Nippon India Mutual Fund
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Apr 03, 2020

Good gets better

Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.

The Week that was…

30th Mar to 3rd Apr

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Indian Economy

- Nikkei India Manufacturing Purchasing Managers' Index (PMI) slowed to 51.8 in Jan 2020 from 54.5 in Feb 2020. India's manufacturing sector growth slowed to a four-month low in Mar 2020 amid nationwide lockdown called to contain the COVID-19 outbreak, thus throwing economic activity out of gear.
- Government data showed that the index of eight core industries grew 5.5% in Feb 2020 from 1.4% in the previous month and 2.2% in the same period of the period of the previous year. The electricity sector witnessed a maximum growth of 11% followed by the coal sector and cement sector which grew 10.3% and 8.6% respectively. The sectors of crude oil, natural gas and steel witnessed a contraction of 6.4%, 9.6% and 0.4% respectively in Feb 20.
- Government data showed that India's fiscal deficit for the period from Apr 2019 to Feb 2020 stood at RS. 10.36 lakh crore or 135.2% of the budget estimates of FY20. Revenue receipts stood at Rs. 13.78 lakh crore or 74.5% of the budget estimate of FY20 while capital expenditure stood at Rs. 3.05 lakh crore or 87.5% of the budget estimates of FY20.
- According to Asian Development Bank (ADB), India's economic growth is expected to slowdown to 4% for FY21. The slowdown is predicted due to weak global demand and the government's COVID-19 controlling measures and policies. However, ADB expects India's GDP to strengthen to 6.2% in FY22 amid government reforms.

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Indian Equity Market

Domestic Equity Market Indices			
Indices	**03-Apr-20**	**1 Week Return**	**YTD Return**
S&P BSE Sensex	27,590.95	-7.46%	-33.12%
Nifty 50	8,083.80	-6.66%	-33.57%
S&P BSE Mid-Cap	10,219.05	-3.03%	-31.73%
S&P BSE Small-Cap	9,409.04	-0.93%	-31.32%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	16.79	18.22	19.40	148.03
P/B	2.14	2.30	1.68	1.38
Dividend Yield	1.57	1.88	1.70	1.77

Source: BSE, NSE ***Value as on Apr 3, 2020***

NSE Advance/Decline Ratio			
Date	**Advances**	**Declines**	**Advance/Decline Ratio**
30-Mar-20	667	1,171	0.57
31-Mar-20	1,341	497	2.70
01-Apr-20	938	864	1.09
03-Apr-20	944	877	1.08

Source: NSE

- Domestic equity reeled under selling pressure as the death toll from coronavirus pandemic continued to grow in an alarmingly, threatening the global economy. Unabated foreign fund outflows and a depreciating rupee against the greenback, kept investors wary. A couple of major global rating agencies cut their FY20 GDP forecast for the Indian economy citing deep impact of the pandemic.
- The downturn was restricted by upbeat factory data from China as it raised hopes of a rebound in activity. Back home, the Reserve Bank of India said it will open certain specified categories of central government securities to full foreign investment. The objective of the move is to get India listed on global bond indices.

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Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	10,269.5	-8.50%	-34.78%
S&P BSE Bankex	19,753.8	-13.98%	-41.06%
S&P BSE CD	18,770.0	-3.62%	-28.37%
S&P BSE CG	10,584.3	-5.50%	-31.68%
S&P BSE FMCG	9,982.0	3.63%	-9.29%
S&P BSE HC	12,395.0	6.59%	-10.97%
S&P BSE IT	11,780.9	-7.90%	-23.17%
S&P BSE Metal	5,466.4	-2.46%	-35.91%
S&P BSE Oil & Gas	10,007.2	7.15%	-21.50%

Source: Refinitiv **Value as on Apr 3, 2020*

- On the BSE sectoral front, barring S&P BSE Oil & Gas, S&P BSE Healthcare and S&P BSE FMCG, all the indices closed in the solid red.
- S&P BSE Bankex is worst hit, down 13.98%, followed by S&P BSE Auto and S&P BSE IT, which slipped 8.50% and 7.90%, respectively. During the week, one of the major global rating agencies changed the outlook for the Indian banking system to negative from stable. The auto sector is also currently struggling with the falling sales numbers.

