

Monthly Report

May 2018



Executive Summary

Indian Economy

Indian Equity Market

Indian Fixed Income

Global Equity Market

Global Fixed Income

Currency

Commodity

Mutual Fund Corner

SET Trading by Groups

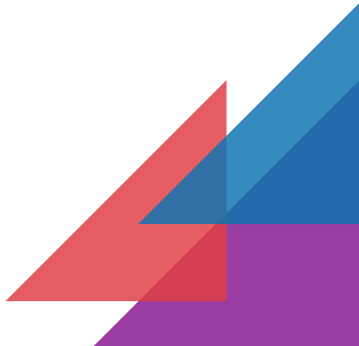
GROUP	INDEX	CHANGE
IT	1,087.84	12.38
FM	8,047.42	24.24
IND	12,803.00	51.32
FIN	3,009.95	12.06

Key Indices

INDEX	PREVIOUS	CHANGE
SET	1,292.81	-15.97
SENSEX	879.72	-14.49
NIFTY 50	1,925.37	-29.35
NIFTY 100	1,067.20	-16.76
NIFTY 200	359.21	-0.35
NIFTY 500	1,474.72	-26.59
NIFTY 1000	1,895.79	-13.47
NIFTY 2000	1,916.51	-1.38
NIFTY 5000	1,527.49	-22.73
NIFTY 10000	1,741.50	-10.98
NIFTY 20000	2,125.65	-6.39
NIFTY 50000	369.61	
NIFTY 100000	200.02	

- Paper & Printing
- Petrochem & Chem
- Packaging
- Steel
- Prop & Construct
- Construct Materials
- Property Dev
- Property Fund
- Construct
- Re

Executive Summary



Major global markets gained in the first month of fiscal 2018-19. The main triggers were big companies posting encouraging quarterly numbers, upbeat economic data, successful Korean summit and easing trade war tensions.

U.S. markets managed to inch up as industry big wigs' earnings made investors happy and the economy registered good numbers. The initial hiccups around rising U.S. Treasury yields were made good later as yields dropped. Political tensions between U.S. and Russia over Syria and expectations of policy tightening by the U.S. Federal Reserve (Fed) in 2018 restricted gains.

European markets too were supported by big companies' encouraging earnings and upbeat economic data. Easing trade war and Korean tensions and the European Central Bank (ECB) maintaining status quo lifted investor mood. Bank of England indicating interest rates would be increased over the next few years restricted gains.

The U.S. and China clearing air over trade relations lifted Asian markets. Meeting between Japanese Prime Minister and U.S. President concluded on a positive note and Korean leaders in their summit seemed to end years-long differences.

Indian equity markets gained led by upbeat macroeconomic data coupled with healthy monsoon predictions. China and U.S. coming to the negotiation table over trade ties brought respite to investors. The Monetary Policy Committee (MPC) maintained status quo on key rates and lowered inflation expectations for the fourth quarter of FY18 and first and second halves of FY19.

Bond yields rose in Apr 2018 following increase in global crude oil prices. Rise in U.S. Treasury yields on growing possibility that the U.S. Fed will aggressively hike interest rates in 2018 also weighed on market sentiment. However, further losses were restricted after MPC unexpectedly lowered its inflation forecast.



In the ongoing corporate earnings season, investors will closely follow result announcements by industry majors, coupled with the revenue guidance.



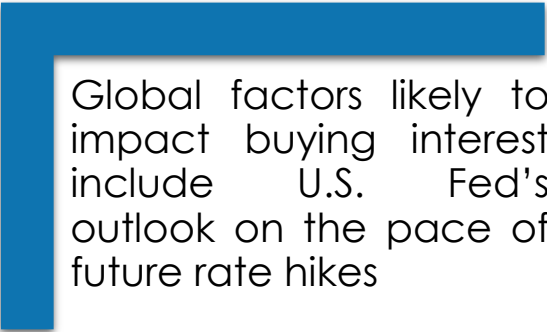
With Goods and Services Tax (GST) collections touching record high in Apr 2018 and more than 10 million tax payers registering under it, investors are gaining confidence in the new tax regime. Market participants are expecting India's tax revenues to boost in the future because of the increase in tax compliance and widening of the tax base.



The upcoming state elections in Karnataka, will have a bearing on market sentiment. Meanwhile, minutes of MPC's latest meeting stoked speculation over probable rate hike in the future and investors shall keep an eye on the interest rate outlook of the central bank.



