# KSEMA WEALTH MANAGEMENT PVT LTD

## MARKET REVIEW JUL 2019

### GLOBAL EVENTS

The month started on a positive note owing to U.S.-China trade truce which provided much required relief for the global markets. The global markets started rallying as Fed Chairman Powell signaled a cut in interest rates when he testified with Congress which outweighed growing worries about the state of the global economy and geopolitical tensions. However the rally faded at the end of month as US Fed cut 25 bps as against market expectations of 50 bps and signaled it to be an one off.

US turned its attention back to the EU which released a $4billion list of additional goods that may be targeted with retaliatory tariffs as part of a long-running battle at the WTO over subsidies given to Airbus and Boeing.

Growth in the eurozone has returned to the anemic rates seen in the third and fourth quarters of last year, with GDP growth halving in the April-June period to 0.2% QoQ basis. Inflation slowed sharply as well in July (from 1.3% to 1.1%) even though the unemployment rate fell to its lowest in 11 years. That strengthens market expectations that the ECB will further loosen monetary policy in Sep.

While in China, the economic growth declined due to the ongoing US-China trade war. The Q2 GDP grew by 6.2% which has prompted expectations of more stimulus.

The OPEC deal to extend production cuts will stretch into 2020 coupled with the US-Iran escalation failed to lift the crude prices during the month. WTI surged 0.19% while brent declined by 2.1% for the month. Gold continued to surge on the back of geopolitical tensions and slowing in global economic growth. After witnessing a surge of 7.75% in June, Gold surged 0.89% during July 2019.

### INDIAN MARKETS PERFORMANCE

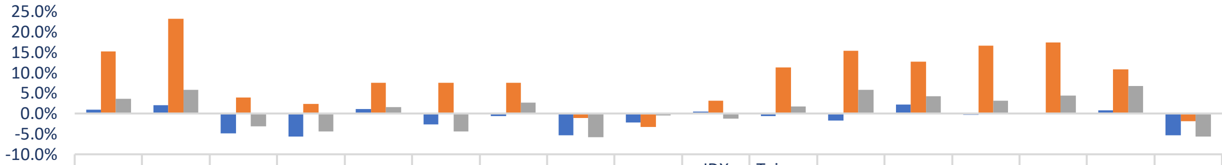
Indian markets continued its upward march at the beginning of the month on the hopes of big bang budget announcements as this being a maiden one post winning the elections by the NDA government. However the momentum faded as the announcements in the budget failed to cheer the investors. In addition to the above tightening liquidity, slowing economic growth both locally and globally weighed on the Indian markets. Since beginning of 2018, this is the fourth biggest monthly decline with both Sensex and Nifty closing the month lower by 4.9% and 5.7% respectively. The FII were irked by the government decision to increase the surcharge on super rich tax payers and net outflow during the month stood to an extent of Rs 12,416 crores.

On the macro front, July had a daunting target of 33% deficient countrywide cumulative rainfall in the beginning. However, Monsoon picked up pace, bringing drastic improvement in the countrywide deficiency. The shortfall in monsoon rainfall since June 1 has shrunk from 35% at the end of June to 11% at the end of July. Overall the month has managed to record marginally surplus rainfall and expanded crop planting to almost last year's level. This is likely to provide some respite to the markets.

The Q1 corporate announcement till date has been mixed. Around 260 companies have reported quarterly earnings in Nifty 500. Net Profit increased by 12.9% YoY and 10.2% QoQ. This was led by Index heavy weight sectors such as Financials, Energy, Pharma, FMCG, IT and Construction. The Auto sector continued its decline during the quarter.

Moving ahead, Governments initiatives to address the slowdown and the much expected RBI rate cut (25 bps) may provide relief for the short term. However, any further escalation on trade war and geopolitics may pose threat to the recovery in the sentiments.

