WAY2WEALTH

June 2020

MONTHLY REPORT

www.way2wealth.com
research@way2wealth.com

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NIFTY 50
Closing- 9580.30
PE –22.38x
PB – 2.73x
Div Yield –1.59

NIFTY FREEFLOAT MIDCAP 100
Closing – 13273
PE – 19.61x
PB – 1.92x
Div Yield –1.45

10 Yr GOI Yield
5.76%

CRUDE
35.33 $/bbn

USD/INR
75.62

GOLD
1730 $/Oz

Data as on May 29, 2020
Source: Bloomberg

Indicators	May-20	Apr-20	Mar-20	Feb-20	Jan-20	Dec-19	Nov-19	Oct-19	Sep-19	Aug-19	Jul-19	Jun-19	May-19
Sensex	-9.22%	14.4%	-23.1%	-5.95%	-1.3%	1.1%	1.9%	3.6%	3.6%	-0.4%	-4.9%	-0.8%	1.7%
Nifty	-8.43%	14.7%	-23.2%	-6.35%	-1.7%	0.9%	1.8%	3.2%	4.1%	-0.9%	-5.7%	-1.1%	1.5%
Nifty Midcap	-4.94%	15.4%	-30.9%	-6.79%	5.3%	-0.7%	3.9%	3.5%	2.4%	-1.7%	-9.8%	-1.7%	2.2%
Nifty SmallCap 250 Index	-5.34%	12.9%	-33.7%	-7.10%	7.1%	0.5%	1.6%	1.7%	4.4%	-2.2%	-10.8%	-5.1%	1.6%
S&P 500 Index	2.72%	12.7%	-12.5%	-8.41%	-0.2%	2.9%	3.1%	2.4%	1.7%	-1.8%	1.3%	6.9%	-6.6%
Nifty 50 EPS TTM (Rs)	466.06	507.81	516.60	511.30	517.07	523.22	458.04	458.13	462.02	470.8	470.8	476.1	456.5
Nifty 50 Price/Earnings (PE Ratio)	19.37	19.42	16.64	21.91	23.13	23.26	26.32	25.85	24.84	23.4	23.6	25.5	26.1
Nifty Midcap 100 (PE Ratio)	14.68	14.42	14.26	20.69	21.29	19.83	19.27	18.05	17.05	15.8	15.1	16.3	15.9
Bank Credit Growth (%)	6.24%	-17.76%	6.19%	6.04%	7.14%	7.94%	7.83	8.91	8.78	10.1	12.1	12.0	12.4
Bank Deposit Growth (%)	10.66%	42.51%	7.94%	9.01%	9.08%	10.28%	10.03	10.26	9.38	9.7	10.0	10.4	9.7
Debt Market Indicator													
RBI Repo Rate (%)	4.00	4.40	4.40	5.15	5.15	5.15	5.15	5.15	5.40	5.4	5.8	5.8	6.0
G-sec 10 year Yield (%)	5.76	6.11	6.14	6.37	6.60	6.55	6.47	6.45	6.70	6.6	6.4	6.9	7.0
1 Year Tbill (%)	3.87	4.08	4.97	5.33	5.66	5.48	5.47	5.60	5.60	5.9	5.9	6.3	6.3
Corp Bond 10 Yr AAA Yield (%)	7.28	7.47	7.51	7.43	7.83	7.61	7.74	7.84	7.87	7.7	7.7	8.1	8.2
Corp Bond 10 Yr AA Yield (%)	7.92	8.13	8.18	8.07	8.47	8.27	8.36	8.47	8.46	8.3	8.3	8.6	8.8
Corp Bond 10 Yr A Yield (%)	8.73	9.52	9.67	9.62	9.84	9.74	9.61	9.50	9.82	9.7	9.5	9.9	10.1
Corp Bond 5 Yr AAA Yield (%)	6.38	6.83	7.02	6.80	7.15	7.14	7.14	7.29	7.44	7.4	7.5	8.0	7.9
Corp Bond 1 Yr AAA Yield (%)	5.72	6.10	5.97	5.99	6.26	6.26	6.15	6.52	6.82	6.9	7.2	7.6	7.7
CD 1 Yr (%)	3.99	4.79	5.12	6.17	5.95	6.05	5.79	5.87	6.42	6.5	6.9	7.2	7.2
Commodity & Currency													
Gold Price (USD)	1730	1687	1577	1586	1589	1515	1464	1513	1472	1520	1414	1410	1306
Gold (Rs/10gm)	48200	47260	40989	42352	40694	38806	37876	38650	37475	38405	34805	34006	32056
Crude($)	35.33	20.15	22.74	50.52	58.16	68.44	62.43	60.23	60.78	60.43	65.17	66.55	64.49
INR/1 USD	75.62	75.74	75.54	72.18	71.35	71.31	71.74	70.93	70.87	71.41	68.80	69.03	69.70
INR/1 EURO	83.91	82.24	82.78	79.49	78.74	79.87	78.90	79.17	77.30	78.83	76.70	78.54	77.70
Flows													
FII-Equity (Rs.cr)	13000	-309	-62433	2854	9719	8089	22489	14657	6674	-15552	-13316	1033	9826
FII-Debt (Rs.cr)	-20507	-12009	-60934	-58	-11214	-5350	-3223	5056	-1913	11415	8418	8265	3789
DII-Equity (Rs.cr)	5108	-6846	28451	9155	-2687	1805	-4844	3427	11029	17406	15083	6232	5163
DII-Debt (Rs.cr)	11500	-9811	-12492	18229	32690	45492	39418	42048	31354	50315	52798	43570	31340

