

WEALTHWHISPER



Monthly Review
June 2017

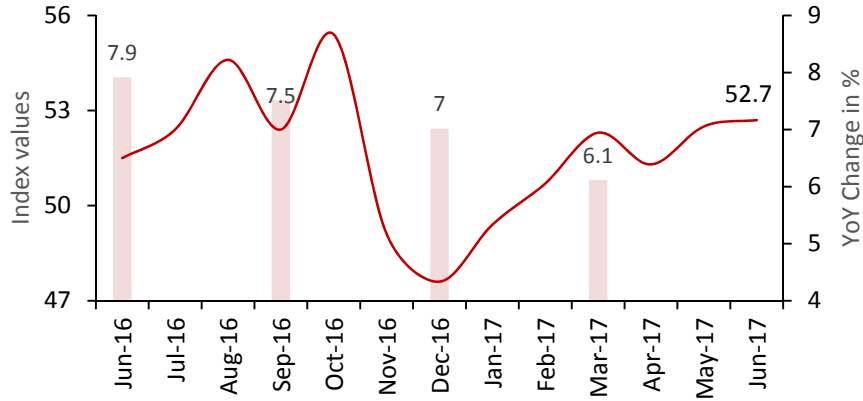
Key Domestic Market Highlights

- ✓ The Indian equity market closed in the negative terrain after posting gains in the last few months. During most part of the month Sensex hovered above the 31,000-mark on the back of strong economic data, monsoon's timely arrival, and hopes of rate cut by the Monetary Policy Committee (MPC) following weaker than expected Consumer Price Index (CPI)-based data and central bank's lowering inflation projections.
- ✓ However, gains could not sustain on concerns over transition to Goods and Services Tax (GST) from Jul 1 and after the Reserve Bank of India (RBI) demanded higher provisioning for loans submitted under the insolvency process.
- ✓ The Monetary Policy Committee (MPC) kept benchmark rates unchanged in its second bi-monthly monetary policy review but lowered the statutory liquidity ratio by 50 basis points to 20% of net demand and time liabilities with effect from the fortnight beginning Jun 24, 2017. The central bank also lowered inflation projections and indicated no major impact of GST on overall inflation.
- ✓ Banking stocks went down as RBI demanded higher provisioning for loans submitted under the insolvency process.
- ✓ Weakness in global crude oil prices took a toll on major oil drilling and exploration companies in India and weighed on the sector. IT sector also fell on concerns over outlook as the U.S. President was toying with the idea of more stringent visa regulations in a market important for software services exporters.
- ✓ The consumer durables and FMCG sectors grew significantly during the period under review on hopes that rural demand will revive on the back of above normal monsoons.
- ✓ Bond yields fell during the month after MPC kept interest rates on hold but lowered its inflation projections. Gains were capped as rise in global bond yields dampened the demand for emerging market debt as market participants eyed possible hardening of interest rates in developed economies in the coming months.

Domestic Economic Indicators

Nikkei India Composite PMI Output Index rose to an eight month high in Jun 2017 due to improvement in Services PMI

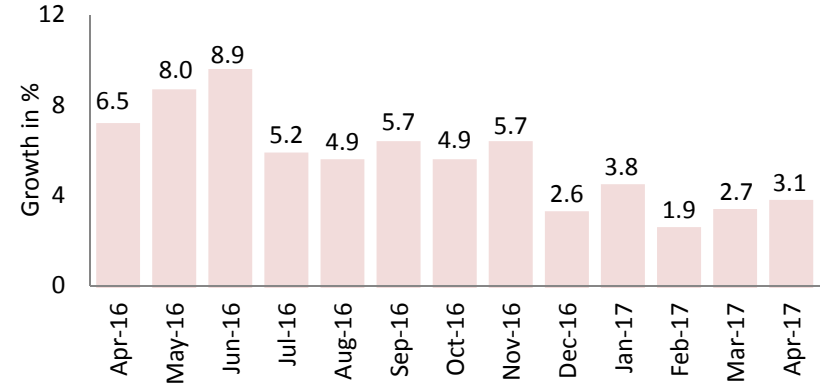
India Composite PMI & GDP Growth



Source: Reuters; PMI >50 denotes expansion and <50 is contraction

IIP grew 3.1% YoY in Apr 2017, lower than 6.5% in Apr 2016 due to slower rise witnessed in manufacturing, mining, and electricity sectors

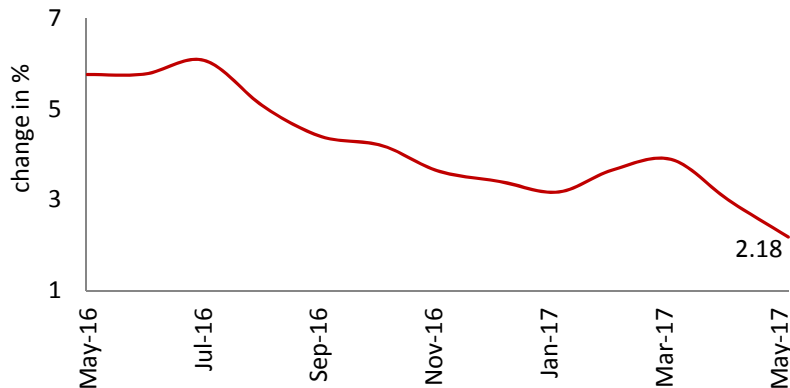
Index of Industrial production (IIP)



Source: Reuters

Retail inflation fell for the second consecutive month as prices of kitchen staples like vegetables and pulses declined sharply

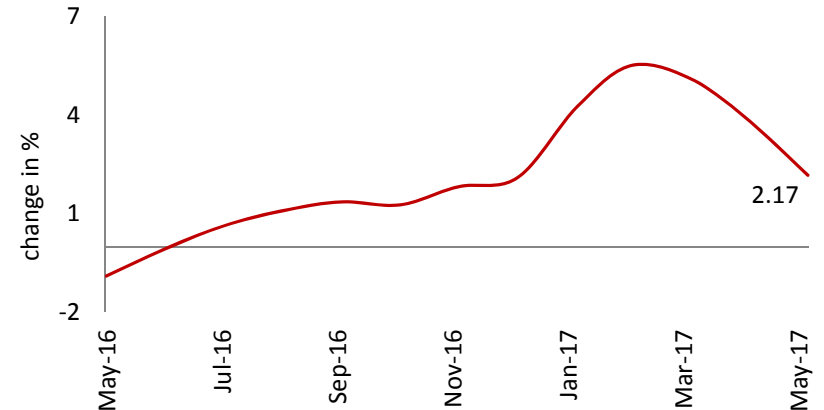
Consumer Price Index



Source: Reuters

WPI fell to a five-month low as food inflation turned negative and prices of manufactured items grew at their slowest pace in the past five months