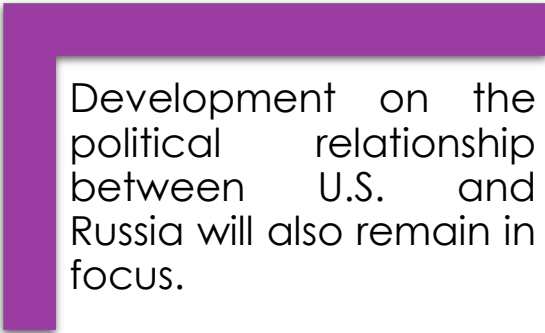
The recent strength in global crude oil prices have raised concerns over fiscal deficit in India and accordingly investors will continue to monitor the movement of oil prices.



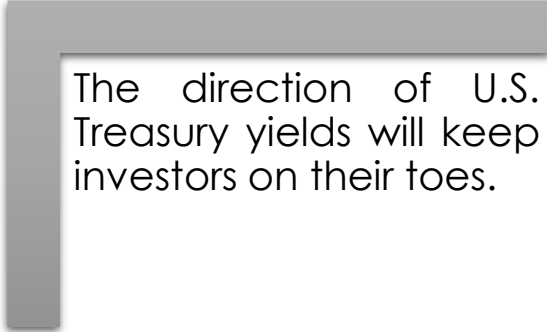
Global factors likely to impact buying interest include U.S. Fed's outlook on the pace of future rate hikes



Investors are fearing that good economic numbers may make the U.S. central bank hike rates aggressively in 2018

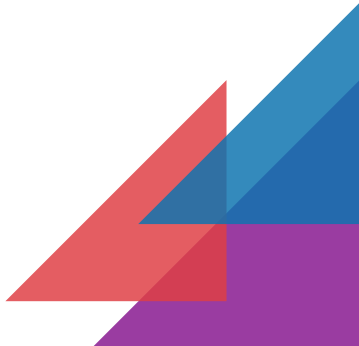


Development on the political relationship between U.S. and Russia will also remain in focus.



The direction of U.S. Treasury yields will keep investors on their toes.

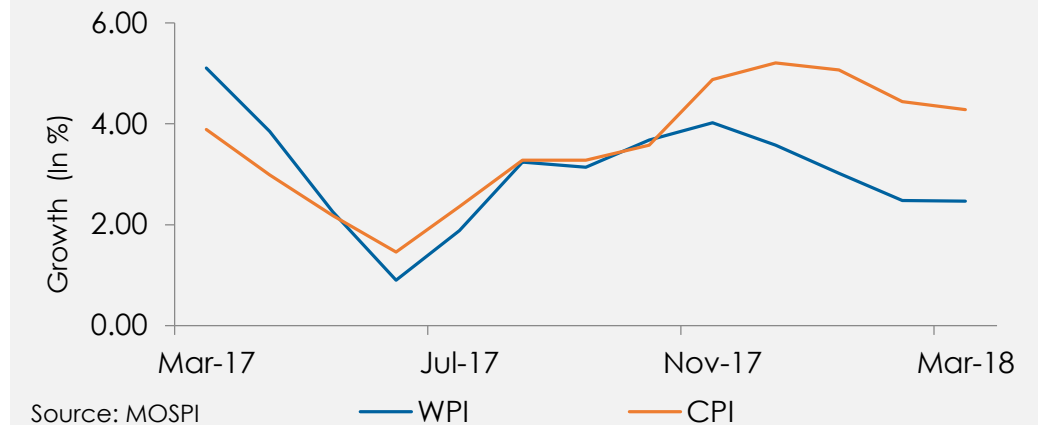
Domestic Economy



Key Indicators	Period	Actual	Previous
Consumer Price Index (CPI)	Mar-2018	4.28%	4.44%
Wholesale Price Index (WPI)	Mar-2018	2.47%	2.48%
Index of Industrial Production (IIP)	Feb-2018	7.10%	7.40%
Gross Domestic Product (GDP)	Dec-2017	7.20%	6.50%
Core Sector Output (%)	Mar-2018	4.11%	5.28%
Export (Y-o-Y)	Mar-2018	-0.66%	4.48%
Import (Y-o-Y)	Mar-2018	7.15%	10.41%

