

WEALTHWHISPER



Monthly Review  
April 2018

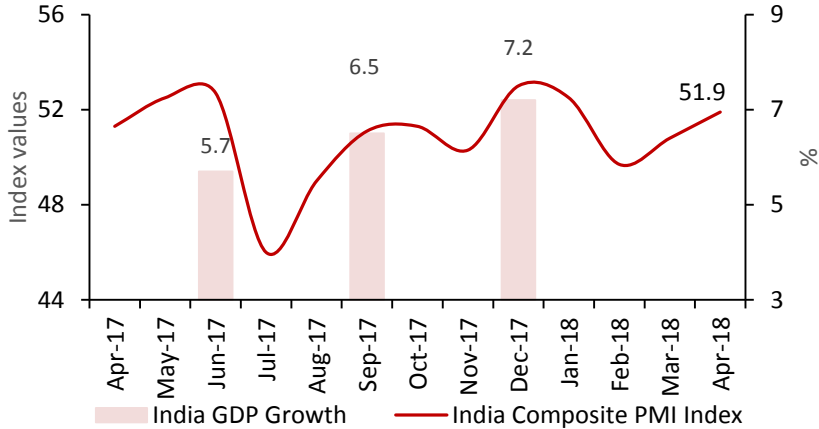
# Key Domestic Market Highlights

- ✓ Indian equity markets witnessed steady growth with mild hiccups during the month. The gains were mainly led by upbeat macro-economic readings coupled with Indian Meteorological Department's prediction of favorable monsoon season. Easing concerns over trade war between U.S. and China contributed to the upside.
- ✓ The Monetary Policy Committee (MPC), in its latest policy meeting on Apr 5, 2018, decided to maintain status quo in key rates, as was widely expected. Additionally, the central bank lowered inflation expectations for the fourth quarter of FY18 and first and second halves of FY19, which acted as a positive catalyst.
- ✓ The minutes of MPC's meeting hinted that policymakers could take a more hawkish tone beginning Jun 2018, thereby fuelling expectations of a rate hike. This came amid concerns like increase in minimum support prices for farmers and high crude oil prices.
- ✓ Geo political tensions between U.S. and Russia too kept investors wary. However, investors shrugged off such fears and focused on the upcoming corporate earnings of industry majors. Encouraging quarterly earnings helped Sensex to regain its 35,000 mark. Fears over rising 10-year U.S. Treasury yields loomed large in the second half of the month but were overcome at the end of the month as yields eased.
- ✓ IT sector has witnessed gains in recent times on the back of recovery in U.S. economic scenario. However, the upside was limited amid heightened tensions between U.S. and Russia. Government focus on Digital India programme has offered plenty of opportunities to the IT sector. Upbeat quarterly earnings from an industry major boosted buying interest in the sector.
- ✓ The oil sector took a hit after India's state-run oil retailers were asked to absorb a part of their losses after recent recovery in global crude oil prices.

# Domestic Economic Indicators

Nikkei India Composite PMI Output Index rose from 50.8 to a three-month high of 51.9 in Apr due to acceleration in manufacturing and services sectors

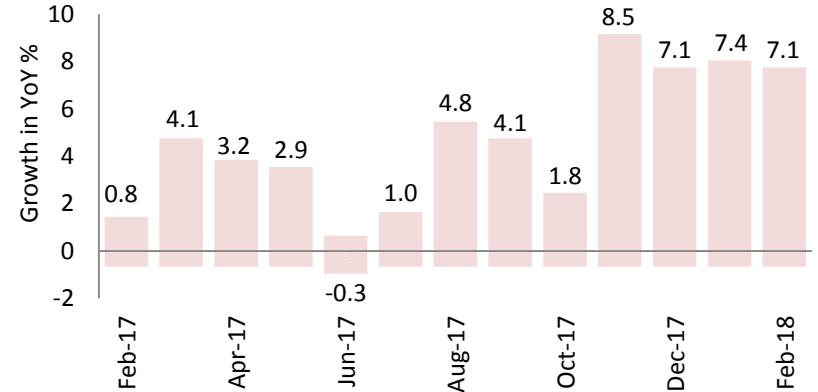
### India Composite PMI & GDP Growth



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

India's IIP grew 7.1% in Feb 2018 as against downwardly revised growth of 7.4% in Jan 2018. IIP growth for the Apr 2017-Feb 2018 period slowed to 4.3% from 4.7% in the same period of the previous fiscal

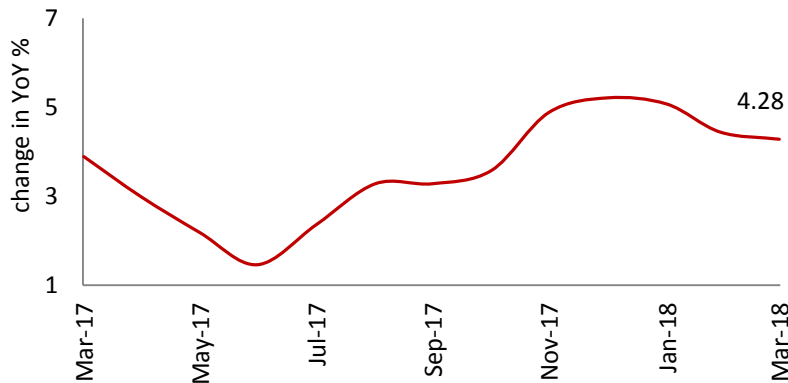
### Index of Industrial production (IIP)



Source: Thomson Reuters Eikon

India's consumer inflation eased for the third consecutive month and touched 5-month low, reflecting decline in prices of pulses and products, sugar and confectionery and spices

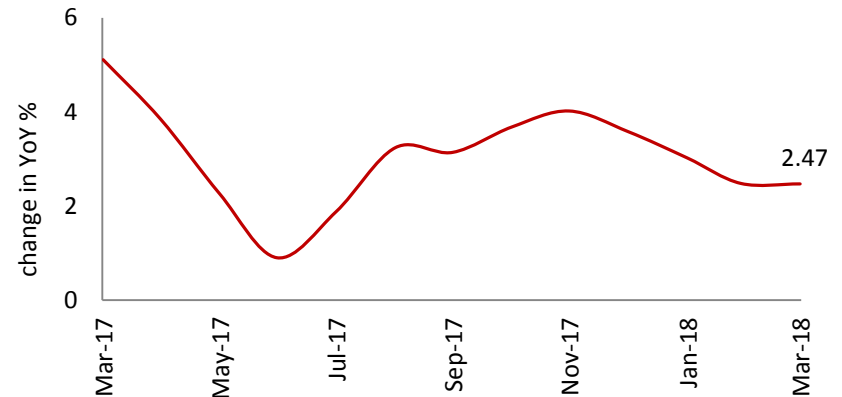
### Consumer Price Index



Source: Thomson Reuters Eikon

Wholesale inflation slowed to an eight-month low in Mar 2018 due to decline in prices of pulses and fibre. Significant slowdown in fuel and power prices also helped ease inflation.

