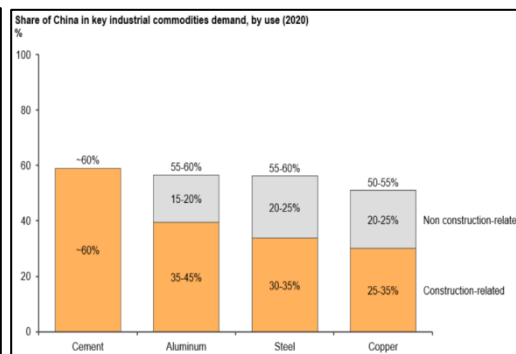
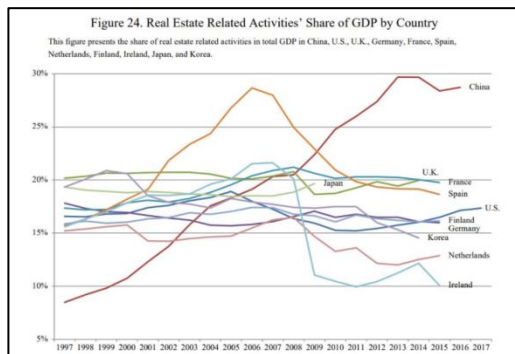


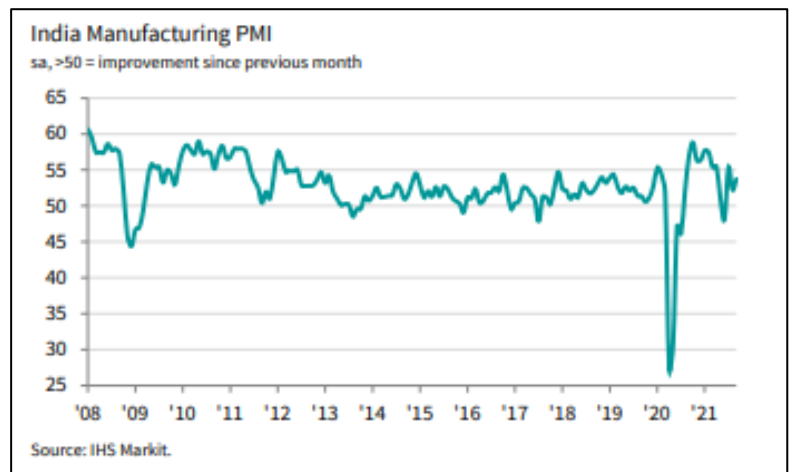
Something grand (Evergrande) and Fossil fuel prices have taken the wind out of the global rally and the supply side shock generated inflation seems immune to the surplus liquidity in global markets. The largescale impact of the power and coal shortages across China and Europe has caused a surge across the commodity basket. Taper is expected to be around the corner and the yields have started to move up. The rise in oil prices may continue for some more time as the OPEC+ has not increased production and stuck to the earlier schedule. While coal, power and natural gas may continue to move up. The RBI in its MPC meet is expected to retain a status quo on interest rates but may share a blueprint of curtailing liquidity.



The Evergrande issue is certainly big as real estate related activities account for ~30% of Chinese GDP. Beyond that, ~70% of Chinese household wealth is tied up in property, so a property crash would have broader consequences. The likely repercussion on metals used in

construction is also a very likely possibility. Though the possibility of Evergrande alone becoming a Global catastrophe is remote unless it snowballs into something larger across the sector.

