

Monthly Market Update (India)

November 2017

iFAST
financial

Prepared by: iFAST Research

MARKETS ACROSS THE GLOBE



	2017	2017	2016	P/E	P/E	P/E	Earnings Growth	Earnings Growth
	MTD	YTD	Return (%)	Yr 2017	Yr 2018	Yr 2019	2017 (%)	2018 (%)
Asia ex Japan (MSCI Asia ex Japan)	4.69%	34.53%	2.90%	14.6	12.4	11.2	27.30%	17.90%
Emerging Markets (MSCI EM)	3.45%	29.78%	8.60%	14.0	11.9	10.7	25.80%	17.60%
Europe (Stoxx 600)	1.82%	9.35%	-1.20%	16.4	15.1	13.8	10.30%	8.80%
Japan (Nikkei 225)	8.13%	15.16%	0.40%	18.8	16.9	15.2	10.90%	11.40%
USA (S&P 500)	2.22%	15.03%	9.50%	19.4	17.6	15.9	12.10%	10.30%
Brazil (IBOV)	0.02%	23.38%	38.90%	14.2	12.6	10.5	31.40%	12.90%
China (HS Mainland 100)	4.69%	34.31%	-1.30%	11.1	9.9	8.8	20.00%	12.30%
Hong Kong (HSI)	2.51%	28.39%	0.40%	12.8	11.8	10.8	21.20%	8.70%
India (SENSEX)	6.17%	24.74%	1.90%	21.8	17.0	14.2	6.50%	27.70%
Indonesia (JCI)	1.78%	13.39%	15.30%	17.5	15.5	13.8	13.70%	12.80%
Malaysia (KLCI)	-0.44%	6.47%	-3.00%	16.3	15.3	14.4	6.80%	6.40%
Russia (RTSI\$)	-2.05%	-3.38%	52.20%	7.0	6.3	5.9	4.40%	12.00%
Singapore (STI)	4.79%	17.12%	-0.10%	15.4	14.3	13.3	5.10%	7.90%
South Korea (KOSPI)	5.39%	24.52%	3.30%	10.8	9.5	9.0	31.40%	13.00%
Taiwan (Taiwan Weighted)	3.95%	16.65%	11.00%	15.2	14.0	13.0	15.10%	8.30%
Thailand (SET Index)	2.88%	11.56%	19.80%	17.1	15.5	14.1	4.60%	10.30%

*Returns are as at 31 October 2017. Source: Bloomberg, iFAST Compilations
All returns are in respective local currency terms and MSCI Index returns are in USD

ECONOMIC INDICATORS



Trade (Sep'17)

- India's exports during September 2017 have shown growth of 25.67 per cent in dollar terms valued at USD 28.61 billion as compared to USD 22.76 billion during September, 2016.
- Imports during September 2017 were valued at USD 37.59 billion which was 18.09 per cent higher in Dollar terms over the level of imports valued at USD 31.83 billion in September, 2016.
- Taking merchandise and services together, overall trade deficit for April-September 2017-18 is estimated at USD 43.81 billion as compared to USD 16.46 billion during the corresponding period in 2016-17.



Industrial Production (Aug'17)

- IIP expanded to 4.3% YoY in the month of August'17.
- Ten out of twenty three industry groups in the manufacturing sector have shown positive growth in August'17.
- On a use based classification, primary goods production grew by 7.1% YoY, Capital Goods 5.4% YoY, Intermediate Goods -0.2% YoY and Infrastructure/Construction goods production grew by 2.5% YoY in August'17.



Markets & Valuations

(As on October 31, 2017)

- The benchmark Index (Sensex) was at 33,213.13
- Estimated PE & earnings growth for BSE Sensex

	2017-18	2018-19	2019-20
Price/Earnings	22.23	17.43	15.02
Earnings Growth	10.59%	27.49%	16.04%



RBI Policy

- The Monetary Policy Committee (MPC) kept the policy rates unchanged during the fourth bi monthly policy review in October.
- The monetary policy stance was kept unchanged to 'neutral'.
- The RBI raised the inflation forecast to 4.2%-4.6% for the second half of the financial year citing up side risks to inflation.
- The projection of real GVA growth for 2017-18 has been revised down to 6.7% from the August 2017 projection of 7.3%.



