Monthly Market Update
October 2021

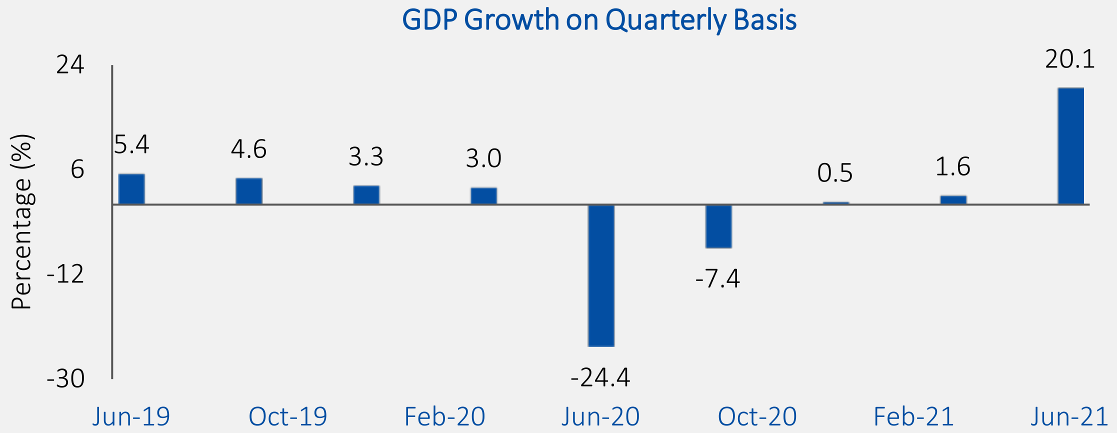
UTI Mutual Fund
Haq, ek behtar zindagi ka.

Macroeconomic Events

Key Indicator	Frequency	Period	Current	Previous
CPI	Monthly	Aug-21	5.30%	5.59%
WPI	Monthly	Aug-21	11.39%	11.16%
IIP	Monthly	Jul-21	11.50%	13.60%
GDP	Quarterly	Jun-21	20.10%	1.60%
Credit Growth	Fortnightly	Sep-21	6.70%	6.70%
Deposit Growth	Fortnightly	Sep-21	9.30%	9.50%
Export	Monthly	Aug-21	45.76%	49.87%
Import	Monthly	Aug-21	51.72%	62.98%
Trade Balance (Bn)	Monthly	Aug-21	($13.81)	($10.97)

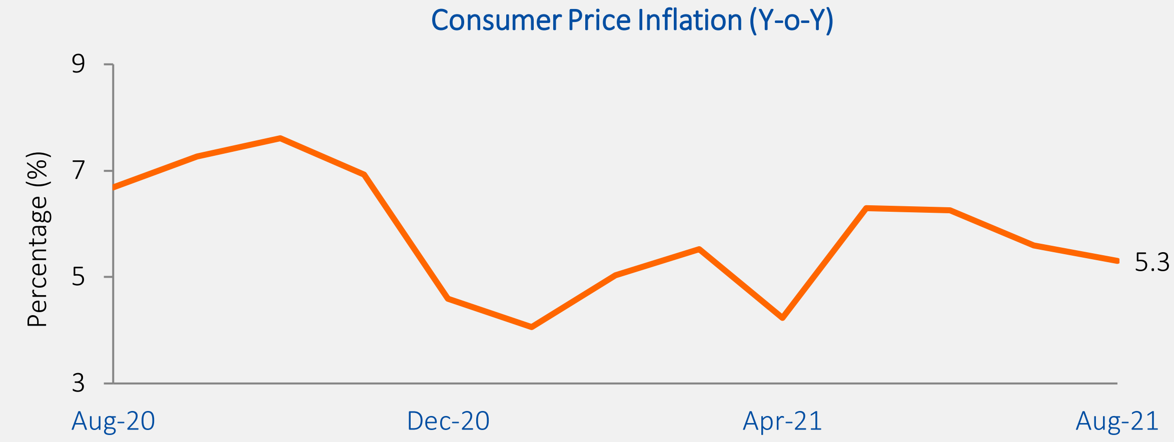
Source: RBI, MOSPI CPI- Consumer Price Index, WPI- Wholesale Price Index IIP- Index of Industrial Production, GDP- Gross Domestic Product, Trade deficit- in Billion, All above indicators are in percentage change on Y-o-Y (Year-on-Year) basis, except Trade Deficit. For Credit and Deposit growth, previous means last fortnight of the previous month. Latest available data as on 30-September-2021.

