

WEALTHWHISPER



Monthly Review
March 2018

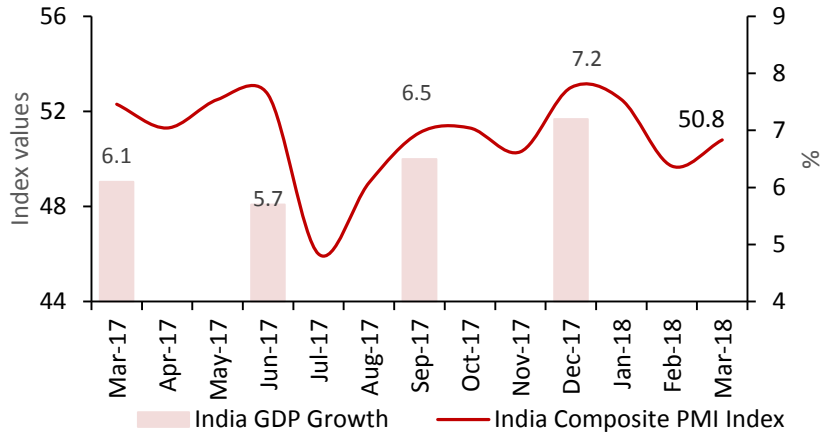
Key Domestic Market Highlights

- ✓ Indian equity markets ended the last month of FY18 in the red after witnessing volatility. The menace of banking frauds proved costly for the domestic equity markets during the month. Walk out of the regional party of Andhra Pradesh from the Central ruling coalition kept investors jittery. Weak global cues too played spoilsport with the U.S. President imposing hefty tariff on imports of steel and aluminium products and growing speculations over political tensions in the U.S. Worries of a probable trade war between the U.S. and China hit market sentiment, although the same eased when both the nations agreed to negotiate.
- ✓ On the economic front, factors affecting buying interest included India's current account deficit data for the third quarter FY18 widening to 2% of gross domestic product, or \$13.5 billion, driven by higher imports. Additionally, India's fiscal deficit widened to Rs. 7.15 lakh crore at the end of Feb 2018, exceeding the revised target of Rs. 5.94 lakh crore for the entire 2017-18 fiscal. For the Apr 2017-Feb 2018 period, it stood at 120% of the revised estimates due to increased expenditure and subdued revenue receipts.
- ✓ Nonetheless, India's strong GDP data for the third quarter of FY18 and eight core industries data for Jan 2018 provided some respite. Encouraging industrial output data for Jan 2018 and retail inflation data for Feb 2018 eased investor concerns over rate hikes by the Reserve Bank of India (RBI) in the near-term, thereby supporting the indices.
- ✓ Sentiment got further support when the government announced lower than expected borrowing programme for the first half of FY19. The government will borrow Rs. 2.88 lakh crore during the Apr-Sep 2018 period.
- ✓ The metal sector was hit hard during the period as global risk sentiment turned sour after the U.S. President announced to impose 25% tariff on steel imports and 10% tariff on aluminum imports. The announcement raised concerns of a global trade war that weighed on markets.

Domestic Economic Indicators

Nikkei India Composite PMI Output Index rose because of an acceleration in the services sector

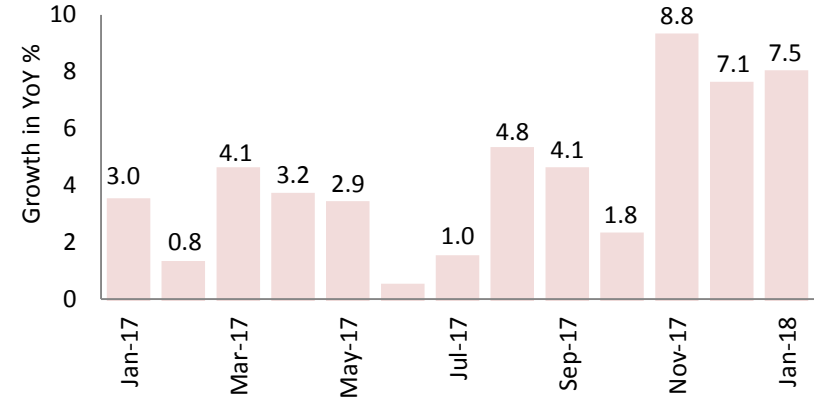
India Composite PMI & GDP Growth



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

Industrial production growth accelerated 7.5% YoY in Jan 2018 due to 8.7% surge in the manufacturing sector

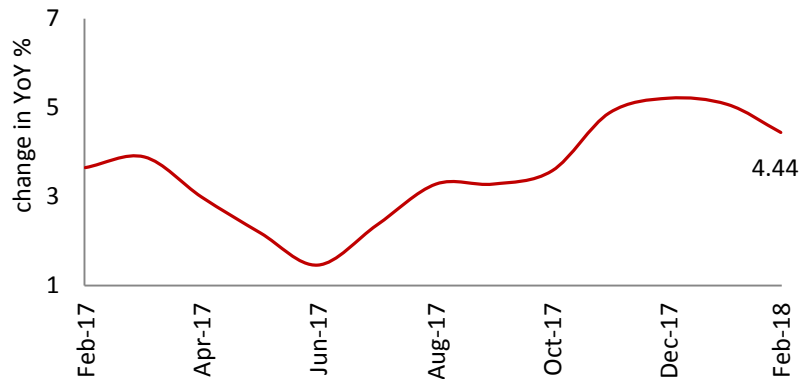
Index of Industrial production (IIP)



Source: Thomson Reuters Eikon

Consumer inflation grew 4.44% in Feb 2018, down from 5.07% in the previous month and up from 3.65% a year ago

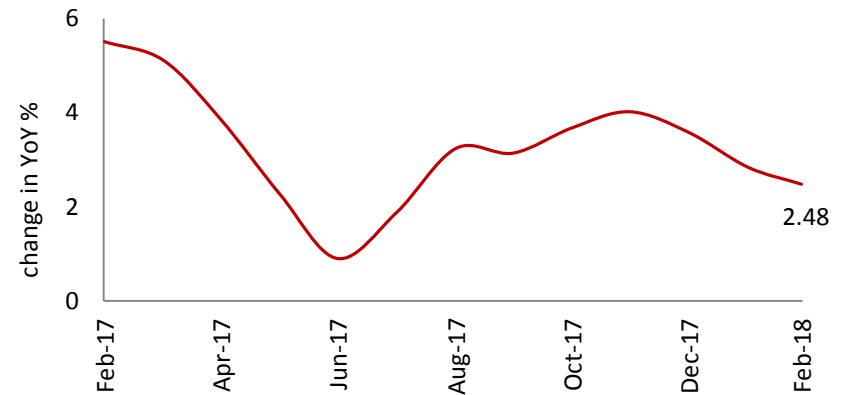
Consumer Price Index



Source: Thomson Reuters Eikon

Wholesale inflation slowed to a 7-month low in Feb 2018 due to slower growth in food and fuel prices