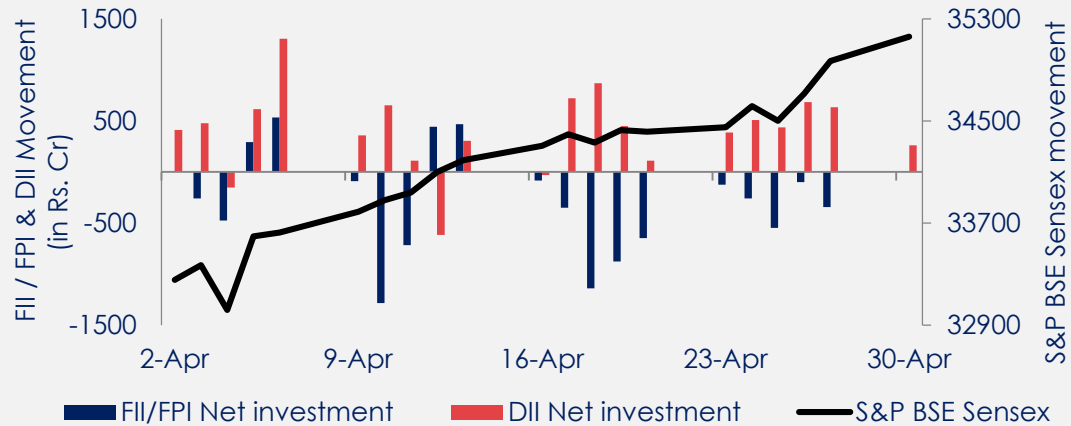
Source: MOSPI, Thomson Reuters Eikon

Monthly CPI & WPI Movement



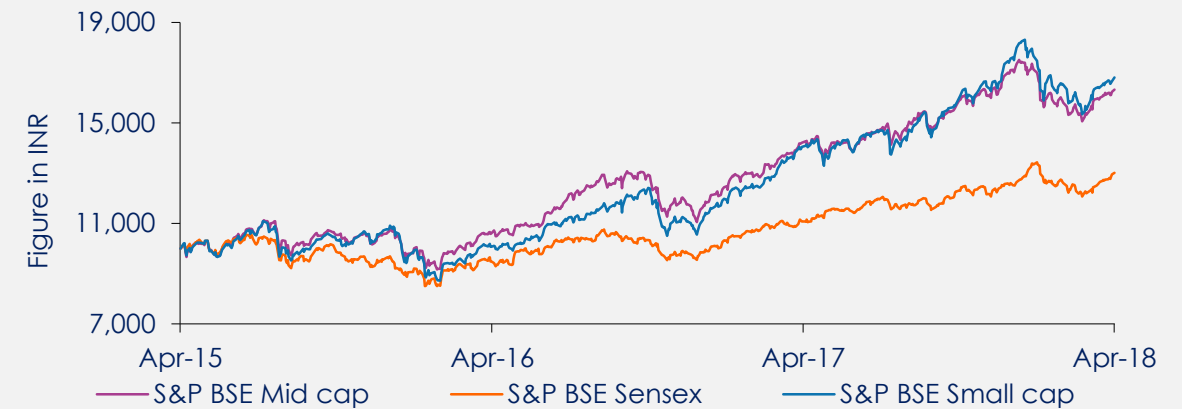
- India's Index of Industrial Production (IIP) grew 7.1% in Feb 2018 as against downwardly revised growth of 7.4% (7.5% originally reported) in Jan 2018 and 1.2% in Jan 2017. The manufacturing sector surged 8.7% in Feb from 0.7% growth in the same period of the previous year.
- India's Wholesale Price Index-based inflation (WPI) slowed to an eight-month low of 2.47% in Mar 2018 from a provisional 2.48% in the previous month and 5.11% YoY. Wholesale inflation grew at a slower pace due to decline in prices of pulses and fibre. Significant slowdown in fuel and power prices also helped ease inflation.
- The Consumer Price Index (CPI)-based inflation or retail inflation grew 4.28% in Mar 2018, down from 4.44% in the previous month and up from 3.89% in the same month of the previous year. CPI inflation eased for the third consecutive month and marked a 5-month low, reflecting decline in prices of pulses and products, sugar and confectionery and spices.

