



Financial Market & Economy Update

- The government's revenue collection from indirect tax during April-February grew by an impressive 22.2 per cent while that of direct tax rose by 10.7 per cent.
- The Reserve Bank of India (RBI) on Thursday said that it will soon issue Rs 10 denomination notes with enhanced security features for the circulation.
- The Reserve Bank of India has removed the cash withdrawal limits for the savings bank accounts starting on Monday. The limit was increased to ₹50,000 per week from February 20. The RBI had ended cash withdrawal limits for current account holders from February 1. The limits on bank withdrawals were placed after the demonetisation of old ₹500 and ₹1,000 notes.
- The government has revealed that Aadhaar-based Direct Benefit Transfers have helped it save over ₹49,000 crore during the last two and half years.
- The government will launch the third tranche of CPSE exchange traded funds (ETF) to garner about ₹2,500 crore on Tuesday. All categories of investors applying for the ETF will get a discount of 3.5%.
- India will invest USD 140 billion to modernise its rail network over the next five years and is in talks with UAE-based sovereign wealth funds, Railways Minister Suresh Prabhu has said.
- The government has made having an Aadhaar card must for poor women to avail of free cooking gas (LPG) connection under the Pradhan Mantri Ujjwala Yojana.
- The government launched the Aadhaar Pay service that allows people to do away with debit and credit cards and make payments through their fingerprints. Under the service, biometric devices are attached to merchants' smartphones to allow people with Aadhaar-linked bank accounts to make payments via fingerprints.
- The US trade deficit jumped in January to the highest level in nearly five years as a flood of mobile phones and other consumer products widened America's trade gap with China.
- Brazil is suffering the worst recession of its history, official figures showed, but Finance Minister Henrique Meirelles insisted that Latin America's biggest economy will soon bounce back.
- Trump administration plots its policy toward a key partner, it will find Pakistan being drawn deeper into Beijing's embrace and its promise of \$46 billion in energy, infrastructure and industry investments by 2030. The money could transform the Muslim nation's economy.
- China has warned of a trade war with the US if the Trump administration decides to ignore WTO rulings and unilaterally imposes tariffs on its goods.



Equity Market Update

- The Benchmark Sensex ended the week green, gaining 113.78 points to finish at 28,946.23, while the broader Nifty closed above the key 8,900-level, trending on BJP-gains in exit poll positions.
- The week saw the investor wariness on assembly poll-results of five states, while exit polls declared BJP ahead of other rival parties, traders still preferred to remain cautious till poll-outcome as the market consolidated in a narrow-range momentum.
- The ruling BJP in need of majority in the Rajya-Sabha, as the party's win in poll-results would boost the chances of passing key reform bills.
- The key indices opened the week higher by 28,859.21 and later rallied to mark two year highs at 29,098.17, it also eased to 28,815.02 before settling the week at 28,946.23. Showing a moderate gain of 113.78 points, or 0.39 per cent.
- The Sensex had lost 60.52 points or 0.21 per cent in last week.
- The Nifty had also gained 37 points or 0.42 per cent to close above 8,900-level at 8,934.55. It had declined 41.95 points during previous week.
- In the broader market, the BSE Mid-Cap index fell 43.45 points, or 0.32 per cent to settle at 13,365.59. The BSE Small-Cap index fell 15.21 points, or 0.11 per cent to settle at 13,604.96.
- Among sectorial and industry indices, auto rose by 1.08 percent, followed by bankex 1.07 per cent, consumer durables 0.82 per cent, capital goods 0.80 per cent, FMCG 0.11 per cent and power 0.05 per cent.
- However, metal fell by 4.81 per cent followed by realty 1.20 per cent, healthcare 1.07 per cent, oil & gas 0.72 per cent and IT by 0.49 per cent.
- In terms of investments, provisional data with exchanges showed that foreign institutional investors (FIIs) purchased stocks worth Rs 412.14 crore, while the domestic institutional investors (DIIs) divested scrip worth Rs 13.91 crore.
- The total turnover during the week on BSE rose to Rs 73,598.16 crore from Rs 18,762.16, while NSE fell to Rs 98,019.49 as against Rs 1,20,932.30 crs last weekend.



