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Wealthwise

"Wealthwise" is a monthly publication brought to you by Wiseinvest, an AMFI-registered Mutual Fund Distributor. Our CEO, Hemant Rustagi, is a well known personal finance expert. He brings with him an experience of more than 30 years in this field. He regularly writes articles for major national dailies and business magazines as well as appears as a personal finance expert on many investments related TV shows. Providing quality service is our top priority. In keeping with that, we constantly take steps to provide up-to-date information to our clients. In the last seventeen years, thousands of our clients have made mutual funds the mainstay of their portfolios. You can benefit too from our service support for your existing as well as new investments. All you need to do is to just call up any of the offices or email your requirements at **information@wiseinvest.co.in.**

Dear Investor,

The Coronavirus spread in India has started shrinking. The weekly positivity rate has dropped below five per cent in nearly half of India's 718 districts. The daily active cases have been witnessing a fall of almost a lakh over the last few days. All these indicate that the Covid-19 second wave has started waning. However, considering the perceived threat of the third wave of Covid, we can't afford to let our guard down. Since the economic pause can't be extended for long, the key would be how quickly a significant part of the country's population gets vaccinated.

The Indian market performed well during the month of May. After ending lower in April, the stock market bounced back strongly with benchmark indices - Sensex and Nifty - rising almost 7 percent each in May. During the last month, the domestic market fared better than top global markets such as DAX (Germany), Hang Seng (Hong Kong), KOSPI (Korea), Dow Jones (US), S&P 500 (US) and Nasdaq (US). While FPIs took out ₹ 1,958 crore in May, YTD they have invested ₹ 49,468 crore in the Indian market. Sustained fall in COVID-19 cases, stimulus talks, mostly in-line with March quarter earnings and assurance from major central banks that rates will remain low and the market will have adequate liquidity kept the market up.

India's Consumer Price Index (CPI) based retail inflation eased to 4.29% in the month of April, primarily due to reduction in food prices. It stood at 5.52% in March. The decline in the retail inflation rate was mainly on the back of a sharp fall in food inflation. April's retail inflation is the lowest in three months and is well within the MPC's medium-term inflation target range of 4 (+/-2%). In fact, this is the fifth straight month that the CPI is within the MPC's target band.

The Reserve Bank of India's bi-monthly monetary policy review is scheduled from June 2-4, 2021. The MPC is likely to keep the benchmark interest rate unchanged given COVID-19 uncertainty and fears over inflation. The Repo rate is likely to continue at 4 percent and reverse repo rate at 3.35 percent. This would be the sixth consecutive time the RBI maintains status quo if rates remain unchanged on June 4. However, the street would keenly await the central bank's outlook on growth.

Warm regards,

HRustagi

Hemant Rustagi
Editor

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The Stock Market Performance During May 2021.

Indices	3rd May 2021	31st May 2021	Change in (%)
Sensex	48,718.52	51,937.44	6.61
MIDCAP	20,322.49	21,758.39	7.07
SMLCAP	22,011.14	23,595.98	7.20
BSE-100	14,840.38	15,822.33	6.62
BSE-200	6,306.64	6,727.12	6.67
BSE-500	19,735.16	21,055.18	6.69

Equity Market Outlook

Globally the daily COVID cases came down to 5 lac from 8 lac during the month (driven primarily by India). Good news is that pace of vaccination has gone up significantly, particularly in the developed countries. The vaccine related news flow has kept the hopes alive that at least developed world would be largely vaccinated during 1HCY21/3QCY21 and so the economic activity would continue to expand globally – with the help of additional fiscal support which might be forthcoming, at least in the US on infrastructure side.

Markets are at new high across the globe and this sharp bounce back is driven by four key reasons, – 1) Massive fiscal and monetary stimulus put in place by developed countries – expect more of this on any sign of troubles in economies, 2) Possible vaccination in most of the developed/large developing countries in next 6 months, 3) Opening up of economies across the world and 4) Depreciating dollar bias expected, as it increases pace of printing money – helping EM markets and commodities in terms of flows. The latest indication from Fed only reinforces that interest rates are going to be lower for longer than we think – although in near term the yields have started rising as GDP growth estimates are revised upwards. Given the government handouts, the DMs have experienced strong discretionary demand which will gradually shift to services, once vaccination is in place. Latest data points on unemployment in US (~6%), indicates that we might not get sustained increase in inflationary expectations for some time to come.

