

WEALTHWHISPER



Monthly Review
January 2019

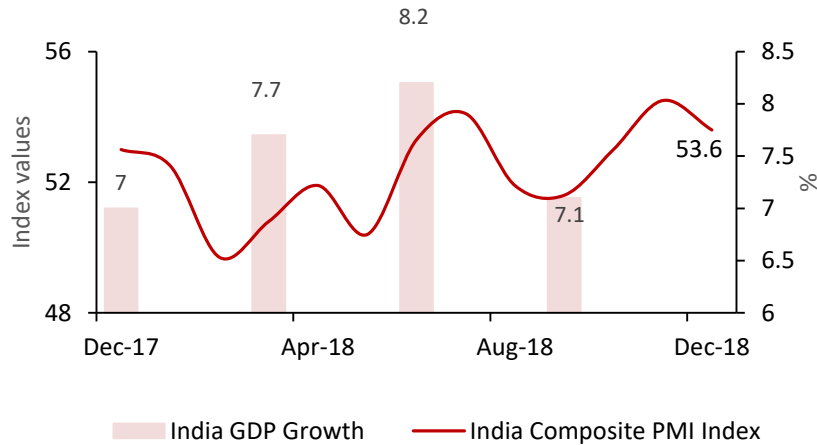
Key Domestic Market Highlights

- ✓ Indian equity markets saw substantial volatility before ending the Jan 2019 on a mixed note. While Sensex saw muted growth, Nifty 50 dipped marginally. A host of domestic and global cues generated mixed reactions among investors. Domestic cues include uncertainty ahead of general election 2019 and the Union Budget 2019-20, held on Feb 1, 2019 and a slew of macroeconomic numbers. Global cues largely consisted of concerns over slowing global economic growth, ongoing U.S. government shutdown, outcome of the latest U.S. Federal Reserve meeting and development over U.S.-China trade deal.
- ✓ The market slumped soon after commencing the month as both the Nikkei India Manufacturing and Service PMI for Dec slipped. Accordingly, the Composite PMI for the same period was also a drag. Additionally, the growth of the index of eight core industries was at 3.5% in Nov 2018 as against growth of 4.8% in Oct 2018. Uncertainty ahead of 2019 general elections in India kept investors on the sidelines.
- ✓ Investors managed to overcome such concerns as the government injected Rs. 10,882 crore in four public sector banks. This is part of the Rs. 28,615 crore capital infusion the government announced in the beginning of Dec 2018. Favourable reports by the World Bank and the World Economic Forum further boosted investor sentiment. The World Bank expects India's GDP to grow at 7.3% in FY19 and 7.5% in the following two years on the back of an upswing in consumption and investment. A series of encouraging corporate earnings boosted market sentiment.
- ✓ The finance minister hinted at the necessity of fuelling economic growth. This raised market concerns as the same would increase the government's spending. Market participants were also cautious that the government might announce populist measures in the budget to appease voters ahead of the elections. Although, sentiment buoyed post the announcement of the interim Union Budget 2019-20, held on Feb 1, 2019. The budget laid out measures to boost domestic consumption through income tax reliefs for almost 30 million low-income taxpayers and 120 million marginal farmers.

Domestic Economic Indicators

Nikkei India Composite PMI fell in Dec 2018 because slowdown in growth of services activity was accompanied by a softer increase in manufacturing production

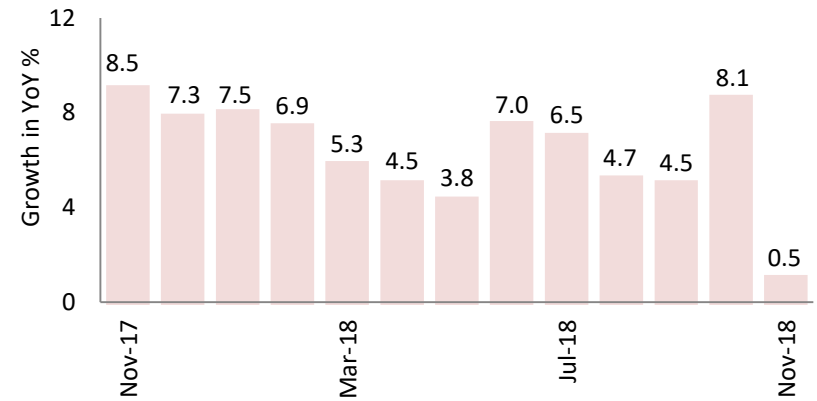
India Composite PMI & GDP Growth



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

IIP marked a 17-month low and rose to 0.5% in Nov 2018 as against an upwardly revised growth of 8.4% (8.1% originally reported) in the previous month and 8.5% in the same period of the previous year

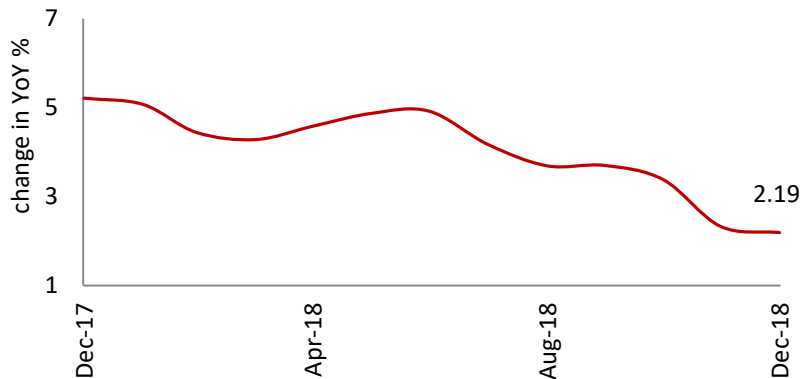
Index of Industrial production (IIP)



Source: Thomson Reuters Eikon

Retail inflation plunged to an 18-month low of 2.19% in Dec 2018 from 2.33% in the previous month and 5.21% in the same month of the previous year. The plunge came as food prices continued to decline

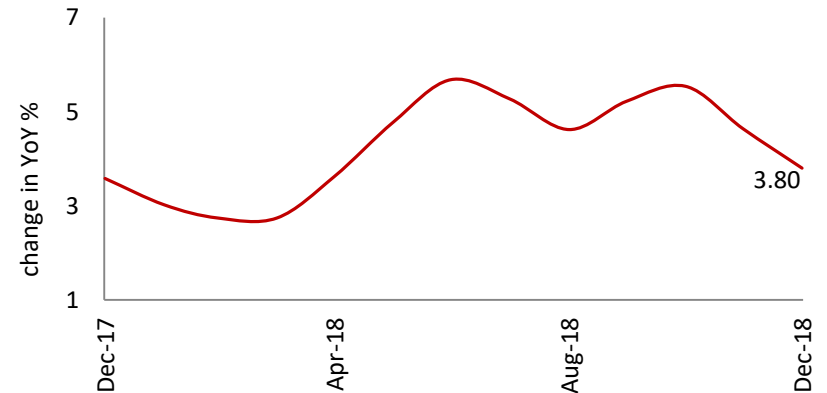
Consumer Price Index



Source: Thomson Reuters Eikon

Wholesale inflation fell to 3.80% in Dec 2018 from 4.64% in Nov 2018 as prices of onions and fruits came down. Wholesale price inflation was at 3.58% in Dec 2017

