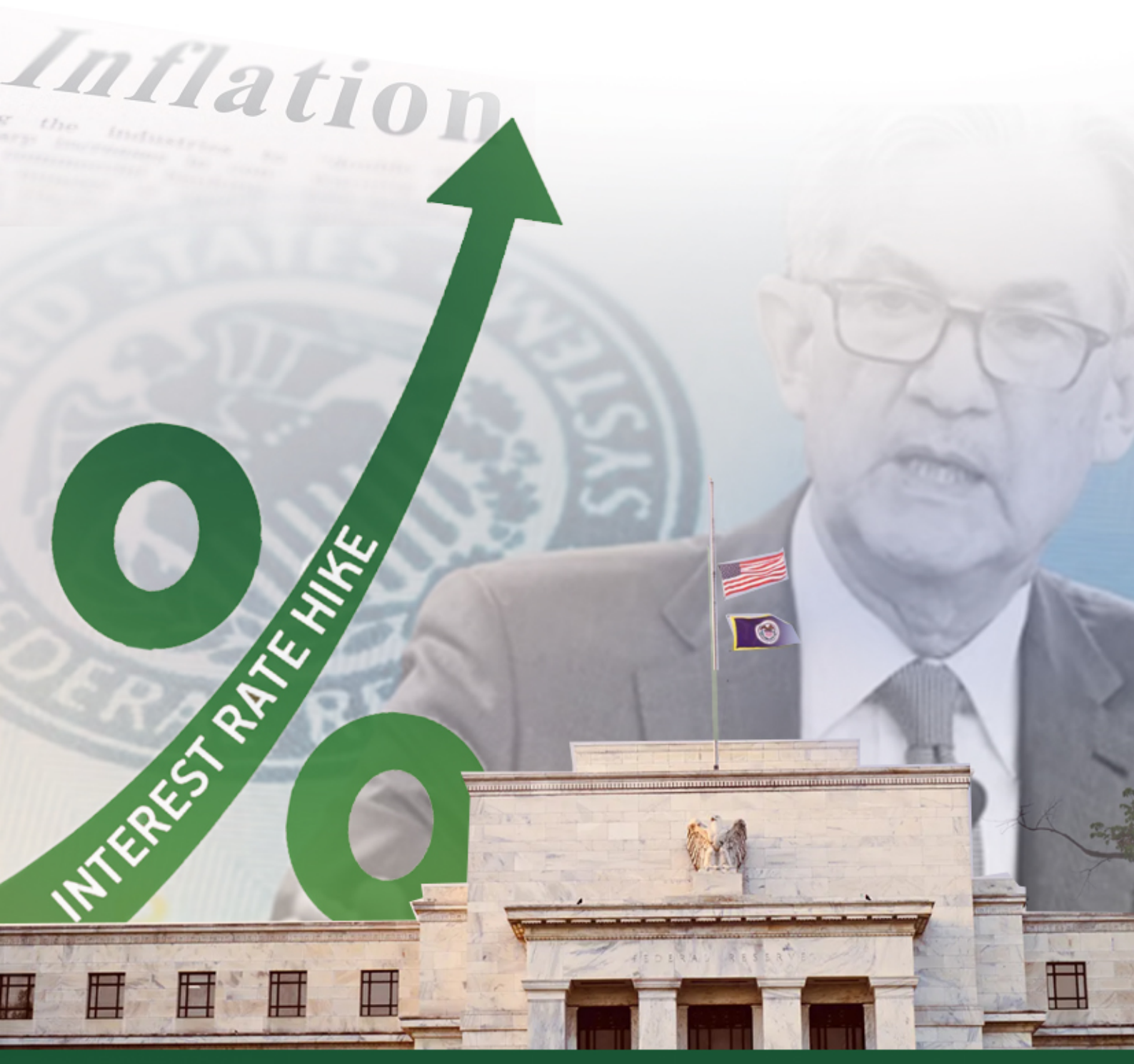




NEWSLETTER

APRIL 2022





The Chairman's Message

Dear Readers,

Greetings from Capital Sprout!

The New financial year is a time to grow from a seed capital investor to successful investor and take a positive step into the future. With the every new rising sun world sets its own goals, similarly commercial organization also sets various operational, financial goals for upcoming financial years. When the dream of achieving meets hard work and focused efforts, it ultimately converts into desired result. We often call it as **target achieved**. The constant change in the world is inevitable and we have to adapt to the change. Even water in river becomes impure when it stops flowing. You have to constantly nourish a seed to become a sprout to receive the desired fruit. Same fundamental rule is applicable in portfolio management as well. To tackle the negative impact of changes on portfolio, constant review and monitoring is required. The process of portfolio management dilute the impact and builds confidence even in the roller-coaster atmosphere.

It gives me an immense pleasure in putting before you a Wealth Bulletin of Capital Sprout for the month of April 2022. One of the objectives is to share our data compiled by our dedicated Research team which may help you to take informed decision for overall wealth management.