GDP Growth on Quarterly Basis



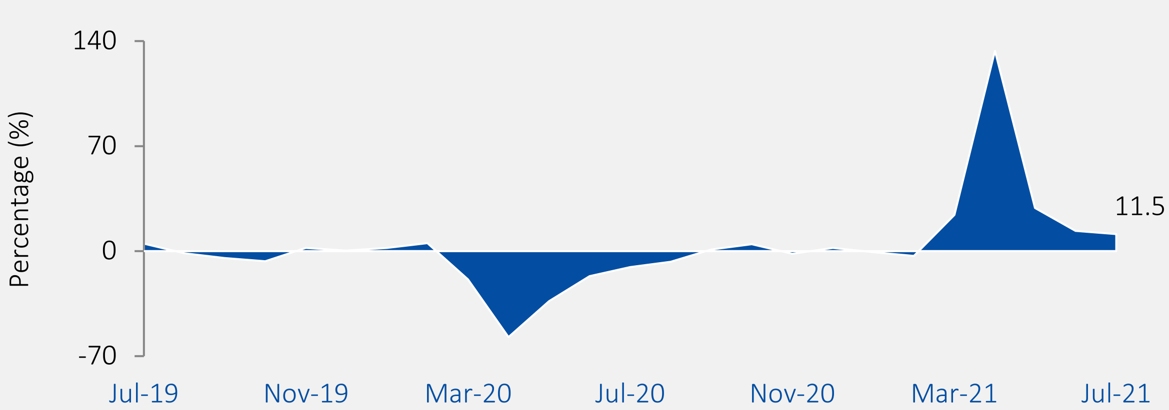
Source: MOSPI

Consumer Price Inflation (Y-o-Y)



Source: MOSPI

Index of Industrial Production (Y-o-Y)



Source: MOSPI

Currency Market	Sep-21	Aug-21	Sep-20
USD / INR	74.26	73.15	73.80
Pound Sterling / INR	99.86	100.95	94.73
Euro / INR	86.14	86.53	86.57
Yen (Per ₹ 100)	66.35	66.60	69.91

Source: RBI

Funds Flow Trend (₹ in Crores)	MTD	QTD	CYTD
MFs			
Equity	6,960	40,008	27,882
Debt	8,365	45,081	113,011
FIIs			
Equity	6,704	39,752	27,626
Debt	10,765	47,480	115,411

Source: SEBI; MF & FII data as on Sep 30, 2021

MTD- Month to Date, QTD- Quarter to Date and CYTD- Calendar Year to Date

Key Events- Brief Outline

- **Industrial Production rose 11.5% in Jul 2021**

  Index of Industrial Production (IIP) rose 11.5% in Jul 2021 as compared to a contraction of 10.5% in Jul 2020. The manufacturing sector grew 10.5% in Jul 2021 as compared to a contraction of 11.4% in Jul 2020. The mining sector grew 19.5% in Jul 2021 as compared to a contraction of 12.7% in Jul 2020 and the electricity sector witnessed a growth of 11.1% in Jul 2021 as compared to a contraction of 2.5% in Jul 2020.

- **Consumer inflation marginally eased to 5.30% in Aug 2021**

  Consumer Price Index based inflation (CPI) marginally eased to 5.30% in Aug 2021 from 5.59% rise in Jul 2021 and 6.69% in Aug 2020. The CPI for Aug 2021 stayed within the Reserve Bank of India's tolerance level (2% - 6%) for second straight month. The Consumer Food Price Index also eased to 3.11% in Aug 2021 from 3.96% in Jul 2021 and 9.05% in Aug 2020.

- **Wholesale inflation accelerated to 11.39% in Aug 2021**

  Wholesale Price Index (WPI) based inflation rose to 11.39% YoY in Aug 2021 from 11.16% in Jul 2021. However, the WPI Food Index eased to 3.43% in Aug 2021 from 4.46% in Jul 2021. WPI based rate of inflation for crude petroleum and natural gas over the year stood at 40.03% in Aug 2021 compared to Aug 2020 when the same stood at -16.44%. WPI inflation for manufactured products stood at 11.39% in Aug 2021 compared to Aug 2020 when the same stood at 1.36%.

