Sakthi Financial Services

Weekly Update

04th October 2021

Vol: - 21.22.22

SENSEX	NIFTY	USD	GOLD (10 grams)	CRUDE
58765.58	17532.05	74.12	46434.00	5630.00

Sensex hitting 60,000 is not a bubble, here is why

The gains have not been driven by a single factor but several reasons including GDP growth, fiscal and demand-boosting measures and easy liquidity.

The $3-trillion Indian equity market is on a history-making spree. It recently overtook France to become the sixth-largest equity market globally in terms of market capitalisation. The feather on the cap was the **Sensex going past 60,000** and the Nifty inching close to 18,000.

The rally is not a bubble as various factors have contributed to the Indian market's growth story. It is not the outcome of just a single reason but the spiral of rationales starting from the GDP growth for Q1FY22 that accelerated to 20.1 percent on the lower base emphasising a major growth in the core sectors of the economy, followed by the government's fiscal and demand boosting measures like the expansion of production-linked incentive (PLI) schemes to various sectors, vehicle-scrappage policy, infra expenditure and easy availability of finance to boost the private and MSME sectors.

The economic boost is also being provided by the rise in the pace of vaccination and the recovery rate has fanned expectations of the economy opening up completely, further magnifying the growth caused by pent-up demand.

The rise in the FDI cap in various sectors has poured a good amount of liquidity in our market from global leaders, providing a wide range of opportunities in terms of employment and technological advancement.

Apart from the domestic front, global markets have also been a major contributor, as we have seen a huge recovery in the global market after the dent of the last year.

The automobile industry, which is generally the first sector to show signs of weakness during lean times, is relying on the hopes of pent-up demand. As companies have restarted operations, the auto industry is expected to pick up the pace in the coming quarters.

With the advancement towards an environment-friendly future and the policies measures by the government to encourage the use of electric vehicles (EVs), India can emerge as an auto hub. It is expected that the increased demand will consume the piled-up inventory at the dealer level and economic recovery should help auto volumes in the coming period.

The backbone for any developing economy is the banking and financial segment and the recent measure, including the setting up of "bad bank" to clear the mountain of non-performing assets (NPA) is a commendable step, to help the financial sector.

The Indian equity market has immense potential for strong growth. However, in terms of valuation, the market is slightly on the higher side but with a balance of policies, reforms and regular scrutiny by the government and corporates, the same could be seen as an opportunity.

(Cont.)

For the time, it will be better to stay selective from an investment perspective with higher scope in the sectors mentioned here.

The market has already been an outperformer among the various asset classes in terms of returns as the Sensex has seen a CAGR of about 15 percent in the past decade.

The future could even be brighter as the gap between time and achievement of milestones is diminishing, showing enormous strength in our market.

Journey of Sensex: From 1,000 to 60,000 in over 31 years

Over the years, the frontline index has climbed several record levels. The index had reached the 10,000-mark for the first time on February 6, 2006.

From hitting the 1,000-mark on July 25, 1990 to reaching the 60,000-mark for the first time on Friday, it has been a historic and memorable journey for the benchmark index Sensex.

It has taken a little over 31 years for the Sensex to traverse from 1,000 level to the famed 60,000 level now.

Over the years, the frontline index has climbed several record levels. The index had reached the 10,000-mark for the first time on February 6, 2006.

On October 29, 2007 it scaled the 20,000 level, then on March 4, 2015, the benchmark hit the 30,000-mark.

The BSE benchmark scaled 40,000 on May 23, 2019. The 50,000-mark was reached on January 21, 2021.

Interestingly, both the 50,000 level and 60,000 mark have been breached in 2021, showing the resilience of the market amid the COVID-19 devastation.

From witnessing Harshad Mehta scam in 1992, to blasts in Mumbai and BSE building in 1993, Kargil war (1999), terror attacks in the USA and Indian Parliament (2002), Satyam scam, global financial crisis, demonetisation, PNB scam and COVID-19, markets have faced many uncertainties over the years, suggests a slide on "Journey of Sensex" tweeted by BSE CEO Ashish Kumar Chauhan on Friday.

