



Financial Market & Economy Update

- The Union Minister has said that the GST will help curb corruption and give a boost to the economy, Gadkari also added that after the GST bill is rolled out red-tapism and bureaucratic interference in doing business will reduce.
- Goyal while addressing the event said that the Goods and Services Tax will reduce the work of businesses by reducing the number of taxes from 11 to one.
- LPG sales have jumped by 9.8 % in the fiscal year ended March 31 after the government gave a record number of cooking gas connections, most of them to poor households.
- Japanese and European Union negotiators meeting in Tokyo aim to reach a free trade deal that would stand against a protectionist tide threatening the global economy, and make the United States think twice over pursuing inward-looking policies.
- Foreign investors have pumped over Rs 29,000 crore in the country's capital market in June, making it the highest inflow in three months, enthused by the GST and forecast of a normal monsoon.
- Union Minister for Labour and Employment Bandaru Dattatreya on Saturday said with the rollout of the Goods and Services Tax (GST) across the nation, one lakh jobs will be created in the first three months.
- Denying that the newly launched Goods and Services Tax (GST) will lead to inflation, Finance Minister Arun Jaitley on Saturday said the prices of maximum items will either go down or remain unchanged.
- People travelling for business purposes on business class air tickets are now required to submit details about their companies to avail tax benefits under the GST regime.
- GST on mobile phones: Domestic smartphone players on Saturday hailed the government's decision to impose 10 % basic customs duty (BCD) on cellular mobile phones and specified parts like charger, battery, wire headset, microphone and receiver, keypad and USB cable to protect local manufacturers.
- Union Finance Minister Arun Jaitley asked the representatives of Trade and Industry to ensure that all benefits arising due to implementation of the Goods and Services Tax (GST) from are passed on to the consumers in a transparent manner.
- The US economy got off to a lackluster start during the first three months of 2017, though it enjoyed more momentum than earlier estimates indicated.
- Profits at China's industrial companies surged 16.7 % in May from a year earlier, accelerating from 14 % in April.
- Countering the backlash against free trade by President Donald Trump, Japan and the European Union are rushing to finalize an agreement on easing barriers between their huge economies.



Equity Market Update

- Market posted fourth consecutive weekly gain, with BSE Sensex ending new closing highs at 31,273.29 and the broader Nifty settling at record closing peak at 9,653.50.
- Early onset of monsoon hitting Kerala and North East led the investor optimism during the week session, in the absence of major triggers as overseas markets largely closed for public holidays.
- The sensex resumed the week lower at 30,944.38 and surged to all-time intra-week high of 31,332.56 and low of 30,869.90 before closing fresh highs at 31,273.29, showing a sharp gain of 245.08 points or 0.79 %. It has gained by 1,414.49 points or 4.74 % in four weeks.
- The NSE 50-share Nifty also rose by 58.40 points or 0.61 % to close the week at new record peak at 9,653.50 after hitting an all-time high of 9,673.50. The Nifty has also gained by 309.80 points or 3.97 % in four weeks.
- Among sectoral and industry indices, FMCG rose by 2.83 % followed by Healthcare 2.09 %, auto 2.02 %, consumer durables 1.60 % and bankex 0.01 %.
- However, metal fell by 2.79 % followed by oil&gas 1.66 %, IT 1.38 %, realty 1.15 %, teck 1.09 % and power 0.36 %.
- Foreign institutional investors (FIIs) sold shares worth Rs 357.47 crore during the week, as per Sebi's record including the provisional figure of Jun 02.
- In the broader market, the S&P BSE Mid-Cap index rose 281.58 points or 1.94 % to settle at 14,801.48. The S&P BSE Small-Cap index rose 224.91 points or 1.49 % to settle at 15,311.17. Both these indices outperformed the Sensex.



