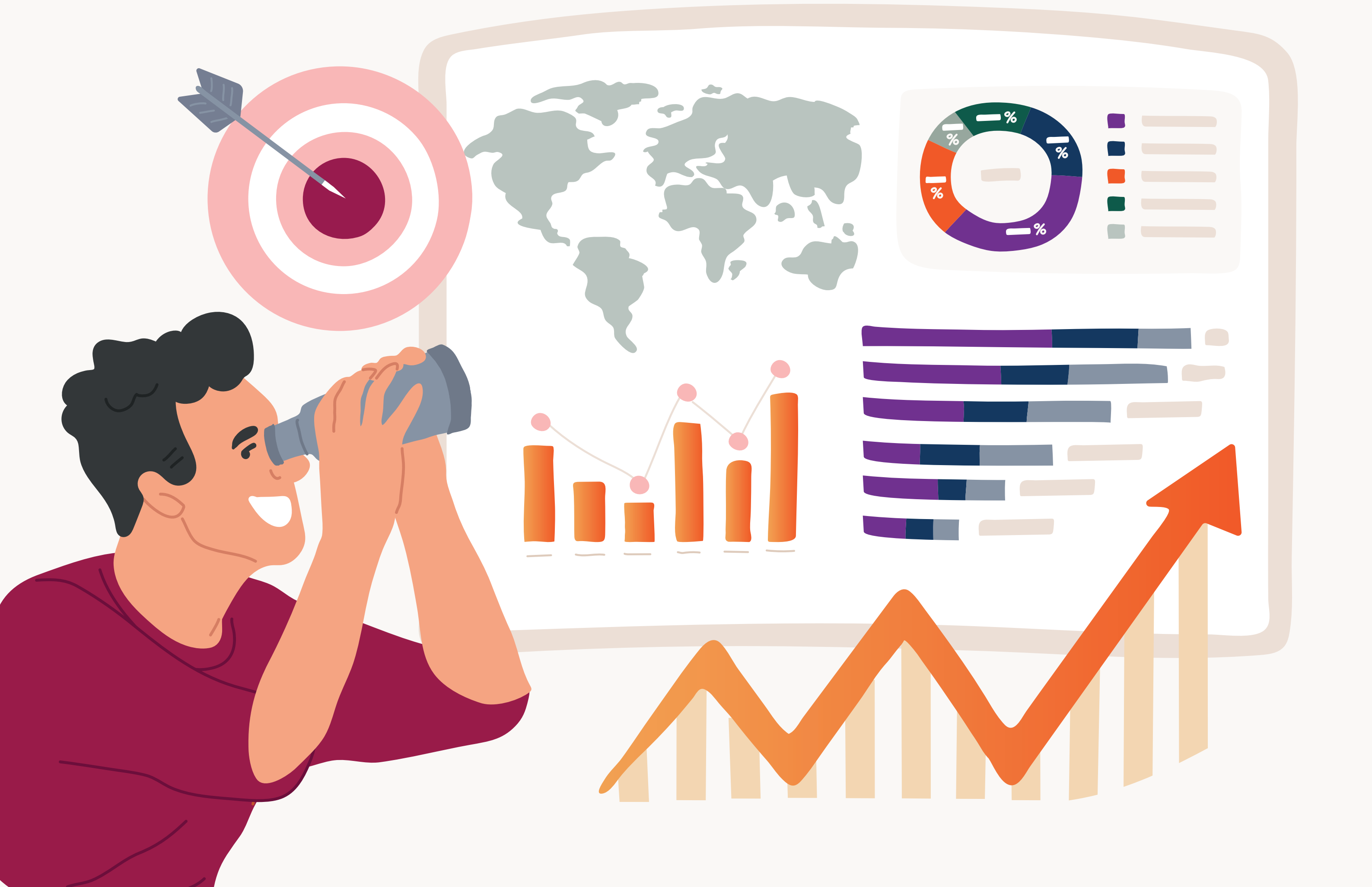
AXIS MUTUAL FUND

EQUITY OUTLOOK

AUGUST 2024

By Shreyesh Devalkar

Head - Equity



MARKET RECAP: BUDGET AND THE EARNINGS SEASON

In its first budget, the new coalition government continued on the path of fiscal consolidation, highlighting continuity and consistency in policy making.

