

10th April 2017

Equity Research

 **NIRMAL BANG**
a relationship beyond broking

Market Outlook

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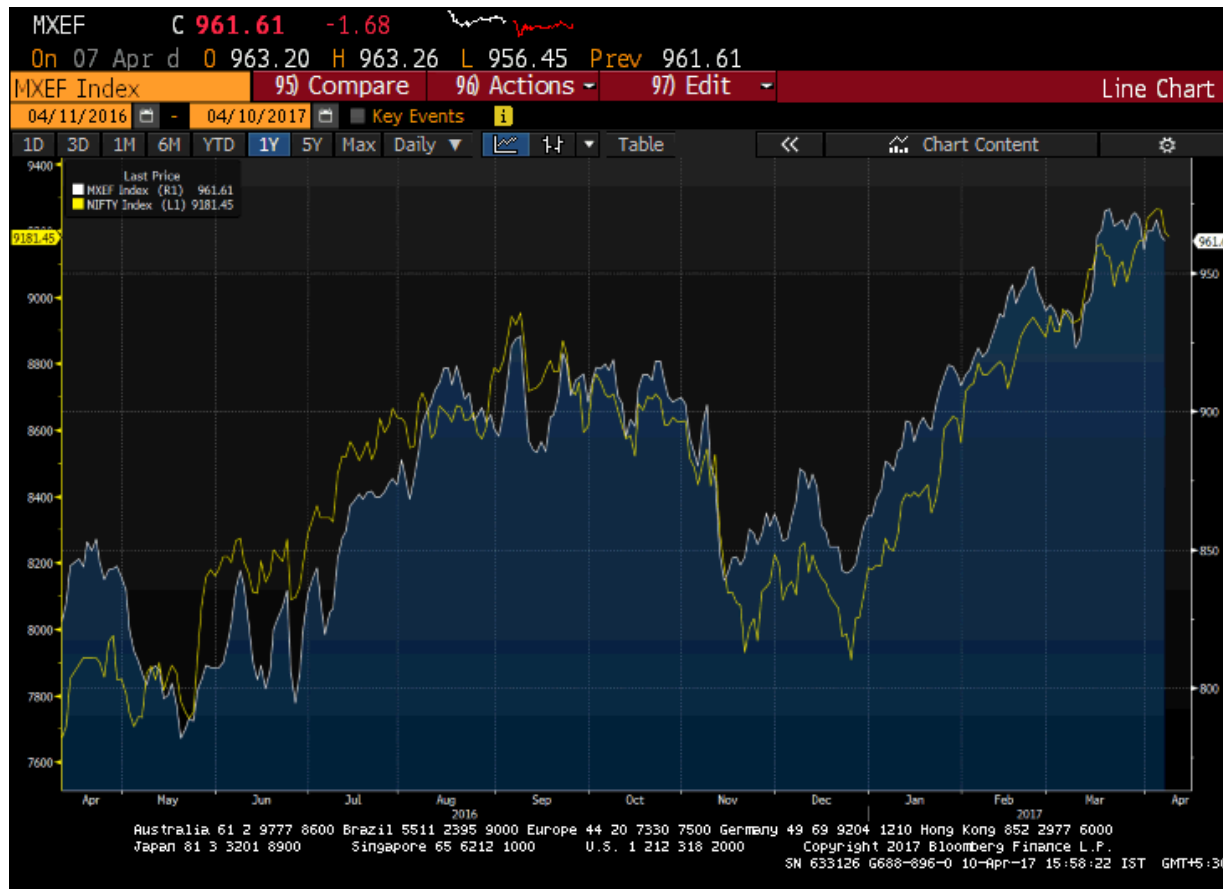
Head Equity Research (Retail)

Date: 10th April 2017

Screening the market status

- **Comparison to world market**
- **Fundamentals**
- **Liquidity**
- **Valuation**

Indian Market is now moving in line with EM



- Indian market underperformed during Demonetization
- Recovered under performance and now moving in line with other EMs

Even EM and Indian Market caught up World Market



- Indian market underperformed during Demonetization both World and EM
- Recovered under performance and now moving in line

