



WAY2WEALTH
A COFFEE DAY COMPANY

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MONTHLY REPORT



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NIFTY 50
Closing- **12168.4**
PE – **28.30x**
PB – **3.75x**
Div Yield – **1.24**

**NIFTY FREEFLOAT
MIDCAP 100**
Closing – **17102.0**
PE – **23.44x**
PB – **2.16x**
Div Yield – **1.34**

10 Yr GOI Yield
6.6%

CRUDE
66.0
\$/bbn

USD/INR
71.38

GOLD
1517.9
\$/Oz

Data as on December 31, 2019
Source: Bloomberg



Indicators	Dec-19	Nov-19	Oct-19	Sep-19	Aug-19	Jul-19	Jun-19	May-19	Apr-19	Mar-19	Feb-19	Jan-19	Dec-18
Sensex	1.1%	1.9%	3.6%	3.6%	-0.4%	-4.9%	-0.8%	1.7%	0.9%	7.8%	0.8%	-1.3%	-0.3%
Nifty	0.9%	1.8%	3.2%	4.1%	-0.9%	-5.7%	-1.1%	1.5%	1.1%	7.7%	1.3%	-1.9%	-0.1%
Nifty Midcap	-0.7%	3.9%	3.5%	2.4%	-1.7%	-9.8%	-1.7%	2.2%	-3.8%	9.2%	-0.4%	-6.1%	2.1%
Nifty SmallCap 250 Index	0.5%	1.6%	1.7%	4.4%	-2.2%	-10.8%	-5.1%	1.6%	-2.0%	10.8%	-1.7%	-5.7%	3.3%
S&P 500 Index	2.9%	3.1%	2.4%	1.7%	-1.8%	1.3%	6.9%	-6.6%	3.9%	1.8%	3.9%	6.9%	-9.2%
Nifty 50 EPS TTM (Rs)	459.00	458.04	458.13	462.02	470.8	470.8	476.1	456.5	456.5	442.0	447.4	447.4	447.4
Nifty 50 Price/Earnings (PE Ratio)	27.00	26.32	25.85	24.84	23.4	23.6	25.5	26.1	25.7	26.3	24.1	23.8	24.3
Nifty Midcap 100 (PE Ratio)	20.00	19.27	18.05	17.05	15.8	15.1	16.3	15.9	15.6	20.1	19.7	19.7	20.5
India Economic Indicator													
Quarterly GDP (%)	5.00	5.00	5.00	5.00	5.0	5.0	5.0	5.8	5.8	5.8	6.6	6.6	6.6
GVA (%)	4.90	4.90	4.90	4.90	4.9	4.9	4.9	5.7	5.7	5.7	6.3	6.3	6.3
IIP (%)	-4.27	-4.27	-4.27	-4.27	-1.4	4.6	1.3	4.5	3.2	2.7	0.2	1.6	2.5
CPI (%)	4.62	4.62	4.62	3.99	3.3	3.2	3.2	3.1	3.0	2.9	2.6	2.0	2.1
WPI (%)	0.16	0.16	0.16	0.33	1.2	1.2	2.0	2.8	3.2	3.1	2.9	2.8	3.5
Bank Credit Growth (%)	7.10	7.83	8.91	8.78	10.1	12.1	12.0	12.4	12.7	12.9	14.1	14.2	14.7
Bank Deposit Growth (%)	10.07	10.03	10.26	9.38	9.7	10.0	10.4	9.7	9.2	9.6	9.3	9.2	8.6
RBI Repo Rate (%)	5.15	5.15	5.15	5.40	5.4	5.8	5.8	6.0	6.0	6.3	6.3	6.5	6.5
Debt Market Indicator													
G-sec 10 year Yield (%)	6.60	6.47	6.45	6.70	6.6	6.4	6.9	7.0	7.4	7.4	7.4	7.3	7.4
1 Year Tbill (%)	5.50	5.47	5.60	5.60	5.9	5.9	6.3	6.3	6.6	6.6	6.6	6.7	6.9
Corp Bond 10 Yr AAA Yield (%)	7.60	7.74	7.84	7.87	7.7	7.7	8.1	8.2	8.5	8.5	8.7	8.6	8.5
Corp Bond 10 Yr AA Yield (%)	8.30	8.36	8.47	8.46	8.3	8.3	8.6	8.8	9.1	9.1	9.3	9.1	9.2
Corp Bond 10 Yr A Yield (%)	9.70	9.61	9.50	9.82	9.7	9.5	9.9	10.1	10.4	10.3	10.4	10.3	10.4
Corp Bond 5 Yr AAA Yield (%)	7.20	7.14	7.29	7.44	7.4	7.5	8.0	7.9	8.3	8.1	8.5	8.3	8.4
Corp Bond 1 Yr AAA Yield (%)	6.20	6.15	6.52	6.82	6.9	7.2	7.6	7.7	7.9	7.6	8.0	8.0	8.3
CD 1 Yr (%)	6.00	5.79	5.87	6.42	6.5	6.9	7.2	7.2	7.6	7.3	8.0	8.1	8.0
Commodity & Currency													
Gold Price (USD)	1517	1464	1513	1472	1520	1414	1410	1306	1284	1292	1313	1321	1282
Gold (Rs/10gm)	39076	37876	38650	37475	38405	34805	34006	32056	31723	31601	33250	33209	31566
Crude(\$)	66.00	62.43	60.23	60.78	60.4	65.2	66.6	64.5	72.8	68.4	66.0	61.9	53.8
INR/1 USD	71.38	71.74	70.93	70.87	71.4	68.8	69.0	69.7	69.6	69.1	70.7	71.1	69.8
INR/1 EURO	80.09	78.90	79.17	77.30	78.8	76.7	78.5	77.7	78.0	77.7	80.8	81.6	80.0
Flows													
FII-Equity (Rs.cr)	6117	22489	14657	6674	-15552	-13316	1033	9826	10729	42667	15328	-505	2299
FII-Debt (Rs.cr)	-5350	-3223	5056	-1913	11415	8418	8265	3789	-10863	20358	-9290	-2601	5804
DII-Equity (Rs.cr)	1805	-4844	3427	11029	17406	15083	6232	5163	-4599	-7396	2173	7160	2919
DII-Debt (Rs.cr)	45492	39418	42048	31354	50315	52798	43570	31340	50820	71448	26450	47151	65235

