

Market Insights - May 2019

Economy

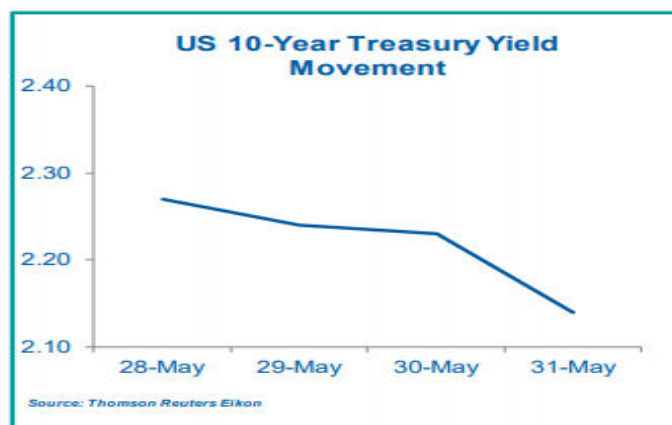
- Government data showed that the growth of the gross domestic product (GDP) of India's economy slowed to 5.8% in the quarter ended Mar 2019 from 6.6% in the previous quarter and 8.1% in the same period of the previous year. This was the slowest rate since the quarter ended Mar 2014. The growth of the economy thus slowed from a growth rate of 8.0% in Q1FY19 to 7.0% in Q2FY19 and 6.6% in Q3FY19. For the entire fiscal, India's GDP grew 6.8%, slower than the growth of 7.2% in the previous fiscal, marking the slowest growth rate in the last five years. The gross value added (GVA), which is GDP less taxes, grew 5.7% in Q4FY19 from 6.3% in the previous quarter and 7.9% in the same period of the previous year.
- Capital market regulator Securities and Exchange Board of India (SEBI) came out with a discussion paper on "Regulatory Sandbox" for companies that use financial technologies. SEBI defined regulatory sandbox as a live, testing environment where companies can test new processes, services, products and business models on a limited set of eligible customers for a certain period with some relaxation in their regulations and guidelines.
- Leading stock exchanges Bombay Stock Exchange and National Stock Exchange have extended the interoperability deadline for clearing corporations by a month. The objective of the move is to ensure seamless and non-disruptive transition so that the requisite development of systems and process, and testing thereof, could be completed.
- Media reports said the finance ministry may look at a 10-year tax holiday for real estate developers on profits earned from rental housing. This is being considered to revive investment and boost a slowing economy.
- As per media reports, the Insurance Regulatory and Development Authority of India (IRDAI) issued a draft regulation on the development of a regulatory sandbox that will help insurance start-ups to carry on experiments on new product launches.
- A report from a major domestic credit rating agency showed that steel production in the country may be severely impacted if there is a delay in the auction of iron ore mines whose licenses are expected to decline by Mar 2020. Subsequently, the credit profile of the nonintegrated steel players and merchant miners may also come under pressure.
- According to Reserve Bank of India (RBI), non-banking financial companies with an asset size of more than Rs. 5,000 crores need to appoint a chief risk officer. The objective of the move is to tighten regulations and increase risk management practices following a series of defaults at a major leasing and financial services company. RBI mandated that the chief risk officer should be appointed for a fixed period and cannot be removed without the approval of the board.
- India's consumer inflation accelerated to 2.92% YoY in Apr 2019 from 2.86% in Mar 2019 but slowed compared with 4.58% in Apr 2018. This marked a six-month high. Food inflation grew 1.10% in Apr 2019 compared with a growth of 0.30% in Mar 2019 and a growth of 2.80% in the same month of the previous year. Fuel and light inflation also accelerated to 2.56% YoY from 2.42% in Mar 2019.

