

## Market Update – May 2018

### Economy

- The total GST (Goods and Services Tax) collection for May 2018 was Rs. 94,016 crores, which was higher compared to average monthly collection of Rs. 89,885 crores of 2017-18.
- India's trade deficit slightly widened to \$13.72 billion in April from \$13.25 billion.

- India's WPI inflation at 3.18% vs 2.47% MoM.
- India's CPI Inflation for the month of April 2018 inched up to 4.58% from 4.28% in March. It has been increased by 7% or 700 basis points.

Indicators	Current	Previous
Monthly CPI Inflation	4.58%	4.28%
	(April-18)	(Mar-18)
Monthly WPI Inflation	3.18%	2.47%
	(April-18)	(Mar-18)
IIP	4.4%	7.1%
	(Mar-18)	(Feb-18)
GDP (QoQ)	7.70%	7.0%
	(Jan-Mar 18)	(Oct-Dec 17)

- The Wholesale Price Inflation climbed to a four month high of 3.18% in April compared with a 2.47% in March due to higher inflation in food and fuel products.
- RBI lowered their projections for CPI inflation: CPI is now estimated to range between 4.7-5.1% in H1FY19 and 4.4% in H2FY19.
- India's Industrial Production (IIP) grew 4.4% year-on-year in March 2018, following a downwardly revised 7%, advance in the previous month and missed market expectations of 5.9%.
- The Nikkei India Manufacturing Purchasing Managers Index (PMI), rose from 51.0 in March to 51.6 in April, indicating faster improvement in the health of the country's manufacturing economy than in the prior month.
- Atal Pension Yojana has added over 1 crore subscribers since its launch in May 2015, stated by the Pension Fund Regulatory and Development Authority (PFRDA).
- The government is considering to allow 100% FDI in insurance intermediaries.
- As many as 39.36 lakh new jobs were created during 7-month period ending March this year, as per the latest retirement fund body EPFO's payroll data.

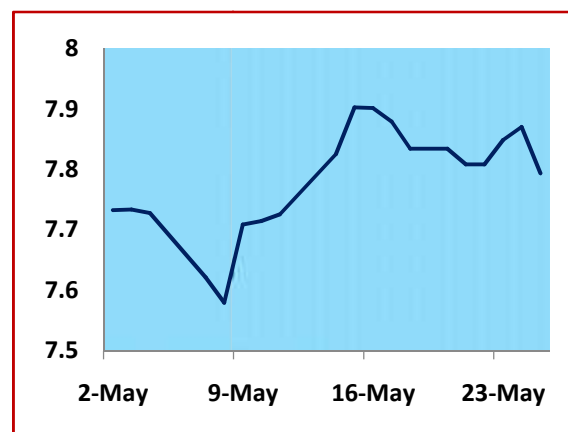
## Global

- The United States imposed steel and aluminum tariffs on Canada, Mexico and the EU. U.S. Commerce Secretary Wilbur Ross announced at a news briefing Thursday that tariffs of 25 percent on steel imports and 10 percent on aluminum imports.
- U.S. President Donald Trump said China had pledged to buy “massive amounts” of American agricultural products but gave no other details about planned commitments from Beijing following U.S.-China trade talks last week of May, 2018.
- The yield on the benchmark 5-year Treasury note fell from 2.81% to 2.70% this month. Yield on the benchmark 10-year Treasury note which moved to 3.13 % during the month has come down to 2.86%, while the yield on the 30-year Treasury bond was also moved to 3.025 % due to Italy’s credit concern has come down and settled at 3.025% in the end of this month.
- Italy's political woes have rattled global financial markets, amid renewed concerns over the prospect that snap elections in Rome could be framed as a de facto referendum on the country's role in Europe.
- Italy’s two anti-establishment parties revived their coalition plans, promising to end three months of political turmoil with a government that aims to ramp up spending, challenge European Union fiscal rules and crack down on immigration.
- BRITAIN faced being dragged into a trans-Atlantic trade war after Donald Trump slapped a 25% tariff on steel imports to the US from the EU. The White House announced that the swingeing levy, along with a 10% charge on aluminium, will come into force.

## Debt Market

- The RBI capped investments by FPIs in shorter maturity corporate bonds at 20% of foreign investor’s total holding of corporate bonds.
- Rising oil prices are seen to have an impact on India's current account deficit, since the country is a large importer of oil, and thereby putting more pressure on the local unit.
- The Central bank’s made announcement about open market bond purchases (after domestic market hours), briefly aided sentiment for the rupee.
- PFRDA reduced rating criteria from AA to A limited to 10% of the overall corporate bond portfolio.

