SBI Life INSURANCE
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Monthly Investment Update:
Volume 14, Issue 01
April, 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*

# Major Economic Indicators

## Economic Indicators

| Particulars | 30-Apr-21 | 31-Mar-21 | Change (%) | 31-Mar-20 | Change (%) |
|---|---|---|---|---|---|
| ₹/$ | 74.08 | 73.11 | -1.33% | 75.63 | 2.05% |
| Forex Res.(Bn- 1 Wk Lag) | $ 584.11 | $ 579.29 | 0.83% | $ 475.56 | 22.82% |
| Oil Price ($/Barrel) | $ 67.25 | $ 64.04 | 5.01% | $ 23.55 | 185.56% |
| Gold (₹/10 gm) | 47,569 | 44,106 | 7.85% | 40,989 | 16.05% |
| **FII inflows (Net) - Crs (₹)** | | | | | |
| Equity (monthly) | -11116 | 16968 | -165.51% | -62026 | -82.08% |
| Debt (monthly) | -1124 | -3429 | 67.22% | -58579 | -98.08% |

### Indices

| Particulars | 30-Apr-21 | 31-Mar-21 | Change (%) | 31-Mar-20 | Change (%) |
|---|---|---|---|---|---|
| BSE Sensex | 48,782.36 | 49,509.15 | -1.47% | 29,468.49 | 65.54% |
| S&P CNX Nifty | 14,631.10 | 14,690.70 | -0.41% | 8,597.75 | 70.17% |
| Dow Jones Industrial Avg | 33,874.85 | 32,981.55 | 2.71% | 21,917.16 | 54.56% |
| FTSE 100 | 6,969.80 | 6,713.60 | 3.82% | 5,672.00 | 22.88% |
| Hang Seng Index | 28,724.88 | 28,378.35 | 1.22% | 23,603.48 | 21.70% |
| Nikkei 225 | 28,812.63 | 29,178.80 | -1.25% | 18,917.01 | 52.31% |
| B S E Metal Index | 17,821.58 | 14,350.61 | 24.19% | 5,713.28 | 211.93% |
| B S E Healthcare Index | 23,530.70 | 21,328.21 | 10.33% | 12,148.57 | 93.69% |
| B S E Oil & Gas Index | 14,995.68 | 14,820.46 | 1.18% | 10,020.85 | 49.64% |
| B S E Power Index | 2,481.15 | 2,475.13 | 0.24% | 1,377.95 | 80.06% |
| B S E Bankex | 37,304.97 | 37,547.91 | -0.65% | 22,050.02 | 69.18% |
| B S E Information Technology Index | 26,305.95 | 26,543.24 | -0.89% | 12,842.72 | 104.83% |
| B S E Auto Index | 21,667.80 | 22,252.21 | -2.63% | 10,746.15 | 101.63% |
| B S E FMCG Index | 12,508.59 | 12,875.40 | -2.85% | 10,254.89 | 21.98% |
| B S E Capital Goods Index | 20,252.38 | 21,095.75 | -4.00% | 10,979.45 | 84.46% |
| B S E Realty Index | 2,468.20 | 2,670.31 | -7.57% | 1,353.65 | 82.34% |

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**Primary Key Rates**

| Particulars | 30-Apr-21 | 31-Mar-21 | Change (%) | 31-Mar-20 | Change (%) |
|---|---|---|---|---|---|
| Repo Rate* | 4.00% | 4.00% | 0.00% | 4.40% | -0.40% |
| Reverse Repo Rate** | 3.35% | 3.35% | 0.00% | 4.00% | -0.65% |
| CRR# | 3.50% | 3.00% | 0.50% | 3.00% | 0.50% |
| SLR *# | 18.00% | 18.00% | 0.00% | 18.25% | -0.25% |
| Call money rate | 3.00% | 2.75% | 0.25% | 4.30% | -1.30% |
| Current Inflation Rate (WPI) | 7.39% | 4.17% | 3.22% | 2.26% | 5.13% |
| Current Inflation Rate (CPI) (Mar 21) | 5.52% | 5.03% | 0.49% | 6.58% | -1.06% |
| IIP (WPI) % y-o-y (Feb 21) | -3.60% | -1.60% | -2.00% | 2.00% | -5.60% |
| AAA spread (bps) | 72.00 | 57.00 | 26.32% | 90.00 | -20.00% |

