

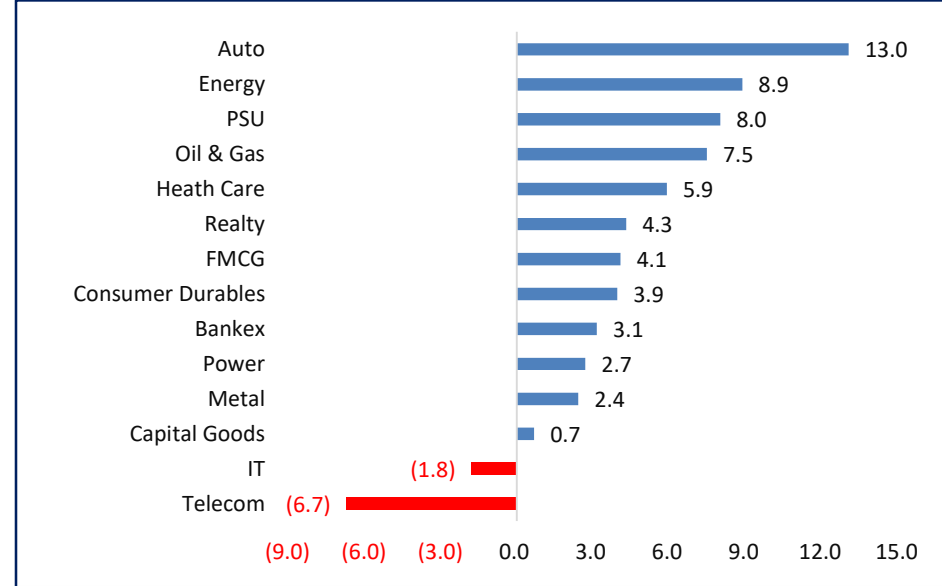


# Market Outlook November 2019

# Equity Roundup - Movement in October

Index	Closing Value	1-Mth Return (%)	1 Yr Return (%)	Current Value		
				P/E	P/B	Dividend Yield
Nifty 50	11877	3.51	14.35	27.38	3.67	1.26
Sensex	40129	3.78	16.51	27.22	2.93	1.15
BSE Mid cap	14865	5.39	1.72	27.28	2.41	1.10
BSE Small cap	13558	2.94	-4.53	43.29	1.79	1.10
BSE 100	11999	3.61	12.54	24.67	2.82	1.22
BSE 200	4984	3.95	12.24	25.65	2.81	1.19
BSE 500	15387	3.90	10.84	26.31	2.67	1.19

Data as on 31 Oct'19; Source: ICRA MFI, NSE and BSE website.



\*S&P BSE Sectoral Indices movement between 30 Sep'19 to 31 Oct'19 in % terms

- All sectoral indices closed in the green in October barring Telecom and Information Technology (IT).
- The Auto index was the top gainer – surging 13% due to reports of jump in auto sales during the festive season and encouraging earning numbers of some of the index majors. Moreover, announcement of several measures to bring the economy back from the slowdown phase also helped the auto sector.
- PSU index rose 8% owing to the news of strategic stake sale in many PSUs.
- Information Technology sector fell approx. 2% after a whistle-blower's group accused an Information Technology majors' CEO of shoring up profits through irregular accounting which kept the sector under pressure.

## Inflation:

**Consumer Price Index(CPI):** CPI-based inflation rate increased to 3.99% in Sep 2019 from an upwardly revised 3.28% in Aug 2019 (3.21% originally reported) and 3.70% in Sep 2018. Consumer Food Price Index increased to 5.11% in Sep from 2.99% in Aug and 0.51% in the same period of the previous year.

**Wholesale price index (WPI):** WPI eased to 0.33% in Sep 2019 compared with 1.08% in Aug 2019 and 5.22% in the same month of the previous year. The rate of inflation for primary articles eased from 6.43% in Aug to 5.54% in Sep. The rate of inflation for non-food articles eased from 4.76% in Aug to 2.18% in Sep.

## Deficit:

**Fiscal Deficit:** India's fiscal deficit has widened in the first half of the current fiscal year. The fiscal deficit stood at Rs 6.52 lakh crore till September-end 2019, compared to Rs 5.95 lakh crore in the same period of the previous fiscal year.