DII, FII/FPI Investment and S&P BSE Sensex - During the Month



Source: MFI Explorer

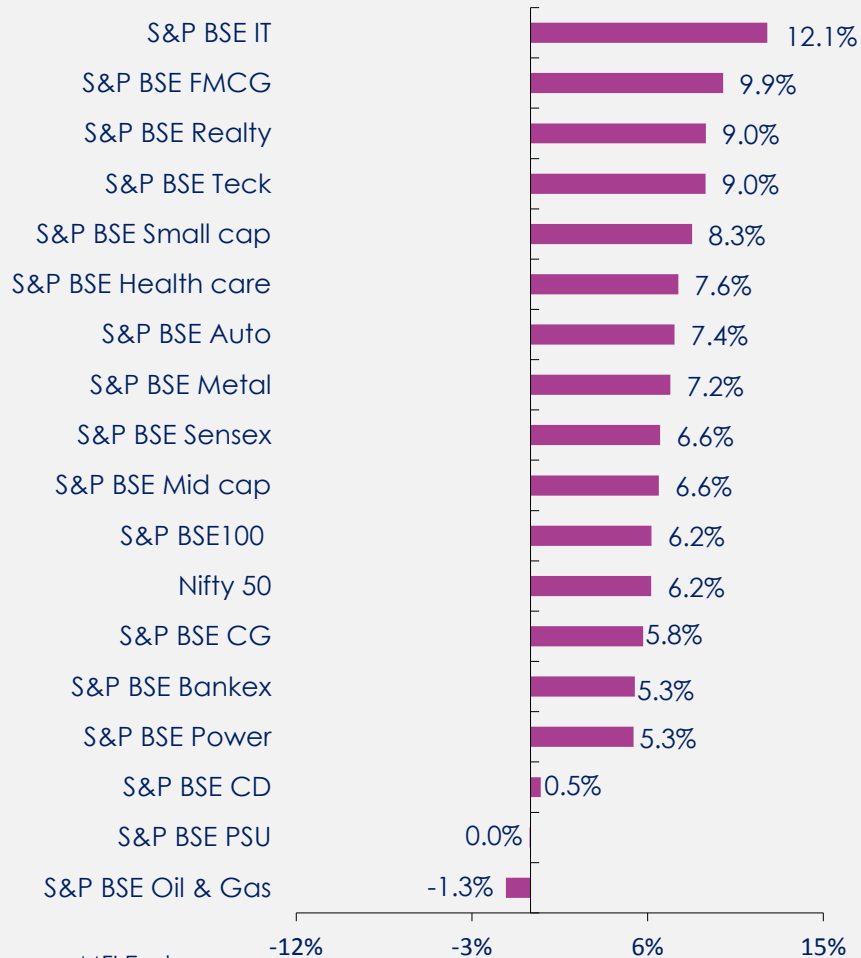
Growth of Rs 10,000 over Last 3-Yrs



Source: BSE

- Indian equity markets witnessed steady growth with mild hiccups during the month. The gains were mainly led by upbeat macroeconomic readings coupled with Indian Meteorological Department's (IMD) prediction of favourable monsoon season. Easing concerns over trade war between U.S. and China contributed to the upside.
- As the month commenced, concerns over bank loan scam were outweighed by positive impact of Reserve Bank of India's (RBI) decision to permit banks to spread their bond trading losses over four quarters.
- Concerns over India's manufacturing sector expanding at the weakest pace in Mar 2018 in five months was outweighed by the final reading of a private survey showing that Indian services sector expanded during the period. Meanwhile, MPC, in its latest policy meeting on Apr 5, decided to maintain status quo in key rates, as was widely expected.

