

CONTACT

Monthly Market Update by JM Financial Mutual Fund

Details as on December 31, 2018

Market Update - Equity

ECONOMY

During the month October Index of Industrial Production (IIP) growth jumped to 8.1%. CPI declined to 17-month low of 2.3%, with broad-based decline across food fuel and core inflation .

Monetary Policy Committee (MPC) held off on rate hike again while SLR saw reduction by 150bps. RBI governor Urjit Patel resigned and former bureaucrat Shaktikanta Das as his successor, a day later.

November trade deficit narrowed to US\$16.7bn on the back of fall in gold imports and sharp fall in crude prices. Growth in exports slumped to 0.8% while imports grew at 4.3%. Strong contraction was seen in exports of gems & jewellery and engineering goods.

MARKET

During the month the Sensex and Nifty were almost flat while the Hang Seng fell by 2.5%. FIIs stayed net buyers in Dec with inflows of ~\$430mn marginally lowering YTD total to ~\$4.4bn outflows. DIIs were also buyers albeit of very small quantum ~\$45mn. Domestic Mutual Fund (DMF) buying was slowest YTD while total DII inflows for the year improved for the fiscal to ~\$15.9bn.

Source: Bloomberg, Broker Reports

Market Update - Derivatives

For the December series, the Nifty index closed 1% lower. The Indian markets braced the December month with high volatility right from the state election results, where current ruling party at center BJP lost all the state elections and RBI governor abruptly resigned from the job. However, the markets recovered from the jolt immediately and showed commendable out-performance vs global peers in the series. Market-wide rollovers stood at 81% which was in line with the average rollovers (last three series). Nifty futures rollover stood at 74% vs. average rollovers of 68% (last three series). The January series started with market-wide future open interest of INR 1.28tn as against INR 1.29tn seen at the start of the December expiry. Volatility in the markets is expected to churn the arbitrage portfolio and generate good returns.

Source: AMC's Research

From The Debt Desk

Key data and events – December 2018

10 year benchmark ended at 7.3695%.

CPI: The Combined Provisional CPI for the month of November 2018 came at 2.33% as against 3.38% for the month of October 2018.

IIP: The provisional index for the month of October 2018 was at 8.08% as against 4.47% for the month of September 2018.

WPI Inflation: The provisional inflation for the month of November 2018 was at 4.64% as against 5.28% for the month of October 2018.

Forex reserves: Forex Reserves for the week ended December 28, 2018 stood at USD 393.40 billion as against USD 393.72 billion as on November 30, 2018.

Domestic Liquidity: RBI received average daily bids of around INR 1,10,000 crores during the month in the daily LAF & term repo auction.

Fixed Income and Currency data:

Indian 5 year Corporate Bond yield ended lower at 8.35% for the month of December 2018 as compared to 8.65% for the month of November 2018.

3 Month Certificate of Deposit rates ended lower at 7.05% for the month of December 2018 as compared to 7.15% for the month of November 2018.

12 Month Certificate of Deposit rates ended lower at 8.05% for the month of December 2018 as compared to 8.35% for the month of November 2018.

USD/INR: The local currency ended at Rs. 69.77.

Global data:

10 year US bond yield ended lower at 2.68% for the month of December 2018 as compared to 2.99% for the month of November 2018.

Source for the above Commentary: RBI WSS, Bloomberg and AMCs Research