Monthly Market Update
July 2020

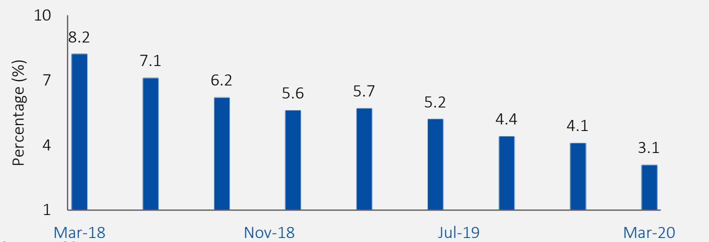
UTI Mutual Fund
Haq, ek behtar zindagi ka.

Macroeconomic Events

Key Indicator	Frequency	Period	Current	Previous
CPI	Monthly	Mar-20	5.84%	6.58%
WPI	Monthly	May-20	(3.21%)	0.42%
IIP	Monthly	Apr-20	(55.5%)	(18.3%)
GDP	Quarterly	Mar-20	3.10%	4.10%
Credit Growth	Fortnightly	Jun-20	6.20%	6.30%
Deposit Growth	Fortnightly	Jun-20	11.30%	10.60%
Export	Monthly	May-20	(36.48%)	(60.26%)
Import	Monthly	May-20	(51.05%)	(58.65%)
Trade Deficit (bn)	Monthly	May-20	$3.15	$6.76

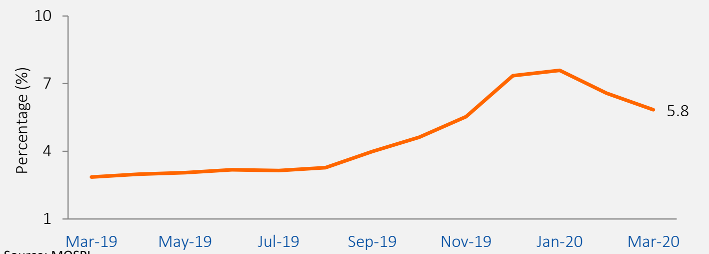
Source: RBI, MOSPI CPI- Consumer Price Index, WPI- Wholesale Price Index IIP- Index of Industrial Production, GDP- Gross Domestic Product, Trade deficit- in Billion, All above indicators are in percentage change on Y-o-Y (Year-on-Year) basis. For Credit and Deposit growth, previous means last fortnight of the previous month. Latest available data as on 30-Jun-2020

GDP Growth on Quarterly Basis



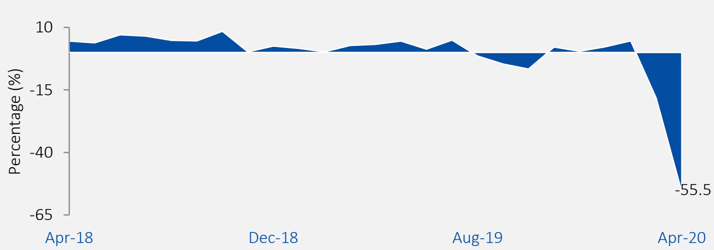
Source: MOSPI

Consumer Price Inflation (Y-o-Y)



Source: MOSPI

Index of Industrial Production (Y-o-Y)



Source: MOSPI

Currency Market	Jun-20	May-20	Jun-19
USD / INR	75.53	75.64	68.92
Pound Sterling / INR	92.69	93.31	87.35
Euro / INR	84.67	83.91	78.36
Yen (Per ₹100)	70.15	70.56	63.97

Source: RBI

Funds Flow Trend (₹ in Crores)	MTD	QTD	CYTD
MFs			
Equity	(612)	(2,055)	39,248
Debt	41,354	42,259	74,589
FIIs			
Equity	21,832	29,517	(18,514)
Debt	(1,545)	(37,032)	(106,959)

Source: SEBI; MF & FII data as on Jun 30 , 2020

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

Key Events- Brief Outline

- **Current account balance turned surplus in Mar quarter**

India's current account balance became surplus in the Mar quarter of 2020 for the first time in more than a decade. Current account surplus stood at US$ 0.6 billion (0.1% of GDP) in Mar quarter of 2020 compared with a deficit of US$ 4.6 billion (0.7% of GDP) in the corresponding period last year and a deficit of US$ 2.6 billion (0.4% of GDP) in the previous quarter. The surplus was primarily on account of a lower trade deficit and a sharp rise in net invisible receipts as compared with the corresponding period of last year.

- **Trade deficit contracted for the fourth consecutive month**

Trade deficit contracted for the fourth consecutive month in May 2020 as imports plunged faster than exports. Trade deficit fell to $3.15 billion in May 2020 from $15.36 billion in the same month previous year. Export fell 36.47% YoY to $19.05 billion while imports plunged 51.05% to $22.20 billion in May 2020.

