

Equity Market Review



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Market Review

- The Indian economy and the sentiments appear to break-out from the fears of the pandemic. The supply side challenges have recovered significantly, however; demand aggregates appear challenging. During the month, equity market saw depreciation with BSE Sensex falling by 1.5% month-on-month and CNX Nifty falling by 1.2% for the same month.
- The market fell sharply during the month on account of a) Federal Reserve not unveiling any additional stimulus measures at its policy meet, b) rising Covid-19 cases in developed markets and c) concerns over delay in an economic recovery. Sector-wise indices - BSE IT, BSE Healthcare, BSE Consumer Durables, BSE Small Cap, BSE Auto, BSE Capital Goods and BSE Mid-Cap rose by 10.7%, 7.7%, 6.7%, 3.7%, 1.1%, 0.7% and 0.3% respectively. BSE 500, BSE 200, BSE 100, BSE Power, BSE FMCG, BSE Realty, BSE Metal, BSE Oil & Gas and BANKEX declined by 0.3%, 0.5%, 0.8%, 1.0%, 2.6%, 4.9%, 6.0%, 6.4% and 9.7% respectively.

Benchmark Index	Latest Price	1 Month Return	3 Month Return	6 Month Return
BSE Sensex	38,068	-1.50%	9.00%	29.20%
CNX NIFTY	11,248	-1.20%	9.20%	30.80%
BSE IT Sector	19,980	10.70%	34.20%	55.60%
BSE Healthcare	19,799	7.70%	21.70%	63.00%
BSE Cons Durables	24,278	6.70%	19.40%	25.40%
BSE Small-Cap	14,867	3.70%	20.10%	54.70%
BSE Auto	17,876	1.10%	17.00%	66.40%
BSE Cap Goods	13,834	0.70%	7.60%	26.00%
BSE Mid Cap	14,705	0.30%	12.60%	39.10%
BSE 500	14,851	-0.30%	10.50%	33.80%
BSE 200	4,782	-0.50%	9.80%	32.50%
BSE 100	11,392	-0.80%	9.40%	31.40%
BSE Power	1,653	-1.00%	5.00%	20.00%
BSE FMCG Sector	11,051	-2.60%	-1.80%	7.80%
BSE Realty	1,671	-4.90%	5.70%	23.50%
BSE Metal	8,304	-6.00%	15.20%	45.30%
BSE Oil & Gas	12,242	-6.40%	-3.40%	22.20%
BANKEX	24,355	-9.70%	0.30%	10.50%

Capital flows:

FII's were net sellers in the equity to the tune of ₹ 5,690 crores (US\$ 775mn) in September 2020. Cumulatively, FII's bought equity worth ₹ 73,380 crores (US\$ 10,116mn) in last twelve months i.e. from October'19-September'20 and DII bought equity worth ₹ 13,046 crores (US\$ 1,836mn) for the same period. (As on 30th September 2020, Source: SEBI) (September 2020 Avg. 1 USD = INR 73.4341).

Outlook

- September saw the Indian Government passing three farm bills which are likely to increase the availability of buyers for farmers' produce, by allowing them to trade freely without any license or stock limit to aid further price discovery. This breaks the strangle hold by the mandi over the farm procurement and opens new selling options to farmers. Summarizing, these Agri-reform bills are a move towards liberalizing the agriculture distribution and marketing chain and strengthen the link between farmers and market forces.
- Amid low trading activities, the current account surplus increased to 3.9% of GDP (vs 0.1% in 4QFY20) and came in at USD 19.8bn and the capital account surplus in Q1FY21 narrowed to 0.1% of GDP on account of outflows in FDI and ECB. However, this is expected to bounce back in the subsequent quarters. Given the relative weakness of domestic demand, the slowdown in import growth could be steeper than export growth.
- The economy continues to show signs of revival with aggregate demand picking up gradually. However, the pace of government spending during April-August'20 slowed to 7% YoY. Spending was concentrated and signaled the government's focus toward the rural economy. The expenditure has been strained due to MNREGA payment, transfers to compensation cess fund and PM-Kisan. Growth of combined capital spending by the Centre and states for Apr-Jul'20 slowed to 3% and is likely to decline sharply by Aug'20. Government spending will be the most important factor in ensuring significant improvement in business and household confidence. The pandemic has dented a blow on the overall economic confidence. Government expenditure through public enterprises as well as stimulus and policies will have huge impact in reviving both private players and households confidence which will lead to increase in private capex and aggregate demand thereby pulling the economy out of any liquidity trap.
- Having thought through this, two trends get amplified: (a) industry consolidation; and (b) technology adoption. Businesses winning in both these trends should be the ones to look out for. Within industries, we place our bet on the defensiveness of the business model rather than the discretionary nature of demand. We prefer to focus on existing leaders who are likely to disrupt / innovate in their businesses to ensure that their leadership/competitive advantage remain strong. Value creation imperatives in investments 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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