Key driver from market perspective has been fiscal stimulus to the tune of 5%-20% of the GDP across developed world. Monetary/fiscal expansion is also driving reflation of assets in the other geographies and commodities. Oil and several other commodity prices have stabilised and have moved up significantly since 2HCY20 (due to depreciation bias in USD and supply chain replenishments) - which augurs well for several ME/African/LA and CIS countries. Commodity prices up-move is driven by depreciating dollar, marginal demand shock, supply challenges and China's focus on reducing carbon footprint as well as exports of commodities.

Domestically, we have got negative surprise on COVID during March and April, with cases rising rapidly and it looks like a full blown second wave now. However, the numbers have started declining fast and the fatality rate continues to remain under control. While the cases have increased, base case remains that we will not witness broad-based lockdowns like previous one. We are likely to see cases gradually going down over June/July. Risk from domestic perspective remains that of 3rd wave, given slow pace of vaccination on account of short supply. India has only vaccinated ~4.4Cr people fully and 17Cr people have got only single dose. However, it is expected that by July/August, the monthly vaccination will go up to 10-15 Cr people – comforting indication from Government.

India is clearly better positioned post this pandemic given, 1) Many global corporations might now actively seek to diversify the supply chain to countries other than China and 2) Reforms viz. GST, lower corporate tax rates, labour reforms, agri reforms and manufacturing incentives through PLI bodes well for Investments and job creation. Budget was a key turning point in governments tilt towards growth and away from binding itself in aggressive fiscal targets. This might act as an additional driver for both public and private Capex.

With second wave, the earnings upgrades cycle is halted, and we might witness some downgrades in coming months, if the number of cases remain elevated for longer than estimated time of June end. We have seen GDP growth downgrade of ~1% and its earnings impact is likely to be min 3-5% for FY22. The corporate earnings upgrades for last three quarters were driven by, 1) Better than expected top-line, including some pent up demand, 2) Banking sector experiencing lower than expected credit costs and 3) OPM margin expansion driven by cost cuts as well as better pricing environment. The earnings are expected to cyclically good for FY22/23 with nifty eps growth of 25% and 20% respectively.

There are several positives from domestic perspective, viz, 1) Banking sector has witnessed much lower NPAs and restructuring than anticipated till date, 2) Corporate earnings reported during 4QFY21 have been largely along expected lines, 3) EM/India continues to be beneficiary of capital flows (India received ~30bn USD in Oct-April-21, among the highest ever flows), and 4) Banking liquidity and capital access is become easier by the month.

Based on above we are working with 3-4 thesis – 1) Budget has clearly changed focus towards growth and thus domestic investments/cyclicals can witness some improvement in demand, 2) Developed world through aggressive fiscal expansion may lead the aggregate demand recovery and 3) Corporate earnings might continue to surprise given operating and financial leverage play out as economy recovers over next few quarters and 4) Several sectors like Financials, Auto, Retail, Industrials, Cement and commodities (and other export) is expected to be in cyclical earnings uptrend over FY22/23.

Nifty has witnessed both time and price correction over last quarter. Nifty now is trading at 20xFY23 on consensus earnings, in an expensive valuation zone from near term perspective. Market has consolidated for past 6 months and we expect market to do well as economy open up fully over next 6-9 months. Expect meaningful divergence within sectoral performance (rotation towards domestic sectors like industrials, financials, discretionary, auto etc.) based on incremental data points, particularly on COVID side.

Key risk still appears to be 1) Earnings downgrades, if COVID leads to sizable economic activity suppression over next 3 months and 2) Pull back of favorable fiscal and monetary policies globally.

Source: ICRA MFI Explorer

Shridatta Bhandwaldar
Head Equities
Canara Robeco Mutual Fund

Disclaimer

Fixed Income Market Update

The month of May'21 remained range bound, and India 10 Year G-sec yields reduced marginally by 0.8 bps to 6.02%. This was seen despite the high government supply and could be attributed to RBI's bond buying as a part of its regular open market operation (OMOs) along with the recently launched G-SAP programme. However, concerns over the likelihood of additional market borrowings by the government to overcome the financial pressures caused by the second wave of the pandemic, and the underlying inflationary concerns with the hardening of global commodity prices, limited the fall in yields.

