

# Monthly Market Update (India)

August 2020

**iFAST**  
financial

*Prepared by: iFAST Research*

# MARKETS ACROSS THE GLOBE



	2020	2019-20	2019
	MTD	1Y (%)	Return (%)
Asia ex Japan (MSCI Asia ex Japan)	8.02%	9.77%	15.37%
Emerging Markets (MSCI EM)	8.42%	4.04%	15.42%
Europe (Stoxx 600)	-1.11%	-7.63%	23.16%
Japan (Nikkei 225)	-2.59%	0.88%	18.20%
USA (S&P 500)	5.51%	9.76%	28.88%
Brazil (IBOV)	8.27%	1.08%	31.58%
China (HS Mainland 100)	3.84%	-0.27%	12.12%
Hong Kong (HSI)	0.69%	-11.46%	9.07%
<b>India (SENSEX)</b>	<b>7.71%</b>	<b>0.34%</b>	<b>14.38%</b>
Indonesia (JCI)	4.98%	-19.42%	1.70%
Malaysia (KLCI)	6.85%	-1.90%	-6.02%
Russia (RTSI\$)	6.14%	6.28%	28.55%
Singapore (STI)	-2.32%	-23.36%	5.02%
South Korea (KOSPI)	6.69%	11.10%	7.67%
Taiwan (Taiwan Weighted)	8.98%	17.01%	23.33%
Thailand (SET Index)	-0.78%	-22.40%	1.02%

\*Returns are as at 31st July 2020. Source: Bloomberg, iFAST Compilations All returns are in respective local currency terms and MSCI Index returns are in USD



## Trade (June '20)

- India's exports during June 2020 were valued at USD 21.91 billion registering a negative growth of (-) 12.41% in dollar terms as compared to USD 25.01 billion during the month of June 2019. Imports during June 2020 were valued at USD 21.11 billion which was 47.59% lower in dollar terms as compared to imports which were valued at USD 40.29 billion in June 2019.
- For exports, the major commodity groups showing negative growth over the corresponding month of last year are Gems & Jewellery (-50.06%), Leather & leather products (-40.47%), RMG of all textiles (-34.84%) & Engineering goods (-7.5%).
- For imports, major commodity groups showing high changes in June 2020 over the corresponding month of last year are Machinery, electrical & non-electrical (-42.02%), Electronic Goods (-34.05%) and Petroleum (-55.29%). The trade surplus for the month of June 2020 stood at USD 0.79 billion as against the deficit of USD 15.28 billion during June 2019.



## Industrial Production (June '20)

- In June 2020, India's IIP declined by 16.6 % y-o-y. There was weakness on all the 3 fronts - mining, manufacturing and electricity. In contrast, output of consumer non-durables registered an improvement. IIP stood at 107.8 M-o-M in June 20, up from 89.5 M-o-M in May 20. As per Use-based classification, the indices stand at 109.2 for Primary Goods, 64.3 for Capital Goods, 102.2 for Intermediate Goods and 110.7 for Infrastructure/Construction Goods for the month of June 2020. Further, the indices for Consumer durables and Consumer non-durables stand at 77.4 and 157.3 respectively for the month of June 2020.



## Markets & Valuations

(As on July 31, 2020)

The benchmark Index (Sensex) was at 37,606.89

Estimated PE & earnings growth for BSE Sensex

	2020	2021	2022
Price/Earnings	22.21	23.65	17.41
Earnings Growth	16.40%	-6.10%	35.84%



## Inflation (June '20)

- India's CPI came at 6.09% (provisional) during the month of June 2020. Food inflation declined due to low vegetable prices, and this trend is slated to continue due to expectations of a good monsoon and adequate agricultural produce. In contrast, core inflation rose due to higher spending on personal care, education, transport and communication. High gold prices and taxes on fuel also led to the rise.

BSE Sensex - Top & bottom performers in July 2020.

