

CONTACT

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Monthly Market Update by JM Financial Mutual Fund

Details as on July 31, 2017

Market Update - Equity

ECONOMY

May Index of Industrial Production (IIP) was subdued at 1.7% y-o-y v/s. 2.8% in April, 2017. Consumer Price Index (CPI) came in at 1.5% y-o-y v/s. 2.2% in May as the food and core inflation declined. Core inflation also eased to 3.9% from 4.3%. WPI also eased to 0.9% v/s. 2.17% in May due to weak food inflation similar to trends in CPI. The rainfall till now has been normal except for few pockets of southern India and has been well distributed. This augurs well for moderate inflation levels going ahead. June trade deficit dipped marginally to \$12.9bn vs \$13.84bn. Gold imports recorded yet another strong month (+100% y-o-y). Oil imports recorded 12.2% growth while non-oil imports saw 21.2% y-o-y growth in the month.

MARKET

During the month Nifty and Sensex went up 5.8% & 5.1% respectively v/s. Hang Seng which was up by 6.05%.

Foreign Institutional Investors (FII) buying moderated in July with net inflows of \$393mn as compare to the YTD total of ~\$9.1bn. Domestic Institutional Investors (DIIs), continue to remain buyers led primarily by mutual funds with net inflows of \$742mn in July taking the YTD total to ~\$4bn. Mutual Funds were net buyers of \$1.3bn in July while Insurers remained sellers with net outflows of \$519mn.

Source: Bloomberg, Broker Reports

Market Update - Derivatives

The July series was stellar wherein the Nifty index gained 5.4%. The Nifty's surge towards the psychological 10,000 mark was met with very less resistance. On the sectoral front - Banks, Metals, Information Technology and Energy were the outperformers. Market-wide rollovers on the last day stood at 77% which was in line as compared to the average rollovers of the last three series. The August series started with a market-wide futures open interest of INR 1.12tn as against INR 1.17tn seen at the start of the July expiry. After staying high for most part of the week, stock futures roll cost (cost to long rollers) came down on the last day of the expiry. Nifty futures rollover stood at 68% which was a tad lower than the average rollovers of 71% (last three series). The most keenly watched events for the August expiry would be the advancement of monsoon, outcome of RBI policy and progress of Q1FY18 earnings season. Volatility in the markets is expected to help to churn the arbitrage portfolio and generate good returns.

Source: AMC's Research

From The Debt Desk

Key data and events – July 2017

New 10 year benchmark was traded at 6.4653% at the month end.

CPI: The Combined Provisional Index (CPI) for the month of June, 2017 was 1.54% as against revised CPI of 2.18% for the month of May, 2017.

IIP: As per the new base (2011-12), the provisional index for the month of May, 2017 was 1.72% as against 2.80% for the month of April, 2017.

WPI Inflation: As per the new base (2011-12), the provisional inflation for the month of June, 2017 was 0.90% as against 2.17% for the month of May, 2017.

Forex reserves: Forex Reserves as on July 28, 2017 stood at USD 392.87 billion as against USD 386.54 billion as on June 30, 2017.

Domestic Liquidity: RBI absorbed on average daily bids of around INR 295,000 crores during the month in LAF.

Fixed Income and Currency data:

Indian 5 year Corporate Bond yield ended lower at 7.20% for the month of July, 2017 as compared to 7.27% for June, 2017.

3 Month Certificate of Deposit rates ended lower at 6.18% for the month of July, 2017 as compared to 6.33% for June, 2017.

12 Month Certificate of Deposit rates ended lower at 6.57% for the month of July, 2017 as compared to 6.63% for June, 2017.

USD/INR: The local currency ended at Rs. 64.19.

Global data:

10 year US bond yield ended lower at 2.29% for the month of July, 2017 as against 2.30% for June, 2017.

Source for the above Commentary: RBI WSS, Bloomberg and AMC's Research