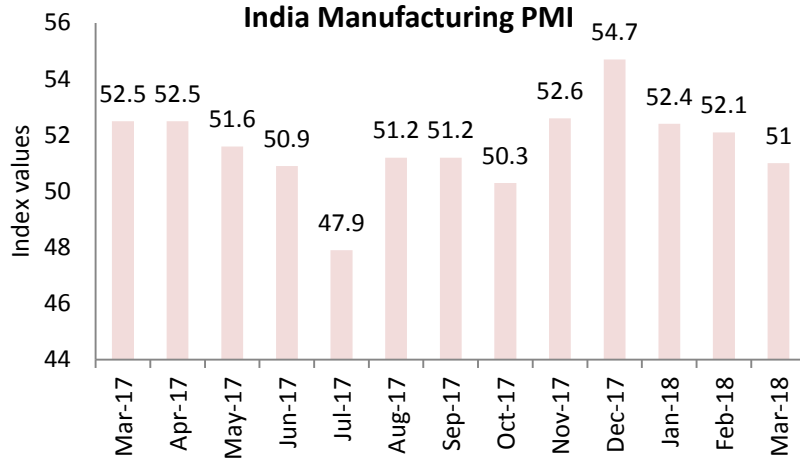
Wholesale Price Index



Source: Thomson Reuters Eikon

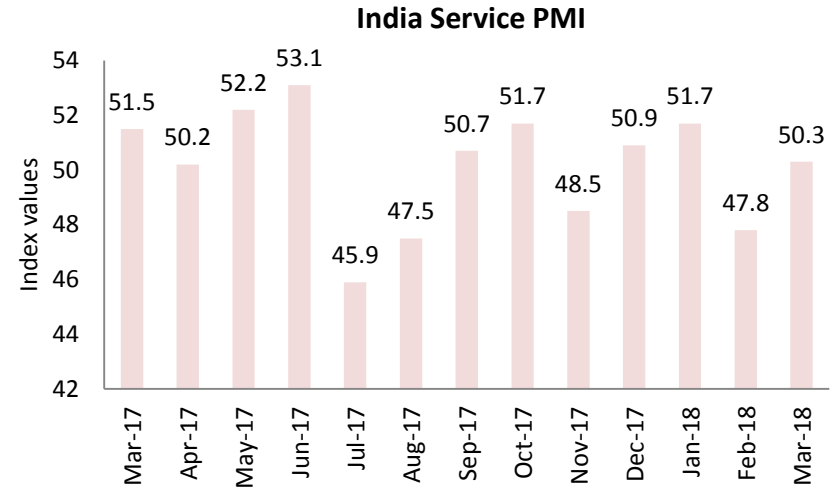
Domestic Economic Indicators

India's Manufacturing PMI in Mar 2018 fell at the weakest pace since Oct 2017 reflecting softer expansions in new work and output, and a decline in employment for the first time in eight months.



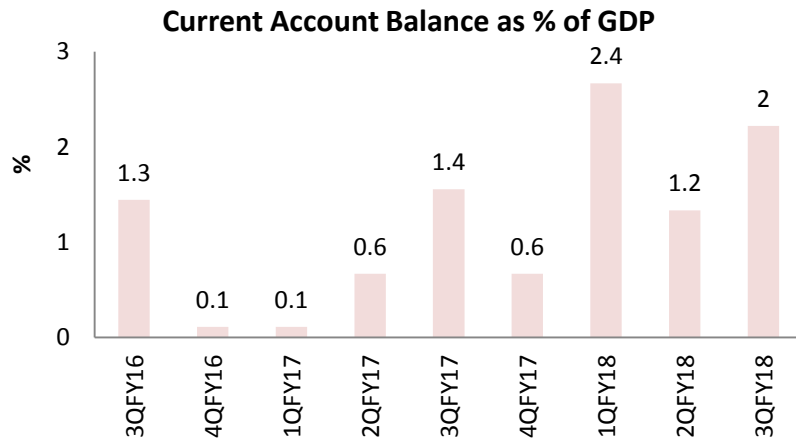
Source: Thomson Reuters Eikon; PMI >50 denotes expansion and <50 is contraction

Services sector expanded in Mar 2018 after a modest contraction in Feb 2018, underpinned by greater inflows of new work



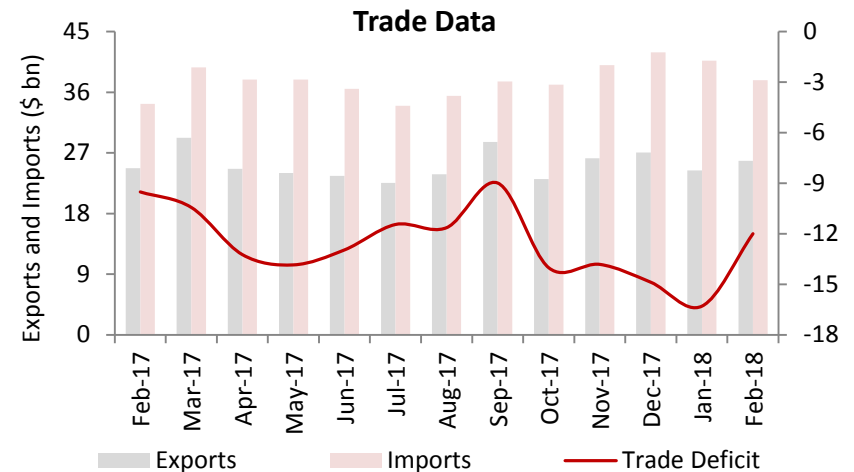
Source: Thomson Reuters Eikon; PMI >50 denotes expansion and <50 is contraction

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

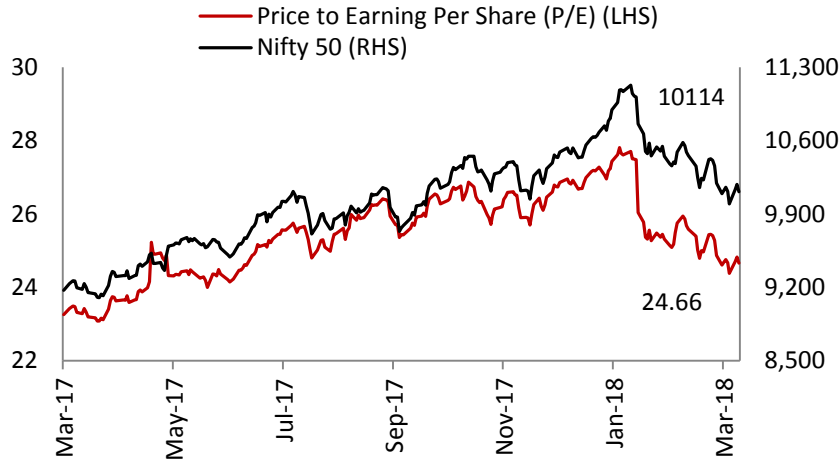
Trade deficit in Feb 2018 widened on a yearly basis due to slower rise in exports compared to imports



Source: Thomson Reuters Eikon

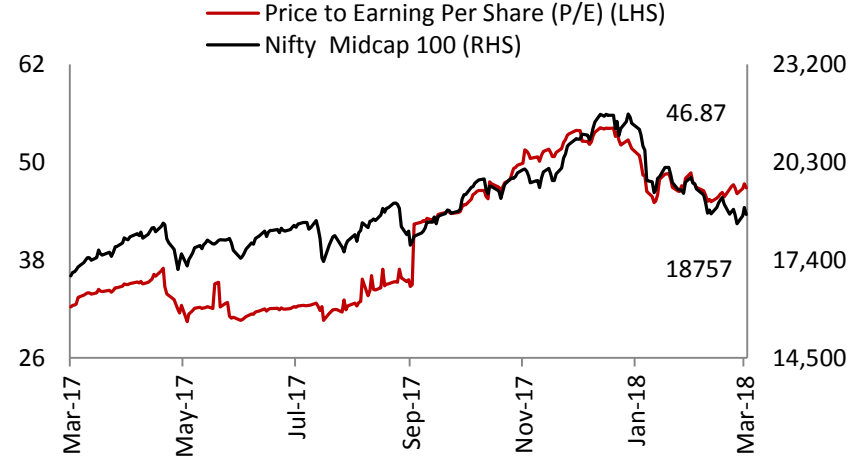
Domestic Equity Market

Key benchmark indices S&P BSE Sensex and Nifty 50 fell 3.56% and 3.61% to close at 32,968.68 and 10,113.70, respectively.



