



Financial Market & Economy Update

Domestic Update:

- Bringing cheers to 50 lakh central government employees and 65 lakh pensioners ahead of Diwali, the Cabinet on Wednesday announced an increase of 5 % points to 17 % in dearness and relief allowances, envisaging an additional annual outgo of Rs 16,000 crore.
- Mutual Fund Industry's Asset Under Management stood at Rs 24,50,787 crore for September 2019, while the YoY growth in AUM recorded at Rs 2,46,364 crore and Retail AUM was at Rs 11,23,779 crore.
- Domestic passenger vehicle sales dropped by 23.69 % to 2,23,317 units from 2,92,660 units in September last year, making it the 11th consecutive month of plunging vehicle sales in the country.
- India has joined the league of 15 of the world's leading city networks and technology governance organisations that will work towards advancing the responsible and ethical use of smart city technologies.
- Domestic pharma mkt grows 11.5% in Jul-Sept.

Global Update:

- Germany's industrial orders dropped 0.6 % from a month earlier in August 2019, compared to market expectations of a 0.3 % decline and following a revised 2.1 % plunge in July.
- Foreign Exchange Reserves in Japan decreased to 1322581 USD Million in September from 1331583 USD Million in August of 2019.
- China's foreign exchange reserves dropped by USD 14.7 billion to USD 3,092 trillion in September 2019, compared to market expectations of a USD 6 billion fall to USD 3.101 trillion.
- The U.S. government expanded its trade blacklist on Monday to include some of China's top artificial intelligence (AI) startups over Beijing's treatment of Muslim minorities.
- German industrial output rose unexpectedly in August but analysts said Europe's biggest economy remains at risk of recession after months of contraction in manufacturing. Industrial output rose 0.3% on the month after two successive monthly drops, Statistics Office figures showed on Tuesday, defying expectations of a 0.1% decline.
- Core machinery orders in Japan, which exclude those of ships and electrical equipment, declined 2.4 % from a month earlier in August 2019, following a 6.6 % fall in July and compared with market consensus of a 2.5 % decrease.
- The Producer Price Index of Japan declined by 1.1 % year-on-year in September 2019, following a 0.9 % fall in the previous month and compared with market expectations of a 1.2 % decrease.
- Germany's trade surplus narrowed to EUR 16.2 billion in August 2019 from EUR 17.6 billion in the same month last year, as exports declined 3.9 % to EUR 101.2 billion and imports shrank 3.1 % to EUR 85 billion.
- The UK trade deficit narrowed to GBP 1.55 billion in August 2019 from a revised GBP 1.68 billion in the previous month.
- The US annual inflation rate was unchanged at 1.7 % in September 2019, slightly below market consensus of 1.8 %, as a pick up in food inflation was offset by a further decline in energy prices.
- U.S. consumer prices were unchanged in September and underlying inflation retreated. The CPI edged up 0.1% in August. In the 12 months through September, the CPI increased 1.7% after advancing by the same margin in August.



Equity Market Update

- India's equity indices rebounded last week tracking global peers on growing hopes that the U.S. and China can negotiate a trade truce as high-level talks progress into a second day. The S&P BSE Sensex gained 1.2 % last week to end at 38,127.08 and the NSE Nifty 50 rallied 1.17 % at 11,305.05.
- The markets gained as investors expect a breakthrough in the trade deal between the world's two largest economies and the government measures to revive credit growth before the festive season.
- **Sector Update:** Six of the 11 sectoral gauges compiled by the National Stock Exchange ended higher this week, led by the NSE Nifty Metal Index's 1.74 % gain. On the other hand, the NSE Nifty Realty Index was the top loser, down 0.34 %.
- **Broader Markets:** But the Nifty mid and small cap index remained under pressure and closed the week on a mixed note. S&P BSE Mid-cap index was down by 0.4% whereas S&P BSE Small-cap index fall by 0.28% for the week ended October 11.



Debt Market Update

- India government bonds fell for the first time in three weeks, as a rise in U.S. Treasury yields and an anticipated spike in retail inflation dampened investor

Domestic Markets



| Index | 11-Oct-2019 | 04-Oct-2019 | % Change |
|---------------|-------------|-------------|----------|
| BSE Sensex | 38127.08 | 37673.31 | 1.2 |
| S&P CNX Nifty | 11305.05 | 11174.75 | 1.17 |
| CNX Midcap | 15558.85 | 15573.7 | -0.1 |
| CNX 500 | 9161.4 | 9091.65 | 0.77 |
| BSE Smallcap | 12772.07 | 12808.66 | -0.29 |

