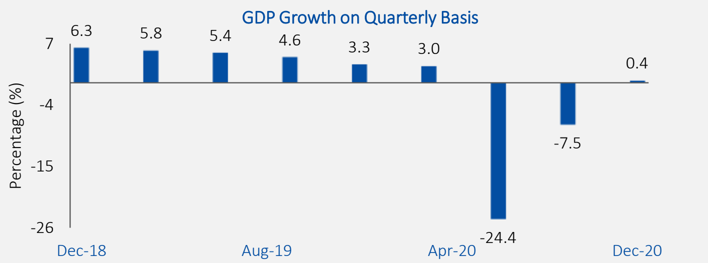
Monthly Market Update
April 2021

UTI Mutual Fund
Haq, ek behtar zindagi ka.

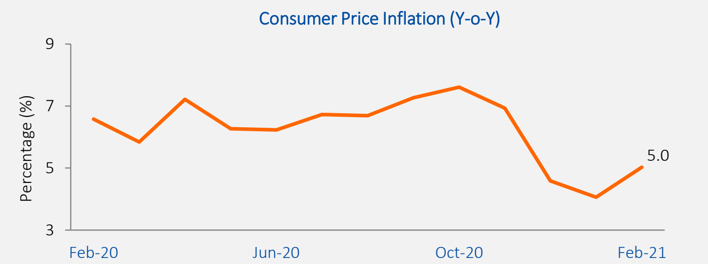
Macroeconomic Events

Key Indicator	Frequency	Period	Current	Previous
CPI	Monthly	Feb-21	5.03%	4.06%
WPI	Monthly	Feb-21	4.17%	2.03%
IIP	Monthly	Jan-21	(1.60%)	1.60%
GDP	Quarterly	Dec-20	0.40%	(7.50%)
Credit Growth	Fortnightly	Mar-21	6.50%	6.60%
Deposit Growth	Fortnightly	Mar-21	12.10%	12.10%
Export	Monthly	Feb-21	1.01%	8.24%
Import	Monthly	Feb-21	8.11%	2.07%
Trade Balance (Bn)	Monthly	Feb-21	$12.61	$14.54

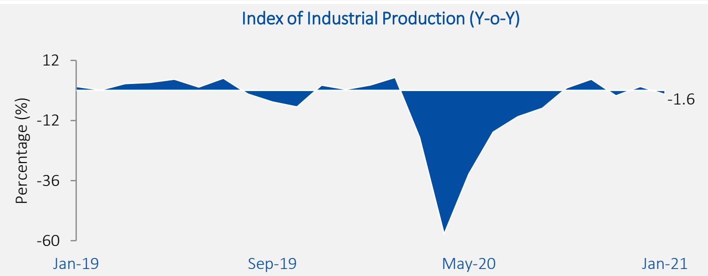
Source: RBI, MOSPI CPI- Consumer Price Index, WPI- Wholesale Price Index IIP- Index of Industrial Production, GDP- Gross Domestic Product. All above indicators are in percentage change on Y-o-Y (Year-on-Year) basis, except Trade Deficit. For Credit and Deposit growth, previous means last fortnight of the previous month. Latest available data as on 31-Mar-2021.



Source: MOSPI



Source: MOSPI



Source: MOSPI

Currency Market	Mar-21	Feb-21	Mar-20
USD / INR	73.50	73.04	75.39
Pound Sterling / INR	100.95	101.90	93.08
Euro / INR	86.10	88.80	83.05
Yen (Per ₹100)	66.36	68.78	69.65

Source: RBI

Funds Flow Trend (₹ in Crores)	MTD	QTD	CYTD
MFs			
Equity	4,773	(24,565)	(24,565)
Debt	15,661	35,655	35,655
FIIs			
Equity	10,482	55,741	55,741
Debt	(6,492)	(15,498)	(15,498)

Source: SEBI; MF & FII data as on Mar 31 , 2021.

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

Key Events- Brief Outline

- **Current account recorded a deficit of 0.2% of GDP in Q3 of FY21**

Current account balance recorded a deficit of US$ 1.7 billion (0.2% of GDP) in Q3 of FY21 from a surplus of US$ 15.1 billion (2.4% of GDP) in Q2 of FY21. India has a current account deficit of US$ 2.6 billion (0.4% of GDP) in Q3 of FY20. India's current account for Q3 of FY21 returned to deficit after two quarters due to rise in merchandise trade deficit to US$ 34.5 billion from US$ 14.8 billion in the preceding quarter, and an increase in net investment income payments.