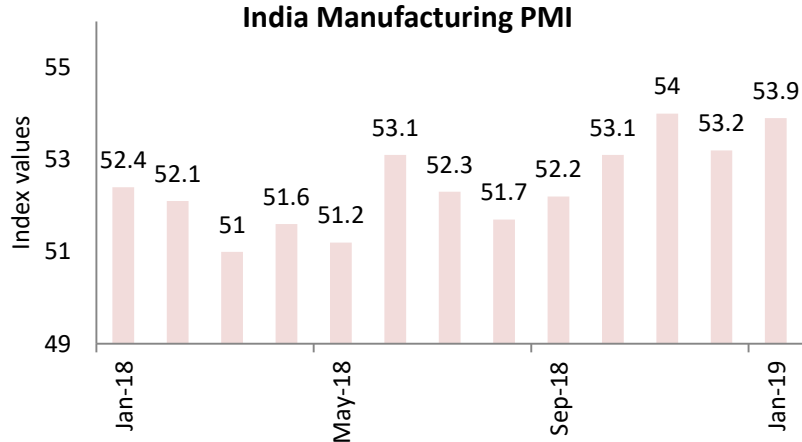
Wholesale Price Index



Source: Thomson Reuters Eikon

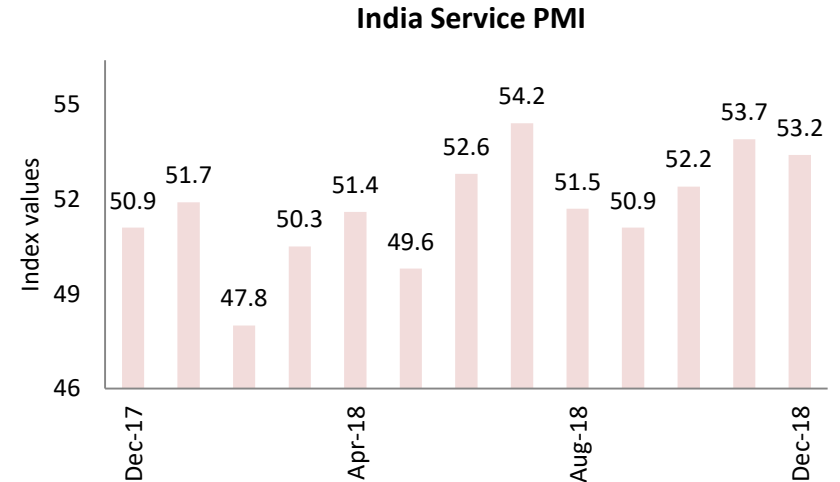
Domestic Economic Indicators

The Nikkei India Manufacturing Purchasing Managers' Index (PMI) rose to 53.9 in Jan 2019 from 53.2 in Dec 2018, indicating stronger improvement in the health of the goods producing sector



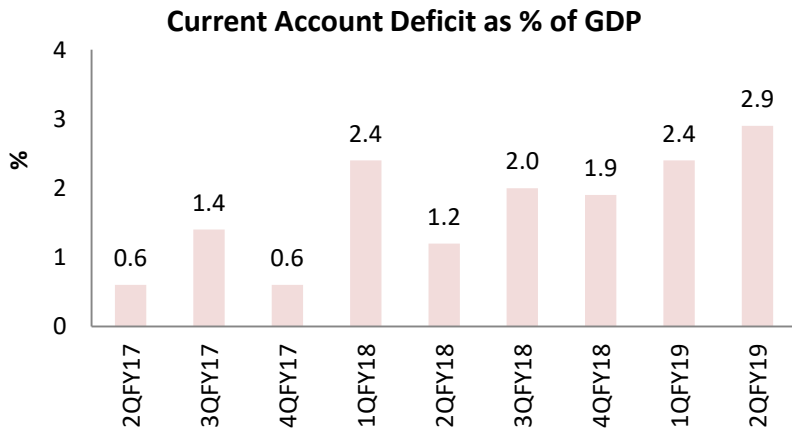
Source: Thomson Reuters Eikon; PMI >50 denotes expansion and <50 is contraction

Nikkei India Services PMI fell in Dec 2018 due to moderated pace of new work orders and business activity, though job creation saw a significant uptick



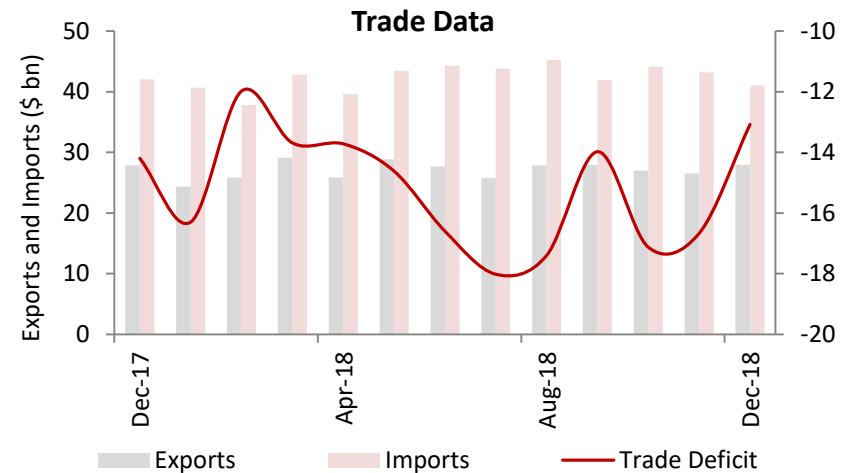
Source: Thomson Reuters Eikon; PMI >50 denotes expansion and <50 is contraction

Current account deficit rose to 2.9% of GDP in Q2 2018-19, up from 1.1% in Q2 2017-18 and 2.4% in Q1 2018-19 due to higher trade deficit



Source: Thomson Reuters Eikon

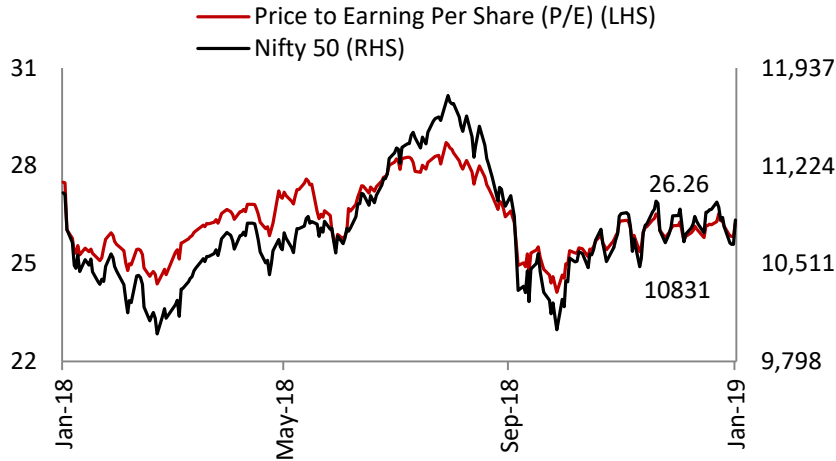
Trade deficit narrowed to a 10-month low of \$13.08 billion in Dec 2018 as imports contracted 2.44% while exports inched up marginally 0.34% to \$27.93 billion



