

# INDIA MONTHLY EQUITY MARKET MONITOR

December 2019

## EXECUTIVE SUMMARY

- Phase one of the U.S.-China trade deal helped global markets end on a positive note for the end of the year. This deal delays US tariff hikes on China and signals that China will import a higher amount of agricultural goods from the U.S.
- The metal sector benefitted from the trade deal between the U.S. and China. The on-going trade feud badly affected Metals and this interim resolution brings relief to the sector.
- Indian equity markets lost some momentum by the end of December due to weak domestic economic data and underwhelming holiday sales numbers.
- Bond yields fell for the first time in three years after the Reserve Bank of India (RBI) lowered their key policy repo rate. For the first time, the RBI used open market operations to sell and buy short-term securities simultaneously in order to lower the rate of interest in the economy.
- In the beginning of 2020, investors will be highly focused on the upcoming economic growth indicators and the effect of the Government's recent push to boost the economy helped affect these numbers.
- For the rest of the fiscal year (until April 30, 2020), bond yields will likely fluctuate depending on several ongoing fiscal trends. A shortfall in government revenue, as well as limited space for an expenditure cut may cause some fiscal slippage. On the other hand, the domestic debt market sentiment may increase if the government is able to raise some resources through disinvestments.

## MACROECONOMIC INDICATORS

Monthly Indicators	Dec-19	Nov-19	Oct-19	Sep-19	Aug-19	Jul-19	Jun-19	May-19	Apr-19	Mar-19	Feb-19	Jan-19
Nikkei Ind. PMI- Mfg.		51.2	50.6	51.4	51.4	52.5	52.1	52.7	51.8	52.6	54.3	53.9
Nikkei Ind. PMI- Serv.		52.7	49.2	48.7	52.4	53.8	49.6	50.2	51.0	52.0	52.5	52.2
IIP (%)			- 3.80	- 4.30	- 1.40	4.90	1.30	4.50	3.20	2.70	0.20	1.60
CPI (%)		5.54	4.62	3.99	3.28	3.15	3.18	3.05	2.99	2.86	2.57	1.97
WPI (%)		0.58	0.16	0.33	1.17	1.17	2.02	2.79	3.24	3.10	2.93	2.76
Core Sector Output (%)		- 1.5	- 5.8	- 5.2	- 0.5	2.7	0.7	3.8	5.2	5.8	2.2	1.5
Car Sales growth (MoM%)		- 7.68	32.27	13.22	- 5.69	- 11.94	- 5.37	- 7.94	- 9.93	3.84	- 4.47	15.62
FII- Debt (in CAD million)	- 840	- 436	681	- 186	2,175	1,807	1,580	231	- 980	2,316	- 1,123	- 241
FII- Equity (in CAD million)	1,336	4,670	2,294	1,415	- 3278	- 2379	493	1,539	4,074	6,556	3,202	- 788
MF- Equity (in CAD million)	384	- 892	637	2,068	3,244	2,890	1,184	1,003	- 884	- 1427	404	1,324
MF- Debt (in CAD million)	8,339	7,324	7,703	5,878	9,376	10,116	8,275	6,088	9,770	13,786	4,918	8,721
10 Yr G- Sec Yield (%)	6.55	6.46	6.64	6.70	6.56	6.37	6.88	7.03	7.41	7.35	7.59	7.48

For the purpose of conversion to CAD denomination, Spot rate of last working day of the respective month is used. Source: Thomson Reuters Eikon

## KEY EVENTS

- Government data showed that India's Wholesale Price Index (WPI) based inflation increased to 0.58% in November 2019 from 0.16% in October 2019 as well as increasing from 4.47% during the same month of 2018. The WPI Food Index grew from 7.65% in October to 9.02% in November.
- The current account deficit for Q2FY20 narrowed to \$6.3 billion (0.9% of GDP). The current account deficit contracted on a yearly basis primarily because of a lower trade deficit.

Quarterly Indicators	Q2FY20	Q1FY20	Q4FY19	Q3FY19
GDP (%)	4.50	5.00	5.80	6.60
CAD as % of GDP	-0.90	-2.00	-0.70	-2.50

FY2020 = Fiscal Year ending March 31<sup>st</sup>, 2020

Q2FY20: Quarter ending September 30<sup>th</sup>, 2019

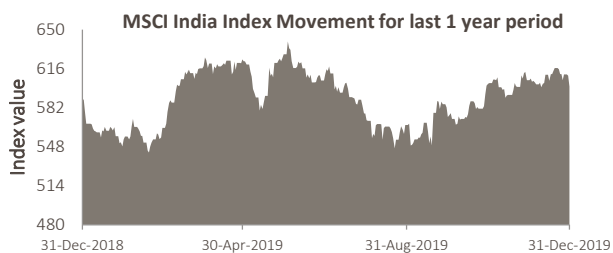
Q1FY20: Quarter ending June 30<sup>th</sup>, 2020

