

Equity Market Review



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Market Review

- On ground momentum in the economy continues to remain weak. December IIP growth came in at -0.3% against 1.9% in November. January WPI came in at 3.1% as against 2.6% in the previous month while CPI increased again reaching to the highest level since June 2014 at 7.6%. The steep rise in inflation was mostly due to higher core inflation even as food inflation saw more moderation.
- The Real GVA growth slowed further sequentially (at 4.5%) in Q3FY20 vs 4.8% in 2QFY20. Due to the sluggish economic environment, equity market saw some decline during the month with BSE Sensex decreasing by 6.5% month-on-month and CNX Nifty decreasing by 7.1% for the same month.
- Sector-wise indices- Most of the indices were in the red during the month gone by with BSE Oil & Gas, BSE MidCap, BSE Auto, BSE Capital Goods, BSE Realty and BSE Metal losing month-on-month value by 10.8%, 11.8%, 13.1%, 15.0%, 15.0% and 15.6% respectively.

Benchmark Index	Latest Price	1 Month Return	3 Month Return	6 Month Return
BSE Sensex	38,297	-6.5%	-6.9%	2.3%
CNX NIFTY	11,202	-7.1%	-7.8%	1.4%
BSE 200	26,151	0.4%	4.8%	12.3%
BSE Small -Cap	33,416	-5.0%	-8.3%	6.5%
BSE 100	13,480	-5.6%	-1.4%	8.1%
BSE FMCG Sector	10,964	-6.5%	-7.3%	0.2%
BSE Healthcare	14,600	-6.9%	-3.1%	9.3%
BSE 500	4,719	-7.3%	-7.1%	2.5%
BANKEX	14,987	-7.3%	0.0%	-6.4%
BSE Power	11,293	-7.4%	-7.8%	1.4%
BSE IT Sector	14,628	-7.5%	-6.6%	2.9%
BSE Cons Durables	13,709	-7.5%	1.6%	9.6%
BSE Oil & Gas	1,717	-10.8%	-10.4%	-9.3%
BSE Mid Cap	15,398	-11.8%	-12.3%	-9.7%
BSE Auto	12,620	-13.1%	-17.5%	-4.0%
BSE Cap Goods	15,569	-15.0%	-15.0%	-1.4%
BSE Realty	2,124	-15.0%	-1.1%	5.5%
BSE Metal	8,241	-15.6%	-16.8%	-0.4%

Capital flows:

FII's were net buyers in the equity to the tune of ₹ 2,855 crores (US\$ 405 mn) in February 2020. Cumulatively, FII's bought equity worth ₹ 98,842 crores (US\$14,028 mn) in last twelve months i.e. from March'19-February'20 and DII bought equity worth ₹ 44,426 crores (US\$6,290 mn) for the same period. (As on 29th February 2020, Source: SEBI) (February 2020 Avg. 1 USD = INR 70.5318).

Outlook

- At a time when both domestic as well as global economies were facing serious slowdown in economic activities, the month of February began with the Union Budget of India for FY21. While the focus of the Finance Minister was on three themes: (i) Aspirational India, (ii) Economic Development and (iii) Caring Society, the Budget did not have any material positive impact on the markets. The 3QFY20 GDP slowed to 4.7% vs an upward revised print of 5.1% in 2QFY20. Moderation in growth was led primarily by a slack in investment growth, even as consumption growth continued to improve.
- To add to the worries, the pandemic fears have shaken the global markets. The continued escalation in the number of COVID-19 cases in several countries other than China will likely result in a synchronized global economic slowdown and possible further loosening by global central banks. For India, global risk aversion, fall in tourism and input shortage in certain industries could result in a volatility in the equity market. While Covid-19 has caused an epidemic worldwide, this could be an opportunity for Indian Inc as global giants consider to de-risk their businesses from over-dependence on China.
- Assuming the outbreak in India is limited to its current scope, the ongoing economic slowdown in India will likely continue for another few quarters. The RBI kept the repo rate unchanged at 5.15% and decided to continue with its accommodative stance. However, we do see domestic interest rates declining further which would revive automobile and housing demand.
- The month of February also saw companies reporting their Q3FY20 results. According to the commentaries, the slowdown in the economy seems to be recovering. Despite such volatile markets, as a fund house we continue to believe consumer centric players with strong distribution networks, differentiated products, no regulatory overhang on manufacturing units, strong urban and rural base and clear competitive advantage are better placed to tide over any market volatility.

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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