- **Industrial production plunged to a record low in Apr 2020**

Index of industrial production (IIP) plunged 55.49% YoY in Apr 2020, record low since ever. Manufacturing sector fell 64.26% and mining and electricity sector fell 27.37% and 22.59%, respectively, in Apr 2020. However, as stated by Ministry of Statistics & Programme Implementation, in the view of nation-wide lockdown by the government to contain spread of coronavirus pandemic during the month majority of the industrial sector establishments were not operating from the end of Mar 2020 onwards. Thus, it is not appropriate to compare the IIP of Apr 2020 with earlier months.

- **Manufacturing PMI rose to 30.8 in May 2020**

IHS Markit survey showed, India's manufacturing Purchasing Managers's Index (PMI) rose to 30.8 in May 2020 from 27.4 in Apr 2020. Amid the ongoing coronavirus lockdown, Indian manufacturers recorded another sharp deterioration in business conditions. Weaker demand drove output lower following record decline in Apr 2020. Consequently, firms cut staff numbers at the quickest pace since data collection began over 15 years ago.

- **Services Business Activity Index rose to 12.6 in May 2020**

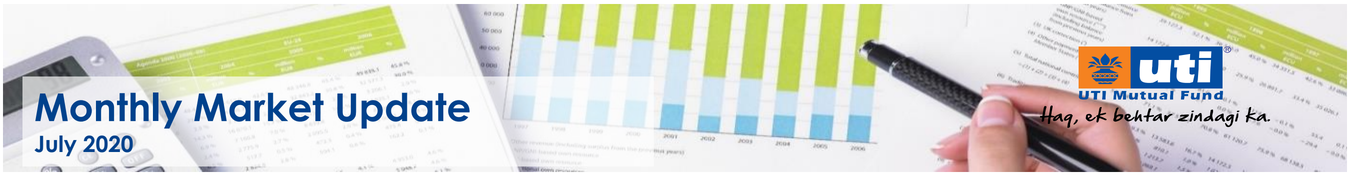
Survey by the IHS Markit showed, India's Services Business Activity Index rose to 12.6 in May 2020 from 5.4 in Apr 2020. Output plunged due to extended business shutdowns and very weak demand conditions. Also there was substantial decline in new work intakes by Indian service providers.

- **Wholesale price index fell 3.2% in May 2020**

Wholesale price index fell 3.2% YoY in May 2020 compared with 2.79% rise in May 2019. Contraction could be attributed to fall in demand amid an economic hit in the wake of the COVID-19 pandemic. Among sub-categories, food items rose 1.13% while fuel and power prices fell 19.83% in May 2020.

- **Core output contracted 23.4% in May 2020**

Core output, which constitutes 8 sectors of the economy contracted 23.4% in May 2020, slower than a contraction of 37% in Apr 2020. Factories remained constrained by a lack of labour and cash in the wake of the nationwide coronavirus (Covid-19) lockdown. Out of 8 core sectors, 7 continued to contract in May 2020. Steel and cement output fell sharply by 48.4% and 22.2%, respectively. Only fertilizers witnessed a growth of 7.5% during the month under review.



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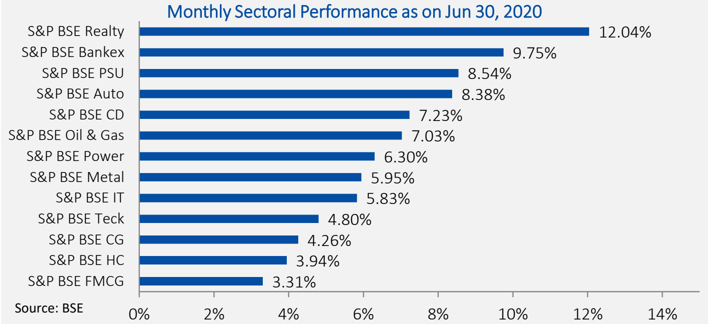
Equity & Fixed Income Overview

Key Rates (%)	Jun-20	May-20	Jun-19
Reverse Repo	3.35%	3.35%	5.50%
Repo	4.00%	4.00%	5.75%
Cash Reserve Ratio (CRR)	3.00%	3.00%	4.00%
Statutory Liquidity Ratio (SLR)	18.00%	18.00%	19.00%
Bank Rate	4.25%	4.25%	6.00%
10-Year G-Sec	5.89%	6.01%	6.88%
1-Year AAA Corp. Bond	5.45%	5.62%	7.90%
3-Year AAA Corp. Bond	6.09%	6.34%	7.89%