Source: Bloomberg, W2W Research

Summary:-

- May could be dissected into two halves – Nifty (-2.8%) falling in the first half on disappointment on fiscal stimulus front and gaining in the second half on improving global sentiment as economies across the world emerged out of lockdowns.
- Border tensions between India-China too escalated as Chinese troops moved into sensitive areas along the Himalayan frontier.
- Tensions between US-China escalating with US's threat to delist Chinese companies and China's signing of HK security legislation
- In the second consecutive inter-meeting action, the MPC cut the repo rate further by 40bps to 4% while maintaining an accommodative stance. RBI also extended the moratorium period by 3 months to 31st August factoring in the lockdown extension.
- PM Modi announced a larger than expected Rs20trn (~10% of GDP) economic package in response to the economic fallout from Covid induced lockdown. Finer details, however, disappointed the street for the lack of direct stimulus measures and limited fiscal impact (~1.3% of GDP).
- India entered the list of top 10 countries hit by coronavirus as confirmed cases rose 5 fold to 170k but death rates still remained much lower than average.
- FIIs and DIIs were net buyers during the month.

Debt Market Review

- India 10 year bond rallied sharply during May with 10 year government bond yields ending at 5.76% from the high of 6.16%. Benign crude oil prices, risk of lower growth and continued monetary easing by RBI via unconventional measures aided the fall in yields
- The yield spread for the 10 year-2 year Gilt stands at 137 basis point as compared to 156 basis point in the previous month.
- On the global front, US treasury yields rose marginally to 0.65% for the month of May 2020 as compared to 0.64% (April 2020).Increased concerns of higher government borrowings to finance COVID-19 packages along with rebound in stock markets exerted upward pressure on yields on a monthly basis.
- In India, while the government has been calibrated in its approach, given the challenges in its balance-sheet, RBI has been forthcoming to do ‘whatever it takes’ to support growth and the financial system by keeping the cost of fund low, injecting liquidity, allowing regulatory forbearance and incentivizing banks and financial institutions to lend.
- The CPI Data has not been announced over the last two months due to difficulties in collection of data due to the Covid-19 crisis.However Inflation should remain moderate through FY20.
- FII remained net sellers in the debt market to the tune of Rs. 20,507 crs compared to Rs 12,009 cr in the previous month. While DII turned net buyers in Debt market to the tune of Rs 11,500 Cr cr for the month of May 2020 as compared to net sell of Rs 9,811.crs in the previous month.

