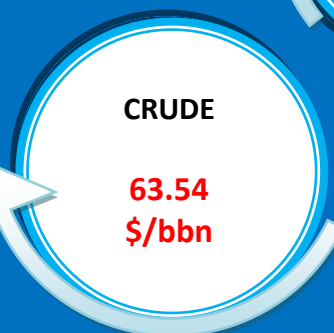
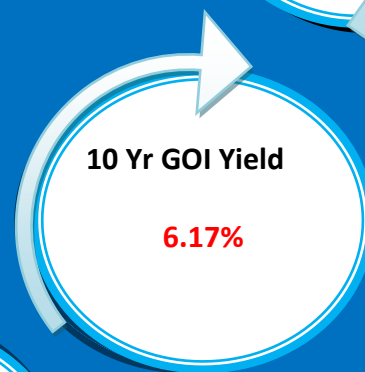
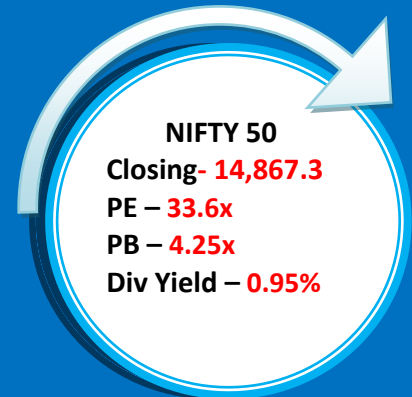


MONTHLY REPORT

CONTENTS

- ✓ Macro Economic – Key Indicator
- ✓ Debt Market Review and Outlook
- ✓ Debt Funds Category Snapshot
- ✓ Equity Market Review and Outlook
- ✓ Equity Funds Category Snapshot
- ✓ Gold Review and Outlook



Data as on Mar 31, 2021
Source: Bloomberg

Indicators	Mar-21	Feb-21	Jan-21	Dec-20	Nov-20	Oct-20	Sep-20	Aug-20	Jul-20	Jun-20	May-20	Apr-20	Mar-20
Sensex	4.55%	7.24%	-2.26%	8.15%	10.59%	5.13%	-3.55%	1.46%	7.94%	7.68%	-9.2%	14.4%	-23.05%
Nifty	5.89%	7.99%	-1.72%	7.81%	10.57%	4.52%	-3.43%	1.65%	7.66%	7.53%	-8.4%	14.7%	-23.25%
Nifty Midcap	14.36%	12.41%	0.92%	5.21%	15.65%	0.44%	-2.22%	7.39%	4.55%	10.78%	-4.9%	15.4%	-30.87%
Nifty SmallCap 250 Index	15.36%	13.75%	1.87%	8.18%	11.70%	0.25%	-1.20%	11.98%	4.63%	14.93%	-5.3%	12.9%	-33.72%
S&P 500 Index	6.36%	5.09%	-0.57%	2.58%	11.23%	-1.93%	-4.13%	7.42%	6.32%	1.84%	2.7%	12.7%	-12.51%
Nifty 50 EPS TTM (Rs)	412.33	420.30	422.68	401.77	401.78	406.89	387.96	391.56	412.37	436.87	466.06	507.81	516.60
Nifty 50 Price/Earnings (PE Ratio)	35.63	35.65	32.26	34.80	32.28	28.83	28.99	29.08	26.92	23.58	19.37	19.42	16.64
Nifty Midcap 100 (PE Ratio)	29.22	41.95	40.65	40.55	40.76	33.95	33.02	26.70	23.45	20.45	14.68	14.42	14.26
India Economic Indicator													
Bank Credit Growth (%)	4.11%	5.92%	6.35%	6.06%	5.82%	5.09%	5.12%	5.54%	5.83%	6.18%	6.24%	-17.76%	6.19%
Bank Deposit Growth (%)	10.20%	10.87%	11.42%	11.33%	10.90%	10.13%	10.51%	10.17%	10.84%	11.02%	10.66%	42.51%	7.94%
Debt Market Indicator													
RBI Repo Rate (%)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.40	4.40
G-sec 10 year Yield (%)	6.17	6.23	5.91	5.87	5.91	5.86	6.06	6.14	5.83	5.89	5.76	6.11	6.14
1 Year Tbill (%)	3.75	4.04	4.19	3.37	3.33	3.44	3.71	3.75	3.66	3.73	3.87	4.08	4.97
Corp Bond 10 Yr AAA Yield (%)	7.19	7.24	6.66	6.59	6.51	6.58	6.81	6.91	6.53	7.05	7.28	7.47	7.51
Corp Bond 10 Yr AA Yield (%)	7.90	7.94	7.36	7.35	7.31	7.37	7.58	7.69	7.37	7.78	7.92	8.13	8.18
Corp Bond 10 Yr A Yield (%)	9.30	9.29	8.91	8.84	8.78	8.83	9.02	9.10	8.77	8.84	8.73	9.52	9.67
Corp Bond 5 Yr AAA Yield (%)	6.28	6.34	5.70	5.52	5.55	5.62	6.00	6.01	5.67	6.16	6.38	6.83	7.02
Corp Bond 1 Yr AAA Yield (%)	4.15	4.41	4.22	3.92	3.89	3.93	4.40	4.78	4.31	4.98	5.72	6.10	5.97
CD 1 Yr (%)	4.38	4.25	3.97	3.78	3.57	3.74	4.00	3.86	3.75	4.05	3.99	4.79	5.12
Commodity & Currency													
Gold Price (USD)	1708	1734	1848	1894	1788	1877	1881	1965	1957	1781	1730	1687	1577
Gold (Rs/10gm)	43994	46425	49205	49774	48778	50656	49550	50981	53099	48304	48200	47260	40989
Crude(\$)	63.54	66.13	55.88	51.34	48.18	39.12	42.43	45.05	42.94	41.15	35.33	20.15	22.74
INR/1 USD	73.11	73.47	72.95	73.31	74.04	73.87	73.79	73.40	74.85	75.51	75.62	75.74	75.54
INR/1 EURO	85.78	89.10	88.40	89.91	88.28	86.82	85.86	87.41	87.96	84.78	83.91	82.24	82.78
Flows													
FII-Equity (Rs.cr)	16959	21959	14512	53499	70896	18400	-5689	45637	9506	18684	13000	-309	-62433
FII-Debt (Rs.cr)	-3984	-7158	-3661	5635	-2888	3296	3009	-4155	-2453	-1714	-20507	-12009	-60934
MF-Equity (Rs.cr)	2476	-16306	-12980	-35251	-30730	-14344	-3982	-8418	-7695	-3689	5108	-6846	28451
MF-Debt (Rs.cr)	14068	8161	11832	26295	20349	30995	16009	23647	31018	41364	11500	-9811	-12492