Source: Thomson Reuters Eikon

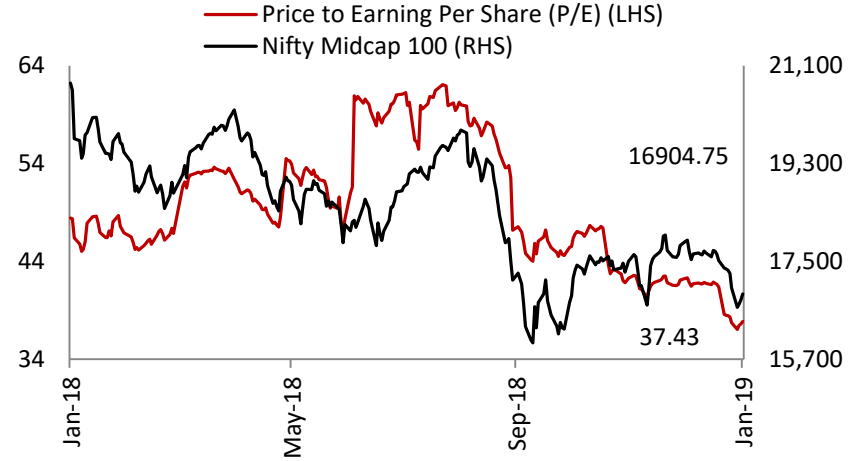
Domestic Equity Market

During the month, S&P BSE Sensex inched up 0.52% to 36,256.69, Nifty 50 dipped 0.29% to close at 10,830.95



Source: NSE

Nifty Mid cap 100 and Nifty Small cap 100 fell 5.43% and 4.90%, respectively, over the month

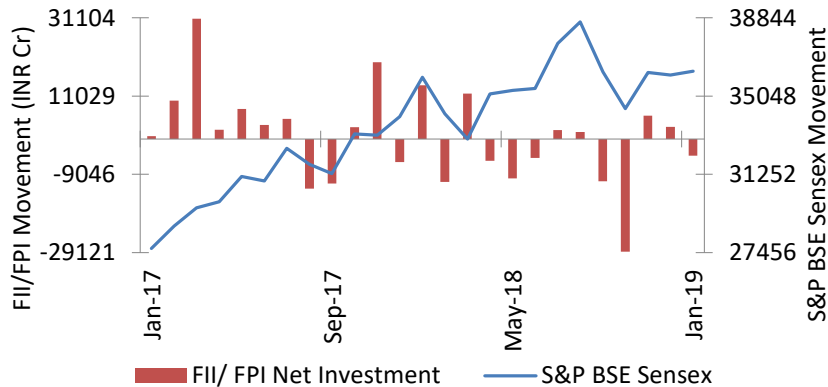


Source: NSE

Foreign portfolio investors (FPIs) were net sellers of domestic stocks worth Rs. 4,262.01 crore in Jan 2019 as against net purchase of Rs. 3,143.22 crore in Dec

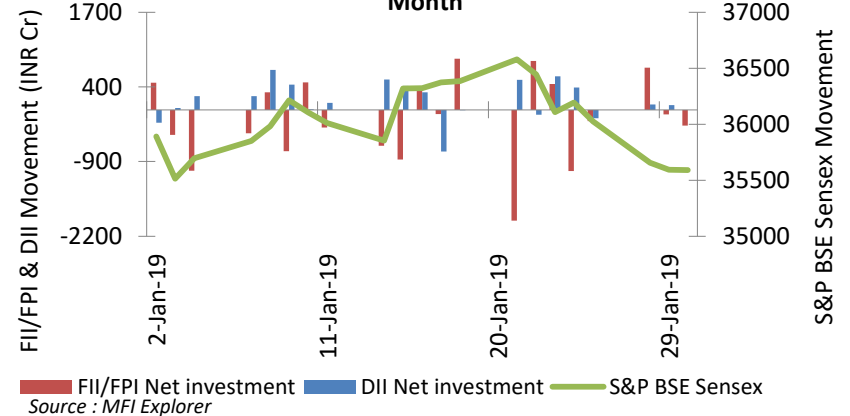
Domestic mutual funds remained net buyers in the equity segment to the tune of Rs. 7,152.34 crore in Jan 2019

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



Source : MFI Explorer

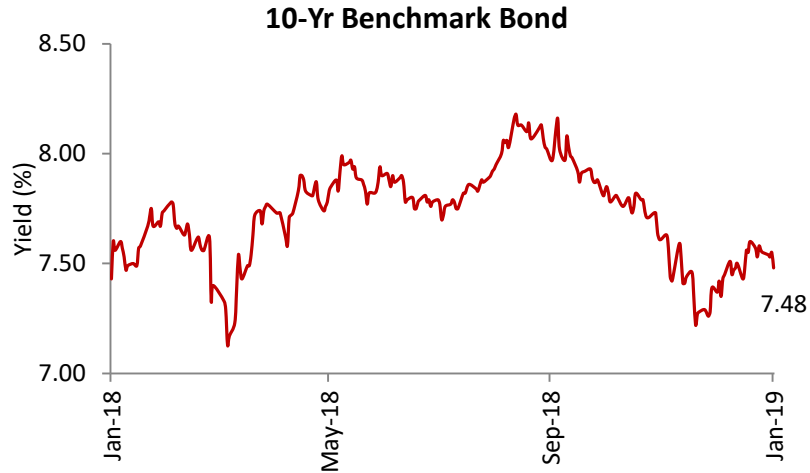
DII, FII/FPI Investment and S&P BSE Sensex - During the Month



Source : MFI Explorer

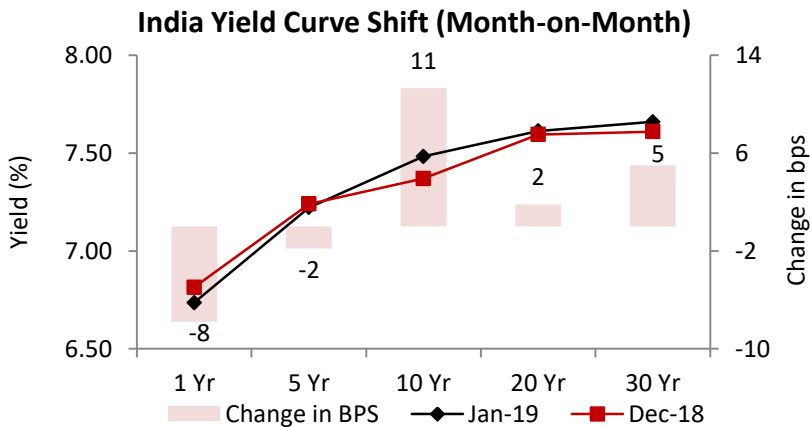
Domestic Debt Market

Bond market rose during Jan 2019 on fears of widening fiscal deficit, depreciation of rupee, increase in global crude oil prices and rise in U.S. Treasury yields



