Equity Market Review

L&T Financial Services
Mutual Fund

February, 2019

Markets closed the month of February on a negative note as geo-political tension aggravated between India and Pakistan. The Nifty and the Sensex ended lower between 0.4-1%. BSE Midcap and BSE Smallcap indices underperformed its larger peers with a fall of around 2% each.

On the sectoral front, BSE Auto, Oil & Gas, and Realty indices gained between 1-2%. Power was the worst performing sector with a fall of around 3%.

Globally markets remained firm as worries over trade war eased with improvement in US-China trade talks. Euro Stoxx, Dow Jones, Nikkei, Hang Seng and FTSE100 rose between 2-4%.

FII reversed January's selling trend to record inflows of $2.5Bn, taking YTD total to $2.1 bn. Domestic Mutual funds buying was strong with net inflows of $1.03 bn while insurance companies were sellers to the quantum of $1.1 bn.

Market View

Indian markets ended weak in February as geo-political tensions increased. Indian economy has started to recover from the cyclical and structural bottlenecks witnessed over the past two years as reflected in data and with improving corporate earnings.

We can expect the economy to recover gradually in CY2019 as GST related disruptions smoothened and as consumption improves amid stable wages. In the election year we can expect political spending to act as a quasi-stimulus for consumption basket. Improving global growth prospects is further expected to support domestic growth.

Fundamentally, after four tepid years, earnings appear set for a recovery, especially led by banking with credit growth pick-up, return of pricing power, moderation in fresh slippages and lower credit costs. India's macros are dependent on crude; hence, it is also a variable to watch out for. We continue to remain positive on India story from medium to long term prospective and stay invested in companies with strong and able management available at reasonable valuations.