SBI Life INSURANCE
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Monthly Investment Update:
Volume 12, Issue 01
April, 2019

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-Apr-19	31-Mar-19	Change (%)	31-Mar-18	Change (%)
₹/$	69.57	69.16	-0.59%	65.18	-6.74%
Forex Res.(Bn- 1 Wk Lag)	$ 418.52	$ 406.67	2.91%	$ 422.53	-0.95%
Oil Price ($/Barrel)	$ 73.05	$ 68.39	6.81%	$ 69.53	5.06%
Gold (₹/10 gm)	31,770	31,854	-0.26%	30,630	3.72%
FII inflows (Net) - Crs (₹)					
Equity (monthly)	11327	33189	-65.87%	13114	-13.63%
Debt (monthly)	-15146	14408	-205.12%	-2410	528.46%

Indices

Particulars	30-Apr-19	31-Mar-19	Change (%)	31-Mar-18	Change (%)
BSE Sensex	39,031.55	38,672.91	0.93%	32,968.68	18.39%
S&P CNX Nifty	11,748.15	11,623.90	1.07%	10,113.70	16.16%
Dow Jones Industrial Avg	26,592.91	25,928.68	2.56%	24,103.11	10.33%
FTSE 100	7,418.20	7,279.20	1.91%	7,056.61	5.12%
Hang Seng Index	29,699.11	29,051.36	2.23%	30,093.38	-1.31%
Nikkei 225	22,258.73	21,205.81	4.97%	21,454.30	3.75%
B S E Information Technology Index	16,263.51	15,280.30	6.43%	12,100.55	34.40%
B S E Metal Index	11,513.24	11,355.12	1.39%	13,322.03	-13.58%
B S E Oil & Gas Index	15,357.85	15,269.70	0.58%	14,614.42	5.09%
B S E FMCG Index	11,764.37	11,741.51	0.19%	10,290.14	14.33%
B S E Auto Index	18,839.40	18,824.89	0.08%	24,057.25	-21.69%
B S E Healthcare Index	14,367.02	14,407.89	-0.28%	13,157.62	9.19%
B S E Bankex	33,328.45	34,141.94	-2.38%	27,197.88	22.54%
B S E Capital Goods Index	18,030.56	18,471.99	-2.39%	18,476.73	-2.41%
B S E Power Index	1,969.54	2,034.41	-3.19%	2,125.83	-7.35%
B S E Realty Index	2,008.64	2,077.09	-3.30%	2,229.92	-9.92%

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Primary Key Rates

Particulars	30-Apr-19	31-Mar-19	Change (%)	31-Mar-18	Change (%)
Repo Rate*	6.00%	6.25%	-0.25%	6.00%	0.00%
Reverse Repo Rate**	5.75%	6.00%	-0.25%	5.75%	0.00%
CRR#	4.00%	4.00%	0.00%	4.00%	0.00%
SLR *#	19.00%	19.25%	-0.25%	19.50%	-0.50%
Call money rate	6.15%	6.35%	-0.20%	5.90%	0.25%
Current Inflation Rate (WPI)	3.18%	2.93%	0.25%	2.48%	0.70%
Current Inflation Rate (CPI) (Mar 19)	2.86%	2.57%	0.29%	4.44%	-1.58%
IIP (WPI) % y-o-y (Feb 19)	0.10%	1.70%	-1.60%	7.50%	-7.40%
AAA spread (bps)	87.00	61.00	42.62%	50.00	74.00%

	2015-16	2016-17	2017-18	Q2 FY19	Q3 FY19
Real GDP % (New Growth No. by CSO)	7.60%	7.10%	6.70%	7.10%	6.60%

Interest Rates (FIMMDA)

Particulars	30-Apr-19	31-Mar-19	Change (%)	31-Mar-18	Change (%)
91 days T - Bill	6.49%	6.12%	0.37%	6.11%	0.38%
364 days T - Bill	6.59%	6.43%	0.16%	6.42%	0.17%
5 Years G - Sec (Annualized)	7.16%	6.85%	0.31%	7.32%	-0.15%
10 Years G - Sec (Annualized)	7.41%	7.35%	0.06%	7.40%	0.02%
30 Years G - Sec (Annualized)	7.68%	7.60%	0.07%	7.65%	0.03%

No change
Negative change
Positive change

*** w.e.f Apr 04, 2019**
**** w.e.f Apr 04, 2019**
 # w.e.f Feb 09, 2013
***# w.e.f Apr 04, 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

Its spring time!

The month of April 2019 saw a yields springing up after the new financial year saw issuances piling up in the sovereign space. Rising crude oil put pressure on rupee and bond yields as well along with a slight recovery in global growth and yields.

