

Market Update – June 2018

Economy

- Rating agency Fitch raised its GDP growth forecast for both financial year 2018-19 and 2019-20 to 7.4% and 7.5% respectively.
- The Reserve Bank of India (RBI) hiked the benchmark lending rate by 25 basis points (bps) to 6.25% from 6% for the first time in four-and-a-half years.

- India's CPI Inflation for the month of May 2018 inched up to 4.87% from 4.58% in April. It has been increased by 29 basis points.

Indicators	Current	Previous
Monthly CPI Inflation	4.87%	4.58%
	(May-18)	(April-18)
Monthly WPI Inflation	4.43%	3.18%
	(May-18)	(April-18)
IIP	4.9%	4.6%
	(April-18)	(Mar-18)
GDP (QoQ)	7.70%	7.0%
	(Jan-Mar 18)	(Oct-Dec 17)

- Wholesale prices in India rose by 4.43 percent year-on-year in May of 2018, after a 3.18 percent gain in the prior month and above market estimates of 3.76 percent.

- Index of Industrial Production (IIP) growth showed some improvement, growing by 4.9% YoY in April 2018 against growth of 4.4% in the previous month.

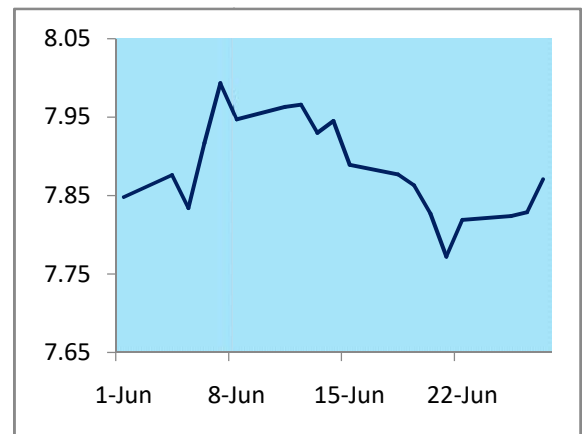
- The Nikkei India Manufacturing PMI fell to 51.2 in May, 2018 from 51.6 in the preceding month and below market consensus of 51.5.
- The four state-run banks, including Bank of Baroda, IDBI Bank Ltd, Oriental Bank of Commerce and Central Bank of India, that were being proposed to be merged are under pressure with combined losses of Rs21,646.38 crore in the year ended 31 March.
- The services sector witnessed a slowdown in May as the Nikkei India Services Business Activity Index fell to 49.6 from 51.4 in April. This contraction is the first in three months.
- India raised duties on 29 products from the US, striking back against Washington's move to impose higher tariffs on Indian steel and aluminium exports. The duties, which take effect from August 4, will mean \$240 million additional revenue.
- India's trade deficit widened to four month high of USD 14.62 billion in May from USD 13.84 billion in May 2017 as imports surged nearly 15%.

Global

- US Federal Reserve hiked its interest rate by 25bps from 1.75% to 2% and signaled 2 more rate hike in the 2018, expressing confidence that the US economy was strong enough for borrowing cost to rise without choking off economic growth.
- The Bank of Japan left its monetary policy unchanged and kept interest rate at minus .10%. In the monetary policy meeting held by Bank of Japan they decided to purchase Japan Government Bond so that 10 year JGB yield will remain at around .03%.
- The European Central Bank held its lending rate unchanged at 0% till summer of 2019 and said it will continue buying €30bn of European Govt. bonds each month, but this will be reduced to €15bn a month after September,2018 and ended completely at the end of the Dec,2018.
- The yield on the benchmark U.S. 5-year Treasury note fell from 2.79% to 2.73% during this month. Yield on the benchmark U.S. 10-year Treasury note fell down from 2.92% to 2.85% while the yield on the U.S. 30-year Treasury bond was slipped to 2.98 % from 3.06% in the month.
- In the meeting held by the OPEC and non-OPEC countries, OPEC countries have decided to boost oil production by 1mn barrels per day by July, 2018.
- The US GDP growth was lowered by 2 percent in the first quarter of 2018 which was below 2.2 percent in the second estimate and market expectations of 2.2 percent. It is the lowest growth rate in a year as business inventories and personal consumption were revised down, the final estimate showed.
- The U.S. Commerce Department has determined that Chinese common alloy aluminium sheet products are being sold in the U.S. market at less than fair value and will be subject to preliminary anti-dumping duties of 167.16 %, the Aluminium Association said.
- The IHS Markit Eurozone Manufacturing PMI fell to 55 in June of 2018 from 55.5 in May, in line with market expectations.