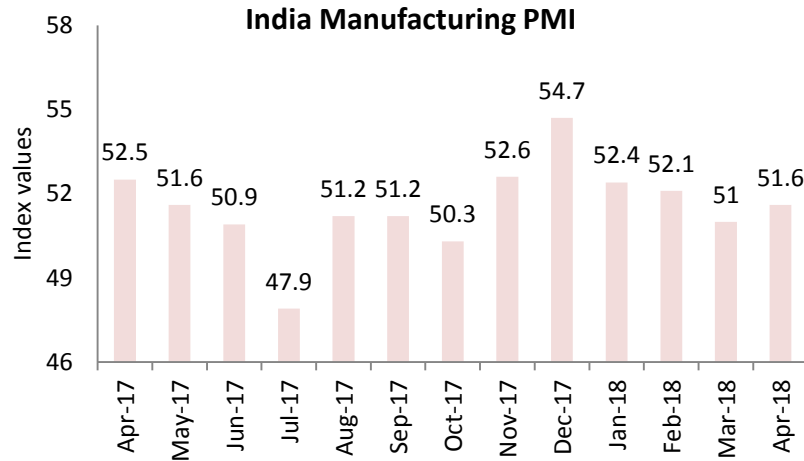
### Wholesale Price Index



Source: Thomson Reuters Eikon

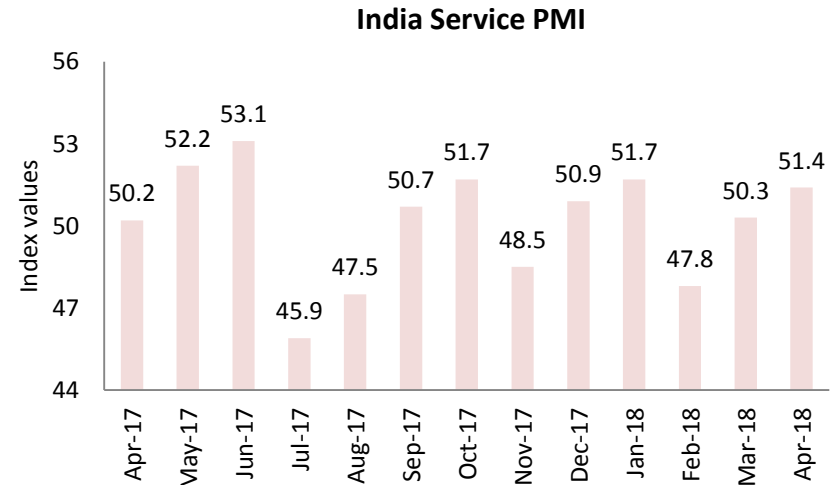
# Domestic Economic Indicators

The Nikkei Manufacturing PMI rose to 51.6 in Apr 2018 from 51.0 in Mar 2018, marking the ninth consecutive monthly increase, due to faster expansion in output and new orders



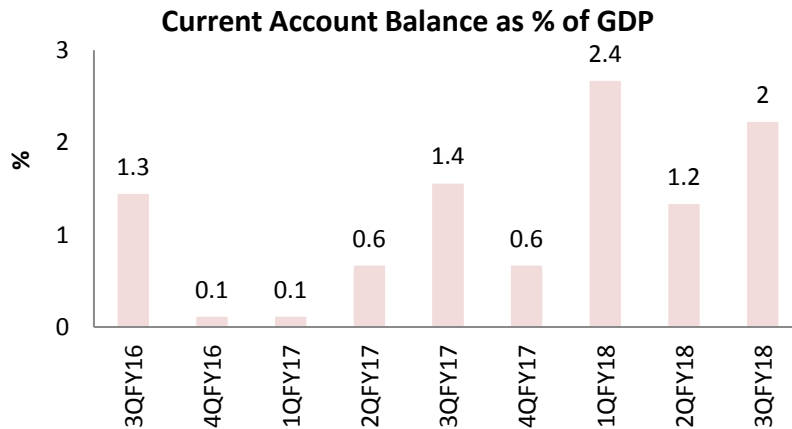
Source: Thomson Reuters Eikon; PMI >50 denotes expansion and <50 is contraction

The Nikkei Services PMI stood at 51.4 in **Apr 2018** against 50.3 in **Mar 2018**, supported by new order growth



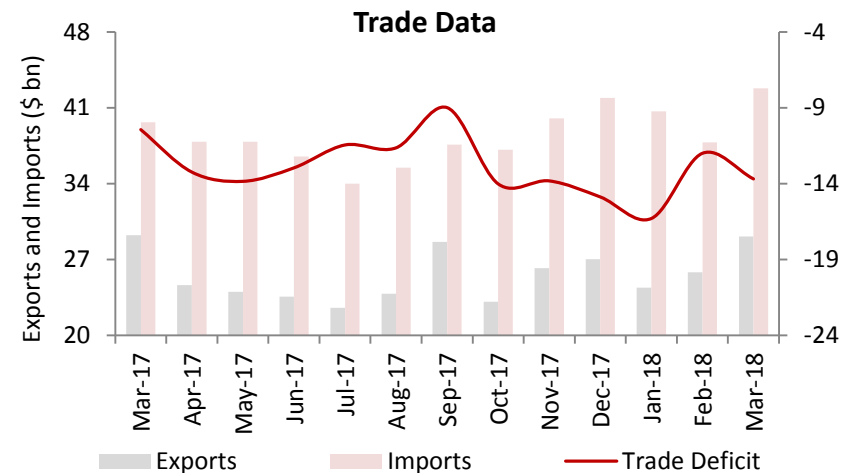
Source: Thomson Reuters Eikon; PMI >50 denotes expansion and <50 is contraction

India's Current Account Deficit expanded to \$13.5 billion (2% of GDP) in Q3 of FY18 from \$7.2 billion (1.1% of GDP) in the preceding quarter and \$8.0 billion (1.4% of GDP) in the same quarter of the previous fiscal



Source: Thomson Reuters Rikon

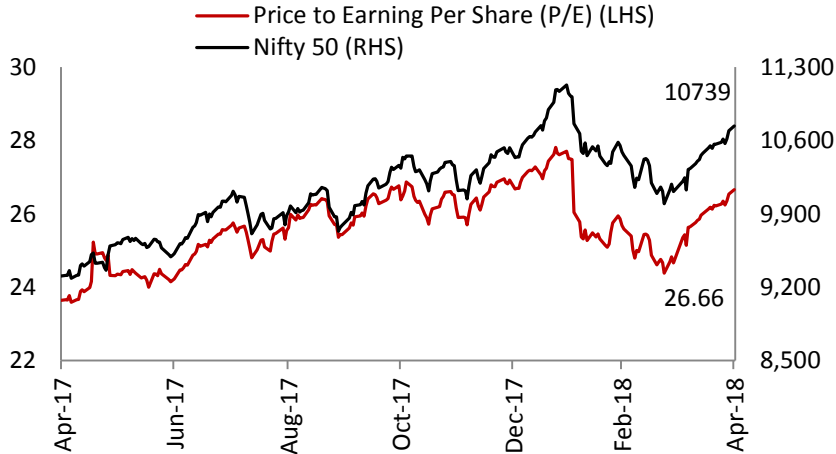
Trade deficit widened to \$13.69 billion in Mar 2018 as against \$10.65 billion in Mar 2017 and \$12.0 billion in Feb 2018



Source: Thomson Reuters Eikon

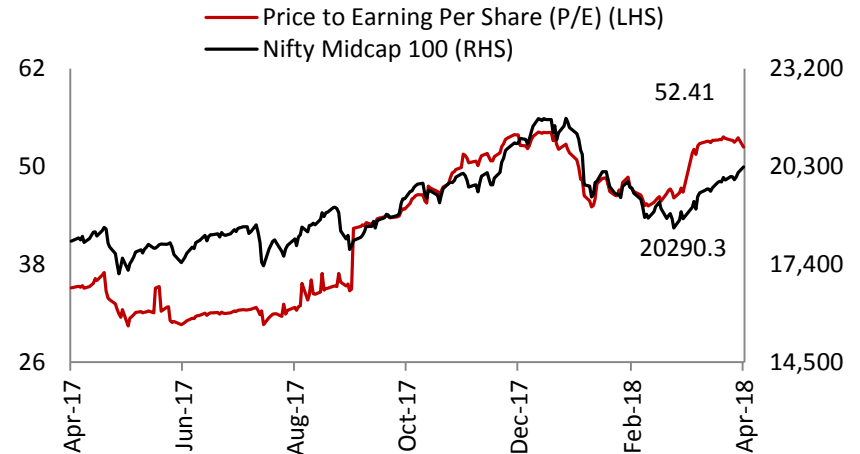
# Domestic Equity Market

Key benchmark indices S&P BSE Sensex and Nifty 50 rose 6.65% and 6.19% to close at 35,160.36 and 10,739.35, respectively