**Current Account Deficit (CAD):** India's CAD widened to \$14.3 billion (2.0% of GDP) in Q1FY20 from \$ 4.6 billion (0.7% of GDP) in the preceding quarter but narrowed from \$15.8 billion (2.3% of GDP) in the same period of the previous year.

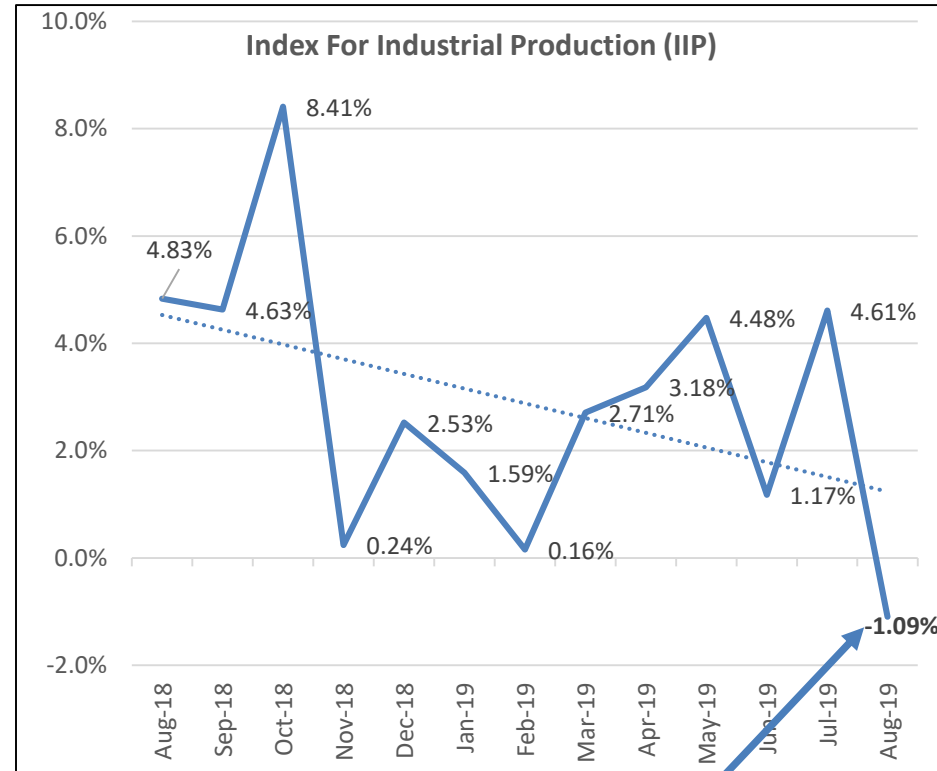
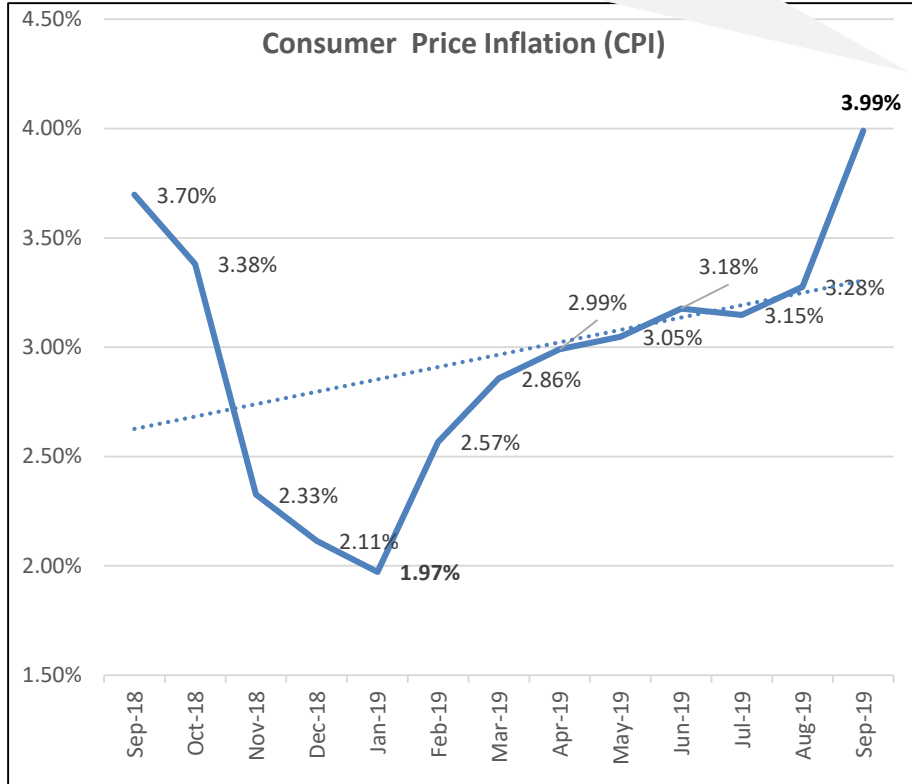
## IIP & Growth Of Core Industries:

**Index of Industrial production (IIP):** It shrunk 1.1% in Aug 2019 compared with 4.3% growth in Jul 2019 and 4.8% in Aug 2018. Manufacturing and electricity fell 1.2% and 0.9% in Aug against 5.2% and 7.6% growth in Aug 2018, respectively.

**Growth of Core Industries:** The growth of the index of eight core industries contracted significantly by 5.2% in Sep 2019 compared to a growth of 0.1% in the previous month and 4.3% in the same period of the previous year.

# Inflation & Industrial Production Trajectory

Inflation inching towards RBI's long term average of 4.0%





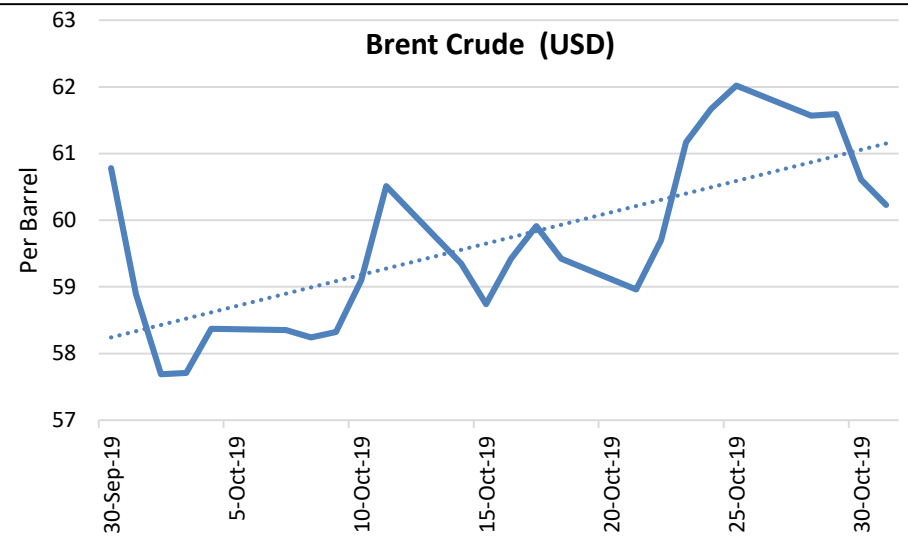
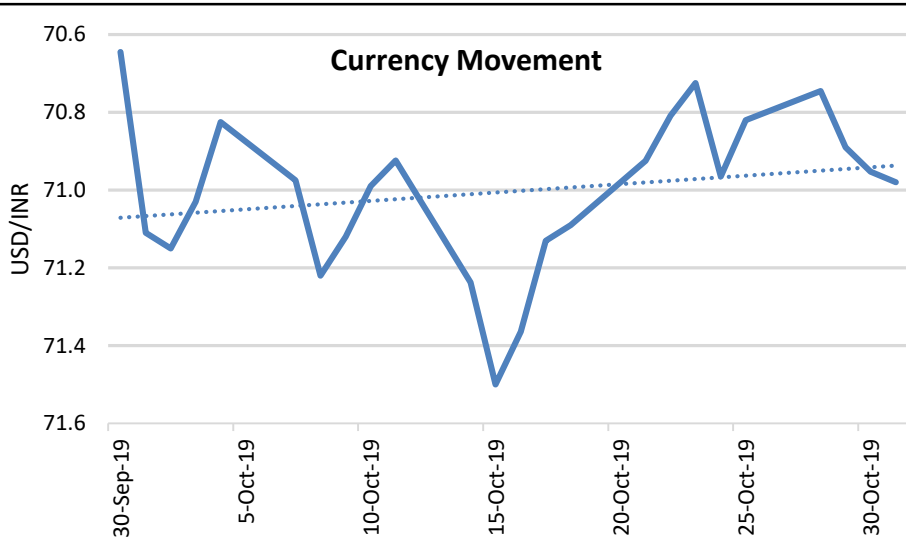
While, Industrial output has slipped into the negative zone