Source: NSE

Both Nifty Midcap 100 and Nifty Smallcap 100 plunged 4.62% and 6.76%, respectively.

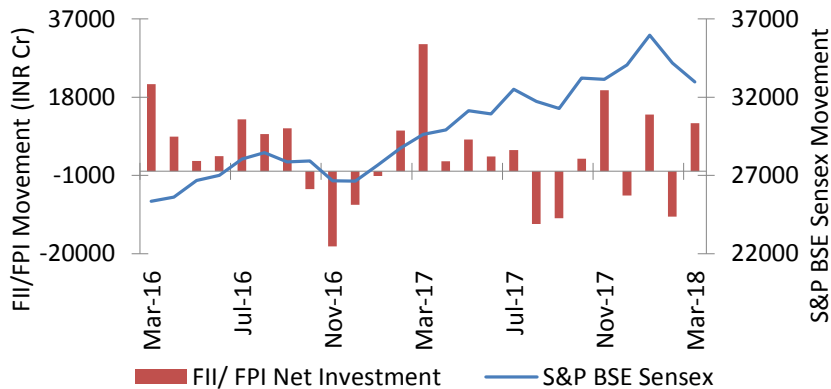


Source: NSE

Foreign portfolio investors were net buyers of domestic stocks worth Rs. 11,654 crore in Mar 2018 as against net sale of Rs. 11,037 crore recorded in the previous month.

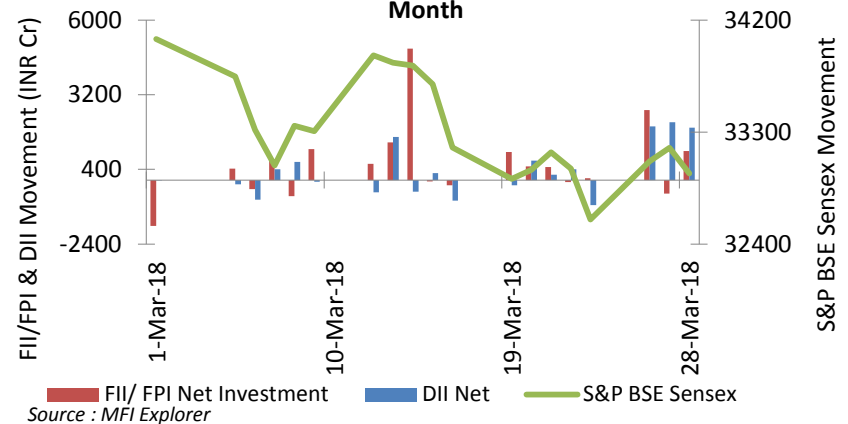
Domestic mutual funds remained net buyers in the equity segment to the tune of Rs. 9,256 crore in Mar 2018.

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



Source: MFI Explorer

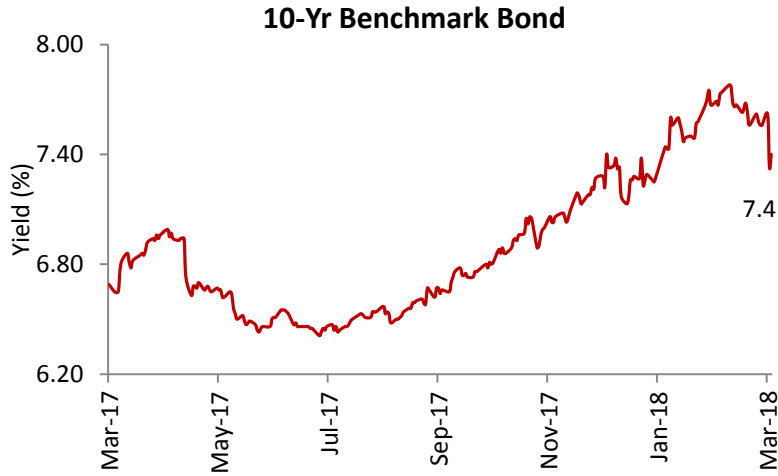
DII, FII/FPI Investment and S&P BSE Sensex - During the Month



Source: MFI Explorer

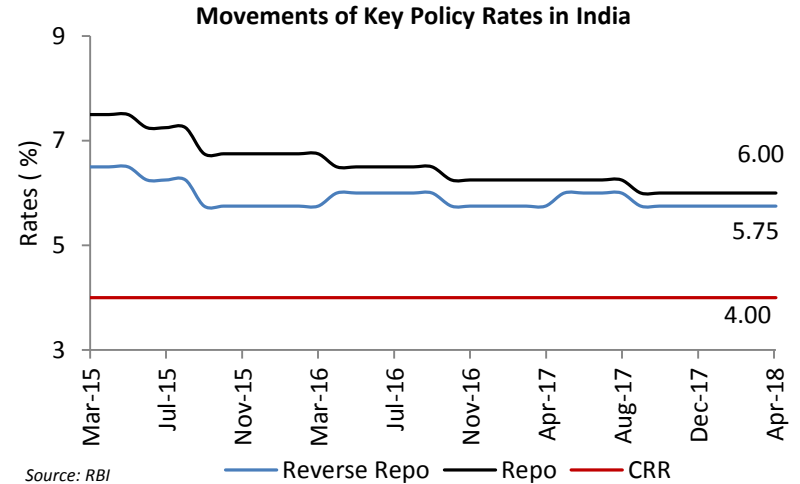
Domestic Debt Market

Bond yields plunged in Mar 2018 after the Indian government unexpectedly lowered its borrowings for the first six months of 2018-19