Indian Derivatives Market Review

- Nifty Apr 2020 Futures stood at 8,084.50, a premium of 0.70 points above the spot closing of 8,083.80. The total turnover on NSE's Futures and Options segment for the week stood at Rs. 28.21 lakh crore as against Rs. 35.25 lakh crore for the week to Mar 27.
- The Put-Call ratio stood at 0.79 compared with the previous session's close of 0.70.
- The Nifty Put-Call ratio stood at 1.18 compared with the previous session's close of 1.23.

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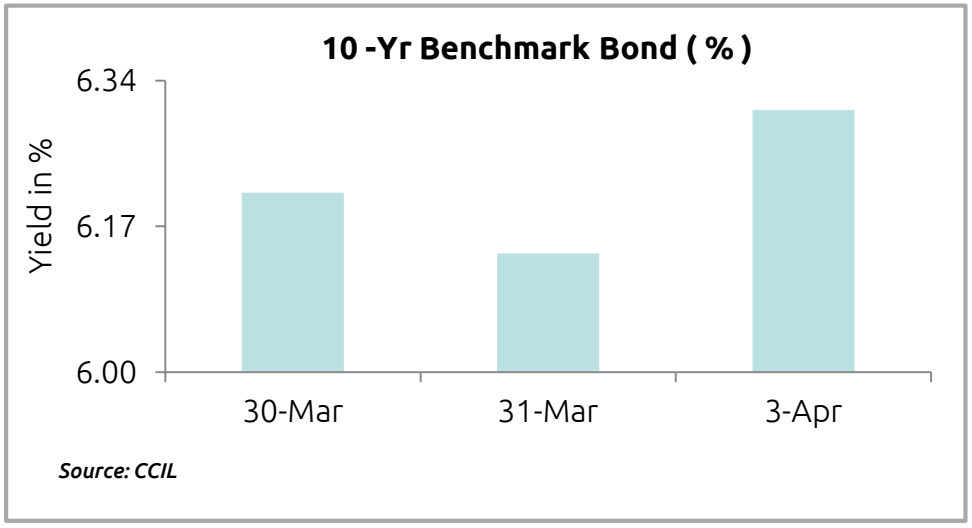
Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	4.25	4.68	4.91	5.22
91 Day T-Bill	4.29	4.26	5.12	5.25
07.32% 2024, (5 Yr GOI)	5.70	5.58	5.79	6.25
06.45% 2029, (10 Yr GOI)	6.31	6.14	6.34	6.61

Source: Refinitiv *Value as on Apr 3, 2020*



Source: CCIL

- Bond yields rose amid investors' profit booking to capitalize on the recent rally.
- Besides, heavy bond supply, particularly at a time when volumes are poor, also impacted sentiments.
- Yield on the 10-year benchmark paper (6.45% GS 2029) rose 17 bps to close at 6.31% compared with the previous week's close of 6.14% after trading in a range of 6.00% to 6.38%.
- The Reserve Bank of India reduced trading hours for Indian government bond and foreign exchange markets among others to four hours for the next two weeks. The markets will remain functional from 10:00 a.m. to 2:00 p.m.

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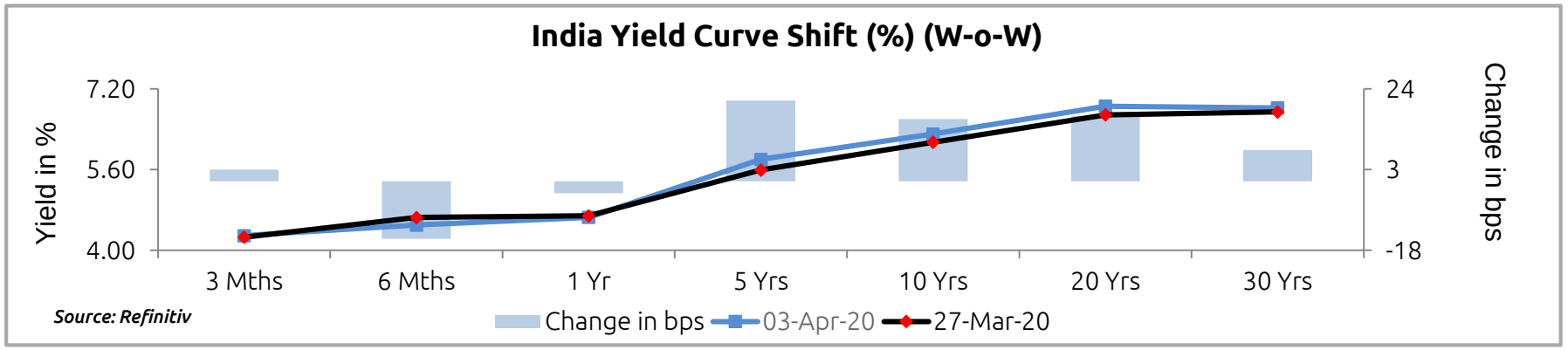
Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	4.82	6.19	137
3 Year	5.49	6.94	145
5 Year	5.89	7.28	139
10 Year	6.41	7.62	121