Source: NSE

Both Nifty Midcap 100 and Nifty Small cap 100 rose 8.17% and 7.67%, respectively

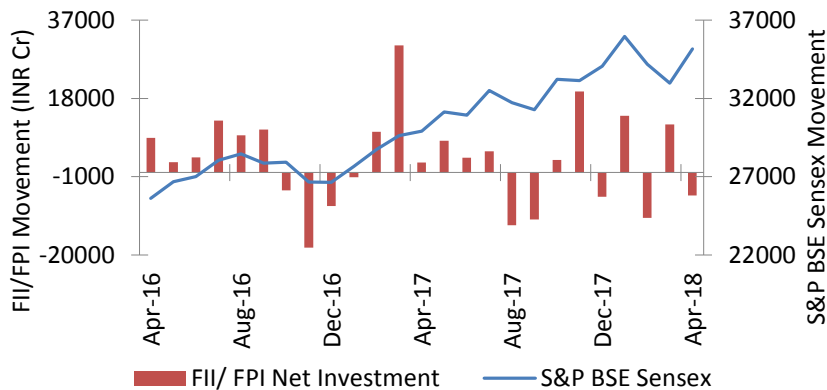


Source: NSE

Foreign portfolio investors were net sellers of domestic stocks worth Rs. 5,552.21 crore in Apr as against net purchase of Rs. 11,654.29 crore recorded in the previous month

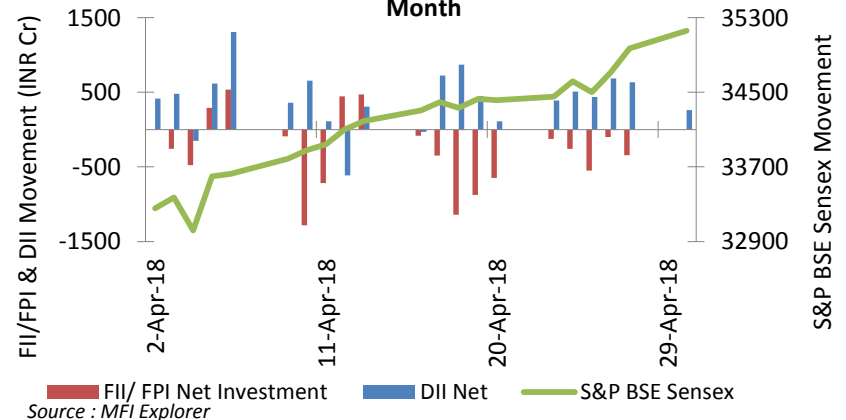
Domestic mutual funds remained net buyers in the equity segment to the tune of Rs. 11,293.46 crore in Apr

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



Source : MFI Explorer

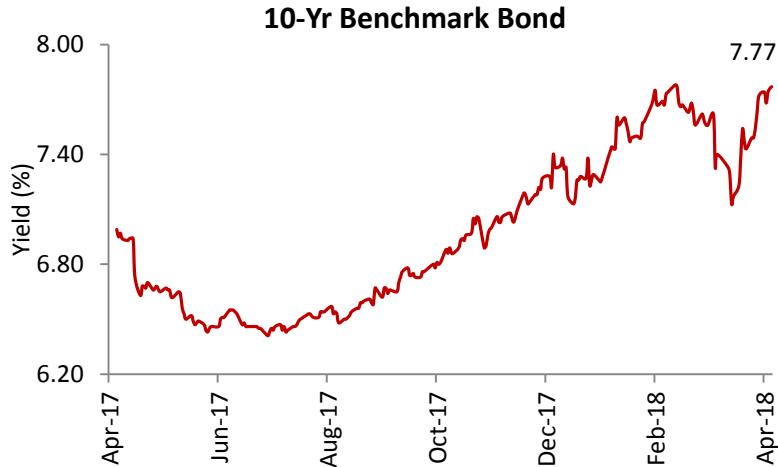
DII, FII/FPI Investment and S&P BSE Sensex - During the Month



Source : MFI Explorer

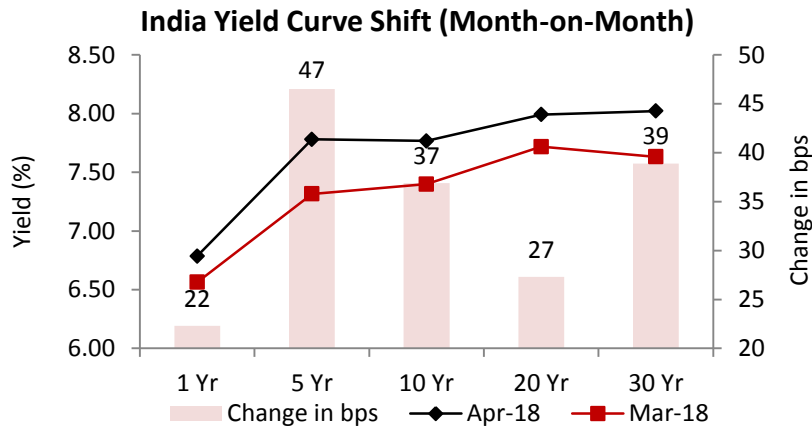
# Domestic Debt Market

Bond yields rose following increase in global crude oil prices and U.S. Treasury yields. U.S. yields rose on growing possibility that the U.S. Federal Reserve will aggressively hike interest rates in 2018



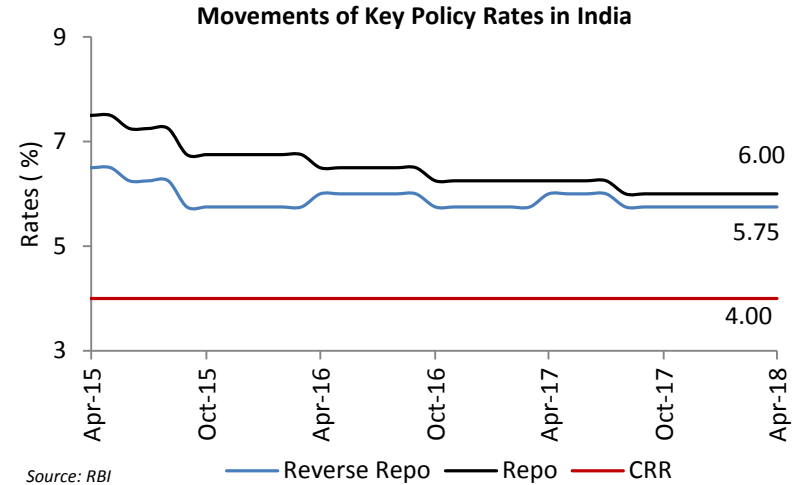
Source: Thomson Reuters Eikon

Yield on gilt securities increased across maturities in the range of 8 bps to 57 bps. The maximum increase was witnessed on 12-year paper and the minimum on 11-year paper