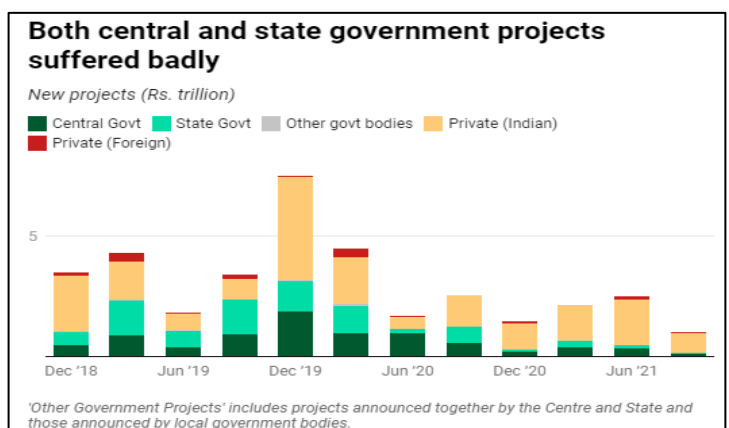
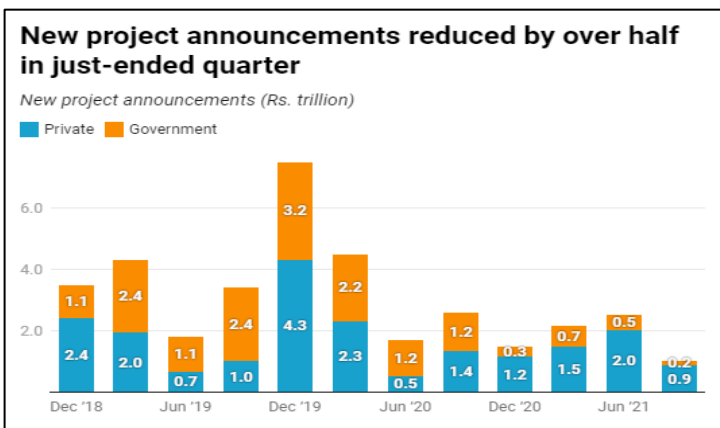
The recovery of the Indian manufacturing industry was extended to September, as companies benefited from strengthening demand conditions amid the easing of COVID-19 restrictions. With sales rising at a stronger rate, firms scaled up production and purchased additional inputs. There was also a faster upturn in international sales and an improvement in business confidence. Price pressures, which receded in each of the prior two months, intensified in September due to lingering shortages of raw materials as well as higher fuel and transportation costs. Rising from 52.3 in August to 53.7 in September, the seasonally adjusted IHS



Markit India Manufacturing PMI highlighted a stronger expansion in overall business conditions across the sector. For the second quarter of fiscal year 2021/22, the PMI averaged 53.8, a sizeable improvement from 51.5 in the opening quarter.

India's merchandise exports jumped 21.35% to \$33.44 billion in September 2021 as compared to \$27.56 billion in September 2020, mainly due to better performance by key sectors like engineering goods and petroleum products. In September, merchandise imports stood at \$56.38 billion, an increase of 84.75% compared to the year-ago period. The same was at more than \$30.52 billion in the same period a year ago. The trade deficit in September was at \$22.94 billion as gold imports jumped nearly 750% to \$5.11 billion.

While most global markets failed to build on the recovery posted in August India has been an outlier for the month gaining another 2.36%. Real estate and media – (with news-flow on its side) were the best performing sectors. While the IT and metal indices logged in minor losses.

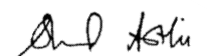


New capex project announcements in the just-ended quarter took a hit, reporting the first sequential decline in three quarters as investors were in a wait-and-watch mode ahead of the upcoming festival season. The slowdown in capex has been an issue that has been bothering India for many years now as most measures fail to provide a sustained boost to flagging capex.

As we set foot into October we will be staring at a fresh set of quarterly numbers that would present a fairer picture of YOY comparisons, further the post monsoon pickup and festive cheer should also provide boost to most macro-economic indicators while fuel driven inflation could play spoilsport. The numbers for Q2 are largely expected to provide cheer to the market while taper tantrum could derail the party. Most companies are still to pass on higher input prices to end customer and with the recent power induced disruption in China- the probability of supply side shocks extending till and beyond winter have been strengthened.

Given the backdrop of higher inflation (non sticky now) and possible taper, equity markets could move sideways as the bond, commodity and currency markets rebalance to these new realities. Expect a lot of volatility and stick to quality investments across all asset classes, whether debt or equity.

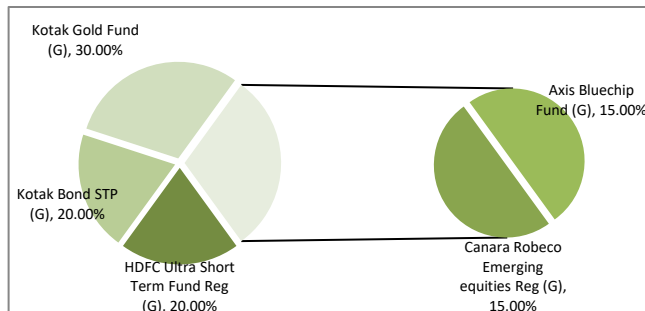
Stability leads to instability. The more stable things become and the longer things are stable, the more unstable they will be when the crisis hits." - Hyman Minsky

Sharad Avasthi
Vice President – PCG, SMIFS Ltd.

