SBI Life INSURANCE
With Us, You're Sure

Monthly Investment Update:
Volume 14, Issue 04
July, 2021

invest CARE

UNIT LINKED PRODUCTS FROM SBI LIFE INSURANCE CO. LTD.

INVESTMENT OBJECTIVES AND VISION

(A) Investment Objectives:

The investment objectives of the Company are to maximize the risk adjusted returns and ensure reasonable liquidity at all times. Management of the investment portfolio is a crucial function as investment risk and returns, inter alia, determine the ability of the Company to competitively price its products, ensure solvency at all times and earn the expected profitability. The investment policy outlined in this document seeks to set the direction and philosophy for the Company's investment operations. The Policy outlined below conforms to the IRDAI Investment Regulations and the Insurance Act. The Policy covers investment parameters, exposure norms and other relevant factors that will assist in taking prudent investment decisions. The Policy framework also takes into account asset liability management, market risks, portfolio duration, liquidity considerations, and credit risk. To summarize the investment policy aims to achieve the following Investment Objectives:

a) To acquire and maintain quality assets that will meet the liabilities accepted by the Company;

b) To be able to meet the reasonable expectations of the policyholders taking into account the safety of their funds with optimum Return;

c) To adhere to all Regulatory provisions;

d) To conduct all the related activities in a cost effective and efficient manner; and

e) To achieve performance in line with benchmarks identified for the different investment portfolios.

The Company has also defined the Investment Objectives for each Fund separately, on the basis of aforesaid broader Investment objectives.

(B) Investment Vision:

"To invest the funds on the prudent principles of Safety, Liquidity & Returns, with an overall vision of meeting reasonable expectations of policy holders".

Source: SBI Life Investment Policy

SBI Life INSURANCE
With Us, You're Sure

Major Economic Indicators

Economic Indicators

Particulars	31-Jul-21	30-Jun-21	Change (%)	31-Mar-21	Change (%)
₹/$	74.42	74.33	-0.12%	73.11	-1.79%
Forex Res.(Bn- 1 Wk Lag)	$ 611.15	$ 609.00	0.35%	$ 579.29	5.50%
Oil Price ($/Barrel)	$ 75.41	$ 75.23	0.24%	$ 64.04	17.75%
Gold (₹/10 gm)	48,250	46,504	3.75%	44,106	9.40%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	-12746	10932	-216.59%	16968	-175.12%
Debt (monthly)	17	-3357	100.51%	-3429	-100.50%

Indices

Particulars	31-Jul-21	30-Jun-21	Change (%)	31-Mar-21	Change (%)
BSE Sensex	52,586.84	52,482.71	0.20%	49,509.15	6.22%
S&P CNX Nifty	15,763.05	15,721.50	0.26%	14,690.70	7.30%
Dow Jones Industrial Avg	34,935.47	34,502.51	1.25%	32,981.55	5.92%
FTSE 100	7,032.30	7,037.50	-0.07%	6,713.60	4.75%
Hang Seng Index	25,961.03	28,827.95	-9.94%	28,378.35	-8.52%
Nikkei 225	27,283.59	28,791.53	-5.24%	29,178.80	-6.50%

B S E Realty Index	3,182.51	2,740.68	16.12%	2,670.31	19.18%
B S E Metal Index	21,011.62	18,664.75	12.57%	14,350.61	46.42%
B S E Capital Goods Index	23,671.73	22,948.98	3.15%	21,095.75	12.21%
B S E Information Technology Index	30,846.54	30,135.93	2.36%	26,543.24	16.21%
B S E Healthcare Index	26,156.18	25,589.02	2.22%	21,328.21	22.64%
B S E FMCG Index	13,480.98	13,517.95	-0.27%	12,875.40	4.70%
B S E Bankex	39,190.11	39,349.98	-0.41%	37,547.91	4.37%
B S E Oil & Gas Index	15,441.74	16,175.51	-4.54%	14,820.46	4.19%
B S E Power Index	2,616.52	2,755.48	-5.04%	2,475.13	5.71%
B S E Auto Index	22,489.21	23,771.76	-5.40%	22,252.21	1.07%

