MUTUAL FUNDS Sahi Hai

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Equity Market Review

Mr. Yogesh Patil, Head - Equity

- After trading in a very narrow range for the last two months, Indian Equity market moved sharply during the month. Continued easing of local lockdowns, strong Q1FY22 earnings, no change in interest rate by RBI and positive global cues led to built up of positive sentiment among the market participants. Q1FY22 results were better than expectation considering the impact of the 2nd Covid wave. For Nifty 50 companies, sales were up by approx. 50% YoY while PAT was up by 101%. On the back of these positive cues, Nifty and Sensex has rallied for the month and ended with gain of 8.7% and 9.4% respectively. Both Nifty and Sensex scaled the new high during the month.
- On the macro front, CPI inflation eased to three-month low of 5.59% in July vs 6.3% in June 2021. The inflation print has come within the RBI's targeted range of 2 plus/minus 4 per cent after two months, easing concerns of an immediate rate hike action by the central bank. IIP surged 13% in June amid a distorted base. Credit growth saw some revival and reported YoY growth of 6.2% for July 2021.
- On the sectoral indices front, Power (+11.6%), IT (+10.8%), Oil & Gas (+10.6%) outperformed the key indices while Metals (-2.1%), Health (+1.6%), Bankex (+5.8%) underperformed key indices during the month.

Benchmark Index	Latest Price	1 Month Return	3 Month Return	6 Month Return	1 year Return
BSE Sensex	57,552	9.40%	10.80%	17.20%	49.00%
CNX NIFTY	17,132	8.70%	9.90%	17.90%	50.40%
BSE Small-Cap	26,920	0.50%	14.10%	33.60%	87.80%
BSE IT Sector	34,180	10.80%	23.90%	39.90%	89.30%
BSE Mid Cap	23,853	3.30%	9.60%	19.40%	62.70%
BSE FMCG Sector	14,581	8.20%	11.00%	21.80%	28.50%
BSE Cap Goods	24,974	5.50%	11.00%	16.10%	81.70%
BSE Cons Durables	37,361	2.70%	11.90%	17.60%	64.20%
BSE 500	23,174	6.50%	10.10%	19.60%	55.60%
BSE Healthcare	26,570	1.60%	8.30%	27.40%	44.50%
BSE 200	7,386	7.40%	9.80%	18.80%	53.70%
BANKEX	41,470	5.80%	2.80%	6.40%	53.70%
BSE 100	17,375	7.90%	9.80%	18.00%	51.30%
BSE Auto	22,571	0.40%	-4.10%	-1.60%	27.60%
BSE Power	2,921	11.60%	3.70%	20.80%	74.90%
BSE Oil & Gas	17,084	10.60%	3.70%	9.90%	30.60%
BSE Realty	3,085	-3.10%	15.10%	10.70%	75.40%
BSE Metal	20,580	-2.10%	9.00%	50.00%	133.00%

Capital flows:

FIIs turned net buyers for the month. Net equities buy from FIIs stood at ₹ 2083 cr (USD 281mn) in August 2021. Cumulatively, FIIs bought equity worth ₹ 1,83,796 cr (USD 25,010mn) in last twelve months i.e., from Sept20 – Aug'21 and DIIs sold equity worth ₹ 40,457cr (USD 5,556mn) for the same period. (As on August 2021 Source: SEBI) (August 2021 Avg. 1 USD = INR 74.10).

Outlook

- Global market continues to remain stable as more economies are open up post the covid 2nd wave impact. Financial markets were jittery during the first fortnight of the month on the concern of Fed tapering earlier then envisage. However, Fed Chair's speech at the Jackson Hole Economic Policy Symposium held between August 26 and August 28th highlighted that the reduction of asset purchases could begin by the end of the year if economy evolves as anticipated earlier. This helped eased concern around liquidity tightening in the global economy. However, geopolitical risk remains a key concern for the near term.
- On the domestic front, economic activity is slowly inching towards normal as reflected by the various indicators such freight carried by rail, power demand, diesel consumption etc. GST collection continues to remain buoyant reflecting the momentum. The vaccination drive is also picking up pace and the 7-day average is near to approx. 80 lakh doses. Government has achieved its target of at least one dose to 60cr people. This should provide some cushion on the health front.
- On the economy front, inflation risk seems to be cooling off as the CPI for July was below 3 months level led by easing in Food inflation. Core inflation remained sticky at 5.9%. the 4-month average inflation is at 5.6% and is within the RBI's targeted range of 2 plus/minus 4 per cent. At 20.1%, GDP growth in Q1 FY22 was slightly ahead of consensus expectation. While the depressed base was a major factor, growth came despite the disruption due to the impact of the second wave. Given the continued improvement shown by lead indicators, FY22E GDP growth should be on the expected lines.
- Corporate earnings in the first quarter of FY22 have been in line with the elevated expectations, aided by the deflated base of 1QFY21 and localized and less stringent lockdowns v/s 1QFY21. For Nifty 50 companies, sales were up by approx. 50% YoY while PAT was up by 101%. On the sectoral Front, IT reported the 4th consecutive quarter of strong growth while Metals and Oil and Gas companies has reported strong result on the back of rising commodity prices. BFSI companies reported some elevated slippages due to covid wave and lockdown. All in all, a good result from corporate earnings perspective and given the management commentary, the earnings growth momentum should continue for the medium term.
- While the market has been focusing on the positive news inflows on the economic front and scaling up new highs, the risks could emerge from the higher commodity prices and inflation – both Domestic as well as Global. These economic risks may have negative impact on the equity markets in the short term. While near term could be bleak, we continue to like India's long term growth story. We prefer to focus on existing leaders who are likely to disrupt/ innovate in their businesses to ensure that their leadership or competitive advantage remains strong. Value creation is imperative in investment viz, high standards of governance, high capital efficiency, strong moats and sustainable growth.