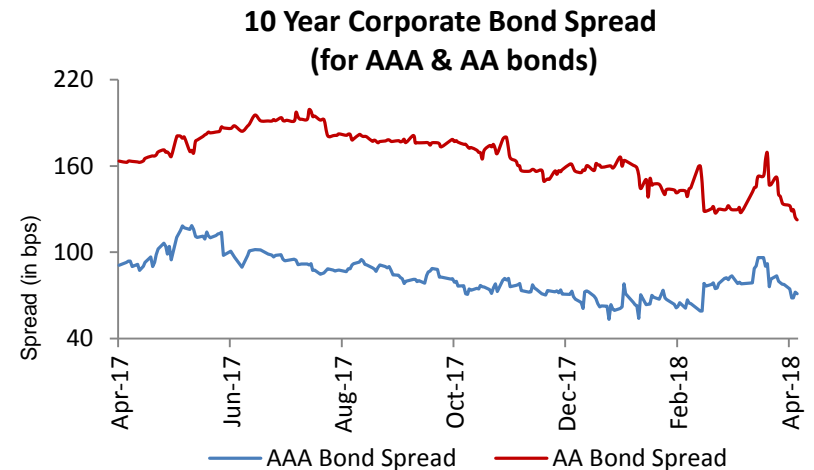
Source: Thomson Reuters Eikon

Monetary Policy Committee in its first bi-monthly policy review of FY19 kept its policy rates unchanged and lowered its inflation projections for FY19



Source: RBI

Yield on corporate bonds increased across maturities in the range of 17 bps to 45 bps. The minimum increase was witnessed on 15-year paper and the maximum on 3-year paper



Source: Thomson Reuters Eikon

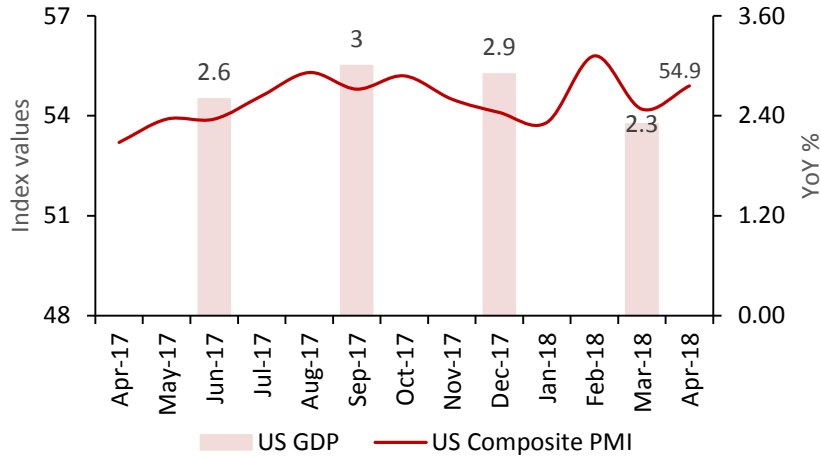
# Global Market Highlights

- ✓ U.S. markets moved up slightly over the month following mixed quarterly earnings of a few big companies and some better than expected economic data. Easing tensions in the Korean Peninsula, reduced fears of trade war with China and stronger outlook for the U.S. economy also acted as catalysts. Further respite came when rise in U.S. Treasury yields eased towards the end of the month. However, signs of political tensions between U.S. and Russia and concerns over interest rate outlook restricted the gains.
- ✓ European markets traded up following strong quarterly earnings of a few big companies and upbeat economic data. Markets took positive cues after Chinese President eased trade war tension by lifting limits of foreign investment in manufacturing and financial sectors. Easing tensions in the Korean Peninsula added to the gains.
- ✓ The European Central Bank's (ECB) decision to keep interest rates, asset purchases and forward guidance unchanged, gave investors solace. Additionally, fears over rising 10-year U.S. Treasury yields were overcome towards the end as the same eased. However, escalating tension surrounding Syria kept investors on the edge.
- ✓ Asian markets mostly traded up on receding worries over trade war between U.S. and China following a host of initiatives announced by Chinese President to liberalise the nation's trade and economy. Meeting between Japanese Prime Minister and U.S. President, which concluded on a positive note, and easing tensions in the Korean Peninsula also helped sentiment.
- ✓ The ECB and Bank of Japan kept their monetary policy steady, as was widely expected, and the People's Bank of China lowered the reserve requirement ratio for most commercial banks to improve liquidity in the system. Markets also took positive cues from fall in U.S. Treasury yields, strong earnings of some major companies and improved economic data across the region.

# Global Economic Indicators

U.S. Gross Domestic Product (GDP) rose 2.3% in Mar quarter of 2018, slower than 2.9% rise in the Dec quarter of 2017 but higher than market expectations

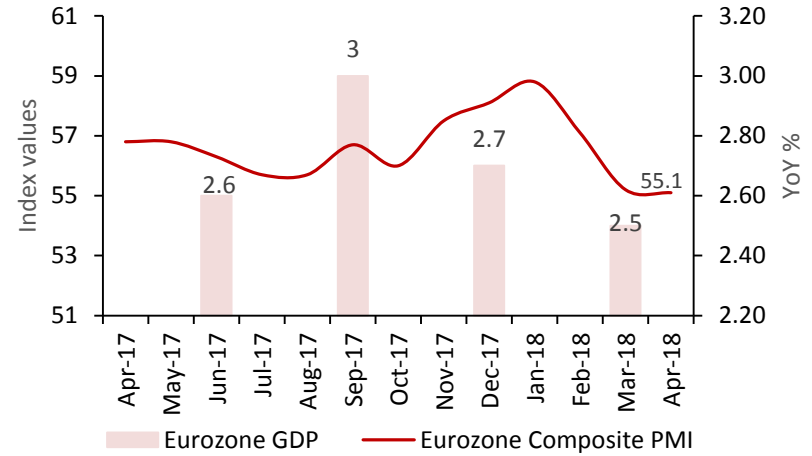
### US Composite PMI & GDP Growth



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

Preliminary data showed eurozone GDP grew 2.5% YoY in Mar quarter of 2018, slower than 2.7% in the previous quarter

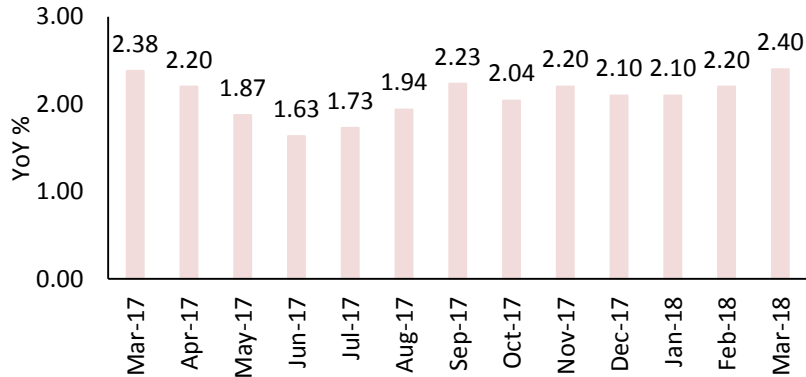
### Euro zone Composite PMI & GDP Growth



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

U.S. annual inflation rose at the fastest pace in 12 months during Mar 2018 but sequentially it also saw the largest drop since May 2017

