

# TRUSTPLUTUS

**Presentation to the Investment Advisory Board:  
House View Primer**



## RE-CAP ON HOUSE VIEWS

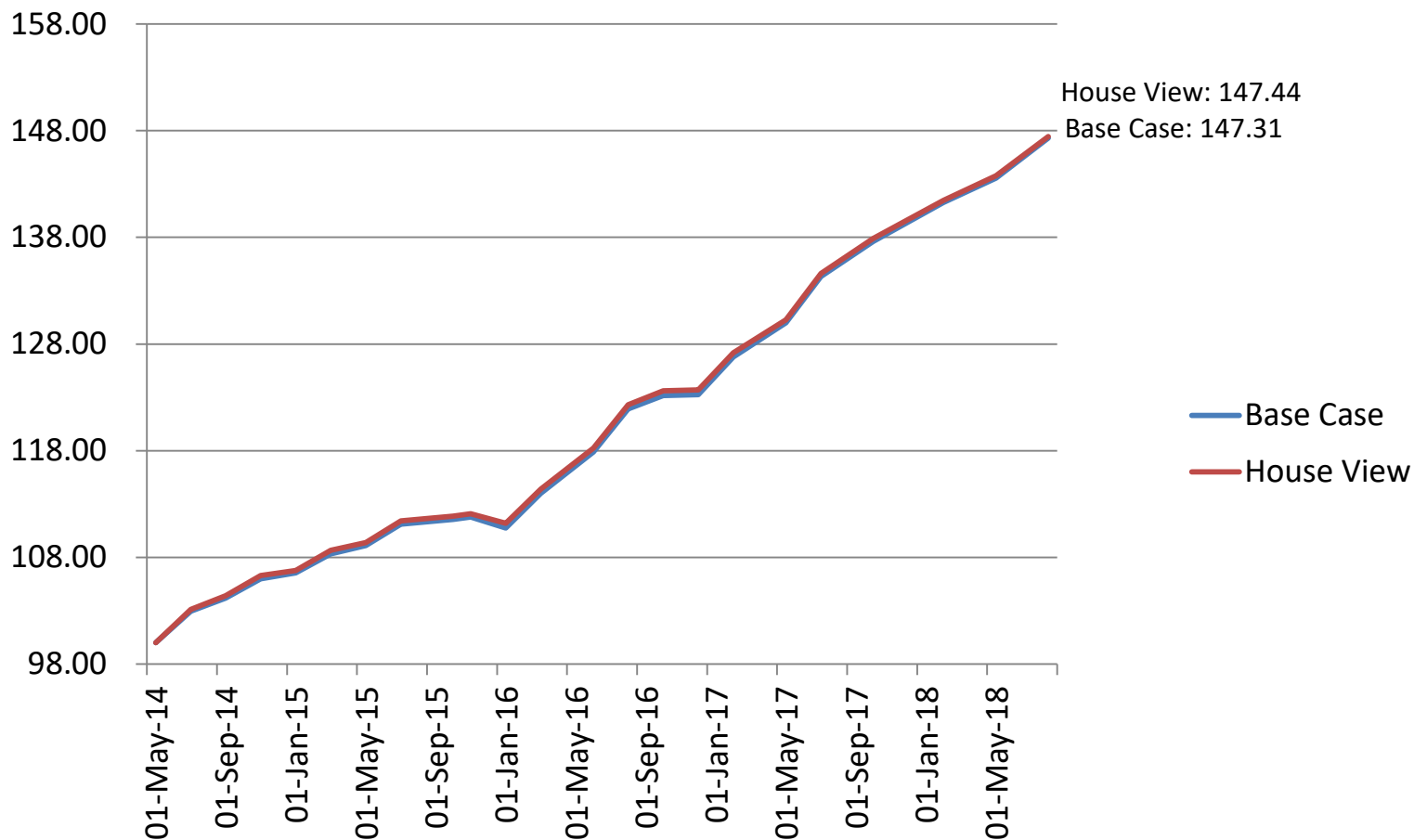
## RE-CAP –May-Aug, 2018

Asset Class	Sub-Class	Stance for May-Aug	Benchmark	Performance (8 <sup>th</sup> May to 13 Aug, 2018)
<b>EQUITY</b>	LARGE CAPS	UW	S&P CNX NIFTY	5.95%
	MID & SMALL CAPS	UW	S&P CNX 500	2.51%
	INTERNATIONAL	Neutral	MSCI (World)	2.14%
<b>FIXED INCOME</b>	1 Year CD	OW	1 Year CD	2.11%*
	10 Year G-Sec	UW	10 Year Gsec	0.40%*
<b>COMMODITIES</b>	PRECIOUS METALS	Neutral	90%Gold + 10% Silver	(4.43%)
	BASE METALS	Neutral	MCX Metal	(5.91%)
	ENERGY BASKET	Neutral	MCX Energy	1.40%
	AGRI GOODS		MCX Agri	10.26%
<b>CURRENCIES</b>	INDIAN RUPEE v USD	UW		(4.08%)

