

MARKET OUTLOOK

Equity market

Equity markets took a breather during the month with BSE Sensex down by (1.5%), CNX Nifty down (0.4%). The broader market: the BSE Midcap was up by 0.6% & the BSE Small Cap was up 4.9%. In terms of sectors, Metals, Oil & Gas, Power and Healthcare were the major outperformers whilst all other sectors underperformed the BSE Sensex. Fls flows for the month turned negative with net selling of ~USD 1.3bn. Net equity buying by domestic institutions in the market were ~USD 1.3 bn.

April 2021 overall markets remained in a range with conversation more on Covid-19 and its impact on the Indian economy and the fear of a potential lockdown to contain the spread of infection. Q4FY21 results season provided some cheer to the markets with good numbers being delivered by companies across sectors.

Index Name	As on			Return in %	
	30-Apr-21	31-Mar-21	30-Apr-20	1 Month	1 Year
S&P BSE Sensex	48782	49509	33718	-1.5	44.7
S&P BSE MID CAP	20312	20181	12013	0.6	69.1
S&P BSE SMALL CAP	21670	20649	11102	4.9	95.2
S&P BSE 200	6299	6290	4140	0.1	52.1
S&P BSE AUTO	21668	22252	13350	-2.6	62.3
S&P BSE Bankex	37305	37548	24725	-0.6	50.9
S&P BSE Consumer Durable	32325	32826	20525	-1.5	57.5
S&P BSE Capital Good	20252	21096	12187	-4.0	66.2
S&P BSE FMCG	12509	12875	10771	-2.8	16.1
S&P BSE Health Care	23531	21328	15332	10.3	53.5
S&P BSE IT	26306	26543	14235	-0.9	84.8
S&P BSE METAL	17822	14351	6746	24.2	164.2
S&P BSE Oil & Gas	14996	14820	12066	1.2	24.3
S&P BSE Power Index	2481	2475	1491	0.2	66.5
S&P BSE Realty	2468	2670	1450	-7.6	70.2

Index Name	As on			Return in %	
	30-Apr-21	31-Mar-21	30-Apr-20	1 Month	1 Year
Nifty 50	14631	14691	9860	-0.4	48.4
Nifty 200	7684	7672	5085	0.2	51.1
Nifty Auto	9641	9862	5901	-2.2	63.4
Nifty Bank	32782	33304	21535	-1.6	52.2
Nifty Commodities	4700	4474	2680	5.1	75.4
Nifty Energy	18031	18185	13155	-0.8	37.1
Nifty Financial Services	15560	15716	10571	-1.0	47.2
Nifty FMCG	33623	34932	28669	-3.7	17.3
Nifty India Consumption	5837	5960	4509	-2.1	29.4
Nifty Infrastructure	4053	4088	2753	-0.8	47.2
Nifty IT	25664	25855	14108	-0.7	81.9
Nifty Metal	4848	3977	1860	21.9	160.7
Nifty Midcap 100	24196	23693	13502	2.1	79.2
Nifty Pharma	13469	12273	9327	9.8	44.4
Nifty Realty	310	334	187	-7.3	65.3
Nifty Smallcap 100	8565	8113	4078	5.6	110.0

The Macro picture

	April 2021	March 2021
WPI	7.39% (March 2021)	4.17% (February 2021)
CPI	5.52% (March 2021)	5.03% (February 2021)
Index of Industrial Production	-3.58% (February 2021)	-1.60% (January 2021)
Repo rate	4.0% (as on April 30, 2021)	4.0% (as on March 31, 2021)
Marginal Standing Facility Rate	4.25% (as on April 30, 2021)	4.25% (as on March 31, 2021)

Source: RBI, Bloomberg

Inflation: India's Wholesale Price Inflation (WPI) Index came in at 7.39% YoY during the current month as compared to 4.17% for the previous month on account of rising fuel and commodity prices.

The Consumer Price Inflation index remained in a range from previous months and came at 5.52% YoY in the current month as compared to 5.03% in the previous month due to higher fuel, commodity prices and lower fruits and vegetable inflation. Inflation is likely to remain in a range for some time going ahead.

Growth: India's Real Gross Domestic Product (GDP) growth forecast for FY21 has been raised to -8% (-9.6% earlier) with 2H growth turning positive. Inflation forecast revision has also been sharp - 3Q at 6.8% (5.4% earlier), 4Q at 5.8% (4.5%) and 1HFY22 at 5.2 - 4.6%.

Other macro developments (fiscal deficit and household savings): India's Q3FY21 current account balance registered a deficit of US\$1.7bn (0.2% of GDP) from a surplus of US\$15.5bn (2.4% of GDP) in Q2FY21. The narrowing of the surplus represents gradual widening of the trade deficit, as imports pick-up with revival in domestic demand. Meanwhile, BoP surplus remained strong at US\$32.5bn in Q3, supported by strong foreign investment inflows and FDI flows.

India's fiscal deficit for FY20 was at 4.6% against the earlier budgeted 3.8% - Covid-19 has impacted tax revenues for the government in Q4FY20 significantly leading to a slip in the deficit numbers. FY21 fiscal deficit was revised to a 9.5% level by the finance minister, however recent pick-up in activity and the resultant higher tax revenue could lead to a lower fiscal deficit at around 9%.

FY20 net household financial savings rate improved to 7.7% from 7.2% in FY19 (revised up from the previously reported 6.5%).

Market Outlook

Covid-19 remains the topic of discussion in India with April 2021 seeing a new high from a new infections perspective with 0.4 mn daily cases and even mortality rates have moved higher. The month also was stressful from a medical infrastructure perspective with shortage of hospital beds, oxygen and certain select medicines in select parts of the country. Fear of mortality has crept in the minds of the population and we did see a fairly sharp drop in movement of people across the country which continues in the early part of May 2021.

Even though central government has categorically mentioned of no lockdown of economic activity in the country, some select states like Maharashtra, Madhya Pradesh, Delhi, Karnataka, Goa etc. have resorted to stricter measures similar to a lockdown during the month. Business activity in such states have started to get impacted in a material manner. One needs to keep a close eye on the duration of these restrictions and to what extent this can lead to an impact on earnings delivery by corporate India.

On a positive note, Vaccination for Covid is gaining momentum with approximately 9.2% of the population having received atleast 1 dose till date. The government has opened the vaccination drive for age group above 18 years starting May 1, 2021 and also allowed all global vaccine manufacturers to tie up with private agencies and state governments in a drive to speed up the pace. As per current estimates 50%+ of India population can get vaccinated over the next 3-4 months if the current pace continues which implies that any impact on the economy will be short lived and needs to be looked positively from an earnings/investment perspective.

In terms of our portfolio positioning, we remain focused on companies with faster earnings growth visibility. We continue to remain overweight on private sector banks on account of their ability to gain market share and maintain relatively higher growth rates.

Long-term structural drivers like demographic advantage, low household debt, limited penetration across different consumer categories, increased potential for financial savings and urbanization makes India a compelling equity story from medium to long term perspective.

We believe investors would be well advised to invest with medium to long term perspective and systematically increase exposure to Indian equity markets.

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