# Monthly Market Update (India)

**June 2020**

iFAST financial

***Prepared by: iFAST Research***

# MARKETS ACROSS THE GLOBE

| | 2020 MTD | 2019-20 1Y (%) | 2019 Return (%) |
|---|---|---|---|
| Asia ex Japan (MSCI Asia ex Japan) | -1.41% | -2.25% | 15.37% |
| Emerging Markets (MSCI EM) | 0.58% | -6.78% | 15.42% |
| Europe (Stoxx 600) | 3.04% | -5.07% | 23.16% |
| Japan (Nikkei 225) | 8.34% | 6.20% | 18.20% |
| USA (S&P 500) | 4.53% | 10.62% | 28.88% |
| Brazil (IBOV) | 8.57% | -9.92% | 31.58% |
| China (HS Mainland 100) | -4.22% | -4.54% | 12.12% |
| Hong Kong (HSI) | -6.83% | -14.64% | 9.07% |
| India (SENSEX) | -3.84% | -18.36% | 14.38% |
| Indonesia (JCI) | 0.79% | -23.44% | 1.70% |
| Malaysia (KLCI) | 4.65% | -10.75% | -6.02% |
| Russia (RTSI$) | 3.18% | 2.61% | 28.55% |
| Singapore (STI) | -4.32% | -19.47% | 5.02% |
| South Korea (KOSPI) | 4.21% | -0.59% | 7.67% |
| Taiwan (Taiwan Weighted) | -0.45% | 4.23% | 23.33% |
| Thailand (SET Index) | 3.16% | -17.12% | 1.02% |

*Returns are as at 29 May 2020. Source: Bloomberg, iFAST Compilations All returns are in respective local currency terms and MSCI Index returns are in USD

# ECONOMIC INDICATORS

## Trade *(April '20)*

- India's exports during April 2020 were valued at USD 10.36 billion registering a negative growth of -60.28% in dollar terms as compared to USD 20.07 billion during the month of April 2019. Imports during April 2020 were valued at USD 17.12 billion which was -58.84% lower in dollar terms as compared to imports which were valued at USD 41.40 billion in April 2019.

- For exports, the major commodity groups showing negative growth over the corresponding month of last year are Gems & Jewellery (-98.74%), RMG of all textiles (-91.04%), Engineering goods (-64.76%), Oil meals (-50.6%).

- For imports, major commodity groups showing high changes in April 2020 over the corresponding month of last year are Organic & Inorganic Chemicals (-35.10%), Electronic Goods (-62.72%) and Petroleum (-59.03%). The trade deficit for the month of April 2020 stood at USD 6.76 billion vis-à-vis a deficit of USD 15.33 billion during April 2019.

## Industrial Production *(April '20)*

- IIP stood at 56.3% y-o-y in April 20, up from -16.7% y-o-y in March 20. In view of the preventive measures and announcement of nationwide lockdown by the government to contain the spread of COVID-19, majority of the industrial sector establishments were not operating from the end of March 2020 onwards. As per Use-based classification, the indices stand at 92.3 for Primary Goods, 7.7 for Capital Goods, 42.0 for Intermediate Goods and 21.7 for Infrastructure/ Construction Goods for the month of April 2020. Further, the indices for Consumer durables and Consumer non-durables stand at 5.5 and 89.4 respectively for the month of April 2020.

## Markets & Valuations

*(As on May 29, 2020)*

The benchmark Index (Sensex) was at 32,424.10

Estimated PE & earnings growth for BSE Sensex

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Price/Earnings | 18.95 | 17.96 | 14.13 |
| Earnings Growth | 10.89% | 5.55% | 27.11% |

## Inflation (*April '20*)

- India's CPI came down at 5.84% during the month of April 2020 as against 5.91% during the previous month. In view of the preventive measures and announcement of nation-wide lockdown by the Government to contain spread of COVID-19 pandemic, the price collection of Consumer Price Index (CPI) through personal visits of price collectors was suspended with effect from 19th March, 2020. Accordingly, the Price Movement for the sub-groups 'Meat and fish' and 'Prepared meals, snacks, sweets etc.' under '**Food & Beverages'** Group as well as the Groups **'Pan, tobacco and intoxicants'** Group, '**Clothing and Footwear**' Group were not compiled. Under 'Miscellaneous' Group, only the index for 'Health' subgroup has been compiled for the month of April, 2020. The General CPI and indices at State/UT level are not being released for the month of April, 2020.