- **Manufacturing PMI rose to 53.7 in Sep 2021**

  IHS Markit survey showed India’s Manufacturing Purchasing Managers’ Index (PMI) rose to 53.7 in Sep 2021 from 52.3 in Aug 2021. Manufacturing activity in India improved as companies benefited from strengthening demand conditions amid the easing of COVID-19 restrictions.

- **India Services Business Activity expanded in Sep 2021**

  India Services Business Activity Index stood at 55.2 in Sep 2021 from 56.7 in Aug 2021. In Sep, India's services industry grew for the second month in a row, boosted by stronger domestic demand and the lifting of Covid-19 restrictions, prompting businesses to hire more workers for the first time in nearly a year. The Composite PMI Output edged down to 55.3 in Sep 55.4 in Aug.

- **Trade deficit widened to $13.81 billion in Aug 2021**

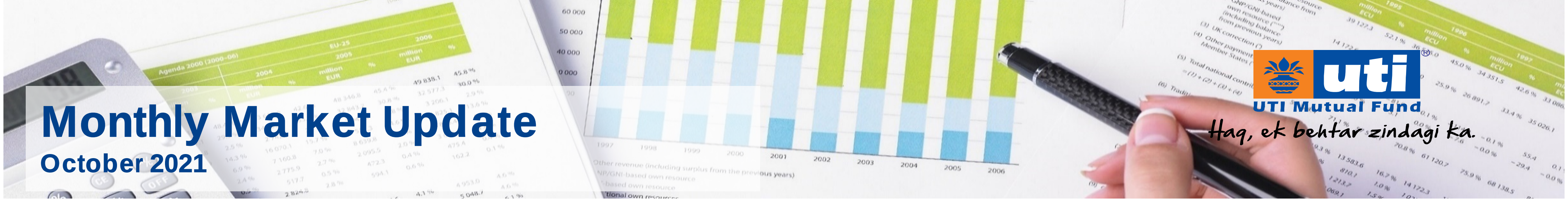
  India’s merchandise trade deficit widened to $13.81 billion in Aug 2021 from $8.20 billion in Aug 2020. The trade deficit thus widened by 68.30%. Merchandise exports grew 45.76% YoY to $33.28 billion in Aug 2021 from $22.83 billion in Aug 2020. Merchandise imports rose 51.72% YoY to $47.09 billion in Aug 2021 from $31.03 billion in Aug 2020.

- **Fiscal deficit till Aug 2021 at 31.1% of the budget estimate for FY22**

  India’s fiscal deficit for the period from Apr to Aug 2021 stood at ₹ 4.68 lakh crore or 31.1% of the budget estimate for FY22 as compared to 109.3% in the corresponding period of the previous fiscal. Tax revenue stood at ₹ 6.45 lakh crore or 41.7% of the budget estimate for FY22 as compared to 17.4% in the corresponding period of the previous fiscal.

- **Core output grew 11.6% in Aug 2021**

  Government data showed that the index of eight core industries grew 11.6% in Aug 2021 as compared to a growth of 9.9% in Jul 2021 and a contraction of 6.9% in Aug 2020. The cement sector witnessed the maximum growth of 36.3% followed by natural gas sector and coal sector which grew 20.6% each. All the sectors grew in Aug 2021 barring crude oil and fertilizers sector which witnessed a contraction of 2.3% and 3.1%, respectively, in Aug 2021.