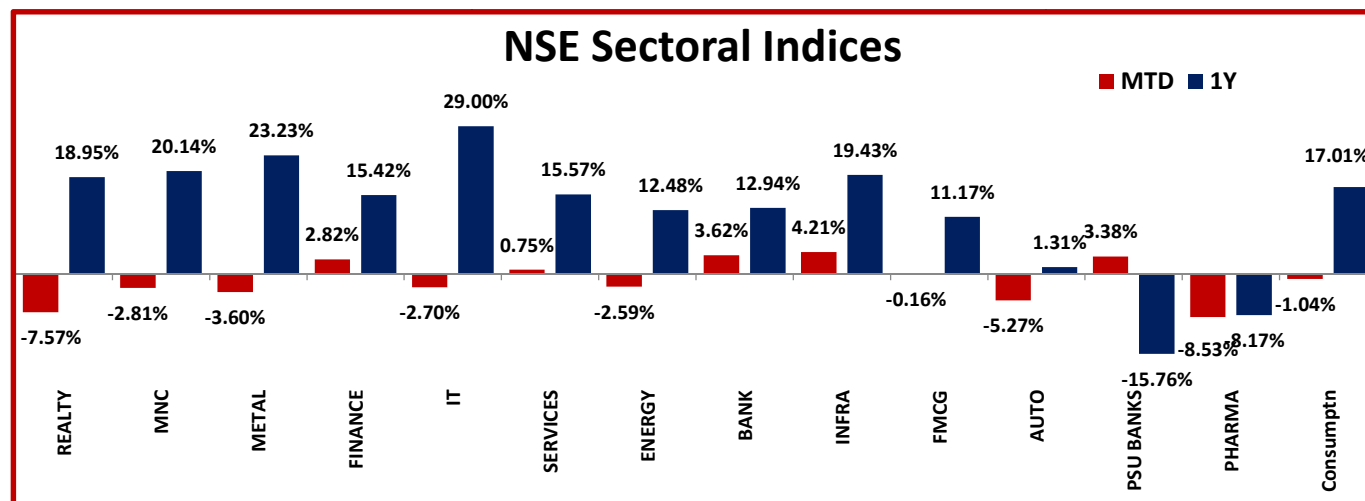
- India's 10 Year benchmark bond yield surged and hit the high of 7.945 percent in this month. The 7.17 per cent 10-year benchmark bond yield maturing in 2028 rose to 7.83 percent from 7.73 percent in the month of May,2018 and increased by 1.29%.
- The monthly 10 year benchmark G-sec yield maturing 2028 is shown in the line chart.
- The RBI withdrew a rule that mandates FPIs to invest in government bonds and state development loans with at least three years of residual maturity. It also capped investment by FPIs in corporate bonds with residual maturity of below one year at 20% of that foreign investor's total holding of corporate securities.
- Leading stock exchange NSE has received approval from the Reserve Bank and market regulator Sebi to launch repo (or repurchase) in corporate debt securities.
- The government plans to launch its first debt exchange traded fund (ETF) early in the second half of 2018-19. The ETF's basket is expected to contain debt offerings from 12-15 state-owned companies, including banks and central public sector enterprises (CPSE)
- Industry chambers Confederation of Indian Industry (CII) on Monday said that it expects India's economy to grow at 7.3-7.7 per cent in 2018-19 on the back of "sustained structural reforms", recovery in global markets and a normal monsoon.
- Indian benchmark bond yield has risen by 48 basis points so far this year amid rising crude oil prices and U.S. Treasury yields, as well as spike in inflation that has increased rate hike fears.



## Equity Market

- A bearish rupee helped the IT index along with some respite in global crudeoil prices, while encouraging earning results and sustained buying by domestic institutional investors amid less than hawkish US Fed minutes helping the market to recoup such losses.
- Foreign investors have pulled out more than Rs 10060 crore from the Equity capital markets so far in the month of May due to weak rupee and due to surge in global crude price. They also pulled out Rs 19654 cr so far this month from debt capital market too.
- Currency markets were on the edge with the deepening political turmoil in Italy threatening to reignite the eurozone crisis that may trigger a fresh rout in the Rupee.