Valuation across the World is towards higher end

Country	Index	1 yr Fwd PE	10 year high	Var	Comment
World	MSCI world	16.45	17.00	-3.2%	10 year high
EM	MSCI EM	12.09	12.70	-4.8%	10 year high
US	S&P 500	17.55	17.80	-1.4%	near new high of last 10 year
Germany	DAX	13.51	14.00	-3.5%	Near Upper end of last 10 year
Indonesia	Jakarta Comp	16.06	16.06	0.0%	10 year high
Nifty	India	17.2	17.60	-2.3%	Upper end around 17; 19.5 once achieved in 2008
Japan	Nikkei	16.24	19.20	-15.4%	Corrected recently
Brazil	Ibovespa	10.81	14.00	-22.8%	near 10 year average
UK	FTSE	14.55	16.00	-9.1%	Corrected on account of Braxit

Fundamental – Rupee Appreciated Sharply



Fundamental – Rupee Appreciated Sharply

Currency	Country	YTD	1M
Emerging Market			
MXN	Mexican	10.56%	3.97%
RUB	Russia	8.09%	2.21%
KRW	South Korea	6.29%	1.04%
INR	India	5.76%	3.82%
BRL	Brazil	3.55%	-0.19%
IDR	Indonesia	1.14%	0.22%
CNY	China	0.69%	0.29%
ZAR	South Africa	-0.31%	-5.87%
Developed Market			
EURO	Europe	1.08%	0.60%
GBP	UK	0.64%	1.79%
JPY	Japan	5.73%	3.04%
DXY	US	-1.42%	-1.03%

- **Other Emerging market currencies also appreciated**
- **Last 1 month appreciation is very sharp in India**
- **But not in China**
- **Export becomes disadvantageous against China**

Fundamental – Rupee Appreciated Sharply

Impact

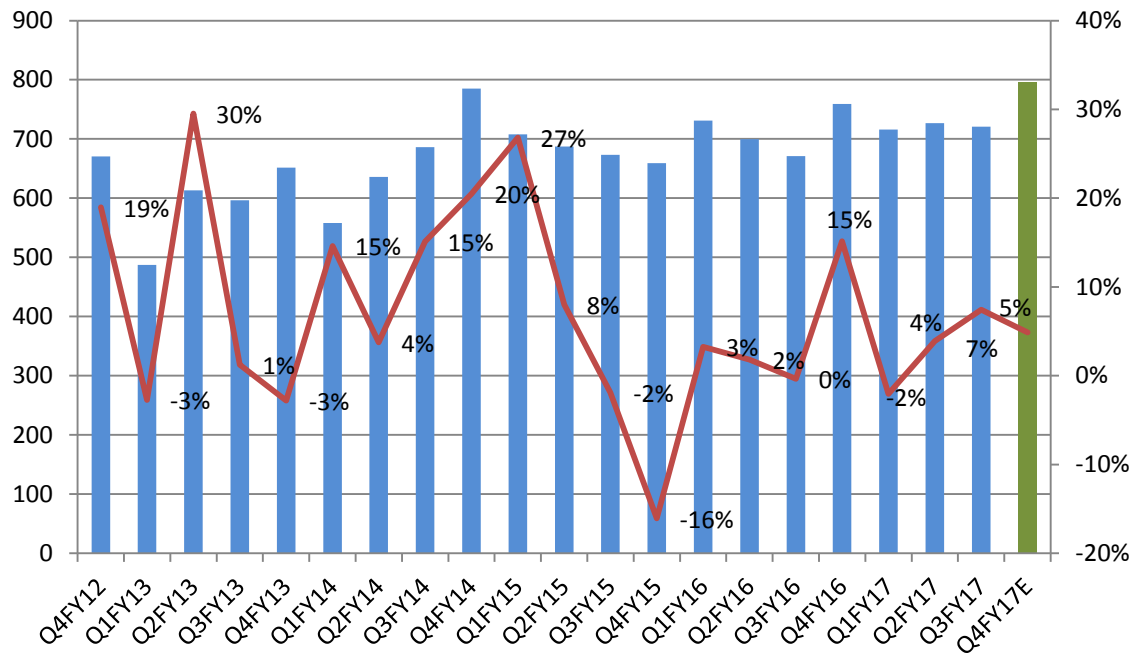
- May bring down inflation
- Sector dependent on higher import like Consumer durable, Capital Goods can benefit
- Higher Exports sectors like IT, Pharma, Textile are negatively impacted
- Commodity prices dependent on international prices like aluminum, copper, Oil will get negatively impacted
- Companies having higher international operations will see lower profit consolidation
- Competitiveness of Indian company against Chinese import and Indian Export in International market is reducing