Several healthy triggers have also played a major role in market uptrend, with the likes of commodity boom in global markets, global liquidity, COVID-19 vaccine approval and rollout of vaccination programme.

The BSE benchmark index has gained over 25 per cent so far this year.

In August this year, the stock market reached many new highs. The BSE benchmark soared over 9 per cent last month.

The remarkable rally in the markets holds significance as equities had gone into a tailspin in March 2020, with the BSE benchmark sinking a massive 8,828.8 points or 23 per cent during that month as concerns over the pandemic impact on the economy ravaged investor sentiments.

(Cont.)

The BSE benchmark had gained 15.7 per cent in 2020, after facing a roller-coaster ride during the year hit by the pandemic.

"The sentiment on D-street is bullish. A dip of a couple of per cent would be a good opportunity for traders and investors to enter.

"We are witnessing broad-based buying from largecaps to midcaps, and smallcaps. The euphoria in the market is likely to continue. It may extend till January-February 2022. Though the volatility is likely to witness an uptick," said Brijesh Bhatia-Senior Research Analyst at Equitymaster.

RBI policy, global trends to dictate stock market this week: Analysts

The RBI interest rate decision, macroeconomic data and global trends would dictate the equity market, which is showing some signs of correction after a stellar run, this week, analysts said.

Besides, investors will also track the movement of the dollar index and US bond yields this week, they said.

“The market will have an eye on the global data to get further direction. On the domestic front, we don't have many negative cues but it will be important to listen to the commentary of RBI governor in the upcoming policy scheduled on 8th October where what he says about inflation will be important,” said Santosh Meena, Head of Research, Swastika Investmart Ltd.

On October 8, TCS will announce its Q2 earnings, Meena said.

The movement of the dollar index, US bond yields will also play an important role in the direction of global markets while crude oil prices will have a major impact on Indian markets, he added.

“This week, the RBI is scheduled to announce its monetary policy. India's service PMI is also due to be released this week,” Vinod Nair, Head of Research at Geojit Financial Services said.

During the last week, the 30-share BSE benchmark plunged 1,282.89 points, or 2.13 per cent. Market benchmarks faced losses for the fourth straight session on Friday.

Markets would also track the movement of the rupee, Brent crude and FPI investments.

“The September correction in the US markets does highlight some developing risks – a surge in global inflation, oil and commodity prices, rising interest rates, Fed taper and the recent developments on the China front – which could create intermittent disruption in investor sentiment.

Indian markets are currently richly valued and therefore not immune from some of these headwinds. However, given the strong earnings outlook trajectory, any meaningful correction in the equity markets can serve as an entry opportunity for long-term investors with a sufficiently long investment horizon," said Unmesh Kulkarni – Managing Director Senior Advisor, Julius Baer India.

FPIs net buyers for 2nd consecutive month; invest Rs 26,517 crore in September

Most of the major emerging markets witnessed FPI inflows in September with India reporting the highest FPI inflow, noted Shrikant Chouhan, executive vice-president (equity technical research) at Kotak Securities.

Foreign portfolio investors (FPIs) were net buyers for the second month in a row in the Indian market with an investment of Rs 26,517 crore in September. As per depositories' data, FPIs pumped in Rs 13,154 crore into equities and Rs 13,363 crore in the debt segment during September 1-30.

The total net investment stood at Rs 26,517 crore. This comes after an investment of Rs 16,459 crore by FPIs in August.

Most of the major emerging markets witnessed FPI inflows in September with India reporting the highest FPI inflow, noted Shrikant Chouhan, executive vice-president (equity technical research) at Kotak Securities. South Korea saw an FPI investment of $884 million, Thailand $338 million, and Indonesia $305 million, he said.

"The current trend indicates that FPIs are now willing to look beyond these short-term challenges and focus on the larger and long-term picture," said Himanshu Srivastava, associate director (research), Morningstar India. FPIs are slowly dropping their cautious stance and gaining higher conviction on the Indian markets.

The Indian equity market offers an attractive investment proposition from the long-term perspective. With an improving macro environment and positive outlook, FPIs are again focusing their attention on Indian equities, he added. FPI flows is expected to remain volatile in the emerging markets, once the US Federal Reserve increase the rate, said Chouhan.