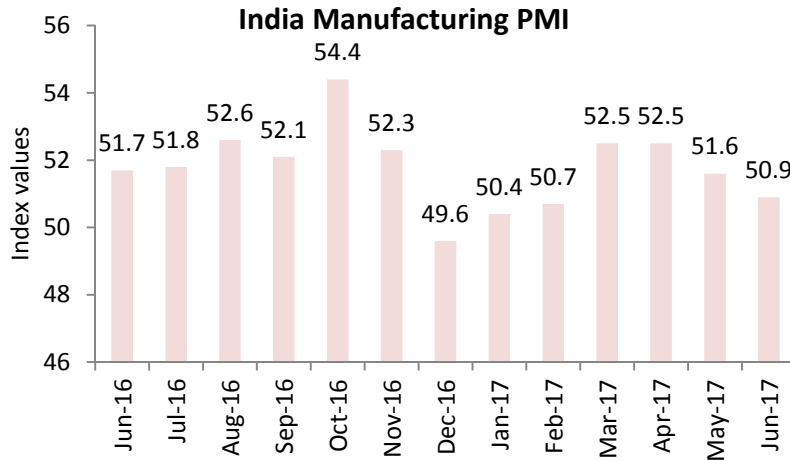
Wholesale Price Index



Source: Reuters

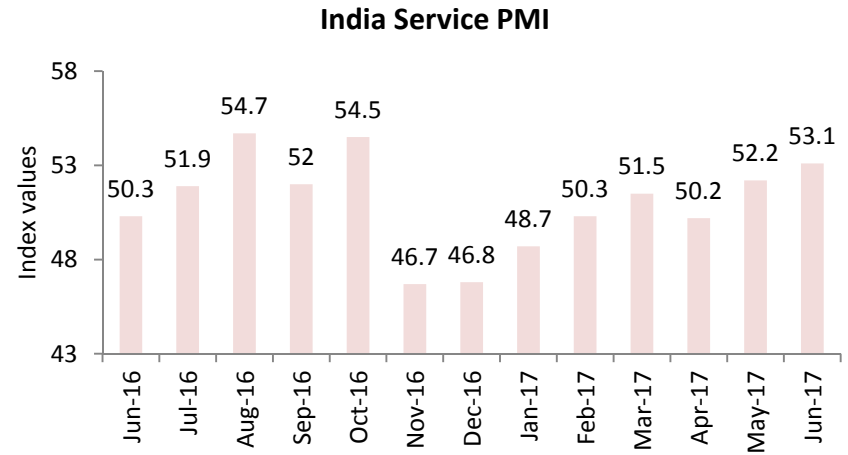
Domestic Economic Indicators

Manufacturing PMI slowed to a four month low in Jun due to softer rise in factory new orders that resulted in weaker growth in production.



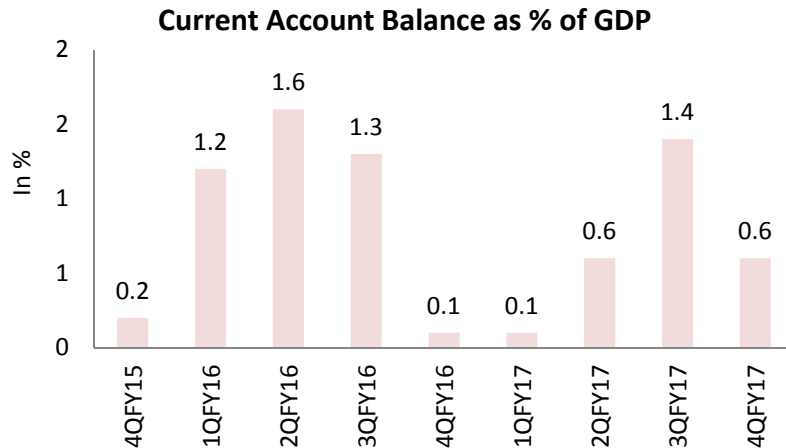
Source: Reuters; PMI >50 denotes expansion and <50 is contraction

Services PMI marked an eight-month high. The upside was driven new work orders that resulted in a faster increase in activity



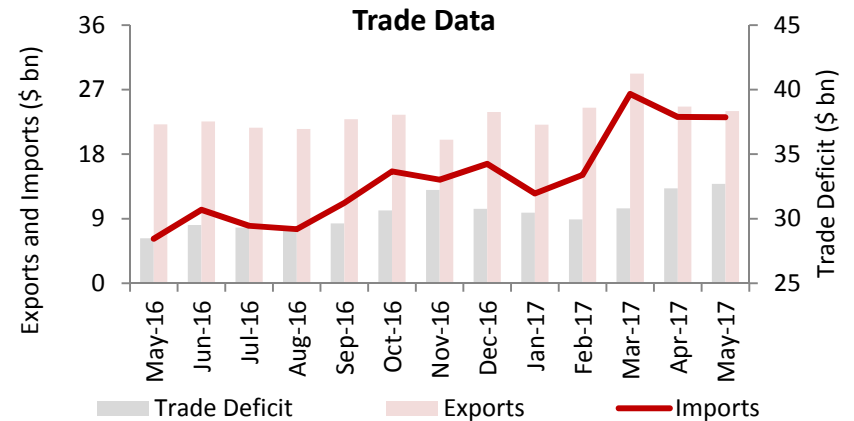
Source: Reuters; PMI >50 denotes expansion and <50 is contraction

Current account deficit widened on YoY basis due to higher trade deficit driven by a larger increase in merchandise imports relative to exports



Source: Reuters

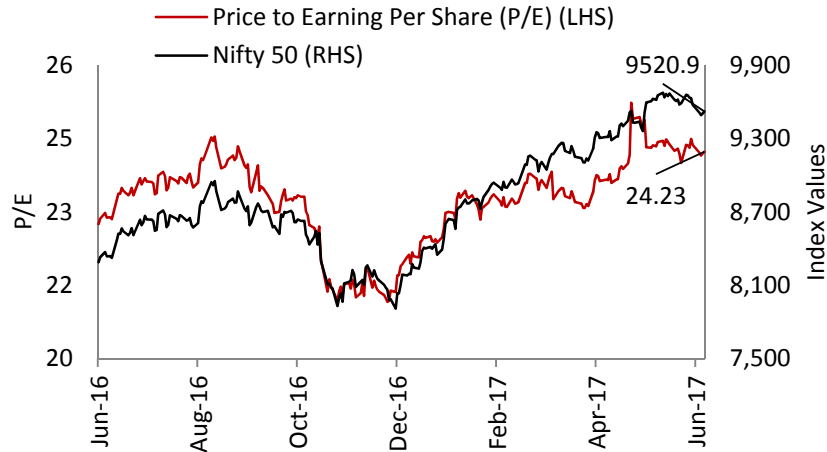
Imports surged at a much faster rate than exports that led to rise in the trade deficit. Imports grew due to higher purchase of gold