# EQUITY MARKET

BSE Sensex - Top & bottom performers in May 2020.

| Top Performers | MTD | Bottom Performers | MTD |
|---|---|---|---|
| Mahindra & Mahindra Ltd | 19% | IndusInd Bank Ltd | -16.0% |
| UltraTech Cement Ltd | 10% | State Bank of India | -15.8% |
| Hero MotoCorp Ltd | 9% | Bajaj Finance Ltd | -15.7% |

Earnings growth estimates of top weighted stocks:

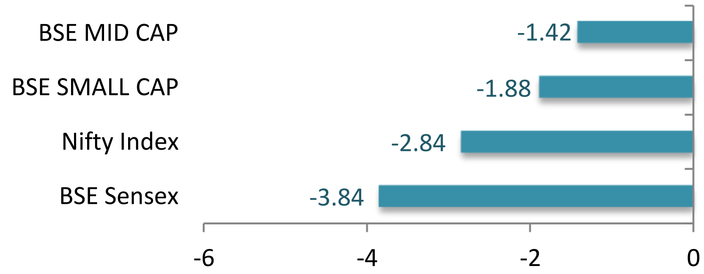
| Stock | FY-20 | FY-21 | FY-22 |
|---|---|---|---|
| HDFC Bank Ltd. | -2.30% | 4.32% | 28.26% |
| Reliance Industries Ltd. | 10.92% | 4.53% | 36.78% |

## Equity View

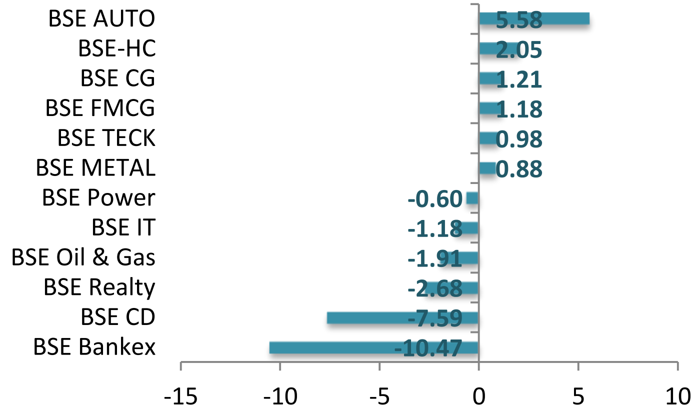
In May 2020 BSE S&P Sensex gave a negative return of -3.84%, from last month's positive returns of 14.42%. Indian equity markets ended the last week of the month in the green. Investors shrugged off geopolitical concerns that include a border standoff between India and China and escalating U.S. - China trade tensions. Buying interest continued to remain supported by easing of lockdown measures and gradual re-opening of economic activities, although covid-19 infections have been on a rise. Markets found additional support from India Meteorological Department's (IMD) forecast that the southwest monsoon is expected to reach Kerala coast around June 1. The investors welcomed the Rs. 20 trillion - stimulus package announced by the government to revive the economy in the wake of the COVID-19 pandemic. On the other hand Indian equity markets fell for the cautiously following the developments on the coronavirus front. Weak global cues played spoilsport amid worries about a second wave of coronavirus infections after the Chinese city where the pandemic originated reported its first new cases since its lockdown was lifted.

We advise our investors to stay invested in large cap funds. Enter the market via the STP or the SIP route depending on their risk profile and time horizon.

