

LIQUIDITY, VALUATIONS AND EVENTS

April – June 2019

MOVEMENTS OF MAJOR INDICES

Index Name	Country	31st Mar'18	31stDec'18	31st Mar'19	3-Month Return (%)	1-Year Return (%)
MerVal	Argentina	31,115	30292	33,466	10.5%	7.5%
Bovespa	Brazil	85,366	87,887	95,415	8.6%	11.8%
Dow Jones	US	24,103	23,327	25,929	11.2%	7.6%
Nikkei 225	Japan	21,454	20,015	21,206	5.9%	-1.1%
Nasdaq	US	7,063	6,635	7,729	16.5%	9.4%
KLSE Composite	Malaysia	1,863	1,691	1,644	-2.8%	-11.8%
Swiss Market	Switzerland	8,741	8,429	9,478	12.4%	8.4%
NYSE	US	12,452	11,374	12,697	11.6%	2%
RTS Index	Russia	1,249	1,069	1,198	12.1%	-4.1%
CAC 40	France	5,167	4,731	5,351	13.1%	3.6%
Jakarta Composite	Indonesia	6,189	6,194	6,469	4.4%	4.5%
S&P BSE Sensex	India	32,967	36,068	38,673	7.2%	17.3%
Nifty 50	India	10,114	10,863	11,624	7%	14.9%
Taiwan Weighted	Taiwan	10,906	9,727	10,641	9.4%	-2.4%
Seoul Composite	South Korea	2,446	2,041	2,141	4.9%	-12.5%
Straits Times	Singapore	3,428	3,069	3,213	4.7%	-6.3%
DAX	Germany	12,097	10,559	11,526	9.2%	-4.7%
Shanghai Composite	China	3,169	2,494	3,091	23.9%	-2.5%
FTSE 100	UK	7,056	6,728	7,279	8.2%	3.1%
Hang Seng	Hong Kong	30,093	25,845	29,051	12.4%	-3.5%

MOVEMENT OF SECTORAL INDICES

Sectoral Index	31st Mar'18	31st Dec'18	31st Mar'19	3-Month Return (%)	1-Year Return (%)
S&P BSE Energy	3,940	4,215	4,927	16.9%	25%
S&P BSE IT	12,101	14,090	15,280	8.4%	26.3%
S&P BSE OIL & GAS Index	14,614	13,749	15,270	11.1%	4.5%
S&P BSE TECK Index	6,513	7,066	7,622	7.7%	17%
S&P BSE Health Care	13,158	13,923	14,408	3.5%	9.5%
S&P BSE FMCG	10,290	11,829	11,742	-0.7%	14.1%
S&P BSE Sensex	32,967	36,068	38,673	7.2%	17.3%
Nifty 50	10,114	10,863	11,624	7%	14.9%
S&P BSE METAL Index	13,322	11,840	11,355	-4.1%	-14.8%
S&P BSE Power Index	2,126	1,999	2,034	1.75%	-4.3%
S&P BSE Capital Goods	18,477	18,821	18,472	-1.85%	0%
S&P BSE BANKEX	27,198	30,377	34,142	12.4%	25.5%
S&P BSE Mid-Cap	15,963	15,438	15,480	0.3%	-3%
S&P BSE Consumer Durables	22,262	20,695	23,857	15.3%	7.2%
S&P BSE India Infrastructure Index	226	199	208	4.5%	-8%
S&P BSE AUTO Index	24,057	20,834	18,825	-9.6%	-21.75%
S&P BSE Small-Cap	16,994	14,707	15,027	2.2%	-11.6%
S&P BSE Telecom	1,322	988	1,027	3.9%	-22.3%
S&P BSE Realty Index	2,230	1,798	2,077	15.5%	-6.9%

LIQUIDITY

LIQUIDITY – FII FLOWS

Equity

(in Rs. Crores)	Jan– 19	Feb – 19	Mar– 19	TOTAL
Gross Purchase	93,108	1,17,900	1,50,058	3,61,065
Gross Sale	97,370	1,00,680	1,16,077	3,14,127
Net Investment	(4,262)	17,220	33,981	46,938

