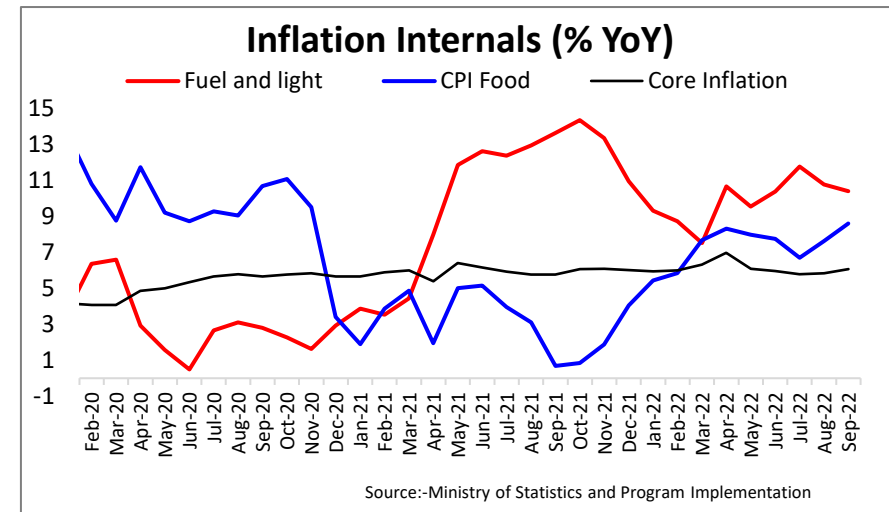
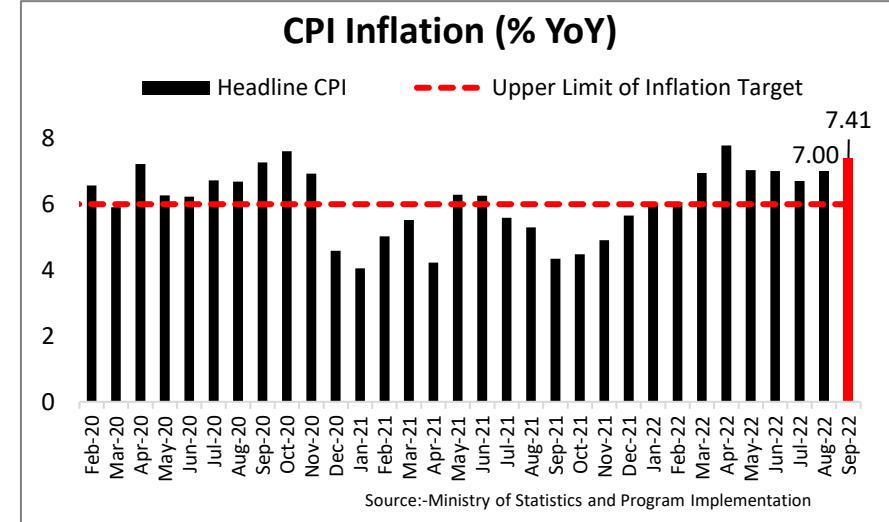


# CPI Inflation -September 2022

- **Consumer Price Index (CPI) based inflation** came in higher than expectations of 7.3% YoY and also the previous month's 7% YoY, driven by higher food prices, a sticky Core inflation and low base of last year.
- **Food Inflation** rose to 8.60% YoY, led by sharp rise in prices of vegetables and 'Cereals and products' amongst others.
- **Core CPI inflation** (ex Food and Fuel but including 'Transport and communication') rose to 6.07% YoY in September 2022 from 5.84% YoY in August 2022 with a rise in inflation across most segments barring a few indicating strong demand.
- **Expectations:-** With unseasonal rains having destroyed crops and festival season demand, food inflation is likely to remain elevated in the near term. Low base effect of last year even in October 2022, is another pressure point for the next print.
- Near term retail inflation is expected to remain above RBI's tolerance band of 4%-6%. However in Q4FY23 the inflation prints are expected to start tapering and enter into the RBI's tolerance band.
- **Implication on Monetary Policy:-** Elevated inflation is likely to keep pressure on RBI to remain hawkish and continue with the tightening stance to tame inflation and inflation expectations.
- **Implication on Markets:-** Bond yields are likely to trade in a range with an upward bias in the near to medium term and the yield curve could continue to flatten.
- **Fixed Income Mutual Fund Investment Strategy:-** Investors should look at funds oriented towards the shorter end of the yield curve for relative stability in the near term and to benefit from the reset in interest rates on the higher side. For this one can look at Short Duration Funds, Money Market Funds, Ultra Short Duration and Low Duration Funds for a horizon of 12 months and above. For investors looking for accrual strategies, they can consider Target Maturity Index Funds that invest in a mix of better quality bonds with investment horizons matching the maturity of the funds. Investors who are comfortable with volatility and have a longer investment horizon could look at Dynamic Bonds for a horizon of 24 months and above. For a horizon of 3 months and above Arbitrage and Money Market Funds can be considered. Whereas, for a horizon of up to 3 months investors can consider Overnight Funds and Liquid Funds. Investors should invest in line with their risk profile and product suitability.



**Disclaimer:** This document has been prepared on the basis of publicly available information, internally developed data and other sources believed to be reliable. HDFC Bank Limited ("HDFC Bank") does not warrant its completeness and accuracy. This information is not intended as an offer or solicitation for the purchase or sale of any financial instrument / units of Mutual Fund. Recipients of this information should rely on their own investigations and take their own professional advice. Neither HDFC Bank nor any of its employees shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material. HDFC Bank and its affiliates, officers, directors, key managerial persons and employees, including persons involved in the preparation or issuance of this material may, from time to time, have investments / positions in Mutual Funds / schemes referred in the document. HDFC Bank may at any time solicit or provide commercial banking, credit or other services to the Mutual Funds / AMCs referred to herein.

Accordingly, information may be available to HDFC Bank, which is not reflected in this material, and HDFC Bank may have acted upon or used the information prior to, or immediately following its publication. HDFC Bank neither guarantees nor makes any representations or warranties, express or implied, with respect to the fairness, correctness, accuracy, adequacy, reasonableness, viability for any particular purpose or completeness of the information and views. Further, HDFC Bank disclaims all liability in relation to use of data or information used in this report which is sourced from third parties.

HDFC Bank House, 1 st Floor, C.S. No. 6 \ 242, SenapatiBapatMarg, Lower Parel, Mumbai 400 013. Phone: (91)-22-66527100, ext 7111, Fax: (91)-22-24900983 \ 24900858

**HDFC BANK is a AMFI-registered Mutual Fund Distributor & a Corporate Agent for insurance products.**

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