Q4FY19: Quarter ending March 31<sup>st</sup>, 2019

Q3FY19: Quarter ending December 31<sup>st</sup>, 2018

## DOMESTIC EQUITY MARKET UPDATE

## Market movement



Source: MSCI

## Indices return monitor

Indices	31-Dec-19	1 Mth returns (CAD)	YTD (CAD)
S&P BSE Sensex	41,253.7	-0.53%	6.18%
Nifty 50	12,168.5	-0.72%	4.00%
S&P BSE Mid-Cap	14,967.8	-2.40%	-9.99%
MSCI India NR	600.5	-0.89%	2.14%
MSCI India Small NR	414.1	-2.20%	-9.47%

Source: NSE,BSE, Thomson Reuters Eikon

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Midcap	S&P BSE Small cap
P/E	26.01	28.3	28.75	45.23
P/B	3.21	3.75	2.38	1.95
Dividend Yield	1.03	1.24	1.1	1.1

Source: NSE,BSE

Values as on Dec 31, 2019

## Institutional trend during the month

MF & FILs/FPIs	Net Investment (in CAD million)			
	31-Dec-19	MTD	QTD	YTD
<b>MFs</b>				
Equity	143	384	132	9,643
Debt	608	8,339	23,103	96,866
<b>FILs/FPIs</b>				
Equity	51	1,336	8,179	18,406
Debt	-204	-840	-602	4,711

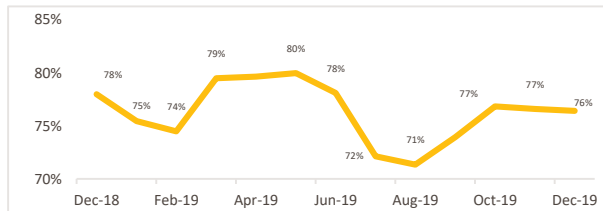
Source: SEBI; MF data as on December 31, 2019, FIL/FPI data as on December 31, 2019

\*Spot rate of Rs. 54.939600 per CAD as on Dec 31, 2019 is used. Source: Thomson Reuters Eikon

## Events calendar

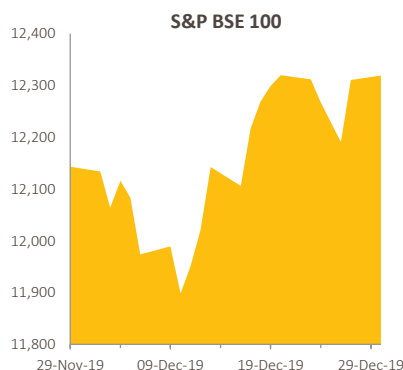
Events	Date
Bank Loan Growth - 20 Dec	3-Jan-20
Deposit Growth - 20 Dec	3-Jan-20
Trade Deficit - USD - Dec 2019	10-Jan-20
Imports - USD - Dec 2019	10-Jan-20
CPI Inflation - Dec 2019	13-Jan-20
WPI Inflation - Dec 2019	14-Jan-20
Core Sector Growth - Dec 2019	31-Jan-20
Fiscal Deficit - Apr to Dec of FY20	31-Jan-20

## Market cap to GDP ratio

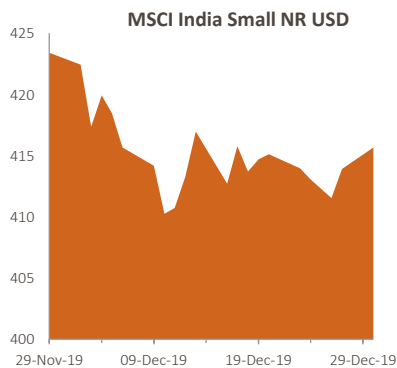


Source: Morgan Stanley

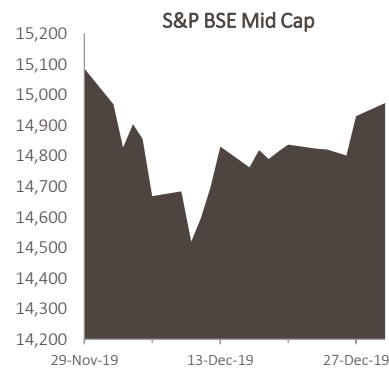
## Broader market trends



Source: MFI Explorer



Source: MSCI



Source: MSCI

## SECTORAL WATCH



Banks &amp; Financial Services



Consumer



Auto &amp; Auto Ancillaries



Oil &amp; Gas



Information Technology



Metal &amp; Building Materials

## BANKING AND FINANCIAL SERVICES

- The sector gained in December. Hopes of a rate cut by the Monetary Policy Committee (MPC) ahead of its meeting on December 5th gave the market a boost at the beginning of the month. In addition, non-banking finance companies (NBFCs) and housing finance companies (HFCs) benefitted from reports that the Union Cabinet had approved a partial relaxation of the policies behind NBFC Credit Guarantees.
- The MPC maintaining the status quo on their repo rate at 5.15% as well as Yes Bank's fund raising concern capped the gains of the sector.

