

# Weekly Market Update



## Financial Market & Economy Update

### Domestic Update:

- Prime Minister Narendra Modi on Monday said the strategic partnership between India and Russia has now been elevated into a "special privileged strategic partnership" as he met Russian President Vladimir Putin in this Black Sea coastal city for their first informal summit.
- Railways is executing 43 projects at a cost of Rs 9,000cr to extend rail connectivity in the border areas of northeast India and with other parts of the country, Minister of State for Railways Rajen Gohain said here on Tuesday.
- The Cabinet on Wednesday gave its ex-post facto approval to two separate memorandum of understandings (MoUs) with France and Morocco for cooperation in the field of renewable energy.
- Over 2,100 companies settle Rs 83,000 crore bank dues before action was initiated under the newly-enacted Insolvency and Bankruptcy Code (IBC).
- Banks' credit grew by 12.64 percent year-on-year to Rs 85,51,099 crore in the fortnight ended May 11, 2018, according to an RBI data.
- India has decided to set up a medical college and hospital in Cambodia as part of its plan to strengthen economic ties with CLMV region, Commerce and Industry Minister Suresh Prabhu said.
- India has moved one notch higher, to the 44th place in terms of competitiveness, in the annual rankings compiled by International Institute for Management Development (IMD) which placed the US in the top slot.
- New applications for U.S. unemployment benefits increased more than expected last week, but remained below a level consistent with a healthy labor market. Initial claims for state unemployment benefits rose 11,000 to a seasonally adjusted 234,000 for the week ended May 19, the Labor Department said on Thursday.
- The British economy expanded 0.1 percent on quarter in the first three months of 2018, in line with the preliminary estimate and well below 0.4 percent in the previous period.
- India's coal import fell by 9 per cent to 17.32 million tonnes (MT) in April on the back of ample supply of dry fuel from domestic sources.
- Citing circumstances for immediate action, the government hiked the import duty on five items, including wheat, shelled almond, walnut, and protein concentrate, to as much as 100 per cent. The goods are imported from developed nations, especially the US.
- Prime Minister Narendra Modi on Sunday inaugurated India's first smart and green highway, the 135 km long Kundli-Ghaziabad-Palwal (KGP) Expressway—also known as Eastern Peripheral Expressway.
- PM Modi inaugurates first phase of Delhi-Meerut Expressway: India's first 14-lane national highway has been partially thrown open to commuters by Prime Minister Narendra Modi. The Delhi-Meerut Expressway project, once it is complete, will reduce the journey time between Delhi and Meerut to just 45 minutes.

### Global Update:

- Japan's trade surplus widened 30.9% to JPY 626 billion in April 2018 from JPY 478 billion in the same month a year earlier. Exports increased by 7.8% to JPY 6,822 billion, while imports rose at a softer 5.9% to JPY 6,196 billion.
- U.S. President Donald Trump on Monday said China had pledged to buy "massive amounts" of American agricultural products but gave no other details about planned commitments from Beijing following U.S.-China trade talks last week.
- Iranian Foreign Minister Javad Zarif has condemned the US for promising to impose the "strongest sanctions in history" on his country. Measures outlined by US Secretary of State Mike Pompeo, he said, showed the US was a prisoner of its "failed policies" and it would suffer the consequences.
- The Trump administration won't impose tariffs on Chinese products for now, after the two nations made progress on trade issues during two days of talks, Treasury Secretary Steven Mnuchin said.
- The Nikkei Flash Japan Manufacturing PMI came in at 52.5 in May 2018, compared to 53.8 in April. It was the weakest expansion in manufacturing growth in nine months.
- The inflation rate in the United Kingdom was recorded at 2.40 percent in April of 2018.
- IHS Markit's Euro Zone Composite Flash Purchasing Managers' Index (PMI), seen as a good guide to economic health, sank in May to an 18-month low of 54.1 from 55.1



## Equity Market Update

- The benchmark Sensex resisted the highly volatile week and managed to end with moderate gain by 76.57 points to close at 34,924.87, while the broader Nifty closed marginally up by 8.75 points to conclude at 10,605.15. Investors sentiments turned wary during the week, mainly after the political chaos after the Karnataka poll results, while the pollution protests against copper plant in Tuticorin turned violent, affected the metal index.
- Global situation also not supportive as pessimism ruled investor minds amid distrust over trade talk between US and China, again the US President Donald Trump cancelling the planned meeting with North Korean leader Kim Jong Un brought uncertainty.
- However, bearish rupee helped the IT index along with some respite global crudeoil prices, while encouraging earning results and sustained buying by domestic institutional investors amid less than hawkish US Fed minutes helped the market to recoup the losses.
- The BSE Sensex started the week higher at 34,873.16 and hovered between high of 35,017.93 and low of 34,302.89 before closing the week at 34,924.87, showing a modest gain of 76.57 points or 0.22 per cent.