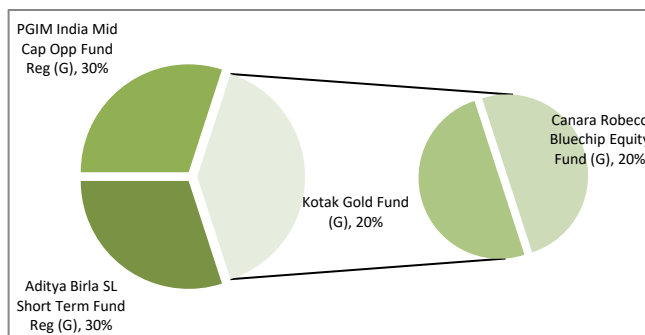
Profile: Conservative

Scheme	1 Yr Return(%)	3 Year Return(%)	5 Year Return(%)
HDFC Ultra Short Term Fund Reg (G)	3.9	6.37	0.00
Canara Robeco Emerging equities Reg (G)	62.47	24.11	17.74
Axis Bluechip Fund (G)	51.12	22.57	17.75
Kotak Bond STP (G)	5.16	8.38	7.14
Kotak Gold Fund (G)	-8.39	13.63	7.12



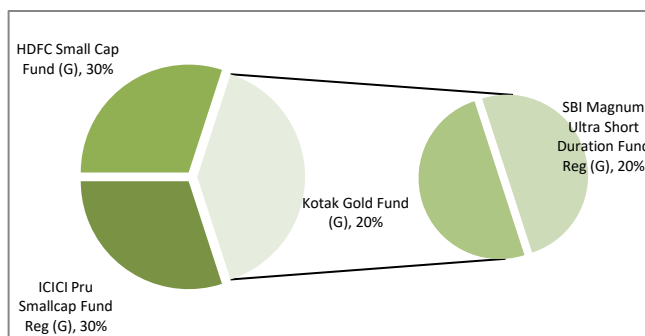
Profile: Moderate

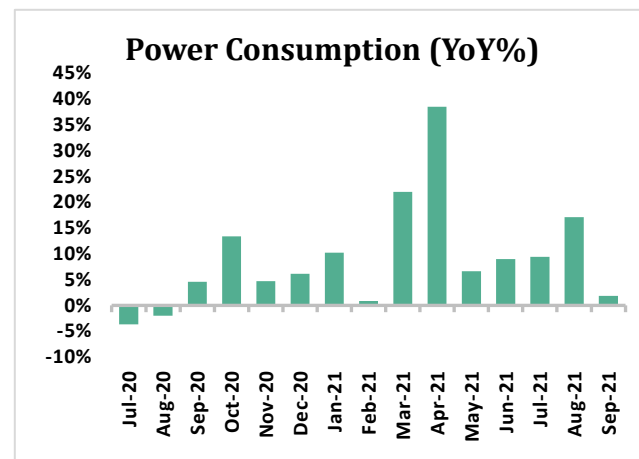