- India's Wholesale Price Index (WPI) - based inflation slowed down to 3.07% in April 2019 from 3.18% in Mar 2019 and 3.62% in Apr 2018. Fuel and power inflation came in at 3.84% in Apr 2019 as against 5.41% in Mar 2019. Inflation for manufactured products came in at 1.72% as against 2.16% in the previous month. Meanwhile, food articles inflation came in at 7.37% in Apr 2019 as against 5.68% in Mar 2019.
- The much awaited 2019 general election mandate of India has finally come. BJP (Bhartiya Janata Party) led by Prime Minister Narendra Modi, along with allies, has bagged a bigger victory than 2014 with 343 seats. It has maintained its reigning positions in states like Gujarat and Maharashtra, and emerged victorious in states like, Odisha, West Bengal and the northeast where it had little presence earlier.

Global

- Commerce Department data showed U.S. economic growth in the first quarter accelerated by slightly less than initially estimated. The Commerce Department said real gross domestic product grew 3.1% in the first quarter, reflecting a slight downward from revision from the previously reported 3.2% jump.
- The European Central Bank (ECB) said risks to financial stability in the euro area are rising amid a slowing global economy and escalating trade tensions. Uncertainty surrounding the global economic growth outlook have led to "bouts of high volatility in financial markets", the bank said in its latest Financial Stability Review report. Slower than expected growth and a possible worsening of trade tensions could trigger further falls in asset prices, the report warned.
- The negative impact of the ongoing U.S.-China trade war loomed large, forcing U.S. markets to end the month in deep red. Markets were further hit by media reports stating that China may restrict the export of rare earth minerals, which are crucial for the U.S. technology industry. U.S. President revealed plans to use tariffs to compel Mexico to make efforts to stop flow of illegal immigrants into the Europe U.S. This also weighed on the market.
- Asian markets largely remained low in line with global peers as the rift over U.S.-China trade row deepened. Investors remained concerned after media reports suggested that China could be considering restricting the export of rare earth minerals, which are crucial for the U.S. technology industry.
- Yields on the 10-year U.S. Treasury bond fell 19 bps to 2.14% compared with the previous week's close of 2.33%.
- National Bureau of Statistics data showed China's industrial production and retail sales growth eased more than expected in Apr 2019, suggesting weak economic activity at the start of second quarter. Industrial production advanced 5.4% YoY in Apr 2019, following Mar's 8.5% increase. Likewise, annual growth in retail sales eased to 7.2% from 8.7% a month ago.

Global Debt (U.S.)



- A report from the Labor Department showed that U.S. consumer price index (CPI) rose 0.3% in Apr 2019 as against an increase of 0.4% in Mar 2019.

Debt Market

- Bond yields fell as foreign investors are continuing to purchase notes following the outcome of the general elections, which brought political stability with the second five-year term of the government. In addition, fall in crude oil prices helped improve inflation outlook and hence was positive for the bond market.
- Yields on the 10-year benchmark paper (7.26% GS 2029) fell 20 bps to close at 7.03% compared with the previous close of 7.23% after trading in the range of 7.03% to 7.17%.
- Yields on gilt securities fell across the maturities in the range of 8 bps to 23 bps barring 2-year paper that increased 1 bps.
- Corporate bond yields fell across the maturities in the range of 5 bps to 25 bps. The maximum decline was witnessed on 1- year paper and the minimum decline was witnessed on 3-year paper.
- Difference in spread between AAA corporate bond and gilt contracted across the maturities in the range of 2 bps to 17 bps barring 3-, 10- and 15-year papers that expanded by 3 bps or 4 bps.
- With rating agencies downgrading Reliance Home Finance and Reliance Capital's long-term debt, the market became wide eyed with fear. This debt implosion could have further cascading effects if RBI and the Government do not act quickly.

