Nippon India Mutual Fund

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NEWS U CAN USE

June 04, 2021

Good gets better

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

The Week that was…

31st May to 04th June

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Indian Economy

- The Monetary Policy Committee (MPC) in its monetary policy review kept key policy repo rate unchanged at 4.0%. The reverse repo rate thus remained unchanged at 3.35% and the marginal standing facility rate and the bank rate also stood unchanged at 4.25%. The MPC also decided to continue with its accommodative stance as long as necessary to sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward. All the members of the MPC unanimously voted for keeping the policy repo rate unchanged and continuing with the accommodative stance on the monetary policy.

- Government data showed that the Gross Domestic Product (GDP) of the Indian economy at constant (2011-12) prices in Q4FY21 witnessed a growth of 1.6% as against a growth of 0.5% in the previous quarter and a growth of 3.0% in the same period of the previous year. The growth in GDP during FY21 was estimated at -7.3% as compared to 4.0% in the previous fiscal. On the sectoral front, the construction sector witnessed a growth of 14.5% in Q4FY21 as compared to a growth of 6.5% in the previous quarter and a growth of 0.7% in the same period of the previous year. The manufacturing sector also witnessed a growth of 6.9% in Q4FY21 as against a growth of 1.7% in the previous quarter and a contraction of 4.2% in the same period of the previous year. The growth of the agriculture sector however slowed to 3.1% in Q4FY21 from 4.5% in the previous quarter and 6.8% in the same period of the previous year.

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Indian Equity Market

Domestic Equity Market Indices			
Indices	**04-Jun-21**	**1 Week Return**	**YTD Return**
S&P BSE Sensex	52,100.05	1.32%	9.11%
Nifty 50	15,670.25	1.52%	12.08%
S&P BSE Mid-Cap	22,511.49	3.92%	25.47%
S&P BSE Small-Cap	24,261.90	3.34%	34.06%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	31.47	29.06	49.49	53.24
P/B	3.31	4.42	3.17	3.13
Dividend Yield	0.96	1.07	0.90	0.82

Source: BSE, NSE *Value as on Jun 04, 2021*

NSE Advance/Decline Ratio			
Date	**Advances**	**Declines**	**Advance/Decline Ratio**
31-May-21	1,102	914	1.21
01-Jun-21	730	1,247	0.59
02-Jun-21	1,375	587	2.34
03-Jun-21	1,360	625	2.18
04-Jun-21	1,116	859	1.30

Source: NSE

- Indian equity markets ended the week with modest gains. Buying interest found support after India witnessed the lowest daily rise in COVID-19 cases in 50 days with 1.52 lakh fresh infections as on May 31. Market participants also took cues from the domestic GDP data, which grew 1.6% in Q4FY21 as against a growth of 0.5% in the previous quarter and a growth of 3.0% in the same period of the previous year.
- Meanwhile, investors also remained optimistic ahead of the MPC policy meet, scheduled on Jun 4. While the central bank committee decided to keep rates unchanged and maintained the policy stance as accommodative as expected, it revised the growth projection downward to 9.5% from 10.5% for FY22 and revised the inflation projection upward to 5.1%.

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Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24,029.95	1.94%	11.80%
S&P BSE Bankex	40,035.31	0.43%	8.91%
S&P BSE CD	34,929.76	5.34%	11.49%
S&P BSE CG	23,279.53	3.57%	14.20%
S&P BSE FMCG	13,090.32	0.73%	3.79%
S&P BSE HC	24,752.23	1.37%	6.12%
S&P BSE IT	27,459.70	-0.61%	5.07%
S&P BSE Metal	19,040.30	3.14%	5.98%
S&P BSE Oil & Gas	17,120.94	5.35%	14.22%

Source: Refinitiv **Value as on Jun 04, 2021*

- On the BSE sectoral front, barring S&P BSE IT and S&P BSE Teck, all the major sectors closed in the green. S&P BSE Realty was the top gainer up 6.55%, followed by S&P BSE Oil & Gas and S&P BSE Consumer Durables, which rose 5.35% and 5.34%, respectively.
- Investors are expecting continued strong performance in the Indian retail sector as organised retail penetration increases and population density remains high.