Inflation (Sep'17)

Consumer price Index (CPI)

- CPI for the month of September came in at 3.28% below estimates of 3.53%. The CPI for the month of August 2017 was revised down from 3.36% to 3.28%.
- Food and beverage prices which have a weightage of 45% in the CPI basket rose by 1.76%.
- Within food and beverages, the prices of cereals and products rose by 3.7% and Vegetables rose by 3.92%. Price of pulses continued to remain in disinflationary territory.
- Factors like HRA benefits to central government employees, farm loan waivers by state governments and rise in crude oil price pose upside risks to CPI thereby reducing the possibility of a change in RBI monetary policy stance to accommodative in the near future.

Wholesale price Index (WPI)

- India's Wholesale Price Index (WPI) declined to 2.6% in September'17 from 3.24% in August'17.
- The index for manufactured products rose by 0.4%. WPI Food Index decreased from 4.41% in August'17 to 1.99% in September'17. The index for primary articles declined by 3% from the previous month. The index for fuel and power rose by 1.7% in September'17.

EQUITY MARKET



BSE Sensex - Top & bottom performers in October 2017. (As on October 31, 2017)

Top Performers	MTD	Bottom Performers	MTD
Bharti Airtel Ltd	28%	Housing Development Finance Corp Ltd	-1.92%
State Bank of India	21%	HDFC Bank Ltd	0.32%
Reliance Industries Ltd	20%	Power Grid Corp of India Ltd	1.00%

Earnings growth estimates of top weighted stocks:

Stock	FY-18	FY-19	FY-20
HDFC Bank Ltd.	18%	22.53%	21.73%
Reliance Industries Ltd	4.52%	22.24%	7.38%

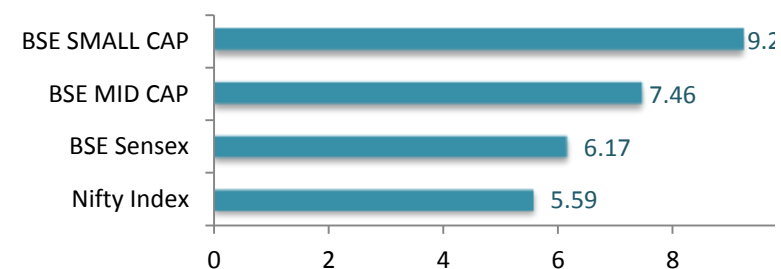


Our view

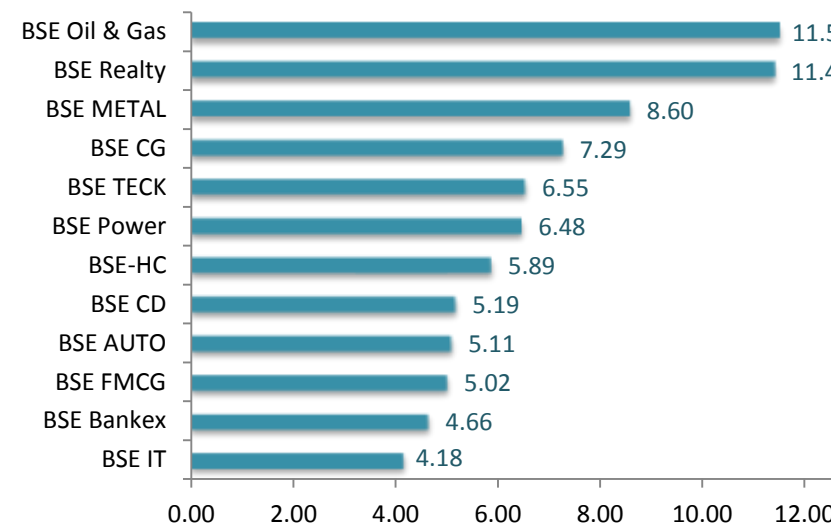
India's benchmark S&P BSE Sensex gained 6.17 percent in October after declining by 1.41 percent in the month of September. The improving macro-economic fundamentals and the announcements made by GOI in terms of GST Sops for SMEs and exporters along with the new reforms in the infrastructure and banking sectors took the markets to a new high during the last month. The detailed roadmap of the GOI for the revival of the economy included huge spendings on the infrastructure sector like improvement of road and rail connectivity, affordable housing for lower income families in both rural and urban areas, universal electrification by March 2019 and a capital infusion of INR 2.11 Lakh crore for Public Sector Banks (PSBs).