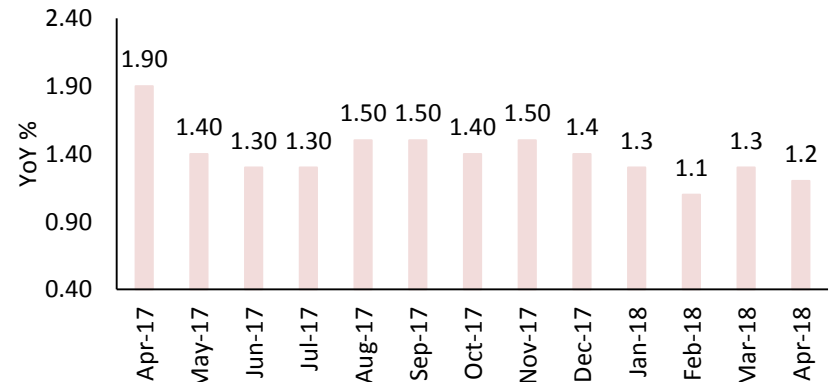
### U.S. Inflation



Source: Thomson Reuters Eikon

Preliminary data showed eurozone inflation eased from 1.3% YoY in Mar 2018 to 1.2% in Apr 2018 as core inflation grew at a much slower pace

### Eurozone Inflation



Source: Thomson Reuters Eikon



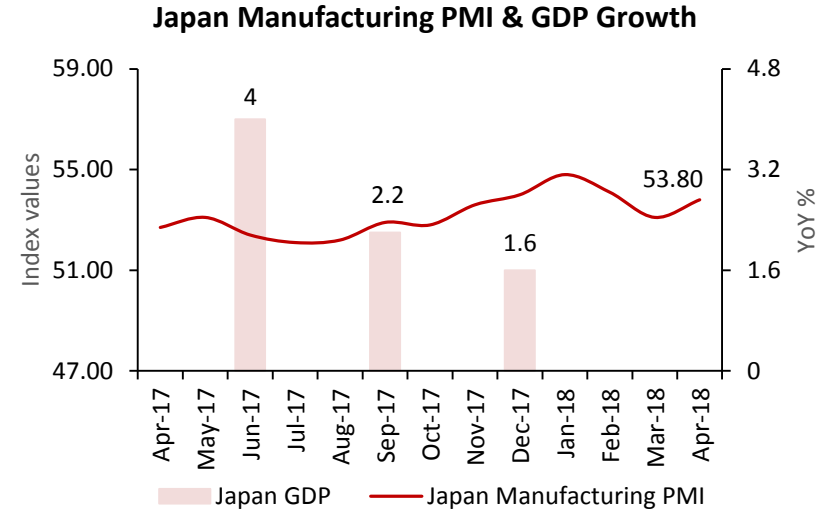
# Global Economic Indicators

China's manufacturing PMI rose marginally in Apr 2018 as output rose at a slightly quicker rate. New order growth slowed amid a renewed fall in new export work.



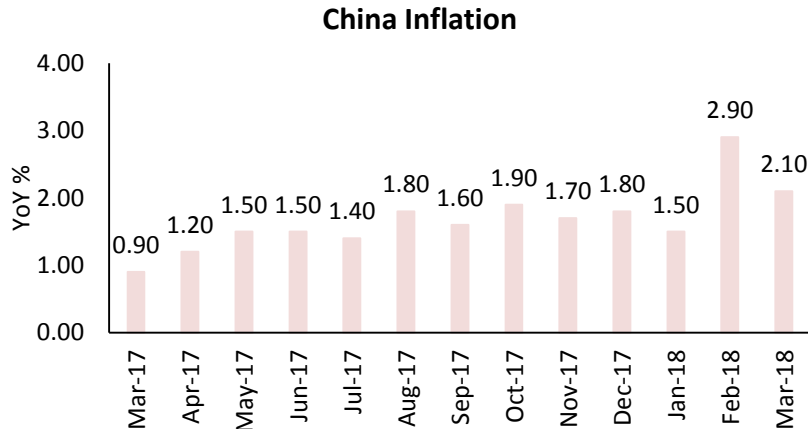
Source: Reuters, fxtstreet; PMI > 50 denotes expansion and < 50 is contraction

Japan's manufacturing sector expanded at a faster pace during Apr 2018 amid improved growth rates in output and new orders



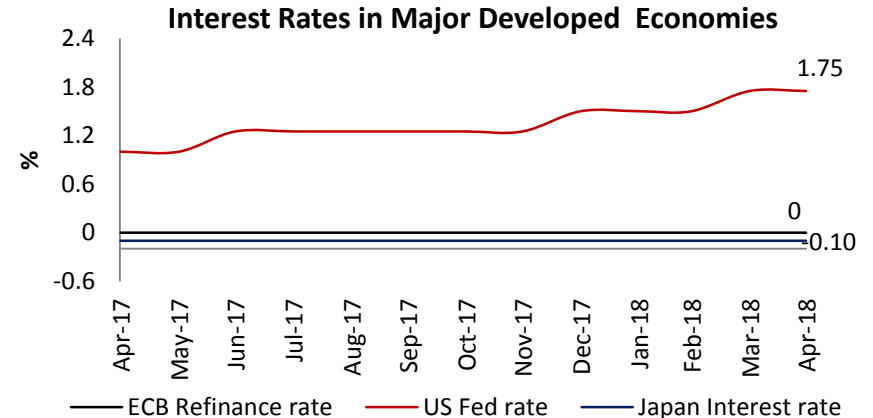
Source: Reuters, fxtstreet; PMI > 50 denotes expansion and < 50 is contraction

China's inflation slowed to 2.1% in Mar 2018 from 2.9% in Feb 2018 as the effects of higher demand, driven by the Lunar New Year holiday in Feb, receded.



Source: Reuters

Interest rates in major developed countries remained steady during Apr 2018

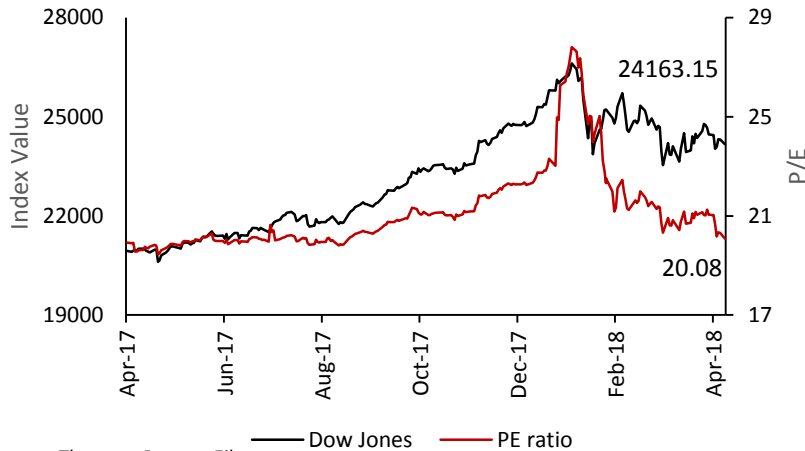


Source: Reuters

# Global Equity Markets

Mitigation of tensions in the Korean Peninsula, receding trade war with China, stronger outlook for the U.S. economy and easing concerns over rise in U.S. Treasury yields acted as catalysts

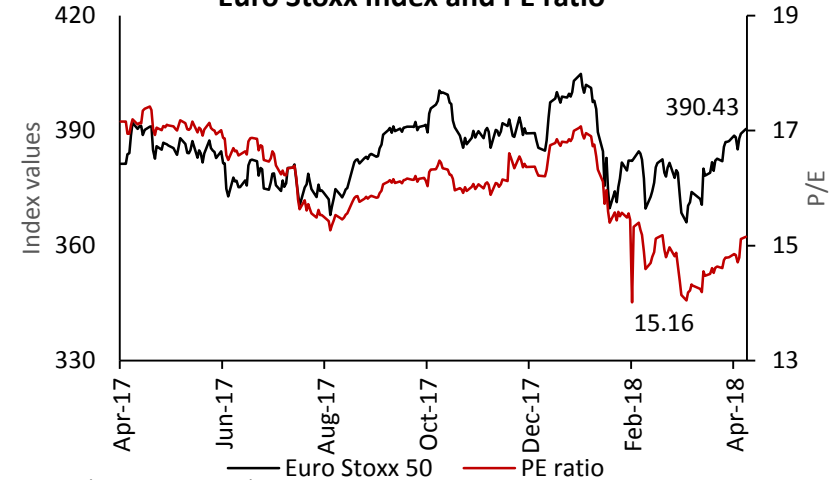
**U.S. Dow Jones Index and PE ratio**



Source: Thomson Reuters Eikon

Markets took positive cues following easing tensions between U.S. and China and also in the Korean Peninsula. The European Central bank's decision to keep interest rates unchanged further helped gains.

