



Monthly Market Insight

April 2019

EQUITY UPDATE

Equity Update

Amidst 4QFY19 results and general elections voting, rising crude prices weighed on investor sentiment. Meanwhile, the RBI cut repo rate by 25 bps to 6% at the start of the month in its first Bi-monthly Monetary Policy Statement for 2019-20 and the India Meteorological Department (IMD) forecast a near-normal monsoon in 2019.

After a synchronized up move by large cap (~8%) and mid-cap (~9%) indices in March 2019, the S&P BSE Sensex and NIFTY 50 indices made a marginal gain of 0.9% and 1.1% whereas BSE Midcap and BSE Small cap shed 3.8% and 2.7% respectively. Leading developed market indices continued the upward move, S&P 500 rose 3.9%, Euro Stoxx 50 gained 4.9%, and MSCI Emerging Markets index inched up by 2% (+12% CYTD). On the sectoral front, BSE IT and BSE Metals indices rose 6.4% and 1.4% respectively, while BSE Realty and BSE Power were the worst performing indices and ended 3.3% and 3.2% lower.

Global Macros

- The US 10 year bond yield inched 10 bps higher and was quoting at 2.5% on April 30th 2019. The dollar index was at 97.5 at the end of April, having flat MoM.
- Brent crude was up 6.4% in April 2019 and was quoting at USD72.8/bbl on April 30th 2019 as the US announced an end to waivers on Iranian oil imports.
- EU extended the deadline for UK's departure (Brexit) until October 31, 2019 from March 29, 2019, while US-China trade talks continue to give confusing signals. While, the global growth concerns were marginally assuaged after some mixed macro prints from China and solid 1QCY19 US GDP growth.

Domestic Macros

Inflation: (a) CPI inflation hardened to 2.86% in March 2019 from 2.57% in February 2019; (b) WPI inflation came in at 3.18% in March 2019 versus 2.93% in February 2019 on the back of spurt in food and fuel prices.

Currency: INR/USD depreciated marginally 0.6% and ended April 2019 at INR69.6/USD vs INR69.1/USD on March 29th 2019.

Growth: February 2019 IIP growth stood at 0.1%, as against 1.4% in January 2019. While 10 of 23 industry groups recorded positive YoY growth in February 2019, the drag was led by contraction in manufacturing sector (-0.3% YoY) and capital goods (-8.8% YoY).

Trade Deficit: Trade deficit in March 2019 was USD10.9b (v/s USD9.6b in February 2019) with the annual FY19 deficit coming in at a 6-yr high of USD183.5b.

Source: Bloomberg, as on 30th April, 2019.

Regulatory, policy and market developments

Liquidity: RBI conducted its second dollar swap auction of USD5 bn on April 21, 2019 to increase liquidity.

Equity trading trends: FIIs net bought equities worth USD1.5 bn and DIIs sold equities worth USD600 mn during April 2019. For CY2019 till date, FIIs bought equities worth USD 9.8 bn and DIIs sold USD2.4 bn.

Policy: RBI's policy review kept stance unchanged at neutral while cutting down repo rate by another 25bps to 6%. RBI lowered its CPI inflation forecast to 2.9% - 3.0% for 1HFY20 (from 3.2%-3.4%), 3.5% (from 3.9%) for 3QFY20 and expects to accelerate to 3.9% in 4QFY20. Further, it lowered its FY20 GDP growth forecast to 7.2% from 7.4%.

Lok Sabha Elections: The 17th Lok Sabha elections to lower house of Parliament commenced from April 11th 2019, with 4 rounds of polling completed so far for 337 of 543 seats. The polling will end on May 19th 2019, and results are scheduled to be announced on May 23rd 2019.

GST revenues: April 2019 GST collections were at a record high of INR1.13t (v/s required monthly run rate of INR1.15t so as to meet FY20E budget target of INR13.7t)

Inflation: While the inflation is trending lower, risks could also rise from potential El Niño effects, with early forecasts of near-normal (IMD) to below-normal monsoons (Skymet)

Key Sectoral Trends

Banks: March 2019 credit growth stood at 12.3% YoY largely supported by NBFCs (> 29% YoY growth) and personal loans (>16% growth, supported by credit cards). Supreme Court struck down RBI's February 12, 2018 circular on debt resolution.

Auto: March 2019 sales for Autos continued the past few months' trend of subdued retail numbers across the board. 2Ws reported weak volumes in the month, while CVs saw mixed trends. Additionally, FADA commentary on March retails indicated a normalisation in inventories across 2Ws, 4Ws and CVs.

Aviation: The sector witnessed a tumultuous month as Jet Airways announced temporary operational shutdown as it failed to raise funds. Domestic air passenger traffic growth turned flat in Mar (YoY) in light of these developments.