The market participants will be keenly waiting for the earnings results of India Inc, along with more details on the recapitalization package announced for banks. The inflation numbers would also be of keen interest with oil prices moving in the northward direction. We would advise our Investors not to be swayed by market highs and lows while they continue to take an exposure depending on their risk profile and the appropriate asset allocation which has been recommended to achieve their goals.

Broader Indices (Performance % in October 2017)*



Sectoral Indices (Performance % in October 2017)*



Source: Bloomberg, iFAST Compilations. All returns are in respective local currency terms

DEBT MARKET OUTLOOK

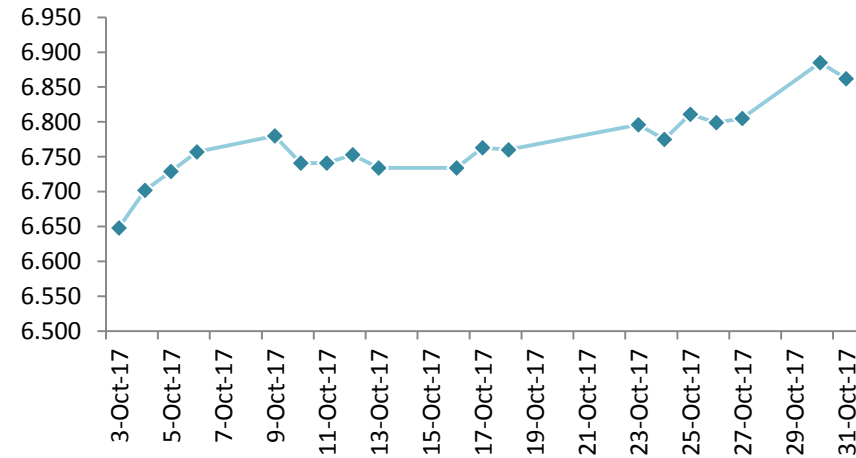


Our view

The 10 year G-sec yield rose from 6.65% at the beginning of the month to 6.86% by the end of the month thus rising by 21 basis points during the month of October. RBI's decision to maintain status quo on policy rates on account of the expectation of inflation moving up on account of rising crude prices, farm loan waivers and the States implementation of Salary and allowances is sending out the message that easing monetary policy is not going to happen soon. The GOI's decision to capitalize Public Sector Banks (PSBs) has also raised concerns about the Government's ability to meet the fiscal deficit target of 3.2% in FY18.

We maintain status quo on our recommendations in the fixed income space and continue to recommend short term funds to our Investors who have a time horizon of 1-3 years. On the other hand, our moderately aggressive and aggressive investors can still take exposure into dynamic bond funds.

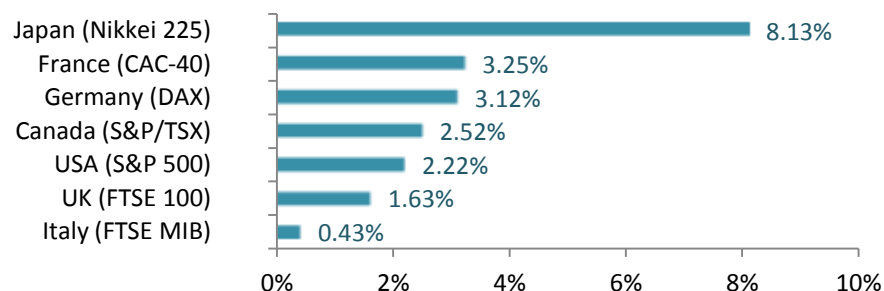
10 Year G-sec Yield Curve



GLOBAL MARKET UPDATE – GROUP 7 COUNTRIES



G7 Countries - Performance in October 2017*



*Source: Bloomberg, iFAST Compilations. All returns are in respective local currency terms