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

Instrument	Mar' 18	Msr' 19	Apr' 19	M-O-M Change
10 Yr G-sec	7.40%	7.35%	7.41%	0.06%
30 Yr G-sec	7.65%	7.60%	7.68%	0.08%
3 Yr AAA Bond	7.55%	7.85%	7.90%	0.05%
5 Yr AAA Bond	7.88%	7.95%	8.25%	0.30%
10 Yr AAA Bond	8.00%	8.25%	8.40%	0.15%
364 Days T-bill	6.42%	6.40%	6.59%	0.19%
91 Days T-bill	6.11%	6.20%	6.49%	0.29%
1Yr Certificate of Deposit	7.35%	7.00%	7.10%	0.10%
Credit spreads bps	50	61	87	26
Crude $/barrel	69.53	68.39	73.05	$ 4.66
USD / INR	65.18	69.16	69.57	₹ 0.41

Macro Indicators:

CPI came higher than last month with a 2.86% number against last month's 2.57%. The forecast was of 2.8%. It is expected to head higher towards 3% in the coming months. WPI inflation came in at 3.18% just below the 3.2% expected by markets.

Industrial Production came in at 0.1% against last month's 1.4% while the expected figure was close to 2%. Within this, the manufacturing output was lower at a contraction of 0.3% against last month's +0.1%. The Nikkei India Manufacturing PMI (Purchasing Managers Index) fell unexpectedly to 52.6 in April 2019 from 54.3. It was forecast to be around 53.0. The Nikkei services PMI also was disappointing with a 52 number against 52.5 expected.

India trade deficit came in at US $ 10.9 billion and this was slightly higher than the US $ 10.4 billion in the previous month. Exports rose 11.7% year on year to US $ 32.6 billion. Imports were flat as they moved 1.4% year on year to US $ 43.4 billion.

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Around the World:

This was a month which saw economic data surprises to be on the positive as well as negative side. US retail sales came lower at -0.2% month on month growth against +0.3% expected. However, ISM (Institute for Supply Management) manufacturing and services indices both were much better than expected at 57.5 and 55.3 respectively. The Federal Reserve met in the month end and communicated that the economy was motoring along well and currently did not require either monetary easing or tightening. The ECB (European Central Bank) was slightly more dovish as manufacturing and PMI numbers still show some slack across the Euro zone. Central banks in Australia and New Zealand stared talking dovish as well as data suggest a recognizable slowdown. China was clear that it would pump in more liquidity and stimulus to sectors like Auto to provide impetus to the economy.

Debt Outlook:

The Monetary Policy Committee in February 2019 and April 2019 cut rates by 25 bps each time with a 4-2 majority. The stance and language sounded much less dovish in our understanding and even in the market's perception and reaction. Presently the MPC (Monetary Policy committee) doesn't rule out any rate cuts further in 2019 especially since they have cut the outlook on both inflation and growth. In our view CPI will start heading higher gradually owing to slightly unfavorable base and uptick in food prices. In tandem the newly elected party would present the full budget in July 2019 and this would mean that MPC would wait till August 2019 before easing repo rate again so that there is also more clarity on the monsoon progress. With May 2019 being at the receiving end of heavy Net G-sec supply, and more than ₹ 1 lac cores of SDLs (State Development Loans) to be issued in the April - June 2019 quarter, we believe bonds would hardening pressure yields. The OMO (Open Market Operations) of ₹ 25000 crs by RBI scheduled for the month could help yields head lower especially if the current ruling party emerges victorious and forms the government again after 23rd May 2019. We expect the 10 Y G-sec yields (IGB 7.17 2028) to be between 7.35% and 7.6% in the coming months.

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Equity Outlook

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Equity Market Outlook for the Month of May, 2019

Equity markets traded cautiously for the month of April 2019, ahead of the general election results and results declaration for period ending March, 2019 by Indian corporates. This time around Mid and Small caps again turned the trend and gave a negative return. Nifty 50 gave a return of 1% to end at 11748. Mid caps gave a negative return of 4.2% and Small caps 2.6%. Effect of Pulwama slowly is getting faded. The fact that FMCG (Fast Moving Consumer Goods) index was also flat was reflecting the kind of sentiments.

India underperformed the world markets. Dow Jones for the month was up 2.5%, Hong Kong & FTSE nearly 2.2%.

Crude at US $ 73.05 / barrel rising by 6.4% (Iran Sanctions) was impacting the sentiments.

Pace of FPI (Foreign Portfolio Investors) money cooled off. FPI for the month of April 2019 pumped in US $ 1.7 billion. For the year though we have received as of that day US $ 9.9 billion. Domestic Mutual funds sold stocks worth US $ 601 million.

CPI and WPI 2.86% & 3.18% for the month of March 2019. RBI had cut Repo rate by 25 basis points.

The high frequency numbers that incrementally got reported are showing stress. MHCV, 2 wheeler and Cars sold in the month of April 2019 are showing negative trends year on year. Farm income is under stress. System Liquidity is negative for last one year. 10 year yields have hardened after two rate cuts. Government issuances will get buyers only on the basis of OMO.

We are cautious. Market movement is purely a function of election outcome. Overall indicators are showing signs of stress. We will take a fresh look once election results are finalized and correlate the election manifesto with the party likely to rule and its implications. Things are anyways not likely to move fast as first quarter results of many companies may also show a similar trend as March 2019 quarter. Many decisions are postponed for want of clarity on who forms the government.

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
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

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