## Factors which affected Indian Equity Markets:

- Indian equity markets remained in the positive zone for the second consecutive month in October. Market was buoyed by reports that government was considering a review of equity-related tax rate rationalisation. Better-than-expected quarterly earnings of a few companies also contributed.
- Moreover, consistent inflows from domestic institutional investors and foreign institutional flows also lent support to the market.
- On the global front, strong global cues after the U.K. and European Union reached a new Brexit deal acted as a positive factor. This to some extent eased concerns over global economic growth as uncertainty over Brexit deal had been for a long time upsetting the mood of the market.
- Further, 25 basis points interest rate cut by U.S. Federal Reserve (Fed) led to expectations of similar easing by other global banks, thereby adding to the gains. This was the third rate cut this year by U.S. Federal Reserve.
- However, gains were restricted on back of concerns about global economic slowdown amid weak economic cues from China and renewed uncertainty about delay in the first stage of the partial US-China trade agreement.
- Later during the month, UK Parliament rejected Prime Minister Boris Johnson's swift timetable to ratify Brexit deal and granted a three-month extension for the deal; also kept investors on the edge.
- **Outlook:** Domestic factors which will dictate the market trend in the near term are - expectations of further Government reforms like removal of dividend distribution tax (DDT), strategic disinvestments and individual tax cuts; these reforms if implemented will have a positive impact on the markets in the long run.
- **Global factors** such as on-going debate around global slowdown, US - China trade talks, uncertainty over Brexit, stance of US Federal Reserve on interest rates and recent tensions in the middle east and its effect over oil price are the major global events; would be other significant triggers for the market.

	Current		Quarter Ago	Year Ago
<b>Equity Net Flows</b>				
Mutual Funds (Rs. Cr)	3,486 (Oct-19)	↓	15,084 (Jul-19)	24,047 (Oct-18)
FII's (Rs. Cr)	12,368 (Oct-19)	↑	-12,419 (Jul-19)	-28,921 (Oct-18)
<b>Economic Indicator</b>				
Consumer Price Index (CPI)	3.99% (Sep-19)	↑	3.18% (Jun-19)	3.70% (Sep-18)
Wholesale Price Index (WPI)	0.33% (Sep-19)	↓	2.02% (Jun-19)	5.22% (Sep-18)
Industrial Production (IIP)	1.09% (Aug-19)	↓	4.48% (May-19)	4.83% (Aug-18)
GDP	5.00% (Jun-19)	↓	5.80% (Mar-19)	8.00% (Jul-18)
Trade Deficit (\$ bn)	10.90 (Sep-19)	↓	25.01 (Jun-19)	14.95 (Sep-18)
<b>Commodity Market</b>				
Brent Crude (\$/barrel)	60.23 (Sep-19)	↓	65.17 (Jun-19)	75.47 (Oct-18)
Gold (\$/oz)	1514.80 (Sep-19)	↑	1437.80 (Jun-19)	1250.80 (Oct-18)
Silver (\$/oz)	18.07 (Sep-19)	↑	16.41 (Jun-19)	14.65 (Oct-18)
<b>Currency Market</b>				
USD/INR	70.98 (Sep-19)	↑	68.88 (Jun-19)	73.96 (Oct-18)
EURO/INR	79.16 (Sep-19)	↑	76.29 (Jun-19)	83.66 (Oct-18)
GBP/INR	91.86 (Sep-19)	↑	83.75 (Jun-19)	94.42 (Oct-18)
YEN/INR (per 100)	65.80 (Sep-19)	↑	63.29 (Jun-19)	65.54 (Oct-18)