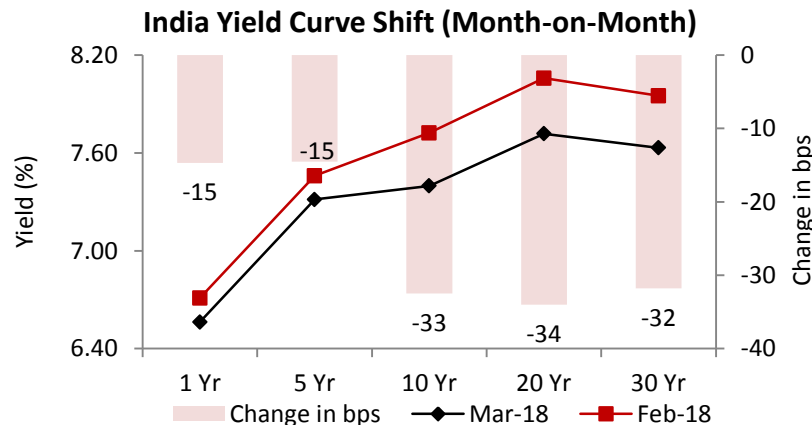
Source: Thomson Reuters Eikon

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



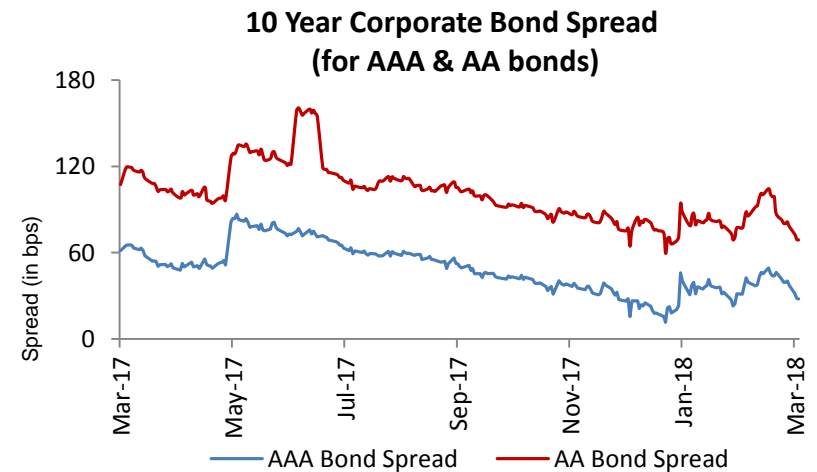
Source: RBI

Yield on gilt securities fell across maturities in the range of 6 bps to 38 bps. The maximum fall was witnessed on 13-year paper and the minimum on 1-year paper.



Source: Thomson Reuters Eikon

Yield on corporate bonds fell across maturities in the range of 20 bps to 40 bps. The maximum fall was witnessed on 10-year paper and the minimum on 4-year paper.



Source: Thomson Reuters Eikon

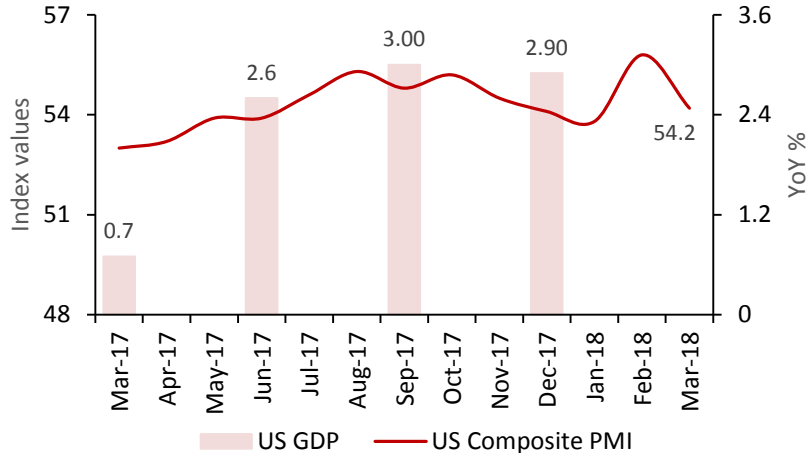
Global Market Highlights

- ✓ U.S. markets initially traded higher after the U.S. Labor Department released a report showing much stronger than expected job growth in Feb 2018. Later, market moved down on trade tensions between the U.S. and China after the U.S. government decided to put heavy tariffs on Chinese imports. China also retaliated by announcing it would levy additional duties on up to \$3 billion of U.S. imports of agricultural goods. Geopolitical tensions deepened after the U.S. said it would expel 60 Russian diplomats and Russia indicated to take harsh measures. Meanwhile, the U.S. Fed raised interest rates by 25 basis points.
- ✓ Towards the end, investors were comforted to some extent after the U.S. Treasury secretary said that the nation shall proceed with plans to impose tariffs on Chinese imports but kept room for negotiations.
- ✓ European markets initially remained stable amid easing geopolitical tensions as North Korean leader offered to halt nuclear missile tests and agreed to meet with the U.S. President through South Korean national security adviser. The European Central Bank's (ECB) policy decision too generated positive vibes. Positive economic data from the euro zone and Germany also helped sentiment.
- ✓ Later, market gave up gains on growing concerns over a potential global trade war. However, losses were restricted as trade worries eased after officials of U.S. and China indicated willingness to negotiate.
- ✓ Asian markets initially got support after the Bank of Japan kept its policy rates unchanged. Additionally, positive Japanese and Chinese economic data helped sentiment. However, gains could not sustain following political worries in the U.S. and the U.S. President announcing a protectionist trade policy. Chinese market moved down further after the country revealed a massive cabinet reshuffle plan and decided to merge the banking and insurance regulators.

Global Economic Indicators

U.S. Composite PMI Output Index fell to 54.2 in Mar 2018 from 55.8 in Feb 2018 due to slower growth in both manufacturing and service sector

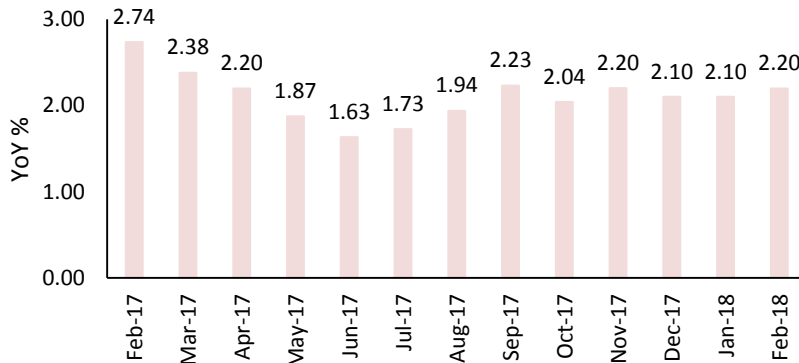
US Composite PMI & GDP Growth



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

U.S. consumer inflation stood at 2.20% in Feb 2018, higher than previous month's figure but much lower than a year ago period.