Source: Bloomberg, W2W Research

Summary:-

- The RBI maintained status quo on the key benchmark rates – repo rate at 4% and reverse repo rate at 3.35%. The MPC stated that accommodative stance would continue as long as it is necessary to sustain growth on a durable basis and to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward
- The inflation forecast for 1HFY22 has been raised very mildly, at 5.2% in Q1-Q2 of FY22, 4.4% Q3 and 5.1% in Q4, with risks broadly balanced - strong food production output and to be countered by possible cost push pressures. The FY22 real GDP growth projection stays unchanged at 10.5%.
- 12 month CPI inflation is expected to average between 4.5-5% which is comfortable from rate hike point of view
- India's deficit soared from 4.6% of GDP in FY20 to 9.5% in FY21 due to the measures taken to counter the pandemic. An expansionary budget and more transparent accounting led to the FY22 target of 6.8%

Debt Market Review

- The United States (US) real gross domestic product (GDP) grew 4.3% in the 4th quarter of 2020 compared with 4.1% reported previously. The GDP rebounded 33.4% on-year in the third quarter.
- After two consecutive quarters of contraction, India's GDP witnessed marginal growth of 0.4% in the 3rd quarter(Oct-Dec) of fiscal 2021 compared with a contraction of 7.3% in the 2nd quarter(July-Sept).
- Benchmark 10 year treasury yield saver aged at 6.19% in March (11 bp higher vs February avg.) .On month end values, the 10Y yield was down 7 bps to end the month at 6.17%. US 10Y yield is at 1.74% (+34 bps MoM, +107 bps YoY).
- Gilts ended higher with the yield on the 10-year benchmark 5.85% 2030 paper settling at 6.18% on March 31,2021, compared with 6.23% on February 26,2021.
- Retail inflation based on the Consumer Price Index(CPI) rose to 5% in February 2021 compared to 4.1% in January 2021.
- GST collections have seen an increasing trend over the last 6 months with the month of March 21 witnessing the highest collections at Rs 1.24 Trillion since the introduction of the indirect tax regime.
- As Government borrowings have expanded, corporate borrowing numbers have been much muted with the last financial year issuances by PSU/PFI borrowers being about Rs 3.72 Trillion growing at around 12% over the year.
- Bank credit rose by 4.11% YOY in the month end of March 2021, and bank deposit by 10.20% YOY growth in month end March, 2021.
- FII remained net sellers in debt market to the tune of Rs.3,984 crs compared to the net selling of Rs. 7,158 cr in the previous month. While DII remained net buyers in Debt market to the tune of Rs 14,068 crs for the month of March 2021.