**Broader Indices (Performance % in May 2020)***




**Sectoral Indices (Performance % in May 2020)***

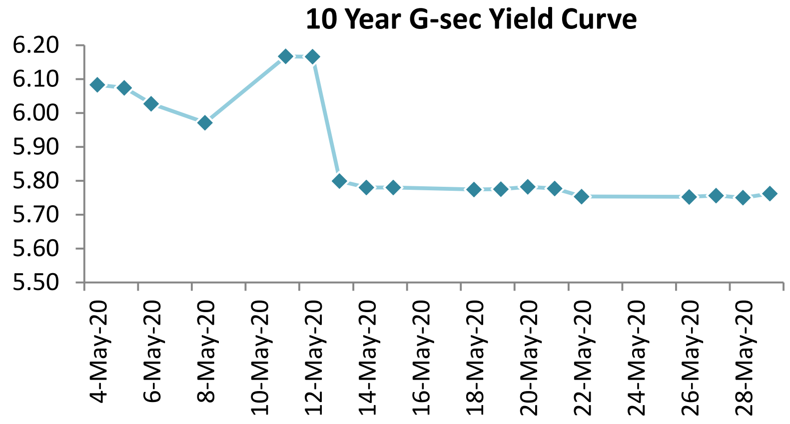



*Source: Bloomberg, iFAST Compilations. All returns are in respective local currency terms*

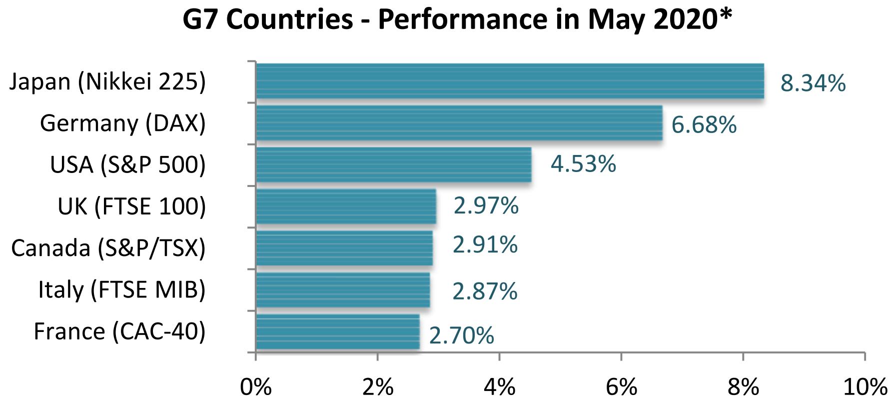
## Fixed Income View

During May 2020, the 10-year G-Sec yield decreased from 6.08% at the beginning of the month to 5.76% by the end of the month. Bond yields declined following buying by state-run banks and after the central bank announced the auction of a new 10-year paper. Yields declined further as a hike in special additional excise duty on petrol and diesel by Rs. 2 and 5 per litre, respectively eased concerns on rise in fiscal deficit. At the end, sentiments remained positive on aggressive demand for the new 10-year gilt paper at the weekly auction. Bond yields plunged during the week under review and plummeted to its lowest level in more than a decade after the MPC slashed key policy repo rate by 40 bps to a record low of 4.00% while sticking to its accommodative stance. Bond yields rose as lack of any announcement from the Reserve Bank of India on the upsized government borrowing plan hurt investor’s sentiment. However, losses were restricted as state-run banks stepped up purchases after the announcement of an economic stimulus package by the Prime Minister in the speech on May 12, 2020. Prime Minister said that Rs. 20 lakh crore packages, almost amounting to 10% of India's gross domestic product, will be aimed at migrant labour, the middle class and industry.

We would like to suggest that stay invested in Liquid, short duration and corporate bond funds.