Monthly returns as on April 30, 2018



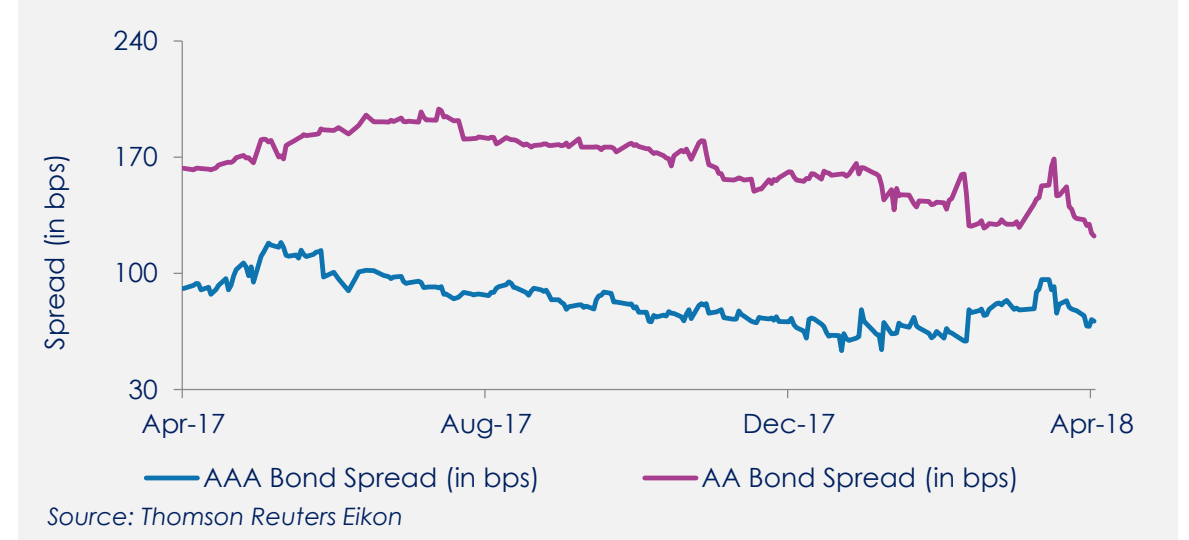
Source: MFI Explorer

- Markets extended the rally amid optimism over the health of the domestic economy, backed by strong macroeconomic numbers. Meanwhile, the IMD forecasted that India will receive normal monsoon for the third year in a row. Investors cheered after the International Monetary Fund said India could grow at 7.4% in 2018 and 7.8% in 2019, surpassing China.
- Market participants took positive cues from the informal Indo-China summit, which is perceived as an endeavour to strengthen ties between India and China. Additionally, North Korean leader and South Korean President deciding to end their seven decades of fiery relationships and easing U.S. and China trade tension helped gains.
- Nonetheless, gains were restricted as geopolitical tensions between U.S. and Russia kept investors wary. Fears over rising 10-year U.S. Treasury yields loomed large in the second half of the month, but were overcome at the end of the month as the yields eased.
- On the BSE sectoral front, barring S&P BSE Oil & Gas and S&P BSE PSU, all the other indices closed in the green. S&P BSE IT was the top gainer, followed by S&P BSE FMCG and S&P BSE Realty. IT sector witnessed gains in recent times on the back of recovery in U.S. economic scenario.

10-Year Benchmark Bond



10-Year Corporate Bond Spread (for AAA & AA bonds)

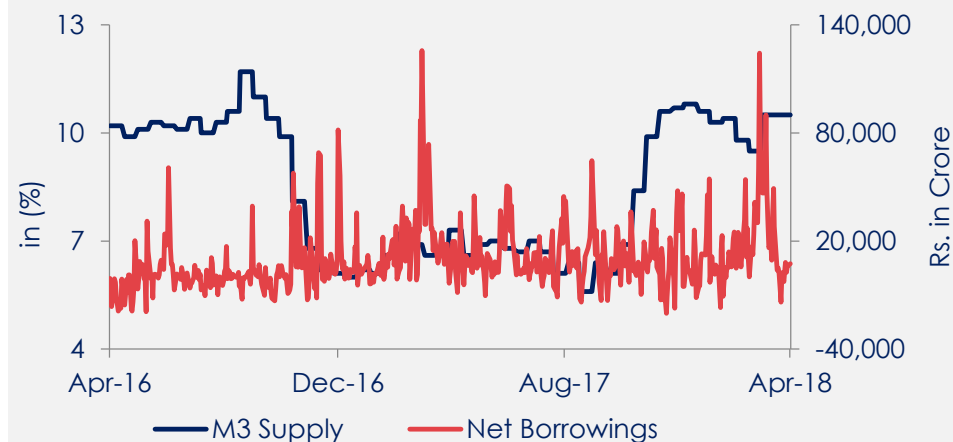


- Bond yields rose in Apr 2018 following increase in global crude oil prices. Rise in U.S. Treasury yields on growing possibility that the U.S. Fed will aggressively hike interest rates in 2018 also weighed on market sentiment. However, further losses were restricted after the MPC unexpectedly lowered its inflation forecast for FY19 and the fourth quarter of FY18 in its first bi-monthly monetary policy review on Apr 5.
- Yield on the 10-year benchmark bond (7.17% GS 2028) surged 37 bps to close at 7.77% from the previous month's close of 7.40% after hovering in a wide range of 7.12% to 7.80%.