- **Industrial Production contracted 1.6% in Jan 2021**

The Index of Industrial Production (IIP) witnessed contraction of 1.6% in Jan 2021 as compared to a growth of 2.2% in the same period of the previous year. On the sectoral front, the manufacturing sector fell 2.0% in Jan 2021 as compared to the growth of 1.8% in the same period of the previous year. The mining sector fell 3.7% in Jan 2021 as compared to a growth of 4.4% in the same period of the previous year while the electricity sector witnessed a growth of 5.5% in Jan 2021 as compared to growth of 3.1% in Jan 2020.

- **Consumer inflation rose to 5.03% in Feb 2021**

The Consumer Price Index based inflation (CPI) rose to 5.03% in Feb 2021 from 4.06% in Jan 2021. The Consumer Food Price Index also rose to 3.87% in Feb 2021 from 1.96% in the Jan 2021. CPI Inflation for vegetables fell 6.27% while that of oils and fats witnessed a growth of 20.78%. CPI inflation for fuel and light stood at 3.53% during the month under review.

- **Wholesale inflation rose 27-month high in Feb 2021**

The wholesale price index (WPI) based inflation rose 27-month high to 4.17% in Feb 2021 from 2.03% in the previous month and 1.95% in Dec 2020. The WPI Food Index rose 3.31% in Feb 2021 from contraction of 0.26% in the previous month and growth of 1.11% in Dec 2020. WPI inflation for fuel and power rose 0.58% in Feb 2021.

- **Trade deficit widened to $12.62 billion in Feb 2021**

Trade deficit widened to $12.62 billion in Feb 2021 from $10.16 billion in the same period of the previous year. Exports grew 0.67% over the year to $27.93 billion in Feb 2021 from $27.74 billion in Feb 2020. Imports grew 6.96% over the year to $40.54 billion in Feb 2021 from $37.90 billion in Feb 2020.

- **Infrastructure output fell 4.6% in Feb 2021**

Infrastructure output fell 4.6% in Feb 2021 as compared to growth of 0.9% in Jan 2021 and an expansion of 6.4% in the same period of the previous year. All the sectors witnessed contraction. The refinery products sector witnessed the maximum contraction of 10.9% followed by cement and coal sector which contracted 5.5% and 4.4%, respectively.

- **Manufacturing PMI fell in Feb 2021**

Data from a private survey showed that the seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index (PMI) fell to 57.5 in Feb 2021 from 57.7 in Jan 2021. Manufacturing activity growth slowed slightly in February compared to the previous month, but it remained strong. However, because of the COVID-19 restrictions, employment has declined even further.

- **Services Business Activity Index rose in Feb 2021**

Data from the private survey showed that the seasonally adjusted India Services Business Activity Index rose to 55.3 in Feb 2021 from 52.8 in Jan 2021. The Composite PMI Output increased to 57.3 in Feb 2021 from 55.8 in Jan 2021. The increase in service activity came as the roll-out of COVID-19 vaccines led to an improvement in business confidence towards growth prospects.

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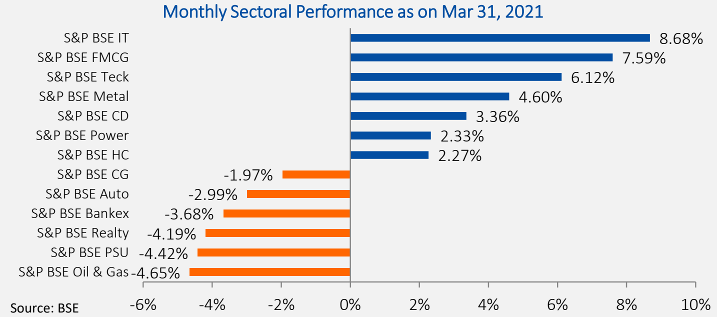
Equity & Fixed Income Overview

Key Rates (%)	Mar-21	Feb-21	Mar-20
Reverse Repo	3.35%	3.35%	4.00%
Repo	4.00%	4.00%	4.40%
Cash Reserve Ratio (CRR)	3.00%	3.00%	3.00%
Statutory Liquidity Ratio (SLR)	18.00%	18.00%	18.25%
Bank Rate	4.25%	4.25%	4.65%
10-Year G-Sec	6.18%	6.23%	6.14%
1-Year AAA Corp. Bond	4.56%	4.21%	6.32%
3-Year AAA Corp. Bond	5.63%	5.42%	6.85%