## Sector Performance of NSE as on 31<sup>st</sup> May, 2018.



### Reasons

- Among sectoral and industry indices, Infra rose by 4.21 per cent, Bank rose by 2.56 per cent, PSU Banks by 3.38 per cent, Finance by 2.82 per cent while most of the other sectors closed in red barring Pharma and Reality which soared by 8.53 percent & 7.57 percent respectively.
- Broader indices continued lag for fourth consecutive week with small cap ending losses by a 6.57% whereas midcap shares closed with gain of 9.97 %.
- GST revenues for the month of March collected in April surpassed Rs1 trillion.
- 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's & DII's Activity

Net Flows	May-18	Apr-18	Mar-18
FII (in Cr.)	-10,060.00	-5,552.00	11,654.00
DII (in Cr.)	13,573.97	8,663.88	6,693.91

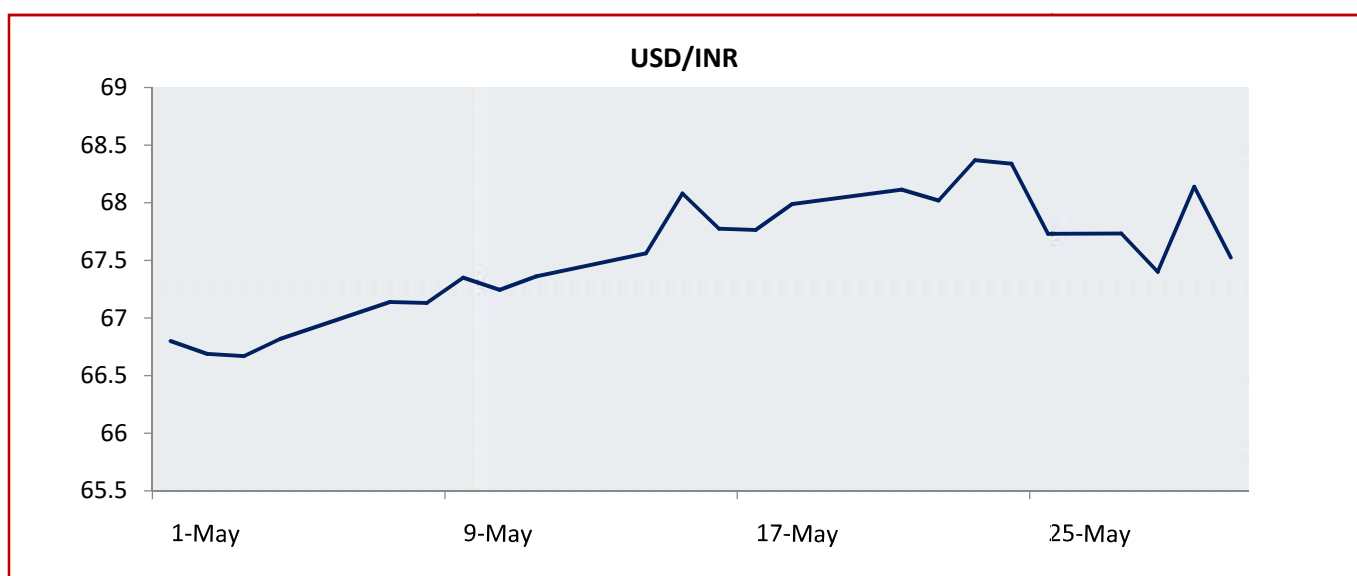
In the month of May, 2018 FII's became net sellers and pulled out Rs 10060 crore from equity capital market as compared with Rs 5552 crore in April and DII's were net buyers to the tune of Rs 13573 crore in month of May as compared to April, 18 to the amount of Rs 8663 crore.

## Currencies

The USD-INR depreciated to Rs67.45 /US\$ in May from Rs66.5/US\$ in April on rising crude prices and ebbing foreign flows. In the third week of the month, the Indian rupee hit the 15<sup>th</sup> month low of Rs68.48/US\$. After reclaiming a high of Rs68.48US/\$ towards the fag-end trade, it finally settled down at Rs67.44/US\$ at the end of the month. Rupee has declined 1.53% in the month of May and 4.47% so far this year.

A weaker rupee and higher oil prices caused inflation to accelerate, which may prompt the Reserve Bank of India to hike interest rates earlier than expected.

In the past one month, the rupee lost 1.15% to the greenback although it recouped some of its losses with correcting oil prices and moderating US Treasury yields, this will have a positive impact on export side.