Debt

(in Rs. Crores)	Jan – 19	Feb – 19	Mar– 19	TOTAL
Gross Purchase	28,947	20,896	47,349	97,193
Gross Sale	30,247	26,934	35,348	92,529
Net Investment	(1,301)	(6,037)	12,002	4,664

Total Net FII Flows in Jan- Mar'19

Rs. 51,602 crs

LIQUIDITY – DII FLOWS

(in Rs. Crore)	Jan– 19	Feb– 19	Mar– 19	TOTAL
Gross Purchase	2,18,447	1,41,831	74,638	4,34,916
Gross Sale	2,30,796	1,56,327	88,569	4,75,692
Net Investment	(12,349)	(14,496)	(13,930)	(40,776)

Source: ACE MF

MF ACTIVITY

Equity

(in Rs. Crore)	Jan- 19	Feb - 19	Mar - 19	TOTAL
Gross Purchase	57,997	49,384	55,687	1,63,068
Gross Sale	51,398	42,634	62,125	1,55,887
Net Investment	6,599	7,020	(6,348)	7,180

Debt

(in Rs. Crore)	Jan- 19	Feb - 19	Mar - 19	TOTAL
Gross Purchase	2,21,626	1,55,801	3,10,891	6,88,318
Gross Sale	1,70,846	1,30,136	2,33,696	5,34,679
Net Investment	50,780	25,664	77,195	1,53,639