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | Q1 FY21 |
|---|---|---|---|---|---|
| Real GDP % (New Growth No. by CSO) | 7.10% | 6.70% | 6.80% | 4.20% | -23.90% |

**Interest Rates (FIMMDA)**

| Particulars | 30-Apr-21 | 31-Mar-21 | Change (%) | 31-Mar-20 | Change (%) |
|---|---|---|---|---|---|
| 91 days T - Bill | 3.31% | 3.25% | 0.06% | 4.20% | -0.89% |
| 364 days T - Bill | 3.70% | 3.75% | -0.05% | 4.50% | -0.80% |
| 5 Years G - Sec (Annualized) | 5.42% | 5.70% | -0.28% | 5.40% | 0.02% |
| 10 Years G - Sec (Annualized) | 6.03% | 6.18% | -0.15% | 6.14% | -0.11% |
| 30 Years G - Sec (Annualized) | 6.78% | 6.77% | 0.02% | 6.79% | 0.00% |

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

*** w.e.f May 22, 2020**
**** w.e.f May 22, 2020**
**# w.e.f Mar 27, 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

### April 2021 – No end in sight for the virus, but markets scavenge for positivity!

The month of April 2021 continued to see a devastation from the Virus with more lockdowns and further drops in economic activity.

Benchmark 10-year treasury yields averaged at 6.06% in April 2021 (13bp lower versus March 2021 avg.). On month end values, the 10Yr yield was down 14bps to end the month at 6.03%. US 10Yr yield is at 1.63% (-11bps month on month +99bps year on year). INR lost 1.3% and ended the month at 74.09/$ in April 2021. INR substantially underperformed EM FX (+1.3%) in April 2021. In the last 12 months, INR (+1.4%) has underperformed the broader EM FX (+7.3%). DXY fell 2.1% in April 2021 (versus +2.6% in March 2021) and ended the month at 91.28 (-7.8% in the last 12 months)

## India Macro movers

March 2021 CPI accelerating to 5.5% on a year from 5% in February 2021. Within the CPI report, all eyes were on core-core momentum, after two consecutive elevated (0.5% month on month) prints in January 2021 and February 2021. As it turns out, momentum took a breather in March 2021 easing to 0.2% month on month. As a consequence, year-on-year core-core decelerated to 5.2% on year ago in March 2021 from 5.5% in February 2021. There are a lot of moving parts that are likely to influence core-core in the coming months. Firstly, sharp increases in input price have squeezed firm margins increasing risks of a pass-through to output prices in the coming months. Second, the dramatic resurgence of the virus has resulted in a series of micro lockdowns. These are likely to have both adverse supply- side and demand-side effects and it will be important to see which of these forces dominate. Food prices continued to remain benign, remaining flat sequentially in March 2021. Vegetable prices fell by another 6.4% month on month, in March 2021, taking the cumulative decline to 40% over the last four months.

IIP printed in line with expectations coming in at -3.6% on a year for February 2021. This came on the back of an upwardly-revised -0.9% on a year print in January 2021 (earlier: -1.6% on a year). Sequentially IP rose by 0.8% month on month, seasonally adjusted in February 2021– a third consecutive increase. In level terms, therefore, industrial production continued to recover and inched up to 98% of its pre-pandemic level from 97% in January 2021. PMI (Purchasing managers index) consolidated from elevated levels in March 2021. The composite PMI consolidated to 56.0 in March 2021 from an elevated 57.3 in February 2021.

The manufacturing PMI led the decline, dropping 2.1pts to 55.4. The decline in the services PMI was more modest at 0.7pt to 54.6. The forward-looking new orders index also moved down to 55.8 from 57.1.

GST (Goods & Services Tax) collections in April 2021 hit a record monthly high of ₹ 1.41 trillion (from ₹ 1.24 trillion in March 2021, +14.1% month on month). This was the 7th consecutive month with collections of more than ₹ 1 trillion.