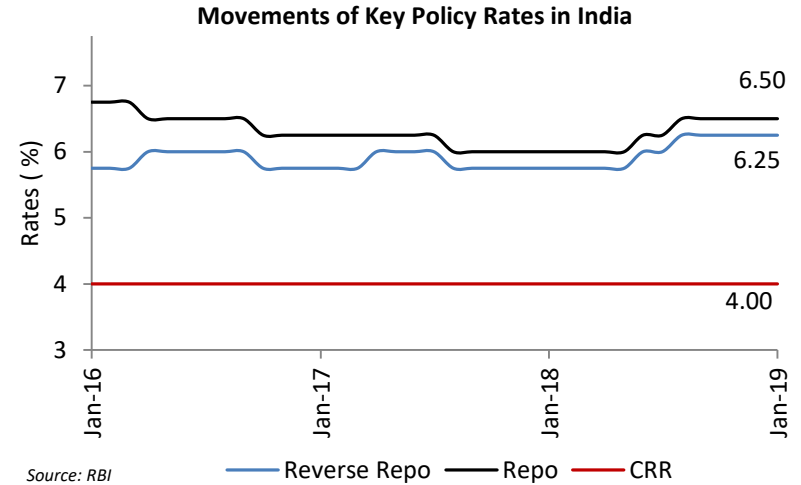
Source: Thomson Reuters Eikon

Yield on gilt securities rose across maturities in the range of 2 bps to 16 bps, barring 1- to 5-year papers, which increased in the range of 2 to 13 bps



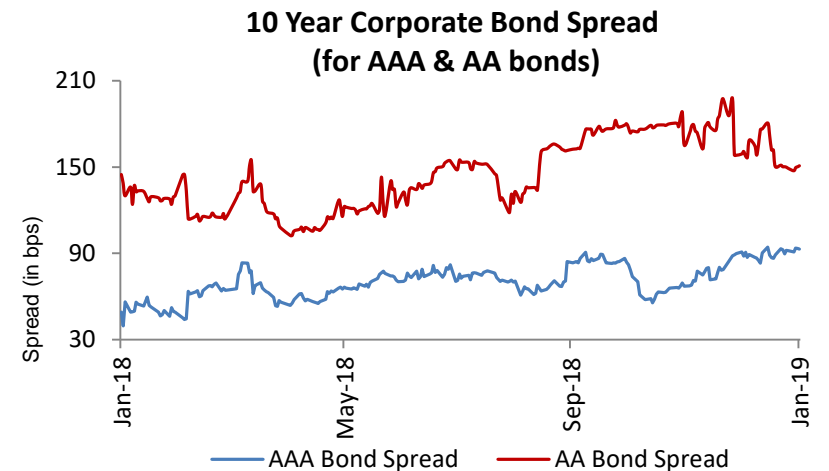
Source: Thomson Reuters Eikon

MPC in its fifth bi-monthly monetary policy review for FY19 kept key policy repo rate on hold for the second consecutive time after it increased the same by 25 bps each in Jun 2018 and Aug 2018



Source: RBI

Yield on corporate bonds increased across maturities by up to 26 bps, except 1- and 2-year papers that fell 12 and 6 bps, respectively



Source: Thomson Reuters Eikon

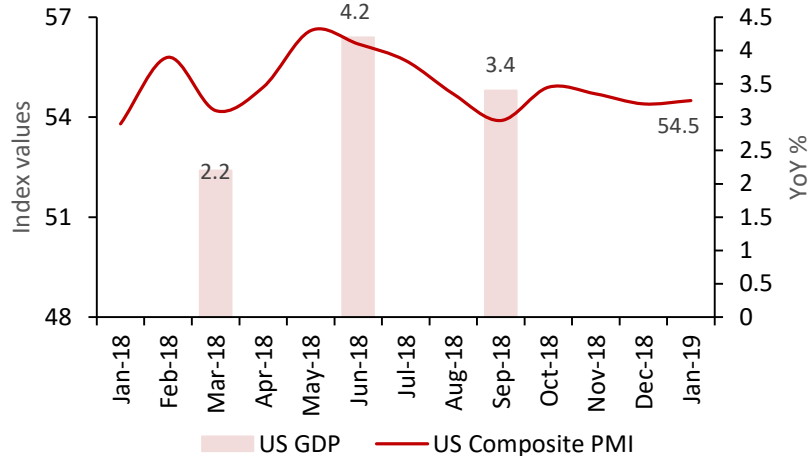
Global Market Highlights

- ✓ U.S. markets edged higher with investors taking positive cues from the U.S. Federal Reserve chief's decision to leave interest rates unchanged. He also indicated that the central bank will remain patient regarding future rate hikes. Buying interest found additional support after U.S. private sector jobs data for Jan 2019 came better than market expectations. Expectations of positive development over the U.S.-China trade relationships also buoyed sentiment.
- ✓ European markets too witnessed gains as market sentiment was driven by the dovish stance of the U.S. Fed on future interest rate hike. Buying interest was further impacted by the U.S.-China trade talks, which although concluded without any concrete outcome, raised optimism over probable resolution of the trade dispute before the Mar 1, 2019, deadline. A slew of positive earnings numbers further contributed to the upside. However, the upside was limited on lingering uncertainty over Brexit. Further, the International Monetary Fund lowered its forecast for global growth in the current year and the European Central Bank president expressed concerns about the euro zone economy.
- ✓ Asian markets joined global peers too with reports of progress on U.S.-China trade talks, which raised hopes of a positive breakthrough in their long-running trade dispute. Investors became optimistic after the Chinese Finance Minister indicated that the Chinese government would raise its fiscal spending to support economic growth. Bank of Japan also mentioned that it would continue with its ultra-easy monetary policy. This raised investors' confidence in economic growth. U.S. Federal Reserve chairman's recent comments that the central bank will be patient and flexible while taking policy decisions added to the gains.

Global Economic Indicators

Flash U.S. Composite Output Index rose marginally in Jan 2019 as manufacturing sector touched 2-month high but Services Business Activity fell 4 -month low