Top Performers	MTD	Bottom Performers	MTD
Infosys Ltd	31%	NTPC Ltd	-9.2%
HCL Technologies Ltd	27%	Nestle India Ltd	-3.8%
Tech Mahindra Ltd	25%	Oil & Natural Gas Corp Ltd	-3.7%

Earnings growth estimates of top weighted stocks:

Stock	FY-20	FY-21	FY-22
HDFC Bank Ltd.	-2.38%	-1.17%	23.58%
Reliance Industries Ltd.	10.92%	-4.90%	49.02%

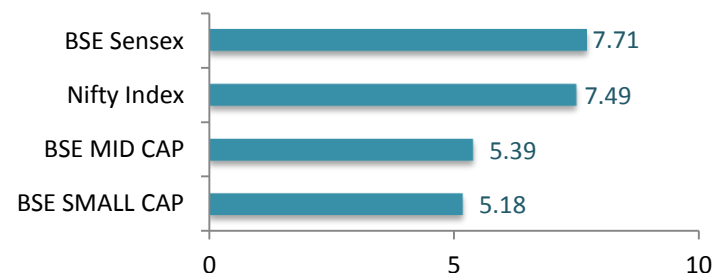


## Equity View

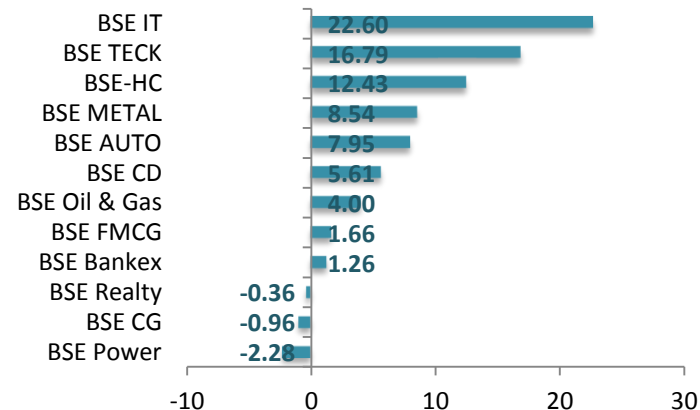
In July 2020 BSE S&P Sensex gave a positive return of 7.71% further consolidating from last month's returns of 7.68%. The factors which kept the market on a positive note for the month. The government approval for inducing short term liquidity via an SPV for eligible NBFC and HFCs which would help in improving the liquidity positions have uplifted investors sentiments. June quarter earnings for some companies were beyond one's expectation which bolstered the markets. The EU's strong stimulus package for the economy helped in strengthening global cues. US Fed impetus on supporting the US economy by keeping the interest rates at zero low levels helped the markets positively. The RBI annual financial stability report stated due to rise in bad debt owing to the COVID-19 may lead to rise in NPA from 8.5% in March 2020 to 12.5% by March 2021, which dampened the sentiment of the markets. The volatility in the market prevails as coronavirus cases and local level lockdown prevents the green shoots in the economy to lead to full recovery. Overall S&P BSE IT, Teck and BSE Healthcare indices were among the top performers for the month.

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

## Broader Indices (Performance % in July 2020)\*



## Sectoral Indices (Performance % in July 2020)\*



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

# DEBT MARKET OUTLOOK

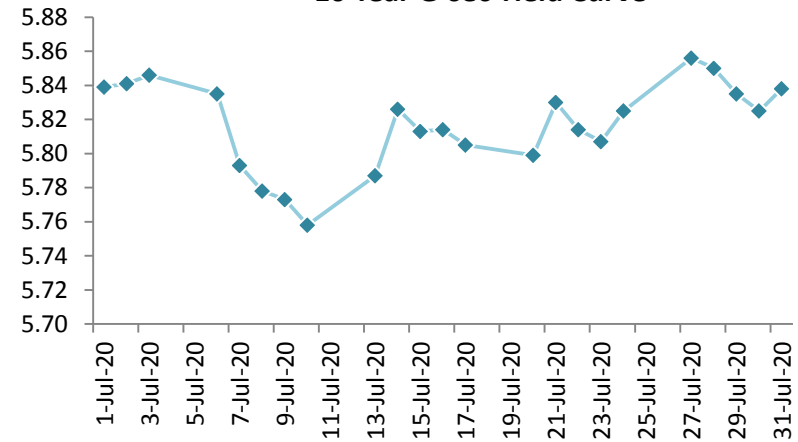


## Fixed Income View

During July 2020, the 10-year G-Sec yield decreased to 5.84% at the month-end from 5.89% in June 2020. In the second week, the yields fell by 8 bps to 5.76% on expectations that the Reserve Bank of India (RBI) will hold additional open market operations to reduce the excess supply of sovereign debt. The market sentiment remained muted as there was a lack of strong economic indicators. Higher Inflation at 6.09% further dampened the sentiments. The monsoon has been fairly stable over the country and steady demand for tractors have raised some expectations of growth from the rural economy. The bond yield witnessed volatility as there was no major action by RBI to reduce the excess liquidity. Though finally, RBI announced the auction of a new 10-year paper which helped in limiting the losses.

