



Financial Market & Economy Update

Domestic Update:

- Non-banking finance companies, the mainstay for credit to SMEs and retail consumers, continued their slide with latest RBI data showing further compression in credit. Bank credit to NBFCs fell by over Rs 6,000 crore between April and June, once again highlighting the risk aversion towards the sector.
- The government has so far garnered Rs 12,357.49 crore from disinvestment, official data stated. "During the current financial Year 2019-20 so far Rs 12,357.49 crore has been obtained through disinvestment transactions", said the DIPAM (Department of Investment and Public Asset Management) data.
- The GST Council decided to reduce GST rate on electrical vehicles (EVs) from 12 per cent to 5 per cent and on EV chargers from 18 per cent to 5 per cent from August 1, 2019, an official statement said after the 36th meeting of the council. The move is aimed at accelerating the adoption of eco-friendly mobility solutions.
- Indian turmeric exports have been hit by the US sanctions against Iran, the largest buyer of the spice from India. Exports to Iran have come to a standstill since May with the expiry of the US sanctions waiver to India for six months. This has happened after a record turmeric export of over 1,20,000 tonnes in 2018-19, as per the trade figures.
- Eight core sector industries recorded a slightly higher growth in June compared to the same month last year, according to a statement issued by the government. The core sectors include coal, fertilizers, electricity, steel, cement, petroleum refinery, natural gas and crude oil. As per the press release, the key industries registered 0.2 per cent higher growth in the said month compared to May 2018. Govt had recently revised figures of May to 5.1%.
- India's strong economic growth is fueling a greater demand for business travel and driving up prices. Airfares are forecast to increase 5% (in local currency terms; 0% in USD terms), while hotel rates and ground transport prices are expected to climb 6.8% (1.8% in USD terms) and 4.5% (-0.5% in USD terms), respectively, according to the sixth annual Global Travel Forecast, published on Wednesday by B2B employee travel management platform CWT and the Global Business Travel Association (GBTA).
- India received the highest-ever FDI inflow of USD 64.37 billion during the fiscal ended March 2019, said a government report. According to the Annual Report 2018-19 of the Department for Promotion of Industry and Internal Trade (DPIIT), foreign direct investments (FDI) worth USD 286 billion were received in the country in past five years.
- The government's fiscal deficit touched Rs 4.32 lakh crore for the June quarter, which is 61.4 per cent of the budget estimate for 2019-20 fiscal.
- The government on Wednesday hiked the subsidy on non-urea fertilisers to make available farm nutrients at affordable prices to farmers, a move that would cost the exchequer Rs 22,875.50 crore in this fiscal.
- India's share of world exports rose to 1.71% in the first quarter of 2019 from 1.58% in the fourth quarter of 2017. The share of every other economy among Asia's 10 biggest exporting nations fell in the same period.
- India's manufacturing activity strengthened in July led by improved output and new orders, a private survey showed on Thursday. The Nikkei India Manufacturing Purchasing Managers' Index rose to 52.5 in July from 52.1 in June, remaining above the 50-point mark that separates expansion from contraction. Manufacturing growth has recovered some momentum but is still below long run trend levels, according to the report.

Global Update:

- The U.S. Federal Reserve cut its key interest rate Wednesday for the first time in a decade to try to counter threats ranging from uncertainties caused by President Donald Trump's trade wars to chronically low inflation and a dim global outlook. The central bank reduced its benchmark rate which affects many loans for households and businesses by a quarter-point to a range of 2% to 2.25%.
- Britain's housing market picked up modestly in June with a stronger-than-expected rise in mortgage approvals, but consumer lending growth slowed to a fresh five-year low, Bank of England figures showed on Monday. The BoE said the number of mortgages approved for house purchase rose to 66,440 in June from an upwardly revised 65,647 in May, the highest since January and above economists' average forecasts of 65,750 in a Reuters poll. Net mortgage lending, which typically lags approvals, also rose more than expected in June, up by 3.731 billion pounds.
- The GfK consumer sentiment indicator for Germany slipped to 9.7 heading into August 2019 from 9.8 in July and in line with market expectations.
- The Business Climate Indicator (BCI) for the Euro Area declined by 0.29 points to -0.12 in July 2019, missing market expectations of 0.08.
- Personal spending in the United States rose 0.3 percent from a month earlier in June 2019, following an upwardly revised 0.5 percent growth in May.
- Personal income in the United States advanced 0.4 percent month-over-month in June of 2019, the same pace as in each of the previous three months and in line with market expectations.
- U.S. labor costs rose at their slowest pace in 1-1/2 years in the second quarter, the latest indication of benign inflation that could allow the Federal Reserve to cut interest rates on Wednesday for the first time in a decade. The Employment Cost Index, the broadest measure of labor costs, increased 0.6%, the smallest gain since the fourth quarter of 2017, the Labor Department said on Wednesday. The ECI had increased 0.7% for two straight quarters.
- China's factory activity shrank for the third month in a row in July, an official survey showed, underlining the growing strains on the world's second-biggest economy as the Sino-U.S. trade war hits business profits, confidence and investment. The Purchasing Managers' Index (PMI) rose to 49.7 in July, from the previous month's 49.4, China's National Bureau of Statistics said on Wednesday, but remained below the 50-point mark that separates growth from contraction on a monthly basis. Analysts

