SBI Life INSURANCE
With Us, You're Sure

Monthly Investment Update:
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# 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*



CIN : L99999MH2000PLC129113

IRDAI Regn. No. 111

# Major Economic Indicators

## Economic Indicators

| Particulars | 30-Sep-19 | 31-Aug-19 | Change (%) | 31-Mar-19 | Change (%) |
|---|---|---|---|---|---|
| ₹/$ | 70.87 | 71.41 | 0.76% | 69.16 | -2.47% |
| Forex Res.(Bn- 1 Wk Lag) | $ 428.57 | $ 429.05 | -0.11% | $ 406.67 | 5.39% |
| Oil Price ($/Barrel) | $ 61.05 | $ 59.25 | 3.04% | $ 68.39 | -10.73% |
| Gold (₹/10 gm) | 37,572 | 38,405 | -2.17% | 31,854 | 17.95% |
| **FII inflows (Net) - Crs (₹)** | | | | | |
| Equity (monthly) | 6979 | -15552 | 144.88% | 33189 | -78.97% |
| Debt (monthly) | -5903 | 3530 | -267.22% | 14408 | -140.97% |

**Indices**

| Particulars | 30-Sep-19 | 31-Aug-19 | Change (%) | 31-Mar-19 | Change (%) |
|---|---|---|---|---|---|
| BSE Sensex | 38,667.33 | 37,332.79 | 3.57% | 38,672.91 | -0.01% |
| S&P CNX Nifty | 11,477.25 | 11,023.25 | 4.12% | 11,623.90 | -1.26% |
| Dow Jones Industrial Avg | 26,916.83 | 26,403.28 | 1.95% | 25,928.68 | 3.81% |
| FTSE 100 | 7,408.20 | 7,207.20 | 2.79% | 7,279.20 | 1.77% |
| Hang Seng Index | 26,092.27 | 25,724.73 | 1.43% | 29,051.36 | -10.19% |
| Nikkei 225 | 21,755.84 | 20,704.37 | 5.08% | 21,205.81 | 2.59% |
| B S E Oil & Gas Index | 14,642.13 | 13,163.72 | 11.23% | 15,269.70 | -4.11% |
| B S E Capital Goods Index | 18,695.27 | 16,941.77 | 10.35% | 18,471.99 | 1.21% |
| B S E Metal Index | 9,085.65 | 8,524.28 | 6.59% | 11,355.12 | -19.99% |
| B S E Auto Index | 16,761.78 | 15,768.40 | 6.30% | 18,824.89 | -10.96% |
| B S E Bankex | 32,889.09 | 30,949.72 | 6.27% | 34,141.94 | -3.67% |
| B S E FMCG Index | 11,766.98 | 11,077.23 | 6.23% | 11,741.51 | 0.22% |
| B S E Power Index | 1,934.40 | 1,887.96 | 2.46% | 2,034.41 | -4.92% |
| B S E Healthcare Index | 12,493.53 | 12,875.40 | -2.97% | 14,407.89 | -13.29% |
| B S E Information Technology Index | 15,669.92 | 16,149.45 | -2.97% | 15,280.30 | 2.55% |
| B S E Realty Index | 1,978.01 | 2,047.65 | -3.40% | 2,077.09 | -4.77% |

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## Primary Key Rates

| Particulars | 30-Sep-19 | 31-Aug-19 | Change (%) | 31-Mar-19 | Change (%) |
|---|---|---|---|---|---|
| Repo Rate* | 5.40% | 5.40% | 0.00% | 6.25% | -0.85% |
| Reverse Repo Rate** | 5.15% | 5.15% | 0.00% | 6.00% | -0.85% |
| CRR# | 4.00% | 4.00% | 0.00% | 4.00% | 0.00% |
| SLR *# | 18.75% | 18.75% | 0.00% | 19.25% | -0.50% |
| Call money rate | 5.30% | 5.20% | 0.10% | 6.35% | -1.05% |
| Current Inflation Rate (WPI) | 1.08% | 1.08% | 0.00% | 2.93% | -1.85% |
| Current Inflation Rate (CPI) (Aug 19) | 3.20% | 3.15% | 0.05% | 2.57% | 0.63% |
| IIP (WPI) % y-o-y (July 19) | 4.30% | 2.00% | 2.30% | 1.70% | 2.60% |
| AAA spread (bps) | 90.00 | 80.00 | 12.50% | 61.00 | 47.54% |

| | 2016-17 | 2017-18 | 2018-19 | Q4 FY19 | Q1 FY20 |
|---|---|---|---|---|---|
| Real GDP % (New Growth No. by CSO) | 7.10% | 6.70% | 6.80% | 5.80% | 5.00% |