Energy: Crude reacted to Iranian oil import waivers ceasing post 2 May 2019, despite a surprise on the strong US inventory levels early in the month, inching back to USD75/bbl levels. Refining margins while have recovered from the lows, still continue to remain weak, expect revival in 2HCY19 with likely benefit from emission regulation changes in shipping.

Market Outlook

- As discussed in the prior month, demand slowdown in some pockets of domestic market led by (among others) liquidity squeeze continues and has further deepened specifically in Auto. We continue to believe that this is a temporary situation and demand will bounce back given the steps taken by RBI on liquidity situation. The silver lining is improving GST collection. On the global front, commentary of corporates has improved and slowdown rhetoric has mellowed down. Similarly, the high frequency data strategy that the rest is behind the global economy.
- Early indicators point out that the first half of FY20 also impacted by election period will remain subdued. We expect 2HFY20 to be significantly different from 1H and growth could overshoot expectations led by policy initiatives of the new government, expected rate cut by RBI, moderate inflation scenario, global growth and favourable base.

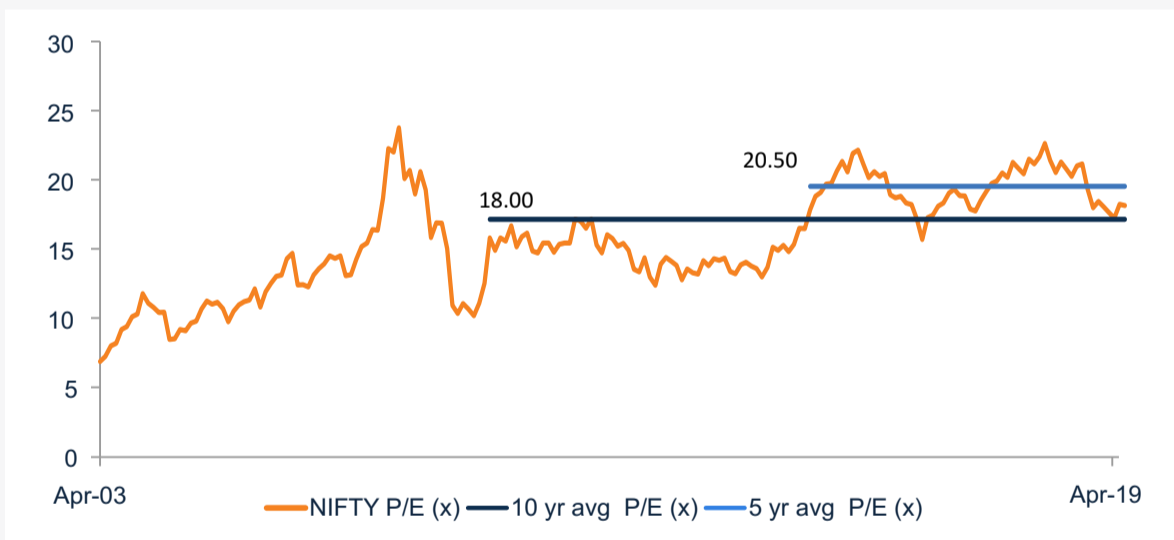
Key things to watch out for: Apart from usual macroeconomic parameters and corporate earnings trend, key things to watch out for includes (a) improvement of liquidity in the system, (b) outcome of central elections, (c) improvement in the high frequency data, (d) policy initiatives of the new government and (e) Monsoon trends and (f) outcome US-China trade talks.

Valuations: The consensus estimates peg FY19 and FY20 Nifty-50 earnings growth of 7% and ~28% respectively, implying 1-years forward P/E of ~19.4x.

Source: Bloomberg, as on 30th April, 2019.

