

## Equity Market Review



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- Indian equity market traded in a very narrow range for the month. Easing of lockdown, sharp increase in vaccination pace and softening commodity prices led to some positive sentiment but concern on rising inflation and slower than anticipated recovery in the economic activities kept the investor sentiments under check. The early Q1FY22 results remained below expectation specially for Banks, FMCG and IT sector. On the back of these developments, Nifty and Sensex ended the month with gain of approx. 0.4% and 0.3% respectively.
- On the macro front, CPI inflation in June remained steady at 6.3% led by an unfavourable base effect, but with easing sequential momentum in both headline and core. IIP surged 29.3% in May amid a distorted base. Credit growth continued to remain sluggish at 5.9% for June 2021.
- On the sectoral indices front, Metals (+15.6%), Capital Goods (3.3%), IT (2.3%), Consumer durable (1.8%), outperformed the key indices while FMCG (-0.4%), Oil & Gas (-4.4%), Power (-5.1%), and Auto (-6.2%) underperformed the market.

Benchmark Index	Latest Price	1 Month Return	3 Month Return	6 Month Return	1 year Return
BSE Sensex	52,653	0.30%	7.90%	37.50%	39.50%
CNX NIFTY	15,778	0.40%	7.80%	40.90%	42.10%
BSE Small-Cap	26,603	5.40%	22.80%	94.10%	106.00%
BSE IT Sector	30,835	2.30%	17.20%	105.70%	69.60%
BSE Mid Cap	22,968	1.90%	13.10%	57.30%	67.50%
BSE FMCG Sector	13,465	-0.40%	7.60%	22.80%	18.50%
BSE Cap Goods	23,709	3.30%	17.10%	54.00%	86.80%
BSE Cons Durables	36,203	1.80%	12.00%	38.40%	68.80%
BSE 500	21,723	1.20%	10.30%	48.50%	51.50%
BSE Healthcare	25,581	0.00%	8.70%	89.80%	44.70%
BSE 200	6,873	0.70%	9.10%	45.70%	47.70%
BANKEX	39,332	0.00%	5.40%	17.70%	59.70%
BSE 100	16,106	0.60%	8.60%	42.60%	44.20%
BSE Auto	22,298	-6.20%	2.90%	43.20%	35.20%
BSE Power	2,615	-5.10%	5.40%	52.30%	70.50%
BSE Oil & Gas	15,469	-4.40%	3.20%	22.60%	16.50%
BSE Realty	3,170	15.60%	28.40%	49.20%	103.70%
BSE Metal	21,224	13.70%	19.10%	157.50%	173.40%

### Capital flows:

FII's turned net sellers for the month. Net equities sales from FIIs stood at ₹ 11,308 cr (USD 1,518mn) in July 2021. Cumulatively, FIIs bought equity worth ₹ 2,29,708cr (USD 31,159mn) in last twelve months i.e., from Aug'20 – July'21 and DIIs sold equity worth ₹ 56,662 cr (USD 7,734mn) for the same period. (As on July 2021 Source: SEBI) (July 2021 Avg. 1 USD = INR 74.50).

## Outlook

- Global economy continues to remain stable as the developed countries such as US and UK opened up completely. Europe too is seeing further opening of the economies as the effect of 2nd wave is receding. While some spike is seen in the covid cases, the hospitalisation rate is lower – a positive development which can also be seen as initial evidence of vaccine efficacy. However, the key event during the month was the renewed tension between US and China. This could have some implication on the global growth in the near term.
- On the domestic front - as per the Government data, the daily covid counts are on receding trend and stabilising at the lower level with positivity rate much below 0.5% mark. This along with rising vaccination pace (26% as on July end) augurs well and as per experts, should reduce the impact of third wave if any. This in turn augurs well for domestic economy as the concern related to impending third wave recedes. As the lockdown restriction are getting eased in the key industrial states (Tamil Nadu and Maharashtra), the activity level should see gradual improvement. Hope hinges on the upcoming festive season which was very good last year, and one should expect the same to trend to continue in the current year.
- The current Monsoon season has started on good note but lost its pace by end of June 2021. Though it picked up in June, the current trend is below historical level. However, given the strong reservoir level and last two years of good monsoon, the current year impact should be little lower. This along with strong improvement in the farm product prices augur well for the rural economy.
- The Q1FY22 result season started on the sombre note. The impact of two months (April & May) of localised lockdown is visible in most of the economy facing sectors as Banks which has seen increase in slippages while FMCG and auto companies saw lower sales growth. However, management commentary remains positive on the back of 1) Recovery we have seen last year post lockdown 2) Lower system inventory and 3) Impending festive season. There are enough data points to suggest a modest to positive trend in economic activities in the mid to near term, supporting the overall earnings recovery in the corporate sector.
- On the economy front, inched up inflation has led to some increase in the domestic interest rates. While the headline Gsec yields remains stable, some spread expansion is seen on the shorter tenure of the yield curve. Given the current trajectory of inflation and further inching up of commodity prices, upside risk on interest has increased and one should account the same in the current market valuation.
- 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](http://www.licmf.com) and at the official points of acceptance of LIC Mutual Fund Asset Management Ltd.

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