November saw the Sensex marginally contract by 0.2% to 33,149. Trump administration tax reform bills were passed, continued macro positives and political volatility in the US and Saudi Arabia were the highlights of November globally. On the domestic front, a recovery in growth, a 30 places move up in the World Bank's Ease of Doing Business rankings, a one notch sovereign rating upgrade by Moody's after 13 years and further cuts in the GST rates were key focus points during the month. The Indian markets saw a net inflow of $2.9bn. The rupee saw an appreciation of 0.4% to 64.5 to the dollar as the dollar index weakened by 1.6% during the month.

Global

Global market returns were mixed in November. The US and Japan witnessed strong and positive returns, while Europe, Latin America, China and India saw negative returns. Market statistics appear to indicate that the S&P saw the longest monthly winning streak since before the financial crisis and the Dow, the longest since the mid-90s. The month saw continued positivity in the global macro space, partially reflecting in steadily growing global PMIs. US consumer confidence touched its highest since 2000 on economy and jobs. Eurozone economic confidence reached its highest in the last 16 years. US Q3 GDP numbers were revised upward and Yellen observed separately that economic growth in the US was increasingly broad-based. While she expects a continued expansion, she expressed her increasing worry on the state of US public debt. The tax reform proposal in the US was finally passed in both the House and the Senate. The legislation is expected to be signed before the year end after the House and the Senate reconcile their versions of the bill. Politics continued to dominate the news flows with the constant backdrop of the Trump administration. Three of Trump's associates were charged in the Russia probe and the month closed with one of Trump's national security advisor pleading guilty of lying to the FBI and allegedly instigated by a senior Trump team member. Saudi Arabia also witnessed a surprise political shake-up with nearly 11 crown princes arrested on corruption charges. Europe saw Merkel failing to form a coalition and Brexit witnessing progress on divorce discussions. North Korea also registered its presence with its 20th missile launch for the year that outdid its previous missile statistics.

Central banks

The central banking space was relatively quiet during November. The Federal Reserve (Fed.) kept its policy rates unchanged and observed that economic activity was solid despite hurricanes and related disruptions. The Fed. minutes revealed that the rate hikes from the Fed. were set to continue. Trump decided to choose Jerome Powell as Yelen's successor. Powell's views on monetary policy are not seen too different from that of Yellen's, giving the markets a 'business as usual' feel. The Bank of England (BoE) raised its rates by 25bps on account of an increase in inflation in the UK. However, this must also be seen as a normalisation to pre-Brexit levels, given that the Brexit decision saw the BoE cut rates by 25bps. The People's Bank of China (PBoC) governor was seen voicing concerns on the country's debt and the need for financial reform.

Domestic

The month of November was packed with positive developments and macro news flows. GDP for Q2FY18 registered an uptick to 6.3% on the headline and core GDP was seen even higher at 6.9%, indicating a clear bottoming out of growth in the earlier quarter. Retail inflation prints were seen higher on the back of an increase in vegetable prices. However, India saw itself move up 30 places in the World Banks Ease of Doing Business ratings. To top this up further, India saw a positive sovereign rating upgrade from Moody's of one notch above the current rating. This rating upgrade comes after a period of 13 years. November saw the GST council revise down the tax rates for large number commodities to 18% from the prevailing 28%. With this move, the number of items in the highest slab of 28% drops to 50 from the earlier number of 227. The council also brought down the tax rate for all restaurants to 5%. While the month was packed with all the above positives, it also witnessed some concerns around GST collections and their shortfalls possibly impacting the fiscal math.

Flows

November saw continued fund inflows into both the Emerging and Developing markets. US dominated the DM space this month, as Europe and Japan were seen lagging. Currency stability, relative performance and the structural differentiation story continues to hold for India. October saw a return of inflows into Indian equities, to the tune of $3.1bn. and marginal outflows in debt of $0.2bn. Debt has seen an inflow of $23bn. since the start of March this year. November has been the first month of debt outflow since.

Outlook

The Government's firm commitment to spur the infrastructure investment cycle is already reflecting in improved execution on the ground. Focus on rural incomes and spend is also helping broad-basing growth and serves as a long term driver of the consumption story. The stress in the banking system has seen significant & targeted addressing, as expected, with recognition, provision of bad loans, resolution and subsequent capitalisation commitments. The Govt. has been laying the foundations for the road to sustainable growth through broader reforms & efficient administration. GST transition impact though real in few quarters, we believe is a short term phenomenon and hence investors are advised to see it through patiently and have faith in the strong India growth story. Growth will be spurred by strong infra related spend, urban consumption, rising rural incomes and improved demand going forward with the 1Q GDP print being the bottom. The uptrend in corporate results and earnings trend will gather steam into SH of FY18.

Softer than historic inflation and better growth will gradually lead to a shift in the saving pattern of Indian households from physical to financial with a sharp bias towards equity. Mutual funds are well positioned to absorb this incremental shift. Corporate earnings are set to enter a double digit growth trajectory driven by the domestic recovery in this fiscal. Our funds are very well positioned to reap these benefits. Fed. is likely to move ahead gradually, keeping in mind not to pull down economic growth that has just seen some momentum. FY18 is an year of the fiscal with most governments acknowledging the need to create demand through fiscal spending. India is not be far behind in this move and will continue to remain prudent in such deficit spending. With the twin deficits reasonably contained, inflation well under control, bottomed out growth, a relatively stable currency and an extremely strong political mandate, India stands taller than the rest. While broader valuations, driven by domestic liquidity, indicate market discounting near term earnings, one will have to look into FY19 and beyond. Strengthening dollar may spell some short term weakness in EMs and few other asset classes. Near term Indian markets may undergo a time consolidation or be range bound, which could be a good time to get invested in a disciplined manner. Every bull market is interspersed with both time and value corrections while reasons could be varied. Every point of volatility would be an opportunity to buy India. With every turn of the markets, the India-differentiation story gathers more interest, momentum and conviction in that order. This would get louder in the coming quarters and a stable rupee would give comfort to the inflows. We continue to remain positive on our equity markets with a medium to long term outlook.