



INDIA REPORT

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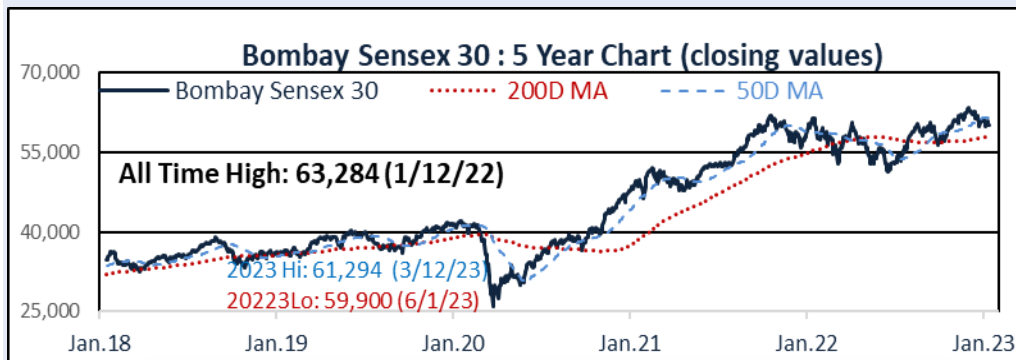


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London, 16 January 2023



Close:	Level	Index Pts Chg-Day	% Chg YTD
16 Jan 2023			
SENSEX 30	60,093	-168	-1.2%
NIFTY 50	17,895	-62	-1.2%

Other Markets: Level & % YTD

ASIA: CHINA Shanghai: 3,228 (+4%)
JAPAN Nikkei 225: 25,822 (-1%)
EUROPE: UK FTSE: 7,860 (+6%)
GERMANY DAX: 15,141 (+9%)
USA: Dow Jones: 34,303 (+3%)
NASDAQ Composite: 11,079 (+6%)
GOLD: \$1,915.65 (+5%)
SILVER: \$24.22 (+1%)
BRENT OIL: 84.24 (+2%)

Indian Currency; Level & YTD

INR ₹ / USD	\$1=	Rs81.62 (+1.3%)
INR ₹ / GBP	£1=	Rs99.62 (+0.5%)
INR ₹ / EUR	€1=	Rs88.33 (+0.2%)

⇒ **India's annual retail inflation for December fell for the second consecutive month below the central bank's upper tolerance level of a 2%-6% band.** Annual retail inflation edged down to 5.72% in December, its lowest in a year, from 5.88% in November. The trend is positive for policymakers of interest rates. **Food price inflation, which accounts for nearly 40% of the consumer price index (CPI) basket, eased to 4.19% in December from 4.67% in November, aided by lower vegetable prices.**

⇒ **However, core retail inflation which excludes the volatile food and energy components, is still slightly above 6%.** "Although the momentum of core inflation has moderated, it remains sticky at 6%," RBI Governor Das said in a discussion at the Business Today Banking and Economic Summit. "That is not a comfortable number to deal with. So therefore, we have to be very vigilant and we have to really keep focus on the core part of inflation." The central bank will probably prefer to see this coming down to a level within its 2-6% acceptable band before deciding to cut interest rate hikes. **We expect a last increase of 25 basis points at the February meeting before a long pause, taking the total rise in interest rates in this tightening cycle to 250 basis points, i.e., from 4% to 6.50%.**

⇒ **Separately, India's annual wholesale price inflation for December fell to 4.95% year-on-year, its lowest level in nearly two years. The November reading was 5.85%.**

⇒ **India has approved an incentive plan of 174.9 billion rupees (\$2.11 billion) to promote green hydrogen in a bid to cut emissions and become a major exporter in the field, India's information minister, Anurag Thakur said.** The government's incentive programme is named the "Strategic Interventions for Green Hydrogen Transition Programme (SIGHT)", and is a strategy to help India, one of the world's biggest greenhouse gas emitters, achieve net-zero carbon emissions by 2070. The country aims for annual production of 5 million tonnes of green hydrogen by 2030, cutting about 50 million tonnes of carbon emissions and saving one trillion rupees on fossil fuel imports, Thakur told media. **"Our aim is to establish India as a global hub of green hydrogen," Thakur said. "We will make efforts to get at least 10% of the global demand for green hydrogen (by 2030)."**

⇒ **Hydrogen can be used as a fuel when water is split with an electrical process called electrolysis.** If the devices that do that, electrolyzers, are powered by renewable energy, the product is called green hydrogen. India also plans to build electrolyser capacity of 60 gigawatts to 100 gigawatts to help produce green hydrogen, Thakur said. Fertiliser, refining and iron and steel units currently consume grey hydrogen, made through fossil fuels, of 5 million tonnes per annum. Grey hydrogen costs around 200 rupees per kg to produce, as gas prices have shot up more than 50% from 130 rupees per kg before. **To promote the use of green hydrogen, Thakur said obligations - such as mandatory targets for green hydrogen consumption - would be required of fertiliser units, petroleum refineries and city gas distribution networks.**

