WAY2WEALTH

February 2021

MONTHLY REPORT

www.way2wealth.com
research@way2wealth.com

Way2Wealth Securities Private Limited : EFC LTD, 14th Floor 'A' Wing, Empire Tower, Reliable Cloudcity, Airoli, Thane Belapur Road, Navi Mumbai - 400708.

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NIFTY 50
Closing- 14,281.0
PE – 38.79x
PB – 4.15x
Div Yield – 1.08%

NIFTY MIDCAP 100
Closing – 21,600.9
PE – 88.68x
PB – 2.87x
Div Yield – 1.59%

10 Yr GOI Yield
5.91%

CRUDE
55.88 $/bbn

USD/INR
72.95

GOLD
1848 $/Oz

Data as on Jan 29, 2021
Source: Bloomberg

Indicators	Jan-21	Dec-20	Nov-20	Oct-20	Sep-20	Aug-20	Jul-20	Jun-20	May-20	Apr-20	Mar-20	Feb-20	Jan-20
Sensex	-2.26%	8.15%	10.59%	5.13%	-3.55%	1.46%	7.94%	7.68%	-9.2%	14.4%	-23.05%	-6.0%	-1.3%
Nifty	-1.72%	7.81%	10.57%	4.52%	-3.43%	1.65%	7.66%	7.53%	-8.4%	14.7%	-23.25%	-6.4%	-1.7%
Nifty Midcap	0.92%	5.21%	15.65%	0.44%	-2.22%	7.39%	4.55%	10.78%	-4.9%	15.4%	-30.87%	-6.8%	5.3%
Nifty SmallCap 250 Index	1.87%	8.18%	11.70%	0.25%	-1.20%	11.98%	4.63%	14.93%	-5.3%	12.9%	-33.72%	-7.1%	7.1%
S&P 500 Index	-0.57%	2.58%	11.23%	-1.93%	-4.13%	7.42%	6.32%	1.84%	2.7%	12.7%	-12.51%	-8.4%	-0.2%
Nifty 50 EPS TTM (Rs)	422.68	401.77	401.78	406.89	387.96	391.56	412.37	436.87	466.06	507.81	516.60	511.30	517.07
Nifty 50 Price/Earnings (PE Ratio)	32.26	34.80	32.28	28.83	28.99	29.08	26.92	23.58	19.37	19.42	16.64	21.91	23.13
Nifty Midcap 100 (PE Ratio)	40.65	40.55	40.76	33.95	33.02	26.70	23.45	20.45	14.68	14.42	14.26	20.69	21.29
Bank Credit Growth (%)	6.35%	6.06%	5.82%	5.09%	5.12%	5.54%	5.83%	6.18%	6.24%	-17.76%	6.19%	6.04%	7.14%
Bank Deposit Growth (%)	11.42%	11.33%	10.90%	10.13%	10.51%	10.17%	10.84%	11.02%	10.66%	42.51%	7.94%	9.01%	9.08%
Debt Market Indicator													
RBI Repo Rate (%)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.40	4.40	5.15	5.15
G-sec 10 year Yield (%)	5.91	5.87	5.91	5.86	6.06	6.14	5.83	5.89	5.76	6.11	6.14	6.37	6.60
1 Year Tbill (%)	4.19	3.37	3.33	3.44	3.71	3.75	3.66	3.73	3.87	4.08	4.97	5.33	5.66
Corp Bond 10 Yr AAA Yield (%)	6.66	6.59	6.51	6.58	6.81	6.91	6.53	7.05	7.28	7.47	7.51	7.43	7.83
Corp Bond 10 Yr AA Yield (%)	7.36	7.35	7.31	7.37	7.58	7.69	7.37	7.78	7.92	8.13	8.18	8.07	8.47
Corp Bond 10 Yr A Yield (%)	8.91	8.84	8.78	8.83	9.02	9.10	8.77	8.84	8.73	9.52	9.67	9.62	9.84
Corp Bond 5 Yr AAA Yield (%)	5.70	5.52	5.55	5.62	6.00	6.01	5.67	6.16	6.38	6.83	7.02	6.80	7.15
Corp Bond 1 Yr AAA Yield (%)	4.22	3.92	3.89	3.93	4.40	4.78	4.31	4.98	5.72	6.10	5.97	5.99	6.26
CD 1 Yr (%)	3.97	3.78	3.57	3.74	4.00	3.86	3.75	4.05	3.99	4.79	5.12	6.17	5.95
Commodity & Currency													
Gold Price (USD)	1848	1894	1788	1877	1881	1965	1957	1781	1730	1687	1577	1586	1589
Gold (Rs/10gm)	49205	49774	48778	50656	49550	50981	53099	48304	48200	47260	40989	42352	40694
Crude($)	55.88	51.34	48.18	39.12	42.43	45.05	42.94	41.15	35.33	20.15	22.74	50.52	58.16
INR/1 USD	72.95	73.31	74.04	73.87	73.79	73.40	74.85	75.51	75.62	75.74	75.54	72.18	71.35
INR/1 EURO	88.40	89.91	88.28	86.82	85.86	87.41	87.96	84.78	83.91	82.24	82.78	79.49	78.74
Flows													
FII-Equity (Rs.cr)	14512	53499	70896	18400	-5689	45637	9506	18684	13000	-309	-62433	2854	9719
FII-Debt (Rs.cr)	-3661	5635	-2888	3296	3009	-4155	-2453	-1714	-20507	-12009	-60934	-58	-11214
MF-Equity (Rs.cr)	-12980	-35251	-30730	-14344	-3982	-8418	-7695	-3689	5108	-6846	28451	9155	-2687
MF-Debt (Rs.cr)	11832	26295	20349	30995	16009	23647	31018	41364	11500	-9811	-12492	18229	32690