Key Indicator	Apr-18	Mar-18	Apr-17
Call Rate	6.02%	7.57%	6.03%
10-Yr benchmark bond	7.77%	7.40%	6.96%
Reverse Repo	5.75%	5.75%	5.75%
Repo	6.00%	6.00%	6.25%
Bank Rate	6.25%	6.25%	6.75%
CRR	4.00%	4.00%	4.00%

Source: CCIL, RBI

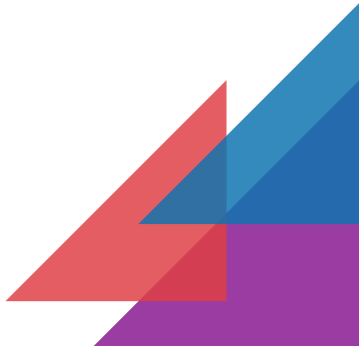
Liquidity Monitor- M3 Supply and Net Borrowings



Source: Thomson Reuters Eikon

- Initially, bond yields fell sharply after RBI mandated that banks can spread provisioning for mark-to-market (MTM) losses, equally over up to four quarters. A private weather forecast agency predicted normal monsoon rainfall in 2018, which eased concerns of an increase in domestic inflationary pressures.
- Bond yields plunged to a near four-month low after MPC unexpectedly lowered its inflation forecast for FY19 and the fourth quarter of FY18 in its first bi-monthly monetary policy review.
- However, the trend reversed later after RBI increased the limit for foreign investment in Central government securities by 0.5% to 5.5% of outstanding stock of securities in 2018-19 and 6% of outstanding stock of securities in 2019-20.
- Also, the indicative calendar for state development loans (SDL) came as a shock to the debt market. According to the calendar, states would be borrowing Rs. 1.15-1.28 trillion in the first quarter of FY19, which was much higher than their usual borrowing plan. Bond yields rose further following surge in global crude oil prices, simmering geopolitical tensions between Western powers and Russia in Syria, and increase in U.S. Treasury yields.

Global Equity & Debt Market



Performance of Major International Markets (As on April 30, 2018)

Indices	Country	1 Mth
Nasdaq 100	U.S.	0.37
S&P 500	U.S.	0.27
DJ Industrial Avg	U.S.	0.25
SET Composite Index	Thailand	0.22
Jakarta Composite	Indonesia	-3.14
Straits Times Index	Singapore	5.42
KOSPI Index	South Korea	2.84
Nikkei Stock Average 225	Japan	6.83
Taiwan SE Weighted Index	Taiwan	-2.28
Shanghai Composite Index	China	-2.73
S&P BSE Sensex	India	6.65
S&P/ASX 200	Australia	3.88
FTSE 100	U.K.	6.42
CAC 40	France	6.84
DAX Index	Germany	4.26

Source: Thomson Reuters Eikon

United States

- U.S. markets moved up slightly over the month following mixed quarterly earnings of a few big companies and some better than expected economic data. Easing tensions in the Korean Peninsula, receding trade war with China, stronger outlook for the U.S. economy and easing concerns over rise in U.S. Treasury yields acted as catalyst. However, signs of political tensions between U.S. and Russia and concerns over interest rate outlook by the U.S. Fed restricted the gains.

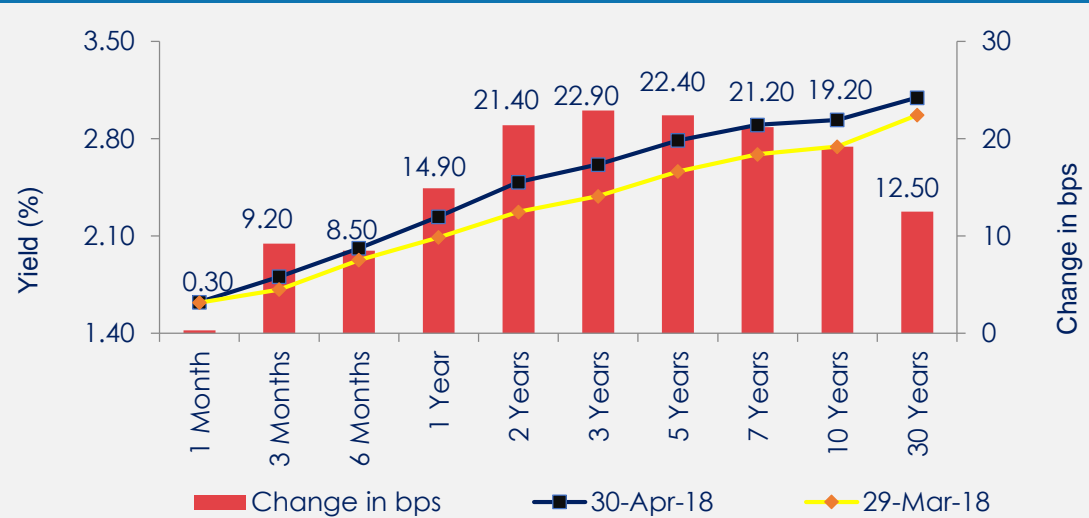
Europe

- European markets traded up following strong quarterly earnings of a few big companies and upbeat economic data. Markets took positive cues following easing trade tension between U.S. and China and also in the Korean Peninsula. The ECB's decision to keep interest rates unchanged, and easing fears over rising 10-year U.S. Treasury yields further helped gains.

