

Equity Market Review



Mr. Yogesh Patil, Fund Manager - Equity

Market Review

• The Indian economy and the sentiments are improving led by positive developments on Covid-19 vaccinations. The supply side challenges have recovered significantly, however; demand aggregates appear challenging. During the month, equity market saw appreciation with BSE Sensex rising by 8.2% month-on-month and CNX Nifty rising by 7.8% for the same month.

• On the macro front, CPI Inflation declined to 6.93% in November vs 7.61% in October 2020. The country's Index of Industrial Production (IIP) continued to grow at 3.6% in October vs 0.2% in September 2020. Sector-wise indices – BSE Realty, BSE Metal, BSE Consumer Durables, BSE IT, BSE Capital Goods, BSE 100, BSE 200, BSE 500, BSE FMCG, BSE Small-Cap, BSE Healthcare, BSE Oil & Gas, BSE Mid-Cap, BANKEX, BSE Auto and BSE Power rose by 20.2%, 13.5%, 12.4%, 12.1%, 10.1%, 8.0%, 7.8%, 7.7%, 7.5%, 7.2%, 6.7%, 6.3%, 6.1%, 5.9%, 3.4% and 3.1% respectively.

Benchmark Index	Latest Price	1 Month Return	3 Month Return	6 Month Return
BSE Sensex	47,751	8.20%	25.40%	36.80%
CNX NIFTY	13,982	7.80%	24.30%	35.70%
BSE Realty	2,478	20.20%	48.30%	56.70%
BSE Metal	11,599	13.50%	39.70%	60.90%
BSE Cons Durables	30,394	12.40%	25.20%	49.40%
BSE IT Sector	24,248	12.10%	21.40%	62.90%
BSE Cap Goods	18,745	10.10%	35.50%	45.80%
BSE 100	14,100	8.00%	23.80%	35.40%
BSE 200	5,907	7.80%	23.50%	35.60%
BSE 500	18,300	7.70%	23.20%	36.20%
BSE FMCG Sector	12,609	7.50%	14.10%	12.00%
BSE Small-Cap	18,098	7.20%	21.70%	46.20%
BSE Healthcare	21,681	6.70%	9.50%	33.30%
BSE Oil & Gas	14,090	6.30%	15.10%	11.20%
BSE Mid Cap	17,941	6.10%	22.00%	37.40%
BANKEX	35,888	5.90%	47.40%	47.70%
BSE Auto	20,811	3.40%	16.40%	36.20%
BSE Power	2,062	3.10%	24.80%	30.90%

Capital flows:

FII's were net buyers in the equity to the tune of ₹ 53,500 crores (US\$ 7,267mn) in December 2020. Cumulatively, FII's bought equity worth ₹1,73,338 crores (US\$ 23,436mn) in last twelve months i.e., from January'20-Decemeber'20 and DII sold equity worth ₹ 46,483 crores (US\$ 6,244mn) for the same period. (As on 31st December 2020, Source: SEBI) (December 2020 Avg. 1 USD = INR 73.6223).

Outlook

- The month gone by saw the emergence of the new Covid-19 strain in the UK which prompted many countries to impose travel restrictions on the UK. However, these were subsequently lifted by the end of the month. We finally see most of the developed economies giving emergency approvals for the vaccines.
- 2020 was rather an eventful year. We saw the indices peaking in February before the virus spread from China to most parts of the globe, India being no different and it took merely 30 trading days for the Nifty index to reach the year's low. However, the speed of the recovery was also surprising and demonstrated the confidence in the potential of the Indian economy. While it took Nifty index 165 days to reach the previous high mark, it had recovered most of the losses. In comparison, the drawdown in 2008 was more prolonged and it took a lot longer for the index to reach the previous high-water mark in 2009.
- As we enter 2021, we expect to see strong demand recovery in the domestic economy with the backbone being strong foreign exchange reserves accretion during the pandemic. Surplus liquidity in the system has ensured all-time low interest rates acting as a catalyst and is also aiding RBI in facilitating Government's capital expenditure plans and enhanced borrowing.
- 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.
- Lockdown gave managements an opportunity to take a zero-base approach to looking at overheads. Managements believe that even in a 'return to normalcy' scenario, they can effect structural changes to their cost structure by managing their fixed costs components. However, near term growth impulses are still weak with households preferring savings over consumption, government spending constrained and corporate sector deferring capital expenditure.
- 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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