Source: Bloomberg, W2W Research

Summary:-

- Fiscal deficit for 2020-21 was pegged at 9.5% of GDP and ₹ 80K crs of additional market borrowing was announced for the current fiscal.
- MPC projection for inflation stood at 5.2% for Q4.
- The Composite PMI Index rose to 55.8 in January from 54.9 in December. Manufacturing PMI stood at 57.7 and Services PMI stood at 52.8 in Jan 21.
- As of 29th Jan 21, Nifty 50 was trading at a PE of 36.6x, Nifty Midcap 100 was trading at a PE of 40.7x and Nifty Small cap 250 was trading at a PE of 41.0x.
- Bank deposits grew 11.4% YOY as of January 15, 2021.

Debt Market Review

- $14.5bn of new US high yield corporate credit supply in January 2021 was observed. CCC-rated high yield bonds which had strengthened since last April experienced modest weakness.
- Fiscal deficit for FY21 was pegged at 9.5% of GDP & ₹80K crs of additional market borrowing for the current fiscal was announced, taking the gross borrowing for FY21 to ₹12.8 Tn.
- The additional borrowing of ₹ 80K crs for this fiscal and higher borrowing for both centre and state for next fiscal was unexpected for the bond market, thus it witnessed ~15 bps rise in 10 year G-Sec yields.
- MPC projection on inflation stood at 5.2% in Q4 (down from 5.8%) & 5.2% to 5.0% in H1:2021-22, with risks broadly balanced. The projection of 4.3% inflation by year-end gives RBI space to continue to pursue growth.
- The RBI governor assured market participants that the central bank will maintain 'ample' liquidity conditions and announced CRR normalization in two phases. CRR will be increased to 3.5% from March 27 and to 4% from May 22. This should withdrawal of about INR 1.5tn of liquidity from the system. The move was due and expected, given the abundant liquidity, and should open up space for more OMOs.
- RBI kept the policy rates unchanged with Repo at 4.0% and Reverse Repo at 3.35%. The MPC continued with the accommodative stance till the prospects of a sustained recovery are well secured while closely monitoring the evolving outlook for inflation.
- Important decisions by RBI recently (1)Proposed to provide retail investors with online access to government securities in both primary and secondary market.(2)Relaxation of 1% additional MSF to banks extended by 6 months.(3)Inclusion of NBFCs in TLTRO on Tap scheme, for incremental lending to the specified stressed sectors.
- Bank credit rose by 6.36% YOY in the month end of January 2021, & Bank deposit by 11.42% YOY growth in month end January 2021.
- FII remained net seller in debt market to the tune of Rs3,661 crs compared to the net buying Rs. 5,635 cr in the previous month. While MF institutions remained net buyers in Debt market to the tune of Rs 11,832 cr.