BSE StAR MF registers 1.52 cr transactions worth Rs 35,242 cr in Sep

Leading stock exchange BSE on Thursday said its mutual fund distribution platform StAR MF has processed a record 1.52 crore transactions worth Rs 35,242 crore in September.

It surpassed its all-time highest monthly record of 1.41 crore transactions achieved in August, the exchange said in a statement.

The transactions come amid devastating COVID-19 outbreak and distributors channelising their transactions through online platforms, the exchange added.

Overall, the platform achieved 7.8 crore transactions in the first six months (April-September) of the current financial year as compared to 9.38 crore transactions in the entire 2020-21.

Besides, the platform registered 9.71 lakh new systematic investment plans (SIPs) amounting to 222 crore this month, the exchange said.

The exchange had launched the BSE StAR MF app to help distributors and independent financial advisors register clients on a real-time basis.

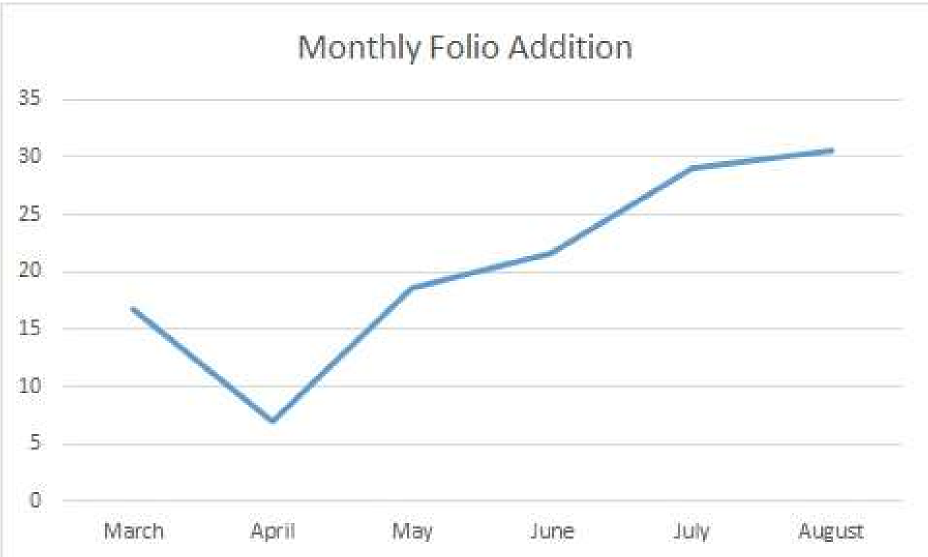
MF industry has over 2.50 crore unique investors

The mutual fund industry has added over 30 lakh unique investors between April and August 2021. With this addition, the total number of unique investors crossed the 2.50 crore mark in August.

According to latest AMFI data, the MF industry has 2.53 crore unique investors as on August 31, 2021. The figure has gone up 14% in FY 2022. In March 2021, the number of unique investors was 2.23 crore.

(* In crore)

A similar growth was seen in folio addition. Over 1 crore new folios have been added in FY22 till August. At the end of the previous month, the total number of folios stood at 10.86 crore, which is 11% higher than that in March 2021.



(*in lakh)

An increasingly higher number of folios are being added every month since the last four months. In May, 18.76 lakh new folios were registered. The figure went up to 21.6 lakh in June, 29 lakhs in July and 30.5 lakh in August.

New auto debit norms will have no impact on SIP transactions

RBI's new auto debit rules will come into force on October 1. As per the guidelines, banks will be required to add an additional authentication step for all recurring payments done through debit cards, credit cards and UPIs.

The change in rules will largely affect auto payment of utility bills, insurance premiums and subscriptions to online services.

AMC officials and MFDs said SIP transactions will not be impacted as the new directive will only affect auto-debit mandates through debit cards, credit cards and UPI.

Most SIP transactions happen through NACH mandate, which is executed directly by the bank.

What the new rules say?

- RBI has asked banks to send a pre-debit notification to their credit and debit card users 24 hours before the auto debit is scheduled.
- The notification should provide an option to the customer to opt-out of the payment.
- For payments above Rs 5,000, banks will have to authenticate the transaction through an OTP.

