

INDIA MONTHLY EQUITY MARKET MONITOR

August 2019

EXECUTIVE SUMMARY

- Major global markets lost ground as worries over slowing global growth increased.
- As well, the U.S./China trade war, Brexit uncertainties and the Hong Kong protests hurt market sentiment.
- Indian equity markets fell when the government failed to deliver a sweeping stimulus package, but sentiment improved when it announced a series of initiatives to boost the economy,
- Bond yields increased for the first time in four months on fiscal deficit concerns. The worries emanated from expectations that the government could increase economic stimulus. A weak rupee and lack of clarity on the Government's sovereign bond issue plan weighed on sentiment.
- GDP growth came in at more than a six-year low at 5% and manufacturing PMI fell to a 15- month low.
- The auto and consumer sectors posted mixed results, while financials and metals lost ground.
- The banking and financial sector was hit by weak earnings after a major private bank's exposure to a power company reported a serious fraud. The metal sector fell victim of uncertainties around the U.S/China trade war and slowing global growth.

MACROECONOMIC INDICATORS

Monthly Indicators	Aug-19	Jul-19	Jun-19	May-19	Apr-19	Mar-19	Feb-19	Jan-19	Dec-18	Nov-18	Oct-18	Sep-18
Nikkei Ind. PMI- Mfg.	51.4	52.5	52.1	52.7	51.8	52.6	54.3	53.9	53.2	54.0	53.1	52.2
Nikkei Ind. PMI- Serv.	52.4	53.8	49.6	50.2	51.0	52.0	52.5	52.2	53.2	53.7	52.2	50.9
IIP (%)			2.00	4.60	4.30	2.70	0.20	1.60	2.50	0.20	8.40	4.60
CPI (%)		3.15	3.18	3.05	2.99	2.86	2.57	1.97	2.11	2.33	3.38	3.70
WPI (%)		1.08	2.02	2.79	3.24	3.10	2.93	2.76	3.46	4.47	5.54	5.22
Core Sector Output (%)		2.1	0.2	4.3	6.3	5.8	2.2	1.5	2.1	3.3	4.8	4.3
Car Sales growth (MoM%)		-11.94	-5.37	-7.94	-9.93	3.84	-4.47	15.62	-13.70	-3.03	-5.95	0.14
FII- Debt (in CAD million)	2175	1807	1580	231	-980	2316	-1123	-241	931	1071	-1775	-1816
FII- Equity (in CAD million)	-3278	-2379	493	1539	4074	6556	3202	-788	616	1142	-5146	-1927
MF- Equity (in CAD million)	3092	2890	1184	1003	-884	-1427	404	1324	572	1000	4278	2072
MF- Debt (in CAD million)	8295	10116	8275	6088	9770	13786	4918	8721	12790	9814	4869	3327
10 Yr G-Sec Yield (%)	6.56	6.37	6.88	7.03	7.41	7.35	7.59	7.48	7.37	7.61	7.85	8.02

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 the Indian economy slowing for the fifth consecutive quarter, to more than a six-year-low of 5.00%
- India's fiscal deficit for the period from April to July of 2019 stood at Rubies 5.48 lakh crore. (150,000 rupees equals 1.5 lakh rupees)

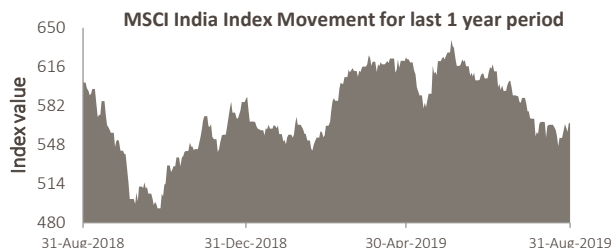
Quarterly Indicators	Q1FY20	Q4FY19	Q3FY19	Q2FY19
GDP (%)	5.00	5.80	6.60	7.00
CAD as % of GDP		-0.70	-2.70	-2.90

FY2019 = Fiscal Year ending March 31st, 2019

Q1FY20: Quarter ending June 30th, 2020
 Q4FY19: Quarter ending March 31st, 2019
 Q3FY19: Quarter ending December 31st, 2018
 Q2FY19: Quarter ending September 30th, 2018

DOMESTIC EQUITY MARKET UPDATE

Market movement



Source: MSCI

Indices return monitor

Indices	30-August-19	1 Mth returns (CAD)	YTD (CAD)
S&P BSE Sensex	37,332.79	-2.61%	-1.65%
Nifty 50	11,023.25	-2.99%	-3.58%
S&P BSE Mid-Cap	13,467.55	-3.01%	-17.11%
MSCI India NR	566.8	-1.77%	-3.59%
MSCI India Small NR	388.0	-3.85%	-15.17%