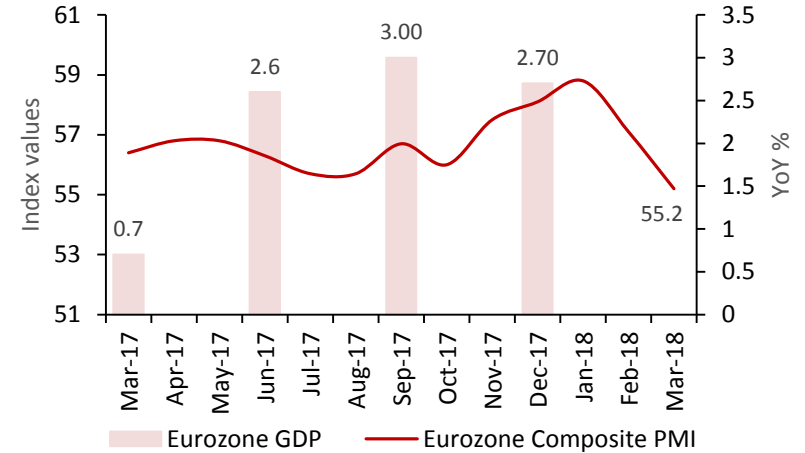
U.S. Inflation



Source: Thomson Reuters Eikon

Eurozone Composite PMI Output Index declined to 55.2 in Mar 2018 from 57.1 in Feb 2018 due to slower growth in both manufacturing and service sector

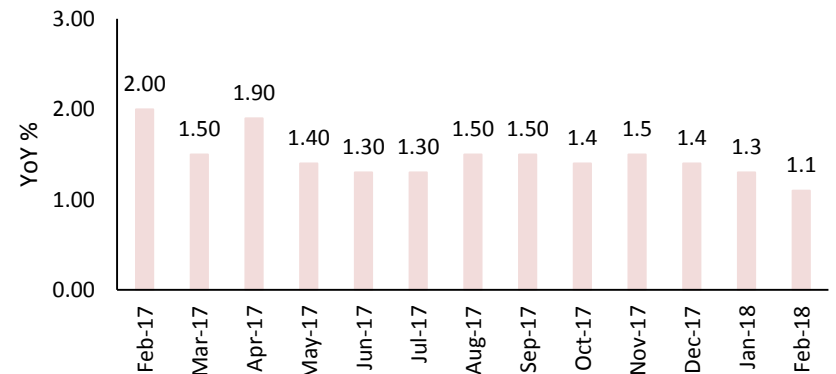
Euro zone Composite PMI & GDP Growth



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

Euro zone's inflation growth slowed to 1.1% (revised) in Feb 2018 as against 1.3% in Jan 2018 and 1.2% rise as per initial expectations.

Eurozone Inflation



Source: Thomson Reuters Eikon

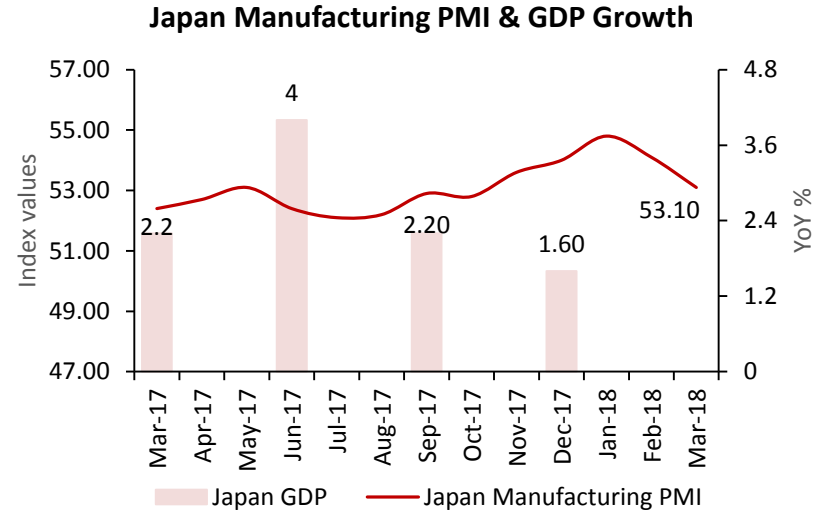
Global Economic Indicators

China's Manufacturing PMI fell to 51.0 in Mar 2018, down from 51.6 in Feb 2018 as production and total new orders both expanded at the weakest rates for four months.



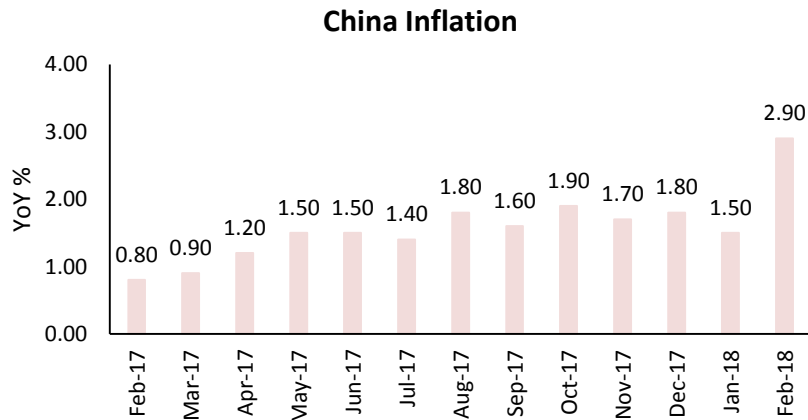
Source: Reuters, fxtstreet; PMI > 50 denotes expansion and < 50 is contraction

Japan Manufacturing PMI fell to 53.1 in Mar 2018 from 54.1 in Feb 2018 signaling slower improvement in operating conditions for Japanese manufacturers.



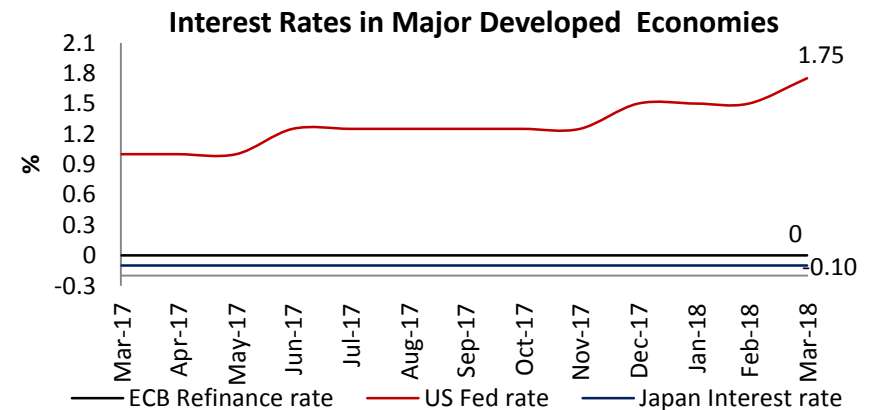
Source: Reuters, fxtstreet; PMI > 50 denotes expansion and < 50 is contraction

China's inflation grew at its highest pace since Nov 2013 as food prices surged 4.4% and non-food prices grew 2.5% in Feb 2018.



Source: Reuters

The U.S. Federal Reserve increased interest rates by 25 bps to 1.75%, attributed to strong labor market and strength in the broader economy

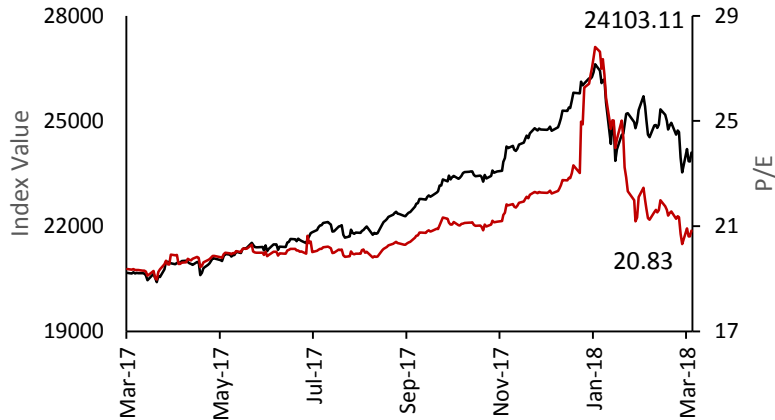


Source: Reuters

Global Equity Markets

U.S. market fell on trade tensions between the U.S. and China and also due to the rising geopolitical tensions between the U.S. and Russia.

