

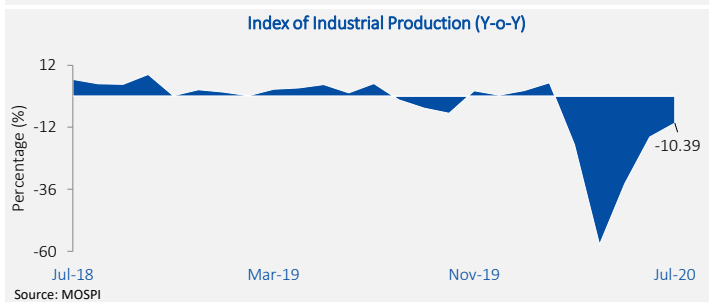
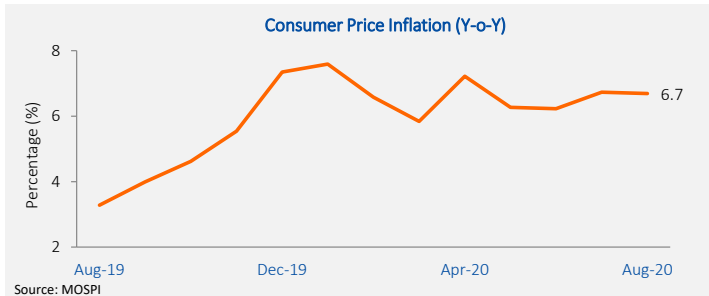
Monthly Market Update

October 2020

Macroeconomic Events

Key Indicator	Frequency	Period	Current	Previous
CPI	Monthly	Aug-20	6.69%	6.73%
WPI	Monthly	Aug-20	0.16%	(0.58%)
IIP	Monthly	Jul-20	(10.39%)	(15.78%)
GDP	Quarterly	Jun-20	(23.90%)	3.10%
Credit Growth	Fortnightly	Sep-20	5.30%	5.50%
Deposit Growth	Fortnightly	Sep-20	12.00%	10.90%
Export	Monthly	Aug-20	(12.66%)	(10.22%)
Import	Monthly	Aug-20	(26.04%)	(28.40%)
Trade Balance (Bn)	Monthly	Aug-20	(\$6.77)	(\$4.80)

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-Sep-2020.



Currency Market	Sep-20	Aug-20	Sep-19
USD / INR	73.80	73.60	70.69
Pound Sterling / INR	94.73	98.13	86.93
Euro / INR	86.57	87.57	77.33
Yen (Per ₹ 100)	69.91	69.67	65.55

Source: RBI

Funds Flow Trend (₹ in Crores)	MTD	QTD	CYTD
MFs			
Equity	(4,244)	(21,838)	17,521
Debt	13,031	69,422	144,022
FIs			
Equity	(7,783)	46,860	28,346
Debt	3,958	(1,828)	(108,787)

Source: SEBI; MF & FI data as on Sep 30, 2020

MTD- Month to Date, QTD- Quarter to Date and YTD- Year to Date

Key Events- Brief Outline

Current account surplus improved to 3.9% of GDP

Data from Reserve Bank of India showed that India's current account surplus improved to \$19.8 billion or 3.9% of gross domestic product (GDP) in Jun quarter of 2020 from \$0.6 billion or 0.1% of GDP in the Mar quarter 2020. Deficit of \$15.0 billion or 2.1% of GDP was recorded in Jun quarter of 2019. Surplus was on account of a sharp contraction in the trade deficit to \$10.0 billion due to steeper decline in merchandise imports relative to exports on a year-on-year basis.

Fiscal deficit rose to 109.3% of the budgetary estimate

Government data showed that India's fiscal deficit for Apr to Aug 2020 stood at ₹ 8.70 lakh crore or 109.3% of the budgetary estimate for FY21. Fiscal deficit thus widened sharply from ₹ 5.54 lakh crore or 78.7% in year ago period. Total expenditure came at ₹ 12.48 lakh crore and total receipt was at ₹ 3.77 lakh crore.

Manufacturing PMI rose to 52.0 in Aug 2020

Results of a private survey showed that the headline seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index (PMI) rose from 46.0 in Jul 2020 to 52.0 in Aug 2020. The expansion comes on account of improvement in operating conditions across the domestic manufacturing sector.