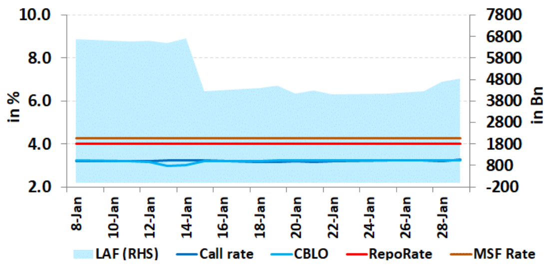
Debt Market Outlook

- FY22 budget has focused on capital expenditure to give push to infrastructure where it is projected to increase by 25% to 26% of GDP, whereas revenue expenditure is projected to be slightly lower than that of FY21.
- GDP growth is estimated at 10.5% in FY22, 26.2% to 8.3% in H1 and 6.0% in Q3 by RBI, which is lower than Economic Survey and IMF projections.
- RBI mentioned that reversal from the extraordinary accommodation will happen in a calibrated manner and taking into account the market reaction at every stage, so as to not provide a shock at any point of time.
- Government plans to privatize 2 PSUs and 1 General Insurance company in the coming fiscal year. This would both aid government divestment targets as well as set a precedence that the government will act more as a strategic investor rather than a permanent one.
- To attract foreign capital, FDI limits in insurance have been relaxed and raised to 74%.

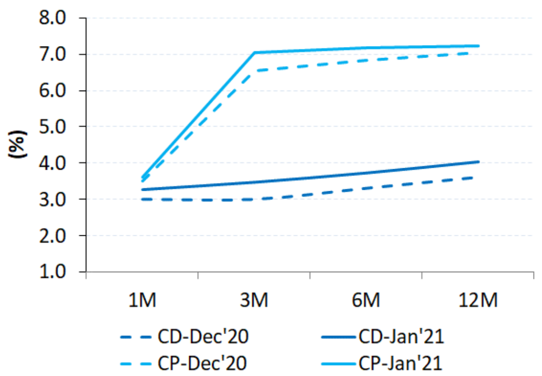
Investment Strategy

- Even though economy is reviving at a faster pace than expected, but still we are not out of the woods. Playing it safe puts you in an advantageous position to grab opportunities in future.
- Investors can consider investing in recommended Low Duration, Short Term, Banking & PSU or Corporate Bond funds as a considerable allocation into their portfolio.
- Govt revenues are likely to see cyclical upswing enabling more spending. Further volatility in short end of the curve is excepted.We recommend tatical allocation in Floaters fund for an investment horizon of 6 months to 1 year.