Source: Refinitiv

Value as on Apr 3, 2020

- Yields on gilt securities increased across the maturities by up to 30 bps barring 1 and 2-year paper which fell 3 bps and 10 bps respectively.
- Corporate bond yields increased across the maturities in the range of 2 bps to 27 bps barring 2-year paper which fell 3 bps.
- Difference in spread between AAA corporate bond and gilt expanded across the maturities in the range of 5 bps to 13 bps barring 10-year paper which contracted 8 bps.



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Regulatory Updates in India

- The Reserve Bank of India has increased the Ways and Means Advances (WMA) limit for state governments and union territories by 30% till Sep 30, 2020. RBI has also allowed exporters six months extra to realize their export-proceeds. Further, RBI also said that banks don't need to activate countercyclical capital buffers for one more year which means that the banks can utilize the capital earmarked for the buffer. The above measures are taken for dealing the slowdown due to coronavirus outbreak.
- The Reserve Bank of India has decided to open up certain specified categories of central government securities to full foreign investment. The objective of the move is to get India listed on global bond indices.
- According to the Reserve Bank of India, the Indian government will borrow Rs. 4.88 lakh crore through the issuance of marketable dated securities for the quarter from Apr to Sep of 2020.
- Media reports showed the Securities and Exchange Board of India has asked credit rating agencies not to classify a company as a defaulter if it misses payments of interest or principal owing to the nationwide 21-day lockdown.

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Regulatory Updates in India (contd..)

- Amid the Covid-19 lockdown, the Labour ministry has issued a notification wherein subscribers of the employees' provident fund organization (EPFO) can withdraw a portion of their retirement savings with immediate effect. As per the gazette notification, EPFO subscribers can withdraw 75% of their savings or up to a maximum of three months' basic pay and dearness allowance from their PF account – whichever is lower. Once a subscriber withdraws the amount, it cannot be replenished after the situation improves.
- The Reserve Bank of India after taking into consideration the disruption caused by the COVID-19 pandemic has decided to extend the realization period of export proceeds. The time period for realization and repatriation of export proceeds for exports made up to or on Jul 31, 2020, has been extended to 15 months from the date of export. The objective of the move is to provide greater flexibility to the exporters to negotiate future export contracts with buyers abroad. At present, value of the goods or software exports made by the exporters is required to be realized fully and repatriated to the country within a period of 9 months.

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Global News/Economy

- Data from the U.S. Labour Department showed that employment in U.S. plunged by 701,000 jobs in Mar 2020 after increasing by an upwardly revised 275,000 jobs in Feb 2020 (273,000 jobs originally reported). The unemployment rate also surged up to 4.4% in Mar 2020 from 3.5% in Feb 2020.
- According to the Labor Department, U.S. initial weekly jobless claims for the week ended Mar 28, 2020 rose by 3.341 million to 6.648 million from the previous week's revised level of 3.307 million.
- Final survey data from IHS Markit showed, UK manufacturing Purchasing Managers' Index (PMI) contracted to 47.8 in Mar 2020 from 51.7 in Feb 2020 due to the outbreak of coronavirus, or COVID-19 and subsequent mitigation efforts. Output fell to the greatest extent since July 2012 following a similarly severe reduction in intakes of new business.
- Final data from IHS Markit showed, eurozone manufacturing PMI contracted to 44.5 in Mar 2020 from 49.2 in Feb 2020 as the outbreak of COVID-19 impacted on orders, output, employment and confidence. The fall was the fastest pace in more than 7 years.
- According to the survey conducted by IHS Markit, China's manufacturing PMI rose to 50.1 in Mar 2020 from 40.3 in Feb 2020. Chinese manufacturers reported a broadly stable business condition in Mar 2020 after worsening the most on record in Feb 2020 due to the strict measures taken to curtail the spread of coronavirus.