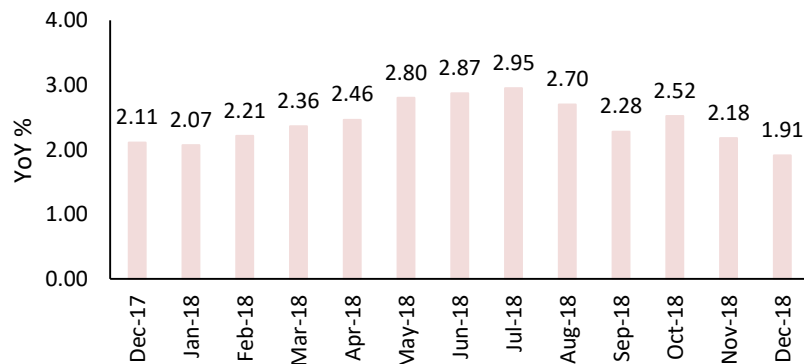
US Composite PMI & GDP Growth



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

U.S. consumer price index eased from 2.18% in Nov 2018 to 1.91% in Dec 2018

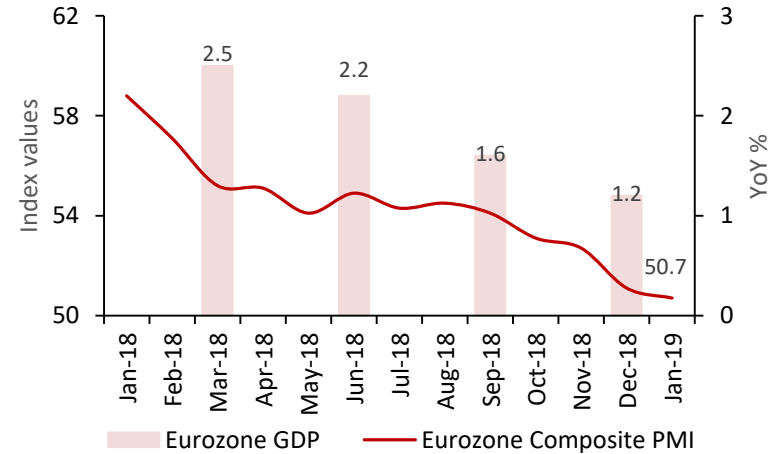
U.S. Inflation



Source: Thomson Reuters Eikon

Flash Eurozone PMI Composite Output Index fell and touched 66-month low in Jan 2019 due to decline in both manufacturing and services sectors

Euro zone Composite PMI & GDP Growth



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

Eurozone consumer price inflation (preliminary) slowed for the third month in Jan 2019 to its lowest level in 11 months

Eurozone Inflation



Source: Thomson Reuters Eikon

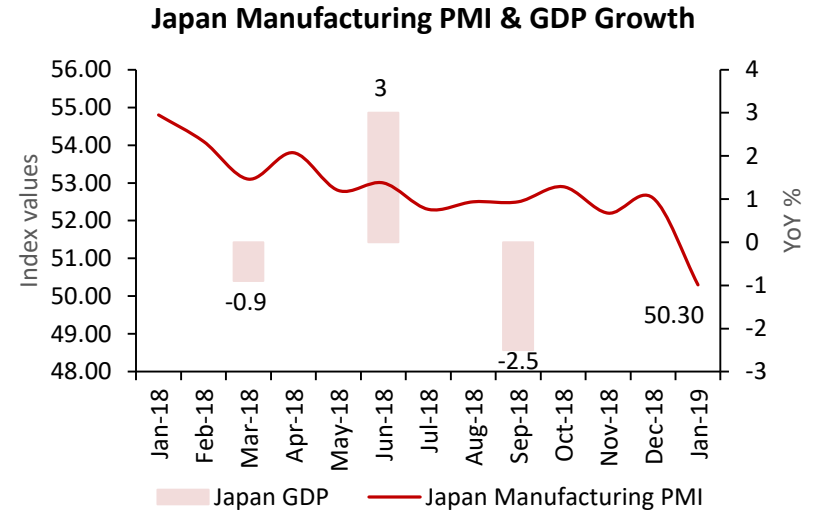
Global Economic Indicators

China's manufacturing PMI fell to 48.3 in Jan 2019 from 49.7 in Dec 2018 as production and total new work were both slightly down at the start of the year, despite a renewed increase in export orders



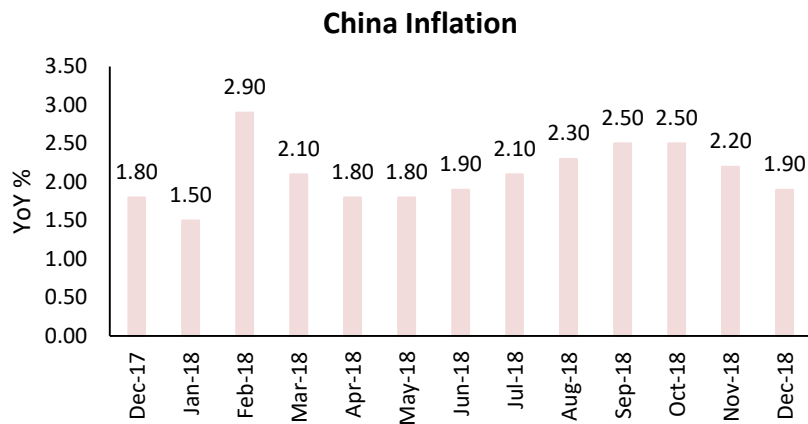
Source: Reuters, fxstreet; PMI > 50 denotes expansion and < 50 is contraction

Japan Manufacturing PMI fell to 50.3 in Jan 2019 from 52.6 in Dec 2018, the lowest since Aug 2016. New export orders declined at the sharpest pace since Jul 2016



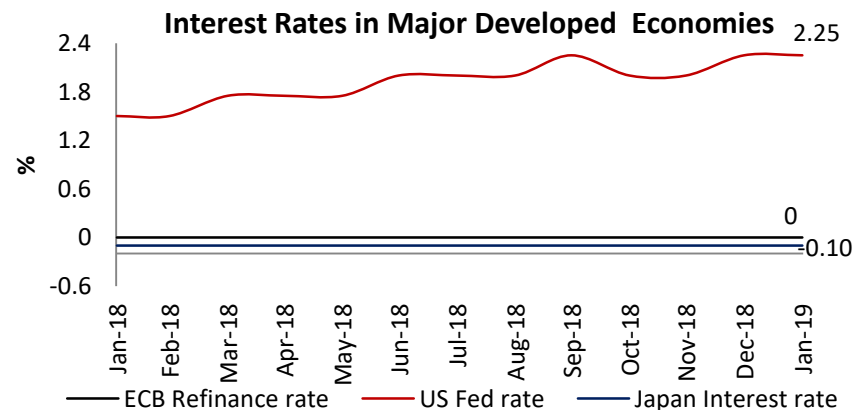
Source: Reuters, fxstreet; PMI > 50 denotes expansion and < 50 is contraction

China's consumer prices rose at the slowest pace in six months in Dec 2018 due to fall in non-food inflation to 1.7% from 2.1% in Nov 2019



Source: Reuters

Interest rates in major developed economies remained unchanged in Jan 2019

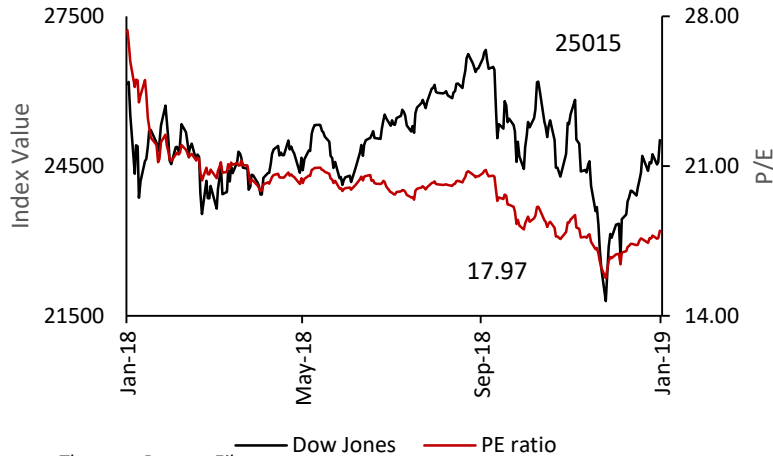


Source: Reuters

Global Equity Markets

U.S. markets edged higher with investors taking positive cues from the U.S. Fed's decision to leave interest rates unchanged and expectations of positive development over the U.S.-China trade relationship