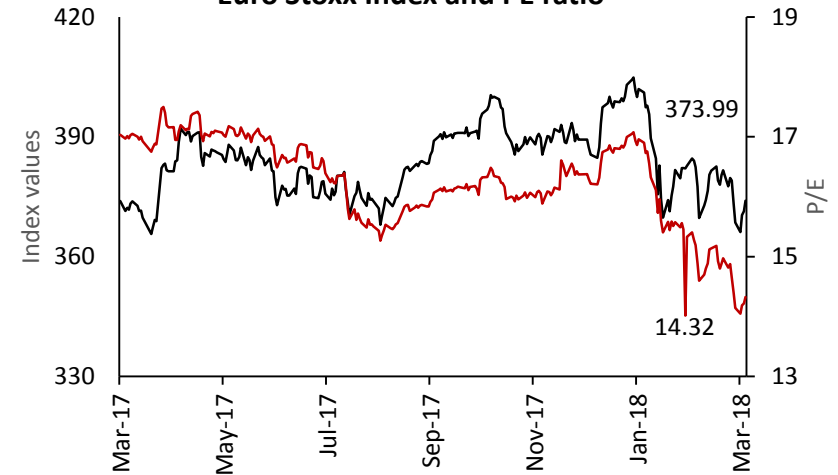
U.S. Dow Jones Index and PE ratio



Source: Thomson Reuters Eikon

European market declined on growing concerns over a potential global trade war between the U.S. and China

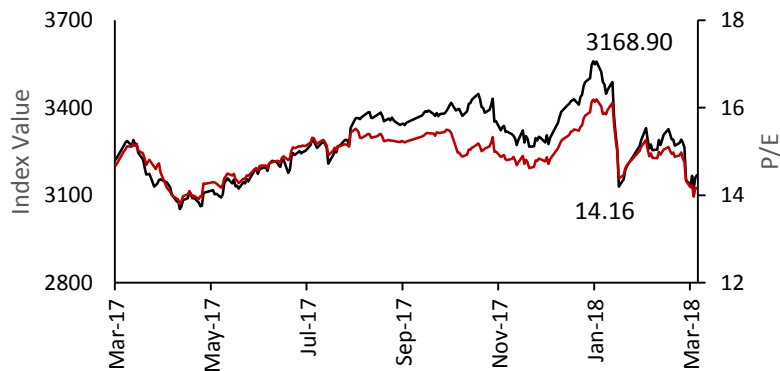
Euro Stoxx Index and PE ratio



Source: Thomson Reuters Eikon

Chinese market dropped on growing concerns over a potential global trade war between the U.S. and China

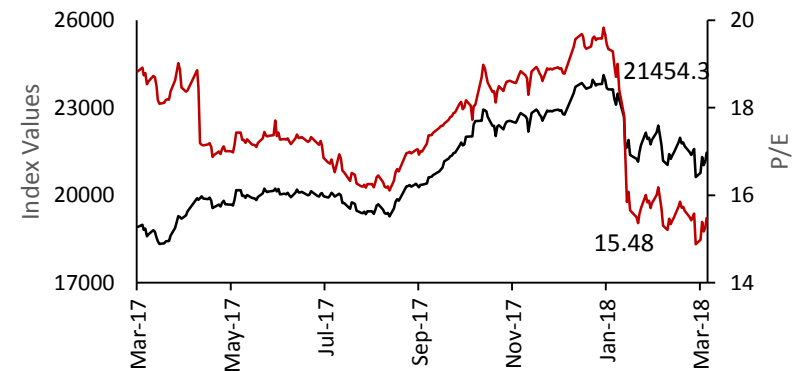
China Shanghai Index and PE



Source: Thomson Reuters Eikon

Japanese market went down on growing concerns over a potential global trade war between the U.S. and China

Japan Nikkei Index and PE ratio

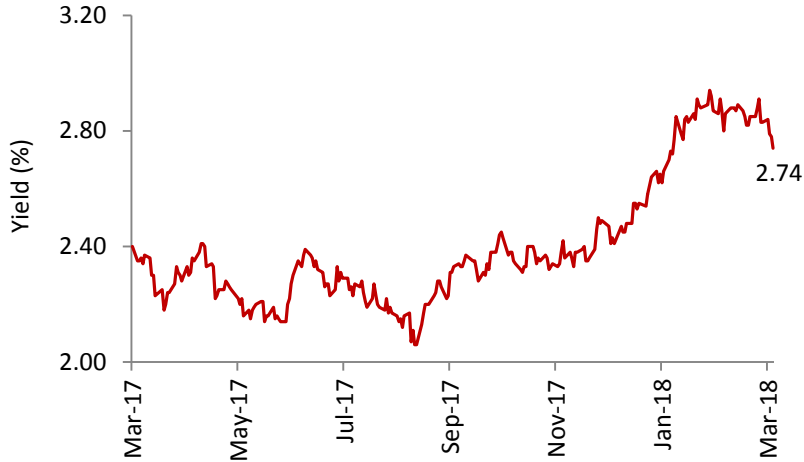


Source: Thomson Reuters Eikon

Global Debt

Yield on the 10-year U.S. Treasury bond fell 13 bps to close at 2.74% compared to the previous month's close of 2.87%.

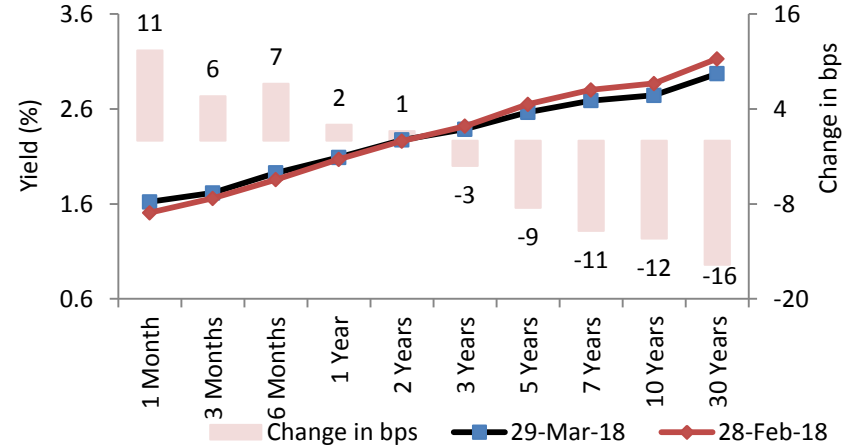
U.S. 10 Year Treasury Yield



Source: Thomson Reuters Eikon

U.S. Treasury prices rose due to trade war concerns between the U.S. and China

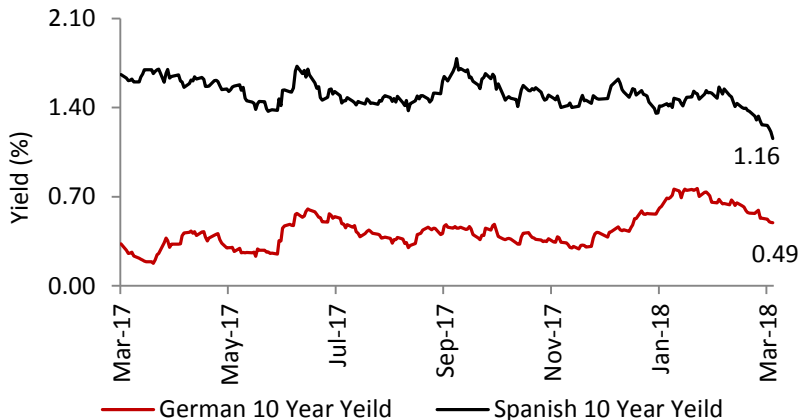
U.S. Treasury Yield Curve Shift (Month-on-Month)



