

CONTACT

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Monthly Market Update by JM Financial Mutual Fund

Details as on June 30, 2018

Market Update - Equity

ECONOMY

Index of Industrial Production (IIP) rose to 4.9% with a sharp rebound in capital goods and steady growth in infrastructure and construction sector. Mining and manufacturing expanded by 5.1% and 5.2% respectively while electricity production fell to 2.1%. The growth was helped by a low base effect for consumer durables and capital goods, while 16 out of 23 industry groups in the manufacturing sector have showed positive growth.

The Combined Provisional Index (CPI) inflation continued to be on the rise, moving to 4.9% from 4.58% in May, coming in-line with expectations. The rise was on the back of core inflation which increased to 6.2% Y-o-Y and fuel inflation which rose to 5.8% Y-o-Y. WPI came in higher than expected at 4.43% Y-o-Y driven by higher petrol, diesel and vegetable prices.

RBI hiked policy rates by 25bps to 6.25% after over 4 years while maintaining a neutral stance. Growth forecast remained same as before at 7.4%.

May trade deficit widened to \$14.7bn, despite 20% growth in May exports. While imports were expectedly driven up by oil, there was a strong 13% growth in non-oil non-gold imports as well.

MARKET

During the month the Sensex & Nifty remained almost flat while the Hang Seng went down by ~1.7%

Foreign Institutional Investors (FIIs) were net sellers in Indian equities in June with ~\$650mn of equity outflows during the month which took their YTD selling total to ~\$900mn. Domestic Institutional Investors (DIIs) meanwhile saw \$2.1bn of net buying – YTD DIIs have now bought \$9.45bn worth. Mutual Funds contributed ~\$970mn to the net buying while Insurers net bought \$1.1bn during the month.

Source: Bloomberg, Broker Reports

Market Update - Derivatives

For the June series, the Nifty index closed 1.4% lower. The bout of weakness was owing to the global risk-off resulting from rising trade tariff related tensions between the US and China. Even in India's case, rising crude and a depreciating currency brought the focus back to deficit related issues. The RBI also grabbed headlines with the first rate hike coming after over 4 years and the Fed turned incrementally hawkish. Market-wide rollovers on the last day stood at 79% compared to the average rollovers of 81% (last three series). The July series started with market-wide future open interest of INR 1.4tn as against INR 1.47tn seen at the start of the June expiry. Owing to short aggression, roll levels were under pressure for most part of the expiry week. The Nifty futures rollover stood at 64% vs. average rollovers of 68% (last three series). 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 – June 2018

10 year benchmark ended at 7.9028%.

CPI: The Combined Provisional Index (CPI) for the month of May, 2018 came at 4.87% as against 4.58% for the month of April, 2018.

IIP: The provisional Index of Industrial Production (IIP) for the month of April, 2018 was at 4.86% as against 4.58% for the month of March, 2018.

WPI Inflation: The provisional inflation for the month of May, 2018 was at 4.43% as against 3.18% for the month of April, 2018.

Forex reserves: Forex Reserves for the week ended June 29, 2018 stood at USD 406.06 billion as against USD 412.82 billion as on May 25, 2018.

Domestic Liquidity: RBI under LAF facility absorbed on average daily bids of around INR 10,000 crores during the month

Fixed Income and Currency data:

Indian 5 year Corporate Bond yield ended higher at 8.72% for the month of June, 2018 as compared to 8.59% for the month of May, 2018.

3 Month Certificate of Deposit rates ended lower at 7.00% for the month of June, 2018 as compared to 7.50% for the month of May, 2018.

12 Month Certificate of Deposit rates ended lower at 8.00% for the month of June, 2018 as compared to 8.20% for the month of May, 2018.

USD/INR: The local currency ended at Rs. 68.47.

Global data:

10 year US bond yield ended at the same level of 2.86% for the month of June, 2018 as compared to the previous month of May, 2018.

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