Our View

- US ISM Manufacturing PMI came in at 60.8 in September, up from a prior 58.8 and beating consensus estimates of 58.1. A breakdown of the data's various components revealed that new orders, supplier deliveries (exacerbated by the aftermath of Hurricane Harvey), backlogs and new export orders all rose in September. The services counterpart (ISM Non-Manufacturing) also beat consensus estimates, coming in at 59.8 in September and up from a prior 55.3. In terms of employment numbers, September's nonfarm payrolls came in at a loss of -33,000, down from a prior upward-revised 169,000 and lower than the consensus forecast. While the latest data may have been skewed by the disruptions caused by the recent hurricanes in the south, we opine that the data may stay volatile for a while as the adverse weather effects diminish, and that the US labour market remains healthy as other data points suggest that it is robust. **The potential upside of the US market is now the lowest among the markets that we cover, and as such, we maintain our rating of 2.0 Stars "Unattractive" for the US.**
- Composite PMIs of Germany and France continued to remain firmly in expansionary territory, pointing to expansion and growth on the continent. Consumer confidence has

also continued to improve, lending support to the outlook for domestic consumption. In their latest monetary policy update, the European Central Bank (ECB) held benchmark policy rates unchanged, while announcing that from January 2018 onwards, its current monthly asset purchases will continue at a pace of EUR 30 billion (as compared to the current EUR 60 billion) until the end of September 2018, "or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim". **We maintain a 2.5 Stars "Neutral" rating for Europe, and advocate investors to remain an underweight exposure to European equities in their portfolios.**

- Japan's exports rose 14.1% in September, 0.9 percentage point lower than forecast, but data points to consistently strong demand from China and ASEAN region for machinery products, it is only automobile exports that dragged down exports growth. As expected, Shinzo Abe managed to win a two-third majority in lower parliament after the snap election, as the current ruling coalition secured 313 seats among the total of 465 seats. With the land-slide victory, it is almost guaranteed that expansionary fiscal and monetary policies are here to stay, and the proposed JPY 2 trillion fiscal stimulus will be introduced in fiscal year 2018. Valuations remain rather attractive compared with other markets. **Thus, we maintain our star ratings of the Japanese markets at an "Attractive" rating of 3.5 stars.**

USA

- ISM Manufacturing PMI came in at 60.8 in Sep 17, up from 58.8 in Aug 17
- ISM Non-Manufacturing came in at 59.8 in Sep 17, up from 55.3 in Aug 17
- Nonfarm payrolls fell -33,000 in Sep 17, after an upward-revised 169,000 gain in Aug 17

EUROPE

- Eurozone Advance Consumer Confidence at -1.0 in Oct 17, up from a finalised -1.2 reading in Sep 17
- Germany- Advance composite PMI at 56.9 in Oct 17, down from a finalised 57.7 in Sep 17
- France- Preliminary PMI composite at 57.5 in Oct 17, up from a finalised 57.1 in Sep 17

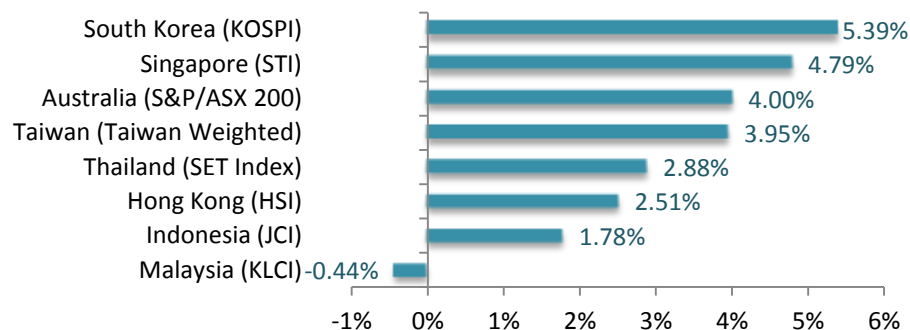
JAPAN

- Exports rose 14.1% in Sep, down from 18.1% in Aug

GLOBAL MARKET UPDATE – ASIA PACIFIC (EX-JAPAN)