Services Business Activity Index rose sharply to 41.8 in Aug 2020

Results of a private survey showed that the seasonally adjusted India Services Business Activity Index rose sharply from 34.2 in Jul 2020 to 41.8 in Aug 2020. The Services Business Activity Index thus stood at the highest level since Mar 2020. Business activity declined on account of restrictions imposed by the government to combat the COVID-19 pandemic. The Composite PMI Output Index, which takes into consideration both the manufacturing sector and services sector rose from 37.2 in Jul 2020 to 46.0 in Aug 2020.

Industrial production fell 10.39% in Jul 2020

India's Index of Industrial production (IIP) fell sharply by 10.39% YoY in Jul 2020 but slower than 15.78% decline in Jun 2020. Output contracted for the fifth straight month. Manufacturing that accounts for 78% of the IIP, output contracted 11.14% in Jul 2020, better than 15.97% fall in the previous month. Mining and electricity generation output fell 13% and 2.5%, respectively.

Consumer price index-based inflation rose to 6.69% in Aug 2020

The consumer price index-based inflation rose to 6.69% in Aug 2020 from 6.73% in the previous month. The Consumer Food Price Index also rose to 9.05% in Aug 2020 from 9.27% in the previous month.

Wholesale price index rose 0.16% in Aug 2020

The wholesale price index (WPI) based inflation rose 0.16% in Aug 2020 as compared to a contraction of 0.58% in the previous month and a growth of 1.17% in the same month of the previous year. WPI turned positive in Aug 2020 for the first time since Mar 2020 reflecting a recovery in producers' pricing power. WPI for food articles however grew 3.84% in Aug 2020 from 4.08% in the previous month and 7.80% in Aug 2019.

Trade deficit narrowed to \$6.77 billion in Aug 2020

India's trade deficit narrowed to \$6.77 billion in Aug 2020 from \$13.86 billion in the same month of the previous year. Exports contracted 12.66% to \$22.70 billion in Aug 2020 while imports contracted 26.04% to \$29.47 billion in the same month. Value of gold imports rose to \$3.7 billion in Aug 2020 from \$1.36 billion in Aug 2019.

Monthly Market Update

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Haq, ek behtar zindagi ka

Equity & Fixed Income Overview

Key Rates (%)	Sep-20	Aug-20	Sep-19
Reverse Repo	3.35%	3.35%	5.15%
Repo	4.00%	4.00%	5.40%
Cash Reserve Ratio (CRR)	3.00%	3.00%	4.00%
Statutory Liquidity Ratio (SLR)	18.00%	18.00%	18.75%
Bank Rate	4.25%	4.25%	5.65%
10-Year G-Sec	6.02%	6.08%	6.70%
1-Year AAA Corp. Bond	5.61%	5.01%	6.93%
3-Year AAA Corp. Bond	5.85%	5.96%	7.35%

Indices	Country	YTD	1 Month	1 Year	3 Years
United States					
Nasdaq 100	US	30.75	(4.82)	47.34	90.96
Nasdaq Composite	US	24.46	(4.52)	39.61	71.91
Asia Pacific					
Jakarta SE Composite	Indonesia	(22.69)	(7.03)	(21.06)	(17.47)
FTSE Straits Times	Singapore	(23.46)	(2.60)	(20.94)	(23.39)
Korea SE Kospi	South Korea	5.93	0.07	12.84	(2.78)
Hang Seng	Hong Kong	(16.78)	(6.82)	(10.09)	(14.86)
Nikkei 225	Japan	(1.99)	0.20	6.57	13.90
S&P BSE Sensex	India	(7.72)	(1.45)	(1.55)	21.69
Shanghai SE Composite	China	5.51	(5.23)	10.77	(3.91)
Europe					
FTSE 100	UK	(22.23)	(1.63)	(20.82)	(20.44)
CAC 40	France	(19.65)	(2.91)	(15.40)	(9.88)
FSE DAX	Germany	(3.69)	(1.43)	2.68	(0.53)