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

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## Our View

**USA**

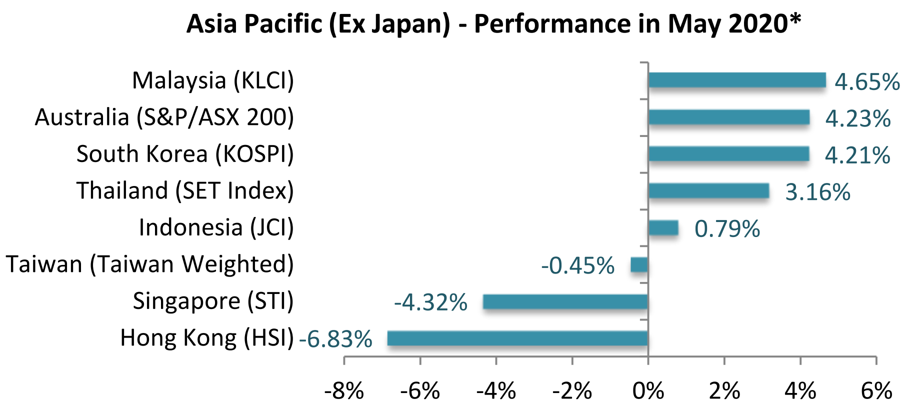
In April, we saw key economic indicators such as retail sales and industrial production plunge to one of the lowest levels on record, and unemployment shoot up to 14.7%. The figures capture the standstill that the economy has come to during the lockdown, with deep economic shocks that are not easily reversed In May, as lockdowns are eased and the number of Covid 19 cases in the US start to plateau, we saw a slight rebound in PMI and consumer sentiment, hinting that consumers and business owners alike are optimistic about the eventual recovery of the economy. Barring a second wave of the pandemic, the speed and magnitude of the rebound in economic metrics will likely depend on support from the Fed and the number of businesses that are able to survive amidst the twin demand side and supply side shocks. Consumer sentiment plunged even further in April but showed signs of a rebound in May. **We maintain our rating of 2.0 Stars "Unattractive" for the US equity market.**

**Europe**

The number of COVID 19 cases in Europe appears to have been brought under control, with strict lockdown measures implemented by many nations. The double whammy of disruptions to industrial operations and plummeting consumer demand is punishing European businesses heavily. With furloughs and job cuts continuing at a record pace, we expect incomes and domestic demand to remain depressed in the coming months. This is worsened by a recent surge in savings rates as consumer sentiment nosedived Even as Europe loses its status as the epicentre of the coronavirus pandemic, the economic aftershocks will likely be felt throughout the rest of the year, with a prolonged recession till the end of 2020**. At the current juncture, we are maintaining a 2.5 Stars "Neutral" rating for Europe.**

**Japan**

Economic data for North Asia worsened overall, with the global spread of COVID 19 heavily damaging their export - reliant economies. Despite these countries largely being lauded for their effective measures and control of the coronavirus, domestic demand suffered from strict social distancing measures, as well as weak consumer sentiment. However, China, a major export partner for these North Asian economies, has shown a rebound in economic activity since the initial outbreak With US China tensions starting to show signs of strain, Taiwan's linchpin semiconductor industry is likely to suffer should relations between the two superpowers sour. With the recent passage of a second stimulus package, there are some hopes of arresting the economic fallout and data in coming months will be reflective of its result. Japanese industrial production and core machine orders both improved slightly. Export growth in Japan staged declines last seen in 2009 as the pandemic depressed global demand for automobiles and electronics, key export industries for Japan.**We maintain our star ratings of the Japanese market at an "Attractive" rating of 3.5 stars.**



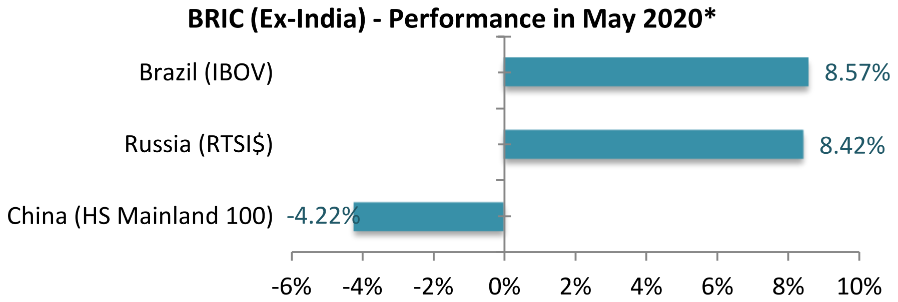

**Source: Bloomberg, iFAST Compilations. All returns are in respective local currency terms*

## Our View

**Asia ex Japan**

- Most South East Asian economies recorded declines in exports, manufacturing and retail sales data amid the Covid 19 outbreak, with slight exceptions in Thailand's electronics exports and Singapore's biomedical manufacturing. The recent poor economic performance can be attributed to the various forms of lockdowns implemented in ASEAN countries, which has helped slow the spread of the virus in most countries, but has yet to flatten the infection curve in the region. With Singapore’s and Thailand's quarterly GDP growth falling into negative territory, we expect most economies to follow suit, with many slipping into recession in 1 H 2020. The prospects of export- reliant ASEAN economies remains uncertain as COVID 19 continues to wreak havoc globally, and the recent spike in US China tensions may threaten to delay their recovery further. **We maintain a 4.5 Stars “Very Attractive” rating.**