Equity Market Outlook

Global:

- The past week saw the sharpest selloff in bonds since the beginning of March as a combination of positioning and hawkish comments from Central Banks threatening to raise rates in vulnerable economies such as the Eurozone, the UK and Australia caused the US 2vs10 spread to steepen from 80bps to 92bps. This has resulted in many equity markets falling over the past week, especially in Europe, and resulted

Domestic Markets



Index	30-Jun-2017	23-Jun-2017	% Change
S&P BSE Sensex	30921.61	31138.21	-0.7
Nifty 50	9520.9	9574.95	-0.56
Nifty Midcap 100	17729.75	17686.3	0.25
Nifty 500	8331.6	8355.1	-0.28
S&P BSE Smallcap	15410.52	15381.9	0.19

Global Markets



Index	30-Jun-2017	23-Jun-2017	% Change
Dow Jones	21349.63	21394.76	-0.21
Nasdaq	6140.42	6265.25	-1.99
S&P 500	2423.41	2438.3	-0.61
FTSE 100	7312.72	7424.13	-1.5
Shanghai Composite	3192.43	3157.87	1.09
Hang Sang	25764.58	25670.05	0.37

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	25063	24728	335
MF Flows*	13146	11545	1601

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
27-Jun-2017	22.63	9.33
28-Jun-2017	-183.39	885.98
29-Jun-2017	1087.54	-247.18
30-Jun-2017	1256.92	1129.98
31-Dec-1899	0	0

Policy Rates



Key Rates (%)	30-Jun-2017	1 Week Ago	1 Month Ago
Reverse Repo	6	6	6
Repo	6.25	6.25	6.25
CRR	4	4	4
SLR	20	20.5	20.5

Key Rates



in a rotation from tech into financials especially in the US where capital returns and enhanced dividends have attracted buyers. There appears to have been yet another rotation from low risk back into value, a trade that has dominated the attention of investors since the US election.

- Seasonality points to a stronger month in July especially in Australia and Hong Kong but investors may be wary ahead of the expected contraction of Central Bank balance sheets later this year. While the tech sector in the US continues to be hit, especially in the semiconductor space, Asian tech names have been relative outperformers.
- In the coming week the focus will be on the Fed and ECB minutes, US non-farm payroll figures and the G20 summit in Hamburg where attention will centre on the growing trade tensions between the US and Germany as well as a meeting between Presidents Trump and Putin. Last week German Chancellor Merkel, in a reference thought to be about President Trump, called isolationism and protectionism "delusional".
- Meanwhile there will be renewed concern around Qatar as the deadline to meet the list of demands from the Arab Group opposed to it expires. Saudi Arabia reported that its economy contracted for the first quarter since at least 2011.
- Regional PMI surveys will also be watched. Foreign exchange markets will also be on alert as the EURUSD approaches the top end of the 1.05-1.15 range which policymakers are suspected to target as part of the accord reached during the Shanghai G20 in Feb 2016. The DXY is expected to need to fall to the low 90s to help generate substantial US inflation but this could cause problems in Europe and Japan.

Local:

- The Nifty was the worst-performing regional market during the week, down 0.6%, with banks and cap goods seeing major declines. India braces for its biggest tax reform since independence, as GST is rolled out from July 1. Near-term disruption is likely considering the extent of change GST will bring to existing indirect taxation in India.
- The Central government has approved implementation of hikes in allowances of its 4.9m employees as per the 7th Pay Commission effective from 1 July 2017. Of the total Rs1trn additional burden on the Centre, Rs700bn related to basic salary and pension was implemented last year while the remaining Rs300bn will be incurred this fiscal. Some part of this will also be notional considering 60% of allowances are housing rent related; a good portion of which is provided by the Government to its employees. Interestingly, RBI has highlighted that HRA increase could lead to higher CPI as housing is 10% of CPI and RBI monitors notional rent that Govt charges its employees.
- Indian PM Modi and US President Donald Trump met for the first time during Modi's visit to the US. While no major deals, barring a couple of defence-related purchases, were announced, it was the greater convergence of US views to that of India's on Pakistan and China which is being seen as a positive for India. India moved closer to the US under the Modi-Obama regime but there were reservations under Trump considering his views on H1B visas and climate change which undermines India's position. The first meet is being seen as an ice-breaker and further progress is expected as Trump has accepted Modi's invitation to visit India.