Fundamental – Rupee Appreciated Sharply

Rupee Appreciation Impact

impact	BSE 100
Positive	6
Negative	27
Nutral	67
Total	100

Fundamental – Earning growth

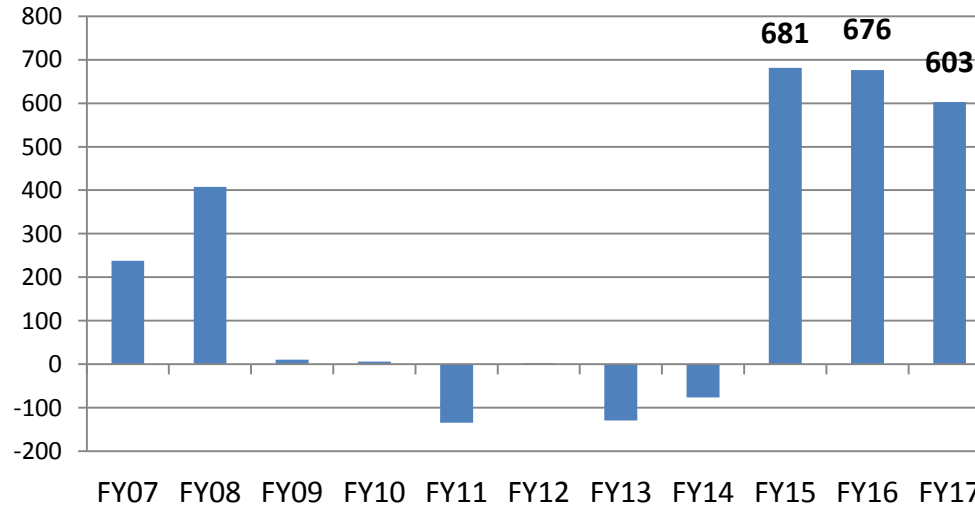


- Earning continue its slow pace of growth

Liquidity

Mutual Fund inflow is sustainable and long term

Inflow in Equity MF (Rs. In bn)



Liquidity

FII also brought in lot of fund in last 3 months

Month	Equity	Debt	Total
Apr-16	8402	6,927	15,329
May-16	2579	(5,172)	(2,593)
Jun-16	3345	(5,049)	(1,704)
Jul-16	11336	6,833	18,170
Aug-16	9266	(2,948)	6,318
Sep-16	8581	10,752	19,333
Oct-16	(4991)	(7,154)	(12,145)
Nov-16	(17737)	(19,604)	(37,341)
Dec-16	(8494)	(18,699)	(27,193)
Jan-17	(48)	(2,609)	(2,658)
Feb-17	10486	5,982	16,467
Mar-17	33782	26,093	59,876
Apr-17	1506	10,202	9,868

