

Equity Market Review



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Market Review

- Market started the month on a subdued note due to sharp rise in the covid cases leading to several states announcing or extending the ongoing lockdowns. However, new cases started to fall from second fortnight onwards. This along with pick up in the vaccination drive, easing of lockdowns in some states and RBI's announcement of further liquidity support to Covid impacted sectors helped in improving the market sentiments. Due to this buoyancy, Nifty touched the new peak, and both the key indices, Nifty and Sensex ended the month with a gain of 6.5%.
- On the macro front, CPI inflation moderated to 4.29% in April compared to 5.52% in March 2021. IIP rose by 22.4% as against 3.4% YoY in Feb-21. Credit growth continued to remain sluggish at 5.7% for April 2021.
- On the sectoral indices front, Capital Goods (+11.1%), Power (+13.5%) Oil & Gas (+9.8%) and Bankex up (+8.1%) outperformed the key indices while Consumer durable (3.3%), Healthcare (+4.3%), FMCG (5%), Metals (5.9%) underperformed the broader indices.

Benchmark Index	Latest Price	1 Month Return	3 Month Return	6 Month Return	1 year Return
BSE Sensex	51,937	6.50%	5.80%	17.60%	60.20%
CNX NIFTY	15,583	6.50%	7.30%	20.20%	62.70%
BSE Small-Cap	23,596	8.90%	17.10%	39.80%	116.60%
BSE IT Sector	27,585	4.90%	12.90%	27.50%	96.10%
BSE Mid Cap	21,758	7.10%	8.90%	28.60%	83.70%
BSE FMCG Sector	13,131	5.00%	9.70%	12.00%	20.50%
BSE Cap Goods	22,498	11.10%	4.60%	32.20%	82.40%
BSE Cons Durables	33,389	3.30%	5.10%	23.50%	76.00%
BSE 500	21,055	6.90%	8.70%	23.90%	69.60%
BSE Healthcare	24,535	4.30%	17.60%	20.80%	56.80%
BSE 200	6,727	6.80%	8.20%	22.70%	66.50%
BANKEX	40,345	8.10%	3.50%	19.10%	82.30%
BSE 100	15,822	6.70%	7.50%	21.20%	63.20%
BSE Auto	23,541	8.60%	2.60%	17.00%	67.00%
BSE Power	2,816	13.50%	16.40%	40.90%	90.10%
BSE Oil & Gas	16,472	9.80%	6.00%	24.30%	39.20%
BSE Realty	2,680	8.60%	-3.80%	30.00%	89.90%
BSE Metal	18,877	5.90%	37.60%	84.70%	177.40%

Capital flows:

FII's were net sellers in equity to the tune of ₹ 2954 crores (US\$ 404mn) in May 2021. Cumulatively, FII's bought equity worth ₹ 251,991 crores (US\$ 34057mn) in last twelve months i.e., from June'20 – May'21 and DIIs sold equity worth ₹ 90,408 crores (US\$ 12,274mn) for the same period. (As on May 2021 Source: SEBI) (May 2021 Avg. 1 USD = INR 73.20).

Outlook

- The Covid second wave and related state-wide lockdowns have led to a slowdown in the economic activity in Q1FY22. However, the same is expected to pick up as the daily cases are now almost 2/3rd of the peak numbers and active cases are almost half of the peak number. Vaccination drive is also picking up with average daily vaccination number touching to approx. 30lakh and with increased supply from manufacturers, Government hope to further increase the pace. As of May end, approx. 15% of the population has got at least one dose of vaccination. Most of the state Governments are looking to ease or remove lockdown restriction resulting in gradual improvement in the economic activities.
- The Government along with RBI has taken several steps to support the economic activity. Expansion of the ECLGS scheme and inclusion of some other troubled sectors augur well for the overall credit availability in the system. RBI too has expanded the liquidity support to MFI segment. Once the lockdown restrictions ease and the activities start over, these measures will surely help in increasing the pace of the various economic activities.
- As per the latest release by Government, the Indian economy sequentially recovered in the March quarter at a faster pace than anticipated, indicating that economic activity was gathering momentum before the second wave. Q4FY21 GDP grew by 1.6% compared to 0.5% growth reported in the Q3FY21. While the Q1FY22 could be softer on the growth perspective, the similar improvement is possible in the next three quarters of the current fiscal. Key risk to this thesis is extended lockdown as well as emergence of third wave during the peak festive season.
- As per the early estimates, monsoon season is expected to be good which is positive for the rural sector. While the 2nd wave had negative impact on the rural households, sharp jump in prices of agri commodities, availability of labour for agri sector, low fertiliser prices and continued government support to farmers augurs well for the rural economy. Thus, rural economy may bounce back sharply in the coming quarters.
- The improvement in domestic demand coupled with a pickup in global demand and favorable policy response from the government, would help improve capacity utilization, which would set the stage for an eventual pickup in private capex.
- 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 and at the official points of acceptance of LIC Mutual Fund Asset Management Ltd.

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