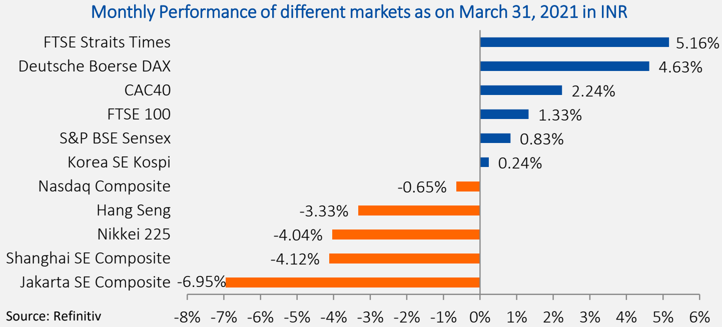
Indices	Country	YTD	1 Month	1 Year	3 Years
United States					
Nasdaq 100	US	1.58	1.41	67.55	98.92
Nasdaq Composite	US	2.78	0.41	72.04	87.54
Asia Pacific					
Jakarta SE Composite	Indonesia	0.11	(4.11)	31.87	(3.29)
FTSE Straits Times	Singapore	11.31	7.33	27.57	(7.66)
Korea SE Kospi	South Korea	6.54	1.61	74.48	25.17
Hang Seng	Hong Kong	4.21	(2.08)	20.23	(5.70)
Nikkei 225	Japan	6.32	0.73	54.25	38.74
S&P BSE Sensex	India	3.68	0.83	68.01	50.17
Shanghai SE Composite	China	(0.90)	(1.91)	25.15	8.62
Europe					
FTSE 100	UK	3.92	3.55	18.37	(4.86)
CAC 40	France	9.29	6.38	38.01	17.42
FSE DAX	Germany	9.40	8.86	51.05	24.07

Monthly Sectoral Performance as on Mar 31, 2021



Source: BSE

Monthly Performance of different markets as on March 31, 2021 in INR



Source: Refinitiv

SE- Stock Exchange

Fixed Income Market Commentary

- Bond yields fell mostly on expectations that open market operations (OMO) purchases by the Reserve Bank of India (RBI) will continue till the current fiscal year end amid advance tax outflows.
- Despite, weekly government auctions in the last month of the fiscal year, there was only one devolvement on primary dealers out of three auctions. Also market was further boosted as RBI cancelled the last/fourth weekly government securities auction scheduled on Mar 26, 2021 for the FY20-21.
- However, gains were limited tracking rise in U.S. treasury yields. Also ahead of the release of the calendar of government of India dated securities, market participants anticipated additional supply in the 10-year to 14-year bracket of the yield curve during Apr to Sept of 2021 period. Post market closing, RBI announced calendar for issuance of Government of India dated securities from Apr to Sep 2021 for the cumulative amount of Rs. 7.24 lakh crore.
- In the Monetary Policy announcement, the MPC voted unanimously to continue accommodative stance and maintain the repo rate at 4.00%. Governor announced introduction of Variable Rate Reverse Repo (VRRR) auctions of longer maturity. This introduction of VRRR comes as an extension towards normalising liquidity and suggests that MPC believes that growth is likely to be intact despite a second wave of Covid-19.
- The Governor also announced the G-sec acquisition programme (G-SAP) wherein RBI would make open market purchases of G-sec of ₹1 lakh crore in Q1FY2021-22. This likely to support and stabilize long term yields.
- Going ahead, we expect the yield curve to flatten from the current levels where the longer end of the curve would be supported due to the GSAP while the yields on the shorter end might see some uptick due to announcement of VRRR. Even though there is flattening bias, we expect the recovery to be slow and the liquidity is likely to be in surplus mode in the near term, which would help support the yields at the shorter end.

Equity Market Commentary

- Indian equity markets witnessed muted growth amid volatility in the last month of FY21. Positive vibes generated by encouraging GDP numbers, manufacturing PMI data, upbeat economic growth projections and COVID-19 vaccination drive.
- On the other hand, worries over a second coronavirus wave, disappointing retail inflation and industrial output numbers weighed on the weaker market sentiments.
- Global cues which supported domestic bourses include optimism over U.S. President's announcement of the much-anticipated multi trillion-dollar infrastructure plan.
- Moving ahead, investors are expecting the market rally to continue in the current fiscal led by earnings upgrades, faster-than-anticipated economic revival, global liquidity, and low-interest rates.
- However, markets have witnessed some correction amid rising COVID-19 cases in the country despite the massive vaccination drive. Global cues likely to impact the domestic bourses moving ahead, include execution of the $2.3 trillion infrastructure plan outlined by the US President which shall call for hike of corporate tax rates. The movement of US Treasury yield will also continue to impact market movement.
- Although some of the factors vis., improvement in fundamentals, demand revival, global/ domestic liquidity, government policies/ spending, RBI policies, public and private capex etc., are in line with the expectations, fears of second/ third round of Covid-19 spread with different strains may delay the final and full resumption of the economy. Earnings revisions are also likely to drive the market sentiments going forward.