Equity Market Outlook

Global:

- The week ahead will focus on the Fed's guidance on the future outlook for interest rates and the impact it will have on the USD. Rate markets have factored in a 98%

Domestic Markets



Index	10-Mar-2017	03-Mar-2017	% Change
S&P BSE Sensex	28946.23	28832.45	0.39
Nifty 50	8934.55	8897.55	0.42
Nifty Midcap 100	16291.2	16364.05	-0.45
Nifty 500	7710.9	7696.2	0.19
S&P BSE Smallcap	13604.96	13620.17	-0.11

Global Markets



Index	10-Mar-2017	03-Mar-2017	% Change
Dow Jones	20902.98	21005.71	-0.49
Nasdaq	5861.73	5870.75	-0.15
S&P 500	2372.6	2383.12	-0.44
FTSE 100	7350.81	7374.26	-0.32
Shanghai Composite	3212.76	3218.31	-0.17
Hang Sang	23568.67	23552.72	0.07

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	32183	23515	8668
MF Flows*	4341	5602	-1261

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
06-Mar-2017	-1023.5	-129.4
07-Mar-2017	-269.94	-1687.92
08-Mar-2017	768.64	-1291.67
09-Mar-2017	-1841.37	-545.96
10-Mar-2017	-3790.44	-1093.11

Policy Rates



Key Rates (%)	10-Mar-2017	1 Week Ago	1 Month Ago
Reverse Repo	5.75	5.75	5.75
Repo	6.25	6.25	6.25
CRR	4	4	4
SLR	20.75	20.75	20.75

Key Rates



probability of a rate hike at this week's meeting and markets will have to decide on the potential number of interest rate hikes and their timing. US non-farm payroll numbers beat expectations on Friday while hourly earnings were unchanged. The figure continues the recent pattern of stronger economic data from the US. US 10yr bond yields closed below the 2.60% highs set in December and the DXY weakened below 102 after the numbers. Bond markets continue to drive markets across Asia and US CPI, PPI, retail sales and weekly earnings figures will be watched.

- Oil prices fell 1.6% on Friday bringing their weekly losses to 8.1%, the largest weekly loss since November, as inventories failed to fall and long speculative positions were unwound. Copper prices were down 3.8% last week, the largest loss since August and iron ore prices fell 3.2%. Chinese investors are thought to have large speculative positions in commodities and the fall may dampen inflationary pressures.
- President Trump is expected to outline his budget for fiscal 2018 which is expected to boost defence spending to include funds for a wall along the Mexican border. The latest US travel ban will take effect in the coming week and may be challenged again in the Courts. US Commerce Secretary Ross said a bilateral trade deal with Japan was a "high priority".
- USDJPY fell back below 115 after non-farm payroll figures as the market awaits Central Bank meetings later this week. The Bank of Japan is expected to keep rates and policy on hold at its meeting later this week although markets will be waiting for comments from BoJ Governor Kuroda on the outlook for inflation at his post meeting press conference. Japan is expected to report PPI, machine orders and industrial production figures this week.

Local:

- A thumping victory (81% seats) for the BJP in India's largest state (15% of parliament) substantially raises Modi's win probability for the 2019 national elections. We expect the government to focus even more on the social agenda, and rural plays should benefit. Several of Modi's long-term themes, housing for all by 2022 and the doubling of farm incomes over five years, should gain prominence. The government's anti-corruption agenda is likely to have played a key role in this success and we expect more action by 2019. Also, by 2020, the BJP is unlikely to have any issues with the numbers in the Upper House. We expect market multiples to remain elevated as domestic flows are likely to remain robust.

The flipside

- BJP won 41% of votes in UP but 81% of the seats. The Bahujan Samaj Party (BSP), on the other hand, won 22% of votes but only 5% of seats. Clearly, the splitting in the non-BJP votes between the Samajwadi Party (SP) and the BSP helped the BJP.
- The complete opposite happened in the state of Bihar in November 2015 where the BJP was defeated. Thus, the possibility of the opposition uniting against the BJP might become more obvious going into the 2019 national elections. This could happen in Karnataka and possibly also UP, although the latter is low probability.
- The BJP's alliance in Punjab conceded to Congress. Thus, anti-incumbency can also be a factor which might be tested in Gujarat, MP, Chhattisgarh and Rajasthan.