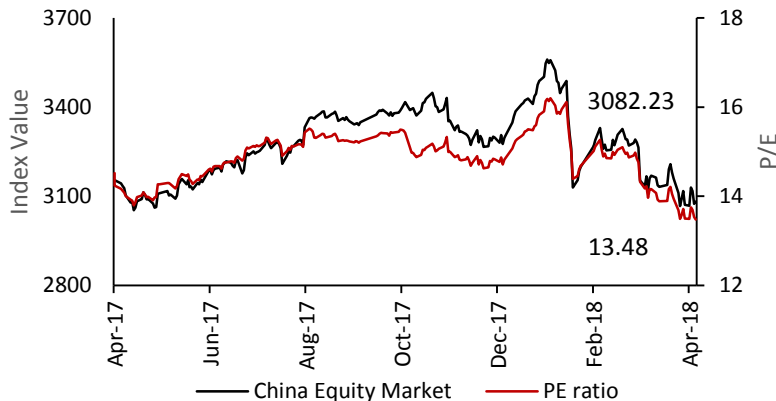
**Euro Stoxx Index and PE ratio**



Source: Thomson Reuters Eikon

The People's Bank of China lowered the reserve requirement ratio for most of the banks. However, setback was witnessed in the Chinese market on concerns over growing risks in the financial system

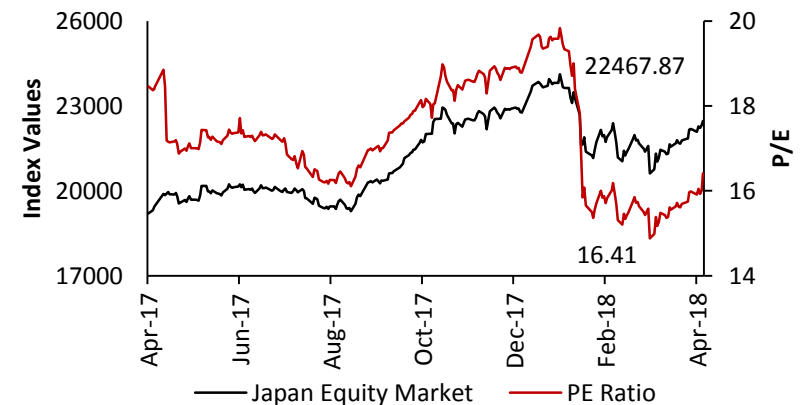
**China Shanghai Index and PE**



Source: Thomson Reuters Eikon

Sentiment got support from positive Japanese data -- better than expected GDP growth for the fourth quarter of 2017 and core machine orders in Jan 2018 with rise in Japan's industrial output in Feb 2018

**Japan Nikkei Index and PE ratio**

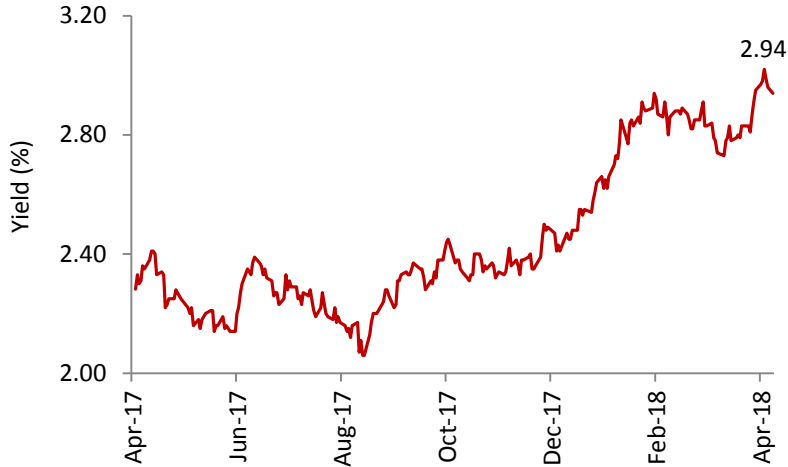


Source: Thomson Reuters Eikon

# Global Debt

Yield on the 10-year U.S. Treasury bond rose 20 bps during the month to close at 2.94% compared with the previous month's close of 2.74%. The paper moved in a range of 2.73% to 3.02%

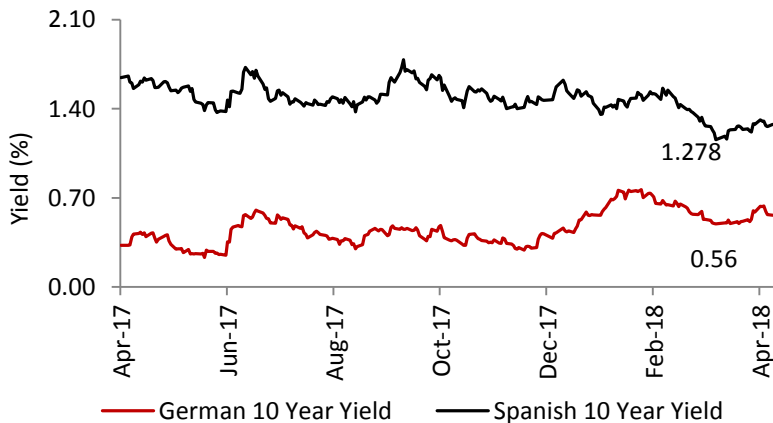
### U.S. 10 Year Treasury Yield



Source: Thomson Reuters Eikon

Both Germany and Spanish bond yields rose on prospects of rise in inflation

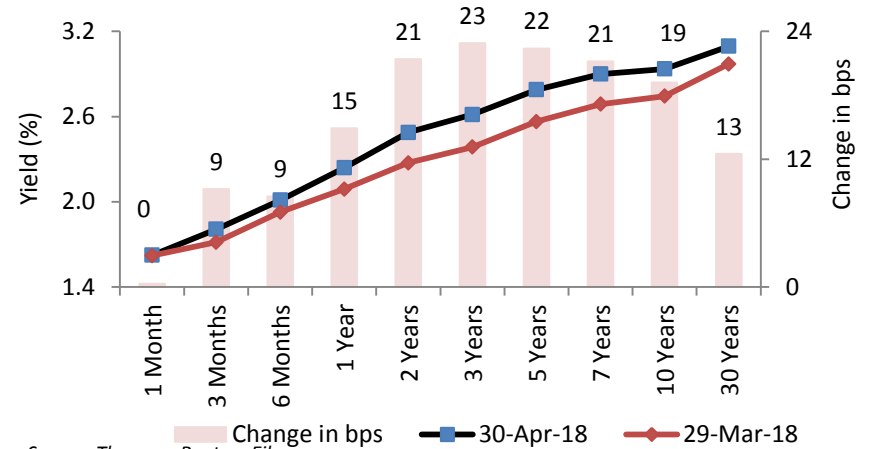
### German & Spanish 10 Yr Treasury Yield



