

SINGLE COUNTRIES

INDIA (3.5 STARS — ATTRACTIVE)

- Exports grew by 4.39% y-o-y to USD 23.56 billion in Jun 17 while Imports were higher by 19.01% to USD 36.52 billion during the same month last year.
- The Index of Industrial Production (IIP) grew by 1.7% in May 17, as against Bloomberg's estimate of 2.0%.
- Consumer Price Index (CPI) grew by 1.54% y-o-y in Jun 17, as against 2.18% y-o-y in May 17.
- WPI Inflation was at 0.90% y-o-y for Jun 17, as against the Bloomberg's estimate of 1.39%
Consensus estimated earnings growth for FY18 and FY19 are 17.25% and 22.74% respectively.

MARKET OUTLOOK

During the month of June 2017, India's exports recorded a growth of 4.39% year-on-year to USD 23.56 billion. Imports grew by 19.01% and to USD 36.52 billion. Overall trade deficit for June 2017 is estimated at USD 12.96 billion as against a deficit of USD 8.12 billion in June 2016. Taking merchandise and services together, overall trade deficit for April-June 2017-18 is estimated at USD 28.6 billion as compared to USD 8.0 billion during April-June 2016-17.

India's May 2017 IIP data came in lower at 1.7% below estimates of 2.0% and lower than April's data of 2.8%. The decline in IIP is attributed to slowdown in manufacturing activity post demonetisation and before the introduction of GST. Mining, Manufacturing and Electricity sectors recorded yearly growth rates of -0.9%, 1.2% and 8.7% respectively. As per use based classification, Basic Goods, Capital Goods and Intermediate Goods recorded growth rates of 3.4%, -3.9% and 0.7% respectively in May 2017. Consumer durables and non-durables grew by -4.5% and 7.9% respectively. The slowdown in IIP figures is attributed to negative growth rates recorded in manufacture of beverages, motor vehicles and electrical equipment. Declining IIP figures can slow down the pace of GDP growth during the year.

India's Consumer Price Index (CPI) for the month of June came in at 1.54% vis-à-vis 2.18% for the month of May. This was below the Bloomberg estimate of 1.60%. The biggest contributor to this fall was the Food and Beverages prices which stood at -1.17% and within this category, vegetables and Pulses and Products declined by -16.53% and -21.92% respectively. This is the lowest inflation number witnessed since 2012 when the new series of CPI was released. This inflation number is also way below the RBI target of 4%.

India's Wholesale price Index (WPI) declined to 0.90% year-on-year for the month of June 2017 as compared to 2.17% in the previous month and -0.09% during the corresponding period month of the previous year. A look into the numbers revealed the index for Fuel & power group declined by 1.2% due to lower prices of LPG, Naptha and ATF. The index for manufactured products declined by 0.1% in June 2017. On the other hand, the index for primary articles rose marginally by 0.3%.

As on July 24, 2017, the benchmark Index (Sensex) stood at 32,245.87. The earnings estimates for HDFC bank, the highest weighted stock in the index stood at 18.37% and 18.55% for FY18 and FY19. Housing Development Finance Corp Ltd, the next stock with the highest weightage, has an earnings estimate of 14.62% and 20.50% for FY18 and FY19 respectively. The top performers in the index during the month were Bharti Airtel (15%), Wipro Ltd (14%) and Reliance Industries (13%) while the top losers included ITC (-6%) HDFC (-1%) and Bajaj Auto (0%)

According to consensus estimates, as on July 24, 2017, the estimated PE ratio for India's stock market (Sensex) are 20.1X, 16.4X and 14.2X for FY17, FY18 and FY19 respectively. Estimated earnings growth is 17.25%, 22.74% and 15.22% for FY18, FY19 and FY20 respectively. We maintain an "Attractive" rating of 3.5 stars for the Indian market.

RECOMMENDED FUND: MANULIFE INDIA EQUITY FUND