Domestic Markets



Index	02-Aug-2019	26-Jul-2019	% Change
BSE Sensex	37118.22	37882.79	-2.02
S&P CNX Nifty	10997.35	11284.3	-2.54
CNX Midcap	15709.25	16165.35	-2.82
CNX 500	8943.95	9192.6	-2.7
BSE Smallcap	12496.35	13060.34	-4.32

Global Markets



Index	02-Aug-2019	26-Jul-2019	% Change
Dow Jones	26485.01	27192.45	-2.6
Nasdaq	8004.07	8330.21	-3.92
S&P 500	2932.05	3025.86	-3.1
FTSE 100	7407.1	7549.1	-1.88
Shanghai Composite	2867.84	2944.54	-2.6
Hang Sang	26918.58	28397.74	-5.21

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	27279	27948	-669
MF Flows*	16297	9172	7125

*FII data from 26th July to 1st August 2019

*MF data from 26th July to 31st July 2019

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
26-Jul-2019	-41.82	847.18
29-Jul-2019	369.72	171.08
30-Jul-2019	1485.07	1204.67
31-Jul-2019	167.72	723.29
01-Aug-2019	808.33	-312.58

Policy Rates



Key Rates (%)	02-Aug-2019	1 Week Ago	1 Month Ago
Reverse Repo	5.5	5.5	5.5
Repo	5.75	5.75	5.75
CRR	4	4	4
SLR	18.75	18.75	18.75

Key Rates



- polled by Reuters had predicted a reading of 49.6.
- Stock Investments by foreigners in Japan increased by 37.50 billion yen in the week ending July 27 of 2019.
- Bond Investments by Japanese abroad decreased by 162.20 billion yen in the week ending July 27 of 2019.
- The Caixin China General Manufacturing PMI rose to 49.9 in July 2019 from 49.4 in the previous month and compared to market expectations of 49.6, still pointing to a slight deterioration in business conditions.
- The IHS/BME Germany Manufacturing PMI was revised slightly higher to 43.2 in July 2019 from a preliminary estimate of 43.1.
- The IHS Markit Eurozone Manufacturing PMI was revised slightly higher to 46.5 in July 2019 from a preliminary estimate of 46.4, still signaling the sharpest deterioration in operating conditions since December 2012.
- The Bank of England's Monetary Policy Committee voted unanimously to hold the Bank Rate at 0.75 percent during its August policy meeting, and reaffirmed its pledge to gradual and limited rate rises under the assumption of a smooth Brexit and some recovery in global growth.



Equity Market Update

- Indian equity benchmarks extended decline for the third straight week as higher taxes on the super-rich and foreign investors, and a slowing economy spooked investors.
- Sector Update:** The S&P BSE Sensex fell around 2 percent this week to end at 37,137.01 and the NSE Nifty 50 ended at 10,997.35, down 2.5 percent.
- Ten out of 11 sectoral gauges compiled by National Stock Exchange ended lower this week, led by the NSE Nifty Media Index's 12 percent fall. The NSE Nifty IT Index was the only sectoral gainer, up 0.48 percent
- Broader Markets:** The S&P BSE Smallcap index plunged by 4.3 percent for the week ended August 2. The S&P BSE Midcap index was down 2.2 percent to 13,546, a level was last seen in February 2017.



Debt Market Update

- Indian government bonds ended higher this week, with the benchmark yield falling the most in four weeks, as traders braced for a dovish monetary policy next week, while the sovereign bond issuance plan also continued to aid sentiment.
- The benchmark 7.26% bond maturing in 2029 ended at 106.37 rupees, yielding 6.35%, in Mumbai. The yield fell by 18 basis points this week, its biggest drop since the week ended Jul. 12. The yield had risen by 16 basis points last week.



Commodity Market Update

Oil Update:

- U.S. West Texas Intermediate and International-benchmark Brent crude oil futures finished lower last week, but for the most part, the markets proved to be resilient to a slew of events that could have led to even steeper weekly losses.
- Last week, September WTI crude oil settled at \$55.66, down \$0.54 or -0.96% and October Brent crude oil finished at \$61.89, down \$1.48 or -2.39%.
- Earlier in the week, the U.S. Energy Information Administration (EIA) showed another larger-than-expected drawdown. However, this was somewhat offset by a slight increase in U.S. crude production during the week-ending July 26. Nonetheless, prices still rose on the news.
- According to the EIA, U.S. crude oil production averaged 12.2 million barrels per day (bpd) last week, up by 900,000 bpd from the previous week and up by about 1.3 million bpd year on year.

