

CONTACT

Monthly Market Update by JM Financial Mutual Fund

Details as on October 31, 2018

Market Update - Equity

ECONOMY

For the month of August Index of Industrial Production (IIP) growth stood at 4.3%.

For the month of September Consumer Price Index (CPI) remained unchanged at 3.8%, despite a surge in global oil prices, sharp increase in winter crops MSP & below normal monsoons. Food inflation stood at 1.1%, while core inflation (ex- transport) remained elevated at 5.7%. WPI rose to 5.13% in September with hardening of food & fuel prices.

RBI kept policy rates on hold by changing stance from "Neutral" to "Calibrated Tightening". CPI forecast had been lowered on lower food inflation but MPC members expressed concerns over the upside risks to the inflation forecast arising out of higher oil, depreciated INR and closed output gap.

For the month of September trade deficit narrowed to lowest levels in 5 months to \$14bn from \$17.4bn.

MARKET

During the month, Sensex, Nifty & Hang Seng Index went down by 4.93%, 4.98% and 10.11% respectively. During the month, FII were net sellers in October with outflows of ~\$3.7bn taking YTD total to ~\$5.7bn outflows. DIIs buying continued to rise, nearly doubling up to ~\$3.5bn. Inflows were led majorly by mutual funds with the YTD total coming to ~\$15.7bn. Mutual Funds were net buyers of ~\$3bn in October while Insurers were buyers with net inflows of \$558mn.

Source: Bloomberg, Broker Reports

Market Update - Derivatives

For the October series, the Nifty index closed 7.8% lower. The weakness that had set in September continued in October. Liquidity related concerns dented the sentiments to a great extent. Apart from this, factors like global risk-off (stoked by hardening US treasury yields), rising crude (although some reversal is taking place now) and weak INR played a major role in creating some skepticism in the minds of investors. To add to this, impending state elections have taken investors to a wait and watch mode. Rollovers ended on a very strong note in stocks as well as Nifty futures. With market weakness at the backdrop and high rollovers, shorts carried forward the bets into November series. Market-wide rollovers stood at 82% compared to the average rollovers of 81% (last three series). The November series will start with market-wide future open interest of INR 1.21tn as against INR 1.28tn seen at the start of the October 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 – October 2018

10 year benchmark ended at 7.8535%.

CPI: The Combined Provisional CPI for the month of September, 2018 came at 3.70% as against 3.69% for the month of August, 2018.

IIP: The provisional index for the month of August, 2018 was at 4.67% as against 6.53% for the month of July, 2018.

WPI Inflation: The provisional inflation for the month of September, 2018 was at 5.13% as against 4.62% for the month of August, 2018.

Forex reserves: Forex Reserves for the week ended October 26, 2018 stood at USD 392.08 billion as against USD 400.52 billion as on September 28, 2018.

Domestic Liquidity: RBI received average daily bids of around INR 60,000 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 8.77% for the month of October, 2018 as compared to 9.00% for the month of September, 2018.

3 Month Certificate of Deposit rates ended higher at 7.35% for the month of October, 2018 as compared to 7.25% for the month of September, 2018.

12 Month Certificate of Deposit rates ended lower at 8.55% for the month of October, 2018 as compared to 8.80% for the month of September, 2018.

USD/INR: The local currency ended at Rs. 73.95.

Global data:

10 year US bond yield ended higher at 3.14% for the month of October, 2018 as compared to 3.11% for the month of September, 2018.

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