% YoY driven by a doubling of capex by states. More details in the report here

Inflation Trends

All about base? Headline CPI reversed it's declining trajectory rising 50bps to 4.8% in June. This uptick was not broad-based and thus is not unduly disconcerting. From a longer-term perspective it is worth noting that the CPI inflation has averaged below 5% for the June quarter. This is the lowest quarterly average inflation since the September quarter of 2019 when it had averaged 3.5%. More details in the report here