Debt Market

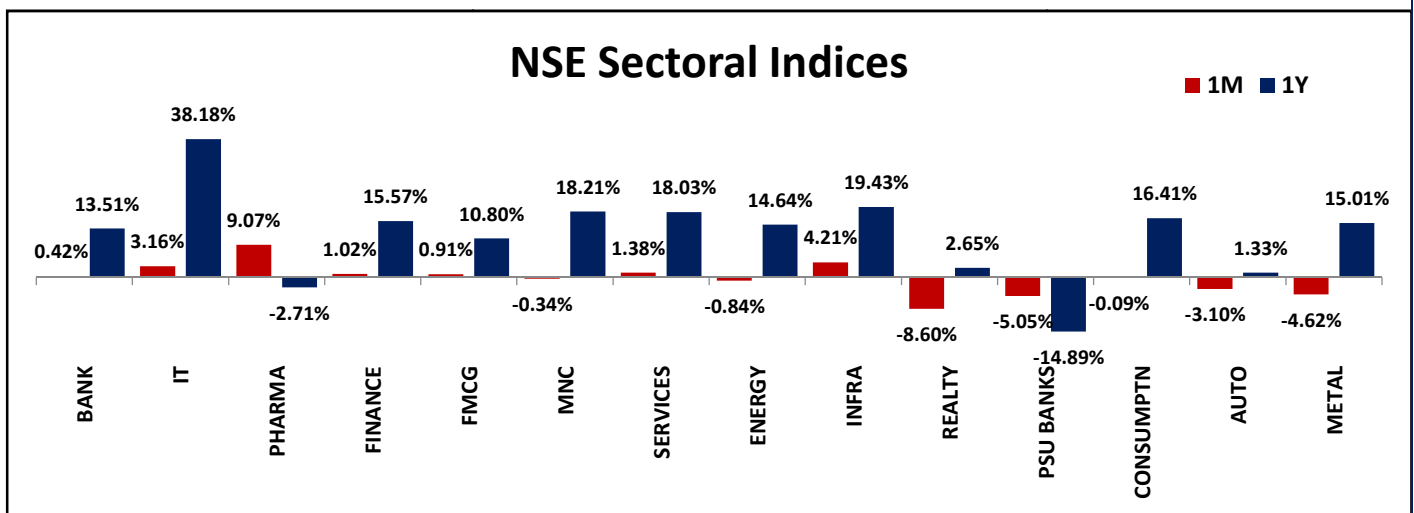
- The RBI relaxed its April notification, which prevented foreign portfolio investors (FPIs) from investing more than 20% of their portfolios in bonds issued by a single corporate group.
- Leading stock exchange NSE today launched 'Tri-Party Repo Market' platform in its debt segment to facilitate repurchase (repo) of corporate debt securities.
- RBI has purchased government securities of up to Rs10,000 crore on June 21, 2018 under open market operation(OMO) to help in liquidity management. It was the second OMO operation after May.
- The finance ministry said on 29 June,2018 that the fourth tranche of electoral bonds sale will take place from July 2-11. Electoral bonds are being pitched as an alternative to cash donations made to political parties and bring transparency in political funding.
- India's 10 Year benchmark bond yield surged and hit the high of 8.0 percent in this month. The 7.17 per cent 10-year benchmark bond yield maturing in 2028 rose to 7.90 percent from 7.86 percent in the month of June,2018 and increased by 0.51%.
- The monthly 7.17 % 10 year benchmark G-sec yield maturing 2028 is shown in the line chart.
- According to ICRA, higher borrowing costs and narrowing options to raise funds will pose challenges for retail NBFCs in FY ending March 2019 as they seek to raise Rs3.8 to Rs4 lakh crore of debt to finance a 20% growth in loan portfolio.
- To compute LCR, banks will be permitted to increase the Level 1 HQLA Government securities held by them up to another 2% of their NDTL within the mandatory SLR requirement to a total of 13% of their NDTL.
- Life Insurance Corporation has bought the first issuance of the longest maturity 30-year bonds this financial year, sold by the National Highway Authority of India (NHAI).
- Reserve Bank of India, under the Liquidity Adjustment Facility, purchased securities worth Rs97.18 billion in 11-bids at the 3-days repo operations at a fixed rate of 6.25 per cent in the month of June, while, its sold securities worth Rs409.79 billion in 57-bids at the overnight reverse repo auction at a fixed rate of 6.00 per cent.
- The Prime Minister made a strong pitch to foreign investors and reiterated his commitment to fiscal discipline in the annual meeting of the Asian Infrastructure Investment Bank (AIIB). Government estimates a requirement of \$4.5 trillion investment in building public infrastructure until 2040.