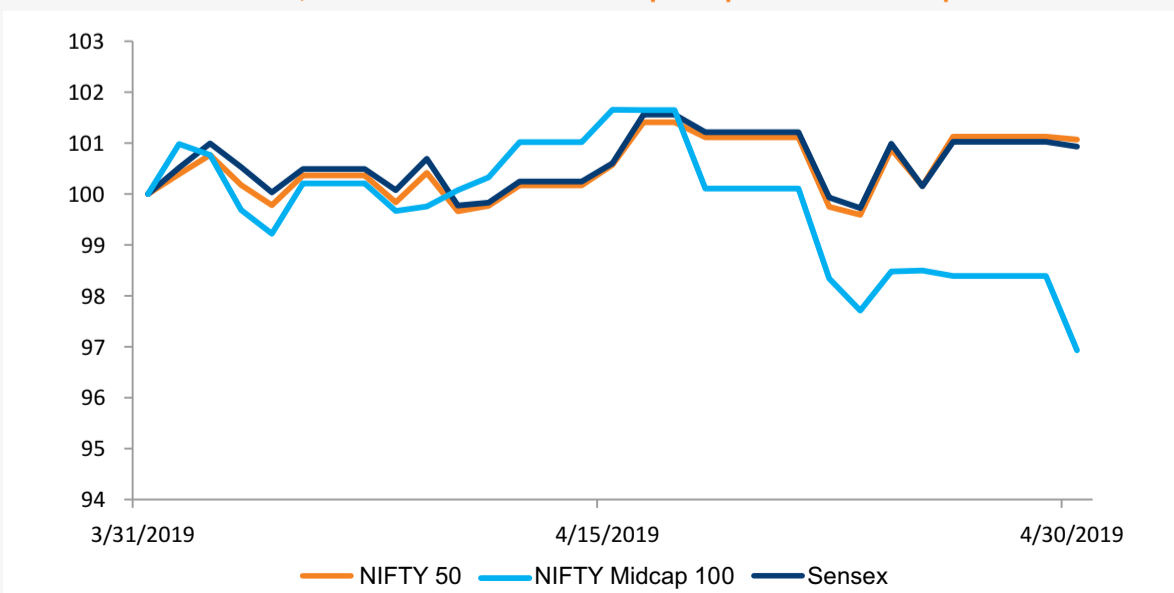
We would advise to invest in a disciplined way in equities for long-term, within the earmarked asset allocation (based on individual risk profile). In the current market scenario, staggered investments through SIP or STP, would remain the best ways to invest in equities.

NIFTY 50 Valuations:



Source: Bloomberg, as on 30th April, 2019.

Sensex, NIFTY 50 and NIFTY Midcap 100 performance in April



Source: Bloomberg, as on 30th April, 2019.

*Index values have been rebased to 100 as on 31st March, 2019.

PERFORMANCE IN APRIL OF MAJOR INDIAN INDICES

Major Indian indices	Apr-19	Mar-19	Performance (%)			
			1m	3m	6m	1Y
S & P BSE SENSEX	39031.6	38672.9	0.9	7.7	15.2	11.0
NIFTY 50	11748.2	11623.9	1.1	8.5	15.2	9.4
NIFTY Midcap 100	17566.4	18258.5	-3.8	3.9	4.2	-13.4
NIFTY Midcap 150	6292.4	6504.0	-3.3	4.1	5.8	-11.2
NIFTY SmallCap 250	5328.3	5438.8	-2.0	6.1	6.7	-20.5

Source: Bloomberg, as on 30th April, 2019.

PERFORMANCE OF GLOBAL AND REGIONAL INDICES

Name	Performance (%)			
	1m	3m	6m	1Y
Global and regional indices				
BSE (Sensex)	0.90	7.70	15.20	11.00
Brazil (Bovespa)	1.00	-1.10	10.90	11.90
Shanghai (SHCOMP)	-0.40	19.10	19.90	-0.10
Germany (DAX)	7.10	10.50	9.40	-2.10
Hong Kong - HSI	2.20	6.30	20.80	-3.60
Japan (Nikkei)	5.00	7.10	3.70	-0.90
Korea (Kospi)	2.90	-0.10	9.40	-12.40
Russia (MOEX)	2.50	1.50	11.30	10.90
UK (FTSE)	1.90	6.40	5.40	-1.20
US (Dow Jones)	2.60	6.40	6.90	10.10

Source: Bloomberg, as on 30th April, 2019.

PERFORMANCE OF INDIAN SECTOR INDICES


Name	Performance (%)			
	1m	3m	6m	1Y
BSE sector indices				
BSE Auto	0.10	1.90	-4.20	-27.10
BSE Bank	-2.40	8.50	19.50	16.30
BSE Capital goods	-2.40	4.20	5.00	-7.70
BSE Consumer durables	0.10	12.30	27.60	6.70
BSE FMCG	0.20	1.30	6.80	4.10
BSE Healthcare	-0.30	3.50	-0.50	1.50
BSE Infotech	6.40	6.50	15.90	19.90
BSE IT	4.70	6.10	13.80	12.40
BSE Metals	1.40	5.10	-9.40	-19.40
BSE Oil & Gas	0.60	12.80	18.00	6.40
BSE Power	-3.20	4.70	1.30	-12.00
BSE Realty	-3.30	13.20	20.60	-17.30
BSE Infra	-2.00	9.60	9.60	-15.00
BSE Industrial	-1.00	6.10	5.90	-17.90
BSE Telecom	-5.00	0.00	0.60	-24.80
BSE Consumer Discretionary	-2.10	4.10	4.00	-16.10

Source: Bloomberg, as on 30th April, 2019.

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