

## SINGLE COUNTRIES

### INDIA (3.5 STARS — ATTRACTIVE)

- Exports grew 13.79% y-o-y in Dec 2018, down from 15.5% y-o-y in Nov 18
- Imports grew at 14.63% y-o-y in Dec 2018, down from 16.9% y-o-y in Nov 18
- CPI dropped to 2.19% y-o-y in Dec 2018, down from 2.3% y-o-y in Nov 18
- Industrial production contracted to 0.5% y-o-y in Nov 18, down from 8.1% y-o-y in Oct 18
- Consensus estimates for earnings growth for FY20 and FY21 are 23.7% and 17.6% respectively (As at January 31, 2019)

### MARKET OUTLOOK

India's exports during December 2018 were valued at USD 27.93 billion registering a positive growth of 0.34% in dollar terms as compared to USD 27.83 billion during the month of December 2017. Imports during December 2018 were valued at USD 41.01 billion which was 2.44% lower in dollar terms as compared to imports which were valued at USD 42.03 billion in December 2017.

For exports, the major commodity groups showing positive growth over the corresponding month of last year are Engineering Goods (50.81%), Petroleum products (13.18%), Plastic & Linoleum (20.18%) and Organic & Inorganic Chemicals (5.5%). For imports, major commodity groups showing high growth in December 2018 over the corresponding month of last year are Iron & Steel (15.61%), Coal, Coke & Briquettes, etc (11.39%) and Machinery, electrical & non-electrical (8.38%). The trade deficit for the month of December 2018 stood at USD 13.08 billion vis-à-vis a deficit of USD 14.20 billion during December 2017.

India's CPI came down at 2.19% during the month of December 2018 as against 2.33% during the previous month. Food and Beverages which have a weightage of 54.18% in the CPI basket reported decrease in prices by -1.49% in December 18. Within the food and beverages segment, vegetable prices declined by -16.14% and pulses & products prices decreased -7.13%. The other main categories like Housing, and Fuel & light prices increased by 5.32% and 4.54% respectively.

Industrial production stood at 0.5% year-on-year in November 18 as compared to 8.1% year-on-year in October 18. The major sectors like Mining, Manufacturing, and Electricity registered growth rates of 2.7%, -0.4% and 5.1% respectively. As per Use-based classification, the growth rates in November 2018 over November 2017 are 3.2% in Primary goods, -3.4% in Capital goods, -4.5% in Intermediate goods and 5.0% in Infrastructure/Construction Goods. The Consumer durables and Consumer non-durables have recorded growth of -0.9% and -0.6% respectively.

As on January 25, 2019 the benchmark index (S&P BSE Sensex) closed at 36,025.54. The earnings estimates for HDFC Bank, the highest weighted stock in the index were at 24.21% and -20.73% for FY20 and FY21. The earnings estimates for FY20 and FY21 for Infosys Ltd, the second highest weighted stock in the index were at 11.77% and -10.53% respectively.

According to consensus estimates, as of January 25, 2019 the estimated P/E for India's stock market (Sensex) are 21.16X, 17.10X and 14.54X for FY19, FY20 and FY21 respectively. Estimated earnings growth is 10.60%, 23.74% and 17.57% for FY19, FY20 and FY21 respectively. We are currently maintaining an "Attractive" rating of 3.5 stars for the Indian equity market and are closely monitoring valuation levels.

## RECOMMENDED FUND: MANULIFE INDIA EQUITY FUND