Source: Reuters

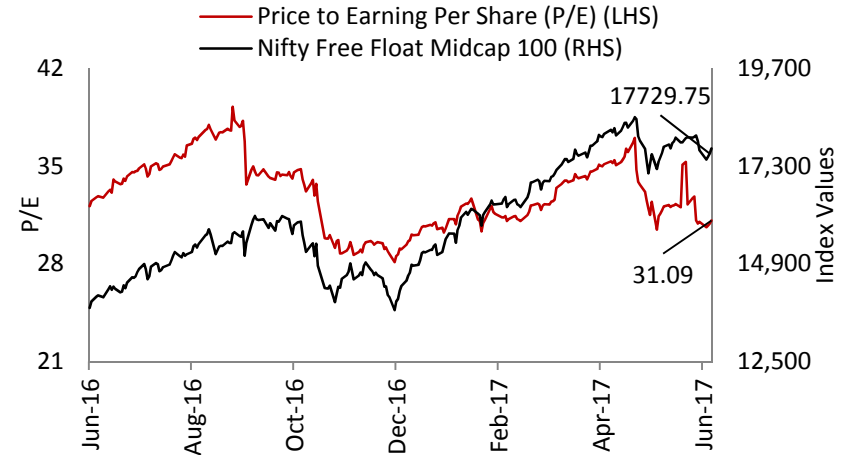
Domestic Equity Market

Key benchmark indices S&P BSE Sensex and Nifty 50 fell 0.72% and 1.04% to close at 30,921.61 and 9,520.9, respectively



Source: NSE

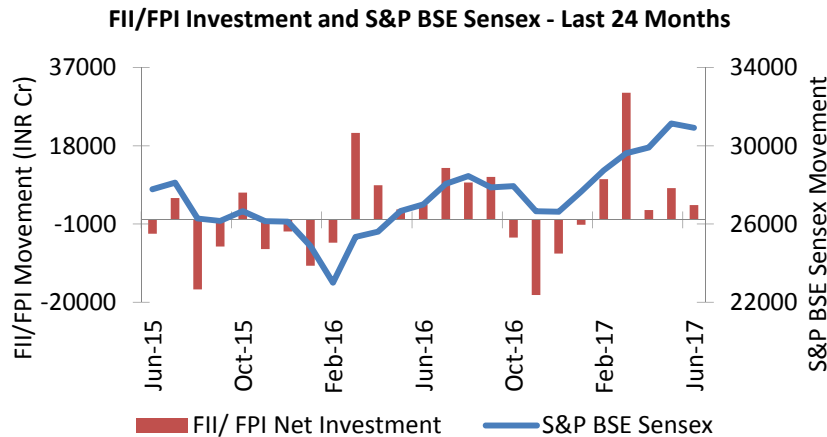
Broader indices bucked the trend with S&P BSE Mid-Cap and S&P BSE Small-Cap gaining 0.13% and 2.19%, respectively



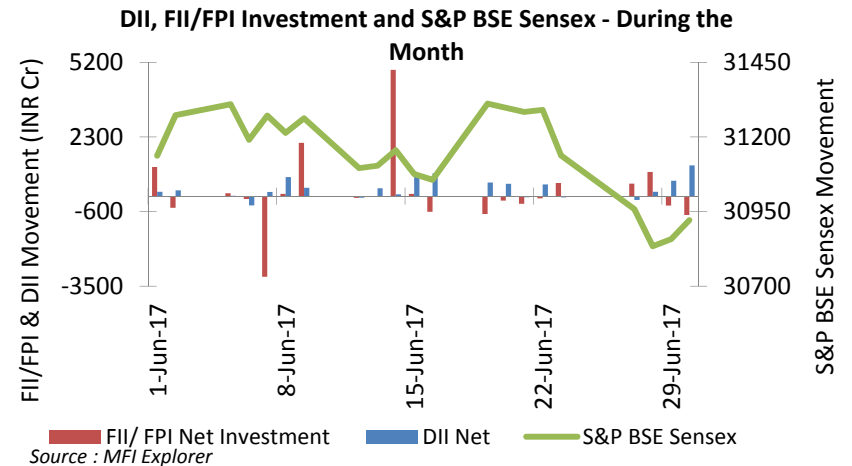
Source: NSE

Foreign portfolio investors were net buyers worth Rs. 3,616.82 crore in Jun compared with net purchase of Rs. 7,711.41 crore in May

Domestic mutual funds invested Rs. 9,106.11 crore in Jun against last month's record of Rs. 9,357.67 crore in the equity segment



Source : MFI Explorer



Source : MFI Explorer

Domestic Debt Market

Yield on the 10-year benchmark bond fell 15 bps to close at 6.51% and bond yields moved within a wide range of 6.42% to 6.67%

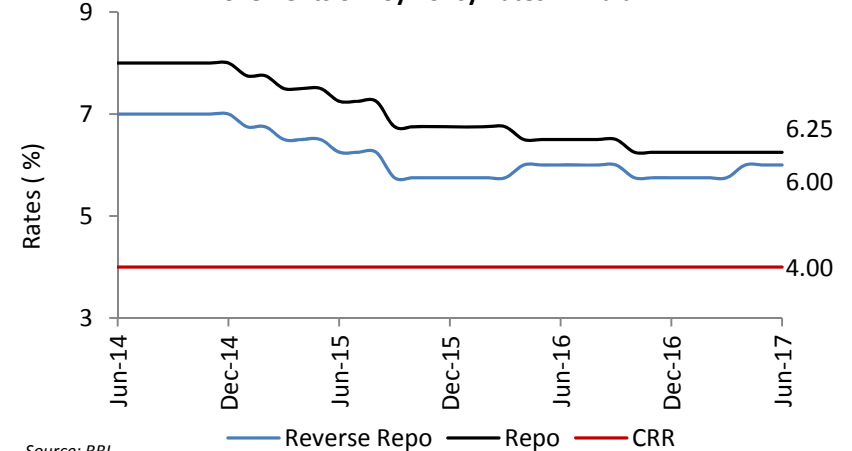
10-Yr Benchmark Bond



Source: Reuters

MPC kept repo rate and reverse repo rate unchanged but reduced SLR from 20.5% to 20.0% with effect from the fortnight beginning Jun 24.