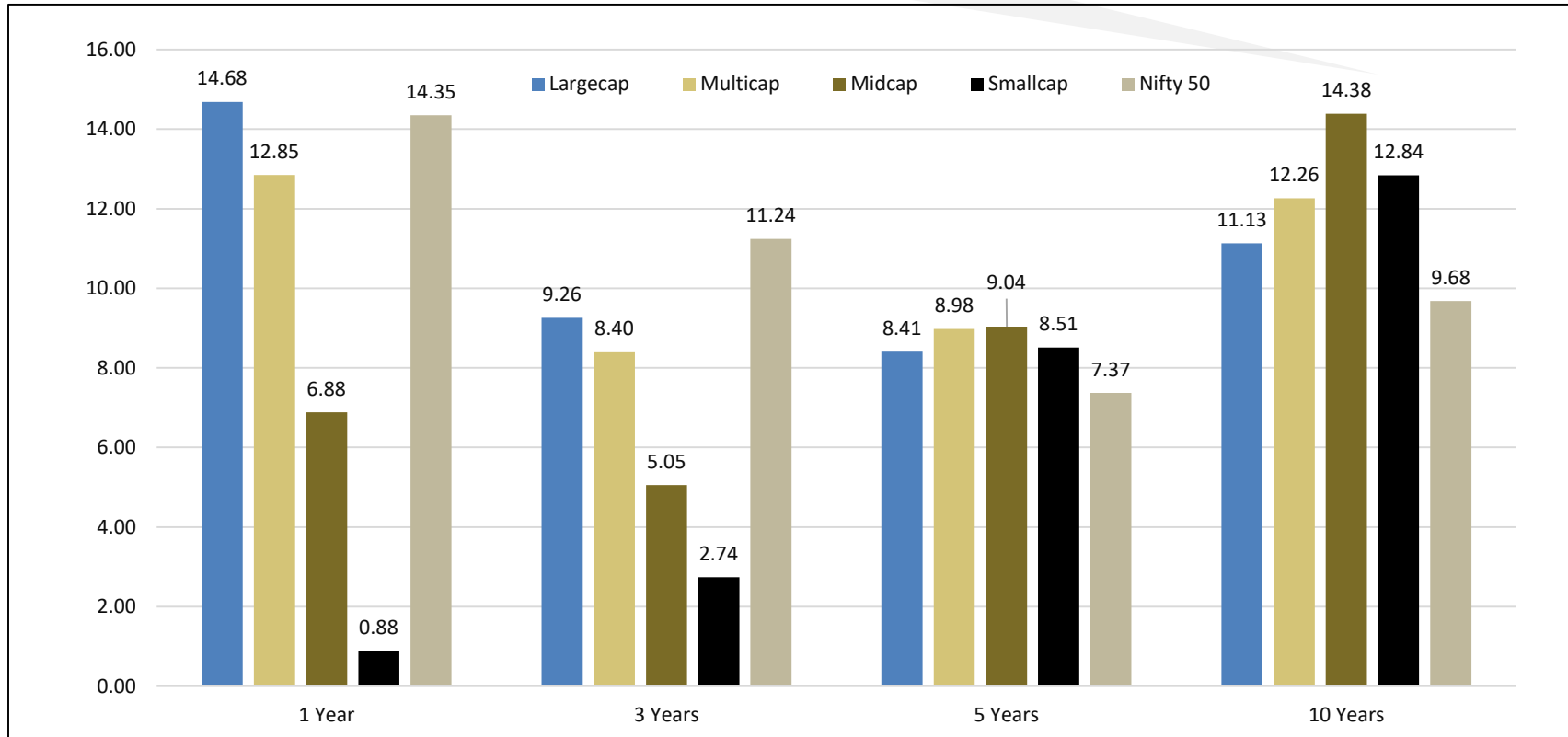
 signifies positive movement over Q-o-Q
  signifies negative movement over Q-o-Q



- **INR Performance:** The rupee ended lower after experiencing some volatility mid month. Uncertainty over Brexit pulled the rupee down. Also, intermittent dollar purchases by state-owned banks and some weakness seen in domestic equities also pulled the rupee down. However, some support was seen as investor risk appetite improved amid signs of progress in the U.S.-China trade talks.
- **Brent Crude:** Brent crude prices ended lower amid concerns of a slowdown in global growth. Furthermore, unexpected increase in U.S. crude stockpile; further led to fall in prices. Concerns on possible delay in the U.S.- China trade war resolution also weighed on the demand outlook of the commodity.