Globally, economies across regions continued to strengthen with the improving pandemic situation and relaxation of restrictions. However, the economic recovery was hampered in some places due to supply chain challenges and increase in raw material costs. This led to the demand for government securities for safer investments, which in turn moderated their yields. Bond yields somewhat weakened across several major economies during the month as investor concerns over the soaring inflation subsided and uncertainties over the speed and strength of economic recovery grew. The US 10 Year Treasury yields fell by 3 bps to 1.59% at the end of the month as against 1.63% at the end of Apr'21. This was mainly due to the reiteration by the FED to continue to maintain an accommodative monetary policy stance for an extended period. In Eurozone, Germany and France saw a rise in bond yields on account of improving economic fundamentals that led to the increase in appetite for riskier asset classes.

In the home ground, GST collections for Apr'21 rose to an all-time high of INR 1.41 lakh crs. The fiscal deficit during FY21 stood at INR 18.21 lakhs crs which was 95% higher than FY20. Retail inflation (CPI) fell to 4.29% in Apr'21. However, WPI leaped up to an eleven year high of 10.49% in Apr'21 as compared to 7.39% in Mar'21. This can most likely be attributed to the rise in prices of crude oil, manufactured goods, and minerals. Prices of food products have also seen a steady rise. Foreign exchange reserves were at $593 bn in May'21 which was seen to have increased from $584 bn in Apr'21. The Rupee strengthened in May'21 end by 1.99% to INR 72.62 per USD as compared to INR 74.09 per USD in Apr'21 end. This was primarily due to FPI inflows and the absence of RBI intervention with the objective of price stability.

Outlook

The global economy has shown initial signs of recovery as countries are experiencing renewed growth, supported by monetary and fiscal stimulus. However, activity remains uneven across countries and sectors and the outlook seems fairly uncertain and clouded with downside risks. The second wave of the pandemic has further impacted countries. Inflation remains benign for major advanced economies and in a few emerging market economies. Nevertheless, it continues to remain above targets on account of rising global food and commodity prices. Central Banks in advanced economies have chosen to maintain accommodative stance despite higher near-term inflation, expecting that inflation will likely moderate by 2022. However, persistent high inflation could force them to change stance sooner than expected.

Domestically, the RBI announced a set of measures in May to create a financial safety net for the economy as the country is battling the second wave of the pandemic. One of the steps is to provide liquidity of INR 50,000 crore for a period of up to three years to banks 'on tap' so that they, in turn, can on-lend and support vaccine manufactures, importers/suppliers of vaccines, priority medical devices and COVID related drugs, which will prove to be instrumental in tackling the current situation and fulfilling the objective of getting the majority of the population vaccinated.

Despite experiencing adverse conditions in the face of the pandemic, harvesting of rabi crops has progressed rapidly which could support the food prices in near term. CPI inflation in Apr'21 moderated as compared to Mar'21 as food and core inflation eased even as fuel inflation recorded a substantial rise. Large favourable base effects brought about the softening in food and core inflation. International commodity prices registered sharp increases, cutting across agricultural, industrial raw-materials and energy segments. This has led to a decline in domestic cost conditions.

From an investment perspective we continue with our philosophy of taking portfolio exposure in high credit quality papers (AAA) as economic growth remains uneven. Tactical duration strategies are likely to work in current scenario, as RBI continues to support bond markets through large scale purchases which is likely to keep yields suppressed. However, over medium term, rates are expected to rise on the back of high fiscal deficit, inflation and expected start of policy normalization by next year.

Source: **ICRA MFI Explorer, Bloomberg, RBI, MOSPI.

Avnish Jain
Head - Fixed Income
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Disclaimer

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Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.