Asia

- Asian markets mostly traded up on receding worries over trade war between U.S. and China, and easing tensions in the Korean Peninsula. The ECB and Bank of Japan kept their monetary policy steady. However, setback was witnessed in the Chinese market on concerns over growing risks in the financial system.

U.S. Treasury Yield Curve Shift (Month-on-Month)



Source: Thomson Reuters Eikon

U.S. 10-Year Treasury Yield



Source: Thomson Reuters Eikon

- Yield on the 10-year U.S. Treasury bond rose 20 bps to close at 2.94% compared with the previous month's close.
- U.S. Treasury prices fell with yields touching their highest level in four years in one of the sessions due to worries regarding growing supply of government debt and accelerating oil prices. Market expectations that the U.S. Fed will continue to raise interest rates in 2018 added to the losses.
- However, the trend reversed temporarily due to geopolitical concerns after the U.S. President warned of military action against Syria. Later, the U.S. President indicated that an attack on Syria may not be imminent which pulled down U.S. Treasury prices.

Movement of Major Currencies

Currency	Value	1 Mth	1 Yr
U.S. Dollar	66.78	65.04	64.22
Pound Sterling	92.89	92.28	82.83
Euro	80.74	80.62	69.88
100 Yen	61.08	61.54	57.72

Source: RBI

Rupee Versus Dollar during the year



Source: RBI

INR

- The Indian rupee weakened and fell to a 14-month low against the U.S. dollar. One of the main reasons for the fall during the month was continuous demand for greenback from importers following rise in global crude oil prices. However, losses retreated after MPC cut its inflation projections for fiscal 2018-19. Growing possibility that the U.S. Fed will aggressively hike interest rates in 2018 dampened market sentiment. Rupee fell further on chances that the MPC may adopt a more hawkish stance moving forward.

EURO

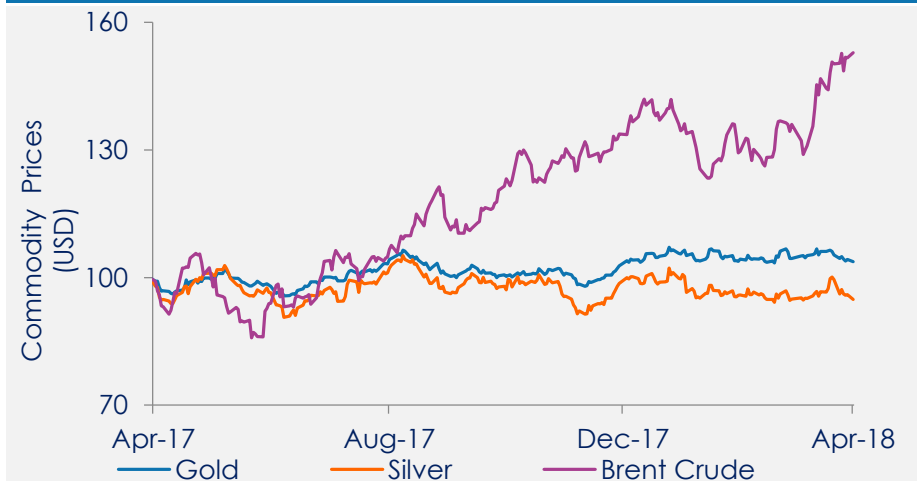
- Euro rose against the U.S. dollar in the first half of Apr 2018 as risk appetite improved on hopes that a U.S.-led strike on Syria would not lead to escalation. Euro gained further after the Chinese President promised to lower import tariffs and eased global trade war worries. In the second half, the trend reversed and euro fell following higher U.S. Treasury yields and expectations of more rate increases from the U.S. Fed in 2018. Losses deepened after the ECB president acknowledged firm euro zone growth but kept rates unchanged and due to unexpected fall in German monthly retail sales in Apr 2018.