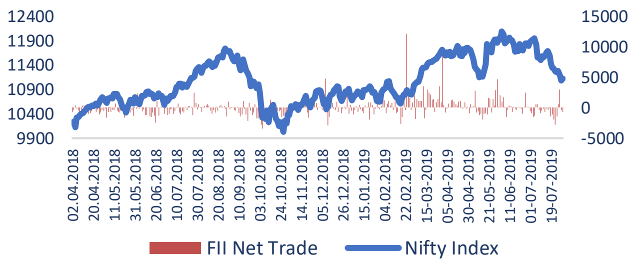
## GLOBAL MARKETS PERFORMANCE




| | DJIA | Nasdaq | Sensex | Nifty | Nikkei 225 | Hang Seng | Straits Times | KOSPI | KLSE | IDX Composite | Taiwan Weighted | DAX | FTSE 100 | CAC 40 | Swiss Market | Bovespa | IPC |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MTD | 1.0% | 2.1% | -4.9% | -5.7% | 1.2% | -2.7% | -0.6% | -5.3% | -2.2% | 0.5% | -0.7% | -1.7% | 2.2% | -0.4% | -0.1% | 0.8% | -5.3% |
| CY-YTD | 15.2% | 23.2% | 3.9% | 2.4% | 7.5% | 7.5% | 7.6% | -1.2% | -3.3% | 3.2% | 11.3% | 15.4% | 12.8% | 16.7% | 17.3% | 10.9% | -1.9% |
| FY-YTD | 3.6% | 5.8% | -3.1% | -4.4% | 1.5% | -4.4% | 2.7% | -5.8% | -0.5% | -1.2% | 1.7% | 5.8% | 4.2% | 3.1% | 4.3% | 6.7% | -5.6% |

