Equity Market Outlook

Major global indices continued their upward trend for the 2nd consecutive month except for few Asian countries. Positive performance sustained as major developed economies are well past their COVID-19 peaks, targeted and on-going vaccination drives have been implemented successfully as a result of which there is a decent pick-up in demand and subsequently inflation. Indian Equity Markets (Nifty 50 Index) surged 6.5% during the month due to decline in COVID-19 cases, ease of lockdown like restrictions in some states and good earnings season. However, markets may remain vigilant and take further cues from the outcome of upcoming June Federal Open Market Committee i.e. FOMC meeting.(Source: CRISIL)

Globally, Developed Market (DM) rally was led by Europe with a significant rise in demand especially pent-up household demand post COVID second wave. Large US fiscal support too, have helped DM. China performed well despite weak economic activities as Chinese Yuan (CNY) appreciated against the US Dollar and the Hang Seng Index saw some adjustments during the month to better reflect market dynamics. This was seen as a positive. Asian countries like Taiwan, Singapore, and Indonesia underperformed due to COVID resurgence and slow vaccine roll-out. (Source: CRISIL)

Indian Markets did well as investors rejoiced moderation in COVID-19 cases, good earnings season and lifting up of restrictions in some states. Continued liquidity support by Global Central Banks, firm global markets and demand also aided positive sentiments. Domestic Institutional Investors (DIIs) were more active than the Foreign Portfolio Investors (FPIs). The RBI announced several liquidity measures to help banks support healthcare, infrastructure and small borrowers impacted by 2nd COVID wave. The key triggers for Indian markets going forward can be 1) any policy measures, 2) the pace and quality of vaccination drives, 3) further lockdowns in certain parts restricting mobility and economic activities and 4) pace of implementation of Govt. reforms measures mentioned in the budget to revive economy.

On the macro front, India released its 4QFY21 & FY21 GDP data which came in at 1.6% and -7.3% respectively much better than estimated. The April Composite PMI (Purchasing Manager's Index) data held steady above the 50 mark at 55.4. April CPI inflation declined to 4.3% from 5.5% in March. March IIP rose 22.4% in March on account of favorable base effects compared to last year. (Source: CRISIL)

In sectoral trends, Power, Capital Goods, etc. were key contributors, while Telecom was a key laggard. (Source: NSE)

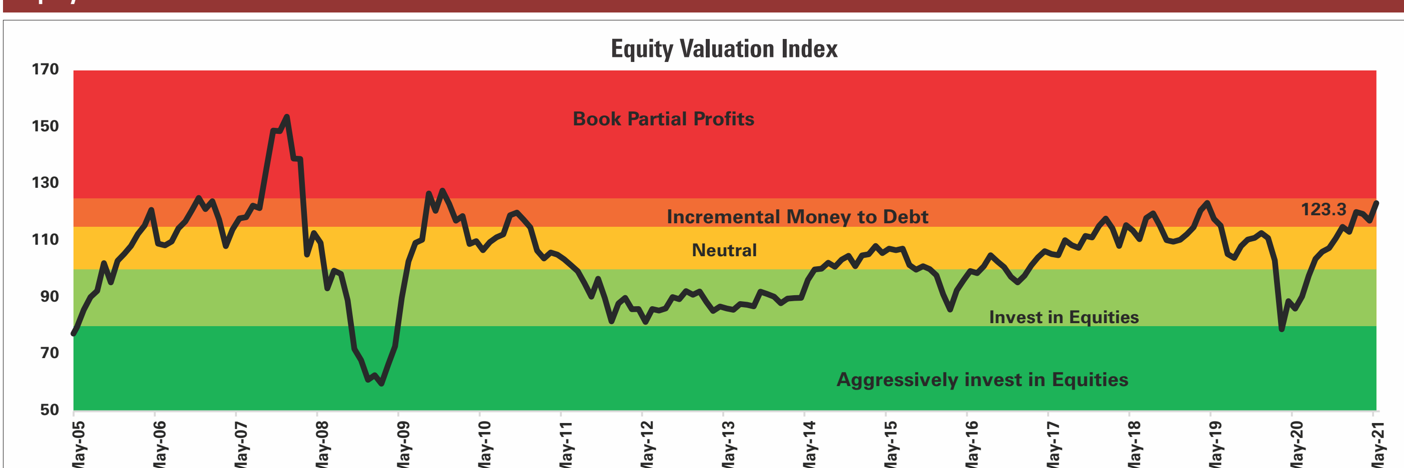
We believe, economic recovery though delayed continues to remain on track as the domestically, Govt. and RBI are taking active measures to spur growth through structural reforms and globally, economies continue to support Growth with various fiscal & monetary stimulus measures. With developed economies reporting strong set of activity numbers, demand recovery is expected which may benefit Indian exports. The current macro-economic scenario is much more conducive for a Business Cycle Recovery as we are at nascent stage of economic cycle and sentiments too are not euphoric. We continue to remain positive on sectors which are closely linked to the economy like Banks, Capital Goods, Infrastructure, Metals & Mining, etc. We believe Indian markets may recover and do well until the following triggers play out - US acknowledging inflation & in conclusion pausing stimulus and US Treasury Yields reaching 2%.

Hence, this phase may require investment portfolios to be highly nimble while giving due importance to overall asset allocation. Therefore, we recommend adapting the **'ABCD'** investment framework with an aim to benefit from fast changing macros and to manage volatility. Asset Allocation schemes: **A** - ICICI Prudential Asset Allocation Strategies (ICICI Prudential Asset Allocator Fund (FOF) & Multi Asset Strategies (ICICI Prudential Multi-Asset Fund), **B** - ICICI Prudential Balanced Advantage Fund, **C** - ICICI Prudential Business Cycle Fund, **D** - Strategies which are available at Discount to broader markets - ICICI Prudential Focused Equity Fund, ICICI Prudential Value Discovery Fund, ICICI Prudential India Opportunities Fund, ICICI Prudential Dividend Yield Equity Fund and ICICI Prudential Infrastructure Fund. Investing in these schemes over long term may provide a thrust to your wealth creation journey.

Our Recommendations

Our Recommendation	
Allocation between Equity, Debt & Other Asset Classes	**ICICI Prudential Balanced Advantage Fund ICICI Prudential Multi-Asset Fund ICICI Prudential Asset Allocator Fund (FOF)**
Long-Term SIP Schemes with Freedom SIP*	**ICICI Prudential Value Discovery Fund ICICI Prudential Smallcap Fund ICICI Prudential Midcap Fund ICICI Prudential Focused Equity Fund**
Core-Long Term Investment	**ICICI Prudential Bluechip Fund ICICI Prudential Focused Equity Fund ICICI Prudential Business Cycle Fund**
Global Diversification	**ICICI Prudential Global Advantage Fund (FOF)**

Equity Valuation Index



Equity valuation index is calculated by assigning equal weights to Price to Earnings (PE), Price to book (PB), G-Sec*PE and Market Cap to Gross Domestic Product (GDP)

None of the aforesaid recommendations are based on any assumptions. These are purely for reference and the investors are requested to consult their financial advisors before investing.