

Equity Market Review



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Market Review

- After the strong performance in the last two months, the equity markets have consolidated in March 2021. The month started on a positive note as GDP growth turned positive for Q3FY21 supported by the pickup in the leading indicators. However, risks emerged on the yield front as both domestic and global interest rates started inching up, dampening the market sentiments. During the month, Sensex inched up by 0.8% while Nifty was up by 1.1%.
- On the macro front, CPI inflation inched up higher to 5.03% in February compared to 4.06% in January. IIP for January contracted by 1.6% compared to growth of 1% in December. Credit growth continued to remain sluggish at 6.5% for February 2021.
- On the sectoral indices front, IT (+8.7%), FMCG (+7.6%), Metals (+4.6%) and Healthcare (+2.27%) outperformed the key indices while Capital Goods (-1.97%), Auto (-3%), Bankex (-3.7%) and Oil & Gas (-4.7%)

Benchmark Index	Latest Price	1 Month Return	3 Month Return	6 Month Return	1 year Return
BSE Sensex	49,509	0.80%	3.70%	30.10%	68.00%
CNX NIFTY	14,691	1.10%	5.10%	30.60%	70.90%
BSE Small-Cap	20,649	2.50%	14.10%	38.90%	114.90%
BSE IT Sector	26,543	8.70%	9.50%	32.80%	106.70%
BSE Mid Cap	20,181	1.00%	12.50%	37.20%	90.90%
BSE FMCG Sector	12,875	7.60%	2.10%	16.50%	25.60%
BSE Cap Goods	21,096	-2.00%	12.50%	52.50%	92.10%
BSE Cons Durables	32,826	3.40%	8.00%	35.20%	69.50%
BSE 500	19,602	1.20%	7.10%	32.00%	76.60%
BSE Healthcare	21,328	2.30%	-1.60%	7.70%	75.60%
BSE 200	6,290	1.20%	6.50%	31.50%	74.30%
BANEX	37,548	-3.70%	4.60%	54.20%	70.30%
BSE 100	14,864	0.90%	5.40%	30.50%	71.50%
BSE Auto	22,252	-3.00%	6.90%	24.50%	107.10%
BSE Power	2,475	2.30%	20.00%	49.70%	79.60%
BSE Oil & Gas	14,820	-4.70%	5.20%	21.10%	47.90%
BSE Realty	2,670	-4.20%	7.80%	59.80%	97.30%
BSE Metal	14,351	4.60%	23.70%	72.80%	151.20%

Capital flows:

FII's were net buyers in equity to the tune of ₹ 10,482 crores (US\$ 1,435mn) in March 2021. Cumulatively, FII's bought equity worth ₹ 273,319 crores (US\$ 36,910mn) in last twelve months i.e. from April'20 – March'21 and DIIs sold equity worth ₹ 106,533 crores (US\$ 14,433mn) for the same period. (As on March, 2021 Source: SEBI) (February 2021 Avg. 1 USD = INR 73.04)

Outlook

- After a strong performance in the last two months, the equity market consolidated during the month as concerns on the interest rates dampened the market sentiments. Though the market ended with positive gains on a month-on-month basis, it has seen sharp volatility during the month.
- FY21 has been an eventful year for the equity markets as market nosedived during initial months as the pandemic set in raising concerns on the economic growth outlook. However, it has sharply revived in the second half of the year led by government support, better than expected pent-up demand and receding of virus spread. Sensex and Nifty ended the year with gains of 68% and 71% respectively.
- Going ahead, we believe "Economy reopen theme" will continue to be the key theme to play as on-ground demand remains strong and concerns related to virus ease as vaccination rollout strengthens. The Government has allowed vaccination for people above 45 years of age from April 1. It has also set a target of 1cr vaccine dose everyday – This should further increase and strengthen the vaccination drive.
- 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 companies with strong balance sheet and efficient supply chain. Pandemic has in a way catalysed 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.
- While the market has been focusing on the positive news inflows on the economic front, the risks facing us are emerging from the 1) Higher commodity prices (especially crude) 2) Sharp surge in interest rates and 3) 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. Rapid spurt in Covid-19 cases, imposition of lockdowns, night curfews and other restrictions are also posing as risks to the near term domestic economic growth. While near term could be bleak, we continue to like India's long term growth story.
- 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.
- After the strong run up in the last one year, we expect market to go through a consolidation phase. During this phase we believe the stock selection will be the key contributor to the overall portfolio returns.
- 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 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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