

Equity Market Review



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Market Review

- The economic activity continued its uptrend as reflected by month-on-month growth in the several leading indicators. This got further boost by the approval of COVID vaccine and launch of national wide vaccine rollout. The positive sentiment around these events helped continued uptrend in the Indian Equity markets and witnessed a historic moment as SENSEX index touched 50000 mark for the first time. However, concerns related to increase in tax rate globally and inflation has pulled the Indian benchmark indices lower. During the month, Sensex fell by 2.8% and Nifty by 2.1%.

- On the macro front, CPI inflation in December decline to 4.59% compared to 6.9% in November 2020. While contracted by 1.9% in November 2020. Credit growth too remain weak at 6.3% YoY while deposit growth remains strong at 11.4%. On the sectoral indices front, Auto (+8.1%), Capital goods (+4.5%), IT (+2.1%) outperformed the key indices while Bankex (-3.6%) Metals (-3.2%), Healthcare (-4.4%), FMCG (-3.2%) and power (-2.4%) underperformed the broader indices.

Benchmark Index	Latest Price	1 Month Return	3 Month Return	6 Month Return
BSE Sensex	46,286	-2.80%	16.40%	21.60%
CNX NIFTY	13,635	-2.10%	16.80%	21.70%
BSE Auto	22,128	8.10%	24.80%	33.30%
BSE Cap Goods	19,482	4.50%	37.80%	51.90%
BSE IT Sector	24,821	2.10%	17.90%	37.40%
BSE Mid Cap	18,082	1.50%	22.10%	31.40%
BSE Cons Durables	30,099	0.70%	25.10%	40.30%
BSE Small-Cap	17,988	0.10%	20.80%	38.70%
BSE Realty	2,419	0.00%	37.00%	55.10%
BSE 500	17,975	-1.30%	18.00%	24.50%
BSE 200	5,790	-1.50%	17.80%	23.60%
BSE 100	13,798	-1.80%	17.50%	22.70%
BSE Oil & Gas	13,812	-2.10%	15.60%	1.80%
BSE Power	2,005	-2.40%	17.00%	28.70%
BSE Metal	11,031	-3.20%	36.50%	40.50%
BSE FMCG Sector	12,218	-3.20%	11.00%	6.60%
BANKEX	34,663	-3.60%	25.40%	38.30%
BSE Healthcare	20,629	-4.40%	7.10%	19.10%

Capital flows:

FII's were net buyers in the equity to the tune of ₹ 14512 crores (US\$ 1,985mn) in Jan 2021. Cumulatively, FII's bought equity worth ₹ 1,77,472 crores (US\$ 23,965mn) in last twelve months i.e. from February'20 – January'21 and DII sold equity worth ₹ 57,239crores (US\$ 7,708mn) for the same period. (As on 31st January 2021, Source: SEBI) (January 2021 Avg. 1 USD = INR 73.1107).

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.
- January 21st became an important day in the history when Sensex index touched milestone of 50000. Since its inception in April 1979, the index has given CAGR of 16% reflecting journey of Indian equities as an asset class in the last 40 years. During these years, India has seen several events such as Global War, Dotcom bubble, Asian Financial crisis, Global financial crisis, European debt crisis and most recently – COVID pandemic. However, in-spite of all these events, Equities as an asset class have delivered impressive returns of 16% CAGR. This certainly proves importance of long term investing in Equities.
- The Q3FY21 earnings too started on a strong note led by IT companies and larger private sector Banks. The results reflect continued operating leverage and companies has shown strong cost control which could be sustainable going ahead. Deal wins in the segments such as digital, IOT and communication platform could open new growth avenues for these companies. Banks too have reported strong results and reported lower than expected stress in the loan book. Continued strengthening of the balance sheet should further help these banks in managing any unforeseen asset quality risk.
- 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 catalyzed 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 upcoming union budget is expected to further boost the domestic economic growth in the current pandemic environment. As the Government resource are constraints on the revenue (Tax and Non Tax), we would look for level of prudence in Budget and allocation towards growth capex which could substitute the lower private capex and help in kickstarting the overall economy.
- 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 business 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.

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