Debt Market Outlook

- Indian G-sec market has been extremely volatile, but the broad trajectory has been that of falling yields since September 2018. 10-year G-Sec yield finally glided below 6% to end at 5.76% in May.
- We expect growth and inflation to come down, which may provide further headroom to RBI to cut rates. RBI is expected to continue its accommodative stance
- We are comfortable with govt. measures to combat COVID-19 economic impact due to the absence of credit demand. Expectations of RBI monetizing the fiscal deficit should keep G-Sec yields in check.
- Overall savings are likely to increase in the economy. Real GDP is likely to be flat or negative. In such a scenario overall demand for assets are likely to be much more than supply. Hence rates are expected to be soft and spreads will see compression over the year .
- The yield curve continues to remain steep due to high risk aversion, this makes the short and medium segment (upto 5 yrs) of the yield curve attractive, as they provide good risk reward benefit.

Investment Strategy

- Good quality & medium term bonds looks attractive. Spreads over the repo rate represents good opportunity.Thus we advise our investors to invest our recommended Banking & PSU Debt funds and corporate Bond funds.
- We also advise investors to utilize the recent volatility and weakness in markets to invest into G-Sec funds with horizon of 3 to 5 years. Investors should allocate 15%-20% of their portfolio to this satellite bucket that will provide an attractive carry and gain

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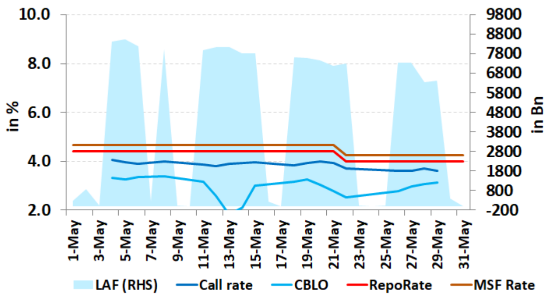
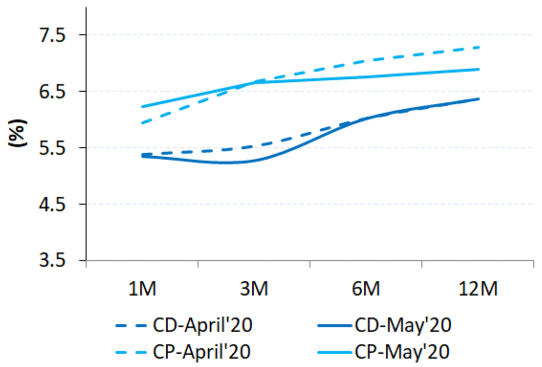
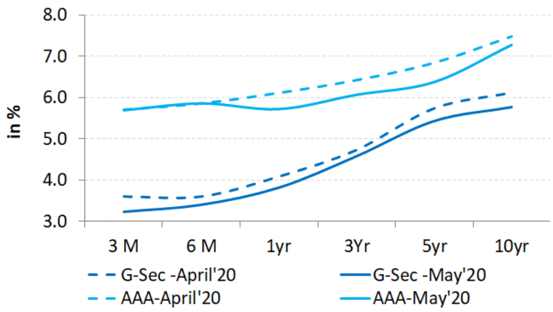
LAF and Money Market Rate Movement



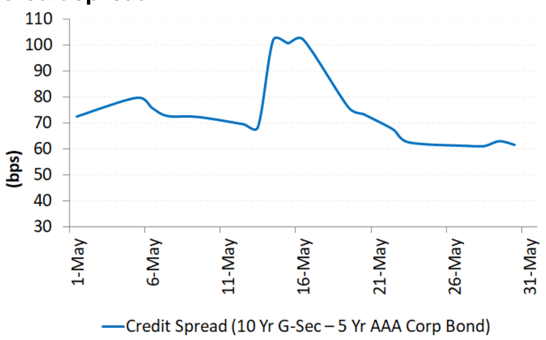
CD Rate Movement



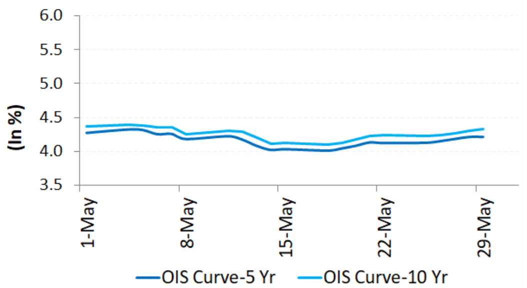
G-Sec and AAA Corp Bond Yield Movement



Credit Spread



OIS Curve



Source: Bloomberg, W2W Research

Equity Market Review

- Domestic markets ended in a negative territory with (NSE 50 Index) falling 3% over the month. The under-performance was perhaps led by rising number of COVID cases, concerns on financial sector and lesser than expected demand support in the latest fiscal announcements.
- In Sectoral indices,Auto witnessed the biggest gain in the month on the back of production started by Auto companies, while Banking sector was under pressure on rising NPA, stress surrounding the economy.
- Global markets continued the recovery in May on account of flattening of the pandemic curve,gradual re-opening of the economy and positive results from the clinical trials and pumping of liquidity by the global central banks.
- GDP data released for the quarter Jan to March 2020 showed growth at 3.1%. GDP growth rates for the previous 3 quarters were also revised downwards. Moody's estimates the Indian economy to contract by 4.2% for FY20-21. RBI also expects the GDP growth to be negative for FY21.
- FII turned net buyers in the Equity market to the tune of Rs. 13000 crs compared to net sell of Rs 309 cr in the previous month. While DII turned net buyers in Equity market to the tune of Rs 5,108 cr for the month of April 2020 as compared to net sell of Rs. 6,846 crs in the previous month

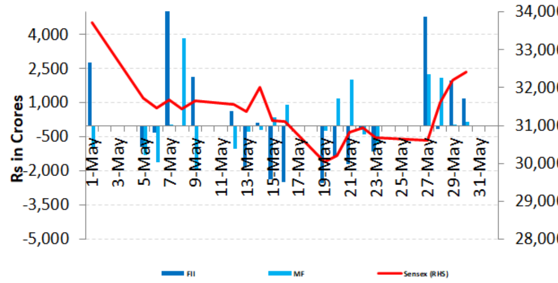
Equity Market Outlook

- COVID-19 is expected to have an adverse impact on the economy and corporate earnings. Results of 4QFY20 earnings season and management commentaries suggest more volatility and disruption in earnings ahead with several Nifty companies seeing fresh double-digit EPS cuts for FY21
- Lockdown norms have been relaxed for the month of June. But, economic recovery will be slow given the sharp income loss in last two months.
- The government announced a slew of stimulus and reform measures in a bid to seize the crisis as an opportunity and fight for a position of strength in the changed world order. Overall, it prioritized structural supply side reform over near-term demand boost.
- On the positive side, significant monetary policy support, government's measures to protect rural economy and agri-income will be a positive support to the growth.
- India stands to benefit on the external front due to fall in oil prices and low exposure to merchandise exports in GDP in FY21. Although there could be significant Impact on economic growth in FY21; sharp rebound in FY22; normalcy in growth likely from FY23 onwards.

Investment Strategy

- We believe current markets offer a good opportunity for the aggressive-moderate investors. It would be advisable to invest with a medium to long term view. It is a good opportunity to invest in quality businesses. Thus, we recommend our investors to invest in Large Cap Funds and Focussed Funds in a staggered manner (over the span of 3 -6 months).

Sensex, FII & MF Movement



Indices Performance

Index	30-Apr-20	29-May-20	Change	% Chg
India				
Sensex	33,718	32,424	1293.5	4.0%
Nifty	9,860	9,580	279.6	2.9%
US				
Dow Jones	24,346	25,383	-1037.4	-4.1%
Nasdaq	8,890	9,490	-600.3	-6.3%
EC				
FTSE 100	5,901	6,077	-175.4	-2.9%
Asia				
Nikkei 225	20,194	21,878	-1684.2	-7.7%
Hang Seng	24,644	22,961	1682.1	7.3%
Shanghai Comp	2,860	2,852	7.7	0.3%
Bovespa	80,506	87,403	-6896.7	-7.9%
RTS	1,538	1,678	-139.8	-8.3%
Other				
MSCI WORLD	2,053	2,148	-95.0	-4.4%
MSCI EM	925	930	-5.4	-0.6%
MSCI EM Asia	505	502	2.4	0.5%

