

Equity Market Review



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- Indian equity market started the month on the cautious note as localized restrictions continued even as new covid infections were coming down. Reduction in new cases and pick up in the vaccination drive has brought some positive sentiment to the market. However, rising inflation and the Delta plus variant of the novel corona virus weighed on investor sentiment. On the back of these developments, Nifty and Sensex ended the month with gain of approx. 1%.
- On the macro front, CPI inflation in May spiked to 6.3% compared to 4.29% in April led by higher food prices. Industrial output (IIP) reported a 134.4% jump in Apr'21 on account of a low base (-57.3% in Apr'20) vs 22.4% reported in April 2021. Credit growth continued to remain sluggish at 5.9% for May 2021.
- On the sectoral indices front, IT (+9.2%), Consumer durable (+6.5%), Healthcare (+4.3%), FMCG (+2.3%), Capital Goods (+2%), outperformed the key indices while Metals (-1.1%), Oil & Gas (-1.8%), Power (-2.2%) and Bankex (-2.5%), underperformed the market.

Benchmark Index	Latest Price	1 Month Return	3 Month Return	6 Month Return	1 year Return
BSE Sensex	52,483	1.00%	6.00%	9.90%	50.30%
CNX NIFTY	15,722	0.90%	7.00%	12.40%	52.60%
BSE Small-Cap	252	-98.90%	-98.80%	-98.60%	-98.00%
BSE IT Sector	30,136	9.20%	13.50%	24.30%	102.40%
BSE Mid Cap	225	-99.00%	-98.90%	-98.70%	-98.30%
BSE FMCG Sector	13,518	2.90%	5.00%	7.20%	20.10%
BSE Cap Goods	22,949	2.00%	8.80%	22.40%	78.50%
BSE Cons Durables	35,575	6.50%	8.40%	17.00%	74.90%
BSE 500	21,463	1.90%	9.50%	17.30%	59.70%
BSE Healthcare	25,589	4.30%	20.00%	18.00%	57.30%
BSE 200	6,824	1.40%	8.50%	15.50%	56.60%
BANKEK	39,350	-2.50%	4.80%	9.60%	62.00%
BSE 100	16,010	1.20%	7.70%	13.50%	53.80%
BSE Auto	23,772	1.00%	6.80%	14.20%	55.60%
BSE Power	2,755	-2.20%	11.30%	33.60%	75.00%
BSE Oil & Gas	16,176	-1.80%	9.10%	14.80%	27.70%
BSE Realty	2,741	2.30%	2.60%	10.60%	73.30%
BSE Metal	18,665	-1.10%	30.10%	60.90%	158.90%

Capital flows:

FII's turned net buyers after 2 months of selling. FII's bought equities worth of ₹17,215 crores (USD2335mn) in June 2021. Cumulatively, FII's bought equity worth ₹ 2,50,522 crores (USD 33945mn) in last twelve months i.e., from July'20 – June'21 and DII's sold equity worth ₹ 82,752 crores (US\$ 11230mn) for the same period. (As on June 2021 Source: SEBI) (June 2021 Avg. 1 USD = INR 73.10).

Outlook

- The jump in daily covid cases which we saw in last two month has started to ease. This has led to some easing in the locks down restrictions across states. Vaccination drive is also picking up with average daily vaccination number touching to approx. 60lakh and with increased supply from manufacturers, Government hope to further increase the pace. As of June end, approx. 25% of the population has got at least one dose of vaccination. This a big positive and should help Government in gradually opening the economy.
- In its June Monetary policy meeting, RBI has kept the rate unchanged and has lowered the GDP growth guidance for the current year. It has announced GSAP of ₹1.2 tn for Q2FY22 and reiterated its stance on providing liquidity support to Covid affected sectors.
- FM announced slew of measures to provide economic relief for Covid 2nd wave. The ECLGS scheme out lay has been further increased from ₹ 3 lakh cr to ₹ 4.5 lakh cr. Government also announced liquidity measures to stressed sector and provided support to MFI sector via credit guarantee scheme. These all measures should further help in improving the activity levels as restrictions eases. The improvement in domestic demand coupled with a pickup in global demand and favorable policy response from the government, would help improve capacity utilization, which would set the stage for an eventual pickup in private capex.
- As per the early estimates, monsoon season is expected to be good which is positive for the rural sector. While the 2nd wave had negative impact on the rural households, sharp jump in prices of agri commodities, availability of labour for agri sector, low fertiliser prices and continued government support to farmers augurs well for the rural economy. Thus, rural economy may bounce back sharply in the coming quarters.
- Among all these positive news and developments, some macro headwinds have emerged. Inflation for may has sharply increased to 6.3% and is above RBI's guided range. The increased in inflation is largely led by food inflation. As Government announced further increase in MSP for kharif crops, risk on further increase in inflation remains. Increase in inflation may have negative impact on both interest rate as well as currency.
- While the market has been focusing on the positive news inflows on the economic front, the risks facing us are emerging from the higher commodity prices and risk of rising 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.

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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