Performance Of Select Funds

Data as on May 28, 2021

EQUITY FUNDS

Large Cap, Large & Midcap, Multi Cap

Fund	Launch	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**	7 Year**	10 Year**	15 Year**
ABSL Frontline Equity Fund	Aug-02	20.06	62.39	13.18	10.88	12.44	12.31	13.16	14.58
ABSL Flexi Cap Fund	Aug-98	21.61	69.14	16.33	12.22	15.41	14.73	15.01	13.98
Axis Bluechip Fund	Jan-10	14.37	50.35	17.09	15.03	16.00	13.89	14.35	—
Axis Focused 25 Fund	Jun-12	15.42	60.65	18.56	13.12	17.34	16.35	—	—
Axis Growth Opportunities Fund	Oct-18	22.36	66.47	26.14	—	—	—	—	—
Canara Robeco Flexi Cap Fund	Sep-03	19.12	58.77	18.31	15.58	16.85	13.65	13.62	14.08
Canara Robeco Emerging Equities	Mar-05	19.59	67.08	18.85	13.01	17.82	19.86	19.60	16.02
HDFC Flexi Cap Fund	Jan-95	33.19	76.45	11.32	12.06	14.50	11.79	12.28	14.20
HDFC Top 100 Fund	Oct-96	25.11	64.44	8.81	11.08	13.32	10.84	11.56	13.61
HSBC Large Cap Equity Fund	Dec-02	17.21	56.77	14.28	11.64	13.49	11.31	10.88	11.27
HSBC Focused Equity Fund - Regular	Jul-20	17.91	—	—	—	—	—	—	—
ICICI Prudential Bluechip Fund	May-08	21.14	59.09	14.01	11.85	14.18	12.90	13.36	—
IDFC Core Equity Fund - Regular Plan	Aug-05	24.13	74.09	15.16	10.41	14.13	12.93	11.81	10.86
Invesco India Contra Fund	Apr-07	21.54	63.96	17.40	12.61	16.85	16.87	15.69	—
Kotak Bluechip Fund - Regular Plan	Dec-98	19.95	63.27	16.96	13.90	13.48	13.61	12.67	12.23
Kotak Equity Opportunities Fund	Sep-04	20.48	62.81	17.93	14.56	15.77	15.66	14.47	13.77
Kotak Flexicap Fund Regular Plan	Sep-09	19.39	58.87	13.12	12.71	15.07	15.64	15.30	—
Mirae Asset Emerging Bluechip Fund	Jul-10	26.83	79.98	24.20	19.43	21.45	23.00	22.52	—
Mirae Asset Focused Fund - Regular	May-19	21.42	76.43	23.32	—	—	—	—	—
Mirae Asset Large Cap Fund - Regular	Apr-08	18.76	61.31	14.29	13.47	15.68	15.57	15.43	—
Nippon India Large Cap Fund	Aug-07	25.61	68.04	8.17	10.38	13.53	12.73	12.99	—
Nippon India Multi Cap Fund	Mar-05	31.68	81.56	7.48	9.32	11.85	11.36	12.98	13.68
SBI Bluechip Fund	Feb-06	19.62	64.43	14.84	11.82	12.67	14.34	14.40	11.79
SBI Focused Equity Fund	Oct-04	19.87	59.16	16.72	13.32	15.95	16.99	17.36	14.49
UTI Flexi Cap Fund - Regular Plan	May-92	20.98	76.47	24.85	17.41	16.80	15.71	15.33	14.50

Midcap & Smallcap

Axis Midcap Fund	Feb-11	20.87	63.60	25.66	18.21	18.94	17.91	18.88	—
DSP Midcap Fund - Regular Plan	Nov-06	18.67	65.06	22.40	13.42	16.97	18.08	16.99	—
HDFC Mid-Cap Opportunities Fund	Jun-07	27.38	86.18	19.65	11.28	15.64	17.05	17.64	—
Kotak Emerging Equity Fund Regular	Mar-07	29.71	89.58	25.18	15.33	17.47	20.51	18.78	—
L&T India Value Fund	Jan-10	25.69	74.62	15.01	10.17	14.63	16.31	16.45	—
Motilal Oswal Midcap 30 Fund	Feb-14	20.98	71.74	16.11	9.87	11.05	15.91	—	—
UTI Mid Cap Fund - Regular Plan	Apr-04	24.63	83.84	24.10	12.19	14.18	17.12	17.51	13.56

