



Financial Market & Economy Update

Domestic Market Update:

- Paddy procurement for Kharif 2020-21 is continuing smoothly in the procuring States & UTs of Punjab, Haryana, Uttar Pradesh, Telangana, Uttarakhand, Tamil Nadu, Chandigarh, Jammu & Kashmir, Kerala, Gujarat, Andhra Pradesh, Chhattisgarh, Odisha, Madhya Pradesh, Maharashtra, Bihar, Jharkhand, Assam, Karnataka, West Bengal and Tripura with purchase of over 647.68 LMTs of paddy up to 17.02.2021. This is an increase of 15.33 % against the last year corresponding purchase of 561.57 LMT. Out of the total purchase of 647.68 LMT, Punjab alone has contributed 202.82 LMT which is 31.31% of total procurement.
- The Reserve Bank Of India (RBI) has reported that currency in circulation edged up 0.6% on the week to stand at Rs 28.40 lakh crore as on February 12th 2021. The central bank stated further that the overall reserve money was flat on the week at Rs 33.83 lakh crore. Currency in circulation rose around 21.1% on a year ago basis compared to 11.40% growth at the same time last year. In the current fiscal, the currency in circulation has expanded by 16.10% so far while the reserve money has increased by 11.70%.
- The index of mineral production of mining and quarrying sector for the month of December, 2020 (Base: 2011-12=100) at 115.1, was 4.8% lower as compared to the level in the month of December, 2019. The cumulative growth for the period April- December, 2020-21 over the corresponding period of previous year has been (-) 11.3%.
- Indian sugar mills have contracted 41% of the sugar export quota allocated for the 2020-21 sugar year that began October 1, said a latest update from the Indian Sugar Mills Association (ISMA). The progressive year-on-year sugar production of the country during the 2020-21 sugar season till February 15 is higher by 23%.
- Exports in January 2021 were USD27.45 Billion, as compared to USD25.85 Billion in January 2020, exhibiting a positive growth of 6.16%. In Rupee terms, exports were Rs. 2,00,661.11 Crore in January 2021, as compared to Rs. 1,84,369.73 Crore in January 2020, registering a positive growth of 8.84%.
- The index for this Primary articles group declined by (-1.77%) to 143.9 (provisional) in January, 2021 from 146.5 (provisional) for the month of December, 2020. The index for Fuel and Power group increased by (5.84%) to 99.7 (provisional) in January, 2021 from 94.2 (provisional) for the month of December, 2020.
- The index for Manufactured products group increased by (1.54%) to 124.9 (provisional) in January, 2021 from 123.0 (provisional) for the month of December, 2020.
- The Food Index consisting of ~Food Articles~ from Primary Articles group and ~Food Product~ from Manufactured Products group have decreased from 154.4 in December, 2020 to 151.8 in January, 2021. The rate of inflation based on WPI Food Index decreased from 0.92% in December, 2020 to -0.26% in January, 2021.
- The Consumer Price Index (CPI) slipped to 4.06% in the month of January 2021, according to the data released by the Ministry of Statistics & Programme Implementation (MoSPI) showed on Friday. The retail inflation during the month of December 2020 was at 4.59%. This is the second consecutive month the CPI data has come within the Reserve Bank of India's (RBI) upper margin of 6%. The drop in retail inflation is driven primarily by easing food prices. The Consumer Food Price Index (CFPI) or the inflation in the food basket fell to 1.89% in the month of January, down from 3.41% in December 2020. The slide in the food basket was due to a fall in vegetable prices that recorded near 16% decline on-year in January.
- The Index of Industrial Production (IIP) in December 2020 recorded a growth of 1% as compared to a 0.4% rise in November 2020. The manufacturing sector output grew by 1.6% in December 2020, mining output declined by 4.8%, while power generation grew 5.1% in December 2020. The IIP recorded a slide of 13.5% in April-December 2020 on a year on year basis.

International Market Update:

- US first-time claims for unemployment benefits inched up to 861,000, an increase of 13,000 from the previous week's revised level of 848,000 in the week ended February 13th, according to a report released by the Labor Department on Thursday. Meanwhile, the Labor Department said the less volatile four-week moving average edged down to 833,250.
- Eurozone seasonally adjusted current account surplus rose to EUR 36.65 billion in December from EUR 25.15 billion in November, data from the European Central Bank showed Friday. A year ago, the surplus was EUR 20 billion. The latest surplus figure was the highest since November 2017, when it was EUR 38.36 billion. The surplus in goods trade grew to EUR 38.00 billion from EUR 34.00 billion in the previous month. The services trade surplus rose to EUR 11 billion from EUR 10 billion. The primary income account surplus was steady at EUR 1 billion.
- UK retail sales volume decreased 8.2% month-on-month, in contrast to a 0.4% rise seen in December, the Office for National Statistics said Friday. Excluding auto fuel, retail sales were down 8.8%, following a 0.4% gain in the previous month. All sectors saw a monthly decline in volume sales in January except for non-store retailers and food stores. Year-on-year, retail sales fell 5.9%, in contrast to a 3.1% rise in December.
- Japan's consumer prices dropped at a slower pace in January, the Ministry of Internal Affairs and Communications said Friday. Consumer prices were down 0.6%, following 1.2% drop in December and 0.9% fall in November. Excluding fresh food and energy, consumer prices edged up 0.1% annually, reversing a 0.4% fall in December.
- Industrial production in the US saw another notable increase in the month of January, according to a report released by the Federal Reserve on Wednesday. The Fed said industrial production climbed by 0.9% in January after jumping by a downwardly revised 1.3% in December.