Sector Performance

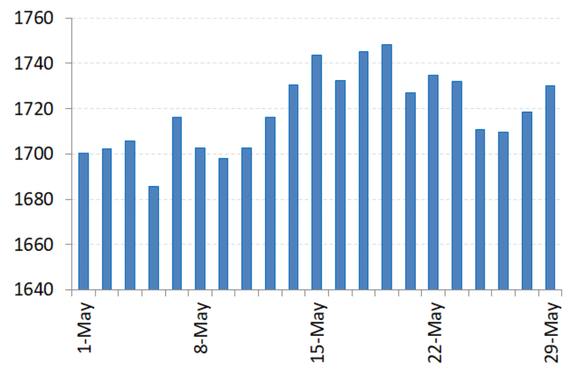
Sector Index	30-Apr-20	29-May-20	Change	% Chg
BSE Auto	13,350	14,095	-744.8	-5.6%
Bankex	24,725	22,136	2588.9	10.5%
BSE CD	20,525	18,967	1558.9	7.6%
BSE CG	12,187	12,334	-147.3	-1.2%
BSE FMCG	10,771	10,898	-127.0	-1.2%
BSE HC	15,332	15,646	-314.0	-2.0%
BSE IT	14,235	14,067	167.7	1.2%
BSE Metal	6,746	6,805	-59.3	-0.9%
BSE Oil	12,066	11,836	230.4	1.9%
BSE Power	1,491	1,482	9.0	0.6%
BSE PSU	4,785	4,498	286.9	6.0%
BSE Real	1,450	1,411	38.9	2.7%
BSE TECk	7,152	7,222	-70.3	-1.0%

Source: Bloomberg, W2W Research

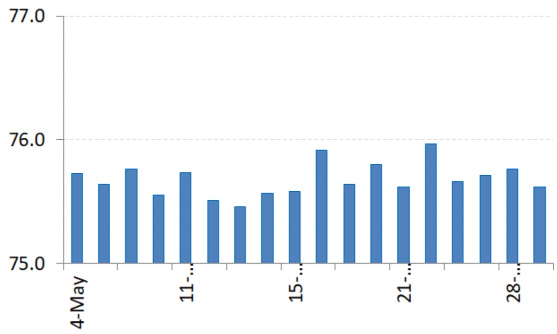
Gold Review

- The outbreak of COVID-19 has been accompanied by widespread declines in global commodity prices. The pandemic represents a unique shock that has a major impact on both the demand and supply of commodities.
- Oil markets have been most affected, given the collapse in travel arising from mitigation measures, after hiting lowest in last week of April to $20.37 there was seen rise in price in may reaching upto $40.
- Crude oil prices are expected to average $35/bbl this year and $42/bbl in 2021—sharp downward revisions from October.
- Gold prices surged to their highest since October 2012 , driven by a weakness in the U.S. dollar and widespread monetary stimulus packages by central banks as a jump in coronavirus cases dents the economic outlook.
- Gold has gained nearly 16% this year supported by global stimulus measures since the non-yielding metal is considered a hedge against inflation and currency debasement.
- The dollar was down 0.5% at 96.55 against a basket of currencies, making gold cheaper for non-U.S. currency holders.

International Gold Movement



USD/INR Movement



Source: Bloomberg, W2W Research

Outlook

- Almost all commodity prices saw sharp declines during the past three months as the COVID-19 pandemic worsened. Mitigation measures have significantly reduced transport, causing an unprecedented decline in demand for oil, while weaker economic growth will further reduce overall commodity demand.
- The second wave of coronavirus pandemic had finally become a main theme in the markets, massive sell-off was seen in the stock markets towards the end of the month.
- Yen and Swiss Franc ended as overwhelmingly the strongest, followed by Dollar and Euro. Australian Dollar was the worst performing, and led commodity currencies and Sterling lower.

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