Indian Derivatives Market Review

- Nifty Jun 2021 Futures stood at 15,700.85, a premium of 30.60 points above the spot closing of 15,670.25. The total turnover on NSE's Futures and Options segment for the week stood at Rs. 220.93 lakh crore as against Rs. 226.66 lakh crore for the week to May 28.
- The Put-Call ratio remained unchanged compared with the previous week's close of 0.85.
- The Nifty Put-Call ratio stood at 1.30 compared with the previous week's close of 1.32.

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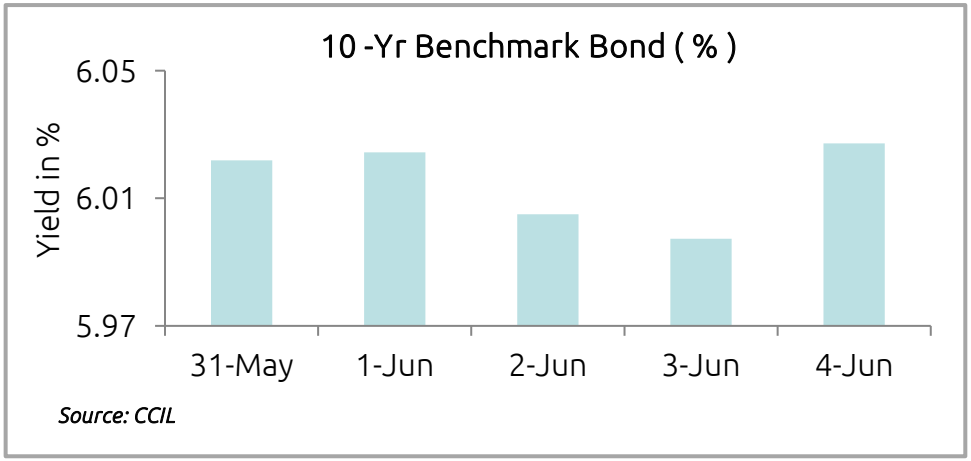
Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	3.15	3.14	3.19	3.06
91 Day T-Bill	3.43	3.41	3.33	3.01
05.22% 2025, (5 Yr GOI)	5.34	5.32	5.38	5.03
05.85% 2030, (10 Yr GOI)	6.03	6.00	6.01	--

Source: Refinitiv *Value as on Jun 04, 2021*



Source: CCIL

- Bond yields rose as central government's additional borrowing on behalf of states weighed on sentiment.
- Yields went up further as lower-than-expected bond purchase plan for the next quarter disappointed market participants.
- The Reserve Bank of India (RBI) will buy government bonds worth Rs. 1.20 lakh crore under G-SAP in the Sept quarter of 2021.
- Meanwhile, the Monetary Policy Committee (MPC) kept key policy repo rate unchanged at 4.0% and to continue with its accommodative stance.
- Yield on the 10-year benchmark paper (5.85% GS 2030) rose 3 bps to close at 6.03% as compared to the previous week's close of 6.00% after moving in a narrow range of 5.98% to 6.04%.

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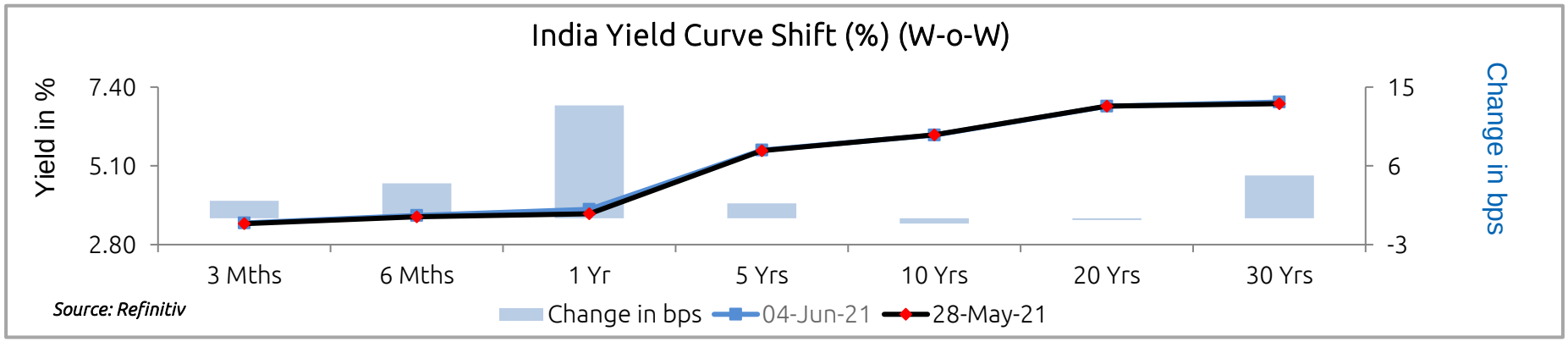
Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	3.86	4.67	80
3 Year	4.73	5.17	43
5 Year	5.63	6.31	67
10 Year	6.09	7.15	107