## Domestic Markets



Index	25-May-2018	18-May-2018	% Change
BSE Sensex	34924.87	34848.3	0.22
S&P CNX Nifty	10605.15	10596.4	0.08
CNX Midcap	18787.4	18891.8	-0.55
CNX 500	9215.55	9209.2	0.07
BSE Smallcap	17151.43	17326.78	-1.01

## Global Markets



Index	25-May-2018	18-May-2018	% Change
Dow Jones	24753.09	24715.09	0.15
Nasdaq	7433.85	7354.34	1.08
S&P 500	2721.33	2712.97	0.31
FTSE 100	7730.3	7778.79	-0.62
Shanghai Composite	3141.3	3154.28	-0.41
Hang Sang	30588.04	30942.15	-1.14

## Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	22631	25620	-2989
MF Flows*	22121	17421	4700

## F&O FII Trends (Rs. Crs)



Date	Index	Stocks
21-May-2018	1107.19	-450.63
22-May-2018	-892.83	-66.5
23-May-2018	-1900.94	157.16
24-May-2018	245.61	445
25-May-2018	985.69	410.65

## Policy Rates



Key Rates (%)	25-May-2018	1 Week Ago	1 Month Ago
Reverse Repo	5.75	5.75	5.75
Repo	6	6	6
CRR	4	4	4
SLR	19.5	19.5	20

## Key Rates



- The Nifty also resumed the week higher at 10,616.70 and traded between 10,628.05 and 10,417.80, the index finally closed at 10,605.15, gaining a marginal 8.75 points, or 0.08 per cent.
- Broader Market:** Broader indices continued lag for fourth consecutive week with smallcap ending losses and midcap shares closing with mild gains. The BSE Mid-Cap index rose 8.73 points to settle at 15,904.41 points, while BSE Small-Cap index fell 175.35 points to settle at 17,151.43 points.
- FI:** Meanwhile, foreign portfolio investors (FPIs) and foreign institutional investors (FIIs) sold shares worth Rs 3,481.43 crore during the week, as per Sebi's record including the provisional figure of May 25, 2018.
- Sector Update:** Among sectoral and industry indices, IT rose by 2.61 per cent, Teck 2.56 per cent, bankex 2.06 per cent, PSU 1.73 per cent, capital goods 0.90 per cent, healthcare 0.20 per cent and power 0.11 per cent, while oil&gas fell by 2.53 per cent, realty 2.38 per cent, consumer durables 2.03 per cent, FMCG 1.04 per cent, metal 0.86 per cent, auto 0.64 per cent and IPO 0.41 per cent.
- Global Update:** For the week, the Dow was up 0.2 percent, the S&P 500 was up 0.3 percent and the Nasdaq gained 1.1 percent.



## Debt Market Update

- Indian government bonds ended steady this week, as sharp gains today tracking a jump in the local currency and lower crude oil prices offset earlier losses amid persistent hopes of an announcement of another open market operation.
- On a weekly basis, the 10-year yield fell four basis points. Indian benchmark bond yield traded in a 7.79%-7.90% band this week.
- India's Monetary Policy Committee, which next meets on Jun. 4 - Jun. 6, is expected to hike interest rates in the coming months, with some market participants expecting a hike in June.



## Commodity Market Update

### Oil Update:

- Crude prices plunged on Friday to finish at their lowest levels in weeks, as reports said OPEC and Russia are considering lifting production by as much as 1 million barrels a day as early as June to meet the shortfall in supply from Iran and Venezuela.
- The Organization of the Petroleum Exporting Countries and non-OPEC producers led by Russia have been curbing output by about 1.8 million barrels per day (bpd) to prop up oil prices and reduce high global oil stocks. The pact began in January 2017 and is set to expire at the end of 2018.
- New York-traded WTI crude futures dropped below \$68 a barrel on Friday, slipping further from a peak of \$72.83 scaled earlier in the week, its highest since November 2014.
- The contract finished the session down \$2.83, or 4%, at \$67.88 a barrel, the lowest since May 3. Prices marked a weekly loss of roughly 5.3%, which was the first weekly slide in about a month.
- Meanwhile, London-traded Brent crude futures, the benchmark for oil prices outside the U.S., sank \$2.36, or 3%, on Friday to close at \$76.47 a barrel. For the week, it ended down 2.6%, snapping a six-week winning streak.
- The international benchmark for oil prices last week hit a 3½-year high of \$80.50, also going back to November 2014.

