

March, 2019

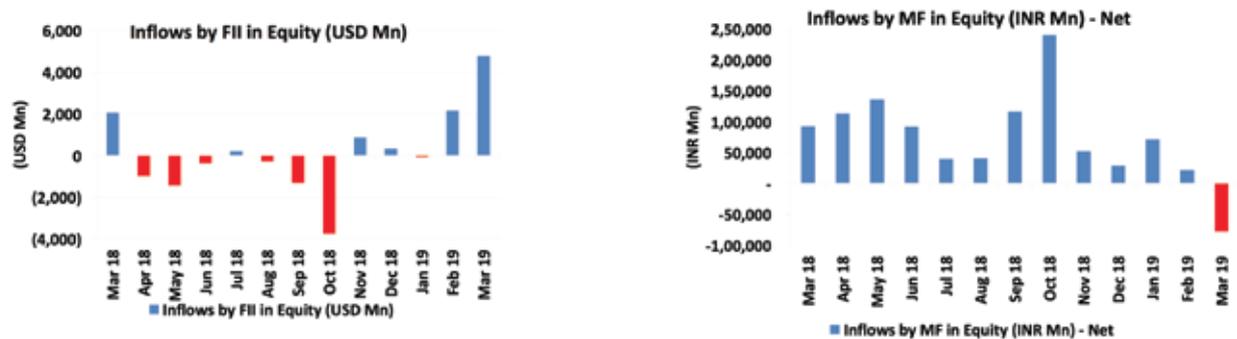
## Equity Market Review

Indian equity market witnessed a sharp rally in month of March as opinion polls continued to indicate the possibility of current government retaining power and de-escalation in geopolitical tension between India and Pakistan. Nifty and Sensex ended higher by around 8%. BSE Midcap and Smallcap indices outperformed its larger peers with a rise between 8-10%. Global markets remained volatile despite easing US-China trade tensions. FTSE 100, Euro Stoxx, Hang Seng and Dow Jones gained between 1-2.5%. Nikkei slipped around 1%.

## FY19 Snapshot

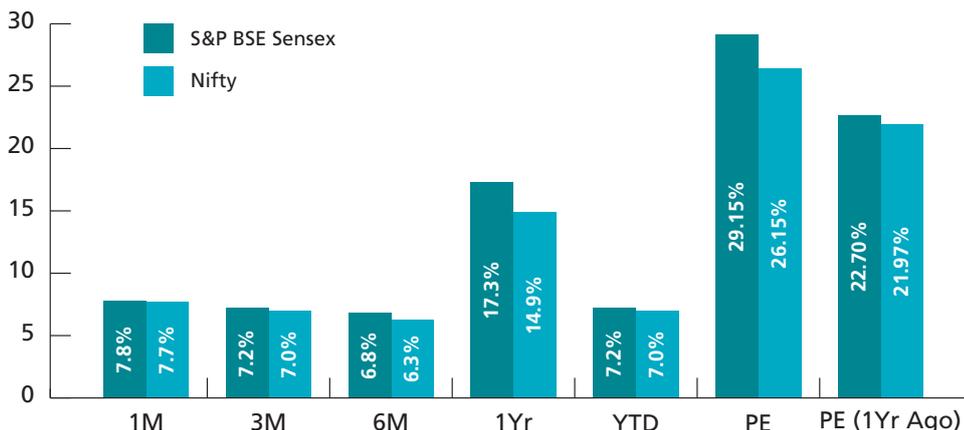
Stock market ended financial year 2018-19 on a strong note with best gains in four fiscal years. Despite several challenges including the NBFCs-triggered liquidity crisis as well as global trade tensions and high crude oil prices, the Indian equities market emerged as one of the best performers globally in 2018-19. The S&P BSE Sensex rallied 17% while the broader Nifty50 index of the National Stock Exchange (NSE) gained 15%.

In FY19, BSE Sensex & Nifty50 posted biggest ever gains in absolute terms since FY10. The Nifty 50 rallied 1,510 points and Sensex 5,704 points in FY19, the second highest ever in a fiscal. Nifty Bank posted biggest ever gains in absolute terms during the year, rising 6,163 points. Broader markets underperformed the larger peers – Nifty Midcap index fell 2.7% and BSE Smallcap index declined 11.6%.



## Sector Performance

March was a breadth of fresh air as all sectors ended positive. Real Estate was the top performer with (+15.7%) return. Banking, Power, Oil & Gas, Capital Goods, Metal, Healthcare and Consumer Staples gained between 3-14%.





## Institutional Activity

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FII continued its February buying momentum in March to record inflows of \$4.8 bn, taking YTD total to \$7.1 bn. Domestic investors continued to be sellers for second consecutive month with \$2 bn outflows taking its YTD tally to \$1.8 bn outflow.

## Macroeconomic Overview

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Manufacturing PMI rose to a 14-month high of 54.3 in Feb vs 53.9 in Jan. Services PMI rose to 52.5 in Feb vs 52.2 in Jan. IIP for the month of January 2019 fell to 1.7% vs 2.4% in December CPI inflation stood at 2.57% in Feb vs 1.97% in Jan 2019. WPI rose to 2.93% in Feb vs 2.76% in Jan vs 2.6% growth posted in Dec 2018.

Current account deficit widened to 2.5% of GDP in the third quarter of the current fiscal from 2.1% a year ago. Exports rose 2.44% to \$26.67 billion in February from a year earlier, while imports were down 5.41% to \$36.26 billion.

## Outlook

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Nifty with 15.2% returns ended FY19 on a strong note as March 2019 was one of the best performing months in last three years. Strong FII flows, supportive global backdrop and rising possibility of current government retaining power sparked a rally. FY19 was a volatile year, driven by worries over global slow down, trade war between US China, concerns over crude prices and geopolitical tension with Pakistan.

Equity as an asset class was volatile across global markets. We expect CY19 to be a year of elevated volatility and essentially a story of two halves given the impending big event of general elections. After lukewarm four years, earnings appear set for a recovery, especially led by banking as credit growth picks up, moderation in fresh slippages and lower credit costs.

In an election year, we expect political spending to act as a quasi-stimulus for consumption-oriented sectors. Indian economy is showing signs of recovery from the cyclical and structural bottlenecks witnessed over the past two years as reflected in data and with improving corporate earnings.

We can expect the economy to recover gradually in CY2019 as GST related disruptions smoothen. Weak monsoon could lead to muted rural demand and is an indicator to watch out for. We continue to remain positive on India growth story from medium to long term prospective and continue to stay invested in companies with strong and able management.

**Source:** BSE, Bloomberg, Internal

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