Fiscal deficit for April-February 2021 was ₹ 14.1 trillion or 76% of the budgeted FY21 deficit (₹ 18.5 trillion). This compares to 111% reached during the same time frame in FY20.

## Global News

Global equities (+4.2%) traded higher with Europe catching up with the US markets. PMIs confirmed a few features – the global boom is taking shape; it continues to exceed optimistic expectations; and Europe is catching up to the US. Q1 earnings are beating high expectations in the US and Europe. The month confirmed two core elements: that global growth leadership is rotating from a decelerating China to a booming US. EM thus lags, but aside from a China which will slow due to deliberate policy tightening, others should lift from mid- year due to US/European pull and domestic vaccine rollout.

The Brent oil price rose 6.6% in April 2021, following a 3.1% decline in March 2021. Prices touched US $ 68/bbl on April 29, 2021 the highest close in 6 weeks as strong US economic data, a weak dollar and expected demand recovery outweighs concerns over higher COVID-19 cases in Brazil and India. The supply and demand path suggests that the Brent oil price will decisively break US $ 70 by May 2021 but still exit the year at a similar level around US $ 74.

## Outlook

RBI delivers a dovish hold as expected. The Committee voted unanimously to keep rates on hold, as had been expected. It also reiterated its accommodative stance and moved from time-based guidance to more state-based guidance. The dovish hold was despite the MPC (Monetary Policy Committee) nudging up its inflation forecasts for the rest of the year, with headline CPI inflation expected at 5.2% on a year across 2Q and 3Q 2021 (previously 5%-5.2%); 4.4% in 4Q 2021 (previously 4.3%); and 5.1% in 1Q 2022. The RBI appears to be worried about core inflation. This is why bond yields will find it tough to fall below 6% on a considerable and regular basis, no matter how much of OMO (Open Market Operations) or GSAP is done in Q1 and Q2. The announcement of GSAP 1.0 will help bond yields from rising. We expect 10 yr yield to range between 6.0% and 6.20% in the first few months of FY 2022.

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# Equity Outlook

## Equity Market Outlook for May, 2021

The Sensex and Nifty-50 indices fell 1.5% and 0.4% respectively for the month and underperformed other global markets. Sensex closed at 48,782 and Nifty closed at 14,631. The underperformance was largely due to concerns on sharp increase in Covid cases, shortage of medical supplies, imposition of strict lockdowns and weak macroeconomic data. However, the Midcap and Small cap indices outperformed the larger peers and gained 0.6% and 4.9%. Metals and healthcare indices outperformed significantly led by global commodity prices and rising demand for medicines. Auto, FMCG and Capital Goods sectors underperformed led by demand concerns.

FPI’s (Foreign Portfolio Investors) turned net sellers for the first time this calendar year and sold stocks worth US $ 1.25 billion. DII’s (Direct Institutional Investors) were net buyers for the month for as US $ 1.3 billion, with MFs contributing US $ 790 million.

On the macroeconomic front, the RBI kept interest rate unchanged. Internationally, the Federal Reserve also kept interest rates unchanged. March 2021 CPI inflation came at 5.52%. February 2021 IIP contracted 3.6% as against a fall of 0.9% in January 2021. March 2021 WPI inflation rose to 7.4%. In an important development, the Indian government announced that all persons above 18 years of age will be eligible to get Covid vaccine doses from May 1, 2021.

The impact of the recent lockdowns on the economy and earnings will be clearer over the next 1-2 months depending on the duration and nature of such lockdowns. The market has so far largely looked through the second wave given a consensus view of limited economic and earnings impact of this wave and on hopes that vaccination will improve the situation as evident from global examples.

We have been positive on the equity markets for some time and would continue to maintain the stance. We would be closely observing the revision in earnings that could happen because of a combination of lower-than-expected economic activity in 1QFY22 and margin pressures across sectors. We continue to believe that Equities can perform better versus debt this year.

Our choice of funds includes Mid Cap fund, Balance Fund followed by Bond Optimizer fund.

## 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.

**Disclaimer:**

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