Which transactions will be affected?

Customers use credit and debit cards mostly for recurring payments to OTT platforms, news websites and utility companies, among other online services. These transactions are likely to be impacted.

However, a few online distributors offer UPI based e-mandate. Investors who have opted for this will have to give one more authentication to continue their SIPs.

What should customers do?

Banks have started informing customers about their inability to execute auto debit payments from October 1. If you or your client have any recurring payment linked to the cards, there's a need to first check if the bank has established the process to comply with new regulations.

Payments below Rs.5,000 should continue as usual after fresh registration. For transactions above that, your clients will have to give consent before every deduction through OTP.

For banks, which are yet to comply with the new regulation, customers have no choice but to register auto debit transactions through net banking.

Axis Mutual Fund re-launches dynamic equity fund as balanced advantage fund

Axis Mutual Fund has renamed and re-positioned its four-year-old dynamic equity fund, which has garnered total assets under management (AUM) of Rs 1,458 crore since its launch in August 2017, as a balanced advantage fund. The Rs 1,458-crore balanced advantage fund will remain an open-ended dynamic asset allocation fund managing exposure actively between equity and fixed income, Anupam Tiwari, equity fund manager at the fund house, told PTI on Friday.

MUTUALFUNDS *Sahi Hai*

Market intermittently, at times gives ***GOOD RETURNS*** *in the long-term !*

&

at times it gives ***OPPORTUNITY for*** *getting good returns, in the long-term !*

MF SIP Performance Summary – Quick reference guide – SEP 2021

CATEGORY	5 Yr		10 Yr		15 Yr		20 Yr	
	# Funds	Avg CAGR	# Funds	Avg CAGR	# Funds	Avg CAGR	# Funds	Avg CAGR
Largecap	82	19.33%	58	15.27%	32	12.86%	11	15.10%
Large & Midcap	23	19.95%	20	17.43%	13	14.58%	7	16.98%
Midcap	22	22.47%	20	19.45%	12	16.75%	4	17.77%
Smallcap	14	25.79%	11	21.39%	5	17.34%	--	--
Flexicap / Multicap	43	19.87%	33	16.42%	25	14.38%	10	17.05%
ELSS / Tax Plan	32	19.45%	26	16.77%	18	14.19%	13	16.67%
Hybrid: Aggressive	34	16.65%	27	13.99%	24	12.62%	15	15.05%
Value & Dividend Yield	19	19.40%	17	16.80%	13	14.60%	4	16.63%
Sectoral & Thematic	78	18.95%	60	15.58%	33	15.00%	14	18.76%
All Avg	347	19.56%	272	16.30%	175	14.24%	78	16.64%

^Sector & Theme: Bank, IT, Infra, Pharma, Consumption, Energy, MNC, PSU, Thematic.

Worth of Rs. 5,000 SIP invested p.m @ All Categories average CAGR

SIP Invested (Cost)	5 Yrs	₹ 3,00,000	10 Yrs	₹ 6,00,000	for 15 Yrs	₹ 9,00,000	for 20 Yrs	₹ 12,00,000
Value @ All AVG CAGR	19.56%	₹ 4,88,318	16.30%	₹ 14,10,356	14.24%	₹ 28,84,395	16.64%	₹ 35,56,036

<<<<< SIP Returns Range >>>>>

	5 Yrs	10 Yrs	15 Yrs	20 Yrs
Min	12.71%	11.07%	9.58%	11.34%
Max	37.96%	26.22%	20.62%	22.03%

Eq Diversified Funds: Largecap, Large & Midcap, Midcap, Smallcap, Multicap, ELSS, Value & Dividend Yield.

Internal Research and infographics – Geojit Insights. Returns as of SEP'21. Mutual Fund Investments are subject to Market Risks. Read all the scheme documents carefully before investing.

New Fund Offer (NFO)

ICICI PRUDENTIAL MUTUAL FUND
TARAKKI KAREIN!

ICICI Prudential
NASDAQ 100 Index Fund

NFO Opens on: 27th September, 2021
NFO Closes on: 11th October, 2021

(**Source: - AMFI, Economictimes, Moneycontrol, IBJA, Livemint, Cafemutual etc.)**