•Performance period - 8<sup>th</sup> May, 2018-13 Aug, 2018 \*price + accrued interest

Source : NSE / MSCI / IDFC / Kitco / MCX / TrustGroup / Bloomberg

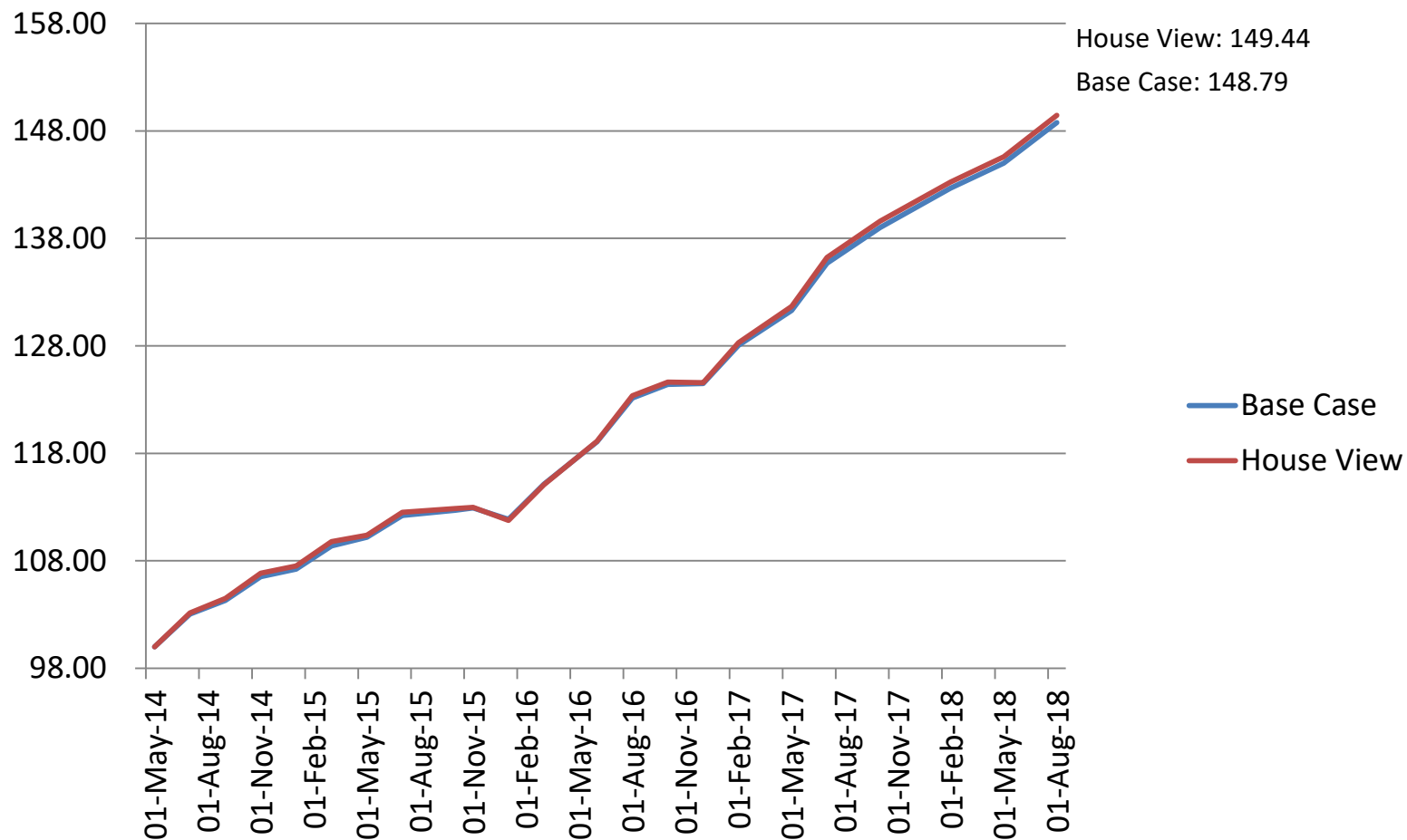
## RE-CAP – May 2014- Aug 2018: Short Term House Views



•Performance period -21<sup>st</sup> May, 2014 to 13<sup>th</sup> Aug, 2018.