## IPO CORNER

Major IPO listed in the month of May 2018 with issued price, size and listed date

Equity	Issue price	Issue Size (Cr.)	Listed Date	Listed Price
IndoStar Capital Finance Limited	₹ 572	₹ 700	21-May-18	₹ 600.6

Debt	Credit Rating	Interest Rate	Issue Size (Cr.)	Issue Opening Date	Issue Closing Date
JM Financials	AA	8.56%	₹ 450	28-May-18	20-Jun-18
DHFL	AAA	9.75%	₹ 9,000	22-May-18	04-Jun-18

## Mutual Funds

Mutual Fund houses were net sellers to the tune of Rs 12113 crores in May, 2018 on debt side as compared with the previous month where they were the net buyers with the amount of Rs20165 crores. On equity side they were still net buyers with the amount of Rs 13690 crores in May,2018 which was quite higher than previous month.

MF Activity	May			April		
	Purchase	Sell	Net Flow	Purchase	Sell	Net Flow
<b>Equity (Cr.)</b>	62428	48738	13690	57598	46304	11294
<b>Debt (Cr.)</b>	167158	179271	-12113	171450	151285	20165

- BSE Star MF and NSE NMF II to waive off registration fee to attract distributors.
- To deepen the bond markets, the regulator Securities and Exchange Board of India (Sebi) proposed a uniform methodology to determine pricing of non-traded and thinly traded non-convertible debt securities.
- Dai-ichi Life bought 39.62% stake in Union AMC.

### Top performing Sector for the month based on 3 months average return basis:

- Most of the Mutual Fund sectors ended the month with negative returns. There were only few top performing mutual fund categories who gained for the month of May, 2018 were Equity – Banking, International Funds and FMCG.
- In Equity Diversified sub- categories such as Large-cap, Mid-cap and Small-cap did not performed well and they posted -1.77% , -3.60% and -4.29% of 3mths average return respectively.

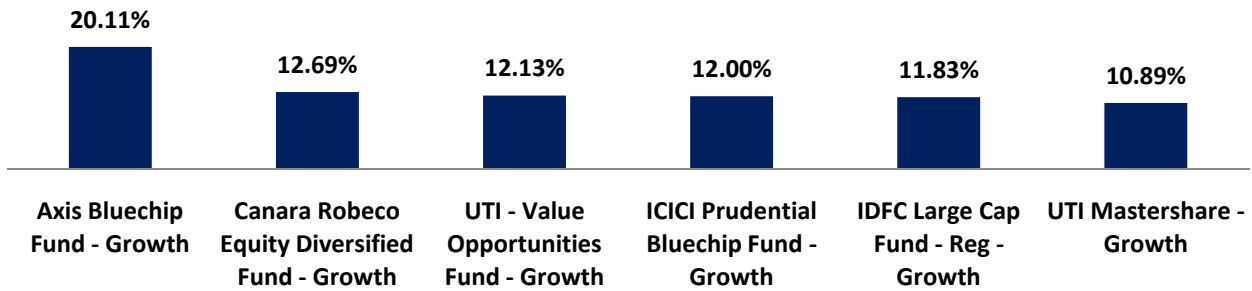
Sectors	Avg. Return 3mth %
Banking	3.52%
International Funds	3.34%
Technology	2.99%
Equity Large Cap	-1.77%
Equity Mid Cap	-3.60%
Equity Small Cap	-4.29%

### Schemes:

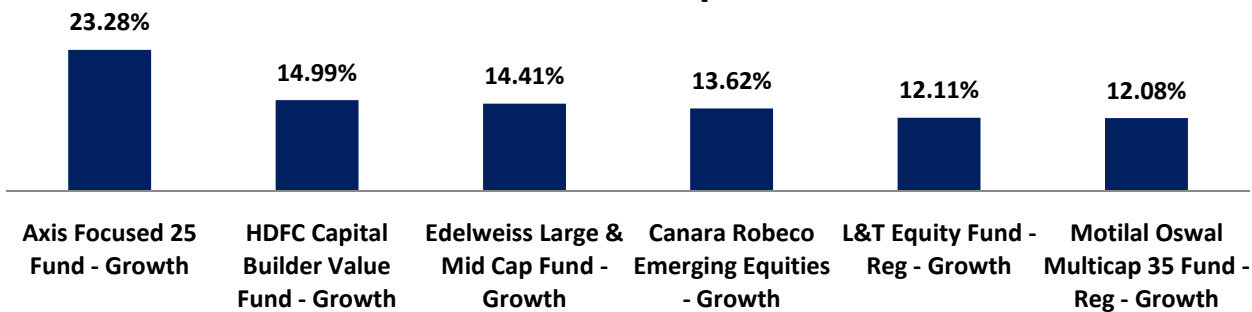
- In the category of Large Cap funds , Axis Bluechip Fund, Canara Robeco Equity Diversified Fund and UTI Value Opportunities Fund were top performing funds. They posted 20.11%, 12.69% and 12.13% of annualised returns respectively.
- In Multi Cap, Axis Focused 25 Fund and HDFC Capital Builder Fund were top performing funds with the annualized returns of 23.28% and 14.99% respectively.
- In Small & Mid Cap category, SBI Small and Midcap fund and HDFC Small Cap Growth fund were top performing with the annualized returns of 33.49% and 29.75% respectively.