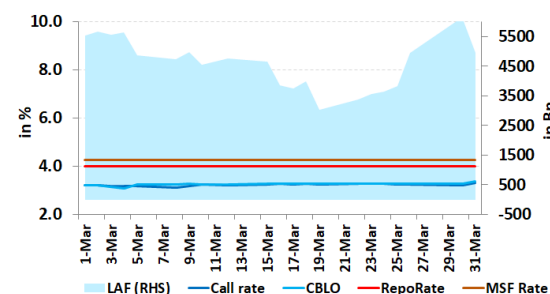
Debt Market Outlook

- Last year (FY21) witnessed aggressive rate cuts by RBI and large liquidity infusion in response to the negative growth shock. However, this year(FY22) is expected to be the year of growth recovery and monetary policy normalization.
- The decision to conduct longer tenor VRRR auctions (Variable rate reverse repo) (greater than the current 14 day) could put pressure on the shorter end of the curve.
- This year fiscal policy is expected to be in the driving seat as Monetary policy was last year. The Government has delivered an expansionary fiscal policy in the recent budget which may result in stronger growth recovery. This may come with risk of elevated inflation and likely interest rate volatility.
- The Global conditions for this year(FY22)remains accommodative but the markets have started pricing in for higher inflation which has resulted in US Treasury10-yr yields going back to pre-Covid19 levels.This has resulted in higher volatility in markets.
- RBI is expected to continue gradual normalization of liquidity management operations as the growth & economic activity picks-up.
- Banking liquidity has remained in surplus at the level of ~ INR 5 lac cr.

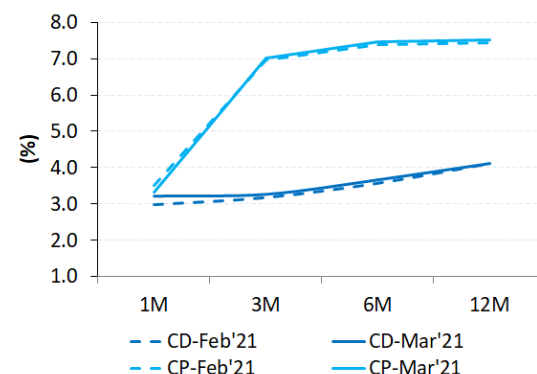
Investment Strategy

- 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 expected. We recommend tactical allocation in Floaters fund for an investment horizon of 6 months to 1 year.