Domestic Markets



Index	19-Feb-2021	12-Feb-2021	% Change
BSE Sensex	50889.76	51544.3	-1.27
S&P CNX Nifty	14981.75	15163.3	-1.2
CNX Midcap	23118.75	22914.35	0.89
CNX 500	12438.8	12508.55	-0.56
BSE Smallcap	19863.41	19622.05	1.23

Global Markets



Index	19-Feb-2021	12-Feb-2021	% Change
Dow Jones	31494.32	31458.4	0.11
Nasdaq	13874.46	14095.47	-1.57
S&P 500	3906.71	3934.83	-0.71
FTSE 100	6624.02	6589.79	0.52
Shanghai Composite	3696.17	3655.09	1.12
Hang Sang	30644.73	30173.57	1.56

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	24736	21125	3611
MF Flows*	26830	36732	-9902

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
15-Feb-2021	2109.85	506.41
16-Feb-2021	3104.37	-719.46
17-Feb-2021	-143.19	-746.46
18-Feb-2021	3550.32	-1115.42
31-Dec-1899	0	0

Policy Rates



Key Rates (%)	19-Feb-2021	1 Week Ago	1 Month Ago
Reverse Repo	3.35	3.35	3.35
Repo	4	4	4
CRR	3	3	3
SLR	18	18	18

Key Rates



- US retail sales spiked by 5.3% in January after sliding by a revised 1.0 percent in December, the Commerce Department reported on Wednesday. Excluding a 3.1% jump in sales by motor vehicle and parts retailers, retail sales still soared by 5.9% in January after tumbling by a revised 1.8% in December. Closely watched core retail sales, which exclude automobiles, gasoline, building materials and food services, also surged up by 6% in January after plunging by 2.4% in December.
- The US producer price index for final demand surged up by 1.3% in January after rising by 0.3% in December. The NAHB/Wells Fargo Housing Market Index edged up to 84 in February after falling to 83 in January.
- US consumer sentiment index fell to 76.2 in February after edging down to 79.0 in January, the University of Michigan reported on Friday. With the decrease, the consumer sentiment index slid to its lowest level since hitting 74.1 in August of 2020. The decline by the headline index came as the index of consumer expectations slumped to 69.8 in February from 74.0 in the previous month.
- Eurozone industrial production fell 1.6% month-on-month in December, reversing November's 2.6% increase, data from Eurostat showed on Monday. The decline was driven by a 3.1% decrease in capital goods output and 0.6% fall in non-durable consumer goods production. On a yearly basis, industrial production dropped at a faster pace of 0.8% after easing 0.6% in the previous month.
- Japan's gross domestic product expanded a seasonally adjusted 3% on quarter in the fourth quarter of 2020, the Cabinet Office said in Monday's preliminary report, following the 5.3% gain in the previous three months. On an annualized basis, GDP spiked 12.7% following the 22.9% surge in the three months prior.
- Japan's industrial production declined less than estimated in December, final data from the Ministry of Economy, Trade and Industry showed on Monday. Industrial production declined a seasonally adjusted 1% month-on-month in December. In the initial estimate, production fell 1.6%. On a yearly basis, industrial production decreased 2.6% in December versus a 3.2% fall in the initial estimate. The capacity utilization grew 0.8% monthly in December and declined 0.1% from a year ago.