View:

- We have been reiterating that correction in Indian equity markets should be used as an opportunity to add to the equity exposure as India remains one of the very few economies which have a good corporate governance structure, strong regulations, stable currency and good economic growth. Now the domestic inflows have brought in an added dimension of strong support to the equity markets.



Debt Market Update

- India's benchmark bond yield recorded its biggest weekly rise in four weeks, on concerns about possible Federal Reserve rate hike next week amid broad economic strength and gains in U.S. treasury yields.
- On a weekly basis, the benchmark yield gained 13 basis points, the largest weekly rise since week ended Feb. 10.
- Global markets await February nonfarm payrolls data due later today. A Reuters poll estimates it to have risen to 190,000 in February, lower than January's 227,000 job additions. The monthly jobs data is a key gauge for the central bank's rate decision.
- The Fed will deliberate on key interest rate on Mar. 14 and 15.
- The yield on the 10-year U.S. treasury note rose to 2.61% yesterday ahead of the job print, nearing the 2.64% level hit after the Fed's rate projection in December. It was last trading at 2.60%. The yields have risen by 22 basis points over the last four sessions.
- Initial claims for state unemployment benefits rose 20,000 to a seasonally adjusted 243,000 for the week ended Mar. 4, data released yesterday showed. However, the print was for the 105th straight week below the 300,000 threshold, considered to indicate healthy labor market.
- Appetite for local notes had dipped after risks to India's inflation trajectory forced an unexpected shift in Monetary Policy Committee's stance to neutral last month, damping hopes of monetary easing anytime soon.
- New Delhi will release its February retail inflation print next week. Analysts expect a faster pace of price gains on improved consumption demand, shrugging off the note ban impact.



Debt Market Outlook

Key Rates (%)	10-Mar-2017	03-Mar-2017	% Change
Mibor Overnight	6.24	6.12	1.96
CALL (O/N)	6.01	5.9	1.86
CBLO	6.01	4.29	40.09
T Bills Index (12M)	6.18	6.19	-0.16
10 Year GSEC	6.9	6.78	1.77

Commodity Market



Commodity (INR)	10-Mar-2017	Gain+/Loss-	% Change
Gold (10 gm)	28662	-735	-2.5
Silver (1 kg)	40183	-1986	-4.71
Crude Oil (\$/barrel)	51.37	-4.53	-8.1

Currency Market



Currency	10-Mar-2017	Gain+/Loss-	% Change
USD/INR	66.69	-0.15	-0.22
EURO/INR	70.64	0.29	0.41
GBP/INR	81.05	-0.91	-1.11
JPY/INR	57.79	-0.76	-1.3

- This result will make them more stronger in the time to come to carry the reform process ahead and will be reflected in the equity and currency market immediately however it will take some time for the bonds to react sharply on this news and therefore this will be an opportunity for the investor who want to make their long term investment portfolio
- We have FED policy meet on 14-15 march which will weigh high on bond market sentiments however the probably of a hike is almost 100% and NFP data released Friday has confirmed it almost a done deal.
- We have CPI and WPI next week WPI is expected to shoot up to 6% and CPI is expected to be around 3.6% as the moment this has lost relevance as RBI wants to see the H2 numbers therefore it's a wait and watch game
- The UST was trading at 2.60% but did react negatively on the data which means its largely priced in the level. On the contrary the crude oil prices have broken the technical on the lower side on strong crude inventory and strong dollar making it almost 50-52\$ which is a better deal for India
- Banking system remain flush with liquidity cum. ~6 lac cr , but since the system is not sure about the durability of the money therefore its only impacting the very short end of the yield curve i.e 3m and over night
- Since policy the overnight mibor fixing has dropped to close to 6Pct from ~6.25% levels
- 3M rate has been trading at pre policy and below levels however the long end of the curve kept on rising which will only settle as and when there is clarity on liquidity
- During last week 10years yield moved down almost 14 bips to 6.77% this was due to a sharp short squeeze triggered as the nationalised banks were not lending the bonds 6.97 gsec 2026 and 7.59 g sec 2026 under repo which was compulsory for short sellers to borrow to deliver and therefore short sellers were forced to buy and therefore bonds rallied.
- 10 yr G sec has not breached the technical levels of 6.95 which could trigger a bearish trend.
- RBI is trying to bring down the inflation to 4%. RBI's recent policy stance being neutral, we expect there will be no rate cut in the next 6 month.
- We may expect rate cut by RBI only

1. 2. 3. Commodity prices trades lower.