Equity Market

- The NSE NIFTY 50 Index was up by 1.68 percent to settle at 11922.80 as on 31 May 2019 and opened at 11725.55 as on 1st May 2019 and whereas BSE Sensex was up by 1.73 per cent and closed at 39,714.20 points and opened at 39,0361.51.
- The election result hogged the limelight during the week and the Sensex breached all-time highs to close at 39,434.72 points. Initially, market got support after the exit poll results suggested that the ruling party would win the elections comfortably and a stable government would be formed at the Centre. Later, the outcome of the election result indicated a clearer picture that the previous government had garnered a comfortable win and investors became optimistic that the government would continue with the previous reform measures and focus more on structural reforms and job creation to support the growth trajectory.
- Global equity markets sold off nearly 6% in May, their worst monthly decline since last December. Trade tensions raised investor fears as President Donald Trump's newly enacted tariffs and potential expansion to other countries including Mexico and Australia threatened to further slow global economic growth. Coupled with disappointing economic data, fear also spread into the bond market as global yields fell with the US yield curve inverting and German Bund 10-year yield falling into negative territory, a new all-time low.

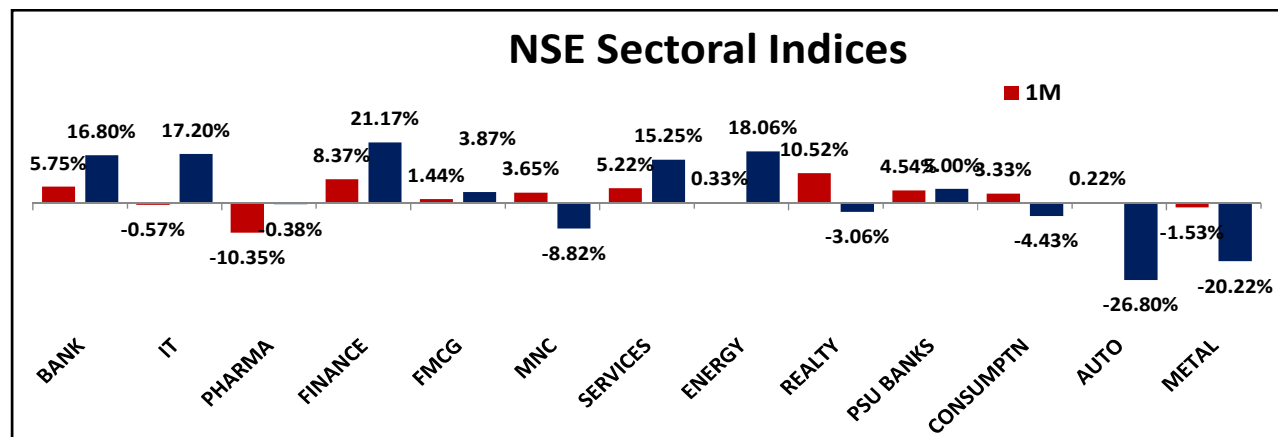
- The Put-Call ratio stood at 0.87 compared with the previous session's close of 0.84.
- The Nifty Put-Call ratio stood at 1.43 compared with the previous session's close of 1.23.
- Nifty May 2019 Futures settled at spot closing of 11,945.90. Nifty Jun 2019 Futures were at 11,916.50, a discount of 6.30 points, below the spot closing of 11,922.80. The total turnover on NSE's Futures and Options segment for the week stood at Rs. 63.15 lakh crore as against Rs. 52.01 lakh crore for the week to May 24.

FII & DII Activity

Net Flows	May-19	Apr-19	Mar-19
FII (in Cr.)	-2,135.85	12,749.55	-1,103.37
DII (in Cr.)	5,316.34	-4,219.46	375.55

- In the month of May, 2019 there was an outflow of FII's and amounted to Rs 2135.85 crore in equity capital market as compared to inflow of Rs 12749.55 crore in April, 2019 and DII's were net sellers in the equity market to the tune of Rs 5.316 crore in month of May as compared to April 19 to the amount of Rs 4219.46 crore of net buyers.