Source: Refinitiv

Value as on Jun 04, 2021

- Yields on gilt securities rose by up to 14 bps across the maturities, barring 3-year paper that eased 1 bps and 11-year paper was flat.
- Corporate bond yields fell in the range of 2 to 9 bps on 1- & 5- to 7-year papers while remaining securities rose by up to 22 bps.
- Spread between AAA corporate bond and gilt contracted in the range of 5 to 23 bps on 1- & 4- to 7-year papers while remaining securities expanded in the range of 5 to 19 bps.



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Regulatory Updates in India

- The RBI decided to create a separate liquidity window of Rs. 15,000 crore with a tenor of 3 years at the repo rate till Mar 31, 2022 to provide liquidity support to the contact-intensive sectors hit by Covid-19.
- According to MPC, the inflation trajectory is likely to be shaped by uncertainties impinging on the upside and the downside. The rising trajectory of international commodity prices, especially of crude, together with logistics costs, pose upside risks to the inflation outlook. MPC projected retail inflation at 5.1% during FY22.
- According to MPC, rural demand remains strong and the expected normal monsoon bodes well for sustaining its buoyancy, going forward. The increased spread of COVID-19 infections in rural areas, however, poses downside risks. Real GDP growth is now projected at 9.5% in FY22.
- The Securities and Exchange Board of India (Sebi) has asked listed companies to submit a half-yearly statement in their corporate governance compliance report concerning loans and guarantees issued to promoters or other entities controlled by them. The move is aimed at bringing transparency and strengthening disclosures about such loans and guarantees. In this context, the regulator has issued a revised disclosure format that will take effect in FY22.

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Regulatory Updates in India (contd..)

- The Union Cabinet approved the Model Tenancy Act under which separate rent authorities, courts, and tribunals would be established in districts to protect the interests of both the landlord and the tenant. Tenants in residential properties will be required to post a security deposit of no more than two months' rent, while commercial tenants will be required to deposit six months' rent. States and union territories can either introduce new legislation or alter their existing rental rules to comply with the Model Tenancy Act. All new tenancies must have a written agreement, which must be presented to the involved district's 'Rent Authority.'
- The Securities and Exchange Board of India (Sebi) has extended the deadline for implementing guidelines for SMS notifications under the Unified Payment Interface (UPI) system for shares applied for and allotted during an initial public offering (IPO). The deadline for setting up an automated web site for Initial Public Offerings (IPOs) using the UPI system has been extended as well.

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Global News/Economy

- According to the Labor Department, U.S. non-farm payroll employment rose 559,000 jobs in May 2021 after climbing by an upwardly revised 278,000 jobs in Apr 2021. As per the the Labor Department, the unemployment rate fell to 5.8% in May from 6.1% in Apr.
- According to the payroll processor ADP, U.S. private sector employment increased by 978,000 jobs in May 2021 after surging by a downwardly revised 654,000 jobs in Apr 2021.
- According to report by the Institute for Supply Management, U.S. manufacturing purchasing managers' index inched up to 61.2 in May 2021 from 60.7 in Apr 2021.
- According to preliminary figures from Eurostat, eurozone flash consumer price inflation rose 2% in May 2021 from 1.6% in Apr 2021. Core inflation, which excludes prices of energy, fresh food, alcohol and tobacco, rose 0.9% in May from 0.7% in Apr.
- According to Eurostat, eurozone retail sales fell 3.1% MoM in Apr 2021 as against upwardly revised 3.3% rise in Mar 2021. The decline came as the Covid-19 lockdown restrictions were tightened in some countries.
- According to the latest survey from the National Bureau of Statistics, China's manufacturing Purchasing Mangers' Index (PMI) edged down to 51 in May 2021 from 51.1 in Apr 2021. The non-manufacturing PMI rose to 55.2 in May from 54.9 in Apr.
- According to Jibun Bank, Japan's service Purchasing Managers' Index fell to 46.5 in May 2021 from 4.5 in Apr 2021.