Equity Market

- SEBI reduced the timeline for announcing IPO price band to two working days before opening of the issue from 5 working days earlier.
- Foreign investors have pulled out more than Rs7458 crore from the Equity capital markets so far in the month of June due to weakness in Rupee , US- China trade war and due to surge in global crude price. They also pulled out Rs11038 crore so far this month from debt capital market due to rise in bond yield.
- The central bank increased the carve-out of liquidity coverage ratio from the statutory liquidity ratio by 2% of net demand and time liabilities.

Sector Performance of NSE as on 30th June, 2018.



Reasons

- Among sectoral and industry indices, Pharma was one of the best performing sector which rose by 9.07% followed by IT sector which rose by 3.16% in the month of June.
- Apart from Pharma and IT sectors, Bankex, Infra and FMCG sectors also rose by 0.42%, 4.21% and 0.91% respectively.
- Among broader indices Nifty 50 rose only by 0.76% and settled at 10741 in the end of the month. NSE Midcap 50 surged by 9.77% and Nifty Small 100 fell by 6.57% in the month of June.
- GST revenue mop-up rose to Rs95610 crore for the month of June,2018 as against Rs94016 in the previous month and Rs1.03 lakh crore in April,2018

- Shares of state-owned oil marketing companies fell as global crude oil prices hovered around their over three-year highs on concern that the US may re-impose sanctions on Iran, a major oil producer.

FII & DII Activity

Net Flows	Jun-18	May-18	Apr-18
FII (in Cr.)	-7,458.76	-10,060.00	-5,552.00
DII (in Cr.)	14,146.15	13,573.97	8,663.88

In the month of June, 2018 FII's again became the net sellers and pulled out Rs7458 crore from equity capital market as compared with Rs10600 crore in May and DII's were still net buyers in the equity market to the tune of Rs14146 crore in month of June as compared to May, 18 to the amount of Rs8663 crore.

IPO CORNER

No Major IPO listed in the month of June 2018 in Equity Market.

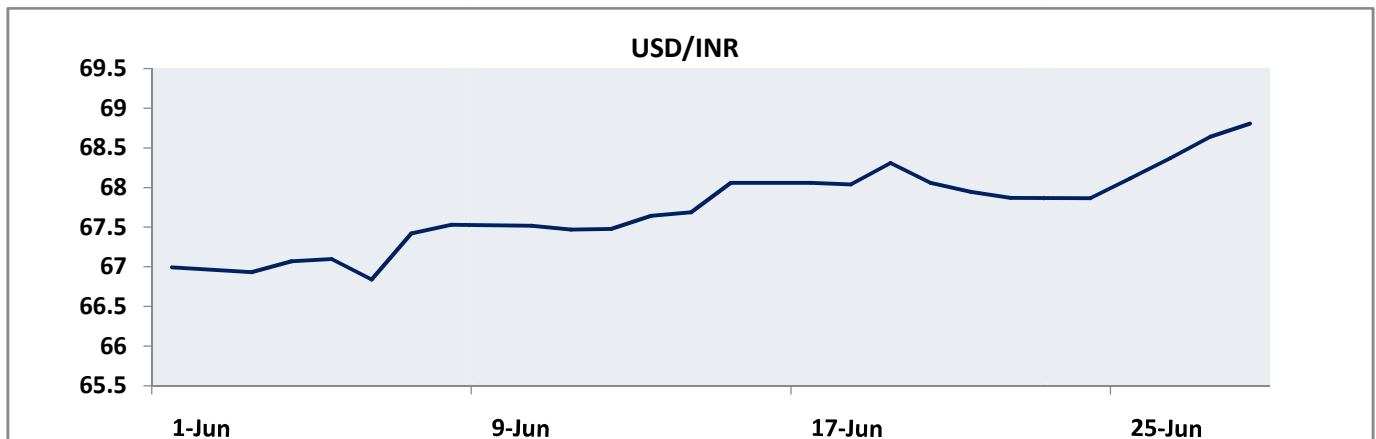
Debt	Shriram Transport Finance Company Limited						
Issue Opening Date	27-Jun-18						
Issue Closing Date	20-Jul-18						
Offer Size (Cr.)	₹ 5,000						
Credit Rating	Crisil AA+						
Series	I	II	III	IV	V	VI	VII
Tenor	5 Years	10 Years	3 Years	5 Years	10 Years	3 Years	5 Years
Frequency of Interest Payment	Monthly	Monthly	Annual	Annual	Annual	Cumulative	Cumulative
Categories - I,II,III & IV Coupon Rate	8.93%	9.03%	9.10%	9.30%	9.40%	NA	NA
Effective Yield (p.a.)	9.30%	9.41%	9.09%	9.29%	9.39%	9.10%	9.30%