Source: Bloomberg, W2W Research

Summary:-

- The Gross Domestic Product continued its downward spiral for the seventh consecutive quarter, falling to 4.5 per cent in the second quarter (July-September) of the year 2019-20
- Industrial growth shrunk for the second straight month in September, contracting by 4.3%, the most in nearly 8 years. The slide was mainly due to poor performance in the manufacturing sector.
- CPI inflation jumps to 4.62% in October 2019. Core CPI inflation dips to 3.44% in October 2019
- Wholesale prices in India rose by 0.16 percent year-on-year in October of 2019, slowing from a 0.33 percent gain in the previous month and compared with market expectations of a flat reading.
- The fiscal deficit for the period April-October was recorded at 102.4% of the budget estimate crossing the full year target underlining the fiscal concerns for the government.
- Global crude oil prices moved up by 5.7% during the month on the back of announced supply curbs as well as due to positive news flows emerging from the US-China trade negotiations.
- The fiscal deficit continued to track way above the budgeted number for FY20. India's Fiscal Deficit In November At 114.8% Of 2019-20 target
- GST collections saw some positive traction, registering second consecutive month of above Rs. 1 trillion for Nov 2019 (collected in Dec 2019)

Debt Market Review

- India 10 year bond yields rose to 6.56% for the month of December 2019, yields moved up as RBI surprised the market by keeping the repo rate unchanged in Dec 2019 policy meet.
- RBI conducted operation twist, simultaneous purchase and sale of long term & short term g-sec respectively, which led the yields softening.
- The yield spread for the 10 year-2 year Gilt stands at fell to 78 basis point as compared to 101 basis point in the previous month
- On the global front, US 10- year bond yields rose by 6 bps, closing at 1.88% for the month of December
- The Gross Domestic Product continued its downward spiral for the seventh consecutive quarter, falling to 4.5 per cent in the second quarter (July-September) of the year 2019-20.
- CPI inflation inched up to 16 month high of 4.62% (YoY) in October while the industrial sector output shrank, for the third consecutive month, by 3.80% in October indicating deepening slowdown in the economy.
- FII remained net sellers in the debt market to the tune of Rs. 5,350 crs compared to Rs 3,223 cr in the previous month. While DII remained net buyers in Debt market to the tune of Rs 45,492. cr for the month of November 2019 as compared to net buy Rs. 39,418 crs in the previous month

