

Equity Market Review



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- 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 building 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 rallied upwards for the month and ended with gain of 8.7% and 9.4% respectively. Both Nifty and Sensex scaled new highs during the month.
- On the macro front, CPI inflation further eased to 5.3% in August vs 5.6% in July 2021. The inflation print has come within RBI's targeted range of 2 plus/minus 4 percent, easing concerns of an immediate rate hike action by the Central Bank. IIP growth dropped to 11.5% in July compared to 13.6% in June. Credit growth saw some revival and reported YoY growth of 6.7% for August 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	59,126	2.70%	12.70%	19.40%	55.30%
CNX NIFTY	17,618	2.80%	12.10%	19.90%	56.60%
BSE Small-Cap	28,082	4.30%	11.30%	36.00%	88.90%
BSE IT Sector	34,419	0.70%	14.20%	29.70%	72.30%
BSE Mid Cap	25,253	5.90%	12.10%	25.10%	71.70%
BSE FMCG Sector	14,862	1.90%	9.90%	15.40%	34.50%
BSE Cap Goods	25,967	4.00%	13.10%	23.10%	87.70%
BSE Cons Durables	41,340	10.70%	16.20%	25.90%	70.30%
BSE 500	23,938	3.30%	11.50%	22.10%	61.20%
BSE Healthcare	26,093	-1.80%	2.00%	22.30%	31.80%
BSE 200	7,617	3.10%	11.60%	21.10%	59.30%
BANKEX	42,728	3.00%	8.60%	13.80%	75.40%
BSE 100	17,881	2.90%	11.70%	20.30%	57.00%
BSE Auto	23,866	5.70%	0.40%	7.30%	33.50%
BSE Power	3,199	9.50%	16.10%	29.20%	93.50%
BSE Oil & Gas	18,302	7.10%	13.10%	23.50%	49.50%
BSE Realty	4,104	33.00%	49.70%	53.70%	145.50%
BSE Metal	20,182	-1.90%	8.10%	40.60%	143.00%

Capital flows:

FII's remained net buyers for the month. Net equities bought by FII's stood at ₹ 13,153Cr (USD 1790mn) in Sept 2021. Cumulatively, FII's bought equity worth ₹ 2,02,639Cr (USD 27,574mn) in last twelve months i.e. from Oct'20 – Sept'21 and DII's sold equity worth ₹ 30,264Cr (USD 4,169mn) for the same period. (As on Sept 2021 Source: SEBI) (Sept 2021 Avg. 1 USD = INR 73.50).

Outlook

- Global economic activity continues to remain on the recovery track and seems to have recovered from the brakes caused by the 2nd wave of the Covid outbreak. On the global interest rate side, a dovish comment from US Fed Chairman has smoothened the concerns on the interest rate. The US Fed chairman commented that the US central bank won't be in a hurry to raise rates, even after they taper their asset purchases. European central too commented on maintaining the interest rates. On the other side, a few negative news flows came from China – bankruptcy concerns on Evergrande which may have a ripple effect on the real estate and related sectors. However, the Chinese government seems to have swiftly taken actions to reduce the impact.
- On the domestic front, economic activity is slowly inching towards normal as reflected by the various indicators such as freight carried by rail, power demand, diesel consumption, etc. GST collection in September 2021 is the highest in the last six months and reflects the underlying buoyancy in the economic activity. Monsoon picked up at the fag end of the season and now the deficit is close to just 1% compared to the long-term average. Covid cases continue to decline in India, the pace of vaccination has picked up, various states further relaxed Covid restrictions – a directionally positive.
- The Indian government announced a slew of reforms—cabinet-approved PLI schemes for auto, drone, and textiles sectors, announced a relief package for the telecom sector. FM announced further steps towards the formation of a bad bank. These actions should further help in improving the growth outlook in the medium term.
- On the economic front, inflation risk seems to be receding as inflation continues to ease and remain within the RBI control level. Core inflation remained sticky at 5.7%. the 4-month average inflation is at 5.8% and is within the RBI's targeted range of 2 plus/minus 4 percent. However, the surge in crude and gas prices may have some negative impact on inflation in the coming months.
- While the market has been focusing on the positive news inflows on the economic front and scaling up new highs, risks could emerge from the higher commodity prices and inflation – both Domestic as well as Global. Rising US bond yield, the surge in crude oil prices, fear of contagion from China's property giant Evergrande, and ongoing debt ceiling debate in the US weighed on sentiment. These economic risks may have a negative impact on the equity markets in the short term. While the 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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