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Global Equity Markets

Global Indices			
Indices	**04-Jun-21**	**1-Week Return**	**YTD Return**
Russell 3000	2,072.18	0.28%	6.12%
Nasdaq 100	13,770.78	0.62%	6.85%
FTSE 100	7,069.04	0.66%	9.42%
DAX Index	15,692.90	1.11%	14.39%
Nikkei Average	28,942.00	-0.71%	5.46%
Straits Times	3,151.04	-0.86%	10.80%

Source: Refinitiv *Value as on Jun 04, 2021*

U.S.

- U.S. markets rose marginally, reflecting continued optimism about the outlook for the global economy following upbeat manufacturing data. Buying interest boosted following the release of the Labor Department's closely watched report on employment in May. The report showed job growth in the U.S. reaccelerated in May, although the increase in employment still fell short of market estimates.

Europe

- European markets went up as continued optimism about global economic recovery helped underpin sentiment. Data showing rise in U.S. non-farm payroll employment in May and a drop in unemployment aided sentiment. However, the lower-than-expected increase in addition of jobs limited markets' upside.

Asia

- Asian markets largely closed in the red as recent flare-ups of coronavirus infection in certain parts of China and likely measures by Chinese central bank to halt speculative trading in yuan offset the positive sentiment surrounding five-month high factory growth of the nation.

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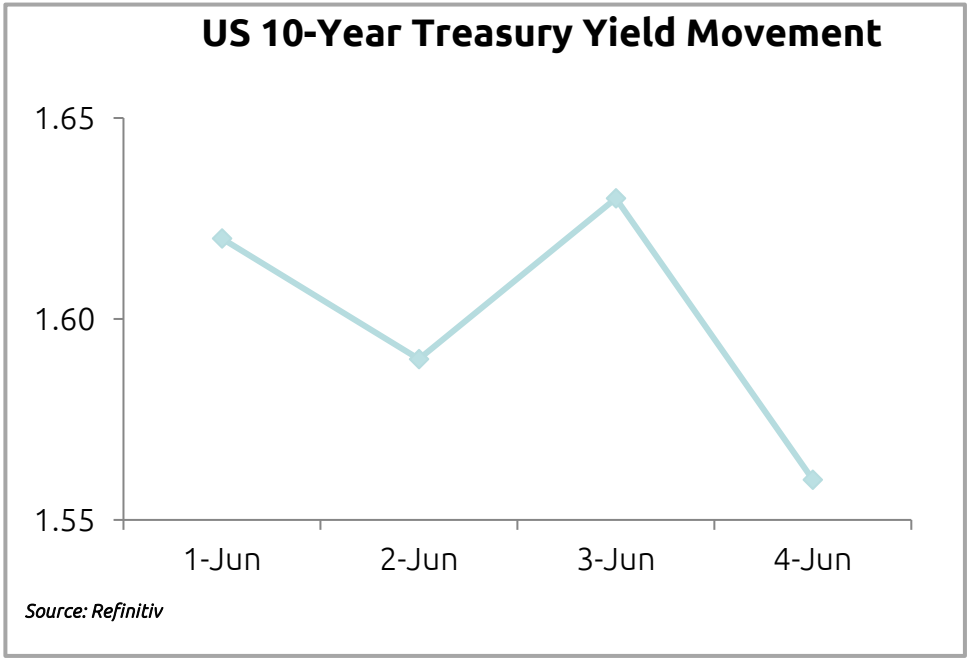
Global Debt (U.S.)



- Yields on the 10-year U.S. Treasury fell 3 bps to close at 1.56%, from the previous week's close of 1.59%.
- U.S. Treasury price fell ahead of the U.S. nonfarm payroll data for May 2021.
- However, losses reversed at the end and prices gained after U.S. nonfarm payroll data for May 2021 came lower than market expectations.
- This calmed fears that the U.S. economy could lead to a quicker tightening of monetary policy.