Large windfall gains from RBI's dividend payout and surge in tax revenues provided the government sufficient room to bring down the fiscal deficit from 5.1% to 4.9%

The capital gains tax, both short term and long term, on equity mutual funds have been increased. There has been no change in the taxation of Debt Mutual Funds – they will be taxed as per the tax slab of the investor. However, funds other than equity and debt will be taxed at 12.5% if held for more than 24 months.

Overall, the focus on fiscal consolidation, boosting employment, and incentivizing MSME and manufacturing, will continue to structurally build a strong growth prospect for India.

EARNINGS SEASON

28% of NSE500 Companies have reported – so far, consisting of **76%** of the Market Cap.

Auto, Banks, capital goods, Healthcare have delivered all-round growth while Cement, Chemicals, Durables, Logistics, Metals, O&G and Retail look weak.

TRIGGERS FOR THE MARKETS

Markets saw a knee jerk reaction on the day of elections and on the day of the budget but subsequently recovered to all-time highs after both the events. The earnings season is on and that could set the tone for August.

Tax benefits to salaried class, focus on employment generation, and continuation of policies directed towards housing and rural reforms can have a positive impact on the consumption theme.

Likewise, we also expect the focus on capex to continue with more thrust coming from the private sector.

INVESTMENT OPPORTUNITIES FOR INVESTORS

A. Even though there is no change in the capex expenditure compared to the interim budget, it is a 17% growth on YOY terms, which in itself is a healthy figure.

B. The fiscal discipline by the government will translate to crowding in for private investments. With the government also emphasizing on private capex, the entire curve of the capex cycle stands to benefit in light of multiple enablers such as deleveraged corporate balance sheets, healthy profitability, rising domestic demand, and increasing capacity utilization.

C. Accordingly, we are overweight on the infrastructure, manufacturing, utilities and transport.

D. We maintain a bias to holdings in sectors that can benefit from government policies such as energy, defense, power.

E. We have an underweight in the export-oriented segment, attributing this to global economic slowdown.

F. Overall, we remain positive on the markets and continue with our themes of being overweight consumption, investments and underweight exports. Always remember markets may go through cycles but it is important to stay invested

DISCLAIMER

Data as on 31st July, 2024

Source: Axis MF Research

Past performance may or may not be sustained in the future.

Sector(s) / Stock(s) / Issuer(s) mentioned above are for the purpose of disclosure of the portfolio of the Scheme(s) and should not be construed as recommendation. The fund manager(s) may or may not choose to hold the stock mentioned, from time to time. Investors are requested to consult their financial, tax and other advisors before taking any investment decision(s).

Statutory Details: Axis Mutual Fund has been established as a Trust under the Indian Trusts Act, 1882, sponsored by Axis Bank Ltd. (liability restricted to Rs. 1 Lakh). Trustee: Axis Mutual Fund Trustee Ltd. Investment Manager: Axis Asset Management Co. Ltd. (the AMC). Risk Factors: Axis Bank Limited is not liable or responsible for any loss or shortfall resulting from the operation of the scheme.

This document represents the views of Axis Asset Management Co. Ltd. and must not be taken as the basis for an investment decision. Neither Axis Mutual Fund, Axis Mutual Fund Trustee Limited nor Axis Asset Management Company Limited, its Directors or associates shall be liable for any damages including lost revenue or lost profits that may arise from the use of the information contained herein. No representation or warranty is made as to the accuracy, completeness or fairness of the information and opinions contained herein. The AMC reserves the right to make modifications and alterations to this statement as may be required from time to time.

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