Performance of Various Commodities

Commodities	Value	1 Mth	1 Yr
Crude Brent (\$/Barrel)	76.66	68.21	50.15
Gold (\$/Oz)	1314.95	1324.00	1267.65
Gold (Rs/10 gm)	31033.00	30630.00	28887.00
Silver (\$/Oz)	16.31	16.32	17.19
Silver (Rs/Kg)	38777.00	38325.00	40042.00

Source: Thomson Reuters Eikon, MCX

Movement of Commodity Prices Over 1 Year



Source: Thomson Reuters Eikon

Crude

- Brent crude prices surged on expectations that the OPEC and non-OPEC countries are likely to continue with output cuts until stocks return to their normal levels. This was confirmed by oil ministers of Saudi Arabia and Russia. Energy minister of Qatar also mentioned that OPEC and its allies should continue with the oil supply curb programme to support prices and increase investment in the industry. Additionally, growing concerns over U.S. military activity in Syria, and an increasingly hostile environment in Venezuela raised supply concerns and helped prices.

Gold

- Initially the safe-haven appeal of the metal boosted following heightened tensions between U.S. and Russia in the wake of a chemical attack in Syria. The precious metal got further support following much lower than expected U.S. jobs data in Mar as non-farm payroll employment rose by 103,000 jobs, its lowest level in six months. However, the trend reversed as the minutes of the U.S. Fed's Mar policy review indicated that the U.S. economy will continue to remain strong and that inflation will rise towards the 2% target in the coming months. Easing tension in the Korean Peninsula weighed on the prices. Additionally, easing trade tensions between China and U.S. and stronger outlook for the U.S. economy burdened the precious metal.

Category wise performance of Mutual Funds

Equity	6 Mnth	1 Yr	3 Yr	5 Yr
Large Cap	2.41	12.23	10.16	15.09
Small/Mid Cap	5.43	16.04	17.18	26.91
Diversified	2.82	13.58	11.61	17.16
Balanced	2.39	11.07	10.47	15.91
Banking	1.06	11.26	13.45	16.02
FMCG	13.27	26.09	17.54	17
Pharma	2.79	0.3	-0.44	14
Technology	30.51	43.23	12.98	21.7
Infrastructure	-0.56	11.68	12.53	18.29
Gold Funds	5.67	5.5	3.3	1.43

Debt	6 Mnth	1 Yr	3 Yr	SI
Liquid	6.53	6.53	7.04	7.31
Ultrashort Bond	5.51	6.41	7.36	7.58
Short-T Bond	2.97	5.4	7.27	7.73
Long-T Bond	1.27	4.58	7.2	7.88
Long T Govt Sec	-3.34	1.8	6.7	7.83
Short T Govt Sec	1.25	4.22	7.34	6.80

Source: MFI Explorer; * Returns less than 1 year are absolute, greater than 1 year are Compounded Annualized, # As on 30-Apr-2018

- The mutual fund industry witnessed buying spree in both equity and debt segments. While in equity segment buying stood at Rs. 11,293.46 crore in Apr 2018 against Rs. 9,255.51 crore witnessed in Mar 2018; the same for debt segment stood at Rs. 20,164.82 crore against Rs. 37,977.51 crore.
- In the equity space, all the segments surged following steady growth in Indian equity markets. IMD's prediction of favourable monsoon season raised optimism on FMCG and other rate-sensitive segments. MPC in its latest policy meeting on Apr 5, lowered inflation expectations for the fourth quarter of FY18 and first and second halves of FY19, which acted as a positive catalyst. Infotech segment witnessed higher returns on the back of recovery in U.S. economic scenario and upbeat quarterly earnings of an industry major
- In the debt space, investors' focus shifted towards liquid and ultra short term categories as minutes of MPC's policy meeting in Apr indicated that a possible rate hike is on the central bank's radar if the headline inflation exceeds the trajectory set by the bank. Global crude oil prices are expected to have a major impact as higher prices may adversely impact India's trade deficit.

All information contained herein is obtained by ICRA Online Limited ("ICRON") from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. ICRON adopts all necessary measures so that the information it uses is of sufficient quality and from sources ICRON considers to be reliable including, when appropriate, independent third-party sources. However, ICRON is not an auditor and cannot in every instance independently verify or validate information received in preparing this document.

All information contained herein must be construed solely as statements of opinion, and ICRA Online Limited or its affiliates or group companies and its respective and any of its officers, directors, personnel and employees, disclaim liability to any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this document or its contents in any manner or for any contingency within or beyond the control of, ICRON or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information. Opinions expressed in the document are not the opinions of our holding company, ICRA Limited (ICRA), and should not be construed as any indication of credit rating or grading of ICRA for any instruments that have been issued or are to be issued by any entity. The recipient alone shall be fully responsible and/or are liable for any decision taken on the basis of this document and/or the information contained herein.