Asia Pacific (Ex Japan) - Performance in October 2017*



*Source: Bloomberg, iFAST Compilations. All returns are in respective local currency terms



Our View

- Based on advanced estimates, Singapore's GDP grew 4.6% year-on-year in 3Q 2017, its highest growth rate in more than 3 years. The figure notably surpasses expectations of a 3.8% growth and is up from the second quarter's 2.9% growth. Singapore's industrial production grew 14.6% year-on-year slowing from prior month's 19.5% expansion but continued to exceed expectations (expected 10.0% year-on-year in September). Growth was largely led by the electronics cluster which grew 33.2% year-on-year, while the transport engineering cluster (contracted 10.8% year-on-year) remained a laggard amid continued weakness in the marine and offshore engineering segment. The earnings growth of Singaporean corporations are likely to improve from last year in view of ameliorating global and domestic economic conditions as well as a possible bottoming out of the private residential real estate sector. **We think a 4.0 Stars "Very Attractive" rating on the Singapore equity market continues to be warranted at this juncture.**
- Malaysia's exports registered 21.5% year-on-year growth in August, outperforming the consensus estimates of 21.0% expansion. The growth in August's exports was mainly

driven by the strong global demand for the local manufactured goods especially the electrical and electronic products (E&E) and commodities related products. We continue to have a positive view on the equity market underpinned by improving fundamental of the economy. With the current fair valuation, the stock market is expected to deliver a rather reasonable return for investment horizon over the next 3 years on a relative basis. **As such, we maintained the star ratings for Malaysia at 3.0 stars "Attractive".**

- Indonesia's external trade figures continue to reflect a decent trade condition, with both coming in at a double-digit growth where the strong export was attributable on the back of rising shipments of the country's key commodities, namely oil and gas, coal and crude palm oil, albeit not as strong as market's expectation. For Indonesia, we foresee private consumption to recover gradually, and infrastructure spending to provide an additional thrust to its economic growth. The recent easing measures undertaken by BI may also provide a material lift to lending activities, which could stimulate investment and consumption activities going forward. **Given that Indonesia's fundamentals remain sound, we maintain the star ratings for Indonesia at 3.0 stars (Attractive).**

SINGAPORE

- Singapore's economy grew 4.6% y-o-y in 3Q 17 (advanced estimates) up from 2.9% y-o-y in 2Q 17
- Industrial production rose 14.6% y-o-y in Sep 17, down from a 19.5% y-o-y increase in Aug 17

MALAYSIA

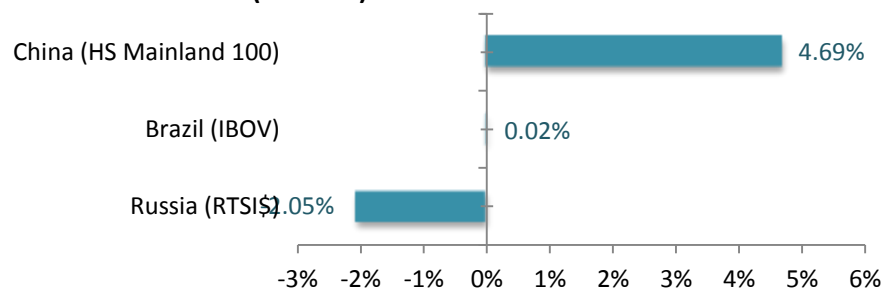
- Exports accelerated 21.5% y-o-y in August, following a 30.9% increase y-o-y in July

INDONESIA

- Exports surged to 18.0% y-o-y in Sep 17, after an upward-revised 19.2% y-o-y expansion in Aug 17
- Imports grew by 13.1% y-o-y in Sep 17, after an upward-revised 9.1% y-o-y growth in Aug 17



BRIC (Ex-India) - Performance in October 2017*



*Source: Bloomberg, iFAST Compilations. All returns are in respective local currency terms