Debt Market Outlook

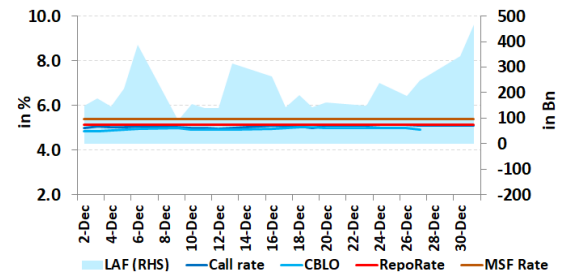
- In order to boost the economy and stimulate growth, government has introduced a slew of measures like reduction in the corporate tax rate, financial sector restructuring, real estate sector reform, auto sector reforms and infrastructure spending of around USD 1.4 trillion over the next five years.
- We expect the government to overshoot the fiscal deficit target of 3.3% by 40-50 bps. However there is very little room left for the government for further action.
- Liquidity conditions have remained comfortable during H2CY19 due to increased spending. Going forward, we expect liquidity to remain in comfort zone.
- RBI is likely to stay accommodative and continue to ease financial conditions. We thus expect liquidity to stay abundant and in surplus till September 2020. We expect continued stress in fiscal health and slippage from the FRBM roadmap as tax collection remains low and government tries to support a faltering economy.
- Thus, we expect the 10 year to remain under stress we expect the 10 year yield to touch 6.8%, as the current fiscal situation, geopolitical tension and higher crude oil prices may weigh on Indian markets.
- The global recovery hinges crucially on no major escalation in US-China trade tension, US-Iran tension and no major flare up in any geo political tension creating global implication. Moreover US elections remains a key risk for markets and global economy.

Investment Strategy

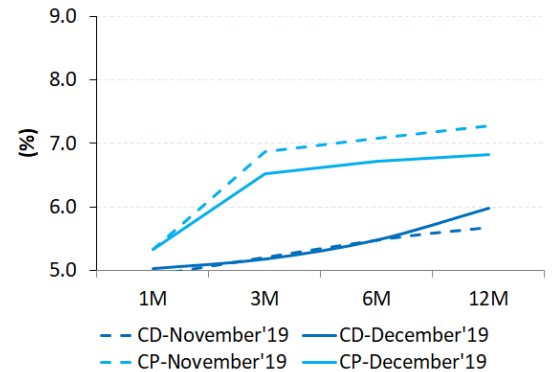
- As we expect the liquidity to remain in the surplus zone; this bodes well for shorter end of the yield curve.
- We recommend investors to invest in funds with a roll down strategy funds, Banking & PSU Debt Funds, Short term debt funds and Corporate bond funds with a portfolio AAA/AA+ instruments (recommended duration of 1-3 years), as they provide better risk adjusted returns.