Some of researched data shows how interest rate plays a crucial role in overall economy of the country and across the globe. In this edition of bulletin, we have given the comparative analysis of how interest rates affect the Debt Mutual fund and impact of interest rate on stock market. Apart from above, regular Sensex data and Mutual fund data are compiled.

I think this information will be useful to readers. Wishing you healthy and wealthy new financial year.

CA DR Rajesh Khandol

Global Scenario

With all the focus on Russia-Ukraine war in previous few months, April observed quite a few events, which are certainly the ramifications of the war. With Global Inflation on the rise, prices of fuel, gold, wheat and nickel of which Russia and Ukraine are key exporters, have risen sharply. The annual inflation rate in the US accelerated to 8.5% in March 2022, which is an all-time high since December of 1981.

All these macro-economic factors compelled the Federal Reserve (Central Bank of USA) to increase the Federal Fund Rate (Interest rate) by 0.33%, first time since past 3 years. Further 0.25-0.50 bps increase is anticipated in the upcoming 6 months.

Table given below shows 10 Years Government Bonds Yield-to-Maturity/Interest rate of various countries for the month of April 2022. A clear rise of interest rate in Debt Market can be observed.

10 YEAR BOND YTM	INDIA	USA	UK	JAPAN	CHINA	FRANCE
30-04-2022	7.11%	2.98%	1.90%	0.22%	2.84%	1.45%
31-03-2022	6.78%	2.34%	1.60%	0.21%	2.81%	0.99%

USA Bond Interest rate has increased by 27%, a direct result of hike in US Federal Interest rates.



Impact on Debt Mutual Fund

Since Covid-19, returns in Debt Mutual Funds have been swaying back and forth, significantly due to regular increase in interest rates. Interest rate and NAV are inversely related. Any increase in interest rate will result in decrease of NAV and vice versa. Existing Investment will be re valued/adjusted to give a mark-to-mark effect on Net Asset Value (NAV).



Hike in interest rates at global level is an event rarely in control of the Fund Manager. Existing YTM of Long-Term debt funds is between 5-5.50% p.a. Realistically considering all the global episodes, further interest rate hikes are anticipated which can affect the returns of Debt Mutual Funds.

Impact on Stock Market

As explained above, interest rate hike would result in reduction in the Bond market which implies that Institutional Investors would pull off their investments from Stock Market and invest in Debt Market. US Bond market is usually considered one of the most secured, stable and matured market in the world.

Below table shows the inverse relationship between Bond and Stock Market.

Date	US Fed Interest Rate			Net Selling of FII (INR In Crore)	Fall In Nifty 50 (India)
	From	To	Increase		
MAR-2018	1.44%	1.68%	14%	-9,620	9.67%
JUNE-2018	1.93%	2.18%	11%	-10,249	4.25%
MAR-2022	0.08%	0.33%	313%	-43,281	8.90%



Performances

Equity Market

Indices	01 st April, 2022	30 th April, 2022	High	Low
BSE S&P SENSEX	58,568	57,521	60,612	56,463
NIFTY 50	17,464	17,102	18,053	16,954
NIFTY IT INDEX	36,343	31,622	36,466	56,463

Nifty IT index comprises of IT giants fall by **12.90%** in the month of April 2022

Mutual Fund

During the month of March 2022. Net outflow in Debt Mutual fund is **1.14 Lakh crore** but Net inflow in Equity oriented fund is **Rs. 0.28 Lakh crore**

AUM Data of Mutual Fund for the Month of March 2022

(INR. In Lakh Crore)

For The Month Of March	AUM As On 28-02-2022	Fresh Fund Mobilize During Mar-22	Redemption During Mar-22	AUM As On 31-03-2022
Total AUM of all mutual funds scheme	38.26	9.84	10.53	37.57
AUM of equity oriented (growth) schemes	13.37	0.46	0.18	13.65

Source: Association of Mutual Fund of India (AMFI)

Performances

Month wise SIP Contribution

(INR. In Crore)

Month	Fresh SIP Contribution
MAR-22	12,328
FEB-22	11,438
JAN-22	11,517

Month	Fresh SIP Contribution
DEC-21	11,305
NOV-21	11,005
OCT-21	10,519

FII & DII Inflow/Outflow Position

FII's are selling continuously in the month of April 2022. At the same time, DII's shows bullish trend in similar period. DII's Net Inflow in Cash segment during **Oct-2021 to Apr-2022** is approx **Rs. 2.72 Lakh crore** which shows the positive impact in Mutual fund industry.

Inflow/Outflow position in the month of April-2022

(INR. In Crore)

For The Month Of March	Gross Purchase	Gross Sale	Net
FII	1.48 Lakh	1.88 Lakh	- 0.41 Lakh
DII	1.42 Lakh	1.12 Lakh	+0.30 Lakh