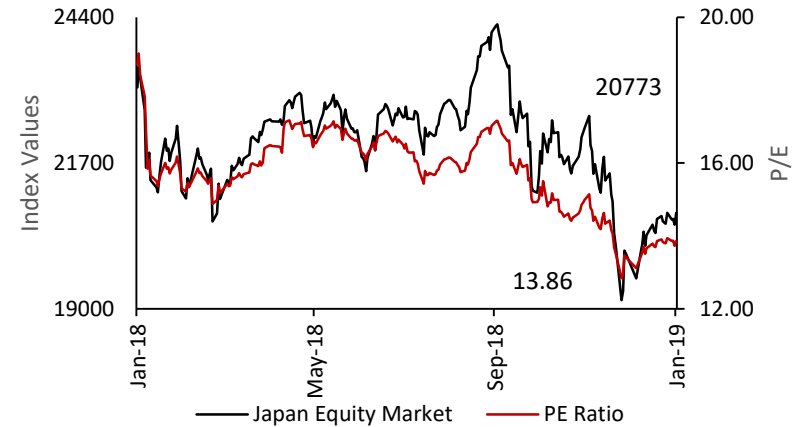
U.S. Dow Jones Index and PE ratio



Source: Thomson Reuters Eikon

Japanese market gained as Bank of Japan mentioned that it would continue with its ultra-easy monetary policy. This raised investors' confidence in economic growth

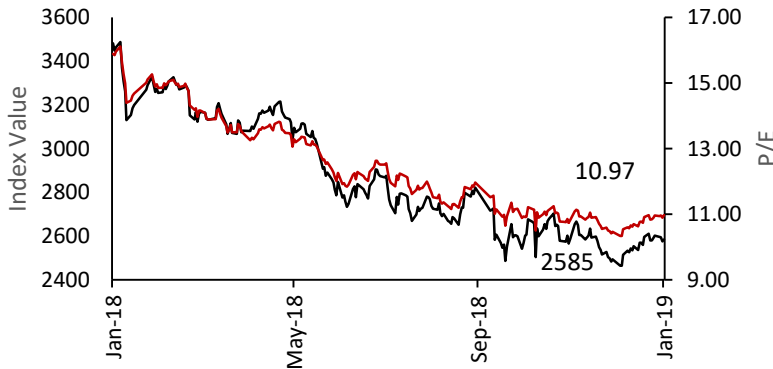
Japan Nikkei Index and PE ratio



Source: Thomson Reuters Eikon

Chinese market moved up as investors became optimistic after the Chinese Finance Minister indicated that the Chinese government would raise its fiscal spending to support economic growth

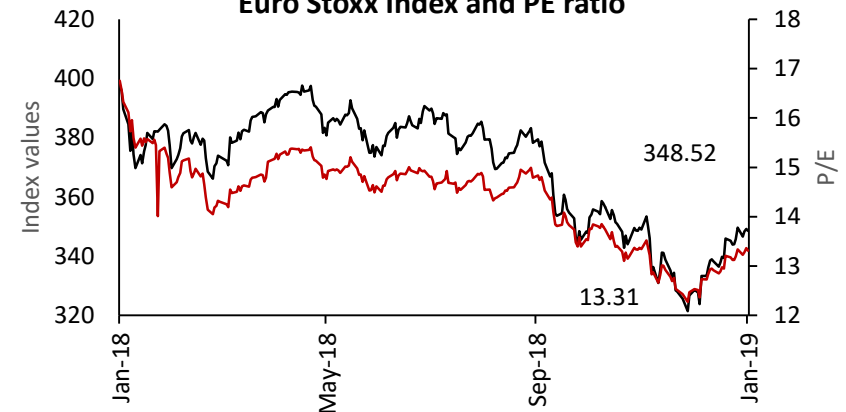
China Shanghai Index and PE



Source: Thomson Reuters Eikon

European markets too witnessed gains as market sentiment was driven by the dovish stance of the U.S. Fed on future interest rate hike. Buying interest was further impacted by the U.S.-China trade talks

Euro Stoxx Index and PE ratio



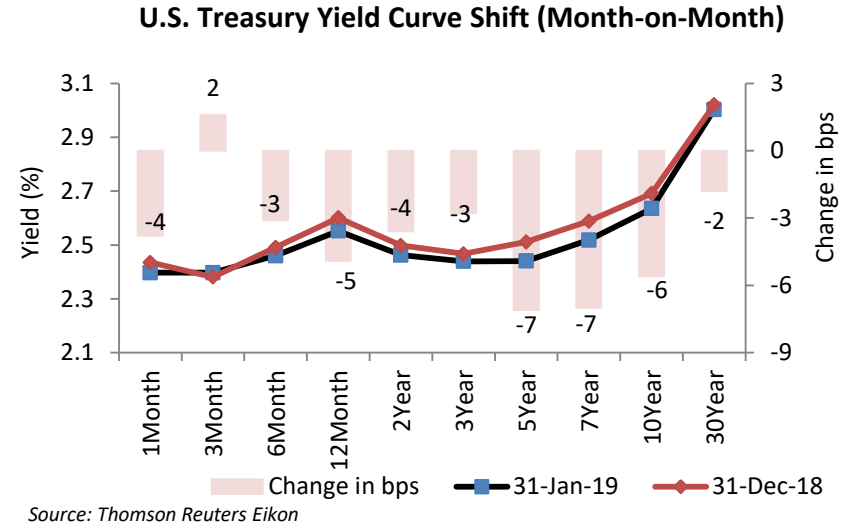
Source: Thomson Reuters Eikon

Global Debt

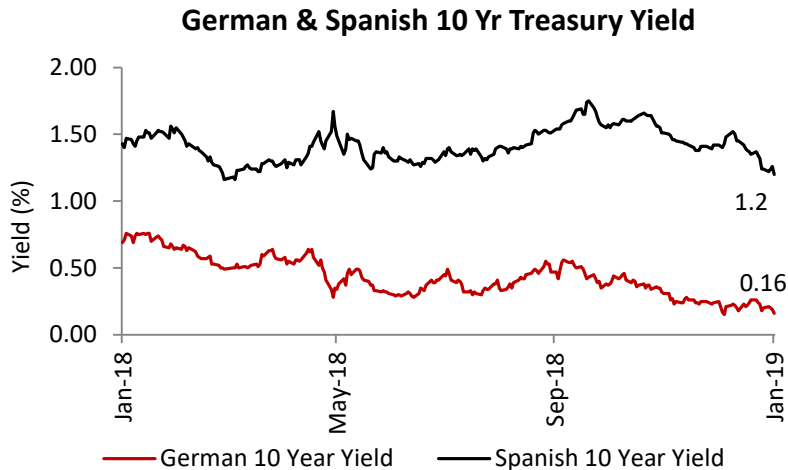
Yields on the 10-year U.S. Treasury bond fell 5 bps to close at 2.64% compared with the previous month's close of 2.69%. The paper moved in a range of 2.55% to 2.78%