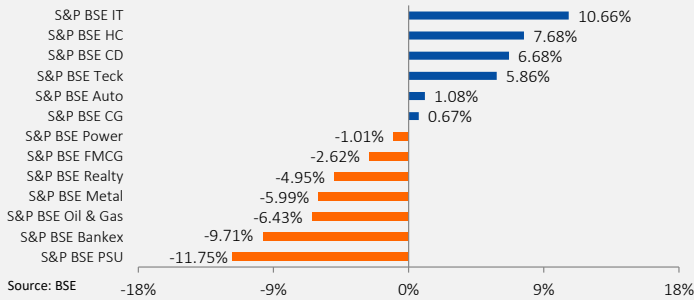
Fixed Income Market Commentary

- Bond yields fell during the month under review after the Reserve Bank of India announced a slew of measures to revive the muted domestic debt market sentiment.
- RBI announced to conduct more special open market operations for Rs. 20,000 crores in Sep-2020 and raised banks' held-to-maturity limit to 22% of net demand and time liabilities for bond purchases between Sep 1, 2020 and Mar 31, 2021. The announcement came at a time when demand for government bonds weakened on concerns over record supply of sovereign debt this fiscal.
- However, most of the gains were neutralised on concerns over additional borrowing by the government in the second half of the fiscal.
- Fears of additional borrowing has been laid to rest for the time being after the government announced its plans of raising Rs. 4.34 lakh crore in the second half of the fiscal after having borrowed Rs. 7.66 lakh crore in the first half of the fiscal. The government thus stayed in line with its record annual borrowing target of Rs. 12 lakh crore which is expected to provide support to the domestic debt market sentiment in the near term.
- Going ahead we expect the market to be data dependent as it takes cues from frequency of OMOs to be conducted by RBI and incoming data points on inflation & growth in the months ahead.

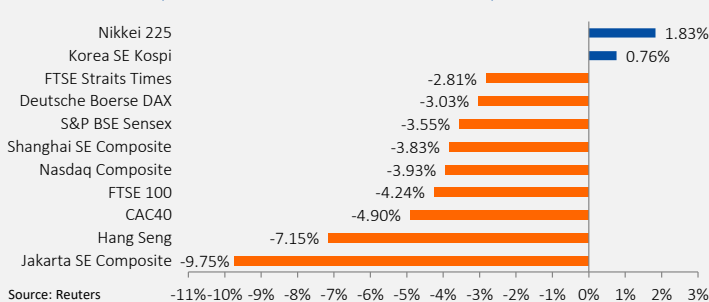
Equity Market Commentary

- Indian equity indices ended lower in September 2020, tracking weakness in global equities as a spike in COVID-19 infections across the world raised worries about the pace of global economic recovery. Benchmarks S&P BSE Sensex and Nifty 50 slumped 1.5% and 1.2%, respectively.
- The market started the month on a dim note after the release of weak macro-economic data, including disappointing core sector figure, Gross Domestic Product (GDP) and services sector data.
- Downward revisions of India's growth projection for the current year by a few key rating agencies weighed on the indices. A flare up in tensions between India and China on the Ladakh border and the Securities and Exchange Board of India's (SEBI) implementation of the new margin system from September 1, 2020, also dented the sentiment.
- Selling by foreign institutional investors (FIIs), domestic institutional investors (DIIs) and volatility amid expiry of September, 2020 futures and options contracts further pulled down the indices.
- Global markets remained volatile and equities weakened further amid fears of fresh lockdown, especially in the United Kingdom (UK) and Europe, amid rising infections and warning from the United States Federal Reserve's (US Fed) chief that the country's economic recovery would suffer if the lawmakers failed to pass a new fiscal package. Selling in the United States (US) technology stocks and weak economic cues from advanced economies also dented sentiment.
- Positive global developments, including fresh hope of a vaccine, expectations of the US stimulus package and upbeat Chinese data, aided the market.
- Back home, any signs of further relief package along with Q2 corporate earning numbers will also keep markets buzzing. Furthermore, with US elections round the corner, would be a key event to watch out for which can swing the tide in any direction.

Monthly Sectoral Performance as on September 30, 2020



Monthly Performance of different markets as on Sep 30, 2020 in INR



SE - Stock Exchange

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