# GLOBAL MARKET UPDATE – BRIC (Ex-India)




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

**Our View**

**China**

- As China shifts its focus away from battling the coronavirus pandemic to the resumption of businesses, retail sales and industrial production are seeing sharp rebounds, with industrial production almost recovering to pre COVID levels. However, other economic indicators reflect the post COVID "new normal", with domestic consumption and PMI remaining at relatively low levels. Without a vaccine, it is unlikely that economic activity can recover fully in the near future as aggressive social distancing measures continue to be the new norm. Additionally, travel, hospitality and other consumer discretionary sectors will likely continue to suffer from the lack of demand, and will see many businesses shut down. Rising tensions between US and China regarding trade will also affect exports and imports, slowing down yet another key aspect of China's economy. **We maintain for China A-'4.0 stars', China H-'4.5 stars' "Very Attractive".**

# FUND CATEGORY RETURNS

| Fund Category Returns (As on May 2020 end) | 1 Month | 1 Year |
|---|---|---|
| Equity: Large Cap | -2.62 | -16.60 |
| Equity: Multi Cap | -2.30 | -16.83 |
| Equity: Mid Cap | -1.51 | -16.61 |
| Equity: Small Cap | -2.02 | -23.46 |
| Equity: ELSS | -2.49 | -18.20 |
| Equity: Index | -2.15 | -18.07 |
| Hybrid: Aggressive Hybrid Funds | -1.87 | -13.10 |
| Hybrid: Conservative Hybrid Fund | 0.40 | -0.77 |
| Debt: Gilt | 1.92 | 13.90 |
| Debt: Medium to Long Duration Fund | 1.98 | 9.01 |
| Debt: Short Duration Fund | 1.42 | 3.97 |
| Debt: Ultra Short Duration Fund | 0.83 | 6.53 |
| Debt: Liquid | 0.36 | 5.55 |
| Other: FOF Overseas | 4.31 | 10.34 |
| Solution Oriented Fund | -0.74 | -7.93 |

Source: NAV India, iFAST Compilations

# TOP & BOTTOM EQUITY FUNDS

**Top and Bottom Performing Equity Funds on our Platform as on 29th May 2020**

**Large Cap Funds**

| Scheme | 1 Month | 1 Year |
|---|---|---|
| Franklin India Bluechip Fund - (G) | -0.19 | -19.26 |
| ICICI Pru Bluechip Fund (G) | -0.86 | -16.95 |
| Nippon India Large Cap Fund (G) | -4.42 | -28.49 |
| Indiabulls Bluechip Fund (G) | -4.47 | -21.03 |

**Multi Cap Funds**

| Scheme | 1 Month | 1 Year |
|---|---|---|
| Parag Parikh Long Term Equity Fund (G) | 4.80 | 0.24 |
| PGIM India Diversified Equity Fund (G) | 0.90 | -10.78 |
| LIC MF Multicap Fund - (G) | -4.11 | -13.35 |
| Nippon India Multi Cap Fund (G) | -6.49 | -34.68 |

**Mid Cap Funds**

| Scheme | 1 Month | 1 Year |
|---|---|---|
| Union Midcap Fund (G) | 1.17 | 0.00 |
| PGIM India Midcap Opportunities Fund (G) | -0.24 | -9.86 |
| Franklin India Prima Fund - (G) | -3.13 | -22.20 |
| Motilal Oswal Midcap 30 Fund (G) | -3.24 | -20.57 |

**ELSS Funds**

| Scheme | 1 Month | 1 Year |
|---|---|---|
| Parag Parikh Tax Saver Fund (G) | 3.79 | 0.00 |
| ICICI Pru Long Term Equity Fund - (G) | -0.42 | -19.15 |
| BOI AXA Tax Advantage Fund (G) | -3.87 | -6.08 |
| Nippon India Tax Saver (ELSS) Fund - (G) | -6.07 | -32.75 |