## Mutual Fund Performance Tracker - 1yr Annualised Return

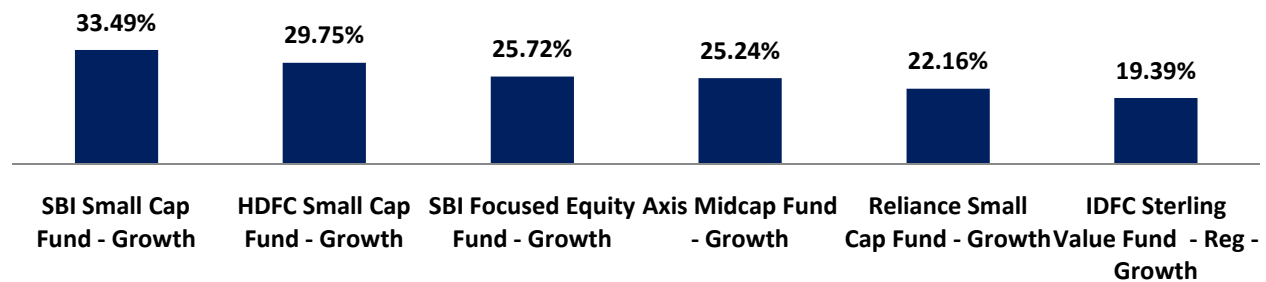
### Large Cap Fund



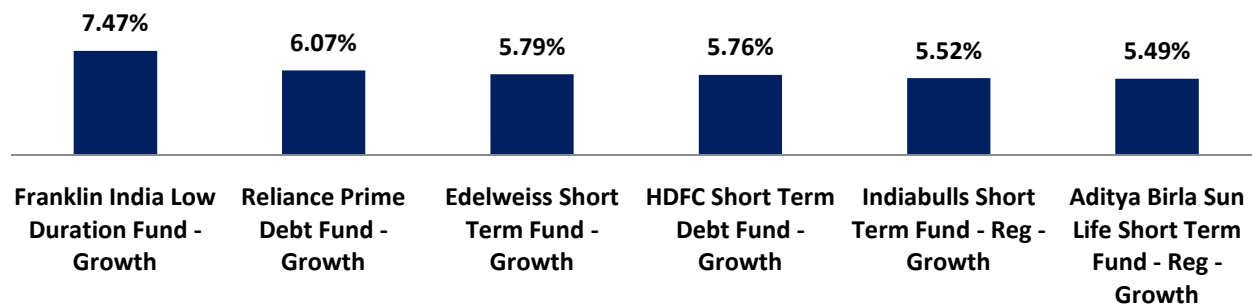
### Multi Cap



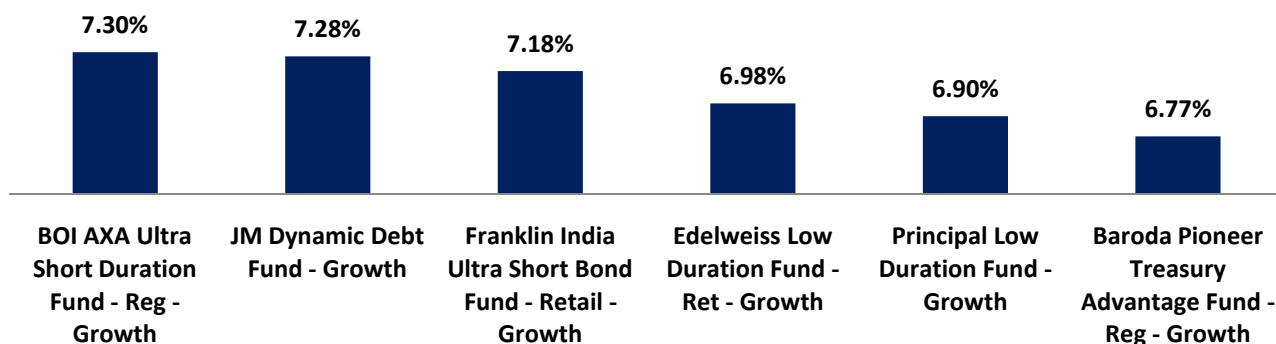
### Small & Mid Cap



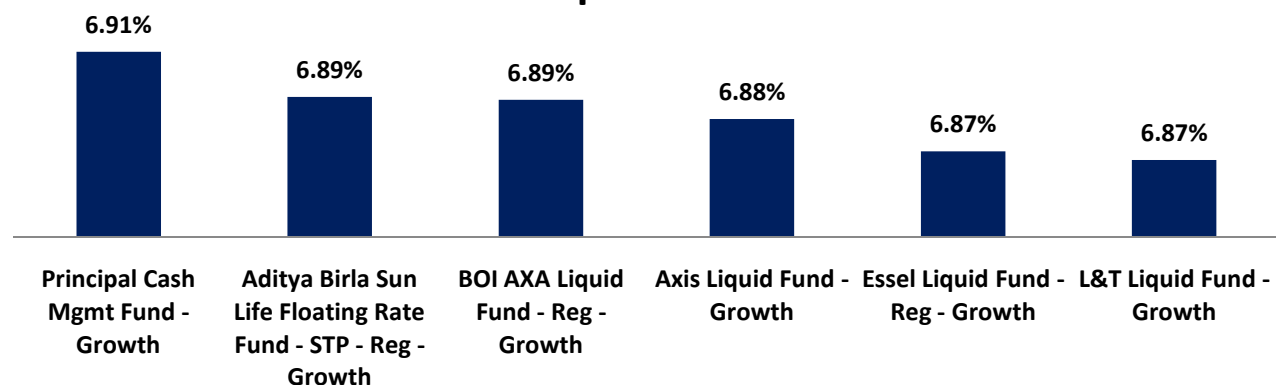
### Short Term



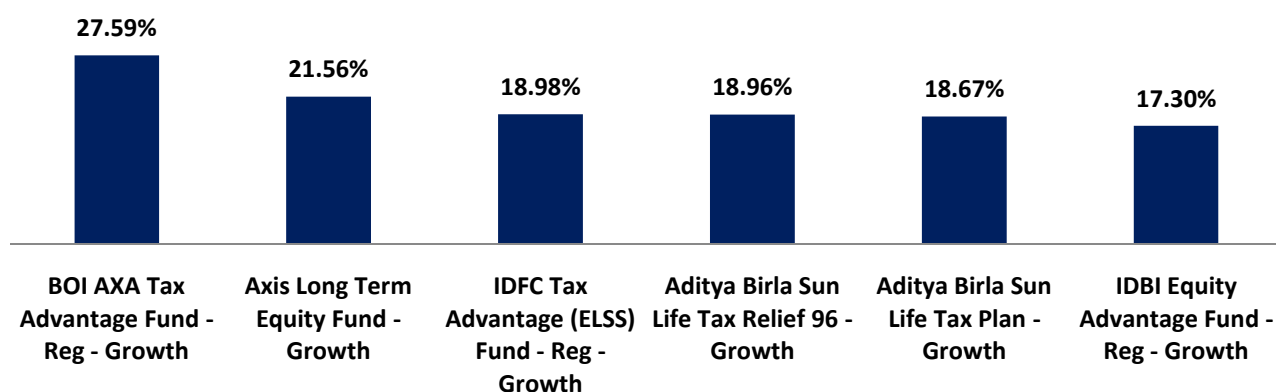
### Ultra Short Term Fund



### Liquid Fund



### ELSS Fund





## M&A Deals

- **Hinduja National Power** bought **Kiran Energy** Solar for Rs1,000 cr.
- **Essel Group** to acquire 62% in **LKP Finance** for Rs153 cr.
- **Deutsche Bank** acquired fintech company **Quantigoous**.
- **JSW Steel** to acquire Italy's second largest steel plant **Aferpi** and Group companies from the **Algerian Cevital** for Rs441 cr.
- **Walmart** acquired 77% in **Flipkart** for \$16 billion.
- **Infibeam** to buy **Snapdeal's** Unicommerce unit in Rs120 crore deal
- **Future Retail** acquired **Foodworld** supermarket chain for Rs41 cr.
- **Hero Electronix** has made its foray into the Internet-of-things (IoT) space and acquired Gurgaon-based enterprise IoT startup **Zenatix**.

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