

CONTACT

Monthly Market Update by JM Financial Mutual Fund

Details as on May 31, 2017

Market Update - Equity

ECONOMY

During the month of March Index of Industrial Production (IIP) went up by 2.7% v/s. 1.9% in February as manufacturing sector remains a laggard.

Retail inflation for April declined to 3% v/s. 3.8% in March due to surprise fall in food inflation as core inflation remains sticky. Food inflation drop was led by bumper production in pulses. Core inflation was flattish at 4.6% (v/s. 4.7% in March). WPI dropped to 4 month low of 3.85% v/s. 5.29% in February, in accordance with the new series launched along with IIP. GDP growth in Q4 was subdued at 6.1%y-o-y due to slowdown in private non-agri economy.

The market expects RBI to maintain status quo on rates in the upcoming monetary policy meet on June 06, 2017.

Trade deficit widened further \$13.2bn in April v/s. \$10.44bn in March as imports grew at twice the rate as exports. Monthly gold imports have roughly doubled in six months post demonetization to ~US\$3.3bn from ~US\$1.7bn in six months before demonetization. Non-oil and non-gold imports growth was robust (+44% y-o-y) and so was the pickup in capital goods (excl base effect). Exports growth (19.8%y-o-y) was led by pickup in petroleum, engineering and electronic goods while drugs, pharma was weak.

MARKET

During the month of May Sensex & Nifty went up 4.1% & 3.4% respectively as against HSI which went up 4.25%. Foreign Institutional Investors (FIIs) reversed their position to net buyers in May with net inflows of ~\$1.5bn. Domestic investors remained buyers in the month with net inflows of \$662mn. Among Domestic Institutional Investors (DIIs), Mutual Funds led the buying with ~\$1.4bn of net inflows while Insurance companies remained sellers with ~\$727mn of outflows.

Source: Bloomberg, Broker Reports

Market Update - Derivatives

For the sixth consecutive series the Nifty index ended in the green with 2% gains in the May series. While broader market indices continued to show green tick, midcap, small caps saw a sharp reversal of fortunes in the second half of May. On the last day, market-wide rollovers stood at 76% which was higher compared with the average rollovers of 75% (last three series). Nifty futures rollover stood at 74% which was higher than the average rollovers of 69% (last three series). The Infrastructure, Textile, Power, Media and Realty sectors witnessed strong rolls. Weak rolls were seen in FMCG, Cement, Capital Goods, Automobile and Banking sectors. Key events to watch out in June would be RBI policy and the outcome of UK elections. Volatility in the markets is expected to help churn the arbitrage portfolio and generate good returns.

Source: AMC's Research

From The Debt Desk

Key data and events – May 2017

During the month, RBI sets cut off for new 10 year benchmark at 6.79% which traded at 6.67% at the month end. The old 10 year GOI benchmark traded at 6.80%.

CPI: The Combined Provisional Index (CPI) for the month of April, 2017 was 2.99% as against revised CPI of 3.89% for the month of March, 2017.

IIP: The base year of the all India Index of Industrial Production (IIP) have been revised from 2004-05 to 2011-12 to reflect the changes in the industrial sector as well as to align it with the base year of other macroeconomic indicators like GDP, WPI. Under the new series, the provisional index for the month of March, 2017 was 2.73% as against 1.86% for the month of February, 2017.

WPI Inflation: As per the new base (2011-12), the provisional inflation for the month of April, 2017 was 3.85% as against 5.29% in March, 2017.

Forex reserves: Forex Reserves as on May 26, 2017 stood at USD 378.76 billion as against USD 372.73 billion as on April 28, 2017.

Domestic Liquidity: RBI absorbed on average daily bids of around INR 330,000 crores during the month in LAF.

Fixed Income and Currency data:

Indian 5 year Corporate Bond yield ended lower at 7.34% for the month of May, 2017 as compared to 7.55% for April, 2017.

3 Month Certificate of Deposit rates remained unchanged from previous month's level of 6.35%.

12 Month Certificate of Deposit rates ended lower at 6.73% for the month of May, 2017 as compared to 6.75% for April, 2017.

USD/INR: The local currency ended at Rs. 64.50.

Global data:

10 year US bond yield ended lower at 2.20% for the month of May, 2017 as against 2.28% for April, 2017.

Source for the above Commentary: RBI WSS, Bloomberg and AMC's Research