- Government 10years bond to trade in 6.75-7% band.
- Liquidity is easy the market with CBLO is in sub 6%
- Bond fund YTM is close to 8 and accrual funds YTM is close to 9 % therefore risk reward is favouring duration and therefore long term investors should continue to give allocation, existing investors to stay put
- Investors looking to invest for 3-6m KLD BST FLEXI PBG will be the best rewarding investments
- MIP and BAL will do equal and better than any duration or debt fund over 3 years .



Commodity Market Update

Gold Update:

- Gold prices saw a sharp downturn on Friday, plunging as much as Rs. 400 to an over-2-month low of Rs. 28,850 per 10 grams, hurt by a sluggish overseas trend and lower demand from jewellers.
- Silver also slipped below the Rs. 41,000-mark by falling Rs. 525 to Rs. 40,975 per kg on reduced offtake by industrial units and coin makers.
- Traders said a weak global trend on higher probability of a rate hike by the US Federal Reserve strengthened the dollar and eroded demand for the precious metal and fall in demand from local jewellers as wedding season comes to an end, mainly kept pressure on gold prices.
- Globally, gold ended the week lower at USD 1,204.50 an ounce and silver at USD 17.02 an ounce in New York.
- Silver ready ended the week lower by Rs 2,120 to Rs 40,980 per kg and weekly-based delivery by Rs 1,635 to Rs 40,530 per kg.
- Silver coins too dropped by Rs 2,000 to Rs 72,000 for buying and Rs 73,000 for selling of 100 pieces.
- In line with gold, silver ready drifted lower by Rs. 525 to Rs. 40,975 per kg and weekly-based delivery by Rs. 375 to Rs. 40,780 per kg.

Crude Oil:

- Oil futures settled at the lowest level since the end of November on Friday, booking a weekly loss of around 9% as concern over rising shale production and record-high U.S. crude inventories offset optimism that OPEC and its allies have been following through on their commitment to cut production.
- The U.S. West Texas Intermediate crude April contract touched a session low of \$48.31 a barrel on Friday, a level not seen since November 30. It was last at \$48.49 by close of trade, down 88 cents, or about 1.8%.
- Elsewhere, on the ICE Futures Exchange in London, Brent oil for May delivery slumped 82 cents, or about 1.6%, to settle at \$51.37 a barrel by close of trade. The global benchmark fell to \$51.14 earlier, its cheapest since November 30.
- U.S. crude slumped nearly 9 percent since Tuesday's close, the biggest three-day decline since February of 2016.
- For the week, London-traded Brent futures recorded a loss of \$4.53, or 8.1%, the fifth straight weekly decline.
- Oil prices have been trading in a narrow \$5 range around the low-to-mid-\$50s over the past three months.
- Kuwait is scheduled to host a ministerial meeting on March 26 comprising both OPEC and non-OPEC members to review compliance with the output agreement and to discuss whether cuts would be extended beyond June.



Currency Market Update

- The BJP's emphatic victory in Uttar Pradesh elections has given financial markets a reason to cheer.
- The Reserve Bank of India ended up being a net dollar seller in January to calm the level of the rupee which was seen inching toward a low of Rs 69 to a dollar during the month.
- On a month-to-date basis, the rupee has appreciated by nearly 16 paise, or 0.23 per cent, till March 10. As per RBI data, the local currency traded at 66.69 against the dollar on Friday.
- On the global front, the greenback came under pressure following some profit-taking after the latest US jobs report indicated continued strength in the labour market, cementing expectations that the Fed will raise rates next week.
- The dollar index, which measures the US currency's strength against major currencies, was trading at 101.84, down 0.01% from its Monday's close of 101.85.
- Philippines peso was up 0.12%, Singapore dollar 0.11%, Malaysian ringgit 0.09%, Indonesian rupiah 0.09%. However, Japanese yen was down 0.42%, Taiwan dollar 0.09%, China Renminbi 0.07%.
- India's forex reserves increased by \$1.218 billion to \$364.01 billion in the week ended March 3, helped by a rise in foreign currency assets, the Reserve Bank said on Friday.

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