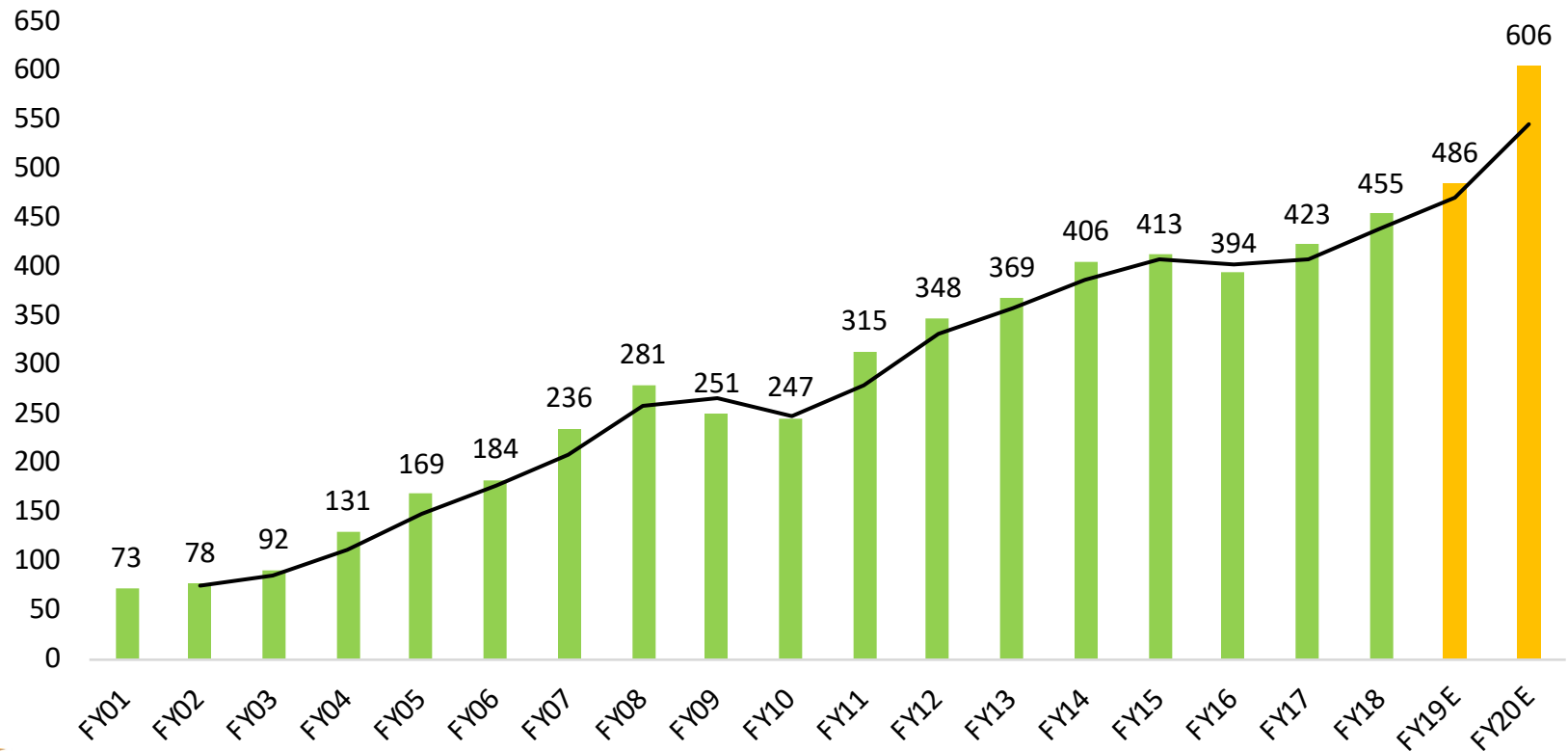
Total Net MF Activity in Jan-Mar'19

Rs: 1,60,819 Crores

Valuation

Earnings Check

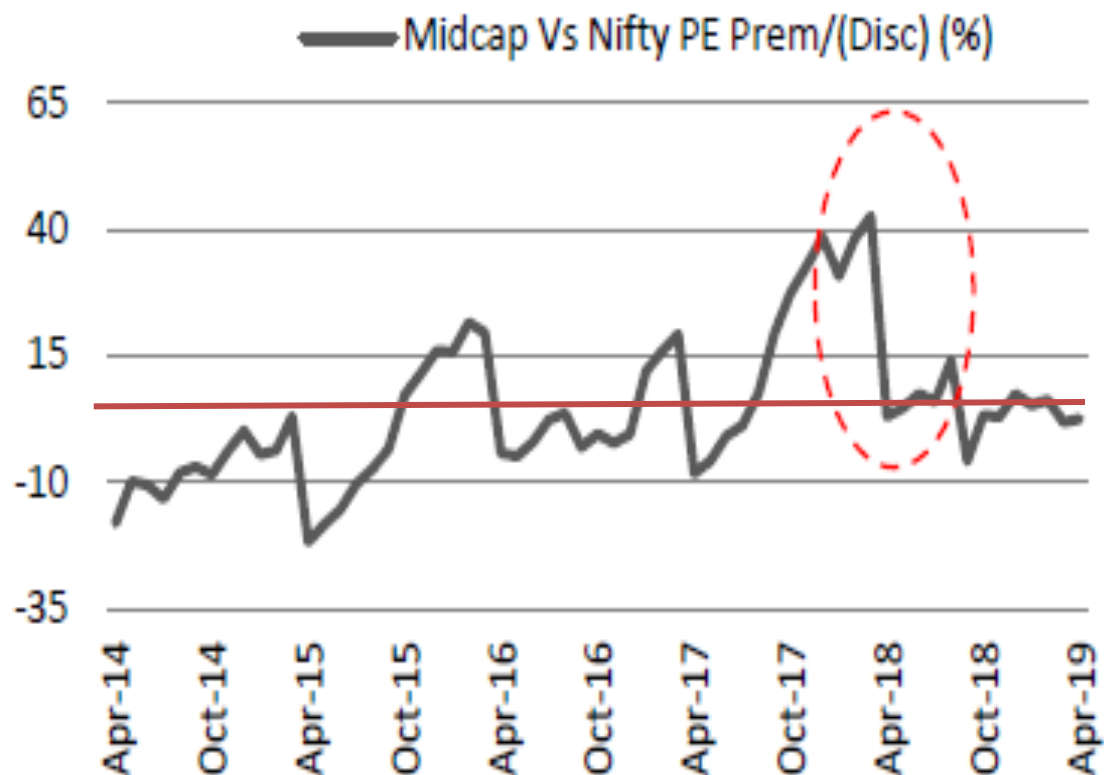
Nifty EPS Trend – See growth accelerating in FY20



Source: Bloomberg, Motilal Oswal Research

Midcap Valuations attractive

Nifty Midcap100 forward PE (1-year) at just 3% premium to Nifty PE



Nifty Midcap forward PE trading at 3% premium to Nifty PE, below its 5-year average of 5%