Sectoral / Thematic Fund & Tax Saving

ICICI Prudential Banking and Financial	Aug-08	27.81	93.08	6.88	9.41	16.54	15.22	16.13	—
Nippon India Banking Fund	May-03	29.85	101.58	3.40	6.25	13.43	11.98	12.55	17.05
ICICI Prudential Pharma Healthcare	Jul-18	20.46	63.07	41.21	—	—	—	—	—
Nippon India Pharma Fund	Jun-04	22.77	60.67	41.85	28.40	17.03	19.13	18.05	20.25
SBI Healthcare Opportunities Fund	Jul-99	20.70	60.58	40.65	24.82	10.21	16.29	17.46	12.90
Kotak Pioneer Fund - Regular Plan	Oct-19	26.33	84.68	—	—	—	—	—	—
Axis Long Term Equity Fund	Dec-09	15.45	57.31	18.55	13.82	15.59	17.04	17.94	—
IDFC Tax Advantage (ELSS) Fund	Dec-08	36.72	97.52	19.32	12.36	16.86	16.54	15.82	—
Kotak Tax Saver Regular Plan	Nov-05	22.57	66.05	16.40	14.95	15.53	15.61	13.30	11.42
Mirae Asset Tax Saver Fund - Regular	Dec-15	24.81	79.84	22.46	18.25	21.10	—	—	—

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
ICICI Prudential Equity Arbitrage Fund	Dec-06	1.16	1.95	3.06	4.59	5.19	5.55
IDFC Arbitrage Fund - Regular Plan	Dec-06	1.06	1.81	2.95	4.32	5.07	5.43
Kotak Equity Arbitrage Fund Regular	Sep-05	1.12	2.04	3.24	4.70	5.28	5.66

HYBRID

Fund	Launch	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**	7 Year**	10 Year**	15 Year**
ABSL Equity Hybrid '95 Fund	Feb-95	17.28	55.11	11.60	8.13	10.42	11.67	12.01	12.95
Canara Robeco Equity Hybrid	Feb-93	14.47	43.33	16.27	13.77	14.42	14.03	13.79	13.14
DSP Equity & Bond Fund	May-99	16.33	49.13	16.94	12.94	13.73	14.32	12.52	13.24
ICICI Prudential Equity & Debt	Nov-99	30.02	56.69	15.26	12.98	14.43	13.98	14.75	12.75
Kotak Equity Hybrid Fund	Nov-99	21.44	62.76	17.85	13.55	13.32	12.26	11.99	10.94
SBI Equity Hybrid Fund	Dec-95	15.94	45.41	14.26	12.44	13.14	14.00	13.95	12.55
DSP Dynamic Asset Allocation	Feb-14	6.25	26.37	11.52	9.65	9.37	—	—	—
ICICI Prudential Bal. Advantage	Dec-06	11.54	37.60	12.54	10.77	11.32	—	—	—
IDFC Bal. Advantage Fund	Oct-14	8.72	28.94	11.32	8.66	9.20	—	—	—
Kotak Bal. Advantage Fund	Aug-18	9.09	34.17	12.57	—	—	—	—	—
IDFC Equity Savings Fund	Jun-08	6.43	20.03	7.19	6.76	6.35	—	—	—
Kotak Equity Savings Fund	Oct-14	6.35	21.04	9.22	8.36	8.84	—	—	—

DEBT

Debt Oriented & Ultra Short Term Debt Fund

Funds	Launch	1 Mth*	3 Mth*	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**
Aditya Birla Sun Life Short Term Fund	May-03	0.59	1.94	1.88	9.19	8.65	8.69	8.01
Invesco India Short Term Fund	Mar-07	0.44	1.79	1.16	5.65	7.76	7.91	7.28
Axis Corporate Debt Fund - Regular	Jul-17	0.56	1.83	1.82	8.31	7.37	8.14	—
HDFC Corporate Bond Fund	Jun-10	0.67	2.31	1.87	7.56	9.34	9.47	8.60
Kotak Corporate Bond Fund	Sep-07	0.56	1.87	1.61	6.94	8.12	8.46	8.14
Kotak Banking and PSU Debt Fund	Dec-98	0.73	1.82	1.47	6.67	8.90	9.17	8.34
SBI Banking and PSU Fund	Oct-09	0.50	1.56	1.02	5.99	8.46	8.55	7.86
ICICI Prudential Savings Fund	Sep-02	0.52	0.97	1.94	6.47	7.47	7.81	7.67
Kotak Savings Fund Regular Plan	Aug-04	0.24	0.87	1.52	4.13	5.74	6.54	6.76
L&T Ultra Short Term Fund	Apr-03	0.24	0.89	1.59	3.64	5.55	6.38	6.69

*Absolute ** Annualised. Past performance may or may not be sustained in future.