# Mutual Fund Performance of Categories v/s Nifty

Over long term actively managed funds are the clear winners



Returns below one year absolute and more than one year CAGR. Data as on 31 Oct 2019; Source: ICRA MFI





**TATA** CAPITAL WEALTH

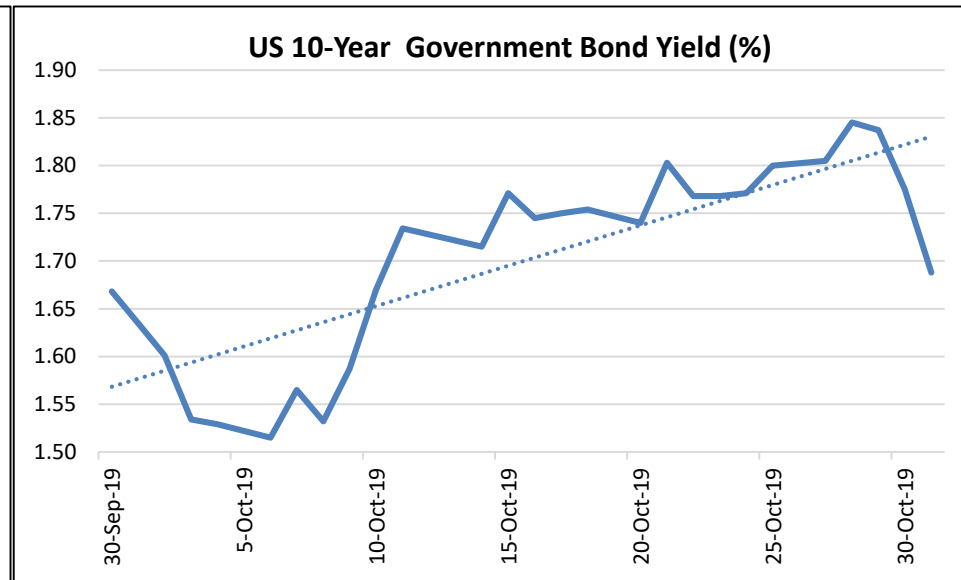
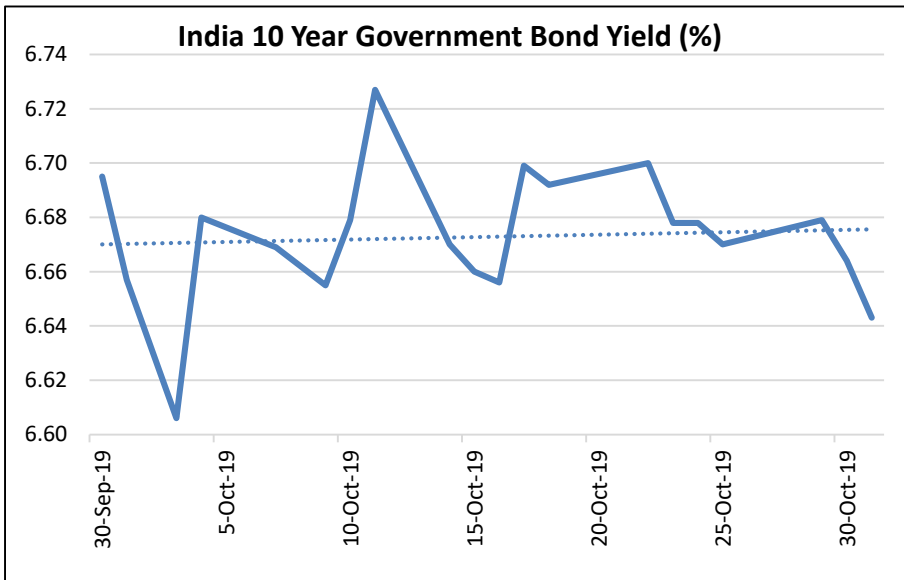
# Debt Markets - Review