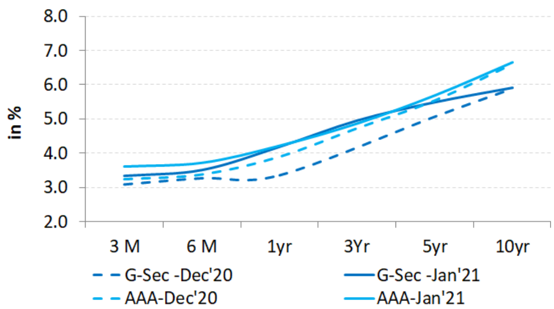
LAF and Money Market Rate Movement



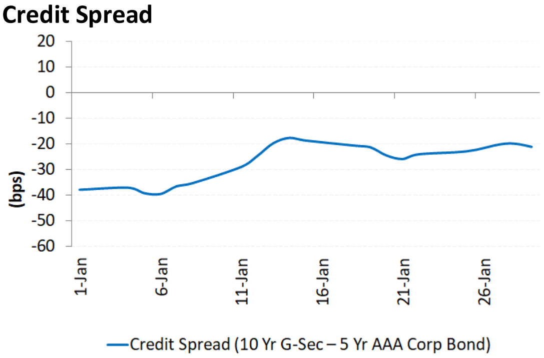
CD Rate Movement



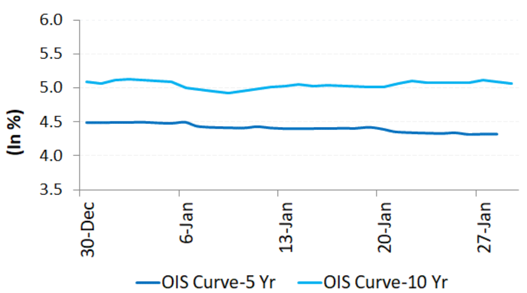
G-Sec and AAA Corp Bond Yield Movement



Credit Spread



OIS Curve



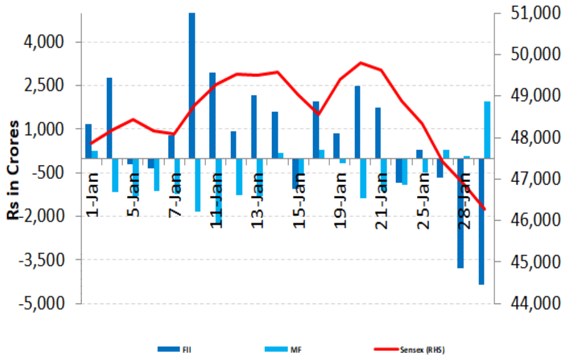
Source: Bloomberg, W2W Research

EQUITY MARKET

Equity Market Review

- After a strong start in January 21, most equity markets gave up their gains towards month end.
- Due to anxiety around Budget FII pulled out money in the last week of Jan and indices witnessed sharp correction; particularly Nifty 50 which declined close to 5%.
- In the month of January Nifty Small Cap 250 index rose by ~1.1%, Nifty Midcap 100 rose by ~0.3% whereas Nifty 50 corrected ~2.5%. MSCI world slid ~1.1% whereas MSCI Emerging Markets index outperformed by gaining ~3.0% particularly contributed by strong returns from China.
- India's manufacturing industry started the year on a strong note with Manufacturing PMI for the month of January at 57.7 (vs 56.4 in December 2020). India Services PMI increased to 52.8 in January 2021 from 52.3 in the previous month.
- Budget FY22 reemphasized focus on *Atmanirbhar Bharat*, aimed at an accelerated revival of economy using major fiscal stimulus with a bold decision to opt for higher market borrowing rather than increasing direct taxes.
- US PMI data pointed to expanding economy with manufacturing index at 59.1 and services at 57.5.
- US President Biden's $1.9 trillion fiscal stimulus plan appeared to face opposition in Congress, which weighed on investor sentiment.
- Despite delays in Europe the vaccine rollout progressed well in UK and US.
- Weakness was seen in Euro zone PMI at 47.5 due to ongoing pandemic. Italy witnessed political crisis as PM Conte resigned dampening market sentiments.
- China's real GDP rose by 6.5% YOY in 4QCY20. In December, China Services PMI, at 56.3, was above the 53 reading of the manufacturing index, suggesting that the hard-hit service sector has caught up with industrial sectors.
- FII remained net buyers in the Equity market to the tune of Rs. 14,512 cr in January 21 compared to buying of Rs 53,500 cr in the previous month. While MF institutions remained net sellers in Equity market to the tune of Rs 12,980 cr compared to selling of Rs. 26,428 crs in the previous month.

Sensex, FII & MF Movement



Indices Performance

Index	29-Jan-21	30-Dec-20	Change	% Chg
India				
Sensex	46,286	47,746	-1460.5	-3.1%
Nifty	13,635	13,982	-347.4	-2.5%
US				
Dow Jones	29,983	30,410	-426.9	-1.4%
Nasdaq	13,071	12,870	200.7	1.6%
EC				
FTSE 100	6,407	6,556	-148.4	-2.3%
Asia				
Nikkei 225	27,663	27,444	219.2	0.8%
Hang Seng	28,284	27,147	1136.6	4.2%
Shanghai Comp	3,483	3,414	68.6	2.0%
Bovespa	115,068	119,017	-3949.6	-3.3%
RTS	1,776	1,802	-26.1	-1.4%
Other				
MSCI WORLD	2,662	2,686	-24.4	-0.9%
MSCI EM	1,330	1,289	40.5	3.1%
MSCI EM Asia	743	711	32.6	4.6%

Equity Market Outlook

- Overall the budget seems to be positive by pushing growth in the economy with no negative surprise on tax front. Internationally also, most governments and central banks are fully committed to support economy with massive fiscal stimulus and easy financing conditions.
- In US, even if the 1.9T stimulus plan gets slimmed down because of narrow Democratic majority in Senate, the macroeconomic impact is dramatic as the overall stimulus bill for 2021 is likely to be worth close to 10% of GDP.
- China will likely witness broad based recovery in corporate earnings but subdued stimulus may put cap on further equity upside.
- The budget, in our view augurs well for the equity markets, given the growth oriented approach.
- The future looks greener that ever but one has to bear two things in mind; first, COVID still pose as a threat and second, execution on privatisation and disinvestments front is critical for India's fiscal success; and only time will tell how things pan out.