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Global Equity Markets

Global Indices			
Indices	**03-Apr-20**	**1-Week Return**	**YTD Return**
Russell 3000	1,158.12	-2.29%	-18.79%
Nasdaq 100	7,528.11	-0.79%	-13.80%
FTSE 100	5,415.50	-1.72%	-28.20%
DAX Index	9,525.77	-1.11%	-28.10%
Nikkei Average	17,820.19	-8.09%	-24.67%
Straits Times	2,389.29	-5.52%	-25.86%

Source: Refinitiv *Value as on Apr 3, 2020*

U.S.

- U.S. markets remained under selling pressure during the week amid lingering concerns about the economic impact of the coronavirus pandemic. During the week U.S. President stated that the nation shall witness tough times in near future from the rampant coronavirus. U.S. Government officials are projecting between 1,00,000 and 2,40,000 virus deaths in the U.S.

Europe

- European markets too struggled with the coronavirus menace. Media news about the rapid spread of the novel coronavirus and the impending deep recession rendered the mood extremely cautious during the week. According to reports from World Health Organization, U.S., Italy, Spain, China and Germany are the worst hit due to the virus outbreak.

Asia

- Asian markets were also down on fears that the global economy may enter recession mode because of the pandemic.

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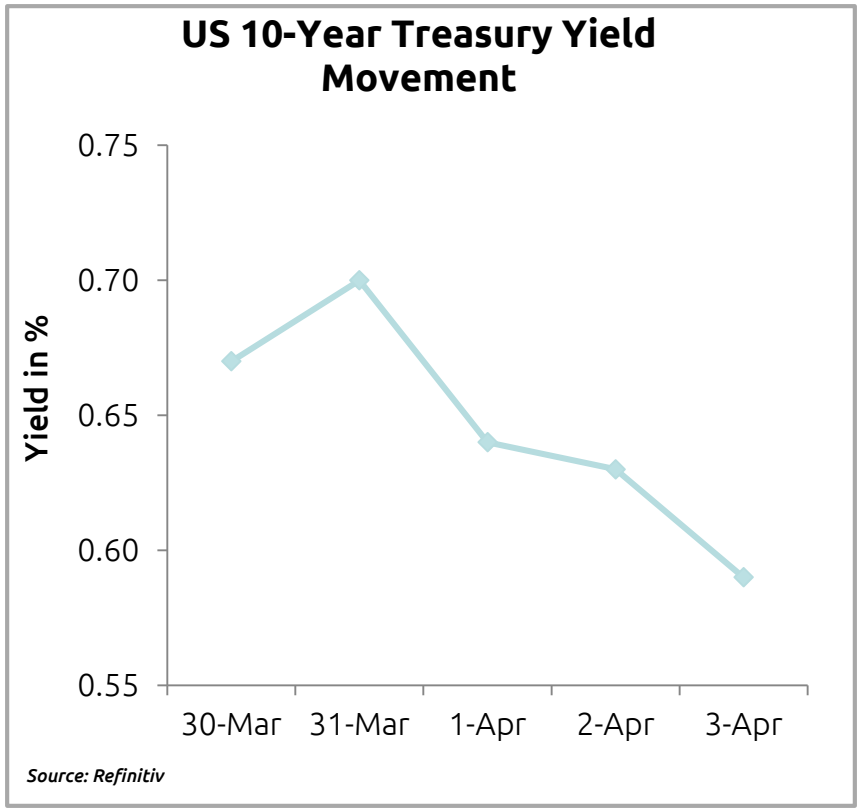
Global Debt (U.S.)



- Yields on the 10-year U.S. Treasury fell by 15 bps to close at 0.59% compared to the previous week's close of 0.74%.
- U.S. Treasury prices rose initially during the week under review amid mounting concerns over the COVID-19 pandemic after the U.S. President warned of tough times ahead in the coming two weeks and extended stay-at-home guidelines to battle the worsening coronavirus pandemic.
- U.S. Treasury prices rose further after employment in U.S plunged by 701,000 jobs in Mar 2020 while the unemployment rate surged up to 4.4% from 3.5% in Feb 2020 which indicated that stringent measures to control the coronavirus outbreak hurt businesses and factories, confirming a recession is underway.