Key Rates (%)	19-Feb-2021	12-Feb-2021	% Change
Mibor Overnight	3.46	3.45	0.29
CALL (O/N)	3.21	3.31	-3.02
CBLO	2.48	3.07	-19.22
T Bills Index (12M)	3.61	3.76	-3.99
10 Year GSEC	6.13	5.99	2.37

Commodity Market



Commodity (INR)	19-Feb-2021	Gain+/Loss-	% Change
Gold (10 gm)	46197	-1121	-2.37
Silver (1 kg)	69012	-105	-0.15
Crude Oil (\$/barrel)	62.91	0.48	0.77

Currency Market



Currency	19-Feb-2021	Gain+/Loss-	% Change
USD/INR	72.73	0.11	0.16
EURO/INR	87.61	0.71	0.81
GBP/INR	100.71	-0.03	-0.03
JPY/INR	68.68	0.98	1.41



Equity Market Update

- Equity markets went in for a correction in the latter half of this week, after having soared more than 11% since the Union Budget. S&P BSE Sensex erased 654 points or 1.27% and the 50-stock NSE Nifty slipped 181 points to close just below the crucial 15,000 mark.
- However, the broader markets that are the NSE Mid Cap 100 Index and BSE Small Cap Index, both ended the week in green.
- Asian stocks pulled back from all-time peaks on Friday as higher longer-dated bond yields and disappointing U.S. jobs and economic data dented investor confidence in a faster economic recovery from the COVID-19 pandemic. Eurozone shares rose on Friday as data showed factory activity in February jumped to its highest in three years.



Debt Market Update

- The 10-year benchmark yield settled at its highest closing level since Aug 28, as the Reserve Bank of India devolved 108.94 bln rupees of the bond on primary dealers against the notified 110 bln rupees at the weekly debt sale today.
- Further, the RBI devolved 107 bln rupees of the 5.15%, 2025 bond on the primary dealers as against the notified 110 bln rupees.
- The RBI released the details of the cut-offs at 1137 IST, which left the market participants in dismay as the central bank did not accept any bids for underwriting commission payable to primary dealers for the new 2061 bond and set a higher-than-expected underwriting fee for the 5.15%, 2025 bond and the 5.85%, 2030 bond.
- It set the cut-off for the fees to underwrite the 5.15%, 2025 bond at 44.00 paise, and 49.00 paise to underwrite the 5.85%, 2030 bond, sharply higher than what an Informist poll of seven bond dealers had estimated. The dealers had expected the cut-off fees to come in at 30 paise and 40 paise for the 5.15%, 2025 bond and the 5.85%, 2030 bond, respectively.
- The higher-than-expected underwriting fees indicated underlying weak demand for dated securities, and signalled the lack of RBI support at the gilt auction this week.
- The 10-year benchmark 5.85%, 2030 paper ended at 97.94 rupees or 6.13% yield.
- The cut-off prices set at the 310-bln-rupee gilt auction surpassed the expectations of 10 bond dealers polled by Informist. The cut-off price for the 3.96%, 2022 bond was set at 99.39 rupees, 4 paise higher than the median of the 10 estimates, while it was 22 paise higher for the 2025 bond, 6 paise higher for the benchmark bond.
- The Centre exercised a greenshoe option to raise an additional 1.45 bln rupees through the 2022 bond, while it only accepted the partial amount of 35.01 bln rupees for the new 2061 bond, the coupon for which was set at 6.76%. The government raised a total of 276.46 bln rupees as against the notified 310 bln rupees.



Commodity Market Update

Oil Update:

- Oil prices fell for a second day on Friday, retreating further from recent highs, as Texas energy companies began preparations to restart oil and gas fields shuttered by freezing weather and power outages. Brent crude futures ended the session

Upcoming Events





down \$1.02, or 1.6 percent, at \$62.91 a barrel, while US West Texas Intermediate (WTI) crude fell \$1.28, or 2.1 percent, to settle at \$59.24.

- For the week, Brent gained about 0.5 percent while WTI fell about 0.7 percent.

Gold Update:

- Physical gold demand in India witnessed a surge this week as prices dropped close to 8-month lows. On Friday, gold futures on MCX settled near ₹46,190 after a sharp drop of about ₹1,200 this week. After a over 25% surge in 2020, gold prices have corrected sharply this year. So far they are down about ₹4,000 from the start of the year and as compared to August highs of ₹56,200, they remain ₹10,000 lower.



Currency Market Update

- The weekly chart of USD-INR shows a strong appreciation in the rupee from November levels of 74.6/\$ to 72.5/\$ now.
- India's foreign exchange reserves fell by \$249 million during the week ended 12 February.

Events	Actual %	Previous %
WPI Fuel YoY JAN (India)	-4.78	-8.72
WPI Food YoY JAN (India)	-2.8	-1.11
WPI Manufacturing YoY JAN (India)	5.13	4.24
WPI Inflation YoY JAN (India)	2.03	1.22
ZEW Economic Sentiment Index FEB (Germany)	71.2	61.8
Balance of Trade JAN (Japan)	¥-323.9B	¥749.6B
Inflation Rate YoY JAN (Great Britain)	0.7	0.6
Retail Sales MoM JAN (US)	5.3	-1.0
Inflation Rate YoY JAN (Japan)	-0.6	-1.2
Gfk Consumer Confidence FEB (Great Britain)	-23.0	-28.0
Foreign Exchange Reserves 12/FEB (India)	\$583.70B	\$583.95B
-	-	-
-	-	-
-	-	-

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