Dividends declared by equity and equity-oriented funds during the month of May 2021

Scheme name	Date	Dividend declared in ₹ Per unit
ICICI Prudential Equity & Debt Fund - IDCW - Monthly	04/05/2021	0.16
Tata Hybrid Equity Fund - IDCW - Monthly	04/05/2021	0.28
Sundaram Equity Hybrid Fund - IDCW	10/05/2021	0.14
DSP Tax Saver Fund - IDCW	14/05/2021	0.40
PGIM India Hybrid Equity Fund - IDCW - Monthly	17/05/2021	0.13
UTI Hybrid Equity Fund - IDCW	17/05/2021	0.47
Sundaram Emerging Small Cap - Series 3 - IDCW	21/05/2021	0.25
Sundaram Emerging Small Cap - Series 4 - IDCW	21/05/2021	0.50
Sundaram Emerging Small Cap - Series 6 - IDCW	21/05/2021	1.00
Sundaram Emerging Small Cap - Series 7 - IDCW	21/05/2021	1.00
L&T Large and Midcap Fund - IDCW	24/05/2021	0.17
L&T Hybrid Equity Fund - IDCW	24/05/2021	0.12
Aditya Birla Sun Life Commodity Equities Fund - Global Agri Plan - IDCW	25/05/2021	1.06
Aditya Birla Sun Life India GenNext Fund - IDCW	25/05/2021	1.56
LIC MF Equity Hybrid Fund - Plan A - IDCW	26/05/2021	0.10
Axis Equity Hybrid Fund - IDCW - Monthly	26/05/2021	0.08
DSP Equity & Bond Fund - IDCW	28/05/2021	0.15
Canara Robeco Equity Hybrid Fund - IDCW - Monthly	28/05/2021	0.72
Franklin India Equity Hybrid Fund - IDCW	31/05/2021	1.75

Please check whether you have received dividend for the fund/s that you may have in your portfolio out of this list. In case, you do not maintain any portfolio statement, Wiseinvest can do that for you free of charge. Once we have the details, we would send your updated statement every month. You can contact our corporate office or our branch to avail of this free service.

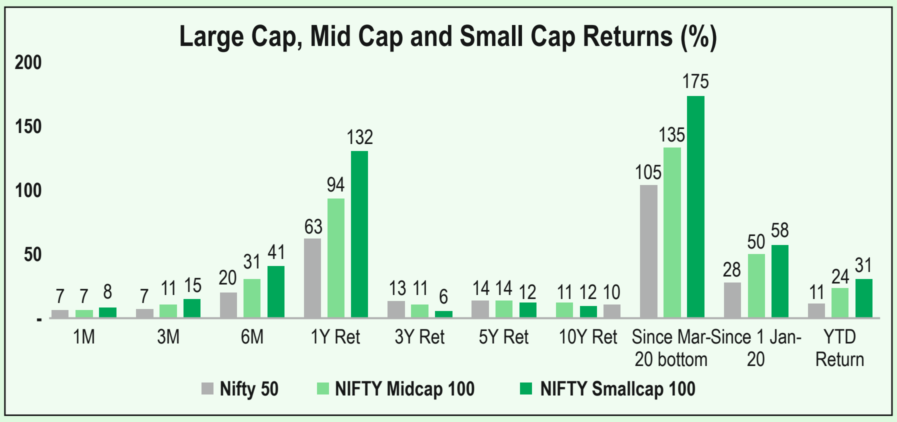
Mutual funds, like securities investments, are subject to market and other risks. As with any investments in securities, the NAV of units can go up or down depending on the factors and forces affecting capital markets.