Source : FE, MCX / TrustGroup / Bloomberg

# RE-CAP – May 2014- Aug 2018: Long Term House Views



•Performance period -21<sup>st</sup> May, 2014 to 13<sup>th</sup> Aug, 2018.

Source : FE, MCX / TrustGroup / Bloomberg

## SNAPSHOTS OF GLOBAL INDICATORS

# SNAPSHOT

Indicators		U S	Europe	China
Activity	PMI GDP			
Consumer	Retail Sales Cons.Confidence			
Business	IP PMI			
External	Trade Data			
Labor Market	Employment Data			
Inflation	CPI/ WPI			
Monetary	M1, M3 Bank Lending			
Financial	Equity Mkts Debt Mkts			
FCI				

## SNAPSHOTS OF INDIAN INDICATORS



















# SNAPSHOT

	India	Equity	Debt	Currency	Comments
<b>Activity</b>	↑	↑	↓	↑	Q4 FY18 GDP growth was at 7.7% and GDP growth for FY18 was 6.7%. Composite PMI rose to 54.1 in July highest since Dec 2017.
<b>Consumer</b>	↑	↑	↓	↑	<b>YoY Sale Volume Growth</b> Till date FY 2019      Jul-18 PV : 13.3%                      -2.9% Two wheelers : 13.9%            8.2% M&H CV : 64.7%                24.5% Service PMI 54.2 in July-18 from 52.6
<b>Business</b>	↑	↑	↓	↑	India's industrial production rose 7.0% in Jun 2018. Core Industries Index up by 6.7% YoY in Jun 2018. Improved Man. PMI @ 52.3 July
<b>External</b>	↓	↓	↓	↓	Trade deficit : \$16.6 bn in Jun 18 Net FII debt inflow Jul \$0.001 bn Net FII equity inflow Jul \$0.07 bn Net FDI for Jun 18 was \$ 1.2 bn
<b>Labor Market</b>	↑	↑	↑	↑	India's Unemployment rate is 6.02% (3.33%) in Aug 18. As per BSE index. Hiring activity sees 9% yoy growth in Jul18: Naukri Job Speak. PMI – employment component highest since 2011



# SNAPSHOT

	India	Equity	Debt	Currency	Comments
Inflation					YoY CPI inflation 4.17% in Jul. WPI inflation of 5.09% in Jul. Core CPI inflation at 4 mth low of 5.7% in Jul.
Monetary					M3 growth was at ~10% YoY in Jul. Deposit growth at ~7% and Non Food Credit Growth at 12.3% in Jun 2018 .
Fiscal					India's fiscal deficit in Jun reached 68.7 % (80.8%) of the government's target for the FY 2018-19. For FY 19 targeted fiscal deficit is 3.3%.
Financial					Equity Mkts: TTM Nifty P/B 3.7 and P/E 27.8; Nifty FY19e/20e P/E : 18.3 / 15.1 (BB). Yields : Short end: Hardened; Long end: Hardened

## SUMMARY OF TRUST GROUP RESEARCH REPORTS

## Summary of Trust Group Research Reports

Report Name	Date	Inference
IIP Watch June 2018	13-July-2018	<p>&gt; IIP grew by 3.2% on a y-o-y basis in May compared to a growth of 4.9% recorded in April.</p> <p>&gt; The growth in the IIP for May was lower than expected. The median estimate of the Reuters survey was for a growth of 5.2%.</p> <p>&gt; In May all sectors including electricity, mining and manufacturing showed positive growth. Same was true in terms of use based classification with the exception of consumer non-durables which declined for the first time since December 2016.</p> <p>&gt; Going forward, economic activity is expected accelerate in the coming year, benefitting from a conducive domestic and global environment. First, uncertainties related to the implementation of the GST are receding. Second, credit off-take has improved in the recent period and is becoming increasingly broad-based. Third, large resource mobilisation from the primary market could strengthen investment activity further in the period ahead. The thrust on rural and infrastructure sectors in the Budget should rejuvenate rural demand and crowd in private investment.</p>

## Summary of Trust Group Research Reports

Report Name	Date	Inference
<p><b>Inflation Watch July 2018</b></p>	<p><b>14-August-18</b></p>	<p>July headline CPI inflation rose 4.17% compared to a year earlier. The core inflation excluding food and fuel fell to around 6.3%. The July headline CPI inflation was lower than the median estimate of 4.51 % in the Reuters survey</p> <p>The fall in the CPI was broad based with most sectors showing a slowdown in inflation but was especially was driven by food and beverage inflation which fell to its lowest level since July 2017.</p> <p>The inflation trajectory is expected to be impacted two countervailing effects. On the one hand core inflation has picked up suggesting a hardening of inflationary pressures. On the other hand, food inflation has remained muted over the past few months and the usual seasonal pickup delayed, softening the projections in the short run. Both of these trends have continued to play out in the July data.</p> <p>Taking these effects into account, the RBI has projected CPI inflation for 2018-19 to be 4.8-4.9 per cent in H1 and 4.7 per cent in H2, including the HRA impact for central government employees, with risks tilted to the upside. We expect the CPI reading to be around 4.4% in the August reading and we expect CPI to start to move down toward 4.2% thereafter assuming a normal monsoon.</p>