Monthly Market Update

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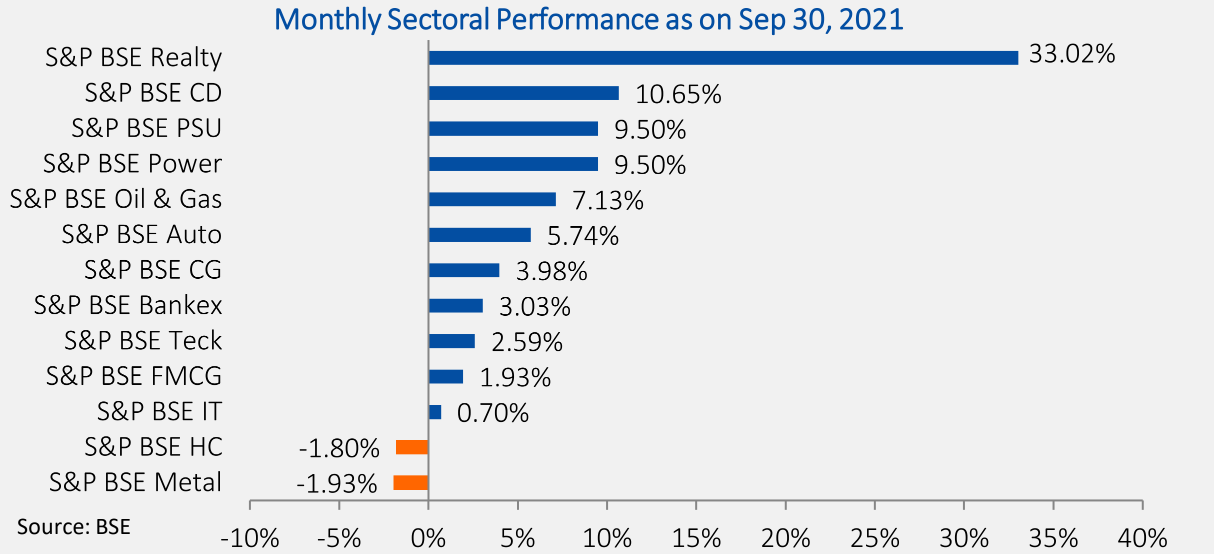
Equity & Fixed Income Overview

Key Rates (%)	Sep-21	Aug-21	Sep-20
Reverse Repo	3.35%	3.35%	3.35%
Repo	4.00%	4.00%	4.00%
Cash Reserve Ratio (CRR)	4.00%	4.00%	3.00%
Statutory Liquidity Ratio (SLR)	18.00%	18.00%	18.00%
Bank Rate	4.25%	4.25%	4.25%
10-Year G-Sec	6.22%	6.22%	6.02%
1-Year AAA Corp. Bond	4.85%	4.86%	5.61%
3-Year AAA Corp. Bond	5.31%	5.19%	5.85%

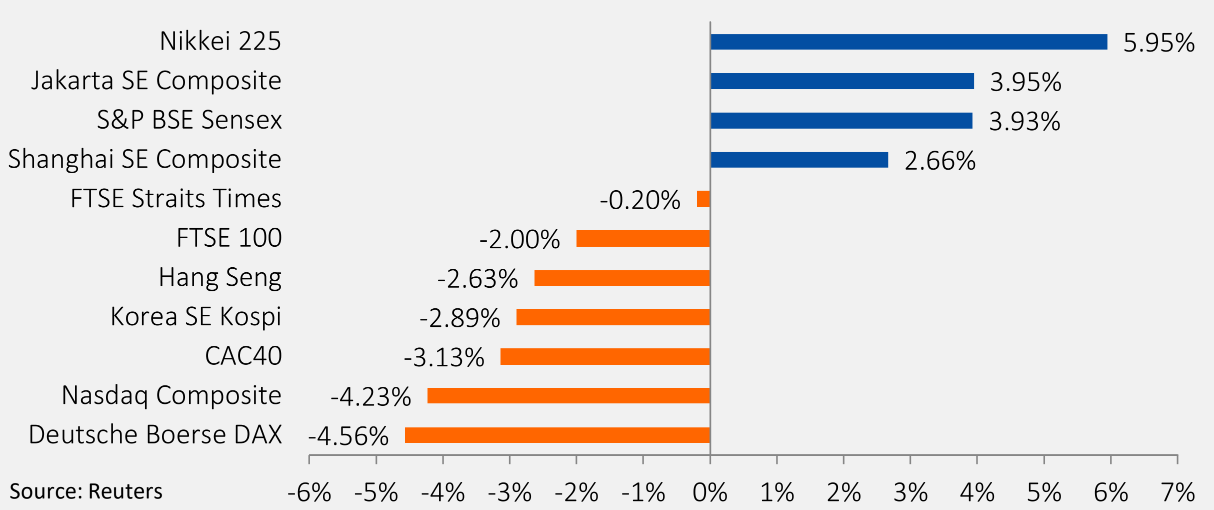
Indices	Country	YTD	1 Month	1 Year	3 Years
United States					
Nasdaq 100	US	13.98	(5.73)	28.65	92.58
Nasdaq Composite	US	12.11	(5.31)	29.38	79.57
Asia Pacific					
Jakarta SE Composite	Indonesia	5.15	2.22	29.09	5.19
Straits Times	Singapore	8.54	1.04	25.14	(5.23)
Korea SE Kospi	South Korea	6.80	(4.08)	31.83	30.97
Hang Seng	Hong Kong	(9.75)	(5.04)	4.76	(11.56)
Nikkei 225	Japan	7.32	4.85	27.03	22.11
S&P BSE Sensex	India	23.82	2.73	55.32	63.21
Shanghai SE Composite	China	2.74	0.68	10.88	26.47
Europe					
FTSE 100	UK	9.69	(0.47)	20.80	(5.64)
CAC 40	France	17.45	(2.40)	35.74	18.69
FSE DAX	Germany	11.24	(3.63)	19.59	24.61