Source: Thomson Reuters Eikon

U.S. Treasury prices plunged with yields touching highest level in four years due to worries regarding growing supply of government debt and accelerating inflation as oil and commodity prices climbed

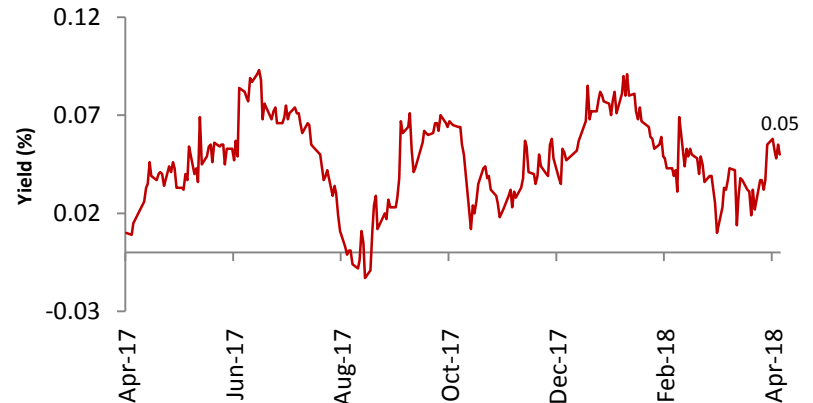
### U.S. Treasury Yield Curve Shift (Month-on-Month)



Source: Thomson Reuters Eikon

Japanese 10-year yield rose from 0.04% in Mar 2018 to 0.05% in Apr 2018

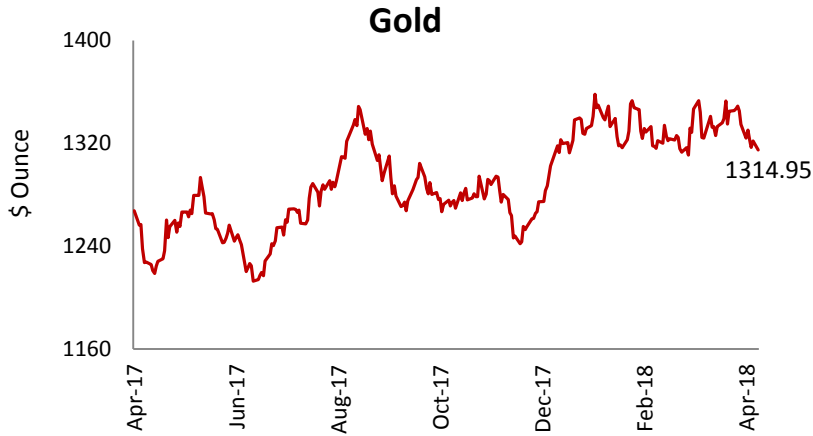
### Japan 10 Yr Benchmark Yield



Source: Thomson Reuters Eikon

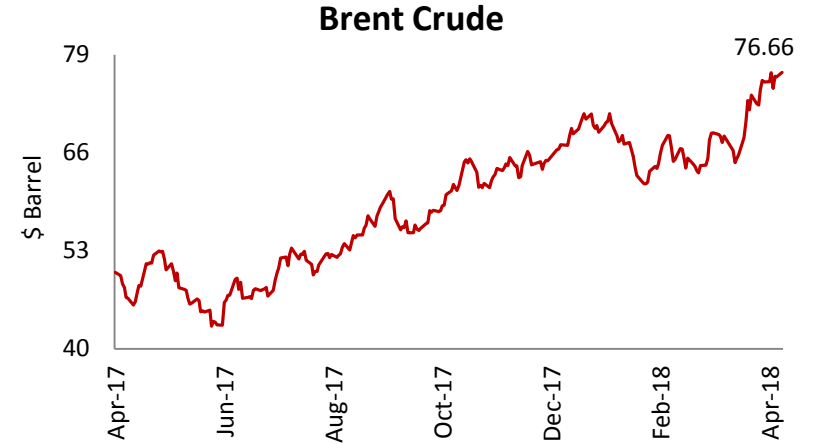
# Global Commodity Market

Easing tensions in the Korean Peninsula, China and U.S. looking to solve trade problems and stronger outlook for the U.S. economy burdened the precious metal



Source: Thomson Reuters Eikon

Brent prices surged on expectations that the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC countries were likely to continue with output cuts in 2019



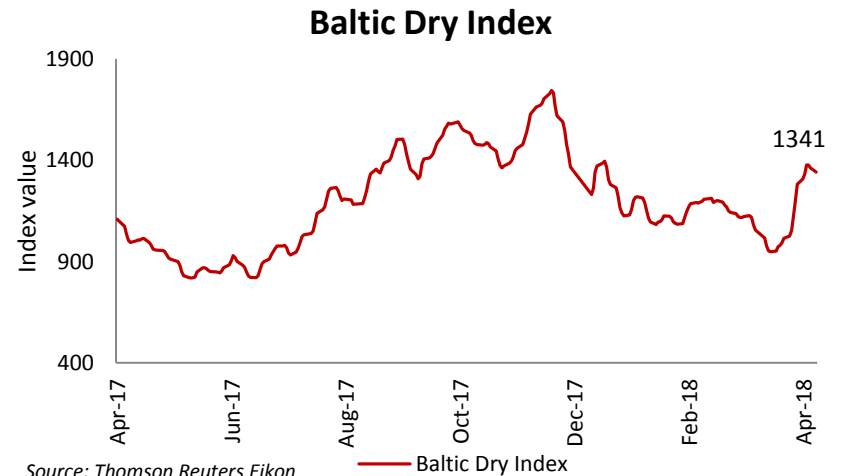
Source: Thomson Reuters Eikon

Easing tension in the Korean Peninsula and receding trade tension between U.S. and China reduced safe-haven appeal of the metal. However, persisting tension between U.S. and Russia restricted the fall



Source: Thomson Reuters Eikon

The Baltic Dry Index moved up 27.11% MoM in Apr, 2018 owing to better capesize and panamax activities



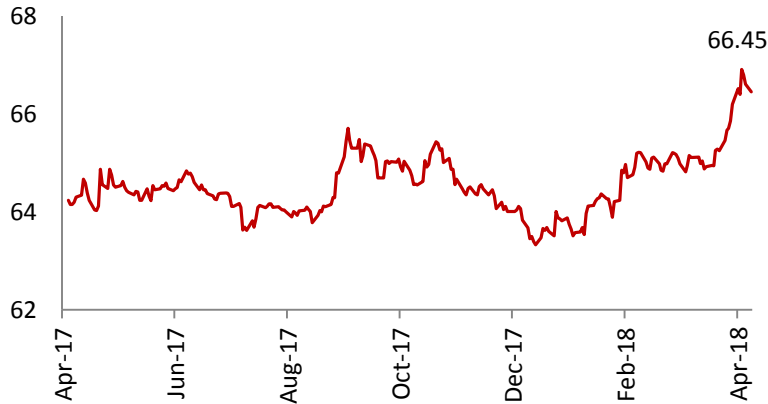
Source: Thomson Reuters Eikon

— Baltic Dry Index

# Global Currency Market

The Indian rupee fell to a 14-month low against the U.S. dollar due to continuous demand for greenback from importers following rise in global crude oil prices