Source: NSE,BSE, Thomson Reuters Eikon

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Midcap	S&P BSE Small cap
P/E	26.25	27.27	35.21	33.51
P/B	2.82	3.35	2.3	1.79
Dividend Yield	1.24	1.39	1.11	1.13

Source: NSE, BSE

Values as on August 30, 2019

Institutional trend during the month

MF & FIs/FPIs	Net Investment (in CAD million)			
	30-Aug-19	MTD	QTD	YTD
MFs				
Equity	20,728	93,399	174,349	221,223
Debt	41,284	269,359	552,709	2,005,886
FIs/FPIs				
Equity	23,721	-94,411	-161,057	261,010
Debt	6,807	62,640	113,263	161,939

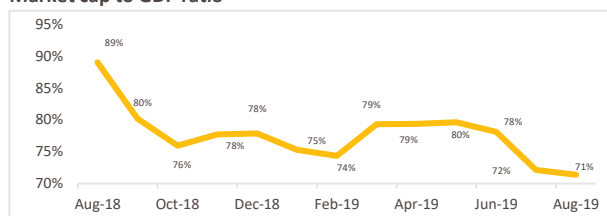
Source: SEBI; MF data as on August 30, 2019, FI/FPI data as on August 30, 2019

*Spot rate of Rs. 53.6661 per CAD as on Aug 30, 2019 is used. Source: Thomson Reuters Eikon

Events calendar

Events	Date
Nikkei India Manufacturing PMI (August 19)	2-Sep-19
Nikkei India Services PMI (August 19)	4-Sep-19
Forex Reserves (Week ended August 30, 2019)	6-Sep-19
Index of Industrial Production (July 19)	12-Sep-19
Consumer Price Index (August 19)	12-Sep-19
Wholesale Price Index (August 19)	16-Sep-19
Eight Core Industries (August 2019)	30-Sep-19
Payroll Reporting (July 2019)	25-Sep-19

Market cap to GDP ratio

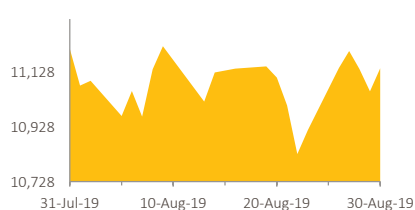


Source: Morgan Stanley

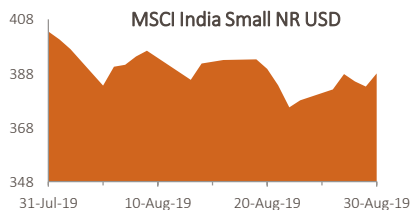
Observations:

- Indian equity markets were weak in August as domestic and global factors played on investor sentiment. Political uncertainty over the revocation of Kashmir's special status made investors cautious. As well, the sluggish economy kept the market under pressure.
- Market sentiment improved after the Reserve Bank of India (RBI) and the government took steps to boost the economy.
- Heightened worries over the U.S./China trade war and global recession fears kept markets under pressure.
- Markets traded down after the Government revoked the special status of Kashmir, leading to political instability concerns. Worries over a global selloff caused the rupee plunge against the dollar.
- However, investor expectations for a 25 bps interest rate cut by the U.S. Federal Reserve prior to its policy meet on August 7, 2019, lifted investor sentiment.
- Back home, hopes for a government stimulus package were dimmed when the chief economic advisor was quoted as saying, "we have to be careful on the issue of a fiscal stimulus." He said the private sector needs to change its mindset and stop "personalizing profit and socializing losses".
- Sentiment improved after the RBI decided to transfer CAD \$32,795.38 to the Government. After the recommendations of a committee, RBI increased its budgeted transfer to the government from CAD\$16,770.36 million from CAD\$16,025.02 for the year.
- Global trade wars and economic growth worries came back to haunt the markets with foreign fund outflows. Global markets were hit by recession fears as U.S. bond yields inverted.

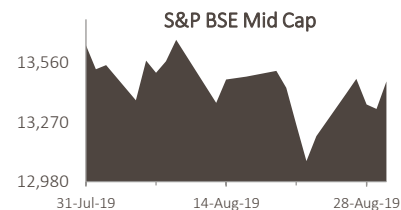
Broader market trends



Source: MFI Explorer



Source: MSCI



Source: MSCI

SECTORAL WATCH



Banks & Financial Services



Consumer



Auto & Auto Ancillaries



Oil & Gas



Information Technology



Metal & Building Materials

BANKING AND FINANCIAL SERVICES

- The banking and financial services sector declined during the month following weak earnings from a few major companies. The State Bank of India logged a lower than expected profit in the quarter, due to an increased tax expense. IDBI losses in quarter widened to CAD\$708.27 million against a loss of CAD \$449.07 million a year earlier.
- However, losses were tempered after the Finance Minister announced upfront release of CAD\$13,043.62 million for public-sector banks.
- The finance minister announced the merger of ten state-run banks into four distinct entities. Amongst them, Oriental Bank of Commerce and United Bank of India will merge with Punjab National Bank; Syndicate Bank and Canara Bank will be merged into one entity, while Andhra Bank, Union Bank of India and Corporation Bank will become a single entity.