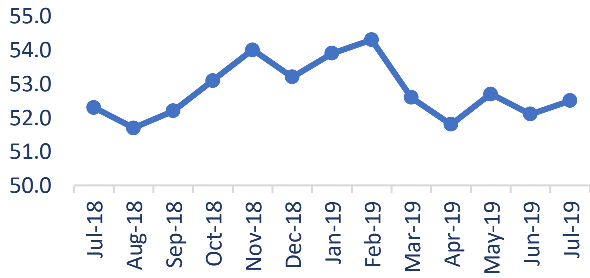
*Source: Ksema Wealth*

### Nifty Vs FII's Trade



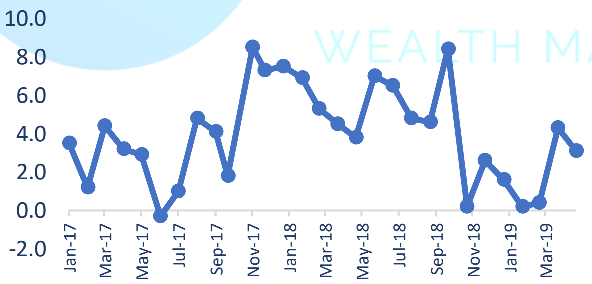

*Source: NSEINDIA; SEBI*

### PMI (%)



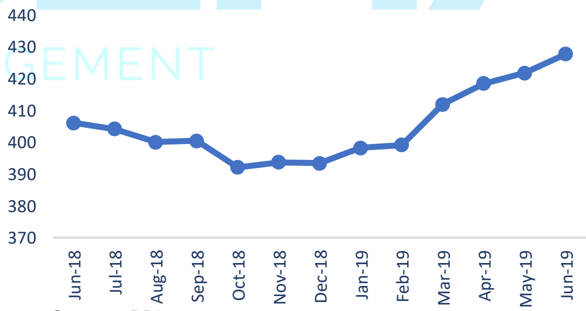

*Source: RBI*

### IIP (%)



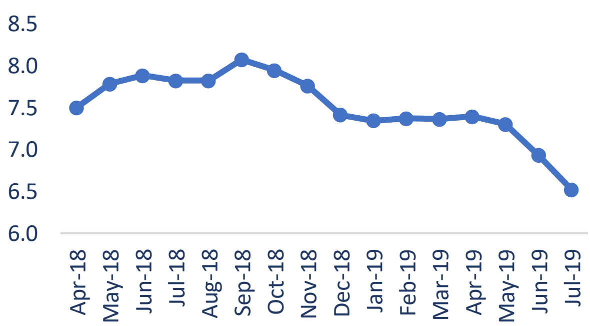

*Source: MOSPI*

### Forex Reserves ($ Bn)



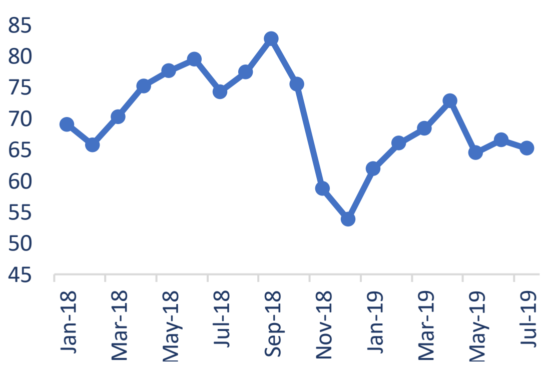

*Source: RBI*

### 10 year G-sec Yield (%)




*Source: mospi*

### Brent Crude (In $)




*Source: Investing.com*

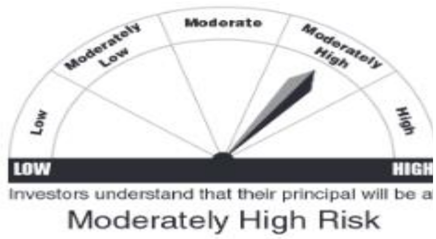
# KSEMA WEALTH – ALPHA INDIA OPPORTUNITIES

## JULY 2019

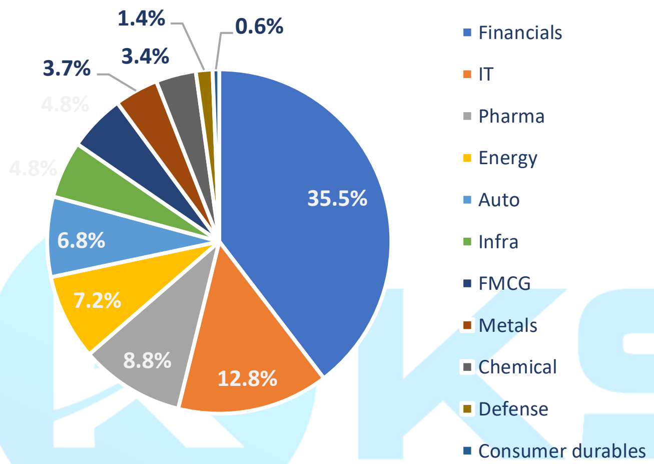
### THEME

The fund seeks long-term capital appreciation by investing substantially in the equity securities of companies that are leaders in their industries/segment of industries, and which the managers believe are suitable for a buy-and-hold strategy.

### RISKOMETER



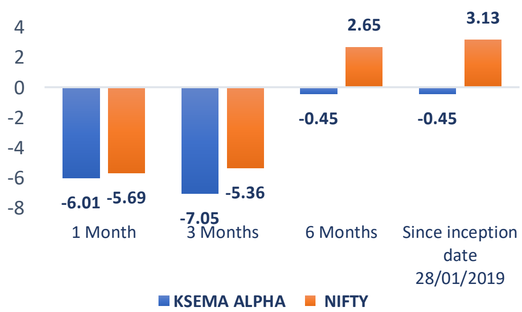

### SECTORAL ALLOCATION




### TOP HOLDINGS

| Company Name | Holdings (%) |
|---|---|
| ICICI Bank Ltd | 5.6% |
| State Bank Of India | 4.9% |
| Larsen & Toubro Ltd | 4.8% |
| TCS | 4.6% |
| Reliance Industries Ltd | 4.5% |
| Cash | 10.4% |

### PERFORMANCE (%)




### MARKET CAPITALISATION (%)

| | |
|---|---|
| LargeCap | 80.2% |
| MidCap | 9.3% |
| SmallCap | 0.0 |

### PERFORMANCE REVIEW

The Budget month started with high hopes. However, despite having longer term vision for development, the tax related decisions spooked the market. Second consecutive year of tax changes related to FPIs hurt the sentiments leading to continuous selling in lead stocks. Our Alpha theme underperformed the benchmark as broad sell off was witnessed across the board which impacted the same.