## Summary of Trust Group Research Reports

Report Name	Date	Inference
<p><b>Aug Monetary Policy Preview</b></p>	<p><b>30 July 2018</b></p>	<ul style="list-style-type: none"> <li> <p>CPI inflation for June was higher than the previous month but lower than the market’s expectation. The pickup in the CPI was broad based with most sectors showing an increase. The inflation trajectory is expected to be impacted two countervailing effects. On the one hand core inflation has picked up suggesting a hardening of inflationary pressures. On the other hand, food inflation has remained muted over the past few months and the usual seasonal pickup delayed, softening the projections in the short run. In addition to the inflation path, the Rupee has been under pressure in 2018 and has emerged as an area of concern for monetary policy. This combination of factors including, various upside risks to the inflation path, the Rupee being under pressure, higher crude prices and monetary tightening by other emerging markets central banks led the RBI to hike the policy repo rate by 25bps in its June policy while maintaining a neutral stance. The RBI has always claimed that its neutral stance gives it the flexibility to respond to incoming data. Since the June policy the data flow has been along expected lines with no additional compelling reason for further policy action. We therefore expect the RBI will keep the policy rate unchanged while keeping its neutral policy stance and remaining data dependent for further policy action.</p> </li> </ul>

## HOUSE VIEWS FOR AUGUST 2018

## Near Term Views: EQUITIES

**STANCE : Maintain UW for Large Cap  
Maintain Underweight for Mid & Small Cap**

### Why

Pick up in activity indicators negated by weak external sector and concerns on currency.

Better Earnings cycle compensated by higher interest rates

World trade dipped below global GDP.

Midcap index still at 24% premium to large cap (Historic High)

### What Can Change our View

Valuation comfort

Growth traction in economy as well as in earnings

**International Equities : STANCE : Maintain Neutral - US/ OW Europe**



**STANCE (Short Term): Maintain Overweight**  
**STANCE (Long Term): Maintain Underweight**

### Why

Sticky core inflation and uncertainty around MSP increase.

Tight global monetary situation

Unknown impact of escalated trade war

### What Can Change our View

Attractive long term yield level from 3 year investment horizon

Sharp fall in commodity price especially oil

Better outlook for INR

### STANCE (Short Term): Maintain Underweight

#### Why

##### Negative

Increase in imports and deteriorating trade situation.

Rising dollar index

Possibility of trade war escalation

#### What Can Change our View

Correction in crude prices

Improved capital flow and global interest rates

### Precious Metals

- **Maintain Neutral**
- Increased inflationary trends in global economy
- Strength of USD
- Money Manager having net short position

### Energy

- **Maintain Neutral**
- Lower Oil demand projection @ 1.64 mb/d
- Supply constraints and supply shock continue to keep energy price elevated
- Money Manager having net long position

### Base Metals

- **Maintain Neutral**
- Growth in global manufacturing and rising inflation
- Money Manager having net short position

## House View for August 2018

	SHORT TERM*	MEDIUM TERM	LONG TERM
<b>EQUITIES</b>			
LARGE CAPS	UW	UW	OW
MID & SMALL CAPS	UW	UW	UW
INTERNATIONAL	Neutral*	Neutral	UW
<b>FIXED INCOME</b>			
SHORT DURATION	OW	OW	OW
LONG DURATION	UW	UW	OW
<b>CASH</b>			
	Tactical	Tactical	Contingencies
<b>COMMODITIES</b>			
PRECIOUS METALS	Neutral	Neutral	Neutral
BASE METALS	Neutral	Neutral	Neutral
ENERGY BASKET	Neutral	Neutral	UW
<b>CURRENCY (INR v USD)</b>			
	UW	Neutral	Neutral
<b>REAL ESTATE</b>			
RESIDENTIAL	UW	UW	UW
COMMERCIAL	OW	OW	Neutral**
<b>PRIVATE EQUITY</b>			
	Neutral	Neutral	Neutral

Short Term :upto 3 months / Medium Term : 3 – 6 months / Long Term : above 6 months

\*OW stance on Europe

\*\* Commercial Real Estate – Value in Certain Pockets / Lease rental deals

THANK YOU



**TRUSTPLUTUS**  
*To Future. With Trust*