View:

- 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. Invest systematically and use corrections to increase the exposure to equities.

Key Rates (%)	30-Jun-2017	23-Jun-2017	% Change
Mibor Overnight	6.25	6.17	1.3
CALL (O/N)	6.11	6.08	0.49
CBLO	6.05	5.87	3.07
T Bills Index (12M)	6.35	6.36	-0.16
10 Year GSEC	6.51	6.46	0.77

Commodity Market



Commodity (INR)	30-Jun-2017	Gain+/Loss-	% Change
Gold (10 gm)	28782	80	0.28
Silver (1 kg)	38496	-105	-0.27
Crude Oil (\$/barrel)	47.92	2.38	5.23

Currency Market



Currency	30-Jun-2017	Gain+/Loss-	% Change
USD/INR	64.74	0.2	0.31
EURO/INR	74	1.92	2.66
GBP/INR	84.26	2.29	2.79
JPY/INR	57.78	-0.23	-0.4



Debt Market Update

- Indian government bond yields fell in the first quarter of this fiscal year, amid expectations the country's Monetary Policy Committee will ease rates going ahead after retail inflation cooled to a record low.
- However, gains in global bond yields this week capped further fall in local papers' yields.
- The benchmark yield declined 15 basis points this quarter. It also fell 15 basis points in June, the second consecutive monthly fall. However, the benchmark yield rose five basis points this week, its first weekly rise since the week ending Apr. 28.
- India's rate-setting MPC maintained a neutral stance and kept key policy rates unchanged earlier this month. However, the panel lowered its inflation projection for the year, leading to speculations that a rate cut may follow soon.
- India's retail inflation in May eased to a record low of 2.18%. Market expects inflation to fall below 2% in June and July
- Bonds traded lower this week, as gains in global bond yields weighed on demand for emerging market debt, while investors eyed possible hardening of rates in developed economies.
- The U.S. 10-year treasury yield hit 2.30% in electronic trading today, its highest in six weeks. It was last at 2.27%. The yield has risen by 13 basis points so far this week, amid bets that central banks in Europe will be less accommodative in the coming months.
- Earlier this week, the European Central Bank President Mario Draghi said the ECB may tweak its stimulus, so it does not become more accommodative, as the economy recovers. Bank of England Governor Mark Carney said a rise in British interest rates is needed, as the economy comes closer to running at full capacity.



Debt Market Outlook

- We will be entering a new era starting 1 July as we go live on GST on macro basis

this is likely to have lots of positives but in near term uncertainty can cause volatility and therefore it should be taken as an opportunity to invest

- GST is and will be the biggest reform in the times to come
- Last week was a short week and therefore supply pressure was felt by the markets
- The monetary policy minutes were unable to cheer the markets and bonds were sold off at all attempts to rally by the bulls
- The real problem was domestic supply of bonds with global yields sell off which added to the problem
- Draghi statements on removal of monetary stimulus without tightening policy hurt the bond yields and lead to a sharp sell off in German bunds and entire region, on the other hand Yellen also dint gave any respite to the market
- The 10 year bond was up by 5 bps from 6.46% levels to 6.51% levels
- On technical basis the 10 yr should not close above 6.53 on weekly basis for the bull run to continue
- Friday auction was taken well and market was well supported despite global selloff
- The UST rose sharply to 2.27%
- Brent crude went back to 47\$ mark leading to volatility
- The trend is down therefore nothing material from commodities
- INR remain broadly range bound and showed strength and traded around 64.50
- During the current week we expect 10 yr to trade in the 6.43-6.48 band
- Liquidity is easy in the system with CBLO rates hovering in the 6.15-6.25% band