Monthly Sectoral Performance as on Sep 30, 2021



Source: BSE

Monthly Performance of different markets as on Sep 30, 2021 in INR



Source: Reuters

SE- Stock Exchange

Fixed Income Market Commentary

- Bond yields were steady after moving in a range during the Sep month. Yields fell in the first half as Gross Domestic Product (GDP) growth came in line with market expectations and on strong Goods and Services Tax (GST) collection in Aug 2021 and fiscal deficit for the period from April to July of FY22, narrowed significantly.
- Yields fell further after US inflation rose less than expected in Aug 2021, which eased concerns over an interest rate hike by the US Federal Reserve.
- On the other hand, yields rose in the second half of the month following rise in global crude oil prices and US Treasury yields.
- Yields also went up after the Reserve Bank of India (RBI) bought small quantum of 10-year benchmark paper in its debt purchase operation. Yields at the shorter end of the curve saw an uptick due to unscheduled Variable Reverse Repo Rate (VRRR) Auction
- Going ahead market participants would watch out for cut-offs for VRRR. These cut-offs are important as it is the marginal cost of liquidity. If the VRRR moves higher, it indicates that the bank would be able to lend at higher rates, which impacts the short term rates.
- Market participants are likely to watch out for outcome of upcoming RBI policy and any liquidity normalization measures announced by RBI. It is expected that RBI would start narrowing the rate corridor from December onwards. Even if the reverse repo is maintained at current levels and VRRR auction cut-off goes up, the yields at the shorter end could see an uptick
- Global factors such as oil prices, which have implications for the country's inflation outlook, might keep playing a major role going ahead. This coupled with US treasury yields might have an impact on domestic yield movement.

Equity Market Commentary

- September-2021 closed with gains of 3.4% in the broad based indices Nifty 500 over the previous month. However, steeper rally was primarily in Mid and Small cap space where Nifty Midcap 100 and Nifty Smallcap 100 raced to 6.9% and 6.1% gains respectively.
- Upbeat economic growth data and inflation numbers generated positive vibes. Additionally, growing COVID-19 vaccination numbers and encouraging domestic core sector growth data added to the increased optimism. However, weak global cues largely downplayed market sentiments over US Fed's comments on the tapering of its stimulus measures soon and worries over the health of Chinese corporate sector too kept bourses on tenterhooks.
- Meanwhile, US Fed announced a signal for slowing down the bond purchase program from Nov onwards gradually; therefore, it may not lead to knee-jerk reaction in the near-term.
- Developed equities markets were broadly flat over the quarter after a moderate decline in September erased the quarter's prior gains. However, this still leaves developed market equities sitting on strong gains for the year to date.
- Chinese equities have struggled though and dragged emerging market equities down over the quarter, despite some markets including India, continuing to perform well.
- Upcoming corporate earnings calendar will have a bearing going ahead along with the pace of COVID-19 vaccination. Further, while there seem to more room for further upside in equity markets, greater selectivity is likely to be required moving forward.