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

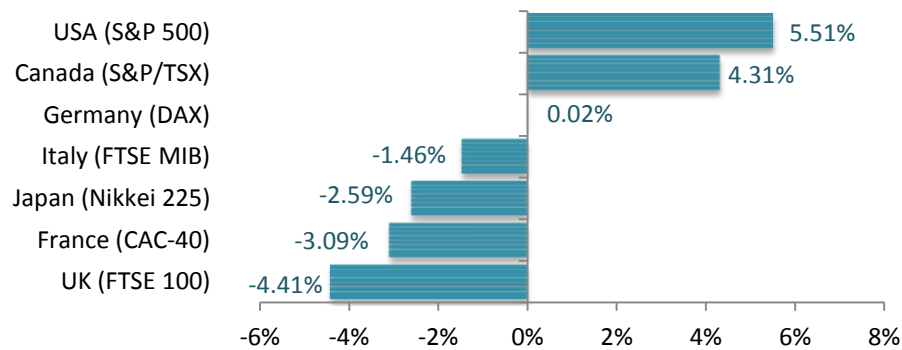
### 10 Year G-sec Yield Curve



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



## G7 Countries - Performance in July 2020\*



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



## Our View

### USA

The worst case scenario for US has become reality, as a second wave of the pandemic engulfs the US, with new daily cases reaching an all time high in July. However, economic indicators have started to rebound from their lows in April ever since lockdown measures were eased, with PMIs and retail sales seeing extremely strong rebounds, almost reaching pre Covid levels. Industrial production and consumer sentiment remain depressed, but are showing signs of improvement. While the unemployment rate remains high, further stimulus measures are being discussed to tide retrenched workers over this period, which will also further inject liquidity into the economy. Overall, while much of the US economic data looks promising, its road to recovery could be derailed if states implement another lockdown to curb the spread of the virus. **We maintain our rating of 2.0 Stars “Unattractive” for the US equity market.**

### Europe

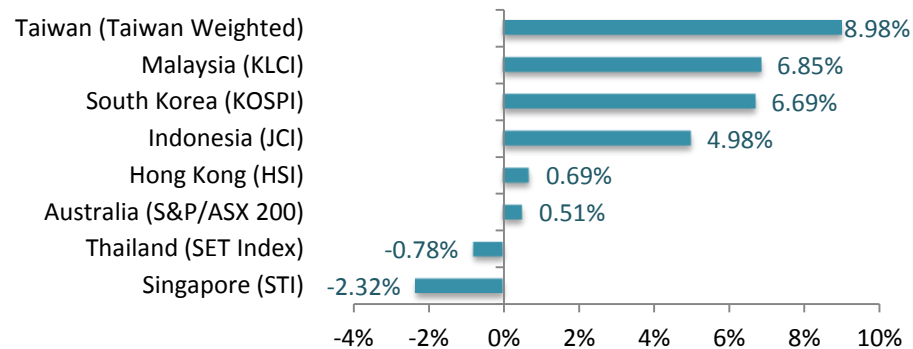
Almost all of Europe’s economic indicators have seen a significant recovery in recent months, with PMIs returning to expansionary territory and consumer confidence staging a recovery in July. Retail sales and industrial indicators saw the start of a rebound in May after their lows in April. Notably, lockdown measures were slowly eased in phases starting from May, leading to significantly higher domestic demand and business sentiment during that period. Recently, the EUR 750 billion stimulus package was also approved by the European Union, which will potentially support both retrenched workers and businesses during this period as well as inject more liquidity into the economy. **At the current juncture, we are maintaining a 2.5 Stars “Neutral” rating for Europe.**