Global Markets



| Index | 11-Oct-2019 | 04-Oct-2019 | % Change |
|--------------------|-------------|-------------|----------|
| Dow Jones | 26816.59 | 26573.72 | 0.91 |
| Nasdaq | 8057.04 | 7982.47 | 0.93 |
| S&P 500 | 2970.27 | 2952.01 | 0.62 |
| FTSE 100 | 7247.1 | 7155.38 | 1.28 |
| Shanghai Composite | 2973.66 | 2905.19 | 2.36 |
| Hang Sang | 26308.44 | 25821.03 | 1.89 |

Institutional Flows (Equity)



| Description (INR Cr) | Purchases | Sales | Net |
|----------------------|-----------|-------|-------|
| FII Flows* | 18079 | 20087 | -2008 |
| MF Flows* | 11320 | 9796 | 1524 |

*FII & MF data from 4th to 10th October 2019

F&O FII Trends (Rs. Crs)



| Date | Index | Stocks |
|-------------|---------|---------|
| 04-Oct-2019 | 202.52 | 37.31 |
| 07-Oct-2019 | 1377.1 | 345.26 |
| 09-Oct-2019 | 52.83 | 848.29 |
| 10-Oct-2019 | 3723.24 | -319.18 |

Policy Rates



| Key Rates (%) | 11-Oct-2019 | 1 Week Ago | 1 Month Ago |
|---------------|-------------|------------|-------------|
| Reverse Repo | 4.9 | 4.9 | 5.15 |
| Repo | 5.15 | 5.15 | 5.4 |
| CRR | 4 | 4 | 4 |
| SLR | 18.75 | 18.75 | 18.75 |

Key Rates



- sentiment, while fears of a fiscal slippage also continued to weigh.
- The benchmark 7.26% bond maturing in 2029 ended at 103.56 rupees, its lowest since Sep. 27, yielding 6.73%.
- The yield rose by five basis points this week after falling by an aggregate of 10 basis points over the last two weeks. The new 10-year 6.45% 2029 bond ended 32 paise lower at 99.58 rupees, yielding 6.51%.
- Meanwhile, U.S. Treasury yields gained as demand for safe-haven assets decreased after Chinese Vice Premier Liu He said Beijing is willing to reach an agreement with Washington to prevent any further escalation of their long-running trade dispute. The two sides had begun high-level talks yesterday. The yield on the U.S. 10-year note rose to 1.7046% Friday, the highest since Oct. 1.

| Key Rates (%) | 11-Oct-2019 | 04-Oct-2019 | % Change |
|---------------------|-------------|-------------|----------|
| Mibor Overnight | 5.22 | 5.45 | -4.22 |
| CALL (O/N) | 5.04 | 5.19 | -2.89 |
| CBLO | 4.58 | 4.81 | -4.78 |
| T Bills Index (12M) | 5.38 | 5.4 | -0.37 |
| 10 Year GSEC | 6.73 | 6.69 | 0.6 |



Commodity Market Update

Oil Update:

- U.S. West Texas Intermediate and international-benchmark Brent crude oil futures settled higher for the first time in three weeks as geopolitical events encouraged bearish traders to lighten up on the downside. Despite the higher close, the markets remained inside the previous week, suggesting investor uncertainty and indecision.
- Furthermore, the price action appears to be representative of short-covering as opposed to aggressive counter-trend buying. This is understandable considering the fundamentals remain overwhelmingly bearish despite a slight shift in the narrative due to optimism over the partial trade deal between the United States and China, and heightened tensions in the Middle East.
- Last week, December WTI crude oil settled at \$54.78, up \$2.04 or +3.87% and December Brent crude oil finished at \$60.51, up \$2.14 or +3.54%.
- Crude was unpinned at the end of the week after President Trump said China and the U.S. reached the first phase of a substantial trade deal that delays tariff hikes that were to kick in this week.

Gold Update:

- Gold prices in India have dropped sharply in recent days in tandem with a dip in global rates. On MCX, prices of futures gold contracts fell 0.76% to 37,870 per 10 gram on Friday. After the latest drop, gold prices are now down about ₹2,100 per 10 gram, from last month's record high of 39,885 per 10 gram. Silver prices on MCX dipped 0.44% to ₹45,222 per kg.
- Dealers still offered discounts on official domestic prices this week, though they have fallen from last week's levels. The domestic price includes a 12.5% import tax and 3% GST.
- Gold prices in India are still up over 20% so far this year, hitting retail demand. Gold imports into India last month plunged 68% year-on-year in September to their lowest in over three years.
- In global markets, gold prices fell as much as 1.4% on Friday as US and China reached a partial trade accord. The British pound surged on optimism for a Brexit deal. Spot gold fell 0.8% to \$1,483. Gold is often used as a hedge against political and economic uncertainties.