Source: Thomson Reuters Eikon

Bund yields plunged due to trade war concerns and subdued euro zone inflation while Spanish bond yields fell after a major credit rating agency upgraded Spain's credit rating from BBB+ to A-

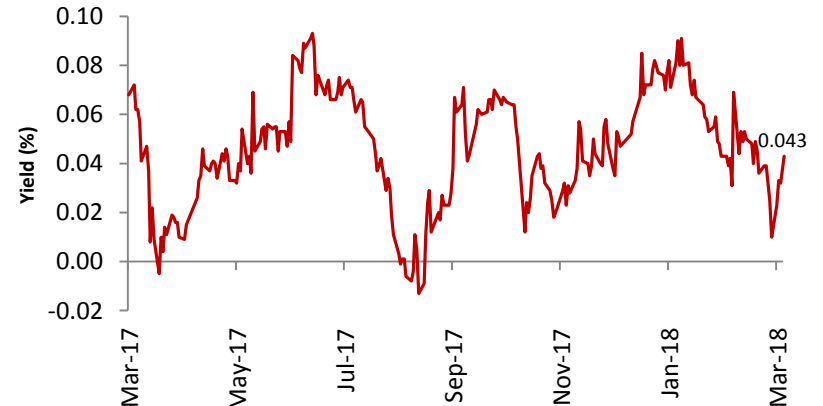
German & Spanish 10 Yr Treasury Yield



Source: Thomson Reuters Eikon

Japanese 10-year yield remained unchanged at 0.043% in Feb 2018 from 0.04% in Jan 2018

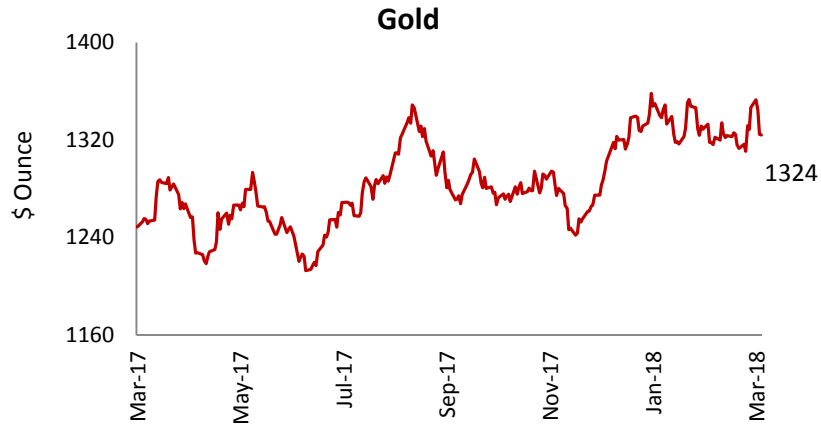
Japan 10 Yr Benchmark Yield



Source: Thomson Reuters Eikon

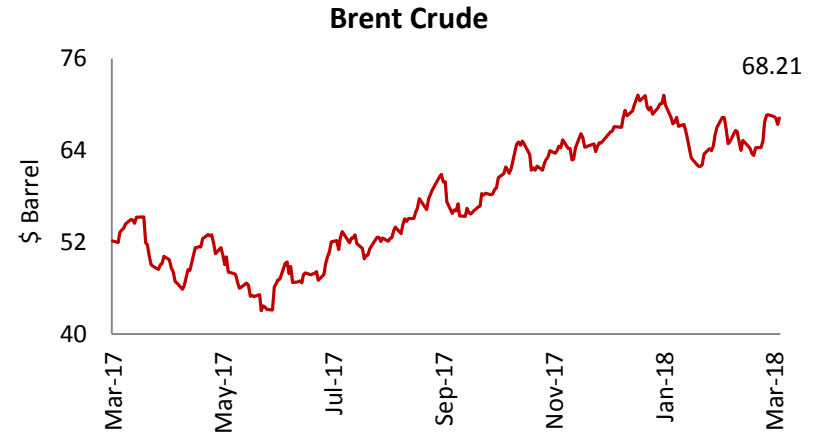
Global Commodity Market

Gold prices gained over the month on probable global trade war but fears over the same eased on news that the U.S. and China might negotiate over the tariff issue.



Source: Thomson Reuters Eikon

Brent crude prices gained over the month on geopolitical tensions and on news that production cuts by OPEC and Russia could be extended into 2019.



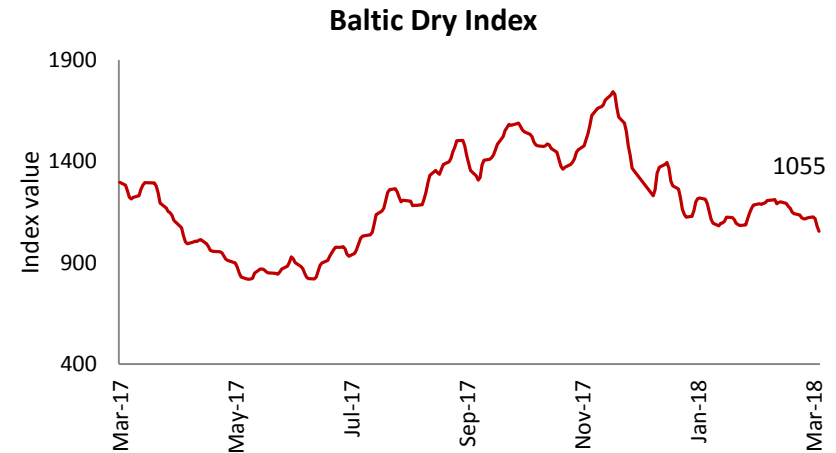
Source: Thomson Reuters Eikon

Silver prices remained weak amid easing worries over the geo political tension in the Korean peninsula and after U.S. Fed raised interest rates by 25 bps.



Source: Thomson Reuters Eikon

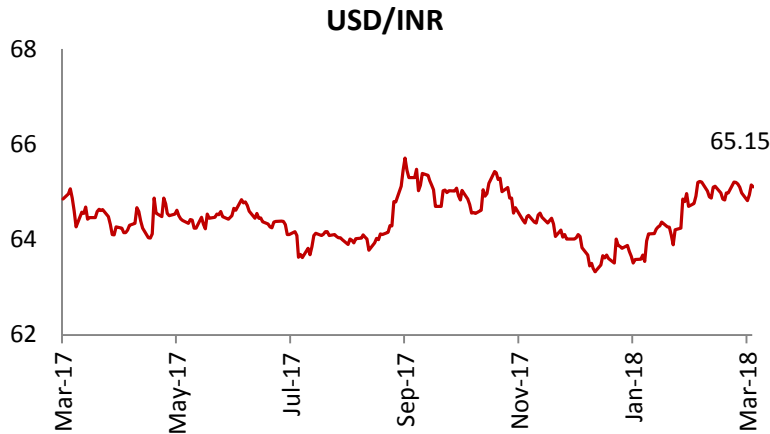
The Baltic Dry Index moved down 11.49% MoM in Mar owing to lower capesize and panamax activities.