Currencies

The USD-INR depreciated to Rs68.58 /US\$ in June from Rs66.99/US\$ in May on rising crude prices and foreign outflows. On 28th June 2018, the Indian rupee fell to all time high of Rs69.09/US\$.

So far this year in 2018, the Indian Currency has depreciated about 8%, making it the worst performance in Asia. The Indian rupee recovered from record low aided by dollar selling intervention by the Reserve Bank of India. The rupee settled at Rs58.45/US\$ in the end of the month.

In the past one month, the rupee weakened 2.2% due to the sharp surge in global crude oil prices, US-China trade war and global external risk factors.



Mutual Funds

Mutual Fund houses were net buyers to the tune of Rs37974 crore in June, 2018 on debt side as compared with the previous month where they were the net sellers with the amount of Rs12113 crore. On equity side they were still net buyers with the amount of Rs6554 crore in June,2018 which was quite lower than previous month.

MF Activity	June			May		
	Purchase	Sell	Net Flow	Purchase	Sell	Net Flow
Equity (Cr.)	50,113.32	43,558.70	6554.62	62428	48738	13690
Debt (Cr.)	1,71,438.55	1,33,464.27	37974.28	167158	179271	-12113

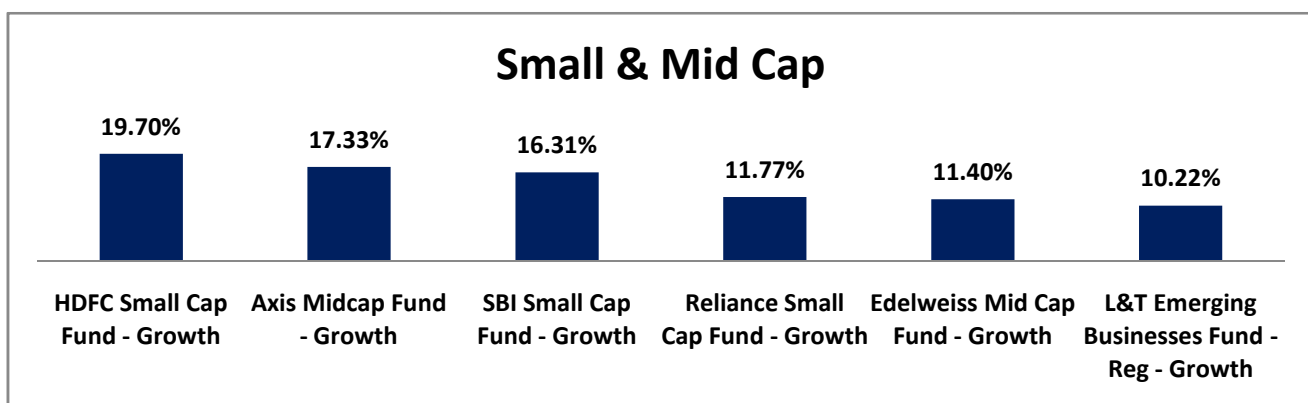
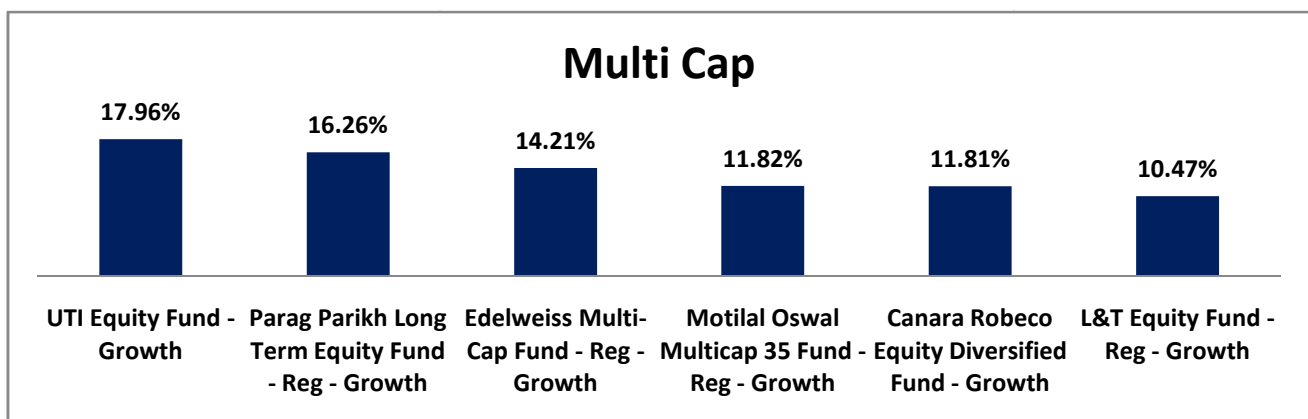
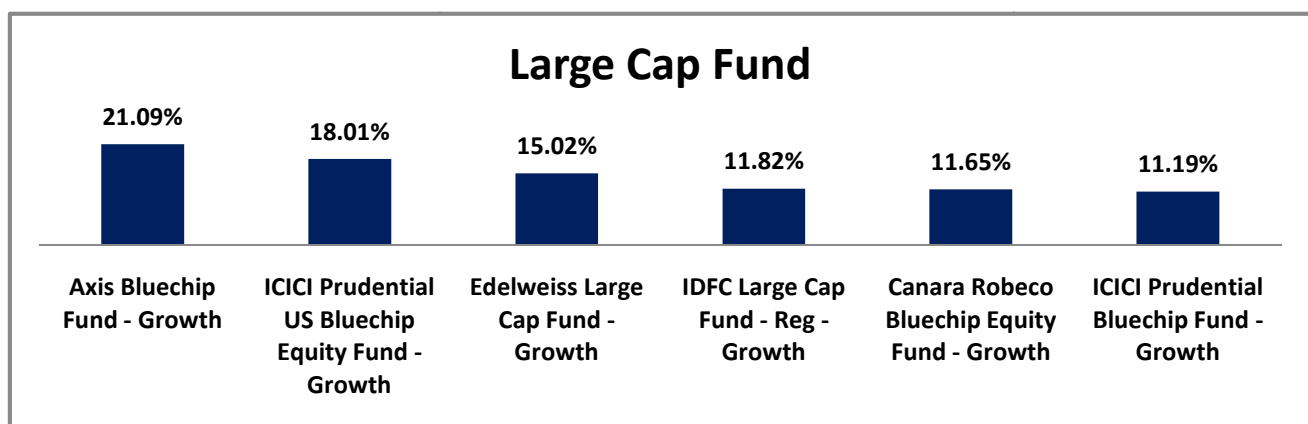
- With the reduction in TER(Total Expense Ratio), many AMCs have reduced trail commission to the extent of 15 to 20 bps.
- According to data from the SEBI, total folio count of mutual fund industry stood at 7.35 crore as on May 2018, reflecting a 28.43% YoY growth from 5.72 crore in the same period of May,2017.
- Digital payment bank Payworld forays into MF distribution.
- **Top performing Sector for the month based on 3 months average return basis:**
- Most of the Mutual Fund sectors ended the month with positive returns. There were few top performing mutual fund categories who gained in the month of June, 2018 were Equity – Technology, International Funds and FMCG.
- In Equity Diversified sub- categories only Large-cap funds performed well and gained by 3.4%. Mid-cap and Small-cap funds did not performed well and fell by -3.53% and -5.71% of 3mths average return respectively.

