MUTUAL FUNDS Sahi Hai

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Equity Market Review

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- The new year started on a positive note as Omicron led covid third wave has not impacted the economic activities as much as previous waves. However concerns related to rising global interest rate and commodity prices led to sharp downtrend in global equity market during the 2nd fortnight of the month. During the month broader Indian indices – Nifty and Sensex after sharp uptrend in first two weeks, ended the month with marginal gain of 0.8% and 0.4% respectively.
- On the macro front, Dec CPI inflation rose to 5.6% compared to 4.9% in Nov 2021. The inflation has been in the tight range since June 2021 and is well within RBI's targeted range of 2 percent plus/minus 4 percent. Core inflation (ex-food, fuel and intoxicants) moderated to 6.15% led by reduction in motor fuels.
- Industrial production grew 1.4% in Nov'21 vs. 4% growth in Oct'21. This has led to a decline in output again to slightly below pre-Covid levels. There was a broad-based weakness, led by manufacturing, which barely grew (0.9% YoY, contracting 4.8% MoM) led by segments like motor vehicles, transport equipment and electrical, and chemical products. Mining and electricity grew 5% and 2.1% YoY, respectively.
- On the sectoral indices front, Power (+13.5%), Banks (+9.3%), Auto (+8.3%), Oil & Gas (+3.9%), Cap Goods (+2.1%) outperformed the key indices while IT (-8.1%), Healthcare (-7.3%) and Consumer durable (-4.5%) and FMCG (-1.1%) underperformed the key indices during the month.

Benchmark Index	Latest Price	1 Month Return	3 Month Return	6 Month Return	1 year Return
BSE Power	3,937	13.50%	18.00%	50.50%	96.40%
BANKEX	43,569	9.30%	-2.40%	11.20%	25.70%
BSE Auto	26,408	8.30%	4.20%	17.40%	19.30%
BSE Oil & Gas	18,672	7.90%	2.90%	20.90%	35.20%
BSE Cap Goods	29,158	2.10%	9.30%	23.20%	49.70%
BSE 100	17,618	0.90%	-1.70%	9.40%	27.70%
CNX NIFTY	17,340	0.80%	-1.90%	10.00%	27.20%
BSE 200	7,513	0.70%	-1.60%	9.20%	29.80%
BSE Metal	18,985	0.70%	-5.20%	-9.60%	72.10%
BSE 500	23,715	0.60%	-1.10%	9.00%	31.90%
BSE Realty	3,812	0.50%	-4.40%	19.80%	57.60%
BSE Sensex	58,014	0.40%	-2.20%	10.30%	25.30%
BSE Small-Cap	29,227	0.40%	4.40%	9.10%	62.50%
BSE Mid Cap	24,613	-0.10%	-2.60%	6.60%	36.10%
BSE FMCG Sector	13,461	-1.10%	-3.90%	-0.10%	10.20%
BSE Cons Durables	41,919	-4.50%	-3.00%	15.20%	39.30%
BSE Healthcare	24,104	-7.30%	-3.70%	-7.80%	16.80%
BSE IT Sector	34,736	-8.10%	3.70%	12.60%	39.90%

Capital flows:

FIIs continued to be net sellers for the month (both in Primary and secondary market). Net equity selling by FIIs stood at Rs. 33303 Cr (USD 4476mn) in Jan 2022. Due to continuous selling since last four months, FIIs have turned net sellers to the tune of Rs. 27026 cr (USD 3422mn) in last twelve months i.e., from Feb21 – Jan'22. On the other side, DIIs bought equity worth Rs. 128,746 Cr (USD 17234mn) for the same period. (As on Jan 2022 Source: SEBI) (Jan 2022 Avg. 1 USD = INR 74.40).

Outlook

- Global equity markets are on stable footing as supply chain bottlenecks seems to be loosening up and concerns related to rising inflation and consequential increase in global interest rate seems to have been widely accepted by investors. However, indication of earlier than anticipated rate hike from Fed has created some negative sentiments in the global market. This along with lower than estimated earnings in some of the US listed stocks led to sharp correction in global markets during the last fortnight of the month.
- On the domestic front, while the lead indicators such as GST collection freight carried, electricity consumption – all continues so show good traction in incremental basis, rising inflation has created some concern among investors. India's Benchmark 10 year yield has risen sharply during the month on the concern of rising inflation and higher borrowing from government budgeted for FY23.
- Union Budget 2022 strives for long term growth by laying the foundation for investments in productive assets and judicious allocation of capital by promoting Make in India and Domestic manufacturing while maintaining fiscal balance. Government has factored in 11.1 per cent nominal (at current market prices) growth for 2022- 2023 compared to 17.2 per cent in 2021-22. We believe it is a credible growth rate to assume.
- Government seems to have a 'Long Term vision' with clear focus on chasing sustainable growth while maintaining fiscal deficit by giving boost to domestic manufacturing and avoiding unproductive expenditure.
- From equity markets perspective, Budget 2022 has been Neutral to Positive for. However key monitorable would be Nominal Growth rate figure, Indirect tax collections & pace of policy execution.
- Overall, the equity markets looks to be on strong footing as the earnings growth finally seems to be on track after a lull of last five to seven years. While the market has been focusing on the positive news inflows on the economic front and scaling up new highs, risks could emerge from Global markets specially from US in terms of the rising bond yield which could alter the valuation band for equities. However, 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.