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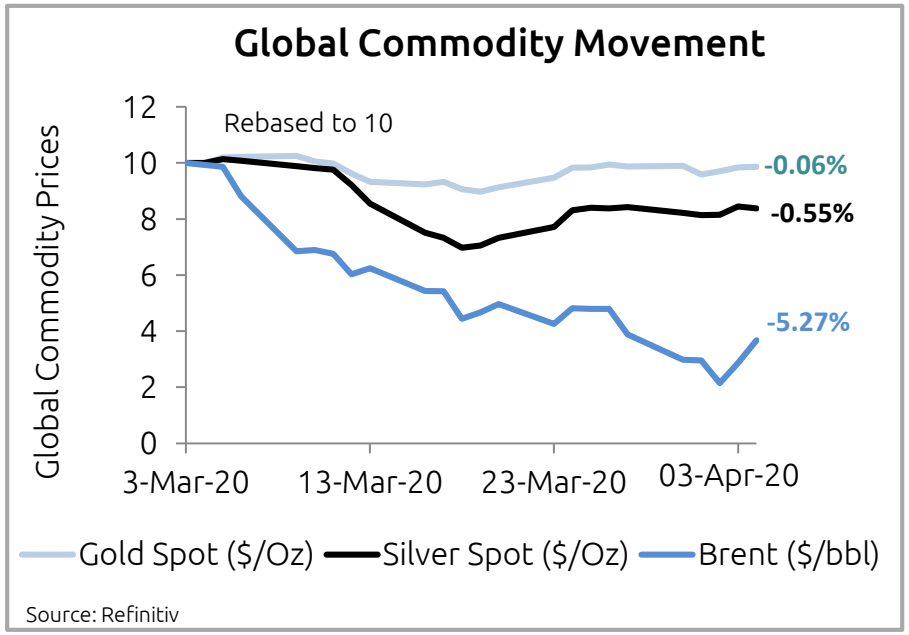
Commodities Market



Source: Refinitiv

Performance of various commodities		
Commodities	**Last Closing***	**1-Week Ago**
Brent Crude($/Barrel)	19.24	20.31
Gold ($/Oz)	1616.45	1617.50
Gold (Rs/10 gm)	40,989	40,989
Silver ($/Oz)	14.39	14.47
Silver (Rs/Kg)	36,871	36,871

Source: Refinitiv ****Value as on Apr 3, 2020***

Gold

- Gold prices inched down as the investor risk sentiment improved to some extent after China's official manufacturing PMI for Mar 2020 came better than market expectations and indicated expansion.

Brent Crude

- Brent crude prices fell over the week as mounting fears over the COVID-19 pandemic across the globe fueled concerns over the demand outlook of the commodity. However, further losses were restricted on hopes that OPEC and its allies would soon arrive at a production cut deal.

Baltic Dry Index

- The Baltic Dry Index rose due to improved capesize and panamax activities.

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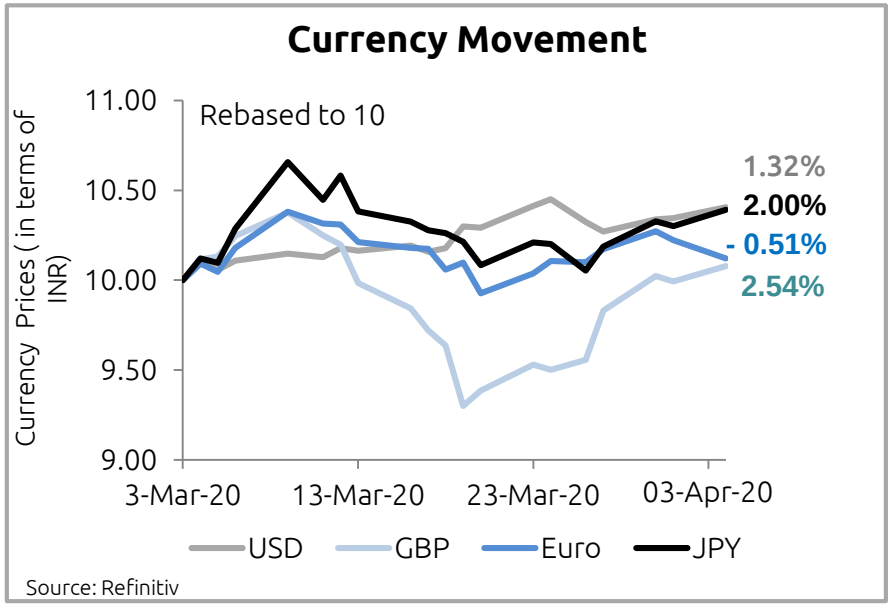
Currencies Markets