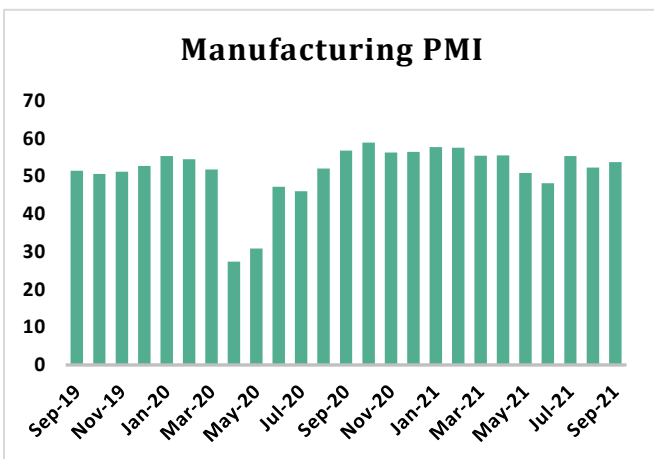
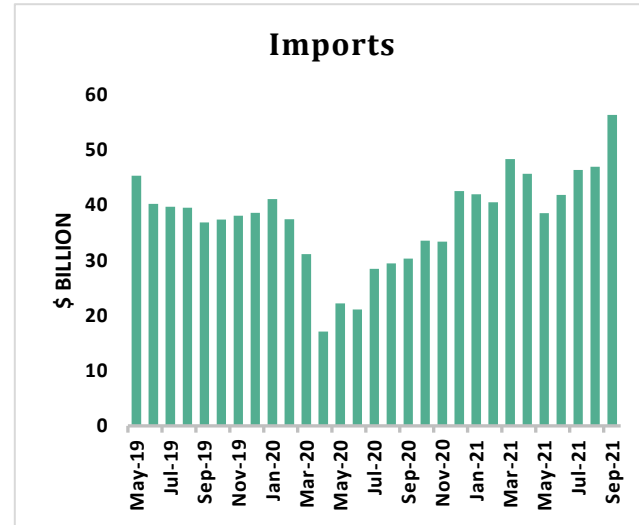
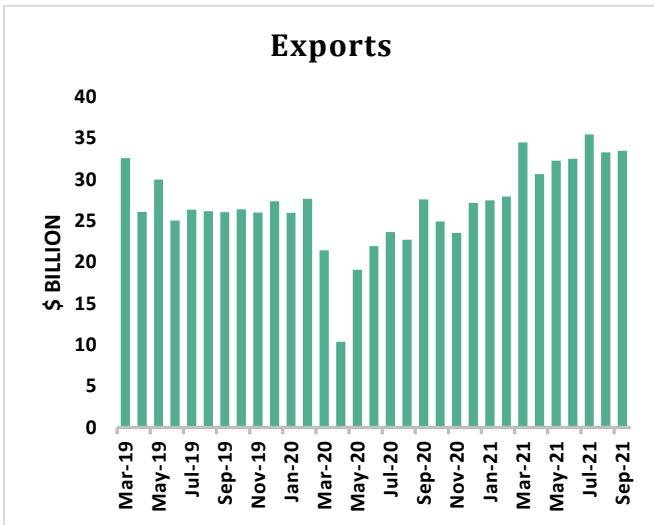
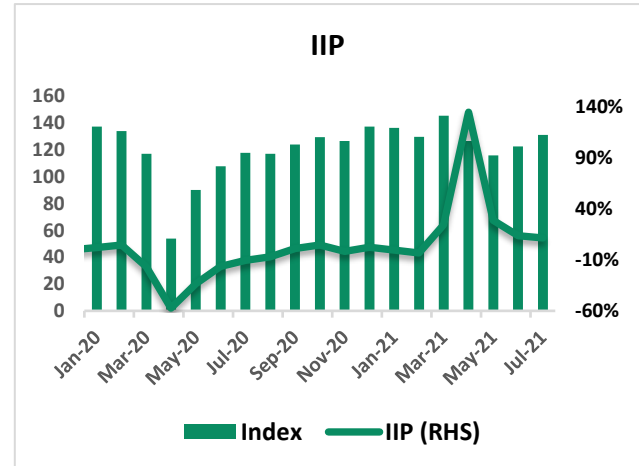
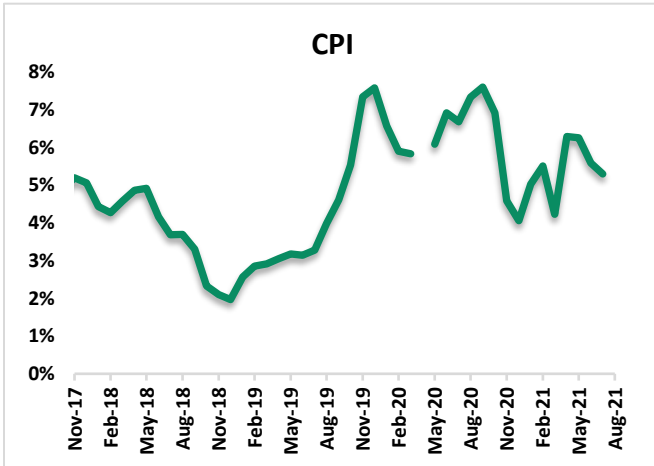
Scheme	1 Yr Return(%)	3 Year Return(%)	5 Year Return(%)
Aditya Birla SL Short Term Fund Reg (G)	5.68	8.47	7.30
PGIM India Mid Cap Opp Fund Reg (G)	89.67	36.15	19.39
Kotak Gold Fund (G)	-8.39	13.63	7.12
Canara Robeco Bluechip Equity Fund (G)	52.48	22.94	16.84