### Japan

In Japan, with the key factor being their ability to arrest the spread of COVID 19. Japan faces bleak data in coincident indicators such as industrial production and retail sales growth, with its state of emergency only ending in late May. Leading indicators such as PMI and business sentiment surveys may tell a different story, as PMIs continue to improve for Japan. However, Japan's inability to arrest the spread of COVID 19 after lifting its state of emergency has had a clear impact on sentiment, with its PMIs recovering at a slower pace and business sentiment reaching historical lows. **We maintain our star ratings of the Japanese market at an “Attractive” rating of 3.5 stars.**



## Asia Pacific (Ex Japan) - Performance in July 2020\*



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



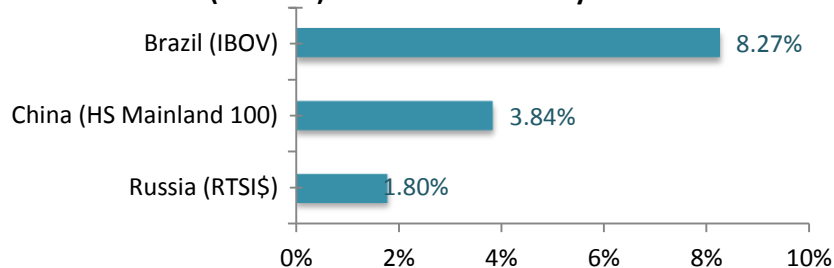
## Our View

### Asia ex Japan

Economic data came in mixed for economies, though they largely moved in tandem, reflecting the interconnectedness of the economic bloc, with the greatest common denominator being each country's ability to handle the COVID 19 pandemic and severity of the resulting restrictions. June's manufacturing PMIs and export growth provided reason for optimism, likely led by the easing of restrictions in some economies, and hopes of a China led economic recovery in the region. Retail sales and industrial production, however, painted a bleaker picture for the Southeast Asian region as record lows reflected the extent of economic damage wrought by COVID 19. Flash 2 Q GDP data for Singapore showed the republic entering a technical recession, likely foreshadowing further economic pains to come for the economies. **We maintain a 4.5 Stars "Very Attractive" rating.**



## BRIC (Ex-India) - Performance in July 2020\*



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



## Our View

### China

- PMIs, industrial growth and retail sales saw an improvement in June, with services PMI hitting its highest level since 2010. However, while PMIs and industrial growth are almost at pre Covid levels, retail sales and consumer confidence remain low. This is potentially indicative of the dampened domestic demand due to aggressive social distancing measures, but also signifies that global demand for China's exports is recovering. Although several small outbreaks have dampened consumer sentiment, these outbreaks are usually well under control due to the strict measures by the government to immediately curb the spread of the virus, minimizing the possibility of a second wave. However, China still faces the major headwind of US China trade tensions that are flaring up once again, threatening to delay the economic recovery of both countries. **We maintain for China A-'4.0 stars', China H-'4.5 stars' "Very Attractive".**



# FUND CATEGORY RETURNS

Fund Category Returns (As on July 2020 end)		
	1 Month	1 Year
Equity: Large Cap	6.36	0.13
Equity: Multi Cap	5.88	0.74
Equity: Mid Cap	5.43	4.54
Equity: Small Cap	6.11	1.30
Equity: ELSS	5.83	0.32
Equity: Index	6.47	0.31
Hybrid: Aggressive Hybrid Funds	5.25	1.96
Hybrid: Conservative Hybrid Fund	2.23	5.43
Debt: Gilt	0.94	10.20
Debt: Medium to Long Duration Fund	1.34	9.39
Debt: Short Duration Fund	1.66	8.13
Debt: Ultra Short Duration Fund	0.51	6.53
Debt: Liquid	0.26	5.00
Other: FOF Overseas	6.13	15.81
Solution Oriented Fund	3.55	3.43

Source: NAV India, iFAST Compilations

# TOP & BOTTOM EQUITY FUNDS

## Top and Bottom Performing Equity Funds on our Platform as on 31st July 2020

Large Cap Funds			Multi Cap Funds		
Scheme	1 Month	1 Year	Scheme	1 Month	1 Year
IDFC Large Cap Fund (G)	8.91	5.91	PGIM India Diversified Equity Fund (G)	11.11	15.94
Edelweiss Large Cap Fund (G)	7.90	2.45	Parag Parikh Long Term Equity Fund (G)	9.77	18.61
LIC MF Large Cap Fund (G)	4.86	1.67	JM Multicap Fund (G)	3.31	-0.82
Franklin India Bluechip Fund - (G)	2.60	-4.32	LIC MF Multicap Fund - (G)	3.11	-0.08