**Small Cap Funds**

| Scheme | 1 Month | 1 Year |
|---|---|---|
| HSBC Small Cap Equity Fund (G) | 1.45 | -30.42 |
| Canara Robeco Small Cap Fund - Regular (G) | 1.31 | -18.03 |
| Sundaram Small Cap Fund (G) | -3.83 | -32.77 |
| Franklin India Smaller Companies Fund (G) | -4.85 | -35.24 |

Source: NAV India, iFAST Compilations

# TOP & BOTTOM DEBT and HYBRID FUNDS

## Top and Bottom Performing Debt and Hybrid Funds on our Platform as on 29th May 2020

### Aggressive Hybrid Funds

| Scheme | 1 Month | 1 Year |
|---|---|---|
| ICICI Pru Equity & Debt Fund - (G) | 0.61 | -13.55 |
| UTI-Hybrid Equity Fund (G) | -0.13 | -16.52 |
| Motilal Oswal Equity Hybrid Fund - Regular (G) | -3.24 | -3.73 |
| LIC MF ULIS - Regular (D) | -4.00 | -16.57 |

### Conservative Hybrid Funds

| Scheme | 1 Month | 1 Year |
|---|---|---|
| Aditya Birla SL Regular Savings Fund (G) | 1.76 | -6.78 |
| ICICI Pru Regular Savings Fund (G) | 1.02 | 3.23 |
| Indiabulls Savings Income Fund (G) | -0.60 | -0.41 |
| HDFC Hybrid Debt Fund (G) | -0.74 | -3.86 |

### Medium to Long Duration Funds

| Scheme | 1 Month | 1 Year |
|---|---|---|
| Canara Robeco Income Fund (Growth) | 2.59 | 11.59 |
| Aditya Birla SL Income Fund (G) | 2.58 | 11.75 |
| JM Income Fund - (G) | 1.12 | -5.00 |
| Nippon India Income Fund - (G) | 1.10 | 12.61 |

### Gilt

| Scheme | 1 Month | 1 Year |
|---|---|---|
| ICICI Pru Gilt Fund (G) | 2.73 | 15.98 |
| ICICI Pru Constant Maturity Gilt Fund-Reg (G) | 2.72 | 16.87 |
| Franklin India G-Sec Fund (G) | 1.17 | 9.64 |
| IDBI Gilt Fund (G) | 1.14 | 9.53 |

### Short Duration Funds

| Scheme | 1 Month | 1 Year |
|---|---|---|
| IDBI Short Term Bond Fund (G) | 2.69 | 0.72 |
| Aditya Birla SL Short Term Fund (G) | 2.30 | 7.95 |
| Indiabulls Short Term Fund (G) | 0.41 | 4.00 |
| HSBC Short Duration Fund (G) | -7.89 | -9.84 |

Source: NAV India, iFAST Compilations

# TOP & BOTTOM OTHER & SOLUTION ORIENTED FUNDS

| Top and Bottom Performing Other Funds on our Platform as on 29th May 2020 | | |
|---|---|---|
| **FOF Overseas Funds** | | |
| **Scheme** | **1 Month** | **1 Year** |
| Edelweiss US Technology Equity Fund Of Fund (G) | 10.65 | 0.00 |
| PGIM India GEO Fund (G) | 9.42 | 32.96 |
| HSBC Global Emerging Markets Fund (G) | -0.76 | 4.84 |
| HSBC Asia Pacific (Ex Japan) DYF (G) | -1.90 | 2.36 |

| Top and Bottom Performing Solution Oriented Funds on our Platform as on 29th May 2020 | | |
|---|---|---|
| **Solution Oriented Funds** | | |
| **Scheme** | **1 Month** | **1 Year** |
| ICICI Pru Retirement Fund - Pure Debt (G) | 2.56 | 10.56 |
| Nippon India Retirement Fund-IG (G) | 1.78 | 4.71 |
| Aditya Birla SL Bal Bhavishya Yojna WP - Reg (G) | -3.30 | -14.65 |
| Aditya Birla SL Retirement-The 30s Plan-Reg (G) | -3.41 | -14.73 |

Source: NAV India, iFAST Compilations

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