Source: Bloomberg, Motilal Oswal Research

Events

How important are elections

What happened after the last few elections:

Year	Outcome	Nifty Level around Election Result	Markets one month after the elections	Markets 6 months after the elections	Markets one year after the elections
2014	NDA-II	7,200	4.6%	17.0%	16.3%
2009	UPA-II	4,300	4.5%	16.9%	17.0%
2004	UPA-I	1,700	(13.8%)	9.4%	15.8%
1999	NDA-I	1,400	(1.7%)	4.3%	(7.7%)

Market have given robust returns 1 year post election (except 1999) despite volatility in short term (i.e. 1-month post election)

What are the possible outcomes in this election (and what do we think will happen)

Three possible scenarios	Possible impact on the markets	Remarks
The NDA will come to power	The markets will continue to rally	Much will also depend on opinion polls and exit polls before the actual results
The UPA will win	The markets may witness a short term shallow correction before bouncing back – and will continue to rally	Let us not forget what happened in 2014.
A 3 rd front coalition	The market will witness a sharp and swift correction. The recovery period will depend on a number of factors.	The market may remain subdued for long only if we have an anti-market Government which is opposed to reforms.

Opinion Polls

Polling Agency	Date	NDA	UPA	Others
Republic Bharat / Jan Ki Baat	4th April	310	122	111
TV9 Bharat Varsh / C Voter	2nd April	261	143	139
Times Now / VMR	19th March	283	135	125
News Nation	12th March	273	133	137
Republic TV / C Voter	12th March	264	141	138
India TV / CNX	10th March	285	126	132
Zee 24 / TAAS	10th March	264	165	114
Poll of Polls		277	138	128

Source: India Today

Prudent Strategy leading up to election results

Important Date(s)	Event	Appropriate Strategy
17 th May 2019	Last Trading day before Exit polls	<ul style="list-style-type: none"> a) Review Market level b) Valuation check of Portfolio c) Are you properly hedged?
19 th May 2019	Last day of election and Exit polls	It's a Sunday - Relax
20 th May 2019	Market's reaction to Exit polls	Avoid any hasty action as market is likely to be volatile
21 st /22 nd May	Market may remain volatile in case it has not reacted strongly on Exit polls	Be very cautious in buying or selling
23 rd May 2019	Result Day	Avoid any hasty action
24 th May and thereafter	Market may seek a level as per our previous slide	Gradually build your portfolio for the next 5 years

Major events to be aware of:

Domestic

Event	Timeline/comments
Q4 and FY19 earnings	April & May
Election Results	May-23-2019
Full Budget Post Elections	June/July
Monsoon	IMD forecasts normal monsoon and Skymet expects below normal monsoon
Institutional Flows	Post Election Results

Global

Event	Timeline/comments
Iran Sanctions & Impact on Crude	May 2019
FOMC Meeting	June 2019
Bond Yields in US, Developed Markets	Post FOMC Meeting
Earnings Trend in US	April & May
US/Europe GDP forecasts	Economic growth in the key economies (US, Germany and other leading European nations) needs to be closely watched

OUTLOOK FOR ASSET CLASSES

Asset Class	Performance in Q1CY19	Start to End Value In Q1	Outlook for Q2CY19	Remarks
Debt	10-Year Gilt: Up 12 bps 3-M T Bill: Up 35 bps 6-M T Bill: Up 5 bps 3-M CP: Up 7 bps 1-Yr CP: Up 55 bps 10-Yr AAA Corp: Up 18 bps Call Rate: Up 31 bps	7.9 – 8.02 6.46 – 6.99 6.86 – 7.36 7.6 – 8.3 8.55 – 9.1 8.61 – 8.79 6.12 – 6.43	The Yields at the shorter end of the curve is expected to decline with the RBI rate cuts in the offing. Longer term yields will be influenced by inflation and rate cuts	Assumption is that we will have normal monsoon and the FII flows in the Debt market will be stable. Another assumption is that we will not see any major disruption like ILFS in the near future
Equity	Sensex: Up 7% BSE Midcap Index: - 3%	32967 - 36068 15936 - 15438	Volatile with upward bias	The market expects a stable Government and a friendly Budget in July. Political instability or Global disruptions can derail this hypothesis

Thank you



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