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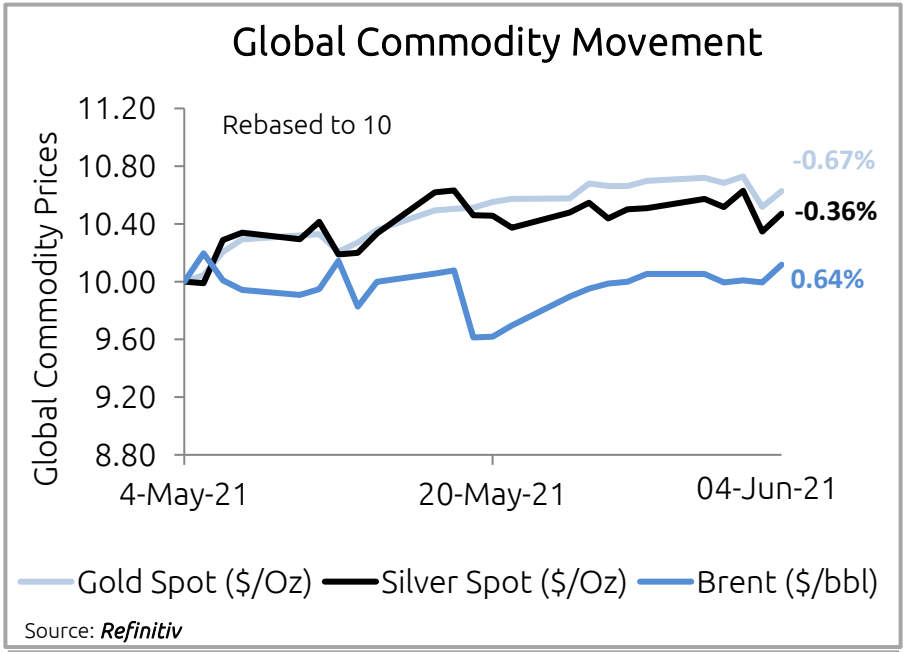
Commodities Market



Source: *Refinitiv*

Performance of various commodities

Commodities	Last Closing*	1-Week Ago
Brent Crude($/Barrel)	70.68	70.23
Gold ($/Oz)	1889.97	1902.64
Gold (Rs/10 gm)	48403	48541
Silver ($/Oz)	27.78	27.88
Silver (Rs/Kg)	70337	70611

Source: Refinitiv **Value as on Jun 04, 2021*

Gold

- Gold prices fell as better-than-expected U.S. employment and service sector data for May 2021 strengthened the greenback and increased the possibility of a rate hike by the U.S. Federal Reserve.

Brent Crude

- Brent crude prices rose as OPEC and its allies agreed on a gradual easing of supply curbs through Jul amid expectation of recovery of demand. Slow pace of nuclear talks between Iran and the U.S. provided additional support to oil prices.

Baltic Dry Index

- The index fell WoW due to sluggish capesize and panamax activities.

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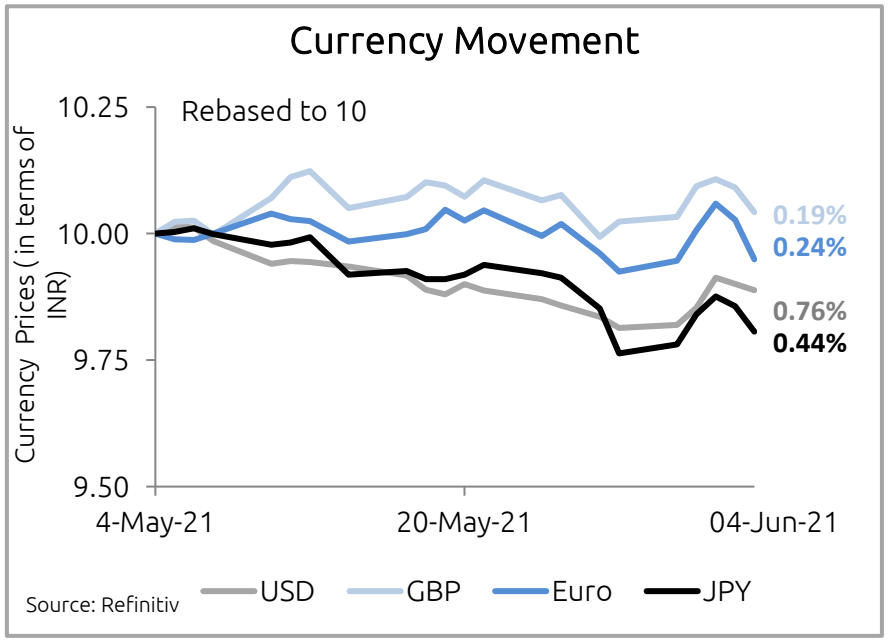
Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	**Last Closing***	**1-Wk Ago**
US Dollar	73.03	72.48
Pound Sterling	102.96	102.77
EURO	88.45	88.23
100 Yen	66.25	65.96

