



CURRENT VOLATILITY ON INDIA'S MARKETS MAY HAVE CREATED AN ENTRY POINT

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Even if caution should be exercised over India, we take a positive approach. True, the country's second Covid wave is impressive but **we remain upbeat on Indian equities:**

- **The second wave looks like peaking soon.** New cases have been stabilising over the last few days and 50% of districts have even seen a drop (compared to 27% a week ago and 10% two weeks ago)¹. Most experts see a peak occurring in the middle of May and new cases could start to drop towards the end of the month.
- **Restrictions are less drastic** than a year ago and the government is refusing to introduce a countrywide lockdown for the moment. The aim is to preserve the economy as most macroeconomic indicators point to a sequential downturn in April, albeit nothing like the one we saw in 2020. We consider that the scenario of an economic recovery in 2021 is still valid although it may be delayed by a few months. One point worth watching is the gradual lifting of restrictions in the State of Maharashtra, the first to suffer from the second wave. It was also the first to introduce restrictions at the beginning of April so it could provide some indication of the timing for reopenings in other states.
- **Vaccination is still of paramount importance** and consequently the factor we are monitoring most closely. India is the world's biggest vaccine producer. This gives the country an advantage compared to most emerging countries and even some countries in the developed zone. India produces 70 million doses a month. Thanks to increased output from the Serum Institute of India and Bharat Biotech, and the approval of new vaccines like Sputnik V and Johnson & Johnson, production is expected to be ramped up to 190 million doses in June, 250 million in August and 330 million in October². If 40% of Indians were to be vaccinated by the end of this year, this would be good news as 40% of the population is under 18 and so less vulnerable to Covid-19.
- **Companies, at least those which are listed,** are now better prepared. Teleworking is now widespread and supply chains have been secured. Last year, companies were quick to rein in costs.

¹ Source : Covid19india.org

² Source : Nomura

- It is, of course, too early to say if the pandemic will have structural consequences for India's economy. Since he was re-elected, Narendra Modi has implemented drives like *Make in India*, cut taxation and introduced labour market reform. **We believe this has reinforced the country's potential for structural growth.**

We are convinced that **the current volatility from the Covid crisis could be a good opportunity to reinvest in blue chips which stand to gain from the economic recovery** we still expect to see this year.

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