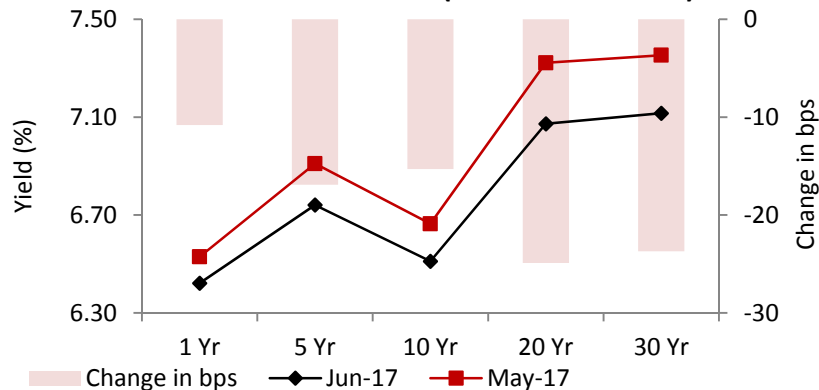
Movements of Key Policy Rates in India



Source: RBI

Yield on gilt securities fell across maturities in the range of 11 bps to 31 bps and the minimum decrease was witnessed on the 3- and 10-year maturities

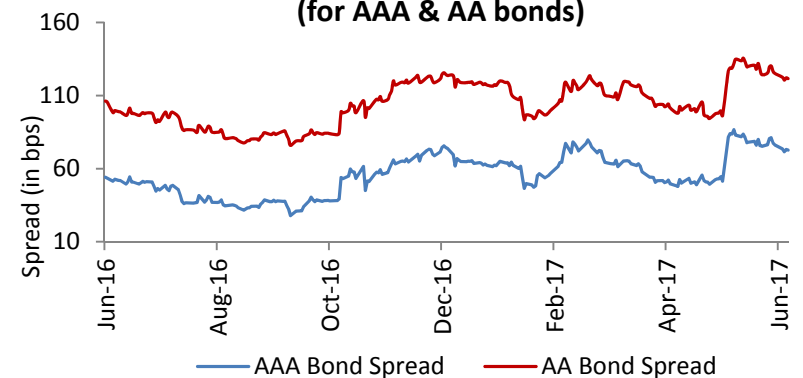
India Yield Curve Shift (Month-on-Month)



Source: Reuters

Yield on corporate bonds fell across maturities in the range of 10 bps to 22 bps and the minimum decrease was witnessed on 1-year paper

10 Year Corporate Bond Spread (for AAA & AA bonds)



Source: Reuters

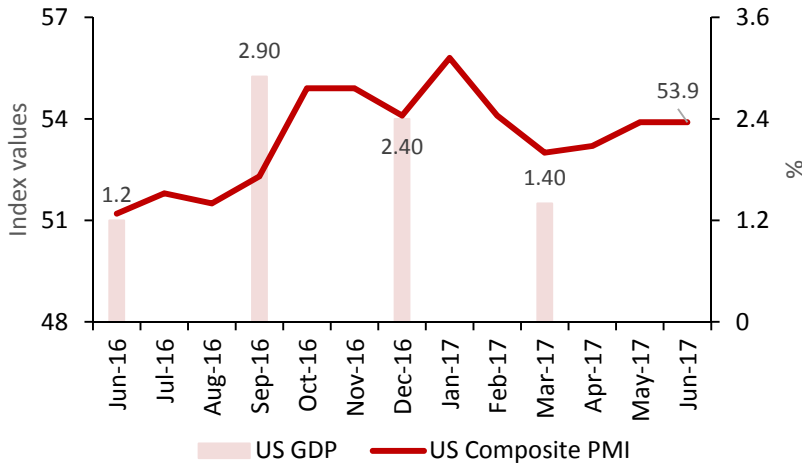
Global Market Highlights

- ✓ Most of the major American markets ended higher largely on news from Europe after the newly-elected French President earned a strong consent from the parliament to follow his pro-European Union (EU) and business-friendly expansion plans.
- ✓ The U.S. Federal Reserve (Fed) upping interest rates by 25 bps for the second time in 2017 and indicating it could gradually start shrinking its \$4.5 trillion balance sheet in the current year added to the gains. However, Senate Republicans delaying a vote on healthcare bill until after the Jul 4 holiday and tensions in the Middle East restricted gains.
- ✓ European markets closed lower mainly after the EU regulators fined a technology heavyweight 2.40 billion euros for breaching anti-trust rules, and the U.S. Senate delayed voting on healthcare bill. Investors worried about the present administration's ability to accomplish its targets. Dip in euro on a media report revealing the European Central Bank (ECB) president's comments also weighed on sentiment.
- ✓ Most of the major Asian markets grew mainly after central banks across the world indicated interest rates could need a raise. Reports that U.S. index provider MSCI could increase the future weighting of Chinese 'A' shares in its emerging markets benchmark also helped gains. Also, easing of tight liquidity conditions in China and data showing Chinese property market continued to stabilise in May 2017 added to the gains.
- ✓ U.S. Treasury prices fell after U.S. Fed raised interest rates and the release of stronger than expected U.S. jobless claims data for the week to Jun 10. Also, comments from some Fed officials raised concerns that the U.S. central bank may continue to increase interest rates.
- ✓ Bund yields surged after the U.S. Fed raised interest rates. The yields increased further after the ECB president indicated tightening of the bank's ultra-easy monetary policy as the economy recovers. Spanish bond yields fell initially after ECB cut its forecast for inflation for 2017, 2018, and 2019 and weaker than expected U.S. inflation and retail sales data for May 2017. However, most of the gains were neutralised after Fed raised interest rates and indication of ECB tightening monetary policies.

Global Economic Indicators

U.S. GDP grew in the first quarter of 2017 compared with the previous estimate partly due to an upward revision to consumer spending

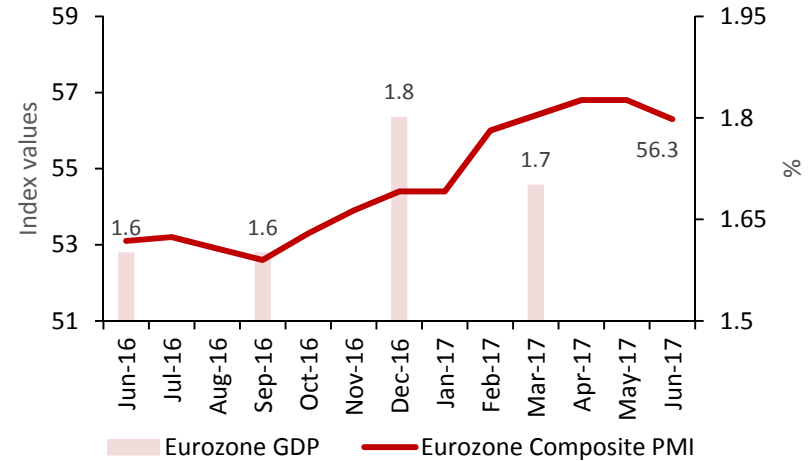
US Composite PMI & GDP Growth



Source: Reuters, fxtstreet; PMI > 50 denotes expansion and < 50 is contraction

Euro zone PMI Composite Index fell to a four-month low in June, but was above the earlier flash estimate

