

Equity Market Review



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Market Review

- The Indian economy and the sentiments appear to break-out from the fears of the pandemic. The supply side challenges have recovered significantly, however; demand aggregates appear challenging. The growth of the Index of eight core sector industries output declined by 9.6% in July'20 vs 15.0% contraction in June'20. During the month, equity market saw appreciation with BSE Sensex and CNX Nifty rising by 2.7% and 2.8%, respectively month-on-month.

- Sector-wise indices- The indices continued their momentum of recovery during the month gone by with most of the indices in green. BSE Metal, BSE Realty, BSE Small Cap, BANKEX, BSE Power, BSE Capital Goods, BSE Auto, BSE Mid-Cap, BSE Consumer Durables, BSE 500, BSE 200, BSE 100 and BSE Healthcare rose by 12.9%, 11.6%, 10.1%, 9.6%, 8.5%, 7.9%, 7.3%, 6.6%, 6.0%, 3.8%, 3.3%, 2.9% and 0.6% respectively. BSE IT Sector, BSE FMCG Sector and BSE Oil & Gas declined by 1.1%, 0.8% and 0.7% respectively.

| Benchmark Index | Latest Price | 1 Month Return | 3 Month Return | 6 Month Return |
|-------------------|--------------|----------------|----------------|----------------|
| BSE Sensex | 38,628 | 2.70% | 19.10% | 1.30% |
| CNX NIFTY | 11,388 | 2.80% | 18.90% | 2.30% |
| BSE Metal | 8,834 | 12.90% | 29.80% | 9.40% |
| BSE Realty | 1,758 | 11.60% | 24.60% | -17.20% |
| BSE Small-Cap | 14,336 | 10.10% | 31.60% | 5.40% |
| BANKEX | 26,973 | 9.60% | 21.90% | -18.60% |
| BSE Power | 1,670 | 8.50% | 12.70% | -2.00% |
| BSE Cap Goods | 13,742 | 7.90% | 11.40% | -10.10% |
| BSE Auto | 17,685 | 7.30% | 25.50% | 14.60% |
| BSE Mid Cap | 14,661 | 6.60% | 23.80% | 1.10% |
| BSE Cons Durables | 22,758 | 6.00% | 20.00% | -12.40% |
| BSE 500 | 14,890 | 3.80% | 19.90% | 2.30% |
| BSE 200 | 4,806 | 3.30% | 18.90% | 2.40% |
| BSE 100 | 11,481 | 2.90% | 18.40% | 2.20% |
| BSE Healthcare | 18,388 | 0.60% | 17.50% | 37.00% |
| BSE Oil & Gas | 13,083 | -0.70% | 10.50% | 5.80% |
| BSE FMCG Sector | 11,348 | -0.80% | 4.10% | 4.00% |
| BSE IT Sector | 18,055 | -1.10% | 28.40% | 19.20% |

Capital flows:

FII's were net buyers in the equity to the tune of ₹ 47,995 crores (US\$ 6,431mn) in August 2020. Cumulatively, FII's bought equity worth ₹ 85,744 crores (US\$ 11,826mn) in last twelve months i.e. from September'19-August'20 and DII bought equity worth ₹ 28,319 crores (US\$ 3,960mn) for the same period. (As on 31st August 2020, Source: SEBI) (August 2020 Avg. 1 USD = INR 74.6306).

Outlook

- As we enter the month of September, India continues to show its resilience on the pandemic as well as dispute with China. While Covid-19 cases are on an increasing trend, most of the high frequency economy indicators show that the economy is recovering rapidly with gradual unlocks. The rainfall has been above normal this time with improved kharif sowing YoY.

- During the month gone by, India's forex reserves dipped on 14th Aug after 7 weeks and the most since 20th Mar-20. The pace of forex accumulation is likely to slow down due to lower Balance of Payment. A scaling down of the RBI's forex interventions would reduce the surplus liquidity in the banking system. India's large forex reserves and appreciating trend in the rupee continue to be a huge support to the equity market.

- India's GDP growth in Q1FY21 contracted by 23.9% led by manufacturing registering 39.3% decline followed by services at 20.6% de-growth. The only silver lining was agriculture output which increased by 3.4%. Private consumption and investment too registered de-growth. This contraction in GDP has been mostly because of the pandemic which resulted in severe lockdowns across country. The recent government policies and programs aimed at boosting domestic manufacturing, like the PLI and Draft Defense Production and Export Policy 2020 and the government spending on rural economy and infrastructure, provides confidence in strong recovery going ahead.

- While India's growth seems to have bottomed out in Q1FY21, growth trajectory remains uncertain. Consumption as well as investment demand are likely to be weak. The MPC members took no rate cut during the MPC meeting held in August because of concern over broader generalization of inflation despite weak demand.

- Market clearly is pricing in a swift and profound recovery in FY22 (and possibly a bit in late Fy21), however the problem is that this is a medical crisis, most of the risks are unknown and unpredictable

- Having thought through this, two trends get amplified: (a) industry consolidation; and (b) technology adoption. Businesses winning in both these trends should be the ones to look out for. Within industries, we place our bet on the defensiveness of the business model rather than the discretionary nature of demand. We prefer to focus on existing leaders who are likely to disrupt / innovate in their businesses to ensure that their leadership/competitive advantage remain strong. Value creation imperatives in investments 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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