Our View

- For the first time in 13 months, Brazil's inflation ticked upwards in September 2017 to 2.54% year-on-year, up from prior month's 2.46%. The figure was also higher than consensus expectations of a 2.47% increase in prices. Although the latest inflation figure suggests a possible slowdown or bottoming out of the decline in inflation, inflation is likely to remain in line with, or below, the central bank's target of 4.5% inflation target for the next two years. The Selic rate was cut to 7.50%. Additionally, the central bank had expressed that "regarding the next meeting", it views a "moderate reduction of the pace of easing as appropriate". This would mean further rate cuts at -50 or -25 basis points in the upcoming Copom meetings. **We lowered Brazil's star rating a notch from 3.5 Stars "Attractive" to 3.0 Stars "Attractive" given the reduced upside potential of Brazilian equities due to their strong rally in valuations but flattish earnings revisions.**
- Russia's retail sales had extended its uptrend as it rose 3.6% year-on-year in August up from a prior 3.1% in July, while consumer prices continued to head south and came in at a low, in recent history, of 3.0% year-on-year in September, thus providing support to consumption appetites. While Russia's good progress to economic recovery would likely continue to provide support to the aggregate earnings of Russian companies, structural headwinds facing oil prices coupled with the country's continued low oil production in the near term (in view of the ongoing oil production cut agreement with OPEC) presents risks to the earnings of oil companies. **At this juncture, we believe that a star rating of 3.5 Stars "Attractive" remains warranted for the market.**

- China's industrial production growth recovered to 6.6% in September from 6.0% year-on-year in August. However, the ongoing environmental policy tightening continued to depress the output of heavy industries and construction activities, with coal, cement, steel and non-ferrous metal slowed notably in September. CPI inflation came at 1.6% year-on-year in September, while PPI unexpectedly jumped to 6.9% year-on-year, largely due to rising commodity prices. **We maintain our 4.5 Stars "Very Attractive" rating for the offshore Chinese equity market.**

BRAZIL

- IPCA inflation came in at 2.54% y-o-y in Sep 17, rising from a 2.46% y-o-y increase in Aug 17
- Selic rate at 7.50% as of 25 October 2017

RUSSIA

- CPI came in at 3.0% y-o-y in Sep 17, down from 3.3% y-o-y in Aug17
- Retail sales at 3.1% y-o-y in Sep 17, up from a 1.9% increase in Aug 17

CHINA

- CPI came at 1.6% y-o-y in Sep, lower than 1.8% in Aug 17
- PPI rose 6.9% y-o-y in Sep, increasing from 6.3% in Aug 17
- Industrial production growth accelerated to 6.6% y-o-y in Sep, up from 6.0% in Aug 17

FUND CATEGORY RETURNS

Fund Category Returns (As on October 2017 end)		
	1 Month	1 Year
Equity: Large Cap	5.23%	19.34%
Equity: Multi Cap	5.52%	21.68%
Equity: Mid Cap & Small Cap	6.49%	23.03%
Equity: ELSS	5.59%	21.61%
Equity: Index	5.98%	20.09%
Equity: Global	0.74%	14.44%
Hybrid: Balanced Funds	2.83%	12.95%
Hybrid: MIP	1.26%	8.40%
Debt: Gilt Long Term	-0.35%	6.06%
Debt: Gilt Short Term	0.12%	7.38%
Debt: Income	0.30%	6.73%
Debt: Short Term	0.53%	7.09%
Debt: Ultra Short Term	0.55%	6.81%
Debt: Liquid	0.54%	6.35%
Debt: Floating Rate	0.56%	7.16%