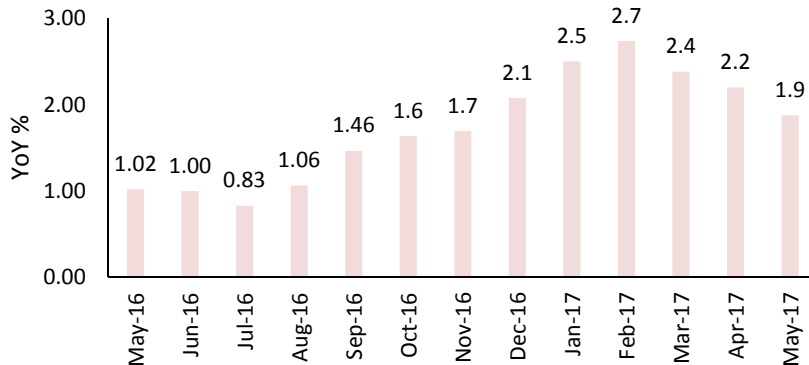
Euro zone Composite PMI & GDP Growth



Source: Reuters, fxtstreet; PMI > 50 denotes expansion and < 50 is contraction

U.S. inflation M-o-M declined as cost of gasoline and a range of other goods declined and on Y-o-Y basis it eased for the fourth straight month in May

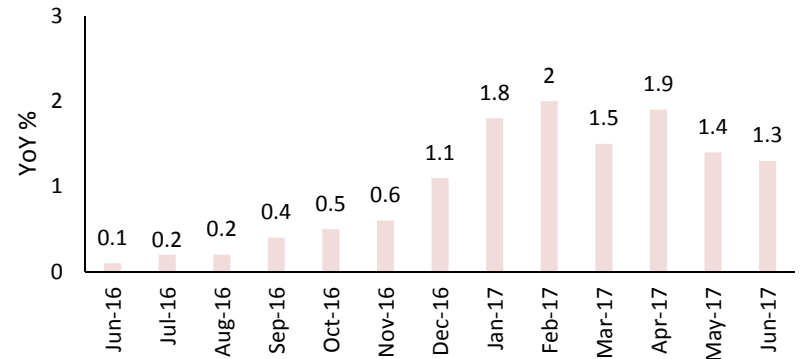
U.S. Inflation



Source: Reuters

Euro zone's headline inflation came above market expectations but slowed over the month due to the waning impact from higher energy prices

Eurozone inflation



Source: Reuters

Global Economic Indicators

The Caixin/Markit manufacturing sector climbed back into positive territory in Jun 2017 due to slightly stronger increases in production and new orders



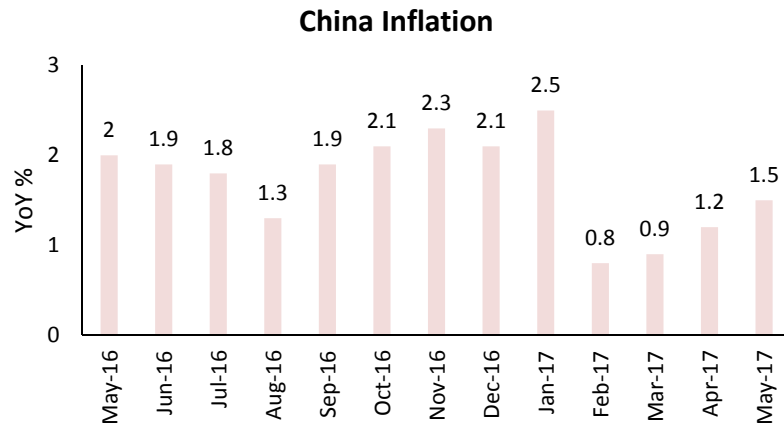
Source: Reuters, fxstreet; PMI > 50 denotes expansion and < 50 is contraction

Japanese manufacturing sector continue to show positive growth in May 2017 although the pace slowed slightly



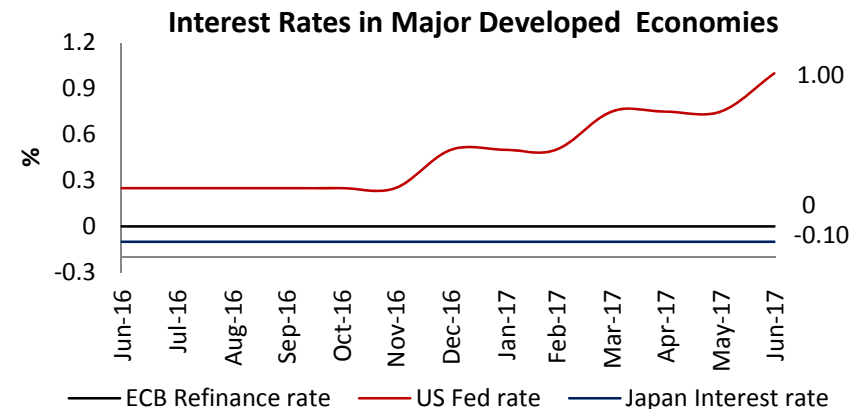
Source: Reuters, fxstreet; PMI > 50 denotes expansion and < 50 is contraction

China's consumer inflation accelerated in May, but in line with market forecast. Producer price inflation stood slower in May compared to Apr, due to weak commodity prices



Source: Reuters

Interest rates in the U.S. increased by 25 bps to 1% while Japan and Europe rates remained steady

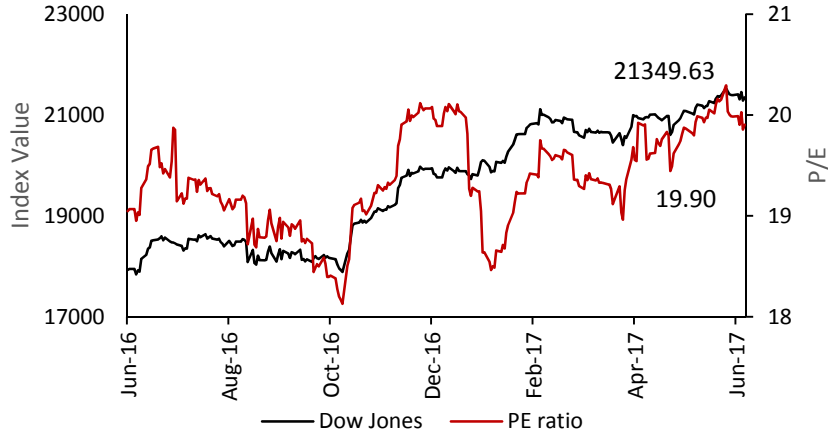


Source: Reuters

Global Equity Markets

Most of the U.S. markets ended higher after the French President was consented to follow his pro-European Union, rate hike by Fed and a couple of upbeat economic data

