



FRANKLIN TEMPLETON

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Dear Investor,

Hope this email finds you doing well.

It is the beginning of the new financial year and what better time than now to review your financial portfolio, goals, taxes and more. Let us see some quick moves you can make to start the new financial year on a fresh, strong, and sharp note:

1. Review your financial goals to track the performance of your investments and take any corrective action.
2. Revisit your emergency fund in case of any exigencies.
3. Evaluate your life and health insurance needs, keeping in mind family dependencies and health status. Don't miss the annual health check-up of your family.
4. Calculate your potential tax liability and optimize tax-saving investments. As per the recent announcement, you also need to choose the tax regime that suits you.
5. Diversify your investments to balance the risk-return ratio.
6. Most importantly, focus on your long-term investment goals.

Now for the markets.

Equity Market Snapshot:

The RBI has revised its FY24 GDP growth estimate slightly upwards to 6.5%. This is based on evolving macroeconomic conditions. The scope for cyclical recovery in consumption is improving due to full economic reopening in 2022. Policy reforms, incremental capex spending by the government and improving capacity utilization levels support the case for a pickup in private sector capex. Deleveraging of corporate balance sheets adds to the health of the private sector as well as the financial sector.

On the fiscal side, government expenditure momentum continues to improve. The government has budgeted to decrease the fiscal deficit to 5.9% of GDP in F2024 with a focus on increasing capital expenditure and reducing subsidy spending. Enhanced infrastructure spending and positive corporate sentiment reflect strong momentum to industrial activity. Agriculture is expected to continue to exhibit strong growth momentum, aided by higher rabi sowing. The RBI's inflation outlook has been slightly lowered, building in moderate crude price levels. The slowdown in external demand is hurting our exports sector. Geopolitical uncertainty, and likelihood of slower global growth for a prolonged period poses potential risks for the Indian economic growth recovery. Upside risks to global inflation could emanate from a potential demand boost from China and resultant commodity price rise.

Fixed Income Market Snapshot:

In terms of portfolio positioning, we believe that a confluence of factors including RBI's assessment of domestic growth, banking system volatility in the United States and Euro Zone, fall in commodity prices specifically crude oil, stronger than expected services exports and consequent improvement in the Balance of Payment dynamics, argue in favour of increasing portfolio maturities at the margin. We have increased portfolio maturities in our fixed income funds in general. We remain focused on short/intermediate maturities as we expect the RBI to remain on hold and there is pressure on the long end on account of a heavy borrowing calendar. We recommend investors to actively

consider short maturity funds. Also, investors with a longer investment horizon and commensurate risk appetite can utilize the market volatility to scale into longer duration products.

Global Central Bank Watch:

The latest edition of our global Central Bank Watch titled “Not Giving Up the Inflation Fight,” published by the Franklin Templeton Global Fixed Income, delved into recent developments from major central banks. As the title suggests, the US Federal Reserve (Fed) and European Central Bank (ECB) have reinforced their commitment towards fighting inflation.

The US Fed and ECB remained some of the most hawkish central banks, while The People’s Bank of China (PBoC) remained the most dovish among major central banks as China emerged from its zero-COVID-19 restrictions. This is in the backdrop of idiosyncratic dislocations in the US and European banking sectors, which led to significant financial market turbulence in March 2023, stickier inflation and stronger-than-anticipated economic activity.

Despite the risk of a global economic slowdown gaining momentum, a number of central banks have kept their tightening bias like the Reserve Bank of New Zealand (RBNZ), Swiss National Bank (SNB), Riksbank and Norges Bank (NB).

We expect the Bank of Japan’s (BoJ) yield curve control framework to be eliminated by the third quarter of 2023 as increasing inflationary pressures have negated the need for excessive monetary accommodation. However, further policy tightening is dependent on how quickly the BoJ’s 2% inflation target is sustainably reached.

[Click here for the detailed note](#)

Hope you find the above insights useful.

As always, you can directly write to me at avisatwalekar@franklintempleton.com with any feedback and questions. I value your questions, and feedback and look forward to the opportunity of continuing to meet your investment needs.

Sincerely,

Avinash Satwalekar
President, Franklin Templeton Asset Management (India) Pvt. Ltd.

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