⇒ **India is set to become the world's third-largest market for passenger and other light vehicles, displacing Japan, according to a forecast by S&P Global Mobility.** Industry-wide sales grew an estimated 23% to 4.4 million vehicles in 2022. That is in contrast to the outlook for the United States, where the market is expected to remain below 2019 levels this year, and China, where demand is weakening. Renault of France is considering building a mass-market electric vehicle in India as part of a renewed push into a market where EV adoption is expected to grow quickly from a small base. Renault is betting on the shifting perception of the auto market in India, which posted the fastest growth of any major market in 2022. **EVs were on track to be less than 1% of car sales last year but the government has set a target of 30% by 2030 and has had recent success in attracting suppliers for international automakers, with a range of subsidies.**

⇒ **HSBC is among the biggest global banks to confirm it would not support oil and gas projects that received final approval after the end of 2021, a move the International Energy Agency has said is needed for the world to reach net-zero emissions by 2050.** HSBC will stop funding new oil and gas fields and expect more information from energy clients over their plans to cut carbon emissions, the banking giant said, as part of a wider update of its sector policy. Others to have committed to this include UK's biggest domestic bank Lloyds. **Britain's Barclays Bank said it had increased its sustainable and transition finance target to \$1 trillion by 2030 and would inject more of its own money into energy startups.**



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2022 YTD PERFORMANCE OF ASIA PACIFIC/WESTERN EQUITY MARKETS IN LOCAL CURRENCY, US\$ & GB£

- The table below shows 2022 returns on Friday, 30 December 2022 in local currency, and also currency adjusted returns in US\$ and GB£;
- World share markets saw the worst sell-off in H1 2022 in half-a-century on fears of global economic growth shrinking and many economies being in recession. MSCI's 47-country world stocks index suffered its biggest H1 drop since its creation in 1990. At the same time, 10-year U.S. Treasury bonds – the benchmark of global borrowing markets and traditional go-to asset in troubled times – had their worst first half since 1788. The sell-off continued in the second half of 2022, but markets recovered in December. Despite the recovery many markets witnessed a very volatile year;
- Even astute investors were caught off-guard by the global economic impact of Russia's illegal war on Ukraine;
- The vast majority of markets listed in the table show losses, many stretching to double-digits, on fears of an impending recession. Rising global inflation due to higher food and fuel prices, exacerbated by the Russian invasion of Ukraine, forced many central banks to raise interest rates to combat runaway inflation and dampen consumer demand;
- In Asia most markets are lower for the year, except for India (+5%), Indonesia (+4%), Singapore (+4%) and Thailand (+1%);
- India's SENSEX30 and NIFTY50, after an earlier sell-off, recovered smartly to close higher at year-end. GB£ investors see a 5% gain due to the Indian Rupee appreciating vs £sterling;
- In Western markets listed below only UK's FTSE (+1%) and Brazil's BOVESPA (+1%) showed gains;
- In the US annual food prices rose at their fastest pace since February 1981, with energy prices posting their largest jump in more than 42 years. Higher inflation forced interest rates to rise, and possibly hasten a recession. US's NASDAQ tumbled 33% as valuations were perceived by investors as being too rich. US sentiment hit global share markets.
- Looking ahead, it is hoped that if inflation is tamed in many global economies and interest rates start to edge down from H2 2023 then 2022's losers may turn out to be 2023's winners.

CLOSING 2022 INDEX PERFORMANCE	Index on Friday 30 Dec 2022	2022 %Chg	2022 %Chg	2022 %Chg
ASIA PACIFIC		In local Currency	in US\$	in GB£
MSCI APEX 50	1,159	- 25	- 25	- 15
MSCI EMERGING MARKETS	956	- 22	- 22	- 12
AUSTRALIA 200 INDEX	7,038	- 6	- 11	- 1
CHINA SHANGHAI COMP	3,089	- 15	- 22	- 13
CHINA CSI 300	3,872	- 22	- 28	- 19
HONG KONG HANG SENG	19,781	- 15	- 16	- 5
INDIA NIFTY 50	18,105	+5	- 6	+ 5
INDIA SENSEX 30	60,841	+4	- 7	+ 5
INDONESIA JAKARTA COMP	6,851	+ 4	- 4	+ 7
JAPAN NIKKEI 225	26,095	- 9	- 20	- 11
MALAYSIA K.L. COMP.	1,495	- 5	- 10	+ 1
PAKISTAN KSE 100	40,420	- 9	- 29	- 21
PHILIPPINES PSEI	6,566	- 8	- 15	- 5
SINGAPORE STI	3,251	+ 4	+ 5	+ 17
SRI LANKA COLOMBO ALL SHARE	8,489	- 31	- 62	- 57
STH. KOREA KOSPI	2,236	- 25	- 29	- 21
TAIWAN TAIEX	14,138	- 22	- 30	- 22
THAILAND SET INDEX	1,668	+ 1	- 3	+ 8
VIETNAM STOCK INDEX	1,007	- 33	- 35	- 27
WESTERN				
GERMANY DAX	13,923	- 12	- 17	- 8
SWITZERLAND SMI	10,730	- 17	- 17	- 8



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FTSE 100	7,452	+ 1	+ 11	+ 1
US D.J. IND	33,147	- 9	- 9	+2
USA NASDAQ COMPOSITE	10,446	- 33	- 33	- 24
BRAZIL BOVESPA	109,735	+ 5	+ 10	+ 23
RUSSIA MICEX 10	4,038	- 31	- 29	- 21

Source: Bloomberg

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