Source: Bloomberg, W2W Research

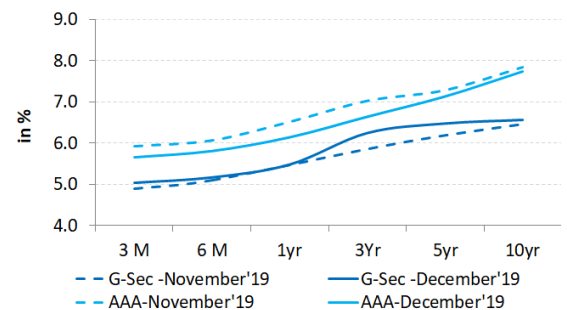
LAF and Money Market Rate Movement



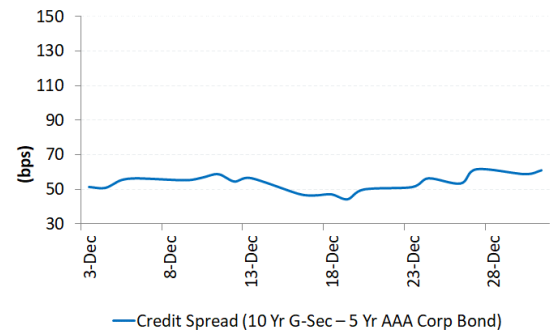
CD Rate Movement



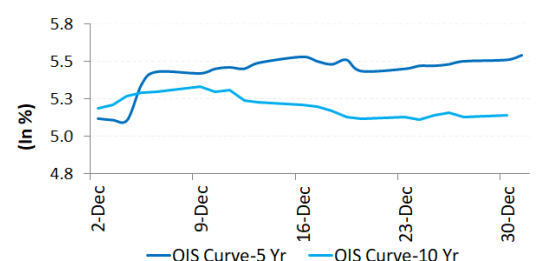
G-Sec and AAA Corp Bond Yield Movement



Credit Spread



OIS Curve



Equity Market Review

- Indian Equity Markets (Nifty 50 Index) inched up marginally up by (+1%) during the month but underperformed key global equity market indices. Within broader market indices, the BSE Smallcap index gained (+1%) while BSE Midcap index was down 0.8% during the month.
- Global cues were constructive during the month on the back of positive news flow on the trade deal between the US and China, finalization of the US trade talks with Mexico and China as well as the decisive outcome seen in the UK
- However, the macro data points released during the month continued to remain subdued. Headline inflation hardened a bit on the back of higher food inflation while industrial production data continued to remain in the contraction
- Also the monetary policy decision of keeping rates on hold in the December meeting came as a surprise as the market was expecting a continued easing cycle, given the growth concerns.
- The fiscal deficit continued to track way above the budgeted number for FY20 while GST collections saw some positive traction, registering second consecutive month of above Rs. 1 trillion for Nov 2019 (collected in Dec 2019).
- FII remained net buyers in equity to the tune of Rs.6,117 crs compared to Rs 22,489 cr in the previous month. While DII turned net sellers in Equity market to the tune of Rs. 1,805 cr for the month of December 2019 as compared to net sell of Rs. 4,844 cr in the previous month.

Equity Market Outlook

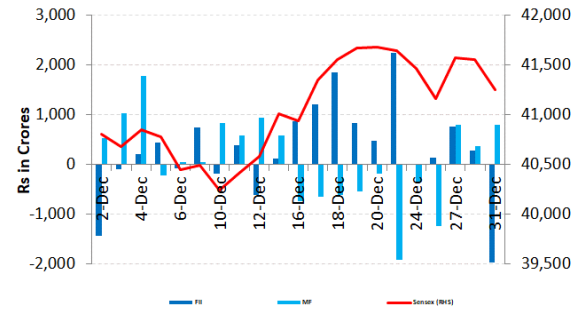
- Indian equities ended the year strong despite being plagued by volatility throughout the year. It was a narrow rally driven by few largecaps. While the large cap rallied, medium and small cap stock prices corrected significantly from their all time highs.
- Financial and energy stocks were the largest contributors to large cap performance. Realty and Consumer durables were the best performing sectors.
- The government is currently seen adopting looser fiscal measures so as to boost the sagging economic growth, which can be termed as a counter cyclical. We believe that the Indian economy and corporate earnings growth are set for a gradual recovery over the next 1-2 years led by positive effects of the policy measures undertaken so far.
- Global cues were supportive driven by US – China trade deal and UK election outcome. In mid-December, the US and China announced that an agreement on the phase -1 of trade negotiations that covered aspects such as IP, technology transfer, agriculture, financial services, expansion in trading as well as dispute resolution
- We continue to believe that the long term growth story remains intact, however the market performance in the near term will be a function of liquidity (FII flows), cues from the upcoming union budget and global cues (trade negotiations, Brexit and Crude oil prices)
- We recommend to be constructive on equities since economic growth could be at the cusp of recovery cycle.

Investment Strategy

- From an investment perspective, diversified equity funds specially the multicap funds offer relatively favourable valuation after the recent correction for medium to long term perspective. We suggest to invest in staggered manner.
- Also investors with lower risk volatility can consider investing in Dynamic Asset Allocation schemes like Balanced Advantage and Multi Asset categories, which can manage equity levels based on the market valuations to mitigate heightened volatility.