Source: Thomson Reuters Eikon

Global Currency Market

The Indian rupee remained almost steady against the U.S dollar after moving in a narrow range during the month



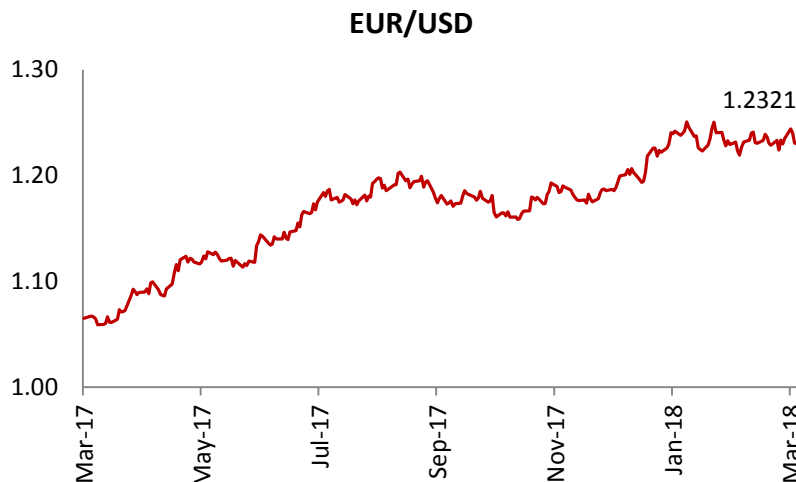
Source: Thomson Reuters Eikon

Pound rose against the U.S. dollar on improved risk appetite and on expectations that the Bank of England will increase interest rates



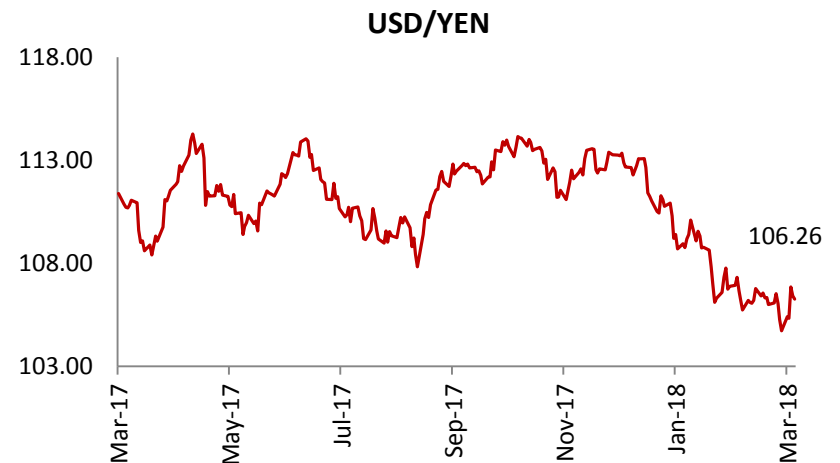
Source: Thomson Reuters Eikon

Euro rose against the U.S. dollar on concerns of a trade war between the U.S. and China.



Source: Thomson Reuters Eikon

Yen rose on expectations that the Bank of Japan will exit from its ultra easy monetary policy but gains were limited on quarter end flows into the greenback



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 came in at Rs. 21.36 lakh crore in Mar 2018 compared to Rs. 22.20 lakh crore in Feb 2018. Overall, outflow in mutual fund schemes stood at Rs. 50,752 crore in Mar 2018 compared to an inflow of Rs. 12,092 crore in the preceding month. Liquid funds saw maximum net outflow of Rs. 54,979 crore during the month followed by income funds, which saw net outflow of Rs. 13,719 crore during the period. Meanwhile, equity (including ELSS) category witnessed net inflow of Rs. 6,657 crore. Balanced and Exchange Traded Funds (excluding Gold ETF) category also saw net inflow of Rs. 6,754 crore and Rs. 5,082 crore in the month under review.
- ✓ According to media report, the Goods and Services Tax (GST) Council deferred the implementation of Reverse Charge Mechanism (RCM) until Jun 30, 2018. The move will benefit mutual fund distributors, who do not have a GST registration number, and those who have surrendered their GST registration number. These distributors should, however, have earnings of less than Rs. 20 lakh a year. In case of distributors with GST registration, mutual fund houses shall continue to follow forward charge mechanism, i.e., AMCs will pay the gross commission to them. Meanwhile, these distributors can avail benefit of input credit.
- ✓ AMFI, in consultation with the Securities and Exchange Board of India, deferred the requirement of Aadhaar for fresh mutual fund transaction from Apr 1, 2018, until further notice. Earlier, AMFI had reportedly asked mutual fund houses and R&T agents to insist that new mutual fund investors furnish their Aadhaar, making it mandatory for mutual fund investments from Apr 1, 2018.
- ✓ According to a major credit rating agency, AUM of mutual funds from B15 cities (beyond top 15 cities) stood at Rs. 4.36 lakh crore at the end of Feb 2018, which is over 41% higher than a year-ago period.

Real Estate and Private Equity News

- ✓ According to media reports, commercial real estate firm Embassy group plans to invest Rs. 1,350 crore to develop four new hotels in Bengaluru. These four new hotels, which are expected to be operational by 2022, will expand Embassy group's reach in the hospitality sector.
- ✓ Indiabulls Real Estate Ltd plans to sell 50% ownership in its prime office assets in central Mumbai for a consideration of roughly \$1.3 billion to the renowned private equity firm Blackstone Group Lp. The assets include Indiabulls Finance Centre and One Indiabulls Centre. Indiabulls is also looking to sell its residential project in Chennai for around Rs. 250-300 crore.
- ✓ Hospitality firm Hilton announced to have teamed up with property developer Embassy Group to develop two new hotels in Bengaluru. The property, which is expected to be located within the 100-acre Embassy TechVillage Business Park, will have two hotel brands—a 300-room Hilton Hotels & Resorts and 200-room Hilton Garden Inn hotel. This is the third joint project of the firms and the construction is expected to begin in 2018 and the hotels are expected to be operational by end 2021.
- ✓ According to Bain and Co.'s India Private Equity Report 2018, India has experienced strong growth in Private Equity (PE) exits in 2017, marking three consecutive years of strength. As per the report, PE exits in India stood at \$15.7 billion in 2017, up 60% YoY. PE exits in number grew 7% YoY.
- ✓ Godrej Fund Management (GFM), real estate private equity unit of Godrej Group, plans to invest \$150 million in office investment fund and \$450 million in office development fund. With these investments, the firm will make its entry into India's thriving commercial real estate space. The firm has already raised the first tranches for both the funds.

Source: Livemint

Thank You

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