

SINGLE COUNTRIES

INDIA (3.5 STARS — ATTRACTIVE)

- India's exports grew at 17.4% y-o-y in September 2018, while imports grew at 19.4% y-o-y during the same time period.
- India's CPI rose 3.8% in Sep 18, up from 3.7% in Aug 18
- IIP grew at 4.3% y-o-y in Aug 18, down from 6.6% u-o-y growth in Jul 18
- Consensus estimates for earnings growth for FY20 and FY21 are 25.7% and 22.3% respectively. (As on October 23, 2018)

MARKET OUTLOOK

India's exports in September 2018 were valued at USD 27.95 billion registering a negative growth of -2.15% in dollar terms as compared to USD 28.57 billion in September 2017. Imports in September 2018 were valued at USD 41.93 billion, which was 10.45% higher in dollar terms as compared to September 2017, during which imports were valued at USD 37.96 billion.

For exports, the major commodity groups showing positive growth over the corresponding month of last year are Plastic & Linoleum (28.17%), Petroleum products (26.76%), Organic & Inorganic Chemicals (16.92%) and Drugs & Pharmaceuticals (3.83%). For imports, major commodity groups showing high growth in September 2018 over the corresponding month of last year are Petroleum, Crude and Products (33.59%), Electronic Goods (11.4%) and Machinery, electrical & non-electrical (4.23%). The trade deficit for September 2018 stood at USD 56.01 billion vis-à-vis a deficit of USD 43.07 billion in September 2017.

India's CPI rose to 3.8% in September 2018 compared to 3.7% during the previous month. Food and Beverages which have a weightage of 54.18% in the CPI basket, reported an increase in prices by 1.08% in September 18. Within the food and beverages segment, prices of Cereals increased 3.12%, prices of milk products increased by 2.58%, vegetable prices decreased -4.15% and pulses & products prices decreased -8.58%. Housing, and Fuel & light prices increased by 7.07% and 8.47% respectively. Vegetable prices, and pulses & products came down in September 18.

IIP stood at 4.3% year-on-year growth in August 18, decreasing from a 6.6% year-on-year growth in July 18. The major sectors like Mining, Manufacturing and Electricity registered growth rates of -0.4%, 4.6% and 7.6% respectively. As per Use-based classification, the growth rates in August 2018 over August 2017 are 2.6% in Primary goods, 5.0% in Capital goods, 2.4% in Intermediate goods and 7.8% in Infrastructure/Construction Goods. The Consumer durables and Consumer non-durables recorded growth of 5.2% and 6.3% respectively.

As on October 23, 2018 the benchmark index (S&P BSE Sensex) closed at 33,847.23. The earnings estimates for HDFC Bank, the highest weighted stock in the index were at 24.35% and -22.85% for FY20 and FY21. The earnings estimates for FY20 and FY21 for Reliance Industries Ltd, the second highest weighted stock in the index were at 21.12% and 16.50% respectively.

According to consensus estimates, as on October 23, 2018 the estimated PE ratio for India's stock market (Sensex) are 19.32X, 15.37X and 12.57X for FY19, FY20 and FY21 respectively. Estimated earnings growth is 11.98%, 25.65% and 22.29% for FY19, FY20 and FY21 respectively. **We maintain an "Attractive" rating of 3.5 stars** for the Indian equity market.

RECOMMENDED FUND: MANULIFE INDIA EQUITY FUND