

## Midnight News Update – Feb 13th 2025

India CPI inflation dipped to 4.31% for January 2025, a sharp fall from 5.22% in December 2024. Food prices fell further, but core inflation continues to be sticky. In retrospect, this fall in inflation, justifies the 25 bps pre-emptive rate cut by the RBI MPC last week. However, further rate cuts may not be only about inflation but also about the rupee-dollar equation. With the consumer inflation now at 4.31%, it is just about 31 bps short of the RBI target of 4%. Two sticky items; cereals and vegetables saw tapering of prices.

The index of industrial production (IIP) grew 3.2% in December 2024, lower compared to 5.0% in Nov-24. The fall in IIP growth syncs with the recent fall in the core sector growth, which constitutes over 40% of the IIP basket. While weak momentum in the manufacturing sector was a key factor, the IIP growth was also impacted by the higher base effect. Among the key components of IIP basket; mining grew at 2.6%, manufacturing at 3.0%, and electricity at 6.2%. Manufacturing was hit by weak local and global demand.

All that glitters, is surely gold, appears to be the theme as the price of 10 grams gold touched a lifetime high of ₹88,500 for 24 carat gold with 99.5% purity. The Trump tariffs and the global uncertainty have also contributed to a sharp spike in the price of gold, international prices crossing \$2,900/oz. with the Trump tariffs on steel and aluminium, markets are expecting an all-out trade war, which has triggered a rush to safe assets. It is not just gold, but even silver rallied on Wednesday to an all-time high of ₹97,500 per KG.

Muthoot Finance reported 22% rise in net profit for Q3FY25 at ₹1,392 crore. Revenues from operations increased by 36% to ₹5,189 crore in the same period. The AUM of Muthoot grew 34% to ₹1,11,308 crore as of the close of the December 2024 quarter. Muthoot is expected to gain from the positive consumption cycle that is likely to be triggered by the tax breaks provided by Union Budget 2025-26. The business of Muthoot is likely to also benefit from the spike in the price of gold as well as the 25 bps repo rate by RBI.

US consumer inflation touched 3% on a yoy basis and even the MOM inflation was up from 0.4% to 0.5% in January 2025. The data was reported by the bureau of Labour Services (BLS). Compared to December CPI inflation at 2.9%, the January 2025 inflation is 10 bps higher on a yoy basis. However, one concern is that the punitive tariff regime of Trump could spike inflation. The inflation is now a full 100 bps above the Fed long term target of 2.0%. While food inflation tapered in January 2025, core inflation edged higher.

ONGC aims to double investments in new energy projects like wind and solar. This is part of their plan to aggressively cut its carbon footprint. ONGC plans to invest around ₹1 trillion or \$11.5 billion to build a full renewable portfolio of 10 GW by 2030. ONGC has significant presence in India and abroad and it is also involved in the exploration of renewable energy sources and production of petrochemicals. ONGC's capex will be towards 25 compressed biogas plants, hydro projects, and green ammonia and green hydrogen.

The latest data on mutual fund flows in January 2025 hint at ₹1.85 trillion of overall inflows; largely dominated by debt fund flows of ₹1.28 trillion and equity fund inflows of ₹39,689 crore. The month also saw the SIP flows tad lower at ₹26,400 crore, but what was surprising was that the SIP stoppage ratio spiked to above 100% as the SIP folio closures exceeded the SIP folio accretions, for the first time in the last 5 years. Due to the market correction, active equity funds, passive funds and hybrids saw AUM falling.

Reliance Industries touched a fresh 52-week low of ₹1,193 per share on Wednesday. This fall comes in the midst of heavy volumes and is now down about 26% from the peak levels of July 2024. While the O2C business of Reliance has been under pressure in the last couple of quarters, macro factors like the FII sell-off and the punitive Trump tariffs have also contributed to the fall in the stock price of Reliance. There are also concerns on the ROI on its various investments as well as on monetization of Jio and Reliance Retail.



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