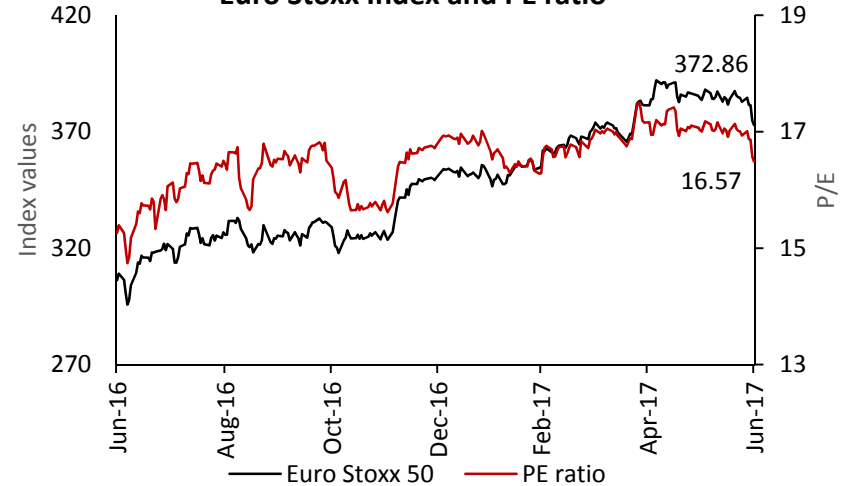
U.S. Dow Jones Index and PE ratio



Source: Reuters

European markets closed lower after Bank of England governor said the time was not right to raise interest rates, owing to weak wage growth

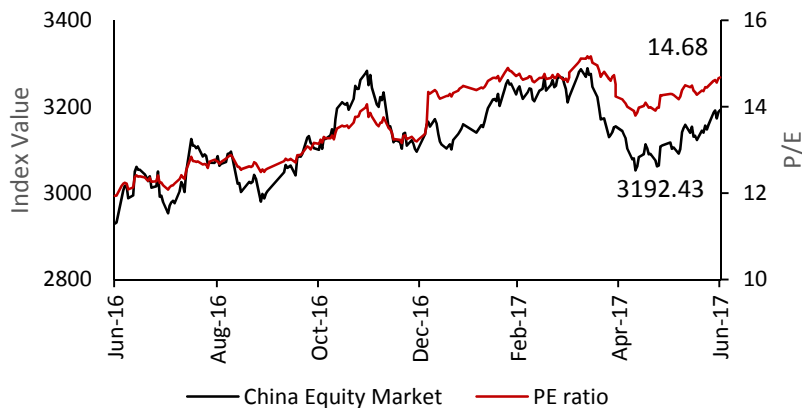
Euro Stoxx Index and PE ratio



Source: Reuters

Easing of liquidity conditions and probability of MSCI raising future weightage of Chinese 'A' shares in its emerging markets benchmark helped gains

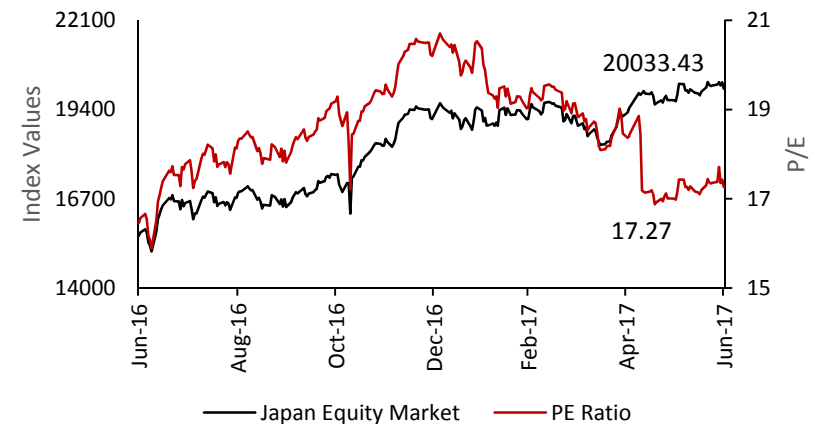
China Shanghai Index and PE ratio



Source: Reuters

Bank of Japan keeping its monetary policy unchanged helped gains

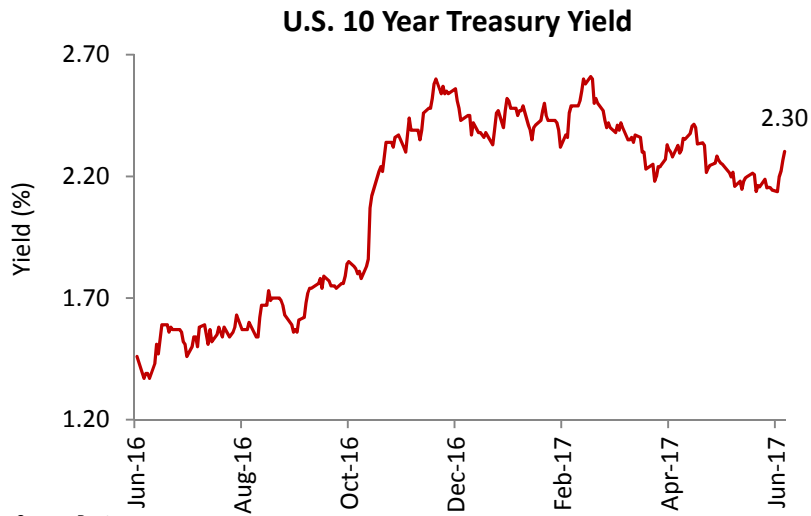
Japan Nikkei Index and PE ratio



Source: Reuters

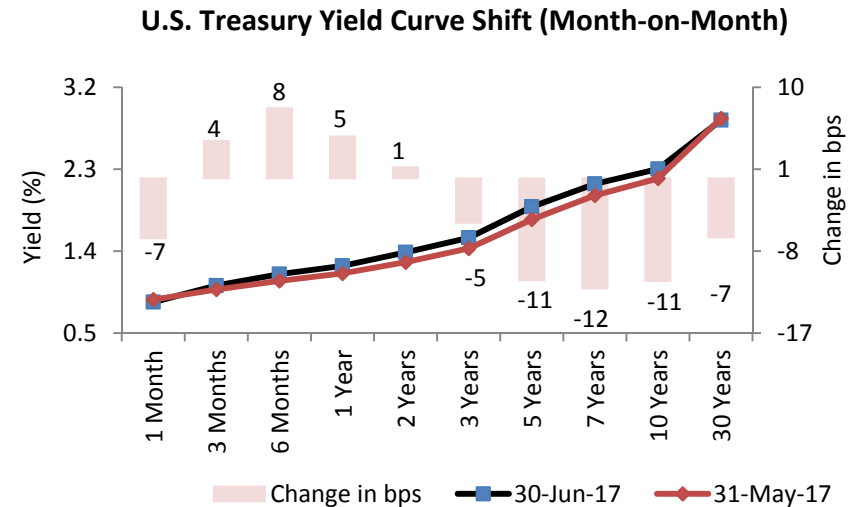
Global Debt

Yield on the 10-year U.S. Treasury bond rose 10 bps during the month to close at 2.30% compared with the previous month's close of 2.20%



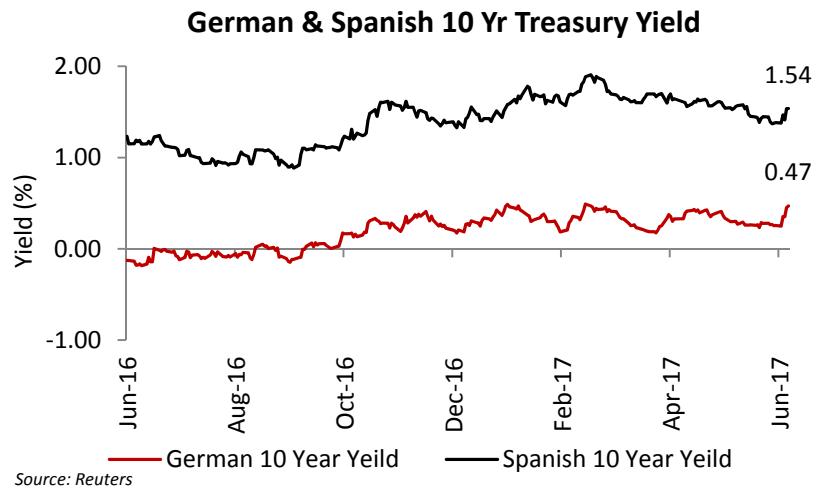
Source: Reuters

U.S. Treasury prices fell after U.S. Fed raised interest rates and after the ECB indicated that it may modify its monetary stimulus programme



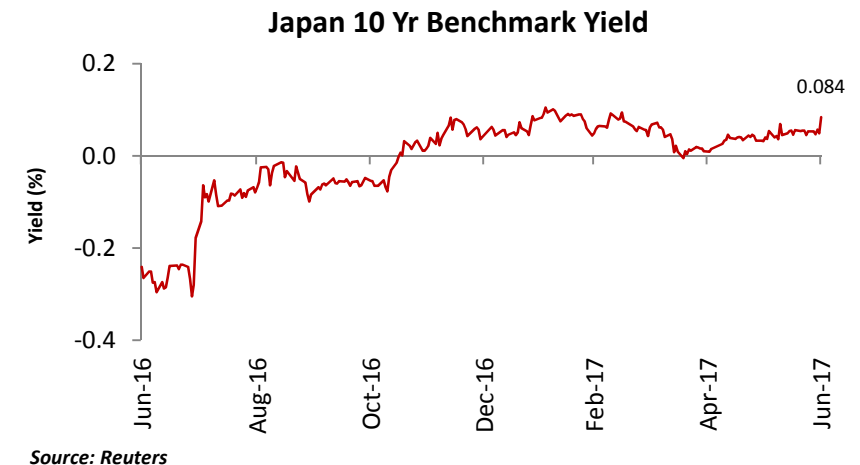
Source: Reuters

Bund yields surged after Fed raised interest rates while Spanish bond yields fell initially following weaker than expected U.S. inflation and retail sales data for May 2017



Source: Reuters

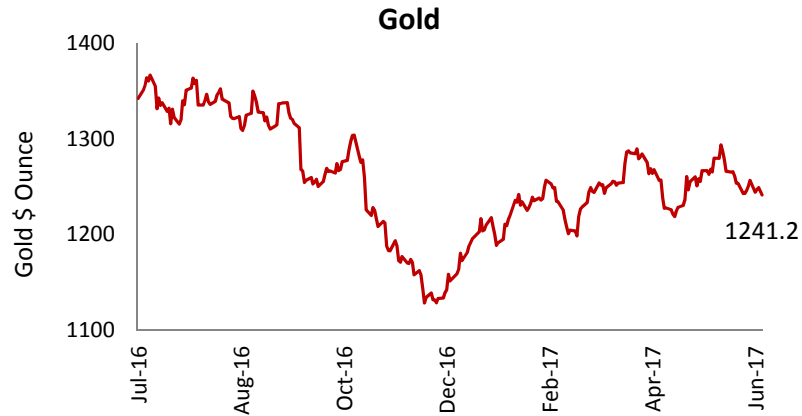
Japanese 10 year yield rose from 0.04% in May 2017 to 0.08% in June 2017



Source: Reuters

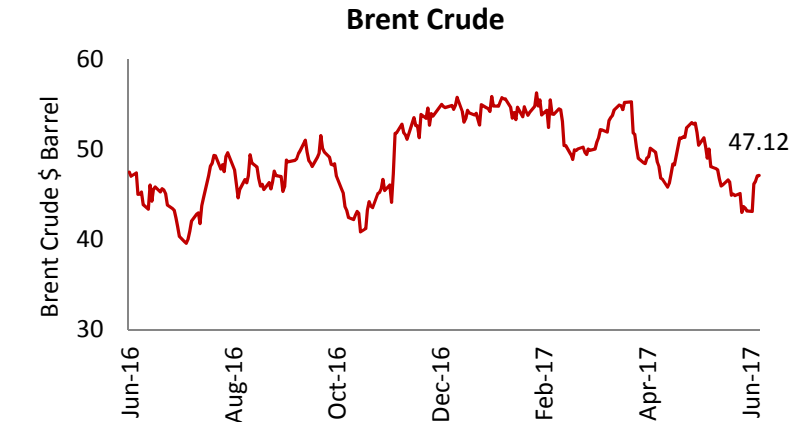
Global Commodity Market

Gold prices were weighed down by concerns over the rate-hike stance of the U.S. Fed. Prices fell 2.12% over the month in June 2017



Source: Reuters

Worries over global supply glut kept global crude oil prices under pressure and it fell 3.92% over the month in June 2017



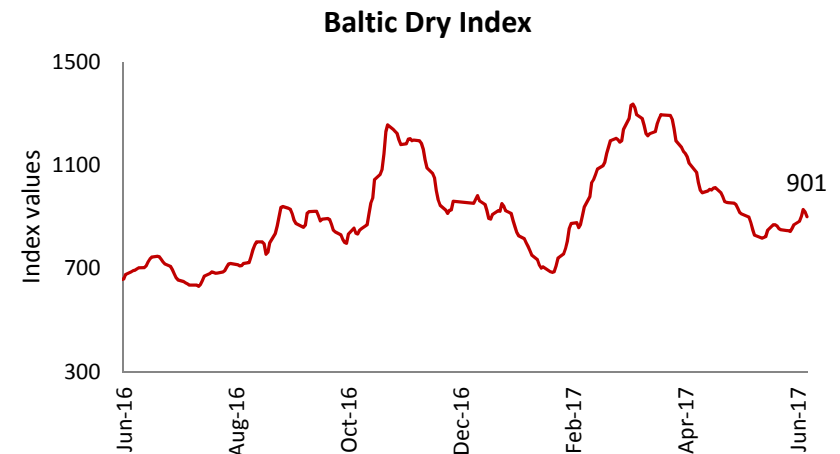
Source: Reuters

Silver prices plunged 4.14% over the month to close at \$16.57 per ounce



Source: Reuters

The Baltic Dry Index increased during the month owing to improved capesize and panama activities

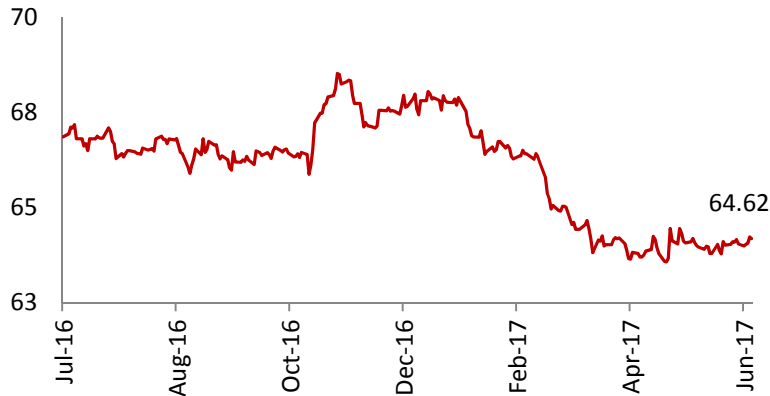


Source: Reuters

Global Currency Market

INR rose after the MPC kept interest rates on hold but gains reversed as U.S. Federal Reserve raised interest rates

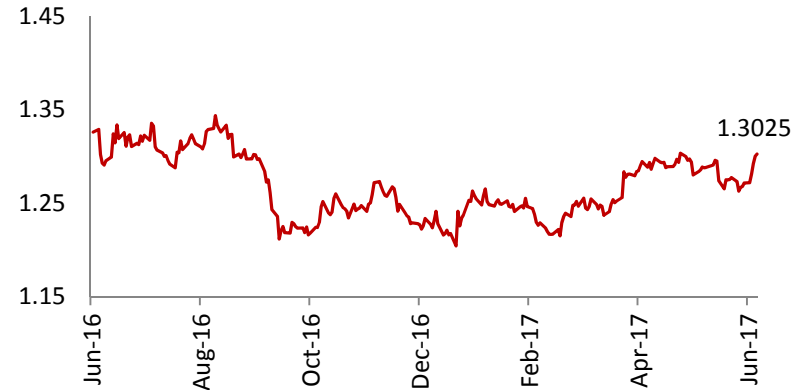
USD/INR



Source: Reuters

GBP rose against the U.S. dollar on rising signs that the Bank of England is looking at tightening monetary policy

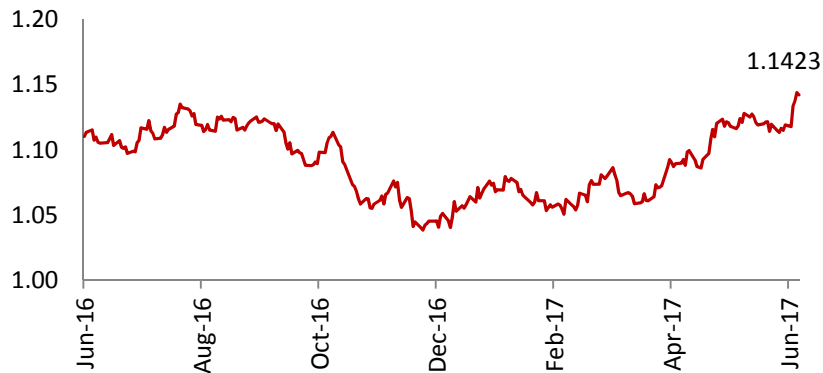
GBP/USD



Source: Reuters

Euro rose at the end of the month on growing possibility that the ECB may start tightening its monetary stimulus programme

EUR/USD



Source: Reuters

Yen weakened against the greenback on upbeat U.S. economic data, which strengthened the case of another U.S. Fed rate hike in 2017

USD/YEN



Source: Reuters

Mutual Fund News

- ✓ According to the chairman of Securities & Exchange Board of India (SEBI), mutual fund industry needs to consolidate the schemes and the fund houses need to improve their due diligence rather than depending only on credit rating agencies. The SEBI chief further cautioned the fund managers against adding bad assets to their portfolios when investing in fixed-income securities.
- ✓ As per media reports, mutual fund houses planned to introduce special schemes targeting the housing sector, since it could get a big push from the Central government's 'Housing for All by 2022' mission.
- ✓ Mutual fund distributors and independent financial advisors are required to enroll for GST registration even if the commission earned is less than Rs. 20 lakh in a financial year. As per the communication from Association of Mutual Funds in India (AMFI), from Jul 1, fund houses will deduct GST from the commission paid to distributors who do not have a GST registration number and forward this tax to the government. For distributors with GST registration, Asset Management Company (AMC) will continue to use the forward charge mechanism, i.e. AMCs will pay gross commission to them.
- ✓ According to media reports, SEBI has urged the rating agencies to increase the degree of surveillance over issuers regarding compliance of their debt obligations and has also increased the disclosure requirements in this regard. The capital market regulator is of the opinion that the agencies are slow to adjust ratings of some companies that defaulted. SEBI stated that the rating agencies have to track whether debt issuers are meeting payments for each rated instrument and be alert for any deterioration of financial conditions.
- ✓ AMFI has targeted an industry asset under management of Rs. 95 lakh crore and investor folios of 130 million by 2025. Industry officials stated that the continuous investor awareness programmes are helping to get new investors into the mutual fund fold.

Real Estate and Private Equity News

- ✓ Private Equity (PE) investment in India in May 2017 surged 64% in value terms with deals worth \$963 million, mainly driven by big ticket investments, says a report by Grant Thornton. There were 67 PE deals in May 2017, compared with 74 such transactions worth \$587 million in May 2016. The month of May was dominated by investments in startups which contributed to 58% of total investment volumes.
- ✓ Jagran Prakashan Ltd (JPL), the publisher of Dainik Jagran, said its promoters have purchased the entire stake held by private equity investor Blackstone Group in the company. Blackstone had held a 12.82% stake in JPL's holding company Jagran Media Network Investment Pvt. Ltd.
- ✓ Tata Motors Ltd. and two other group entities will sell a 43% stake in Tata Technologies Ltd to an affiliate of US-based private equity firm Warburg Pincus Llc for \$360 million (Rs. 2,231 crore), seeking to raise funds to reduce debt. Tata Technologies provides outsourced design, research and development services to the automotive, aerospace and industrial machinery industries.
- ✓ Reliance AIF Asset Management Co. Ltd is raising its first equity-focused alternative investment fund (AIF) of up to Rs. 1,000 crore, called Reliance Equity Opportunities AIF-Scheme 1. The latest AIF from Reliance AIF Asset Management seeks to tap the opportunity created in the Indian economy due to major structural changes such as the Goods and Services Tax (GST), digitization, and demonetisation, which are expected to drive formalization of the economy.
- ✓ Realty firm Saha Groupe has raised Rs. 200 crore through the sale of non-convertible debentures to ECL Finance Ltd, the non-banking financial company of financial services firm Edelweiss Group. The funds will be used by the Noida-based real estate developer to refinance an existing loan and towards land payments. Saha Groupe has residential projects in Noida, Dehradun, and Bareilly.

Thank You

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