Sectoral Performance

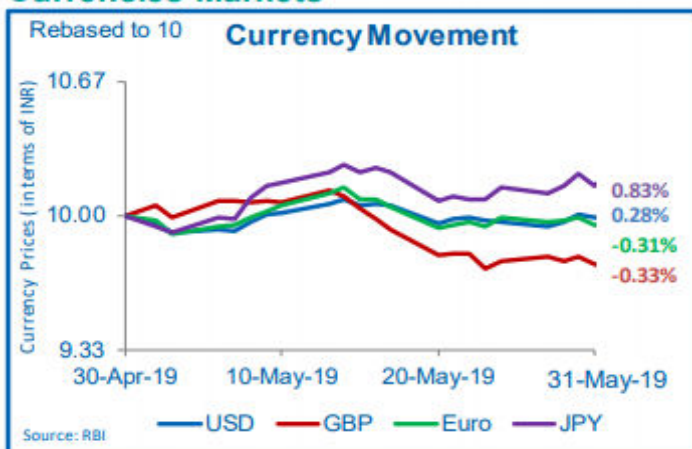


- On BSE sectoral front, S&P BSE Banks and Energy were the major gainer, up 16% and 18% respectively followed by S&P BSE Metal and Pharma, down by 20.22% and 0.38%, respectively. The Biggest loser was S&P Fast Moving Consumer Goods, down 8.82%, followed by S&P BSE Auto.

Currency Outlook

- The Indian rupee weakened against the greenback as investors' appetite for riskier assets dampened amid the escalating trade feud between U.S. and China.

Currencies Markets



IPO CORNER

IPO Name	Issue open	Issue Closes	Offer Price	Issue Size in Crore
Suich Industries Limited	30-May-19	4-Jun-19	73-75	30.86

NCD

IPO Name	Issue open	Issue Closes	Offer Price	Issue Size in Crore
Indiabulls Consumer Finance Limited	30-May-19	21-Jun-19	1000	100
Muthoot Finance Ltd	10-May-19	10-Jun-19	1000	100