SBI Life INSURANCE
With Us, You're Sure

Primary Key Rates

Particulars	31-Jul-21	30-Jun-21	Change (%)	31-Mar-21	Change (%)
Repo Rate*	4.00%	4.00%	0.00%	4.00%	0.00%
Reverse Repo Rate**	3.35%	3.35%	0.00%	3.35%	0.00%
CRR#	4.00%	4.00%	0.00%	3.00%	1.00%
SLR *#	18.00%	18.00%	0.00%	18.00%	0.00%
Call money rate	3.38%	2.60%	0.78%	2.75%	0.63%
Current Inflation Rate (WPI)	12.07%	12.94%	-0.87%	4.17%	7.90%
Current Inflation Rate (CPI) (Jun 21)	6.26%	6.30%	-0.04%	5.03%	1.23%
IIP (WPI) % y-o-y (May 21)	29.30%	134.44%	-105.14%	-1.60%	30.90%
AAA spread (bps)	65.00	74.00	-12.16%	57.00	14.04%

	2017-18	2018-19	2019-20	2020-21	Q4 FY21
Real GDP % (New Growth No. by CSO)	6.70%	6.80%	4.20%	-7.30%	1.60%

Interest Rates (FIMMDA)

Particulars	31-Jul-21	30-Jun-21	Change (%)	31-Mar-21	Change (%)
91 days T - Bill	3.39%	3.41%	-0.02%	3.25%	0.14%
364 days T - Bill	3.67%	3.85%	-0.18%	3.75%	-0.08%
5 Years G - Sec (Annualized)	5.73%	5.65%	0.08%	5.70%	0.02%
10 Years G - Sec (Annualized)	6.23%	6.05%	0.18%	6.18%	0.05%
30 Years G - Sec (Annualized)	7.15%	7.10%	0.05%	6.77%	0.38%

No change
Negative change
Positive change

*** w.e.f May 22, 2020**
**** w.e.f May 22, 2020**
 # w.e.f May 22, 2021
***# w.e.f Apr 09, 2020**

CPI – Consumer Price Index
WPI – Wholesale Price Index
IIP – Index of Industrial Production

Data Sources
NSE
BSE
RBI
FIMMDA
Bloomberg & Reuters

CIN : L99999MH2000PLC129113 IRDAI Regn. No. 111

DEBT MARKET REVIEW AND OUTLOOK

Market Review

July 2021 – 'V'irus down and 'V'accination up cause a 'V' shaped recovery !

Benchmark 10-year treasury yields averaged at 6.17% in July 2021 (15 bps higher versus June avg.). On month end values, the 10Y yield was up and ended the month at 6.20%. US 10Y yield is at 1.22% (-25bps month on month, +69bps year on year). INR was flat and ended the month at US $ 74.42 July 2021. The JP Morgan EM FX Index was down 1.0% in July 2021. In the last 12 months, INR (+0.5%) has underperformed the broader EM FX (+2.0%). DXY lost a marginal 0.3% in July 2021 (following 2.9% increase in June 2021) and ended the month at 92.17 (-1.3% in the last 12 months).

India Macro movers

All eyes were on monthly core-core prices (standard core ex. petrol and diesel), which had surprisingly surged 1.5% month on month, in the lockdown month of May 2021. Consequently, we expected payback in the form of much softer momentum in June as the economy began to reopen. As it turns out, core-core prices were flat month on month in June 2021, suggesting May 2021 pressures reflected an adverse supply shock from the lockdowns. This, in conjunction with large, favorable base effects, translated into core-core inflation decelerating to 5.3% on a year in June 2021 from 5.9% in May 2021. Recent dynamics apart, core-core inflation has been sticky for a while (averaging 5.0%on a year from the start of 2020 even before the May 2021 print) suggesting more lasting pressures are at play.