Equity Market Outlook

Domestic Markets

Domestically, Indian equities have been remarkably resilient - up 6.4% over the month. Nifty50 closed at an all-time high of 15,583 (as of May 31) as investors looked beyond the new cases peak. Focus likely remained on medium term vaccination outlook, in-line earnings season and lifting of activity constraints. Along with declining cases, assurances from global central banks on liquidity and firmer global equity markets also helped broader investor sentiment. Increased non-institutional participation has also increased overall trading activity over the last year.

The S&P BSE Mid-cap and S&P BSE Small-cap indices also recorded new highs, gaining 7.1% and 8.9% respectively. Small-caps were up 8%, outperforming Large-caps in May.



Source: Bloomberg. Less than 1-year absolute returns, Greater than 1-year CAGR

The Macro Picture

Composite PMI: The composite PMI in April shows only marginal decline to 55.4 from 56 in March. However, output momentum declined across both manufacturing and services, and a significant amount of sampling may have been conducted before the stress in the second half of the month.

Inflation: April CPI gaps down to 4.3% from 5.5% in March. Food inflation drove a hefty 0.5% m-o-m increase in the headline CPI. The real story in India's inflation outturn has been the stickiness and stubbornness of core inflation. The recent pressures could be emanating from cost-push inflation in the wake of a recovering economy pre-second wave. Led by global commodity prices, input prices have surged in recent months but this has not translated into commensurate output prices, as seen in the PMI surveys.

Rising global agriculture prices and metal prices are being seen as constant risks for India's inflation. However, given the: (1) external trade structure, and (2) weightage matrix of CPI basket, there is only a slight risk of global inflation flowing through to domestic retail inflation.

Industrial Production (IP): March IP expanded 22.4% y-o-y largely on account of favorable base effects given the sharp lockdown-induced contraction in March 2020. Sequentially, IP rose 1.0% m-o-m in March, a fourth consecutive increase that took IP to 99% of the pre-pandemic level.

Fiscal Deficit: India's FY21 fiscal deficit stands at 9.3% of GDP. Absolute basis, fiscal deficit for FY21 was INR18.2 trillion or 98.5% of the budgeted FY21 deficit (INR18.5 trillion). For April, deficit printed at INR787 billion, nearly 5.2% of the annual FY22 estimate (INR15.1 trillion / 6.8% of GDP).

GDP data suggests consumption slowdown: India's 4QFY21 printed at 1.6% y-o-y and was expectedly much stronger than the National Statistics Office (NSO) advance estimate (-1.1% y-o-y). Full year GDP contracted 7.3% (vs NSO's advance estimate of an 8% contraction). GVA (Gross value added) contracted less at -6.2% but pandemic-induced subsidies resulted in a sharp contraction of Net Indirect Taxes (indirect taxes minus subsidies) and dragged down GDP computation. GDP data states that private consumption growth last quarter was – relative to other components of demand was much weaker at 2.7% y-o-y v/s investment growth of 13.8%, exports growth of 8.8%, and imports growth of 12.3%. All this reinforces the notion that pandemic-induced scarring was already weighing on consumption even before the second wave.

Policymakers are likely to become more conservative on the restrictions front. Household income uncertainty and precautionary savings can only be expected to rise. Additionally, private investment should take time to pick up. Some silver linings to the outlook include signs of growing export strength from a booming global economy, though this will be partially offset by the negative terms of-trade impulses from higher crude prices.

Outlook

The severity of the second wave has taken most by surprise, especially after the hubris of having "tamed" the virus which was prevalent during Jan/Feb 2021 period. Thankfully, though after a huge cost, the severity of the second wave started to register a noticeable decline by the fourth week of May 2021.

Cont. on page 6...

Power of SIP

It is a well known fact that regular investment through SIP in equity funds can produce amazing results. Of course, the key is to continue this process uninterruptedly for the defined time horizon. The table below highlights, how an investment of ₹ 10000 per month in different funds has grown over 5 & 10 Years. Data as on May 31, 2021. SIP - 10th of every Month.