### OUTLOOK

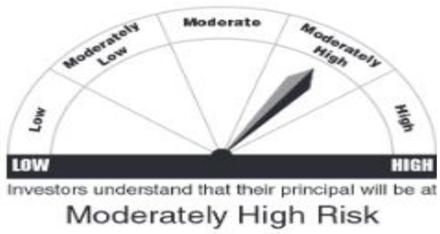
The Q1 earnings reported till date has been mixed. Certain private banks, IT & Pharma sector has reported better results. The revival of monsoon and an anticipated 25 bps cut by the RBI may bring short term relief to the markets. Government is set to reconsider the FPI surcharge and has also assured that it would take steps to provide required impetus to different sectors post meeting them in coming days which should see renewed interest in the markets. The valuation compression provides apt opportunity to enter the market considering long term prospects.

# KSEMA WEALTH – MULTICAP INDIA OPPORTUNITIES
## JULY 2019

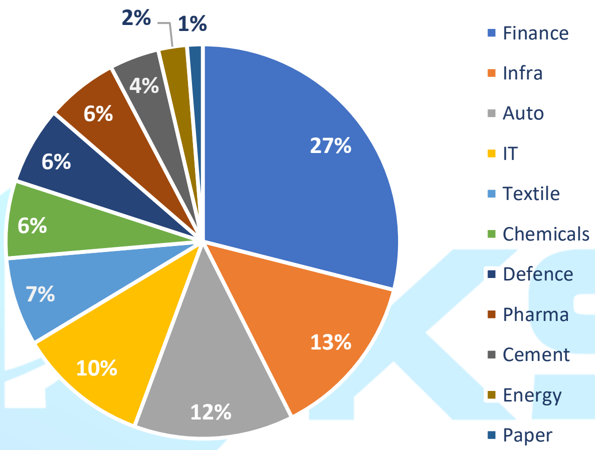
### THEME

The fund seeks superior returns over long term by investing in high growth-oriented stocks that are sector agnostic

### RISKOMETER



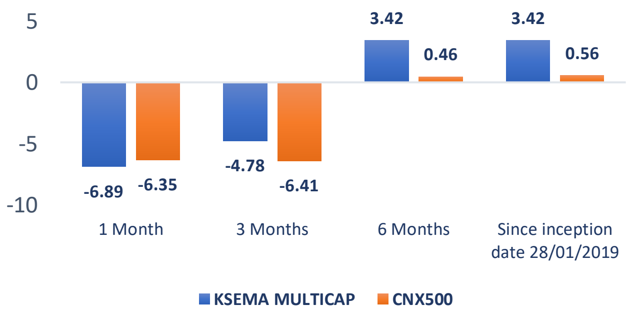

### SECTORAL ALLOCATION




### TOP HOLDINGS

| Company Name | Holdings (%) |
|---|---|
| Infosys Ltd | 4.9% |
| ICICI Bank Ltd | 4.7% |
| Kotak Mahindra Bank Ltd | 4.6% |
| Bharat Electronics Ltd | 4.5% |
| K.P.R.Mill Ltd | 4.5% |
| Cash | 6.6% |

### PERFORMANCE (%)




### MARKET CAPITALISATION (%)

| | |
|---|---|
| Large Cap | 48.4% |
| Mid Cap | 14.6% |
| Small Cap | 30.3% |

### PERFORMANCE REVIEW

The overall negative sentiment in the market prevailed upon the midcap and small cap companies. The foreign selling triggered margin calls leading to investors cashing out selling this segment of stocks. The Q1 results have been mixed in the mid and small cap companies, with cement, pharma, finance, IT and specialty chemical companies doing well, while auto ancillaries dragged.

### OUTLOOK

The Government has taken note of the downturn in the broader economy and have initiated steps to curtail the same. In addition the budget pronounced the steps to lift the NBFCs stress which had been the prime reason for decline in consumption. The implementation of some of these steps announced will prop the economy in the next two quarters. We will stay put with the investments and rebalance based on the results and its prospects within the sectors.

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