## Interest Rates (FIMMDA)

| Particulars | 30-Sep-19 | 31-Aug-19 | Change (%) | 31-Mar-19 | Change (%) |
|---|---|---|---|---|---|
| 91 days T - Bill | 5.32% | 5.38% | -0.06% | 6.12% | -0.80% |
| 364 days T - Bill | 5.53% | 5.71% | -0.18% | 6.43% | -0.90% |
| 5 Years G - Sec (Annualized) | 6.25% | 6.13% | 0.11% | 6.85% | -0.60% |
| 10 Years G - Sec (Annualized) | 6.70% | 6.56% | 0.14% | 7.35% | -0.65% |
| 30 Years G - Sec (Annualized) | 7.15% | 7.02% | 0.13% | 7.60% | -0.45% |

*No change*
*Negative change*
*Positive change*

*** w.e.f Aug 07, 2019**
**** w.e.f Aug 07, 2019**
**# w.e.f Feb 09, 2013**
***# w.e.f Jul 06, 2019**

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

Data Sources
NSE
BSE
RBI
FIMMDA
Bloomberg & Reuters



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## DEBT MARKET REVIEW AND OUTLOOK

### Market Review

### One half done – Can we hope for a better half?

The month of September 2019 saw yields reverse back home and across many nations globally too this was the case. Better economic data globally and fiscal risks domestically led to reversal of bond yields. Slowing growth and expected easy monetary policy as a result especially in the US helped the bonds rally. Fear of a recession in the developed economies also started rising. The Finance Ministry in India was hinting at fiscal stimuli to boost domestic demand and this has kept bonds yields higher.

The movement in yield and other key indicators are as under:

| Instrument | Mar' 19 | Aug' 19 | Sept' 19 | M-O-M Change | YTD Change |
|---|---|---|---|---|---|
| 10 Yr G-sec | 7.35% | 6.56% | 6.70% | 0.14% | -0.65% |
| 30 Yr G-sec | 7.60% | 7.02% | 7.15% | 0.13% | -0.45% |
| 3 Yr AAA Bond | 7.85% | 6.90% | 6.95% | 0.05% | -0.90% |
| 5 Yr AAA Bond | 7.95% | 7.24% | 7.35% | 0.11% | -0.60% |
| 10 Yr AAA Bond | 8.25% | 7.50% | 7.70% | 0.20% | -0.55% |
| 364 Days T-bill | 6.43% | 5.71% | 5.53% | -0.18% | -0.90% |
| 91 Days T-bill | 6.12% | 5.38% | 5.32% | -0.06% | -0.80% |
| 1Yr Certificate of Deposit | 7.00% | 6.30% | 6.30% | 0.00% | -0.70% |
| Credit spreads bps | 61 | 80 | 90 | 10 | 29 |
| Crude $/barrel | 68.39 | 59.25 | 61.05 | $ 1.80 | $ -7.34 |
| USD / INR | 69.16 | 71.41 | 70.87 | ₹ -0.54 | ₹ 1.71 |

## Macro Indicators:

India's retail price inflation rate stood at 3.21% year-on-year in August 2019, little-changed from the previous month's 3.15% and slightly below market expectations of 3.3%. Inflation remained below the Reserve Bank of India's medium-term target of 4% for the thirteenth consecutive month. Wholesale prices in India rose by 1.08% year-on-year in August 2019, staying flat at 1.08% gain in the previous month.

India's industrial production growth rose to 4.3% year-on-year in July 2019 from an upwardly revised 2.3% in the previous month, but above market expectations of 2%. The IHS Markit India Manufacturing PMI (Purchasing Managers Index) dropped to 51.4 in August 2019 from 52.5 in the previous month and below market expectations of 52.2. The latest reading pointed to the weakest pace of expansion in the manufacturing sector since May 2018.

## Around the World:

US Fed (Federal Reserve) cut rates in the September 2019 as expected by 25 bps making it the second consecutive cut but Powell continued to refer to it as just a mid-cycle adjustment. But markets haven't started factoring any of this and continue to expect 75 bps of rate cuts over the next 12 months. Germany on the other hand continued to receive very poor data suggesting that the economy could technically enter a recession. ECB (European Central Bank) joined the global DM (Developed Market) central banks in cutting rate as it reduced deposit rates from -0.4% to -0.5% also freshly introducing a QE (Quantitative easing) based bond buying every month for an indefinite period.

