

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

- India's exports declined by 1.12% y-o-y in Oct 17
- India's Consumer Price Index (CPI) was reported at 3.58% y-o-y for the month of Oct 17 higher than estimates of 3.45%.
- IIP grew by 3.8% y-o-y in Sep 17 as compared to 4.3% y-o-y growth recorded in Aug 17
- India's Wholesale Price Index (WPI) rose to 3.59% y-o-y in Oct 17 from 2.6% y-o-y in Sep 17.
- Consensus estimates for earnings growth for FY19 and FY20 are 26.64% and 20.35% respectively. (as of 24 November 2017).

MARKET OUTLOOK

Exports during October 2017 were valued at USD 23.09 billion as compared at USD 23.36 billion during October 2016, thus declining by 1.12% year-on-year. Imports during October 2017 were valued at USD 37.11 billion which was higher by USD 34.49 billion in October 2016 thus rising by 7.6% year-on-year. The merchandise trade deficit for October 2017 was estimated at USD 14.01 billion as against a deficit of USD 11.13 billion during October 2016. Taking merchandise and services together, overall trade deficit for April-October 2017-18 is estimated at USD 52.55 billion as compared to USD 22.13 billion during the corresponding period during 2016-17.

India's Consumer Price Index (CPI) was reported at 3.58% year-on-year for the month of October. The inflation data was higher than market estimates of 3.45% and 3.28% reported for the month of September. Food and Beverages which have a weightage of 45% in the CPI basket reported increase in prices by 2.26% in October. Within the food and beverages segment, prices of cereals increased 3.68%, prices of milk products increased by 4.3% and vegetable prices increased 7.47%. Housing and energy prices increased by 6.68% and 6.36% respectively which also contributed to the increase in inflation during the month of October. Increase in price of crude oil, farm loan waivers by state governments and HRA benefits to central government employees pose upside risks to inflation. Rise in inflation reduces the likelihood of a rate cut or change in monetary policy stance to accommodative by the RBI in the near future.

WPI was reported at 3.59% year-on-year for the month of October 2017 as compared to 2.6% year-on-year reported for the month of September. The index for primary articles rose by 2.0% in the month of October. The index for fuel and power rose by 3.1% and the index for manufactured products rose by 0.3% year-on-year in October. WPI Food Index increased from 1.99% reported for the month of September to 3.23% in October.

The industrial output as measured by the Index of Industrial Production (IIP) grew by 3.8% year-on-year in September as compared to 4.3% year-on-year growth reported in August. Eleven out of twenty three industry groups in the manufacturing sector reported positive growth in the month of September. Manufacture of pharmaceuticals, medicinal chemicals and botanical products reported the highest positive growth rate of 26.4% followed 13.2% growth in Manufacture of computers, electronic and optical products and 13.1% growth in manufacture of motor vehicles, trailers and semi-trailers. The industry group 'Other Manufacturing' reported the highest negative growth rate of -27.1% followed by Manufacture of tobacco products which declined by -23.1% and manufacture of electrical equipment which contracted by -19.2%. On use based classification, Primary goods production reported a growth of 6.6% year-on-year, Capital goods output grew by 7.4% year-on-year and Intermediate goods production grew by 1.9% year-on-year in September. Manufacture of infrastructure/Construction goods grew by 0.5% year-on-year. Consumer durables production contracted by -4.8% while consumer non-durables production increased by 10% year-on-year in September.

As on November 24, 2017 the benchmark index (S&P BSE Sensex) closed at 33,679.24. The earnings estimates for HDFC Bank, the highest weighted stock in the index for FY19 and FY20 were at 22.53% and 21.73% respectively. The earnings estimates for FY19 and FY20 for Reliance Industries, the second highest weighted stock in the index were at 16.61% and 10.42% respectively. Over a one month period, the top gainers in the index were State Bank of India (31%), Axis Bank (21%) and ICICI Bank (19%). The bottom performing stocks during the same period were Lupin (-19%), Coal India (-7%) and Asian Paints (-5%).

According to consensus estimates, as on November 24, 2017 the estimated PE ratios for India's stock market (Sensex) are 23.18X, 18.30X and 15.21X for FY18, FY19 and FY20 respectively. Estimated earnings growth is 8.05%, 26.64% and 20.35% for FY18, FY19 and FY20 respectively. We maintain an "Attractive" rating of 3.5 stars for the Indian equity market.

**RECOMMENDED FUND:
MANULIFE INDIA EQUITY FUND**