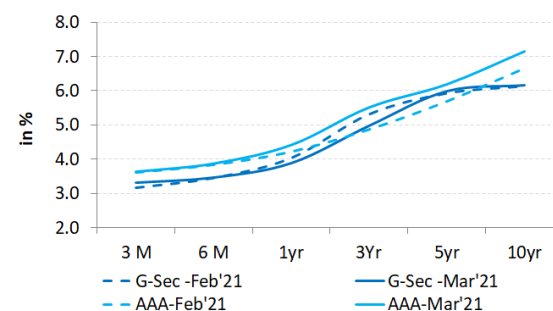
LAF and Money Market Rate Movement



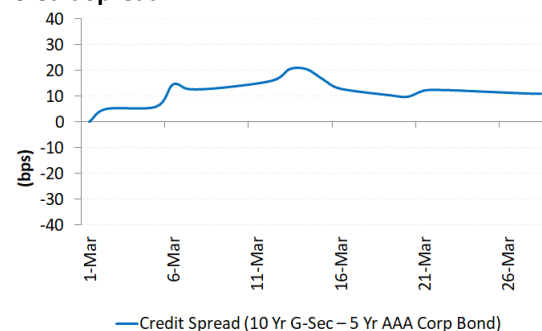
CD Rate Movement



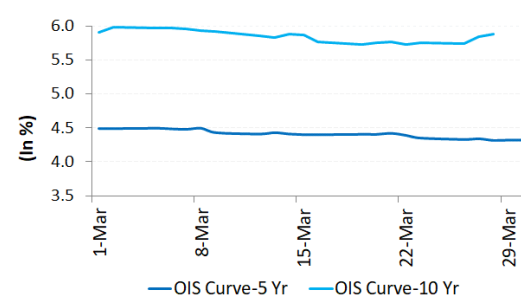
G-Sec and AAA Corp Bond Yield Movement



Credit Spread



OIS Curve



Source: Bloomberg, W2W Research

Equity Market Review

- Indian markets surged initially on the back of positive global cues. However, the rally was kept in check due to materialization of two key risk of an intensified second wave of COVID and continued surge in global yields.
- In the month, Nifty 50 rose by ~1.1%, Nifty Midcap 100 rose by ~1.8%, whereas Nifty Small Cap 250 index rose by mere ~0.9%. Global indices surged during the month with US and Europe leading the rally. MSCI world rose by ~3.3% whereas MSCI Emerging Markets index lost ~1.5%.
- Positive global developments, including expansion of the Covid-19 vaccination drive, US Federal Reserve's decision to keep the interest rate unchanged at 0-0.25%, and upbeat US jobs data supported the markets. Some gains were however chipped off due to concerns over the lockdown in Europe and potential US tax hikes.
- The US real GDP grew 4.3% in the fourth quarter of 2020 compared with 4.1% reported previously. March also saw the passage of President Biden's bumper stimulus package, worth ~9% of US GDP. There was a proposal of a further \$2 trillion of US fiscal stimulus. This "American Jobs Plan" includes large infrastructure spending as well as corporate tax increases.
- Vaccination drive is strong in parts of the world with over 37% of American and 58% of British adults now having received at least one dose of vaccine. Whereas eurozone and Japanese regions having vaccinated only about 11% and 1% of their populations respectively.
- In economic data, the eurozone manufacturing PMI was revised up 0.1 to 62.5 in the final reading for March. The UK manufacturing PMI was also revised up 1.0 to 58.9 in the final March reading. The NBS manufacturing PMI in China indicated a rise to 51.9 in March.
- FII remained net buyers in the Equity market to the tune of Rs. 16,959 cr in March 21 compared to buying of Rs 21,960 cr in the previous month. While MF institutions turned net buyers in Equity market to the tune of Rs 2,476 cr compared to selling of Rs. 16,306 cr in the previous month.

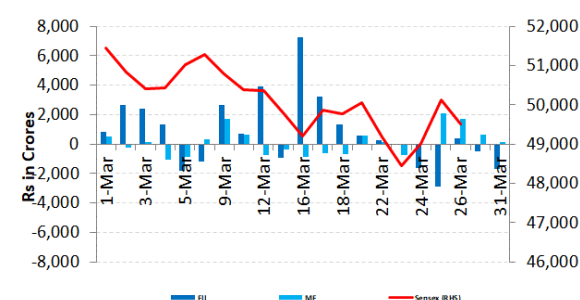
Equity Market Outlook

- The vaccination drive across the world has led to a belief that the end of this pandemic is near and the resulting economic risks are manageable. However, there is a need for improvement in medical situation, as the vaccine process continues to race against more contagious variants and the reopening process.
- With regards to US stimulus there is worry with the size as it could lead to a pickup in inflation, potentially leading the Federal Reserve to tighten policy to an extent that could be damaging for equity markets. However, despite upgrading its growth forecasts for this year, the Fed does not believe inflation will be sustainably above target and still expects not to raise rates before 2024.
- Going forward, markets would observe the status of \$2 Tn. infrastructure package declared by the Biden administration post the recent passage of \$1.9 Tn. fiscal stimulus. With a slim majority in the Senate for democrats, the extent to which this proposal will see the light of the day is uncertain.
- Indian market likely to remain range bound. While the second wave continues to be a cause of worry, it has not led to any major curb in activity so far as lockdowns have been much localised and much less stringent. Key monitorable going forward would be pace of vaccination reach and upcoming earnings season. Overall, there is reason to be optimistic on an uptick in earnings cycle for Indian corporates over the next few years. Beyond the short-term bouts of volatility, this should continue to be supportive of equities.

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, Flexi-cap, Mid cap & Small cap funds with a with a medium to long term view. We also recommend investors to allocate 10 to 15% of the equity allocation in recommended themes like PSU Equity Funds, Banking & Financial Services Funds with an investment horizon of 2 to 3 years. (Click to refer our special note on [banking & financial](#) or [PSU equity fund](#)).
- We believe investors should also consider geographic diversification of their investments and we currently recommend 10-15% of the portfolio allocation to Emerging Markets International Equity Funds (Click to refer our detailed note on [emerging market equity funds](#)).