	31 Oct'19	30 Sep'19	31 Oct'18	M-o-M Change
<b>Interest Rates</b>				
Repo rate	5.15%	5.40%	6.50%	-25 bps
SLR	18.50%	18.75%	19.50%	-25 bps
<b>CD Rates</b>				
3 month	5.12%	5.60%	7.50%	-48 bps
6 month	5.60%	5.85%	8.35%	-25 bps
1 Year	5.99%	6.50%	8.50%	-51 bps
<b>CP Rates</b>				
3 month	5.41%	5.80%	8.65%	-40 bps
6 month	6.50%	6.30%	9.00%	-20 bps
1 Year	6.75%	7.10%	9.18%	-35 bps
<b>T-Bill/G-sec</b>				
91 Days	5.05%	5.32%	6.94%	-27 bps
364 Days	5.28%	5.56%	7.44%	-28 bps
7.26% GOI 2029 (10 Yr GOI) -New	6.48%	6.70%	-	-22 bps
7.17% GOI 2028 (10 Yr GOI) -Old	6.66%	6.70%	7.88%	-4 bps
<b>Corporate Bonds (PSU)</b>				
3 Year	6.62%	7.10%	8.75%	-48 bps
5 Year	6.90%	7.33%	8.83%	-43 bps
10 Year	7.60%	7.75%	8.75%	-15 bps
<b>International Markets</b>				
10 Year US Treasury Yield	1.78%	1.68%	3.14%	10 bps
3 Months LIBOR	1.93%	2.06%	2.53%	-13 bps
12 Months LIBOR	1.99%	2.04%	3.06%	-5 bps

## Factors that affected the Bond Markets:

- Bond yields fell after Monetary Policy Committee decided to cut policy repo rate for the fifth consecutive time in this calendar year. However, 25 bps policy repo rate cut did not satisfy the market participants citing the fact that RBI slashed its GDP projections for FY20 to 6.1% from 6.9% projected earlier.
- In addition, rise in country's retail inflation (CPI) data of 3.99% for Sep, which was the highest since last year July and worries over a fiscal slippage adversely impacted market sentiment.
- Moreover, yields rose on concerns that the government might breach its budgeted fiscal deficit target for this financial year due to fiscal costs of the corporate tax reduction coupled with lower than budgeted collection of direct and indirect taxes.
- However, bond yields slid tracking a fall in crude oil prices amid persistent tensions between USA and China.
- **Performance of 10-year G-Sec Yield:** The 10-year benchmark G-Sec yield **closed at 6.48% in Oct 2019, fell by 22 bps** from its previous close of 6.70% in Sep 2019.
- In its Fourth Bi-monthly Monetary Policy, the RBI cut policy rates by 25 bps to 5.15%. This was the fifth consecutive rate cut of CY2019, resulting in a cumulative 135bps of cuts so far. However, transmission has remained a challenge. Credit concerns and NBFC issues has kept the corporate bond spread at an elevated level which have hampered the transmission of rate cuts.
- **Outlook:** In the near term, an upswing in bond market will be governed by the how well will be RBI push on the banks to pass on the benefits of rate cut to the consumers as the transmission of rate cut has been a challenge. Moreover, markets will also track inflation numbers which has now reached the RBI's medium target of 4%.
- Subdued inflation and an economic slowdown have allowed the RBI to cut interest rates by a total of 135 bps this year. RBI has been quite vocal about the fact that they would continue to support growth and they have left the door open for more policy cuts. Thus, the RBI Policy next month will be closely tracked by the bond participants.
- Moreover, fiscal slippages, uncertainty regarding global events and escalating trade tensions between U.S. and China; will keep bond market under check.

# Yields Movement Across - India and US



- **10-year India Government Bond Yield:** Bond yields fell after Monetary Policy Committee decided to cut policy repo rate for the fifth consecutive time in this calendar year. However, yields rose on concerns that the government might breach its budgeted fiscal deficit target for this financial year due to fiscal costs of the corporate tax reduction coupled with lower than budgeted collection of direct and indirect taxes.
- **U.S. Treasury Yield:** Yields on the 10-year U.S. Treasury bond rose 10 bps to 1.78% compared with the previous month's close of 1.68%. The yields rose on back of slew of key weak economic data. Moreover, signs of a slowdown in U.S. manufacturing and services resulted in recession fears and uncertainty over Brexit developments; also impacted yields. Later during the month, U.S. yields fell after the U.S. Fed cut interest rates for the third time in 2019.

# Thank You

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