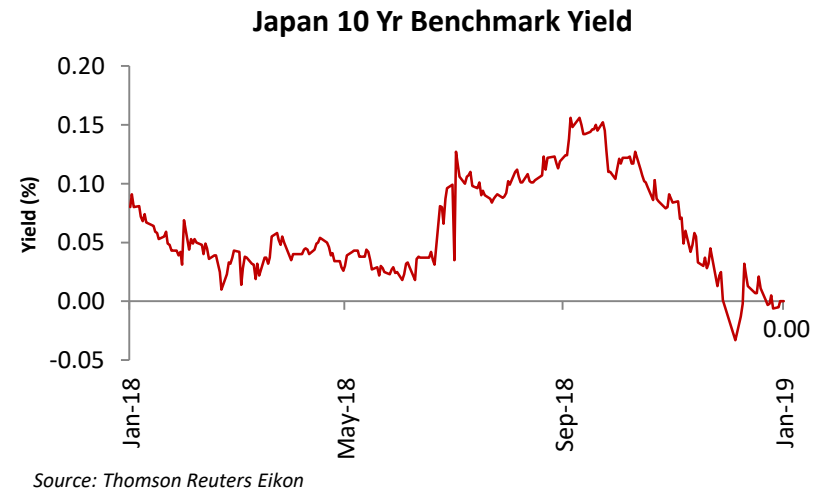
U.S. Treasury prices rose after the U.S. Federal Reserve held interest rates steady and hinted at a patient approach in further rate hikes



Bund yields fell amid worries over global growth outlook



Japanese 10-year yield plunged from 0.03% in Dec 2018 to 0.00% in Jan 2019



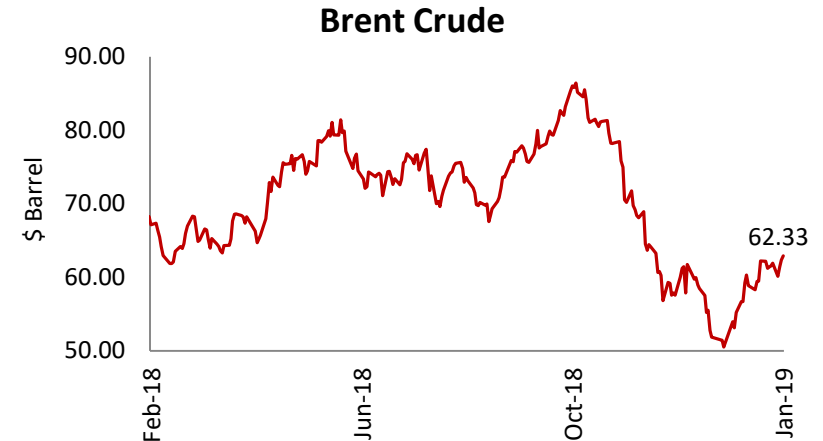
Global Commodity Market

The precious metal moved up as investors' risk-taking appetite was dampened on concerns over the global growth slowdown. However, trade talks between Washington and Beijing restricted the upside



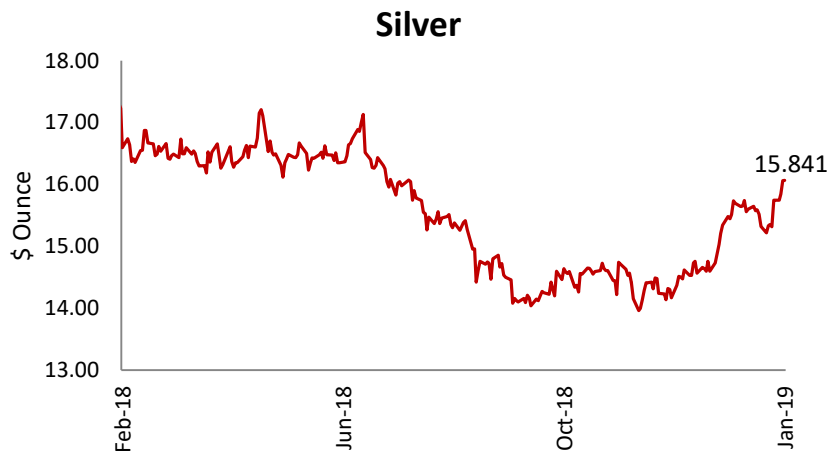
Source: Thomson Reuters Eikon

Brent crude prices surged on optimism that the Organisation of the Petroleum Exporting Countries (OPEC) will manage to shrink the supply glut and on China's effort to support the economy



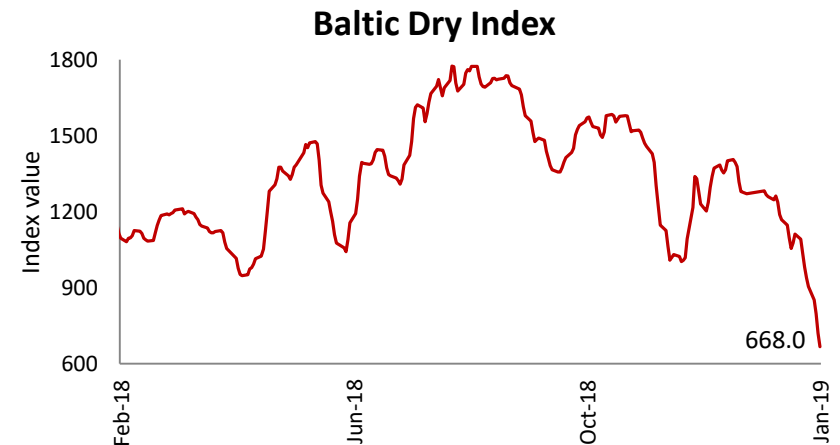
Source: Thomson Reuters Eikon

Silver prices increased MoM as the U.S. Federal Reserve kept rates on hold and stated that it would be patient with respect to rate hikes in 2019



Source: Thomson Reuters Eikon

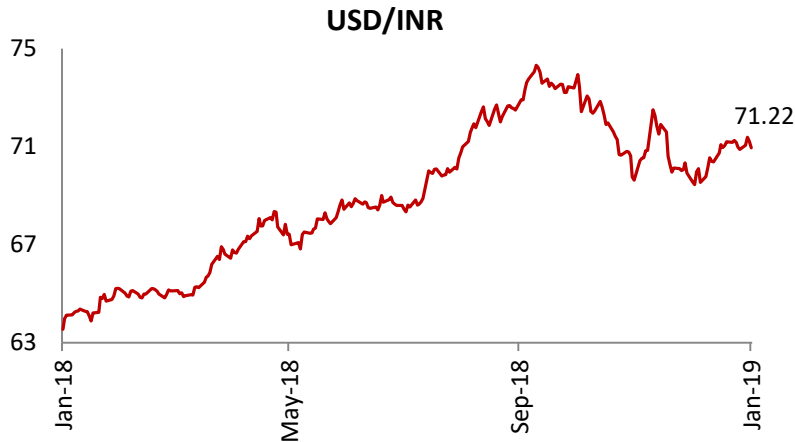
The Baltic Dry Index witnessed fall on the back of lower capesize and panamax activities