The composite PMI (Purchasing Managers Index) came in very weak at 43.1 for June 2021 after falling to 48.1 in May 2021 from 55.4 in April 2021. Prima facie, this would suggest activity contracted in June 2021 , which is at odds with other high frequency indicators that signal a recovery of activity in June after a deep contraction in May 2021.

IP printed below expectations at 29% in May 2021 helped by very favorable base effects from last year when the economy was in the midst of a national lockdown. Sequentially, in fact, IP plunged 13.4% month on month, in May 2021 on the back of a 0.7% contraction in April 2021, as different states progressively locked down on account of the second wave.

GST (Goods & Services tax) collections grew 33% year on year in July 2021 (₹ 1.16 trillion from ₹ 928 billion in June 2021, -25% month on month). This was the 9th consecutive month with collections of more than ₹ 1 trillion starting October 2020 last year (exception of June 2021). Fiscal deficit for Apr-Jun 2021 came at ₹ 2.74 trillion or 18.2% of the budgeted FY22 deficit (at ₹.15.1 trillion or 6.8% of GDP).

CIN : L99999MH2000PLC129113 IRDAI Regn. No. 111

Global News

Global equities (+0.6%) traded modestly higher, with DM (US up +2.3% vs Europe +1.8%) leading EM (down 7.0%). The breather in July, in our view, has been driven by a combination of technical factors and overblown fears around the Delta variant's impact on growth and mobility. Chinese equities fell 14.2% ($terms) as a series of regulatory changes catalyzed a swift correction in new economy stocks (internet, fintech, education, etc.) We expect the reflation trade– cyclical stocks, bond yields, high beta stocks, reflation and reopening themes – to bounce imminently as Delta variant fears subside and inflation surprises persist, and due to support from above-trend growth, strong consumer fundamentals and a low earnings hurdle. Growth indicators in the US are a mixed bag with a positive bias, but markets suspect that the growth momentum has definitely cooled leading the FED to postpone any tapering of QE purchases and not hike rates before 2023. The US inflation however doesn't seem to abate with debates raging now between the two camps discussing whether it is 'transitory' or not.

Outlook

Rate cuts are behind us but policy normalization saw its first few steps by MPC (Monetary Policy Committee) in August 2021. Though the rates were maintained unanimously, accomadative stance had a dissent, so the votes are now 5-1. RBI has marked up its CPI est for FY 22 by 60 bps, from 5.1% to 5.7%, which is in line with our expectations as well while growth target in Q1 FY 22 has been pushed up by 300 bps by MPC, with overall FY 22 growth maintained at 9.5%. This growth-inflation outlook tells us that RBI is expecting inflation to remian very close to its outerband throughout FY 22, and growth impact from secon wave of virus also to be minimal. The next move by RBI will happen when the growth is upgraded and it looks sustainable barring a worrisome 3rd wave of the virus. RBI will slowly increase liquidity suction from 2 lac crs to 4 lac crs by September 2021 end through the VRRR mode as decieded in the latest meeting, and this too we feel is a small move towards policy normalisation. Faster pace of vaccinations, stronger recover of growth and suatained CPI pressure can push the MPC into qicker and earlier withdrawal of the moenteray stimulus. We expect 10 year bond yields to steadily rise from 6.2% but remain in the broad range of 6.20% to 6.4%.

CIN : L99999MH2000PLC129113 IRDAI Regn. No. 111

Equity Outlook

Equity Market Outlook for August, 2021

Month of July 2021 ended for Stock Markets with no movement on the Major indices. Sensex and Nifty ended at 52587 and 15763 up 0.2% and 0.3%. Despite Fed keeping interest rates low and re iterating its stand on same and Zomato IPO getting subscribed 40 times, events like a possible third wave, delta variant increasing its numbers and impact of no change in calculation of AGR (Adjusted Gross Revenue) dues for telecom companies weighed on markets. Chart giving details of Index returns over various periods enclosed for reference.

