

Mutual Funds cut energy, IT bets in July, bought financial stocks

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Mutual funds (MFs) allocated a smaller share of their capital to the information technology, energy, and telecommunications sectors in July.

The benchmark S&P BSE Sensex, movements of which are seen to be a broad representation of market direction, was up 8.6 per cent to end July at 57,570.25. The three sectors mentioned above saw their MF allocations drop between 20 basis points and 75 basis points last month, shows data from tracker primemfdatabase.com.

Financial services, industrials and consumer discretionary stocks, on the other hand, saw higher allocations — 15-100 basis points. These sectors outperformed the Sensex: the S&P BSE Bankex was up 12.1 per cent in July, while the S&P BSE Consumer Discretionary Goods and Services index rose 11.9 per cent, and the S&P BSE Industrials rose 12.3 per cent.

These additions were part of a larger trend seen in the three months ended June 30, 2022, suggested a July 26 India Equity Strategy report from the India arm of global financial services group Morgan Stanley. "Domestic share owners are price setters in India and bought financials, consumer discretionary, and industrials in the trailing quarter — our top three sector recommendations albeit the position sizes are narrower than what we think is warranted in a macro-driven market," said the note authored by equity analyst Sheela Rathi, and equity strategists Ridham Desai and Nayant Parekh.

It noted that foreign portfolio investors (FPIs) have lowered bets on the consumer discretionary and industrials sectors in contrast. FPIs cut down their exposure to the oil and gas, and consumables sectors the most (by 120 basis points) in July, according to an analysis of depository data for last month. Information technology stocks saw an 80-basis point reduction. The sectors which saw the largest increase in the share of holdings were financial services (80 basis points) and fast-moving consumer goods (30 basis points).

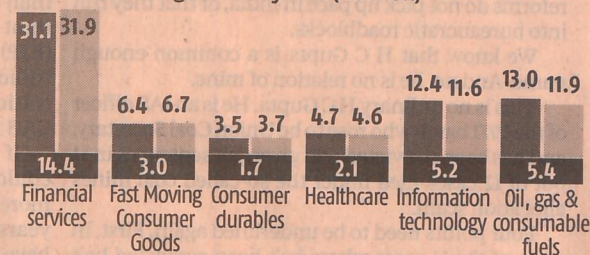
Sectors that are more focused on the domestic market may outperform as the world prepares itself for a recession, according to an August 8 Bank of America Corporation India Earnings Radar report, authored by research ana-



ILLUSTRATION: BINAY SINHA

MFs RAISE STAKE IN FINANCE STOCKS

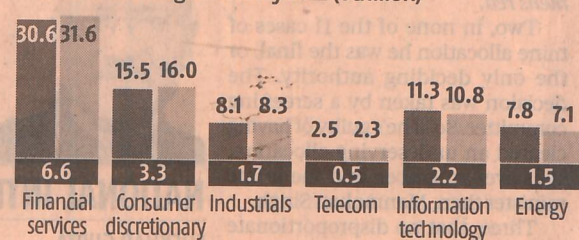
Sectoral share ■ June 2022 ■ July 2022 (%)
■ Value of holdings as of July 2022 (₹trillion)



Source: NSDL

FPIs CUT HEALTHCARE EXPOSURE

Sectoral share ■ June 2022 ■ July 2022 (%)
■ Value of holdings as of July 2022 (₹trillion)



Source: primemfdatabase.com

MARUTI TOP BUY

Equity mutual funds (MFs) applied brakes to buying stocks in July even as the benchmark indices rallied 9 per cent. They invested just ₹4,712 crore into stocks last month compared to ₹22,051 crore in June and ₹28,248 crore in May. The moderation in MFs comes amid a revival in foreign portfolio investor (FPI) flows. In July, FPI flows turned positive after a gap of 11 months. Maruti Suzuki attracted the highest MF flows, at ₹1,342 crore, followed by Kotak Mahindra Bank (₹822 crore). On the other hand, HDFC (net outflows of ₹1,245 crore) and ITC (₹873 crore) were the most-sold stocks. In the mid-cap space, the most-bought stocks were Zomato (₹502 crore) and Gland Pharma (₹452 crore), while the most-sold were Polycab India (₹272 crore) and PVR (₹175 crore). Meanwhile, Sapphire Foods (₹302 crore) and Granules India (₹168 crore) saw highest MF inflows among small-caps, while Birlasoft (₹90 crore) and Metropolis Health (₹73 crore) saw the highest outflows.

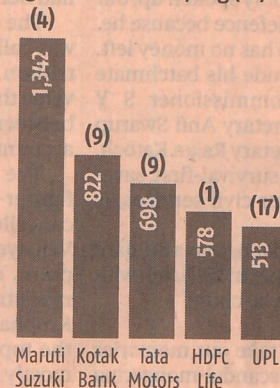
SAMIE MODAK

ON THE RADAR

Stocks that fund managers traded the most in July

Most-bought

Amount invested (₹cr)
Figures in brackets, chg (%)



Source: Edelweiss.

Most-sold

Amount divested (₹cr)
Figures in brackets, chg (%)



Note: Amount invested/divested and share price change for the month of July

lysts Amish Shah, Ankur Deore, Udit Dhekale, Shalav Saket.

"We remain constructive on internal facing — domestic cyclicals, consumption (overweight industrials, financials, and autos, staples) — and remain underweight on external/export-driven sectors, such as materials and select

discretionary, and neutral on IT," it said.

MFs have continued to be net buyers amid FPI outflows. They bought a total of ₹82,221 crore as of June 2022 in the financial year 2022-23, shows the latest data from the Securities and Exchange Board of India's monthly bulletin.

FPIs were net buyers by ₹4,989 in July 2022. This was the first time in nine months that their flows turned positive. They have been net buyers to the tune of ₹44,481 crore, so far, this month, shows data as on August 19. Their net outflows on a year-to-date basis since April 2022 is ₹57,870 crore.