	CD	PSU	NBFC AAA
2/3 months	6.35	6.35	6.7
1 year	6.65	6.8	7.2
2/3 year		7.05-7.10	7.60-7.80
5 year		7.15-7.25	7.80-7.90



Commodity Market Update

Crude Update:

- Crude fell more than 1 % on Friday, heading for a second straight week of losses, on worries that U.S. President Donald Trump's decision to withdraw from an international climate accord will spur further domestic production and contribute to a persistent global oversupply.
- The U.S. West Texas Intermediate crude July contract fell 70 cents, or around 1.5%, to end at \$47.66 a barrel by close of trade Friday. It touched its lowest since May 10 at \$46.74 earlier in the session.
- The U.S. benchmark lost \$2.14, or about 4.3%, on the week, the largest weekly decline since the week ended May 5.
- Elsewhere, on the ICE Futures Exchange in London, Brent oil for August delivery declined 68 cents to settle at \$49.95 a barrel by close of trade, after hitting a daily trough of \$48.95, a level not seen since May 10.
- For the week, London-traded Brent futures recorded a loss of \$2.20, or roughly 4.2%

Gold Update:

- On the domestic front, standard gold (99.5 purity) resumed higher at Rs 28,890 per 10 grams from last Friday's closing level of Rs 28,835 and moved in a range of Rs 28,945 and Rs 28,745 before concluding at Rs 28,770, revealing a modest loss of Rs 65, or 0.23 %.
- Pure gold (99.9 purity) also commenced positive at Rs 29,040 per 10 grams compared to preceding weekend level of Rs 28,985 and hovered in a range of Rs 29,095 and Rs 28,895 before ending at Rs 28,920, showing a fall of Rs 65, or 0.22 %.
- In worldwide trade, gold saw their highest weekly close since April, with prices up a fourth week in a row, after a reading on US job growth fell short of forecasts for a strong payrolls jump in May and cast some doubt on the pace of gold-negative US interest-rate hikes this year.
- Gold settled at their best level since April 21 and rose roughly 1 % for the week, while silver finished about 1.2 % higher for the week.
- Silver ready (.999 fineness) opened higher at Rs 40,340 per kilogram from last Friday's closing level of Rs 40,235 and moved in a range of Rs 40,630 and Rs 39,860 before closing at Rs 39,920, revealing a fall of Rs 315, or 0.78 %.



Currency Market Update

- After overcoming early setback in the face of hardening geopolitical jitters and also month-end oil-related dollar demand from importers, the home currency staged a smart rebound toward the tail-end trade.
- Meanwhile, India's annual economic growth rate unexpectedly slowed to 6.1 % in the January-March quarter, its lowest in more than two years, while the expansion of eight core sectors declined to 2.5 % in April.
- The rupee resumed higher at 64.48 against last Friday's closing value of 64.44 at the Interbank Foreign Exchange (forex) market.

- It later succumbed to heavy selling pressure due to month-end dollar demand and drifted sharply to a low of 64.70.
- However, the home currency staged a smart rebound towards the tail-end to hit a high of 64.32 before ending the the week on a steady note at 64.44.
- Foreign funds were net sellers and offloaded a net amount of USD 46.26 million, according to provisional figures by stock exchanges.
- In worldwide trade, the dollar collapsed to a fresh seven-month lows on Friday after data showed the U.S. Economy created fewer jobs than expected last month, which could derail a possible interest rate hike by the Federal Reserve in the second half of this year.
- The dollar index — a measure of the US currency against a basket of six trade-weighted peers dropped sharply to end at 96.61 - the weakest since president Trump's election.
- In the meantime, country's forex reserves fell by USD547 million to USD 378.8 billion during the week ended 26 May 2017. Reserves touched an all-time high of USD 379.3 billion during the preceding week.
- The RBI fixed the reference rate for the USD at Rs 64.9906 and Euro at Rs 72.2955 against preceding week's level of Rs 64.4208 and Rs 72.2673 respectively.

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