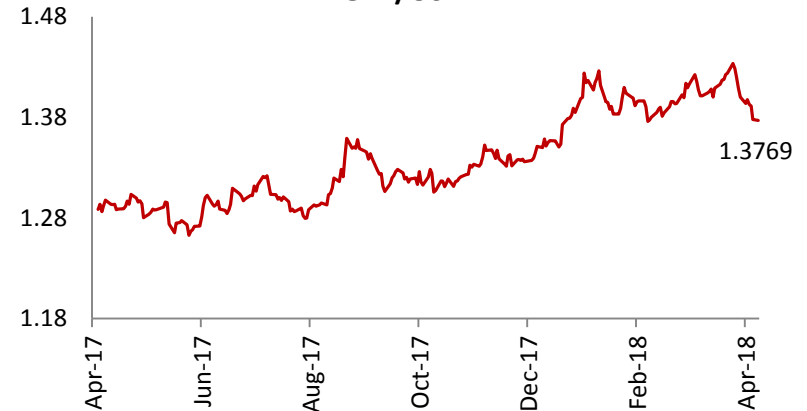
### USD/INR



Source: Thomson Reuters Eikon

Sterling fell against the dollar after U.K.'s economy grew less than market forecast in Mar quarter of 2018, lowering expectations the Bank of England will raise interest rates in May 2018

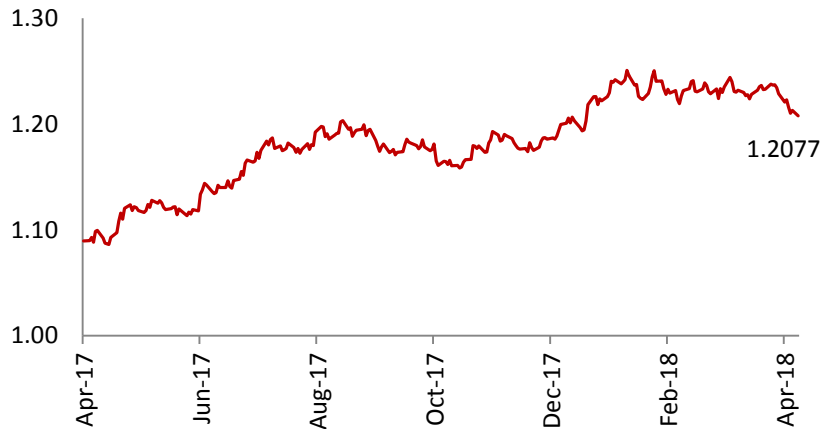
### GBP/USD



Source: Thomson Reuters Eikon

Euro fell against the U.S. dollar following higher U.S. Treasury yields and expectations that U.S. Fed will hike rates aggressively in 2018

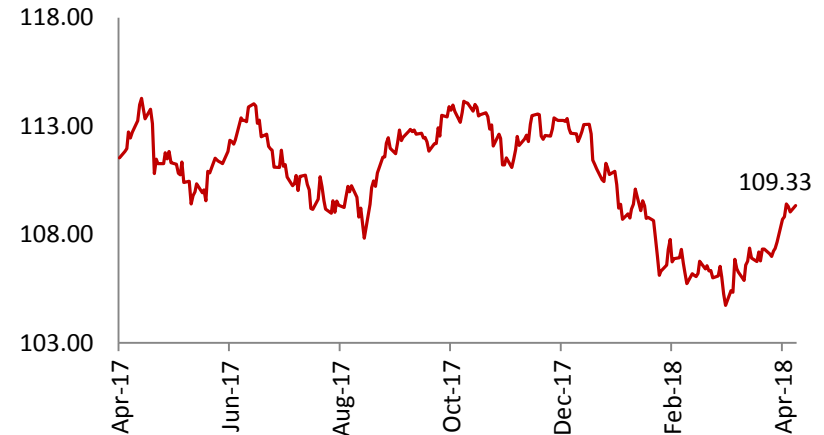
### EUR/USD



Source: Thomson Reuters Eikon

Yen plunged against the U.S. dollar following rise in the 10-year U.S. Treasury yield and on improved risk appetite

### USD/YEN



Source: Thomson Reuters Eikon

# Mutual Fund News

- ✓ As per data from the Association of Mutual Funds in India (AMFI), the Assets Under Management (AUM) of mutual fund industry increased to Rs. 23.26 lakh crore in Apr 2018 from Rs. 21.36 lakh crore in Mar 2018, registering a MoM growth of 8.90%. Overall, inflow in mutual fund schemes stood at Rs. 1,37,428 crore in Apr, 2018 compared with an outflow of Rs. 50,752 crore in the preceding month. Liquid funds saw maximum net inflow of Rs. 1,16,486 crore during the month followed by equity (including ELSS) category, which witnessed net inflow of Rs. 12,409 crore. Balanced and Exchange Traded Funds (excluding Gold ETF) category also saw net inflow of Rs. 3,500 crore and Rs. 305 crore respectively in the month under review.
- ✓ According to data from the Securities and Exchange Board of India (SEBI), total folio count of mutual fund industry stood at 7.22 crore as on Apr 2018, reflecting a 28.58% YoY growth from 5.61 crore in the same period last year. During the month of Apr, 2018 the industry saw an addition of 8.39 lakh folios. Over the month, equity-oriented scheme category witnessed an increase of 1.37% or 7.36 lakh folios to 5.43 crore folios as on Apr 2018.
- ✓ In a bid to avoid confusion on how to disclose past performance of the schemes post-merger, the Securities and Exchange Board of India (SEBI) has issued a circular, directing mutual fund houses to follow uniform rules in the above context. The issue was discussed in Mutual Fund Advisory Committee and based on the recommendations it has been decided that when two schemes, having similar features, get merged and the resultant scheme also has the same features, the weighted average performance of both the schemes need to be disclosed. If two schemes have different features, fund houses can disclose the performance of the scheme whose features are retained. However, fund houses can also disclose the past performance of scheme that was not retained post-merger on request of investors with adequate disclosure. Meanwhile, where two schemes have merged to form a different scheme altogether, fund houses need not disclose any past performance. The circular shall be applicable with effect from May 1, 2018.

# Real Estate and Private Equity News

- ✓ Lodha Developers Ltd applied for its Initial Public Offer (IPO) and filed draft documents before the Securities and Exchange Board of India. The company aims to raise Rs. 3,750 crore through the share sale, which will help it reduce debt burden. On the other hand, credit rating firm Moody's Investors Service confirmed that Lodha's IPO is credit positive as the company plans to reduce debt meaningfully and improve leverage.
- ✓ India's largest realty firm DLF plans to raise Rs. 4,000-4,500 crore through Qualified Institutional Placement (QIP) in Jun 2018. The company plans to issue up to 17.3 crore shares by way of QIP. With the raised fund, the company is planning to repay loans and become debt-free by Mar 2019.
- ✓ Data from Cushman & Wakefield showed that private equity (PE) firms have invested \$2.6 billion in Indian real estate industry, marking a 15% year over year growth. The residential segment attracted highest ever inflows in the past 10 quarters, which is mainly due to government's focus on affordable housing.
- ✓ Mumbai-based JM Financial Ltd., which is engaged in investment banking, wealth management and private equity, institutional equity sales, trading and broking, has targeted a corpus of Rs. 1,000 crore for its second PE fund. Of the targeted fund, JM Financial plans to first close a Rs. 300 crore fund shortly. For this, the company has roped in funds mainly from high net-worth individuals. The company is talking to some institutional investors for fund commitments after the first close.
- ✓ According to data from Venture Intelligence, investments by private equity and venture capital firms in Indian companies during the fourth quarter ended Mar 2018 dropped 49% to \$3.7 billion from \$7.3 billion in the same quarter last year. Total deals were 133, down from 200.

Thank You



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