Currency Market Update

- The Indian rupee was the second-worst performer this week among Asian peers. The domestic unit depreciated 0.2 % this week to close at 71.01 against the U.S. dollar.
- The country's foreign exchange reserves surged by USD 4.24 billion to touch a record high of USD 437.83 billion in the week to October 4, according to the latest data from the Reserve Bank of India.
- The U.S Dollar Index ("DXY") fell by 0.55% to end the week at \$98.301.

Commodity Market



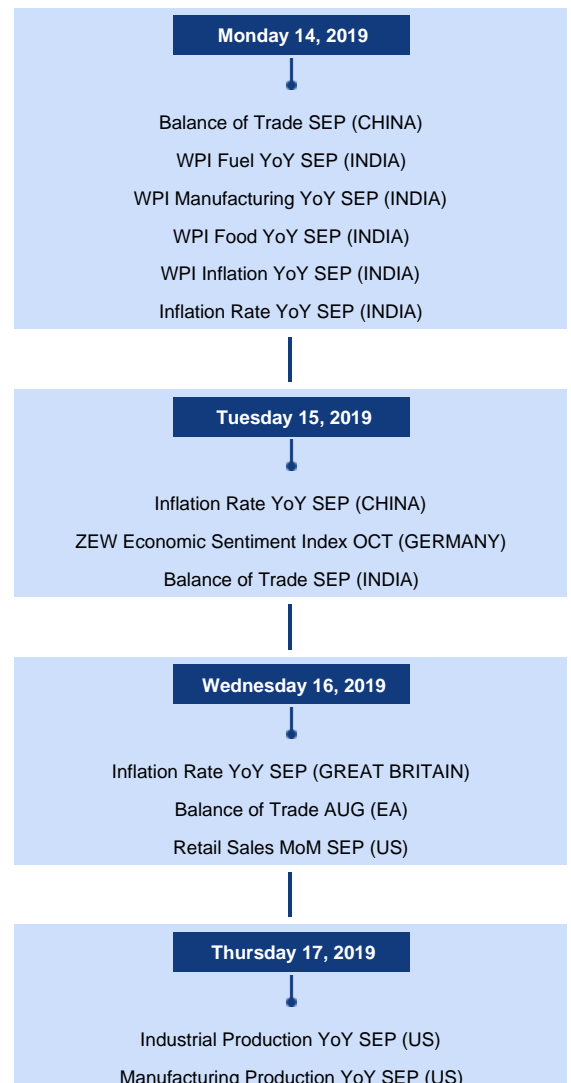
| Commodity (INR) | 11-Oct-2019 | Gain+/Loss- | % Change |
|-----------------------|-------------|-------------|----------|
| Gold (10 gm) | 38154 | 3 | 0.01 |
| Silver (1 kg) | 45257 | 171 | 0.38 |
| Crude Oil (\$/barrel) | 60.51 | 2.14 | 3.67 |

Currency Market



| Currency | 11-Oct-2019 | Gain+/Loss- | % Change |
|----------|-------------|-------------|----------|
| USD/INR | 71.03 | 0.16 | 0.23 |
| EURO/INR | 78.24 | 0.46 | 0.59 |
| GBP/INR | 88.43 | 0.91 | 1.04 |
| JPY/INR | 65.78 | -0.58 | -0.87 |

Upcoming Events



Friday 18, 2019

Inflation Rate YoY SEP (JAPAN)
GDP Growth Rate YoY Q3 (CHINA) Foreign
Exchange Reserves OCT/11 (INDIA)

Week Gone By



| Events | Actual % | Previous % |
|--|-----------|------------|
| Factory Orders MoM AUG (GERMANY) | -0.6 | -2.1 |
| Caixin Services PMI SEP (CHINA) | 51.3 | 52.1 |
| Caixin Composite PMI SEP (CHINA) | 51.9 | 51.6 |
| Industrial Production MoM AUG (GERMANY) | 0.3 | -0.4 |
| Machine Tool Orders YoY SEP (JAPAN) | -35.5 | -37.0 |
| Balance of Trade AUG (GERMANY) | €16.2B | €21.6B |
| Balance of Trade AUG (GREAT BRITAIN) | £-1.546B | £-1.681B |
| Core Inflation Rate YoY SEP (US) | 2.4 | 2.4 |
| Inflation Rate YoY SEP (US) | 1.7 | 1.7 |
| Inflation Rate YoY Final SEP (GERMANY) | 1.2 | 1.4 |
| Deposit Growth YoY SEP/27 (INDIA) | 9.4 | 10.0 |
| Foreign Exchange Reserves OCT/04 (INDIA) | \$437.83B | \$433.59B |
| Bank Loan Growth YoY SEP/27 (INDIA) | 8.8 | 10.3 |
| Industrial Production YoY AUG (INDIA) | -1.1 | 4.6 |
| Manufacturing Production YoY AUG (INDIA) | -1.2 | 4.5 |

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.