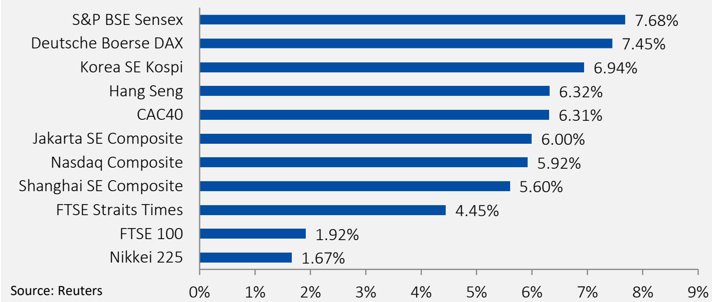
Indices	Country	YTD	1 Month	1 Year	3 Years
United States					
Nasdaq 100	US	16.30	6.29	32.40	79.87
Nasdaq Composite	US	12.11	5.99	25.64	63.81
Asia Pacific					
Jakarta SE Composite	Indonesia	(22.13)	3.19	(22.85)	(15.86)
FTSE Straits Times	Singapore	(19.64)	3.15	(22.03)	(19.73)
Korea SE Kospi	South Korea	(4.07)	3.88	(1.05)	(11.85)
Hang Seng	Hong Kong	(13.35)	6.38	(14.42)	(5.19)
Nikkei 225	Japan	(5.78)	1.88	4.76	11.25
S&P BSE Sensex	India	(15.36)	7.68	(11.37)	12.92
Shanghai SE Composite	China	(2.15)	4.64	0.19	(6.51)
Europe					
FTSE 100	UK	(18.20)	1.53	(16.91)	(15.63)
CAC 40	France	(17.43)	5.12	(10.89)	(3.61)
FSE DAX	Germany	(7.08)	6.25	(0.71)	(0.12)

Monthly Sectoral Performance as on Jun 30, 2020



Source: BSE

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



Source: Reuters

SE- Stock Exchange

Fixed Income Market Commentary

- Bond yields fell for the fifth consecutive month in June 2020 on hopes that the RBI would soon announce measures to absorb the excess supply of sovereign debt. Expectation of further relaxation in monetary policy by the Monetary Policy Committee in the coming months also contributed to the softening of yields.
- Gains were extended after RBI announced that it will buy Rs. 10,000 crores worth of government bonds on Jul 2, 2020 under the special Open Market Operations (OMO) and simultaneously sell Treasury Bills of a similar amount maturing in Oct 2020 and Apr 2021.
- However, the overall market sentiment remained subdued as market participants preferred to remain on the side-lines and awaited action from the RBI to absorb the excessive supply of sovereign debt in the market. Concerns that the government might raise the borrowing in the second half of the fiscal also capped the gains.
- The short term yields (upto 3 years segment) are well supported and the curve has become fairly steep because of huge system liquidity (Rs. 5-8 lakh crore) which is chasing assets. Also, due to fears of excess supply in the longer duration bucket, investors are deploying liquidity in the short end of the curve.
- With growth falling and virus spread increasing, we expect RBI to maintain excess liquidity in the system for a prolonged period which should support shorter end of the curve.
- Individuals have witnessed loss of income because of COVID-19 which may in turn result in higher slippages in loan repayments. Economy may not recover in a hurry and hence an investor should focus on capital preservation and may look at investing in high quality accrual oriented products.

Equity Market Commentary

- Indian equity indices rallied in June 2020 reacting to encouraging domestic and global cues. The benchmarks S&P BSE Sensex and Nifty 50 surged ~8% during the month.
- The market advanced on optimism following the gradual reopening of the domestic economy, and after the Drug Controller General of India (DGCI) approved the manufacture of medicines to treat COVID-19.
- Hopes of de-escalation of India and China border tensions, gains in index heavyweights, and buying by domestic institutional investors (DIIs) and foreign institutional investors (FIIs) also boosted the indices.
- Positive global cues, including the United States (US) Federal Reserve's (Fed) corporate bond buying programme, US President's decision to keep the trade deal with China intact, encouraging data on US jobs and Chinese economy, and hopes of additional stimulus measures by various countries, also supported the Indian indices.
- Gains were, however, capped owing to concerns about the relentless spike in COVID-19 cases back home and fears of a second wave of the pandemic globally. Volatile situation on the India and China border, profit-booking and selling by DIIs pressured the market as well.
- Selling exacerbated after the Fed projected a 6.5% contraction for the US economy this year, and pegged the country's unemployment rate at 9.3%. Persistent worries about the global economic recovery and downbeat growth projections by the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD) and the World Bank also impacted the Sensex and Nifty.
- The virus is not behind us yet but with the world's best and brightest trying to find cures/ vaccines and hopeful that human ingenuity will see us through this crisis. Investors should continue to have discipline in investing, rebalance allocations, if required and further downside could be seen as an opportunity for increasing allocations.