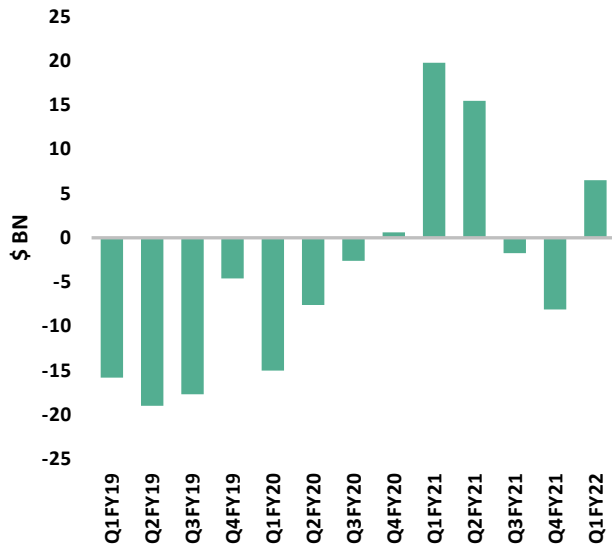
Profile: Aggressive

Scheme	1 Yr Return(%)	3 Year Return(%)	5 Year Return(%)
ICICI Pru Smallcap Fund Reg (G)	94.51	30.97	16.98
HDFC Small Cap Fund (G)	93.99	21.89	18.85
Kotak Gold Fund (G)	-8.39	13.63	7.12
SBI Magnum Ultra Short Duration Fund Reg (G)	3.62	6.19	6.50

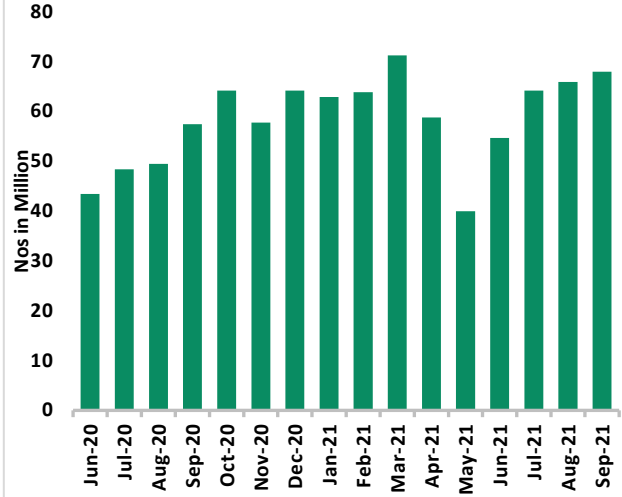




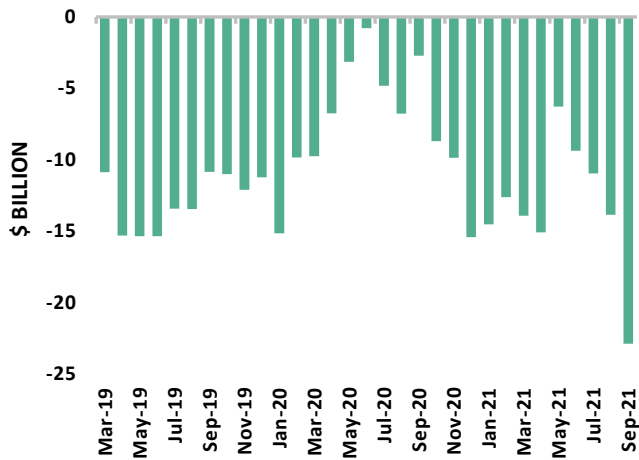
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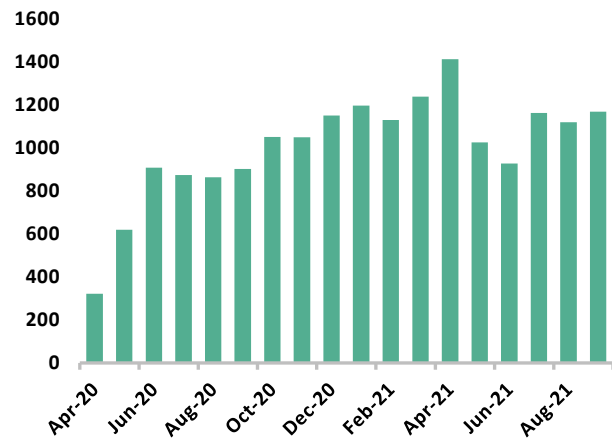
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Trade Deficit



GST Collection (Rs Bn)



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