Source: NAV India, iFAST Compilations

TOP & BOTTOM EQUITY FUNDS

Top and Bottom Performing Equity Funds on our Platform as on 31st October 2017

Large Cap Funds				Multi Cap Funds			
Scheme	1 Month	1 Year	Scheme	1 Month	1 Year		
LIC MF Equity Fund - (G)	13.20	16.64	ICICI Pru Indo Asia Equity Fund (G)	11.46	27.36		
HDFC Equity Fund - (G)	8.83	22.77	Principal Growth Fund - (G)	9.18	30.28		
NSE Nifty 50 Index (Benchmark)	5.59	19.82	NSE Nifty 500 Index (Benchmark)	6.44	22.02		
Motilal Oswal MoSt Focused 25 Fund (G)	2.11	17.64	UTI-Equity Fund (G)	2.14	13.05		
UTI-Bluechip Flexicap Fund (G)	2.19	18.36	Invesco India Dynamic Equity Fund (G)	2.52	21.93		
Mid and Small Cap Funds				ELSS Funds			
Scheme	1 Month	1 Year	Scheme	1 Month	1 Year		
Aditya Birla SL Pure Value Fund (G)	10.51	34.17	Principal Tax Savings Fund	9.26	29.95		
HSBC Midcap Equity Fund (G)	10.49	27.14	Reliance Tax Saver (ELSS) Fund - (G)	9.02	28.24		
Nifty Free Float Midcap 100 Index (Benchmark)	8.12	23.04	NSE Nifty 500 Index (Benchmark)	6.44	22.02		
Motilal Oswal Most Focused Midcap 30 Fund (G)	1.34	6.66	Motilal Oswal Most Focused Long Term Fund (G)	1.62	26.03		
IDBI Small Cap Fund (G)	1.88	-	AXIS Long Term Equity Fund (G)	3.02	18.12		
Global Funds							
Scheme	1 Month	1 Year					
Reliance Japan Equity Fund (G)	5.14	11.78					
Edelweiss GCE Off-Shore Fund(G)	5.01	30.34					
MSCI World Index (in INR) (Benchmark)	0.91	16.70					
DSP BR World Gold Fund (G)	-4.79	-11.98					
Kotak World Gold Fund - Standard Plan (G)	-4.68	-13.67					

Source: NAV India, iFAST Compilations

TOP & BOTTOM DEBT and HYBRID FUNDS

Top and Bottom Performing Debt and Hybrid Funds on our Platform as on 31st October 2017

Balanced Funds			MIP		
Scheme	1 Month	1 Year	Scheme	1 Month	1 Year
LIC MF Balanced Fund - (G)	7.99	11.31	Indiabulls Monthly Income Plan (G)	3.71	10.72
HDFC Prudence Fund - (G)	7.58	19.38	HDFC Monthly Income Plan - LTP (G)	3.11	10.36
CRISIL Balanced Fund - Aggressive Index	3.64	15.40	Crisil MIP Blended Index	0.91	9.07
Tata Regular Saving Equity Fund - (App)	0.15	5.82	Principal Debt Savings Fund - Retail (G)	-0.10	5.82
Reliance Retirement Fund-Income Generation (G)	0.43	6.73	Aditya Birla SL MIP (G)	0.12	7.13

Income Funds			Gilt-Long Term Funds		
Scheme	1 Month	1 Year	Scheme	1 Month	1 Year
HDFC Banking and PSU Debt Fund (G)	1.26	7.83	Edelweiss Govt Securities Fund (G)	0.34	5.19
Kotak Medium Term Fund (G)	1.01	7.76	DHFL Pramerica Gilt Fund (G)	0.07	6.11
Crisil Composite Bond Fund Index	0.10	7.18	Crisil Composite Bond Fund Index	0.10	7.18
Canara Robeco InDiGo Fund (G)	-0.48	0.68	Franklin India G-Sec Fund - LTP (G)	-0.89	3.92
HSBC Income Fund - Invest Plan (G)	-0.43	3.60	Franklin India G-Sec Fund - PF Plan (G)	-0.84	3.82

Short Term Funds		
Scheme	1 Month	1 Year
HDFC Corporate Debt Opportunities Fund (G)	0.92	8.20
HDFC High Interest Fund - STP (G)	0.80	7.03
Crisil Short-Term Bond Fund Index	0.43	7.29
ICICI Pru Banking & PSU Debt Fund - Regular (G)	0.24	7.73
BOI AXA Short Term Income (G)	0.31	7.62

Source: NAV India, iFAST Compilations

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