			5 Years			10 Years		
Scheme Name	Date of Launch	Investment Amount Per Month (₹)	Total Investment (₹ in lacs)	Current Value (₹ in Lacs)	Return % (XIRR)	Total Investment (₹ in lacs)	Current Value (₹ in Lacs)	Return % (XIRR)
Aditya Birla Sun Life Flexi Cap Fund	Aug-98	10000	6	9.03	16.40	12	29.08	16.88
Aditya Birla Sun Life Frontline Equity Fund	Aug-02	10000	6	8.59	14.37	12	25.16	14.18
Axis Bluechip Fund	Jan-10	10000	6	9.43	18.20	12	27.72	15.99
Axis Focused 25 Fund	Jun-12	10000	6	9.46	18.35	12	-	-
Axis Long Term Equity Fund	Dec-09	10000	6	9.43	18.18	12	31.78	18.53
ICICI Prudential Bluechip Fund	May-08	10000	6	8.85	15.61	12	25.74	14.61
Invesco India Contra Fund	Apr-07	10000	6	9.40	18.07	12	30.55	17.82
Kotak Equity Opportunities Fund	Sep-04	10000	6	9.20	17.24	12	28.15	16.30
Kotak Flexi Cap Fund	Sep-09	10000	6	8.80	15.42	12	28.29	16.39
Kotak Tax Saver Fund	Nov-05	10000	6	9.19	17.20	12	27.26	15.70
Mirae Asset Emerging Bluechip Fund	Jul-10	10000	6	10.40	22.31	12	42.49	23.94
Mirae Asset Tax Saver Fund	Dec-15	10000	6	10.30	21.88	12	-	-

Past Performance may or may not be sustained in future.
As with any investments in securities, the NAV of units can go up or down depending on the factors and forces affecting capital markets.

Equity Market Outlook

...Cont. from page 5

Yet, the human cost of the second wave – almost 1.3 lakhs reported deaths (for the month) far exceed the death toll of the 1st wave.

Markets, however, continued to chug along, almost unconcerned. The positive outcome of the March 2021 quarterly results was overshadowed by muted outlook for Q1FY21 in most management commentaries. With local lockdowns across most states, economic activity was impacted though not as severe as the National lockdown announced last year.

Economic fall out of the second wave, however, is difficult to fathom. Anecdotally driven and derived from the high casualties suffered during the month, a narrative of pessimism appears to be the most well accepted narrative as of now. No one can deny the human suffering encountered during the last six-eight weeks. However, such economic pessimism may not be gloom or doom for listed Corporate India, the space in which we invest. As shown in FY21, earnings and sales growth of the organised players were not negatively impacted during the last fiscal. The same could be the case going ahead in FY22. Moreover, a few positives also need to be highlighted – forecast of a normal monsoon, being at the top of this list; exports as an emerging growth opportunity for Indian corporate sector; a weakened unorganised sector/ imports restriction have provided organised (listed) players an opportunity to grab market share gains; a deleveraged balance sheet of the Corporate sector & a well-capitalised Banking system.

The pace of vaccination and a return to normalcy will hold the key for economic growth to remain above the forecasted trend line. Economic forecasts are rarely, if ever derived from a "bottom up" approach, rather they tend to reflect the prevailing sentiments and impacted by the "recency" bias. In the meanwhile, developed countries continues to push ahead of their emerging peers over the pace of vaccination and return to normalization. As such, this may lead to a strong export push for countries like India, especially in the prevalent "China +1" push across several sectors.

The narrative for FY22 will be the return of Urban India as the driver of economic growth – better vaccine acceptance; improving availability (pray, Serum delivers on its promise of 100 million doses in June and builds upon it in the coming months) & better personal compliance could lead to a quicker coverage of urban population and return to normalcy (all ok and much needed except back to office and the daily commute!). Rural, on the other hand, may take longer to return to normal - vaccine hesitancy; poor health infrastructure and differing levels of efficacy of the local administration across states and within a state. However, robust agricultural product pricing – national as well as international, should keep income levels stable during FY22. Yet, it would be the turn of Urban India, to do the heavy lifting to sustain the hopes of an economic recovery in FY22. It would also mean that services could re-emerge as a driver of growth, an area which was lagging during FY21. As usual, the festival season will be a good reflection of the mood of households and that would set the tone for the strength of economic recovery for Fy22.

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