CONSUMER

- The consumer sector showed improvement during the period, thanks to the monsoon pickup and the government's effort to stimulate rural growth to revive demand. Despite the economic slowdown, the consumer staples sector seemed to be resilient in the first quarter.
- Asian Paints registered 17% rise in its top line for the quarter. On the other hand, companies such as Hindustan Unilever Ltd., Marico Ltd, Godrej Consumer Products Ltd. and Dabur India Ltd. reported volume growth of 5%, 6%, 5% and 9.6%, respectively.

OIL AND GAS

- The domestic oil-and-gas sector remained stressed during the quarter. Recent data revealed that both oil demand and imports have witnessed a sharp fall. The data indicated that the slowing economy has begun to impact the sector.
- However, the outlook improved after India and Russia decided to ink a comprehensive energy co-operation agreement. The framework aims for an alternate route for oil, gas and coal from the Russia.

METAL AND BUILDING MATERIALS

- The metal sector fell during the month ended August 30, 2019, on rising trade tensions between U.S. and China. The U.S. President announced to increase tariffs on \$250 billion worth Chinese goods from existing 25% to 30%, which could worsen the scenario further. On the other hand, the steel segment is facing challenges due to lower metal prices, weak sales and falling profits.
- The building material sector closed in the red during the month ended August 30, 2019 as overall sentiment continued to remain soft on weak consumer demand.

AUTO AND AUTO ANCILLARIES

- The auto industry grew during the month ended August 30, 2019. An increase in registration fees for vehicles was deferred until June, 2020 and a ban on purchase of new vehicles by government departments was lifted to boost demand.
- A reduction in the GST rate from 28% to 18% is expected, which could have revive vehicle demand ahead of festive season.

INFORMATION TECHNOLOGY

- The IT sector rose during the period. A weak rupee against the U.S. dollar tends to benefit the domestic IT sector as it derives the lion's share of its earnings from exports.
- Incentives announced by the Government to aid the banking sector, automobile sector and non-banking financial sector, coupled with the roll back of an enhanced surcharge on foreign portfolio investors, also boosted overall market sentiment.
- However, gains were capped amid concerns that domestic IT companies may be adversely affected with possible changes to the U.S., H-1B visa issuance process.

* For the purpose of conversion to CAD denomination, Spot rate of Rs. 53.6661 per CAD as on Aug 30, 2019 is used. Source: Thomson Reuters Eikon

Commodities

Commodities	Returns (in %)			
	30- Aug- 19	1 Mth	6 Mth	1 Yr
Brent Crude (CAD/bbl)	81.36	- 1.89%	- 4.14%	- 18.96%
Gold (CAD/oz)	2,023	8.52%	17.03%	29.27%
Silver (CAD/oz)	24.44	13.97%	19.29%	29.28%

Source: Thomson Reuters Eikon

Values as on Aug 30, 2019

Movement of Currencies vs. CAD

Currencies	Values			
	30- Aug- 19	1 Mth	6 Mth	1 Yr
INR	53.67	52.19	53.78	54.45
Pound Sterling	0.62	0.62	0.57	0.59
Euro	0.68	0.68	0.67	0.66
JPY	79.83	82.42	84.56	85.15

Source: Thomson Reuters Eikon

Values as on Aug 30, 2019

Observations

- Gold prices surged during the month amid the intensifying trade war between the U.S. and China. Unrest in Hong Kong, economic stagnation in Germany and a slide in emerging-market assets added to the gains.
- However, the U.S. central bank wanted to review more data before making future rate decisions, which dampened speculations over a planned series of rate cuts.
- Brent crude prices fell amid escalating trade-war tension between the U.S. and China.

Observations

- The rupee weakened against the Canadian dollar as escalation in trade tensions between the U.S. and China improved.
- Ongoing protests in Hong Kong and political uncertainty in Argentina further weighed on the rupee.
- U.S. dollar purchases by foreign banks and private banks added to the losses. Month-end dollar demand from oil importers further weighed on the domestic currency.

	1M	3M	6M	1 YR	3 YR	5 YR	10 YR	Since Inception
Sun Life Excel India Fund (Series F)	-1.48	-9.43	2.73	-8.57	5.82	10.47	8.89	9.19
MSCI India	-1.77	-9.81	1.92	-5.88	5.58	7.18	6.88	9.55

Source: Morningstar Direct; Portfolio returns (CAD\$) as of August 30, 2019; Inception Date of the Series: Jan 4, 2005, FUND CODE SUNL600

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