Sectors	Avg. Return 3mth %
Technology	10.58%
International Fund	6.18%
FMCG	2.11%
Equity Large Cap	3.4%
Equity Mid Cap	-3.53%
Equity Small Cap	-5.71%

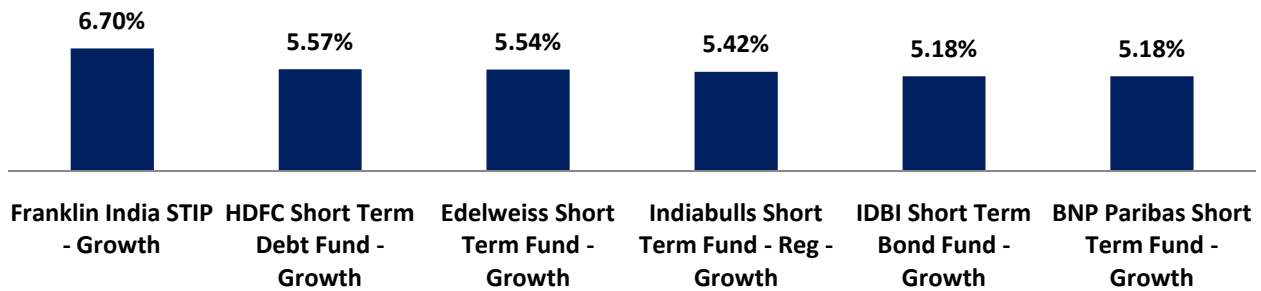
Schemes:

- In the category of Large Cap funds , Axis Bluechip Fund, ICICI Prudential Bluechip Equity Fund and Edelweiss Large Cap Fund were top performing funds. They posted 21.09%, 18.01% and 15.02% of annualized returns respectively.
- In Multi Cap, UTI Equity Fund and Parag Parikh Long Term Equity Fund were top performing funds with the annualized returns of 17.96% and 16.26% respectively.
- In Small & Mid Cap category, HDFC Small Cap Fund and Axis Midcap fund were top performing with the annualized returns of 19.70% and 17.33% respectively.

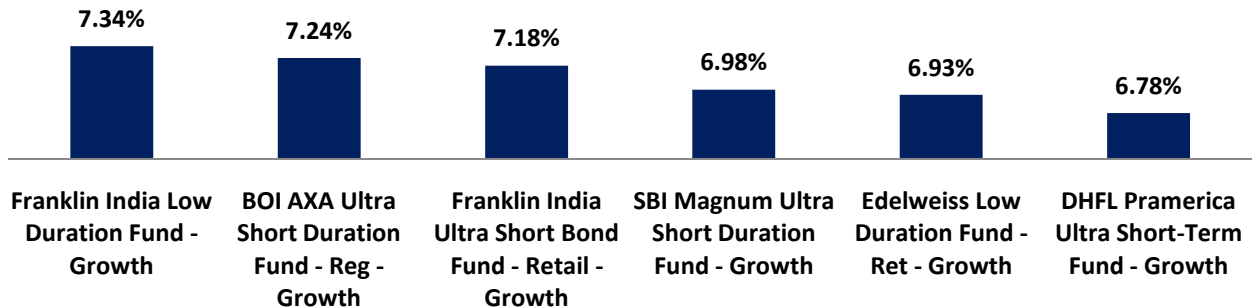
Mutual Fund Performance Tracker - 1yr Annualised Return