### Gold Update:

- Domestic Update:** Gold prices reversed its one week down-trend and recaptures the Rs 31,000-mark at the bullion market following increase in buying interest from stockists and jewellery buyers, also attributed to higher global cues.
- Elsewhere, silver also rebounded sharply to close above the significant Rs 40,000 mark due to heavy speculative buying coupled with higher industrial demand.
- Global Update:** In worldwide trade, Gold ended lower, pressured by strength in the US dollar, but prices held just above the key USD 1,300-an-ounce level to score a gain for the week.
- June gold fell by 70 cents, to settle at USD 1,303.70 an ounce, but climbed roughly 1 per cent for the week. It settled at the highest finish since May 14, after President Donald Trump announced the cancellation of a June 12 meeting with North Korea's leader. US stocks briefly tumbled Thursday on news that Trump had pulled out.



## Currency Market Update

- The Indian rupee eventually pull ahead from a six straight week of losses and ended with a solid 22 paise gain at 67.78 against the US currency, showing signs of a bullish resurgence after a rout.
- Hardening concerns over fiscal deficit and current account deficit amid rising global crude oil prices have been weighing on the rupee front.
- Over the past couple of weeks, the rupee has been depreciating sharply against the US dollar.
- Indian currency had tanked to fresh 18-month low of 68.46 on Wednesday before staging a spirited recovery.
- However, the rupee had a mixed performance against other major currencies over the past week. It strengthened for the third consecutive week against the euro and bounced back against the pound sterling. While the local unit lost to the Japanese yen.
- Earlier this week, the rupee resumed lower at 68.08 against last Friday's close of 68.00 at the inter-bank foreign exchange (forex) market on strong demand for the US currency from importers and banks.
- Facing intense pressure from all sides, the home unit nodedived to fresh 18-month low of 68.46 during the mid-week trade on revival of fresh global trade war fears after the US President Donald Trump tempered optimism over the progress made in the recent

Key Rates (%)	25-May-2018	18-May-2018	% Change
Mibor Overnight	6.02	6.04	-0.33
CALL (O/N)	5.93	5.97	-0.67
CBLO	5.08	5.98	-15.05
T Bills Index (12M)	6.88	6.8	1.18
10 Year GSEC	7.8	7.77	0.39

## Commodity Market



Commodity (INR)	25-May-2018	Gain+/Loss-	% Change
Gold (10 gm)	31171	250	0.81
Silver (1 kg)	40229	579	1.46
Crude Oil (\$/barrel)	77.07	-2.6	-3.26

## Currency Market



Currency	25-May-2018	Gain+/Loss-	% Change
USD/INR	68.26	0.3	0.44
EURO/INR	79.88	-0.39	-0.49
GBP/INR	91.22	-0.66	-0.72
JPY/INR	62.38	1.07	1.75

## Upcoming Events



## Week Gone By



Events	Actual %	Previous %	1 Year ago %
Balance of Trade APR (JAP)	¥626B	¥797B	
Consumer Confidence Flash MAY (EA)	0.2	0.3	
Nikkei Manufacturing PMI Flash MAY (JAP)	52.5	53.3	
Markit Manufacturing			

US-China trade talks.

- However, brushing aside nearterm macro worries, the rupee surprisingly bounced back sharply to hit a high of 67.70 towards the tail-end trade before concluding the week with smart 22 paise, or 0.32 per cent gain at 67.78.
- The rupee had lost a staggering 303 paise, or 4.66 per cent in six-straight weeks of downtrend.
- The RBI, meanwhile, fixed the reference rate for the dollar at 68.2600 and for the euro at 79.8847.
- India's foreign exchange reserves fell by USD 2.648 billion to USD 415.053 billion in the week to May 18.
- The dollar index, which measures the greenback's value against a basket of six major currencies ended at 94.21 - its strongest since mid-November.

PMI Flash MAY (EA)	55.5	56.2
Markit Services PMI Flash MAY (EA)	53.9	54.7

### ***Disclaimer***

The information contained in this material are extracted from different public sources and does not represent views/opinions of Kotak Mahindra Asset Management Company Limited or its associated companies. Kotak Mahindra Asset Management Co Ltd does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. All reasonable care has been taken to ensure that the information contained herein is not misleading or untrue at the time of publication. This is not a sales literature and all the information is for the information of the person to whom it is provided without any liability whatsoever on the part of Kotak Mahindra Asset Management Co Ltd or any associated companies or any employee thereof.

### ***Risk Factors***

Mutual fund investments are subject to market risks, read all scheme related documents carefully.