Source: Refinitiv

Movement of Rupee vs Other Currencies		
Currency	**Last Closing***	**1-Wk Ago**
US Dollar	75.83	74.84
Pound Sterling	93.88	91.56
EURO	82.22	82.64
100 Yen	70.27	68.89

Source: Refinitiv ***Figures in INR , *Value as on Apr 3, 2020***

Rupee

- The rupee weakened against the greenback amid mounting concerns over the COVID-19 pandemic.

Euro

- The euro weakened against the U.S. dollar as market participants worried of a global recession and continued to take shelter in the safe-haven greenback.

Pound

- The pound weakened against the greenback after date indicated record slump among Britain's services and manufacturing firms due to the COVID-19 pandemic.

Yen

- The yen weakened against the U.S. dollar amid worsening economic fallout from the coronavirus pandemic.

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The Week that was…

30th Mar to 3rd Apr

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The Week that was (Mar 30 – Apr 3)

Date	Events	Present Value	Previous Value
Monday, March 30, 2020	• Germany Consumer Price Index (YoY) (Mar P)	1.4%	1.7%
	• U.S. Pending Home Sales (YoY) (Feb)	11.5%	6.7%
Tuesday, March 31, 2020	• U.K. Gross Domestic Product (QoQ) (Q4)	1.1%	1.1%
	• Germany Unemployment Rate (Mar)	5.0%	5.0%
	• China Manufacturing PMI (Mar)	52.0	35.7
	• Eurozone Consumer Price Index (YoY) (Mar) (P)	1.0%	1.2%
	• China Non-Manufacturing PMI (Mar)	52.3	29.6
Wednesday, April 01, 2020	• China Caixin Manufacturing PMI (Mar)	50.1	40.3
	• U.S. ADP Employment Change (Mar)	-27k	183k
	• U.S. ISM Manufacturing PMI (Mar)	49.1	50.1
	• Germany Markit Manufacturing PMI (Mar) (F)	45.7	45.7
Thursday, April 02, 2020	• India IHS Markit Manufacturing PMI	51.8	54.5
	• U.S. Initial Jobless Claims (Mar 27)	6648k	3283k
Friday, April 03, 2020	• U.S. Nonfarm Payrolls (Mar)	-701k	275k
	• U.S. Unemployment Rate (Mar)	4.4%	3.5%
	• U.S. ISM Non-Manufacturing PMI (Mar)	52.5	57.3

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The Week Ahead

6th Apr to 10th Apr

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The Week Ahead

Day	Event
Monday, Apr 6, 2020	• India IHS Markit Services PMI (Mar) • U.K. GfK Consumer Confidence (Mar F) • Germany Markit Construction PMI (Mar) • U.K. Markit/CIPS UK Construction PMI (Mar)
Tuesday, Apr 7, 2020	• Japan Overall Household Spending (YoY) (Feb) • German Industrial Production n.s.a. and w.d.a. (YoY) (Feb) • Japan Coincident Index (Feb P)
Wednesday, Apr 8, 2020	• U.S. Consumer Credit (Feb) • Japan Machine Orders (YoY) (Feb) • Japan Eco Watchers Survey Current (Mar) • U.S. DOE U.S. Crude Oil Inventories (Apr 3)
Thursday, Apr 9, 2020	• Japan Consumer Confidence Index (Mar) • U.K. Industrial Production (YoY) (Feb) • U.S. Initial Jobless Claims (Apr 4) • U.S. U. of Mich. Sentiment (Apr P)
Friday, Apr 10, 2020	• China New Yuan Loans China (Mar) • China Consumer Price Index (YoY) (Mar) • U.S. Consumer Price Index (YoY) (Mar)

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