Source: Bloomberg, W2W Research

Sensex, FII & MF Movement



Indices Performance

Index	31-Dec-19	29-Nov-19	Change	% Chg
India				
Sensex	41,254	40,794	459.9	1.1%
Nifty	12,168	12,056	112.4	0.9%
US				
Dow Jones	28,538	28,051	487.0	1.7%
Nasdaq	8,973	8,665	307.1	3.5%
EC				
FTSE 100	7,542	7,347	195.9	2.7%
Asia				
Nikkei 225	21,276	23,294	-2018.0	-8.7%
Hang Seng	28,190	26,346	1843.3	7.0%
Shanghai Comp	3,050	2,872	178.1	6.2%
Other				
MSCI WORLD	2,358	2,292	66.2	2.9%
MSCI EM	1,115	1,040	74.6	7.2%
MSCI EM Asia	566	530	36.3	6.9%

Sector Performance

Sector Index	31-Dec-19	29-Nov-19	Change	% Chg
BSE Auto	18,485	18,100	385.5	2.1%
Bankex	36,672	36,191	480.5	1.3%
BSE CD	25,012	24,873	138.8	0.6%
BSE CG	16,944	17,384	-440.5	-2.6%
BSE FMCG	11,406	11,724	-317.7	-2.8%
BSE HC	13,429	13,603	-174.2	-1.3%
BSE IT	15,476	14,875	600.7	3.9%
BSE Metal	10,428	9,779	649.2	6.2%
BSE Oil	14,745	15,156	-410.9	-2.8%
BSE Power	1,926	1,925	1.5	0.1%
BSE PSU	6,956	7,073	-117.1	-1.7%
BSE Real	2,281	2,167	114.0	5.0%
BSE TECK	7,718	7,461	256.9	3.3%



Gold Review

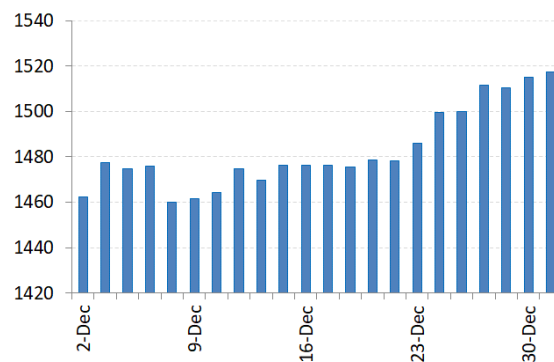
- The gold price broke through the \$1 400/oz for the first time since 2013 peaking at just over \$1 500/oz in August 2019. Gold, which remains a safe haven share for investors and acts as a good hedge against turbulent global economic times.
- Prices of some commodities sensitive to situations in the Middle East are rising. Iran-U.S. hostilities are creating fears of geopolitical risks, sending crude oil prices up
- It is possible Iran will attack tankers or oil-processing facilities in Saudi Arabia. Further pushing price up and breaking high of \$70 per barrel made at month end.
- Foreign portfolio investors had bought 160.69 billion rupees of Indian securities in October, the highest in six months. pushed the rupee to levels over one-month highs, dragging the USD/INR cross further below the 71.00 mark during the first half of December.

Gold Outlook

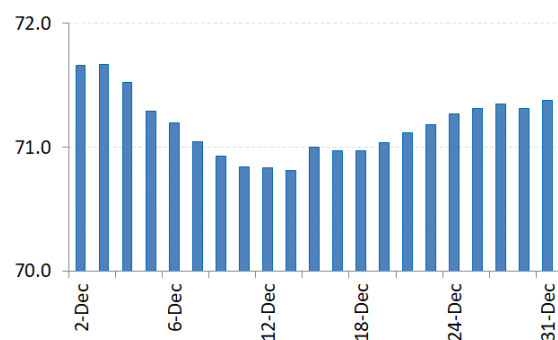
- The global economic slowdown, liquidity crisis in India and depreciation of the rupee against the US dollar which has now reached Rs 71, will support the gold market.
- A modestly weaker US dollar may limit rupee's downside. Growing expectations for a resolution to the US-China trade war led to a global stock market rally.
- Rupee gains strong base with investors factoring in the huge inflow expected from Bharati airtel through qualified institutional placement of about \$2-billion and EXIM bank & Manappuram finance with \$1.3-billion dollar through overseas bond.
- RBI has bought about \$18 billion of foreign exchange since the end of September and propelled reserves to a record, pointing to determined efforts to curb a sharp appreciation of the domestic currency, which can hurt exports.

Source: Bloomberg, W2W Research

International Gold Movement



USD/INR Movement





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