Source: Refinitiv *Figures in INR , *Value as on Jun 04, 2021*

Rupee

- Rupee fell against the U.S. dollar on greenback buying by importers', on likely domestic equity outflows due to rebalancing in the MSCI index and sharp rebound in the U.S. dollar index.

Euro

- Euro fell against the U.S. dollar on upbeat U.S. private employment data for May 2021 but losses trimmed on lower than expected U.S. nonfarm payroll data.

Pound

- Sterling dropped against the U.S. dollar on better than expected U.S. private employment data for May 2021 but downside was limited on downbeat U.S. nonfarm payroll data.

Yen

- Yen gained against the U.S. dollar after lower than expected U.S. nonfarm payroll data for May 2021 but upside got trimmed on upbeat U.S. private employment data.

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The Week that was…

31st May to 04th June

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The Week that was (May 31 – Jun 04)

Date	Events	Present Value	Previous Value
Monday, May 31, 2021	• India GDP Growth Rate (YoY) (Q1)	1.60%	0.50%
	• China NBS Manufacturing PMI (May)	51	51.1
	• Germany Harmonized Index of Consumer Prices (YoY) (May) PREL	2.40%	2.10%
Tuesday, June 01, 2021	• India Markit Manufacturing PMI (May)	50.8	55.5
	• Eurozone Consumer Price Index (YoY)(May) PREL	2%	1.60%
	• U.S. ISM Manufacturing PMI (May)	61.2	60.7
	• Germany Unemployment Rate (May)	6%	6%
	• Eurozone Unemployment Rate (Apr)	8%	8.10%
Wednesday, June 02, 2021	• Germany Retail Sales (YoY)(Apr)	4.40%	11%
	• Eurozone Producer Price Index (YoY)(Apr)	7.60%	4.30%
Thursday June 03, 2021	• India Markit Services PMI (May)	46.4	54
	• U.S. ADP Employment Change(May)	978K	654K
	• U.S. ISM Services PMI(May)	64	62.7
	• China Caixin Services PMI(May)	55.1	56.3
	• Germany Markit PMI Composite(May)	56.2	56.2
	• Eurozone Markit PMI Composite(May)	57.1	56.9
Friday, June 04, 2021	• Eurozone Retail Sales (YoY)(Apr)	23.90%	13.10%
	• U.S. Nonfarm Payrolls(May)	559K	278K
	• U.S. Unemployment Rate(May)	5.80%	6.10%

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The Week Ahead

07th Jun to 11th Jun

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The Week Ahead

Day	Event
Monday, Jun 07, 2021	• China Trade Balance (USD) (May) • Japan Leading Economic Index (Apr) PREL • Germany Factory Orders (MoM) (Apr)
Tuesday, Jun 08, 2021	• Japan Gross Domestic Product (QoQ) (Q1) • Eurozone Gross Domestic Product (YoY) (Q1) • U.K. BRC Like-For-Like Retail Sales (YoY) (May) • Germany ZEW Survey – Economic Sentiment (Jun) • Eurozone ZEW Survey – Economic Sentiment(Jun) • Germany Industrial Production s(MoM)(Apr)
Wednesday, Jun 09, 2021	• China Consumer Price Index (YoY) (May) • Germany Trade Balance (Apr)
Thursday, Jun 10, 2021	• Eurozone Interest Rate Decision • U.S. Consumer Price Index (YoY)(May)
Friday, Jun 11, 2021	• U.S. Michigan Consumer Sentiment Index (Jun) PREL • U.K. Gross Domestic Product (MoM) (Apr) • U.K. Industrial Production (MoM) (Apr)

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