

SINGLE COUNTRIES**INDIA (3.5 STARS — ATTRACTIVE)**

- India's exports grew at 12.4% in Dec 17, while imports grew at 21.1% during the same time period.
- India's CPI came in higher at 5.24% during Dec 17 as against 4.9% during the previous month.
- IIP recorded a lower growth of 8.4% vis-à-vis 2.2% during the month of Nov 17.
- Consensus estimates for earnings growth for FY19 and FY20 are 27.2% and 21.8% respectively (as of January 25, 2018)

MARKET OUTLOOK

During the month of December 2017, exports were valued at USD 27.03 billion vis-a-vis USD 24.05 billion during December 2016, registering a growth of 12.36%. On the other hand, imports grew at 21.12% and was valued at USD 41.9 billion as against USD 34.6 billion in December 2016. The commodity groups which showed high growth in December 2017 over December 2016 are Petroleum, Crude & Products (34.94%), Electronic Goods (19.2%), Pearls, Precious & Semi-Precious Stones (93.98%), Gold (71.52%) and Machinery, electrical & non-electrical (11.21%). In effect, the Trade Deficit for the month stood at USD 14.8 billion vis-a-vis the deficit of USD 10.5 billion during December 2016.

India's Consumer Price Index (CPI) was higher at 5.21% during the month of December vis-à-vis 4.88% during the previous month. The reason for increase has been the rise in the prices of Food and Beverages which rose by 4.85% as compared to 4.41% in the previous month. The biggest contributor to the price rise in this segment was Vegetables prices which shot up by 29.13% while the previous month's reading was 22.48%. The rising inflation continues to stress the central bank as it is going above the RBI's comfort zone. Hence, the expectation is that there could be a pause in the policy rates or the RBI could consider hiking rates in the coming months.

The industrial output as measured by the Index of Industrial Production (IIP) stood at 8.4% for the month of November as against 2.2% during the month of October. The major sectors like Mining, Manufacturing and Electricity registered growth rates of 1.1%, 10.2% and 3.9% respectively. On a Use-Based classification, Primary Goods, Capital Goods, Intermediate Goods, Infrastructure/Construction Goods, Consumer Durables and Non-Consumer Durables grew at 3.2%, 9.4%, 5.5%, 13.5%, 2.5% and 23.1% respectively. This data is a clear indication that the manufacturing sector is improving which is good for the long term growth of the economy.

As on January 25, 2018 the benchmark index (S&P BSE Sensex) closed at 36,050.44. The earnings estimates for HDFC Bank, the highest weighted stock in the index were at 23.38% and 25.25% for FY19 and FY20. The earnings estimates for FY19 and FY20 for Housing Development Finance Corp Ltd, the second highest weighted stock in the index were at 12.29% and 16.56% respectively. Over a one month period, the top gainers in the index were Tata Consultancy Services Ltd (18%), Yes Bank Ltd (17%) and ICICI Bank Ltd (13%). The bottom performing stocks during the same period were Bharti Airtel Ltd (-14%), Hero MotoCorp Ltd (-6%) and Tata Motors Ltd (-5%).

According to consensus estimates, as on January 25, 2018 the estimated PE ratio for India's stock market (Sensex) are 24.0X, 18.9X and 15.5X for FY2018, FY2019 and FY2020 respectively. Estimated earnings growth is 14.31%, 27.17% and 21.81% for FY2018, FY2019 and FY2020 respectively. We maintain an "Attractive" rating of 3.5 stars for the Indian equity market.

**RECOMMENDED FUND:
FIRST STATE REGIONAL INDIA FUND**