Gold Update:

- Gold prices on Friday touched a record high of Rs 36,327 per ten grams in the domestic markets as speculators widened their bets, tracking a firm trend overseas.
- On the Multi Commodity Exchange, gold for delivery in August contracts traded higher by Rs 216, or 0.62 per cent, to Rs 35,132 per 10 gram in a business turnover of 3,459 lots.
- The yellow metal contracts for October delivery also traded higher by Rs 232, or 0.65 per cent, to Rs 35,865 per 10 gram in a business turnover of 21,530 lots.
- COMEX August Gold firmed by \$16.4 to \$1,437.3 during Friday trades with highs of \$1,448, up from Thursday's closing of \$1,420.9.



Currency Market Update

- The Indian rupee weakened for the fourth straight week, its longest losing streak since first week of October 2018. The home currency depreciated 1 percent against the U.S. dollar to close at 69.6. The local legal tender was the fourth-worst performing Asian currency this week.
- India's foreign exchange reserves decreased by \$727.1 million during the week ended July 26, official data showed on Friday.
- The U.S. Dollar had a volatile week with the price action impacted the most by impulsive swings in U.S. Treasury yields.
- Last week, September U.S. Dollar Index futures settled at 97.885, up 0.170 or +0.17%.

Key Rates (%)	02-Aug-2019	26-Jul-2019	% Change
Mibor Overnight	5.75	5.75	0
CALL (O/N)	5.6	5.56	0.72
CBLO	5.58	5.58	0
T Bills Index (12M)	5.85	5.91	-1.02
10 Year GSEC	6.35	6.52	-2.61

Commodity Market



Commodity (INR)	26-Jul-2019	Gain+/-Loss-	% Change
Gold (10 gm)	35341	560	1.61
Silver (1 kg)	40746	-65	-0.16
Crude Oil (\$/barrel)	61.89	-1.57	-2.47

Currency Market



Currency	02-Aug-2019	Gain+/-Loss-	% Change
USD/INR	69.4	0.34	0.49
EURO/INR	76.94	0	0
GBP/INR	84.09	-1.76	-2.05
JPY/INR	64.82	1.24	1.95

Upcoming Events



Monday 05, 2019

- Caixin Services PMI JUL (CHINA)
- Caixin Composite PMI JUL (CHINA)
- Markit Services PMI JUL (INDIA)
- Markit Services PMI Final JUL (GERMANY)
- Markit Composite PMI Final JUL (GERMANY)
- Markit Services PMI Final JUL (EA)
- Markit Composite PMI Final JUL (EA)
- ISM Non-Manufacturing PMI JUL (US)

Tuesday 06, 2019

- Factory Orders MoM JUN (GERMANY)

Wednesday 07, 2019

- RBI Interest Rate Decision (INDIA)
- Cash Reserve Ratio (INDIA)

Thursday 08, 2019

- Balance of Trade JUL (CHINA)

Inflation Rate YoY JUL (CHINA)
 Balance of Trade JUN (GERMANY)
 GDP Growth Rate YoY Prel Q2 (GREAT BRITAIN)
 Balance of Trade JUN (GREAT BRITAIN) Foreign
 Exchange Reserves AUG/02 (INDIA)

Week Gone By



Events	Actual %	Previous %
GfK Consumer Confidence AUG (GERMANY)	9.7	9.8
Business Confidence JUL (EA)	-0.12	0.17
Inflation Rate YoY Prel JUL (GERMANY)	1.7	1.6
Personal Spending MoM JUN (US)	0.3	0.5
Personal Income MoM JUN (US)	0.4	0.4
Gfk Consumer Confidence JUL (GREAT BRITAIN)	-11.0	-13.0
NBS Manufacturing PMI JUL (CHINA)	49.7	49.4
Consumer Confidence JUL (JAPAN)	37.8	38.7
GDP Growth Rate QoQ Flash Q2 (EA)	0.2	0.4
Infrastructure Output YoY JUN (INDIA)	0.2	4.3
Government Budget Value JUN (INDIA)	INR-4320B	INR-3662B
Fed Interest Rate Decision (US)	2.25	2.5
Caixin Manufacturing PMI JUL (CHINA)	49.9	49.4
Markit Manufacturing PMI FinalJUL (GERMANY)	43.2	45.0
BoE Interest Rate Decision (GREAT BRITAIN)	0.75	0.75
ISM Manufacturing PMI JUL (US)	51.2	51.7
Deposit Growth YoY JUL/19 (INDIA)	10.6	10.3
Foreign Exchange Reserves JUL/26 (INDIA)	\$429.65B	\$430.38B
Bank Loan Growth YoY JUL/19 (INDIA)	12.2	12.0

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