Mid Cap Funds			ELSS Funds		
Scheme	1 Month	1 Year	Scheme	1 Month	1 Year
PGIM India Midcap Opportunities Fund (G)	10.18	24.25	Parag Parikh Tax Saver Fund (G)	10.65	14.16
Union Midcap Fund (G)	9.36	0.00	Canara Robeco Equity Tax Saver Fund (G)	8.40	9.29
Franklin India Prima Fund - (G)	2.61	-5.22	Aditya Birla SL Tax Relief '96 (G)	1.80	3.72
Sundaram Mid Cap Fund - (G)	2.35	-6.46	IDBI Equity Advantage Fund - Regular (G)	-0.04	-0.57

Small Cap Funds		
Scheme	1 Month	1 Year
BOI AXA Small Cap Fund (G)	9.62	20.34
Canara Robeco Small Cap Fund - Regular (G)	9.60	11.14
Invesco India Smallcap Fund - Regular (G)	3.45	7.24
L&T Emerging Businesses Fund (G)	3.00	-12.01

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 July 2020

Aggressive Hybrid Funds			Conservative Hybrid Funds		
Scheme	1 Month	1 Year	Scheme	1 Month	1 Year
JM Equity Hybrid Fund - (G)	21.29	13.93	BOI AXA Conservative Hybrid Fund (G)	4.01	8.93
BOI AXA Mid & Small Cap Equity & Debt Fund (G)	6.51	10.66	Aditya Birla SL Regular Savings Fund (G)	3.10	0.45
ICICI Pru Equity & Debt Fund - (G)	2.54	-3.88	L&T Conservative Hybrid Fund (G)	1.42	5.33
LIC MF Equity Hybrid Fund - (G)	2.33	-0.09	Indiabulls Savings Income Fund (G)	0.47	2.52

Medium to Long Duration Funds			Gilt		
Scheme	1 Month	1 Year	Scheme	1 Month	1 Year
JM Income Fund - (G)	2.66	5.43	IDFC G Sec Fund - Invst Plan - Regular (G)	1.29	13.72
Aditya Birla SL Income Fund (G)	1.75	11.24	AXIS Gilt Fund (G)	1.26	11.41
Nippon India Income Fund - (G)	0.79	10.42	Franklin India G-Sec Fund (G)	0.57	8.03
HSBC Debt Fund (G)	0.67	8.23	IDBI Gilt Fund (G)	0.55	6.93

Short Duration Funds		
Scheme	1 Month	1 Year
HSBC Short Duration Fund (G)	9.11	6.72
Principal Short Term Debt Fund (G)	7.77	10.65
BOI AXA Short Term Income (G)	0.56	-8.30
Franklin India STI (G) (Wound up)	-1.07	-8.44

Source: NAV India, iFAST Compilations

# TOP & BOTTOM OTHER & SOLUTION ORIENTED FUNDS

## Top and Bottom Performing Other Funds on our Platform as on 31st July 2020

### FOF Overseas Funds

Scheme	1 Month	1 Year
DSP World Gold Fund (G)	17.33	64.34
DSP World Mining Fund (G)	12.11	22.85
Edelweiss ASEAN Equity Off-Shore Fund (G)	0.78	-9.00
Franklin India Feeder - FEG Fund (G)	0.10	-12.08

## Top and Bottom Performing Solution Oriented Funds on our Platform as on 31st July 2020

### Solution Oriented Funds

Scheme	1 Month	1 Year
ICICI Pru Retirement Fund - Pure Equity (G)	7.81	-6.37
ICICI Pru Retirement Fund - Hybrid AP (G)	6.98	-0.69
Aditya Birla SL Retirement-The 50s Plan-Reg (G)	0.71	7.99
Aditya Birla SL Retirement-The 50sPlus-Debt-Reg(G)	0.64	6.29

Source: NAV India, iFAST Compilations

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