Rally on Small and Mid Caps continued. CNX, Mid and Small cap index at 27815 and 10522 was up 3.1% and 8.1% for the month and 15% and 23% for one year ending July 31. BSE Metals index leads the pack with a return of 168% on a one year basis and up 12% for the month. Internationally equity markets were flat with US S&P 500 clocking 2.4% return. Hong Kong was down 9% though.

There was some consolation on interest rate side with CPI coming at 6.26% for June 2021 versus 6.3% for May 2021. May IIP was at 29.3%. This year in April 2021 and July 2021 FPI's (Foreign Portfolio Investors) have sold which means they are encashing on the purchases since last one year. FPI's sold stocks worth ₹ 1.7 billion in the month of July, 2021. Mutual funds bought stocks worth US $ 2 billion during the same period. Till the end of last month and for the year FPI's have sold stocks in Philippines, Korea, Taiwan and Thailand ranging from US $ 1 billion to 21 billion.

Results for first quarter of the FY 22 of Nifty and Sensex companies came as a mixed bag. While there was positive surprise in sectors like metals and information technology some sectors like automobile and banking could not satisfy the analyst community.

Vaccination programme in India currently is going on @ around 40 million a day. At this rate 50% of India's eligible population should be vaccinated by September, 2021. By December, 21 we expect most of the population required to be vaccinated to be given with one dose at the minimum. While the damage in terms of deaths have been severe in the second wave, markets seems to have taken this on their stride.

We continue to be positive on Indian Equity markets. While short term corrections are not ruled out as markets have moved sharply. However, good growth in earnings, impetus by government to growth, support by RBI and private sector capex showing signs of revival augurs well for equity.

A bad third wave and monsoon progress can impact the earnings but as of now it does not pose any risk.

We are positive on Large Cap oriented funds like Equity and Balanced funds.

RISK MANAGEMENT PRACTICE FOR UNIT LINKED PORTFOLIOS

Company's investment exposure to any sector is as per limits prescribed by IRDAI under Investment Regulations and the same is monitored on a daily basis. In addition, the company also follows stringent asset allocation metrics as per policy features communicated to the policy holder and the same is adhered to while making investment decisions. In case of guaranteed products, investments are made in suitable asset classes taking into account market and credit risk, and liquidity of the investment to ensure fulfillment of guarantee promised. There is an efficient stop loss policy in place, which is triggered every time the stock price breaches a specific threshold level. This warrants review of investment decision and establishes the rationale for continuance or discontinuance of the specific investment thus preventing sharp fall in value of our holdings and prolonged underperformance of the portfolio. Significant importance is given to asset liability management and accordingly, portfolios are reviewed on a monthly basis to ensure adherence.

SBI Life INSURANCE
With Us, You're Sure

Disclaimer:

1) This newsletter only gives an overview of economy and should not be construed as financial advice
2) SBI Life Insurance Co. Ltd however makes no warranties, representations, promises or statements that information contained herein are correct and accurate. Please consult your Advisor/Consultant before making the investment decision

BEWARE OF SPURIOUS PHONE CALLS AND FICTIOUS / FRADULENT OFFERS

IRDAI is not involved in activities like selling insurance policies, announcing bonus or investment of premiums. Public receiving such phone calls are requested to lodge a police complaint.

To know more about us
Visit us at www.sbilife.co.in or Call Toll Free No. 1800 267 9090 (9.00 a.m. to 9.00 p.m.)
SBI Life Insurance Co. Ltd.
Registered Office and Corporate Office: "Natraj", M.V Road & Western Express Highway Junction, Andheri (E), Mumbai-400069
CIN: L99999MH2000PLC129113
Email: info@sbilife.co.in
IRDAI Regn. No. 111
For more details on Risk Factors, Terms & Conditions, please read the sales brochure carefully before concluding a sale