## Debt Outlook:

The bond yields in India rose by 19 bps fell by 51 bps this month. The global fall in bond yields did not influence Indian bond markets. RBI reacted in accordance with easing global yields as they cut Repo rate by 35 bps (against the usual 25 bps) but after that there has been much noise on some sort of fiscal stimuli by the govt. to promote growth across various sectors. The Bimal Jalan Panel announced a transfer of ₹ 1.76 trillion to the govt. but markets believed the excess capital transferred was only around 58000 crores and felt it was below expectations. All these fears have added pressure on bond yields despite a much lower than expected GDP (Gross Domestic Product) growth of 5% in Q1 FY 2020. The second half of FY 2020 will have much lesser bond supply and this along with some OMO (Open Market Operations) expectations could help bond yields lower but the quantum of RBI rate cuts and global easing will play a bigger role on bond yields. We expect 10 Yr to trade between 6.3% and 6.5% in the coming month.

RBI and Government have responded by cutting rates by 135 bps and Tax cuts respectively when the FM said that corporate tax cuts would lead to ₹ 1.45 lac crores of revenues forgone. Outlook on rates remain cautiously positive as Inflation is benign with Core CPI still close to 4% and headline near 3%. GDP growth remains low at 5% which was the lowest seen over multiple years. The RBI cut interest rates and mentioned that the negative output gap has widened and the 'accommodative stance' will continue as long as it's necessary. The central bank Governor also mentioned that he sees no reason to doubt that the Govt. won't stick to its fiscal deficit targets. Even globally central banks are cutting interest rates and this gives us optimism that yields will had lower. We expect the MPC (Monetary Policy Committee) to cut by another 15-40 bps in the coming policy meetings and 10 Yr yield could head to 6.25% or even lower. However, the biggest risk remains the uncertainty surrounding fiscal slippage and extra govt. borrowing despite the H2 calendar showing no signs of it. This could pose an upside risk and push yields higher and thus we expect the 10 Yr benchmark to trade between 6.2% and 6.5% in the coming months.

## Equity Outlook

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### Equity Market Outlook for Month of October, 2019

Nifty and Sensex jumped by 4.1% and 3.6% respectively to end at 11477 and 38667 for the month of September 2019. Marked improvement in sentiments came in after Finance Minister introduced cut in Corporate Tax rate from 30% to 22% (excluding of surcharge and cess) & roll back of surcharge on capital gains for FPI's (Foreign Portfolio Investors). FPI's and Domestic Institutional Investors both were buyers for the month after a long time.

Government also gave relief by cutting GST rates on Hospitality sector.

BSE Mid Cap and BSE Small Cap indices surged ahead of benchmark Nifty and Sensex. Mid Cap Index was up 4.7% and Small Cap Index was up 5.1%. Some of the sectors were clear beneficiaries of the tax cuts. These sector Indices jumped more than 10%. These sectors include OMC's (Oil Marketing Companies), Consumer Staples and the Capital Goods.

India performed better compared to Developed market's like the US and the UK, however some of the emerging markets were performing in line.

Liquidity was good. FPI's bought stocks worth US $ 997 million against DII's (Direct Institutional Investors) who bought stocks worth US $ 1.7 billion.

Uncertainties continued in international front. Global oil prices as usual exhibited its volatility with drone attack on Saudi Aramco's refinery only to end with a conclusion that production can be restored faster than, what period markets were fearing off. To set off the negativity, Fed (Federal Reserve) as expected cut rates by 25 basis points. It now stands at 1.75% to 2.0%. The good part of the news ends there. No official now expects rates in between 1.5% and 1.75% till 2022.

CPI inflation inched a bit higher in July 2019 to 3.2% versus 3.1% in the previous month.

While the markets are worried on ₹ 1.45 lakh crore of tax foregone by the FM which will add to the Fiscal burden, there is a ₹.1.08 lakh crore of benefits that are passed on in terms of exemption which will be setting off this. This numbers will be ironed out only in the FY 2021 as full impact will be known then.

Meltdown in Market cap of NBFC (Non-Banking Finance Companies) sector which forms a crucial part of credit to the economy (negative of incremental credit to the system in Quarter 1 & 27% of total credit outstanding) on concerns regarding their onward lending to Real Estate, partial freeze on lending to this sector by Mutual Funds and some institutions has brought in considerable slowdown to the discretionary spending.



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We believe government measures (to cut tax) have brought India at par with any other global economies to set up a manufacturing unit. Secondly, while the markets were looking desperately for earnings growth, this is now coming in and very quickly. Estimated earnings growth has increased by 12% for Nifty universe with the tax cuts. The estimated earnings growth for FY 2020 would now be in excess of 20%.

Economy should clock incremental GDP growth from March, 2019 quarter onwards as we see issues of BS VI behind us. Good progress of late monsoon should also help us in December, 2019 and March Quarter, 2019 of FY 2020 as these have low bases to compare with.

Numbers would continue to be bad for September 2019. We advise investors to start looking at equity as a asset class for good gains to come in by June 2020.

## 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.

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1) This newsletter only gives an overview of economy and should not be construed as financial advice
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