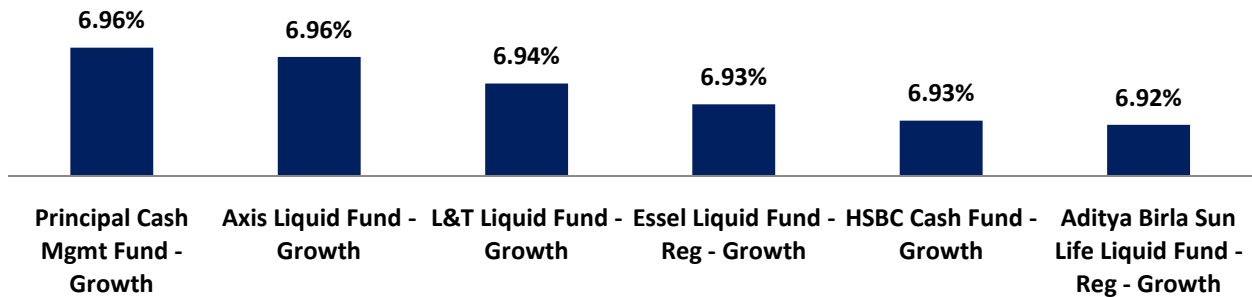
Short Term



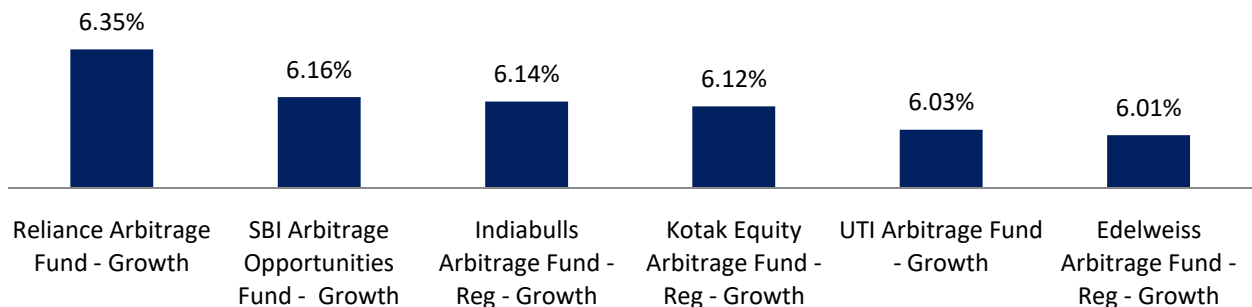
Ultra Short Term Fund

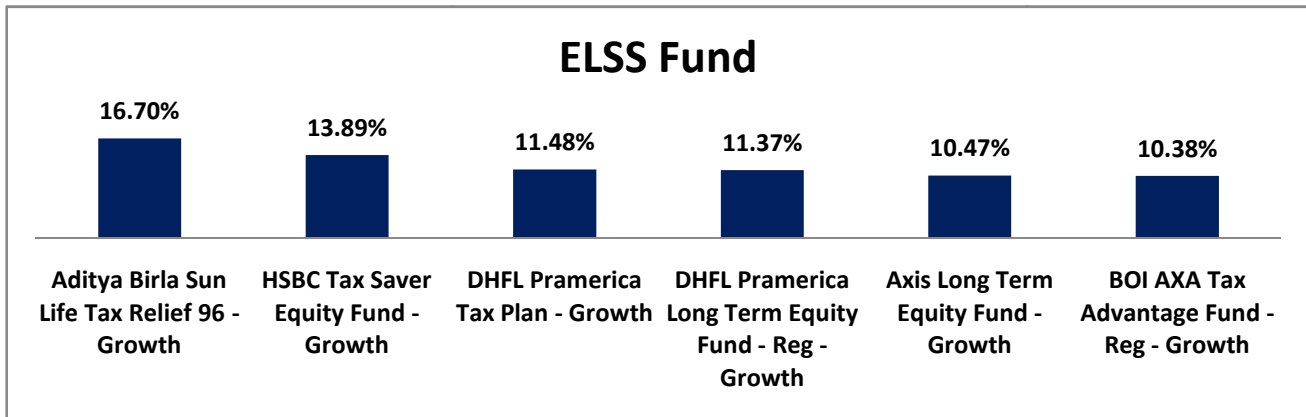


Liquid Fund



Arbitrage Fund





M&A Deals

- **Bajaj Electricals** acquires non-stick brand **Nirlep** for ₹42.50 crore.
- **Kansai Nerolac Paints** acquires 55% stake in Bangladesh's **RAK Paints** for ₹46 Crore.
- **Phoenix Mills** acquires Indore shopping mall for \$34.5 mn.
- **Havells India** to acquire remaining 31 percent stake in subsidiary **Promptec**.
- **3M India** to acquire **3M Electro & Communication** Ind Pvt Ltd. for ₹590 crore.
- IT firm **Danlaw Technologies** India Ltd acquires 100% stake in **Titan Timeproducts Ltd (TTPL)**, a unit of Titan Company Ltd, for ₹18.5 crore
- **Nazara Games** acquires a 70% stake in Kenyan gaming firm **NZ World**.
- **Whirlpool India** to acquire a 49% stake in kitchen equipment maker **Elica PB India Pvt. Ltd** for \$24.2 million.
- **Greenko** buys **Orange Renewables** in \$1 billion deal.

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PRIME Research & Advisory Ltd.

Address: 1204, Level 12, B-wing, ONE BKC, Bandra Kurla Complex, Bandra (E), Mumbai - 400051, India

Phone: +91-22-67418021

E-Mail: research@primeadvisory.in Website: <http://www.primeadvisory.in>

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