Sector Performance

Sector Index	29-Jan-21	31-Dec-20	Change	% Chg
BSE Auto	22,128	20,811	1316.2	6.3%
Bankex	34,663	35,888	-1225.9	-3.4%
BSE CD	30,099	30,394	-294.5	-1.0%
BSE CG	19,482	18,745	736.8	3.9%
BSE FMCG	12,218	12,609	-390.7	-3.1%
BSE HC	20,629	21,681	-1052.5	-4.9%
BSE IT	24,821	24,248	572.4	2.4%
BSE Metal	11,031	11,599	-568.3	-4.9%
BSE Oil	13,812	14,090	-278.1	-2.0%
BSE Power	2,005	2,062	-57.5	-2.8%
BSE PSU	5,726	5,781	-55.6	-1.0%
BSE Real	2,419	2,478	-59.6	-2.4%
BSE TEC	11,381	11,101	279.7	2.5%

Investment Strategy

- India's long term growth story remains intact since it is better placed in terms of fundamentals. We recommend our aggressive-moderate investors to increase allocation in our recommended Dynamic (Balanced) Advantage Fund, Mid cap & Small cap funds with a with a medium to long term view.
- Also as part of tactical allocation, we recommend investing in recommended Banking & Financial Services Funds with an investment horizon of 3-5 Years.
- (Click here to refer our special note on banking & financial)

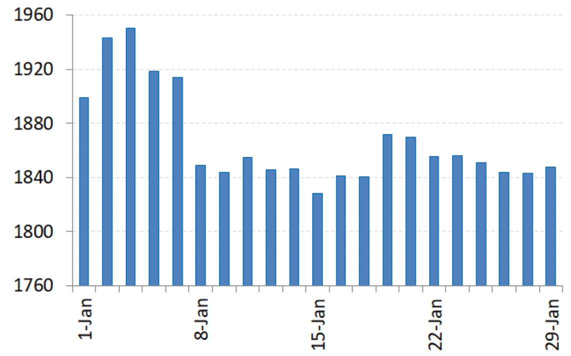
Review

- Gold fell by ~1.6% to ~49.2K in January 21 from ~50.0K in previous month. Import duty on gold rationalised in budget from 12.5% to 10% (7.5% import duty plus agricultural cess).
- Brent oil futures rose as high as ~7.9% in January from ~51.8 to ~55.9 dollars. Oil markets turned bullish as demand in physical markets ticked higher with US crude inventory depletion and Saudi's 1M bpd output cut.
- Rupee was effectively flat at 72.9 in January 21 compared to 73.04 in previous month.

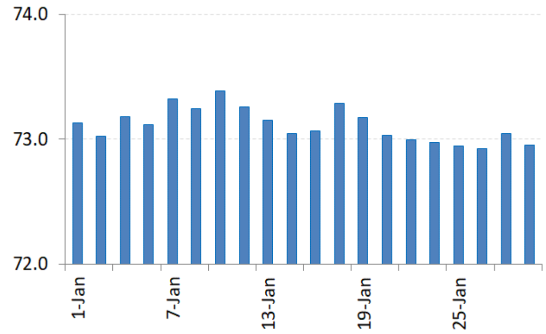
Outlook

- If the import duty is reduced further, to that extent there will be a drop in Rupee Gold prises instantly. Biden's presidency looks promising for the price of gold due to likelihood of higher fiscal deficit and risk of rise in inflation.
- The ongoing efforts by OPEC and its allies may keep crude prices afloat due to global demand.
- The implications for the US dollar are less clear. US growth prospects provide support for the greenback but this may be counteracted by the impact of higher consumer spending on the US current account. Thus INR to remain range bound, as FX flows remain strong.
- We recommend investors to invest some part of their portfolio in commodities. As investment interest in commodity have increased over the years due to low correlation compared to traditional asset classes like equity & fixed incomes, it provides for certain degree of portfolio diversification & commodities are regarded as potential hedge against inflation.
- We expect rupee to stay strong for mere future.

International Gold Movement



USD/INR Movement



Source: Bloomberg, W2W Research

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