## INFORMATION TECHNOLOGY

- On top of benefitting from the U.S.-China trade deal, there is hope that the sector will perform well in the midst of an increase in non linear technologies, such as artificial intelligence, robotic process automation and machine learning. This optimism benefitted the sector's performance.
- On the corporate front, Wipro announced the launch of advanced cloud Security Operations Centre services using Microsoft Azure Sentinel. Analysts have recently been high on Mindtree and investors in general have been perceiving the sector as relatively stable.

## METAL AND BUILDING MATERIALS

- Market participants in the metal sector are highly optimistic over the earnings upgrade cycle in sector majors, given the strong Chinese demand and production pulling back. Investors are expecting domestic metal prices (especially steel) to hold up in the near future. Meanwhile, traders are expecting commendable growth in the sector in 2020, to be driven by 'Make in India' initiative.
- The building material sector was boosted as the recent thrust from the Government on infrastructure development acted as great stimulus for the industry. According to media reports, Fitch Solutions expects that India's residential and non-residential buildings sectors will expand by 6.6 % in real terms in 2020.

## CONSUMER

- The consumer discretionary sector remains under pressure amid poor rural demand after a recent flood and a low overall agricultural output.
- Revenues of consumer-linked sectors displayed either weak growth or contractions, with the automobile sector witnessing a significant fall.

## AUTO AND AUTO ANCILLARIES

- The auto industry ended on a positive note in December 2019. The sector witnessed gains ahead of auto sales data for December. Also, the company-related media reports helped the sector to gain. Maruti Suzuki increased its production by 4.33% in November after lowering output for nine consecutive months due to lower demand. Tata Motors' British arm Jaguar Land Rover reported a consistent improvement for the fifth consecutive month in November in China sales. Also, the victory of British Prime Minister in the U.K. renewed hopes that Brexit could happen by January 2020. A big chunk of Tata Motors' business is based in U.K. and a confirmation on Brexit would end uncertainty.
- However, weak sales data numbers for November 2019 kept the sector under pressure. As per the Society of Indian Automobile Manufacturers data, domestic car sales in November fell 10.83% year over year to 1,60,306 units.

## OIL AND GAS

- In recent times, India's oil and gas sector has been dogged by disputes from cost recovery to production targets. To address the concern the Government has constituted an expert committee for time-bound resolution of exploration and production disputes without resorting to judicial process.
- On the corporate front, Reliance Industries Ltd. (RIL) ended the state-owned Indian Oil Corporation's (IOCL) 10-year reign as India's largest company to top Fortune India 500 list. Fortune India reported that RIL posted a 41.5 % rise in its revenue in FY 2019, which was 8.4% more than IOCL, now the second-largest company on the list.

\* For the purpose of conversion to CAD denomination, Spot rate of Rs. 54.9396 per CAD as on Dec 31, 2019 is used. Source: Thomson Reuters Eikon

## Commodities

Commodities	Returns (in %)			
	31-Dec-19	1 Mth	6 Mth	1 Yr
Brent Crude (CAD/bbl)	89.55	1.69%	-0.79%	30.01%
Gold (CAD/oz)	1970	1.19%	6.77%	12.64%
Silver (CAD/oz)	23.15	2.70%	15.53%	9.92%

Source: Thomson Reuters Eikon

Values as on Dec 31, 2019

## Movement of Currencies vs. CAD

Currencies	Values			
	31-Dec-19	1 Mth	6 Mth	1 Yr
INR	54.94	54.03	52.65	51.00
Pound Sterling	0.58	0.58	0.60	0.57
Euro	0.69	0.68	0.67	0.64
JPY	83.63	82.47	82.39	80.33

Source: Thomson Reuters Eikon

Values as on Dec 31, 2019

## Observations

- Gold prices surged after U.S. durable goods orders unexpectedly fell in November 2019. Gains were extended after the U.S. Fed kept interest rates on hold in its monetary policy review. However, better-than-expected U.S. industrial output and housing data for November 2019 restricted the gains.
- Brent crude prices grew after Russia said that it would continue collaborating with the Organisation of the Petroleum Exporting Countries (OPEC) on its supply cut plan. Optimism that the U.S. and China could finalize a trade agreement and better-than-expected November 2019 growth in industrial output and retail sales for China supported the commodity's price.

## Observations

- The rupee fell against the Canadian dollar due to intervention by the Reserve Bank of India (RBI) and greenback purchases by state-run banks on behalf of importers. The domestic currency fell further due to a decline in the domestic equity market in December.
- However, selling of greenback by foreign banks and strong corporate dollar inflows restricted the losses. Also, hopes of a trade deal between U.S. and China amid media reports that both the countries are moving closer to agreeing on the amount of tariffs that would be rolled back in a phase-one trade deal boosted market sentiments.

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	1M	3M	6M	1 YR	3 YR	5 YR	10 YR	Since Inception
Sun Life Excel India Fund (Series F)	-1.00	3.80	2.24	3.93	10.82	9.57	8.33	9.27
MSCI India	-0.89	3.15	-0.88	2.14	10.20	7.47	6.09	9.61

Source: Morningstar Direct; Portfolio returns (CAD\$) as of December 31, 2019; Inception Date of the Series: Jan 4, 2005, FUND CODE SUNL600

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