Source-https://www.nseindia.com/products/content/equities/ipos/homepage_ipo.htm

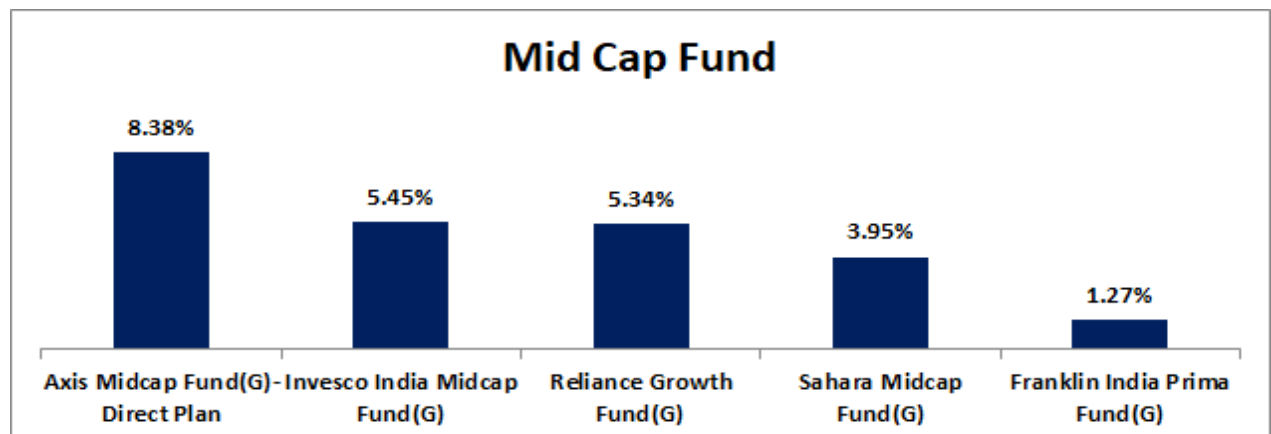
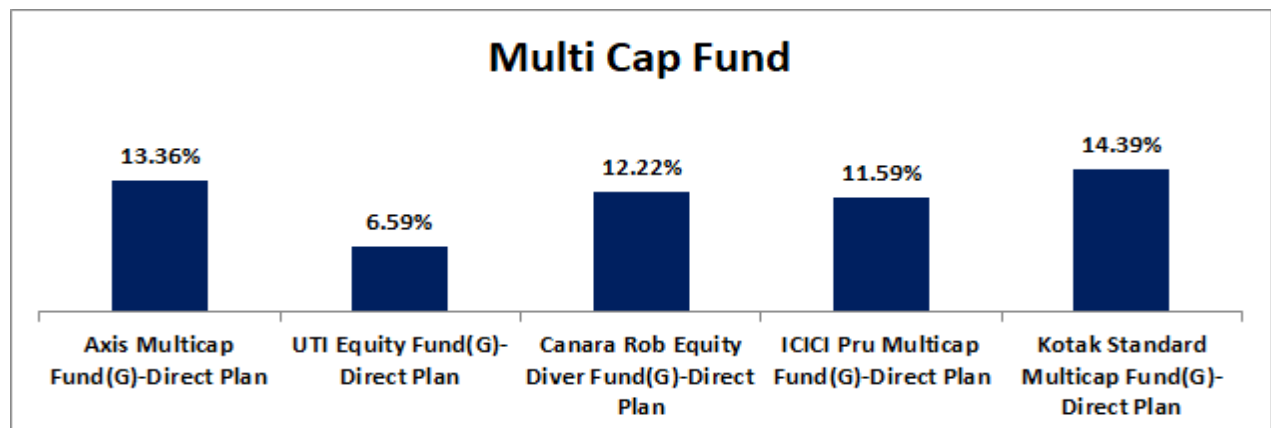
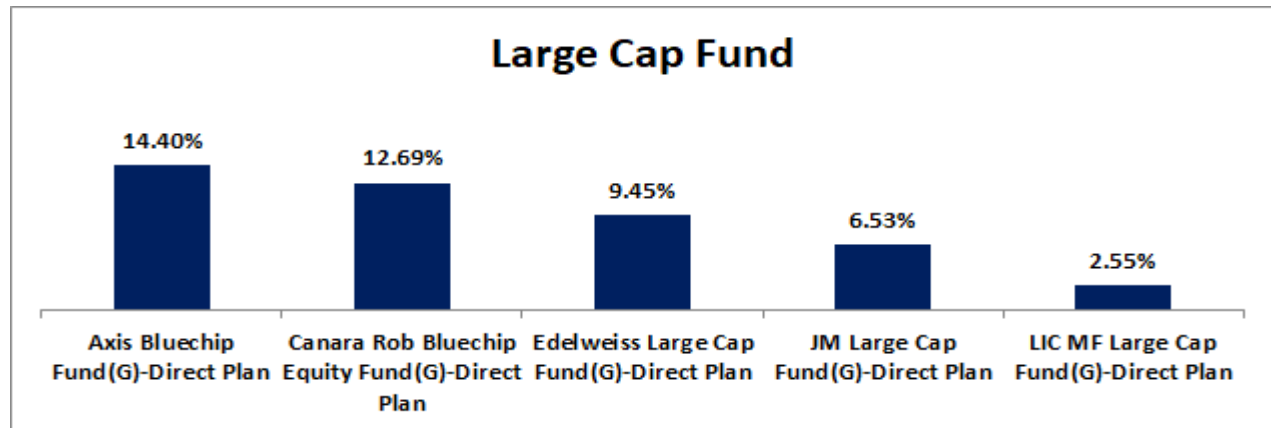
Mutual Funds

MF Activity	May			April			March		
	Purchase	Sell	Net Flow	Purchase	Sell	Net Flow	Purchase	Sell	Net Flow
Equity (Cr.)	50,627.34	45,818.27	4,809.07	43,382.05	48,387.13	-5,005.08	7,841.44	9,015.38	-1,173.94
Debt (Cr.)	205,935.19	172,084.37	33,850.82	211,461.05	161,487.28	49,973.77	35,312.22	28,602.50	6,709.72

