

Equity Market Review



Mr. Yogesh Patil,
Fund Manager - Equity

Market Review

- The month started on the positive note with announcement of the Union Budget for FY2022. Government's intent to push for growth by keeping expenditure higher has been well received by investors. However, the market remained concerned about the sharp rise in bond yields and a sudden increase in Covid-19 cases in a few Indian states. During the month, Sensex inched up by 6.1% while Nifty was up by 6.6%.
- On the macro front, CPI inflation moderated to 4.06% in January compared to 4.6% in December. IIP too remained on positive track as it reported growth of 1% in December compared to contraction of 2.1% reported in November. Credit growth continued to remain sluggish at 5.7% for January 2021.
- On the sectoral indices front, Metals (+24%), Power (+21%), Oil & Gas (+12.5%), Bankex (+12.5%) and Cap Goods (10.5%) outperformed the key indices while Consumer durables (+5.5%), Auto (+3.7%), Healthcare (+1.1%), IT (-1.6%) and FMCG (-2.1%) underperformed the market.

Benchmark Index	Latest Price	1 Month Return	3 Month Return	6 Month Return
BSE Sensex	49,100	6.10%	11.20%	24.40%
CNX NIFTY	14,529	6.60%	12.00%	24.70%
BSE Small-Cap	20,155	12.00%	19.40%	34.50%
BSE IT Sector	24,424	-1.60%	12.90%	34.30%
BSE Mid Cap	19,979	10.50%	18.10%	31.10%
BSE FMCG Sector	11,967	-2.10%	2.10%	3.30%
BSE Cap Goods	21,519	10.50%	26.40%	50.70%
BSE Cons Durables	31,758	5.50%	17.40%	35.20%
BSE 500	19,371	7.80%	14.00%	26.50%
BSE Healthcare	20,856	1.10%	2.60%	8.20%
BSE 200	6,215	7.30%	13.40%	26.00%
BANKEX	38,981	12.50%	15.00%	39.80%
BSE 100	14,724	6.70%	12.80%	25.10%
BSE Auto	22,938	3.70%	14.00%	25.40%
BSE Power	2,419	20.70%	21.00%	39.40%
BSE Oil & Gas	15,543	12.50%	17.30%	16.40%
BSE Realty	2,787	15.20%	35.20%	51.00%
BSE Metal	13,719	24.40%	34.30%	49.90%

Capital flows:

FII's were net buyers in the equity to the tune of ₹ 25,787 crores (US\$ 3,542mn) in February 2021. Cumulatively, FII's bought equity worth ₹ 200,404 crores (US\$ 27,103mn) in last twelve months i.e. from March'20 – February'21 and DII sold equity worth ₹ 83,460 crores (US\$ 11,353mn) for the same period. (As on 26th February 2021, Source: SEBI) (February 2021 Avg. 1 USD = INR 72.80).

Outlook

- After an eventful and volatile performance in year 2020, the Indian stock market started the new year on a strong note. India is seeing a speedy rollout of the vaccine and as few more vaccines are in pipeline for approval, we may see a faster than expected roll out of the vaccination program during 2021. The government has started the second phase of vaccination drive and allowed private hospitals also to administer the vaccine. This should further increase the coverage of the vaccine.
- Union Budget FY22 is focused on reviving growth by expanding the fiscal deficit to a higher-than expected level of 9.5% for FY21 and 6.8% for FY22. There is a clear intent on improving the quality of expenditure via focus on capital expenditure with emphasis on transportation infrastructure (Roadways and Railways) and affordable housing. The Proposal to set up ARC for stressed asset will help in freeing up the capital of the Banking system which should enable them to meet the increasing credit requirement of the economy.
- Rural demand is likely to be robust on account of two consecutive years of good agri-production, healthy food prices, MSP hikes, MGNREGA support etc. We are also seeing consolidation of market share in the hands of few with strong balance sheet and efficient supply chain. Pandemic has in a way catalysed the process of shift from unorganized to organized businesses and the benefits of government's policies like demonetization, GST etc. are likely to be seen going forward.
- The key leading indicators to economy such as GST collection, E-way bill, freight carried by railway reflects the continued momentum in the economy on the ground level. This has been further reflected in the increase IIP index data which has turned positive for the month of December 2020. Government recently announced GDP data for Q3FY21. During the quarter, the GDP grew by 0.4% after two quarters of degrowth. India became the second-fastest growing economy among the major economies.
- While the acceleration in the economic activity has been positive for the Indian equities, we will continue to keep a watch on the evolving corporate earnings cycle and impact of increase in interest rates in the medium term.
- We believe, India is well placed among its global peers and going forward a) industry consolidation, b) technological adoption, c) structural industrial changes, d) government reforms. e) focus on domestic manufacturing and f) cost saving measures are likely to drive the Indian equity market.
- 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 imperatives in investment viz, high standards of governance, high capital efficiency, strong moats and sustainable growth are unlikely to change.

Statutory Details Sponsor: Life Insurance Corporation of India.

Investment manager: LIC Mutual Fund Asset Management Ltd. CIN: U67190MH1994PLC077858

For further details, please refer to the Scheme Information Document, Statement of Additional Information & Key Information Memorandum cum Application forms, available on our website www.licmf.com and at the official points of acceptance of LIC Mutual Fund Asset Management Ltd.

Disclaimer: The views expressed herein are based on internal data, publicly available information and other sources believed to be reliable. Any calculations made are approximations, meant as guidelines only, which you must confirm before relying on them. The information contained in this document is for general purposes only. The document is given in summary form and does not purport to be complete. The document does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. The information / data herein alone are not sufficient and should not be used for the development or implementation of an investment strategy. The statements contained herein are based on our current views and involve known and unknown risk and uncertainties that could cause actual results, performance or event to differ materially from those expressed or implied in such statements. Past performance may or may not be sustained in the future. LIC Mutual Fund Asset Management Ltd. / LIC Mutual Fund is not guaranteeing / offering / communicating any indicative yield on investment made in the scheme(s). Neither LIC Mutual Fund Asset Management Ltd. and LIC Mutual Fund (the Fund) nor any person connected with them, accepts any liability arising from the use of this document. The recipients(s) before acting on any information herein should make his/her/their own investigation and seek appropriate professional advice and shall alone be fully responsible / liable for any decision taken on the basis of information contained herein.

Connect with us:

