WEALTHWHISPER

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To Future, With Trust

Monthly Review
September 2018

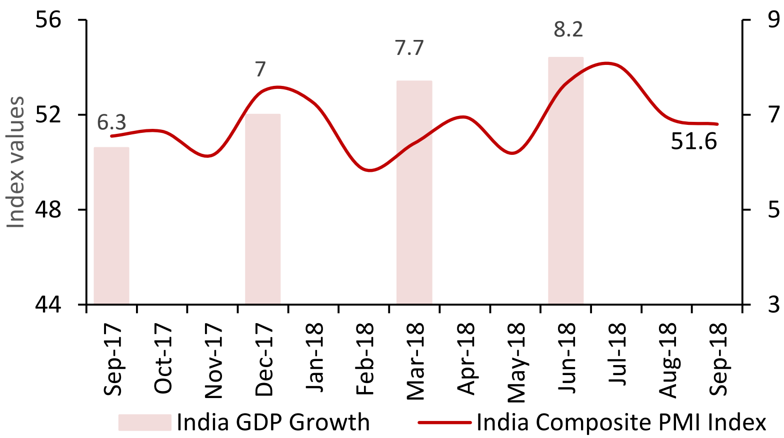
Key Domestic Market Highlights

- ✓ Indian equity markets slumped to more than 2-month low in Sep 2018. Major reasons triggering sell-off include a recent slide in the Indian rupee against the U.S. dollar, concerns over short-term liquidity in the market for commercial papers raised by non-banking financial companies and surge in global crude oil prices, which surpassed the $80 per barrel level. Global cues weighing on market sentiment mainly comprised of the growing trade row between U.S. and China.
- ✓ Government data showed that CPI and WPI inflation eased in Aug 2018, which investors believe will take the pressure off the Reserve Bank of India to raise interest rates in the near future. Additionally, the industrial production of the nation grew in Jul 2018 on the back of upbeat performance by the manufacturing sector and higher sale of capital goods and consumer durables.
- ✓ To stop the fall of the rupee, the finance minister and the Reserve Bank of India came out with separate statements saying they are monitoring the situation and would take all required steps to ensure adequate liquidity in the system. Additionally, the government increased import duties on selected goods, but this could not do much to calm investor's nerves.
- ✓ Real estate sector witnessed initial pressure after the Supreme Court stayed construction in some states and Union territories till they frame policy on waste management. According to a report of a global capital market and investment group, property stocks are down as concerns over higher interest rates, accounting changes and liquidity issues of lenders have had an impact on sentiment.
- ✓ The auto sector fell in the wake of rising crude oil prices and trade tensions between the U.S. and China.
- ✓ The Information Technology (IT) sector rose with the depreciating rupee boosting the fortunes of the industry. The IT industry being an export-based sector is benefitting from the fall in the domestic currency.

Domestic Economic Indicators

Nikkei India Composite PMI Output Index fell to 51.6 in Sep 2018. Rising price pressures weighed on market activity

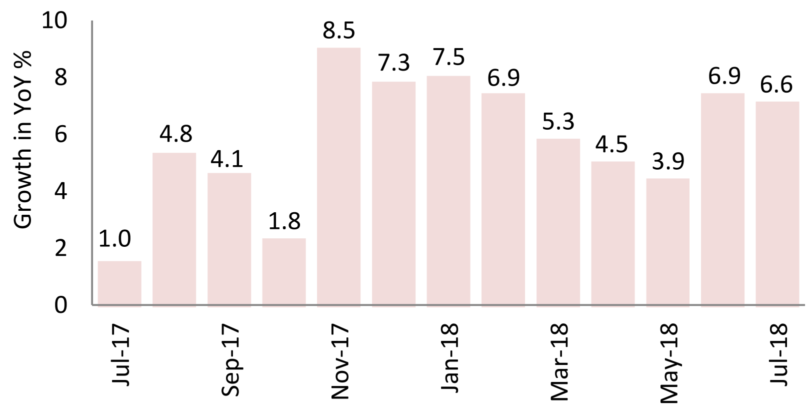
India Composite PMI & GDP Growth



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

Industrial production growth slowed to 6.6% in Jul 2018 from a revised 6.9% (7% originally reported) in the previous month

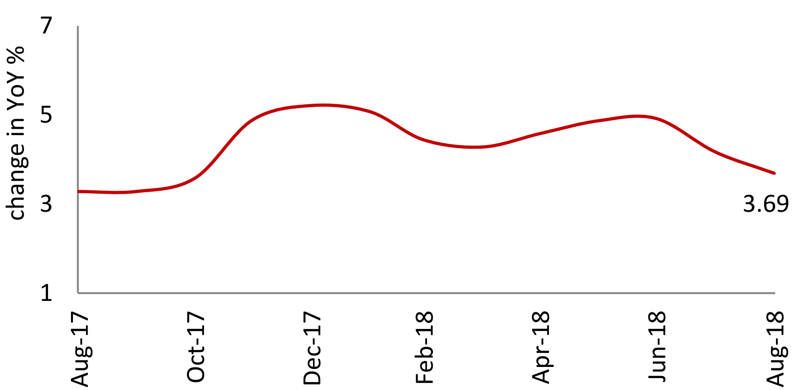
Index of Industrial production (IIP)



Source: Thomson Reuters Eikon

Consumer inflation eased in Aug 2018 marking a 10-month low level. The growth in Consumer Food Price Index also eased in Aug 2018

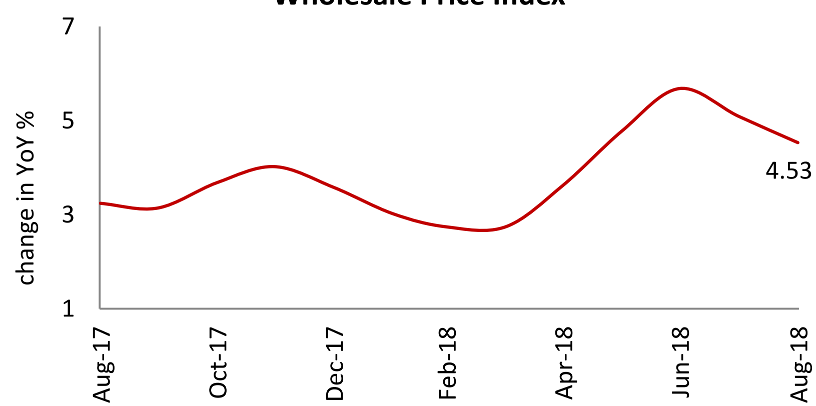
Consumer Price Index



Source: Thomson Reuters Eikon

Wholesale inflation eased in Aug 2018 and marked a four-month low level as prices of food articles, mainly vegetables, came down

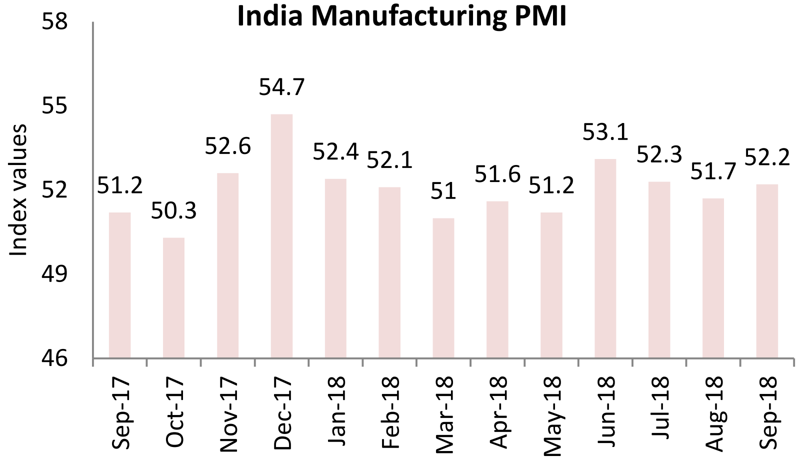
Wholesale Price Index



Source: Thomson Reuters Eikon

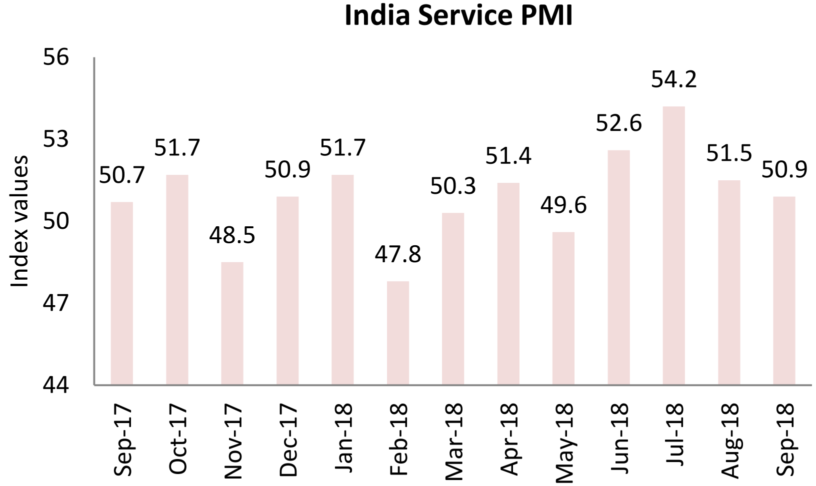
Domestic Economic Indicators

The Nikkei India Manufacturing PMI improved to 52.2 in Sep 2018. The growth came on the back of gain in new orders, output and employment



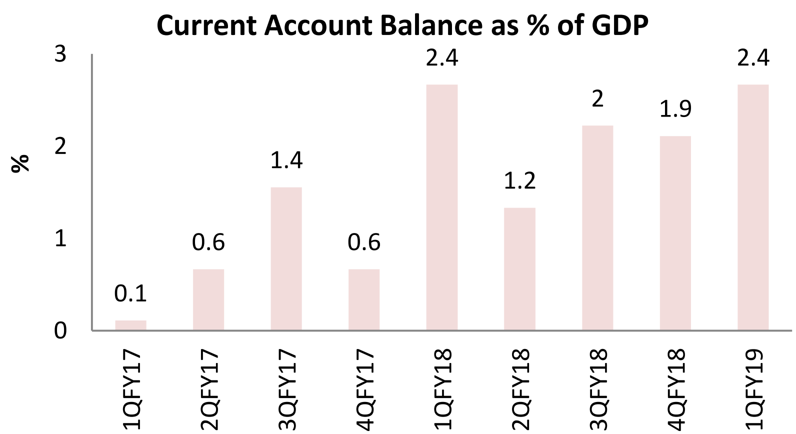
Source: Thomson Reuters Eikon; PMI >50 denotes expansion and <50 is contraction

The service sector PMI fell in Sep 2018 and marked the lowest score in four months. The downside reflects weak demand and stagnant new work



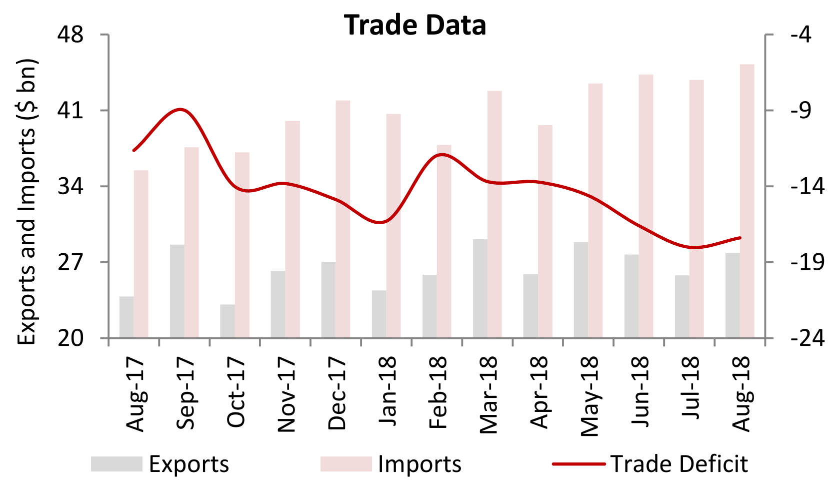
Source: Thomson Reuters Eikon; PMI >50 denotes expansion and <50 is contraction

Current Account Deficit (CAD) came in at $15.8 billion or 2.4% of GDP in Q1 of 2018-19, as against $15.0 billion or 2.5% of GDP in Q1 of 2017-18



Source: Thomson Reuters Rikon

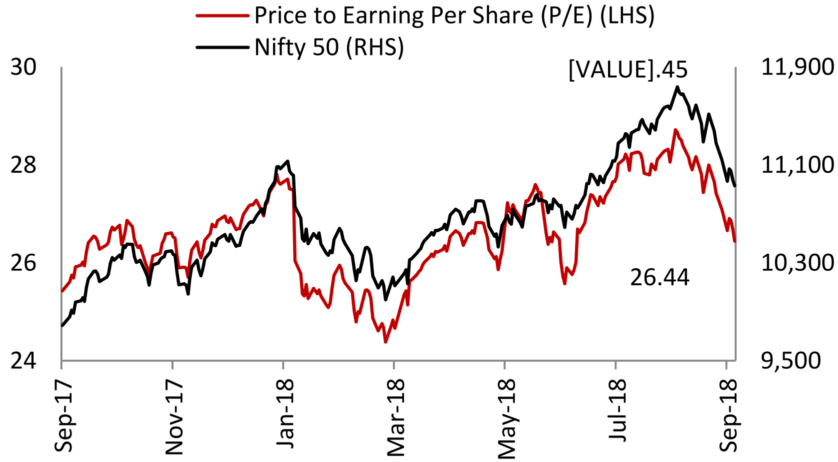
India's trade deficit in Aug 2018 fell to $17.39 billion as against $18.02 billion in Jul 2018. However, it grew over the year



Source: Thomson Reuters Eikon

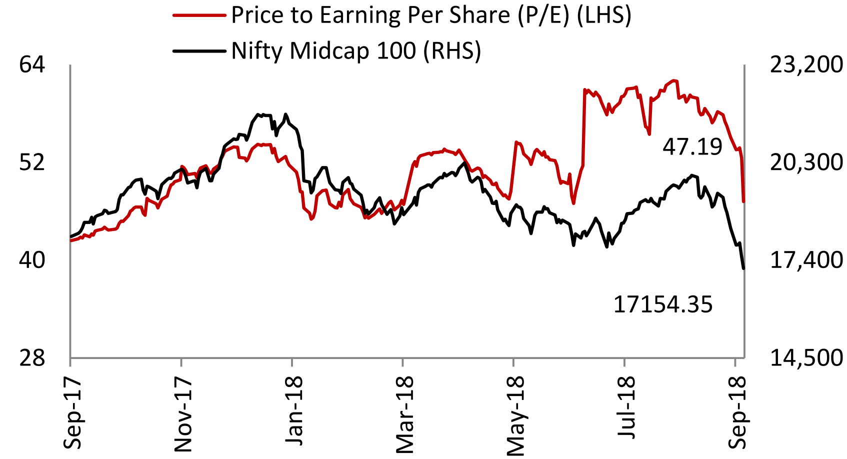
Domestic Equity Market

During the month, S&P BSE Sensex and Nifty 50 fell 6.26% and 6.42% to close at 36,227.14 and 10,930.45, respectively



Source: NSE

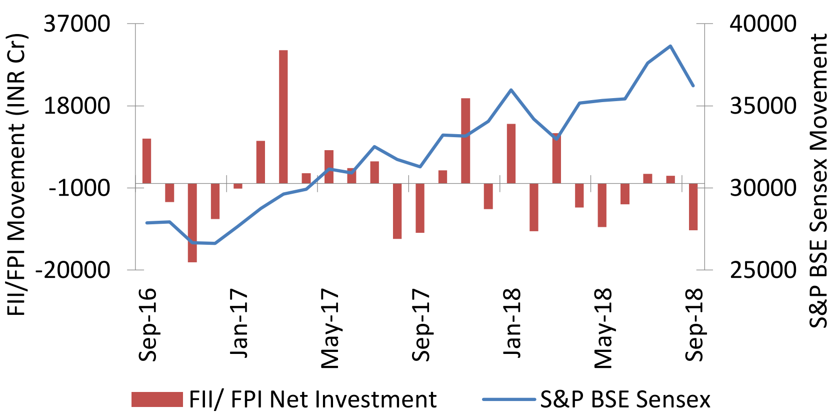
Both Nifty Midcap 100 and Nifty Smallcap 100 fell 13.89% and 19.79%, respectively



Source: NSE

FPIs were net sellers of domestic stocks worth Rs. 10,824.70 crore unlike net purchase of Rs. 1,775.41 crore in Aug 2018. This was the highest outflow since May 2018, when FPIs had pulled out Rs. 10,060.03 crore

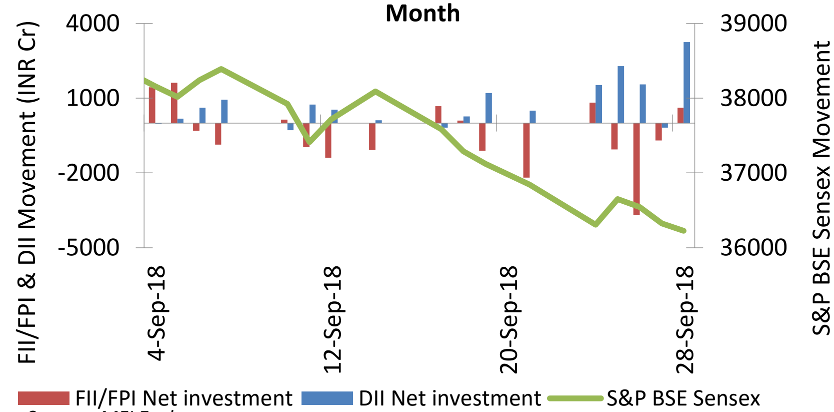
FII/FPI Investment and S&P BSE Sensex - Last 24 Months



Source : MFI Explorer

Domestic mutual funds remained net buyers in the equity segment to the tune of Rs. 11,638.18 crore in Sep 2018 against Rs. 4094.530 crore in Aug

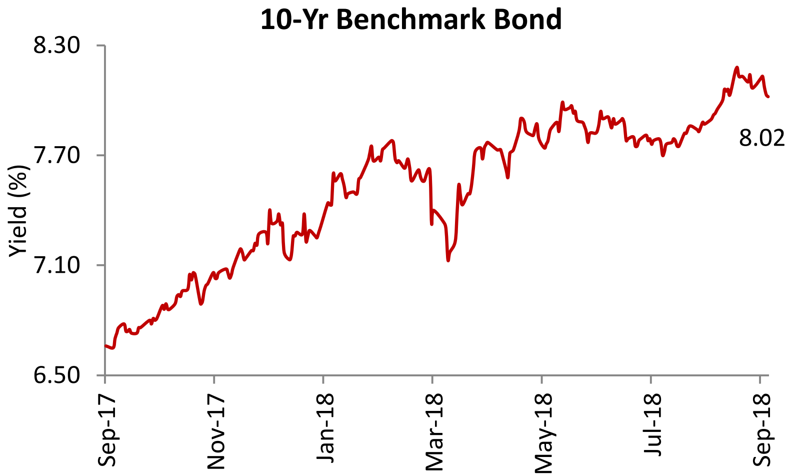
DII, FII/FPI Investment and S&P BSE Sensex - During the Month



Source : MFI Explorer

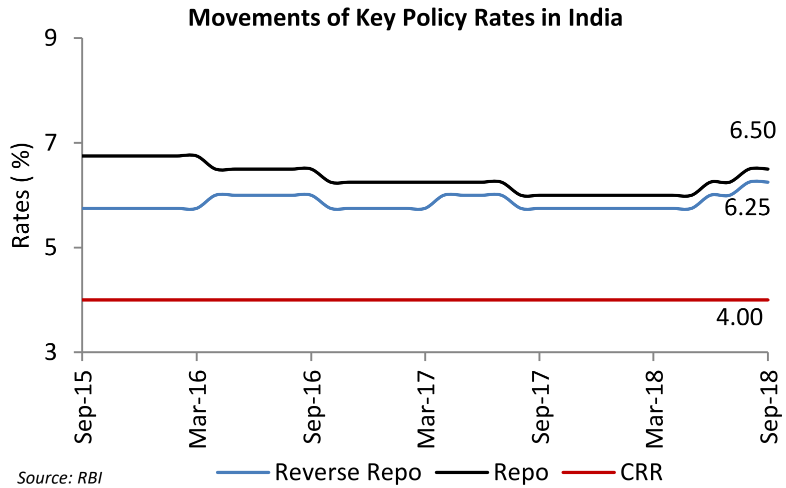
Domestic Debt Market

Yield on the 10-year benchmark bond (7.17% GS 2028) rose 7 bps to close at 8.02% from the previous month's close of 7.95% after moving within a wide range of 7.92% to 8.23%



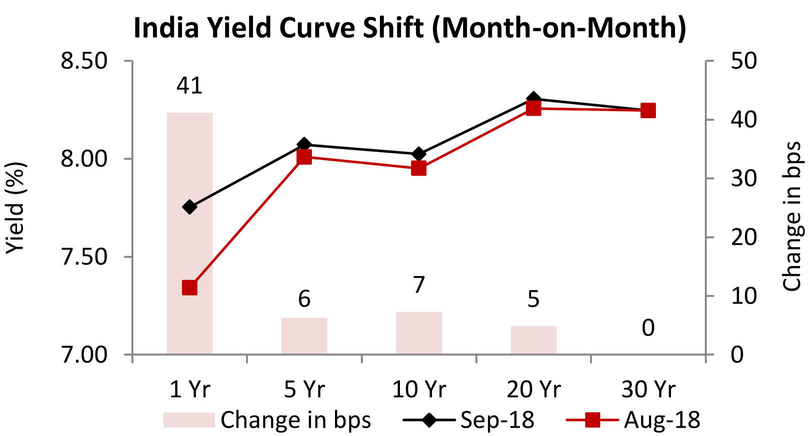
Source: Thomson Reuters Eikon

MPC in its fourth bi-monthly monetary policy review for FY19 kept key policy repo rate on hold after it increased the same by 25 bps each in its two previous bimonthly policy reviews



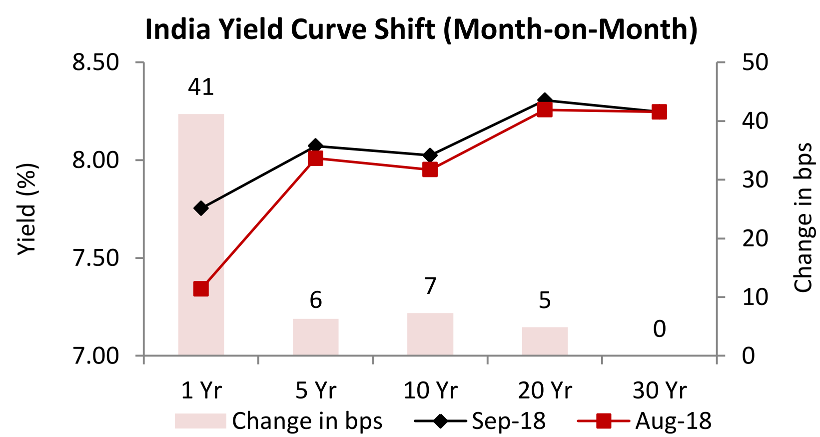
Source: RBI

Yield on gilt securities increased across maturities by up to 43 bps barring 12- and 30-year papers, which closed steady. Yield on 13-year paper fell 2 bps



Source: Thomson Reuters Eikon

Yield on corporate bonds increased across maturities in the range of 16 bps to 52 bps and the maximum increase was witnessed on 1-year paper and the minimum on 15-year paper



Source: Thomson Reuters Eikon

Global Market Highlights

- U.S. markets gained on the back of positive economic data including U.S. economic growth in the second quarter of 2018, which remained unchanged from the previous estimation, and the non-farm payroll data in Aug 2018. The U.S. Federal Reserve raised key policy rates by 25 bps as expected and the policy decision was already factored in by market participants. Gains were restricted as investors remained cautious over trade deal between U.S. and Canada, which will help to revamp the North American Free Trade Agreement (NAFTA). Trade concerns over U.S. and China further dented sentiment after media reported that China has cancelled its meeting with U.S. and a fresh set of tariffs are expected to be imposed by both the nations. Meanwhile, U.S. expressed discomfort over trade balance with Japan.

- European markets mostly gained following improvement in some key economic data. Concerns over emerging markets also eased to some extent after Turkey's central bank raised its key interest rate to control surging inflation and prevent a currency crisis. However, gains were capped following trade war concerns between U.S. and China and political uncertainty in Italy after the nation announced a high deficit budget. The Cautious stance was also witnessed on the Brexit deal.

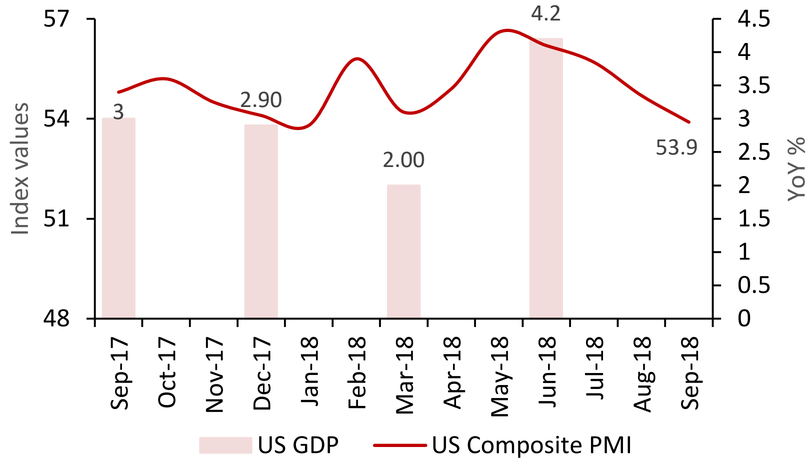
- Asian markets largely traded high amid expectations that the Chinese government would take some stimulus measures to support the growth trajectory and to combat the trade row. Ultra-loose monetary policy by the Bank of Japan and winning of Japanese Prime Minister as the leader of his ruling party supported the bourses. Additionally, global index provider MSCI is expected to raise weighting of China A-shares in its global benchmark. However, investor sentiment took a hit after the U.S. President hinted at including Japan in its trade war and on persisting trade concerns between U.S. and China.

Global Economic Indicators

U.S. Composite PMI fell in Sep 2018 to its lowest level since Jan 2018 due to slower rise in services sector even though manufacturing sector expanded at a faster pace

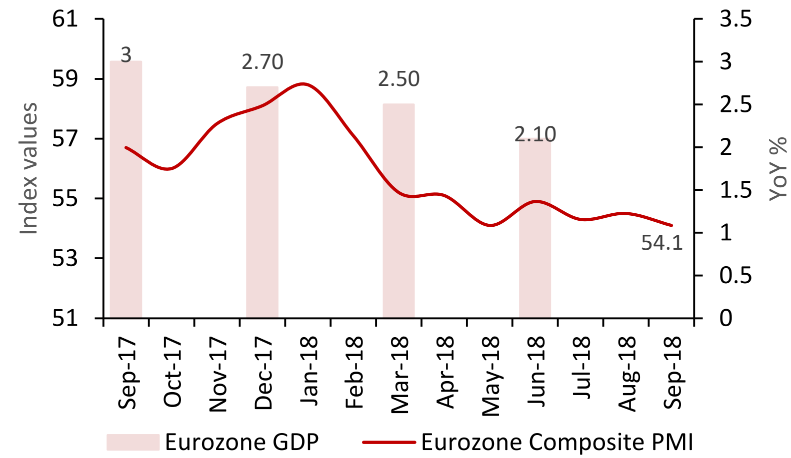
Euro zone composite PMI fell to its lowest level in four months in Sep 2018 due to slower rise in manufacturing sector while services sector rose at a faster pace

US Composite PMI & GDP Growth



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

Euro zone Composite PMI & GDP Growth

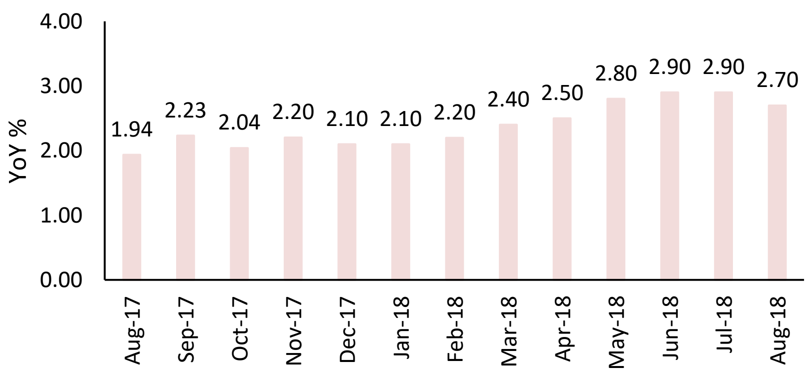


Source: Thomson Reuters Eikon, fxstreet; PMI > 50 denotes expansion and < 50 is contraction

U.S. inflation eased in Sep 2018 compared with the previous month due to slower rise in core inflation

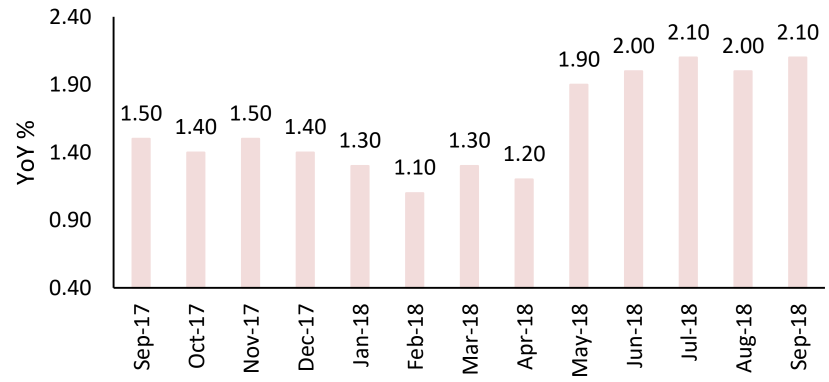
Euro zone inflation accelerated in Sep 2018 compared with the previous month due to increase in the prices of energy and food

U.S. Inflation



Source: Thomson Reuters Eikon

Eurozone Inflation



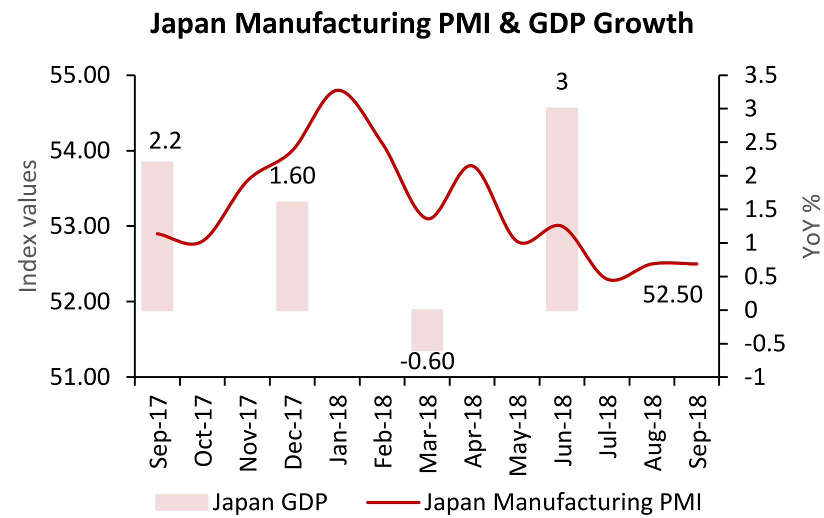
Source: Thomson Reuters Eikon

Global Economic Indicators

China's manufacturing PMI indicated stagnant operating conditions in Sep 2018 following expansion in the prior 15 months. New export business fell at the quickest rate since early 2016

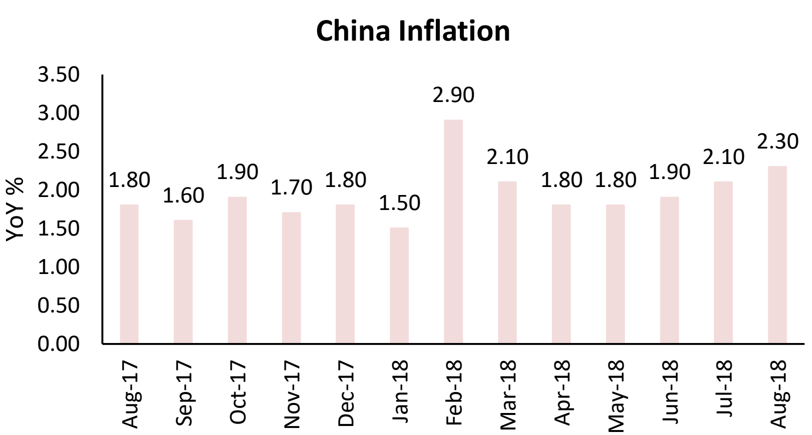
Source: Reuters, fxstreet; PMI > 50 denotes expansion and < 50 is contraction

Japan's manufacturing PMI remained steady in Sep 2018. Sector continued along an expansionary path, with output, demand and employment all rising but production growth dipped to a 14-month low



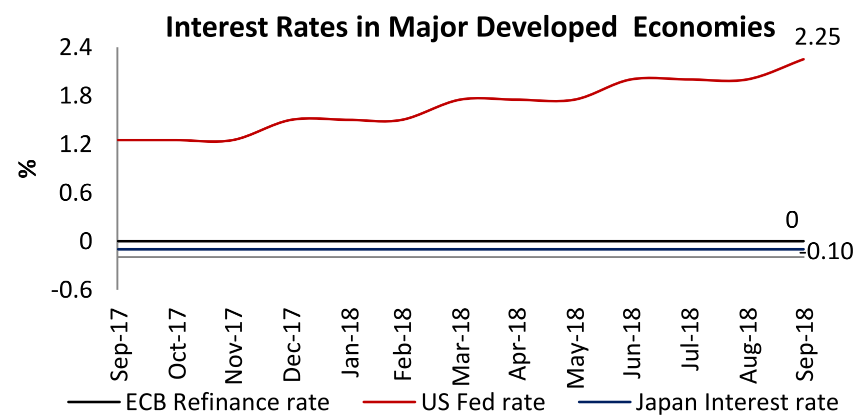
Source: Reuters, fxstreet; PMI > 50 denotes expansion and < 50 is contraction

China's consumer inflation grew at an accelerated pace in Aug 2018 compared with the previous month due to higher food and fuel costs



Source: Reuters

U.S. raised interest rates for the third time in the current year by 25 bps to 2.25% in Sep 2018



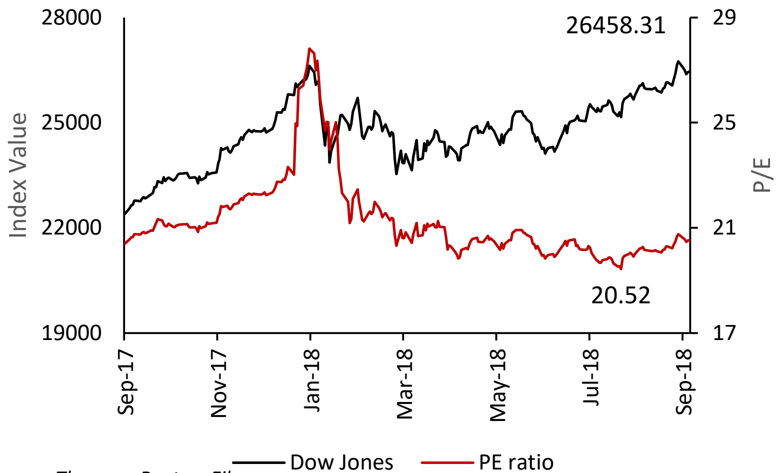
Source: Reuters

Global Equity Markets

U.S. markets gained on the back of positive economic data. However, gains were restricted as investors remained cautious over trade deal between U.S. and Canada, and U.S. and China

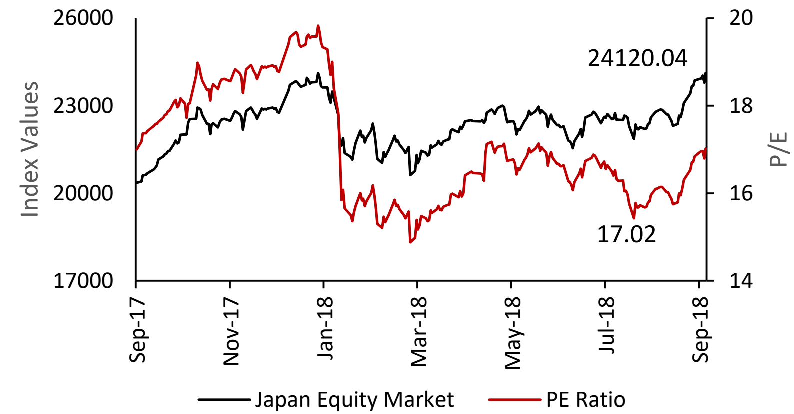
Ultra-loose monetary policy stance by the Bank of Japan (BoJ) and winning of Japanese Prime Minster as the leader of his ruling party supported the bourses

U.S. Dow Jones Index and PE ratio



Source: Thomson Reuters Eikon

Japan Nikkei Index and PE ratio



Source: Thomson Reuters Eikon

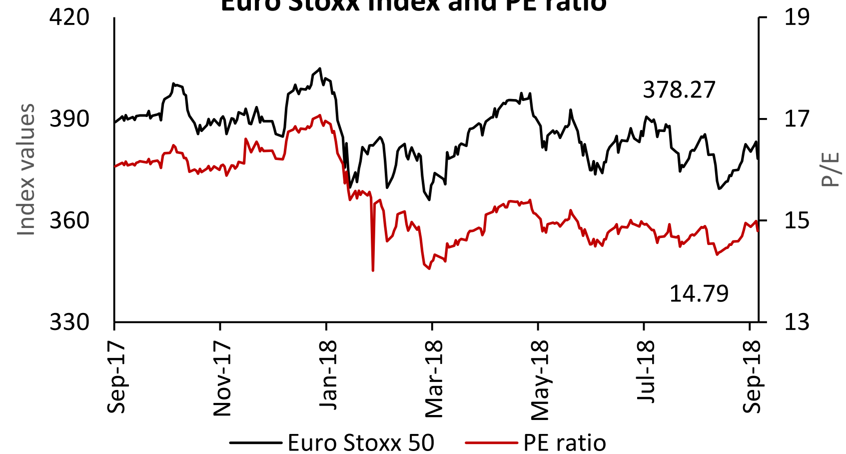
Asian markets traded mixed amid expectations that Chinese government would take some stimulus measures to support the growth trajectory of the country and to combat the trade row

European markets mostly gained following improvement in key economic data. But setback was witnessed following trade war concerns between U.S. and China and political uncertainty in Italy

China Shanghai Index and PE

Source: Thomson Reuters Eikon

Euro Stoxx Index and PE ratio



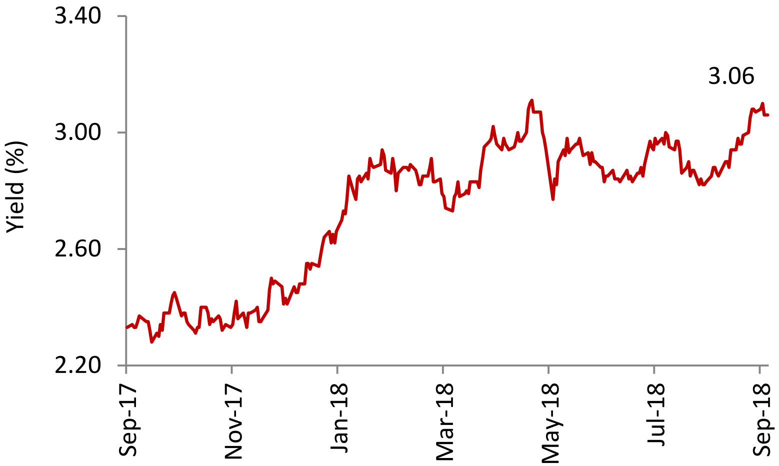
Source: Thomson Reuters Eikon

Global Debt

Yield on the 10-year U.S. Treasury bond surged 21 bps during the month to close at 3.06% compared with the previous month's close of 2.85%

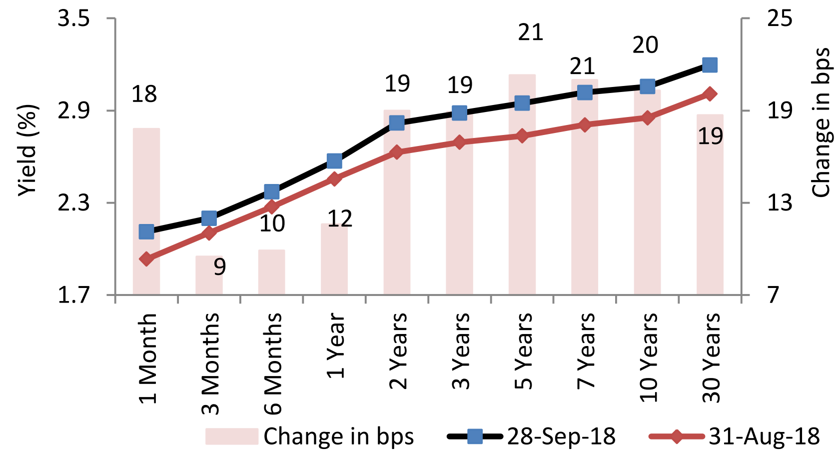
U.S. Treasury prices fell on strong economic data during the month including upbeat U.S. manufacturing activity and jobs data for Aug 2018

U.S. 10 Year Treasury Yield



Source: Thomson Reuters Eikon

U.S. Treasury Yield Curve Shift (Month-on-Month)

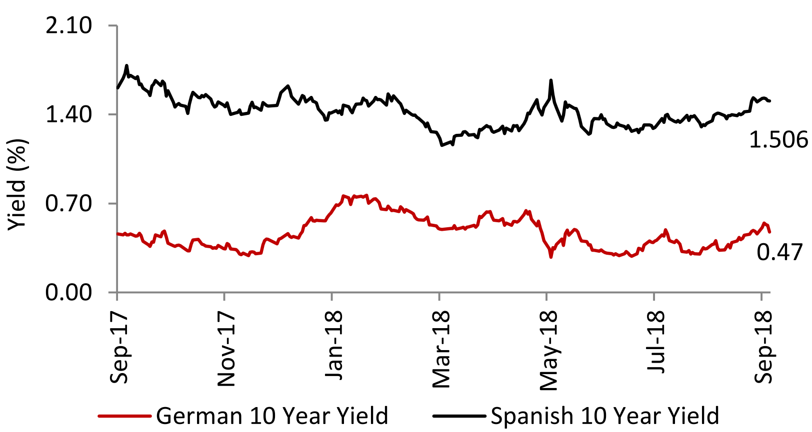


Source: Thomson Reuters Eikon

Yield of both Germany and Spanish bonds rose following increased possibility of rate hike by the European Central Bank (ECB)

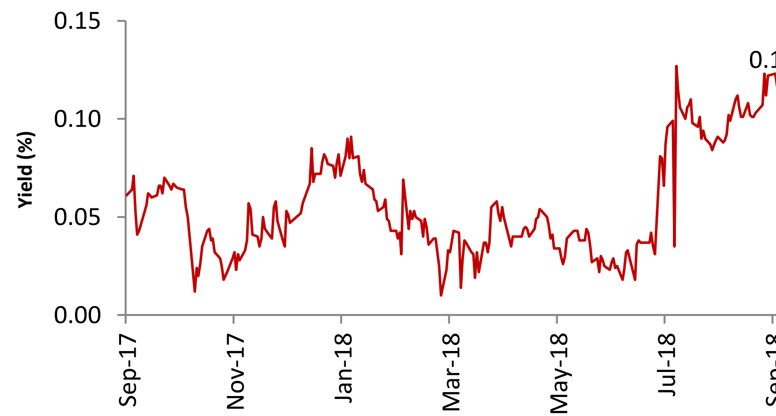
Japanese 10-year yield increased from 0.099% in Aug 2018 to 0.119% in Sep 2018

German & Spanish 10 Yr Treasury Yield



Source: Thomson Reuters Eikon

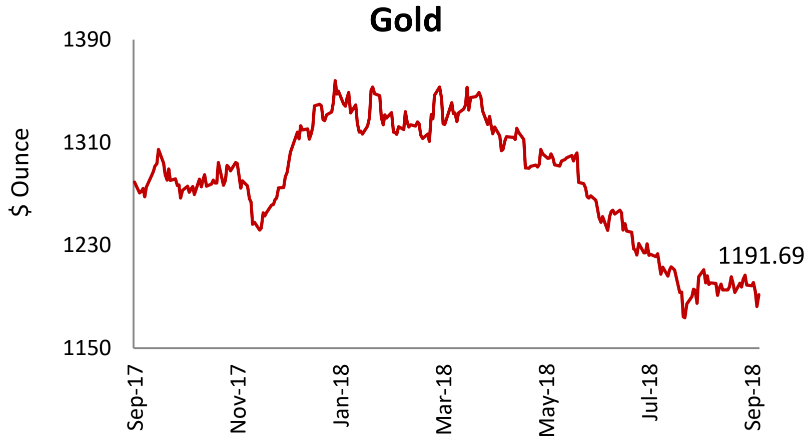
Japan 10 Yr Benchmark Yield



Source: Thomson Reuters Eikon

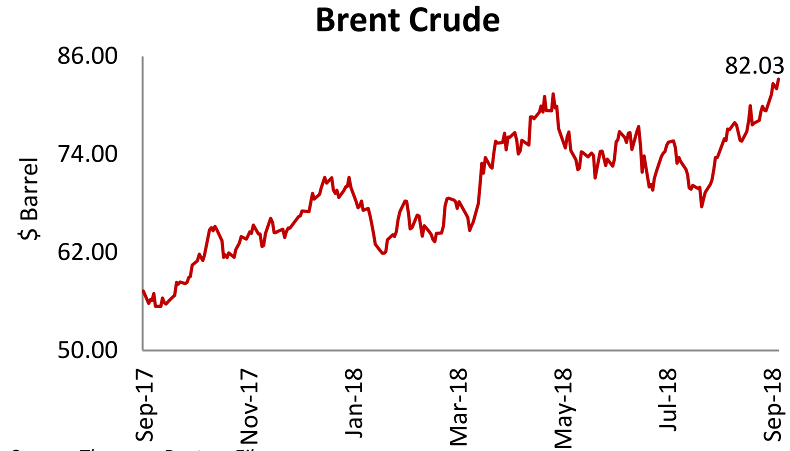
Global Commodity Market

The precious metal moved down after the U.S. Fed increased interest rates in its Sep 2018 policy review and gave clues of another rate-hike in Dec 2018. Strong U.S. jobs report for Aug 2018 further weighed on the prices



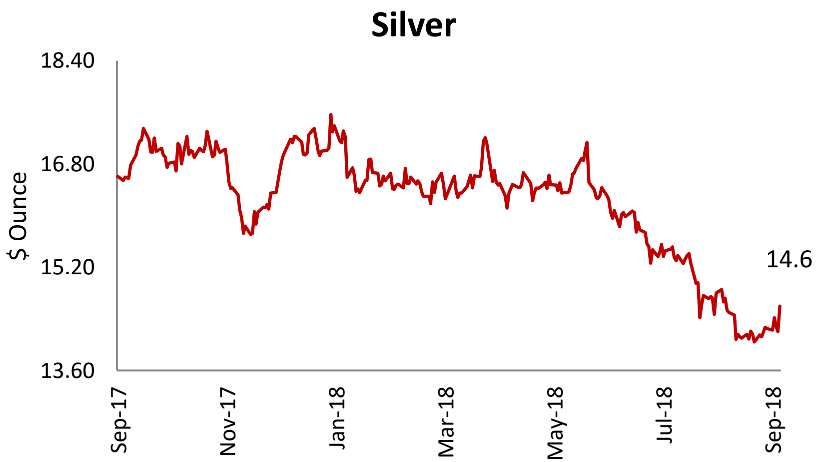
Source: Thomson Reuters Eikon

Brent crude prices continued to rise and surpassed the $80 per barrel level. Supply tightening tension from the impending U.S. sanction on Iran boosted prices



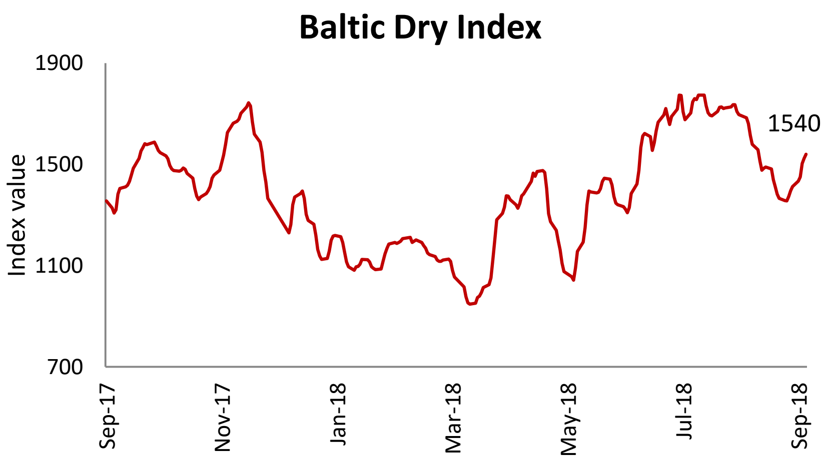
Source: Thomson Reuters Eikon

Silver prices traded almost steady amid weak demand by industrial units and coin makers and prices were last seen trading at $14.348 per ounce, compared with the previous close of $14.340 per ounce



Source: Thomson Reuters Eikon

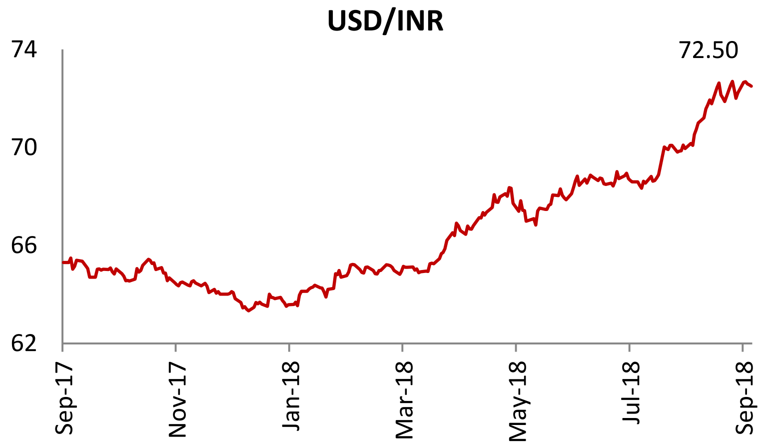
The Baltic Dry Index moved down 2.47% MoM in Sep owing to lower capesize and panamax activities



Source: Thomson Reuters Eikon

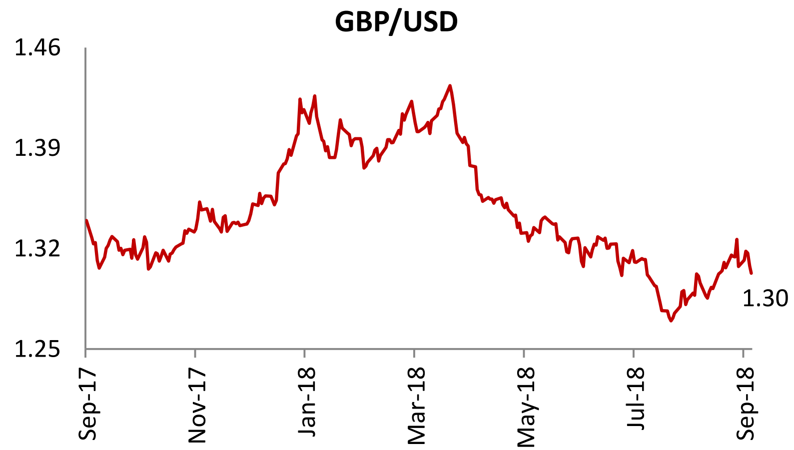
Global Currency Market

The Indian rupee plunged and touched record low against the U.S. dollar. Rupee fell mostly due to surge in global crude oil prices, which softened the domestic economic outlook



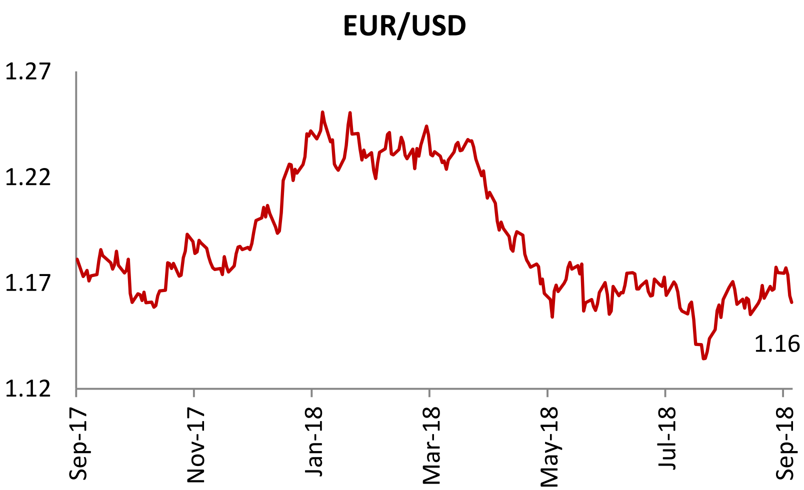
Source: Thomson Reuters Eikon

Pound rose against the U.S. dollar on growing optimism of Brexit deal but gains were limited after U.K. Prime Minister said Brexit talks with the European Union had reached an impasse and new plans were needed



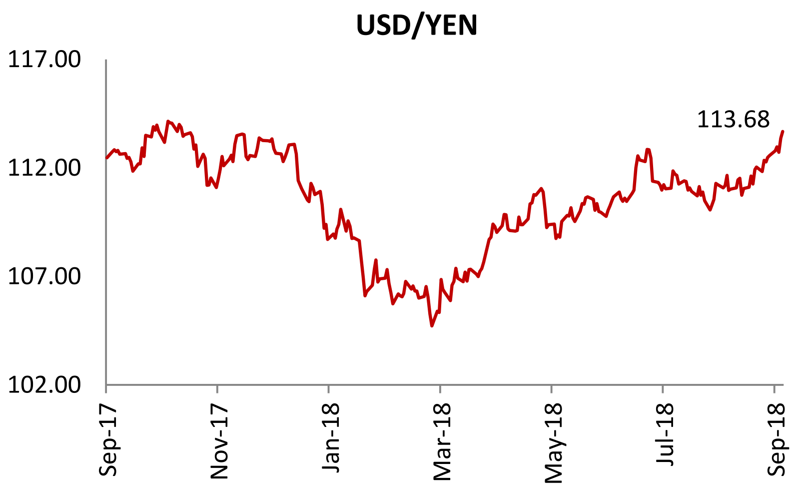
Source: Thomson Reuters Eikon

Euro closed marginally positive against the U.S. dollar after moving in a range during the month



Source: Thomson Reuters Eikon

Yen plunged against the U.S. dollar on concerns over U.S. Federal Reserve's outlook for more rate hikes beyond 2018



Source: Thomson Reuters Eikon

Mutual Fund News

- According to media reports, the Securities and Exchange Board of India (SEBI) revised the mutual fund fee structure and slashed total expense paid by investors to fund houses, making the investment more profitable. The reduction in expenses would directly benefit investor as the same would get added to their portfolio value. The mutual fund industry is required to adopt the revised commission across all schemes. The step of slashing and putting a cap on the cost mutual fund Asset Management Companies (AMC) charge investors (total expense ratio or TER) will benefit the latter. As per the regulator, investors will annually save around Rs. 1,300 crore to Rs. 1,500 crore. SEBI has introduced a revised slab for expense charge of funds for different fund sizes.

- As per media reports, SEBI asked AMCs and other financial institutions to present details of their investments in IL&FS group companies. This will help assess AMCs' exposure in the debt-ridden infrastructure and financial solutions company.

- According to media reports, SEBI clarified that it has not given any recommendation to mutual funds on matters relating to extension of their current exposure in Indiabulls Housing Finance and Dewan Housing Finance. The explanation from the regulator came in after a few media reports said that SEBI is looking for details from mutual funds due to liquidity concerns.

- As per media reports, a board member of Association of Mutual Funds of India (AMFI) appealed to SEBI to allow AMCs to make upfront commission payment of up to Rs. 1,000 to distributors. This will assist IFAs to manage client acquisition cost.

- According to media reports, the mutual fund industry witnessed addition of 1.57 crore folios on YoY basis as on Aug 2018. During the month, 10.8 lakh new folios were added. Despite the market volatility, investors showed resilience, indicated by the steady rise in folio count.

Real Estate and Private Equity News

- A report from KPMG revealed that the Indian real estate could become a $1 trillion (Rs. 72 lakh crore) industry by 2030 and it could emerge as the third largest globally. The government's renewed focus on affordable housing revamped regulatory reforms and allowing infrastructure status to warehousing are expected to provide the required support to the Indian real estate sector.

- According to a report titled India Real Estate - Variance in Construction Costs, overall stock of developed real estate in India's urban centres could touch 8.2 billion square feet (sq. ft.) by 2025 and the sector is expected to contribute a significant 13% towards India's GDP. The report also showed that the implementation of the Goods and Services Tax (GST) has put a cap on the cost of raw materials and streamlined inter-state and import tax, giving the industry a major boost. The report also revealed that the cost of construction is highest in Mumbai, compared with Chennai, Bengaluru, Hyderabad, Pune and Delhi.

- Housing Development and Infrastructure Ltd (HDIL) plans to repay its debt amounting to Rs. 511 crore to Bank of India, as a result of which the state-owned bank has announced to withdraw its insolvency petition against the Mumbai-based property developer. HDIL will repay the bank in instalments and clear all dues by Aug 2019.

- Motilal Oswal Real Estate, the real estate arm of financial services provider Motilal Oswal, announced that it has raised Rs. 575 crore for its latest fund – India Realty Excellence Fund IV. The fund will be used to develop affordable residential homes in India's top six cities, while a smaller portion will be invested in commercial projects.

- PE firm Everstone Capital plans to offload a minority stake in the quick service restaurant (QSR) chain Burger King India. Everstone currently holds roughly 88% of Burger King India and will divest 20% stake worth $300-350 million, according to media reports.

  Source: Livemint

Thank You

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