Sensex, FII & MF Movement



Indices Performance

Index	31-Mar-21	26-Feb-21	Change	% Chg
India				
Sensex	49,509	49,100	409.2	0.8%
Nifty	14,691	14,529	161.6	1.1%
US				
Dow Jones	32,982	30,932	2049.2	6.6%
Nasdaq	13,247	13,192	54.5	0.4%
EC				
FTSE 100	6,714	6,483	230.2	3.6%
Asia				
Nikkei 225	29,179	28,966	212.8	0.7%
Hang Seng	28,378	28,980	-601.9	-2.1%
Shanghai Comp	3,442	3,509	-67.2	-1.9%
Bovespa	116,634	110,035	6598.5	6.0%
RTS	1,936	1,837	99.3	5.4%
Other				
MSCI WORLD	2,812	2,727	84.8	3.1%
MSCI EM	1,316	1,339	-22.8	-1.7%
MSCI EM Asia	727	750	-23.1	-3.1%

Sector Performance

Sector Index	31-Mar-21	26-Feb-21	Change	% Chg
BSE Auto	22,252	22,938	-685.5	-3.0%
Bankex	37,548	38,981	-1433.3	-3.7%
BSE CD	32,826	31,758	1067.7	3.4%
BSE CG	21,096	21,519	-423.2	-2.0%
BSE FMCG	12,875	11,967	908.8	7.6%
BSE HC	21,328	20,856	472.6	2.3%
BSE IT	26,543	24,424	2119.3	8.7%
BSE Metal	14,351	13,719	631.5	4.6%
BSE Oil	14,820	15,543	-723.0	-4.7%
BSE Power	2,475	2,419	56.4	2.3%
BSE PSU	6,704	7,013	-309.9	-4.4%
BSE Real	2,670	2,787	-116.6	-4.2%
BSE TEC	11,920	11,233	687.1	6.1%

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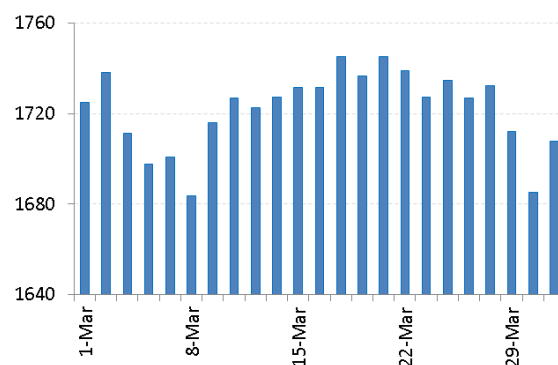
Review

- Gold struggled to move decisively in either direction with the metal's price moving in the \$1680-1750/ounce range for most of March, and closing the month close to \$1710/ounce with a loss of 1%.
- A firm US dollar at 4-month highs and rising US Treasury yields which neared 1.8% continued to weigh on non-yielding gold.
- Rupee rose 0.5% to settle at Rs73.11 per dollar on March 31, as against Rs73.47 per dollar on February 26.
- Brent crude prices declined nearly 4% to close at \$63.54 per barrel on March 31, 2021, vis-à-vis \$66.13 per barrel on February 26, 2020.

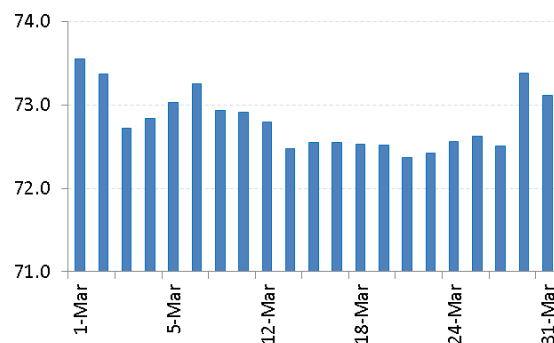
Outlook

- Gold is currently in a consolidation phase which is encouraging bargain hunters and long-term investors to step in and take advantage of low prices of gold. We believe gold may soon reverse direction decisively and recover.
- INR remains weak compare to February 2021, as RBI left its benchmark repurchase rate unchanged at 4.00% & some gains observed in US Dollar.
- Prices increased to \$65/b in March 2021 due to rising oil demands as COVID-19 vaccination rates have increased and economic activity has picked up.
- Price increase also reflects supply limitations by the OPEC & OPEC partner countries. OPEC has been limiting oil production due to decreased demand during the pandemic. At its March 2021 meeting, OPEC announced the production cuts would continue through at least April.

International Gold Movement



USD/INR Movement



Source: Bloomberg, W2W Research

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