Source: Thomson Reuters Eikon

Global Currency Market

The rupee witnessed the biggest monthly fall in three months following surge in global crude oil prices and on rising concerns over a fiscal slippage



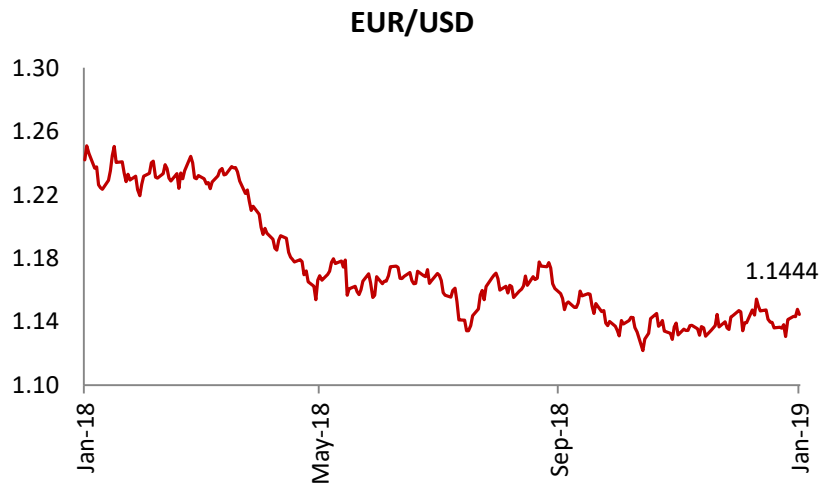
Source: Thomson Reuters Eikon

Pound rose against the greenback on growing expectations that Britain can avoid a no-deal Brexit



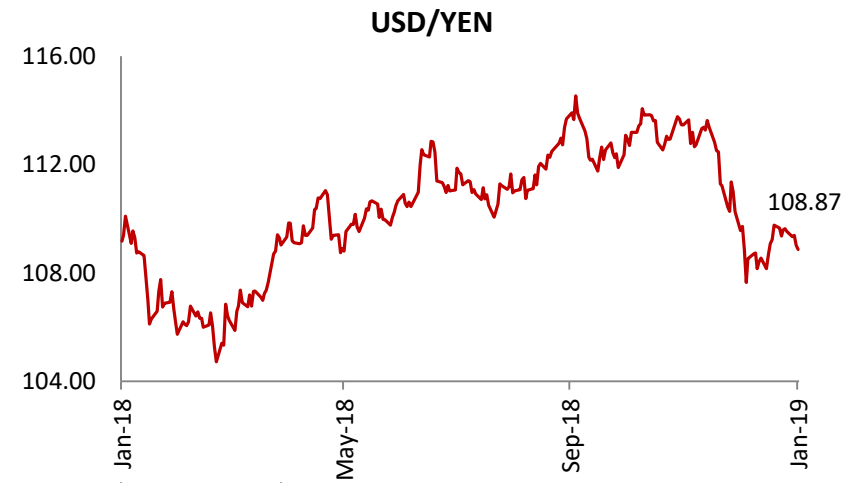
Source: Thomson Reuters Eikon

The euro fell against the greenback on concerns of a slowdown in global growth following weak trade data for China for Dec 2018 and worries that Italy could enter into a recession



Source: Thomson Reuters Eikon

Yen rose against the greenback as its safe haven appeal improved after a surprise revenue downgrade by a U.S. technology giant exacerbated concerns about a Chinese and global economic slowdown



Source: Thomson Reuters Eikon

Mutual Fund News

- ✓ According to media reports, Securities and Exchange Board of India has permitted covered calls in the mutual fund industry. Covered call is a strategy which will allow mutual fund managers to write a call option contract if he has a neutral stance on a specific stock. The market regulator clarified that fund manager can write call options under covered call strategy for stocks trading on Nifty 50 and BSE Sensex.
- ✓ According to media reports, Association of Mutual Funds in India is expected to revise the commission structure of distributors. The existing commission structure of distributors has become redundant following Securities and Exchange Board of India's ban on the upfront commission in Oct 2018.
- ✓ According to media reports, Securities and Exchange Board of India is concentrating on tightening liquid fund norms following the disastrous IL&FS episode. The market regulator is said to be considering the launch of marked-to-market valuation for debt securities. As such, the volatility of liquid funds could increase in the future.
- ✓ According to media reports, AMFI data reveals that assets from B30 cities have risen Rs. 6,000 crore to Rs. 3.63 lakh crore in the quarter ended Dec 2018. This is a sequential increase of 2%. All in all, this accounts for around 15% of the mutual fund industry's assets.
- ✓ According to media reports, the government has appointed Edelweiss Mutual Fund to manage its debt ETFs and facilitate the borrowing requirements of CPSEs and other public sector firms. The debt ETFs would be composed of bonds, credit notes, debentures and g sec as underlying securities issued by CPSEs, PSBs and PSUs.
- ✓ According to media reports, the net inflow in Equity Linked Saving Schemes or tax saving mutual fund declined 27% to Rs. 841 crore in 2018 compared with Rs. 1,166 crore in 2017. The volatility in the stock market weighed down on the inflow in this category.

Real Estate and Private Equity News

- ✓ A domestic credit rating agency maintained a negative outlook for the residential real estate segment due to high inventory, weak affordability, muted demand and declining investor interest. However, the agency awarded a stable outlook for commercial real estate segment. But the agency believes that implementation of Real Estate Development and Regulation Act (RERAD Act) and Goods and Services Tax (GST), along with increased government focus on affordable housing could aid demand revival in the real estate industry.
- ✓ The government announced the formation of a 7-member Group of Ministers (GoM) for examining and suggesting ways to resolve the issues plaguing the real estate sector after the implementation of GST. A lower GST rate of 5% is one of the demands of industry players. Gujarat Deputy Chief Minister will head the panel. The committee will suggest ways for a scheme to address the problems facing both developers and buyers. It will examine various aspects of levying GST on transfer of development rights and development rights in a joint development agreement and suitable model
- ✓ According to a report from auditing and consulting firm EY, 2018 was a record year for exits, with PE and venture capital (VC) exits touching \$26 billion, marking a double-digit growth from the previous year and combined value of exits in the previous three years. The sharp rise, however, was mainly due to the largest-ever deal of Walmart buying a controlling stake in Flipkart for \$16 billion.
- ✓ Indiabulls Real Estate announced to have sold 50% stake in two office assets in Gurugram to global private equity firm Blackstone at an enterprise value of Rs. 464 crore. Back in Nov 2018, the company had signed a non-binding term sheet to divest 50% stake in these two assets having nearly 8 lakh square feet leasable area.

Source: Livemint

Thank You

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