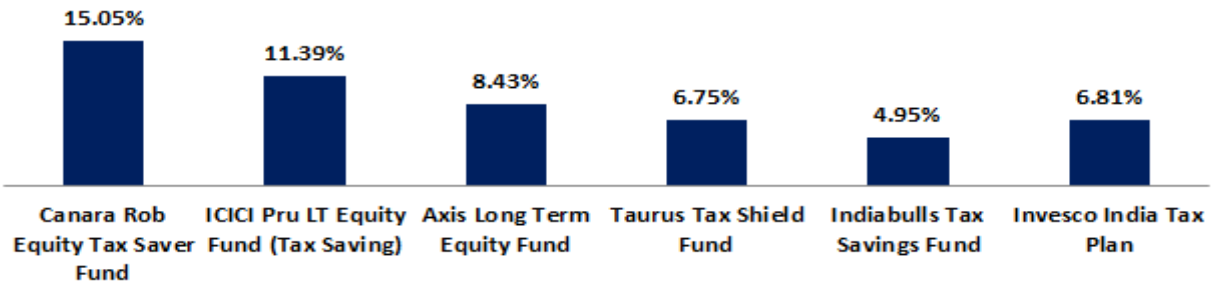
- Capital market regulator Securities and Exchange Board of India (SEBI) allowed mutual funds to participate in all the exchange-traded commodities barring the 'Sensitive Commodities'. Essential commodities under the agriculture segment are regarded as sensitive. Besides mutual funds, gold exchange traded funds have also been approved to participate but only in gold derivatives. However, SEBI has barred mutual funds from becoming a party to physical delivery.
- According to media reports, SEBI is investigating if mutual fund companies cut token bond deals to lift scheme returns. As such, the regulator has asked fund houses to furnish details of their latest deals in debt papers. This includes Inter Scheme Transfers and those which resulted in increasing bond valuations.

- CARE Ratings downgraded the borrowings of Dewan Housing Finance Corp. Ltd (DHFL), a housing finance company, worth a huge ₹1.13 trillion. The DHFL downgrade may have widespread implications not just for investors in NCDs, but also for mutual fund investors, given that as many as 164 schemes across 23 asset management companies (AMCs) are exposed to DHFL papers.

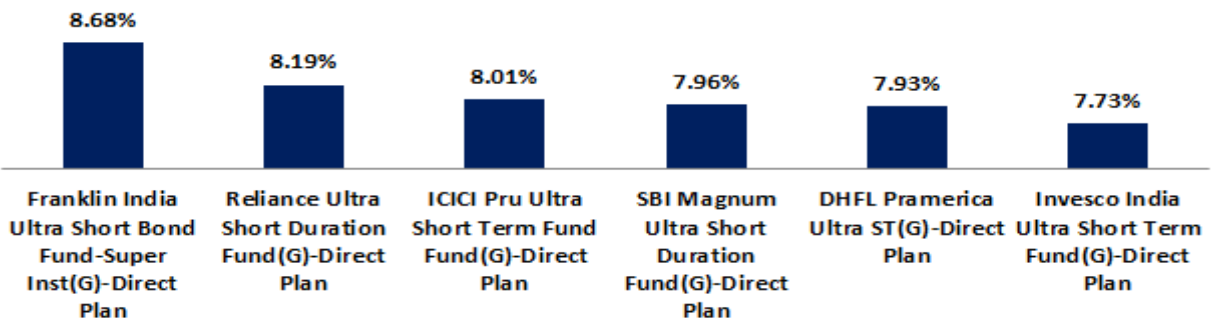
Schemes: Mutual Fund Performance Tracker - 1yr Annualised Return