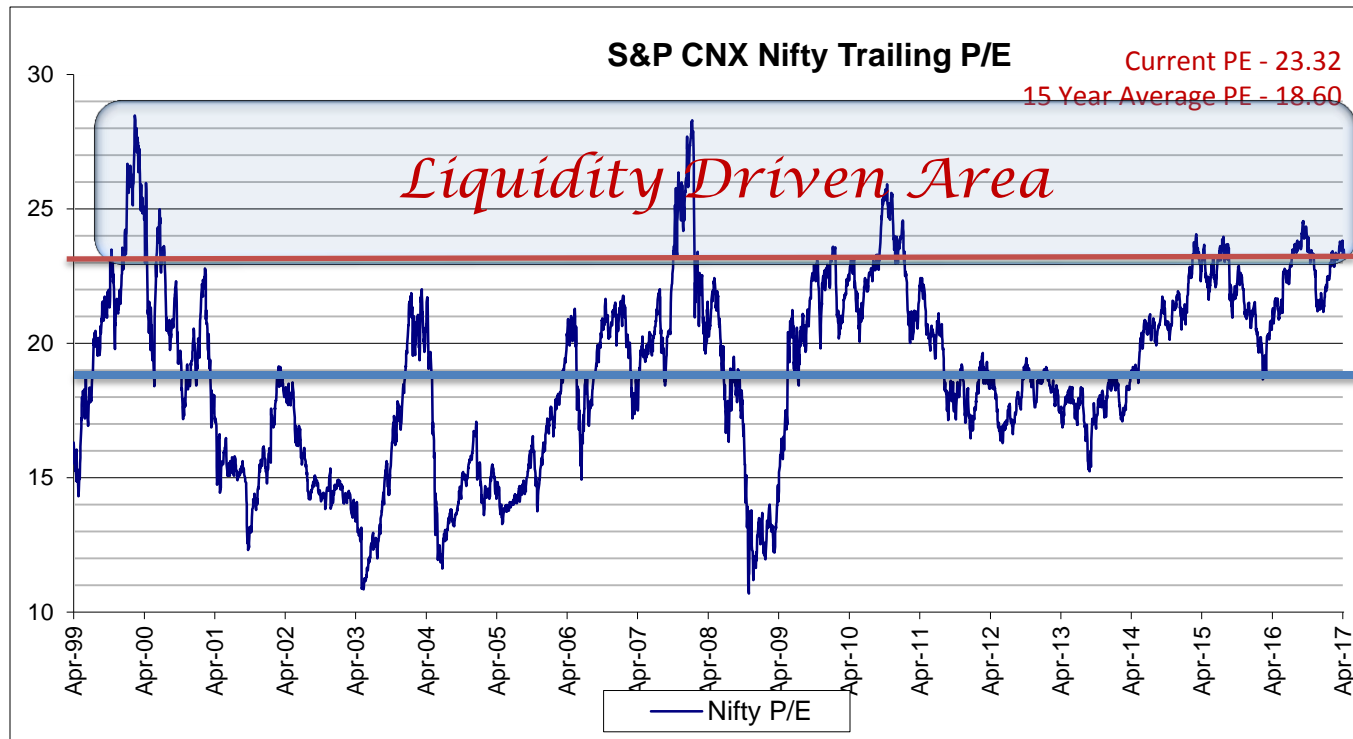
- **Driven by Rupee appreciation along with other emerging market**
- **After effect of demonetization**

Liquidity - FII

Currency	Country	YTD	YTD Index
Emerging Market			
MXN	Mexican	10.56%	12.33%
RUB	Russia	8.09%	-7.62%
KRW	South Korea	6.29%	6.73%
INR	India	5.76%	12.37%
BRL	Brazil	3.55%	4.45%
IDR	Indonesia	1.14%	2.08%
CNY	China	0.69%	0.85%
ZAR	South Africa	-0.31%	-1.23%
Developed Market			
EURO	Europe	1.08%	1.05%
GBP	UK	0.64%	-2.61%
JPY	Japan	5.73%	-2.38%
DXY	US	-1.42%	-1.13%

- **Direct Co-relation between currency appreciation and Equity Index Gain**

Valuation



- Valuations are at upper end of channel but not yet in bubble area

Conclusion

- We are moving along with world + after effect of Demonetization
- Up move in Developed market is driven by Fundamental improvements
- Valuation across various markets are near 10 year high
- Rupee Appreciation may have more negative impact than positive on results
- But Rupee appreciation is driving liquidity
- GST implementation may bring Temporary blip in Q1 earnings
- As usual Analysts are projecting higher earnings growth at the beginning of year (20% for FY18)
- Risk Reward at current level not favorable
- Market likely to see near term correction
- Long term Outlook Positive
- Long term Investment should be done in Part.

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Thank You