UTI Indian Fixed Income Fund

April 2019 Review

UTI International
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India's consumer prices (CPI) inched up to 2.86% in March 2019 from 2.57% in February 2019 on account of sequential increase in food and fuel prices. The food inflation went up by 0.3% in March 2019 as compared to a decline of 0.73% in February 2019, primarily on account of rise in prices of vegetables, fruits and pulses. The core-CPI inflation moderated further to 5% in March 2019 as compared to 5.3% in February 2019, on account of broad-based moderation led by miscellaneous items, housing, clothing and footwear. Fuel inflation increased to 2.4% in March 2019 from a level of 1.2% in February 2019 led by higher LPG prices. The Wholesale Price Index (WPI) inched up to 3.18% in March 2019 from 2.93% in February 2019 led by higher food and fuel inflation.

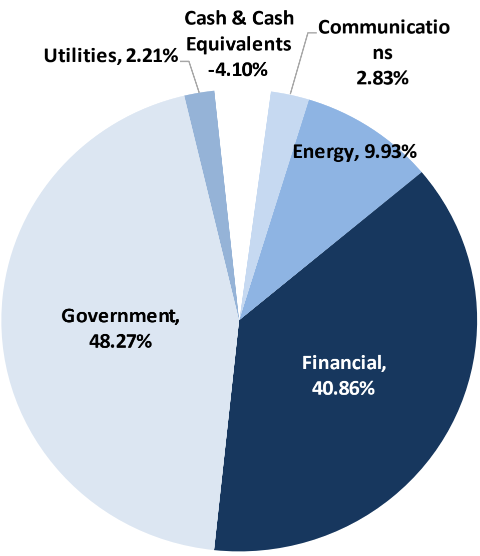
The Monetary Policy Committee (MPC) in its first bi-monthly monetary policy for fiscal year 2019-2020 voted by 4/2 majority in favour of policy rate cut of 25 bps. With this rate cut, the repo rate has been revised lower from 6.25% to 6.00%. The MPC decided to maintain the neutral monetary policy stance.

The MPC revised inflation forecast downwards by 40 bps to 2.4% in Q4 2018-19, 2.9%-3.00% in H1 2019-20 and 3.5%-3.8% in H2 2019-20. In the sixth bi-monthly monetary policy resolution of February 2019, CPI inflation was projected at 2.8% for Q4:2018-19, 3.2-3.4% for H1:2019-20 and 3.9% for Q3:2019-20, with risks broadly balanced around the central trajectory. Actual inflation outcomes averaged 2.3% in January-February. GDP growth for 2019-20 was also revised downwards to 7.2%, in the range of 6.8%-7.1% in H1, and 7.3-7.4% in H2 on back of weakening investment activity and slowdown in production activity.

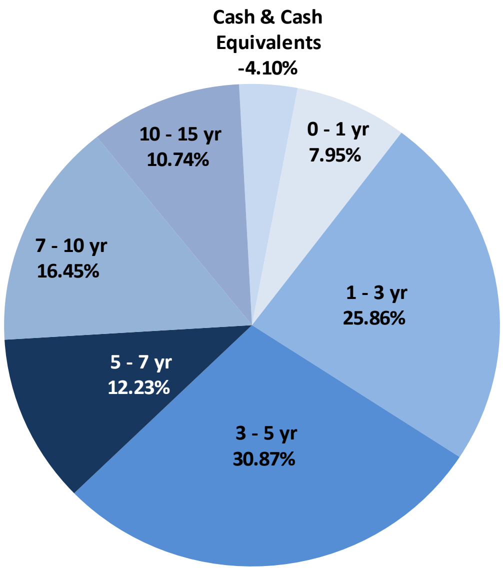
Outlook

RBI's move to cut rates by 25 bps was in line with market expectations. However certain market participants were expecting a change in policy stance which did not materialize, leading to profit booking. We expect the steepening bias in the yield curve to continue due to the continuous liquidity measures taken by RBI especially the introduction of the forex swap tool which has had a very benign effect on short end rates whereas the long end of the curve is likely to remain sticky on fiscal concerns and overhang of huge supply of Central and State government bonds. Projections of monsoons, outcome of general elections and trajectory of global crude prices would be important triggers to be closely viewed by the local bond markets this month. With inflation expected to remain comfortably below the 4% target in FY20, we expect another 25-50 bps of rate easing from the central bank in this calendar year. Overall, fixed income market continues to present decent opportunities for investors entering into local fixed income fund with a medium-term investment horizon.

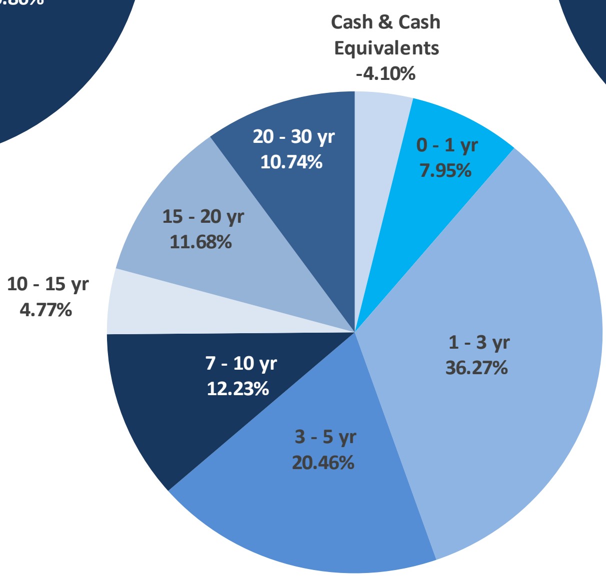
Sector Allocation



Duration Allocation



Maturity Allocation



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	USD Institutional	USD RDR	USD Retail
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ISIN	IE00BD3WYC32	IE00BDH6RX35	IE00BDH6RW28
Bloomberg code	BBG00FFBC4K1	BBG00FFBCIF3	BBG00GSNSVH6

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