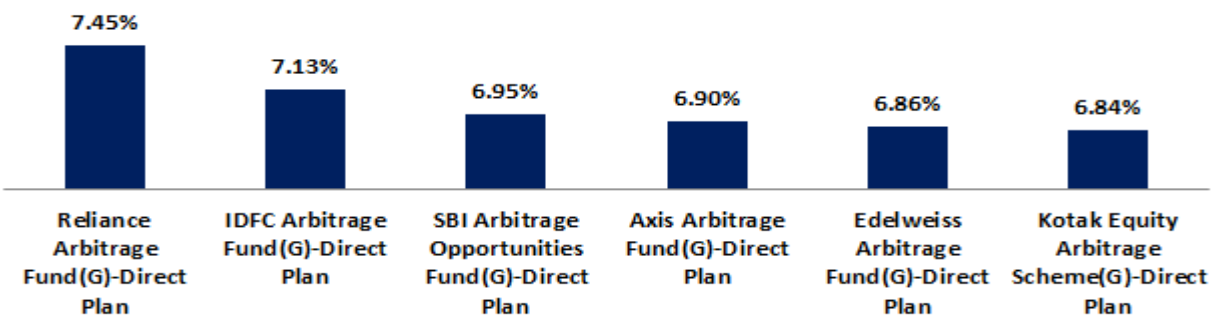
ELSS Fund



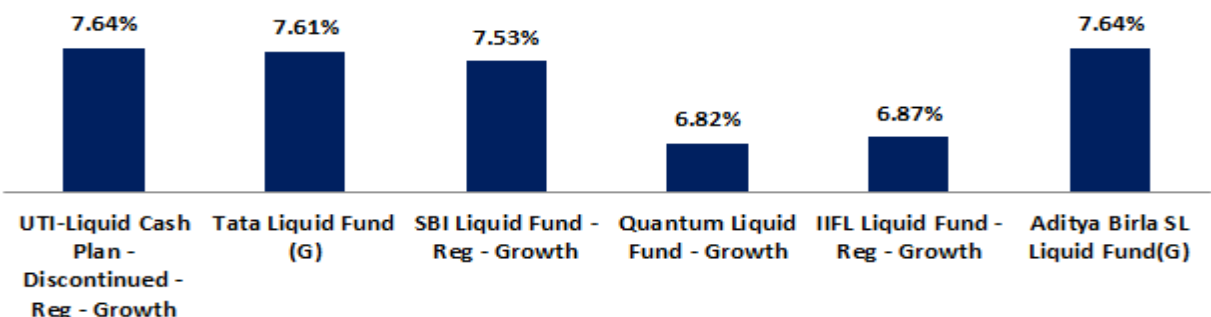
Ultra Short Term Fund



Arbitrage Fund



Liquid Fund



M&A Deals

- Pennar Industries receives NCLT approval to merge PEBS Pennar and Pennar Enviro
- Hatsun Agro completes acquisition of Cattle Feed Plant in Maharashtra
- Indian Hotels and GIC Pte enter strategic partnership to acquire hotels in India via SPV route
- Oyo to buy Amsterdam-based vacation rental company @ Leisure Group.

Key Global Economic Events – June 2019

Date	Events	Previous
India		
03-Jun-19	Nikkei Manufacturing PMI May	51.80
06-Jun-19	RBI Interest Rate Decision	6.0%
13-Jun-19	Current Account Q1	\$-16.9B
28-Jun-19	External Debt Q1	\$521B
US		
06-Jun-19	Nonfarm Productivity QoQ Final Q1	1.9%
20-Jun-19	Current Account Q1	\$-134.4B
27-Jun-19	GDP Growth Rate QoQ Final Q1	2.20%
27-Jun-19	GDP Price Index QoQ Final Q1	1.90%
Europe		
03-Jun-19	Markit Manufacturing PMI Final May	47.9
04-Jun-19	Unemployment Rate April	7.7%
06-Jun-19	GDP Growth Rate QoQ Final Q1	0.20%
China		
02-Jun-19	Caixin Manufacturing PMI May	50.20
11-Apr-19	Caixin Services PMI May	54.50
11-Apr-19	Caixin Composite PMI May	52.70
World		
04-Jun-19	AIG Services Index May	46.5

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PRIME Research & Advisory Limited

Address: 1204, Level 12, B-wing, ONE BKC, Bandra Kurla Complex, Bandra (E), Mumbai - 400051, India
 Phone: +91-22-67418021E-Mail: research@primeadvisory.in Website: <http://www.primeadvisory.in>
 CINNo. – U65990MH1993PLC07100